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**Do Rising Interest Rates =
the End of the Housing Boom???**

May 25, 2005

Housing Market Still on Fire

- New home sales jumped by 12% in March of 2005
- Existing home sales set record in November of 2004 and in March of 2005 set the third highest total ever
- Inventory of unsold homes on the market fell by 0.9% to 433,000 in March
- In 2004, 1.203 million new homes were sold
- **Atlanta Home Sales Up in the First Quarter**

According to First Multiple Listing Service of Atlanta, the area's total unit single-family sales were up 8.8%, in Q1 2005 from Q1 2004, while condo/ townhome sales rose 18.6% during the same period.

Average single-family home prices have increased to \$248,391 from \$236,698 between January and March 2005, while condo/townhome prices have remained almost unchanged, going from \$180,169 in Jan. 2005, to \$180,182 in March.

Residential real estate 'white hot'

Existing-home sales increase to record pace

BLOOMBERG NEWS

U.S. sales of previously owned homes rose 2.7 percent to a record in November, making 2004 the best year ever for housing.

Existing homes sold at a 6.94 million annual rate, up from a 6.76 million pace in October, the National Association of Realtors said Wednesday. A record 6.14 million existing homes have been sold this year, surpassing the 6.1 million for the same period of 2003.

"The real estate market just went from red hot to white hot," said James Gillespie, chief executive of Parsippany, N.J.-based Coldwell Banker Real Estate.

The creation of more than 2 million jobs in the past year, income growth and 30-year mortgage rates below 6 percent have bolstered housing and the economy as homeowners spent more on furnishings and appliances.

The median selling price of an existing home was \$188,200 last month, up 1.5 percent from \$185,400 in October. The median price is up 10 percent from the year-earlier month, the biggest 12-month jump since July 1987. Sales rose in the West, South

➤ Please see **HOMES, F7**

Adding Fuel to the Housing Market Fire

■ Still-low interest rates

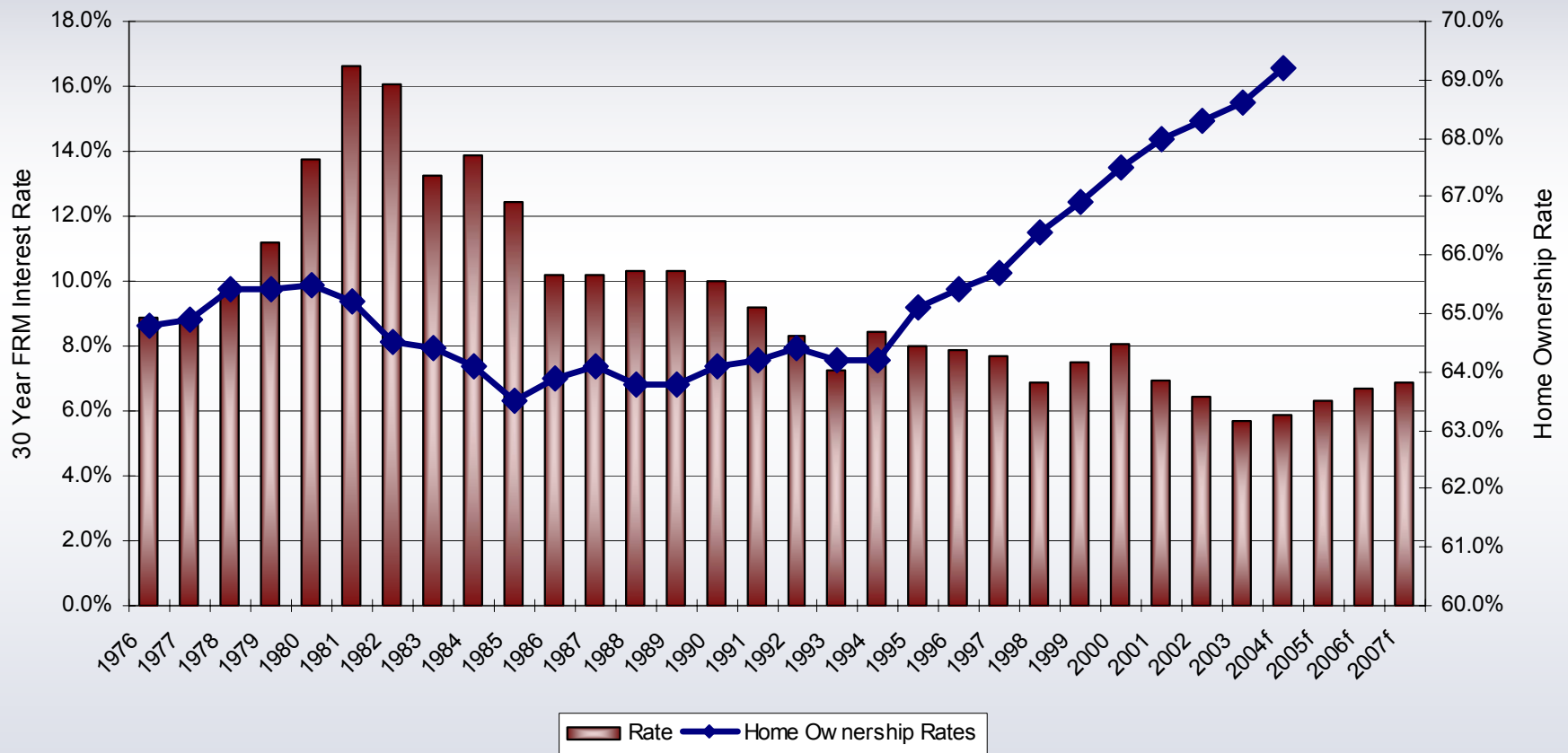
- Despite a 175-basis point increase in the federal funds rate, mortgage rates, in general, have been impacted very little

