

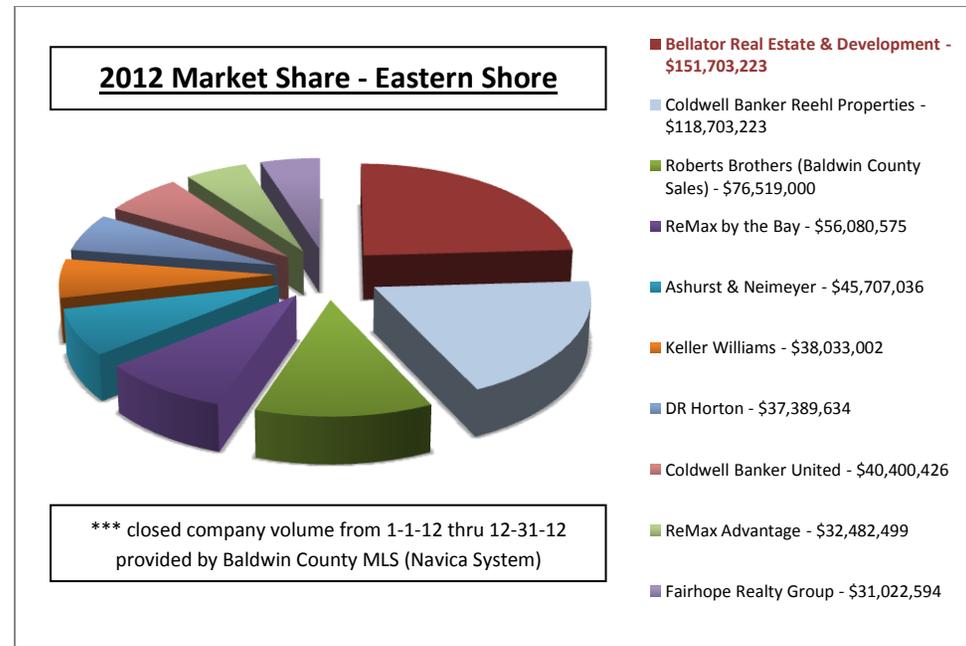
"The best time to plant a tree was 20 years ago. The next best time is now." - Chinese Proverb

The best time to buy real estate was a year ago. The next best time is now. The real estate bottom has come and gone both on a national level as well as a local level, and for those out there still wanting to get into the market, there is no time to delay. 2012 produced not only significant volume increases in our market, but also resulted in price appreciation for the first time in years. Our economy still has challenges to face but we truly feel the real estate sector is going to be the shining light in our economic recovery with housing leading the way. Although we've already started on the way back up, there is still time to find a deal as values have plenty of room to continue their run back up the charts. Those who hesitate, though, are going to find themselves having missed out on quite possibly the greatest real estate buying opportunity of not only the last several decades, but also decades to follow.

2012 RECAP

2012 was another banner year for Bellator Real Estate & Development as we not only reached our goal...we doubled it. As we previously published, our goal was \$75,000,000 in total closed volume heading into 2012, and thanks to a recovering market as well as a growing sales force, we are proud to report that we produced sales of \$151,703,223 last year. Not only did these figures result in us becoming the #1 company on the Eastern Shore (see chart) and #2 in the entire county in closed volume as measured by Baldwin County MLS but even more importantly, it means our average production per an agent was in excess of \$5.1 million. Bellator agents accomplished this feat by closing 497 transaction sides versus 348 the previous year for a 43% increase year over year.

We have no plans to rest on our laurels as we have big things planned for 2013 as well. We are ecstatic to announce that we are in the process of opening our first Mobile, AL office in February and have several things in the works in the southern part of Baldwin County that should result in multiple office locations in that market by April. Today we sit at a total of 53 full time sales professionals and are confident that number will continue to grow as we expand our footprint and continue to demonstrate our commitment to providing **"Performance...Not Promises."** We have nothing but optimism for 2013 and again have elevated our production goal to \$175,000,000 in anticipation of continued growth for our company as well as a rapidly improving market.



TRULAND HOMES

Bellator is extremely fortunate to be the exclusive marketing company for Truland Homes, LLC (www.TrulandHomes.com). Truland didn't even break ground on its first home until May of 2011, and to say they accomplished a tremendous amount in 2012 would be an understatement. We'd like to point out some of their achievements from this past year:

- 100 New Starts
- 63 Closings
- \$17,744,078 in Closed Volume
- \$281,652 Average Sales Price

Truland is now building in 21 communities throughout both Baldwin and Mobile Counties at prices ranging from the high \$100s to well into the \$500s. After increasing their number of closings from 14 in 2011 to 64 this past year, Truland projects another year of sustained growth with a closing goal of over 100 homes in 2013.

