

Smartnumbers Customer

July 31, 2013

We are going to report some of the most intriguing trends this quarter. Most are favorable, but some are turning negative.

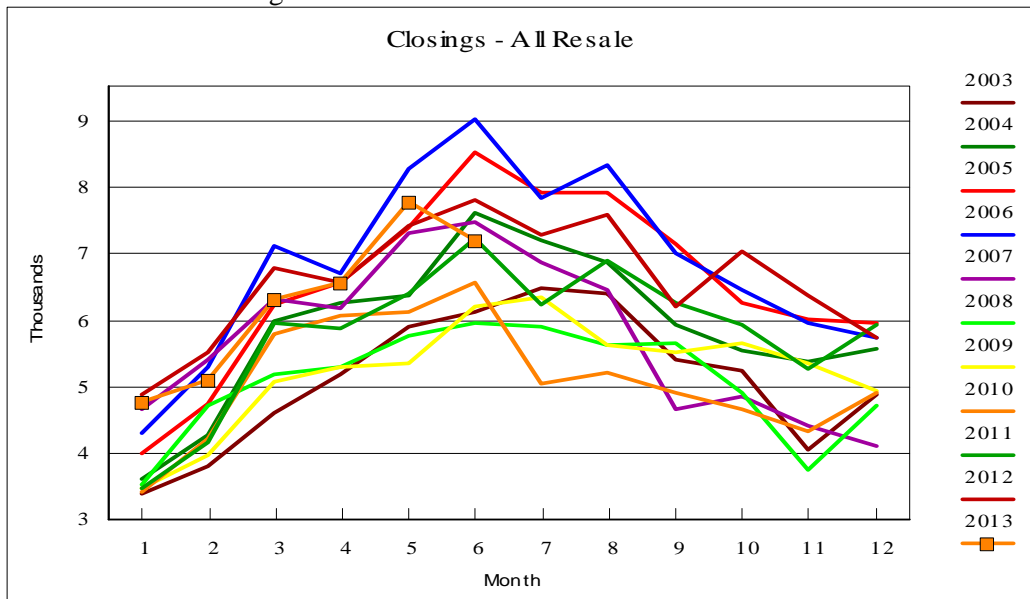
Resales

There were 21,532 resale closings in 2nd quarter 2013. This is 1.1% less than 2nd quarter 2012 and 10.4% below the 2nd quarter all-time high in 2006. Inventories are still low, but prices have ‘shot up’ reducing demand.

There were 7,206 resale closings in June. This was a 7.7% decline over June 2012 and the 5th year-to-year monthly decline out of the past 7 reporting monthly periods. Low inventories and rising prices are mostly responsible for the declines.

Single family detached resales are down 3.9% the 1st half of 2013 versus the 1st half of 2012. Single family attached resales are up 1.6% the 1st half of 2013 versus the 1st half of 2012. The 5,289 closings for single family attached for the first six months is an all-time 1st half record.

Below is the chart for all resale closings.

