

NATIVE INTELLIGENCE 2005





FAMILY OF FIRMS



COMMERCIAL ACREAGE



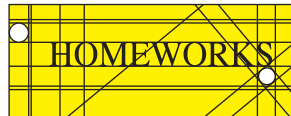
INSURANCE SERVICES



RESIDENTIAL SERVICES



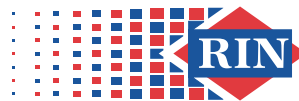
ASSET MANAGEMENT



Hickory
Service
Company



Norton • Kenimer



REAL ESTATE INSURANCE
NETWORK



We thank and acknowledge the tireless work of Matthews Printing Company who has proudly printed this Forecast for 18 years.



Frank K. Norton, Jr.



Robert V. Norton

Out of the Box Thinking

Q... we know you've heard the phrase a million times... "Think outside the box." It's been well recorded in this new millennium but have you ever thought about the *size* of that box?

Some people think outside the box, yet it's only a cube two feet square, others the size of a small living room. An isolated few think outside the box, but theirs is the size of a small town.

For generations great leadership in the community of North Georgia has envisioned great things.

- An integrated chicken process and international food products distribution system;
- An east coast transportation system with multiple access points bisecting Northeast Georgia – I-85;
- A visionary wine processing and tourism industry;

and many more...

No, we don't think anyone in North Georgia invented the light bulb or phonograph, but innovation and creativity have been prevalent for generations.

- Governor Hardman built the most comprehensive cattle barn and dairy operation in Nacoochee Valley in the late 1800s.

- Engineers redirected rivers and streams to create water blast canyons to harvest gold from the sides of North Georgia cliffs in the early 1900s.
- And Chemist/Pharmacist Crawford Long working in his pharmacy perfected the use of ether in anesthesia in his hometown of Jefferson.

The Norton Agency is proud to think out of the box and prouder still to be part of North Georgia's growth and legacy. For 76 years we have worked side by side in our great communities building, investing, volunteering and at times pushing some forward. It's not about selling real estate, homes, building, land or individual insurance policies. Its about improving communities through recognition of economic development opportunities.

We believe the new economy is based on innovation and we strive to think outside the box, problem solving every day. We pledge to our clients and communities that we will continue to think outside the box and push others to do so as well: stretch boxes, equals unlimited potential.

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

Robert V. Norton
President, Norton Insurance

TEN TRENDS

It's tea leaf time again. Once again, as we have for the past 18 falls, The Norton Agency and its staff sit down, and pour over the stacks of statistical information, focus group interviews and newsworthy happenings to determine North Georgia's directions of growth and, most importantly, uncover ten meaningful trends. Trends which transcend county borders or geopolitical districts... trends which our clients, friends and associates might capitalize on in the future.

And each year our commercial team hotly debates our top trends sifting from 15 or so to our core of ten, thus enabling us to provide clarity and keen insight into the vibrancy of our market and emerging or leading edge opportunities.

LAND RUSH

"There's gold ON them there hills," "Not IN um." We saw the great Land Rush take hold in 2004 and intensify. Fueled by a stable, if not strong, Atlanta economy and a robust housing industry the "Great Land Grab" is on. Developers and builders see sunny skies ahead as they rapidly work through lot inventories and zoned land and have dispatched their acquisition explorers out to the netherworlds of Barrow, Jackson, Hall, Banks, Dawson, Pickens and Lumpkin. It seems the appetite is unquenchable and we project the buying cycle will be sustainable for a decade. "Gamblers and gunslingers in the wild wild west."

On top of the developer money, overlay millions of dollars being invested in 1031 exchange money from sales south of our region... (We conservatively guesstimate there is \$250 million in 1031 exchange money at any one time in the Greater Atlanta Real Estate Pool). Coupled with this are investment dollars in today's market looking for alternatives to lack-luster stock market returns. Call that "Dirt Diversification." Shrewd investors strategically putting their flags along the exits of 85, 985, 441 or GA 400. While the "no brainer" buys are long gone, we are bullish on the product class and still see many "investment grade" properties on the market.

Price Points have risen substantially over the last 18 to 24 months with double digit jumps in annual prices at

certain high pressure points. As one major investor said recently, "It's hard to find anything to steal anymore." Sewer is still gold in the residential development industry as increased county regulations on private septic tanks have driven some builders away from anything but municipal or private plant treatments.

Norton *Native Intelligence* believes this land buying trend is sustainable. The balanced forces of a diversified economy, a national push toward home ownership and the sociological need for a place, a space, of our own coupled with an unwavering migration of new folks to Atlanta spells GROWTH. This is much more than the land frenzy of the 1970s or the mid 1980s. Its underpinnings are sound, strong and durable.

Average Land Prices

| | 1999 | 2004 | % Increase |
|-----------------------|------------------|------------------|------------|
| Banks | \$2,500-3,500 | \$6,000-10,000 | 140%-186% |
| East Dawson | \$10,000-14,000 | \$13,500-18,000 | 29%-35% |
| East Hall | \$4-6,000 | \$8-10,000 | 100%-167% |
| Habersham | \$5,000-6,000 | \$8,500-15,000 | 70%-150% |
| Habersham | \$20,000-50,000 | 35,000-100,000 | 75%-100% |
| (view/water) | | | |
| Lake Lanier | \$35,000-125,000 | \$65,000-100,000 | 86% |
| (raw w/boat dock) | | | |
| Lumpkin | \$5,000-9,000 | \$8,000-16,000 | 60%-78% |
| North Dawson | N/A | \$5,000-6,500 | N/A |
| North Forsyth | \$15,000-20,000 | \$25,000-40,000 | 67%-100% |
| North Gwinnett | \$25,000-35,000 | \$50,000-145,000 | 100%-314% |
| North Hall | \$8-12,000 | \$12-16,000 | 33%-50% |
| North Jackson | \$6-7,500 | \$8,500-11,000 | 42%-47% |
| South Forsyth | \$25,000-30,000 | \$25,000-40,000 | 0%-33% |
| South Forsyth | N/A | \$50,000-150,000 | N/A |
| (sewer) | | | |
| South Hall | \$6-15,000 | \$25-30,000 | 100%-316% |
| South Hall | N/A | \$35-50,000 | N/A |
| (sewer) | | | |
| South Jackson | \$4,500-6,500 | \$14,000-17,000 | 211%-165% |
| South Jackson | N/A | \$30,000-40,000 | N/A |
| (sewer) | | | |
| West Dawson | \$5,000-6,000 | \$8,000-11,000 | 60%-83% |
| White | \$3,700-6,000 | \$7,000-14,000 | 89%-133% |
| White | \$5,000-6,000 | \$15,000-25,000 | 200%-317% |
| (view/water) | | | |

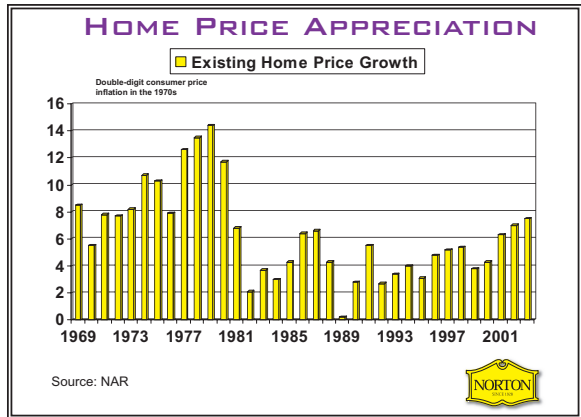
Source Norton *Native Intelligence*
Selling Price 50 Acres Undeveloped

LITTLE HOUSE ON THE PRAIRIE

“The Little House on the Prairie” is no longer cheap with the average house in the North Atlanta Exurbs now at \$186,000. But the more disturbing trend for the development industry is the "cost" of a home, at least within the employment zones of megolopic Atlanta **RAW COST**.

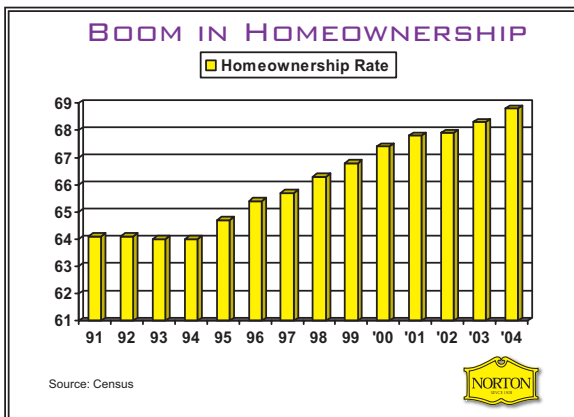
Let us explain. The raw cost of a house, that's the raw materials, grading and labor for construction of a house on an economic basis are the same in Jefferson as they are Duluth; the same for Dahlongega as they are in Buckhead. Yes, some differences in quality of construction or material grades still exist but the raw economic model is **exactly the same**. The materials come from the same lumber yards. Labor cost of grading, masonry, electrical, framing, mechanical or roofing are coming out of the same labor pool be it Sandy Springs or be it Gainesville.

The high velocity of growth is blurring the lines of separation between counties, merging labor pools, and stretching subcontractors. The workforce has become sophisticated, aggressive and mobile. It's this mobility that has changed the practice of home building as it is performed today. No longer true “one-at-a-time” craftsmanship (OK there are still craftsman out there) it has become integrated, "just-in-time" deliveries, machined offsite component creation and systems engineered to produce the best product in the least amount of time, thus cost.



The only variable in price remains the cost of land, the development infrastructure, the cost of sewer/septic and the allowable density. That's what makes a new home in Lula \$109,500; the same house \$175,000 in Dawson county or \$145,000 in Pendergrass. Density has helped keep some house prices in check with increasing raw land prices, developers reducing lot sizes. Holding the line on value.

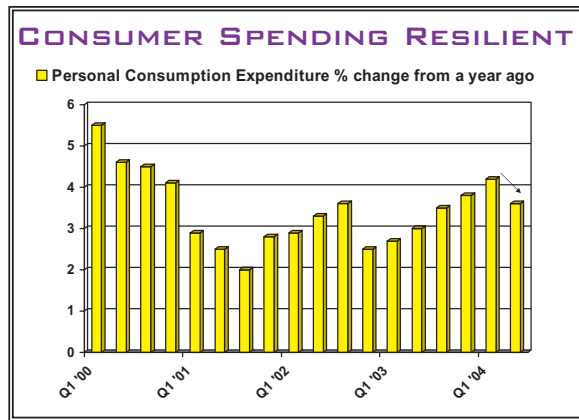
The real test in this economic model has been in the affordable home-first time home market which has commanded as much as 75% of some counties' expansion. Astute production builders have systemized their housing process to the point of making Henry Ford blush. Plastic parts, component kitchens, trusses, lock in floor systems and packaged mechanical systems are all employed. This lack of customization further contributes to the homogenization of the development and home construction industry. "One 3-2 split foyer over the double car garage looks surprisingly like another." We long for the days of winding streets, "real" virgin trees saved by creative development plans and variations in style, color and material, yet fully acknowledge that row after row of Frank Betz designed brick houses sell and sell with velocity. Variety is the spice of life in this seamless priced homogenized pop-up world we're building.



