

R.A.M. DATA

Risk Analysis Management Data

a service of
MarketGraphics Research Group, Inc.

PO Box 1071, Brentwood, TN 37024-1071

(615) 371-2282 - info@mgresearch.net

www.mgresearch.net

Risk Analysis for:

Chattanooga

Area 13 - City of Chattanooga

\$225,000 to \$275,000 Price Range

This Analysis Prepared for:

Sample

Date: 3/1/2013 14:55

(This report has limitations which are addressed in the report.)

The Chattanooga Nine-County Region

Table of Contents

Market area descriptions	1	MG Area Inventory vs. Projected Demand	16
Risk	2	MG Area Historical & Projected Closings	17
Market Map	3	Total Active Subdivisions	18
Permit Summary	4	Historical Counted Home Inventory Comparison	19
Market Share	5	Developed Lots by Price Range	20
Net Home Inventory / Projected Demand	6	Previous Starts & Forecast of Starts	21
Projected Net Home Inventory and Projected 12-Month Demand	7	Forecast of Housing Starts by County	22
County Analysis	9	Homes Needed Annually	23
County Building Permits	13	Forecast of Starts, Current Year	24
MG Area Counted Home Inventory	14	Market audit	25
MG Area Counted Lot Inventory	15	Methodology, Due Diligence, Restrictions, Glossary	

Market Area by County

<u>MarketGraphics Area</u>	<u>County Name</u>
MG Area 1	----- West Bledsoe / Brockdell
MG Area 2	----- Central Bledsoe / Pikeville
MG Area 3	----- East Bledsoe / New Harmony
MG Area 4	----- West Bradley / Hopewell
MG Area 5	----- Northeast Bradley / Cleveland
MG Area 6	----- South Bradley County
MG Area 7	----- West Catoosa / Ft. Oglethorpe
MG Area 8	----- Central Catoosa County
MG Area 9	----- East Catoosa / Ringgold
MG Area 10	----- Soddy-Daisy / Sale Creek
MG Area 11	----- Red Bank / Hixson
MG Area 12	----- East Ridge / Lookout Mountain
MG Area 13	----- City of Chattanooga
MG Area 14	----- East Brainerd
MG Area 15	----- Ooltewah / Collegedale
MG Area 16	----- Birchwood
MG Area 17	----- West Marion / Orne
MG Area 18	----- Central Marion / Jasper
MG Area 19	----- East Marion / Whitwell
MG Area 20	----- North Murray County
MG Area 21	----- South Murray County
MG Area 22	----- West Sequatchie / Fredonia
MG Area 23	----- Central Sequatchie / Dunlap
MG Area 24	----- East Sequatchie / Lewis Chapel
MG Area 25	----- West Walker / Kensington
MG Area 26	----- North Walker / Chickamauga
MG Area 27	----- East Walker / Rock Spring
MG Area 28	----- North Whitfield / Cohutta
MG Area 29	----- Central Whitfield / Dalton
MG Area 30	----- South Whitfield County

Risk Analysis Management Data

Area 13 - City of Chattanooga

\$225,000 to \$275,000 Price Range

The risk analysis rating is: **1.40**

0 - 1.9	High Risk - Extreme caution recommended
2 - 3.9	Risky - Caution recommended
4 - 5.9	Caution, below 6 requires much caution. Must presell!
6 - 7.4	Average Risk - Best for pre-sales, not specs
7.5 - 8.1	Below Average Risk - Good market for pre-sales
8.2 - 9.3	Fairly Low Risk - Reasonable for specs and pre-sales
9.4 - 10	Minimum Risk - Outstanding Market!

R.A.M. (Risk Analysis Management) Reports are one tool that can be used to find the right market area and price point to build a home. Adding this evaluation to good management, marketing, merchandising, selling and a quality product may help the builder lower their risk building a spec home at the wrong price in the wrong area.

R.A.M Reports are designed to measure new home construction risks, not land purchase or land development risks. Simply stated, R.A.M. Reports provide a measure of market activity and then illustrate how builders are responding to that market. *For example: If an area and a price range in that area show a need for 100 homes in the next 12 months based on the current housing trends and there are only 5 homes available in the area, it will generally show a low risk rating. But, if there are 50 homes available, a high risk rating will be shown. This analysis looks at this issue today as well as projected sales. Additionally, a builder can still select a good subdivision in a low-risk market and make a mistake by building a home with the wrong specifications for the home and area, etc., which could lessen the sales results.*

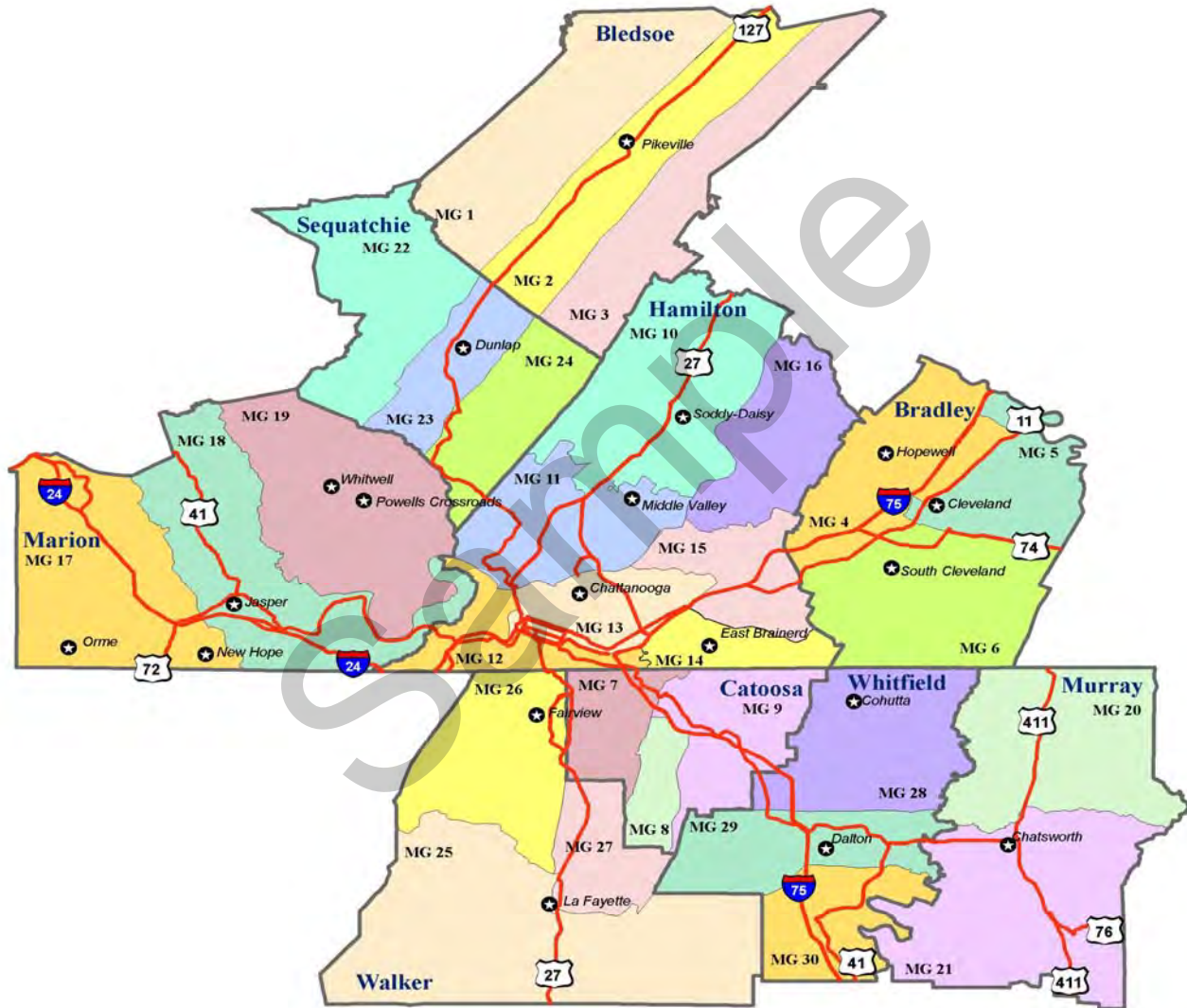
R.A.M. Reports do not measure the risk of building in a single subdivision. Nor does it apply to a subdivision which is located outside normal growth ring areas with higher sales such as rural or urban markets. *For example: If a subdivision in a market area has good sales today, but builders in other subdivisions are starting excessive number of homes in that market area, then their over-building in that market area will create too much supply for the existing area demand. Therefore, some builders will have to hold their homes longer, which could result in lowered prices and eventually affect the sale of the homes in an otherwise good subdivision.*

R.A.M Reports are created from information in the MG database containing subdivision details, economic, employment, interest rate and other market data. This information is typically updated each four months. Therefore, it is important to consider the age of the data when creating a R.A.M. Report. The five specific factors considered in producing the risk rating are:

- ◆ The fluctuating economic cycle
- ◆ The employment-to-permit ratio review
- ◆ Current number of Newly Finished Unoccupied Homes (NFU) in a specific MG Area
- ◆ Current number of homes being absorbed in a specific MG Area
- ◆ Projections and Forecasts of future supply of homes

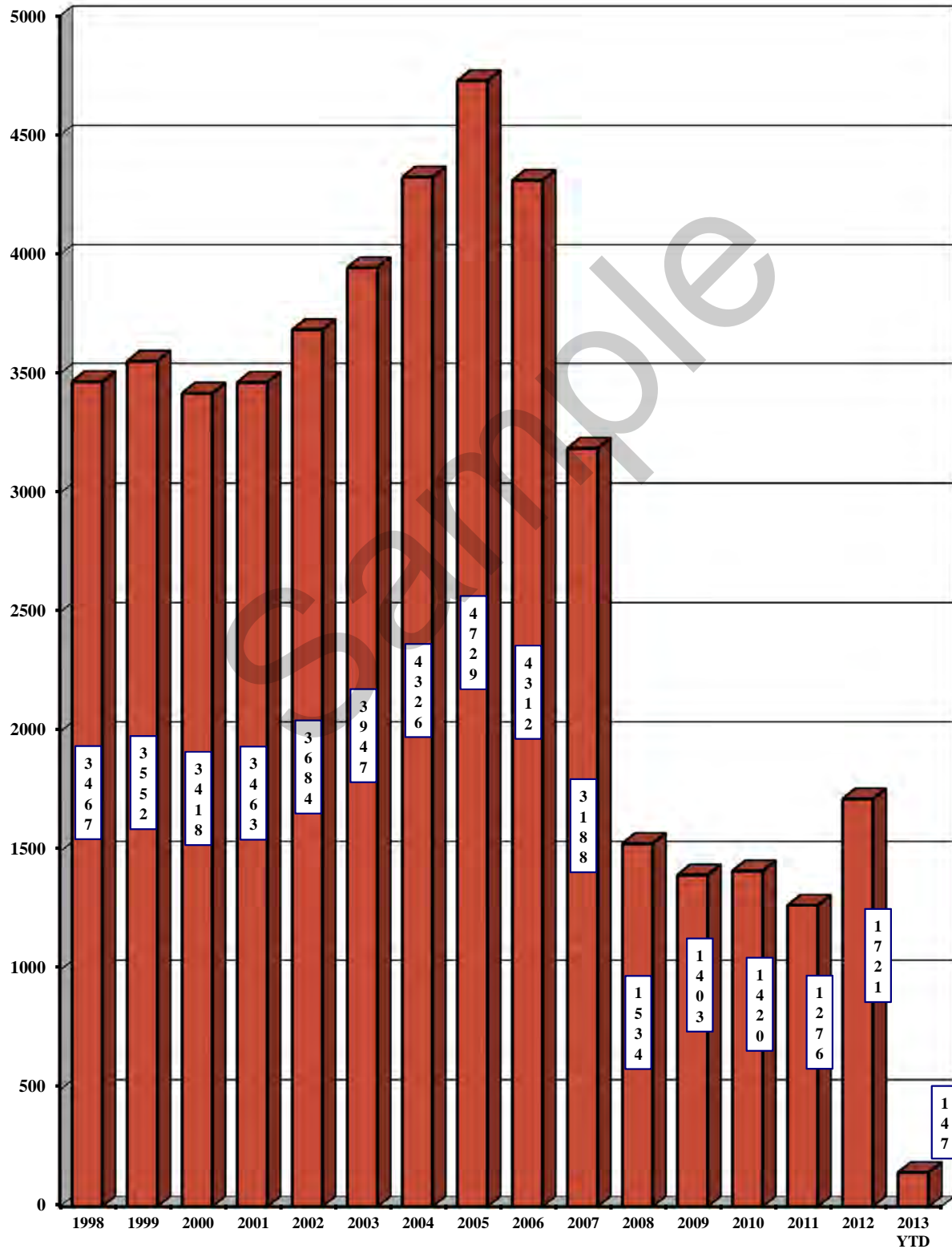
MarketGraphics cannot and does not guarantee a profit, nor can it eliminate the risk of loss. Neither the company nor any person affiliated with MarketGraphics can guarantee any builder's results or profits, nor does the company have the power to eliminate the risks inherent in any speculative or presale homebuilding or any and all construction ventures.

