



BleaklyAdvisoryGroup

To: Joel Cordle, Dahlonega Downtown Development Authority
From: Ken Bleakly and Jonathan Gelber, Bleakly Advisory Group
Date: April 18, 2011
Re: Downtown Dahlonega Market Study – 2011 Update

In 2007, Bleakly Advisory Group, as part of the consulting team led by Urban Collage, Inc, prepared a market study for downtown Dahlonega that was a key element in creating the Downtown Master Plan. Since then, the real estate market in Dahlonega and Nationwide has undergone profound changes brought on by the Great Recession. As we begin to emerge from the most severe effects of the recession, the Dahlonega Downtown Development Authority has requested an update of the original market study.

We have updated the following sections of the original 2007 market study based on the latest available information:

- Retail sales in Dahlonega and the County
- Retail Challenges and Opportunities—from interviews with merchants
- Tourism Trends
- The Student Population
- Key Retail, Business, Retail and Tourism Issues and Trends
- Current and Future Real Estate Market Assessment

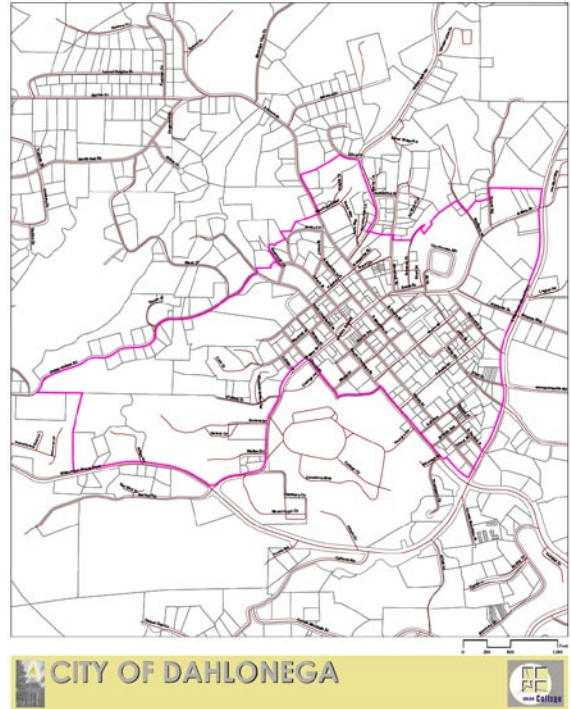
To prepare the market study update, we collected data and information from a number of sources:

- National data and demographic sources
- Data and reports from local agencies
- Interviews with local merchants and real estate professionals
- Site visits
- GIS mapping and aerial photography

We thank you for the opportunity to work with you.

Study Area

This market study examines Downtown Dahlonega as defined by the Downtown Dahlonega Development Authority for the 2007 market study, as shown in the map to the right. For comparative purposes, some data was also collected for larger geographical subdivisions, including the City of Dahlonega, Lumpkin County, regional subdivisions, and the State of Georgia.



Population Characteristics

This section describes population and household growth in downtown Dahlonega, the City of Dahlonega, and Lumpkin County. The demographic analysis is based on current data obtained from the United States Census Bureau and Claritas, Inc., a nationally recognized provider of demographic data.

Population Growth

Downtown Dahlonega is compact in size and has a small resident population, estimated to be 926 in 2010, up from 839 in 2000, an increase of 10% over 10 years. In 2010, downtown represented 18% of Dahlonega's population of 5,242 persons and 3.1% of Lumpkin County's population of 29,996 residents.

Growth in the downtown area has been modest, averaging 1% annually over the last decade, compared to considerably stronger growth of 3.7% in the City of Dahlonega, and a 3.6 % in Lumpkin County, reflecting the greater availability of undeveloped land outside of the downtown area. Growth in all areas is expected to grow at a more modest rate over the next five years as we emerge from the current recession.

Figure 1: Downtown Dahlonega Study Area Map

Table 1 Population 1990-2015

Population	Downtown Study Area	City of Dahlonega	Lumpkin County
1990 Census	768	3,316	14,573
2000 Census	839	3,638	21,016
2010 Census		5,242	29,966
2010 Estimate (Claritas)	926	4,312	28,027
2015 Projection*	984	5,714	33,402
Annual Growth Rate	Downtown Study Area	City of Dahlonega	Lumpkin County
1990-2000	0.9%	0.9%	3.7%
2000-2010	1.0%	3.7%	3.6%
2010-2015 (Est)*	1.2%	1.7%	2.2%

Source: Claritas Inc, US Census

* 2015 projections are based on a hybrid-formula using Claritas' growth rate projections applied to more recent 2010 US Census population figures.

The downtown Dahlonega study area contains an estimated 385 households, representing the addition of approximately than 40 households over the previous 10 years. Household growth is projected to be moderate in downtown Dahlonega, the City of Dahlonega, and Lumpkin County over the next five years.

Table 2 Households 1990-2015

Households	Downtown Study Area	City of Dahlonega	Lumpkin County
1990 Census	294	866	4,976
2000 Census	348	1,060	7,537
2010 Estimate	385	1,903	11,421
2015 Projection**	409	2,080	12,293
Annual Growth Rate	Downtown Study Area	City of Dahlonega	Lumpkin County
1990-2000	1.7%	2.0%	4.2%
2000-2010	1.0%	6.0%	4.2%
2010-2015** (Est)	1.2%	1.8%	1.5%

Source: Claritas Inc, US Census, Bleakly Advisory Group

** 2015 projections are based on a hybrid-formula using Claritas' person-per-household rate projections applied to more recent 2010 US Census population figures.

Business and Employment Characteristics

As the home to an estimated 1/3 of the firms and jobs in Lumpkin County, downtown Dahlonega is clearly the area's economic engine. Local businesses and their workforce are essential to sustaining economic growth and vitality for a region, and Dahlonega's downtown business activity is largely driven by the presence of these local firms. Not only do local

businesses use goods and services in the local economy, but their employees spend money that they have earned during the workday in the local area, generating income for local businesses.

