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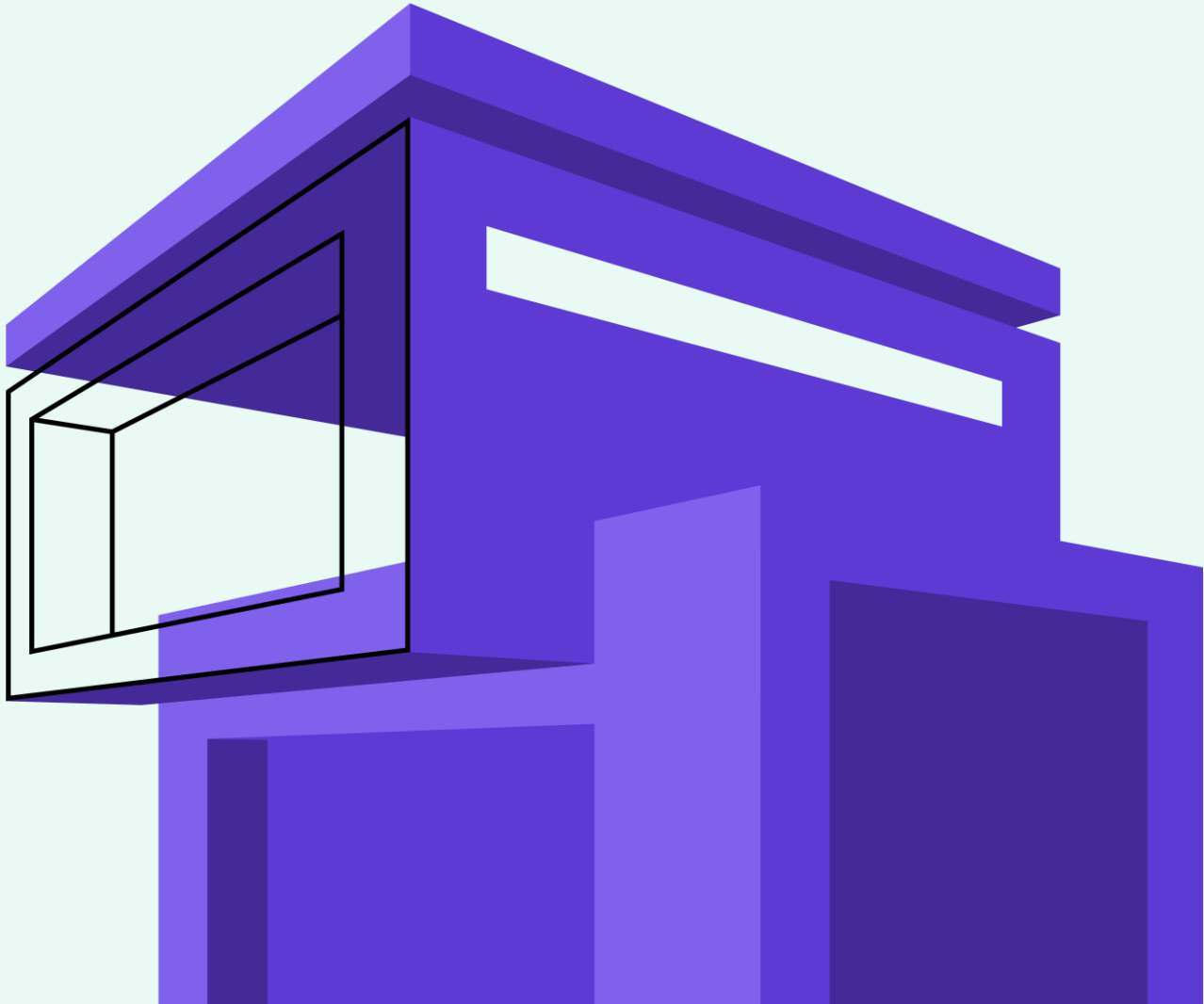
December 1, 2021

Atlanta Housing Market Update



KRISTINE SMALE

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Data, advisory, and insights all under one roof

DATA INTELLIGENCE

Get access over 500+ housing metrics to stay ahead of local, regional and national market trends.

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- Zonda Economics
- Zonda Education
- Zonda Advisory
- Zonda Mortgage
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- Zonda House Plans
- Zonda Lead Gen
- Zonda Events
  - Builder 100
  - Future Place
  - Frame
  - Outlook
  - Focus
  - Connections
  - Proptech
  - ProSales 100
  - MFE Summit
  - MFE Connections
  - MFE Conference
  - AHF Live Summit
  - Impact (HomeAid)

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  - Builder
  - Journal of Light Construction
  - Remodeling
  - Multifamily Executive
  - Affordable Housing Finance
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  - Architect
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Our teams cover the entire spectrum of real estate to help you grow your business and realize your goals

- 60 advisors
- 500 researchers
- 50 technologies
- Award winning Builder editorial team

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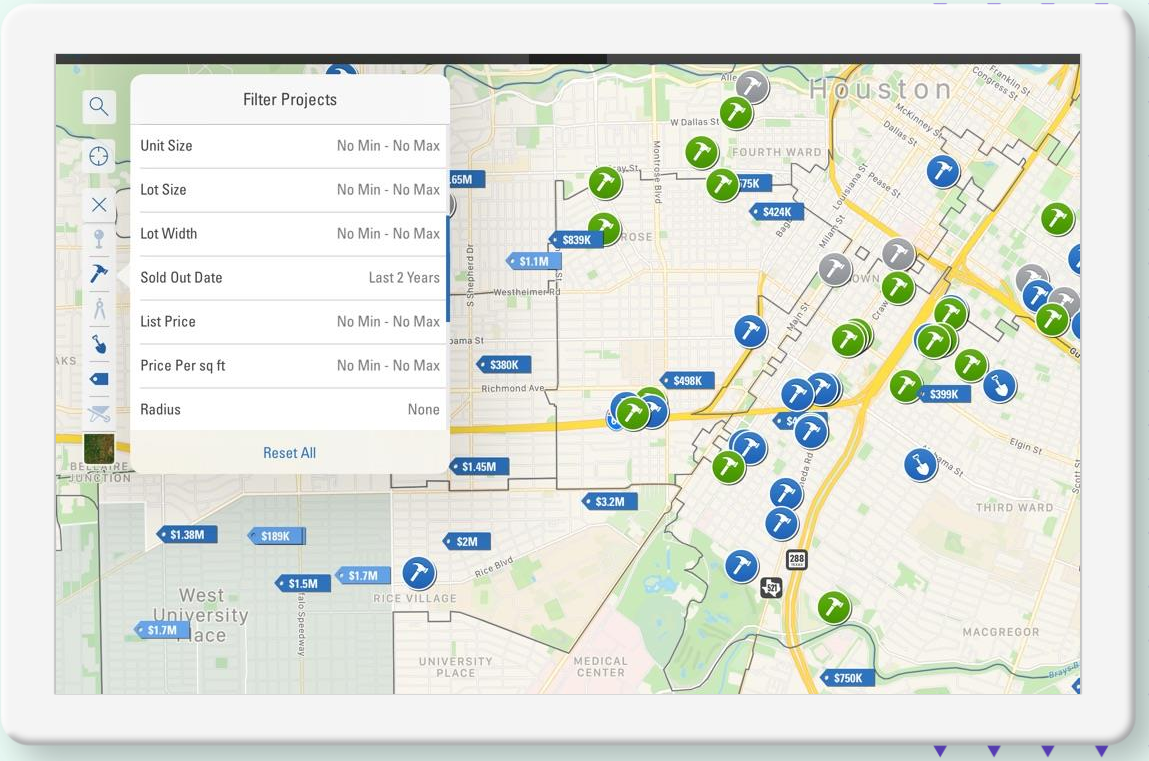
Comprehensive toolkit

Every data point you need to make critical decisions

- Identify: Access the right data to make swift decisions on new sites with local market insights & analysis, and data acquisition
- Assess: Get real time information to strategically acquire and develop projects
- Manage: Get in front of the right buyers & sellers at the right time, with the right data
- Transact: Strategically market and sell projects with the most relevant information



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Customers in all sectors of real estate

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Today's Agenda

1. Economic Update
2. New Home Market
3. Land & Lots
4. Tailwinds for Housing
5. Headwinds for Housing
6. Final Thoughts & Forecasts

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Economic Update

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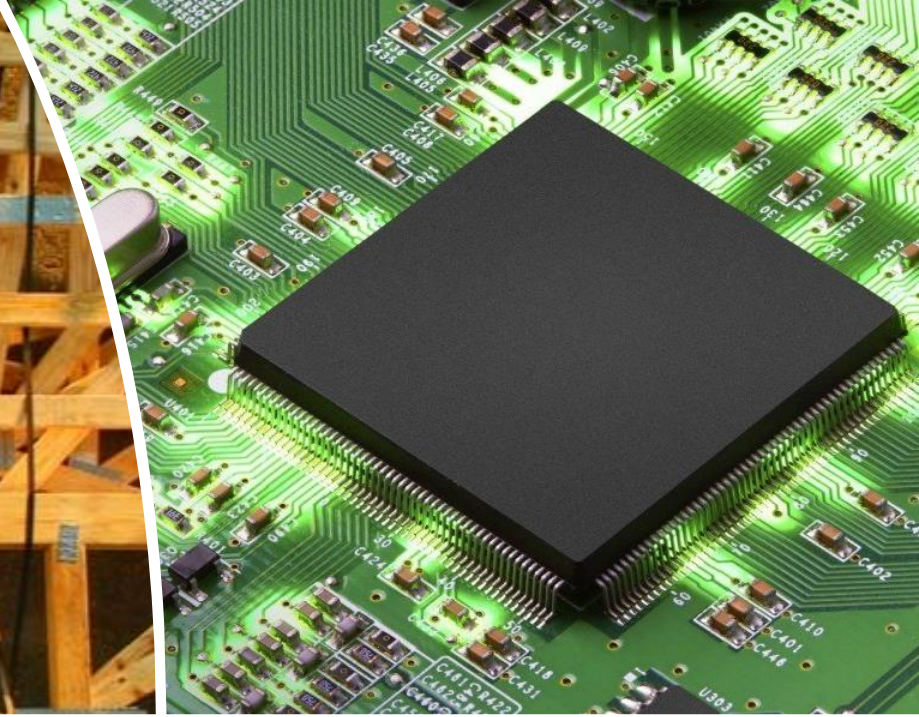
The economy and inflation forecast 2021: The year of the shortage



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Inflation on a Tear

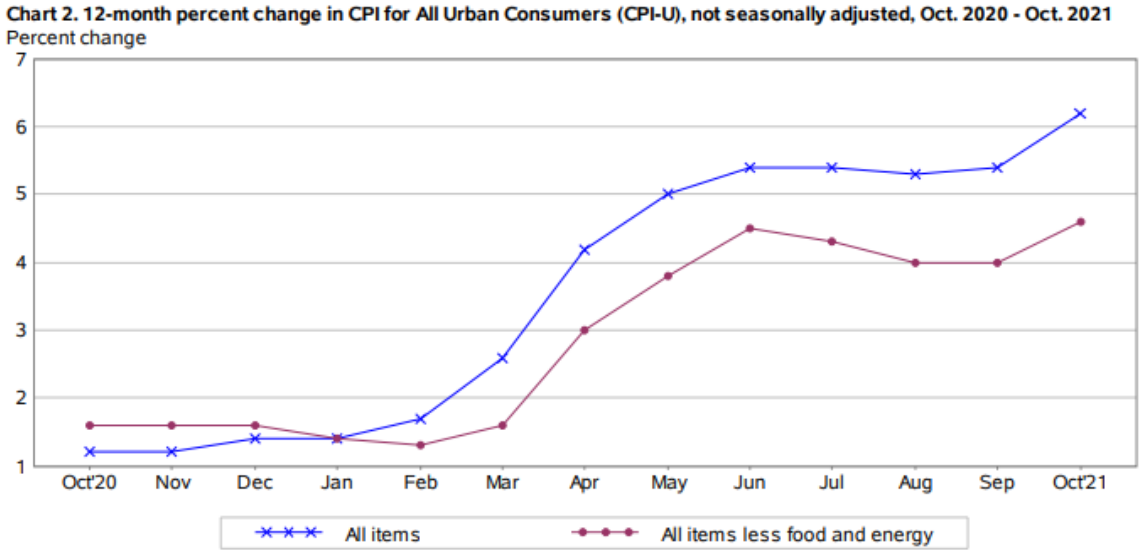
U.S. ECONOMY

U.S. Inflation Reached 30-Year High in October

Consumer-price index rose at 6.2% annual rate, while core index was up 4.6%

Spending habits related to the pandemic have led to unusually high demand for goods.

PHOTO: BRIDGET BENNETT/BLOOMBERG NEWS



By Gwynn Guilford

Updated Nov. 10, 2021 8:52 am ET

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Worsening Supply Chain Issues

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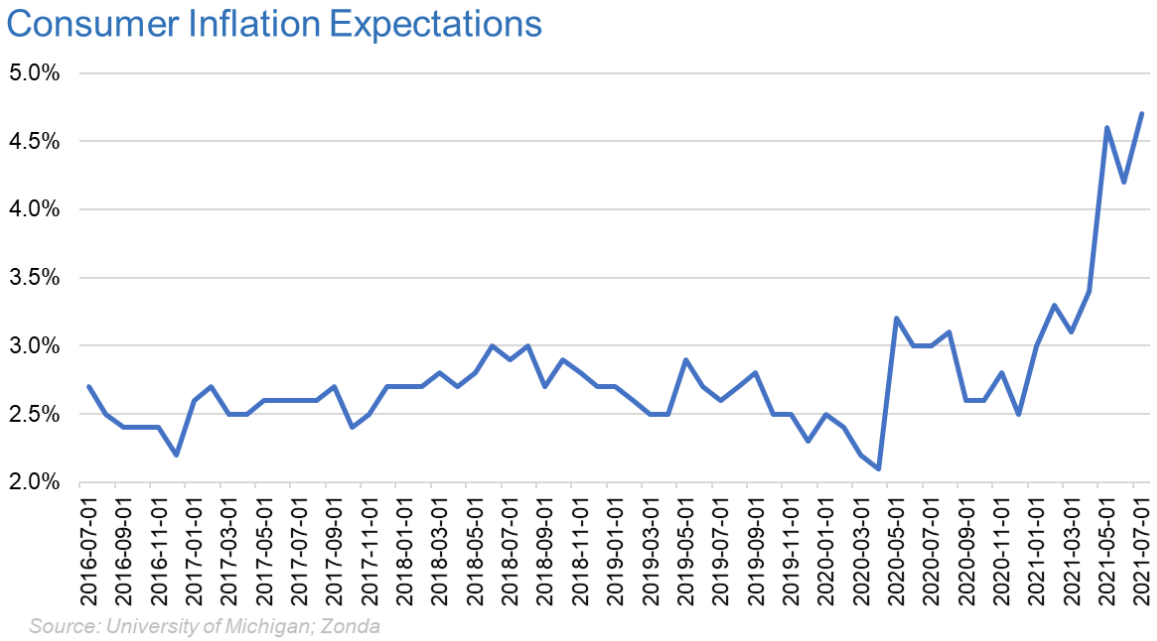
From the Fed

Expectation that inflation comes back down to 2% but they aren't clear how fast it will decelerate.



Source: University of Michigan; Zonda

What are they watching to see if they are wrong?

1. Rents and where they go from here
2. Goods vs services – will goods growth level off?
3. Are wage gains feeding into the cost of goods and services?
4. What are inflation expectations?

40ft container was <$2,000 from Asia to US	Now…. $25,000 for an "on time" delivery

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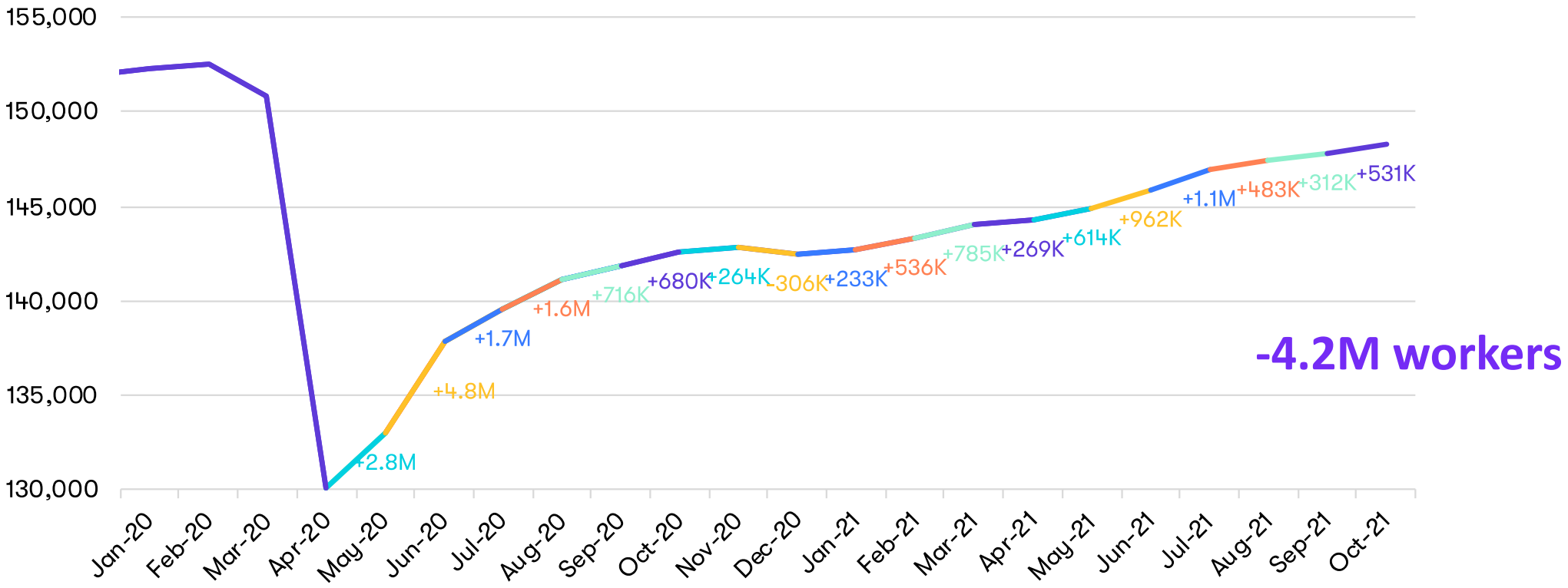
Hiring back on track

Total Nonfarm Payrolls (Thousands Of Persons)



