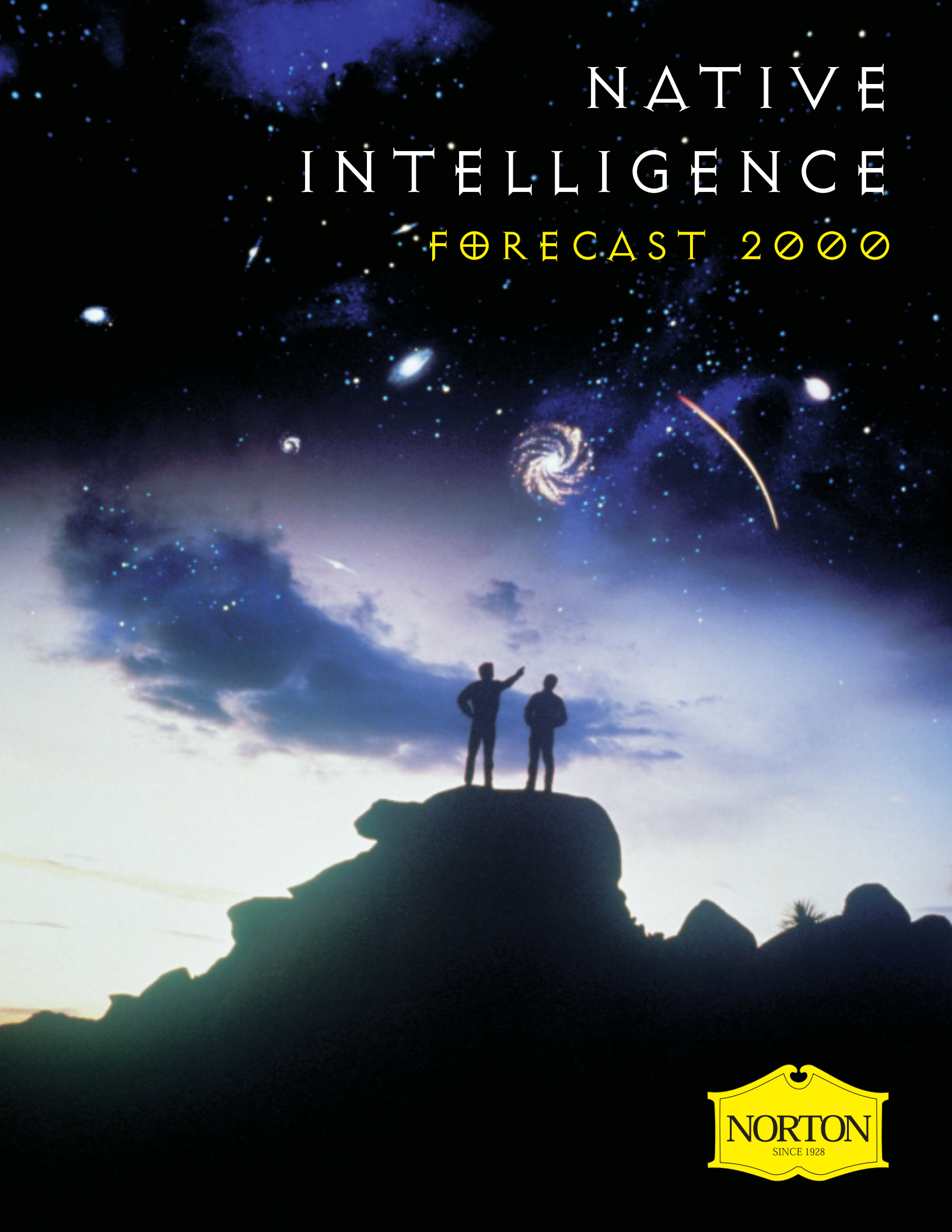
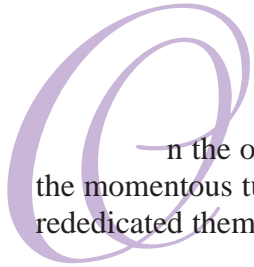


NATIVE INTELLIGENCE

FORECAST 2000



NORTON'S PLEDGE TO OUR COMMUNITY



On the occasion of The Norton Agency's seventy-second year, our 14th annual forecast, and the momentous turn of the Millennium, our firm and its extended business family, now over 250, have rededicated themselves to a number of simple precepts:

- We take immense pride in the quality growth of our area and pledge ourselves to uphold and set new standards for others to follow . . .
- We pledge ourselves to provide our staff and associates the finest tools and products available, thus delivering to our customers the highest level of service . . .
- As the leader in our industry, we intend to demonstrate that position, by setting an example in civic participation, environmental development and community involvement . . .
- We intend to use our resources wisely for the benefit of our region and its citizens. We also promise to encourage civic pride, participation and oneness with the natural environment. We promise to produce lasting quality developments by promoting quality housing, community-based employment areas and regional shopping alternatives . . .
- We will encourage and promote the preparation by the government, quality planning, strategic infrastructure investment, and sophisticated development techniques.

We firmly believe in balancing the needs of growth with the preservation of our life style. The protection of the resources of North Georgia for all to enjoy should be reflected in everything we do. After all, we must remember we are the **STEWARDS FOR OUR CHILDREN'S FUTURE.**

The Norton Agency
01.01.2000



REAT THE EARTH WELL; IT WAS

NOT GIVEN TO YOU BY YOUR PARENTS,

IT WAS LOANED TO YOU BY YOUR

CHILDREN. WE DO NOT INHERIT THE

EARTH FROM OUR ANCESTORS, WE

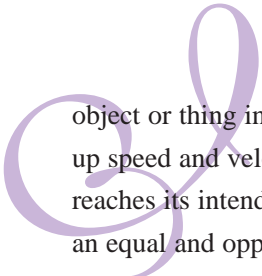
BORROW IT FROM OUR CHILDREN.”

AMERICAN INDIAN PROVERB



Frank K. Norton, Jr.
President, The Norton Agency

Change



NERTIA is the concept of placing an object or thing in motion. Once started, the object picks up speed and velocity, then moves on unrelenting until it reaches its intended destination or is slowed or stopped by an equal and opposite force or obstruction.

So it is with **Change** in our region. The velocity of growth is intensifying, marching further and further into our area as the epicenter of that energy source, “Atlanta,” hurls growth in every direction. North Georgia is no longer a sitting object devoid of progress, allowing its muscles to atrophy and its minds to cloud and haze. No, North Georgia is about **change**. Change in demographics, change in education, change in complexion and above all a change in fortune. Yes, fortune and fortunes have changed. Who in downtown Gainesville in 1953 would have conceived of residential land in South Hall selling for \$15,000 per acre or business leaders around the square of Cumming in 1960 predicting office towers built in “Shakerag” on farm land selling for \$175,000 or more per acre.

We have seen significant changes in our region over the last seventy-two years, emerging from dust bowl, terrace cotton farming, to an economy based on poultry production, and finally into a diversified manufacturing and service based economy. North Georgia can stand on its own as a **self sufficient** balanced business society, only

its proximity to Atlanta places a new factor into the equation. We would grow regardless because of the positive attitudes of our community leadership and the industrious nature of our people. Atlanta only accelerates the dynamics.

Yet there are other forces of change afoot. A portion of the relocating populous wants to shut the gates. Once here, enjoying our abundance and the carefully honed lifestyle, they want to selfishly keep it all to themselves. They boldly ignore the rights of the farmer to cash in on their years of toil, land improvement and commodity production. They actively fight new businesses and new jobs, thereby forcing our children to look elsewhere for employment and entertainment. And they have painted anyone who supports growth as “money hungry environmental rapists.”

We believe a growth balance is achievable, recognizable and is at hand. Progress can benefit both the economy and the environment. Quality must be our constant banner with active, constructive participation by all groups. Compromise is the strongest measure of leadership in this era of change. The only way you can keep from being swept away by change is to participate in it.

One thing is certain about the future, it will not be boring.

INTRODUCTION

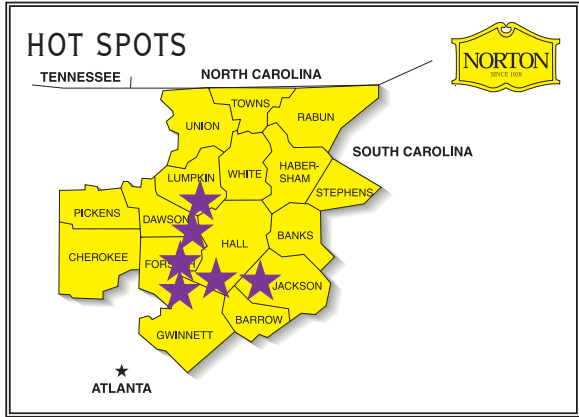
SMART SPRAWL

Developers are easy targets and convenient villains. They reportably turn beautiful green pastures and lush forests into subdivisions and strip malls; they supposedly manipulate politicians like puppets on a string. Once a project is finished, they take their profits and scam, leaving neighbors and nearby property owners to deal with the consequences.

By casting developers as the “root of all sprawl related evil,” we let the general buying public off too easily, their attitude “as long as it’s their fault, none of it can be our fault!” is pervasive.

