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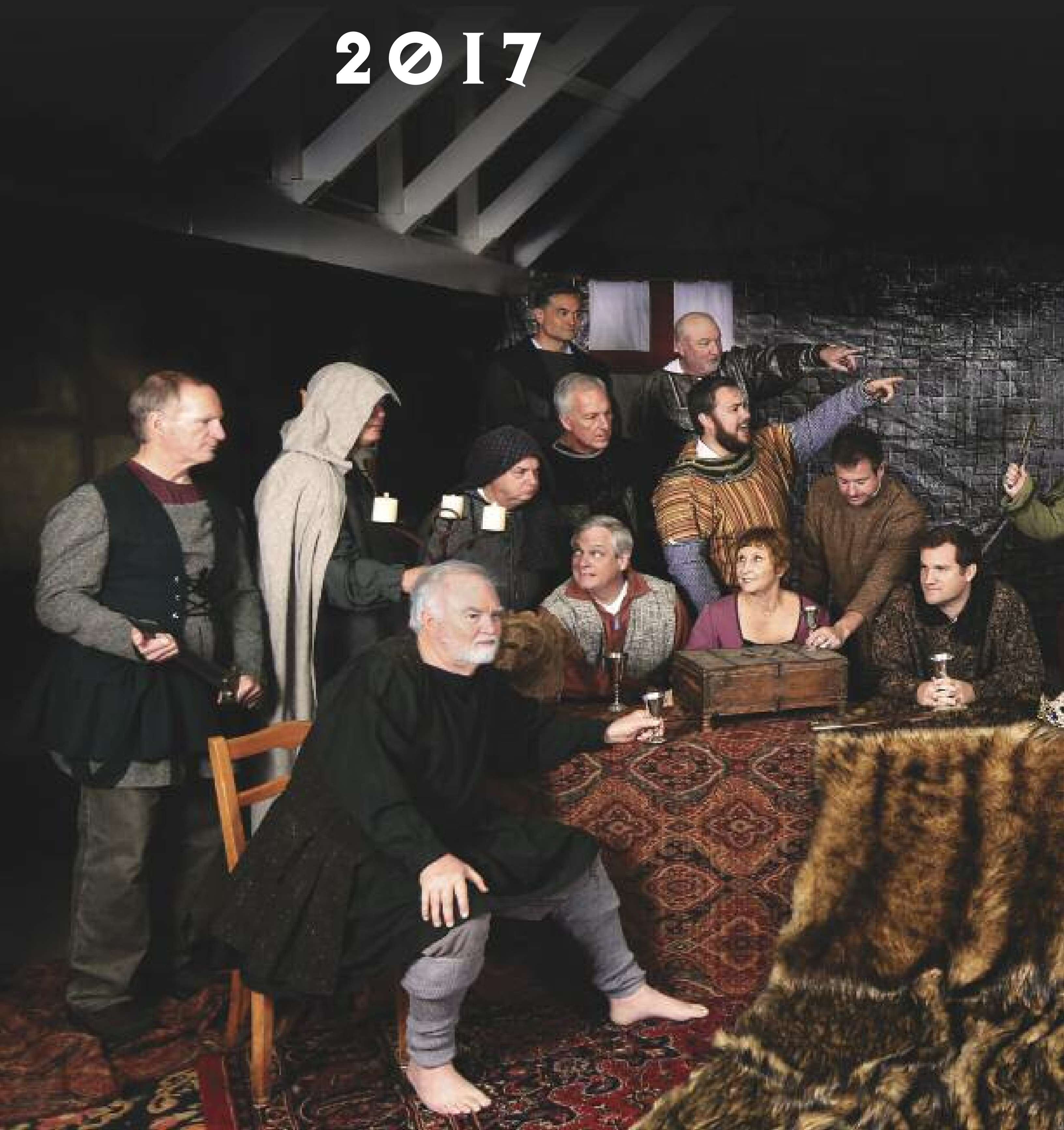
NATIVE INTELLIGENCE 2017



THE POWER TO PERFORM.

Guardians of the Mountains, Children of the Revolution, New Age Disruptors, The Norton Commercial Group accepts that distinction and were game to pose for a group photograph dressed as "disruptors." Game of Thrones, Vikings, Conquistadors…blazing new trails throughout our region; part fortune teller, part gladiator and part work horse, Norton Commercial is the "best" in the business. We vigilantly work for our clients, accept seemingly impossible assignments with a smile, use our intelligence, creativity and plow brute tenacity to propel our clients forward…That's **"The Power to Perform".**

Photo Credits: Thanks to the creative juices of our photographer, Fox Gradin with Celestial Studios, Edwin Hughs our Project Manager and Jim Hawkins, Set Logistics.

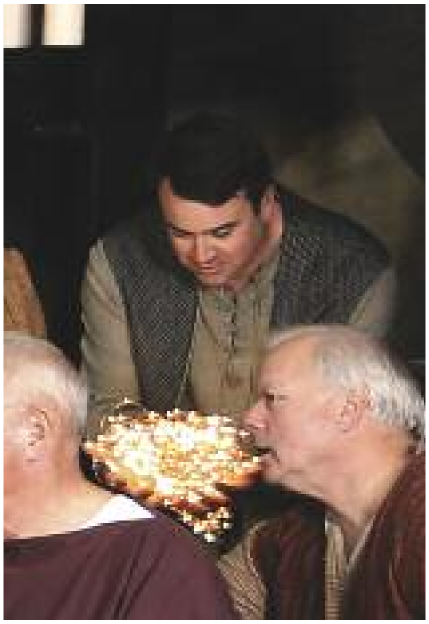
Seated Left to Right: Kelly Moore, Gerald Lambert, Gina Johnson, Charlie Hawkins, Jean Ferris, Betty Howard, David Stovall, Doug Garrison, Wade Rhodes. Standing 2nd Row Left to Right: Tripp Walker, Doyle Kirk, Wayne Parker, Dudley Owens, Mike Young, Will Cobb, Stephen Lovett, Frank Norton, Jr. John Drew, Tommy Howard, Matt McCord, Ed Fickey. Back Row Left to Right: Barry Joyner, David Williamson, Randy Gordy, Stephen Reynolds. Not pictured: Glenda Caldwell, Jim Wallis, Donald Smith and Eddie Hood.

CHANGE

The word is a powerful adjective, verb and more appropriately here, a Noun. It's both an observation… **Change…**and a forceful admonition…**Change!**

We've used the word for at least 20 forecast writings as our introductory call to arms in this ever- changing landscape we call HOME. It does seem; however, the more things change…the more we want things to stay the same. What we do know is this, the shear velocity of change is Accelerating…development, population growth, social norms and political shifting winds are woven into the fabric of an ever changing ever evolving community. **Change** is eye opening, inspirational, revolutionary and transformational.

Long ago we recognized our firm was an integral player in these "forces of change." **Children of the Revolution**. We sell real estate to the newcomers while selling **fresh** ideas to the original settlers'. It is in our corporate DNA to push powerful (for its time and location) ideas; the region's first planned neighborhood (1937), a renovated hotel into professional office, a luxury convention hotel, a patio home development on Lake Lanier, the first privately owned golf course community in the region, and igniting the spark of historic home to office renovation which preserved Green Street as we know it today.



"Historians see what was. Observers see what is. Visionaries see what can be. Leaders need to function, at some level, in all three. History filtered through the present provides a framework for the future. It is the wise leader who looks ahead to determine what might be over the horizon." Phil Stevenson

Life in North Georgia, whether it's disruptors, revolutionists or everyday citizens is better today…no its better each day because of the indigenous people who make things happen.

For 89 years, Norton has believed in leadership; Leadership in Insurance, Leadership in Real Estate, Leadership in Investments and we are not about to stop now.

Robert V. Norton
President
The Norton Agency
CEO/COO
Norton Insurance

Frank K. Norton, Jr.
CEO/Chairman
The Norton Agency

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FORECAST 2017

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IT'S COMPLICATED

When asked over the last year about the housing industry, the economy, consumer confidence or business in general, our stock answer has been, **"it's complicated."**

- On one hand, consumer confidence has ticked up, 30-year mortgage rates, hovered around 3.8% for most of the year, home values are stable and increasing, unemployment rates are low and the stock market has increased since 2009.

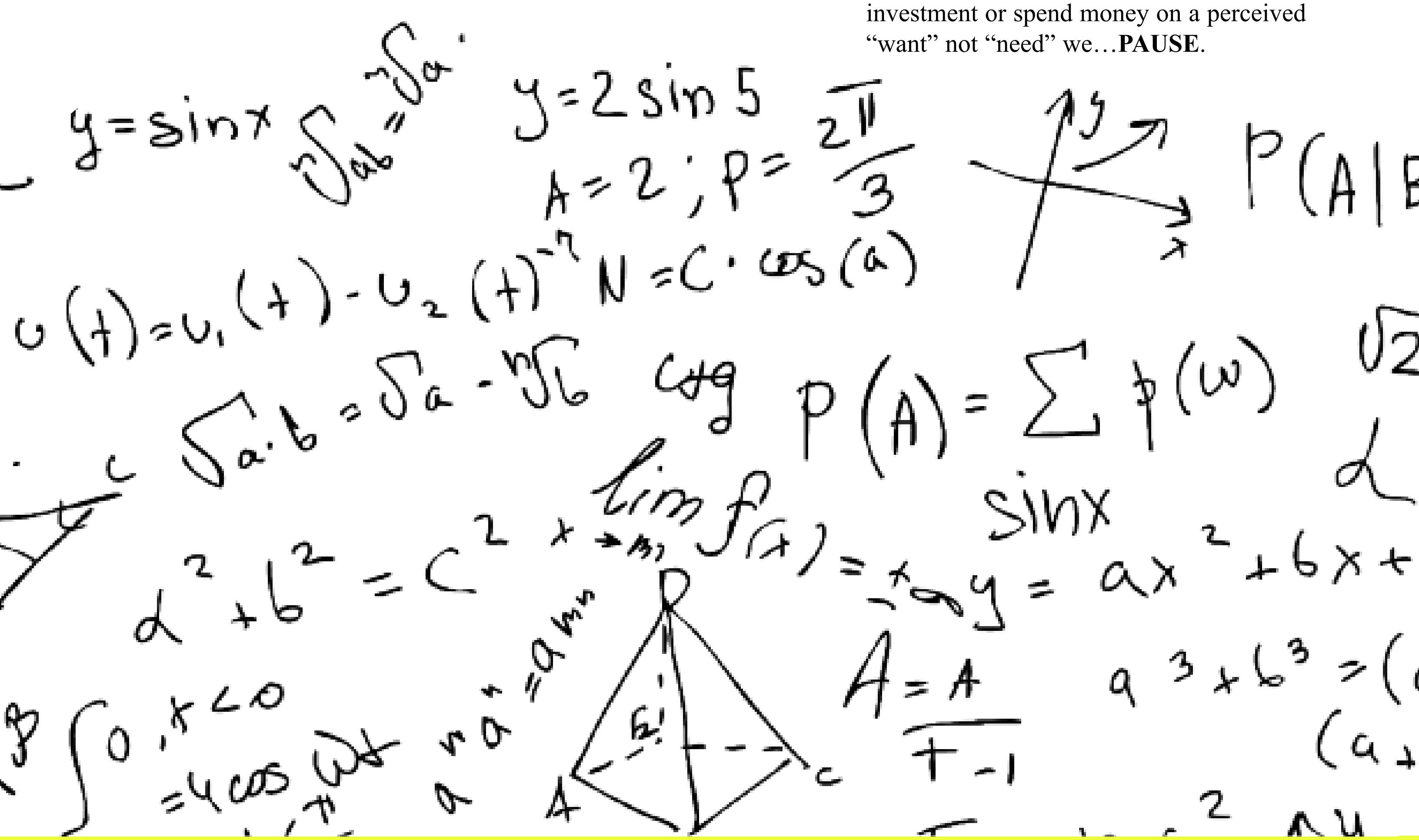
- So why don't we feel better? Spend more? Why are we sitting on upwards of 8 trillion in money market and short term savings? Why are corporations holding back the throttle? Why do we feel so uncertain?

- While the election noise has preoccupied most of the media over the last six months, we think most of America is thinking short term uncertainty about the long term possibilities.

What's next? Seems to be the question.

What's next for the economy?
What's next for the political climate?
What's next for wage and job growth?
What's next for housing?
What's next for business?
What's next for technology?
What's next for insurance?
What's next for premiums?
What's next for taxes?
What's next for retail sales?
What's next for consumer confidence?
What's next for me?

The **uncertainty trigger** for most North Georgian's has been internalized. We act like it's fine in our every day to day activities but when faced with long term decisions… buy a house, invest in a new venture or investment or spend money on a perceived "want" not "need" we…**PAUSE**.



The economy is a complex set of interconnecting circles of money, industrial, production, labor needs, consumer purchases, technology, housing, shelter, politics, global confidence, immigration, export, import, supply and demand, infrastructure, retirement, healthcare and at the convergence of these interconnecting forces is you, the average American.

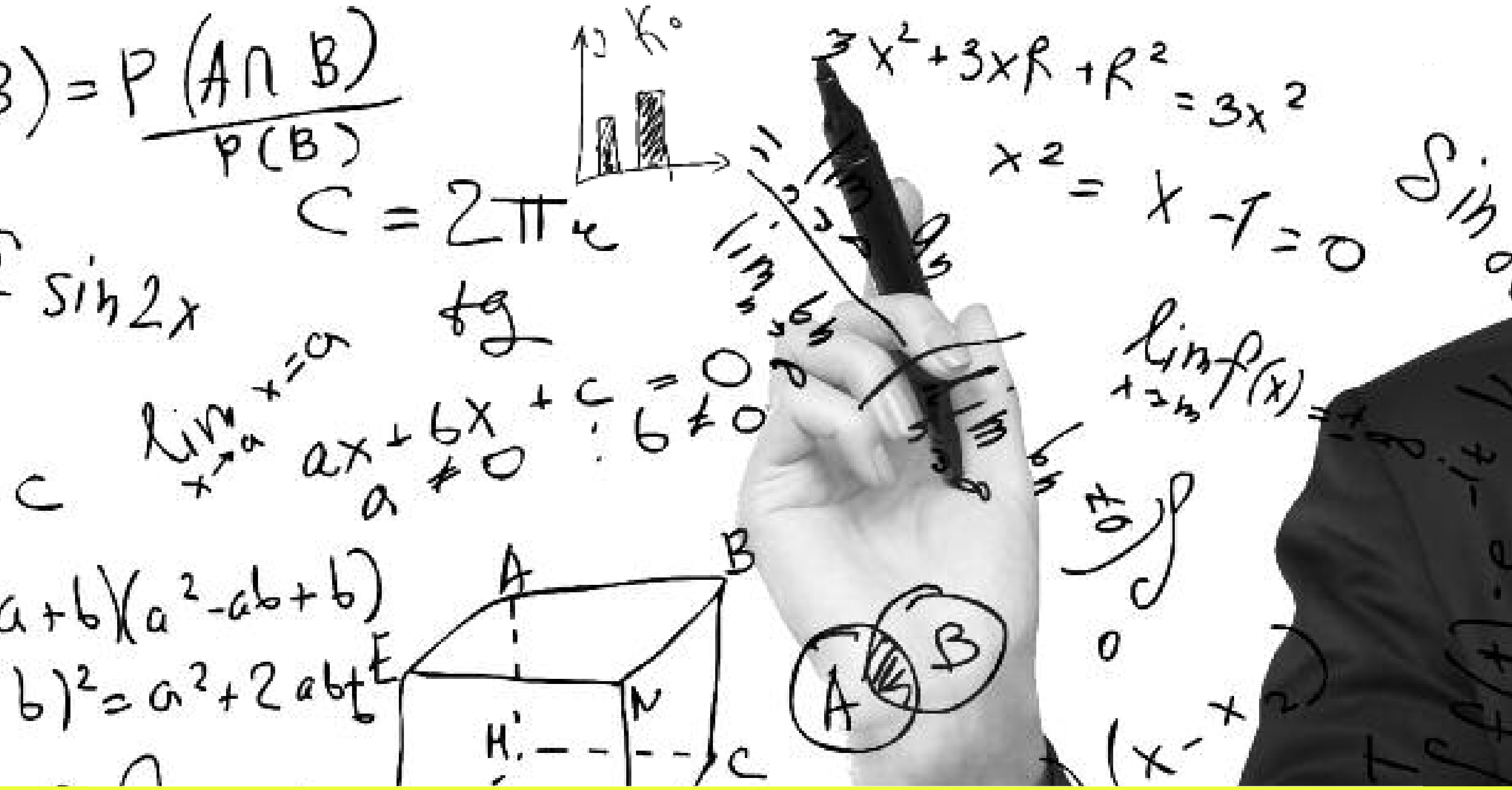
We are humans and anthropologically we **thought** our way out of the jungle darkness and adapted, readapted and readapted again. That's the power of our human DNA…to problem solve and figure out a meaningful work around. Call that the Triumph if we succeed; or go back to the jungle board and figure out a Plan B if we don't. **Failure isn't an option, failure is just a stepping stone**.

Eight years ago, a first term unknown Senator from Chicago rose to be our elected leader. There were dire predictions of economic Armageddon, elimination of capital gains, massive joblessness industrial production retrenchment, stagnation of innovation, a government nationalization of big business and elimination altogether of small businesses.

Using Norton as a metaphor for tens of thousands of other small businesses; while we've struggled, we have led. We as a company have out maneuvered and adapted to the circumstances that we were placed in…**because to survive we had to**. Except for 2009 (when Norton reorganized its entire business platform) we were fortunate to have **grown** year after year… in Business Market Share, in Volume, Revenue and Profitability, we are today in the strongest position in 88 years of our existence.

No industry was in more turmoil than Real Estate and now the insurance side is a little crazy. Tough times forced businesses to reexamine work flow, redundancy, want vs need, targets, objectives and corporate responsibility. While the journey was indeed rocky at times, we thought creatively, worked hard and twisted and turned our company through that rambling asteroid belt with the deftness and tenacity of the best Han Solo, only to reach the other side of a new world of business insurance and real estate; Leaner and Meaner and with both a stronger degree of vision and a stronger dose of self-control.

Today, we are better prepared for "**what if**?" Whatever the outcome tomorrow, North Georgia has learned valuable lessons. Humans adapt, it is in our DNA. North Georgia adapts; we have done it once, and we will do it again. Clearly, it's **complicated**.