-4.2M workers

Source: Bureau of Labor Statistics; Zonda

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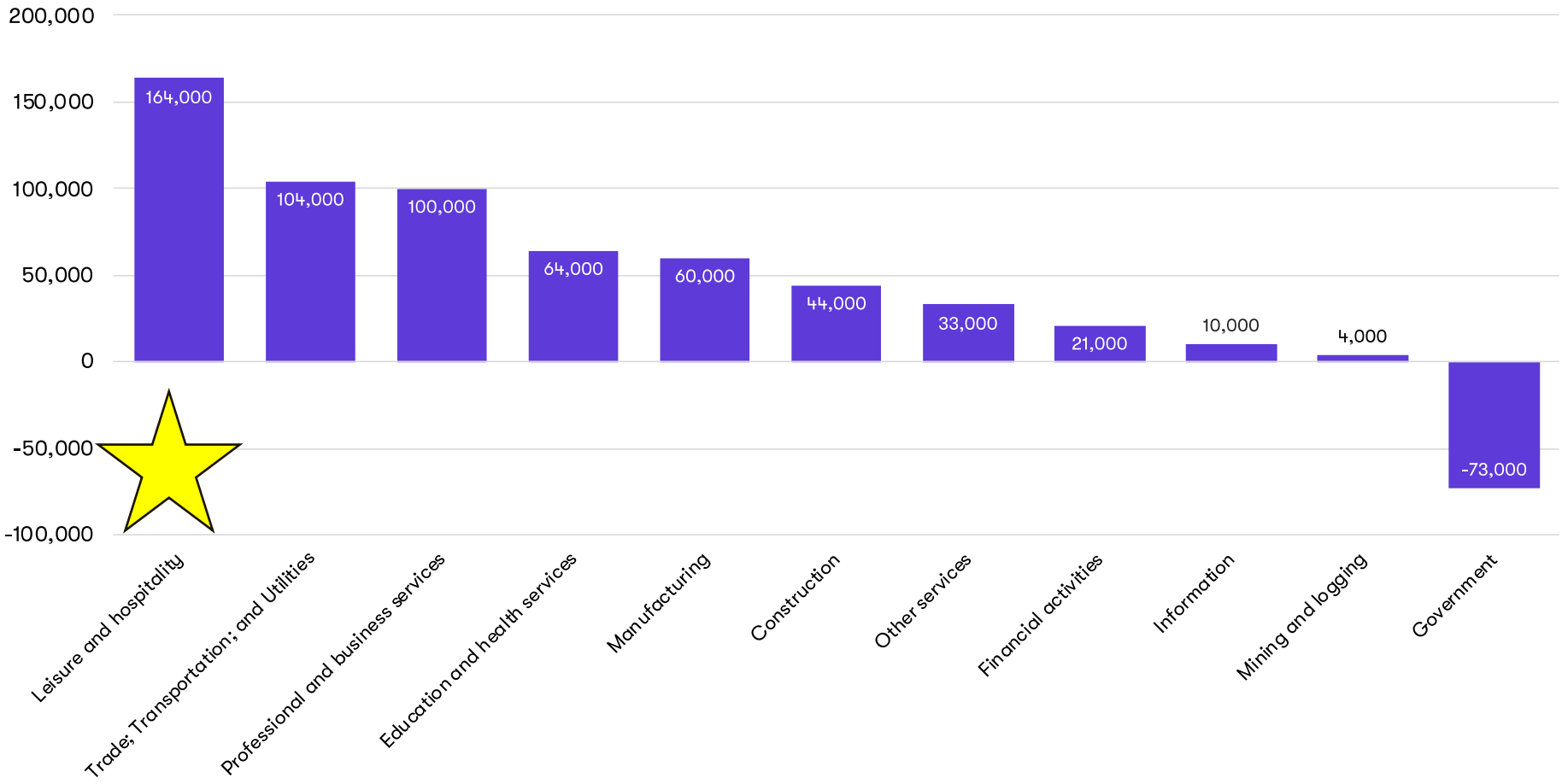
Nearly Every Sector Posting Gains

Make-Up of Jobs Report



Source: Bureau Of Labor Statistics; Zonda

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Labor Force Participation Won't Fully Recover

Source: U. S. Bureau of Labor Statistics

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Labor Shortages Through 2022

Percent of Jobs Recovered by Market

Metro	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Salt Lake City	106%	113%	119%	122%	126%
Austin	89%	98%	104%	113%	116%
Tampa	88%	92%	95%	113%	116%
Jacksonville	91%	97%	100%	109%	112%
Phoenix	94%	99%	101%	102%	105%
Raleigh	87%	90%	92%	94%	97%
Dallas	76%	80%	86%	90%	92%
Nashville	83%	86%	88%	89%	91%
San Antonio	82%	81%	78%	88%	91%
Denver	73%	77%	79%	81%	84%
Charlotte	75%	82%	78%	80%	83%
Cincinnati	72%	77%	77%	80%	82%
United States	70%	75%	77%	79%	81%
Atlanta	72%	77%	77%	78%	81%
Louisville	70%	73%	78%	78%	80%

*Source: BLS; Zonda *The most recent month for metros is forecasted*

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Tight Labor Market = Higher Wages

Metros With Lowest Implied Unemployment Rate

Metro	August Actual Unemployment Rate	September Implied Unemployment Rate
Salt Lake City	2.7%	2.4%
Atlanta	3.5%	3.3%
Minneapolis	3.7%	3.5%
Raleigh	3.7%	3.5%
Indianapolis	3.8%	3.5%
Louisville	3.8%	3.6%
Nashville	3.8%	3.6%
Detroit	4.1%	3.9%
Austin	4.2%	4.0%
Richmond	4.3%	4.0%
Charlotte	4.3%	4.0%
Virginia Beach	4.5%	4.3%
Jacksonville	4.6%	4.4%
Portland	4.7%	4.4%
Cincinnati	4.7%	4.4%

Source: BLS; Zonda

- Personal Income: +4.2% YOY
- BLS Hourly Wages: +5.8%
- ATL Fed Hourly Wage Growth Tracker: +4.2%

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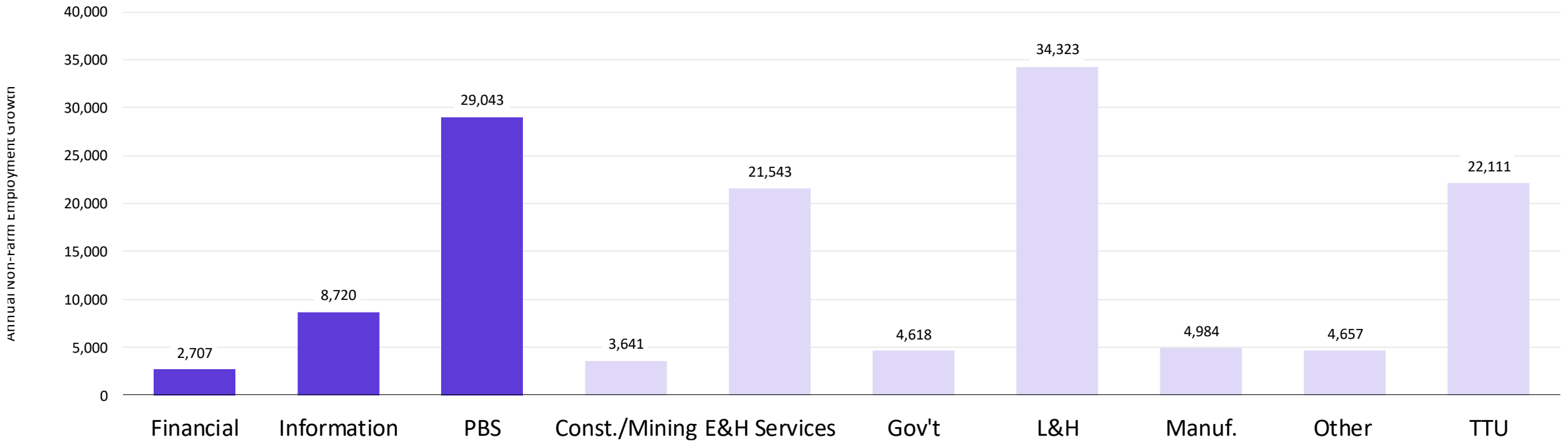
Atlanta Job Growth Strong Across All Sectors

Category	Financial Activities	Information	Professional & Business Services	Construction & Mining	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month (Oct-2021)	181,583	105,204	555,520	131,078	376,055	334,180	268,967	167,453	96,599	601,340
Current Month (Oct-2020)	178,876	96,484	526,477	127,438	354,512	329,562	234,644	162,469	91,942	579,228
12-Month Change	**2,707**	**8,720**	**29,043**	**3,641**	**21,543**	**4,618**	**34,323**	**4,984**	**4,657**	**22,111**



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New Home Market

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Heard on the street

- Market has partially rebounded following the summer slowdown
- Mismatch between new home pricing and what people are willing to pay for in some markets
- Starts for 2022 will be held back by lots
- The return of international travel is expected to be good for some markets
- Entry-level buyers relying on existing and attached product
- “Normal”

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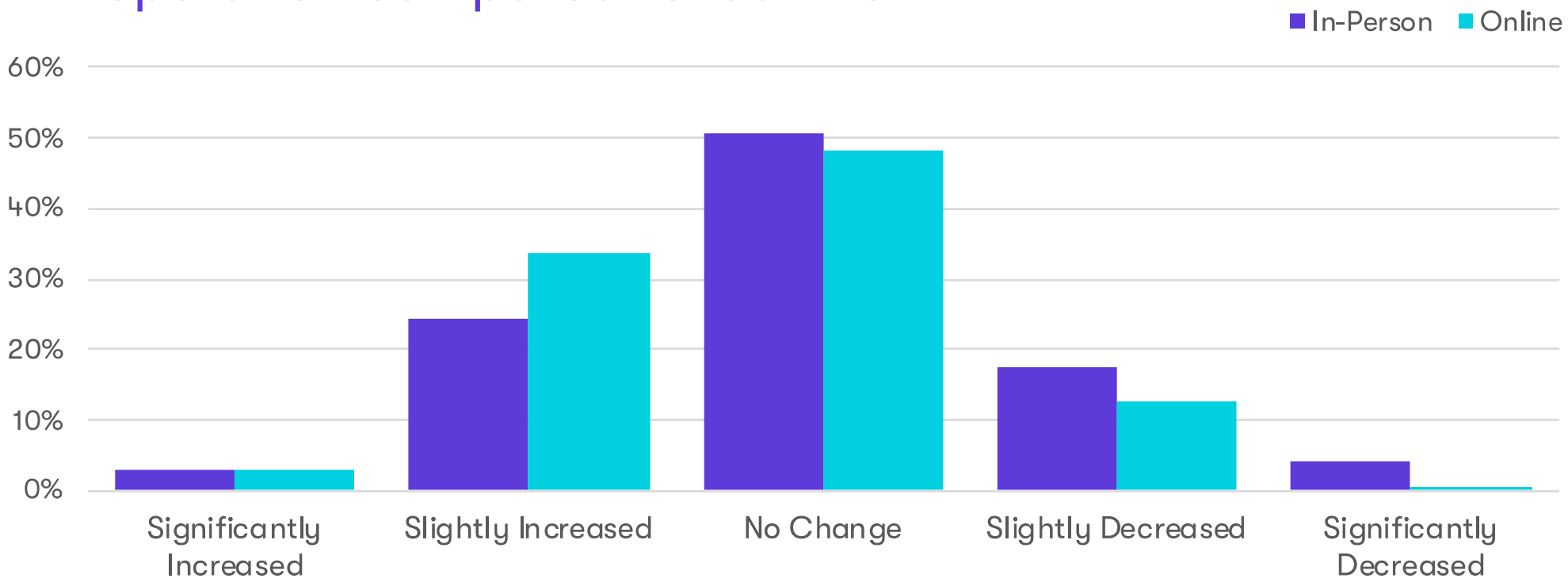
Housing Demand Remains Strong

How has the volume of traffic been for your operation compared to last month?



Source: Zonda

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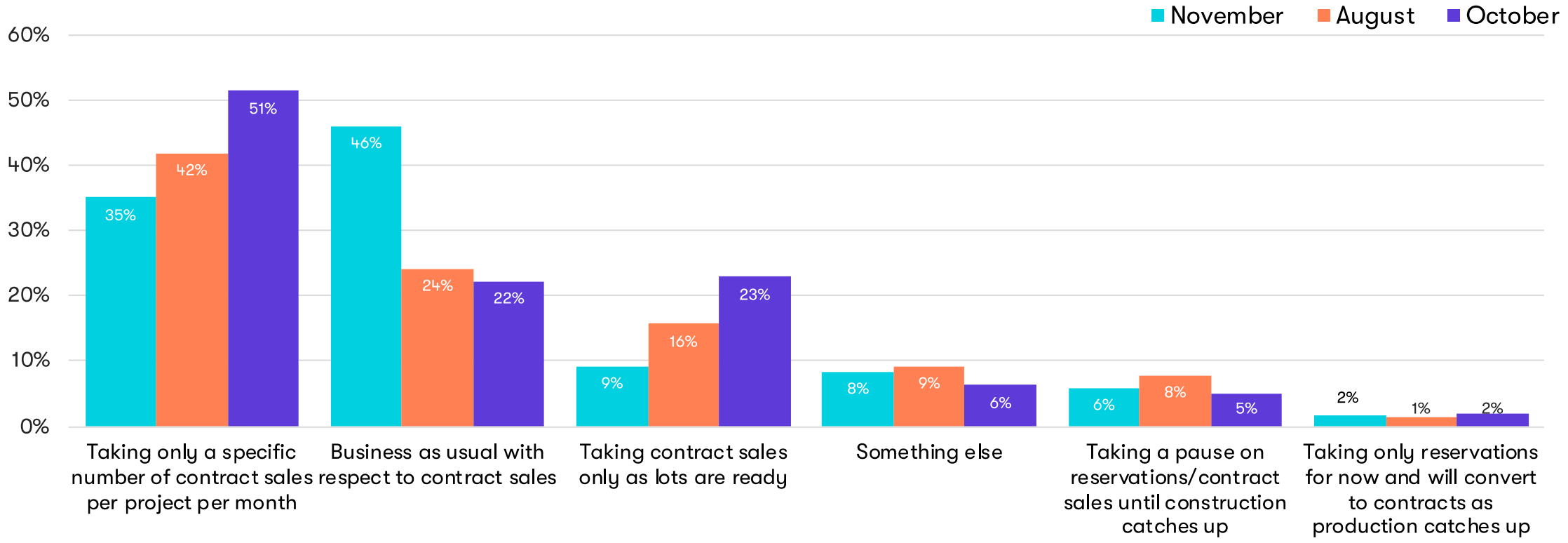
Back to Limiting Sales

Are you making any adjustments to your sales strategy in order to better align with your production capacity?



Source: Zonda

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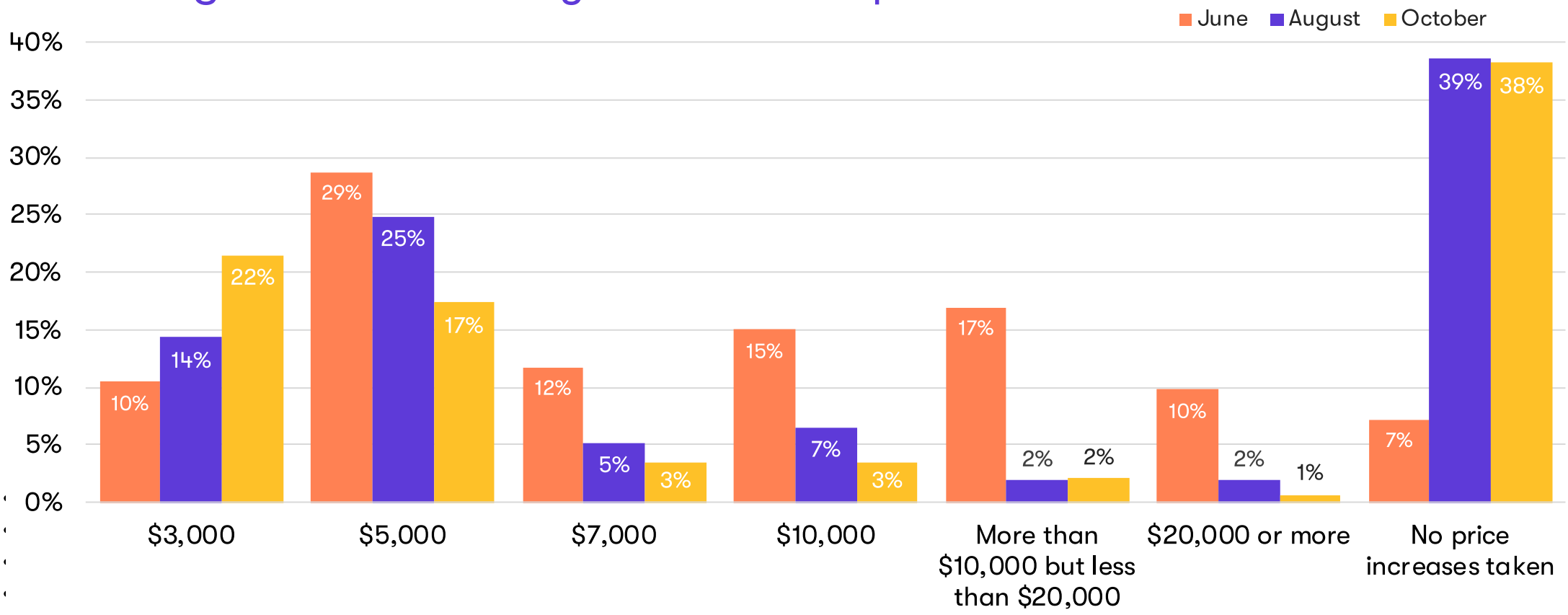
Price Increases are Tapering

For those builders that took base price increases on average how much did you raise base prices?



