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Is the Housing Recovery Real?

Atlanta Economic Club Luncheon
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Federal Reserve Bank of Atlanta
September 18, 2013

The views represented in this presentation are my own and do not necessarily reflect those of the Federal Reserve Bank of Atlanta or the Federal Reserve System.

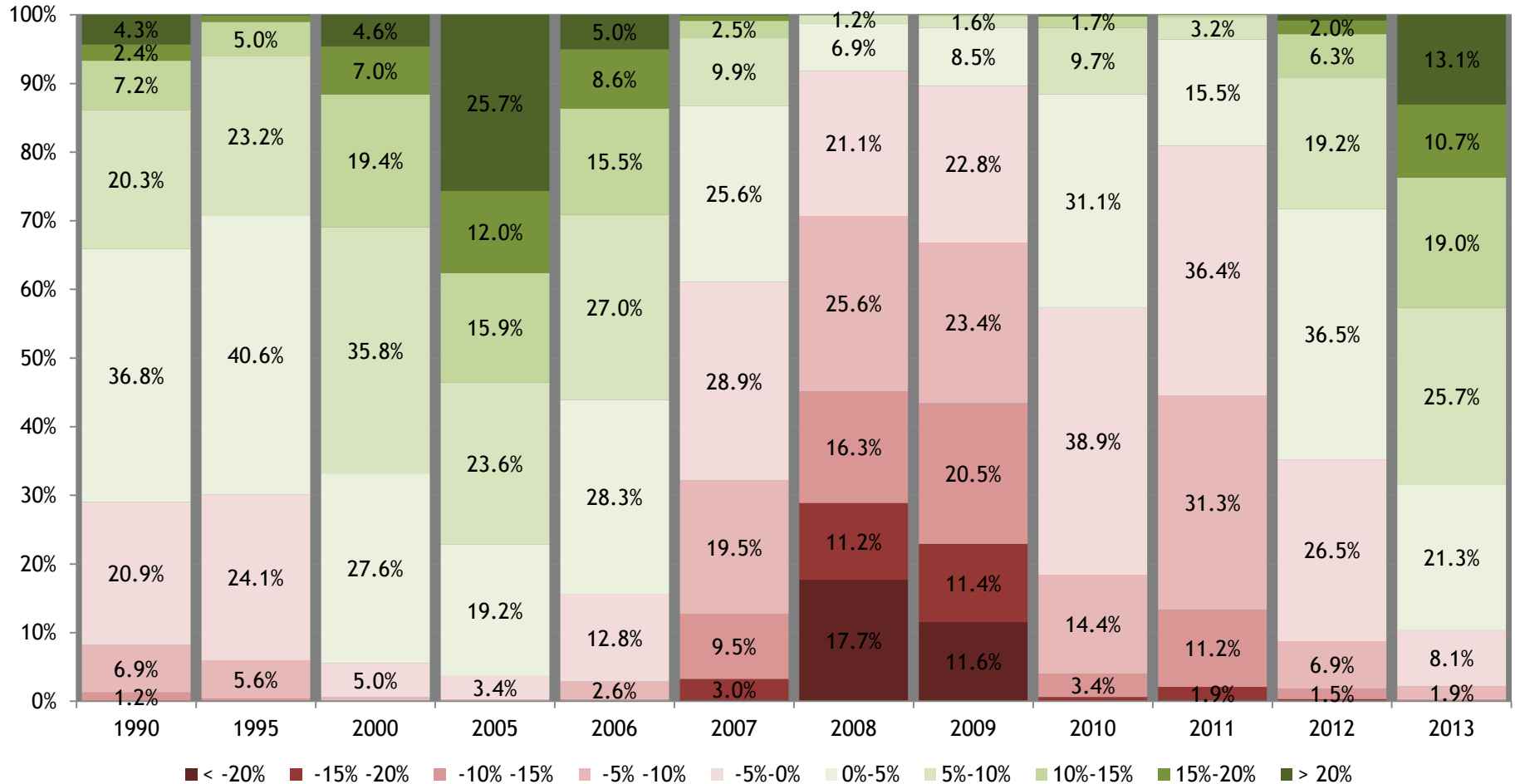
The U.S. housing market has bottomed and continues to gain momentum in price appreciation, sales activity, and new construction.

- Existing home prices continue to improve.
- Nationally, listings for new and existing homes remain at low levels. Foreclosures remain elevated, despite having fallen from their cyclical peak.
- Both new and existing home sales improved in 2012 and have continued to increase year-over-year into 2013.
- Housing starts and residential investment's contribution to GDP have held steady in 2013.