WAL-MART MAKES US SMARTER

Native Intelligence in its 1998 report voiced grave concern over the homogeneity of "Big Box" retailing in our region as well as the nation. To paraphrase our comments "Drop yourself blind-folded in the middle of a Wal-Mart parking lot and where are you?" But despite the onward march of the 1000 lb Gorilla... Wal-Mart... **the mom and pops who are innovative and provide high quality service are thriving.** The classic David vs. Goliath struggle is emerging in numerous sectors across this region. In the age of Starbucks Coffee "Davids" like the *Idiot Savant* in Rabun, *The Little Yellow Coffee House* in Gainesville or *Sweet Water Coffee Shop* in Nacoochee Valley, each compete with better products, better value and a genuine willingness to serve their customers. Norton *Native Intelligence* believes in Darwin's survival of the fittest when it comes to retail, but national study after national study points out that small innovative retail can still compete and **SURVIVE** against the volume sellers.

The sidebar is that shopping locally is important to a community by providing a great labor base and tremendous tax revenues to the host county. Retail concentrations should also be seen as a magnet through which to invigorate a community's specialty retail while keeping the locals shopping locally.



Another example involves the Hispanic segment of our regional population. As a class, they are most likely the largest group of loyal Wal-Mart customers. It's their **department retail store** that is geared solely to this market for soft goods and basic food purchases. But at the other end of the spectrum, Hispanic taste in food, clothes and entertainment is the fastest growing independent retail segment in the North Georgia region.

Wal-Mart isn't putting them out of business

It's this "out of the box" thinking that can launch a chain of a thousand Dollar General or Family Dollar stores. The days of one size fits all are gone. Specialty retail now emphasizes customization, mix and match, boutique, delivery services and special order considerations to optimize local retail. CVS vs. Riverside Pharmacy... Publix vs. Green's Grocery ...Atlanta Bread Company vs. Mrs. Rhodes Bakery. Innovate service, imagine (new word) and thrive.

THE HOUSING INDUSTRY

The Housing Industry is an **Industry** with a capital I. Recently Norton *Native Intelligence* and its sister consulting business *Strategic Insite*, completed a study of the housing industry for the Forsyth County Chamber of Commerce. Largely ignored or under the radar (it's Rodney Dangerfield "I can't get no respect") **INDUSTRY** and **HOUSING** are the largest industries in the region ...invisible but everywhere ...unstructured but sustainable. The housing industry in North Georgia is the leading provider of jobs, services and long term county tax base. Some basic statistics:

The housing industry in North Georgia employs directly 149,000 and indirectly 19,750.

A total of 17,000 single family housing permits were issued in 2004 in our region (plus another 9000 in Gwinnett 2004).

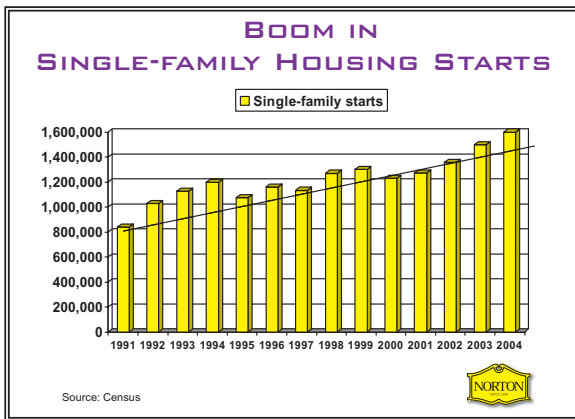
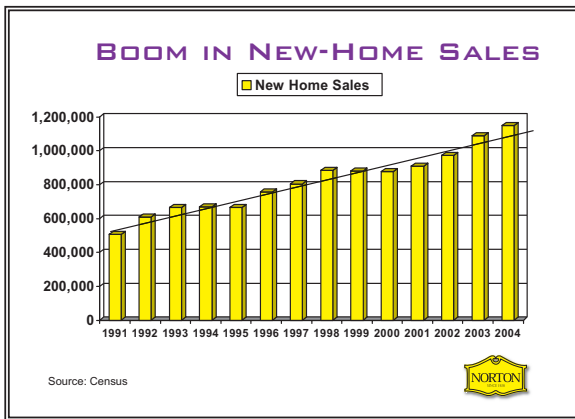
The average permit is estimated to be \$125,000 or a total construction value of \$3.25 billion and a retail new home value (add lot financing and brokerage services) a whopping \$4,550,000,000.

And this industry has been unfaulted by layoffs, shortage or war. The industry is stratified into:

- Affordable 1st time homes
- Move up and executive level homes
- Super sized estates and custom homes
- 2nd homes

Each produces substantial new jobs, one time tax revenues for permits and fees and sustainable tax base.

So, like a stealth infantry battalion slowly, methodically creeping up on the mountain regions of North Georgia, the housing industry has permeated every nook and cranny of the region and made itself a home. New zoning regulations, building codes, development standards, which while warranted, must be balanced with clear understanding of the unintended consequences of tempering the economic engine or killing off that golden goose. Yes, we'll hear gripes of restrictive inspectors but the industry evolves and adapts. It's the **MORATORIUMS** and the injunctions that send the wrong signals to an industry that's pulling more of its weight than others.



Estimated Single Family Home Permits

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|------------------|------|------|------|------|------|
| Banks | 128 | 115 | 122 | 109 | 125 |
| Barrow | 855 | 949 | 1227 | 1333 | 1459 |
| Cherokee | 2882 | 2769 | 3199 | 3442 | 3548 |
| Dawson | 282 | 380 | 466 | 378 | 365 |
| Forsyth | 3189 | 2539 | 2448 | 3093 | 2896 |
| Fannin | 797 | 835 | 929 | 1011 | 1103 |
| Franklin | 22 | 25 | 23 | 22 | 25 |
| Gilmer | 485 | 585 | 614 | 670 | 819 |
| Gwinnett | 9044 | 9743 | 9414 | 9049 | 9456 |
| Habersham | 375 | 370 | 374 | 416 | 408 |
| Hall | 1657 | 1627 | 1509 | 1550 | 1800 |
| Jackson | 800 | 767 | 910 | 853 | 1455 |
| Lumpkin | 285 | 285 | 245 | 306 | 325 |
| Pickens | 391 | 493 | 424 | 254 | 355 |
| Rabun | 289 | 297 | 327 | 355 | 379 |
| Stephens | 89 | 97 | 79 | 74 | 101 |
| Towns | 181 | 231 | 297 | 264 | 345 |
| Union | 400 | 421 | 489 | 517 | 600 |
| Walton | 1216 | 1206 | 1260 | 1412 | 1363 |
| White | 313 | 358 | 367 | 326 | 297 |

Source: Norton *Native Intelligence*
Selig Center UGA

WHO WANTS TO BE A MILLIONAIRE?

The Rise of an *Appalachian Aristocracy*

Part A

Norton recently had the opportunity to sell an old apple orchard in Jackson County. "Not just any old apple orchard," this one had been in the same family for six generations and had been split in two by some obnoxious road called I-85. At the closing, the kind elderly couple lamented about the good old days when Mama would load all the children in the back of the Lincoln and have their driver take the whole lot to Lenox Square for a day of shopping. As I was sitting listening and recognizing that the family farm was selling for millions, I recognized an invisible Aristocracy existed, one that enveloped the Hills of Habersham, Valleys of Hall, and Ridges of Forsyth.

It's not necessary to name specific names because this landed gentry is swelling in numbers as land prices soar.

It's no longer just "CHICKEN Rich Folks," it's those who have held on to family holdings which are reaping a new kind of cash crop. The cotillions are the square dances and church socials of an *Appalachian Aristocracy*. Everyone owning 100 acres in Jackson County at \$10,000 acre is a millionaire (on paper) 50 acres in Dawson, 20 acres in Forsyth. How fortunate the path of progress is moving, like an unseen hand, across our rolling fertile forests.

Part B of this 2005 trend, is the emerging gentleman estates. Large scale 21st century castles are being built in our region. Whether the source is homegrown money or carpet-bagging newcomers, North Georgia is attracting the super wealthy in their luxury castle cocoons bringing power, influence and opportunity. It's...

- The folks using a helicopter to deliver their kids to a private school;
- The much touted 40,000 square feet villa under construction in Forsyth;
- The 1700 acre genetic horse breeding farm in Barrow County;
- And Country French, English Tudor and Spanish Revival Villas dotting Lake Lanier and the countryside.

We expect this trend to grow as our community has so much to offer and room to stretch.

6 DUKES OF HAZARD

Father advice to son Dustin Hoffman in the movie "The Graduate" was "Plastics my son, Plastics." Well, today, in the commercial real estate business it might be "follow the car dealers." In the 1970's our good friend Milton Martin bought 15-20 acres or so out west of Gainesville in the middle of nowhere on which to build his Toyota dealership. Thirty years later you can't buy property on the strip that boasts every automobile brand conceivable and in the age of comparison shopping draws thousands weekly. Build it and they will come.

Now fast forward to 2000. Three new North Georgia auto mall areas emerged. The large auto mall area along Highway 20 in Buford toward Mall of Georgia and the development of Universal Chevrolet, Jackie Jones Ford carved out of the mountains leading into Cleveland. In

just a short three years, these three regions are attracting other brands and associated retail and support services. In 2004-2005 we will see three other pioneers. John Megle, now under construction in Dawson along GA 400, Hayes just opening in Baldwin GA 365 and Duvall Ford-Chevrolet in Rabun County. Norton *Native Intelligence* thinks these guys are dumb like a fox and with their extensive dealer research are on the leading edge. By one estimation, the surrounding land has already appreciated 25-35% with the pioneers the winners. Watch for more regional automobile dealerships positioning and upgrading.

Follow the car dealers my son...

7 FLY ME TO THE MOON

Increased Importance of Airports

9-11 has had its own effects on the world and on North Georgia. Heightened awareness of personal safety, vulnerability and concern for family are amongst the long-term effects on our society. Nationally, as well as locally, a trend of gravitation to private air transportation is growing. Security lines and travel time lengthens at Hartsfield and the small corporate airports, Charlie Brown and DeKalb Peachtree, are booming. Atlanta's Hartsfield-Jackson is expected to board 90 million passengers in 2005. Private airplane/jet ownership is expected to increase 135% over the next 10 years as the alternative travel plan increases in importance. One major advancement is the entry of a new, lower-priced, higher fuel-efficient jet engine, patterned after the cruise missile. This industry revolution should put private air transport in reach of many more small and medium businesses dependent on regional air travel.