■ Rising incomes

■ Widespread belief that real estate is the best investment

■ New loan products that increase the ability for homeownership across all socio-economic classes

Rates & Home Ownership



Source: National Mortgage News (rates 1976-1989), MBAA (rates 1990-present), Census Bureau

Industry Purchase Volume

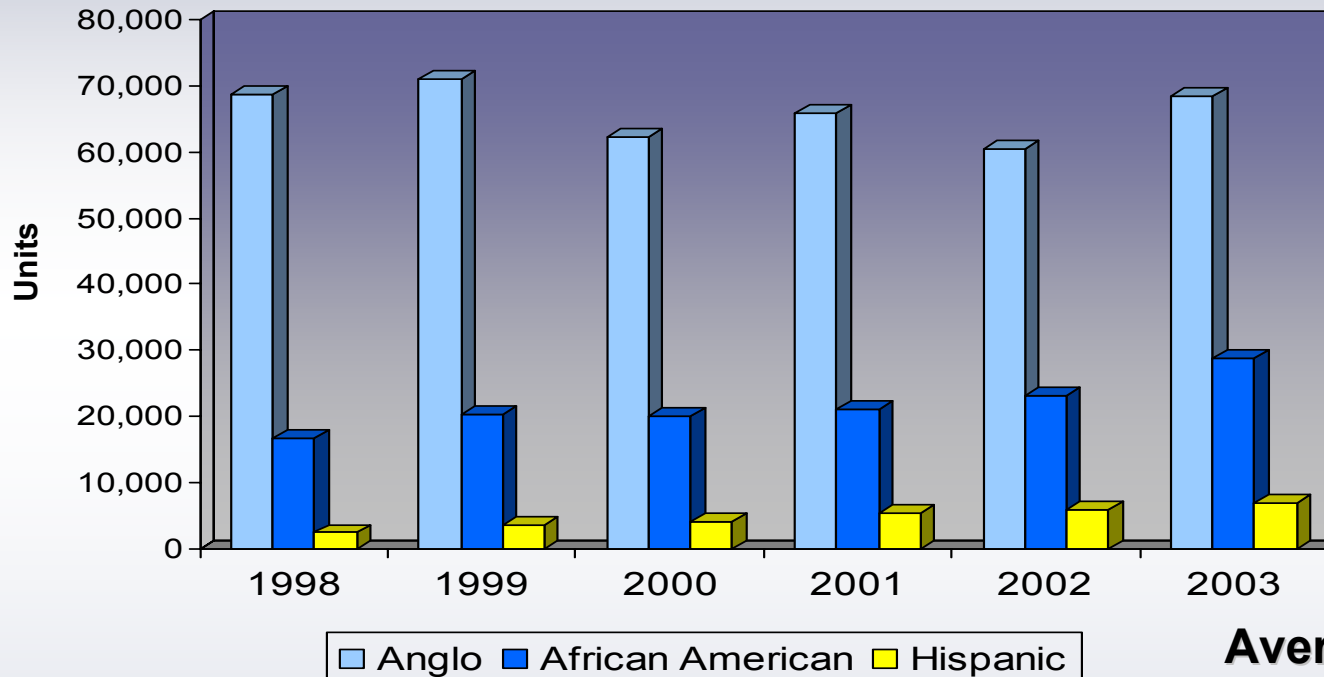
- Purchase originations exhibit an average growth of 11% per year, 1990 through 2004.



Economic Projections (Percent Change)

	2001	2002	2003	2004	2005f	2006f
Unemployment Rate	4.7%	5.8%	6.0%	5.5%	5.4%	5.3%
Real GDP Growth	0.5%	2.2%	3.1%	4.4%	3.6%	3.5%
Consumer Prices	1.6%	2.4%	1.9%	2.7%	2.0%	1.9%
10 Year Treasury Bond Rate	5.0%	4.6%	4.0%	4.3%	4.5%	4.9%

Example of Emerging Market Growth Atlanta



Average % of Growth

Anglo	0.21%
African American	11.73%
Hispanic	23.39%

Housing Forecast

Rising Rates WILL...

- Slow the purchase of investment properties
- Slow the purchase of 2nd homes
- Slow the purchases of “move-up” buyers

Rising Rates WILL NOT:

- Cause a significant slow down in the overall housing market

Questions