The broad-based recovery in home prices supports this idea that the recovery is real. In July 2013, there was positive home price growth in nearly 90 percent of zip codes.

United States, year-over-year growth rates for July

Reflects the percent of zip codes per range of house price index change, n=6925



This broad-based improvement is even more evident in the Atlanta metro, where positive house price gains were witnessed in nearly all zip codes.

Atlanta - Sandy Springs - Roswell CBSA, year-over-year growth rates for July
 Reflects the percent of zip codes per range of house price index change, n=147

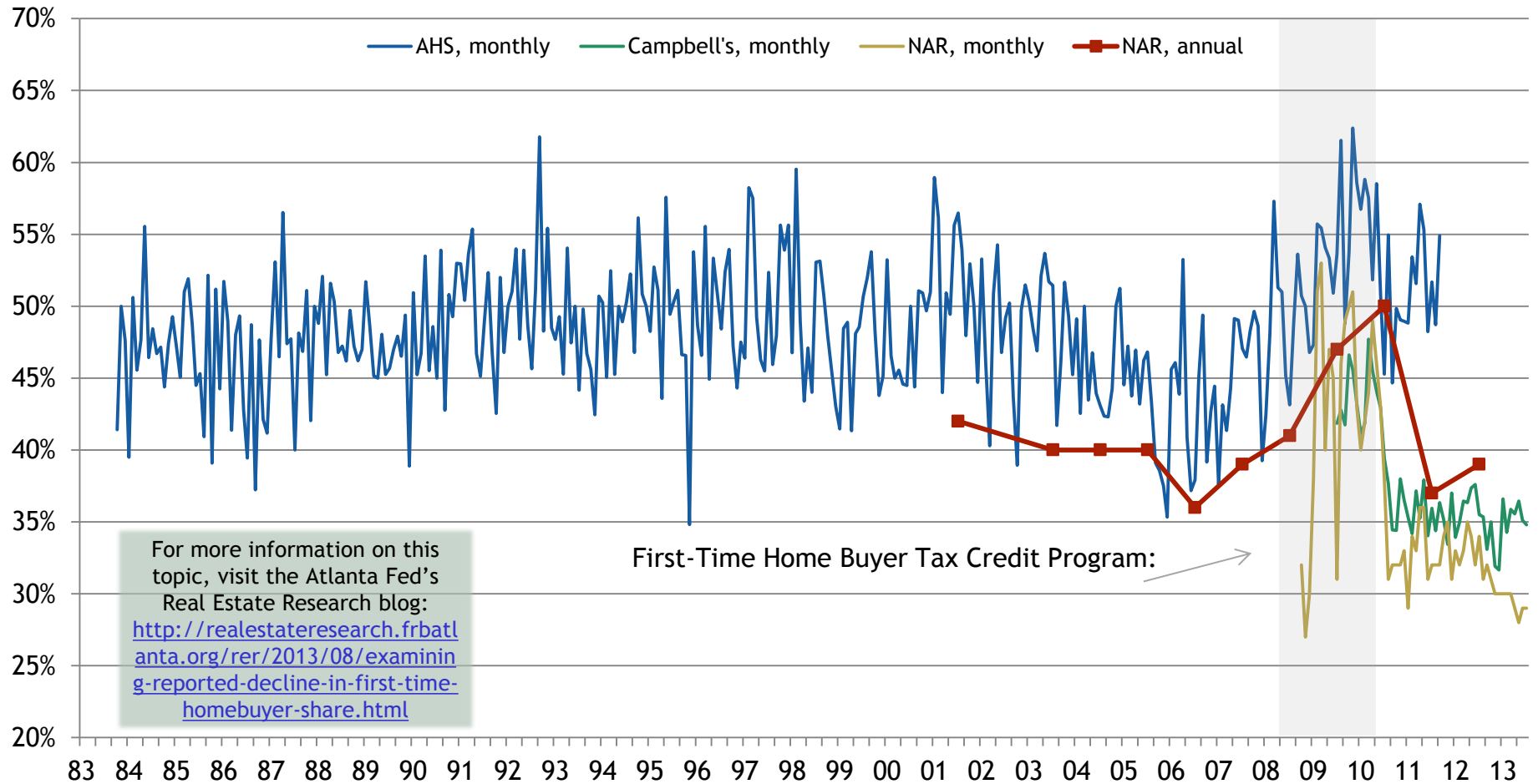


While the housing recovery is real, risks remain.

- There are many potential risks to the sustainability of the housing recovery. Three risks that are often discussed include:
 - 1) The reported decline in first-time buyers,
 - 1) Mortgage rate increases, and
 - 2) The decline in construction and development (C&D) lending.

