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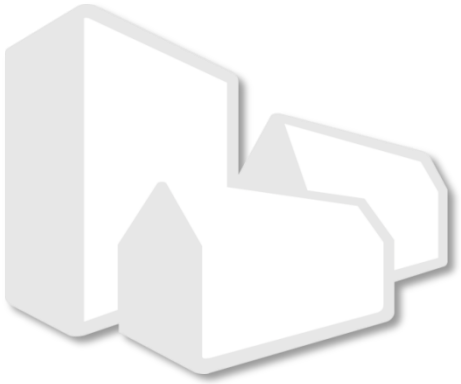

Satilla Capital Partners

Buckhead Park North Townhome Community
Buckhead Submarket (Fulton County) – Atlanta MSA

August 2016

Market Feasibility Study

12600 Deerfield Parkway, Suite 100 | Alpharetta, GA 30004 | 770.286.3493

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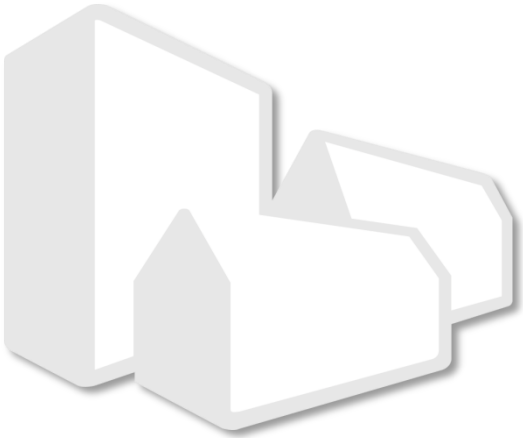

Background and Objectives

Background, Objective, and Key Assumptions

BACKGROUND:

John Burns Real Estate Consulting, LLC ("JBREC") was retained by Satilla Capital Partners ("Client") to provide an independent assessment of the opportunity to acquire developed townhome lots at Buckhead Park North ("Subject"). The Subject will include 17 fully developed townhome lots at 24' wide by 48' deep pads within a gated community in the heart of Atlanta's toney Buckhead submarket. Buckhead is widely recognized as the most upscale submarket within the Atlanta MSA and this location on Peachtree Road is in the heart of Buckhead's employment hub, within walking distance of the popular Phipps and Lenox Malls and numerous shopping, restaurants, and entertainment venues that make this area so popular.

OBJECTIVE:

The objective of this assignment is to provide an independent third-party analysis of housing market, economic, and demographic conditions in the Atlanta MSA and to assess the opportunity to acquire 17 fully developed townhome lots within the Buckhead Park North TH community. To achieve the objective of this assignment, the subject site was visited, new townhome home projects in the competitive market area were visited and surveyed, information was compiled and evaluated on new and resale activity (townhomes and condos) in the local market, and information was analyzed on overall economic and housing market conditions. Please see the Executive Summary for study results and recommendations.

The pricing and absorption recommendations in this report assume that the Builder of the Subject Property will provide excellent execution of the following: 1) offer floor plan sizes, types, and amenity levels as proposed and recommended, 2) the development will be completed in a quality "market appropriate" manner with a community entrance, monumentation, landscaping, amenities, spec levels, and unit finishes in-line with market expectations, 3) provide sufficient advertising and marketing efforts to generate shopper traffic commensurate with market comps achieving comparable home sales rates and prices, 4) have an on-site sales office open at least six days per week, 5) have a fully decorated model home, and 6) have experienced, professionally trained sales agents familiar with the local market.

CONTACT INFORMATION:

This analysis was prepared by John Burns Real Estate Consulting, LLC. David Kalosis, Senior Vice President, served as Project Manager and managed the day-to-day operations of the analysis. Dan Fulton, Senior Vice President, provided the internal peer review. Follow-up questions should be directed to us at:

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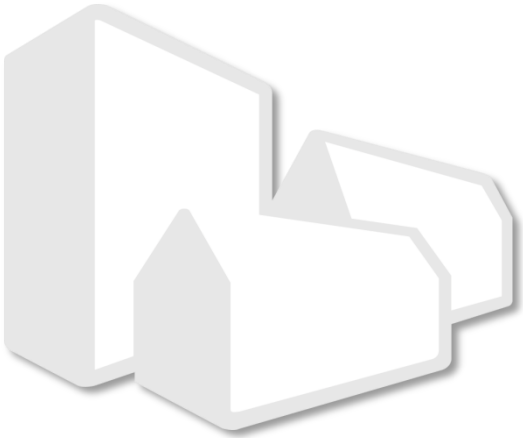

Executive Summary

JBREC rates the Buckhead Park North Townhome community in the Buckhead Submarket (Fulton County), GA an **"A" opportunity** based on the location, area desirability, accessibility, product appeal and current housing demand.

The Atlanta housing market fundamentals continue to support growth. Population and household growth, coupled with economic and income growth, will continue to support housing demand over the next few years. Strong demand, with low supply and record affordability, will increase demand (and prices) particularly among first-time and first move-up family buyers.

Buckhead is the most desirable address in Atlanta. The toney Inside-The-Perimeter (ITP) location is a live-work-play destination for Millennials and Empty Nesters/Retirees who can afford to "pay to play" to live there. Buckhead is home to the highest household incomes, concentration of college grads and home values. Its also home to a major employment hub within Buckhead, as well as upscale and boutique shopping, fine dining and entertainment.

Empty Nesters/Retirees make up the fastest growth segments. Those over the age of 55 represent the sharpest household growth within Buckhead over the next five years. They also represent the household incomes and personal wealth that can most afford to rent or own within this expensive real estate pocket.

Upscale urban townhomes have shown appeal among Empty Nesters. Within Buckhead, there have been a handful of successful upscale townhome communities that have sold out recently at higher average price points offering similar 4-story upscale townhome products with highlighted features including elevators and rooftop terraces. Well branded upscale townhome communities designed with the upscale Empty Nester in mind have sold the fastest and at the highest prices. JBREC recommends that the builder include elevators and finished terrace with 4th bedroom/bath in the model and conservatively estimates that these options will be selected by more than half of the home purchasers at the Subject.

JBREC's pricing recommendations strategically position the Subject in the sweet spot for this market. While Millennial buyers dominate the more affordable townhome price points below $750K and the high-end condo market targets $1.25 Mill and higher, there is a significant opportunity to deliver a desirable upscale townhome product with base pricing "from the high $800s" and all-in sales prices in the mid-$900s that matches both product and pricing expectations among these buyers in this market.

The greatest challenge for the Subject will be sales pace. There are few buyers who can afford a nearly $1 Mill townhome product or in this location. For those in this price range, they have an increased number of options throughout Atlanta. The more successful upscale townhome communities in Buckhead have or are about to sell out, with fewer direct competitors. Branded communities and builders have performed the best at up to 1.0/month in sales, while most others have sold at < 0.5/month. The strength of this location can overcome the lack of brand recognition with excellent product execution.

Executive Summary – **Pricing and Absorption Recommendations**

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JBREC conducted an analysis of the Subject and the competitive market in order to make the following recommendations on base and sales prices, as well as estimated monthly absorption rates over the lifecycle of the community.

Product: We included the Builder's base plan at 2,900sqft, as well as ran a second assumption with a finished bedroom and full bath on the terrace level at an addition 400sqft.

Base Prices: We estimate the base prices for each of the product plans at $889,900 and $939,900, which will base price position the Subject below its top townhome competitors from branded builders in the market and more consistent with other new in-fill townhome communities targeting Empty Nesters within the Buckhead area.

Incentives: We assumed a $20,000 incentive, which includes a combination of closing costs and options discounts.

Options: Given the standard features planned for this community and the options selection at competitive communities, JBREC estimates additional options upgrades of $30,000 on the base plan. However, on the larger plan (3,300 sqft) with the finished bedroom and full bath on the terrace level, we assumed $50,000 in additional options, which include $20,000 in additional terrace level finishes (awnings, outdoor kitchens, etc.). For both plans, we assumed 50% of buyers would select elevator options at $30,000 each ($15,000 average).

Lot Premiums: We assumed average lot premiums on the 6 end units at $30,000 per unit, which, when blended across all 17 units, comes to $10,588 per unit.

Total Price: The average sales price represents the base prices, less incentives, plus options and lot premiums, which we estimate at $925,488 for the base plan and $995,488 for the finished terrace (which we believe will be the most popular selection). The blended average sales price is $960,488.

Sales Pace: At our recommended pricing, JBREC supports an average absorption rate of 0.5 sales per month, which is below the Builder's current assumption. The top branded builders (John Wieland and Monte Hewett) have sold at an average sales pace of 1.0 per month, while less recognized builders have sold at 0.5 per month or less.

	MIX	PRODUCT					TAX & HOA											
		Unit Size	Plan Configuration				Tax	HOA	Base	Incentives	Net Base Price (All Incentives)	Net Base Price/ Sq. Ft.	Average Options	Average Premiums	Total Net Price	Total Net Price/ Sq. Ft.	80% 3.80% Ttl Net Pmt.	31% Income to Qualify*
		(Sq. Ft.)	Bed	Bath	Level	Pkg	Rate		Price									
BUCKHEAD PARK NORTH THS- TPG																		
Buckhead Park North THs **JBREC Recommend**	1	2,900	3	3.5	3	2	1.50%	$200	$889,900	($20,000)	$869,900	$300	$45,000	$10,588	$925,488	$319	$4,807	$186,000
	1	3,300	4	4.5	3	2	1.50%	$200	$939,900	($20,000)	$919,900	$279	$65,000	$10,588	$995,488	$302	$5,155	$200,000
Totals/Averages:	2	3,100					1.50%	$200	$914,900	($20,000)	$894,900	$289	$55,000	$10,588	$960,488	$310	$4,981	$193,000

Product:	Townhomes	Total Units:	17
Configuration:	1,152	Units Sold:	0
Lot Dimensions:	24' x 48'	3 Mon. Sold:	0
% Remaining:	100%	Units Remaining:	17
Sales Open Date:	Mar-17		
Status:	**VDL**	Target Sales Rate:	0.50

Executive Summary – **Appreciation and Potential Buildout**

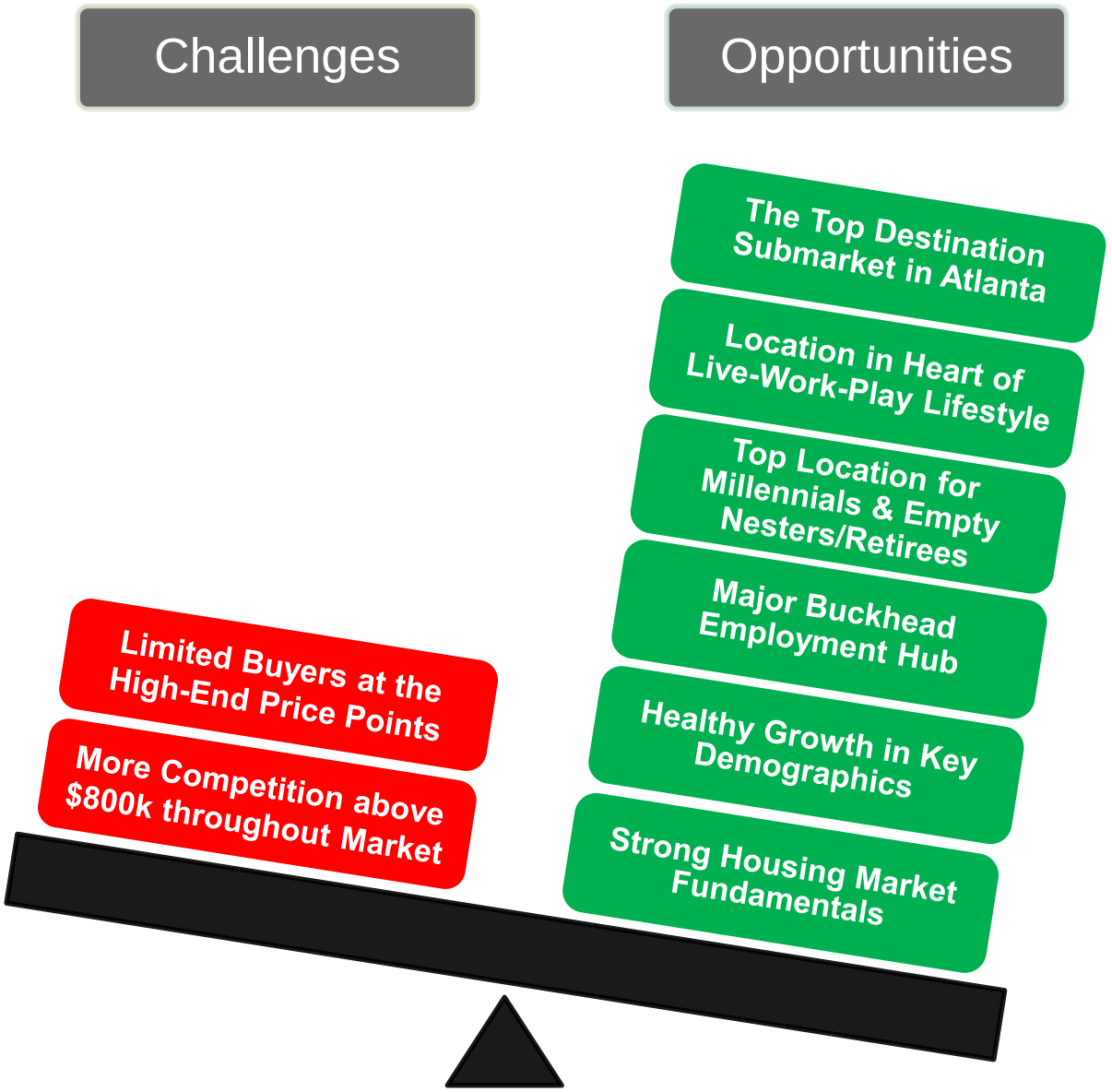
The table below summarizes our product and sales price recommendations for the Buckhead Park North TH community.

- JBREC assumes that the community will begin sales with a model grand opening in March 2017, and there will be 17 townhome units, with each unit being 24' wide by 48' deep.
- Price appreciation in the Atlanta market is assumed to range from a high of 2.1% in 2017, with slowing appreciation thereafter. Note that we used 0.9% price appreciation for the remainder of 2016 (actual full year appreciation is estimated at 1.8%) given the mid-year timing of this report.
- We assume that any market increases in demand (absorption appreciation) would be met by equally increasing new home competition and therefore have not included any demand appreciation in our model.
- Based on the number of townhome units and an assumed absorption rate of 0.5 per month, the townhome sales are projected to be sold out by year-end 2019 assuming a model grand opening in March 2017.
- Given our sales price and absorption recommendations, coupled with the project cycle and annual price appreciation projections, JBREC estimates an average sales price of $982,100 over the lifecycle of the community.

Price Appreciation					1%	2.1%	1.6%	1.0%
Community	Product	Dimensions	Units	JBREC ASP	Dec-16	Dec-17	Dec-18	Dec-19
Buckhead Park North THs	Townhomes	24' x 48'	17	$960,488	$969,132	$980,658	$984,639	$990,465

Absorption Appreciation					0%	0%	0%	100%
Community	Product	Dimensions	Units	JBREC Abs.	Dec-16	Dec-17	Dec-18	Dec-19
Buckhead Park North THs	Townhomes	24' x 48'	17	0.50	0.50	0.50	0.50	0.50

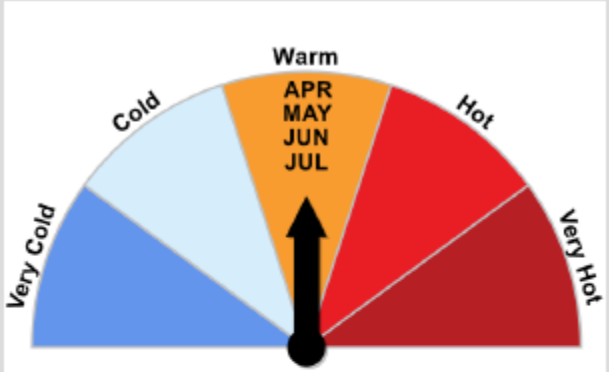
Potential Buildout				Annual Sales Per Year			
Community	Product	Dimensions	Units	2016	2017	2018	2019
Buckhead Park North THs	Townhomes	24' x 48'	17	0	5	6	6


Challenges
Opportunities
The Top Destination Submarket in Atlanta
Location in Heart of Live-Work-Play Lifestyle
Top Location for Millennials & Empty Nesters/Retirees
Major Buckhead Employment Hub
Healthy Growth in Key Demographics
Strong Housing Market Fundamentals
Limited Buyers at the High-End Price Points
More Competition above $800k throughout Market

Executive Summary – **Overview of Market Fundamentals**

JBREC currently rates the Atlanta MSA as **WARM**, with good market fundamentals. The market remains affordable, with strong housing demand and limited supply. Compared to its historic average, which assumes a 6% interest rate, the Atlanta housing market remains 3% underpriced today. With current record low interest rates, the market remains extremely affordable. Based on these fundamentals, we believe the market health supports continued investment with very low short-term risk.

Current Sales and Pricing Conditions: Warm



Our HCRI measures underlying demand, supply, and affordability and is a valuable tool for gauging investment risk within a housing market. For example, a C grade indicates relatively normal risk levels while an F grade indicates high levels of risk.

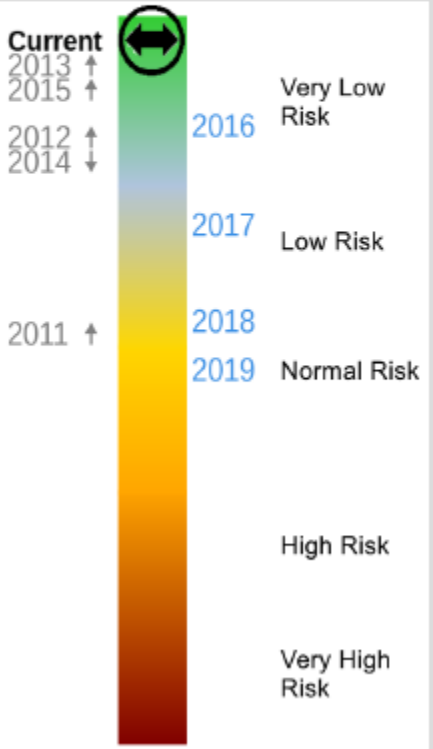
HCRI Legend

- Risk increasing
- Risk decreasing
- Unchanged

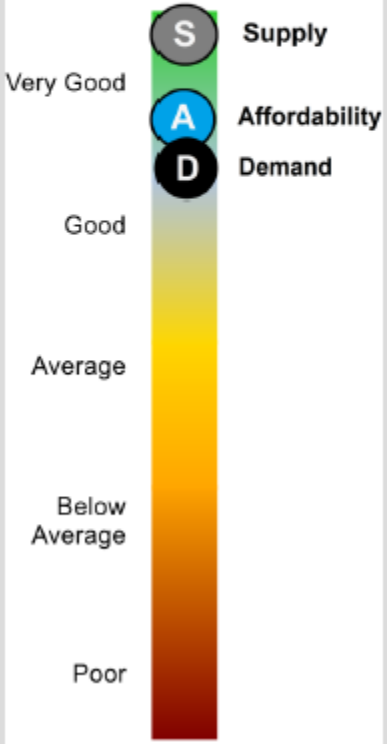
Current Fundamentals*: Very Good Fundamentals, 3% underpriced

Housing Cycle Risk Index (HCRI)

HCRI: A measure of potential investment risk (based on fundamentals)*

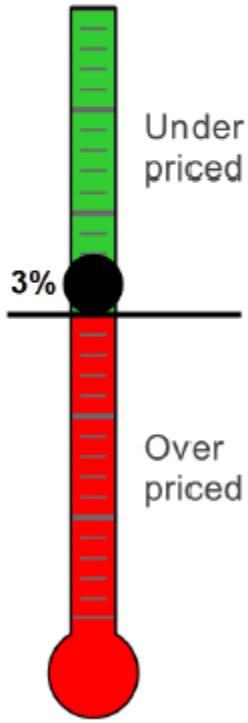


Fundamentals Grade: An objective measure comparing the market's Demand, Supply, and Affordability fundamentals to history



Burns Intrinsic Home Value Index™

See market data page 56 for details and assumptions.



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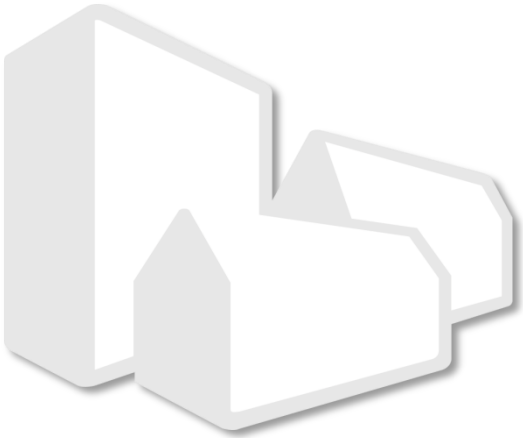
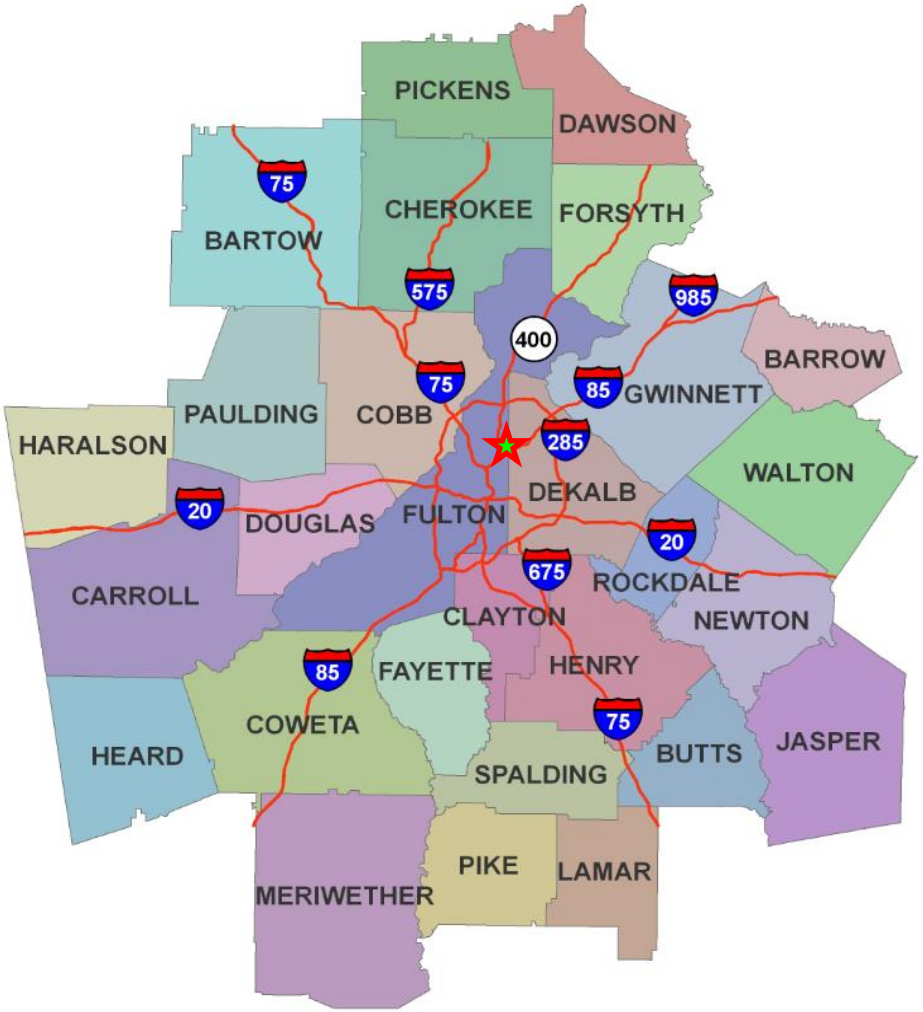


Location Analysis

Location Analysis – **Atlanta MSA Definition**

- The Atlanta, GA MSA includes twenty-nine counties. The core population centers for the market, which account for nearly 60% of all metro area households today, are concentrated in Fulton, Cobb, DeKalb, and Gwinnett counties.
- The population is up 1.9% over the past twelve months, adding over 109,000 via birth and in-migration. Households grew comparably, increasing 1.8% over the past twelve months and adding over 38,000 new households.



