



GEORGIA DEVELOPMENT DYNAMICS MIDYEAR 2015



ARTWORK FROM THE NORTON ART COLLECTION



MID-YEAR 2015 MARKET COMMENTARY

Spotty... could best describe the real estate and business climate mid-year 2015. Consider:

- Forsyth County Housing permits are being filed at the fastest pace on record. Horizontal development is returning in most South Forsyth school zones. Average sale prices, new and resale, are soaring.
- The next ring of northern counties; Pickens, Lumpkin, White, Habersham, Stephens and Banks barely have a new home construction heartbeat.
- Distressed REO sales have largely run their course in the 22 Metro-Atlanta region. Without the foreclosure diluting/depressing the average sales prices, the Atlanta year over year price averages seem to surge. In town, Inter-Perimeter (IP) Residential average prices have increased 17% year over year.
- Stress still exists on two fronts: North Georgia Banks continue to struggle with lagging values and stagnant land and commercial interests and landowners/estates that sat on the sidelines from 2003 to 2009 waiting for prices to increase. They have now seen a decade or more of price collapses as many are facing the hard reality of value and dumping their expectations and their property. It is very much a vulture's (with deep pockets and long hold horizons) market out there.
- The commercial retail demand is focused on the discounter's, price conscious, food, apparel and dry good sectors while traditional retailers sit by confused and bewildered by changing American buying habits.

From a real estate broker's perspective, the bifurcated market presents challenges. An evaporated foreclosure market shrinks the available supply of homes; builders don't have the confidence in spec construction and loan/capital for such is almost non-existent. Recession sidelined, seller-want-to-be's are flooding the market as consumer confidence ticks up but with unrealistic expectations for pricing. North Georgia home inventory under \$175,000 is scarce and with voracious DEMAND; average people with average credit buying average homes. Resale homes over \$350,000 languish in an artificial "death valley" placed for even the hint of a buyer prospect with few showings and even fewer contracts. In many cases, brokers are seeing multiple offers on hot properties of around 95% sales to list price or better. Poor pricing risks

the broker's reputation and frustrate the seller's anger when nothing happens but "crickets chirping." 25% over-priced does not move houses nor does it get any interests, the internet is allowing savvy buyers to deselect hundreds of homes before they view a handful.

Nationally

June existing home sales hit their highest number since 7/06, and while the median sales price hit a record-high of \$236,400, an inflation-adjusted price comparable to 7/06 would be \$270,014. Part of the picture is that the number of distressed sales keep falling and the price index doesn't adjust for the mix of homes sold. Inventories remain profoundly low, decreasing supply. We need more new homes to dampen price pressures!

While housing starts and permits are rising smartly it is entirely due to multifamily (2 or more units). Last month, multifamily starts enjoyed their best month since 4/88 and their best first half of the year since 1989! Moreover, in June multifamily starts were 41.6% of all starts, the highest percentage since 12/85. As for multifamily permits, they just had their best month since 1/90, and their best YTD since 1987.

The relocating population is in search of quality of life and a sense of place not just housing. In times past, new graduates looked for a job first, then were transferred wherever the job took them. Today's graduate, picks a place to live FIRST, then finds local employment. People look for quality of life and jobs; income and employment are sacrificed for personal enjoyment. We are fortunate that our region has quality jobs or access to employment (Atlanta, Gwinnett, Forsyth) wrapped in an envelope of environment or a sense of place. Healthcare, education, cost of housing, historical and cultural resources, recreation, 4 season climates are all part of that sense. Our job's business and more important, government, is to Not Mess Up the Mojo.