Fast forward to the North Georgia region. Our strategic airports are all within short striking distance of corporate Atlanta. And while Atlanta may never build a 2nd airport (Dawson County 12,000 acres) it is certainly plausible that our airports will strike commuter gold with their proximity. Already new instrument landing systems are underway in Gainesville. Baldwin has just extended its runway for corporate jets and Jackson County has won a prize. They were able to attract a major Atlanta medical helicopter service base. Mechanics and service personnel are now based in Jackson County, but what's more important is the increased tax revenue from million dollar equipment now housed locally. Norton *Native*

Intelligence sees the increased importance of these small commuter airports as an important link to the counties' economic development initiative. It's no longer how far from the Atlanta airport? It's how far to my corporate plane.

| Airport | Approximate Runway Length |
|------------------|---------------------------|
| DeKalb Peachtree | 6,000 |
| Lawrenceville | 6,000 |
| Gainesville | 5,004 |
| Dawson | Private Airport |
| Jackson | 4,108 |
| Stephens | 4,000 |
| Cumming | Private Airport |
| Habersham | 5,000 |
| Barrow | 3,610 |

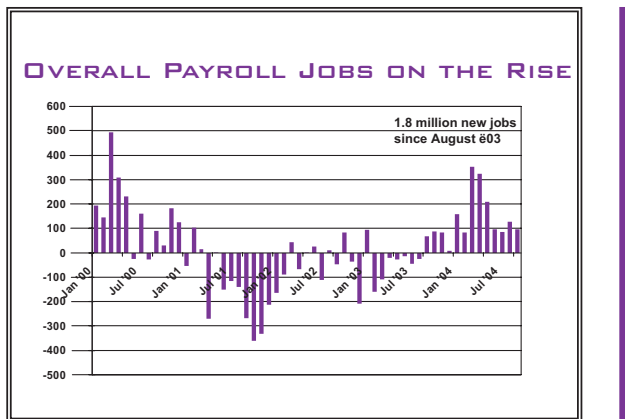
Norton *Native Intelligence* contends it's not the FORTUNE 500 industries that are keeping our economy rocking and rolling, it's the FORTUNE 50,000. Just look at the industrial business expansion throughout our region – Kelly Mill 306-(Forsyth), Baldwin Industrial-(Habersham), Braselton Industrial-(Jackson) Bristol Industrial-(South Hall), Interstate Ridge and Atlas Drive in Hall.

| Largest Single Industry | |
|-------------------------|---------------------------------|
| County | 2003 |
| Forsyth | Tyson Foods |
| Hall | Northeast Georgia Health System |
| Habersham | Fieldale Farms |
| White | Freudenberg-Nok |
| Lumpkin | North Georgia University |
| Towns | Mohawk Carpet |
| Jackson | Caterpillar Inc. |

SMALL BUSINESS EQUALS BIG BUSINESS

Despite the national press focus on job loss, flight of manufacturing overseas or corporate outsourcing; Industry, small industry is alive and well in North Georgia. Actually there are two ways of looking at the national labor base:

First, the national payroll study published by the Bureau of Labor studying industries employing 500 or more indicates that America has lost 1 million jobs from these industries (4 years). **Second**, conversely the national household survey actual business indicates over 4 million jobs have been created in the same period.





“North Georgia is fertile ground for acreage investments as land sales price increases are outstripping most other economic returns.”

Matt McCord
Acreage Sales

ECONOMIC OUTLOOK

| | 2004 | 2005 |
|------------------------|-------|------|
| GDP | +4.4% | 4.1% |
| Unemployment Rate | 5.5% | 5.1% |
| Job Growth | 1.0% | 1.8% |
| Real Disposable Income | 3.1% | 4.2% |
| Consumer Confidence | 97 | 108 |

SOURCE: NAR

This is true job growth in “no name” business which underpins the fundamentals of our prosperity. We believe the demand for small space 5,000 to 15,000 sq ft – will continue for the rest of the decade as Atlanta fuel feeds on itself. One needs to understand however, these industries and the opportunities they represent are looking for value in space, to pay little premium for luxury digs... rather simple, clean, safe and functional; not cheap, but basic is the right direction. While our chambers and state recruiters search out for the big boy users of 200,000 and up, it's these smaller guys that ROCK. And the associated side benefit is the small guys aren't sophisticated enough or carry the clout to ask for economic recruitment concessions to relocate from one community to another, they just do. We are not however saying disparaging remarks against the larger users and the value and jobs they bring to a community, but it's the little guy who is building our community one widget at a time.



Betty Howard
VP-Investment Sales

“ We still see too many dollars chasing too few properties keeping cap rates in the cellar.”

SHOW ME THE MONEY

There is no more evident example of our "Out of the Box" theme this year than the unique, creative, problem-solving solutions for our county and city governments. Economic model.

The problem: Shrinking tax revenues, stagnant job growth, disproportionate tax bases, reliance on single industries or industrial categories for revenue.

It's a shock to the system when cataclysmic plant closures, road diversions or plant consolidations occur. Stephens County's reliance on a textile base is a classic example of what not to do. Now the county's leadership is retooling its vision and developing strategic initiatives to rebuild its economic engine. Barrow County quickly replaced its largest employer Duckhead with another apparel maker Chico's, and has stepped up its community effort to diversify, innovate and educate its populace on the merits of a **proactive united vision**.

| Unemployment | % (October 2004) |
|--------------|------------------|
| Banks | 2.9% |
| Barrow | 4.4% |
| Cherokee | 2.9% |
| Dawson | 2.4% |
| Fannin | 3.5% |
| Forsyth | 2.4% |
| Franklin | 4.1% |
| Gilmer | 4.0% |
| Gwinnett | 3.4% |
| Habersham | 2.3% |
| Hall | 3.0% |
| Hart | 4.8% |
| Jackson | 3.3% |
| Lumpkin | 2.6% |
| Pickens | 3.1% |
| Rabun | 1.8% |
| Stephens | 5.5% |
| Towns | 1.5% |
| Union | 2.7% |
| Walton | 3.9% |
| White | 2.8% |

Source: Georgia Department of Labor

We have long cited the purpose driven vision of Buford, "To expand the business of Buford to benefit its citizens wherever, whenever possible." Now we don't know if it's even written anywhere, but Phillip Beard and the other city leadership have built a powerhouse of an economic engine attracting small businesses to serve Gwinnett and large businesses to balance jobs, adding a myriad of retail and service sector jobs in between. Buford is a formidable creative business force knocking on the door steps of Mall of Georgia... As a side note with the departure of Gwinnett Commission Chair Wayne Hill, we predict Mall of Georgia will be soon annexed into the city of Buford and (their taxes will go down)...

Now creativity is juicing along in other communities as well.

- Sewer initiatives in **SOUTH HALL** are directed to broaden its business base and finally pull that region out of a downward spiral of affordable housing and diversification into business sectors;
- Dawson County has captured long-term leases on 5 key US Corp Park holdings and initiating planning and economic initiatives to capitalize on these windows to Lake Lanier;
- Jackson with the aforementioned helicopter center;
- Lumpkin County's growing wine industry and new focus on tourism;
- Hall's national promotion of its liquid assets and Lake Lanier shoreline as the place to live, work and play hard;
- And finally, Braselton's 3 year metamorphosis from sleepy hometown to aggressive Municipal player in the court of 85 economic activity. Labeling themselves "the gateway" along the road (85) to everywhere (East Coast) Braselton is poised to be Metro Atlanta's next great city (watch out, Buford). Its unique mix of history, executive and affordable housing, industrial distribution and business activity will benchmark the entire corridor.

LEADERSHIP IS NOT A GAME

Growth ... No Growth... Growth... No Growth... Faster than a game of Chinese ping pong, North Georgia is struggling for clear, concise, unified *continuous* vision. What do we want to be? How are we going to get there? How can we keep from screwing things up? "Some county commissions change direction and policy every four years, while others change every time they meet." While our communities are no different from hundreds of others across the country struggling with the same issues, *Native Intelligence* wants to turn this negative trend into one of positive opportunity, **SUSTAINABLE VISION**.

The concept is heading generally in the same direction of growth and economic prosperity regardless of the people in power. No Utopian view of reality, but a realistic approach to get from point A to point B without changing planes in Albuquerque.

The old school leadership uses force, intimidation and bully politics to move a county or city forward (sheer political will, behind closed doors). **Sustainable leadership** listens, compromises and leads the electorate in a common direction making them pleased with the trip along the way.

"Atlanta is a catalytic energy force, feeding on its own energy, regenerating every half life and shedding its old city skin in its wake. Metamorphosising outside its own body influencing, consuming."

If we as a regional community are to survive... maintain our own identity, preserve our heritage, our soul, our independence, then we need to throw out our ping pong game, summit with the community leaders, perhaps even summit across county lines. Regionalism isn't bad if energy is directed and channeled. Every new commission has a 2-year learning curve, then with staggered terms, there follows a new 2-year learning curve. Sustainable leadership is perhaps 2005's greatest challenge.

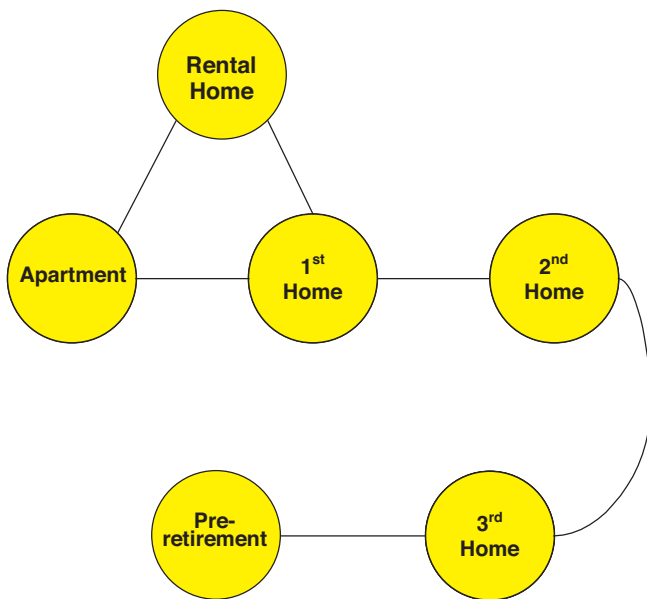
THE FIVE FOOD GROUPS

A North Georgia Balanced Diet

Housing

Fueled by relatively low interest rates and a national policy toward home ownership, the housing market should continue on its same upward march at least through 2008. As interest rates tic up new mortgage products, adjustable rates and buy downs emerge. It is still cheaper to buy than rent. Affordable "first-time homes" are selling as high as \$150k. The second home market in North Georgia (also well documented in this report) should help sustain material and labor suppliers beyond the current development cycle. Inventories for all products (under \$1 million) are relatively balanced with demand.

Buyer Cycle

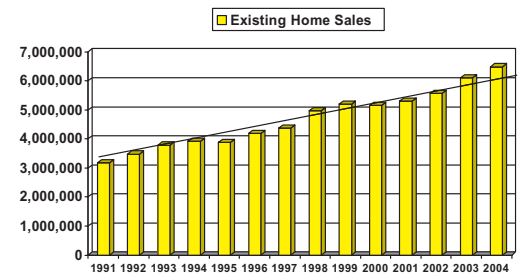


Housing Outlook

| | 2004 | 2005 |
|--------------------------------------|--------------|--------------|
| Existing-Home Sales | 6.00 Million | 5.93 Million |
| New Home Sales | 1.07 Million | 0.98 Million |
| Housing Starts | 1.84 Million | 1.70 Million |
| 30-Year FRM (end of year) | 6.6% | 7.0% |
| 1-Year ARM (end of year) | 4.4% | 5.4% |
| Existing-Home Prices | 4.7% | 4.5% |

Source: NAR

BOOM IN EXISTING-HOME SALES



Source: NAR

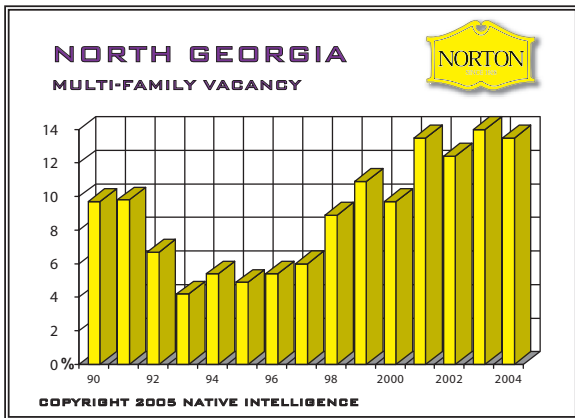


Office

North Georgia, with low speculative office inventories and moderate demand, is faring well during this period of Atlanta service sector employment stagnation. The Atlanta market has a 18.7% suburban office market vacancy and a 22% vacancy downtown as compared to a 8% estimated vacancy in North Georgia. While pockets of vacancy are visible, the huge inventory, **some** 8 million sq ft of occupied space is well positioned. Strongest segments of the market continue to be medical and medical support with strong rents, above average absorption and an ever-expanding market.