The Chattanooga Region



The Chattanooga Region (9-County Market)

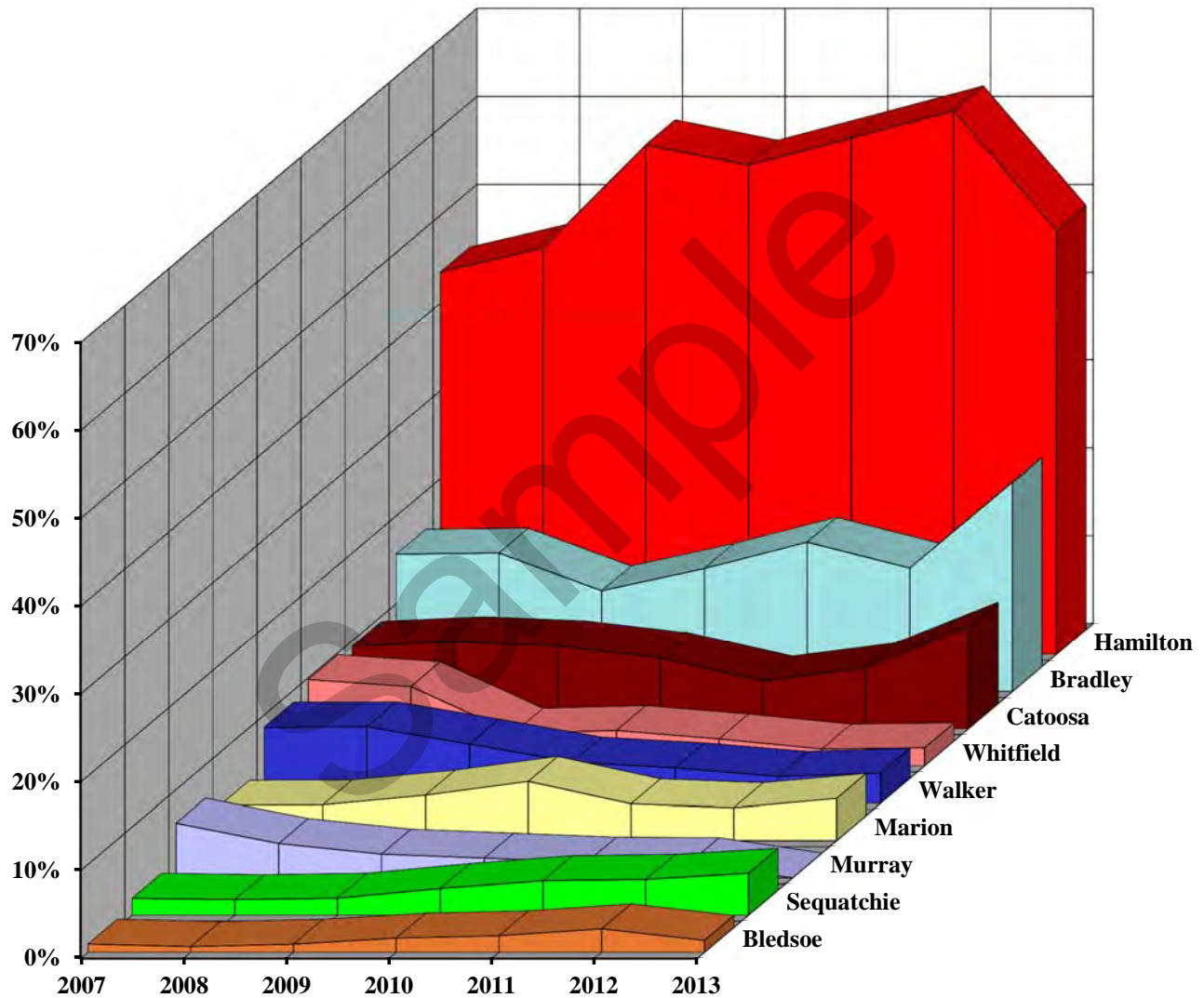
Building Permit Summary



The Chattanooga Region (9-County Market)

Market Share by County

(Based on Building Permits Issued)



County	2007	2008	2009	2010	2011	2012	2013
Hamilton	43.54%	46.28%	58.02%	55.70%	58.78%	61.88%	48.30%
Bradley	15.64%	15.78%	11.48%	14.01%	17.01%	14.06%	23.81%
Catoosa	9.37%	9.91%	9.41%	8.03%	5.41%	6.91%	11.56%
Whitfield	9.80%	9.00%	3.71%	4.01%	3.06%	1.92%	2.04%
Walker	8.62%	8.67%	6.70%	4.65%	4.00%	3.02%	3.40%
Marion	3.98%	4.04%	5.13%	6.69%	4.15%	3.72%	4.76%
Murray	6.21%	3.91%	2.71%	2.25%	1.80%	1.74%	0.00%
Sequatchie	1.91%	1.76%	1.92%	3.03%	3.92%	4.07%	4.76%
Bledsoe	0.94%	0.65%	0.93%	1.62%	1.88%	2.67%	1.36%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Current Net Home Inventory (Supply) and Projected 12-Month Demand

Data from: March 2013

The Chattanooga Region (9-County Market)

MG Area	Under \$175,000		\$175,000 to \$225,000		\$225,000 to \$275,000		\$275,000 to \$325,000		\$325,000 to \$425,000		\$425,000 to \$625,000		\$625,000 to \$925,000		Over \$925,000		Total	
	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand
1	0.6	1	0.0	1	1.6	3	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	2	6
2	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0
3	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0
4	4.7	18	0.6	16	1.6	8	1.8	11	1.4	7	1.1	4	0.2	3	0.0	1	11	68
5	12.7	51	0.3	7	0.9	12	0.1	5	0.1	3	0.1	3	0.0	1	0.0	0	14	82
6	1.8	28	2.3	5	0.6	7	0.5	5	0.3	4	0.0	1	0.0	0	0.0	0	6	50
7	4.7	18	1.5	5	1.8	9	0.1	3	0.1	1	0.4	12	0.4	11	0.1	3	9	62
8	0.8	16	0.1	4	0.0	1	0.0	3	0.0	1	0.2	7	0.0	0	0.0	0	1	32
9	0.5	1	0.0	1	0.4	28	1.6	5	0.3	3	0.0	0	0.0	0	0.0	0	3	38
10	3.2	17	14.5	33	3.3	11	0.5	3	0.6	4	0.7	9	0.2	1	0.0	1	23	79
11	4.7	21	11.3	97	9.9	55	5.5	45	2.3	16	1.1	4	0.7	7	0.4	1	36	246
12	1.1	22	1.0	20	5.5	12	0.0	1	0.0	11	1.0	11	1.8	5	0.0	0	10	82
13	0.2	68	12.8	66	10.8	42	12.2	24	9.0	25	1.1	3	0.9	3	0.0	1	47	232
14	2.5	5	10.5	67	7.4	34	4.8	32	2.5	14	0.3	3	0.3	3	0.4	3	29	161
15	5.5	16	15.9	62	18.9	89	18.4	71	3.1	34	1.4	14	1.2	7	0.2	3	64	296
16	1.8	17	0.3	13	0.1	1	1.7	3	1.0	1	0.0	1	0.0	0	0.0	0	5	36
17	0.0	0	0.0	0	0.0	0	0.0	3	0.0	1	0.0	0	0.0	0	0.0	0	0	4
18	1.0	5	0.1	3	0.0	4	0.0	1	0.1	1	0.1	0	0.0	0	0.0	0	1	14
19	0.0	0	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1	0.0	0	0.0	0	0	4
20	0.1	0	1.0	1	0.1	1	0.1	1	0.0	1	0.0	0	0.0	0	0.0	0	1	4
21	1.5	5	0.1	3	0.0	7	0.0	1	0.1	0	0.1	0	0.0	0	0.0	0	2	16
22	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1	0	4
23	0.8	7	0.0	1	0.0	3	0.0	3	0.0	0	0.0	0	0.0	0	0.0	0	1	14
24	0.0	0	0.0	0	0.0	3	0.0	5	0.1	3	0.2	1	0.1	1	0.0	0	0	13
25	0.0	13	0.1	3	0.1	1	0.1	0	0.0	0	0.1	0	0.5	1	0.1	1	1	19
26	0.8	5	0.1	4	0.0	1	0.0	3	0.0	1	0.0	3	0.0	1	0.0	0	1	18
27	0.0	0	0.0	1	0.5	1	0.5	1	0.1	1	0.1	1	0.0	0	0.0	0	1	5
28	0.2	3	0.2	4	0.5	3	0.3	3	0.1	3	0.0	1	0.0	1	0.0	1	1	19
29	0.0	0	2.4	4	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	2	5
30	0.0	11	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	12
Total	49	348	75	422	64	338	48	234	21	137	8	80	6	46	1	16	272	1621

Inventory is projected to reflect inventory of homes not sold, but more caution when done by price points

Key:

Green - Inventory less than 10% of annual closings is a good market.

Light Green - Inventory between 10% and 15% of annual closings is reasonable but in transition.

Yellow - Inventory between 15% and 20% of annual closings is moving into cautious range.

Orange - Inventory between 20% and 25% of annual closings is expanded risk.

Light Red - Inventory between 25% and 30% of annual closings is of serious risk.

Red - Inventory over 30% of annual closings is a level of risk that needs serious action.

Projected Net Home Inventory (Supply) and Projected 12-Month Demand

4-month projections based on natural extensions from March 2013

The Chattanooga Region (9-County Market)

MG Area	Under \$175,000		\$175,000 to \$225,000		\$225,000 to \$275,000		\$275,000 to \$325,000		\$325,000 to \$425,000		\$425,000 to \$625,000		\$625,000 to \$925,000		Over \$925,000		Total	
	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand
1	0.9	1	0.0	1	2.4	3	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	3	6
2	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0
3	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0
4	7.1	18	0.6	16	2.2	8	2.5	11	2.1	7	1.5	4	0.3	3	0.0	1	16	69
5	16.5	52	0.1	7	1.1	12	0.1	5	0.1	3	0.1	3	0.0	1	0.0	0	18	83
6	3.0	29	3.3	5	0.3	7	0.8	5	0.0	4	0.0	1	0.0	0	0.0	0	7	51
7	5.5	18	1.7	5	2.0	9	0.0	3	0.0	1	0.2	12	0.4	11	0.0	3	10	63
8	0.8	16	0.0	4	0.0	1	0.0	3	0.0	1	0.4	7	0.0	0	0.0	0	1	33
9	0.4	1	0.0	1	0.0	29	2.3	5	0.2	3	0.0	0	0.0	0	0.0	0	3	39
10	2.3	17	18.3	34	3.5	11	0.1	3	0.3	4	0.7	9	0.2	1	0.0	1	25	80
11	5.8	21	8.2	99	16.6	56	6.7	46	1.8	16	1.6	4	0.6	7	0.6	1	42	250
12	0.3	22	0.4	20	9.0	12	0.0	1	0.0	11	1.0	11	1.8	5	0.0	0	12	83
13	0.0	69	6.0	67	9.5	43	13.4	24	7.0	25	1.8	3	1.6	3	0.0	1	39	236
14	3.6	5	14.7	68	6.4	35	4.1	33	2.4	14	0.3	3	0.3	3	0.4	3	32	164
15	7.4	16	20.8	63	23.1	91	23.7	72	3.8	35	1.1	14	1.0	7	0.2	3	81	301
16	1.2	17	0.5	13	0.1	1	2.9	3	1.8	1	0.0	1	0.0	0	0.0	0	7	37
17	0.0	0	0.0	0	0.0	0	0.0	3	0.0	1	0.0	0	0.0	0	0.0	0	0	4
18	1.0	5	0.2	3	0.0	4	0.0	1	0.1	1	0.1	0	0.0	0	0.0	0	1	14
19	0.0	0	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1	0.0	0	0.0	0	0	4
20	0.2	0	1.7	1	0.1	1	0.1	1	0.0	1	0.0	0	0.0	0	0.0	0	2	4
21	2.1	5	0.1	3	0.0	7	0.0	1	0.1	0	0.1	0	0.0	0	0.0	0	2	16
22	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1	0	4
23	1.2	7	0.0	1	0.0	3	0.0	3	0.0	0	0.0	0	0.0	0	0.0	0	1	14
24	0.0	0	0.0	0	0.0	3	0.0	5	0.1	3	0.2	1	0.1	1	0.0	0	0	13
25	0.0	13	0.1	3	0.1	1	0.1	0	0.0	0	0.2	0	0.5	1	0.1	1	1	19
26	0.0	5	0.1	4	0.0	1	0.0	3	0.0	1	0.0	3	0.0	1	0.0	0	0	18
27	0.0	0	0.0	1	0.6	1	0.8	1	0.2	1	0.1	1	0.0	0	0.0	0	2	5
28	0.1	3	0.0	4	0.5	3	0.0	3	0.0	3	0.0	1	0.0	1	0.0	1	1	19
29	0.0	0	3.8	4	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	4	5
30	0.0	11	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	12
Total	59	354	81	430	77	344	58	238	20	139	9	81	7	47	1	16	312	1650

Inventory is projected to reflect inventory of homes not sold, but more caution when done by price points

Key:

Green - Inventory less than 10% of annual closings is a good market.