Location Analysis – **Drive Time Map**

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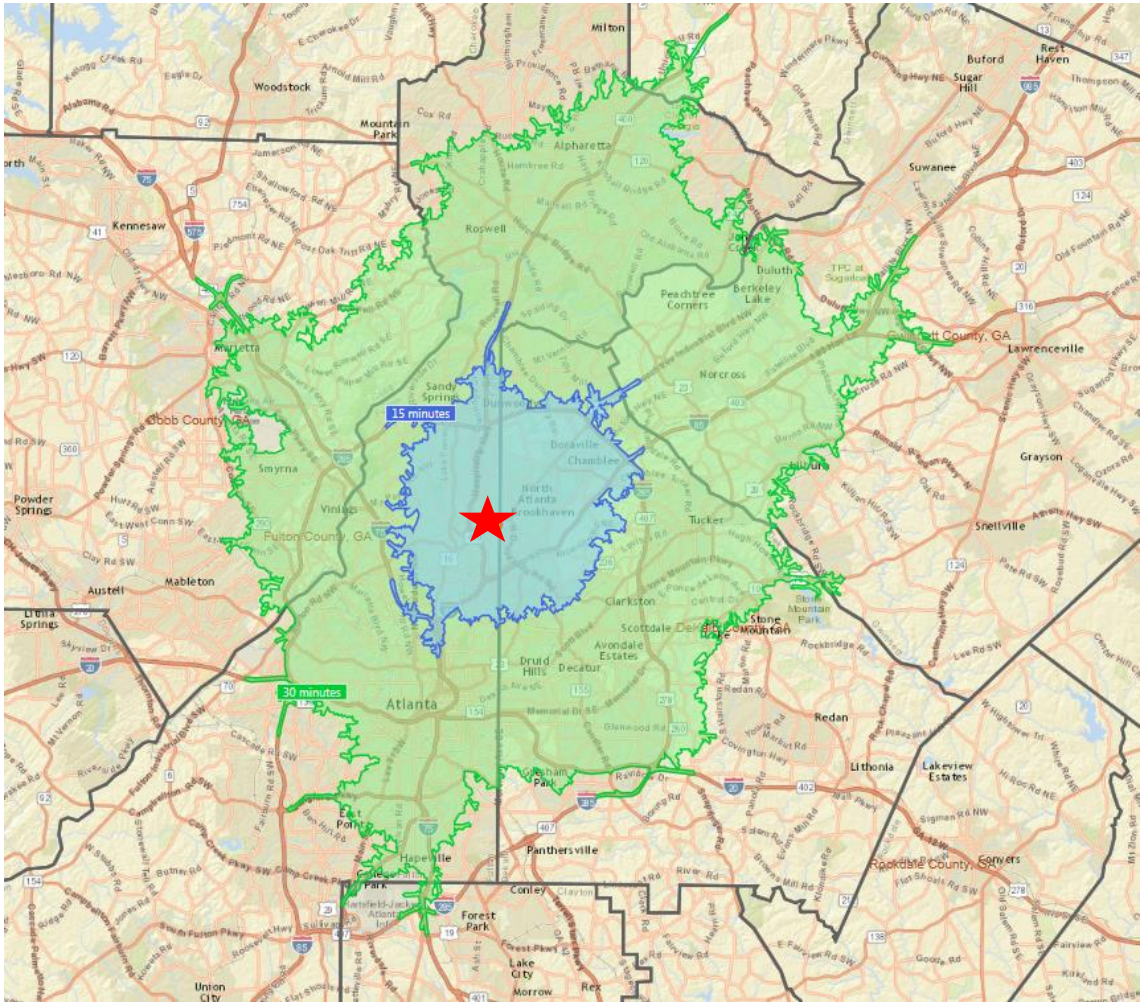
Those who choose to live within Buckhead are typically pre-families and Empty Nesters/Retirees who want the most desirable address in the Atlanta MSA…and are willing to pay the premium for it. They prefer the live-work-play urban lifestyle over the suburbs and prefer walkability over commute times and traffic. Owners and renters alike pay a premium for this location, which is home to upscale retail, fine dining, nightlife, and a major employment hub all within minutes. This central location is also within 30 minutes of everything Atlanta has to offer, from the northern suburbs to the Hartsfield-Jackson International Airport.



Location Analysis – **Subject Site Plan**

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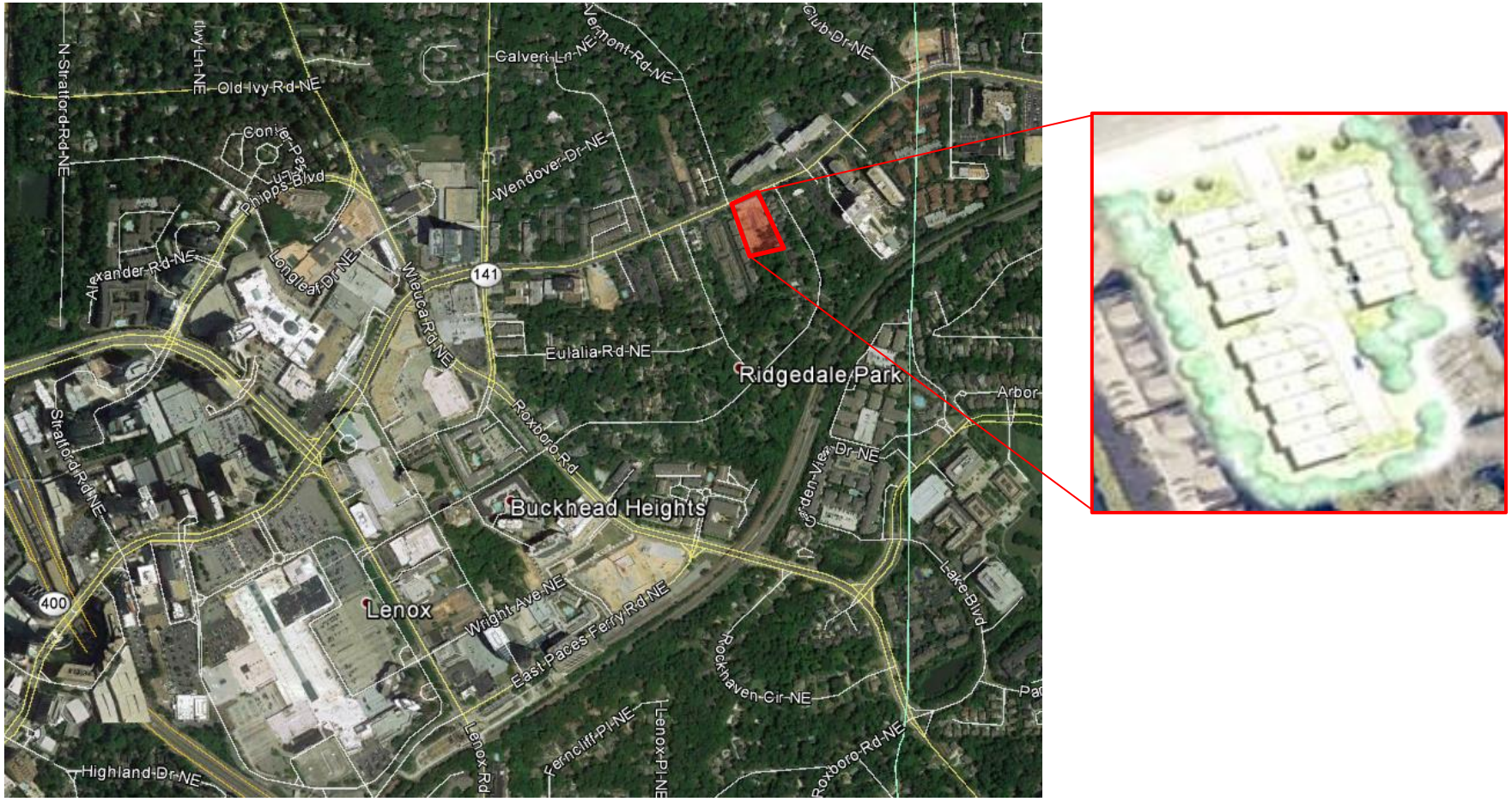
Buckhead Park North is a fully developed, 17 unit townhome site located at 3715 Peachtree Rd. NE in Atlanta's highly desirable Buckhead submarket. The site is in the heart of Buckhead's employment and shopping district, within about a half mile east of Phipps and Lenox Malls, which include high-end retailers, restaurants and nightlife activities. Buckhead is the most prestigious address in the Atlanta MSA and home to the highest household incomes, the highest concentration of college educated professionals, and more than 100,000 jobs currently within the Buckhead immediate area.



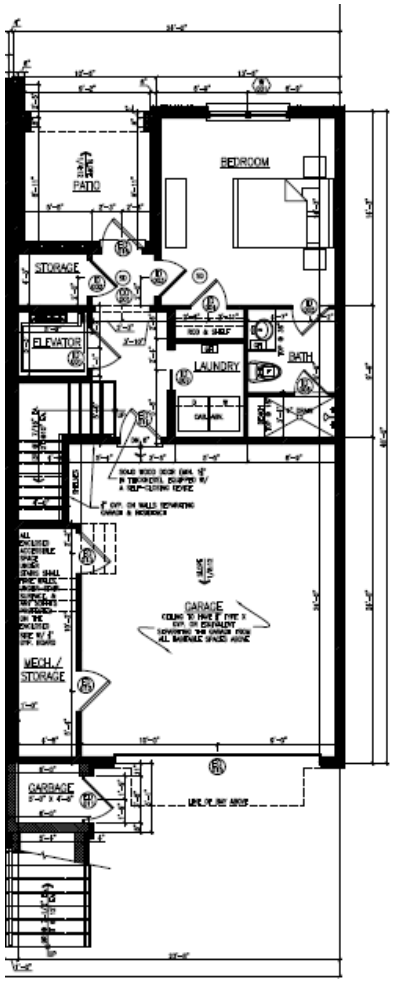
The following community sketches were provided by the Client. The community will include 17 townhome units within a gated community along Peachtree Road NE in the exclusive Buckhead submarket. The buildings are 4-story, with 24' wide units and 2-car garages on the ground level. The top levels include an outdoor terrace, which is a popular design element among the area's wealthy Empty Nesters.

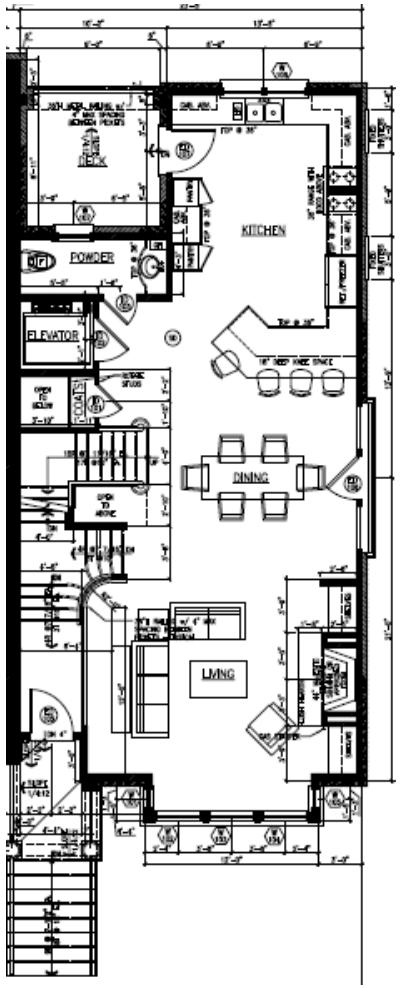
Location Analysis – **Community Site Photos**

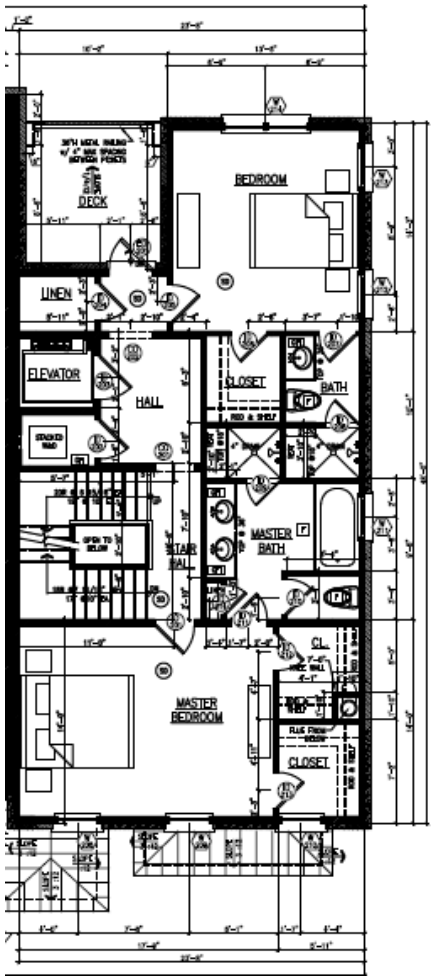
Below are images taken on 08/04/2016 of the Buckhead Park North TH site at 3715 Peachtree Road NE in Buckhead. The community entry monuments are in place and the 17 townhome lots are fully developed. Landscaping and the gated entrance have not been completed at this time.

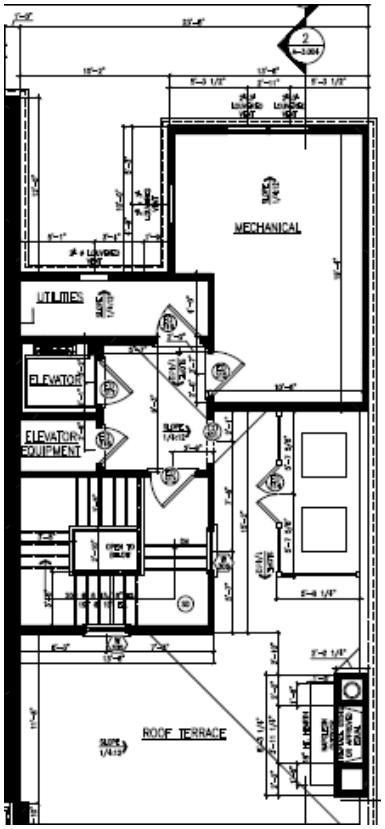
Location Analysis – **Community Floor Plans**

Below is the plan for a typical 4-story floor plan at Buckhead Park North. Each plan is 4-stories, with a 2-car garage and bedroom with full bathroom on the ground level. The second level includes all living/entertainment space, while the third level is where the master and third bedrooms are located. The fourth level includes an outdoor terrace, which is a popular design for affluent Empty Nesters as evidenced by the success of nearby The Aldredge THs (John Wieland Homes) and The St. Andrews THs (Monte Hewett). Each of these levels is accessible via stairs plus an elevator option, which we conservatively assumed would be selected by 50% of buyers.









Location Analysis – **Local School Assignments**

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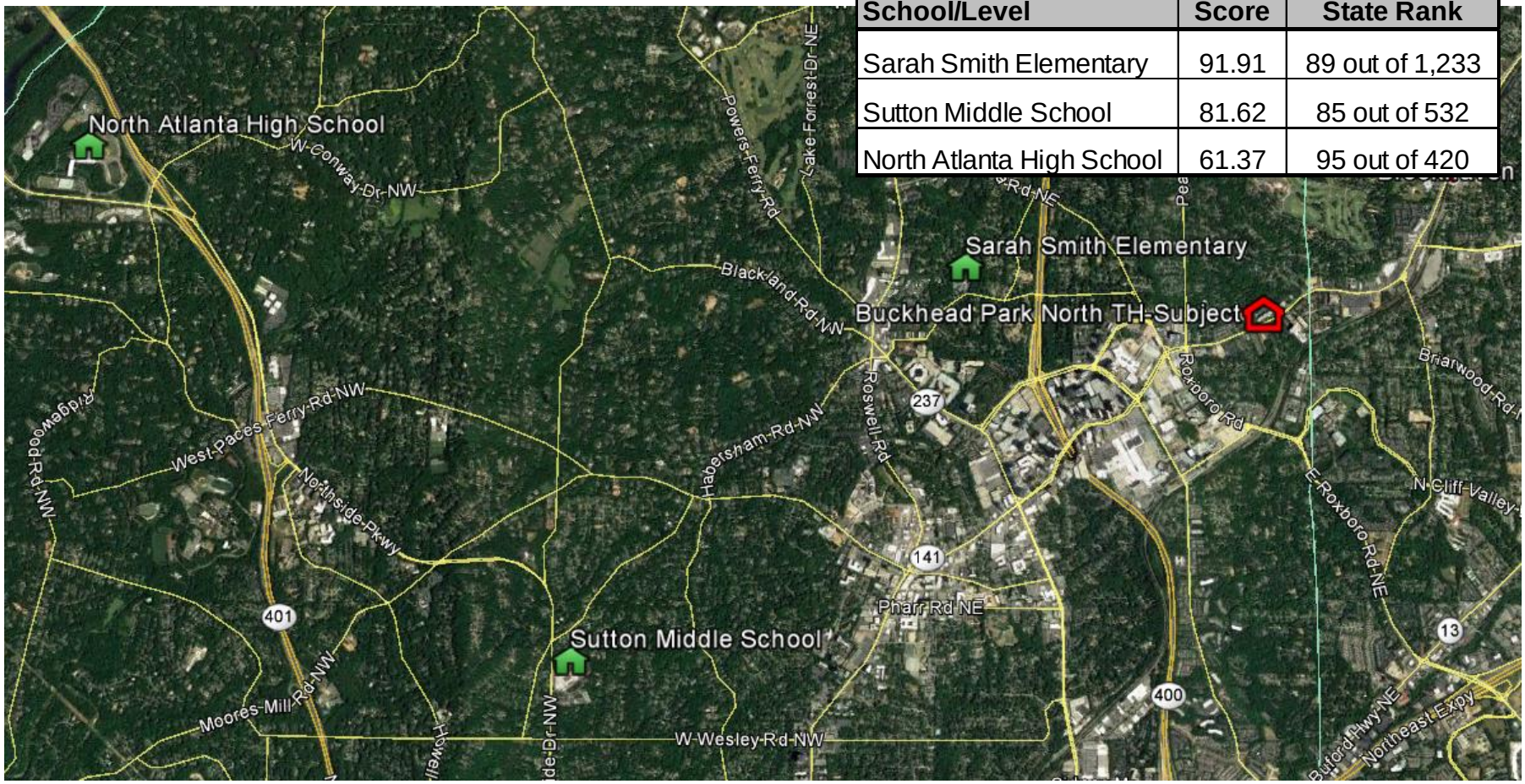
For a high-end townhome community in Buckhead targeted to the area's Empty Nesters, public school assignments are generally not a concern, as most either do not have school-aged children or, if they do, they typically send them to one of the area's recognized private schools. The local public schools perform very well, especially at the elementary school level, where Sarah Smith Elementary score among the top 105 of public schools in the state. Both Sutton Middle and North Atlanta High School score within the top 20% of public schools in the state for their levels.