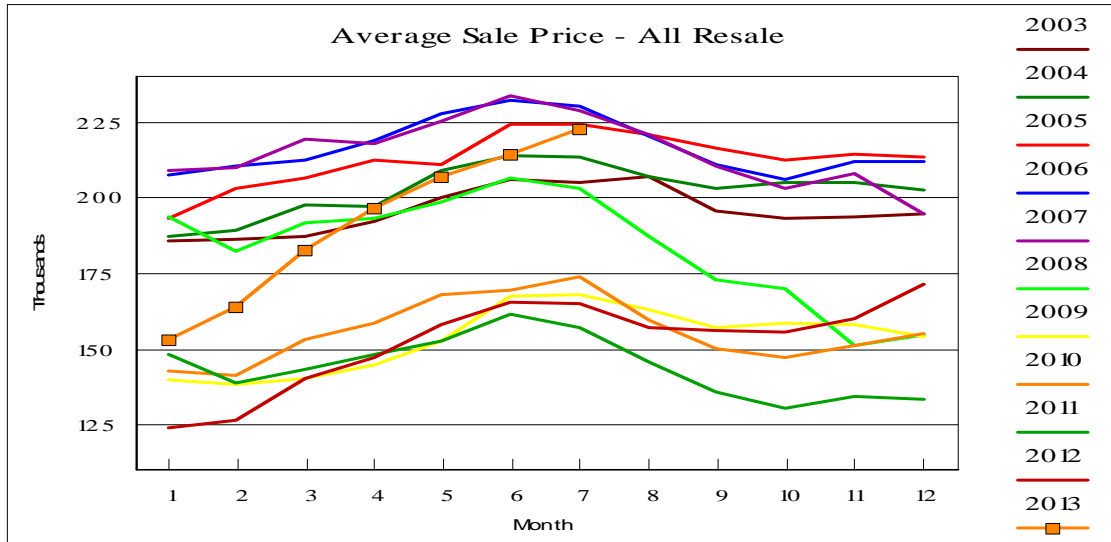


The average sale price for all resales in June 2013 was \$214,377, while for a ‘not complete’ July 2013 is \$222,981. The year-to-year increases are 29.6% & 34.9% and keeping pace with the previous 6 year-to-year reporting periods with similar percentage increases. How high is the July average? The all time record July average is \$230,607 in 2006 or only \$8M higher than 2013. There have now been 15 consecutive year-to-year monthly increases for all resales. There have also been 11 consecutive year-to-year monthly reporting periods with a double digit percentage increase.

The average price for single family detached in June 2013 was \$222,558, while for a ‘not complete’ July 2013 is \$233,121. There have now been 15 consecutive year-to-year monthly increases and 11 consecutive double digit percentage increases. If the July price holds up it would be only \$9,800 away from the June 2007 all-time record.

The 2013 year-to-date average price for single family detached is \$202,066. This is 26% higher than 2012’s \$159,876 average for the year and only \$22M from 2006’s all time annual average high.

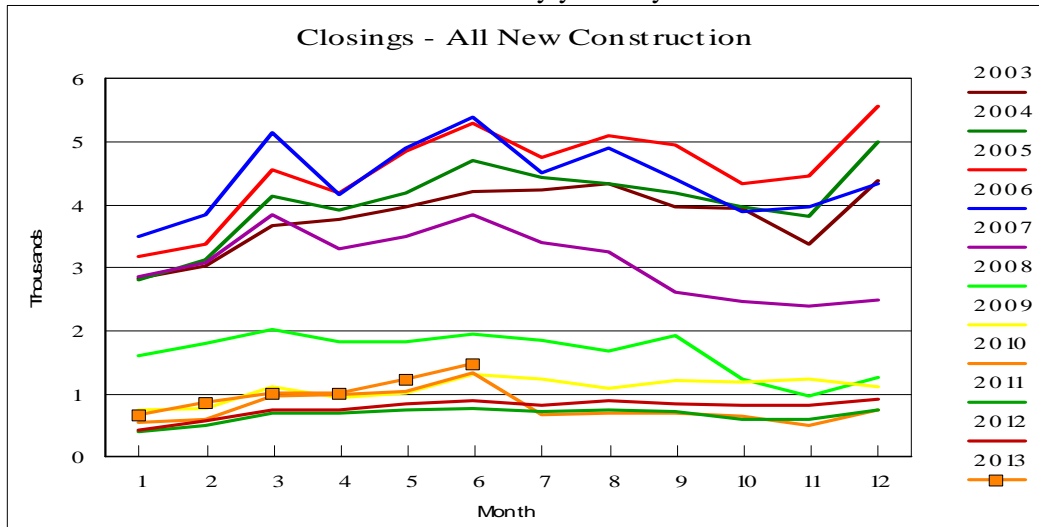
The average price for single family attached in June 2013 was \$161,845, while for a 'not complete' July 2013 is \$153,971. The year-to-year increases are 45.2% & 29.5%. The 45.2 percentage increase is an all-time year-to-year percentage high. There have now been 17 consecutive year-to-year monthly increases and 15 consecutive double digit increases. The last time there was a higher average monthly price was 11/2007, \$170,890. The all-time average high is March 2006's \$178,995. Below is the resale average price chart for all resales.



