

# 2012 Trends For Sugarloaf Country Club Real Estate

By Mary Floyd, Published January 2012

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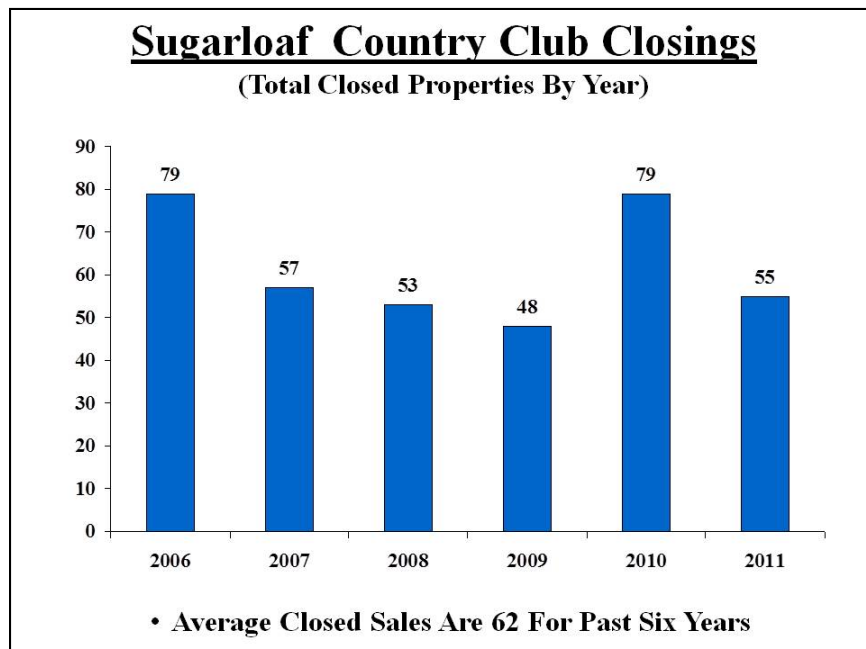
This real estate report is provided to give my clients insight into the results for 2011 and the trends for 2012. I will be sharing facts and perspective that have been compiled from a variety of local, regional and national sources. This report is organized into the following sections:

- **2011 Year In Review.** This is an overview of the real estate market for Sugarloaf Country Club in 2011.
- **2012 Real Estate Trends.** I will share relevant trends that allow my clients to draw insightful conclusions about what is most likely to happen in 2012 and beyond.

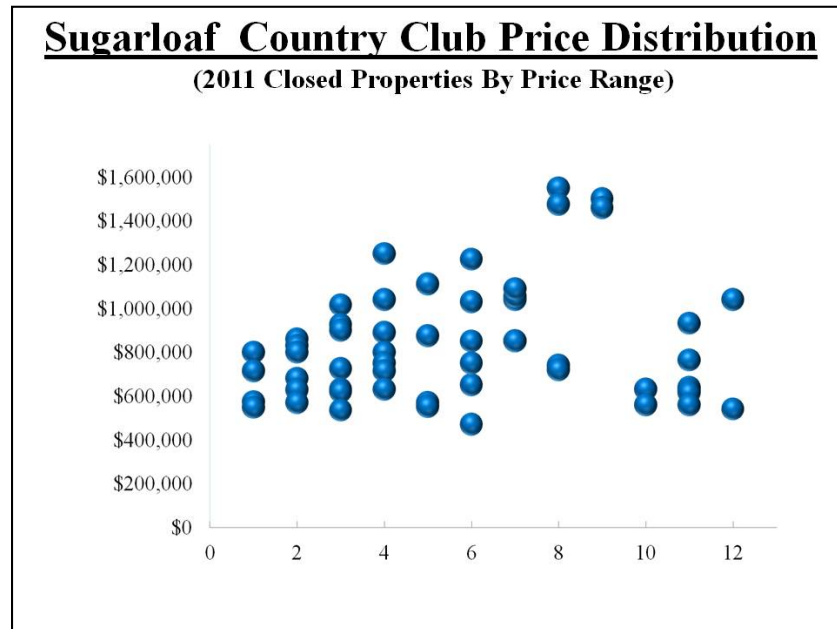
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## 2011 Year In Review

