Urban Land Institute

“The Future is Your Decision”

Presented by

ITR

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There are only two things to worry about. Either that things will never get back to normal, or that they already have.
The U.S. economy remains almost comatose. The current slump already ranks as the longest period of sustained weakness since the Great Depression. Once-in-a-lifetime dislocations will take years to work out.

Among them: the job drought, the debt hangover, the defense-industry contraction, the banking collapse, the real estate depression, the health-care cost explosion and the runaway federal deficit.

Even the economists do not have a name for the present condition, though one has described it as "suspended animation" and "never-never land."

TIME
September 28, 1992
US Industrial Production to Gross Domestic Product
Year-over-year Quarter to Quarter (3/12)

GDP
US IP

-15
-10
-5
0
5
10
15

-15
-10
-5
0
5
10
15

'82 '84 '86 '88 '90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12 '14

-7.1%
-3.1%
-5.3%
-14.6%
3.3%
1.8%
Annual US Industrial Production

12mma index: 2007=100
Global Industrial Production Indices
12/12 Rates-of-Change

<table>
<thead>
<tr>
<th>Region</th>
<th>Rate of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE Asia</td>
<td>6.2</td>
</tr>
<tr>
<td>Europe</td>
<td>5.6</td>
</tr>
<tr>
<td>US</td>
<td>4.7</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.6</td>
</tr>
<tr>
<td>Japan</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

Graph showing the rates of change in industrial production indices for various regions from 2000 to 2014.
• Europe’s financial troubles *trigger*…
• China’s housing/inflation bubble *could*…
• Oil prices *might rise above* $110 …
• USD *could* lose all credibility causing…
• Inertia among US Leadership *continues*…
Vistage CEO Confidence Index 1,700 Small to Mid-Size Co. Confidence 83.5% 3Q down 105.2 1Q Flat Next Six Months
Purchasing Managers Index
Raw Data

Business Confidence Index

raw

30 35 40 45 50 55 60 65 70

'90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12 '14

50.8
Need 150,000 net new jobs or more to move the needle

Businesses have “right-sized” & are profitable
Trends 10
Based on Annual Year-over-year Growth Rates

Wholesale Trade  Medical
Retail  Production  New Orders  Prices
Foreign  Financial

Nonresidential Construction
Housing

Hard Landing
Soft Landing
US to Minneapolis/St. Paul Median Home Sale Prices
Annual Data Trends
Minnesota Building Permits
Thousands of Units

Demand Low
Shifting priorities
Credit Tight
Excess Inventory
Prices declining
Unemployment

R-O-C

MMT

US Industrial Production to Private Non-Residential Construction
12/12 Rates-of-Change

Forecast Total Private Non-Res

2012 5.4%
2013 4.5%

Recovery projected to be “fastest” in Hospital, Multi-Family, Power, Commercial, Athletics, Industrial/Warehouse
Commercial Buildings Construction
Billions of $

-105 -90 -75 -60 -45 -30 -15 0 15 30 45 60 75 90 105

'94 '96 '98 '00 '02 '04 '06 '08 '10 '12 '14

3/12 12/12 3MMT 12MMT

May '03 Jan '08 Apr '08 Apr '10

11.7 -3.3 37.077

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Multi-Retail Buildings Construction
Private, Billions of $
Office Buildings Construction
Billions of $
Warehouse Buildings Construction
Private, Billions of Dollars

R-O-C

MMT

3/12
12/12
3MMT
12MMT
Apr '08

'96 '98 '00 '02 '04 '06 '08 '10 '12 '14

-180 -150 -120 -90 -60 -30 0 30 60 90 120 150 180

-30 -20 -10 0 10 20 30 40

-5.5 39.5 5.909
Public & Private Educational Buildings Construction
Data Trends

Public

Private
Total State & Local Government Construction
Billions of $

R-O-C

MMT

ITR Trends Report  www.itreconomics.com
General Government Gross Debt as a % of GDP (Selected Countries)

Combining government, business, bank and household debt as a percentage of GDP...

Source: IMF
7 Must Watch Items

- US Leading Indicator
- Purchasing Managers Index
- Retail Sales
- Employment
- Nondefense Capital Goods New Orders
- Money Supply
- Corporate Bonds Rate-of-Change

Available from ITR via ITR Trends Report, the ITR Advisor, or on the web

Source: The World Bank Group
The Road Ahead
(actual results may vary…stay tuned!)

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Slower rate of recovery</td>
</tr>
<tr>
<td>2012</td>
<td>Ongoing recovery</td>
</tr>
<tr>
<td>2013</td>
<td>Flattens but recession begins</td>
</tr>
<tr>
<td>2014</td>
<td>Mild Recession</td>
</tr>
<tr>
<td>2015</td>
<td>Growth</td>
</tr>
<tr>
<td>2016</td>
<td>Growth</td>
</tr>
<tr>
<td>2017</td>
<td>Growth</td>
</tr>
</tbody>
</table>

Opportunity
• World Rebooted in 2008-2009 ~ Feels different because it is....
  (De-leveraging, Weak demand, No speculation,
  Buy vs. lease, Right-sized for now, Values ???
  Indecision – longer to make a decision

• Take a longer-term view. If you knew today that the next 8Qs will see steady growth, what would you do? If you knew that money will be more expensive 8Q out what would you do? If you knew that inflation was likely to persist into 2015, what would you do? If you knew that demand will strengthen in 2H12...

• There is no Magic Bullet – Leadership DNA.
  – Election?
  – Embrace complexity
  – Borrow money
  – Creative & Aggressive
  – Increase Sales efforts
  – Raise prices
  – Distressed/Retrofit/Urban
  – Partnerships
Demographics

**Winning Demographics**

- USA ~ 300 million grows to 400 – 500 million
- India
- Indonesia
- Australia
- Mexico
- Brazil

**Negative Demographics**

- China
- Europe
- Japan
- Russia (13% want to leave)

Source: United Nations
World GDP, Bils of US $, Current Prices
Percent of World GDP

United States: 23.3%
China: 9.3%
Japan: 8.7%
Germany: 5.3%
France: 4.1%
United Kingdom: 3.3%
Brazil: 3.3%
Italy: 3.3%
Canada: 2.5%
Russia: 2.4%
Spain: 2.3%
Australia: 2.0%
Mexico: 1.7%
South Korea: 1.6%
India: 2.2%

Source: IMF
Be sure to tune in to “Make Your Move” with Alan & Brian Beaulieu

Mondays at 4 PM Eastern Time on the VoiceAmerica Business Channel

Listen live at www.voiceamerica.com
“What is behind us and what lies before us are tiny matters compared to what lies within us.”

Ralph Waldo Emerson
“It is not necessary to change. Survival is not mandatory.”

Edward Deming
Scientist, Management Guru
Helped Japan rebuild after WWII