

City of Marietta Townhome and Detached Smart Numbers Study

Methodology

With very few new construction sales of the type planned for the Marietta Redevelopment area available, a method other than recent nearby comparables had to be used in order to gauge feasibility. Our 15 years of research has uncovered a hard and fast rule about the relationship between resale median price and new median price that cannot be broken.

The 80/20 Rule

When new homes are priced less than 20% above the price of resales, the new homes will attain 20% to 40% of the total demand for housing. When new homes are priced higher than 20% above resale prices, the share of new homes drops dramatically, sometimes to zero. We have found this rule to hold true for literally hundreds of studies performed across metro Atlanta over the last 15 years.

At the end of both the Townhome and Detached reports, we use resale prices as the gauge for where the new home prices should be.

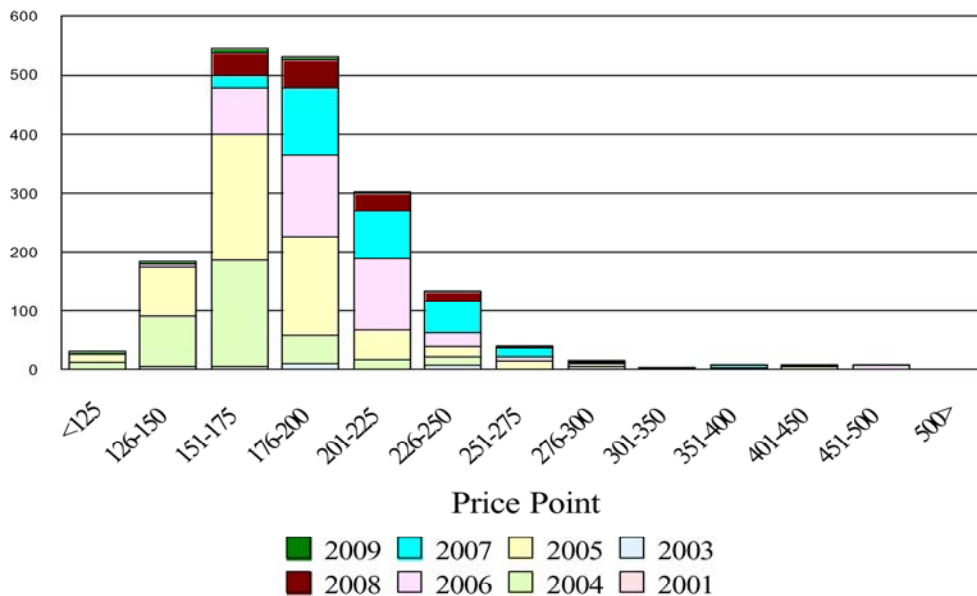
Townhomes

Because of the relative lack of townhome data within the city of Marietta, we expanded the comparable market area to include townhomes just outside the City of Marietta.

The supply of townhome lots inside the City of Marietta is 105 months while the supply of townhome lots outside Marietta is only 21 months.

The peak price point inside Marietta is \$225k to \$250k while the peak outside Marietta is \$175k to \$200k. There is literally no demand for townhomes above \$250k

Closings - Price Points



The last page of the Townhome report is the regression analysis where the correct price point is predicted based on actual sales. A range of square feet is predicted of 1600 to 2650. The actual new construction predicted price came in too high relative to resale prices. The new home price should be no more than 20% higher than the resale price, or the resale price should be more than 80% of the new price. Resale prices ranged from 63.5% to 81.7% of the new town home prices predicted based on the very few new townhome sales in the City of Marietta. This is why absorption has been very low. In order to increase absorption, the price should be adjusted to where the resale prices are at or above 80% of the new townhome prices. These are the prices to the far right under the heading “0.8 Rule”.

