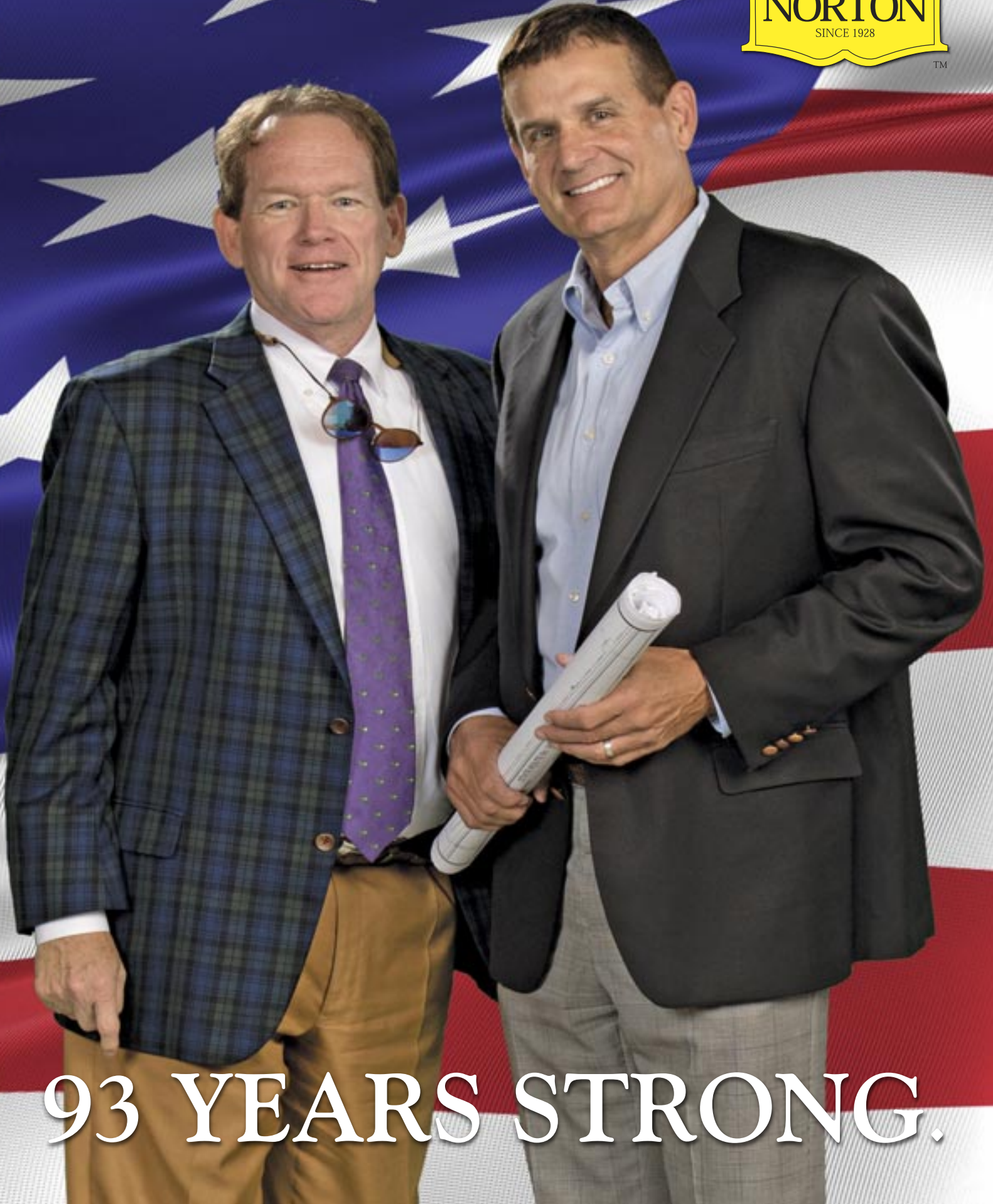


NATIVE INTELLIGENCE 2021



TM



93 YEARS STRONG.

FOOTPRINTS FOR OUR FUTURE

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The views expressed herein reflect our views of North Georgia, our views of our future and our views on the opportunities and obstacles in front of us. We own it...the Data, the Interpretations and the Human Spirit that drives us forward.

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CHANGE

For 33 years we have led our Annual Forecast introductory Foreword with the words “Change” and reflect on the *Power of Change*. After 33 years and the global effects of the COVID Pandemic, past muses on CHANGE were minuscule in comparison. Perhaps no time in recent Human History has change been so transformative to the Health, Welfare, Economic, Social and Emotional fabric of the Human Race. The pandemic now determines everything we do, everything we engage, touch, smell, breathe and think about. “It” also created powerful actions (some decisive some knee jerk) across all continents.

Here in North Georgia, business and government leadership stepped up creating attainable programs helping North Georgia power through the pelting waves of contagion, hospitalization, media noise and National stress.

Norton’s “Thanks” go out to the tens of thousands of Healthcare workers, food chain delivery service personnel and educators who pivoted to online instruction and to the Public Safety sector who kept our part of the world safe, civil, and progressive.

We also want to recognize our own extended family who kept our firm open, serving our insurance, residential, commercial, and rental clients 24/7...**YOU** Are Simply the Best! We are a firm that was founded in the middle of adversity (1928), our DNA makeup allows us to rise time after time helping our clients understand, navigate and take advantage of strategic opportunities along the journey. We follow big Footprints of those who came before us, but we also continue to blaze new paths across our region making our region the best it can be.



Robert V. Norton
President
The Norton Agency



Frank K. Norton, Jr.
CEO
The Norton Agency



FOOTPRINTS LEADING US TO OUR FUTURE

2021 IS A TOUGH YEAR TO **Forecast**... on the heels of an unprecedented pandemic, a tumultuous election, incessant noise across all media sources and an incredibly vibrant real estate market; it is hard to put a finger on the pulse of Reality. Pre-pandemic and somewhat fortuitous, my wife and I shut off network television in February 2020 and have yet to return. Even during the November 3rd election night, we opted to binge Sean Connery's James Bond movies in honor of his passing. For those interested, the official Bond movie release are:

Dr. No – 1962
 From Russia with Love – 1963
 Goldfinger – 1964
 Thunderball – 1965

You Only Live Twice – 1967
 Diamonds are Forever – 1971
 Never Say Never Again – 1983

2020 was like a bad dream with a rollup of Bond villainous organizations Smirch – and Spectra – that Special Executive for Counterintelligence, Terrorism, Vengeance, and Exhortation. Looking back, 2020 was being played out with the twists and turns of the best thriller movie and as of this writing the alternative ending is still being discussed.

Our 2021 cover is a **Footprint**, graphically revealing a partial world map of the Americans, truly symbolic of this year's 2021 Forecast. We have left big footprints along our journey and yet we have big footprints to fill as we, venture forward in North Georgia. At times, bare footprints across hot coals while bewildered, overworked, and tired. As an example, Covid as one example left a big footprint on our region's future.

Footprints indicate a Forward direction, walking steadfast into **new** horizons, **new** markets, **new** products, and **new** opportunities. Sometimes, we find ourselves walking forward into uncharted wilderness, other times across well-worn paths. Just 200 years ago an Indian Trail along an expansive ridgeline from what is now Gwinnett County through uninhabited territories of Hall, Jackson, Banks, and northward was named Hog Mountain Road. In fact, the first southern post office was established in 1812 called Fort Daniel. Today that same footpath bisects a vibrant industrial, office and residential community housing tens of thousands and employing the same amount.

It's these **Footprints** across our region that Civic and Government leaders build new roads, new infrastructure, and new communities for the advancing population. We are juiced about **Footprints** of growth into the valleys and hills of North Georgia advancing prosperity with new industry, good paying jobs, sustainable housing and higher education levels. Today's **Footprints** reflect a diversified economy, great healthcare and a great quality of life.

FOOTPRINTS

Source: 2021 Wikipedia

Footprints are the impressions or images left behind by a person walking or running.

Hoofprints and **pawprints** are those left by animals with hooves or paws rather than feet, while **"shoeprints"** is the specific term for prints made by shoes. They may either be indentations in the ground, or something placed onto the surface that was stuck to the bottom of the foot. A "trackway" is a set of footprints in soft earth left by a life-form; animal tracks are the footprints, hoofprints, or pawprints of an animal. Footprints can be followed when tracking during a hunt or can provide evidence of activities. Some footprints remain unexplained, with several famous stories from mythology and legend. Others have provided evidence of prehistoric life and behaviors.

ANCIENT FOOTPRINTS

Footprints have been preserved as fossils and provide evidence of prehistoric life. Known as "ichnites", these trace fossils can give clues to the behaviors of specific species of dinosaur. The study of such fossils is known as ichnology and the footprints may be given scientific names (ichnospecies). *Grallator* is one example of an ichnogenus bases on ichnites. Strictly speaking, an ichnospecies is the name of the trace fossil, not of the animal that made it. For example, an international team's discovery of a set of 1.5-million-year-old human ancestor footprints in Ileret, Kenya has shown the earliest direct evidence of a modern human style of upright walking. The team believe that the prints were probably formed by the species Homo Erectus.

ADVICE FOR A BIDEN PRESIDENCY

Norton Native Intelligence™ while largely conservative in nature, tries to stay politically independent (for the most part). Granddaddy (W. L. Norton, Sr.) was a staunch conservative Democratic State Senator for this region and once was campaign manager for Governor Ellis Arnall. However ever since, Norton has tried to be political “fence sitters” private in the voting booth, no political signs in front of our offices nor active in any campaigns. We do support elected leaders on all sides of the spectrum and work for community progress regardless of who is elected.

At the tail end of 2020, one of our longest and best commercial clients posed a provocative question, “*what advice would you give the new President that would help the real estate industry?*”

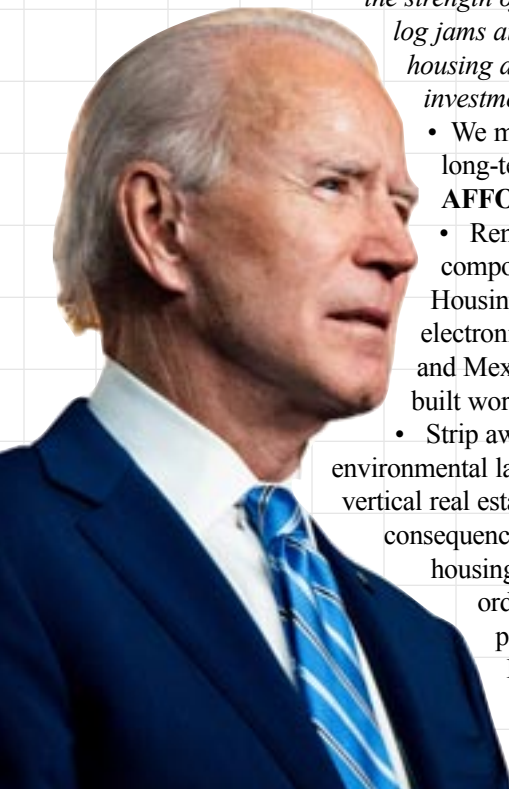
After thinking about this question off and on for a day or two, we accepted the challenge, we dug deep into our data discussing this question with several experts and have come up with these thoughts:

- Address “head on” the Affordable Housing Crisis. Housing has become the great divide by economic strata and the divide has grown by leaps during this COVID-19 period.
- Maintain a low interest rate. However, low interest rates are immaterial if there is not an adequate stock of affordable homes in which a buyer can use that same low interest rate. **Mr. President** *focus all your resources on the low and lower middle-income side of rental and homeownership. Use the strength of the Federal Government to break log jams at the State and Local level for housing development (creation) and investment (enhancement).*
 - We must creatively analyze and develop long-term strategies to return the word **AFFORDABLE** in affordable housing.
 - Remove all tariffs on goods and components going into 21st Century Housing. Tariffs on Canadian lumber, home electronics from Korea, toilets from Japan and Mexico, and all appliances which are built worldwide.
 - Strip away regulations, building codes, environmental laws that affect both horizontal and vertical real estate development. Their unintended consequence has caused land development and housing costs to soar. Weigh all future laws, ordinances and regulations against the potential effects on Affordable Housing.
 - Unshackle the Federal Banking restrictions on lenders making

speculative housing development and home construction loans. Current underwriting is destructive in making community-based loans. We need to start back the speculative home building engine and quickly provide housing for American’s organic growth not just immigration.

- Allow the Small Business Administration (SBA) to help fund startup working capital and trade credit for small builders and subcontractors. They are America’s business backbone and are often overlooked by SBA.
- Create a *First-Time* home buyer builder tax credit that incentives builders with a tax credit to build homes for the average household (say \$5,000 tax credit per home delivered).
- Allow self-directed IRA money to be invested into a home purchase, “Home IRA.”
(see sidebar)
- As we come out from our pandemic caves, the mortgage companies need guidance on the handling of forbearance under the CARES ACT. If mortgage companies can call the outstanding mortgages due, then we could be back to 2008 – 2011 home foreclosures. The industry is in desperate need for regulations that would require mortgage companies to come up with alternative measures in addressing repayments. It is too important to leave the decision to mortgage companies and their boards.
- Until we can address the soaring cost of affordable homes, we are more and more becoming a Renter Nation:

| | |
|-------------------|-----|
| 2020 Homeowners | 64% |
| 2020 Rental Homes | 36% |
- Therefore, it is imperative that the new administration creates incentives for multi-family and single-family rental development and investments. Perhaps this should include stronger depreciation for rental homes, tax preferential treatment of 1031 Exchanges where the new Exchange property is rental housing and tax credits for developers creating affordable rental housing not just low-income rental housing.



- Stop treating Fannie and Freddie as part of the Federal “piggy” bank and compel the spin off from government control before politicians turn it back into a social policy organization which destroyed its effectiveness 15 years ago.
- Finally, President Biden...America is about good jobs and a good quality way of life. Homes provide family stability connectivity and long-term retirement. *President Biden invest in America – invest in The Homes - for all of America.*

HOME IRA 2021

Housing, home ownership, construction, renovation, development and the chain of material goods filing them are the bedrock of the American economy. Some reports place the housing industry and its associated components accounting for as much as 30% of the Gross National Product (GNP). **Growth**, American’s growth, may also be our nation’s largest industry when you factor into the mix lending construction, marketing, household goods and services.

The recent boom to bust economic collapse sharply points to the importance of a stable housing market and the financial security of America’s citizens. The shaken public has been pelted with soaring foreclosure rates, the exposure of predatory lending practices, hyper inflated home prices – then collapse and mortgage rate interest resets.

In today’s economic climate, personally held IRA’s, Roth IRA’s and 401K plans, while protected from access, are subject to ever changing political and societal gyrations. It is estimated that over 1.4 trillion dollars is held in such accounts. Their values were decimated in 2008, some still have never recovered. Moreover, substantial amounts were moved out of the stock market or indexes and are sitting sidelined untouchable, stagnant in value but protected from further market volatility.

The bold salutation to the housing-based economy is to create a new IRA class of product called the HOME IRA, which would allow a portion (50% maximum) – not all – of one’s personal IRA, SEP IRA, or 401K to be invested in an Individual’s personal home, second home or rental property. This new investment class, with modern technology, can be tracked separately as a unit of a taxpayer’s retirement account just as stock indexes, mutual funds or long-term CD’s are recorded. The remaining 50% would still be available after age 70 as a retirement vehicle. While not as liquid as other investments, the HOME IRA provides the participant a degree of safety, security and comfort like other investment vehicles. Of course, many safeguards would need to be written into the legislation and IRA mechanics such as:

- No more than 50% of cumulative household IRA, 401K or SEP IRA could be applied to a **HOME IRA**.
- There would be a prohibition of home equity loans against the pledged collateral while the **HOME IRA** is in use.
- The **HOME IRA** could only be used for homeowner’s down payment, loan reduction/restructure or substantial remodeling, but ordinary upkeep or repair of a home would be prohibited.
- A required third-party appraisal for price/investment verification every five years would help monitor and adjust portfolio value.
- Qualifying properties must be within the 50 US states.
- At resale of the home, the **HOME IRA’s** full proceeds must be reinvested in a home or principal and interest returned to a traditional IRA.

The benefits of such a **HOME IRA** product would ripple through the American economy thousandfold.

- The **HOME IRA** would forever stabilize the housing market, would stimulate both new purchases and major home renovation while continuing to remove outstanding product inventories.
- The provision would allow HOME IRA funds to pay down large outstanding mortgages thus freeing up ordinary taxpayer cash to flow back into the American economy thereby stimulating the same.
- Allows the taxpayers using HOME IRA’s to diversify their personal retirement portfolios through real estate ownership.
- Encourages lower- and middle-class income groups to invest through the **HOME IRA**, 401K products in order to take future advantage of real estate investment opportunities in personal home ownership.
- The “renovation” features will stimulate the home building, construction component and product’s supply chain and strengthen small business which would result in stabilization of employment moving the economy toward full employment.
- Return small home rental opportunities and investment to the middle-class taxpayer and allows local taxpayers to invest money back into their local economy. It also creates a pool of potential rental home inventory, reducing the number of resale homes and providing affordable housing opportunities.

CONCLUSION:

It is imperative that the US economy return to its vibrant dominance on the World stage. Domestic production and employment are critical to the full recovery of our economy and real estate is the leading and the integral component. **The HOME IRA product and modification to current IRA, 401K regulations jumpstarts, if not accomplished, American’s goal for full recovery.**

This idea started from a series of conversations with retired banker and investor, Jeff Ash, Ash Family Investments and First published in our 2011 forecast. It is now time to again advance this crazy good idea.

GAME CHANGERS 2020

Norton's Definition is simple – *Game Changers are those events or trends significant enough to transform the population, economy, or landscape of our region either on a short term or a long-term basis.* Some Game Changers are generational, some Game Changers are economic, others are demographic or political, some are controversial but together they weave the stark reality of today. A snapshot of the times. This year, Norton's associates have had extensive conversations over months of virtual "Brainstorms" to synthesize the market fluctuations and digest the regional happenings, events, and announcements into a manageable TOP TEN Game Changers for 2020. These, of course, are Norton's Top Ten Game Changers and are subject to criticism or debate, which we enthusiastically encourage. Others may have a different view or a different set of priorities. We have used the Top 10 format for at least 15 years to better help Norton Native Intelligence™ organize its thoughts and concisely review the past year as it pushes us forward.

Our job at Norton Native Intelligence™ is to stimulate the minds of our readers, open eyes to opportunities, challenge the old school hierarchy and sometimes like Jennie C. Riley, "Tell it to the Harper Valley PTA."

This year's 2020 Top Ten Game Changers could, if we had allowed, revolved around COVID and the adaptation of our regional pivots as it stumbles and picks up, marching forward. However, we restrained ourselves knowing that there were many other Game Changes in our midst that went beyond COVID, Game Changers that are changing the landscape independently of COVID. In this writing, we have continued the Game Changers annual prioritization selected by our associates with COVID, of course, being #1.

1. COVID CHANGED EVERYTHING
 With great thought and effort Norton Native Intelligence™ launched its 2020 Forecast on January 28, 2020...forty-five days later the COVID-19 pandemic shut down the world, upended all our anticipated trends and aspirations for our region and shifted North Georgia into a hunker down mentality.

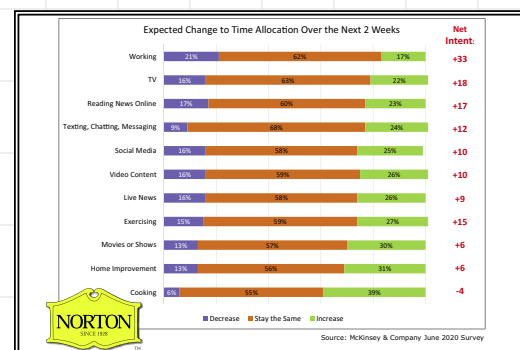
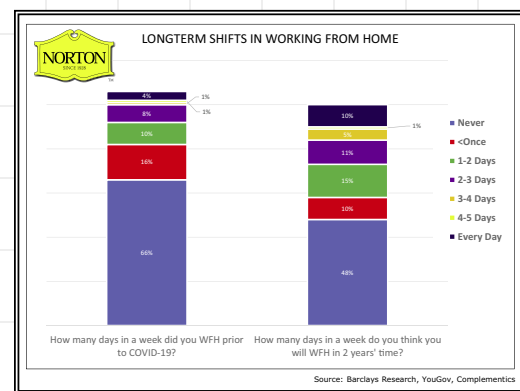
COVID-19 changed everything: work, home, consumable goods, transportation, recreation, healthcare, government, education and worship. Some effects were temporary, some will be everlasting. Unsure of the method of the disease transmission, we instantly became a nation of germaphobes: washing hands, sanitizing and social distancing relationships. While the pendulum is swinging back, here are Norton Native Intelligence™ thoughts forward:

- **Masks** will be with us for a while as the vaccine gets adopted, distributed and then formulas reworked. The most vulnerable physically and mentally will adopt them as long-term basic practices, not political, just environmental and safety. Think "abundance of caution" for a generation. Latest news also points out to weaknesses in vaccine delivery

to rural areas because of the absence of strong healthcare networks that points squarely to much of North Georgia.