Multi-Family

Ok, it's time to quit building for now, as the Atlanta apartment market as well as those of Gwinnett and Hall have taken a beating from a low interest rate home purchase market. We think it's a 3 to 4 year absorption cycle for remaining inventories... less in outlying markets as too much money fueled too much development. Rental concessions, free giveaways and 6 months leases are the norm.



Industrial

The I-85 corridor is a well-documented, hourly wage-earning distribution, manufacturing and light assembly region. Its growth will continue as a link to major east coast markets. Watch for a proliferation of big box spec buildings to be built along the road from Braselton to Commerce as major brand industrial developers attempt to capture that market.

The real economic opportunity still remains small industry. See Trend 8.



Robert Matthews
VP-Partner

“Retail still has not caught up with the North Georgia rooftops... it is as much as 50% behind the consumer demand. Watch for major retail positioning in 2005 and 2006.”

Retail

Conversely, the development picture for retail is opposite that of multi-family. Retail consumer and food services have a way to go to catch up with all of those roof tops. The Kroger and Publix wave is just starting as they intend to slug it out for dominance. The lower end is segmenting against the Wal-Mart Super Stores. The future of Ingles Markets, Bells, and Food Lions will depend on how well they can compete and provide services. **BUT** the retail explosion has only just begun. Consumer confidence is high and new household formation strong. All those baby boomers are in their prime spending years. It's like cash in the bank!



21ST CENTURY LEADERSHIP

Each year, Norton *Native Intelligence* recognizes 10 individuals whose influences have 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 are profound. These 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 | • Ronnie Hopkins | • Donald Panoz |
| • Phillip Beard | • Bill Johnsa | • Sonny Perdue |
| • Dennis Bergin | • Jackie Joseph | • Randall Pugh |
| • Sam Chapman | • Bryan Kerlin | • Jennifer Scott |
| • David Claybo | • Chris Lovelady | • Ron Seder |
| • Broughton Cochran | • Scott Martin | • Brian Shuler |
| • Carlyle Cox | • Wayne Mason | • Tom Slick |
| • Al Crace | • Steve Mills | • Jimmy Talent |
| • Kit Dunlap | • Billy Morris | • Erwin Topper |
| • Paula Gault | • Chris Vandiver | • Dick Valentine |
| • Gary Gibbs | • Nonnemaker | • Russell |
| • Pat Graham | • Danny Otter | • Philip Wilheit |

10 LEADERS FOR TOMORROW

■ CHRIS MADDUX

Young, wealthy, powerful Maddox represents a new breed of enthusiastic Barrow County business leaders. Willing to roll his sleeves, open up his pocketbook, or make midnight calls lobbying for the good of Barrow are just what the community needs. While his family land holdings are strategic and his bank influential, it's the power of Chris's direct involvement that speaks volumes. We hope others will take his lead.

■ PAT BELL

Jackson County's grandmotherly former House of Representatives member and County Commissioner takes office January 2005 as Chairman of the Jackson County Commission. Her daunting challenge is steering the freight

train of growth: industrial expansion, infrastructure and housing explosion while stoking the fuel of job sustainability and county financial stability. **We think they elected the right conductor.** The decisions made in Jackson during the next four years will blueprint the county for the next **FIFTY**. Don't underestimate Pat's grandmotherly demeanor. Her toughness, state political acumen, and hands-on style will make waves and steam. All aboard!

■ DUDLEY OWENS

Scion of an old line North Georgia poultry family, Owens has used his family connections and own financial resources in order to shape and direct his hometown county, Lumpkin. His family property is Dahlonega's leading edge community, Birch River. Owens is on the Dahlonega City Council and Interim Director of both the Economic Development Authority and the Water and Sewage Authority. Recently Owens has been involved in a massive sewer extension to Georgia 400 opening up new territory ripe for business retail expansion... spell that **TAX BASE**. Fortyish Owens has a long future ahead and with his driving personality could help shape Lumpkin for generations.

■ TOM OLIVER

The newly-elected County Commission Chair in Hall will bring a breath of fresh air to the contentious county government. While he and political newcomer Billy Powell defeated antigrowth commissioners, they will soon prove, we think, that they are "pro-reasonable thoughtful growth and not open the spigots to full force growth." Oliver is a commanding presence, his strong agri-business background and savvy in-the-trenches political intuitiveness is just what Hall needs. Hall's recent lack of major business growth (too many mixed signals from government) precipitated by stalled infrastructure will need a jumpstart. Oliver's 4 years will give Hall that kick.

■ HENK EVERS

■ TONY MASTANDREA

■ SCOTT ATHERTON

In a quiet orderly transfer of power, Donald Panoz has turned over the operation and ownership reins of the Chateau Élan empire to these three musketeers. Young, bright, and energetic, these three men undoubtedly will take Panoz's bold vision, shape and enhance it while preserving its cache. We see Chateau Élan as the epicenter of an emerging city, eclipsing its mother host Braselton and becoming North Atlanta's north anchor. Chateau Élan's underdeveloped properties are estimated at 900

acres, not to mention the redevelopment or densification potential of its holdings. Crossing over and affecting the region's four counties are exploding hotel, tourism, industry, office, medical, all within this executive level housing region.

■ **VIRGIL LOVELL**

Habersham, Banks, Rabun, Stephens and soon-to-be Hall are influenced by the quality development hand of Virgil Lovell and his family's varied interests. Off of the radar of most, private and very bright, Lovell has built an internationally acclaimed cattle breeding operation, *Ankony*, second to none, acquired and developed strategic, quality, attention-to-detail, properties: The Orchard, Apple Pie Ridge and Ridges of Rabun and focused his energy on **Quality**. Love him or hate him, he has done it right. Norton *Native Intelligence* forecasts continued influence of Lovell and his business interests as the direction of growth comes his way.

■ **CHARLES BANNISTER**

The third new County Commission Chairman in this year's 21st century leaders, Bannister is perhaps the King-for-a-day (or for four years) in Georgia politics. Replacing 12 year commissioner Wayne Hill, this political leader from east Gwinnett inherits a well run but explosive economic engine. The next four years will be not so much slowing down growth as it will be keeping growth in its tracks. For North Georgia's 23 counties, Gwinnett is our shopping mecca and employment center. The health and vitality of our region are predicated on the heart and vitality of Gwinnett. With Bannister at the helm we see only a tempering of exuberance as the snowball is still going downhill. Bannister speaks of controlling growth, not stopping growth... which is so vitally important for the rest of us.

■ **MARTHA ZOLLER**

This regional conservative talk show host has emerged as a powerbroker and powermaker of major importance. Her WDUN am talk show is a **MUST** to listen to in order to keep up with regional and national events. Candidates running for office line up at her door to be grilled by her penetrating questions and skeptical inquisition. Cool, calm Martha espouses conservative southern values but with an iron fist of control. Watch and listen. She is going places.

■ **MARY HELEN McGRUDER**

We can't think of a better representative of the "old" guard Forsyth County political empire blended with the "new" guard driving force for that county. A long-term visionary, Mary Helen is everywhere. Charitable events,

zoning rallies, Chamber activities, political events; her volunteer efforts are legendary, but of recent are her vocal and political lobbying on proposed comprehensive plan changes in North Forsyth. A strong advocate for private property rights (the family still controls hundreds of acres) she has boldly stood up against all those newcomers wanting to control growth, preserve the forests and trample upon the rights of farmers, landowners and investors. She has built a strong local following with her forthrightness and vision. *Native Intelligence* would elect her to anything, but her power may best lie outside of direct politics. **YOU GO GIRL!**

■ **DEWEY WHITE**

Perhaps no other man will single-handedly affect the future of North Georgia real estate other than Mr. White. It's virtually impossible to keep up with this spry silver fox of a land player. His Forsyth, North Fulton, Hall, Barrow, Jackson, Gwinnett, and Banks holdings are all gems waiting to be polished. Sun up to sun down, riding the hills and valleys of North Georgia has become as much a recreation as an avocation. And the investments left in his path are legendary. We follow with interest Mr. White's shrewd acquisitions and watch with bated breath the next purchase. We think he has an uncanny sense of the directions of **LONG TERM** growth.



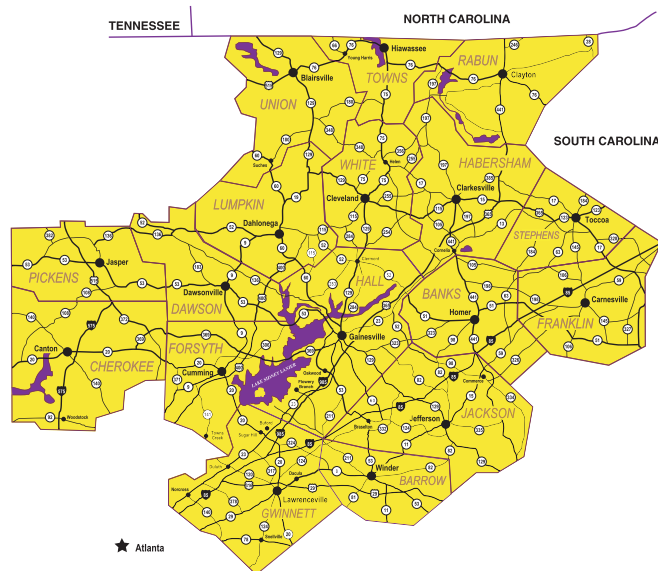
Will Cobb
VP-Partner

“2005 will see a rapidly escalating growth curve for industrial relocations along I-85, specifically Jackson County.”

NORTH GEORGIA 2005

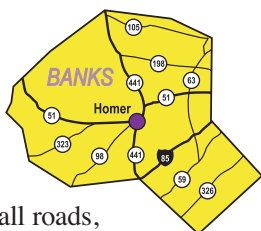
For several years now we have been recapping and commenting on the health and wealth of the North Georgia communities. Call it the STATE OF THE UNION for North Georgia... as we see it. Two years ago we dubbed Northeast Georgia "The Fortunate Economy," and in 2004 it is more so. In fact as you will read, we lead the state... our energy level high, visions taking shape and innovation "Out Of The Box"... A DRIVING FORCE... 33% of all housing permits issued in Georgia during 2004 were in our region. We're excited to be a part of such dynamics and invite your thoughts, comments and questions on our marketplace **AT ALL TIMES**... that's how we can best learn.