Many point to the decline in first-time buyers as a sign that this housing recovery may not be sustainable.

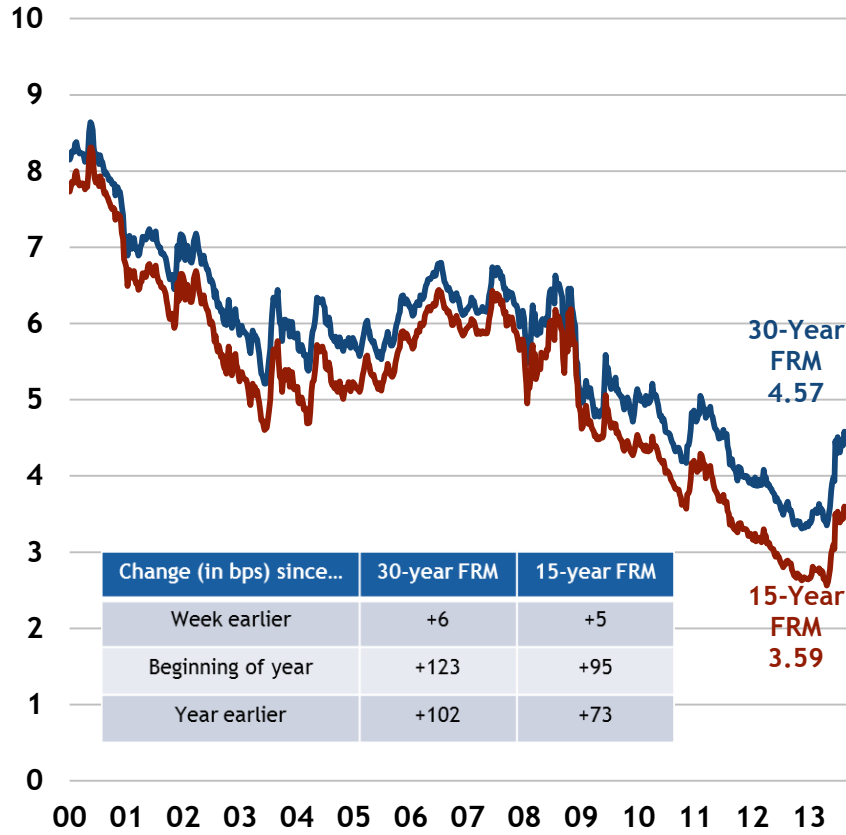
First-Time Buyer Share



Sources: National Association of Realtors Confidence Index, National Association of Realtors 2012 *Profile of Home Buyers and Sellers*, Campbell/Inside Mortgage Finance HousingPulse Tracking Survey, staff calculations of the Census Bureau's American Housing Survey Public Use Microdata

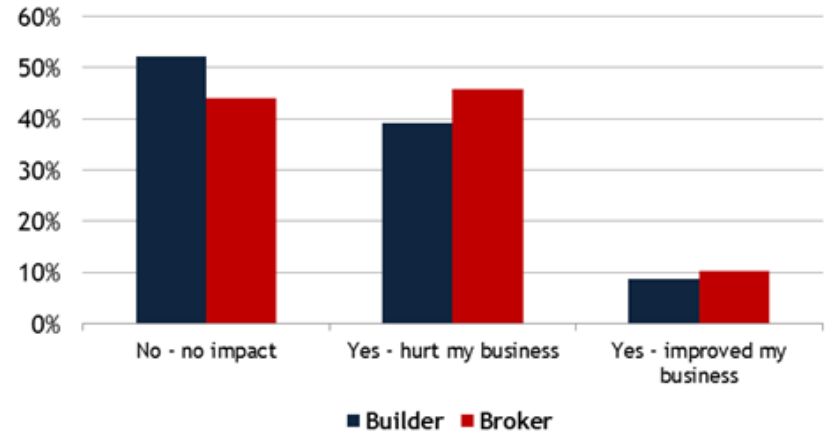
Others claim that rising mortgage rates pose a threat to the housing recovery.