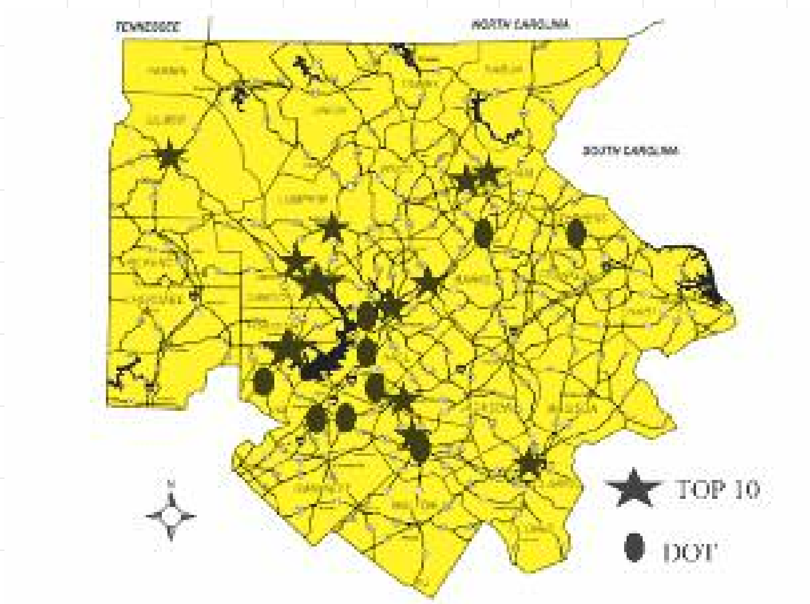


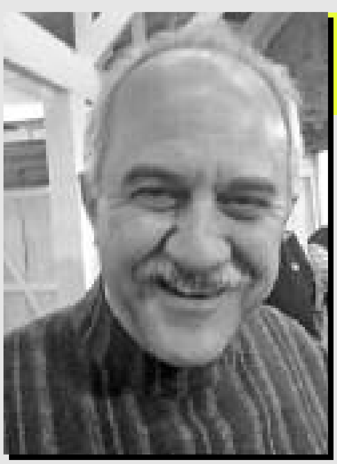
THE NORTON TOP TEN

Each year certain events, real estate news, political decisions or social concerns become transformational to our regional fabric. undoubtedly some announcements become catalyst for other developments like a game of dominos, one falling on another, then another, then another.

Some of these halt the dynamics of a community, some accelerate.

In 2016 various announcements, significant sales, investments, political or social decisions were chronicled, debated and discussed by our commercial team. Norton has honed the working list of 30, then 15 and now to our manageable **TOP 10.** We shared our results with an array of clients, business associates and community leadership to confirm and validate our findings. Here are Norton's Native Intelligence's™ **Top Ten for 2016**.





2017 FORECAST TWEETS

Repeal of Dodd Frank could reorder banking & deregulation but stimulate sidelined traditional investor by putting $$ back to work in 2017

David Stovall
VP, Partner Investments
Commercial & Acreage Group

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Trump Wins North Georgia – The Trump momentum had great success in rural and small city America and North Georgia's voting record mirrored that statistic. Trump carried North Georgia by 79% vs carrying Georgia only 51%. Four years before, Romney only carried North Georgia 76%. This confirms the regions conservative nature and the direction growing more so.

Hospital Side Step Shuffle – Tectonic shifts are underway in the medical services/medical delivery system. As North Native Intelligence™ predicted three years ago, 2016 saw an acceleration of that hospital shuffle with the sale of Chestatee Medical (Lumpkin) for only $15 million, Winder Barrow Hospital (Barrow) sold to Northeast Georgia Medical Center (price undisclosed), the closing of the Gilmer County Hospital, Athens Regional affiliated with Piedmont Hospital and at this writing Habersham Medical Center is in play to potential buyers. The closures and consolidation are symptomatic of struggling profitability, cost of new capital and Obamacare reimbursables (more on this topic later in this report).

Amazon - The online retail giant leased and opened a 600,000 SF distribution and fulfillment center in industrial rich Braselton, Georgia. While Amazon has at least five other such Atlanta distribution hubs, this is the first in our region. Amazon's 500 plus employment has rippling pressure across our regional employment and housing stock and is jump starting more industrial development along the I-85 corridor.

Forsyth Housing Moratorium – Despite having 5,492 vacant and developed lots and 15,470 lots in zoned land (second and third) future housing phases, the current political will is to shoot Forsyth in their own foot or kill the golden goose. Forsyth is a fantastic, energetic, demographic and economic base boosting the highest school test scores, an average new home price of $395,538, a transportation initiative next to none and a progressively reasonably tax base. Mindful, Forsyth's moratorium is Dawson County's greatest economic recruiter. Dawson's housing market surged in Forsyth's last sewer moratorium and North Georgia's premier outlet is located a mile into Dawson County because North Forsyth didn't want them. Moratoriums don't work nor achieve the intended results. As one long time Forsyth County observer said, "Please forgive them for they know not what they do." *Data Source: Metrostudy*

Dawson Retail Delivers – Nowhere in the State of Georgia, or the South that we know about, have two major retail centers been under construction at the same time. **Power Retail** begets **Power Retail** and the taxes keep rolling into Dawson County's cash registers. The retail engine has now been noted by employer, residential components and thankfully highway planners pouring money and economic development into this county of 22,682 (2013).

Habersham Economic Development – located on North Georgia's newest Yellow Brick Road, I-985/GA-365/US-441; Habersham leadership has taken the kitten by the tail…well before it becomes a full-fledged TIGER and created a united economic development center. Public and privately funded, the council gives a "power boost" to business recruitment. Simultaneously with that announcement, the county purchased 39 more acres to significantly increase Habersham's industrial park and employment offerings.

Junior Achievement Discovery Center – The life blood and future of America's economy is the teaching of financial stewardship, entrepreneurship and fiscal responsibility. Through a multi-million-dollar grant from the Mike and Lynn Cottrell Foundation, this regional learning center will be a school within a school and will enable children and youth to experience and learn good management principles while becoming a multi-county catalyst for North Georgia's sound fiscal future.

NGHS Residency – With only a small public notice, we believe the announcement for Northeast Georgia Health Systems' creation of a Medical Residency Program elevates the regional system into the big leagues (if it's not already there) with an influx of doctors in residency; more than 170 over a 5-year period. The program coupled with Brenau's Nursing and PT initiatives builds a learning environment side by side with regional quality care delivery, second to none. **The strong gets stronger**.

Commercial Lula – This past fall, a 15-acre retail corner of GA 365 at US 52 was not surprisingly rezoned for a new commercial concentration. Not much "new" news **except** that the development will be connected to the Hall County sewer line along I-985 and not to the City of Lula system. This region was previously no man's land for sewer delivery…the Legislation said the first one that serves the region captures that sewer capacity flag…and it looks like Hall County called Lula checkmate. This opens up 1000's of other acres for service. Rather than a sewer delivery wall, it's Norton Native Intelligence's™ suggestion for both groups to sit down and consolidate the sewer systems, have Hall County buy Lula's sewer infrastructure relieving Lula citizens of the financing burden. Imagine the industrial engine that could be created with a joint venture between Lula's waste water plant and capacity and Hall County's industrial muscle, creditability and experience. It's **time** to lay down the war drums and talk.

DOT Money – WOW, it looks like Georgia DOT is laying Golden Easter Eggs across our entire region, just look at the transportation construction activity has sprung up in all parts of North Georgia. While it seems disproportionate to North Georgia vs the entire state, it most likely isn't but consider these transportations initiatives.

- Widening of Forsyth's GA 400
- HOV lane extension into North Gwinnett County
- I-985/85 intersection improvements
- US-129 road widening from Gainesville to Pendergrass
- Approval of a West Winder By-Pass
- Approval of a GA-365/US-441 Diamond Interchange in Habersham
- Road right-of-way acquisition for Exit 14 on I-985
- Road right-of-way for Sprout Springs
- US-17 widening to Lavonia

Keep the Golden Goose well fed and watch what happens next.

Other notable 2016 events that did not quite make the cut include; the new office building in Avalon, DOT's pending announcement of relocation to downtown Gainesville, infill housing in the City of Gainesville, the rezoning of Crystal Farm's Riverwalk in South Hall and the short-term, long-term effects on the recent drought and mountain fires.

30 YEARS AGO

1987 TO 2017

As part of our 31st Forecast, we thought it would be appropriate to look **back** as well as look **forward** in this report. Self-analyzing our last 30 reports, we awarded ourselves a conservative score of B+…not always on the mark but with keen foresight and willing to go out on a limb in our prognostications.

WHAT WE SAID…CIRCA 1987

Hall County Real Estate

The Norton Agency, North Georgia's pioneer real estate organization, is pleased to announce the formation of Norton Market Resources, a computerized Marketing Information System covering Northeast Georgia markets. This system is updated continuously to provide the most accurate, extensive market data so that information can be made by our clients and friends. Our report summaries are published quarterly and an annual forecast prepared each January. More detailed reports are available on a client-by-client or project-by-project basis.

COMMERCIAL REAL ESTATE OVERVIEW

	Total SF 1987	Total # Buildings 1987	Vacancy Rate 1987
Retail	5,317,509	713	3.0%
Office	2,152,107	283	8.0%
Industrial	8,007,201	226	5.2%
Mixed Use	35,125	7	8.0%
Composite Commercial Index	15,511,942	1,229	6.0%
Apartment	2,443 Units	52 Complexes	10.0%

Notes: Data excludes present construction and proposed projects. Mixed use are those buildings with two product type uses.
Source: Norton Market Resources January, 1987

2017 FORECAST TWEETS

Obamacare in a State of collapse aging and economic stagnation will drive urban patient dumping and healthcare crisis across Appalachia

Betty Howard
VP, Partner
Commercial & Acreage Group

NORTON SINCE 1928 ™

The growth of Hall County and Metropolitan Gainesville has been spectacular over the last 10 years. The vibrant economy, the growing diversity of industry and the progressive political leaders is catapulting Hall County into the 21st Century. Current County population is estimated at 84,881 (1986) with a projected population of 92,421 by 1991. Hall County is alive and well; well on its way to becoming the true center of industry and commerce of Northeast Georgia. Hall County's average household income of $29,359 is up 25% from the 1979 average of $21,932 Although Hall County still lags behind Gwinnett County in rate of growth, the County is well positioned; moving into the next decade.

As a result of this growth and projections for the next few years, Hall County is beginning to attract attention from outside developers, investors and industries. The Norton Agency believes that this trend will accelerate as Metro Atlanta becomes overbuilt and developers and investors search for new markets. Industrial activity seems to be Hall's hope and promise as activity in industrial areas around the airport and along I-985 is increasing. Major industrial parks south along I-85 are growing ever closer and now spilling over along GA-316 toward Lawrenceville and up I-985 toward Buford. The movement can be traced to reasonable rental rates, a strong labor force and moderate land cost. However, prices for raw land are up substantially and in some instances, have doubled within the past two years.

FAST FORWARD 2017

Norton Market Resources is now Norton Native Intelligence™ and has published 31 Annual Forecast Reports. It is the largest statistic database, real estate, demographics and social metrics outside of Atlanta.

INDUSTRIAL 1987

Limitations of supply and higher land prices will force higher rates for manufacturing and production space. Since rates in Atlanta are even higher, we predict the beginning of an outward migration of many Atlanta regional industries. Gwinnett and Forsyth Counties will receive the lion's share of this migration but Hall County will surely benefit. Shortages for space, especially with 20 ft. ceiling heights or greater, will continue to exist until rates have reached a point to make new construction financially attractive.

INDUSTRIAL MARKET OVERVIEW

Submarket	Existing SF 1987	Total Existing Buildings 1987	Vacancy Rates 1987
East Hall Co.	119,000	11	18%
Airport Industrial/Chicopee	3,496,790	93	8%
Browns Bridge/Dawsonville Hwy	1,101,730	56	3%
Oakwood	2,486,200	30	2%
Flowery Branch & South	314,800	9	0%
Other Minor Markets	488,681	27	3%
TOTAL MARKETS	8,007,201	226	5.2%

FAST FORWARD INDUSTRIAL 2017

The Hall County Industrial Market has grown to over 50 million square feet, eclipsing any other North Georgia Industrial sector (Stephens County historically had more pre-1970). New industrial markets in the Hall portion of North Buford, Flowery Branch, Oakwood and along GA-365 north provide a wide diversity of jobs and the strongest of the non-Atlanta regional tax base.

OFFICE 1987

Like moss growing on the North side of a tree, office buildings will continue to grow on the Northside of Gainesville, but at a slower rate. We will see the emergence of a linear Downtown, Church Street to Thompson Bridge, along the Sycamore-Green Street Ridge.

OFFICE MARKET OVERVIEW

SUBMARKET	Total SF 1987	Total Existing 1987	Vacancy 1987
Central Business/Green Street	1,063,347	103	8%
Medical Center/Sherwood	339,114	60	12%
North City	51,576	27	3%
Airport	47,720	19	6%
Browns Bridge/Dawsonville Hwy	471,500	16	3%
Oakwood	39,700	13	7%
Other Minor Markets	2,000	13	7%
TOTAL MARKET	2,152,107	283	8%

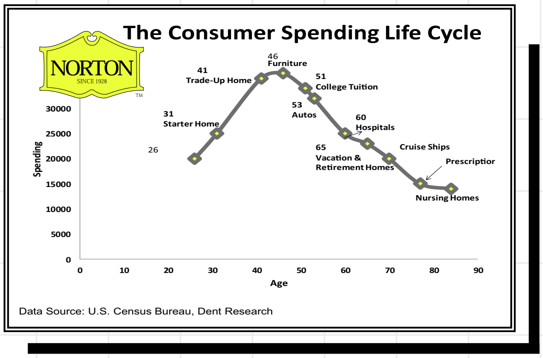
Green Street Office Renovation is also limited with only 8 houses out of 36 remaining to be converted to office or apartments, so watch for this demand to seek other areas. Gainesville will remain the center of commercial office activity for many years to come, but as Hall County grows, other pockets of office development will follow.

FAST FORWARD OFFICE 2017

By 1992, all homes on Green Street were converted to office (one has reverted to a home since then) and the office market has grown along Boulevard and the Green Street feeder streets. Banks such as Sun Trust, Wells Fargo, National Bank of Georgia, BB&T and UCBI all occupy signature buildings and are substantially full. Regions now occupies the previously mentioned Boulevard Building and its former home is the largest contiguous office space available. Overall, Hall office vacancy stands at 4.5%.

MEDICAL OFFICE 1987

Look for additional construction of medical facilities, but a greater diversity of locations. Demand for satellite medical space in the southern part of Hall County is increasing and additional construction in that area is forecast. Vacancies should remain in the 5% to 7% range as the new construction begins to lease up. As a result of the new tax laws, perhaps increases as much as 50% can be expected in rental rates over the next three years.



MEDICAL SPACE OVERVIEW

SUBMARKET	EXISTING SF 1987	VACANCY RATE 1987
Central Business/Green St.	50,550	6%
Medical Center/Sherwood	188,888	8%
Thompson Bridge Road	7,100	0%
South Hall	8,000	0%
Other Minor Markets	16,796	1%
TOTAL MARKETS	271,334	7.5%

Note: Medical space is defined as buildings which have 85% or greater of their space taken up by medical related users.

FAST FORWARD MEDICAL OFFICE 2017

The Medical Office market in Hall has increased ten-fold, perhaps more, in the past 30 years as Gainesville has become the center of the universe for North Georgia Healthcare. Over 700 physicans, 200 dental practitioners, plus physician's assistants and associate support blends into vibrant healthcare employment that exceeds that of poultry or manufacturing.

RETAIL 1987

Continued shortage of retail space will stimulate retail construction in 1987. Watch for new centers in Oakwood and North Gainesville, the expansion of the K-Mart Center on Dawsonville Highway and rehabilitation of centers throughout Hall County.

RETAIL MARKET OVERVIEW

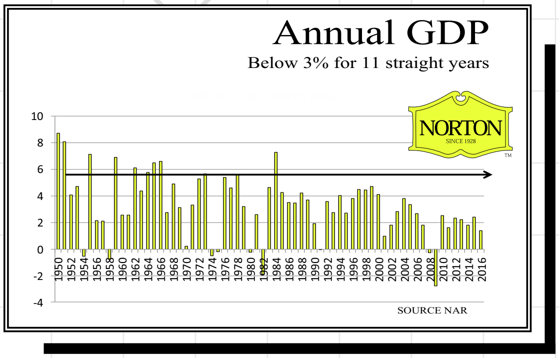
SUBMARKET	1987 TOTAL EXISTING SQUARE FEET	1987 TOTAL EXISTING BUILDINGS
Downtown/Green St	726,100	78
Medical Center/Sherwood	102,950	8
Thompson Bridge Road	357,639	37
Cleveland Highway	144,250	29
North Hall	191,338	71
East Hall/Athens Highway	172.475	49
Airport/Industrial Blvd	1,261,987	188
Browns Bridge/Dawsonville Highway	1,783,772	141
Oakwood	318,418	77
S.E. Hall County	14,800	6
Flowery Branch	243,780	29
TOTAL	5,317,509	713

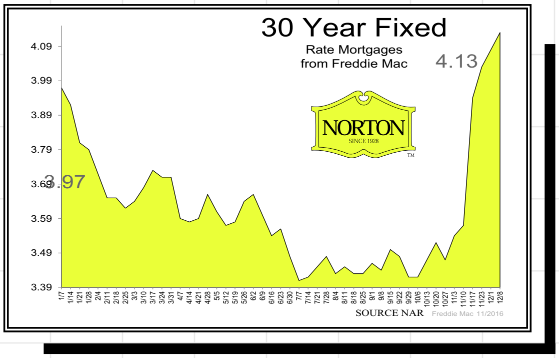
FAST FORWARD RETAIL 2017

While the Mall (Lakeshore Mall) has grown, contracted grown and contracted over the last 30 years, its influence on regional growth has attracted a host of other retail users. When positioning that one space in Hall County, retail decision makers naturally picked the area with the largest congestion, the big just gets bigger. New retail concentrations at I-985/Friendship Road, I-985/Spouts Spring and I-985/Mundy Mill Road have allowed consumer retail groups to reach out and serve the growing diverse house base.

MULTI-FAMILY 1987

Watch for a rapid rise in apartment rental rates as the Tax Law rewrites how investors approach the market. Concessions, free rent, TV's, microwaves will be common place among those projects experiencing lease-up trouble, then the rents will rise. FOR TENANTS, THE FIRST HALF OF THE YEAR MIGHT BE THE BEST TIME TO TIE DOWN THEIR LEASE.





MULTI-FAMILY 1987

SUBMARKET	# EXISTING COMPLEXES	TOTAL # OF EXISTING UNITS	CURRENT VACANCY	# UNITS UNDER CONST
North Hall	3	50	6%	0
City	27	1,614	7%	20
South Hall	17	419	17%	156
Browns Bridge/Dawsonville Hwy	5	360	15%	0
MARKET TOTAL	52	2,443 Units**	15%	176 Units**

FAST FORWARD MULTI-FAMILY 2017

Even in 2017, (because of the ready available sanitary sewer), 85% of all multi-family housing in Hall County is within the City Limits of Gainesville because of the ready available sanitary sewer. Vacancy among quality units stands at 5%, a third of the vacancy in 1987. The 1990's and early 2000's were the epoch of multi-family housing development with over double the total number constructed, now exceeding 6,000. While almost no units have been built since 2006, several projects are imminent in 2017 and signaling a renewed development wave.