Frank K. Norton, Jr.
 fknjr@nortonnorthga.com
 Direct 770-718-5252



BANKS

On the precipice of growth or disaster Banks County is a county conundrum. Do we move toward growth capitalizing on I-85 accessibility and its thriving Banks Crossing retail? Or do we relegate ourselves to the dirt cow trails we call roads, accept any trailer but reject quality subdivisions or community development? With the most potential of our 20 counties' focus, Banks is at a critical junction. Planning

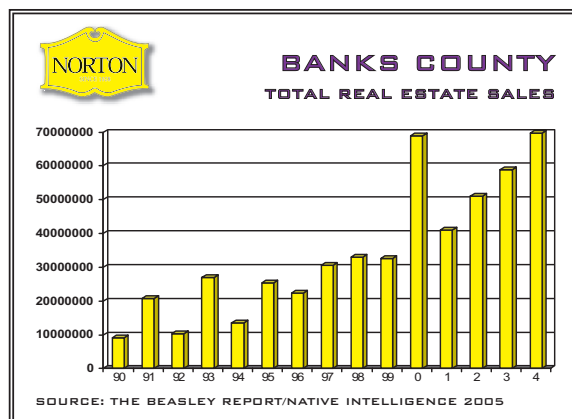


is archaic at best but Atlanta is heartbeats away. County leadership must pick up the pace and move attitudes into the 21st century. Banks is going to grow despite the best efforts of an isolated few. Its attractiveness as a community of country size lots is well documented. Acreage is fair or reasonable; perhaps the best buys around. And its industrial potential has sound merit. With a little forethought, Banks could capture Jackson's overflow and then some. A wise choice, but the clock is ticking.

Single-Family Residence Sale Prices (01/01/04 – 12/28/04)

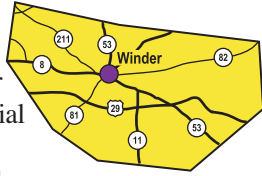
| | |
|-------------|-----------|
| Banks | \$135,040 |
| Barrow | \$134,276 |
| Dawson | \$270,672 |
| Gwinnett | \$198,415 |
| Forsyth | \$272,697 |
| Hall | \$193,495 |
| Habersham | \$138,843 |
| Jackson | \$159,087 |
| Lumpkin | \$155,228 |
| Stephens | \$120,069 |
| Walton | \$175,740 |
| Pickens | \$142,566 |
| Lake Lanier | \$382,336 |
| White | \$155,833 |

Source: MLS, FMLS, Habersham-White MLS, Banks-Jackson MLS

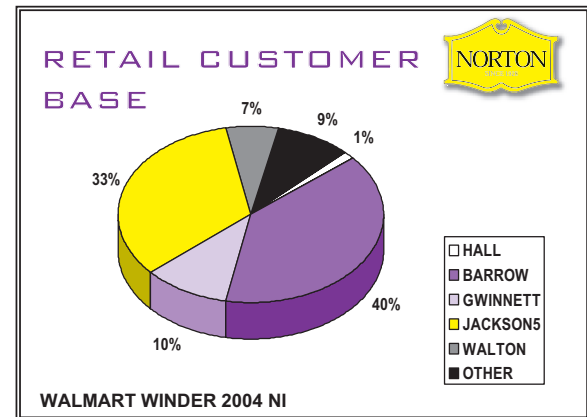
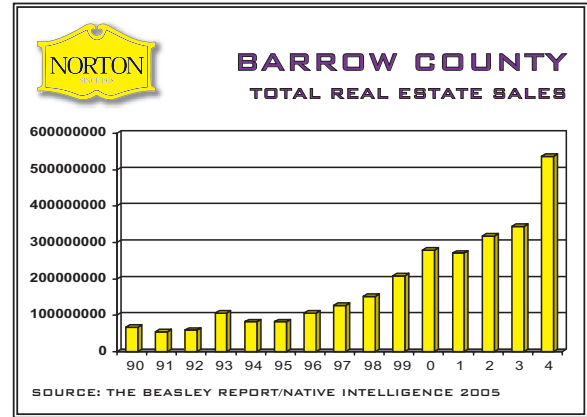


BARROW

Believe in Barrow!... unified efforts of business and civic leadership will recharge a lackluster economy too dependent on residential development and eclipsed by surrounding business centers of Jackson, Gwinnett, and Walton. With 75-80% of Barrow County remaining agricultural, timber or conservation use, the challenge is one of a blank canvas. The first step is a primer (basecoat) of infrastructure – roads, sewer, water and schools, each a foreground business and industry. We believe Barrow’s near term opportunity is hitching a ride on the coattails of Braselton. This gateway is already cranking with business activity, above average housing and a growing retail component. Braselton is Barrow’s gateway to I-85. Its development linkage and leadership must capitalize on those opportunities.



The long-term economic engine is Barrow’s portion of 316, but struggles over road improvements, planning and sewer delivery will not be easy hurdles to overcome and too dependent on outside sources – spell that D.O.T. SO the real challenge is keeping a community’s engine stoked until the real power can be supercharged. From what we see in Barrow today, the ground is being laid for greatness.

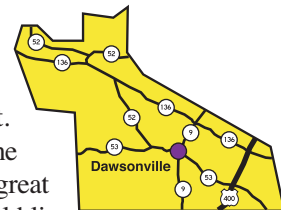


Venita Masters
AVP-Residential

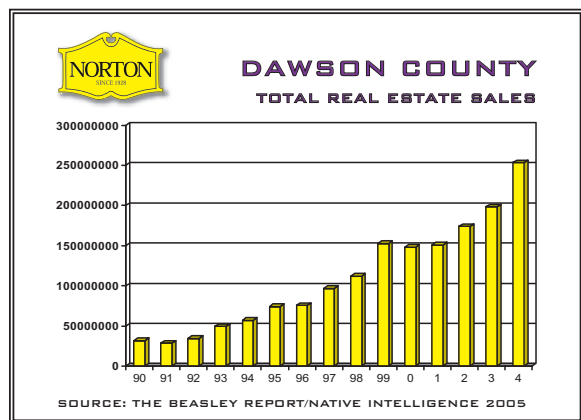
“*The affordable home, first time buyer, along with the first time move up buyer are still driving today’s home sales market.*”

DAWSON

Higher priced homes, dwindling water resources, failing entertainment/museum and strains on politics, government vision, and community have not slowed the pace in Dawson one bit. The momentum of growth along the Golden Pipeline of GA 400 is too great to be bothered with inconsequential blips of disturbance. Dawson, if they can figure out a water solution, could become a very well balanced community with a miraculous tax base. With the North Georgia premium outlets setting new sales records year after year, spell that T.A.X.E.S., the county’s wise stewardship of those funds is developing infrastructure – roads, sewer, parks, and schools. A surrounding small industrial service market is developing where businesses out of Alpharetta and Roswell are able to do a reverse commute and still reach their distribution points. Dawson has a multi-price point housing market which bodes well for industry



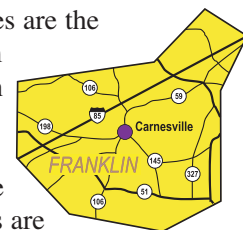
attraction and housing recruitment. But in reality we must recognize Dawson as a small market, 13% of the size of Forsyth, 12% the size of Hall, 50% the size of Lumpkin to its north. While it is growing it still doesn't have the substantial growth to attract certain kinds of higher development. We believe the 40,000 person population would be a good benchmark and at the current rate of growth that is only about 12 years away.



Undoubtedly there are needs and voices of concern. WATER will be the limited factor for growth followed by the inaccessibility of the market resulting from the blocked artery called GA 400. Transportation, angioplasty, or some other radical procedure must be done and done quickly if Forsyth is to remain accessible to the Atlanta employment zone. Finally, Forsyth is a gold mine of quality housing, retail, and industry, a community tax base that is envied by all others. However, to remain in balance with the onslaught of median to high end housing that is on its way, Forsyth must capitalize on its business recruitment opportunity. The leadership of Forsyth (that's both city and county) must jump full steam in the chamber's economic development program to attract big business and office users up GA 400. The potential is incredible; the importance, paramount.

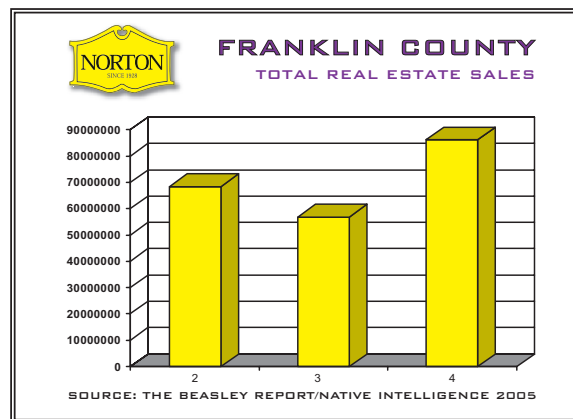
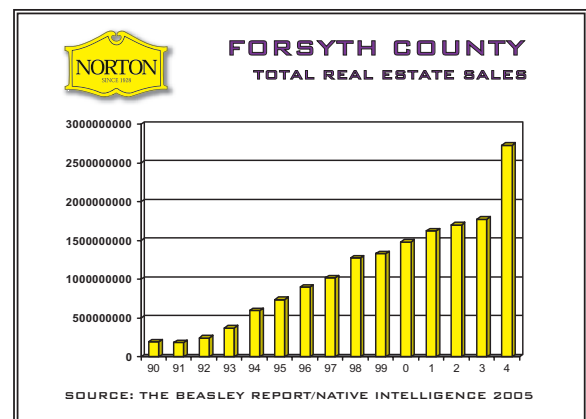
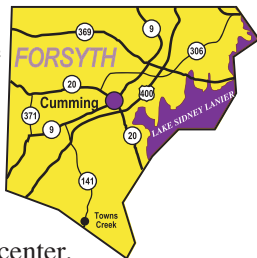
FRANKLIN/HART/MADISON

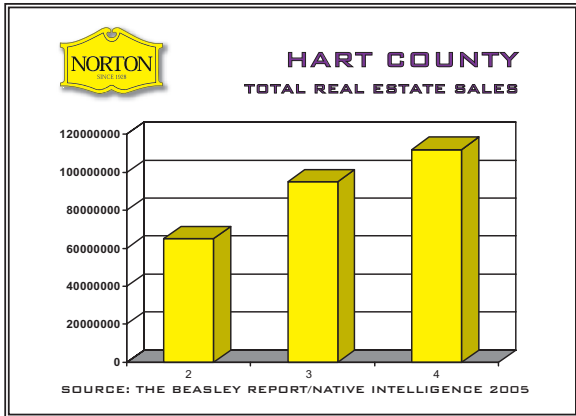
These northeast Georgia counties are the outermost ring of development from Atlanta employment zones. Franklin with access to I-85 shows the most promise, but all three with their rolling upper Piedmont terrain, large land holdings, and cheap land prices are an excellent place to do a "Rip Van Winkle Land Play." That is...buy as much land as possible at a cheap price and go to sleep on it for 20 years. Those with the shrewd guts to make that play will leave property for the next generation well positioned and of excellent value. Lake Hartwell has a growing marketplace (see Stephens County) and is the *wild card* for community development in the region. The 2nd homes market is only in the gestation phase and Hartwell is too accessible for Atlanta to ignore.