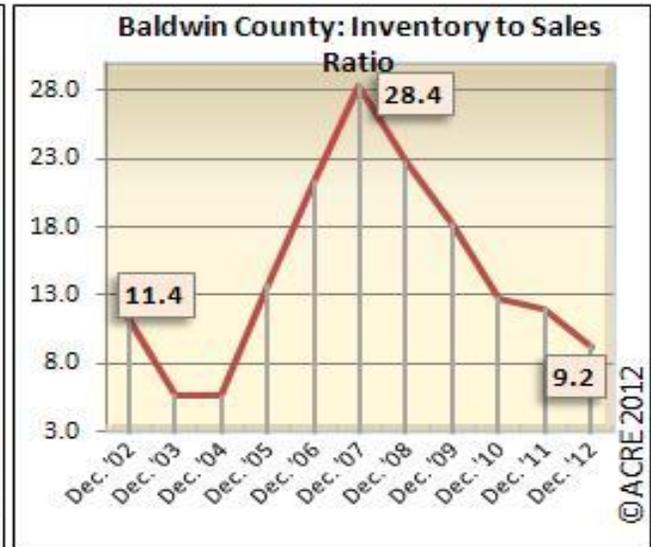
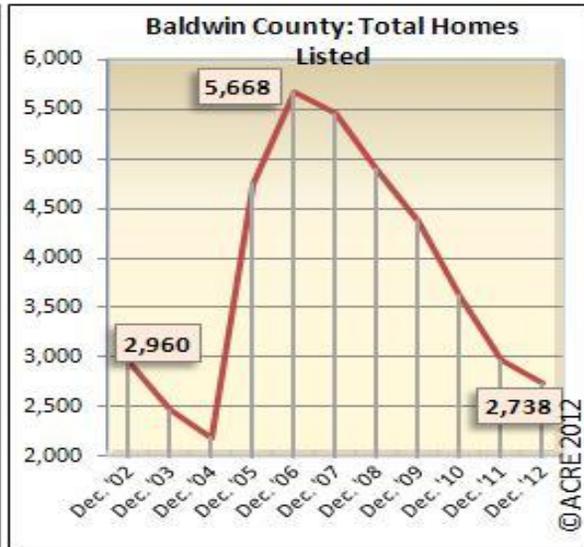
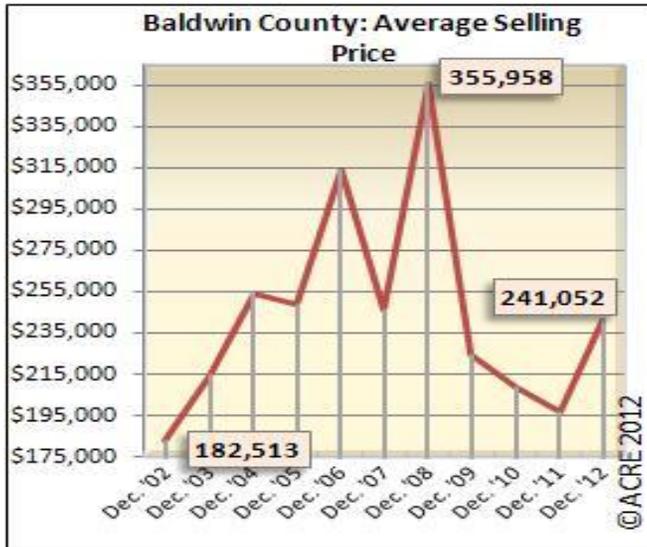
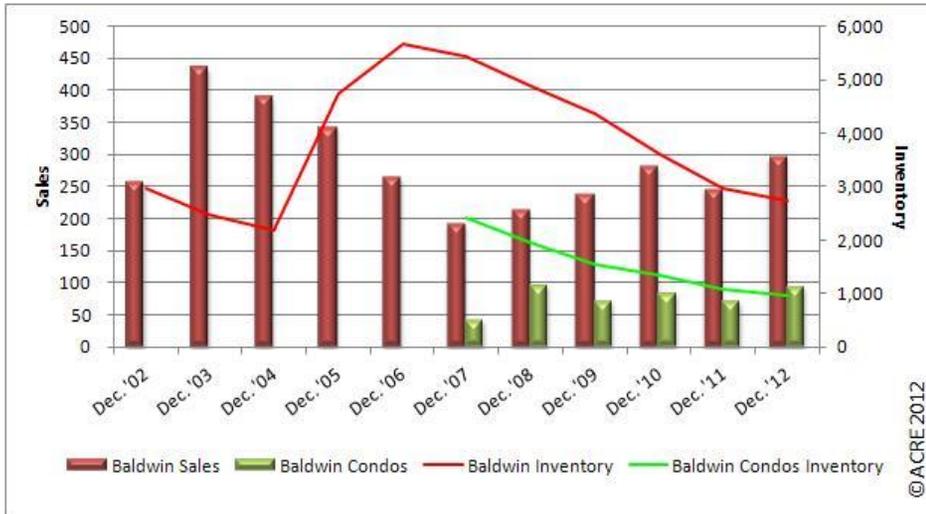
GULF COAST OPPORTUNITIES FUND