Freddie Mac Primary Mortgage Market Survey
percent, weekly



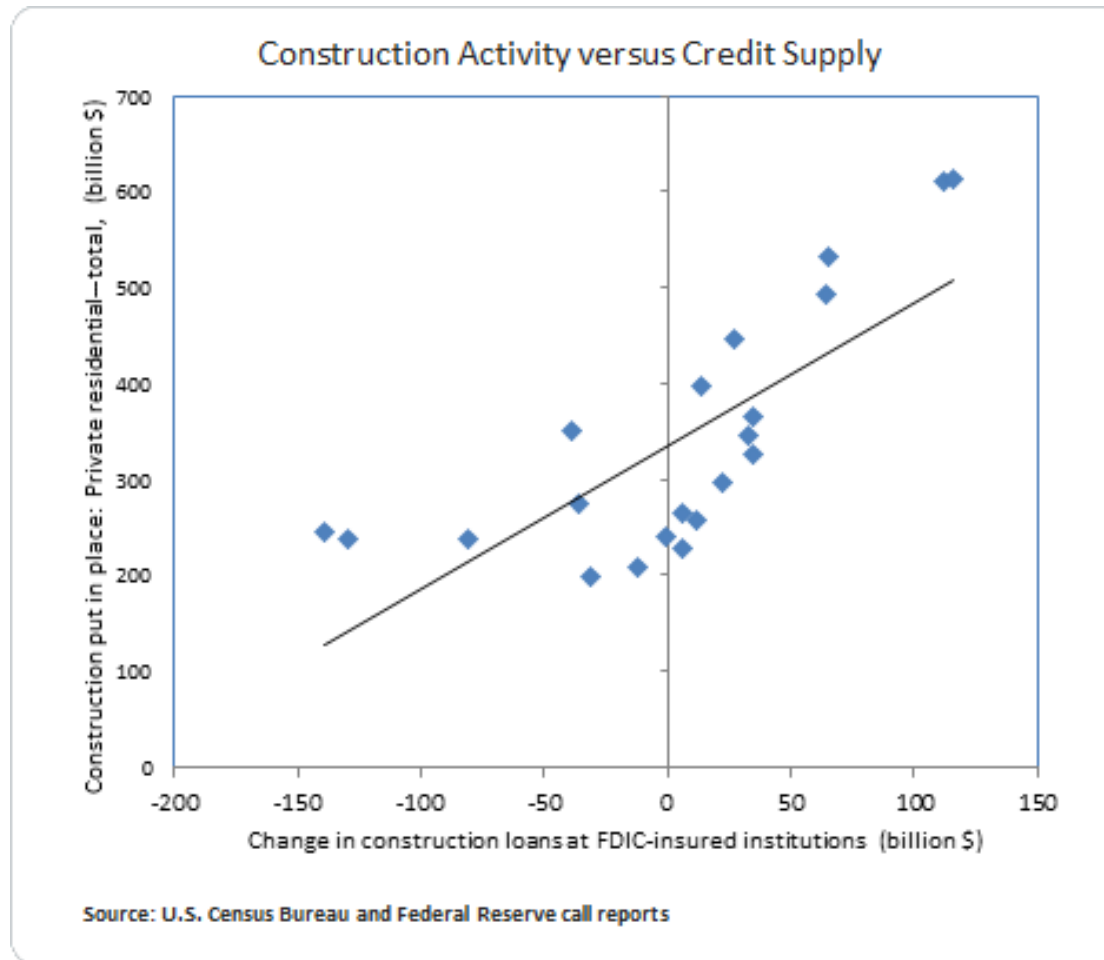
Source: Freddie Mac's Primary Mortgage Market Survey through September 5, 2013

Brokers: Have rising mortgage rates had an impact on your business?



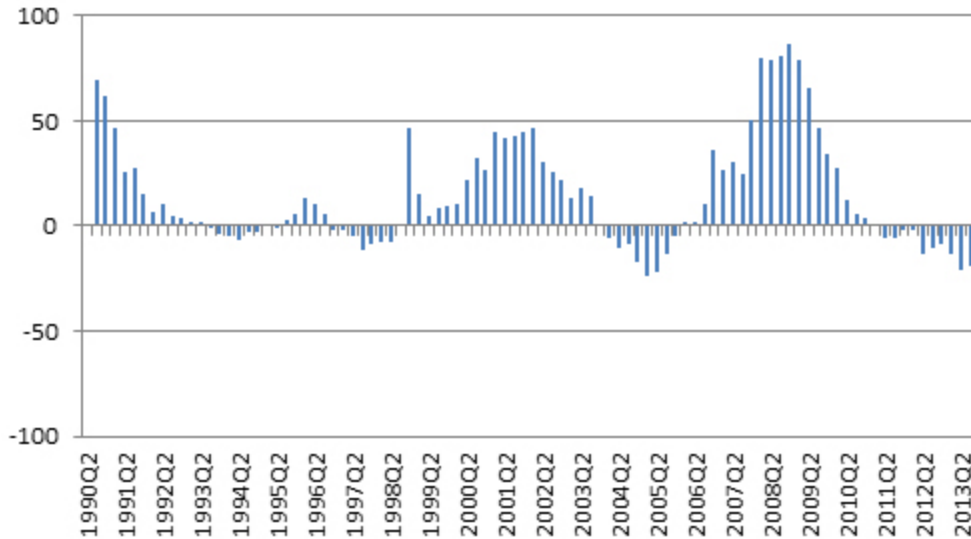
Source: FRBA business contact poll

Since banks represent a significant funding source for nonpublic builders, many also point to the restricted credit supply (specifically in C&D lending) as a threat to the sustainability of the recovery.