Source: Zonda

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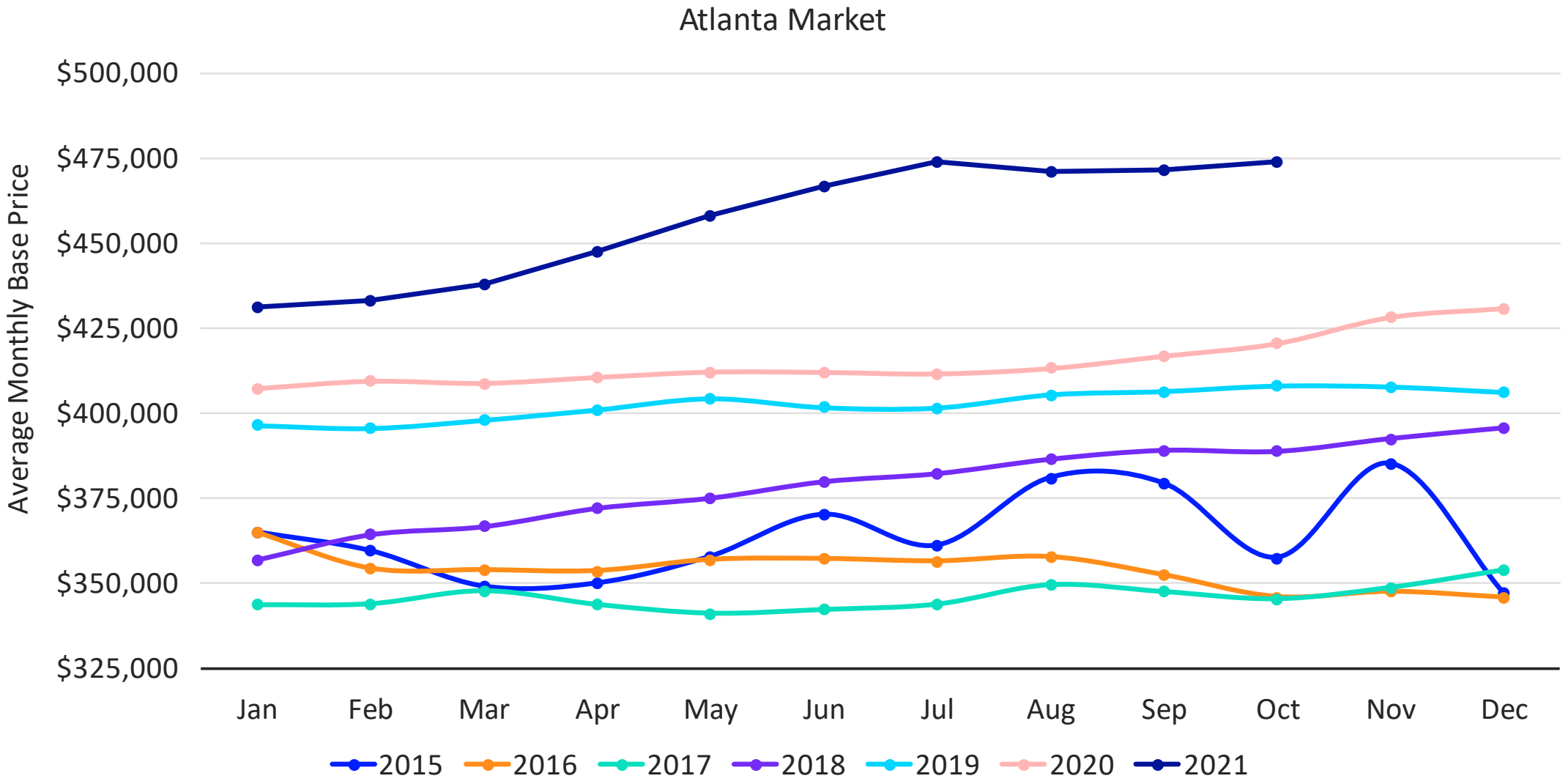
Price Increases Starting to Moderate



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Third Month in a Row of Increases

October 2021

New Home Pending Sales Index

NATIONAL INDEX

156.6

PENDING HOME SALES

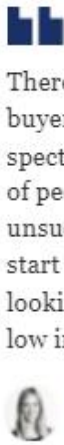
Year-over-year

-6.5%

Month-over-month

+3.2%

There remains pent-up demand from buyers across the age and income spectrums. These buyers are a mixture of people who have been unsuccessfully shopping since the start of the pandemic as well as buyers looking to lock in today's historically low interest rates amid some volatility.

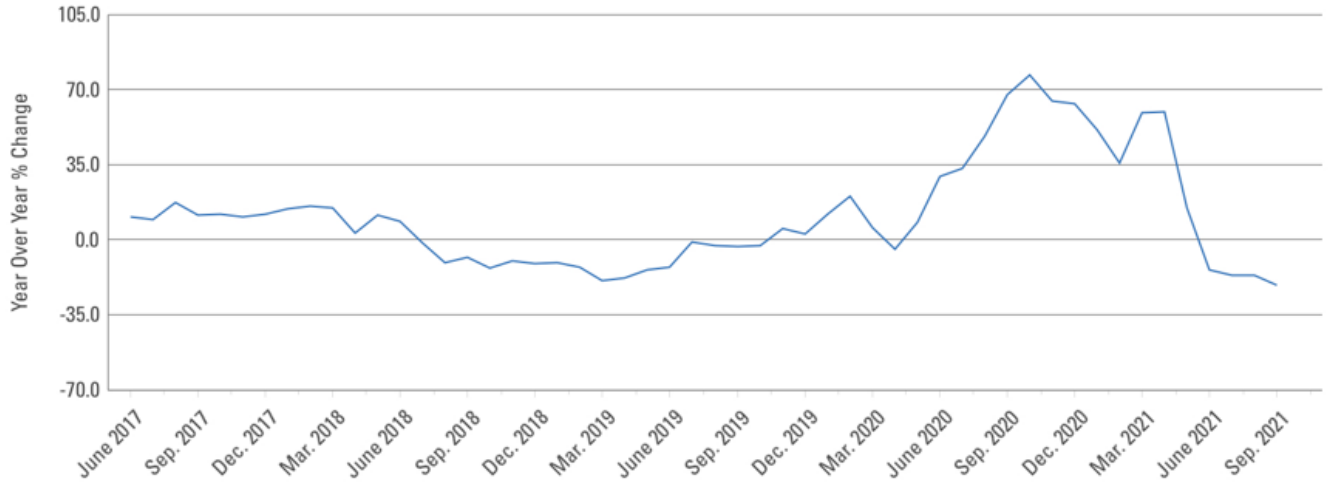


Ali Wolf -
Chief Economist

ATLANTA-SANDY SPRINGS-ALPHARETTA, GA CBSA

New Home PSI -21.4%

Change over 2020: **-21.4%** Change over month: **6.2%**



Minimum: **-21.4% in Sep. 2021** Maximum: **76.6% in Oct. 2020** Historical Average: **11.2%**

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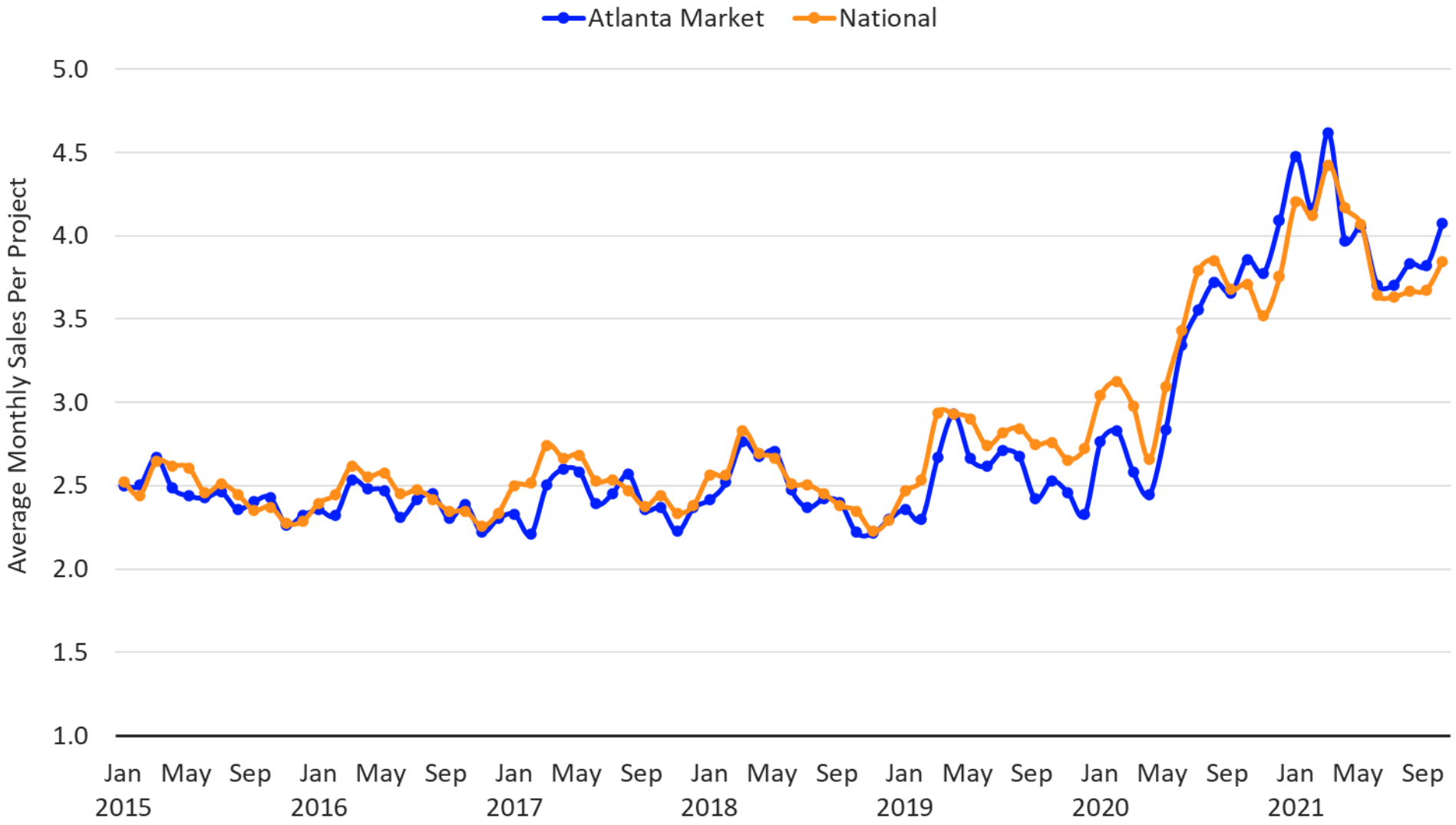
Atlanta Sales Rates Slightly Outpacing National



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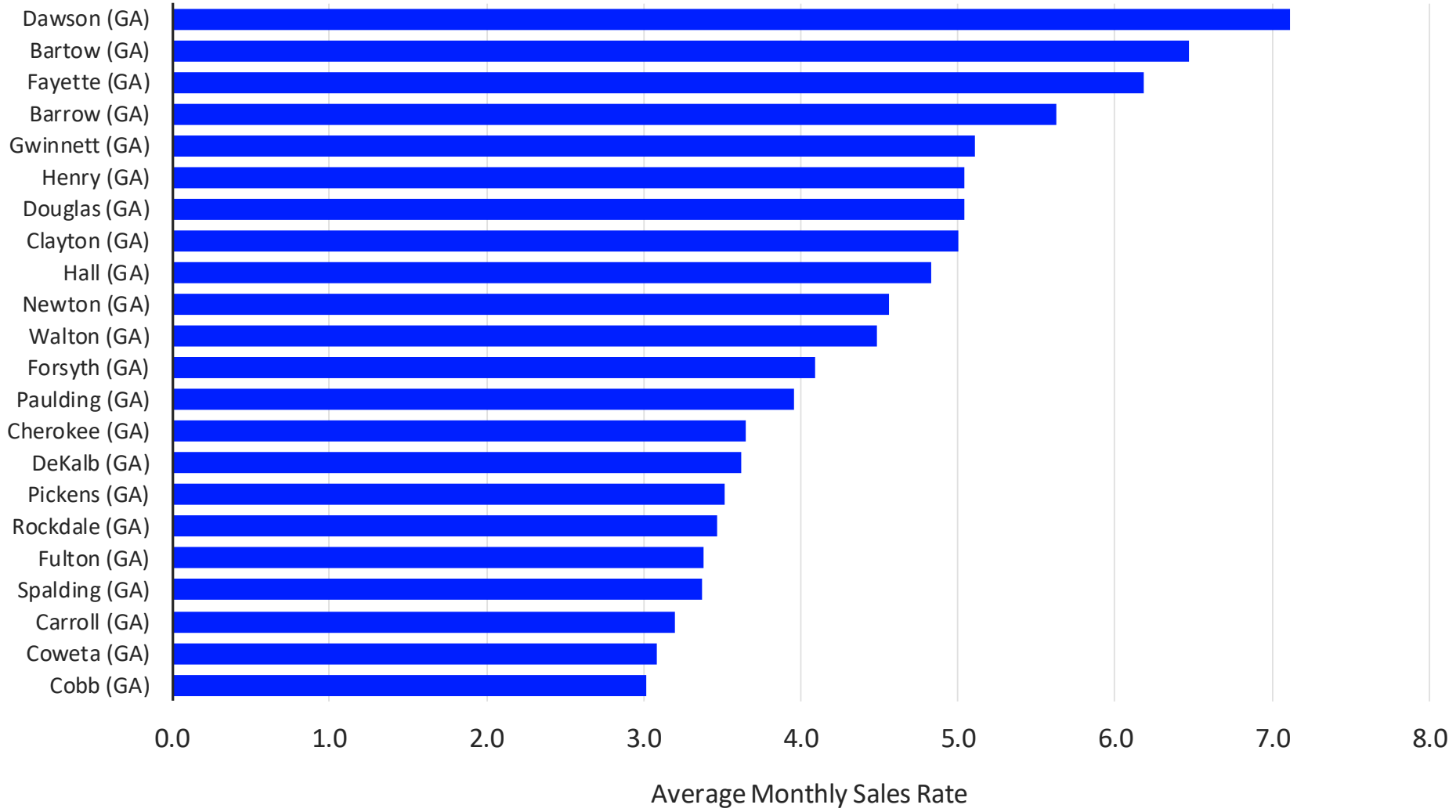
Strongest Sales Rates in Outlying Counties

LTM Average Sales Rate by County (Nov 2020 to Oct 2021)



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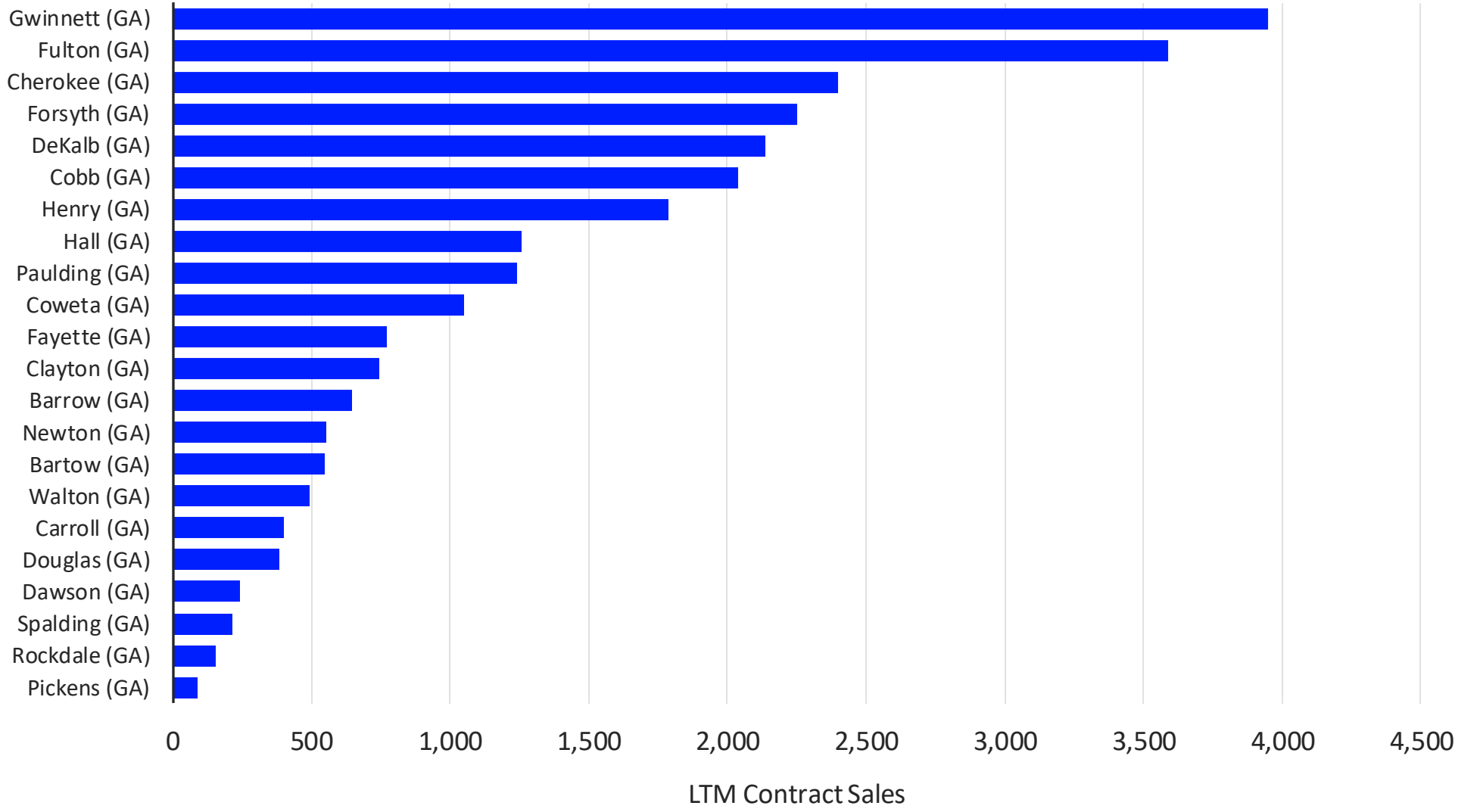
MOST Sales in Gwinnett and Fulton

LTM Contract Sales by County (Nov 2020 to Oct 2021)