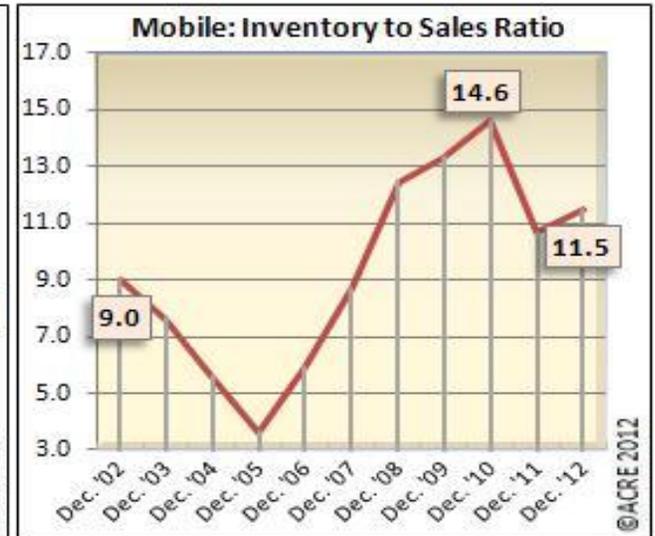
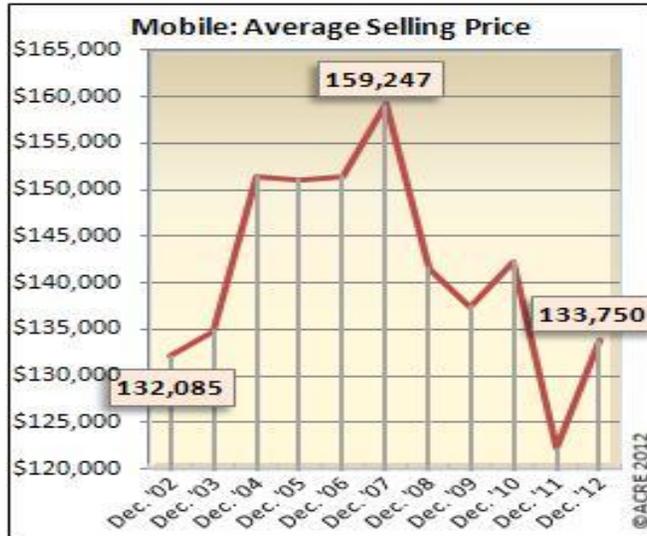
Bellator CEO, Nathan Cox, partnered with Bienville Capital Management (www.BienvilleCapital.com) principals Billy Stimpson, Cullen Thompson and Ralph Reynolds this past July to establish an approximately \$61,000,000 fund focused on buying distressed real estate assets across the Gulf Coast. To date, the fund has closed on nearly \$35,000,000 in property and has another \$16,500,000 in assets under contract scheduled to close this quarter. The Gulf Coast Opportunities Fund (GCOF) has focused its efforts primarily on Baldwin County acquiring assets at prices not seen in well over a decade. The property mix of assets acquired thus far includes gulf front land, developed residential lots, commercial lots and raw land for future development, as well as a large office/warehouse property. Although we are already under way developing many of these properties, the bulk of these assets were obtained to deploy a long term buy and hold strategy. We will continue to keep you apprised on the success of the fund going forward.