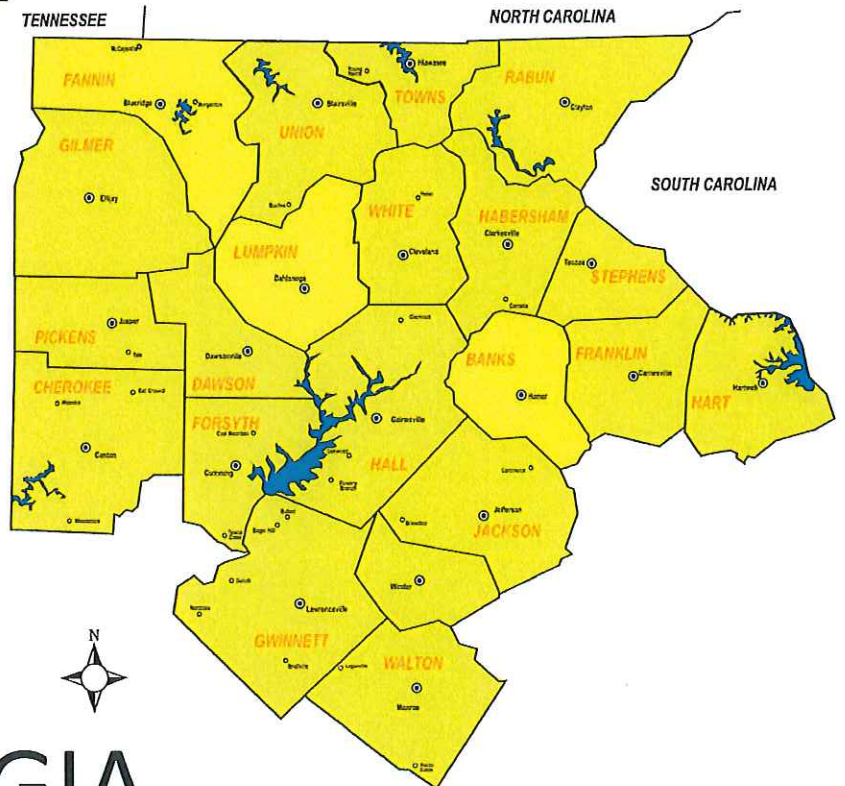
We see activity in what Norton Native Intelligence™ might call **positioning**. Large builders buying up lots in bulk to secure long term product positions. Large retailer construction for sites with long lead times of 2017, 2018 and in some cases 2019 programming their growth, strong astute buyers securing large scale long, long term land positions for residential, commercial and doctor business related to ride through multiple cycles.

CONCLUSION

While we see the best is yet to come for North Georgia, the recover rebirth is taking way too long; patience is wearing thin, nerves are on edge, and the populous is anxious