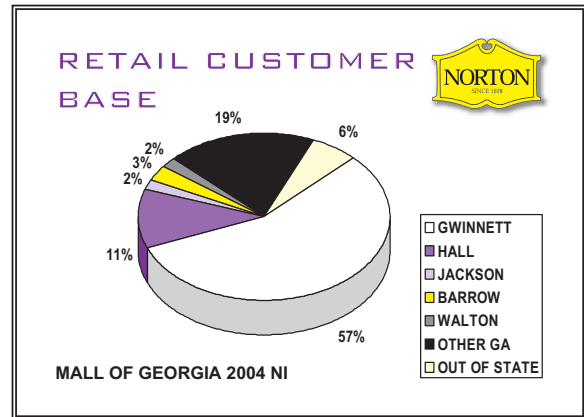
FORSYTH

With 120,000 people and an explosive 8.8% annual growth rate the county is coping better than most with its growing pains. Schools are keeping pace as is basic government infrastructure as the county moves from a rural mentality to a sophisticated urban center. We look for large scale developments to emerge in Forsyth's northern half as large land holdings evolve into quality master planned neighborhoods.



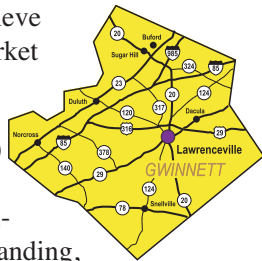


months behind, sewer and water negotiations are protracted by court actions and everyone is pulling in separate directions. Gwinnett is like a snowball going downhill gaining steam. No one wants Gwinnett in their backyard, but in reality it's already there.



GWINNETT

It's hard to fathom but we believe Gwinnett County is an "infill" market with tendencies leaning to a redevelopment housing base. The sheer facts are Herculean: 700,000 people; 9000 new single housing permits a year; another 2000 multi-family units; small businesses expanding, retail markets nowhere near the saturation point.

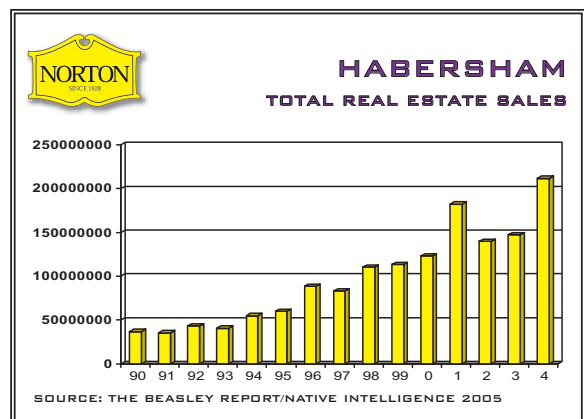
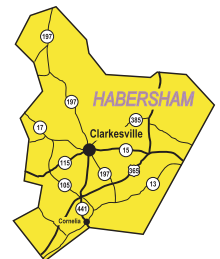


The harsh reality is that most large land tracts are gone. They were destined for major residential development and the industry is stepping all over themselves to buy what's left even though the average home price sold hovers at \$198,415 up from \$177,000 in 2003. Land prices have hit the roof. If sewer, if zoning, price is as much as \$115,000 per acre. It's hard to sustain a low house price average at that raw land cost, so watch densities push up, lot size diminish and more cluster housing/condominium product emerge. One major developer bought land inside Breckinridge Business Center, formerly an office business service site, and sold out his major condo project in 45 days. That's the stuff legends are made of. But it's pervasive throughout the Gwinnett market as the demand continues to outstrip supply.

Of watchful note is the departure of 12 year commission chair Wayne Hill. He, along with a handfull of others, really pulled Gwinnett out of a bedroom community abyss driving retail, industrial and business centers in all parts of the county (he will be missed). The new chairman is relatively unknown outside local circles but will have his plate full. Zonings are running 12 to 16

HABERSHAM

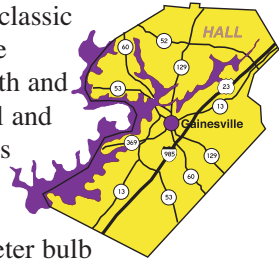
Our sense is that Habersham is on the merge of "busting loose." Land speculation, where you can find it, is rampant – a proposed, county wide water system and a new industrial authority cranks it up several notches. Up to now if they didn't have Fieldale Poultry they would not have had the economy they have. But county and business leadership understand the **FUNDAMENTALS** of diversification. A new Lowe's in 2005, expanded medical center and a thriving housing industry move toward that **VISION**.



The dark spot seems to be a flooded affordable homes inventory, soaring land prices and a disappearing 2nd home component. (It's moved to Rabun and North.) Still, the market is being **BOMBARDED** by Floridians escaping hurricanes and Gwinnett Countians escaping the floods of traffic and congestion. Clear skies ahead for Habersham.

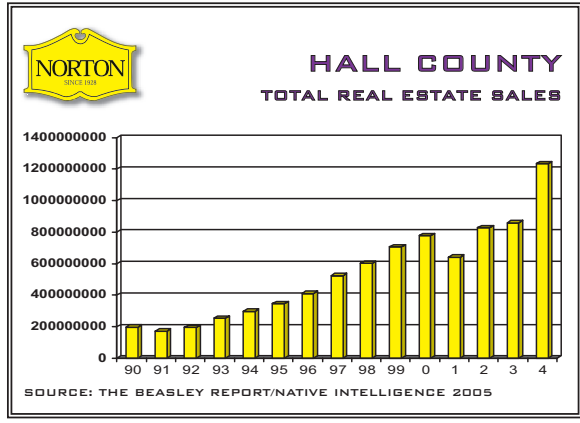
HALL

Seems that Hall may be in a classic squeeze play: High income, white collar growth to its west in Forsyth and Dawson, heavy big box industrial and master planned development to its east in Jackson County and an explosive population center to its south in Gwinnett. The thermometer bulb could rise and if not checked, burst without measure.



Sewer is still the prize for both southeast Hall County and along 985, 365. It should be thoughtfully extended to preserve natural resources and meet demand when demand warrants. And while sewer is important, WATER will be the defining ingredient for Hall's growth. 700,000 thirsty Gwinnett residents are next door and 4 million thirsty Atlantans next to them. Hall must creatively build its own aqua resources as the spring waters don't run deep enough for the masses just south. This impending (20-25 year) water shortage could affect lake tourism and the poultry industry. Watch for reuse water systems, storm water collection systems, and deep water wells to become the norm.

Home prices are on the move as development costs (sidewalks, stream set backs, curbing, water control) have surged and land prices have risen. As demand quickens that trend should continue as well.



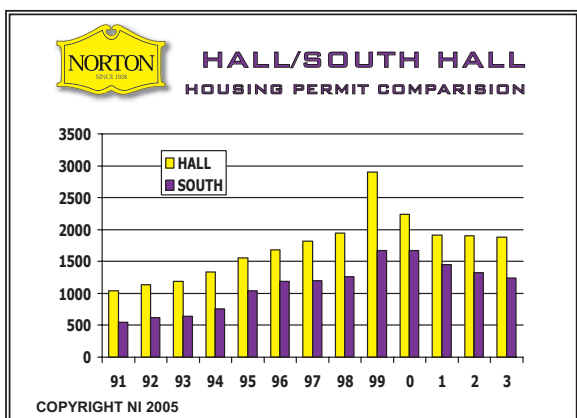
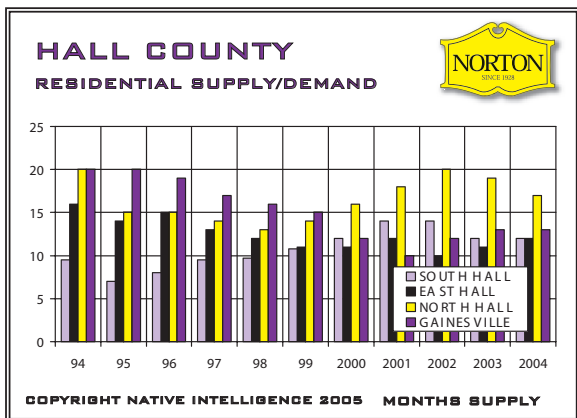
The last four years have been frustrating for Hall's business and civic leaders as the political machine of the county was dominated by a NO growth faction. The growth literally bogged down with total city and county housing permits declining in four years and development cost increasing an estimated 42% in the same period. The struggle over land use, sewer allocation, annexation and industrial business recruitment cost not only valuable time, legal fees but also most importantly, **MOMENTUM.**



Susan Moss
Lake Specialist

“*Lake Lanier property is more affordable than Rabun, Burton or Seed; and lake front property cost is a fraction of ocean front.*”





Where Hall Residents Work

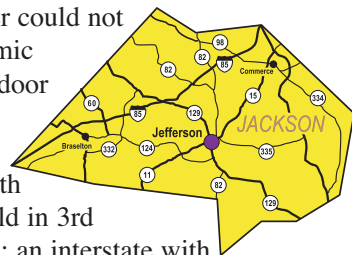
| Counties | 2000 | 1990 |
|------------------|--------|--------|
| Hall Co. GA | 46,680 | 37,607 |
| Gwinnett Co. GA | 7,189 | 3,632 |
| Fulton Co. GA | 2,244 | 1,418 |
| DeKalb Co. GA | 1,716 | 1,395 |
| Forsyth Co. GA | 1,577 | 580 |
| Jackson Co. GA | 1,205 | 606 |
| Clarke Co. GA | 687 | 186 |
| Lumpkin Co. GA | 645 | 310 |
| Habersham Co. GA | 464 | 462 |
| White Co. GA | 431 | 244 |
| Other | — | — |

Source: Knight Ridder News Service

JACKSON

LOCATION, LOCATION, LOCATION

A master urban planner could not have set up a better economic development model. Next door to a megolopic economic business engine – Gwinnett; rolling farms with few stream barriers and held in 3rd generation farms or estates; an interstate with upgraded exits bisecting the county and three major cities providing infrastructure services (add the county in 2005 for sewer) along its path.



For eight years we've extolled the virtues of Jackson County. In 2005, we want to say "WE TOLD YOU SO." Jackson County is truly the visible hand of a free market.

While not without its share of problems – shortage of revenue, changes in politics, the borings are complete... concrete foundation has been poured – now watch the community rise out of the ground. Some pertinent facts:

- Despite some infighting for the past 4 years, county administrative has restructured and modernized practices and processes to better deal with impending growth... all from a new court and administration center;

Two new elected officials take office in January and promise pro-reasonable growth. That's not "Katy hold the door" while everyone comes in, they emphasize **REASONABLE, THOUGHTFUL, PLANNED GROWTH**. Their biggest task, once a solid business plan and associated vision are in place, is communicating to those outside Hall County that the community is open to fresh ideas and new business opportunities. If they can't accomplish this, then the squeeze will continue.

- A cross county sewer trunk underway as well as road upgrades along Possum Creek, **Concorde** (new), and Wayne Poultry – other road improvements in the Commerce area are pending;

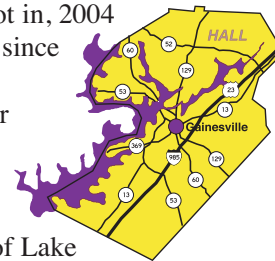
- Major land holdings have begun development or traded hands in the last two years including Valentine Farm, Tolbert Holdings (Pendergrass), Traditions of Braselton, Terry Farm (Arcade), and The Morgan Tract (Arcade);

- Braselton, shared with Hall, Gwinnett, and Barrow, has seen accelerated business growth providing much needed utilities services but attracting huge name brand businesses – Sears, Haverty’s, Tractor Supply, Mayfield – legitimizing the business corridor of I-85;

Watch carefully, Jackson County invests wisely in Jackson County. It’s going to be the I-85 **power center** by 2020. We told you so!

