

NORTON NATIVE
INTELLIGENCE

2015



Change...



In our 87 years of business life, we've learned a thing or two about business, insurance, real estate and investment. Perhaps the number one lesson learned is that life... business, family, and life in general can change in a moment.

Change happens all around us, all of the time. Normally, change evolves slowly, but sometimes change happens quickly. It can happen in the near collapse of a banking system, it can happen symbolically as we saw in the fall of the Berlin Wall, it can happen through revolution and war, as it does so often... It just happens.

There are many in our communities that don't have a calculus for manifestations of change. Some unknown 21st Century Prophet said "you are either growing, learning, and evolving or stuck like a dinosaur in a mud pit."

We are always fascinated by the "optics" of change. We believe that fear of change is something internal and innate in the nature of some portion of our humanity. It makes change difficult and perhaps more worthwhile. We also believe that with change comes **opportunity**.

In our industry, thinking ahead is critical. Not only as individuals but also as an organization. We are constantly bombarded with messages of change and disruption, new technology, new ways of marketing and ever expanding avenues of communication. There is constant pressure to learn the latest...new processes, strategies or tools. The challenge for us today is to adapt and grow with the changes around us while retaining our core ethics, values, history and roots. **That is our legacy.**

Norton is all about change. We are **change** agents in the communities we serve when we push and prod them toward progress. We are **change** agents when we develop and invest in the fabric of our community. We are certainly **change** agents when we turn upside down the industries we are a part of through innovative marketing, new products and our aggressive promotion of standards and ethics.

Over the span of three generations of business leadership, we have had to embrace change, not fight it. So it is with North Georgia. The theme of our 28th Annual Forecast is **Leadership**. We as a community are well past the time for us to rise up out of the rubble of this past recession, grow beyond the past economic malaise and move aggressively **forward**. We need to be embracing **bold** ideas that transcend our geopolitical boundaries and **think regionally**. We need to move quickly and command our leadership position in the State.

It's time for **bold** ideas, **bold** leadership and **bold** leaders. Norton cannot do this alone but through our resources, our extended business family and network of relationships, we are prepared to do our part.

The time for great **bold** leadership....is **now**.

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

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



FORECAST 2015

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- V. Leadership for Generations
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LEADERSHIP... NORTON'S VIEW FROM THE TOP

With an increase in home sales and consumer confidence, 2014 has been a Stellar year for The Norton Agency and its extended family of businesses. As 2014 comes to a close, we interviewed our business partners, equity owners in our range of businesses and products to discuss the year that was and the year that's to come. A sampling of their advice, council and wisdom for 2015 follows:

WHAT HAVE YOU SEEN THIS YEAR AND HOW HAS THIS IMPACTED YOUR BUSINESS STRATEGIES?

The economy has improved tremendously in the area between East of I-75 to West of I-85. New Commercial Development as well as the revitalization of older developments has taken place. Forsyth County has really picked up for new home construction. **Scott Lewis President, Norton Lewis & Goro.**

Continued Low Inventory due to limited new construction, fewer short sales and foreclosures and those homeowners still 'under water' who can't



yet sell...Buyers in today's market are savvy and educated, ready to 'pull trigger' when they find the right property; GOOD VALUE is #1 priority. Most sellers are realistic as to time on market and market conditions, understanding that pricing right is #1 priority. See better educated buyers and sellers than ever before, thanks to internet. **Kim Waters, Partner Norton Residential**

Micro economies- Hispanics want to do business with Hispanics, sense of local has become important again. Case in point Cleveland people want to shop in Cleveland, Dhlonega people want to shop in Dhlonega. Look at the revitalization of downtowns... Gainesville Square, Cleveland Square, Dhlonega downtown, Jasper downtown, Clayton downtown. **Bob Norton, President CEO Norton Insurance**

Continued growth on a national basis of investor purchases of Single Family homes. As the SFR business is becoming more institutionalized, it is becoming more difficult for first time home buyers and investors to find deals that were there in the past. **Lee Rogers, President RealProtect**

The Foreclosure market is no longer the focus. **Diane Brown, President Norton Residential Mountain Division**

2014 saw continued popularity among consumers of real estate related internet sites such as realtor.com, zillow.com and trulia.com, with the result being a noticeable increase in the number of internet leads directed to our real estate sales and marketing group, necessitating the implementation of specific strategies to track and convert these 'cold' leads into customers and clients. **Brad Abernathy, Norton Residential Partner**

The Market has stabilized and is on the upswing in many areas. There are more cash buyers – Sellers think the market has been restored and their inflated value is back but in most areas the price has just stabilized. My biggest client was a local bank. That inventory has all but dried up...the higher end foreclosures (and lake) are back to normal levels. **Kristi Myers, Norton Residential Partner**

A stabilization of prices that are slowly moving up, buyers are becoming more numerous. More homeowners are no longer underwater, so are able to put their homes on the market and move up or to another area. **Pat Harrell, Norton Residential Partner**

ECONOMIC FORECAST

	2013	2014 Likely	2015 Forecast	2016 Forecast
GDP Growth	2.2%	2.2%	2.7%	2.9%
Job Growth	+2.3 million	+2.5 million	+2.5 million	+2.6 million
CPI Inflation	1.5%	1.6%	2.7%	3.3%
Consumer Confidence	73	87	95	98
10-Year Treasury	2.5%	2.6%	3.2%	4.3%

Source: NAR

I have seen the positive energy and motivation of my realtor peers at Norton and it is very inspiring. I have seen Frank continue to enlighten us with new information and bring in entrepreneurs to tell us their story and speakers from all aspects of the business world to keep us motivated and on track. All of this keeps me motivated and on track-keeps me focused and the business of real estate interesting. **Patsy Bailey, Norton Residential Partner**

The insurance market remains soft for most lines of coverage. I have been working hard to build on the relationships with client who see insurance as a relationship not a commodity. Also, working on learning about emerging coverage such as Cyber Liability to stay current on emerging industry issues. **Chris Long, President Carolina Risk Advisors**

The biggest impact for Habersham County is the massive development of the Hall County Gateway Industrial Park stretching toward the Habersham County line. This development plus passing Splost IV for Habersham gives us the opportunity to develop our own Industrial Park and feed off the growth of the economic engines that Hall and Gainesville have become. **Wade Rhodes, Norton Residential Partner**

BG Marketplace has shown improvement, customer growth and the economy improving. We are spreading out into new areas in North Georgia and increasing our footprint. **Ben Gilleland, Partner Norton Mountain Insurance**



The economy seems to be picking up in some sectors, but cash flow remains a big problem with most of my clients. Everybody feels that they are working harder for less money in these present economic times. **Jason Griffith, President Norton Commercial Lines**

Inventory went down and prices stabilized or increased. Even listings that were on the market for long periods have gone under contract. People are buying lots again to build custom homes which we have not seen in a very long time. **Susan Godbee, Partner Norton Residential**

My strategy has been to do much more prospecting than ever before. Even though I have seen an increase in my customers' businesses, the competition seems to be heating up more than ever. I feel that I will need to do much more business in terms of net new accounts than ever. It also seems like no matter how much I service or "over service" my accounts, it still comes down to price. **Ira Jolly, Norton Strategic Partners**

The increase of new construction in the North Side of Atlanta. Also the builder's reticence to do business with only one lender which prior to the recession was the norm is very rare one. This makes rate competition fierce and profit margins low. To compensate we have decided to do some portfolio loans that cannot be sold to Fannie or Freddie to separate us from the crowd **Sandi Tate, Norton Guaranteed Mortgage**

This year I have seen a slowdown in the number of bank owned properties coming on the market in the area, I have also seen the reemergence of first time buyers and second home purchases are on the upswing. **Doyle Kirk, Partner Norton Residential**

Greater Business Confidence – evidenced by companies making long term commitments to facilities, real estate, new development and building – spec development of neighborhoods in North Fulton and South Forsyth and new commercial construction in North Fulton (Avalon). This has led me to anticipate the next new area (location/business segment) for opportunities. **John Drew, Partner Norton Drew**

WHAT HAVE YOU



POPULATION – WILL BE OLDER AND MORE DIVERSE BY 2015				
	2010	2015	2020	2050
US Population	308,745	322,371	336,836	422,554
Race/Ethnicity				
White	80%	79%	78%	74%
Black	13	13	13	13
Asian	5	5	6	8
Other	2	3	3	5
Hispanic/Latino*	16	18	19	30
Age				
55+	25%	27%	29%	31%
65+	13	14	16	20

*Hispanics/Latinos can be of any race.
Source: U.S. Census Bureau



DONE TO STAY AHEAD OF THE CHANGING REAL ESTATE/INSURANCE/ INVESTMENT/MANAGEMENT LANDSCAPE?

Answer the phone!!! **Amy Sutherland, Partner Norton Residential**

Positive attitudes – people have moved away from the defeatist attitudes, and are looking forward to the future, they are not as skeptical as they have been. **Bob Norton, President CEO Norton Insurance**

Internet/web marketing is the catalyst for most agents who are having greater success. Having a great web presence continues to be a trend and demand from consumers. **Tommy Howard, President Norton Residential Lake Division**

Be it local, national or global, the real estate landscape is dynamic, never static. With that in mind, continually striving to provide value to customers and clients is a challenge that must be met, with strategies and tools *intentionally implemented* and followed, if we are to remain a viable profession. **Brad Abernathy, Partner Norton Residential**



I keep a presence in the community ...people are buying and selling again and unless they see you often they will forget you. **Kristie Myers, Partner Norton Residential**

Listened to my clients as well as others on how others perceive the market changes along with tools that they find helpful and applied that to my business plan for the New Year. **Kami Crawford, Partner Norton Residential**

Soft market allows early renewal pricing if you request from carriers and with pricing going down I've been able to lock in most of my renewals up to 30 days prior to renewal. I also stopped approaching all new business at the effective date and now work on accounts mid-term or any time other than the 90 days before renewal, allowing a much more custom approach and less reaction from incumbent agent. **Will Robison, President American Risk Insurance**

I have stayed in contact with competitor realtors to observe their business practices, marketing tactics, how they are attracting buyers and sellers by asking questions. Paying close attention to sale trends and listing price to sales prices so as to be a better informed realtor, more knowledgeable in pricing homes to sell. **Patsy Bailey, Partner Norton Residential**

The insurance remark remains soft for most lines of coverage. I have been working hard to get in front of clients prior to renewal to address any concerns about coverage, service or claims. We also discuss any changes to their operations or exposures and where they see their business heading in the next 12 to 24 months so we can address any needed changes proactively. **Chris Long, President Carolina Risk Advisors**

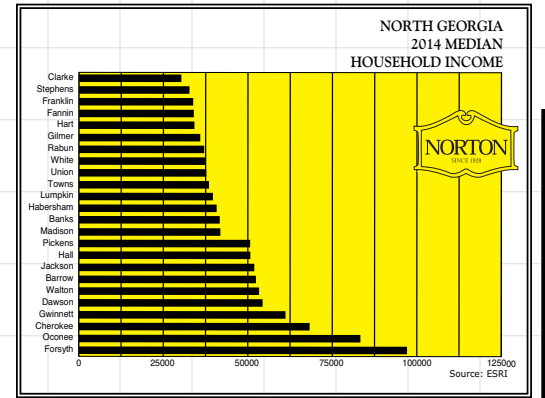
Is key for all aspects of the business from marketing, to communicating with clients, to forecasting and tracking our business. Constantly staying on top of the latest technology is critical to having the competitive advantage. **Sheila Davis, Partner Norton Residential**

WHAT ARE YOU PRIORITIZING IN THE NEW YEAR?

