

Native Intelligence


F O R E C A S T 1 9 9 9



INSURANCE - REALE STATE

To our Friends and Associates

NORTH GEORGIA'S NATIVE INTELLIGENCE



Once again The Norton Agency is pleased to release its annual Forecast. Now in its 13th year, the Norton Forecast “**NATIVE INTELLIGENCE 1999**” gives the reader insight into the ever changing dynamics of our region. Our research group, in conjunction with our management team and top sales producers, have reviewed and analyzed regional, local and industry events uncovering pivotal forces which, we believe will affect the regional real estate markets in the coming year. Our firm’s collective views are found in the following pages.

Because Norton appreciates and respects the dynamic nature of today’s real estate markets and recognizes the constant need for reliable and timely information, we not only publish our market forecast, but also make our extensive detailed data base available to our clients on a project-by-project basis.

As our firm approaches the millennium change, The Norton Agency stands poised with a solid foundation of superior sales associates, a results oriented team, management and staff, state of the art marketing tools and an unparalleled strategic vision. The 225 dedicated people who make up our extended Norton family stand ready to serve your real estate and insurance needs.

PS: OUR PEOPLE MAKE THE DIFFERENCE.

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REPRESENTATIVE CLIENTS 1998

Adams Investments
 Aiken Family Partnership
 Bancroft Investments
 Blatt Properties
 Chick-fil-A, Inc.
 Circle Investments
 Coats & Clark
 Continental Grain
 Cornerstone Tile & Marble
 Cotton States Insurance
 Dan Summer
 Discovery Point
 Ethicon
 First Commerce Bank
 Gainesville City School System
 Gwinnett Utilities
 Gwinnett County Government
 Hall County School System

Holiday Retirement
 Hope International Inc.
 HT Ventures
 Hulsey, Oliver & Mahar
 Hunt Tower Associates
 John Lovell Enterprises
 Johnson & Johnson
 KENTCO Development
 Kipper Tools
 M&E Properties
 May Institute
 Medical Arts Properties LTD
 NationsBank
 Northeast GA Orthopaedic
 Pearce Associates
 Presco Steel
 Pritchett Family Investments
 Publix

Raceway Technology Park
 Regions Bank
 Royal Lakes Associates LTD
 Sidney's
 Smith Engineering
 Southern Heritage Bank
 Stampworks
 Stanco Development
 SunTrust Bank
 The Longstreet Clinic
 Tipton Construction
 TLC Custom Embroidery
 Tocoa Casket
 Torch Health Care
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Change

Wealth, Opportunity, Innovation

*W*e are sitting on the edge of a fundamental industrial transformation as profound as the birth of the modern age. Whether you call it the “digital” economy, the “knowledge” economy or simply the “new” economy, the economic sea of change now underway is driving an extraordinary amount of new wealth creation. This transformation will change our homes, our lives and our directions.

Wealth is being created faster than ever in this new economy. The telephone reached the 10 million customer mark after 40 years, the WEB browser was on 10 million computers after 18 months, JAVA programming populated 100 million computers in 13 months. The difference between leaders or laggards is now measured in months not years. This is not just the global economy, it is the instantaneous economy, a fundamental change in philosophy and commitment.

The real threat for North Georgia is not from the migrating herds of new residents grassing on the mountain meadows, but from the complacent posture of North Georgia’s existing industry, existing businesses, landlords or land owners. Our failure to capitalize on the opportunities, to become leaders and innovators could result in surrendering our future to outside control. Market share is being captured and new wealth is being created by companies that were not even on the radar screen six months ago. The greatest gains will be from companies that are unborn, unnamed and are imagination intensive rather than capital intensive. These companies and the pioneers behind them are not simply executing better, they are changing the rules of the game.

The millennium is simply a point in time. The real winners will be those who look beyond the epoch and uncover opportunities for new business, new development and new wealth.

Introduction

VISION

Banks County currently earmarks the sales tax revenue windfall from its Banks Crossing retail sales for water and sewer infrastructure rather than county frills.

Gwinnett County determines that they want to change their bedroom county image and commit to retail and business recruitment, then develops the appropriate utilities and roads to service them.

Buford City leadership agrees to annex and rezone any adjacent property as long as it is commercial or industrial with the sole purpose to help lower its millage rate . . . now lowered annually 14 years in a row.

Dawson County commits its resources to attract Chelsea GCA (North Georgia Premium Outlet Mall) by extending water and sewer service to their site. Today, 4 years later, that county reportedly has over \$4 million dollars in reserve tax revenue.

Despite North Georgia's banner decade of economic prosperity, the future won't be so rosy unless fundamental changes occur in the way the area's local governments do business. **VISION** . . . clear community visions will lead certain communities to the head of the pack. The Georgia Future's Commission established by the Governor and the 1995 state legislature found that Georgia's local government structure, a labyrinth of roughly 2,000 cities, counties, authorities and school systems, is not flexible enough to meet the needs of its citizens in the new information age. The issues of tax digest growth and infrastructure planning must be kept on the front burners of every North Georgia county's agenda.

Vision must transcend local party politics and turfs. Innovative administrative tools are required to stretch the available tax revenues and build or supply the required services. Such innovations might include:

- Consolidation: Not governments, but services such as merging planning, human resources, taxation, public safety, health departments, park & recreation services that exist within multiple governments within a single county. This could go further. It could link multiple smaller counties' government services as well.
- Promote joint municipal capital projects such as joint water or sewer authorities, multiple county landfill

operations or other capital intensive projects. Joint capital projects may allow additional federal and state grants and high bonding rates.

- Aggressive planning for commercial and industrial uses in areas ripe for development. Diversification of a county's tax base will help balance the expected residential growth in North Georgia. Areas for retail and business will become increasingly important for the expanded demographics.
- Establish strong development controls including occupancy codes, sign ordinances, minimum home sizes, quality standards and development regulations. Counties without zoning or tight land use controls will default to **MOBILE HOME MECCAS** and suffer greatly.
- Encourage developers and large landowners to contribute land and financial resources for much needed sites for schools, fire stations, libraries and parks. The current state impact fee legislature is limited. The land planning process must set aside needed road rights-of-way and other contributions for support of the growing citizenry and lessen burdens for the future taxpayer.

Most importantly, each government must sit down and determine its **VISION** for the future; What do they want their city or county to become? We urge a written set of goals and an action plan directing the county leadership on how to achieve those goals. Without such a blueprint, the counties and cities will surely fall behind and the next generation will be burdened by those failures.

ENVIRONMENT

One might think it odd for a developer to talk about environmental protection. But a close analysis of our track record would uncover three generations of preservation and land stewardship. If North Georgia is to provide sustainability while providing opportunity for growth, the environment must be considered. Our natural resources, our forests and our waterways are fundamental to our quality of life and livability. Our area is attractive because of its recreational nature and its environmental protection is paramount. Some future considerations:

- Encourage county governments to invest and inventory additional park land for future recreation and environmental sensitivity.

Introduction

- Begin a biannual inspection of all home septic tank systems in all counties to identify potential problems and failures.
- Require a 10 foot building setback from Lake Lanier Corps land for all construction and septic field lines.
- Establish multi-county recycling programs and multi-county landfill investments. Collective efforts will result in cost and environmental savings.
- Outlaw clear cutting of subdivision developments, which will preserve foliage, tree cover and terrain. While clear cutting is a more economical construction method, trees add long-term home values.
- Impose strong mobile home controls for placement, upkeep, landscaping, paved driveways and setbacks.
- Become stewards of the land through professional land planning. Analysis of slopes and foliage removal and sensitivity to the topography for all development.

up Mount Yonah. Either way the challenges are **SURMOUNTABLE**. Our guide posts are the utilities now in place, our quality life style and the strength of our community leadership.

