

2Q 2014

Metro Market Report

Single Family Detached Residences



Brought to you by

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- **Data**

- The source of all data contained herein is FMLS listings data for real estate transactions occurring in 41 selected FMLS areas and does not necessarily represent all market activity either for those areas or for the Atlanta Metro area.
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Current Market Overview

- Understanding three views of the current market allows **Buyers** to maximize their ability to evaluate properties, receiving the highest value in their home search and **Sellers** to position their property to maximize money in their pocket while minimizing time on market:
- **Macro View: National Market**
National Media Coverage
- **Metro View: Atlanta Market**
Quarterly Metro Market Report
- **Micro View: Your Community**
Comparative Market Analysis

Previous Listing Period Effect – Detached Residences

(2Q 2014 Atlanta Data – 41 FMLS areas)

	Other FMLS Data Sources (No history data for listings off market for more than 30 days)	ChartMaster Data (More realistic by including listing history data back as far as 3 years)	ChartMaster Difference
Original list Price	\$235,000 Median \$300,011 Average	\$239,900 Median \$308,049 Average	+\$4,900 Median (+2.1%) +\$8,038 Average (+2.7%)
Sales Price/Original List Price (%S/L)	97.1% Median 96.2% Average	96.3% Median 94.1% Average	-.8% Median (-\$1,880 Less) -2.1% Average (-\$6,300 Less)
Days on Market (DOM)	27 Days Median 62 Days Average	41 Days Median 104 Days Average	+14 Median Days Longer (+52%) +42 Average Days Longer (+68%)
Incidence of Price Reductions	26.8%	38.8%	+12.0 Percentage Points (+45%)

Conclusion: Other data sources understate time on market and likelihood of requiring a price reduction, while overstating the portion of the original list price received by sellers

Consequences: Unrealistic Expectations

Overstated % S/L

- Agent:
- Risk in meeting Seller proceeds of sale goals
 - Seller dissatisfaction with agent advice
- Seller:
- Risk of insufficient proceeds to fund next home purchase
 - Dissatisfaction with agent advice

Understated DOM

- Agent:
- Increased marketing time and cost
 - Seller pressure, dissatisfaction
- Seller:
- Greater carrying cost
 - Greater inconvenience due to showing disruptions
 - Greater inconvenience due to keeping house in showing condition
 - Delay in finding and moving to new home

Understated Likelihood of Price Reductions

- Agent:
- Greater risk of losing listing when more price reductions lead to multiple listing periods
 - Greater likelihood of Seller dissatisfaction
 - Increased risk of needing difficult price reduction discussions with Seller
- Seller:
- Greater risk of multiple listing periods, very low % S/L and long DOM
 - Greater risk of insufficient proceeds to fund next home purchase

Conclusion: Pricing validated by more realistic, in-depth market data, increases likelihood of meeting Seller goals

Metro Area FMLS Areas Included (41)

Cherokee County:

111 113
112 114

E. Cobb:

81 82 83

W. Cobb:

71 73 75
72 74

DeKalb:

24 42 52 121
41 51 53

Douglas:

91

Forsyth:

221 222 223 224

Fulton OTP:

13 14 131 33

Fulton ITP:

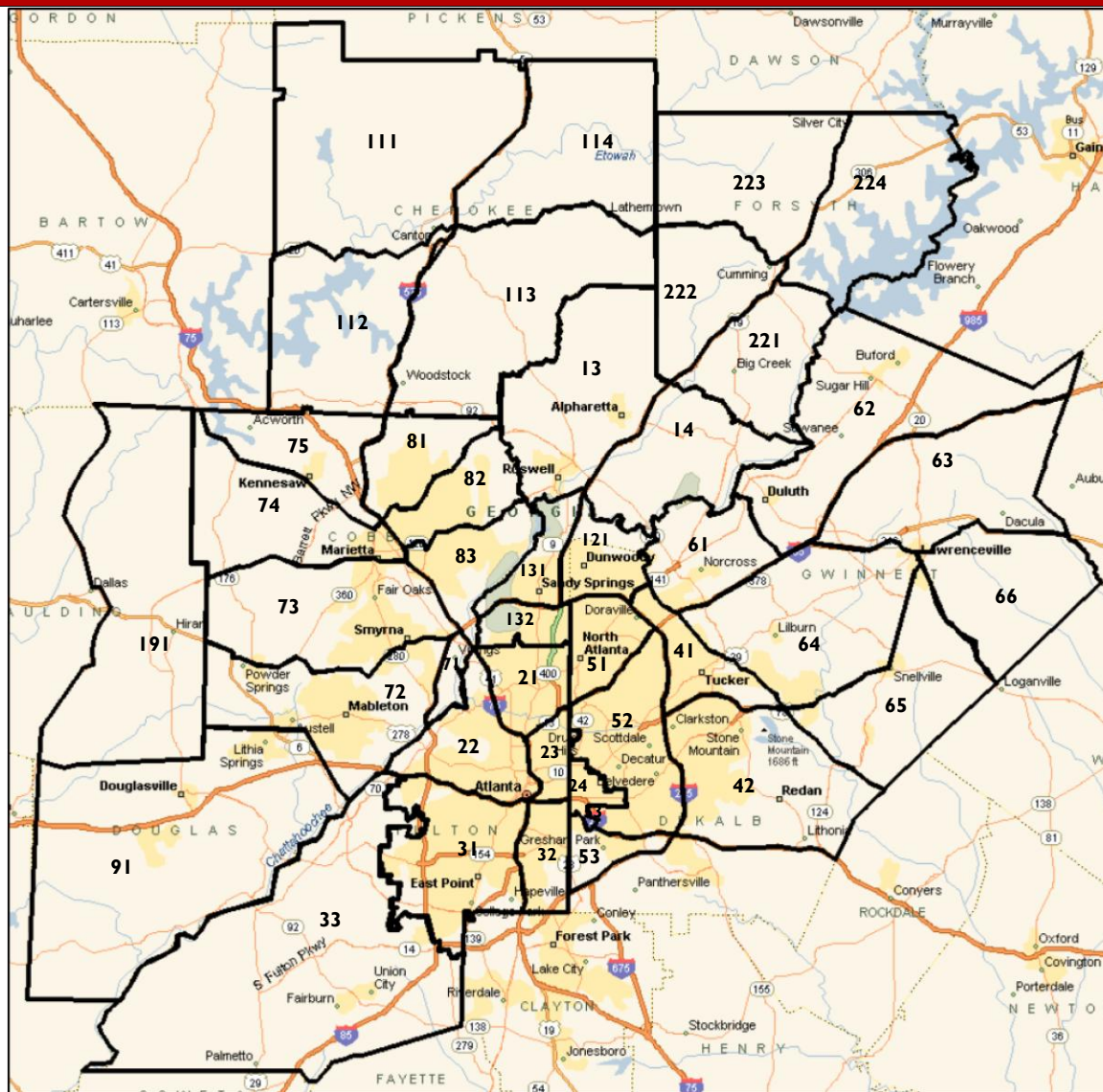
31 21 132
32 22 23

Gwinnett:

61 62 63
63 65 65

Paulding:

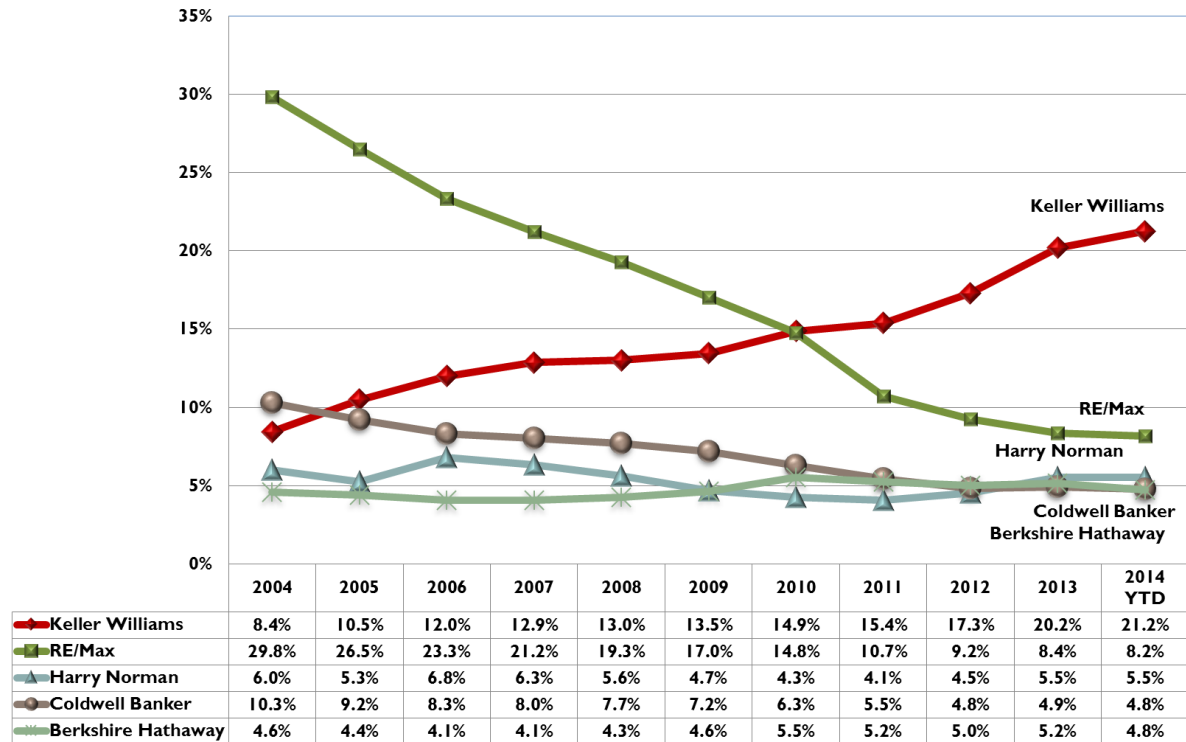
191



Keller Williams Realty became the **NUMBER 1** real estate company in the Atlanta Metro area in unit sales during 2010 and has increased that lead every year through 2Q 2014

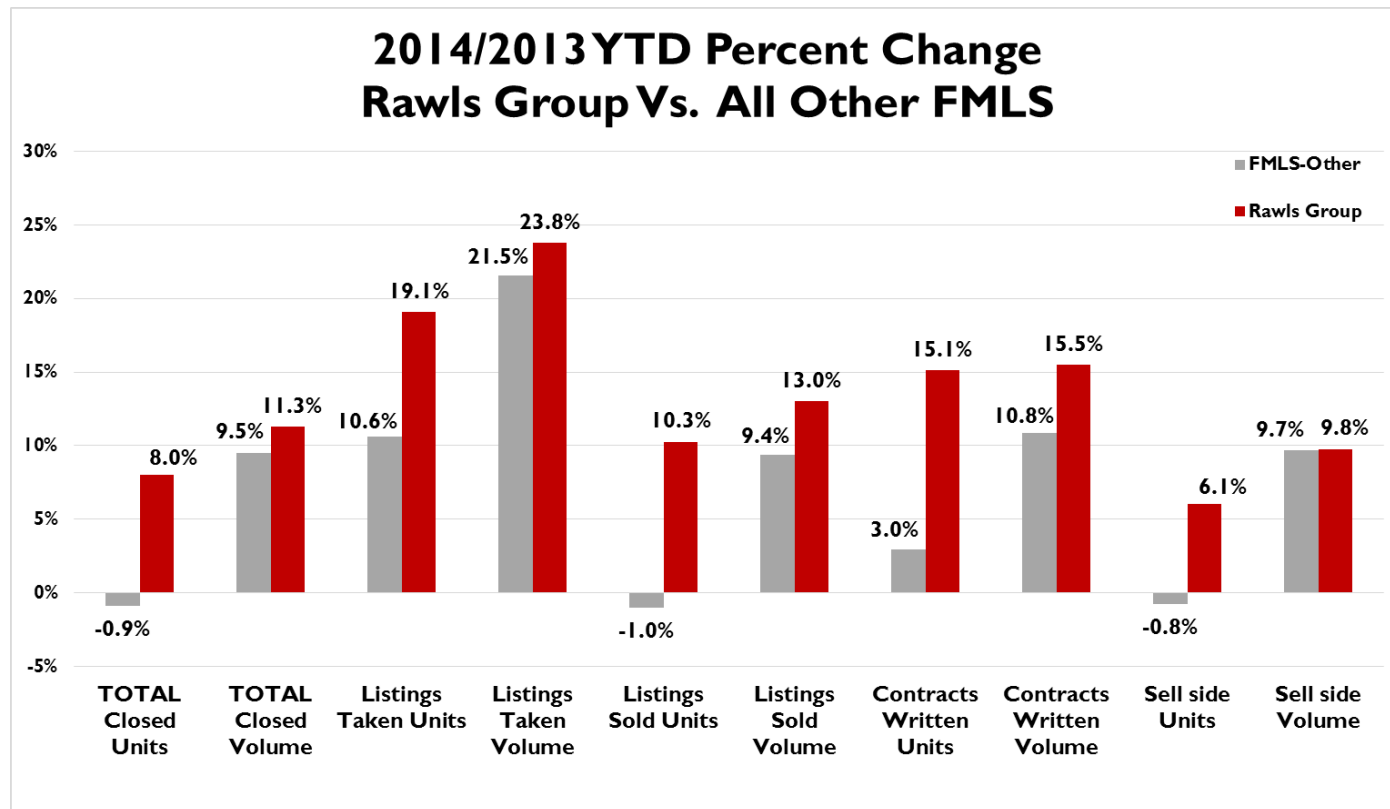
Top 5 Atlanta Companies: Market Share of Closed Transactions

Total Sell + List Sides for Sales of Detached + Condo/Townhome Residences



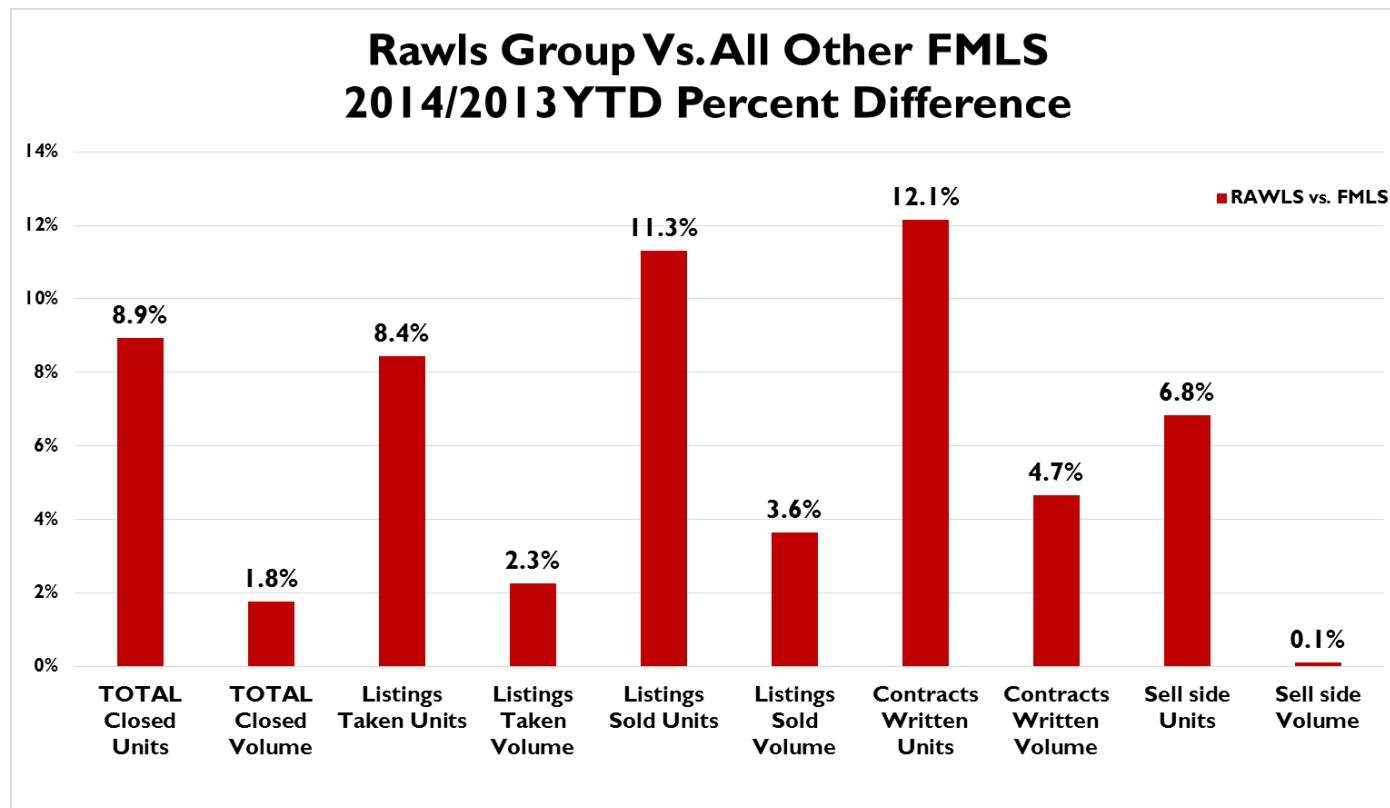
FMLS condo/townhome and single family detached residences data. Data believed to be accurate, but is not warranted. ©2014 Chartmaster Services, LLC. All rights reserved. Not to be reproduced without the written permission of chartmasterchuck@aol.com.

The Rawls Group of offices outperformed the rest of the FMLS in percentage increase in both units and volume YTD June 30, 2014 in each of these categories



BrokerMetrics: Sales of Condo, Townhome and Detached residences in 41 FMLS Areas 7/20/14

YTD June, 30, 2014, The Rawls Group of offices outperformed the rest of the FMLS offices combined, in all 10 of these measurements

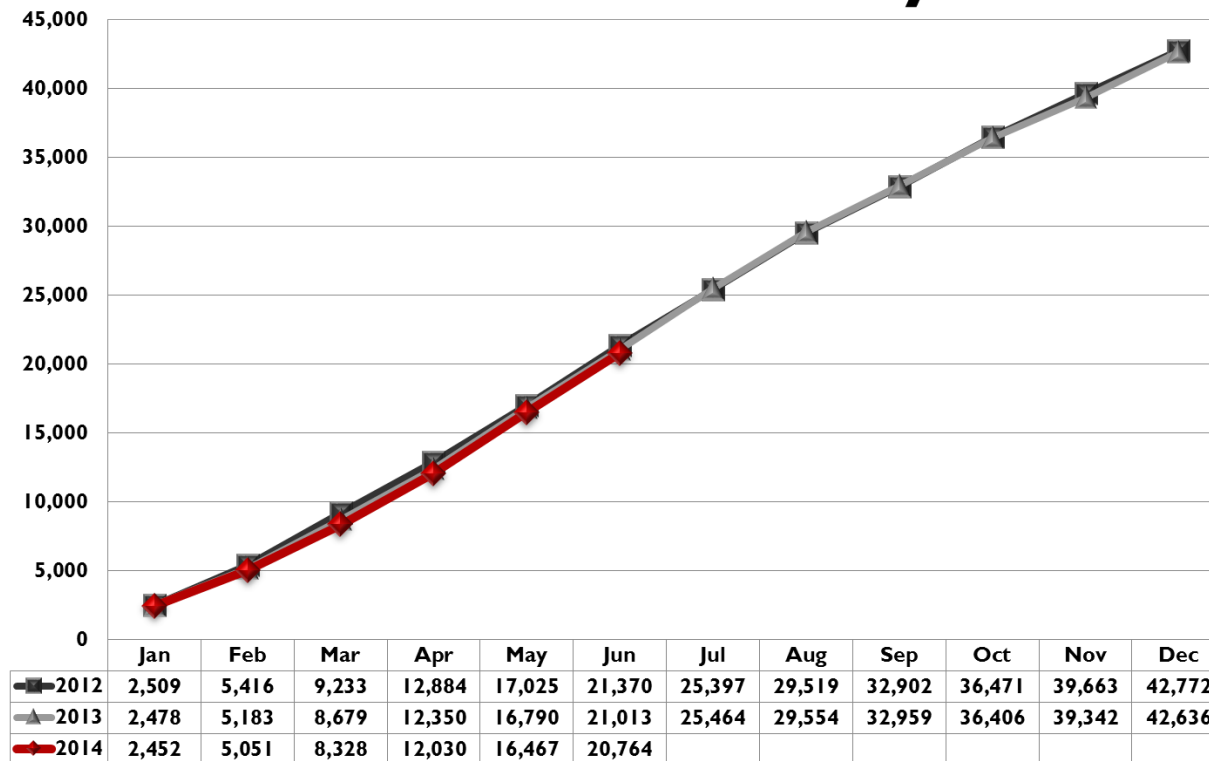


BrokerMetrics: Sales of Condo, Townhome and Detached residences in 41 FMLS Areas 7/20/14

Cumulative Monthly Sales

YTD 2014 sales have been slightly lower compared to the same period in 2013 (-1.2%) and will likely equal those of last year after lagged closings are processed into the system

YTD 2014 sales were also -2.8% below those of the same period in 2012

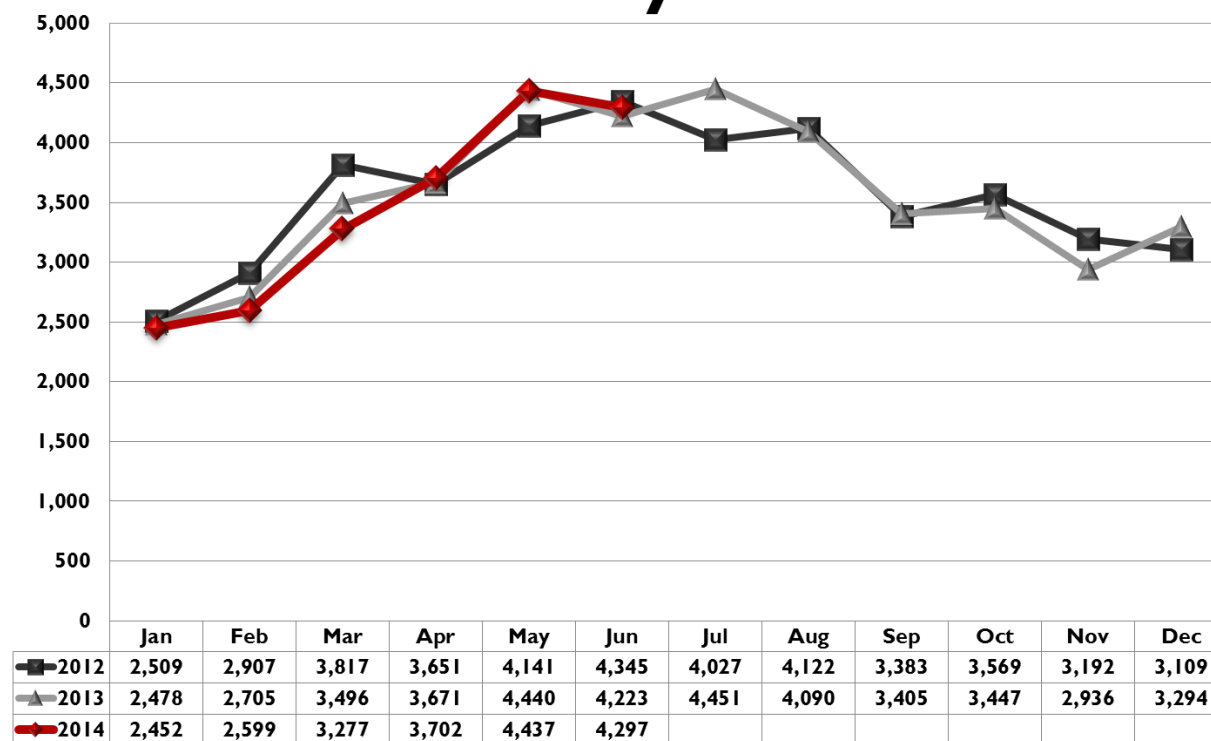


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Sales recovered somewhat in 2Q 2014 after a slow start

Processing of lagged closings may yet increase sales for May and June, while all three 2Q months had higher sales than in the same period last year

Monthly Sales

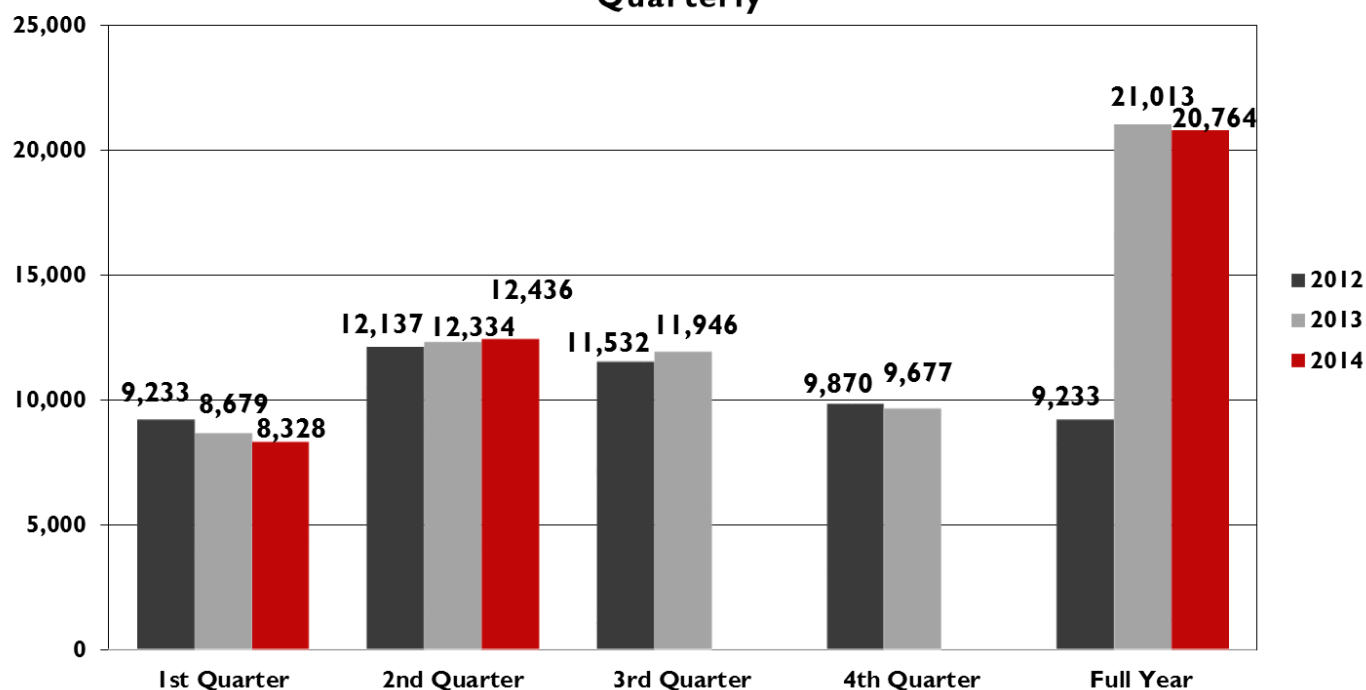


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Quarterly sales declined in both 4Q 2013 and 1Q 2014, compared to the corresponding periods of the previous year, while 2Q 2014 increased slightly (+.8%)

2Q 2014 sales were +2.5% higher than those of 2Q 2012

Number Sold Quarterly

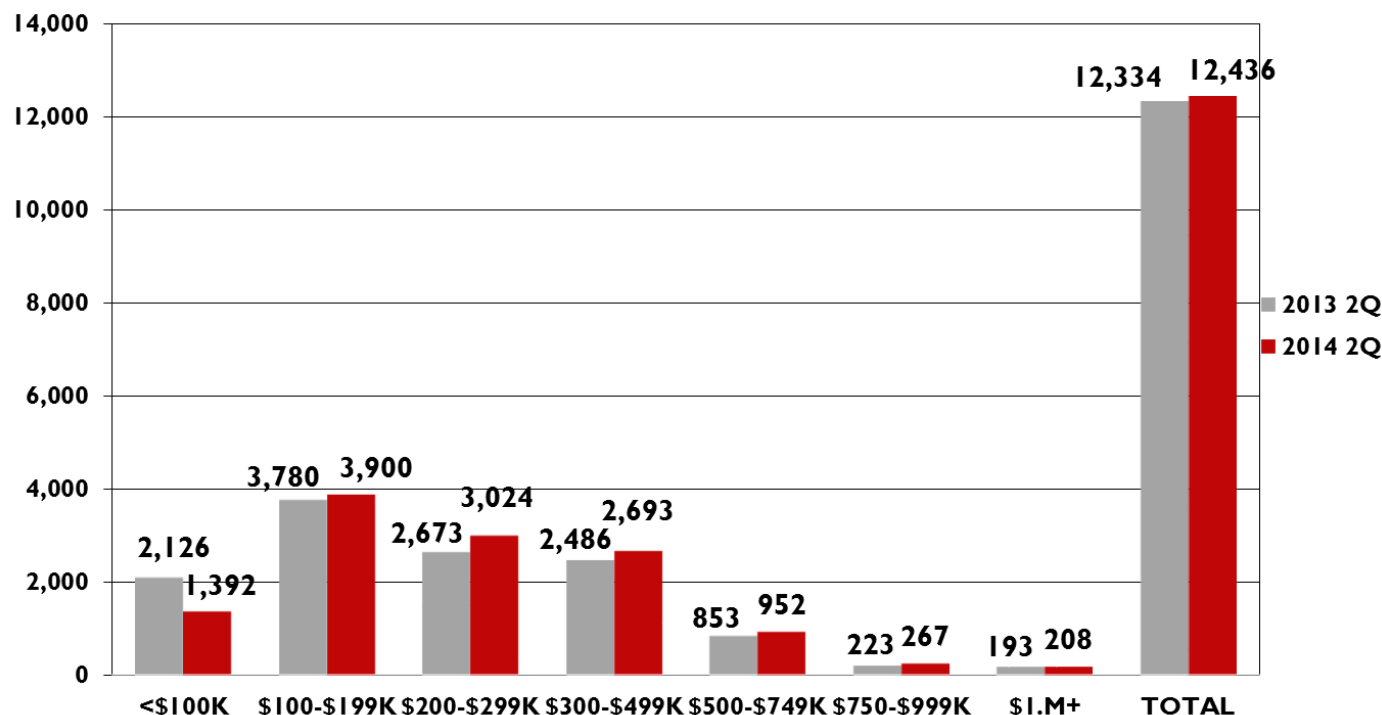


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Number Sold by Price Range

Analyzing quarterly sales by sales price range shows that the reason for lower overall sales again in 2Q 2014 was the -34.5% drop in sales of properties priced below \$100K

All price ranges above \$200K increased in sales and the shift toward larger portions of purchases in higher price ranges caused the median sales price for all properties to increase again in 2Q 2014 compared to the same period last year



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2Q 2014 Sales

	<\$100K	\$100-\$199K	\$200-\$299K	\$300-499K	\$500-\$749K	\$750-\$999K	\$1.0M+	Total
NEW	6 (-60%)	193 (-21%)	375 (+6%)	351 (+16%)	128 (+22%)	47 (+62%)	27 (+13%)	1,127 (+5%)
RESALE	1,386 (-34%)	3,707 (+5%)	2,649 (+14%)	2,342 (+7%)	824 (+10%)	220 (+13%)	181 (+7%)	11,309 (0%)
TOTAL	1,392 (-35%)	3,900 (+3%)	3,024 (+13%)	2,693 (+8%)	952 (+12%)	267 (+20%)	208 (+8%)	12,436 (+1%)

Comparison to 2Q 2014:

 Better

 Same

 Worse

Sales were much lower in the <\$100K price range and somewhat lower for New in the \$100K-\$199K range, keeping the overall change nearly flat in 2Q 2014

