

The Birch Quarterly

B I R C H M A N A G E M E N T , I N C .

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Welcome

We are pleased to welcome another member to our team, Jean Louis Ricard. Jean Louis has joined our team as a maintenance technician. Jean Louis has over 30 years experience in home and multi-family building and renovation. We welcome Jean Louis to the Birch family.

Education

The last quarter has been filled with several key educational events for our team. In August, Lee Porter as part of his training to be Chair of the Realtors Commercial Alliance, attended the National Association of Realtors Leadership Conference in Chicago. This conference was attended by the Association Executives and incoming leadership of all associations nationwide.

There were over 1,000 attendees and those attendees will help the efforts of the National Association of Realtors to act as advocates for the real estate industry.

October brought two more conferences, the national Multi-Family Executive Conference and the Rent Manager Users Conference, both in Las Vegas.

The Multi-Family Executive conference brought together the nations leading multi-family developers, financiers, and managers in a collaborative educational event. While attending this event, Mr. Porter was able to collaborate on the current industry accepted Best Practices and the future of third party management with other industry leaders.

Rent Manager, our software and technology partner, hosted their annual users conference the third week of October. Christie Ownbey, Michelle Porter, and Lee Porter attended this event. Mr. Porter was a guest presenter for two of the sessions offered, receiving exceptional feedback on both sessions.

The lessons learned by our team at these events will help guide Birch to continued growth and industry leading customer and client services.

Renter Nation

The catchphrase for a recent industry event in Las Vegas was "Renter Nation", and for

good cause—home ownership is making a quick retreat from all time highs just a few years ago. Upon reaching an all time high in 2Q2004 of 69.4%, the national home ownership rate has decreased to 66.0% in 2Q2011. Each 100 basis point change equals approximately 1.3 million households.

General consensus is that by 2014 that the homeownership rate will settle around 63%, thus the net impact will have been a shift of 8.32 million households from owners to renters in a very short period.

The US Census Bureau breaks the country down into four sectors and the Triad is in the South. Home ownership in the South hit an all time high of 71.5% in Q42004 and as of 2Q2011 the rate was 68.2%, a drop of 330 basis points. Drops in other regions were 220 basis points in the Northeast, 370 in the Midwest, and 360 in the West. In the statistics section of this newsletter is a chart with national and regional statistics for the last 8 quarters.

Our Market

As the numbers in the previous section indicate, rental households are on the rise. So how will that trend impact the local market and the investment properties of Birch Management clients? As the answer to many questions, the answer to this one is "it depends". From our observa-

tions of the market one of the determinant factors is the quality of the asset.

Class "A" assets appear to best positioned to see rental rate growth as the bulk of new renters will be those who actually have a choice as whether to rent or buy. The demographics of this group are typically the higher income, lower credit risk, and more responsible renters. We have been slowly rolling out 2-4% annual increases in this asset class. A class "A" asset would be one that is relatively new, well maintained, desirable location, and with amenities.

Rent growth in class "B" and "C" assets will continue to struggle as these units typically cater to the existing and traditional renter market. The employment picture, as evidenced in the employment chart in this newsletter, shows no substantive change in our employment environment. According to the Bureau of Labor Statistics, year over year wage growth has fallen from +/- 3.6% in November 2008 to +/- 1.7% in July 2011. This 50%+ drop in wage growth, coupled with continued high unemployment, has continued to erode the economic stability of a large percentage of those renters who have traditionally rented class "B" and "C" units. In most of these units we are advising 1-2% increases, if any at all are possible. This will continue to be a weak sector.



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Our mission is to offer personalized and professional service to both our clients and customers by building strong relationships, utilizing the latest technology, implementing effective marketing strategies, following consistent systems all with honesty and integrity throughout every facet of our business.

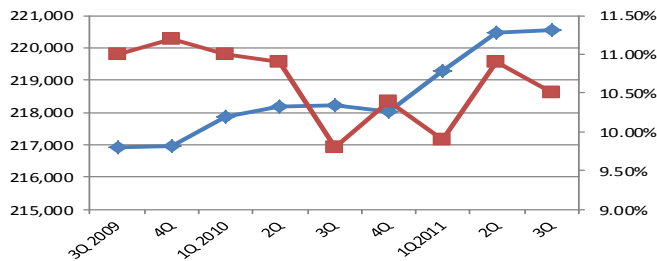
SERVICE ANNOUNCEMENTS

- **Owner Web Login:** Effective November 1, 2011 all invoices will be available for viewing and downloading on our industry leading owner login on our website. More information will be coming shortly.
- **Client Services:** We are always looking to provide the best possible service and need your help. Please assist us in the following manner to help us provide the service you desire:
 - **Office Visits:** Although our doors are always open, it is suggested that you make an appointment prior to your office visit. This will ensure that a team member is prepared and available to meet with you, making the most of your time.
 - **Messages:** Our goal is to handle each inquiry immediately. If that is not possible, please leave as much information in your message as possible. That way our team members will be able to properly handle your needs as quickly and thoroughly as possible.
- **Office Closing:** Our next office closings will be November 24 -25, 2011; December 23-26, 2011; and December 30, 2011- January 2, 2012. Our office hours are Monday to Thursday 8:30am-5:00pm and Friday's from 8:30am-4:00pm. Please note that we have a weekly team meeting every Thursday until approximately 10:30am.

TRIAD REAL ESTATE MARKET INDICATORS

ECONOMIC INDICATORS

EMPLOYMENT STATISTICS



Source: NCESC

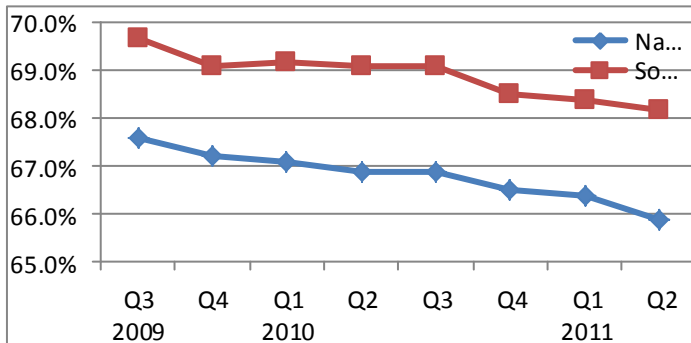
RESIDENTIAL SALES

AVERAGE SALES PRICE

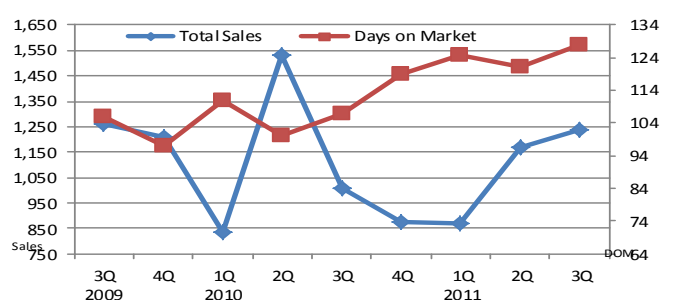


Source: Triad MLS

HOME OWNERSHIP %



TRANSACTIONS / DOM



Source: Triad MLS