

"The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark." - Michelangelo

Entering 2014 we had lofty expectations and rightfully so. All indicators pointed to a blockbuster year that would pull the market back to the kind of valuations, transaction volume and development activity we were accustomed to almost a decade ago. Although the past year didn't see our ambitious outlook fully materialize, all was not lost. Not every statistic will show it, but meaningful headway was made across the Coastal Alabama real estate industry leaving us optimistic about the future. We continue to feel that the market remains on the cusp of igniting, but the steady growth over the past 24 months may be a blessing in disguise. None of us want to see the sins of the past revisited. Interesting times undoubtedly lie ahead as speculation has once again returned in the form of new development fueled via out of town investors enticed by rapidly depleting inventory levels and presumptions of above average price appreciation in the forthcoming years. The secret is officially out that we truly have something extraordinary along the Gulf Coast, and we are confident that our best days are yet to come.

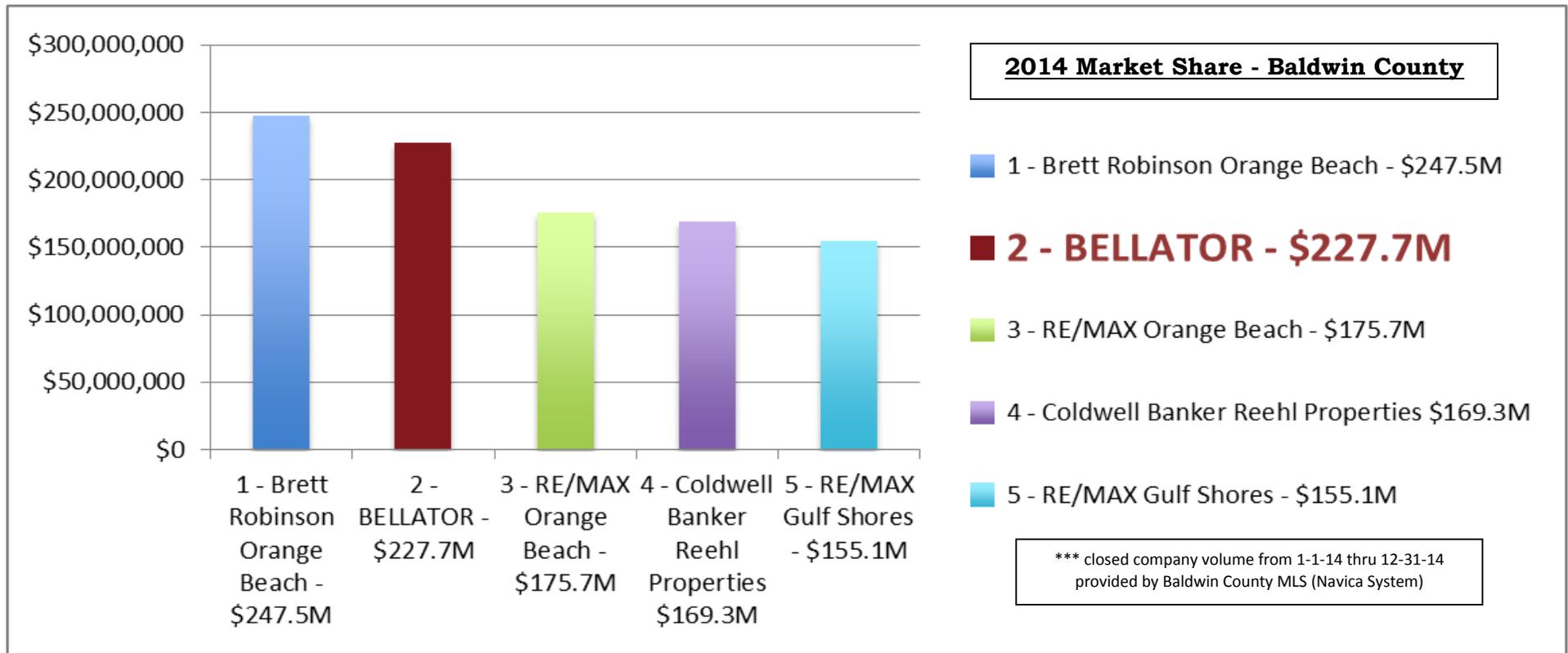
2014 RECAP

2014 was a productive year for Bellator Real Estate & Development despite coming in just short of our stated goal of \$250,000,000 in total closed volume. We concluded the year at \$227,654,994, which was a 20% increase over our previous high of \$190,135,635 attained in 2013. For the second consecutive year, we finished second county wide in closed volume as measured by Baldwin County MLS to Brett / Robinson, which had another tremendous year driven by the close out of its immense Phoenix West II project after over eight years of construction.