All price ranges above \$200K had increased sales compared to 2Q 2013

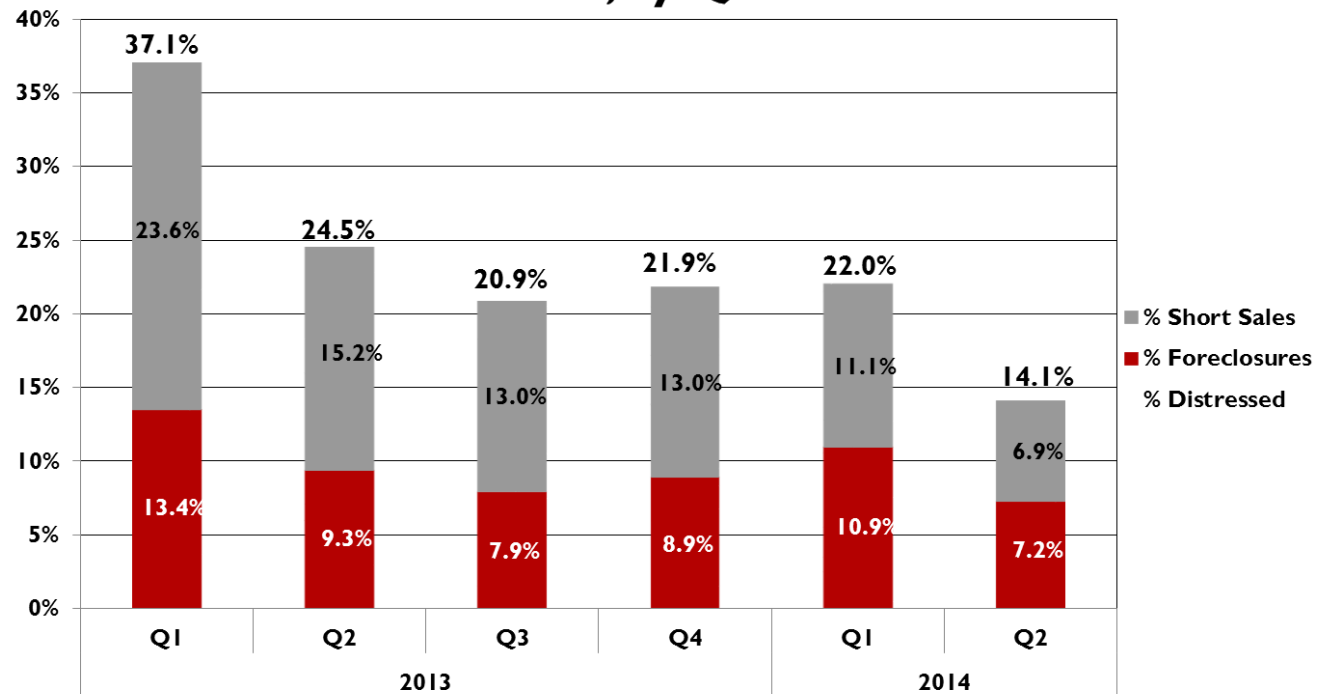
New properties were 9.1% of 2Q 2014 sales

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Short Sales and Foreclosure Sales add together to make up Distressed Sales, shown here as a percent of total sales

The percentage of 2Q 2014 distressed sale transactions was -10.4 percentage points lower than in 2Q 2013, while -7.9 points lower than last quarter

Distressed Sales: % of Total Sales, by Quarter



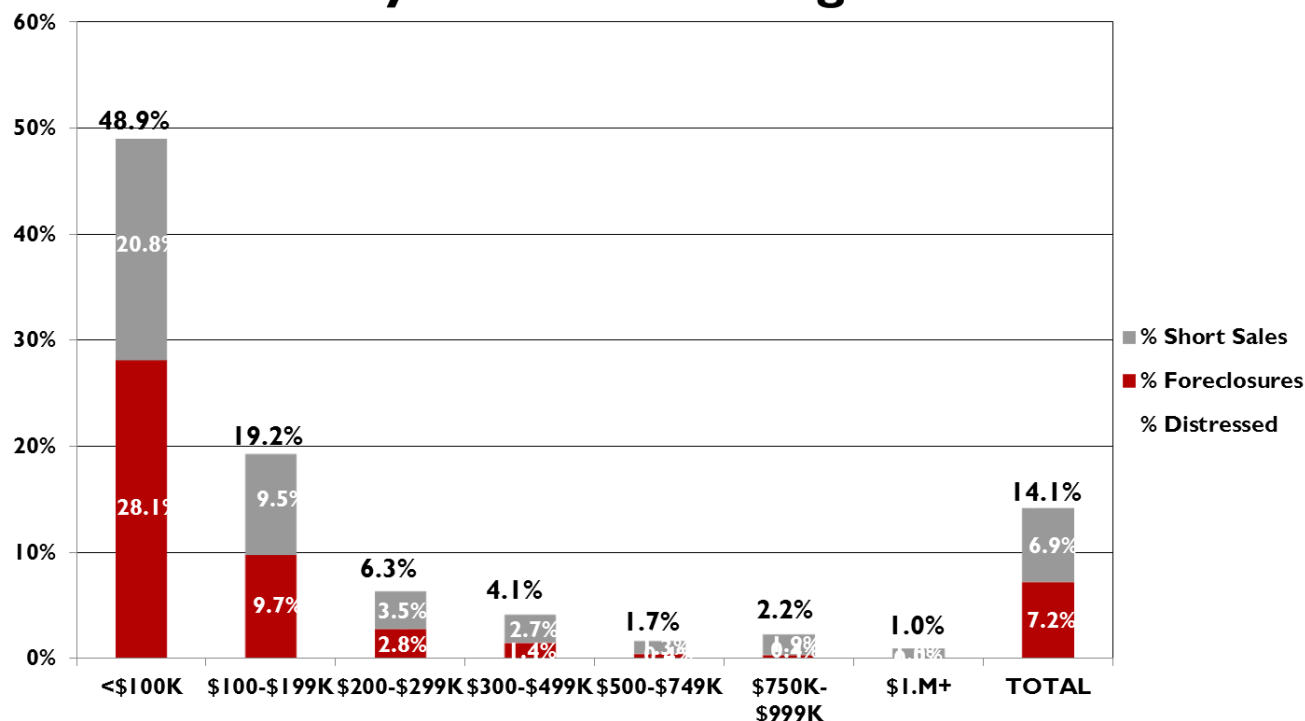
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2Q 2014 Distressed Sales: % by Sales Price Range

Shown by price range illustrates the degree to which distressed sales are present in each price grouping

Nearly 1 of every 2 sales in the <\$100K price range were distressed property sales during 2Q 2014 and across all price ranges, more than half of them were Short Sale transactions

As distressed sale transactions decline at price ranges above \$200K, they remain stubbornly high in those below \$200K



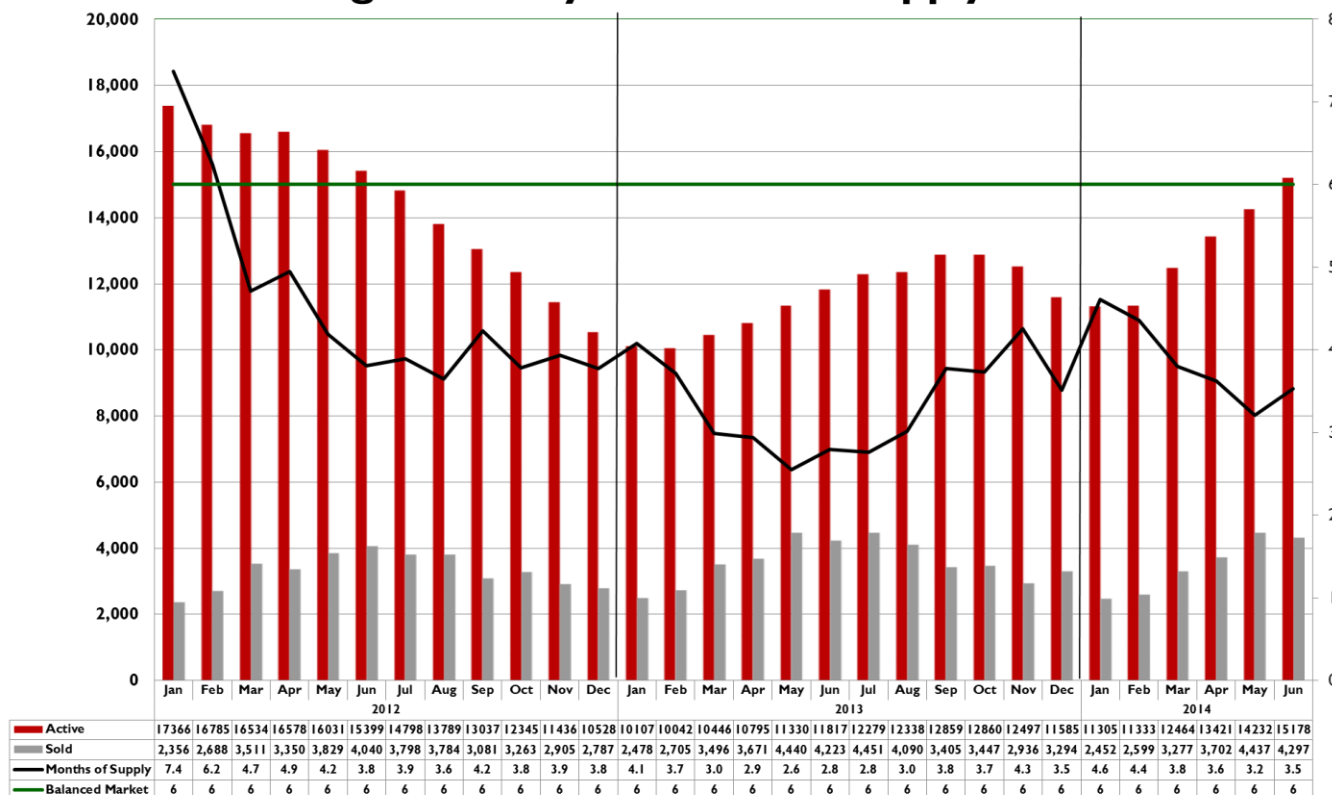
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The number of properties listed for sale compared to the number of properties which sold each month, illustrates the relationship existing between Supply (listings) and Demand (sales)

Using a 3-month average of 2Q 2014 sales yields a 3.7 month supply, meaning that at the current sales rate, it would take less than 4 months to sell the current inventory of listings if no new listings came on the market

A supply of more than 6 months is considered to be a Buyer's market

Listings: Monthly Active/Sold/Supply

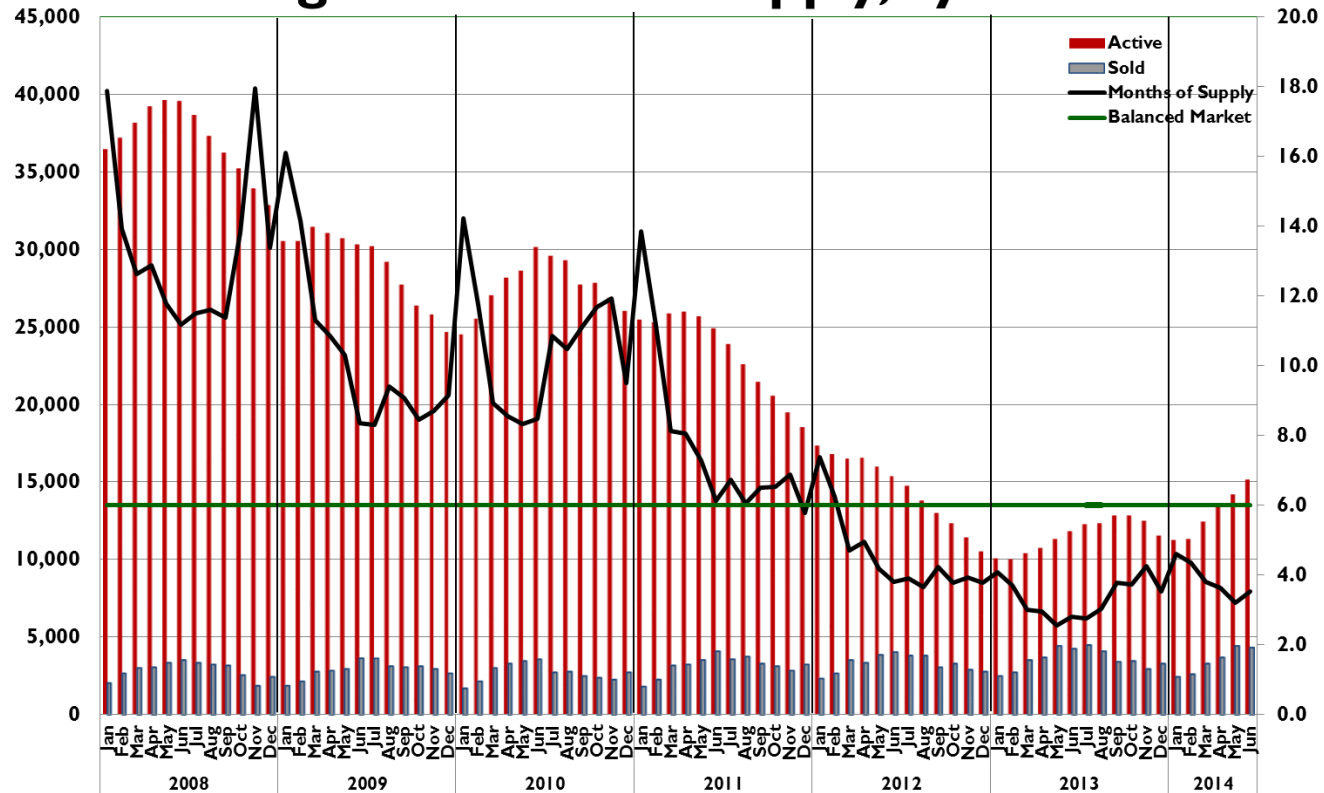


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Going further back in the market cycle and using each current-month's active listings divided by the average of the previous 3 months of sales yields the monthly supply (black line)

The history of monthly active/sold/supply from Jan., 2008 shows the magnitude of the current drop in Active Listings, from the high of 39,614 in May, 2008 to 15,178 (-61.7%) in June, 2014 while monthly sales decreased by only -8.8% from 3,363 to 4,297 (+27.7%) and the resulting supply of 11.8 months fell to 3.7 months (-68.6%)

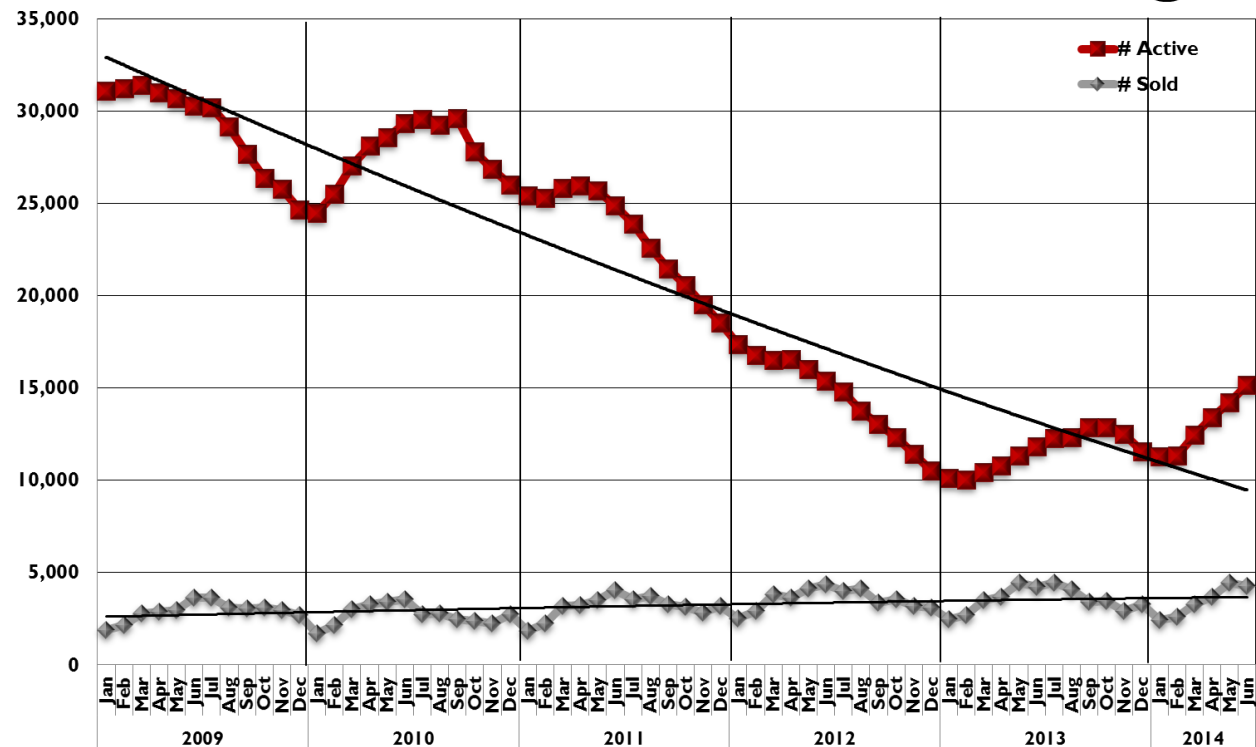
Listings:Active/Sold/Supply, by Month



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While recent sales have been relatively flat, the number of Active listings began to rise somewhat during 2013 and again in 2Q 2014 after a long decline

Number Sold vs. Active Listings

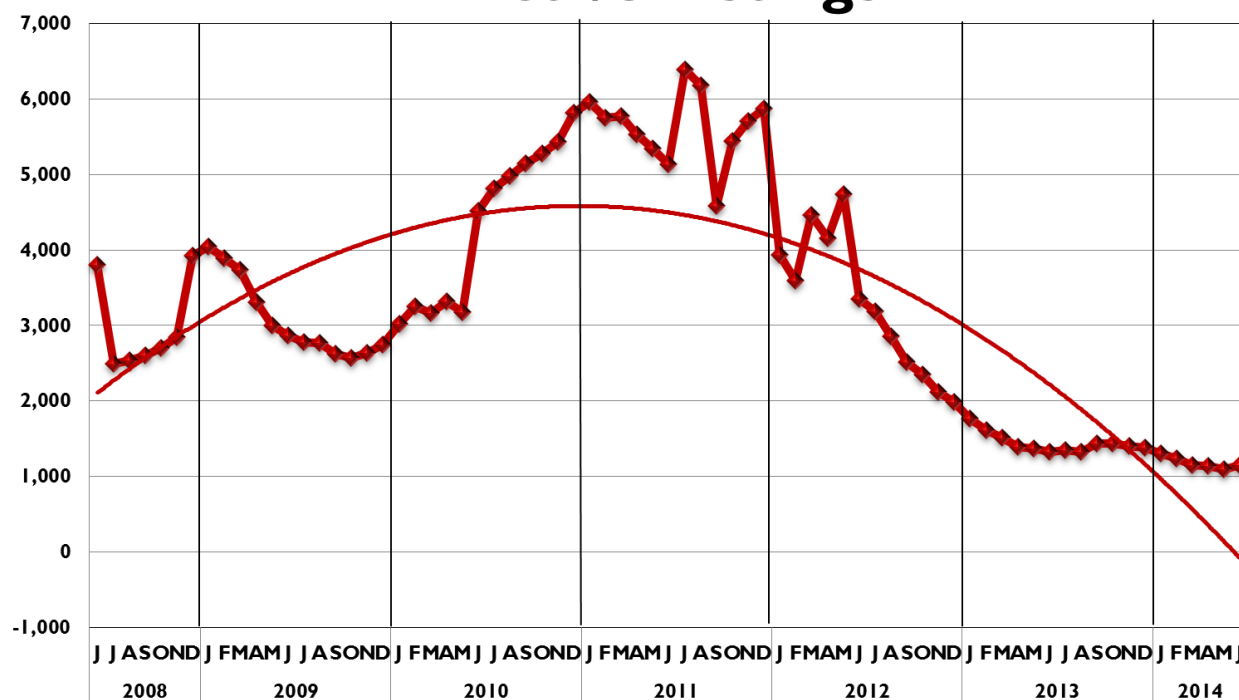


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Number of Distressed Property Active Listings

As the total number of Active listings declined, Distressed property listings also declined

We saw that the total number of listings began to rise recently while the number of distressed property listings remained flat, causing the percentage of distressed to slightly decrease in June to less than 8% of Active listings



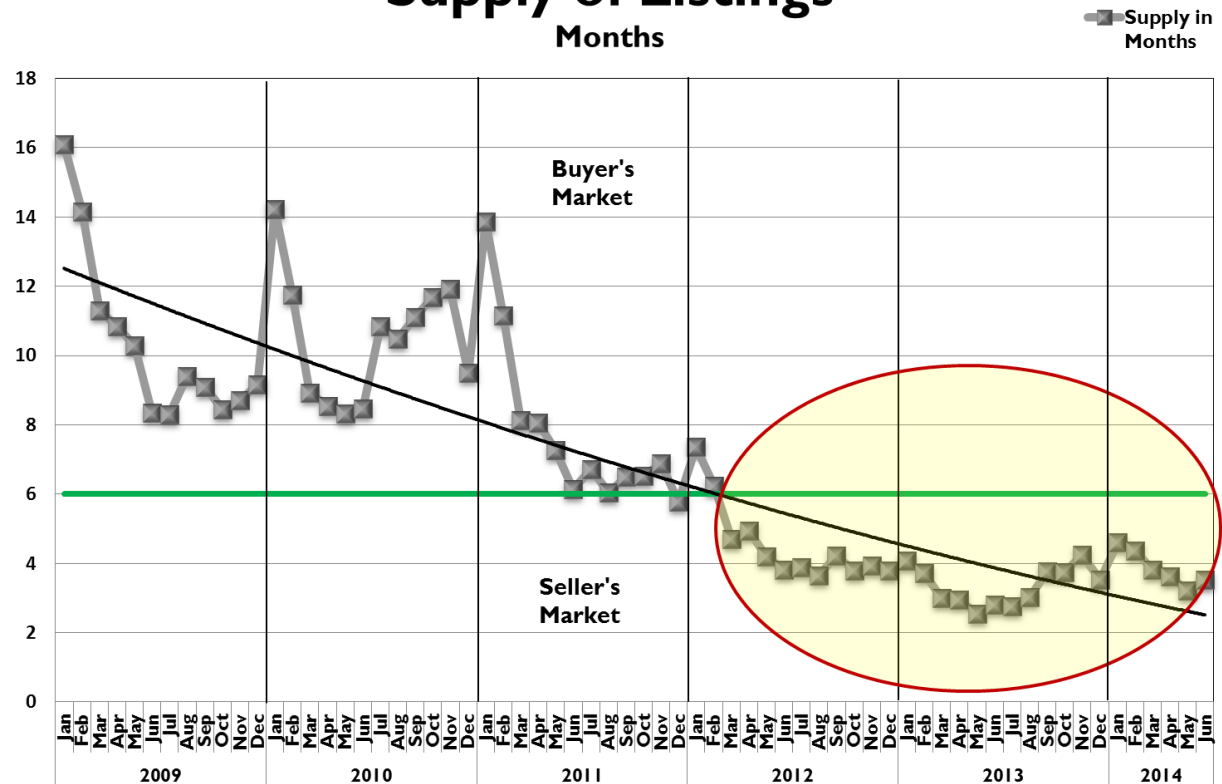
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2Q 2014 Metro Market Report

Steady sales combined with decreasing inventory of listings reduced the months of supply to 3.7 months in June 2014, continuing the "Seller's Market" condition which began during 2012

Most of our market measurements show the improvement following this market shift

Supply of Listings Months



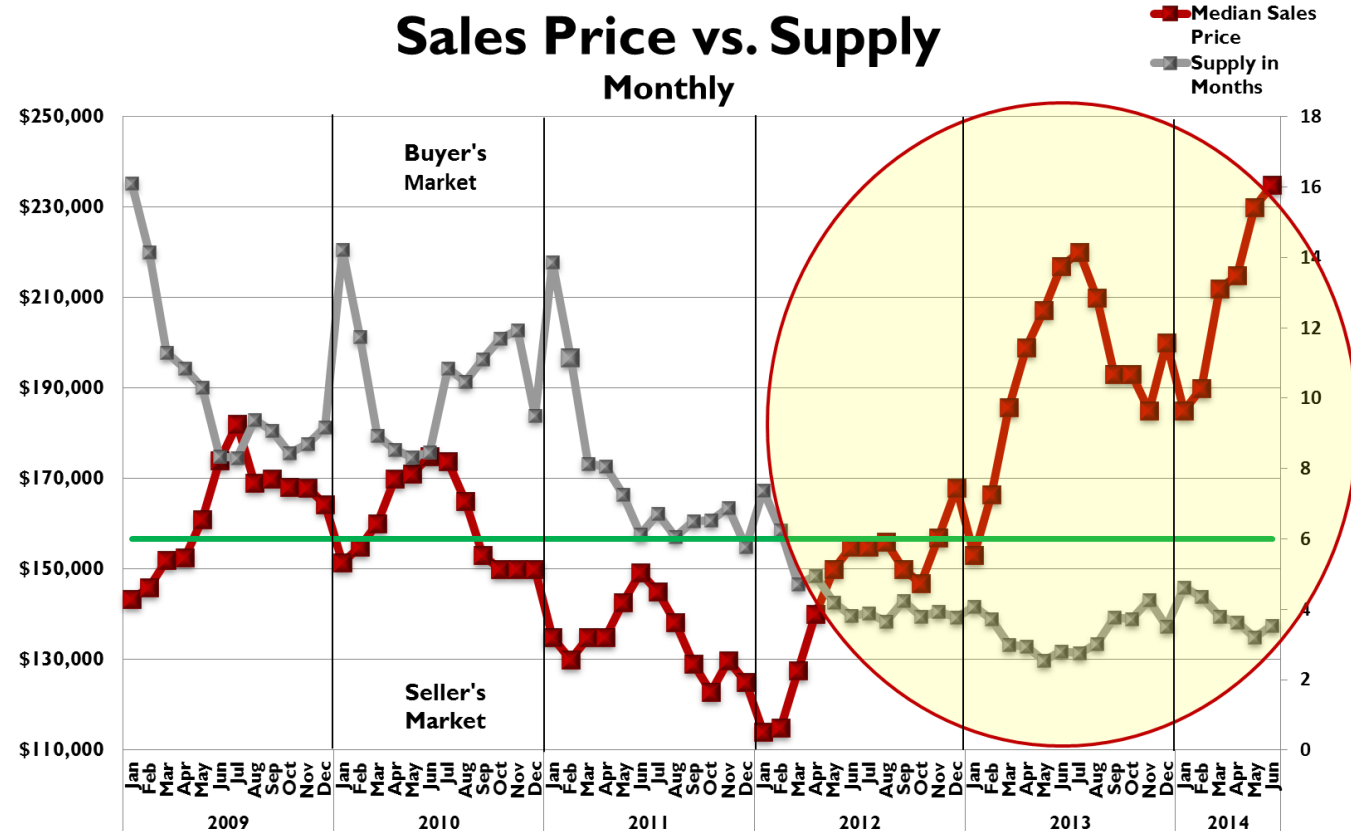
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2Q 2014 Metro Market Report

The contract negotiations advantage turned in favor of the seller when supply fell consistently below 6 months during 2012, resulting in an increasing median sales price as sellers were more able to maintain selling prices closer to their original listing price and more higher priced properties were sold

As seen here, since the supply finally fell below 6 months in 1Q 2012, the median sales price rose sharply, compared to the last 4 years

A leveling of supply during 2014 may be allowing the median sales price to increase again, while seasonal factors are also in effect

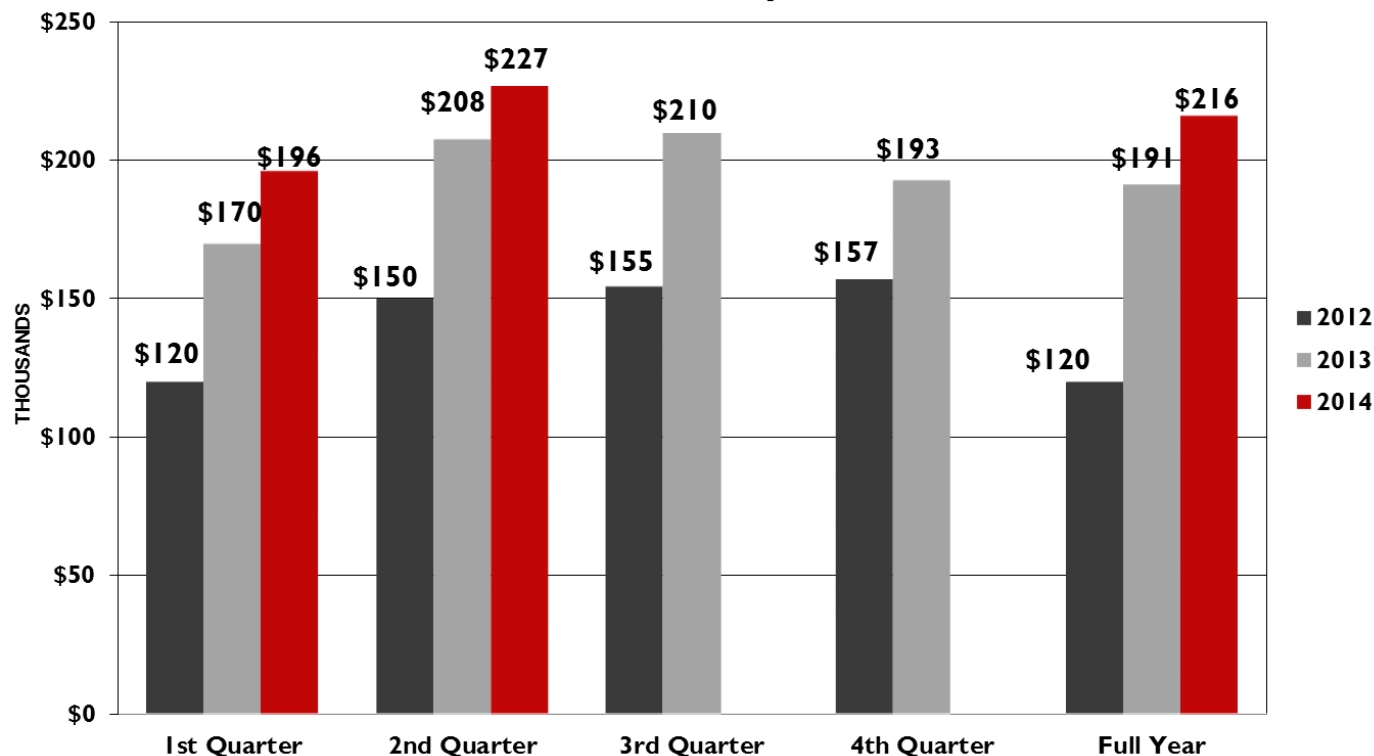


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Even though 2Q 2014 sales were mostly flat, the median sales price rose by +9.4% compared to 2Q 2013, to \$227,000

An increase in the percentage of sales in price ranges above \$200K compared to last year resulted in a higher median price

Median Sales Price Quarterly



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Monthly median sales price history shows that it reached a low point in January, 2012

The steep decline in median sales prices coincided with increases in the percentage of distressed properties sold

A strong, steady median sales price increase during 2012-14 has resulted from a much lower supply of listings, fewer distressed properties inventory and an increase in the portion of sales at prices above \$200K