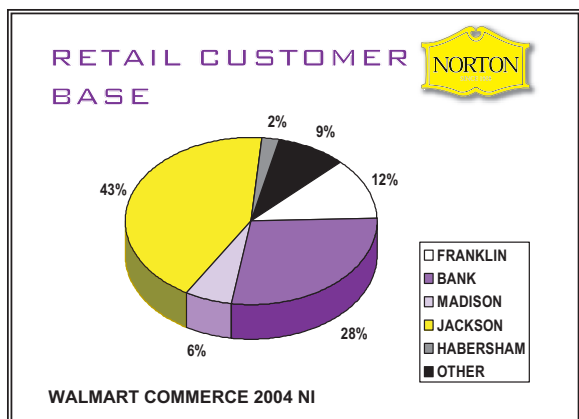
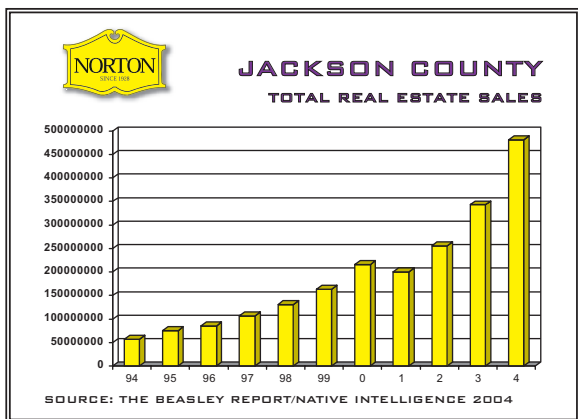
LAKE LANIER

While all the numbers are not in, 2004 looks like the best year for sales since 1999 but it’s small homes \$350-800,000 that’s **hot**. Million dollar houses still remain a lackluster product class. In fact as of December, 51 homes over \$1,000,000 were for sale on all of Lake Lanier with only 11 changing hands in 2004, that’s a 4.6 year supply. “You know the market has really changed when a million dollar house is a steal.” People with a million dollars looking for a million dollar dream will build their dream, not buy someone else’s dream.



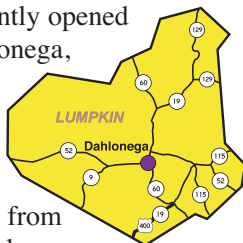
The evolution of Lake Lanier is coming around full cycle. The 50s and 60s were second homes/cabins, for both Gainesville and Atlanta. The 1970s saw the emergence of a permanent home market from North Atlanta and suburban Gainesville. Then with the pooling of area codes, Gainesville became suburban Atlanta and sales soared. Now some 50 years later, we’ve seen a resurgence in 2nd home purchase. Attracted by the close proximity to metro Atlanta and by comparison cheaper prices than the 3 Rabun County lakes or Highlands, N.C. retreats, Lanier may be the “value” priced 2nd home market. We believe 20% of housing stock are traded in 2004 as 2nd homes and this could grow to 30% by 2010.

We also continue to see high-end custom development and redevelopment on prime lots; Homes from \$400,000 to \$1,400,000 are being bought and torn down for the latest McMansion, McCastle, or McVilla. Most every lake house under \$450,000 is a vacant-to-be lake lot. Lake Lanier is the place to be and be individual.



LUMPKIN

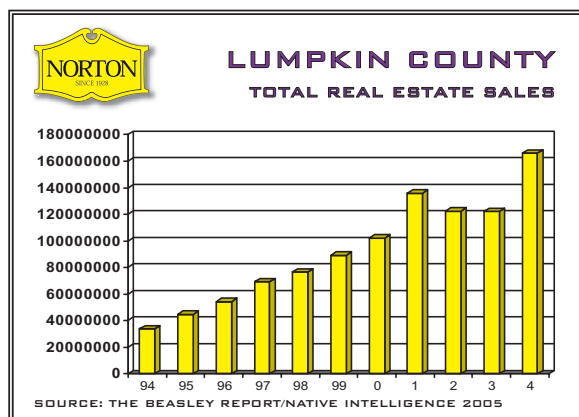
We like Lumpkin, note the recently opened Norton office on the square of Dahlonega, and despite a plethora of problems, Lumpkin is poised for explosive growth over the next ten years



- Sewer extension to GA 400 from the end point of Birch River will fuel tremendous growth along its route...

- A new land use, a "quasi" regulation process, is the first step toward county wide zoning. Limited rules at best, it is a start and should move to stabilizing land use and values...

- Governor Perdue at year end proposed a new east west 75-85 connector "North of Cumming." We see the reinstatement of an Appalachian corridor as a good solution despite the environmental issues and a balanced business driver for its host counties...

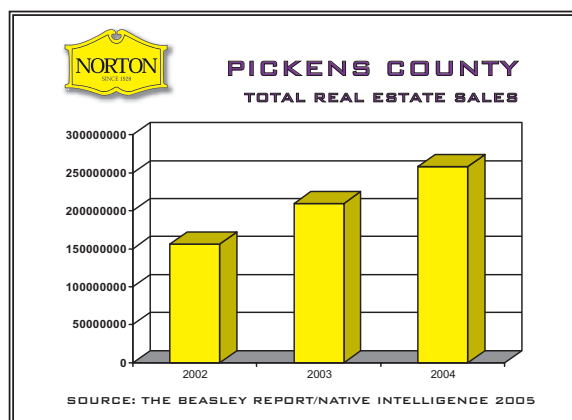
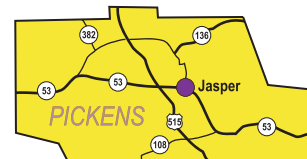


- Land price increases have leveled off and the market is catching up with demand. Speculators have had a profound effect over the last 5 years pumping up inflated values...

- As the wine industry continues its slow gestation phase, more vineyards enter the market and reach tourism levels...

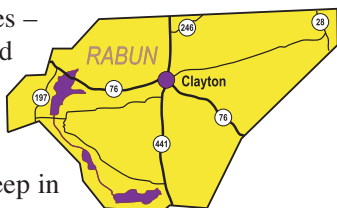
PICKENS

One foot in Appalachia and one foot in exurban Atlanta. Pickens is a study of contrasts. The old power base is scratching their heads at the price newcomers are paying for land and houses. BIG CANOE has posted great gains over the last 5 years; slowly, methodically building its housing base. While the development straddles Pickens and Dawson counties, over \$142 million is in the Pickens County tax digest or 16% is in Big Canoe, another 9% is Bent Tree. The entire city of Jasper only has a tax digest of \$124 million. Projects such as Home Depot and Kroger set to open next year in Pickens all point to the gestation of the community.



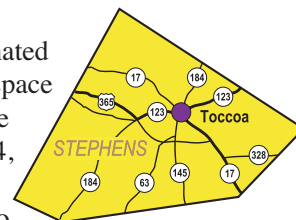
RABUN

It's the tale of three lakes – Rabun, Burton, and Seed and the mountain ridges in between that has breathed life into Rabun County. The Norton family's roots run deep in Rabun with our founder's birth and youth in the Warwoman Del Valley. At the turn of the century, this largely agrarian society was hard-working, God fearing and simple. The improvements of the river gorges in the 1920's and the success of the Georgia Power cabin leases were not the benchmark's turning point, rather a slow renewal of simple ways demanded by the Atlanta affluent who, beginning in the mid-80s, started a wave of renovation and cabin expansion. Today 38% of the housing stock in Rabun is owned by outsiders; as much as 60% of the tax base is largely around these three glistening ponds. But the evolution continues today. The cabins were originally built for summer use, boarded up, and then forgotten. We now see more year-around access winter retreats and holidays-at-the-cabin events. In fact, Thanksgiving is perhaps as important as July 4 is in the lives of lake vacationers. A simpler life, a wholesome family time – escape from frenetic traffic.

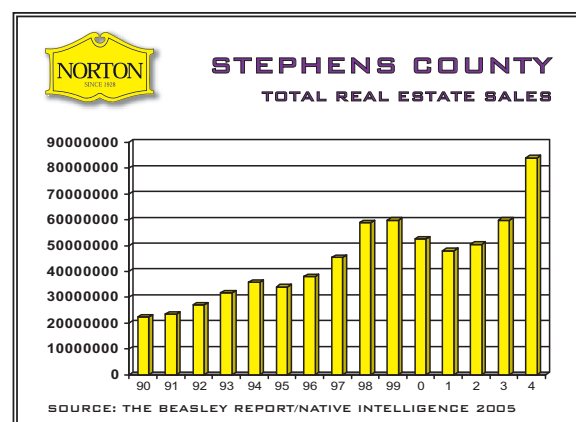
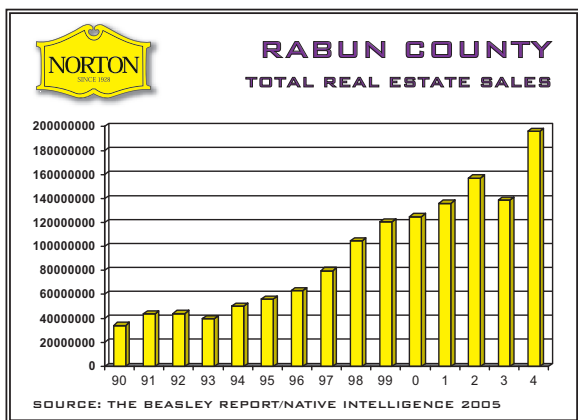


STEPHENS COUNTY

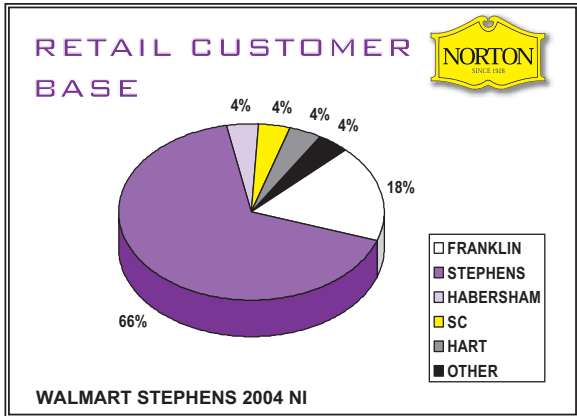
Rock bottom. With a 5.5% unemployment (Nov.) an estimated one million sq ft of industrial space vacant and only 101 new single family housing permits in 2004, we see the bottom in Stephens County. But looking up we also see strong light at the top of the hole. A renewed energy is pulsating out of the Toccoa business leadership, government and chamber. They don't like what they hear or read and are rolling up their sleeves to correct the complacency and apathy. This is no easy effort but there are gems amongst the rubble.



