2009 RECOVERY
EXURBS VS. ATLANTA’S CORE

GEORGIA STATE NOVEMBER 18, 2009
NORTON
SINCE 1928

SIMPLE PHILOLOSOPHY FOR 81 YEARS

For Three Men The Civil War Wasn’t Hell. It Was Practice!

CLINT EASTWOOD
"THE GOOD, THE BAD & THE UGLY"
• REPRESENT AS REO MARKETING MANAGER 33 BANKS, FDIC, FANNIE MAE, FREDDY MAC WITH LISTING INVENTORY IN EXCESS OF $250 MILLION

• HAVE BROKERED THE SALE OF OVER 2200 VACANT DEVELOPED LOTS SINCE MID 2008, CURRENTLY HAVE 4500 LOTS LISTED FOR SALE

• 2009 RESIDENTIAL CONTRACT VOLUME IS 15% AHEAD OF 2008
• 65% OF WHICH IS STRESSED, REO, OR SHORT SALES

• CURRENTLY MANAGES OVER $125,000,000 IN PRIVATE INVESTOR ASSETS

• JUST LAUNCHED THE NATION’S FIRST VACANT DEVELOPED LOT MARKETING PORTAL WWW.LOTBANK.COM
INFORMATION SOURCES

• NORTON NATIVE INTELLIGENCE™
• US CENSUS
• FIRST MLS
• METROSTUDY’S
• GA MLS
• REALTY TRAC
• SMART NUMBERS
CORE

– GWINNETT
– DEKALB
– FULTON
– COBB
– CLAYTON
EXURBS

- Forsyth
- Hall
- Forsyth
- Barrow
- Walton
- Rockdale
- Newton
- Fayette
- Henry
- Coweta
- Douglas
- Paulding
- Dawson
- Cherokee
- Bartow
ATLANTA’S CURRENT CONDITION
THE 28 COUNTIES OF METRO ATLANTA HAVE NO OUTWARD LIMITATION ON GROWTH. GA TECH PROJECTS THE OUTWARD BOUNDARY OF METRO ATLANTA BY 2050 WILL BE CHATTANOOGA TO THE NORTHWEST, GREENVILLE SC TO THE NORTHEAST, AND MACON GA. TO THE SOUTH. WITHIN THAT REGION METRO ATLANTA WILL CONTAIN 12 MILLION PEOPLE.

METRO ATLANTA IS THE CROSSROADS FOR 3 MAJOR INTERSTATES, I-85, I-75, AND I-20. FORECASTS INDICATES THAT OVER THE LAST 20 YEARS THE REGION HAS GROWN 65% TO THE NORTH OF INTERSTATE 20 AND 35 % TO THE SOUTH. OVER THE NEXT 5 – 10 YEARS THEY PROJECT THAT GAP COULD WIDEN TO A 70 – 30 SPREAD.
ATLANTA HOUSING MARKET

Total Housing Inventory down by 39.1% (year over year)
Poor demand has driven MOS up

- Finished Vacant
- Under Construction
- Housing MOS

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ATLANTA HOUSING MARKET

Total housing inventory 12.8 MOS as of 3Q09

Clayton
DeKalb
Fulton (North)
Fulton (South)
Douglas
Cobb
Hall
Dawson
Gwinnett
Walton
Henry
Rockdale
Bartow
Cherokee
Cowan
Fayette
Paulding
Newton
Forsyth
Jackson
Barrow
Spalding
Carroll

Single Family MOS = 11.2
Townhouse MOS = 19.9

Many markets (shown in green) improved from last quarter

Months of Supply

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HISTORIC LOW BUILDING PERMITTING ACTIVITY COUPLED WITH THE COMPLETION OF LOT DEVELOPMENT PUSHED VACANT DEVELOPED LOTS TO OVER 150,000. WE PROJECT LIMITED TO NO NEW LOT DEVELOPMENT IN METRO ATLANTA FOR THE NEXT 4-5 YEARS

