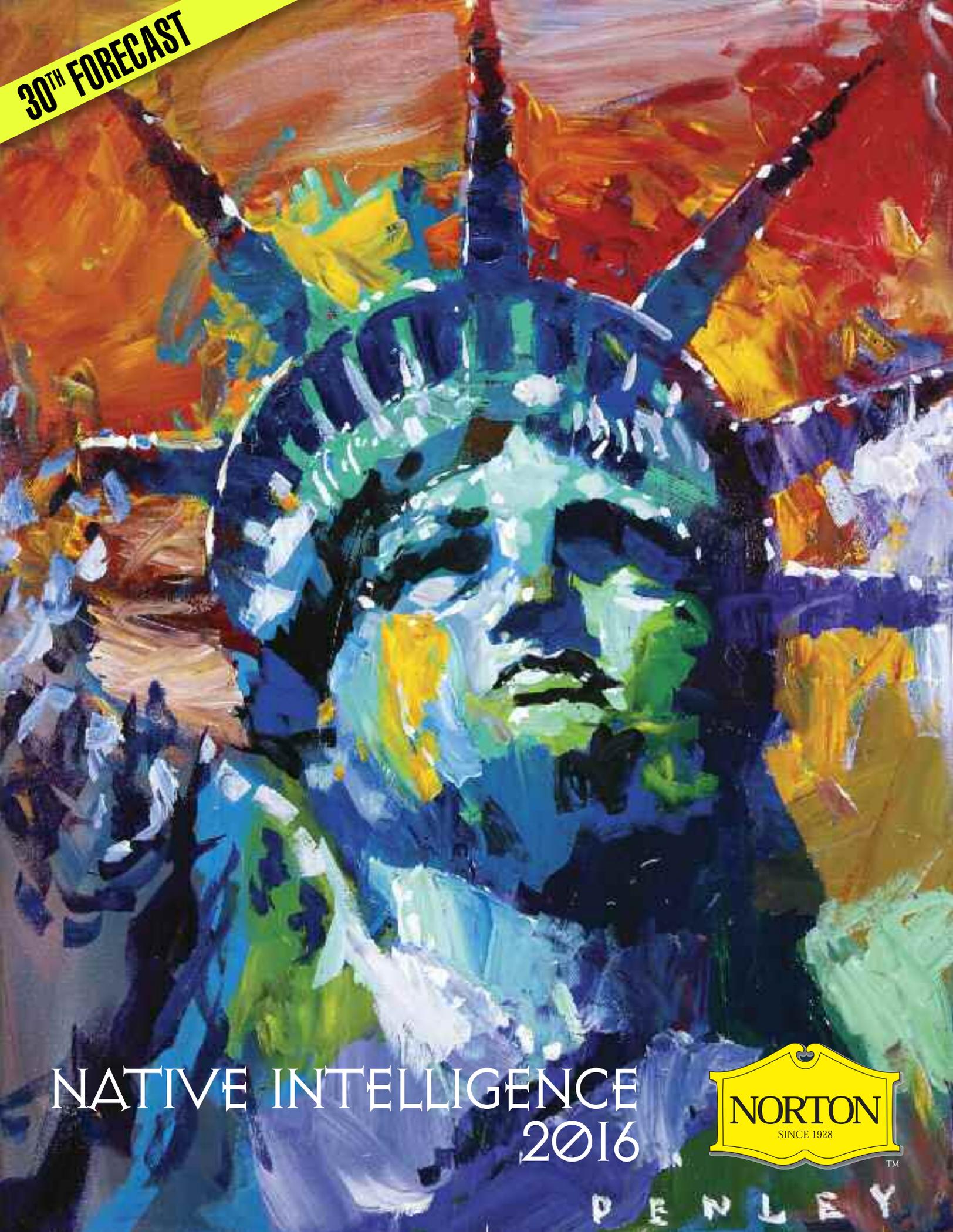


30<sup>TH</sup> FORECAST



NATIVE INTELLIGENCE  
2016



PENLEY

# Change...



**Betty & Frank Norton**

The Norton Agency has had a front row seat to the growth of our North Georgia region for 88 years. The resiliency of our firm is reflected in the resilience of the American Dream, interwoven with the Spirit of Entrepreneurialism. The foundation of our firm was established by W. L. Norton, Sr., a banker from White and Rabun County, and the architects of our platform for expansion and diversification were Frank Norton and his wife Betty who built the infrastructure, instilled a culture of life-long learning and a “can do” problem-solving work ethic. Their sons, Bob and Frank, Jr. as heirs to this legacy, have grasped the lessons of history from their parents and are forging ahead toward new markets, new products and expanded service modules. Norton has **change**, adaptability and innovation in its basic DNA. We are considered disruptors in the industries that we serve; change is scary and disruption is the ultimate form of change.

The Spirit of our Country, the American Dream of its citizens is about revolutionary change and entrepreneurial innovation. Breaking the rules, swimming upstream and thinking outside the norm. Norton is all about creative problem solving, a kaleidoscope of thoughts on marketing a real estate property, thoughtful risk assessment that launches a new national insurance

platform like *RealProtect* or crafting comprehensive asset management solutions not just Property Management but Portfolio Management.

For 30 years, Norton has published an Annual Business, Economic Demographic and Social forecast report called Norton Native Intelligence™. The Forecast is a recount of the past year’s history and a “must read” view of the years ahead. Norton, with its business family approaching 300 and with a network of 20 regional locations are poised to help its clients and business relationships **power** through whatever market changes are put in front of them. Without a doubt, **CHANGE** is ahead but the success of our firm, our region and our country is rooted in our resilience and adaptability to capitalize on that change.

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

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



# FORECAST 2016

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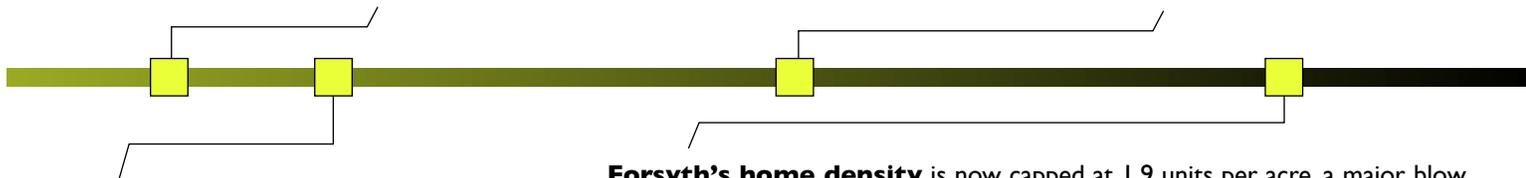
# THE TOP

Each year, certain events, real estate announcements, political decisions or social issues become transformational to a community so it is with Northeast Georgia. Undoubtedly some “happenings” forever change the direction energy and perspective of a community.

In 2015, various announcements, sales, investments, political or social decisions were chronicled and after spirited debate and discussions, Norton’s Commercial Group has honed a working list of 22 down to our manageable **Top 10**. We shared our results with an array of clients, business associates and community leadership to validate our findings. Here are Norton Native Intelligence’s™ **Top 10 for 2015**.

**Lanier Tech’s** announced move to I-985/GA365 gives new meaning to the phrase “Space the Final Frontier.” Space not only will shape its programming and a long over-due modernization of its facility, but will allow ample room to grow for the next century on 85.5 acres. Perhaps more importantly, the move to this corridor opens up **space** for business technology and manufacturing, not to forget housing and support retail. Along this 15.5 mile stretch through Northeast Hall County, Norton Native Intelligence™ tracks over 10,000 acres of Hall County holdings on this corridor or its adjacencies that will be in the direct line of fire of an emerging “New Gainesville” or “New Hall County” a virgin wilderness transformed which is long overdue.

**Retail is once again awakening** in the Hwy 53/GA-400 Dawsonville market. After nearly an eight year lull and in the midst of the new Dawsonville GA 400 “continuous flow” highway improvements we see two, perhaps three, projects begin site-work and tenant solicitation. Kroger will anchor a new project called Dawson Marketplace and Publix is under construction with a competing center at Dawson Forest.



**Chateau Elan**, the original engine that ignited the sleeping City of Braselton is making big moves. Three years ago they sold the Northeast corner of 211 and I-85 to an office developer. Now they reportedly have their remaining growth room, 365+/- acres under contract to Del Webb to build a comparable active adult development to The Villages of Deaton Creek (now in its last phase). This resolves a number of issues for Chateau Elan ownership and raises the region up off its current residential development plateau. Another 1,000 plus homes in the area further stimulates regional retail and business vibrancy. Norton Native Intelligence™ still stands by its 2004 predication that 65,000 people will live, work and play within a five mile radius of Chateau Elan by 2040.

**Forsyth’s home density** is now capped at 1.9 units per acre, a major blow for affordability. Even Forsyth County’s version of affordability where 2015 new homes average \$369,975. Density caps are promoted by well-intended school supporters and no growth factions but in reality force undesirable segments of the population (like school teachers, firemen, sheriff officers and entry level management) to seek housing out of county and further clogging the roads twice a day with their commute. Changes in the UDC have also become narrower on the architectural features allowed for new homes. A new Vickery could not be built today with the new UDC changes. The diversity and quality of development so widely touted by Forsyth leadership has been “ordinanced” out by that same leadership. Homogenized of standards will depress home appreciation and will make it much easier for the national developers to pave over the small local home builder in their way. In reality, Forsyth County’s going to grow with or without the density code or new regulations. Metrostudy reports 5,754 existing vacant developed lots ready to build on in Forsyth and another 16,695 lots already zoned in second or third phases of real estate developments. At 1.25 children per household that could translate into 28,061 more school age children without a new single rezoning. The density gap also puts a ceiling on what a land owner can expect to get in a future sale. **Not quite socialism but close.**

# BUSINESS EVENTS OF 2015



**Northeast Georgia Health System's** strategic purchase of 52 acres at the intersection of GA 400 and Hwy 60 places that Med Center's flag firmly on the GA 400's Golden Pipeline. With its growing physician presence in Dawson County, the new purchase counter balances Northside Hospital's GA 400 northward's march. Northeast Georgia Health System's new Braselton campus secures the eastern flank of Healthcare, balancing out the Northside Hospital-Gwinnett Medical Center merger in Atlanta/Gwinnett. The shifting sands of Healthcare and these strategic strongholds are going to be interesting to see developed over the next five years as all healthcare providers try to blueprint their long-term profitability and viability.

**Mundy Mill**, that *Live, Work, Play* community built on the Bagwell Farm in the early 2000's only to spit, sputter and stall during the recession is back running, and in fact The Mill is running wide open. Recent Metrostudy reports indicate that Mundy Mill is Metro Atlanta's (that also means Georgia's) Number One New Home community. Congratulations; in fact, Hall County has 4 communities - Deaton's Creek, Cresswind, Sterling on the Lake and Mundy Mill on that list. Norton Commercial takes a great deal of pride in our involvement putting the Mundy Mill-Humpty Dumpty back together again.

**Trammell Crow** purchased 122 acres in the hot Jackson County corridor for a new industrial center. The news is that they bought 3 tracts and paid an average of \$90,000/acre.

**St. Mary's of Athens**  
**Clark County's** purchase of the Franklin County Hospital also makes our Top Ten List. It puts a strong financial partner behind this excellent new well positioned regional facility and adds an interesting mix to healthcare. St. Mary's already has stretched its arms down GA-316 into Winder Barrow, across to Oconee, Jackson and making noise about expanding a physician presence in Braselton. The regional hospital purchase is further evidence that it's too early to write off any healthcare player in this market.

**Academy Sports and Hobby**  
**Lobby's** entry into the Gainesville regional retail mix are good signs that, #1 retail is back, and #2, Gainesville is still under retail and #3, the Dawsonville Highway market is the epicenter for North Georgia retail. We know several other category killer users that are looking at this market and expect further signs of retail expansion over the next 18 months.

The big news in the mountains is **Chic-Fil-A in Cleveland**. While Dahlonega gets a new Steak 'n Shake and other retail is cropping up in Gainesville, Cumming and Clayton, the big news is this mega Chic-Fil-A taking up a city block and lines overflowing onto the side streets. This is a great energizer for Cleveland as the bypass' first phase is opened.

Other notable real estate or market driven events not making our final Top 10 included the fly over bridge intersection at GA 316 and US 81, Lanier Tech's new Winder Barrow 316 campus, Northeast Georgia Medical Center's Emergency Room classification upgrade and Dress Up, a young ladies clothing chain based in Gainesville's major Georgia expansion.

# FORECAST 2016

Norton Native Intelligence™ is a trend and forecast publication now celebrating its 30th Anniversary and is one of the most highly regarded and widely read forecast in the North Georgia region. We are, what they now call, “B.I.G. D.A.T.A.”

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

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

Our annual findings are compiled in presentation format for our annual forecast event and in booklet form (print and electronic) for our extended readership. What’s more, we have created an online North Georgia Statistical Data Resource for our clients and friends that can access Norton’s powerhouse **BIG DATA**, 24/7. That site, *NortonIntelligence.com*, has all our latest reports and currency of data. We invite you to explore and download as many reports as you like whenever, wherever, all the time.



**BOB NORTON**  
PRESIDENT  
THE NORTON AGENCY

Only in America...  
Can we all dream as big as we want to  
and with hard work, a little luck and  
determination we can have a chance to  
live our dream.

Norton Native Intelligence™ provides an outlook on the North Georgia community demographics, real estate (of course), investment, land development trends, finance, patterns of growth, consumer expectations and capital markets and we hope expands your perceptual map. We let the “other guy” research the national and global economy...our focus is **local**, we are **local**... been around for 88 years. Our sales and support force is **local** and we are proud to be from North Georgia Pioneer stock going back 7 generations.

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

Norton Native Intelligence™ 2016 reflects the synthesized views of more than 400 individuals and businesses who have been surveyed, temperature monitored, and economic vital signs recorded. However, the views expressed herein reflect our views of North Georgia, our views of our future and our views on the opportunities in front of us. **We own it...**the data, the interpretations and the human spirit that drives us forward.



## NORTON'S QUICK VIEW FORWARD

### North Georgia's hottest counties

2016 – 2021

1. Forsyth
2. Gwinnett
3. Cherokee
4. Hall
5. Jackson

### Best counties for long term investment

2016 – 2046 (excluding Hall County)

1. Dawson
2. Cherokee
3. Jackson
4. Barrow
5. Walton

### Counties to watch 2016 – 2021

- Hall
- Jackson
- Gwinnett
- Franklin
- Union

### Counties still in need of improvement

2015 – 2017

1. Stephens
2. Madison
3. Hart
4. White
5. Rabun

## PREDICTABILITY

Think you can predict the future? Good luck! Norton Native Intelligence™ has been at this for 29 years and we give ourselves a solid B- on our predictions. We recently came across a book by Nate Silver called “The Signal and the Noise” where he questions our faith in many trusted prediction methods. Here are four:

■ **Economic Indicators** – “They’re one hot mess,” Silver says. The government produces data on 45,000 indicators annually, but few are anything more than correlation. And folklore indicators – like which team wins the Super Bowl – receive routine press attention but are almost always bogus.

■ **Expert Opinions** – After conducting a survey of 1,000 predications made by panelists on the TV show *The McLaughlin Group*, Silver concluded that so-called experts display as much acumen as “a barbershop quartet.” The pundits, he says, were no better than a coin flip.

■ **Extrapolation** – Back in 2009, as cases of H1N1 went from 20 to 2,618 in two weeks, U.S. authorities described a plausible scenario in which half the population becomes infected, leading to 90,000 American deaths. The strain (thankfully) turned out to be exceptionally mild, with just a 0.02% fatality rate.

■ **Forecasts** – Commercial meteorologists deliberately overestimate the likelihood of rain, forecasting a 20% chance when there’s only a 5% to 10% chance. Why? It’s a way of “covering their butts,” Silver says.

# HOUSING MARKET PREDICTIONS 2016

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 2016, 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 and the folks at Matthews Printing CRAZY. But getting "it right" is more important, not 100% right, but we are striving for accuracy in numbers and closeness in projection. It was not our normal recession and has not been a normal recovery. Five National Housing Market Predictions for 2016

Because the housing industry is so engrained in our corporate DNA, we present to you 5 real estate market predictions to consider in 2016. Norton Native Intelligence™ rounds up a collection of insightful – and sometimes controversial – predictions for the residential real estate market. We begin with home prices and we end with Millennials, with a sprinkling of mortgage rates and employment trends in between.

The U.S. housing market had a strong year in 2015, and next year could bring more of the same. But we probably won't see as many double-digit home price gains in 2016, like we did this year. Supply and demand imbalances could continue to drive prices north, while job gains could bring more buyers into the market.

## ■ Home prices will rise more slowly in most U.S. cities.

Over the last couple of years, we've seen home prices rise rapidly in many parts of the country. This was often the result of a supply and demand imbalance. In many large metro areas, there were plenty of home buyers in the market but not enough homes in desired price ranges to meet demand. Prices tend to rise rapidly under such circumstances.

Many housing market forecasts for 2016 agree that prices will probably rise more slowly than they did in 2015, as more homes come onto the market.

