

**Commercial and Residential Real Estate Analysis for Lowndes County, Georgia
July – December 2010**

Prepared by:



VALDOSTA STATE UNIVERSITY

**CENTER *for* BUSINESS
& ECONOMIC RESEARCH**

Center for Business and Economic Research¹
Valdosta State University
Valdosta, GA 31698

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Commercial Real Estate

Industry Overview

Over the next few years, a wave of commercial real estate loan failures could threaten America's already-weakened financial system. "Uncertainty is the most significant issue for commercial real estate in the post-recession environment, as market participants — owners and operators, lenders, investors, developers, and tenants — look for a signal that economic and industry fundamentals have hit bottom, and have begun a sustainable recovery. This signal has remained elusive, however, as the current cycle is behaving somewhat uncharacteristically, making it challenging for stakeholders to plan and develop forward-looking strategies."¹

Jamie Woodwell², Vice President of Commercial/Multifamily Research for the Mortgage Bankers Association, testified on February 4th, 2011 before the Congressional Oversight Panel, in a hearing titled "*Commercial Real Estate's Impact on Bank Stability*". Mr. Woodwell addressed some of the misunderstandings surrounding the state of the Commercial Real Estate Market stating that:

"As of the third quarter, bank and thrift delinquency rates for commercial and multifamily mortgages remained lower than the average for their overall books of business, and commercial and multifamily mortgages continued to have the lowest charge-off rates among any major loan type...since 2006, banks and thrifts have charged off \$132 billion of single-family mortgages, \$127 billion of credit card loans, \$72 billion of commercial and industrial loans, \$66 billion of construction loans and \$53 billion of other loans to individuals, but just \$27 billion of commercial and multifamily mortgages"

Deloitte and Touche, LLP points out in their *Commercial Real Estate Outlook 2011* that "following sharp declines and painful deleveraging in the wake of financial and economic turmoil, commercial real estate (CRE) is showing signs that the deterioration of industry transactions and fundamentals has begun to plateau, and that early stages of recovery may be imminent. Despite some encouraging activity, however, impediments such as looming debt maturities and high unemployment rates are causing uncertainty, dimming prospects of a robust, short-term rebound."³

Commercial real estate analytics firm Trepp, LLC noted that the rate of loans that are more than 30 days delinquent for commercial mortgage-backed securities (CMBS) increased to 9.2 percent in December 2010; this percentage is "the highest in history for U.S. commercial

¹ Deloitte Commercial Real Estate Outlook 2011 - http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/FSI/us_fsi_CRE_Top_Ten_Issues_081110.pdf

² MBA's Woodwell Testifies on Commercial Real Estate Market - <http://www.realestaterama.com/2011/02/04/mbas-woodwell-testifies-on-commercial-real-estate-market-ID08577.html>

³ Ibid

real estate loans.⁴ Trepp, LLC further states that; “the new deals - which theoretically should have low delinquencies for a while - will continue to put downward pressure on the delinquency rate as issuance continues to grow in 2011.”⁵ Integra Realty Resources, a leading commercial valuation, counseling, and advising company, reported “the scale of upcoming debt maturities is vast...approximately \$350 billion of debt maturities will need to be refinanced in 2011. Through 2013, the total maturities are expected to exceed \$1.1 trillion.”⁶

While these delinquency rates are growing, so are the prices according to Moody's/REAL Commercial Property Price Indices report from January 2011⁷. Prices “recorded a 0.6% increase in November, the third consecutive month of national price gains,” going on further to state that “prices are up 2.8% from a year ago, down 31.6% from two years ago and are 41.6% below the peak, which occurred in October 2007.”

The National Association of Realtors' (NAR) Commercial Real Estate Outlook for May 2010 indicated that in the first quarter of 2010 commercial properties were characterized by negative absorption, increased vacancy rates, and declining rental rates. The next three quarters are expected to experience similar increases in vacancy rates and decreases in rent, with improvement expected in 2011.⁸

Although commercial real estate is suffering, NAR chief economist, Lawrence Yun, believes a “overall vacancy rates have already peaked or will soon top out”: and states that “Multifamily housing is the one commercial sector that has held on relatively well in the past year, and can expect the best performance in 2011”⁹

The Society of Industrial and Office Realtors® Commercial Real Estate Index, which is developed from a survey of more than 700 local market experts and the impact of 10 variables “shows vacancy rates are slowly improving, but rents continue to be soft with elevated levels of subleasing space on the market. The third quarter of 2010 showed a continued rise in the index of 1.6 percentage points to 42.6[...] following almost three years of decline.”¹⁰

⁴ Trepp Reports - <http://finance.yahoo.com/news/Trepp-Reports-CMBS-bw-3830241836.html?x=0>

⁵ Ibid

⁶ IRR – *Viewpoint 2011* - http://www.irr.com/FileLibrary/Publication/11/Viewpoint_2011.pdf

⁷ Moody's/REAL Commercial Property Price Indices, January 2011 - http://www.realindices.com/pdf/CPPI_0111.pdf

⁸ NAR, *Commercial Real Estate Outlook: May 2010*

<http://www.realtor.org/wps/wcm/connect/ed76c18042b17e5eb9b5bdd4db880d7c/Full+CREO+2010+May.pdf?MOD=AJPERES&CACHEID=ed76c18042b17e5eb9b5bdd4db880d7c>

⁹ NAR, *Commercial Real Estate Outlook* -

http://www.realtor.org/press_room/news_releases/2010/11/commercial_flat

¹⁰ Ibid.

Regarding the lodging industry; “special servicers modified a record \$2.1 billion in commercial mortgage-backed securities (CMBS) in August. According to Fitch Ratings, the delinquency rate on CMBS loans reached 8.48%, a 23-basis point increase from July. A total of \$3.1 billion in new delinquencies, were recorded by roughly five loans worth more than \$100 million.”¹¹

National Overview

U.S. commercial construction spending for December 2010 was 2.5 percent below that of November 2010, which was up 0.4 percent from October 2010. December was 6.4 percent below that of the previous year and November was 6.0 percent below November 2009.¹²

Deloitte notes that “In the first three quarters of 2010, deal volume improved by 88.1 percent year over year, to \$66.1 billion, from \$35.2 billion in the same period in 2009 [...] especially in the office segment, where sales volume nearly doubled to \$20.8 billion in the first three quarters of 2010, from \$11.4 billion in the same period of 2009.”¹³

According to CB Richard Ellis Econometric Advisors, vacancy rates in U.S. office and industrial markets “fell by 20 basis points (bps) to 16.4%” in the fourth quarter, and industrial availability rates “decreased by 30 basis points in Q4 to 14.3%.”¹⁴ CBRE-EA’s Q4 2010 analysis found within the U.S. apartment sector that:

“Preliminary data indicates that the pace [...] remains strong. The national vacancy rate [...] fell by 20 bps in Q4 2010, marking one of the strongest year-end performances on record. For the year as a whole, the national vacancy rate declined by 130 bps from an average of 7.4% in 2009 to 6.1% in 2010, while growth in apartment demand has accelerated from 108,000 to 258,000 units. Across markets, vacancy rates are quickly approaching their historical norms.”¹⁵

State Overview

In the fourth quarter of 2010, contractors in the Atlanta area reported that commercial construction remained weak, with most reporting “that the pace was below the year-earlier level and backlogs remained at low levels.”¹⁶ Additionally, “vacancy rates remained elevated across much of the region, although modest improvements were noted in leasing activity.”¹⁷

¹¹ Jon Prior, “CMBS delinquencies pass 8% despite record loan mods”

<http://www.housingwire.com/2010/09/10/cmbs-delinquencies-pass-8-despite-record-loan-mods>

¹² U.S. Census Bureau News, Construction Spending: December and November 2010,

<http://www.census.gov/const/C30/totsa.pdf>

¹³ Deloitte – “Commercial Real Estate Outlook: Top Ten Issues in 2011” - http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/FSI/us_fsi_CRE_Top_Ten_Issues_081110.pdf

¹⁴ Realestaterama.com - U.S. OFFICE AND INDUSTRIAL VACANCY RATES CONTINUED TO DROP IN Q4 2010 -

<http://www.realestaterama.com/2011/01/07/us-office-and-industrial-vacancy-rates-continued-to-drop-in-q4-2010-ID08445.html>

¹⁵ Ibid

¹⁶ Federal Reserve Beige Books, Sixth District – Atlanta, December 1, 2010,

<http://www.federalreserve.gov/FOMC/BeigeBook/2010/20101201/6.htm>

¹⁷ Ibid.

According to Jon Leonard, first Vice President and Regional Manager of Marcus & Millichap Real Estate Investment Services:

“Approximately \$5.1 billion of real estate in Atlanta can be classified as distressed, placing it near the center of the pack when scaled to the market’s size and compared to other major metros nationwide. The distressed dollar volume total includes approximately \$3.4 billion in troubled properties and another \$1.7 billion in assets already reclaimed by banks. The figure does not include, however, the roughly \$650 billion in commercial mortgages that has been restructured or extended, or the \$1.3 billion in distressed commercial real estate deals that have already been resolved.”¹⁸

Lowndes County (excluding the City of Valdosta)

As shown in 2010; Figure 1, the number of commercial building permits for new construction increased in 2010 with 20 new permits being issued, compared to 9 in 2009. Commercial additions also increased over the previous year with 15 addition permits being issued versus 11 in 2009. Commercial Remodel and Repairs permits decreased to 33 permits being issued from 39 the previous year. Continued from previous years, the number of commercial remodels and repairs has remained higher than the number of permits for new construction and additions, although we did see a spike in permits for New Commercial and Addition in September and October of the fourth quarter.

Lowndes County finished 2010 with:

- 20 New Commercial permits being issued totaling \$32,439,530
- 33 commercial remodel and repair permits totaling \$1,179,256
- 15 Commercial additions totaling \$2,948,250.

During the 2nd Half of 2010:

- 10 New Commercial permits were issued by the County worth a total of \$6,060,600
- 17 Commercial Remodel/Repair permits were issued by the City worth a total of \$470,920
- 9 Commercial Addition permits were issued by the County worth a total of \$2,854,250

The break-down of permits by month follows.