Monthly Median Sales Price History



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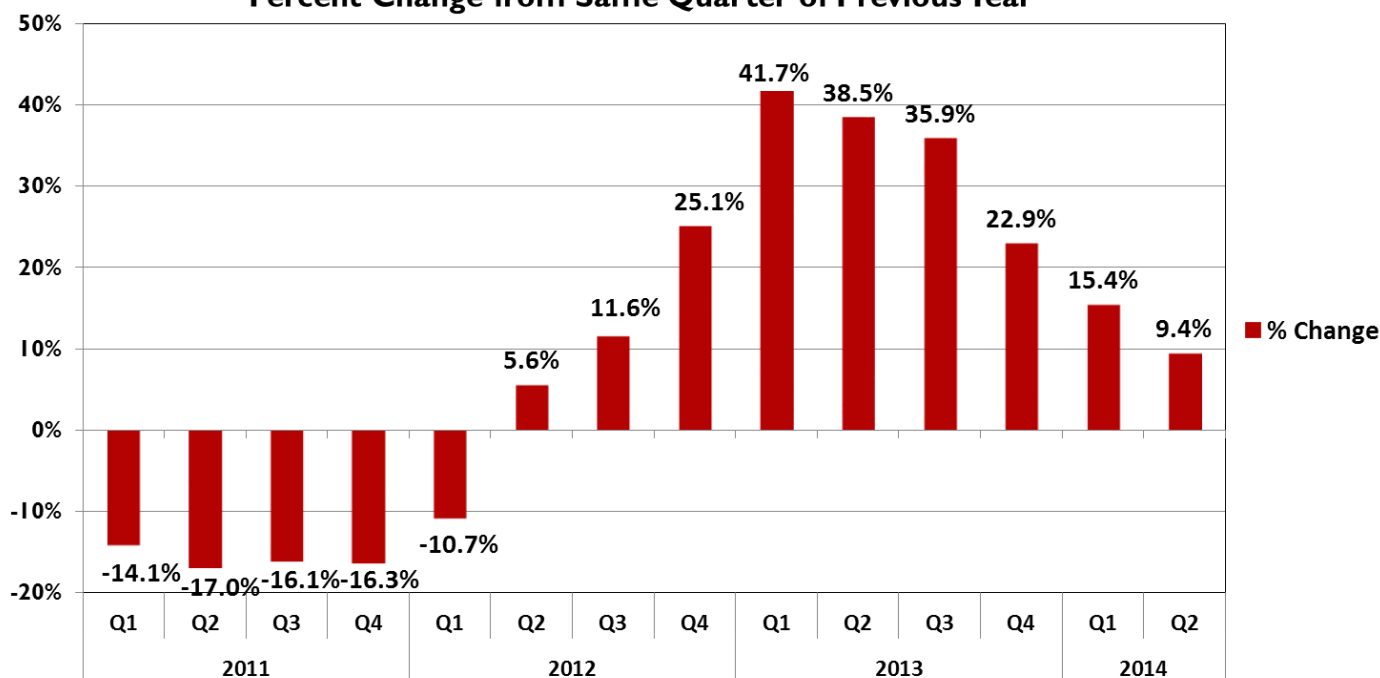
Median sales prices declined significantly between 1Q 2011 through 1Q 2012 after which the trend reversed through 2Q 2014

As the inventory of listings has remained below 6 months, sellers have been able to maintain higher sales prices and more properties are now selling in the higher price ranges

We are now seeing smaller quarterly percentage increases in each quarter since 1Q 2013 due to comparison with higher prices in the preceding year

Change in Median Sales Price

Percent Change from Same Quarter of Previous Year



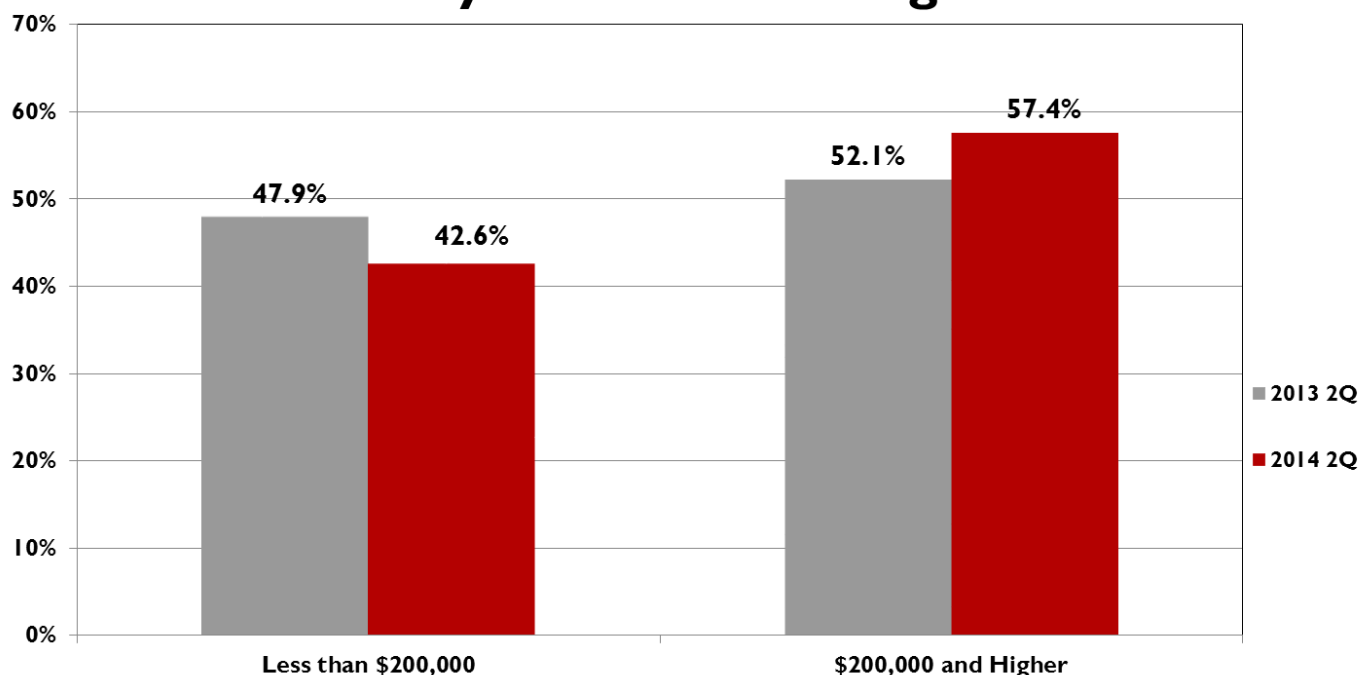
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Number Sold: % by Sales Price Range

The median sales price is derived by taking the point at which half of the transactions were at prices above and half below that price

Therefore, when there are more sales taking place at the low price end of the market, the median must fall lower since more sales occur in those lower price ranges

The 57.4% of sales which occurred in 2Q 2014 at prices above \$200K was a +5.3 percentage point increase from the same period last year, resulting in a higher median sales price



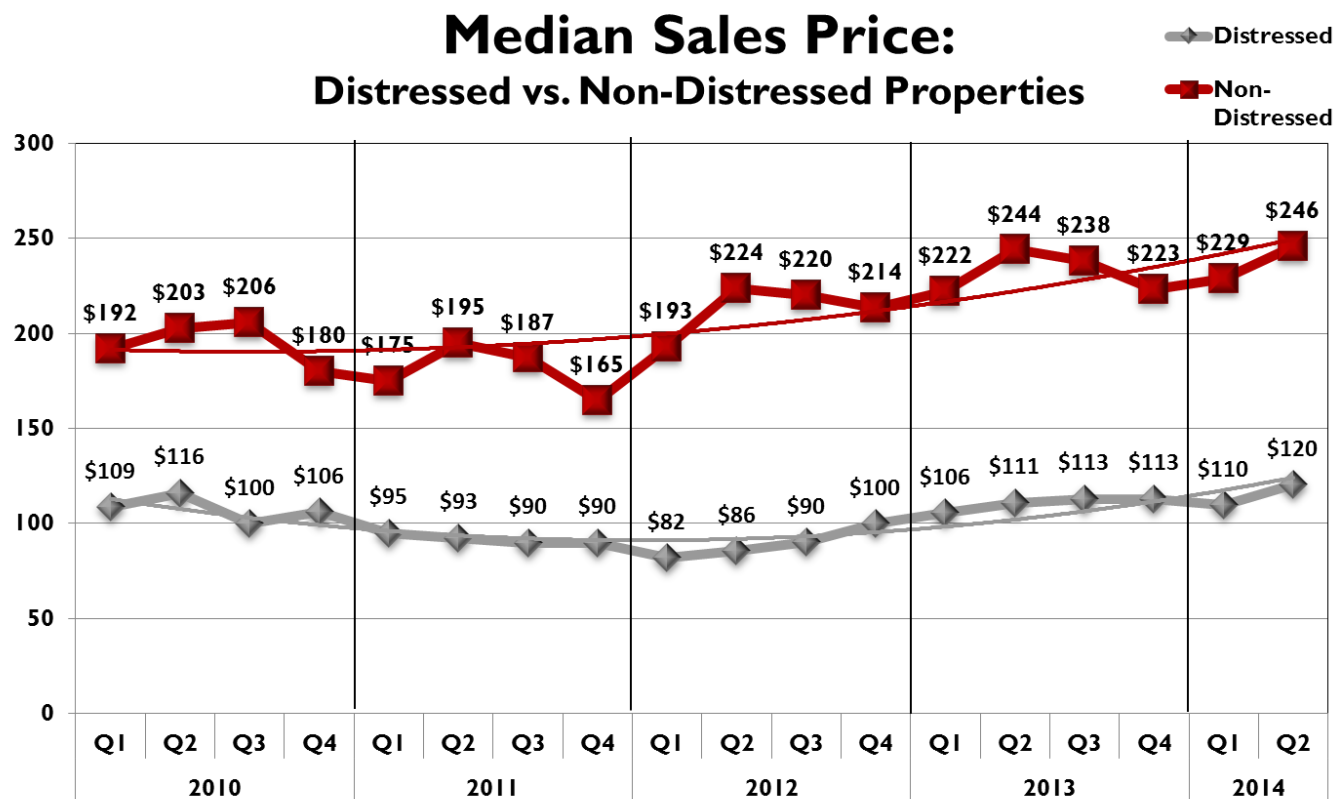
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2Q 2014 Metro Market Report

An encouraging sign for sellers is that the median sales price for Non-Distressed properties has generally increased since 4Q 2011, with small seasonal variations in each year

New 4-year high median sales prices for both distressed and non-distressed properties occurred in 2Q 2014

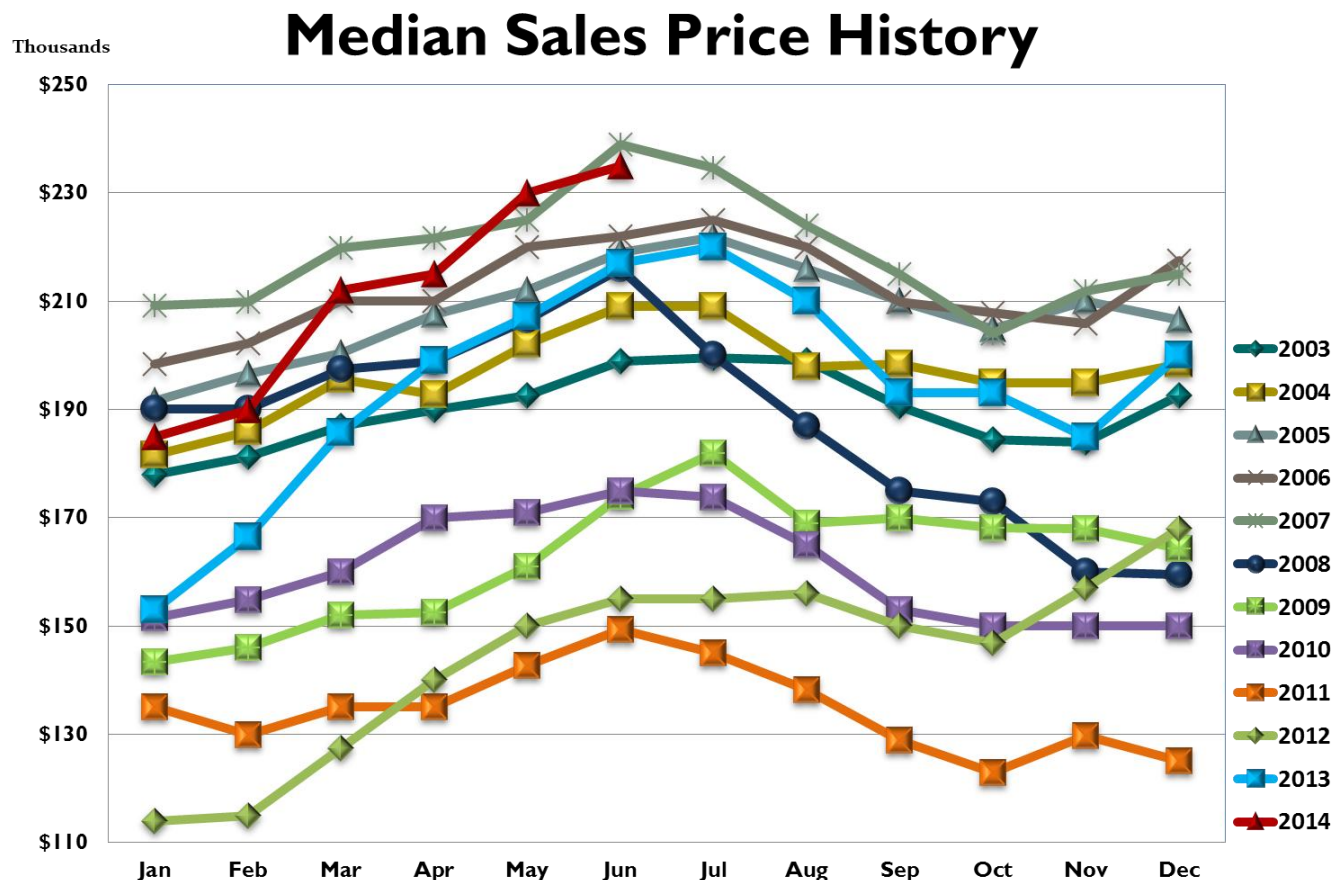
Since 1Q 2010 the median sales price for non-distressed properties rose by +28.1% while distressed increased by +10.1%



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Median Sales Prices shown monthly, by year, illustrates the degree to which prices are changing now compared to other recent years

The median sales price of \$235,000 in June, 2014 was very near the previous high median price of \$239,000 reached in June, 2007

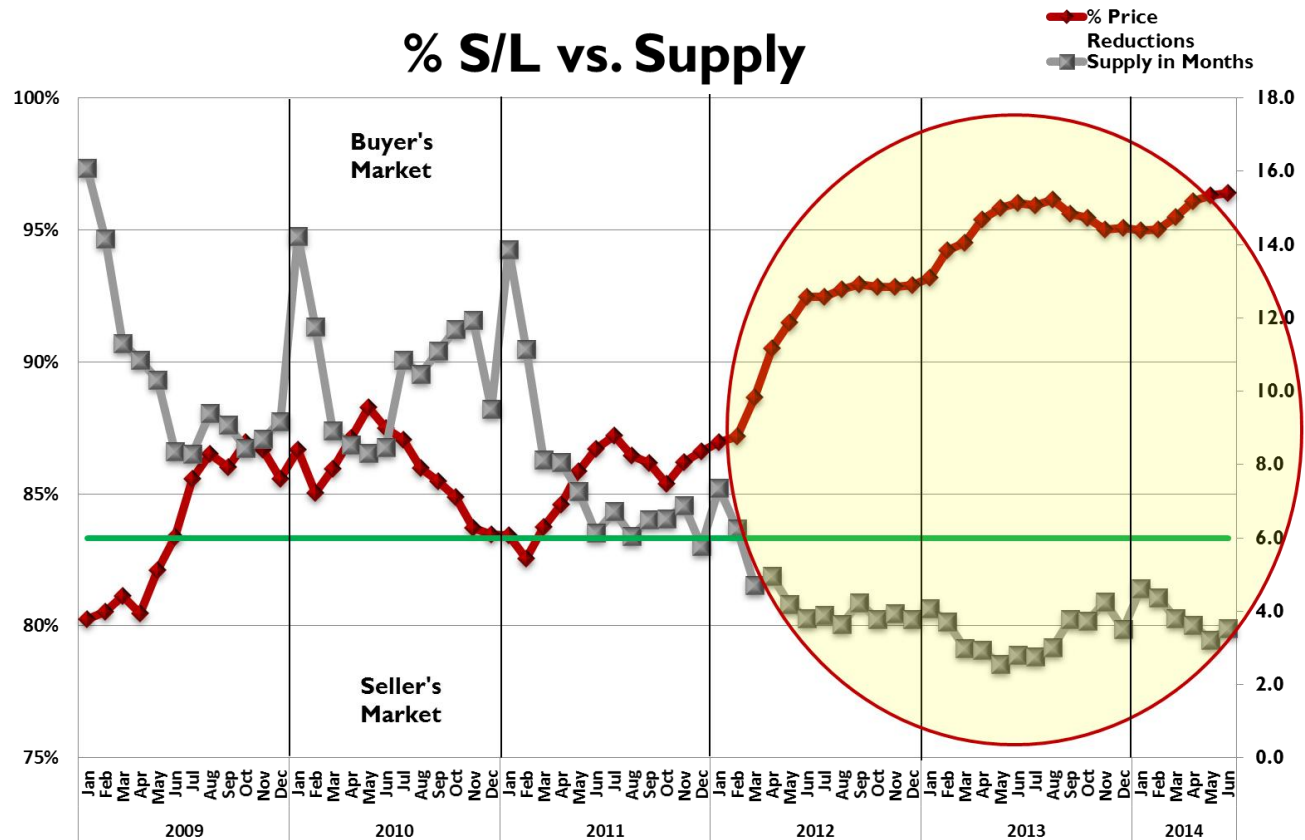


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2Q 2014 Metro Market Report

When supply falls below six months, the psychological advantage favors the seller and a "Seller's Market" results

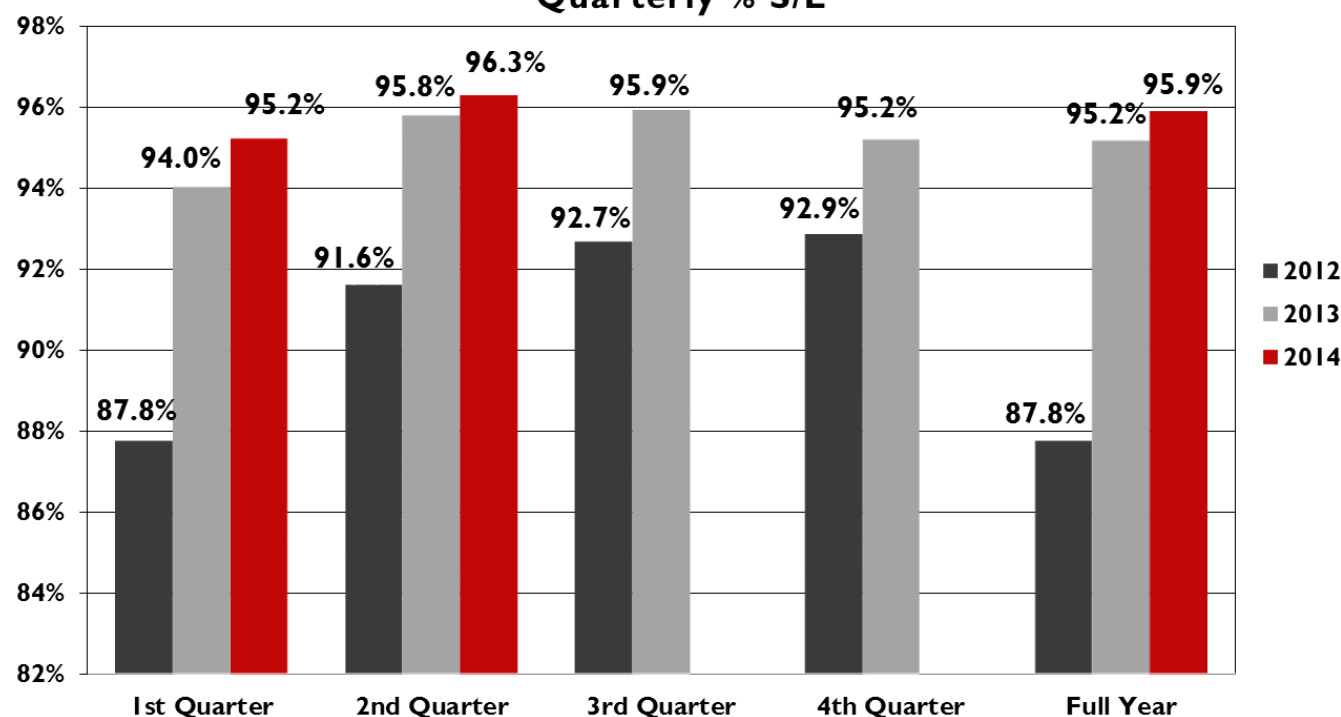
When supply of properties fell below 6 months in 2012, Sellers were able to negotiate selling prices that were closer to the Original Listing Price than were possible in the "Buyer's Market" conditions prior to this year



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Median Sales Price as a Percentage of Original List Price

Quarterly % S/L



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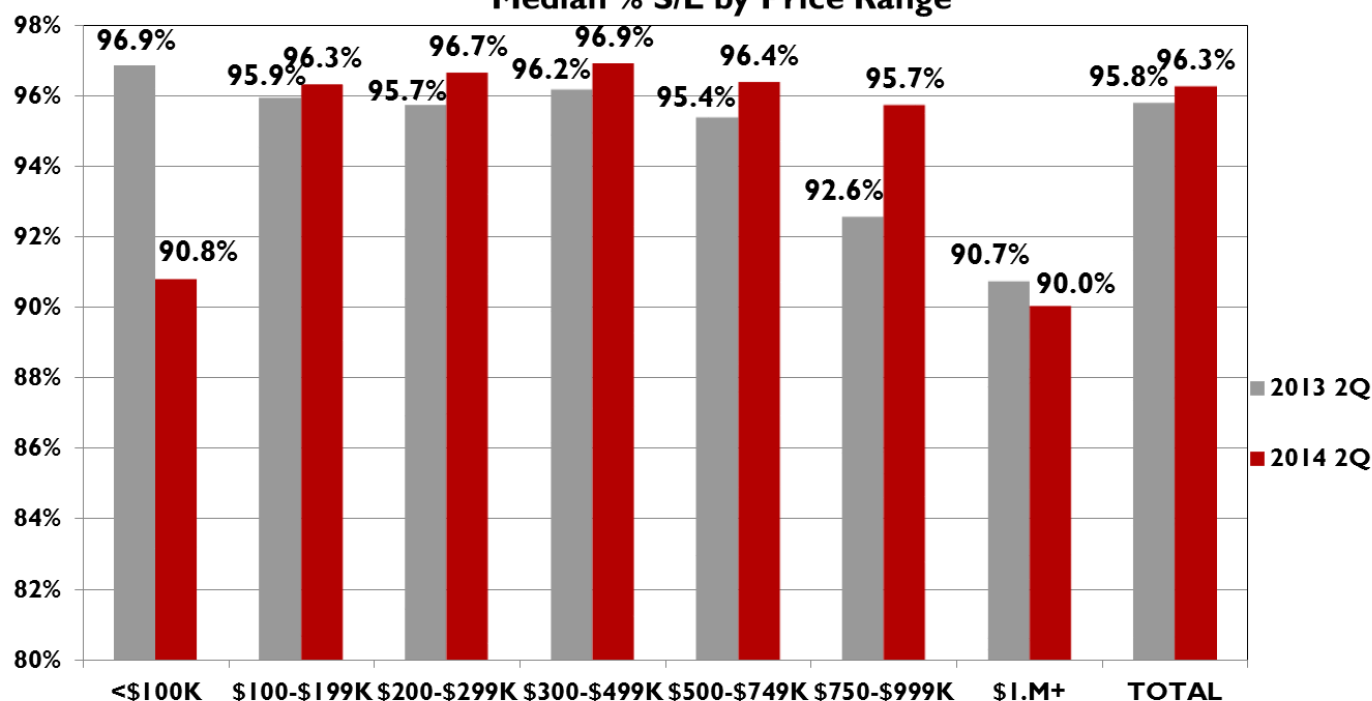
Another seller benefit of declining supply has been increasing S/L ratios during the last 10 quarters rising to a new high of 96.3% in 2Q 2014, +.5 percentage points above that of 2Q 2013

S/L price ratios provide an indication of buyer price resistance and seller willingness to negotiate, with higher ratios showing a stronger seller position

2Q 2014 S/L percentages by price range show that not only was the overall ratio higher compared to last year, but also all price ranges except the <\$100K and the \$1.0M+ ranges participated in the higher percentages

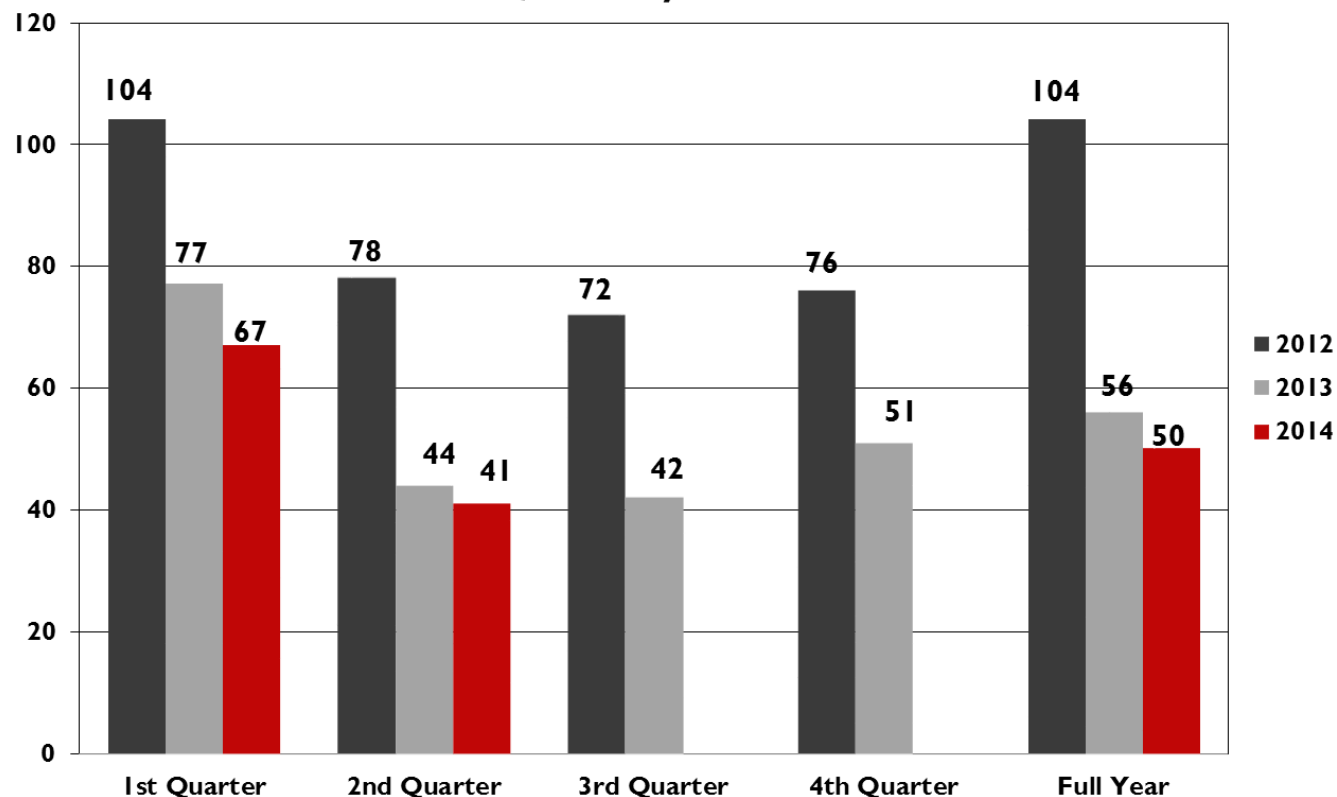
Sales Price Percent of Original List Price

Median % S/L by Price Range



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Median Days on Market Quarterly DOM



Continued low supply in 2Q 2014 helped to lower the median of Days-On-Market (DOM) by -7.8% compared to the same period of the previous year, to a new low point of 41 days

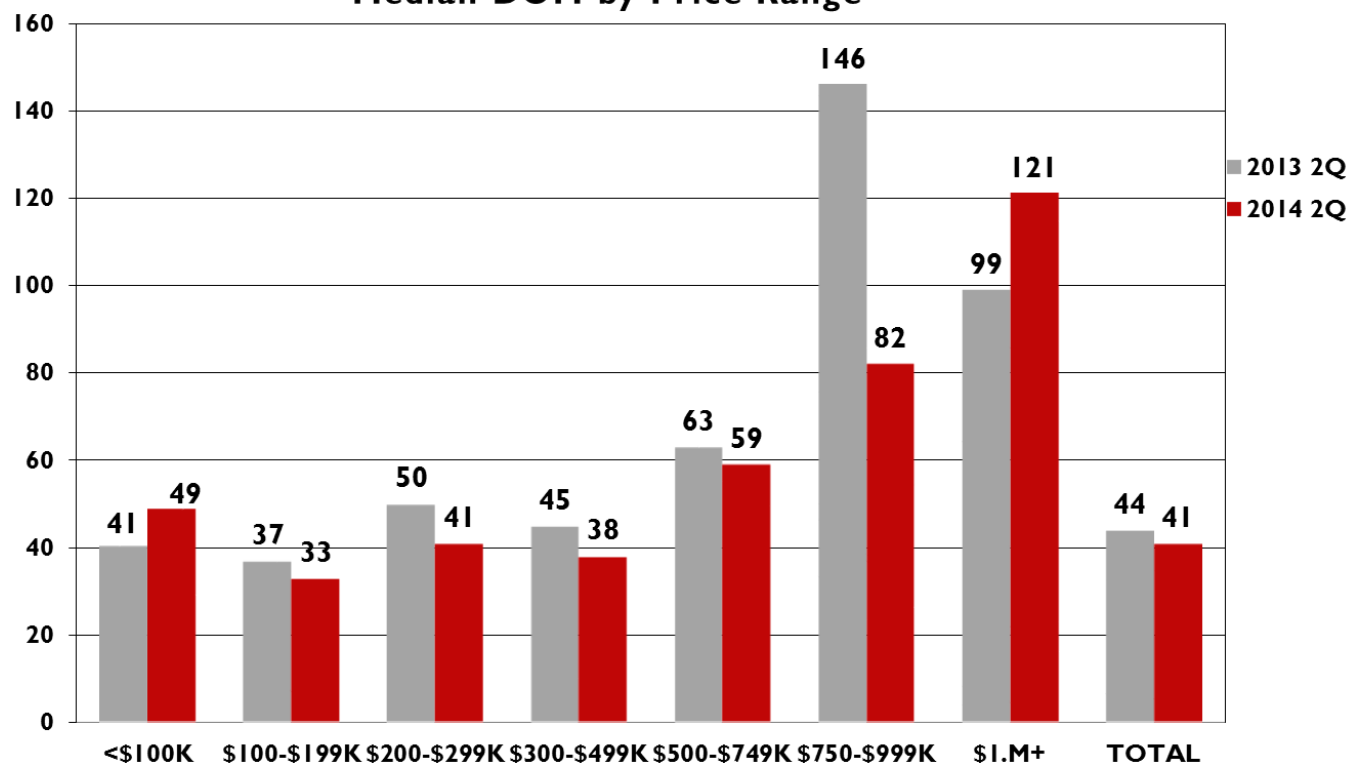
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All but 2 of these 7 price segments had a median DOM lower in 2Q 2014 than in 2Q 2013

Where decreases occurred, they were substantial in many price ranges

Only the <\$100K and the \$1.0M+ price ranges saw increased median DOM during this period

Days on Market Median DOM by Price Range



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2Q 2014 Median Days on Market