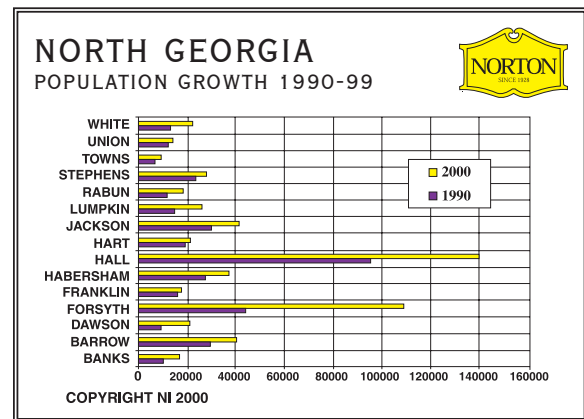
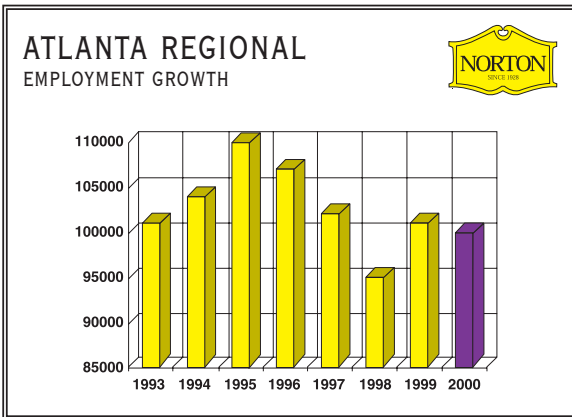
The truth is developers, in many cases, have turned out to be more flexible and amenable to “smart growth” ideas and environmental protections than some neighborhood associations and others who claim to protect the environment and their communities.

Take the issue of density. To an alarming amount of people it’s simple: High density growth is bad; low density is good; quality residential growth should always be defined as large houses on small lots, while apartments or cluster homes . . . YIPES . . . are the work of the devil himself. The same concepts follow that gated communities should be turned down favoring socialism and equality. By this line of thinking, anyone proposing anything but the traditional “one street in . . . one street out, one acre lot,” development is little better than scum.



True smart growth development would have clustered housing nodes of retail and business centers, separated with farming green belts and open space and created a much more balanced planned society.

True smart development meets a very real human need. It serves the empty-nest couple who wants smaller quarters; young singles or newly married couples saving for a down payment on a house; lower wage workers with families who want an affordable place to live; or single parent families unable to handle home maintenance chores.



Psychologists tell us that sprawl is caused by **Affluence** and **Population Growth**. Which of these exactly do we propose to prohibit? The census bureau projects that the American population will expand to 394 million by the year 2050, half again the level of today. Nearly all of that growth will be attributable to legal immigration which currently runs about 900,000 arrivals per year. Do we want to halt or deeply restrict immigration? Unless we do, the country’s stock of homes, roads, commercial space and other construction must substantially enlarge in decades to come.

Take Cherokee County’s recent legislation which resulted in acre after acre of low density development making automobile travel a necessity just for visiting “the next door neighbor.” Sidewalks are all but useless in such a landscape, retail will be scattered about and employment centers everywhere. This exacerbates, accelerates and promotes sprawl throughout the county.

INTRODUCTION

North Georgia Population Extrapolations		
County	1990 Population	2000 Projected
Banks	10,731	17,010
Barrow	29,721	41,500
Dawson	9,429	19,650
Forsyth	44,083	109,800
Hall	95,428	141,000
Habersham	27,621	37,900
Gwinnett	389,000	539,000
Jackson	30,005	41,750
Lumpkin	14,573	26,300
White	13,006	21,790

Source: Native Intelligence © 2000

And so . . . affluence is bad? Undesirable? The literature on sprawl is riddled with sarcastic references to the square footage of a new home to the spread of starter mansions . . . “spacious” is a sneer word in this context, as if cramped quarters or adjoining walls are what human beings prefer. These are arguments about social engineering and not about appropriate house lot size. If prosperity puts the four bedroom house within reach for the typical person, it’s hard to see why government needs to intrude on that right.

There is no question that high density development can be inappropriate in certain areas. Scale is important. For example, while a 1000 unit apartment complex on 20 acres, would certainly alter the character of an established neighborhood, a 200 unit complex on the same 20 acres could fit into that same neighborhood almost unnoticed. Unfortunately, both projects would be doomed with equal vehemence by neighborhood groups lost in the oversimplifying emotional rhetoric that typifies many rezoning battles. “Low density good, high density bad.” Containing sprawl does not mean homogenizing the landscape but it does require enough vision and human understanding to see that single family homes on two acres aren’t for everyone.

As North Georgia’s leading development organization, we advocate QUALITY first. The history of our firm suggests that our developments and their construction standards, coupled with the highest regard for environmental protection and design, encourages a buyer with higher expectations for product quality. The combination of these attributes assists in promoting and maintaining a tremendous quality of life.

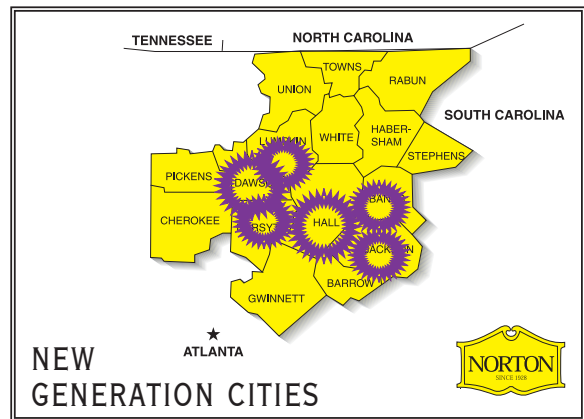
NORTON’S SMART SPRAWL RECOMMENDATIONS INCLUDE:

- Adopt new urbanism principles such as interconnected networks of streets and blocks with a clear neighborhood center, a mix of uses and housing

types, pedestrian-oriented designs, and socially oriented civic spaces.

- Smart sprawl communities will produce environmentally sound developments and construction practices with methods to offset government service for delivery costs . . . For example homeowner paid garbage pickup, narrower streets with sidewalks and developer donated parks or school sites.
- We support legislation that would demand the developer to pay impact fees evenly across all product types and price ranges. Developer impact fees on a per lot basis could contribute to parks, libraries, roads and other government support services.

NEW GENERATION CITIES	
■ Flowery Branch	Hall
■ Hamilton Mill	Gwinnett
■ Mills Creek	Gwinnett
■ Chateau Elan	Barrow/Hall
■ Dawson Forrest	Dawson
■ Birch River/GA 400	Lumpkin
■ Johns Creek	Forsyth/Fulton/Gwinnett
■ Sugar Loaf	Gwinnett
■ Walnut Creek	Jackson
■ Mulberry Plantation	Jackson
■ Flowery Oak or Oak Branch	Hall
■ Midway	Habersham



We believe in development impact fees or community infrastructure contributions, we believe in tree protection ordinances, five year septic tank inspections, erosion and storm water runoff controls. all of which improve the counties we serve with quality commercial and residential development. **WE CHALLENGE OTHERS TO FOLLOW OUR LEAD.**

INTRODUCTION

ENVIRONMENTAL DEVELOPMENT

Is the concept of successful development with strong environmental controls realistic? Financially viable? . . . **Absolutely!**

The protection of our valuable resources, our standard of life should be paramount. After all, that's what makes this area so darn attractive. We must learn new methods of development, new measures of control, while balancing the needs of the growth engine that keeps us alive with the new industry, new housing and new ideas. A laudable goal, a necessary reality.

The quality developers and growth proponents of the new millennium will be acutely in tune to environmental development, setting aside common area buffers, reforesting cleared areas and setting aside open park space. We must support sophisticated sewer systems, either private or public, to protect and prevent downstream contamination.

We must have a **zero** tolerance for siltation into Lake Lanier and create economic tax incentives for shoreowners to place riprap or sea walls. We should encourage the Corps of Engineers to relax the sea wall permitting process and perhaps a "user" fee assessment in existing parks, creating a pool of funds for shoreline protection on public property. We also support a uniform 5 foot construction setback from the Corp of Engineers property line. In addition, strict erosion controls should be enacted in all counties throughout the region. Protection of our waterways not only adds value to the quality of life but insures an adequate supply of clear water.

The great landscape designer, Frederick Law Olmstead, and the great British landscape firms of the

1800's knew very well the importance of shaping, controlling and harnessing nature in order to enhance value. Great lessons to be learned. We must protect our counties from aggressive development techniques, outlaw clear cutting of property and impose mandatory septic tank inspections every 5 years. Upon each property transfer we should mandate that the home septic tank be pumped out, cleaning up problems before occupancy by the new owner. We must promote privately-owned sewer systems, gray-water reuse and storm water capture and distribution throughout the region.