¹⁸ John Leonard – “How to navigate Atlanta’s shifting commercial real estate market” - http://www.sbnonline.com/Local/Article/20881/66/259/How_to_navigate_Atlantas_shifting_commercial_real_estate_market.aspx

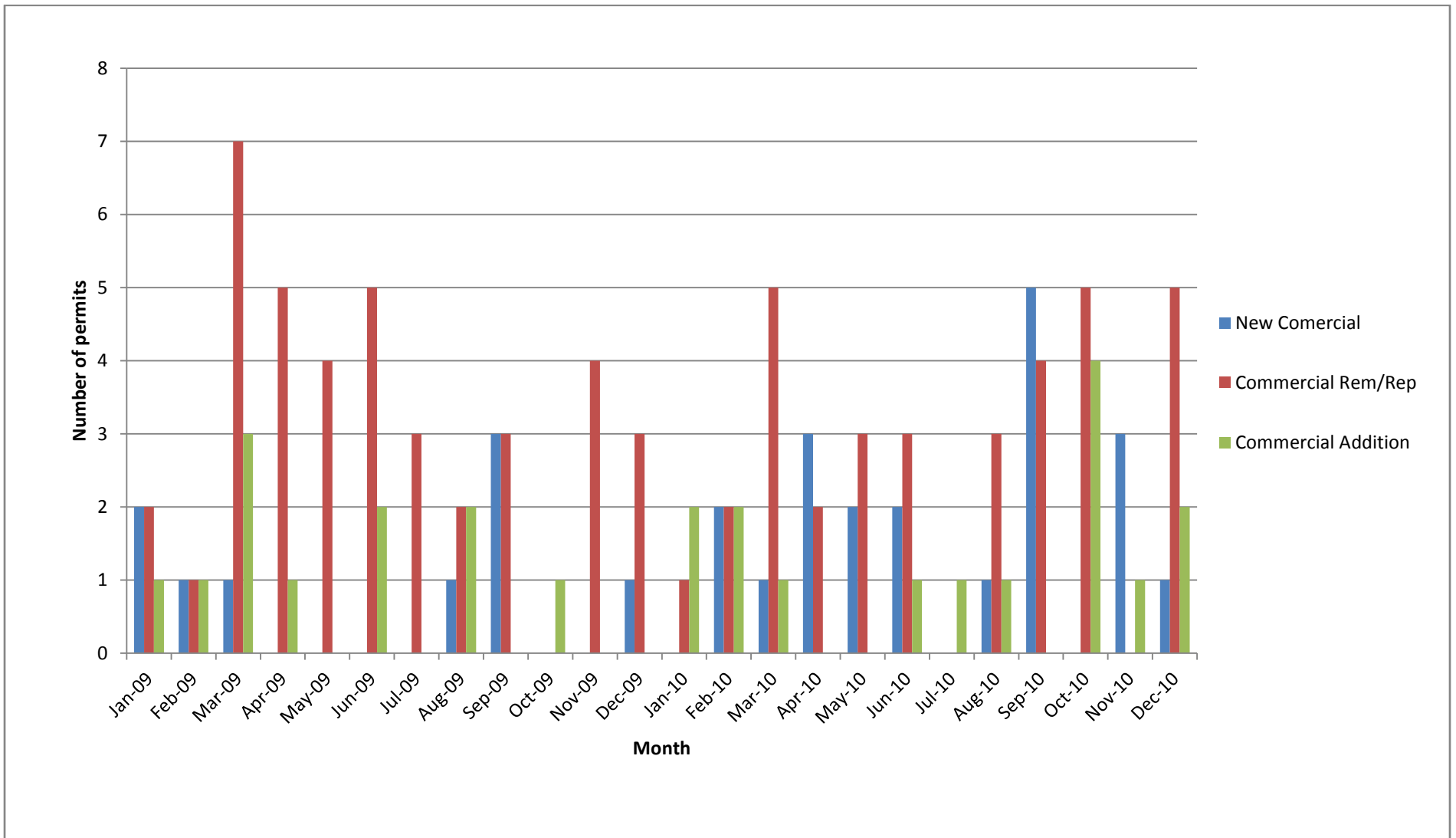


Figure 1. Commercial Building Permits for Lowndes County and Hahira, Georgia
January 2009 through December 2010

New Commercial:

Month	Business	Amount(Dollars)	Total
July	N/A	\$ -	\$ -
August	Mt Cavalry Church	\$ 625,000.00	\$ 625,000.00
September	Gloryhill Cowboy Church	\$ 225,000.00	
	Brookhaven II Apartments	\$ 85,600.00	
	Camelot Medical	\$ 1,050,000.00	
	Vija Patel	\$ 10,000.00	
	Provost Auto Broker	\$ 145,000.00	\$ 1,515,600.00
October	N/A	\$ -	\$ -
November	Scruggs Concrete	\$ 70,000.00	
	McDonalds	\$ 750,000.00	
	Devcon Corp	\$ 100,000.00	\$ 920,000.00
December	Southeastern Freight	\$ 3,000,000.00	\$ 3,000,000.00
			\$ 6,060,600.00

Commercial Remodel and Repair:

Month	Business	Amount(Dollars)	Total
July	N/A	\$ -	\$ -
August	Omni #3	\$ 16,000.00	
	Forrest Street Kingdom Hall	\$ 7,500.00	
	Walter Newsome	\$ 12,200.00	
			\$ 35,700.00
September	Hahira First Baptist	\$ 14,000.00	
	Riverview Memorial	\$ 31,970.00	
	Douglas O'Thompson	\$ 4,000.00	
	Kings Gate Business Park	\$ 1,200.00	
			\$ 51,170.00
October	Atysta Life Science	\$ 30,000.00	
	Sandra Dees	\$ 17,050.00	
	New York Nail Club II	\$ 10,000.00	
	Flying J's	\$ 8,000.00	
	Denny's	\$ 80,000.00	
			\$ 145,050.00
November	N/A	\$ -	\$ -
December	Eastern Heights Classroom	\$ 50,000.00	
	The Scruggs Co.	\$ 11,000.00	
	Lin Garden Restaurant	\$ 12,500.00	
	Fresh Beginning	\$ 165,000.00	
	Sweet Pickle Grill	\$ 500.00	
			\$ 239,000.00
			\$ 470,920.00

Commercial Additions:

Month	Business	Amount(Dollars)	Total
July	Hahira United Methodist	\$ 934,000.00	
			\$ 934,000.00
August	Smith Northview OB Expansion	\$ 1,591,250.00	
			\$ 1,591,250.00
September	N/A	\$ -	
			\$ -
October	AT&T (3 permits)	\$ 75,000.00	
	Hahira Liquors	\$ 50,000.00	
			\$ 125,000.00
November	T-Mobile	\$ 30,000.00	
			\$ 30,000.00
December	Wild Adventures Theme Park (2 permits)	\$ 174,000.00	
			\$ 174,000.00
			\$ 2,854,250.00

	Sales	Average Days on Market	Absorption Rate (Months)	New Commercial	Commercial Remodel/Repair	Commercial Additions
October 2009	0	N/A	N/A	N/A	N/A	\$30,000
November 2009	2	183	11	N/A	\$395,260	N/A
December 2009	0	N/A	N/A	\$150,000	\$72,500	N/A
January 2010	0	N/A	N/A	N/A	\$21,000	\$20,000
February 2010	0	N/A	N/A	\$23,415,000	\$550	\$36,000
March 2010	0	N/A	N/A	\$1,500	\$107,760	\$28,000
April 2010	1	218	26	\$183,000	\$7,700	N/A
May 2010	1	1	32	\$1,329,060	\$37,326	N/A
June 2010	0	N/A	N/A	\$1,450,370	\$534,000	\$10,000
July 2010	0	N/A	N/A	N/A	N/A	\$934,000
August 2010	2	60	35.5	\$625,000	\$35,700	\$1,591,250
September 2010	1	168	13	\$1,515,600	\$51,170	N/A
October 2010	2	54	4	N/A	\$145,050	\$125,000
November 2010	0	N/A	N/A	\$920,000	N/A	\$30,000
December 2010	0	N/A	N/A	\$3,000,000	\$239,000	\$174,000
Totals 2010	9	52.5	-----	\$32,439,530	\$1,179,256	\$2,948,250

Table 1. Commercial Sales, Average Days on the Market (Sold Properties), Absorption Rates, and Permit Values for Lowndes County, October 2009 through December 2010

Note: Real estate data were obtained from the Multiple Listing Service by a local real estate broker. Building permit data were obtained from the Lowndes County permitting office. Building permit data include the City of Hahira.

City of Valdosta

Compared to the rest of the county, the City of Valdosta shows more commercial activity (please see Figures 1 and 2). Figure 2 below depicts the trend that remodels and repairs are occurring much more frequently than new construction and additions. As new commercial construction rose to some of its highest levels in two years in the final two quarters of 2010, commercial remodels and repairs have started to decline.

Table 2 on the following page displays the number of commercial sales, average days on the market for sold properties, absorption rate, and the values of building permits for the city of Valdosta for the fourth quarter of 2009 through the fourth quarter of 2010. Although the table indicates that the absorption rate declined significantly in the first quarter of 2010 and increased in the second quarter of 2010, caution should be exercised when interpreting this information. With so few commercial sales in the city of Valdosta, the absorption rate is not necessarily an indicator of how well the market is performing.

The City of Valdosta finished the 2010 year with:

- 32 New Commercial permits totaling \$11,515,851
- 179 commercial remodel and repair permits totaling \$8,563,361
- 22 Commercial additions totaling \$4,200,650

During the 2nd Half of 2010:

- 21 New Commercial permits were issued by the City worth a total of \$9,873,050
- 82 Commercial Remodel/Repair permits were issued by the City worth a total of \$4,295,096
- 11 Commercial Addition permits were issued by the City worth a total of \$2,787,500

The break-down of permits by month follows.

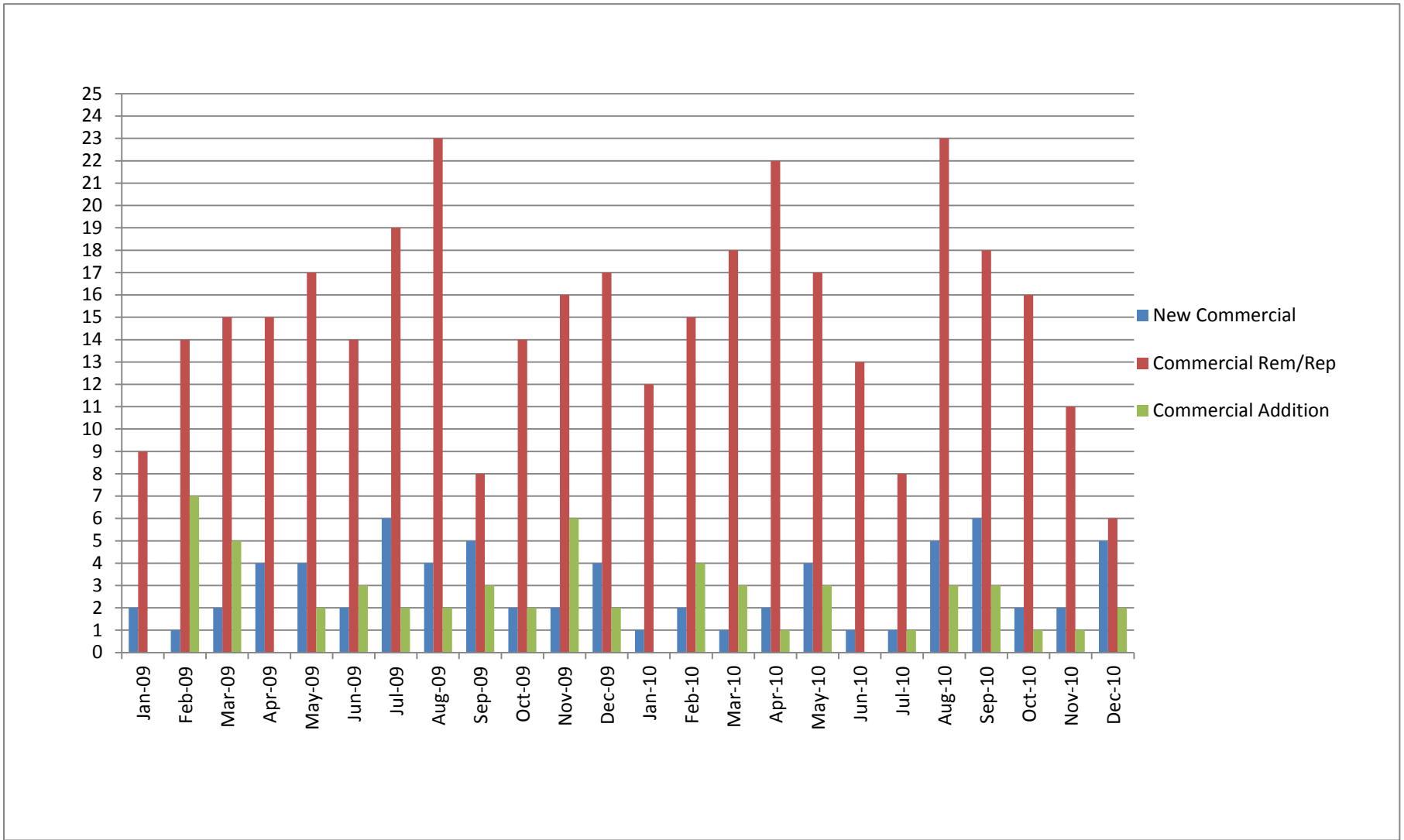


Figure 2. Number of Commercial Building Permits for the City of Valdosta
January 2009 through December 2010