The 2007 market study estimated 358 business establishments in the downtown district representing 62.4% of Dahlonega's 574 establishments and 33.3% of Lumpkin County's 1,074 business establishments. In the downtown district, the largest proportion of businesses was in the Services Industry (29.9%). This is a somewhat lower proportion than found in Dahlonega (37.8%) and Lumpkin County (35.5%). Within the Services Sector in downtown Dahlonega, the largest proportion of firms is in membership organizations (6.4% of all establishments) and personal services (4.5%). The second largest proportion of business firms is in the retail trade (28.8%), a slightly larger proportion than the City (26.0%) or Lumpkin County (22.4%). Within the retail sector in downtown, the largest proportion of establishments is in miscellaneous retail (10.9% of all establishments) and eating and drinking places (6.7%).

Records maintained by Dahlonega Downtown Development Authority indicate that the downtown business community has remained strong over the last few years, even in the face of an extremely difficult recession. These records show that the downtown area has added an average of 20 jobs each year since 2006. Since the more detailed 2007 estimates were generated, a net total of 23 additional firms representing 98 additional jobs have been established in downtown Dahlonega, presenting an estimated total of 381 firms and 3,581 jobs in the downtown Dahlonega study area.

Table 3 2006-2010 Business Activity in Downtown Dahlonega

Downtown Economic Activity	2006	2007	2008	2009	2010
New Business Downtown	16	15	11	17	18
Closed Businesses Downtown	5	3	13	10	12
Net Business Gain	11	12	(2)	7	6
Existing Businesses Expanding	1	3	4	4	4
Total jobs Created	29	40	38	63	45
Jobs Lost	26	6	28	19	35
Net New jobs	3	34	10	44	10
Total Investment	\$3,487,668	\$7,322,162	\$27,687,425	\$1,864,970	\$3,487,232

Source: Dahlonega Downtown Development Authority

Table 4: 2007 & 2011 Businesses and Jobs in Downtown Dahlonega

Industry Group	2007 Downtown Firms		2007 Downtown Jobs		2011 Estimates	
	Firms	%	Jobs	%	Firms	Jobs
Agriculture, Forestry and Fishing	9	2.5%	48	1.4%		
Mining	0	0.0%	0	0.0%		
Construction	27	7.5%	164	4.7%		
Retail Trade	103	28.8%	1000	28.7%		
Manufacturing	13	3.6%	119	3.4%		
TCE	11	3.1%	143	4.1%		
FIRE	40	11.2%	273	7.8%		
Wholesale Trade	9	2.5%	65	1.9%		
Services	107	29.9%	1244	35.7%		
Public Administration	27	7.5%	340	9.8%		
Non-classifiable Establishments	12	3.4%	87	2.5%	Firms	Jobs
Total	358	100.0%	3,483.00	100.0%	381	3,581

Source: Dahlonega DDA,

Retail Capture Analysis

Determining the amount of expenditures by area residents that is captured by local retailers is a three-step process. First, area retail demand is determined by analyzing consumer spending patterns. Second, retail sales by local merchants are estimated based on square footage and average retail sales per square foot by category. Third, the estimated demand and sales are compared to determine by retail category the amount of retail sales captured by local merchants and the amount of retail “leakage” that occurs outside the local market. This information provides insights about the type of retail with potential for downtown Dahlonega.

Consumer Expenditures

In 2010, an estimated \$10.2 million in consumer expenditures was spent by residents of the downtown Dahlonega study area, down from an estimated \$11.3 million in 2007. This represented 3% of Lumpkin County’s total consumer expenditures of \$398.9 million. The top five categories of expenditures by downtown residents were:

- Food and Beverage Stores--15%
- General Merchandise Stores--14%
- Foodservice and Drinking Places--11%
- Gasoline Stations--10%
- Building Material, Garden Equip Stores—8%

In 2010, consumers living in Lumpkin County spent an estimated \$383 million on retail purchases, down slightly from \$399 million in 2007. The top five categories of expenditures were similar to the spending patterns in the downtown area:

- Food and Beverage Stores—14%
- General Merchandise Stores— 13%

- Foodservice and Drinking Places—10%
- Building Material, Garden Equip. Stores—9%
- Gasoline Stations— 9%

Table 5: Estimated Consumer Spending by Downtown Residents, 2010

Retail Category	Downtown Dahlonega	% of Total	Lumpkin County	% of Total	Downtown's % of County
Furniture and Home Furnishings Stores	\$176,145	2%	\$7,210,265	2%	2%
Electronics and Appliance Stores	\$210,909	2%	\$8,554,233	2%	2%
Building Material, Garden Equip Stores	\$840,914	8%	\$36,223,525	9%	2%
Food and Beverage Stores	\$1,543,384	15%	\$52,561,687	14%	3%
Health and Personal Care Stores	\$681,522	7%	\$22,906,212	6%	3%
Gasoline Stations	\$1,006,465	10%	\$35,806,173	9%	3%
Clothing and Clothing Accessories Stores	\$463,986	5%	\$17,234,042	4%	3%
Sporting Goods, Hobby, Book, Music Stores	\$178,032	2%	\$7,472,913	2%	2%
General Merchandise Stores	\$1,429,853	14%	\$51,585,730	13%	3%
Miscellaneous Store Retailers	\$275,196	3%	\$10,848,338	3%	3%
Non-Store Retailers	\$725,099	7%	\$26,780,748	7%	3%
Foodservice and Drinking Places	\$1,138,976	11%	\$40,092,371	10%	3%
Total Consumer Spending	\$10,177,308	100%	\$383,490,971	100%	3%

Source: Claritas Inc

Downtown Retail Sales¹

According to Claritas, 2010 total retail sales in downtown Dahlonega totaled an estimated \$40.6 million, up from \$34 million in 2007¹. In the Downtown Study area, the top five categories of sales were:

- General Merchandise Stores--38%
- Foodservice and Drinking Places--33%
- Health and Personal Care Stores --8%
- Food and Beverage Stores—8%
- Gasoline Stations 5%

Lumpkin County had total estimated retail sales of \$252 million in 2010, down from \$267 million in 2007. The top five categories in 2010 were:

- Building Material and Garden Equipment stores— 49%
- Foodservice and Drinking Places—14%
- General Merchandise stores--13%
- Gasoline Stations—6%
- Food and Beverage Stores—3%

¹ Retail spending for the downtown excludes the Building Materials and Garden Equipment category to filter out the impact of the new Home Depot Store south of downtown.

