

**MULTI-GENERATIONAL  
MULTI-CULTURAL**

**TIME**

**The  
Future  
Of  
Work**



**→ MOBILE!**

**October  
2012**

**EARLY  
SPRING**

MARKET SELLING SEASON



**Regulation & Litigation**



**Economic Trends**



**More Short Sales**

**FORECLOSURE**

**Appraisals  
Improve**



**Low Mortgage Rates  
For Now...**



**Inflation  
Coming!**

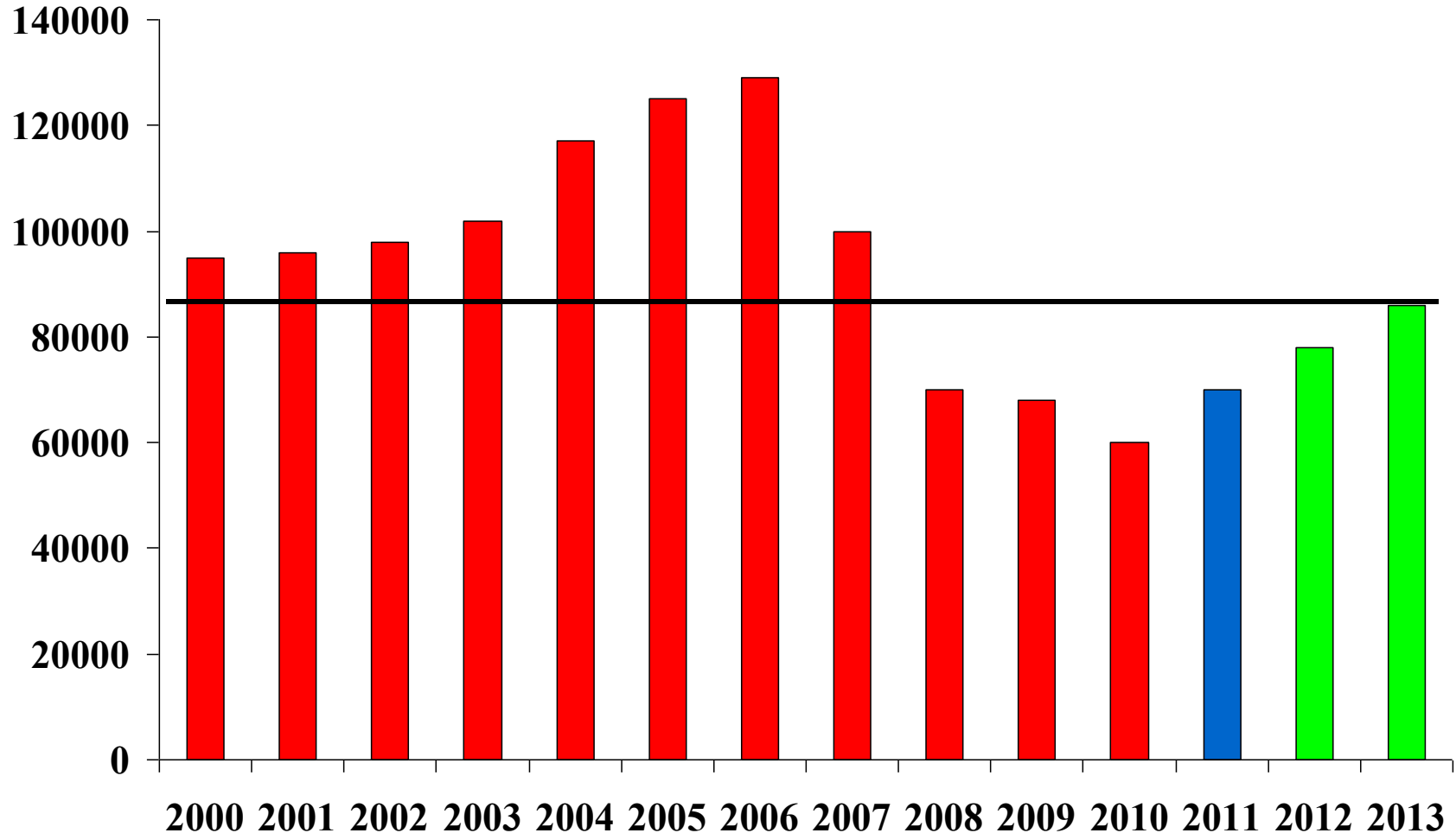
**Case-Shiller Reports...**



- Home Values Continue Recovery
- Still Down From Peak July 2007

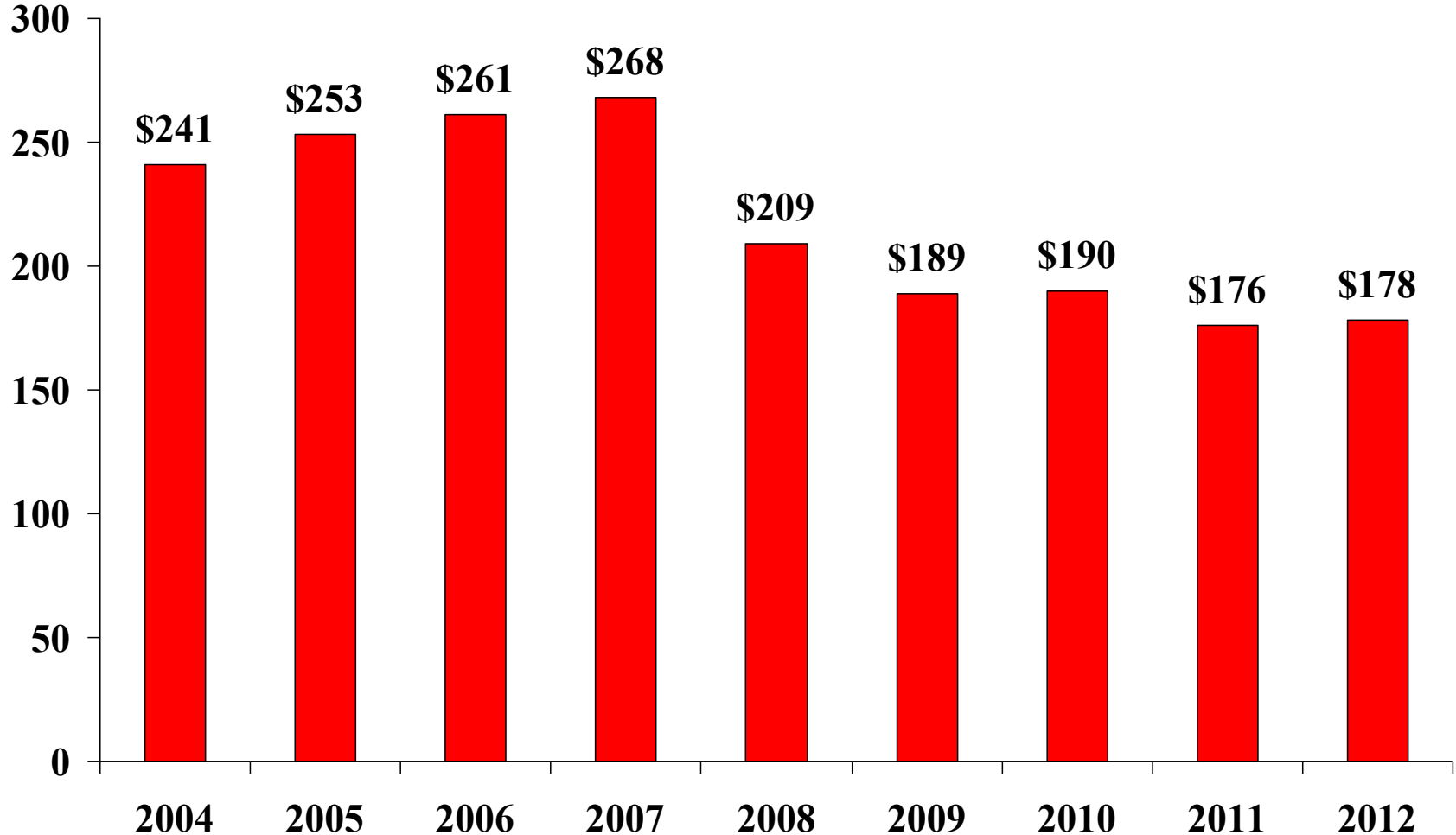


# Metro Atlanta Homes Sold



- **125,000 Homes Sold In 2006. 60,000 Homes Sold in 2010.**
- **SmartNumbers Predicts Normal Market Should Be 80,000 – 85,000 Sales.**
- **Expect To See 75,000 Homes Sold In 2012. Moving Back To Normal.**

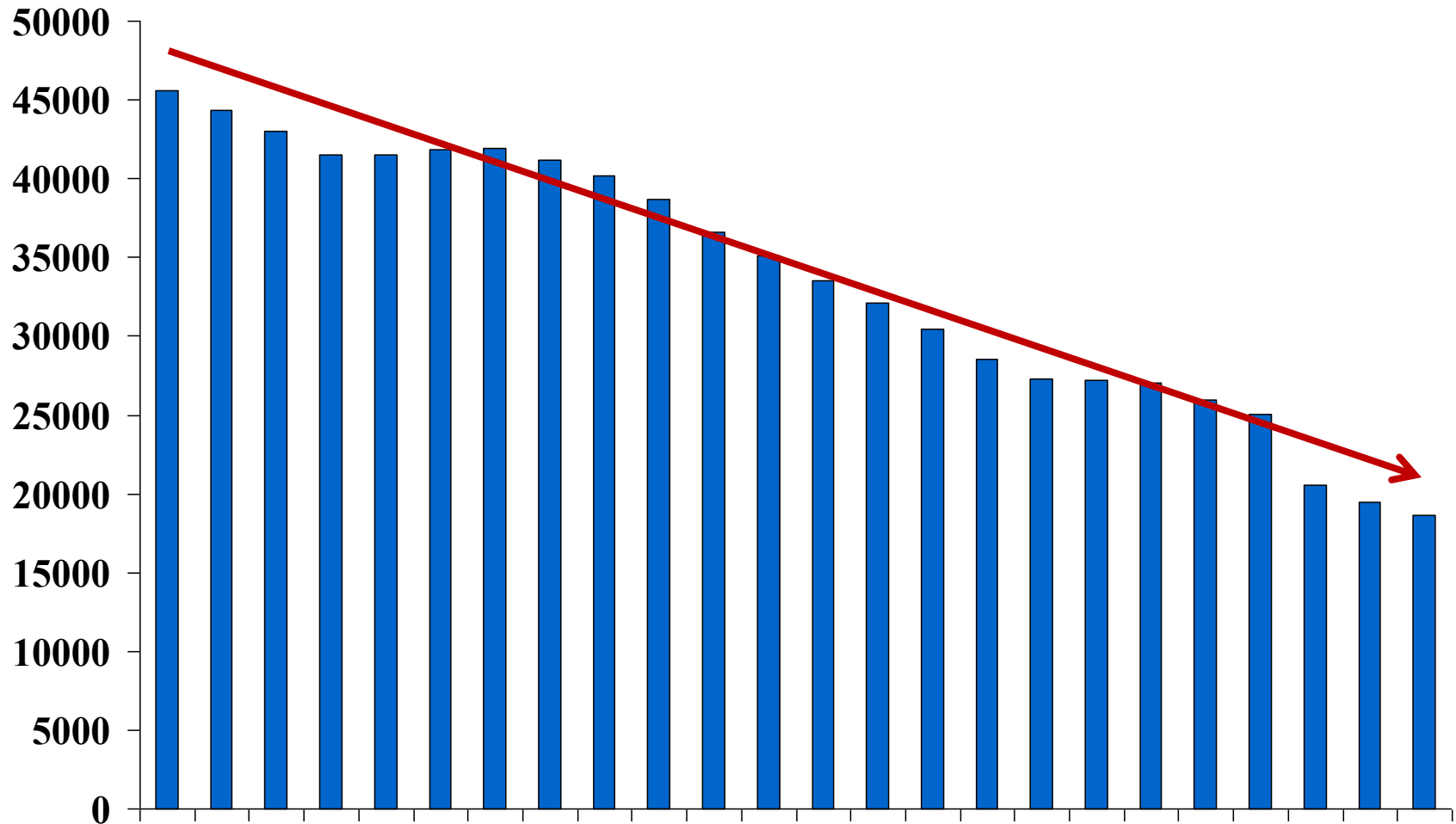
# Metro Atlanta Average Sale Price Trend






- **Average Sales Price Dropped Due To Higher Low End Mix And Lower Overall Home Values**