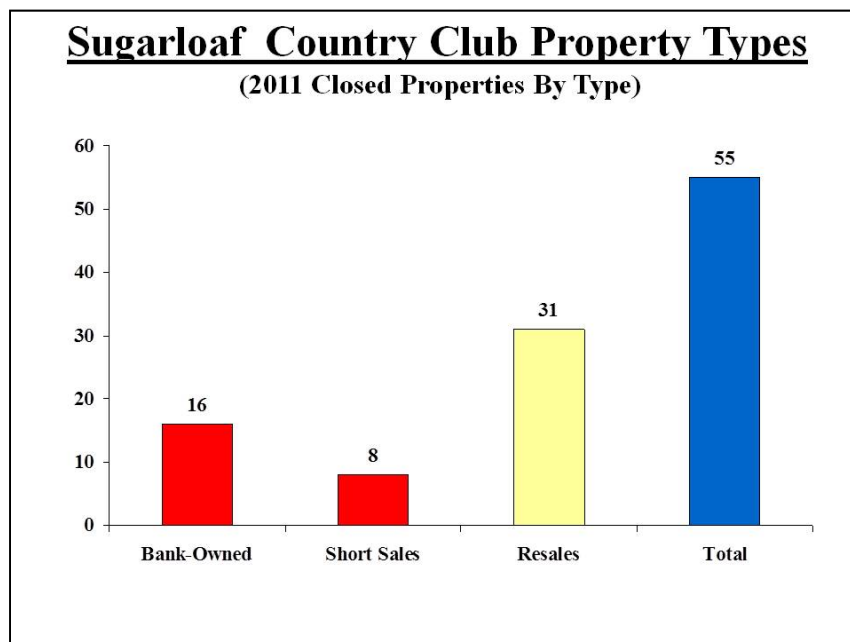
First, let's take a brief look at what happened in 2011. There were 55 properties sold in 2011. This compares to 79 properties in 2010, 48 in 2009, 53 in 2008, 57 in 2007 and 79 in 2006. The average is 62 properties which is more reflective of a normal market for Sugarloaf. See the chart below.



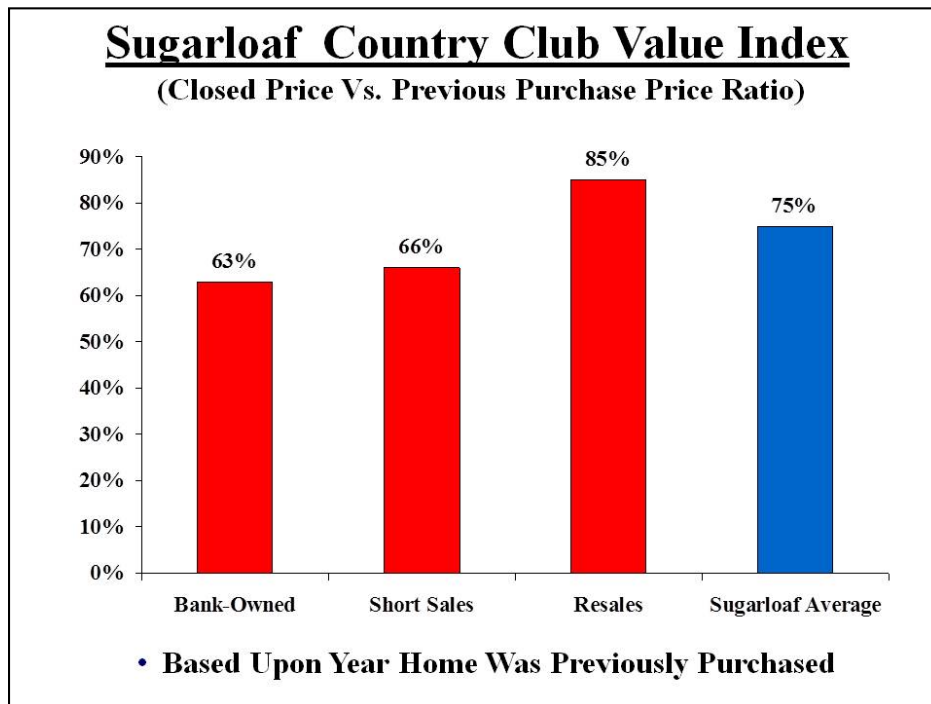
As we look at the distribution of properties sold, you can see that the majority of closed sales were in the \$500,000 to \$1.2 million range. There were only 4 properties sold above \$1.25 million with the highest price property at \$1.55 million. One property sold this year below \$500,000 with a closed price of \$470,000. See the chart below to see the distribution of prices.