Recent reports have indicated that residential construction spending continues to improve year-over-year, leading some to wonder if/when bank behavior will follow suit.

Net percentage of domestic banks tightening standards for commercial real estate loans



Source: July 2013 Senior Loan Officer Opinion Survey on Bank Lending Practices

How have credit standards for new applications changed?	Percentage of All Respondents		
	Construction	Nonresidential	Multifamily
Tightened considerably	0	0	1.4
Tightened somewhat	5.6	1.4	2.8
Remained basically unchanged	76.4	72.6	58.3
Eased somewhat	18.1	26	37.5
Eased considerably	0	0	0
Net Percentage Tightening (negative implies loosening)	-12.5	-24.6	-33.3

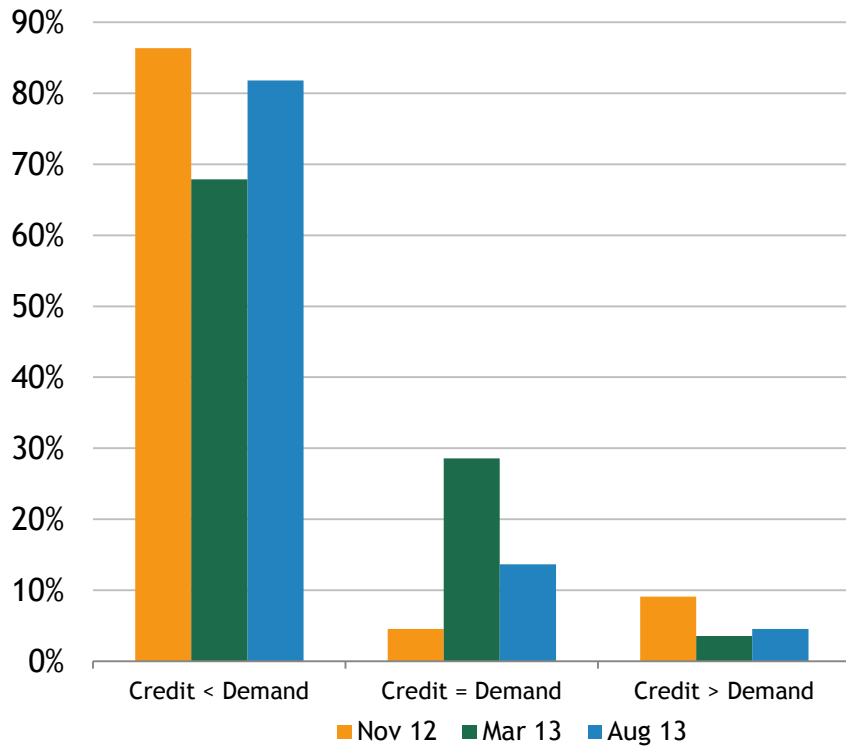
Source: Senior Loan Officer Opinion Survey

For more information on this topic, visit the Atlanta Fed's Real Estate Research blog:

<http://realestateresearch.frbatlanta.org/rer/2013/08/recent-trends-in-bank-construction-lending-and-sentiment.html>

Most of our builder contacts continue to report that the amount of available credit falls short of demand. Bank call reports also indicate a continued decline in C&D lending. However, more banks are reporting an increase in C&D lending.

Builders: How available do you perceive construction finance to be in your market?



Source: FRBA business contact poll

Construction and Land Development Loans			
June 30 of	Percentage of Banks Reporting YoY Positive Growth	Median Growth Rate	Total Outstanding (\$ Billions)
2006	73.6%	30.1%	454.6
2007	67.1%	17.4%	533.7
2008	58.8%	7.8%	558.5
2009	40.5%	-7.6%	484.3
2010	29.1%	-17.1%	354.2
2011	30.3%	-15.3%	253.7
2012	38.6%	-9.0%	202.4
2013	48.1%	-1.3%	188.4