School/Level	Score	State Rank
Sarah Smith Elementary	91.91	89 out of 1,233
Sutton Middle School	81.62	85 out of 532
North Atlanta High School	61.37	95 out of 420



Source: Schooldigger.com, 2016

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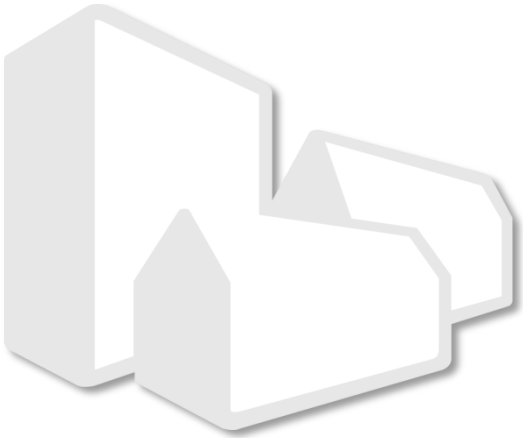
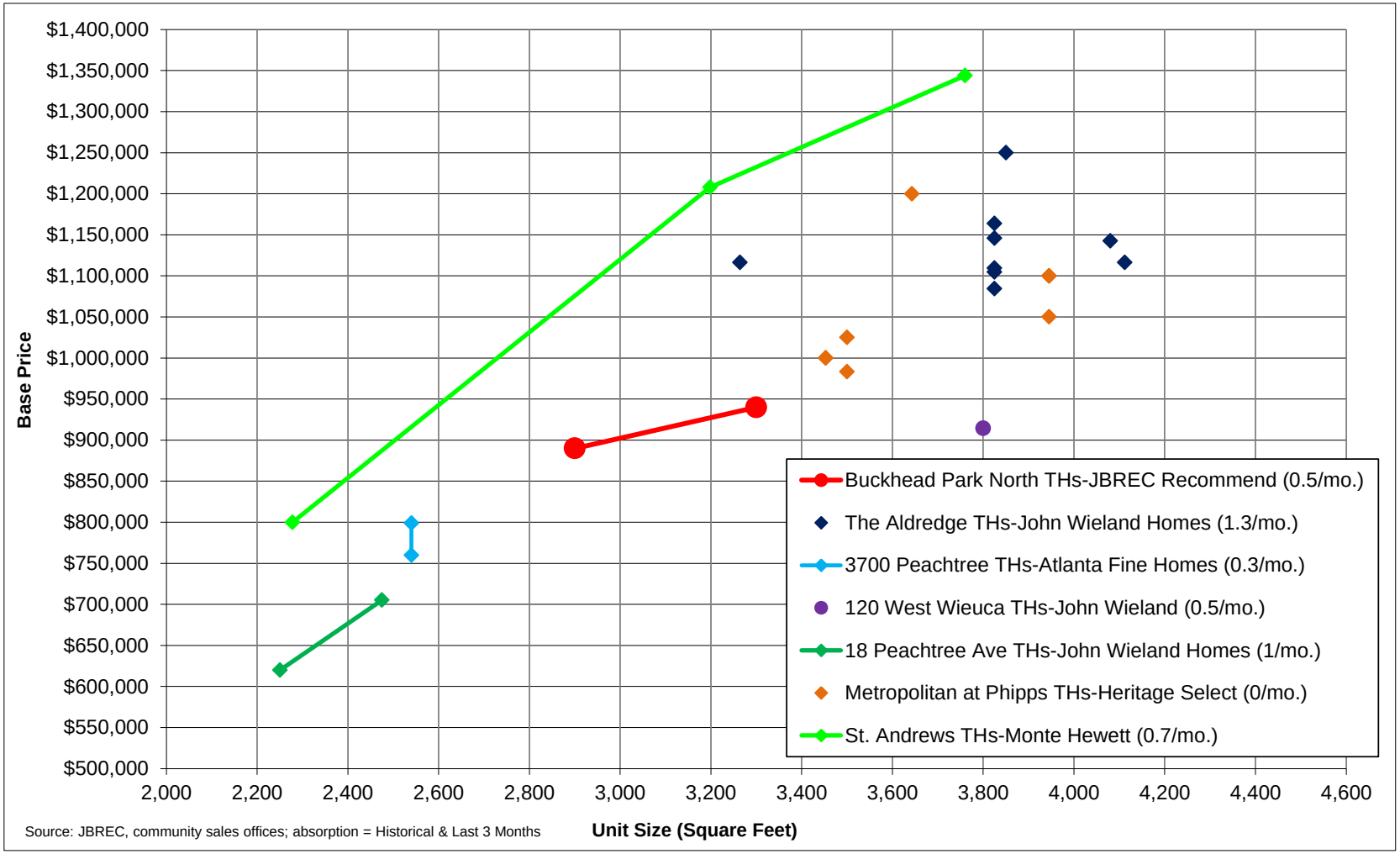


Competitive New Home Analysis

New Home Analysis – **Base Price Positioning**

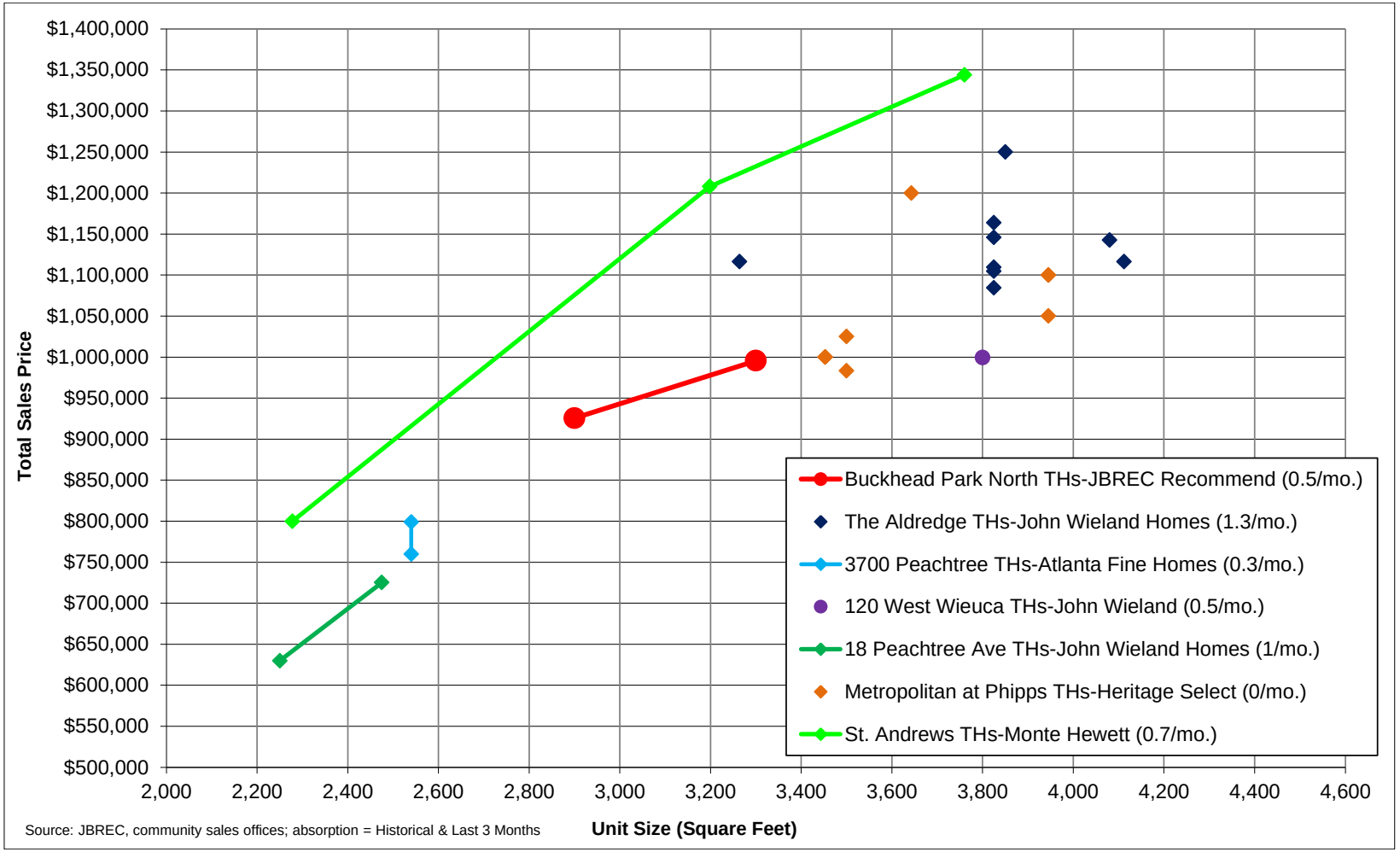
JBREC recommends a base pricing strategy starting "from the high $800s" that will position the community above the smaller, more affordable products targeted toward Millennial buyers, and yet at a relative discount to the higher-end townhome communities from the well-branded builders like John Wieland at The Aldredge THs and Monte Hewett at St. Andrews THs. Note that while these are base prices for the Subject, several of the competitors highlighted here are for inventory or sales prices for recent sales on sold out communities. The chart on the next page compares sales prices across all competitors.



Source: JBREC, community sales offices; absorption = Historical & Last 3 Months

New Home Analysis – **Total Sales Price Positioning**

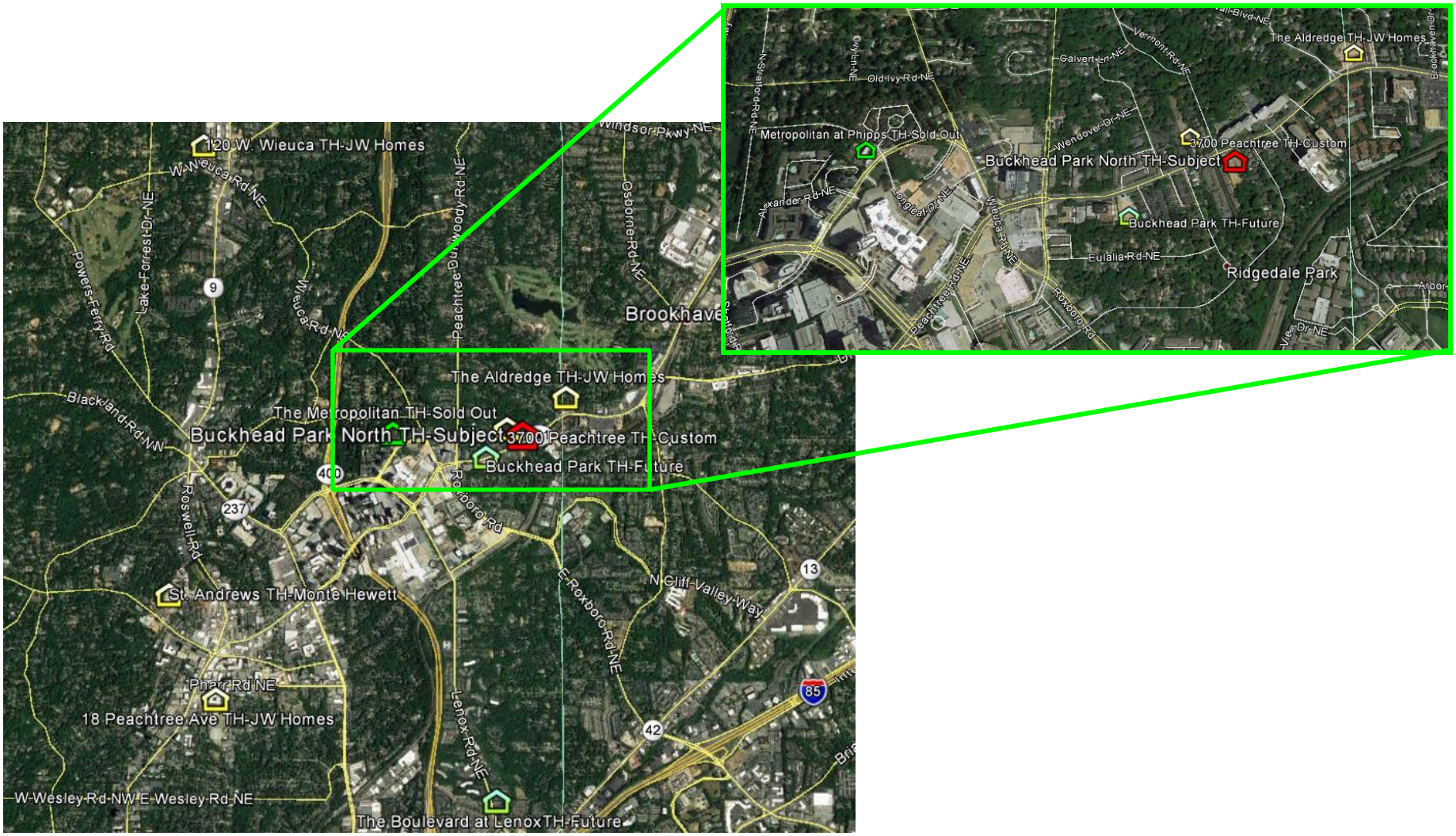
After adding in recommended options and lot premiums, and less incentives, our recommended sales prices will continue to position the Subject at a discount to the higher-end townhome communities in the area, yet offer a premium location to 120 West Wieuca THs (JW Homes) and Monte Hewett's St. Andrews THs. This positioning is also at a discount to neighboring The Aldredge THs (JW Homes), while offering a slightly better location and comparable product offering, and below Metropolitan at Phipps THs. Keep in mind that our total sales price assumptions include elevators on half of all units plus finished bedroom/full bath on the terrace level for the larger plan.



Source: JBREC, community sales offices; absorption = Historical & Last 3 Months

New Home Analysis – **Primary Competitors**

The following new home communities were included in our analysis as primary competitors to the Buckhead Park North TH site. While 3700 Peachtree THs are the closest competitor by location, their product is inferior to the Subject. The most direct competitor for location and product is JW Homes' The Aldredge THs and resales at Metropolitan at Phipps THs nearby.



New Home Analysis – **Competitive Community Summary**

The Aldredge THs – John Wieland Homes

- Opened May 2015
- Peachtree Rd NE just across line into DeKalb County
- Total of 24 units, with 23 sold (1.0/month sales pace)
- 4-story townhomes; 25’ wide x 50’ deep
- 2-car garages
- 4th floor terraces with 4th bedroom/bath
- This is the most direct comparison community based on location and product
- While the Subject is slightly better located, The Aldredge THs benefit from strong John Wieland Homes brand recognition

3700 Peachtree - Custom

- Opened August 2015
- Total of 12 units, with 2 closed and 4 specs
- Slow sales (0.3/month) given the lack of product appeal at this price point and the broker agents marketing
- 3-story townhomes; 26’ wide x 45’ deep
- Product has no terrace/rooftop, which has proven appealing to this Empty Nester buyer segment.

Metropolitan at Phipps THs – Heritage Select

- Model opened in October 2014
- 11 Townhome units at 30' wide x 50' deep; Sold Out
- Sold 0.5 per month with prices "from the high $900s"
- 4-story Townhomes with 3-car garage
- Rooftop terraces come standard
- Elevators are an option
- Competitive location tucked behind Phipps Mall

St. Andrews THs – Monte Hewett

- Model opened March 2015
- 23 Townhome units w/ only 6 sales (0.7/month)
- 3-story townhomes with 2 & 3-car garage plans
- No rooftop/terrace level
- Mix of products targeting Millennials with the smallest plan, while targeting Empty Nesters with the larger two
- Elevators are an option
- Less competitive location, product offering for Empty Nesters.

18 Peachtree Ave THs – John Wieland Homes

- Opened in March 2015
- Peachtree Ave off Peachtree RD NE in Garden Hills area of South Buckhead
- 8 townhome units; Sold Out before construction complete
- 4-story townhomes; 25’ x 40’
- 2-car garages
- 4th floor terraces with bedroom/bath options
- More affordable South Buckhead location
- While the Subject is better located, John Wieland Homes has stronger brand recognition to drive demand
- Elevator optional

120 West Wieuca THs – John Wieland

- Model home under construction
- 24 townhome units; no sales to date
- 4-story townhomes; 20’ wide x 50’ deep
- 2-car garages
- 4th floor terraces with 4th bedroom/full bath standard
- Elevator included
- While Chastain Park location is desirable to Millennials, then product is geared to Empty Nesters
- The Subject is better located for Empty Nesters

New Home Analysis – **Future Townhome Competition**

The Boulevard at Lenox THs - Custom

- 10 townhome units
- “From $1 Mill+”
- Cleared; horizontal development under way
- 4-story townhomes with 3 bedrooms/4.5 baths standard
- 2-car garages
- 3,100sqft heated; 3,700sqft total area
- Along Lenox Road south toward Lindbergh submarket
- Inferior location relative to the Subject

Buckhead Park Townhomes – ABB Peachtree LLC

- 20 townhome units
- Cleared; no horizontal development completed
- 4-story townhomes with 3 bedrooms/3.5 baths standard
- 2-car garages
- Along Peachtree Rd NE just a block from Subject
- Potential to package with Subject property
- Directly competitive location with Subject

New Home Analysis – **Competitor Detail**

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New Home Comps Survey Date: 8/4/2016 Project Name	Builder	MIX	PRODUCT Sq. Ft.	Plan Configuration Bed	Bath	Level	Pkg	TAX & HOA Tax Rate	Additional Taxes	HOA	Base Price	Incentives	Net Base Price (All Incentives)	Net Base Price/ Sq. Ft.	Average Options	Average Premiums	Total Total Net	Total Net Price/ Sq. Ft.	80% 3.80% Ttl Net Pmt.	31% Income to Qualify*
120 WEST WIEUCA THS																				
120 West Wieuca THs *Chastain Park*	**John Wieland**	1	3,800	4	4.5	3	2	1.50%	0.00%	$220	$921,900	($7,500)	$914,400	$241	$75,000	$10,000	$999,400	$263	$5,195	$201,000
Totals/Averages:			3,800					1.50%	0.00%	$220	$921,900	($7,500)	$914,400	$241	$75,000	$10,000	$999,400	$263	$5,195	$201,000
THE ALDREDGE THS																				
The Aldredge THs	**John Wieland Homes**	1	3,264	4	4.5	3	2	1.50%	0.00%	$385	$1,116,383	$0	$1,116,383	$342	$0	$0	$1,116,383	$342	$5,942	$230,000
		1	3,825	4	4.5	3	2	1.50%	0.00%	$385	$1,084,400	$0	$1,084,400	$284	$0	$0	$1,084,400	$284	$5,783	$224,000
		1	3,825	4	4.5	3	2	1.50%	0.00%	$385	$1,104,800	$0	$1,104,800	$289	$0	$0	$1,104,800	$289	$5,884	$228,000
		1	3,825	4	4.5	3	2	1.50%	0.00%	$385	$1,109,544	$0	$1,109,544	$290	$0	$0	$1,109,544	$290	$5,908	$229,000
		1	3,825	4	4.5	3	2	1.50%	0.00%	$385	$1,145,900	$0	$1,145,900	$300	$0	$0	$1,145,900	$300	$6,089	$236,000
		1	3,825	4	4.5	3	2	1.50%	0.00%	$385	$1,163,900	$0	$1,163,900	$304	$0	$0	$1,163,900	$304	$6,178	$239,000
		1	3,850	4	4.5	3	2	1.50%	0.00%	$385	$1,249,900	$0	$1,249,900	$325	$0	$0	$1,249,900	$325	$6,607	$256,000
		1	4,080	4	4.5	3	2	1.50%	0.00%	$385	$1,142,500	$0	$1,142,500	$280	$0	$0	$1,142,500	$280	$6,072	$235,000
		1	4,112	4	4.5	3	2	1.50%	0.00%	$385	$1,116,500	$0	$1,116,500	$272	$0	$0	$1,116,500	$272	$5,943	$230,000
Totals/Averages:			3,826					1.50%	0.00%	$385	$1,137,092	$0	$1,137,092	$297	$0	$0	$1,137,092	$297	$6,045	$234,111
3700 PEACHTREE THS																				
3700 Peachtree THs	**Atlanta Fine Homes**	1	2,540	3	3.5	3	2	1.50%	0.00%	$385	$760,000	$0	$760,000	$299	$0	$0	$760,000	$299	$4,168	$161,000
		1	2,540	3	3.5	3	2	1.50%	0.00%	$385	$799,000	$0	$799,000	$315	$0	$0	$799,000	$315	$4,362	$169,000
Totals/Averages:			2,540					1.50%	0.00%	$385	$779,500	$0	$779,500	$307	$0	$0	$779,500	$307	$4,265	$165,000

Product:	Townhomes	Total Units:	25
Configuration:	1,000	Units Sold:	1
Lot Dimensions:	20' x 50'	3 Mon. Sold:	1
% Remaining	96%	Units Remaining:	24
Sales Open Date:	Jun-16	Overall Sales Rate:	0.5
		3 Mon. Sales Rate:	0.5

Product:	Townhomes	Total Units:	24
Configuration:	1,250	Units Sold:	23
Lot Dimensions:	25' x 50'	3 Mon. Sold:	4
% Remaining	4%	Units Remaining:	1
Sales Open Date:	May-15	Overall Sales Rate:	1.5
		3 Mon. Sales Rate:	1.3

Product:	Townhomes	Total Units:	12
Configuration:	1,170	Units Sold:	2
Lot Dimensions:	26' x 45'	3 Mon. Sold:	1
% Remaining	83%	Units Remaining:	10
Sales Open Date:	Aug-15	Overall Sales Rate:	0.2
		3 Mon. Sales Rate:	0.3

New Home Analysis – **Competitor Detail** continued

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New Home Comps Survey Date: 8/4/2016 Project Name	Builder	MIX	PRODUCT					TAX & HOA													
			Sq. Ft.	Plan Configuration				Tax Rate	Additional Taxes	HOA	Base Price	Incentives	Net Base Price (All Incentives)	Net Base Price/ Sq. Ft.	Average Options	Average Premiums	Total Total Net	Total Net Price/ Sq. Ft.	80% 3.80% Ttl Net Pmt.	31% Income to Qualify*
				Bed	Bath	Level	Pkg														
18 PEACHTREE AVE THS																					
18 Peachtree Ave THs	**John Wieland Homes**	1	2,250	3	3.5	3	2	1.50%	0.00%	$385	$619,900	($20,000)	$599,900	$267	$30,000	$0	$629,900	$280	$3,520	$136,000
		1	2,475	3	3.5	3	2	1.50%	0.00%	$385	$705,200	($20,000)	$685,200	$277	$40,000	$0	$725,200	$293	$3,995	$155,000
Product: Townhomes	Total Units: 8																				
Configuration: 1,000	Units Sold: 8																				
Lot Dimensions: 25' x 40'	3 Mon. Sold: 3																				
% Remaining 0%	Units Remaining: 0																				
Sales Open Date: Mar-15	Overall Sales Rate: 0.5																				
	3 Mon. Sales Rate: 1.0																				
	Totals/Averages:		2,363					1.50%	0.00%	$385	$662,550	($20,000)	$642,550	$272	$35,000	$0	$677,550	$287	$3,758	$145,500
METROPOLITAN AT PHIPPS THS																					
Metropolitan at Phipps THs	**Heritage Select**	1	3,453	3	3.5	3	2	1.50%	0.00%	$500	$999,900	$0	$999,900	$290	$0	$0	$999,900	$290	$5,477	$212,000
		1	3,453	3	3.5	3	2	1.50%	0.00%	$500	$999,900	$0	$999,900	$290	$0	$0	$999,900	$290	$5,477	$212,000
Product: Townhomes	Total Units: 11	1	3,500	3	3.5	3	2	1.50%	0.00%	$500	$983,229	$0	$983,229	$281	$0	$0	$983,229	$281	$5,394	$209,000
Configuration: 1,500	Units Sold: 11	1	3,500	3	3.5	3	2	1.50%	0.00%	$500	$1,025,000	$0	$1,025,000	$293	$0	$0	$1,025,000	$293	$5,602	$217,000
Lot Dimensions: 30' x 50'	3 Mon. Sold: 0	1	3,643	3	3.5	3	2	1.50%	0.00%	$500	$1,200,000	$0	$1,200,000	$329	$0	$0	$1,200,000	$329	$6,473	$251,000
% Remaining 0%	Units Remaining: 0	1	3,945	3	3.5	3	2	1.50%	0.00%	$500	$1,050,000	$0	$1,050,000	$266	$0	$0	$1,050,000	$266	$5,727	$222,000
		1	3,945	3	3.5	3	2	1.50%	0.00%	$500	$1,100,000	$0	$1,100,000	$279	$0	$0	$1,100,000	$279	$5,975	$231,000
Sales Open Date: Oct-14	Overall Sales Rate: 0.5	1	3,945	3	3.5	3	2	1.50%	0.00%	$500	$1,100,000	$0	$1,100,000	$279	$0	$0	$1,100,000	$279	$5,975	$231,000
	3 Mon. Sales Rate: 0.0																				
	Totals/Averages:		3,673					1.50%	0.00%	$500	$1,057,254	$0	$1,057,254	$288	$0	$0	$1,057,254	$288	$5,763	$223,125
ST. ANDREWS THS																					
St. Andrews THs	**Monte Hewett**	1	2,278	3	3.5	3	2	1.50%	0.00%	$400	$799,900	$0	$799,900	$351	$0	$0	$799,900	$351	$4,382	$170,000
		1	3,198	3	3.5	3	2	1.50%	0.00%	$400	$1,207,900	$0	$1,207,900	$378	$0	$0	$1,207,900	$378	$6,413	$248,000
Product: Townhomes	Total Units: 23	1	3,760	3	3.5	3	2	1.50%	0.00%	$400	$1,343,900	$0	$1,343,900	$357	$0	$0	$1,343,900	$357	$7,089	$274,000
Configuration: 1,200	Units Sold: 6																				
Lot Dimensions: 22'x46' & 25'x60'	3 Mon. Sold: 2																				
% Remaining 74%	Units Remaining: 17																				
Sales Open Date: Mar-15	Overall Sales Rate: 0.4																				
	3 Mon. Sales Rate: 0.7																				
	Totals/Averages:		3,079					1.50%	0.00%	$400	$1,117,233	$0	$1,117,233	$363	$0	$0	$1,117,233	$363	$5,961	$230,667

