

# METRO ATLANTA GEORGIA MARKET

---

## *Atlanta-Sandy Springs-Marietta, Georgia MSA*

The metro Atlanta area is identified by the U.S. Census Bureau as the Atlanta-Sandy Springs-Marietta MSA (metropolitan statistical area) and consists of 31 counties, 144 cities, an area of 8,376 square miles and a population of over 5.7 million. The ten largest counties (in order) are Fulton, Gwinnett, DeKalb, Cobb, Clayton, Cherokee, Henry, Hall, Forsyth and Paulding. The ten largest cities (in order) are Roswell, Sandy Springs, Marietta, Johns Creek, Alpharetta, Smyrna, East Point, Atlanta and Dunwoody. Three of these cities have been incorporated since 2005. Sandy Springs (the 9th most affluent city in the nation with populations over 75,000) led the way for this new wave of incorporations in 2005 and was followed by four other cities in the Metro Atlanta area. Three of these 10 cities are located in what is now called Fulton County and are attempting to combine with two older municipalities and re-create the county of Milton.

Why do I mention all of this? Atlantans have an identity crisis! *Atlanta can not be painted with a broad brush.* For the most part, the closer in Northern Suburbs of the Metro area have fared the storm much better than the more remote suburban areas or the Southern Metro area. General area studies such as the Case-Shiller Home Price Index or statistics published by Smart Numbers have limited applicability and need to be localized. Not only do they need to be localized, but the trends are price point sensitive as well. The old adage of Location, Location, Location truly applies to our market.

*So what are the factors that affect values in such different fashions?* They are probably the same in most all areas and include; vibrancy of the local economy (employment changes), adequacy of schools (private and public), efficiency of local government (property taxes), employment factors (vacancy & absorption rates), transportation (convenience of employment & shopping) and availability of land for new construction. The latter one is a blessing in good economic times and a curse in bad. Each of these factors affects the different areas in different fashions.

*There has been a big to do about absorption rates over the past few years.* While there is certainly some merit to this analysis, it has been over played. As real estate value is "local", it is important that the competitive market area, price point, and features be properly identified when performing such an analysis. The resulting sample needs to be further studied to determine what portion of the supply or inventory is properly priced. If you have 20 active listings with only 2 properties that are properly priced, and you are averaging 1 sale per month, you don't have a 20 month supply! You only have a two month supply!

*Where have we been and where are we going?* They often say that past trends or performance may not be indicative of the future. According to Smart Numbers, home inventory peaked around the middle of CY 2007 with approximately 60,000 detached units and 12,000 attached units. Detached units have fallen 40% to around 36,000 units and attached units have fallen 33% to approximately 8,000 units. In CY 2009 there were approximately 45,000 single family detached homes sold, suggesting a 9.6 month inventory. In CY 2008 there had been approximately 47,000 sales, and 57,000 sales in CY 2007.

There are several questions or unknowns that pose risks in the extension of this favorable trend of the declining supply. In many markets, the "run up" was exaggerated by the influx of investors. The same can be said of the "run down". Of the total of 45,000 homes sold in CY 2009, 33% or 14,650 homes were listed as bank owned, foreclosures, short sales, or potential short sales. In CY 2008 there were 11,780 (25%) such properties sold, and only 6,419 (11%) in CY 2007. Several major lending institutions are preparing to release their "Shadow Inventory" in the near future. These are the properties in which "work outs" were attempted but have been unsuccessful. As the government withdraws from the backing of mortgage backed securities, interest rates are likely to increase. The

# ATLANTA GEORGIA MARKET *continued*

---

combination of higher interest rates and an increased inventory will have the double whammy affect (technical term) of reducing the affordability of homes, which reduces the number of buyers and/or changes the purchase price point and places downward pressure on prices.

*Did I say I was optimistic?* Actually I am (kind of). There are many factors that precede a return to normal or the “new normal” or for us old folks, the “old normal”. While we are on the subject of foreclosures, presently 4,800 active listings are foreclosure type properties which represent less than 11% of the total inventory or a 4 month inventory at current REO absorption rates. Of course this is before the release of the shadow inventory. More frequently, it is becoming difficult to find the really competitively priced listings. As inventories come down, prices have begun to stabilize in some areas.