New Commercial:

Month	Business	Amount(Dollars)	Total
July	Tremont Village II	\$ 75,000.00	
			\$ 75,000.00
August	Nathan Brown (2 permits)	\$ 200,000.00	
	Cheddar's Restaurant	\$ 1,800,000.00	
	Taco Bell	\$ 575,000.00	
	Murphy Oil USA Inc	\$ 1,100,000.00	
			\$ 3,675,000.00
September	Green and Hatcher LLC	\$ 9,600.00	
	Woodlawn Terrace LLC (2 permits)	\$ 25,000.00	
	Rhino Lining Storage	\$ 16,200.00	
	Woodlawn Terrace Apt. LLP	\$ 85,000.00	
	Tremont Village	\$ 15,000.00	
			\$ 150,800.00
October	South Georgia Medical Center	\$ 2,800,000.00	
	America's Best Contacts	\$ 125,000.00	
			\$ 2,925,000.00
November	Lemon Grass Day Spa	\$ 210,000.00	
	Ice House America	\$ 75,000.00	
			\$ 285,000.00
December	Genesis Fitness/Wellness	\$ 212,000.00	
	Urological Clinic	\$ 1,400,000.00	
	Valdosta Holdings LLC (2 permits)	\$ 50,250.00	
	First State Bank	\$ 1,100,000.00	
			\$ 2,762,250.00
			\$ 9,873,050.00

Commercial Remodel and Repair:

Month	Business	Amount(Dollars)	Total	
July	New Horizon Church	\$ 24,500.00		
	Wal Mart	\$ 1,184,018.00		
	Larry Futch	\$ 1,300.00		
	First United Methodist	\$ 7,000.00		
	Stumblers	\$ 28,000.00		
	Fisherman Inc	\$ 1,200.00		
	A-1 Bonding/Quick Food	\$ 1,600.00		
	Aarons Rentals	\$ 2,000.00		
			\$ 1,249,618.00	
August	Elliott& Blackburn	\$ 6,500.00		
	Lee Watson Strip Center	\$ 32,000.00		
	Whisk Organic Food Market	\$ 45,000.00		
	First State Bank	\$ 2,000.00		
	First United Methodist	\$ 350,000.00		
	Farr Health Care Service	\$ 3,000.00		
	Franks Food Mart (2 permits)	\$ 11,000.00		
	Knights Auto	\$ 3,000.00		
	Rodeo Mexican Restaurant	\$ 6,000.00		
	Pole Lite Fitness	\$ 15,000.00		
	Behavioral Health Service	\$ 5,800.00		
	Freeman Auto parts	\$ 5,000.00		
	Pot Bellies	\$ 2,700.00		
	Tabernacle Church of God	\$ 9,932.00		
	Roger Budd III	\$ 2,800.00		
	Park Chase Apts	\$ 74,805.00		
	Willy's	\$ 2,000.00		
	Super Mercodo	\$ 4,000.00		
	CJB Industries	\$ 10,000.00		
	Lee Finance	\$ 1,200.00		
Valdosta Family Dentistry	\$ 8,000.00			
Lowe's Home Centers Inc	\$ 824,301.00			
			\$ 1,424,038.00	
September	Blazer Courtyard Apt. (2 permits)	\$ 5,500.00		
	Red Lobster	\$ 12,290.00		
	Rice Iron Works	\$ 6,000.00		
	C Store	\$ 8,000.00		
	Brookstone	\$ 1,200.00		
	Spirit of Halloween			
	T3 Outdoors Inc	\$ 30,000.00		

	Carson McLane	\$	8,000.00		
	Park Chase Apartments	\$	228,150.00		
	Earl Copeland	\$	10,000.00		
	Vinyl Bodago	\$	1,000.00		
	Shell Travel Plaza	\$	8,000.00		
	Scruggs Concrete	\$	850.00		
	Bigfoot Travel	\$	20,000.00		
	Cuz's 2	\$	22,500.00		
	Hibett Sports	\$	23,400.00		
	Infinity Salon and Day Spa	\$	4,000.00		
				\$	389,890.00
October	Courtyard by Marriott	\$	250,000.00		
	Wisembaker Tire	\$	4,000.00		
	Mar Jax Liquors	\$	1,000.00		
	Guesthouse Inn	\$	3,000.00		
	Greg Bennett	\$	1,400.00		
	Scruggs Concrete	\$	20,800.00		
	Walk In Clinic	\$	60,000.00		
	Save A Lot	\$	10,650.00		
	Rescare Pharmacy	\$	175,000.00		
	Laman's Apartments	\$	20,000.00		
	Smokin Pig Express	\$	20,000.00		
	DCA Dialysis	\$	3,800.00		
	South Ga Classic	\$	2,200.00		
	Bank of America	\$	125,000.00		
	Roger Budd III	\$	5,000.00		
	Ven Chiang Office	\$	128,000.00		
				\$	829,850.00
November	American Fried Chicken	\$	3,500.00		
	Advance Auto Parts	\$	2,250.00		
	Park East Apartments	\$	4,000.00		
	Jean W. Pipkin	\$	1,000.00		
	Golden Leaf Café	\$	77,500.00		
	Redirect Counseling Service	\$	2,000.00		
	Stage 51	\$	1,500.00		
	Joyeous Praise Deliverance	\$	5,000.00		
	St. John Catholic School	\$	3,200.00		
	Dr. William J. Martin	\$	20,000.00		
	Tuesday Morning	\$	80,000.00		
				\$	199,950.00

December	Loan Max	\$	15,000.00	
	US Renal Care	\$	1,500.00	
	Valdosta Business Center	\$	30,000.00	
	Roger Budd Company	\$	250.00	
	Longhorn's Steakhouse	\$	120,000.00	
	N Ashley Ventures	\$	35,000.00	
				\$ 201,750.00
				\$ 4,295,096.00

Commercial Additions:

Month	Business		Amount(Dollars)	Total
July	Cross Roads Baptist	\$	688,000.00	
				\$ 688,000.00
August	The Motorcylce Shop	\$	15,000.00	
	South GA Pecan	\$	1,000,000.00	
	Lowndes Beverage	\$	25,000.00	
				\$ 1,040,000.00
September	Arby's	\$	386,000.00	
	Valdosta Housing Authority	\$	100,000.00	
	CJB Industrial	\$	150,000.00	
				\$ 636,000.00
October	Faith Christian Church	\$	285,500.00	
				\$ 285,500.00
November	John's Body Shop	\$	25,000.00	
				\$ 25,000.00
December	SGMC (2 permits)	\$	113,000.00	
				\$ 113,000.00
				\$ 2,787,500.00

Table 2. Commercial Sales, Average Days on the Market (Sold Properties), Absorption Rates, and Building Permit Values for City of Valdosta, October 2009 through December 2010

	Sales	Average Days on Market	Absorption Rate (Months)	New Commercial	Commercial Rem/Rep	Commercial Additions
October 2009	1	187	67	\$520,000	\$962,010	\$29,500
November 2009	1	212	68	\$1,303,762	\$517,959	\$579,172
December 2009	1	202	68	\$2,248,620	\$129,068	\$808,657
January 2010	2	82	34	\$107,500	\$587,832	N/A
February 2010	0	N/A	N/A	\$40,001	\$312,820	\$195,950
March 2010	2	283	35	\$150,000	\$283,921	\$714,200
April 2010	1	172	75	\$53,000	\$726,351	\$1,000
May 2010	0	N/A	N/A	\$592,300	\$2,171,650	\$502,000
June 2010	1	64	76	\$700,000	\$185,700	N/A
July 2010	0	N/A	N/A	\$75,000	\$1,249,618	\$688,000
August 2010	2	267	36	\$3,675,000	\$1,424,038	\$1,040,000
September 2010	3	130	3	\$150,800	\$389,890	\$636,000
October 2010	3	60	5	\$2,925,000	\$829,850	\$285,500
November 2010	4	249	2.25	\$285,000	\$199,950	\$25,000
December 2010	1	506	13	\$2,762,250	\$201,750	\$113,000
Totals 2010	28	201	-----	\$11,515,851	\$8,563,361	\$4,200,650

Note: Real estate data were obtained from the Multiple Listing Service by a local real estate broker. Building permit data were obtained from the Lowndes County permitting office.

Hotel Occupancy

Twelve hotels in Lowndes County were surveyed in order to determine the average hotel occupancy and average rental rates for the second half of 2010 (July-December). Nine responses were received from local hotels with an average AAA rating of 2.44, and from those responses average occupancy and rental rates were calculated. These rates are shown in Table 3 below.

Using the numbers provided by the respondents, the average occupancy rates for the 2nd half of 2010 was calculated to be 55.79 percent, respectively. The average rental rates for the 2nd half of 2010 were calculated to be \$73.25. Occupancy and rental rates decreased throughout the 2nd half of the year.

Table 3. Average Hotel Occupancy Rates and Rental Rates in Lowndes County

Month	Average Occupancy Rate	Average Rental Rate
July 2010	67.81%	\$77.53
August 2010	53.36%	\$71.82
September 2010	50.56%	\$72.33
October 2010	60.41%	\$75.18
November 2010	51.56%	\$71.60
December 2010	51.05%	\$71.02

Note: Data were reported by local hotels.

Commercial Properties – Vacancy Rates and Rental Rates

Seven responses were received from commercial property management companies in Lowndes County. The average vacancy rate for these properties was calculated to be 12 percent. Additionally, the average rental rate per square foot was calculated to be \$10.60. Respondents were unable and/or unwilling to provide capitalization rates.

Caution should be exercised when using the data provided in this section, as the sample sizes are small, so this data may not be representative of the true commercial property market in Lowndes County. It should be further noted that there appears to be significantly more reluctance in this time period by the subjects to providing the requested data.

Conclusion

With unemployment remaining high and commercial loans reaching the end of their terms, the commercial real estate market is expected to even out in the coming months, with some predicting a bottom in the latter part of 2011. Within Lowndes County and the City of Valdosta, the number of commercial building permits is low and will likely remain low without the creation of new businesses within Lowndes County or the recruitment of companies to the area by the Valdosta-Lowndes County Industrial Authority.

