



Talking about the 'New Normal'

Implications of the Financial Crisis for Real Estate and Community Development in the Atlanta Region

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October 28, 2009

Titles they probably wish
they could take back...

washingtonpost.com

No Housing Bubble to Pop

March 2, 2005

Urban Land Institute

Bubble, Bubble, Where's the Housing Bubble?

March 30, 2006

By
Brookings Institution

Business Economics[®]
The Journal of the National Association for Business Economics
Volume 40 • April 2005 • Number 2

There Is No Housing Bubble in the USA Housing Activity Will Remain At High Levels

By

THE WALL STREET JOURNAL.
WSJ.com

OPINION | SEPTEMBER 19, 2005

Bubble Trouble? Not Likely.

By

and

Active Deregulation & Promotion of Securitization

- 1980s: groundwork for federal preemption
- 1980s-1990s: tax/regulatory policy → securitization
- 2001-2004: aggressive use of federal preemption
- 2004: lower capital requirements for inv. banks

Passive Deregulation

- Regulatory structure not adapted to nonbanks
- Little/no antidiscrimination enforcement
- 1990s+: No regulation of derivatives

Deregulated,
Risk-Prone, & Fragile
Capital and Mortgage
Markets

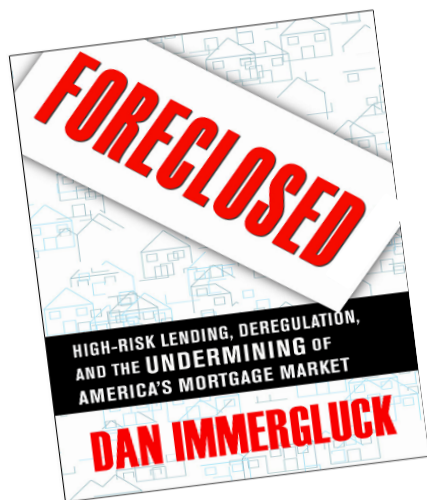


Global Capital Glut

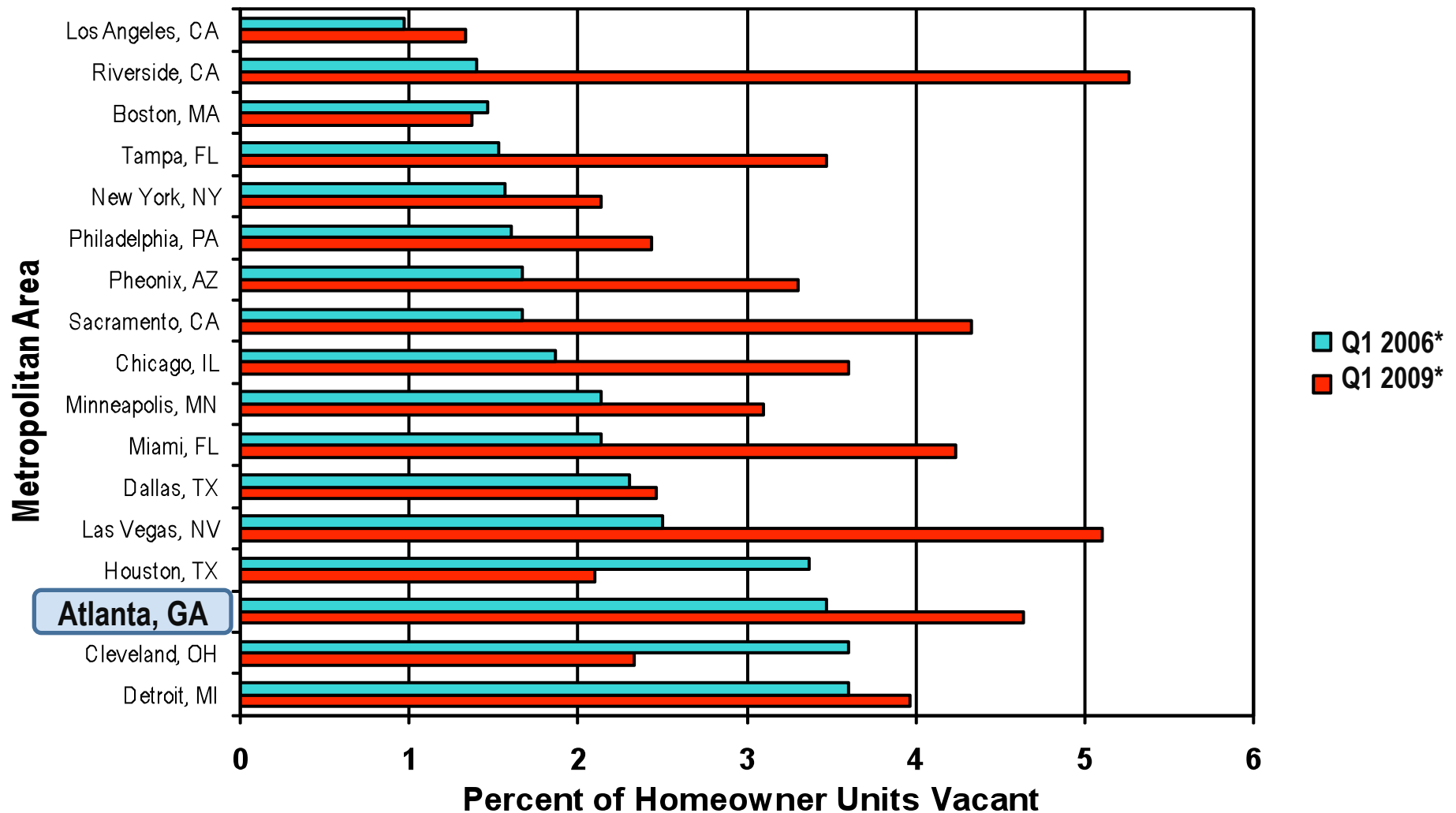
Dot-com
bust

Global Trade
Imbalances

Higher Oil
Prices



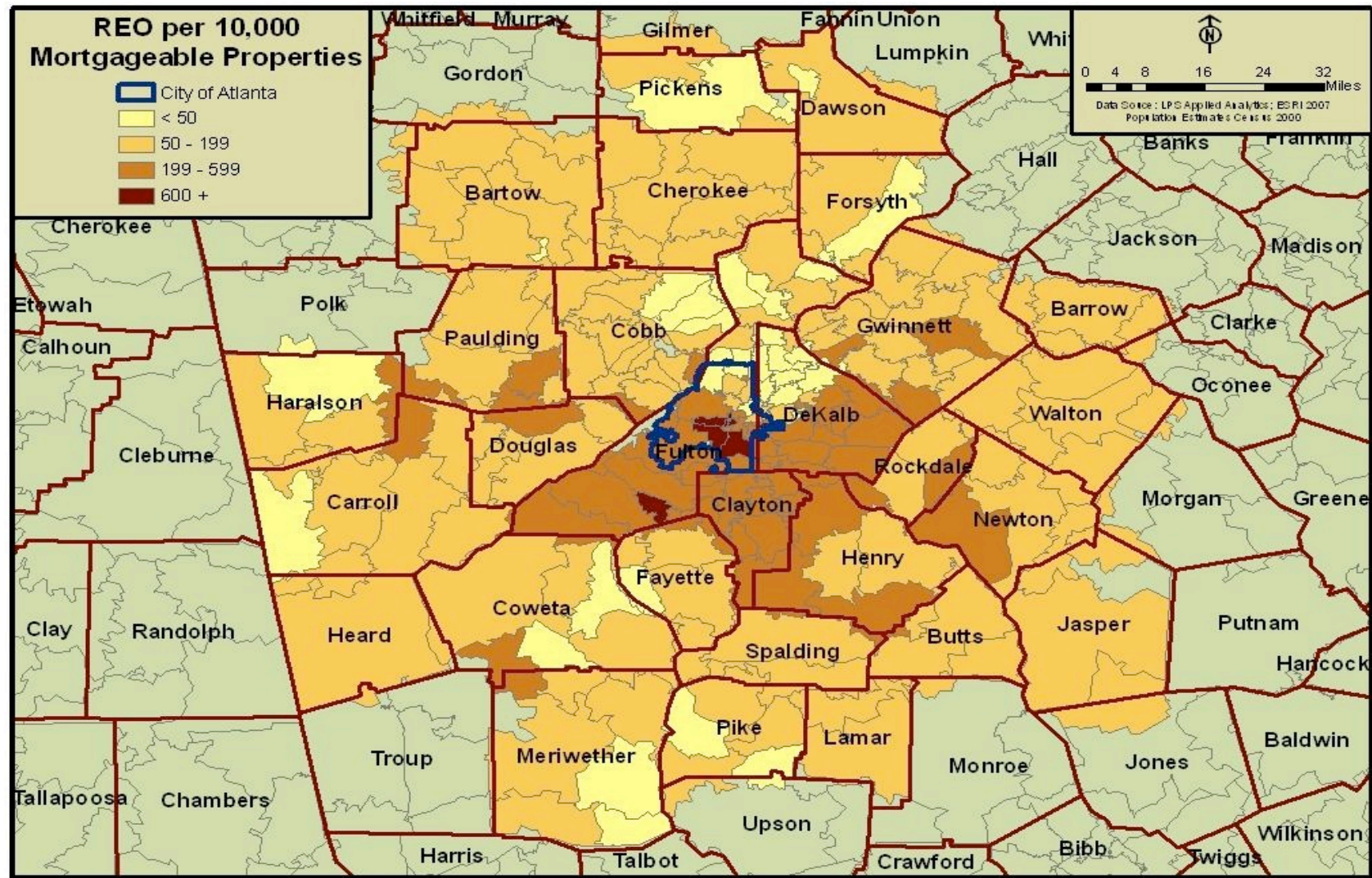
U.S. metropolitan vacancy rates for homeowner units, 2006-2009



