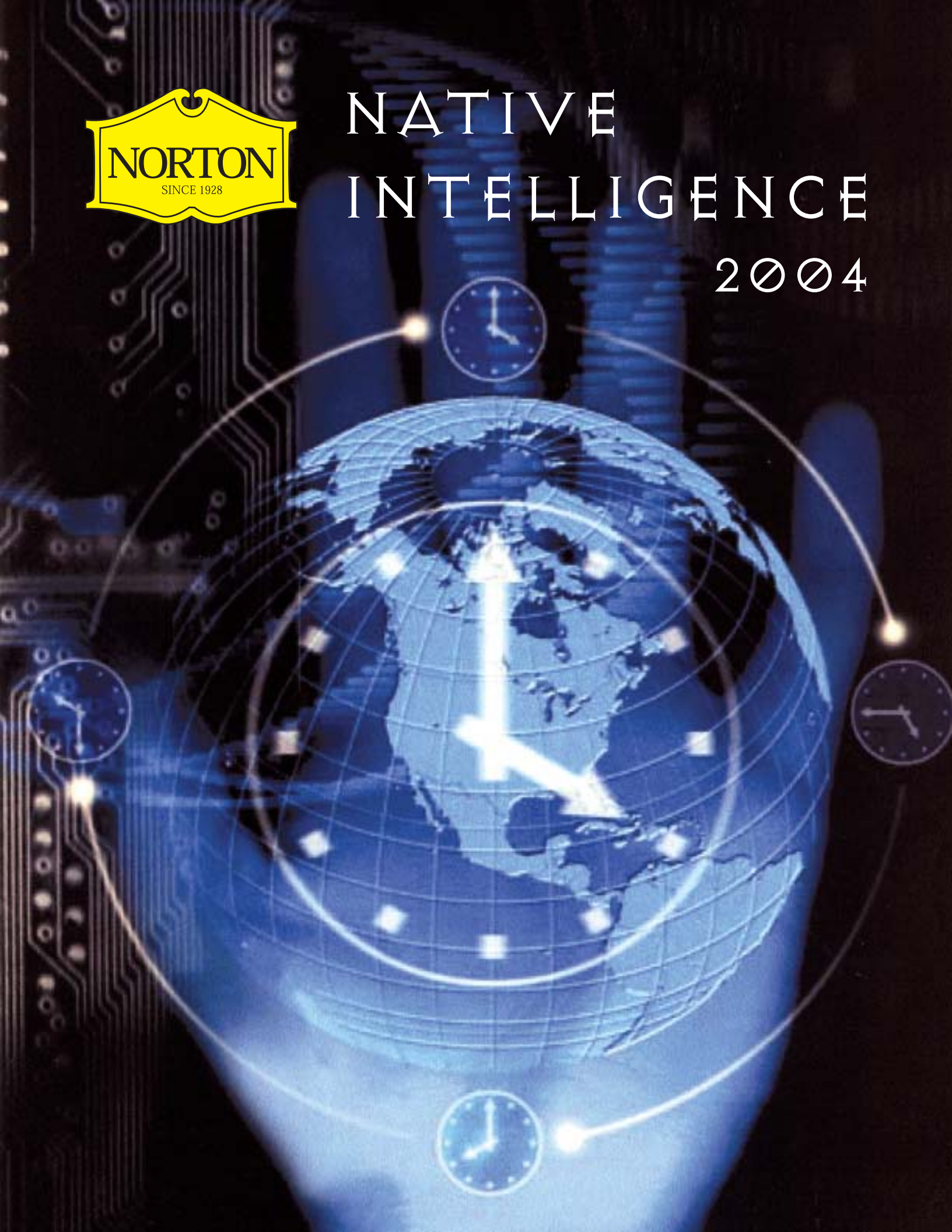




NATIVE INTELLIGENCE

2004



Paying It Forward



Frank K. Norton, Jr.



Robert V. Norton

In 2000, a small Warner Brother's film was released, called "*Pay it Forward*," where a ten-year old boy starts a chain reaction of "random acts of kindness" by investing in the future of the human race.

- If someone did you a favor – something big – something you could not do on your own – and instead of paying it back, you paid it forward by doing a favor for 3 people...
- And the next day they paid it forward to 3 more....
- And the day after they paid it forward, those 27 people paid it to 3 others and the day after those paid it to 3 others...
- In two weeks that comes to 4,782,969 people.
- What a difference that investment could make.

Like a snowball going downhill, gaining speed, size and momentum, "Paying it Forward," this year's Native Intelligence theme, revolves in dynamic trends affecting the future of all of North Georgia.

Government investments in infrastructure, water, sewer, roads, schools and individual investments in

raw land, income properties, and first, second, and, yes, third homes are a form of "Paying it Forward." It's investing in our future, in our children's future.

Powerful, profound thinking in a "me now" world

"*Paying it Forward*" conversely represents the struggles and fistfights going on in planning meetings, zoning proposals and countless government councils all across North Georgia. The future is hard to predict and even harder to **CONTROL**, but the wisdom of rational, thoughtful debate is healthy. The outcome is a clearer vision of direction and purpose.

We must understand our past community roots – where we came from, how we got where we are today and use that foundation to move us forward. As in our own firm, now 76 years **young**, we must honor our past and reach for the future. Challenge the men and women to "Pay it Forward" and make our individual firms stronger while making North Georgia a better place. As obvious as it might seem, now more than ever, use your *Native Intelligence* and "*Pay it Forward*."



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



Robert V. Norton
President, Norton Insurance

GEM MINING FOR TRENDS

rognostication: The fine art of going out on a limb to predict what might happen, how soon, and in what quantity...without falling on your face.

Norton Native Intelligence has once again read tea leaves, peered into murky crystal balls to see the signs, interpreted the trends and predicted carefully and conservatively North Georgia's future. For 18 years (it's hard to believe it's been that long) we've been right on target, dead wrong and most of the time somewhere in the middle, but that's our risk. The reward for our clients and the communities we serve is **clarity**; Clarity in the region's economic footings, clarity in directions of growth, uncertainties of politics, infrastructure and financial strength, but clarity **of opportunity**.

Since 1986, The Norton Agency has tracked demographic, economic and business trends for a 20-county region we call North Georgia. Our *Native Intelligence* Division is responsible for countless development projects which are used to measure government success and failure, county planning issues and forward thinking. Our sister firm, *Strategic Insite*, uses our database to help governments clarify their vision and influence their direction of growth. *Native Intelligence* is used by school districts to pinpoint new sites, banks to define and locate branches and industries to evaluate business conditions and developers to identify housing opportunities. While we provide this report without cost and its information is readily published and incorporated in our clients' business plans, *Native Intelligence 2004* is simply a synthesis of a much larger piece of work. We now track over 600 different charts, indexes and databases, read 19 different hardcopy papers a week and review countless internet reports and sources.

Woven in the fabric of this report we hope are the elements our clients can employ in their own business or circle of influence. We believe Norton *Native Intelligence* can tell you what will likely happen in the future and why. In a capitalistic world, in the ground zero region for dynamic expansion, Norton *Native Intelligence* takes great pride in uncovering the unpolished, but polishable, gems of opportunity.

TOP 10 TRENDS 2004

To better organize and communicate the complexities of the North Georgia economic and demographic model, we once again have defined 10 Trends for 2004 which we believe largely transcend geopolitical boundaries and affect multiple segments of the region's marketplace. As you review and understand our Top 10 Trends, some will be readily obvious, others only now emerging and still others are directed initiatives that, if embraced, could profoundly change our community. You, as a civic, government or business leader, can choose to embrace and capitalize on them or ignore blindly the opportunities and feel the consequences. As with 18 previous reports, we go out on a limb at times, praise, criticize and condone, but we keep our vision firmly planted in the future. A founding precept for our firm is "tell the clients what he/she needs to hear, not what he/she wants to hear." We pledge to always uphold that motto. *Pay it Forward.*

This year's Top Ten Trends include:

1. "SHOW ME THE MONEY"

A big squeeze for government revenue, alternative funding and shortage of resources.

2. "THE CITY OF GWINNETT"

The reality and impact of Gwinnett and its megalopic effect on the counties ringing the epicenter of Gwinnett as an urban core.

3. "WEALTH DIVERSIFICATION"

Uncertainty of the stock and bond markets has driven the common investors toward raw land, income producing properties and second home alternative investments.

4. "MOUNTAIN CAPITALISM"

The hills are anew with construction, consumer and recreational opportunities.

5. "HISPANIC RETAIL INFLUENCE"

The underground economy has surfaced and is affecting consumer shopping patterns in multiple markets.

6. "WAGONS HO"

The outer perimeter is dead...Long live the cross county to county transportation arteries.

7. “PINPOINT OPPORTUNITY PLANNING”

Maximizing the remaining opportunities for all communities.

8. “RESIDENTIAL METAMORPHOSIS”

Development grows up, out and across product lines.

9. “THE INVISIBLE INDUSTRY”

The impact of North Georgia’s largest growth industry...MEDICAL.

10. “CHALLENGE OF LEADERSHIP”

The need for next generation bold leadership.

**2001 MILLAGE RATES BY COUNTY
NUMERICALLY LISTED**

<u>COUNTY</u>	<u>RATE</u>
Towns	11.00
Union	13.60
Rabun	15.96
Gilmer	18.56
Fannin	19.22
Dawson	19.31
Banks	19.34
Hart	20.81
Pickens	21.30
Habersham	21.43
Forsyth	21.54
White	21.78
Hall	24.51
Stephens	24.90
Jackson	25.00
Franklin	26.58
Cherokee	27.85
Walton	28.03
Barrow	28.11
Lumpkin	28.75

SHOW ME THE MONEY

It’s “reality show” time in North Georgia. Combine the characteristics of *Survivor*, *Big Brother* and *Joe Schmo* and you get the plot development shaping up in government throughout North Georgia. While we have indeed a fortunate economy: a housing boom, limited layoffs, diversified industrial base and a vibrant Atlanta marketplace, shrinking consumer expenditures and increased cost of government services are putting the big squeeze on **REVENUE**. The result has left government leadership scrambling for fees and revenue collections while holding millage rates at static levels. On the demand side of this economic model are government services and inefficient delivery systems. The business community has awakened to cost control, consolidation of resources and doing more with less during the last four years. Efficiency, per employee productivity, standards of practice and return on investment have been honed to a science in order for private business to survive, but government has been slow to react (if they react at all). Government has been fat and happy during private industry’s down-sizing, slim-sizing...now, there is a resounding **WAKE UP CALL**.

The state of Georgia seems to be the leader in fiscal responsibility. With Governor Sonny Perdue’s belt tightening mandate to shrink overhead 5% this year and another 5% next year, his “New Georgia” approach may reshape delivery systems and government structure by driving efficiency and putting the **business of Georgia**

into a **business framework**. This effort, however, has profound effect on local government, setting cities and counties on a road of self-sufficiency and independence.

**AVERAGE ANNUAL SALES
per SELECT STORE – 2001-2002**

Costco	\$ 98,855,219
Wal-Mart	51,095,305
Home Depot	43,153,102
BJ’s Wholesale	41,622,290
Kohl’s	21,335,197
Kmart	17,134,660
Circuit City	15,221,910
Kroger	13,877,703
Sears	13,877,703
Winn-Dixie	11,562,162
Delhaize/FoodLion	11,053,412
Best Buy	10,764,625
Office Depot	10,714,775
JCPenney	8,540,093
Walgreen	7,366,642
Sports Authority	7,149,253
Ross Stores	6,937,505
Toys "R" Us	6,921,482
Krispy Kreme	3,952,000
Outback Steakhouse	3,390,000
McDonalds	1,628,000

Source: BizStats.com

ANNUAL VALUE OF A WAL-MART
Based on Average Store Sales Volume

- 4% State Tax – \$ 2,043,812.20
- 1% Local LOST Tax – \$ 510,950.00
- 1% Local SPLOST Tax – \$ 510,950.00
- 1% Local School SPLOST Tax – \$ 510,950.00
- Average Annual Property Tax – \$ 219,000.00
- **TOTAL: – \$3,795,662.20**

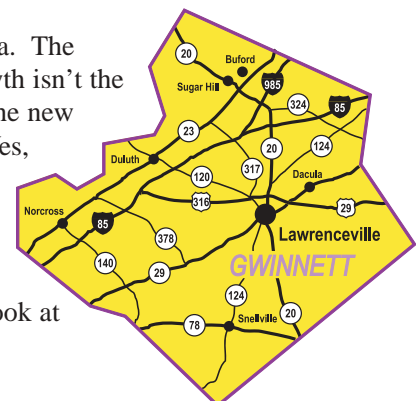
Note: The state pays 55% of local school cost from the state revenue, and inventory taxes on each Wal-Mart have not been calculated.

Pretty impressive, perhaps the highest revenue per acre of developed property in the country with average stores on 15 acres (Wal-Mart only). That's \$1,751,850 annual revenue per acre just to the local economy. Now, just imagine what a Wal-Mart, Home Depot super store combo might provide! Governments must start focusing their laser guidance systems on retail, entertainment and out-of-the-box economic development.