GEORGIA



NORTH GEORGIA

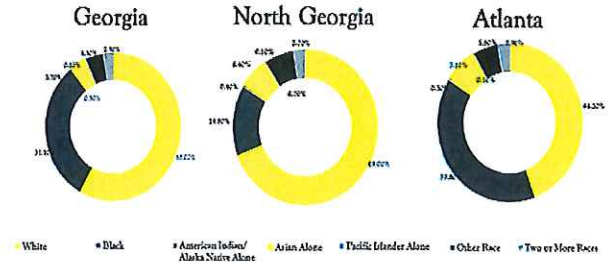


2015 GEORGIA NORTH GEORGIA DEMOGRAPHIC MAP

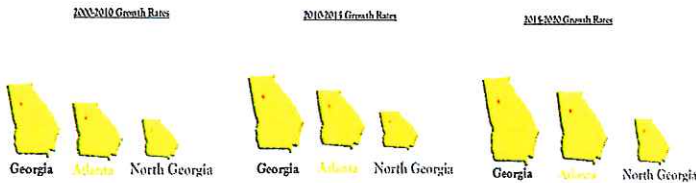
Population Growth



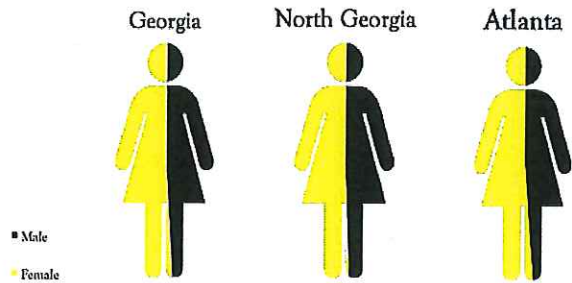
Racial Makeup



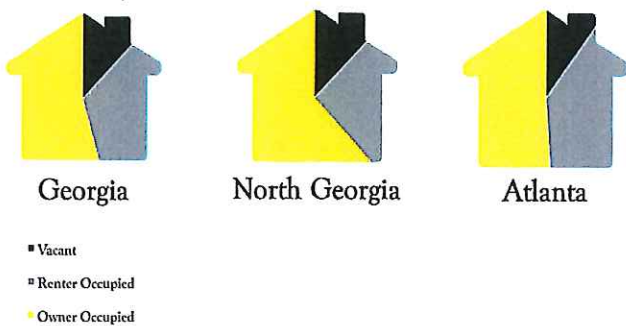
Growth Rates



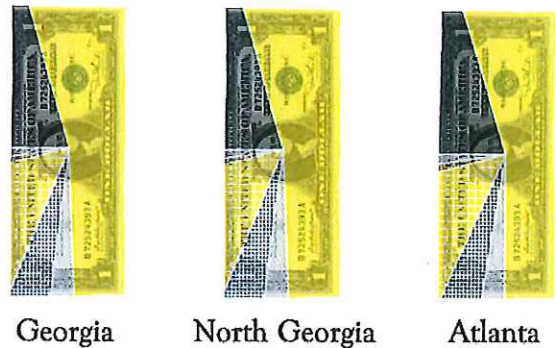
Population



2015 Housing Profile

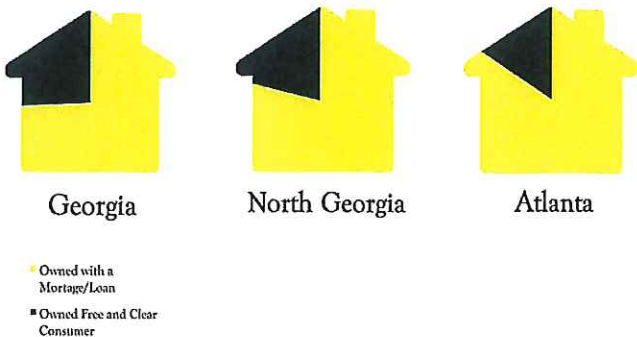


Consumer Expenditures



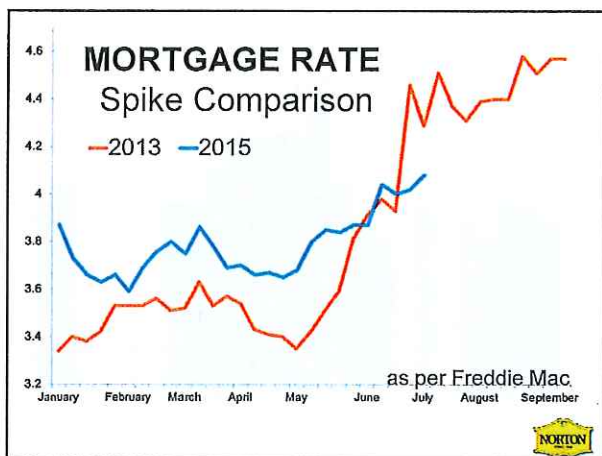
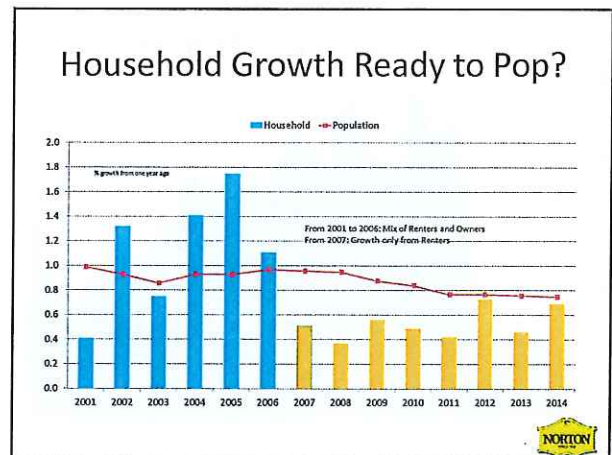
- Food & Beverages
- Housing/Shelter
- Clothing Apparel
- Entertainment
- Transportation
- Education
- Miscellaneous

2015 Housing Ownership



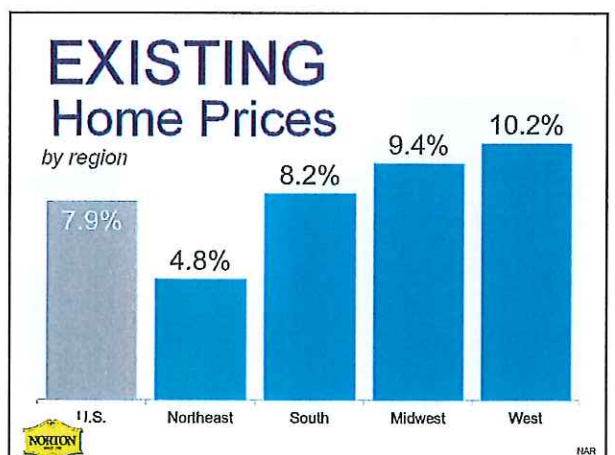
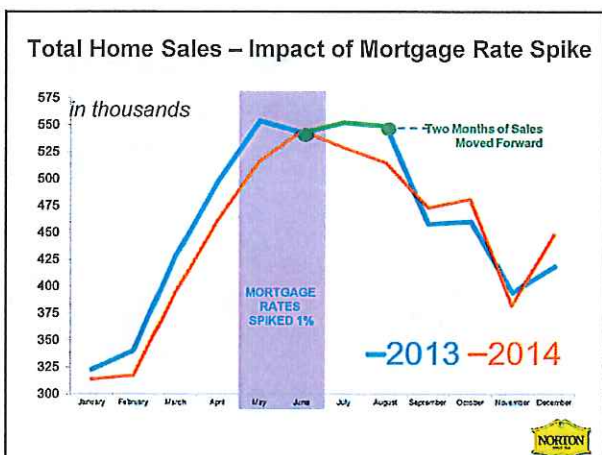
Income Breakdown 2015