Of the 55 properties, 31 were standard resales with the remainder of sales coming from short sales, bank-owned properties and corporate relocation properties. Resales represented 56% of total sales in 2011. In 2010, resales were 27% and only 15% in 2009. That is a major move in the right direction to return Sugarloaf Country Club to a more normal real estate market.



Now, let's look at Sugarloaf Country Club home values. I believe one of the best indicators of home value trends is the "closed sale price versus the previous closed sale price" ratio. This repeat sales method is used in the Case-Shiller Index to report on Metro Atlanta. This approach is far more reliable than commonly used ratios like "list to sale" ratios. List prices are all over the map. The average "list to sale" ratio in 2011 was 84%. But more than a dozen bank-owned properties sold for over 100% of their list price in 2011. That skews those ratios and makes them unreliable. The chart below shows the Closed Price Versus Previous Purchase Price Ratio for Sugarloaf in 2011. As you can see, bank-owned properties sold for an average of 63% of their previous purchase price. Short sales sold for 66% and resales sold for an average of 85%. This also shows a positive trend for resale values. **The Sugarloaf Value Index was 75 in 2011 – which reflects homes valued at 75% of the previous purchase price.**



The average "\$ Per Square Foot" for Sugarloaf properties was \$126 per foot in 2011. In 2010, it was also \$126 per foot and \$118 in 2009.

**I have additional details and proprietary information to help my clients make the best real estate decisions!**

Overall home values in Metro Atlanta were down 33% from the peak of July 2007 according to the Case-Shiller Index (October Index published December 27, 2011). So Sugarloaf home values are outperforming the Metro Atlanta market by 8% in 2011. If we look around the nation, Metro Atlanta is #14 on the list of metro areas with the highest loss in home values. Many markets are still showing home values down over 40 and 50%. But remember, all markets go through cycles and our Metro Atlanta property values will return in time.

*If you are considering listing your property, please call me to learn how to compete successfully. My Advanced Property Marketing System was designed for the current market conditions and is the most effective methodology available to get the best results.*

## **2012 Real Estate Trends**

Now, let's explore the trends for 2012 and what is likely to happen. The general laws of supply & demand plus mortgage rates and the economy continue to have big influences on the housing market. This information is organized in the following categories:

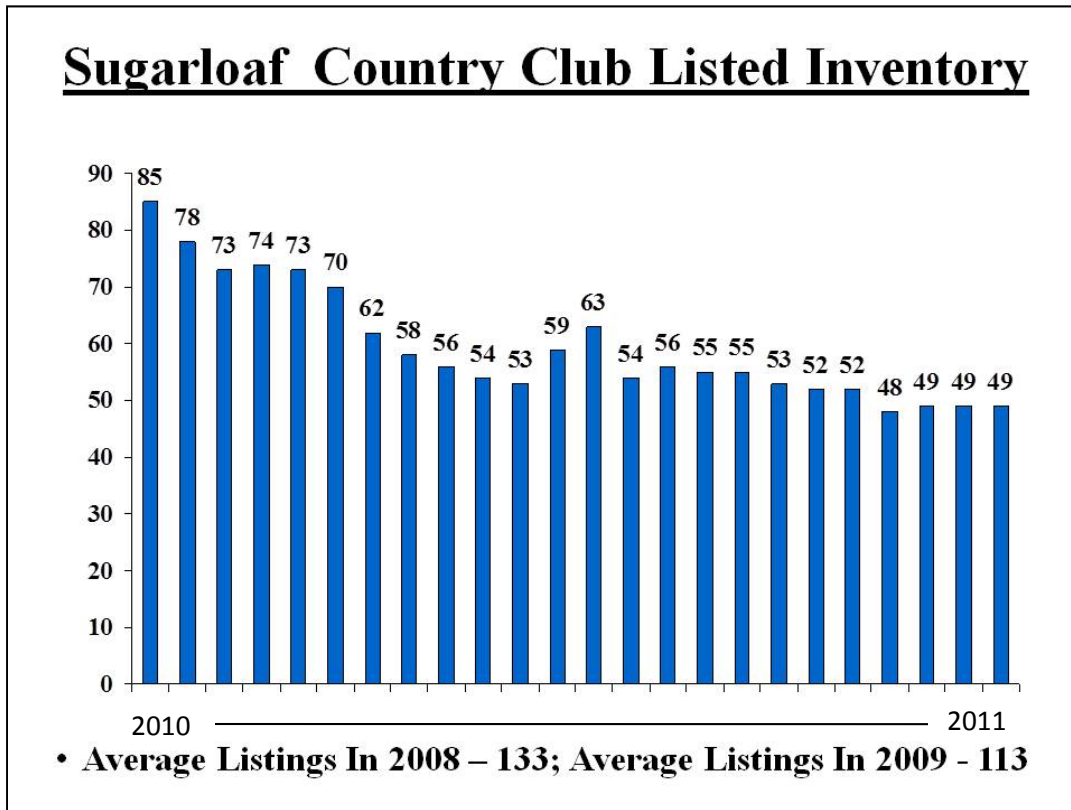
- Short Sale and Foreclosure Trends
- Listing Inventory Trends
- Mortgage Rate Trends
- Luxury Buyer Trends
- Baby Boomer Trends
- Georgia Economic Trends
- Future Sugarloaf Home Value Trends
- Online Marketing & Mobile Marketing Trends

