



METRO ATLANTA
QUARTERLY HOUSING REPORT

Q1 | 2018

Ackerman & Co.



The Ackerman/Pioneer Land Advisory Group’s Quarterly Housing Report provides owners and buyers of residential land and lots with the most current and accurate residential market data to enable them to make informed decisions that maximize returns. The report covers the 23 counties comprising the Atlanta MSA and is based on MetroStudy data. Due to the timing of the release of the MetroStudy data, the Quarterly Reports are based on the previous quarter’s data. The Ackerman/Pioneer Land Advisory Group will evaluate individual properties on a micro-level basis.

2016 vs. 2017

The primary purpose of analyzing historical housing data is to establish trends and patterns. Although, there are no guarantees that past performance predict future performance, we have taken some of the key residential housing statistics and provided our interpretation of the data to portray our best projections for 2018 and 2019.

ANNUAL STARTS (ATTACHED AND DETACHED HOUSING)

YEAR	ANNUAL STARTS	INCREASE OVER PRIOR YEAR
2014	14,843	–
2015	17,681	19.1%
2016	20,428	15.5%
2017	22,196	8.6%

Clearly, the percentage growth in annual starts will slow dramatically, but the overall number of starts should continue to increase. Historically, the Atlanta MSA absorbs 25,000 to 28,000 new houses per year, yet we have not supplied that amount since the Great Recession. The pent-up demand combined with population and job growth continuing to fuel housing demand, give us confidence that annual starts will continue to increase.

In the Atlanta MSA, the “sweet spot” price for housing absorption is under \$350,000, and this demand has primarily been met by building on “reset lots” (foreclosed lots repriced at below replacement cost). As the remaining “reset” lots are put into production, demand can only be supplied by the development of land into new lots.

AVERAGE PRICE OF A NEW HOUSE

YEAR	ANNUAL PRICE	INCREASE OVER PRIOR YEAR
2014	\$312,000	–
2015	\$324,000	3.9%
2016	\$328,000	1.2%
2017	\$328,000	0%

This data shows a decrease in the rate of growth of new house prices. Coupled with increasing construction and development costs, it is becoming more and more difficult to deliver new housing in that “sweet spot” price range. In order to target the “sweet spot”, builders have focused on acquiring lots at below replacement cost, and this means builders are moving into locations that have historically been less desirable in order to achieve this price point.

LOT INVENTORY

YEAR	LOT INVENTORY	MONTHS OF SUPPLY	YEARS OF SUPPLY	INCREASE OVER PRIOR YEAR
2014	115,314	83.9	6.9	–
2015	105,641	66.6	5.5	20.6%
2016	96,641	53.3	4.4	20.0%
2017	87,079	42.8	3.5	19.7%

With more than 87,000 developed lots representing a 3.5-year supply, it would appear that the Atlanta MSA has plenty of lots available. A more in-depth analysis reveals the following:

- A number of these lots are in outlying areas where housing demand has not recovered as much as areas closer to the major job markets.
- In desirable locations, there are few (if any) vacant developed lots in subdivisions that do not have an active builder.
- Foreclosed lot prices have risen in many areas to a point where they are approaching the cost of newly developed lots.

WHAT'S IN STORE FOR 2018 AND 2019

Atlanta is still a relatively inexpensive city in which to live compared to other major cities in the United States. It has solid infrastructure, a good business environment, a warm climate and natural beauty. The metro area's continued appeal as a destination for corporate headquarters is demonstrated by the recent HQ relocations of Mercedes-Benz USA, State Farm and NCR, which create jobs and fuel demand for housing.