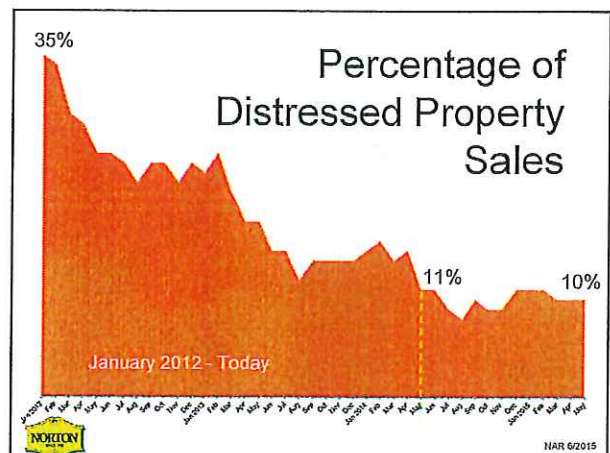
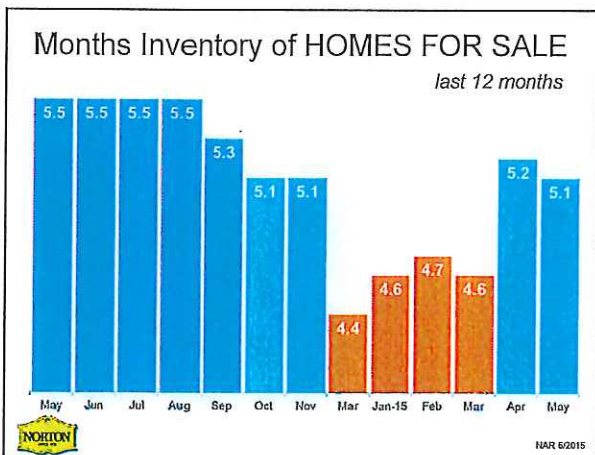
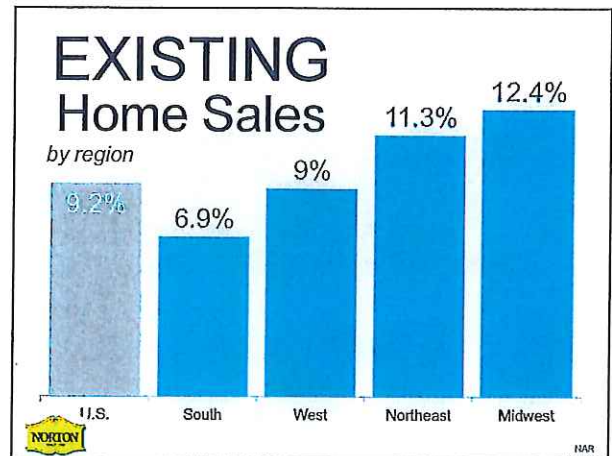
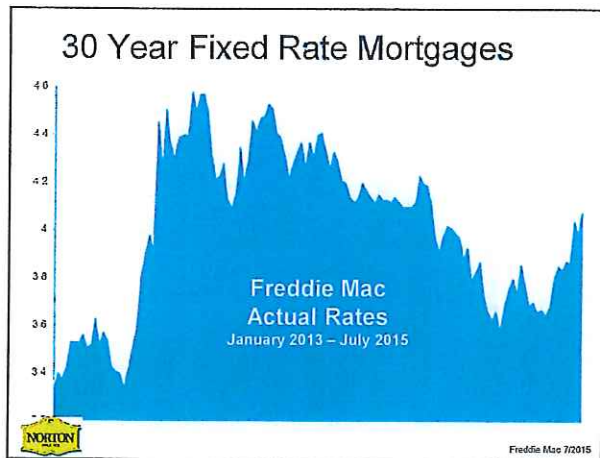


