

*"What you get by achieving your goals is not as important as what you become by achieving your goals." - Zig Ziglar*

At Bellator we did not hit every goal we laid out for 2013 nor did our market storm back as dramatically as some of the larger metropolitan areas throughout the country, but we like who we are becoming as a company as well as how our resurgent real estate market is shaping up. Due to ever increasing transaction volume coupled with steady price appreciation, every indicator points to an amazing year in 2014. Despite the recent escalations in pricing and the disappearance of quality distressed assets, we still feel it is a very advantageous time to enter the market. We wholeheartedly believe inventory is only going to get tighter from here and prices will continue to rise across all sectors over the next 24 to 36 months.

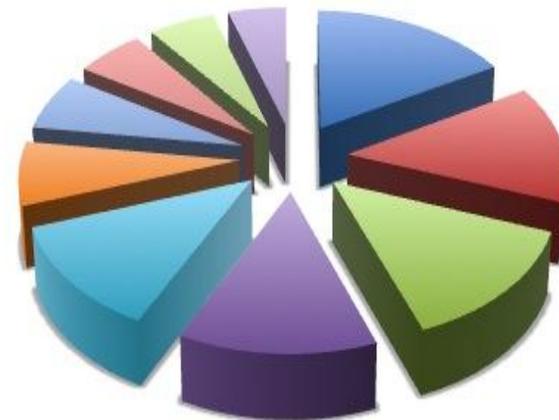
## 2013 RECAP

2013 was a productive year for Bellator Real Estate & Development even though we did not reach our published goal of \$200,000,000 in total closed volume. We fell just short ending the year at \$190,135,635, which was a 25.33% increase over our previous high of \$151,703,223 achieved in 2012. We finished second county wide in closed volume as measured by Baldwin County MLS to Brett Robinson which had a fantastic year in large part due to the closing out of its colossal Phoenix West project.

All was not lost for us though in 2013 as our top priorities were to expand into new markets and grow our agent base. We opened four new offices last year giving us locations now in Mobile, Saraland, Spanish Fort, Daphne, Orange Beach and Ono Island. We also took an extreme amount of pride in growing our agent base from 29 to 77 dedicated sales professionals over the course of the year.

As a company who doesn't cope with failure very well, we have decided to up the ante for 2014 and raise our goal to \$250,000,000. With the confidence we have in our market as well as our constantly growing sales force, we truly believe it is more than attainable. We have adopted the mantra of **"No Regrets"** as our battle cry for the coming year to ensure all of us do everything in our power to achieve success for our clients, our company and ourselves. The secret is out as to what a great place the Gulf Coast is to live, work and play. We see nothing but great days ahead for all those working and investing in real estate in our area.

### 2013 Market Share - Baldwin County



- Brett R/E Robinson Dev OB - \$229,781,525
- **Bellator Real Estate - \$190,135,635**
- RE/MAX of Orange Beach - \$189,751,014
- RE/MAX of Gulf Shores - \$177,469,079
- Coldwell Banker Reehl Properties - \$171,391,082
- Century 21 Meyer Real Estate - \$102,363,808
- RE/MAX Paradise - \$91,055,742
- Spectrum Realty, LLC of Alabama - \$79,112,000
- Keller Williams AGC Orange Beach - \$75,980,923
- RE/MAX By The Bay - Daphne - \$66,860,107

\*\*\* closed company volume from 1-1-13 thru 12-31-13 provided by Baldwin County MLS (Navica System)

## TRULAND HOMES

Bellator is proud to be able to play a role in the continued growth and success of its sister company Truland Homes, LLC ([www.TrulandHomes.com](http://www.TrulandHomes.com)) as its exclusive marketer. Truland had another banner year in 2013 and received numerous accolades for its accomplishments that we'd like to highlight below:

- 111 New Starts (11% increase from 2012)
- 107 Sales (50.70% increase from 2012)
- 100 Closings (58.73% increase from 2012)
- \$30,138,268 in Closed Volume (69.85% increase from 2012)
- \$301,383 Average Sales Price (7.01% increase from 2012)
- Recognized by *Professional Builder Magazine* as the 225th largest builder in the country for 2012 as measured by total sales revenue
- Constructed the Showcase Home for the BCHBA's Fall Parade of Homes for the second year in a row and had their work featured in the Winter issue of Alabama Homebuilder Magazine  
(<http://read.dmtmag.com/i/232803>)
- Featured in the January 2014 edition of *Builder Magazine*  
(<http://www.builderonline.com/land-acquisition/alabamas-truland-homes-is-ready-for-battle.aspx>)

Truland is now building in 24 communities throughout Baldwin and Mobile Counties at prices ranging from the high \$100s to well into the \$800s. Truland is projecting yet another year of robust growth with a closing goal of 146 homes for 2014.

## GULF COAST OPPORTUNITIES FUND

Bellator CEO, Nathan Cox, partnered with Bienville Capital Management ([www.BienvilleCapital.com](http://www.BienvilleCapital.com)) principals Billy Stimpson, Cullen Thompson and Ralph

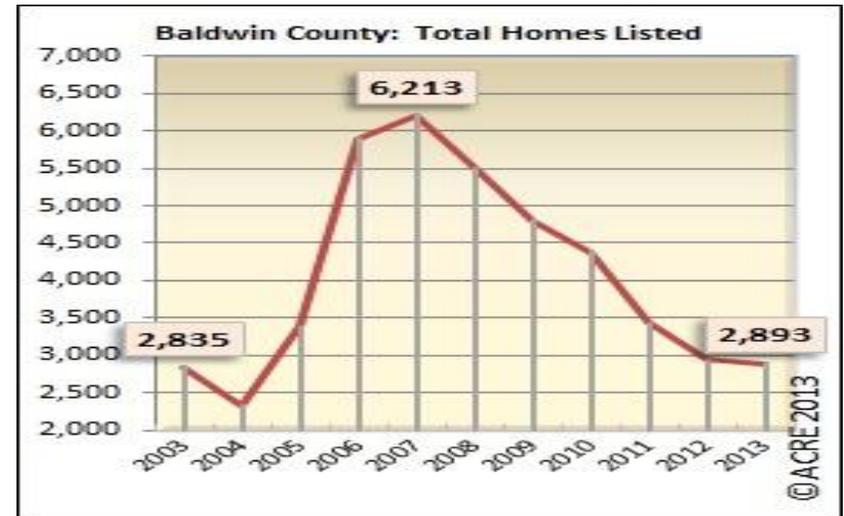
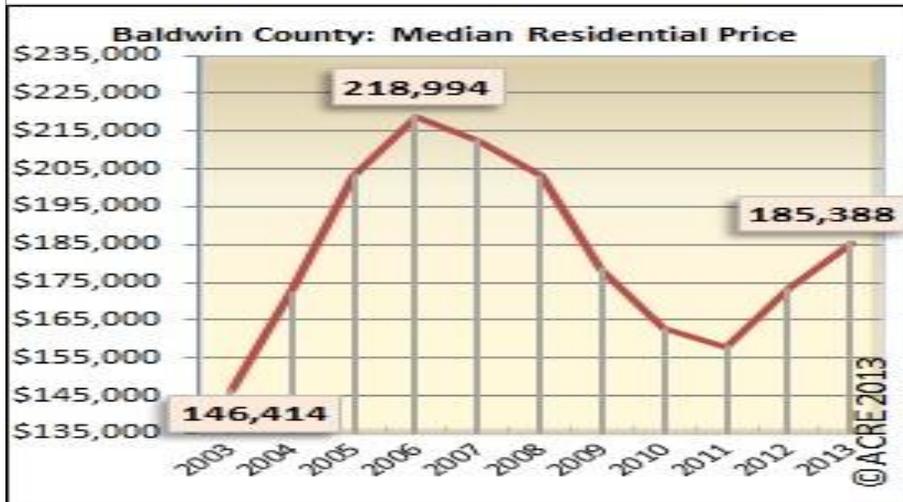
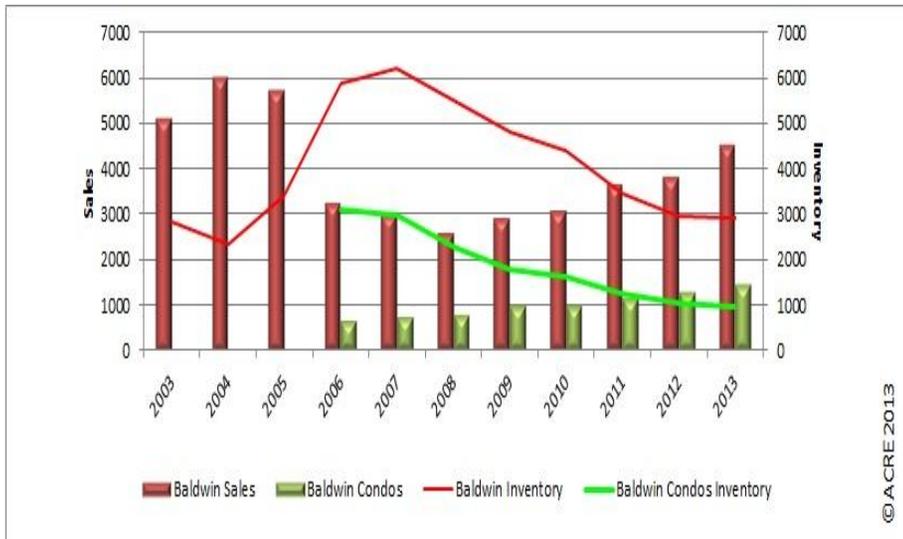
Reynolds in the Summer of 2012 to form a \$61,000,000 fund focused on buying distressed real estate assets across the Gulf Coast. To date, the fund has closed on over \$58,000,000 of property spanning from Panama City, FL to the Eastern Shore of Baldwin County. The Gulf Coast Opportunities Fund (GCOF) has focused its efforts