# Listed Inventory Sept 2010 – Sept 2012

## Residential Detached - Metro Atlanta

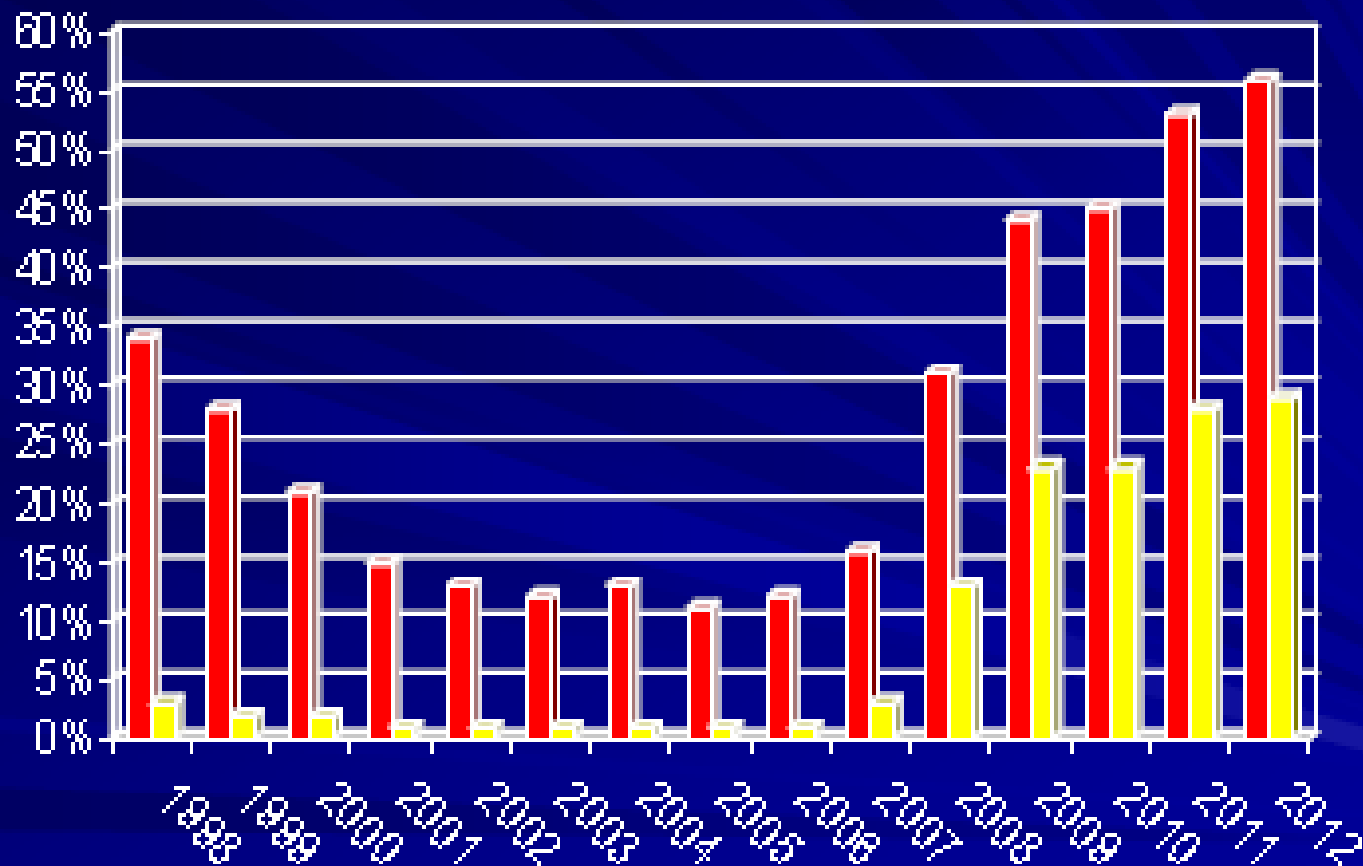


- **Inventory Levels Down 36.8% from Sept 2011, 51.9% from Sept 2010**

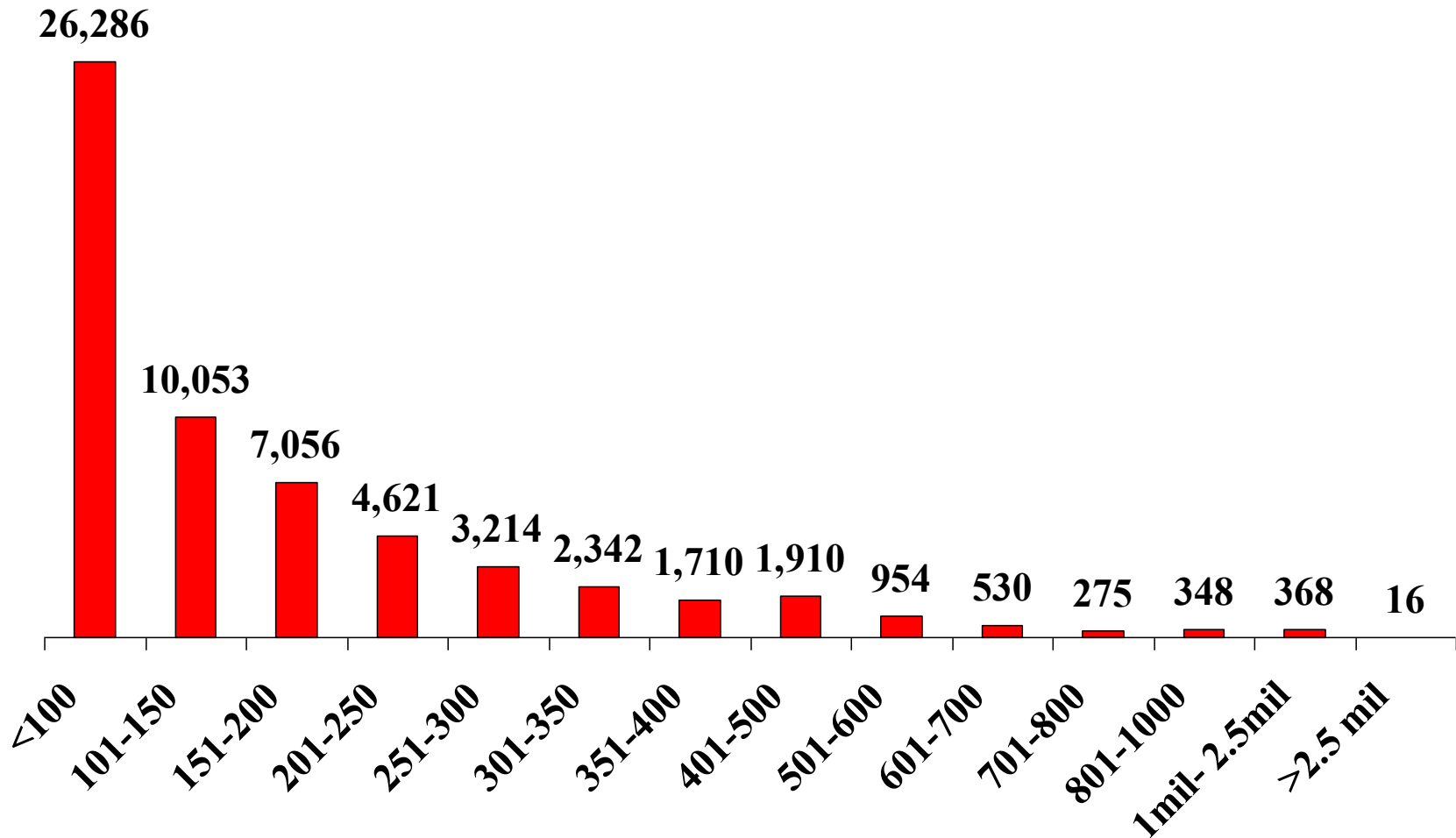
		 Pre-Foreclosures		 Foreclosures		 Bank Owned Sales	
	Date	Activity	Average Amount	Activity	Average Amount	Activity	Average Amount
7-12 Mos	Oct-11	5,663	\$182,731	1,968	\$128,038	2,444	\$81,957
	Nov-11	6,785	\$188,129	2,041	\$126,629	2,122	\$85,586
	Dec-11	4,577	\$182,662	2,672	\$119,300	2,490	\$89,031
	Jan-12	5,388	\$184,210	1,763	\$118,008	2,144	\$88,438
	Feb-12	4,208	\$182,962	1,837	\$117,777	2,384	\$86,796
	Mar-12	4,210	\$186,357	1,392	\$122,729	2,557	\$95,107
4-6 Mos	Apr-12	3,627	\$184,397	1,210	\$132,933	2,137	\$95,621
	May-12	4,601	\$186,973	838	\$128,906	2,045	\$96,853
	Jun-12	3,586	\$186,482	1,042	\$146,920	1,308	\$107,490
1-3 Mos	Jul-12	4,228	\$189,475	777	\$145,748	1,161	\$108,835
	Aug-12	2,297	\$192,374	447	\$150,106	1,035	\$116,386
	Sep-12	2,793	\$189,531	142	\$171,562	471	\$96,629
Grand Total		51,963 notices 34,698 properties	\$186,357	16,129	\$134,055	22,298	\$95,728

Bank-Owned Sales Outpacing Incoming Foreclosures.  
 New Foreclosures Lower Than Previous Periods.

# Percent of Resale Closings Under \$50M & \$100M Atlanta

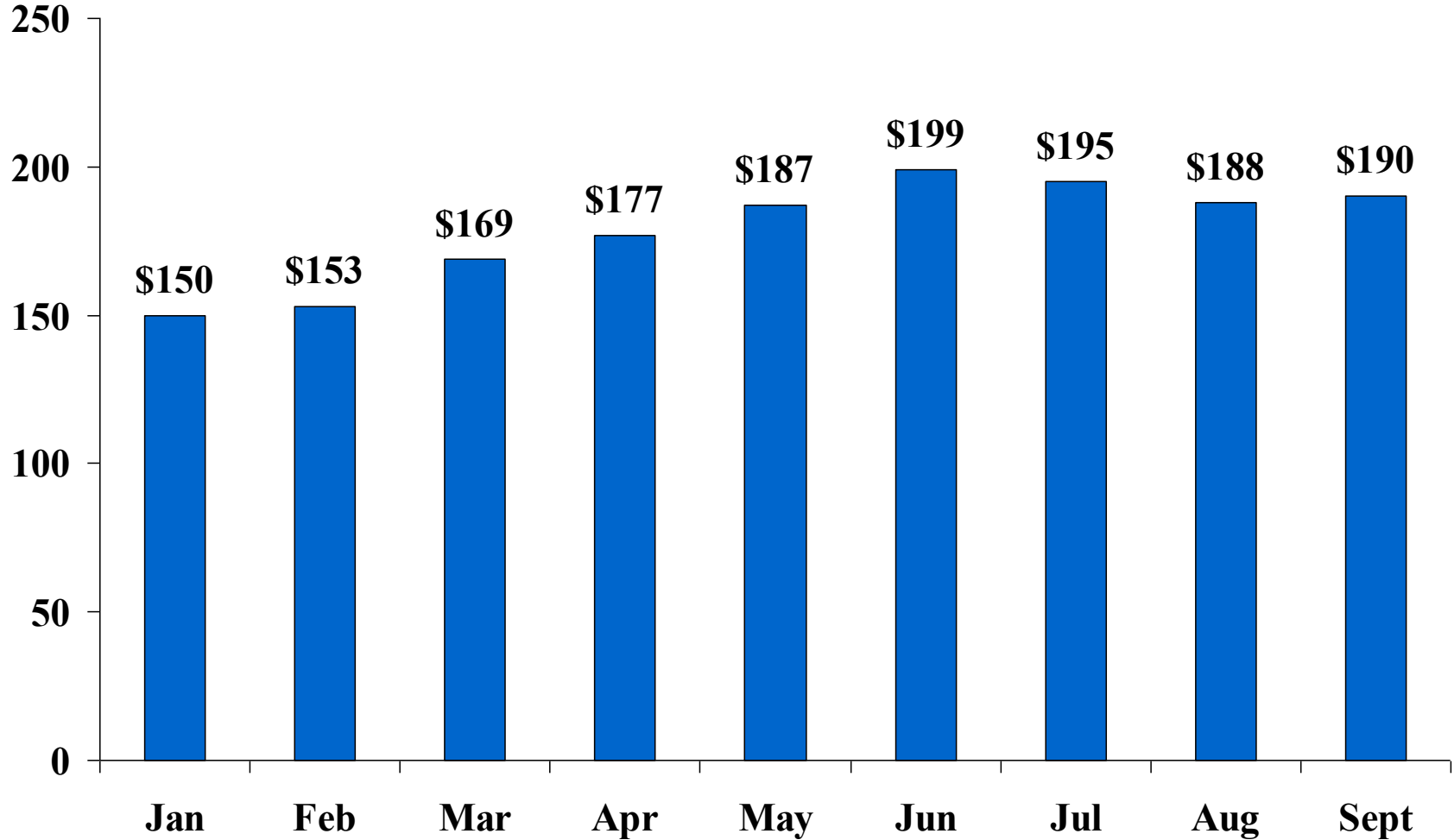


# **2012 - Metro Atlanta Price Distribution**



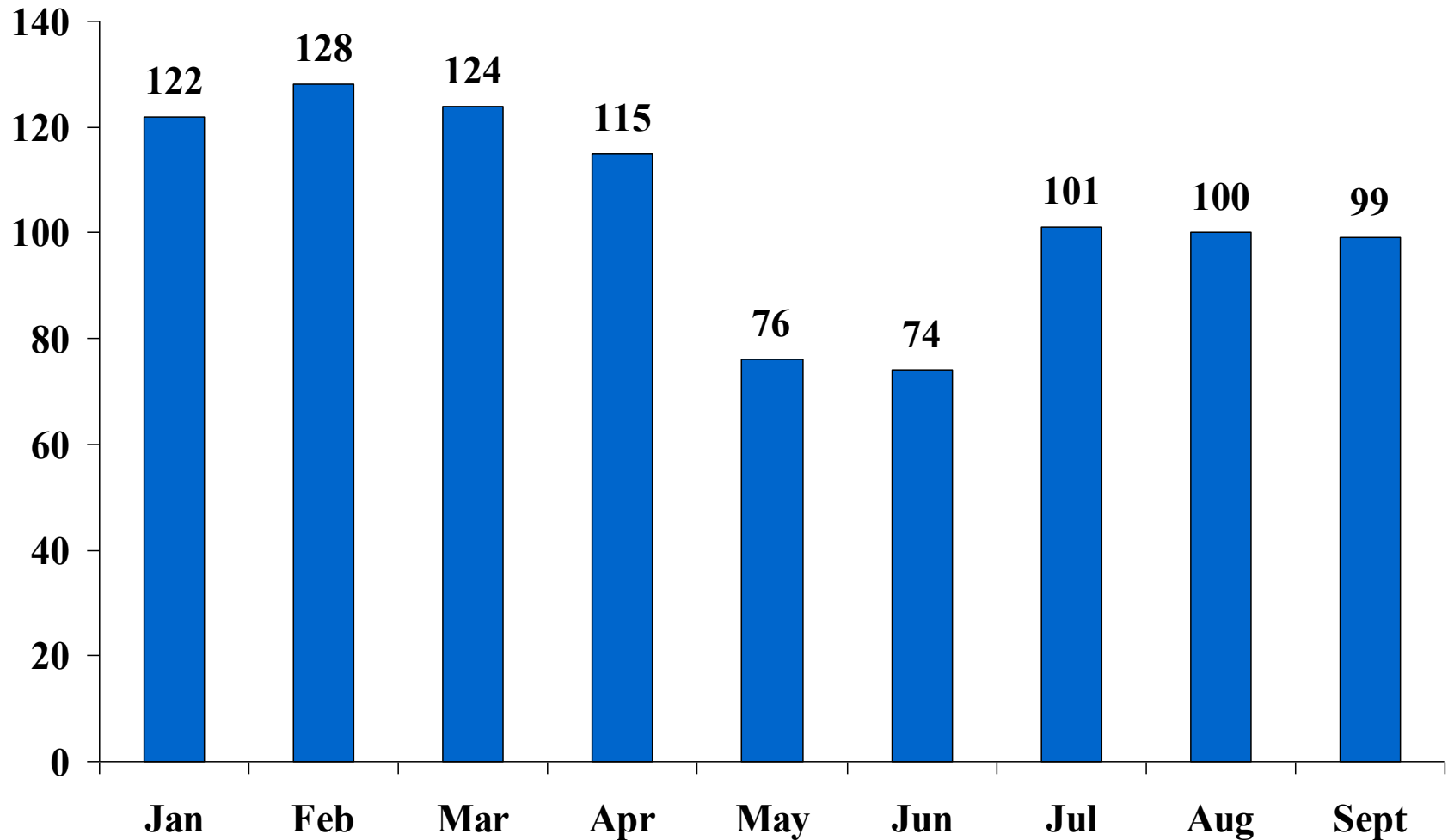
- **September 2012 – 44% of closings under \$100,000. Market Moving Back To More Normal Distribution For Sales Under \$100,000.**

# Metro Atlanta - Average Sale Price Trend



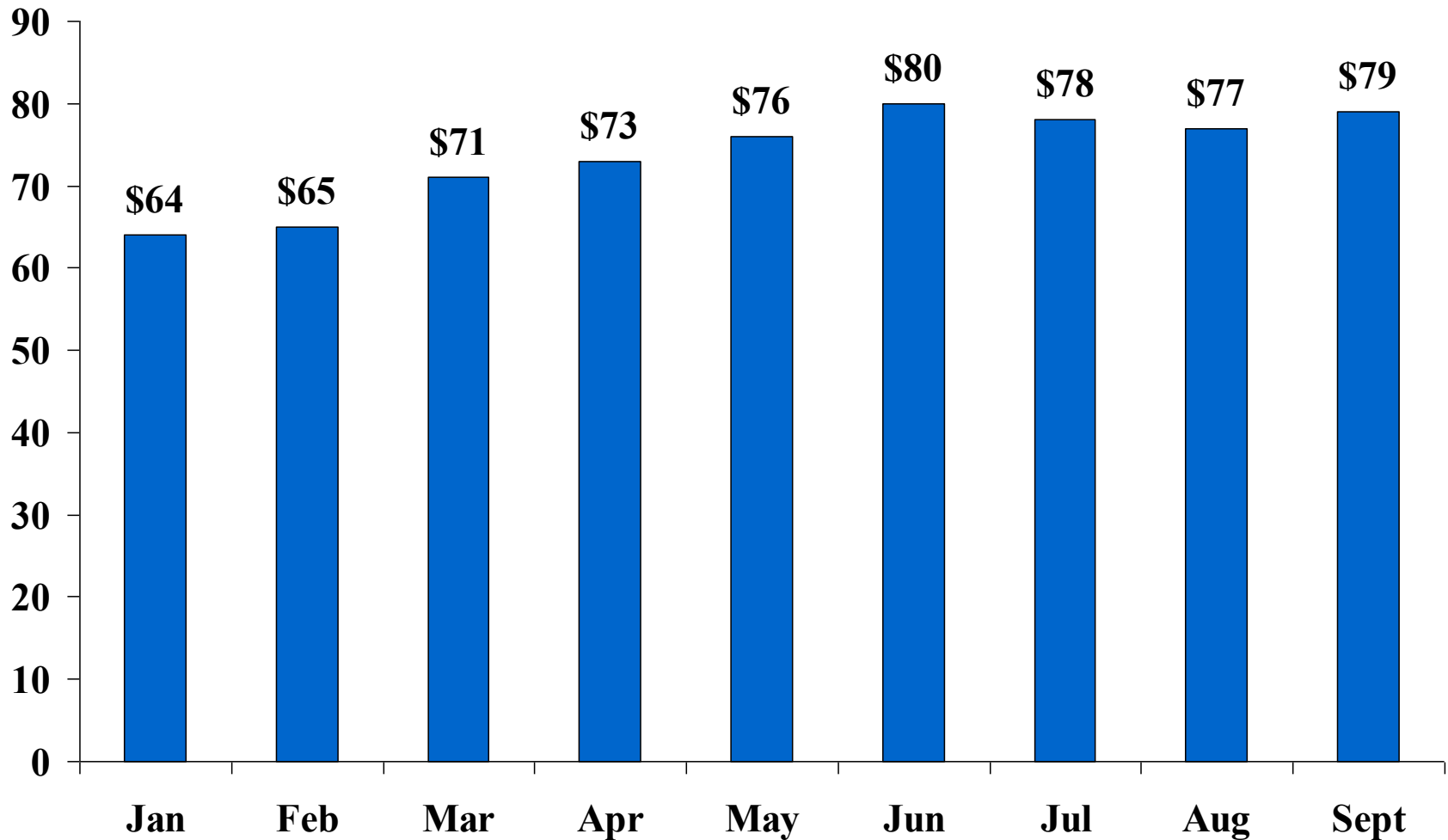
- **Average Sales Price Trending Higher In 2012**