*3-quarter moving average

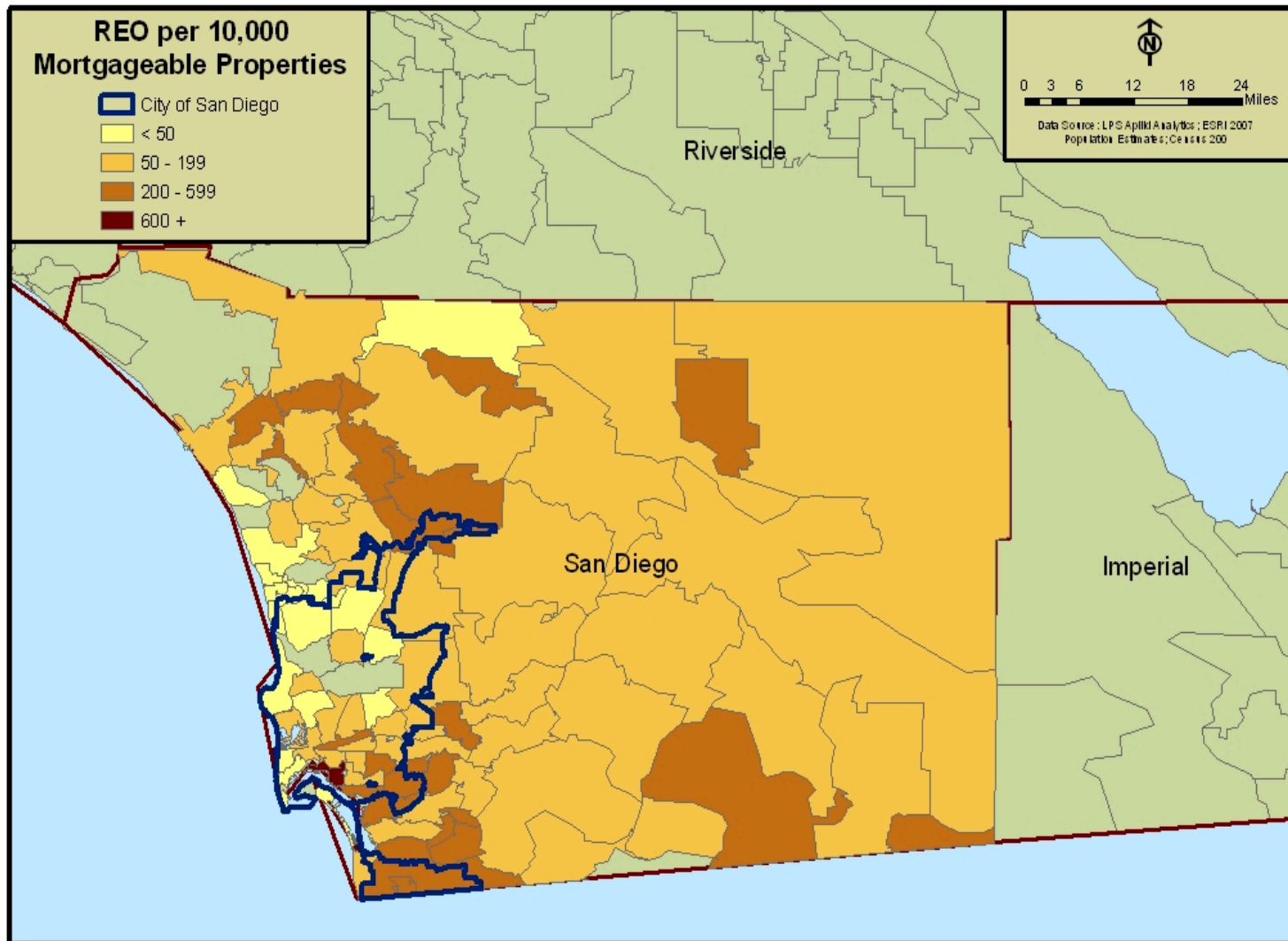
Data source: U.S. Census Homeowner Vacancy Survey

Foreclosed homes per 1-4 unit houses and condos, November 2008



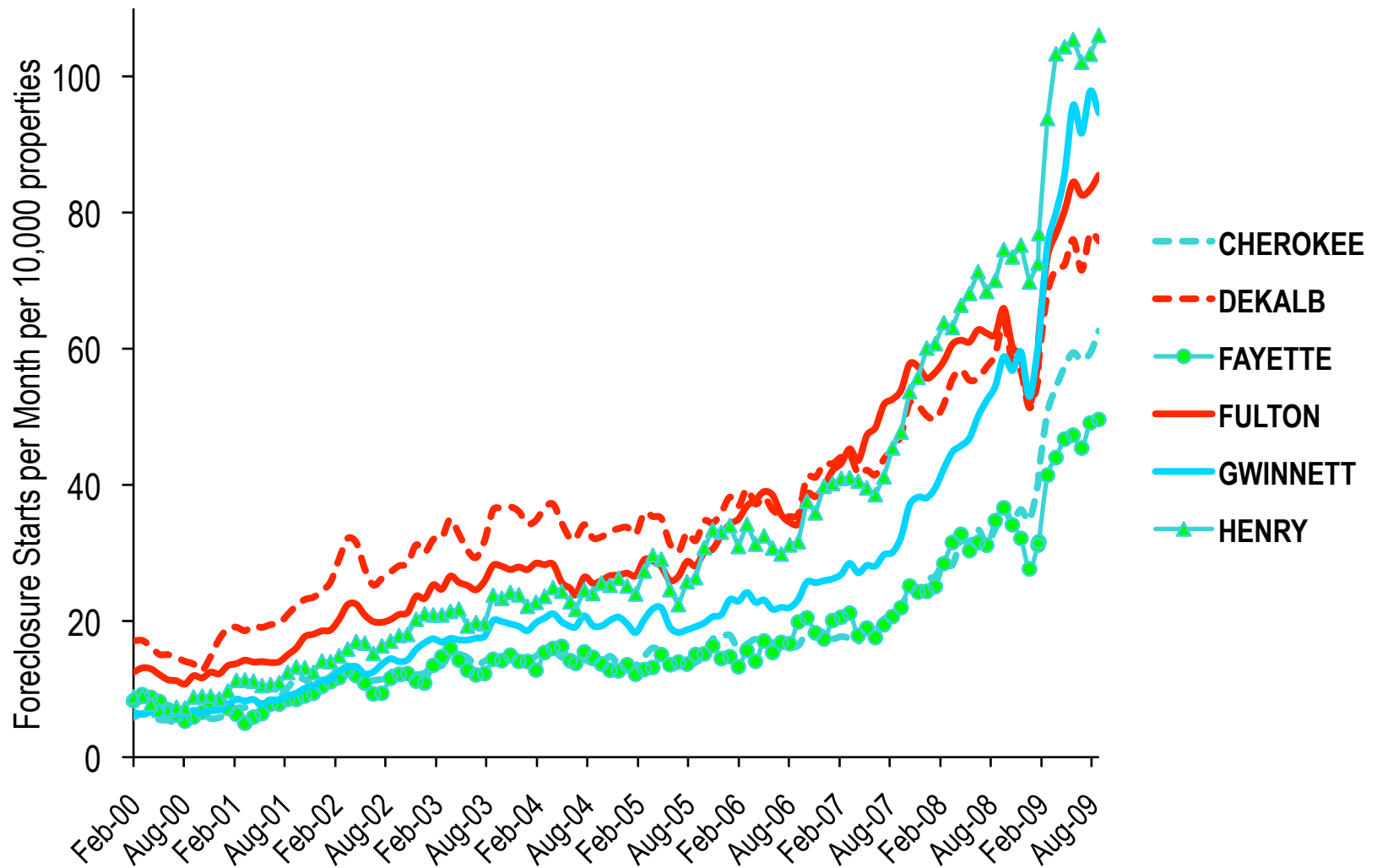
Data source: LPS Applied Analytics; U.S. Census; ESRI 2007 zip code population estimates