Late this summer, the financial data company CoreLogic issued a forecast for the U.S. real estate market. At that time, the company was predicting a 4.7% rise in national home prices through July 2016. According to the report, "the CoreLogic HPI Forecasts indicates that home prices (in the U.S.), including distressed sales, are projected to... increase by 4.7% from July 2015 to July 2016." The general consensus among housing analysts in that home prices in the U.S. will continue rising in 2016, at least in most U.S. cities, but the gains might not be as steep as what we have seen this year.

## ■ The biggest home-price gains will continue to be in the West.

In 2015, some of the biggest home-price gains occurred in the western half of the nation. Cities like Denver, Colorado and many in California experienced double-digit gains in property values. Denver and San Francisco, for example, both posted year-over-year gains above 10%. These markets could experience some cooling in 2016. However, many housing analysts expect that the biggest home-price gains will continue to occur in the western markets. In September 2015, the S&P/Case Shiller Home Price Index revealed continued appreciation across the country. The biggest gains were reported in the west. According to David M. Blitzer, Chairman of the Index Committee:



**TOMMY HOWARD**  
PRESIDENT / COO / PARTNER  
NORTON RESIDENTIAL GROUP

Only in America...  
We are the land of opportunity and freedom. Always have been and we fight every day to keep it that way. Freedom and opportunity are the pillars and foundation of what makes this country great and in some ways the envy of the world. And in some part the enemy of the world "Only in America" speaks to the ideal that our citizens can achieve anything they want too. Whether it is financial independence, freedom of

religion, or even the right to disagree with our government. No other country allows its citizens to have so much freedom. But this freedom comes with great responsibility and even greater sacrifice. "Only in America" means you can achieve anything you want, if you're willing to work for it!

*“(The index) has risen at a 4% or higher annual rate since September 2012, well ahead of inflation. Most of the strength is focused on states west of the Mississippi. The three cities with the largest cumulative price increase since January 2000 are all in California: Los Angeles (138%), San Francisco (116%) and San Diego (115%).”*

**Mortgage rates will rise later this year and into 2017.**

At year end, the average rate for a 30-year fixed mortgage rose to 4.11% and the 30-year average has been hovering at or below 4% for most of 2015. But what’s the forecast for 2016? According to some analysts, borrowing costs could begin to rise later this year and into 2017.

At the end of September 2015, Freddie Mac (the government-regulated buyer of mortgage loans) issued a housing market prediction for 2016. In it, the company’s chief economist forecast that the average rate for a 30-year fixed home loan would gradually rise to 4.2% by the end of 2015, and 5.1% by the end of 2016.

**Job gains will bring more home buyers into the market.**

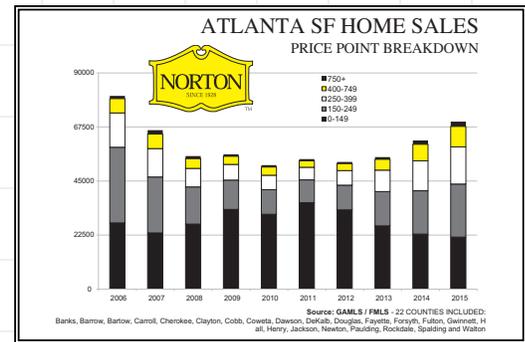
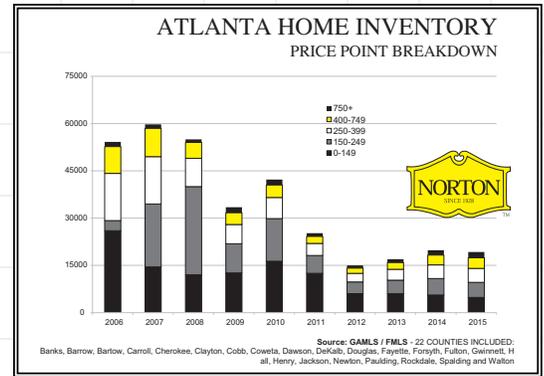
In 2014, the U.S. gained about three million jobs. In 2015, we are on track to add another two million, according to Doug Duncan, Chief Economist at Freddie Mac. During September alone, the country gained another 200,000 jobs, according to the payroll company ADP. This means there are more people in a position to buy a home. So we could start 2016 with a lot of housing demand. However, wage growth still lags behind job growth.

On top of that, many cities across the country are still suffering from a shortage of homes for sale (relative to demand). This supply-and-demand imbalance could continue to push home prices north in 2016, as buyers compete for limited inventory.

**Student loan debt will keep many Millennials out of the market.**

According to a recent analysis by the Federal Reserve, outstanding student loan debt now totals more than \$1 trillion. That’s one followed by 12 zeros. That’s a lot of debt. And it’s keeping many would-be home buyers from entering the market. We expect this trend to continue into 2017.

*“During the Great Recession, many high school graduates who might not otherwise have gone to college decided to invest in a college education in hopes of enjoying higher wages once the recession ended. Similarly, some college graduates...went back for a graduate degree...These decisions generated explosive growth in student debt during the Great Recession. The overhang of this debt may be making it harder for Millennials to accumulate down payments and to qualify for a mortgage.”*



Student loan debt can create additional hurdles for mortgage shoppers in a couple of ways. For one thing, it increases the borrower’s total debt-to-income ratio, which can cause problems during the underwriting and approval process. Additionally, excessive debt can lower a person’s credit score, especially when he or she has missed a few payments in the past. All of this makes it harder for debt-burdened Millennials to qualify for home loans.

*Source: Home Buying Institute*



# Five Bold Ideas



At times, Norton and Norton's Native Intelligence™ has been referred by Georgia State University as North Georgia's Oracle, maybe we just don't sugar coat it. We accept and embrace that moniker and hope that our deep thinking on North Georgia, with all its warts and blemishes coupled with its ingenious people and entrepreneurial spirit can power our community toward a bright future.

When we travel across Georgia to speak 30 to 50 times per year, we try to decipher the noise sandwiched between the data and leave our varying audiences with some meaningful message, challenges or charge. In recent years, we have referred to these as **BIG BOLD IDEAS**. Ideas out of conventional wisdom that if grasped and allowed to develop could be transformational across economies, diversity or geography.

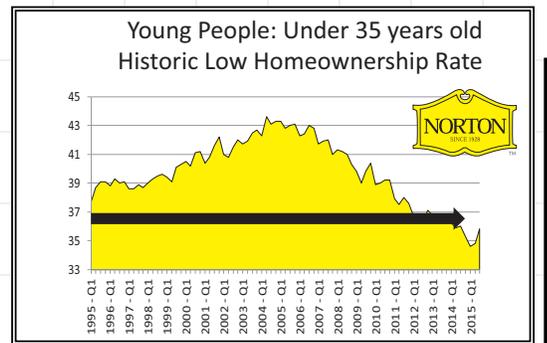
**BIG BOLD IDEAS** are powerful calling cards to action. The really big ones are generational and limitless. **BIG, BOLD, BODCIOUS IDEAS** should push beyond a community's comfort zone and challenge the existing status quo. It's not thinking out-of-the-box per say, but increasing the size of one's box. **BIG, BOLD IDEAS** should capitalize on demographics, foundations of our infrastructure but should move the game board, create a view of circumstances in front of us and expose the **Opportunities** staring us in the face.

Here are FIVE big **bold** ideas for North Georgia. Never being the shy one; Norton, the Norton Family, and Norton Native Intelligence™ know 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 88 years now, it has been our corporate DNA to swim upstream.**

## FIX AFFORDABLE HOUSING BEFORE IT FIXES US

Perhaps one of the most serious issue that is facing us today is not increase taxation, Russian movement into the Ukraine, or China's economic dominance, it's America's (and North Georgia's) crisis caused by the rapidly diminishing stock of affordable housing. If left unchecked, it could undermine the entire social fabric of our country. Norton Native Intelligence™ believes we are rapidly moving into a danger zone; the absence of affordable, livable personal owned homes would create further disparity between the **haves** and the **have nots** aka the wealth gap so widely discussed in America. Home ownership is coupled with wealth accumulation and family unit stability, its pride



of ownership and inevitably tied to consumer spending; yard equipment, playsets, home decorating and other family household nesting features.

LISTING INVENTORY		
Home Price Point	2002	2015
0 – 199,000	13,126	7,785
206,000 – 249,000	3,774	2,495
250,000 – 450,000	7,448	7,330
451,000 – 750,000	2,400	3,448
751,000 & up	706	1,332

Source: FMLS

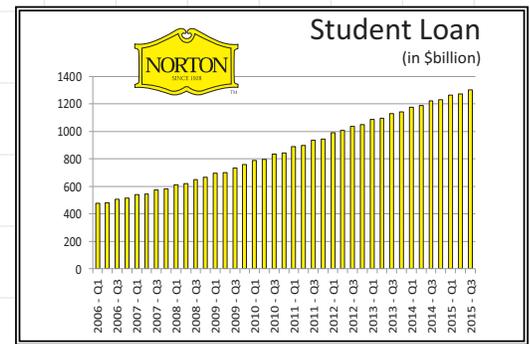
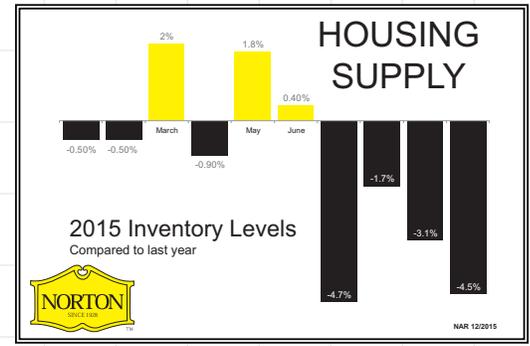
### Some Salient Points...

- The American Dream is intertwined with private home ownership, 3 kids, a good job, a car in the driveway and a chicken in every pot.
- A community's healthy affordable housing stock enables workforce stability and workforce expansion for both established and for new businesses.

■ Multiple price point housing is **NECESSARY** for a community to provide for a diversity of jobs, expand and in order for it to balance its tax base and effect strong consumer confidence

Clearly this is a national problem but trickles down to every nook and cranny of America. Homeownership rates peaking in 2006 at 67% and now has dropped to 63% in 2015. That means 4 million people have moved from homeowner to tenant. While home ownership rates have fallen and existing home sale inventory has evaporated, construction cost has marched on. Shortages of labor, high commodity costs, increase permitting costs and building material price increases have changed the housing economic formula by 40% since 2011. To further the dilemma, the start-to-finish build cycle is lengthy, with added regulations often requiring multiple years to plan, approve, build and market, thus slowing momentum and layering on additional cost.

**The housing math is horrible and the trend line is even more severe.** Norton Native Intelligence™ estimates North Georgia's affordable and habitable stick built homes that are priced under \$175,000 could **evaporate** by 2020, condos, multi-family townhomes in that price range for purchase will evaporate by 2023.



## NADA... ZIP

Delivering a big KABAM to the region's industrial recruiters and business expansion. Unfortunately living in an apartment or a rental home or rental mobile homes will soon be the norm.

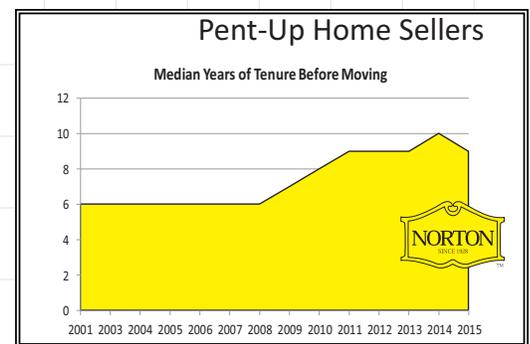
Looking at those unintended consequences consider:

■ The urban areas in Northeast Georgia; Cumming, Cornelia, Dahlonega, Athens and Gainesville hold the most number of rental homes and apartments because of sewer availability for density. Therefore, once affordable homes disappear, urban apartments will swell the North Georgia's urban cores and our citizens will become more subsidy dependent and aging upward.

■ The private sector jobs dependent on hourly employees will search for other markets which **can** provide labor-based housing or shift more and more production off shore to **cheaper** supply and labor sources.

■ **Growth stagnates**, 70% of the homes sold from 2007 to 2014 were under \$175,000 in North Georgia. When it hits **zero**; consumer spending slows, new retail goes elsewhere and we could see our communities enter a long cycle of decline. We are already seeing some isolated signs of a potential retail shift. If we don't fix it, retail will go elsewhere.

The housing economic calculus has been turned on its head. Today in Forsyth County it costs \$45,000 in infrastructure, permitting and environmental to deliver one lot (that's infrastructure cost alone assuming the dirt is free). In Hall County that number drops to \$37,000. In Habersham, White or Lumpkin it drops to \$30,000. Sewer and water meter costs are at crazy levels and at year end, Forsyth is considering adding a \$9,000 per home impact fee **and** redoing their per acre housing density. Talk about rolling up a welcome mat, Forsyth could be the poster child.



Basic development principles are one-third land cost, one-third land development cost and one-third interest and profits. That puts new lots in Forsyth at \$135,000. Add that to the construction lender formula of 20-25% lot to home cost and presto-chango you get a home in Forsyth valued at \$540,000 to \$625,000. It's no wonder why Atlanta developers are **gorging** themselves with every developed platted lot in their reach. Those ready to build on vacant developed lots hanging over from the recession won't last long and the buyers of homes built on the next great cycle of lots will have massive sticker shock. Even if production builders change their 1/3, 1/3, 1/3 formula and new lots drop to \$100,000 per lot, that's still a home for \$400,000 and not the sweet spot of our market, **\$175,000 or under**. It should be noted that Forsyth is already a massive importer of labor. Perhaps as much as 60% of its internal daily workforce live out of expensive Forsyth, importing construction labor, public safety, education, healthcare workers and retail support.

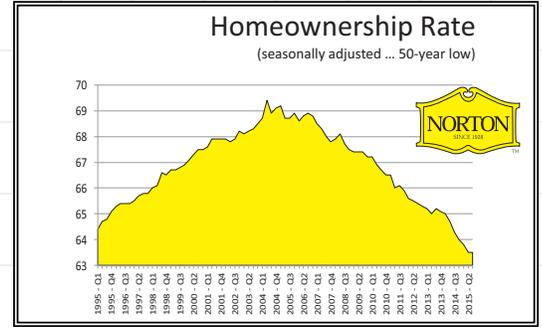
We must remember the difference between **price** and **cost**. A new home and lot with all the impact fees, regulations and building code requirements sells at a **fixed** price of \$175,000...\$250,000...\$350,000 or higher, but it's the ongoing expenses that are annual COSTS to live in a community, part of a family's on-going "cost of living" or operational costs. The cost of living in Forsyth County is estimated to be 19% higher than in Hall County and 15% higher than that of Lumpkin County. Property taxes, school taxes, rain taxes, gas taxes, sewer and water surcharges are just some of the cost of living variables; not to mention costs of food, medical and soft goods.

**Scary**, huh... you bet. Mind you this is not Norton crying in the dark, its **reality** slapping ourselves **awake**. Over time the inevitable home price point escalates but there are broad measures that could extend the shelf life for affordable workforce housing in North Georgia.



**JASON GRIFFITH**  
 PRESIDENT/ PARTNER  
 NORTON COMMERCIAL INSURANCE  
 GROUP

Only In America...  
 America is the Land of Opportunity... and still is the best country on earth in regards to quality of life, freedoms, and business opportunities. Hard work and desire will drain out all of the outside "political noise."



	Net New Renters In thousands	Net New Homeowners In thousands	Homeownership Rate only among the New People
2008	482	-67	0%
2009	713	-90	0%
2010	771	-194	0%
2011	974	-421	0%
2012	1120	-193	0%
2013	599	55.5	9%
2014	1112	-89	0%
2015 forecast	800	200	30%
2016 forecast	600	600	50%
2017 forecast	500	700	58%

■ **Rethink our definition of housing** and educate the next generation of homeowners on the value of alternative housing and alternative product types. In part, lower or modify their expectations for a 4 bedroom, 3.5 bath, and two story brick house with a bonus room over the double car garage. Affordable homes in the 2020s and beyond will include Micro Homes (800 – 1100 SF), compartmentalized construction, modular, cluster, townhouse, multi-story condo and of course, mobile homes. HUD's motto is "Rethink Housing." And right on the money.

■ **Re-engineer our building codes** and onerous land development regulations while protecting the safety of the residents. ADA codes, electric outlet requirements, energy codes finished vs unfinished requirements, building material requirement and minimum sizes are adding to the home construction burden. Allow such things as unfinished garages, pea gravel, and crusher stone driveways, unfinished bonus rooms (expandable space later) without finished sheetrock. A simple water saver toilet costs

residents 35% more than a regular toilet and now you can't even get a regular toilet. Dissect the cost of a 2016 house, rethink every component going into today's house and reengineer the value.

■ **Scrap density prejudice**, Hoschton is a prime example. City leadership adopted in the 2000s a 4 sided brick 2100 SF minimum standard for all new development. What did they get? At least 10 bankrupt development pipe farms when the economic engine music stopped playing. Micro homes (800 – 1100 SF), modular componentized housing, reasonable attitudes toward materials and finishes, cluster townhomes and condominiums should be deeply integrated in every municipality/county's housing code.