As a company we expanded our robust agent base 45% by increasing our number of sales associates from 77 to 112 by year end. We also are elated to announce the addition of the Coastal Real Estate & Development Gulf Shores office headed by Bob and Frank Malone to the Bellator family. With the inclusion of the new Gulf Shores office Bellator now has seven locations across Mobile and Baldwin Counties in which to serve its clients.



As a company with a contagious culture of ambition, we set our closed volume goal for the upcoming year at \$293,900,000, a 29% leap from 2014. Bold? Absolutely, but with our conviction in the fortitude of our market as well as our amplifying sales force we have nothing but faith. We are embracing a **“Not Yet”** mindset for 2015. The connotation of our mantra is two-fold. The first meaning is that we refuse to fail; instead, we turn our perceived failures into stepping stones on our path to the goals we have not reached...not yet. The second meaning is that although we have had perceived success in the past, we are nowhere near reaching our full potential....not yet. 2015 is going to be an incredible year.



TRULAND HOMES

Bellator was blessed to be able to play a small part in the continued success of its sister company Truland Homes (www.TrulandHomes.com) as its exclusive marketer. As a testament to the talent and dedication of its entire team, Truland once again topped all of its previous high water marks established in 2013. 2014 results were as follows:

- Starts 140 (26.13% increase from 2013)
- Sales 133 (24.30% increase from 2013)
- Closings 124 (24% increase from 2013)
- Volume \$37,317,885 (23.82% increase from 2013)
- Average Sales Price \$300,950 (.001% decrease from 2013)

Truland now builds in 22 communities throughout Baldwin and Mobile Counties delivering homes from the high \$100s to the upper \$800s. It is planning to launch sales in at least seven additional neighborhoods this year with a focus on the South Baldwin market. Further pointing to an improving market is the fact that three of the seven are greenfield developments. Truland is forecasting 175 closings and 190 starts for the 2015 campaign.

GULF COAST OPPORTUNITIES FUND

Bellator CEO, Nathan Cox, collaborated with Bienville Capital Management (www.BienvilleCapital.com) principals Billy Stimpson, Cullen Thompson and Ralph Reynolds in 2012 to form a \$61,000,000 private equity real estate fund focused on procuring distressed real estate assets across the Gulf Coast. The fund brought closure to the investment phase with its last acquisition in the spring of 2013, and has now entered the disposition stage. GCOF sold its first asset at year end to a single family residential developer, and has three more deals slated to close in the first quarter with a national home builder. Although GCOF itself is not acting in the role of Developer, two of its gulf front properties in Orange Beach have been the source of an enormous amount of excitement with the submittal of the PUD for Ascension & Grace condominiums designed by renowned local architect Forrest Daniell. Ascension is comprised of 200 luxury units and would be the second tallest building in Alabama once completed. Marketing is expected to commence this summer with a tentative ground breaking expected for the latter part of 2016. Grace is slated to follow after Ascension has begun going vertical and will amass 76 opulent rent restricted units. These two towers will set a new standard for