Light Green - Inventory between 10% and 15% of annual closings is reasonable but in transition.

Yellow - Inventory between 15% and 20% of annual closings is moving into cautious range.

Orange - Inventory between 20% and 25% of annual closings is expanded risk.

Light Red - Inventory between 25% and 30% of annual closings is of serious risk.

Red - Inventory over 30% of annual closings is a level of risk that needs serious action.

Projected Net Home Inventory (Supply) and Projected 12-Month Demand

8-month projections based on natural extensions from March 2013

The Chattanooga Region (9-County Market)

MG Area	Under \$175,000		\$175,000 to \$225,000		\$225,000 to \$275,000		\$275,000 to \$325,000		\$325,000 to \$425,000		\$425,000 to \$625,000		\$625,000 to \$925,000		Over \$925,000		Total	
	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply	Demand
1	1.2	1	0.0	1	3.2	3	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	4	6
2	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0
3	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	0
4	9.4	19	0.7	17	2.9	8	3.3	11	2.8	7	1.9	4	0.4	3	0.0	1	21	70
5	20.2	53	0.0	7	1.4	12	0.1	5	0.1	3	0.1	3	0.0	1	0.0	0	22	85
6	4.1	29	4.4	5	0.0	7	1.0	5	0.0	4	0.0	1	0.0	0	0.0	0	10	52
7	6.3	19	1.9	5	2.2	9	0.0	3	0.0	1	0.1	12	0.3	11	0.0	3	11	64
8	0.8	17	0.0	4	0.0	1	0.0	3	0.0	1	0.5	7	0.0	0	0.0	0	1	33
9	0.3	1	0.0	1	0.0	29	3.1	5	0.0	3	0.0	0	0.0	0	0.0	0	3	39
10	1.4	18	22.1	34	3.7	11	0.0	3	0.0	4	0.7	9	0.2	1	0.0	1	28	82
11	6.8	22	5.1	101	23.2	57	7.9	47	1.3	17	2.1	4	0.6	7	0.7	1	48	255
12	0.0	23	0.0	21	12.5	12	0.0	1	0.0	11	1.0	11	1.8	5	0.0	0	15	85
13	0.0	70	0.0	68	8.2	44	14.6	25	5.0	26	2.5	3	2.3	3	0.0	1	33	240
14	4.7	5	18.8	69	5.3	35	3.4	33	2.2	15	0.3	3	0.3	3	0.4	3	36	167
15	9.3	17	25.8	64	27.4	92	29.0	74	4.6	35	0.9	15	0.9	7	0.3	3	98	307
16	0.6	18	0.6	13	0.1	1	4.1	3	2.6	1	0.0	1	0.0	0	0.0	0	8	37
17	0.0	0	0.0	0	0.0	0	0.0	3	0.0	1	0.0	0	0.0	0	0.0	0	0	4
18	1.0	5	0.3	3	0.1	4	0.0	1	0.1	1	0.1	0	0.0	0	0.0	0	2	15
19	0.0	0	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1	0.0	0	0.0	0	0	4
20	0.4	0	2.5	1	0.1	1	0.1	1	0.0	1	0.0	0	0.0	0	0.0	0	3	4
21	2.7	5	0.1	3	0.0	7	0.0	1	0.1	0	0.1	0	0.0	0	0.0	0	3	17
22	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	0.0	1	0.0	1	0.0	1	0	4
23	1.6	7	0.0	1	0.0	3	0.0	3	0.0	0	0.0	0	0.0	0	0.0	0	2	15
24	0.0	0	0.0	0	0.0	3	0.0	5	0.1	3	0.2	1	0.1	1	0.0	0	0	13
25	0.0	13	0.1	3	0.1	1	0.1	0	0.0	0	0.2	0	0.5	1	0.1	1	1	20
26	0.0	5	0.1	4	0.0	1	0.0	3	0.0	1	0.0	3	0.0	1	0.0	0	0	19
27	0.0	0	0.0	1	0.7	1	1.0	1	0.3	1	0.2	1	0.0	0	0.0	0	2	5
28	0.1	3	0.0	4	0.5	3	0.0	3	0.0	3	0.0	1	0.0	1	0.0	1	1	20
29	0.0	0	5.3	4	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	5	5
30	0.0	11	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0	12
Total	71	361	88	437	91	350	68	243	19	142	11	83	7	48	2	17	357	1680

Inventory is projected to reflect inventory of homes not sold, but more caution when done by price points

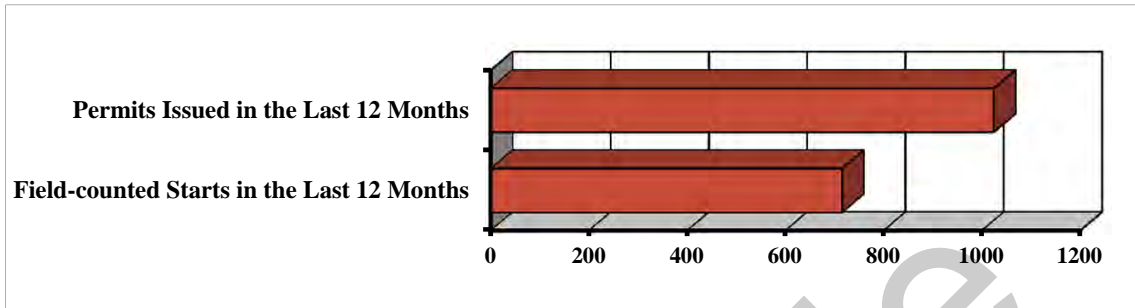
Key:

Green - Inventory less than 10% of annual closings is a good market.
Light Green - Inventory between 10% and 15% of annual closings is reasonable but in transition.
Yellow - Inventory between 15% and 20% of annual closings is moving into cautious range.
Orange - Inventory between 20% and 25% of annual closings is expanded risk.
Light Red - Inventory between 25% and 30% of annual closings is of serious risk.
Red - Inventory over 30% of annual closings is a level of risk that needs serious action.

The Chattanooga Region (9-County Market)

Hamilton County Market Analysis

1. Year-to-date Starts:



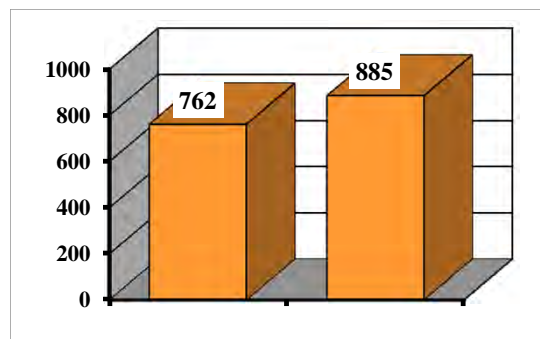
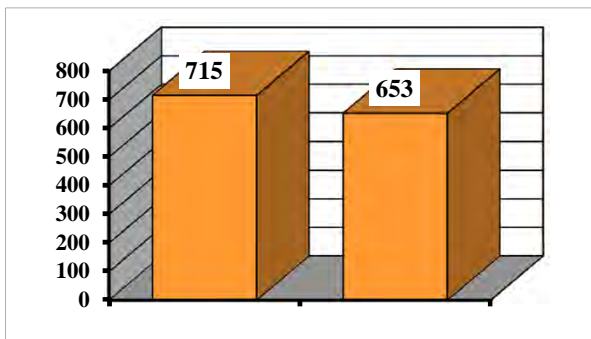
Area of County	MG Area	Field-counted Starts in the Last 12 Months	Permits Issued in the Last 12 Months
Soddy-Daisy / Sale Creek	10	74	
Red Bank / Hixson	11	188	
East Ridge / Lookout Mtn.	12	49	
City of Chattanooga	13	21	
East Brainerd	14	139	
Ooltewah / Collegedale	15	225	
Birchwood	16	19	
Totals		715	1024

2. Past Starts and Closings:

MG Area	Field-counted Starts for Last 12 Months	Field-counted Closings for Last 12 Months	Field-counted Starts Previous Report	Field-counted Closings Previous Report
10- Soddy-Daisy/Sale Creek	74	71	63	79
11- Red Bank / Hixson	188	167	164	166
12- East Ridge/Lookout Mtn.	49	53	36	52
13- City of Chattanooga	21	130	13	192
14- East Brainerd	139	108	133	125
15- Ooltewah/Collegedale	225	215	223	247
16- Birchwood	19	18	21	24
Total	715	762	653	885

Starts: Last 12 vs. Previous

Closings: Last 12 vs. Previous



The Chattanooga Region (9-County Market)

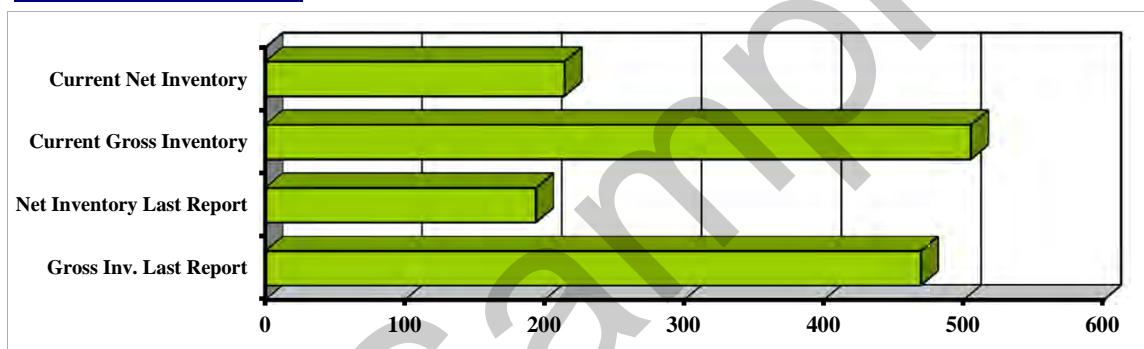
Hamilton County Market Analysis

Permit Comparison

County	2010 12-Month Total	2011 12-Month Total	2012 12-Month Total	Previous 12-month Totals
Hamilton	791	750	1065	1024

Note: We are currently tracking 520 subdivisions. In the last 12 months, these sites produced 1044 starts and 1071 closings by our site count method. However, 1705 permits have been issued in the last twelve months. Some of these permits never get built, some are for replacing homes torn down or burned down, and some are for homes built out in the country on odd lots or in older, nearly built-out sites. We believe that these are substantially pre-sold and therefore do not affect inventory to any degree, but their inclusion would increase closings and starts.

3. Inventory Change:



MG Area	Gross Inv. Last Report	Net Inventory Last Report	Current Gross Inventory	Current Net Inventory
10- Soddy-Daisy/Sale Creek	43	20	49	23
11- Red Bank / Hixson	95	30	105	36
12- East Ridge/Lookout Mtn.	25	8	31	10
13- City of Chattanooga	77	59	66	47
14- East Brainerd	82	25	92	29
15- Ooltewah/Collegedale	139	48	148	64
16- Birchwood	8	3	14	5
Total	469	194	505	214

Historical Lot Inventory

March 2012	July 2012	November 2012	March 2013	Change From Mar. 2012 to Mar. 2013
898	867	853	887	-11
1058	935	871	855	-203
91	69	67	85	-6
414	408	398	403	-11
802	717	659	617	-185
1222	976	922	841	-381
304	296	292	304	0
4789	4268	4062	3992	-797

The Chattanooga Region (9-County Market)

Hamilton County Market Analysis

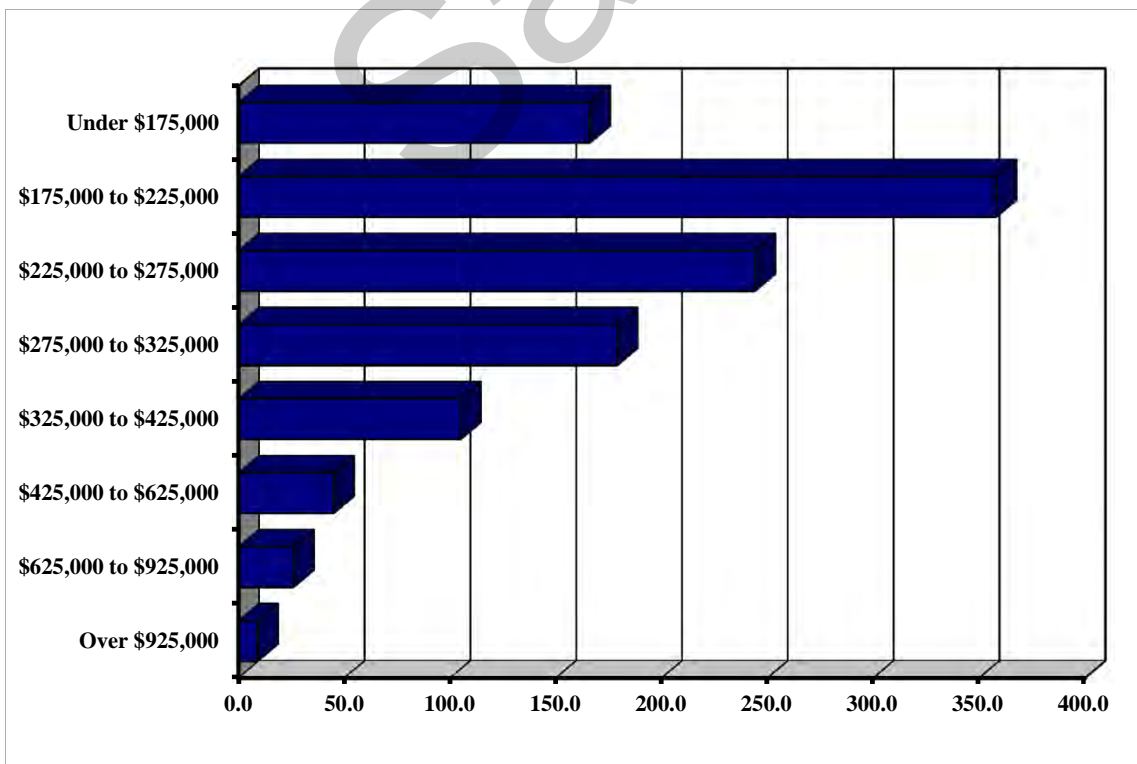
4. Inventory Analysis (tracked subdivisions only):