■ **Give a Kid a Chance**. It costs \$15,000 to \$30,000 per year to educate a child. So families could extend that economic mindset an additional one year and give that same amount to a child or grandchild to jumpstart a housing purchase. We know some families who over the last five years have given children \$70,000 to \$120,000 toward a home purchase just to get them out of their basement. Low interest and no interest "family" home loans are another way to ease, **if not push**, the next generation toward home ownership. Americans are sitting on trillions of available cash earning a scant .01% in their Money Market so lending it to a child or grandchild at 3 or 4% is a win-win for both parties.

■ **Buy a kid a lot**. We know one family who bought lots at the depth of the depression and gave them at Christmas as stocking stuffers. That legacy investment is reminiscent of farmers peeling off an acre or two of the family farm as a wedding gift for a child in order to jump start home ownership. **America's Home Place** has a long tract record for building a value priced, quality house on a North Georgia's farmer's gifted land. **Give a kid a chance at home ownership by purchasing a jump start lot**.

■ In the chase for Millennial Buyers the national builders have re-focused, re-engineered some products to provide affordable options for Millennial housing entry. In 2015 D R Horton launched their "EXPRESS" housing brand now representing 14% of their revenue. EXPRESS is a stripped down affordable housing product sure to be studied by other production builders. LGI Homes is building similar product in Hall County's Mundy Mill Development.

■ Lastly and perhaps a remote possibility (so don't hold your breath), the Federal Government must step in and retool their affordable housing initiative. Everything from paperwork simplification, down payment reduction, credit underwriting, down payment assistance, lengthening the loan terms from 30 to 40 years and subsidize or buy down the interest rates to a manageable level.

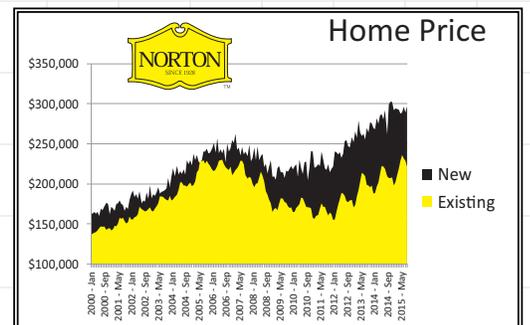
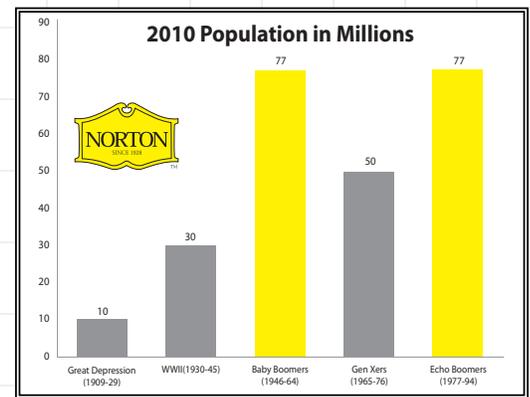
Home ownership is the pathway to economic and social stability. But without respite and immediate attention, home ownership for 70% of North Georgian's is quickly slipping from our grasp.

## INVEST IN MILLENNIALS

In our 2015 forecast, we discussed the various demographic segments and the stark fact that the emerging Millennials cohort would soon eclipse the vibrant Baby Boomer class in size, quantity and influence.

We called for a clear understanding of this population and rethinking North Georgia in the context of those in that age group. **In retrospect, we don't think we said it strong enough and clear enough in our writing.**

It's time to INVEST IN MILLENNIALS.



With the population as our future (the Z generation will follow); it's time to change the context of our thinking, turn convention on its tail and regroup our civic planning for retail, housing, work, recreation, religion, technology, infrastructure and quality of life.

On a crisp fall Saturday in October, my wife Nancy and I drove into the mountains and hiked Yonah Mountain which is between Cleveland and Helen, Georgia. It is not a widely public access National Park or National Forest and somewhat hard to find, off the beaten trail, but it was on our bucket list of North Georgia Mountain hikes. Moderate to steep with fairly marked trails, Yonah (elevation 3,166 ft.) serves as a part time Army Ranger training station and full time majestic vista. As we entered the jammed parking lot, I observed the plethora of urban SUVs with sleek roof racks, kayaks and mountain bikes in tow. I did miss the occasional "Leaf" and the two Teslas which I caught sight of on the way out, but I digress.

Now Nancy and I are frequent day hikers; wherever we go we hike, coast to coast or our travels out of the country. As we made our way up through the woodland path and the myriad of switchbacks taking us further and further up the summit, we passed many groups going down (at our speed, we rarely passed groups going up). Thirty minutes into our hike and passing several large overnight encampments with all sorts of new REI tents, my subconscious started to notice our fellow hikers and a pattern of these day visitors.

We were in the middle of some sort of **millennial** time warp. We found ourselves as some of the oldest hikers (late 50s) and in a thicket of young adults. Unlike other hiking experiences with a broad range and ability of hikers; old, young, single and families, we in essence found ourselves climbing Yonah Mountain/Millennial Mountain with a broad spectrum of bright eyed, multi-cultural millennials, smartly outfitted with high end adventure clothing, platypus hydration packs, some with carbon fiber hiking poles, wearing I-watches or some other pedometer counting sports fashion. And this herd, like us, worked their



**JIM MCCALLUM**  
 PRESIDENT  
 NORTON MCCALLUM INSURANCE

Only in America...  
 The freedom to have a business-to participate in the American Dream and for the ability to work and provide for our families.

	2013	2014	2015 Likely	2016 Forecast
Housing Starts	925,000	1 million	1.1 million	1.4 million
New Home Sales	430,000	437,000	570,000	720,000
Existing Home Sales	5.1 million	4.9 million	5.3 million	5.4 to 5.5 million
Median Price Growth	+ 11.5%	+ 5.7%	+ 6%	+5%
30-year Rate	4.0%	4.2%	3.8%	4.5%

way up the switchbacks, rock faces and winding trails.

Whether it is obvious or not, hundreds of millennials have found **adventure** in our mountains. On the way home, we noticed the town's squares and the regional winery parking lots we passed were full of cars. And of course, Jaemore Farms was overflowing, no packed to the gills, with visitors exploring our region. It was then and there that it occurred to me that we need to step up our game and invest in our millennials.

- Show them we are HIP – the new word is **"current."**
- Get them to **visit – explore** the Adventure in our Mountains.
- Work toward having them **call us home.**

If we are to be successful in keeping our home-grown millennials and attract just a part of the 1.2 million millennials, 26.5% of the population, that live in Metropolitan Atlanta, we have to bring our "A" game, sell them and ourselves on **our** relevancy, **our** progressivism and **our** environmental advocacy.

**Show Them we are Current. . .**

Our communities must implement and boast the latest in technology, LED street lighting; WiFi environments for our town squares, public parks, stadiums. Install lightning speed fiber optics everywhere. Demonstrate

BOOMER

MILLENNIAL

In 1983, the year after "Material Girl" came out, young people's spending represented about 10% of their average earnings—close to the national average of 10%.

Young adults are still spending today, if not with Madonna-style excess. Their total average expenditures make up about 9% of earnings—about on par with the national average of 9%.

In 1983, boomers spent 6% less than the average American on apparel.

Millennials, ever "on fleek," spent 7% more than the average American on apparel last year.

Young adults spent \$1.79 on reading materials on average in 1983, 9% less than everyone else.

Last year young adults spent \$7.9 on reading materials on average, 27% less than everyone else.

The boomers in 1983 put 9% of their total spending towards cars.

Millennials today put 7% of their total spending towards cars. Thanks to their sheer number, though, Gen Y now makes up a larger market than Gen X.

Young adults in 1983 spent 58% more than the average American on rent.

Young adults last year spent 69% more than the average American on rent. Many of them (especially the well-educated) prefer cities—though experts see peaking demand for single-family homes.



MY GIG GENERATION

# Millennials:

## They're Just Like Us?

We looked at the spending habits of young adults today compared with 30 years ago—when boomers were the same age as Gen Y is now. To make the comparison, we tracked the 25-to-34-year-old age group using numbers from the Bureau of Labor Statistics Consumer Expenditure Survey. The take-away: Don't believe all the rumors you hear about millennial consumers, especially the ones that say they don't buy stuff.

Source: Fortune Magazine

that our communities are environmental stewards and technology enhanced. In today's world it's **Live, Work, Play... and Connect**. Going beyond just connectivity, place web links on all historic buildings and public art and event sites so that more information can be obtained from those codes and relevant to just in time websites. Our planners need to insure that google maps and GPS coordinates are always correct and clear and we promote a recycling, green, sustainable mentality. The new gathering places are the micro-breweries, growlers like "Tap-It"; restaurants like Atlas Pizza and a myriad of coffee shops which includes Starbucks and the local coffee houses as well. Millennials don't "buy TVs" they buy smartphones which are TVs and are the same price.

Transportation is one millennial trend to watch. Millennials use Uber, Lyft, Hailo. Millennials are the generation that is changing transportation. We know several groups that have thought about going to North Georgia for a wine tour but it meant that they would have to get someone to DD because things like Uber weren't available. The Wineries would do well to have weekend Midtown to Mountains shuttles

We have a long list of cool places and we need to help them get there.

**Get Them to Explore. . .**

*From the Islands to the Highlands, We've Got it All* was once a slogan or rally cry. Bring it out, dust it off for the 21<sup>st</sup> Century and pair it with a powerful regional web portal, *millennialmountain.com* or some other data rich regional directory. (By the way, Norton bought that website if anyone is interested.)

**First**, fill it with **adventure**; whitewater, kayaking, canoeing, fly



**JOHN DREW**  
 VICE PRESIDENT/ PARTNER  
 NORTON DREW MANAGEMENT

Only in America...  
 Googling "Only in America", I find references to: country singers Brooks & Dunn, Larry the Cable Guy and Walmart. To me, this phrase depicts the attitude of the American population that embraces patriotism - "Red, White and Blue," opportunities for achievement through hard work - "Git-R-Done" and selling great quality American products at reasonable prices. We live and work in our local communities and have to be ever more aware of the impact we are having on the world beyond just our own neighborhood. Business Challenges in the years ahead will continue to be focused on global competition for the goods and services we produce and provide. As a country we will be challenged to accept our multi-cultural differences and be more tolerant than ever in order to fulfill the ideals of "Only in America" where dreams come true.

**An excellent example of showing millennial adventure**

**Explore Georgia's  
 Outdoor Adventure  
 Destination**  
*Helen, Cleveland  
 & Sautee Nacoochee*

Climbing    Biking    Hiking  
 Zipping    ATV-ing    Picnicking  
 Paddling    Riding    Birding  
 Fishing    Camping    Geocaching

*The Mountains  
 are Calling!*

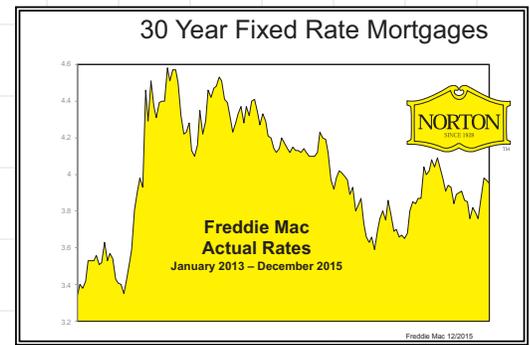
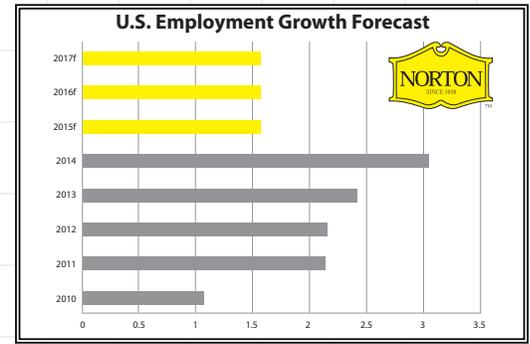
WHITE COUNTY  
 CHAMBER OF COMMERCE  
 whitecountychamber.org  
 706-865-5356

fishing, festivals, hiking, farm to table restaurants, coffee shops, jet skis, boating, boating rentals, horseback trail riding, ziplining, micro-breweries, wineries, distilleries, rock climbing, camping, mountain bike trek, waterfalls, scenic drives for cars or motorcycles, farmers markets, artist open house crawls; apple, strawberry, blueberry, peach, pumpkin picking and nostalgic locations, antique stores, Christmas tree farms, historical resources and produce stands. Link each to clear directions, GPS locators, video snapshots, hash tags and ancillary websites if they exist. If they don't exist, help create or subsidize them.

Include bed and breakfasts, Inns and Hotels. Promote vacation rentals by owners (VRBO's) not restrict them (take note Hall County) show our visitors how cool our mountains are, how accessible and how welcoming we are to their overnight visit. Show and promote adventure not the money they leave behind... that will take care of itself. Second – keep it current, relevant and powerful all the time.

Millennials want an amazing, authentic outdoor experiences. If you can bottle up North Georgia's outdoor oriented (Instagram) and deliver it to every Millennial in the city, you'll see droves of people heading north. This also brings up a great point about social media. If you can make things "Instagable" you will have the word out faster than you know. There are so many spots we can think of that are iconic, but only because they see their friends' Instagram's there, which makes them want to go to the same location when they are in the area because it was such a good shot. The "I believe in Nashville" is a great example of Instagram messaging.

The problem is that most of them have no idea where to go. Yes, they want the authentic experience, but many are not "outdoorsy" folks. "Yes, we'd prefer to walk to our neighborhood coffee shop but camping 4 days in the woods is a whole other level. What is the in between?" That may be why companies like RootsRated and Vestigo are



popping up. Those are the influencers we would start with first. It is spot on to have one place that is wifi haven but Millennials need that more than coffee!

### Get Them to Call us Home. . .

Visit long and frequent enough and we will have some of the millennials digging deeper and they will start to explore second or even primary home ownership. It is happening in Blue Ridge (Fannin County) right now. "Rent in Mid-town, buy in Blue Ridge." So fiber optic and high speed connectivity becomes paramount, school test scores rise to the top of wish list items and strong cell phones connectivity in the residential enclaves. A subdivision in a cell dead zone is a dead subdivision in North Georgia. Chamber leadership might also create innovative incubator centers to craft small business interests, promote hot desks and technology centers for entrepreneurs and expand our in-town walking trails and bike trails. Finally, help our home grown millennials invest in home ownership (see BOLD SECTION on Affordable Housing)



**DAVID STOVALL**  
 VICE PRESIDENT/ PARTNER  
 NORTON COMMERCIAL GROUP

Only in America...  
 America is the only country in the world where the industrious and motivated individual can truly determine their quality of life.

and ease them into stability of home, community and workforce. With the millennial generation, possibilities are endless and innovation is revolutionary.

**It's Time to Invest in Millennials.**

# ADMIT THE REALITIES OF OUR DIVERSITY AND EMBRACE THEM

It's time for a reality check...quit kidding ourselves and recognize that our once homogeneous community is diverse and getting **culturally richer** with every newcomer; Black, White, Hispanic, Asian, Gay, Lesbian, Straight or Transgender, Christian, Muslim, Jewish, Buddhist, or Hindu, Rich or Poor... North Georgia is becoming a Kaleidoscope or Technicolor profile of American Humanity. Our regions rapid transformation over the last 20 years has been dominated by the inflow of a solid economy contributing Hispanic component.

Yet we deny the reality of our local demographic makeup, we are ignorant about the real time economic contributions and we are impotent in our actions, business, education and political views. We are what we are, we just don't want to admit it.

Consider these facts.

■ Gwinnett County in the 2010 census was 59.4% multi-cultural; 27.0% black, 20.5% Hispanic, 11.5% Asian, 2.5% Multi-racial and with a median household income of 60,445. Gwinnett is a middle to upper class community with wealthy enclaves of Indian, Japanese, Malaysian, Taiwanese and Hispanic.



**MATT MCCORD**  
 VICE PRESIDENT / PARTNER  
 NORTON COMMERCIAL GROUP

Only In America...  
 I see America as one of the few places in world where people have the opportunity to completely change their station in life in one generation. There are so many success stories that are generated from our freedoms and opportunities.

## *The Asian-American Powerhouse*

Fascinating is the growing impact of Asian-Americans on the real estate activity, in all US regional markets where these communities are in large numbers, particularly on the West Coast and the North-East. Asian-Americans don't make much noise about their presence on US soil. The national media does not use much ink writing about their significant influence, in spite of the fact that they represent the fastest growing community in the country with a surging purchasing power. It will change. Soon. Chinese Nationals' have an insatiable appetite for trophy properties. Data from 20 page booklet on "The State of Asia America 2015".