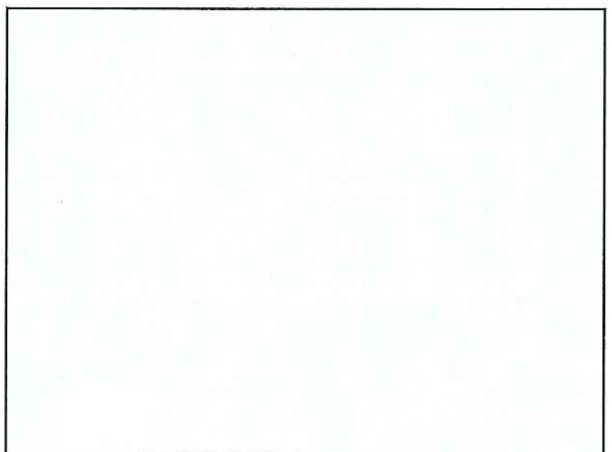
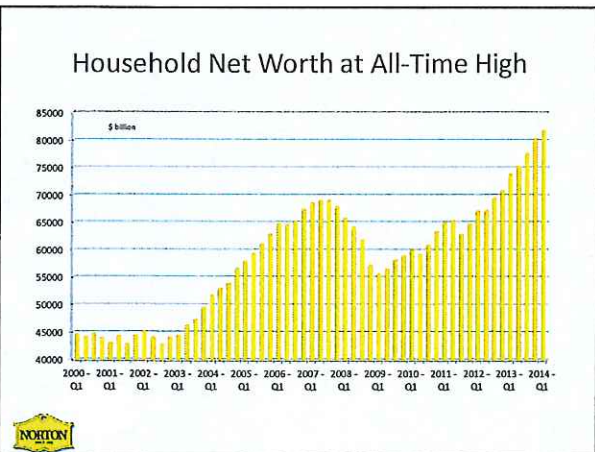
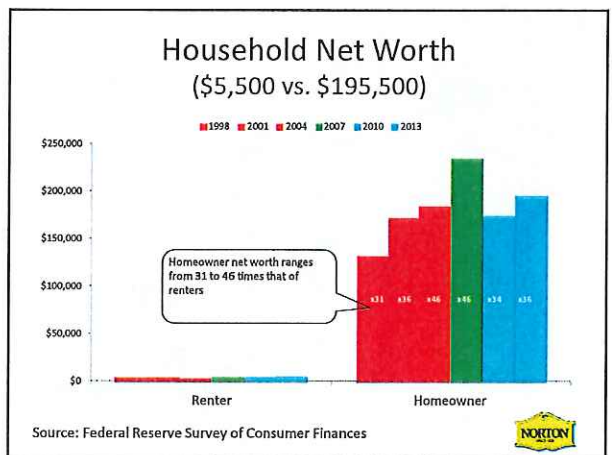
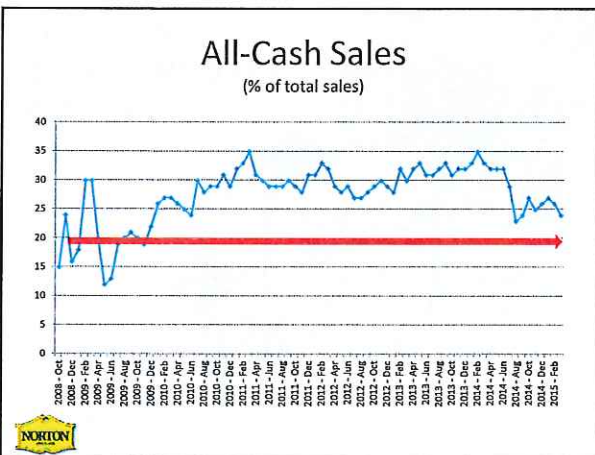
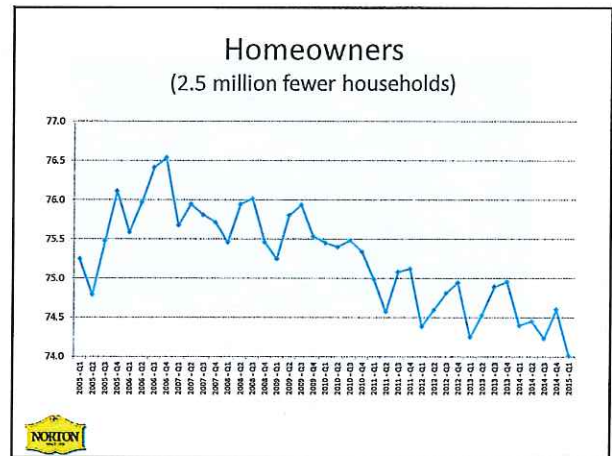
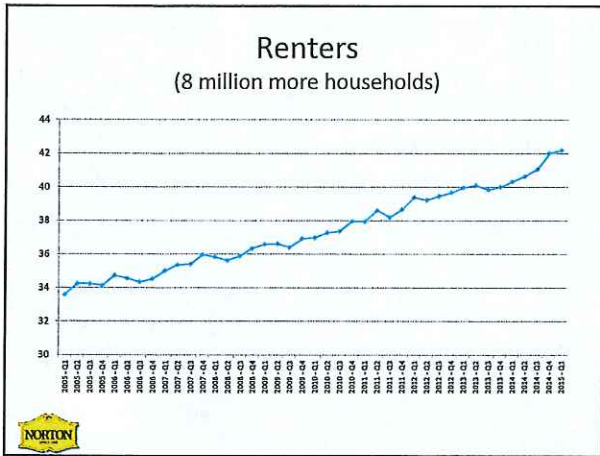