Residential Real Estate

Industry Overview

As mortgage rates hit a 50 year low and the banking industry shifted more heavily through government funding, market realignment, and bank closures, we also saw the Home Buyer Tax Credit leave for good. Thus “National home prices in 2010 posted a -4.1 percent year-over-year price change, after a very turbulent year where prices increased 9.7 percent over a 21 week span (late March to mid August), only to be followed by a -9.4 percent price change over the following 19 weeks (September to December).”²⁷

The S&P/Case-Shiller indices of Home Prices accurately track the price path of typical single-family homes located in major metropolitan areas:

“In November 2010, the 10-City and 20-City Composites recorded annual returns of -0.4% and -1.6%, respectively. November was the sixth consecutive month where the annual growth rates moderated from their prior month’s pace. Since May 2010, the housing market has experienced an unambiguous deceleration in home price returns. The 10-City Composite has reentered negative territory with a -0.4% annual growth rate in November, versus the +5.4% reported six months prior in May, and the 20-City Composite was down 1.6% in November versus its +4.6% May print.”²⁸

The National Real Estate Investor Online forecasts tend to paint the picture of the worst being far from over:

“A key point continually reiterated was that the real estate markets would not see any type of norm until 2013 or 2014. The good news was that we’re at the bottom, but we may have five years of excess supply, particularly tied to pending and upcoming foreclosures. The average foreclosure takes nine months to a year, creating a hidden and looming supply of properties for the market.”²⁹

In an overview of the Housing Market for 2010 from an article by *Andy Faria* on *Settle Short News*³⁰;

- 157 banks were closed/taken over by the FDIC in 2010
- 25 banks closed in Georgia³¹
- 30-year fixed mortgage rates hit a 50+ year low of 4.17 percent
- An estimated 1 in 4 homes in America is under water in value
- Americans are actually making strides in reducing their debt as well as increase their savings

²⁷ Clear Capital Home Data Index: National Home Price Trends – <http://www.marketwire.com/press-release/Clear-Capital-Recaps-Record-Setting-Volatility-2010-US-Home-Prices-Down-Forecasts-Additional-1376397.htm>

²⁸ “S&P/Case-Shiller Home Price Indices - www.standardandpoors.com/indices

²⁹ “Commentary: When Will Normalcy Return to the Real Estate Market”, http://nreionline.com/news/when_normalcy_real_estate_market_1124/

³⁰ Andy Faria - <http://settleshort.com/news/housing-market-news/real-estate-market-2010-year-review/>

³¹ FDIC, Failed Bank List - <http://www.fdic.gov/bank/individual/failed/banklist.html>

- Average day until final foreclosure teeters near 500 days (it was half that in January 2008)
- as many as 1 in 4 property sales in 2010 were distressed properties
- The Home Affordable Modification Program (HAMP) and other permanent loan modifications provided by mortgage servicers will total nearly 1.5 million for 2010
- Short sales were up 128% for Fannie Mae loans and 115% for Freddie Mac-backed notes
- Real Estate Owned (REO) property totals—at the end of the third quarter 2010 Fannie Mae and Freddie Mac’s number of combined REOs totaled nearly 300,000
- The Realtor herd continues to thin, with NAR reporting 2010 membership totals (as of Nov. 30, 2010) of 1,079,687 million—down nearly 300,000 from NAR’s peak membership year of 2006

At the same time, HAMP did not have the desired effect originally planned. In a report dated December 14th from the Congressional Oversight Panel; concerns were raised “that [the] Treasury programs, even when they are fully operational, will not reach the overwhelming majority of homeowners in trouble...[the] Treasury is still struggling to get its foreclosure programs off the ground as the crisis continues unabated.”³¹

“Despite the apparent strength of HAMP’s economic logic, the program has failed to help the vast majority of homeowners facing foreclosure... Treasury continues to state that HAMP will expend \$30 billion in Troubled Asset Relief Program funding, yet the Congressional Budget Office recently estimated that all of Treasury’s foreclosure programs combined will spend only \$12 billion. Given the Panel’s cost estimates for Treasury’s other foreclosure-related efforts; HAMP thus appears likely to spend only around \$4 billion.”³²

The National foreclosure rate spiked in the first quarter of 2010 and continued to rise as the year went on. “A closer look at the numbers revealed that much of this increase was in bank repossessions and Real Estate Owned homes, the last stage of foreclosure....with moratoriums expiring and banks looking to clear out backlogs of defaulted homes, millions more properties were set to be foreclosed.”³³

“Despite that October and November saw further decreases in new foreclosures, buyers should be aware that a swell in new foreclosures could happen at any time as loan modification periods expire and more homeowners fall further behind on mortgage payments in 2011.”³⁴

³¹ Congressional Oversight Panel – “December Oversight Report” - <http://cop.senate.gov/documents/cop-121410-report.pdf>

³² Ibid

³³ Fierce Finance - *Foreclosure Filings 2010 Statistics Show No Shortage of Foreclosed Homes*-
<http://www.fiercefinance.com/press-releases/foreclosure-filings-2010-statistics-show-no-shortage-foreclosed-homes>

³⁴ Ibid

National Overview

Construction Spending

From a national perspective, U.S. residential construction spending for December 2010 was down 2.5 percent from November 2010 and down 6.4 percent from December 2009.³⁵ On a year-over-year basis, residential construction spending has decreased.

Mortgage Delinquency

Another important national data source to watch is the Mortgage Bankers Association's National Delinquency Survey.

“The delinquency rate for mortgage loans on one-to-four-unit residential properties decreased to a seasonally adjusted rate of 9.13 percent of all loans outstanding as of the end of the third quarter of 2010, a decrease of 72 basis points from the second quarter of 2010, and a decrease of 51 basis points from one year ago....Most often, homeowners fall behind on their mortgages because their income has dropped due to unemployment or other causes. Although the employment report for October was relatively positive, the job market had improved only marginally through the third quarter, so while there was a small improvement in the delinquency rate, the level of that rate remains quite high. As we anticipate that the unemployment rate will be little changed over the next year, we also expect only modest improvements in the delinquency rate.”³⁶

Residential Sales³⁷

“Existing-home sales rose sharply in December, when sales increased for the fifth time in the past six months, according to the National Association of REALTORS®. Completed transactions that include single-family, townhomes, condominiums and co-ops, rose 12.3 percent to a seasonally adjusted annual rate of 5.28 million in December from an upwardly revised 4.70 million in November, but remain 2.9 percent below the 5.44 million pace in December 2009. The national median existing-home price for all housing types was \$168,800 in December, which is 1.0 percent below December 2009. Distressed homes rose to a 36 percent market share in December from 33 percent in November, and 32 percent in December 2009. According to Freddie Mac, the rate for a 30-year, conventional, fixed-rate mortgage rose to 4.71 percent in December from 4.30 percent in November; the rate was 4.93 percent in December 2009.”

From the same NAR report we learned total housing inventory at the end of December fell 4.2 percent to 3.56 million existing homes available for sale, which represents an 8.1-month supply at the current sales pace, down from a 9.5-month supply in November. Raw unsold inventory is 12.9 percent below the record high month of July 2008.

Foreclosures

According to RealtyTrac® “a total of 3,825,637 foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on a record 2,871,891 U.S. properties in 2010, an increase of nearly 2 percent from 2009 and an increase of 23 percent from 2008. The report also shows that 2.23 percent of all U.S. housing units (one in 45) received at least one foreclosure filing during the year, up from 2.21 percent in

³⁵ U.S. Census Bureau, Construction Spending: December 2010, <http://www.census.gov/const/C30/totsa.pdf>

³⁶ Melissa Key - <http://www.mortgagebankers.org/NewsandMedia/PressCenter/74733.htm>

³⁷ National Association of Realtors. “December Existing-Home Sales Jump”, http://www.realtor.org/press_room/news_releases/2011/01/sharp_rise

2009, 1.84 percent in 2008, 1.03 percent in 2007 and 0.58 percent in 2006. Foreclosure filings were reported on 799,064 U.S. properties in the fourth quarter, a 14 percent decrease from the previous quarter and an 8 percent decrease from the fourth quarter of 2009. The fourth quarter total was the lowest quarterly total since Q4 2008.”³⁸

This drop in foreclosure filing may be attributable to the controversy surrounding the procedures that some banks used when documenting and approving foreclosures. “While some experts think the stall in marketing and completing sales of foreclosed properties will have little impact on the housing market. Others think that if the freeze lasts for months, it will have a negative impact on home prices — pushing sales scheduled to close in 2010 into next year and making it impossible for some properties to be ready for the spring 2011 market. Already, some lenders have resumed processing foreclosures.”³⁹

U.S. Economic Outlook – Residential Housing Markets

Lawrence Yun, NAR chief economist, said sales are on an uptrend. ‘December was a good finish to 2010, when sales fluctuated more than normal. The pattern over the past six months is clearly showing a recovery,’ he said. ‘The December pace is near the volume we’re expecting for 2011, so the market is getting much closer to an adequate, sustainable level. The recovery will likely continue as job growth gains momentum and rising rents encourage more renters into ownership while exceptional affordability conditions remain.’⁴⁰

The Georgia Economic Outlook Summary report reports that “the national economic recovery that began in the second half of 2009 will be sustained through 2011, but the rate of U.S. economic growth, measured as gross domestic product, will slip marginally – from 2.7 percent in 2010 to 2.2 percent in 2011. The slightly lower growth rate reflects the federal fiscal stimulus, which is dissipating, and less spending by many state and local governments, but consumer demand will increasingly drive the forward momentum of the recovery in 2011.”⁴¹

State Overview

Dean Robert Sumichrast of the Terry College of Business at UGA “warned employers and investors against an overabundance of caution”⁴² going on to discuss the risk aversion that businesses and investors adapted even though the market’s recovery is young.

“While the Georgia economy appears to be on the mend, the pace of recovery has been unusually tentative and the state faces a number of difficult challenges. Georgia’s housing market is one of the

³⁸ RealtyTrac® - <http://www.realtytrac.com/content/press-releases/record-29-million-us-properties-receive-foreclosure-filings-in-2010-despite-30-month-low-in-december-6309>

³⁹ DeborahBremner - 2010 Housing in Review, and a Look at 2011 - <http://www.thebremnergroup.com/news/2010-housing-in-review-and-a-look-at-2011/#>

⁴⁰ National Association of Realtors. “December Existing-Home Sales Jump”, http://www.realtor.org/press_room/news_releases/2011/01/sharp_rise

⁴¹ Georgia Economic Outlook 2011: Summary Sheet - http://www.terry.uga.edu/news/releases/2010/economic_outlook_forecast.html

⁴² Ibid

most traumatized. Home prices continue to fall in most of the state’s large metro areas and building activity has slowed to a crawl. With 28 percent of Georgia homeowners owing more on their mortgage than their home is currently worth, credit quality remains exceptionally weak and is unlikely to meaningfully improve in the near future. Home prices, as measured by the FHFA Home Price Index (HPI), which have already plummeted 13.3 percent from their peak three years ago, are likely to fall by another three to five percent by the end of next year.”⁴³

From RealtyTrac, we learned that the State of Georgia had 11,042 new foreclosures in December 2010, the majority of which were located in the Atlanta area: Fulton, Gwinnett, DeKalb, and Cobb counties. Fulton County had the greatest number of foreclosures in the state: 1, 513 foreclosures. The December 2010 Foreclosure Rate Heat Map below (Figure 3) shows the foreclosure rates in Georgia counties. A deeper red denotes the counties with the greatest number of foreclosure filings. In December 2010, 1 in every 365 homes received a foreclosure filing in the State of Georgia.⁴⁴