# Metro Atlanta - Continuous Days On Market



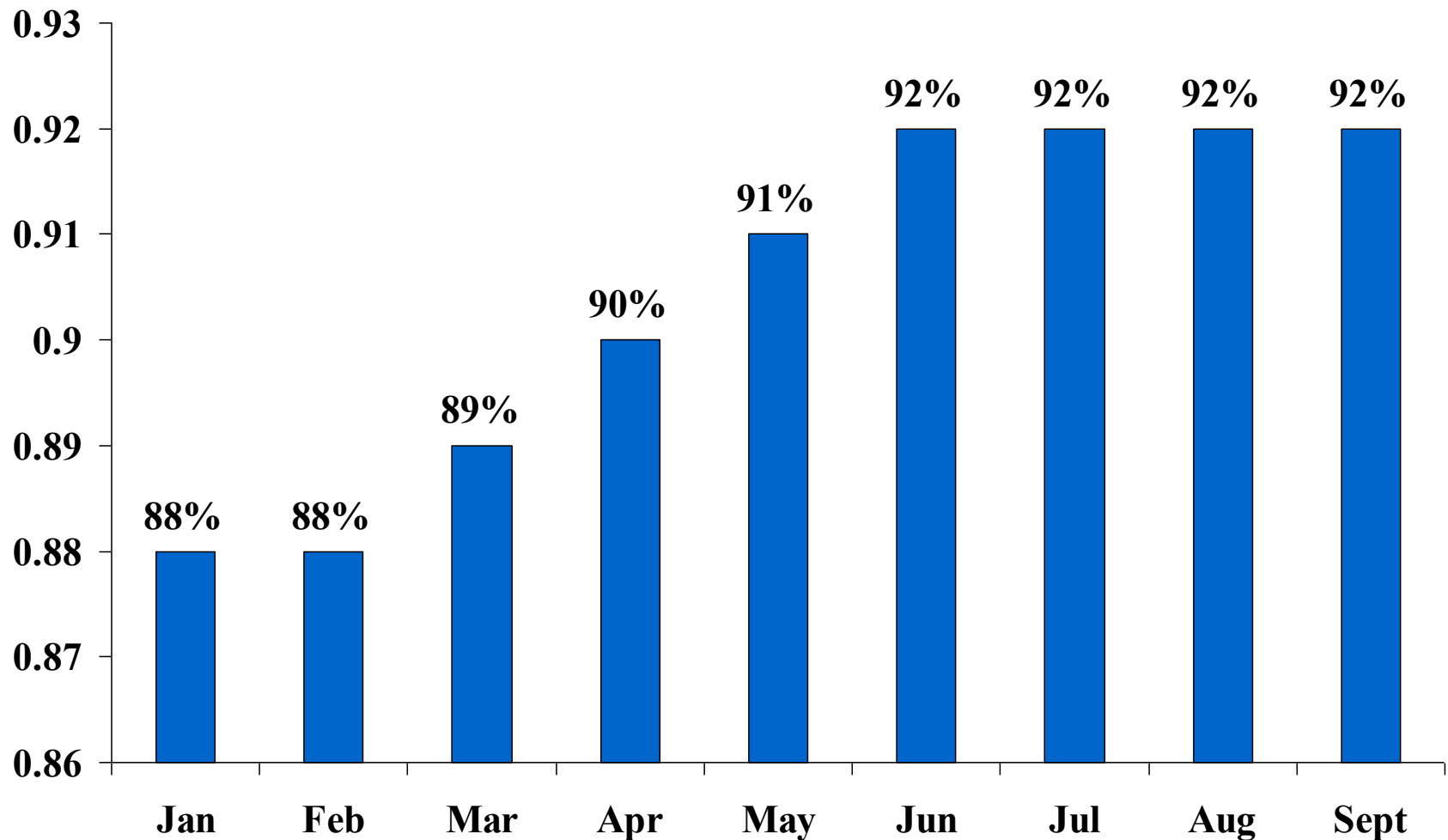
• Moving To A Seller's Market In 2012

# Metro Atlanta - \$ Per Square Feet



- **“\$ Per Square Feet” Up 23%. Prices Stabilizing And Mix Of Properties Moving Back To Normal.**

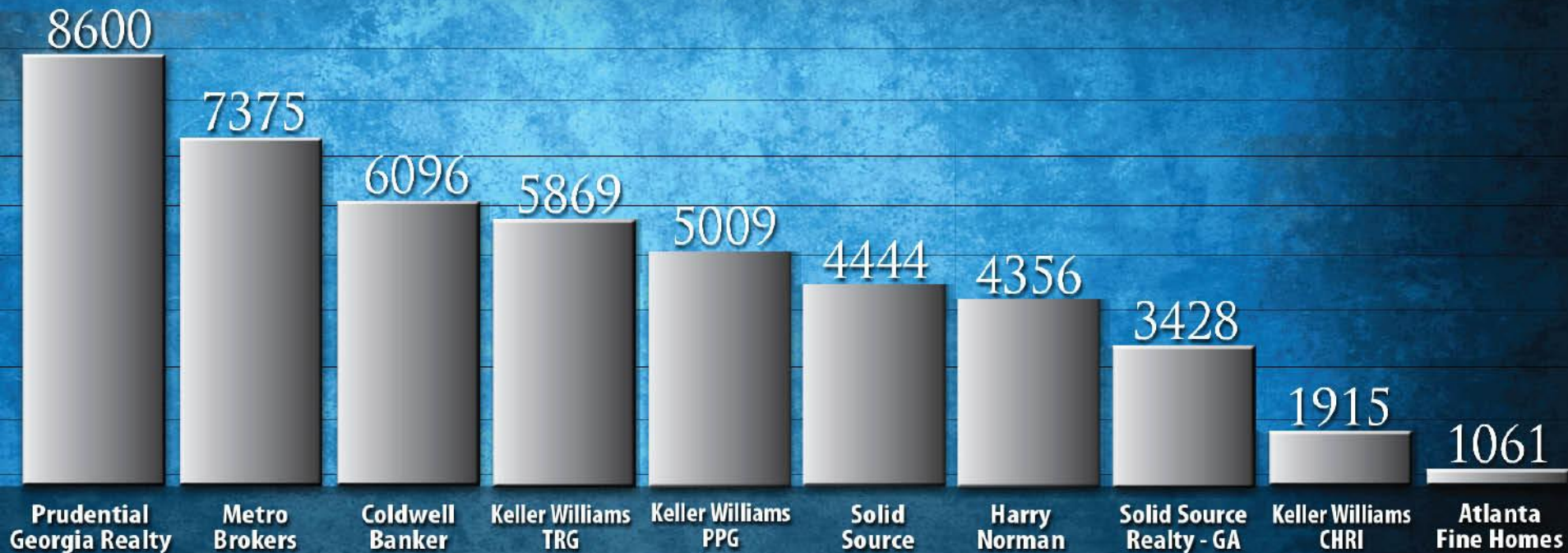
# Metro Atlanta - Original List To Sale Price



- **“Original List To Sale Price” Up 4.5%. Prices Stabilizing And Mix Of Properties Moving Back To Normal.**

# RANKED #1 IN HOMES SOLD

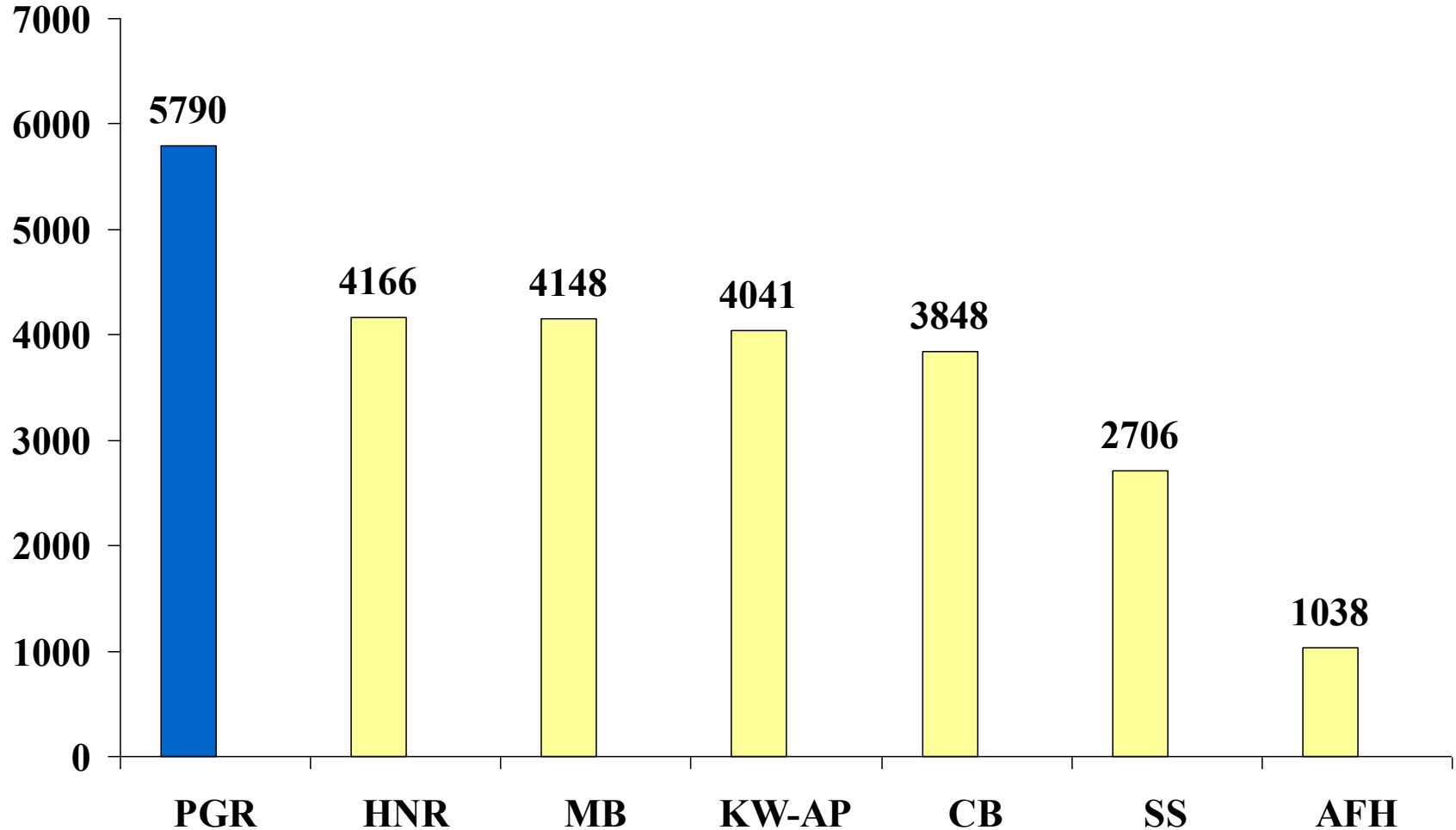
BY THE ATLANTA BUSINESS CHRONICLE - 2011



Trendgraphix & RealValuator Report That PGR Is  
#1 In Homes Sold - 2009, 2010, 2011 & YTD 2012.

# YTD Transactions – September 2012

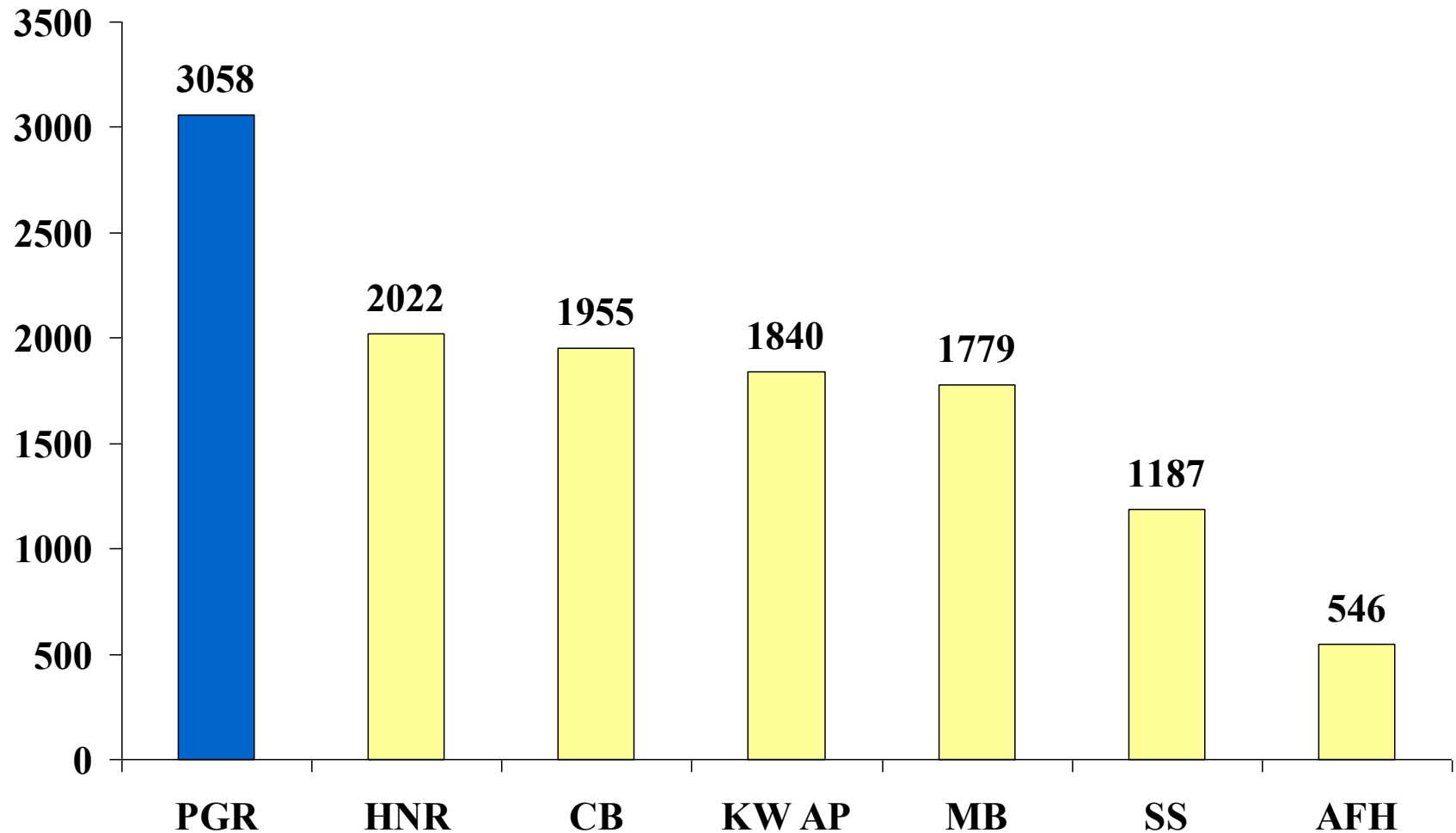
## FMLS Counties + Southside



Information Provided By Trendgraphix.