The 2Q 2014 median of DOM segmented by Sales Price and New vs. Resale, shows a -7% overall decrease in time on market, with most Resale segments selling faster compared to 2Q 2013

	<\$100K	\$100- \$199K	\$200- \$299K	\$300- 499K	\$500- \$749K	\$750- \$999K	\$1.0M+	Total
NEW	30 Days -41%	57 Days +19%	89 Days +19%	89 Days -5%	120 Days +6%	106 Days +58%	190 Days +31%	88 Days +16%
RESALE	50 Days +24%	31 Days -14%	35 Days -22%	32 Days -19%	49 Days -11%	79 Days -49%	105 Days +13%	36 Days -14%
TOTAL	49 Days +21%	33 Days -11%	41 Days -18%	38 Days -16%	59 Days -6%	82 Days -44%	121 Days +22%	41 Days -7%

Comparison to 2Q 2014:



Better



Same



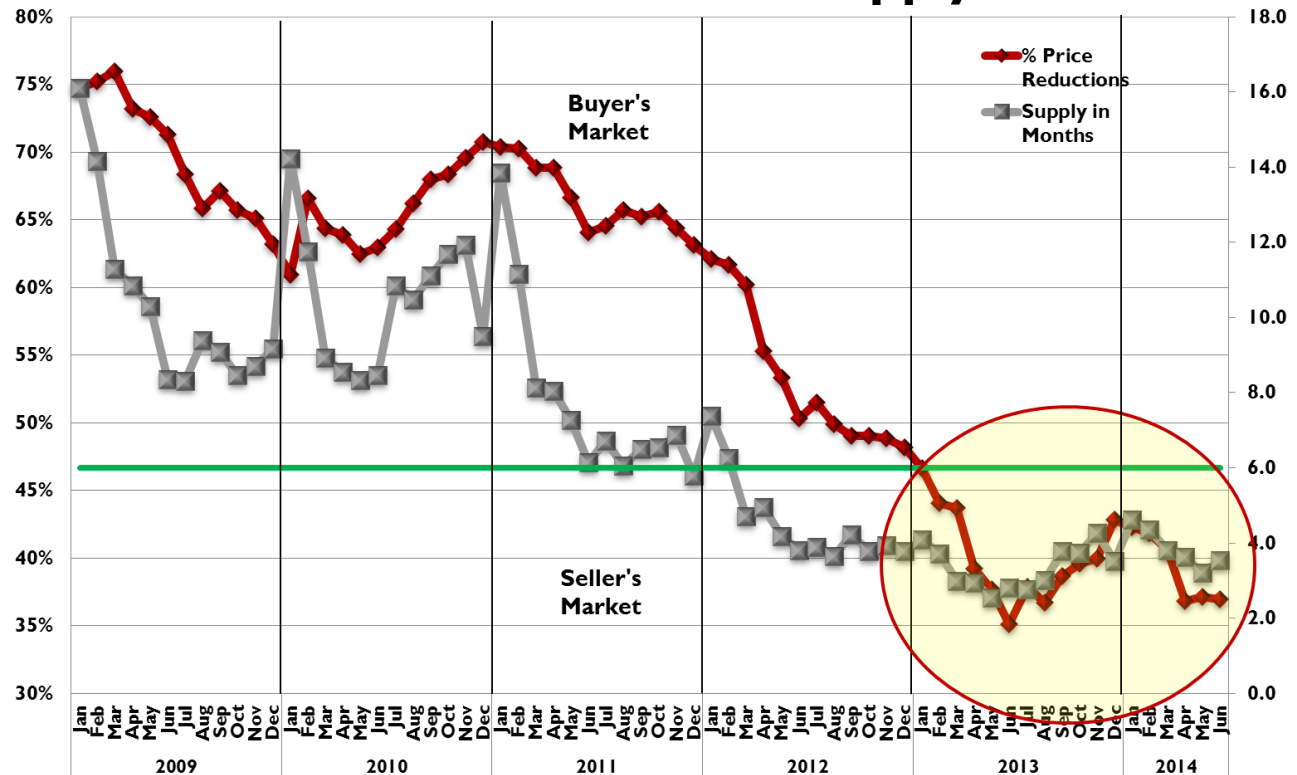
Worse

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As shown here, when supply finally fell consistently below 6 months during 2012, the incidence of price reductions also fell, reaching 37.0% of 2Q 2014 transactions

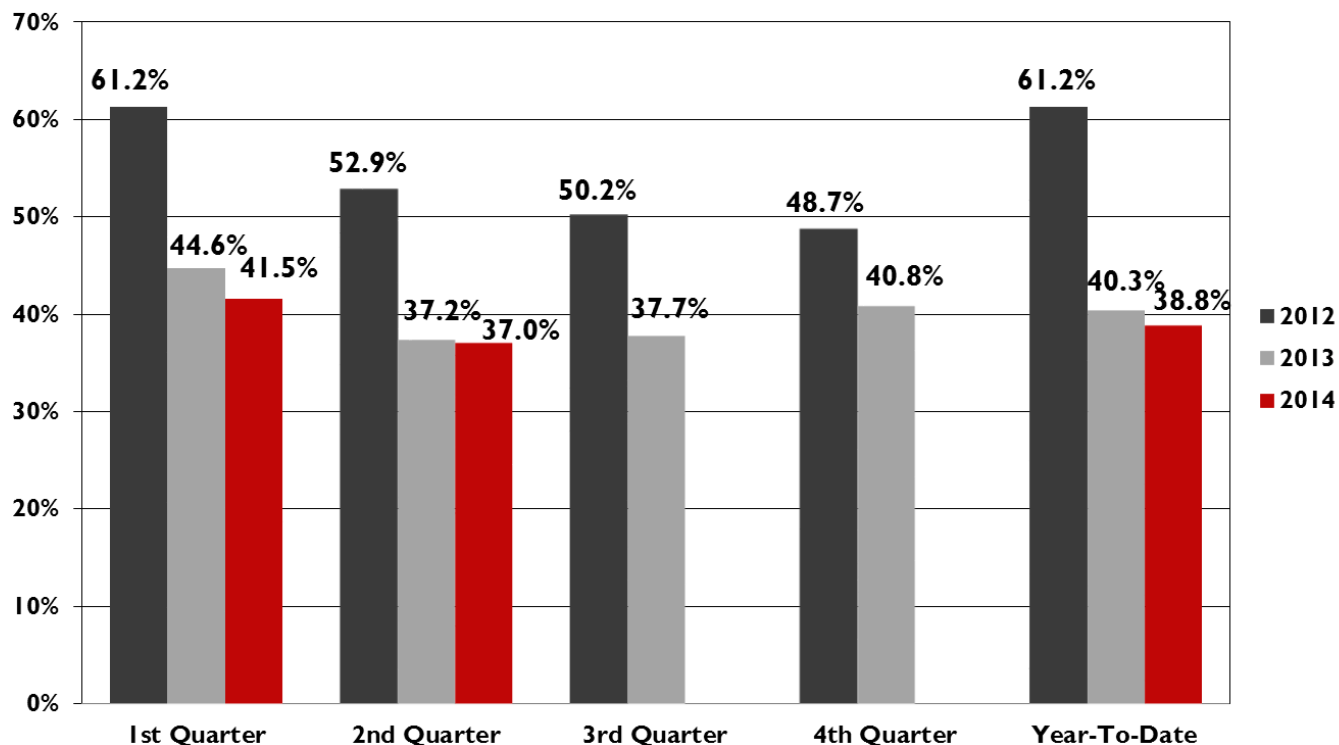
% Price Reductions vs. Supply



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Incidence of Price Reductions

Percent of Transactions Quarterly



The percentage of sales in which the Seller was required to reduce the listing price in order to attract a Buyer, fell from 61.2% in 1Q 2012 to a new low of 37.0% in 2Q 2014

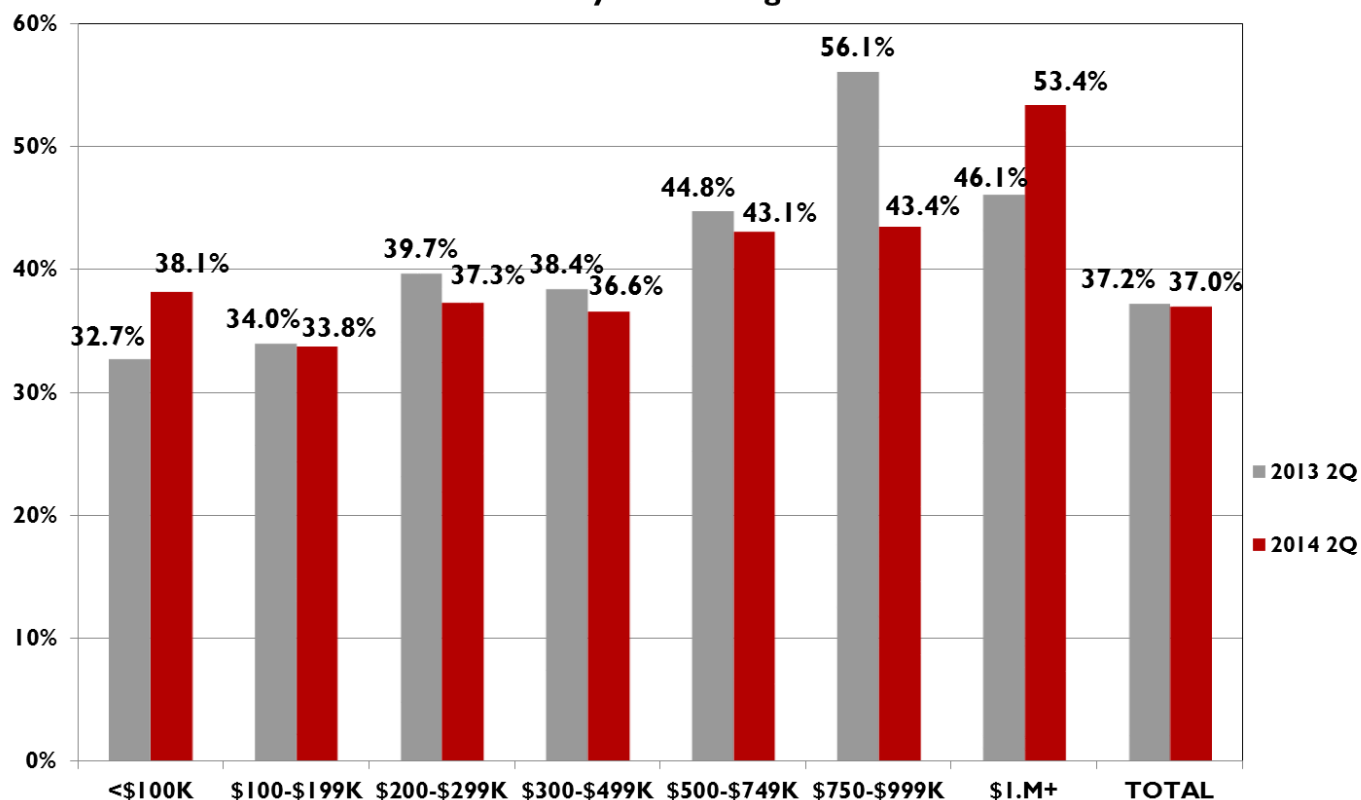
During each quarterly period the incidence fell when compared to the same period of the previous year

The 2Q 2014 incidence of 37.0% was -.2 percentage points lower than the previous low point of 37.2% reached in 2Q 2013

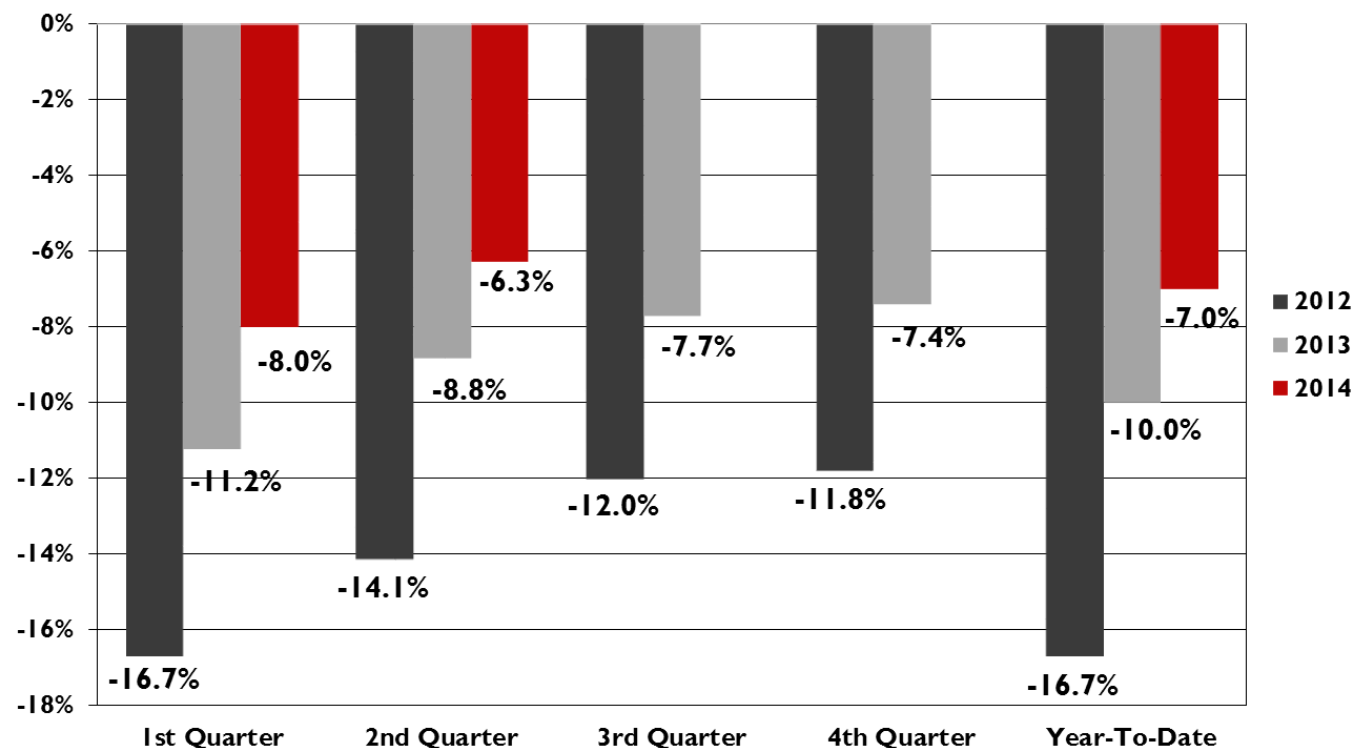
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Incidence of Price Reductions by Price Range

All price ranges except the <\$100K and the \$1.0M+ ranges had lower percentages of price reductions during 2Q 2014 compared to 2Q 2013



% Price Reduction Taken Quarterly Median



The median of price reduction percentages taken by sellers in order to sell during 2Q 2014 was -6.3% off the Original Listing Price (OLP), which was -2.5 percentage points lower than taken in the same period last year

The percentage price reduction needed has been declining in each quarterly period since 1Q 2012, likely due to increased competition among buyers as we moved to a Seller's Market

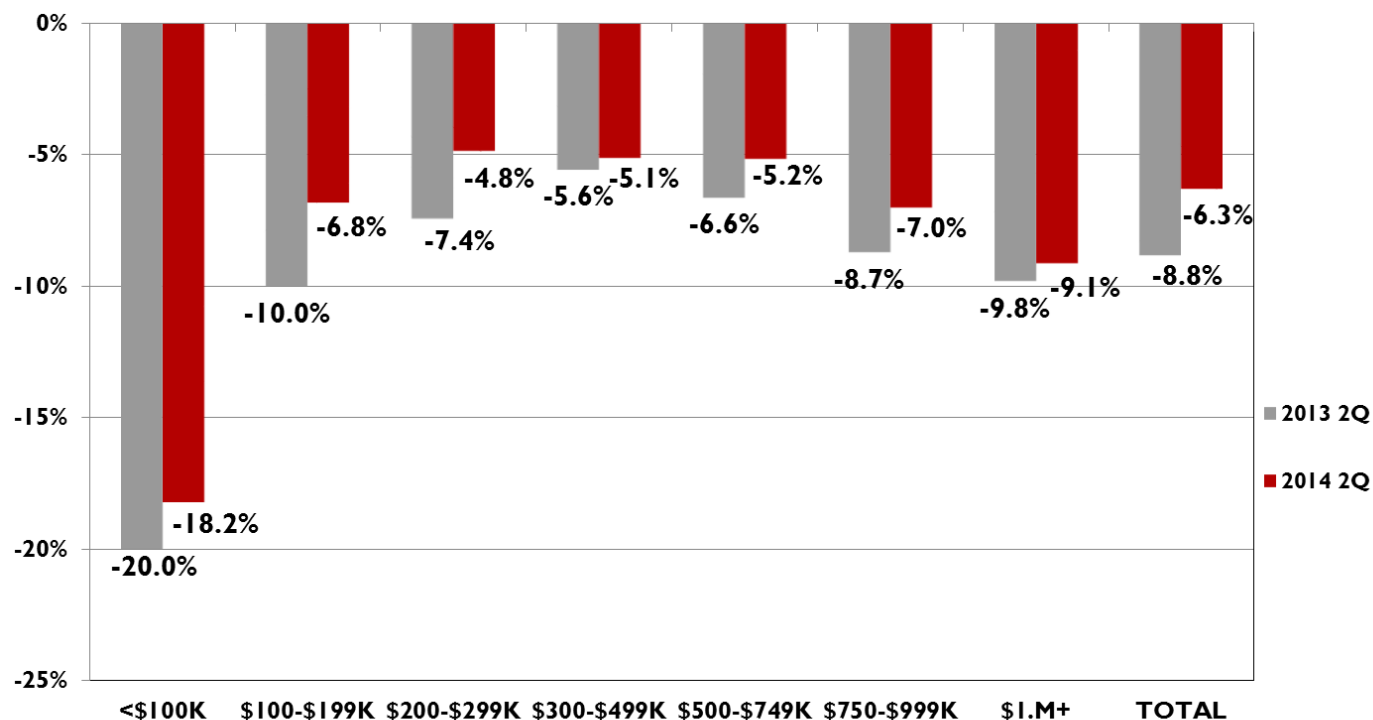
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Price Reduction % Taken

Median % Price Reduction

The degree to which prices had to be reduced in order to sell vary by price range

Price reductions taken by sellers to reach current market prices were smaller in all price ranges during 2Q 2014 compared to the same period in 2013

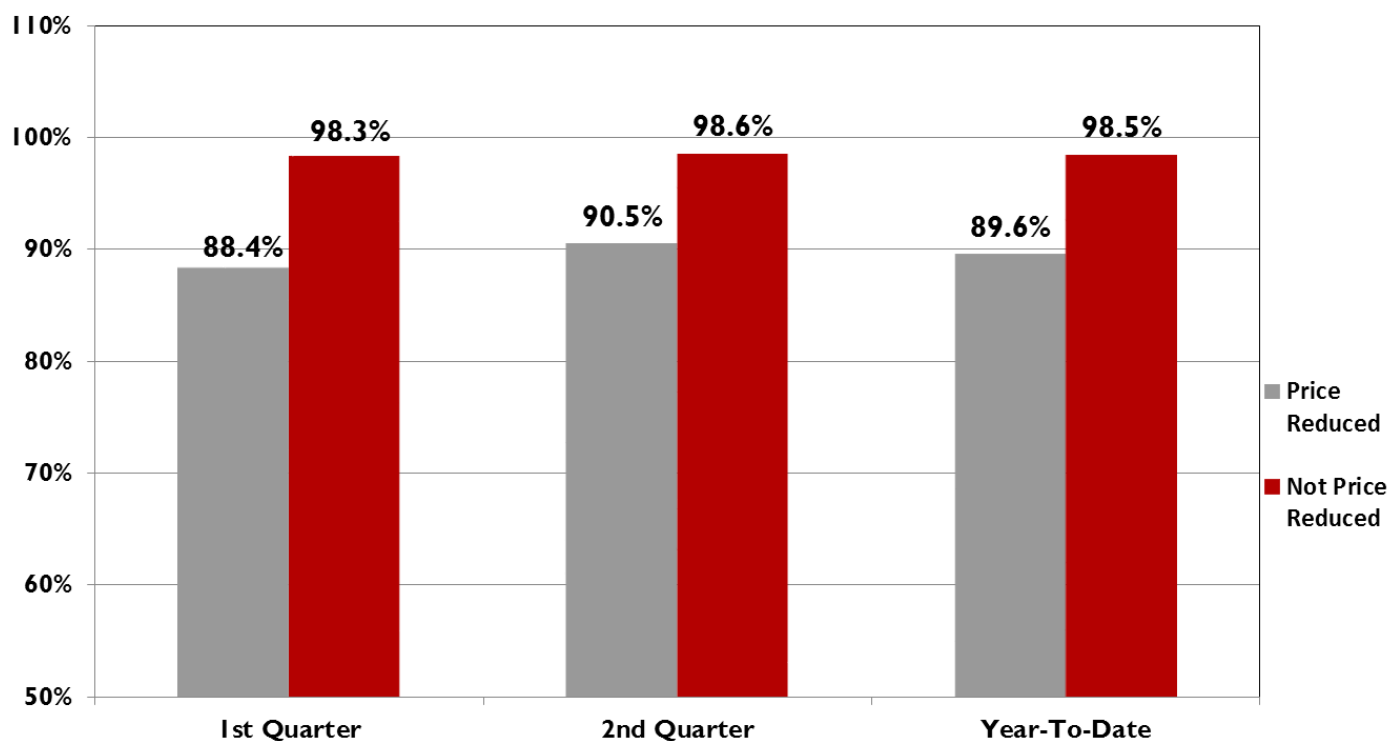


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2014 Price Reduction Effect: Sales Price Percentage of Original List Price Quarterly Median % S/L

Price reductions severely reduce the portion of the Original Listing Price that a Seller realizes in a sale

The 2Q 2014 percentage point difference of -8.1 would amount to a reduction of -\$19,000 from the original list price at the \$227,000 median sales price, compared to a Seller without a price reduction

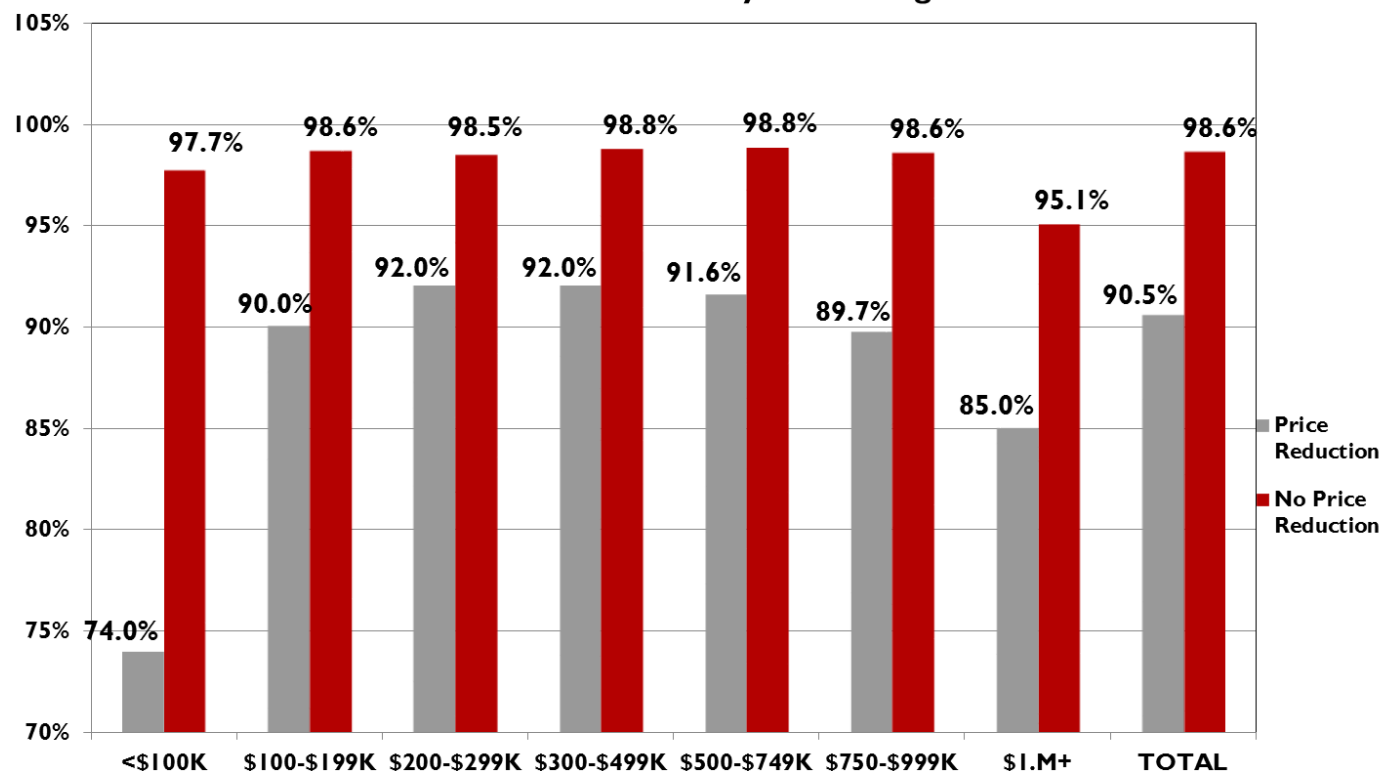


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2Q 2014 Price Reduction Effect: Sales Price Percentage of Original List Price Median % S/L by Price Range

When a price reduction was required, substantially lower S/L ratios occurred in all price ranges in 2Q 2014, but there were large differences in degree among the various price ranges

For example, the ratio for a price-reduced property dropped a very large -23.7 percentage points, below that of a non-price reduced property, in the <\$100K range, where in the \$300K-\$499K range the difference was -6.8 percentage points

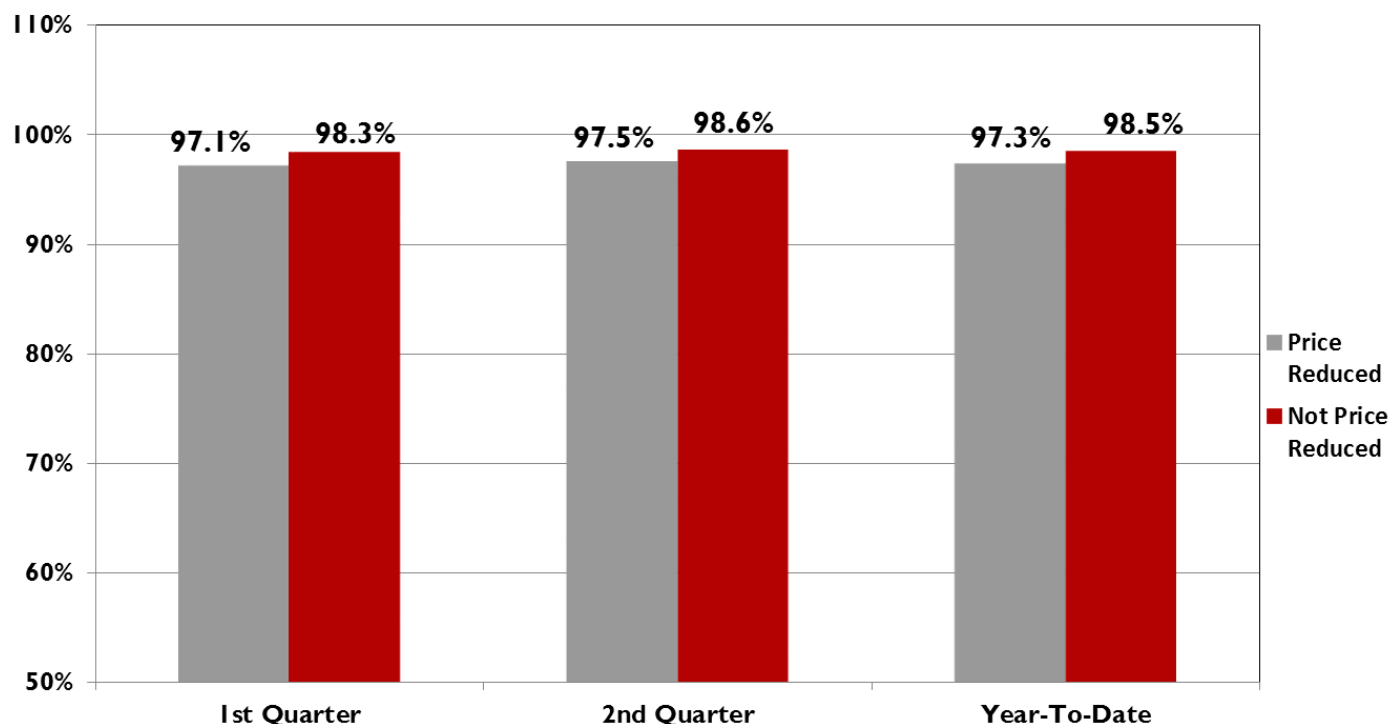


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2014 Price Reduction Effect: Sales Price Percentage of New List Price Quarterly Median % S/L

Even after taking a price reduction, Sellers realized a lesser portion of their **new** list price than those Sellers who were not required to reduce their price

Had these price-reduced properties been correctly priced originally, they could likely have sold in much less time at a higher price

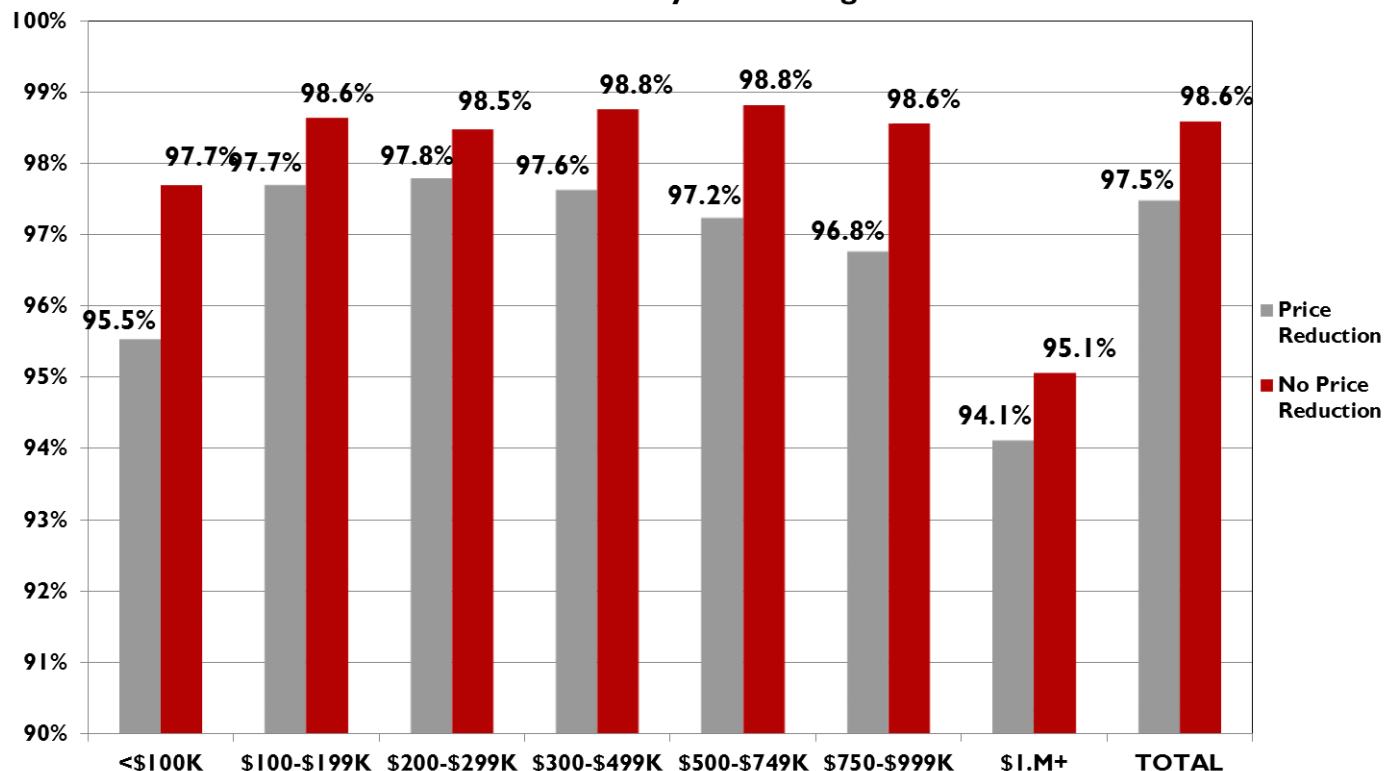


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2Q 2014 Price Reduction Effect: Sales Price Percentage of NEW List Price Median % S/L by Price Range