SINGLE FAMILY HOUSING 1987

Demand for housing seems to have stabilized and we should see $68,000,000 of real estate trade hands in 1987 (barring a substantial interest rate adjustment).

Construction will slow down in most price ranges due to inventory, but we forecast several subdivision announcements filling the $60,000 to $85,000 price need.

SINGLE FAMILY MARKET

	1984	1985	1986	2017
Sales Volume	$34,621,091	$67,202,449	$65,584,633	$621,084,140
# Units Sold	530	940	803	2,365
Average House Price	$65,332	71,491	81,674	251,000

Source: Gainesville Hall County Multiple Listing Service – December 15th figures for each year. 2016 FMLS

FAST FORWARD SINGLE FAMILY 2017

The Hall County housing market has grown practically over the last 30 years with average home prices up 325% and home sellers topping out at $36 million. There is less than a 4-month home supply and permits which peaked at 2,710 in 2006 have fallen to 895 in 2016.

OTHER 1987 TRENDS

RETAIL 1987– Lakeshore Mall continues to be Hall County's retail focus as renovation work continues. Leasing is strong with the grand opening October 1st. Because of the mall expansion, surrounding land is HOT!

INDUSTRIAL 1987 – New construction on Browns Bridge Road in Commerce Park, Centennial Park and Atlas/Hilton Drives is providing several choices for prospective users and tenants. Demand for space, 20,000 SF and under remains strong. The community, both city and county, are running out of close-in accessible sites. At the current rate of growth, we will need another major park within the next 3 years. Hall County's Industrial vacancy is extremely low at 4%.

Hall County's industrial focus has been centered around Anheuser-Busch speculation. Even though we did not get the plant, their interest did two things. First, it forced the City and County to focus on long range supplies of water and waste water treatment, and second, it brought (positive) regional attention to our community and the specific site which may result in another industry's relocation.

OFFICE 1987 – The big leagues are coming to little old Gainesville as The Boulevard Building starts construction. This structure will set new standards of construction and new price structures for space. A net result of the development will be a pulling UPWARD of other rental rates in Metro-Gainesville. Existing landlords will be raising rates and creating more value for their portfolios.

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CRUSTY LISTINGS

Indigenous white trash

Government planning becoming academic socialism

LIKE THROWING BB'S IN THE GRAND CANYON

Government is the best business to be in

Many people want to own a piece of the wild, not just visit it

Shrinking the "human" footprint on nature

Called the last son of a bitch clause. "Let me in and then shut the gate"

GIVES ANIMATION TO THE SPIRIT OF THIS PLACE

"Too often we judge other groups by their worst examples while judging ourselves by our best intentions." George Bush

We need to listen for what we don't hear

A nation of wage slaves

WHEN HISTORY CATCHES ITS BREATH——IT WILL BE REMEMBERED

Tonto cries…on the inside

You have to be patient to be trendy

Stumble on happiness

Just baked right in your apple

Just a weed in your "in" box

TOO MANY JUST LIVE OFF THE SYSTEM

Not my circus… not my monkey

Houses built so close you can't even cuss a cat

Ludicrous mode. Zero to full steam in five seconds

What was…will be again

BINARY OUTCOMES

Today's buyers want last year's prices. Sellers want next year's prices. And we are caught in the under tow.

"Big assets, big cities, big capital, and big competition. The U.S. is more IN FAVOR than the rest of the world right now.

Treasure hunting for our clients.

If you are going to be a bear… be a grizzly.

FORECAST 2017

Forecasting is tricky business, especially when we are on the precipice of potentially monumental change on the federal level. To quote Donald Rumsfeld, Defense Secretary in 2002:

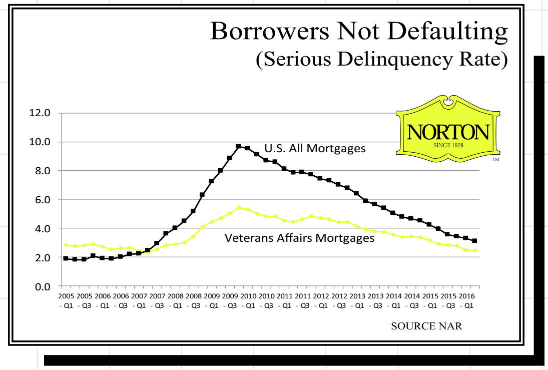
> *"There are known **knowns**; there are things we know we **know**. We also know there are **known** unknowns; we know there are some things we do not **know**. But there are also **unknown unknowns** – the ones we don't know we don't know. And if one looks throughout the history of our country and other free countries it is the latter category that tend to be the difficult ones."*

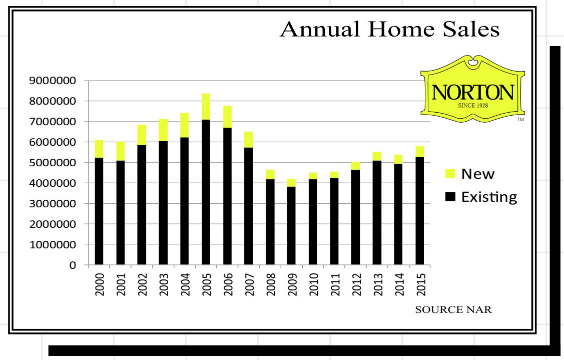
There are so many unanswered questions, unknowns that by themselves could overflow the pages of this forecast. But for our purposes here, we will focus our attention on what we know, the fundability dynamics of our region…pre-Trump.

Perhaps one of the most complicated forecast tasks we have had in our 31 years of publication. The what ifs could, by themselves, drown out the **noise** of our **real** economic **progress**. The direction was positive prior to Trump and potentially even more so with his climate for change and deregulation, trickling down to the average North Georgian. A welcome freshness has entered the American psyche and it's **time to capitalize on that energy level.**

Norton Native Intelligence™ is basically a trend and forecast publication now celebrating its 31st Anniversary and is one of the most highly regarded and widely read forecast in the North Georgia region. We are, what they now call, **"B.I.G. D.A.T.A."**

We've always been that. The editors and research staff, like ancient hunters and gatherers, collect morsels of facts, trends, and raw data in their baskets only to devour and feast upon this information bounty and interpret for our readership the mountains of statistical data. Each year our herculean task is to condense this epic harvest into digestible form. Layers and layers of facts and statistics sandwiched between the bread of **Comment, Commentary and Interpretation.**





Norton Native Intelligence™ is undertaken by The Norton Agency's collective divisions to better understand and blueprint its own organic growth and help assist the communities we serve with our interpretations, trending and a watchful eye on the character, temperature and condition of our region. Our forecasts, read and studied each year, builds muscle memory as a community.

Our annual findings are compiled into presentation format for our annual forecast event and in booklet form (print and

2017 FORECAST TWEETS

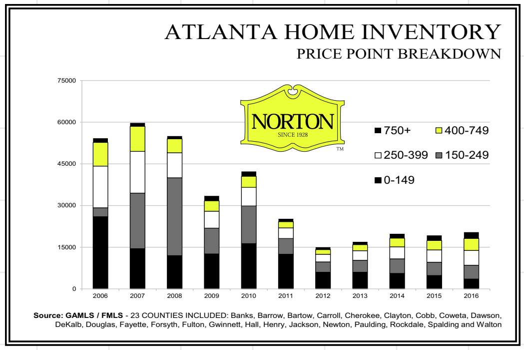
Agriculture Pay Dirt, simple concept land, investments can out-perform other investments through tax incentives and management practices

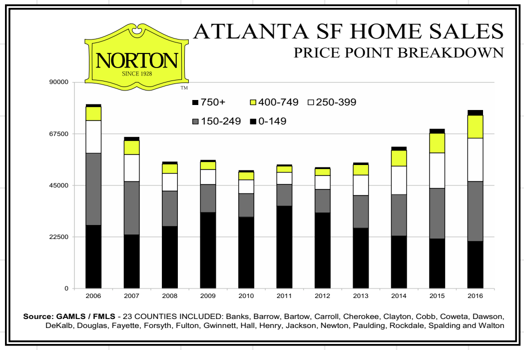
Dudley Owens
Commercial & Acreage Sales

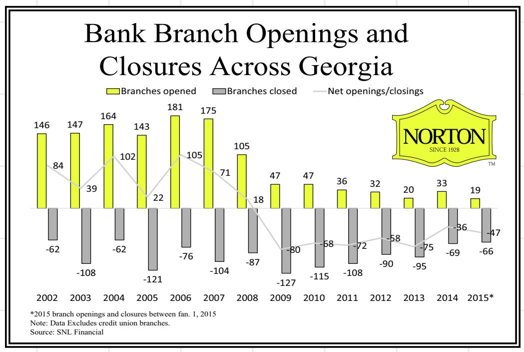
electronic) for our extended readership. What's more, we have created an online North Georgia Statistical Data Resource for our clients and friends that can access Norton's powerhouse **BIG DATA**, 24/7. That site, *NortonIntelligence.com* has all our latest reports and currency of data. We invite you to explore and download as many reports as you like whenever, wherever, all the time.

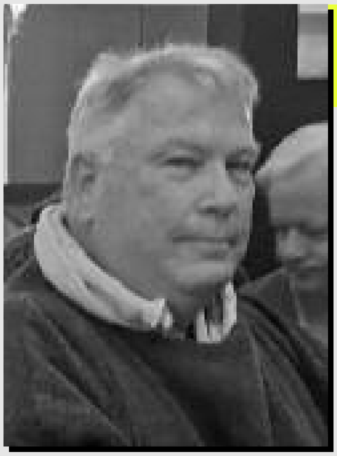
Norton Native Intelligence™ provides an outlook on the North Georgia community demographics, real estate (of course), investment, land development trends, finance, patterns of growth, consumer expectations and capital markets and we hope expands your **perceptual map**. We let the "other guy" research the national and global economy…our focus is **local**, we are **local**…been around for 89 years. Our sales and support force is local and we are proud to be from North Georgia Pioneer stock going back 7 generations.
Since Real Estate's wave is a function of how it serves its users – workers, consumers, businesses, travelers, homeowners, and housing renters – we look to human elements for signs, trends, demographics, labor force characteristics and location preferences. Motivators discerned by observed behavior and the interpretation of real estate professionals are among the most reliable indicators of trends. We must learn how to adapt to an ever-changing market.

Norton Native Intelligence™ 2017 reflects the synthesized views of more than 400 individuals and businesses who have been surveyed, temperature monitored and economic vital signs recorded. However, the views expressed herein reflect our views of North Georgia, our views of our future and our views on the opportunities in front of us. **We own it…**the data, the interpretations and the human spirit that drives us forward.





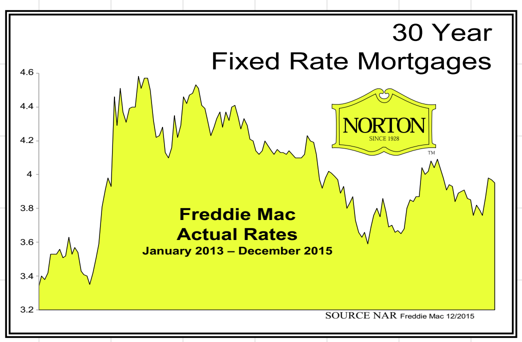




2017 FORECAST TWEETS

If your property is not near sewer not near access points not on rippling stream it's just waiting for vultures to come along & make offer

Ed Fickey
Commercial & Acreage Sales



2017 HOUSING FORECAST

The 2017 national real estate market is predicted to slow compared to the last two years, across the majority of economic indicators. Home prices are anticipated to increase 3.9 percent and existing home sales are forecasted to increase 1.9 percent to 5.46 million homes. Interest rates are expected to reach 4.5 percent due to higher expectations for inflationary pressure in the year ahead.

While the Trump effect and policy interest in unknown, Realtor.com® is forecasting the homeownership rate will stabilize at 63.5 percent after bottoming at 62.9 percent in 2016. New home sales are expected to grow 10 percent, while new home starts are expected to increase 3 percent. The forecast is based on GDP growth of 2.1 percent, a 2.5 percent increase in the consumer price index and unemployment declining to 4.7 percent by the end of 2017.

Prior to the election, demographics and an improving economy were laying the foundation for a substantial increase in first-time buyers in 2017, but due to mortgage rate increases over the last few weeks Realtor.com® predicts first timers will face new hurdles as they navigate the qualification and buying process. These higher rates are associated with anticipation of stronger economic and wage growth in 2017, both of which favor buyers. However, higher rates will make qualifying for a mortgage and finding affordable inventory more challenging.

Top Housing Trends for 2017

2017 predicted slowing price and sales growth, increasing interest rates and changing buyer demographics are setting the stage for five key housing trends:

2017 FORECAST TWEETS

Halls living cost is 18% *less* than Forsyth - good schools excellent healthcare lower taxes & recreational lifestyle lots of stuff to do

Charlie Hawkins
Commercial & Acreage Sakes

1. **Millennials and boomers will dominate the market** – the housing market will be in the middle of two massive demographic waves, Millennials and Baby Boomers – that will power demand for at least the next 10 years. Although increasing interest rates have prompted Realtor.com® to lower its collection of millennial market share to 33 percent of the buyer pool; millennials and baby boomers will compete for its share of the market. Baby boomers are expected to make up 30 percent of buyers in 2017 and given they're less dependent on financing, they are anticipated to be more successful when it comes to closing.

2. **Slowing price appreciation** – Nationally, home prices are forecast to slow to 3.9 percent growth year over year, from an estimated 4.9 percent in 2016. Of the top 100 largest metros in the country, 26 major markets are expected to see price acceleration of 1 percent point or more. Likewise, 46 markets are expected to see a slowdown in price growth of 1 percent or more.

3. **Fewer homes on the market and fast moving markets** – Inventory is currently down an average of 11 percent in the top 100 metros in the US. The conditions that are limiting home supply are not expected to change in 2017 nor 2018. Median age of inventory is currently 68 days in the top 100 metros, which is 14 percent – or 11 days – faster than US overall.

4. <u>Mortgage rates will rise gradually in 2017 but stay below 5%</u> - This housing market forecast comes from the Mortgage Bankers Association (MBA), which actually predicted the slight rise in mortgage rates through the end of 2016.

Here is their latest forecast for 30-year mortgage rates.

- **Q1 2017: 3.9%**
- **Q2 2017: 4.1%**
- **Q3 2017: 4.3%**
- **Q4 2017: 4.4%**

Of course, a number of analysts made similar predictions at the end of last year. The general consensus was that mortgage rates would rise gradually throughout 2016. But that did not happen. In fact, the average rate for a 30-year home loan has *declined* since the beginning of 2016. The lesson here is that you have to take mortgage and housing market forecasts with a grain of salt. They're an educated guess, but they don't always pan out.

5. <u>FHA and conforming loan limits could rise in some metro areas</u> – Most mortgage programs have size limits associated with them. There are "conforming" loan limits that dictate the maximum size for mortgage loans that can be sold to Fannie Mae and Freddie Mac. There are limits for FHA and VA loans as well. All of these loan limits are based on median home prices, to some extent. And since prices have risen sharply in many cities this year, we could see some higher loan limits in 2017.

2017 FORECAST TWEETS

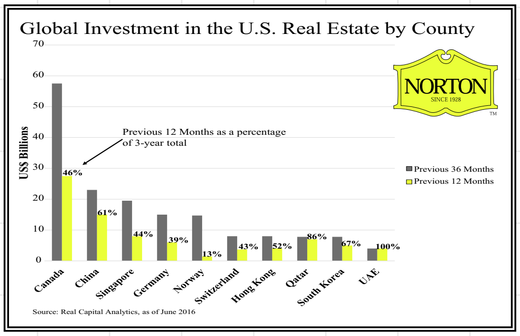
I've been real estate agent 30 yrs sold property in Republican yrs sold real estate in Democratic yrs There's always opportunities

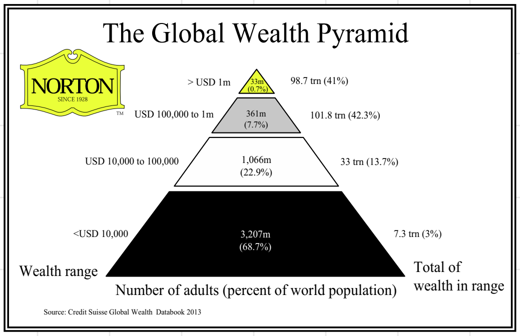
Gina Johnson
VP, Commercial & Acreage Sales

FHA loan limits in North Georgia.

Banks	$275,665
Barrow	$358,800
Cherokee	$358,800
Dawson	$358,800
Elbert	$275,665
Fannin	$275,665
Forsyth	$358,800
Franklin	$275,665
Gilmer	$275,665
Gwinnett	$358,800
Habersham	$275,665
Hall	$275,665
Hart	$275,665
Jackson	$275,665
Lumpkin	$276,665
Madison	$320,850
Oconee	$320,850
Pickens	$358,800
Rabun	$275,665
Stephens	$275,665
Towns	$275,665
Union	$275,665
Walton	$358.800
White	$275,665

Source FHA





INDUSTRY FACTS & FIGURES

The real estate market 20 years ago and now

The real estate markets in the United States and Canada have changed over the last two decades since Buffini & Company opened its doors. Interest rates are lower, home prices are higher and homes are slightly larger. What else has changed? See how the numbers compare.

1996	2016
6 Months (April 1996)	4.7 Months at current sales pace
HOMEOWNERSHIP RATE	
65.4%	63.5%
64.4%	69.0%
MORTGAGE RATES (30Y FIXED)	
8.3%	3.7%
AVERAGE HOME PRICE	
$107K	$232.5K
$151.7K	$508.1K
AVERAGE HOME SIZE	
2,469 sq. ft.	2,521 sq. ft.
PERCENTAGE 1ST TIME BUYERS	
46%	30%

Source: Fortune Magazine

THREE CHALLENGES AHEAD

1 THE PARABLE OF TWO ROADS

For years, elected leaders have bemoaned their community's economic positioning, their GEO positioning, their housing stock, home prices, labor supply or whatever characteristic that's topical of the day. Norton Native Intelligence™ for 30 years has been asked the same question, time after time, regardless of the North Georgia locale…

Why can't we be like them?
Or
We want to be like them?
Why can't we get the same industries as Jackson County?
Why can't we have the big department store retailers like Atlanta?
Why can't we get a sit down, fine restaurant here or there?
Why can't we have that kind of housing?

Pouring over 35 years of economic forecasting data, unfortunately, we believe our destiny is woven into the historical Indian pathways that once crisscrossed our region, the historical directions of growth, commerce and population migration of Georgia. So how did we get to where we are today.