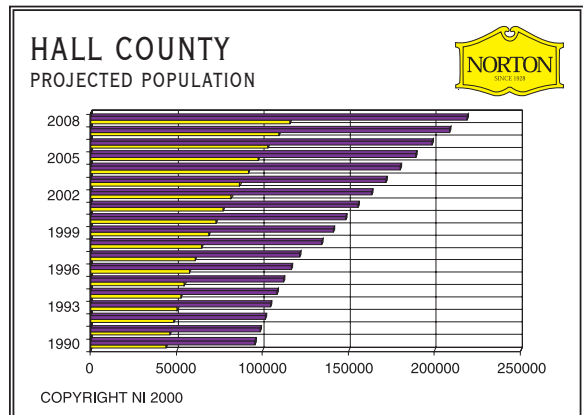
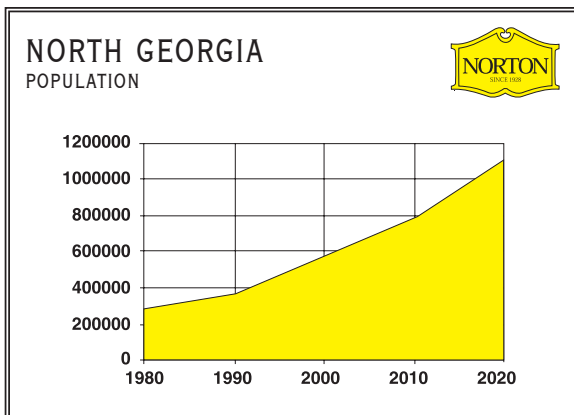
The fact is North Georgia has many more trees and forests today than we had 50 years ago. In the first half of our century, our topography had been cleared and abused from years of terrace cotton farming. The slash and burn techniques and the absences of erosion control measures took a toll on our environment. While development does consume acreage and farm land, as stewards for our children's future, we must not return to that level of performance.

"The great spirit is in all things. He is in the air we breathe. The great spirit is our father, but the earth is our mother. She nourishes us; that which we put into the ground, she returns to us."

Big Thunder Wabawaki Algonquin

2000 & BEYOND

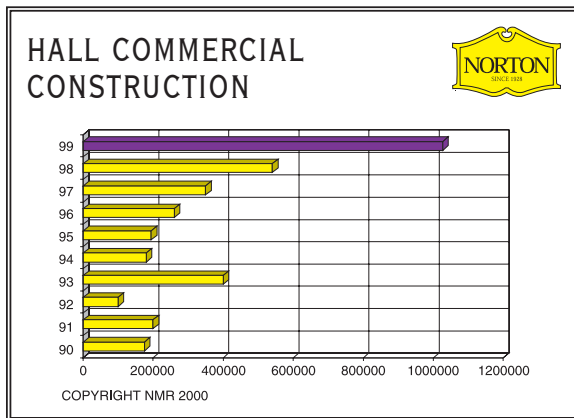
2000 could well be a soft patch in the investment-led national and regional economic expansion which has defined the preceding decade. Real Estate . . . illiquid and capital starved at the beginning of the decade, is once again being eagerly sought. Direct investment in property is robust and everyone is trying to get on the band wagon. The stock market surge has created great wealth and investors are scrambling to diversify portfolios and are looking to real estate as an equity



INTRODUCTION

balance. The sheer volume of capital is causing investors to scratch hard at investments, take lower returns and pay higher prices.

This may turn out to be the longest growth period in American economic history. Real estate is poised to see a new construction cycle in the 2000-2005 period and the industry's fortunes will depend upon the disciplined management of that cycle. We reaffirm our confidence in the upward cycle of real estate markets, both from a supply/demand perspective and from an investment pricing standpoint. We believe the market has considerable room to run. That momentum may flatten any significant downturn. From our position on top of the south's largest growth engine, Atlanta, and the strongest concentration of wealth in the south, we indeed are in the right place at the right time.

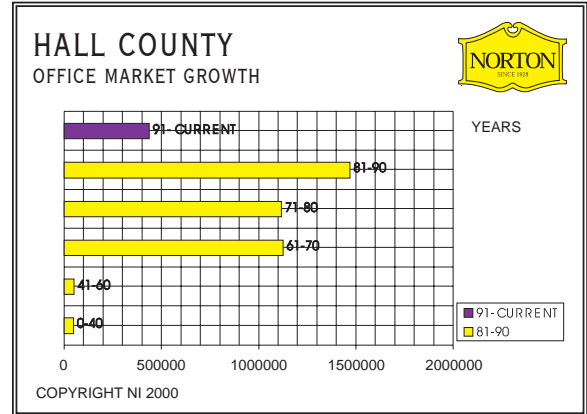


ECONOMIC CONDITIONS

As we approach the 21st Century, markets are virtually borderless. The penetration of national and international influences into local markets has become pervasive to a degree unimagined a generation ago. Norton has long stressed that real estate markets capture the residual benefits or penalties of the economy. In the 90's, Gross Domestic Product growth in the United States has far outstripped our gains in labor force additions, in personal income and in consumption. The growth in this country and the Atlanta region is coming from a wider world.

BENCHMARKS

- Retailing will be a highly competitive environment for the foreseeable future. The Internet and industry segmentation now rivals hotels in ever-more-reined niche strategies.



- The performance curve of warehouse/distribution facilities, the bell weather for the light industrial sector appears to be flattening out while light assembly and R&D facilities are showing stronger supply/demand fundamentals. Auto manufacturing, their related parts and technology are supporting many national markets. R&D is accelerating as Internet commerce expands.
- Money is once again chasing property and prices are bid up with resulting cap rates declining.

OPPORTUNITY INDEX

Once again, The Norton Agency publishes its Native Intelligence 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.

Native Intelligence Opportunity Index

	1998	1999	2000
Banks	64	71	72
Barrow	59	65	61
Dawson	65	72	70
Forsyth	70	60	55
Gwinnett (N)	59	60	65
Habersham	60	68	66
Hall	72	70	68
Jackson	74	79	81
Lumpkin	68	70	72
Rabun	48	52	58
Stephens	27	35	42
Towns	36	49	51
Union	36	39	40
White	51	51	53

Source: Native Intelligence © 2000

PRODUCT TYPES

REPORT CARD 2000

As we set out to write our 2000 Forecast on the state of economic health for Northeast Georgia, we thought it appropriate to review our past performance and measure the accuracy of our insights. We have never been shy about going out on a limb or telling it like it is. We make a valiant effort to study the facts, uncover the trends and then interpret the data. For fourteen annual reports now, we have tried to apply the empirical research and develop or express opportunities hidden deep within our findings. Judge for yourself the accuracy of our observations and prognostications.

Some of our past observations include:

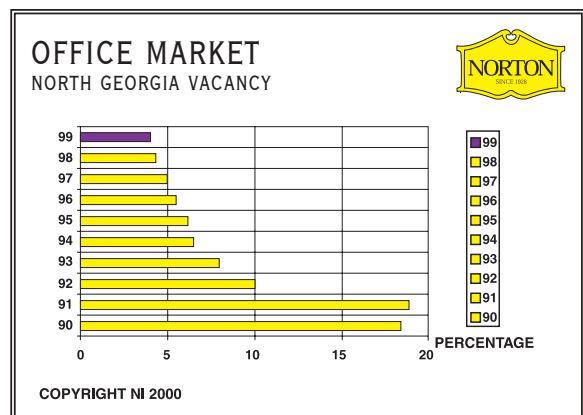
- Office space will emerge in two new areas, Oakwood and Browns Bridge/McEver. *Circa 1987.*
- Hall County's retail expansion has only just begun. *Circa 1987.*
- We see the emergence of a Power Business Cross with the Sycamore Church Street (now EE Butler, Jesse Jewel Parkway) Interchange as the **apex** and the Medical Center, Green Street, Lanier Centre and the Government Hill as its points. *Circa 1988.*
- Small 4,000 - 10,000 square foot strip centers will be popping out all over the county. *Circa 1988.*
- Industrial rates still have not reached a point where substantial new construction is economically feasible. *Circa 1988.*
- The average price of houses sold in 1987 was up 7%, \$87,821 vs \$81,674. *Circa 1988.*
- South Hall is still the strongest residential absorption market in North Georgia. It has had the lowest supply of new and existing housing in 10 years. *Circa 1992.*
- Watch for an ideological shift to broaden historic "downtown" to include Jesse Jewel/EE Butler Parkway and the Green Street/Boulevard/Brenau area. These locations become Gainesville's MIDTOWN. *Circa 1992.*
- Stores such as TJ Max, Uptons, Publix, Circuit City, Super WalMart, Sam's, Lowe's, Kroger, Winn Dixie, Olive Garden, Ryan's Steak House and Pier One are all viewing our community with tremendous interest.

They all will not come, but those that do are changing the face of our retail community forever. *Circa 1992.*

- South Hall apartments have been discovered by Atlanta or Gwinnett commuters willing to drive 20 minutes for the \$300 to \$400 per month cheaper apartments. *Circa 1992.*
- Apartment rates could rise as much as 25% over the next several years, making construction proformas more palatable while stimulating a new round of construction activity. *Circa 1993.*
- We are down to the rock bottom in industrial space and developed industrial land for all industrial property types. *Circa 1992.*

OFFICE

North Georgia is out of office space and that five year shortage trend is expected to continue unless a major speculative building is constructed in Gainesville or Cumming. Actual absorption has been steady and strong over the same period helping to fill the holes vacated by Wachovia's and Regions' downsizing. The Gainesville market represents over 85% of the total office market volume in North Georgia serving the region for services, financial, legal and government. Our research shows the largest vacancies to be the Wayne Center, 26,000 square feet; the Bank America building, 7,000 square feet (recently sold); and Walters Management new structure on Queen City Parkway. Rates are also moving north with the average new space rate of \$16.00 - \$16.50 plus utilities and Green Street rates in the \$14.00 range. Biggest requests remain small tenant users with some even asking for short term six month leases anticipating rapid growth.