**Short Sale and Foreclosure Trends.** The big story in 2011 for Metro Atlanta was the impact of short sales and foreclosures – representing over 60% of the closed sales and driving down home values. In Sugarloaf, short sales and foreclosures represented only 25% of closed transactions in 2011. That is down significantly from the prior levels of 73% in 2010 and 85% in 2009. ***In 2011, the rate of pre-foreclosures dropped to around 3 per month.*** Pre-foreclosures are “notices of default” where the mortgage servicer is notifying the homeowner that they are officially in default and will be scheduled for auction if they do not remedy the situation. These are good leading indicators to predict future short sale and foreclosures. In 2010, we saw an average of 8-10 notices of default. The main drivers continue to be unemployment and under-employment caused by the recession. That is a big change from the past several years where many of the foreclosures were Sugarloaf new homes. I helped one of my clients purchase the last remaining Sugarloaf new home in 2011. For the next couple of years, we expect to continue to see short sales & foreclosures have an impact on home values for Sugarloaf Country Club. I have a variety of proprietary information resources and will be watching the monthly trends for pre-foreclosures, foreclosures seized by the banks, short sales and bank-owned sales.

**If you know someone who is facing foreclosure or upside down on their equity, a short sale may be the best option.** A short sale is where the bank agrees to accept a price that is lower than the outstanding loan amount. I am a certified short sale specialist and can assist my client through these complex transactions. We also have a SHORT SALE ASAP program in partnership with Weissman, Nowak, Curry & Wilco - one of the most respected law firms in Metro Atlanta.



**Listing Inventory Trends.** The listing inventory for Metro Atlanta is down to 2002 levels. Inventory is also down for Sugarloaf Country Club. In 2008, listed inventory averaged 133 listings. In 2009, the average was 113. In 2010, the average dropped to 65. In 2011, the average dropped to 53 listings.



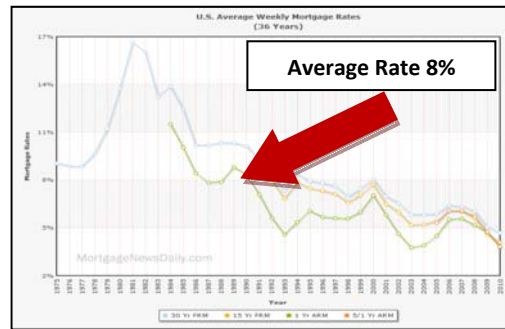
In 2012, we expect listing inventory to be slightly lower as we continue to work through our short sales and foreclosures. We are back to more normal seasonality where the spring and summer markets will have the highest number of listings and sales.

If you are considering listing your property, you need advanced marketing to achieve the highest market value. Our company is ranked #1 in transactions and #1 listing sales for Metro Atlanta. We were also ranked the #1 real estate company by the Atlanta Business Chronicle. One of the main reasons for our success is the Advanced Property Marketing System which was designed for these market conditions. Contact me to learn how we can help you get the highest value for your Sugarloaf home.