THREE ECONOMIC INDICATORS by COUNTY with RANKINGS and PER CAPITA AMOUNTS				
COUNTY	2000 POPULATION ESTIMATE	MASTER ECONOMIC RANK	2001 County 1% Tax Distribution	
			THOUSAND DOLLARS	RANK
Gwinnett	621,528	2	\$120,645,883	2
Cherokee	152,170	7	21,247,291	11
Hall	145,664	11	22,190,736	10
Forsyth	110,296	10	20,080,145	12
Walton	65,224	31	6,688,354	35
Barrow	48,946	38	5,678,428	40
Jackson	44,010	36	5,805,338	39
Habersham	37,153	43	4,498,948	47
Stephens	25,651	60	3,031,083	60
Pickens	24,776	52	2,917,010	63
Gilmer	24,349	62	2,839,617	65
Hart	23,087	68	2,346,131	77
Lumpkin	21,855	76	2,492,144	74
White	21,182	67	2,542,499	72
Franklin	20,783	83	2,972,206	61
Fannin	20,661	82	2,463,519	76
Dawson	17,176	54	3,563,438	53
Rabun	15,318	69	2,484,676	75
Banks	14,847	90	2,591,221	71
Towns	9,641	106	1,403,281	103

THE CITY OF GWINNETT

Wake up, Georgia. The prime driver for growth isn't the city of Atlanta. It's the new **City of Gwinnett**. Yes, Norton Native Intelligence is anointing Gwinnett as a city much more than a county. Just look at the raw data:



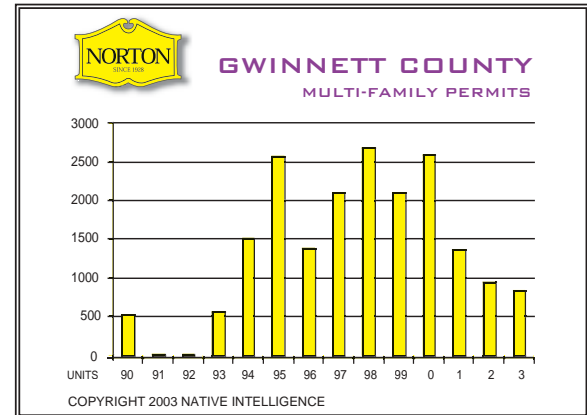
SELECTED TAX STATISTICS and ESTIMATES by COUNTY CALENDAR YEAR 2001				
COUNTY	COUNTY 1% TAX DISTRIBUTION			
	SPLOST	LOST	ELOST	TOTAL
Banks	\$ 2,582,875	\$ 2,591,221	\$ 2,576,606	\$ 7,750,702
Barrow	5,572,224	5,678,428	5,539,694	16,790,345
Dawson	3,549,396	3,563,438	3,526,204	10,639,038
Fannin	2,444,467	2,463,519	1,295,371	6,203,357
Forsyth	19,911,451	20,080,145	19,803,486	59,795,081
Franklin	2,925,315	2,972,206	2,925,729	8,823,251
Gilmer	1,438,479	2,839,617	2,326,015	6,604,112
Gwinnett	119,899,473	N/A	120,645,883	240,545,355
Habersham	4,186,022	4,498,948	4,583,299	13,268,268
Hall	21,921,201	22,190,736	21,895,328	66,007,264
Hart	2,338,571	2,346,131	2,398,278	7,082,979
Jackson	5,699,133	5,805,338	5,709,761	17,241,232
Lumpkin	2,477,333	2,492,144	2,471,830	7,441,307
Pickens	N/A	2,917,010	2,913,528	5,830,538
Rabun	N/A	154,476	163,390	317,867
Stephens	3,016,431	3,031,083	3,004,667	9,052,181
Towns	1,439,201(3)	1,403,281	439,033	3,281,515
Union	2,040,910	2,053,942	2,029,699	6,124,552
Walton	14,870	6,688,354	6,608,064	13,311,288
White	2,491,143	2,542,499	2,490,382	7,524,023

The need for school systems' smaller classes means more teachers and physical plants. Increased unemployment drives up the cost of state and local supported health care and social services. Balancing local budgets is a tough order. Millage rate increases are easy, but politically disastrous, so governments are pushing up fees, approving beer and wine sales, adding parking meters, collecting ancillary revenue, surcharges and impact fees, but local government is bypassing efficiency and focusing only on the revenue side. Both need to be balanced for a leaner, meaner provider. At the same time, economic development must be stepped up.

One of the great economic development stories over the last decade is the location of a new Super Wal-Mart in the Athens/Clarke County area. Like them or not, Wal-Marts are a giant cash cow for county governments. This specific Wal-Mart developer chose a site in Eastern Clarke on Mitchell Bridge. Opposition to the store by a handful of local residents causes the store rezoning to fail in Athens/Clarke County. Citing too much traffic congestion and cars, the proposal was turned down. The end of this story is, however, a classic economic stumped toe. The Wal-Mart developer moved his site a mile away into the open arms of Oconee County. A huge tax windfall fell in their economic development lap, spurring other surrounding Oconee retail developments. Those trucks creating congestion and cars are still down the road in Clarke, headed to Wal-Mart, Oconee, carrying their tax dollars out of the county. Big box retailers, Home Depot and Lowe's are now neighbors. Ouch!

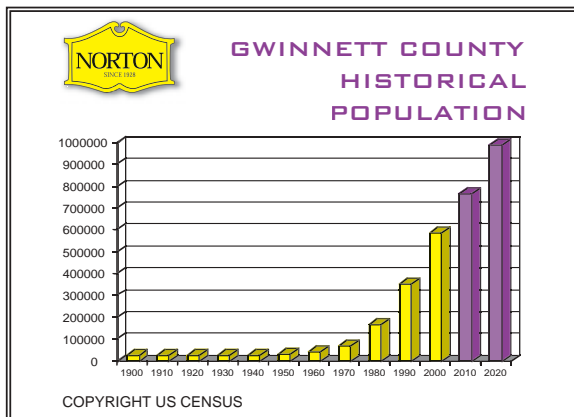
- Between 1960 and 2003 Gwinnett grew 1,571% from 43,000 to 676,000.
- Gwinnett County is now 676,000 people, larger than the city of Atlanta, 416,474; Nashville, 545,529; Birmingham, 242,820.
- In fact, Gwinnett at 676,000 is larger than Wyoming, North Dakota, Vermont and Alaska.
- The economic engine of Gwinnett clearly includes the retail sector. Gwinnett Place 1.3 million sq/ft., Mall of Georgia 2 million sq/ft. and Discovery Mills with a total of 1.3 million sq/ft.
- Gwinnett is home to more than 930 manufacturing companies, about 980 high-tech companies and 400 international companies.
- By mid-2000, 345,500 people work in Gwinnett, a 29% increase from 1999.

such), its urbanism is prevalent in the many civic clusters, townships and communities webbed throughout the 5,000-acre region.



We believe that Gwinnett has earned the right to be a metropolitan area unto its own. While the community has no central core (perhaps Sugarloaf will emerge as

In its miraculous history, sleepy farm land turned first into a progressive bedroom community for a stronger DeKalb and Fulton Counties and then into the electrifying dynamic energy of today's Gwinnett. The county leadership has diversified its manufacturing base, expanded its office service sectors, developed a market basket for surrounding counties while keeping its housing cost moderate, taxes reasonable and infrastructure support systems one step ahead of the growth curve. The implications for North Georgia growth are profound; just look at the ring of border counties around Gwinnett and their growth tracts:

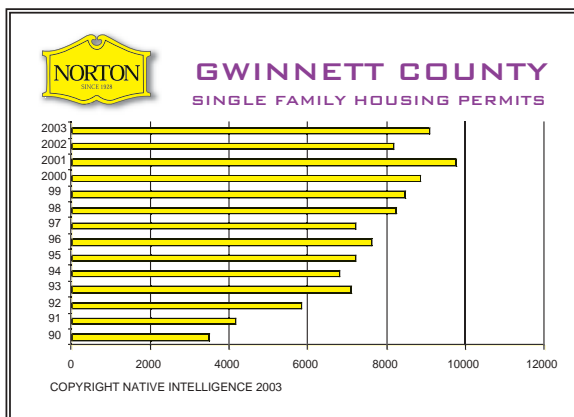


1990-2000		
Gwinnett	(center)	66.74%
Forsyth	(NW)	123.23%
Hall	(N)	45.95%
Jackson	(NE)	38.61%
Barrow	(NE)	55.26%
Walton	(E)	57.28%
Rockdale	(SE)	29.92%

Gwinnett is the epicenter of an economic population explosion which, like a pebble dropped in a pond, ripples further and further outward.

If we peer into the future, push Gwinnett's population past the 1 million person mark (projected 2015-2020), what impacts does it have for that impetrate pond ripple? Some key introspective questions:

- What kind of industry do we want?
- How does any county keep from becoming "Gwinnett's bedroom?"



- How do we plan for the growth and pay for the growth?

But a word to the wise – keep a look over your shoulder, the Gwinnett 1,000-ton gorilla is beating its chest and casting its shadow far and wide.

WEALTH DIVERSIFICATION

Leading indicators nationally point to a major shift of personal wealth toward real estate as a hedge against fluctuating stock and bond markets, volatile 401K values, and static inflation. This trend is never more evident than right here in little old North Georgia. We see three major elements of this wealth diversification:

First are raw land investments, acreage tracts suitable for 3-5 year holds, and other properties purchased with a longer horizon for maturity, many of these parcels will have alternative recreational uses in the interim: vacation retreat, gentleman farm or private hunting or fishing tracts. The return back to the warm soil allows those buyers tangible “real” holdings and the ability to take advantage of better than average inflation returns. The

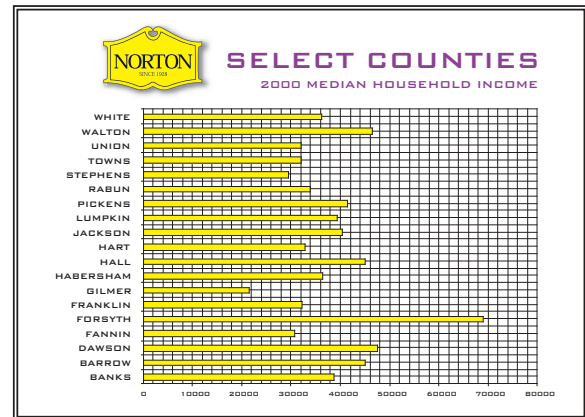
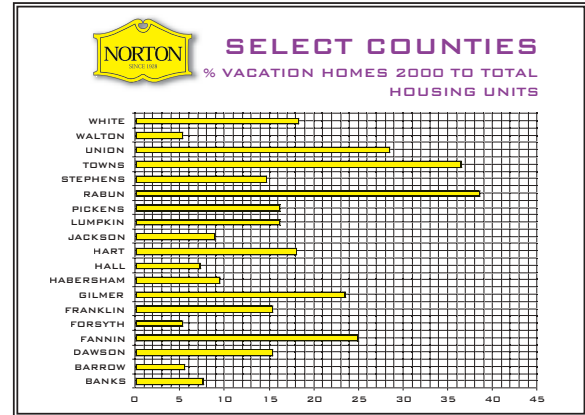
“
Raw land may be as cheap as it will ever be in Pickens, Banks, Jackson and North Hall. Strategic purchases and holds will create tremendous wealth for this generation and the next.”

Brenda Duckett

A.V.P. Acreage Sales
Banks Crossing Office
bduckett@nortonnorthga.com



major population market of Atlanta has recognized the dynamics of northern migration and is buying up raw land in its path.



The second, more difficult, element considered by private investors is purchasing income properties; properties which are leased and acquired for the income stream depreciation and property appreciation. Unfortunately, for every good property valued correctly that comes on the market, the line of purchasers goes around the block. Added to the demand is the sellers of property looking for a quick 1031 exchange property. The flood of funds into these products are overwhelming: a saturated market driving prices up, cap rates to the cellar, thus resulting in purchases transferring well below investment standards.

The third and most profound diversification element is in the area of second home purchases. Cashing in on favorable tax laws, a booming economy, and more affordable financing, aging baby boomers are creating a boomlet in the second home market.

**REAL ESTATE INVESTMENT
SUGGESTED CAP RATES**

	<u>Average</u>	<u>Range</u>
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 2003

Last year, buyers purchased 377,000 single-family second-homes, up 9.3 percent from 1997 and a whopping 27.4 percent since 1995 when there were 296,000 second home sales, according to the National Association of

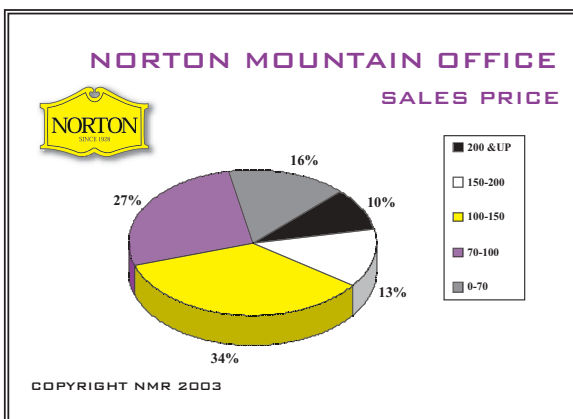
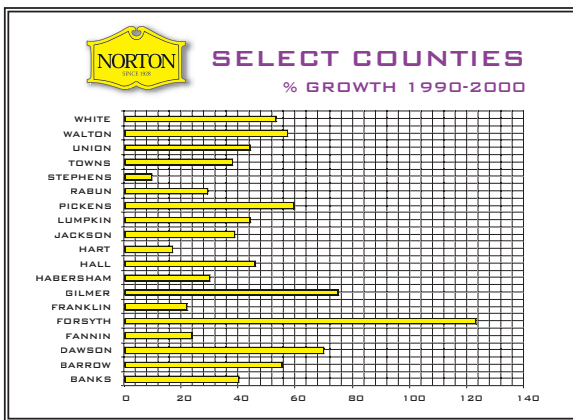
Realtors' biennial Buyer and Seller Survey. Buyers looking to second homes to open the door to the good life are finding it easier than years ago, but a second home purchase comes with the same caveats you'll face buying your first home – and more. NAR credits the Taxpayer Relief Act of 1997, in part, for increases in second home sales.