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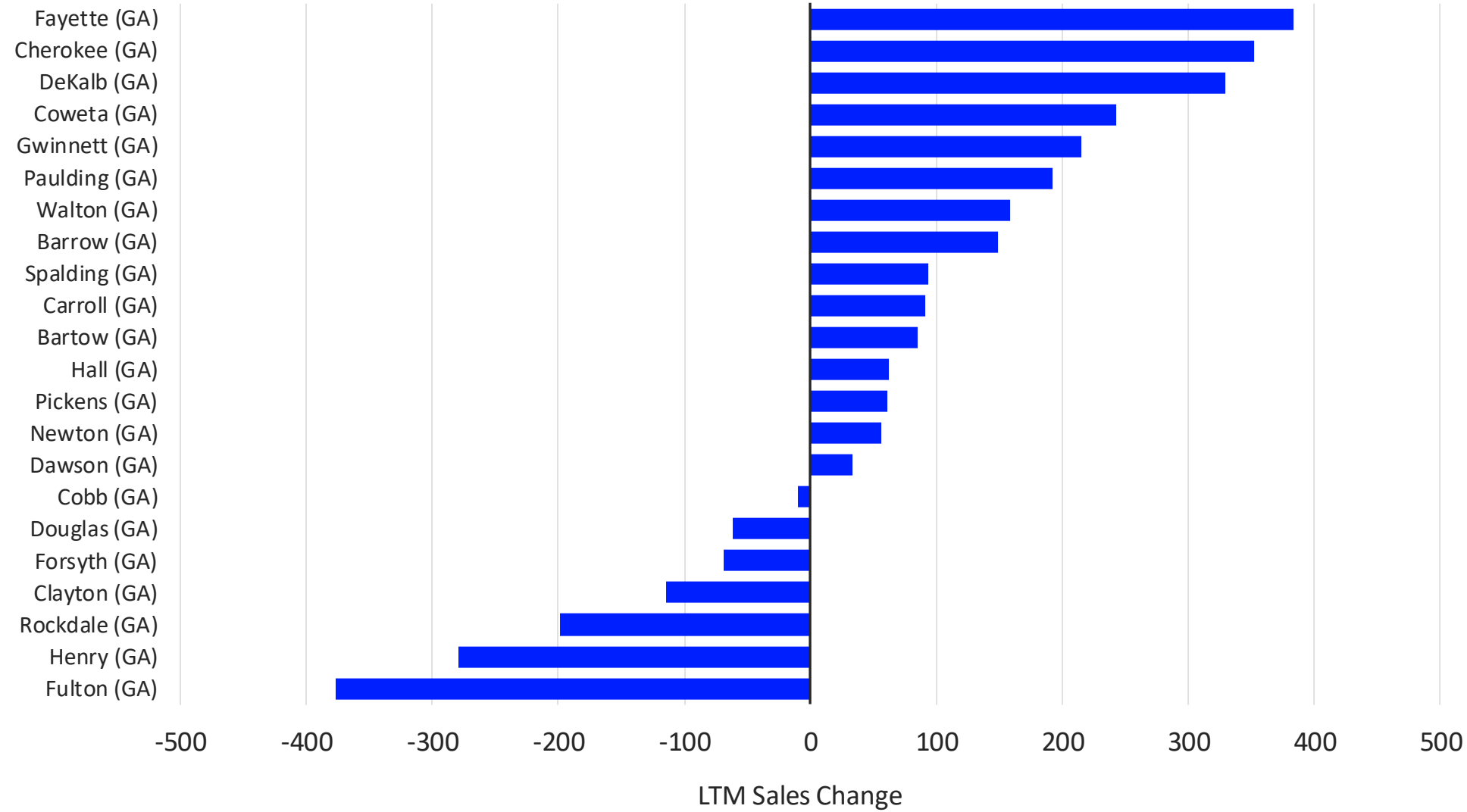
Fayette, Cherokee, Dekalb Post Strongest YOY Sales Growth

LTM Change in Sales by County (Nov 2020 to Oct 2021)



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Significant Growth in Key Markets

Top Markets by Housing Starts (3Q2021)

Rank	Market	Annual Starts	Annual Change	%
1	Dallas/Ft.Worth	55,306	16,259	41.6%
2	Houston	43,170	8,613	24.9%
3	Central Florida	35,170	5,406	18.2%
4	Phoenix/Tucson	34,124	6,270	22.5%
5	Atlanta	31,779	6,603	26.2%
6	Austin	26,767	6,372	31.2%
7	Denver/Colorado Springs	24,780	4,543	22.4%
8	Southern California	21,556	4,472	26.2%
9	San Antonio	20,102	5,069	33.7%
10	Salt Lake City	19,812	5,315	36.7%
11	Tampa	17,922	4,908	37.7%
12	Northern California	17,032	2,959	21.0%
13	Raleigh/Durham	16,168	2,895	21.8%
14	Charlotte	15,470	2,335	17.8%
15	Philadelphia Region	15,226	3,808	33.4%
16	Central California	14,535	3,042	26.5%
17	Las Vegas	14,350	3,320	30.1%
18	South Florida	12,828	3,434	36.6%
19	Jacksonville	12,753	3,207	33.6%
20	Suburban Maryland	12,063	2,210	22.4%
21	Nashville	11,399	590	5.5%
22	Sarasota/Bradenton	11,375	3,334	41.5%
23	Twin Cities	10,915	2,806	34.6%
24	Seattle	10,746	790	7.9%
25	Northern Virginia	9,576	1,448	17.8%

Source: Zonda

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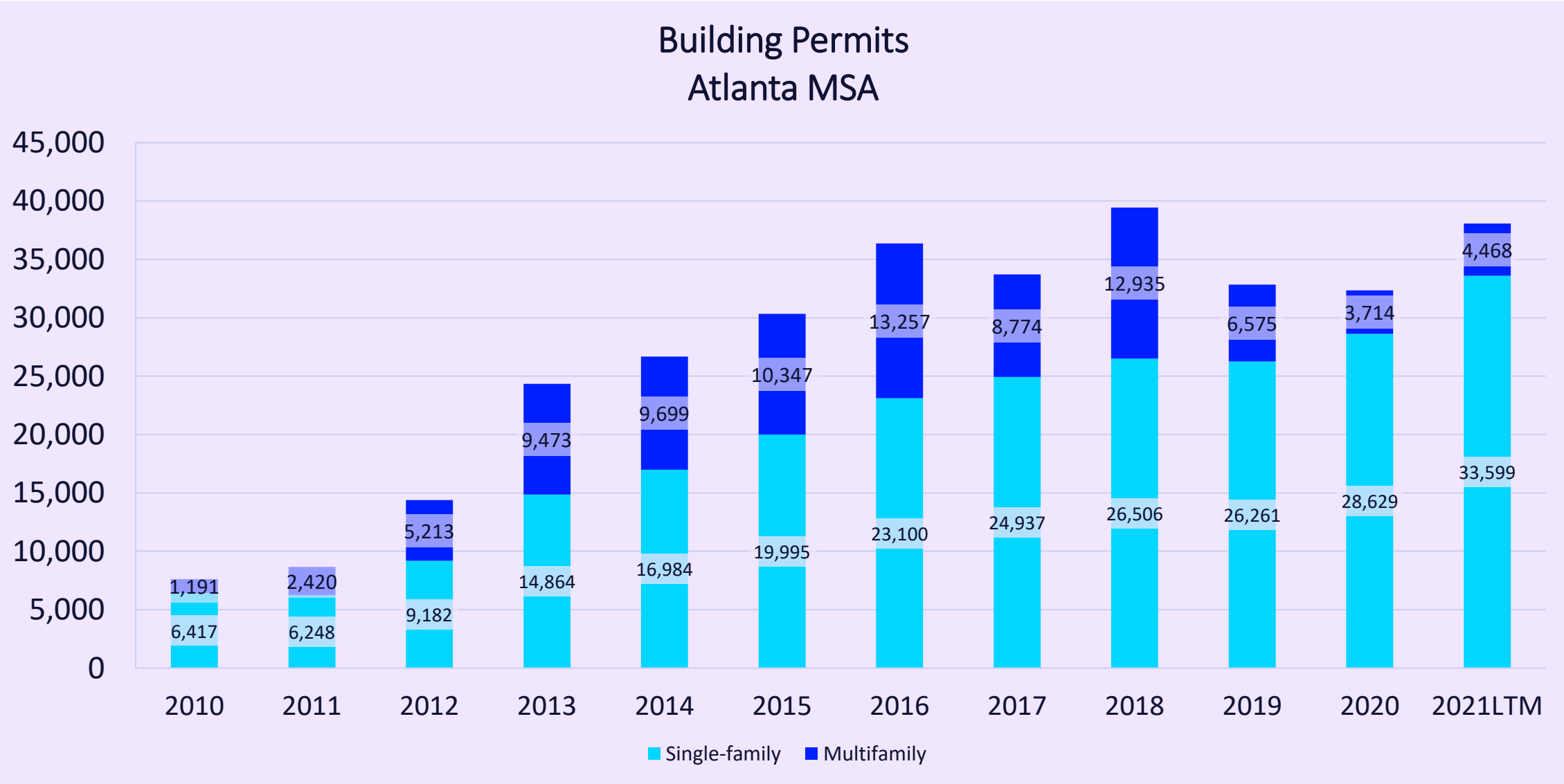
Single-Family Permits Continue Upward Trends



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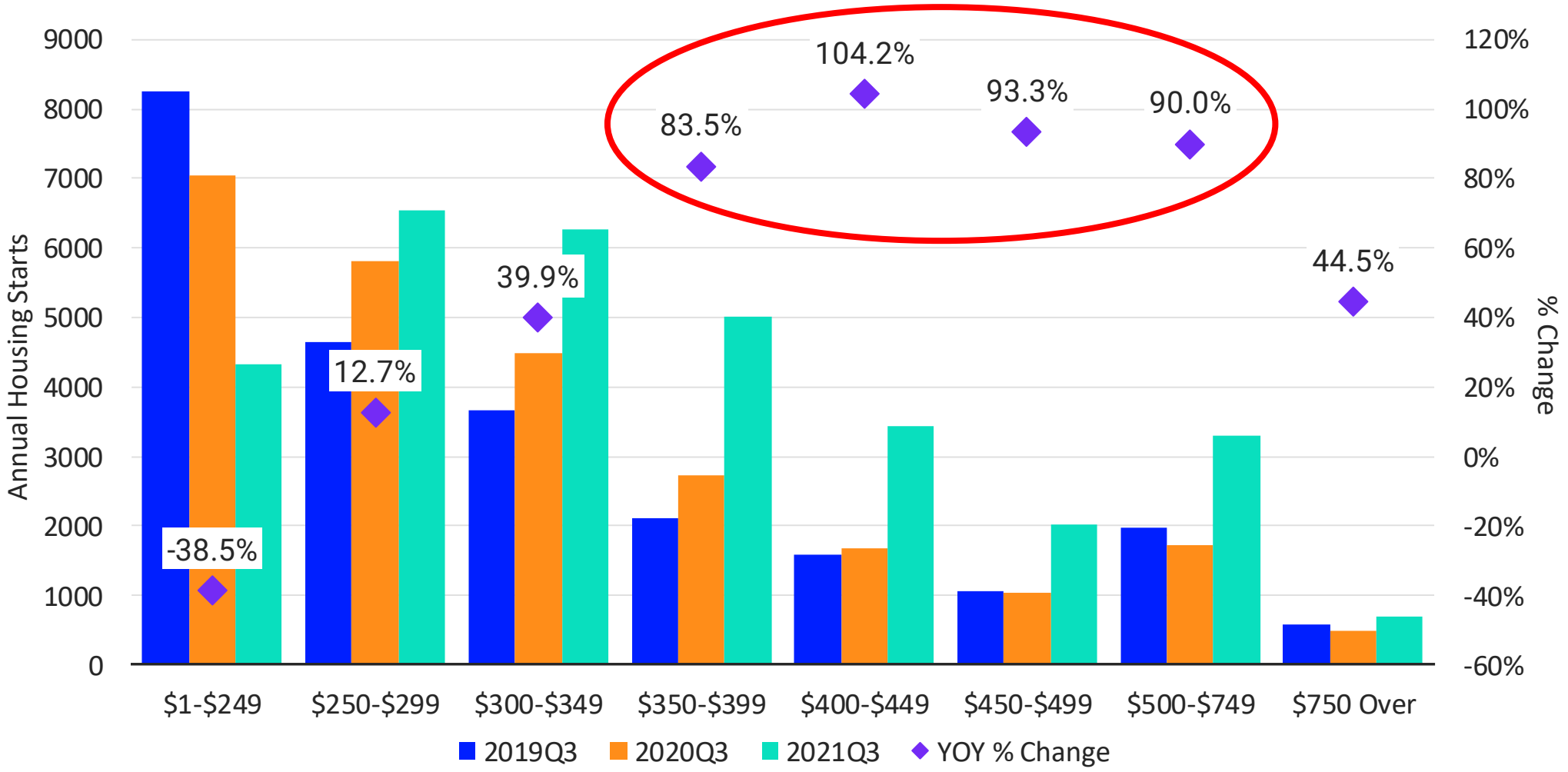
Most Growth Above $350K

Annual Housing Starts Trend by Price Range



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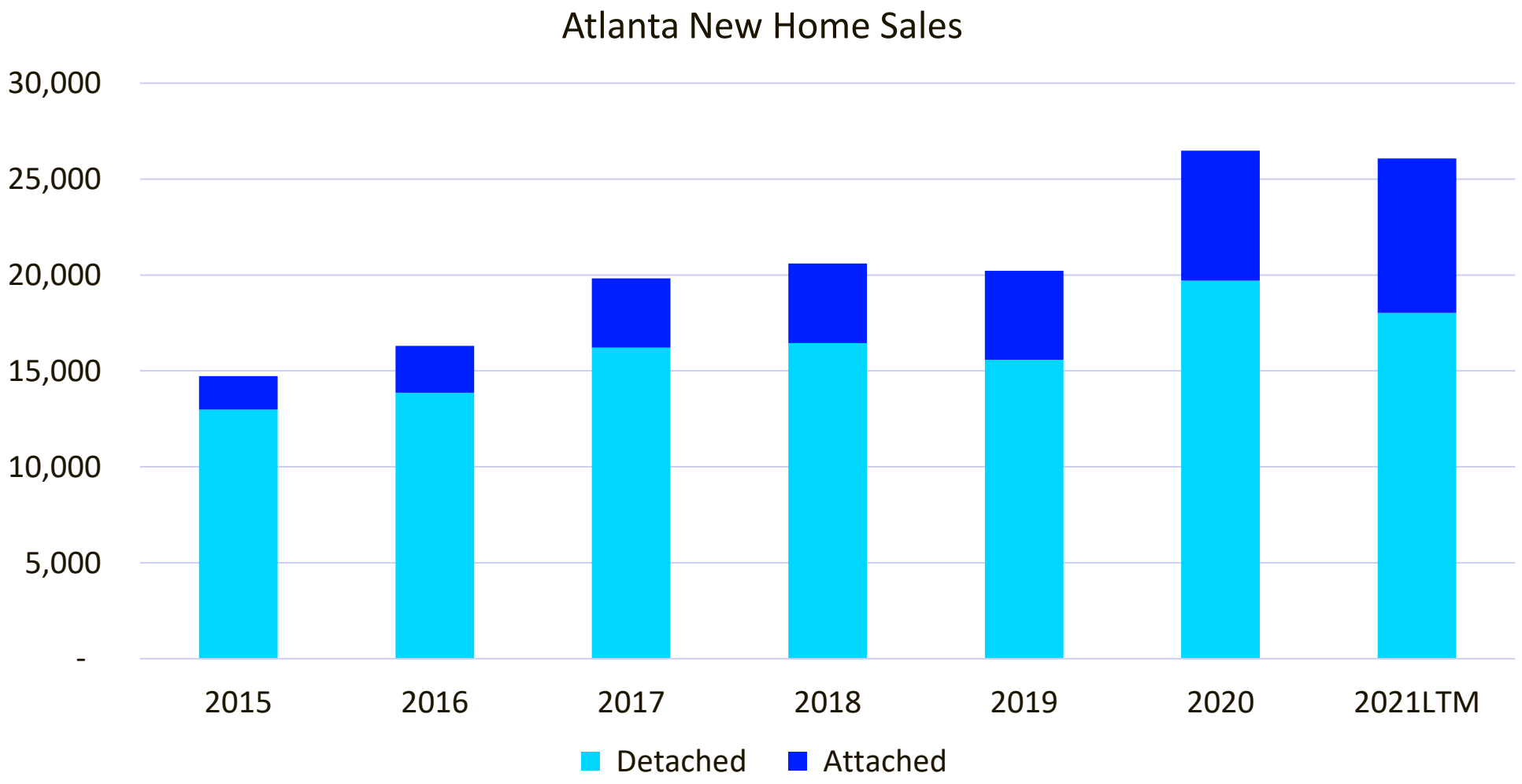
Attached Home Sales Increasing to Solve for Affordability



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Top 10 Builders Comprise 40% of Starts, Top Four – 25%

Rank	Builder	Annual Housing Starts	Share of Annual Housing Starts
1	DR Horton	3,480	11.1%
2	Lennar	1,782	5.7%
3	Century Communities	1,307	4.2%
4	Ashton Woods Homes	1,181	3.8%
5	Rocklyn Homes, Inc.	922	2.9%
6	The Pulte Group	866	2.8%
7	Chafin Communities-Clayton	838	2.7%
8	Rockhaven Homes	815	2.6%
9	Dan Ryan Builders	772	2.5%
10	McKinley Homes	686	2.2%

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Age-Targeted Communities Performing Extremely Well

Subdivision	ProductType	ActBuilders	AnnStarts	AnnClosings	FinVacant	VDLInv	Future	MSI VDL and Future
Sun City Peachtree	Single Family	Del Webb/Pulte	113	103	6	231	1,525	186.5
Twin Lakes/ Cresswind AA	Single Family	Kolter Homes	150	125	7	74	1,018	87.4
Twin Lakes/	Single Family	DR Horton/Eastwood/Fischer	197	143	8	10	784	48.4
Auburn Station	Single Family	Chafin Communities-Clayton Prop	66	108	3	10	151	29.3
Bridlewood Farms	Single Family	Starlight Homes/Ashton Woods	111	102	0	58	102	17.3
Walnut Grove JK	Single Family	DR Horton/Express	167	101	4	171	0	12.3
Peachtree City,Cresswind	Single Family	Kolter Homes	130	116	2	65	58	11.4
Summit Lake	Single Family	DR Horton-Atlanta	142	165	6	7	74	6.8
Berkeley Township(TH)	Townhouse	McKinley Homes	145	124	8	27	0	2.2
Lake Haven FO	Single Family	Toll Brothers, Inc.	115	118	5	14	0	1.5
Seven Hills/Wild Timber	Single Family	DR Horton-Atlanta	96	107	15	3	0	0.4
Keswick Estates	Single Family	Rockhaven Homes, LLC	99	107	0	3	0	0.4
Panhandle Valley	Single Family	Liberty Communities, LLC	111	108	6	1	0	0.1
Cannon Place(TH)	Townhouse	Lennar Homes	84	115	0	0	0	0.0
Trinity Falls	Single Family	Century Communities	126	142	6	0	0	0.0
		Average	123	119	5	45	247	26.9
		Total	1,852	1,784	76	674	3,712	