- Ranked #1 in Transactions by Trendgraphix
- Ranked #1 in Listings by Trendgraphix
- Ranked #1 Company by Atlanta Business Chronicle
- Ranked #1 on Google for "Atlanta Real Estate"

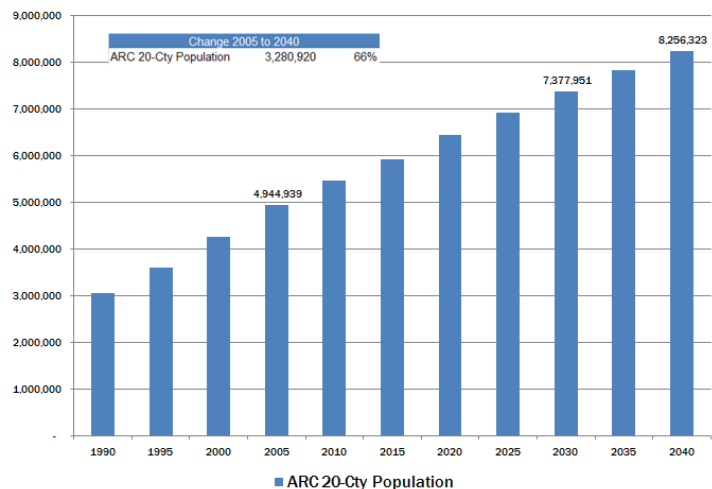
**Bring Your Challenges... We Have Solutions!**

**Mortgage Rate Trends.** There are a few buyers that pay with cash but the majority of luxury buyers still need a mortgage. This is clearly a great time to buy a luxury property in Sugarloaf Country Club with low prices and some of the lowest mortgage rates of our lifetime. But this scenario will not last forever. The fed has stated that they will keep interest rates at the current low levels through the middle of 2013. That was a controversial move but it achieved the purpose of stabilizing the markets at the time of announcement. With the changing political climate, there are several pieces of legislation that could have a big impact of mortgage rates or other associated costs. The QRM (Qualified Residential Mortgage) legislation proposes a new 20% down payment requirement plus additional fees on lenders. These fees are expected to result in higher mortgage rates – no matter what the Fed does with interest rates. The troubles in Europe are also causing many politicians to worry about the banking systems again. There are new proposals that require our banks to hold more assets in reserve. Some of these also propose more rules to hold back reserves for mortgages. The current legislation for extending the payroll tax cuts also includes new junk fees for mortgages. Just like our phone bills and cable bills, we should expect to see a variety of new junk fees added to the cost of mortgages. The conclusion is that we have some of the most incredible mortgage rates we will ever see in our lifetimes. There are many complex moving parts to our legislation and economy that will result in higher mortgage rates and new junk fees regardless of what the Fed does for general interest rates. We would expect to see very low rates through the spring but most analysts expect rates to start climbing in the summer and fall 2012. In the next few years, we expect to see rates at least 2 points higher. Remember the average for the past 50 years is 8%. **I would be happy to connect you to our loan officer to learn more about financing options.**



**Luxury Buyer Trends.** So will the buyers come back out in 2012 and beyond? Statistics from our local analysts indicate that the answer is BIG YES.

The Atlanta Regional Commission also reported that 1 million new residents moved to Atlanta from 2000 to 2010. That is a 24% growth and 3<sup>rd</sup> in the nation behind Dallas and Houston. In the past three years, we have added 91,000 new residents which is about one third the pace of the early 2000s. The age demographics and ethnicity of our population is changing as well. We have the #2 population of all metros for ages 25-49 and the #5 population between ages 5-20. Baby boomers are the leading buyer population today but the future will belong to the upcoming Gen Xers and Millennials. Future population growth trends are very strong. See the chart for the ARC forecasts of future population growth in the 20-city area of Metro Atlanta. From 2005 to 2040, the area will add the population equivalent of three Fulton Counties.



The ethnicity of our area is also changing. In Duluth, the Asian population has grown to 22% according to the 2010 U.S. Census Bureau. That is the #2 demographic with white persons at 41%, black persons at 20% and Hispanic persons at 14%. Business has gone global and the business of real estate is no exception. International buyers and investors are a growing segment of our real estate transactions here in Sugarloaf and we are in the best position to help our listing clients. Prudential Real Estate and Relocation Services recently combined our North American franchise and

relocation operations with Brookfield Residential Property Services. The new entity is the #2 Global Relocation provider and the #3 real estate franchise in North America – and there is more to come. We have over 80,000 real estate agents in 2800 locations. We manage over 85,000 relocations from 125 countries. We now have real estate operations in North America, the United Kingdom, Asia, Singapore, Australia, France, India, Brazil and the Middle East. Our company is also a major holder of over \$150 billion in real estate assets including malls like Perimeter Mall, Northpoint Mall and beautiful resorts like the Atlantis Resort in Paradise Island.