The tax law permits married taxpayers who file jointly to keep, tax free, up to \$500,000 in profits on the sale of their principal residence provided they've lived there two of the prior five years. The same benefits are attached to your second home, provided you live there two of the five years and and sell only one home during any two-year period.

(1) Significant numbers of Americans are purchasing second homes. So many families can now sell their homes and use the proceeds to buy both a smaller residence and a second vacation home – a strategy particularly attractive to couples whose children have flown the nest. The median price of vacation homes is up 49 percent since 1991. Noting that the median age of second-home buyers last year was 43, the association expects the large number of people in their 40s and 50s entering the second-home market to add some 100,000 to 150,000 units to housing starts each year over the next decade. Seventy-nine percent of second home buyers are married couples, according to the NAR survey.

(2) The market, which the National Association of Realtors says seems to be split about 50-50 between residences bought primarily as getaways and those purchased for investment, now totals about \$50 billion a year, according to some estimates. It encompasses a wide variety of dwellings. Indeed, the typical vacation home isn't an ostentatious \$5 million McMansion with a luscious beachfront view in the Hamptons or a half-million-dollar condo in Vail, but rather a small, far-from-elaborate cottage, cabin or beach house in a humbler setting.

(3) Fifty-one percent of second-home owners said they bought or kept a second home for use as a vacation home, 18 percent were planning for retirement, 16 percent wanted to diversify their investments, and 15 percent sought income from renting the property. Seventy-eight percent of survey respondents own vacation homes vs. investment-only property. For most people, buying a second home is very much a lifestyle choice, but the investment potential has increased given strong price appreciation.



(4) Despite the sodden economy and the limp stock market, the long-term trend for second-home demand still looks vibrant. Tea-leaf readers expect it to get a big boost from the Baby Boomers. Age demographics indicates that what happened to residential markets in the 1970s and 1980s when the Baby Boomer group was starting to have babies will happen again with second homes.

Norton is so bullish on the second-homes market that our firm has set up its own internal associate network to focus on the growing demand of second-home growth. With 4.5 million people in urbanized Atlanta, the allure of peace and tranquility of the backwoods of North Georgia spells C-A-S-H in our region's market.

MOUNTAIN CAPITALISM

A breath of fresh mountain air is coursing its way through the valleys and blue mountains of North Georgia and the air smells of money. High end shopping, second home housing boom, tourism, gourmet dining and vineyards are dotting the landscape. Mountain Capitalism is becoming apparent in every northern county. The cooler the summer nights, the hotter the land prices. River front properties at \$14,000 per acre, double if there's Brown Trout. Land prices have soared over the last 5 years. Retail is following the roof tops and it's much more than the Wal-Mart of America; Home Depot in Blairsville and a new Six-Plex movie theater under construction in Habersham.

MAJOR NORTH GEORGIA WINERIES

Chateau Elan	Gwinnett, Barrow
Habersham Winery	Habersham
Three Sisters Winery	Lumpkin
Crane Creek Vineyards & Winery	Towns
Georgia Wines	Chickamauga
Tiger Mountain	Rabun
Wolf Mountain	Lumpkin
Frogtown Cellars	Lumpkin
Blackstock Vineyards	Lumpkin
Persimmon Creek Vineyards	Rabun
Split Rail Vineyard	Cartersville
Chestnut Mountain Winery	Jackson, Hall

Consider this...

- Big Canoe is reaching middle age maturity with 2,800+ homes, many now primary residences and the strength in numbers raises the tide in Pickens and Dawson. Big Canoe, while middle-aged, still has a long run ahead with 2,000+ more lots to develop.
- Water Fall, a major high-end development on the shores of Lake Burton has lots in the \$300's and homes from \$750,000 to \$2,000,000.
- Once better known for bootlegging, North Georgia spirits have gone legit with the birth of a wine industry now numbering 11 wineries and 25 vineyards. Wineries are trailing everywhere. Wolf Mountain and Seven Sisters in Lumpkin.
- Hawks Ridge, a 550-acre exclusive golf development, is built in northern Cherokee County near Ball Ground. The development has lots starting at \$175,000 and priced up to \$700,000 with a \$65,000 initiation fee, quarterly dues at \$1,875 and a peak of 290 members.
- The purchase of the Blueberry Inn by Pura Vida USA in Lumpkin County and the redevelopment



“*We continue to see a shortage of small 10-20,000 square foot industrial spaces in all parts of North Georgia. With the per square foot price on the rise, the development window is increasing.*”

Floyd Baldwin

Vice President
 Industrial Properties Group
 Commercial Division
 fbaldwin@nortonnorthga.com

of the 82-acre resort into a 19-room spa and yoga retreat.

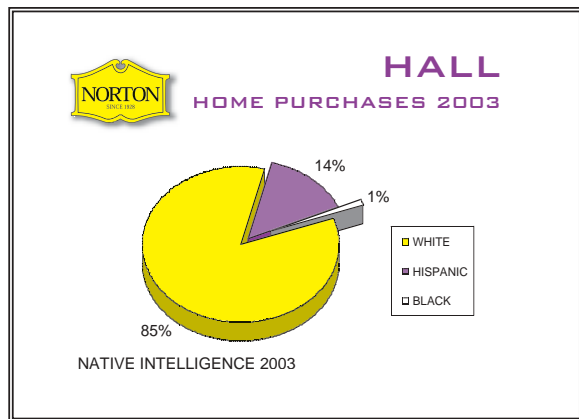
- The development of a massive wine complex and dining facility at Wolf Mountain, in Lumpkin County by Wine Master Karl Boegner, formerly of Chateau Elan Winery.
- Habersham Winery's, Nacoochee Development, is in the second stages of planning and development becoming a high end destination which will improve with critical mass.
- And sophisticated expansions of a new Sautee Nacoochee Center, expanded Quinlan Arts Center, Georgia Mountain Museums, and the new Burd Performing Arts Center at Brenau College point to a new breed of tourist and part-time residents.

We see this Mountain Capitalism in its infancy with abundant natural resources, unlimited land opportunities, lakes, frontage and accessibility to the major markets. The mountain allure will spread like a forest wild fire.

HISPANIC RETAIL INFLUENCE

Consider these national facts:

The Census Bureau estimates there are 38.8 million Hispanics living in the United States, constituting about 13.4 percent of the nation's population. Hispanics now are the country's largest minority.



Also:

- Between April 1, 2000, and July 1, 2002, Hispanics accounted for 1 of every 2 people added to the nation's population.
- There are 28 million residents age 5 and older who speak Spanish at home.
- 52 percent of foreign-born Hispanics living in the United States have entered the country since 1990.
- The real median income of Hispanic households in 2001 was \$33,565.
- 46 percent of Hispanic-origin householders own their homes.

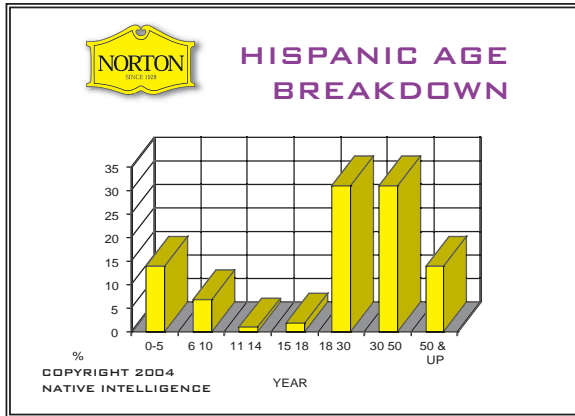
THE NATION'S FAST-GROWING CONSUMER MARKETS IN 1990-2003 (percent)

Rank		Percentage Change in Total Buying Power
1	Nevada	184.4
2	Colorado	144.6
3	Arizona	142.3
4	Utah	131.7
5	Georgia	128.7
6	Idaho	123.9
7	Texas	123.8
8	Washington	112.2
9	North Carolina	111.7
10	Tennessee	107.9

Source: Selig Center for Economic Growth

The University of Georgia's Selig Center Report on the U.S. Buying Power (2003) is quoted saying, "The immense buying power of the nation's Hispanic consumer will energize the US consumer market as never before. This buying force will control about \$653 billion in spending power in 2003 and growing at 8.8 percent compound annual rate. By 2008, that number will reach \$1,014 billion."

Higher birth rates, the natural increase in Hispanic population, coupled with increased immigration makes the Hispanic population a powerful consumer force. It is estimated that between 1990 and 2008 the Hispanic



population will increase by 137% vs. 13.7 percent for non-Hispanics. Because of the tremendous numbers of young productive Hispanics entering the workforce, consumer spending will soar.

Locally, *Native Intelligence* has been tracking the growing Hispanic retail market as this market is an emerging force pushing the local retail envelope. The drive for basic consumer goods is voracious: groceries, furniture, small appliances, children’s clothing, and now housing. While 46 percent of Hispanic origin households nationally own their own house, *Native Intelligence* projects 5-7% of this region’s Hispanics own real property making them by far the largest growth segment. At a projected 46,000-65,000 Hispanics in Hall or 13,142 to 18,571 households, that is potentially 7,400 home sales considering a 40% rate... an enormous potential ahead.

WAGONS HO

In a decisive action, new Governor Sonny Perdue (whose election victory was rooted in the north Atlanta suburbs) quickly removed the outer perimeter from the state’s transportation plan. Death to the Outer Perimeter...long live the east west corridors. Georgia 400 is a log jam at best, I-85 is a snail pace even on a good day and I-575 and I-985 carry loads well beyond their anticipated capacities. We believe transportation will be on the minds of everyone in our region as the population, labor force and tourism industry will grow increasingly frustrated with clogged traffic. Budgets will be tight, but watch state funding be explored with potential gas taxes and toll roads on the horizon. Don’t discount extending GA 400 as a toll road all the way to above Dahlonega, a widened GA 316 which is already being proposed as a toll road and a potential Gwinnett east west trans county “auto pipe line.” County and state government must work hand-in-hand in these Herculean efforts.

Current Transportation Initiatives:

- Funding for a widened Hwy. 441 is already appropriated to pass through upper Habersham and through Rabun County.
- Improvements on all 6 Jackson County I-85 exits are complete with D.O.T. and now focused on Banks/Franklin exits.
- An extended Cleveland, GA bypass is engineered and mapped, awaiting funding.
- A new \$65 million exit 16 along I-95 is underway with right-of-way acquisition in process and a new proposed exit 14 is under study.

U.S. AVERAGE ANNUAL EXPENDITURES & ITEM SHARE FOR ALL CONSUMERS & HISPANIC CONSUMERS, 2001

	ALL CONSUMERS Average Spending per Consumer Unit	HISPANIC CONSUMERS Average Spending Per Consumer Unit
TOTAL ANNUAL EXPENDITURES	\$ 39,518	\$ 34,361
Food at Home	3,086	3,551
Food Away From Home	2,235	2,097
Alcoholic Beverages	349	308
Housing	13,011	11,747
Apparel & Services	1,743	1,857
Transportation	7,633	7,083
Health Care	2,182	1,343
Entertainment	1,953	1,246
Personal Care Products & Services	485	467
Reading	141	59
Education	648	428
Tobacco Products & Smoking Supplies	308	177
Miscellaneous	750	457
Cash Contributions	1,258	727
Personal Insurance & Pensions	3,737	2,814

Source: Selig Center for Economic Growth

U.S. HISPANIC MARKET STATISTICS 1990, 2000, 2003, AND 2008

	Buying Power (in billions)			
	1990	2000	2003	2008
Total	4,277.2	7,113.6	8,214.7	10,586.3
Hispanic	221.9	503.9	652.6	1,014.2
Non-Hispanic	4,055.3	6,609.7	7,562.0	9,572.1

	Percentage Change in Buying Power			
	1990-2003	1990-2008	2000-2003	2003-2008
Total	92.1	147.5	15.5	28.9
Hispanic	194.1	357.0	29.5	55.4
Non-Hispanic	86.5	136.0	14.4	26.6

	Market Share (percentage)			
	1990	2000	2003	2008
Total	100.0	100.0	100.0	100.0
Hispanic	5.2	7.1	7.9	9.6
Non-Hispanic	94.8	92.9	92.1	90.4

Source: Selig Center for Economic Growth

- Hall's Friendship Road, Hwy. 129 and Hwy. 53 are on the 4-lane widening drawing board with various timetables.
- The Jefferson Arcade Pendergrass bypass is complete with a proposed north south I-85 Road (Commerce Drive) in design.

While all beneficial to move people back and forth between job, home, church and school, at least 20 other projects are needed. If our leadership doesn't pay attention, watch **ROAD RAGE** turn into **POLITICAL RAGE**.

PINPOINT OPPORTUNITY PLANNING

It's time to start zeroing in on the remaining undeveloped, underdeveloped properties throughout the region.

First The Facts:

- Industrial potential land between Exit 8 and Exit 12 along and between 985 and Hog Mountain Road has defaulted to residential because of South Hall's lack of sewer infrastructure.
- There remains less than 40 separate undeveloped tracts of land, 50 acres or greater which can have boat docks on Lake Lanier.
- The upper limit of total boat docks for Lake Lanier (as outlined in the new Shoreline Management Plan) could be reached by 2008 or 2010 limiting future development on Lake Lanier.
- New restrictive ordinances in Clarke, Hall and those proposed for Forsyth, puts collars around cities' growth, reduces densities for housing, evaporates paper wealth for landowners and will, in the long run, strain government's ability to grow sewer without tax revenue.
- Sewer traverses Hall, Dawson, Forsyth and Jackson in effluent pipelines with arteriers feeding into it. Land on these pipelines should receive premiums for price and density.