New Construction

There were 6,300 (estimated) new construction closings for 1st & 2nd quarter 2013. This is up almost 50% over the same year ago period. Single family detached is up 67% and single family attached is up 16%.

New home construction has now had 18 consecutive monthly year-to-year increases in new home closings.



The average price for all single family new construction was \$293,749 for the first 6 months in 2013. This is 6.6% above 2012's average and \$6,000 higher than 2006's all time record high of \$288,000. I would like to see new construction prices remain steady, because with resale prices going up, new construction could take more market share away from resales.

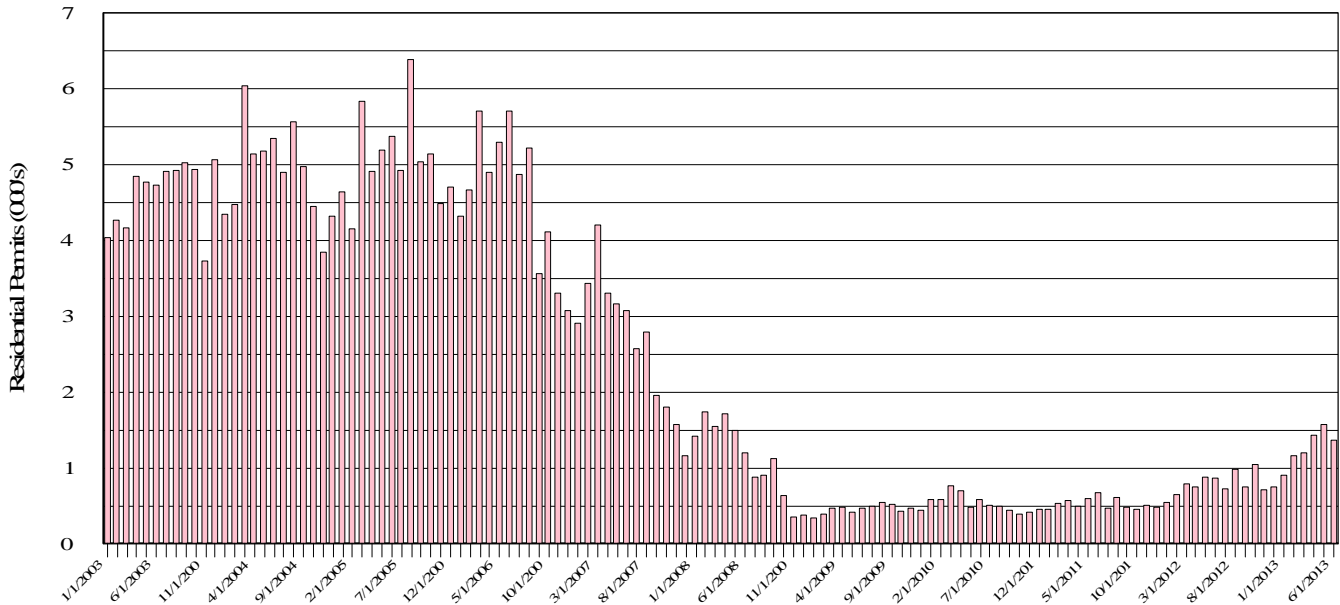
Permits

New construction should be up again 3rd & 4th quarter 2013 versus 3rd & 4th quarter 2012, as permits for the 1st & 2nd quarter 2013 were 71% higher than the 1st & 2nd quarter 2012.

Five counties: Cherokee, Cobb, Forsyth, Gwinnett, and N Fulton accounted for 74% of all 1st & 2nd quarter permits. This is down slightly from the same year ago period's 75%. Fayette has the greatest year-to-year percentage increase at 283% or 59 to 226 permits. Only one county is down year over year, DeKalb at -3.3%.