- According to the 2014 Census, 19.4M live in the country. That's 45% more than in 2000, which makes the AA population the fastest growing minority in the US. It is expected that it will explode 134% by 2050, for a total of 35.6M. At this point, 79% of the AAs were born in the US.
- The largest ethnic group (22%) is Chinese, with nearly 3.8M people. Filipinos come next with 19% of the AA population. In third position, with 16% of the total, are the Indians. Then come the Vietnamese (10%), the Korean (9%), the Japanese (6%), etc.
- 77% of the Asian-Americans speak a language other than English.
- Where do Asian-Americans live in the US? 15% of them reside in California (1.8M in Los Angeles & 1M in San Francisco); 8% in New York; 4% in Texas, etc.
- Their median age is 36y., to be compared to 42.3y. for non-Hispanic Whites. Their life expectancy is 87.2y., longer than any other ethnic segment of the US population.
- 80% of AA's children grow up with both parents (US average is 63%).

**Now, let's take a look at the Income/Education/Economic chapter:**

- Asian-Americans have the highest per capita income, the highest average household income and are the most educated minority group in the US.
- 49% of them have at least a bachelor's degree (compared to 28% for US general population). 21.2% have an advanced degree, more than twice that of the entire population.
- Their median personal income \$66k, a third more than the general population, and their median household income is \$72.5k, 39% more than US average.
- 86% of AAs have a savings account and 1 in 5 owns stock.
- 1,600,000 Asian-Americans own a business (1out of 10). This represents \$500+Billion in annual economic output.
- Their purchasing power is expected to top \$1 Trillion by 2018, which would represent the 4th largest state economy in the US, after California, Texas & New York.

**Let's move now to Housing & Investment:**

- Today, at 59%, the Asian-American home-ownership rate by race is second only to non-Hispanic Whites (73%), but ahead of Hispanics (46%) and African-Americans (44%).
- They represent the largest share of purchase-money mortgages of any minority group in terms of both numbers and monetary value. AAs generally have high credit scores, low debt-to-income ratios, low loan-to-value ratios and low APRs.
- There will be 1.8M more AA's households formed by 2024.
- Asian-American's households spent 19% more than the US general population in housing.
- AAs are 30% more likely to invest in real estate beyond their primary residence.
- They are 80% more likely to use both college-advantage tax-savings accounts and trust and estate planning services.

**Impressive it is, particularly when you project 5/10 years down the road. Do the math.**

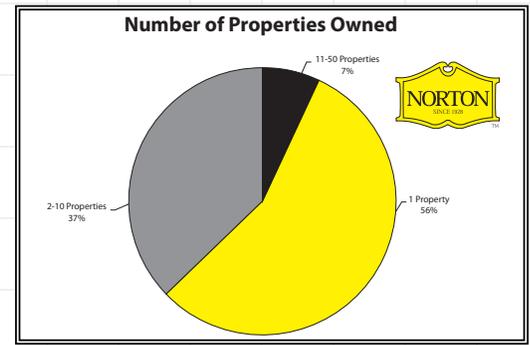
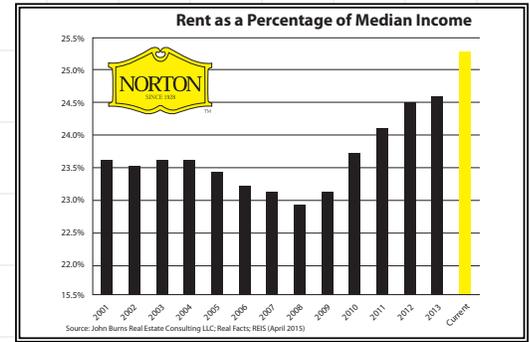
■ Hall County in the 2010 census showed it is 39% multicultural with 27.5% of the population Hispanic. Norton Native Intelligence's™ private demographic study indicated another 20,000 Hispanics were not counted (illegal or uncertain legal status). The recession and during the period that the INS ran a clearing house facility (the old prison) in downtown Gainesville, we saw a massive exodus of single Hispanic males, some females and a few families. Norton Native Intelligence™ puts the Hall Hispanic count closer to 64,500 people in 2016. That would push Hall County's multi-cultural percentage to 44.7 percent.

County	White	Hispanic*/Latino	Black/African American	Asian
Jackson	88.6	6.7	7.2	1.9
Banks	93.8	6.5	2.9	1.3
White	94.9	2.9	2.4	.6
Lumpkin	94.7	4.9	1.9	.7
Pickens	95.8	3.1	1.7	.8
Forsyth	85.2	9.7	3.5	9.1
Habersham	90.7	13.6	4.0	2.5
Rabun	95.2	8.4	1.6	.9

\*Hispanic can be white or black

■ In Forsyth County, diversity has moved from 100 percent white to 85.2 percent in less than 35 years. A remarkable transformation, yet problems continue to linger. The wealthy, affluent, non-whites moving in, especially in the Indian and Asian population are interestingly enough "taking all the top spots" academically which may be rippling over into other land use issues, churches, temples, ethnic retailers and other minority support systems.

■ Hall has a **public** Hispanic business component, (food stores, automobile, dry goods and consumables), and perhaps equally as large **underground** (heavy cash and barter) Hispanic economy (documentation, day labor, flea markets). Norton estimates the



Hispanic community has a 497 million dollar consumer effect on Hall County today and a 2030 projection of a 1 billion dollar impact. Because of that economic engine composite and the concentration of rental housing, Hall has become the Hispanic trade and job epicenter for an entire region. Hall exports Hispanic labor to the poultry operations in Forsyth and Habersham, exports to the construction trade industry throughout 15 counties and exports to the light manufacturing assembly and distribution sectors along I-85.

■ Hall County and more so Gainesville, has an aging dwindling African American population. They have become a **minority minority**, still trying to hold onto power, a voice and a seat at any political table. Yet they are dwarfed by a largely silent Hispanic worker class population that is more interested in scraping together a living, moving their families upward, rather than taking an activist role. Blacks that I grew up with, the best and the brightest African Americans left Gainesville going to college,



**STEPHEN LOVETT**  
 VICE PRESIDENT/PARTNER  
 NORTON COMMERCIAL GROUP

Only In America...  
 To me, "Only in America" says that we live in the greatest country in all of history. We have had triumphs, successes, abundance unlike any other country. The phrase "Only in America" means we have advantages in commerce that no other country enjoys. Only in America, do we truly have Freedom - Freedom to pursue our dreams, freedom to worship our God without fear, freedom to speak our minds.

achieved education and upon graduation, migrated to Atlanta which is has become the entire nation's upwardly mobile black culture and economic powerhouse. Why stay here and struggle when a short drive will lead to a more prosperous lifestyle and opportunity?

So why is this "Ostrich's head in the sand" mentality toward racial makeup so discerning? I am not sure if our community is embarrassed or ashamed by this diversity or are we still too seeded in waspish America. These folks are here, gainfully employed, creating a new life for themselves and their families. They are, as a labor force and consumers, the **BACKBONE** of our economy. All the Presidential election rhetoric isn't going to send the legals home (and we in Hall County have mostly legals on the path to citizenship). All the discussion of border walls and mass deportation is just not going to happen. They are here... so let's drop our prejudice and embrace their contributions and importance to our business fabric. We pat ourselves on the back for the wonderful millionaire's rows of executive housing along our Lake Lanier shore, but turn a blind eye toward the trailer park rental housing squalor along the side roads off Atlanta Highway. We have great "on-line" school catch up and enrichment programs for students but provide limited ability for access to the Hispanic homes or trailer parks without WiFi. Many of these families have a sole family cell phone much less personal home computers.

### So What Can We Do?

■ Promote diversity in every government and public action. We are not talking about percentages of expenditures going to minority contractors by force, we are talking about being conscious of 39.1% of your population and improving the public safety, economic stability and education mobility of that population.

■ Install free WiFi transmitters on county school buses and park them in low income neighborhoods after school, while stepping up loaner home computer initiatives.



**KIM WATERS**  
 VICE PRESIDENT/PARTNER  
 NORTON RESIDENTIAL GROUP

Only in America...  
 It's "only in America" that the opportunity exists for an individual with nothing but a good idea, a good work ethic and a good attitude to have pretty much whatever he or she wants with the sky as the limit.

■ The Chamber's Vision 2030 committee has a diversity subcommittee to discuss and implement programs to help the population. However it is just lip gloss until the Chamber and the local government ask the Hispanic cohort what they need instead of assuming what they need and **band** with them to rapidly implement those programs.

■ We need to **up** our public housing initiative, Gainesville has only 494 public housing units and 64% are occupied by Hispanics. Norton's "Strategic In Site" study of the housing authority in 2013 indicated a **community our size should have 2,500**. The need is clearly there. However, over time, the lack of our new public housing initiatives have defaulted to allow substandard housing to spread across mostly south Gainesville. There is a direct correlation between this shortage and the concentration of urban Gainesville Mobile Home Parks. Speaking about substandard housing, the deficient landlords needs to be hauled to jail (Atlanta did it), publish articles regarding slumlords on the front page of the newspaper (we dare them) and raise consciousness and thus conditions and the general welfare of the lower income Gainesville.

■ Stop the Sherriff/Police arrest madness. Racial profiling exists and some reports are that it's being ratcheted up and is being swept "under the rug." We know of one Baker-Glover Mobile Home Park family whose family van was stopped one Sunday after church. The dad was hauled off to jail for months bogged down in the system and told he had one foot in each country. His employer fought to get him out while supporting his family in the interim. The violation was a simple broken tail light.

■ Merge the school systems. Racial equality in the Gainesville system is virtually non-existent. Test scores are sliding and lower school classes are swelling Hispanic numbers. Whites are fleeing. Look at the

Charter School Programs and their successes and the number of paying students in the Hall County School System. It is no longer prudent nor economical to run two school systems to support a legacy football program (bias, I did not go there but my child did). **Once consolidated**, go after every Federal and State Grant imaginable to provide community WiFi, English immersion classes, Quick Start Bilingual programs, under privileged computer access, Hispanic to American assimilation grants and Lanier Tech dual enrollment initiatives.

In January, 2015, The Norton Agency Insurance Division under the leadership of Bob Norton (he is the Latin brother) started a Hispanic Insurance Agency in partnership with Camille Viera of Gainesville. In its first year, it has been widely accepted and moving toward second year profitability. The Norton Agency put its money where its mouth is. We need to bridge Anglo with Hispanic. We need to build trust despite our language barrier. Our goal was to bring quality, stability and affordability to that market place. Other North Georgia businesses should create other joint initiatives to help them raise their standards of living which raises opportunity for all of us. They are part of the fabric of our community and we need to embrace them.

**The Force Awakens.**

permits, 2013 - 2,344 permits, 2014 - 2,516 permits and 2015 - 2,695 permits. At 3.14 people per Forsyth household, that's 35,425 new citizens in Forsyth.

**The benchmark of 200,000** got us thinking about growth rates and population surges. So what is Forsyth or Hall life going to be like when they hit 500,000? As a game starter, consider Gwinnett County, Hall and Forsyth's joint neighbor had 805,324 in 2010 and was one giant gorilla. Gwinnett is projected to be 1.4 million people in 2030. It is not unrealistic to think Forsyth (they will be first) and then Hall County will reach 500,000 people in the not too distant future.

So after talking with our childhood friend, George Jetson, and putting on a Spacely Sprockets thinking helmet, we've decided to envision what life in these two counties will be like at 500,000 people.

■ Traffic congestion will rule the day in both counties, constrained by one way in and one way out roads, GA 400 and I-985. Both counties suffer from limited cross county connectivity much less only 4 places to cross Lake Lanier to reach **each** other and thus providing a secondary way in/way out using GA 400 and I-985. Expect the Forsyth and Hall Counties Marta vote in 2030 to be successful and light rail to Atlanta up and operational by 2040.

■ Forsyth at 500,000 has become Atlanta's "must have" suburban bedroom community. "Must have" to continue to attract the corporate legions of business at the GA 400 perimeter and along GA corporate corridor of GA 400. Forsyth is certain to see a number of high end executive office concentrations at the nodes of cross intersections along GA 400 and will see a few adventuresome corporate businesses located directly on Lake Lanier's waterfront. That exclusive prize is a corporate environment's dream.

# EMBRACE LIFE AT 500,000

Around March 21, 2015, Forsyth County reached 200,000 people eclipsing Hall County's 193,000 population. The post-recession boom has been **kind** to Forsyth who has been the region's housing permit leader. 2010 - 975 permits, 2011 - 1,070 permits, 2012 - 1,682



**SHEILA DAVIS**  
 VICE PRESIDENT/PARTNER  
 NORTON RESIDENTIAL GROUP

Only in America...  
 In our pro-business and capitalistic society, can anyone have the freedom and opportunity to educate to themselves, start a new business (or multiple businesses), with as few societal or government limitations as we have here. "Only in America" can we choose to live, to work, to raise our families and to worship with the freedom of choice that other countries and cultures may never get to experience.

■ Hall at 500,000 continues to have a bifurcated identity. South of Chicopee Woods, about 28% of Hall’s land mass will look and feel like Gwinnett, with Gwinnett’s patterned residential, retail, clusters of business and industry and yes a regional or corporate headquarter or two on the Hall/Lanier shoreline and at Exit 8, 12, 14 and 16. Then there’s center Gainesville and its “Northlands” with continuous rolling hills, rural gentlemen farms, button clusters of planning development and low density residential. At 500,000 The North does get two or three more retail centers; Nopone, Lula and Price Road most likely but will continue to rely on the Gainesville Business Center for higher end retail service, medical and employment concentration. At 500,000 people, the North is still just too hard to access (unless an outer perimeter Appalachian Highway or I-3 is ever built) and at 500,000 people, 375,000 of those will live south of Chicopee Woods or along the narrow 365 corridor bordering Lake Lanier.

■ At 500,000, we should see a consolidated government running Forsyth. With Cumming, the only other government in Forsyth, consolidation is much easier than in Hall with 9 government bodies. We do foresee a consolidated Hall County, Gainesville School system either by choice or State mandated for economic efficiency. We see a merging of Flowery Branch and Oakwood, sort of a Flowery Oak or Oak Branch population. A strong Buford and when Hall County reaches 500,000 its largest city will be Braselton, a bright shiny new city anchored by corporate, medical and active adults. Braselton at 100,000 people will also be I-85’s largest city and stretch across four counties: Jackson, Gwinnett, Barrow and Hall with rippling economic effects on all four.

The economic disparity between the two counties will be profound. Forsyth will have blown past an emerging corporate white collar community like Tysons Corners to Washington, DC; Arlington to Dallas and the Woodlands to Houston. Hall’s economy will continue to be manufacturing and food processing. Its rich labor supply (provided we solve our labor dependent housing problem) and abundant water and sewer resources vs Forsyth’s lends itself to a broader manufacturing and economic base than Forsyth.

**METRICS OF 500,000**

	<u>FORSYTH</u>	<u>HALL</u>
Date to reach 500,000	2042	2051
Annual Growth Rate	3.2	1.55
Projected Average Household Income	179,223	89,000
Average Age	33.5	31.5
Average Home Price	749,903	496,736

## UNSHACKLE REGULATIONS

Sometimes we feel that we are the lone cry in the wilderness. For at least 10 years, Norton Native Intelligence™ has been **sounding** warnings of over regulations, excessive impact and utility fees and an anti-business (big or small) mindset amongst State, City and County governments. We won’t name names but at least 159 counties and 535 incorporated cities or townships are guilty. **The unintended consequence is that it is driving businesses away and frustrates the hell out of those that stay.**

While most astute private businesses down-sized staffs in the recent recession, our local governments just reassigned planners to create new regulations and ordinances, re-exam fees, and look for ways to add more bureaucracy and layers of government authority. It’s like putting on another overcoat on the fox after you put it in the hen house. Now most governments will go squealing like a stuck pig when they read or hear this **but the truth hurts**. Let’s just sight a few examples of the government craziness or what we might call North Georgia “bureaucracy on steroids.”

■ A water/sewer permit in Dahlonega now costs \$10,755 per housing unit. No wonder that their residential construction industry has migrated to sunnier parts.

■ A land disturbance permit in Gwinnett takes 120 - 180 days to obtain and 6 levels of approval.

■ Gwinnett County further requires full fire rated walls between tenants in a multi-tenant building even though the building has a sprinkler system. The International Building Code does not even require it.

■ A sewer permit for a new 42,000 SF Medical Office Building in Braselton was

first quoted at \$253,233 then recalculated at \$156,200. They used a theoretical chart showing sewer flows 10 times those that are actually performing in a duplicate medical building in Gainesville, **TEN TIMES** (and finally set the fee at \$52,067, 2.6 times actual usage).

■ The City of Gainesville has a specialty event occupancy permit for “temporary” tents on private property that includes installation of fire extinguishers and exit signs on poles even though the tent has no sides. Further, until challenged, the permit required a health inspection for all food served in a private event. The “food” had to be inspected before cooked and before the tent could be installed to cook the food... **Really?**

■ Forsyth County, commissioned a study to look at and rework all impact fees. At the time of this writing, a new Wal-Mart would have a \$900,000 impact fee, a new 40,000 SF medical building more than a \$400,000 fee and a single family home would be \$9,000 per house with no grandfathering nor vesting. While it may not ever become reality, it’s shaking up the builder development community. When Norton Native Intelligence™ was asked by a county commissioner our opinion of this fee our response was, *“I hope Forsyth Countians will enjoy going to the new Wal-Marts that are located on the edges of Forsyth County but in all the surrounding counties.”* Retail follows roof tops but close by not necessarily in the county of origin and Cherokee, Dawson, Gwinnett and Hall are equal accessible substitutes for them to relocate.