Hiring top tier employees to give us the opportunity for strong growth. Growth coming from acquisition as well as organic. **Scott Lewis President Norton Lewis & Gore**

Loyalty matters-friends do business with friends or people they trust. **Bob Norton, President CEO Norton Insurance**

New Construction activity is continuing to grow throughout the market. Real estate inventories continue to stay low and the demand for affordable housing is increasing. New Construction is underway now, with inventories becoming available early spring. **Tommy Howard, President Norton Residential Lake Division**



Expanding agent force as traditional market emerges. Mountain region prices have not regained as much traction as counties to the south. **Diane Brown, President Norton Residential Mountain Division**

My priorities are always the same...Faith Family and then Business. If the first 2 are right, I can handle the 3rd. I have learned that Zillow is here to stay and is the behemoth in internet presence. When my listing goes up, I check Zillow to see how they look. While tech is very important, people who know you and like you will come to you for business. **Kristie Myers, Partner Norton Residential**

In 2015 I plan to continue adding solid, long-term relationships to our book of business. Staying focused on being the expert, not selling the most insurance, building relationships, and working with clients that appreciate the relationships, strategies, and leadership we bring to the table. **Will Robison, President American Risk Advisors**



GRAND NARRATIVE

Norton Native Intelligence™ is a trend and forecast publication now in its 27th year 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 technology bounty, and interpret for our readership the mountains of statistics. Each year our herculean task is to condense the epic harvest into digestible form.

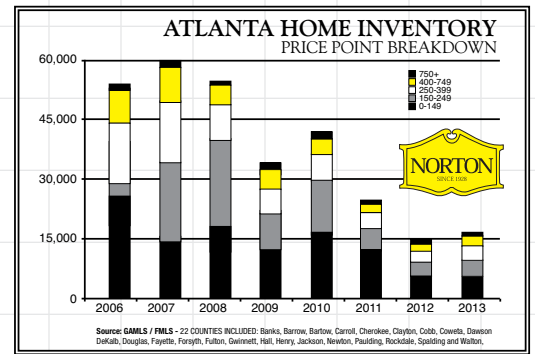
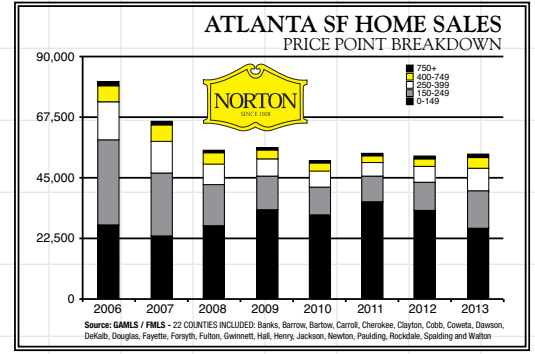
Norton Native Intelligence™ is undertaken by the Norton Agency’s collective divisions to better understand and blueprint its own organic growth and help assist the communities we serve with our interpretations, trending and watchful eye on the character and condition of our region.

Our annual findings are compiled in presentation format for our annual forecast event and in booklet form 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 community demographics, real estate (of course), investment, land development trends, real estate finance, patterns of growth, consumer expectations and capital markets. We let the “other guy” research the national and global economy...our focus is **local**, we are **local**...been around for 87 years...Our sales and support force is **local** and we are proud to be North Georgia Pioneer stock going back seven generations.

Since Real Estate’s wave is a function of how it serves its users - workers, consumers, businesses, travelers, homeowners and apartment renters – we look to human elements for signs of trends, demographics, labor force characteristics, location preferences, and motivators discerned by observed behavior and the interpretation of real estate professionals are among the most reliable indicators of trends.

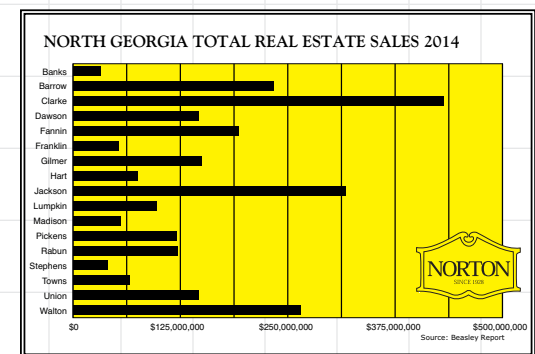
Norton Native Intelligence™ 2015 reflects the synthesized views of more than 500 individuals and businesses who have been surveyed, temperature monitored, and economic vital signs recorded. But the views expressed herein reflect our views of North Georgia, our views of our future, and our views on the opportunities in front of us. **We own it...**the data, the interpretations and the spirit that drives us forward.



SEASONS

To Everything there is a Season and a Time for Every Purpose...and the Georgia Real Estate Market is no different.

The residential development and brokerage industry has been battling the cyclical nature of its business models for decades. Over time the market vitality has been tempered with better construction timetables, winter inventory reductions and brokerage firm’s internal sales and listing contests to either sell off year-end inventory or build up inventory, whichever is dictated by that current cycle.



Thankfully our seasonal adjustments are routed in psychological consumer patterns, dominated by the noise of the holidays and not artic winds and snow drifts impeding construction. In fact in some national markets, the construction season is only six or seven months in length vs the Metro Atlanta area which tracts only an average of 21 bad weather days from November to March.

A Time to Plant and a Time to Pluck up That which is Planted.

So the quick forecast for the Atlanta Real Estate Market (new construction and resales) is that the overall market will slow in December, January, February and early March. It will reenergize itself around March 20th or 21st (spring) only to ignite a storm of new construction and summer of heavy migration and relocation to the new south mecca...Atlanta. The National Builders build huge supply and demand computer models in order to deliver housing inventory like “just-in-time” automobile manufacturers or widgets but consumer consciousness or holiday unconsciousness overrules technological productions.

“The winter dip,” however, can be a productive time. It’s the time builders analyze the year’s sales results understanding product mixes, home buyer preferences and develop hot new construction floor plans. A time to figure out what worked and what did not work. It is also a time for the home buyer to scan through the latest home magazines and planning books to dream forward to their own spring construction. A time to explore vacant developed lots or acreage tracts for potential construction or construction-perm custom initiatives.

The winter is “snakeless” which is a perfect time to walk in the woods and dream of a “human scale” new nest. Winter – with the naked hardwoods and dead underbrush, is terrific time to see property’s terrain, landscape features and of course, views. For generations, winter sales on Lake Lanier soared because traditionally astute buyers can see all the best that a property has to offer and all the warts at the same time.

Expectations for the 2015 Real Estate Market

- Overall home inventory will remain at historic lows in most Metro Atlanta Micro markets. Expect 3.5 to 4.8 months of home supply throughout 2015. The low supply is most likely with our market until the feds relax current constraints on regional and small town banking allowing the resumption on speculative home builds.
- The National builders will continue to dominate the new home sector because of their external source of capital. By the end of 2015 we predict 50% of all homes constructed will be by Atlanta’s Top 10 builders.
- The strongest markets are driven by school zones. Hot demand in public education at the elementary school level is driving the market inventory.

■ Expect the 22 county region to permit slightly over 20,000 new housing units, single family and condos in 2015. Nowhere near our peak of 62,000 (2006) but more than doubled the annualized activity of our low year 8,600 (2009) units. And, as in the last five years, 52,000 to 55,000 homes will trade hands through FMLS and MLS in 2015. Normal activity with average people with average credit buying average homes.

■ Residential growth begets Commercial Retail Development. Commercial Retail Development begets Medical and Service Sector office growth. Medical and Service beget new jobs and business industrial expansion and Jobs and Business industrial expansion beget new residential. In 2015 it (the cycle of Atlanta Life) starts again.

To Everything There is a Season, A Time to Sell and a Time to Buy.

AMEN

TOP 10 EVENTS 2014

For years Norton Native Intelligence™ published its Top Ten Trends for North Georgia but for the last three years, we diverted from that “David Letterman” countdown and focused on strong and grand narratives of leading conditions in our region rather than stretch ourselves to talk about or repeat watered down “trends.” This year we have reintroduced a Top 10 list but one that, through interviews with our commercial brokers and other knowledgeable industry experts have determined the most significant real estate or business events that have happened in our primary service area in 2014. While in Atlanta, you might include such things as the construction of the new Falcon Stadium, the relocation of the Atlanta Braves to Cobb County or sightings everywhere of Atlanta’s New Bird, “The Apartment Construction Crane.” North Georgia is our focus and our home town, our roots from which our legacy springs.

Here are Norton Native Intelligence™ Top 10 Business/Real Estate Events in 2014.

■ Kubota Manufacturing’s announcement of its 150± land acquisition on US 365 at the Gateway Industrial Park. A development which not only brings 650 to 1,000 new jobs and \$100 million in plant investment but solidifies the strength of Gainesville’s North Industrial Park and Kubota’s North Georgia and Hall County’s presence. Kubota is the largest industrial user in Hall County.

■ Forsyth County’s transportation SPLOST referendum perhaps is the tipping point for county by county transportation initiatives. The positive vote creates a 200 million dollar transportation program of work and could push other counties...wake up Gwinnett, Cobb, Hall and Cherokee...to mount similar self- help transportation initiatives.

■ With the new River Place Hospital (South Hall – Braselton) only months from opening, a frenzy of companion development is underway or on the drawing boards. Athens Vascular, Medical Arts/Longstreet/Diagnostic Clinic are already underway with separate medical campuses. Smaller medical providers are scrambling for space and a myriad of associate support users are being drawn closer like a moth to a flame to the new hospital epicenter.

■ Walmart Markets has entered the Hall County market with two stand-alone grocery stores. One is located on Thompson Bridge Road, the other is located on Browns Bridge Road. The street rumors are that a third is planned in South Hall. This is major, the first new Walmart Markets we know of in the State of Georgia and Hall County is their test market for the South.

■ Residential sales are on the way up. Metro Atlanta and North Georgia inventory is down and horizontal development is returning in isolated pockets. As inventory of available lots continues to decline, the hot elementary school zones (Forsyth, Gwinnett, Cobb, Cherokee) will see more and more land sales, rezoning and platted lot development.

■ The new poultry lab construction on GA 356 and the sewer expansion up 365 north have spurred other development (see #1 Kubota). East Gainesville development is heating up; Kroger, McDonald’s, Quick Trip, and now GA 365 expansion opens an employment pipeline for Habersham, Banks, Stephens and Rabun.

■ The industrial explosion on I-85 in Jackson County merits this year’s ranking. Over 5 million square feet of industrial space is either under construction or in the pre-development stage, significant movement includes Ollie’s Bargain Outlet lease in Commerce, a major German manufacturer on the Prologics site just to name a few. The next decade is sure to be Jackson’s industrial awakening.

■ The National Builders who have primarily concentrated their renewed construction activities in a tight North Atlanta swath have, at long last, entered the Hall, Barrow, and Jackson counties residential fray in 2014. This signals renewed strength in those markets and expanding builder confidence overall.

■ The record industrial sale of 37 acres on Dry Pond Road in the Raco Industrial Park at \$125,000 per acre. WOW, simply WOW.