Historic Mortgage Rates by Decade

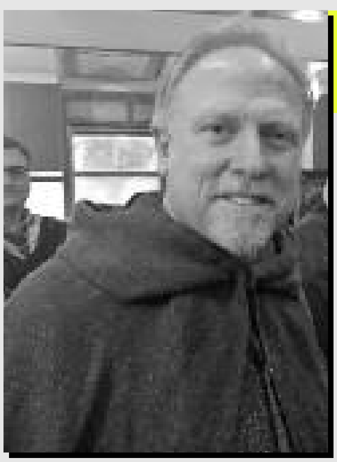
Decade	Average Rate
1970s	8.86%
1980s	12.7%
1990s	8.12%
2000s	6.29%

SOURCE NAR Freddie Mac

THE ATLANTA OFFICE MARKET

Atlanta was first known as Terminus because of the intersection of various North, South, East and West rail lines. After the Civil War, Atlanta's business center of office and commercial was just east of those termini around what is commonly known as "Five Points."

In the 1920's, visionary business leaders created Atlanta's first suburban office market, retail and high-rise apartment housing; North of the downtown core around what today is the Fox Theatre. By the early 1960s, the rolling country estates/farms around the area called Buckhead had attracted a wealth of residential neighborhoods and an ambitious developer (Ed Noble) pioneering an outdoor shopping mall called Lenox Square. At the same time, multi-story office and medical offices started to concentrate around that same new Shopping Center, Control Data, Corporate Travel to name but a few.



2017 FORECAST TWEETS

2017 buyers want last year's prices, sellers all want next year's prices and the poor Realtor is caught in the under tow

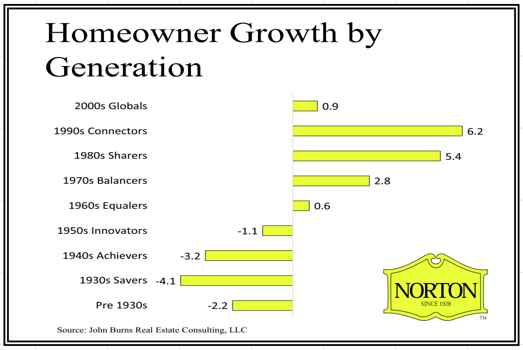
John Drew
VP, Partner
Commercial & Acreage Sales

Then, in the early 1970's, as the northern perimeter was being constructed, a maverick developer named Michael Gearon partnered with MetLife and acquired the 400+ acre Spruill Farm at the new I-285 and Ashford Dunwoody Road. They sold 125 acres to a Virginia retail developer named the Rouse Company and Perimeter Center was born. Successive developers, entrepreneurs and investors capitalized on the dynamics of business energy, connectivity, transportation, executive housing and commerce increasing the business concentration in the immediate area 1000-fold. Today 65% of **new** office building activity in Atlanta, Georgia takes place within a seven-mile radius of GA 400 and I-285.

Over the last 120 years, Atlanta has developed a **linear downtown**, a linear white collar employment pipeline with 80% of all Atlanta Executive Office space along the

Downtown, Midtown, Buckhead, Perimeter Center, Sandy Springs, Roswell and Alpharetta swath.

The by-products are increased high-end retail commerce and a direct correlation between executive housing and white collar employment.



Average Single Family Home Price 2016

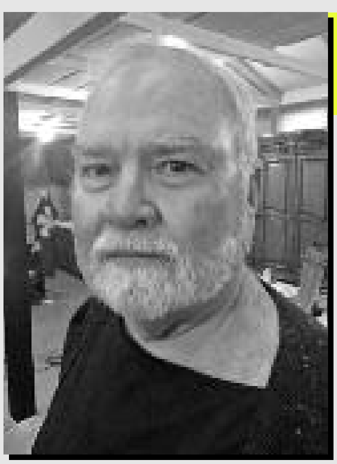
Midtown	$605,000
Buckhead	$1,400,000
Dunwoody/Sandy Springs	$457,000/$693,000
Roswell	$408,000
Alpharetta	$436,000
South Forsyth	$404,000
North Forsyth	$283,000
Dawson	$257,000
Lumpkin	$200,000
Forsyth	$343,000

Source: FMLS

THE ATLANTA INDUSTRIAL MARKET

In 1850 as the final iron spike for the rail lines were struck, Atlanta's destiny as the Old South and New South's transportation, manufacturing was forged. After the Civil War, the New South industrial manufacturers sought out the abundant water resource of the Chattahoochee River to locate their post war manufacturing and industrial complexes. That region today is the *Chattahoochee Industrial District.* While smaller industrial zones were growing in DeKalb and Marietta (also river and rail based), Metro Atlanta's real industrial pioneer force was west of downtown Atlanta, west of today's Georgia Tech toward the wide bodied Chattahoochee River.
This ribbon of manufacturing growth went largely unabated for 70+ years until World War II. At that time, the Defense Department's leadership carefully choose a North Atlanta location with abundant rail capacity and out of the way of critical population zones with surrounding farms to locate a massive war-time municipal plant and rail distribution zone which today is the site of the Doraville Assembly Plant.

In the 1960's as Eisenhower's interstate system was being completed, Western Electric, the manufacturer of Bell Telephone constructed the largest manufacturing plant in the New South at I-85 and what is now called Jimmy Carter Boulevard. That plant, now called OFS, anchored and solidified I-85 as Atlanta's industrial logistic and manufacturing zone; Downtown, Chamblee, Doraville, Gwinnett, now Jackson/Banks, the leading further up I-85 to Franklin and Hart. A zone where manufacturing goods and services are linked to the entire east coast of the country. (70% percent of the nation's population is linked to I-85 and I-985.)



2017 FORECAST TWEETS

Buyer advice Be prepared Know your market Know your target Patient fall in & out of love with homes problem solve prepare to redo & nest

NORTON
SINCE 1928

Kelly Moore
Commercial & Acreage Sales

Average Single Family Home Prices 2016

Chattahoochee Industrial	$277,000
Chamblee	$346,000
Doraville	$228,000
Gwinnett	$269,000
Jackson	$200,000
Banks	$129,000
Franklin	$138,000

Source: FMLS

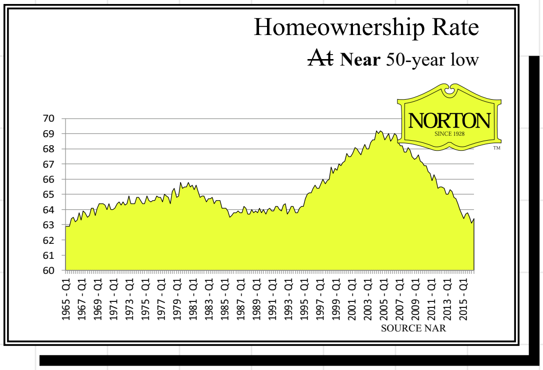
I-985 In Between Two Worlds

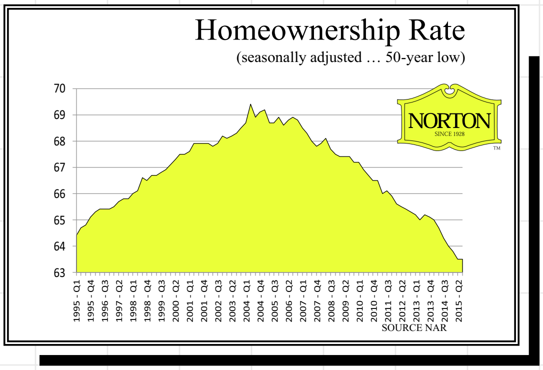
The I-985/GA-365 is neither totally Executive Office nor **totally** Industrial Distribution. I-985 was an after-thought road, politically built (1969) to connect North Georgia's largest business engine (that's us) with the rest of Atlanta and the highway pipelines east and west of the city. Because of its Northern road network, Gainesville has been the region's center of commerce…retail, wholesale, office business, banking, law and medical since settlers first congregated around mule camp springs Circa 1810. Generations ago, the industrial machines harvested water resources for textile and poultry and the rail running on the ridge line bisecting Hall County provided a much-needed link to major markets.

It's stuck in a conundrum, I-985 has both a spectacular millionaires row of Lake front mansions on its western flank and an abundant stock (not vacancy) of affordable housing serving the labor force needs of not only I-985 but GA-400 and more importantly I-85. Because of its unique position, Hall County is both the bread basket (commerce and money center) and labor basket (housing and multi-cultural labor) for an entire region. Its diversity of economic base perhaps is a model for either side of this region…East or West. But the markets East, Central and West are each unique individualistic and colored by 120 years of historical growth and economic patterns.

Norton's great friend John Addison, retired Co-CEO of insurance giant Primerica uses a great story/analogy in his round the county motivation speeches:

> *"If a man plants two seeds in a garden; one oak tree seed and one mustard seed…no amount of water, fertilizer or care will ever turn the mustard seed into an oak tree."*





Like it or not, the direction of growth and the economics tied with that growth are predestined, and were set in motion long before our generation along GA-400 and set again along I-85. The seeds of I-85 and GA-400 were planted and those two roads sprouted. No amount of water, fertilizer, care, or economic stimulation or boosterish will make I-85 or I-985/365 into GA-400 and vice versa. We need to drill down and fully understand **who we are…what we are... where we are going…**and then develop a workable plan to capitalize on that DNA. Like it or not, we are going to see Executive Office and Executive Housing dominate the GA 400 artery while distribution, industrial, manufacturing and transportation will dominate I-85. The historical pattern of growth is too set to foretell a seismic shift to the contrary.

We are what we are and it's our role to capitalize on those micro-macro opportunities.

2017 FORECAST TWEETS

Multifamily developers scrambling handling deliveries from Amazon Hello Fresh causing stress on storage trash & delivery

Matt McCord
VP, Partner
Commercial & Acreage Sales

NORTON SINCE 1928

2 HEALTHCARE ROCKS

Do you hear it…Do you feel it…Do you see it…in your payroll slip? Healthcare rocks the economy both on a National level and a Regional level. No one issue is causing more strain on the family and the overall optimism of American than Healthcare. Quality, affordability and service are all issues as family coverage exceeds the home mortgage or rent cost for many Americans.

While the issues of Obama Care, Trump Care, or some formula will widely be debated for months to come, Norton Native Intelligence™ will try and focus this writing on North Georgia and the transformational nature that Healthcare is having on or region, its business dynamics and delivery of quality healthcare.

NORTH GEORGIA DEMOGRAPHICS

County	2016 Population	Average HH Income	Poverty Level
Banks	18,674	55,375	15.8
*Barrow	75,787	62,300	15.6
Dawson	23,095	73,185	12.1
*Fannin	25,661	49,973	17.4
*Forsyth	215,517	110,065	6.3
Gilmer	30,237	51,724	16.9
Hart	25,301	51,053	18.6
*Habersham	45,227	55,550	16.6
*Hall	191,038	70,929	16.9
*Jackson	64,022	66,825	13
*Lumpkin	31,290	54,195	16.5
Madison	29,008	53,636	15.1
Pickens	30,867	69,069	12.6
*Rabun	16,836	52,754	16.1
*Stephens	26,274	52,766	21.2
*Towns	11,599	49,539	16.7
*Union	22,695	54,827	14.3
White	28,318	54,344	15.2

*Has Hospital Facility With Beds

2017 FORECAST TWEETS

Recreational land play & doomsday prepared habitats will accelerate people want to own piece of wild not just visit across all price pts

Mike Young
Commercial & Acreage Sales

NORTON SINCE 1928 ™

Hospitals in Northeast Georgia

Hospital	City	Staffed Beds	Gross Patient Revenue ($000)
Chestatee Regional Hospital	Dahlonega	48	$56,892
Fannin Regional Hospital	Blue Ridge	50	$180,760
Elbert Memorial Hospital	Elberton	52	$26,332
Barrow Regional Medical Center	Winder	53	$204,550
Saint Mary's Sacred Heart Hospital	Lavonia	56	$83,419
Clearview Regional Medical Center	Monroe	77	$307,331
Stephens County Hospital	Toccoa	87	$109,726
Northeast Georgia Medical Center Braselton	Braselton	100	-
Habersham Medical Center	Demorest	137	$112,816
Union General Hospital	Blairsville	189	$121,077
Saint Mary's Hospital	Athens	191	$639,252
Northside Hospital - Forsyth	Cumming	231	$1,476,597
Northridge Medical Center	Commerce	239	$63,872
Athens Regional Medical Center	Athens	331	$1,441,500
Northeast Georgia Medical Center	Gainesville	816	$3,157,567
Total		**2657**	**$7,981,691**

Source: American Hospital Directory

While Norton Native Intelligence™ has been seeing struggling signs in the healthcare industry (Norton manages the largest concentration of privately owned medical buildings in North Georgia). The canary in the mine for things to come was the closing of the Gilmer County Hospital. The North Georgia Medical Center in Ellijay was a 58-bed facility owned by an Atlanta based Sunlink Healthcare system who gave a 30-day notice to close this past summer. Thirty day's notices seems incredibly short to rework an entire county's healthcare platform. Gilmer County has 28,829 residents (2016) and an average household income of 51,053 with a 16.9% poverty rate.

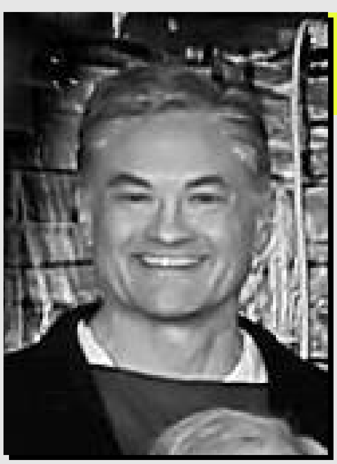
The county's leadership stepped in quickly and leased the ER Room to Piedmont Mountainside Hospital in nearby Jasper and bought more ambulances to carry Gilmer citizens to care in neighboring county hospitals. The hospital closing follows the shutdown of four other rural hospitals in Georgia since the beginning of 2013. The rural health crisis in the State has fueled legislation (NNI not enough) and an initiative by Governor Nathan Deal to shore up the finances of such hospitals.

What if YOUR county hospital closed?

That's the "lie up awake" at night reality for many North Georgians. It's clearly a woven thread of money (not enough) and geography (to far apart) that wanes through the North Georgia Mountains. Once upon a time, medical care was a cottage industry of sorts, small communities boasted the town doctor (sometimes two), some sort of local hospital or clinic and doctors traveled across country roads to meet the sick. Once a year or so families came to town to get their annual checkup. As modernization of our region took place, 1940's – 1980's, healthcare and specialized medicine became more concerned with Athens, Rome, Dalton and Gainesville becoming the hubs of a larger healthcare spoke system. Those communities built larger healthcare networks and employed specialists and created cancer, heart and baby delivery systems. This development also broke the pattern of sending patients to larger teaching and research hospitals in Atlanta; St. Josephs, Northside, Emory and Piedmont. But the hub spoke system had two unintended consequences. First it increased the amount of indigent care that gravitated to the more urban hospital facilities and likewise shifted the private or insurance paid patient customers to those same facilities perceiving them newer with better healthcare outcomes.

It is that financial dilution that's accelerating the demise of the county hospital. If action is not taken swiftly, we could see 2-4 other North Georgia Hospitals shut their doors or drastically scale down their services. In the last year alone, we saw Gilmer close, St. Mary's Athens affiliate with Ty Cobb Medical in Franklin County, Chestatee Hospital in Lumpkin sell for 15 million, Winder-Barrow Medical purchased by Northeast Georgia Medical Center, Athens Regional merge with Piedmont Atlanta, Gwinnett Medical becomes part of the Northside Hospital System and at this writing, Habersham Medical Center is seeking purchasers.

So, what about the long-term viability of medical care in Pickens, Rabun, Elberton, Stephens, Union, Jackson and Fannin; each struggling with different healthcare delivery issues. While the industry is in a state of transformation, an immediate plan of action should be crafted at the state and community level. Ideas such as:



2017 FORECAST TWEETS

"Make it cool" the 2017 developer charge Retail Loft Offices Communities Multi-family or Single Family Cool Factor raises consumer values

Barry Joyner
Commercial & Acreage Sales

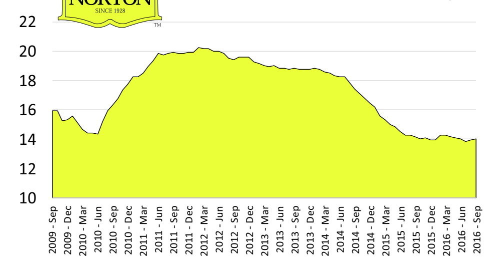
Housing Forecast

	2015	2016 Likely	2017 Forecast	2018 Forecast
New Home Sales	500,000	570,000	620,000	700,000
Existing Home Sales	5.3 million	5.4 million	5.5 million	5.7 million
Median Price Growth	+ 6.8%	+4.0%	4.2%	2.5%
30-year Rate	3.9%	3.6%	4.1%	4.5%

SOURCE NAR

Investor Sales

(% of Total Sales; 12-month average)



SOURCE NAR

- Beef up emergency tech services within each county's public safety department; they become the first line, first responders for a community healthcare.

- Invest in more ambulances as they are becoming "rolling" emergency rooms, station them regionally within the larger counties for quicker response time. Today's modern ambulance is fully equipped and runs $336,000 so it won't be a cheap solution, just an investment in county's survival rates.

- Create a network of helipads in all counties as part of an accessibility and advanced medical transport system. Use extra land next to county facilities; fire stations, parks and schools to get the injured and sick to care **swiftly**.

- Allow local county leadership greater flexibility in offering a medical services property tax abatement. If public hospitals, are property tax free, so should personal care facilities, memory care facilities, medical offices, private clinics, private hospitals, nursing homes and other medical delivery networks. All are part of county healthcare initiatives and the tax abatement shows a county's support for healthcare and wellness.

- Modernize and upgrade county healthcare clinics to provide alternative and especially preventive healthcare components. Recently my wife and I had shots for an international mission trip, perhaps one of the most efficient, professional and thorough medical visits/process we've been through. Extend that same quality and professionally and you will transform the "County Clinic Quality" reputation to all levels of the county's demographics not just the indigent.

- Lift or abolish CON certificate of need requirements. In this new age of enterprise and deregulation, it is time to abolish 100 year old regulator protectionism and allow private medical ingenuity to better serve our aging population.

Reverse this trend and make Healthcare Rock.

3 WHERE ARE OUR CHILDREN GOING TO LIVE?

It's only natural for parents to want something better, something bigger for their kids. A better education, a better job, a better house, a better way of life than they had themselves. The wake-up call today in America, in North Georgia, is CAN THEY? WILL THEY? Are we raising a generation, perhaps the first generation, that won't be better off than their parents?

Housing is fundamental to this feeling of being better off.

When we first started this Affordable Housing versus Job Opportunities dialog some three years ago, we couched the conversation in tones of "Where are **they** going to live?" They, being the new employees filling the industry, retail and medical expansion we are spending a Midas fortune to attract. But drilling down to today's reality; affordable housing aka our kid's housing is under full frontal assault…consider:

- Atlanta has had a year over year home price increase of 17% inside the perimeter, outside 9%. Norton's average home sold in 2015 was $191,000 and in 2016 $218,000. A 13% increase.