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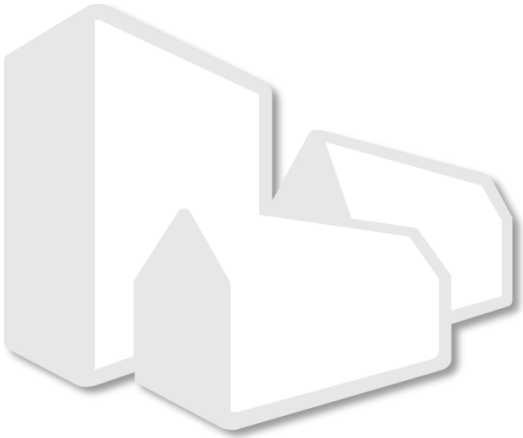
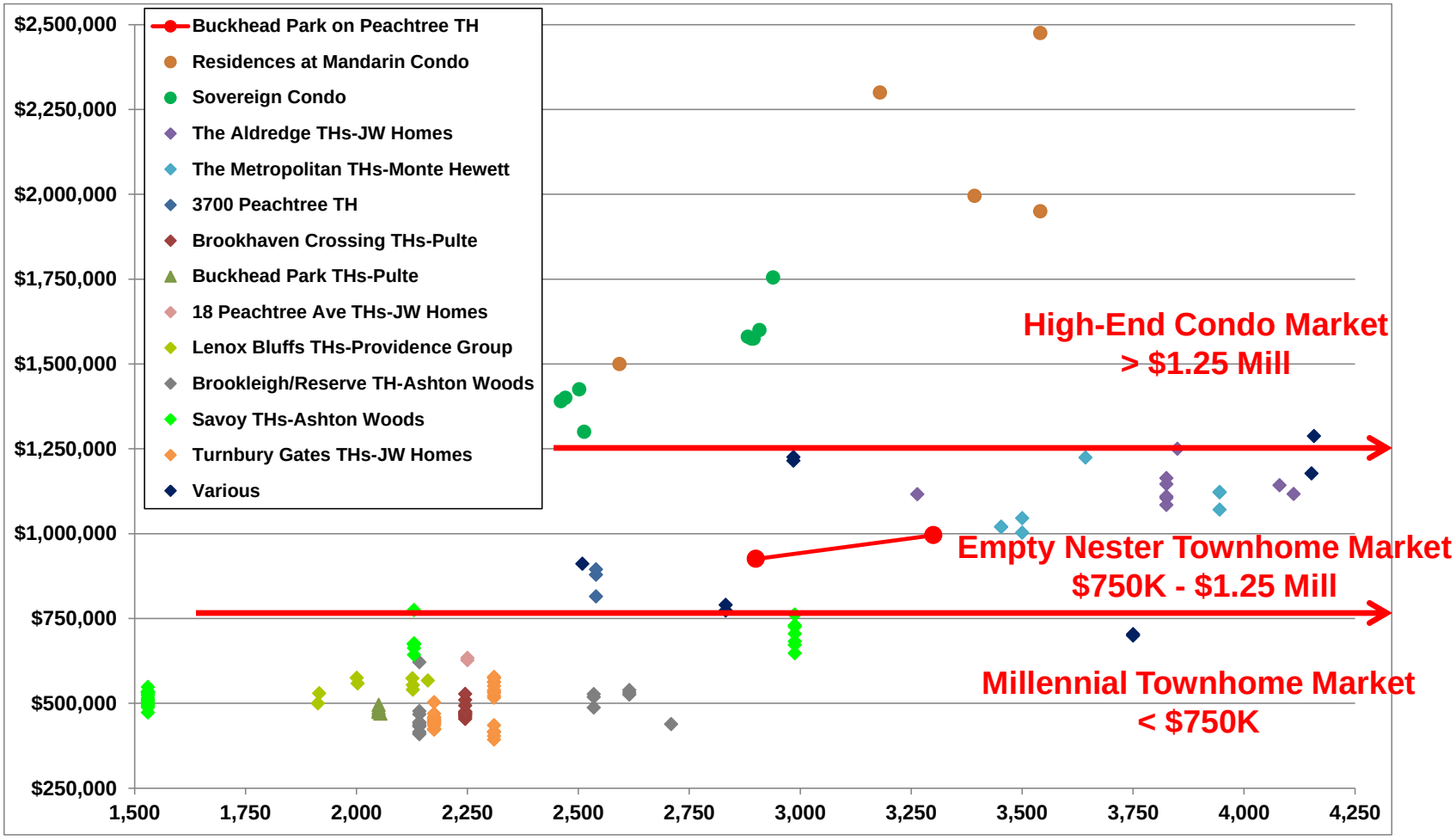


Area New & Resale Home Analysis

New and Resale Home Analysis

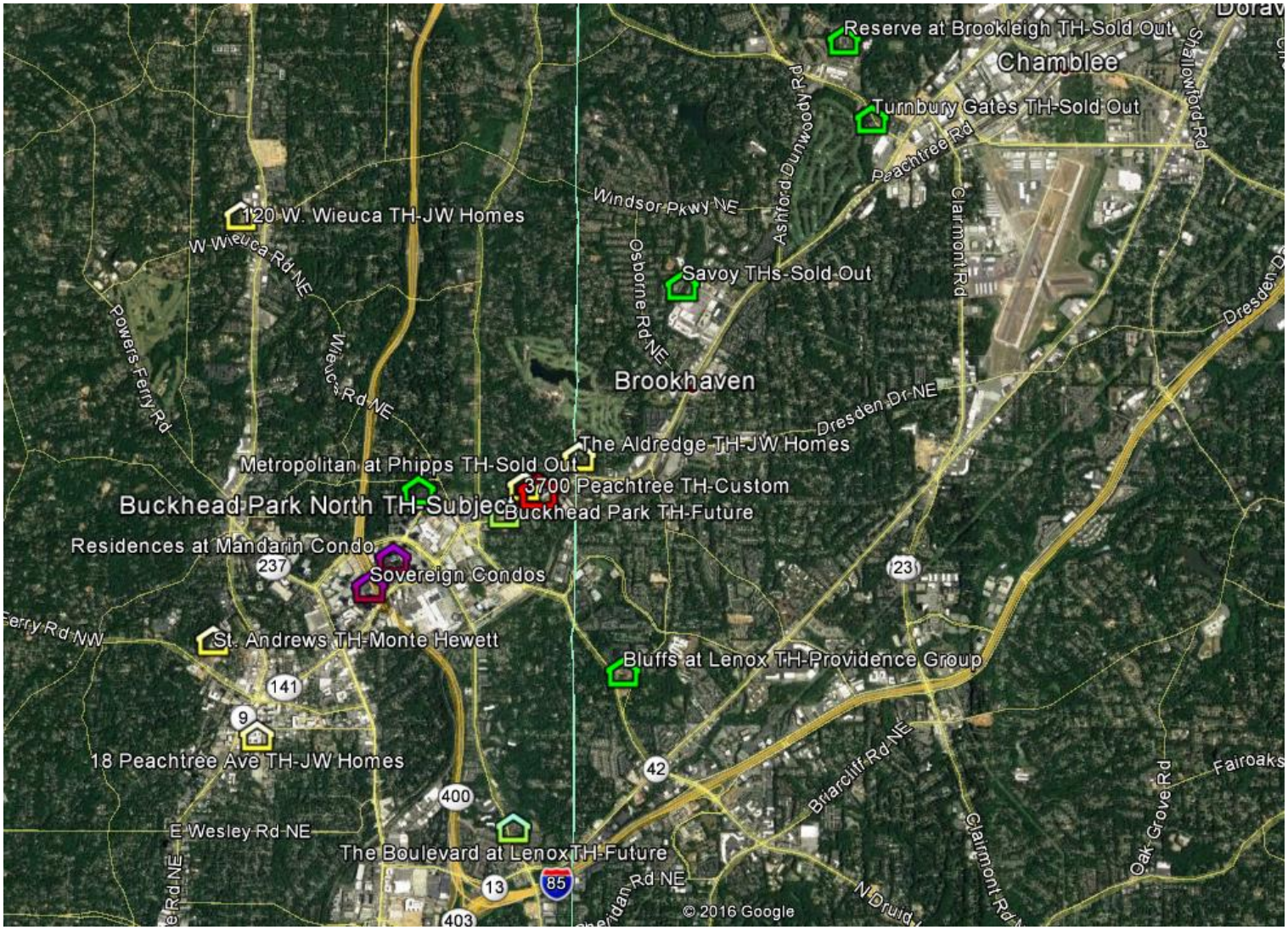
The chart below compares JBREC's recommended sales prices with the recent new and resale transactions at competitive townhome and condominium communities within the Buckhead area and other competitive "Inside the Perimeter" locations. The chart highlights the three major product targets within this area: 1) High-End Condo Market > $1.25 Mill, 2) Upscale Empty Nester THs $750K-$1.25 Mill, and 3) Millennial THs < $750K. Our recommended pricing strategy will position the Subject above the Millennial-targeted products in the market, yet at the more affordable end of the Empty Nester townhome communities, and at a significant discount to the high-end condo market.



Source: Fulton and DeKalb County Deed Records from CoreLogic, Last 12 Months

New and Resale Home Analysis – **Competitive MF Locations**

The map below includes all of the competitive new and resale townhome and condominium communities that were used in this comparison. The condominiums are highlighted in purple, while the Millennial-targeted townhomes are highlighted in green. The direct competitive townhomes and future townhome communities are also included on this map.



New and Resale Home Analysis – **Buckhead MLS Trends**

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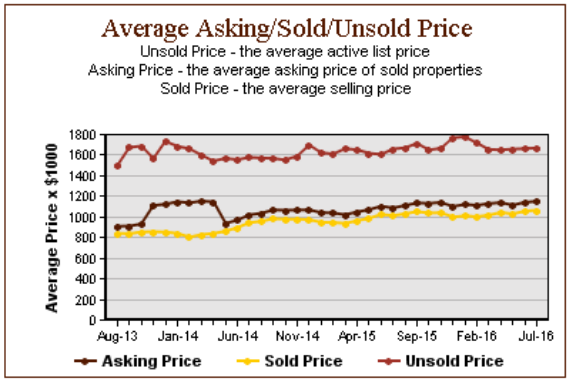
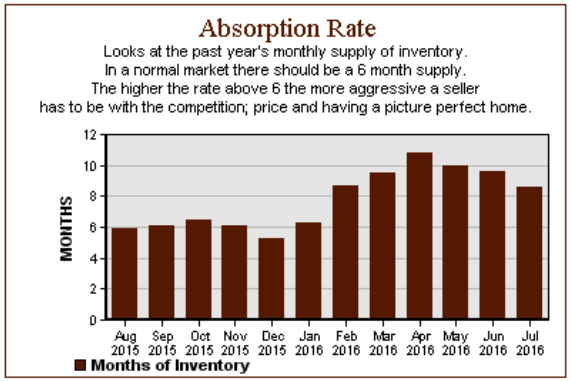
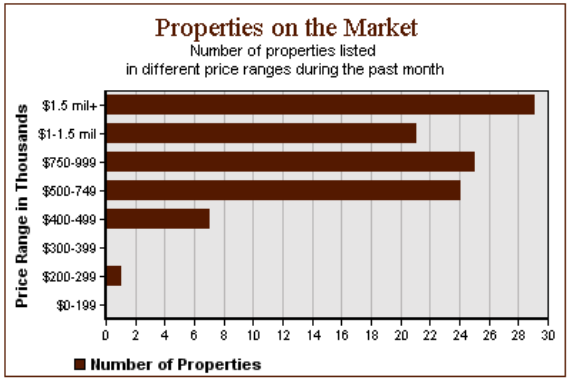
The following charts provide monthly trends in MLS listings and transactions for the Buckhead submarket. As high-end home prices have increased, the supply of high-end housing across the entire Atlanta market has also increased in direct response. However, increased prices have led to slower absorption rates compared to 2015, with sales volumes down 6% year-to-date as prices have increased nearly 5%. The average sales price of homes in Buckhead is $1.06 Mill, which is taking 3-4 months to sell.

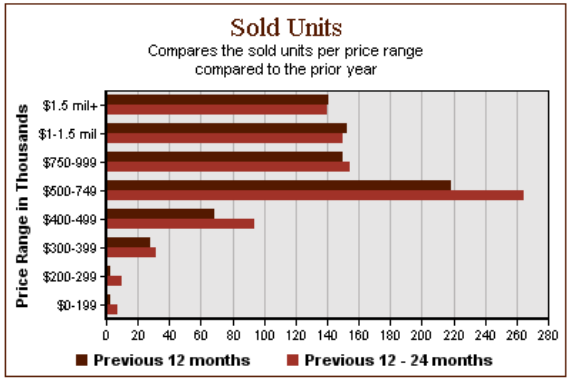
Buckhead **JULY 2016**

Market Summary	Month to Date			Year to Date		
	July 2016	July 2015	Percent Change	Year-To-Date 2016	Year-To-Date 2015	Percent Change
New Listings	107	146	-26.71%	993	1057	-6.05%
Average Listing Price	$1,151,021	$998,175	15.31%	$1,111,180	$1,059,544	4.87%
Sold Listings	61	94	-35.11%	432	518	-16.6%
Average Selling Price	$1,100,109	$966,911	13.78%	$1,057,056	$1,009,526	4.71%
Average Days on Market	100	114	-12.28%	111	112	-0.89%









Source: Atlanta Board of Realtors

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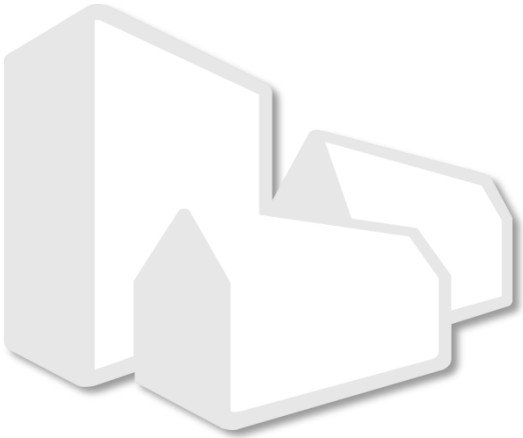
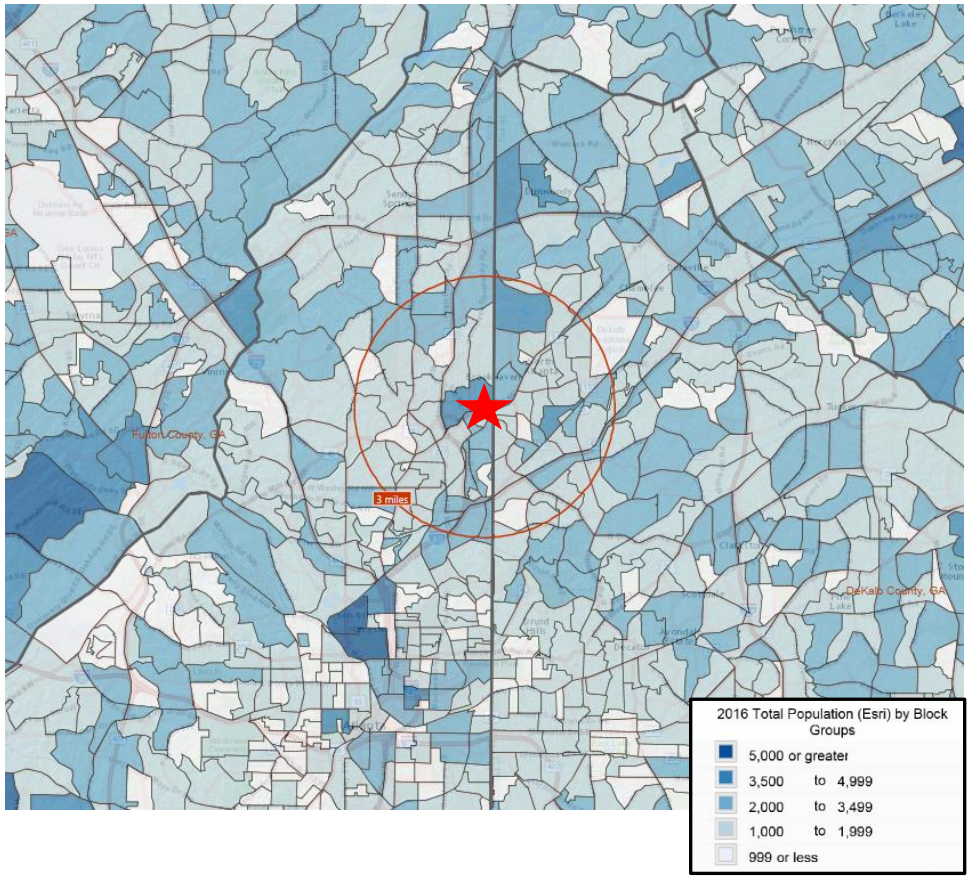
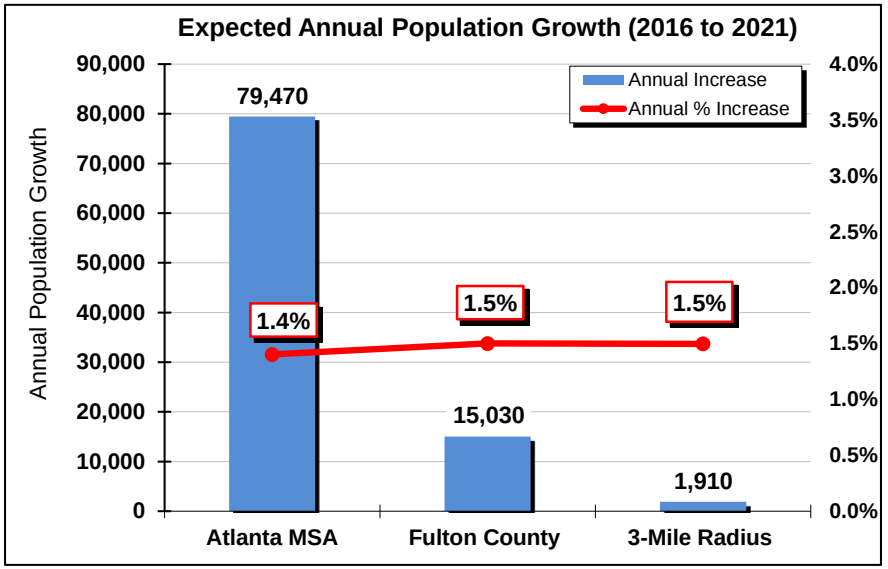


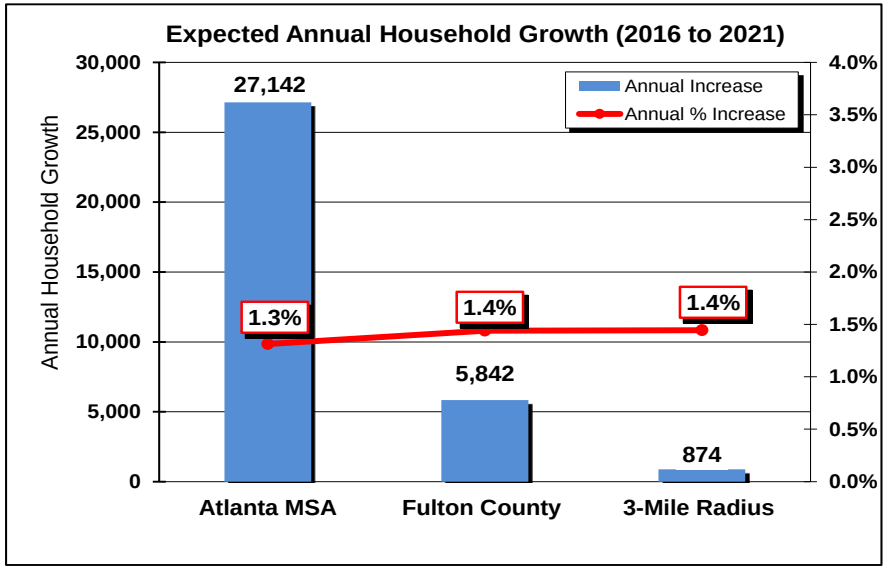
Geographic and Demographic Trends

Demographic Trends – **Population Concentration**

Through 2021, population and household growth rates in the 3-mile radius are expected to be comparable to the MSA and the county. The population growth within a 3-mile radius of the site is projected at 1.5% annually, with an expected 1.4% annual household growth.



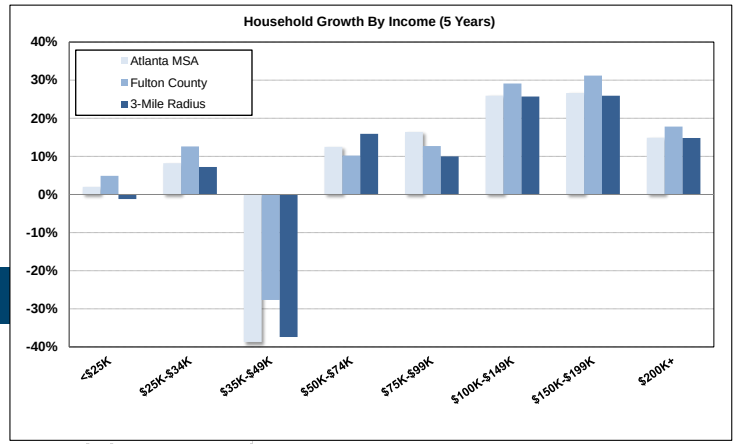




Source: ESRI

Demographic Trends – **Households by Income**

The average household income today in a 3-mile radius of the Buckhead site, $68,212, is 18.0% ahead of the Atlanta MSA ($57,792). In the site radius, almost 50% of households have incomes above $75,000. Over the next five years, the greatest income growth will occur among those earning $100-$200K.