■ Perhaps the biggest granddaddy of them all is a new storm water tax program proposed for Gainesville “Rain Tax.” Spell that M.O.N.E.Y, not quite an authority but its evil twin sister, the proposed initial modest fee structure originally starting in 2017 will tax hard surfaces “impervious areas” of all property in Gainesville to offset storm water expense currently built into the Water Sewer Department and the City’s General Fund. Now remember the City made businesses

retail and homes pave parking and driveways, required industries to spend thousands of dollars to build on-site detention and now plan to tax or fee everyone for what the city originally required. It’s our understanding that all properties are governed by the new tax including private industry, school systems, churches, hospitals and non-profits. No one will be exempt to this new tax. For example, the First Methodist Church and Lakewood Baptist Church both on Thompson Bridge Road. Their storm water flows directly into Lake Lanier, not Gainesville’s storm water system, and they will not be exempt

**This is clearly a government solution for a problem we don’t have.**

## CONCLUSION

**Our Big, Bold Idea...** Simple. Slash regulations, streamline paperwork. Act like grown up cities and counties, **think cause and effect** when proposing a new regulation, fees or ordinances. Unshackle government and make the counties in our region the most business sensitive and business friendly in the State if not the Southeast. Support the businesses and residents who bear those taxes on their back. “You shear a sheep many times but skin it only once.”

**It’s time to slash and burn government regulations.**

# “ONLY IN AMERICA”

We’ve adopted this rally call for our 2016 Forecast from one of our favorite North Georgia Investor/Entrepreneurs, “Big” Jim Walters of Walters Management. **“Only in America”** says so much about the American spirit, the American psyche and our place on the global stage. It’s also so descriptive of what Norton sees in North Georgia, a collective spirit to make our region better. A



**BRAD ABERNATHY**  
 VICE PRESIDENT/ PARTNER  
 NORTON RESIDENTIAL GROUP

Only In America...  
 We love our country and the principles on which it was founded. America is a land of true opportunity for those that try. We wouldn’t want to live or raise our families anywhere else in this world. We are privileged to live in this country, and more specifically, in Hall County Georgia. We have true freedoms, blessings and opportunities that most people in this world will never have. Let us not take them for granted any longer.

spirit of entrepreneurial innovation in small businesses dotting the hills and valleys of our region that, collectively woven together make a patchwork quilt of business and economic vibrancy.

Our deep roots may be in the phrase “**Rebel Yell.**” It’s that history of turning things inside-out, upside-down that has powered North Georgia and our state toward the undisputed leader of the New South and emerging new economy.

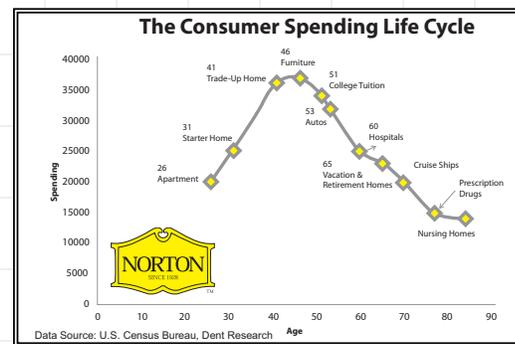
We have been revolutionary in our approach to planning business recruitment and infrastructure placement, just look at projects such as Vickery, Village of Deacon Creek, Valentine Farm and Cresswind to site only a few. The legions of new businesses build a foundation of infrastructure that goes beyond sewer and water. Forsyth’s self-tax **kick starter** for widening GA 400, the new River Place Hospital footprint, New Lanier Tech campuses in Forsyth County, GA 316 and soon to be GA 365/985 and Brenau’s expansion into the medical sector just to name a few.

Maybe these collective events aren’t revolutionary in the sense of a Boston Tea Party but they are breaking the rules, going outside of conventional wisdom, against the norm. Nothing captures our imagination as much as those who disobey, experiment, defy traditional thinking and break the rules. Einstein, van Gogh, Dante and in our own generation Jobs, Gates, Reagan and Buffett. The list goes on and on.

## REBEL

We love the word. It’s both a noun and a verb. You can “rebel” and you can be a “rebel.” As we look forward to building on North Georgia’s strengths and recognize that we have weaknesses (anti-bipartisan thought process) and overcoming them will take REBELS to see it through.

You don’t have to ride a motorcycle to be a rebel, you don’t have to be Elvis or James Dean. There are plenty of suit wearing rebels in our midst.



It’s not about being bad. It’s pushing boundaries and making people uncomfortable – that’s being a REBEL. Challenging the way things have always been done in North Georgia, whether it’s Dillard or Auburn, Cumming or Clarkesville. Just because it has always been done that way does not make it right for these times, progressive or effective, standing out from the crowd, challenging convention, creating something new. This is true in business, in art and in government. Entrepreneurs are rule-breakers by nature; they disrupt, innovate and feel “crazy good” about it.

## ONLY IN AMERICA

A grand experiment in freedom, government **by** the people, a mindset to set revolution in motion and perpetually evolving that revolution generation after generation. Regardless of your political leanings, your political party **revel** in the fact that there are always two or three camps and **we have the freedom to choose which one to join**. On our part, Norton pledges to continue to ask hard questions, challenging the status quo and encourage our readership to do the same. We are all in this together, there should not be division among race, religion or economic strata. It is about living in North Georgia and living “well” in North Georgia. The real story of America is about people taking risks, trying new options, failing, succeeding and doing it all over again.



**PATSY BAILEY**  
 VICE PRESIDENT/PARTNER  
 NORTON RESIDENTIAL GROUP

Only in America...  
 We live in the country of the home and the brave, country of freedom where anyone can achieve success in anything they set their mind on with hard work and determination. Successful business start-ups help the economy by providing jobs and increase the quality of life to all involved, the management team, the employees and the vendors.

# Market Commentary



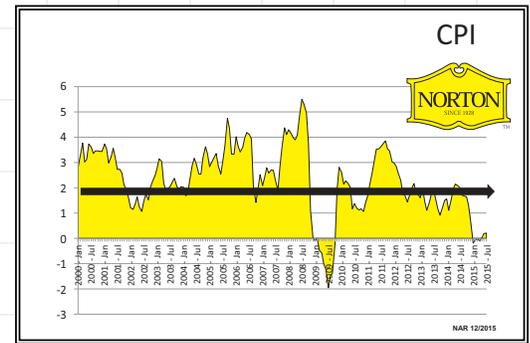
# TECHNOLOGY

Norton will probably buy at least one new vehicle in calendar year 2016. We tend to purchase a car, truck or commercial van and drive it for at least 100,000 miles, sometimes nearing or passing the 200,000 mark and keeping it for 10 years or more.

But today that strategy may be obsolete. Cars will be very different well before that 10 year cycle. We are bombarded in the media with talk about hands-free driving and driverless vehicles. Some contend that technology is far away stuff written about in *Popular Science* magazine. Also the mileage we get with current fuel systems could radically change. Government mandates on either these advancements could force massive automobile conversion making the “cash for clunkers” program look like a neighborhood yard sale.

Toyota is about to invest billions of dollars on artificial intelligence technology (AI), (Google Tesla, and Apple is well on its way as well). The assumption is that it will be applied to their vehicles, but Toyota intends to go beyond just vehicles to developing robots capable of an array of functions. For instance, scientist are close to building robots that assist handicapped and senior citizens living independently. The potential artificial intelligence in medical services is just one aspect of an integrated lifestyle and integrated world. My home “Nest” thermostat already knows when we’re home, when we’re away and continues to “learn” our living habits. Big Brother or Technology Valet? Going further, there are already prototypes of four legged robots with gaits steadier than horses.

Telemedicine, robotic surgery and automatic pharmacies are here. Drone robotic delivery systems are on the horizon. The wake-up call for North Georgia is the transformation effect on its economy, these advances will have... not **could** have. Many positions in the service sectors are on the verge of replacement by artificial intelligence. These



disruptive technologies will change the way we live, work and play. For example, take the current job surge for trained welders. The next generation will morph into technology controlled robotic welding systems. Will today’s high school vo-tech and technology secondary schools be able to keep pace with the ever-changing industrial technology revolution?

Painful changes are ahead, yet at the same time, wonderful opportunities are on the horizon.



**SCOTT LEWIS**  
PRESIDENT  
NORTON LEWIS GORO INSURANCE

Only In America...  
We live in the greatest country in the world. Unfortunately, America is slipping due to its lack of leadership.

**ONLY IN AMERICA**



# LAKE LANIER

(Note: Originally Published “Lake Destination Lanier” Fall 2015)

Imagine with me a moment...that Lake Lanier never happened.

It's the summer of 1951, the session of Congress is in full session. Up for consideration is a budget bill that includes additional appropriation for the impoundment of the Chattahoochee River in the middle of a forested wilderness north of Atlanta. The project was first proposed during the 1930s and long delayed by war and economic conditions.

During that hot summer, Atlanta Mayor William B. Hartsfield traveled to Washington numerous times pushing and pressuring Senator Richard Russell, Jr. and Walter F. George to restore funding to ensure Atlanta's water supply during possible droughts.

For historical context at this time, the population of Georgia was 3.4 million people, Atlanta was 726,000 people, Gainesville was 11,900 people, Buford was 3,812 people and Cumming was only 1,264 people.

Now imagine with me the fiery political debate, powerful oratory on the house floor, heated debates and the smoke filled back room dealings of that era. You can just hear the banter, “a water supply forever,” “puts people to work,” “saves farms downstream from flooding,” “creates navigable water ways between Alabama and Georgia and all the way to the Gulf...”

Finally the vote is taken and in my imaginary narrative, the entire impoundment project is cut from the final bill. At \$17.6 million total cost (at that time), it was too “risky” of a project without a substantial return on investment (ROI). “Atlanta wasn't going to grow, they did not need the water, and there was plenty to spread around.” When the dust settled out, there would be no Lake Lanier, no 38,000 sq. ft. lake surface, no community aqua playground, no new hydro-electric source and no engine to stir community growth.

Fast forward this “what if” tale to 2016 and let's look at our region without **Lake Lanier**.

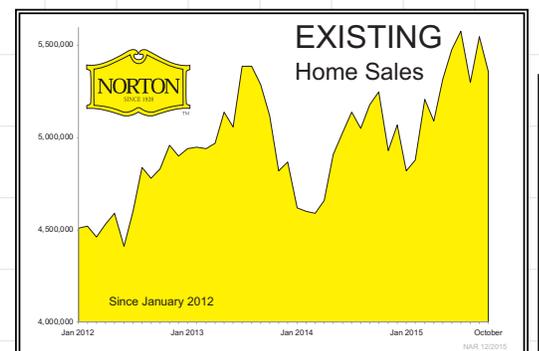
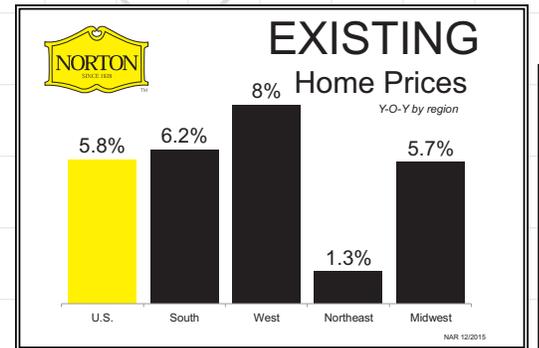
The area along the Chattahoochee River basin that was originally to be covered with Lake Lanier remains in 2016 largely a fertile agricultural valley, primarily crop farming owned by hundreds of small generational farmers. “The bottoms” would grow a variety of crops: corn, cotton, vegetables and pumpkins.

The giant poultry industry we see today would be but a fraction of its size. Those farms that do exist would all line up along the Flat Creek tributary in order to expense their waste directly in the creek. Lake

Lanier, with its water and water quality environment charge, stimulated hundreds of millions of other federal grants for water and industrial sewer in our region which would not have existed if Lake Lanier did not exist. This federal assistance helped jump start and, in some cases, paid for entire water/sewer systems in Cumming, Gainesville, Flowery Branch and Buford.

The City of Gainesville would still have its 9 hole, Lake Warner Golf Course and limited other “park” recreation areas, but not the Chattahoochee Golf Course. The 4 counties would also not have the 60 state, county or corps owned parks, campgrounds nor the 10 operating inland marinas or any specialty recreation facilities such as Ivy Watson (Hall), Lake Lanier Islands (Hall), Laurel Park (Hall) or Warhill Park (Dawson).

Without Lake Lanier, it would be doubtful to have Georgia 400 or an I-985. The population growth would be stagnant and little to no need for that massive transportation infrastructure, moving people toward a much smaller Atlanta.



It would also be a toss-up whether we would even see our massive Atlanta airport hub without an abundant source of water. That hub would most like have defaulted to Charlotte, Jacksonville or Birmingham.

Finally the Federal Government paid \$20 to \$40 an acre for land impounded for Lake Lanier. Without the Lake, Forsyth, Hall and Dawson's tax base would be one hundredth or less than it is today. The small population and smaller economy might best be compared to rural areas of South Georgia and Alabama. Lake Lanier is a huge real estate tax base that gives every year....every year.

This region in 2016 without Lake Lanier and all its glitter and sizzle, would be nothing more than Lower Appalachia; poor dirt farming families, aging small rural townships and expansive family farms. Nothing against those characteristics, but in perspective, Lake Lanier is much more than a cool summer swim, a late evening cocktail boat ride or a wonderful back porch vista.

Lake Lanier is ENERGY, its vitality is the glue that holds us together (economic, social, cultural and political) and at the same time, Lake Lanier is a spark to ignite the human spirit over decades generations and generations to come. It drives jobs, builds community and creates connectivity, Lake Lanier is life, our LIFE.

## NOW FAST FORWARD

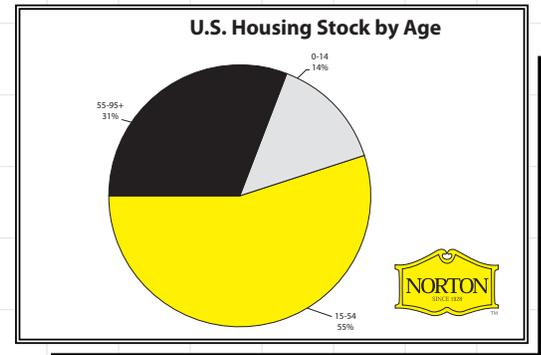
(Note: Originally Published in "Lake Destination Lanier," Winter 2016)

In my last column (Fall 2015 Issue), I wrote about North Georgia without a Lake Lanier, a Metro Atlanta without its water supply, without its playground and without energy, vibrancy and connectivity that is stimulated and intertwined with Lake Lanier. **It struck nerves.**



**PAT HARRELL**  
 VICE PRESIDENT/ PARTNER  
 NORTON RESIDENTIAL GROUP

Only In America...  
 You are allowed to pursue your dreams and if you are diligent and focused you can succeed. There will be stumbling blocks along the way, but there is a path through them. Our quality of life in America is what people in other countries dream about. We just do not know the hardships others endure. We are THE land of opportunity.



We have received more comments and follow up questions than any other article that we have published to date. So in that line of exploratory thinking and my perpetual pondering of what if? I thought I might look 40 years ahead and look at this Lanier Land we call home in the year 2055.

Many of us will be long gone or those "old" folks remaining will be running around with bionic limbs, computer assisted heart mechanics or other Star War's era medical support systems but Lake Lanier endures, without sounding too much like a Popular Science magazine. Here are a few random predictions (please save this article and look back in 2055 to see how accurate we were).

■ The general population surrounding a 5 mile swath around Lake Lanier in 2055 has reached 558,558 up from 308,487 in 2015, a 45% increase. Lake Lanier is now in the heart of Megalithic Atlanta, whose 2055 population has tipped 12 million people. Outer regions of Atlanta now stretch to Chattanooga, Greenville and South toward Macon.

■ By 2055, homes with direct access to Lake Lanier average \$2,106,000 and the average home with proximity to Lanier is \$1,125,000.

■ Lake Lanier has a stable water level, in fact, higher thanks to the Corp of Engineers' 2025 decision to raise the surface area by 2 feet. Now understand the Tri-State Water War started in 1987 still wages on with the latest

appeal to the Supreme Court and the United Nation's Committee for Full Water Resources.

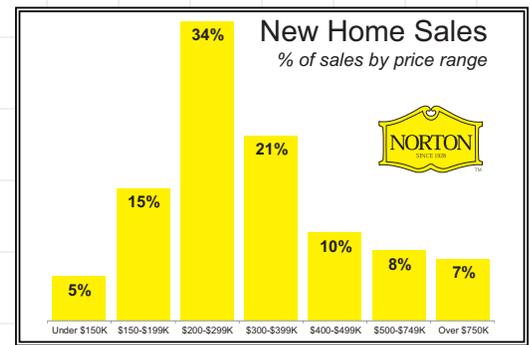
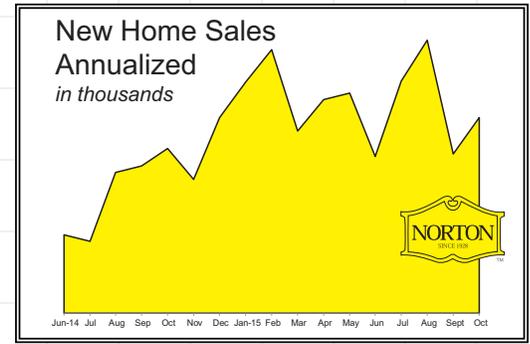
■ The water is clean, surrounding communities continue to push for municipal sewer and enacted in 2030 five year recertification of private septic systems and bi-annual pump outs. Giant robotic computerized worms scour the lower levels of Lanier filtering and purifying water on a continual basis providing some of the cleanest water on the Continent.