# YTD Listing Sales – September 2012

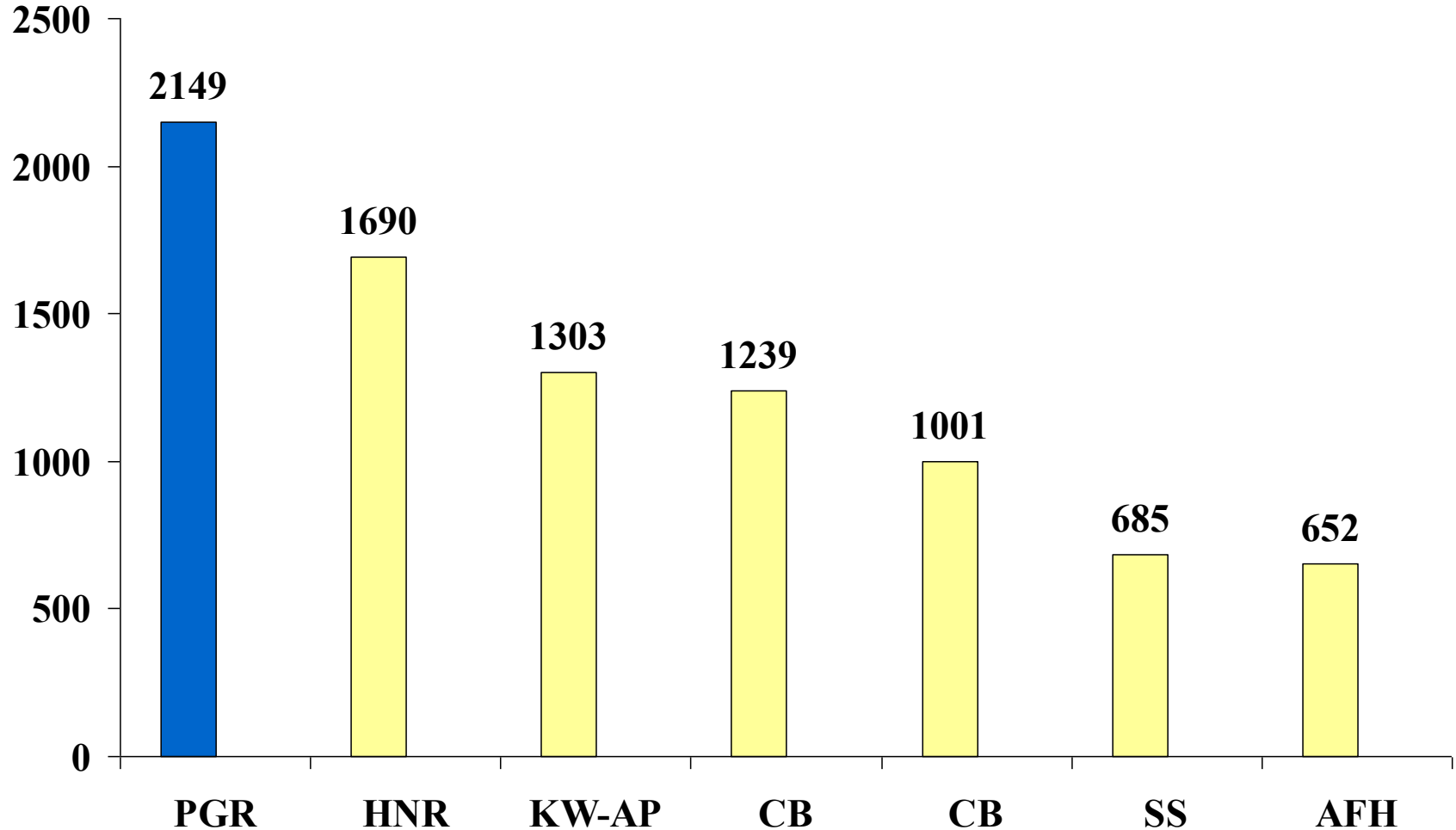
## FMLS Counties + Southside



Information Provided By Trendgraphix.

# Current Listing Inventory – September 2012

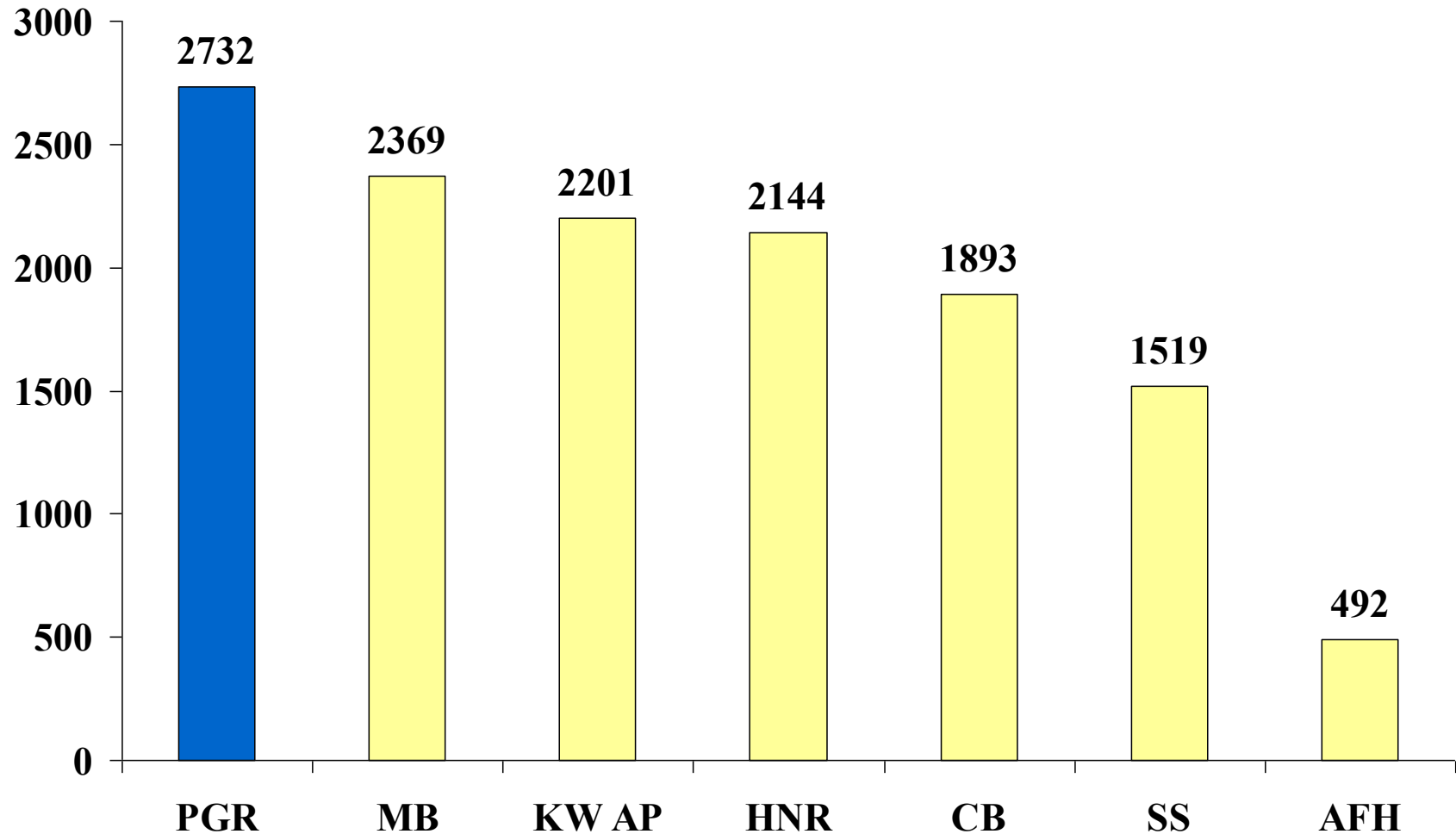
## FMLS Counties + Southside



Information Provided By Trendgraphix.

# Buyer Sales – September 2012

## FMLS Counties + Southside



Information Provided By Trendgraphix.

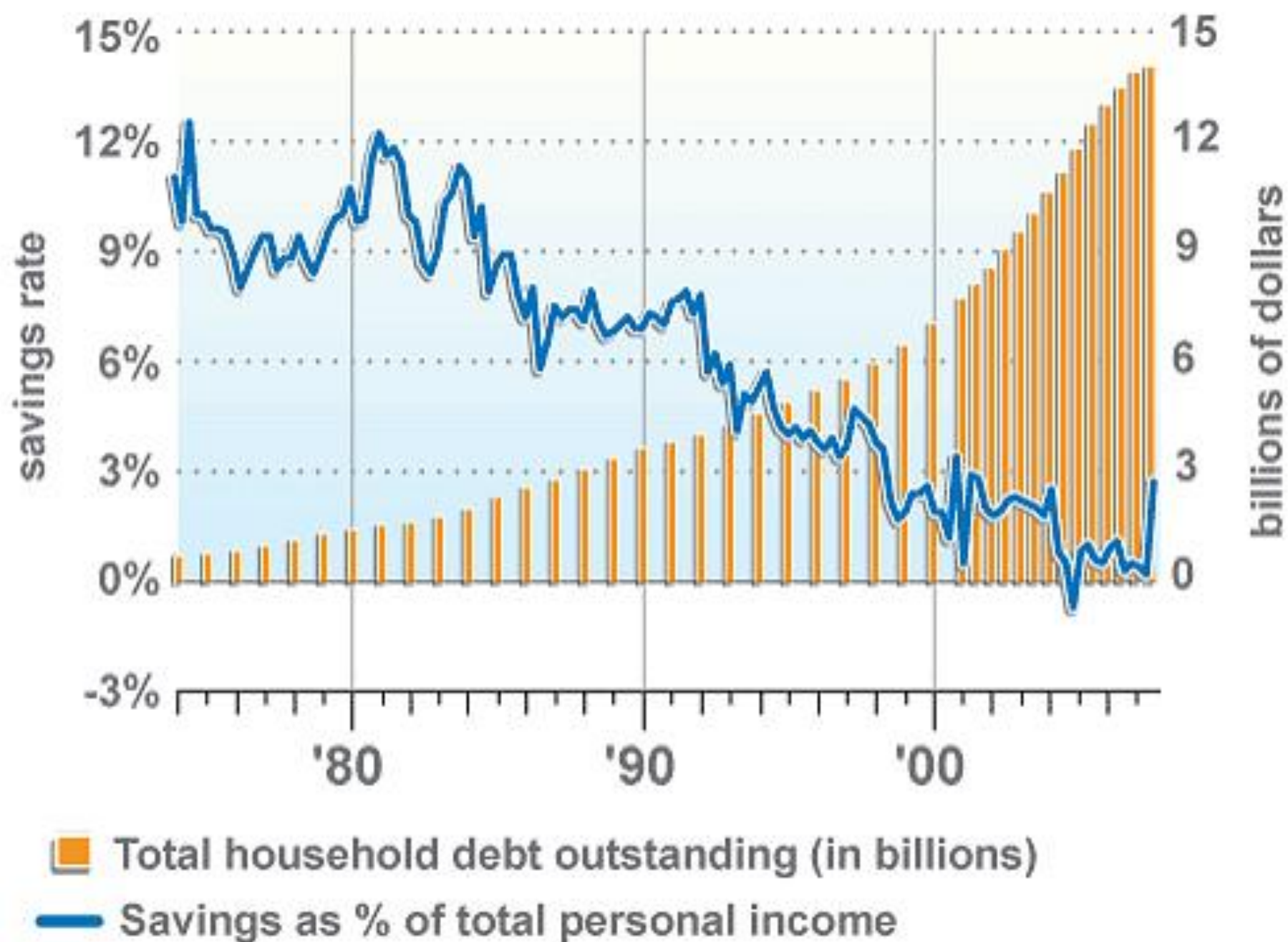
# Economic Trends





**We Now Compete In A Global Economy...**  
**What Happens In Other Places Matters!**





## The Wealth Effect?



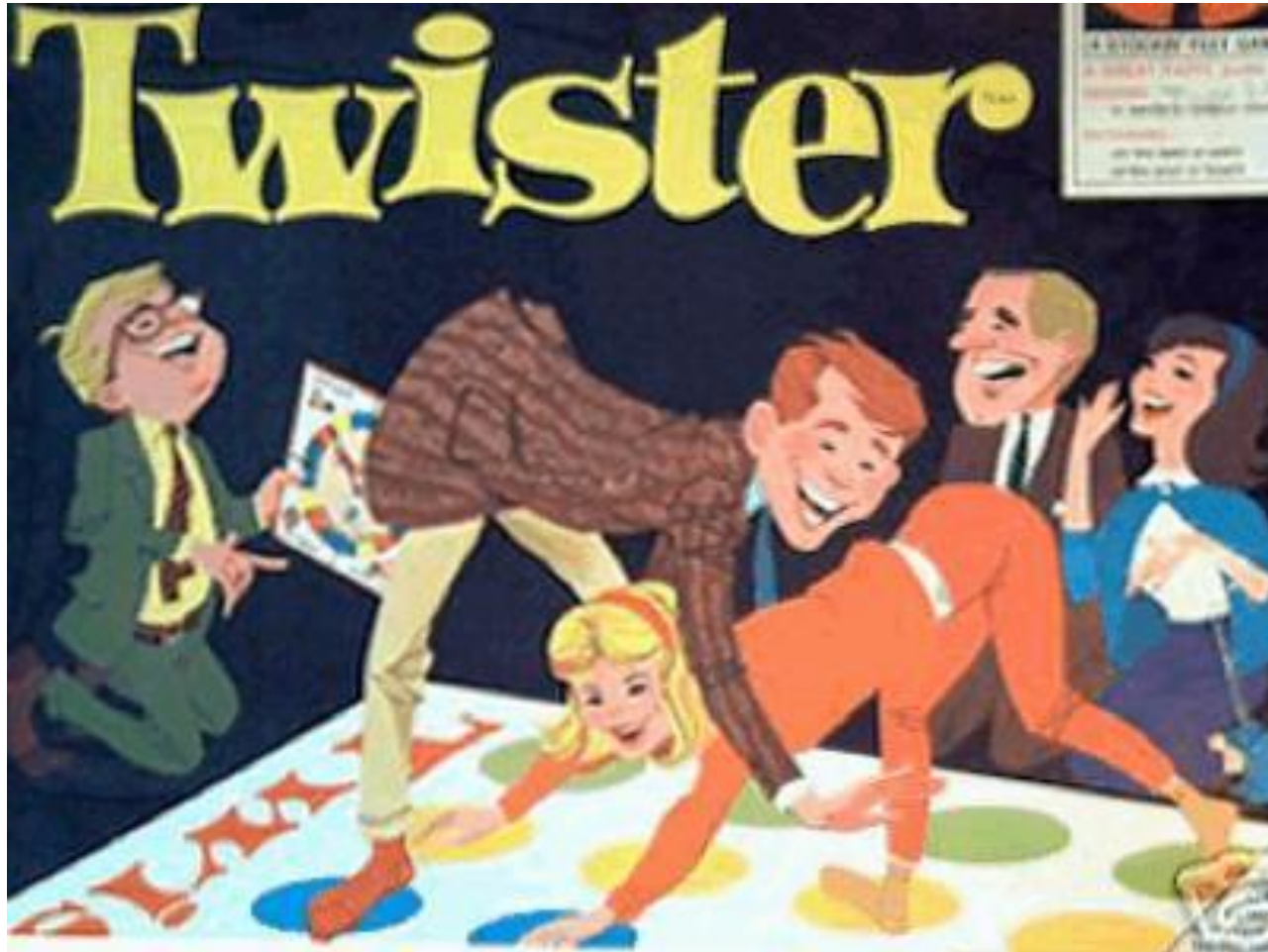
Source: Federal Reserve, Bureau of Economic Analysis, Haver Analytics