Even after taking a price reduction, Sellers usually realized an equal, or lesser, portion of their **new, reduced** list price than those Sellers not required to reduce their price

Pricing correctly with the current market results in a better net selling price, in less time on market



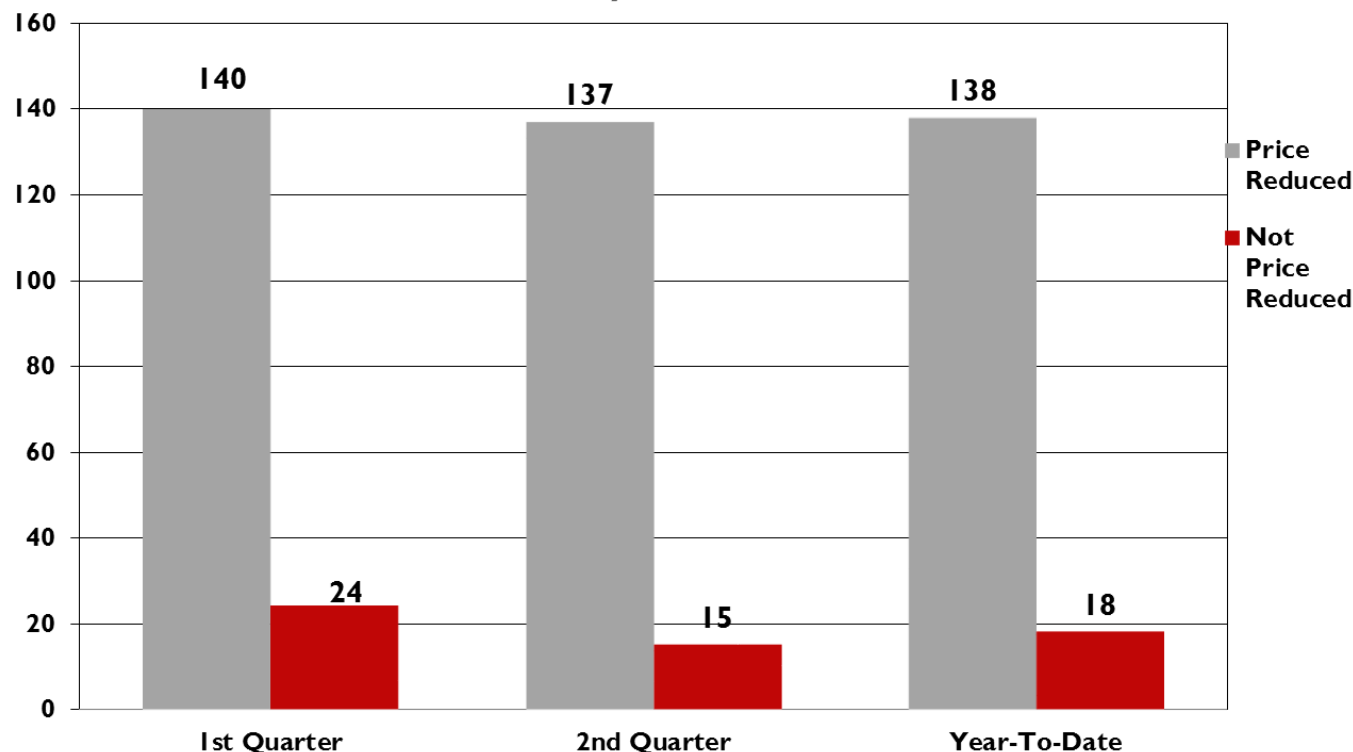
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2014 Price Reduction Effect: Median Days on Market Quarterly Median DOM

When a price reduction is required, more marketing time is needed to attract a buyer

A Seller required to take a price reduction in 2Q 2014 needed a median of 137 days to sell, compared to only 15 days for a Seller who priced correctly with the market – a difference of +4.1 months, or +9.1 times, longer to sell

The results are higher carrying costs, greater inconvenience due to keeping the house in showing condition and delays in finding and moving to a new home



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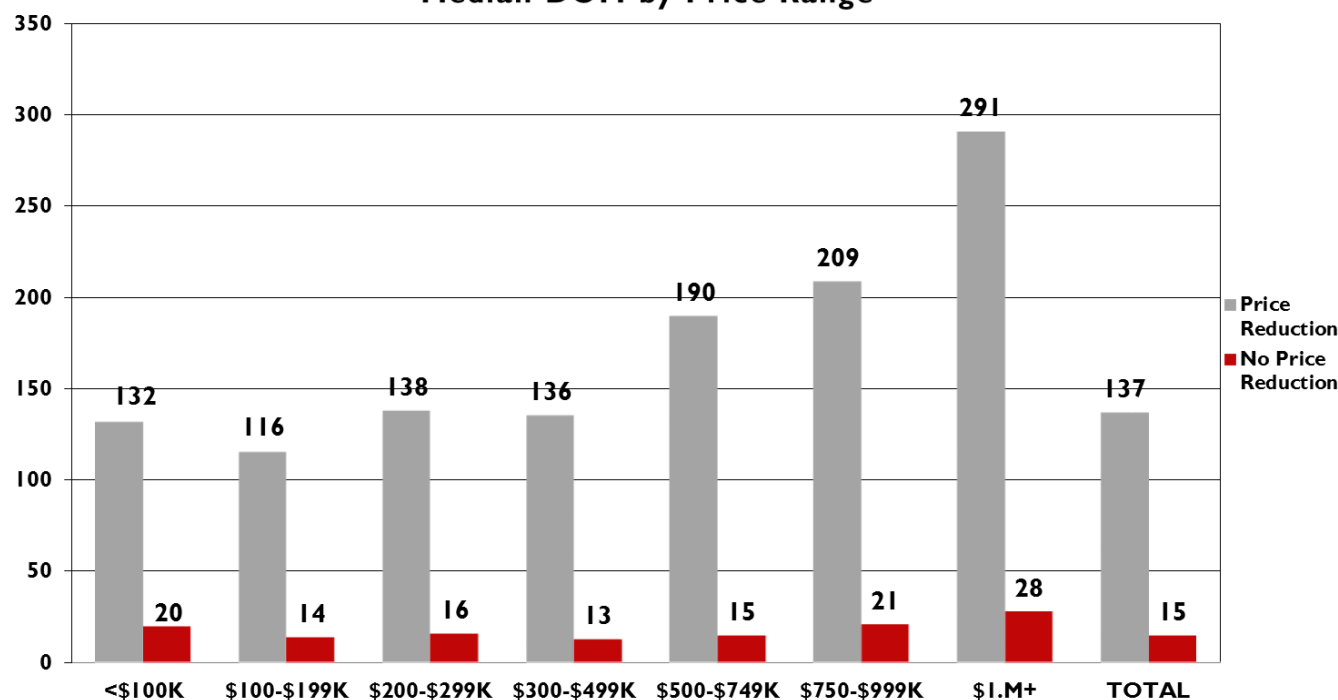
2Q 2014 Price Reduction Effect:

Days on Market Median DOM by Price Range

Higher-priced properties normally take longer to sell, but when a price reduction was necessary in 2Q 2014, the differences were much greater in all price ranges

Sellers across these price ranges needed +9.1 times longer to sell when a price reduction was required

Conversely, Sellers pricing their property correctly for the current market, were able to sell in a very short time period – a median of 15 days across all price ranges



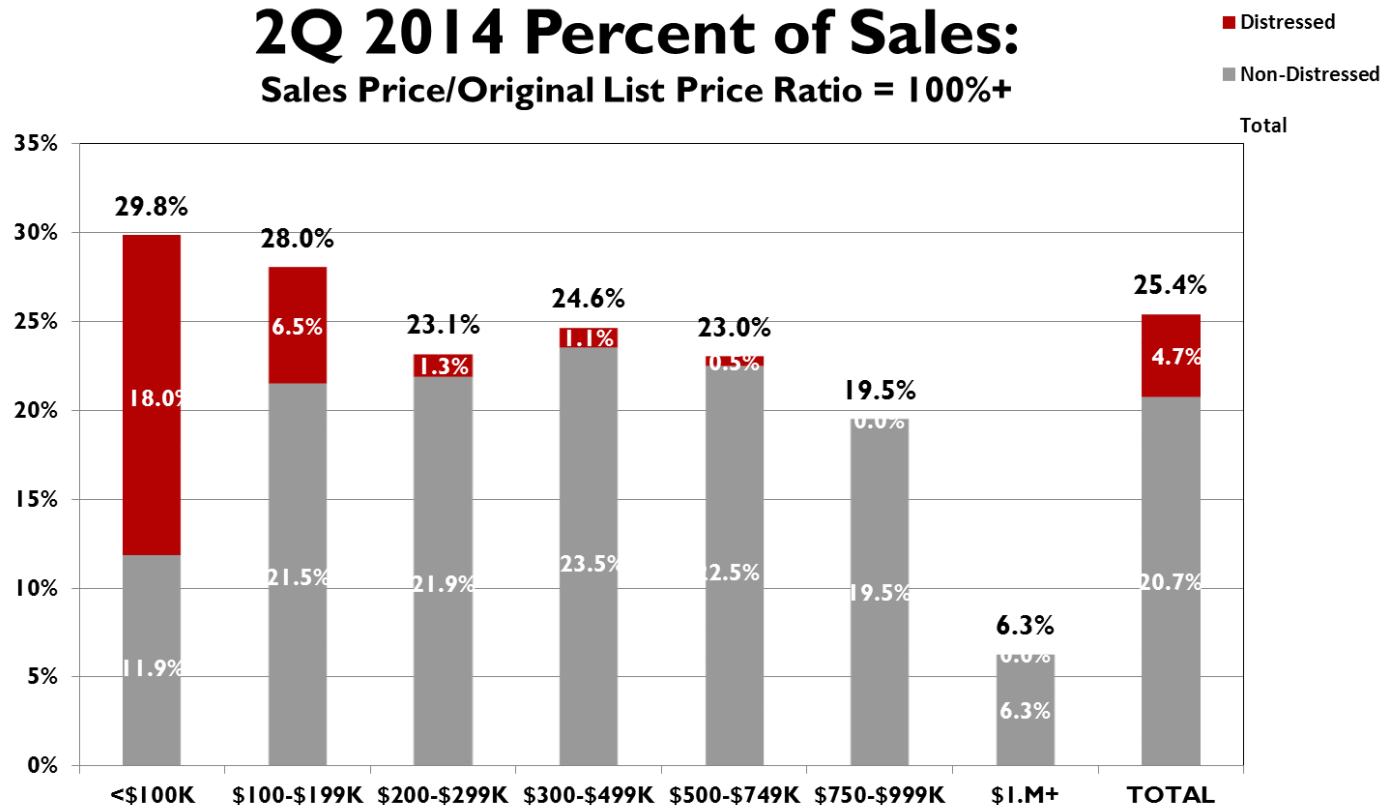
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Correctly pricing with the current market can result in multiple offers and sales prices at or above the Original Listing Price

In 2Q 2014, more than 1 out of every 4 (25.4%) sales transactions resulted in selling prices that were equal to or higher than the original listing price

In all, 3,155 properties sold at 100%, or more, of their Original Listing price during 2Q 2014

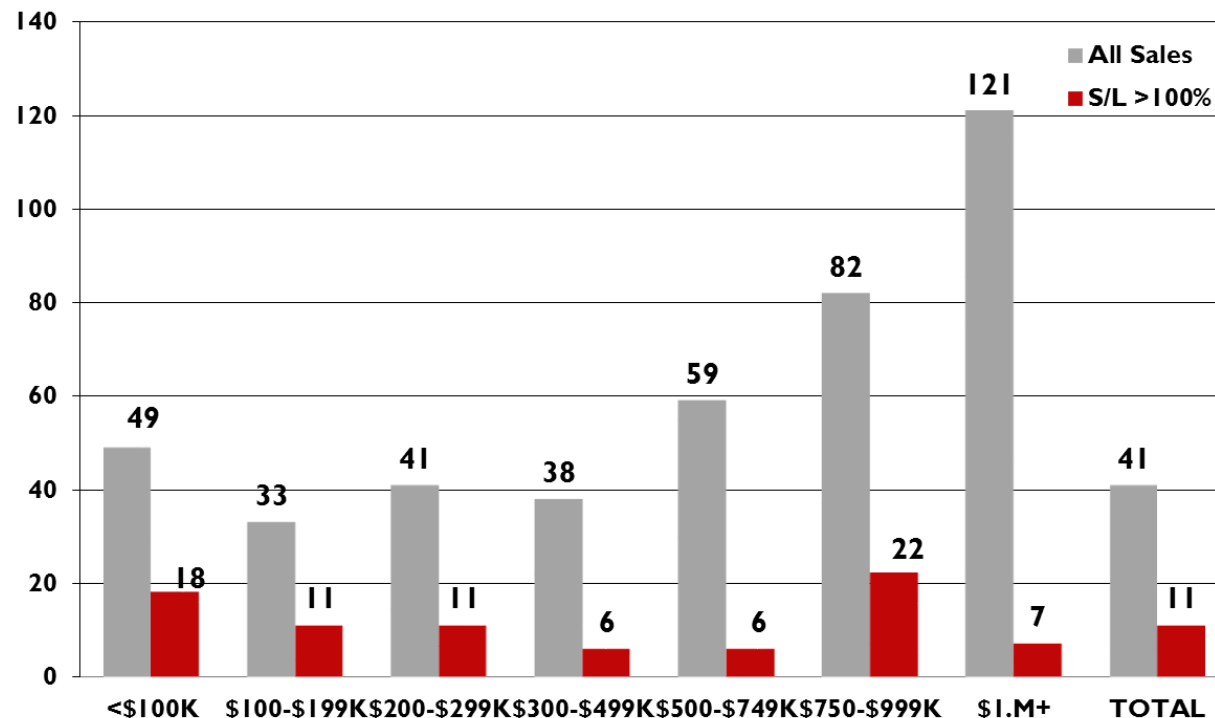
2Q 2014 Percent of Sales: Sales Price/Original List Price Ratio = 100%+



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2Q 2014 Median DOM: Sales Price/Original List Price Ratio = 100%+

Sellers pricing correctly for the market not only receive a high portion of their Original Listing Price, they also sell at greatly reduced time on market resulting in substantial savings through lower carrying costs

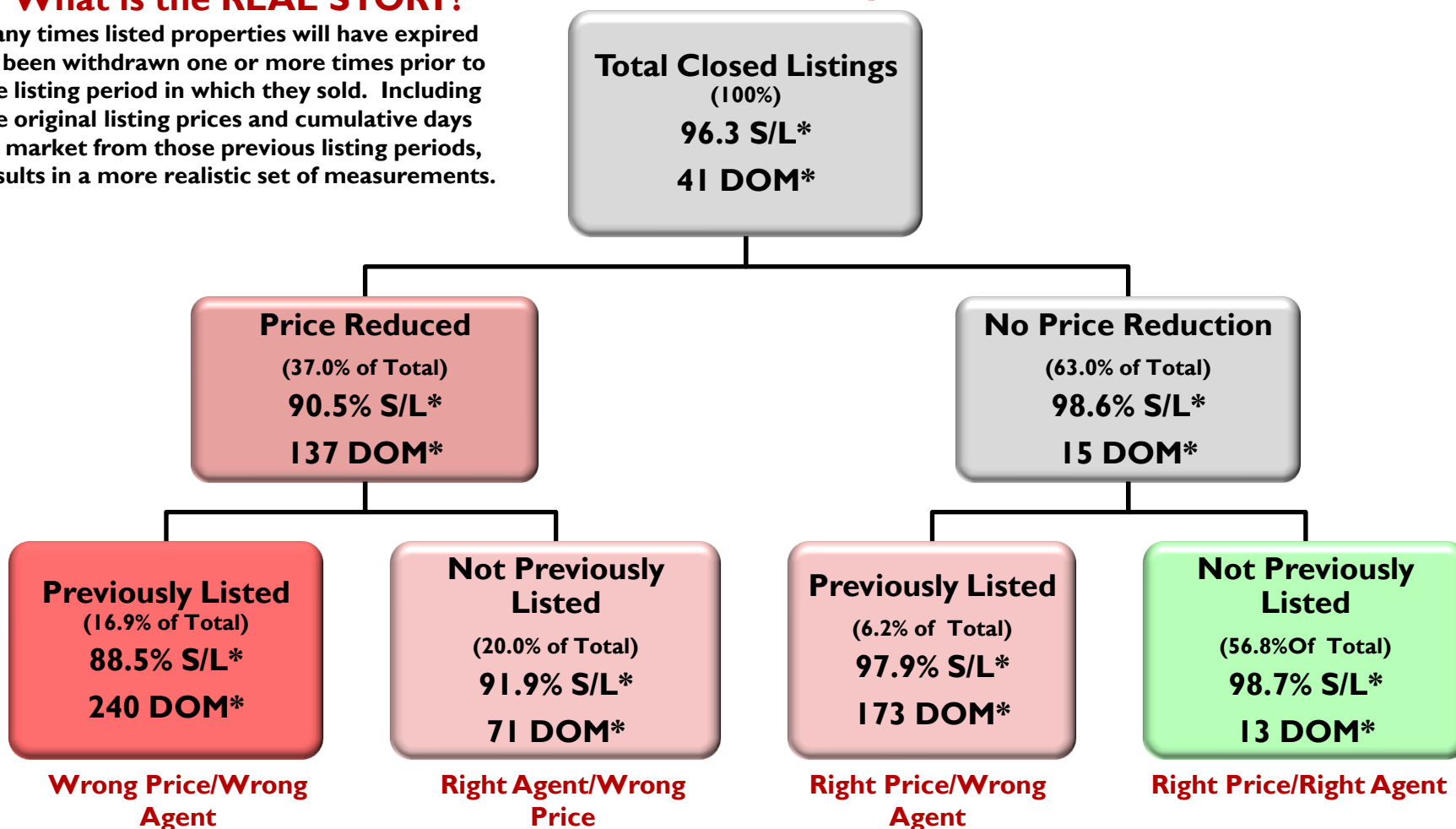


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What is the REAL STORY?

Many times listed properties will have expired or been withdrawn one or more times prior to the listing period in which they sold. Including the original listing prices and cumulative days on market from those previous listing periods, results in a more realistic set of measurements.

The Real Story



* Medians: Half are above and half are below

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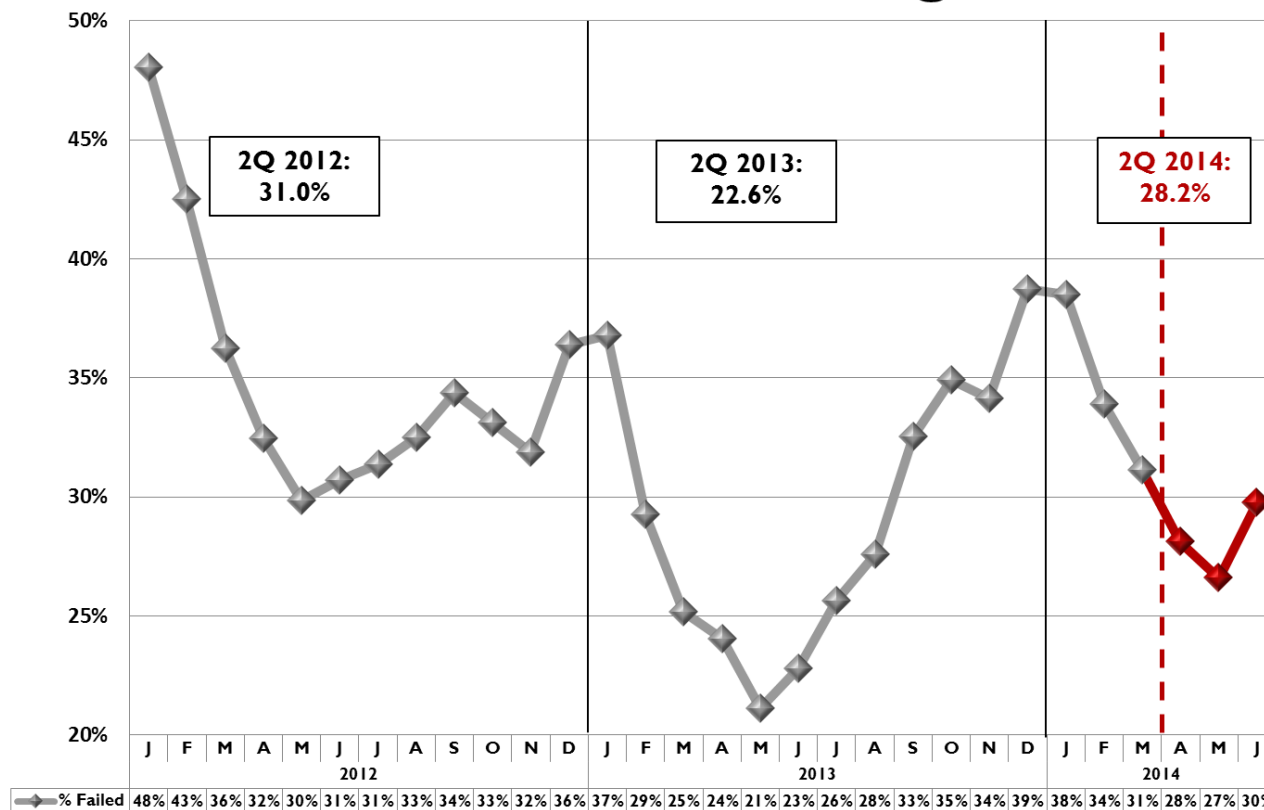
Failed Listings Percent of Finalized Listings

Failed listings (Expired+Withdrawn) are shown here as a percentage of total "finalized" (Expired+Withdrawn+Closed) listings

The failure rate of listings was at nearly 50% of finalized listings in January, 2012 offering clear evidence of the Buyer price resistance that was present in the market, since listings usually fail to sell due to overpricing

After reaching a low point of 21.1% in May, 2013, failed listings rose to 39% in December, possibly due to sellers trying to push for higher prices than the market will currently bear

Total 2Q 2014 failed listings were 28.2% of finalized listings, up by +5.6 percentage points from the same period last year



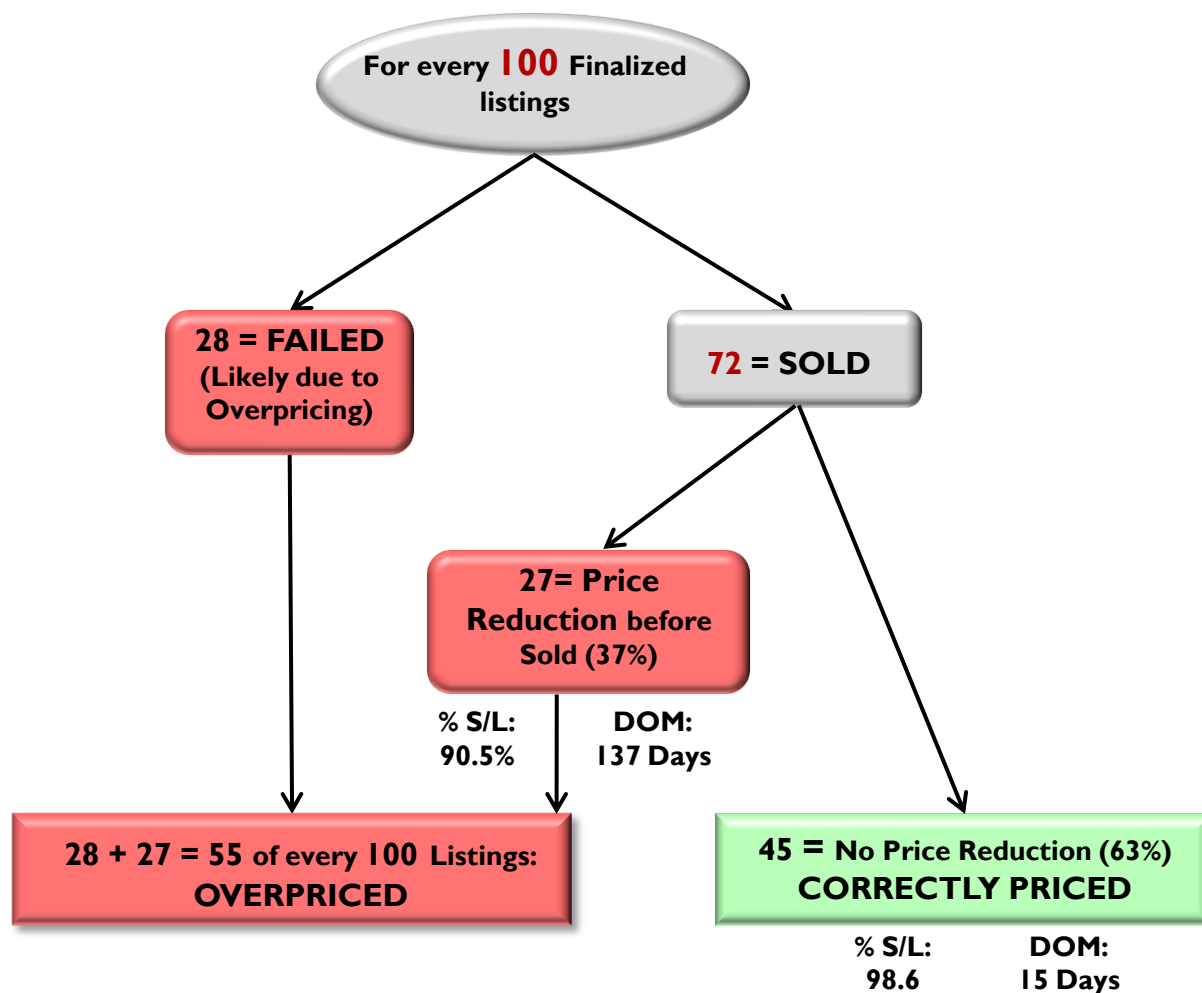
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Putting It All Together

We have seen that out of every 100 finalized listings in 2Q 2014, 28 failed to sell and 72 sold

Of the 72 listings which sold, 27 (37%) required a price reduction, when including original listing prices for previous listing periods, in order to sell

Therefore, if 28 failed to sell due to overpricing and another 27 required a price reduction in order to sell, 55 out of every 100 finalized listings were at least initially overpriced in 2Q 2014, resulting in either no sale, or a sale at a much-reduced price after a much-longer listing period



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June, 2014 Months' Supply of Listings

(Using 3-mos moving average of sales)

The number of months of supply vary among market segments defined by price range and New vs. Resale properties

Even though historically low, overall the supply was +28% higher in June, 2014 than in the same month in 2013 resulting from a larger increase in inventory of properties in price ranges below \$200K

Inventory in these price ranges is very low causing small unit changes to result in large percentage changes

All segments in price ranges below \$750K are in a Seller's Market condition

	<\$100K	\$100- \$199K	\$200K- \$299K	\$300K- 499K	\$500K- \$749K	\$750K- \$999K	\$1.0M+	Total
NEW	.8 Months -59%	3.1 Months +39%	4.0 Months +11%	4.6 Months +34%	5.6 Months -36%	8.9 Months +37%	13.8 Months -4%	4.6 Months +22%
RESALE	2.8 Months +61%	2.8 Months +32%	3.4 Months +17%	4.0 Months +24%	4.9 Months +2%	6.7 Months -6%	13.2 Months +16%	3.6 Months +28%
TOTAL	2.8 Months +60%	2.8 Months +32%	3.5 Months +16%	4.1 Months +26%	5.0 Months -4%	7.0 Months 0%	13.3 Months +14%	3.7 Months +27%

Comparison to June, 2013:



Better



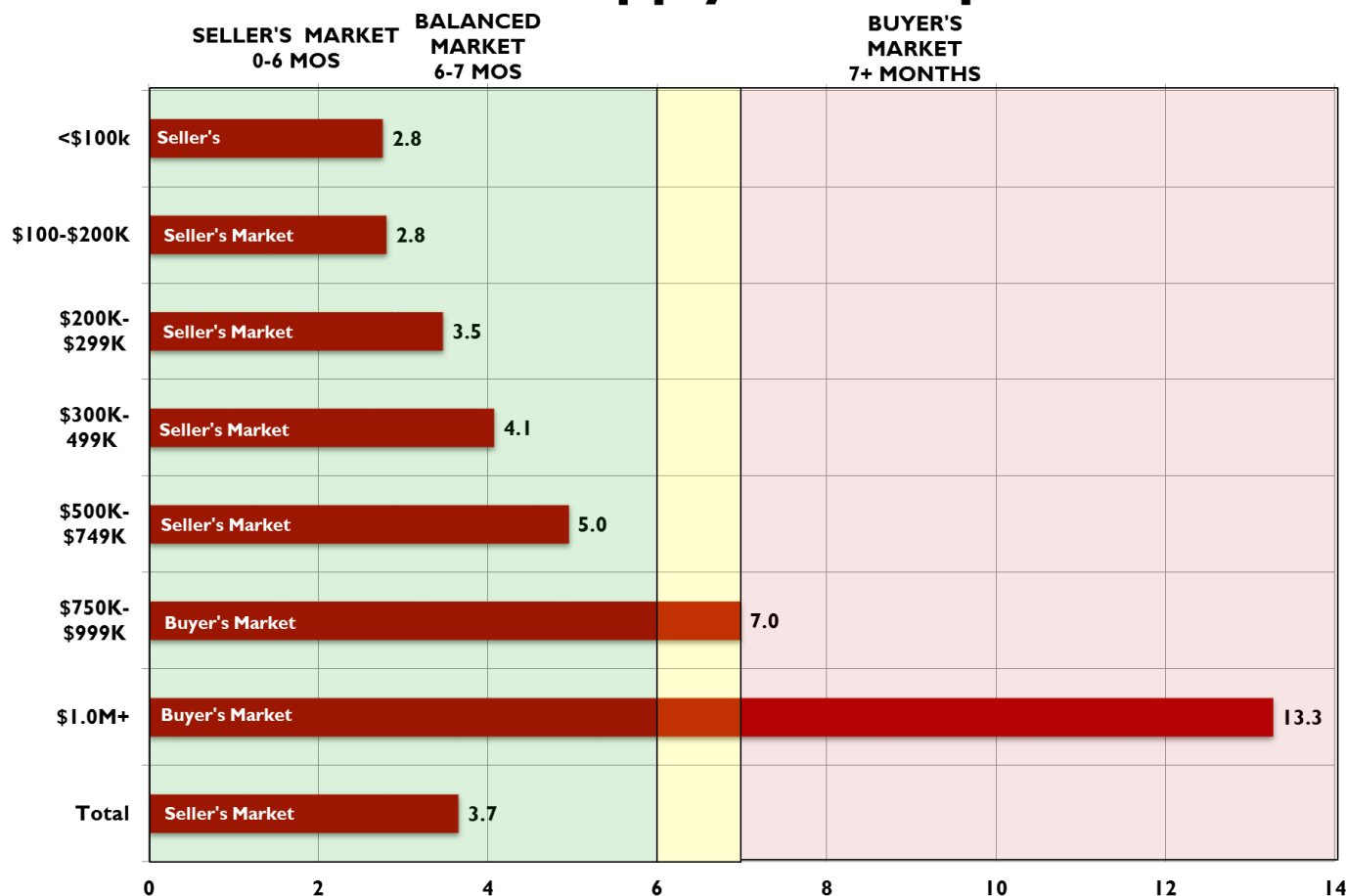
Same



Worse

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Months of Supply: All Properties



