

MID-YEAR 2021

In the midst of the ground shaking turmoil called “COVID-19, The Pandemic,” Real Estate, Real Property and their underlying social and economic fabric rose out of that smoke and flames instilling hope and recovery for our region and America.

Annually our Norton Commercial Group defines Top Ten Game Changing Events. While are six months away from that mark, we are keenly following these Five Trends in our marketplace.

THE DAY THE WORLD RAN OUT OF EVERYTHING

A recent Bloomberg essay called “The Day the World Ran Out of Everything,” it focused on the mid or post pandemic shortages appearing across our planet. Norton Native Intelligence™ first started talking about the threat of shortages back in early Spring 2020 when the food, drugs and toilet paper shortages were fresh on our minds...fast forward that to mid-2021, we see a global supply chain hiccup across all levels of goods and services. Chips in short supply are now affecting a wide spectrum of items ranging from alarm systems to automobile manufacturing. Auto parts are in short supply which affects new cars and repairs and is even affecting the Kubota assembly lines in Hall County. The computer hack of the Colonial Pipeline strained the East Coast gas supplies and now the Russian hackers have caused periodic turmoil in meat production worldwide.

One of Norton’s Commercial Agents said it best, “*just in time*” has turned into “*just ran out.*” Added to this conundrum, shortages or supply chain intrusions in housing and commercial construction and the labor shortages are the norm across all employment levels. The labor shortages are real and could prolong deliver of everything for years to come.

Norton Native Intelligence™ sees some economic and social solutions emerging.

- Industrial warehouse development is accelerating almost at a frenetic pace.
- Manufacturing is preparing to stockpile parts and raw materials at an unprecedented pace. Additionally, American manufacturers have returned to on-shoring some parts manufacturing to reduce total reliance on Asia or Europe anticipating future supply chain hiccups. Food producers are stock





- piling raw materials and finished products. The demand for large freezer space in our area is at an all time high. Norton Native Intelligence™ predicts that big box freezer space warehouses will double in growth over the next five years.
- Lastly, we see calls for more automotive robotics and software enhancements to everyday manufacturing distributions and logistics as we grapple with perpetual labor shortages (see Labor).

COST OF CONSTRUCTION

Producer Price Index, May 2021



	1-Month % Change	12-Month % Change
Inputs to Construction	1.5%	24.3%
Inputs to Nonresidential Construction	4.8%	23.9%
Plumbing Fixtures and Fittings	6.1%	25%
Fabricated Structural Metal Products	5.0%	18.3%
Iron and Steel	2.5%	62.8%
Steel Mill Products	2.4%	75.6%
Nonferrous Wire and Cable	4.2%	31.4%
Softwood Lumber	20.6%	154.3%
Concrete Products	0.6%	4.7%
Prepared Asphalt, Tar Roofing & Siding Products	3.5%	12.6%
Crude Petroleum	12.8%	186.7%
Natural Gas	9.5%	90.3%
Unprocessed Energy Materials	9.6%	100.1%
<small>Source: U.S. Bureau of Labor Statistics</small>		

LABOR EVAPORATES

The latest rounds of government job stimulus had a major unintended consequence, too much money tempted tens of thousands across Georgia and America to stay home. This added to the number who remain fearful of COVID, skeptical of vaccinations and groups of citizens who remain sheltered in place out of total fear.

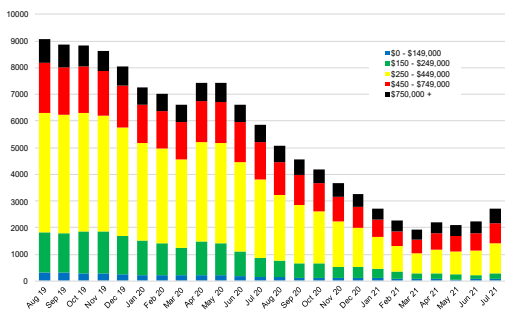
NORTON NATIVE INTELLIGENCE MIDYEAR FORECAST - JULY 2021

Starbucks shuts down in store dining because of a labor shortage. McDonalds' managers are forced to work on the grill lines because cooks are not available and whole segments from day laborers to construction workers to food processing to manufacturing are idling production lines and eliminating second and third shifts, some are running at 50, 60 or 70 percent capacity. A condition warranted by labor shortages, not DEMAND.