The raw numbers tell the complete story. Using actual building permit data of the counties in North Georgia and average household size, The Norton Agency has extrapolated the population of 1999. These numbers will differ from projections by the US Census or various chambers because we use real permit numbers rather than use only growth rates between 1980-1990. This method produces a clearer picture of how our area is growing. North Georgia has grown 61% since 1990 or 174,699 new residents. If the same rate of growth continues, this region could hold 471,116 people in 2000 and at least 800,000 in 2010.

North Georgia Population Extrapolations		
County	1990 Population	1999 ¹ Projected
Banks	10,731	16,224
Barrow	29,721	39,287
Dawson	9,429	17,905
Forsyth	44,083	101,878
Hall	95,428	134,499
Habersham	27,621	36,753
Gwinnett	389,000	517,674
Jackson	30,005	40,381
Lumpkin	14,573	24,601
White	13,006	20,736

¹Projections based on actual permits for single family, multi-family and mobile homes 1990-1998 and extrapolated using average household size.

GROWTH

Forsyth County enacts a zoning moratorium resulting from its inability to provide water . . . a water system that lags 10 years behind its growth.

At the same time, Gwinnett County is constructing a mammoth water pumping treatment center with a 125 million gallon per day capacity from Lake Lanier and a \$1 billion + sewer treatment plant to put treated effluent back into Lake Lanier.

Major residential developments are occurring along I-985 in South Hall on land suitable for Industrial but because of the lack of sewer, the land has defaulted to housing.

We are poised for growth. We are at times standing on the edge of a precipice the size of Tallulah Gorge or we are looking up at the sheer rock face and attempting to climb

Can this growth be tempered? Most likely not. Our area is just too attractive. The combined factors of affordable rolling land, quality schools, extensive utility system and road network and our recreational lifestyle make North Georgia a prime target for the migrating population. With the added ingredient of Lake Lanier, the soup comes to a full boil. No other metropolitan area has as large a body of recreational water with such affordable prices. As a matter of fact, Lake Lanier has the lowest waterfront property values of any major body of water in close proximity to a national city.

The demographics of Atlanta are driving this northern growth movement. The population epicenter used to be Five Points (20 years ago), then Buckhead (12 years ago) and now it is Abernathy & GA 400. More office space was absorbed in the GA 400 corridor in 1997 and 1998 than any other Metro Atlanta area, an incredible 42% of the total Atlanta office growth. While population projections for Metro Atlanta indicate a job growth slow

Introduction

down, only 75,000 in 1999, that's 75,000 more jobs than most other northeastern U.S. cities and still represents a major national growth market.

Major Master Planned Developments		
	County	Total # Lots Under Completion
Scales Creek	Banks	98
The Orchard	Habersham	600
Royal Lakes	Hall	479
Lake Lanier Country Club	Hall	450*
Harbor Pointe	Hall	315
Gold Creek	Dawson	283
Chestatee	Dawson	550
Polo Golf & Country Club	Forsyth	1100
Laurel Springs	Forsyth	700
Chattahoochee	Forsyth	640
Deer Lake	Forsyth	500
Mulberry Plantation	Jackson	1500*
Chateau Elan	Jackson/Gwinnett	1500
Hamilton Mill	Gwinnett	1500
Jackson Plantation	Jackson	900*
Sugar Loaf	Gwinnett	1000
Four Seasons	Hall	385
Canaan on the Oconee	Hall	1936*
Birch River	Lumpkin	700*
Hampton	Forsyth	481
Bowen Project	Hall	1500*

*Proposed Stage

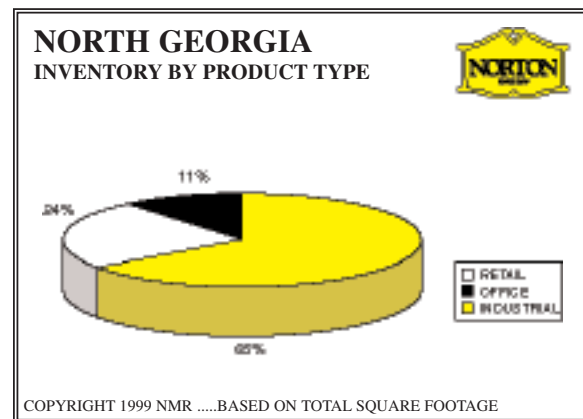
1998 Total Sales Volume Report Based on The Beasley Report with projections by NMR	
1998 Annualized	
Banks	\$ 33,064,728
Barrow	\$ 162,412,536
Dawson	\$ 112,205,040
Forsyth	\$1,273,441,080
Habersham	\$ 110,303,328
Hall	\$ 601,122,726
Jackson	\$ 130,865,109
Lumpkin	\$ 76,526,559
Rabun	\$ 104,667,360
Stephens	\$ 58,920,516
Towns	\$ 63,937,095
Union	\$ 81,564,070
White	\$ 92,811,487

The various counties in North Georgia are also developing their own character. Forsyth is becoming a white collar housing and employment base; Jackson, an active blue collar industrial center; Barrow, an affordable housing base for the Gwinnett work force; North Gwinnett, a retail and business center; Hall, a bedroom community serving the business counties to its east, west and south; Banks a mobile home Mecca; Dawson, a high growth, high income residential market and we think Lumpkin County is the next frontier.

In both the outer urban and rural counties, some residents have developed a misguided revulsion to anything that approaches "density" that includes cluster homes, apartments, homes on less than 1 acre and other principal design concepts espoused by true environmental watchdog groups like the Sierra Club or River Keepers.

"People move out to get away from things and then the things catch up to them: traffic, commercial strips, rising taxes, over-budgeted schools; A natural response would be to try to stop the development and lift the drawbridge. But managing growth merely by increasing lot sizes, as several local governments have tried to do, causes its own problems. The unfortunate truth is the very thing they are doing to stop sprawl in their neck of the woods, actually makes things worse. It makes people leapfrog out so they have to commute through these enclaves, driving longer, creating more traffic, making air quality worse." - Chris Nelson, Professor of Planning, GA Tech.

If we are to get our arms around this growth gorilla, we have got to expose quality and smart planning, allow for mixed use and build **COMMUNITIES NOT SUBDIVISIONS**. Some of America's most successful developers have long been portrayed as "robber barons." But we ought to distinguish between market entrepreneurs who succeed by creating better product at lower cost and political entrepreneurs who use government to gain an unfair advantage.



In some areas of North Georgia, moratoriums are being used as a market manipulator whether it is for single family, mobile homes or apartments. The false impression is that it slows growth. Actually, it may allow a county to catch its breath as existing stocks deplete. Most counties have 2-3 years vacant lot inventory, which can still sustain the pattern of growth, but those are now at escalated prices 20 to 30% higher because of the moratorium. Counties also send mixed messages to industrial and business prospects with the statement of

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moratorium, slowing that growth segment. It takes all kinds of housing to make a society, and not everybody can afford to own a home and not everybody can rent a luxury apartment, but it takes everybody to run an economy.

The wave of slow growth sentiment seems to be intensifying but is tempered by the private property owner rights and the demanding buying public. Visionary Commissioners with intestinal fortitude will work through the divergent interests and look to long-term solutions, planning and community investment. No community in the nation has had success stopping growth without crippling values, investments, employment and tax revenue. These slow growth advocates do serve a purpose by bringing attention to the environment, sustainability and cultural heritage. We must learn to build quality and preserve our history. Only when these anti-growth factors turn radical, mean-spirited and ugly does their message lose all meaning. Civilization was built on compromise, agreement and consensus weighing all the factors and balancing those interests. The true focus should be on SMART GROWTH not "NO GROWTH."