We expect the following trends in 2018 and 2019:

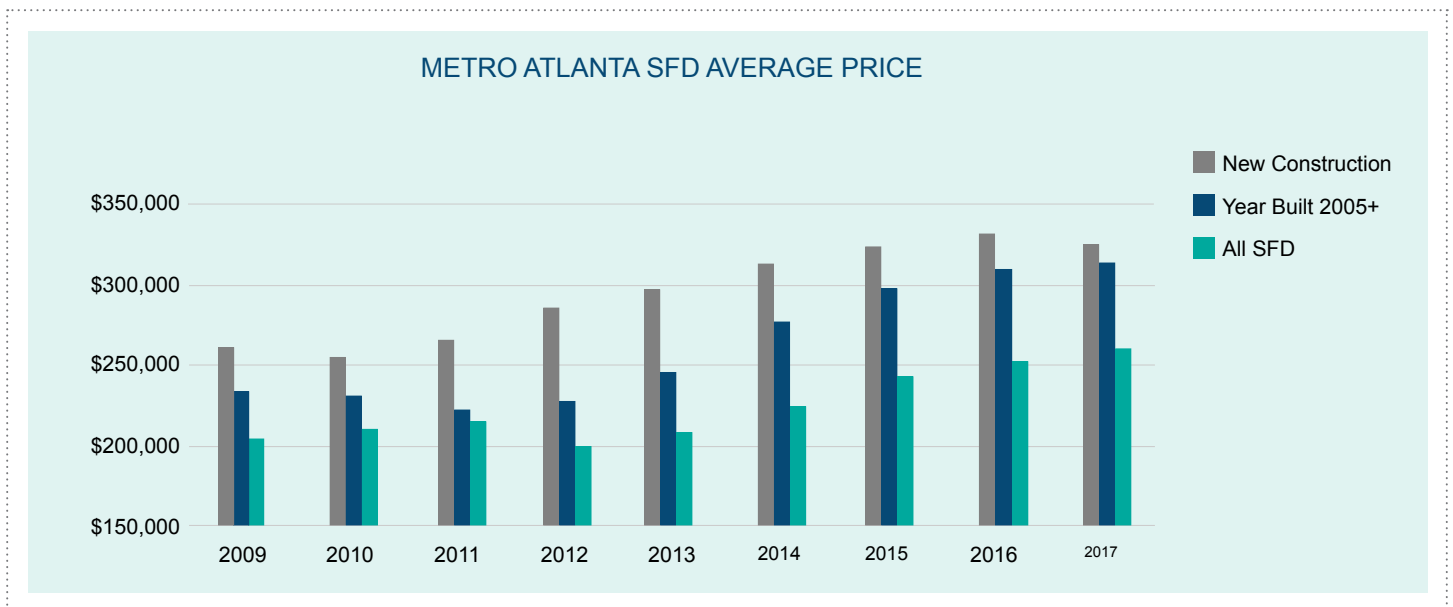
- Builders will look for ways to cut cost by redesigning plans with less square footage.
- More builders will consider developed lots served by septic systems as opposed to public sewer.
- New house prices should increase 3% to 4% annually, with significantly higher increases in areas where there are no "reset" lots.
- Developed lots in formally less desirable locations will rise in value as the lot inventory in more desirable locations is depleted.
- The only way to provide new homes in the key markets is to develop new lots at a minimum of \$70,000 to \$125,000 per lot.

METRO ATLANTA HOUSING MARKET DATA REALES

Now let's take a look at the detached housing market.

The metro Atlanta resale housing market continues to improve as evidenced by 2017 data below:

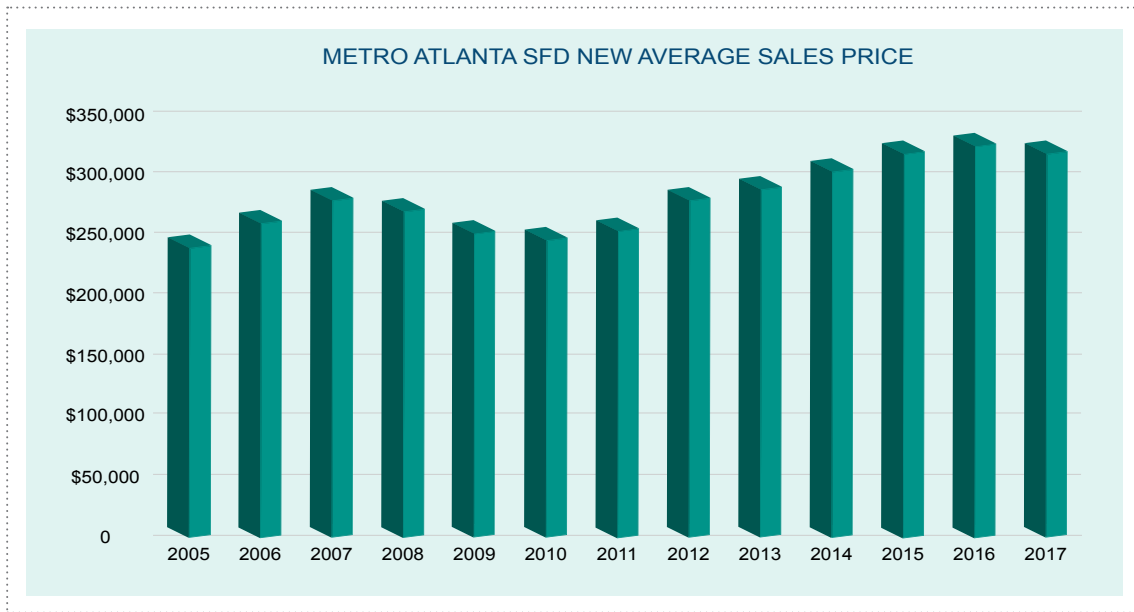
- The average price of all resale detached housing units in 2017 was \$258,000, a 1.9% increase from 2016.
- The average price of detached housing built since 2005 was \$317,000, a 2.2% increase from 2016.
- Real estate owned (REO) sales are currently 7% of all detached sales.
- Real estate owned (REO) sales for homes built since 2005 are currently 6% of all detached housing sales.
- The average price for a newly constructed house in metro Atlanta was \$328,000, 27% higher than the average price of a resale house.
- The average price of a newly constructed house in metro Atlanta was 3% higher than the average resale housing price of housing built since 2005.



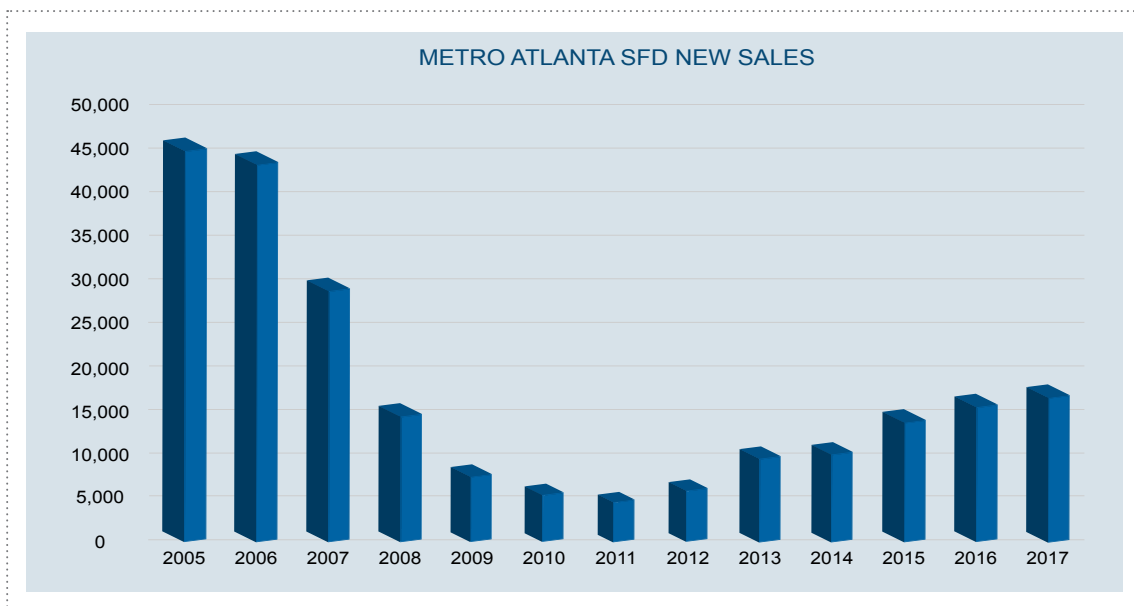
METRO ATLANTA HOUSING MARKET: NEW CONSTRUCTION

A new trend is emerging in the new construction housing market following steady price increases since 2010.