Price Range	12-month Demand	20% Inventory Range	30% Inventory Range	Current Net Inventory
Under \$175,000	166.0	33.2	49.8	18.9
\$175,000 to \$225,000	358.0	71.6	107.4	66.2
\$225,000 to \$275,000	244.0	48.8	73.2	55.9
\$275,000 to \$325,000	179.0	35.8	53.7	43.1
\$325,000 to \$425,000	105.0	21.0	31.5	18.4
\$425,000 to \$625,000	45.0	9.0	13.5	5.6
\$625,000 to \$925,000	26.0	5.2	7.8	5.0
Over \$925,000	9.0	1.8	2.7	1.0
Totals	1132.0	226.4	339.6	214.1

The 20% to 30% range reflects a reasonable yet cautious inventory range for a subdivision, market, or county. If inventory is less than 20% it tends to be less risky. If it is over 25% to 30%, it creates a risk level for the builder that requires caution. In the right-hand column we show the current net inventory and in the left-hand column the 12-month demand for tracked subdivisions. This provides a picture of net inventory next to the 20% to 30% range of good to caution.

For total demand, including odd lots, refer to our market "Forecast."

12-Month Demand



The Chattanooga Region (9-County Market)

Hamilton County Market Analysis

Current Lot Inventory Analysis

Active Subdivisions Only - Demand not based on "Forecast"

MG Area	March 2013 Lots	Active Subdivisions	Average No. of Lots Per Subdivision	* Projected 12-Month Closings	Average Closings Per Subdivision	Supply in Years
10	149	13	11.46	79	6.08	1.89
11	887	34	26.09	246	7.24	3.61
12	855	39	21.92	82	2.10	10.43
13	85	8	10.63	232	29.00	0.37
14	403	21	19.19	161	7.67	2.50
15	617	29	21.28	296	10.21	2.08
16	841	35	24.03	36	1.03	23.36
Total	3837	179	21.44	1132	6.32	3.39

* "Projected" - These figures apply only to the active subdivisions we track. These are the subdivisions that meet our criteria for picking up at the courthouse and driving on a regular basis. It "projects" the activity anticipated to occur in these subdivisions based mostly on what has happened.

5. Market Potential & Conclusions

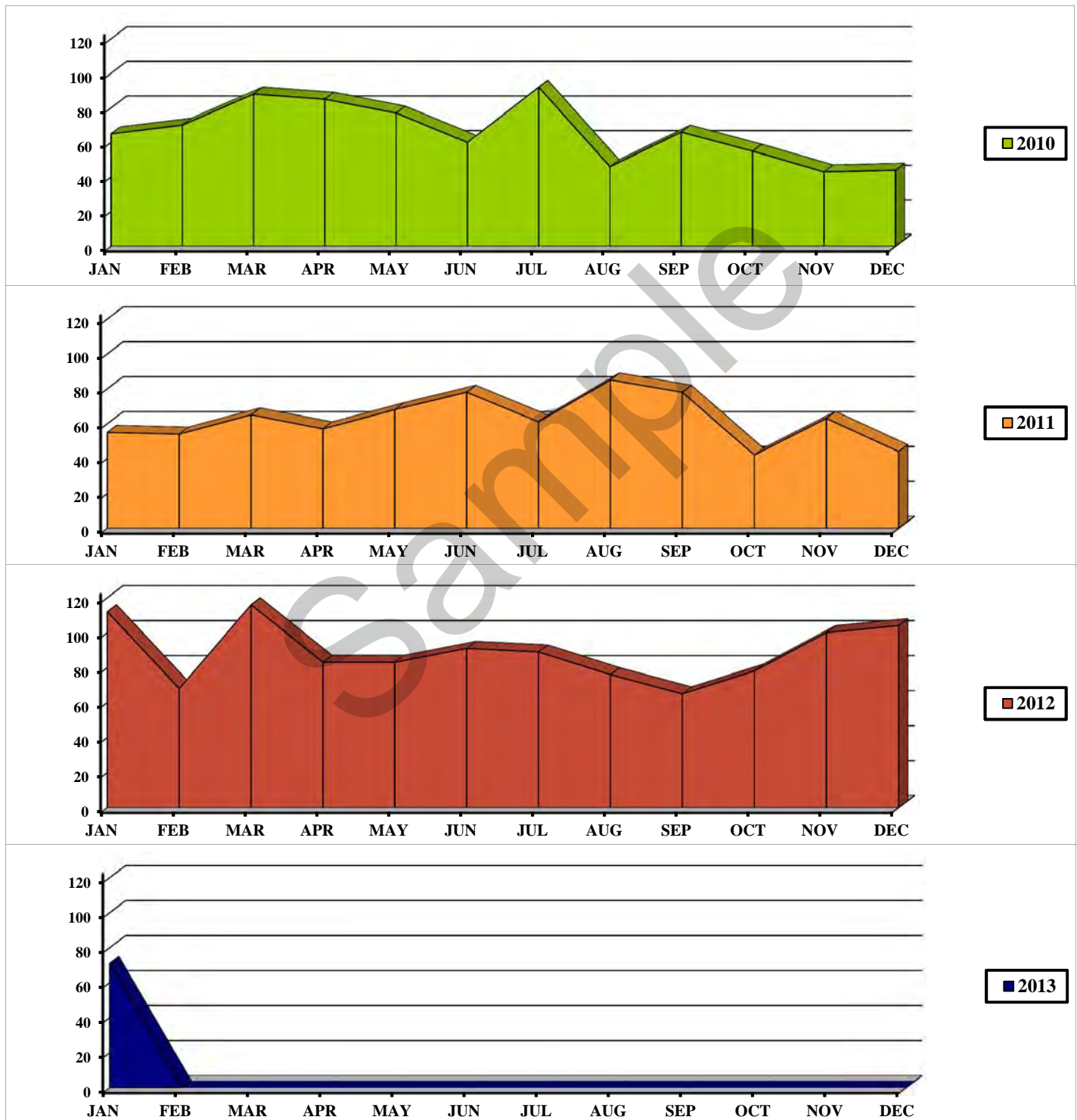
The following series includes both active subdivisions and economic forecasting for the county.

Price Ranges	# Forecast 12-Month Closings	Average Dollar Value for Extension	Forecast Dollar Volume	Percentage per Range
Under 175	171.4	\$140,000	\$23,994,301	14.66%
175/225	369.6	\$200,000	\$73,923,923	31.63%
225/275	251.9	\$250,000	\$62,979,878	21.55%
275/325	184.8	\$300,000	\$55,442,942	15.81%
325/425	108.4	\$375,000	\$40,652,995	9.28%
425/625	46.5	\$525,000	\$24,391,797	3.98%
625/925	26.8	\$775,000	\$20,804,009	2.30%
925+	9.3	\$1,075,000	\$9,989,022	0.80%
Totals	1169		\$312,178,867	100%

"Forecast" - These figures include not only the active subdivisions we track but account for odd lots, replacement housing and other tracts that do not meet our criteria for inclusion in our report. It "forecasts" activity anticipated to occur in the entire market based on the permits issued, the history of activity in tracked subdivisions and our forecasting methods. It is more accurate than projections.

Building Permit Summary by Month

Hamilton County

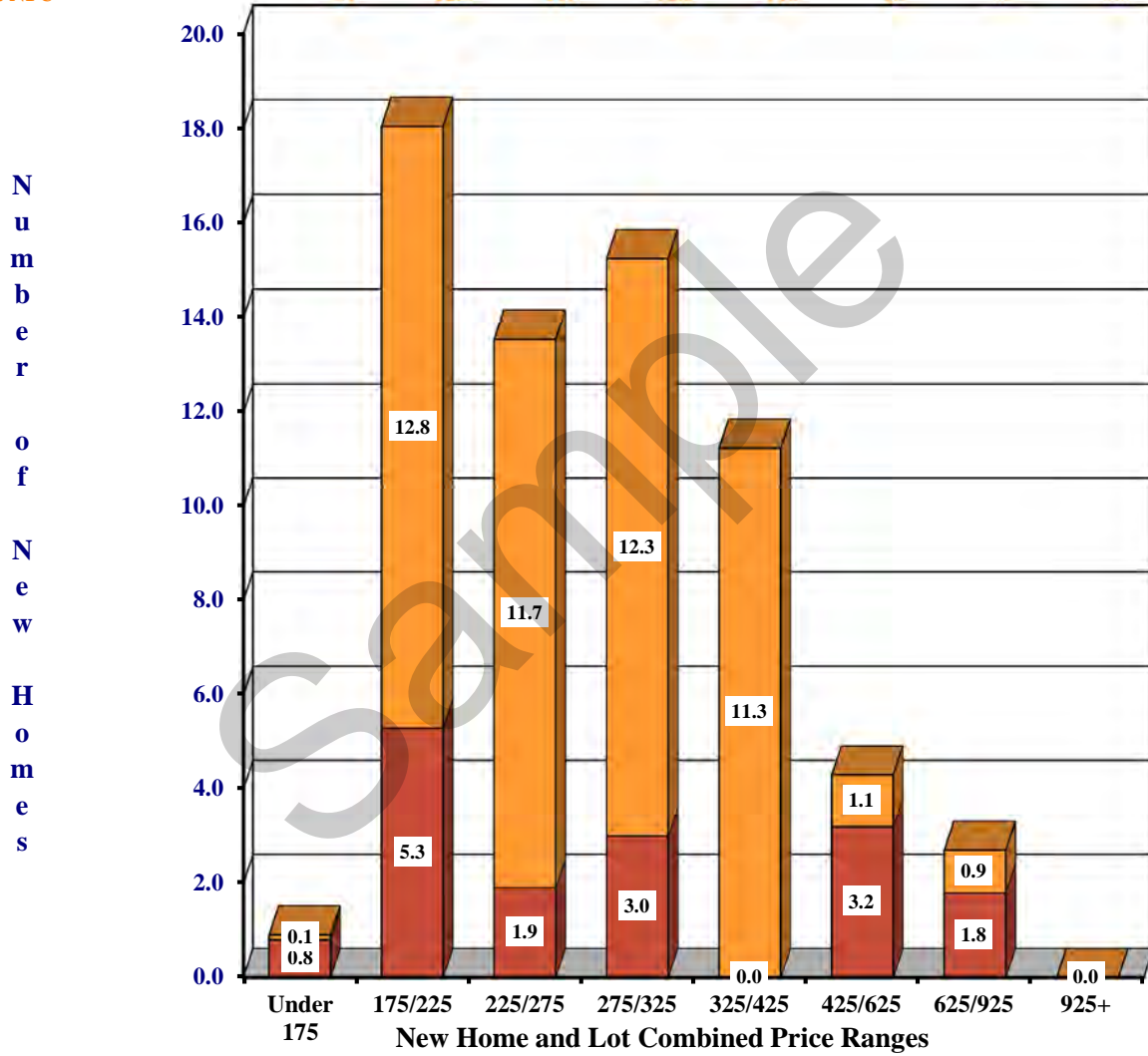


YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN - JAN	JAN - DEC
2010	65	70	88	85	77	60	92	46	66	55	43	44	65	791
2011	55	54	65	57	68	78	61	85	78	42	63	44	55	750
2012	112	68	116	83	83	91	89	76	65	78	100	104	112	1065
2013	71												71	71

MG Area 13 - Hamilton County / City of Chattanooga

Counted Home Inventory

	0.2	4.0	3.3	4.0	3.2	1.3	0.9	0.0	Total
Max Preferred NFU Today	0.2	4.0	3.3	4.0	3.2	1.3	0.9	0.0	16.7
NFU 12 Months Back	32.4	48.3	32.3	24.3	25.8	0.3	2.2	0.6	166.0
NFU 8 Months Back	29.4	39.3	24.8	19.8	20.8	0.3	2.2	0.6	137.0
NFU 4 Months Back	6.1	21.5	14.9	13.8	13.8	0.1	0.9	0.0	71.0
Current NFU	0.1	12.8	11.7	12.3	11.3	1.1	0.9	0.0	50.0