Demographic and Income Profile

Buckhead Townhomes
3715 Peachtree Rd NE, Atlanta, Georgia, 30319
Ring: 3 mile radius

Summary	Census 2010	2016	2021
Population	116,481	127,512	137,062
Households	55,730	60,475	64,846
Families	22,636	24,133	25,619
Average Household Size	2.07	2.09	2.10
Owner Occupied Housing Units	24,458	23,638	25,108
Renter Occupied Housing Units	31,272	36,837	39,738
Median Age	33.0	34.2	34.4

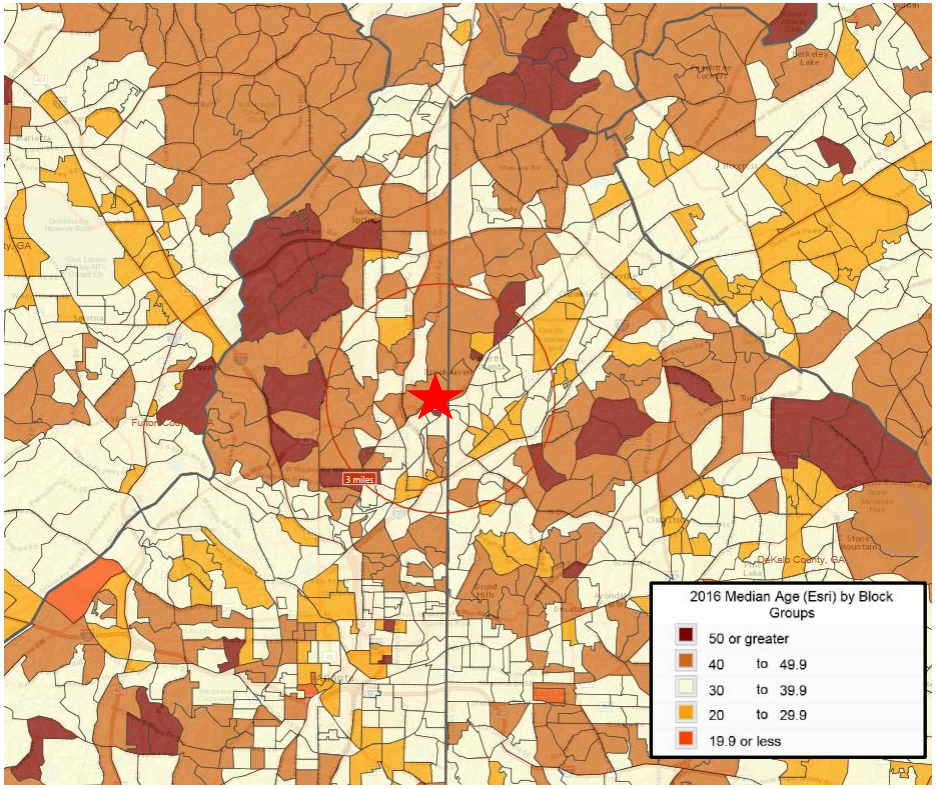
	2016		2021	
Households by Income	Number	Percent	Number	Percent
<$15,000	6,509	10.8%	6,323	9.8%
$15,000 - $24,999	4,704	7.8%	4,758	7.3%
$25,000 - $34,999	4,569	7.6%	4,898	7.6%
$35,000 - $49,999	6,954	11.5%	4,353	6.7%
$50,000 - $74,999	9,480	15.7%	10,987	16.9%
$75,000 - $99,999	6,793	11.2%	7,471	11.5%
$100,000 - $149,999	9,032	14.9%	11,351	17.5%
$150,000 - $199,999	3,888	6.4%	4,894	7.5%
$200,000+	8,545	14.1%	9,810	15.1%
Median Household Income	$68,212		$77,920	
Average Household Income	$110,782		$121,133	
Per Capita Income	$52,761		$57,502	

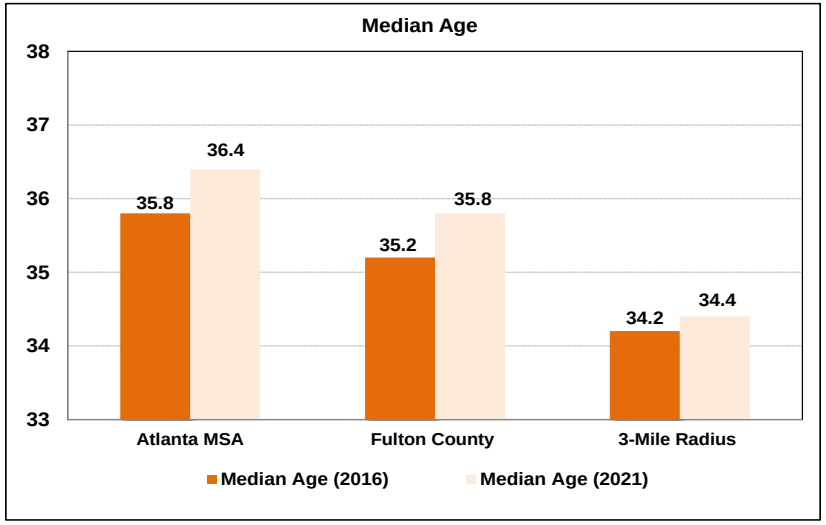
Source: ESRI

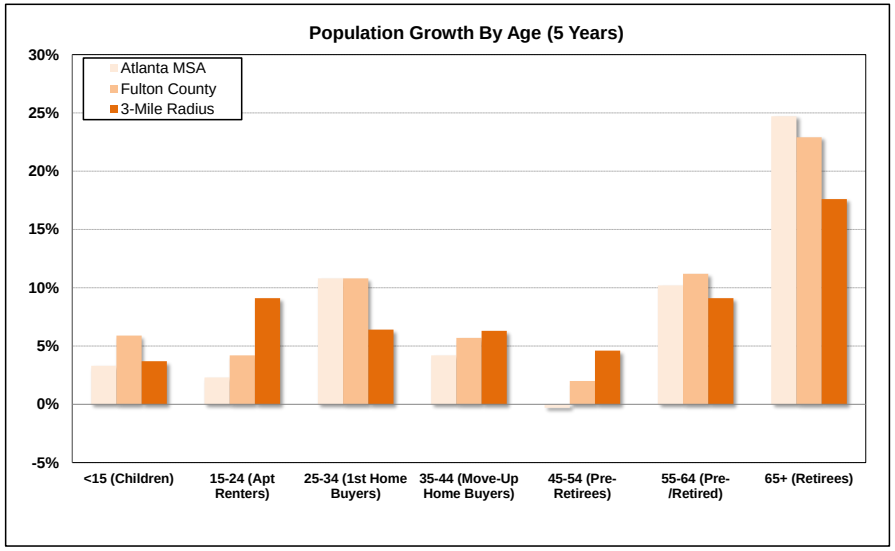
Demographic Trends – **Median Age**

The median age around the site is 34.2, slightly lower than the Atlanta MSA and Fulton County.

Population growth over the next five years will be strongest among Retirees (65+) in the MSA, the county and near the Buckhead site. Empty Nesters/Pre-Retirees aged 55-64 years old are the next fastest growing segment.







Source: ESRI

Demographic Trends – **Tapestry**

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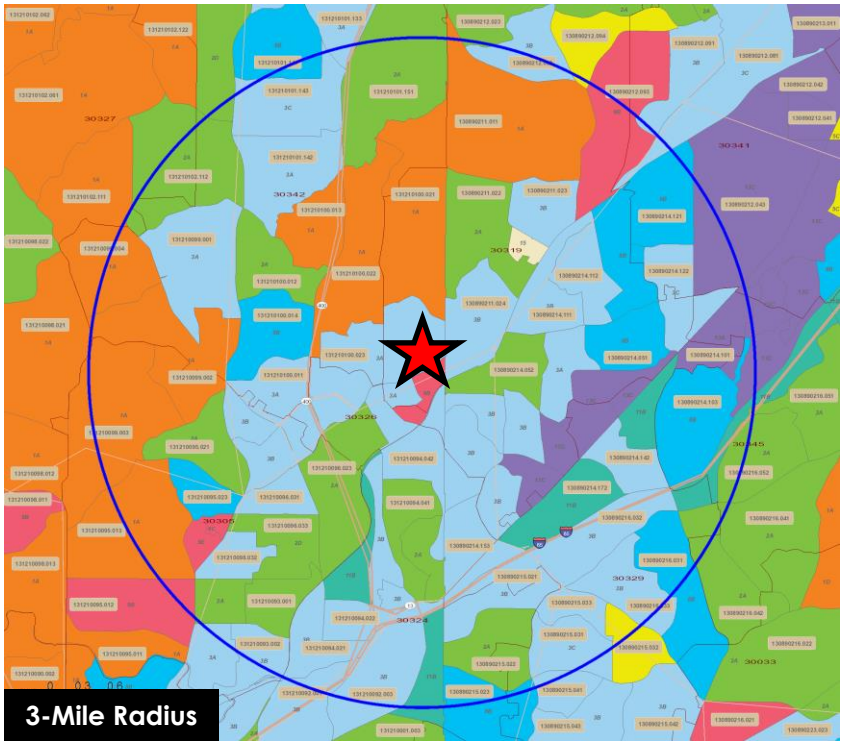
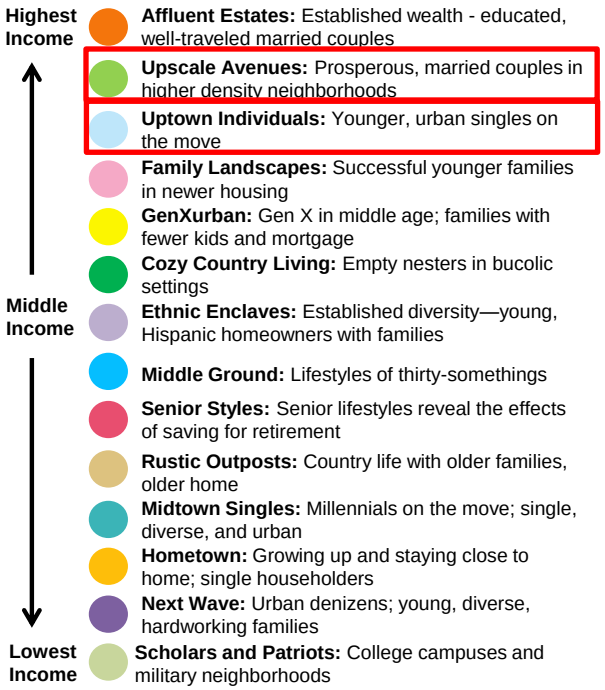
The predominate lifestyle groups living in a 3-mile radius of the Buckhead site are *Uptown Individuals* and *Upscale Avenues*. *Uptown Individuals* are mostly 30-something singles preferring multi-unit housing, and *Upscale Avenues* are married couples preferring single-family housing. The following three slides detail the top consumer segments near the site. *Metro Renters* are the primary cluster comprising 36.1% of area households.



Source: ESRI



3-MILE RADIUS								Locally Adjusted Cluster Characteristics					
Rank	Cluster	Lifestyle Group	Urbanization Group	Household Type	Diversity Index	Own vs. Rent	Preferred Housing	Age	HH Size	HH Income	Net Worth	Home Value	HH %
1	Metro Renters (3B)	Uptown Individuals	Principal Urban Center	Singles	60.1	21%	Multi-Unit Rentals	32.0	1.66	$56,900	$15,100	$331,400	36.1%
2	Laptops and Lattes (3A)	Uptown Individuals	Principal Urban Center	Singles	48.1	38%	High Density Apartments	37.0	1.85	$100,100	$78,600	$662,200	14.1%
3	Urban Chic (2A)	Upscale Avenues	Suburban Periphery	Married Couples	46.0	67%	Single Family	42.7	2.37	$101,900	$260,400	$515,400	9.1%
4	Emerald City (8B)	Middle Ground	Metro Cities	Singles	48.7	49%	Single Family; Multi-Units	36.8	2.04	$52,700	$41,400	$235,800	7.9%
5	Top Tier (1A)	Affluent Estates	Suburban Periphery	Married Couples	35.5	90%	Single Family	46.4	2.81	$162,900	$570,600	$720,500	6.8%
6	Young and Restless (11B)	Midtown Singles	Metro Cities	Singles	76.4	13%	Multi-Unit Rentals	29.5	2.02	$36,800	$11,800	$166,900	5.8%
7	Trendsetters (3C)	Uptown Individuals	Principal Urban Center	Singles	75.7	25%	High Density Apartments	35.7	2.10	$55,100	$18,200	$456,100	5.2%
8	Enterprising Professionals (2D)	Upscale Avenues	Suburban Periphery	Married Couples	71.8	52%	Multi-Units; Single Family	34.9	2.46	$80,000	$88,800	$318,800	4.5%
9	NeWest Residents (13C)	Next Wave	Principal Urban Center	Married Couples w/ Kids	87.1	17%	Multi-Unit Rentals	27.0	3.32	$29,700	$10,800	$129,200	4.5%
10	Golden Years (9B)	Senior Styles	Suburban Periphery	Singles	41.5	64%	Single Family; Multi-Units	51.3	2.04	$62,700	$165,000	$304,700	2.1%

LifeMode Group: Uptown Individuals

Metro Renters

3B

Households: 1,734,000

Average Household Size: 1.66

Median Age: 31.8

Median Household Income: $52,000

WHO ARE WE?

Residents in this highly mobile and educated market live alone or with a roommate in older apartment buildings and condos located in the urban core of the city. This is one of the fastest growing segments; the popularity of urban life continues to increase for consumers in their late twenties and thirties. *Metro Renters* residents income is close to the US average, but they spend a large portion of their wages on rent, clothes, and the latest technology. Computers and cell phones are an integral part of everyday life and are used interchangeably for news, entertainment, shopping, and social media. *Metro Renters* residents live close to their jobs and usually walk or take a taxi to get around the city.

OUR NEIGHBORHOOD

- Over half of all households are occupied by singles, resulting in the smallest average household size among the markets, 1.66.
- Neighborhoods feature 20+ unit apartment buildings, typically surrounded by offices and businesses.
- Renters occupy close to 80% of all households.
- Public transportation, taxis, walking, and biking are popular ways to navigate the city.

SOCIOECONOMIC TRAITS

- Well-educated consumers, many currently enrolled in college.
- Very interested in the fine arts and strive to be sophisticated; value education and creativity.
- Willing to take risks and work long hours to get to the top of their profession.
- Become well informed before purchasing the newest technology.
- Prefer environmentally safe products.
- Socializing and social status very important.

TAPESTRY SEGMENTATION
esri.com/tapestry

Note: The index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by Ci\K MRI.

LifeMode Group: Uptown Individuals

Laptops and Lattes

3A

Households: 1,240,000

Average Household Size: 1.85

Median Age: 36.9

Median Household Income: $93,000

WHO ARE WE?

Laptops and Lattes residents are predominantly single, well-educated professionals in business, finance, legal, computer, and entertainment occupations. They are affluent and partial to city living—and its amenities. Neighborhoods are densely populated, primarily located in the cities of large metropolitan areas. Many residents walk, bike, or use public transportation to get to work; a number work from home. Although single householders technically outnumber couples, this market includes a higher proportion of partner households, including the highest proportion of same-sex couples. Residents are more interested in the stock market than the housing market. *Laptops and Lattes* residents are cosmopolitan and connected—technologically savvy consumers. They are active and health conscious, and care about the environment.

TAPESTRY SEGMENTATION
esri.com/tapestry

OUR NEIGHBORHOOD

- 30-something single householders (Index 174), with a number of shared households (Index 246); low average household size of 1.85.
- City dwellers, primarily in apartment buildings: with 2–4 units (Index 190), 5–19 units (Index 223), or 20+ units (Index 548).
- Older housing, 2 out of 3 homes built before 1970; 42% built before 1940 (Index 310).
- Most households renter occupied, with average rent close to $1,800 monthly (Index 183).
- Many owner-occupied homes valued at $500,000+ (Index 684).
- Majority of households own no vehicle at 36% (Index 398) or 1 vehicle (41%).

SOCIOECONOMIC TRAITS

- Three out of four have a bachelor's degree or higher (Index 269).
- Unemployment rate is low at 5.3%; labor force participation is high, more than 75%.
- Salaries are the primary source of income for most households, but self-employment income (Index 147) and investment income (Index 167) complement the salaries in this market.
- These are health-conscious consumers, who exercise regularly and pay attention to the nutritional value of the food they purchase.
- Environmentally conscientious but also image-conscious: both impact their purchasing.

Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.

LifeMode Group: Upscale Avenues

Urban Chic

2A

Households: 1,574,000

Average Household Size: 2.37

Median Age: 42.6

Median Household Income: $98,000

WHO ARE WE?

Urban Chic residents are professionals that live a sophisticated, exclusive lifestyle. Half of all households are occupied by married-couple families and about 30% are singles. These are busy, well-connected, and well-educated consumers—avid readers and moviegoers, environmentally active, and financially stable. This market is a bit older, with a median age of almost 43 years, and growing slowly, but steadily.

OUR NEIGHBORHOOD

- More than half of *Urban Chic* households include married couples; 30% are singles.
- Average household size is slightly lower at 2.37.
- Homes range from prewar to recent construction, high-rise to single family. Over 60% of householders live in single-family homes; more than one in four live in multiunit structures.
- Two-thirds of homes are owner occupied.
- Major concentrations of these neighborhoods are found in the suburban periphery of large metropolitan areas on the California coast and along the East Coast.
- Most households have two vehicles available. Commuting time is slightly longer, but commuting by bicycle is common (Index 236).

SOCIOECONOMIC TRAITS

- Well educated, more than 60% of residents hold a bachelor's degree or higher (Index 223).
- Unemployment rate is well below average at 5% (Index 62); labor force participation is higher at 69%.
- Residents are employed in white collar occupations—in managerial, technical, and legal positions.
- Over 40% of households receive income from investments.
- Environmentally aware, residents actively recycle and maintain a "green" lifestyle.
- These busy, tech-savvy residents use PCs extensively for an array of activities such as shopping, banking, and staying current—a top market for Apple computers.

TAPESTRY SEGMENTATION
esri.com/tapestry

Note: The index represents the ratio of the segment rate to the US rate multiplied by 100.
Consumer preferences are estimated from data by Gfk MRI.

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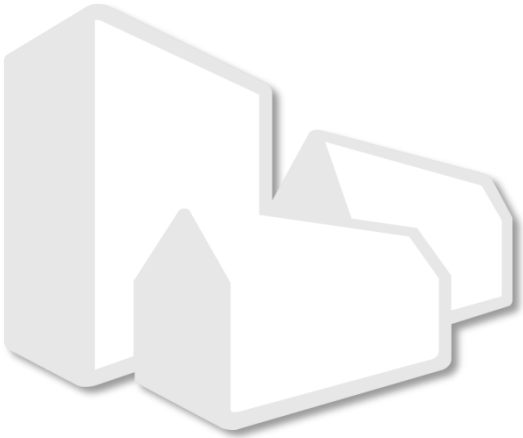
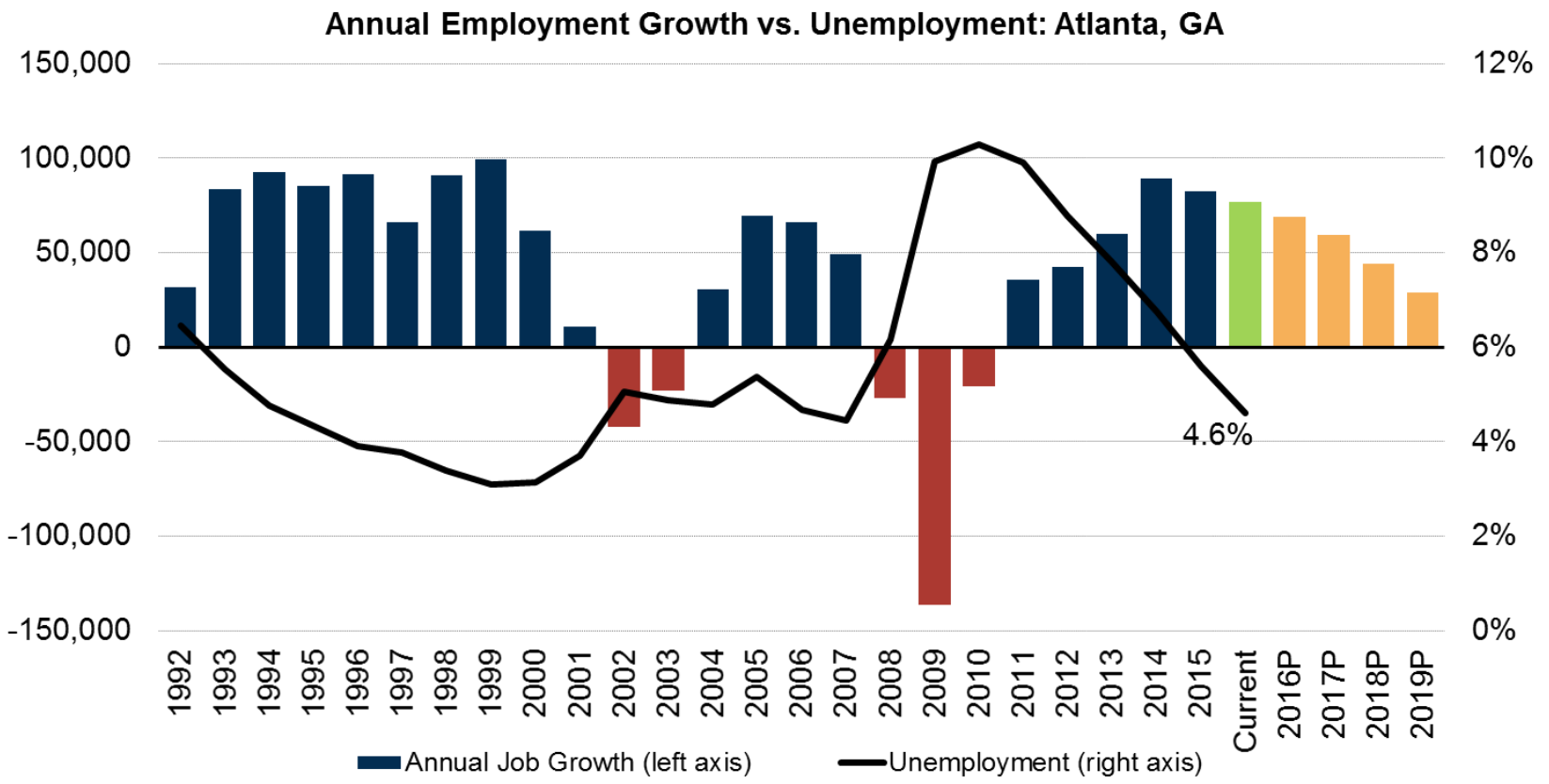
REAL ESTATE CONSULTING



Economic and Housing Market Trends – MSA

Economic and Housing Market Trends – **Employment**

Employment growth in the Atlanta market is currently up 3.0%, adding over 76,000 net new jobs on a rolling twelve month basis. The unemployment rate is at 4.6%, better than the 4.9% national average. We anticipate slowing employment growth through 2019.