JAN 2009
DEVELOPED LOT STOCK

- ATLANTA DEVELOPED LOTS 149,706
- OTHER GEORGIA LOTS 85,000
- SECOND HOME LOTS 50,000

284,706
GEORGIA FORECLOSURE
## Quantifying the Stress

**Atlanta, Georgia**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Stressed</th>
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</thead>
<tbody>
<tr>
<td>Resale Condo/Town House</td>
<td>1.99 Billion</td>
<td>30%</td>
</tr>
<tr>
<td>New Condo/Town House</td>
<td>4.37</td>
<td>75%</td>
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<tr>
<td>Resale Single Family Homes</td>
<td>14.18</td>
<td>20%</td>
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<tr>
<td>New Single Family</td>
<td>4.44</td>
<td>60%</td>
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<tr>
<td>Vacant Developed SF Lots</td>
<td>8.16</td>
<td>70%</td>
</tr>
<tr>
<td>Vacant Condo/Town Lots</td>
<td>1.12</td>
<td>70%</td>
</tr>
<tr>
<td>Entitled/Zoned Land</td>
<td>3.60</td>
<td>55%</td>
</tr>
<tr>
<td>Raw Land</td>
<td>NA</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$37.86 Billion</strong></td>
<td></td>
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<tr>
<td>CHARACTERISTIC</td>
<td>CORE</td>
<td>OUTER RING</td>
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<tr>
<td>----------------------------------------------------</td>
<td>-----------------------------</td>
<td>------------------------------</td>
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<tr>
<td>MONTHS SUPPLY NEW HOMES</td>
<td>16.83 MO</td>
<td>10.8 MO</td>
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<tr>
<td>MONTHS SUPPLY RESALE HOMES</td>
<td>11.5</td>
<td>13.9</td>
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<tr>
<td>AVERAGE NEW HOME PRICE</td>
<td>$261,387</td>
<td>$231,000</td>
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<tr>
<td>AVERAGE RESALE PRICE</td>
<td>$ 214,818</td>
<td>$171,528</td>
</tr>
<tr>
<td>TOP 30 SELLING PROJECTS - 3QT 09</td>
<td>385 HOMES</td>
<td>1010 HOMES</td>
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</table>
Atlanta New Home Excess

CONCENTRATION OF FINISHED AVAILABLE NEW HOUSING STOCK.
SOLID AREAS EXCEED THE METRO ATLANTA AVERAGE
CONCENTRATION OF VACANT LOT INVENTORY
THE SOLID AREAS EXCEED THE METRO ATLANTA AVERAGE.
Atlanta Zoned Undeveloped Land

Concentration of future zoned land undeveloped.

The solid areas exceed the metro Atlanta average, many of these land holdings are in the strategic path of long term growth.
ATLANTA COMPARISON

2009 ESTIMATED POPULATION

- Core: 34.5
- Outer Ring: 65.5

2009 ACTIVE RESALE INVENTORY FMLS/MLS

- Core: 47.2
- Outer Ring: 52.1
Greater Atlanta Region Home Sales

The deep end of the housing pool for Atlanta is under $250,000.

Total FirstMLS and GA MLS data for 2006 black 2007 in blue broken down by price range and in red year to date as of December 31, 2008 in the same Metro Atlanta coverage area. Data reflects continuous sales in the lower price ranges despite the market down turn.
ATLANTA COMPARISON

2009 ESTIMATED POPULATION

34.5

65.5

2009 FINISHED VACANT NEW HOMES 3QT

46.1

53.9
ATLANTA COMPARISON

2009 ESTIMATED POPULATION

- **Core**: 34.5
- **Outer Ring**: 65.5

2009 CURRENT NEW HOMES CONSTRUCTION 3QT

- **Core**: 46.3
- **Outer Ring**: 54.7
ATLANTA COMPARISON

2009 ESTIMATED POPULATION

- CORE: 65.5%
- OUTER RING: 34.5%

2009 FINISHED VACANT NEW HOMES 3QT

- CORE: 53.9%
- OUTER RING: 46.1%
ATLANTA COMPARISON

2009 ESTIMATED POPULATION

- CORE: 34.5
- OUTER RING: 65.5

2009 VACANT DEVELOPED LOTS 3QT

- CORE: 60.9
- OUTER RING: 39.1
ATLANTA HOUSING MARKET

VDL 293 MOS as of 2Q09... but more like 5 to 6 years once starts normalize

[Bar chart showing months of supply for various counties in Atlanta, with Walton County having the highest and Fulton (North) having the lowest.]
ATLANTA COMPARISON

2009 ESTIMATED POPULATION

- CORE: 34.5
- OUTER RING: 65.5

FUTURE ZONED LOTS 3QT 2009

- CORE: 27.7
- OUTER RING: 72.3
NEXT GENERATION OF HOME CONSTRUCTION

- SQUARE FOOTAGE OVER VOLUME
- CUSTOM TRACK DESIGNS
- CONSTRUCTION PERM
  - LOT OWNER IS BORROWER CONTRACTOR IS A VENDER
- VANILLA WITH FRILLS TOPPINGS LATER
- IMPORTANCE OF EXTERIOR SPACE
  - LAND DECKS TREES ENVIRONMENT
MARKET ISSUES

• SHORTAGES APPEARING IN SOME PRICE POINTS AND SPECIFIC HOT ELEMENTARY SCHOOL ZONES
• TOO MANY SMALL LOTS IN TIM-BUC-TOO
• CLEAR CUTTING LAND FOR DEVELOPMENT IS NOT A MARKET ACCEPTABLE FEATURE
• NO NEW CONSTRUCTION IS ANTICIPATED
• 75 % OF THE BUILDER COMMUNITY HAS EVAPORATED REMAINING BUILDERS HAVE FINANCING & CAPITAL ISSUES
LAND AS A PERCENTAGE OF HOME COST

- 1960 - 70’S 15-18%
- 1980 -90’S 18-23%
- 2000 -2007 25-43%
- 2010 & BEYOND 18-22%
THE GOOD

THE BAD

THE UGLY