Opportunity Index

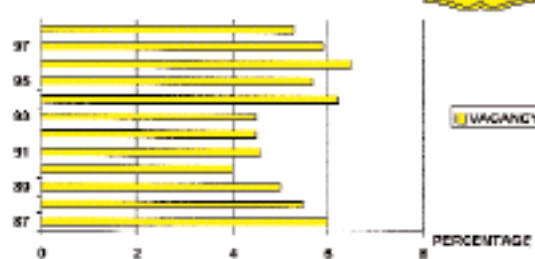
Once again, The Norton Agency publishes its North Georgia Opportunity Index, an annual measure of growth, values and investment potential. The firm's Research Division combines total real estate sales, loan values, land prices, vacancies and land potential in a formula to determine the index score. Counties with scores over 60 points show the most promise.

North Georgia Opportunity Index

	1998	1999
Banks	64	71
Barrow	59	65
Dawson	65	72
Forsyth	70	60
Gwinnett (N)	59	60
Habersham	60	68
Hall	72	70
Jackson	74	79
Lumpkin	68	70
Rabun	48	52
Stephens	27	35
Towns	36	49
Union	36	39
White	51	51

INDUSTRIAL

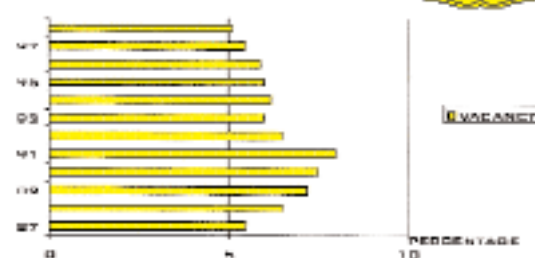
NORTH GEORGIA VACANCY



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RETAIL MARKET

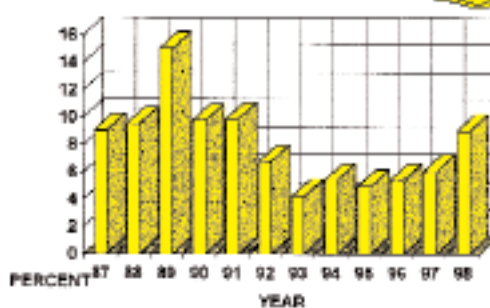
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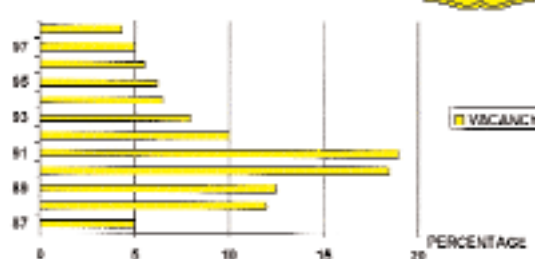
MULTI-FAMILY VACANCY



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OFFICE MARKET

NORTH GEORGIA VACANCY



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Product Types

RESIDENTIAL

Despite the uncertainty of the national economy, the spreading of the Asian economic flu and the predictions of lower Metro Atlanta growth, we foresee a leveling of the Residential real estate market. **THAT'S LEVEL . . . NO PLUNGE.** The shortage of lake property, the continued employment growth (75,000 predicted for 1999) and the northern expansion of Atlanta will balance any short term economic blips.

The issue of Affordable Housing continues to dominate conversations of our industry, only we have broadened its meaning. Thousands of first home buyers are searching for affordable housing, while thousands of executives are searching for affordable lake houses. "Affordable" has become misleading, subjective with different meanings to different uses. We now have to recategorize our statements into what we call "Lifestyle Affordability."

FHA LOAN LIMITS	
Banks	\$109,032
Dawson	\$109,032
Forsyth	\$145,350
Gwinnett	\$145,350
Habersham	\$109,032
Hall	\$109,032
Jackson	\$109,032
Lumpkin	\$109,032
Rabun	\$109,032
Stephens	\$109,032
Towns	\$109,032
Union	\$109,032
White	\$109,032

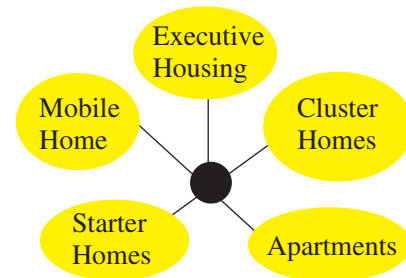
Source: Lanier Mortgage/FHA 12.98

Home prices have continued to escalate. FHA values have been adjusted upward by Congress, helping the buyers afford more with less. Average home prices in North Georgia have now surpassed \$100,000 with the \$80,000 buyers going further to the outskirts of our market: Griffin, Cartersville, Winder. The \$70,000 buyers are going nowhere. Mobile home prices have also gone crazy with high profits in each part of the development, construction, marketing and financing . . . Excessive. With this much profit, it is no wonder that resale values of mobile homes are penalized.

AVERAGE HOME PRICES		
	3 Bedroom	4 Bedroom
Banks	\$115,645	\$123,375
Buford/Sugar Hill	\$128,747	\$178,657
Clarksville	\$112,905	\$207,258
Cornelia	\$103,007	\$150,593
Dawson North	\$121,394	\$300,000
Dawson South	\$115,196	\$185,800
Forsyth North	\$132,512	\$152,565
Forsyth South	\$147,254	\$197,437
Gainesville	\$133,905	\$213,024
Lumpkin	\$105,140	\$147,120
Lawrenceville	\$127,500	\$156,692
Lake Lanier	\$223,795	\$341,003
North Hall	\$122,952	\$238,662
South Hall	\$109,299	\$160,200
White	\$110,112	\$146,571

Source: MLS Closed Sales 1-98 to 12-98

The real problem emerging is that we do not have housing for people in "lower-paying" jobs. This holds true county by county throughout our region. Faced with that, Forsyth has implemented a subsidized home program and is aggressively supporting planning and zoning techniques to develop \$120,000 to \$140,000 homes. That market niche for affordable housing is now being filled by the South Hall county bedroom communities with their average price of \$110,000. In order to be attractive to industry, a county must balance housing types:



For a wide range of job classes. Our labor shortage is in a direct correlation with our housing shortage.

New homes sales are strong, subdivisions are getting bigger and the builders are bolder, stronger and better capitalized. Developments are going toward well rounded communities: Windermere, Laurel Springs, Hamilton Mill, Chestatee. These neighborhoods boast parks, schools, homes, shops, sidewalks, security, town squares and a "sense of place." The market for small lots and cluster housing is growing. We see buyers with kids wanting lots of land or neighborhood pools, parks or golf

Product Types

courses. Once they become empty nesters, they are desperate to downsize . . . the lot, the upkeep and perhaps unload the extra empty bedrooms, but not reduce their own space, lifestyle or quality.

ACREAGE & LAND

Last year we told you about how the northern growth arc of Atlanta is radiating outward toward North Georgia. It continues to accelerate in 1998 and is projected to continue into the next decade. The questions are: Will the economy hold? Will interest rates start to climb? Will prices still be reasonable for the individual buyer? We are starting to see signs of restraint with smaller developers. They don't want to be caught with inventory in the lower price range of homes (\$80,000 - \$120,000). They also don't want to be holding raw land that they cannot develop for fear the market will not grow fast enough to consume their product or moratoriums are imposed. They, as a business group, are starting to question if the economic engine, which has created the wealth that produced our growth, is going to slow down, sputter or just plain stop.

- Watch the direction of population migration.
- Stay attuned to political attitude and its changes.
- Utilities - Are they still available; Will they be available and do you need them to fulfill your goals.
- Reasonable topography - If it is poor property, let it do its job of holding the world together and buy the good land.

The market is changing, interest rates may go higher, prices may flatten, days on market will get longer, investors will be more selective. But the investment cycle will go on and people will continue to buy and sell land. Everyone says land is too high but it will go higher. Land is a smart buy! Buy it right and be patient. You will be handsomely rewarded.