Our award-winning corporate relocation team will get even stronger. We are already the #1 provider for corporate relocations here in Metro Atlanta. Our company works with over 35 corporate relocation companies and has helped many new residents move into Sugarloaf. I am a certified Corporate Relocation Specialist and have been involved in many of these moves. We are seeing increased activity again in the segment of the market. The Great Recession had slowed down some of this activity but businesses are on the move again to take advantage of the low cost of doing business here in Metro Atlanta.

So why are analysts so bullish on the future of metro Atlanta? Our area is simply a great place to live, work and play. It is also incredibly affordable compared to other metropolitan area around the nation. Our commercial office space is currently “on sale” versus traditional rates. That is one of the reasons a **KPMG study found Atlanta to be the 2<sup>nd</sup> lowest cost for doing business.** Companies see this and are moving resources here and expanding. Multi-national corporations still have approximately \$2 trillion available to invest in their expansion. The Hartsfield-Jackson International airport allows business travelers fast access to anywhere in the world. Here are some interesting facts:

- **Atlanta is #1 for entrepreneurs (Kaufmann Index)**
- **Atlanta is #3 in Fortune 500 companies (Fortune Magazine)**
- **Atlanta is #3 for businesses to expand (Expansion Magazine)**
- **Atlanta is the #1 destination for young people (Geolytics)**
- **Atlanta is #1 in America for future home values (CNN Money)**

For Sugarloaf Country Club real estate, we have our own set of impressive facts. Our golf course is one of the best around and will stand the test of time versus other local courses. Membership in the TPC Network affords many privileges and avoids costly assessments experienced by other club communities. In fact, almost every other luxury club community in North Atlanta has gone through bankruptcy. Our community has quick access to I-85 in comparison to other luxury communities that are land-locked. Our proximity to shopping (Discover Mills, Mall of Georgia, Gwinnett Place), major area attractions and entertainment (Gwinnett Arena), convention and meeting space (Gwinnett Convention Center, 1818 Club, TPC Clubhouse) make SCC an ideal location. The Gwinnett Park system is rated #1 in the nation. Our high school sports are known nationally and we have top feeder systems available for young athletes. There are excellent public and private school options. Sugarloaf Country Club is loaded with families and a diverse population that makes everyone welcome. Who wouldn't want to live here?

**Baby Boomer Trends.** For many years, first time buyers were the largest segment of buyers in Metro Atlanta. SmartNumbers recently reported that there is a new leader – baby boomers. Boomers are on the move to a couple of different types of properties. Some boomers are moving to smarter living with homes that are smaller, more energy efficient and cost less to maintain. This is a smart move even if they lose money on their current home. The cost of waiting for home values to return can be hundreds of thousands of dollars! I would be happy to show you the math.

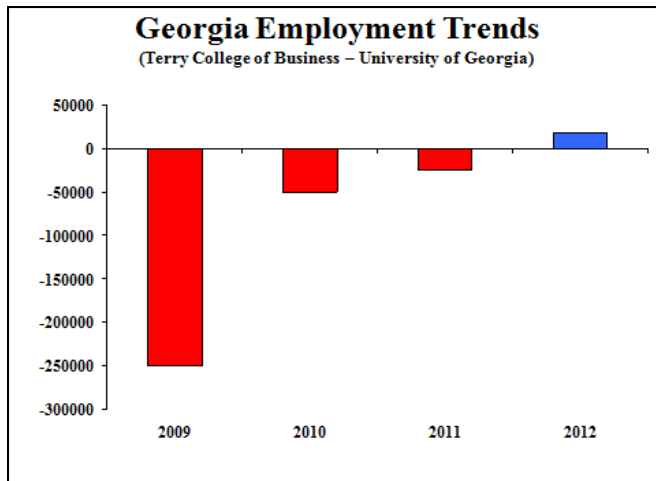


Other boomers are moving up to a multi-generational home. Yes, the parents and the kids are coming home! Some of these new homes include luxury ranch-style properties with connected guest houses and a basement for the kids or grand kids. This “all in the family” approach is gaining in popularity.

Some boomers are moving to active adult or age restricted communities. However, this is a smaller percentage. More boomers are choosing to live closer to the families instead of age restricted communities. Other boomers are moving to transitional housing due to health considerations. I would be happy to help you evaluate your options and educate you on lifestyle and financial options that are right for you.

**Georgia Economic Trends.** In the past three years, Georgia has lost a net of 325,000 jobs. The largest segments of job losses include the residential construction and banking industries. For years, Atlanta was one of the biggest new homes markets in the country. At the peak of 2006, we averaged 60,000 new home starts. Today, that has dropped to 5,000. Over 80% of the builders were small local companies that got loans from our local banks. That is why Georgia leads the nation in bank failures. Yes, we had a new homes bubble and it burst.