■ The boom in active adult communities such as Cresswind, Deaton’s Creek and Soleil Laurel Canyon in Cherokee County lead the market into a new character and market demographic, perhaps even a “retirement mecca” if others follow.

Other notable real estate or market driven events not making our final Top 10 included the Pro business, Governor Nathan Deal’s reelection, announcement of impending upscale retail along GA 400 between Cumming and Dawsonville. Avalon’s live, work, play development opening in North Fulton, King Hawaiian’s plant expansion in Oakwood, Verity Bank (Barrow and Habersham) sale to C&S Bank, the Mega Kroger store opening in East Gainesville, Norton’s 952 acre sale in Lumpkin – the biggest acreage sale in our region since 2006, and Brenau University opening a new Medical School in Downtown Gainesville.

NORTON’S QUICK VIEW FORWARD

The following is a 2014 year end survey of market conditions, ponential opportunity and concern. Norton’s commercial brokerage network was asked to list North Georgia hottest counties - those that are strong now; the best counties for long term investment if the investor had longterm goals and staying power; counties to watch are those counties with significant

potential events or impeding announcements that could accelerate growth; and those counties that have registered concern with our brokerage staff over government constraints, leadership, accessibility or external influences.

North Georgia's hottest counties 2015 – 2020

- Gwinnett
- Forsyth
- Cherokee
- Jackson
- Hall

Best counties for long term investment 2015 – 2045

- Dawson
- Barrow
- Walton
- Cherokee
- Jackson

Counties to watch 2015 – 2020

- Gwinnett
- Hall
- Jackson
- Franklin
- Union

Counties of concern 2014 – 2015

- White
- Habersham (too many regulatory roadblocks)
- Stephens
- Madison (lack of transportation/accessibility)
- Hart (new auto manufacture may change and improve)

HOUSING MARKET PREDICTIONS 2015

We collect our data for Norton's Annual Forecast report all year long. In October, we organize, in November we reread and study, in December we write and in the first two weeks of 2015, even up to 48 hours before our annual event we EDIT just in case we see year end shifts or actual numbers beat projections or forecasts. This, of course, drives our administrative staff, our long time copy editor Betty Howard, and of course, the folks at Matthews Printing CRAZY. But getting "it right is more important, not 100% right, and by my own admission...I can't spell...but we are striving for accuracy in numbers and closeness in projection.

Because the housing industry is so engrained in our corporate DNA, we present to you five real estate market predictions to consider in 2015.

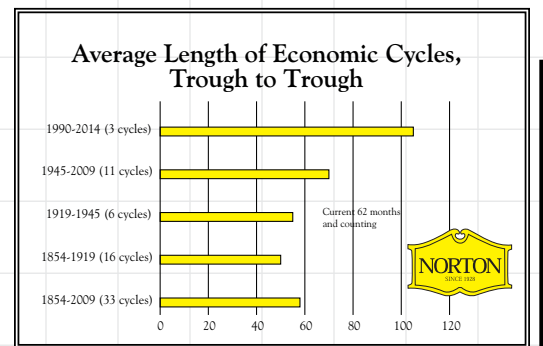
1 Home values will continue rising, but more slowly than 2014.

Home price trends vary quite a bit at the local level. That's why they are rising rapidly in some U.S. cities right now, while still declining in others. There is no such thing as "the" housing market, when it comes or pricing trends. It's a local thing.

With that being said, national averages such as the S&P/Case-Shiller Home Price Index do serve as a general indicator of where things are headed. And they've been headed upward for some time now. According to the latest Case-Shiller report, prices nationwide rose 5.6% over the last year or so. But that's in the rear-view. What about going forward? Here's a real estate prediction for 2015 regarding home prices:

Last month, financial data firm CoreLogic released their latest forecast. Their forecast includes predictions for monthly home-price gains, as well as annual pricing trends. According to the report the economists and analysts at CoreLogic expect U.S. home prices to rise by 5.7% between July 2014 and July 2015. (Coincidentally, that's about how much they rose from July 2013 to July 2014, according to the Case-Shiller index.)

CoreLogic's forecast mirrors the more conservative outlook of many other economists when compared to last year. The general consensus is that residential property values will continue rising in 2015 but at a slower pace than what we've seen over the last 12 months.

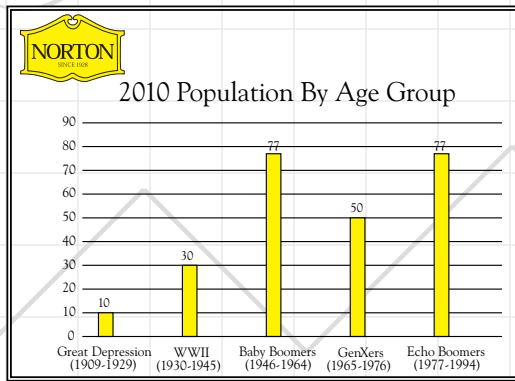


2 Double-digit gains will be limited to California and the Southwest.

According to most national indicators expect price appreciation in some parts of the Southeast. 4-6% with Georgia, Virginia, Tennessee and North Carolina leading that wave. Alabama, Mississippi, Kentucky and South Carolina are predicted to be flat, 0-2% appreciation. Hot spots like Atlanta, Nashville, Memphis, Raleigh and Charlotte are forecast to see an even higher market movement of 5-8%.

3 Mortgage rates will hover below 5% for most of 2015.

Freddie Mac, the now-government-controlled corporation that buys and sells mortgage securities, conducts a weekly survey of mortgage rates being offered by lenders in the U.S. They also make various forecasts relating to the housing industry. Their long-term outlook calls for gradually rising rates over the next 12 months.



Granted, this is only a real estate prediction for 2015 – not an assurance.

But it is based on some of the best data available, analyzed by economists who specialize in mortgage and housing trends. So it probably won't be far off. Think of it as a well-educated guess.

4 Foreclosures will continue to decline and construction will tip up.

Home foreclosure activity spiked when the housing market crashed, and it remained high in the years following. But starting a couple of years ago, foreclosure filings began to decline. This is another welcome sign of normalization within the real estate market and for the broader economy as well.

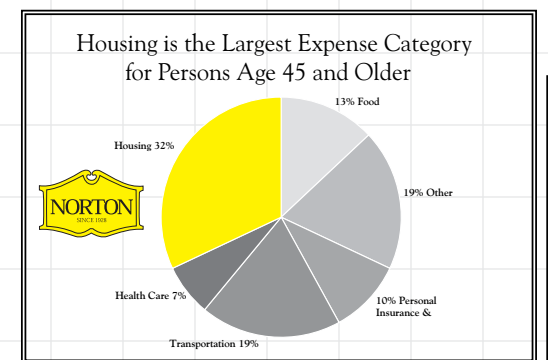
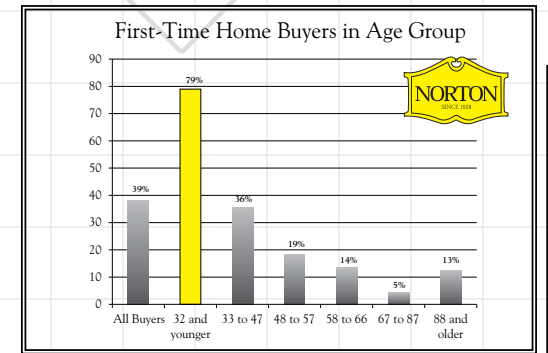
Earlier this year, CoreLogic reported that foreclosure inventory had declined for 31 months in a row. Distressed properties are commonly priced below their true market values, which erodes home prices across the board (even for non-distressed properties). So a reduction of distressed inventory helps to lift and sustain real estate values.

RealtyTrac, a company that monitors foreclosed home statistics, also reports improvements on this front. According to Daren Bomquist, Vice

President of RealtyTrac: “We’re in the homestretch of getting through the foreclosure crisis. But we won’t cross the finish line, with filings back to pre-crisis level, until early 2015.” Many other analysts agree with this housing prediction for 2015. Fewer homes will be foreclosed on next year, which in turn should help the market continue its post-crisis healing process.

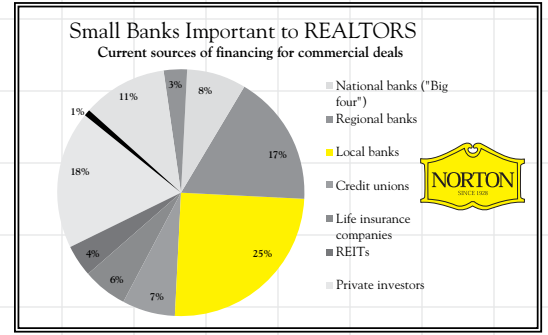
5 Mortgages will be Easier to Obtain.

With decreasing home inventories, we see a tempered return to new home construction led by the national builders building in “hot” elementary school zones, well-funded builder upstarts (mostly private capital with no debt), and resented builders from the early 2000’s are tip-toeing into the market. It’s all about price point balanced with house sizes in this new market as builders on all fronts try to squeeze the most house “dime” from the construction “nickel.” In July the Federal Reserve released the result of its latest “Senior Loan Officer Survey on Bank Lending Practices.”



According to that report, mortgage lenders are relaxing their standards in several key areas.

Areas where “loosening” is most apparent: credit scores and debt ratios. In short, lenders are allowing lower credit scores and higher levels of debt, where mortgage borrowers are concerned. This trend is an industry-wide reaction to lower loan volume. Traditionally, when application volume goes down, lenders try to compensate by relaxing their standards and putting more loans into the pipeline. We saw evidence of this in 2014, and it will likely continue into 2015 to some degree.



Executive Bookmark Reading List 2014-2015

The Editors of Norton Native Intelligence™ are voracious readers in their quest for lifelong learning. While we take and read close to 20 local and regional newspapers, it’s the “Deep Think” of new ideas that gets our brain juice flowing. Some of the books on our current reading list that have influenced our conversations and writing include:

Think Like a Freak
The Hard Thing About Hard Things
Cooked
Vermeer’s HAT
Game Changes
Unselling
David & Goliath
People Work
Stickability

Steven Levitt & Stephen Dubner
 Ben Horowitz
 Michael Pollan
 Timothy Brook
 Steve Murray
 Scott Stratten & Alison Kramer
 Malcolm Gladwell
 Austin Allison & Chris Smith
 Greg Reid



FIVE BOLD IDEAS

In late October, Native Intelligence was invited to speak with the business leadership of Lumpkin County about market conditions and a forecast for the region. Challenged to make it “FRESH” we dug deep into the raw numbers, interviewed a quick wide range of industry types, real estate folks, and bankers and concentrated our public presentation on BIG BOLD IDEAS for Lumpkin. While the group was small, it was received enthusiastically and positively.

The really big ones are generational. People are strange, on a micro-level. Everybody likes a new product, a new TV show, new software, a new smart phone. At the micro-level, people love change. At the macro-level, people hate change. Big, new ideas that challenge pre-conceptions make people angry.

BIG, BOLD, BODCIOUS IDEAS we profess should push beyond a community’s comfort zone, not sting nor hurt but challenge the existing status quo. It’s not thinking out-of-the-box per-se but increasing the size of one’s box. BIG, BOLD ideas should capitalize on demographics, foundations of our infrastructure but should move the game board, create a fresh view of circumstances and of The Opportunity.

