RPX MONTHLY HOUSING MARKET REPORT

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RPX Monthly Housing Market Report for February 2013 is Now Available

New York, NY – May 2, 2013 - Radar Logic Incorporated released today the RPX Monthly Housing Market Report for February 2013. An excerpt from the report is provided below. To purchase the report, click here or visit our website.

A Deep Dive Into the Atlanta Housing Market

Reviewing the Granular Trends that Investors and Their Lenders Need to Understand

The ultimate return to investors in residential real estate, and the credit risk faced by lenders who provide them financing, are closely tied to the value of the properties in investors' portfolios. In most cases, investors are not purcha sing a broad cross-section of homes within housing markets. Rather, they are purchasing homes with particular size and price profiles that suit their investment strategies. As such, the properties they purchase may have different characteristics – including size, condition and location – than the majority of properties in the metropolitan area. The price and sales trends exhibited by these homes may differ from the trends in the market as a whole. Therefore it behoves investors to consider the trends exhibited by the specific market segments in which they are investing when assessing opportunities, and it behoves lenders to do the same when assessing the risks associated with the investments they are lending against.

Take, for example, homes purchased by institutional investors (i.e., corporations, partnerships and trusts created for the purpose of investing in real estate) in the Atlanta metropolitan area. On the whole, these homes tend to be less expensive, smaller and located in lower-income areas compared to homes purchased by other types of buyers. They are also more likely to be sold by investors or banks.

Exhibit 1 shows the percentage of institutional investor purchases (red) and the percentage of all other purchases (orange) at a range of price points as of February 2013, expressed in price per square foot. The majority of institutional investor purchases is clustered between $37 and $64 per square foot, while the majority of all other transactions is spread between $52 and $109 per square foot. In other words, institutional investors are paying less for homes than most other buyers in Atlanta.

Exhibit 2 shows the percentage of institutional investor purchases (red) and the percentage of other transactions (orange) at a range of property sizes measured in square

Exhibit 1: Atlanta Home Sales in February 2013, Bucketed by Price per Square Foot

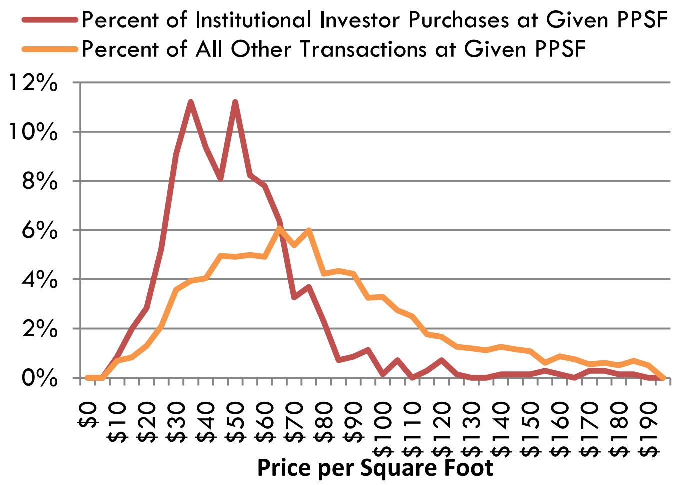
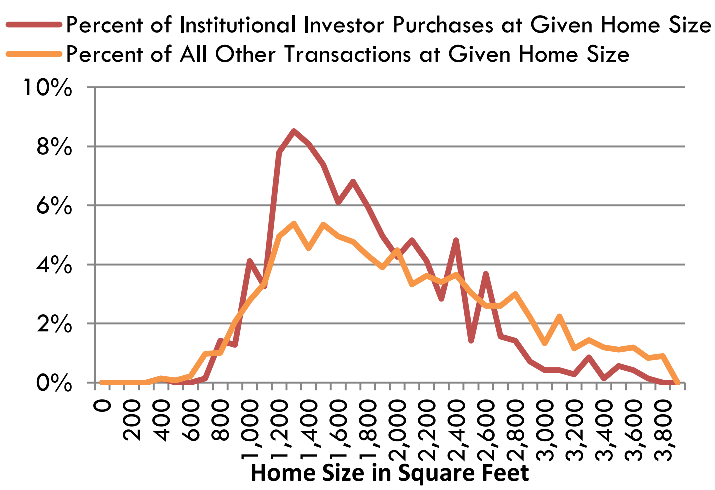