I am expecting 13,000 to 14,000 permits for 2013 versus the 9,400 for 2012. Below is the 10 year trend.

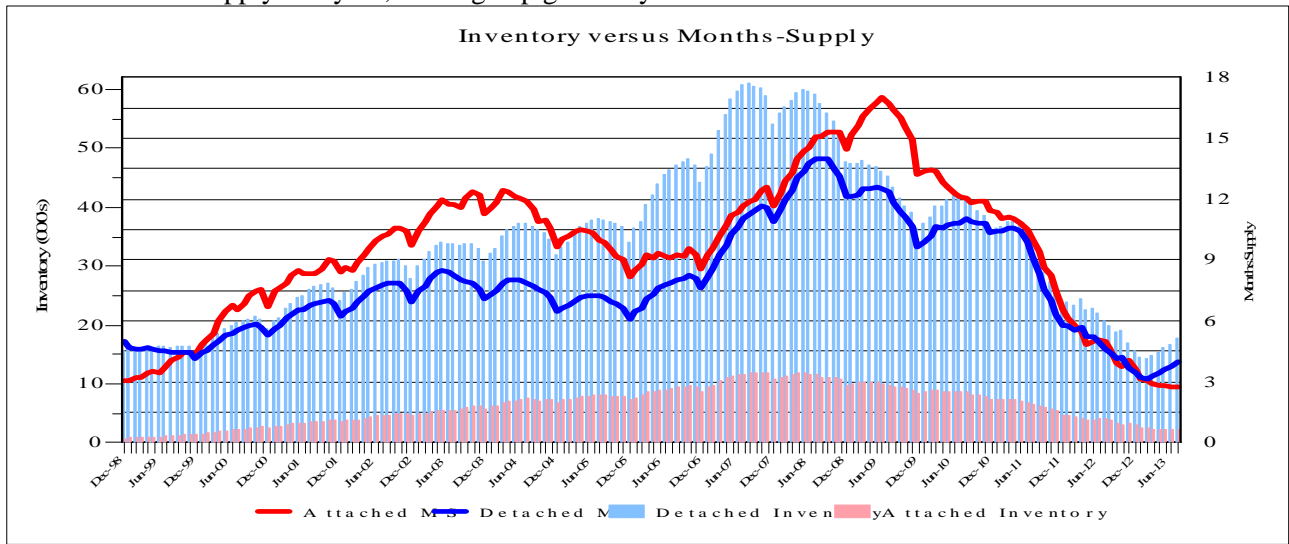
Monthly Recap Single Family Permits



Inventory & Months Supply

The months supply for all housing at the end of July 2013 was still ONLY 3.8. This is up from the 3.4 months supply at the end of April 2013. This was expected, as with resale prices going up more consumers are putting their homes on the market. However, 3.8 is still very low and should continue to bode well for right priced new construction to take advantage of reduced resale inventory. I expect new construction to keep doing better than 2012 for the rest of 2013.

The chart below shows our bottom for months-supply in the 1st quarter 2013. I do not believe it will shoot up to a 'normal' 6-7 months supply this year, but edge up gradually.



Looking forward

Interest rates have gone up a point since the 1st quarter, which is never good for housing. But rates are still so low that it will not affect the market that much and even though there is pressure for them to go higher it will be gradual.

Labor seems to be finding its way into our market again. However, if the new home market continues to expand, more labor will definitely be needed. Our industry does not need bidding wars on labor to go with already higher commodity costs.

I can see some fringe areas starting to build more, i.e East Paulding, Coweta, Henry, Fayette, South Hall, etc, as demand in the top five counties (Cherokee, Cobb, Forsyth, Gwinnett, and N Fulton) has prompted lot prices to start increasing. Some of these 'fringe' areas still have great lot prices available.

Welfare, a ticking time bomb??



Thank you for being a SmartNumbers customer.

Steve Palm