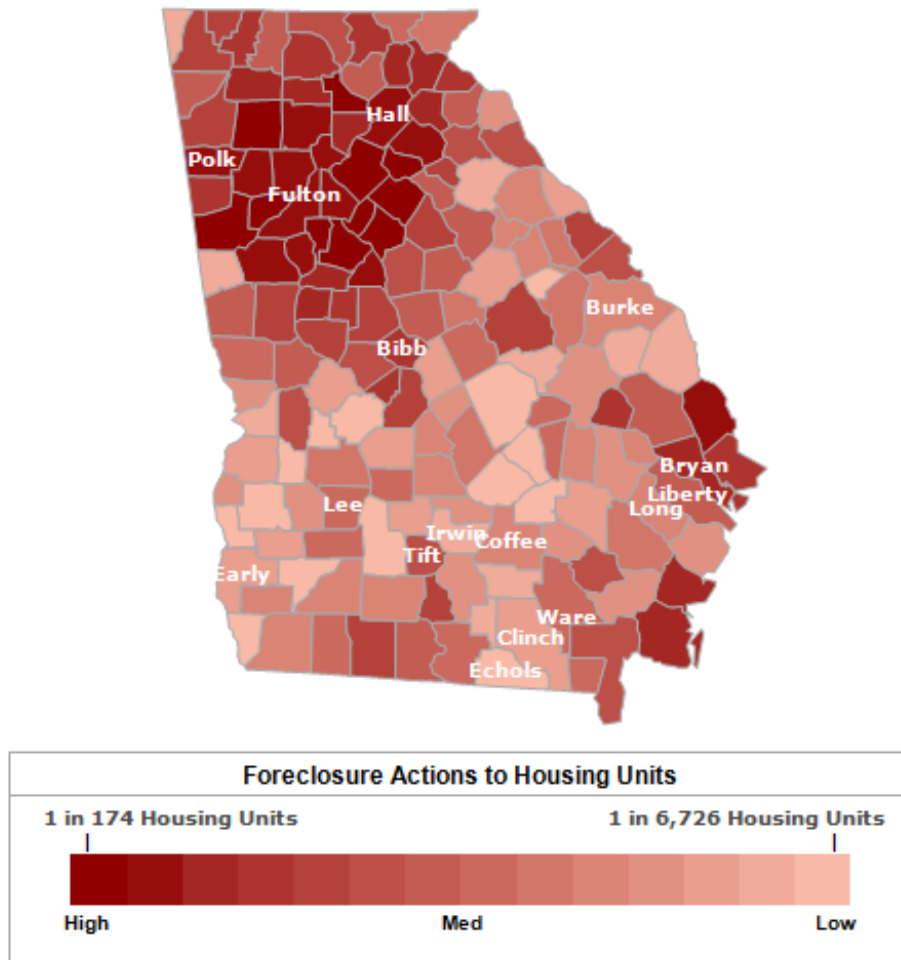


Figure 3. State Foreclosure Heat Rate Map

⁴³ Wells Fargo Securities, LLC – Georgias Economic Outlook 2010 - https://www.wellsfargo.com/downloads/pdf/com/research/reg_reports/Georgia__12222010.pdf

⁴⁴ RealtyTrac, Georgia Real Estate Trends - <http://www.realtytrac.com/trendcenter/ga-trend.html>

The Federal Reserve Board “indicated that [in Georgia] the pace of new home sales growth through December remained weak compared with a year ago. Many contacts continued to report that buyers were having a difficult time securing loans. Builders also noted construction activity held steady at very low levels. The outlook was mixed with Florida and Georgia builders expecting weaker activity over the next several months, while elsewhere in the District modest improvements were expected.”⁴⁵

Lowndes County Residential Housing Market Analysis (including the City of Valdosta) Overview

Compared to the state and the nation, the Lowndes County residential housing market has made it through the recession relatively unscathed. CBS Money Watch.com reports that the home prices in the Valdosta Metropolitan Statistical Area (MSA), which comprises Brooks, Berrien, Lanier, and Echols counties, have fallen 1.6 percent from the third quarter of 2009 to the third quarter of 2010. The same source forecasts that the home prices from the third quarter of 2010 to the third quarter of 2011 in the Valdosta MSA will fall by .4 percent.⁴⁶

From RealtyTrac, we learned that in December 2010 Lowndes County had a total of 48 new foreclosures, with 39 in Valdosta, 3 in Lake Park, 6 in Hahira, and 1 in Naylor. Within the county, 1 in every 956 housing units received a foreclosure filing. Also, the local December 2010 Foreclosure Heat Rate Map, shown below as Figure 4, depicts the areas with the greatest rate of foreclosure by a deeper shade of red. In Lowndes County, Hahira, though it only had 6 foreclosures respectively, had the greatest foreclosure rate due to its size: 1 in every 575 housing units. Additionally, Naylor, which is also depicted by a deep red color, had only 1 foreclosure and has the second greatest foreclosure rate: 1 in every 569 homes. The lesson learned is to be critical of statistics and know how to interpret them. To us, this is not a point to dwell on about the Hahira and Naylor areas.¹⁹

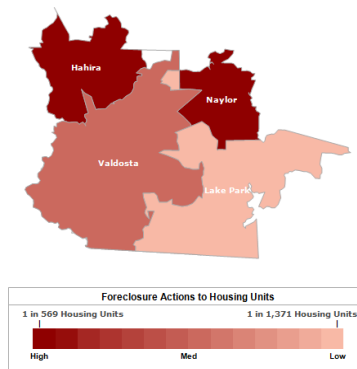


Figure 4. Lowndes County Foreclosure Heat Rate Map

⁴⁵ The Federal Reserve Board – *Federal Reserve Districts* - <http://federalreserve.gov/fomc/beigebook/2011/20110112/6.htm>

⁴⁶ CBS MoneyWatch.com - <http://moneywatch.bnet.com/economic-news/article/real-estate-price-forecast-city-by-city/399014/>

¹⁹ RealtyTrac, Lowndes County, GA Real Estate Trends, <http://www.realtytrac.com/trendcenter/ga/lowndes+county-trend.html>

Speculative Loan Activity

Table 4 below shows a sharp decline in speculative loan activity in Lowndes County over the last year. In the second half of 2010, Lowndes County lending institutions originated to date at least 109 speculative loans, a 51.4 percent decline compared to the first half of the year.

Table 4. Number of Speculative Loans in Lowndes County

Bank	Winter 2010	Fall 2010	Summer 2010	Spring 2010	Fall 2009
Ameris	2	3	2	0	3
Atlantic Southern Bank	1	0	0	2	2
Bank of Valdosta	0	0	2	1	1
BB&T	0	0	3	4	14
Bemiss Citizens Bank	8	dnp	18	28	25
Citizens Community Bank	dnp	12	11	9	10
Colony Bank	dnp	dnp	dnp	dnp	18
Commercial Banking Co.	15	17	19	17	11
Farmers & Merchants	11	dnp	12	16	29
First State Bank	5	25	26	28	22
Guardian Bank	dnp	6	7	8	8
Park Avenue Bank	0	4	4	7	12
Regions Bank	0	0	0	0	0
Total	42	67	104	120	155

Note: Data were reported by local banks. Dnp denotes that the information was not provided to the CBER before the publication date.

Lowndes County Residential Housing Market Analysis (excluding the City of Valdosta)
Building Permit Activity

Figure 5 below shows the number of residential building permits issued in Lowndes County (excluding the City of Valdosta and including the City of Hahira) from January 2009 to December 2010. What we see in 2010 compared to 2009 is a relatively even spread of new construction and more permits taken out for new construction and addition permits since July of 2009. Residential remodel and repair permits have steadily increased since December of 2009 as more homeowners are committing themselves to their residences for longer periods of time. This is a good trend for future resale values within the county. With the lack of available loans and the employment rate still low, new construction permits are the lowest they have been in the county in two years.

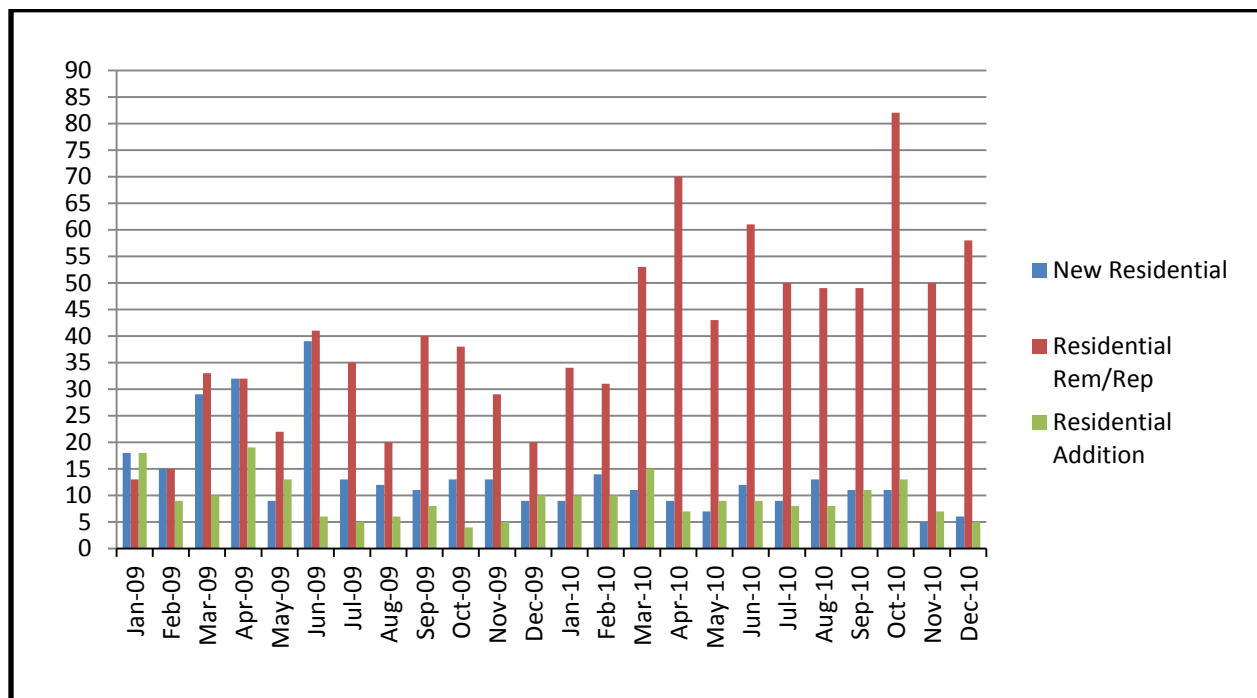


Figure 5. Number of Residential Building Permits for Lowndes County and City of Hahira January 2009 through December 2010

Lowndes County finished 2010 with:

- 330 New Residential permits totaling \$32,253,314
- 301 Residential remodel and repair permits totaling \$1,931,687
- 188 Residential additions totaling \$2,053,853.