Exhibit 2: Atlanta Home Sales in February 2013, Bucketed by Property Size



feet. In February, 59% of homes purchased by institutional investors were in the 1,100 - 2,000 SF range, versus 42% of homes purchased by other buyers. Only 11% of homes purchased by institutional investors were larger than 2,600 SF, versus 30% of homes purchased by other buyers. Thus, institutional investors in Atlanta are more likely to buy one-or two-bedroom homes than other home buyers, and less likely to buy larger homes.

Exhibit 3 shows the percentage of institutional investor purchases and other purchases in each of the five most populous and densest (most people per square mile) counties in the Atlanta metropolitan area. Of the five counties, institutional investors are more likely than other buyers to purchase homes in those with the lowest per capita income, Clayton County ($18,958), Gwinnet County ($26,901) and DeKalb County ($28,412). They are less likely than other home buyers to purchase homes in the counties with the highest per capita income, Fulton County ($37,211) and Cobb County ($33,110). Institutional investors are just about as likely as other investors to purchase homes in one of the other counties in the Atlanta area.

Instiutional investors are more likely than other types of buyers to purchase homes from banks and other sellers of REO and foreclosed properties. In February, 20% of homes purchased by institutional investors were purchased from such sellers, versus just 13% of homes purchased by other buyers. Likewise, instiutional investors were more likely to purchase homes from institutional investors. About 27% of homes purchased by institutional investors were purchased from institutional investors, whereas only 12 percent of homes purchased by other buyers where purchased from institutional investor.

In short, institutional invetors are not buying the same homes as most other homebuyers. As a group, they are purchasing smaller homes in lower-income areas from different sellers, and they are paying less. As they are buying different homes than most other buyers, it stands to reason that the homes they are purchasing exhibit distinct price and sales trends. In an effort to better understand these trends, we turn now to time-series analyses of prices and sales activity within submarkets defined by type of buyer.

Exhibit 4 shows the median price per square foot paid by homebuyers in Atlanta in each month since January 2008. The blue line shows the median price in all transactions, and the red and orange lines show the median prices for two mutually exclusive and collectively exhaustive subsets. The red line shows the median price paid in transactions where the buyer is an institutional investor and the orange line shows the median price per square foot in all other transactions (i.e., "non-institutional-investor purchases").

Price per square foot increased overall and in both sub-markets during the twelve months ending February 2013. The median price per square foot in all transactions increased 15%. The median price per square foot paid by buyers other than institutional investors increased 20%. The median price paid by institutional investors increased 65%. Institutional investors have purchased homes at considerable