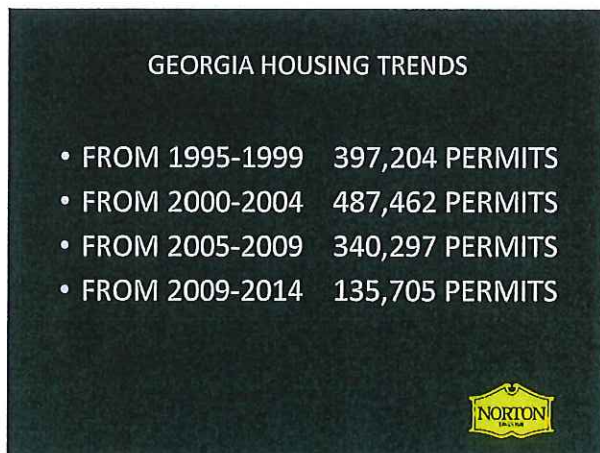
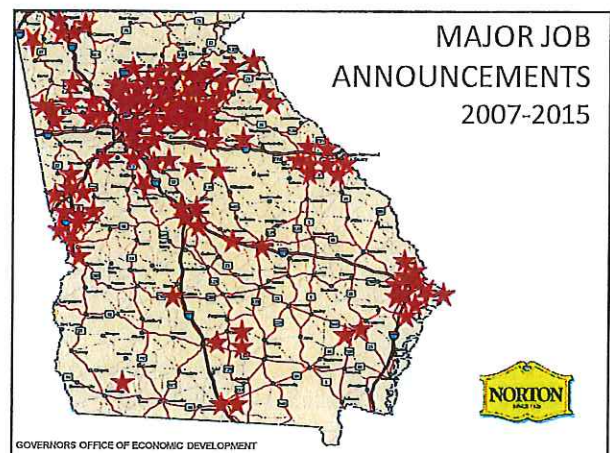
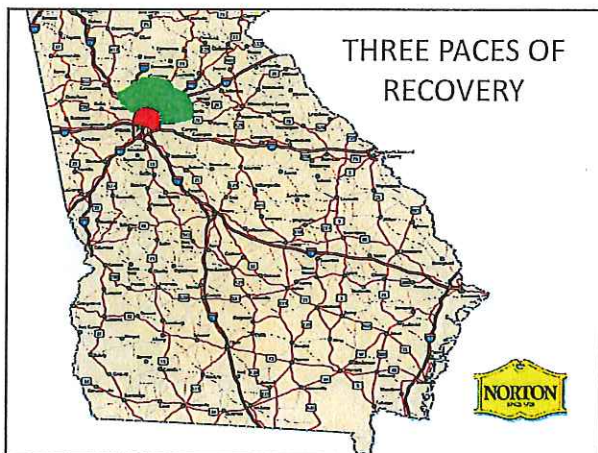
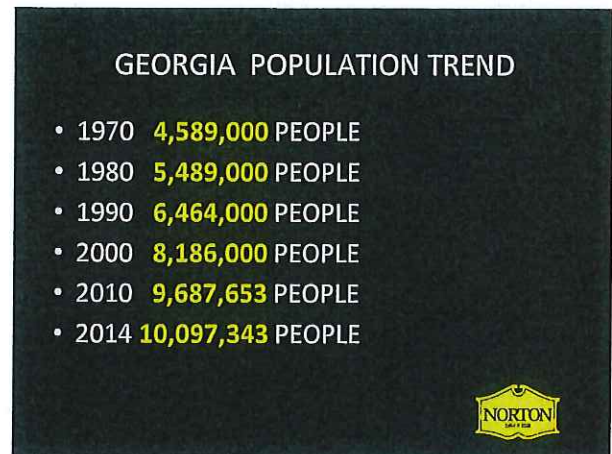
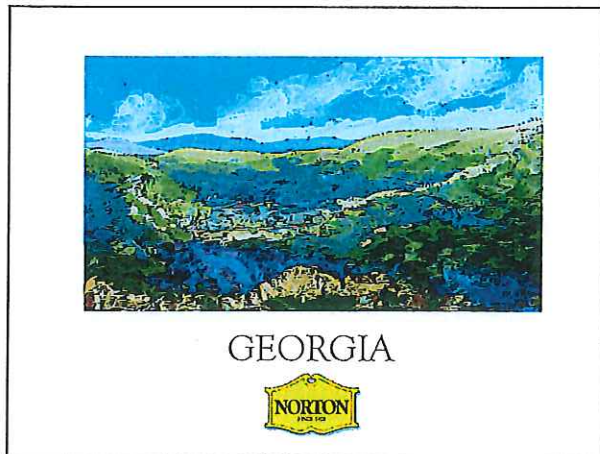
Mortgage Rate Projection