MARKET INFORMATION

Baldwin County showed positive signs across the board in 2012 producing total real estate sales of \$2.061 billion representing a 23% increase over 2011 while Mobile County remained flat for the most part. The most important trend we are experiencing is the rapid depletion of inventory. As inventories continue to fall, we should start seeing prices rise more rapidly over the coming year. These market trends are demonstrated in the following graphs provided to us by our friends at the Alabama Center for Real Estate (www.acre.cba.ua.edu):







Other Highlights:

- Of the 8 counties that make up the Gulf Coast Market, Baldwin County scored the largest year-over-year market share growth from 17.5% to 21.5%
- Across the entire Gulf Coast, new home inventory decreased from 4,948 units in 2009 to 1,508 units today
- Building Permit activity in Baldwin County has increased 46% over last 24 months to approximately 985 permits in 2012 (349 in the 4th quarter)
- 755 New Homes closed in Baldwin County in 2012 versus 442 in Mobile County
- Mobile County residential sales reached 3,359 units in 2012 resulting in a 1.9% improvement over 2011
- Excluding condo sales, the Average Price of New Homes Closed in Baldwin County was \$217,166 (\$357,400 with condo sales) in 2012 versus \$209,196 in Mobile
- 9,771 Developed Lots in inventory in Baldwin County at year end versus 4,292 in Mobile County
 - 2,578 lots sold in Baldwin County last year for \$75,782,200 (average of \$29,396 a lot)
- 987 Homes Under Construction in Baldwin County at year end versus 450 in Mobile County
- 1124 Condos sold in 2012, and there are now less than 800 units available, which is down from a peak supply of 3,069 units in June of 2007

In January of 2011 we made the following predictions in our newsletter for 2012 by stating the following:

- *Housing prices are beginning to finally bottom out, and we will not see any more significant declines in this sector. We also feel that we will start seeing an increase in the cost of new construction homes as Builders will be forced to adjust pricing upward to account for increasing input costs due to labor shortages, escalating material prices and new building code requirements in many areas.*
- *Home sales for both new and existing homes will rise in the coming year. Homeownership now sits just above 66%, which is right at the 1- year low, and even though we are seeing a tremendous shift in Americans deciding to rent rather than own, we still feel that there is a hefty amount of pent up demand. Affordability now stands at unheard of levels due in large part to interest rates on 30-year mortgages now resting below 4% and 15-year mortgages now attainable at rates as low as 3%. People will not be able to pass up this once in a lifetime opportunity as soon we start seeing even the slightest bit of improvement in the labor market.*
- *Foreclosures are going to continue to dominate the world of real estate, and banks will remain the biggest provider of buying opportunities. Foreclosure numbers in the residential sector will begin leveling off this year, but there are still over 3.5 million homes either already or soon to be in foreclosure.*
- *Look for more and more acquisition opportunities to arise in the commercial arena, especially on B and C class properties. Commercial loans that were financed during the boom will start maturing this year as 5-year balloons come due. Even though many borrowers have been able to service the debt over the last several years, they will not be capable of making the necessary principal reductions in order to conform to the new lending requirements when attempting to refinance. Some lenders will likely try to take the "amend and extend" approach if possible on these deals in hopes that values increase within the next few years, but many will not have that option and will be forced to partake in note sales or move forward with foreclosure.*
- *We should continue to see transaction volume increase in our area over the course of the next 12 months in the range of 15%, but we don't expect it to be anything near the levels we saw years back for quite some time.*

So how did we do?

"The bottom line is chances like this don't come around very often, and you need to be prepared to take the calculated risks when the timing is right. If not, then someone else will, and all you will be left with is a bunch of would of, could of and should of statements." - Closing Statement from the Bellator 2011 Market Recap

- Housing prices are on the rise not only due to increased input costs, but also a healthier market.
- New home sales were up 25%, condos sales rose 11% and the sale of existing homes climbed just over 5% in Baldwin County.
- Bank owned properties continued to be where the deals were found in 2012, but we are now seeing a significant decline in foreclosure transactions.
- Commercial activity had a 38% increase over 2011 in Baldwin County with transaction volume escalating from \$308 million to \$425 million.
- Based on activity in the new home, existing home, condo and vacant lot/land sectors, transaction volume increased 15.13% in 2012.