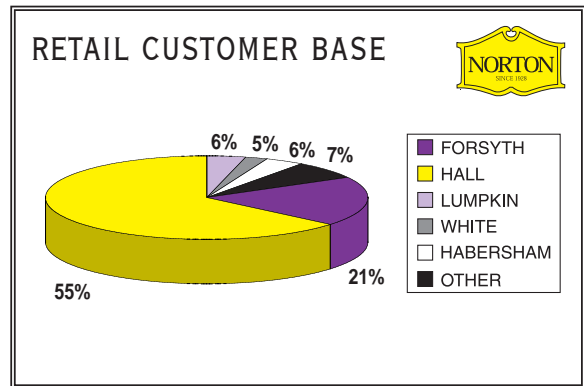
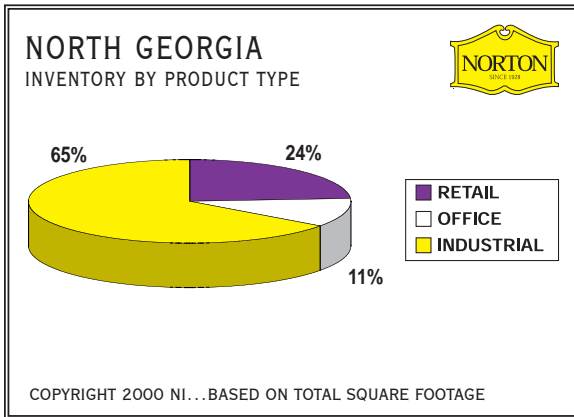


PRODUCT TYPES

The local government sector will see movement in 2000 with the Health Department Building, Inspection, Planning and the City of Gainesville Utilities doing a shuffle, opening up other spaces for Hall County Government. We foresee limited office space in outlying counties with few market opportunities. The largest emerging market is Johns Creek, part in Fulton, part in Gwinnett County and part in Forsyth County. Forsyth's zoning moratorium put a temporary hiatus on that growth, but will rapidly gain steam now that the commercial rezoning moratorium is lifted. The moratorium most likely has set them back three to four years.

We have predicted a restaurant shake out for some time now with the major national chains putting pressure on the locals. Houcks and Rio Bravo are two that didn't make it.

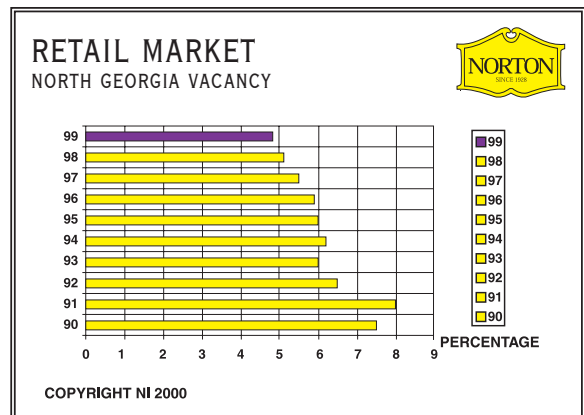
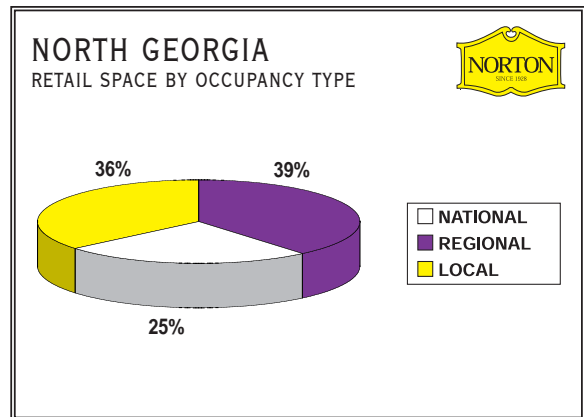
The greater concern for retail perhaps isn't the competition but the lack of available labor . . . at all levels. In most restaurants, sections remain closed while lines outside increase, all as a result of staffing. Restaurants can't make it just on Friday and Saturday night. The Lakeshore Mall area of Hall has become a regional restaurant, entertainment zone and could weather most shake outs if the labor issue is resolved.



THE RETAIL MARKET

A combination of higher wages and investment related income have added nearly \$300 billion in purchasing power to the Nation's economy. After an extended period when construction activity diluted the modest gains in consumer expenditures, major analysts' study of current supply/demand conditions show a rise in retail property productivity measured in sales per square foot. Department stores have made major strides in accommodating the changing shopping preferences of shoppers. One of our overall concerns for the retail sector is the disappearing middle class. We see strong affluence and consumer expenditures for basics on the low end but there appears to be a widening middle class gap. This could have foretelling results on speciality stores.

In North Georgia, retail follows roof tops. In some cases, however, housing has not kept up, over storing regions. Other areas are dying to have new retail centers but the demographics can't support them just yet. We think the big box users have positioned themselves in, for the most part, with weaker than projected sales seen at the K-Mart in Habersham and the Target in Hall County. For the most part, retail is settled in for the long haul.



PRODUCT TYPES

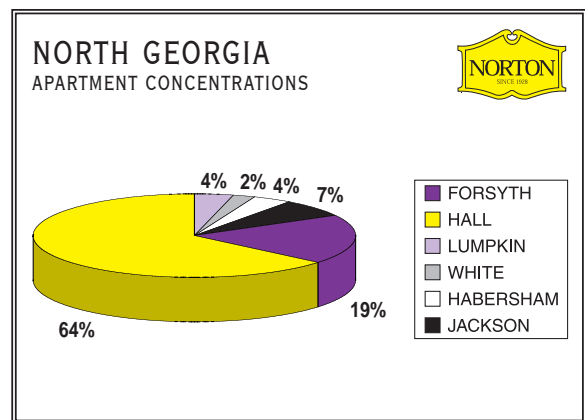
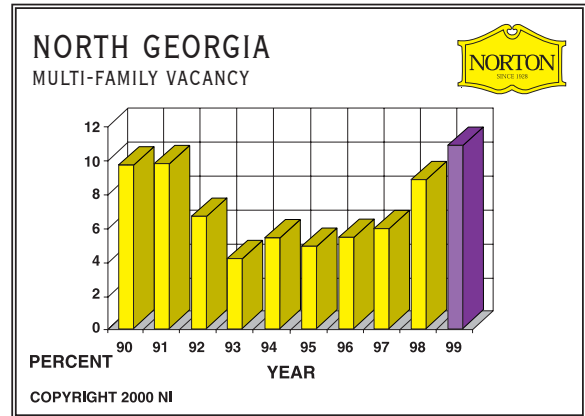
Yes, the Mall of Georgia is now open . . . sort of . . . watch for a real grand opening late Spring 2000, as the other half is completed. All in all, too much hype. Most expected another Lenox; the PR machine was in overdrive. Sales are disappointing, the IMAX line is from here to downtown and the food court lines look like a Braves game. Long-term, they aim to carve out their own market, cutting slightly into Gwinnett Place shopping, but offer access, diversity and enough stores to make one's mind wiggle.

The other good news is a resurgence of small town squares. Don't count them out . . . Dahlonega, Cumming, Gainesville, Clarkesville and Cleveland are all full. Tourist, local businesses, a unique re-mechanizing to make the connection. We see the convenience store becoming the rural trading post, eliminating the individual gas, video, and in some cases, post offices by placing them under one roof. That's milk, beer, cigarettes, lottery tickets and gambling machines around cappuccino makers. We now applaud the recent addition of fast food — a great single stop source to some stores.

The one uncertainty on the horizon is the emergence and surge in Internet shopping. Online sales this past Christmas season were stratospheric and the potential immense. The uncertainty is the "black hole" effect imposed on traditional shopping. Just how big? How deep is the market? With salesclerks being replaced by data lines and long lines being replaced with real time, the Internet is a commercial vehicle with which to be reckoned. We agree with the national estimates that 40% of all shopping will be Internet based (purchased or viewed) within 10 years. The sheer magnitude of the medium will undoubtedly have an effect on speciality goods but will have limited effect on staples and durable expenditures. Mall and shopping center users/developers better be watching this trend closely and be prepared to put on the brakes at a moment's notice.

INVESTMENTS

At the turn of the century will find an increasing number of renters leaving behind the city fringes or suburbs for a renewed interest in urban settings. Demand for apartments from the millennial renter will come from two growing, yet untraditional avenues. Aging baby boomers are becoming empty nesters and no longer need a single family home in the suburbs. Lifestyles and ease of access to urban amenities are playing a bigger role in the decision to rent.