primarily on the Baldwin County market and the mix of assets includes gulf front land, developed residential lots, commercial property as well as raw land for future development. GCOF has already experienced a tremendous amount of interest in its portfolio from both home builders and developers, which bodes very well for our market as a whole in addition to serving as a strong indicator we should see a significant uptick in new development in the coming year. GCOF played a major role in clearing the glut of distressed inventory in the marketplace, which allowed prices to finally reach a bottom and start the climb back to prerecession levels. There are many reasons to believe the prospects for GCOF investors remain very alluring given the long term buy and hold strategy of the fund and the upward pricing trend we are witnessing across the board.

## LOCAL HOUSING MARKET

It is evident that Mobile and Baldwin Counties are both trending in the right direction due to rapidly depleting inventory levels, higher sales volume and most importantly sound price appreciation. Baldwin County still appears to be enjoying more of the upside, but between Airbus and the leadership of newly elected Mayor Sandy Stimpson we feel there are plenty of reasons to be bullish on Mobile. We expect major price escalation to take place in the coming year in Baldwin County followed by more moderate gains in Mobile. Below are several charts to demonstrate just how far our market has come since striking a bottom in 2011. These statistics and graphs are provided to us by our friends at the Alabama Center for Real Estate ([www.acre.cba.ua.edu](http://www.acre.cba.ua.edu)):