Viewing overall supply against the industry benchmark of 6-7 months for a “balanced” market shows that current levels in price ranges below the \$750K are now in a “Seller’s Market” condition, leaving properties priced above \$750K in a Buyer’s Market condition

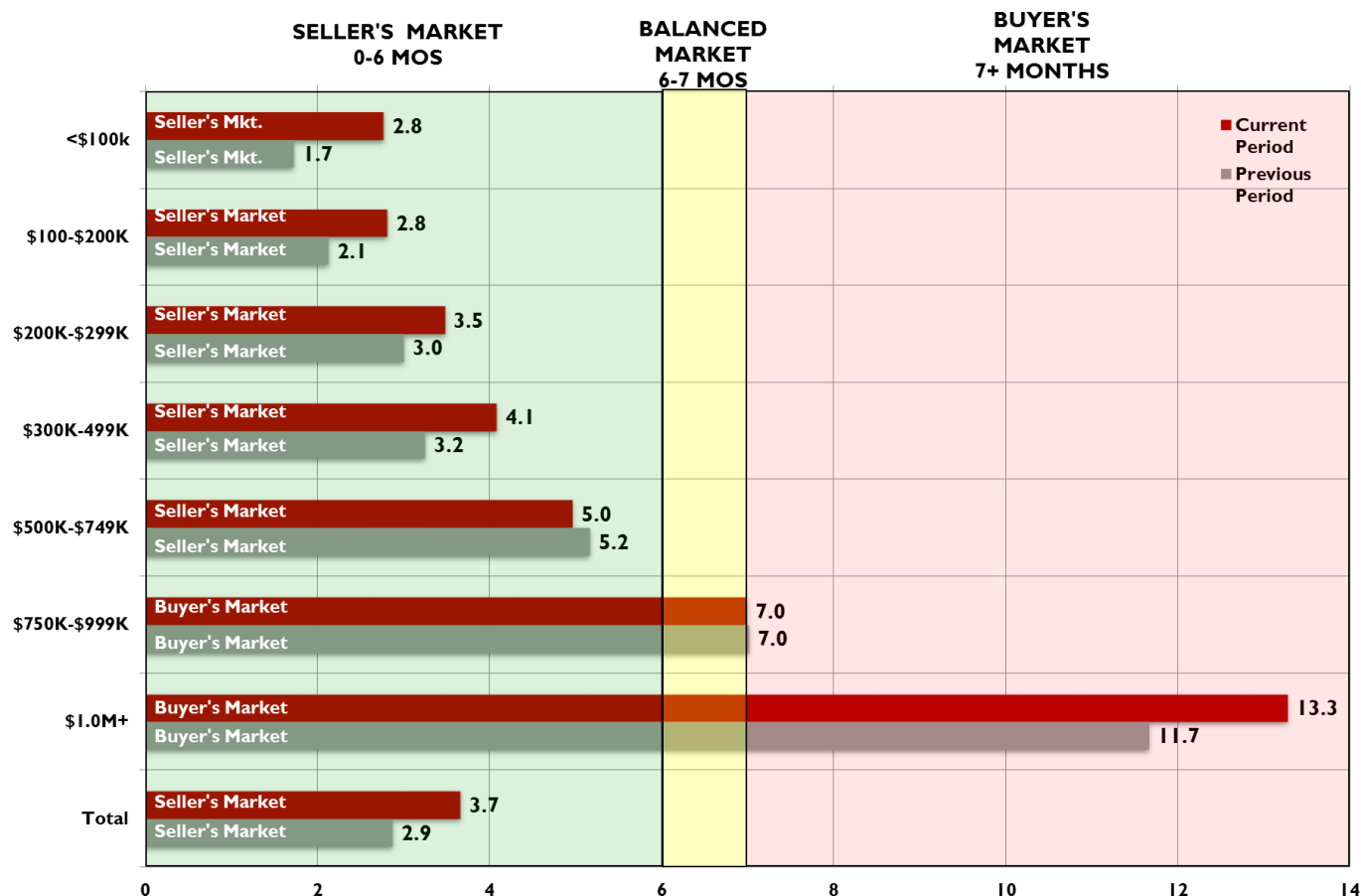
Very low supply in the high volume price ranges below \$200K resulted in a continued low overall supply of 3.7 months in June, 2014

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Supply: Comparison to Last Year

A comparison of supply by price range between June, 2014 and June, 2013 shows the extent to which the Supply/Demand environment has changed

Nearly all price ranges increased in supply compared to last year, while all ranges remained in their same Buyer's/Seller's Market condition

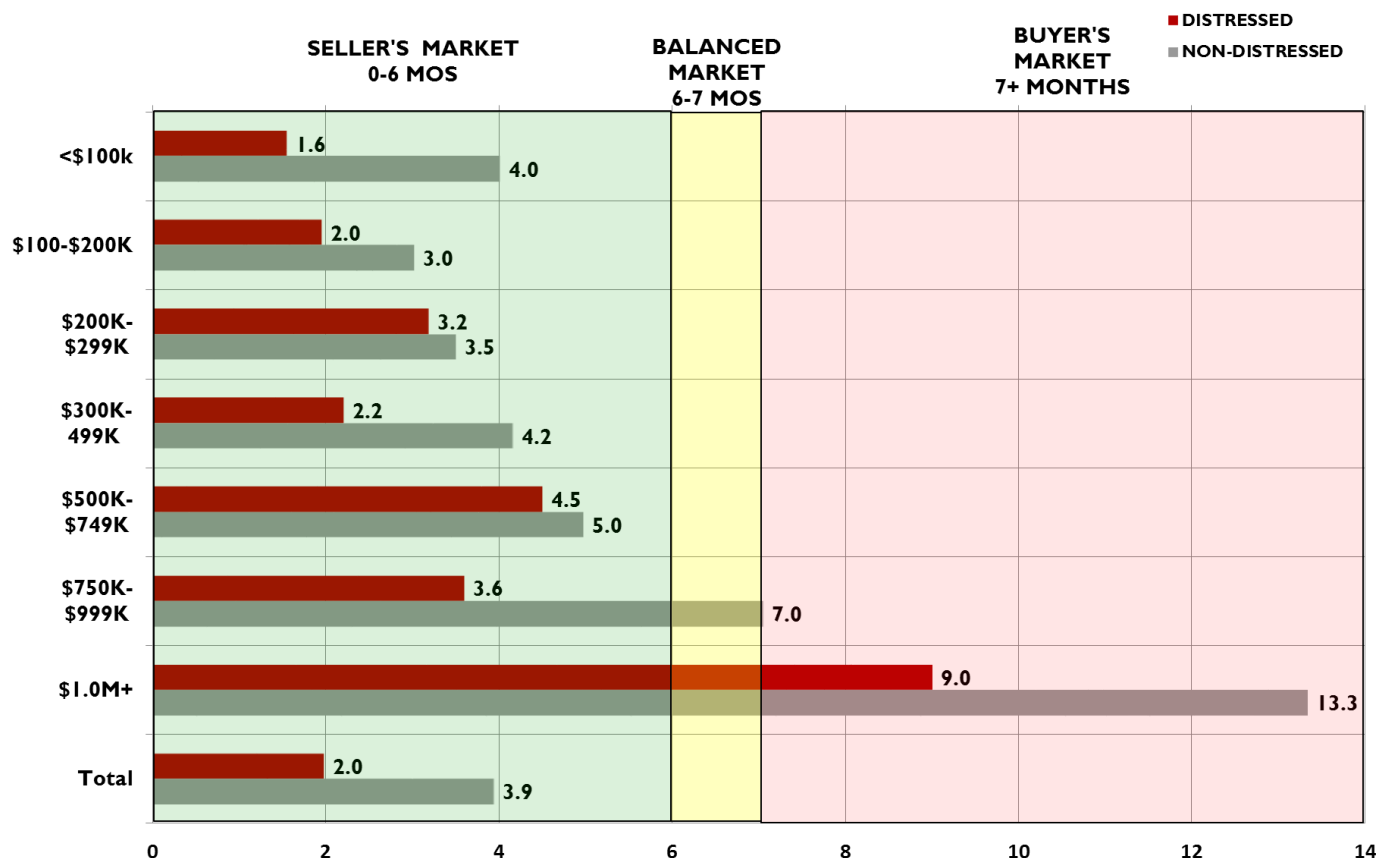


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Months of Supply: Distressed Vs. Non-Distressed Properties

Although the overall supply of properties in June, 2014 was at 3.7 months, when Distressed properties are separated out, the picture changes only slightly for non-distressed properties, rising from 3.7 months to a 3.9 months overall, higher, but still well within the “Seller’s Market” condition

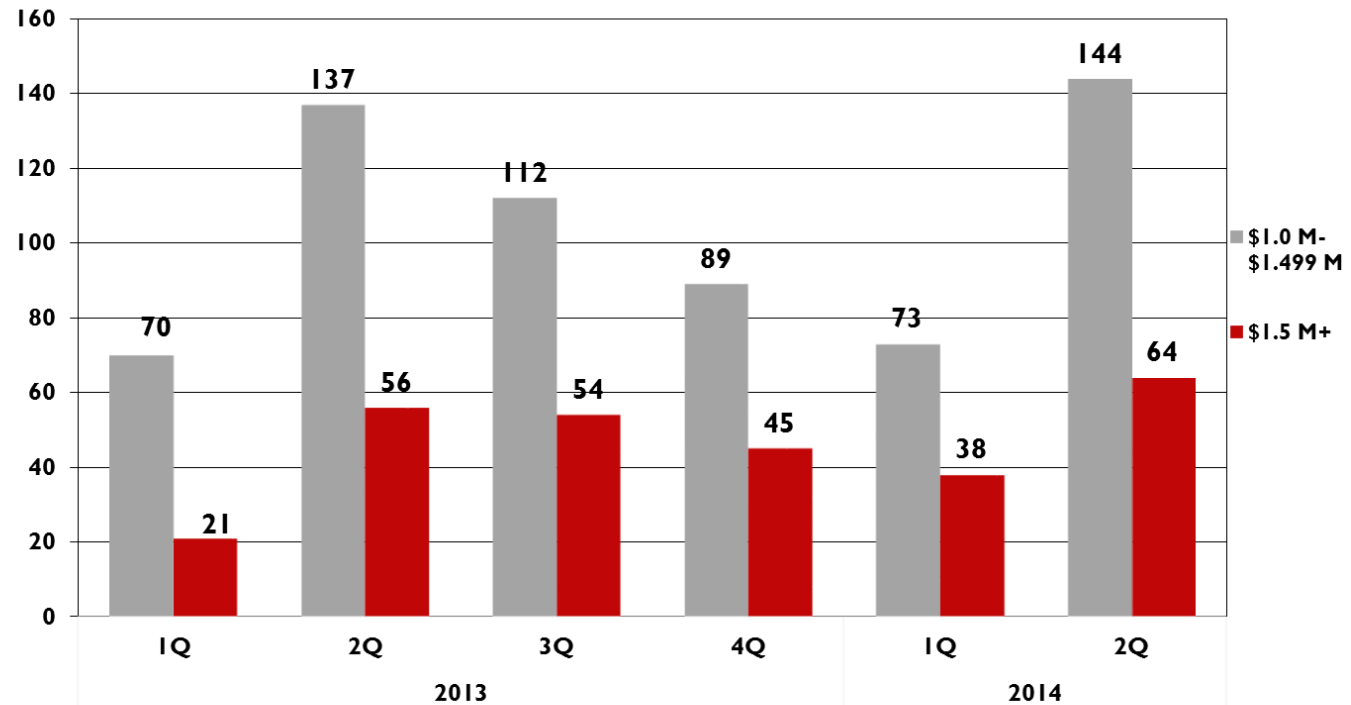
On the other hand, distressed properties are very low in a Seller’s market condition at all but the highest price range, with overall supply at 2.0 months and at less than 6 months in all but one price range, while Non-Distressed properties remain in a “Buyer’s Market” condition in price ranges above \$750K



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2Q 2014 sales of luxury homes priced above \$1.0M were +7.8% higher than that of 2Q 2013 with a combined 208 sales, compared to 193 last year

Luxury Home Purchases: Quarterly Sales



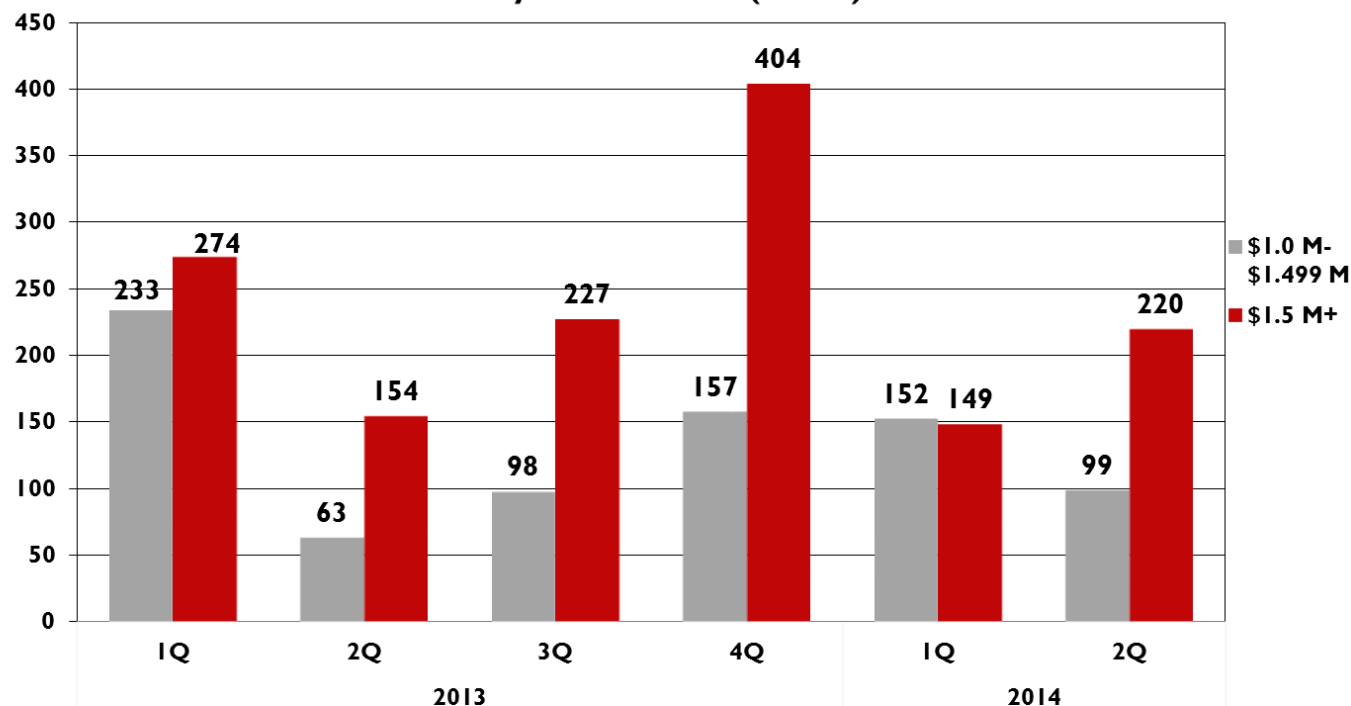
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2Q 2014 Median DOM for sales in the \$1.0M-\$1.49M price range was +57% higher than in 2Q 2013, while the median for the \$1.5M+ range was +42.9% higher than in 2Q last year

The small number of sales in these price ranges makes percentage changes more volatile

Luxury Home Purchases:

Days on Market (DOM)



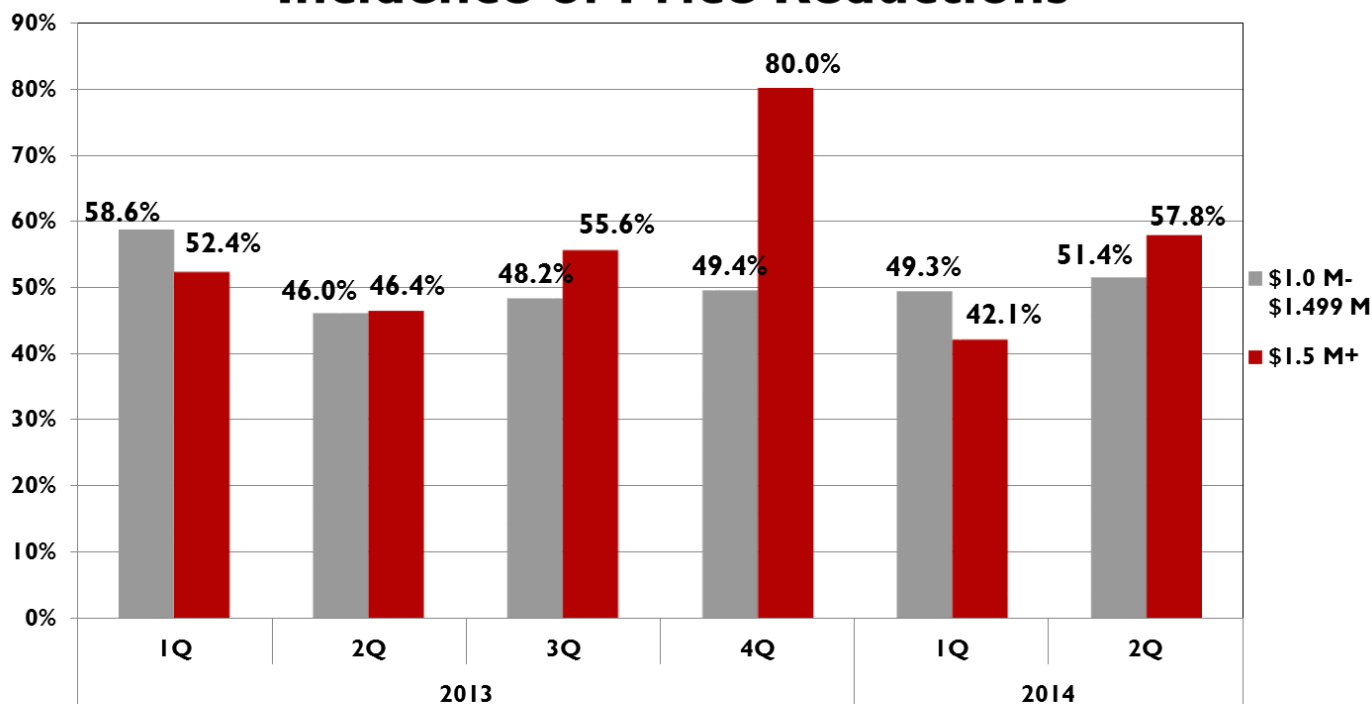
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Price reductions also tend to be more common as property prices increase

In 2Q 2014, the incidence of price reductions was +5.4 points higher in the \$1.0-\$1.49M range, while the \$1.5M+ range rose by +11.4 percentage points compared to that of 2Q 2013

The percentage of price reductions for sales across all price ranges in 2Q 2014 was down by -.2 percentage points

Luxury Home Purchases: Incidence of Price Reductions



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Summary

YTD 2014 Sales: **Down by -1.2%** compared to 2013

Monthly sales were higher in each month in 2Q 2014 compared to the same period last year

Distressed sales were lower at 14.1% of 2Q 2014 sales, but were 48.9% of sales in the <\$100K price range

Sales Prices: Median higher by **+9.4%** in 2Q 2014 at \$227K compared to 2Q 2013, at \$208K

Percent S/L price: A new high median **96.3%, +.5 percentage points higher** compared to 2Q 2013

Days on Market: **41 Days, down by -7.8%** in 2Q 2014 compared to 2Q 2013

Price Reductions: Lower – **at 37.0%** of 2Q 2014 transactions, **-.2 percentage points** lower than in 2Q 2013

A large drop in % S/L ratio occurred when a price reduction was taken (-8.1 percentage points in 2Q 2014)

<\$100K price range impact of price reductions on S/L ratio was greater (-23.7 percentage points) than for other price ranges

DOM effect – +4.1 months longer (+9.1 times) needed to sell after a price reduction in 2Q 2014

Failed Listings: **28.2%** of listings in 2Q 2014, up by +5.6 percentage points from 2Q 2013

Overpriced Listings: **55%** of listings **overpriced** in 2Q 2014

Supply: **Increased by +27%** to **3.7 months** of supply in June, 2014, compared to June, 2013

Non-distressed Properties priced below \$750K are in a “Seller’s Market” condition

Distressed properties across all price ranges except the \$1.0M+ range are below 6.0 months of inventory

The Case for Getting it Right The First Time

Seller Desired List Price

(Click and Enter Prices in Each Box)

X

Likely % Sale/List Price

=

Likely Sales Price

Likely Days on Market

Suggested Market Price

X

Likely % Sale/List Price

=

Likely Sales Price

Likely Days on Market

Even though List Price is Difference

Likely Sales Price Difference:

Likely Time on Market:

Months of Difference:

Carrying Costs:

Utilities

Insurance, Taxes, Maintenance

Mortgage

Total Monthly Carrying Costs

Carrying Cost Savings

Total Savings

Benefits Summary

Lower

Net Sales Price Difference

Fewer Days

Months

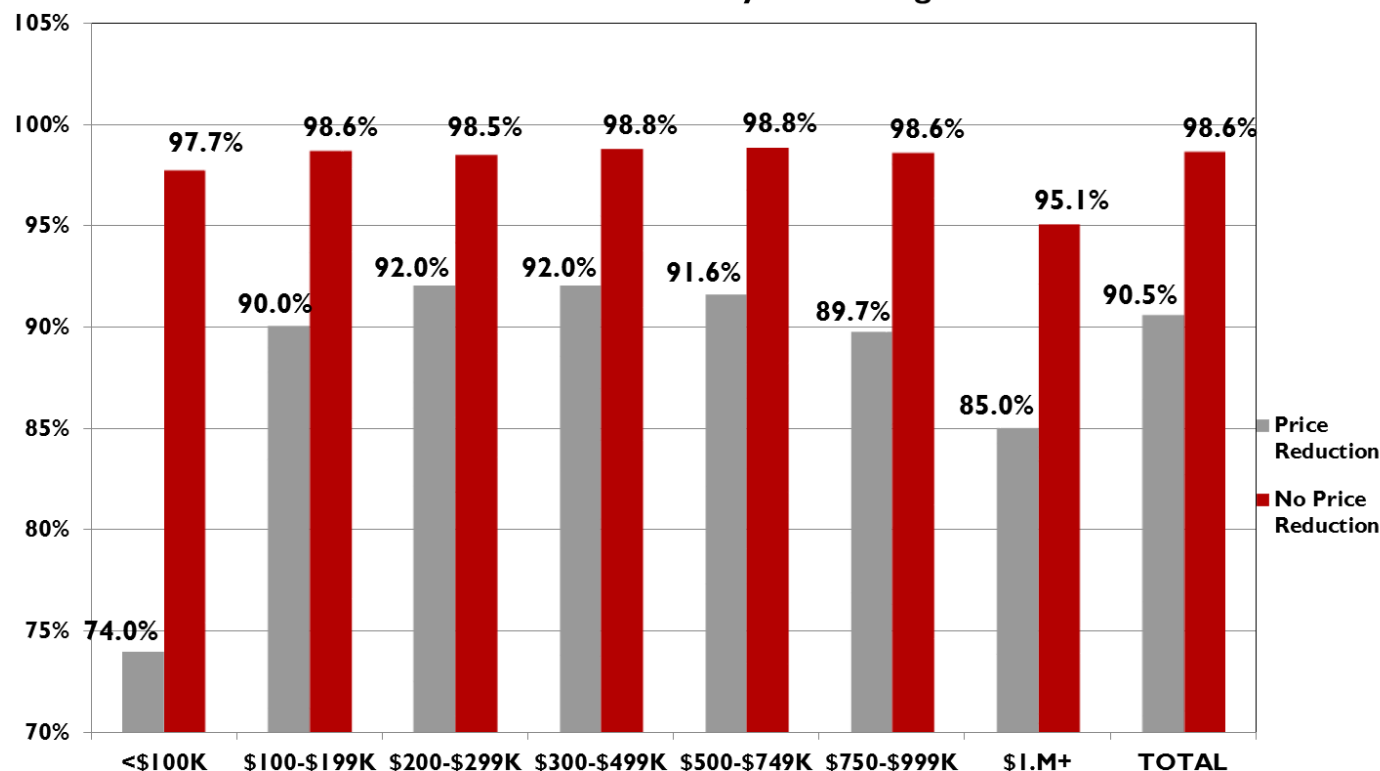
LIKELY TOTAL BENEFIT

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2Q 2014 Price Reduction Effect: Sales Price Percentage of Original List Price Median % S/L by Price Range

When a price reduction was required, substantially lower S/L ratios occurred in all price ranges in 2Q 2014, but there were large differences in degree among the various price ranges

For example, the ratio for a price-reduced property dropped a very large -23.7 percentage points, below that of a non-price reduced property, in the <\$100K range, where in the \$300K-\$499K range the difference was -6.8 percentage points



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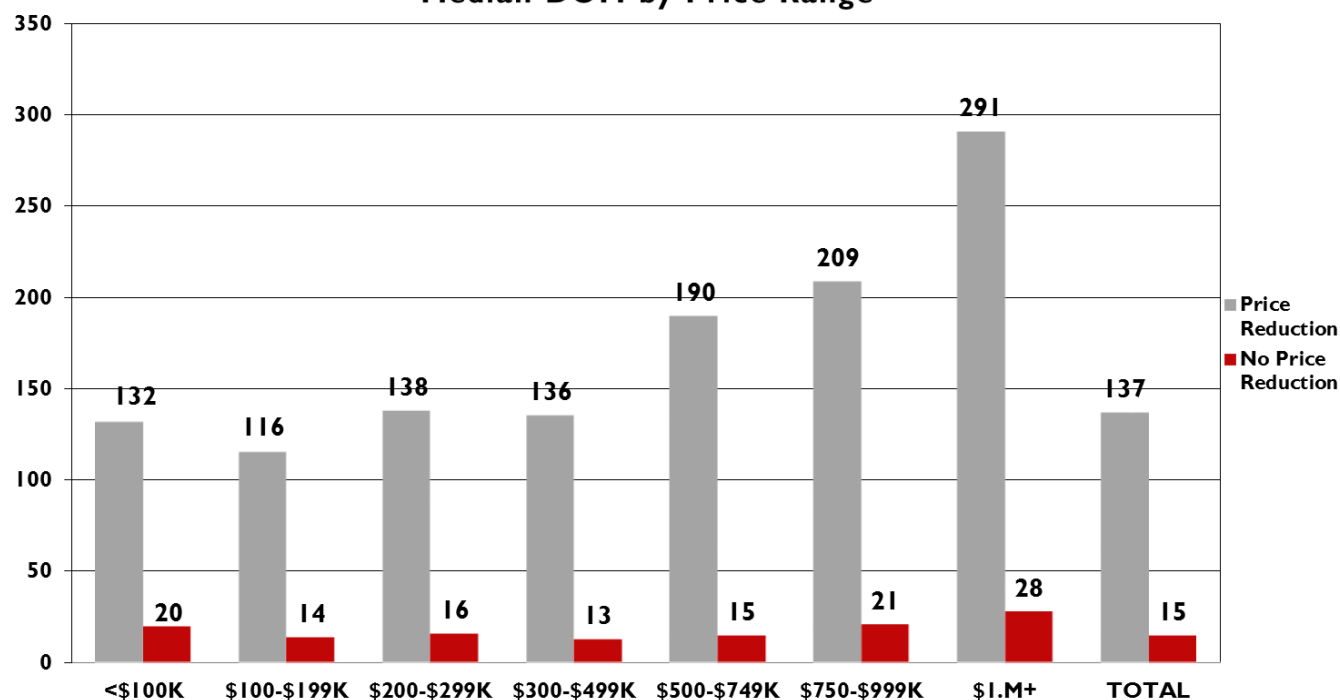
2Q 2014 Price Reduction Effect:

Days on Market Median DOM by Price Range

Higher-priced properties normally take longer to sell, but when a price reduction was necessary in 2Q 2014, the differences were much greater in all price ranges

Sellers across these price ranges needed +9.1 times longer to sell when a price reduction was required

Conversely, Sellers pricing their property correctly for the current market, were able to sell in a very short time period – a median of 15 days across all price ranges



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The Case for Getting it Right The First Time

Seller Desired List Price

\$320,000 (Click and Enter Prices in Yellow Boxes)

X

92.0%

Likely % Sale/List Price

=

\$294,400

Likely Sales Price

136

Likely Days on Market

Even though List Price is Difference

Likely Sales Price Difference:

Likely Time on Market:

Months of Difference:

Utilities

Insurance, Taxes, Maintenance

Mortgage

Other (Housekeeping, yard, pool, etc.)