Overall approximately 29% of all retail sales in Lumpkin County occur in downtown Dahlonega, while downtown's population accounts for only 3% of retail spending for residents of Lumpkin County, indicating downtown's importance as a regional retail location.

Comparing Downtown's capture of overall Lumpkin County sales gives an indication of those categories in which Dahlonega is capturing more than its "fair share" of sales. Overall, Dahlonega's retail sales of \$73.0 million are 29% of Lumpkin County's \$252 million in retail sales. The retail categories which we believe have the highest growth potential for Downtown Dahlonega are food and beverage stores, health and personal care stores, restaurants and bars, and retailers of clothing and clothing accessories.

Table 6: Estimated Retail Sales, Downtown Dahlonega and Lumpkin Co, 2010

Retail Sales by Store Type	Downtown Dahlonega	% of Total	Lumpkin County	% of Total	Downtown % of County
Furniture and Home Furnishings Stores	\$268,128	1%	\$1,306,579	1%	21%
Electronics and Appliance Stores	\$198,017	0%	\$449,075	0%	44%
Building Material, Garden Equip Stores			\$124,522,877	49%	24%
Food and Beverage Stores	\$2,844,634	7%	\$7,310,866	3%	39%
Health and Personal Care Stores	\$3,206,432	8%	\$6,246,880	2%	51%
Gasoline Stations	\$2,003,912	5%	\$16,037,755	6%	12%
Clothing and Clothing Accessories Stores	\$239,958	1%	\$604,949	0%	40%
Sporting Goods, Hobby, Book, Music Stores	\$105,242	0%	\$309,163	0%	34%
General Merchandise Stores	\$15,355,136	38%	\$32,827,068	13%	47%
Miscellaneous Store Retailers	\$1,166,012	3%	\$3,299,510	1%	35%
Non-Store Retailers	\$2,088,101	5%	\$4,642,097	2%	45%
Foodservice and Drinking Places	\$13,157,744	32%	\$34,640,227	14%	38%
Total Estimated Retail Sales	\$40,633,316	100%	\$251,661,329	100%	29%

Source: Claritas Inc, BAG

Tourism

Tourism is a vital part of the region's economy, supporting retailers, restaurants and hotels throughout the North Georgia Mountain region, Lumpkin County, Dahlonega, and in particular downtown Dahlonega, where tourism is the primary economic activity.

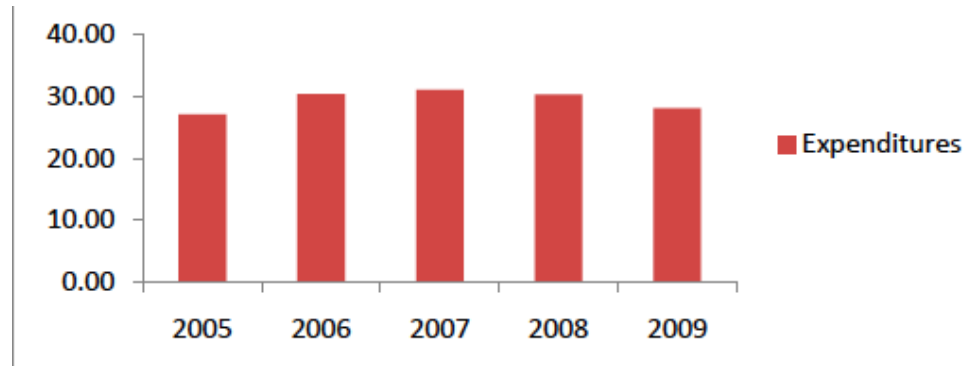
The impacts are national and regional tourism trends are felt particularly acutely in small tourism-dependent economies such as downtown Dahlonega. Nationwide, the past three years have been very difficult for the tourism industry. The Georgia state Department of Economic Development summarizes the period as follows:

- As the U.S. was coming out of recession in 2009, the overall travel market remained weak during the year. This soft market condition was further exacerbated by the

effects of falling gas prices from 2008 highs. As a result of the lower gas prices, the state's 2009 domestic travel spending on the auto transportation sector dropped 16.5 percent, while the public transportation sector fell 11.6 percent.

- Georgia was not exempt from the impact of the recession as total domestic traveler expenditures dropped 7.7 percent to \$17.6 billion from 2008's \$19.0 billion.
- Thus, while the impact of falling gasoline prices was likely simulative to additional tourist demand, the overall weak economy kept many potential tourists at home.

Figure 2: Tourism Spending (in \$ millions) in Georgia, 2005-2009



Source: Georgia Department of Economic Development

While there is a clear sense that individual businesses have been struggling with economic conditions and facing hardships through the current recession, downtown Dahlonega has overall maintained its strength and economic integrity, as evidenced by the relatively stable retail sales and business data reported earlier.

Statewide, travelers spend \$17 billion in Georgia in 2009, supporting over 200,000 jobs. Of that spending, \$732 million occurred in the North Georgia Mountains region, where it supported an estimated 8,600 jobs. Lumpkin County saw \$28 million in travel-related spending, corresponding to an estimated 390 jobs. This represents 3.8% of tourism-related expenditures in the Northeast Georgia Mountain Region.

To put that tourism-related spending into perspective, if one were to estimate that 60% of Lumpkin County's tourism-related activity occurs in the downtown Dahlonega area, that \$28 million of spending could be considered to represent \$17 million of downtown retail spending, or 23% of the local retail economy.