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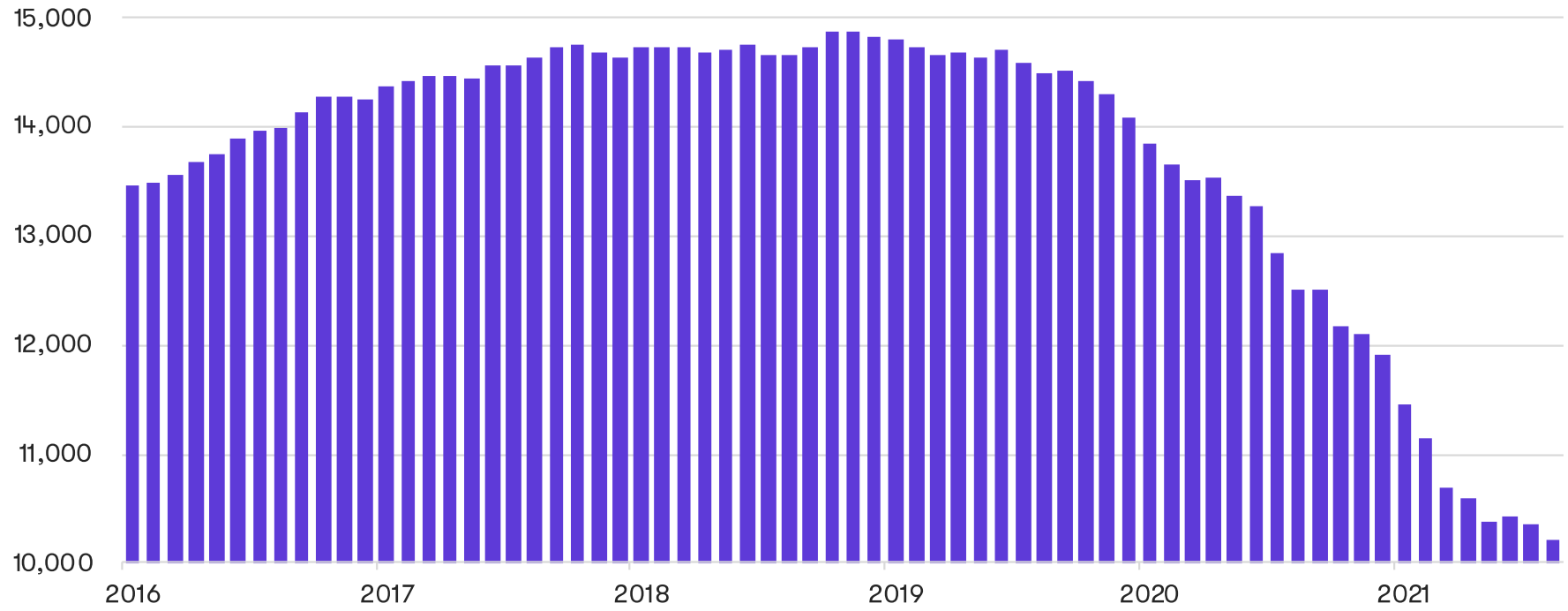
National Project Count Down 18% YOY

United States New Home Community Count



Source: Zonda

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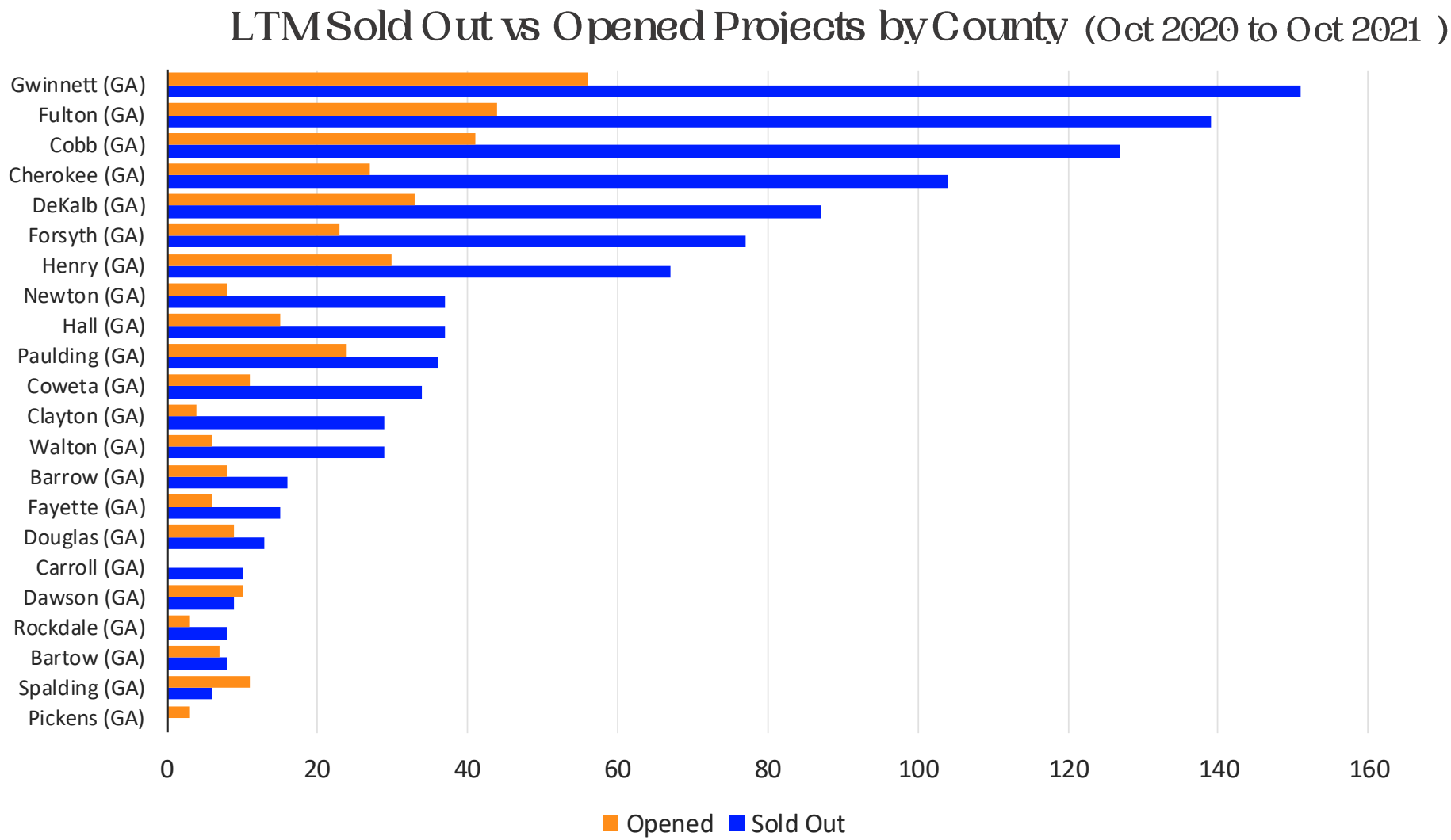
Atlanta Metro Sold-Out 660 Projects YOY



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Land and Lots

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Challenges at every step of the way

76% Yes

Government Services

(62% yes last month)

91% Yes

Supply Disruptions

(90% yes last month)

77% Yes

Labor Shortages

(82% yes last month)

60% Yes

Land Disruptions

(54% yes last month)

Source: Zonda

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Some basics*

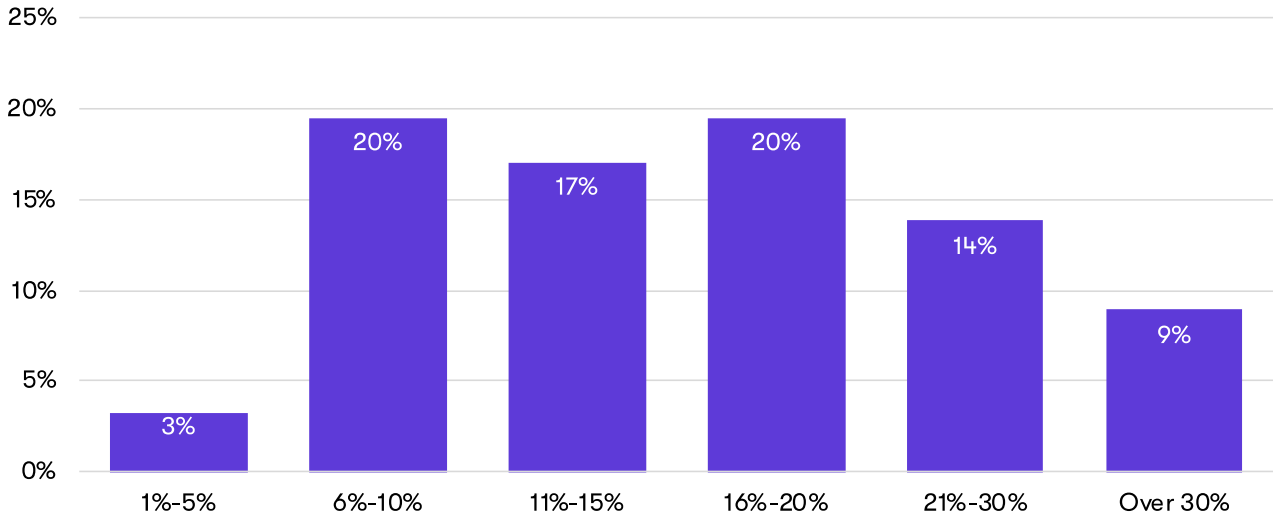
Furthest from closed

Closest to be closed

*Timeline doesn’t include every stage of development

Land cost still expected to be an affordability pain point

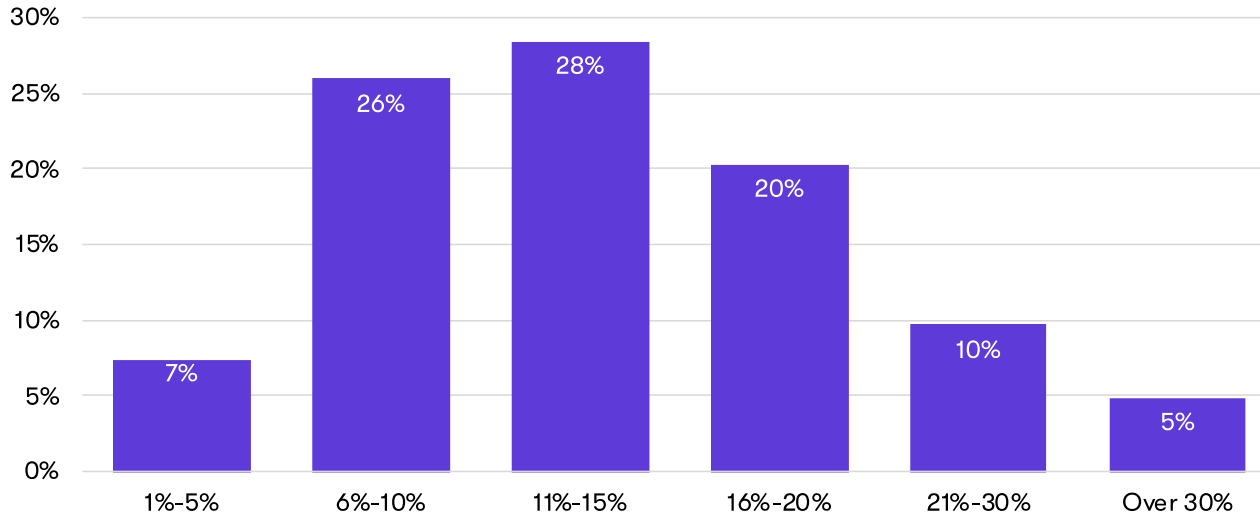
What do you estimate the change of the cost of land has been from last year to this year?



Source: Zonda

23%

What do you estimate to be the change in the cost of land from this year to next?



Source: Zonda

15%

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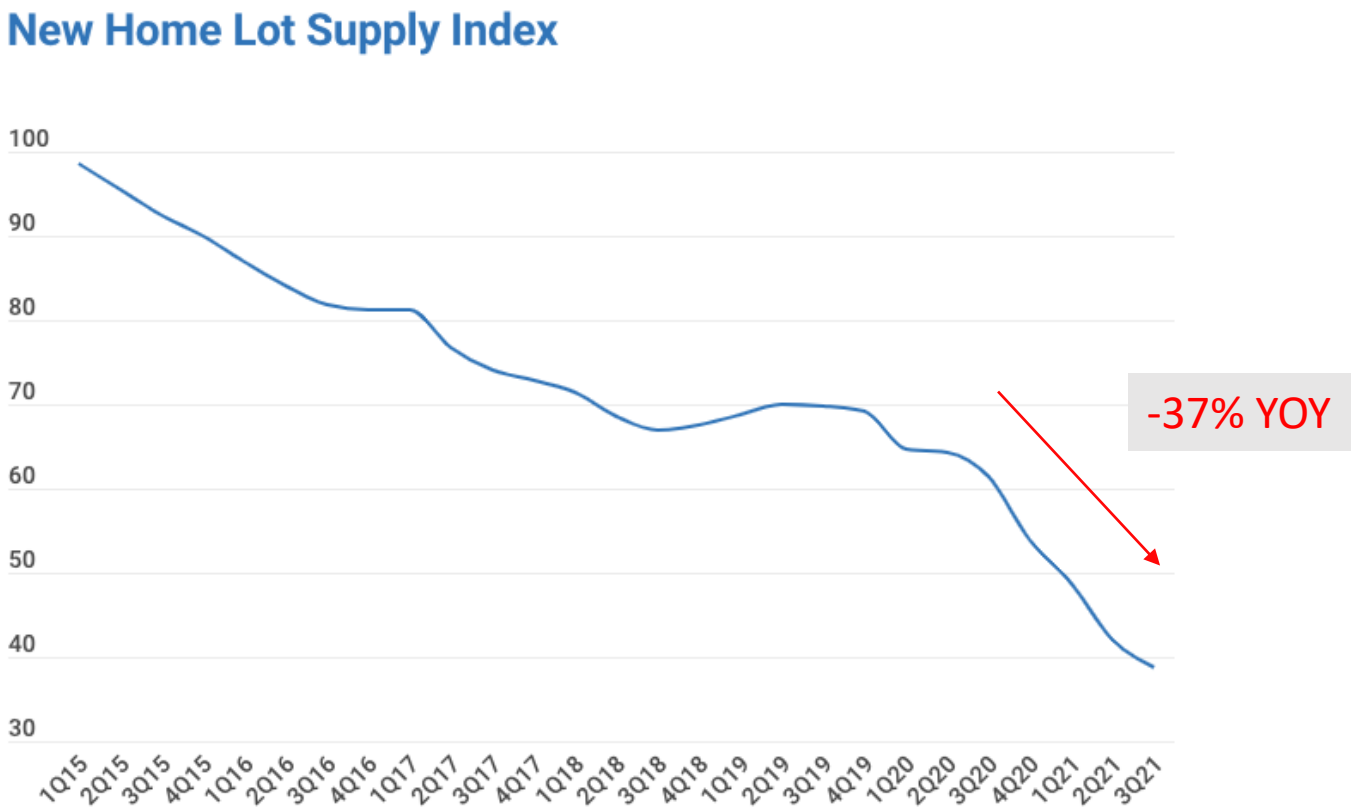
Atlanta #3 for Undersupplied Markets



Source: Zonda; Data as of 3Q21

Significantly Undersupplied Markets	Index Value (YOY Change)
New York	57.6 (-20%)
San Antonio	53 (-16%)
Atlanta	48.2 (-39%)
Denver	47.3 (-27%)
Dallas	40.3 (-43%)
Phoenix	37.3 (-38%)
Austin	39.1 (-34%)
United States	38.8 (-37%)
Minneapolis	40 (-41%)
Sacramento	37.1 (-46%)
Portland	33 (-37%)
Indianapolis	33.4 (-36%)
Jacksonville	37.4 (-34%)
Houston	35.9 (-36%)
Orlando	34.1 (-33%)
Seattle	32.5 (-14%)
San Francisco	36.1 (-40%)
Raleigh	28.2 (-45%)
Riverside/San Bernardino	32.4 (-50%)
Tampa	29.9 (-52%)
Salt Lake City	38.8 (-32%)
Boise	33.2 (-17%)
Miami	31.4 (-42%)
Las Vegas	29.6 (-37%)
Charlotte	27.1 (-43%)
Philadelphia	32 (-42%)
Nashville	30 (-30%)
Washington, DC	27.8 (-48%)
Baltimore	27.9 (-44%)
San Diego	24.6 (-26%)
Los Angeles/OC	17.2 (-71%)

Source: Zonda; Data as of 3Q21

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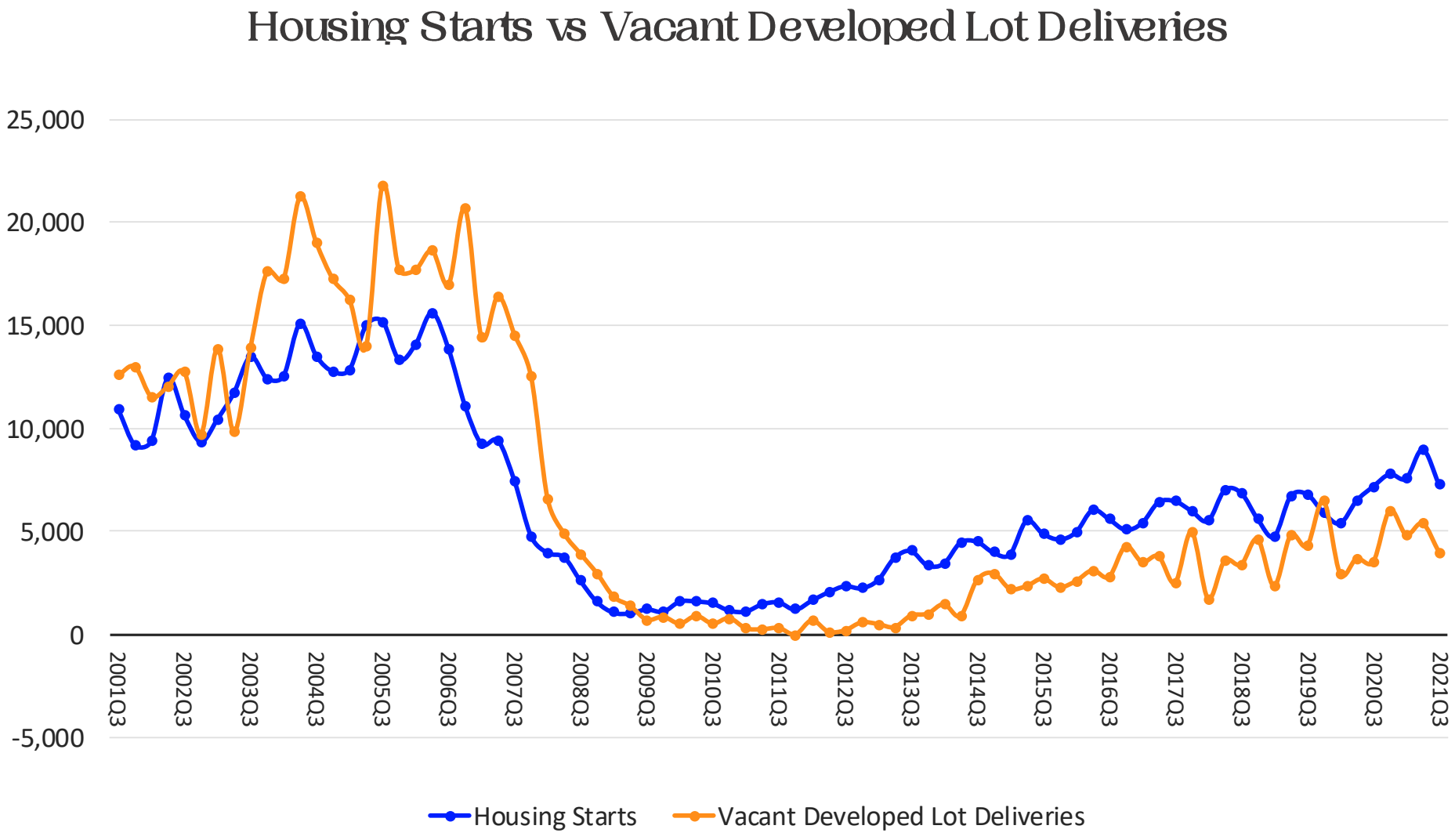
Lot Deliveries Have Lagged Starts Since 2009