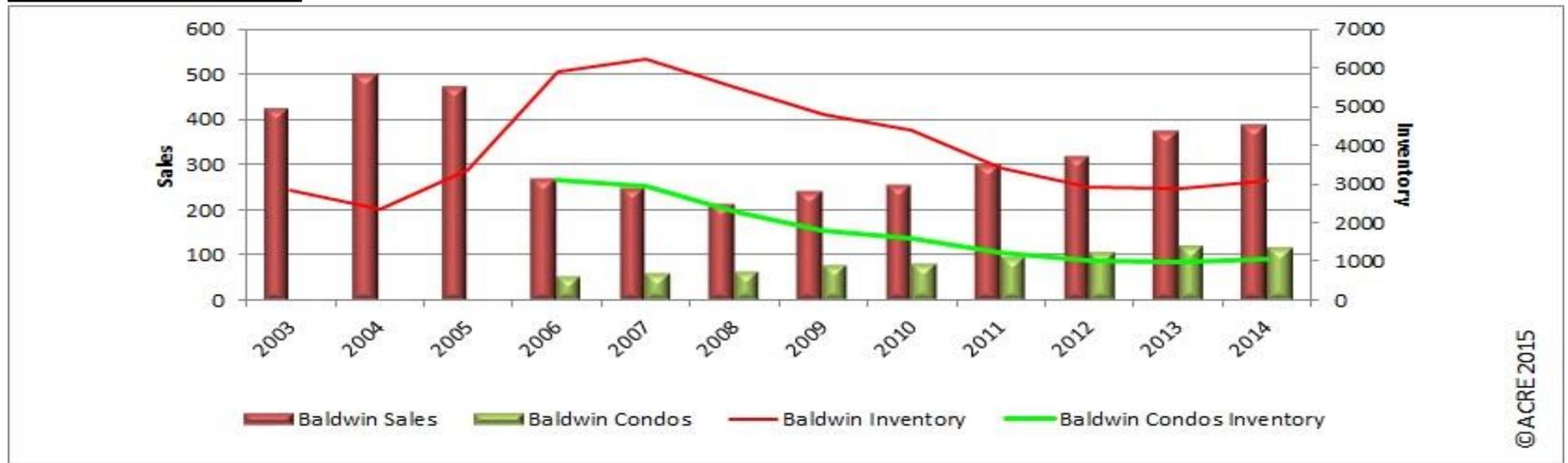
excellence as it pertains to high rise development across the entire Gulf Coast once concluded.

(http://www.al.com/news/mobile/index.ssf/2015/01/plans_for_tallest_condo_towers.html#incart_river)

LOCAL HOUSING MARKET

The numbers don't lie, but there is sometimes more to the story. Comparing the data between Baldwin and Mobile both experienced an increase in median sales price of approximately 6%. From an overall sales perspective Baldwin saw a slight uptick whereas Mobile back pedaled somewhat. Inventory quantities shockingly climbed in Baldwin and diminished on the other side of the bay. The most thrilling story was the fact both retained sound permit growth of almost 15% and 5% respectively despite a flat year. Below are several charts provided to us by our partners at the Alabama Center for Real Estate (www.acre.cba.ua.edu) to provide a snapshot of current market conditions.

BALDWIN COUNTY



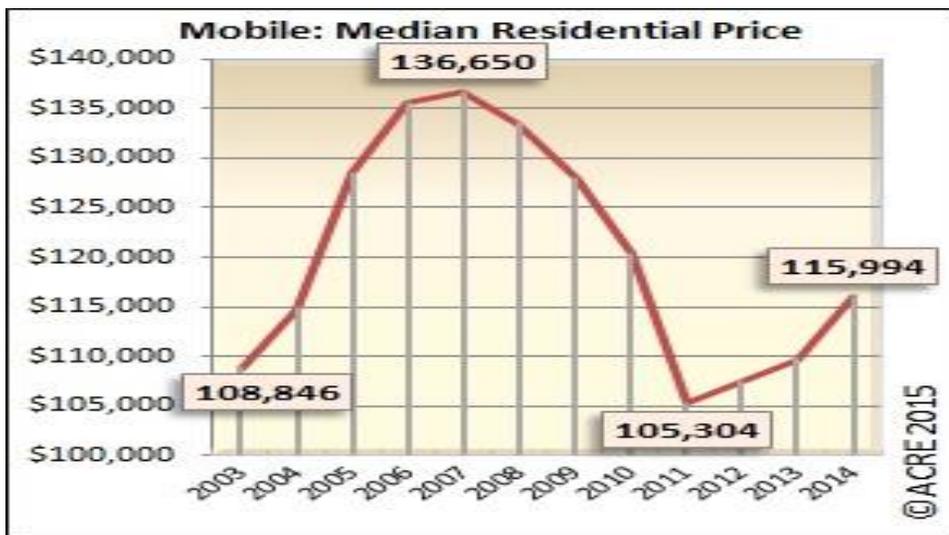
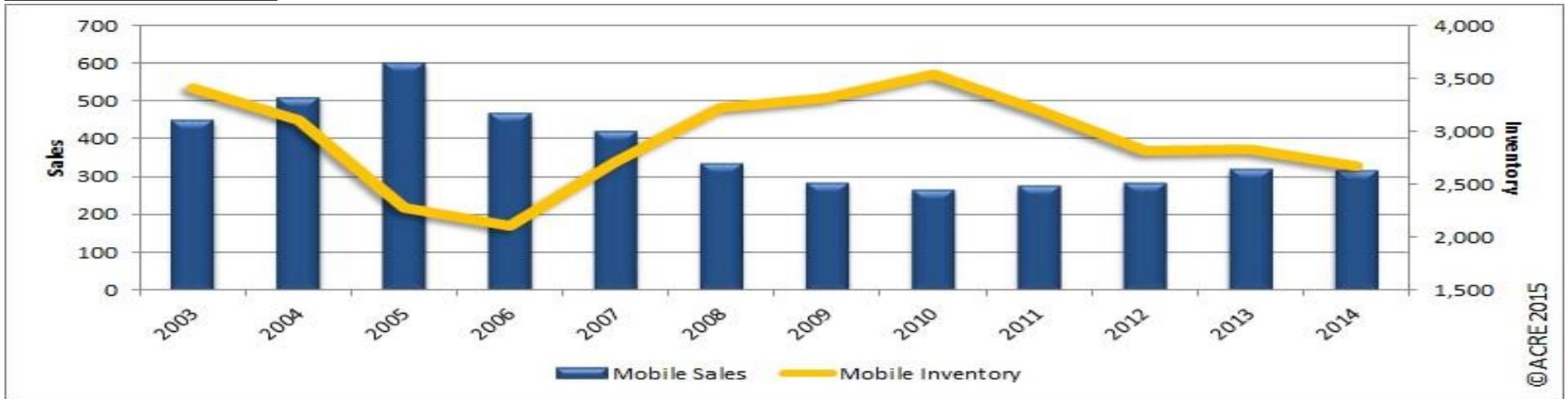