North Georgia and communities like Gainesville, Lawrenceville, Jefferson, and Cornelia were already critically short staffed. The surge in our region's industrial manufacturing base from 2018 to 2020 built a labor demanding footprint, with industry recruiting pre-pandemic accelerating in to more than a critical stage in the mid to late pandemic area. Some industries like hospitality and transportation laid off or fired whole workforces during the early pandemic stage are now struggling to rehire, replace and retrain front desk, computer operations, housekeeping, and other service personnel.

Norton Native Intelligence™ feels this impact will rebound by year end as government assistance dries up, the rental housing evictions moratorium is lifted, and vaccination rates increase. Granted some will never return to their pervious employment or occupations and tens of thousands will take early retirement. It could be some time before FULL EMPLOYMENT (whatever that means to you) returns.

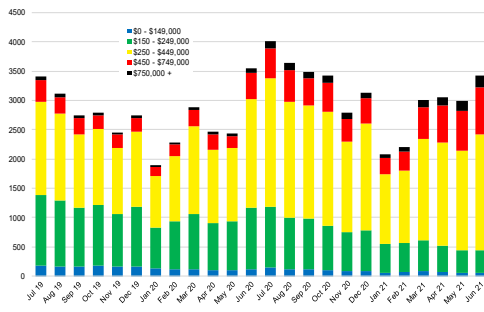
 NORTH GEORGIA INVENTORY
PRICE POINT BREAKDOWN



Source:GAMLS/FMLS



NORTH GEORGIA SALES
PRICE POINT BREAKDOWN



Source:GAMLS/FMLS

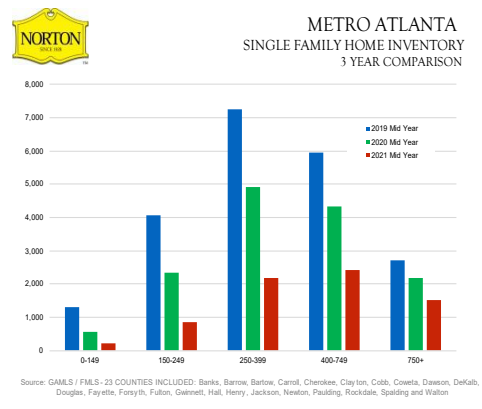
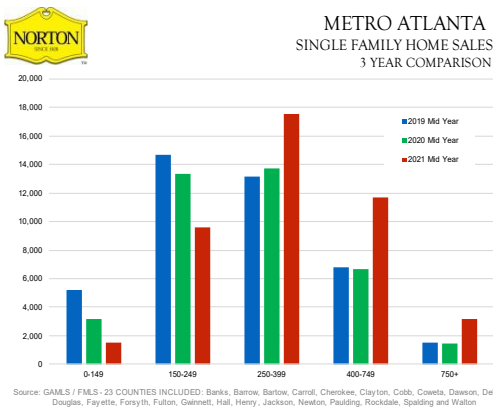




OUTSIDE

The strongest post pandemic trend is simply “outside.” From the surge in National Park visitation to hordes of summer boating on Lake Lanier, the throws lined up to hike up the trail of Yonah Mountain, the packed tented sidewalk, outdoor patio dining at area restaurants or the homeowner’s backyard renovation into power outside living rooms, America and North Georgia have rediscovered **outside** during the pandemic and looks to carry it forward for at least a generation.

Homes now require luxurious outdoor spaces. Homes with MacDaddy outside kitchens, pools or living terraces/decks are the Number One home search features on **gonorton.com**. Offices need outdoor areas, charity events held outside are quick sell outs, and churches and preschools have found the need for multiple outdoor spaces for class or worship. The post pandemic world is much more comfortable outdoors than indoors than outdoors. Price premiums are paid on existing outside spaces and social distance outside theaters, game courts and firepits are being reimaged by most existing homeowners and rental community landlords.