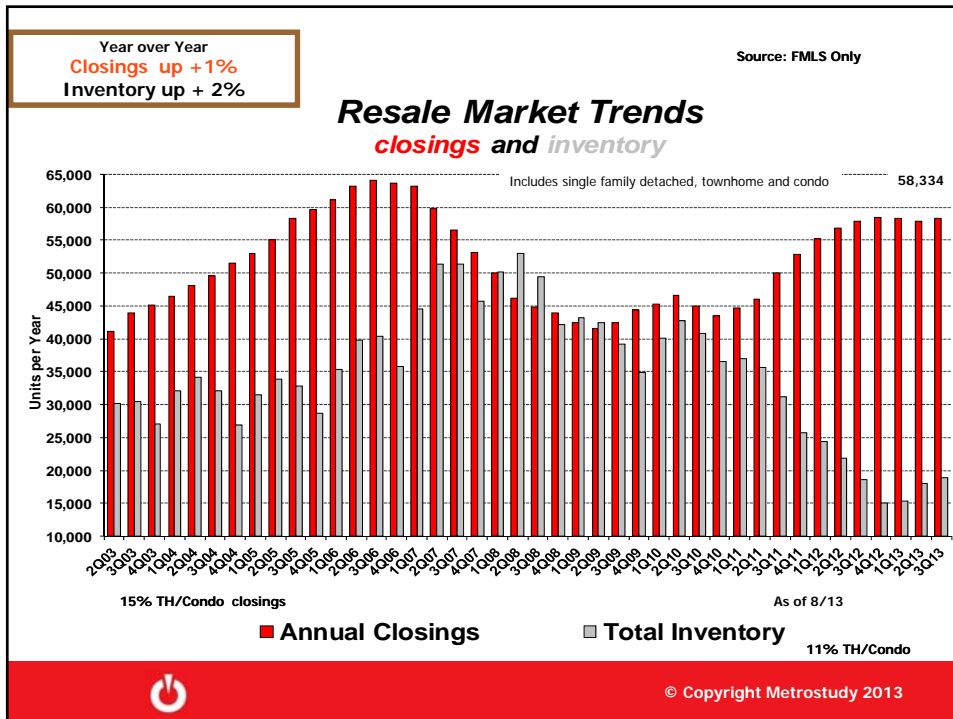
Source: Bank Call Reports

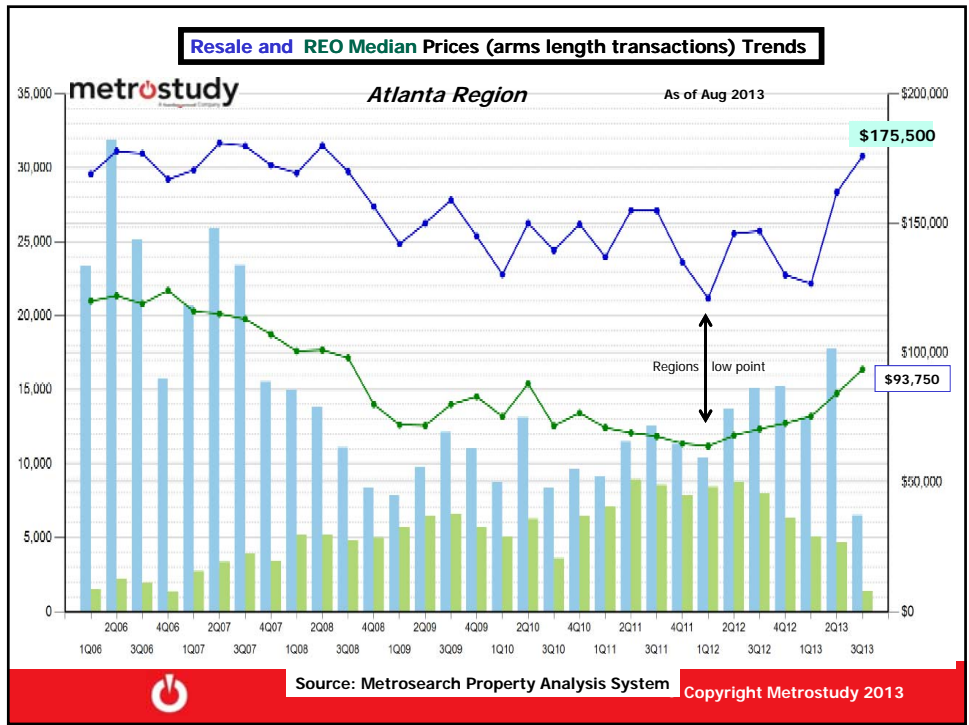
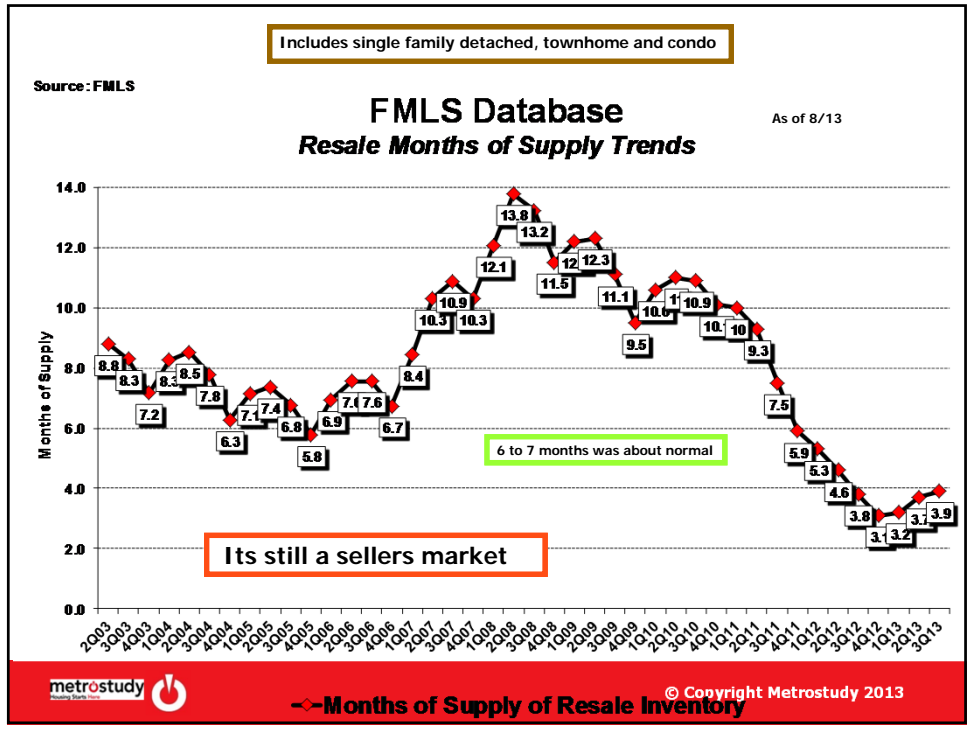