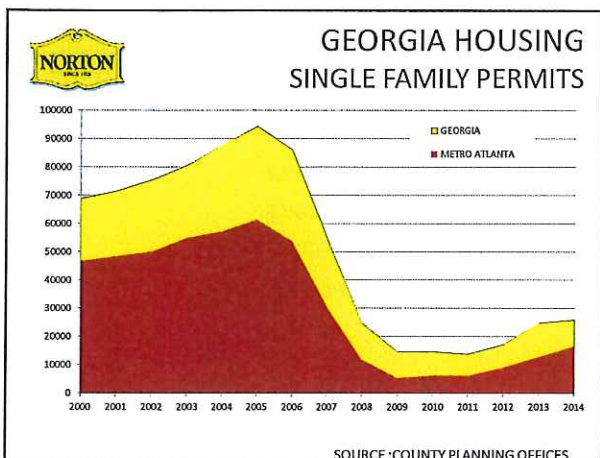
Quarter	Fannie Mae	Freddie Mac	MBA	NAR	Average of all Four
2015 4Q	4.0	4.3	4.5	4.3	4.28
2016 1Q	4.1	4.5	4.7	4.5	4.45
2016 2Q	4.1	4.7	4.9	4.8	4.63
2016 3Q	4.2	5	5.1	N/A	4.77









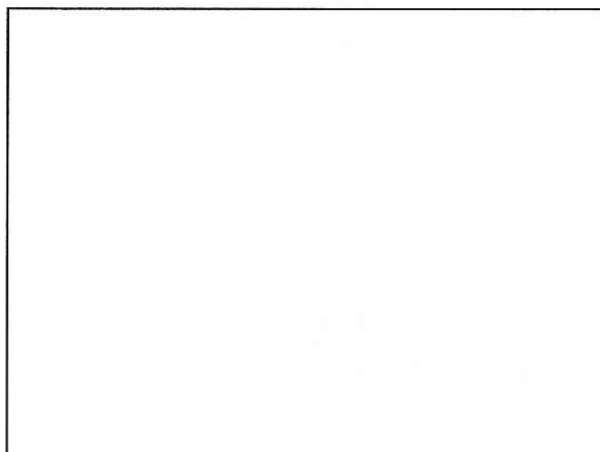
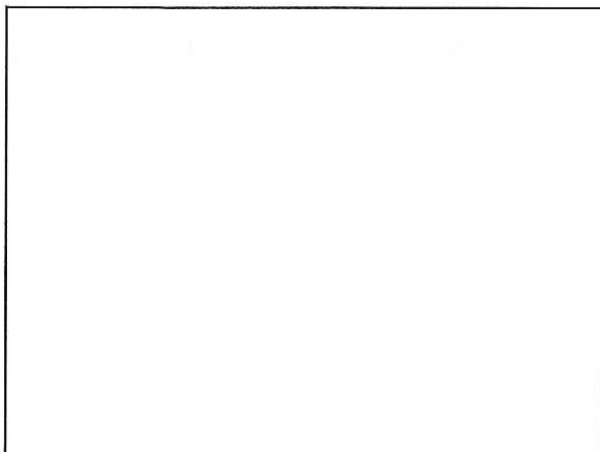
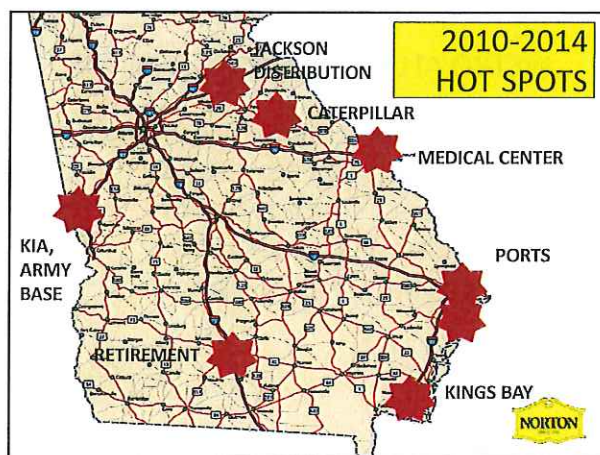