In the large-bubble metros, foreclosed homes are often more suburbanized or exurbanized



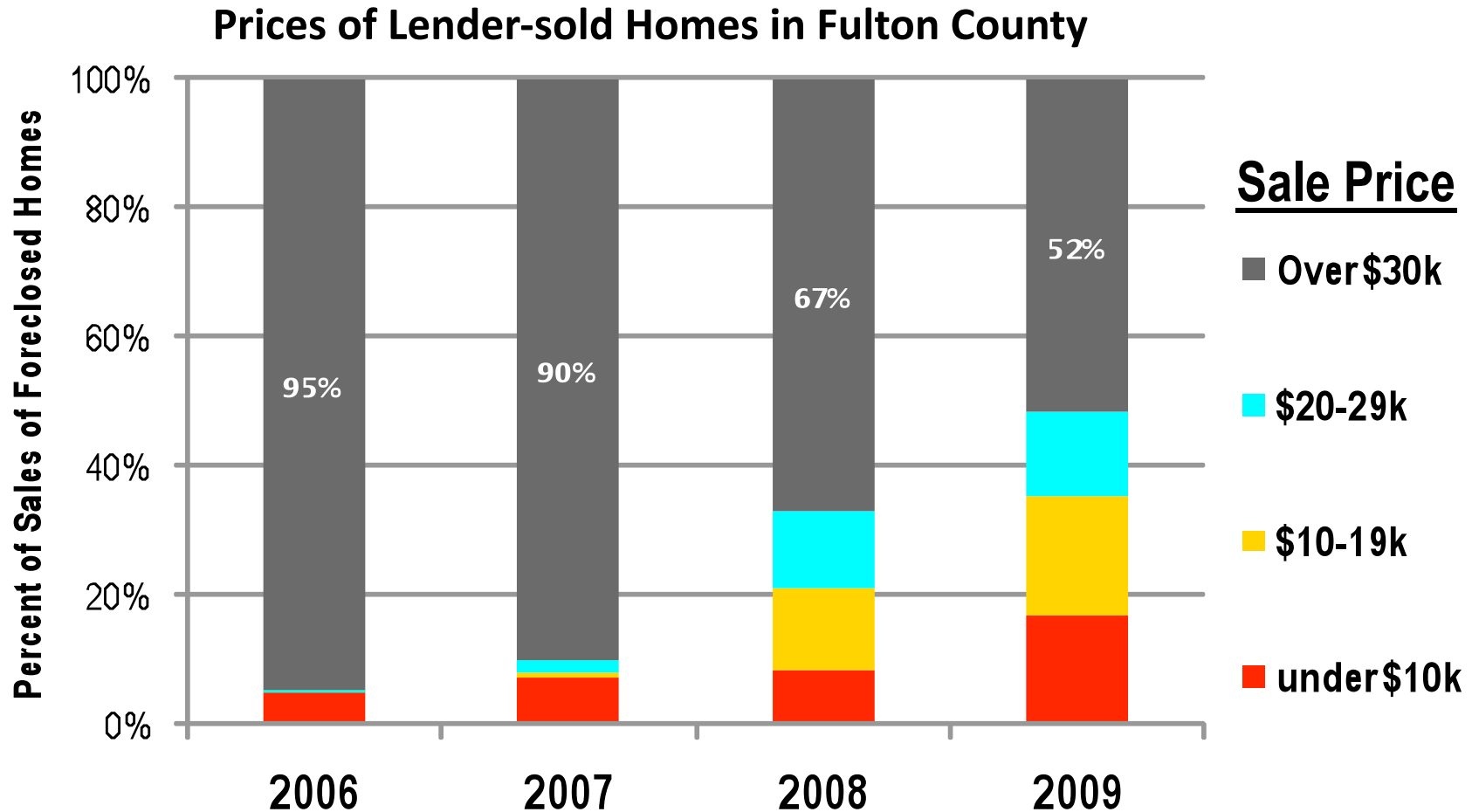
Data source: LPS Applied Analytics; U.S. Census; ESRI 2007 zip code population estimates

As prime and near-prime foreclosures increase, problem is becoming more suburbanized in Atlanta, too