Max NFU Preferred % 22% 22% 24% 26% 28% 30% 32% 32%

■ Under Construction (UCN) ■ Newly Finished Unoccupied (NFU)

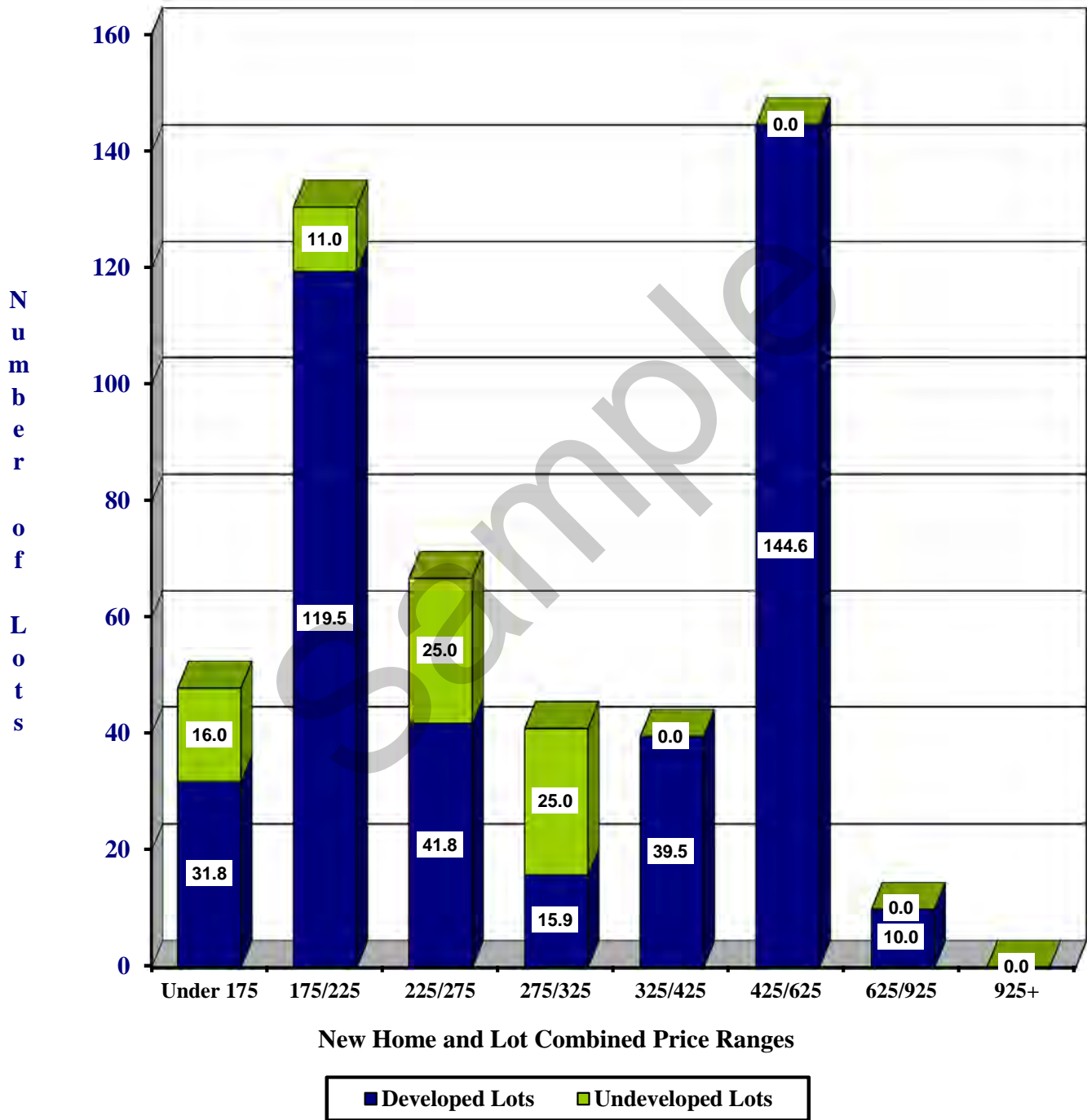
Tracked subdivision demand, not "Forecast" demand

	Under 175	175/225	225/275	275/325	325/425	425/625	625/925	925+	Total
COUNTED HOME INVENTORY	0.9	18.1	13.6	15.3	11.3	4.3	2.7	0.0	66.0
NET HOME INVENTORY	0.2	12.8	10.8	12.2	9.0	1.1	0.9	0.0	47.0
PROJ. MONTHLY DEMAND	5.7	5.5	3.5	2.0	2.1	0.3	0.3	0.1	19.3
NO. MONTHS SUPPLY	0.0	2.3	3.1	6.1	4.3	4.4	3.6	0.0	2.4

2 to 2.4 months supply or lower is ideal

MG Area 13 - Hamilton County / City of Chattanooga

Combined Counted Developed & Undeveloped Lot Inventory



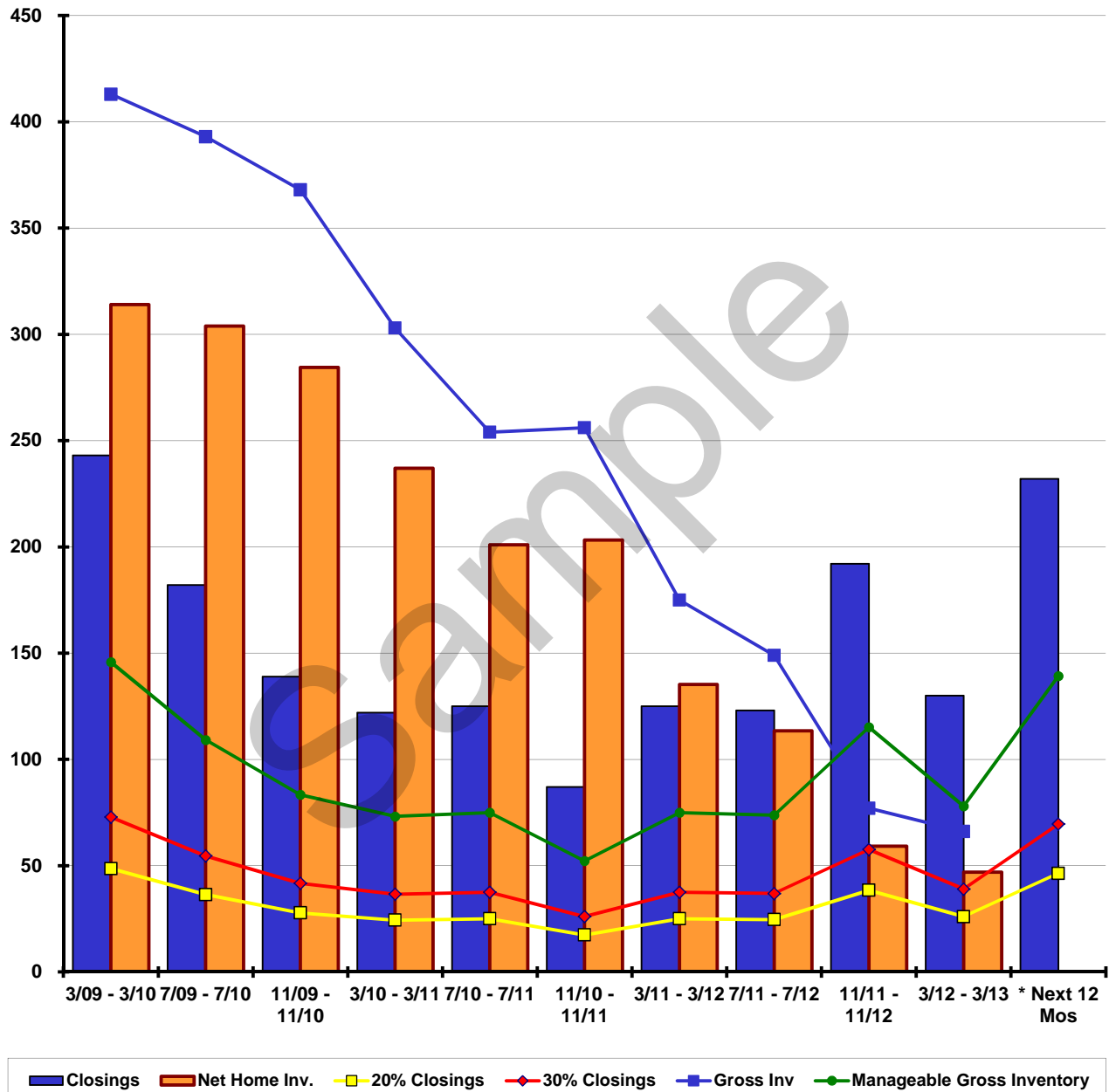
Tracked subdivision demand, not "Forecast" demand

	Under 175	175/225	225/275	275/325	325/425	425/625	625/925	925+	Total
Total Lot Inventory	47.8	130.5	66.8	40.9	39.5	144.6	10.0	0.0	480.0
Projected Monthly Demand	5.7	5.5	3.5	2.0	2.1	0.3	0.3	0.1	19.3
Total Inventory Months Supply	8.4	23.7	19.1	20.5	19.0	578.4	40.0	0.0	24.8
Developed Lot Inventory	31.8	119.5	41.8	15.9	39.5	144.6	10.0	0.0	403.0
Developed Lot Months Supply	5.6	21.7	11.9	8.0	19.0	578.4	40.0	0.0	20.8

MG Area 13 - Hamilton County / City of Chattanooga

Historical New Home Inventory vs. Projected Demand

(Only active subdivision data, not homes built on odd lots)



	3/09 - 3/10	7/09 - 7/10	11/09 - 11/10	3/10 - 3/11	7/10 - 7/11	11/10 - 11/11	3/11 - 3/12	7/11 - 7/12	11/11 - 11/12	3/12 - 3/13	* Next 12 Mos
Closings	243	182	139	122	125	87	125	123	192	130	232
Net Home Inv.	314.1	303.9	284.5	237.0	201.0	203.3	135.3	113.5	59.1	47.0	
30% Closings	73	55	42	37	38	26	38	36.9	57.6	39.0	69.6
20% Closings	49	36	28	24	25	17	25	24.6	38.4	26.0	46.4
Gross Inv	413	393	368	303	254	256	175	149	77	66	

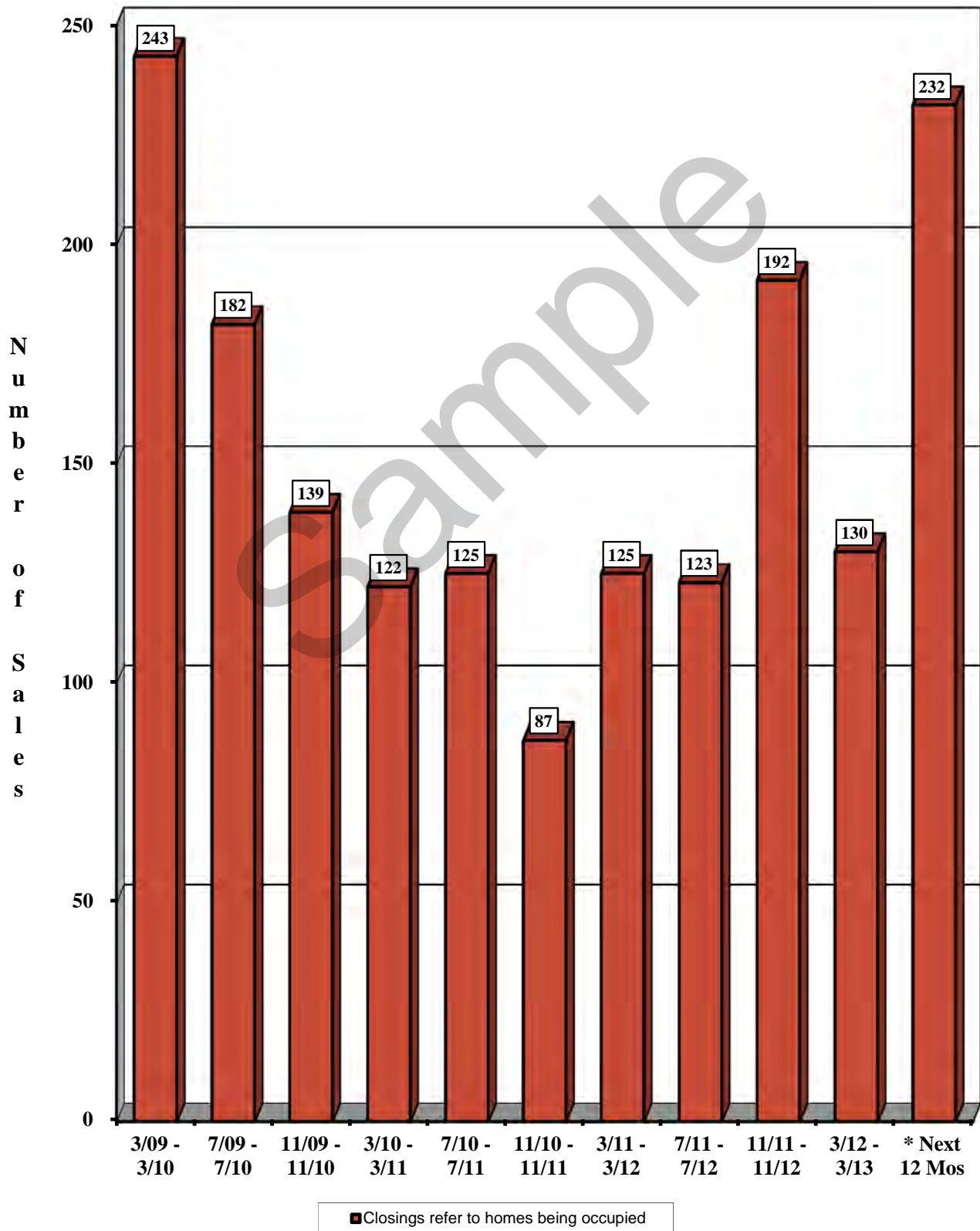
The best net home inventory should fall under the 20% of annual closings. Above 30% is a concern. This chart has columns representing closings and net home inventory not sold with the 20% to 30% caution inventory range shown by the 2 crossing lines.