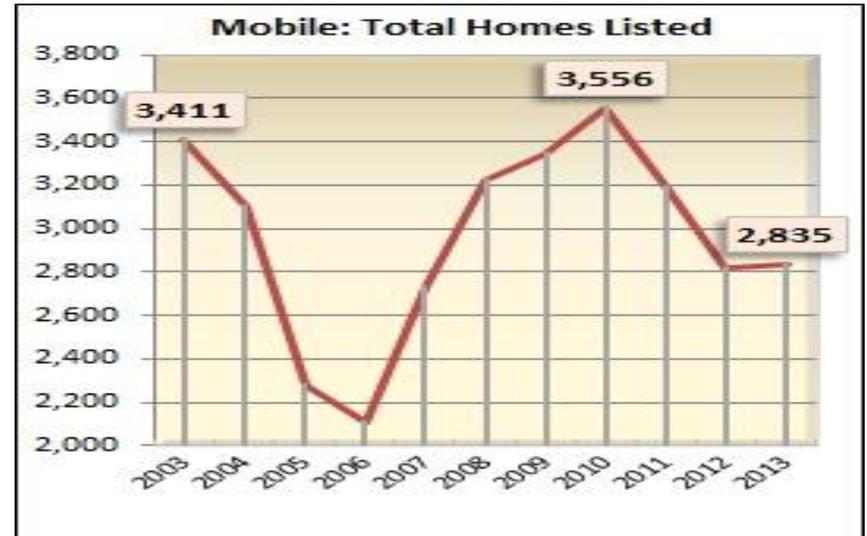
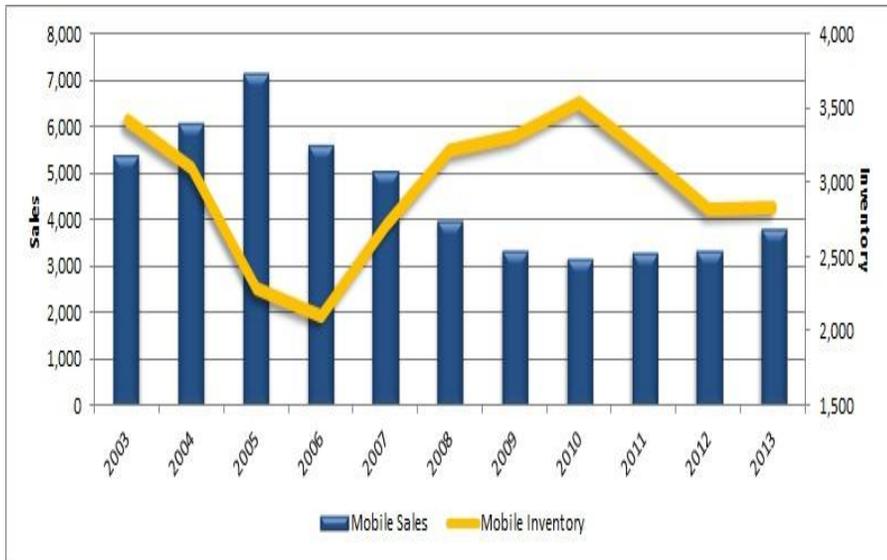