■ Recreation is still Lanier's number one by product, unmanned, computerized GPS glass bottom boat tours are launched multiple times per day from four different points of Lanier. Jet propeller ski boats, hover crafts and hover skis are now the norm. Sonic fish tracking devices allow record bass catches and the new cooling systems put in place on the North end of Lanier Lanier/Chattahoochee River corridor has allowed the in product of Rainbow, Brown and Brook Trout from Lanier Park North.

■ The lawsuit challenging the Corps maximizing private boat dock count fixed in the 2000's was finally settled in 2032 with the Corp increasing group and marina facilities to a 17,000 count. As a compromise for that action, boats must all be on lifts (environmental protection gas oil leakage) or dry dock stored when not in direct use.

■ Google shot aerial photograph in 1990's created GPS shoreline coordinates in the 2000's and in the 2030's it mapped every sub-surface lever nook and cranny so that recreational diving would be safer and three dimensional ocular glass experiences could be generated without ever venturing below the surface.

The Lake Lanier Association is now celebrating its 85th year and continues to be a valuable ombudsman for Lake Initiatives. Bottom line,



by 2055, Lake Lanier is a mega commercial region, corporate offices built on its shore with equally commanding views. Residential planned communities have morphed into luxury compounds, hotels and recreation put the shore from one end to the other.



**SUSAN GODBEE**  
VICE PRESIDENT/ PARTNER  
NORTON RESIDENTIAL GROUP

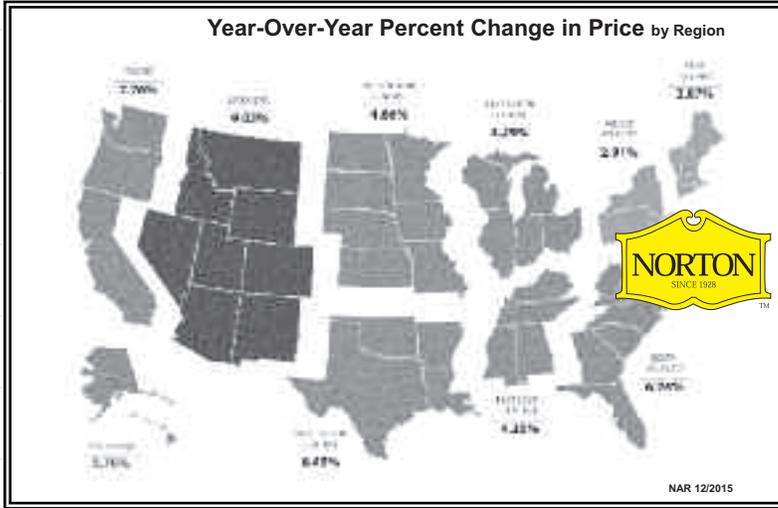
Only in America... Well, the phrase Only in America can be used in a positive or negative way. Perhaps there is an outcome that I don't necessarily agree with and I would use that phrase meaning "unbelievable!" On the other hand, I can turn it around when something awesome happens and it's "Only in America could we have the freedom to that." In real estate, you truly can ask anything you want and sometimes even get that. Only in America, can we do that, because it's all about what the market will bear at that moment in time.



# Radars & Databombs



NEWS · FINDS · OPINIONS · TRENDS · 2015-2016



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, powers a national insurance platform, and now has operational interests from Habersham to Fernandina, Cordele to Dalton and Birmingham to Anderson. While the year-end housing report shows residential construction improving, economically it’s largely irrelevant. In 2015, single-family construction was single-handedly 3.4% of GDP and all new residential spending was 6.7%. Now single-family activity is 1.3% of GDP and all residential activity is 3.3%. Conversely, since 2005 GDP has grown by 38%. Thus, in only 4 of the last 24 quarters has housing contributed more than one-third of a percentage point to GDP growth.

**Radar** is our 21<sup>st</sup> 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. Our extended research and associated research now encompasses a statewide business views and regional impact for this New South.

**NATIONAL PERSPECTIVE**

While the National Housing indicators point positive, it still does not feel right. Good, stable, comfortable American housing and investment is walking through a room filled with egg shells and perhaps a hidden

land mine or two. It’s like we have been playing musical chairs in a room full of flying bullets. If we ever get back to having a new home industry, we would see stability and a ripple effect on the economy.

**WAGE GROWTH**

Corporate cuts to the bone and push efficiency slack taken out of the system, layers of management evaporated and per employee productivity is pushed. Contract overflow labor becoming the norm for flexibility of your force growth and quick turn-around workforce reproduction. Labor force peaked in 2000 at 67% and in 2015 has now dropped to 63% due to baby boomer’s retirement, millennials staying in school longer, high school age kids not working and industrial down- sizing. A lot of the available workforce are unqualified for the jobs available.

**CONSUMER CONFIDENCE**

**New Homes** - People don’t go from unemployed to employed and then immediately enter the home buying market yet we are still impressed by the resilience of the American psyche.

**NATIONAL COMMERCIAL MARKET**

Commercial property transaction volume is expected to increase for another two years and then level off at a robust \$500 billion by 2017. Commercial real estate prices are projected to rise by 10.0% in 2015 and to



slow to a 6.0 percent increase in 2016. Price growth is expected to drop to 4.5 percent in 2017, below the long-term average growth rate.

■ Institutional real estate assets are expected to provide total returns of 11.7% in 2015, moderating to 9.0 percent in 2016 and 7.0 percent in 2017. By property type, returns are expected to be strongest for industrial and retail, followed by office and apartments, in all three years.

■ Vacancy rates are expected to continue to decrease modestly for office and retail over all three forecast years. Industrial availability rates and hotel occupancy rate are forecasted to improve modestly in 2015 and essentially plateau in 2016 and 2017. Apartment vacancy rates are also expected to decline slightly in 2015 but reverse direction and rise slightly in 2016 and 2017.

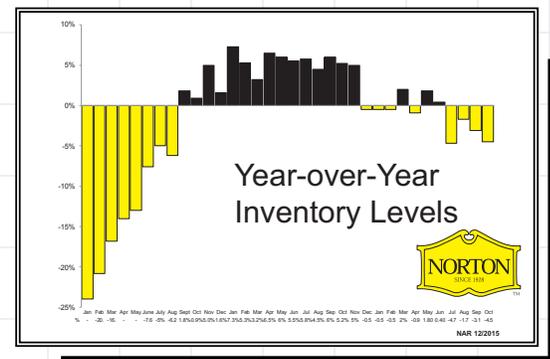
■ Commercial property rents are expected to increase for the four major property types in 2015, ranging from 2.0 percent for retail up to 4.6 percent for apartments and 4.9 percent for industrial. Rent increases in 2017 in these four types will range from 2.8 percent for retail to 4.0 percent for office. Hotel Revenue is expected to increase by 7.9 percent in 2015 and 4.2 percent in 2017.

Source: Urban Land

## NATIONAL PRODUCT TYPES

■ **Office** – Office vacancy rates are expected to continue declining, bringing the vacancy rate below the 20-year average, to 13.3 percent in 2015, 12.7 percent in 2016, and 12.3 percent by the end of 2017. Rental rate growth is expected to increase at a consistent pace of 4.0 percent in all three forecast years. All forecasted rates are above the 20-year average. The forecast for office vacancy rates is slightly less optimistic than the forecast of six months ago. The outlook for rental rate growth in 2015 and 2016 remain about the same, while the forecast for 2017 is more optimistic.

■ **Apartments** – Vacancy rates are expected to increase slightly to 4.8 percent in 2016 and 5.0 percent in 2017; however, these forecasts remain below the 20-year average vacancy rate. Apartments are also expected to show consistent rental rate growth above the 20-year average of 2.7 percent. Rents are expected to rise by 4.6 percent in 2015, then moderate to 3.5 percent in 2016 and 3.0 percent in 2017. The outlook for vacancy rates for the next three years are lower, and the forecasted rental rate changes are all higher, when compared to six months ago.



■ **Retail** – The Consensus Forecast anticipates on-going improvements over the next three years, with year-end availability rates expected to decline to 11.1 percent by 2015, 10.7 percent by 2016, and 10.4 percent by 2017. Still, these rates remain above the 20-year average. Rental rates are expected to sustain this growth, increasing by 1.5 percent in 2015, 2.5 percent in 2016, and 2.8 percent in 2017. Compared to six months ago, the outlook of availability rates and rental rate growth for the next three years is less optimistic.

■ **Industrial/warehouse** – Availability rates are expected to continue to decline in 2015 and 2016, with year-end vacancy rates at 9.7 percent and 9.5 percent, respectively, and remain steady in 2017 at 9.5 percent. Forecasts are for healthy rental rate growth to continue, with increases of 4.9 percent in 2015, 4.0 percent in 2016, and 3.0 percent in 2017. These forecasts are all above the 20-year average growth rate. The forecasts for industrial/warehouse availability rates and rental growth rates in 2015, 2016 and 2017 are all more optimistic than the Consensus Forecast of six months ago.

■ **Hotel** – The Consensus Forecast projects that occupancy rates will improve even more in 2015, reaching 65.3 percent and then nearly plateauing at 65.4 percent in 2016 and 65.3 percent in 2017. Hotel revenue per available room (RevPAR) is expected to



trillion, up more than \$4.0 trillion over 12 months. Rising income, rising wealth and falling energy prices will all provide households with a great ability to increase spending.

Source: Urban Land Consensus Report

## NORTON'S ADVICE FOR:

remain strong, but at a decelerating rate. RevPAR is expected to grow by 7.9 percent in 2015, 5.9 percent in 2016, and 4.2 percent in 2017. These projections are all above the 20-year average.

■ **Manufacturing** – The US economy entered 2015 with strong positive momentum. Businesses were more optimistic than they have been since 2007, anticipating strong sales growth. As their focus shifted from concerns about costs, to growing top line revenue, businesses began to hire more aggressively. The number of job openings in the economy jumped from 3.9 million in January 2014 to 5.1 million a year later, and increase of more than 28%. As businesses begin to seek more workers, hiring increased. After adding 2.5 million jobs to payrolls in 2013, employment surged by more than 3.1 million jobs in 2014, the largest increase since 1999. And employment growth has remained strong in 2015. As of March payroll employment was up more than 3.1 million jobs from a year earlier. Over the next three years U.S. employment is forecast to increase by 8.0 million jobs.

■ **Income** – With more individuals employed, aggregate income has increased rapidly. As of early 2015, inflation-adjusted income after taxes had increased 4.2% from the year-earlier level, the strongest non-tax impacted income growth since 2006. We expect income to continue rising at a healthy pace in 2015 and 2016 as more jobs are added and as tightening labor markets lead to faster growth in wages and salaries. Inflation-adjusted after tax income is forecast to increase 3.8% per year over the next 3 years. In addition, consumers are benefiting from the more than 50% decline in oil prices since mid-2014. In January 2015 consumer spending on energy, goods and services accounted for only 3.9% of after tax income, the lowest since 2002. Finally, household wealth is increasing. At the end of 2014 aggregate household net worth in the US reached a record \$82.9

■ **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.

■ **WEALTH**  
There are more and more wealthy people in this world, and they are getting richer quicker than ever. **Five percent** of the world holds 80% of the wealth. Another way to look at the phenomenon is to say that the top 10% in household income, earn 33% of the world’s income, and control 86% of all assets. Also, the top 1% owns 43% of the world’s personal assets.

“Those who have” did OK last year, and over the last 4 years for that matter, economic

THE TECHNOLOGY WILD WEST

*Stupid money chasing stupid deals*

*Hugo Chavez actions were the single greatest driver for Miami Real Estate.*

*Cast a long shadow of those who came before.*

*America has become so tight, we buy a new house and move in with old furniture.*

*Knows people with money, knows people with influence and where the bodies are buried in between.*

*In a dog fight, the guys with the biggest checkbook wins.*

*Don't know what it's like until you're in the field and the bullets are flying.*

*Not your normal recession, not your normal recovery.*

*You battling the market is like battling Mother Nature.*

**OFFER PAGE – CRAZY HIGH**

*When resale prices are at historical highs, people flood the market with inventory (listings) were not normal.*

*Life has not sanded smooth the edges of their hopefulness*

*Drive to you qualify... in Atlanta it's 25 miles, in LA 45 miles*

*Oozing into Growth (recover)*

**GO ROGUE**

*America is all about farms*

*Running away with their hair on fire.*

*As your SAT/ACT goes up, your home price goes up*

**EXPAND YOUR PERCEPTUAL MAP**

*Live in the sunshine, swim in the sea, and drink the wild air. "Emerson"*

*Some houses last moments (inventory)*

*15.4 million Investors owned single family homes in America.*

*Perpetual Magic Carpet Hologram*

**FIRE BREATHERS THRIVED IN THE MARKET.**

*Give them the gift of good*

**A BUNCH OF YAHOO BUYERS**

*Urban • Suburban • Exurb • Rural • Boondocks • Too far and snaky*

*Vulture buyers are still trying to bottle lightning.*

crisis or not. There were 26% in 2011 saying that their financial position improved. The fraction grew to 30% in 2012, 34% in 2013 and 38% last year. The world is flush with wealth. It grew 9% in 2014, to an all-time high of \$263 Trillion. In that regard, the US did a lot better than the other guys. The US personal assets growth amounted to \$8T last year, compared to \$2T in UK and a “meager” \$791B in China.

Interestingly enough, cash is the new idea these days. Back in 2006, 14% of the world’s assets were held in cash. Today, it’s exactly double: 28%. So much for the concept that our best brains who understand how to leverage other people’s money, refuse to have too much skin in the game. The fact is: why finance at 3 or 4% when cash in the bank is only getting 0.5%?

According to the international study, discretionary spending in real estate, travel, entertainment, fashion, automobiles... Is on the rise. Real estate is up 12% over 2013. At this point, in the US, 15% of the affluent are not in the market for a primary home, while 11% are shopping for a second home. The number of buyers exceeds the number of sellers by roughly 50%.

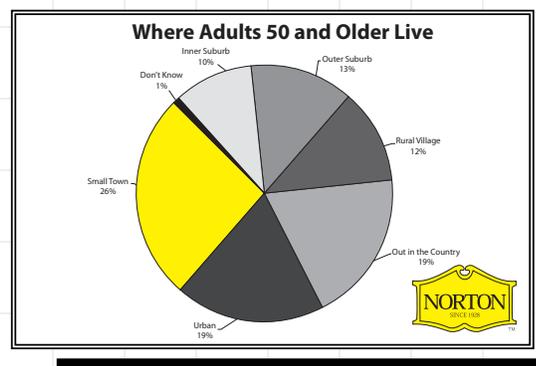
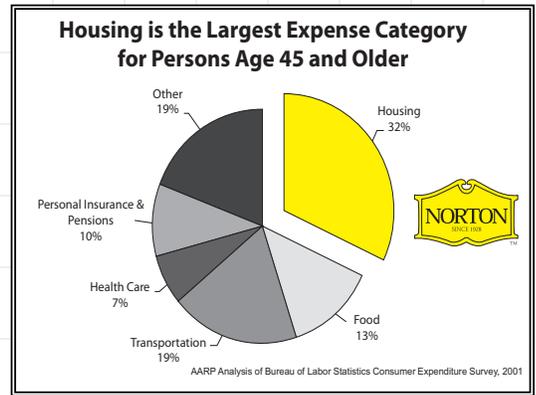
After a long and painful recession, are today’s buyers more daring financially when it comes to decision-making? How do you answer the question: “Do I want it, or do I need it”? Well, we don’t know that it makes that big a difference when you have plenty of money in investments and savings, but it appears the tip of upper middle class, core affluent and one percenters, are more independent in their way of thinking and in their spending habits, thanks to social media and e-commerce. For the most part, they are positive about 2016 and they are in a buying mode, whether they need what they want, or not.

Source: Luxury Portfolio White Paper

**U.S. OFFICE MARKET OVERVIEW & FORECAST**

The U.S. office market ended 2015 on solid footing and is poised for even stronger growth through 2017. An improving economy led by healthy job growth prompted our nation’s business leaders to start taking action on plans for growth – including hiring more workers and in some cases, upping their occupancy footprints. A relatively limited construction pipeline and tenant demand for modern space translated into a lack of quality space in several markets, tipping the scales back in favor of the landlord. New or rehabbed buildings are in a far better position to satisfy occupiers’ demand for efficiencies and open-plan layouts than their older generation counterparts. Some market indicators ended 2014 at levels not seen since before the recession.