Exhibit 3: Atlanta Home Sales in February 2013 by County

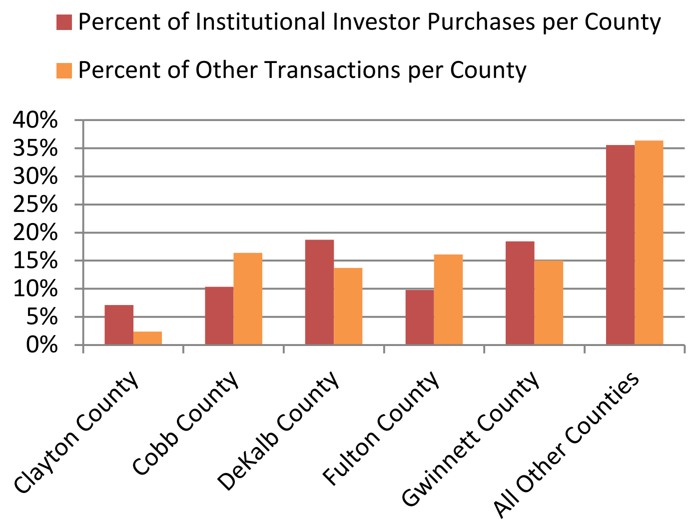


Exhibit 4: Median Price per Square Foot, Atlanta MSA

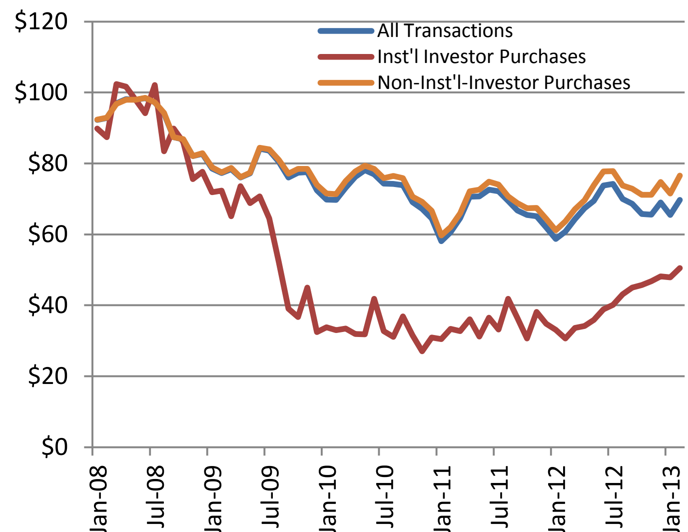
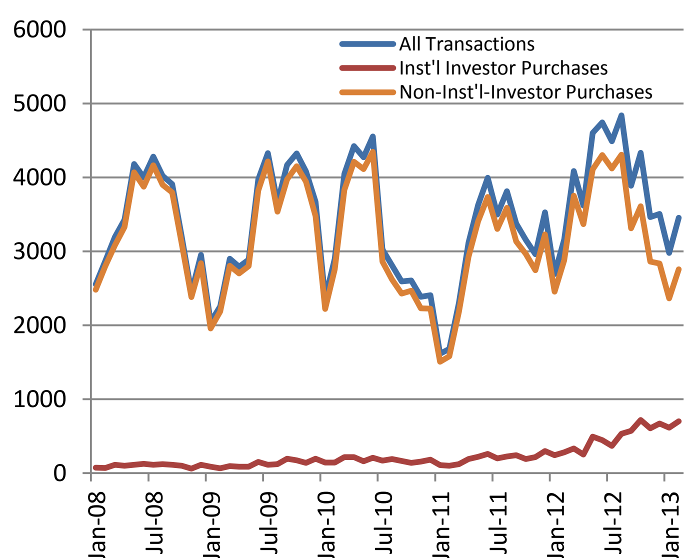


Exhibit 5: Monthly Transaction Counts, Atlanta MSA



discounts to what all other buyers have paid since the second half of 2009. In January 2010, the median price per square foot paid by institutional investors in Atlanta was 53% less than the median price per square foot paid by all other buyers. As of February 2013, the discount had declined to 34%.

Exhibit 5 shows monthly transaction activity in the Atlanta housing market and the same two submarkets shown in Exhibit 4. Overall transaction activity increased 9% during the twelve months ending February 2013. All of this gain is the result of an increase in purchases by institutional investors. Institutional investor purchases increased 147% year over year, while all other transactions declined 4% year over year.

Exhibit 6 shows the median price per square foot paid by institutional investors in the Atlanta MSA in each month since January 2008. The red line shows the median price per square foot paid in all transactions in which the buyer was an institutional investor. The green, blue and purple lines show median prices paid by institutional investors when buying homes from three different classes of seller. The green line represents prices in institutional investor purchases in which the seller is another institutional investor. The blue line indicates prices paid by institutional investors purchasing foreclosures and REO from banks, MBS trusts, servicers and public auctions. The purple line indicates the median price per square foot paid in institutional investor purchases from any other buyer.