**BALDWIN COUNTY:**

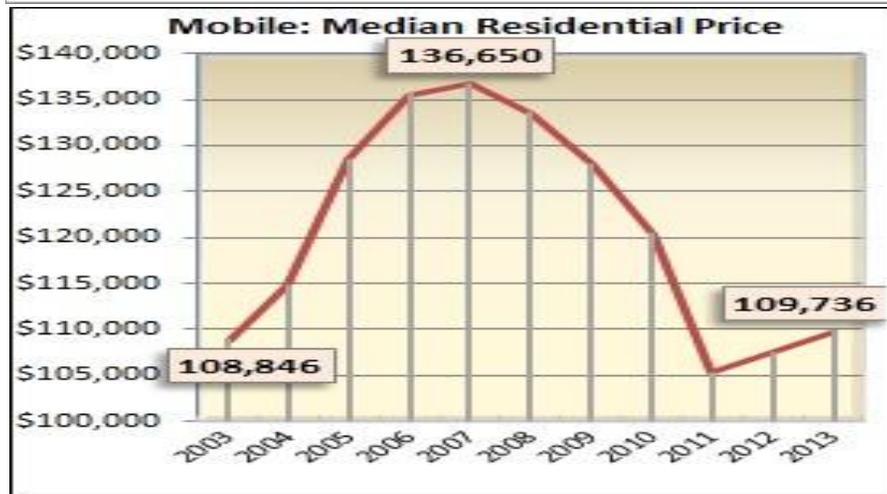


- Total residential sales increased 17.7% in '13 when compared to '12
- Average inventory of 2,893 units for 2013, down over 53% from the peak average reached in '07 of 6,213 total homes listed
- 7.4 months of supply in December '13 versus 9.2 months of supply in December '12
- Average median sales price of \$185,388 for '13, putting values still down 15.4% from the peak in '06, but up almost 17% since the trough in '11
- Approximately 1,200 single family residential permits were pulled in '13 versus 1083 in '12
- As of year-end 129 new construction homes were listed as available for purchase

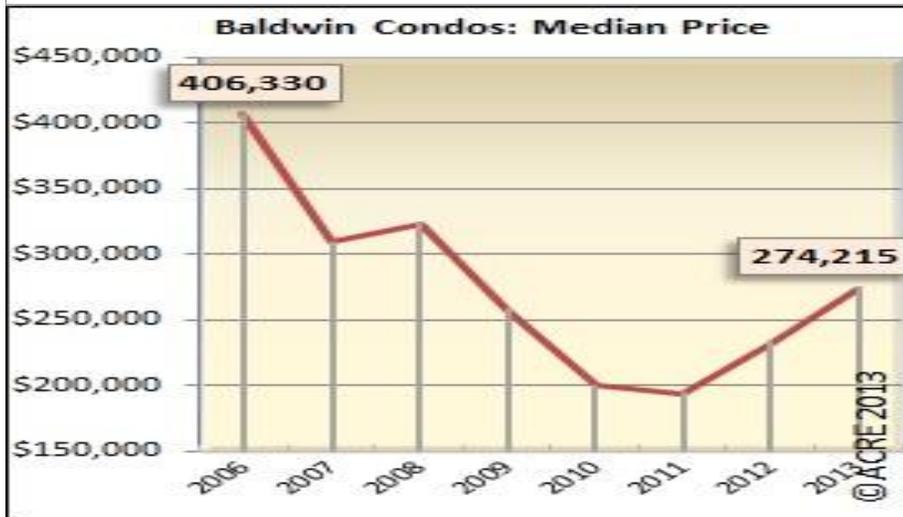
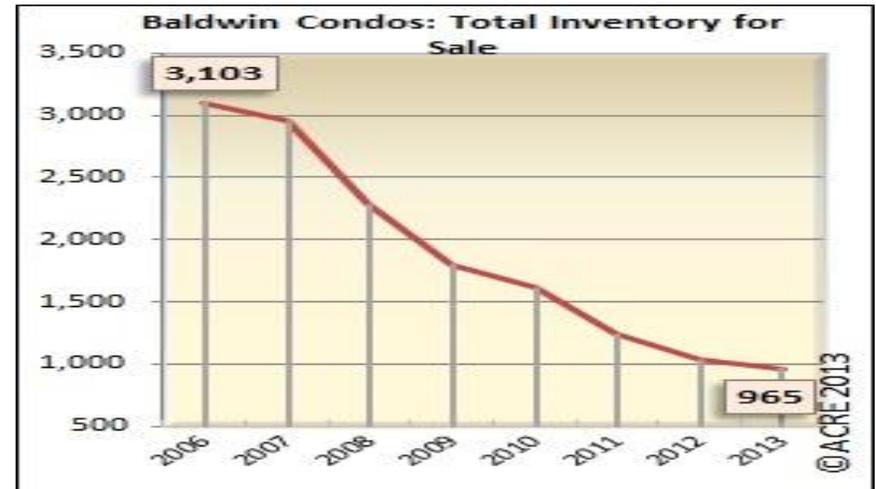
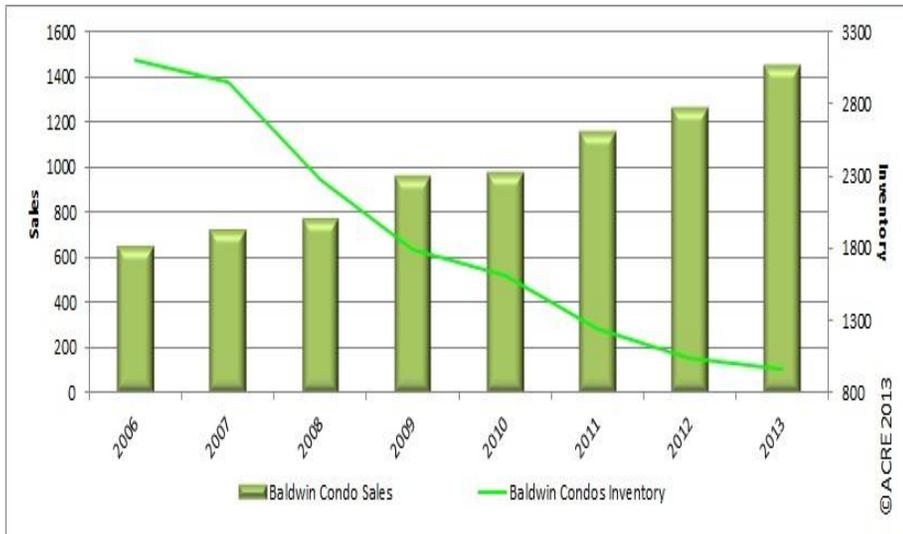
**MOBILE COUNTY:**