2013 OUTLOOK

Through the years Bellator, has not been privy to a hot real estate market, but we feel that is changing. The level of activity at Bellator has amplified drastically, and we are anticipating steady growth throughout the remainder of the year. Below are various things we believe we will see occur in 2013:

- **Housing Prices:** Prices are rising across the board both nationally and locally. Look for price increases in the range of 6-7% on the new construction side of the market and closer to 4-5% on existing homes.
- **Home Sales:** Sales figures will continue to increase, but the lack of quality inventory could keep these figures lower than actual demand warrants. Look for the market to shift from being a Buyer's market to a Seller's market. When things are priced appropriately, don't be shocked to see the days of multiple offer scenarios return. Properties will begin to sell above list price when these situations arise due to aggressive pricing by a Seller.
- **Foreclosures:** These will continue to be a major factor for at least another 24 months, but foreclosure figures are going to continue to fall dramatically from the peak for several reasons. To start with, both the real estate market and the job market are improving. The other explanation is that lenders have become more inclined to do workouts with borrowers as opposed to going the path of foreclosure.
- **Transaction Volume:** We anticipate volumes to increase significantly in Baldwin County. Don't be surprised to see the number of real estate transactions as well as the total dollar volume traded in Baldwin County up as much as 25-30% over 2012. Mobile will not be up that much, but it should finally start to see some benefit of the Airbus deal even though the bulk of its impact is still years away from being realized.
- **Opportunities:** Smaller deals are where investors are going to have to look for opportunities in the coming year. The bulk of the larger distressed transactions have now taken place, but numerous smaller commercial deals and land deals still remain available that will make a good fit for investors that have cash and possess patience. The majority of these deals won't appear glamorous at first, but if one has the ability to add value to the assets by making improvements or through repositioning, the opportunity to earn elevated returns will exist. Flipping properties will again become a lucrative trend. Some of this is already taking place in South Baldwin County as multiple properties have already been turned over quickly for sizeable profits in the recent months. Above all else, if you are in the market for a new home...BUY ONE. Neither rates nor prices are getting any lower.
- **Biggest Threats to the Real Estate Market:** Credit and interest rates. Banks will be forced to move away from only doing owner occupied commercial loans at some point if they want to start taking advantage of the improving conditions and grow their earnings. A & D loans are already needed to keep up with demand, and if banks continue to pass on these it will slow our recovery. Interest rates are going to rise, but the question is when and how fast? As long as the rise is gradual, then improving economic conditions should be able to support it. However a major spike in rates over a short time period will produce a major halt in activity especially in the residential sector.



This time last year we were anticipating a long and drawn out recovery, but now we get the sense locally that things may pop quicker than expected. Everyone operating in any field related to the real estate industry in our area is busier than they have been in years despite not having even seen any significant economic impact from the new major projects we have coming to South Alabama. Bellator has been able to grow tremendously throughout the downturn, and we are eager to continue that growth into the coming year. By opening three new offices in the 1st quarter, Bellator will be able to service clients from Mobile to Orange Beach, which will establish a market reach unmatched by any other company in our area. Thanks to everyone for a fantastic year, and thanks in advance to all of you for being a part of the success that lies ahead for the Bellator family; 2013 will be a good year for our industry. As always, never hesitate to let us know if we can help you in any way. Now go out and do great things, and make 2013 one to remember.

PARTING SHOT

“Life offers no guarantees...just choices; no certainty...but consequences; no predictable outcomes...just the privilege of pursuit.” - Tim Connor

ABOUT

Bellator Real Estate & Development, LLC is a full-service real estate company that specializes in developing, listing, brokering and acquiring properties located in both Baldwin and Mobile Counties. Not only do we represent individuals in the marketing of their properties, but we also represent numerous investment groups in a wide range of deals. As our tagline states, "*Performance...Not Promises*", we take great satisfaction in always doing what we say we will and delivering for our clients time and time again. We pride ourselves on our creativity and flexibility when trying to work a deal for our clients, and unlike a traditional real estate brokerage company, we have a deep stable of private investors that allow us to be very creative when putting deals together. We feel it is our honest reputation, work ethic and strong connections throughout the entire community that set us apart from the pack. "*Fortes Fortuna Juvat*" is a way of life for all of us at Bellator as we certainly believe "*Fortune Favors the Bold.*"

Nathan L. Cox is a licensed Real Estate Broker in the State of Alabama, and is the CEO of Battle Plan Capital, LLC, Bellator Real Estate & Development, LLC and Truland Homes, LLC.

