

Prudential Georgia Realty Real Estate Advisor

January 2013 – Happy New Year!

We are providing this monthly real estate advisor report to keep you informed about the latest trends and issues in the real estate market. If you know someone else who might be interested in receiving this report or who may benefit from our expertise, please let us know. Better information helps our clients make better real estate decisions!



We hope that you and your loved ones are having a joyous holiday season. The New Year is upon us and 2013 will bring some exciting new trends for real estate in the Greater Metro Atlanta area. If you are considering your options or know others who may benefit from this information, please contact us. We would be honored to help.

Real estate is heavily impacted by the laws of supply & demand plus a few other factors like mortgage rates and the economy. The “for sale” inventory across most markets is very low. Desirable properties that are good values are selling very quickly – often with multiple offers.

- SmartNumbers reports that current inventory is back to levels not seen since 1996. For the Greater Metro Atlanta area, inventory levels are down 38% from 2011 and 55% from 2010.
- The available “months of supply” is now under 4 months. Six months of supply is considered a normal market.
- The pace of short sales and foreclosures coming on the market has slowed considerably. Most banks have paused foreclosing on properties during the holiday season. We do expect them to move more aggressively in early 2013 but distressed properties have become a much smaller percentage of the available inventory.
- New Homes are making a slow but sure comeback. In November, there were 1000 new home starts. This annualized run-rate of 12,000 is more than double the previous year. But new homes cannot grow very fast due to constraints in desirable lots, rising material costs and labor shortages.
- The mix of properties selling is changing back toward a normal trend. A few years ago, over 55% of properties sold were under \$125,000. The normal percentage of properties sold in this price range was around 15-20%. Last month, the mix of these properties has dropped to under 40%. We are not quite back to a normal market situation but moving in the right direction.



Top 10 Drivers for Housing Demand in 2013

Buyers remain very active and we expect to see an increase in demand for 2013. Here are the top 10 reasons why we expect to see strong demand for homes in the Greater Metro Atlanta area.

- 10. Improving Georgia Economy:** The Georgia economy will outperform the national economy in 2013. That has not been the case in the past 4 years. An improving economy drives consumer confidence and people buy more houses!
- 9. More Jobs In Georgia:** After losing 325,000 jobs from 2009-2011, employment in Georgia is growing again. In 2013, analysts predict that Georgia will add 53,000 new jobs. More jobs mean more home purchases!
- 8. Companies Moving To Georgia:** Major corporations are moving to our area to take advantage of great deals on commercial real estate, the low cost of living, our powerful transportation network (rail, shipping, trucking and airport) and economic development incentives. Big names like Porsche and Baxter have already announced thousands of new jobs and there are more to come. Relocating employees buy more homes!
- 7. New Residents Relocating To Georgia:** New residents are moving to our area in larger numbers. In 2013, net in-migration will add 61,000 new residents to our area which is more than double recent years. The migration patterns from the Rustbelt to the Sunbelt are coming back and Georgia will benefit. That means more home purchases!
- 6. Baby Boomers Moving To Georgia:** The Metro Atlanta area is home to one of the largest populations of young people of any major metro area. Atlanta ranks #2 in 25-39 age group and #5 in population under 20. There is a huge trend of boomers moving to be closer to their children and grandchildren. Baby boomers are already the 2nd largest group of home buyers in our market!
- 5. Increase In Household Formation:** Household formation is back to levels not seen since the 1940s. More young people have been forced to rent. Some have joined their families in multi-generational living. Others have been through a short sale or foreclosure and are rebuilding their credit. Based upon the normal household formation trends, we should see household formation double in the next few years. First time buyers are the largest segment of home buyers in our area.

4. **Exceptional Home Affordability:** The Case-Shiller Index reports that home values increased 9.87% in 2012 but are still down 29.86% from the peak of 2007. Home prices are still very affordable in our area but these conditions will not last forever. Smart buyers know that now is the time to “buy low” and sell high in the future!
3. **Low Mortgage Rates:** Mortgage rates remain at the lowest levels ever recorded. The Fed has announced a series of actions that will keep mortgage rates very low for the next year or two. But pending legislation to fix the mortgage system and the strong probability of looming inflation will eventually change this picture in a big way. That creates a sense of urgency to buy homes now!
2. **Investors:** Investors have been very active in our market. There are some very large investment funds and many small investors working hard to find rentable single family homes in the right areas and right price ranges. Desirable properties in the \$50,000 to \$200,000 price ranges are getting dozens of offers as soon as they hit the market. Investors see the opportunity and are buying aggressively now!

And The NUMBER 1 driver of housing demand in Greater Metro Atlanta For 2013 is....

1. **This is a Great Place to Live, Work and Play!** We live in a wonderful area with so many advantages. And our secret is getting out. More people realize that the Greater Metro Atlanta area is a great place to live, has a vibrant pro-business economy and lots of fun activities to enjoy.

We Wish You And Your Loved Ones A Very Happy New Year!
If You Know Someone Who Can Benefit From Our Real Estate Expertise,
We Would Love To Help. Better Information Leads To Better Decisions!