- Total residential sales increased 13.5% in '13 when compared to '12
- Average inventory of 2,835 units for 2013, down over 20% from the peak average reached in '10 of 3,556 total homes listed
- 9.2 months of supply in December '13 versus 11.5 months of supply in December '12
- Average median sales price of \$109,736 for '13, putting values still down 19.7% from the peak in '07, but up almost 5% since the trough in '11
- Approximately 600 single family residential permits were pulled in '13 versus 673 in '12
- As of year-end 166 new construction homes were listed as available for purchase



ALABAMA GULF COAST CONDO MARKET



- Gulf Coast condo sales totaled 1,525 units in 2013, up 21% from '12
- Average inventory of 965 units for 2013, down almost 69% from the peak average reached in '06 of 3,103 total condos listed
- 5.8 months of supply in December '13 versus 10.3 months of supply in December '12
- Average median selling price of \$274,215 for '13, putting values still down 32.5% from the peak in '06, but up almost 38% since the trough in '11
- Distressed sales totaled 129 sales or just 8% of all condo transactions, which was down over 39% from '12

**In January of 2012 we made the following predictions in our newsletter for 2013 by stating the following:**

- *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.*

**So how did we do?**

*"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." -*

*Excerpt taken from the Bellator 2012 Market Recap*

- Housing prices were up approximately 11% in Baldwin and 3% in Mobile with existing homes rising around 9% and 2% respectively.

- The single biggest complaint heard from Buyers over the course of the past year was the lack of quality inventory to choose from, especially in the southern part of Baldwin County where new development has been almost nonexistent over the last six years. Multiple offer scenarios did in fact make their return albeit not at the frequency of some other larger metropolitan areas across the country.
- Bank owned properties continued to be where the great deals were found in 2013, but we did see a tremendous decline in the number of foreclosure transactions. There are almost no quality bank owned assets available at this time.
- Baldwin County once again attained significant volume increases in 2013 producing total real estate sales of \$2.827 billion representing a 37% increase over 2012. Mobile County also encountered a respectable bump of almost 12% by generating just over \$900 million in activity.
- We still feel smaller development opportunities are the way to play the return of the real estate market, and were spot on that if you bought a home last year you will be better off than if you had put it off another year.
- Fortunately credit availability is improving with each passing day, and although rates rose quickly after hitting a bottom we will hopefully experience some stability in this area for the foreseeable future.