"The key to everything is patience. You get the chicken by hatching the egg - not by smashing it."
- Arnold Glasow.

Carmine Giorgio
Andy Anderson
Acreage & Land Brokerage

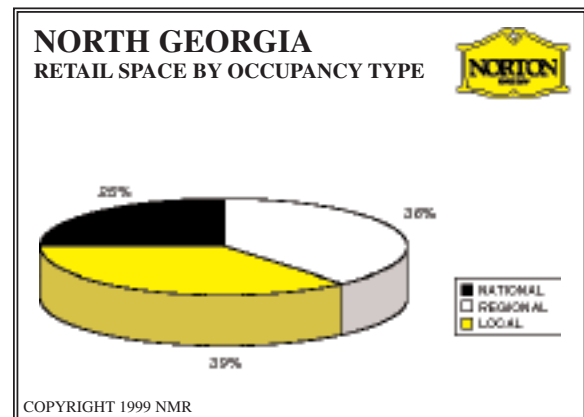
Countywide Water Systems	
Forsyth	95% Complete
Dawson	30% Complete
Banks	40% Complete
Stephens	75% Complete
Hall	85% Complete
Habersham	25% Complete
White	50% Complete
Lumpkin	20% Complete
Rabun	30% Complete

Note: NMR based on expansion underway or in process.

However, there are two sides to the coin: The other side brings forth the investor who has done well both on the financial markets and down home investing. The favorable tax laws now encourage re-investment of that wealth for growth, preservation and tax deferral. It is called 1031 Exchange. This group typically can afford to wait until things turn negative. This group also knows the facts, and the facts have proven time and time again that **DIRT IS STILL A GOOD BUY IN NORTH GEORGIA**. If you buy right and hold for five to ten years you will be astounded by the money that can and will be made. For the long term investor the basics are the same.

RETAIL MARKET

The Retail Market in Northeast Georgia is robust. From the 1.7 million square foot **MALL OF GEORGIA** to the strip shopping centers in every county, the merchandising to our communities is accelerating. Retail follows roof tops and the roof tops are sprouting up everywhere.



Product Types

A look at several Northeast Georgia counties:

HALL COUNTY: With the new Publix in Oakwood, a new Publix and possibly a Kroger located at Exit 2, the population explosion in South Hall finally has a place to buy its staples. The lack of sewer in the southern part of the county will hinder any further retail growth. In Gainesville, the retail restaurant boom seems to be settling out, although several drug stores and another major grocery chain are rumored to be looking for sites.

GWINNETT COUNTY: The 1.7 million square foot Mall of Georgia and the new 1.75 million square foot Sugarloaf Outlet Mall and the existing 1.0+ million square foot Gwinnett Place form a powerful triad. Growth is everywhere, but the county leadership is now focusing on retail sales as a revenue source to offset its explosive population growth. This, coupled with tremendous white collar office expansion, will balance the previously lopsided bedroom tax base. The sales tax revenue stream will be incredible.

FORSYTH COUNTY: Riding through the county, there appears to be a retail center on every corner, with the heaviest concentration at Highway 20 and Georgia 400. The 16 month moratorium on rezoning will result in limitation of further retail growth for at least 24 months beyond moratorium because the market will be forced to re-energize itself after it is lifted.

BANKS COUNTY: The Banks Crossing area continues to build strength, bringing buyers from five states. New retail competition in Gwinnett County will temper the growth and will shake up the weaker Banks Crossing tenants. Watch for a new Wal-Mart to open up in the next three years in this county.

DAWSON COUNTY: Stands to benefit the most from the new Forsyth moratorium. Subdivision developers will leap-frog Forsyth into Dawson and a surge in retail growth will follow. North Georgia Premium Outlets is becoming a prime destination point for Buckhead, Sandy Springs and surrounding residences, but also attracts many buyers regionally . . . the Kroger is only 14 minutes from Hall County's Thompson Bridge Road/North Hall. A second outlet mall will soon follow. We see a new city is emerging at GA 400 and Highway 53 with apartments, hotels, drug stores, grocery and office space. Restaurants would follow if liquor, beer and wine sales were allowed. Because of the heavy retail concentration at this intersection, we do not see other major retail areas in Dawson for some time.

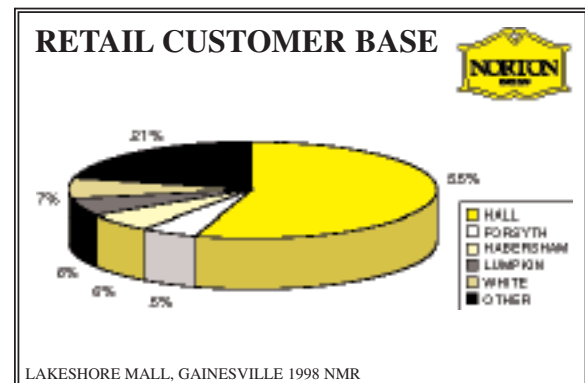
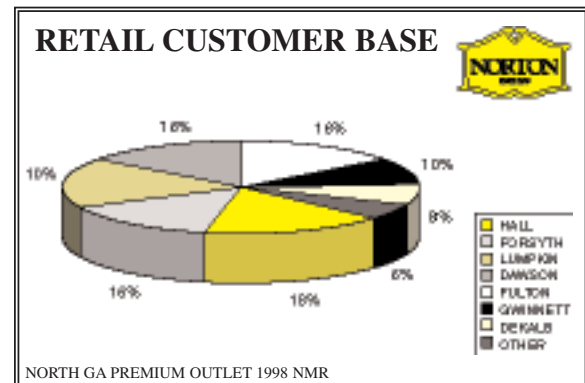
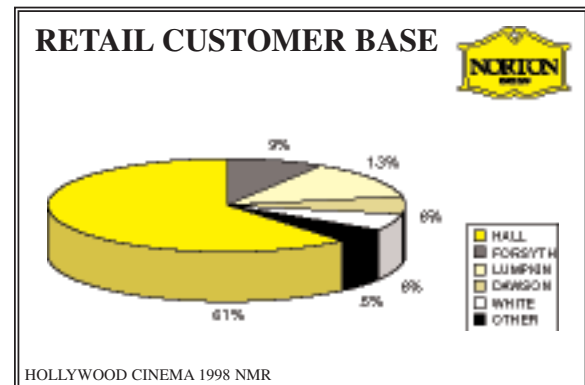
HABERSHAM COUNTY: Retail growth in this county seems to be shifting, bridging both Clarkesville and GA 365 on Highway 441. A new grocery store, possible new Super Wal-Mart and influx of fast food restaurants makes this **THE** shopping area for Habersham County and

points north. Isolated retail will crop up in other areas along GA 365 and close to residential concentrations.

LUMPKIN COUNTY: Retail growth seems to have stagnated after the opening of Wal-Mart as the market catches its breath and asking prices of land out-paced demand. Future retail growth could shift to GA 400/Hwy 60 as new development occurs. The high priced land is coupled with the tremendous grading and rock removal costs that occur on sites in this mountainous county.

JACKSON COUNTY: We foresee a retail explosion around those areas with sewer. As industrial base grows, housing is on the way with the support retail following the roof tops.

UNION, STEPHENS AND TOWNS COUNTIES: As these counties continue to become destinations for retirees and second homeowners, the retail growth should



Product Types

continue steadily with limited new grocery stores, fast food and speciality stores. If the Appalachian Parkway ever becomes a reality, easier travel between destinations should spur even greater retail growth and market exposure.