NORTH GEORGIA POPULATION

	1990	2000	Projected 2003
Banks	10,731	14,422	16,100
Barrow	29,721	46,144	50,100
Dawson	9,429	15,999	17,850
Fannin	15,992	19,798	21,000
Forsyth	44,083	98,407	108,000
Franklin	16,650	20,285	21,500
Gilmer	13,368	23,456	25,950
Gwinnett	389,000	588,448	670,000
Habersham	27,621	35,902	39,000
Hall	95,428	139,277	149,000
Hart	19,712	22,997	24,100
Jackson	30,005	41,589	45,200
Lumpkin	14,573	21,016	22,700
Pickens	14,432	22,983	25,000
Rabun	11,648	15,050	16,190
Stephens	23,436	25,435	25,990
Towns	6,754	9,319	9,900
Union	11,993	17,289	18,250
Walton	38,586	60,687	65,000
White	13,006	19,944	22,500

Source: Native Intelligence 2003/U.S. Census

“*With continued job growth in the lower and mid-level service sectors, we see substantial activity on the new homes front, especially along the employment access corridors.*”



Kathy Williamson

Partner
 South Hall Office
 kwilliamson@nortonnorthga.com

Now let's role play a little...Think of the 10 largest, most significant, underdeveloped properties in your area. What is the best possible use of that land? What will enhance the community while creating the biggest economic windfall for the tax base? And, finally, what, as citizens, government or planners do we need to do to make that happen? Do we need to improve roads, deliver water, and invest in water upgrades? **How do we enhance the remaining opportunities to capitalize on our dwindling gems?** That's Pinpoint Opportunity Planning – Polishing the gems amongst us for the long-term growth of our community and when those are done, turn your eyes on the next 10.

RESIDENTIAL METAMORPHOSIS

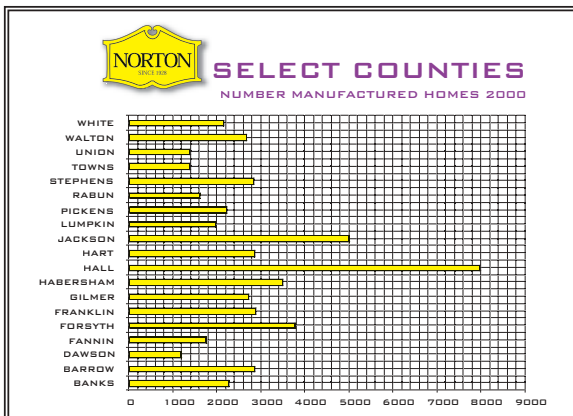
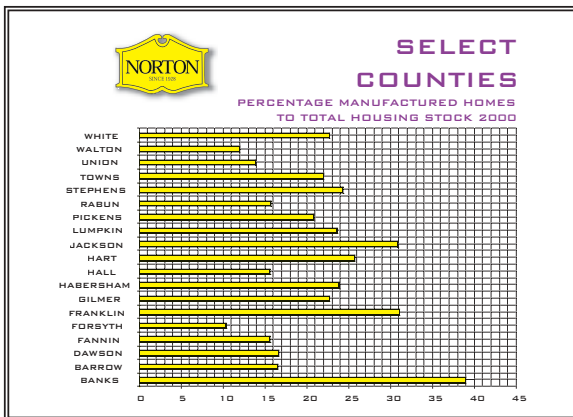
Our Top 10 Trends would not be complete without some focus on housing, which has become the backbone of our economic recovery. For the last 10 years, North Georgia has benefited from an unprecedented housing and population boom. Affordable homes (who coined that term anyway) dominated the product sector with 70% of the homes falling below a \$145,000 price range, but the residential market is undergoing a radical metamorphosis. Faced with sewer zoning and density limitations, environmental protection (stream set backs, erosion control) and development construction restrictions, the average new starter home has increased some 30-35% over the last 5 years, **outstripping inflation by 20%**. While pent-up demand has evaporated, the sustained low interest rates have kept demand brisk as Atlanta migration benefits our path, but the industry is evolving into distinct stratus of home buying-building growth.

Level One:

First home buyers are still the largest market segment, where 75% of the buyers are already county residents. Apartment dwellers and new home formations are driven to put a roof (their own) over their head. Because of major jumps in land prices, density development changes, **the product is fast evaporating**. We are bullish on Banks, Habersham, Jackson and Barrow counties for new housing as Hall's market, although still the largest, is currently fragmented. The harsh reality in Hall is that Hall's children will live elsewhere and Hall will be greater dependant on an imported labor force

Level Two:

Move up buyers. The bright spot for Jackson, South Hall, North Forsyth and Dawson is that the huge bubble of the last decade of buyers is starting to look around and move up in home size. Four vs. three bedrooms, home offices and kid's recreation rooms are becoming the strong motives to move up in value (\$175,000 to \$300,000).



FHA LOAN LIMITS BY COUNTY

Banks	\$154,896
Barrow	\$176,605
Dawson	\$176,605
Forsyth	\$176,605
Gwinnett	\$176,605
Habersham	\$154,896
Hall	\$154,896
Jackson	\$154,896
Lumpkin	\$154,896
Rabun	\$154,896
Stephens	\$154,896
Towns	\$154,896
Union	\$154,896
White	\$154,896

Source: Norton – Blueridge Mortgage 2004

THE INVISIBLE MARKET

For the last 75 years, North Georgia’s cash crop has been poulets, eggs, parts and reprocessing parts. Wealth created in the hen house, farms and processing plants, the feed mills and other support businesses scattered throughout our region. Fast forward to 2004 and there is a new cash crop growing in North Georgia, unrecognized and invisible.

The industry is Health Care, perhaps the best economic driver a community could ever wish for. As the population grows and ages, the demand for health care increases and with a North Georgia trade area of 350,000, the market is wide open. Investment in health care, infrastructure, delivery systems and technology is leading Gainesville into the 21st century and creating health service pockets in other communities.

■ Level Three:

Lifestyle Seekers. This market (\$250,000 & up) is looking for leisure, recreational lifestyle homes. Whether on Lake Lanier, in a gated community, golf development or planned residential neighborhood, they’re looking for that certain something extra beyond four brick walls and a grass patch in the front yard.

■ Level Four:

Retirement Focused. Perhaps the fastest growing market segment, given Northeast Georgia’s proximity to an aging Gwinnett labor base, is this level. Homes are characterized by the size of the lot (1/4 - 1/8 acre), not the price tag (\$250,000+), or the home size (2,500 sq/ft.). These buyers are looking to downsize the time spent maintaining their yard or house, not necessarily downsizing their size price or quality of home. In fact, because of resale volumes, many buyers are making lateral price moves in favor of improving the quantity and quality of their leisure time.

“
*The medical office
 market has shown
 surprising resiliency in
 our area with market
 growth expected
 to continue
 for the remaining
 part of this decade.*”



Betty Howard

Commercial Group
 bhoward@nortonnorthga.com

GEORGIA HEALTH CARE AT A GLANCE

Type of Facility	Supply	2001 Utilization
General Hospitals	156 hospitals 23,741 beds 3 beds per 1,000 population	873,758 admissions 4,171,145 patient days 515 days per 1,000 population
Specialty, Psychiatric and State Hospitals	27 hospitals 5,439 beds	42,655 admissions 935,941 patient days
Cardiac Catheterization	59 providers (including mobile)	98,269 catheterizations 73,771 diagnostic 24,498 therapeutic
Open Heart Surgery	19 providers	9,985 surgeries
Obstetrical Hospital Services	98 providers 1,766 beds	367,630 patient days 129,501 deliveries
Ambulatory Surgery Hospital-based	78% of total surgeries 153 outpatient ORs 438 shared OR equivalents	127 procedures per 1,000 population 500,817 patients 93,569 patients
Freestanding	166 ORs	
General Nursing Homes	365 homes 39,525 capacity beds 51 beds per 1,000 age 65+	34,354 admissions 13,083,678 patient days
Home Health Agencies	113 agencies	108,729 patients 2,543,139 visits 23 visits per patient

Source: Survey reports from providers and facilities, 2001.
Civilian Non Institutional population (902 release) projections from Governor's Office of Planning and Budget (based on 2000 Census).
Note: Supply reflects existing and approved facilities as of September 2002.
Utilization reflects data reported during calendar year 2001.

regionally. The public investment is significant, but the private investments made to support health care facilities are perhaps double those of public capital. The medical office market has increased 410,000+ sq/ft. over the last five years while vacancy for the product category has dropped from 7 to 4.5%. New construction is currently underway in all major markets. The invisible market is invisible NO more. Watch this new golden egg hatch and multiply.

INDIGENT CARE TRUST FUND ICTF Participating Hospitals – Regular Payments FY 2002				
Hospital	County	ICTF Payment	Primary Care	Local Gov't Contribution
Appling Hospital	Appling	\$1,238,311	\$185,747	\$619,156
BJC Medical Center	Jackson	\$1,370,707	\$205,606	\$685,354
Elbert Memorial Hospital	Elbert	\$904,722	\$135,708	\$452,361
Fannin Regional Hospital	Fannin	\$749,120	\$112,368	\$374,560
Habersham County Medical Center	Habersham	\$1,812,365	\$271,855	\$906,183
Northeast Georgia Medical Center	Hall	\$8,197,178	\$1,229,577	\$4,098,589
Rabun County Memorial Hospital	Rabun	\$910,203	\$136,530	\$455,102
Stephens County Hospital	Stephens	\$3,318,508	\$497,776	\$1,659,254
Union General Hospital	Union	\$8,589	\$1,288	\$4,295

CHALLENGE OF LEADERSHIP

We've been preaching this sermon for several years as Norton *Native Intelligence* has worked now in a myriad of counties, cities and townships. This past year, like in the movie Star Wars, we saw a convergence of the force with the eruption of various contingencies rallying for or against issues like storm water, rising taxes, comprehensive land use, zoning, power transmission lines, road widening and sewer.

Where is the bold leadership to help lead us up out of this abyss and into higher ground?

Dunlap, Otwell, Mashburn, Wilheit, Cromartie, McRae, Arrendale, Hardman, Bagwell, Bryan, Mason, Beard, Bagwell, Mathis, Owen, Hatfield, Reeves

Admittedly, as you look and analyze this list you see pioneers, civic leadership and remarkable business acumen. Yes, you also see the great wealth these leaders created for themselves, their companies and their communities. This is nothing wrong with building a greater community and at the same time profiting **along side** that community growth. Not profiting **from** that growth. We believe there is a major distinction here.

MEDICAID RECIPIENTS and EXPENDITURES by COUNTY – FY 2002

COUNTY	NET PAYMENTS	PAYMENT/ RECIPIENT	ESTIMATED 2002 POPULATION	% POPULATION RECEIVING MEDICAID
Banks	\$4,994,705	\$2,0573.13	14,817	16.35%
Barrow	\$22,703,494	\$2,855.43	48,946	16.24%
Dawson	\$5,036,444	\$2,4663.43	17,176	11.89%
Fannin	\$12,559,366	\$3,442.81	20,661	17.66%
Forsyth	\$19,123,426	\$3,204.86	110,296	5.41%
Franklin	\$15,040,442	\$3,520.70	20,783	20.56%
Gilmer	\$15,503,133	\$3,543.57	24,349	17.97%
Gwinnett	\$140,200,825	\$2,525.28	621,528	8.93%
Habersham	\$16,599,531	\$3,082.55	37,153	14.49%
Hall	\$65,801,234	\$2,788.42	145,664	16.20%
Hart	\$15,117,571	\$3,415.63	23,087	19.17%
Jackson	\$25,202,544	\$3,252.36	44,010	17.61%
Lumpkin	\$10,911,552	\$3,349.16	21,855	14.91%
Pickens	\$13,592,115	\$3,654.78	24,776	15.01%
Rabun	\$8,961,875	\$3,695.62	16,318	15.83%
Stephens	\$19,485,853	\$3,459.23	25,651	21.96%
Towns	\$6,885,255	\$5,022.07	9,641	14.22%
Union	\$12,070,796	\$4,152.32	17,902	16.24%
Walton	\$27,022,121	\$2,854.35	65,224	14.51%
White	\$10,929,790	\$3,142.55	21,182	16.42%

Add to the mix proposed health care centers slated for South Hall/Buford and John's Creek. The impact is profound. *Native Intelligence* estimates the health care and dependent business approaches employment of 10,000, an annual financial impact of over \$500 million. Based on an economic multiple that a dollar of revenue is turned three times, that number rises to \$1.5 billion

Look at the list again and also see the tremendous benevolence left in these leaders. Through their largesse North Georgia has fine arts, state-of-the-art heart care, superior schools, sports programs, Boy Scouts, heritage preservation and economic vitality. Profit has been made into a 4-letter dirty word, but in this capitalist society, we must challenge the next generation of leaders to boldly move us onward, invest their money beside ours and capitalize on today.

Where is the next generation of powerful leaders to push, direct, prod us forward? Do the painful, tell us to suck it up and move on? Who will move forward through the loud protests, personal attacks and stand up for the future? Elected leaders who will vote for issues which will affect 10 to 20 years away vs. voting to get reelected next year, take positions and actions which are, while politically unpopular, vital to the continued health and vitality, whether it's liquor-by-the-drink, mobile home regulations, zoning or environmental protection. We are challenged by the need for leadership now more than ever. Never before have the issues been so complex, so overwhelming and so important. The decisions of the next five years by civic and elected leaders will have effects for the next 200.