Following our leadership theme for 2015’s Native Intelligence Forecast we have dug deep into North Georgia’s raw data, expanded our survey and interview discussions across a wide swath of the region and digested those new age thoughts in to FIVE big **bold** ideas for North Georgia. Never the shy one; Norton, the Norton Family, and Norton Native Intelligence™ known that some of our BIG, **BOLD** IDEAS will step on some leadership toes, go against current direction and shift cultural and political convention. But for 87 years now, we’ve been swimming upstream so this year’s forecast commentary is no different. Here are five BIG, BOLD IDEAS to ponder and say why? Why not? And if implemented what if?

Turn North Georgia into a second home MECCA

We’re not just talking about the occasional second home purchase or mountain cabin construction, we’re talking about an ALL OUT - ALL IN second home marketing promotion mindset MECCA. The base foundation has already been set, we have second homes built and used throughout the North Georgia region but the geographic is too compelling for us not to better capitalize on positioning.

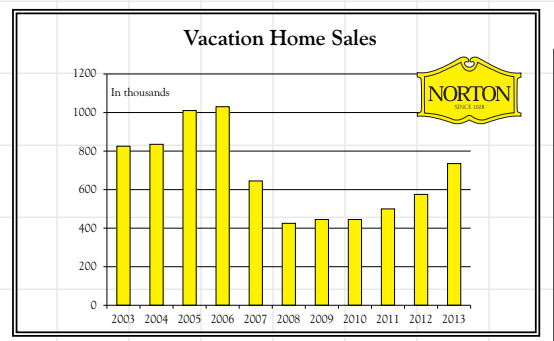
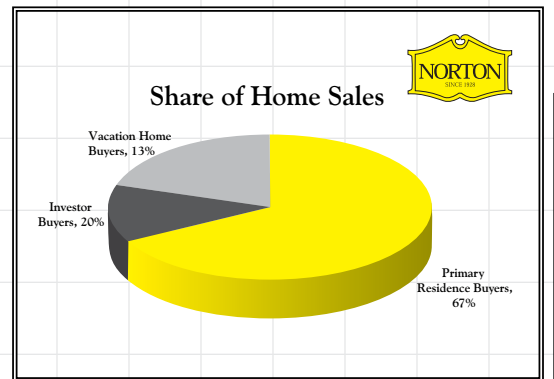
Two important demographic points should be considered. **First**...North Georgia with its rolling mountains, forested ridges settled valleys sits directly on **top** of six million people (2014) projected to grow to 12 million (2050). **GEOGRAPHY**. One hour to one hour and a half to the

Second Home Profile

	Second Home	% of Total Housing	Estimated 2nd Home Average Value
Dawson	1992	19.1%	450,000
Fannin	6724	41.4%	200,000
Forsyth	5181	8%	495,000
Gilmer	5850	35.4%	175,000
Habersham	2045	11.3%	350,000
Hall	7916	11.6%	510,000
Lumpkin	1473	11.5%	155,000
Pickens	2879	21%	145,000
Rabun	5981	48.5%	700,000
Towns	3743	48.1%	275,000
Union	4564	32.5%	175,000
White	2573	16.3%	145,000

largest potential second home buyer demographic in the south. The affluence of that cultural melting pot is largely executive, service sector employment bases, homeowners, and accessible via the great transportation pipelines built well into our North Georgia region. The demographics are ripe for stronger second home demand. Our story is too compelling.

Second and emerging... is Atlanta awakening as an international high tech, GEN X migratory



point. Over the last 10 years, a projected hundreds of thousands GEN X'ers have relocated to Atlanta, primarily I-P (Inside the perimeter) and a youthful, vibrant, exciting and diverse business community has evolved. We read of major job announcements, technology wonder kind business start ups Mailchimp, Yik Yak, Pardot and others already in the Metro Atlanta region seek expansion space closer to the core of the city and the epicenter of this energetic labor base AT&T, World Pay and Athena Health.

What we are witnessing is an urbanization of Atlanta, a melding of Downtown, Midtown, and Buckhead and an emergence of retro-fitted "urban" warrior communities like West Midtown, King Street, West End, Cabbagetown and Reynoldstown. But when demographics dig into the psychometrics of the demographic and look to similar communities around the country, they find this population to be young, affluent, energy sparked, more and more seek the **(thrill of living in a cosmopolitan city by week and escape by weekend to something different.)**

North Georgia is something different. Rock climbing, white water rafting, zip lines, rock cliffs, tracks, hiking, wineries, farm to table restaurants, farmers markets, camping, exploring, lake, mountains, rivers, fly fishing, forests; we are the right place and the demographics are the right component.

Second homes are a county's best, purest tax revenue. The owners shop in our grocery stores, eat in our restaurants as regulars, play golf, hike, ski and leave their tax dollars behind. They rarely borrow a library book, access our social services, seek medical care, cause fire or police stress or much less vote and change the local political climate. Their needs are simple, environment, escape...something different.

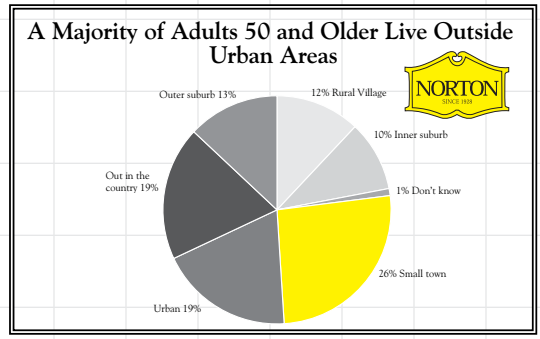
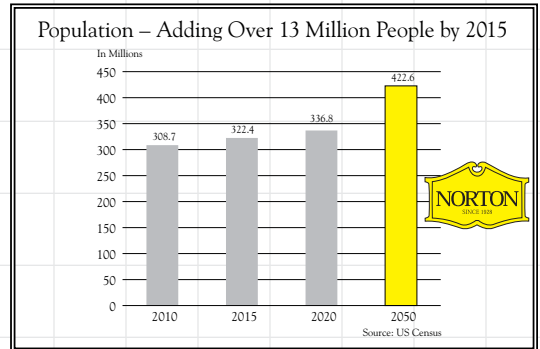
But to shift the chess board, we need to expand in three dimensions, play the game to win. Almost every community up our way plays to the occasional visitor, the annual adventure down the river, the annual Gold Rush pilgrimage, the annual apple picking in Ellijay, or cutting a Christmas tree in Rabun County. Occasional tourist is the thrust of our business model. To win this gold, we need to shift our conventional thinking to promote weekend LIVING in the mountains and capture the romance of our simple, slower farm to table existence coupled with a myriad of Napaisk wineries and First Class dining across North Georgia's platform.

COME...ENJOY...STAY.

Oh! And our high speed internet pipeline North Georgia Network will keep them connected to their 24/7 work commitments, Amazon store purchases and latest Facebook posts. The ingredients are there. We need to reframe our context, reshape our mindset and communicate, communicate, communicate.

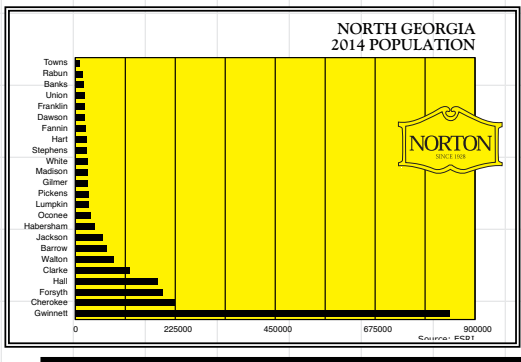
2 Refocus our "Definition of Work"

Coupled with moving North Georgia's marketing from the one off tourist to the ten time per year second homeowner is an opportunity to refocus our industrial recruitment efforts. The reality of getting a major industrial user, manufacturer, assemblage, or distribution center in downtown Cleveland, Clayton, Ellijay, and Dahlonega is slim to none. The era of remote assemblage, weaving, or cut and sew operations is GONE and industrial recruitment machined to attract those industries and those locations is just "whistling in the wind." The rusting hulks of former big



industrial users must be thoughtfully repurposed. Today's sophisticated industrial user is all about logistics, transportation, or accessibility to National (interstates/rails) if not global market places (via Savannah ports). We see a big distribution laser focused on I-85 in Jackson County but the new era dynamics is that they will build or lease 500,000 to 1 million square feet and hire maybe 40 employees. The facility is simple, one giant computerized conveyor belt with sky high stacked storage ready to be robotically picked and shipped. The employees are

programmers, pickers or logistics and the warehouse management is a computer in Hackensak.



What we have in our region is an alternative, we're not Atlanta with its glimmering urban glass tower, we're not Raleigh with its sprawling meadows filled with R & D, nor are we Nashville with its music production industry. **We are a quality workforce in an**

environment. The same things that will attract second home residents will attract small entrepreneur business seeking a business climate set inside a lifestyle. Small R&D, small service, small technology. Executive base entrepreneur owners are our best chance to diversify and strengthen our business base. Companies like Pro Therapy, Mansfield Oil, and Select Labs, take advantage of the close proximity to public and private air transport, adjacent to a metropolitan market but capitalize on the incredible lifestyle (housing, education, healthcare and recreation) for recruitment. Yes, we should continue to try to get more Kubota's, Toyota's, Home Goods along our transportation corridors but use a rifle with a high powered scope and pick off the next generation companies seeking our lifestyle.

The It' time to talk COLLABORATION.

Norton Native Intelligence™ really wants to talk C_____ but we know if we do, every politician from here to Walhalla would come to our homes with torches pitchforks and tar... so we dare not use it in this writing but the inherent meaning is still there.

Webster Dictionary defines Collaboration as: "To work with another person or good in order to achieve or do something that otherwise may not be achieved."

EXACTLY

As Norton Native Intelligence™ travels the hills and valleys of our region, we are amazed at the flashes of greatness, brilliance of ideas, energy, intelligence and creativity but dismayed at the **TURFDOM** that has been created between city vs city, city vs county, and county vs county and the bogging down of those same ideas intelligence and creativity. We are no better than the scattered feudal hill towns across Tuscany (Italy) each with its own walled perimeter to keep marauding invaders out and **isolation** or progress in. Only in modern history have we seen the power in unification not necessarily in Italy but Germany, England and other more progressive

nations. Isolation or collaboration? Imagine the progress that could be made in Dawson with combined Dawsonville/Dawson County collaboration. The struggles in Stephens County could be overcome with strong unification-collaboration between Toccoa and Stephens County. The power in strong collaboration between Oakwood and Flowery Branch both of which could be rolled over with the population steam roller coming from Gwinnett. Why does Hall County have 9 collective governments, Jackson 9 collective governments, Barrow 8 collective governments. That means government on steroids, duplication of services; fire, police/sheriff, emergency responders, clerks, administration and general overhead.

But sure, it's ok because they all have the revenue to support themselves. But, wait a minute, **that** revenue is ours...OURS. We currently have an epidemic or **abundance of government**. Taxes, fees, assessments are what has built these governmental albatrosses and built on the backs of individual and business taxpayers.

Now many would say "Norton" should mind its own business...but it is our business. We have operations in 19 locations, sell property across 59 counties and deal with them all.

Imagine the power, if not the test scores, that a combined Gainesville/Hall County School System might have. The duplication of services and personnel is even more rampant in three separate systems; Jackson, Jefferson and Commerce schools. Keep the same tax structure, same taxes, but deliver the surplus down to the kid's level.