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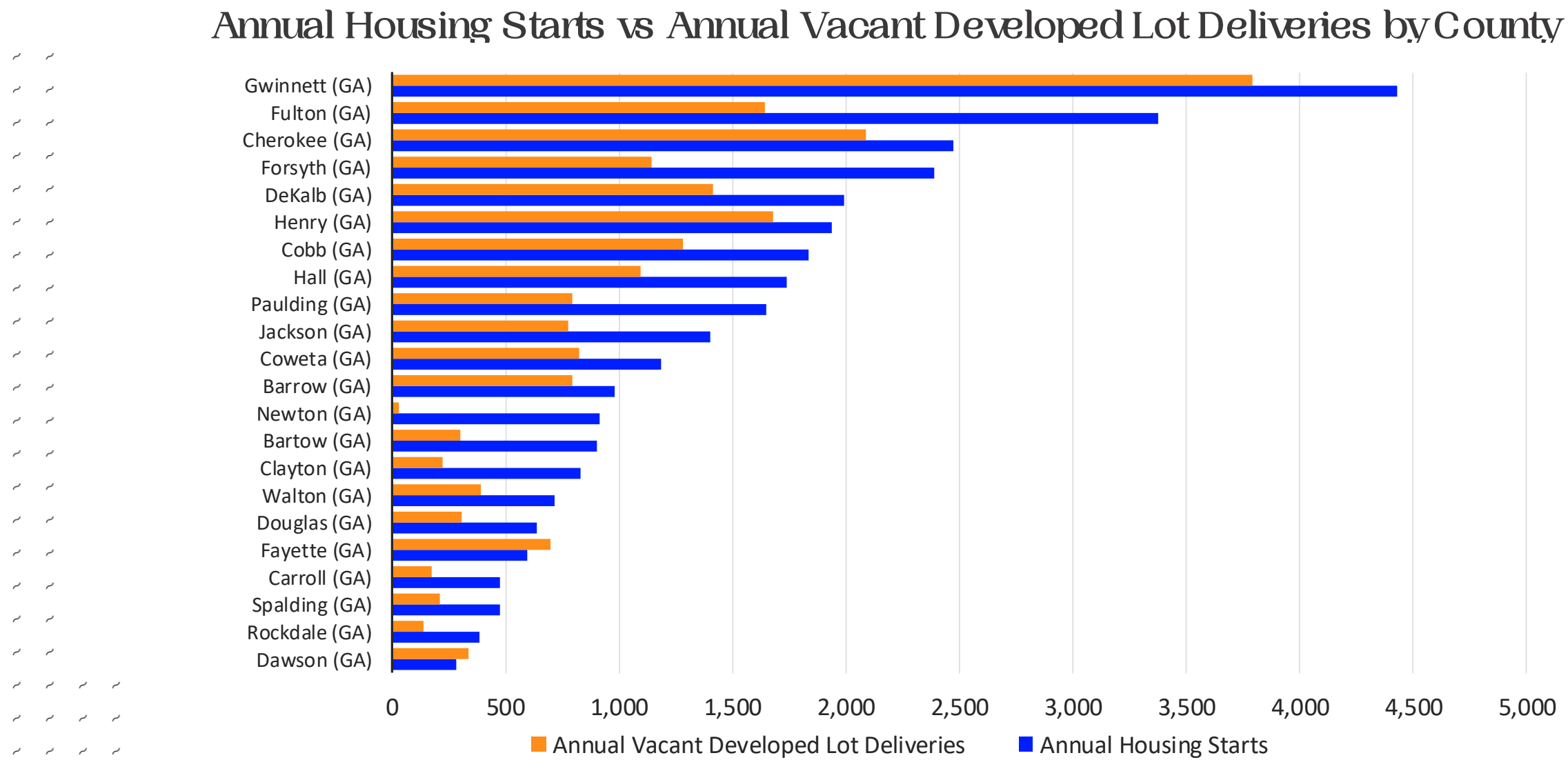
Nearly All Counties Depleting Lot Supply



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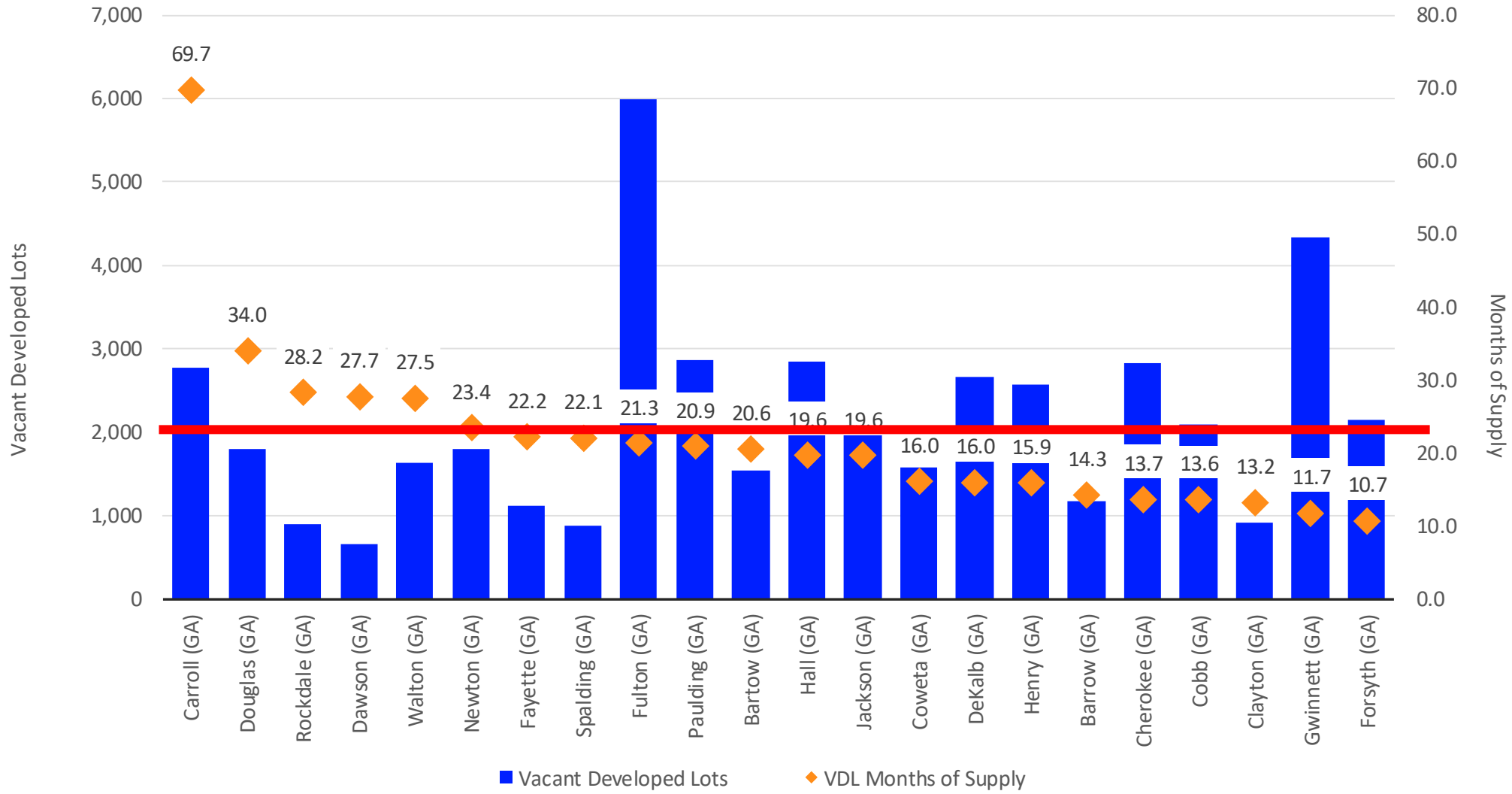
Lot Inventory Varies by County



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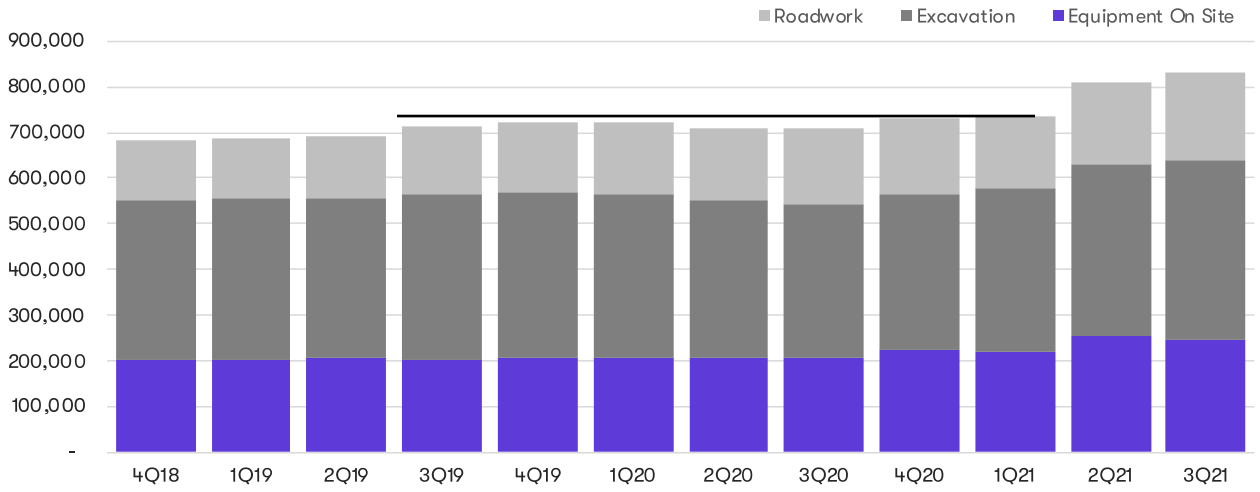
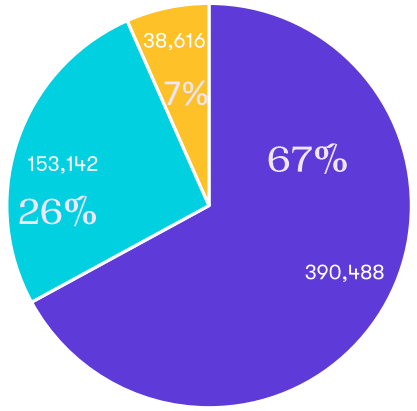
More Supply is Coming!

Total Upcoming Lots - United States



Source: Zonda

Expected Vacant Developed Lot Delivery Based on Stage of Construction



Excavation (2Q/3Q 2022) Streets Paved (1Q22) Streets In (4Q21)

Source: Zonda

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Most Atlanta Lots Delivering 2Q/3Q 2022

Lots by Stage of Construction and Expected Delivery (% Share)

Metro	Excavation (2Q/3Q 2022)	Streets Paved (1Q21)	Streets In (4Q21)
Dallas	28,943 (54%)	14,796 (28%)	9,459 (18%)
Phoenix	31,407 (90%)	3,337 (10%)	16 (0%)
Seattle	24,275 (81%)	396 (1%)	5,268 (18%)
Orlando	16,064 (61%)	8,359 (32%)	1,905 (7%)
Charlotte	11,290 (54%)	7,578 (36%)	2,043 (10%)
Washington, DC	18,596 (90%)	2,156 (10%)	9 (0%)
Nashville	12,220 (59%)	4,825 (23%)	3,687 (18%)
Atlanta	15,274 (75%)	5,142 (25%)	(0%)
San Francisco	8,524 (46%)	8,195 (45%)	1,626 (9%)
Denver	13,290 (78%)	3,765 (22%)	44 (0%)
Raleigh	10,081 (76%)	3,040 (23%)	119 (1%)
Houston	6,922 (55%)	5,687 (45%)	16 (0%)
Jacksonville	7,088 (68%)	2,880 (28%)	499 (5%)
Riverside/San Bernardino	7,699 (82%)	1,164 (12%)	546 (6%)
Tampa	6,376 (71%)	320 (4%)	2,296 (26%)
Los Angeles/OC	3,884 (59%)	1,395 (21%)	1,275 (19%)
Las Vegas	3,972 (81%)	917 (19%)	(0%)
Philadelphia	3,201 (68%)	1,113 (24%)	395 (8%)

Source: Zonda

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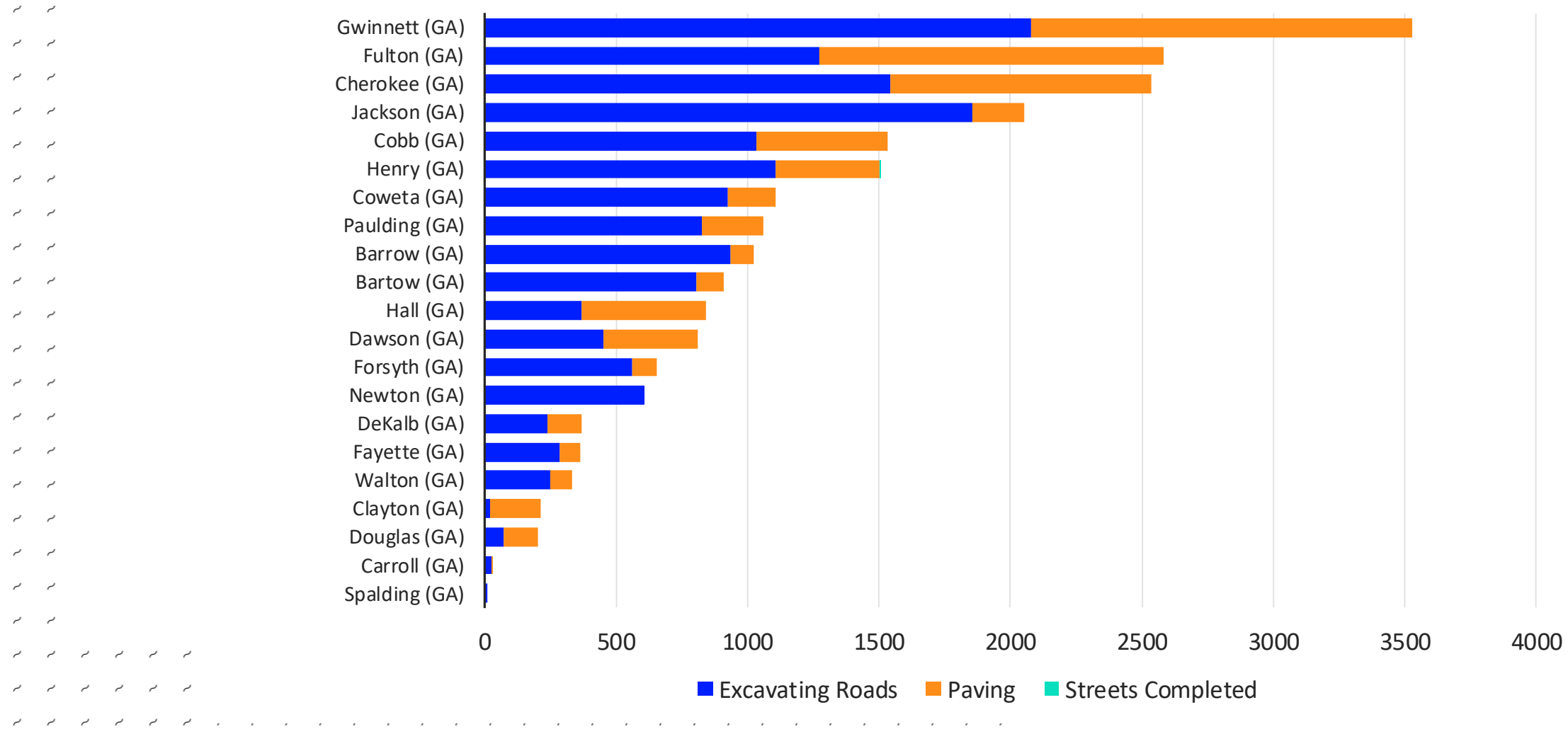
Most Lot Development in Gwinnett & Fulton

Lots Under Construction by County



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Tailwinds for Housing

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A Rising Tide Lifts All Boats

S&P 500 Historical Closing Price

Source: YahooFinance; Zonda

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Pool of Potential Buyers Remains Strong

Top Motivations For Buying A Home Today

Buyer	COVID related lifestyle change (including WFH)	Non-COVID lifestyle change	Great home equity	Stock market strength	Search for yield	Rising prices	FOMO	Low interest rates	Increased savings
First-time	X	X				X	X	X	X
Move-up	X	X	X	X		X	X	X	X
Luxury	X		X	X		X	X	X	X
Retiree/55+	X	X	X	X		X	X	X	X
Investor	X			X	X	X	X	X	X
Second home	X		X	X	X	X	X	X	X
Relocation	X	X	X			X	X	X	X
Foreign					X	X	X		X