Issues before us:

- **LAND/USE PLANNING** Sound reasonable land use principles protecting private property rights, balancing business expansion, affordable housing and environmental protection without killing the economic patient.
- **WATER & WATER RESOURCES** Thoughtful planning for an everlasting supply of clean, clear water at a reasonable user cost.
- **ECONOMIC DEVELOPMENT** Promotion of a business model which creates a quality job environment with multiple wage scales for North Georgia residents and an economic attractor for new business and jobs.
- **ENVIRONMENTAL PROTECTION** Keeping the forests green, the aquifers wet and clear and North Georgia's "livability" factors in focus while we promote economic expansion.
- **TRANSPORTATION** Relief, whether it's downtown Cleveland, along GA 400 or criss-cross Gwinnett, new construction will strain community resources, but it is long overdue.
- **LIQUOR, BEER & WINE** The community debate for economic parity between cities who have and counties who have not, as revenue increases are on the minds of everyone.
- **HERITAGE** Preservation of the region's character, culture and personality amidst the homogenization of retailing and society is critical to North Georgia's differential from the urban center south.



“
The move-up buyer may become our leading housing source over the next decade as family formation and family size increases and household income rises.
”

Diane Brown

Partner
 Norton Mountain Properties
 dbrown@nortonnorthga.com

21ST CENTURY LEADERSHIP

Each year, Norton *Native Intelligence* recognizes 10 individuals whose influence has or will have profound effects on North Georgia's future. Like those community builders who shaped the last century: McRae, Otwell, Mashburn, Wilkins, Reeves, Norton, Cromartie, Jewell, Dunlap, Stockton, Arrendale, Braselton, Hudgins, and Owens, their legacy and impact is profound. They are the leaders who create value through the power of their ideas and the authenticity of their character; individuals who are determined to challenge the status quo embracing new ideas. Men and women who lift us up and carry us to new levels of promise and performance.

21st century leaders Norton has recognized in the past:

- | | |
|---------------------|--------------------|
| • Tommy Bagwell | • Jackie Joseph |
| • Phillip Beard | • Wayne Mason |
| • Dennis Bergin | • Chris Nonnemaker |
| • David Claybo | • Donald Panoz |
| • Broughton Cochran | • Sonny Perdue |
| • Carlyle Cox | • Randall Pugh |
| • Al Crace | • Ron Seder |
| • Kit Dunlap | • Tom Slick |
| • Gary Gibbs | • Jimmy Talent |
| • Ronnie Hopkins | • Erwin Topper |

10 LEADERS FOR TOMORROW

■ PHILIP WILHEIT

Most likely the most powerful civic leader in North Georgia today, this upfront and behind the scenes guy has the political savvy to get Herculean tasks accomplished. Wilheit also bridges the old guard generation of McRae and Mathis and the new generation of Neophites. Still, very much in his prime, Wilheit, above all 21st century leaders, could move Hall County, its neighbors and all of Georgia to a first name-first call basis. With Governor Perdue, both Senators and a host of congressional leaders as friends, Wilheit is going places and taking us with him. Long live Sir Philip!

■ SCOTT MARTIN

This thirty something Jackson EMC manager, has grabbed hold of the concept of county economic development. Like a circus master holding onto a wild

tiger, he has whipped other surrounding counties winning Toyota, Aldi and others. With Jackson County development only in its infancy and a single community-driven vision, Martin and others in the county will win more than they lose...much more.

■ PAT GRAHAM

Thrust into the spotlight by her Chateau Elan neighbors. Ms. Graham won her first election ever as Mayor of Braselton, on a pro-slow quality growth platform. She is destined to make her mark on sleepy Braselton as the hibernating bear emerges from its cave to command economic respect on the I-85 corridor. A new comprehensive plan, sound budget controls, liquor-by-the-drink ordinances, expanding tax base million dollar housing, both a new Publix and Kroger sound the cash register for Braselton. Not without her critics, Ms. Graham is slugging it out with the "big boy" developers and holding her own.

■ RUSSELL VANDIVER

The strength behind North Georgia's industrial business recruitment is a skilled workforce mobilized and job specific, trained to jump start the relocating business. The underlining strength of today's efforts is the Quick Start Program orchestrated by Vandiver and his team of trainers. The foundation, set by Lanier Tech and Vandiver, is fundamental to the job creation initiatives of companies like Seimens, Hayes Wheels, ZF and Kubota. Entire production lines are temporarily set up for training, then broken down and shipped back to the host firm only to repeat the process with the next gear, sprocket or widget maker. The tinker in all of this system is Russell Vandiver and his Quick Start centers in Hall, Forsyth and now Jackson.

■ PAULA GAULT

Take a population growing at 12.3% per annum, combine that with a county of 247 square miles, split by a major employment pipeline, GA400, populated with a plethora of high income, high demanding, high energy parents and you could mix a formula for a catalytic explosion. Now steps in a quiet forceful educator, soft voice, soft touch, but decisive practical approach toward growth. Gault, Forsyth's School Superintendent, while maintaining stability has in fact moved the Forsyth County School System light years ahead. Yes, there are trailers in a high growth mode. They will always be there, but a solid plan for growth, a solid plan for increased test scores, a solid plan for educator recognition; points to a clear pattern for the rest of the state to follow. We should only hope...

■ **DICK VALENTINE**

Freely, we will admit that Valentine is Norton's banker and a significant client and friend, but in spite of that introduction, NO list of 21st century leaders in North Georgia would be complete without including Dick. As President of Regions Bank of Hall County, he leads the strongest banking organization in the region. The envy of all 16 other banks nipping at their heels, his operation extends into many of the major real estate and business expansions as well as influencing almost every North Georgia community through Region's extended network of branches and banks.

But, Valentine's influence transcends just his occupational bank interests. Valentine and his family sit on a virtual industrial gold mine in Jackson County. For years, Bonnie and Herb, Valentine's parents, owned, operated and expanded a large cattle operation in Jackson County. Quite literally, in the middle of nowhere, the farm hooked the younger Valentine's work ethic and deepened the family's North Georgia roots. With the expansion of I-85, the building of the Patillo developments at Walnut Creek and an aggressive expanding economic recruitment effort of Jackson County, nowhere became ground zero for industrial development. The new Toyota operation, 152 acres, has kick-started Valentine Farms and with over 600 more acres, the family's holdings will be pivotal to mid-Jackson County growth. Dick Valentine represents the new era gentleman farmer, farming economic prosperity, grounded in jobs, not cattle, and a wonderful opportunity for Jackson.

■ **DANNY OTTER**

This real estate contractor, developer, investor and hardball entrepreneur is making his mark across the mountain region. Quality developments, first and second homes, small retail, industrial have made a mark on Habersham and surrounding counties. His latest development, perhaps the boldest move currently in the foothills was his purchase of the old Clarksville Mill along old 441, currently under a remerchandized mix of retail, entertainment center and bulk industrial space. We look for continued out-of-the-box thinking from an insider looking far outside and creating personal wealth and mountain opportunity in his wake.

■ **SAM CHAPMAN**

Professional farmer, progressive environmentalist, proactive businessman, Chapman is the 21st century farmer keenly aware of dwindling farm profits and pressures on labor, commodities and heavier tax loads. Chapman understands the new farm business model and the reality of those economics, but while his farm practices

have improved, his political nature has blossomed. Increased property tax valuations, comprehensive plan issues, density of development, stream set backs and county development standards have become his bible. Chapman has become the spokesperson and watch dog for over 1,000+ Hall County farmers to lead a vigilant struggle on farm preservation and most importantly, **value** preservation. His strong blend of environmental stewardship and economic reality is well informed, well respected and well thought out. Leadership in the trenches, and fields and valleys.

■ **CHRIS LOVELADY**

Chief Ranger for Lake Lanier, Lovelady is the Chief Architect for a new Shoreline Management Plan. Now under the period of public review, the plan will blueprint the remaining development life of Lanier and the restrictions applied as the lake region urbanizes. Lovelady is a strong advocate of government protection balanced with the needs of his 2 million+ annual constituents. The tireless worker and strategic thinker has carefully guided the new plan through a tangled web of government processes, political morass and community input doing so with his skin virtually unscathed. Lovelady's open personality, good humor and occasional laughter easily diffuses the most tense situation. With the new plan in tow and the pending retirement of Erwin Topper, Lovelady's walk-on-water background could point to a long career guiding the plan's implementation. A great sign for Lanier's health and economic life.

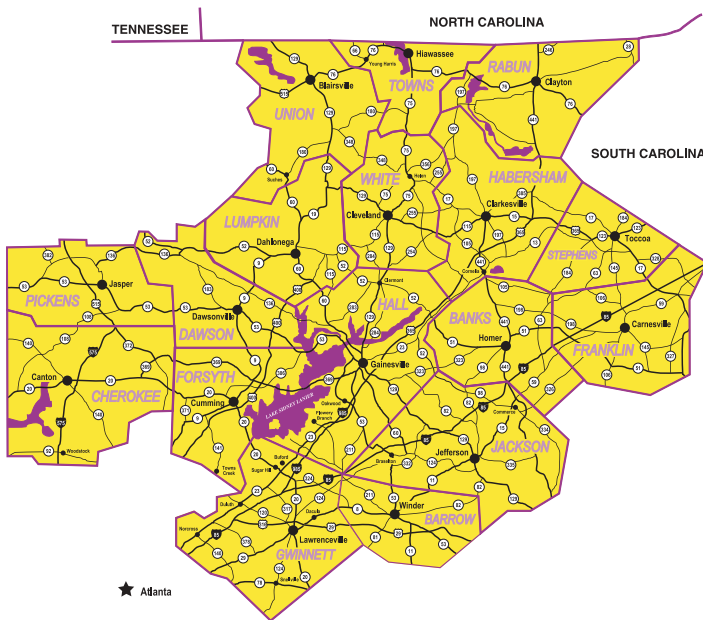
■ **PROFESSIONAL MANAGERS**

The new breed of government managers helping steer North Georgia's growth is an outstanding legend of government manager. These well-educated, business background, economic-oriented managers are adding practical common sense to the political fray in the halls and courthouses throughout the region. These men and women will be the calmness and evenness needed in the ever fluctuating political winds. We salute just some of these as 21st century leadership.

- Bryan Kerlin – Buford
- Jennifer Cole – Braselton
- Bill Johnsa – Dawson County
 - Bill Morris – Toccoa
- Brian Schular – Gainesville
- Steve Mills – Forsyth County

Note: We previously recognized Al Crace in Jackson, David Claybo in Jefferson and Dennis Bergin in Flowery Branch as 21st century leaders in 2002 and 2003.

NORTH GEORGIA 2004



2000 PERSONAL INCOME TAX DATA – 2000 EARNINGS by County of Residents (in Millions)

COUNTY	ADJUSTED GROSS INCOME LESS DEFICIT		NET TAXABLE INCOME
	TOTAL	AVERAGE PER RETURN	
Banks	\$ 175,849,548	\$ 29,780	\$ 116,520,194
Barrow	609,607,225	36,604	416,122,973
Dawson	157,610,402	29,598	109,182,000
Fannin	218,166,801	28,702	148,518,255
Forsyth	2,535,185,883	69,423	1,927,829,650
Franklin	232,458,474	26,570	157,301,654
Gilmer	263,288,847	30,208	180,517,162
Gwinnett	13,986,880,075	53,956	10,391,991,194
Habersham	463,215,121	32,433	314,705,639
Hall	2,493,045,532	42,950	1,772,159,785
Hart	238,919,020	25,5361	186,458,643
Jackson	559,683,919	34,171	385,153,160
Lumpkin	270,403,717	34,398	187,752,117
Pickens	391,256,676	42,107	285,506,751
Rabun	192,125,812	31,184	131,767,031
Stephens	331,093,063	29,436	225,471,139
Towns	111,052,471	30,576	76,382,019
Union	195,293,190	29,345	130,606,941
Walton	886,063,272	39,578	608,631,235
White	267,588,067	32,785	181,832,351

2003 TOTAL SALES VOLUME BASED ON THE BEASLEY REPORT with PROJECTIONS BY NNI

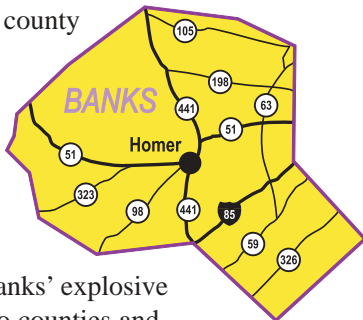
COUNTY	2003 ANNUALIZED
Banks	\$73,718,937
Barrow	337,527,975
Dawson	210,483,370
Fannin	219,396,763
Forsyth	1,919,162,229
Franklin	58,144,145
Gilmer	199,441,756
Habersham	156,021,534
Hall	910,216,582
Hart	95,784,327
Jackson	346,118,552
Lumpkin	120,593,869
Madison	76,554,763
Pickens	211,537,320
Rabun	162,899,890
Stephens	60,166,581
Towns	104,642,094
Union	154,278,545
Walton	469,090,985
White	152,496,184

NORTH GEORGIA 2003 AVERAGE HOME PRICES

Banks	\$104,250
Barrow	127,577
Dawson	204,400
Gwinnett	186,341
Forsyth	254,935
Hall	176,043
Habersham	131,500
Jackson	139,223
Lumpkin	146,750
Stephens	115,057
Walton	149,900
White	139,233
Lake Lanier	416,475
Lake Rabun	409,972