Collaboration, unification a/k/a merger has great success stories. Northeast Georgia Medical Center plus Lanier Park, Athens plus Clarke County, both Augusta consolidated and Columbus/Muscogee are now blowing past Macon in economic vitality energy and new business recruitment. Collaboration should also be extended across imaginary lines on a map between counties. The joint development authority initiatives in Dawson, Lumpkin and

White and another in Franklin, Stephens and Madison are fine examples of pooling time, talent, and resources across 18th Century Geopolitical Districts.

What terrific economies of scale you would get through inter-jurisdictional Planning Departments, Human Resource offices, Purchasing, Public Works. The efficiencies enacted by private businesses over the last seven recessionary years have had profound effect on corporate and small business' bottom line. It's been the survival **by the fittest not of the fittest**. Call it what you want, but collaboration should be on the mind of everyone as we move forward in the new economy.

Progressive Preservation

What makes a community great? With the surge of growth which is anticipated by our Gorilla "Atlanta" and her twin sister "Gwinnett" over the next 40 years, how does a community like North Georgia preserve (save) its soul. Supreme Court Justice Potter Stewart once said "about pornography, I don't know what it is but I know it when I see it." The same is said for the soul of a community, hard to explain but you know it when you see it...when you feel it...magical, inspirational and aspirational.

The character of a community is manifested in its architecture, the context of preservation of its people and their welcoming arms and attitude. It's the sense of place. It's, of course, more than festivities and parades, it's a community giving heart as demonstrated when a side of Clarkesville's square burns to the ground or a church mobilizes for a lost child.

Our bold challenge is to preserve our heritage, bottle that North Georgia spirit before it's too late. Through some vehicle like the North Georgia Community Foundation, create a Heritage Community Fund to preserve and protect landmark properties through some sort of alliance, bringing together a variety of organizations which are dedicated to enhancing the quality of life – give them training and resources that prepare them for growth and expand their reach and develop their clout.

Groups such as:

Sautee Nachoochee Center	White
Downtown Dahlonega Merchants Association	Dahlonega
Hambridge Center	Rabun
Lake Rabun Property Owners	Rabun
White County Historical Society	White
Longstreet Society	Hall
Quinlan Arts Center	Hall
Suwanee Mountain Cultural	Forsyth
Foxfire	Rabun
Hardman Farm – Ga Trust for Historic Preservation	White
Byron Hubert Reese Society	Union
Elachee Science & Nature Center	Hall
Smithgall Woods	White

North Georgia History Center Hall
 Gilmer Arts and Heritage Gilmer

Self Sufficiency

The recent successful SPLOST transportation referendum in Forsyth County got us thinking, "Could we do the same for water." Forsyth County, pressured by the bottleneck congestion and on the precipice of a population explosion placed on the November ballot, a comprehensive transportation package: surface roads, interchanges, cross county arterial access roads, even widening GA 400 through their county, they knew that congestion would strangle their local economy, their tax base and Forsyth's quality of life.

So water or lack of water could equally strangle a local economy, its tax base and torch its quality of life. Yes, we have Lake Lanier but Atlanta claims it, as does Alabama and Florida. While the conflagration of lawsuits make their way to the Supreme Court, we cannot be like Nero and Fiddle while Rome burns...since we are liable to have no water to put it out. Let's start digging our own destiny, take control of our future growth and dig and fill our way to business recruitment and economic vitality.

They say that future wars will not be fought over religion or politics but over food and water.

Lumpkin took the bold step some years ago creating the Yahooola Creek reservoir. Hall County is in design of an 850 acre reservoir at the Glade Farm but much more is needed. With limited surface water but abundant rainfall, our control of water and control over our destiny has been limited to running waterlines, not building storage basing.

While a hurdle may be environmental, regulatory permitting and the crazy governmental maze to get a permit, the bigger hurdle will be LAND. Norton Native Intelligence™ tracking land transactions and land dynamic forecasts that the large reservoir quality of privately held land

tracts will disappear in the next 20 years. Smaller ones may still be around but the larger non-public forest land tracts will be developed or economically out of reach. Communities like Jackson, Forsyth, Dawson, Cherokee, Pickens, Barrow and Walton will find themselves scrambling for water by 2030 if they don't take some preventative action now. You plant a tree today to cast shade on future generations, the same for water. It's time to plant water trees for future generations of thirsty North Georgians and take full control of our future.

LEADERSHIP FOR GENERATIONS

Bold ideas need strong leaders to execute them. It's time to recognize and fill the impending voids created when the current generation of leaders move on. The tales of the poultry industry leadership have been told over and over around the campfires of North Georgia. Names like Jewell, Cromartie, Arrendale, Hatfield, Otwell, Wilson, Bagwell are legendary leaders, pioneering leadership in an emerging time pulling us out of hard scrabble Appalachia into a twentieth century economy.

The Stewart family of Habersham County, recognizing the emerging need for telephone service, blueprinted and built Standard Telephone into a major network serving tens of thousands. John Jacob's hearing of an emerging broadcast system called CABLE, ran lines everywhere years before there was adequate content to go through those lines. Stalwart Ray McRae took the foundation of a small crossroads bank, First National, and morphed it into First Bancorp with 20 affiliate banks and \$13 billion in collective assets.

But while these community businesses created thriving private enterprise, they pulled up the communities around them...yes, they made money...

lots of money but they created generational wealth for employees, stockholders, vendors, suppliers, and subcontractors around them. This is American entrepreneurship, the trickle down economy at its finest and we freely admit our own business prospered selling homes to a growing population, insuring poultry farms and selling investment property to help diversify our investors' financial portfolios. No guilt or shame when a new industrial park is created through the private investment of locals...quite frankly there should be more of that. Bold leadership takes bold risks...financial, personal and political capital to insure that something will be successful.

In these times as the recessionary water has calmed, **leadership** is needed more than ever. We are overdue for rekindling those new ideas that were set aside in time of strife. We are overdue for collective visioning. From Jasper to Pendergrass, we have licked our wounds, missed numerous opportunities in the interim, but it's time... no overtime... to move forward.

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness." It's time to pick ourselves up, dust off our britches and make something happen.

LEAD...for the next generation.

www.nortonintelligence.com

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

www.nortonintelligence.com

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

NEWS · FINDS · OPINIONS · TRENDS · 2014-2015

RADAR

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 covers 67 counties in four states and now has operational interests from Habersham to Fernandina, Cordele to Dalton and Birmingham to Anderson. Our extended reach and associated research now encompass a statewide business view and regional impact for this New South.

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 burst of brilliant new thoughts, others are perhaps “canaries in the mine” for potential trouble as we move forward.

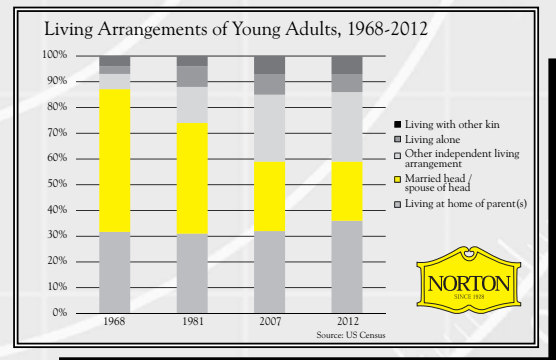
OPTIMISM - There is nothing like optimism. The American love affair with real estate is alive and optimism is in the air from one point in America to the other. Recent consumer studies are pointing to rewarding long-term confidence in real estate and more particularly about the future value of their own home. In one recent study of California home buyers, 81 percent of them believe that prices will increase over the next 5 years. 81 percent is a huge percentage and indicates burning confidence about the future of real estate and values of California homes. We in the southeast know that most trends start in California and slowly march across the Rockies and the Plains, then trickle down our way to the South. But we have seen growth and consumer confidence rebound along with the west coast. Real estate prices are reflecting the State of the Economy. When things go in the right direction and financing is both available and affordable, real estate is where the family savings go for shelter, savings and investments.

HOUSING

THE GREAT DIVIDE - Some markets are booming, others are stagnating, and in many markets typical households cannot afford the median mortgage payment or the median rent. Housing needs have shifted, but the country’s housing stock has not caught up to those demands. Half of all renters are now spending more than 30 percent of their income on housing, up from 28 percent of renters who spent that much in 2006 (Harvard study 2014). When looking at affordability of currently listed homes, percentage of list homes – required monthly

payments of 30 percent or less of median household income Trulia (an online data provider) founded in San Francisco, where a median household earns \$84,129 annually, just 14 percent are affordable; in Denver with a lower annual median household income of \$62,487, half of all homes are affordable using the Government metric while in Atlanta with median annual incomes of \$55,465, 72 percent of homes of are affordable.

HOME OWNERSHIP - Real estate, whether it’s residential, commercial, second or first home, farm or raw land, carries intrinsic values and meanings that we as real estate professionals understand and appreciate. Property ownership shapes wealth; it builds and strengthens a middle class, critical to any nation’s growth, strength and stability. Whether for shelter, for security, for business, for pride of accomplishment – whatever the reason – real estate is a product that has a positive and profound impact not only on the owner but also on all that surrounds that property...neighbors, communities, society and the environment itself. So much more than title is conveyed in the transfer of a property.



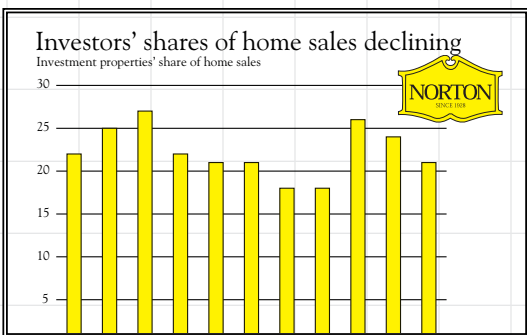
The desire for and value attributed to homeownership prevails in almost every culture, not just us in the good ‘ol USA. What is different is not the overt value placed on homeownership but the hierarchy of meanings

by which people express that value; pride, pride of ownership, and pride of being. In more developed countries, they dream of a place to make beautiful lifestyles, of places to live out life's experience. In some countries, home ownership represents security above all else...both as a financial investment and a place to be physically safe in an ever changing political environment. In other regions of the globe, the most important meaning is as simple shelter and in other areas, home ownership represents accomplishment, the paramount symbol of success. Culture, without much doubt, plays a major role in framing the dream of home ownership but the pride of such ownership is impeded deep in the heart of mankind.

The household home ownership rate has dropped from 69.4 percent to 65.2 percent and households that don't own become households that rent. Between 2007 and 2013, the United States added a net seven million home renters but only 208,000 homeowners.

NEW HOMES - The NAHB research says that the average price of a single family home built for sale in 2013 (last year available) was \$318,308 in the United States. The average market value of a new custom home built in 2013 was \$476,260 or 1.4 times the average of a single family home in 2013. 75 percent of the new homes built in America were built "For Sale" versus custom built for owner occupants.

INVESTOR BUYERS - Have propped up the U.S. housing market through their buying efforts. While the purchase activity slowed in 2014, overall investment properties made up about 22 percent of home sales in 2013 down from 24 percent in 2012 and 27 percent in 2011. House flipping – that is buying a home and selling it within three months for an investment gain, dropped in the half quarter of 2014 to 3.7 percent of all homes sold, down from 6.5 percent a year earlier (Investor's Business Daily 2014).



of the overall economy than at any time since World War II contributing even less to GDP growth than during the period of 20 percent interest rates in the early 1980's. If the residential building engine returned to its post war average, U.S. economic growth would currently be at 4 percent and the additional employment created would reduce the unemployment

rate by 1 percent according to research commissioned by the New York Times.