Total Monthly Carrying Costs

Carrying Cost Savings

Total Savings

Suggested Market Price

\$300,000

X

98.8%

Likely % Sale/List Price

=

\$296,400

Likely Sales Price

13

Likely Days on Market

Benefits Summary

-\$20,000

Lower

\$2,000

Net Sales Price Difference

-123

Fewer Days

-4.1

Months

Monthly Carrying Costs:

\$200

\$200

\$2,400

\$200

\$3,000

\$12,250

\$14,250

LIKELY TOTAL BENEFIT

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Supplemental Analysis

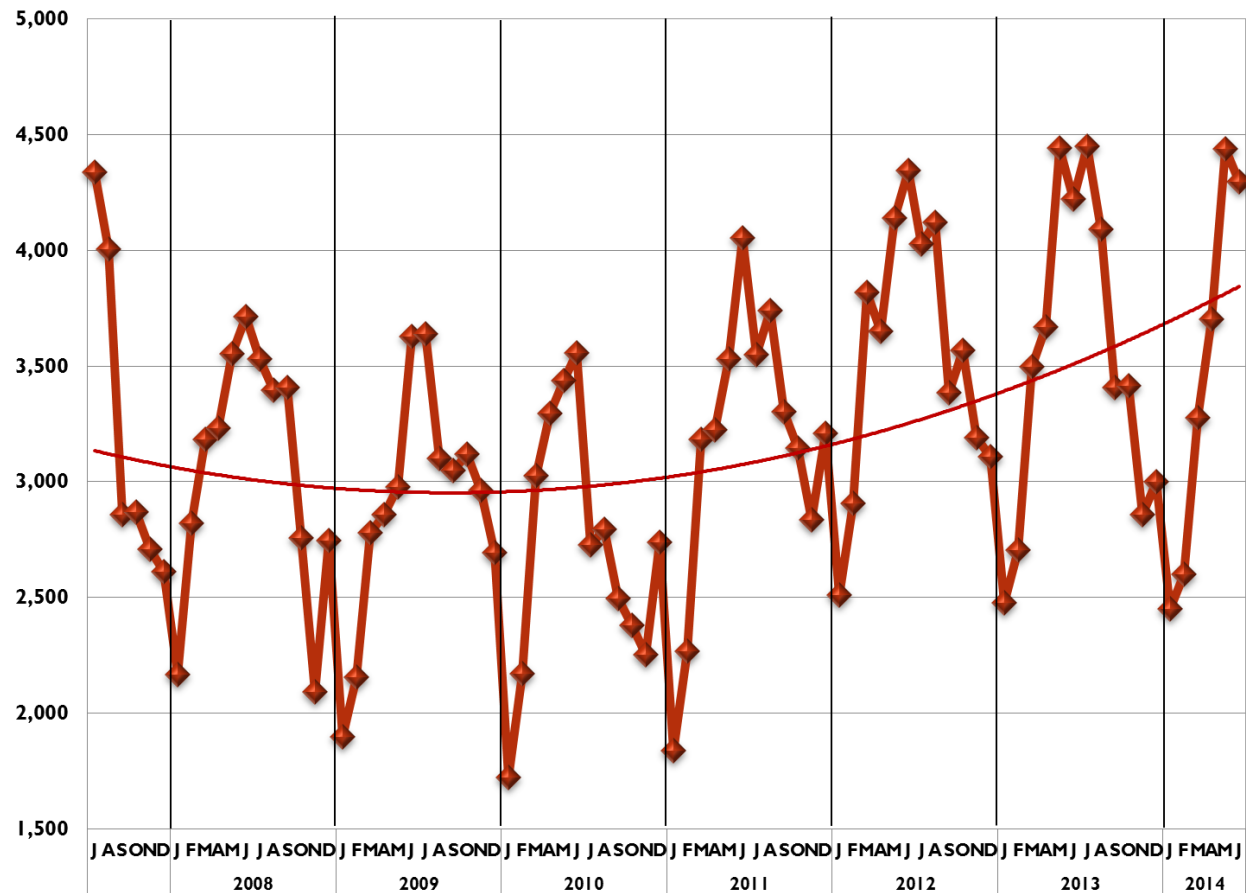
Single Family Detached Residences

Monthly Sales History

Monthly sales history shows the pattern of sales downturn from 2007 illustrating a bottom occurring in January of 2010

Since then the usual seasonal low points in January were higher in both 2011 and 2012 and an upward trend developed

Flat, to slightly lower sales through 2Q 2014 will be monitored to see if momentum has slowed enough to cause a plateau in the recovery

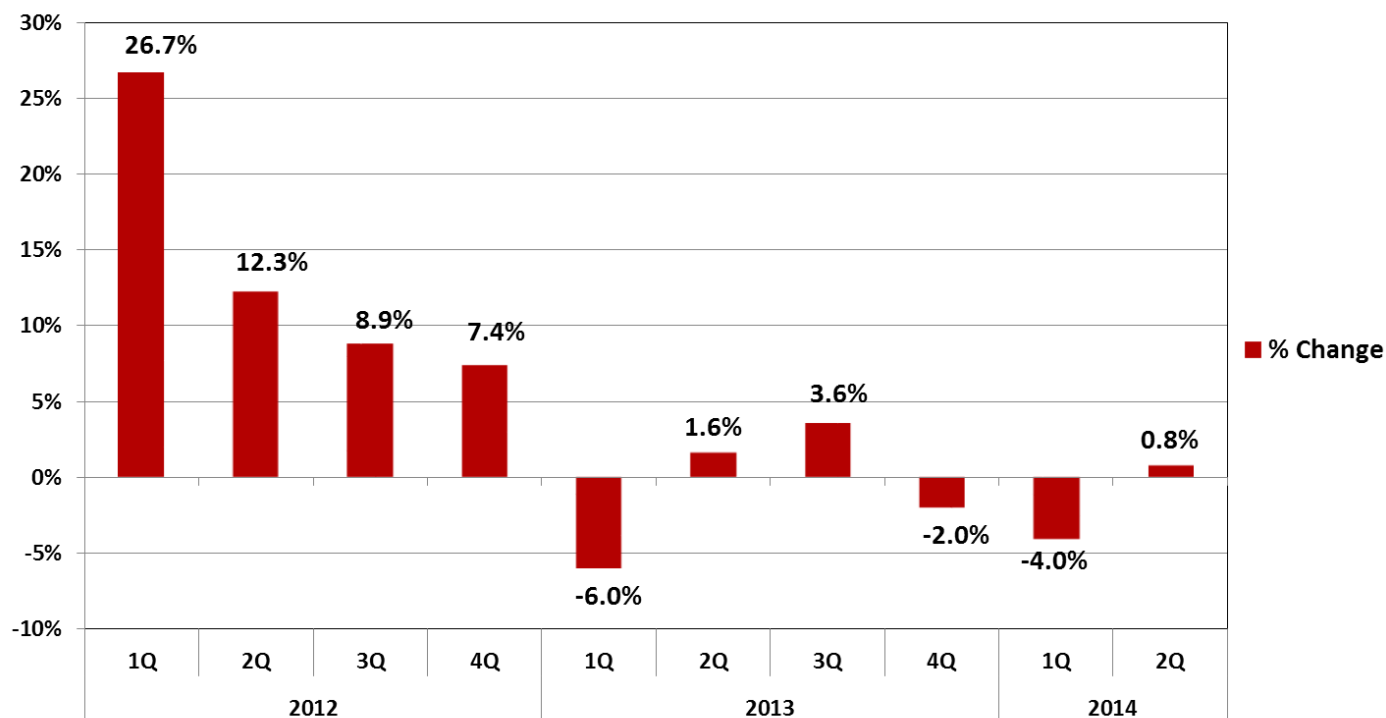


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2Q 2014 sales were down by -.8% compared to the same period last year, but may yet increase somewhat after lagged sales are processed

Quarterly increases were lower in each consecutive quarter during 2012, briefly turning negative in 1Q 2013 and then again in the last 3 quarters, contributing to a flat year in 2013 and a slight decline in 2Q 2014

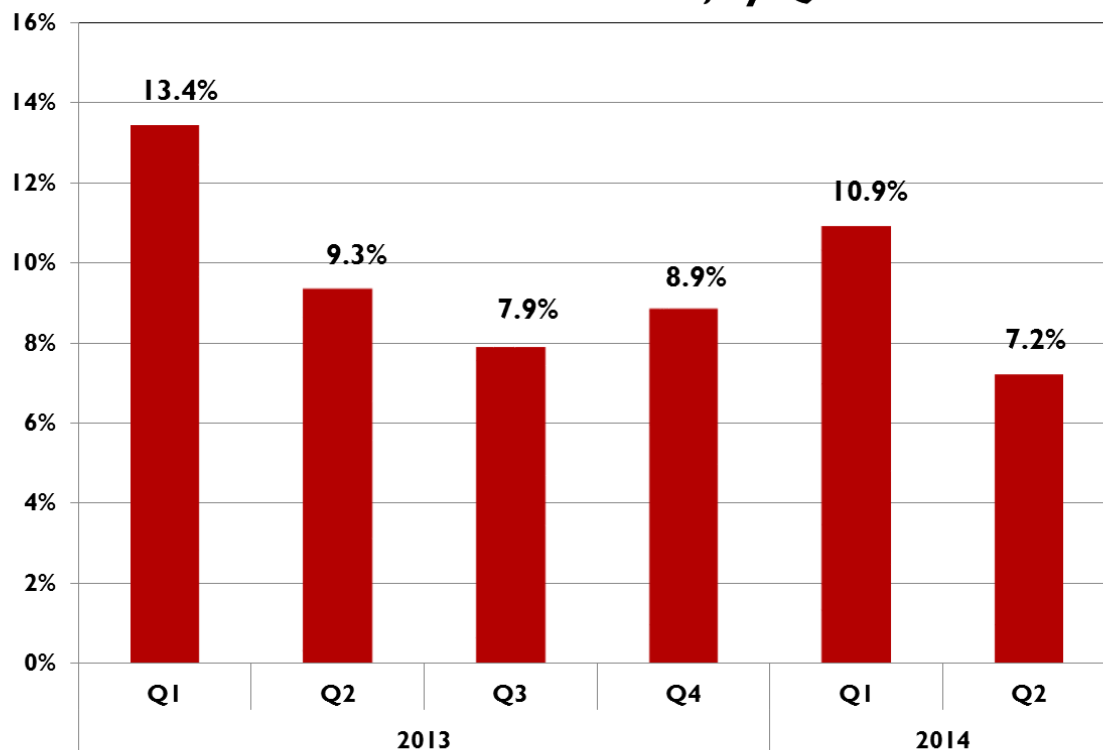
Change in Number Sold Compared to Same Quarter of Previous Year



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Foreclosure Sales: % of Total Sales, by Quarter

■ Foreclosures % Total



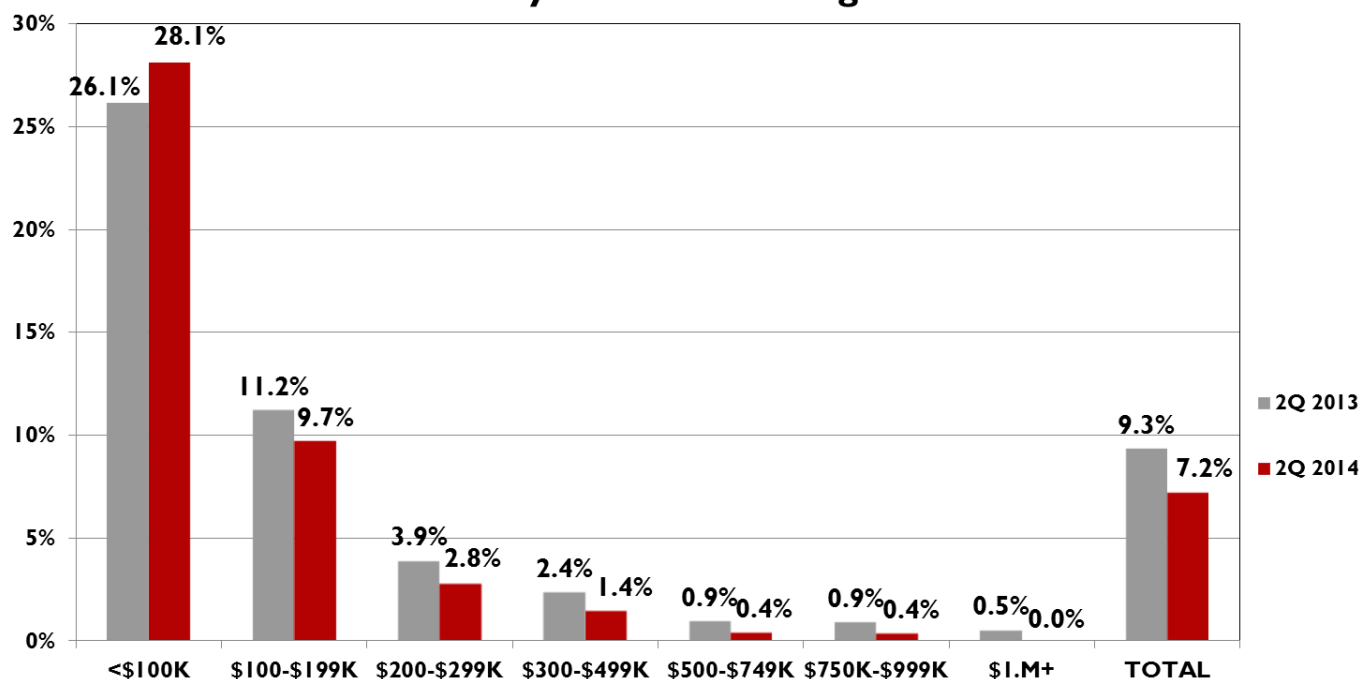
Foreclosure sales as a percent of total sales declined again in 2Q 2014 compared to 2Q 2013, to 7.2% of closings, down by -2.1 percentage points

Foreclosures in as a percent of closings in 1Q 2014 did rise by 2.0 percentage points compared to 4Q 2013, which was the second consecutive quarterly increase, however, 2Q 2014 foreclosures were down from 1Q by -2.7 percentage points

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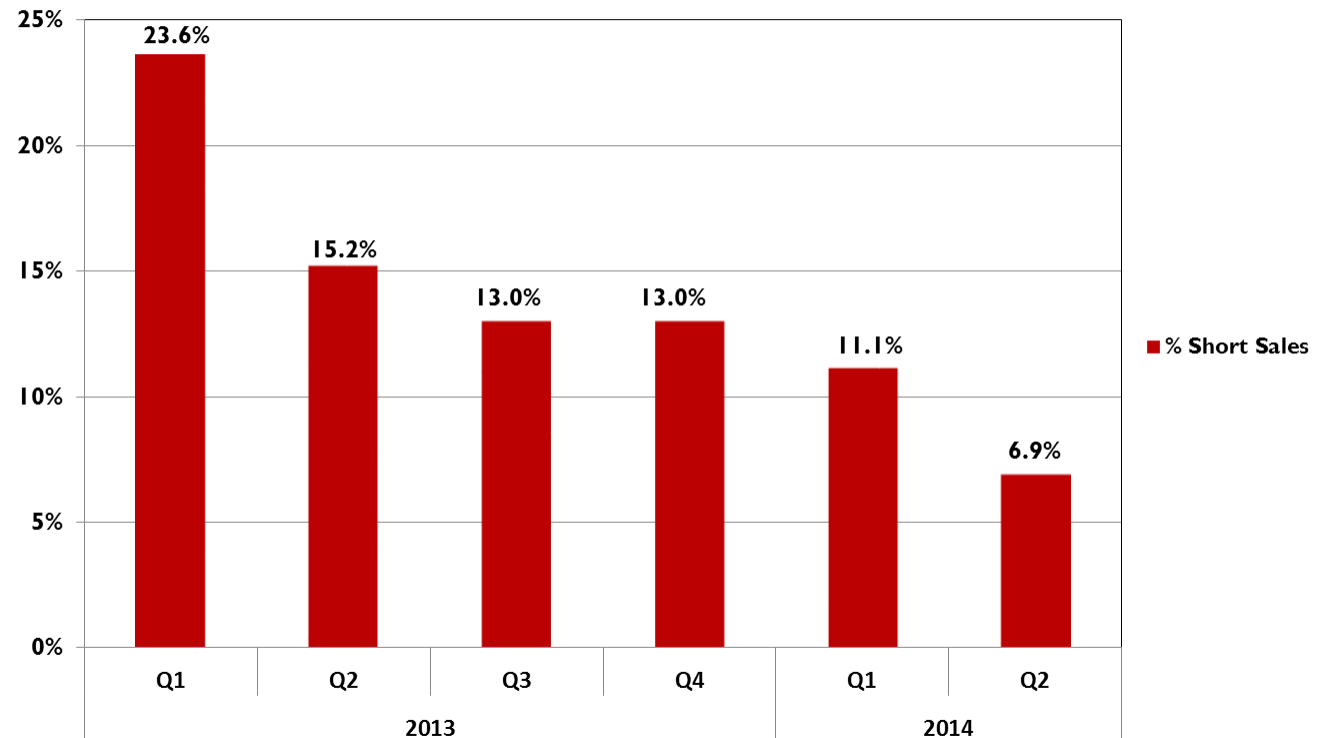
2Q 2014 Foreclosure Sales: % by Sales Price Range

The overall percentage of foreclosures was -2.1 percentage points lower in 2Q 2014 compared to the same period in 2013, declining in 6 of these price ranges, while increasing in the <\$100K range, remaining at more than 1 of every 4 transactions in that price range



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Short Sales: % of Total Sales, by Quarter

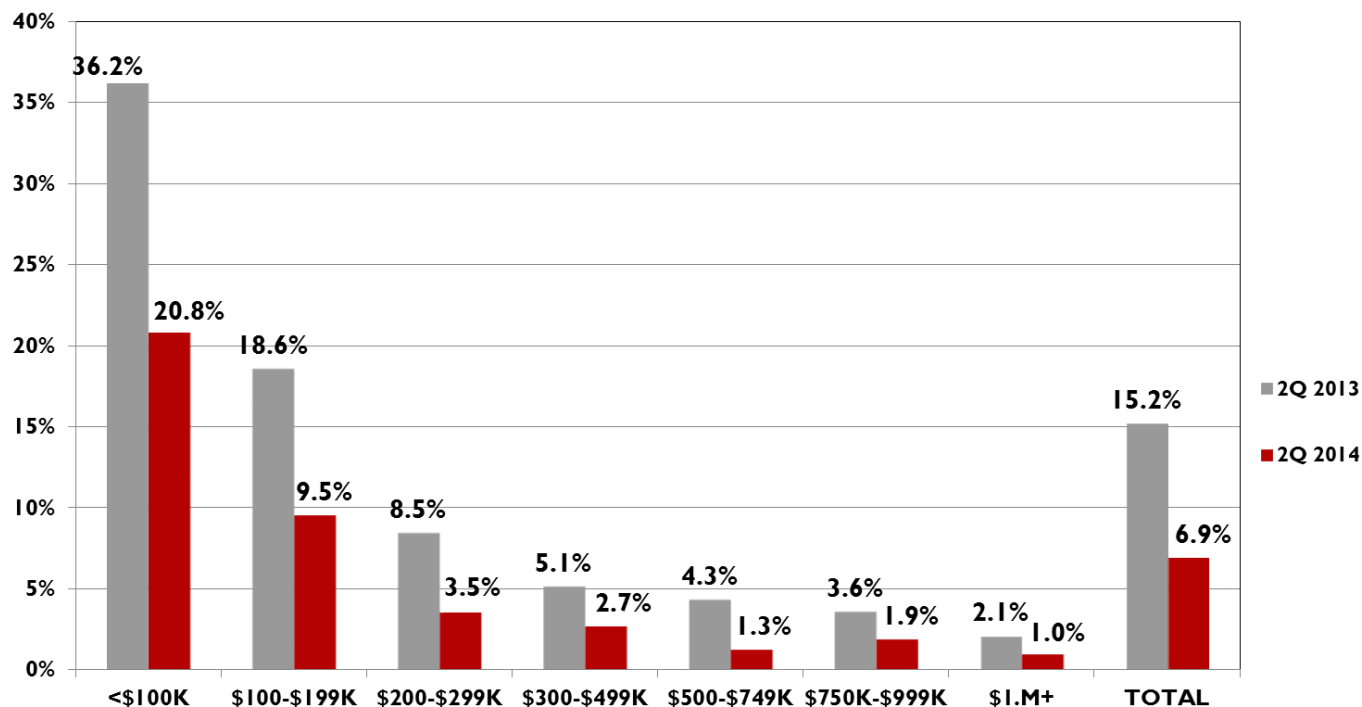


The 2Q 2014 short sale percentage of closings at 6.9% was -8.3 percentage points lower than in 2Q 2013, continuing the downtrend in these types of transactions

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Short Sale transactions as a percentage of total sales decreased again substantially in all price ranges during 2Q 2014, remaining at more than 1 in 5 transactions in the <\$100K price range during 2Q 2014

2Q 2014 Short Sales: % by Sales Price Range



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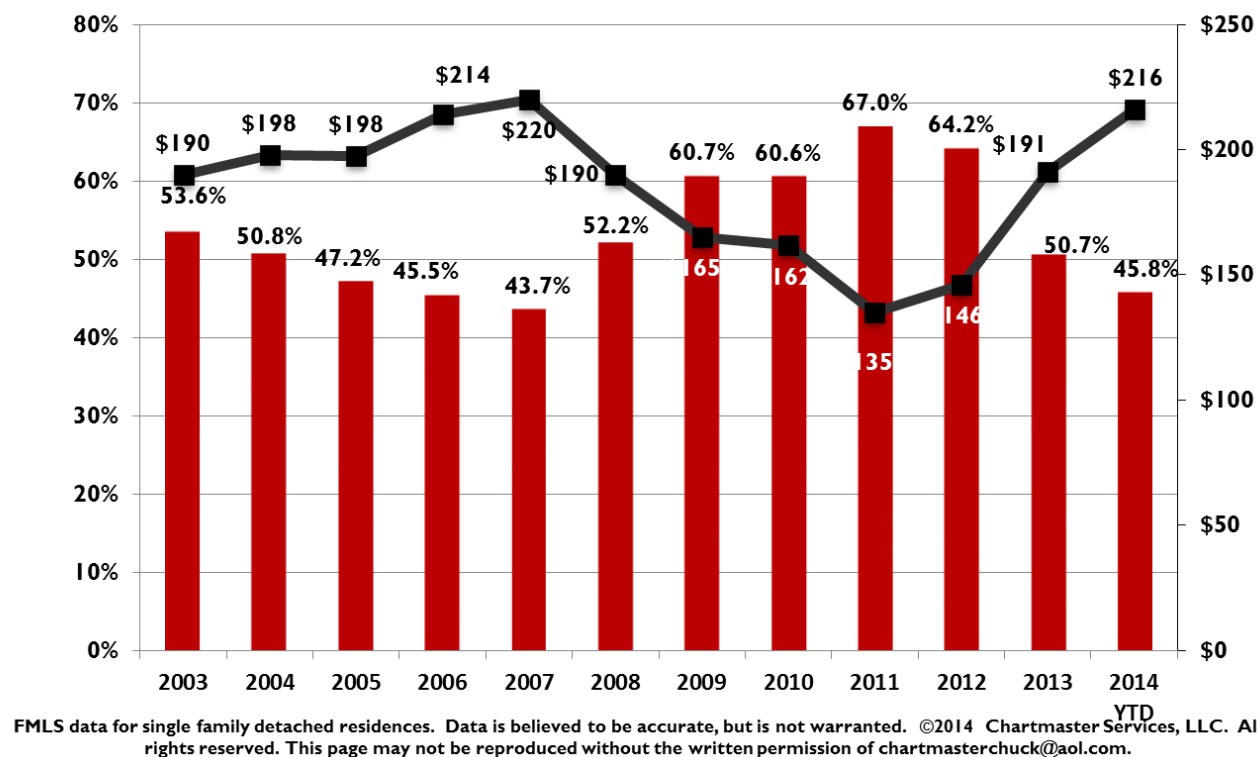
Historically, as the percentage of sales shifted more toward lower price ranges after 2007, the median sales prices were forced down

The median sales price is the price at which half of sales are at higher prices and half are at lower prices

As larger portions of annual sales took place at lower prices (<\$200K), the median sales price dropped accordingly, now with those percentages declining, the median sales price is again rising

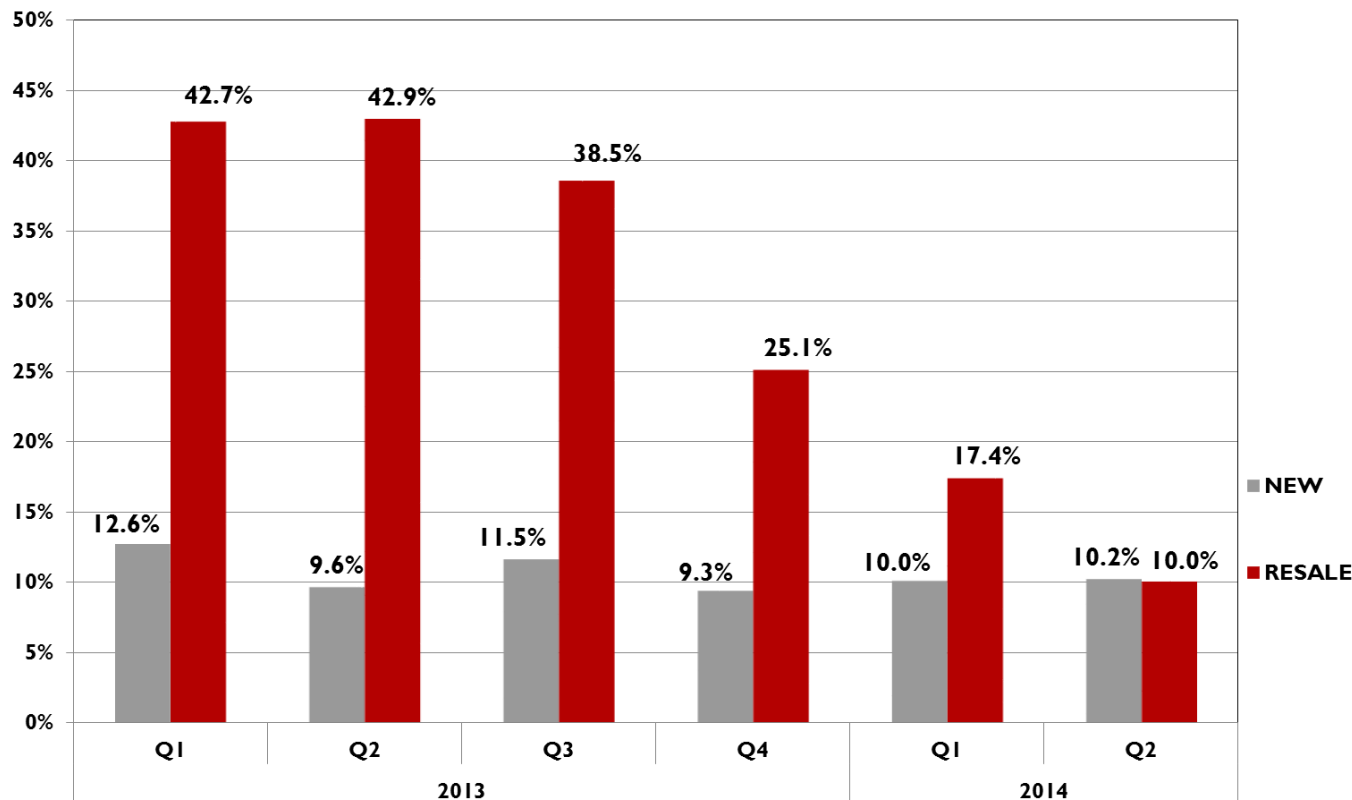
Percent Sold <\$200K vs. Median Sales Price

■ % <\$200K



New Vs. Resale: Median Sales Price

% Change From Same Quarter of Previous Year



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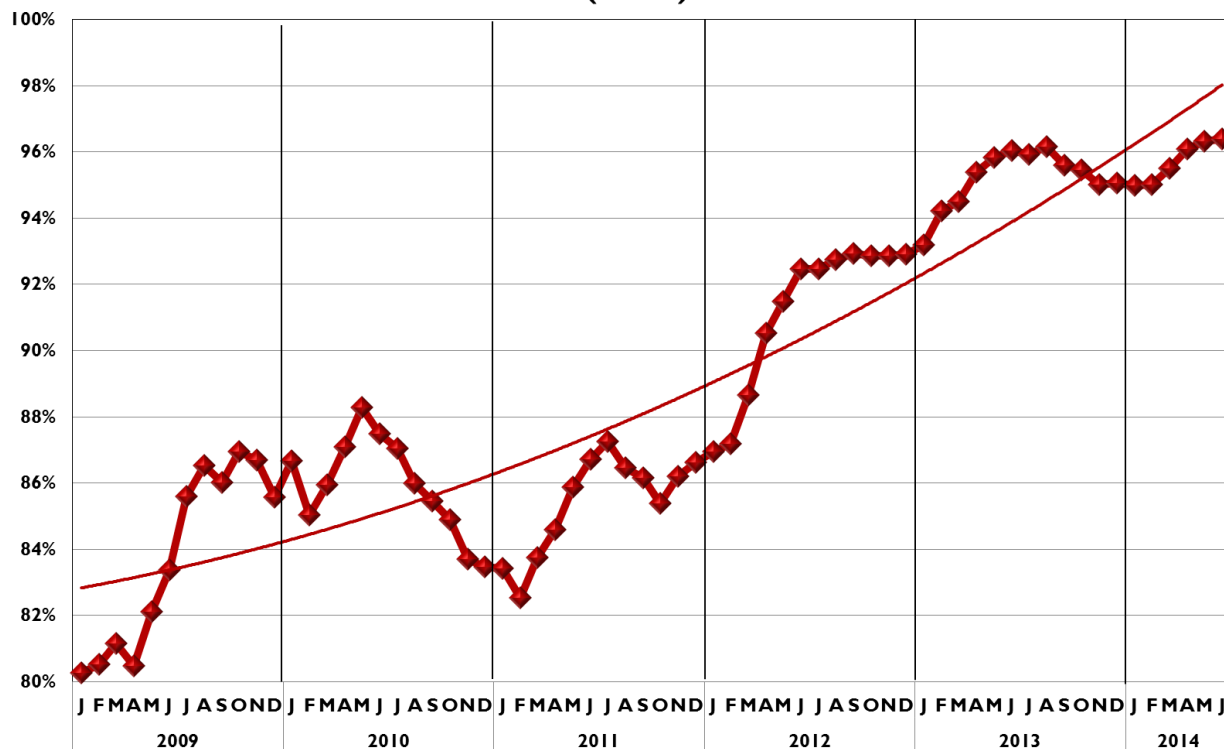
Both New Construction and Resale properties posted quarterly median sales price increases, up by +10.2% and +10.0% respectively vs. last year

Percentage increases will likely decline in future comparisons as each current year median is compared to higher previous year prices

Sales Price Percent of Original List Price (% S/L)

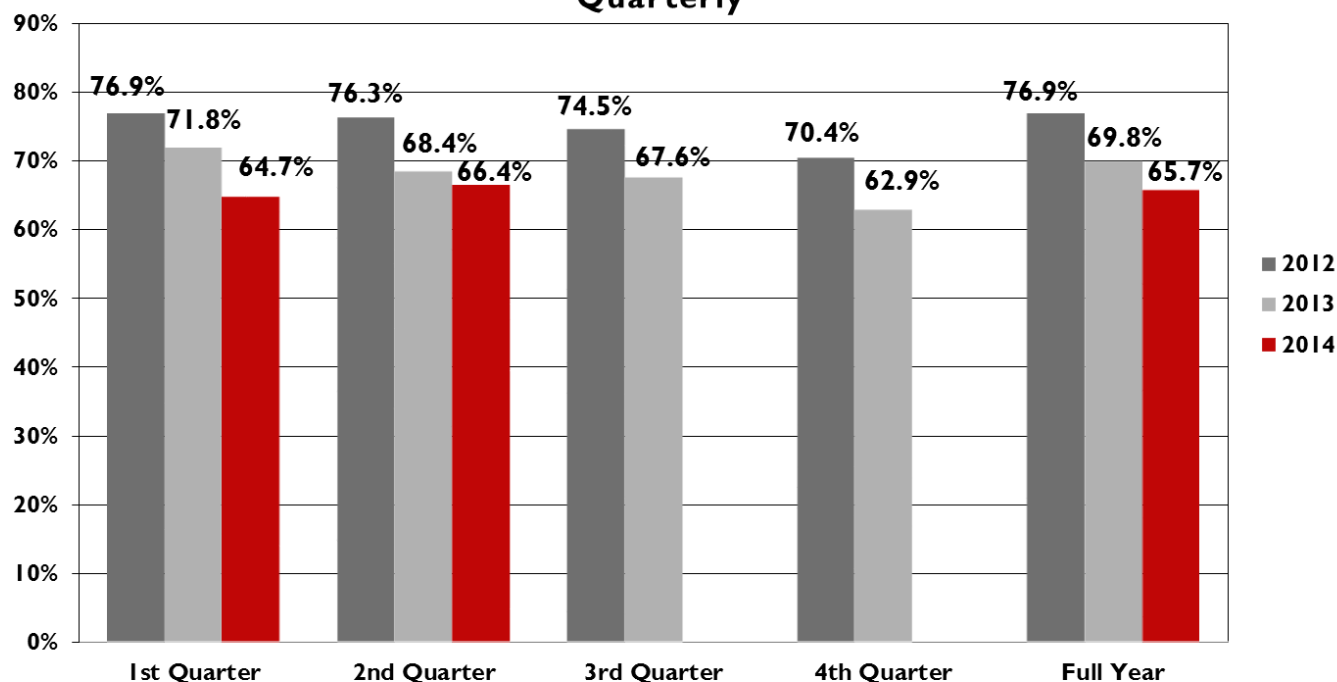
Median S/L ratios shown monthly since January, 2009 reveals that the bottom for this measure came during early 2009, with an overall uptrend in process since then

The % S/L uptrend has moderated in 2014, possibly returning to a more normal seasonal pattern, still at significantly higher percentages than in these earlier years



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Percentage of Sales with Seller-Paid Costs Quarterly



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Sellers contributed to buyers' closing costs in nearly 3 of every 4 transactions during 2012, with declining percentages occurring through 2013 and into 2Q 2014, still remaining in 2/3 of all transactions