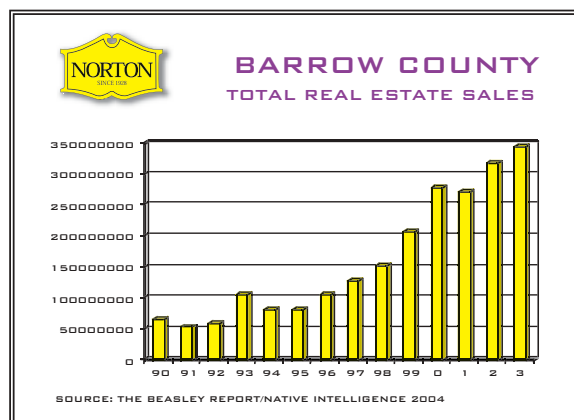
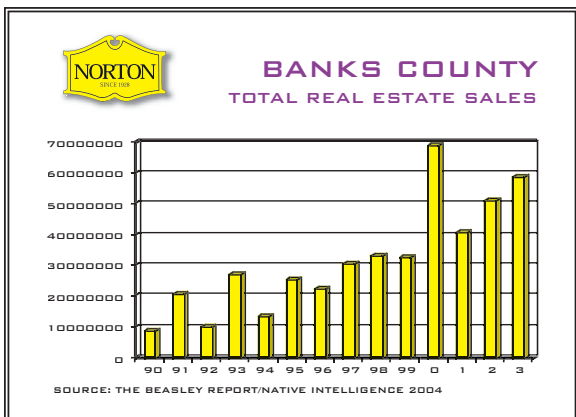
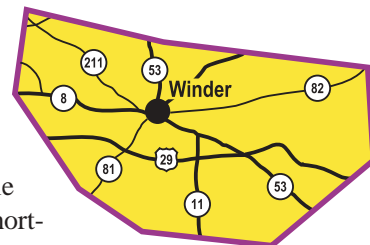
BANKS

The evolution of this county is firmly planted in its accessibility to I-85, the widening of Hwy. 441 and the wild wisdom of a potter-marketer named Billy Craven. His pioneering retail empire created the catalyst for Banks' explosive growth spilling across two counties and disrupting the traffic patterns of the I-85 tourism pipeline to Florida markets. What's perhaps most interesting is the transformation has taken just shy of 20 years. While formidable tasks still lay ahead, the political vision must catch up with the economic engine. Archaic land use ideas must be tossed and an economic recruiting plan set in motion. The old guard needs to recognize that dirt roads don't create economic development. The new Home Depot, more planned restaurants, hotels and retail expansion moves the community up several notches. Land prices are pushed upward driven by retail demand and limited accessibility, yet outlying land values continue to be perhaps the best acquisition value in all of our North Georgia markets (\$4,000 to \$8,000/ac.). So, remember, all those comments 20 years ago about the maverick ideas of Billy Craven because, today, he is crazy like a silver fox.



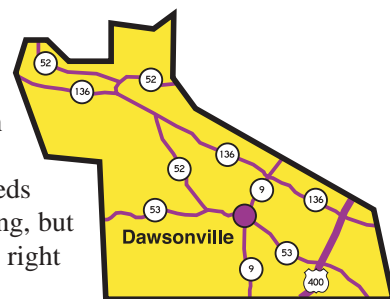
BARROW

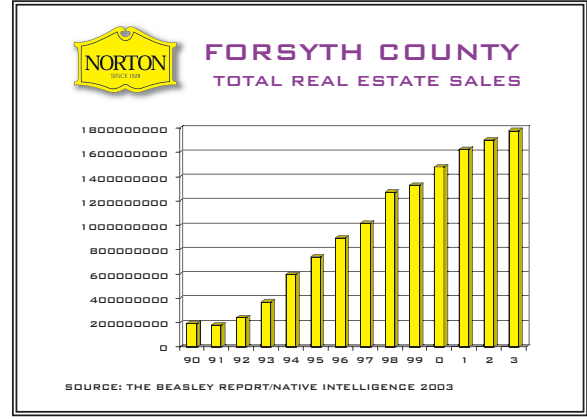
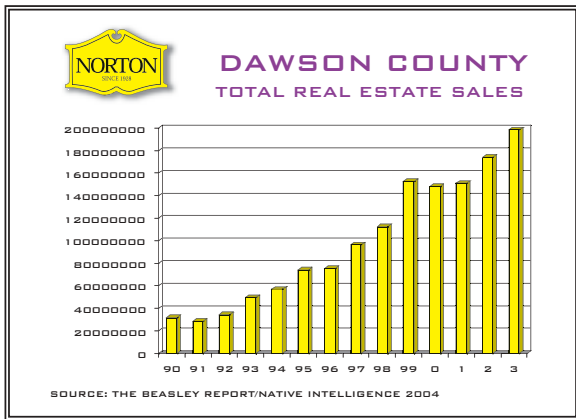
In the past years *Native Intelligence* has been a harsh critic of Barrow's imbalanced residential-based development trend. While we continue to express short-term concerns regarding too many small houses (we currently see Barrow as Gwinnett's affordable bedroom), signs of industrial and retail development show great promise toward correcting the imbalances. GA 316 is becoming a speculator's dream and industrial retail migration point with land prices soaring faster than traffic counts, and now Gwinnett's small-service industries are taking a strong look at the corridor for expansion. On Barrow's northwest corner, the Braselton high income growth impact is creating strong tax revenues and executive residential housing stock. Somewhere in the middle, the city of Winder has tremendous potential and its leadership needs to forge a clear vision and then go for it.



DAWSON

With one foot in urban Atlanta and the other mired in the mud of Appalachia, Dawson County's split-personality at times needs psychological counseling, but is clearly headed in the right direction.





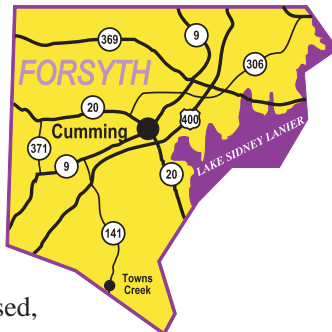
As the next domino for affluent North Atlanta growth blows along the GA 400 pipeline, Dawson’s property rises with the economic tide. The Tsunami force reverberates in retail, North Georgia Premium Outlet Center, industrial; a wave of Roswell/Alpharetta relocations and in housing.

In 18 years of market study we have never seen as fast and as large of a residential home price point shift as we have seen in Dawson County, now exceeding \$205,000 average home values. Land prices have soared, pushing out the short and long-term investors, leaving only user demand. With small retail centers emerging within eyesight of its Mega Mall (i.e. Outside World), and liquor-by-the-drink approvals (i.e. Ruby Tuesday’s) the settlement of GA 53 and GA 400 has become a full-fledged “Next Generation City.” (Eckerds, Kroger) The old guard political tide will either adapt to the new **business-for-business** economic development model or be swallowed up like pebbles in the sand.

but heavily debated), to SPLOST accountability, to the new highly controversial land use plan, a north south civil war could set the county’s Mr. Clean/Mr. Pro-Quality Growth back. Those 50,000 plus people that moved into the county over the past 10 years have gained political strength and are actively lobbying slow growth, no traffic and no school trailers at every opportunity. With 75% of the population living south of Cumming, the loud electorate now wants control of the entire county, control over the dominant patriarch, the City of Cumming, and is trying to force density, slow growth, environmental protection on the upper half of the county

FORSYTH

While the market still thrives...more retail, more business and more housing, an under current of divergent struggling visions new guard vs. old guard is moving from “slow boil” to “raging” civil war. From impact fees (passed,



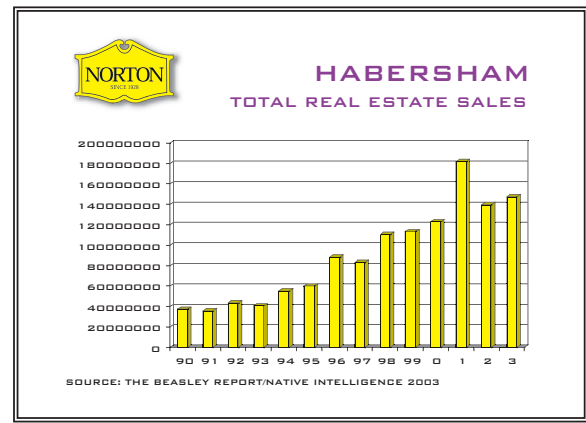
ACREAGE COMPARISON 2004

	Selling Price 50 Acres Undeveloped
East Hall	\$5,000 – 9,000
North Hall	\$10,000 – 17,000
South Hall	\$8,000 – 25,000
North Jackson	\$8,000 – 10,500
South Jackson	\$6,500 – 6,500
Banks	\$4,200 – 7,500
White	\$5,500 – 9,000
White (view/water)	\$7,000 – 15,000
Habersham	\$6,000 – 9,000
Habersham (view/water)	\$20,000 – 50,000
South Forsyth	\$25,000 – 45,000
North Forsyth	\$25,000 – 35,000
East Dawson	\$10,000 – 20,000
West Dawson	\$5,000 – 9,000
Lumpkin	\$8,000 – 15,000
North Gwinnett	\$25,000 – 45,000
Lake Lanier (Raw w/boat dock)	\$35,000 – 125,000

Source: Native Intelligence Copyright, 2003

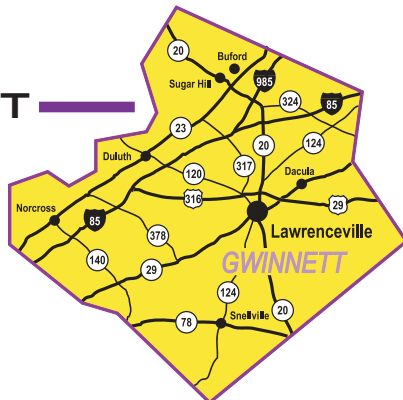
north of Cumming. Unfortunately, the votes are with them and the landowners in North Forsyth will increasingly find themselves battling for their diminishing economic wealth and their own private property rights in the county commission and county courthouse. It's hard to listen to residents from South Forsyth who live in \$400,000+ homes on quarter acre lots selling for \$75,000-90,000 each, espouse the virtues of 2-acre, 5-acre, 10-acre lots needed in North Forsyth. Comments border on socialism, the taking of private property rights and limitations on the rights to sell, develop, and create wealth. We are troubled with this divisiveness and see the two sides growing farther and farther apart. This does not bode well for Forsyth's economic diversification away from housing. Yes, the population will continue to grow exponentially with high price developments and retail following in South Forsyth. But, if the scale is ever to balance, density, infrastructure and thoughtful land planning must be applied to North Forsyth. It's going to happen anyway, so put down the battle axes, preserve blood shed and continue the momentum of the 1990's.

The Habersham Medical Center has become a significant employer and attractor for a rapidly growing physician market. The small medical office market radiates from the hospital influencing land prices and stimulating an old 441 building conversion. We do issue some words of caution as the asking prices for 441 land are outpacing economic justification and the demand. *Native Intelligence* sees the twins growing and maturing for the rest of this decade as the communities benefit from a mini housing boom, retirement commitments and the establishment of its stronghold.



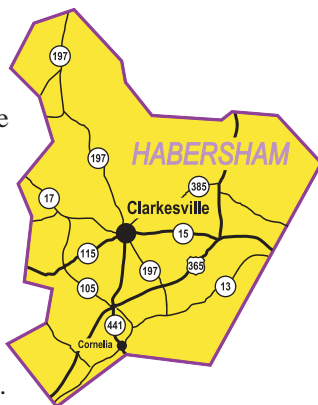
GWINNETT

See Trend #2 on page 4. **The City of Gwinnett**



HABERSHAM

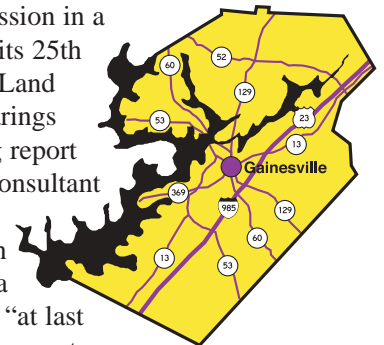
This county is taking its place in North Georgia as a mid-market for convenience retail. Wal-Mart, K-Mart (one of the few left open), a soon to be opened 6-Plex Movie Theatre and now a proposed Lowe's in Cornelia are at the root of its retail resurgence. Twin sister in this county's economic case is the strengthening medical market.



HALL COUNTY

DATELINE "THE TIMES" 2025

The County Commission in a historic move approved its 25th Annual Comprehensive Land Use Plan after many hearings and receiving a planning report from its latest national consultant at another annual fee of \$1,500,000, Commission Chairman XXXXX, in a prepared statement said, "at last we have a plan the entire county can live with." Latest population estimates prepared by Norton's *Native Intelligence* 2025 put the county's population at 350,000, one of the 100th fastest growing counties in the nation with 40% Hispanic growth.

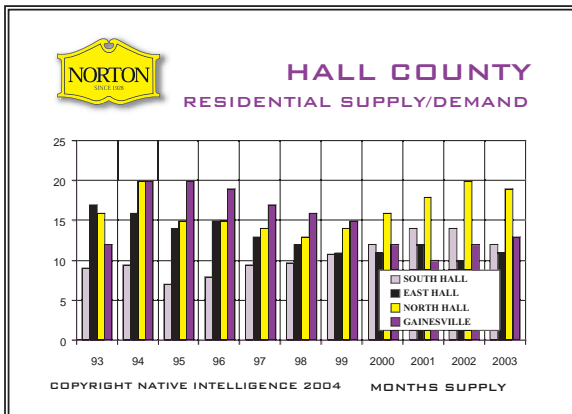
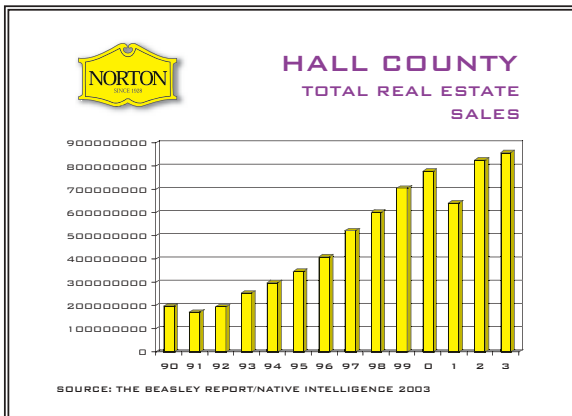


We hate to parody the reality of Hall County, but what is needed is a **reality** check.