* Next 12 Mos Projected Demand - The activity anticipated to occur in the subdivisions tracked based on past audit.

MG Area 13 - Hamilton County / City of Chattanooga

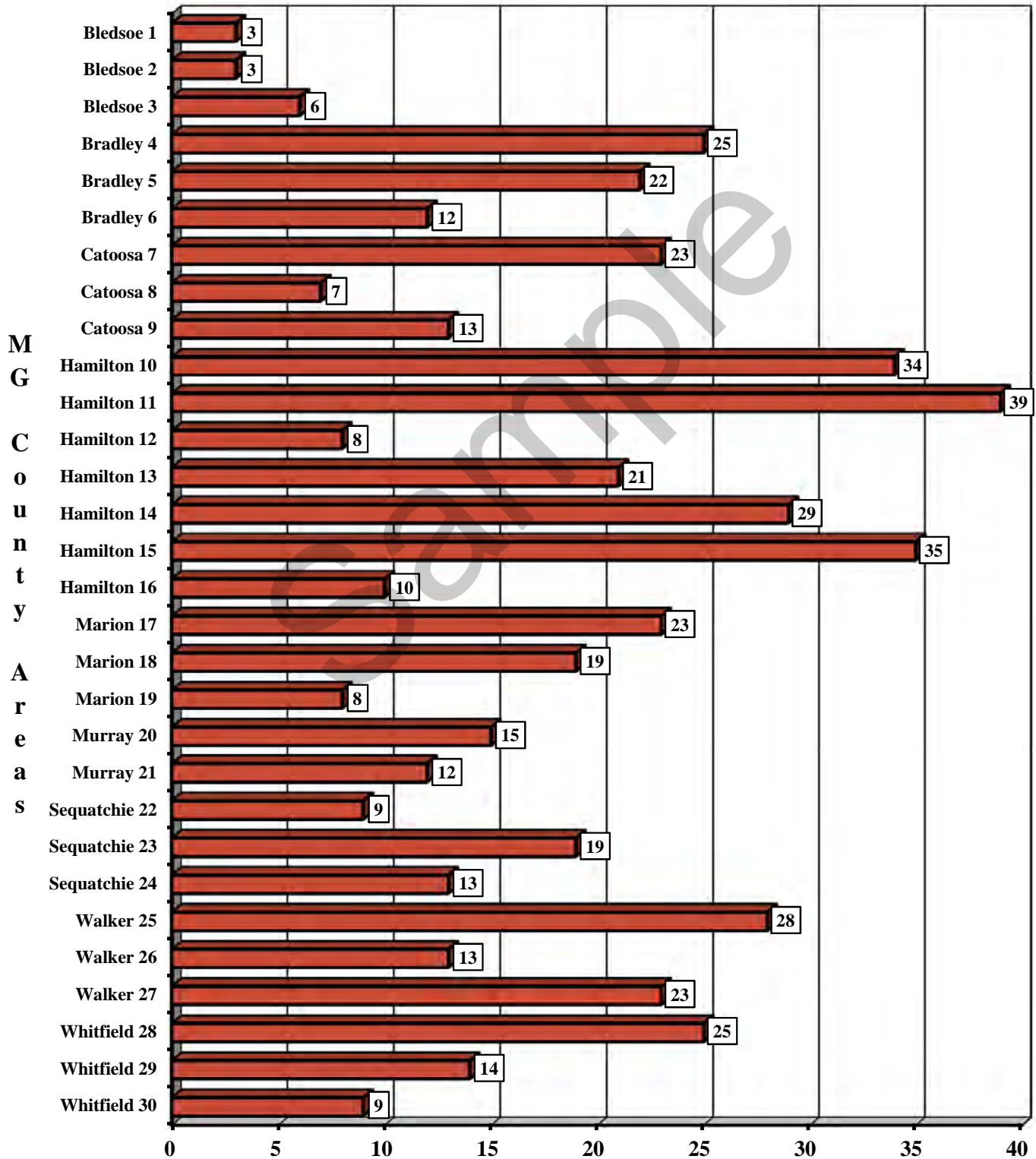
Historical & Projected Closings

(Only active subdivision data, not homes built on odd lots)



The Chattanooga Region (9-County Market)

Total Active Subdivisions



Historical Counted Home Inventory Comparison The Chattanooga Region (9-County Market)

MG AREA	MAR	JUL	NOV	MAR	JUL	NOV	MAR	JUL	NOV	MAR	NET INV
	2010	2010	2010	2011	2011	2011	2012	2012	2012	2013	MAR 2013
1	1	1	1	1	2	2	3	3	3	3	2
2	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0	0	0
4	21	21	15	15	16	23	22	23	21	33	11
5	32	32	25	18	39	27	28	33	25	21	14
6	13	13	15	20	15	11	13	9	14	18	6
7	58	58	54	46	38	39	24	25	31	31	9
8	12	12	9	6	7	4	3	8	5	4	1
9	14	14	13	9	11	2	3	15	19	7	3
10	54	54	50	49	53	59	42	47	43	49	23
11	117	117	116	107	95	97	84	102	95	105	36
12	28	28	30	41	39	44	38	36	25	31	10
13	393	393	368	303	254	256	175	149	77	66	47
14	128	128	119	100	93	88	63	79	82	92	29
15	163	163	145	134	134	165	140	143	139	148	64
16	23	23	22	18	13	11	13	15	8	14	5
17	1	1	2	3	2	2	42	41	0	0	0
18	10	10	8	8	6	7	5	5	5	5	1
19	3	3	2	2	1	1	0	0	0	0	0
20	9	9	7	6	4	2	1	1	2	3	1
21	11	11	8	9	8	6	5	5	6	7	2
22	7	7	3	3	3	3	3	0	0	0	0
23	16	16	12	14	9	9	6	3	1	1	1
24	2	2	2	2	1	1	1	2	2	2	0
25	6	6	5	5	5	1	1	3	3	3	1
26	5	5	2	4	3	4	5	10	7	5	1
27	18	18	11	3	1	0	0	2	2	3	1
28	23	23	15	11	8	4	4	7	7	3	1
29	33	33	30	26	27	21	5	3	3	3	2
30	1	1	3	3	1	2	1	2	2	0	0
TOTAL	1202	1202	1092	966	888	891	730	771	627	657	272

Developed Lot Inventory

by Home Price Range and MG Area

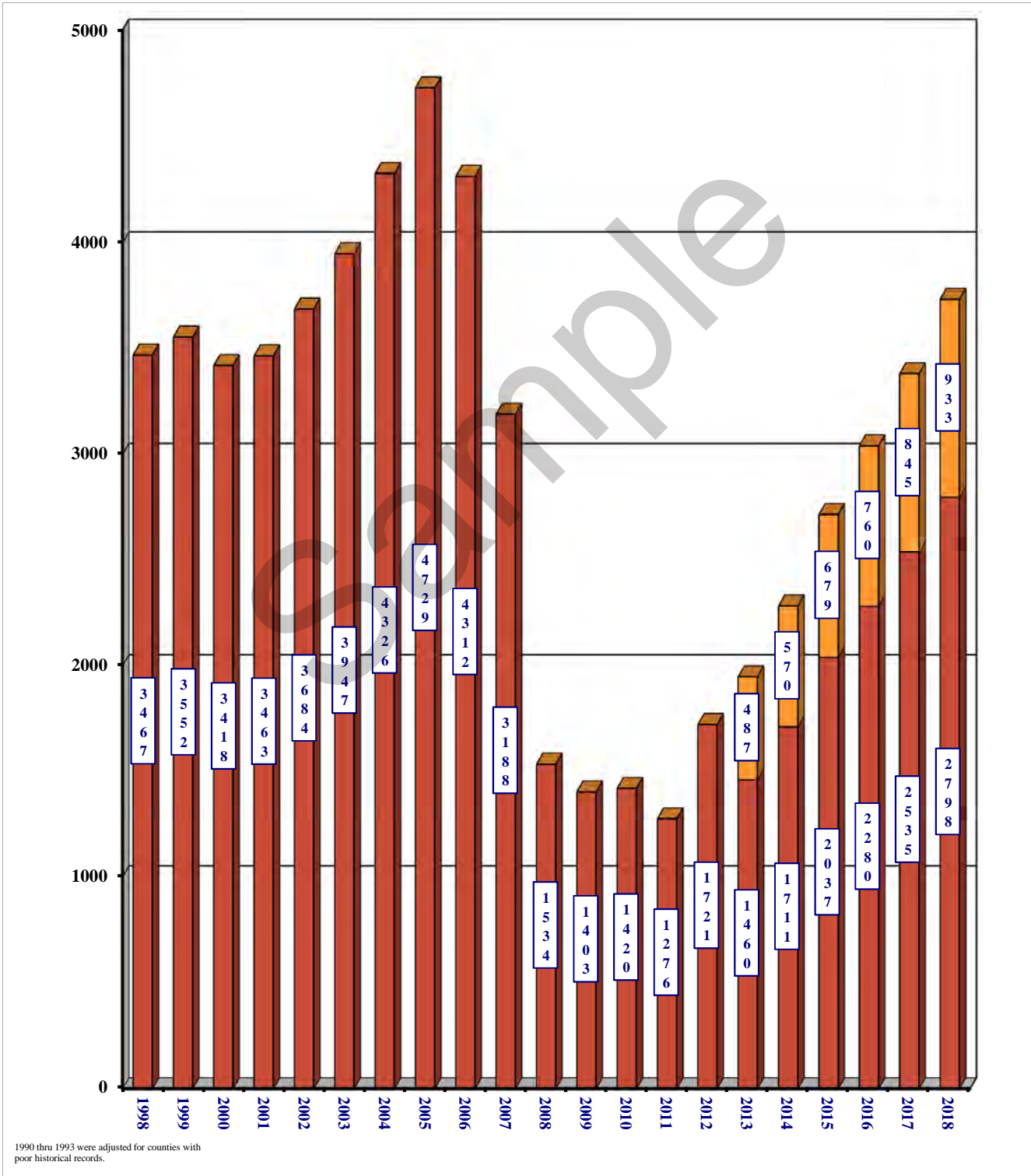
The Chattanooga Region (9-County Market)

MG Area	Number of Subs.	Under \$175,000	\$175,000 to \$225,000	\$225,000 to \$275,000	\$275,000 to \$325,000	\$325,000 to \$425,000	\$425,000 to \$625,000	\$625,000 to \$925,000	Over \$925,000	Total
1	3	14	42	211	0	0	0	0	0	267
2	3	40	3	0	0	0	0	0	0	43
3	6	33	15	6	6	0	0	0	0	61
4	25	69	70	59	51	57	71	37	10	423
5	22	252	45	74	43	32	26	0	0	471
6	12	72	81	56	47	71	0	0	0	327
7	23	230	83	135	27	27	45	17	6	569
8	7	25	24	12	21	8	12	0	0	101
9	13	55	23	11	17	30	11	3	0	149
10	34	319	225	83	93	83	80	4	0	887
11	39	146	146	81	162	175	51	66	27	855
12	8	24	18	32	0	0	8	3	0	85
13	21	32	119	42	16	40	145	10	0	403
14	29	31	183	175	123	78	8	8	11	617
15	35	55	156	179	161	87	89	65	50	841
16	10	76	33	96	89	6	4	0	0	304
17	23	102	65	147	185	56	19	0	3	577
18	19	33	12	58	50	136	103	2	0	394
19	8	33	2	7	13	19	0	0	0	73
20	15	141	61	12	14	1	0	0	0	228
21	12	223	43	76	68	66	24	0	0	501
22	9	68	36	0	44	97	115	71	71	502
23	19	52	195	105	106	43	12	5	0	518
24	13	37	59	84	54	39	17	7	2	297
25	28	32	29	12	33	4	44	131	88	372
26	13	158	12	4	0	10	16	0	0	200
27	23	84	24	8	14	12	6	0	0	147
28	25	61	42	46	112	108	53	20	0	442
29	14	82	110	46	59	150	30	20	0	498
30	9	194	6	2	0	0	0	0	0	202
Total	520	2,770	1,961	1,857	1,608	1,433	988	469	268	11,354