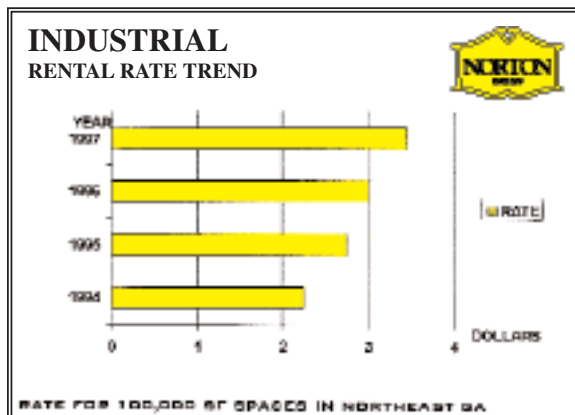
WHITE COUNTY: Retail growth in this county has somewhat slowed except along Highway 129 in Cleveland. The new by-pass in Cleveland should spur long-term growth but until the housing base increases, retail will be slow to expand.

From Buford to Clayton, Toccoa to Ellijay, the retailing of North Georgia is underway. The old rule of retail following residential growth appropriately applies to this area. But with all the new retail growth in Northeast Georgia, it does not occur without consequences. Counties' infrastructures will become overburdened without proper controlled growth, there might be a slow squeeze out of the local "mom and pop" retail stores to the Eckerds, CVSs and Publixs of the retail world. It is incumbent upon county leaders to start preparations for this growth, before the counties become overwhelmed.

Robert Matthews
Retail/Commercial Brokerage

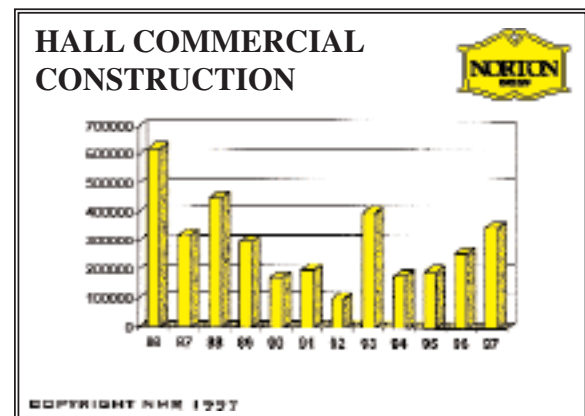
INDUSTRIAL

The Industrial segment is leading North Georgia's real estate activity second only to the residential. New construction absorption continues to flourish in the high growth corridors of I-85 and Georgia 400 and second generation space is selling at premium in the so called "rural" areas of Northeast Georgia. However . . . Developers "beware of over development and possible market slow downs." While demand in Jackson, Forsyth, Gwinnett, Barrow and specific user markets of Hall County appears unstoppable, the reality is that absorption is being increased to 6 to 8 months of on-market time, and in some cases, longer.



MARKET CONDITIONS: The cost of new construction is astronomical and just headed for worse. Second generation space in outlying areas is becoming more and more attractive while selling 30% higher than the same type space did a year ago. What was \$2.00 - \$2.25 per square foot leasable space a year ago is rapidly approaching the \$2.75 - \$3.00 mark. New big box (50,000 sq. ft. and up) space is peaking at \$3.60 per square foot while new smaller support space (5,000 - 15,000 sq. ft.) has hit the \$5.00 to \$5.45 per square foot range. We expect the rates to remain constant in 1999 while demand is catching up with the existing space on the market as well as the space in early development. Industrial land cost remained flat for most areas in 1998 but should begin to show a steady increase in the upcoming year as demand increases.

LABOR: While available labor continues to be a large concern throughout North Georgia and frankly across the Southern United States, there has been some relief. With several large plant shutdowns including: Talon (White Co.), Guilford Mills (Hall Co.), Carmet (Hall Co.), Gilbert and Bennett (Stephens Co.), Toccoa Casket (Stephens Co.); unemployment rates have broken the 3% mark and have even reached as high as 5.8% in Stephens County. While these figures continue to show a tight labor market, it is welcomed with open arms when comparing it to the 2.0% - 2.9% figure from a year ago.



AREA OVERVIEW: Jackson County continues to pull away as leader of I-85 corridor new industrial growth, attracting five new industries in 1998, while Forsyth County leads Georgia 400. Look for this trend to continue into the next millennium as our region continues to receive National and International exposure. Industry and Trade and other statewide Economic Developers are showing Jackson County on a weekly basis.

- A moratorium free Forsyth County will continue to capture the high-tech market. Expect numerous major

Product Types

announcements in 1999 for these two counties.

- Freeport will help level the playing field for Hall County, but the local leadership also has to step up to the plate and commit to a “fast track” industrial sewer system expansion and aggressively court new businesses as well as implement an industry retention program.
- Barrow and Athens-Clarke County will have steady growth in small support industries.
- Habersham, Dawson and Lumpkin Counties should each land at least one new mid-size industry in 1999.
- White County was successful in filling Orbit Industries’ 135,000 square foot headquarters and should attract an outside or existing industry to occupy the 65,000 square foot Talon’s in Cleveland. Zoning and Freeport are going to have to be addressed if White County is going to capitalize on Quality Growth.
- Stephens, Franklin and Hart Counties appear to be back on track and geared for new industry. Unemployment rates are the highest in the region, wages are competitive and with the new Tri-County Development Authority, additional incentives can be offered during the recruiting process.

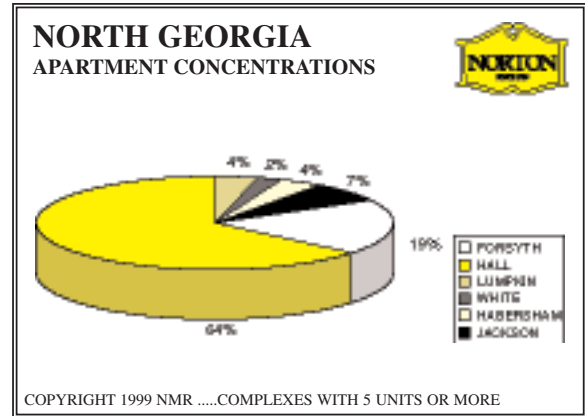
INDUSTRIAL OPPORTUNITIES: Second generation space will continue to be a good investment due to its ability to continue to offer attractive rates for both tenant and purchaser. Mid-size space in the 20,000 to 40,000 will continue to be in demand as long as over-saturation does not become a factor. Support space in the 2,500 to 10,000 square foot range appears to be temporarily over-saturated but this condition should be relieved by mid-year and supply and demand will be back in balance.

Floyd Baldwin
Industrial Properties Group

INVESTMENT

Investment properties will remain in demand as private and corporate investors seek a diversified portfolio to guard against the stock market fluctuations experienced in 1998. Big Box properties such as Wal-Mart and Kmart will be sought after because of their long-term leases which somewhat guarantee a steady income from the investment. Investors will watch growth and retail development closely for the sale and lease back opportunities that occur when a new store or center is built.

Multi-tenant triple net properties will also be in demand because multiple leases buffer losses that may be



incurred when single, large tenants relocate. Investors in both of these categories will seek a CAP rate of 9.5 to 11% with most purchases in the 10% range. Investors of this type will tend to specialize in either retail strip centers or industrial office/warehouse properties, but not both.

REAL ESTATE INVESTMENT SUGGESTED CAP RATES

	Average	Range
INDUSTRIAL		
Warehouse	8.6	8.0 - 9.5
R&D	9.0	8.3 - 9.5
RETAIL		
Regional Mall	8.1	7.5 - 8.5
Power Center	9.2	9.0 - 9.6
Neighbor/Community	9.2	8.5 - 10.0
OFFICE		
CBD	8.6	7.5 - 10.5
Suburban	8.6	8.0 - 9.5
APARTMENT	8.7	8.0 - 10.0
HOTEL	9.5	9.0 - 10.0

Source: Real Estate Research Corporation 1998

Apartments will continue to be sought after, but the days of investors getting 12 and 13% CAPs are gone. Class A will command 8 and 9%, with Class B bringing 9.5 to 11% to the investor. New product coming on the market will slow in the outlying communities as low interest rates for single family homes compete with the rents that will be necessary because of increased construction costs for apartments. Not long ago, a Class B apartment complex could be built for \$35,000 to \$45,000 per unit, but those same costs are now in the \$60,000 to \$85,000 per unit range.