- **Reality** is that Hall County is adjacent to the fastest growing community of Gwinnett.
- **Reality** is industrial migration from North Atlanta (a.k.a. DeKalb & Gwinnett) will flow up I-985, I-85 and 316 landing wherever sewer infrastructure is in place **first**.

- **Reality** is that Hall County's collective tax base is stronger, more stable and more diversified than 'any other county in North Georgia and envied by all, even growing Forsyth.
- **Reality** is that clear consolidated city/county visions are a must. Note: the success of Cherokee, Forsyth and Jackson in their business recruitment.
- **Reality** is that Hall County is too great of a place to live, work and play, and politics aside, Hall will grow despite the best efforts of the anti-growth's groups.

Native Intelligence is proud to call Hall home. The county is the provider of great livelihoods due to the efforts of its business and community leadership to build, develop and enhance the quality of life. We see the zoning fights, comp plan skirmishes and periodic moratoriums as minor blimps on the radar of progress.



- **Reality** is that Gainesville serves as the marketplace for a 350,000-person durable good trade area.
- **Reality** is a vibrant diversified medical base drawing patients from 4 states and 35 counties all without local government subsidy.

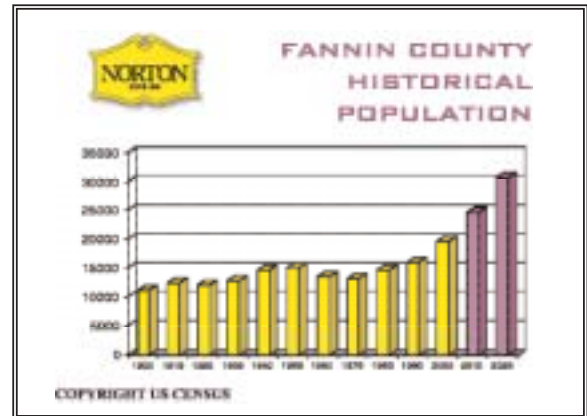
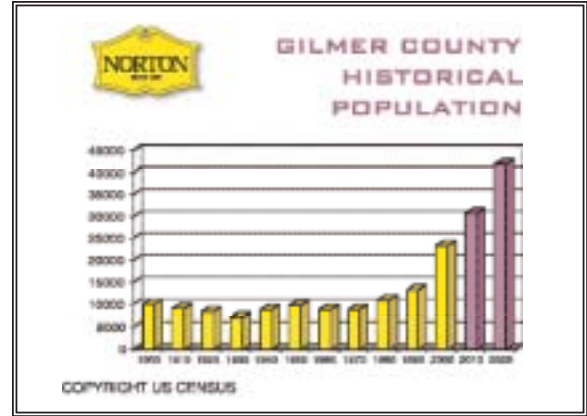
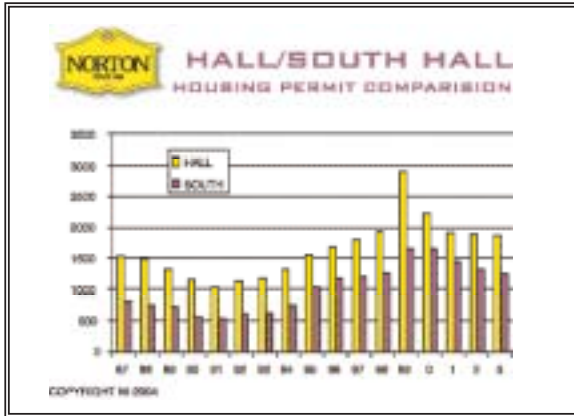


“*The opportunity for infill retail following the residential roof tops is profound as Kroger, Publix, Ingle’s and Bi-Lo have staked their claim in the landscape. It’s now time for the local investor to capitalize on their drawing power.*”

J. Will Cobb

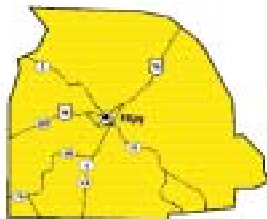
Vice President
Commercial Group
wcobb@nortonnorthga.com

Fifty years ago they thought Jesse Jewell was nuts to build a vibrant intergrated poultry industry. The pioneers aren't the ones with the arrows in their backs, no they are the ones with vision, perseverance and money in the bank. Ignore the blips and continue on.



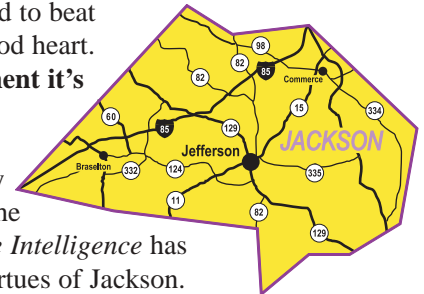
GILMER/FANNIN

Gilmer and Fannin counties located dead north of Atlanta appear as if a freight train had signaled full steam ahead in the two counties. A Super Wal-Mart opened up in March in East Ellijay, growing development efforts are ringing tax windfall for Gilmer. *Native Intelligence* has watched retail land prices soar and increased interest from other retailers looking to capture part of this growing market. Fannin and Blueridge are also seeing great growth. In May, Bowater Inc., a large paper company, sold 82,000 Georgia timberlands including a 10 parcel on Carters Lake. *Native Intelligence* the Bowater purchase at \$1,500 per acre, could be the buy of the century.



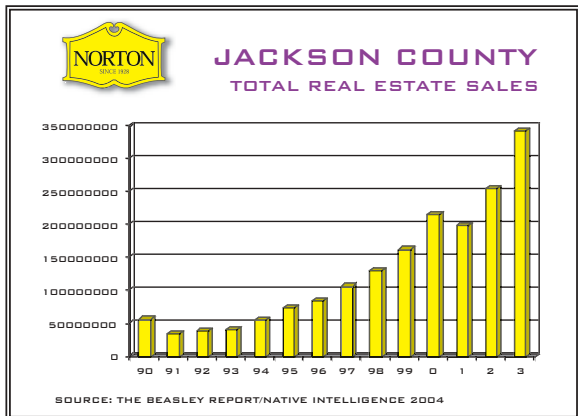
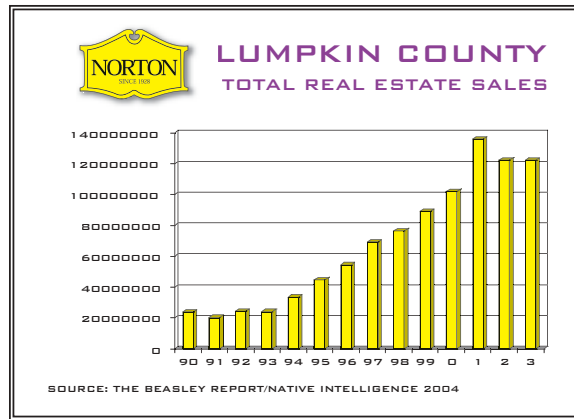
JACKSON

In health it's hard to beat good genes and a good heart. **In county development it's hard to beat good geography.** In Jackson County, they have all three. For the last five years *Native Intelligence* has been extolling the virtues of Jackson. Now, we can say "We told you so!" With strong leadership in place at the county and city level, industrialized sewer available at every exit, a small but diversified tax base and a collective vision amongst its leadership, Jackson is sitting on the cat bird seat for Atlanta economic growth. One obvious benefit to this



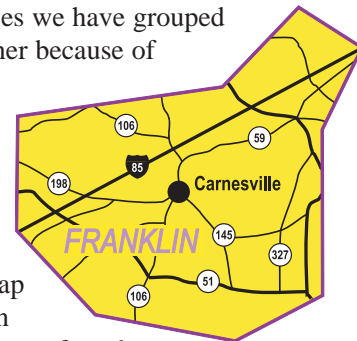
one-mindedness is that each of the three sister cities along I-85 have a golden goose (catalyst) which gives them pride and revenue. Commerce has the retail outlet corridor, Jefferson a magnificent industrial distribution base and Braselton/Hoschton has Chateau Elan and an emerging business center. No need to compete, when by polishing the unique gems, everybody wins. With land prices now averaging \$10,000 per acre everybody in Jackson with 100 acres or more is a millionaire. Jackson should serve as a role model, a case study of what to do, when, how and how much, transforming a rural landscape into a sophisticated pro-business positive residential development community. In the words of Jackson County's Chairman, "The good days are ahead of us," and that's vision.

where some asking prices rival Buckhead land prices. If the good ole boy speculators ever got real the REAL flood of growth would follow. Lumpkin is on the right track, just needs clearer direction and a driving force.

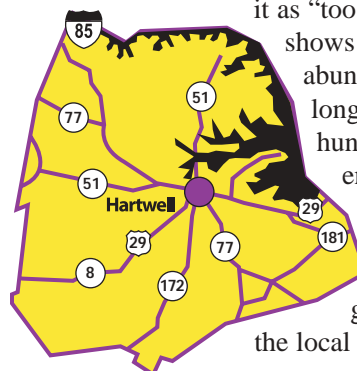


MADISON/FRANKLIN/HART

For discussion purposes we have grouped these three counties together because of similar characteristics, geography, and similar raw land price points. This "undiscovered county" has abundant natural resources, linkage to I-85 (Franklin) and cheap rolling topography. We, in previous reports, might have referred to

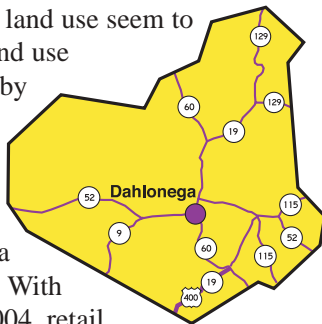


it as "too furry and snakey." That shows signs of change. The abundant land is appealing for long-term investment, interim hunting uses and recreational enjoyment. At \$1,500 to \$4,200 per acre, land can be enjoyed and passed on to the next generation. In the interim, the local debates on land



LUMPKIN

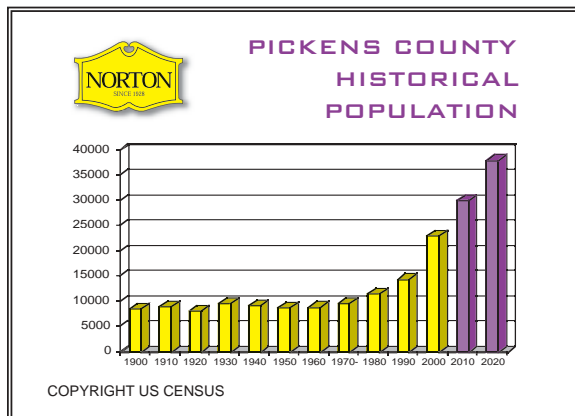
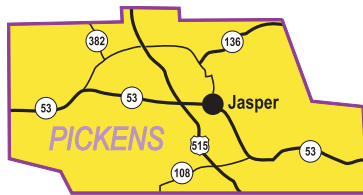
Continued struggles over land use seem to be quieting down as a new land use overlay ordinance is adopted by the county. Several steps away from a zoning document the comprehensive blueprint gives much needed structure and organization to a county in great need of both. With sewer reaching GA 400 by 2004, retail and mixed use development will balance out the farming and residential growth. The bright spot of tourism, plus the wine market is keeping Lumpkin in the black. Financially, land prices are still way out of line with the reality of real sustained growth, especially in Dahlonega,



uses...radical urban developments like a grocery store (defeated in Franklin because of the potential for traffic...yikes!) and disruption of the peaceful agrarian lifestyle will rage on. But, for the Rip Van Winkle, 20-year land plays this county has excellent opportunity. Buy now!

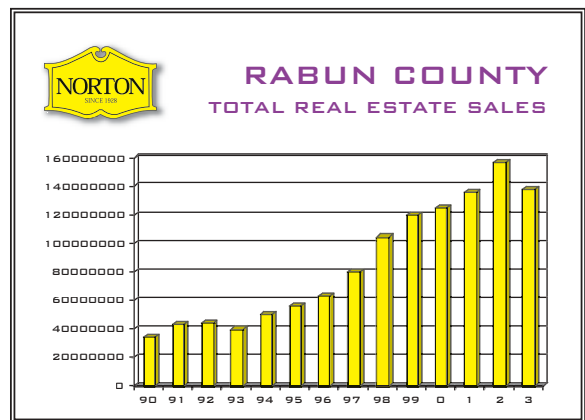
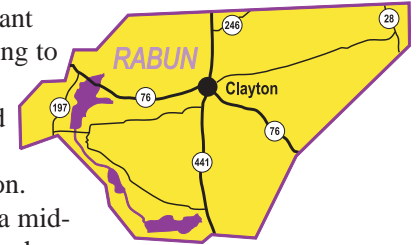
PICKENS

Their newspaper NAME says it all...*Pickens County Progress*. Huge residential gains over the last decade have spurred retail to break out in all parts of the county. Home Depot and Kroger are in the planning stages with other retail following the 515 corridor into bordering Cherokee County. *Native Intelligence* has been researching the foundations of this Pickens growth momentum as our historical focus has been 400, 985, 365, 85 and 316. We see the same domino development effect up I-75 then 515 into our northern region. Accessibility to the North Cobb and Cherokee job markets coupled with abundant, reasonable raw land values overlaid with mountains, streams and lakes attractive to pre-retirement, retirement and second home buyers is a recipe for sustained growth. Progress with a capital P.