- **Amazon** took a giant leap forward as e-commerce rescued most households during the sequester and the quarantine. Reports indicate Amazon, Walmart and grocery delivery took an accelerated 10-year leap in their National E-Commerce Adaption. This will strengthen not retreat.

- **Work at home** became no longer a privilege but a THING, accelerating home repurposing. Work at home eliminates commutes pushing the relocation of urban residents to further reaches of North Georgia once the freeway umbilical cord is mentally cut. While the debate on work productivity continues, those without childcare issues and separation discipline in workplace/homeplace are seeing continued productivity, if not a productivity increase.



Consumers have seen changes to every aspect of their lives

WORK

Rise of unemployment
On-the-go Consumption
Remote Working

***20x increase in Zoom Daily Participants**
Source: Bond Capital

LEARNING

Spend on learning adjacencies
Remote Learning

***35% of Netflix Subscribers use it for education content**
Source: YouGov

COMMUNICATION AND INFORMATION

In-person sampling decline
Shift in Media Consumption

***Further Migration to digital**

TRAVEL AND MOBILITY

Reduction in tourist spend and travel retail
Increase in domestic tourism

***80% reduction in international travel and related tourist spend**
Source: McKinsey analysis in partnership with Oxford Economics

SHOPPING AND CONSUMPTION

Surge in e-commerce
Preference for trusted brands
Decline in discretionary spend, trading down
Larger basket, reduced shopping frequency
Shift to shores closer to home
Polarization of sustainability

***personal disposable income is not expected to recover to pre-crisis level until Q2 2024 in the US**
Source: McKinsey analysis in partnership with Oxford Economics

LIFE AT HOME

Nesting at home
Surge in online

Home is recast as the new coffee shop, restaurant and entertainment center

PLAY AND ENTERTAINMENT

Preference for digital entertainment
Entertainment channel shift
(eg. cinema to streaming)
additional play time

***Disney+ achieved in 5 months what took 7 years for Netflix**
Source: PhoneArena

HEALTH AND WELL-BEING

Focus on health and hygiene
Acceleration of organic, natural, fresh
Fitness on-demand
E-pharmacy and e-doctor at scale

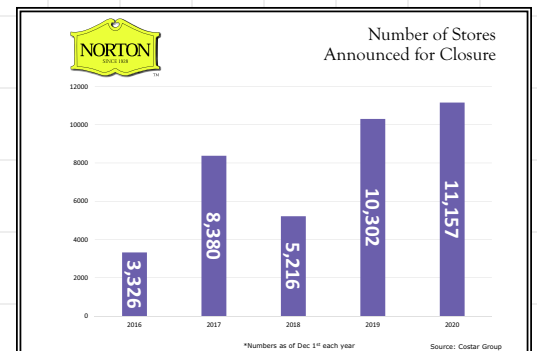
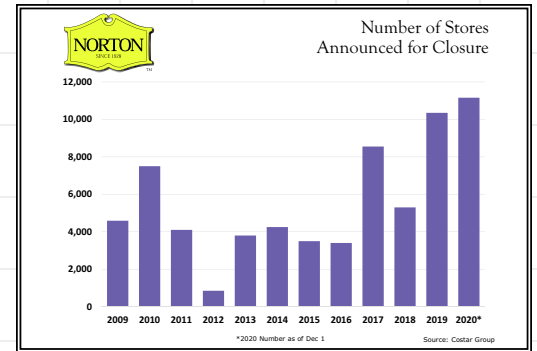
***Monthly year-over-year growth of organic produce in the US increased 10x in March compared to January and February**
Source: Organic Produce Network



• ZOOM and Internet connectivity have become dual ingredients to both work and distance learning. Internet in suburban, exurban Georgia is now a **required utility**. Our regional internet service must be faster, broader and better. With mom and dad working remotely and children doing distant classroom learning, internet disruptions and speed are disasters to both. Georgia and local governments should be investing on fiber pipelines or fiber webs across all regions.

Note, the human and educational toil on the lower income sectors cannot be overlooked and major initiatives must be launched to **level** the education technology playing field. This demographic has neither access to equipment nor internet connectivity thus stuck in the **dark ages** – literally, figuratively and socially.

• Our Medical Clients are some of the true unsung heroes of this civilization's survival. They mobilized and pivoted procedures, set up alternative Healthcare delivery systems (Telemedicine). The burden has been incessant as infection rates come in waves. We were told that Emory Healthcare was conducting 100 telemedicine sessions per month pre-pandemic, and now are conducting 15,000 sessions per week. These same clients tell us that testing both for the active infection, residual antibodies, and vaccine boosters will be with us **for years**. New in-office protocols will remain. Bottom line...Healthcare has stepped up their game...a big **THANK YOU!**



COVID-19's IMPACT ON KEY TRENDS

ACCELERATED

Work from home
Move to Sun Belt states
Suburban migration
Public open space
Retail sector transformation
Importance of redundant supply chains
Proptech shift to WFH and building safety
Municipal/state fiscal issues
Safety/health concerns in buildings
Affordable housing crisis
Concerns about racial equity
Federal deficit
Bikes and scooters

STOPPED OR SLOWED (FOR NOW)

Appeal of CBDs/density
In-person conferences and meetings
Experiential retail
Leisure travel/tourism
Business travel
Mass transit use
Apartment amenity wars
Tourist-oriented retail
Live entertainment
University towns
Student housing
Global supply chains

• On the dark side of COVID-19, socialization and infection rates have decimated the Senior Care, Comprehensive Care for our elderly, both active adult and those who are infirmed. Nationally, at least 100,000 nursing homes residents have died of COVID-19 and long-term care facility residents make up about 40% of the more than 350,000 United States Coronavirus fatalities according to the *Wall Street Journal*. The Senior Care industry must step up sanitization protocols and continuum of care; you cannot lock patients in their rooms like prisoners. There will be huge blowbacks to their reputation and ultimately, financial stability of certain operators will suffer if this issue is not addressed. Norton Native Intelligence™ urges stronger State certifications, standardization, and revised protocols.

• Retail 2020, "Survival of the Fittest, Survival of the Brightest, and

Survival by Imagination and Adaptation." National brands that were struggling pre-COVID became TOAST during the pandemic. Others quickly adapted to E-Commerce operations, personal delivery and high touch customization. The owners of one of our favorites, Alpha Grill, spent their sequester by revamping, rethinking, remaking their menu by simplifying the prep time and the packaging. Today, they report level to increasing sales but increased profitability. **Perspective pivot plan: Grace, Grip, Gumption.**

• Many **Manufacturers** got caught swimming naked as the tide went out to sea with their reliance on component parts from sole providers...spell that China or Korea, shutting down their supply chain. Parts inventory for America's assembly line took a major hit in the gut. The 2021 mantra of diversification of supply chain will take several years to shift back. Watch large industrial giants create multiple threads of intercontinental supply chains with parts coming from multiple global providers, China, South America and yes, back in the good 'ol USA.

• **Brenau University** at the time of COVID had a jump start over many Universities in the

South. Brenau has been creating full academic rigor online in multiple disciplines for ELEVEN years as others scrambled to create academic calendars on the fly...OVERNIGHT. It is evident now that both primary and secondary education got caught flatfooted and ill prepared. Six to nine months later, it is better, not perfect, but better with teachers, students and parents adapting to distance learning.

Without a doubt, COVID is North Georgia's number one game changer. The lessons learned will be with us for generations, but North Georgia's resilience and powerful people have shined. A true testament to our regional people's positions and positivity.

2. HOUSING AND RELOCATION
 Housing and relocation became the bright star of 2020. In March, those of us imbedded in the industry began to slash marketing budgets and restructuring staff responsibilities and consider draconian downsizing based on our historical reactions to the 2007-2011 Real Estate crash. However, by early May, reality shifted that calculus 180- degrees as the forced exile into our homes played with the American psyche. Homes pivoted to offices, classrooms, recreation, fitness centers, and food stuff/toilet paper warehouses.

As we adapted to shelter-in-place some, like Goldilocks, found the space was just right, others too small or too large. Much of North Georgia found that existing living arrangements did not **really work**. The pandemic forced many to reinvent their space by creating family media centers, with our over sized TVs, bedroom offices, or bedroom study halls and outdoor escape spaces. Many others ordered new furniture from Wayfair, TVs from Best Buy and consulting the decorating department at Home Depot. Others went to Gonorton.com or Zillow for new home surfing. It seemed that America was obsessed with upsizing, resizing and reconfiguring their home life while preparing for the next...what if? Home sales ended in Georgia with the best year in decades 2020. Shortages of new homes, rising prices and multiple purchase offers are the norm. Statically the January 2021 inventory is in the cellar.

AVERAGE HOMES SALES PRICE

| | 2000 | 2020 |
|-----------|---------|---------|
| Barrow | 91,000 | 252,000 |
| Banks | 90,000 | 263,000 |
| Cherokee | 175,000 | 354,000 |
| Dawson | 145,000 | 373,000 |
| Forsyth | 225,000 | 424,000 |
| Franklin | 85,000 | 294,000 |
| Habersham | 121,000 | 285,000 |
| Hall* | 182,000 | 338,000 |
| Jackson | 128,000 | 290,000 |
| Lumpkin | 147,000 | 281,000 |
| Pickens | 137,000 | 307,000 |
| Rabun* | 145,000 | 378,000 |
| Stephens | 90,000 | 249,000 |
| Towns* | 145,000 | 397,000 |
| Union | 137,000 | 278,000 |
| Walton | 155,000 | 284,000 |
| White | 109,000 | 252,000 |

Source: FMLS

Relocation is the "Wild Card" component that exacerbates the low inventory. Some have called it the "Great Migration," Americans relocating by the millions because they can feel what is coming. Even though Americans do not know what is ahead, they are getting out of big cities or dense communities while they still can. Norton Native Intelligence™ projects 25-35% of North Georgia's 2020 sales were to folks who did not live within the region on January 1, 2020. That is an impressive and unpredicted migration trend.

3. NORTH GEORGIA INDUSTRIAL EXPANSION HITS A RECORD
 Leasing and sales activity in the industrial sector hit a significant milestone in the first quarter of 2020. More leasing activity took place in that single quarter than any other in the region's industrial history.

2.8 Million Total Square Foot

It is important to note that this leasing took place well before the Pandemic E-Commerce shift and at the inflection point of the pandemic, these expansions were well underway with hiring. Hiring continued through the 2nd, 3rd and 4th quarters. This industrial expansion is further blueprinting our region as a logistics transportation lynch pin for Southeastern E-commerce and distribution.

| PRICE RANGE | 2020 AVERAGE MONTHLY SUPPLY | 4 th QUARTER 2020 |
|-----------------------|-----------------------------|------------------------------|
| \$0 - \$149,000 | 1.9 | 2.1 |
| \$150,00 - \$249,999 | 2.25 | 1.2 |
| \$250,000 - \$399,999 | 2.1 | 1.1 |
| \$400,000 - \$749,000 | 3.6 | 1.8 |
| \$750,000 - \$999,999 | 8.4 | 3.2 |
| \$1,000,000 & Above | 15.3 | 4.1 |

*Chart reflects New Construction and Resales as of November 2020

Norton Native Intelligence™ believes the low inventory will be with us for a generation. The current housing engine was downsized after 2008 and the production industry cannot keep pace with our region's ongoing household formations, much less migration from outside North Georgia.

NOTE: If you looked at our area as a distribution hub, there are almost 71 million people within an 8-hour truck drive distance from our region. **AND the industrial growth has just started.** Norton Native Intelligence™ is tracking multiple prospects for other Big Box distributing centers into South Hall, Jackson, Banks, North Gwinnett, Franklin, Hart, and Northeast Hall. One such user is seeking space to park 1,000 commercial delivery vans plus 1,000 driver (employee) cars as part of a last mile distribution super port (see trend 17). Until drone delivery becomes the norm, human dependent delivery system strains the workforce and shortages of labor will lengthen the delivery turnaround time. Independents like Door Dash, Grub Hub, Instacart, and Uber who rely on the independent “gig” workforce are quickening the pace, they create temporary and supplemental employment for thousands. With “At Home” grocery delivery coming into the picture, the stress on the regional labor force is immense.

4. FLIGHT TO DISTANCE REAL ESTATE
 The pandemic is strengthening demand for what Norton Native Intelligence™ calls “Distance Real Estate.” That trend can be bifurcated into two parts. Those participating in a great urban exodus to rural parts of Georgia where they have distance between neighbors, potential self-family isolation and enough outdoor space allowing them to breathe. This accelerated home sales in all parts of exurban Atlanta and well into the rural mountain regions. A large portion of the homes are second home sanctuary’s but a surprisingly number are **defaulting** to primary residences. Norton Native Intelligence™ projects that 25-35% of all post March 2020 sales were to buyers from outside the North Georgia region; Atlanta, California, New York, Northeastern

United States as they exodus from high-rise elevator dependent structures, most without outside balconies. The shutdown of public schools and their inadequacy in distance learning caused many families to reevaluate private schools or relocate into areas with such advanced technology and school leadership.

**American’s Preferred Place to Live in 2020,
Based on Their Current Community**

| | Live in a City | Live in a Suburb | Live in Town/Rural Area |
|-------------------------|----------------|------------------|-------------------------|
| Preferred Locals | | | |
| City | 47 | 22 | 12 |
| Suburb | 22 | 48 | 13 |
| Town/Rural Area | 30 | 30 | 75 |

GALLUP
Dec. 2020

AMERICANS’ PREFERENCES FOR WHERE TO LIVE

| | Oct 19 -21, 2001 | Nov 13 -18, 2018 | Dec 1 - 17, 2020 |
|-----------------------------|------------------|------------------|------------------|
| | % | % | % |
| Big City | 8 | 12 | 11 |
| Small City | 15 | 17 | 16 |
| Suburb of Big City | 20 | 21 | 16 |
| Suburb of small city | 9 | 10 | 9 |
| Town | 12 | 12 | 17 |
| Rural area | 35 | 27 | 31 |
| No opinion | 1 | 1 | * |

*=Less than 0.5%

GALLUP
Dec. 2020

The second leg of our DISTANT Real Estate Trend is the manufacturing production and productivity distancing. This leg is now well underway across North Georgia’s industrial sector keeping the workforce healthy, productive. The safety byproduct is a willingness to come back to work. Over the last decade, the large poultry machines and other North Georgia assembly line manufacturers have been shortening assembly lines placing workers almost shoulder to shoulder. Those same firms immediately installed Plexiglas shields, created work carols and now are trying to retrofit some processes back toward lengthening, not shortening, assembly lines to protect the health of their workforce. White collar employers are installing Plexiglas shields around open reception areas and building solid walls with doors around cubical office layouts. Norton Insurance spent the last three months of 2020 restructuring open offices into private door closing “micro-suites” with added sanitizing air flow.

Distance between employees is a HIGH ALERT action across North Georgia. Both Office and Industrial firms are also installing heat sensing temperature reading cameras, sanitizing stations, spreading out multiple

Americans’ Preference for Living in a Town or Rural Area

| | 2001 | 2018 | 2020 | Changes since 2018 |
|------------------|------|------|------|--------------------|
| U.S. | 47 | 39 | 48 | +9 |
| Gender | | | | |
| Men | 47 | 45 | 52 | +7 |
| Women | 46 | 35 | 44 | +9 |
| Age | | | | |
| 18-34 | 37 | 29 | 39 | +10 |
| 35-54 | 51 | 44 | 49 | +5 |
| 55+ | 50 | 44 | 52 | +8 |
| Race | | | | |
| White Adults | 49 | 45 | 52 | +7 |
| Non-White Adults | 28 | 27 | 39 | +12 |
| Region | | | | |
| East | 48 | 42 | 47 | +5 |
| Midwest | 54 | 44 | 52 | +8 |
| South | 44 | 38 | 50 | +12 |
| West | 40 | 35 | 43 | +8 |
| Party ID | | | | |
| Republicans | 54 | 53 | 66 | +13 |
| Independents | 48 | 40 | 47 | +7 |
| Democrats | 37 | 25 | 33 | +8 |

GALLUP
Dec 2020

coffee break areas, installing recirculation air cleaning and increasing fresh air intakes. They are doing away with common lunchrooms, cavernous copy/mail rooms and creating small pods of services through their space. Some office users will go to A & B teams, alternating in-office/at home hours, others will increase floorplans to create private workspace, still others will downsize office commitments as much as 65%. Independents like Door Dash, Grub Hub, Instacart, and Uber who rely on the independent “gig” workforce are quickening the pace, they create temporary and supplemental employment for thousands. The “office” is not a dinosaur stuck in a mud pit, just in the reinvention adaptation process. Innovative designs under the same roof are preferred to wholesale office relocations. Norton Native Intelligence™ has seen a couple of office expansions from Gwinnett and Atlanta over the last 120 days. The ultimate shakeout and potential downsizing of the office market caused by pivoting some workforce from office to homes permanently will be slow as leases come up for renewal over the next 3 to 5 years. Norton Native Intelligence™ believes it is still too early in the recovery post COVID to foresee long-term office demand.

On the medical front, new office designs will compartmentalize the sick versus the well, creating outside spaces for waiting families and internal space with air pressure “clean zones” like moving from one “submarine compartment” to another. Their Herculean task is to provide quality healthcare while protecting their vulnerable staffs. We have told that when a COVID patient is placed in a patient room, that room is shutdown afterward for an hour or so for sanitization before it is used again. This wreaks havoc on historical medical practices using patient rooms 4 to 6 times per hour.

In the second half of 2020, our Number One real estate inquiry was for “homes with acreage,” Acreage, Gentleman – Gentlewoman farms. Callers were looking for an “escape” either temporary or permanent, but a place to decompress and nest comfortable, and independently with their loved ones. **This distance real estate product is on fire**, especially in regions of North Georgia with strong cell service, internet service and fiber. Norton Native Intelligence™ is convinced that distance real estate is here to stay: society changes, recognition of health effect of being cramped (business or home life) will undoubtable play on our minds for a long time.

5. MILLION DOLLAR HOMES

The numbers are in! There were more million-dollar homes sold on Lake Lanier (all five counties that surround the lake) in 2020 than in any other year on record... that’s verse the

91

previous high on Lake Lanier of **27**. Lake Homes below the million-dollar mark are selling equally as fast. The reasons for the surge are multiple:

- Wealthy buyers have rationalized buying a second home, specifically a lake property purchase vs multiple years of exotic or European vacations.
- An increased flight of capital from high-net-worth buyers into Lake Homes as form of portfolio diversification.
- Distance real estate (see Trend #4) is one of the best social distancers since lake homes have no back door neighbors.

North Georgia overall lake and non-lake exceed million-dollar homes sales (Source FMLS/ GMLS) by 45%. Further indicating the appeal of our region as both a first and a second home destination.

6. MATERIAL AND LABOR SHORTAGES INCREASE

Whether its blaming COVID-19 or using COVID-19 as an excuse, there is a growing shortage of home construction components across all the North Georgia Region. This coupled with staggering material price increases is putting added pain to an industry struggling to providing affordable houses to a widening gap of population. We have asserted for two decades that Average people with average credit buy average houses. Material and component shortages are widespread, some are China or Korea sourced, such as toilet parts, electrical, appliances, household alarms, any house parts with electronics, and laminate flooring; others are manufactured based: rock work, insulation, trusses, and lumber as waves of American plants or subcontractors shut down due to employee base infection.

It is the price increases that are wreaking havoc on the custom build and the presale new home construction markets. In late July, Norton learned that framing packages for its Townhouse Project, *Liberty Midland*, was going to be hit with a 25% increase on August 1st. Our reaction...we bought six framing packages for cash and scurried around for a place to store them, four months before

needing the components. Others are not as fortunate. Supply chains and reliable pricing are vital to providing a stream of new home delivery. A contractor building a custom or presale home must know the final price in this variable price climate. It is apparent that COVID-19 or no COVID-19, “affordable housing” has taken a major hit and demand is outstripping all reasonable levels or supply.

In 2000, we projected the death of the \$85,000 home. In our 2020 Forecast, we sounded alarms for the death of the \$200,000 homes and our 2021 projection is that by 2023, we will see North Georgian’s refer to “affordable housing” in the \$250,000’s. This will force tens of thousands out of the potential housing pool keeping the apartment occupancy strong for decades.

What does material supply shortages, labor shutdown and price surges really mean? Affordability is crushed when it accelerates beyond current labor rates. Family’s will struggle to buy a house, rent longer and the American Dream of home ownership is evaporating for Average America, Average North Georgia. Heartbreaking to those of us who think everyone should have the ability to own their own home.

