AFB&T

UGA Real Estate Solutions

ABANDONED SUBDIVISIONS AND DEVELOPMENT PROPERTIES: BANK PERSPECTIVE

DECEMBER 17TH, 2009

CAL EVANS

calvinevans@athensfirstbank.com
706-425-3444

"It's All About the Jobs!"

- Explaining Value Loss in Real Estate Developments
- Subdivision Case Study
- How Banks Have Handled Troubled Properties
- Where Are Banks Now and Where Are They Going

A Subdivision Case Study in Value Loss

The Names Have Been Changed to Protect
The “Innocent”!

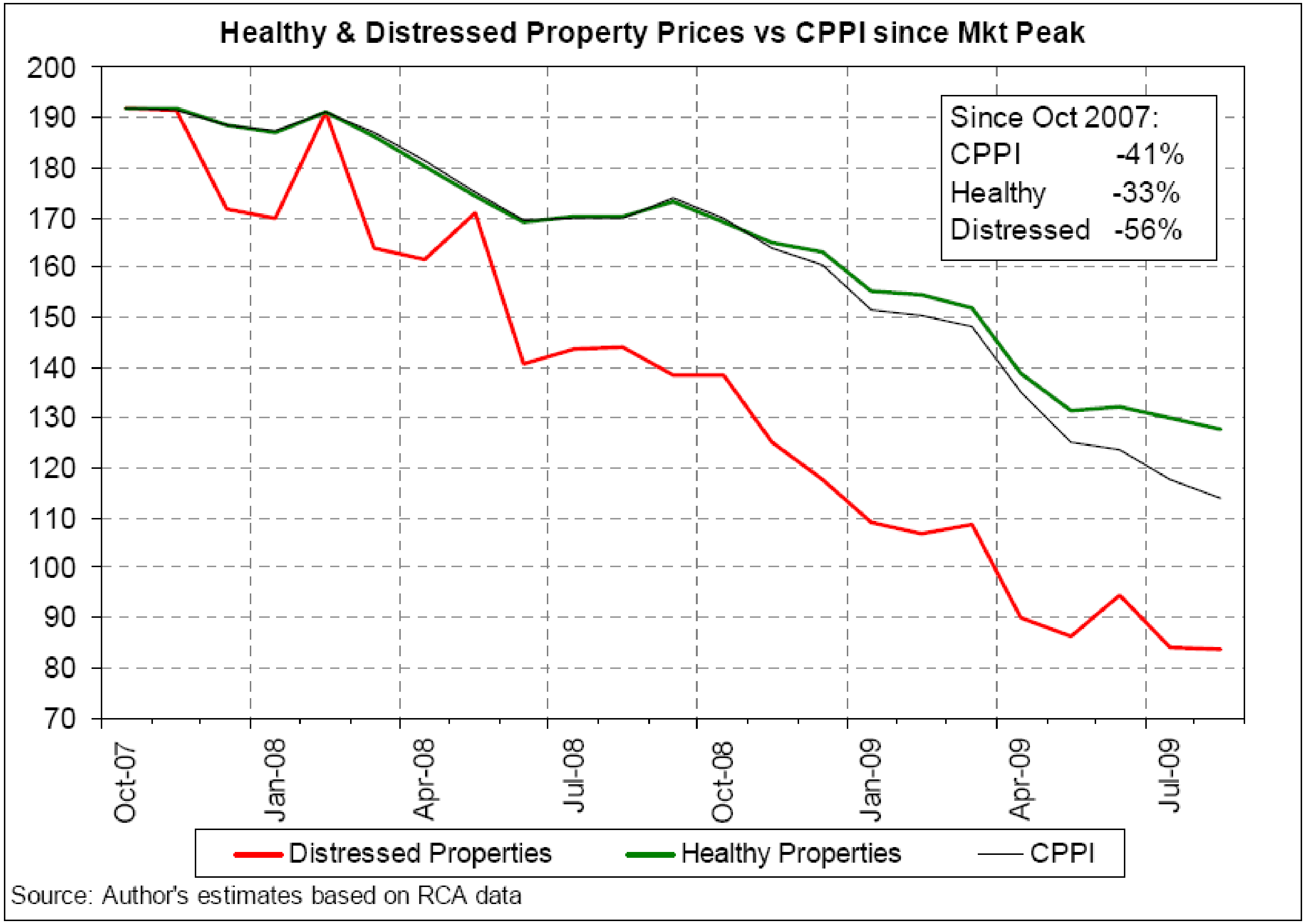
A Subdivision Case Study in Value Loss

- 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

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/Sell Notes
  - 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