NO ROOM IN THE INN

Housing, both for purchase and rent, have been on a 12-month rollercoaster. Today, it’s almost impossible to help a homeowner accurately price their home for market much less get a true MAI appraisal once “under contract.” Prices are increasing exponentially with some new listings lasting only hours on the market and others receiving as many as 47 different offers in a 48-hour period with



showing appointments calculated in 30-minute intervals. We saw one HUD home have a “shotgun” start at 5:00 PM for an open house with prospects lining up around the block. Experienced agents are preparing offers with acceleration clauses, pre-offer inspections and attention getting non-refundable earnest money. A lake house saw 50% of the purchase price in earnest money just to get the seller’s attention and prioritize their “offer”. Rental properties are also in brisk demand as of mid-summer. Note these stats:

NORTH GEORGIA HOMES FOR SALE SUPPLY

County	MOS	# Listings July 1, 2021
Banks	1.60	33
Barrow	0.76	113
Dawson	1.49	89
Forsyth	0.67	270
Franklin	2.42	60
Gwinnett	0.72	799
Habersham	0.96	58
Hall	1.03	277
Lumpkin	1.22	51
Pickens	1.40	90
Rabun	1.90	96
Walton	1.11	169
White	1.67	85

<u>Rentals</u>	<u>Vacancy %</u>
Barrow	.36
Dawson	2.89
Forsyth	2.60
Habersham	1.00
Jackson	4.45
Hall	2.32
Lumpkin	.59
Pickens	1.0
Rabun	.5
White	1.0

With construction suffering from supply chain problems, astronomical material price increases and land development process constraints, **new home supply could be impaired for a generation.**

NORTON NATIVE INTELLIGENCE MIDYEAR FORECAST - JULY 2021

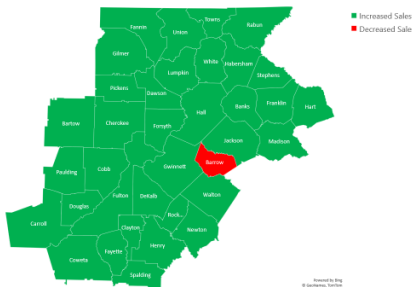


PANDEMIC HOME FEATURES

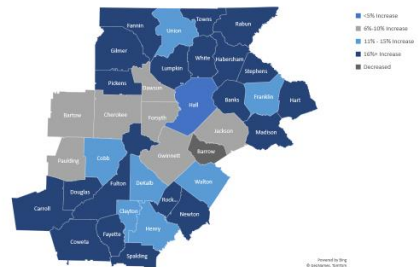
- Gated privacy anonymity
- Space for preferred supplies, root cellar/storage
- Hobby space
- Multiple study areas
- Outdoor areas for play, for living, for work
- Backyard lights to extend outdoor life
- WiFi ad TV streaming
- Safe rooms
- Multiple bars (private alcohol consumption is up)



NORTH GEORGIA
2020 VS 2021 (MID YEAR)
HOME SALES COMPARISON



NORTH GEORGIA
2020 VS 2021 (MID YEAR)
HOME SALES COMPARISON



HOW IS IT THAT NOBODY IS TALKING ABOUT RETAIL

As the pandemic upended general commerce in our country straining delivery and supply logistics, Norton Native Intelligence™ as an industry observer is misstated that no one is talking about today's reality of retail real estate must less its future. Our big questions are:

- Are there back fill uses that could give an investor the same returns as previous retail occupants?
- What do we do with all the impending volumes of empty spaces?
- Just how bad are the retailers struggling?
- What's the potential Municipal, County or State **tax** impact when traditional retail revenues evaporates?
- Is this something that is going to recover? Are hoards of buyers going to go back into stores?
- Why aren't there more articles on the great retail reset?



Retail was always the sexy part of community development. The live/work/play shop concepts were filled with ambitious retail plans, shopping, and entertainment experiences. Now **no one** is talking about retail. The retail that is under development are car washes, instant medical, fast food, self-storage, and other single use retail. UNFORTUNATELY, NOT A BIG BOX IN SIGHT!

Norton Native Intelligence™ categorizes retail into numerous levels:

Big Box Discounter and Food

(Walmart, Target, Kroger, and Publix)

Big Box Traditional Retailers

(Belk's, Penney's, Sears, Neiman Marcus)

National Service Small & Medium

(Marshalls, Lines & Things)

In House Dining

(Chilis, Outback, Longhorn)

Fast Food & Drive Throughs

(Chick-Fil-A, McDonalds, Sonic, Wendy's, Gas and Oil)

Banking & Finance

(UCBI, Truist, Regions)

Local Mom & Pop Sales and Service

Nationally retailers occupy an estimated 8.5 billion million square feet of space in the United States which equates to 24.5 SF of retail space per capita or 5 times Europe's average of 4.5 SF per capita. 70% of which are located in some sort of enclosed mall situation.