- The 2017 housing price was slightly lower than in 2016. We believe that the price will decline or stay roughly the same as more areas outside the core markets increase housing starts.



- The total number of new detached closings in 2017 was 17,489, a 5.9% increase from 2016.



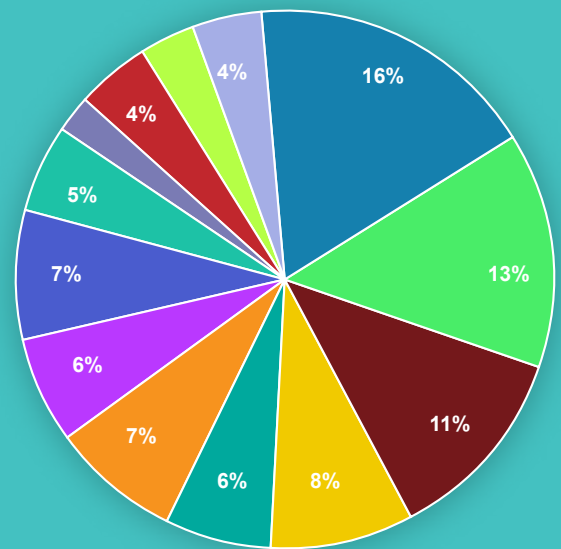
METRO ATLANTA HOUSING MARKET: NEW CONSTRUCTION (CONT'D)

The counties located within the “Golden V” (bounded by I-75 and I-85) continue to lead the new construction housing market with 47% of total new house sales. Henry County leads South Atlanta with 7% of the total number of closings.

Of the 17,489 new houses sold in the 23-county metro area during 2017, 90% or 15,740 were sold in just 12 of these counties.

The accompanying chart shows the percentage of sales for any county representing 4% or more of metro Atlanta’s total new house sales. Fulton County is divided into North Fulton and South Fulton.

PERCENTAGE OF NEW HOME SALES BY COUNTY (2017)



ABOUT US

The team of Ackerman & Co. and Pioneer Land Group has experience in brokerage, acquisitions and development. Since 2010, we have sold more than 5,500 developed lots and 12,000+ acres of land in the Southeastern United States.

Below are a few of the clients for whom we have completed successful transactions.

Ashton Woods
Atlanta VDL Fund
Atlanta Land Fund
Bank of America
BB&T
Brock Built
Century Communities
Chafin Communities
Crown Communities
Drapac Group
DR Horton
Fairway Capital

FDIC
Geosam Capital
GMAC
Hines Interest
Jeff Lindsey Communities
JEH Homes
Kerley Family Homes
Kolter Group
Lennar Corporation
Minerva
Mountain Real Estate
Orkin Family

Providence Group
Regions Bank
Rialto Capital
Sabal Financial
SunTrust
Synovus
Synergy Real Estate
Traton Homes
Turnstone Group
Walton International
Westervelt Company
Wilson Parker Homes

Should you have any interest in a detailed report on any particular submarket in Metro Atlanta, please contact us. If you'd like for our team to market your property, please call or email us to discuss in greater detail.

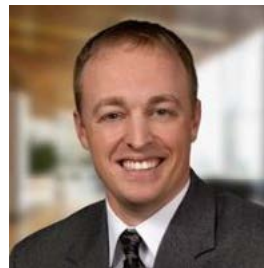


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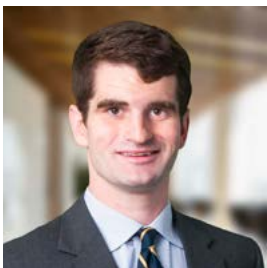


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