Table 7: Economic Impact of Tourism 2009

Travel Expenditures (\$ Millions)	Georgia Statewide	Northeast Georgia Mountains	Lumpkin County
Transportation	\$6,418.5	\$140.8	\$10.28
Lodging	2,500.2	\$140.2	\$8.94
Foodservice	5,594.5	\$297.6	\$3.99
Entertainment & Recreation	1,299.7	\$62.4	\$2.81
General Retail Trade	1,757.1	\$90.8	\$2.08
Total	\$17,569.9	\$731.8	\$28.10
Travel-Generated Payroll (\$ Millions)			
Transportation	\$4,835.9	\$6.8	\$2.13
Lodging	786.1	\$44.3	\$1.85
Foodservice	1,342.0	\$64.4	\$0.83
Entertainment & Recreation	805.7	\$35.9	\$0.58
General Retail Trade	291.5	\$13.9	\$0.43
Total	\$6,005.0	\$166.4	\$5.82
Travel-Generated Employment (Thousands)			
Transportation	52,600	300	14
Lodging	32,895	2,052	93
Foodservice	83,329	4,357	197
Entertainment & Recreation	25,482	1,248	56
General Retail Trade	12,484	660	32
Travel Planning	5,606	40	N/A
Total	212,384	8,638	390

Source: *Impact of Travel on Georgia Counties Preliminary 2009, Georgia Department of Economic Development*

Compared to its peer counties in the Northeast Georgia Mountains Region, Lumpkin County ranks in the middle in terms of total tourism-related economic benefits, ranking 10th out of 17 counties in the region in terms of total expenditures and travel-related employment. Lumpkin County Tourism expenditures have fallen 10% since the pre-recession peak year of 2007, when an estimated \$31.05 million was spent in the county.

Dahlonega's central location at the gateway to the Georgia Mountains at the terminus to GA400 and its place as the nexus of a number of key state highways into the Georgia Mountains affords it a prominent position to capture the increase in tourism that will occur from residents of Metro Atlanta as the Great Recession ends.

Table 8 Lumpkin County Estimated Tourism Expenditures 2006-2009

Year	Travel Expenditures (\$ Millions)
2006	\$30.36
2007	\$31.05
2008	\$30.29
2009	\$28.10

Source: *Georgia Department of Economic Development*

Table 9: Economic Impact of Domestic Travel in Georgia by Region and County - 2009

Region/County	Expenditures (\$ Millions)	Payroll (\$ Millions)	Employment
NE GA Mountains Region Total	\$735.46	\$166.42	8,640
Hall	\$190.75	\$43.78	8,640
Forsyth	\$118.52	\$31.17	2,220
Jackson	\$46.12	\$8.33	540
White	\$47.11	\$10.77	530
Rabun	\$39.95	\$10.31	500
Habersham	\$38.43	\$8.00	500
Barrow	\$36.44	\$6.63	440
Dawson	\$33.73	\$8.29	400
Towns	\$33.34	\$8.16	410
Lumpkin	\$28.10	\$5.82	390
Franklin	\$26.66	\$4.27	290
Stephens	\$24.21	\$4.84	260
Hart	\$18.66	\$4.86	280
Union	\$18.00	\$3.82	240
Elbert	\$15.77	\$3.01	220
Banks	\$10.74	\$2.68	180
Madison	\$8.93	\$1.69	130

Source: *Impact of Travel on Georgia Counties*
Preliminary 2009, Georgia Department of Economic Development

In terms of the preferences of travelers, the Northeast Georgia Mountains region had a higher proportion of leisure visitors, 85%, than the state as a whole (74%). In addition, more Georgia Mountains visitors stayed overnight, 62%, compared to only 49% of all Georgia visitors. However, in the Northeast Georgia Mountains, the majority of overnight visitors, 54.0%, stayed in a private home, compared to only 34% statewide, reflecting the popularity of short-term home and cabin rentals for vacation lodging. Only 28% of overnight lodgers in the Northeast Georgia Mountains region used hotels and hotels and bed and breakfasts, compared to 51% statewide.

Table 10: State and Regional Travel Preferences

Reason for Visit	Georgia State Wide	Northeast Georgia Mountains
Leisure	74 %	85 %
Business	26 %	15 %
Duration		
Overnight	49 %	62 %
Day-Trip	51 %	38 %
Lodging Type		
Hotel/Motel/B&B	51 %	28 %
Private Home	34 %	54 %
RV/Tent	3 %	7 %
Other Lodging	13 %	11 %

Source: Georgia Department of Economic Development, TIA, Dahlonega-Lumpkin County CVB

Data from Dahlonega's Convention and Visitors Bureau indicates that total visitors to Dahlonega have fallen since the pre-recession period, while bed tax revenues are more-or-less stable.

Table 11: Dahlonega Visitor Statistics 2006-2010

Year	Visitors to Welcome Center	City Bed Tax Collections
2006	352,048*	\$191,833
2007	265,442	\$195,244
2008	216,783	\$239,871
2009	224,969	\$216,830
2010		\$231,522

Source: Dahlonega CVB

- 2006 visitors increased due to Tour de Georgia Bicycle race through Dahlonega

The Student Population

As noted previously, the economy of the City of Dahlonega is impacted significantly by the presence of North Georgia State College and University (NGCSU). The university is the City's largest employer, with approximately 600 faculty and staff supporting a full-time equivalent population of approximately 6,000 students. The economic impact of the university to the local economy is substantial and growing. In *The Economic Impact of University System of Georgia Institutions on Their Regional Economies in FY 2009*, Dr. Jeffrey M. Humphreys estimated that students at NGCSU spent a total of \$65.7 million in 2009, not including tuition, or approximately \$10,950 per student per year (up from an estimated \$9,900 per student in 2006).

Table 12: Local Economic Impact of NGCSU

	Estimated Spending by NGCSU (in millions)	Estimated Employment Impact from Spending
Total	118.254	1,614
Personal Services	37.07	719
Operating Expenses	15.51	95
Student Spending	65.68	801

Source: "The Economic Impact of University System of Georgia Institutions on their Regional Economies in FY 2009", April 2010 by Dr. Jeffrey M. Humphreys, Director, Selig Center for Economic Growth, Terry College of Business- The University of Georgia

While the University has no immediate plans to expand enrollment, the recently-adopted campus master plan envisions enrollment eventually increasing from the current 6,000 to a maximum of 7,000 to 7,500 students, likely accompanied by a proportional faculty staff increase of 100 to 150. This additional enrollment could represent an additional \$10-\$15 million to the local economy in additional student spending based on current levels of \$10,950 per student, with an additional increase from added staff. It should be recognized that certain student-oriented economic activities often conflict with traditional downtown and tourist-based economic activities and striking the proper balance is key to the success of downtown. University students generate demand for housing as well, particularly apartments and rental housing.