KEY STATISTICS (BALDWIN)

- Total residential sales increased to 4,669 units in '14 compared to 4,512 units in '13 resulting in a 3.5% increase.
- Year-end inventory totaled 2,842 units listed for sale versus 2,763 in '13 equating to an escalation of 2.9%. Inventory was down 47.9% from the December peak of 5,452 units in '06 and up 29.9% from the December trough observed in '04 at 2,188 units.
- There was 8 months of housing supply in December '14 against 7.4 months of reserves in December '13.
- 1,700 existing single family homes were identified for sale contrasted to 1,682 the previous year.
- As of year-end 179 new construction homes were listed as available for purchase as opposed to 153 last year.
- The median sales price of \$197,488 for '14 gained 6.5% from a median of \$185,388 in '13. This figure is north of 36.7% from the December '11 bottom of \$149,867.
- 1,380 building permits were issued in '14 contrary to 1,202 in '13 springing a 14.81% rise.



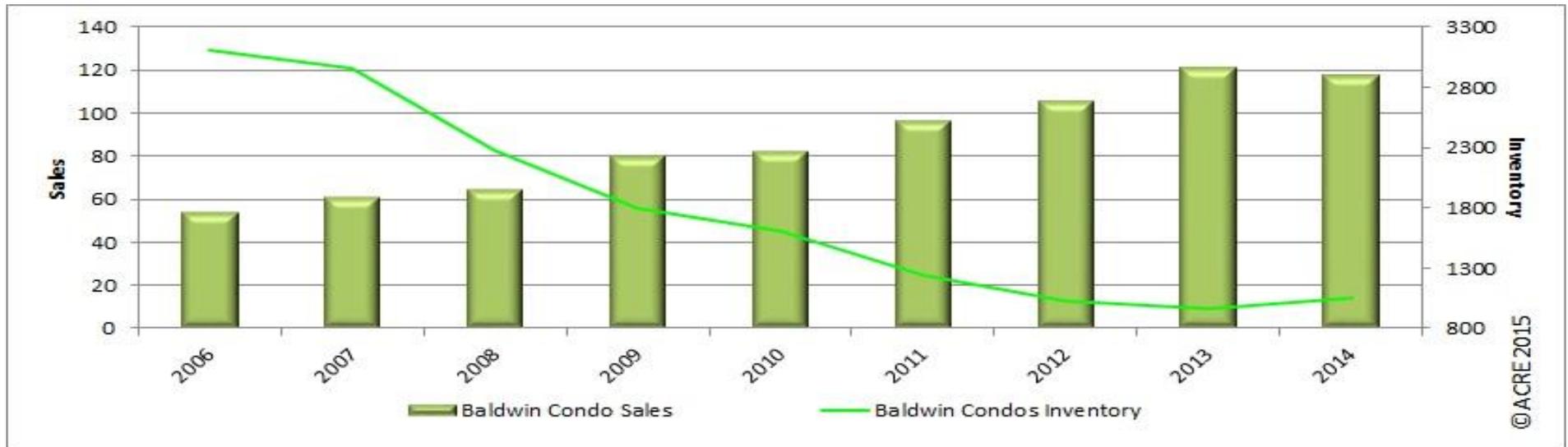
MOBILE COUNTY

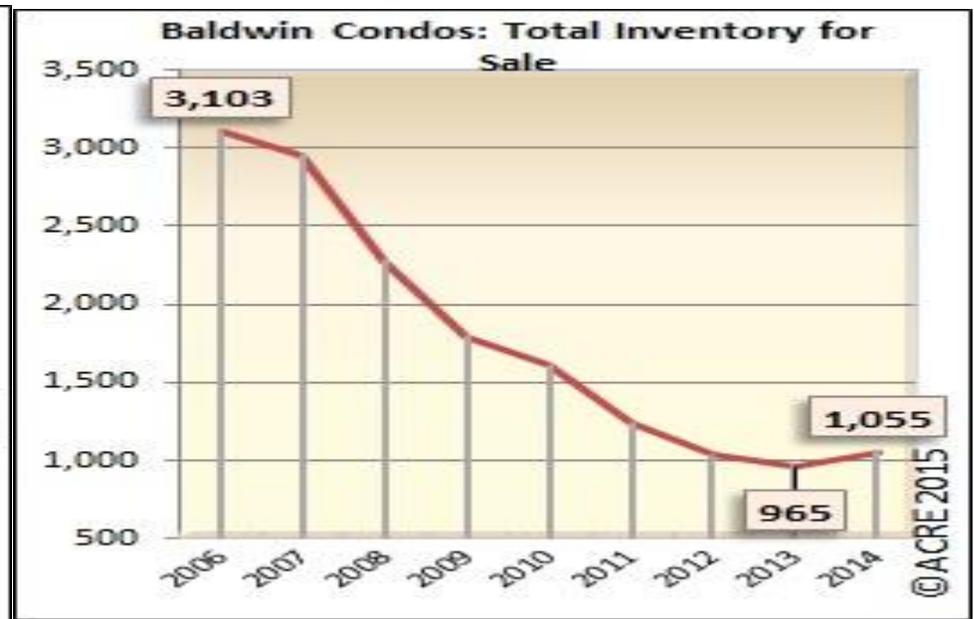
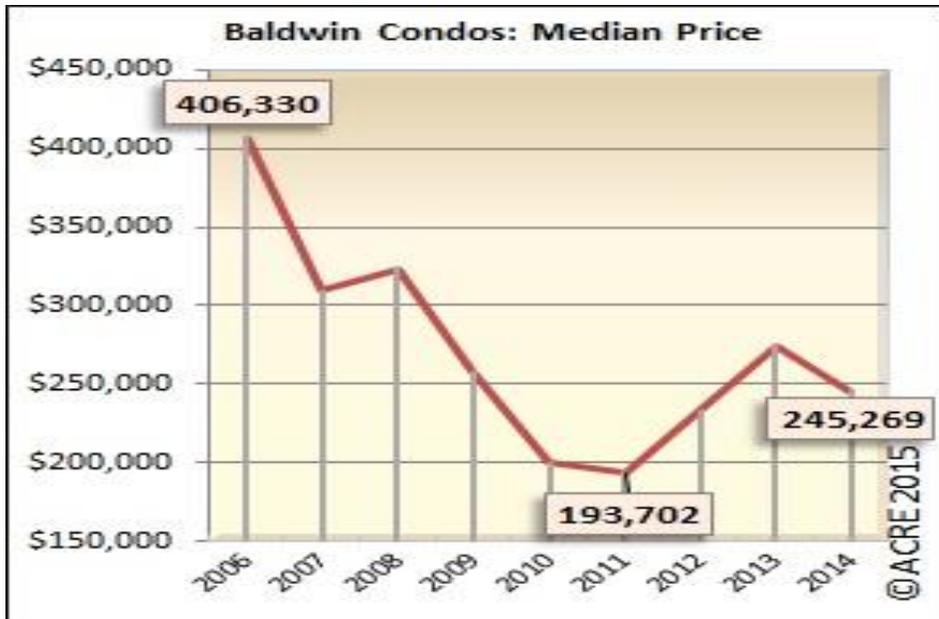