The Housing Economics Division of National Association of Home Builders (NAHB) estimates that in 2014, the average home in America created 2.97 full time equivalent jobs and \$110,957 in state, local and national taxes. The average rental apartment construction created 1.13 full time equivalent jobs and \$42,383 in taxes. For every \$100,000 spent on home remodeling, 8.9 jobs are created and \$29,779 in taxes. Tax estimate is used for revenue paid to all levels of government, federal, state, county, municipal schools, etc. The tax estimates also include various fees and charges such as residential permits and impact fees.

THE IMPACT OF INVENTORY - Real estate is a business of **supply and demand**. The housing market constantly ebbs and flows between shortage and surplus of inventory. Since January, 2014, North Georgia's real estate market has teetered just on the edge of a balanced market, with an average of 5 months of available inventory. (A balanced market is considered about 8 months.) So how does inventory impact you as a buyer or seller?

If you're in the market to **PURCHASE A HOME**, less inventory means more competition for the best properties. It's important to improve your negotiating position by getting preapproved for a mortgage; have your finances in order, and be ready to make a quick, solid offer. Also, know your needs, wants and must-haves.

If you're ready to list your home, **LESS INVENTORY** means you're more likely to sell for a price closer to the asking price – but don't get greedy. Buyers want a fair contract and will likely ask for some concessions. Set realistic, yet reasonable limits if you're serious about selling.

As we head into the winter months, **EXISTING INVENTORY** is likely to decrease, as people prefer not to move over the

IMPACT - Clearing the way for more residential construction of the variety that people want and need would be a consequential boom to the economy. Investment in residential property (any type of residence) remains a smaller share

holidays. Builder inventory will grow steadily. Interest rates are also on the rise.

EMPLOYMENT - While total non-farm payroll employment is now at 139.7 million, substantially above the pre-recession peak of 138.4 million, full-time non-farm payroll employment is at just 119.6 million, 2.0 million below its pre-recession high. As a result, the number of persons working part-time but wanting full-time work now stands at 7.0 million. And while that's down from a peak of 9.2 million, it's substantially above its pre-recession level of 4.8 million.

RESALE HOMES - There were 73844 single family detached used and REO properties sold over the past 12 months. 22% of these closings were REO sales (one year ago it was 38%). Pre-foreclosure activity has fallen to a twelve year low, resulting in fewer foreclosed homes and additional upward pressure on home prices. November single-family listings (inventory) moved upwards by 23% YoY to 22,000, its highest level in 24 months but the months' supply remains low at 4.5 months. Equilibrium or a normal month's supply of resale inventory for the region is about 7 months. Negative equity continues to decline and yet a sellers' market still exists, especially below the \$250,000 price points. Source FML MetroStudy

SINGLE FAMILY RENTALS - The National Single Family Rental (SFR) market which has received microscopic focus as of recent, and touted as a new product class is, in reality, an established historical product dominated and truly dominated by mom and pop small American Investors. The top 18 intuitional buyers have been killing each other in hand to hand combat over REO bank single family housing units, dominating local first Tuesday foreclosure auctions and sourcing every buying method possible. And yet after four valiant years, they own a whopping 172,748 single family rental homes or 1.2% of the 14.66 million single family rentals in the U.S. 95 percent of the industry own 5 or less single family units. It's not Blackstone but Judy Blackstone living on Elm Street in Mid-America. The institutions have certainly helped stabilize the residential industry through their contributions but the publicity surrounding the OPPORTUNITY helped push the mom and pops using self-directed IRA's and cash to add to their rental inventory. Sixty percent of the Single Family Inventory in the U.S. is owned free and clear. And while there are emerging lending opportunities to leverage and buy more, the average owner is by nature conservative, thrifty and cautious.

THE HIGHEST YIELDS FOR SFR are in the sub \$100,000 price range of SFR housing where institutions and funds don't typically go and in 2nd, 3rd, 4th and 8th in their cities. It makes too much sense, we guess. It is so much easier to rent a \$100,000 home for \$700 to \$1,200 per month versus a half a million dollar house for \$4,000 per month.

HOUSING, A REGIONAL VIEW - Protected by the end, there were 11,000 Annual Single Family Housing **Starts** in the **North Atlanta Market**, up 12% from 2013 when Annual Starts were 9,800. 72% of all starts in the region occurred in North Atlanta. Single Family annual **Closings** reached 9,600 units at the end of 2014, up 21% from the annual 2013 figure of 7,584. Source MetroStudy

AFFORDABILITY - It's not just the price of a home and it's not how much you make; it's how those two ingredients are intertwined. When they are linked, Atlanta has the second most (behind Minneapolis) affordable housing markets among the nation's top 25 markets. (Interest.com November 2014). They report Atlanta's median home price is \$166,000 and according to the Census Bureau, Metro Atlanta's median income is about \$56,000.

MULTI-GENERATIONAL HOUSING - We are not Japan yet but 57 million Americans or 18.1% of the population live in Multi-Generational Family Households (2013). That's double the number who lived in such households in 1980. Of those who are 25-34, 20% of the unemployed live with parents, 12% of employed live with parents.

DESIGN POWER - Buyers are demanding more design in their housing. Builders and sellers who provide the "wow!" will do very well. If in doubt, provide more, not less. Here are some of the design "turn-ons" and "turn-offs".

TURN-ONS. Houses backing to open space, views, water; outdoor rooms and outdoor fireplaces; colors (anything but white); hardwood or tile floors on most of the main level (except bedrooms and possibly dining rooms); main-floor master bedrooms; 9-10 foot ceilings (even in basements); natural materials (stone, wood); "killer-kitchens" – custom cabinets (42" or better), islands, granite full-tile backsplash; stainless-steel appliances.

TURN-OFFS. Dated, overpriced homes; clutter; un-stages homes; white walls; oak; brass; vinyl; choppy floor plans that don't flow; dated designs and colors; 8-foot ceilings; -inch tiles; half of anything – ½ brick up the front, ½ wide porches you can't use, ½ the lighting you need, single tile backsplash versus full backsplash, etc.

BUYERS TODAY are facing the reality of a new market. They are not quite as obsessed with finding “the deal of the century” but want to stretch their purchase dollar wherever possible. They are showing less willingness to wait and buying something to flip or renovate to better suit their needs.

FORECLOSURE - Foreclosure buys at the courthouses of Georgia are now selling at a 12-20% discount off market value versus 47% discount at the peak of distress.

NORTON'S ADVICE FOR:

- **Sellers.** You are competing with builders as well as other sellers. Make your home look as new as possible (put it in “show” condition) and price it right.
- **Buyers.** Every 1% rise in interest rates equals 10% less home you can buy for the same payment. This may be your last year to buy at historically low rates.
- **Builders.** Raise the level of your game on design and customer service. Know your market and watch your supply.
- **Developers.** Create “residential resorts” versus “subdivisions.” Commercial developers: create a sense of identity and place.

Housing Permits			
	Total 2012	Total 2013	Total 2014*
Metro Atlanta	8324	13956	16,270
Cobb	1251	1525	1,775
Gwinnett	1242	2570	2,892
Forsyth	1333	2275	2,472
Hall	301	480	832
Cherokee	765	1201	1,355
DeKalb	242	295	775

(Select Counties - SourceMetrostudy) *Year end estimates NNI

CONSUMER PSYCOMENTRICS

BILLIONAIRES - The number of billionaires hits record high in 2014. A new survey shows that 155 new billionaires were minted this year pushing the total population to a record 2,325 – a 7 percent increase from 2013. Credit goes to the United States – home to the most

billionaires globally – where 57 new billionaires were recorded this year, according to the Wealth-X and UBS Billionaire Census 2014. Asia and Latin America and the Caribbean were also large contributors, with 52 and 42 new entrants, respectively.

“The fastest growing segment of the billionaire population, in terms of wealth source, are those who inherited only part of their fortunes and became billionaires through their own entrepreneurial endeavors,” the report said, noting that 63 percent of all billionaire’s primary companies are privately held. The combined wealth of the world’s billionaires increased by 12 percent to \$7.3 trillion, higher than the combined market capitalization of all the companies that make up the Dow Jones Industrial Average.

The average billionaire is 63 years old, with a net worth of \$3.1 billion which noted that most wealthy individuals do not reach the \$1 billion threshold until their late forties. Almost 90 percent of male billionaires are married, 6 percent are divorced, 3 percent are single and 2 percent widowed. For male billionaires the top five industries are finance and banking, industrial conglomerates, real estate, manufacturing and textiles, and apparel and luxury good. Sixty-five percent of female billionaires are married, 10 percent divorced percent single and 21 percent widowed.

THE RICH hoard cash as their wealth reaches a record high in 2014. 12,040 of these new ultra high net worth (UHNW) individuals were minted in the year ending June 2014, said the Wealth-X and UBS World Ultra Wealth Report. This meant a 6 percent increase from last year which pushed the global population of these millionaires to a record 211,275.

With the annual gross domestic product of the U.S. closing in on the \$17 trillion mark, according to the World Bank, this means that the ultra-rich now have almost twice the wealth of

the world's largest economy. UHNW individuals hold nearly 25 percent – an extremely high proportion – of their net worth in cash.

The majority of the millionaires are self-made and are involved in founder-owned private businesses, according to the report. The value of these private company holdings represents almost twice the amount that they hold in public company stakes. The report also predicted that the global UHNW population will reach 250,000 individuals in the next five years, an increase of 18 percent from this year's figures.

North American and Europe continue to dominate the survey with the United States maintaining its position as the world's top UHNW country with a total 69,560 of these individuals. Asia will be the region that sees the fastest growth in UHNW wealth, it added.

MILLIONAIRES IN THE U.S. - There are more millionaires in the United States than ever before. The number of households with net worth of \$1 million or more, excluding their homes, is at a record \$9.63 million. This eclipses the old mark of \$9.2 million in 2007 before the global financial meltdown. The tally of millionaires slipped to \$6.7 million in 2008 as the financial crises trough. The number of households with \$25 million or more also is at a new high of 132,000 and the number of families with \$100,000 or more continues to climb. It's now at \$38.6 million, up from \$37.4 million in 2012 and \$31.2 million in 2008.

GOOD COMPANY

Who needs counterculture when you've got corporate culture? According to Fortune, a study by MSL Group uncovered the surprising information that rather than try to solve world problems by fighting the system, Millennials (born between 1980 and 2000) are partnering with businesses to drive social change – not government. Findings reveal that:

83% Want business enterprises to do more to help the world going forward.

78% Personally recommend companies based on community involvement.

69% Hope employers will make it easier to get involved in social programs.

83% Want business enterprises to do more to help the world going forward.

51% Want to get personally involved in making the world a better place.

INTERNET USERS in 60 countries across 22 consumer-product categories, researchers found that: (1) 48 percent buy airline tickets online; (2) 46 percent buy clothes that way; (3) 44 percent make hotel reservations through the Internet; (4) 31 percent buy cosmetics online (up from 2 percent in 2011); (5) 27 percent buy groceries online (up five percentage points in three years); (6) 20 percent buy baby products via the Internet (up 12 percentage points in three years); and (7) 21 percent buy pet food online.