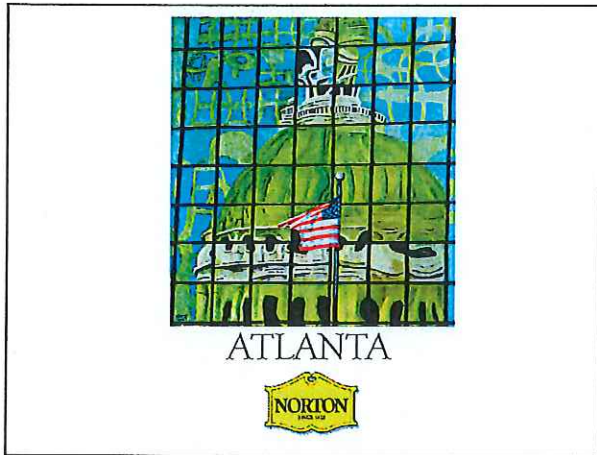
AVERAGE PRICE HOME SOLD 2014

- ALBANY \$100,676
- ATLANTA \$266,050
- ATHENS \$174,214
- AUGUSTA \$158,000
- COLUMBUS \$113,900
- DALTON \$98,900
- MACON \$103,304
- ROME \$97,890
- SAVANNAH \$158,156
- VALDOSTA \$158,136

AVERAGE SINGLE FAMILY DETACHED SALE PRICE

- 2011 \$162,220
- 2012 \$154,662
- 2013 \$203,090
- 2014 \$223,300





METRO ATLANTA POPULATION TREND

- 1970 **2,036,000** PEOPLE
- 1980 **2,550,000** PEOPLE
- 1990 **3,317,000** PEOPLE
- 2000 **4,548,000** PEOPLE
- 2010 **5,475,213** PEOPLE

US CENSUS 29 COUNTY REGION

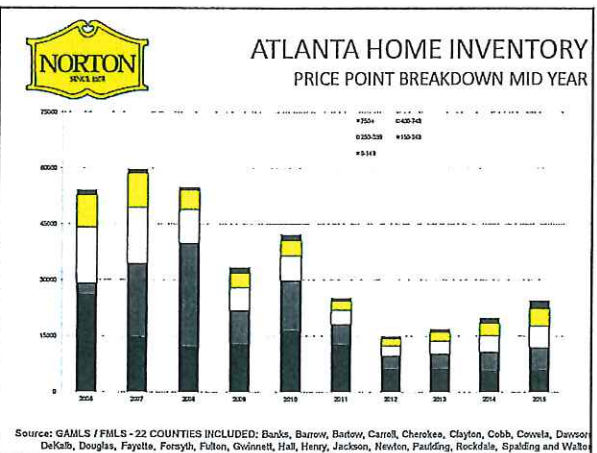
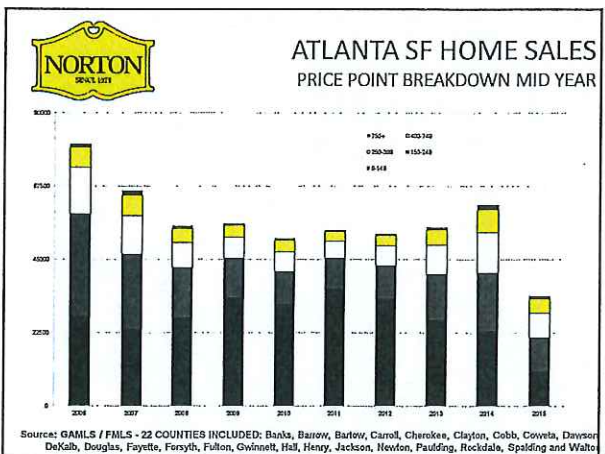
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METRO ATLANTA HOUSING TRENDS

- FROM 1970-1979 166,900 PERMITS
- FROM 1980-1989 264,000 PERMITS
- FROM 1990-1999 359,000 PERMITS
- FROM 2000-2009 425,000 PERMITS
- FROM 2010-2014 **53,744** PERMITS*

METROSTUDY 20134

NORTON
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MONTHS OF SUPPLY

	DEC 2014	DEC 2013
• CHEROKEE	4.3	3.0
• CLAYTON	4.3	3.0
• COBB	3.6	2.7
• DEKALB	4.1	2.7
• FORSYTH	4.0	2.8
• FULTON	4.6	3.3
• GWINNETT	3.9	2.4
• WALTON	7.2	4.8

NORTON
SINCE 1878