KEY STATISTICS (MOBILE)

- Total residential sales decreased to 3,779 units in '14 relative to 3,830 units in '13 leading to a 1.3% decrease.
- Year-end inventory ended at 2,477 units listed for sale contrary to 2,594 in '13 yielding a drop of 4.5%. Inventory has dipped 25.6% from the December peak of 3,330 units in '09 and has ascended 19% from the December low point witnessed in '05 at 2,081 units.
- There was 8 months of housing stock in December '14 versus 9.2 months of supply in December '13.
- 2,237 existing single family homes were being marketed measured to 2,363 the prior year.
- As of year-end 157 new construction homes were labeled available as contrasted to 145 the past year.
- The median sales price of \$115,994 for '14 jumped 5.7% from a median of \$109,736 in '13. This number is above the December '11 bottom of \$99,900 by 6.1%.
- 632 building permits were given in '14 creating a 4.64% upturn from the 604 pulled in '13.

GULF COAST CONDO MARKET





- Gulf Coast condo sales amounted to 1,408 units in '14 relative to 1,450 units in '13 causing a 2.9% decrease.
- Year-end inventory tallied 963 units listed for sale versus 928 in '13 equating to an upswing of 3.8%. Inventory was depressed 37.7% from the December peak of 1,545 units in '09 and up 3.8% from the December trough observed in '13 at 928 units.
- The median sales price of \$245,269 for '14 was deflated 10.6% from a median of \$274,215 in '13. This average progressed 34.8% from the December low of \$185,000 recognized in '11.
- Note: Even though the overall statistics may not portray a good year for the condo sector we can assure you that gulf front condos are at the highest demand since the recession originated. The drop in the median price was due to the abnormal number of high end closings experienced in Turquoise Place and Phoenix West II in 2013. Sales comparisons performed within the same complexes would actually show compelling appreciation year over year. The decline in the number of transactions can be linked to the lack of quality inventory. There is a dire need for new product across all price points at the moment, which has led to liveliness on five different gulf front projects from Perdido Key to Gulf Shores with two already having begun driving test piles.

SCORECARD***Last year in our annual market report we made the following predictions for 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 quickly.*

So how did we do?

“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.” - *Excerpt taken from the Bellator 2013 Market Recap*

- **Housing Prices:** Prices locally were up 6.5% in Baldwin and 5.7% in Mobile, on par with the 6.6% increase experienced nationally over the course of the last year.
- **Home Sales:** We did not experience the quantity of sales we were hoping for, but the starts figures across both counties were encouraging. We estimated permits to settle at 1,400 for Baldwin and 600 for Mobile for a total of 2,000 between them. Baldwin County produced 1,380 permits and Mobile exceeded our estimate with 632 to combine for 2,012 total. These numbers are up over 41% from the combined low of 1,424 struck in 2011.
- **Foreclosures:** Deal flow on distressed assets was scarce in 2014. Very few large deals came to market, and the ones that did were priced to present values as opposed to fire sale levels. Home foreclosures dropped tremendously and did not play a major role in marring valuations or impeding progress on the new construction front.
- **Transaction Volume:** Swing and a miss may be the best way to describe this one. For the most part we experienced a flat year, but new development activity did provide a bright spot. The overall stale performance can be linked to the lack of attractive inventory and added appreciation. The paradigm finally turned a corner to becoming more of a Seller's market. Many sales were also lost due to Buyers that had been sitting on the fence for years too hesitant to pull the trigger could not get themselves over the emotional hurdle of knowing they missed the bottom. The only result of this was low offers at 2011 prices and Sellers electing not to concede. The majority of homes are now selling within 3% of asking price.
- **Opportunities:** New development has escalated excessively in both the commercial and residential arenas. More subdivisions were developed in Baldwin County this past year than the previous six years combined and there does not appear to be any falloff in the immediate future. The margin for error is still extremely small on all types of new development in our area, but as things continue on the path to a full recovery those willing to take on the associated risk should benefit from being early movers.
- **Biggest Threats to the Real Estate Market:** To say we are shocked to see interest rates lower today than when we made this prediction last year would be an understatement. In January of '14 Freddie Mac quoted 4.43% on a 30 year mortgage and in January of this year they posted 3.67%. We have been spoiled to have rates remain depressed for as long as they have. Low