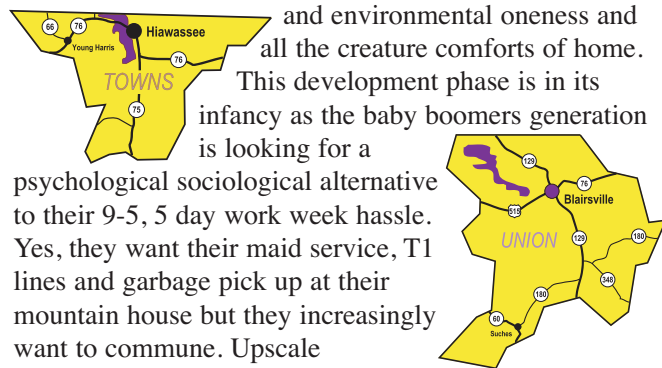
- Stephens Medical serves a regional need for primary and specialty care with great results and hidden economic influence;
- Lake Hartwell is an undiscovered Stephens Gem close to Atlanta, AFFORDABLE and gaining popularity for 2nd homes movement;
- Land is abundant and reasonable prices ranging from \$3,500 to \$7,000. Unlike almost every other county, it's a buyer's market as the speculators are skittish about the lackluster housing market.



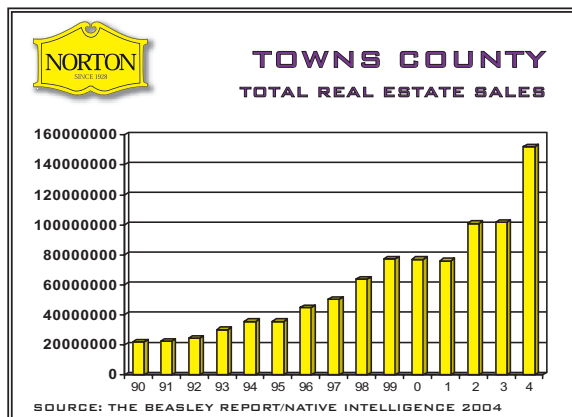
By-products of the three ponds' influence is the new retail Wal-Mart, Home Depot (opening soon), new restaurants, antiques and home décor. Clayton's city center is full and bustling as is Dillard and Mountain City. The three lakes give vibrancy and credibility to investments in land, homes and businesses.



and environmental oneness and all the creature comforts of home. This development phase is in its infancy as the baby boomers generation is looking for a psychological sociological alternative to their 9-5, 5 day work week hassle. Yes, they want their maid service, T1 lines and garbage pick up at their mountain house but they increasingly want to commune. Upscale shopping, business services supporting this weekend migration herd, and quality restraints are following and the locals (a diminishing breed) who are innovative and resourceful, are capitalizing on the affluent.

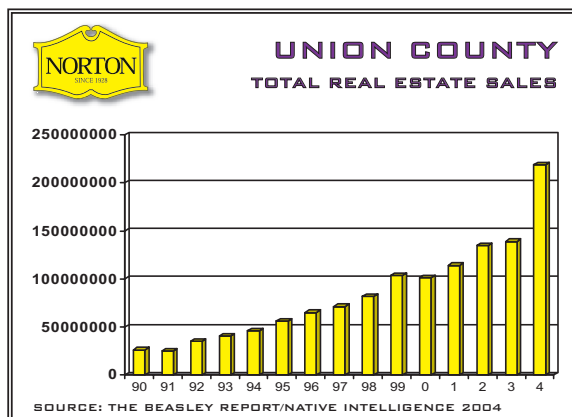


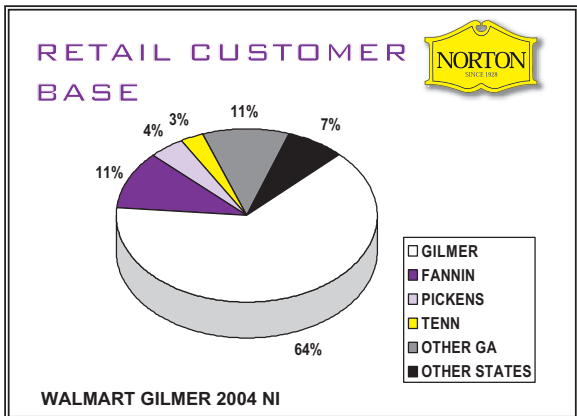
But the affordability of the homes is affected by an abundant and reasonable trade labor supply, outside of a reasonable drive distance to Atlanta. This could point to affordable home market supporting higher priced areas like Hall, Habersham, Rabun and Seneca/Anderson, SC. And all that industrial space is just plain **opportunity** if they can ever get back on state development authorities' radar... somebody will lease space for **something!**



THE MOUNTAIN ARC GILMER, FANNIN, TOWNS AND UNION

These four counties have become North Atlanta's mountain bedroom as 2nd home markets (we estimate 65-75% of their new home construction) are firmly rooted amongst the towering forests. And these homes, cabins or recreational lodges are not the 2 room pot belly stove variety of our forefathers. No, these are retreats rising out of the rock precipice with all the modern Jenn Air kitchen features, spa baths, and timber vaults of first class homes to the Atlanta South. We are told of lodges in the 8 to 15,000 square foot range under construction or in planning stage as a wild lands urbanization is transforming these communities. The buying public wants peace, solitude,

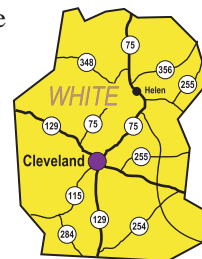




WHITE

After ten years of writing about the need for zoning or land use controls in White County we wonder if anyone is listening?

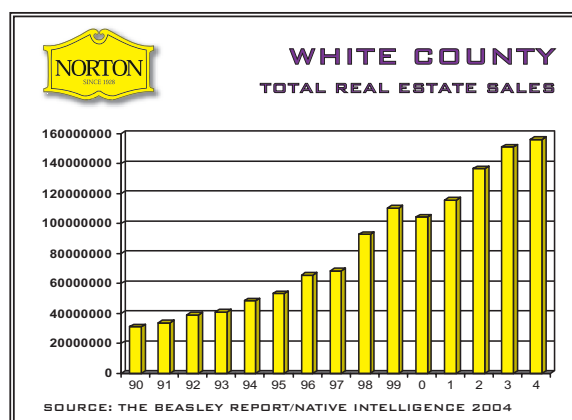
The disparity in contrast between mid income 2nd home development in White's Northern Valleys and the low income affordable housing in White's Southern low lands scream CONTROL. Norton *Native Intelligence* still believes zoning is White's #1 holdback for **REAL** progress...



Household Income of Second-Home Owners/Buyers, 2003

| | Own 1 Home | Own More than 1 Home |
|---------------------|-----------------|----------------------|
| Under \$35,000 | 14% | 7% |
| \$35,000-\$44,999 | 13 | 6 |
| \$45,000-\$54,999 | 12 | 9 |
| \$55,000-\$64,999 | 12 | 7 |
| \$65,000-\$74,999 | 12 | 11 |
| \$75,000-\$84,999 | 9 | 9 |
| \$85,000-\$94,999 | 5 | 7 |
| \$95,000-\$104,999 | 7 | 9 |
| \$105,000-\$114,999 | 4 | 5 |
| \$115,000-\$124,999 | 2 | 4 |
| \$125,000-\$134,999 | 2 | 5 |
| \$135,000-\$149,999 | 2 | 4 |
| \$150,000-\$174,999 | 2 | 5 |
| \$175,000-\$199,999 | 1 | 3 |
| \$200,000 or More | 3 | 9 |
| Median | \$63,500 | \$85,900 |

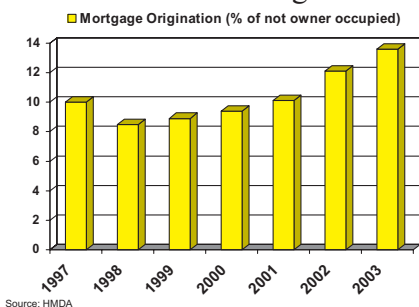
Source: NAR



While buyers get lots of value in White for the money... perhaps the best in the region per sq ft... the economic tax model for the county is out-of-whack. The new housing In-town Cleveland offers more style and construction alternatives, but long periods to sell everywhere puts equal pressure on the community. The solution barring our touted zoning needs are:

- Support heavy upscale second home development everywhere;
- Promote the car dealerships in Cleveland as a Mecca for good deals and other support retail;
- Latch on to the creative retail emerging in Nachoochee Valley and promote tourism with your heart.

Second-Home Market Booming



BUSINESS UNITS AND OPERATIONS

MAIN OFFICE

434 Green Street
Gainesville, GA 30501
770.532.0022
800.955.0022

CORPORATE

Frank K. Norton, Chairman
Frank K. Norton, Jr., President
Robert V. Norton, President, Insurance Services
Betty V. Norton, Senior Vice President
Thomas A. Howard, Vice President,
Operations Manager
Linda Henry, Director Business Development

INSURANCE DIVISION, MAIN OFFICE

770.534.5248
Robert V. Norton, President, Insurance Services
Doug Parks, Vice President, Personal Lines, Manager/Partner

GAINESVILLE RESIDENTIAL REAL ESTATE OFFICE

770.536.1250
Kim Crumley, Vice President

COMMERCIAL GROUP

770.532.0022
Beth Carmichael
Vice President, Branch Manager

RELOCATION DEPARTMENT

770.718.5246
Nancy K. Norton, Relocation Director

DEVELOPMENT SERVICES

770.718.5251
Debbie Hardy, Assistant Vice President,
Development Services Coordinator

PROPERTY MANAGEMENT

770.532.0022
Tricia Ruth, Vice President, Asset Management

SOUTH HALL OFFICE

4004 Mundy Mill Road
Oakwood, GA 30566
770.532.6366
Kathy Williamson, Vice President/Partner

NORTON-BLUE RIDGE MORTGAGE

Lynda Savage 770.718.5113
Matt White 770.718.5255
Eddie Kirby 678.344.5710

NORTH ATLANTA OFFICE

4510 Nelson Brogdon Blvd., Buford, GA 30518
REAL ESTATE DIVISION
770.945.1076
INSURANCE
770.932.0080

BANKS CROSSING OFFICE

5457 Mount Olive, Commerce, GA 30529
706.335.8009
Diane Brown, Partner

GEORGIA 400 OFFICE

4320 Heard Circle, Ste. 500, Cumming, GA 30130
REAL ESTATE DIVISION
770.887.0053
Elaine Thomas, Vice President
INSURANCE SERVICE CENTER
770.887.6153
Ben Gilleland, Manager/Partner

WHITE COUNTY OFFICE

NORTON INSURANCE
10 East Kytile Street, Cleveland, GA 30528
706.865.2189
Sam Dixon, Partner
REAL ESTATE DIVISION
706.865-5400
Diane Brown, Partner

NORTON MOUNTAIN PROPERTIES

On-The-Square
P.O. Box 979, Clarkesville, GA 30523
REAL ESTATE DIVISION
706.754.5700
Diane Brown, Partner
INSURANCE SERVICE CENTER
706.754.6330
Kern Parks, Vice President/Partner

REAL ESTATE INSURANCE NETWORK

434 Green Street
770.532.0022
Jim Haywood, Vice President, Manager/Partner

NORTON HICKORY SERVICES GROUP

770.718-5253
Patrick Stringer, Manager

SOUTHERN MOUNTAIN TITLE

770.532.8420
340 Jesse Jewell Pkwy., Suite 110, Gainesville, GA 30501
Ralph Taylor

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.

nortonnorthga.com



INSURANCE • REAL ESTATE

WWW.NORTONNORTHGA.COM