Average People with Average Credit buy Average Homes

7. INDUSTRIAL SHIFTS TO LAST MILE DELIVERY

As Amazon and Walmart build and fill their BIG box warehouses, the next LINK in the chain of delivery from manufacturer to consumer is simply, “The Last Mile,” getting



| | | | | |
|--|--|--|--|--|
|  |  |  |  |  |
| \$900 in rent = a house worth \$200,000 | \$1,100 in rent = a house worth \$250,000 | \$1,300 in rent = a house worth \$300,000 | \$1,500 in rent = a house worth \$350,000 | \$1,700 in rent = a house worth \$400,000 |
| <small>Sample rate based on a purchase price of \$200,000 with a 5.00% down payment and a loan amount of \$190,000 with a 30-year term. Principal, interest, and mortgage insurance payment: \$853.00 with a rate of 2.875%, an APR of 3.385%, and discount points of 0.000%. Actual payment obligations may vary.</small> | <small>Sample rate based on a purchase price of \$250,000 with a 5.00% down payment and a loan amount of \$237,500 with a 30-year term. Principal, interest, and mortgage insurance payment: \$1,067.00 with a rate of 2.875%, an APR of 3.900%, and discount points of 0.000%. Actual payment obligations may vary.</small> | <small>Sample rate based on a purchase price of \$300,000 with a 5.00% down payment and a loan amount of \$285,000 with a 30-year term. Principal, interest, and mortgage insurance payment: \$1,280.00 with a rate of 2.875%, an APR of 3.902%, and discount points of 0.000%. Actual payment obligations may vary.</small> | <small>Sample rate based on a purchase price of \$350,000 with a 5.00% down payment and a loan amount of \$332,500 with a 30-year term. Principal, interest, and mortgage insurance payment: \$1,493.00 with a rate of 2.875%, an APR of 3.920%, and discount points of 0.000%. Actual payment obligations may vary.</small> | <small>Sample rate based on a purchase price of \$400,000 with a 5.00% down payment and a loan amount of \$380,000 with a 30-year term. Principal, interest, and mortgage insurance payment: \$1,706.00 with a rate of 2.875%, an APR of 3.930%, and discount points of 0.000%. Actual payment obligations may vary.</small> |

Rates effective 12/01/2020. Monthly payment scenarios include principal, interest, Private Mortgage Insurance and are based on a 740 credit score. Property taxes and insurance are not included.

Source: Joy James, Guaranty Mortgage Service, LLC

those cardboard boxes filled with necessities or extravagances from conveyor belt to front door stoops across North Georgia.

E-Commerce and its customers rely on precision timing for groceries, perishables, and essentials. With the surge in online purchasing during COVID-19, it has further put a strain on the old reliable deliveries of FEDEX and UPS and accelerated AMAZON, WALMART and food stores to create from scratch their own delivery networks. Watch the giants centralize supply chain vendors, create mini hubs out of abandon grocery and big box stores, shrink instore footprints but enlarge internal work areas for Instacart assemble and pickups.

We in North Georgia, with our easy access to the 6 million folks we sit on top of, are ripe for Last Mile Logistic Centers filling in the developing land voids between our existing Big Box Distribution Centers. Look for more announcements along I-85 (Banks County South), I-985 (Gainesville South) and scattered users along GA400 and GA316.

8. GEORGIA AND THE WATER WAR

In 1989, one of our leaders, Frank Norton, Jr., was asked by the then Governor Joe Frank Harris to be on a newly created task force between Georgia, Florida, Alabama and the Corps of Engineers to resolve the water flow and ownership of water in what was then called the Tri-State Water Commission. And we have been fighting ever since.

In early 2020, the Supreme Court chose an expert Judge (arbitrator) and recommended that the US Supreme Court dismiss Florida’s six-year-old water rights case against Georgia. This was a major victory for Georgia in its legal fight with Florida over water use. While not quite over, the judge denied Florida’s request because “the evidence has shown that Georgia’s water use is reasonable.” Latest update is that the case will finally be reversed by the US Supreme Court.

We see this as a major win for the stability of Lake Lanier and if upheld, it would at last allow

long term planning (50 year plus) for our watershed to include the exploration of raising Lake Lanier pool level by 2 feet. Long promoted by Norton Native Intelligence™ and others, a simple 2-foot increase would provide thirsty Metro-Atlanta all the water they could possibly use (or waste) over a year span in the worst drought envisioned. The war is not over but the signs point to a positive Georgia outcome.

10 FASTEST GROWING CITIES IN GEORGIA 2020-2021

| | | 2010 | 2020 | % GROWTH |
|----|----------------|--------|--------|----------|
| 1 | Chamblee | 9,751 | 29,232 | 199.8% |
| 2 | Braselton | 6,107 | 11,452 | 87.5% |
| 3 | Norcross | 9,209 | 16,458 | 78.5% |
| 4 | Port Wentworth | 4,920 | 8,463 | 72.0% |
| 5 | Clarkston | 7,555 | 12,750 | 68.8% |
| 6 | Holly Springs | 8,354 | 12,509 | 49.7% |
| 7 | Flowery Branch | 5,096 | 7,497 | 47.1% |
| 8 | Richmond Hill | 8,890 | 12,720 | 43.1% |
| 9 | Pooler | 16,683 | 23,858 | 43.0% |
| 10 | Woodstock | 22,027 | 31,437 | 42.7% |

Source: US Census

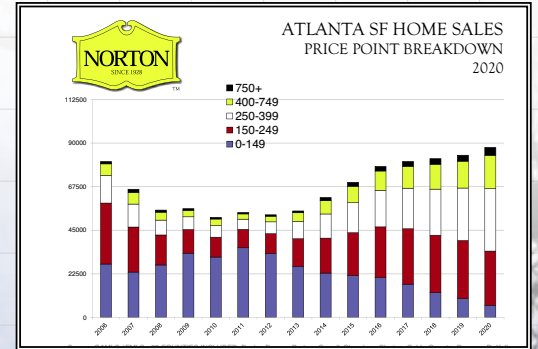
9. CHANGE IN LEADERSHIP
It is happening across North Georgia, the old guard community leadership is not evolving into a new guard rather in spans of 3, 6 or 8 years the flood of new residents are completely upending “the local” in leadership positions, reshaping priorities and jeopardizing historical vested interests. We have seen it demonstrated in Forsyth County, the Towns of Braselton, Flowery Branch and in Barrow Counties. Watch carefully, a community like Hoschton (2020 population 1,377) will see their political power shift with the emergence of 6,000 residents (2400 lots) at full build out of **Twin Lakes**. Less than 12 years old, **Sterling on the Lake** now shapes a new direction for Flowery Branch as does **Chateau Elan** shape the direction and priorities of the Town of Braselton. It is a “ying and yang” of good and bad. Great progressive ideas and fresh energy, but with total new blood, the trend sacrifices historical local perspective and **local** connectivity.

10.

RETAIL PIVOTS

Not sure how this ended up as Number Ten, but Retail pivoting during COVID-19 is an acceleration of a trend started way before the thought of the Coronavirus contagion. For at least the last 7 years, retail has been suffering an identity crisis with the advent of E-Commerce and the dilution of Brand excited consumers. The pandemic simply fast-forwarded store closures, retail, bankruptcies, liquidations, product repositioning, mall abandonment and consumer tastes. *Retail Darwinism* was accelerated because of the pandemic. Whereby certain species survived because they were strong enough to, others have been weighted down by too much debt. Thousands of brick-and-mortar stores have shuttered in 2020 with closures topping 11,572 according to Coresight Research. “We want less, need less and have seen a dramatic shift between both WANTS and NEEDS.” The winners are those businesses who quickly pivoted to personal service, personal shopping, high touch, delivery, takeout, and online ordering. Retail Game Changers are those who continue pivoting, reformatting stores, scaling down inventory selection and upping their personal interaction. WINNER TAKE ALL.

GAME CHANGERS ARE FOREMOST OPPORTUNITIES. This is what Norton does best...we are opportunity people seeing things others do not see...at first...then either advise our clients to capitalize on them or in some cases, heed the cautions and smoke signals. Norton Native Intelligence™ are like Indians listening to the ground for approaching hoof beats of growth, danger, and opportunities.





2021 HOUSING MARKET FORECAST

To say 2020 was a year of surprises is an extreme understatement. What started off as a bright year for the housing market and the economy was soon derailed by a global pandemic and severe economic recession. One of the big winners has been the housing market, which saw home sales and prices hit decade-plus highs following decade lows in the span of just a few months. We expect housing's winning streak to continue in 2021 as seasonal trends normalize and some of the frenzied momentum fades thanks to fresh affordability challenges. Below you will find our forecast and housing market predictions on key trends that will shape the year ahead.

Realtor.com 2021 Forecast for Key Housing Indicators

| Housing Indicator | Realtor.com 2021 Forecast |
|---|---------------------------|
| Mortgage Rates Average | 3.2% throughout the year |
| Existing Home Median Sales Price Appreciation | Up 5.7% |
| Existing Home Sales | Up 7.0% |
| Single-Family Home Housing Starts | Up 9% |
| Homeownership Rate | 65.9% |

2020 Context: The Baseline

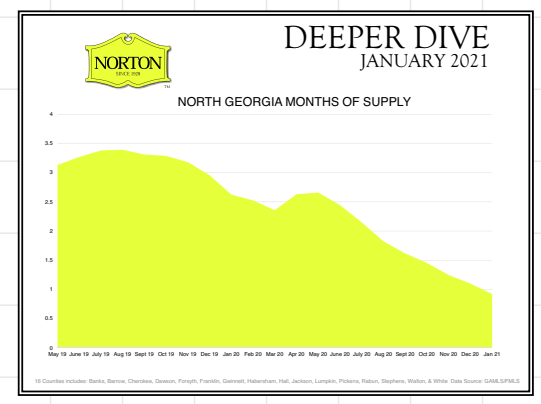
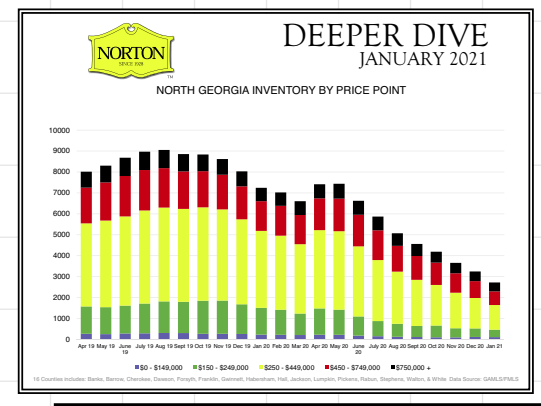
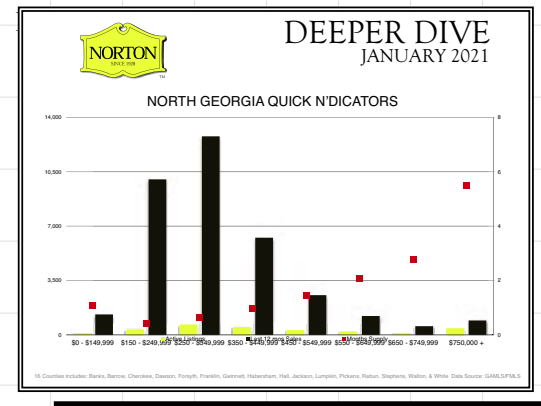
In 2020, the seasonal pattern for home sales and other metrics was thrown out of whack by the timing of the coronavirus arrival as well as the shelter-at-home orders and other measures that were rolled out to arrest the spread of the virus. These measures were implemented just before what is normally the best time of year for sellers to list a home for sale, and housing inventory never fully made up the gap as buyers returned in earnest before sellers. This uneven return of buyers and sellers created a housing market frenzy that pushed the number of sales to deceased highs while time on market dropped to new lows. This trend persisted well into the fall, a time when normal seasonal trends typically favor home buyers over sellers, thus buyers hoping for the usual break in 2020 were likely disappointed.

Home Sales

After whipsawing in tremendous fashion in early 2020, the housing market more than regained its early-year momentum to finish at new highs for home sales in the fall. For the year, we expect 2020 home sales to register slightly higher (0.9%) than the 2019 total thanks to the strong, if delayed, buying season. Going into 2021, we expect home sales activity to slow from those frenzied levels which represented underlying housing demand as well as make-up buying for a spring season many buyers missed out on plus a sense of urgency brought on by record low mortgage rates. As sub-3 percent mortgage rates start to feel less exceptional, buyers may not react with the same immediacy to take advantage of them initially, though as rates start to rise in the second half of 2021, buyers may feel the need to hurry purchase along to lock in a low rate. Additionally, as make-up buying from the disruption of spring 2020 fades, home purchases will be propelled by underlying demand in 2021. This demand will come from a healthy share of Millennial and Gen-Z

first-time buyers as well as trade-up buyers from the Millennial and older generations.

We expect home sales in 2021 to come in 7.0% above 2020 levels, following a more normal seasonal trend and building momentum through the spring and sustaining. As vaccines for the coronavirus become broadly available to the public, and economic growth reflects the resumption of more normal patterns of consumer spending, home sales gain even more in the second half of the year.



With the already limited inventory of homes for sale relative to buyers pushed further out of balance by the pandemic that brought out buyers in mass and kept many sellers pondering their options, home prices skyrocketed surging up more than 10 percent over year-ago levels by the late fall. We expect the momentum of home price growth to slow as more sellers come to market and mortgage rates settle into a sideways pattern and eventually begin to turn higher. The large number of buyers in the market, including many Gen-Zers looking to buy their first home and Millennials who are both first-time and trade-up buyers will keep upward pressure on home prices, but rising numbers of home sellers will provide a better relief valve for that pressure.

We expect home prices in 2020 to end 7.6% above 2019, after seeing a near record high boost in the summer and early fall but beginning to decelerate into the holidays. From there, we expect price gains to ease somewhat in 2021 and end 5.7% above 2020 levels, decelerating steadily through the spring and summer, and then gradually reaccelerating toward the end of the year.

Source: Realtor.com

Inventory

Although the housing market is healing and by many measures doing better than before the pandemic, inventory remains housing's long-haul symptom. There were an insufficient number of homes for sale going into 2020 in large part due to an estimated shortfall of nearly 4 million newly constructed homes. Much to the surprise of many, the coronavirus and recession did not lead to a distressed seller driven inventory surge as we saw in the previous recession, but further reduced the number of homes available for sale. Starting in fall 2020, the housing market saw more than half a million fewer homes available for sale than the prior year. We expect to see an improvement in the pace of inventory declines starting just before the end of 2020 that will continue into Spring 2021, so that while the number of for-sale homes will be lower than one year ago, the size of those declines will drop. We expect a more normal seasonal pattern to emerge which will contrast with the unusual 2020 base and lead to odd year over year trends but taken as a whole we expect inventories to improve and, by the end of 2021, we may see inventories finally register an increase for the first time since 2019.



HOUSING MARKET PERSPECTIVES

What will 2021 be like for buyers?

The housing market in 2021 will be much more hospitable for buyers as an increased number of existing sellers and ramp up in new construction restores some bargaining power for buyers, especially in the second half of the year. Still low mortgage rates help buyers afford home price increases that will be much more manageable than the price increases seen in 2020. With companies continuing to allow workers more flexibility, we see the inner as well as outer suburbs and smaller towns continuing to entice home buyers and builders. Areas that can ramp up affordable housing supply will benefit and see an influx of buyers.

While buyers will be able to visit homes in person, a strong preference for most shopping to buy, they will take advantage of the industry's acceleration toward technology to check out homes, explore neighborhoods, and research the purchase online, saving time and energy to focus on a more selectively curated list of homes to view in person.

Although the pace will slow from late 2020's frenzy, fast sales will remain the norm in many parts of the country which will be a challenge felt particularly for first-time buyers learning the ins and outs of making a major decision in a fast-moving environment. Buyers who prepare by honing in on the neighborhood and home characteristics that are must-haves vs. nice-to-haves and lining up financing including a pre-approval will have an edge.

What will 2021 be like for sellers?

Sellers will be in a good position in 2021. Home prices will hit new highs, even though the pace of growth slows. Buyers will remain plentiful and low mortgage rates keep purchasing power healthy, but monthly mortgage costs will rise as mortgage rates steady and home prices continue to rise. Sellers hoping to see further double-digit price gains will likely be disappointed, but those setting reasonable expectations can expect to see a timely sale and will want to focus on their next move.

Source: Realtor.com Economics



THE NEXT NORMAL



We absolutely hate the phrase “NEW NORMAL,” it is so overused, and it reminds us of the Great Real Estate Depression of 2008 – 2011, yearning of “New Normal.”

In our readings this past year we came across the phrase “NEXT NORMAL” in a writing from McKenzie, the International Consulting Firm. We are always pondering, “What’s Next?” “Where Next?” “Who’s Next” in our thoughts about the North Georgia Region and its future, so we are going to adopt “NEXT NORMAL” and use it as the basis of our 2021 Forecast predictions.

Our good friend, John Addison, former CEO of Primerica posted these words on his New Year’s Day Instagram/Facebook:

*What to do when you fail, adopt a “what’s next attitude.
 What is the next adventure?
 What is the next journey that I am going to take?
 What is the next project I am going to create?
 What is the next thing I am going to do?*

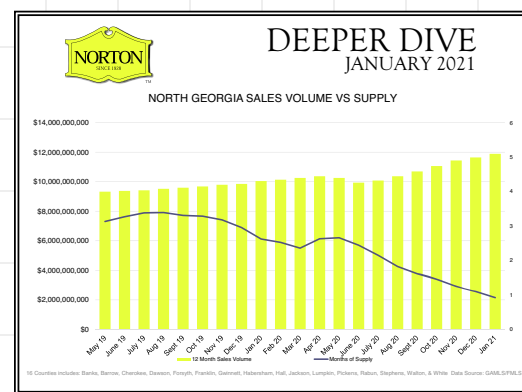
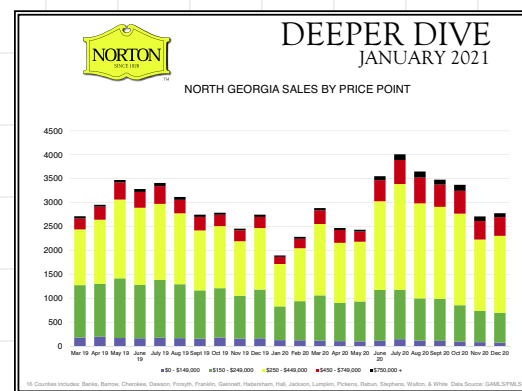
The “Next Normal,” is a pace of business, a pace of life, a pace of work, a pace of health and wellness, a pace of recreating and a pace of living.

“Normal,” admittedly is a welcomed slow pace of changes. Without sounding to Chamber of *Commercy*, our region is better prepared, better positioned than most. Some basic regional benchmarks are:

| | Market Benchmarks | |
|------------------------------------|----------------------|----------------|
| | North Georgia Region | |
| | December, 2009 | December, 2020 |
| Homes Months Supply | 12.8 Mo | 1.5 Mo |
| Listing Inventory | 33,994 | 7,299 |
| Under \$250k | 23,456 | 1,396 |
| \$250k To \$400k | 6,250 | 2,417 |
| \$401 To \$750k | 3,145 | 2,147 |
| Over \$750,000 | 1,143 | 1,339 |
| Unemployment Rate | 9.5 | 3.3% |
| # Homes Uc | 11,525 | 9,859 |
| Vacant Developed Lots | 168,000 | 60,873 |
| Average Home Sale Price (Detached) | \$161,880 | 335,331 |
| Multi-Family Vacancy | 18% | 3.75% |
| Annual Cpi Index | -0.4 | .3 |
| Prime Rate | 3.25 | 3.25 |
| Mortgage Rate 30 Year | 5.22 | 2,961 |
| 23 County Population | 1,974,286 | 2,364,732 |
| Annual Pop Growth Rate | 1.28 | 1.08% |
| Per Capita Income | \$32,334 | \$46,984 |
| Consumer Conf. Rate | 47.4 | 98.1 |
| 23 County Tax Bases | 35 Billion | 51 Billion |
| Commercial Construction | 475,000 Sf | 4,896,000 Sf |

So the following are 21 elements that Norton expect to see in the “Next Normal.”

- Expect communities like Braselton and Buford which rely on Hotel/Motel tax fees or retail sales tax to start pushing up property taxes rather than cutting back staff and revitalizing programs. Government hates to retreat, only advance.
- Expect a wave of “bigger than big” industrial distribution center activity along I-85 and I-985, logistics, just-in-time delivery and “just in case” supply chain development will absolutely rock the commercial market for the next 5 to 7 years.
- Expect Healthcare to quickly pivot to combat COVID-19 and to continue keeping us both sane and well. Testing centers, drive-in medicine, tele checkups, and telemedicine will never retreat. The drive through/drive up clinics have expanded. The healthcare mind can provide much more than simple tests.