An undersupply on homes for sale...everywhere!

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Atlanta Market Single Family and Attached





Resale Price Trends

All Counties Detached only

Median Closing Prices **with** REO Transactions

3Q12	3Q13*	%diff
\$124,900	\$165,000	+32%
% REO 35%	% REO 18%	

% of foreclosures is trending down



* July/AUG 2013

Source: Metrosearch [Property Analysis](#)



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Larger Homes Resale Price Trends

2,000+ Square Feet Houses

Average size = 2,674 sf 4 bedroom, 2.5 baths

Median Closing Prices **with** REO's

3Q12	3Q13*	%diff
\$215,000	\$250,000	+16.3 %
% REO 30%	% REO 14%	

More competitive with New Home Sales



* All closings within a 3 month moving average

Source: Metrosearch [Property Analysis](#)



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Early stage delinquencies (30-60 days) are back to pre-recession levels!

Atlanta AJC August 2013

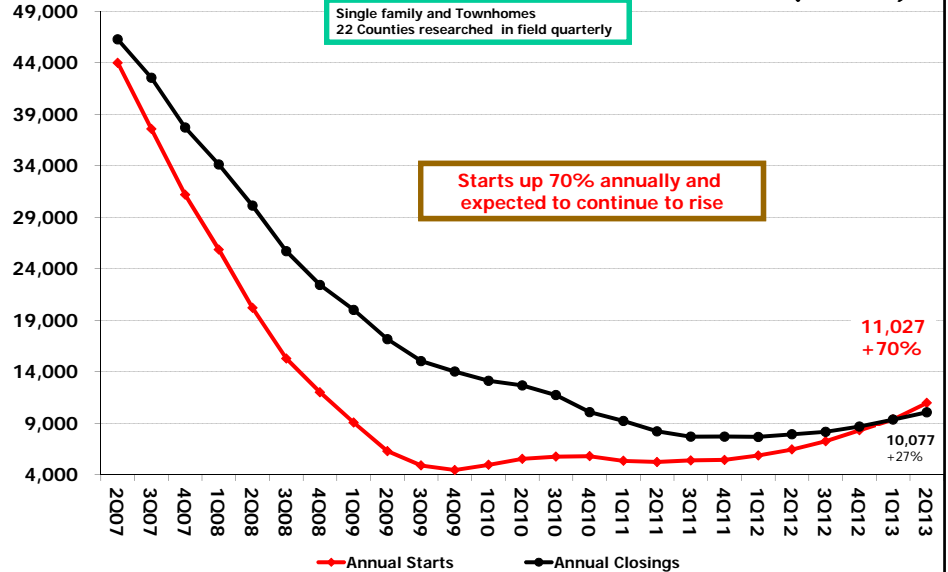
AUGUST METRO FORECLOSURE NOTICES

Metro Atlanta's number of foreclosure notices for this month is at its lowest point compared with several years.