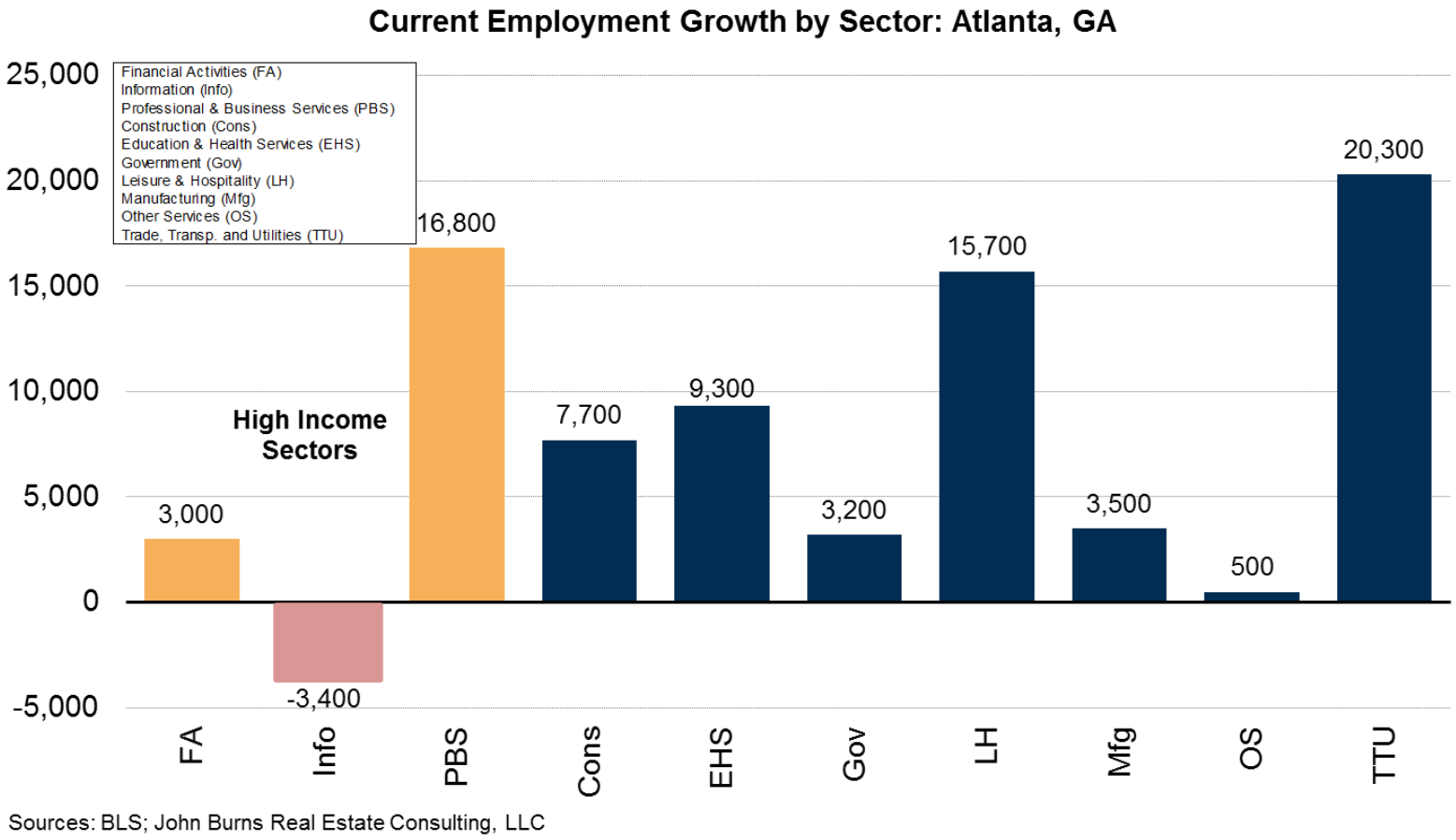


Sources: BLS; John Burns Real Estate Consulting, LLC

Employment History & Projections	2009	2010	2011	2012	2013	2014	2015	Current	2016P	2017P	2018P	2019P
Payroll Survey Total	2,296,500	2,275,600	2,311,200	2,353,600	2,413,500	2,502,500	2,584,900	2,661,800	2,653,900	2,712,900	2,756,900	2,785,400
1-Year Change	-136,600	-20,900	35,600	42,400	59,900	89,000	82,400	76,600	69,000	59,000	44,000	28,500
1-Year Growth Rate	-5.6%	-0.9%	1.6%	1.8%	2.5%	3.7%	3.3%	3.0%	2.7%	2.2%	1.6%	1.0%
Unemployment Rate	9.9%	10.3%	9.9%	8.8%	7.8%	6.7%	5.6%	4.6%				

Economic and Housing Market Trends – **Employment Sectors**

The Atlanta MSA enjoys a high concentration of college-educated workers matched with an employer base of high-technology companies in life sciences, research and development, information technology, professional and business services, and advanced manufacturing. Over the past twelve months, 22% of total job growth occurred in the Professional and Business Services sector, a high income sector and primary driver of housing demand. The Trade, Transportation & Utilities (TTU) and Leisure & Hospitality (LH) sectors also drove employment expansion, accounting for 27% and 20% of the growth respectively over the past twelve months. The Atlanta MSA has a higher concentration of jobs in the Professional and Business Services and Transportation & Utilities sectors than the US.

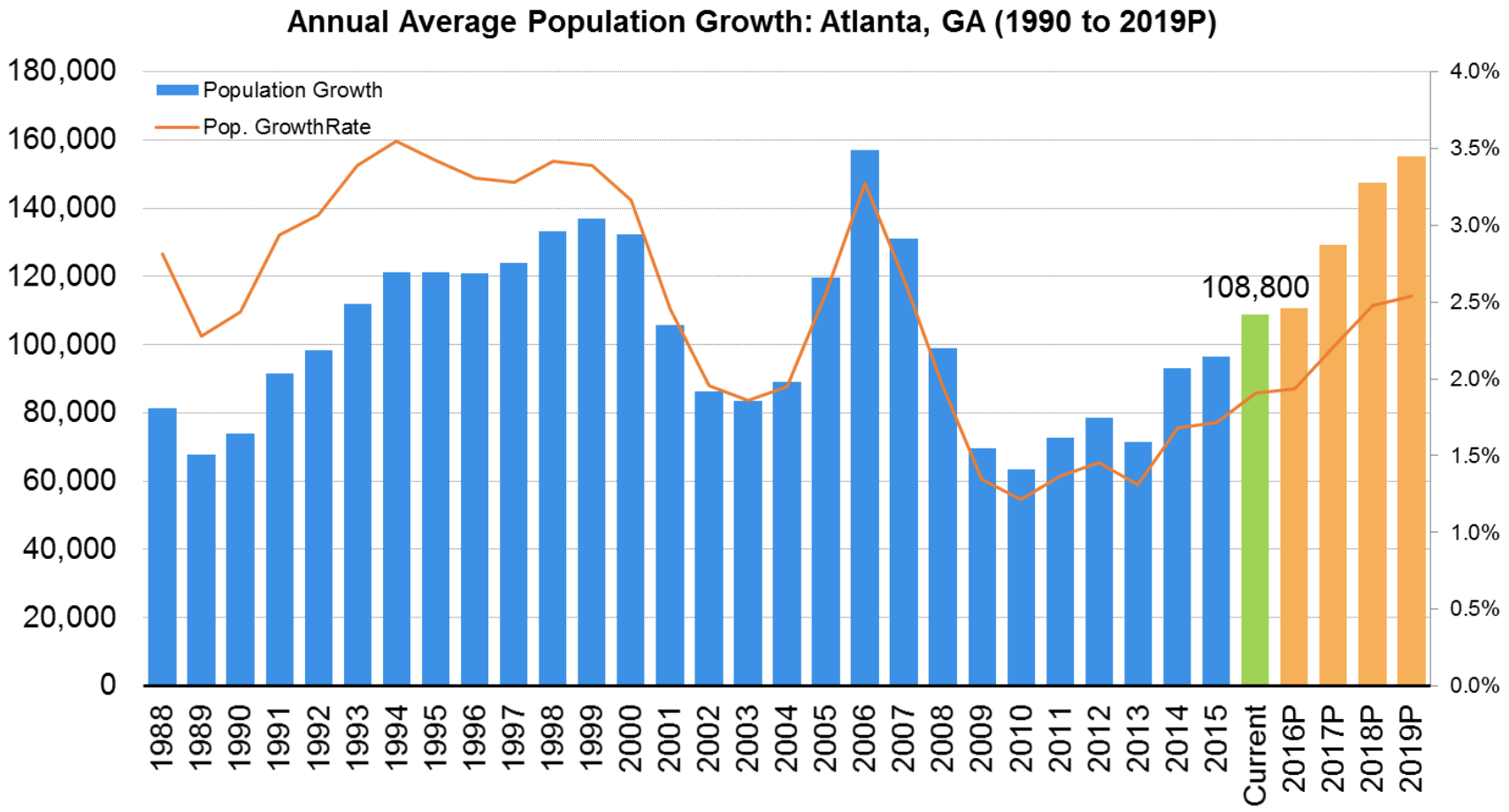


Sources: BLS; John Burns Real Estate Consulting, LLC

Economic and Housing Market Trends – **Population Growth**

JOHN BURNS REAL ESTATE CONSULTING

Population growth in the market is projected to increase by approximately 144,000 annually on average between 2017 and 2019. We estimate the population growth rate will escalate from 1.9% in 2016 to 2.5% in 2018 and 2019.

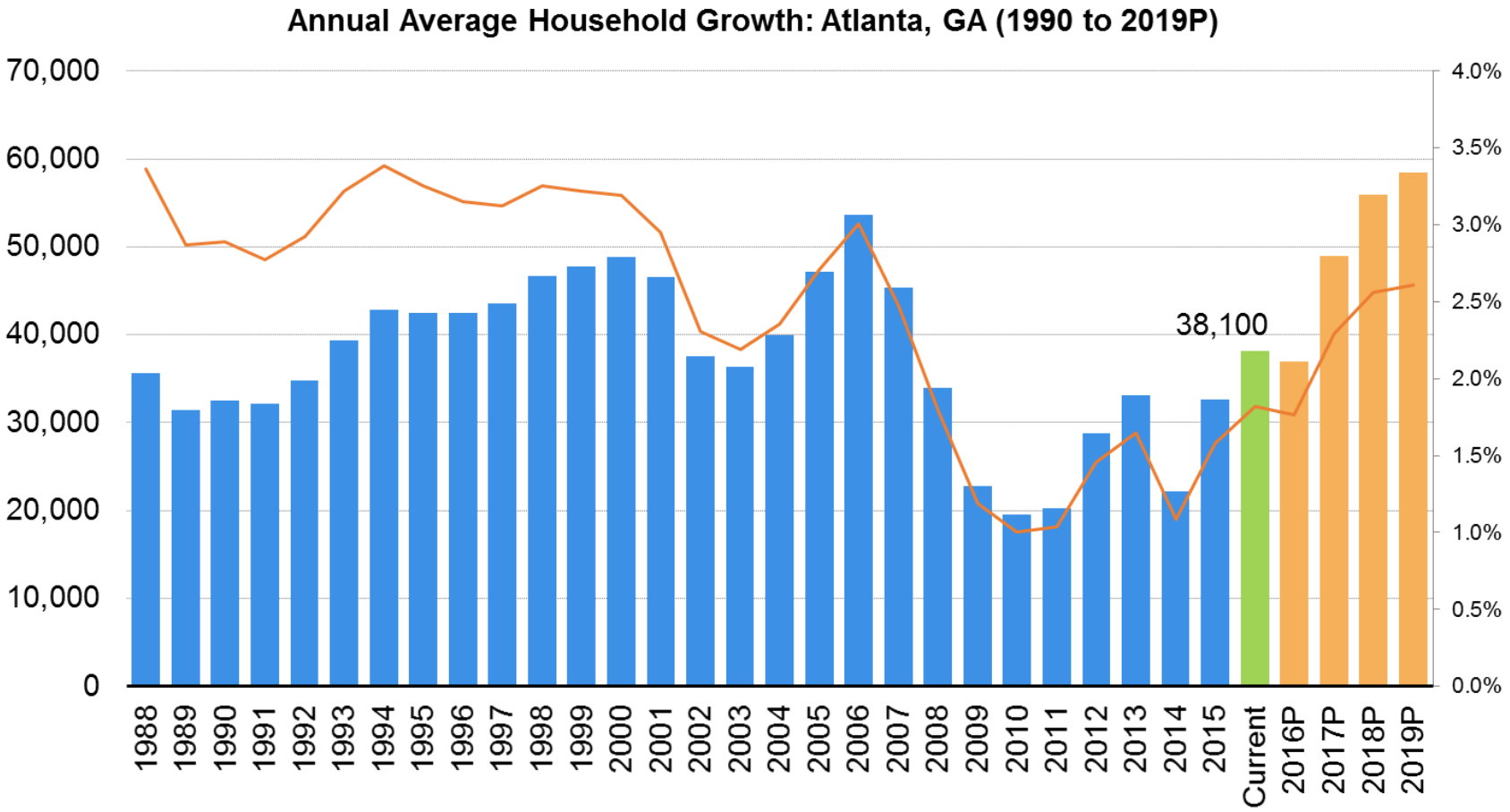


Sources: Moody's Analytics; John Burns Real Estate Consulting, LLC

Population History & Projections	2009	2010	2011	2012	2013	2014	2015	Current	2016P	2017P	2018P	2019P
Population Total	5,248,600	5,312,200	5,384,800	5,463,300	5,534,900	5,627,900	5,724,400	5,819,400	5,835,000	5,964,100	6,111,700	6,266,800
1-Year Change	69,600	63,600	72,600	78,500	71,600	93,000	96,500	108,800	110,600	129,100	147,600	155,100
1-Year Growth Rate	1.3%	1.2%	1.4%	1.5%	1.3%	1.7%	1.7%	1.9%	1.9%	2.2%	2.5%	2.5%

Economic and Housing Market Trends – **Household Growth**

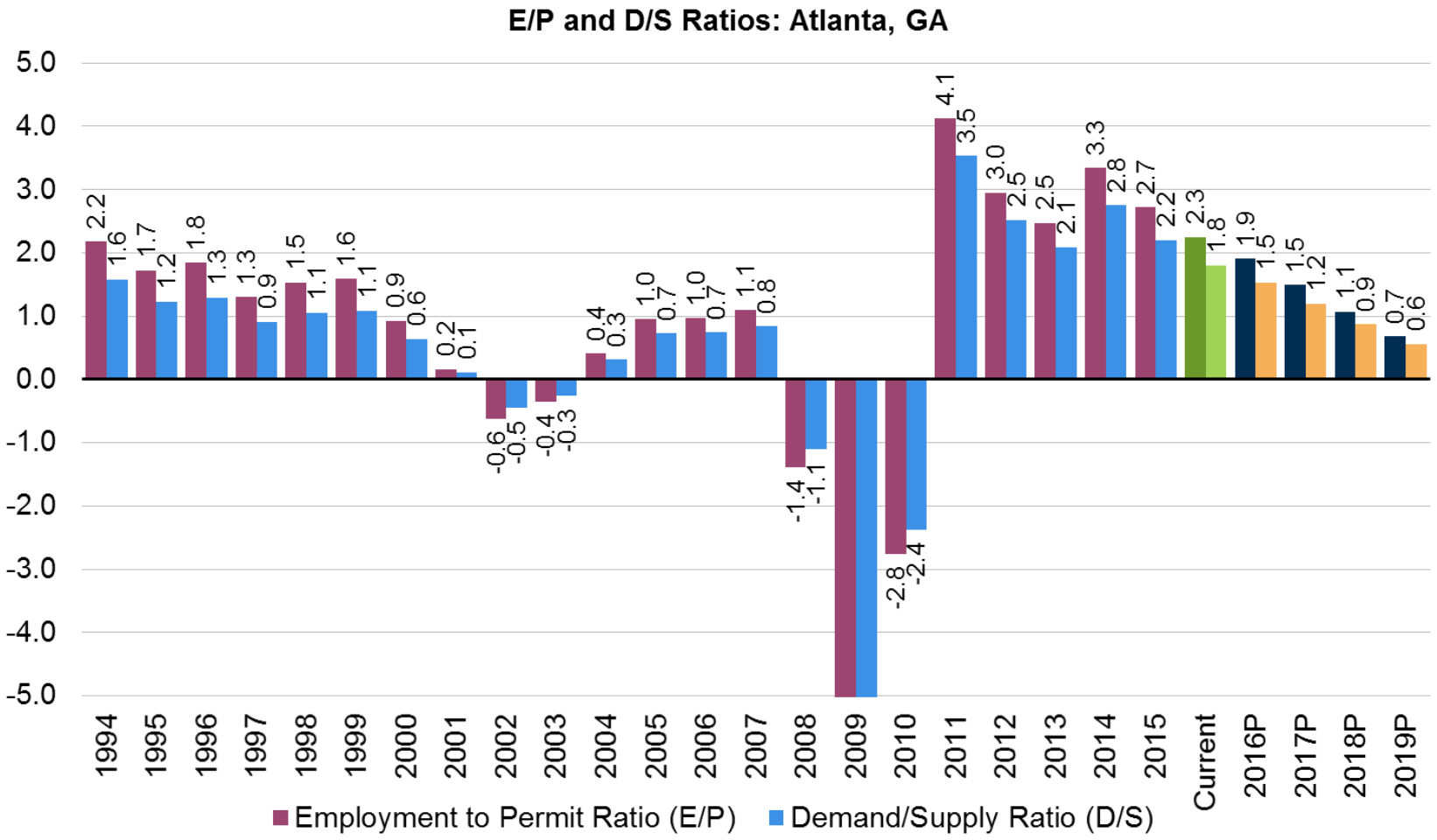
JBREC anticipates the household growth in the Atlanta MSA will grow year-over-year by approximately 54,500 annually on average between 2017 and 2019, accelerating from the current growth rate of 38,100 net new households annually.



Sources: Moody's Analytics; John Burns Real Estate Consulting, LLC

Household History & Projections	2009	2010	2011	2012	2013	2014	2015	Current	2016P	2017P	2018P	2019P
Household Total	1,941,400	1,960,900	1,981,200	2,010,000	2,043,100	2,065,300	2,097,900	2,129,000	2,134,900	2,183,900	2,239,800	2,298,300
1-Year Change	22,800	19,500	20,300	28,800	33,100	22,200	32,600	38,100	37,000	49,000	55,900	58,500
1-Year Growth Rate	1.2%	1.0%	1.0%	1.5%	1.6%	1.1%	1.6%	1.8%	1.8%	2.3%	2.6%	2.6%

Driven by strong jobs gains, the current employment growth to building permit ratio in Atlanta is 2.3. Both employment and permitting activity are projected to slow over the next three years, tipping the E/P ratio below balanced market conditions. A market is considered balanced with a 1.0 to 1.5 job-to-permit ratio.

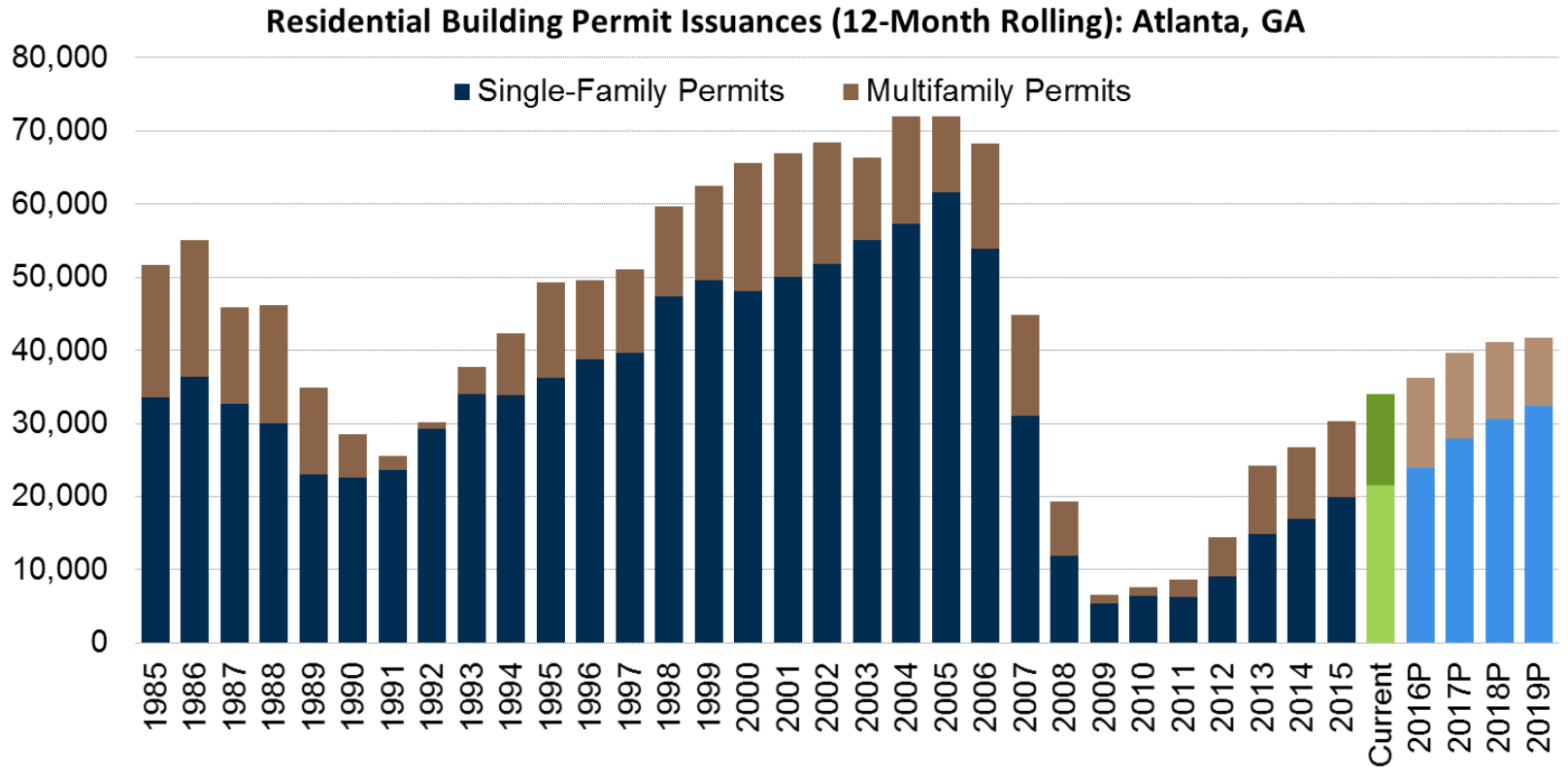


Sources: Census, BLS; John Burns Real Estate Consulting, LLC

Economic and Housing Market Trends – **Building Permits**

JOHN BURNS REAL ESTATE CONSULTING

After a severe market correction from 2006 to 2009, total permits in the Atlanta market grew at an average of +31.5% annually over the past six years. Over the past twelve months, permitting activity is up 21%, with double digit growth in both single and multifamily permits. We expect permitting activity to remain well short of peak levels over the short term with slowing growth beginning in 2018. Continued strength in single-family permitting will contribute to total permit growth of 10% in 2017 with flattening total permit growth through 2019.