- Big Box retail, especially Malls, will shutter in droves over the next 2 to 3 years as stores struggle to regain elusive in-store customers. But there is great opportunity to turn these behemoth dinosaurs into schools, community recreation centers, data processing facilities, multi-family loft style housing and healthcare facilities. Someone needs the imagination and capital to re-imagine these structures. They have two key ingredients: super cheap bulk space and acres and acres of surface parking.

- Retirement homes, personal care facilities become trapped coronavirus cages for the elderly and vulnerable. Watch for this product to morph where more retirees age in place with home health care and “zoomisk” type checkup/check-ins for those without periodic independent care.

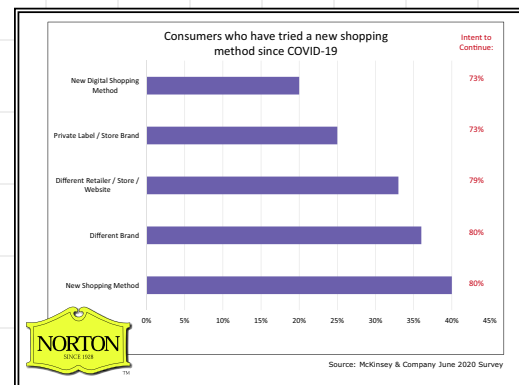
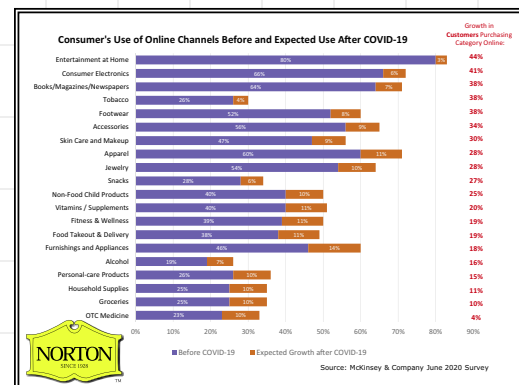
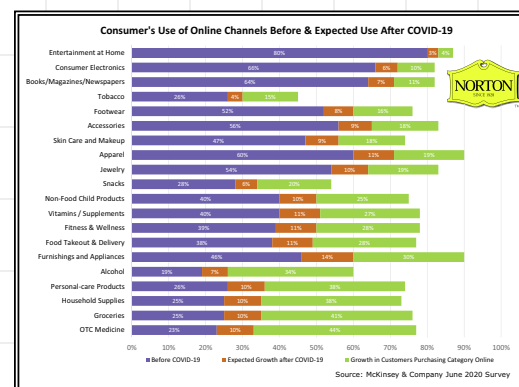
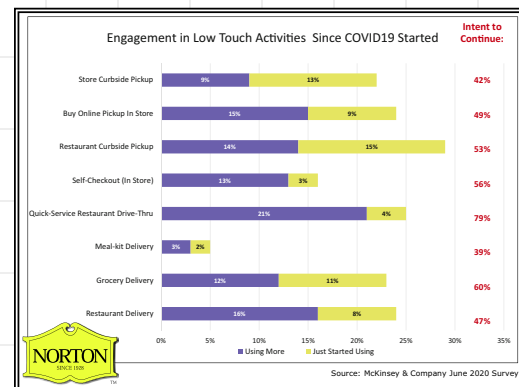
- We have seen the rise of the HOMEBODY economy, a societal shift where the **safest place** is to **stay at home** or best travel 30 feet into one’s own living room. That will not change. **New** home designs are evolving to accommodate that new lifestyle. **New** equals healthy and incorporating elements that promote health and wellness like touchless features and easy-to-clean surfaces. The home office and private space for schooling is now a high priority for buyers who are looking for dedicated quiet spaces. Multigenerational living is also taking on greater significance, as 1.1 million 23-30-year old’s have moved “back home” since February 2020 and age in place older adults are migrating into separate wings of their children’s homes.

- Those that are not moving are remodeling their homes like never before. Home Depot’s revenue surged 23% in the second and third quarters of 2020. We will see another round of remodeling, updating and basic house expansion in 2021. Comfort, Quiet, and Private are all IN.

- There is also a likely wave of foreclosures coming at some point next year. Most foreclosure moratoria have already expired, and as mortgage relief options run out, lenders will start to foreclose on borrowers who’ve yet to settle up. The exact timing for this wave will depend on each state’s unique foreclosure timelines. (It can take anywhere from a few months to a few years).

- Construction will pick up. Housing Starts are already rising (up 14% year over year by October), but experts predict they will jump even more in the new year. **Fannie Mae** projects a 17.1% bump in single-family starts in 2021. Keep in mind it takes a typical construction start about seven months until completion according to Census Bureau data, so we will not see that inventory right away. If it hits though, it could offset some homebuyer demand and alleviate upward pressure on pricing.

- Mortgage Rate - While they may not hit record lows again (like they did almost a dozen times in 2020), they should remain low in 2021. Again, all the major players agree on this one: MBA, Fannie, and Freddie. Each predicts 30-year fixed rates will remain in the high 2% or low 3% range across the year.



- Remote work is here to stay. Employees want flexibility, employers want loyal employees and productivity. The last 8 months of 2020 proved that both sides could reach a happy medium. Current and future employees will expect continued flexibility in how and when their work gets done which indicates a need for flexible remote policies, procedures and strategies.

- However, the office is also here to stay. The increase in remote work will have an impact on in-office utilization but will jump start a “fresh start” for most office environments. The office of the future will be about team development, collaboration, creativity and social connections that are best served in person. The typical corporate culture can not be nurtured on “Zoom” alone. The office becomes a communal hub for training, seminars and career development. In all cases, the office must be equipped with the appropriate technology effectively connecting a more distributed workforce.

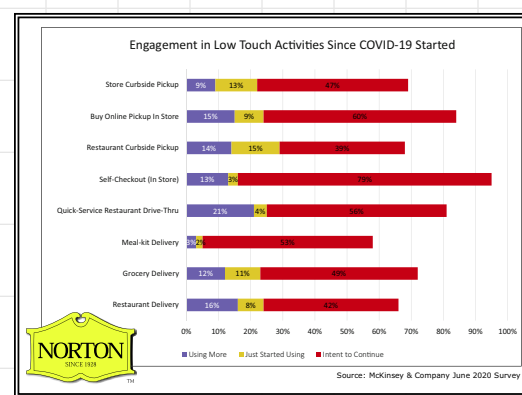
- The rise of remote work has the potential to unlock the American Dream of Homeownership for nearly two million rental households. A new Zillow analysis found that is how many rental households could likely telecommute and afford monthly payments on the typical US starter home but could not afford a starter home in their current location.

- “Clean” is the new “Green” as businesses begin to show an elevated level of hygiene geared toward customer and employee safety. Expect lots of public mopping, plexiglass walls and temperature reading sensors. No one is excited about being around 70,000 people right now or in the

foreseeable future which affects the entertainment, convention, and the recreation industry. Public transportation ridership demand has dropped 75% nationally during the crisis and will be slow to recover.

- North Georgia cities will reassess/reevaluate widths of our sidewalks, better access to parks and nature and cars will become larger as people need to roam. Open space is the number one priority in a density-oriented life.

- A fear of people set-in during the second half of 2020 as more information on the virus was



uncovered. The collective mind shifted everything from stadium gatherings, dream trips or the subway across town.

- Vices surged and trending upward. Online alcohol sales spiked 243 percent nationwide during one week in March, according to Nielsen, and home cannabis delivery is booming. “On average, with COVID, we see 50 percent more people over age 50 ordering, and they’re buying 15 percent more per order,” says Elizabeth Ashford, a spokeswoman for online cannabis marketplace Eaze.

- The demand for second homes will continue from 2021 to 2025, it rose 100-250% depending on the market year-over-year according to a new Redfin Study, people with a “means” continue to search for a safe get way where they can control their environment. This is typically within a half day driving distance and the intended usage of 7 to 12 times per year, longer stretches if they are sheltering in place, it will just not be at home. We expect second home sales to rise in 2021.

- Feeling safe is critical to getting traffic and occupancy levels back to where they were before March 2020. This is even more important for specialized uses such as gyms, movie theaters and live event venues not to mention the hospitality industry’s dependence on people feeling comfortable traveling. The vaccine addition and distribution will help scale back demand in 2021 but have significant affect on 2022/2023. These items bring comfort as other infectious diseases emerge.

- Sanitizers and masks are here to stay as Americans will be increasingly fixated on washing away deadly germs. Hand sanitization stations at store front doors will remain, and we may see a level of mask wearing projection in place at least throughout the decade or until production and introduction of the second or third generation of vaccine.

- There is an increased awareness of industry, commerce, healthcare, education and government on the word PREPAREDNESS. Prevalent stock-out highlighted the Achilles heel of lean supply chain management, or “just in time” strategy. Preparedness includes holding higher inventory, diverting sales channels and having optionality in production venues. It is imperative that we see a reversal of America’s industrial machine. This will result in near shore relocations, stockpiling goods and shortening supply chain delivery timeframes. Expect this to be a 4-to-6-year industrial pivot.

POPULATION

| | 2000 | 2020 Projected | 2040 Projected |
|-----------|---------|----------------|----------------|
| Banks | 14,422 | 19,395 | 55,000 |
| Barrow | 46,144 | 69,367 | 110,000 |
| Cherokee | 141,919 | 214,346 | 350,000 |
| Dawson | 15,999 | 22,330 | 48,000 |
| Fannin | 19,798 | 23,682 | 32,500 |
| Forsyth | 98,407 | 225,000 | 380,000 |
| Franklin | 20,285 | 22,084 | 42,000 |
| Gilmer | 23,456 | 28,292 | 41,000 |
| Gwinnett | 588,488 | 955,000 | 1,320,000 |
| Habersham | 35,902 | 43,041 | 67,000 |
| Hall | 139,277 | 205,000 | 310,000 |
| Hart | 23,997 | 25,213 | 34,000 |
| Jackson | 41,589 | 60,485 | 155,000 |
| Lumpkin | 20,986 | 29,966 | 40,000 |
| Madison | 25,730 | 28,120 | 39,000 |
| Oconee | 26,225 | 32,808 | 47,000 |
| Pickens | 22,983 | 29,431 | 40,000 |
| Rabun | 15,050 | 16,276 | 24,000 |
| Stephens | 25,435 | 26,175 | 39,000 |
| Towns | 9,319 | 10,471 | 18,500 |
| Union | 17,289 | 21,356 | 33,000 |
| Walton | 60,687 | 83,768 | 175,000 |
| White | 19,944 | 27,144 | 45,500 |

SOURCE: US Census Reports

NNI Estimate

CONCLUSION

No one predicted 9/11 or its aftermath.

No one predicated COVID-19 or its global pandemic.

There will be another THING. How we react is how we will recover, there will be other cataclysmic events, but the resourcefulness of the human spirit helps us power through adversity, capitalize on opportunities along the way, and craft a **New Normal** for our region and ourselves.

Make your footprints count across North Georgia



**YOU CAN MAKE ANYTHING EXPENSIVE;
YOU CAN MAKE ANYTHING CHEAP.**

**One thing in common of both democrats
and republicans, neither cares about the
deficit, only building a wall or having
free college.**

*In a British survey, a
child under 6 years old,
asked 300 questions a
day; why aren't adults
asking questions at the
same rate?*

How do we get along with each other to get anything done?

*Rental Housing – Our school system
cannot handle them or does not want
to handle them.*

**Average Americans only
engage with 375 SF of their
house on a daily basis.**

**“We elect change, then vote them
out because we don't like that kind
of change.”**

**If you are not overreacting,
you are underreacting.**

WHO WOULD YOU BE IF YOU DID NOT HAVE TO PAY A MORTGAGE?

*Today live, work, play...more
demand for live, some work,
some play...but LIVE.*

**COMMERCE IS SCARED THAT THEIR HIGH
SCHOOL FOOTBALL PROGRAM WILL BE MOVING
UP IN CLASS.**

Your mute button is on...

AMAZON – coming to a neighborhood near you.

**DANGER ZONE – WOODSTOCK,
ROSWELL, APPLAUDS DOWNTOWN
REVITALIZATION BUT NONE OF IT IS
AFFORDABLE.**

**In small communities, you have the haves and have
nots and they like to watch high school football
together. The last thing they want to do is go to
Gwinnett County to get beat in 5A or 4A football.**

*Many communities today want industry and
jobs, not people, robotic citizens who work
24/7, who do not vote much less ask questions.*

**REAL ESTATE IS THE LAST
BASTION OF CAPITALISM IN
AMERICA.**

53.4% of Georgia workforce earn \$19.00 an hour or less.

*Real estate is not a typical consumable,
it is a LIFE event.*

**75% of American households are single,
living alone, couples with no kids and
roommates.**

**“NEVER LET A GOOD
CRISIS GO TO WASTE.”
WINSTON CHURCHILL**

Tugs of War of capitalism.



FIRST PERSON SNAPSHOTS

COMMERCIAL & ACREAGE

MOUNTAIN COMMERCIAL WHITE, RABUN, HABERSHAM 2020

It is exceedingly difficult to discuss commercial real estate activity in North Georgia without sounding like we are pitching the area from the standpoint of the local chamber of Commerce. Although there are some differences in magnitude as what drives commercial real estate in White, Rabun and Habersham Counties; recreational and tourism tops the list. The old standbys of hiking trails, waterfalls, campgrounds, and state parks continue to be draws. In fact, in the year of social distancing, maybe these have become even more important. Getting to these locations and having a great place to stay, eat and make the trip enjoyable bring those urban dollars into the North Georgia Mountains.

With Helen cancelling their biggest annual event, Oktoberfest, due to COVID, the town would expect to have washed down the Chattahoochee. But the interest of people to get away from the city and breath some cool, clear mountain air brought in a surprising summer and fall.

This was reflected in much of the recreational real estate markets across North Georgia. More million-dollar lake homes were sold in half of 2020 than in all of 2019. The interest in finding some space was rampant in the region. Anything under 30 acres was of great interest – particularly if it had a view, a water feature, and probably was open to a modular home. And there has been some increase in housing.

The word is developers are building almost 20 new homes in an area close to downtown. The demand is certainly there. The Rabun County public schools are highly productive and are ranked in the top 10 in Georgia. In addition, Tallulah Falls Schools and Rabun Gap-Nacoochee are private college prep schools in Rabun County.

Rabun County has added more venues for farm-to-fork dining, and in genuinely nice surroundings. Julep Farms to the Rabun Manor Resort have grown along with the Rabun Café and Grapes and Beans Café. Quality wines are being produced in clear mountain air with plenty of rainfall in this temperate rain forest. On sure, we have more than one distillery too – Moonrise Distillery offers tours and high-quality spirits. Not everyone in the tri-county area is expecting tourist dollars to cover the mortgage payment. Beyond tourism, and government positions, there is a growing medical presence. In July of 2020, the Mountain Lakes Medical facility is under unified management for the first time in more than a decade. The stated intent is to improve the quality and provide great quantity of services to the area. There is no reason why, in this brand new 65,000 SF facility, the best possible medical services cannot be made available to this population. There have been a few new doctors in the area, and Northeast Georgia Physicians Group has offices in Clayton now. Habersham Medical in Demorest is under contract with Northeast Georgia Medical Systems to join their system over the next few years. More doctors will bring more nurses and more support. White County is limited in their medical offerings with an urgent care facility offered by Northeast Georgia Physicians Group and other local physicians. There

could be a good opportunity to recognize this need.

Habersham County has the most intentional push for manufacturing and production facilities in the Tri-county area. The airport expansion signaled an interest by the government in providing services to companies beyond their current borders. Expansion of the industrial park provides a welcome mat for the companies looking for a government friendly area with the necessary components of utilities. With additional acreage already available, more manufacturers will be coming. The interest in the area by other manufacturers is significant. Considering the growth in Habersham, the leaders in the area have taken up the need for work-force housing seriously and have expanded multi-family which was quickly absorbed. Multiple new housing developments have been approved and are under construction. The schools have a good reputation and have been producing good results. Piedmont College is expanding as well.

Poultry is not the only game in town, although a strong player. With the availability of rail and multiple divided highways – and soon to be only a few miles from an Inland port, about 10 miles to the south, Habersham County is poised for long-term growth in both the industrial sector for the region as well as being the gateway to the mountains.

Ed Fickey
Vice President/Partner
Norton Commercial & Acreage Group
Norton Mountain

CHURCHES

America is no longer a majority church-attending nation. Yes, you read that right – less than 50% of Americans regularly attend religious services or are even members of a place of worship – and that figure is steadily dropping. Millennials account for the lowest generational percentage of churchgoers (42%), and that statistic is decreasing across each generation in the US. The average age of

regular church attendees and those who tithe has rapidly grown over the past 10 years, particularly within denominational churches.

Which brings me to my next point – an increasing number of Americans are joining non-denominational, contemporary, Christian churches. Many of these churches start off worshipping in schools, parks, or other rent-free options and then either build their own facilities or move to low-rent options such as vacant retail centers. Very few of these churches opt to purchase second or third generation church buildings – mostly because of their ‘traditional’ look and feel, even though these buildings are many times historic and represent some of the most iconic architecture across their communities.

2020 also represented a year in which churches across our country were mandated to shut down for some period due to the spread of COVID-19. While many people transitioned to a new way of worshipping and giving online, others either did not or their churches did not offer such services. Church interaction and engagement fell to all-time lows, losing much of the momentum that they may have captured in previous years. It was proven that most people prefer face-to-face worshipping and the sense of community that comes with being a member of a church. And then, after churches could reopen, they were required to adhere to new guidelines and regulations around social distancing – meaning, less people could attend a single service at once (depending on the size of the sanctuary) – and there are still many people who have not returned to their churches out of concern of contracting or passing along the virus. The most troubling part of this equation for the local churches is that they still carry much of their regular expenses and operational overhead.

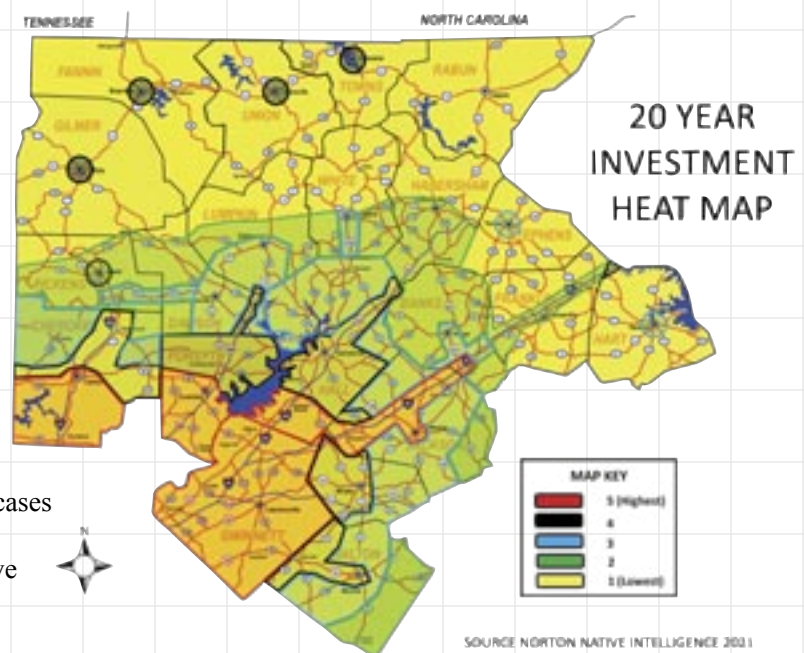
Mortgage or rental payments make up the largest portion of these expenses, but you also have staff salaries and wages, maintenance and repairs, utilities, and the loss of income from schools or small businesses who previously rented space from the church but could no longer do so because of COVID-19. In addition, churches have experienced higher insurance costs in 2020 than ever before. Aside from the obvious risk-factors such as the age and construction of the buildings, the prevalence of commercial kitchens in these facilities, and the regular gathering of large numbers of people at a single time, churches are seeing a rise in costs due to high fees that insurance companies are paying to settle cases of child abuse. These cases are few and far between across the tens of thousands of churches in the US, however they still have a large impact on everyone’s insurance ratings.

All of that said, religious organizations still account for the highest amount of charitable donations among all nonprofits in America. People still and will always give to their church and/or denominational preference. However, in this day and age of technology, and with the climate of COVID-19, churches who are able to creatively use social

media and have regular, engaging, web interactions with their congregants, will see the highest amount of growth. And, while most of these practices have long been used by megachurches and the most tech-savvy congregants, those churches who still find themselves stuck in the twentieth century and not effectively using online mediums for giving and virtual worshipping, need to react now! COVID-19 has brought about a huge wake-up call for the laggards, who, if they are not able to quickly reform, risk their churches a fate of slowly vanishing away, with only the mere memories of times that were simpler, when communities maintained stronger faiths and levels of devotion, and the overall operations of a church were far less cost intensive.