In addition, many generation X'ers, and their younger counterparts, the "Gen Y'ers," have little interest in living the lifestyle of their parents. For them, access to recreational and entertainment uses and a more hip lifestyle are a reflection of the ideals that a downtown lifestyle is desired by their generation. To attract this new breed of lifestyle seeking, time-crunched apartment renter, owners and managers will do well to consider offering expensive state-of-the-art exercise rooms, yoga classes, spirit rooms and health related programs. The apartment renter of tomorrow will seek out living environments that reflect a greater concern for personal safety and that provide more choice in amenities and conveniences which leave more time for personal interests. The number of first-time renters will grow for the first time in two decades. The children of the baby boom will give developers the opportunity to create products that combine affordability, high technology and a return to the club house/social center amenities popular in the 1970's.

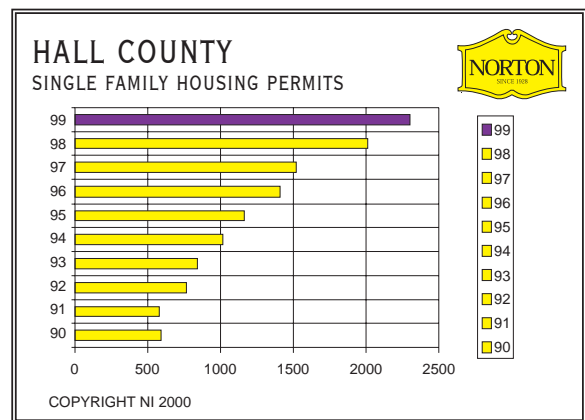
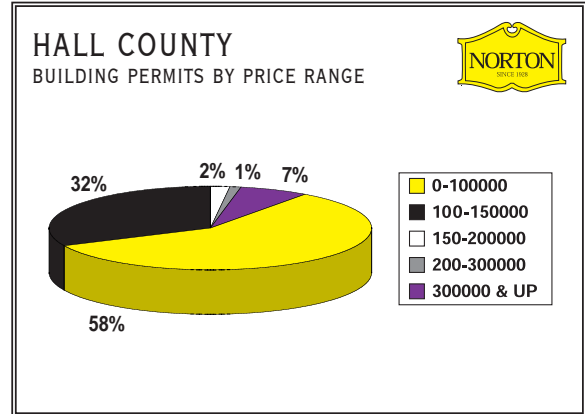
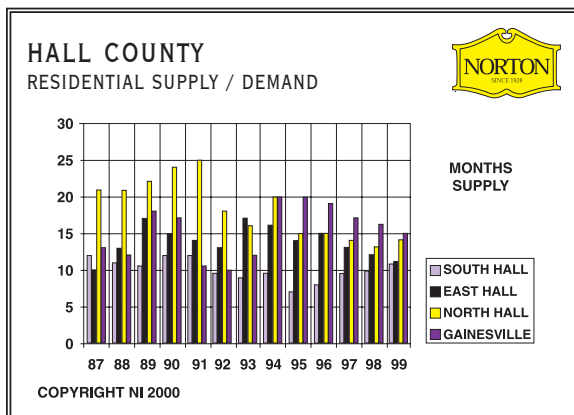
PRODUCT TYPES

RESIDENTIAL

The booming North Georgia residential market is reaching into all parts of the region's economic fabric. Housing construction has become a major industry, producing over \$500,000,000 annually of economic activity in the 15 county region of North Georgia; that's stable employment, finished material sales and raw material production.

The home in the next millennium is changing. Higher ceilings, more gadgetry, larger elaborate master bedrooms and smaller second, third and fourth bedrooms. "Smart Houses," those that think, anticipate and respond, have been on Lake Lanier for several years now and are creeping into other off-lake areas and are appearing in lower price points. More folks are requesting, NO . . . demanding ground floor bedrooms in new stylized long ranches. The only problem is that most developed lots are 100 feet or less wide making positioning impossible for these new wider plans.

We see a strong demand for four bedroom homes, then the buyers double up the kids to transform that fourth bedroom into a home office or primary work space. The new homes, and many apartments, have central security systems, double-wired phone systems, fiber optics and in some cases are pre-wired for central computer servers. Additional trends include providing a second ground floor bedroom as a "flex-bed" suite office-guest room-library-media room; second kitchens in basements, plumbed and wired for a future in-law suite; boat storage rooms with drive around access in lower floors; and three car garages. Over the last two years, synthetic stucco has all but disappeared with brick (we have many requests for 4 sided brick) stone and the miracle material "hardiplank," dominating the exteriors. New homeowners want as little maintenance as possible and are demanding smaller lots, less grass and more natural landscaping.



The newer developments are becoming pedestrian friendly, with older developments even considering sidewalk additions to keep up. Watch for more planned communities, 300-500 home developments will sprout up almost everywhere . . . South Hall, Jackson, Dawson, North Forsyth and Lumpkin Counties. These will become the **new townships** of the next decade with property owners associations as the town councils, social outlets and internal political clout.

ACREAGE

Office, Industrial, Apartment, Retail, Residential (raw dirt), Investments . . . when it gets right down to it there is 100 times more opportunity in land than there is in the other products combined. Great fortunes have been made in land speculation, but greater wealth has been made in simply owning land in the right place at the right time. North Georgia's greatest potential for growth is its rolling land, crisp clear vistas and buildable topography.

But prices are escalating beyond reality or the buyer's pockets. McDonald's can't and won't go everywhere and Gwinnett prices don't translate well in

PRODUCT TYPES

Habersham County. We see the basic law of supply and demand evident in land appreciation and investment. That old adage Location, Location, Location holds true. Land by water or streams will command higher prices, views and vistas translate into dollars, but investors must sharpen their pencils on the land in between. The ugly fact in land speculation is that some properties are simply “holding the world together” and will never reach the value of their asking price. We also caution against second or third time purchases of property . . . that’s investors flipping, then the new investors flipping, then the latest investor flipping again or just holding the bag. We heard recently a great quote, “That land was bought when the dice were rolling and the liquor was flowing.” Time heals most investment wounds, but in some properties that could take generations.

The clearest opportunities might lie in purchases from land owners possessing the property 10 to 15 years or more. Our best advice: watch, listen and ask questions about the directions of growth and then make your play.

our region’s prosperity has been inexplicitly intertwined with industrial production. As the nation’s economic engine turns electronic, i.e., Internet, ecommerce and service sector, the big question on manufacturers’ minds is ultimately on the long-term future of the industrial producer in this county. Shrinking available labor pools, “just-in-time” distribution systems and rapidly rising raw material expense all affect productivity. While the jury is not out, it is certain that the surviving fraternity of 1999 industries will remain steady, if not on the upswing in our region.

In fact, as part of the outlying greater Atlanta region, we have seen outstanding industrial expansion. Twenty years ago metro Atlanta boasted just over 100 million square feet of industrial space. At the start of the year 2000, that number has escalated to close to 350 million square feet. For comparison purposes that is more industrial space than Nashville, Charlotte, Birmingham combined. Atlanta is a distribution center without borders, no river, mountain or ocean to impair its concentric growth. Accessible to Atlantic state markets via I-85, Mid State markets via I-75, southern markets via I-20, its regional hub is solidly in place.

The North Georgia region has historically been a self-sufficient regional manufacturer and supplier. As Atlanta’s northern march quickened in the 1990’s, we saw a major industrial presence emerge along I-85 in Jackson County, major auto parts manufacturing locate in Hall, jumbo distribution boxes move to Hall and high-tech industries dribble into Forsyth and along GA400. While no one expects industrial expansion over the next 20 years to match the preceding 20, we do expect our region’s industrial activity to accelerate as Atlanta advances.

The labor issue or the lack of labor is now pervasive in every region of the state. The industries expected to survive over the next decade in our area will be labor,

ACREAGE COMPARISON 1999

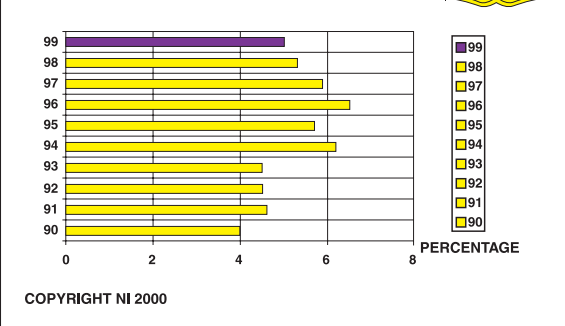
	<u>Selling Price</u> <u>50 Acres Undeveloped</u>
East Hall	\$ 4,000 - 6,000
North Hall	\$ 8,000 - 12,000
South Hall	\$ 6,000 - 15,000
North Jackson	\$ 6,000 - 7,500
South Jackson	\$ 4,500 - 6,500
Banks	\$ 3,700 - 4,000
White	\$ 4,000 - 6,000
White (view/water)	\$ 5,000 - 10,000
Habersham	\$ 5,000 - 6,000
Habersham (view/water)	\$ 20,000 - 50,000
South Forsyth	\$ 25,000 - 30,000
North Forsyth	\$ 15,000 - 20,000
East Dawson	\$ 10,000 - 14,000
West Dawson	\$ 5,000 - 6,000
Lumpkin	\$ 5,000 - 9,000
North Gwinnett	\$ 25,000 - 35,000
Lake Lanier (Raw w/boat dock)	\$ 35,000 - 125,000

Source: Native Intelligence Copyright 2000

INDUSTRIAL

For the last 100 years, Northeast Georgia has reaped the benefits of industrial production. From the cotton driven textile mills, to the agribusiness for poultry production, to the computerized auto parts manufacturers

INDUSTRIAL NORTH GEORGIA VACANCY



extensive and computer mechanical intensive. No where is it more evident than the poultry processing firms. Hundreds of millions of dollars are being spent by North Georgia poultry firms to save man hours and reduce their dependance on available labor pools. Poultry processing, egg production, and poultry reprocessing are committed to modernization, computerization and expansion.