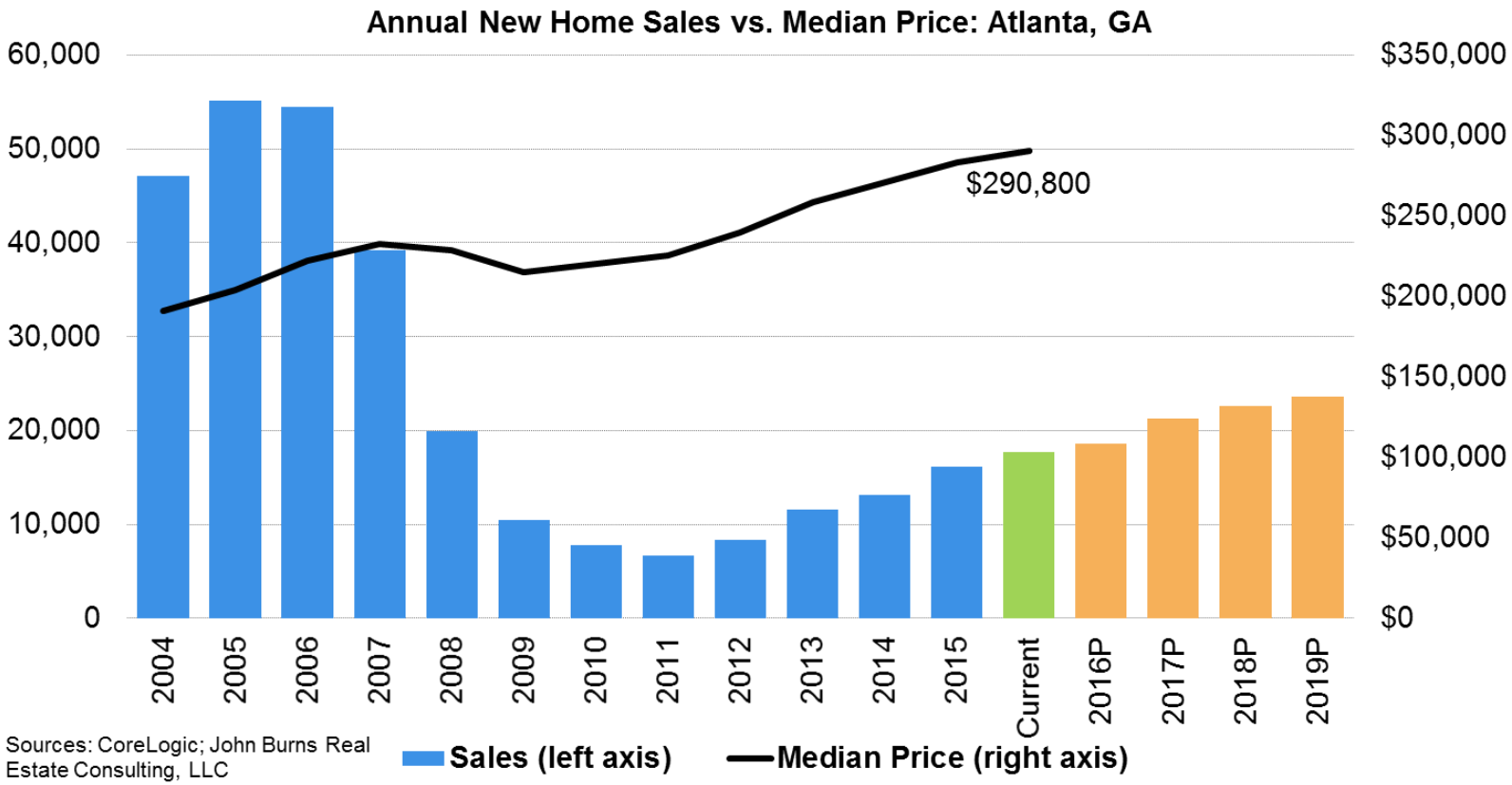


Sources: Census; John Burns Real Estate Consulting, LLC

Permit History & Projections	2009	2010	2011	2012	2013	2014	2015	Current	2016P	2017P	2018P	2019P
Single-Family Permits	5,421	6,384	6,214	9,167	14,824	16,984	19,995	21,546	24,000	28,000	30,600	32,400
1-Year Growth Rate	-55%	18%	-3%	48%	62%	15%	18%	17%	20%	17%	9%	6%
Multifamily Permits	1,112	1,191	2,420	5,213	9,473	9,699	10,347	12,430	12,200	11,700	10,600	9,400
1-Year Growth Rate	-85%	7%	103%	115%	82%	2%	7%	29%	18%	-4%	-9%	-11%
Total Permits	6,533	7,575	8,634	14,380	24,297	26,683	30,342	33,976	36,200	39,700	41,200	41,800
1-Year Growth Rate	-66%	16%	14%	67%	69%	10%	14%	21%	19%	10%	4%	1%

Economic and Housing Market Trends – **New Home Sales and Pricing**

New home sales grew by double digits in each of the last four years and is up 27% over the past twelve months. We anticipate 15% annual sales growth through 2017 with positive but slowing growth through 2019. Median new home pricing held fairly stable during the recession. Currently at a record high of $290,800, we project new home price appreciation to peak at 2.1% in 2018 before slowing appreciation continues through 2019.

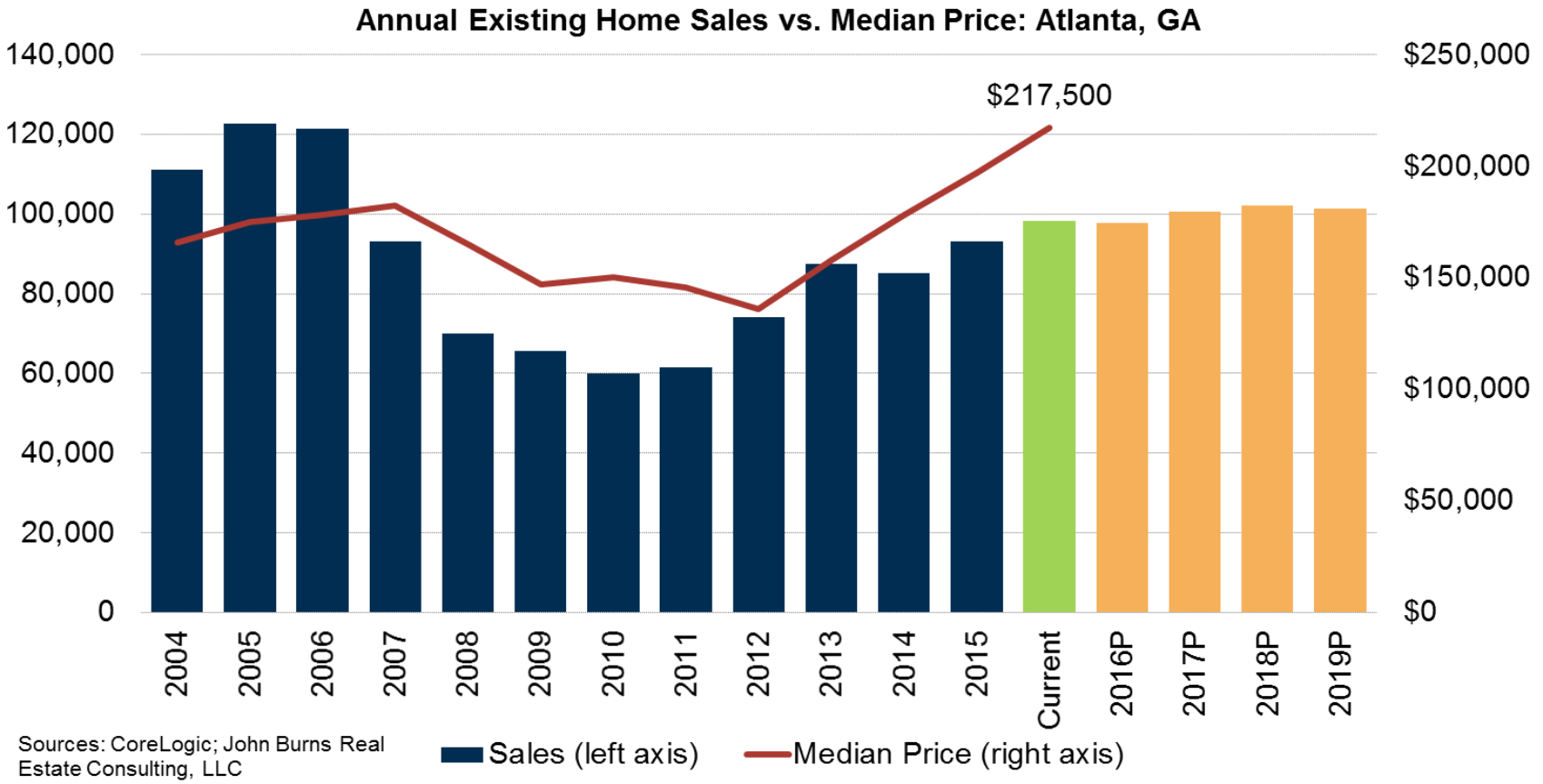


New Home Projections	2009	2010	2011	2012	2013	2014	2015	Current	2016P	2017P	2018P	2019P
Annualized New Home Sales	10,500	7,838	6,664	8,297	11,610	13,102	16,127	17,736	18,600	21,300	22,600	23,600
1-Year Growth Rate	-47%	-25%	-15%	25%	40%	13%	23%	27%	15%	15%	6%	4%
Median New Home Price	$215,000	$220,600	$225,800	$239,700	$258,500	$270,700	$283,400	$290,800	n/a	n/a	n/a	n/a
1-Year Growth Rate	-6%	3%	2%	6%	8%	5%	5%	3%				
New Home Price Appreciation Forecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.8%	2.1%	1.6%	0.6%

Economic and Housing Market Trends – **Existing Home Sales and Pricing**

JOHN BURNS REAL ESTATE CONSULTING

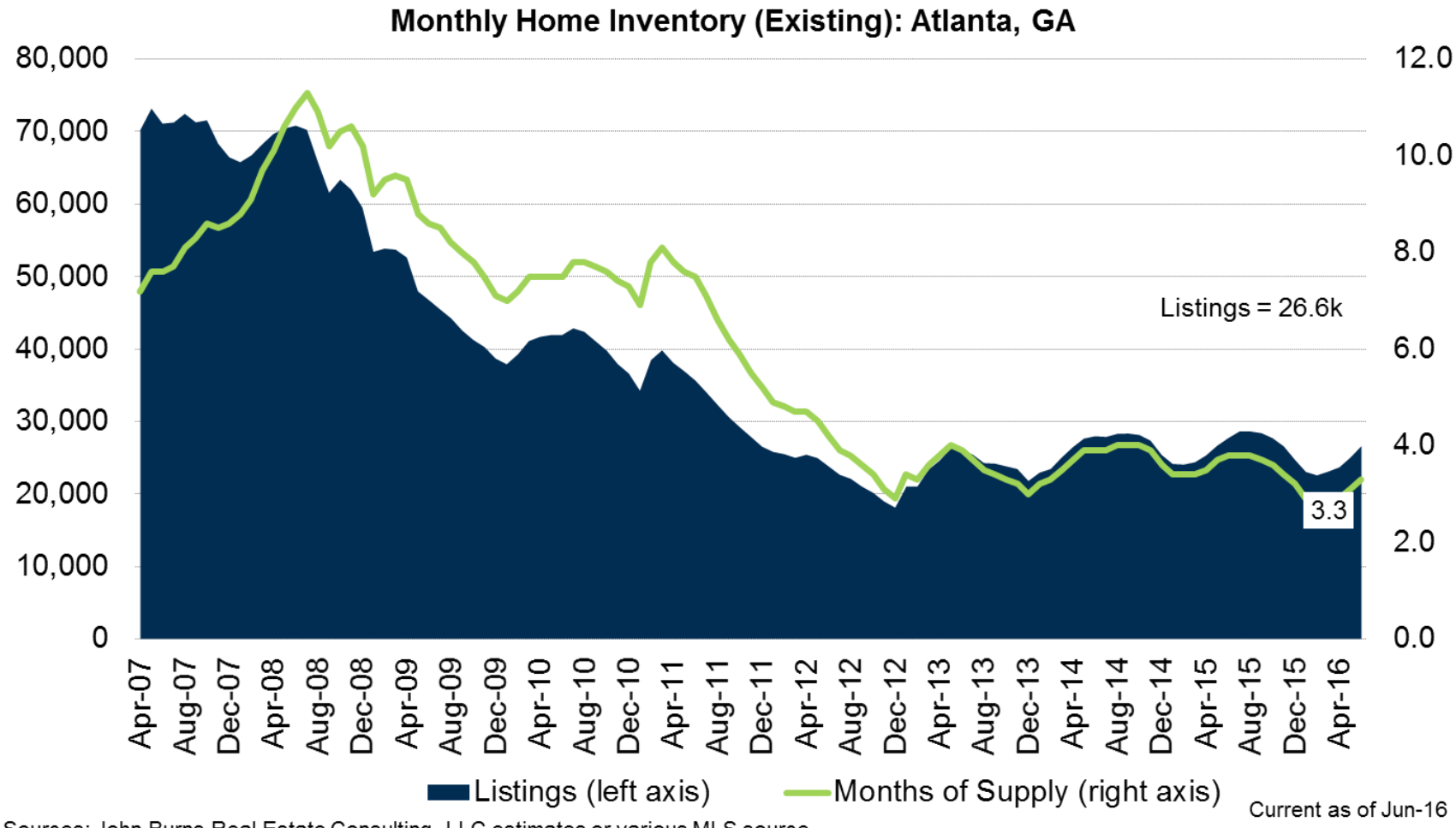
Existing home sales are up 13% on a twelve month basis ending June 2016 cresting 98,000 sold homes. The median existing home price is currently $217,500, up 5% on a rolling twelve month basis. Existing home sales are projected to flatten by 2018, while home price appreciation is expected to continue through 2019.



Resale Home History & Projections	2009	2010	2011	2012	2013	2014	2015	Current	2016P	2017P	2018P	2019P
Annualized Existing Home Sales	65,561	59,908	61,509	74,080	87,370	85,209	93,248	98,186	97,800	100,700	102,200	101,400
1-Year Growth Rate	-6%	-9%	3%	20%	18%	-2%	9%	13%	5%	3%	1%	-1%
Median Existing Home Price	$147,000	$150,500	$145,600	$136,000	$158,300	$178,500	$196,900	$217,500	n/a	n/a	n/a	n/a
1-Year Growth Rate	-11%	2%	-3%	-7%	16%	13%	10%	5%				
Burns Home Value Index™	-7%	-7%	-9%	6%	15%	9%	7%	6%	5%	4%	3%	1%

Economic and Housing Market Trends – **Inventory**

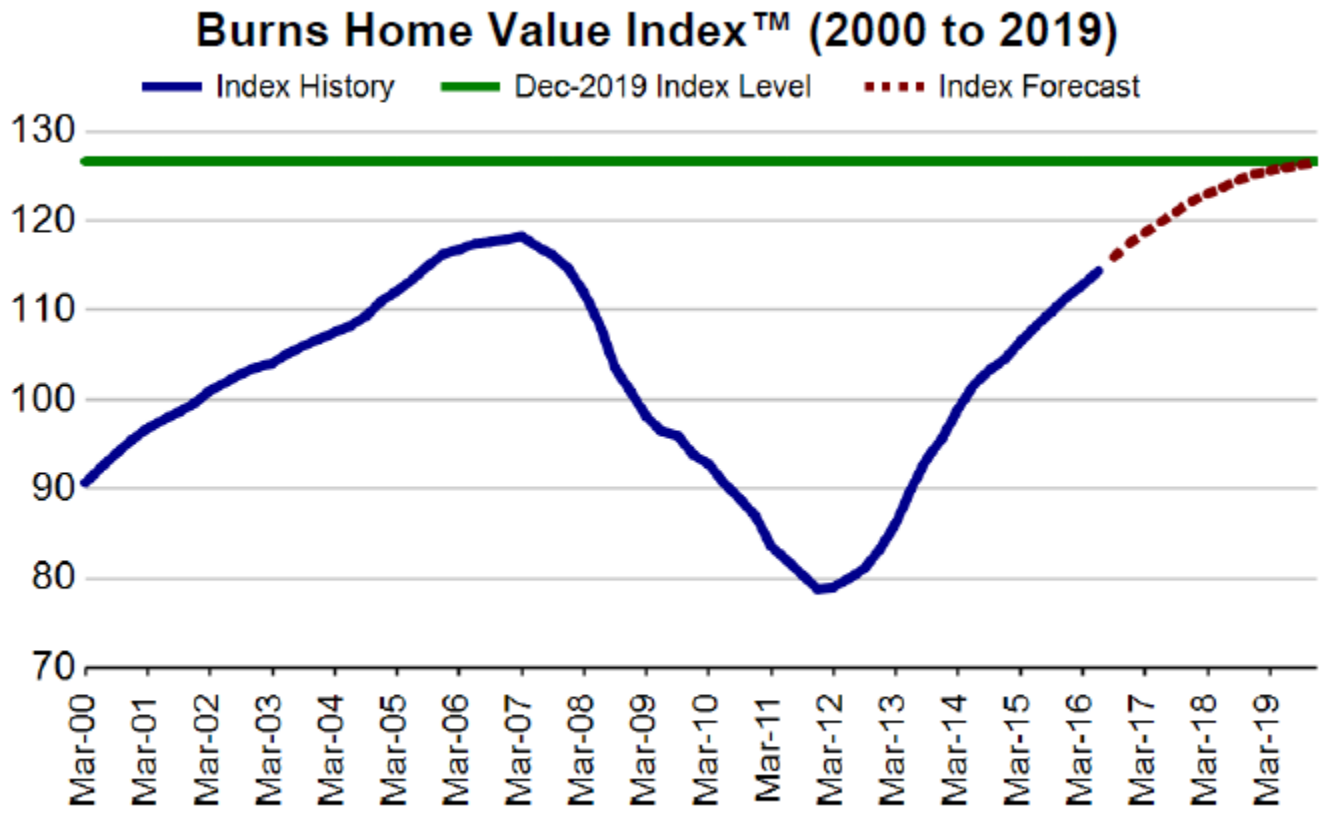
There is a low 3.3 month supply of resale units on the market, down 0.5 months from 3.8 months one year ago. A five month supply of existing homes is considered to be equilibrium for this market. Listings are down 4% vs. last year but seasonally appropriate.



Current as of Jun-16

Sources: John Burns Real Estate Consulting, LLC estimates or various MLS source

The Burns Home Value Index (BHVI) measures housing value trends for the entire market. On a rolling twelve month basis ending June 2016, prices in the Atlanta MSA, are up 5.7%. We expect prices to appreciate 11% over the next four years.

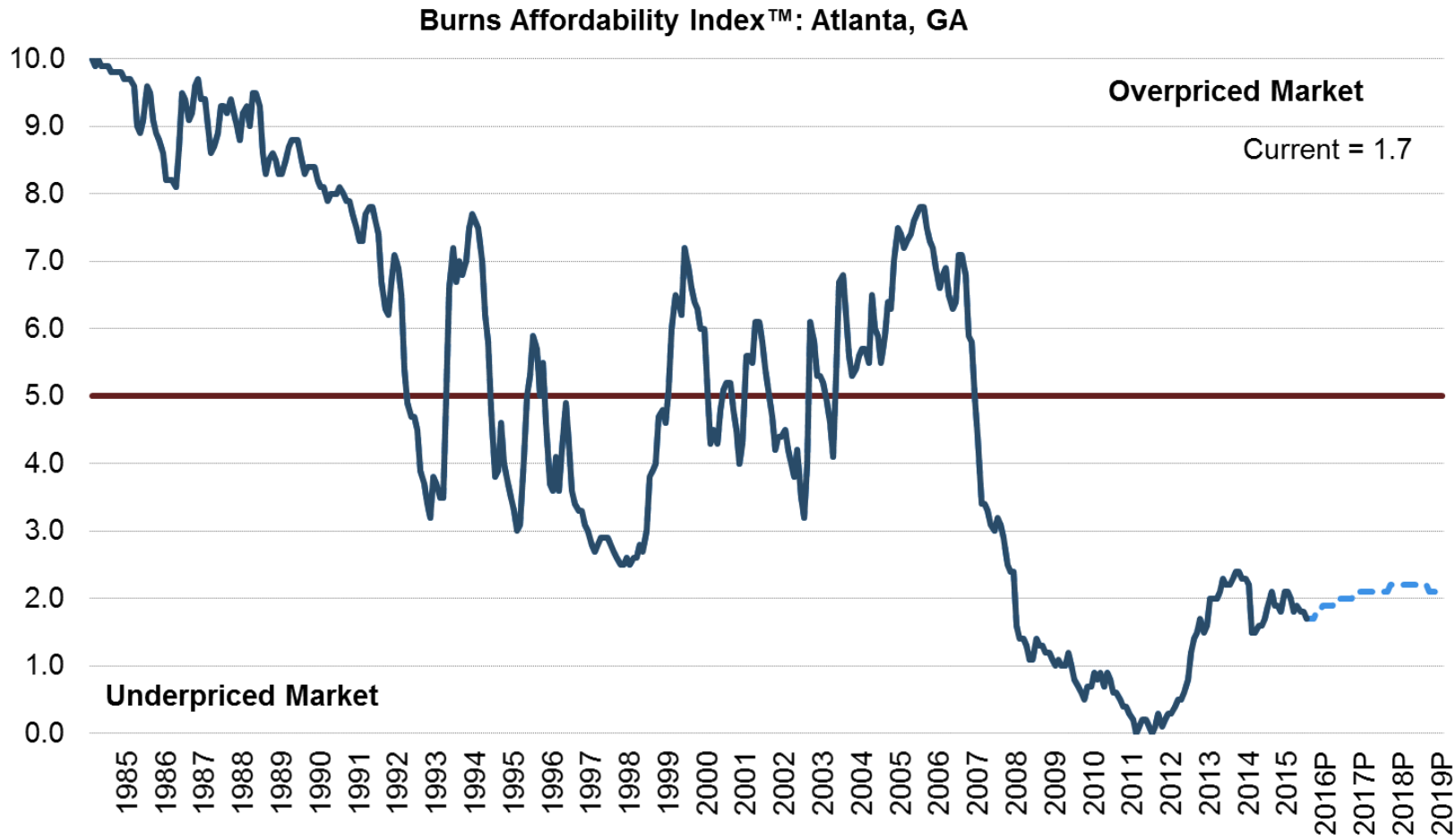


YOY Growth	5.7%
MOM Growth	0.5%
Current Value	114.4
Current to Dec-2019	11%
Dec-19 value is above peak levels	

Economic and Housing Market Trends – **Affordability Index**

JOHN BURNS REAL ESTATE CONSULTING

The Atlanta MSA has great affordability and continues to be considered an underpriced market. Atlanta's current index is 1.7 on a scale of 0-10. We expect Atlanta's affordability index to increase through 2019 but remain a well underpriced market.