The Chattanooga Region (9-County Market)

Previous Starts and Housing Forecast of Starts

Economic Cycle



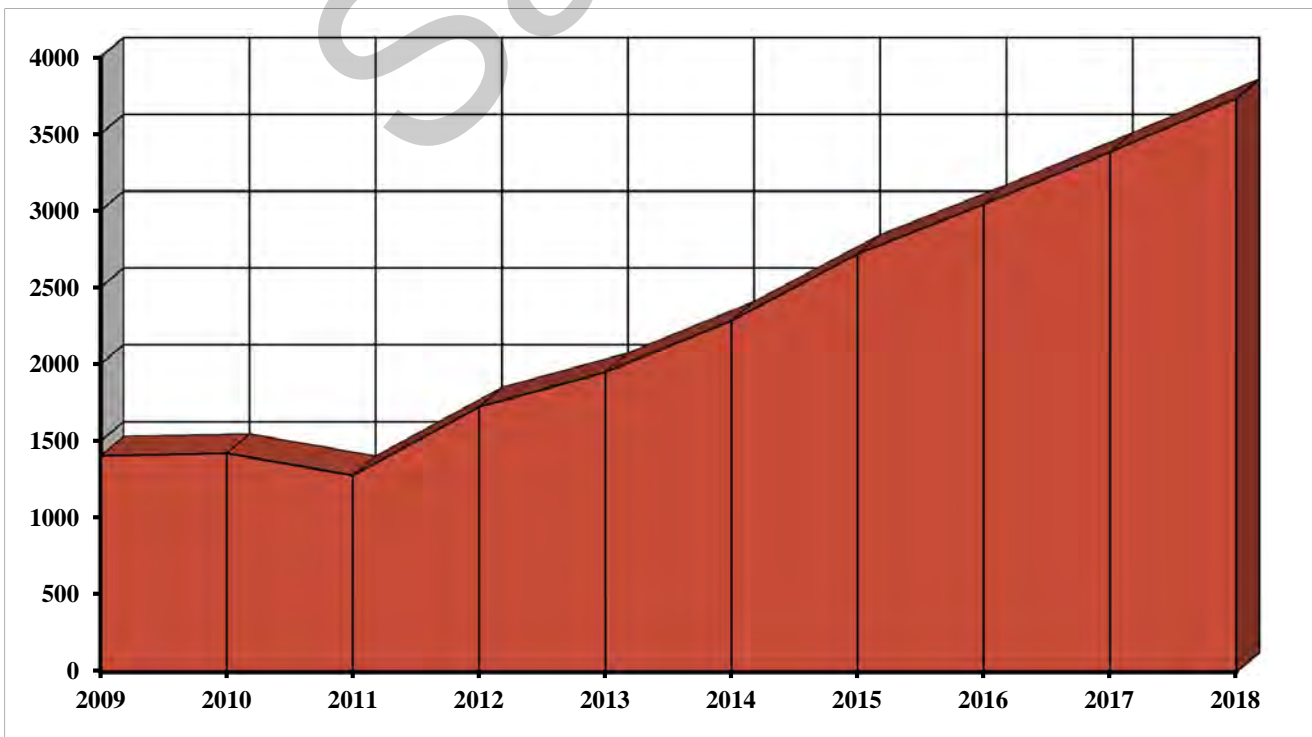
Top Portion of Range (orange): Represents the upside forecasted potential.
 Bottom Portion of Range: Represents the downside risk evaluation.

The Chattanooga Region (9-County Market)

Forecast of Housing Starts by County

Economic Cycle

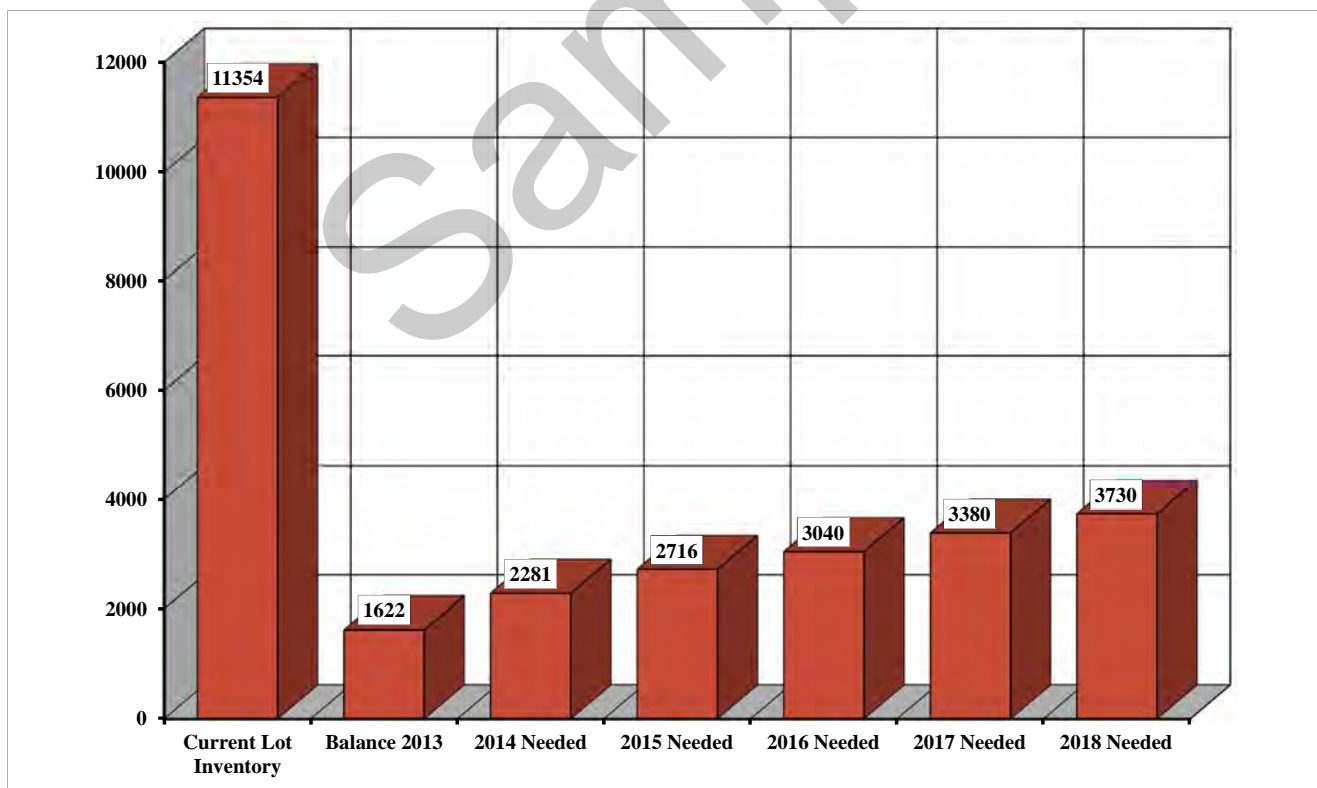
County	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Bledsoe	13	23	23	46	51	60	72	80	89	98
Bradley	161	199	208	242	292	342	408	456	507	560
Catoosa	132	114	71	119	146	171	204	228	254	280
Hamilton	814	791	731	1065	1169	1370	1631	1826	2030	2240
Marion	72	95	89	64	72	84	100	112	125	138
Murray	38	32	24	30	34	40	48	53	59	66
Sequatchie	27	43	54	70	83	98	116	130	145	160
Walker	94	66	46	52	62	72	86	96	107	118
Whitfield	52	57	30	33	37	43	51	57	63	70
Total	1403	1420	1276	1721	1946	2281	2716	3040	3380	3730



The Chattanooga Region (9-County Market)

Homes Needed Annually

County	Current Lot Inventory	Balance 2013	2014 Needed	2015 Needed	2016 Needed	2017 Needed	2018 Needed	Total Demand 2013 to 2018
Bledsoe	371	43	60	72	80	89	98	443
Bradley	1221	243	342	408	456	507	560	2518
Catoosa	819	122	171	204	228	254	280	1259
Hamilton	3992	974	1370	1631	1826	2030	2240	10071
Marion	1044	60	84	100	112	125	138	620
Murray	729	29	40	48	53	59	66	295
Sequatchie	1317	69	98	116	130	145	160	718
Walker	719	51	72	86	96	107	118	531
Whitfield	1142	30	43	51	57	63	70	315
Total	11354	1622	2281	2716	3040	3380	3730	16769



Forecast of Starts for 2013

by Price Range Within MG Area

The Chattanooga Region

Economic Cycle

Active Subdivisions and Odd Lots

MG AREA	Under 175,000	175,000 to 225,000	225,000 to 275,000	275,000 to 325,000	325,000 to 425,000	425,000 to 625,000	625,000 to 925,000	Over 925,000	TOTALS ON SITE
1	9	9	26	9	0	0	0	0	51
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0
4	26	23	12	16	10	6	4	1	99
5	75	10	18	7	4	4	1	0	120
6	41	7	10	7	6	1	0	0	73
7	20	6	10	3	1	13	12	3	69
8	18	4	1	3	1	8	0	0	35
9	1	1	31	6	3	0	0	0	42
10	18	34	11	3	4	9	1	1	82
11	22	100	57	46	17	4	7	1	254
12	23	21	12	1	11	11	5	0	85
13	70	68	43	25	26	3	3	1	240
14	5	69	35	33	14	3	3	3	166
15	17	64	92	73	35	14	7	3	306
16	18	13	1	3	1	1	0	0	37
17	0	0	0	10	3	0	0	0	13
18	16	10	13	3	3	0	0	0	46
19	0	0	3	3	3	3	0	0	13
20	0	2	2	2	2	0	0	0	7
21	9	5	12	2	0	0	0	0	27
22	0	0	0	0	3	3	3	3	11
23	19	3	8	8	0	0	0	0	38
24	0	0	8	13	8	3	3	0	35
25	19	4	1	0	0	0	1	1	28
26	7	6	1	4	1	4	1	0	26
27	0	1	1	1	1	1	0	0	7
28	3	4	3	3	3	1	1	1	19
29	0	4	1	0	0	0	0	0	5
30	11	1	0	0	0	0	0	0	12
TOTALS	445	470	414	286	163	95	54	19	1946

Market Audit and Activity Overview for Last 4 Months

Area 13 - Hamilton County - Over the Last Four Months

MG MAP #	SUBDIVISION NAME	STARTS	ABSORB	COUNTED INVENTORY	TOTAL LOTS	OCC	NFU	UCN	DVL	UDVL
47	* <i>Eastmans Retreat</i>	0	0	0	5	0	0	0	0	5
2	Adam's Pond	0	0	0	15	6	0	0	9	0
3	Adamstown TownH	0	0	0	18	7	0	0	11	0
5	Arbor Cove TH	0	0	0	25	7	0	0	18	0
9	<i>Candace Cove TH</i>	0	0	0	22	0	0	0	0	22
252	Clearstory	0	0	0	10	0	0	0	10	0
46	Friar Branch TownH	3	5	2	99	71	0	2	26	0
66	Hill Pointe (Gated)	0	0	0	41	22	0	0	19	0
221	Hill Pointe TownH (Gated)	0	0	0	27	17	0	0	10	0
189	Kenton Ridge	0	1	0	52	39	0	0	13	0
89	Longholm at Riverview	2	0	4	28	8	1	3	16	0
249	One Northshore Condo	0	10	45	203	158	45	0	0	0
77	Parkside Brownstones	2	0	2	12	4	0	2	6	0
85	Southside Village	5	1	4	8	1	1	3	3	0
142	The Arbors	0	0	4	105	71	1	3	30	0
197	The Preserves at Dallas Park	0	0	0	29	7	0	0	22	0
231	Walnut Hills TownH	2	0	3	23	11	1	2	9	0
0	Washington Square TH	0	0	1	13	0	0	1	12	0
168	Waterhaven (Gated/Access)	0	0	1	137	78	1	0	58	0
215	<i>Windward Park Homes and C</i>	0	0	0	50	0	0	0	0	50
214	Windward Preserve (Current)	0	0	0	131	0	0	0	131	0
21	TOTALS	14	17	66	1053	507	50	16	403	77

KEY TO COLUMN HEADINGS:

OCC - Occupied homes

NFU - Newly-finished unoccupied

UCN - Under construction

DVL - Developed lots

UDVL - Undeveloped lots

STARTS - Concrete poured on a lot

ABSORB - Home moved into since last report

GROSS INV. - NFU + UCN (Net Inv. deducts projected presales on another chart)

Note: Subdivisions in italics are considered "not started".

** denotes sites not mapped.*

MarketGraphics New Home Research

Leaders · Helping People · Guiding Businesses

MarketGraphics, the name that is building a tradition of excellence. It is our purpose to provide accurate market information on new residential home construction. Also, we shall endeavor to interpret the data carefully and present it in a meaningful manner.