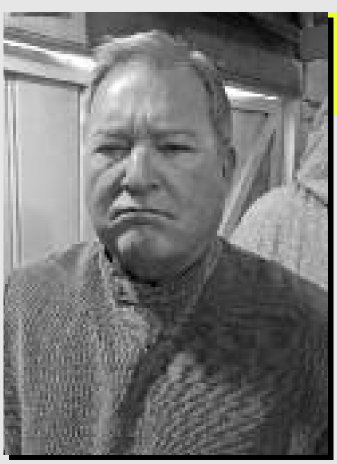
- Banking foreclosures are gone and their lower prices created a delusional home price climate. Face it, foreclosures and those great deals are over.

- Currently there is a 4 month supply of homes in the FMLS system including our market.

MONTHS OF SUPPLY (12/30/2016)

Atlanta/Metro	3.6
Banks	4.1
Barrow	2.9
Cherokee	3.4
Dawson	7.5
Forsyth	4.3
Gwinnett	3
Habersham	9.6
Hall	4.5
Lumpkin	5.4
Jackson	4.2
Pickens	8.7
Rabun	2.4
Walton	5.1
White	14.2

- Norton manages 400+ single family rental homes in 15 counties. As of January 1, 2017, we had 6 vacant. High occupancies are across all qualities of multi-family units; A, B, C and D class, rental prices increased 5% in 2015, 10% in 2016 and without additional housing stock, could increase another 10% in 2017 and 2018.



2017 FORECAST TWEETS

The dirty secret is we have too much retail in big boxes not enough high touch experiences to compete with the cybershopping of 2017

Randy Gordy
Commercial & Acreage Sales

NORTON SINCE 1928 ™

Affordable isn't affordable anymore…to anyone.

- An average lot in Forsyth County pre-moratorium would cost $45,000 in raw infrastructure development expense <u>excluding</u> the land. That's $38,000 in Hall; $35,000 in Dawson or Jackson, **plus the land** which pushes the prices of new home lots before profit to $75,000 to $85,000. The pre-recession lots owned by funds are expected to burn out by 2020 then the reality lot pricing will kick in. In markets where there are current lot shortages that price surge is happening right now.

- First time home prices have increased the fastest with $250,000 not being an **unreasonable** first time home price.

- New affordable home construction has hit a wall with governmental regulations; The International Building Code has a horrible effect on affordability and by our own detailed research, 36.5% of the cost of homes built today is a governmental influenced expense. The over regulated housing industry has dropped almost all interest in building $150,000 to $200,000 homes. The fixed sunk cost diminishes the higher the price point and with regulation upon regulation, the traditional builders now run from the lower unit costs.

- On the flip side of this issue is the housing demands by our industrial recruitment, organic business growth and internal family expansion. Kubota will hire 650 new employees in 2017-18 on their Hall County campus. On top of that, they have just announced they will double their distribution center in Jefferson (more workers); Amazon will hire 500 employees in Braselton; the new hospital expansion added 600 plus; the proposed NEGA Doctor Residency Program adds another 150 families; Brenau Health Care University will add 100 – 200 and the count goes on. These all add to the natural organic growth of our region. It is extremely naïve to think these folks will live in the surrounding counties and **COMMUTE**.

- Today there is 12.5 million square feet of industrial and distribution space for lease or sale from the Gwinnett County line to the South Carolina border along I-85. That space is either existing, under construction or soon to be. There is another 3.5 million square feet of industrial along I-985/365 from Gwinnett to the North Carolina line. That quantity of space could accommodate of 25,000 to 30,000 new employees. It seems every city, every county today wants the businesses and force the employees to live elsewhere through constructive housing practices.

- The anti-housing mentality of some elected officials is incredible when those same folks tout new business growth out of the other side of their mouth. "Tonto, they speak with forked tongue." We saw a 250-unit apartment complex with rents ranging from $900-$1200 per month less than one-half mile from the new Kubota plant, <u>defeated</u>. Gainesville centric commissioners are quoted as saying, "why would anyone want to live way out there?" Way out there is a hop, skip and jump from the massive Kubota industrial campus, Gainesville's second largest concentration of employment. Clearly the Governments across North Georgia needs to get out of the weeds and see the consequences of their inaction or put their votes for business recruitment in the same corner as the housing need.

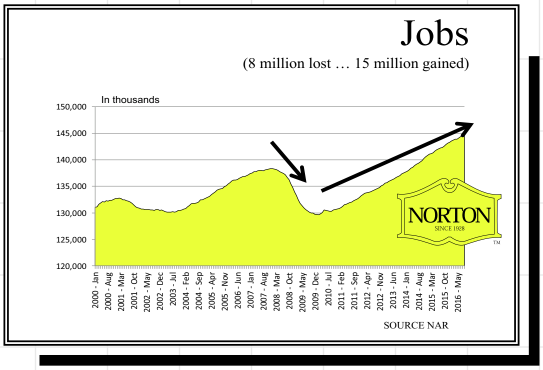
You cannot have business expansion without housing. This is not mutually exclusive.

<u>AVERAGE HOME PRICES</u>

	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**

In past forecast reports, we have championed affordable housing solutions. It's wake-up time. Without real progress on the affordable housing front, we are all going to be asking:

"Where are our children going to live?"
…and not in our basement.



THINK BIG

The first self-help or business leadership book I think I ever read was a quick read “The Magic of Thinking Big” by David Schwartz. The book was assigned to me as a college freshman at Georgia Tech. I remember my real estate professor’s Carl Tschappat and Terry Love, extolled the virtues of Schwartz’s writing. First published in 1959 (I read it in 1975). The book has sold over 6 million copies and instructs people to set their goals high and **think positively** to achieve them. The book is a step-by-step guide on how to achieve what one wants by changing their thought patterns and thought habits.

North Georgia can use that same guide…change its thought patterns and thought habits to achieve **BIG** things.

Schwartz argues that the main thing holding people back is the relative smallness of their thoughts. He began his book by recapping a story of a salesman who sells significantly, move product and makes more money than his co-workers. He points out that the man was not smarter, more educated or better connected than his colleagues. According to Schwartz, the man **expected to sell more so he did.**

As we speak around North Georgia, we often ask the groups the same question, “What do you want to be as a community when you grow up?” So what does North Georgia want to be when it grows up? What are our collective dreams for full local employment, sustainable industry, environment stewardship, abundant resources, low government influence and lower taxes?

Schwartz explaining that, “to see what can be, not just what is.” Visualization adds value to everything and thinking BIG means training ourselves to see not just “what is” but “what it can be.” We have so many wonderful things happening across our region; **THOUSANDS OF POINTS OF LIGHT.** We need to broadcast our good news; Schwartz believes transmitting goodness is a win/win and we feel better and so do the people we are talking to.

This summer my wife and I traveled with friends to Nantucket for a short holiday. One day while walking through town, we were suddenly out shadowed by a giant bronze sculpture – a broad chested man in a business suit, a colossal statue at least 35 feet high, standing in attention with his eye’s and head cocked upward toward the clouds. The sculpture by the artist Jim O’Rourke is called “Think Big,” an impressive metaphor, impressive piece of public art and impressive statement for all of us to follow. **Look up…**not just out...and think BIG.

Think Big!

North Georgia needs the confidence, mentality, vision of life and ultimately the ability to think big introspectively and thinking big retrospectively making better decisions and avoid being pulled down by the negative that so often surrounds us.

In North Georgia, it’s Time to Think Big in everything we do.

Artist
Jim O’Rourke

NORTON

COMMERCIAL MARKET TEMPERATURE — 4TH QT 2016

	COLD 1 — HOT 10	6MO
SMALL RETAIL >5000 SF	5.8	↑
LARGE RETAIL <10,000 SF	2.9	↓
FAST FOOD	6.7	↑
FARMS	4	↓
HUNTING RECREATION	3.4	↑
LAND FOR DEVELOPMENT	5.0	↑
RAW ACREAGE 200 ACRES +	3.1	↑
INDUSTRIAL >10,000 SF	6.8	↑
INDUSTRIAL <100,000 SF	5.3	↓
OFFICE LEASING	5.2	↓
OFFICE PURCHASE	4.3	↑
INVESTMENTS >$500,000	6.1	↑
INVESTMENTS <$500,000	4.7	↑
INDUSTRIAL LAND	5.5	↑
LOTS	6.1	↑

A QUARTERLY SURVEY OF NORTON COMMERCIAL AGENTS ON MARKET VELOCITY, MOOD, INTEREST AND ACTIVITY

NEWS • FINDS • TRENDS
2016 – 2017

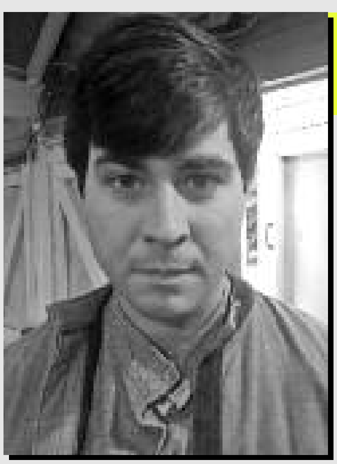
For years, Norton Native Intelligence™ has conducted various interviews, conversations, surveys and dug into stacks and stacks of collateral research to weave together a story of the economic condition, the “State of the Union” for our region. Today, Norton, through its various listings and management assignments covers 67 counties in four states, powers a national insurance platform, and now has operational interest from Habersham to Fernandina, Cordele to Dalton and Birmingham to Anderson.

Radar is our 21st Century way to present a host of micro trends on our **radar**, a written Pinterest of those thoughts and ideas that have caught our eye. Some of these are bursts of brilliant new thoughts, others are perhaps “canaries’ in the mine” for potential trouble as we move forward. Our extended research now encompasses a statewide business view and regional impact for this New South. Some of these thoughts are ours, others gathered from a wide reach of study.

American Rental Demographics
44.3 million U.S. rental households occupy:

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

Source: US Census

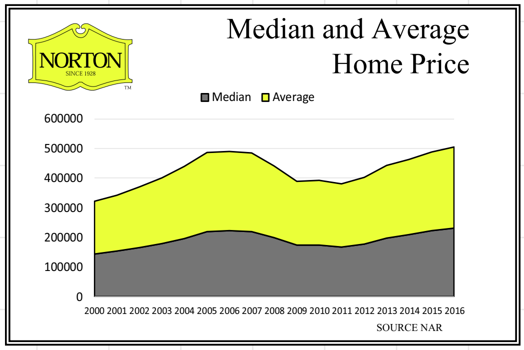


2017 FORECAST TWEETS

Investors coming off the bench with strong soundings from astute property holders capitalizing on rising optimism and hordes of sidelined $

Stephen Lovett
VP, Partner
Commercial & Acreage Sales

NORTON SINCE 1928™



Luxury Home sales have increased, contrary to the opinions of most Wall Street analysts and press reports. Here are the facts:

- Sales of homes priced about $600,000 in the last 12 months exceed sales in the prior 12 months by 10%.
- Home sales in Q32016 exceeded sales in 3Q 2015 by 5%.
- Sales have increased in every price increment from $600,000 to $1.5 million+.

Sellers Unwilling to Budge - Household psychology has affected people; they’re willing to take less risk than they were in the past. You can see that in the remodeling data. People are staying in place and remodeling their existing homes with a higher probability than in the past. The median tenure in homes is at all all-time high. Part of that is...the reasons people are purchasing tie into life events. Where this can be particularly important is with retiring baby boomers. There’s a cohort of baby boomers who might think it’s in their best interest to stay put and make improvements so they can age in place.
Source: Johns Burns Consulting

Affordability - A basic economics lesson: When inventory (supply) is thin on the ground, and demand is unchanged, you

HOUSING

	Households		Median home prices			
	2017 total (000s)	3-Year projected growth	2017 price	2016-2017 % change	2017 as % of peak	Affordabi index*
United States	126,360	3.5%	$243,425	4.2%	108%	160.1
Atlanta	2,222	8.2%	$190,937	4.3%	108%	19
Birmingham	466	2.5%	$192,400	2.3%	115%	16
Charleston	307	6.2%	$261,833	3.8%	118%	14
Charlotte	1,000	8.6%	$211,782	3.2%	125%	18
Deltona/ Datona Beach	283	10.1%	$185,738	7.6%	87%	16
Fort Lauderdale	818	7.3%	$309,448	4.7%	81%	11
Jacksonville	594	7.6%	$225,470	6.7%	115%	15
Knoxville	369	3.6%	$172,307	0.0%	0%	19
Louisville	536	3.1%	$163,645	3.1%	118%	21
Memphis	529	3.3%	$156,725	4.4%	107%	
Nashville	747	5.2%	$225,360	3.1%	122%	16
New Orleans	6	3.5%	$187,957	4.3%	104%	18
Southwest Florida	507	14.1%	$412,306	3.6%	114%	11
Tallahasse	155	5.5%	$195,245	6.7%	107%	19
West Palm Beach	657	10.8%	$336,603	6.2%	80%	11

Sources: US Census Bureau, Moody's Analytics, Walkscore, U.S. Federal Reserve,
*Affordability is the percentage of the median home price that can be purchased wi
**Market apartment rent divided by median mortgage payment, taxes, insurance, m

ECONOMY

	2017 Population			Millennials		Business co		
	Total (Millions)	2016-2017 % Change	5-Year annual net migration (000s)	% of total Population	5-year growth	2017 GMP per capita ratio*	GMP per capita 5-year projected growth	Cost of doing business **
United States	327.56	0.8%	--	30%	2.6	1.00	1%	100%
Atlanta	5.99	2.2%	102.4	31%	12.3%	0.99	1.9%	88%
Birmingham	1.15	0.2%	1.05	29%	1.5%	0.89	1.1%	96%
Charleston	0.77	1.5%	7.52	32%	7.3%	0.81	1.3%	100%
Charlotte	2.54	2.2%	50.69	30%	14.8%	1	2.1%	98%
Deltona/ Datona Beach	0.66	2.6%	19.72	24%	9.1%	0.84	2.4%	88%
Fort Lauderdale	1.98	1.8%	29.28	28%	11.6%	0.93	2.0%	102%
Jacksonville	1.51	1.9%	23.26	30%	9.5%	0.87	2.3%	96%
Knoxville	0.88	0.7%	6.44	28%	2.2%	0.82	0.8%	89%
Louisville	1.29	0.5%	3.2	33%	0.8%	0.82	0.8%	87%
Memphis	1.36	0.6%	2.25	30%	10.4%	0.88	0.8%	86%
Nashville	1.89	1.4%	14.86	30%	3.7%	0.89	0.9%	94%
New Orleans	1.28	0.7%	3.03	35%	10.6%	1.07	1.7%	89%
Southwest Florida	1.15	3.6%	43.94	22%	16.8%	2.45	4.4%	99%
Tallahasse	0.39	1.2%	3.65	37%	-4.4%	0.83	2.1%	103%
West Palm Beach	1.51	2.7%	42.56	25%	13.3%	0.94	2.2%	98%

Source: Moody's Analytics, U.S. Census Bureau, U.S. Bureau of Economic Analys
*Metro gross metropolitan product (GMP) per capita divided by national GMP per
**Cost of doing business: national average= 100 percent.
***Market per capita disposable income divided by national per capita disposable i
****Location Quotient measures employment concentration by market: metro indus
employment as a percentage.

	2017 single-family homeyear-to-year change					Multifamily metrics		
lity *	Permits	Starts	Completions	Sales	Walk Score	Rent/cost of ownership**	Rent as % of household income	Space under constructi on as % of inventory
	40.7%	37.6%	31.1%	13.5%	53	0.8	25.3%	3.3%
99.6	8.5%	8.8%	14.7%	15.1%	48	11	25.1%	3.5%
61.5	12.5%	14.6%	21.4%	10.2%	35	0.7	20.8%	2.3%
45.9	9.7%	9.1%	11.8%	4.5%	39	0.9	28.5%	8.2%
30.2	19.9%	18.5%	10.6%	14.5%	26	0.9	25.1%	5.8%
55.9	92.1%	87.5%	58.1%	13.3%	36	1.1	31.0%	2.5%
16.8	164.2%	166.8%	131.5%	12.3%	58	0.8	31.7%	4.3%
57.8	34.5%	31.5%	20.1%	13.2%	26	0.8	22.1%	1.2%
97.3	15.4%	11.7%	-2.1%	13.0%	31	0.8	20.2%	3.1%
13.9	54.3%	46.2%	20.8%	11.9%	33	0.9	19.8%	3.8%
205	52.6%	41.5%	-3.2%	12.6%	36	0.9	21.6%	1.3%
64.7	8.7%	5.8%	-0.6%	11.4%	28	1	28.9%	8.3%
34.1	29.2%	30.0%	29.1%	9.8%	57	1.2	31.8%	3.2%
18.6	59.5%	54.1%	28.7%	15.3%	24	1	39.4%	3.5%
94.2	104.6%	103.6%	66.4%	11.8%	32	0.7	20.5%	0.5%
15.5	152.4%	146.6%	80.2%	13.6%	41	0.8	31.9%	5.5%

, Reis, CoStar, U.S. Bureau of Economic Analysis.
th the median income for the market.
aintenance.

osts		Total employment			Location Quotient				
Per capita disposable income growth***	5-year disposable income growth	2016-2017 % change	2017 as % of previous peak	2019 as % of previous peak	High technology	Business & professional services	Education & health services	Energy	Goods producing
1.0	4.2%	1.5%	106.6%	109.2%	1.0	1.0	1.0	1.0	1.0
0.9	3.2%	1.9%	110.9%	114.5%	1.5	1.3	0.8	0.1	0.8
0.9	3.4%	0.8%	98.6%	100.3%	0.9	0.9	0.9	1.1	0.9
0.9	3.9%	1.8%	114.7%	117.7%	1.1	1.1	0.7	0.1	1
0.9	3.2%	1.9%	111.8%	115.7%	1.1	1.2	0.7	0.1	1.1
0.8	4.7%	3.1%	104.6%	109.2%	1	0.9	0.5	0	0.9
0.9	4.8%	2.2%	107.2%	110.8%	1.2	1.2	1	0	0.7
1	5.7%	2.7%	109.8%	114.1%	1.1	1.1	0.9	0.1	0.8
0.9	3.7%	2.3%	109.0%	111.8%	1.1	1.2	0.9	0.1	1
1	3.8%	1.9%	110.3%	113.5%	0.8	0.9	0.9	0.2	1.2
0.9	4.3%	2.5%	102.2%	105.7%	0.8	1.1	0.9	0	0.8
1.1	4.2%	2.2%	120.3%	123.8%	0.9	1.2	1	0.2	1
1	5.5%	-2.0%	88.7%	89.5%	0.5	0.9	1	2.2	0.9
1.2	5.4%	4.1%	112.3%	119.6%	0.6	0.9	0.8	0.3	1
0.8	5.6%	2.2%	102.2%	15.3%	1	0.8	0.8	0.2	0.4
1.5	6.1%	3.3%	109.3%	114.6%	1.1	1.3	1	0	0.6

is, U.S. Bureau of Labor Statistics.
capital.

ncome.
stry employment as a percentage of metro total divided by national industry

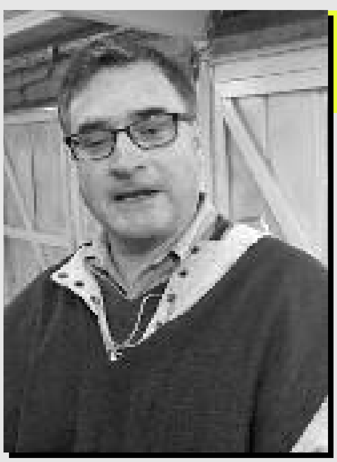
can expect prices to go up. Home construction is at full tilt and it's still not filling the bill, particularly affordable housing. The average price of a new home is increasing; still we're not serving the mid to lower-tier market with new home construction. So you're not going to see much relief in affordability. We are going to have to see many months or even years of solid wage gains to make up for price gains.