Patrick Cisco
Production Manager
Norton Commercial & Acreage Group

INVESTMENTS – TODAY & NEAR FUTURE



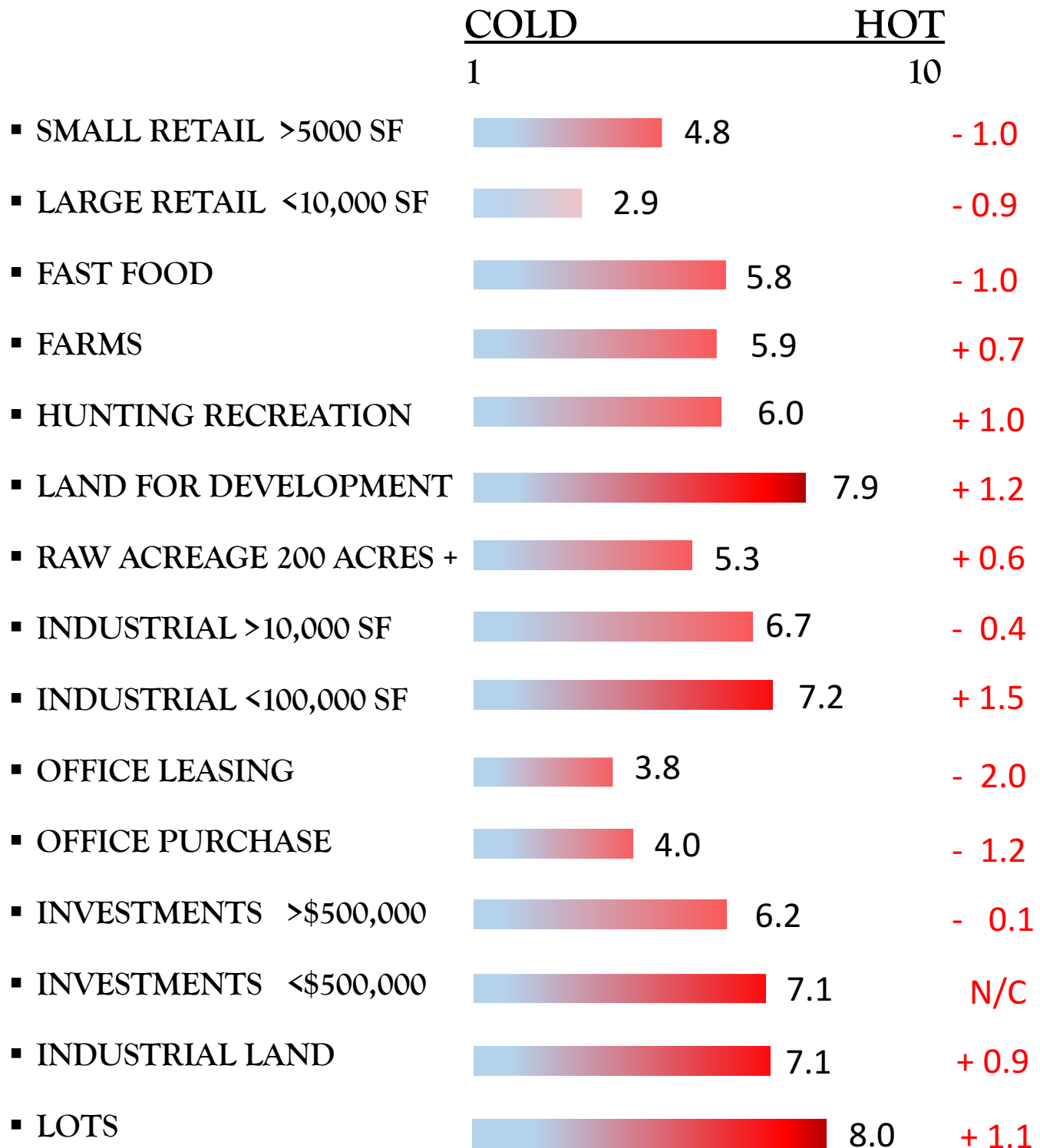
Investment properties and opportunities in the North Georgia market are really a mixed bag today. You have a couple sectors that have been doing well and continue to be strong and active

NORTON

COMMERCIAL MARKET TEMPERATURE

Q4 2020

NORTON
SINCE 1858



Changes in comparison to Q4 2019

and a couple of sectors that are definitely in transition. This year's pandemic has accelerated this change for both.

The strong investment areas continue to be in Medical Office, Flex Industrial and Multifamily. Medical office is a growing segment and highly competitive with 4 major health systems now competing in the North Georgia market: Emory, Northeast Georgia Health System, Northside and Piedmont. Medical office space with strong tenants and ancillary medical services like dialysis centers and imaging centers are all attractive investment opportunities. Flex industrial properties, primarily smaller products about 20,000 SF or less are good investments because they are in high demand and there is low inventory of this product available. Multi-tenant flex properties are most attractive when at or near full occupancy. Multifamily is probably the hottest sector for investment both buying and selling. This market is seeing sales over \$100,000/unit in 2020 for the first time. Buyers of multifamily in North Georgia are no longer only local and regional. National and international investment funds are purchasing properties in our market now. The value of multifamily products is high right now and should soar to go even higher.

SUGGESTED CAP RATES

| | 2000 | | 2021 | |
|-------------------|---------|------------|---------|-------------|
| | Average | Range | Average | Range |
| INDUSTRIAL | | | | |
| Warehouse | 8.6 | 8.0 - 9.5 | 7.0 | 6.5 - 8.5 |
| R & D | 9.0 | 8.3 - 9.5 | 7.0 | 6.5 - 8.5 |
| RETAIL | | | | |
| Regional Mall | 8.1 | 7.5 - 8.5 | 12.5 | 12.0 - 15.0 |
| Power Center | 9.2 | 9.0 - 9.6 | 6.5 | 6.0 - 9.5 |
| Neighborhood | 9.2 | 8.5 - 10.0 | 7.0 | 6.0 - 15.0 |
| OFFICE | | | | |
| CBD | 8.6 | 7.5 - 10.5 | 8.0 | 7.0 - 12.0 |
| Suburban | 8.6 | 8.0 - 9.5 | 7.5 | 6.0 - 10.0 |
| Medical | 8.0 | 7.5 - 8.5 | 6.2 | 5.5 - 8.0 |
| APARTMENT | 8.7 | 8.0 - 10.0 | 6.5 | 4.0 - 8.0 |
| HOTEL | 9.5 | 9.0 - 10.0 | 8.5 | 8.0 - 10.0 |

Source: Norton Native Intelligence™

American Rental Demographics

44.3 Million Rental Households Occupy
 15.5 million individually owned rentals
 12.7 million detached homes (29%)
 2.8 million condominiums and townhomes
 26.8 million apartment buildings
 13.2 million units in small apartment buildings (less than 10 units)
 13.6 million units in small apartment buildings (10+ units)
 2.0 million mobile homes, boats, etc.

Source: US Census

The retail and office sectors are definitely in transition and the need to adapt uses for these spaces became even more important with this past year's pandemic. The acceleration of e-commerce and online shopping and remote, work from home requirements and spacing and customer guidelines

are requiring owners of traditional retail, restaurant and office to reassess their value to existing tenants and develop new strategies to use their existing spaces. The value of these assets will be dependent on how creative and adaptable landlords will be going forward.

One geographic area in North Georgia is so important and has such a profound impact on the economy of our region it deserves singular focus: the I-85 industrial/distribution center corridor from North Gwinnett County to Hart County at the South Carolina border. Major companies like SK and Nestle Purina have and are opening operations that will create thousands of jobs. Distribution centers in the millions of square feet are being built in North Gwinnett, Hall and Jackson Counties near or on I-85 to be strategically located to deliver products and materials that both consumers want, and businesses need. This I-85 industrial corridor in North Georgia is growing and is critical to the future growth and economic wellbeing of our region.

Bryan Wright
Vice President
Norton Portfolio Management

BUSINESS AND OFFICE

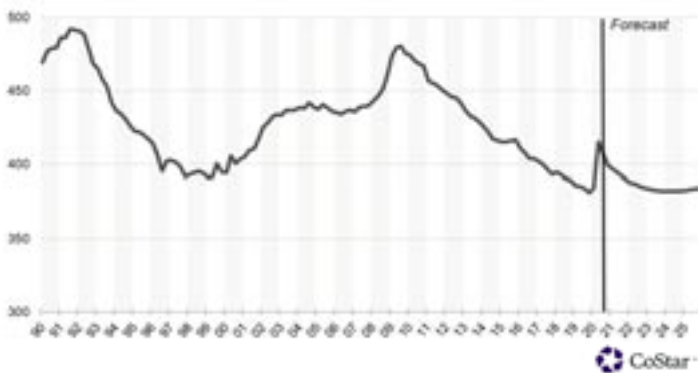
The City of Gainesville has approximately 40,000 residents. However, during a typical day one could expect a population count of around 150,000 which is a transparent indicator of the number of people that drive in to work, play and eat within our central business market, daily. With approximately \$125 million of active/planned development across a few city blocks, Gainesville's Downtown Business and Office Market is reshaping before our eyes, quickly morphing into, what will soon be, a new identity.

Downtown Gainesville's business center is alive, and it is being led by 3 new development projects, which are *Gainesville Renaissance*, *Solis Gainesville* and *The National*, all of which will be mixed-used developments, mostly consisting of retail/restaurant with residential components. *Gainesville Renaissance*

is located on the “fourth side of the square” and is currently under construction. This \$22.4 +/- million 3-story project will consist of retail/restaurant suites, 8 high-end condominiums, classroom space for Brenau University and include a pocket park. *Solis Gainesville* is located across Downtown’s pedestrian bridge and, too, is currently under construction. This \$50 +/- million project will consist of retail/restaurant space with 220 high-end apartment units and is anticipated to be completed by mid-2022. The overall vision of this project also includes the “Midtown City Block” site which sits adjacently and may include a phase II development of similar product. *The National* is located at 111 Green Street which was originally built as a multistory bank. This \$50 +/- million redevelopment project spans a city block with an additional vision to expand across the street at the Walton Jackson Building as an associated use. This project will consist of three multi-story buildings, providing luxury apartments, single-bed suites, a 130-room hotel, convention space, outdoor plaza and dining areas. This project is planned to begin second half of 2021 with a projected completion date aimed for the end of 2022.



Atlanta Office Square Feet Occupied Per Employee



Gainesville’s Office Market is tale of two stories with an overall low inventory of Office available for Sale coupled with an average availability of Office for Lease. With a strong market and low interest rates, many office users seek to own rather than leasing which has been a stabilizer of the Office “For Sale” market. That said, the development of new office space for owner user’s remains challenging due to high land costs, high labor costs and high material costs, I.E., the overall high development costs of building more inventory. The “For Lease market,” however, has remained steady with low turnover. Lease rates still vary tremendously within today’s Office Market with a wide range of space and lease types. The obvious big factor in the Office Market is the Pandemic and the potential for long-term changes. Luckily, the advancements of our technology over the years have allowed us to pivot and adapt our ways within the Office Industry relatively quickly. The short-term roles have many office employees working from home remotely which can induce many changes on how we shape North Georgia’s long-term office planning.

Given the introduction of the pandemic, we foresee an increase of large office users scaling their office needs back, in efforts of saving overhead currently being spent on undercapitalized leased office space. We anticipate this trend having more of an impactful effect in larger office settings and niche office markets but not as much on our local Office Market, though we will see some. We do anticipate a long-term rebound due to intended consequences of large office users may experience lack of face-to-face mentorship and camaraderie which are important functions of a Business and Office element.

Moving forward, the Office Market with walkability will remain more desirable than its counterparts. The stabilizer, being the vertical growth of the mixed-used developments, we are seeing takeover Downtown Gainesville.

Charlie Hawkins
Vice President/Partner
Norton Commercial & Acreage Group

GA 400 COMMERCIAL

In this year of COVID, everything is different! Our time with family and friends, our work environments, shopping and traveling – all has changed.

Along the GA 400 corridor, rush hour traffic is much more manageable than before the pandemic and will be even better once the new interchange at GA 369 is completed. GDOT will also widen GA 369 from GA 9 to GA 306. This will bring much needed relief to this corridor and intersection although the completion date will not be until late 2023. The extension of Ronald Reagan Parkway to McFarland Road is underway and will provide an eastside parallel access road to GA 400 in Cumming.

Forsyth County continues to tighten residential development requirements. At the same time, they are loosening requirements for business and distribution developments. **Is Amazon coming to Forsyth County? It sure seems so!** While no

formal announcement has been made, Seefried Properties, Amazon's distribution developer, just recently zoned and closed property on Shiloh Road for the development of a 440,000 SF distribution facility. At GA 9 just south of Peachtree Parkway, McDonald Development is planning a 1M SF Business Service Park. In Cumming on Veterans Memorial Parkway, The Mashburn Village is just getting started. This long-awaited mixed-use development in the downtown area will have multifamily housing, retail, office and a hotel. As a part of this project, Buford Dam Road will be extended to Veterans Memorial. Northside Hospital Forsyth just recently started an expansion project that will add two (2) floors and 44 new beds.

There are many projects underway in Dawson County. A new Holiday Inn Express will open during the 1st quarter of 2021 and a new Hampton Inn is in the planning stage. Etowah Bluffs, a 500 Acre development on GA 400 at Lumpkin Campground Road is being planned. This mixed-use development overlooking the Etowah River will provide a broad spectrum of residential homes, a neighborhood retail village, hotel, office and a much-needed business park for Dawson County. D.R. Horton continues to add workforce housing along Lumpkin Campground Road and has just started a new move-up project on Dawson Forest Road and the Etowah River. In Dawsonville, Ashton Woods and Smith Douglas Homes continue delivering new housing to the community.

In Lumpkin County, StruXure Outdoors is expanding into an adjacent building just off Lumpkin County Parkway. StruXure is completing the building renovations and is installing a powder coating paint system that will expand their business product and service offerings. Northeast Georgia Medical has delayed the start of their new hospital at the end of GA 400 at GA 60 to better understand the effects on COVID-19 on healthcare providers. In Dahlonega, a new Aquatic Center is being planned and a new hotel is nearing completion in the downtown area.

With a vaccine on the horizon, here's to hoping we will have a much healthier 2021 and get back to a more normal way of life!

John Drew
Senior Vice President/Partner
Norton Commercial & Acreage Group
GA 400

NORTH GEORGIA HEALTHCARE

COVID-19 has been the most disruptive event to happen to the world and especially the medical industry since World War II. With a bustling economy in 2019 and projections that it would continue this trajectory, medical systems developed their expansion plans and forecasts for 2020 and beyond. In March 2020, the Coronavirus slammed the medical

world like an unexpected tsunami. For a few months in North Georgia the healthcare systems paused and focused almost entirely on COVID-19 patients. Elective surgeries were put on hold and people were afraid to go to the hospital or have routine medical care. Many expansion plans were put on hold, some temporarily and some long term due to the loss of revenue.

By mid-summer 2020 people were going back to the doctor and receiving more elective surgeries. As of the writing of this article, most of the doctor's interviewed were back or close to 100% pre-COVID-19 patient levels. Protocols and methods of managing sick and well patients may have changed and many of these changes will likely become permanent. For example, seeing well patients in the morning and sick patients in the afternoon. Reducing the number of patients in a waiting room and the wait time has become a necessary way of doing business in the healthcare sector as well.

Another result in the change of doing business related to the pandemic is telemedicine. Telemedicine has been an option for years, but the pandemic has accelerated and mainstreamed its use. Telemedicine is now an option at most medical practices, but it is not a perfect system. If a doctor is seeing patients in their office, an additional person must be hired and dedicated to the telemedicine program. One doctor interviewed will not see patients for their first visit through telemedicine. The doctor can access a patient's health much more thoroughly in person. Telemedicine is a tool that can be used with established patients for common, easily diagnosed conditions but will not replace the need for in-person comprehensive medical care.

Northeast Georgia Medical Center, Longstreet Clinic, Northeast Georgia Diagnostic Clinic and Northeast Georgia Physicians Group are the core group of healthcare providers in the Gainesville-Hall County regional healthcare hub which serves 1.8 million people in an 18-county area across North Georgia. The

healthcare sector employs 14.2% of the workforce in Hall County and is an economic driver for the region. A growing concentration of healthcare service providers in the South Hall communities of Braselton, Oakwood, Flowery Branch and Buford employ more than 3,250 healthcare professionals. The healthcare sector is a high demand career field, and it is anticipated to grow 30 – 40% over the next 5-10 years.

As a non-profit hospital, Northeast Georgia Hospital System is continuously expanding to meet the healthcare needs of the population in North Georgia. While some projects are having their timelines re-assessed due to the impact of COVID-19, others have proceeded as planned. Northeast Georgia Medical Center and Longstreet Clinic have recently broke ground on an expanded Cancer Center in Braselton. NGHS has a started \$3 million capital improvement project in partnership with the Habersham Hospital Authority, broke ground on a 90,000 sq. ft. Medical Plaza in Buford and announced a \$500 million expansion to the Gainesville hospital campus.

The demand for world-class convenient healthcare will continue to grow with the emergence of several adult living communities in the region. With 21% of Hall County's population 55 and over, the need for medical services to serve this demographic will continue to be a driving indicator for long term medical sector planning. With the aging population, the need for home health and hospice services will increase significantly. It may be a challenge to meet that demand.

In order to meet the staffing demands of the healthcare industry, we must have an educated, skilled workforce. Encouraging the youth to enter a profession in the medical field and training them at local educational institutions such as Brenau University, University of North Georgia and Lanier Tech will help to ensure that the system has the qualified staff. The new Graduate Medical Resident Physician program at NGMC provides practical experience to residents in a world-class, Level II Trauma center in a thriving small city with the hopes that they will start a practice here after graduation.

The healthcare services industry has taken an economic hit from the pandemic. It will take some time to recover and regroup, having a dedicated team to plan for the future will help healthcare providers to make a smoother more profitable transition into the post-COVID world. The job market in North Georgia is coming back and with the growing population; the medical services industry will continue to be in high demand.

Tanya Mulka
Director
Norton Commercial & Acreage Group
Healthcare Resources

I-85 NORTH GEORGIA INDUSTRIAL CORRIDOR

Interstate 85 (I-85) in North Georgia is experiencing an industrial building boom and, there are no signs of it letting up. The physical landscape along I-85 has changed over the last several years as large, new industrial buildings and distribution centers have popped up from Jackson County all the way to Hart County at the South Carolina border. The counties and municipalities along I-85 are being changed positively by this industrial boom. The I-85 industrial corridor in Northeast Georgia has evolved into a central and critical aspect of the region's economy and the further development of this corridor will play a key role in the economic health and wellbeing of North Georgia.

What is driving this dynamic industrial growth? There is a primary reason driven by the continuation of changing buying habits by consumers and a couple secondary reasons that will support this growth. The primary reason is simple and clear: Consumers around the globe continue to do more of their buying and shopping online and they expect these goods and products delivered in a timely fashion. This demand is requiring companies to create strong regional distribution center networks to warehouse these products so they can be



NORTH GEORGIA EMPLOYMENT STATISTICS BY COUNTY

| County | 2020 Population | November 2020 Unemployment | Median Household Income | 2020 Per Capita Income |
|-----------|-----------------|----------------------------|-------------------------|------------------------|
| Banks | 20,224 | 3.0% | \$51,959 | \$38,115 |
| Barrow | 85,104 | 3.9% | \$63,759 | \$38,768 |
| Cherokee | 267,435 | 3.5% | \$83,839 | \$53,729 |
| Dawson | 26,364 | 3.6% | \$60,774 | \$47,492 |
| Fannin | 28,326 | 3.0% | \$43,041 | \$37,538 |
| Forsyth | 259,071 | 3.3% | \$106,934 | \$65,752 |
| Franklin | 23,348 | 4.4% | \$39,530 | \$38,531 |
| Gilmer | 31,464 | 3.7% | \$54,395 | \$37,214 |
| Gwinnett | 922,837 | 5.0% | \$74,795 | \$43,559 |
| Habersham | 47,003 | 4.1% | \$44,411 | \$35,645 |
| Hall | 205,699 | 3.5% | \$62,700 | \$45,916 |
| Hart | 26,894 | 4.5% | \$42,189 | \$40,058 |
| Jackson | 73,789 | 3.2% | \$72,403 | \$44,351 |
| Lumpkin | 34,492 | 3.2% | \$53,415 | \$39,324 |
| Madison | 31,175 | 3.9% | \$54,783 | \$38,410 |
| Oconee | 40,871 | 2.6% | \$89,434 | \$70,123 |
| Pickens | 33,483 | 3.6% | \$57,051 | \$50,314 |
| Rabun | 17,928 | 3.7% | \$44,456 | \$43,213 |
| Stephens | 27,295 | 5.0% | \$40,178 | \$40,888 |
| Towns | 12,230 | 5.2% | \$50,007 | \$39,777 |
| Union | 24,071 | 3.2% | \$48,317 | \$38,435 |
| Walton | 96,258 | 4.2% | \$65,849 | \$42,509 |
| White | 29,371 | 2.8% | \$46,188 | \$36,733 |

WORKPLACE SURVEY

32
COMPANIES

10K
RESPONSES

18
COUNTRIES

5 KEY TAKEAWAYS

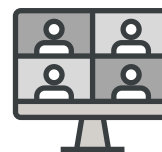
90%+

of employees and company leaders feel productivity is the same or greater while working remotely

REMOTE WORK LOOKS AND FEELS PRODUCTIVE TO MOST



REMOTE WORK IS HERE TO STAY



85%

of employees prefer to work remotely at least two to three days a week in the future

60%

of respondents will return to the office in the future for community and collaboration

THE OFFICE IS HERE TO STAY, TOO



REAL ESTATE PORTFOLIOS MIGHT LOOK DIFFERENT



45%

of respondents would consider working from a company-provided location nearer their home at least a few times a week

54%

of company leaders prefer a hybrid arrangement for their team that combines working remotely and from the office

THERE IS NO ONE-SIZE-FITS-ALL FOR REMOTE POLICIES



delivered to consumers when they want them. I-85 in North Georgia, and much of the metro Atlanta area, has become a regional distribution hub for these companies. Companies from Amazon, Aldi, Haverty's, Whole Foods, Williams Sonoma and many more have opened large distribution centers with hundreds of thousands of square feet along I-85.