The future for industrial expansion is indeed bright, rental rates are climbing, industrial products are in short supply and the local niche developers can still build, lease, sell, invest like the national players. Watch for continued industrial growth along I-85, increases in community tax incentives to attract firms and **the Atlanta perception that we're too "far out" to evaporate.**

AFFORDABLE HOUSING

The \$85,000 house is history! Sad, but builders can no longer build at that lower price range. This will lead to more pressure on manufactured or modular housing and rapid stick built price increases. Manufacturing or modular housing, that's the accepted term that could become the affordable housing solution, provided government controls on occupancy, design, site placement and taxation are addressed. Mobile homes without the homestead exemption, tongue/wheels removed and absence of a germinate structure foundation do not appreciate. The basic difference between an

\$85,000 stick built home and the \$78,000 mobile home, besides the \$7,000, is space, in most cases 25-40% more square footage. One interesting sidebar to the modular housing is that by-in-large Hispanic buyers refuse to purchase them and are willing to pay premiums for stick built even higher for brick homes.

Watch for more component construction where 4-7 home pieces are wheeled in and assembled onsite over 2-3 days. This building method is popular in other areas of the country and could gain favor here quickly as home prices soar. Investors, developers and government leaders need to recognize that a home built in Hall County costs no more to build than in Gwinnett County. We hire the same labor pool and our lumber or materials come from the same plants, the only difference between the markets is the cost of development . . . land prices, development infrastructure, lot density and government fees.

COMMUNITIES

THE REGIONAL MARKET

Low interest rates and improved confidence in the economic future have pushed home ownership rates to all time highs. The U.S. Census reports that 66.4% of the U.S. households owned their home. This rate is up sharply from the 64% rate measured in 1994 and surpassing the prior 65.8% peak registered in the early 1980's. Despite the perception of high prices, single family homes are exceptionally affordable, when compared to real income. The Census Bureau also projects an overall annual increase in the number of households averaging 1.1% or about 1.15 million units annually through the year 2010.

THE MOUNTAINS

The hills are alive with the sound of hammers, saws and moving vans as Northeast Georgia has been "discovered." "There's gold in them there hills" is no longer the rallying cry for prospectors, but rather from homeowners, land investors and developers. The area has become a Mecca for those who want to get away from it all, either 24-7 or just for the occasional weekend.

North Georgia is "happening" as a region. Activity is increasing but the overall purchasing demand is

HOUSING INDEX JANUARY 2000

	<u>3 Bedroom</u>	<u>4 Bedroom</u>
Buford/Sugar Hill	128,505	172,221
Lawrenceville	121,467	175,657
Lake Lanier (Hall)	240,531	370,875
(Forsyth)	334,249	468,650
Forsyth South	142,830	229,370
Forsyth Off-Lake	144,188	242,904
Forsyth North	142,830	177,354
South Hall	113,682	182,514
Gainesville	129,084	195,609
North Hall	135,348	208,447
Dawson North	110,390	392,000
Dawson South	127,340	237,337
White	122,763	137,819
Lumpkin	139,314	163,867
Clarksville/ North Habersham	109,938	159,868
Banks	85,500	125,000
Cornelia/ East Habersham	109,938	159,868

inconsistent and sporadic. Because of the pioneering nature of the area and the demographic profile of the buyer group (empty nesters/retirement) buyers tend to be slow and deliberate in their decision making process, sometime traveling into the area for a property search 10 to 15 times. While we see some speculation increase, the strongest requests are for 2 to 3 acres with water. Prices are soaring as much as 10 to 15% per annum and out of the reach for most locals, land use is becoming an increased concern as the new populous has to adjust to limited or no zoning, reduced government services, fire, police, utilities and counties struggling to keep in advance of the growth. Counties such as Habersham and Banks, where land use restrictions are now in place, will fair better in the long run. With sophisticated newcomers moving into the communities, it will prove an interesting challenge and one to watch.

BANKS COUNTY

This county is doing ok . . . just ok. We remain concerned for Banks Crossing retail, still going like gang busters, but looming ahead is the new 1.5 million square foot Mall of Sugar Loaf. If and when it opens up, Banks County better put on its crash helmet and pull up its boots straps, because it could lose a substantial segment of the outlet market. Big questions include:

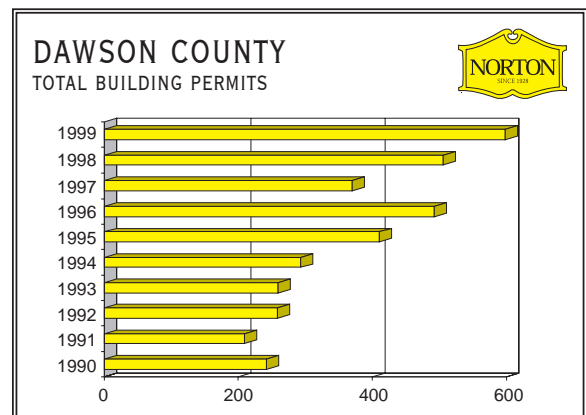
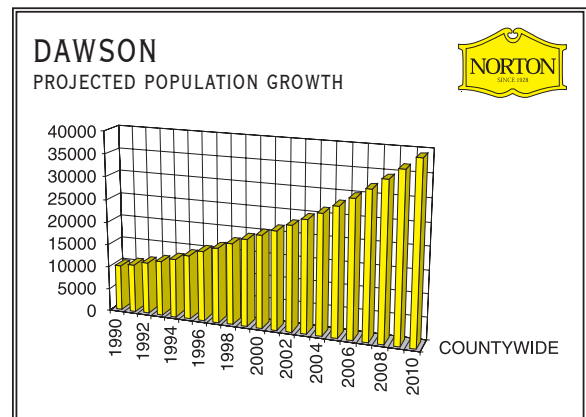
- Will National Chains open up a 2nd store 30 miles away or close the store in Banks Crossing?
- Is the market big enough for two large I-85 outlet concentrations?
- Can the Merchants Association out mechanize, promote a national power house?

Residentially, Banks has exploded with mobile homes, and stick built housing everywhere. New land use regulations are certain to slow that down . . . good. What Banks County has received the most of is the package deal where a mobile home dealer packages a new home on a developed lot or parcel and financed both. We see signs of interest however, from stick built developments enticed by the reasonable land costs and new elementary school. Scales Creek has not lived up to its expectations as a mega residential community. With only 98 lots and home prices starting at \$250,000, it may have priced itself above the market and the differential required by a Gwinnett employee willing to make a longer commute for more house for less money.

Commercial development may also increase as a PUD has now been planned for Martins Bridge Road. This concept covers 1000's of acres and has been targeted as a model for county expansion.

DAWSON COUNTY

"Little Dawson County" is growing, growing and growing. Norton's Native Intelligence™ Research indicates that the population in Dawson County, January 1, 2000, is now over 20,000 people, up from 9,600 in 1990. No other county we know of in the country can boast a clear **DOUBLING** of population. Just like Forsyth, the demographic make up has radically shifted and will most likely shift continuously over the next two decades. Our long range projections indicate a doubling of population again by 2010, slowing a little towards 2020 with a population of slightly over 60,000. Long-term, Dawson County will not hold as much population as others due to its smaller geographic size, Lake Lanier surface water holdings and the tremendous government land holdings. The privately held land in Dawson is simply not as great as in other counties within our survey area.



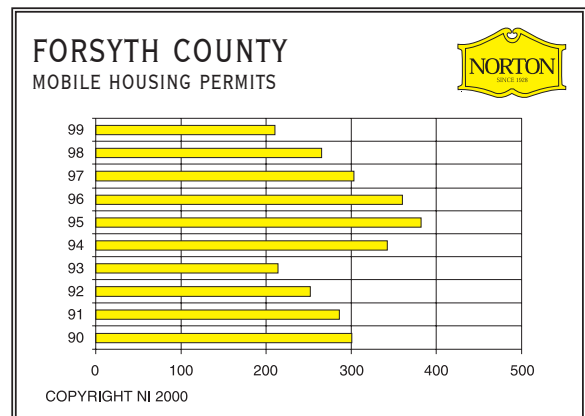
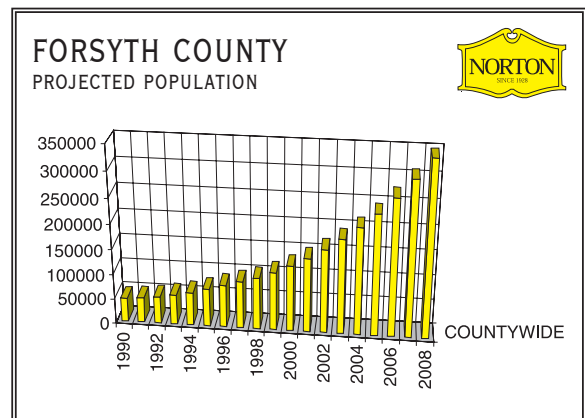
Dawson is, however, hot, with rezoning and strategic land purchases taking place weekly. Like Forsyth, Hall, and Jackson, the pace of growth is making the county leadership dizzy and bewildered. Norton's golden advice is "espouse quality" and you can never go wrong. Quiet rumblings of zoning moratoriums should be carefully tempered and the county leaders should learn from Forsyth and other counties. Dawson is not in either the same geographic region or the accelerated growth position as Forsyth and could be hurt much worse and for a longer period of time if a moratorium were enacted. Land prices continue to accelerate. Sales at the North Georgia Outlet Mall set all-time records in 1999 and they have no room to grow. Watch for creative solutions to emerge for expanding the high-end retail Mecca that has evolved in Dawson County.