Currently, NGCSU is undertaking several major construction projects on campus, including the renovation or replacement of several residential buildings and dormitories, a new dining hall, and a bookstore/student center. While the renovations have not yet added any net residential units on campus, some apartment owners have reported a softening in demand for private apartments due to the increased desirability of on-campus apartments.

Current and Future Real Estate Market

In this section of the report, the performance of the downtown Dahlonega real estate market is examined in terms of residential (including owner-occupied and renter), commercial, and hotel land uses. The purpose of this section is to present an overview of the real estate market to serve as the basis to project growth and redevelopment potential in order to inform future land use and development decisions within the downtown study area. This section is based on the detailed site work conducted in the 2007 study, updating those numbers based on reported changes during the intervening years.

Real Estate Overview

The period from 2006-to 2011 has been tumultuous in terms of home sales and real estate. During this period, Dahlonega was not immune from biggest real estate boom and bust cycle in American history. In the aftermath of the collapse of local and national real estate and credit markets, it is unclear what a "normal" real estate market will look like in the post-recession period. The lingering effects of the boom include a large inventory of unsold speculative housing and a vast supply of cheap development lots. This residential overhang

a key lingering effects of the subsequent crash, including potential home-buyers unable to extricate themselves from existing homes, frozen credit markets, and a general loss of appeal of real estate as an investment.

Home sales data was obtained from Lumpkin Tax Assessor records. Due to the unstable real-estate market of the past five years, real estate activity has been particularly irregular, particularly in regards to property subdivision and foreclosure activity. Our analysis focuses on fair-market home sales from the data provided by the tax assessor.

Residential Real Estate Market

The market for existing single family homes, both for sale and for rent, is currently oversupplied due to the foreclosure crisis. Many homes have been put onto the market due to foreclosure and other mortgage-related problems. At the same time, many homeowners who want or need to sell, are choosing not to, and instead putting their homes onto the rental market. This is especially acute in Dahlonega due to the presence of many military families affiliated with the College, who are frequently reassigned, and are unable to sell their homes.

While downtown Dahlonega has weathered the real estate crash fairly well, many of the higher-end subdivision on the fringes of town have been impacted severely. Most of these Subdivisions have been forced into foreclosure after only being partly built out, and it is unlikely that that the demand for high-end homes in the area will recover in the foreseeable future. Data from the Georgia Multiple Listing Service indicates that 55% of single family home sales in Lumpkin County in 2010 were foreclosure sales.

Downtown Housing Inventory

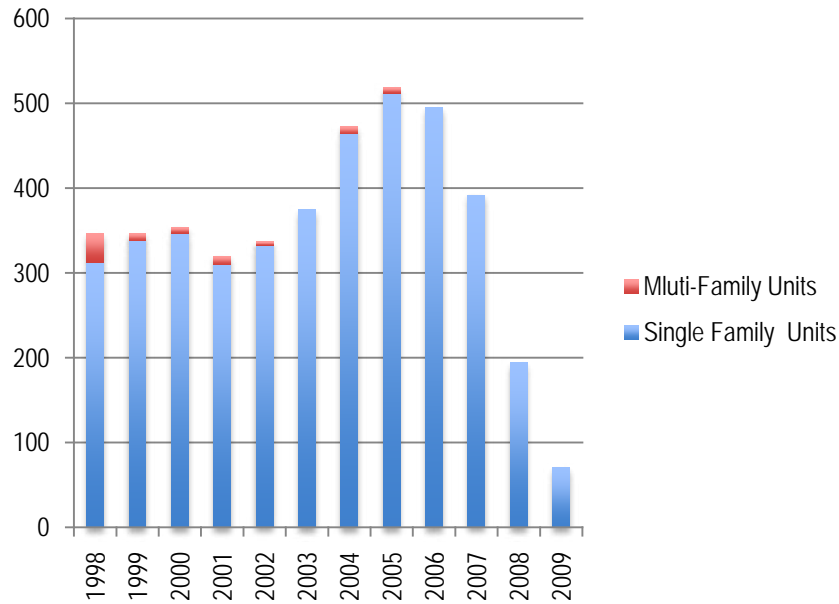
The 2007 study reports 432 housing units in downtown Dahlonega, of which 201 were single family homes. Since 2007 there have been no housing units added or removed from downtown Dahlonega's housing stock.

Recently released 2010 census data indicate that 15% of homes in Lumpkin are currently un-occupied.

New Construction Building Permits in Lumpkin County

Building permit applications in Lumpkin County dropped sharply following the peak years of 2004 to 2006, falling from a 2005 high of 519 units to a 2009 low of 71 units, representing only 18% of the average of 396 units annually between 1998 and 2007.

Figure 3: Lumpkin County building Permit Activity, 1998-2009



Source: US Census

Table 13: Lumpkin County Residential Building Permit Activity, 1998-2009

Year	SF Permits Issued	Multi-family Permits- Buildings	Multi-family Permits- Units
1998	313	9	34
1999	338	4	9
2000	347	3	7
2001	310	5	10
2002	333	2	4
2003	375	0	0
2004	464	1	9
2005	512	1	7
2006	495	0	0
2007	392	0	0
2008	194	0	0
2009	71	0	0

Source: US Census

Single Family – New Sales

New single-family home sales in Lumpkin County dropped from 330 sales in 2006 to 15 sales in 2010. In the City of Dahlonega, new home sales have declined sharply, from a peak of 35 sales of new homes in 2007 down to fewer than 10 in 2009, and 2010. No new homes were built or sold in downtown Dahlonega during the 2006-2010 period. Average