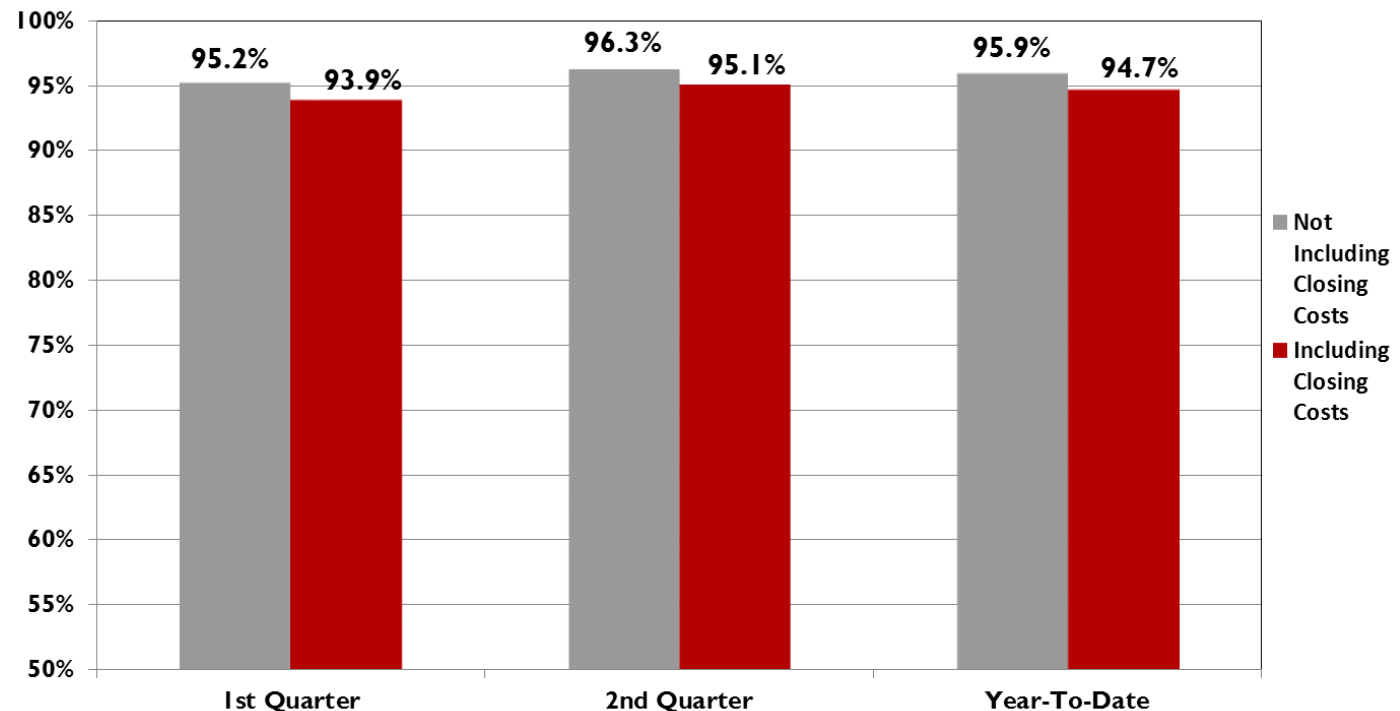
As a Seller's Market developed, the incidence of seller-paid closing costs has declined somewhat as shown by decreasing percentages after 3Q 2012

Sellers should anticipate this buyer request when estimating net proceeds of sale

When sellers contributions to buyer closing costs are included, the true median S/L ratio dropped by -1.2 percentage points during 2Q 2014 to an overall 95.1% of Original List Price compared to the 96.3% usually shown

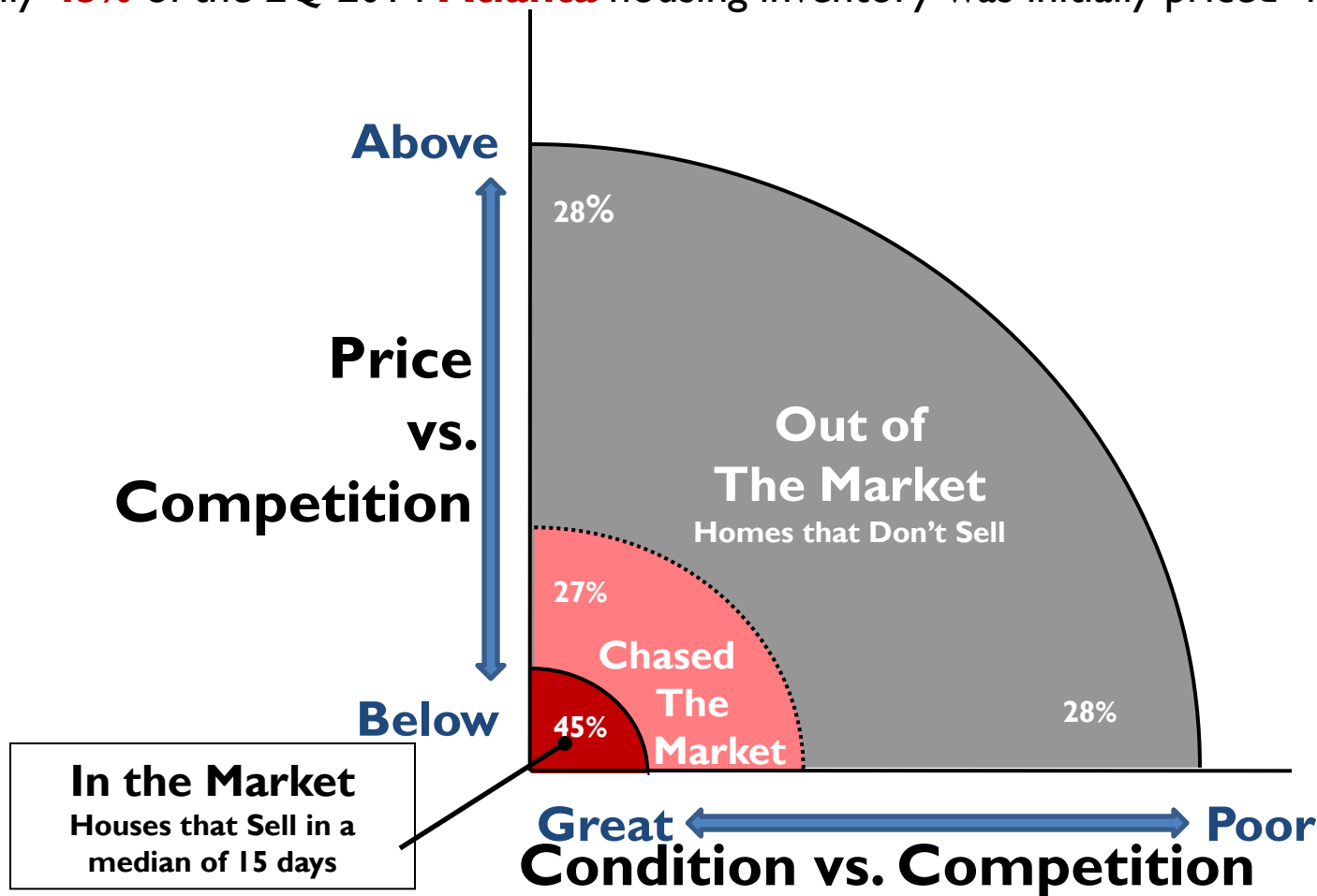
Seller Paid Closing Costs Effect on S/L Ratio

Total vs. Net Median % S/L



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Only **45%** of the 2Q 2014 **Atlanta** housing inventory was initially priced “in the market”



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Summary

During 2Q 2014 there were several substantial positive results from the ongoing change to a “Seller’s Market” environment. Most of our measurements continue to show positive changes compared to the same period last year.

Sales were essentially flat (+.8%), the median S/OLP percentage was up slightly to a new high of 96.3%, median DOM down by -7.8% to a new low, incidence of price reductions remained low at 37%, distressed property sales percentage was down -10.4 percentage points to 14.1%, the median sales price rose by +9.4% and overall supply was down -27% to 3.7 months.

Sales have seen mostly flat sales for several periods as the market adjusts to fewer foreclosure and short sale properties in the inventory. This is seen most clearly in recent 30%+ declines in sales at prices <\$100K where most of these properties were. Sharply fewer sales in the lower price ranges has accelerated the uplift in median sales prices in these periods, along with increased competition resulting from fewer than normal numbers of active listings. Several factors are likely contributing to a lower supply of listings: a large number of under-water properties, reluctance by homeowners to give up unusually low, previously secured mortgage rates for newer homes at much higher current rates and prices, unemployment rates that are still high, more difficult financing qualification and interest rates and an inability to find the right house to which to move due to low inventory.

As we move through the spring market, any sudden or unusual changes to these factors could expose the fragile nature of this recovery. But for now at least, Sellers should find less pressure during contract negotiations and Buyers will see a more competitive market with fewer sellers willing to accept low-price offers.

The Story of the Detached Residence Market – 2Q 2014

Overall Market Observations

Improvements occurred in most metrics during 2Q 2014 with several reaching new, improved high or low points. The median sales price rose to very near the high point reached in 2007, the median S/L ratio was the highest since 2007, the median of DOM was very low, price reductions were lower and inventory remained at historically low levels.

While measurements improved in most categories, sales were slightly lower and failed listings rose compared to those of last year. Active listings are rising again but still quite low compared to other strong sales years.

The few remaining distressed properties result in a very low (2.0 months) inventory of distressed and fewer active listings contributed to a low inventory of non-distressed (3.9 months) which has increased competition among buyers, forcing prices higher, S/L ratios higher, DOM lower, as a result of fewer listings available for sale. Investors may have depleted the more desirable distressed property inventory reducing sales overall of properties priced below \$100K and contributing to an overall sales decline. However, it is also possible that increased prices and more difficult to obtain financing are taking a toll. Likely all of these and more, are contributors.

These conditions, as well as a large number of under-water property valuations may prevent many sellers from coming into the market, keeping inventory lower and the market more competitive until sales prices recover sufficiently.

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The Story of the Detached Residence Market – 2Q 2014

Importance to Non- Distressed Property Sellers

- Sellers are now trying to take advantage of the current supply/demand shift to list their property while they have an advantage.
- Downward pressure from Distressed properties on selling prices for all properties has been somewhat offset by a lower inventory, making this a better time to sell than in recent periods.
- The reduced inventory has increased buyer competition for available properties allowing sellers to price somewhat higher at a time when demand may be lagging
- Despite the temptation for sellers to price higher in light of an improving market, setting realistic initial listing prices that are in line with buyer expectations (“in the market”) can result in sales at or above the original listing price in very few days on market, as lender appraisals lag behind market condition

Importance to Buyers

- The supply/demand relationship is still to the seller’s advantage. As long as it continues, fast action and realistic offers will be necessary for buyers of desirable properties.
- For buyers who are interested mainly in distressed properties, the supply has dropped to a point where competition among buyers for that supply is very strong, making realistic offers is a must for desirable houses.
- Quick action and serious offers are required when high-value properties are found (57% of 2Q 2014 sales), since low median DOM and high S/L ratios usually result, often with multiple offer situations.
- The good news is that prices are still attractive and interest rates are comparatively low, so the if the right property is found, this is still a very good time to be in the market

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The Story of the Detached Residence Market – 2Q 2014

Success Strategies for Sellers

- Even though there are fewer of them, do not ignore the impact of distressed properties, if available, competing for buyers in seller's price range and location, when setting initial listing price, since they still could affect comps.
- Maximize selling price and minimize market time by choosing an initial listing price that represents a high value compared to competing listings.
- Re-evaluate market trends continuously to re-assess pricing choice – avoid chasing the market or missing any turns that may develop.

Consequences of Wrong Seller Choices

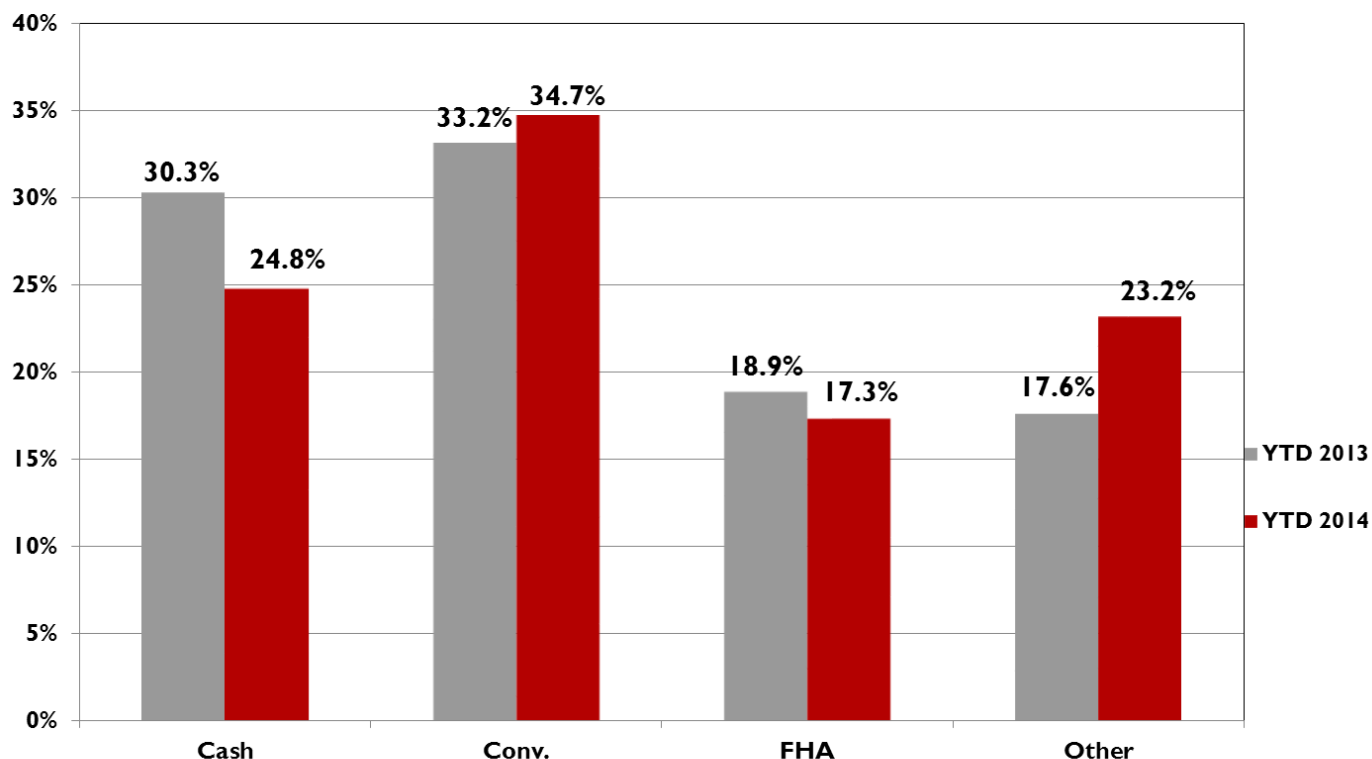
- Will likely sell only after a much longer time on market - Median DOM at least +9.1 times longer in 2Q 2014.
- Likely sell at a much lower portion of original listing price – median of at least -8.1 percentage points lower.
- Failure to sell – 28.2% of listings failed to sell in 2Q 2014, due to overpricing.
- Multiple listing periods – 23.1% of sellers required multiple listing periods, most selling at a median of -10.2 percentage points lower after a median of +7.6 months longer times on market (+18.5 times longer).

Risks for Buyers

- Low-ball offers on high-value properties will likely result in missing out on a desirable property.
- Making offers too high on properties listed multiple times could result in paying too much.
- Low inventory condition reduces buyer's advantage in contract negotiations.

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YTD Purchases by Financing Method



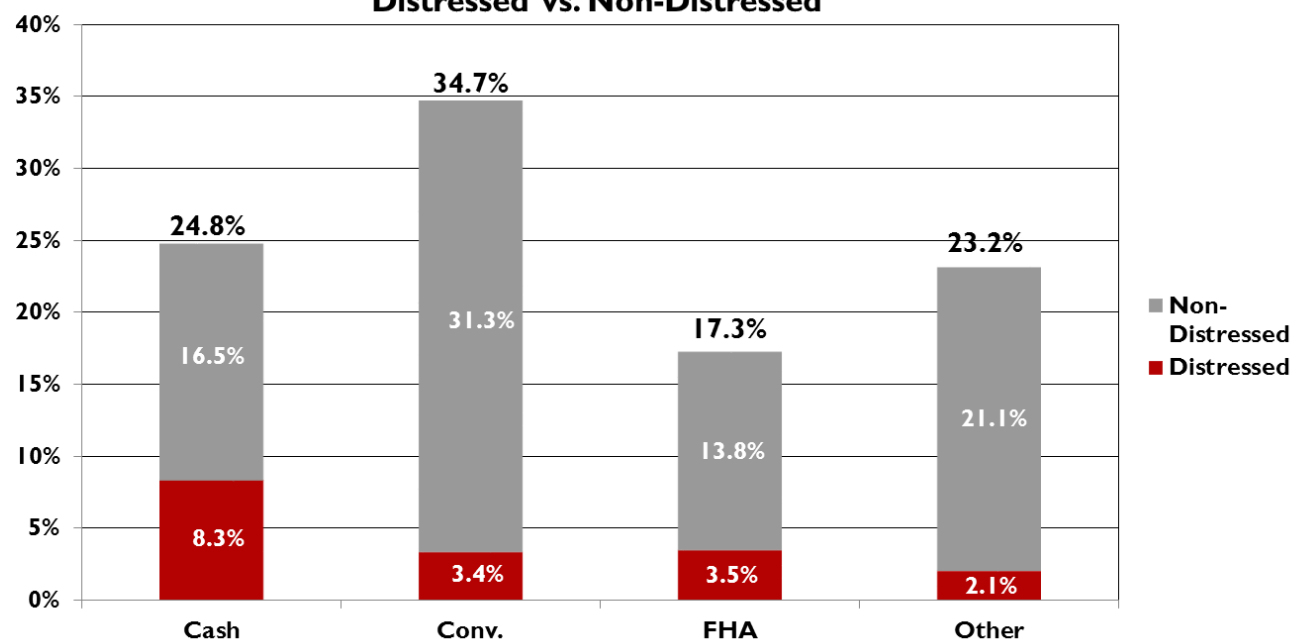
Conventional Uninsured and Cash purchases combined to represent 59.5% of all purchases in 2014, with conventional uninsured being the most-often used method of financing at 34.7% of transactions

Nearly 1 in 4 transactions involved cash purchases during this period, down by -5.5 percentage points from last year

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2014 YTD Percentage of Total Purchases by Financing Method

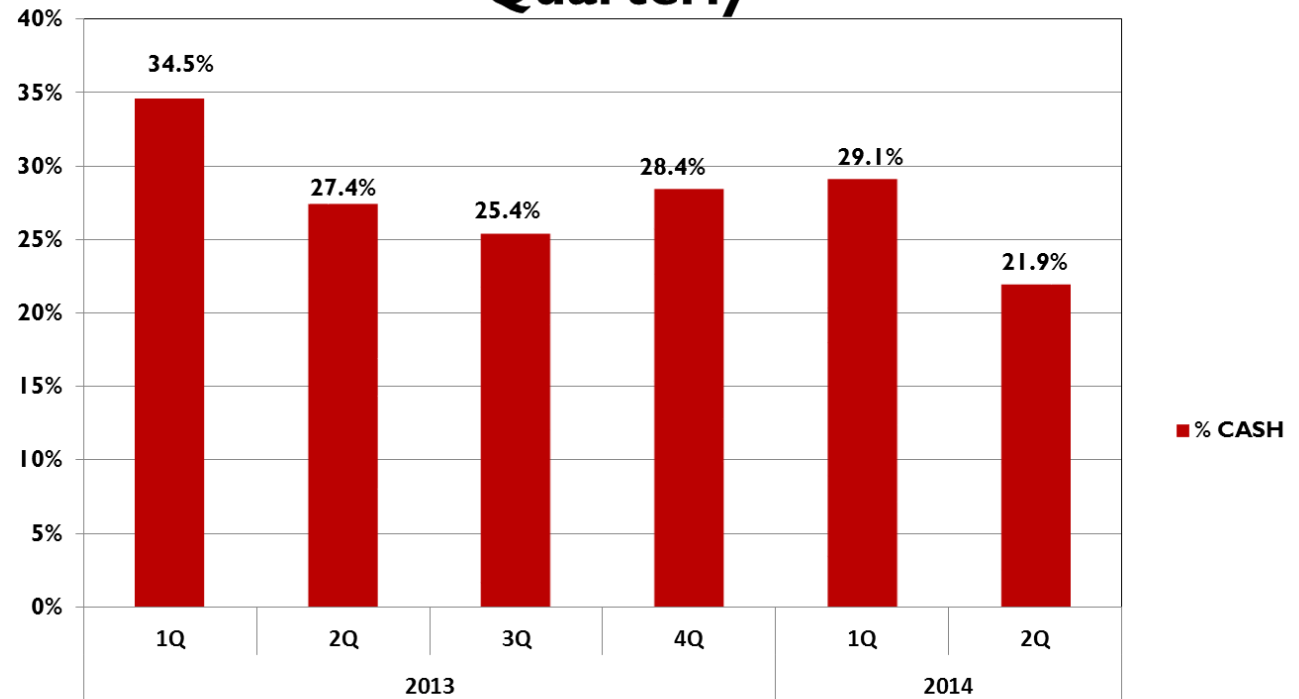
Distressed vs. Non-Distressed



More than 66% of cash purchases were of non-distressed properties YTD in 2014

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Cash Percentage of Total Purchases Quarterly



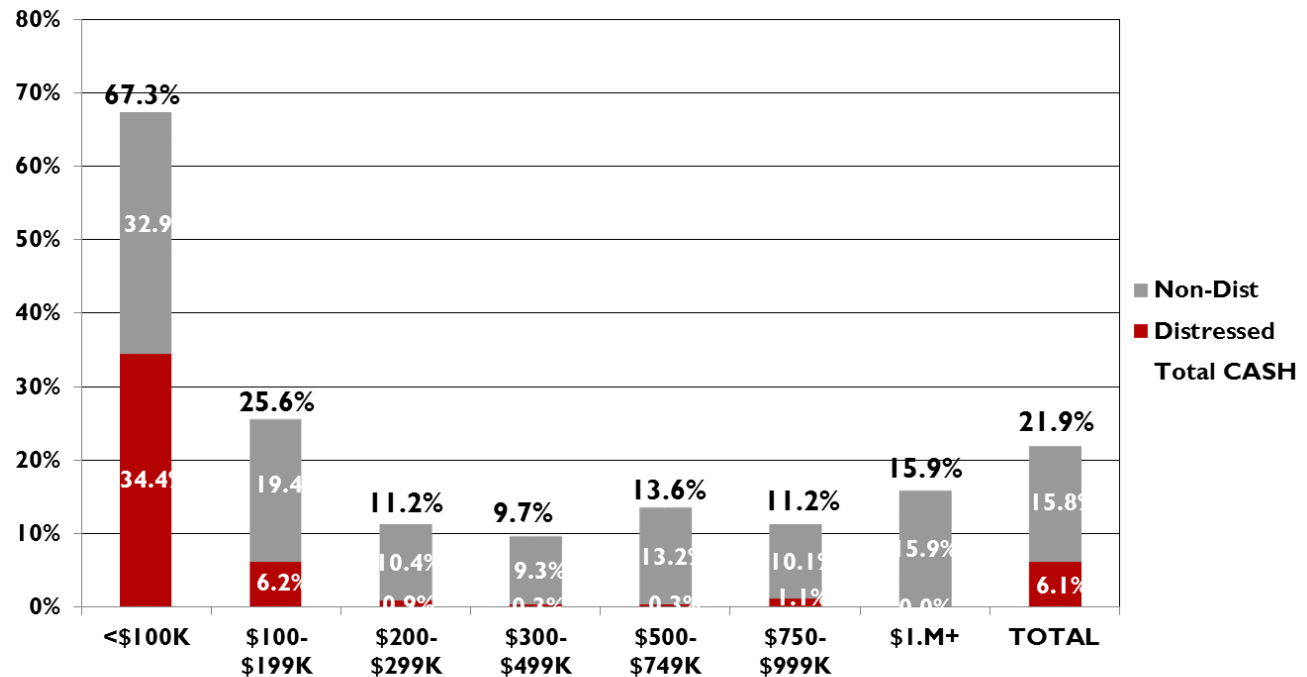
The percentage of cash purchases in 2Q 2014 was down by -5.5 percentage points compared to 2Q 2013

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More than 2 of every 3 properties that sold for less than \$100K were cash purchases and 51% of those cash purchases were distressed properties, likely purchased by investors

Cash Purchases as a Percentage of Total 2Q 2014 Purchases

Distressed vs. Non-Distressed, by Price Range



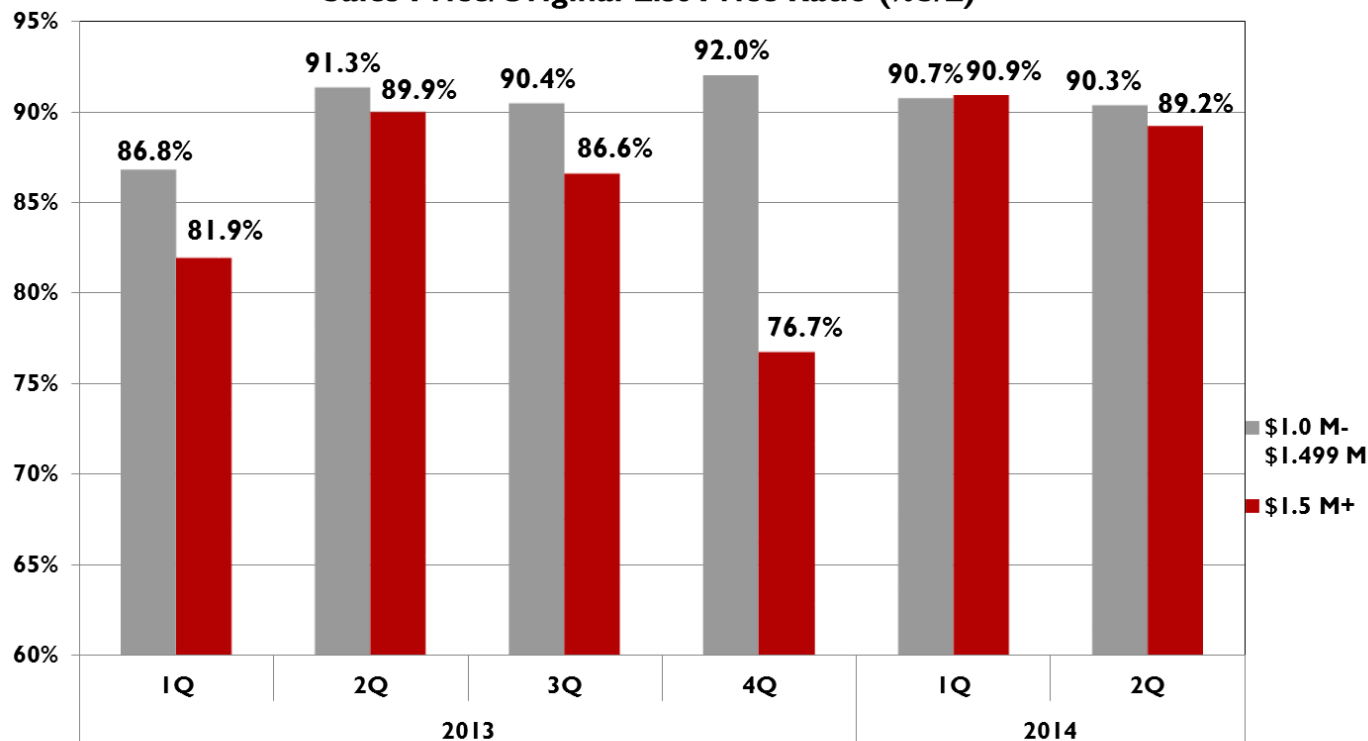
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The Median 2Q 2014 S/L price ratio for the \$1.0-\$1.49M price range was -1.0 percentage points lower than in 2Q 2013 at 90.3%

The median in the \$1.5M+ range was down by -.7 points

Luxury Home Purchases:

Sales Price/Original List Price Ratio (%S/L)

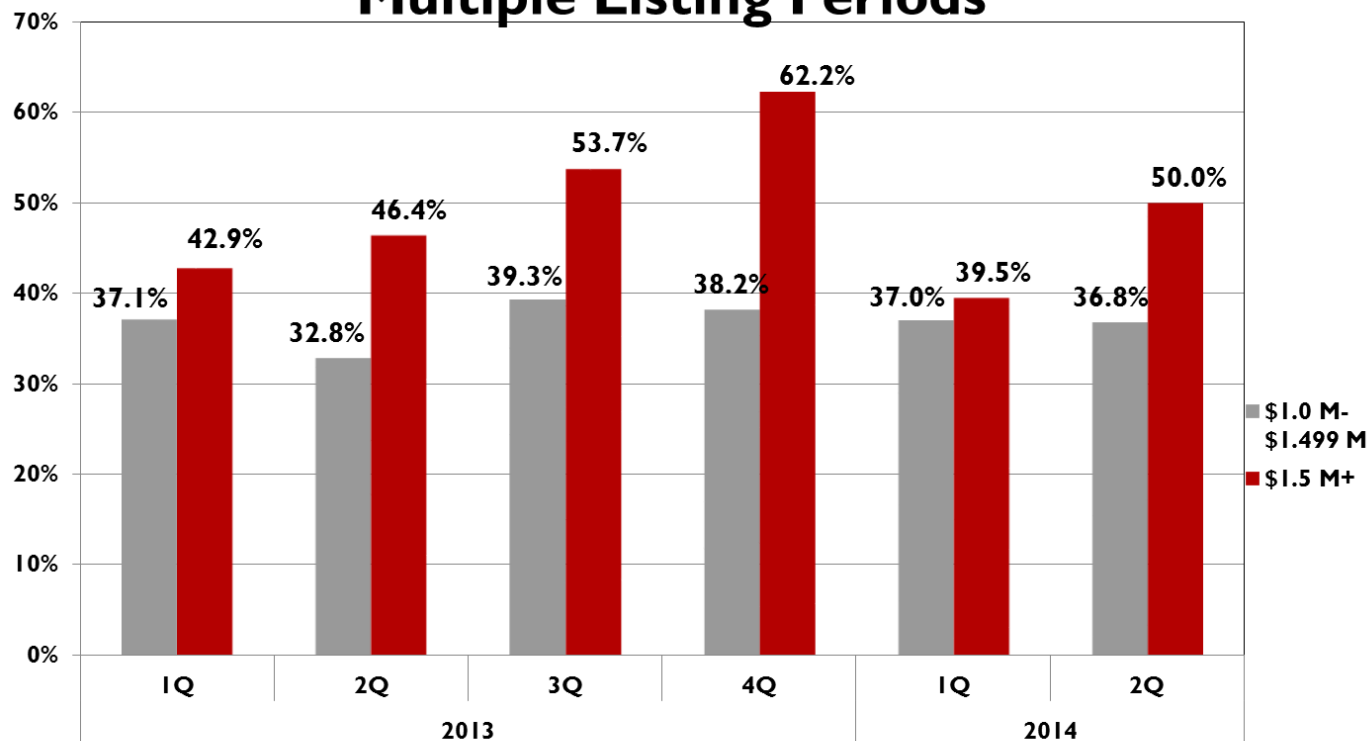


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The difficulty of selling luxury homes priced above \$1.0M is underscored by the 36.8% and 50.0% percent of sales that required more than one listing period, compared to the percentage for all price ranges of 23.1% during 2Q 2014

The results of initial overpricing are usually longer DOM, lower S/L %, more Price reductions and multiple listing periods, resulting in much lower selling prices

Luxury Home Purchases: Multiple Listing Periods



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