FORSYTH COUNTY

Slowdown. Forsyth's growth was tempered in 1999 as the zoning moratorium took full force. Designed to take the steam out of residential, it did that and then some, affecting the county's ability to attract new business and industry . . . spell that E.M.P.L.O.Y.M.E.N.T. We know of several significant businesses that by-passed Forsyth for North Fulton (Windward), Gwinnett County (Sugar Loaf) or Dawson County. In fact, the Forsyth moratorium may have accelerated high end residential development in neighboring Dawson. The John's Creek/141 area suffered perhaps the most, and in the final analysis the moratorium did not affect housing growth much at all. Developers started the moratorium with huge lot inventories building new houses on those pre-zoned properties. Existing lot inventories could still last two more years. Those affected were the landowners whose plans to cash in their land 401K's (farms) had to be put on hold.

The late year end lifting of the moratorium commercial property was too late. The signal to corporate Atlanta of "we don't want you" or "we can't handle you, go elsewhere" had already been sent. Historical trends indicate a market will take two to four years to recover momentum after a moratorium is lifted. Some Midwestern areas actually never recovered their growth. We do not believe the moratorium will have a long lasting negative affect. But it will set Forsyth's direction back . . . the real loser is the tax base, land prices stagnate and business employment suffers.

Forsyth, however, is still in the direct line of fire from the prolific Atlanta business and high-end residential growth. The southern end is littered with quality master planned mega communities, and where land is available and affordable, more will follow. The southern Forsyth residents are connected more to north Fulton than to downtown Cumming and are forming a political base unto themselves. The leadership in this county will be found more and more within the property owners associations of these emerging new generation cities. Who, 10 years ago, would have predicted Forsyth as a stratospheric republican, conservative, multi-cultural community with college educational achievements, the norm? Who would have thought?



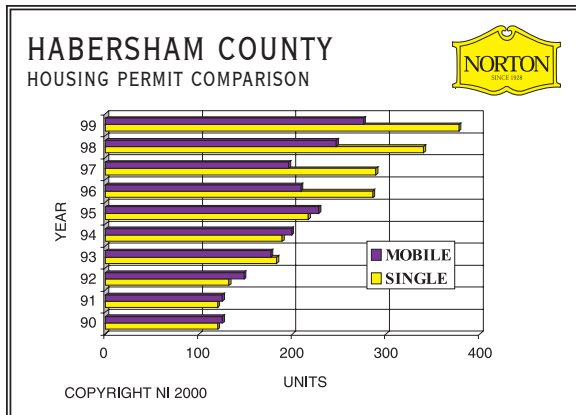
FRANKLIN COUNTY

his north northeastern county is receiving attention from farmers, land investors and others as the next poultry growing center. Natural resources abound, land prices are super affordable. We will watch the county closely to see if the market increases in other directions as well over the next several years.

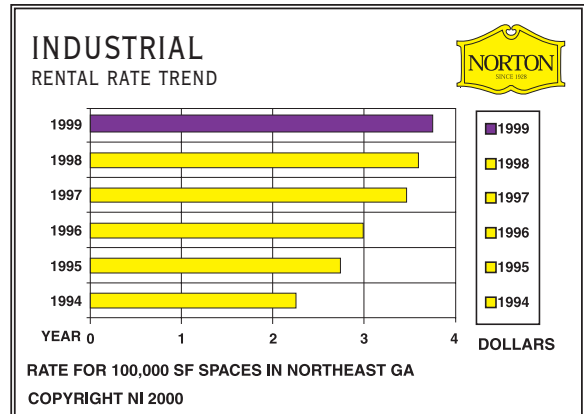
HABERSHAM

The county moves into the next century vibrant and alive. Midway, (midway between Cornelia and Clarkesville) Highway 441 and Highway 365 seem to be “where it’s at.” Carol Lovers’ new business park, Norton Mountain Real Estate’s new office park and a half dozen other projects will continue to bring attention to business and economic vitality to the area. Midway has also become the apex for the shopping needs of 4-5 northern counties attracted to the close proximity to super WalMart, K-Mart and others.

Residential is also vibrant with the Orchard, leading the way. We predict additional residential growth in pockets around the existing home communities. We will call them “feeder” developments benefiting from their predecessors’ success. Acreage sales also seem to be brisk, with an influx of sellers motivated from the increase in reassessments and no corresponding tax decrease. Certain river property more than doubled in this effort, meaning the real gold is in the cool streams, rivers and views of the property, not in the earth beneath it.



employment zones. Yes, Hall County has traffic, but the severity of the problem depends on one’s perspective. 35,000 cars per day on Green Street is a cake walk when compared to 750,000 cars per day on I-285, the perimeter. People in smaller communities are not as tolerable to the woes of urban existence. The growth trend will continue for the foreseeable future as the buying population is “getting out of the way” of the Atlanta development frenzy by moving north.



FHA LOAN LIMITS	
Banks	\$115,200
Barrow	\$166,250
Dawson	\$115,200
Forsyth	\$166,250
Gwinnett	\$166,250
Habersham	\$115,200
Hall	\$115,200
Jackson	\$115,200
Lumpkin	\$115,200
Rabun	\$115,200
Stephens	\$115,200
Towns	\$115,200
Union	\$115,200
White	\$115,200

HALL COUNTY

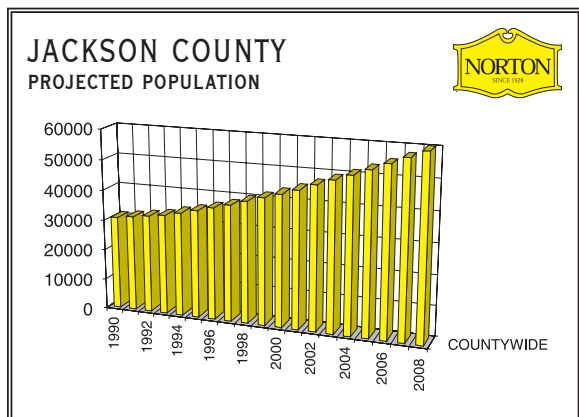
The market is booming, as the new immigrants are finding that Hall County is not as far away as it was two years ago. The county is part of Metro Atlanta, like it or not, with many long time residents too stubborn to admit it. Hall County is in the direct line of fire for population growth squeezed in the middle between the industrial distribution corridor along I-85 and the high-tech office service valley we call Georgia 400.

Hall County offers opportunity . . . terrific schools, affordable housing (that’s under \$175,000) and a superior recreational lifestyle. What’s more important is the strategic positioning, accessibility to the major

JACKSON COUNTY

In the direct line of fire from the explosive growth of Gwinnett, the county struggles to find its identity. The 1990’s has been a decade of preparation . . . new schools, new roads, new sewer and water. Now it’s 2000 and the real fun will begin. The year end residential moratorium is just the first crack in growth armor as County leadership starts to self analyze its position, traditional values and ideas for progress. We advocate quality planning and the PUDs some are so fearful of as the **best** solutions for insuring that quality. But old timers are fearful of the newcomers and a loss of control or political power.

Jackson County's rolling terrain, quality support services, affordable land, easy access to Atlanta and employment zones are its greatest assets! The current struggles are only blips in the overall growth trend radar. We see the Jackson County of 2020 to be a thriving, live, work, play environment. At least 10 golf course centered developments providing housing for a major industrial business base will emerge in that time frame. Thoughtful planning and aggressive community stewardship will guide it through the rough times.



We see it developing similar to Alpharetta or Crabapple . . . a well-defined mixture of business, tourism, gentlemen farms and residential communities. The Birch River Development will be a slow but successful Trojan horse, opening up the community to well heeled business leaders, new politically active faces and new visions for the community. The transformation will not be without pain or struggle . . . fights on direction, goals, zoning and infrastructure are inevitable but the county will benefit, survive and thrive. We believe Lumpkin County is a good sound place to invest one's money and to reap gold from the hills.