Rising land costs will also contribute to the increased cost of building complexes. Where developers were once paying up to \$6,000 per unit in land costs in Metro Atlanta, some are now willing to pay \$10,000 and more

Product Types

per unit for a Class A site. Land for apartments is also becoming scarce as single family residents fight developers and officials by speaking out against any more high density zonings. This follows a year of rapid building by developers before the gates close on new zonings. For instance, Sandy Springs in North Fulton County absorbed 1,050 new units in the first half of 1998 and exceeded the ratio of multi-family to single family homes as outlined by its land use plan. New product for that area in 1999 will be extremely difficult to get approved. Consequently, investors who seek to purchase in that area will face a seller's market and will not be able to obtain the higher CAP rate they may desire.

Officials will also look strongly at the impact that multi-family development has on the infrastructure. Increased traffic, water and sewer demand, and impact on schools will all be considered. As a result, some developers are seeking older apartment complexes that are in need of extensive renovations to purchase and will then demolish them and build a new development rather than fight city hall and citizens. Again, this approach drives up costs.

In North Gwinnett, five new multi-family developments will be started or completed in 1999 on land adjacent to the Mall of Georgia at Mill Creek on land set aside for that purpose in the master use plan. The smallest tract is 12.172 acres and was sold at a cost per unit of \$8,500 for a maximum of 156 units.

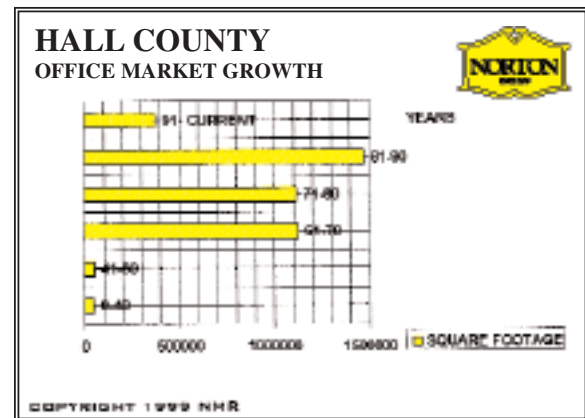
North Georgia and especially Gainesville will remain a stable market for multi-family investors as the occupancy rates hover around the national average of 92% despite the additional units that came on line in 1998. There will be a demand in Forsyth County for new development which will be stymied by the lack of sewer and community attitudes, so existing apartments should prosper in the coming year. Out of state investors have heard so much about the GA 400 corridor that they will pay premium prices for suitable land or existing complexes.

Jerry Thornton
Investment Properties

OFFICE MARKET

In major CBD office markets across the country, vacancy rates are at or near single digits and rents are rising in all property classes. While in most of the country demand will begin outstripping available supply, Atlanta is not faring as well. The general forecast for the downtown Atlanta office market is somewhat mixed.

Although there are several factors at work to inspire confidence in the market, the promise of continued job growth, the reopening of the Centennial Olympic Park, new hotel and residential developments, the Atlanta Central Business District has yet to reach the frenzied pace of activity enjoyed by the suburbs. There is some concern that the Georgia 400 corridor is building office space faster than the demand. As the possibility of decreasing lease rates increase in Atlanta, the lease rates in North Fulton and South Fulton may have to decrease to keep attracting tenants. Forsyth County has experienced an extremely active office market.



The local office market is very healthy with virtually no vacancies of well-located, quality office space. Two new office projects were recently completed just north of the Cumming Square. Several small scale office condominium projects are under construction and report good leasing activity. A 34,000 sq. ft. Class A office building is scheduled for completion in the next few months with rental rates upward to \$18.00 per square foot triple net. The Georgia Baptist Medical Center project near Georgia 400 will include some upper-end medical offices, but strong demand and limited supply relative to good quality professional office space is expected to continue into the foreseeable future.

Dawson County's favorable location on GA 400 is giving it a strong push in the office market. The last two years have seen a 300% increase in office square footage with very low vacancy rate. A new Class A building is planned for 1999.

Hall County has been an active office market again this past year. The Regions and Wachovia buildings remain the county's only Class A office space. The purchase and renovation of the Girls Club will provide some much needed additional B+/A- space. Hall County's major office shortage is quality medical space.

Lease rates in the general office market have increased an average of 10% in Class B and Class A space. Renovation of older buildings continues with no known plans for the construction of new buildings with the exception of medical buildings.

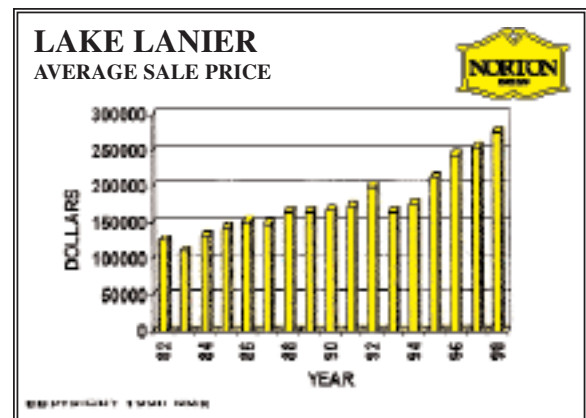
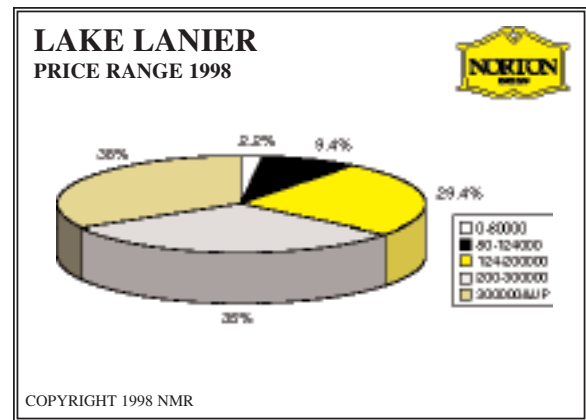
Jackson County, while experiencing a boom in the Industrial market, has not seen the same in the office market. As for the balance of the counties in Northeast Georgia, most office users tend to be user/owners and there are few demands that are not being met with the available inventory.

Hall, Forsyth and Dawson Counties increase in rental rates may be an indication for investors to start looking at the possibility of new office construction as a viable investment for 1999. As traffic becomes more of a problem in the Atlanta area, and with the moratorium on new road construction, more companies will look to provide, and employees will be demanding, a better quality of life. This includes eliminating the 1-2 hour commute. Companies will begin relocating closer to where their employees live and that means the suburbs and the suburbs of the suburbs.

Jean Ferris
Office/Commercial Properties

Quite frankly, this is one trend we did not foresee. The development, marketing and sale of Four Seasons on Lanier was most likely the turning point. The development was of high quality . . . the property outstanding and reasonable . . . the timing was PERFECT. Successive developments like Pointe West, Pointe South and The Pointe have set the momentum for other new high income neighborhoods like Harbour Pointe, Chestatee and Lake Lanier Country Club.

But these may be the last . . . raw land of development quality is dwindling. Our research shows there are less than 40 remaining undeveloped tracts in all counties surrounding the lake that are over 50 acres in size and have the ability for boat dock access. With this in mind, the potential for further appreciation of existing homes and property is **OUTSTANDING**. The urbanization of Lake Lanier is underway.