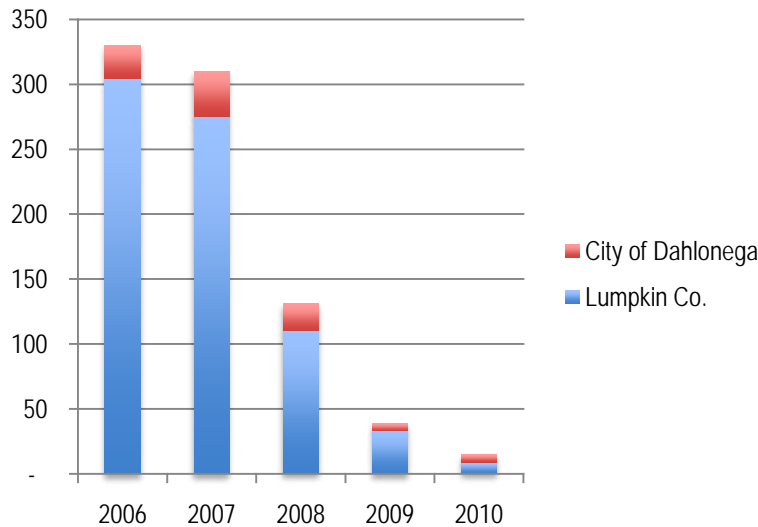
prices for new homes in both Lumpkin County and the City of Dahlonega over the 2006-2010 period are erratic, most likely a result of low sales volumes.²

Table 14: New Home Sales 2006-2011

New SF Home Sales	Lumpkin Co.		City of Dahlonega	
	Avg Sale Price	# of Sales	Avg Sale Price	# of Sales
2006	\$166,325	330	\$227,122	26
2007	\$203,417	310	\$318,321	35
2008	\$220,386	131	\$279,357	21
2009	\$192,033	39	\$397,733	<10
2010	\$263,593	15	\$419,333	<10

Source: Lumpkin County GIS & Tax Assessor

Figure 4: New Home Sales Volumes, 2006-2011



Source: Lumpkin County GIS & Tax Assessor

The resale of existing homes also has suffered severely during the 2006-2010 period. Sales County-wide plummeted from a high of 265 sales in 2006 to fewer than 108 sales in 2010. Sale prices of existing homes in the County averaged approximately \$183,000, down 7% from the 2007 peak average of \$195,500. In the City of Dahlonega, existing home sales dropped from a peak of 39 sales in 2007 to 20 in 2010. Average home prices in the city dipped slightly from a 2009 high of \$281,000 to a 2010 average of \$262,500.

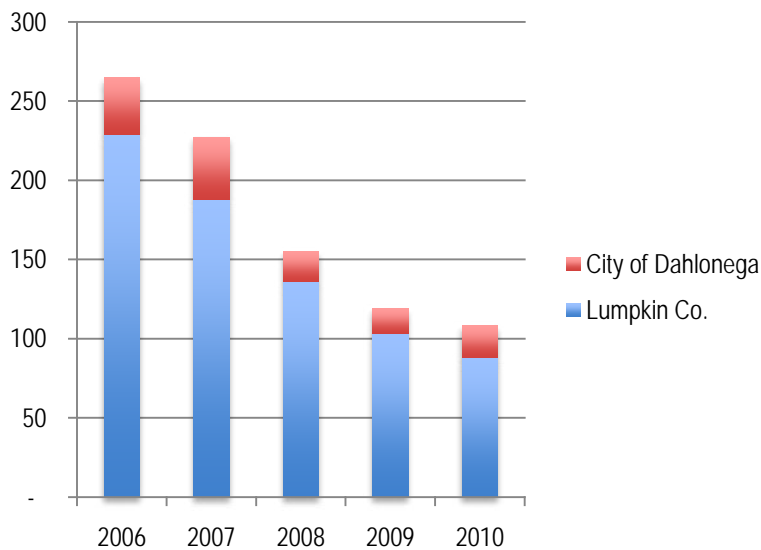
² Low volumes of home sales impact the reliability of statistics such as average sale prices. If the number of home sales in a given class is relatively small, than just one or two atypical sales, such as the sale of a high-priced luxury home, can distort averages across the entire class.

Table 15: Existing Home Sales , 2006-2011

Existing SF Home Sales	Lumpkin Co.		City of Dahlonega	
	Avg Sale Price	# of Sales	Avg Sale Price	# of Sales
2006	\$192,093	265	\$264,332	36
2007	\$195,565	227	\$255,008	39
2008	\$190,299	155	\$272,634	19
2009	\$188,201	119	\$281,412	16
2010	\$182,798	108	\$262,567	20

Source: Lumpkin County GIS & Tax Assessor

Figure 5: New Home Sales Volumes, 2006-2011



Source: Lumpkin County GIS & Tax Assessor

Townhomes

Townhomes appeared to be a growing trend in Dahlonega and Lumpkin County in 2006 and 2007. From 2002 to 2006, there were 26 townhome sales in the City of Dahlonega and Lumpkin County, or an average of 5.2 per year. Sales in downtown represented 30.7% of Lumpkin County’s townhome sales.

Since that time, the market for townhomes in Lumpkin has stalled, with fewer than five sales of townhomes since 2006. A number of townhomes have been built in that period, but most remain unsold.

Rental Apartments

There have been no new apartments built in the downtown study area since 2007. Currently, there are four apartment complexes within the study area, comprising 160 units, all adjacent to one another near the university campus. These four complexes cater primarily to university students. All of these complexes consist primarily of townhouse-style units grouped six-to-eight in a cluster of buildings typically dating from the 1970s and 1980s.

Downtown also has several scattered small duplex-style homes and apartments distributed throughout the area.

Interviews with apartment managers indicate that apartment vacancy averages in the 15% to 20% range.

There are an estimated 300 private homes available for long-term rent (as opposed to short-term vacation rentals) in the Dahlonega area, with an estimated 150 within the city of Dahlonega and the remainder distributed elsewhere throughout the County. Rental property managers report rents ranging from \$700 monthly for a 2 bedroom house to \$1,200 for a 4-bedroom house. Rents are reportedly declining, and vacancy edging up, as more and more homes enter the rental pool due to homeowners unable to sell their homes or struggling with foreclosure and financial hardship.