The other two reasons for this industrial growth along I-85 are less obvious but still important. Georgia has done a good job of being a business-friendly state to attract major companies to locate operations in Georgia. The results of these efforts can be seen in 2 significant new plants and facilities coming to North Georgia in last couple years. The SK Battery plant in Commerce on I-85 and the Nestle Purina plant in Hartwell. The SK plant will be over 3 million square feet of industrial space when completed and produce over 2500 new jobs. The Nestle Purina operation will be over 800,000 square feet when completed and create over 300 new jobs. These new plants are and will continue to have a transformative impact on these communities and the region. The final reason for this industrial growth and the most recent factor is just starting to be seen. The COVID pandemic exposed a flaw in the US manufacturing supply chain. Most large US manufacturing companies have been either buying key parts or building products overseas from China to Southeast Asia. When the pandemic shut down China and this part of the world, it basically shutdown these companies. These major manufacturers realized that they need to geographically diversify their supply chain to prevent from being caught again with many of their necessary parts in one place. We are seeing these companies looking to store and source more parts and supplies in the US going forward and this will create a demand for larger industrial and distribution space. The following breakdown quantifies the magnitude of the industrial growth that is occurring along I-85.

**THERE HAVE BEEN 11
INDUSTRIAL BUILDINGS
TOTALING 8,500,00 SF
BUILT IN JACKSON COUNTY
THE LAST 3 YEARS!**

The smaller, more rural county of Hart County has added 875,000 square feet of new industrial space in this same time frame. Industrial growth and expansion are clearly happening along I-85 in Northeast Georgia.

This I-85 industrial corridor in Northeast Georgia is a dynamic and growing market. As mentioned earlier, there does not seem to be any signs of this growth to be letting up. A statement from the Jackson County Area Chamber of Commerce on this industrial growth and trend does a nice job of capturing what the future will look like, "We expect this trend to continue and possibly even accelerate because of the growth of ecommerce due to COVID. Jackson County still has several significant tracts of land near I-85 that are available for development and private investors/developers are aggressively seeking new opportunities for large industrial projects."

Stephen Reynolds
Commercial/Industrial Sales
Norton Commercial & Acreage Group

| Jackson County & Hart County Industrial Building Data from 2018-2020 | | | | |
|---|-------------------------|----------------------|------------------------------------|-------------------------------------|
| 2018-2020 | No. of New Buildings | New Sq. Ft. Added | Total County Industrial Sq. Ft. | New Buildings % of Total Sq. Ft. |
| Jackson County | 11 | 8,500,000 SF | 39,900,000 SF | 21% |
| Hart County | 4 | 875,000 SF | 3,119,000 SF | 28% |

Source: Jackson County Chamber of Commerce & Hart County IBA



MULTI-FAMILY VACANCY

| | 2000 | JANUARY 1, 2021 |
|-----------|------|-----------------|
| Barrow | 5.5 | 1% |
| Dawson | N/A | 1.0% |
| Forsyth | N/A | 4.75% |
| Habersham | 4.0 | 1.0% |
| Hall | 11 | 3.5% |
| Jackson | 4 | 1.23% |
| Lumpkin | 3.2 | 1.01% |
| Pickens | N/A | 1.2% |
| Rabun | 3.5 | 1.0% |
| White | 5.2 | 1.0% |

BARROW 316 MARKET

2020 has been anything but a normal year. The market started with a bang! Then throw in a pandemic. We were expecting to see a downturn in the market, as we prepared ourselves for weeks and months of quarantine. However, we have seen record numbers in all aspects of home sales over the last 12 months. The strong market from 2019 continued into 2020 with a slight dip in April as consumers figured out what this pandemic meant. Once they got their bearings it was game on!

Even with COVID-19 in place for most of the year, Barrow County continues to grow both in finished square footage, sales, property tax base.

Barrow Crossing is the retail center for the area, stores such as Belk, Target, TJMax, Publix, Pet Max and many others call home. Several new tenants are now in place even with the pandemic, Home Goods and Ulta have opened their doors and seem to be doing very well.

Property Taxes for this area should exceed \$475,000.00 for the year 2020. There is approx. 4,500 SF yet to be leased, the overall space here is in excess of 1.7 million s/f.

The North Side of Ga. Hwy 316 has The Gateway Center which is the entertainment center housing most of the restaurants and movie complex. The tenants here include but not limited to, Chic Fil A, Dunkin Donuts, Wendy's, Holiday Inn Express, UPS Store, several professional medicals including Doctor's office, eye specialist as well as several others. The Gateway has approx. 350,000 SF under roof with lease rates between \$20.00 and \$25.00 per SF. There is CAM charges over and above these rates. New addition to The Gateway is an apartment complex as well as a 55 year and older residential community. Carmike Theater group continues to be at The Gateway even being closed for most of 2020 with Pandemic. Estimated property taxes for The Gateway should exceed 1M for 2020.

To the West of this area is the center which has The Home Depot, Zaxby, and a new tenant - a full-service car wash. The area has approx. 70% undeveloped area.

As for Industrial along the 316 corridors, going East of Ga. 316 is Park 53. Park 53 is located on both the North and South Side of GA. Hwy 316, this large development is being marketed for the larger industrial user. The South side is getting most of the emphasis as the utilities are closer here, (sewer has been installed).

It should go without saying that the Pandemic (COVID-19) has slowed the development process here, however Barrow is fortunate that shopping has continued, and the sales tax continues.

Finally, road access has been greatly improved here with the work on GA Hwy 81 and the new DOT over pass. The costs for this interchange came in at \$32M, the average cost today of a separated interchange is

between \$30M and \$36M. A great improvement here, the same construction is going on at GA. Hwy 53 and GA Hwy 11.

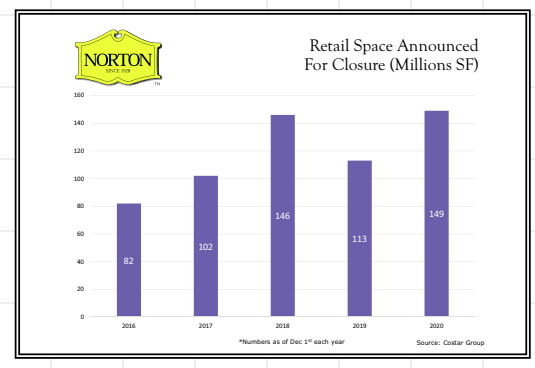
Wayne Parker
Commercial Sales
Norton Commercial & Acreage Group
Barrow 316

2021 INDUSTRIAL

"Buildings, Buildings everywhere and not hardly a one to lease or sell...."

With apologies to the Ancient Mariner, this could have been the mantra for Users, Investors and Brokers alike, that were needing manufacturing or warehousing buildings in 2020 because of rapidly shrinking inventory. This is especially true in the Hall and Jackson Counties.

In 2020, Hall County has over 4.703 Million SF of manufacturing or warehouse buildings either completed and occupied, under construction or currently going through the rezoning process. Approximately 40% are already leased, most before the building has obtained its Certificate of Occupancy. In 2020, Jackson County saw 2.025 Million SF of new manufacturing or warehouse space come on-line. Amazon now has four distribution centers in Jackson County and is one of top employers, if not the Number One employer in Jackson.



The long-term ramifications of COVID-19 and how it has changed the way Americans approach shopping caused a tremendous strain on the logistics chain-supply industry and the manufacturing and warehousing capacity.

Generally, the logistics companies, suppliers and manufacturing sectors have reacted to the increased demand in three ways:

Adaptive Modifications to Logistics:

Prior to COVID-19, changes were already underway regarding the logistics industry reliance on products from China. This was due mainly to the disruptions caused by U.S. and China trade tariff skirmish. Another factor was the approval of the United States-Mexico-Canada Agreement or USMCA. COVID-19 simply accelerated the changes for logistics, new automation requirements and the increased demand for warehouse space.

Consumer Product Inventory:

Almost all retailers (especially grocery stores, large and small) were caught off guard by the consumer demand to mandated quarantines. Now, to be in a better position to quickly satisfy consumer demand, retailers are requiring their suppliers to keep larger inventories. This single act by retailers caused an almost overnight demand for additional warehouse space.

The Internet and Business:

Not only were malicious or spam emails being quarantined but also were millions of Americans. People that had never considered shopping on-line (my Mom included) started doing so because it almost became a requirement for safety concerns due to COVID-19. The long-term result is that most folks liked it, not just because of safety concerns but because it is practical and easy. These new on-line customers now expect speedy and efficient deliveries.

These expectations are requiring retailers and product vendors to improve their e-commerce software capabilities, its integration with the logistics, thus requiring additional warehouse space closer to the customer, whether it is a household customer ordering food and household goods or a manufacturing company needing a critical machinery part. This has been especially true for hospitals and the medical sector.

We contend that the demand for various size buildings for manufacturing and warehouse use, from 20,000 SF to approaching 1 Million SF, should remain strong throughout 2021. This will provide solid investment opportunities for building users and investors.

Chris Braswell
Vice President/Industrial Properties
Norton Commercial & Acreage Group



ACREAGE & DEVELOPMENT

Space, room, change of scenery, getaway, distancing.... all of these words and the like have become en vogue and buzzwords used by buyers when describing what they are currently looking for in the acreage and development world. The COVID pandemic brought the world as we knew it to a screeching halt in March and the acreage and development industry was no different. National Builders and large-scale developers will confess they wish they never hit the “pause button”. That pause lasted about 30 days and then activity resumed like a shot out of a cannon. When one national told me that they missed their projection of house sales set before the year for April 2020 by one house, I realized the news for those of us in North Georgia was not as bad as the 24-hour news channels would have us believe. It was not long after April that we realized that activity was actually picking up and ahead of last year for those of us in the suburbs and exurbs of Atlanta. The trend is not so much flight out of Atlanta as it is a flight to our region. A large regional homebuilder who builds about 500 homes each year in greater Atlanta stated that since April 1st through August, 25% of their home sales were to people moving from New York. All the things we love about our community are getting national exposure. Additionally, homeowners and buyers working from home now realize they could use more space for a home office, a spare bedroom for quarantining, a backyard or even a soundproof playroom or basement for kids home from school. The trends you have heard about nationally, as a result of the credibility of remote working, are prevalent here in

ESTIMATE OF PER LOT DEVELOPMENTAL COST EXCLUDING LAND

| | |
|-----------|---------------------|
| Barrow | \$35,000 |
| Braselton | \$45,000 - \$50,000 |
| Cherokee | \$50,000 |
| Dahlonega | \$50,000 |
| Dawson | \$45,000 - \$50,000 |
| Forsyth | \$60,000 - \$90,000 |
| Gwinnett | \$50,000 - \$55,000 |
| Hall | \$45,000 |
| Habersham | \$32,500 - \$37,500 |
| Lumpkin | \$45,000 |

(Includes environmental zoning, grading, permitting, surveying, engineering, impact fees, water sewer permits, utilities, sidewalks and required community amenities).

Source: Norton Native Intelligence™

| | New Home Price 2020 | Project New Homes Prices 2025 |
|-----------|---------------------|-------------------------------|
| Barrow | \$292,342 | \$342,130 |
| Braselton | \$318,389 | \$372,614 |
| Cherokee | \$389,286 | \$455,585 |
| Dawson | \$298,697 | \$349,568 |
| Forsyth | \$454,895 | \$532,368 |
| Gwinnett | \$381,578 | \$446,564 |
| Hall | \$334,169 | \$391,081 |
| Jackson | \$301,817 | \$353,219 |

SOURCE: FMLS, GMLS

North Georgia as well. The transition from traditional office work to remote work has driven buyers to our region for space and for a change of scenery. Agents in the mountains are reporting activity for second homes that have not been seen in years. Recreational and getaway homes are selling at a premium. The ability to work remote has been a big boon for land values in North Georgia.

One trend we have seen for acreage is taking a rural tract and subdividing it into 5-to-10-acre mini estates or farmettes. Buyers are looking for either a 2nd home with excess land or simply a place to retreat to if and when we are required to “shelter in place” again. There is a market segment looking for homeownership with minimal or no rules, no homeowner’s association, no architectural review committee, room to park an RV, a detached garage workshop and space to build a pool or play catch.

We have also seen urban residents who have been in a condo or townhome and have been thinking about making the move to a more affordable or slower paced community make the leap to active adult communities or homes with more square footage in our area. New home communities are generally exceeding expectations, and some cannot keep enough inventory on the ground to satisfy buyers. The new Cresswinds project in Hoschton which opened this summer has sold over 100 homes in its active adult phase and over 75 homes in the traditional, non-age restricted section. The 2 communities are averaging over 15 sales per

ACREAGE

| TYPE OF LAND | ACREAGE | 2021 DOLLARS |
|--------------------------------|---------|--------------------|
| Farming (Growing Something) | 50 | \$3,000 - \$5,500 |
| Poultry | 40+ | \$2,500 - \$5,000 |
| Timber | 100+ | \$2,500+ |
| Cattle | 200+ | \$4,000 - \$5,000 |
| Hemp | 150-200 | \$5,000 - \$7,000 |
| Winery | 5+ | \$7,000 - \$15,000 |
| Organic Farms | 200 | \$10,000 |
| Gentlemen Farms/Country Living | 10+ | \$7,000 - \$20,000 |
| Recreation | 3 | \$1,500 - \$5,000 |
| Hunting | 20 | \$2,000 - \$4,000 |
| Solar Farm | 200 | \$5,500 |
| Pre-Development | 50 | \$5,000 - \$20,000 |
| Prepper | 20 | \$5,000 - \$20,000 |
| Green Space | 100 | \$3,000 - \$10,000 |

month since opening its doors. By comparison, a decent absorption for new subdivisions in our market is typically 3 homes per month.

Homebuilders and developers continue to attempt to play catch up on new home and lot deliveries. The pause in March and early April has made a tight inventory even tighter. The legacy lots left over from the recession are long gone. Finished lot prices have risen to pre-recession levels or higher in most markets. The process of entitling land and obtaining a land disturbance process is taking longer and is more expensive than it has ever been in Georgia. The cost of infrastructure and lot development has never been higher. All of this equates to a squeeze on homebuilders and developers being able to deliver inventory and ultimately to the median income earner being priced out of the market. Record interest rates and a paradigm shift in buyer's home and location wish lists have left homebuilders scurrying to build their product. Until we find a way to increase labor and level out the cost of materials, we will continue to see affordability erode from our region as demand for new development and homes drastically outpaces the new supply coming out of the ground.

As of end of 3Q20 Lot Supply for our region vs One Year Ago:

3Q 2019 vs. 3Q 2020

Hall County – 3,471 VDL (44.5 MOS) vs 3,604 (32.2 MOS)

Barrow County – 1,415 VDL (30.6 MOS) vs 1,401 (24.5 MOS)

Cherokee County – 4,011 VDL (24.8 MOS) vs 3,496 (21.9 MOS)

Dawson County – 772 VDL (30.9 MOS) vs 803 (38.1 MOS)

Forsyth County – 3,816 VDL (24.8 MOS) vs 3,677 (24 MOS)

Gwinnett County – 4,946 VDL (20.5 MOS) vs 5,161 (19.1 MOS)

Jackson County – 3,361 VDL (49.1 MOS) vs 2,920 VDL (35.9 MOS)

Greater Atlanta (22 County Region) – 68,889 VDL (33.8 MOS) vs 60,873 (29 MOS)

Stephen Lovett
Vice President/Partner
Norton Commercial & Acreage Group

Large Acreage Tract Activity in North Georgia

The North Georgia mountains and valleys are some of the most beautiful land in the United States. The properties larger than 150 acres are held by families, timber companies and wildlife acreage owned and managed by the State of Georgia. Once we leave the Metropolitan Atlanta area, which extends north of Cherokee, Forsyth, Hall and

Gwinnett Counties, we find that there are most large land tracts that are still owned by families. The smaller tracts, from 50 to 100 acres, have been inherited by family members after the death of a parent. Most are absentee owners.

Along the northern transportation corridors of Ga 515 and Ga 400, the acreage tracts are being subdivided and sold for development. Once you leave these corridors, the large land holdings are not selling. Land investment is active when the stock market is slow. Right now, we have a very high investment yields in the stock market, which has captured investment dollars. Until the market changes, land will not return to the top of the list as an investment.

The best opportunity now has been triggered by the COVID-19 pandemic. Folks in Metro Atlanta are looking for a safe place to retreat to when the next pandemic strikes. Landowners who can subdivide their land and provide infrastructure are finding that 5-10-acre tracts are selling quickly.

Gina Johnson
Commercial & Acreage Sales
Norton Commercial & Acreage Group

RETAIL MARKETS

First, let's focus on the good news. Tenants are paying rent. Rent collections have increased since the start of the pandemic. According to Datex Property Solutions, over 85% of total retail rents were collected in October with national tenants paying about 8% more than independents. A quick survey of landlords across North GA revealed in better performance. Their reports showed that about 92% of Tenants paid on time in October. The abatements and lease modifications from this summer seem to be working as Tenants get back on track with timely payments.

While most households tighten their belts in the spring, consumers began to redirect their spending in the middle of the summer. With vacations, sporting events, theaters, concert venues and other entertainment options suspended, consumers chose to allocate their money to different categories. Food services and home improvements experienced significant upticks. Electronics for home offices and kitchen cookware showed double digit sales increases. Self-care and in-home fitness hit records sales numbers.

The grocery sector got a shot in the arm. With most restaurant patrons limiting their in-person dining, the grocery store became more essential than in recent years. Throughout North GA grocers experienced 30-40% increases in sales for March, April and May. Where only a small fraction 3-4% of sales were online before, the pandemic pushed online grocery sales to 15-17% in suburban areas. Customers are utilizing the



click and collect opportunities for curbside pickup and Instacart for home deliveries.

Big Box stores such as Target, Academy Sports and Walmart are marching through the virus. Their e-commerce infrastructure and capabilities are on full display and the numbers for online shopping are gawdy.

The drive thru lanes have been a lifeline. Many restaurant chains are adapting with grab and go concepts or more sophisticated drive thru operations. While drive thru's have always been important to food service, visits to the pick-up window were up 26% this summer across the 10 largest chains. The efficiency and the comfort of social distancing is appealing to consumers. With regards to real estate, we expect this to be a major factor moving forward. End cap locations and vehicle stacking will be important design elements for future developments wanting to include top brands. Drive thru operations are delivering high ROI during the pandemic. Reserved parking spots for customer pickup and delivery services like Uber Eats and Postmates will be in demand.

While most new development projects have been delayed, they have not been terminated. Retailers will begin to evaluate sub lease and backfill opportunities before committing to new store development. Many of the slated new developments in our region continue to be at a standstill until there is a clearer view of consumer confidence.

The pandemic delivered a knockout punch to some major retailers and brands. As work from home increased and in person meetings turned to zooms, formal and office apparel took a hit. While some of these brands have been teetering for years, they fell hard to the bankruptcy mat. Brooks Brothers, Lord & Taylor, Neiman Marcus and J Crew all filed this year. Other struggling brands like JC Penny, Pier 1 and Tuesday Morning finally threw in the towel.

The skinny: some of your local shops and eateries will close. There will be others to take their place. We will experience some vacancies and downsizing of physical space of stores. Retail spaces are changing, and more money will be invested in ecommerce and online. Other brands that have thrived in the online arenas will look to increase their business through bricks and mortar stores. There will be a shift...but a shift was always coming. We are bullish on opportunities for medical, educational and personal service industries in retail spaces.