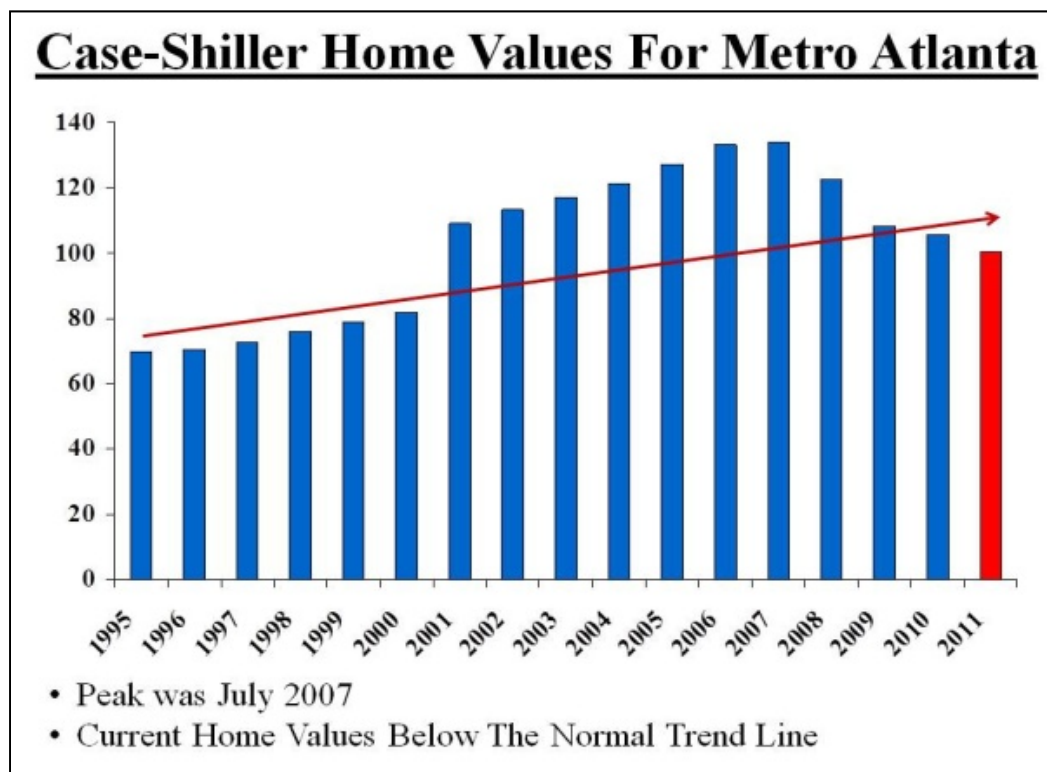
Sugarloaf Country Club was a prime example of this boom and bust cycle. That is why we had so many new home foreclosures. This is also why Georgia has performed worse than the



national average in employment and GDP in recent years. The good news is that most of these problems are behind us. There are likely to be more bank failures but not at the same pace as the past few years. New home construction will return slowly but surely. In 3-5 years, we expect to see 25,000 new home starts again. Dean Sumichrast at the Terry College of Business of UGA forecasts that Georgia will see a positive 18,000 new jobs in 2012. Georgia is back on a positive track and we expect to see GDP and employments trends around the national average. Over time,

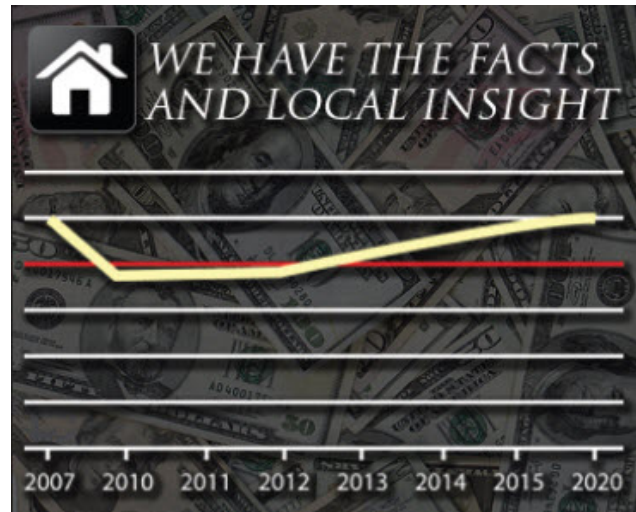
the long-term positive attributes of our area will prevail and we will begin to perform above the national average again. **And that is good for long-term home values.**

**Future Home Value Trends.** So where are our home values headed and when will home values return? As the chart shows, our home values over-heated and went above the normal trend in the early to mid 2000s. But since then, we have over-corrected. We expect our home values to follow the long-term trend as the market cycles back. That is why investors are buying real estate in Atlanta.