During the 2nd Half of 2010:

- 137 New Residential permits were issued by the County worth a total of \$13,149,613
- 132 Residential Remodel/Repair permits were issued by the County worth a total of \$941,596
- 85 Residential Addition permits were issued by the County worth a total of \$1,103,359

The break-down of permits by month follows:

New Residential:

Month	Amount(Dollars)	Total
July	\$ 2,666,097	
August	\$ 2,245,233	
September	\$ 2,064,723	
October	\$ 2,418,249	
November	\$ 1,692,446	
December	\$ 2,062,865	
		\$ 13,149,613.00

Residential Remodel and Repair:

Month	Amount(Dollars)	Total
July	\$ 250,150	
August	\$ 195,500	
September	\$ 92,757	
October	\$ 160,029	
November	\$ 123,060	
December	\$ 120,100	
		\$ 941,596.00

Residential Additions:

Month	Amount(Dollars)	Total
July	\$ 245,483	
August	\$ 71,295	
September	\$ 92,350	
October	\$ 408,200	
November	\$ 77,695	
December	\$ 208,336	
		\$ 1,103,359.00

Table 5. Residential Sales, Average Days on the Market (Sold Properties), Absorption Rates, and Building Permit Values for Lowndes County, October 2009 through December 2010

	Sales	Average Days on Market	Absorption Rate (Months)	New Residential	Residential Remodel/Repair	Residential Additions
October 2009	40	130	16.7	\$2,361,410	\$166,730	\$549,200
November 2009	40	87	15.7	\$1,976,378	\$150,550	\$246,494
December 2009	26	82	24.4	\$2,826,160	\$112,150	\$152,664
January 2010	28	114	23.5	\$2,124,030	\$98,400	\$111,884
February 2010	37	95	17.4	\$4,457,984	\$148,030	\$136,550
March 2010	54	124	12.4	\$4,180,301	\$222,686	\$131,828
April 2010	47	107	15.10	\$3,455,781	\$241,564	\$255,200
May 2010	47	94	15.02	\$1,913,723	\$139,350	\$180,184
June 2010	43	95	17.56	\$2,971,882	\$140,061	\$134,848
July 2010	42	91	17.38	\$2,666,097	\$250,150	\$245,483
August 2010	56	118	12.68	\$2,245,233	\$195,500	\$71,295
September 2010	39	120	17.69	\$2,064,723	\$92,757	\$92,350
October 2010	28	87	15.79	\$2,418,249	\$160,029	\$408,200
November 2010	25	92	14.73	\$1,692,446	\$123,060	\$77,695
December 2010	35	110	13.12	\$2,062,865	\$120,100	\$208,336
Totals 2010	587	129		\$32,253,314	\$1,931,687	\$2,053,853

Note: Real estate data were obtained from the Multiple Listing Service by a local real estate broker. Building permit data were obtained from the Lowndes County permit office. Building permit data include the City of Hahira.

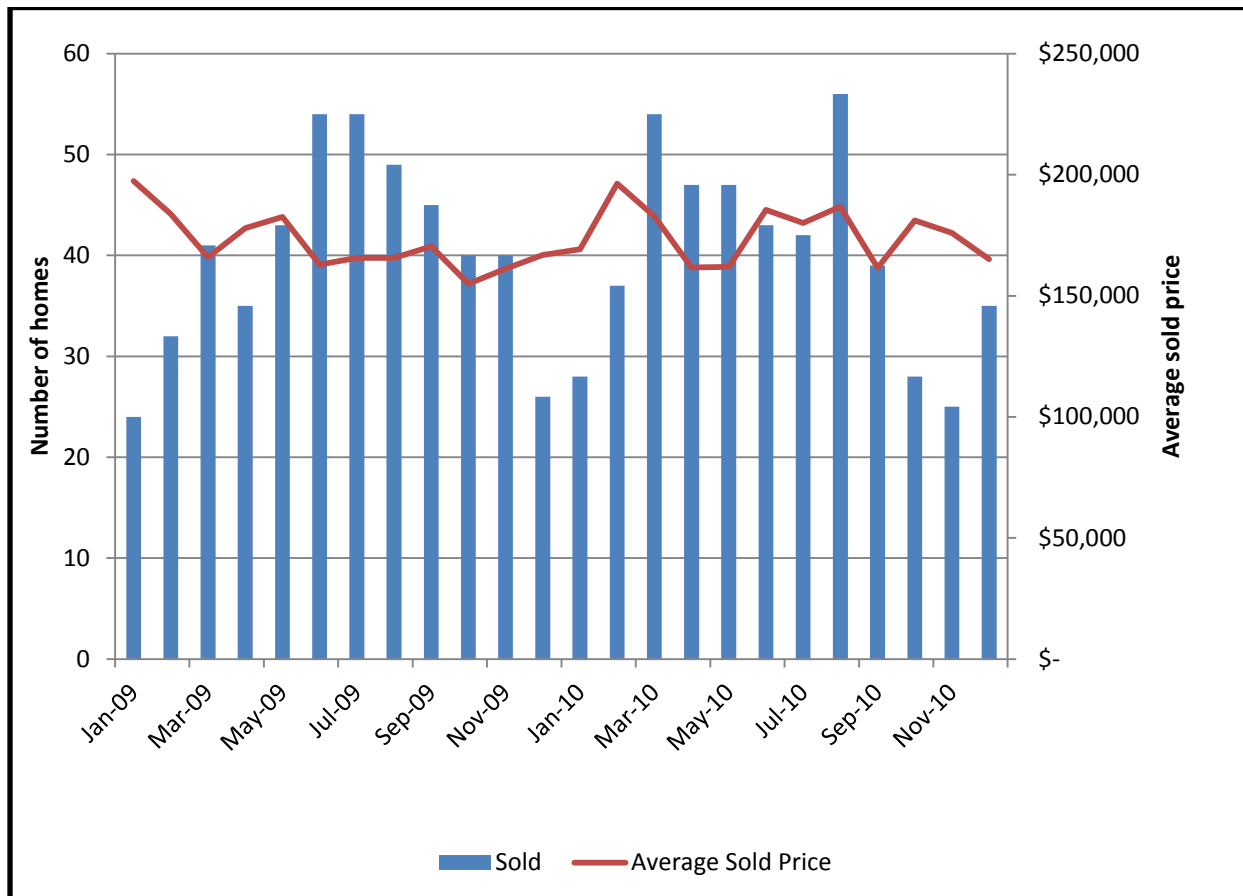


Figure 6. Number of Residential Properties Sold and Average Sales Price for Lowndes County January 2009 through December 2010

Residential Sales Activity

Next, Tables 6 and 7 show the sales that have occurred in the past five quarters in MLS Zones 5 and 6. In each quarter, given the location, past development history, and local amenities, Zone 5 has about four times as many sales as Zone 6. We see that a direct comparison of 4Q 2009 to 4Q 2010 for Zone 5 reveals a positive change in the number of sales, with a 15.2% increase. In Table 7, Zone 6 shows a similar pattern – a comparison of 4Q 2009 to 4Q 2010 reveals an 28.5% percent increase in the number of sales. With the strong increases in the value of building permits in Lowndes County in the first quarter of 2010, we see the number of home sales increased in both zones in the fourth quarter of 2010.

Table 6. 5-N Side Hwy 84 in Lowndes County: MLS Sales by Price

Price Range	1Q 2009 Sales	2Q 2009 Sales	3Q 2009 Sales	4Q 2009 Sales	1Q 2010 Sales	2Q 2010 Sales	3Q 2010 Sales	4Q 2010 Sales
< \$100,000	9	11	8	4	7	4	8	8
\$100,000-\$199,999	45	70	68	67	57	77	64	66
\$200,000-\$299,999	15	16	25	12	21	19	24	18
≥ \$300,000	7	9	9	2	8	6	10	6
Total	76	106	110	85	93	106	104	98

Note: Data were obtained from the Multiple Listing Service by a local real estate broker.

Table 7. 6-Incorp. From S. of Hwy 84 in Lowndes County: MLS Sales by Price

Price Range	1Q 2009 Sales	2Q 2009 Sales	3Q 2009 Sales	4Q 2009 Sales	1Q 2010 Sales	2Q 2010 Sales	3Q 2010 Sales	4Q 2010 Sales
< \$100,000	3	4	13	4	6	10	12	9
\$100,000-\$199,999	11	14	19	14	15	16	14	13
\$200,000-\$299,999	5	5	5	2	6	4	3	3
≥ \$300,000	2	4	1	1	2	2	4	2
Total	21	27	38	21	29	32	33	27

Note: Data were obtained from the Multiple Listing Service by a local real estate broker.

*Residential Subdivision Activity*²⁰

Nelson Hill

Nelson Hill, located in North Lowndes County, will have approximately 470 residential homes with a clubhouse overlooking a thirty-acre recreational lake. Of the 470 lots, 262 are in the first phase of the development with 11 homes built in 2010. The lots, which are priced at \$22,500 for investors and \$28,500 for others, are 55 feet wide and 88 feet deep, or approximately 0.11 acres. The homes will start at 1,800 covered square feet, including garage and porch, and will be priced at \$129,900 and up.

Carlton Ridge

Carlton Ridge, located adjacent to Stone Creek in Lowndes County, has 99 lots, of which approximately 47 have homes. There have been 35 homes sold in the neighborhood. Carlton Ridge offers a variety of 4 bedroom homes, with prices starting at \$199,900.

CottonWood

CottonWood is located in North Lowndes County off of Lakeland Highway. Phase 1 has a total of eighty half-acre lots, 21 of which have been sold. Lot prices start at \$26,500. In Phase 1 there are currently 25 homes, of which 21 have been sold, with prices starting at \$134,900 and square footage of at least 1,400. In Phase II there are currently 2 homes sold, with prices starting at \$155,900 and square footage of at least 1500.

Crestwood

Crestwood is located in North Lowndes County off of Bemiss-Knights Academy Road. Within the subdivision, there are 56 lots, which range from 0.2 to 0.3 acres and are priced at \$32,500. There are currently 17 homes available, of which 7 were built in 2010-2011, and 7 have been sold. The homes are priced from \$150,000 to \$175,000 and have 1,475 to 1,650 square feet.

Creekside West

Creekside West, a gated community located 1 mile from downtown Hahira, has approximately 84 half-acre lots in Phase 1, 31 of which have sold. Lot prices start at \$40,000, and homes start in the low \$200,000's. There have been 12 homes constructed in the subdivision, of which 8 have sold.

Frank's Creek Landing

Frank's Creek Landing is located off of Morven Road in North Lowndes County. There are 84 lots, which range from 0.2 to 0.4 acres and are priced at approximately \$23,500. Homes in this subdivision are priced from \$148,000 to \$175,000 and have 1,600 to 1,780 square feet. There are currently 31 homes in Frank's Creek Landing, 8 homes were built in 2010 and 23 of which have sold.

²⁰ Residential construction data were obtained from the Multiple Listing Service and the Lowndes County Tax Assessor's Website in January 2011. If the data were not in these sources, then they have not been reflected in our numbers.

Greyfield Villas²¹

Greyfield Villas is located off of Bemiss Road and features single family homes and duplexes with approximately 1,250 square feet. There are currently 90 lots with 50 homes built. Thirteen duplexes have sold, and 22 houses have sold. There are 16 houses currently for sale with prices starting at \$116,900.

Grove Pointe

Grove Pointe, located in Lowndes County between Highway 41 and Val Del Road, was begun in 2006 and has 400 lots. In 2009 and 2010, there have been 101 new homes constructed, 81 of which have sold. Newly constructed homes (built in 2009 or 2010) in Grove Pointe range in square footage from 1,700 to 3,200 and in price from the \$180,000's to the \$320,000's.

Kinderlou Forest

Kinderlou Forest is a gated community that is divided into 7 sections, which are designed to accommodate various lifestyles. The Kinderlou community has a total of 440 lots, which feature 4 newly constructed homes (built in 2009 or 2010), 2 of which have been sold. Prices for homes in Kinderlou start in the low to mid \$200,000's, and the homes range in square footage from 1,800 to upwards of 7,000.

Miller Farms

Miller Farms, located in North Lowndes County near Moody Air Force Base, has a total of 130 lots, which are approximately 0.23 acres each. There have been 88 homes constructed in Miller Farms, of which 54 have sold. Miller Farms feature homes which range in square footage from 1,200 to 1,500 and in price from the \$120,000's to the \$140,000s.

Northlake

Northlake is located in North Lowndes County adjacent to I-75. The subdivision features 337 lots, of which 160 are located in Section 9, its newest section. Section 9 has 7 newly constructed homes, all of which have sold. Newly constructed homes in Northlake start at approximately 1,300 square feet and are priced from the upper \$120,000's to the upper \$140,000's.