Wild Cards - You're not going to see any new government incentives to first-time buyers. You're not going to see an additional reduction in the mortgage insurance premium for HFA loans. That's not the kind of thing the new administration wants to do. On the other hand, a reduction in regulation is going to make it easier for lenders to be more creative; you'll probably see more innovation in mortgage ending. Non-banks will thrive in this environment.

Interest from first-time buyers and changes in mortgage rates mean that agents and brokers might have to deal with some new challenges, too. The potential is there for the market to have the most first-time buyers, certainly on an absolute volume basis but also on a shares transactions perspective.

For the industry, this is the biggest shift we need to be able to contend with because it likely means elongated length of time that people are spending in that journey, especially the first-time buyer, but it potentially also means higher cancellation rates and lower conversion rates. You're going to have more challenges with people contending with needing to qualify for and buy a home in the environment we're in now instead of in the environment we were in the last two years.

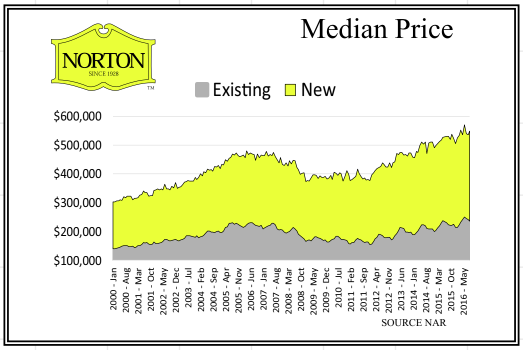
We see prices at the median perhaps not growing as fast but prices at the top end are likely to boom. If a Trump Presidency entails greater inflation or risk, high-end homes are a great hedge against inflation and risk, so for people at the top end, I see that there's a natural tendency now to shift the wealth away from equity markets into high-end homes.



2017 FORECAST TWEETS

Trump – Expect Rise, rise consumer optimism rise inflation rise interest rates rise home prices rise economy and rise National Spirit

Stephen Reynolds
Commercial & Acreage Sales



Who's able to buy a home is also going to change (slightly), as is where they are looking. The homeownership rate will grow, and they'll be less white and a little young. Unfortunately, all of us will be spending more time in the cause as more people must look for more housing outside the city centers as homes become much more expensive in the urban area.

Mortgage Rates - We've been spoiled with historically low interest rates, which haven't risen despite threats to do just that over the past few years. No more. The kind of rates we were getting earlier this year, down to 3.5 percent …those days are over. We will likely still see volatility in mortgage rates over the next two, three, four months as President-elect Donald Trump unveils specific policies he wants. Our forecast is for the 30-year fixed rate to rise above 4.5 percent by year's end, and worst case scenario, knock on the door of 5 percent. *Source: NAR*

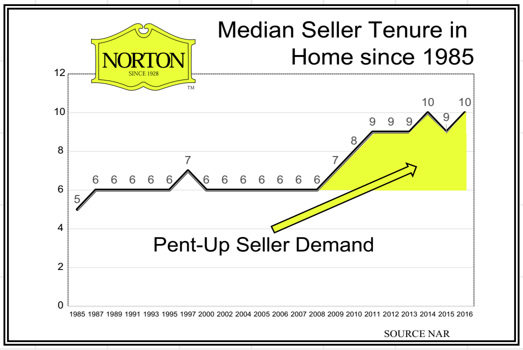
Single-Family, Rental Homes - Investor appetite for single-family home development has come late in this cycle, given the sector's collapse during the global financial crisis and the market preference for rental urban housing over the course of the recovery. The Case-Shiller Index for June 2016 shows national home prices 1.2 percent below their peak of July 2006, providing evidence of the slow national recovery. However, pricing has been accelerating in urban and inner suburban markets near transit and employment centers in major markets.

At present, investors involved in this sector are quite bullish and believe that in most growth markets, for-sale homes are undersupplied. Low interest rates have made housing more affordable, even though credit standards and terms have been tightened by lenders. Most first-time buyers can access federal government programs with low down-payments, and now the GSEs are readying a similar program. There is a shortage of housing, and the market fundamentals continue to stay strong.

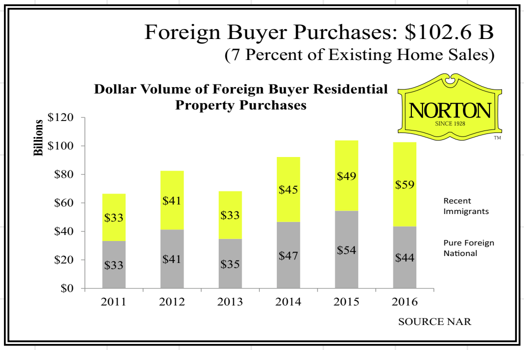
Single-family homes are strong sectors and are fundamentally undersupplied. There is no evidence of overbuilding anywhere, one reason is a lack of debt financing for new lot development. In past cycles, home builders purchased lots from community developers. Currently, they must use their balance sheets to develop lots themselves. For community developers, equity and alternative financing – both of which are expensive – are the remaining options.

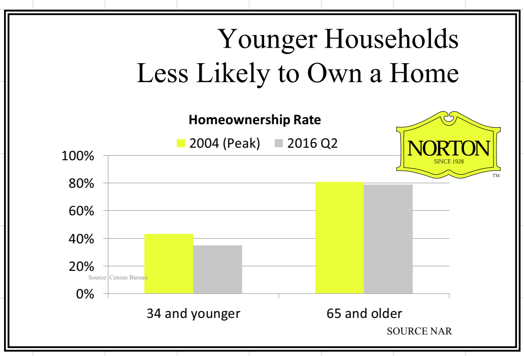
With high costs, few builders are targeting middle-income buyers. These buyers were traditionally served in suburban locations at the urban perimeter, where land was inexpensive. Today, the market is not there for homes in fringe locations at the price new construction requires. Instead, homebuilders have been targeting more affluent buyers, who prefer to live close to job centers and within well-regarded school districts. Land that meets these requirements is limited and therefore expensive. Many municipalities have compounded this expense with high fees. A quick solution is to push for smaller lots and more density to keep costs affordable.

With new construction muted, existing homes in good locations are rapidly appreciating. Unlike in past cycles, existing homes are not serving first-time homebuyers. The most important statistic to watch is the share of existing-home sales to first-time buyers: 40 percent is a healthy number; a few years ago, it was 25 percent; and it is now about 33 percent.



Nevertheless, many investors see the generational demand accelerating. Over 41 million Americans are currently in their 30s, while another 21 million should enter this bracket in the next five years. This could provide excellent opportunities for single-family. An investment manager/adviser feels that "many millennials will want to have families and quite frankly the failure of urban public education in the U.S. means that they actually have to move." The combination of rising housing prices and declining inventory in suburban markets provides excellent prospects for





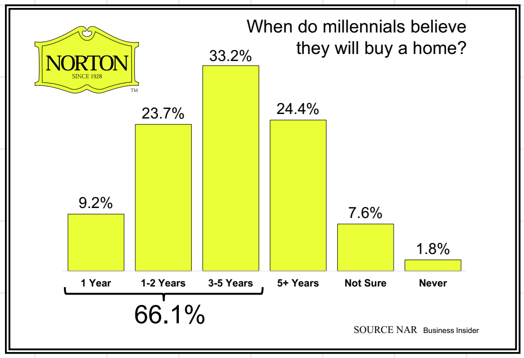
2017 FORECAST TWEETS

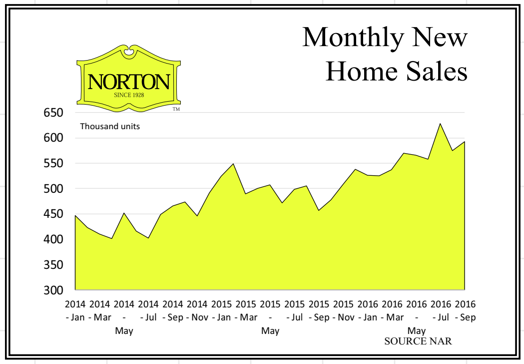
In 2017 The American dollar is the only country where you can place your money and not worry about your principal

Tripp Walker
Commercial & Acreage Sales

homebuilders who can develop in attractive communities. Interest rates are expected to remain low – a huge benefit to the industry. In many cases, these homes are being built to densities higher than the norm in previous cycles, in exchange for location.

Luxury Housing Market Recovers, But Tastes Change - With a U.S. President who earned his billions in luxury real estate, the high-end market will have a revival as rich people who have been hoarding their cash and hiding out from the redistributionists will tiptoe back into the market. But tastes will change. Walkable neighborhoods will become the Cartier wrist bands of real estate, guard dogs in tow.





Advice for Buyers

• The competition for new listings is not quite as intense as it was in 1st half of 2016. Inventories remain tight though, so you still need to be aggressive.

• For simplicity, divide listings into two types: those that are brand new and those that have been on the market for a few weeks or longer. If you're looking at brand new, the spring rules still apply; act fast, make the best offer you can, and be prepared for the possibility of getting beat out. Don't let it discourage you – you'll get there.

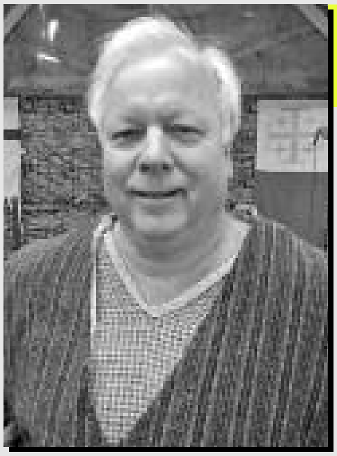
• Look at older inventory, there are some great buys to be found with more eager sellers. Our previous issue of Market Source, as well as StarkHomes.com, has more detailed advice on how to attack this market.

Advice for Sellers

• It's still a seller's market, so it's not too late, and the inventory is definitely needed. If you've been thinking about selling, or the time may finally be right for you, give it a shot.

• There has been upward pressure on prices last year, so you might be pleasantly surprised at what your home will sell for. But the pattern established during the recession continues to hold. If you don't sell within the first month or so, your chances go down, as does the price you'll probably get.

• Shoot for a realistic price to begin with and create excitement around your home when it hits the market. You'll maximize the money in your pocket. As with buyers, go to *www.gonorton.com* for a more detailed discussion of how to tackle the selling process, or call one of our Realtors to get some specific advice.



2017 FORECAST TWEETS

2017 will be the year of the blue tic hound dog, residential buyers must sniff out inventory, point a contract quickly or go back hunting

Wade Rhodes
Commercial & Acreage Sales

Mortgage Rate Projections

Quarter	Fannie Mae	Freddie Mac	MBA	NAR	Average of All Four
2016 1Q	3.9	4.0	4.2	4.1	**4.05**
2016 2Q	4.0	4.2	4.4	4.3	**4.23**
2016 3Q	4.0	4.4	4.6	4.6	**4.4**
2016 4Q	4.1	4.6	4.8	4.9	**4.6**

SOURCE NAR

METRO-ATLANTA LISTING INVENTORY

Home Price Point	2002	2016	Change
0 – 199.000	13,126	3,004	-28%
206,000 – 249.000	3,774	1,357	-74%
250,000 – 450,000	7,448	4,578	-39%
451,000 – 750,000	2,400	2,993	+24%
751,000 & Up	706	2,272	+320%

Home Building Robot - The next invasion of the robots may be in the construction industry, when Hadrian X, a robot named after Roman emperor Hadrian (of Hadrian's Wall fame), may soon laying bricks far faster and more cheaply than any human can.

Once commercially available, this amazing robot will be capable of laying approximately 1,000 bricks per hour, which means that it could build the entire shell of a building in just two days, rather than four to six weeks of hard labor needed for a human crew to complete the same task. Hadrian X will make sure they fit perfectly by grinding, milling, cutting and routing different brick sizes to where they belong on the project. And it will be able to do it all without human intervention – or even moving aroun

Forecast	Actual	Q2/16	Q3/16	Q4/16	Q1/17	2020	Unit
Housing Starts	1178	1131	1133	1149	1142	1213	Thousand

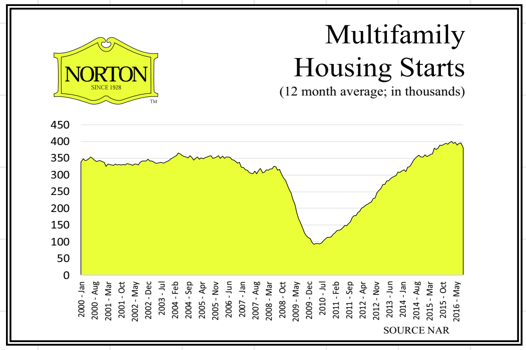
United States Housing	Last	Q2/16	3/16	Q4/16	Q1/17	2020
Building Permits	1167	1170	1155	1175	1163	1250
Housing Starts	1178	1131	1133	1149	1142	1213
New Home Sales	512	531	475	517	517	590
Pending Home Sales	0.7	2.75	3.1	0.71	2.22	2.22
Existing Home Sales	5080	5115	5135	5133	5116	5115
Construction Spending	-0.5	0.34	0.33	0.32	0.32	0.4
Housing Index	0.5	0.46	0.48	0.48	0.5	0.5
Hahb Housing Market Index	58	58.72	58.74	59.12	58.75	58.75
Mortgage Rates	3.86	4.9	5.1	3.99	4.04	6.5
Mortgage Applications	2.7	0.55	0.49	0.49	0.49	0.49
Home Ownership Rate	63.6	63.78	63.8	63.61	63.83	64.03

Housing Starts Forecast to 2020 – Graphic courtesy or tradingeconomics.com/united-states/forecast

2017 FORECAST TWEETS

At some point, we will see people forget the carnage of 2007-2008. The freshness and energy of 2017 could accelerate that memory erase

Wayne Parker
Commercial & Acreage Sales



Lopsided Recovery - Most of the price gains, economists said, stem from a lack of fresh supply rather than a surge of buyers. The pace of new home construction remains at levels typically associated with recessions, while the homeownership rate in the second quarter was at its lowest point since the Census Bureau began tracking quarterly data in 1965 and the share of first-time home purchases remains mired near three-decade lows.

The lopsided recovery has shut out millions of aspiring homeowners who have been forced to rent because of damaged credit, swelling student loans, tough credit standards and a dearth of affordable homes, economists said.

In all, some 200,000 to 300,000 fewer U.S. households are purchasing a new home each year than would during normal market conditions, estimates Ken Rosen, chairman of the Fisher Center of Real Estate and Urban Economists at the University of California at Berkeley.

"I don't think we are in a normal housing market," said Lawrence Yun, chief economist at the National Association of Realtors. "The losers are clearly the rising rental population that isn't able to participate in this housing equity appreciation. They are missing out on [a big] source of middle-class wealth."

Anxiety about missed economic opportunities is a key driver of the anti-incumbent anger on both sides of the political spectrum that has

REMODEL SPENDING
by mover type

REMODEL SPENDING VS. AVERAGE U.S. HOMEOWNER

		RECENT MOVERS	COASTERS	NESTERS
ROOFING	1.	-28%	-20%	+14%
MAN CAVE	2.	-6%	+49%	-15%
WINDOWS	3.	+15%	-18%	+2%
SIDING	4.	-15%	-25%	+13%
K&B REMODEL	5.	+52%	-28%	-4%
NEW DECK	6.	+90%	-18%	-17%

shaken up the 2016 election season. You have these people who can't get housing, and it's turning into this rage.

After peaking in July 2006, the Case-Shiller index plunged 27% over the next six years. Since then the recovery has been swift, particularly in markets with strong job growth and limited supply, creating problems for entry-level buyers in particular.

While economists expected the homeownership rate to begin edging up this year, the rate fell to a 51-year low of 62.9% in the second quarter from 63.4% in the same quarter last year. The rate could fall to 58% or lower by 2050, according to a recent prediction by housing experts Arthur Acolin of the University of Southern California.

The main reason, they say: mortgage availability. Lenders chastened by the financial crisis have been fearful of making loans to borrowers with dings on their credit, student debt or credit-card bills, or younger buyers with shorter credit histories.

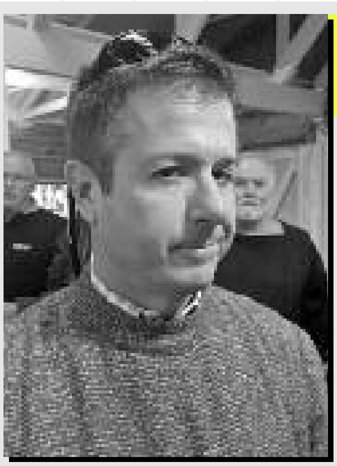
A dearth of home construction, especially at the lower end, is taking a toll. Nationally, the inventory of homes for sale has dropped more than 37% since 2011, according to Zillow, a real estate information firm. Some of that reflects the clearing away of distressed inventory, but economists and the pendulum has swung toward a housing shortage. As estimated 1 million new households were formed last year, but only 620,000 new housing units were built, per the Urban Institute. An analysis of census data by the Urban Institute showed that all of the net new households formed between 2006 and 2014 were rents rather than owners.

In the early years of the recovery only top earners could afford to buy homes, as new buyers struggled with joblessness or tarnished credit histories, so builders focused almost exclusively on the high-end. Even as first-time buyers have started returning to the market, many builders have been slow to respond. Building lower-priced homes means finding cheaper land, and that tends to be farther away from job centers on the suburban. Those areas were the hardest hit during the housing bust, and many investors have been hesitant to encourage builders to return. Thus, builders have tended to focus on ever-dwindling and increasingly expensive land in core areas, pushing up the prices.d the job site.

That may be bad news for masonry, an industry whose job prospects are now much better than the average of all occupations, according to the Bureau of Labor Statistics. It has forecast that masonry jobs will increase 15% in the decade through 2024 as population growth leads to the construction of more homes, hospitals, schools and other building.