Data sources: EquityDepot.net; U.S. Census American Community Survey

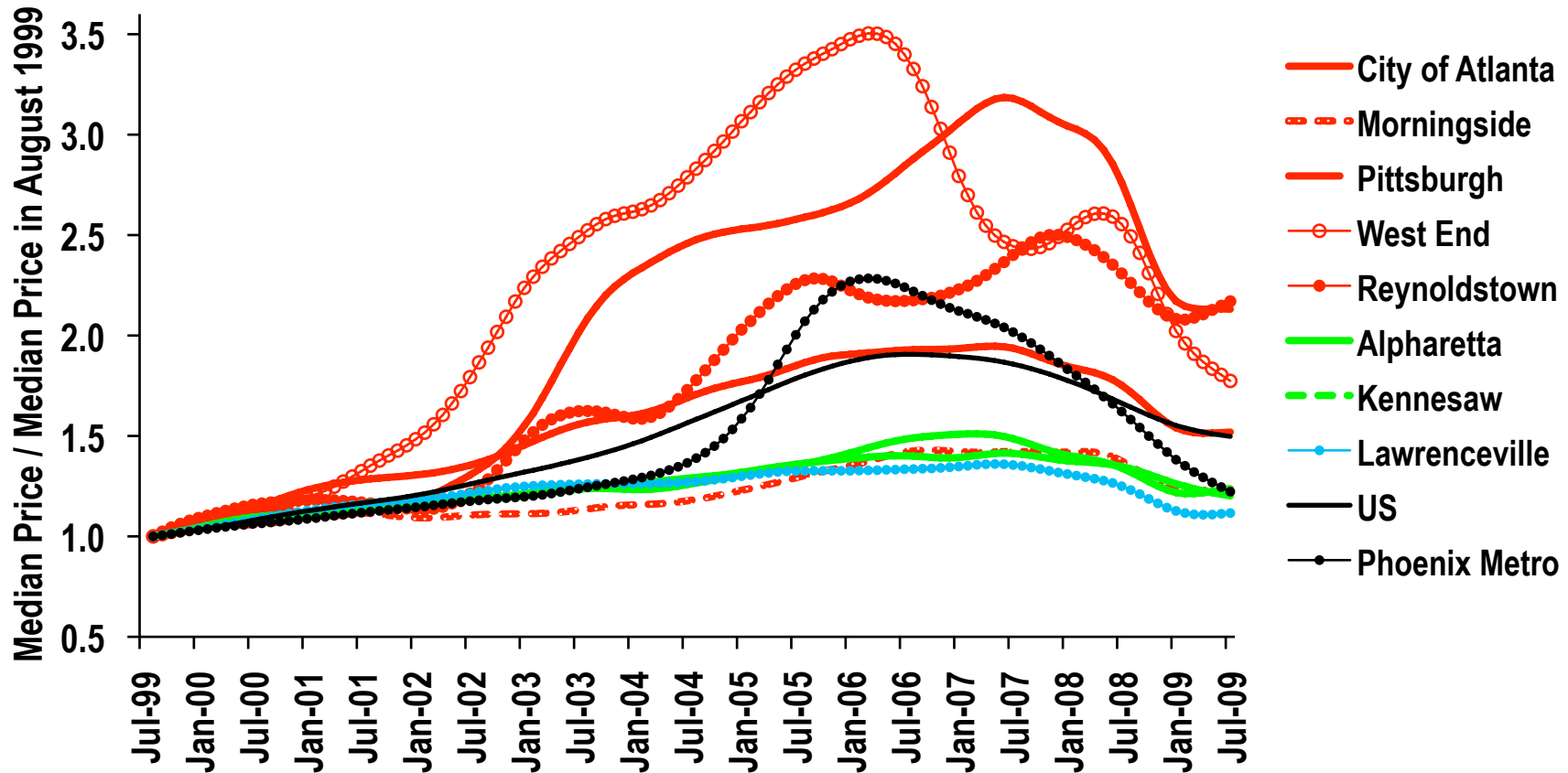
Growing numbers of lower-end foreclosed properties being 'dumped' by lenders...



Data source: Fulton county property transfer records, Fulton County Tax Assessor

Subprime-inflated inner-city bubbles:

Sustainable redevelopment versus
speculation, flipping, & fraud

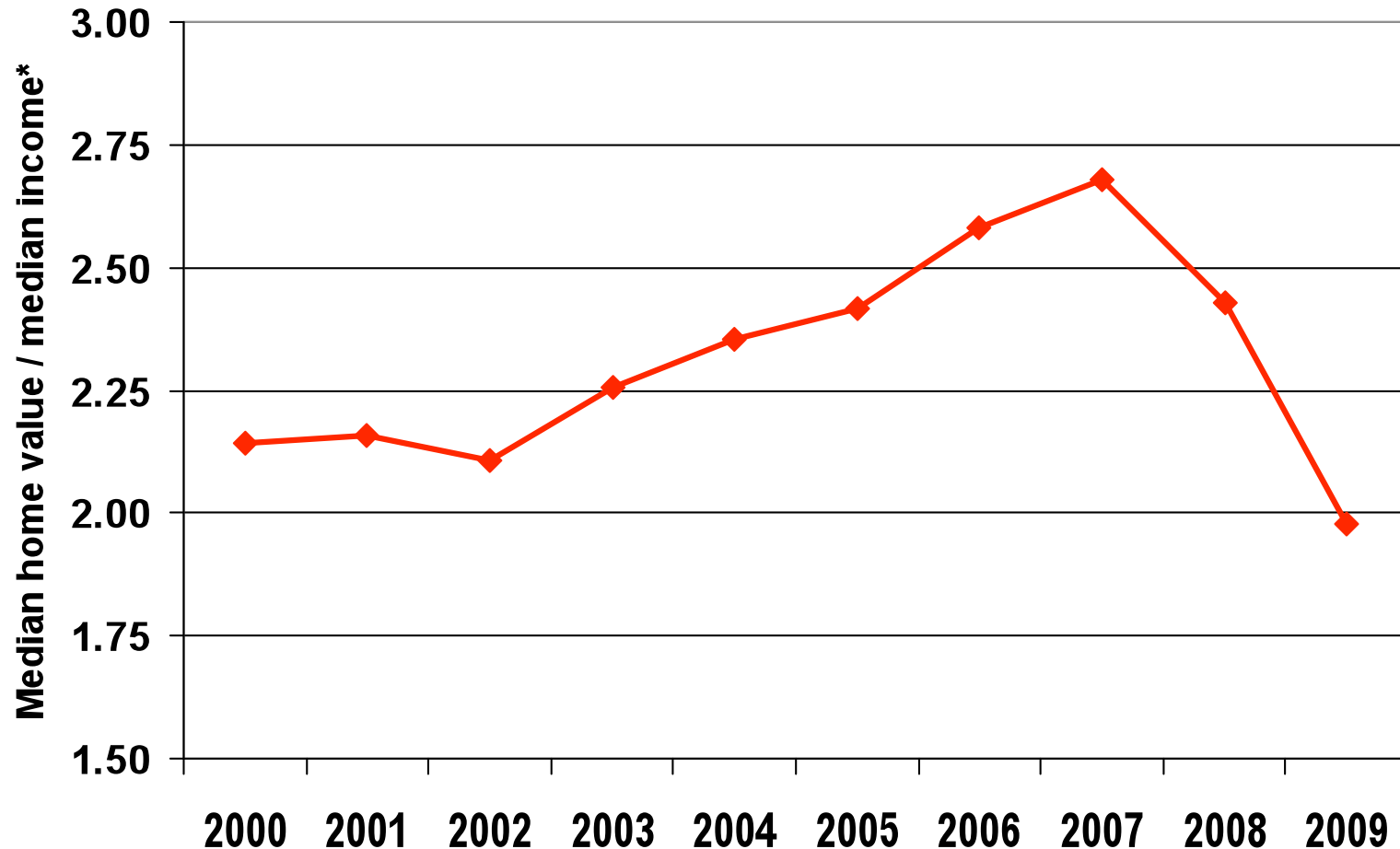


Data source: Zillow.com

*Includes prices of 3-bedroom homes only; excludes sales of foreclosed homes by lenders.

Silver linings?

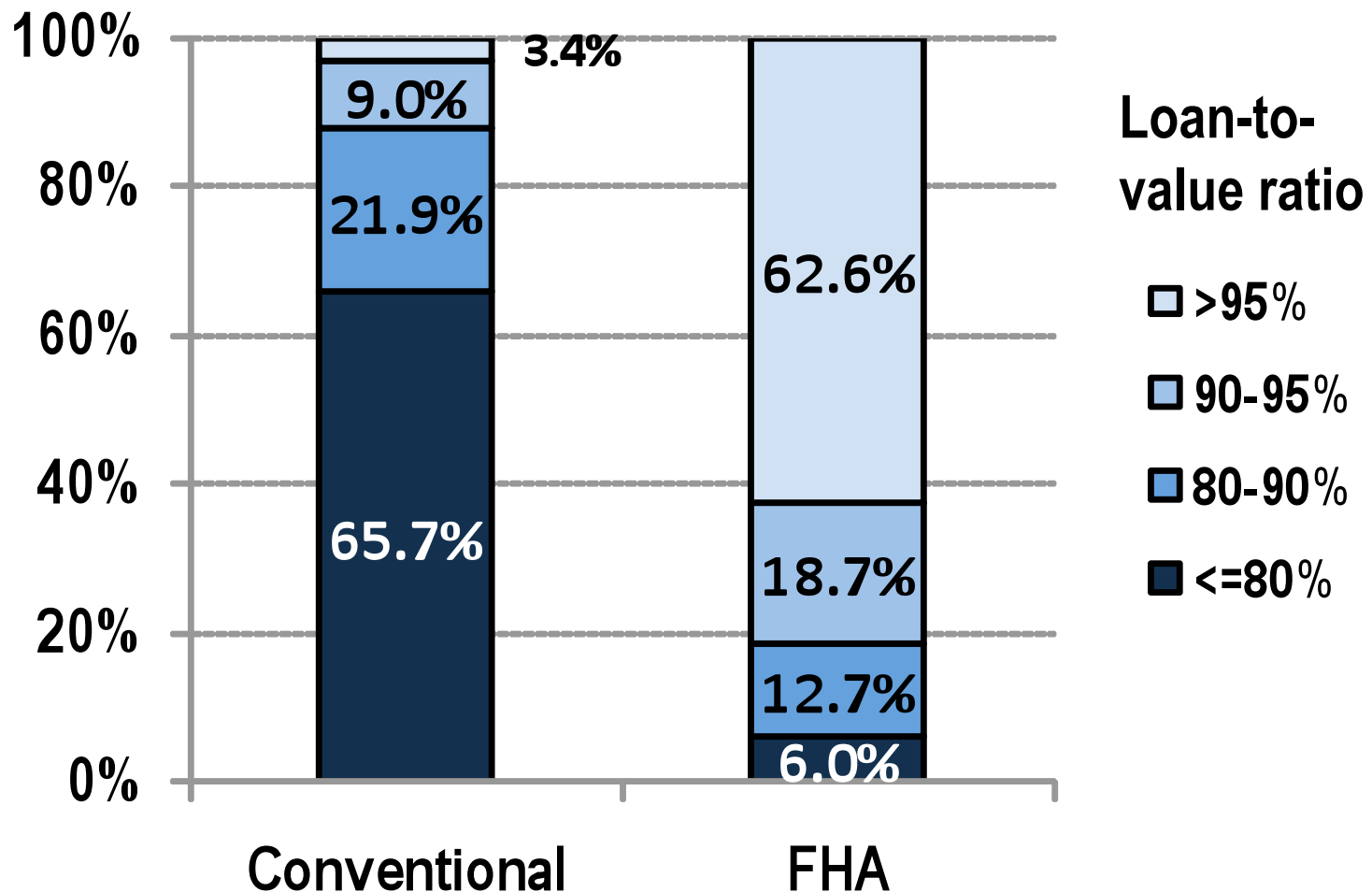
Single family price-to-income ratios have returned to below 2000 levels in the Atlanta region (albeit too rapidly)



* Median incomes are HUD estimates

Data sources: 2000 Census; Case-Shiller Housing Price Index, U.S. Department of Housing and Urban Development (HUD)

But lower prices do not always translate into greater ownership opportunities, especially as debt-to-income ratios and down payment requirements increase...