2005	3,676
2006	3,989
2007	5,075
2008	6,479
2009	9,930
2010	13,130
2011	9,953
2012	6,426
2013	3,650

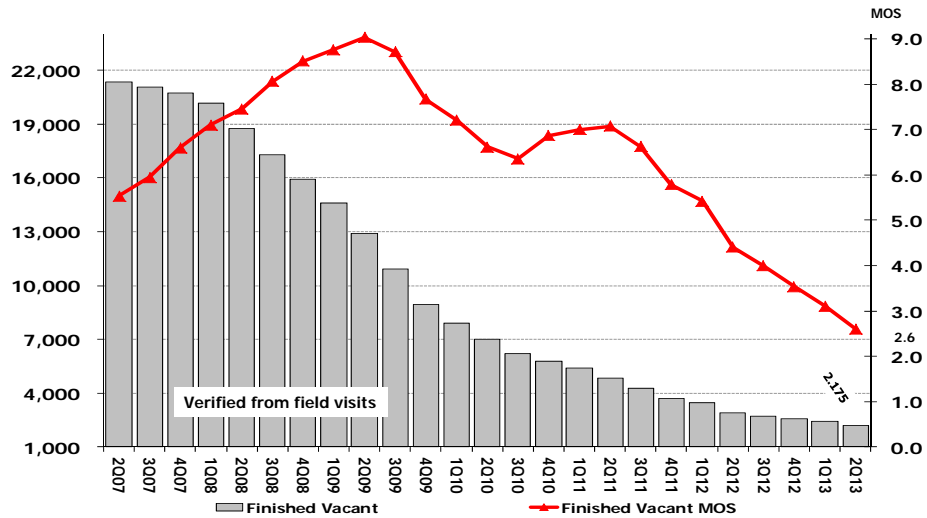
SOURCE: EQUITY DEPOT

ATLANTA ANNUAL STARTS AND CLOSINGS (move-ins)



FINISHED HOUSES AND MONTHS SUPPLY

Inventory is incredibly low yet continues to fall. FV months supply is at equilibrium and expected to dip below normal levels



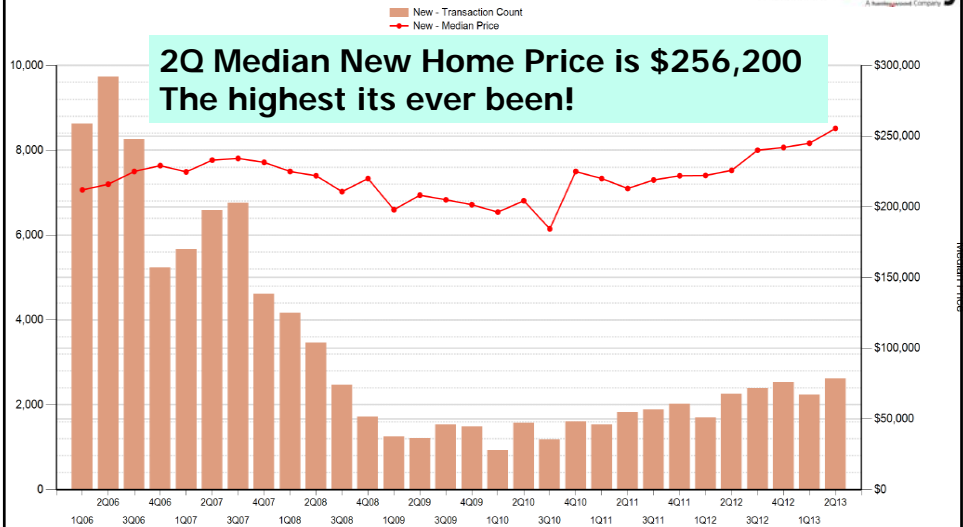
SFD and TH combined

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Atlanta New Home Closings Price Trends



2Q Median New Home Price is \$256,200
The highest its ever been!



Source: Metrosearch Property Analysis Run for new only.

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Nationally
The **MEDIAN PRICE**



for a new home has hit

\$260,000,
higher than ever!

h.w



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