METHODOLOGY

A database of new home a MarketGraphics provides research for new single family housing and their developments. New single family housing includes for sale housing, both detached and attached units. MarketGraphics field auditors collect approximately 10 years of historical recorded plats when starting research in a new city. These historical plat recordings and historical planning commission records provide a database of new home subdivisions. With this database, a MarketGraphics field auditor will then drive the streets of the new home subdivisions to determine which subdivisions are considered “active”. (“Active” in the MarketGraphics system is a new home subdivision with five or more available buildable lots). A repeat of this process (updating courthouse records and the driving of the new home subdivisions) normally takes place about every four months. While driving the new home subdivisions the field auditors count the number of homes under construction, homes finished but unoccupied, homes that are occupied, developed lots and undeveloped lots. This data is collected to determine the inventory of lots and homes in each subdivision. At times, this process must be modified due to local conditions. Examples of a modified data collection process could be: inability to drive a gated community or inability to get data from a third party.

MarketGraphics’ philosophy is to track the market conditions to determine if the industry is under-building or over-building in a given area and price-point. MarketGraphics tracks the start and closing rate by subdivision, MarketGraphics defined area and county.

The demand for houses and corresponding demand for lots is determined through an analytical process involving historical and current market trends and conditions. The historical record of each four month audit provides a basis for forecasting demand. Additional market factors such as over-building, under-building, permit trends, economic conditions, the existing-home market and the apartment market are also factored into the demand forecast.

The final step of the forecasting process involves adjustments based on absorption rate history by county, by part of county and by price point and all other market factors. However, there are circumstances that can further influence the forecast. For instance, utility services can expand. New products or zoning changes are also considered. The forecast is adjusted every four months to stay current with market conditions. Therefore, Forecast Demand takes into account currently tracked subdivision activity and odd lot activity in closed-out subdivisions, one-lot subdivisions, etc. Permit counts are correlated with the odd-lot closing activity and currently tracked subdivisions.

METHODOLOGY CONTINUED

MarketGraphics tracks single family and for sale attached home building permits issued by each permit reporting office on a monthly basis. Permits issued for “condos and townhouses” of more than 50 units are filtered into the database as soon as field verification of the actual construction of those units occurs. This allows the timing of the permits and field starts to be more closely matched. Field counts are based on number of units, not number of buildings for all attached home types. Units will be reported as “closed” as soon as it appears the units have been occupied.

Planning Commission activity for new subdivisions is tracked and included in the database and report only when reasonable data is available. There are times when a subdivision will be deferred to the next publication if adequate detail on new subdivisions locations and lot counts is not available. Therefore, this data is refined through future field audits and final recorded plats.

Subdivisions are usually tracked until there are less than five “buildable” lots. The remaining lots are counted through the permit process. When a subdivision is removed from the database with remaining lots, those remaining lots are not counted as “Started” and “Closed” during that four-month time period; they are simply removed from the system.

When looking for the name of a subdivision it is important to know if it is part of a master planned community. Some subdivisions have multiple sections with different marketing names and very similar product lines, while others have very distinct product types. (Example: The Landings at Otter Ridge and The Landings at Eagle’s Nest.) A subdivision with townhouses and single-family detached home product may be reported as two separate subdivisions to more accurately report the unique price-point and absorption rate of each product line.

DUE DILIGENCE AND GOOD FAITH

MarketGraphics prepares its work with due diligence and in good faith. Most of the MarketGraphics proprietary database is created by the collection of data that has been gathered in the field; however, there can be several other sources of data utilized.

MarketGraphics makes a substantial effort to verify the accuracy of data, the reasonableness of assumptions used, the transposition of data received and entered, and other items in creating databases and utilized information. MarketGraphics cannot assure absolute and total accuracy of data or assumptions. MarketGraphics does not guarantee any comments or data relative to zoning, planning, density, actual acreage, utilities, pricing, audits, projects, forecast and any and all comments and data. It is our opinion, but is given without liability of any type to MarketGraphics, its owners or staff. The Client assumes all responsibility to discover the legal or regulatory requirements which might apply to this data, such as zoning, permits, licenses, and state or local government regulations, as well as the effect of legislation, either present or future, on this data.

MarketGraphics’ projections are based on estimates and assumptions developed in connection with our study of the marketplace and current and projected economic conditions. These projections are MarketGraphics’ honest view based upon present circumstances as we understand them. Some assumptions inevitably will not materialize, and unanticipated events and circumstances will occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material. Thus we cannot and do not guarantee a profit, and we cannot eliminate risks inherent to your business in particular or the construction industry in general. MarketGraphics makes no warranty or guaranty as to the accuracy of any projection in the report. All risks remain with the Client.

DUE DILIGENCE AND GOOD FAITH - Continued

MarketGraphics also makes information available to its clients in electronic format, on its website, and through presentations made to its clients by representatives of the company. The statements and disclaimers in the three preceding paragraphs apply to this information in the same manner that they apply to the information contained in the reports prepared for each client.

MarketGraphics' work is dated and produced for a defined time period.

CONFIDENTIALITY AND RESTRICTIONS ON USE/TERMS OF USE

The reports of this consulting service are copyrighted by MarketGraphics Research Group, Inc. ("MarketGraphics"). MarketGraphics and its Associates collect field data as well as data from other sources and provide verbal and written reports to Clients. This service is a Client consulting service, not a subscription service.

The MarketGraphics reports/maps contain information which has been gathered and assembled by MarketGraphics solely for use by our Clients. MarketGraphics owns the copyright to all of these reports/maps, which are protected by the Copyright Laws of the United States. MarketGraphics also owns the trademark MarketGraphics Research Group, which is protected by the Trademark Laws of the United States.

The report is prepared for Client's internal business use. MarketGraphics does not grant any license to publish its work or to sell data contained therein to third parties. No part of the report may be reproduced or copied in any form or by any electronic or mechanical means, including the use of information storage and retrieval systems, without permission in writing from MarketGraphics.

The report may not be used for any purpose for which it was not prepared. Neither the whole, nor any part of the data or projections in the report, shall be disseminated to the public through advertising media, news media, sales media, or any other public means of communication without prior written consent and approval of MarketGraphics.

There are also restrictions on quoting information from the report. MarketGraphics is reasonable and cooperative with our Clients in helping them meet their information needs. Any approval to quote from the report must be in writing.

Violation of these Terms of Use and any unauthorized use of the report unfortunately will result in legal action by MarketGraphics or by a MarketGraphics Associate, who may seek civil, criminal, or injunctive relief. The calculation of monetary damages for violation of these Terms of Use would be very difficult, and our Client therefore acknowledges that liquidated damages are appropriate for any violation of these Terms of Use. The amount of liquidated damages for a violation of these Terms of Use shall be seventy (70) times the purchase price of the report. If a question on use arises, call MarketGraphics to get a written response.

MarketGraphics Research Group, Inc. is a Tennessee corporation located in Franklin, Tennessee.

MARKETGRAPHICS GLOSSARY

ACRONYMS USED IN THE REPORT:

- ◆ **DVL** – Developed Lot
- ◆ **SUBS** – Subdivisions
- ◆ **YTD** – Year to Date
- ◆ **NFU** – Newly Finished Unoccupied
- ◆ **UCN** – Under Construction
- ◆ **OCC** – Occupied
- ◆ **UDVL** – Undeveloped Lot

ABSORPTION RATE:

Lot Absorption Rate – Number of lots being built on in the past four months.

New Home Absorption Rate – Number of homes closed in a four month period.

DEMAND:

Forecast Demand (i.e.: Forecast Starts Demand) – Demand based on currently tracked subdivision activity and odd lots. The odd-lot starts activity is tied to permit counts and current economic trends. (i.e. **how fast builders are taking lots to build houses.** *See the definition for Projected Demand as it is different from Forecast Demand. Projected Demand is beneficial for immediate 4-month planning, while Forecasted Demand is beneficial for long term planning.*)

Projected Demand (i.e.: Projected Closings Demand) – Demand based on the naturally extended closing performance of currently tracked subdivisions. (i.e. if a subdivision has been closing 20 homes it is first projected to close 20 homes, and then adjusted. Another example of projected demand is **how fast buyers are closing on homes.**) (*See the definition for Forecast Demand as it is different from Projected Demand. Projected Demand is beneficial for immediate 4-month planning, while Forecasted Demand is beneficial for long term planning.*)

HOME CONSTRUCTION STAGES:

Abandoned – An unfinished home started with no signs of work being done within the past four months, counted as **Under Construction (UCN)**.

Closing – An occupied home in the MarketGraphics system. This is determined by visual evidence of occupancy for purposes of this research. A “sold” sign or sales contract is not evidence of occupancy.

Newly Finished Unoccupied (NFU) – Construction is complete and is “move-in” ready, this includes model homes.

Occupied Home (OCC) – Visible, physical evidence that the home is occupied. This could include window coverings, garbage cans, flowers, etc. A “sold” sign or sales contract is not evidence of occupancy.

Sale – The same as a **Closing**.

Sold Homes – This is the sum of homes **Under Construction (UCN)** and **Newly Finished Unoccupied (NFU)** minus the estimated number of homes not under contract.

Start – Counted the first time a home enters the database as **Under Construction (UCN)**.

Total Closings – Determined by calculating the net increase of occupied homes in a subdivision compared to the previous field audit.

Under Construction (UCN) – A basement has been excavated or foundation footings have been started.

HOME STYLES:

1-Story (detached) – Gutters at first story roof level. (Example: A 1-story home with a bonus room over the garage is considered 1-story, detached.)

1½-Story (detached) – Gutters at first story roof level but has bedroom(s) on second level.

2-Story (detached) – Gutters at second story roof level.

Condo / Flat (attached) – A unit that is stacked one on top of the other. Occupant typically owns single-level living space with the possibility of units above and/or below them.

Duplex (attached) – Duplex homes are tracked as Townhomes.

Neo Traditional (attached or detached) – Alley loaded units (also called new urbanism).

Patio (attached or detached) – Generally a small lot-line type of product.

Quads, 4-unit (attached) – Usually in a “pinwheel” shape. Generally one-story.

Single Family Home – A detached or attached unit that is for sale.

Townhouse - 1-Story (attached) – Side by side units, person owns from ground to roof.

Townhouse - Multi-Story (attached) – Side by side units, two or three stories, owned from ground to roof.

INVENTORY:

Counted Combined Undeveloped & Developed Lot Inventory – The number of vacant **Developed Lots (DVL)** and vacant **Undeveloped Lots (UDVL)** regardless of who owns them; private individual, builder or developer.

Counted Developed Lot Inventory – The number of vacant **Developed Lots (DVL)**, regardless of who owns them, i.e. private individual, builder or developer.

Counted Home Inventory – This is the sum of all homes **Under Construction (UCN)** and **Newly Finished Unoccupied homes (NFU)**. This category includes homes under contract and model homes. Counted Inventory is the same as **Gross Inventory**.

Counted Undeveloped Lot Inventory – The number of vacant **Undeveloped Lots (UDVL)**, regardless of who owns them, i.e. private individual, builder or developer.

Gross Home Inventory – The same as **Counted Home Inventory**.

Net Home Inventory – Estimated number of homes which are not currently under contract. This can also be defined as the sum of homes **Under Construction (UCN)** plus homes **Newly Finished Unoccupied (NFU)** minus the analytical estimated of homes sold.

LOTS:

Developed Lot (DVL) – A lot that you can pull a building permit for and you can build on.

Odd Lots – When a subdivision has 5 or fewer lots MarketGraphics can remove the subdivision from the system. The remaining lots are considered “odd lots” and will be picked up as a “start” by the permit count.

Total Lots – The sum of all lots; developed, undeveloped, vacant or with a home constructed upon it.

Undeveloped Lot (UDVL) – A lot that you can not yet pull a building permit for nor build on. Also can be a preliminary plat that has not yet been approved or one that has been approved, but not yet started. An **Undeveloped Subdivision** contains only undeveloped lots.

MISCELLANEOUS:

Mature Market – A MarketGraphics Market that has reached its 5th report cycle.

MG Area – An area designation determined by MarketGraphics and used throughout the MarketGraphics database. MG Areas are determined when MarketGraphics starts monitoring a metro area and are based on generally recognized submarket characteristics. These areas do not change over time even if the housing or growth characteristics in the area change.

Report Cycle – Every 4 months.

PRICE RANGES:

Price Ranges – MarketGraphics segments the markets into the following price ranges.

(Price ranges reflect the typical combined home and lot value.)

- | | | |
|--------------------------|--------------------------|--------------------------|
| ◆ Under \$175,000 | ◆ \$175,000 to \$225,000 | ◆ \$225,000 to \$275,000 |
| ◆ \$275,000 to \$325,000 | ◆ \$325,000 to \$425,000 | ◆ \$425,000 to \$625,000 |
| ◆ \$625,000 to \$925,000 | ◆ Over \$925,000 | |

SUBDIVISION:

Active Subdivision – A subdivision with a minimum of five lots available and a minimum of one home **Under Construction (UCN)** or a minimum of one **Newly Finished Unoccupied home (NFU)** in the last four months.

Built Out Subdivision – A subdivision with fewer than five lots available and is no longer tracked in the MarketGraphics system.

Inactive Subdivision – A subdivision that has been started but has had no home starts in the past four months.

Undeveloped Subdivision – A subdivision which is either under review by the Planning Commission or has been recorded but development has not yet started.

Sample