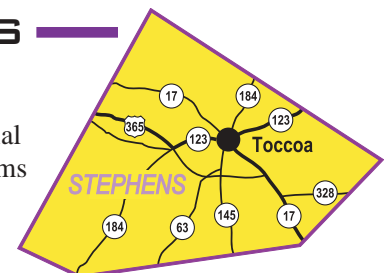
RABUN

Rumors are rampant about new retail coming to Rabun. The regional draw of Wal-Mart and available sites close by fuel that speculation. Although considered a mid-market, the community has transitioned from seasonal retailing toward year-round destination retail rather quickly. The vibrancy of the community peaks mid-summer as the lakes and glens swell with affluency. The market seems to be ripening from specialty goods and services, high-end antiques and accessories, gourmet foods and supplies, and art and apparel located in shopping enclaves around the lakes and downtown Clayton. Gone are the tourist knick knacks and traps. Long live the local wine tasting and bottle buying. We are bullish on businesses in Rabun, but land prices are meteoric and scaring off traditional investment. It looks like if you didn't buy into the Rabun dream in the last 10 years, it might be too late.

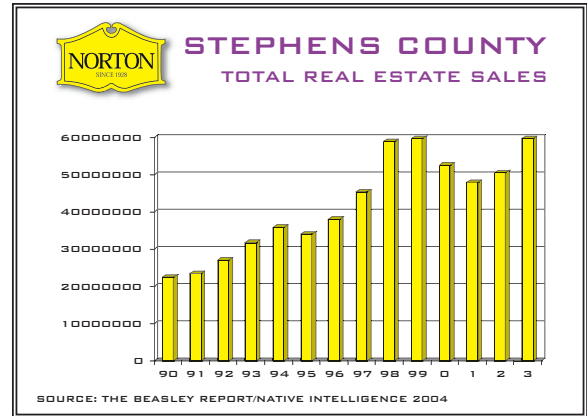


STEPHENS

Leasing activity has picked up in the industrial sector as the market seems to be stabilizing. Ten years of textile shut-downs and industrial

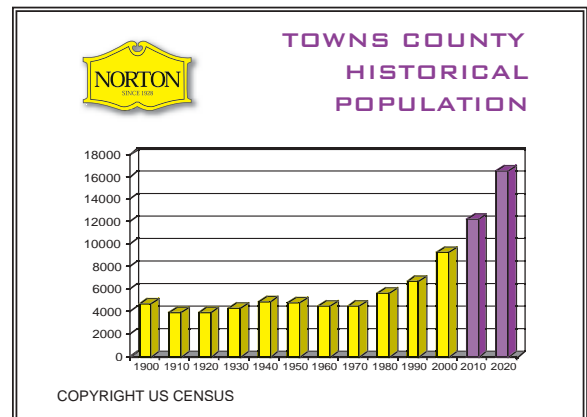
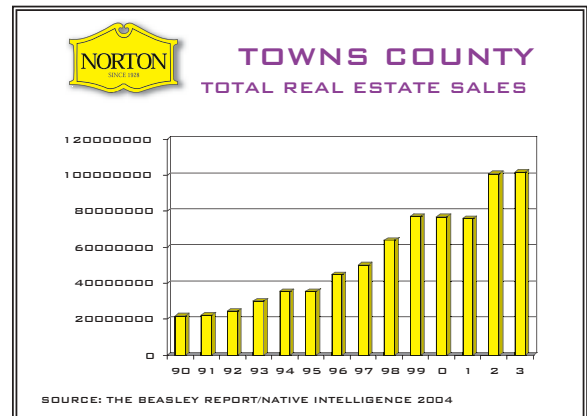
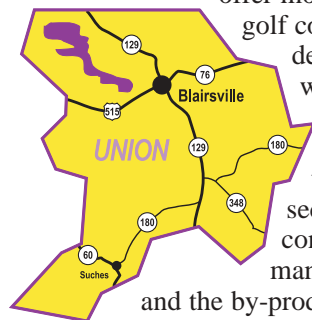
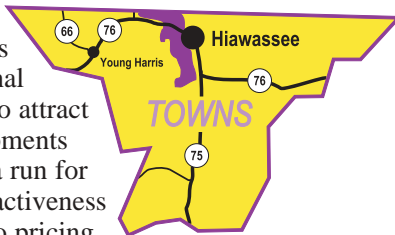


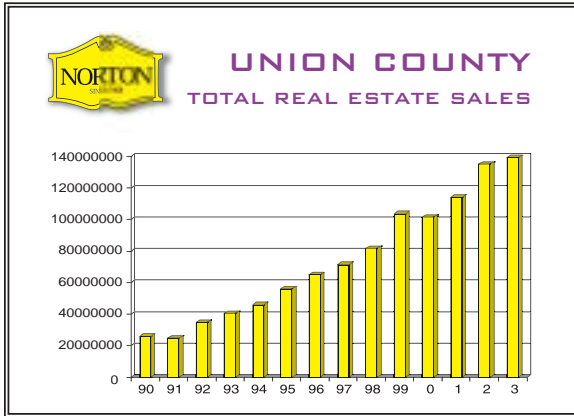
down-sizing left the county shaking and its economic foundations uncertain. Outside investments of the older industrial structures (some bought at \$12.00 per sq/ft) infused new vision into the market. Major capital improvements at Currahee on Lake Hartwell, the continued emergence of Lake Hartwell as a Lake Lanier alternative and a stable productive rational medical community are critical to Stephens' rebound, which has done a great job pulling itself up by the boot straps. Aggressive economic incentive plans for relocating industry, need to be added to the Stephens' business vocabulary as the importance of a clear industrial language will intensify.



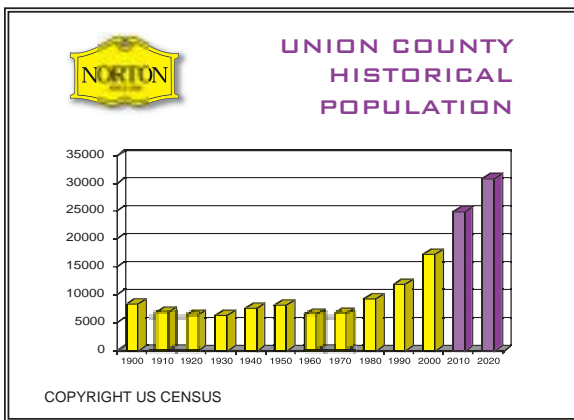
TOWNS & UNION

We can't help but keep these two counties combined in our regional focus. Both continue to attract seasonal home developments and are giving Rabun a run for their second home attractiveness (Rabun may be close to pricing out the middle class second home buyer as Towns/Union offer more cabin for the sq/ft.). New golf courses and planned developments are underway with Brasstown Valley (Towns) a leading benchmark. Watch the retail focus intensify over the next five years as the second home market matures, converts to primary residency for many retirement-oriented folks and the by-product of personal home/nursing home/ medical services market increase. Land continues to soar, building products and trades booked solid and the clear mountain air broken by hammerers and grading equipment.



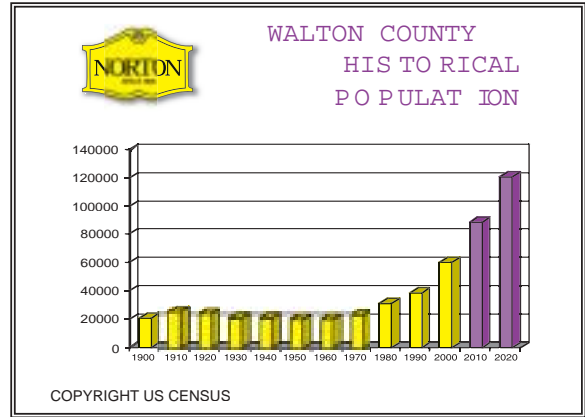


SOURCE: THE BEASLEY REPORT/NATIVE INTELLIGENCE 2004



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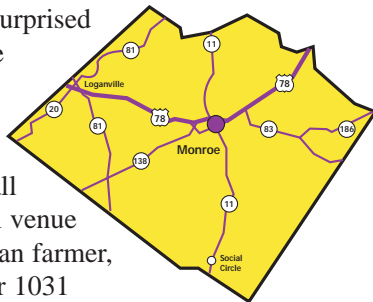
Circle, and Loganville service market and local distribution is healthy and productive, which are strong signs for continued growth.



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WALTON

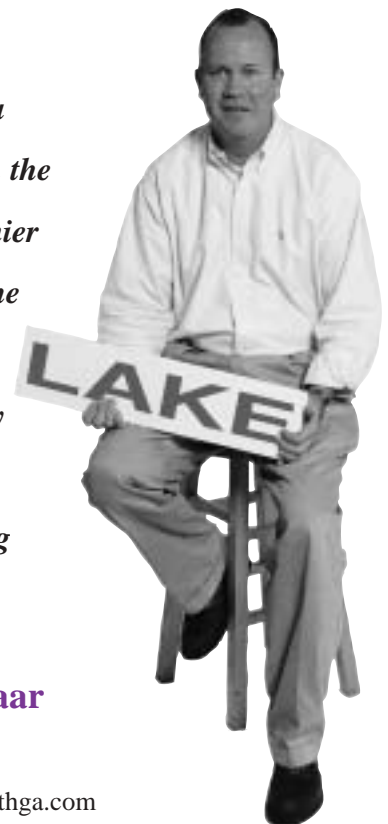
Native Intelligence surprised many followers when we added this county to our regional focus. With the flood gates of Gwinnett powering out all sides, Walton is a natural venue for the escaping gentleman farmer, Gwinnett businessmen or 1031 exchanger. We saw population increase from 38,586 to 60,687 in ten years and we expect it to increase to 85,000+ in the next ten years. While limited in its road access into Gwinnett (Highway 78) proximity overshadows any transportation constraints. In fact, it might even be helping the local retail in Monroe, Social



“*With new corps regulations putting a maximum ceiling on the number of Lake Lanier boat docks, we see the return of 8-10% annual lake property increases and soon demand out stripping supply.*”

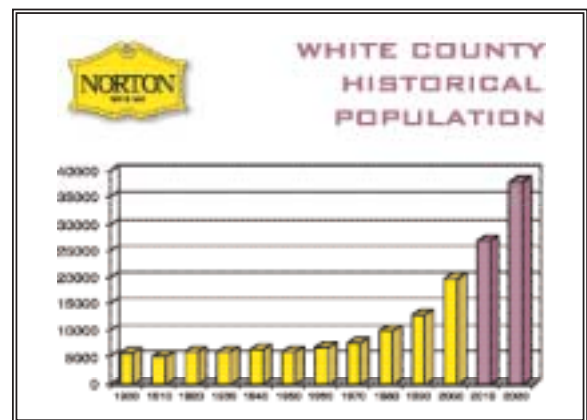
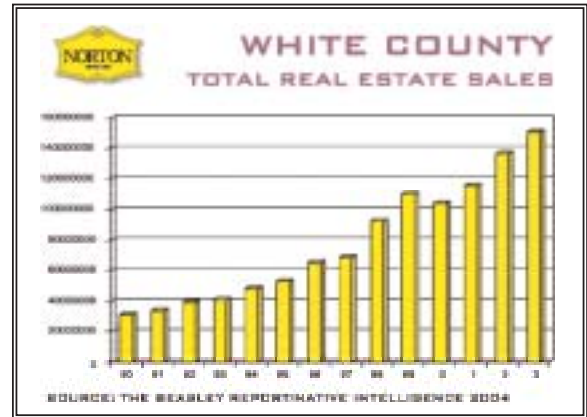
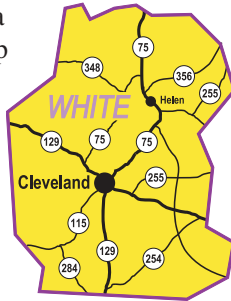
Norman Moolenaar

Lake Specialist
Gainesville Residential
nmoolenaar@nortonnorthga.com



WHITE

This county could best be called a nation divided. Progressive leadership has pushed for liquor-by-the-drink sales, a detailed comprehensive land plan and zoning, but are stopped by the nation of slow growers. *Native Intelligence* hopes that their commitment and resolve will hold despite the noise and rhetoric because they don't bite the residential hand that feeds them. If this county is to move beyond the 1960's mentality into a 21st century world, it needs strong land use regulations and an innovative economic business model. It recently sold the last 82 acres in its industrial park to several outside developers. A renewed commitment to industrial growth and strengthened tourism will keep White from being placed in a squeeze with Hall from the South; Lumpkin, West; Towns, and Union from the north and Habersham from the east.





FAMILY OF FIRMS



COMMERCIAL ACREAGE



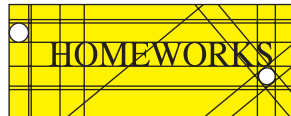
INSURANCE SERVICES



RESIDENTIAL SERVICES



ASSET MANAGEMENT



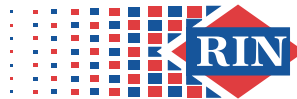
Hickory
Service
Company



Norton • Kenimer



SOUTHERN CAPITAL FUNDS



REAL ESTATE INSURANCE
NETWORK



BUSINESS UNITS AND OPERATIONS

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Robert V. Norton, President, Insurance Services
Spence Price, Chief Financial Officer
Betty V. Norton, Senior Vice President
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Linda Henry, Director Business Development

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SEMINARS • WORKSHOPS

Norton Native Intelligence offers its clients and community organizations customized and pre-prepared seminars and workshops from 20 minutes to one hour in length. These can be arranged by appointment. Call Tommy Howard at 770.718.5204 for scheduling.

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