Table 16: Downtown Dahlonega Rental Properties

Name	Total Units	Vacancy Rate	1 BR		2 BR		3 BR
			SF	Rent	SF	Rent	Rent
Willow Trace	84	5%	650	\$525	825	\$950	NA
Sherman Green	50	6%		\$495		\$595 - \$695	NA
Magnolia Townhomes	14	50% (Est)	675	\$550	810	\$680	NA
Greenbriar Townhomes	12	50% (Est)	700	\$495	850	\$595 - \$695	
Apartment Total/ Average:	160	15-20% (Est)	675	\$516		\$600-\$700	
Private Rental Homes						\$700	\$950 to \$1,200

Source: BAG, Management Interviews

Commercial Space

Downtown Dahlonega has approximately 450,000 square feet of commercial space. The majority of this space, 292,000 square feet, or 65.8%, is retail space while 24.6% is Professional/Office space and 9.6% is restaurant space. The average size of commercial space in Downtown is 3,551 square feet. Vacancy is very low throughout the downtown area, and currently only one building of approximately 40,000 sq feet is temporarily vacant as it undergoes renovation.

Retail Space: Brokers and merchants generally report current lease rates to be \$12 to \$15/SF with rates remaining relatively stable despite market fluctuations.

Vacancy in Dahlonega's retail market is also difficult to gauge, due to the prevalence of antique malls and flea markets. While these tenants are an important part of Dahlonega's economy and real estate market, they tend to occupy retail space that would otherwise be vacant in a more typical real estate market. Because of the flexibility and fluidity of the antique mall tenants, characterized by multiple tenants and short-term leases, retail vacancy is obscured. As a result, there is likely considerable "soft" commercial vacancy in downtown Dahlonega, meaning that a considerable increased demand for commercial space could be

absorbed in existing buildings by displacing lower-rent tenants such as antique-malls before creating the need for new retail construction.

Office Space: Most of the private office space in downtown Dahlonega is situated in small suites of 400-800 SF, typically on the upper floors of retail buildings, although there are several dedicated office buildings, notably the offices on Courthouse Hill. Lease rates for private office suites near the square typically range from \$9 to \$13/SF

Restaurants: there are currently 16 restaurants in the downtown area, using an estimated 43,000 SF of commercial space. There has been little turnover of restaurant space in recent years. Restaurant lease spaces would likely rent in the \$9 to \$15/SF range.

Table 17: Commercial Space Inventory, Downtown Dahlonega

	Buildings*	Total SF	Avg. SF	Avg. Year Built
Retail	58	292,000	5,034	1952
Professional/Office	34	109,300	3,215	1963
Restaurant	16	42,600	2,663	1954
Total	125	443,900	3,551	1953

Source: Lumpkin County Tax Assessor, Owner Interviews, BAG
* Mixed Use Buildings were classified by the dominant use.

Hospitality

There are three types of hotels in Dahlonega, limited-service motels, full service hotels and bed and breakfast inns. Three of the limited-service motels are located to the southeast of town, on or directly off of South Chestatee Street while one is located on North Grove Street to the northeast of town; however, all are within one mile of downtown Dahlonega. These properties have a total 234 rooms, with an average size of 55 rooms per hotel. Their room rates range from \$47 to \$81 on the lower end and \$79 to \$229 at the upper end. Reported occupancy rates range from 52% to 79%.

Downtown Dahlonega has one independent full service hotel with a restaurant, the Smith House, with a total of 61 rooms. Nightly rates range from \$129 to \$229.

There are two bed and breakfast inns in Dahlonega, with a total of nine rooms, all in walking distance of the public square. Room rates range from \$100 to \$175. Reported occupancy rates tend to be approximately 60% to 64%.

Some private homes and cabins in the Downtown Study area are marketed as short-term vacation rentals, with prices typically ranging from \$140 to \$200 per night.

Table 18: Lodging Options in Dahlonega

Limited Service Hotels	Address	Rooms	Rate (Low)	Rate (High)	Est. Occupancy
Days Inn	833 South Chestatee (2 Blks South of Downtown study area)	40	\$60	\$90	65%
Econo Lodge	619-A North Grove Street (2 Blocks North of study area)	39	\$59	\$79	79%
Holiday Inn Express	835 South Chestatee Street (Immediately South of Downtown study area)	81	\$81	\$150	NA
Super 8 Motel	20 Mountain Drive, Dahlonega (1 Blk South of Downtown study area)	60	\$47	\$84	NA
Park Place Hotel	27 S. Park Street	14	\$149	\$229	N/A
Full Service Hotels	Address	Rooms	Rate (Low)	Rate (High)	Est. Occupancy
Smith House Dining & Inn	84 S Chestatee St	61	\$129	\$229	64%
Bed and Breakfast Inns	Address	Rooms	Rate (Low)	Rate (High)	Est. Occupancy
Historic Worley B&B Inn	168 Main Street West	7	\$129	\$149	60%
Top of the Square	90 N Public Square	2	\$100	\$175	NA
Total/Average		304	\$94	\$148	60%

Source: BAG, Manager Interviews

Future Market Demand

Over the next 10 years, employment and residential demographics will change in Dahlonega as growth continues, generating demand for new housing, commercial and hospitality development. This section discusses the additional real estate demand generated from anticipated residential and employment growth in the study area.

Residential Demand

This section of the market report discusses the level and character of housing demand in downtown Dahlonega. The demand analysis is based on an assessment of current conditions and projected growth in Dahlonega and Lumpkin County. The key data derived for this analysis is presented in the following table. The analysis focuses on housing demand derived from three main sources:

1. **Household Growth**—Over the next ten years, Lumpkin County in general and the City of Dahlonega are projected to add new households. Downtown Dahlonega will be completing for its share of these new households.
2. **Turnover in Households**—Every year a significant number of households, both renters and owners move for a variety of reasons, such as: changes in income status, changes in marital status, job-related factors and lifestyle preferences. Downtown Dahlonega will be competing to retain its share of these turnover-related moves.
3. **Other Sources of Demand**—A small portion of total demand in a market area will come from other sources including lifestyle preferences, relocation from another region or country, or other factors not captured in the two other demand sources above.

Because of Dahlonega’s popularity with retirees and vacation homeowners, this demand portion was estimated to be an additional 15% premium on residential demand.

Total Housing Demand

Owner—Based on an analysis of the three sources of housing demand discussed above, over the 2012-2022 period there will be annual demand for 5 owner units in downtown Dahlonega, and 16 owner units in the City of Dahlonega.

Renter— Based on an analysis of the three sources of housing demand discussed above, over the 2012-2022 period there will be annual demand for 30 renter units in downtown Dahlonega, and 38 renter units in the City of Dahlonega.