## 2014 OUTLOOK

As a company we have never approached a year with such high levels of optimism as we do today entering 2014. Not only do all of the indicators say we should have an extremely healthy market for years to come, but the general consensus amongst those in the real estate community is that we are ready to explode. The remarkable thing is all of the positive momentum we are currently realizing is being primarily driven by pent up demand as opposed to some new event that has instantly made everything more sought after and valuable. All of the tremendous growth initiatives being touted for our area such as Airbus, Blue Collar Entertainment, and South Alabama Mega Site to name a few have yet to have any considerable impact on our growth trajectory. Below are several things we have forecast will take place in 2014:

- Housing Prices: Prices locally will outpace the national average as we begin to catch up with the levels of appreciation enjoyed by other more recognized markets over the last several years.
- Home Sales: Sales figures will continue to rise across both counties with new construction sales leading the way fueled by the large increase in new home starts we are witnessing take place all across Baldwin County.
- Foreclosures: These will not have near the impact on the market they have had over the last few years as not only will minimal foreclosure sales take place when compared to years past, but also the ones that do hit the market will be very competitively priced rather than at fire sale values.
- Transaction Volume: We anticipate overall sales volume rising yet again in both counties with a higher average price per a transaction and increased commercial activity playing large roles in the boost over the 2013 numbers. Total residential activity in Baldwin County could be up as much as 40% in the coming year. Mobile will not jump nearly that much in the residential sector, but double digit gains are realistic.

- Opportunities: New development is the number one area of need that exists in our marketplace. Already, there is a demand for all types of new product in specific locations, but very few developers exist today with both the skill and the stomach to attack time consuming and risky projects. There will be more and more out of town developers enter our market as the year progresses. Some will be extremely experienced and well capitalized, while others will be con men that pay too much for deals, do not deliver on their promises and disappear into the night. If you are going to invest in this space, do your homework and only do business with people you are comfortable with that do this full time as their profession. Let's not let the past replay itself here.
- Biggest Threats to the Real Estate Market: Interest rates and the formation of a bubble. As long as rates rise at a moderate pace before ultimately leveling off somewhere in the 6% range the market should be in great shape, but if they climb too far too fast all the momentum we have generated will evaporate overnight. As far as a real estate bubble goes we are much better off with balanced price bumps over time rather than double digit escalations in the short run. We have room to run and enough powerful economic drivers behind us to be able to cheer for a stable market that grows at a sustainable pace rather than us progressing too far too fast.

Last January we anticipated a good year, and fortunately for all of us we experienced it. We now truly feel that all signs point to go and we are about to experience a vivacious market for years to come. There is reason for optimism and money to be made for the prudent and the patient. Thanks to each of you for your loyalty, support and friendship as we look to 2014 to be another extraordinary year. As always, never hesitate to let us know if we can help you in any way. Now go out, do great things, and may 2014 be a year that leaves you with "**No Regrets**" in any area of your life.

## PARTING SHOT

*"Oh Lord thou giveth us everything we want at the price of an effort." - Leonardo da Vinci*

## 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, "*Let's Join Forces*", we are a unified force standing ready to go to work for you. Our pledge is to have your back through thick and thin while always demonstrating leadership, integrity and loyalty above all else. 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 States of Alabama, Florida and Mississippi and is the CEO of Battle Plan Capital, LLC, Bellator Real Estate & Development, LLC and Truland Homes, LLC.