LAKE LANIER

Our long-term readers will recall that our 1990 Forecast indicated that the Lake Lanier market had reached a historic level . . . The LARGEST supply of available lake homes in the lake's 44 year history. In 1998, we again reached a historical benchmark . . . The LOWEST supply of homes, lots and property.

As a result, prices have soared, in some areas as much as 20% in one year. "Buckhead" tear downs . . . taking an older, smaller home and leveling it for the lot or view, previously an isolated phenomenon are now everywhere. Lake Lanier has become the epicenter of a global economy and the target for a national relocation search for affordable waterfront real estate. Your new neighbor that just moved in next door may work out of Hartsfield International. Compare the quality and price of lake homes in various markets to see the advantage of our location and our real estate.

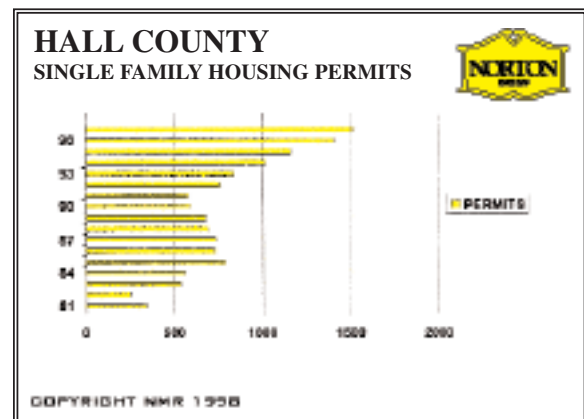
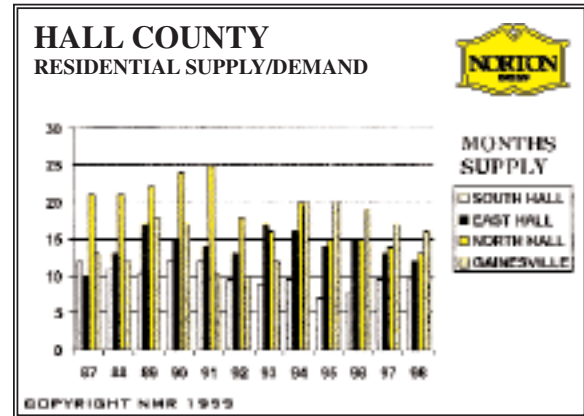
There are only two concerns on the horizon. First, the potential effect on property values resulting from unsuccessful negotiations with our bordering states regarding water allocation (water levels could permanently drop 10 to 20 feet and values in each county

tax basis could drop 35%). Second, there are emerging RADICAL voices espousing no further development on Lake Lanier, prohibition of boat docks, outlawing exterior lighting seen from the water and proposing 100 foot undisturbed set backs from the Corps property. These voices of unreason are now only directed against new development, but could quite quickly turn on the existing 7,000 lake homeowners and the 7,000 septic tank owners.

Undoubtedly, the lake and its importance as the area's greatest economic engine and clean water source must be protected. But those protections can be technologically achieved without such radical anti-development postures. For every lake home developed on Lake Lanier, it offsets the shortfall of 2.5 other "off" lake homes built in Hall County. Development of Lake Lanier is too important to the various counties' tax base and important industrial business recruitment as a pool of executive housing. The executive housing base is a strong attractor for business and industry in Forsyth, Dawson and Hall County. We see Lake Lanier property becoming scarce and more expensive over the next decade. The concern over Alabama water consumption and the concern over a dry lake will increase demand for deep water lots. Speculators will buy shallow water lots and pray for rain. Lake Lanier real estate values are projected to increase another 15 to 20% in 1999 and so long as we have confidence in the stability of lake levels, the sky's the limit.

HALL COUNTY

Sandwiched between the exploding employment base of Georgia 400 (Fulton, Forsyth, Dawson) and the burgeoning industrial base of I-85 (Gwinnett, Jackson), Hall County is a land in search of an identity. Granted, the office, industrial, retail base has helped Hall sustain itself as an independent business center, but its influence is rapidly waning. The residential migration into South Hall (9,208 new homes, 24,862 new residents since 1990) has transformed the county into a bedroom for North Georgia. The Norton Agency believes this will continue for at least an additional five years or until sewer is available for industrial, office and commercial development. Until then, land is defaulting to residential uses. Metro Atlanta's suburban edge is moving out. The new population is willing to commute but they still want to live within a seven to eight mile distance of an interstate, I-85, I-985 or GA 400.



The Gwinnett view of Hall County is that of opportunity; cheap land, great schools and cheap taxes. Hall County has all the necessary ingredients to become North Atlanta's number one bedroom community. Although one third of Hall County's economy today is agricultural, the number of new farm creations is next to nil and farm production is stable if not declining. Land is now being held in stewardship by many farmers anticipating a transfer to the next generation and future development or wealth capitalization by their children or grandchildren.

Hall County is also one of the most developed counties ringing Metro Atlanta that is not part of the 13 county area held in violation of the Clean Air Act. Counties in violation are restricted in their road building and motorists must go through stringent emissions tests. Until it is included, Hall County could receive a disproportionate share of federal and state road improvement dollars which would allow that county to build a strong infrastructure base to support the impending growth.

WHITE COUNTY

Mobile home mecca” . . . “the land of the cheap home” . . . “the blue collar county” . . . unfortunate community tag lines resulting from the absence of zoning. Private property owners in White County can’t vote it in by themselves and another referendum could be four years away. Meanwhile, we watch the modular dealerships set up in White, Habersham and Dawson. When stick built home prices and land costs escalate out of reach of the hourly wage earners, the market defaults to mobile homes. Rental housing is also tight as politics have locked out apartments. The big market could be in rental mobile homes to satisfy that need. The new residents seem to be equally divided, those buyers who work in Hall or Habersham, but can’t afford housing in those counties, or those retirees coming to the mountains to get away and buy themselves some space. These retirees and professionals relocating for a better quality of life are certainly influencing the social and economic face of White County . . . It just may not be quick enough.

HABERSHAM COUNTY

With a thriving economy, Habersham is seeing its business and residential components strengthen. Habersham is presently constructing a new elementary school and a middle school to ease overcrowding and growth. Fortunately, many of the home buyers are childless or older and simply add themselves to the tax base, not children. Significant Habersham events include Ethicon’s sale of several surplus properties opening up areas for new development, Rabun County Bank’s entry into the Habersham banking community and the land surrounding Hollywood Hills Golf Course purchased to build 300+ time share units. The heaviest new business concentration continues to be GA 365 and US 441 as it becomes a regional business base. Clarkesville unfortunately could be left in the wake of growth unless its leaders change their development vision. While not all bad, Clarkesville’s charming historical shopping area can’t grow without additional annexation and a commitment to business. Home prices in Habersham are really not much different than other North Georgia counties. Construction costs do not change much county-to-county and with high land costs in Habersham, prices per square foot are close to Hall and Gwinnett counties. Tallulah Falls and surrounding areas seem to be Habersham’s best secret with land prices still in the \$4,600 to \$4,800 per acre range.

BANKS COUNTY

The bulk of this county is agricultural with a smattering of very simple residential, in no significant concentrations. The largest planned development is Scales Creek with 98 lots. Land is very affordable and should remain an excellent buy for the next several years. We anticipate more stick built home construction if the schools were to improve in Banks. Once this happens, Banks could serve as an affordable bedroom housing base for Hall, Habersham, Jackson and Clarke counties. Banks County’s tax basis salvation is and will continue to be Banks Crossing. Visionary leadership is now proposing water and sewer expansion up to Martin’s Bridge Road, which will help solidify that market’s business commitment. The one blip on the radar could be the new Mills Village in Gwinnett County which, depending on the store mix, could affect regional outlet sales, tax revenues and changing the I-85 shopping patterns.