Internet Retail, 8/26/14

THE YOUNG AND IN DEBT - Americans overall receive a large portion of their reported net worth through real estate equity. Since many young Americans bought near or at the peak, they never really had the chance to accumulate any equity growth. Many also bought with FHA insured mortgages or low down payment loans stretching their budgets. Because of this, net worth for older households has largely recovered from the peak but for younger households, they are still down by a whopping 40 percent from the peak.

A NEW SURVEY from the American Affluence Research Center found that the number of affluent Americans planning to make large purchases this year - including major home renovations – has finally returned to pre-recession levels. The survey polled more than 300 households with a minimum net worth of \$800,000. Prior to 2008, respondents who had no plans to make large purchases held steady at around 45%. Since then, even the wealthiest Americans have tightened their belts, and that number rose to between 50% and 60%.

Now, penny-pinchers are back to a 45% minority, meaning more than half of all of the affluent respondents – who represent the wealthiest 10% of American households – do plan to either remodel, upgrade to a new home, purchase a second (or third) home, buy a new car, go on a cruise or make another large purchase.

BUYER'S VIEW OF HOMES AS A FINANCIAL INVESTMENT

	All Buyers	AGE OF HOME BUYER					
		32 and younger	33 to 47	48 to 57	58 to 66	67 to 87	88 and older
Good Financial Investment	78%	85%	79%	74%	74%	64%	50%
Better than stocks	43	51	45	43	44	36	17
About as good as stocks	23	25	25	24	22	20	33
Not as good as stocks	9	9	10	7	8	8	*
Not a good financial investment	3	3	5	9	8	10	17
Don't know	13	12	15	17	18	26	33

Source: NAR *Less than 1 percent

SHIFT IN PRIORITIES - Overall, society has been moving through an era of revolutionary change, a personal shift in focus from making a better living to making a better life. Since 1997, the number of U.S. Businesses with no employees, that is only an owner, has increased by 47 percent (Harper's Magazine 2014) "it's great, it's scary, it's worrisome, it's stressful, it's exciting."

Where a young person once said, "I am going to pursue my career and go wherever it takes me" a more recent iteration of that is "I am going to move to somewhere I want to live and then pursue a career there." We are not the hungry immigrant nation we used to be. We are more into meaning, into jobs that find fulfillment. And at least some people are willing to accept lower pay to go somewhere they care about currently 7.7 million Americans, age 65 or older, are still employed; up 60 percent from a decade earlier. Some are working because they need the money, since nearly a third still have mortgages, up from over one fifth who did in 2001. Nearly half of those with mortgages are spending 50 percent or more of their annual income on housing costs.

North Georgia Age Demographics

	Gen. Y ('81 - '04)	Gen X. ('65 - '80)	B. B. ('45-'64)
Banks	5,967	3,921	4,960
Barrow	24,806	15,551	15,291
Cherokee	73,134	51,031	52,803
Dawson	6,733	4,389	6,669
Fannin	5,926	4,128	8,534
Forsyth	60,425	49,232	43,596
Franklin	6,856	4,035	5,983
Gilmer	7,859	5,315	8,770
Gwinnett	303,996	191,375	181,902
Habersham	14,052	8,585	11,043
Hall	64,554	37,257	40,693
Hart	7,224	4,653	7,235
Jackson	20,044	13,360	14,795
Lumpkin	11,574	5,380	7,773
Madison	8,953	5,797	7,870
Pickens	8,302	5,711	8,808
Rabun	4,378	2,846	5,144
Stephens	8,118	4,647	7,191
Towns	2,833	1,597	3,417
Union	5,002	3,421	7,373
Walton	27,680	18,087	20,961
White	7,997	4,982	7,860
Total	686,413	445,300	478,671

GEN-Y WILL STILL BUY - 59 percent of young renters (18 to 39) believe owning a home makes more sense, but 73 percent of young renters also believe it would be difficult to get a mortgage today. 75 percent believe home ownership is an important long term goal, 73 percent believe home ownership is an excellent investment. Only 24 percent of Geny's already own their own home and an additional 60 percent plan to buy a home in the near (?) future. (Source: NAR)

HISPANIC - The Hispanic consumer market in the U.S. is larger than the entire economics of all but 13 countries in the world according to Annual UGA Selig Center Multicultural Economic Study. In 2012 they estimated it to be a \$1.2 trillion market.

THE 1% - It's wrong to lump the 1 percent into a monolithic group of greedy, tax avoiding, selfish capitalists. They are different from what you may think. Most of the 1.4 million taxpayers that make up the top 1% gained their wealth through their own efforts rather than by inheritance. This group consists of a large number of doctors, lawyers, engineers and small-time entrepreneurs, many of whom are working hard to create jobs.

It's true that today's wealthy are richer than in the past and their share of the nation's income has grown. In the late 1970s and early 1980s, the 1 percent club earned about one-tenth of the nation's income. By 2008, it was 23.5 percent, the second highest in history after 1929. Cost of admission to the 1 percent club varies from year to year, but when measured by annual income, it typically ranges between \$800,000 to \$1,400,000. Net worth estimates are less reliable and seldom used as a benchmark but by one calculation a household needs \$8.4 million to qualify.

This is also a volatile group by one estimate. The millionaire club had shrunk by 85 percent by the time F.D.R. started pressuring them. The membership rolls of the 1 percent club are always influx. According to the

Federal Reserve, between 1996 and 2005 some 57 percent of the 1 percent fell out of the club.

COMMERCIAL

RETAIL - Despite the market downturn continued healthy demand for retail space is driving strong occupancy increases for many of Georgia's anchored shopping centers, some landlords are even showing rent increases. While we still are not seeing the formation of mom and pop business, most of the new leases are coming from National, Regional or Franchise operators. Many retailers have realized they probably over-reacted in terms of closures in 2010 and now these National users are scrambling for space and positioning. A good example is Starbucks. Eighteen months ago forecasters predicted "they're done, they're closing stores" and they have too many stores. Now Starbucks is opening lots of new locations or reopening stores that they had previously closed.

No real estate class is more closely tied to economic recovery than the retail sector. While facing other headwinds such as the loss of major shopping center tenants, migration of retail users to pad sites, lack of new-format retailers, and competing Internet sales, the next six months will see continued recovery of gross retail sales as consumers increase household debt and feel more financially secure with restructured housing payments and more retirement equity. This extends to automotive and other durable goods. Continued housing market stability remains the key metric in the fate of local retail growth. Source: CCIM.com

The success of Village of Deaton's Creek and Cresswind are indicative of the strength of the active adult market and outward migratory patterns of Gwinnettians.

GOVERNMENT - Across the country, there are 38,266 special purpose districts, or government units distinct from cities, counties and schools each with its own ability to raise money. Since Ronald Reagan declared in his 1981 inaugural address that government "is not the solution to our problem – government is the problem," their numbers have jumped 32 percent.

CAP RATES BY REGION – 2014 CCIM MEMBER SURVEY

	East	Midwest	South	West
Apartment Cap Rate	6.5%	7.1%	6.9%	5.7%
Office CBD Cap Rate	7.9	8.8	7.5	6.9
Office Suburban Cap Rate	8.5	8.8	8.4	7.5
Warehouse Cap Rate	7.9	8.3	8.1	6.9
Flex Cap Rate	8.3	8.6	8.4	7.2
Retail Cap Rate	7.4	8.1	7.7	7.1
Hotel Cap Rate	7.9	8.1	7.9	7.6
Development Cap Rate	11.9	8.0	9.9	9.7
Land Cap Rate	12.2	7.5	6.1	8.8

Total Residential Units Closed in Metro Atlanta (22 Counties) Year over Year as of September, 2014

New SFD	12,204
New Townhome	1,989
New Condos	281
Resale SFD	73,844
Resale <small>condo/townhome</small>	12,428
Grand Total	100,744

Residential closing Up 5% Y over Y

Source: Metrostudy 2014

DEMAND - Between 1998 and 2002, before the housing market went haywire, total housing starts averaged 1.65 million units and the population of the U.S. averaged 282 million persons. Over the next five years the U.S. population will average about 320 million. As a result, expect housing starts to steadily rise to a plateau of about 1.725 million units. Absent increasing bank regulations, starts would be expected to exceed 1.825 million.

FEDS AND OUR MONEY - The Federal monetary policy for 2015 recognizes the end quantitative easing. Fed Fund's rate is expected to hike in 2015 Q1/Q2, an earlier move to tighten because of inflation pressure. Long term Steady State Rate (2016 and beyond)...expect 10 year Treasuries at 5.0% and Mortgage Rates reaching 6.0% by 2016. (Source: NAR)

TOURISM - Economic impact of tourism in 2013 reached \$219.4 million, \$56.9 million in White County, \$487.7 million in Rabun County, \$42.3 million in Dawson County, \$34.9 million in Fannin County and \$36.6 million in Lumpkin County according to the Atlanta Business Chronicle November 2014.

HOUSEHOLDS IN THE US 2007-2014

- 121 million current households in the United State.
- 3.7% projected growth over the next 3 years, 4.48 million additional households.

PRIMARY REASONS FOR BUYING A HOME

	32 and younger	33 to 47	48 to 57	58 to 66	67 to 87	88 and older
Desire to own a Home of my Own	50%	32%	21%	14%	7%	*
Desire for a Larger Home	9	17	9	7	6	4
Job-related Relocation	6	13	13	8	*	9
Change in Family Situation	10	7	9	9	5	*
Desire to be Closer to Family	1	3	4	13	24	39

Source: NAR *Less than 1 percent

CHARACTERISTICS OF HOMES PURCHASED

	32 and younger	33 to 47	48 to 57	58 to 66	67 to 87	88 and older
Previously Owned	85%	84%	84%	82%	82%	83%
Detached Single Family	80	85	80	76	68	61
Median Price	\$165,000	\$235,000	\$200,000	\$185,000	\$168,000	\$191,000
Median Square Foot	1,700	2,100	2,000	1,800	1,750	1,500
Median Year Built	1986	1991	1993	1995	1997	1991

Source: NAR

ADULT COMPOSITION OF BUYERS

	32 and younger	33 to 47	48 to 57	58 to 66	67 to 87	88 and older
Married Couple	63%	71%	61%	65%	63%	48%
Single Female	12	14	20	19	20	22
Single Male	10	6	10	10	10	26
Unmarried Couple	14	8	6	4	4	4
Other	1	1	3	3	2	*

Source: NAR *Less than 1 percent

WORK FORCE SHORTAGE - Labor Force Growth in the next few years will drop to the lowest growth rate since the end of WWI and the influences is a breakout. Without a change in immigration policy, the U.S. will face a severe shortage of workers.

EMPLOYMENT - No one watches the unemployment rate. The labor rate or total U.S. employment is now the primary bellwether for economic strength. They have played with the unemployment rate for so long no one believes them any more. Many of the millions of long-term unemployed are now permanently out of the labor market, either because of skill erosion, age or being effectively retired. Though these factors weigh on society in many ways, their impact on labor force participation is likely to persist. How many people are we talking about? The most recent Bureau of Labor Statistics figures say that 3.5 million people looking for work have been out of a job for six months or more in an economy that has been growing by more than 200,000 per month in 2014.