The median price paid by institutional investors for REO properties and homes purchased at foreclosure auctions (the blue line) increased 101% year over year. In February, for the first time since the housing crisis, the median price paid by institutional investors purchasing bank-owned homes exceeded the median price paid by institutional investors purchasing homes from other investors.

The median price paid by institutional investors when purchasing from traditional home sellers (i.e., sellers that are neither banks nor institutional investors) declined 30% year over year, but remained higher than the median prices in purchases from banks and other investors.

Exhibit 6: Median Price per Square Foot in Institutional Investor Purchases, Atlanta MSA

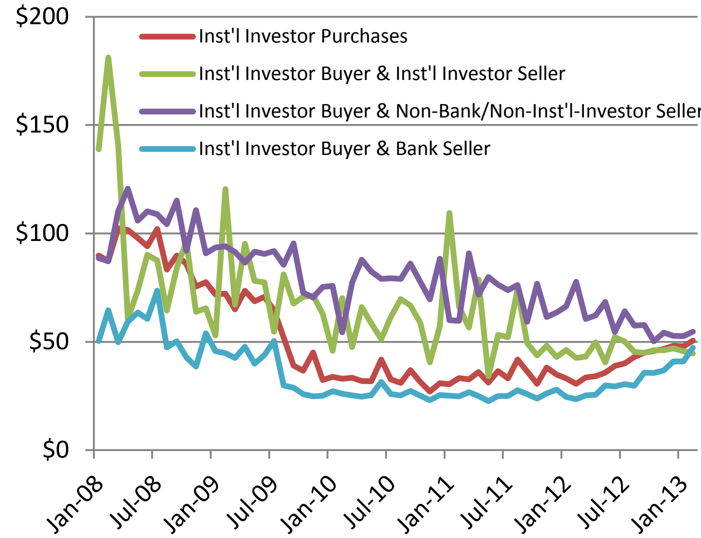
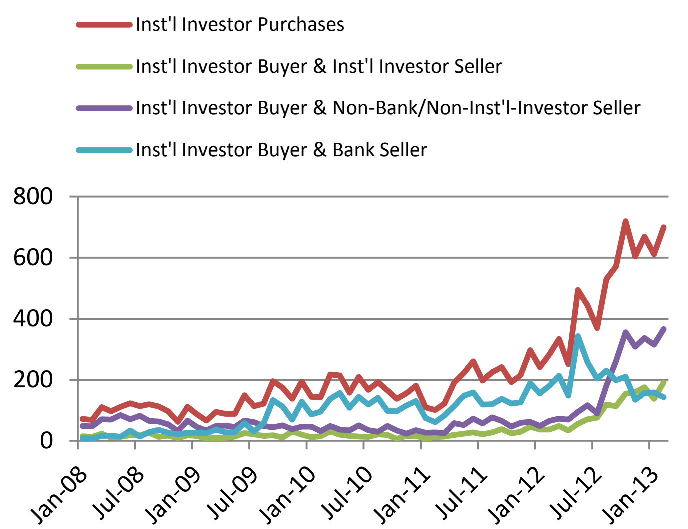


Exhibit 7: Monthly Institutional Investor Purchases, Atlanta MSA



While institutional investors have increased the overall rate at which they purchase homes over the last twelve months, the rate at which they purchase foreclosures and REO properties has decreased. However, this decline has been more than offset by the increase in investor purchases from traditional sellers (including from distressed borrowers in short sales) and other investors.

Exhibit 7 shows monthly transaction counts for the market segments depicted in Exhibit 6. The monthly rate of investor purchases of REO and foreclosures (shown in blue) declined 21% during the twelve months ending February 2013. Over the same period, the rate of institutional investor purchases from institutional investor sellers (shown in green) increased 416%. As a result, investor purchases from other investors outnumbered investor purchases of REO and foreclosures in February 2013 for the first time since 2009. Investor purchases from traditional home sellers (shown in purple) also increased dramatically. These transactions increased 463% year over year through February 2013 (off a base of 65 transactions in February 2012).