STEPHENS COUNTY

Stagnate values, stagnate industry, stagnate direction. Stephens County is a unique island center of commerce surrounded by mountains and valleys. Actually, its trade area overlaps into South Carolina and perhaps is more correctly oriented in that direction. Stephens is also an older mature industrial market, textile industry dominated, that is suffering from plant relocations, and aging support services. It currently has the highest unemployment rate in the region, a bright spot for a new industry searching for a home. Stephens’ growth market is Lake Hartwell, which it shares with Franklin County. New construction will attract much needed retirees and additional tax base.

RABUN COUNTY

Rabun County is a paradox, a poor Appalachian region struggling to pull itself up by the economic boot straps, at the same time a super wealthy enclave of summer resort and year round retirees. Its triad of Georgia Power lakes, Seed, Rabun and Burton, have now attracted a major golf course development with Ritz Carlton style and \$250,000 per lot, Buckhead prices (that’s for 1 acre) while over the mountains, 3 miles away, lies the poorest of poor. Seventy-five percent of Rabun County’s terrain is government land which

constricts our vision for urbanization or transformation. Too many isolated pockets amongst the forests of federal land. High land prices will continue to hold back traditional residential development for the Rabun County masses, but help keep Rabun's economy humming.

JACKSON COUNTY

This county is where the action is. **INDUSTRIAL, RETAIL, RESIDENTIAL** . . . it has it all. 1998 saw continuation of industrial penetration into Jackson County. Pattillo's Walnut Creek is maxing out and they now set their eyes across and up I-85 to their other holdings. Raw land prices at exit 50, 51 and 52 are soaring and could reach stratospheric levels if the long rumored "Volvo site" is solidified in 1999. Jackson County, Jefferson, Commerce and Braselton have been making preparations for action for the last few years and are on their way to becoming a powerful employment center and tax base. Residential is not far behind. Despite concerns over environment, sprawl or utility service, the Mulberry Plantation was approved late summer with 1,500 homes. This was just the first of many. Jackson County has numerous large family and investment holdings ripe for large scale development.

We foresee tremendous residential growth in south Jackson County as Gwinnett's employment heats up. They, perhaps more than Hall County, will feel the ripple effect of the Mall of Georgia simply because of the ease of access. The new residents will force new schools, new services, new retail and eventually new politics. The old guard in the cities most likely will remain intact for now but county politics will change.

FORSYTH COUNTY

The population of Forsyth County continues to surge as residents flock to the quality developments off GA 141 and every other major access point in the county. The surprise 11th hour moratorium on new rezoning is not likely to have any effect on construction or population increases for several years. While 16 months in length, the inventory of zoned property and developable lots is sufficient enough to sustain the cycle of growth. The real disastrous effect will be on industrial, commercial and business growth. We have been predicting a strong corporate relocation trend into the southern parts of the county and just as it is about to happen the door is slammed shut. Moratoriums have an impact on growth

and business development long after their lifting, sometimes five years or more and in a few rare cases, the moratorium is never overcome. We do not expect that in Forsyth's case, but the mood will be tempered. The same old struggle of urban vs rural is prevalent in Forsyth. The large tracts of land for development are dwindling and prices are rising. Today, the only \$100,000 homes in Forsyth are cluster homes. Citizens are pushing for public green space, parks or buffers. The answer (pre-moratorium) was the new county zoning class (*open space residential*) which allows higher density housing with required, undisturbed landscaped areas for recreation and wildlife.

DAWSON COUNTY

No other county will transform itself as quickly as Dawson County. Moving from the most rural of regional counties to an urban wealthy Republican enclave . . . we predict 15 years, maybe sooner. The population has moved from 9,429 in 1990 to a Norton projected population of 17,905 by January 1999. We further project the county's population will double again over the next 10 years. Home price averages were \$130,500 in 1997, \$145,000 in 1998 and by 2000 we believe they will reach \$175,000.

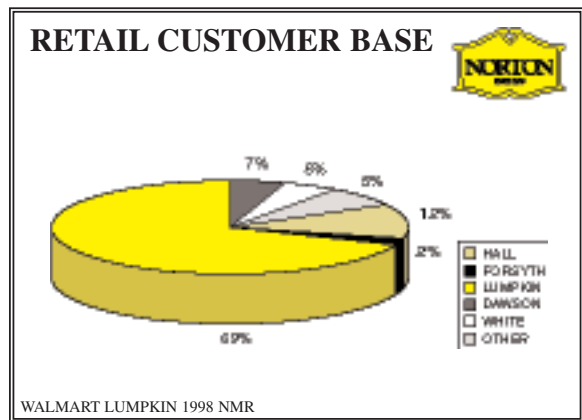
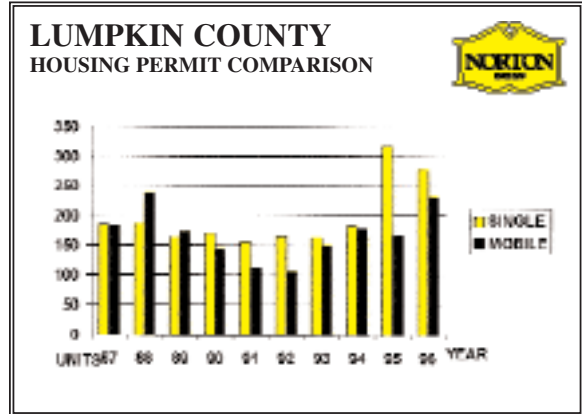
Dawson County could best be described as in a state of flux, grappling with growth administration and vision. They are redoing their comprehensive plan . . . where people go, where industries go, but it is still a county which has made up the rules as they go. This, too, will pass as the baton of leadership passes and effective administrations take control. Gold Creek, since its sale, has concentrated on conventions and golf, not homes. They do recognize though, that they have a narrow window to market their development before others take hold. The other problem in Dawson is that everyone wants the big homes but no one wants the apartments or first time homes. Jobs will suffer if there is no economical housing alternative.

The vast majority of land in Dawson is controlled by timber companies, governments and wildlife management and unavailable for residential development. With the strong demand on property, this shortage results in inflated prices. The cheapest new homes in Dawson are \$110,000 in Sexton Corners and the traditional one/two builders providing product are being replaced by stronger more capitalized contractors. Farsighted leaders in Dawson extended water and sewer to GA 400 and are now reserving the remaining capacity for industrial and

commercial expansion. As a result of the congestion on the lower end of Georgia 400, we are seeing a trend of industrial expansion and relocation from Roswell, Alpharetta, Sandy Springs and Dunwoody. The owners and executives are finding the reverse commute half the other commute inward. The new Chestatee development will help anchor Dawson's northern border while North Georgia's Premium Outlets has replaced the Dawsonville Square as the place to be. Its latest phase is doing well with plans for construction continuing into 1999. By year end, the retail sales should exceed \$360 per square foot and will spawn an outlet store migration to the surrounding area.

LUMPKIN COUNTY

*S*olidly anchoring the headwaters of Georgia 400, Lumpkin is in the direct line of fire for accelerated growth. Both Lumpkin and Dawson have beautiful rolling farms, streams and long vistas. However, Lumpkin has rock underneath the pastures, making development expensive and iffy. The new Birch Mill development on the Owens farm property will provide quality executive level housing in this golf course community. Additional quality developments are proposed closer to Georgia 400 and in the Auraria arc. Lumpkin County's greatest advantage is its proximity, its greatest weakness is its lack of land use controls. Over the last 10 years countless older mobile homes, a.k.a. used trailers, have been moved into the county. Lumpkin County desperately needs zoning and occupancy standards for its housing. Without them, Lumpkin's struggles will just begin.



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