Matt McCord
Vice President/Partner
Norton Commercial & Acreage Group





FIRST PERSON SNAPSHOTS RESIDENTIAL

2021 RESIDENTIAL

Inventory/Affordability

Inventory remains a major concern moving into 2021 and it goes beyond the lower end of the market. Houses under \$250K will continue to see huge demands, homes are appropriately priced will see quick contracts and multiple offers. Affordability will still be a challenge even as we see new construction increase in 2021. Nationally home starts are predicted to see a 9% increase (REALTOR.com). Most new construction in this price point will be in the non-metro rural markets due to lower land/lot prices. COVID has created an escape to the suburbs as the population is telecommuting and homeschooling. Current market inventory is 1.3 months under \$250k. Equity and longevity are now the big indicators for Sellers. Those who have been in their houses for a long period of time (10 years +) and built-up equity are in a better position to sell and move vs. those who have purchased in the last 5 years. There are many consumers who would sell because of the historical increases, however there is challenge in finding a replacement.



NORTH GEORGIA 2019 VS 2020 HOME SALES



Luxury Housing

We are also seeing greater demand in Luxury houses over \$750k especially those located on the lake(s). We have seen a record number of Million-dollar houses sell on Lake Lanier in 2020. In mid-December of 2020 the market had 82 homes over a million dollars sell on Lake Lanier as compared to 27 in 2019. COVID has moved the needle for those home buyers who have been on the fence of purchasing high end real estate. After spending weeks and even months in their home's, consumers have decided it is time for an upgrade. Consumers have found they are looking for space with multiple areas for home office space and children's home schooling. Housing prices between \$400k

and \$750K have seen relatively the least amount of movement however still only a 4.4 supply which is very much a sellers' market. This trend will continue into 2021

Opportunities for Investments/Foreclosures

Will there be an increase in foreclosures in 2021? Will you see opportunities to buy houses at lower prices? Expect to see some increase in foreclosures as the government financial assistant programs run out and mortgage postponement programs come to an end. Those homeowners could be impacted if there are no other government stimulus packages or all together loan forgiveness. Even if that happens there will not be a huge surge and nothing the banks cannot handle. Most financial institutions are in strong positions and will not be forced to have huge liquidation sales as we experienced from the great recession. Inventories are still low and there is such a huge demand for housing the banks will be able recoup their investment quickly with no anticipated losses. What inventory does come available will be sold at current market prices.

Synopsis

Overall, the market will still be very strong in 2021. There will be a return to more seasonal purchases as Markets return to some sense of normal in the second half of 2021. We will continue to see home prices escalate, but less than 2020. Interest Rates will continue to be a major factor in Home buying decisions, and we should continue to see low interest rates maintain throughout 2021. North Georgia has become one of the most desirable markets in the United States with a great quality of life and major growth in Industry relocation. The demand for housing across all price points will remain high. Is it a great time to sell? YES!

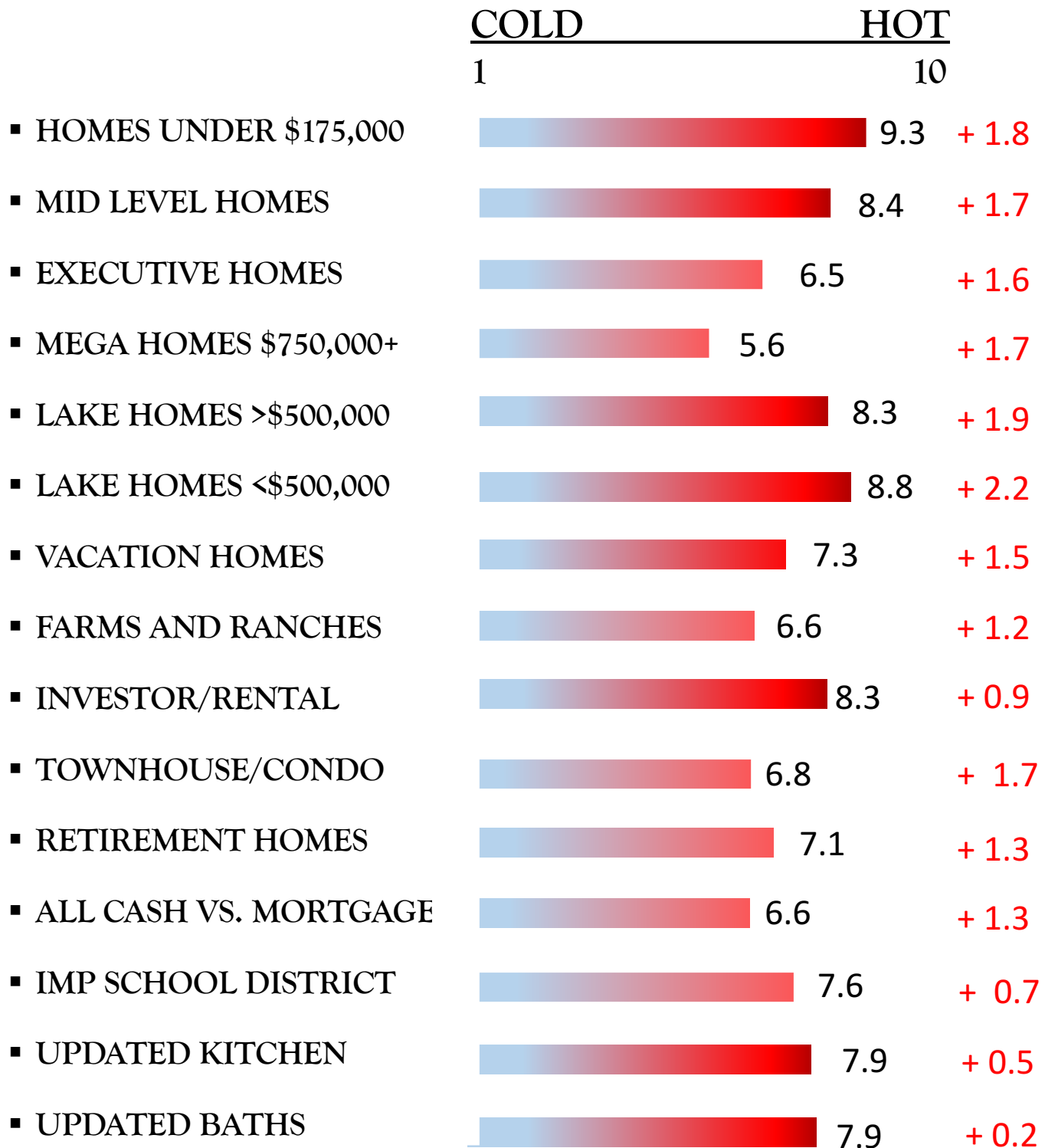
Tommy Howard
President/Partner
Norton Brokerage Services

NORTON

RESIDENTIAL MARKET TEMPERATURE

Q4 2020

NORTON
SINCE 1858



Changes in comparison to Q4 2019

GEORGIA 400 - RESIDENTIAL

The real estate market along the GA 400 corridor has been the equivalent of a wedding venue in June.; Get there early and decide quickly!

Buyers are fleeing more concentrated urban areas for the less populated areas to the north. Multiple offers are the norm in most every price point under \$500,000, especially homes with acreage. As an example, Dawson County typically hovers around 200 active listings at any given time.

That number has plunged and struggles to climb to 80. Builders continue to build in the 250-300 “sweet spot” and the homes are gobbled up as soon as the paint can dry.

Consumer confidence in value is high, interest rates are low as the republic begins to breathe a little easier with a vaccine in sight and an election in the rear view.

Kristie Myers
Vice President/Partner
Norton Residential Group
GA 400

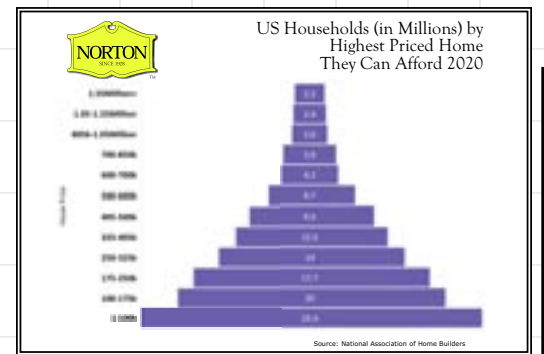
MOUNTAIN REGION RESIDENTIAL

Habersham, White and Rabun Counties: 2020 Residential Market Was Not "The Year of Stink, Stank, Stunk"!

Fear stems from the unknown and 2020 brought COVID-19, the China Virus, the Virus. Whatever identification, the common thread is and was fear.

The statistics provided for Habersham, Rabun and White Counties comparing the year 2019 to 2020, bring calm to our weary minds and emotions. Our northeast Georgia mountains enjoyed a stellar year!

Our experiences from 2020 brought forth many different actions and reactions that



AVERAGE HOME PRICES

| | HALL | FORSYTH | JACKSON |
|------|------|---------|---------|
| 2007 | 251K | 333K | 222K |
| 2008 | 226K | 324K | 192K |
| 2009 | 201K | 291K | 179K |
| 2010 | 180K | 277K | 168K |
| 2011 | 158K | 250K | 135K |
| 2012 | 158K | 263K | 130K |
| 2013 | 192K | 290K | 147K |
| 2014 | 221K | 317K | 173K |
| 2015 | 234K | 330K | 198K |
| 2016 | 251K | 343K | 214K |
| 2017 | 272K | 340K | 227K |
| 2018 | 283K | 385K | 249K |
| 2019 | 287K | 384K | 262K |
| 2020 | 332K | 425K | 279K |

Source: FMLS/GAMLS

were outside our comfort zones. Urban families suddenly realized that the life of convenience, glitz and entertainment no longer held the same value for themselves and their families. COVID-19 brought forth a rapid evaluation of their lives and what is important. Habersham, White and Rabun Counties in the Northeast Georgia Mountains fulfilled their new dreams for more individual space, appreciation of the rural life and finding solace in the very things that previously was desired for weekend or vacation.

Above data obtained via Georgia Multiple Listing Service, CRS and Fannie Mae data statistics. Information is presumed accurate but not guaranteed.

Diane Brown
Senior Vice President/Partner
Norton Mountain Residential Group

HABERSHAM 2019-2020

| | 01/01/2019-12/31/2019 | 01/01/2020-12/31/2020 | Percent Difference |
|--------------------------------------|-----------------------|-----------------------|--------------------|
| Single Family Detached | | | |
| Number Properties Listed | 843 | 810 | -3.9% |
| Number Properties Sold | 566 | 665 | 17.5% |
| List Price of All Listed Properties | | | |
| High: | \$1,995,000 | \$2,600,000 | 30.3% |
| Low: | \$34,000 | \$20,000 | -41.2% |
| Average: | \$275,654 | \$289,329 | 5.0% |
| Median: | \$219,900 | \$234,900 | 6.8% |
| Average Original List Price of Sold: | \$240,921 | \$261,325 | 8.5% |
| Sold Price of Solds | | | |
| High: | \$1,250,000 | \$1,697,500 | 35.8% |
| Low: | \$16,500 | \$35,500 | 115.2% |
| Average: | \$214,676 | \$257,799 | 20.1% |
| Median: | \$185,700 | \$215,700 | 16.2% |
| Average SP/OLP Ratio | 94.90% | 96.50% | 1.7% |
| Average Days on Market for Solds | 50 | 48 | -4.0% |

RABUN 2019-2020

| | 01/01/2019-12/31/2019 | 01/01/2020-12/31/2020 | Percent Difference |
|--------------------------------------|-----------------------|-----------------------|--------------------|
| Single Family Detached | | | |
| Number Properties Listed | 613 | 557 | -9.1% |
| Number Properties Sold | 391 | 503 | 28.6% |
| List Price of All Listed Properties | | | |
| High: | \$6,850,000 | \$7,825,000 | 14.2% |
| Low: | \$10,000 | \$48,000 | 380.0% |
| Average: | \$557,474 | \$576,286 | 3.4% |
| Median: | \$284,900 | \$314,900 | 10.5% |
| Average Original List Price of Sold: | \$516,674 | \$2,104,178 | 307.3% |
| Sold Price of Solds | | | |
| High: | \$4,100,000 | \$6,400,000 | 56.1% |
| Low: | \$6,000 | \$48,000 | 700.0% |
| Average: | \$407,812 | \$556,980 | 36.6% |
| Median: | \$230,000 | \$294,000 | 27.8% |
| Average SP/OLP Ratio | 90.40% | 92.20% | 2.0% |
| Average Days on Market for Solds | 122 | 136 | 11.5% |

WHITE 2019-2020

| | 01/01/2019-12/31/2019 | 01/01/2020-12/31/2020 | Percent Difference |
|--------------------------------------|-----------------------|-----------------------|--------------------|
| Single Family Detached | | | |
| Number Properties Listed | 138 | 147 | 6.5% |
| Number Properties Sold | 132 | 150 | 13.6% |
| List Price of All Listed Properties | | | |
| High: | \$218,000,000 | \$2,250,000 | -99.0% |
| Low: | \$20,000 | \$34,900 | 74.5% |
| Average: | \$1,795,104 | \$270,948 | -84.9% |
| Median: | \$179,500 | \$242,900 | 35.3% |
| Average Original List Price of Sold: | \$220,953 | \$238,084 | 7.8% |
| Sold Price of Solds | | | |
| High: | \$522,000 | \$839,000 | 60.7% |
| Low: | \$21,000 | \$29,500 | 40.5% |
| Average: | \$207,295 | \$245,598 | 18.5% |
| Median: | \$196,450 | \$212,000 | 7.9% |
| Average SP/OLP Ratio | 93.40% | 93.90% | 0.5% |
| Average Days on Market for Solds | 70 | 47 | -32.9% |

HALL COUNTY

2020 was a historic year, amid a pandemic the home became more important than ever. Hall County saw 3,300 single family homes listed and sold, and while their price points varied, one thing remained the same, ALL sold very close to the list price, 98.55% close.

First-time home buyers' price points continue to rise, a THIRD of all the homes sold in Hall County were in the price range of \$250,000 - \$400,000, a total of 1,350. South Hall continues to see the most movement and growth, with 1,247 homes in all price points listed and sold.

As interest rates continue to set record lows, buyers' confidence will only keep rising. Buyers are flooding the market and we are starting to see more and more multiple-offer situations. Inventory will continue to shrink making this the ideal seller's market.

Amy Sutherland
Vice President/Partner
Norton Residential Group

BARROW/JACKSON FARM AND ESTATES

Despite a year of uncertainty, Farm and Estate sales that consist of 10 acres or more continue to thrive. As we see more buyers in all price points looking to move to rural areas with land, these two market areas are no exception with total sales increasing by 20% year over year. Barrow County, with 13 sales to date, is up by

65% for transactions closed from 2019 data. Closed transactions represent a total of 359 acres with an average parcel size of 27.6 acres. We are also seeing more sales in Barrow for estate size homes. 3 of the 13 sales had homes with over 10,000 square feet. The largest boasted over 12,000 square feet, was on 54.15 acres and a cash sale. Jackson County remained consistent, with 25 sales to date. While the total number of transactions are up by one year over year, the total volume of land represented in the sales decreased slightly to a total of 485.6 acres with an average size of 19.42 acres. Most parcels continue to range between 10-15 acres in size.

Kami Crawford
Vice President/Partner
Norton Residential Group
Barrow County

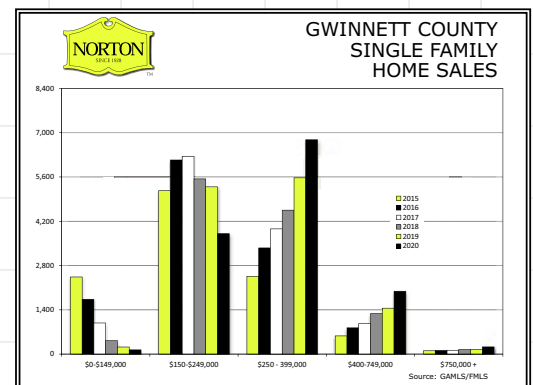
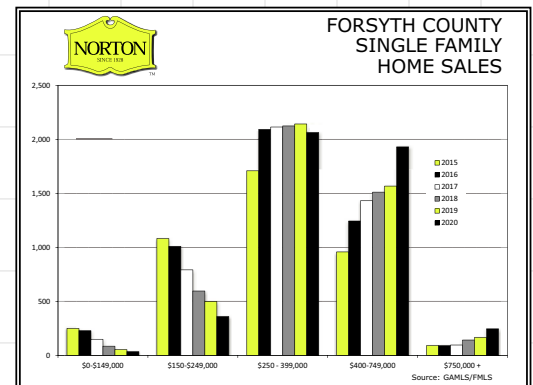
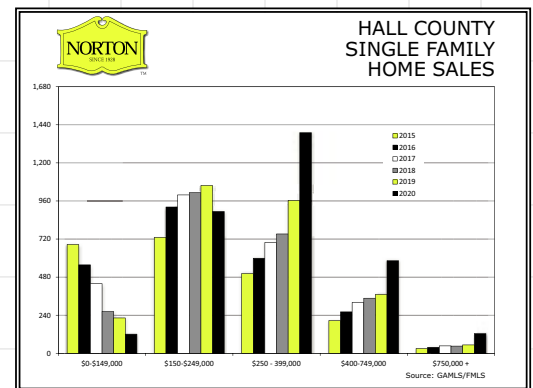
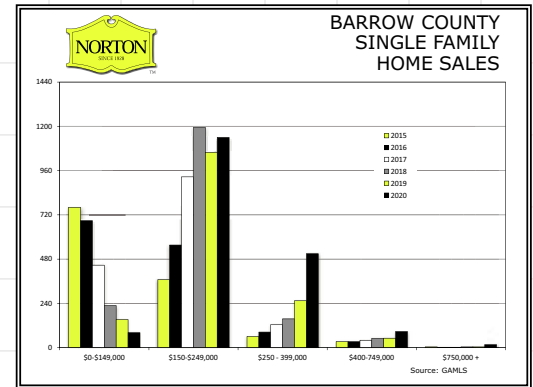
LAKE LANIER

In 2020, Lake Lanier real estate experienced a 22% increase in sales activity and 21.7% price increase, in a year of Covid-19 pandemic, political and civil unrest, and unusually high rain. Buyers sought refuge at the lake from crowded cities to work, school and recreate from a new lake home. With historically low interest rates buyers traded up to more house and Sellers happily down sized while benefitting from a quick, stress free sale. 2020 has been the lowest lake inventory I've seen in 20 years. Buyers migrating from locked down states recognized the value and scooped up luxury buys tripling luxury sales for an all-time record. Although we have no crystal ball, if Sellers act on selling in 2021 it could be another winning year for both lake Sellers and Buyers.

• **2020 Lake Sales Surge** : 2019 was a banner year for Lake Lanier real estate, and 2020 rolled in with optimism. In March the Pandemic hit and quieted the market for about six weeks. During that period the online virtual showings were strong, and some onsite showings were happening under Covid guidelines. In May the large pent up demand created a flurry of showings and sales between May and December. Full price and over list multiple offers were flying for attractive homes on good lots. January of 2021 will begin with a historically low inventory of only 62 lake homes. 2020 began the year with 200 homes available, and that was a record low. The stage is set for another Seller's Market in 2021, although Buyers are also winners gaining a spot at the lake!

• 510 lake homes with private docks or homes in neighborhoods with marina style dock access sold in 2020, a 40% increase over 2019. 401 lake homes with private docks closed vs 329 last year, a 22% increase.

• The average sales price for a home with a private dock was \$781,697, an increase of 21.7%. The average sales price of all Lake Lanier



homes, including homes in neighborhoods with boat slips at neighborhood marinas, was \$650,000, a 5% increase overall.

- The average sales to list price was 96.2% and Days on Market was 75, compared to last year's 95.7% and 108 days on market.