# What The Heck Is QE1 & QE2?



**Quantitative Easing!**  
*Otherwise Know As Printing Money*

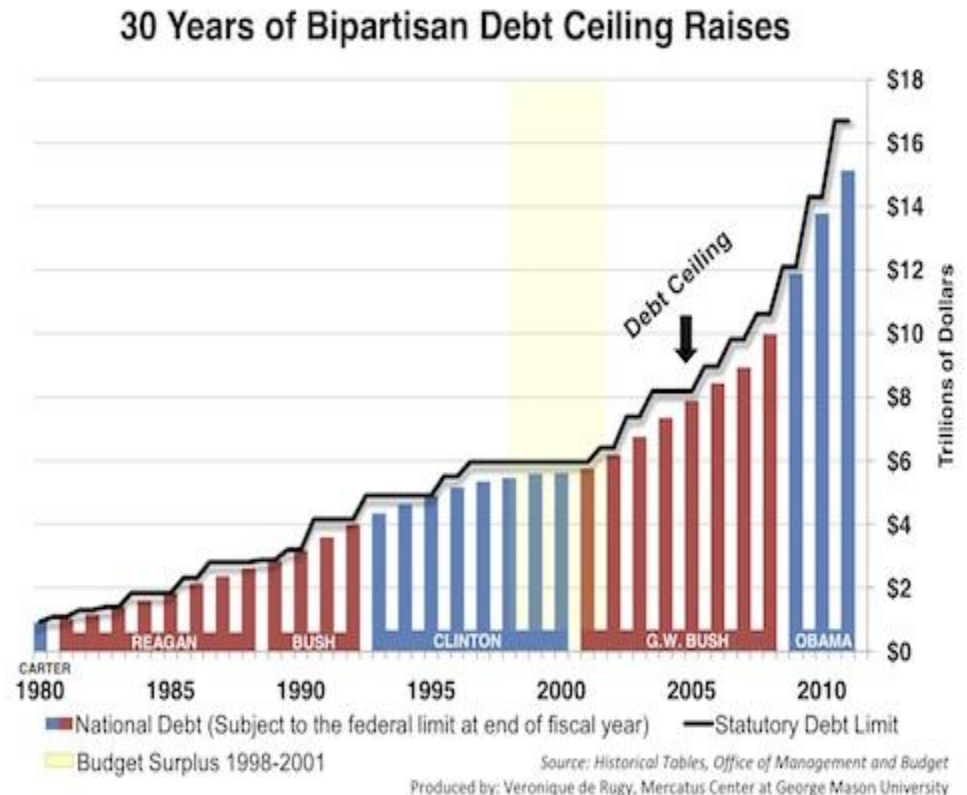
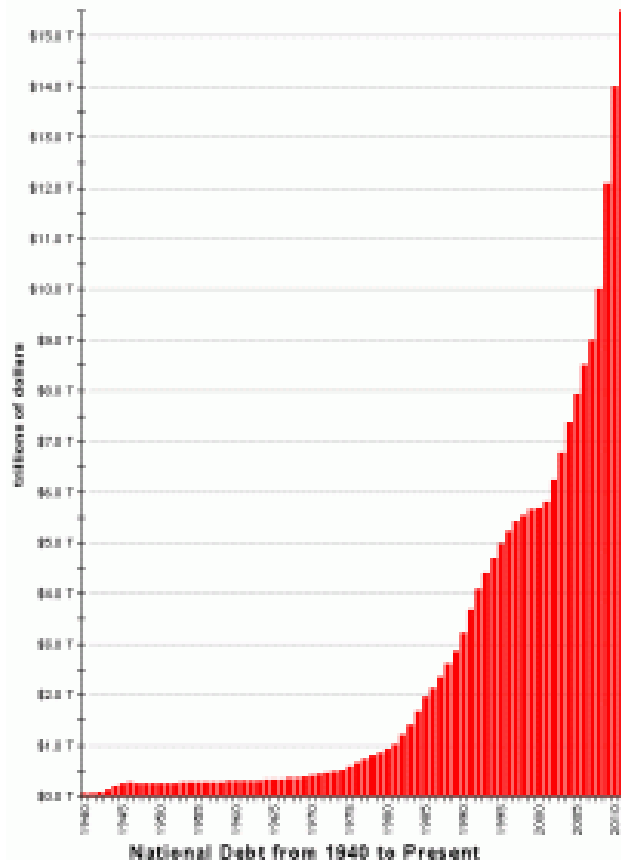
# Operation TWIST Renewed June 2012



**Now We Have QE3 With \$40 Billion Purchases  
Of Mortgage-Backed Securities Each Month.**

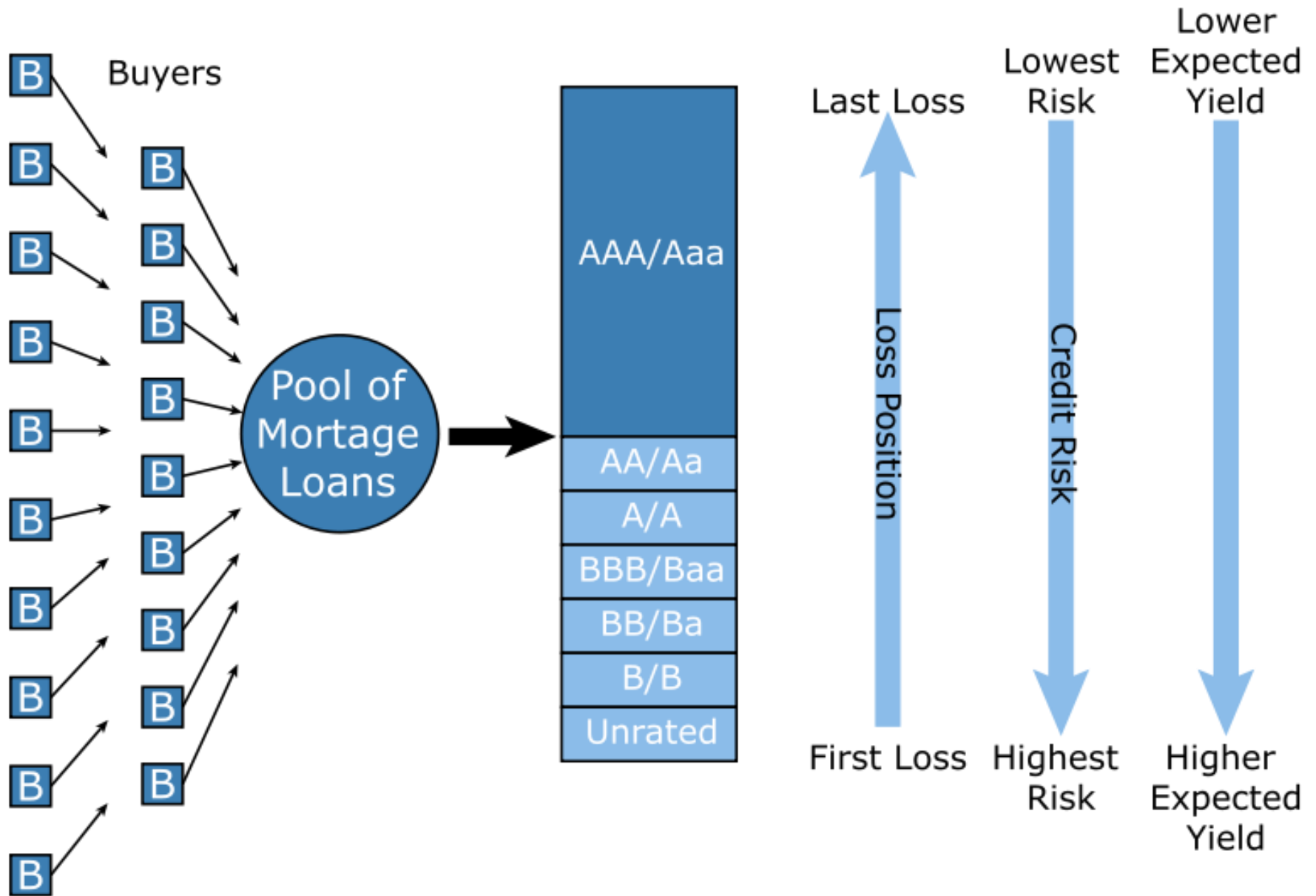
# August 2012

## \$16,000,000,000,000+



## U.S. Debt Ceiling \$16.4 Trillion

# Different Risk and Return for Different Investors





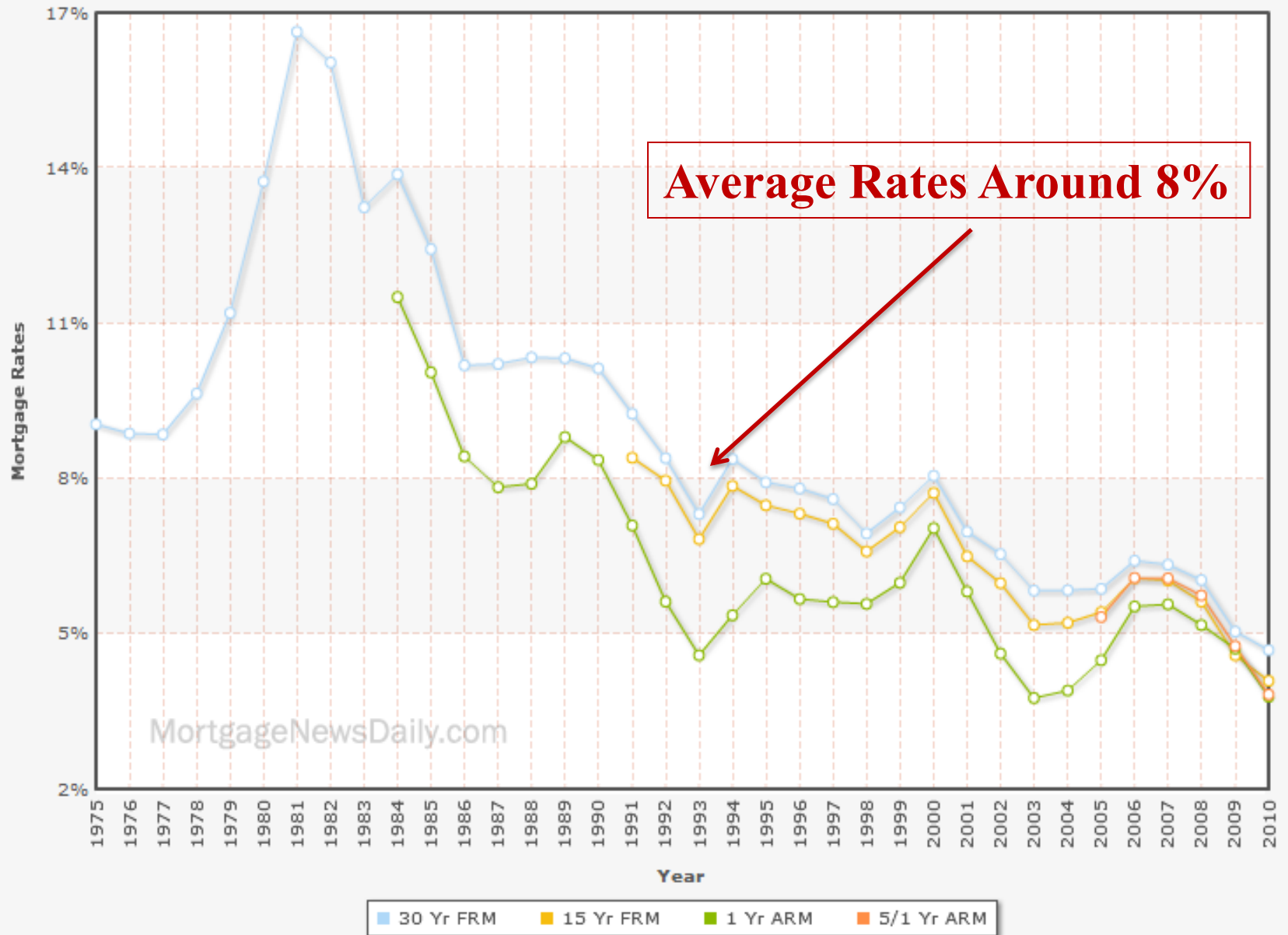
Freddie  
Mac

# **Low Mortgage Rates For Now...**

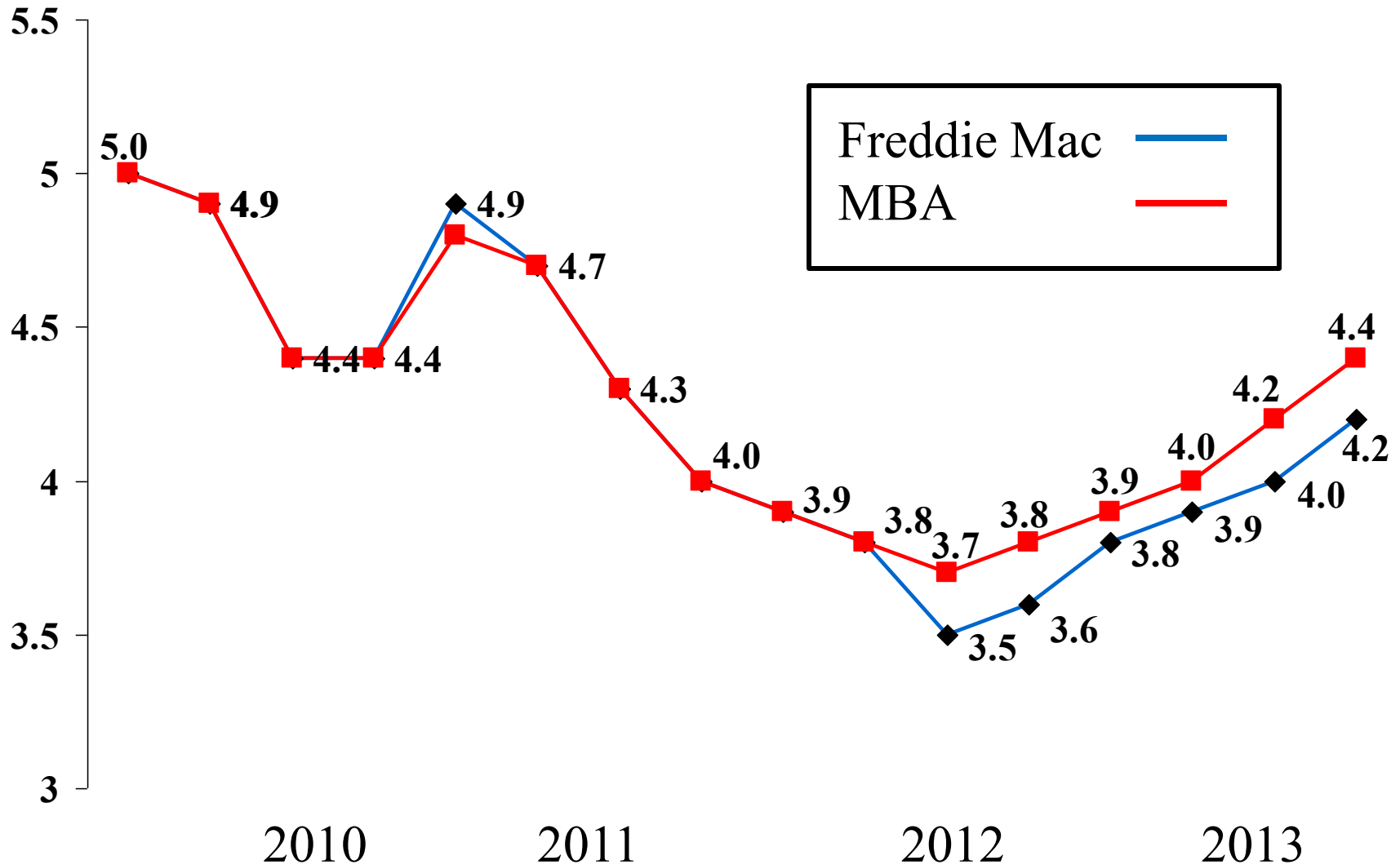


**Inflation  
Coming!**

## U.S. Average Weekly Mortgage Rates (36 Years)



# 2012 Freddie Mac & Mortgage Bankers Association 30-Year Fixed Rate Forecast – August 2012 2010 – 2013 Quarterly Averages