Pebbleridge

Pebbleridge, located in North Lowndes County off of Bemiss Road, has a total of 40 half-acre lots, which are priced at \$33,000. Homes range in square footage from 1,250 to 1,600 and prices start in the \$120,000's. Pebbleridge features 18 newly constructed homes (built in 2009 or 2010), 15 of which have sold.

Pecan Plantation

Pecan Plantation, located off of Old Clyattville Road near Wild Adventures, is a restrictive covenant community, where houses must be a minimum of 1,800 square feet and prices range from \$250,000 to \$325,000. Pecan Plantation features 90 lots with 4 homes, 2 of which have sold.

²¹ Information on number of homes was obtained by counting the homes in the subdivision in February 2011.

Quarterman Estates

Quarterman Estates, located in South Lowndes County, features 91 lots with 12 newly constructed homes (built in 2009 or 2010), 4 of which have sold. Newly constructed homes in Quarterman Estates are priced on average in the mid-\$140,000's and range in square footage from approximate 1,400 to 1,600 square feet.

Ridge Place

Ridge Place Subdivision, located in South Lowndes County features 75 lots with 9 lots already sold. Lots range from .5 acres to 1.17 acres and start in the mid \$30,000's. Homes start in the \$180,000's, are 1750 minimum square feet, and are covered by restrictive covenants.

Stone Creek

Stone Creek, located off of I-75 Exit 22, is a community that began in 1992 and features 700 scheduled home sites. There are 12 newly constructed homes (built in 2009 or 2010) in Stone Creek, 8 of which have sold. There are also 79 vacant lots. Homes in Stone Creek range in square footage from approximately 1,600 to 5,000 square feet. The average price for homes constructed since 2007 is in the upper \$300,000's.

Walker Run Subdivision²²

This new subdivision boasts underground utilities, Cul-De-Sacs and Paved Streets, and an 8 acre lake. There are 118 lots for sale with prices starting at \$32,900 and range in size from 10,000-25,000 square feet. There are 16 homes built with 12 already sold. Homes built start in the \$140,000's and are covered by Restrictive and Deed covenants. Conveniently located in South Georgia near Lake Park, Walker Run Subdivision is adjacent to a four lane US Hwy with easy access to golf courses, Valdosta, I-75, Florida and many other amenities.

Water's Edge North

Water's Edge North, located in Hahira, is part of the Hahira Gateway project. In Phase 1, there are 30 lots, which range from 0.20 to 0.35 acres. Three homes have been constructed and sold in the neighborhood, and they range from 1,440 to 1,550 square feet and range in price from \$149,900 to \$156,000.

Windstone

Windstone, which is located in North Lowndes County off of Bemiss Road, features 16 lots with 4 homes, 2 of which have sold. On average, homes in Windstone sell in the mid-\$200,000's and are approximately 2,300 square feet.

Woodbridge

Woodbridge, located in Hahira, has a total of 77 lots with 3 newly constructed homes (built in 2009 or 2010), all of which have sold. Homes in Woodbridge start at 1,600 square feet and are range in price from the \$140,000's to \$190,000's.

²² Information on number of homes was obtained by counting the homes in the subdivision in February 2011.

Residential Properties – Rental Rates and Vacancy Rates

Seven property management companies provided information on Residential rental and vacancy rates within the County. The average rates for these properties were calculated to be \$783 a month rent for Residential properties with an average vacancy rate of 7.18 percent.

Caution should be exercised when interpreting this data, as the sample size is small, and therefore, may not be representative of the true residential rental market in the City of Valdosta. Additionally, some respondents were unable to provide exact information and could only provide estimates.

City of Valdosta Residential Housing Market Analysis

Building Permit Activity

Figure 7 below shows the number of residential building permits issued in the City of Valdosta from January 2009 to December 2010. The data suggest that the City of Valdosta foreshadowed what was about to happen to the rest of Lowndes County – more residential remodel and repair permits were being issued several months before we observe that trend occurring in Lowndes County. What we see in 2009 is a fairly equal mixture of new construction permits and remodel and repair permits until the end of when Remodel and Repair permits become the majority of permits issued. Substantially more residential remodeling and repair permits were being taken out compared to new construction and additions throughout 2009 and 2010.

As the City of Valdosta continues to emerge from this recession along with the rest of the county, we expect more new construction permits (compared to the other two categories) to be issued, but not at the pace that we expect to see in the rest of the county. Few very large tracts of land remain within the City of Valdosta where developers may choose to build. One example of this is the former Bray Family property that sold at auction a few years ago. Continued development along the Inner Perimeter/Lakeland Highway/Stallings Road corridor may be one of the few large areas still available for significant residential and even commercial building activity within the city limits.

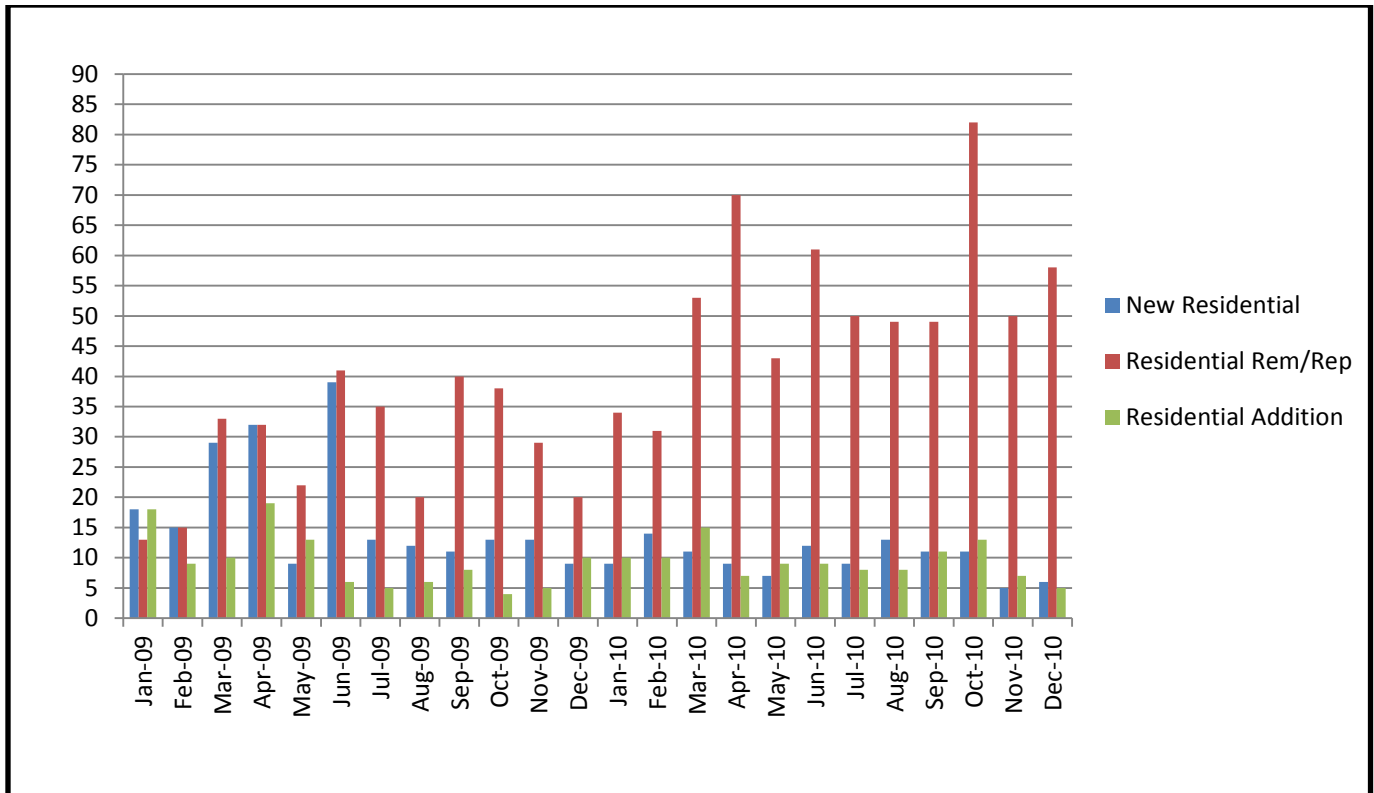


Figure 7. Number of Residential Building Permits for City of Valdosta January 2009 through December 2010

The city of Valdosta finished 2010 with:

- 80 New Residential permits totaling \$7,601,416
- 562 Residential remodel and repair permits totaling \$3,051,016
- 92 Residential additions totaling \$1,035,948.

During the 2nd Half of 2010:

- 34 New Residential permits were issued by the City worth a total of \$3,763,808
- 251 Residential Remodel/Repair permits were issued by the City worth a total of \$1,354,161
- 42 Residential Addition permits were issued by the City worth a total of \$469,976

The break-down of permits by month follows:

New Residential:

Month	Amount(Dollars)	Total
July	\$ -	
August	\$ 760,634.00	
September	\$ 774,378.00	
October	\$ 277,409.00	
November	\$ 850,496.00	
December	\$ 1,100,891.00	
		\$ 3,763,808.00

Residential Remodel and Repair:

Month	Amount(Dollars)	Total
July	\$ 166,021.00	
August	\$ 338,027.00	
September	\$ 227,505.00	
October	\$ 291,669.00	
November	\$ 179,254.00	
December	\$ 151,685.00	
		\$ 1,354,161.00

Residential Additions:

Month	Amount(Dollars)	Total
July	\$ 16,000.00	
August	\$ 105,100.00	
September	\$ 240,031.00	
October	\$ 53,300.00	
November	\$ 36,145.00	
December	\$ 19,400.00	
		\$ 469,976.00

Next, Table 8 combines building permit data and local real estate sales activity in the City of Valdosta for the last fifteen months of this study period. The data show that sales trail fourth quarter 2009 levels.

Also, Figure 8 shows the number of residential sales and average sales prices of homes sold in the City of Valdosta for the last five quarters (Q4 2009 to Q4 2010).

Table 8. Residential Sales, Average Days on the Market, Absorption Rates (Sold Properties), and Building Permit Values for City of Valdosta, October 2009 through December 2010

	Sales	Average Days on Market	Absorption Rate (Months)	New Residential	Residential Remodel/Repair	Residential Additions
October 2009	30	99	15.03	\$1,018,193	\$421,856	\$155,763
November 2009	35	135	12.11	\$399,540	\$198,205	\$51,710
December 2009	20	89	20.55	\$745,783	\$374,435	\$20,100
January 2010	23	83	18.91	\$515,416	\$194,105	\$39,950
February 2010	21	116	20.19	\$435,411	\$168,666	\$63,865
March 2010	27	83	17.33	\$742,925	\$330,657	\$43,562
April 2010	29	104	15.97	\$651,251	\$484,082	\$78,800
May 2010	31	92	14.32	\$846,448	\$249,715	\$32,500
June 2010	37	113	12.62	\$646,157	\$269,630	\$307,295
July 2010	25	119	18.72	-0-	\$166,021	\$16,000
August 2010	24	92	19.71	\$760,634	\$338,027	\$105,100
September 2010	34	108	16.61	\$774,378	\$227,505	\$240,031
October 2010	17	79	17.60	\$277,409	\$291,669	\$53,300
November 2010	22	118	20.47	\$850,496	\$179,254	\$36,145
December 2010	17	106	19.13	\$1,100,891	\$151,685	\$19,400
Totals 2010	358	128	-----	\$7,601,416	\$3,051,016	\$1,035,948

Note: Real estate data were obtained from the Multiple Listing Service by a local real estate broker. Building permit data were obtained from the Lowndes County permit office.