This would result in a total demand for 50 new owner-occupied units and 300 rental units in downtown Dahlonega over the next decade.

Table 19: Downtown Dahlonega residential Demand 2012-2022

Summary of Housing Demand	Dahlonega	Lumpkin	1 Year Potential Downtown Capture	10-Year Potential Downtown Capture
Owner				
I. Annual demand from household growth 2010-2020	6	96	4	
II. Annual demand from turnover of existing units	8	41	2	
III. Other demand @ 15%	2	21	0	
Total annual demand for owner housing	16	158	5	50
Renter				
I. Annual demand from household growth 2010-2020	9	35	3	
II. Annual demand from turnover of existing units	25	72	27	
III. Other demand @ 15%	5	16	0	
Total annual demand for rental housing	38	124	30	300

Sources: U.S. Census American Housing Survey, Claritas, Bleakly Advisory Group

Retail Demand

Between 2012 and 2022, the 372 forecasted new households in Dahlonega will generate approximately \$13 million in additional retail demand, as detailed below. This is based on Claritas estimates that annual retail expenditures of households in the market area will be \$35,863 in 2012. The additional retail demand from household growth in the City of Dahlonega in the years 2012-2022 will support approximately 14,000 square feet of retail space.³

Table 20: Retail Demand Generated by Household Growth 2012-2022

Category	Estimated Spending 2012-2022
2012-2022 New Households (City of Dahlonega)	372
Average Household Expenditures	\$35,863
Additional Retail Demand	\$13,341,026
Downtown Dahlonega Capture	25%
Retail Demand (Sq. Ft.)	13,897

Source: Claritas/Bleakly Advisory Group

Office Demand

Demand for additional office space will be driven by employment growth in Dahlonega over the next 10 years. Employment for the downtown Dahlonega was estimated based on 2007 levels adjusted using data from the Dahlonega Downtown Development Authority to generate estimates for 2011 employment, showing a growth rate of 0.7%. Assuming the downtown economy continues to grow at a modest rate of 1% over the next ten years, employment in the downtown area can be expected to grow from 3,581 to 3,956 jobs. Of these jobs, an estimated 169 will be office-related employment, which are jobs created in the employment categories listed in the table below. Based on a ratio of 250 square feet of office space per employee, overall office-related employment growth over the next 10 years will generate potential demand for 51,000 square feet.

Table 21: Office Related Employment Growth 2012-2022

Office-Related Employment Categories	2011	2021	Net Growth 2006-2018	Growth in Office Demand (s.f.)
Transportation, Communication and Utilities (40-49)	30	33	3	929
Finance, Insurance and Real Estate (60-67)	283	312	30	8,871
Services (70-89)	966	1,067	101	30,317
Public Administration (91-97)	352	389	37	11,048
Total	1,630	352	171	51,166

* 20% of TCU-Employment is considered office-related.

**75% of Service Employment is considered office-related

Source: Claritas/Bleakly Advisory Group

Key Business, Retail and Tourism Trends

Downtown Dahlonega will remain a significant employment center— As the home to an estimated 1/3 of the firms and jobs in Lumpkin County, downtown Dahlonega is clearly the area's economic engine. Local businesses and their workforce are essential to

sustaining economic growth and vitality for a region, and Dahlonega's downtown business activity is largely driven by the presence of these local firms. Not only do local businesses use goods and services in the local economy, but their employees spend money that they have earned during the workday in the local area, generating income for local businesses.

Downtown Dahlonega attracts significant retail sale from County residents, tourists and visitors from outside of the County— The estimated total retail sales occurring downtown are \$62.0 million, compared to a total potential retail demand from downtown residents of \$11.3 million. Thus \$50.7 million of retail sales downtown occur due to spending from persons living elsewhere in the county, tourists, and visitors..

The University's impact on the local economy is substantial— The economic impact of the University, its employees and its students can be a powerful engine for economic growth. Strengthening connections between downtown Dahlonega and the University will create opportunities and customers for downtown business, though not all student-oriented retailing would be compatible with the vision for downtown.

The student population is significant and will continue to grow— providing additional demand for housing and businesses in downtown Dahlonega. The University anticipates growing by an additional 1,100 students over the next five to ten years, providing an addition \$10.9 million in spending, for an estimated \$59.6 million annually in student spending, a substantial portion of which could be captured in downtown.

Tourism, one of the most important segments of Dahlonega's economy, can grow in both number of visitors and spending— Lumpkin County accounts for only 1.7% of visitor spending in the North Georgia Mountains. Increasing the number of visitors to Dahlonega, encouraging overnight visitors and promoting hotel and inn lodging options can help Dahlonega increase visitor spending.

Downtown Dahlonega's economy is largely dependent on two fickle demand segments: tourists and retirees— The economic behavior of these two populations is heavily impacted by national and global economic and political trends, such as tax policy, fuel costs, general economic trends, and real estate markets. Dahlonega needs to build a more diversified local economy, which caters more to local residents and the University to reduce its vulnerability to the volatility of the retirement and tourism markets.

"Shadow Tenants" will impact Dahlonega's real estate recovery. Uses such as antique malls, swap meets or rental cabins, create a "grey market" of homes and commercial space. Once the real estate market begins to return and demand for space begins to increase, there is a considerable inventory of existing buildings which could convert back to higher rents and market-rate uses before new construction is justified, effectively delaying the return of new real estate development activity.

Wine-related tourism and business has built rapidly over the last decade, and is beginning to benefit from broader regional awareness— Dahlonega's leaders should continue to work with its local wineries to develop coordinated marketing and retail strategies. Some winery staff reported that state beverage laws place limitations on tasting

rooms and local distribution of wine, which inhibit their ability to market their products successfully.

Retirees will be a key market in the future— due to the pending retirement of the baby-boom generation in the Atlanta metro area. Dahlonega should be an attractive option for these retirees due to its mountain setting and relatively low home and land prices.

The soft real estate market which has delayed several downtown development projects will end— Several mixed-use commercial projects, and a relocated City Hall near the town square have all been put on hold due to financing concerns and slowed demand. With the gradual return of the real estate market, these projects can lead the future growth of downtown Dahlonega.