BIG BOXES (2019)

	# Stores	Average Store	Total SF
Walmart	11,277	99,800 SF	1.1 Billion
Target	1,846	130,200 SF	240 Million SF
Home Depot	2,286	104,100 SF	237 Million SF
Kroger	2,769	65,100	18 Million SF
Walgreens	15,072	9,700	146 Million SF
Cosco	762	145,300	110 Million SF

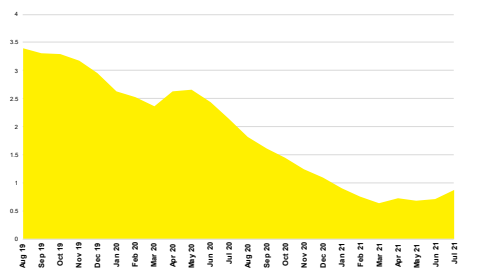
NORTON NATIVE INTELLIGENCE MIDYEAR FORECAST - JULY 2021



We sensed a looming cataclysmic upheaval in the retail market in 2021 to 2024 with this disruption creating a checkerboard of vacancies nationwide. This will trickle across all regions of North Georgia. Norton is so positive of the incoming tsunami that it has just launched a separate division called *Norton Retail Resources* to assist tenants, landlords, lenders, and retail investors through the ever-widening retail swamp.



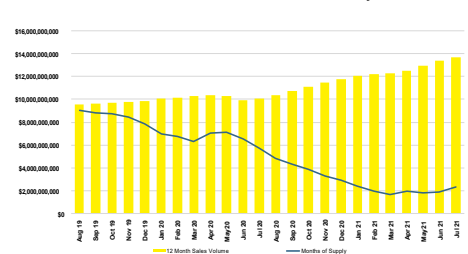
MONTHS OF SUPPLY JULY 2021



16 Counties included: Banks, Barrow, Cherokee, Clayco, Forsyth, Franklin, Gilmer, Habersham, Hall, Jackson, Lumpkin, Wilkes/Suwanee, Walton, & White Data Source: GMLS/FIM



NORTH GEORGIA SALES VOLUME VS SUPPLY JULY 2021



16 Counties included: Banks, Barrow, Cherokee, Clayco, Forsyth, Franklin, Gilmer, Habersham, Hall, Jackson, Lumpkin, Wilkes/Suwanee, Walton, & White Data Source: GMLS/FIM

POST PANDEMIC: WHAT WE KNOW SO FAR

What we know so far:

After 18 months of pandemic pivoting, some trends have been permanently baked into 21st Century Life, others are uncertain. Talking with leading economic real estate and social authorities, this is what we know so far:

- The importance of HOME has been renewed, its sanctuary, its medical isolation, its family security. But a home now must be functional for multiple generations: Live, Work, Play and Recreation. Sometimes at the same time in different parts of the house.
- We demand breathable air, outside spaces for dining, parks for recreational spaces with distance, inside spaces that are filtered, scrubbed with 21st Century HVAC systems.
- Direct delivery moved from a luxury to a **thing** with necessities only hours away from ordering (Instacart) to consumables delivered next day and home food and drink delivery 24/7 via Uber Eats, Door Dash, etc. There is very little that cannot be doorstepped dropped.

NORTON NATIVE INTELLIGENCE
MIDYEAR FORECAST - JULY 2021

- The office moved from primarily a 9 – 5 home away from home to a stop off or waypoint and central snail mail collection point. The importance of office is a game changer. Cultural tools remain. You cannot build a tight culture solely off zoom calls.
- Technology and the speed of technology, hard wired or wireless, is now a required utility like water, gas, electricity, or sewage.
- We will pay more attention to personal health and public exposures on multiple levels. One-part germophobe, one part skeptic and one part realist.

These are our current thoughts on North Georgia’s human condition, part business, part social experiment. Stay tuned for more Norton MarketWatch’s as we guide our region through this newfound asteroid belt.

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