Source: Zonda

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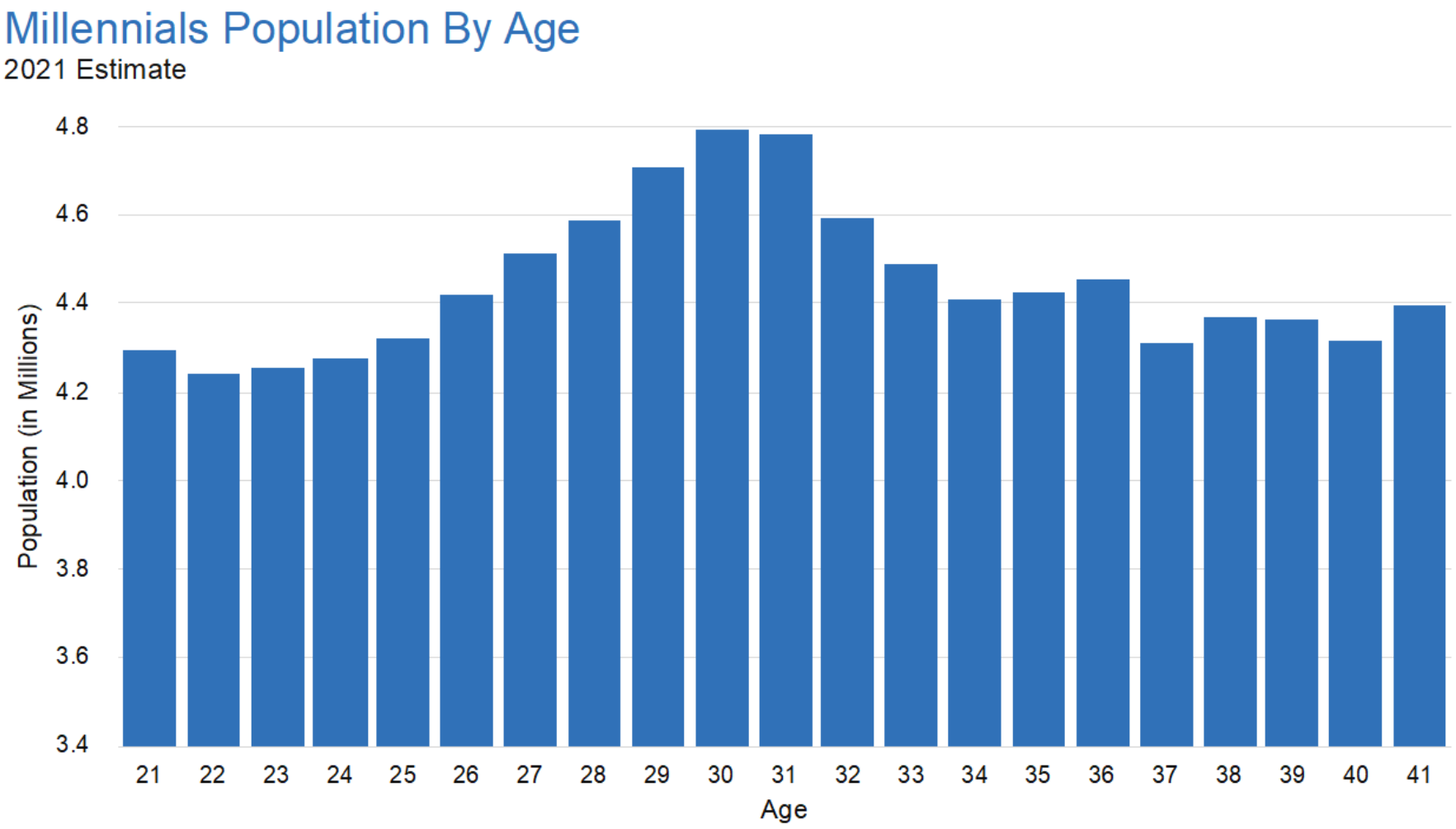
Millennials at Peak Homebuying Years



Source: U.S. Census Bureau; Zonda

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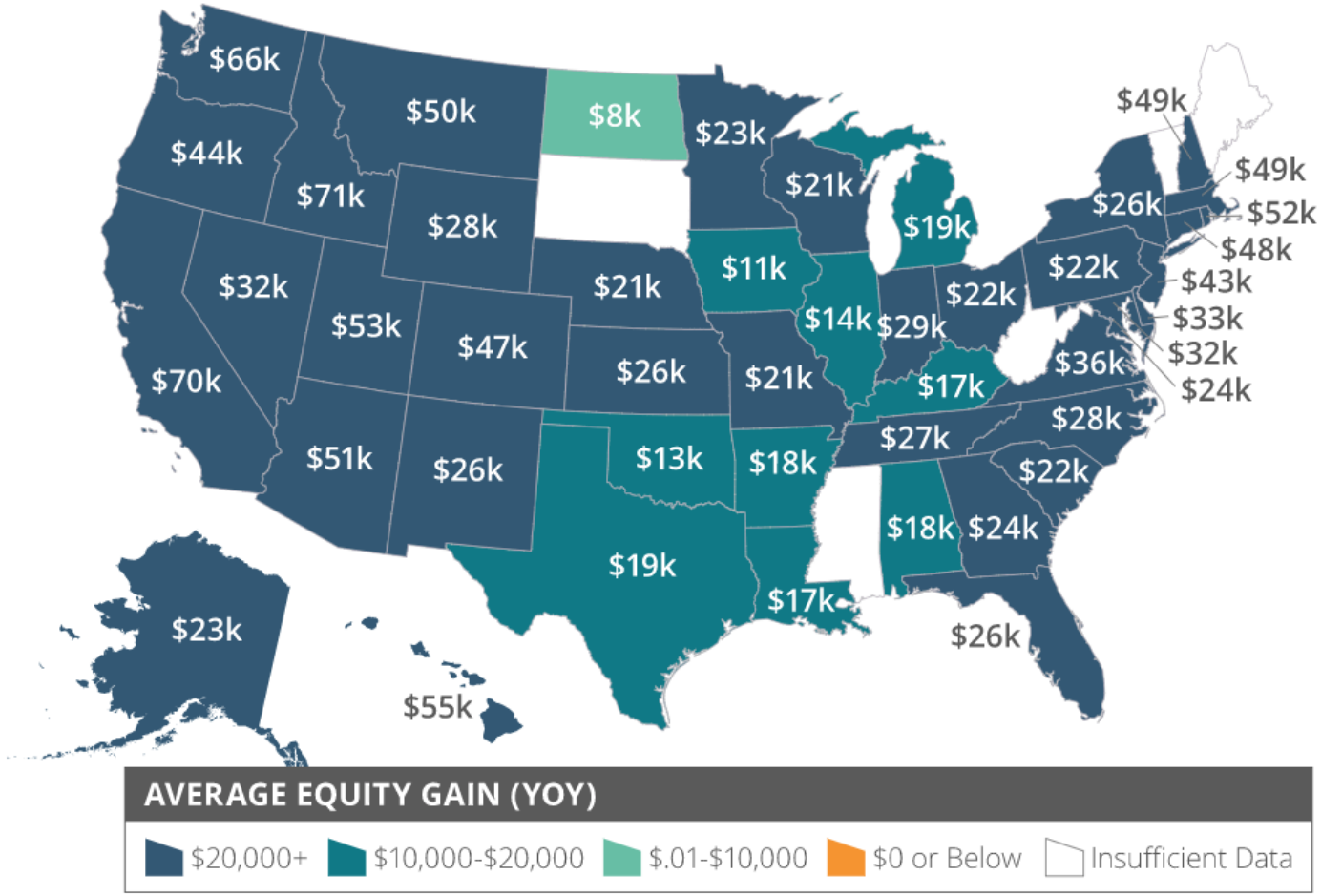
Equity Gains Across the County



AVERAGE EQUITY GAIN (YOY)

$20,000+ | $10,000-$20,000 | $.01-$10,000 | $0 or Below | Insufficient Data

Source: CoreLogic; Zonda

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Headwinds for Housing

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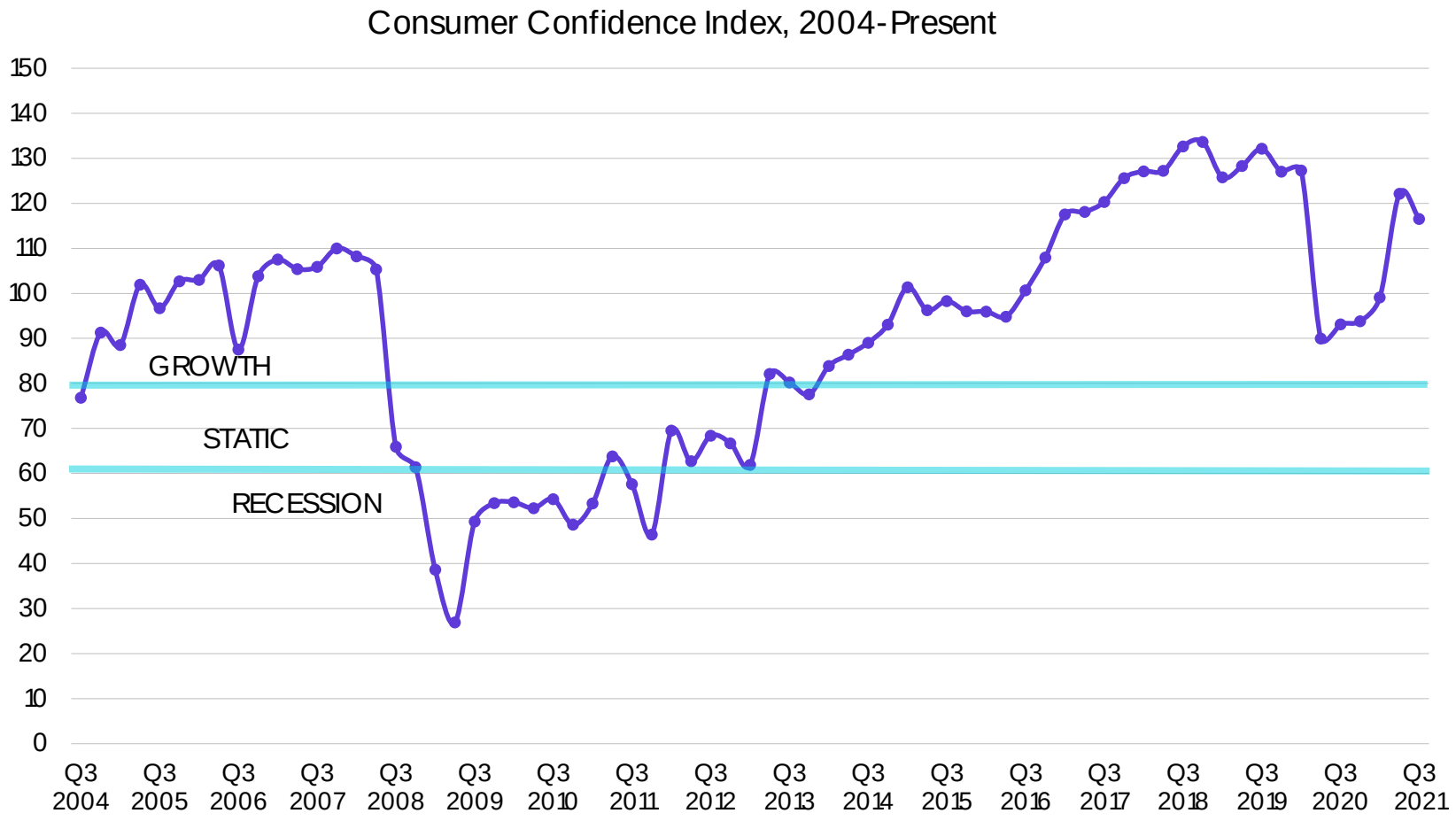
Consumer Confidence



Source: Conference Board

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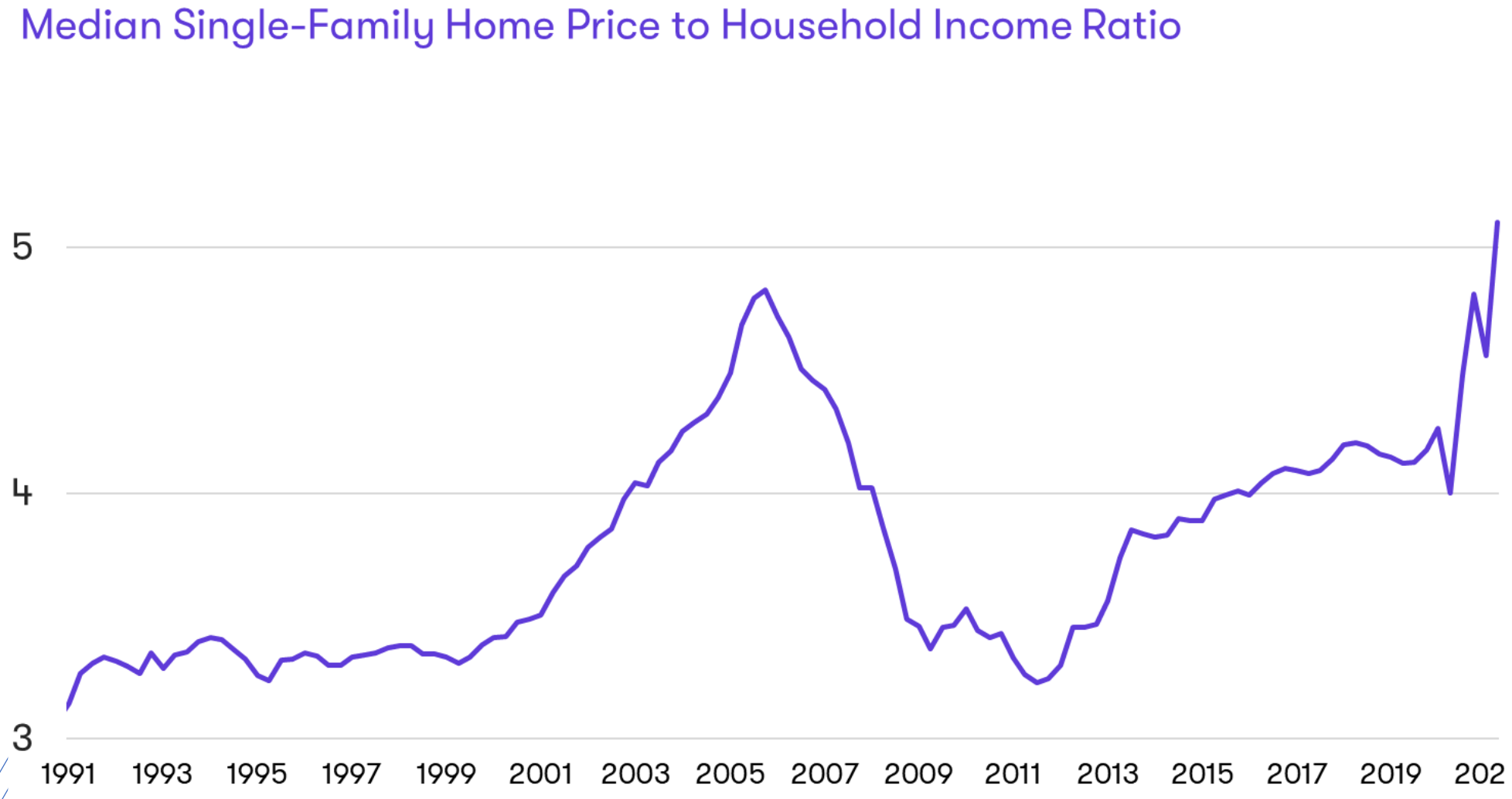
Home Price to Income Historically High



Source: NAR; US Census Bureau, Moody's Analytics; Zonda

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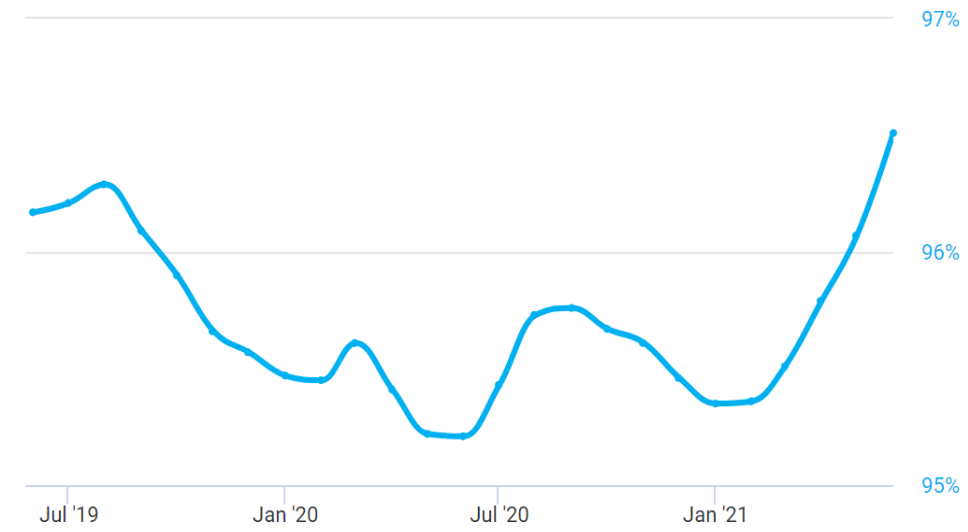
Some have turned to the rental market

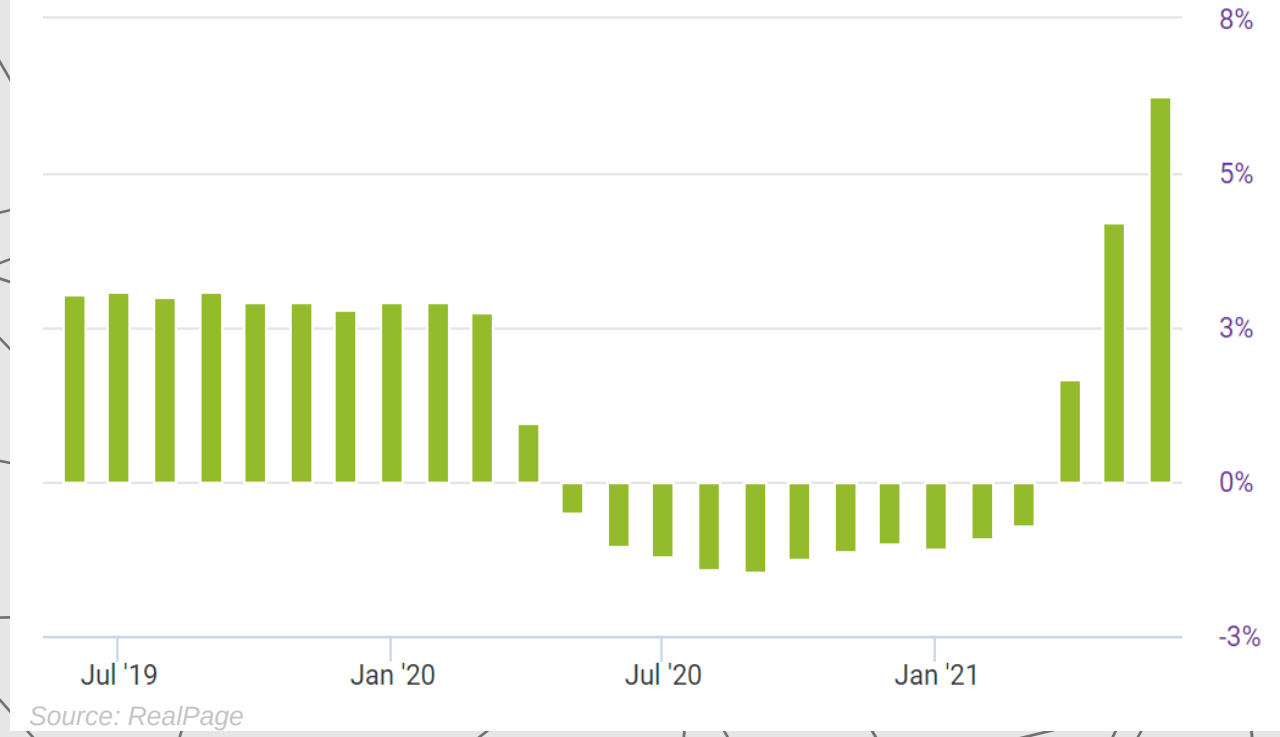
"The hottest rental market of my career"

National Occupancy Rate



Source: RealPage

National YOY Rent Growth



Source: RealPage

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Mortgage Rate Forecasts Vary, But They All Go UP

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2021: 3.0% ending the year closer to 3.2%
2022: 3.3% end the year closer to 3.5%

MBA
2021: 3.2% by end of year

Freddie Mac
2021: average 3.4% in the fourth quarter
2022: average 3.8% for the year

Redfin
2021: average 3.0% by end of year

NAHB
2021: 3.1%
2022: 3.7%

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Bigger Question Is – Who is Priced Out?