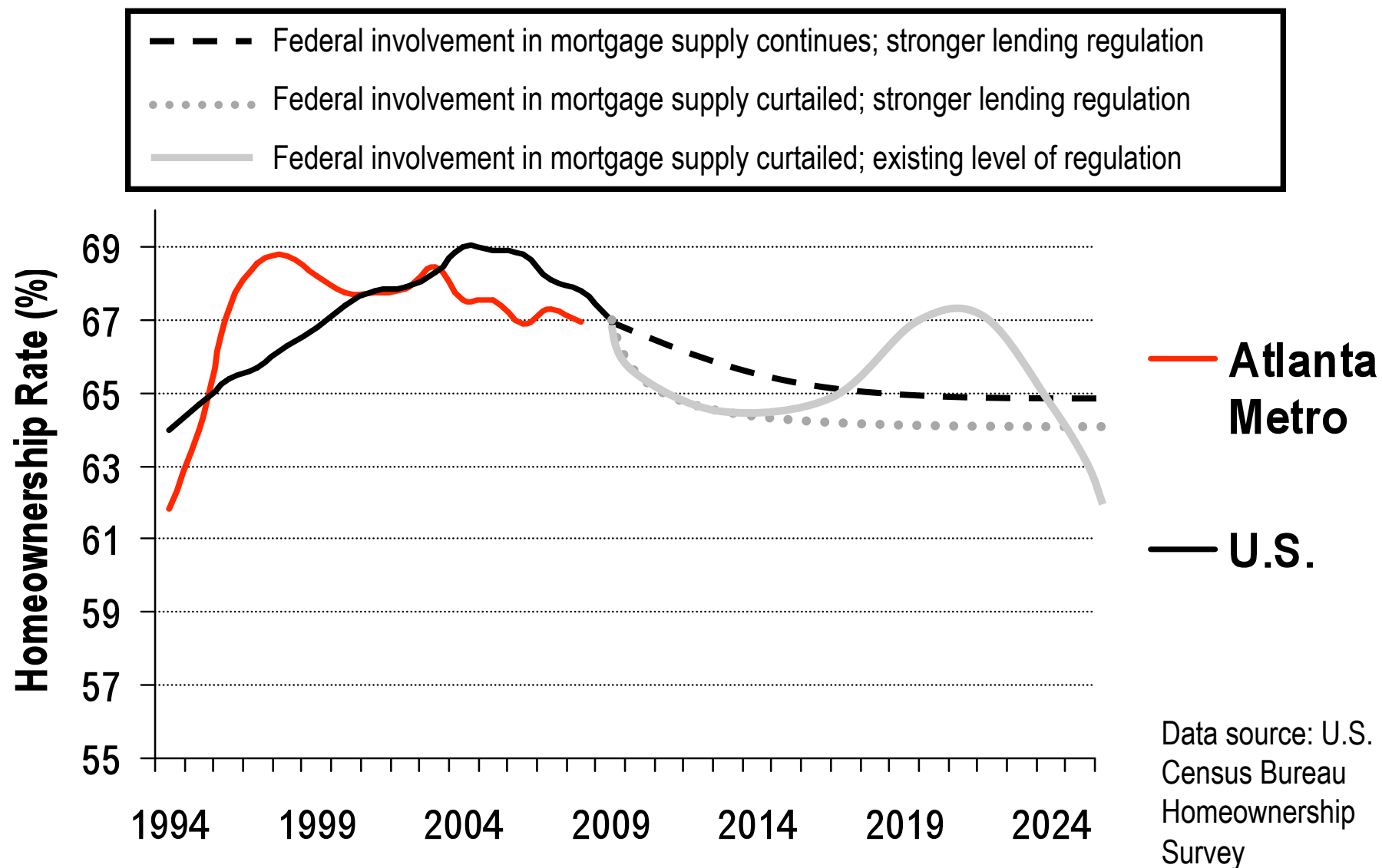


Data source: LPS Analytics, fourth quarter 2008, first lien home purchase loans

The habit of building personal savings predominantly through appreciation of one's home is one that many Americans will have to change.

– Daniel Tarullo, governor, Federal Reserve Board, October 9, 2009

Policy-contingent speculation on homeownership rates

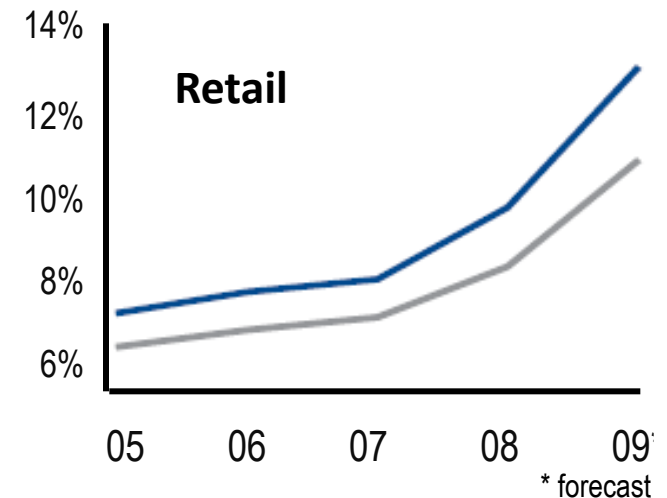
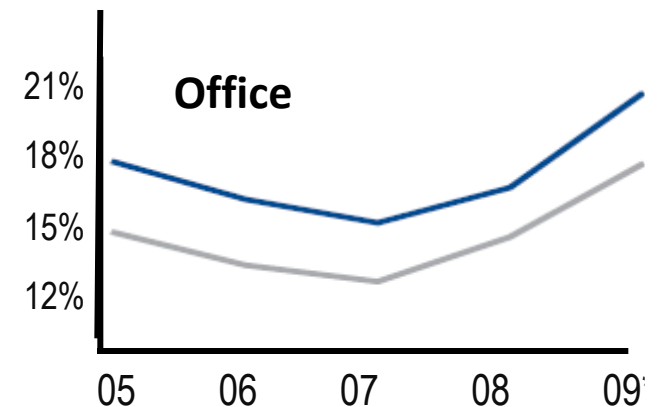
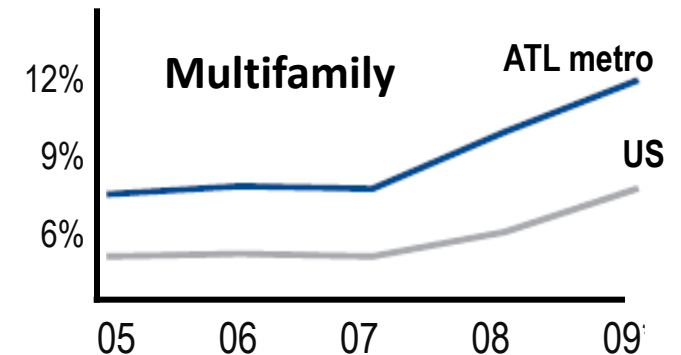