*As appraisers, we must also be aware of current economic conditions and trends as well as the political atmosphere.* Both of these factors have a large impact on consumer confidence, corporate policies and hiring, all of which drives the real estate market. While technically unemployment has continued to increase, businesses have been adjusting to the level of demand and have become more lean and efficient. There is a return to profitability (oh! How evil!) and cash levels have been swelling. The top 50 public Georgia companies have piled up \$38,683,179,000 in cash reserves, a 40% increase totaling \$11 billion this year. Coca-Cola has \$8.8 billion as of October and Home Depot \$3.1 billion. All of the 50 top companies have not been winners as 17 have seen a decline in cash reserves. “Temp” or part time hiring has increased to take up the slack as industrial production has begun to pick back up.

While some of this increase in production is for the replenishment of depleted inventories, at least inventories have been rolling off the shelf. While used car sales have increased in the States, new car sales have been increasing throughout most of the rest of the world. The “Cash for Clunkers” stimulus program resulted in a short lived temporary increase in sales. Consumer confidence is increasing. The typical individual has been reducing indebtedness and saving more, a necessary change that has had a temporary adverse impact on the economy. As the national debt has increased monumentally, income and other taxes will increase, leaving less disposable income and adversely affecting much of the private sector of the economy. The nationalization of a significant part of the economy (banks, autos, health care) will have some temporary favorable impacts but in the long term have detrimental implications if left uncontrolled. “Change you can believe in.” As the economy slowly increases momentum, employment will increase, as will household formation, as will home sales and market stabilization will come about. There is a symbiotic relationship between the economy, job growth and real estate sales.

Will most people leverage their homes like they did in the past? – Not  
Will they purchase the largest home they can afford and have two new cars in the driveway? - Not  
Will they continue with conspicuous consumption patterns? – Not  
Has employee productivity picked up? – Yes

If you can't paint “Atlanta” with a broad brush, where are the best places to buy? Where should you steer clear of? If you think that the best area is the one with the lowest months of inventory (given the absorption rate as determined over the past 12 months) you will be buying in the areas that have had the greatest number of foreclosure sales as a percentage of total sales and the greatest drop in the average sales price.. If you like living in a community with a high number of investment properties where values have been beaten down to very low levels, then the South Metro area is the place to be. If you think that it is more important to be in communities that have the lowest number of fore-closures as represented by the percentage of active listings and sales over the past 12 months, but has the largest number of months of inventory, then buy in the closer in North Metro area. The more suburban areas on the North side of Atlanta had more land for development and as a result have a

# ATLANTA GEORGIA MARKET continued

greater percentage of foreclosures that sold over the past 12 months and remaining in inventory than the closer in areas. Note the relationship between foreclosures and price change. Is it circumstantial?

## **North Atlanta**

### **Cities of Sandy Springs, Dunwoody, Roswell, Alpharetta, Milton, Johns Creek**

Foreclosures/Total Inventory	7.22%
Foreclosure Sales/Total Sales	12.58%
Months Inventory	11.33 months
Average 12 month Sales Price Change	-8.97%

## **South Atlanta**

### **South Fulton, South Dekalb, Douglas, Clayton & Henry Counties**

Foreclosures/Total Inventory	22.50%
Foreclosure Sales/Total Sales	43.68%
Months Inventory	6.42 months
Average 12 month Sales Price Change	-19.31%

## **Northern Growing Suburban**

### **Cherokee & Forsyth Counties**

Foreclosures/Total Inventory	11.06%
Foreclosure Sales/Total Sales	24.54%
Months Inventory	11.35 months
Average 12 month Sales Price Change	-10.45%

## **Atlanta SMA**

### **All Counties Covered by FMLS**

Foreclosures/Total Inventory	13.10%
Foreclosure Sales/Total Sales	32.54%
Months Inventory	9.73 months
Average 12 month Sales Price Change	-13.81%



*For additional or more current information on the residential market in the Atlanta area, visit [www.rac.net](http://www.rac.net) and select "The RAC Report," or contact the following RAC member:*

**Dillon H. Fries, CRP, Dillon H. Fries & Associates**

Phone: (770) 992.5171 ♦ Fax: (770) 992.7350 ♦ [DillonFries@RAC.net](mailto:DillonFries@RAC.net) ♦ [www.fries.org](http://www.fries.org)