GICH Retreat: Sophomores

FORECLOSURES, BANK STRATEGIES, AND HOUSING ISSUES

FEBRUARY 25TH, 2010
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A Subdivision Case Study in Value Loss

The Names Have Been Changed to Protect
The “Innocent”!
A Subdivision Case Study in Value Loss

- 700 Acres
  - 2001: $1mm Sales Price (Timber Included)
  - 2002: $2.5mm Sales Price (Timber Harvested)
  - 2005: $5mm (with Development Plan)
  - 2005: $7.5mm (Same Day Flip!)
  - 2006: $10mm
  - 2007: $11mm Foreclosure
  - 2007: Bank Thinks Property Can Sell for $16mm
  - 2008: Bank Shut Down by FDIC
Housing Terminology

- **Stagnant**
- **Housing In Transition**

Most commonly used acronym for properties with housing issues!
Foreclosures and Unemployment Rate

Source: RealtyTrac
Home Prices and Foreclosures

Source: RealtyTrac
Metro Atlanta Sales by Price Segment

Sales By Price Range Quarterly

- $200,000 AND UNDER
- $200,001 TO $300,000
- $300,001 TO $400,000
- $400,001 TO $500,000
- OVER $500,000

SmartNumbers
Lot Price Relative to New Home Price

Lot Ratio
Median Prices

Lot Price
House Price
Lot Ratio

SmartNumbers
Dooly County Foreclosures

1 in 815: Vienna

Source: RealtyTrac
Dooly County Values

Source: RealtyTrac
Dooly County vs. Georgia/US

Source: RealtyTrac
Glynn County Foreclosures

1 in 500: Brunswick

Source: RealtyTrac
Glynn County Values

Source: RealtyTrac
Glynn County vs. Georgia/US

Source: RealtyTrac
Pulaski County Foreclosures

1 in 644: Hawkinsville

Source: RealtyTrac
Pulaski County Values
Pulaski County vs. Georgia/US

Source: RealtyTrac
Floyd County Foreclosures

1 in 786: Rome

Source: RealtyTrac
Floyd County Values
Floyd County vs. Georgia/US
How Have the Banks Addressed Issues?

- **2007-2008:** Hold Until Market Improves

- **Late 2008:** TARP Money Starts Liquidations
  - Analyst Pressure to Reduce NPA’s

- **2009:** Liquidate NPA’s
  - Homes: $0.70/Current Appraised Dollar
  - Lots: $0.40/Current Appraised Dollar

- **Late 2009:** Triage Properties
  - Analyst Pressure to Preserve Capital
Disparity Between Distressed & Healthy Sale Prices

Source: Dr. D. Geltner, MIT
What Is in Store for 2010 and Beyond?

- Structured Selloff of Lots

- Reduced Inventories of Homes
  - More Foreclosures in 2010 but Residential Market Will Stabilize

- Partnerships with Developers/Homebuilders
  - Higher Yield on Property Sales

- Partnerships with Government
Upcoming Housing Demand Issues

Unit Sales 2007-2009

Homes Sold

Month

Year

2007
2008
2009
Upcoming Housing Demand Issues

- Termination of Homebuyer Tax Credit
  - 40 bps

- Termination of MBS purchases by Fed
  - 100 bps

- Overhaul of FHA underwriting
  - ?