rates are certainly an asset to our industry, but on the residential side Buyers do not seem to be making their decisions based off feeling pressure from an interest rate hike. A little more volatility may actually help spur sales in the short term.

2015 OUTLOOK

We made it evident that we sensed 2014 would be a breakout year for our market, and though we were early to call the surge, we stand by our prognostication that the flood gates shall open in short order. All signs genuinely do point to go. Low interest rates, ample credit availability, heightened development activity and the trend of more and more people discovering that southern Alabama is a remarkable place to live and work all point toward appreciation. Below are several items we think will occur as we march onward into 2015:

- **Housing Prices:** Prices locally will slightly outpace the national average on both new and existing homes with the primary drivers being increased lot prices and overall replacement cost. Quality lots are already scarce, and with rising development costs on new home sites, prices have nowhere to go but up. The lion's share of lots that were pocketed during the recession have now all but disappeared. Builders will attempt to pass on these increases to the end user in order to try and uphold any semblance of acceptable margins. Construction costs have been increasing for quite some time, and with builders already battling a shallow labor pool, there is no reason to expect the trend not to persist.
- **Home Sales:** Expect double digit growth on a percentage basis in both counties related to the number of residential transactions. Builders were carrying the largest backlogs seen at any juncture over the last seven years heading into 2015. The accumulation of these contracted homes will boost sales and lead to a lift in starts. Baldwin should stay around the 15% mark and surpass 1,600 permits while Mobile should improve closer to 10% at nearly 700 starts. Existing homes will see the benefit of appreciation, but don't expect velocity to increase too significantly. Sellers are gaining more confidence daily and with that comes higher asking prices and less motivation to negotiate.
- **Foreclosures:** At this instant foreclosures are almost an afterthought. They will trickle through the system with the bulk of the deal flow coming via smaller transactions, but will not impede appreciation or discourage new development.
- **Transaction Volume:** Higher average price points will contribute to a surge in overall sales volume in both counties. Amplified commercial activity and widespread development will play sizeable roles in the enhancement to the less than impressive horizontal step we took in 2014.



- **Opportunities:** If you aspire to earn noteworthy returns in today's market you have to be willing to invest in development deals. The form of these investment opportunities can come in many shapes and sizes whether it be rehabbing a foreclosure, partnering with a builder to construct a spec home, investing in a partnership centered around a specific deal or buying into projects during the preconstruction phase. Credit has undeniably loosened up, but lenders are requiring real equity on the front end to underwrite deals. Developers will be on the lookout for investors to bridge this gap and will eagerly offer up attractive returns in exchange for your cash on the front end. Do your homework and invest with the right people.
- **Biggest Threats to the Real Estate Market:** Our biggest enemy is falling victim to the too much too fast phenomenon. There are several things that could take place to send shockwaves across our market, but interest rates endure as the number one hazard. To echo what we stated last year "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." The other peril is too much appreciation. Our market needs to maintain its climb back up the mountain, but if we get ahead of ourselves with price escalation then velocity will all but disappear. The end result will be overpriced listings sitting idle, which will ultimately give way to price reductions that send us back in the wrong direction. In reality there is more of a likelihood of this occurring in 2016, but it is worth noting as a potential danger.

In closing, 2014 was not everything we hoped for, but it was a very healthy, constructive year for the market. The question lingering in your mind should not be if the boom is going to happen, but plainly a matter of when. The table has been set for an outstanding year that will guide us into an astonishing run of success shared by all invested in the coastal Alabama real estate market. Thanks to each of you for your loyalty, support and friendship as we look forward to applauding your victories that are surely just around the corner. Make a conscious decision to do great things this year, and most importantly never hesitate to let us know if we can help you achieve your goals in any area of your life.

PARTING SHOT

“Continuous effort – not strength or intelligence – is the key to unlocking our potential.” – Winston Churchill



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.