Before laying a single brick, Hadrian X will assess the 3-D layout of the structure being built, calculating the location and size of each brick needed. After bricks have been loaded into Hadrian's truck, they will be cut as needed and treated with construction adhesive, which, Fastbrick Robotics claims, will improve the building speed as well as building's strength and thermal efficiency.

The bricks then travel along the conveyor belt within the robot's telescopic arm and are placed with great precision (0.5mm laying accuracy), thanks to a laser guidance system. The robot is being configured to leave enough space for windows, doors, plumbing and wiring, making other steps of the building process cheaper and simpler. Hadrian X will revolutionize the brick laying industry and cut six to eight weeks off the construction time required to build a home.
Source: CNN



2017 FORECAST TWEETS

It's challenging to educate sellers with realistic truths Activity is rising but price reality is stuck in the 1990s for land and acreage

Will Cobb
VP, Partner
Commercial & Acreage Sales

GROUPING THE U.S. POPULATION BY DECADE

Grouping the U.S. population by decade born, rather than by generation, provides insights into behaviors shaping trends, with the most influential (and largest) groups being the following:

- **Innovators**, born 1950 - 1959, who led a technology revolution;
- **Equalers,** born 1960 – 1969, who achieved more equality between women and men in the workplace;
- **Balancers**, born 1970 -1979, who led a shift toward a better work/life balance;
- **Sharers**, born 1980 – 1989, who led the transition to the sharing economy;
- **Connectors**, born 1990 – 1999, who led 24/7 wireless connectivity; and
- **Globals**, born 2000 – 2009, who effortless think and interact globally.

Among the trends sharpened by these groups:

"Surban" developments will replace shopping centers. More retail stores will be transformed into places that sell experiences, rather than goods, and more development will combine housing and retail to satisfy consumer demand for places that offer convenient, car-free shopping. An 86 percent surge in household formations in the coming decade will drive retail activity, particularly purchases by renters, who will represent 58 percent of the net new numbers of households.

NORTON SINCE 1928

NAR
Economic Forecast

	2015	2016 Likely	2017 Forecast	2018 Forecast
GDP Growth	2.6%	1.5%	2.1%	2.5%
Job Growth	+2.6 million	+2.0 million	+2.1 million	+2.4 million
CPI Inflation	0.3%	1.2%	2.5%	2.5%

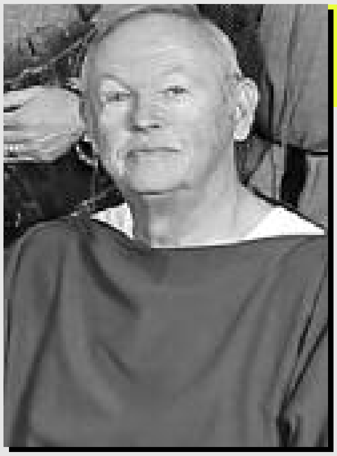
SOURCE NAR

"Surban" refers to communities that combine the best of urban and suburban living.

Suburban office demand will return. As Sharers move into more senior management roles and start families, many will move from urban cores to the suburbs to live in areas with good schools, but which are also near employment hubs and entertainment and recreational amenities. They will be willing to share space and work remotely. Women earned more than half of the college degrees obtained by Sharers; as a result, female executives will play a stronger role in office space selection.

Housing rental rates will surge over the long term. The sharing economy's de-emphasis on ownership will be reflected in soaring demand for rental units. Well over half of the 12.5 million net new households created over the next decade will rent, including those who have never owned, and those making the switch from owning to renting as they age. Homeownership will decline, with the national rate anticipated to be 60.8 percent by 2025, the lowest point since the 1950s. As more Innovators join the already large number of retirees, competition for workers will push up wages, contributing to a favorable environment for rent increases.

Southern suburban migration to continue. The southern regions where 42 percent of Americans currently live will receive 62 percent of the household growth in the United States over the next decade. Demand will



2017 FORECAST TWEETS

Millennials don't want a gray box that is disconnected from the neighborhood in 2017, they want to feel a sense of place

Doug Garrison
Commercial & Acreage Sales

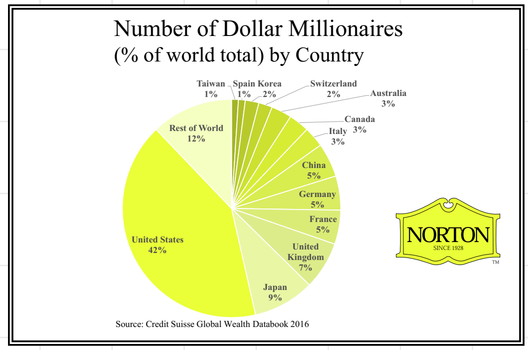
NORTON SINCE 1928

continue to rise for affordable rental housing, townhomes, and small-lot detached housing, as Connectors join Sharers in raising families. **Municipalities will take a stronger role in encouraging successful growth**. Local government redevelopment investments have revitalized urban and suburban areas, and the most astute suburban – or surban – municipal leaders will continue changing zoning regulations to encourage pedestrian-friendly mixed-use development that accommodates the preferences and needs of new households.

Apartments have had a long run of success. Multifamily was an early-recovery sector, attracting early capital from institutional investors and REITs. As a result, yields fell and new construction began, focused on major urban cores. Debt and equity have become increasingly available.

A number of factors account for the enduring strength of the apartment sector: 1) entry into the job market of the massive millennial generation, who are a prime age cohort for rentals; 2) consumers' wariness of for-sale housing product following its massive loss in value during the housing market crash of 2008; 3) credit issues for consumers, compounded by student debt, and tightened bank requirements for home mortgages; and 4) general consumer preference to remain flexible in their lifestyles, which is facilitated by rental housing. The average age of their residents is 35, so (the upper end of the millennials) are all coming through the pipelines. We are also seeing increased demand from older residents, as evidence of emerging demand from baby boomers.

Apartments are expensive to build now. Since demand is strongest for apartments in walkable urbanized environments near job centers, these expensive locations are receiving the most attention from investors and developers. Tenants make trade-offs between size and location. In order to get the latter, they are typically renting smaller units. In some particularly high cost markets, developers have found demand to be particularly strong for studio units by millennials who have tired of



having multiple roommates. This has been taken to an extreme with micro units that come fully furnished. A high level of amenities, particularly public social spaces, is needed since entertaining in small apartments is difficult. A rental lifestyle facilitates job moves as well as travel.

Commerce - A consensus is emerging that **e-commerce** will decrease the overall demand for retail space, but will not come anywhere close to supplanting it. Research has shown that a consumer may touch the retailer at many points along the route to transaction, possibly researching a product online, experiencing it in-store, sharing with friend for input, and then possibly buying online later for delivery or for in-store "click and collect." The really smart and sophisticated retailers are doing whatever they can to maximize both online sales and in-store experiences. Some retailers are getting very good at blending bricks and clicks. "Mall owners also understand this experiential aspect, most sales increases have come from food and beverages" at malls.

Grocery-anchored centers have long been popular for their relative stability and immunity to e-commerce. A well-located center might add a mini-anchor and fast-casual restaurants, as well as local services, increasing the traffic draw and the resultant cash flow. Some favor niche centers anchored by specialized grocers, which tend to achieve high sales volumes and traffic from affluent shoppers. Good grocery can be incorporated into everything. It is a great attraction.

2017 FORECAST TWEETS

The Great Depression altered consumer habits for generations The Great Recession may have same affect for Baby Boomers and their prodigy

Gerald Lambert
Commercial & Acreage Sales

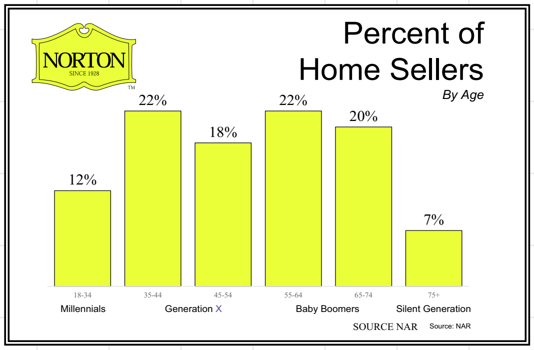
Power centers fell out of favor years ago. They are particularly vulnerable to e-commerce and unattractive in terms of customer experience. Really big boxes are dead, most likely due to the e-tailer effect. They will be trying to retool. Many discount retailers remain quite viable. U.S. consumers strapped for cash shop primarily in such stores, and not primarily on line. Clever developers are including the more successful discounters in lifestyle and grocery-anchored centers or in street frontage urban locations where they are seen during consumers' daily travel.

Medical Office Investments, particularly those associated with a major successful hospital, have been growing in popularity. Health care is one of the highest growth areas of the U.S. economy, with job growth of nearly 19 percent since 2007, the last cyclical peak, compared with 4.4 percent growth in total employment. Affordable Care Act has given the sector a boost. It has encouraged the formation of major health care practices, helping improve tenant credit and facilitating professional management. Most investors are even comfortable with ground leases when those leases are with the associated hospital.

Medical Office looks good on all metrics. We see the emergence of a two-pronged trend where hospital campuses or close proximity clusters provide concentration for doctors but diffusion into the communities, into malls providing convenience for consumers. Healthcare is on track to be 20 percent of GNP so the real estate opportunity is huge.

DEMOGRAPHICS

Millennial and First-Time Buyer Trends - The biggest pool of potential homebuyers didn't make huge strides toward homeownership in 2016 – so what will millennials be doing in 2017? Our surveys of the prime first-time homebuying age people suggests a very high, 90 percent-plus, want to eventually own a home.



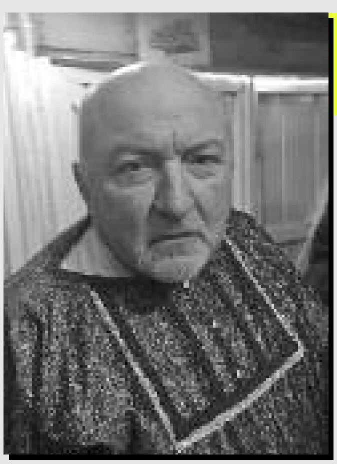
What has tended to be the case is that they're saying "just not right now," and that's driven by the fact that their incomes haven't risen as far as they need to and they've delayed getting married and having a baby relative to prior groups at this age point.

Builders are seeing millennials, whose first home they are purchasing used to be the first move-up home, some of the leapfrogging that entry-level, and part of that may be there simply isn't sufficient supply of the starter homes; they've just delayed buying until they could get the house that they wanted, the most midsized or first move-up house.

Women, Immigrants, Younger and Older Workers, Retirees: Reshaping Community Building for Next Ten Years - Rising number of female executives, affluent immigrants, younger and older workers and retirees will have a profound influence on community building in the United States over the next ten years. Key trends related to demographics and household formation that will affect real estate investment and development through 2025 are as follows:

• **The continue rise of working women:** Women now earn 58 percent of all college degrees in the United States, and they earn more than their spouse's 38 percent of the time. By 2025, the number of women in the workforce will rise to 78 million, 8 million above the level in 2015.

• **A rising number of affluent immigrants:** Immigration will account for more than half



2017 FORECAST TWEETS

Time to have "come to Jesus" meeting with land sellers on 2017 prices If it doesn't have zone access utilities its holding world together

David Williamson
Commercial & Acreage Sakes

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the U.S. population growth by 2025. Contrary to some perceptions, any immigrants coming to the United States are highly educated middle and upper class families with substantial purchasing power.

• **The graying of America**: By 2025, 66 million Americans will be over age 65 – which is 38 percent more than in 2015. This will create lucrative opportunities for customer segmentation, given the widely-varied needs and lifestyles of younger retirees versus older ones.

• **Young adults driving household formation:** 18-to-27-year-olds will lead the majority of new household growth over the next decade, despite forming households more slowly than their predecessors. They are expected to create 14 million households by 2025.

Millennials - A new national survey of millennials reveals a generation convinced the economy is failing them, a generation willing to work hard to better their lot, and a generation experiencing a great deal of anxiety about the future.

The report, recently released by EY and the Economic Innovation Group (EIG), gauged millennials' views on a variety of issues related to the economy, education, American institutions, and the challenges they continue to face almost seven years into the recovery from the Great Recession. Many millennials entered the workforce in the midst of a deep economic crisis, and today find themselves racked by student debt and lacking confidence in most American institutions. Highlights from the study include: Millennials value education and hard work, and they're willing to make sacrifices to get ahead, but coming of age during a historic economic downturn has severely impacted their lives.

• Eighty-eight percent of millennials recognize that hard work is an important factor to getting ahead in life, but 78 percent are worried about having good-paying job opportunities.

2017 FORECAST TWEETS

Retail conversation focuses too much on the 2% and not enough on the 98%. 2017 is the year Real People buy Real Goods with Real Money

Jean Ferris
VP, Partner
Commercial & Acreage Sales

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• Sixty-four percent would move to a different part of the country for a better job or access to better opportunities, and 63 percent would add an hour to their commute for a better job.

Millennials will be the most educated generation in U.S. history, but they are not convinced that higher education will provide them the same leg-up on the path to prosperity that it guaranteed earlier generations.

• Two-thirds of millennials believe that having a great education is important to getting ahead in life, but less than half (49 percent) believe that, personally, the benefits of a college education will be worth the cost.

• To obtain their educations, millennials have taken on significant financial risk. Fifty-two percent have or will have taken on student loan debt, and 43 percent believe that student debt has limited their career options. Millennials admire entrepreneurs and would consider starting a business – if they had the financial means.

• Millennials overwhelmingly (78 percent) consider entrepreneurs successful, and 62 percent of millennials have considered starting their own business.

• The biggest obstacle keeping millennials from starting their own business is money. Forty-two percent of millennials lament that they don't have the financial means to start a business.

Conditioned and also shaken by the economic conditions when they entered the job market, millennials are risk-averse and even conservative in their casual choices.

• A large plurality (44 percent) of millennials believe the best way to advance their career is to climb the corporate ladder.

• Even though 62 percent of millennials have considered starting a business, and 51 percent known someone who started or worked for a startup, only 22 percent believe entrepreneurship is the best way to advance their career.

• Black women are the only millennial demographic in which a plurality (39 percent) believe that starting their own business is the best way to get ahead.

This generation is skeptical of the establishment, putting very little confidence in institutions, but remaining fiercely patriotic and supportive of a leading role for the United States in the world.

• Millennials express low levels of confidence in nearly every American institution. Corporate America, government and the news media inspire the lowest levels of confidence, with only one-fifth of millennials placing a lot or a great deal of stock in them.
• Colleges, universities and the military are the only institutions of the 13 polled to garner the confidence of the majority of millennials.

• Millennials remain overwhelmingly patriotic – 84 percent agree that they are proud to be an American, with Hispanic men, representing the largest group (91 percent).

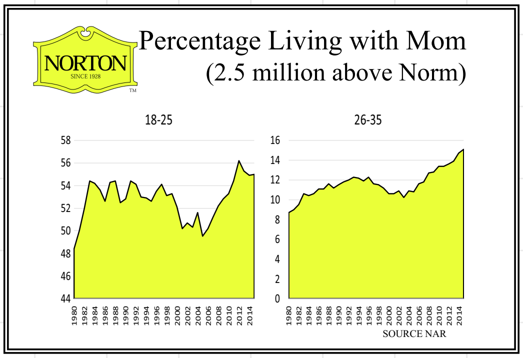
Millennials are largely comfortable with their own tax burden, but they remain concerned about fairness in the tax system.

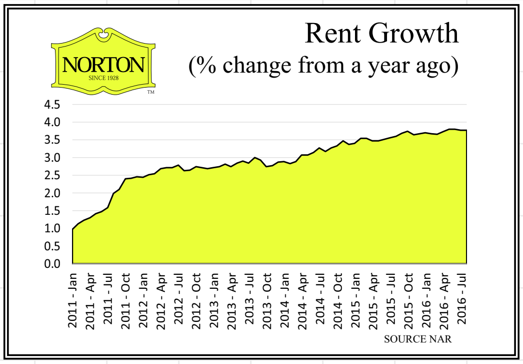
• A majority (53 percent) of millennials who filed a tax return believe the amount they paid was about right, but the older they get, the greater they feel their tax burden increases.

• Seventy percent think the wealthy pay too little, and 56 percent think lower income Americans pay too much.

• Millennials tend to prioritize federal spending on programs that increase economic security, with 64 percent reporting public education as a top priority, followed by 46 percent who would prioritize Social Security and Medicare. In fact, 74 percent are worried that Social Security won't be there when they retire.

The Grey Wave - Between 2010 and 2030, the number of Americans over 65 will nearly double, from 40 million to 74 million. As Americans live longer, they are retiring later – but the sheer number of older Americans and the slow growth in the number of 20- to 64-year-olds are combining to slow labor force growth. The graying economy has broad implications for the nation's economic growth and employment trends, and perhaps even for monetary policy. The Atlanta Fed will present some evidenced-based insights to help navigate this challenging topic.





The number of Americans 75 and older will double by the early 2030s and then keep rising. By 2040, that group will number 45.7 million, as the overall population grows just 18 percent, according to U.S. Census Bureau projections.

This gray wave is powering a multibillion-dollar industry focused on building owning, operating, and buying and selling "senior living facilities." These facilities range from luxury independent-living communities to nursing homes. Firms and investors are drawn to the business primarily by demographics, greater affluence among the elderly, and consolidation in a fragmented industry.

Start with demographics. The industry's target market – the 75-and-older cohort – is set to add on average just over a million people every year for nearly the next three decades. The baby boom generation – 76 million Americans born between 1946 and 1964 – won't hit its prime as senior living residents for several more years, says Beth Burnham

Mace, chief economist for the National Investment Center for Seniors Housing & Care, or NIC. While the target market starts younger, the average age of senior living residents today is about 84. So for now, the boomers' influence is in guiding their parents' choices about whether and when to move into senior housing.

Given that dynamic, a crucial statistic shaping senior housing demand is the "caregiver support ratio," Burnham Mace says. Right now, there are about seven adult children – ages 45 to 64 – for each person 80 and older, according to the American Association of Retired Persons. As boomers age, the 7-to-1 ratio will fall to 4-to-1 by 2030 and less than 3-to-1 by 2050, she says, likely sending more people into senior living facilities because there will be fewer adult children to care for them at home.

As of today, roughly 7 to 10 percent of people 75 and older live in senior housing. Comparing the periods 1985 to 1995 and 1996 to 2011, that penetration rate climbed among all five-year age increments over 65 (70-74, 75-79), etc. according to the Panel Study of Income Dynamics, a longitudinal survey that began in 1968 and is headed by University of Michigan faculty.

Even if the penetration rate doesn't change further, the estimated demand for private-pay senior living units – apartments, rooms, individual homes – could increase 56 percent by 2025 simply because of population aging, according to a presentation at a 2015 forum by the National Multi-family Housing Council, an apartment industry trade group.