WHITE COUNTY

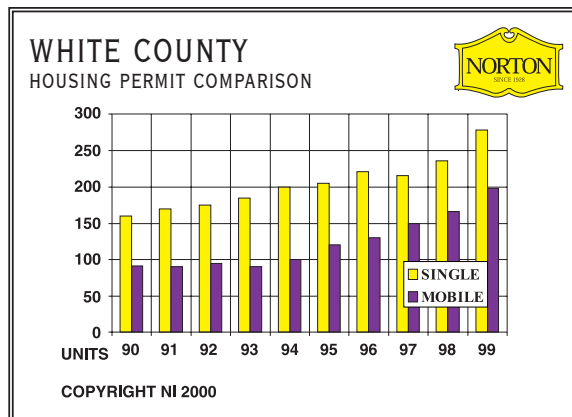
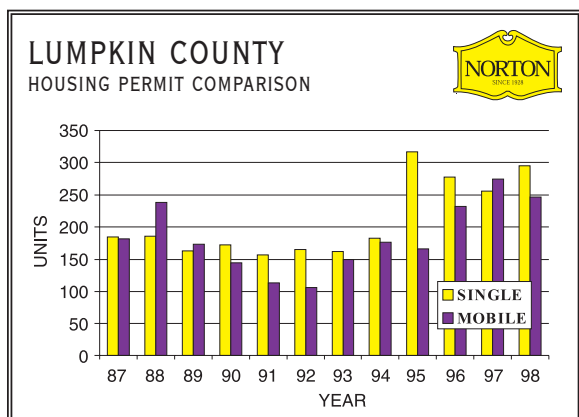
This county is also seeing tremendous growth, some good, some bad. We have called it Mobile Home Mecca for several years, not a flattering term, but reality hurts! Now as an alarming number of new home permits are modular in nature, this disproportionate growth could hurt this county in the long run. Zoning in White County was defeated, which should allow the existing land use trend to continue for at least two years . . . not a pretty prognosis as White has become the affordable choice and the glimmer in many value-priced developer's eyes. The paradox to this population segment growth is the positive moves made by the Skitts Mountain and Thunder Ridge developments. These and several others are aiming for the communities and the retirement markets.

LUMPKIN COUNTY

For several years now, we have been calling Lumpkin County the "Land of Opportunity." This year's forecast is no different. We continue to see major opportunities for residential, industrial and retail in most parts of the county. Lumpkin County is on the precipice of a major surge in population and land appreciation. They are literally and figuratively at the end of the line . . . a.k.a. GA 400, North Atlanta's major business pipeline.

We see the emergence of a big development gap, \$100,000 to \$120,000 in value range. Some of the lower price range \$80,000 to \$100,000 are as small as 900 square feet and simply over priced cabins. These will sell, but to a local market.

Traffic is described as "horrible" but, of course, the same words can be used in all 15 counties we track. Traffic is in the eye of the beholder . . . it's the



bottlenecks in any county that is the killer. Configurations around the courthouse, not the traffic counts, are the problem. The new Cleveland by-pass is underway, which will change patterns short-term. Long-term, White County would receive the biggest benefit from the proposed Appalachian Corridor. While it is opposed by many surrounding counties, it would have profound economic benefit to White as new retail markets and employment zones open up for those living in White County. Finally, we believe Helen has turned the corner and is no longer in a tailspin and the re-merchandising and new marketing is becoming effective.

- In the year 2020, Atlanta will have stretched out on both sides of Lanier and will be the only major city in America with a 48,000 acre playground in its heart.

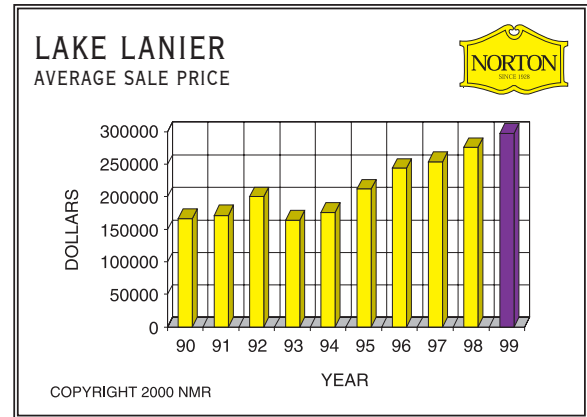
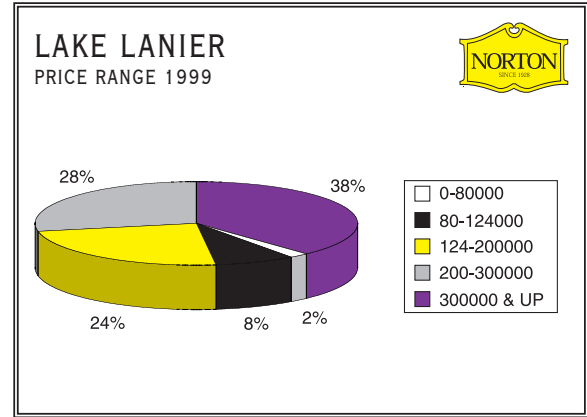
LAKE LANIER

For fourteen years, we have been analyzing and writing about Lake Lanier, its prices and growth. For forty-four years, we have been involved in shoreline property sales and for twenty-two years, we have sold more real estate on the lake than any other firm. Even with that background, we are surprised by our trend analysis and conclusions. When analyzing the shrinking inventories, rapid price increases, diminishing available land and the march of Atlanta in our direction, we have determined the following:

“LAKE PRICES TODAY ARE AT ROCK BOTTOM.”

In other words, if you have been kicking yourself because you did not buy lake property 10 years ago, it is not too late. Overall the prices are the lowest they will ever be. ROCK BOTTOM. The basic facts are these:

- Lake home inventory is at the lowest level of our 20 year tracking;
- Home prices have shot up 12-20% annually for the last two years and expected to go up the same in 2000 and 2001;
- The Corps seems to have a better control of evaluations and increased measures to protect the shoreline and water quality;
- There are less than 40 remaining undeveloped shoreline tracts of 50 acres or more that can have dockable areas;



Lake Lanier does offer opportunity for surrounding governments to substantially increase their tax basis by promoting the “millionaire row” along the shore and capitalize on the few remaining undeveloped tracts. The best speculative buy perhaps are lots with a structure on it, be it 2,000 to 4,000 square feet, that can be torn down and wiped clean. Well, call those Buckhead renovations or mansions to be. Another highly overlooked area, and one with strong merit, is cluster or condo units on the lake. The limited products in Forsyth and Hall have done exceptionally well and demand is exceptional.



INSURANCE - REAL ESTATE

BRANCH ⊕ OFFICES AND ⊕ OPERATIONS

MAIN OFFICE

434 Green Street
Gainesville, GA 30501
(770) 532-0022

Corporate

Frank K. Norton, Chairman
Frank K. Norton, Jr., President
Thomas A. Howard, Operations Manager
Marci P. Hipp, V.P., Business Development

Insurance Division, Main Office

(770) 534-5248
Strother F. Randolph
Chairman, Insurance Services
Robert V. Norton
President, Insurance Services
Doug Parks
Personal Lines, Manager

Gainesville Residential Real Estate Office

(770) 536-1250
Judy Presley, Vice President

Commercial/Acreage North Georgia

(770) 532-0022
Floyd H. Baldwin
V.P. Commercial Acreage

Property Management — North Georgia

(770) 718-5263
Betty Howard
V.P. Asset Management

Development Services — North Georgia

(770) 718-5240
Chris Braswell
V.P. Development

Information Services

Accounting & Personnel

(770) 718-5270
Bill Short, Chief Financial Officer

Relocation Department

(770) 718-5200
Betty V. Norton
Senior V.P., Corporate Services
Nancy K. Norton
Relocation Coordinator

SOUTH HALL OFFICE

4004 Mundy Mill Road
Oakwood, GA 30566
(770) 532-6366

Real Estate Division

Judy Presley, Vice President

NORTH ATLANTA OFFICE

4510 Nelson Brogdon Blvd.
Buford, GA 30518

Real Estate Division

(770) 945-1076
Jimmy Greeson, Vice President

Insurance

(770) 932-0080
Kathy Lancaster, Vice President

BLUERIDGE MORTGAGE SERVICES

4510 Nelson Brogdon Blvd.
Buford, GA 30518
(770) 614-2607
Eddie Kirby, Vice President

GEORGIA 400 OFFICE

332 Dahlonga Street
Cumming, GA 30130
Real Estate Division
(770) 887-0053
Elaine Thomas, Vice President
Insurance Service Center
(770) 887-6153

WHITE COUNTY OFFICE

Norton-Dixon Agency Insurance

10 East Kytle Street
Cleveland, GA 30528
(706) 869-2189
Sam Dixon, Partner

Real Estate Division

(706) 865-5400
Diane Brown, Partner

NORTON MOUNTAIN PROPERTIES

On-The-Square
P.O. Box 979
Clarksville, GA 30523

Real Estate Division

(706) 754-5700
Diane Brown, Partner

Insurance Service Center

(706) 754-6330
Kern Parks, Vice President

SEMINAR WORKSHOPS

The Norton Agency's Native Intelligence Division offers its clients and community organizations customized and pre-prepared seminars and workshops from 30 minutes to two hours in length. These can be arranged by appointment. Call Tommy Howard, Operations Manager at 770-718-5204 for additional information or scheduling.

website nortonnorthga.com



**434 GREEN STREET
GAINESVILLE, GA 30501
770-532-0022**

WWW.NORTONNORTHGA.COM