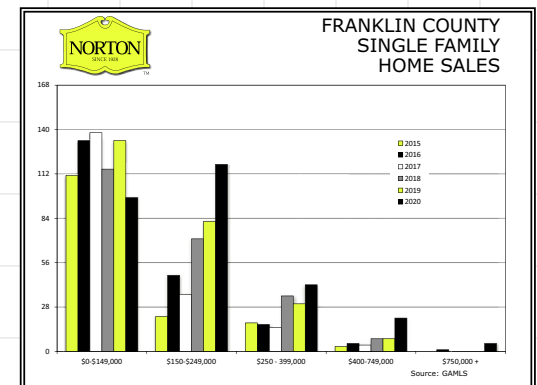
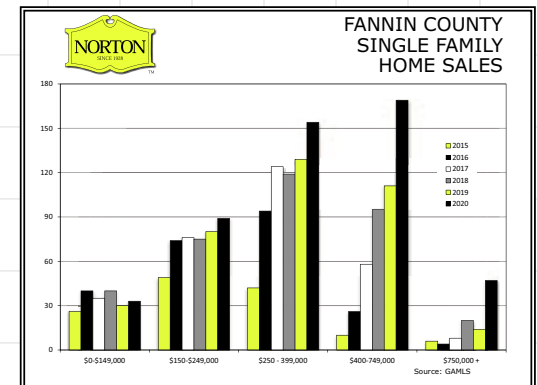
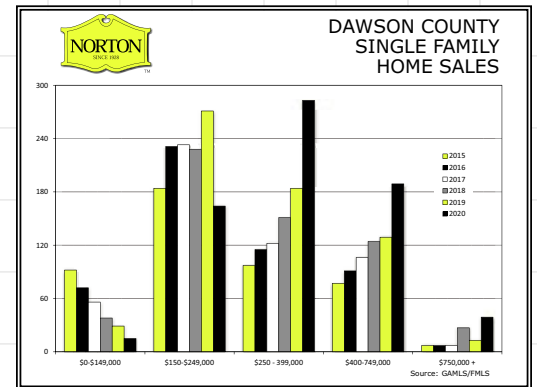
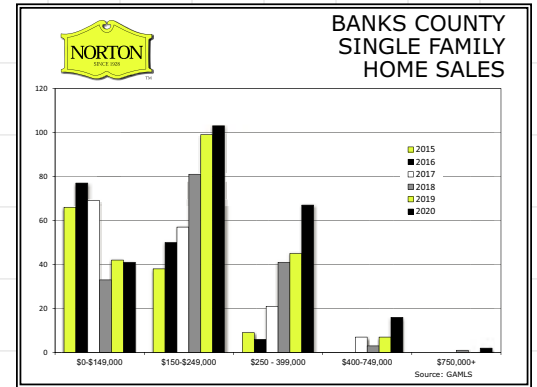
- **Luxury Lake Is Hot:** Luxury lake sales really took off in 2020. 160 homes sold over \$800,000 vs 88 in 2019. A record 90 homes over \$1,000,000 sold vs only 26 in 2019! Days on market was just 97 days, and the list to sales price was 94.5%. Many homes sold at full price or more with multiple offers, predominately in the \$800,000 to \$1,200,000 range. Luxury homes made up 31% of lake homes sales against last year's 17%. It was a seller's market with on average only 40 homes available at a time. In years past there have been over 100 homes on the market for buyers to choose from. With demand high and supply low, sellers should not delay, and list first quarter of 2021.

- **Second Home Demand Increased in Pandemic:** With "work at home" and "school at home" in 2020, it's not surprising Lake Lanier has seen many more buyers wanting a safe haven away from the cities. Lake Lanier never shut down and was a safe haven that enabled residents to enjoy outdoor recreation, while working and schooling from home. Many buyers are still chasing that elusive lake cottage under \$500,000, IF they can find it. These properties are scooped up in a day or two and with multiple offers, so act fast when you see it.

- **Migration from Other States:** Lake Lanier has seen increased migration from out of state buyers leaving pandemic locked down states for job opportunities, better quality of life and weather, with less restrictions and taxes. Our beautiful lake is attractive to those moving from other waterfront areas and Buyers see our prices as more appealing.

- **Multi-Slip Subdivisions Gain Popularity:** New and existing lake neighborhoods with marina style docks were hot as builders' spec homes, custom builds and resales hit the market, contributing to a 40% in increase in total lake homes sold. Subdivisions such as The Reserve at Lake Lanier, Hickory Lakeside, Dawson Pointe, Chestatee on Lake Lanier, Chestatee Cove on the west side of the lake and Marina Bay, Harbour Point, Summercrest and others, on mid and north lake, and Cresswind at Lake Lanier and Bay Point on the southeast side, have provided new home and resale options for buyers wanting a more traditional neighborhood feel and amenities.

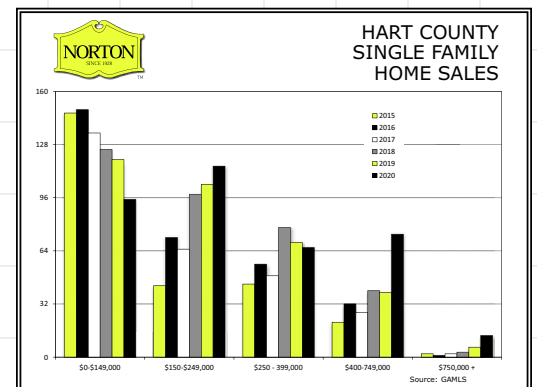
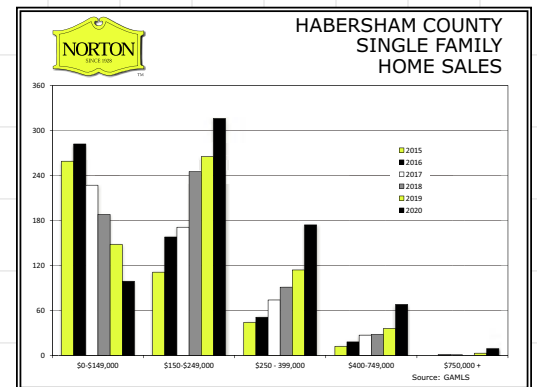
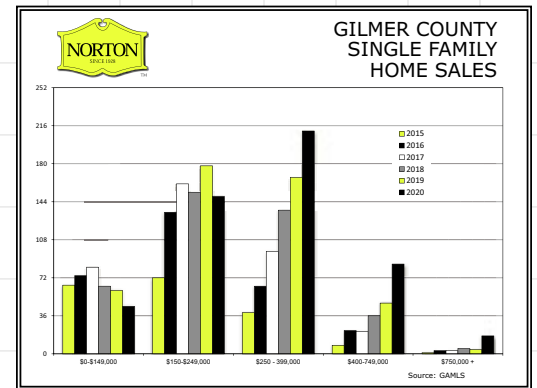
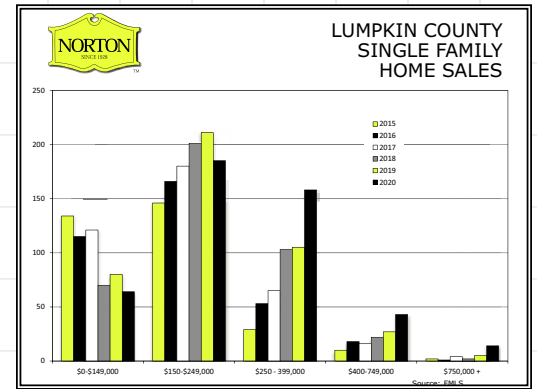
- **Year of Rain Continues the Trend of High Lake Levels:** A full lake is always good for lake recreation and home sales, although I must say a few more sunny weekends this year would be nice! Thanks to rain and good CORPS management, the lake levels have been high for over three years, and except for a few years it dropped just below 1065, the lake has been consistently high since 2011.



• **Boat Dock Upgrades, Safety and Maintenance:** Boats are getting larger and making larger wakes due to the popularity of wake boarding and wake surfing. There are only about 30 days a year of big traffic days, but homeowners are seeing the need to maintenance and replace old docks to adapt to the increased lake activity and larger boats. Homes with newer docks with larger boat slips are in demand and well maintained and safe docks are better received by Buyers.

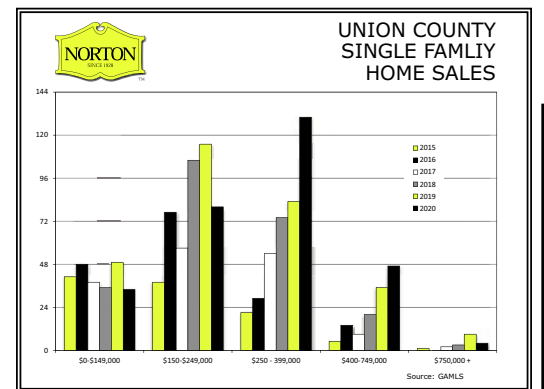
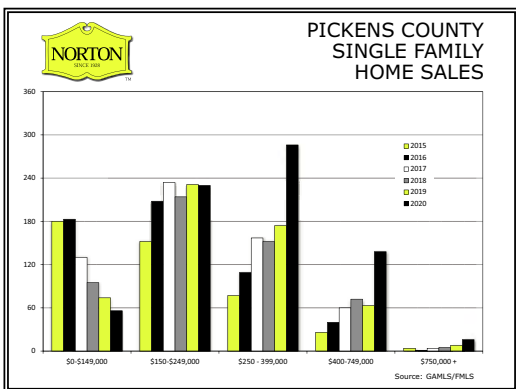
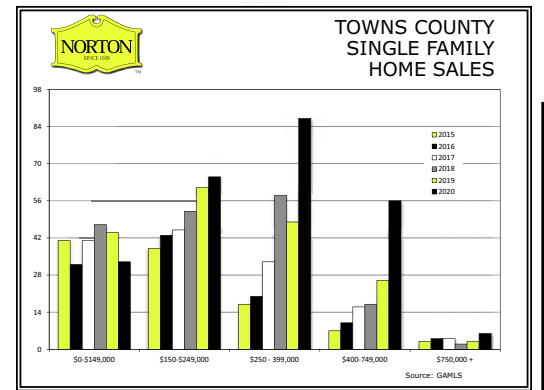
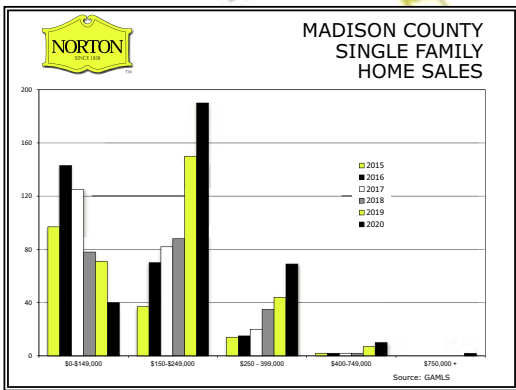
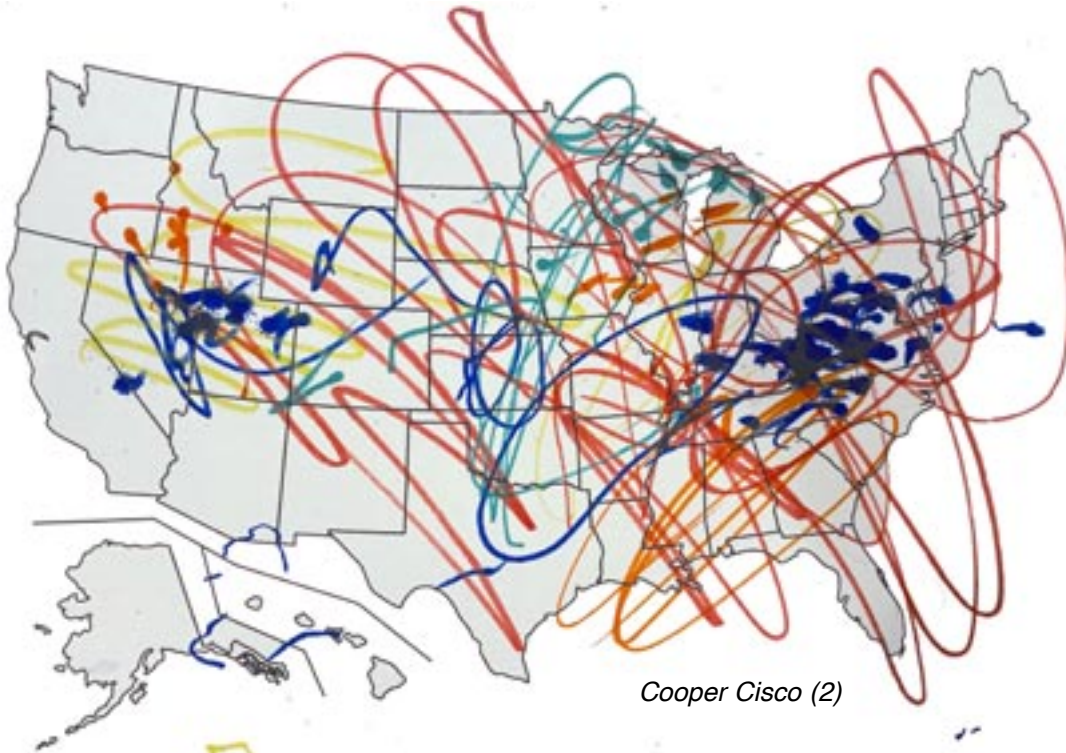
• **Lake Homes Trends:** Updated kitchens and baths have been a top priority for lake buyers for years. With the pandemic, we are now seeing the resurgence of the home office(s) and zoom spaces as work and school at home have been in the spotlight. Buyers also are attracted to comfortable outdoor spaces such as covered decks and patios, pools, hot tubs, fireplaces and firepit areas.

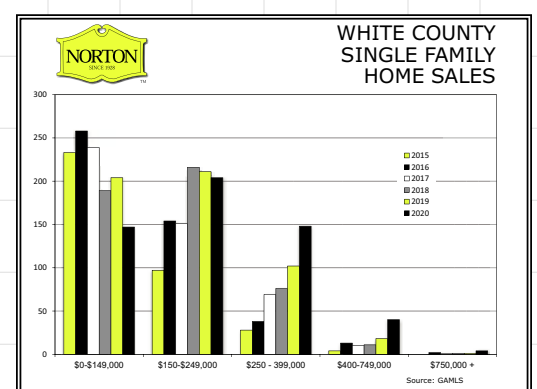
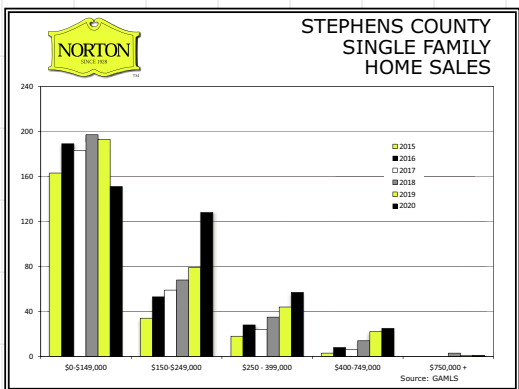
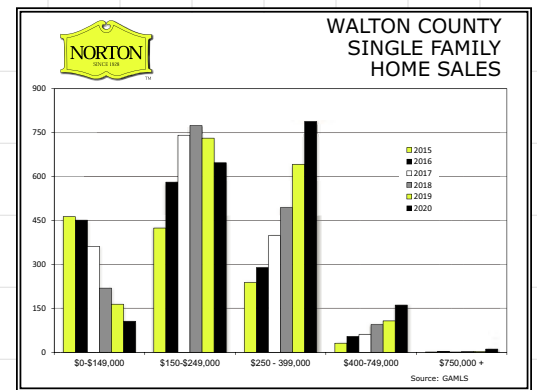
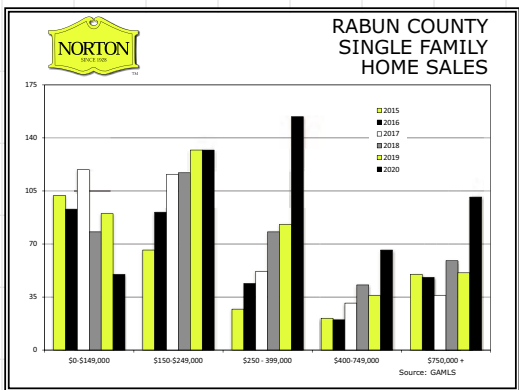
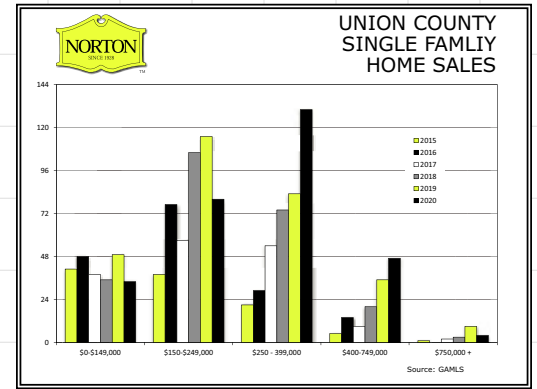
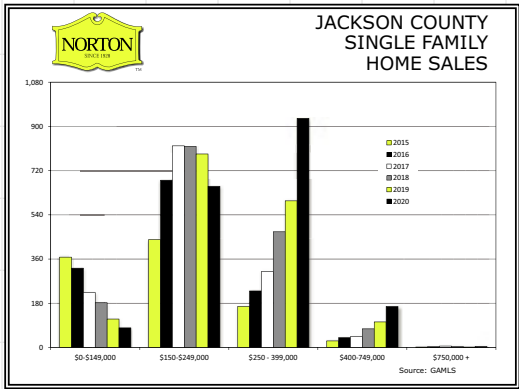
Sheila Davis
Vice President/Partner
Norton Residential Group



CHARTS GRAPHS

Here is what we know so far





AVERAGE AMERICAN HOME SIZE

| | |
|------|---------|
| 1920 | 1048 SF |
| 1930 | 1129 SF |
| 1940 | 1177 SF |
| 1950 | 983 SF |
| 1960 | 1285 SF |
| 1970 | 1500 SF |
| 1980 | 1740 SF |
| 1990 | 2080 SF |
| 2000 | 2266 SF |
| 2010 | 2392 SF |
| 2020 | 2551 SF |

Source: 24/7 WALL STREET

| PRICE RANGE | MONTHS OF SUPPLY |
|-----------------------|------------------|
| \$0 - \$149,000 | 1.4 |
| \$150,00 - \$249,999 | 1.4 |
| \$250,000 - \$399,999 | 2.4 |
| \$400,000 - \$749,000 | 3.1 |
| \$750,000 - \$999,999 | 5.9 |
| \$1,000,000 & Above | 9.5 |

*Chart reflects New Construction and Resales as of November 2020

2020 SALES PRICE VS LISTING PRICE

| COUNTY | AVERAGE FOR SALE PRICE | AVERAGE SOLD PRICE | SP/LP % |
|-----------|------------------------|--------------------|---------|
| Barrow | \$256,275 | 253,321 | 98.91% |
| Cherokee | \$360,982 | 356,544 | 98.77% |
| Dawson | \$389,106 | 378,757 | 97.31% |
| Forsyth | \$434,989 | 427,576 | 98.24% |
| Habersham | \$261,656 | 257,475 | 98.4% |
| Hall | \$350,692 | 343,239 | 98.01% |
| Jackson | \$293,228 | 290,611 | 98.68% |
| Lumpkin | \$290,010 | 282,826 | 97.52% |
| Pickens | \$323,226 | 313,891 | 97.40% |
| Rabun | \$438,293 | 421,153 | 96.09% |
| Stephens | \$240,908 | 230,523 | 95.69% |
| Towns | \$398,027 | 370,179 | 93.00% |
| Union | \$316,911 | 303,895 | 95.89% |

SOURCE: FMLS/G.



Executive Bookmark Reading List 2019-2020

The editors of Norton Native Intelligence™ are consummate readers in their quest for life-long learning. While the internet has expanded their reach for market intelligence, they still read 12 local and regional newspapers weekly and a massive download of E-News. They believe in “Deep Think,” new ideas, concepts, trendlines and that is what sets Norton apart from its competitors and gets our brain juices pumping. Some of the books on our current reading list that have influenced our commentary, conversations and data set include:

| | |
|---|--------------------|
| <i>The 99% Invisible City</i> | Roman Mars |
| <i>How the Post Office Created America</i> | Winifred Gallagher |
| <i>The Secret Life of Groceries</i> | Benjamin Lorry |
| <i>The Founding Gardeners</i> | Andrea Wulf |
| <i>These Truths: A History of the United States</i> | Jill Lepore |
| <i>The Curious Mind</i> | Brian Grazer |
| <i>The Invention of Nature</i> | Andrea Wulf |
| <i>The Body: A Guide for Occupants</i> | Bill Bryson |
| <i>Why Old Places Matter</i> | Thompson Mayes |



2020 INFORMATION SOURCES

- Norton Native Intelligence™
- US Census
- First MLS
- GA MLS
- Metrostudy's
- Georgia State University Economics Forecasting Center
- Realty Trac
- National Association of Realtors (NAR)
- The Beasley Report
- John Burns Consulting

www.nortonintelligence.com

Norton's Annual Forecast features our interpretations, thoughts and commentary on North Georgia's market conditions. Dovetailed with this effort, Norton has built a vault of back-up Regional Community data. Accessible to the public, Norton friends and especially our clients. The portal is:

www.nortonintelligence.com

Norton Native Intelligence™ staff has spent thousands of hours building and maintaining a robust platform of historical and current community data at your fingertips in order to educate and power our clients forward through the storm of economic business and regional change. We invite you to explore further.

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