Commercial property vacancies: high and rising

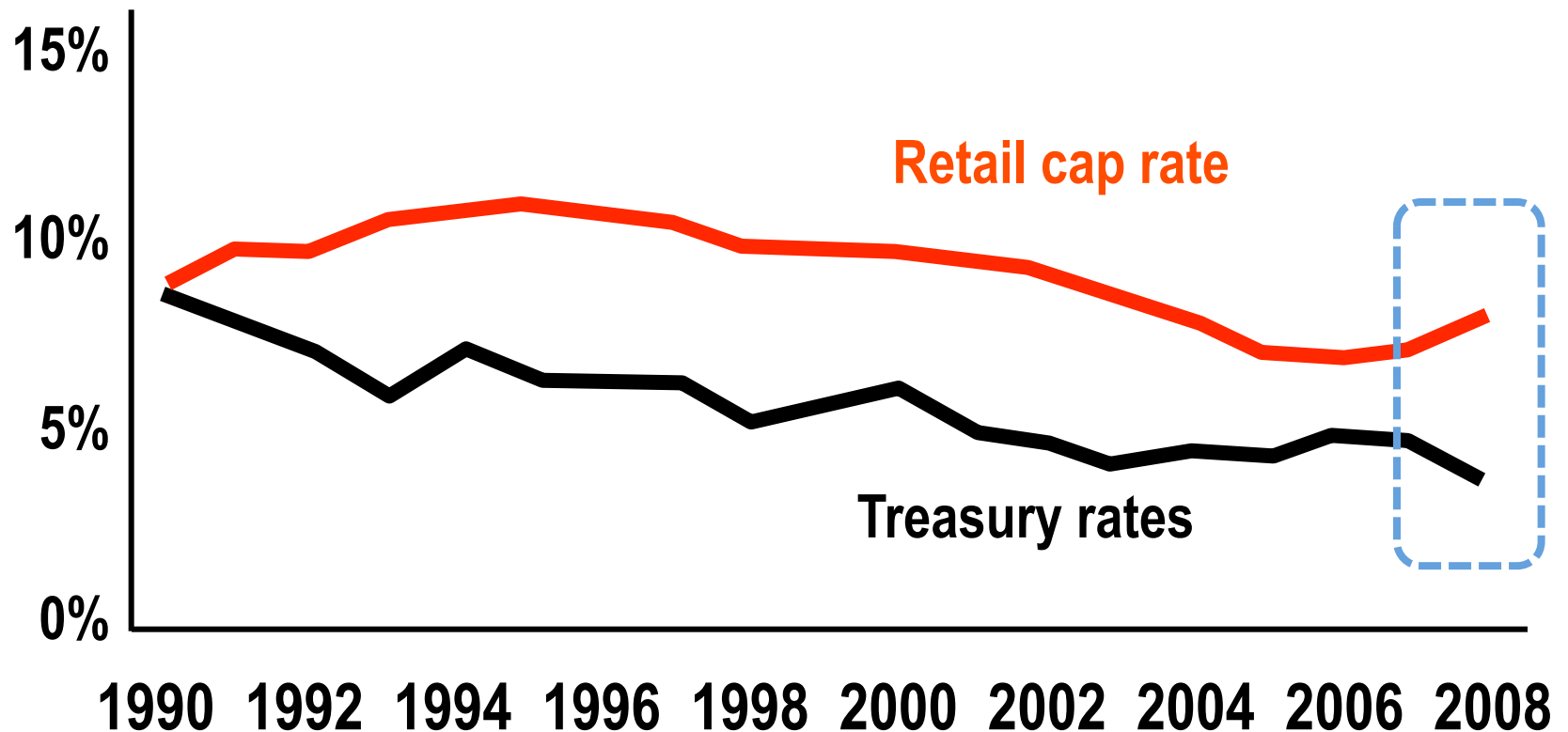
10 Metros with Largest Increases in Retail Vacancy

	Metro Area	Q2 2009	Yr-over-Yr Increase
1	Las Vegas	10.4%	3.4%
2	Fort Lauderdale	10.3%	3.4%
3	Phoenix	11.1%	3.1%
4	Tuscon	10.0%	3.0%
5	Sacramento	10.0%	2.9%
6	West Palm Beach	9.6%	2.9%
7	Riverside, CA	10.6%	2.7%
8	Atlanta	11.6%	2.7%
9	Orange County	5.7%	2.5%
10	Jacksonville	10.1%	2.4%
	U.S. Metro Average	9.0%	15.0%

From: Marcus and Millichap Research Services, 2009, <http://www.marcusmillichap.com/services/research/reports/default.aspx>



Risk premiums are rising; the nominal cost of capital is still low by historical standards, but likely to keep rising



From: Marcus and Millichap Research Services, *2009 National Retail Report*, at <http://www.vitorinolevygroup.com/assets/marketing/2009%20National%20Retail%20Report.pdf>