Data suggests that this is not just a shortage of high-tech or knowledgeable workers. Truck drivers and health services jobs are

UNEMPLOYMENT 2014

Georgia	7.9%
Jackson	7.1%
Banks	6.0%
Lumpkin	8.2%
Barrow	6.9%
Pickens	6.6%
Cherokee	6.2%
Rabun	9.7%
Stephens	7.6%
Dawson	6.3%
Union	6.1%
Forsyth	5.8%
Towns	6.6%
Gwinnett	6.9%
Walton	7.0%
Habersham	7.1%
White	7.1%
Hall	6.4%
Hart	9.5%
Franklin	9.0%
Gilmer	8.1%
Oconee	4.6%
Madison	5.1%

Source: Norton Native Intelligence™

seeking qualified applicants. National data in the manufacturing sector shows more job openings than new hires since January 2012.

BANKING - The real estate markets are tightly coupled with one another due to underlying structural changes in banking and finance. It began with the forced bank consolidation during the savings and loan bailouts of the 1990s and has now reached a critical mass with **“too big to fail”** institutions resulting from the massive federal bailout of the U.S. banking system in 2008 and 2009. Due to the regulatory changes, small and mid-size institutions remain under extreme cost pressure to consolidate. The number of banks will decrease for the balance of 2014 primarily due to consolidation not bank failure.

The bulk of the refinancing activity from 2012 and early 2014, which fueled the banking recovery, now appears to be slowing.

This will likely have negative implications for lending volumes (and hence bank profitability) for 2015 and 2016.

Some of this is a healthy correction as asset values have recovered from the recessionary trough in all U.S. markets. **The reality** is that we've climbed the mountain and have celebrated our ascent from the bottom, only to realize the climb is only half over. Now we must keep from falling off the path to the top of the mountain.

NORTH GEORGIA BANKS - Norton Native Intelligence™ is tracking more than a handful of regional and small town banks sitting on a nest of cracked bad eggs. The “recovery” wave has not reached Georgia’s secondary markets supported by local industries on second homes. The FDIC relaxed its grip so they have held on but the reality of a rebound is over and a long winter of discontent is closing the prospects of profits. We believe these troubled assets will be cast off in a **slow burn** over the next nine quarters.

INFRASTRUCTURE - If you were to play a word association game, what word would you pair with the term *infrastructure*? *Aging, crumbling, decrepit, failing*? Now well into the 21st century, we rely upon roads, bridges, transit, water systems, an electric grid, and a communications network put in place 50, 75, even 100 or more years ago. It is largely hidden and taken for granted – until it stops working. Then you can't get to work, power up your computer, or even take a shower.

For all our vaunted technological innovations the foundation of our commerce is eroding around us. Sadly, it is not just bridges, roads and the like (as important as they are). Since 2009, spending on educational buildings and health care facilities – by both the public and private sectors – is down by one-third in real-dollar terms. As a nation, the United States is not investing in the physical facilities needed to compete into the future. The trend here is not good, and it is going to be painful for real estate if problems are left to worsen.

RISK DIVERSITY - Bottom line: America’s diversity – heterogeneity, to use academics’ current buzzword – is a strength and a shield. It is a strength because in a world of dire risk, it gives both domestic and international capital a chance not only to park money but also to find markets and real estate opportunities that match a whole range of preferences. It is a shield because the dense web of the U.S. economy makes for greater resilience when shocks occur.

STATE OF GEORGIA TAX REVENUES - Since 2007 we have seen the ebb and flow of tax revenues tied to expansion contraction and rebirth. Norton Native Intelligence™ research indicates that the state’s data points to stability and recovery in Georgia’s urban landscape and flat lining the remaining territory. Our exports are up and our imports are largely static. The Bifurcation of Georgia..... Atlanta vs the rest of the

geography is now urban vs rural. The state’s largest unemployment stats point out that Georgia’s revenues are generated from the urban spots, urban businesses, urban manufacturing and urban energy.

MULTI-FAMILY - Fannie Mae and Freddie Mac are mindful of our current conundrum. A lack of available new multi-family product places upward pressure on rents, which in turn affects the costs of subsidized housing. With more than five times as many tenant vouchers compared to project-based Section 8 units under contract – both totaling more 300,000 units nationwide according to HUD.gov – most projects are receiving some level of government-backed rental payment.

The multi-family market activity has slowed in the larger institutional sector due to compressing cap rates, as well as new construction and rehabilitation in most markets. However, smaller assets under 50 units are now recovering and provide the small investor a value-added opportunity.

OFFICE - A recessionary mindset is squeezing the office market. The National Registry’s local office leasing market that came out of the recession is vastly different than the existing market prior to 2008. Corporate tenants have redefined their use of space. According to CoreNet Global Research, the average square foot per person dropped from 225 square feet to 176 square feet between 2010 and 2012. They further believe it will contract again to 100 square feet by 2017.

The office market has been essentially flat on real rent growth in most domestic markets. The office investment class stands alone as the primary asset class with sufficient scale for major one-off investments.

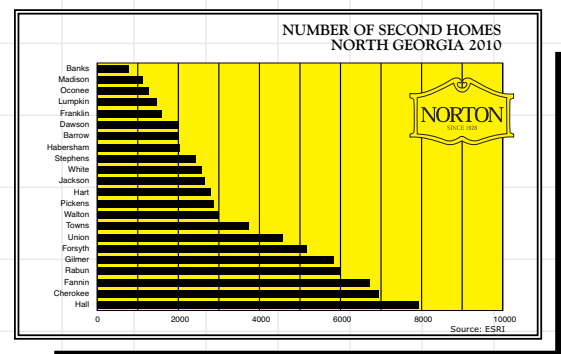
Let us take one other observation from our interviewees that points to a trend that is bound to set off controversy. In a word, the drive toward space compression in office use is about at its end, and in the coming years the quality of

the office environment will be used as a marketing tool to recruit talent. The millennial generation will not put up with the space cram-down much longer, especially as it gains seniority in the workforce. “We space” is going to have to accommodate “me space.” Greater flexibility – and variety – in office space design will be superseding cost cutting as a prime imperative. “The collaborative aspect of open space is overdone,” one interviewee noted. “I don’t think people need to talk to their coworkers all day long.”

OFFICE INVESTMENT - Office transaction volume was up 35 percent in the nation’s downturns and 25% in suburban markets in 2014 compared to the same year to date figures for 2013 according to Real Capital Analytics (RCA). That investment interest is projected for 2015 as well.

MEDICAL OFFICE - 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 communities, into malls provides convenience for consumers. Healthcare is going to be 20 percent of GNP so the real estate opportunity is huge.

options to gain market share and focus more on controlling lots in the top submarkets. Sales managers may have been the hardest working bunch through the downturn but that role may now be shifting to the acquisition and development teams. The days of calling an asset manager and signing a contract to buy lots are coming to an end. It’s back to intensive research and due diligence, and soon taking a piece of dirt for LOI to finish lots.



LAND PRICES

	Median price/acre
Agricultural	\$5,600
Commercial	\$96,875
Development	\$40,000
Ranch	\$4,150
Timber	\$2,075

LOTS - Over the past several years, builders have gotten comfortable paying below market value for **finished lots**. Finished lot prices were as low as 5% - 6% of home values in some areas. Builders and developers wrote down lot costs and were able to dispose of them at less than the cost to develop. REO supply grew and it seemed most builders were taking down lots from banks not developers. Even though communities were struggling to generate sales, the holding cost of lots was relatively low.

As activity **jumped** over the past several quarters, builders are scrambling to control lots that they previously were scared to put on their books. Developers and investors who have held out through the downturn are finally being rewarded for their patience. Developers in many markets are now getting 20% to 23% of finished home price from builders for lots in A and B locations. This may be hard to stomach for those who have become accustomed to paying \$15,000 to \$20,000 for lots in recent years, and are now forced to pay over \$35,000 for a lot in the same community.

Most **builders’ focus** will continue to shift from generating sales to securing land positions. Homebuilders will offer fewer incentives and

CASH - It’s a strengthening market with strong activity but cash controls the world. It is now estimated that individuals and corporations are sitting on stacks of money in excess of a trillion dollars. Mom and Pop have become lenders to their children, companies are on the hunt for undervalued expansion opportunities and big companies are buying big companies. **Never in the history of modern business has the balance sheets looked so flush.**

2015 INFORMATION SOURCES

- Norton Native Intelligence™
- US Census
- First MLS
- GMLS
- Metrostudy’s
- Realty Trac
- North Georgia College and State University
- National Association of Realtors
- University of Georgia Selig Center
- Georgia State University for Economic Forecasting Center
- The Beasley Report
- Case-Shiller Index

“LAKERAGE: Land acreage on Lake Lanier, a rare elusive, almost extinct entity.”

“100 million millennials will demand technology.”

“Real estate is a hot mess”

“The smartest business leaders are repositioning their companies and are strategizing to capitalize on the evolution of the market.”

“Leadership always wins.” George W. Bush

“WE WILL NOT GO PEACEFULLY IN THE NIGHT.”

“Real Life’ someday will catch up with Millennials.”

“People connect with humanity.”

“If you think change is uncomfortable, try to be irrelevant.”

“The last 10 years have been the Real Estate Industry’s National stress test.”

“There aren’t a lot of things that people are more passionate about than their homes.”

“National real estate investors are like mosquitos flying to the brightest light, going after the hottest thing in sight.”

“The Feds are about as friendly as a rattlesnake.”

“The Land Grab is over.”

“DON’T BLINK”

“American’s are by nature not frugal.”

“RENTAL TENANTS HAVE AN AVERAGE OF \$3,000 IN FAMILY SAVINGS.”

“No matter how good your business is today, some younger entrepreneur is working hard to disrupt it.”

“BANKS ARE ALWAYS THE LAST PLAYER IN THE GAME OF MUSICAL CHAIRS.”

“There is no such thing as a National Housing Market. Reporters look for one number but don’t get it right, it’s all local.”

“Correction is when your neighbor’s house is devalued... crash is when your house devalued.”

“Crazy can get you in; crazy can get you out”

“It was so cold outside, I saw some investment bankers with their hands in their own pockets.”

“Nationally, blacks are becoming the minority: minority after Hispanics.”



Norton's 87 Year Recipe

1. The strength of our brand is The FAMILY, its name. reputation and principles which transcend both genetics and generations.
2. We are in the shelter and security business fulfilling the most basic human wants and needs.
3. Our complex diversity is our true sustainability during market corrections.
4. Satisfied customers are the blood that courses through our veins, charges and re- charges our energy... drives us higher, further, longer, faster.
5. We are creative problem solvers taking time to understand a situation and thoughtfully work through cost effective solutions.
6. We believe in hard work and through that hard work we can out maneuver, out-think, and out perform others in our industry.
7. We are capitalists taking strategic advantage of opportunities and then deploying resources wisely.
8. We are frugal thrifty holders of capital – financial and human thus ready to deploy, ready to utilize.
9. It's our people, their character, energy and agility that separates us from our competition.
10. We have fun in what we do. It's important to laugh together, never take ourselves too seriously and enjoy life as it is dealt to us.
11. From our YELLOW SIGNS to our PEOPLE'S involvement in the communities we represent, we BELIEVE in being VISIBLE.
12. Our passion for growth is contagious. Our goal is to turn ideas into reality. Nothing is too big, too complicated or out of reach when we work together to find a solution.
13. We believe in TOMORROW! We work hard for today but we look to the horizon for opportunities that will create more business in the future.
14. We are fully engaged in what we do. Our passion for success is a by-product by our optimism and positive innovative outlook.
15. We believe in God as a higher power whose strength, grace and wisdom guides all actions.



O' Brother...



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