

# **Metrostudy: Depleted Supply of New Homes Leads to Increased Home Prices and Housing Starts**

## **Nothing normal about this housing cycle**

By Eugene James Senior Regional Director - Metrostudy

The Atlanta housing market is going through a transformation. With inventory levels remaining near record lows for the past four years, homebuyers now realize that they have to be ready to pounce when homes become available. “Resale inventory has not risen much above a 4 month supply over the past 6 years and currently stands at a mere 2.7 month supply. Before the “Great Recession” a normal used home month’s supply level was considered to be about 6”, said Eugene James, Regional Director for Metrostudy, a housing market research and consulting company. The low housing levels are giving Atlanta homebuilders a boost of confidence to build more houses.

Single family new construction starts activity was up in 2Q18, increasing to 7,081 units or 8.3% compared to last year’s figure of 6,539 units in 2Q17. Closings on the other hand were up by 13%; 6,634 new homes sold in 2Q18 compared to 5,864 units sold in 2Q17. Builders are reporting that if they had more houses available they could sell even more homes.

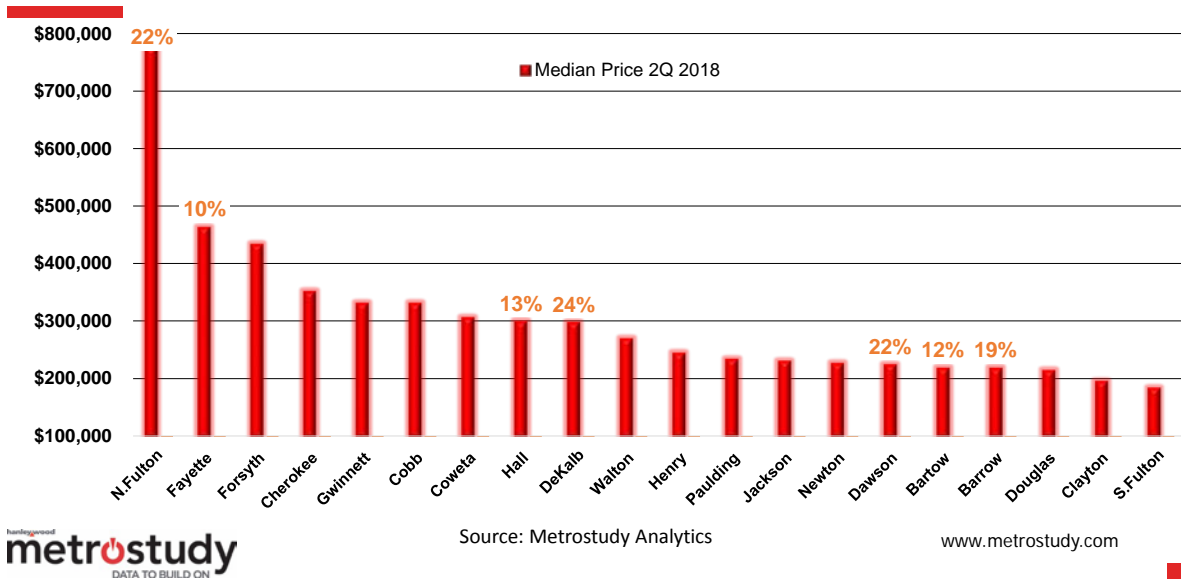
“Although construction starts activity has continuously been on the rise, finished but vacant new home supply has been falling for the past 6 months. This is an indication that closings are occurring faster than builders can supply new homes” said James. Finished vacant housing inventory is one of the fundamental indicators Metrostudy uses to monitor the health of the market. “The Atlanta finished but vacant housing months’ supply level is at 2.4 months. 3 to 3.5 months supply was the old historic norm for the region but we have not level in over five years” said James.

New home inventory is not the only thing facing low levels of supply, vacant developed lots are worsening in key market areas throughout the region. Gwinnett, Cobb, Forsyth and North Fulton are just a few of the markets that are facing a limited supply of available lots that builders can build on today. Some builders have discovered that there is plenty of demand for new homes in markets such as DeKalb, South Fulton, Paulding and Hall and a much better availability of lots on the ground as well. These areas are growing a faster pace than other parts of the region due to better lot supplies as well as better affordability.

“We are now in our 6<sup>th</sup> year of a housing recovery which is the longest recovery on record”, said James. “I find myself searching for new normals because the old norms (normal level of resale inventory was 6 months, today maybe it’s 4 months, new construction finished housing inventory was 3.5 months, it currently stands at 2.4 months) seem to no longer exist. These below normal and very low inventory levels are definitely helping to boost home prices,” said James.

Below is a chart showing median new home prices for detached homes closed during the second quarter of 2018. The counties showing a percentage represent those areas that had a double digit rate of price appreciation year over year.

## Median New Home Prices in Atlanta (detached only) (and counties with double digit price gains year over year)



**For more information contact Eugene James, Senior Regional Director for Metrostudy.** Eugene James is a senior regional director for Metrostudy and currently serves as a board member for the Greater Atlanta Home Builders Association and for HomeAid Atlanta, a group that builds houses for the homeless. For questions or comments regarding this article, he may be reached at (404) 510-1080 or [ejames@metrostudy.com](mailto:ejames@metrostudy.com)

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**62% of all single family new construction in the state occurs in Atlanta, 80% of multi-family and 61% of all jobs newly created.**