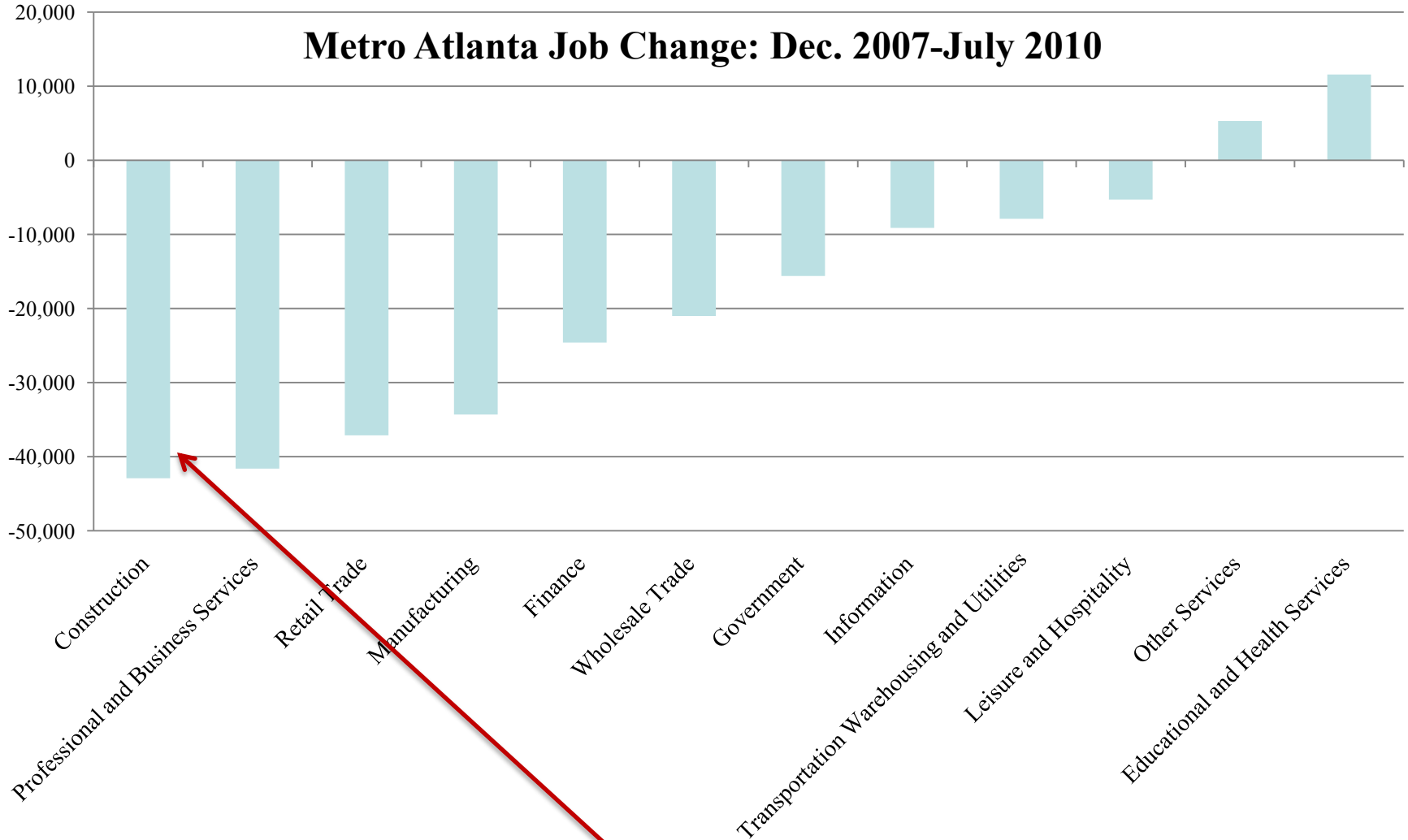


# Housing

# Demand

## 2012 & Beyond

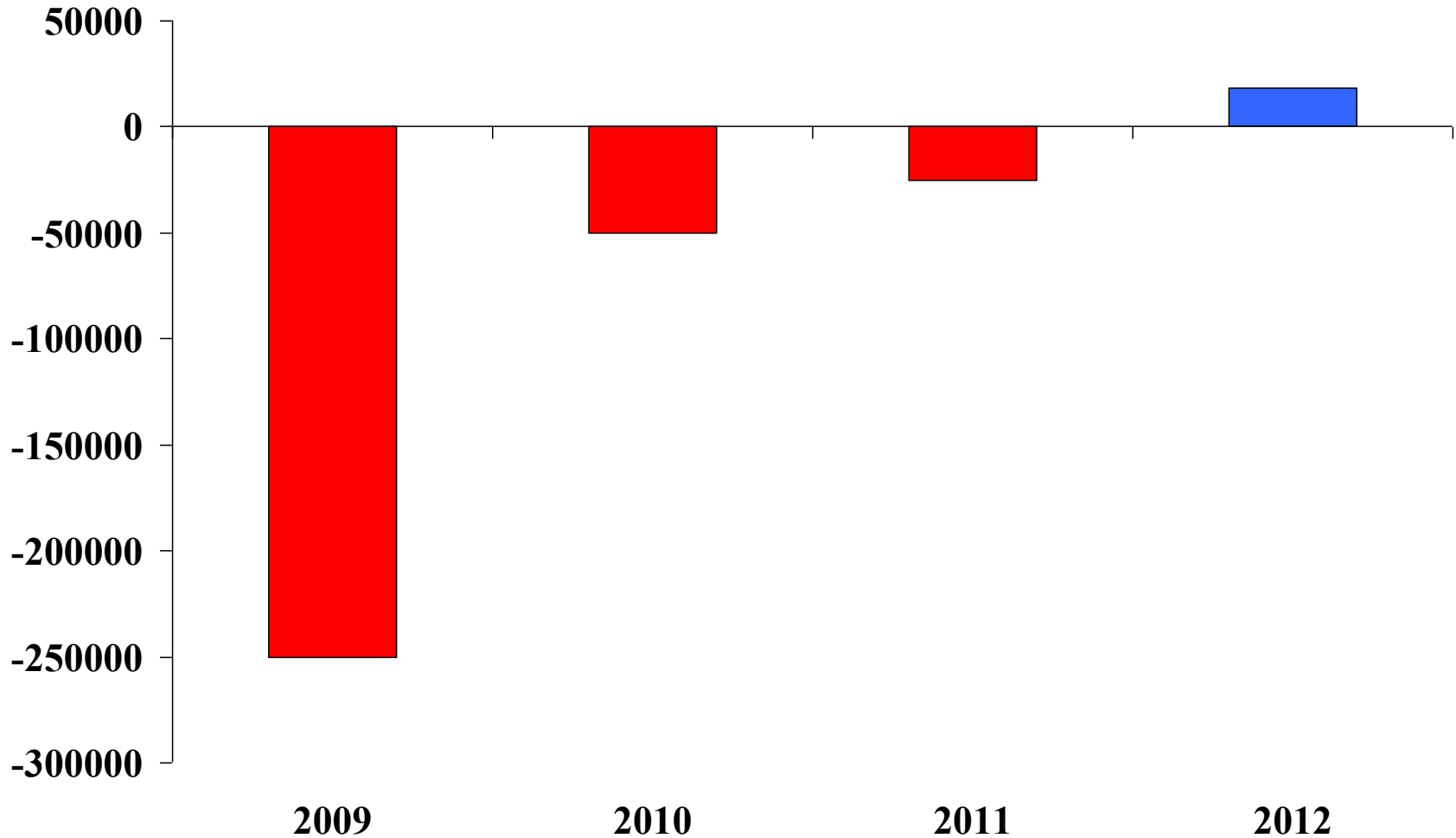
# Atlanta MSA Job Change



**Construction Was Most Impacted Industry In Our Market**

# Georgia Employment Trends

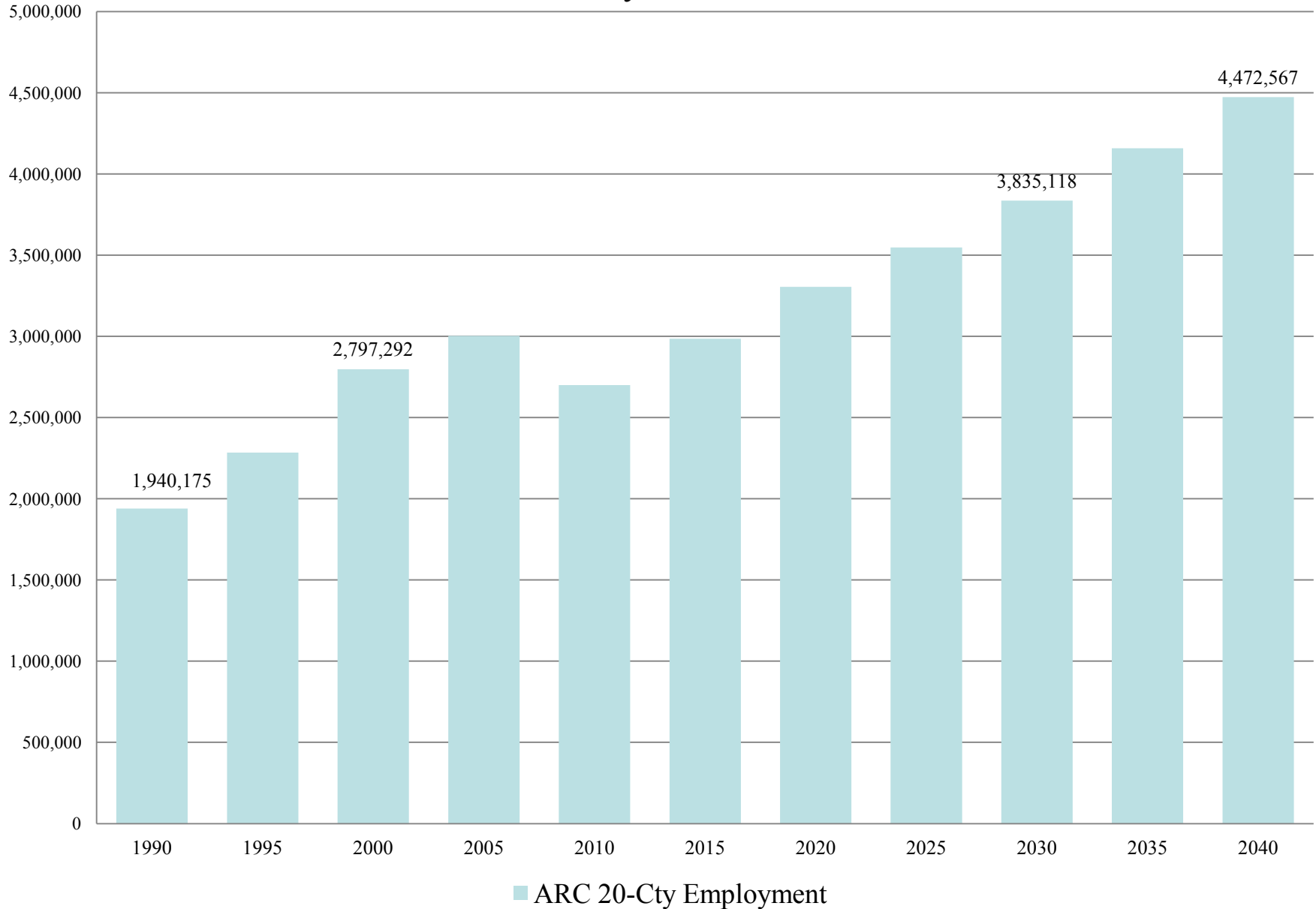
(Terry College of Business – University of Georgia)



- **Georgia Lost 325,000 Jobs In Last 3 Years. Construction and Banks Were The Largest Categories of Unemployment.**
- **2012 Restarts Positive Job Growth Trend!**