		Current Affordability Ratio	3.20%	3.40%	3.60%	3.80%	4.00%
1	San Diego	18%	5%	9%	13%	17%	21%
2	Seattle	32%	4%	7%	10%	13%	15%
3	New York	32%	3%	6%	8%	11%	13%
4	Miami	35%	3%	5%	8%	11%	13%
5	Baltimore	37%	3%	6%	9%	12%	15%
6	Sacramento	38%	3%	6%	8%	11%	13%
7	Riverside/San Bernardino	41%	3%	5%	8%	10%	13%
8	Salt Lake City	42%	3%	6%	9%	12%	14%
9	Las Vegas	43%	3%	5%	7%	9%	11%
10	Nashville	44%	3%	5%	7%	9%	11%
11	Orlando	44%	3%	6%	8%	10%	12%
12	Colorado Springs	44%	3%	5%	7%	10%	12%
13	Philadelphia	46%	2%	4%	6%	8%	10%
14	Richmond	46%	2%	4%	5%	7%	9%
15	Fort Collins	46%	2%	5%	7%	9%	11%
16	Portland	47%	2%	5%	7%	9%	11%
17	Denver	47%	3%	5%	7%	9%	11%
18	Tampa	48%	2%	4%	6%	8%	10%
19	Greensboro	48%	2%	4%	6%	8%	10%
20	Indianapolis	50%	2%	4%	6%	7%	9%

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Final Thoughts & Forecasts

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Costs are Primary Concern for Builders

1. Building material availability
2. Building material costs
3. Labor availability
4. Affordability
5. Rising mortgage rates
6. Land prices

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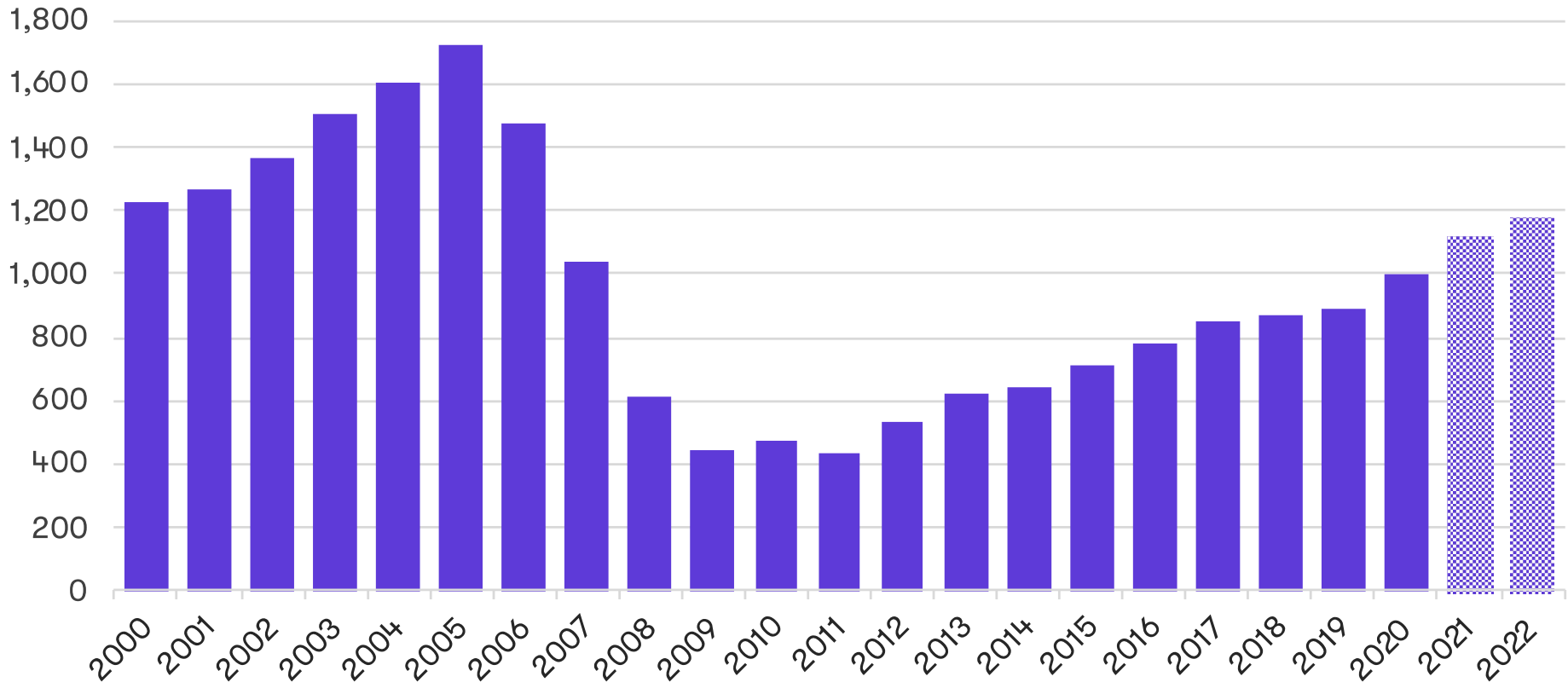
Has housing peaked?

Single-Family Starts



+12.0 % in 2021

+5.1% in 2022

Source: US Census Bureau; Zonda

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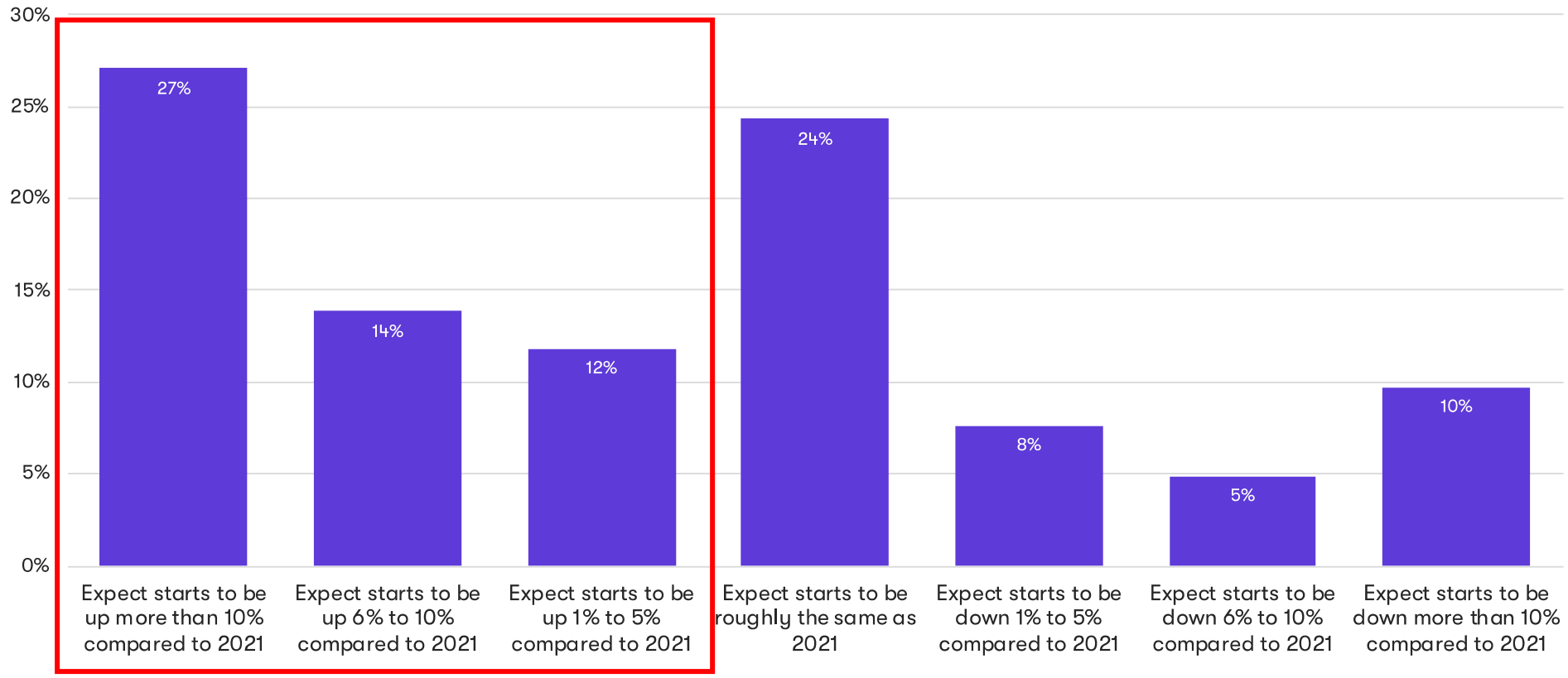
53% Expecting More Starts in 2022

What is your plan regarding HOUSING STARTS in 2022?



Source: Zonda

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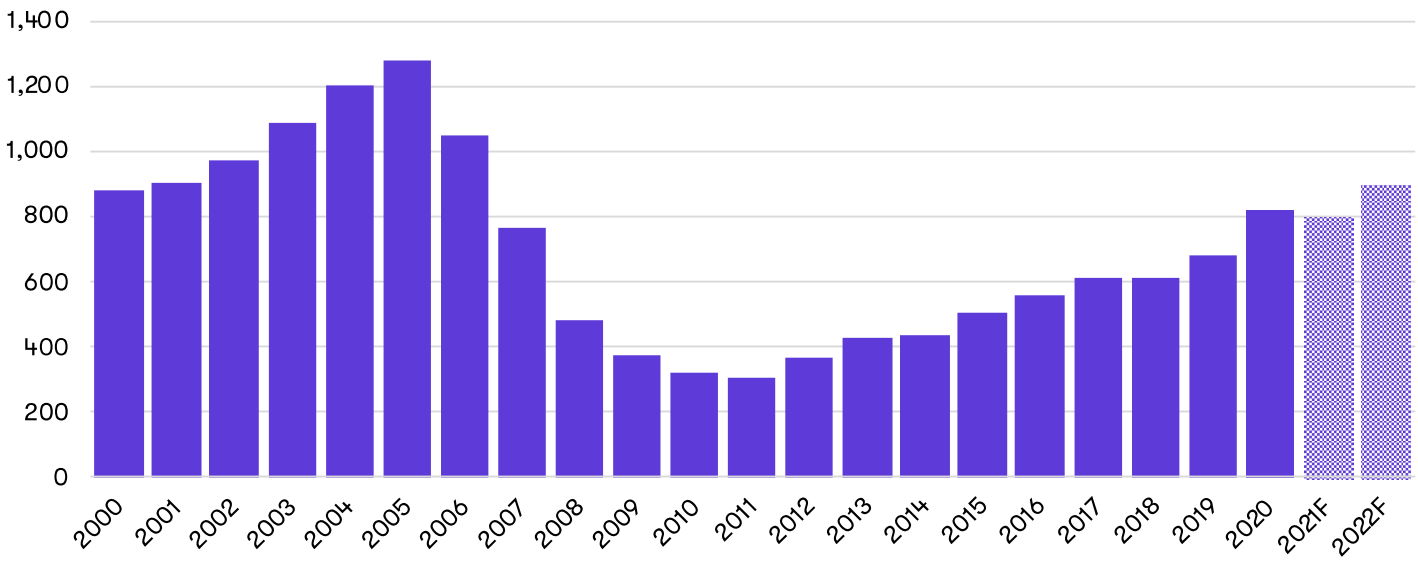
New Home Sales



Source: U.S. Census Bureau; Zonda

Sales dependent on supply, sales caps, and affordability

-2.4% in 2021 and +12.5% in 2022

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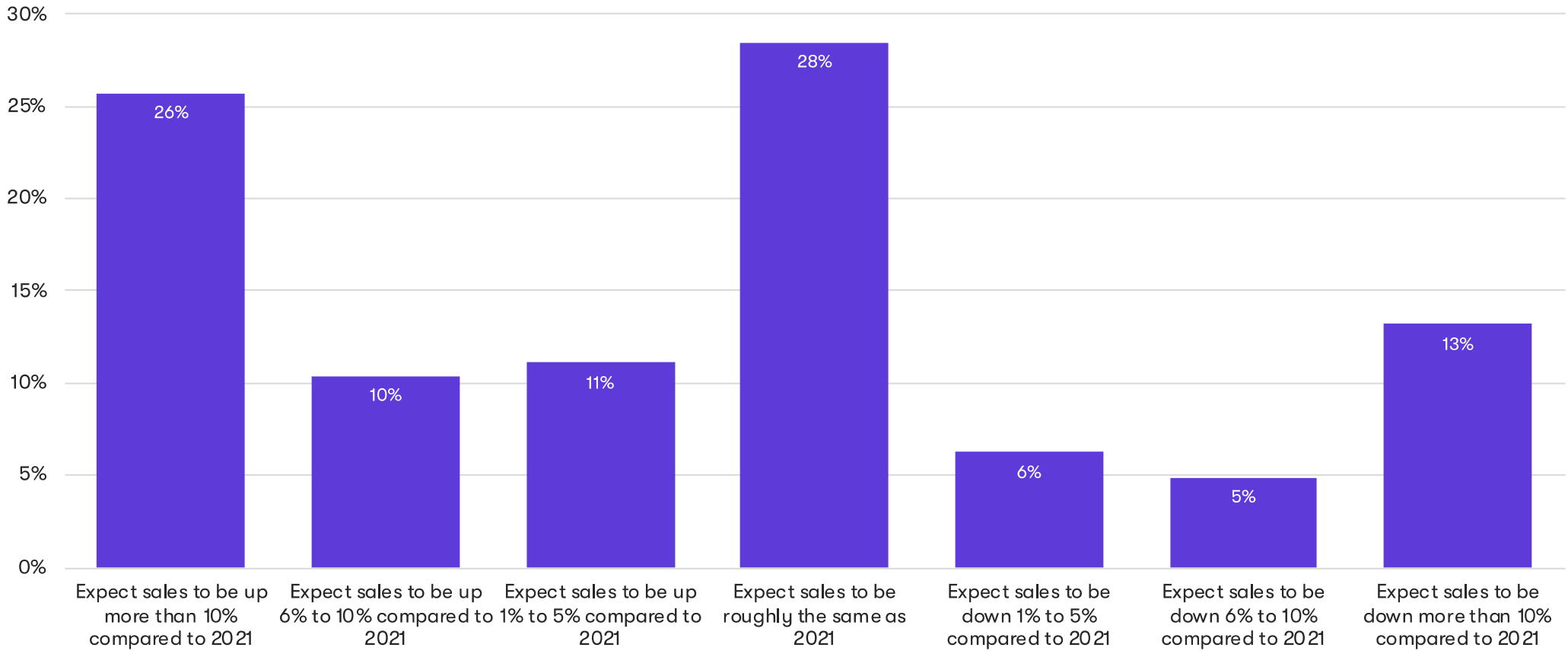
47% of builders expect higher contract sales next year

What is your plan regarding CONTRACT SALES in 2022?



Source: Zonda

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Atlanta 2022 Housing Market Forecasts

Housing Demand	Housing Supply	Affordability
2021: 32,000 starts **2022: 30,000 starts**	Declining project count	**8% Home Value Appreciation**
Dip due to low supply rather than declining demand	Declining VDLs: from 17 to 15 months	Rising rates will worsen affordability
Strong Sales Rates	Low resale inventory	More Attached Product

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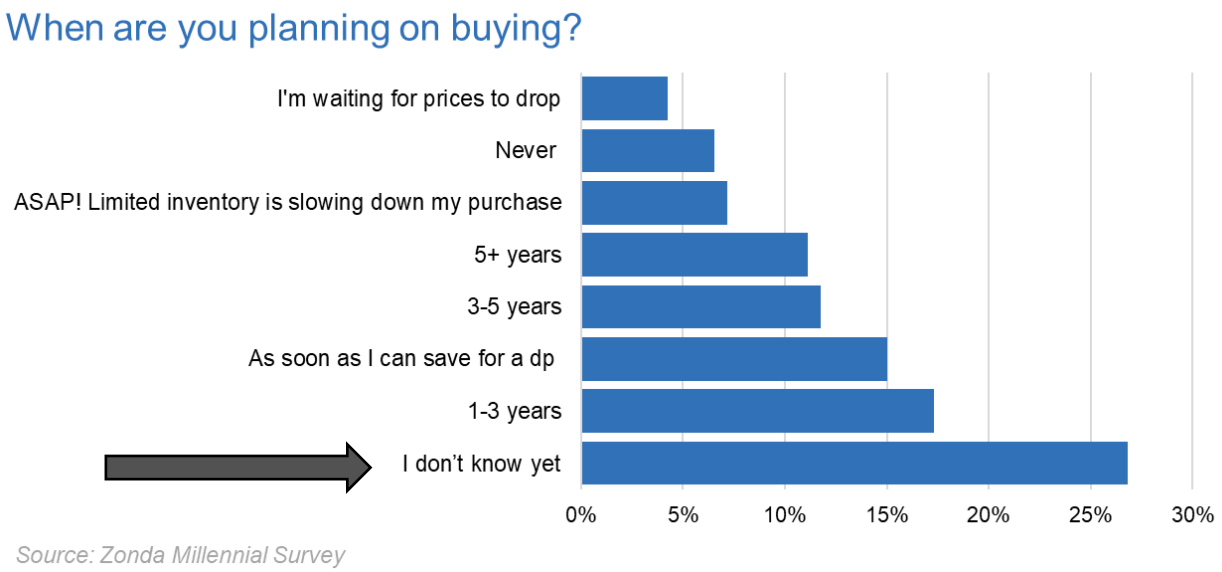
Demographics support future growth in the near-term IF we can get affordability in check



Source: Zonda Millennial Survey

- Supply chain challenges should free up over the next 12 months, but home builders will continue to fight labor and land shortages.
- Some builders are chasing temporary trends. Spending the time to review temp vs permanent trends is critical.
- Some parts of the country are permanently more expensive.
- How deep is the qualified buyer pool at today's price levels?
- Watch interest rates.
- Today's level of HPA is unsustainable and a more 'normal' market should be well-received by consumers.

Q&A