We can draw a few interesting conclusions from these observations. The recovery in housing prices in Atlanta appears to be at least partially based on an increase in prices paid by traditional homebuyers. This is a positive sign, suggesting that the improvements may be sustainable. If the increase in the median home price for the Atlanta area was driven entirely by increases in prices paid by investors, then the market would be at risk of seeing prices decline when investor activity slows, which it must do eventually.

Risks remain, however. The year-on-year increase in the median price paid by traditional home buyers appears to have been at least partially driven by a reduction in the supply of homes for sale, as it was accompanied by a decline in home purchases by traditional buyers. To the extent that the shortage in supply is in the market segments where investor buyers and traditional buyers compete with one another for properties, the rapid year-on-year increase in investor purchases is probably contributing to the shortage, and thus to the increase in prices paid by traditional buyers. As such, home prices paid by traditional buyers may decline, or at least increase more slowly, when investor activity declines.

Investor purchases of REO and foreclosed properties have declined as investor to investor sales have increased. This is likely the result of a few interrelated trends. As REO inventories have declined, large institutional investors have found it difficult to build their portfolios from these sources and have begun to search for other sources of properties. Meanwhile, as investor activity and prices paid by investors have risen, smaller investors have found it difficult to compete with large institutional investors that have access to less expensive capital and can therefore afford to pay more from homes. As a result, small, local investors have begun to sell their portfolios, in whole or in part, to the larger investors.

The concentration of properties into the hands of a relatively small number of large institutional investors raises some troubling questions for the future of the Atlanta housing market. By and large, these investors are not located in Atlanta, but their decisions could have a considerable impact on the local housing market and therefore the local economy. One can imagine a scenario in which, after a number of years, interest rates have increased, rents have stabilized and institutional investors are attracted to asset classes other than single family rentals. If, at that time, the large investors decide to reallocate capital and downsize their portfolios of single family homes, they may put downward pressure on home prices at a time when the low mortgage rates of today are just a memory.

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Radar Logic can provide similar analyses for other metropolitan areas. If you are interested in a custom analysis, please contact Quinn Eddins at qeddins@radarlogic.com or 212-965-9982.

About Radar Logic

Radar Logic Incorporated, a real estate data and analytics company, calculates and publishes the Radar Logic Daily™ Prices. The prices track housing values for major U.S. metropolitan areas and are the basis of the Residential Property Index™ (RPX™), a market that enables real estate to be traded as a liquid asset, via property derivatives marketed by major financial institutions.

RPX allows real estate and financial professionals to manage opportunity and risk, invest in real estate values without owning physical assets and effectively analyze markets using a consistent metric: price per square foot. Data in the RPX Monthly Housing Market Report reflect the 28-day aggregated value of Radar Logic Daily Prices. The price per square foot metric used significantly reduces the influence of property sizes on overall housing price trends, which can skew results.

The Daily Prices for each MSA are not adjusted for seasonal variations. In some cases, Daily Prices may vary based on reporting characteristics within individual MSAs. The RPX Monthly Housing Market Report provides insight and detailed analysis of Radar Logic's 25 MSAs and the Manhattan Condo market. This study is based on the premise that there is no national housing market; rather, each MSA, while having some economic influences in common, is influenced primarily by local conditions.

RPX Analytics & Research

Radar Logic offers specialized analytic services which allow real estate and financial professionals to view current and historical price per square foot and transaction count trends for all markets and sub-markets we track. MSAs can be segmented by location (zip code and county), property type (single family, multi-family and condo), property size, date range, and sale price. The database is derived from our neutral, public source records.

Our data provide a means for all entities associated with or affected by housing prices to maintain market data streams on a constant, neutral and daily-updated basis.

For additional insight on this report or for inquiries about research or analytic products, please contact:

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