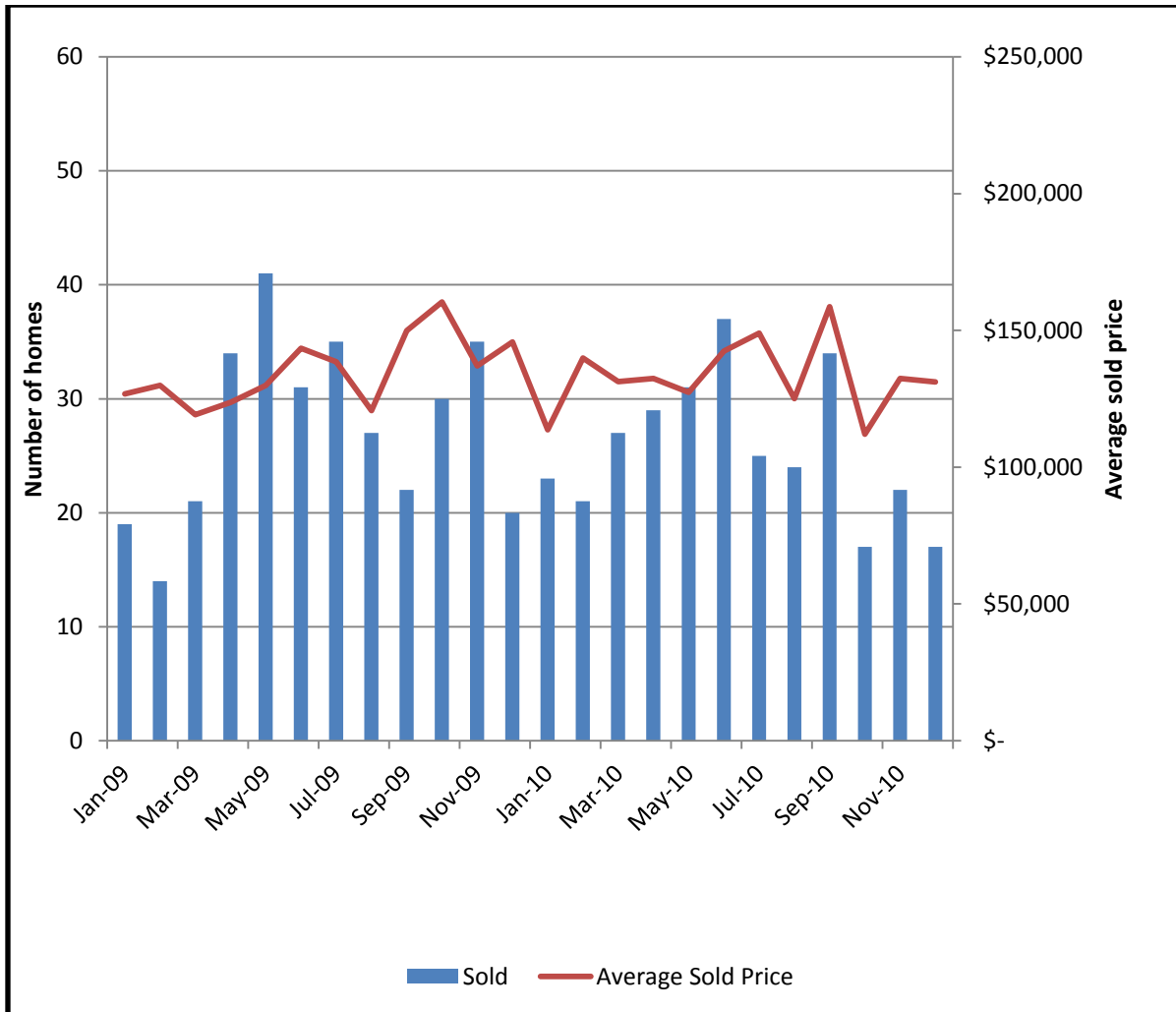


Figure 8. Number of Residential Properties Sold and Average Sold Price for the City of Valdosta January 2009 through December 2010

Residential Sales Activity

According to NeighborhoodScout.com, home prices in Valdosta have appreciated 1.54 percent in the last quarter, 0.57 percent in the last year, 36.16 percent in the past five years, and 63.6 percent in the past ten years.²³

In terms of sales, Tables 9 through 12 show the sales that have occurred in the past six quarters in MLS Zones 1-4. (See Figure 9 below for a map of the MLS zones in Lowndes County.) Clearly there is a “north-south” discrepancy in residential sales activity. In some cases, Zones 1 and 2 have as many sales in one quarter as the other zones have in a year. Given the number of residents in Zones 3 and 4 and the location of nearby manufacturing firms, this difference is not surprising. Despite the differences in the raw number of sales, a comparison of 4Q 2009 to 4Q 2010 reveals a 45.8 percent increase, 47 percent decrease,

²³ <http://www.neighborhoodscout.com>

800 percent increase, and 900 percent increase in the number of sales in Zones 1-4, respectively.

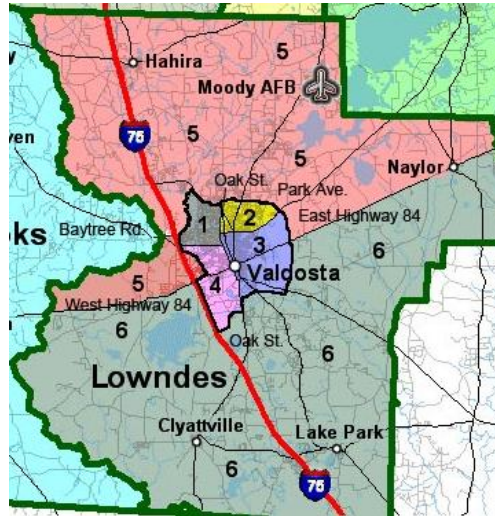


Figure 9. Map of MLS Zones in Lowndes County, Georgia²⁴

Table 9. 1-N of Baytree Rd. to W. Oak St. (City Limits): MLS Sales by Price

Price Range	1Q 2009 Sales	2Q 2009 Sales	3Q 2009 Sales	4Q 2009 Sales	1Q 2010 Sales	2Q 2010 Sales	3Q 2010 Sales	4Q 2010 Sales
< \$100,000	4	5	3	1	2	6	4	3
\$100,000-\$199,999	9	24	19	12	21	18	24	21
\$200,000-\$299,999	6	7	5	6	4	10	13	8
≥ \$300,000	0	3	2	5	2	3	2	3
Total	19	39	29	24	29	37	43	35

²⁴ <http://www.valdostaboardofrealtors.com>

Table 10. 2-N of Park Ave. to E. Oak St. (City Limits): MLS Sales by Price

Price Range	1Q 2009 Sales	2Q 2009 Sales	3Q 2009 Sales	4Q 2009 Sales	1Q 2010 Sales	2Q 2010 Sales	3Q 2010 Sales	4Q 2010 Sales
< \$100,000	10	18	12	16	13	18	9	13
\$100,000-\$199,999	11	32	25	26	15	21	11	16
\$200,000-\$299,999	2	6	5	8	1	5	4	5
≥ \$300,000	0	0	0	0	0	0	0	0
Total	23	56	42	50	29	44	24	34

Table 11. 3-S of Park Ave. to E. Oak St. to S. Hill Ave.: MLS Sales by Price

Price Range	1Q 2009 Sales	2Q 2009 Sales	3Q 2009 Sales	4Q 2009 Sales	1Q 2010 Sales	2Q 2010 Sales	3Q 2010 Sales	4Q 2010 Sales
< \$100,000	7	4	8	9	5	7	2	9
\$100,000-\$199,999	3	3	2	2	3	3	0	0
\$200,000-\$299,999	0	0	0	0	0	0	0	0
≥ \$300,000	0	0	0	0	0	0	0	0
Total	10	7	10	1	8	10	2	9

Table 12. 4-S Baytree Rd. to W. Oak St. to S. Hill Ave.: MLS Sales by Price

Price Range	1Q 2009 Sales	2Q 2009 Sales	3Q 2009 Sales	4Q 2009 Sales	1Q 2010 Sales	2Q 2010 Sales	3Q 2010 Sales	4Q 2010 Sales
< \$100,000	2	6	2	0	5	5	7	9
\$100,000-\$199,999	0	0	2	0	1	1	1	0
\$200,000-\$299,999	0	0	0	0	0	0	0	0
≥ \$300,000	0	0	0	0	0	0	0	0
Total	2	6	4	0	6	6	8	9

Note: Data were obtained from the Multiple Listing Service by a local real estate broker.

*Residential Subdivision Activity*²⁵

With so much of the City of Valdosta already built-out, very few tracts of land remain that may accommodate new residential developments. The former Bray Family property, sold at auction a few years ago, may include some large tracts suitable for residential development. What we see in terms of new construction activity is that the majority of new construction is taking place in the County, with the exception of the following subdivisions:

Branch Point²⁶

Branch Point is located in North Lowndes County off of Bemiss Road. There are 243 quarter-acre lots in Branch Point, and homes range in square footage from 1,200 to 1,500. Lots are priced at \$36,000 and homes start in the \$120,000's. There are 64 newly constructed homes (built in 2009 or 2010) in Branch Point, 42 of which have sold.

Highlands

The Highlands, which is located off of Bemiss Road in North Lowndes County, has 306 lots and 42 newly constructed homes (built in 2009 or 2010), 29 of which have sold. Homes in the Highlands range in square footage from approximately 1,700 to 2,500 square feet, and newly constructed homes are priced in the low \$200,000's.

Kensington Green²⁷

Kensington Green, located near Five Points, has 4 newly constructed homes (built in 2009 or 2010), 3 of which have sold.

Moulton Branch Estates

Moulton Branch Estates, located off of Inner Perimeter Road, has 157 lots with 26 newly constructed homes (built in 2009 or 2010), 10 of which have sold. Homes in Moulton Branch range in square footage from 1,300 to 1,600 square feet and sell on average for approximately \$140,000.

Vineyards

The Vineyards, located in North Lowndes County, features 108 lots with 5 newly constructed homes (built in 2009 or 2010), 2 of which have sold.

²⁵ Residential construction data were obtained from the Multiple Listing Service and the Lowndes County Tax Assessor's Website in February 2010. If the data were not in these sources, then they have not been reflected in our numbers.

²⁶ Additional information on newly constructed homes was obtained through counting homes in February 2010.

²⁷ The number of newly constructed homes was obtained through visual inspection in February 2010.

Residential Properties – Rental Rates and Vacancy Rates

Seven responses were received from surveys that were administered to City of Valdosta residential property management companies. From these responses an average vacancy rate of 7.18 percent was calculated for properties located in the City of Valdosta. Seven property management companies provided information on rental rates, and the average rental rate for these properties was calculated to be \$783 a month.

Caution should be exercised when interpreting this data, as the sample size is small, and therefore, may not be representative of the true residential rental market in the City of Valdosta. Additionally, some respondents were unable to provide exact information and could only provide estimates.

Concluding Remarks

In the Lowndes County (including the City of Valdosta) residential property markets, we see activity increasing significantly in the County and remaining unchanged in the City compared to the year prior. Until April 30, 2010, qualified homebuyers had two different tax credits (of \$8,000 and \$6,500) available, which boosted the performance of the residential property markets until the end of August, when we start to see a reduction in sales for city and county and an increase in permits to remodel, repair and add on to existing homes. These are all sign that the market is at the bottom and positioned to start going up. This could mean a good sign for 2011 as inventories are beginning to lessen.

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