Although we expect the occupier trend toward efficiency to continue, with fewer square feet allocated per employee, job growth will be



strong enough to cause an 130-basis point (bp) decrease in the vacancy rate in 2015, followed by a further 80 bp drop in 2016, approaching its pre-recession levels. A stable vacancy rate is anticipated for 2017, as supply growth picks up to levels not seen since 2002 and employment growth moderates.

Occupiers continued to flock to the urban cores across the U.S., with talent attraction and retention their top priorities. The millennial population, in particular, has demonstrated its preference for an urban environment in all facets of their lives. Working, living and playing have become a more seamless experience for this generation, which continues to enter; and will soon dominate, the labor market.

Unsurprisingly then, our nation’s CBD markets performed better than their non-CBD counterparts by nearly every measure. The overall vacancy rate fell by 150 bp to 12.0% in

2014, occupied space increased by 2.3% and overall asking rents averaged growth of 2.4%.

## HOUSING

The National Association of Home Builders estimates that builders tore down and reconstructed about 32,000 homes last year, representing about five percent of all single family housing starts. In 2013, about 47 percent of owner-occupied homes in the U.S. were at least 40 years old, up from 27 percent in 1991. Last year, 455 single family homes were demolished in Northern Virginia's Fairfax County, the most since records began in 2006. "The original homes don't fit today's market. They don't have enough bedrooms – they are too small," said Ryan Bentsen of Virginia-based Merion Homes, a company that has done numerous teardowns. (*Chicago Tribune*, 5/31/15)

Many of the teardowns are in suburbs right outside an urban core where demand is currently high. The majority of the homes being torn down in northern Virginia and numerous other suburbs are in the \$450,000 range and are being replaced by much more expensive homes. We have written that one of the reasons first-time buyers aren't entering the market is that the available housing stock isn't meeting their need or isn't affordable. With more entry-level homes being torn down and replaced by expensive houses, that situation doesn't look to be changing soon.

## CONSTRUCTION ENGINE

What would it take to get back to 1 million new home starts? Affordability and mortgage availability, life style choices giving the family in 2015 two options, rent vs buy and make a lifestyle choice to rent a house with a yard or buy a house with a yard and not put their equity at risk. 40% of new households are Hispanic and they have worse time getting mortgages.

It is much more expensive to build a house today. Today's affordable housing is built on existing lots and when they are gone, it's gone. Challenge to building affordable housing which cripple first time home owner's drive before they qualify. However, Millennials don't want to drive so the solution is build greater density but no one wants higher density.

Home buyers sentiment has changed since 2006, baby boomers looked at homes as nest eggs. Ten years later, it is no longer thought of as a nest egg so that affects demand for bigger and newer homes. Unless sentiment changes we may not get back to that million dollar new status. The alternative is renovation and existing older homes which is

extending the economic utility of older homes through renovation.

## MILLENNIAL HOME BUYERS

More discerning, more conservative (big down payments) less grand houses, more livable space, less maintenance, less upkeep and energy efficient. They are attracted to clean, simple and character. Millennials will pay premiums for signature environment. Every survey says millennials will buy a house...at some point, and will sacrifice size of house for location. Choice vs reality, want to live in upscale expensive areas, can't get mortgage.

## REASONS WHY IT'S A GREAT TIME FOR SELLERS

Rising home prices, demand from home buyers, and less competition is making 2016 a stellar year to sell for many U.S. home owners across the country, says Daren Blomquist, RealtyTrac's vice president. Blomquist points to these three factors behind why this year is shaping up more favorably for sellers:

### Stronger demand coming from buyers.

Sellers in many markets are seeing stronger demand from a larger pool of buyers, including first-time buyers, boomerang buyers (previous owners who lost their homes to foreclosure), as well as traditional owner-occupant buyers. Particularly of note lately, the number of buyers using Federal Housing Administration – typically low down payment loans often used by first-time home buyers – is on the rise, accounting for 23 percent of all single-family home and condo sales with financing in the second half of 2015. That marks the highest share since the first quarter of 2013, according to RealtyTrac's Midyear 2015 U.S. Home Sales report.

**Home prices are skyrocketing:** Single-family home and condo sellers in the first half of this year sold for an average of 13 percent above their original purchase price. "So far in 2015, [sellers] are realizing the biggest gains

in home price appreciation since 2007,” Blomquist says. “In June, sellers sold for above estimated market value on average for the first time in nearly two years.” Median sales prices of existing-home pushed above the previous 2006 peak to a record high in June, the National Association of REALTORS® reported this week. The median existing-home price for all housing types was \$236,400 in June – surpassing the peak median sales price set in July 2006 at \$230,400.

■ **Sellers have less competition:** Inventories of for-sale homes remains tight, which has forced buyers to have to compete for the limited supply. Distressed sales – properties in the foreclosure process or bank-owned – accounted for 8 percent of all single-family and condo sales in June, the lowest monthly share since January 2011. In 2011, the share of distressed sales had reached a monthly peak of nearly 46 percent of all single-family and condo sales.

■ **DETACHED RENTAL**

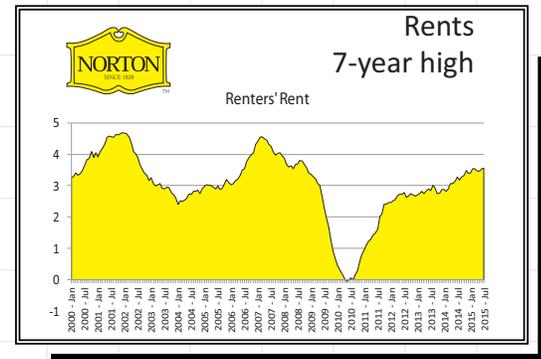
Builders and developers will now start building more detached homes for rent. For years, home builders have ignored 10% of housing demand, allowing resale homes to fill the demand. As shown below, 12.7 million of today’s 120 million households rent a detached home. Last year, approximately 25,000 detached homes were built for rent.

■ **AMERICAN RENTAL DEMOGRAPHICS**

**44.3 million U.S. rental households occupy:**

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

Source: US Census



■ **HOME RENTAL IS HISTORICALLY A MOM AND POP BUSINESS**

The 12.7 million detached home renters have largely been ignored by builders and developers for years as both supply and demand steadily grew over many decades. The vast majority of the growth of individually owned rental homes has historically come from households who lives in the home before relocating and decided to continue owning and renting the home rather than selling it. 11 million investors own one rental house, 3.5 million investors own 2-5 rental homes.

Most renters did not even consider renting an apartment. They prefer to live in a detached home and are renting either because of:

- **Necessity.** They do not have the ability to qualify for a mortgage.
- **Flexibility.** They choose to rent to maintain the flexibility to move.
- **Choice.** They would rather spend what they earn today than save for a down payment.

Thus, single-family rental home competes more with the detached resale and new home market than with apartments. Clearly, there is a subset of renters who will pay a premium to rent new, as evidenced by the 200K+ apartment units that are built and leased every

year. If it works for apartment developers, why has there not been much attempt to build single-family homes for rent? Those days are now ending.

**AFFLUENT APARTMENT RENTERS**

On an almost-daily basis, we hear the question: *When will the millennial/first-time buyer emerge?* While predicting the behavior of a cohort still recovering from high levels of unemployment and a record amount of student loan debt can be tricky, the response of some of the largest apartment REIT operators is an unhesitating **no time soon.**

When your apartment lease expires, you have two choices: to renew or move out. Each quarter we track the percentage of residents who move out of an apartment to purchase a home. (Other reasons for moving out can include a job change, eviction, or rent rising too high). By studying publicly traded apartment REITs who manage a combined 520,000 units, we have learned the following:

■ During the housing boom of the early to mid-2000s, roughly 1 in 5 renters leaving their apartment opted to purchase a home. In fact, the national homeownership rate peaked in 2004 – at the same time that the percentage of those moving out to purchase a home was peaking.

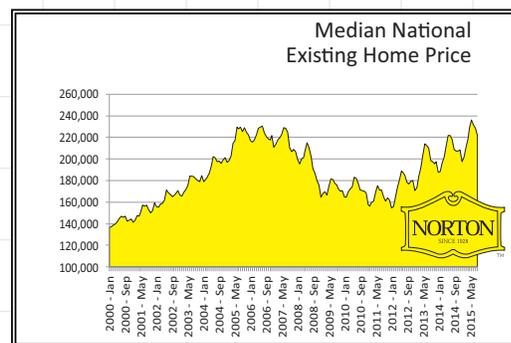
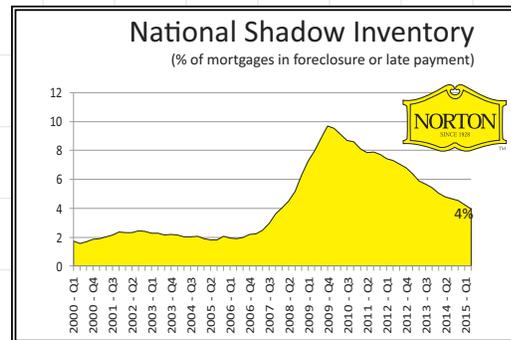
■ Since 2008, the percentage of renters moving out to purchase a home has remained below its historical average of 17%, while the homeownership rate has continued to decline.

■ As of the fourth quarter of 2014, just 14.7% of all tenants moving out purchased a home. The homeownership rate declined to 64%, the lowest since the mid-90s.

While the number of tenants leaving to buy homes remains low – only 14.7% of renters moving versus a norm of 17% since 2002 – we believe more tenants will choose to become homeowners soon. \$70+ month rent hikes are a great kick in the pants to go buy a home if you have been thinking about buying a home anyway. We expect the landlords to keep raising rents aggressively until they start to hurt their own occupancy numbers.

**VACATION HOMES**

Sales of vacation homes are skyrocketing. Last year, a record 1.13 million vacation properties sold, an amazing 21% of all sales are up 57.4% from 2013. Part of this is due to Boomers buying second homes to eventually retire to, while part is being fed by strong gains in financial markets. Meanwhile, sales of investment homes fell 7.4% to 1.02 million and owner-occupied purchases were 3.23 million, 60% of sales.



**STUDENT DEBT**

Non-conventional students in for profit colleges that borrow debt will inflate the student's home debt. Student's debt is an inhibitor of home purchase and home qualification. Debt with a degree is different than debt without a completed degree. Earnings are higher with a college degree and so are credit scores.

Single family rental has become a more sophisticated industry. Household wealth, home shelter, flexibility, more alternatives and stability in rental portfolio ownership.

**PRIVATE EQUITY**

Since 2001, annual acquisition activity from private purchasers has grown faster than any other equity capital source (with the exception of cross-border investors). In the 12 months ending June 2015, private real estate investors bought \$216 billion of U.S. property, or 43 percent of the total gross investment flow for

that period. That compares with a 20.1 percent share for institutional investors, a 14.1 percent share for REITs, and an 11.7 percent share for international investors. This is clearly the major capital source for commercial property investment.

The trend should be increasing activity. At least three reasons exist for such an outlook. First, **private equity capital is exceptionally nimble**, compared with capital sources where decisions must go through investment committee processes. Second, **private equity's reach is deeper into the broad U.S. market** since it is unencumbered by allocation decisions driven by portfolio considerations and by minimum deal size parameters typical of the largest investors. Third, as a consequence, in an environment where core and core-plus assets are priced to perfection, **private equity can provide higher yields because it accesses more opportunistic investments.**

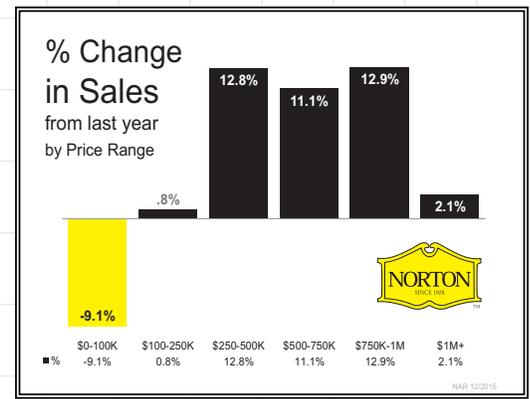
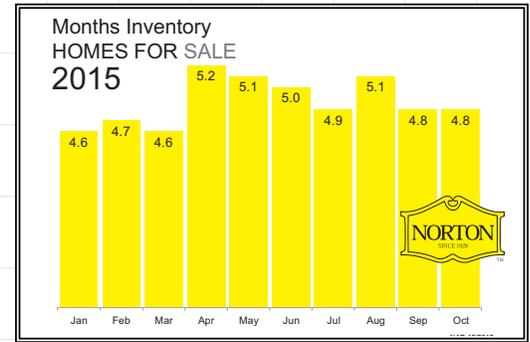
### ■ COMMERCIAL BANKS

Regulations is biting. Dodd-Frank requirements are particularly constraining big banks, in concert with Consumer Protect Act provisions. And the Basel III rules about "high-volatility commercial real estate" loans expose bank lenders to higher capital reserving requirements for acquisition, development, and construction lending that are anything but extremely conservative. One banker interviewed noted that "banks will need to rebuild their systems to accommodate these new rules" and believed that it would reduce the volume of lending and/or raise its price.

On the ground, banks are doing business. A lender with a national commercial real estate program says, "Regulation is largely good, but requires a lot of work," but that the result is that new deals are not "priced to perfection." There is cushion against risk. This lender cited loan-to-values (LTVs) of 75 percent with partial recourse, but 65 percent or lower with no recourse. Nevertheless, spreads have been reduced, which is a clear sign of competition for real estate lending among the banks. An executive with an analytics firm focused on the debt markets reflected, "Smaller banks are back in business and have resolved most of their problems. **Extend-and-pretend actually worked pretty well for banks.** It allowed banks to address problems over time as the markets recovered, rather than using a mark-to-market approach.

### ■ GENERATION X

Caught between the baby boomers and the millennials, both of whom get outsized attention, Gen Xers (those born from 1965 to 1980) are now understood as those needed to take the reins of business. They are in a good position, in a way, as they are the ones whom the boomers should be grooming for management succession. But they came of age in the aftermath of the savings-and-loan crisis, in dire times for real estate. Few came into the business during the early 1990s, and even



fewer have the benefit of graduate education. Watch for the implications for leadership in the industry going forward.

### ■ THE FAIR HOUSING ACT AND THE AFFORDABILITY CRISIS

The Supreme Court has affirmed that local communities can take legal action to address disparities in housing, even if they are the unintentional result of actions rather than conscious discrimination. The U.S. Department of Housing and Urban Development (HUD) is requiring local communities to "affirmatively further" equal housing opportunity, with communities risking losing out on federal housing funding for noncompliance. This could alter where affordable housing is built, and where households in need of such housing may move. When asked to identify barriers to affordable housing production, survey respondents list local regulation, development costs (labor and materials), and land costs at the top of the list; NIMBY-ism also was cited

as a factor. Watch for a heated debate on multifamily development against the background the U.S. Supreme Court and HUD rulings.

**PARKING**

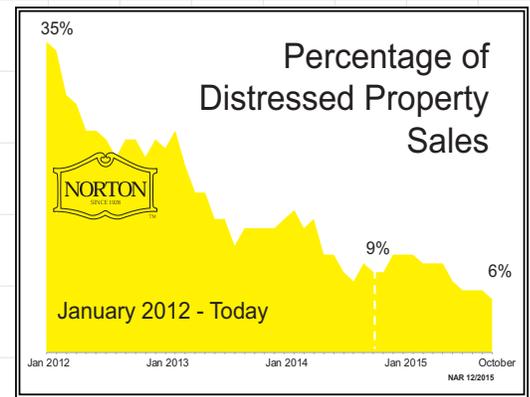
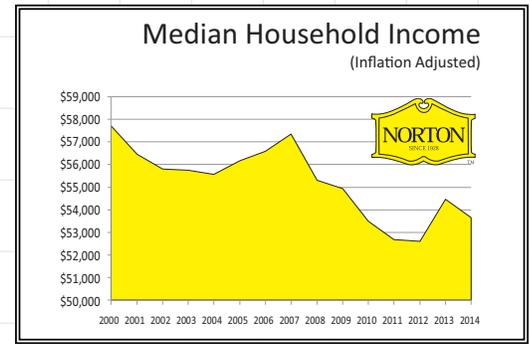
Should we be phasing out parking lots and parking structures even before the widespread adoption of the autonomous vehicle (aka, the driverless car)? Miles traveled by car for those people 34 years old or younger are down 23 percent. The American Automobile Association reports that the percentage of high school seniors with driver’s licenses declined from 85 percent to 73 percent between 1996 and 2010, with federal data suggesting that the decline has continued since 2010. The new Yankee Stadium, built in 2008, provided 9,000 parking slots for its 50,000 seating capacity. But that has turned out to be too many, since most fans come by mass transit, and the parking structure is left at just 43 percent capacity.

Many interlocking trends come into play where parking is concerned. The automobile shaped cities and suburbs, influenced building and zone codes, and helped form the psyche of a couple of generations after the end of World War II. Sighting real estate development often involved identifying not only the nearest freeway cloverleaf, but even whether a right or left turn from the access street was needed. Was land so dear that structured parking was a required solution, or could acres be devoted to striped asphalt for shoppers or workers? How many spaces per residential unit? How many per 1,000 square feet of commercial space?