# Long-Term Employment Forecast Growth:

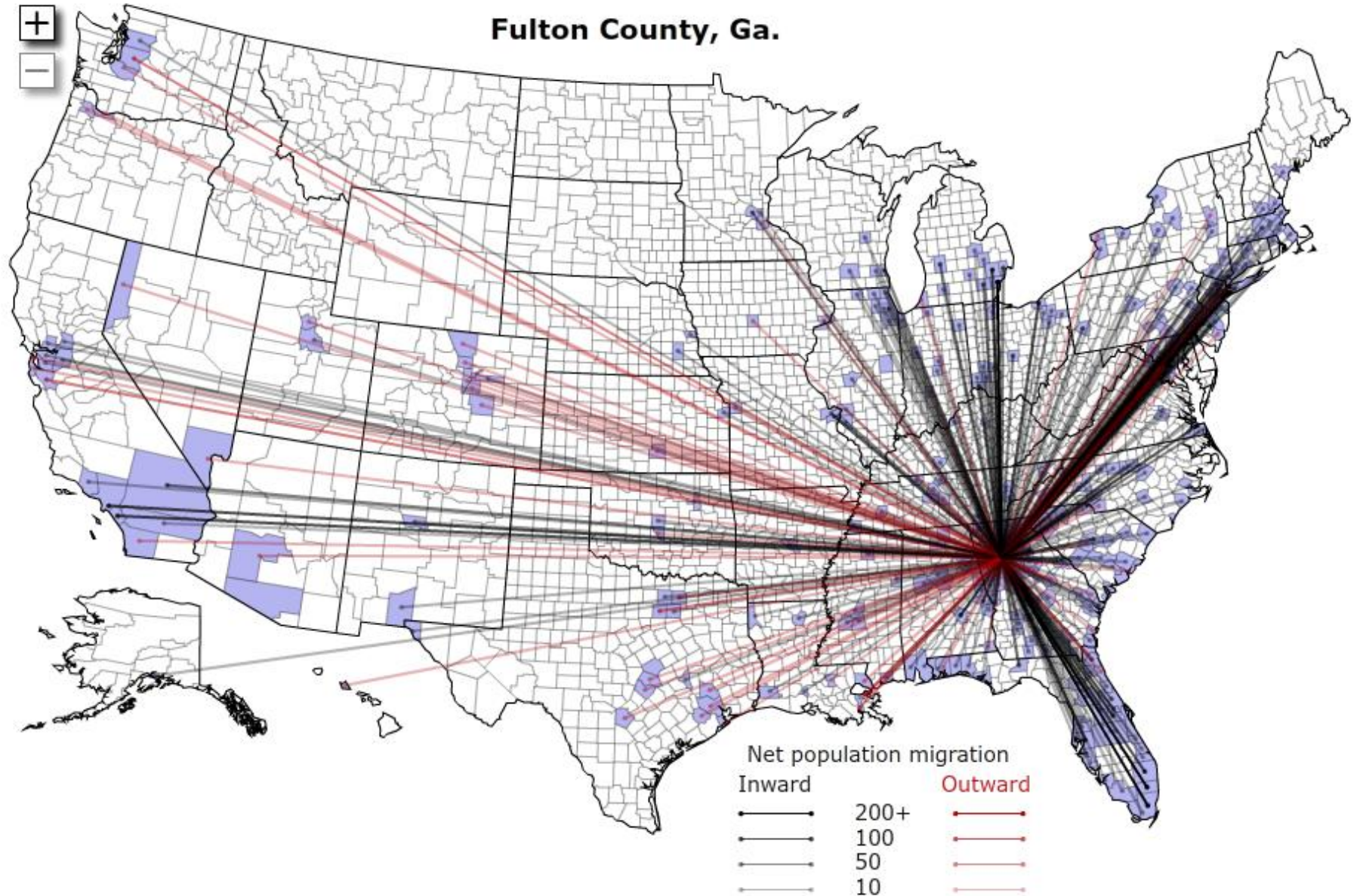
20-County Area: Plan 2040



# **Businesses And People Are Moving To Metro Atlanta!**

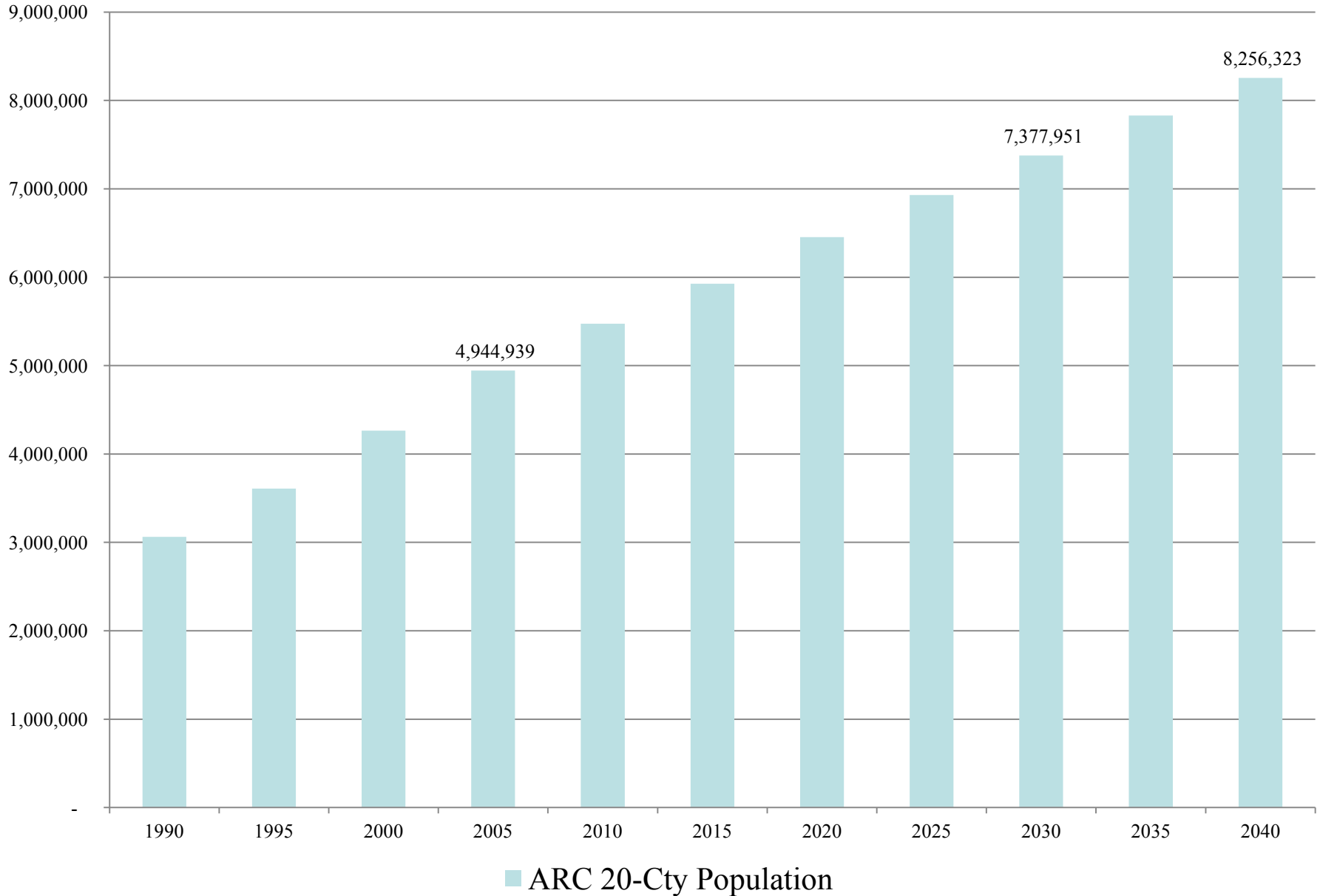


# Rustbelt To Sunbelt



# Forecast Population Growth

*20-County Forecast Area*



# MULTI-GENERATIONAL MULTI-CULTURAL

# TIME

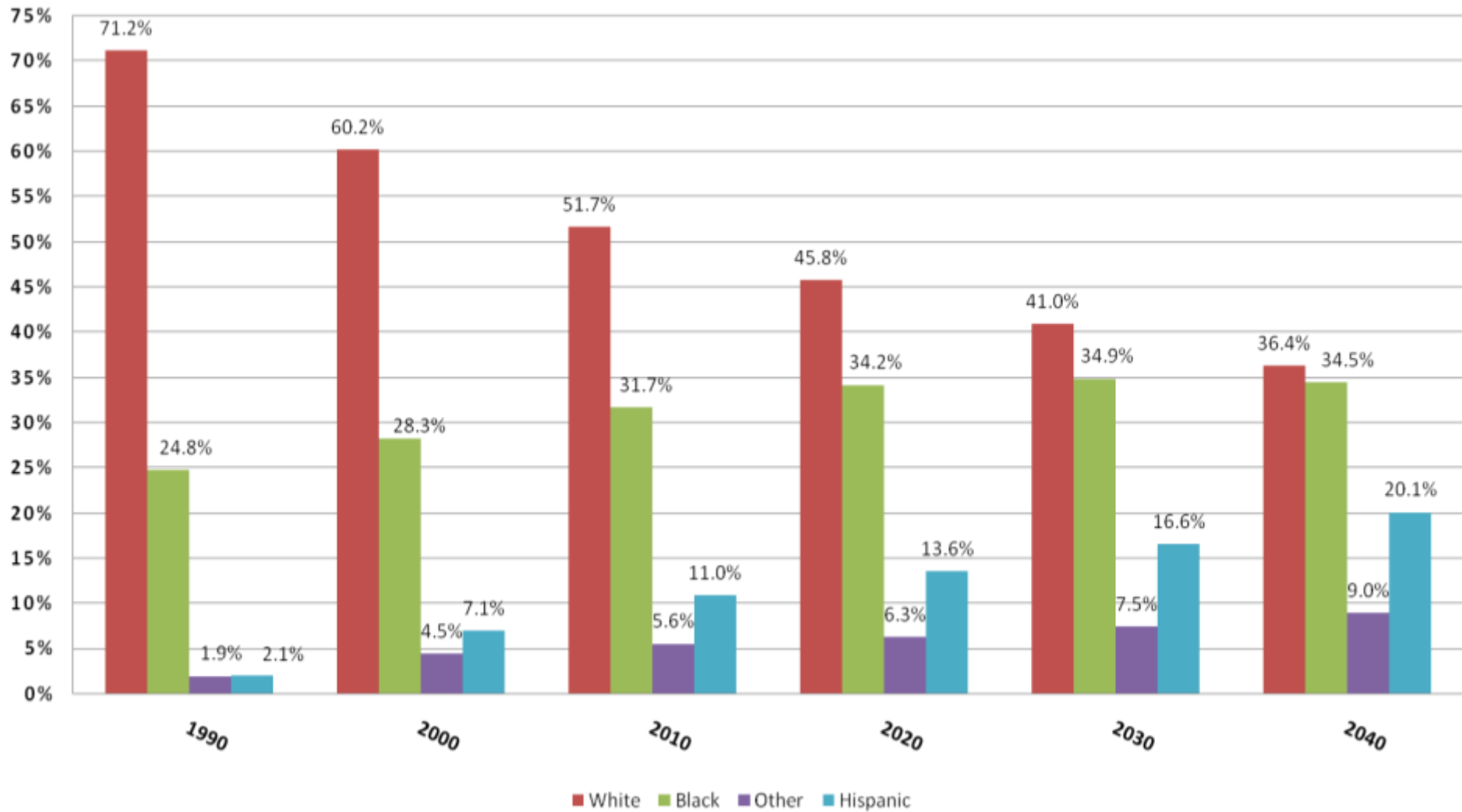
The  
Future  
Of  
Work



→ **MOBILE!**

# Share of Population by Ethnicity 1990-2040

*20-County Forecast Area*



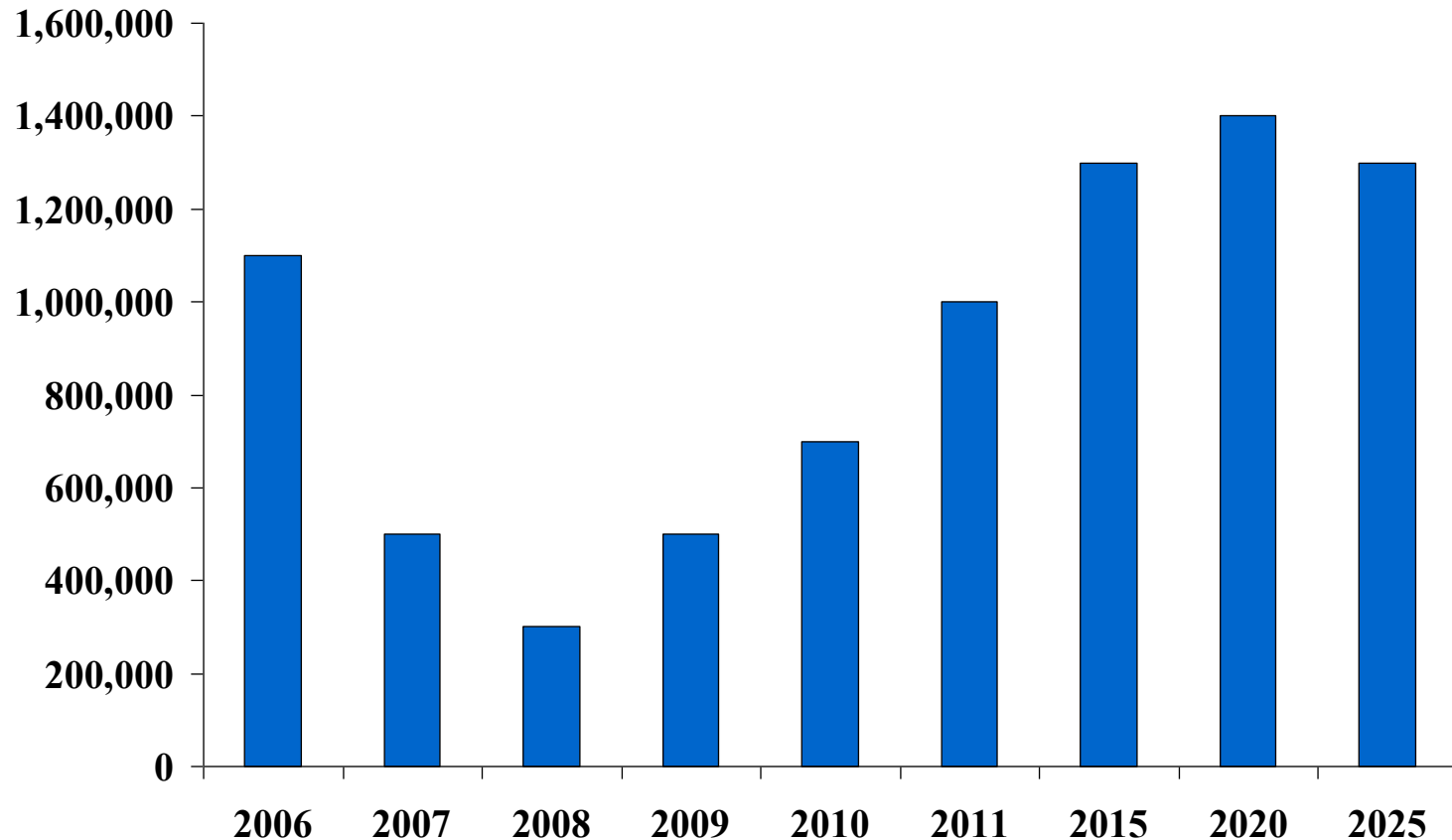
# Population Age Dynamics – Top 27 Metros

	Total Population	Share of Population					Rank of Share				
		Under 20	20-64	65+	25-39	45-59	Under 20	20-64	65+	25-39	45-59
Dallas	6,144,489	30.5%	61.3%	8.2%	23.8%	19.1%	3	9	25	1	24
<b>Atlanta</b>	<b>5,271,550</b>	<b>29.6%</b>	<b>62.4%</b>	<b>8.1%</b>	<b>23.2%</b>	<b>20.4%</b>	<b>5</b>	<b>6</b>	<b>27</b>	<b>2</b>	<b>19</b>
Phoenix	4,179,427	29.7%	59.0%	11.3%	23.1%	18.0%	4	24	15	3	26
Denver	2,466,591	27.8%	62.7%	9.5%	23.0%	21.6%	6	5	24	4	12
Riverside	4,081,371	32.0%	58.2%	9.8%	22.8%	17.0%	1	27	27	5	27
Houston	5,629,127	31.0%	60.9%	8.1%	22.8%	19.9%	2	10	26	6	21
Portland	2,174,631	26.7%	63.0%	10.4%	22.6%	22.0%	19	4	19	7	7
Seattle	3,309,347	25.6%	64.0%	10.4%	22.0%	22.0%	22	1	20	8	3
Sacramento	2,091,100	27.5%	60.0%	11.5%	21.0%	20.0%	18	7	14	9	20
Washington	5,306,100	28.0%	60.1%	11.9%	19.8%	21.3%	9	19	13	19	14
Los Angeles	12,875,500	26.9%	60.9%	12.1%	19.7%	21.7%	17	11	11	20	9
San Diego	2,974,800	27.6%	60.3%	12.1%	19.2%	22.3%	13	18	12	21	5
San Francisco	4,203,800	27.2%	59.8%	13.0%	18.9%	21.4%	16	21	5	22	13
Orlando	2,032,400	27.2%	60.0%	12.8%	18.9%	21.8%	15	20	7	23	8
Minneapolis	3,208,200	25.2%	58.6%	16.2%	18.8%	20.7%	24	26	3	24	17
Chicago	9,522,800	24.2%	58.6%	17.2%	18.7%	20.8%	25	25	1	25	16
New York	18,815,900	26.4%	59.1%	14.6%	17.9%	22.8%	20	23	4	26	2
Boston	4,482,800	23.6%	59.4%	17.1%	17.1%	23.4%	27	22	2	27	1
Cincinnati	2,134,804										
Baltimore	2,668,056										
Detroit	4,467,592										
Philadelphia	5,827,962										
St. Louis	2,802,282										
Miami	5,413,212										
Tampa	2,723,949										
Cleveland	2,096,471										
Pittsburgh	2,355,712										

**Metro Atlanta Has The:**

- **#2 Population Age 25-39**
- **#5 Population Under 20**

# U.S. Household Formation Trends



- **New Household Formation Dropped From 1.1 Mil (2006) To 300,000 (2008)**
- **Future Household Formation Stronger – Then Levels Off.**
- **4 Million Students Per Year Graduate From College For Next 10 Years. Signals Big Increase In Household Formation!**