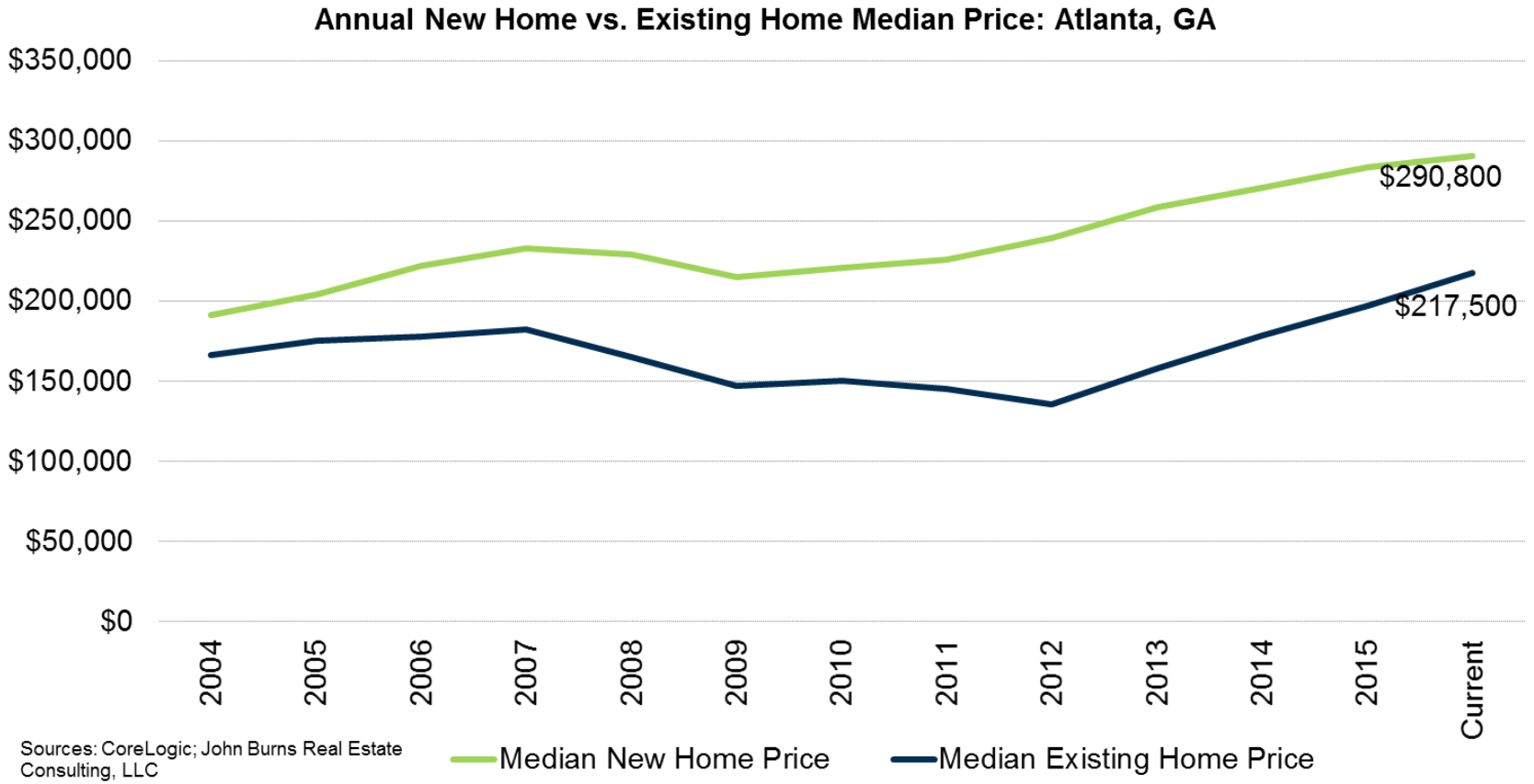


Source: John Burns Real Estate Consulting, LLC

Affordability History & Projections	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Current	Dec-16P	Dec-17P	Dec-18P	Dec-19P
Burns Affordability Index™	1.0	0.9	0.2	0.3	2.0	2.2	2.1	1.7	1.9	2.1	2.2	2.1
Median Housing Costs/Median Income	20%	19%	17%	18%	22%	23%	22%	22%	22%	22%	23%	22%

Economic and Housing Market Trends – **Resale vs. New Home Price**

Over the past three years, resale home prices increased faster than new home prices, tightening the gap between new and resale homes. The gap between the median new home price and the median resale home price is currently 34% in the Atlanta MSA, the narrowest delta since 2008.



Sources: CoreLogic; John Burns Real Estate Consulting, LLC

Home Price Compare	2009	2010	2011	2012	2013	2014	2015	Current
Median New Home Price	$215,000	$220,600	$225,800	$239,700	$258,500	$270,700	$283,400	$290,800
1-Year Growth Rate	-6%	3%	2%	6%	8%	5%	5%	3%
Median Existing Home Price	$147,000	$150,500	$145,600	$136,000	$158,300	$178,500	$196,900	$217,500
1-Year Growth Rate	-11%	2%	-3%	-7%	16%	13%	10%	5%
Home Price Spread - New over Resale	$68,000	$70,100	$80,200	$103,700	$100,200	$92,200	$86,500	$73,300
Spread to New Price	46%	47%	55%	76%	63%	52%	44%	34%

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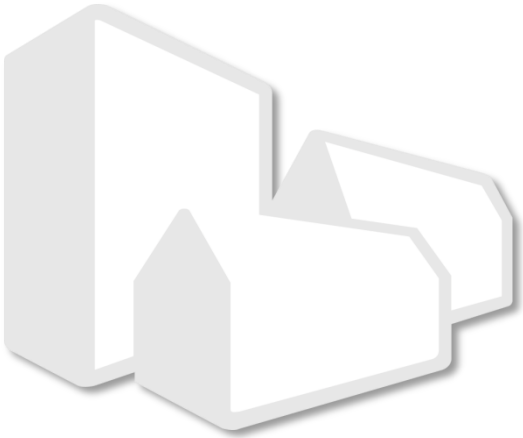


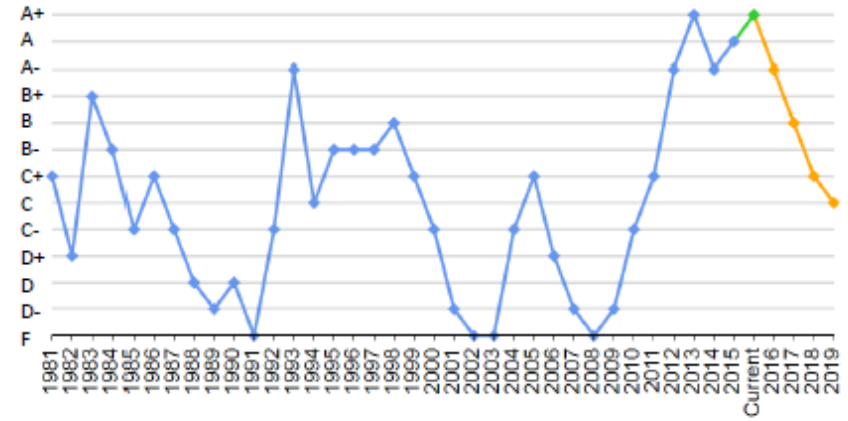
Market Risk Information

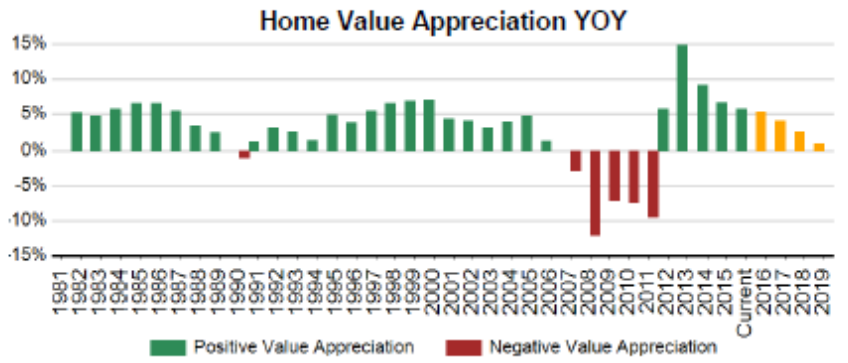
Market Risk Information – **Housing Cycle Risk Index**

JOHN BURNS REAL ESTATE CONSULTING

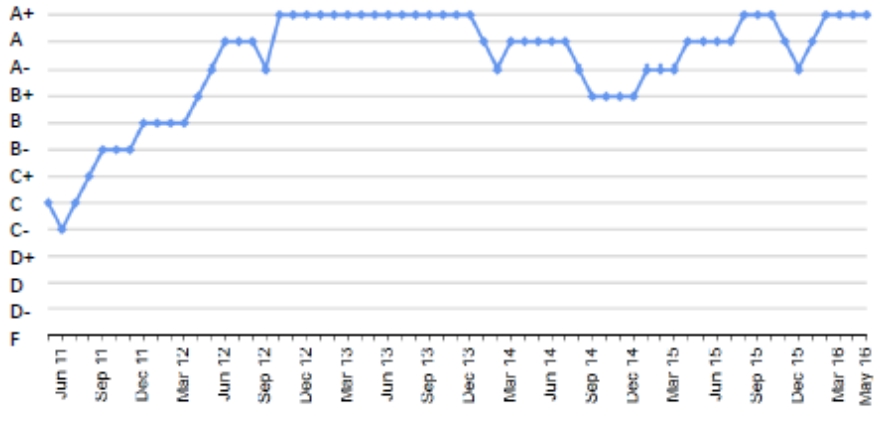
JBREC's Housing Cycle Risk Index (HCRI) is a measure of housing market fundamentals in a given market. The index includes 4 major categories, 11 subcategories, and 25 calculations based on factors that include Demand, Supply, Affordability, and Economic Indicators. The HCRI for the Atlanta market is currently an "A+" and is projected to decline to a "A-" by the end of 2016. With expectations of slowing housing fundamentals, the market is projected to dip to a "B" in 2017, "C+" in 2018, and "C" in 2019, indicating more average market conditions and moderate risk. It is important to remember that the index is broad and not all products and price points will react the same.

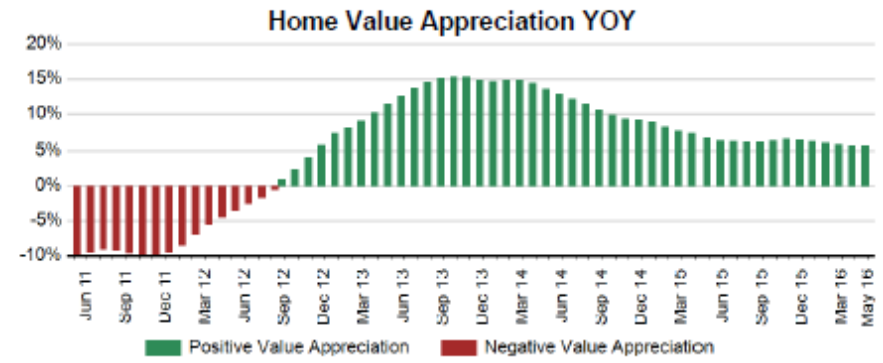
Annual





Monthly





Grade/Trend		Risk	Grade/Trend		Risk	Grade/Trend		Risk	Grade/Trend		Risk
A	=	Very Low Risk	B (& trending down)	=	Medium Risk	C (& trending down)	=	High Risk	D (& trending down)	=	Very High Risk
B (& trending up)	=	Low Risk	C (& trending up)	=	Normal Risk	D (& trending up)	=	High Risk	F	=	Very High Risk

Market Risk Information – **Intrinsic Home Value Index**

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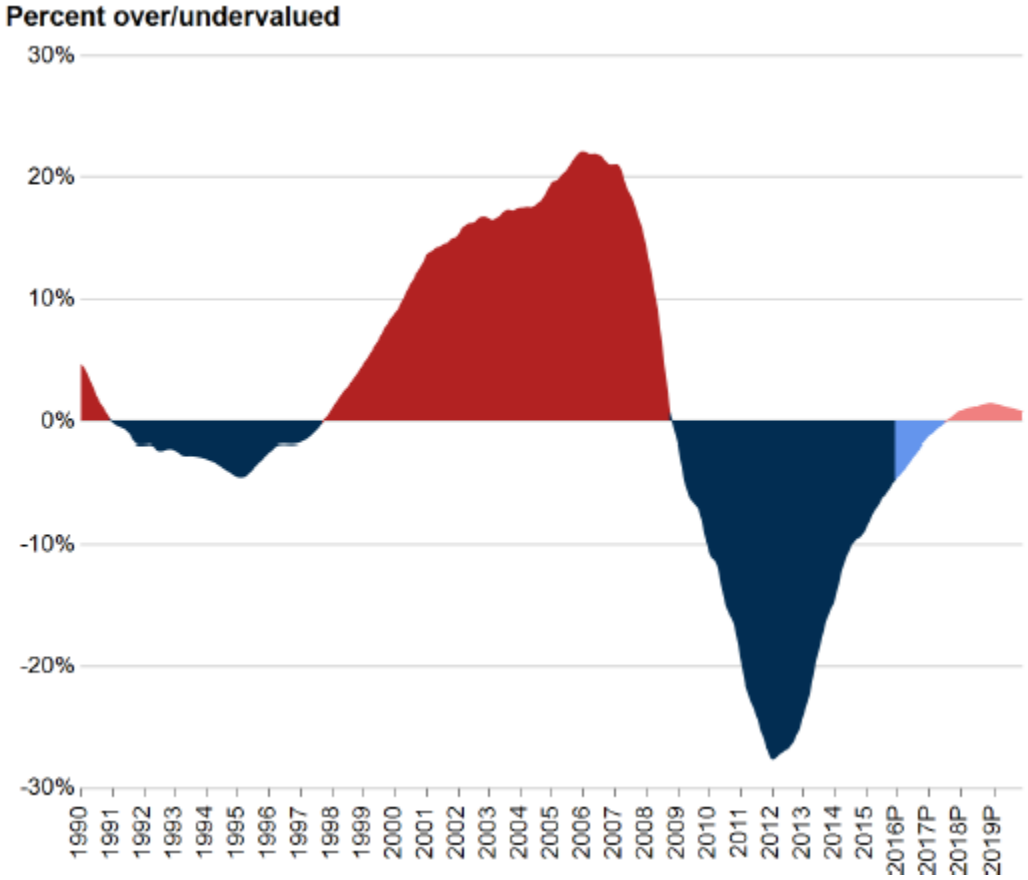
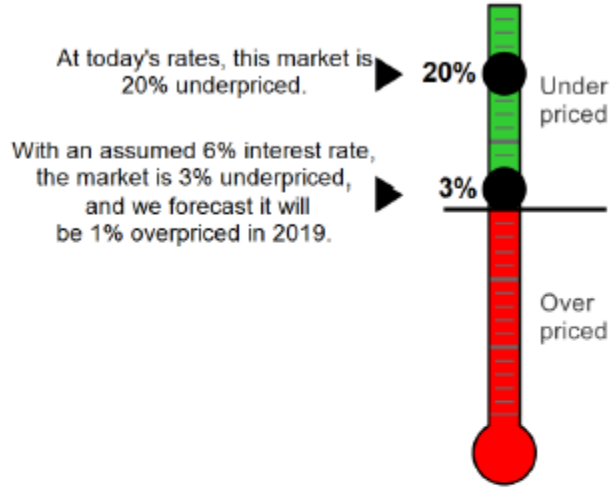
The Burns Intrinsic Home Value Index ™ measures how home values would trend if mortgage rates were always 6.0% and the housing cost / income ratio was always 26.0%, which we believe to be the correct long-term assumptions to use for this market.





Housing Cost / Income Ratios

Intrinsic Ratio*	26.0%
Current if 6% Mtg. Rate	26.4%
Current*	20.7%
Last 10 yrs	21.4%
Last 20 yrs	24.9%
Last 30 yrs	26.2%

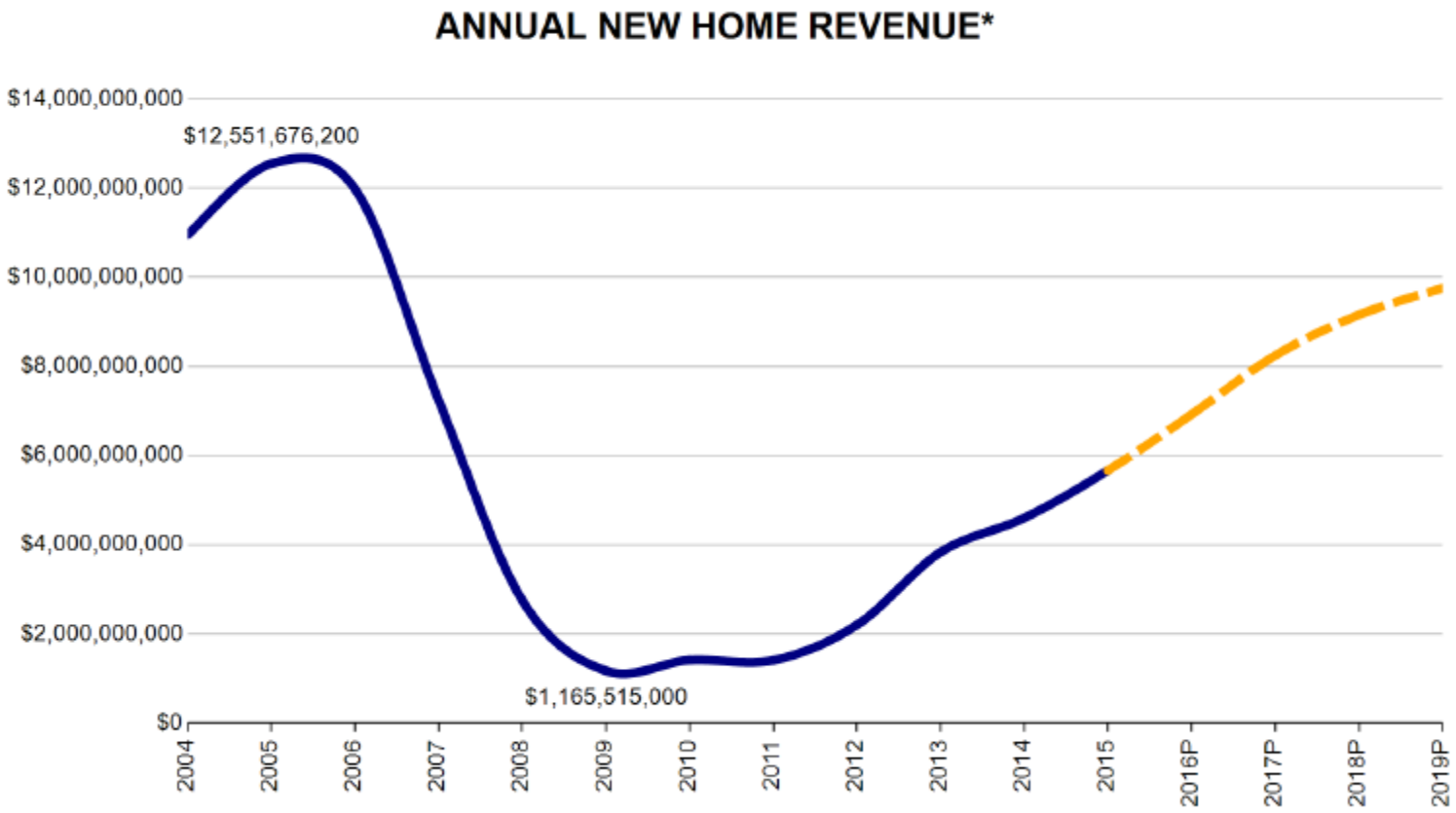
* Current value uses long term average incomes

We calculate the Burns Intrinsic Home Value Index™ (shown in green in the graph above) based on the following key assumptions:

1. A 6% mortgage rate, which is higher than today but is our best estimate of what a "normal" rate would be. Over the past 20 years, mortgage rates have ranged between 3.4% and 9.2%.
2. A housing cost / income ratio (the Intrinsic Ratio) that is consistent with the past 10, 20, and 30 years, and that takes into account any fundamental shifts in demand and supply for each market.

Market Risk Information – **New Home Revenue Volatility**

This chart is intended to show the historical cyclicality of new home revenue in the Atlanta market. The forecast figures shown in yellow are based on the JBREC price appreciation rates.



**The calculation (SF permits * median new home price) is intended to show the historical cyclicality of new home revenue. Actual revenue would be based on closings and include attached homes. Forecasts use our price appreciation rates.*

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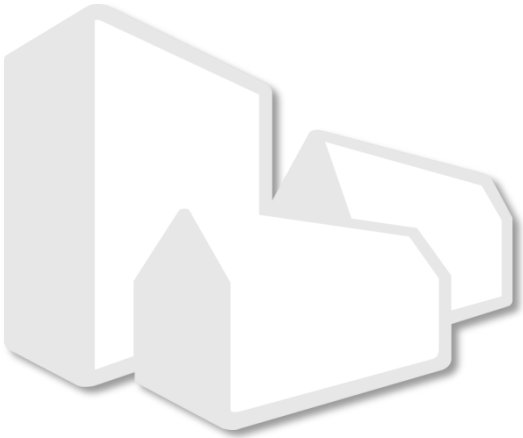

Appendix

Limiting Conditions

The conclusions and recommendations presented in this report are based on our analysis of the information available to us from our own research and from the client as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and recommendations are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously and to revisit key project assumptions periodically to ensure that they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical, as well as subject to changing consumer and market psychology. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming “normal” real estate market conditions and not a condition of either prolonged “boom” or “bust” market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our analysis for events and circumstances occurring after the date of our report.

Data Sources

The following are the data sources most frequently used by John Burns Real Estate Consulting, LLC.

DATA SOURCES

- **Employment** – U.S. Bureau of Labor Statistics
- **Population / Households / Income** – Moody's Analytics
- **Population Growth / Household Growth / Income Growth** – Moody's Analytics
- **Population by Age** – Moody's Analytics, U.S. Census Bureau
- **Population Migration** – Internal Revenue Service, Moody's Analytics
- **Home Sales and Prices (new and resale)** – CoreLogic, Texas Real Estate Center, M.O.R.E, RB Intel, Various MLS's
- **Investor Activity** – CoreLogic
- **Permits** – U.S. Census Bureau
- **Listings** – Various MLS's, Altos Research, RB Intel, Texas Real Estate Center
- **Pre-foreclosure Notices / Foreclosures** – RealtyTrac, DataQuick, CoreLogic
- **Loan Delinquency (for shadow inventory)** – Mortgage Bankers Association
- **Apartment Rents / Occupancy** – RealFacts, Axiometrics, REIS
- **Businesses, Population, Crime, Net Worth, Income, Ethnicity** – ESRI
- **Consumer Segmentation** – Tapestry / ESRI
- **School Scores** – State Department of Education
- **Forecasts** – John Burns Real Estate Consulting, LLC (not including Population / Households / Income)

John Burns Real Estate Consulting, LLC

Our company is a national consulting and research firm (e.g., office locations and national assignment locations shown in map) designed to help real estate professionals make better decisions with their real estate investments. The following is a brief summary of the additional tools we can offer outside of this agreement. Please inquire for more information.

CONSULTING

- Strategic Direction & Planning
- Home Builder Operations Assessment
- Demand Analysis
- Consumer Research & Focus Groups
- Economic Analysis & Forecasting
- Litigation Support & Expert Witness
- Financial Modeling
- Project & Product Positioning

RESEARCH

- Exclusive Access to our Research & Consulting Executives
- Metro Analysis & Forecast
- Regional Analysis & Forecast
- Home Builder Analysis & Forecast
- Apartment Analysis & Forecast
- Exclusive Client Events
- Public Builder Call Summaries
- Weekly Insight
- Presentations & Webinars
- Consumer Research
- Proprietary Surveys

CONSUMER AND PRODUCT STRATEGY

- DesignLens
- Consumer Insights
- Custom Design Strategy
- Custom Consumer Research