We will be watching the key leading indicators to give our clients the best guidance on how fast this is happening. According to the latest Case-Shiller Index, home values for Metro Atlanta are down 33% from the peak of July 2007. The Sugarloaf Value Index for December 2011 shows our property values down 25% from the previous purchase prices. We believe that home values

for Metro Atlanta will remain essentially flat for the next two years due to the continued impact of short sales and foreclosures. We expect that short sales & foreclosures for Metro Atlanta will return to more normal levels by 2013-2014. Homes will still be priced well below replacement costs so we will not see the new home builders entering the market until home values rise. That means that we will see a significant undersupply of inventory in the 2013-2014 timeframe. The sideline sellers will begin to put their homes back on the market. Sideline sellers are homeowners who really want to sell but do not like the current market prices. For a few years, we will then see abnormally high appreciation rates. The historical appreciation rate for Georgia has been approximately 4%.



Therefore, we predict 5-7% in 2013 and 2014. As the market returns to normal, we expect to return to normal market conditions with 4% appreciation. According to these estimates, Metro Atlanta should be back to 2007 values around 2016 or 2017. **Sugarloaf Country Club real estate may be slightly ahead of this curve as we expect our foreclosures to subside a little faster.** They key indicators will be the pace of short sales & foreclosures, the demand from buyers and the levels of inventory. I will be tracking the trends for pre-foreclosures and the absorption of the current inventory and will keep my clients informed of the latest changes.

**Online Marketing & Mobile Marketing Trends.** The latest NAR Profile of Buyers shows that the internet continues to be the leading source for buyers finding their home. For new residents moving to Atlanta, they often start by searching for “atlanta real estate” on Google. Our company is the #1 search result. That generates over 500,000 views to our company listings each month – including my Sugarloaf listings. My website is **the #1 website for Sugarloaf Country Club real estate.** Just Google “sugarloaf country club real estate” or “sugarloaf country club homes for sale” and see for yourself. My website is #1 in the organic or natural listings – not the pay per click ads.

The organic search results get over 80% of the traffic since consumers know the others are ads. This high placement is very hard to attain and delivers excellent results for my listing clients. That is especially valuable since Sugarloaf no longer has yard signs. **In the past 12 months, I have been successful in bringing the buyer to my listings more than any other agent in Sugarloaf. Yes, even Santa used my website last year!**



2012 is the year that experts predict more sales of smartphones than laptops or PCs. By 2013, more consumers will be accessing the internet from mobile devices than a laptop or PC. It is clear that the mobile revolution is here and that has significant implications for buyers and sellers of real estate properties. But now worries – we have you covered! Prudential Georgia Realty is the leader for mobile solutions. We were the first major brokerage to use text marketing and QR codes for our listed properties. My website provides a full mobile search. Just visit MaryFloyd.com from your mobile device and search!

In the 1<sup>st</sup> quarter of 2012, we will be launching the new Sugarloaf App for all smartphones. This is a complete mobile website that provides the same “1-click searches” for Sugarloaf properties as my full website. It will be easy to download the app and launch from your smartphone. This mobile site is fully integrated so your personal saved searches work from any device, anytime and anywhere!

## The Sugarloaf Mobile App



**Coming In 1<sup>st</sup> Quarter 2012!**

In addition, we will provide new integrated mobile marketing campaigns. We can create marketing campaigns using a combination of text codes, QR codes and website domains. That allows consumers to “scan, text or browse” to see the content of the campaign. Our mobile pages can include coupons, gift awards, videos, lead forms and all kinds of other great content options. We will be able to manage the campaign without having to replace all the original marketing. **Look for more details in early 2012!**

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My Advanced Property Marketing System is specifically designed for this market. To compete effectively and get the best value, you need the best marketing available.

### **Summary:**

I hope you have found this 2012 Real Estate Trends report helpful. Having better information, leads to better decisions!

**Thank you. Mary Floyd**



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