**THE SUBURBS...WHAT IS A SUBURB?**

The suburbs are a long way from dead. There are only about ten dynamic downtowns in the country: the rest of the areas, people are in the suburbs. As prices have risen in the core gateway markets, it is apparent that a fresh look at suburban opportunities is gaining favor.

Many feel that time is on the suburbs’ side. They argue that the deferral of marriage and family formation by millennials, and the related preference for downtown living in denser, more active “mating markets,” is just that: deferral. Eventually, the logic goes, Generation Y will follow the baby boomers’ path and head to the suburbs in the child-rearing years. Survey results from ULI earlier in 2015 show that a smaller number of millennials prefer to live in the city than currently do and, conversely, a larger number of millennials prefer to live in the suburbs than currently do. Another ULI survey shows that six out of ten Gen-Y respondents expect to live in a detached single-family home five years from now (although these results did not specifically indicate location). It should be pointed out that, overall, there is a slightly larger group of millennials who ultimately prefer city living (37 percent) to suburban living (29 percent), but the gap between the



two locations is expected to be smaller than current location patterns (46 percent and 24 percent, respectively). There is enough of this 80 million-plus generation intending to relocate to the suburbs to make an impact.

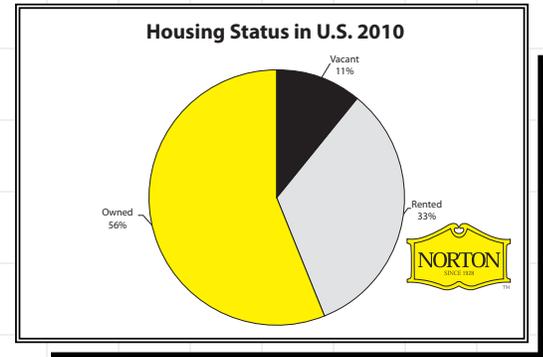
An economist with a national real estate data firm observed, however, that “this group won’t move to the suburbs of their parents. The attractive suburbs will be more like the airline hub-and-spoke model. These ‘diet urban’ locations will offer urban and suburban benefits.” The critical descriptors seem to be suburbs that are close-in, transit-oriented, and mixed-use. A 2015 National Association of Realtors/Portland State University study found that millennials prefer walking over driving by 12 percentage points. “Transportation, not affordability or schools” will be the key driver in a world where two-income households are the social norm.

Source: Urban Land Institution

**OFFICES**

On the subject of jobs, the office sector has been benefiting from the strengthening employment numbers in this maturing recovery. Employment is up by more than 2.9 million year-over-year, as it has been since late 2014, and the July growth rate for jobs was a solid 2.1 percent. Job gains have now spread to the vast majority of metro areas, with New York/ Northern New Jersey (168,900), Los Angeles (152,000), and Dallas/Ft. Worth (117,800) leading in absolute change, and only a few metro areas registering moderate decreases.

With office-using jobs, as tallied by a national brokerage firm, accounting for 39 percent of the employment gain, both central business district (CBD) and suburban office absorption has been brisk, bringing vacancy down 90 basis points and rents up 2.9 percent year-over-year. The outlook for the year ahead is “more of the same.”



it’s both. And hip, cool open spaces are not just for startups. Corporate space is accommodating a mix of open areas and a variety of private or semiprivate configurations.

**UNEMPLOYMENT 2015**

<b>GEORGIA</b>	<b>5.7</b>	Forsyth	4.4	Madison	5.1
Banks	5.3	Gilmer	5.5	Pickens	5.1
Barrow	4.9	Gwinnett	5.0	Rabun	6.3
Cherokee	4.5	Habersham	5.3	Stephens	6.0
Cobb	4.8	Hall	4.7	Union	5.0
Dawson	4.9	Hart	6.0	Towns	6.5
Fannin	5.4	Jackson	4.6	Walton	5.0
Franklin	5.8	Lumpkin	5.1	White	4.6

**October, 2015**

Redesign of office space to do away with walls and cubicles – and the rethinking of “work” that goes along with it – remain prominent in the minds of office users. It is no longer an issue of overall space per employee. Some see the redesign as a way to accommodate an alteration in work style itself; others view it as a workforce capture tool – key to attracting and keeping the desired talent; and for others,

Interestingly, one veteran of the insurance industry remarked, “Insurance companies, decades ago, had these big open offices with desks next to each other. The floor plan was like 100,000 square feet, with big signs that hung from the ceiling that said ‘Area 1-J’ or ‘Area3.’ It was old-school, they had the regular employee dining room and the officers’ dining room, but in both cases employees could get lunch for free. I just went to a social media company’s building in San Francisco, it reminded me that what’s old is new again: open space and a cafeteria where lunch is free.”

**RESALE HOMES**

There were 18,435 single family detached used and REO properties sold over the past 12

**HOUSING PERMITS**

	Total 2012 Permits	Total 2013 Permits	Total 2014 Permits	Total 2015 Permits
Metro Atlanta	8324	13956	16270	1875
Cobb	1251	1525	1775	1950
Gwinnett	1242	2570	2892	3100
Forsyth	1333	2275	2472	2650
Hall	301	480	832	1150
Cherokee	765	1201	1355	1655
DeKalb	242	295	775	825

(Select Counties – SourceMetrostudy) \*Year end estimates NNI

months. 12% of these closings were REO sales (one year ago it was 38%). The median sales price was 273,000 which is 6% above the year over year median sales price of 256,620. 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 20,271, 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. Source FML MetroStudy

### MEDICAL OFFICE

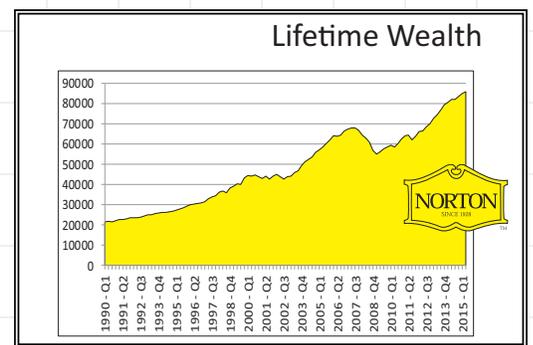
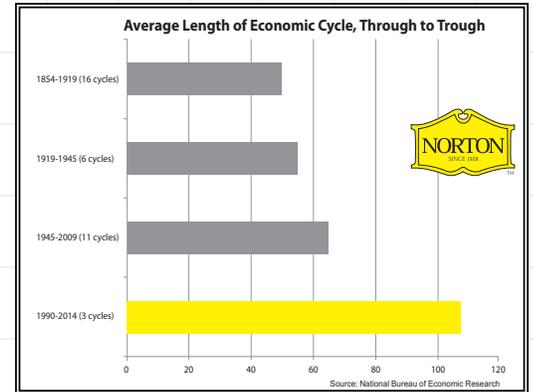
Medical Office looks good on all metrics. We see the emergence of a two-pronged trend where hospital campuses or close proximity clusters provide concentration for doctors but diffusion into the communities, into malls providing convenience for consumers. Healthcare is on track to be 20 percent of GNP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

### 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 costs 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 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.



### THE GAP

Owning a home is a key rung on the ladder of economic advancement. What happens if that rung remains elusive for many?

It's been almost a year since the gap between American's wealthiest and middle-income families reached its highest level on record. The Pew Research Center found the median net worth of the nation's upper-income families (\$639,400) was almost seven times that of middle-income families (\$96,500), making for the widest wealth disparity since the Federal Reserve began collecting such data. The situation was ten times worse for the families earning too little to enter the middle income bracket, with a 70-to-1 ratio separating them from high-income families.

One of the most common ways for Americans to move up the economic ladder and invest in

other wealth-generating activities – such as the stock market, paying for advanced educational opportunities, or starting a business – is by leveraging equity they have in their homes. “We traditionally have been huge supporters of home ownership,” says Weech. “We see it as a way to provide stability for households but also as an asset-building strategy.”

Pilot programs that use less traditional credit-scoring factors – such as allowing family members who are not on the deed to contribute to the overall tally of household wealth and counting utility, cell phone, and rent bills toward payment history – can help correct this. “Right now if you don’t pay utility bills on time it hurts you, but if you do, it doesn’t help,” she says. “This will allow (companies such as Vantage and FICO) to score a lot more people than before.”

■ **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.

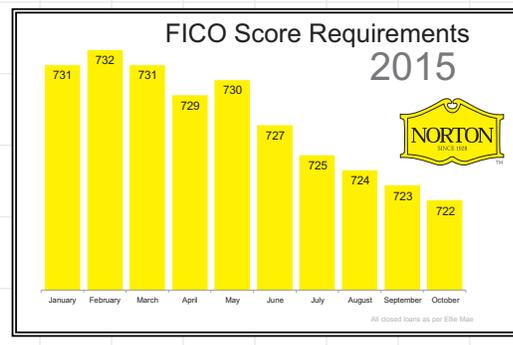
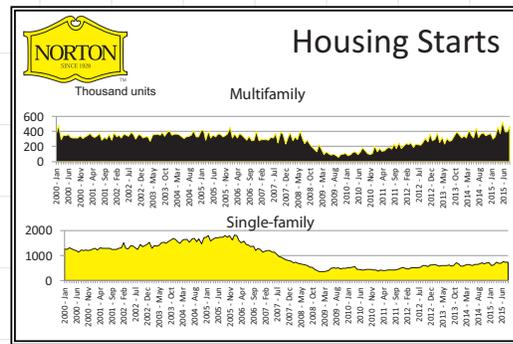
**Total Residential Units Closed in Metro Atlanta (22 Counties)  
Year over Year as of September, 2015**

New SFD	14672
New Townhome	2267
New Condos	150
Resale SFD	84900
<u>Resale Condo/Townhome</u>	<u>13439</u>
<b>Grand Total</b>	<b>115428 (up 15%)</b>

Source: Metrostudy 2015

■ **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 homeownership is an important long term goal, 73 percent believe home ownership is an excellent investment. Only 24 percent of Genys already own their own home and an additional 60 percent plan to buy a home in the near future. (Source: NAR)

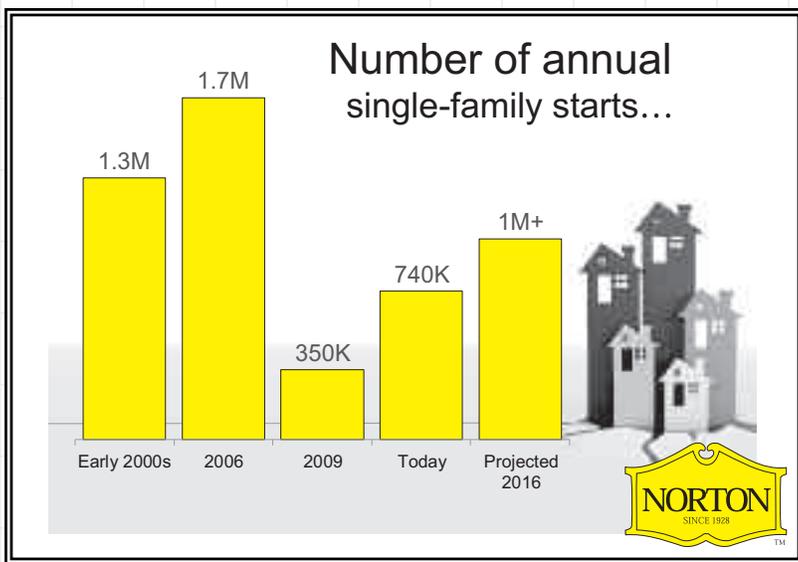
■ **BUILDING MORE HOMES** – Another approach to improving access is to increase the supply of affordable homes. In September, NAR released a study that found new-home construction was not keeping pace with job growth in two-thirds of the 146 metro areas it studied.



Increased tax incentives for builders of low and moderate income housing could help, but that alone won’t solve the problem. The crunch is partly a result of slow permitting. “Many local and state officials are not providing what the builders are requesting, approving more permits will allow more building.”

NAR says they have spoken with major home builders who want to alleviate the inventory crunch but can’t due to permit issues.” A lot of cities and towns don’t necessarily want to build moderate-income homes.” The Supreme Court’s recent ruling upholding the validity of disparate impact claims under the Fair Housing Act will make it harder for municipalities to hamper building. “It’s only going to take the federal government suing the first three or four towns and emptying out their coffers before they all come up with [low-and moderate-income housing] initiatives.”

Such initiatives are likely to benefit local economies in the long-term. A recent Harvard University study found that when low-wage workers are forced to migrate to lower-cost areas, the cities they leave behind stagnate. So without affordable housing, cities such as San Francisco will find it difficult to maintain a balanced workforce. “It undermines the ability of metro areas to grow.” “Not everyone can be a software developer. Somebody has to be doing all the other jobs that need to be done in that economy. The Bay Area would be growing much faster if it didn’t have this problem.” (See Affordable Homes in Big Bold Ideas Section of this Forecast.)



## 2016 INFORMATION SOURCES

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

## Executive Bookmark Reading List 2015-2016

The Editors of Norton Native Intelligence™ are voracious readers in their quest for lifelong learning. While we take and read close to 2015 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:

- Cooked*
- Urological Wit & Wisdom*
- Zillowtalk*
- The Double Life Of Fidel Castro*
- The Swerve*
- A Curious Mind: The Secret To A Bigger Life*
- The Halls Of Chianti*
- The History Of The New World In Ten Cocktails*
- The Localist*
- Unselling: The New Customer Experience*

- Michael Pollan
- John Mchugh, Md
- Stan Humphries
- Juan Sanchez
- Stephen Greenblatt, Ph.D
- Brian Grazer
- Piero Antinori
- Wayne Curtis
- Carrie Rollwagen
- Scott Stratten

## POPULATION DENSITY SUMMARY

County	2010 Population	Total Square Miles	Sq. Miles Privately Owned	Population Per Sq. Mile Privately Owned	Projected 2030 Population	Projected Population Per Sq. Mile Privately Owned
Banks	18,395	234	223.5	82.3	28,208	126.2
Barrow	69,367	163	124.8	556.0	151,417	1,213.6
Bibb	155,547	255	181.0	859.2	175,447	969.1
Chatham	265,128	440	230.0	1,152.6	324,098	1,408.9
Cherokee	214,346	434	332.6	644.5	415,826	1,250.4
Clarke	116,714	121	77.3	1,510.4	147,373	1,907.2
Clayton	259,424	144	54.9	4,725.4	331,028	6,029.7
Cobb	688,078	345	151.7	4,534.9	981,054	6,465.9
Dawson	22,330	214	159.4	140.1	45,368	284.6
Dekalb	691,893	271	195.3	3,542.0	1,025,225	5,248.4
Fannin	23,682	391	211.2	112.2	33,134	156.9
Forsyth	175,511	247	188.8	929.7	372,952	1,975.6
Franklin	22,084	266	247.6	89.2	29,901	120.8
Fulton	920,581	535	405.6	2,269.8	1,356,515	3,344.7
Gilmer	28,292	432	308.7	91.7	52,242	169.2
Gwinnett	805,321	437	334.0	2,411.1	1,208,392	3,617.9
Habersham	43,041	279	188.4	228.5	60,261	319.9
Hall	179,684	429	305.9	587.4	379,301	1,239.9
Hart	25,213	256	210.8	119.6	34,687	164.5
Jackson	60,485	343	320.06	189.0	123,728	386.6
Lumpkin	29,966	285	190.4	157.4	45,482	238.9
Madison	28,120	286	270.5	104.0	41,029	151.7
Muscogee	189,885	221	101.9	1,863.1	247,474	2,428.2
Oconee	32,808	482	167.7	195.6	65,828	392.5
Oglethorp	14,899	441	465.8	32.0	28,081	60.3
Pickens	29,431	233	237.7	123.8	55,669	234.2
Rabun	16,276	377	111.9	145.5	23,909	213.7
Stephens	26,175	184	125.9	207.9	29,273	232.5
Towns	10,471	172	69.94	149.7	15,066	215.4
Walton	83,768	330	306.3	273.5	153,053	499.8
White	27,144	242	143.5	189.2	44,854	312.6

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

[www.nortonintelligence.com](http://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.



## ONLY IN AMERICA

“Sun coming up over New York City  
School bus driver in a traffic jam  
Starin' at the faces in her rearview mirror  
Looking at the promise of the Promised Land  
One kid dreams of fame and fortune  
One kid helps pay the rent  
One could end up going to prison  
One just might be president

### **Only in America**

Dreaming in red, white and blue

### **Only in America**

Where we dream as big as we want to

We all get a chance

Everybody gets to dance

### **Only in America**

Sun going down on an La. freeway  
Newlyweds in the back of a limousine  
A welder's son and a banker's daughter  
All they want is everything  
She came out here to be an actress  
He was the singer in a band  
They just might go back to Oklahoma  
And talk about the stars they could have been”

[Chorus]

### **“Only in America**

Where we dream in red, white and blue

### **Only in America**

Where we dream as big as we want to

We all get a chance

Everybody gets to dance

### **Only in America**

Yeah only in America  
Where we dream in red, white and blue  
Yeah we dream as big as we want to”



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