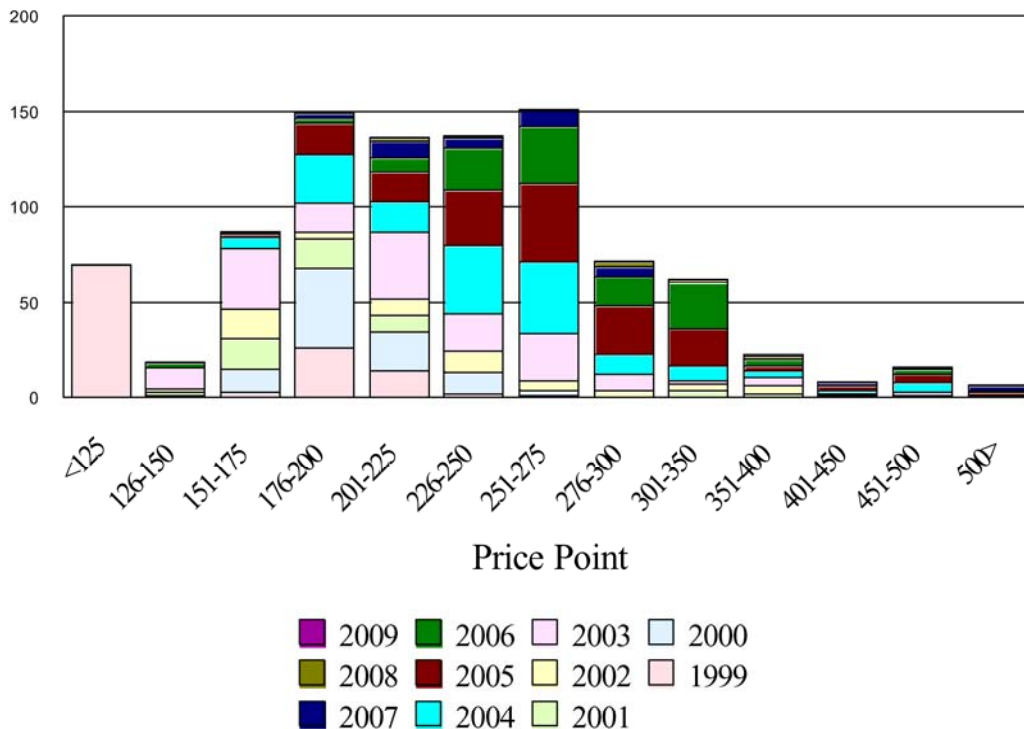
Resale price		Forecast Price	sf	gar	baths	0.8 rule
104,992	63.5%	165,404	1,600	2	2.50	125,990
123,922	67.5%	183,518	1,750	2	2.50	148,707
142,853	70.8%	201,631	1,900	2	2.50	171,424
161,784	73.6%	219,744	2,050	2	2.50	194,141
180,715	76.0%	237,857	2,200	2	2.50	216,858
199,646	78.4%	254,515	2,350	2	3.00	239,575
218,577	80.2%	272,629	2,500	2	3.00	262,292
237,508	81.7%	290,742	2,650	2	3.00	285,009
171,250		228,255				

Detached

The over all lack of detached closings in the last 3 to 5 years required the use of the 20% rule against the resale market. We positioned the correct price of detached new construction at a 20% premium above the resale prices.

The peak demand for detached housing is from \$175k to \$275 k. There is little demand for detached homes above \$350k.

Closings - Price Points



On the regression page, we again used the 80/20 rule to find the optimum detached pricing. Remember, this is the price where the detached homes WILL be absorbed or sell. For the detached analysis, the forecasted price for new came in under the 20% threshold due to the lack of comparable new detached sales. Therefore we actually raised the forecasted price to reach the point where the new detached homes would be 20% above the resale prices. This is the point where the new homes would begin to absorb. The correct prices and square footages are enclosed inside the rectangle.

<u>Resale price</u>		<u>Forecast Price</u>	<u>sf</u>	<u>lot</u>	<u>bsmt</u>	<u>gar</u>	<u>stories</u>	<u>0.8 rule</u>
154,127	156.4%	98,531	1,800	0.2000	0.00	2.00	2.00	184,952
175,542	131.6%	133,419	2,000	0.2000	0.00	2.00	2.00	210,650
196,957	117.0%	168,308	2,200	0.2000	0.00	2.00	2.00	236,348
218,372	107.5%	203,196	2,400	0.2000	0.00	2.00	2.00	262,046
239,787	100.7%	238,085	2,600	0.2000	0.00	2.00	2.00	287,744
261,202	95.7%	272,973	2,800	0.2000	0.00	2.00	2.00	313,442
282,617	91.8%	307,862	3,000	0.2000	0.00	2.00	2.00	339,140
304,032	88.7%	342,750	3,200	0.2000	0.00	2.00	2.00	364,838
223,726	86.4%	258,828	2,000	0.2000	1.00	2.00	2.00	268,472
245,141	83.5%	293,717	2,200	0.2000	1.00	2.00	2.00	294,170
266,556	81.1%	328,605	2,400	0.2000	1.00	2.00	2.00	319,868
287,971	79.2%	363,494	2,600	0.2000	1.00	2.00	2.00	345,566
309,386	77.7%	398,382	2,800	0.2000	1.00	2.00	2.00	371,264
330,801	76.3%	433,271	3,000	0.2000	1.00	2.00	2.00	396,962
352,216	75.2%	468,159	3,200	0.2000	1.00	2.00	2.00	422,660
373,631	74.3%	503,048	3,400	0.2000	1.00	2.00	2.00	448,358
263,879		300,789						