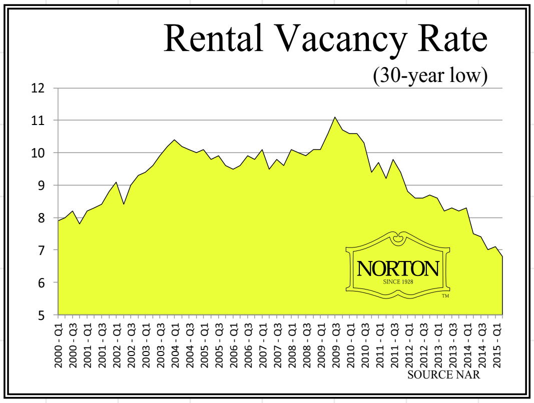
Rural Life - Only half as many households as normal choose to live in rural areas these days. Only 8% of household growth occurred in rural areas over the last five years, compared to the usual 17% of growth over the prior 30 years. Over the last five years, urban captured 21% of growth compared to the 30-year norm of 8%.

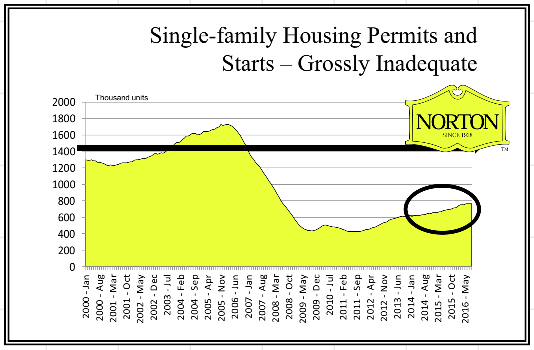
Now, there are many cool, creative jobs in urban areas, that big cities have spent billions redeveloping their downtowns into entertainment hubs, and millennials who are delaying families can hold off on the need to live in a good school district longer. However, consider the following:

• More people than ever are retiring, and retiree growth has historically been strong in affordable, rural areas.

• More knowledge workers than ever can telecommute from anywhere (we need a new term that doesn't use the prefix *tele* in it), including "retirees" who continue to work part-time.

• Online shopping has brought the best of retail to everyone with a postal address.





Based on those factors, will rural living make a comeback?

Ten Fastest Growing Georgia Cities in 2016

1. Grayson (Gwinnett County) 13.1 percent
2. Waverly Hall (Harris County) 13 percent
3. Davisboro (Washington County) 12.8 percent
4. Hamilton (Harris County) 9.8 percent
5. Keysville (Burke and Jefferson Counties) 9.8 percent
6. Jefferson (Jackson County) 8.9 percent
7. Braselton (Barrow, Gwinnett, Hall and Jackson counties) 8.6 percent
8. Port Wentworth (Chatham County) 8 percent
9. Woodstock (Cherokee County) 7.6 percent
10. White City (Douglas County) 7.4 percent

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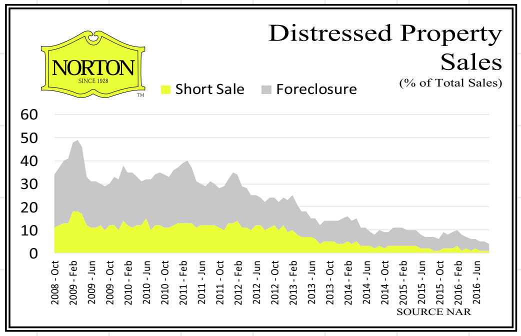
CHARTS

Total Residential Units Closed in Metro Atlanta (22 Counties) Year over Year as of September, 2016

New SFD	17,089
New Townhomes	2,631
New Condos	64
Resale SFD	111,645
Grand Total	131,429 + 13%

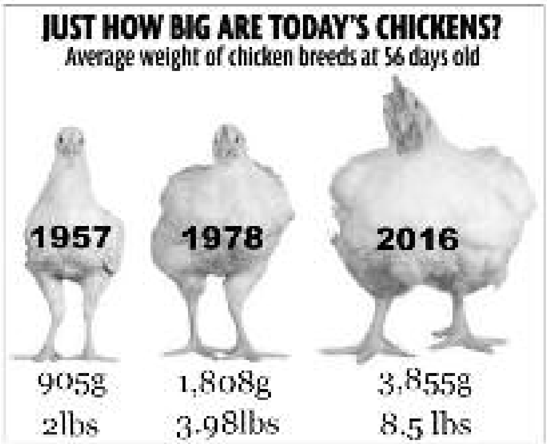
Source: Metrostudy 2016



UNEMPLOYMENT 2016

GEORGIA		Forsyth	4.0	Madison	5.0
Banks	4.3	Gilmer	5.3	Pickens	4.5
Barrow	4.7	Gwinnett	4.5	Rabun	5.6
Cherokee	4.0	Habersham	4.9	Stephens	5.7
Cobb	4.3	Hall	4.1	Union	4.2
Dawson	4.3	Hart	5.2	Towns	5.9
Fannin	4.7	Jackson	4.0	Walton	4.7
Franklin	5.1	Lumpkin	4.7	White	4.2

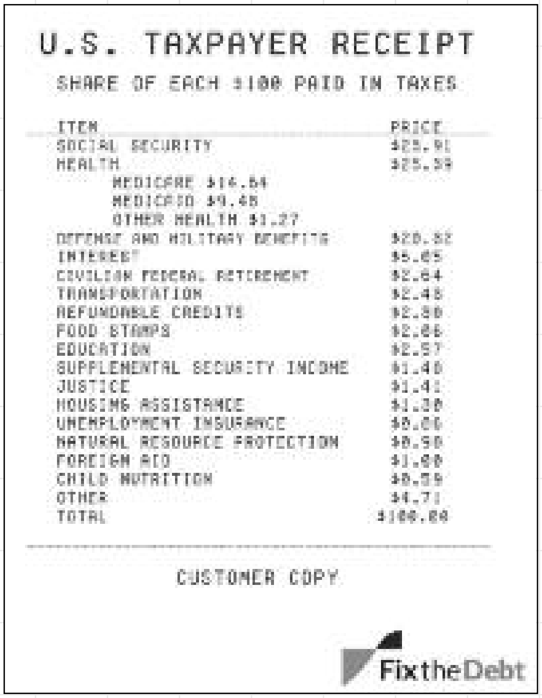
Source GA Labor Office



The one on the left is a breed from 1957. The middle one is a 1978 breed. The one on the right is a commercial 2016 breed called the Ross 308 broiler. They're all the same age but the modern breed is much, much larger.

HOUSING PERMITS

	2012 Permits	2013 Permits	2014 Permits	2015 Permits	2016 Permits
Metro Atlanta	8324	13956	15270	13750	9584
Cobb	1251	1525	1775	1950	1690
Gwinnett	1242	2570	2892	3100	3667
Forsyth	1333	2275	2472	2650	2750
Hall	301	480	832	1150	895
Cherokee	765	1201	1355	1655	1785
DeKalb	242	295	775	825	925

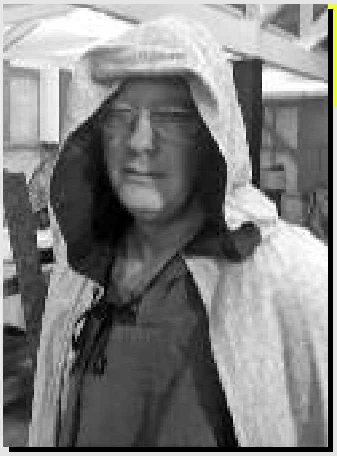

U.S. TAXPAYER RECEIPT

SHARE OF EACH $100 PAID IN TAXES

ITEM	PRICE
SOCIAL SECURITY	$25.91
HEALTH	$25.39
MEDICARE $14.64	
MEDICAID $9.48	
OTHER HEALTH $1.27	
DEFENSE AND MILITARY BENEFITS	$20.82
INTEREST	$5.65
CIVILIAN FEDERAL RETIREMENT	$2.64
TRANSPORTATION	$2.48
REFUNDABLE CREDITS	$2.80
FOOD STAMPS	$2.06
EDUCATION	$2.57
SUPPLEMENTAL SECURITY INCOME	$1.40
JUSTICE	$1.41
HOUSING ASSISTANCE	$1.30
UNEMPLOYMENT INSURANCE	$0.06
NATURAL RESOURCE PROTECTION	$0.50
FOREIGN AID	$1.00
CHILD NUTRITION	$0.59
OTHER	$4.71
TOTAL	$100.00

CUSTOMER COPY

FixtheDebt



2017 FORECAST TWEETS

2017 will see more attention on second home cabin in the woods under 300,000 used 10 -16 times a year as escape hatches from life

Doyle Kirk
Commercial & Acreage Sales

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INVESTMENTS

REAL ESTATE RECOMMENDATIONS UNDER PRESIDENT TRUMP

First, pause, his first 100 days will set the tone and timing of his Presidency and Legacy. Astute property investments are waiting to his longer-term decisions on controlling healthcare cost, relieving the regulator environment, reducing tax rate structures and modifying inheritance tax schedules. Other observations:

- While he appeared anti-Wall Street during the election, the stock market has soared with the optimism of a Trump Presidency. Solutions to control the national debt and student and personal debt would go a long way to instilling consuming confidence across all economic strata.

- Obamacare will be changed, but to what? A reduction of healthcare premiums would jumpstart a housing war. The residential movement could be without precedence. For every $50 in monthly healthcare savings, translates into $10 - $12,000 more value in housing.

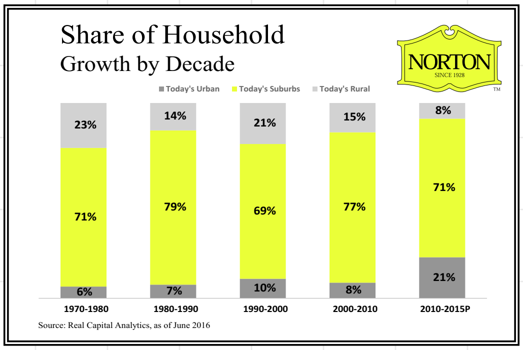
- Trump is pro real estate investments. His fortune is just that…Real Estate and we bet the next four years will lift the shackles on this asset class, but his experience is in hotels, resorts, luxury housing and golf course residential. How it trickles down to the common man will need translation.

- Less new immigrants mean constraints on agri-business producers, dependent on a cheap labor supply and residential and commercial contractors seeking the same. A fence along the borders is a massive construction infrastructure project reminiscence of Eisenhower's interstate transport initiative and could add a full point to the employment percentage. Full employment would tighten labor supply for new home construction, driving up new home cost.

- On shoring companies means an increased need for industrial space, housing for workers and capital resources.

- Trump will be good for the housing industry. Homeownership rates will tic up and rental housing benefits from the increased labor supply and on shoring sectors.

But there are still numerous wildcards that would have affected either candidate including interest rates, student debt, TTP, National Health care costs, Brexit, Euro/Union Breakup, Instability in China, lending regulations, oil, Russia war mongering, race relations, urban violence/unrest and generational transfer of wealth. (Inheritance)



- **INVESTMENT 2017 -** Investors are increasingly jittery about uncertainties in the market. In this environment, what is the pecking order among property types? Property type selection is one strategy that multisector investors are using to control downside risk. Although a near-term recession is not being widely forecast, institutions appear to be preparing for eventual cyclical weakness.

• Industrial rates well as a defensive sector, typically performing well during economic slowdowns.

• Most investors continue to favor apartments as a relatively safe investment in a possible downturn.

• Single-family homes generally remain in favor, but investors view them less positively than they did last year.

• The office sector is less in favor with U.S. institutions that see it performing badly in economic contractions and highly sensitive to job numbers.

The retail sector has two principal types of investors: those who have deep experience and those who tend to react to headlines. The former find it a promising sector for 2017. The latter are net sellers.

• Hotels are the most volatile properties through market cycles, and concern exists that they have hit a peak already.

• As yields for most high-quality core real estate investments have become compressed, some investors have shifted funds to various niche asset classes, including medical office buildings, self-storage, student housing, senior living, data storage, and manufactured housing.

Credit Unions - Net income at all 6,021 credit unions in 2015 was $8.7 billion, up 0.3% from 2014 when there were 6,273 credit unions. For credit unions with assets greater than $500 million, return on assets (ROA) averaged 86 basis points or 0.86%. ROA was 0.56% for credit unions with $100 to $500 million in assets, 0.35% for credit unions with $10 to $100 million in assets and 0.04% for the smallest.

Shadow Banking - As regulation affects banks, opportunities for private, noninstitutionalized lending opened up, and this could be an option for certain borrowers in the coming year and beyond. One executive at a major bank says, "Borrowers are going to 'shadow banks' for lending. These shadow banks are offering moderate to high leverage without recourse, with limited oversight by regulators. Shadow banks' market share is increasing, although no one truly knows by how much." The aggressive oversight by regulators has made large institutions skittish about all but top-quality deals, in the view of another banker: "This has hurt smaller or less established borrowers and forced al but the best into seeking less regulated 'shadow banking' lending."

Is a threat lurking in the shadows? Or is this just a question of innovation arising in response to a capital need that is not being satisfied as the newly installed regulatory regime is sorted out? The nonbank banks are doing all the interesting lending; although a big chunk is offsetting the demise of a capital provider that exited rather than accept designation as a SIFI. I find it a bit bizarre since the main source of capital for the nonbank banks is the banking system itself, through standard lines of credit. Well noted.

Senior Living - According to the Federal Reserve Bank of Atlanta, senior living properties have become an acceptable real estate investment category alongside sectors such as office, retail, and warehouse space. A couple of related characteristics make senior living attractive to property investors. For one, the powerful demographics have already fueled tremendous growth and change. The number of assisted and independent living units, subsets of the larger senior living segment, more than tripled during the 1980s, then doubled again by 2000, according to NAREIT.

Second, the senior living industry is still sorting itself out. A commercial senior living business hardly existed before the 1970s, a time when fewer women worked outside the home and could care for elderly relatives. The business even today includes numerous small operators, religious organizations, and a handful of large companies.

Then vs. Now

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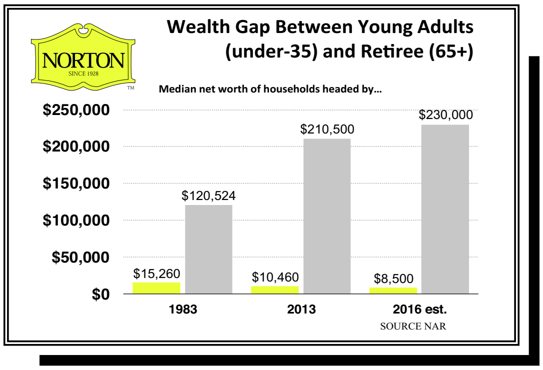
	2000 (Likely Normal)	2016
Existing Home Sales	5.2 million	5.3 million
New Home Sales	900,000	500,000
Population	282 million	324 million
Jobs	132 million	145 million
Total U.S. Household Wealth	$44 trillion	$85 trillion

SOURCE NAR

Several large real estate investment trusts, or REITs, have made significant acquisitions in senior living. REITs and firms that own and operate senior living facilities buy and sell hundreds of properties a year. In the 12 months through the first quarter of 2016, for example, senior housing deals totaled $12.3 billion, according to NIC. The busiest calendar year in dollar terms was 2011, when 312 senior living transactions came to $27.6 billion, according to NIC. Many REITs acquire or develop senior living properties, and then contract with other firms to run them. Some of the REITs investing in senior living focus on health care properties generally, and include senior living facilities in those portfolios.

One of the biggest publicly traded senior living operators, Brentwood, Tennessee-based Brookdale Senior Living Inc. exemplifies the pattern of assembling a strategic network of facilities. Brookdale notes in its annual report filed with the Securities and Exchange Commission this year that "the fragmented nature of the senior living industry and the limited capital resources available to many small, private operators provide an attractive opportunity for the company to expand its existing base of senior living operations."

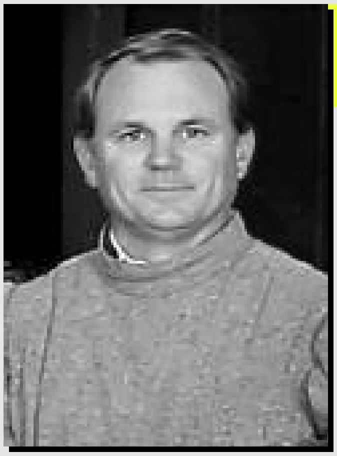


Despite favorable demographics and an influx of investment, challenges abound. The senior living industry is a complicated, highly competitive business touching on health care, real estate, hospitality, food service, and an array of legal and regulatory requirements. Over time, senior living facilities will likely need to provide more intense and complex medical care, which can be expensive, difficult, and subject to numerous regulations and federal reimbursement rules. In fact, many of today's larger senior living firms focus on the "private pay" market, which typically includes more affluent customers and avoids the need for government reimbursement.

Senior living is also labor-intensive. Worker pay and benefits account for about 60 percent of expenses, according to NIC. To try to control costs, operators are eyeing labor-saving technologies ranging from wearable monitors for residents to robots to sensors installed in carpets to signal when residents might be growing unsteady.

Mortgage Rate Trends - Mortgage rates are forecast to stay low. Yet recently, mortgage rates have risen above the 4% mark and homeowners are locking in their home loans at the 30-year period. Some are calling this the Trump Effect. With Trump in power, lending requirements are expected to be eased, land opened for development, and this should stimulate home purchases. With employment growing and wages moderating upward, the market is set for growth. Yet, some housing forecasters still cling to the idea that housing starts will moderate after strong growth to 2020.

National Banks - Net income at all 5,980 FDIC insured banks rose $5.2 billion Y-O-Y to $45.6 billion in 16Q3. Looking at the subset of 5,521 community banks, quarterly net income rose $593 million Y-O-Y to $5.6 billion. Better yet, fewer than 5% of banks said they were unprofitable, the lowest percentage since 97Q3 and the number of banks appearing on the FDIC "problem list" shrank to 132, the lowest level since 08Q3.



2017 FORECAST TWEETS

Home prices 12% rentals 11% 3-mth supply new homes lending paralyzed by regulations anti-density/anti-zoning mode Where will they live

Tommy Howard
COO

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Executive Bookmark Reading List 2016-2017

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 and thoughtful commentary, they still read 12 local and regional newspapers weekly. They believe in **"Deep Think,"** new ideas, concepts, trendlines, and that's 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 sets include:

Art Thinking	Amy Whitaker
The Art of the Deal	Donald Trump
The Magic of Thinking Big	David Schwartz
Finish Big	Bo Burlingham
A World Lit Only by Fire	William Manchester
The Industries of the Future	Alec Ross
The Third Wave: An Entrepreneur's Vision Of the Future	Steve Case
Originals	Adam Grant
Real Leadership: 9 Simple Practices	John Addison
Rural Studio at Twenty	Andrew Freear
Rocket Fuel	Gino Wickman
Children of Monsters	Jay Nordlinger
Home: How Habitat Made us Human	John S. Allen
Start with Why	Simon Sinek
The Wilderness Warrior: Theodore Roosevelt	Douglas Brinkley

2017 INFORMATION SOURCES

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

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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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