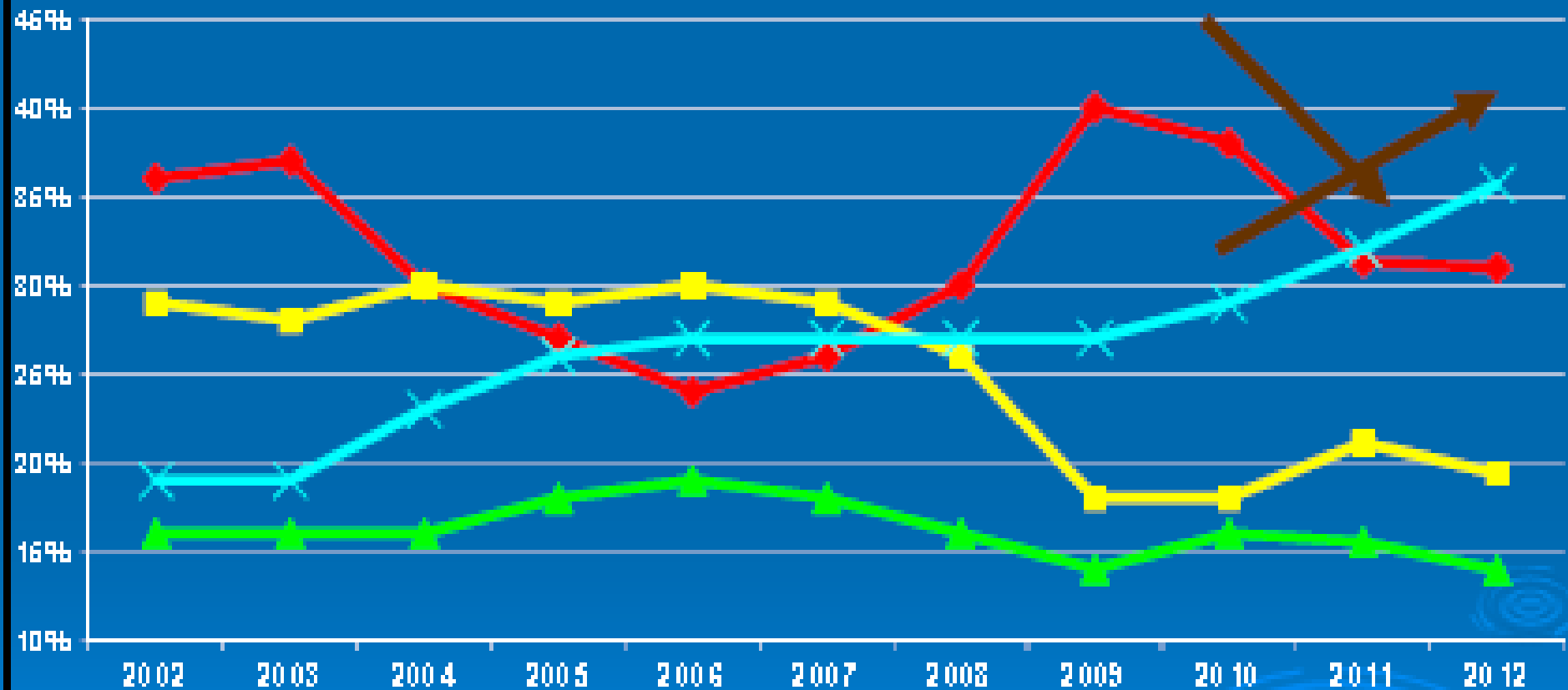
# Buyer Type Yearly

FIRST TIME

FIRST MOVE UP

SECOND MOVE UP

THIRD OR HIGHER



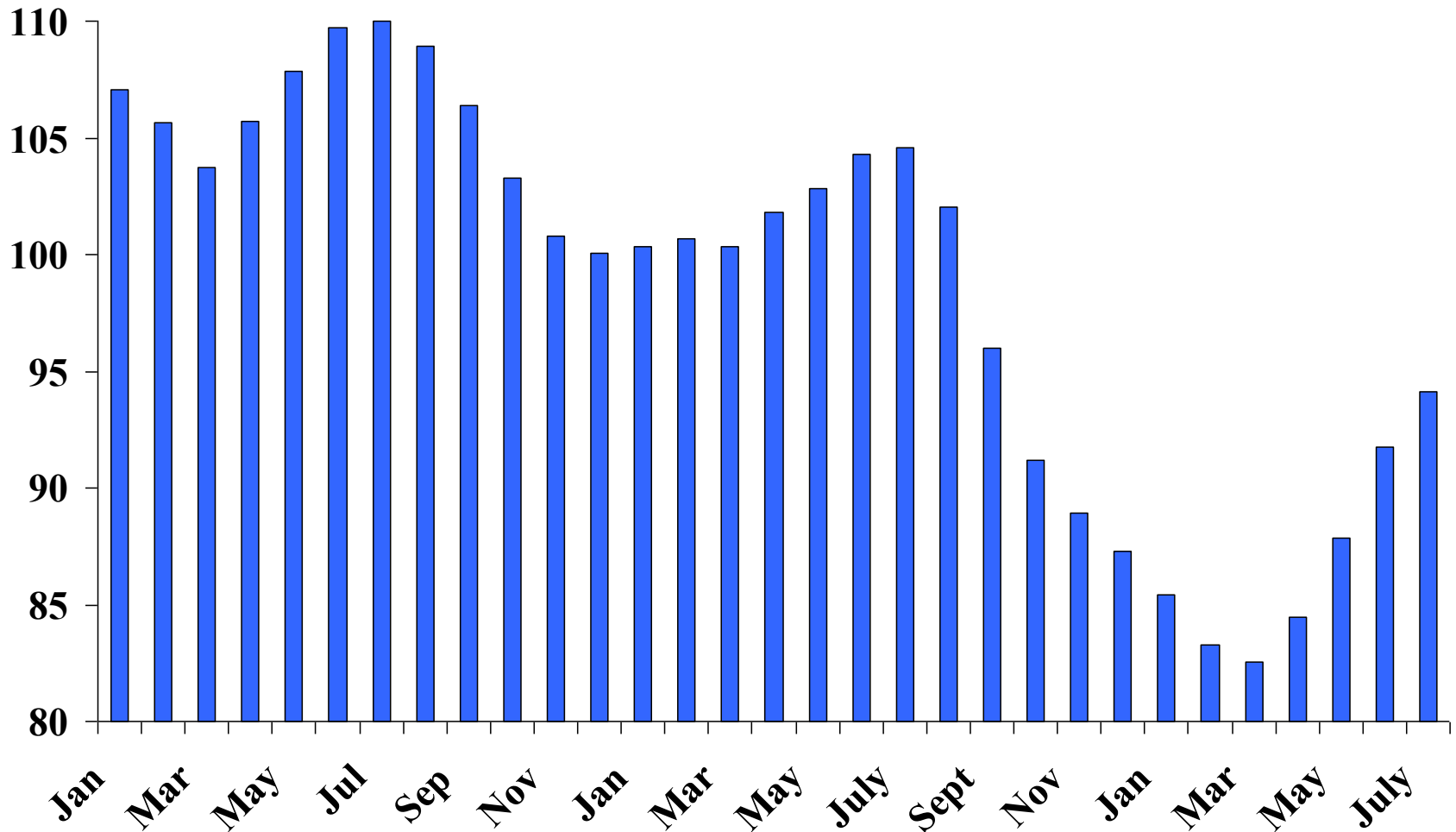
SmartNumbers 2012

# **Case-Shiller Reports...**



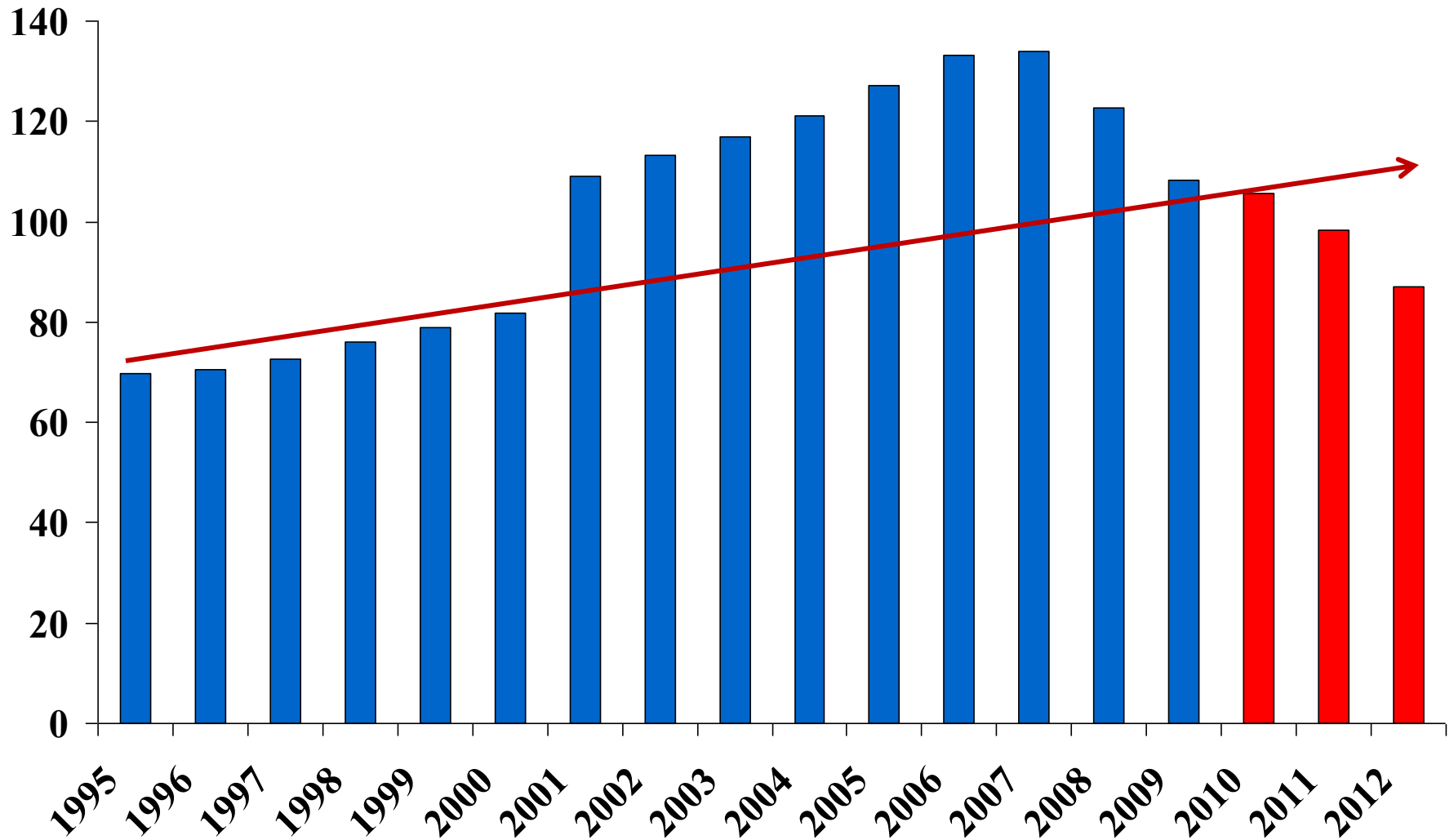
- **Home Values Continue Recovery**
- **Still Down From Peak July 2007**

# Case-Shiller Index For Metro Atlanta



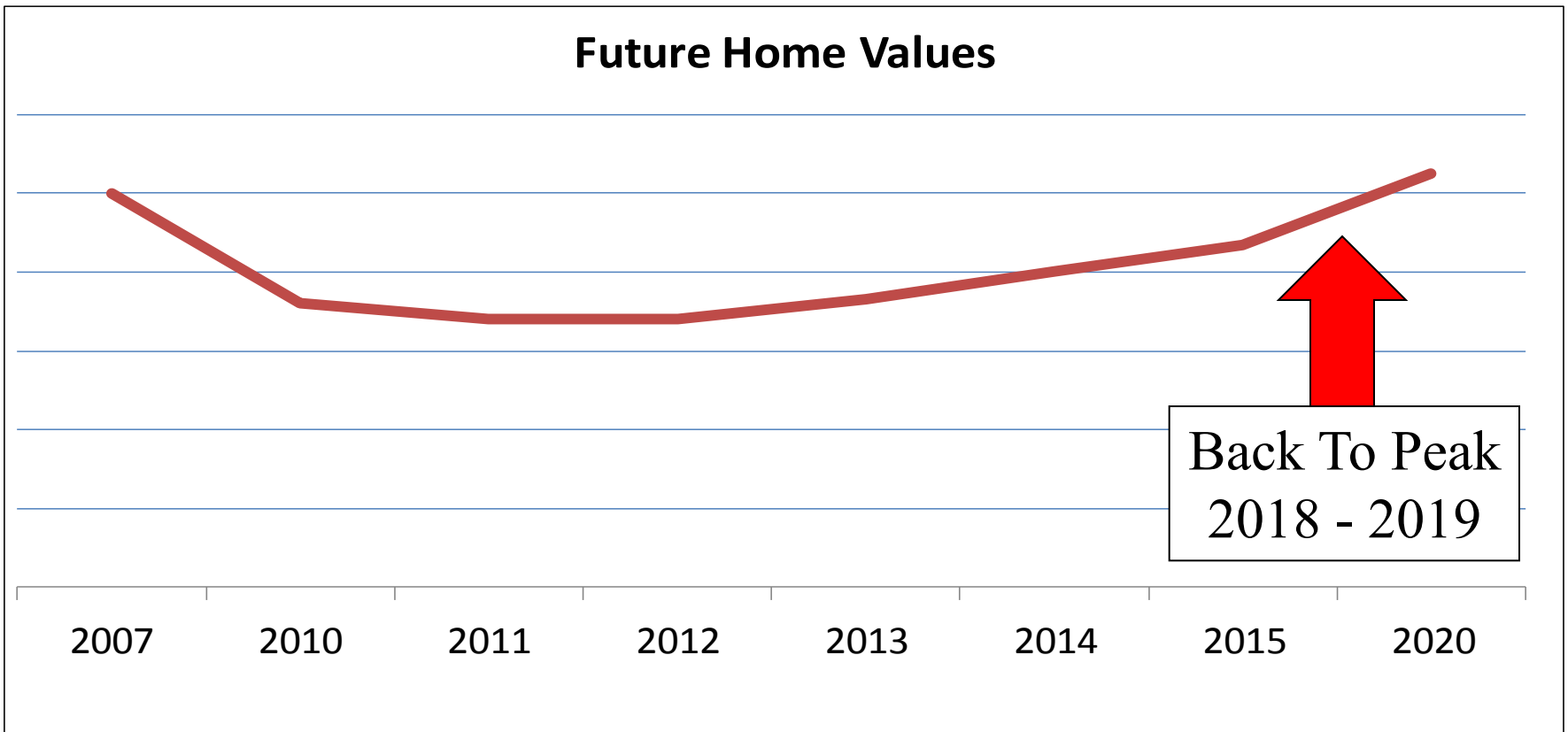
**Chart Shows Index Results January 2010 Through July 2012.  
The July Index was reported on September 25<sup>th</sup>.**

# Case-Shiller Home Values For Metro Atlanta



- Peak was July 2007.
- Current Home Values Remain Below The Normal Trend Line

## Future Home Values



### Assumptions:

- 2012 values down 32% from peak of 2007 (Case-Shiller)
- 2012 values flat (with normal seasonal changes)
- 2013, 2014, 2015 values increase 5-7% per year due to very low inventory and foreclosures returning to more normal levels
- 2016 and beyond back to normal +4% appreciation
- New homes returns to 20,000+ starts by 2017/ 2018

# Key Indicators To Watch:

- The pace of mortgage delinquencies and pre-foreclosures (predict short sales & foreclosures)
- The pace of short sales & foreclosures entering the market
- The short sale & foreclosure “shadow inventory” waiting to enter the market
- The overall supply of “for sale” properties
- The mix of new homes, resales, short sales & foreclosures in the inventory and sold transactions
- The price mix of sold transactions (when will we see a more normal mix versus the heavy concentration on the lower end of the market)
- Rental trends versus buy trends
- New home starts
- Mortgage rates
- Employment trends
- Migration trends/ relocation

	Sell Now/ Buy Now	Wait 5-7 Years	Variance
Current Home (1)	\$340,000	\$500,000	+ \$160,000
New Home (2)	\$300,000	\$396,000	- \$96,000
<u>Incremental</u> Carrying Costs (3)		\$36,000	- \$36,000
<u>Incremental</u> Maintenance Costs (4)		\$12,000	- \$12,000
Higher Mortgage Costs (5)		\$163,440	- \$230,220
<b>Cost of Waiting</b>			<b>\$213,220</b>

### Assumptions:

1. Bought \$500,000 in 2007. Home has dropped 32% in value to \$340,000. If you waited to sell for 5-7 years, you would recover value to \$500,000.
2. Desired new home costs \$300,000 today but will also rise in value in future.
3. Incremental carrying costs of current property are estimated to be \$500 / month.
4. Incremental maintenance items cost \$2000 per year.
5. Mortgage rates are expected to rise to the 6-7% range in future. A \$300,000 home with a 15-year mortgage at 4.5% with \$60,000 down payment is \$1835 per month. If you wait 5-7 years and the property now costs \$396,000 and mortgage rates are now 6.5%, the payment would be \$3114. That amounts to \$1,279 more per month and \$230,220 over the next 15 years.