

Urban Land Institute

“Outlook for 2009-2011”

December 2008

Presented By:

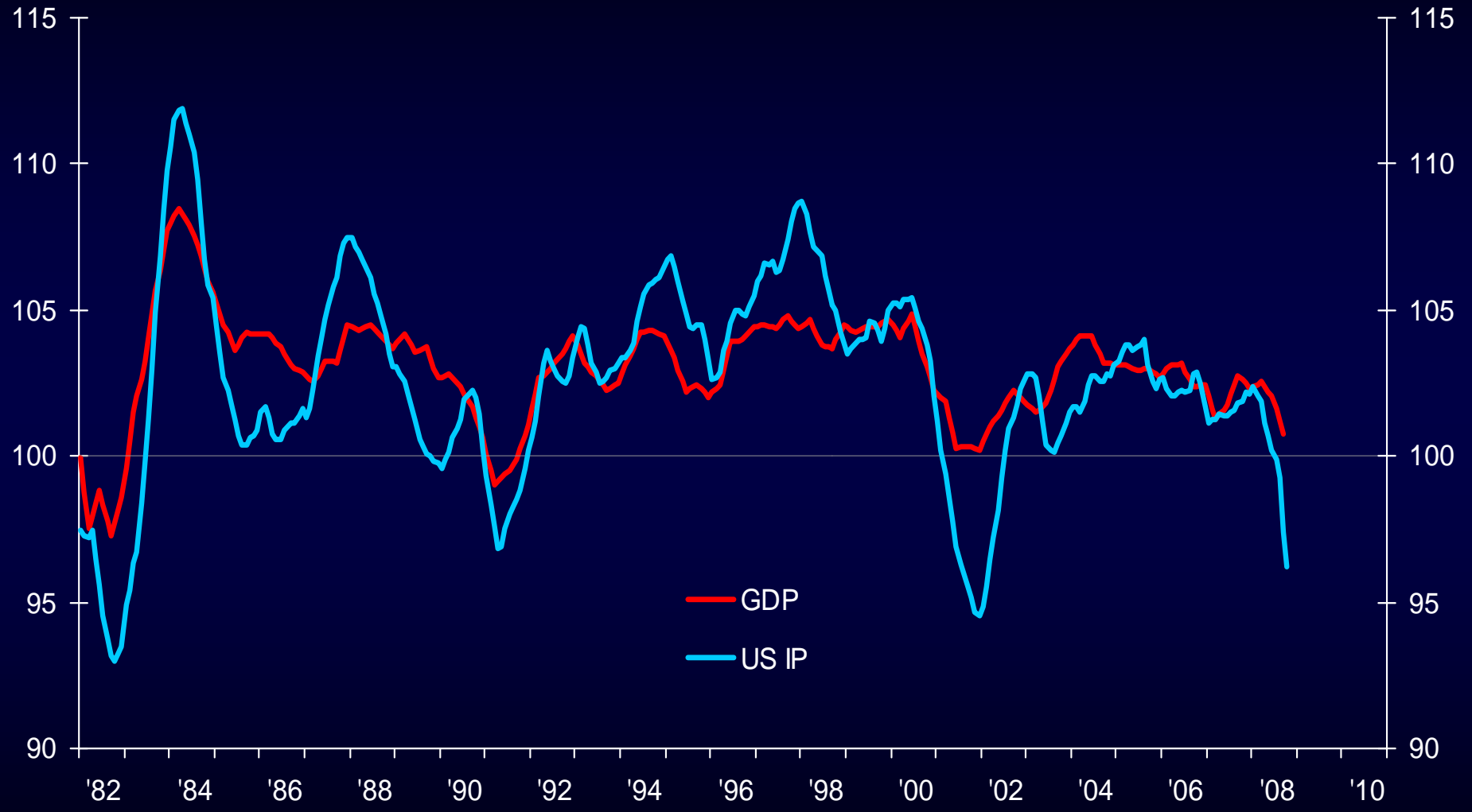
Institute for Trend Research

Brian Beaulieu

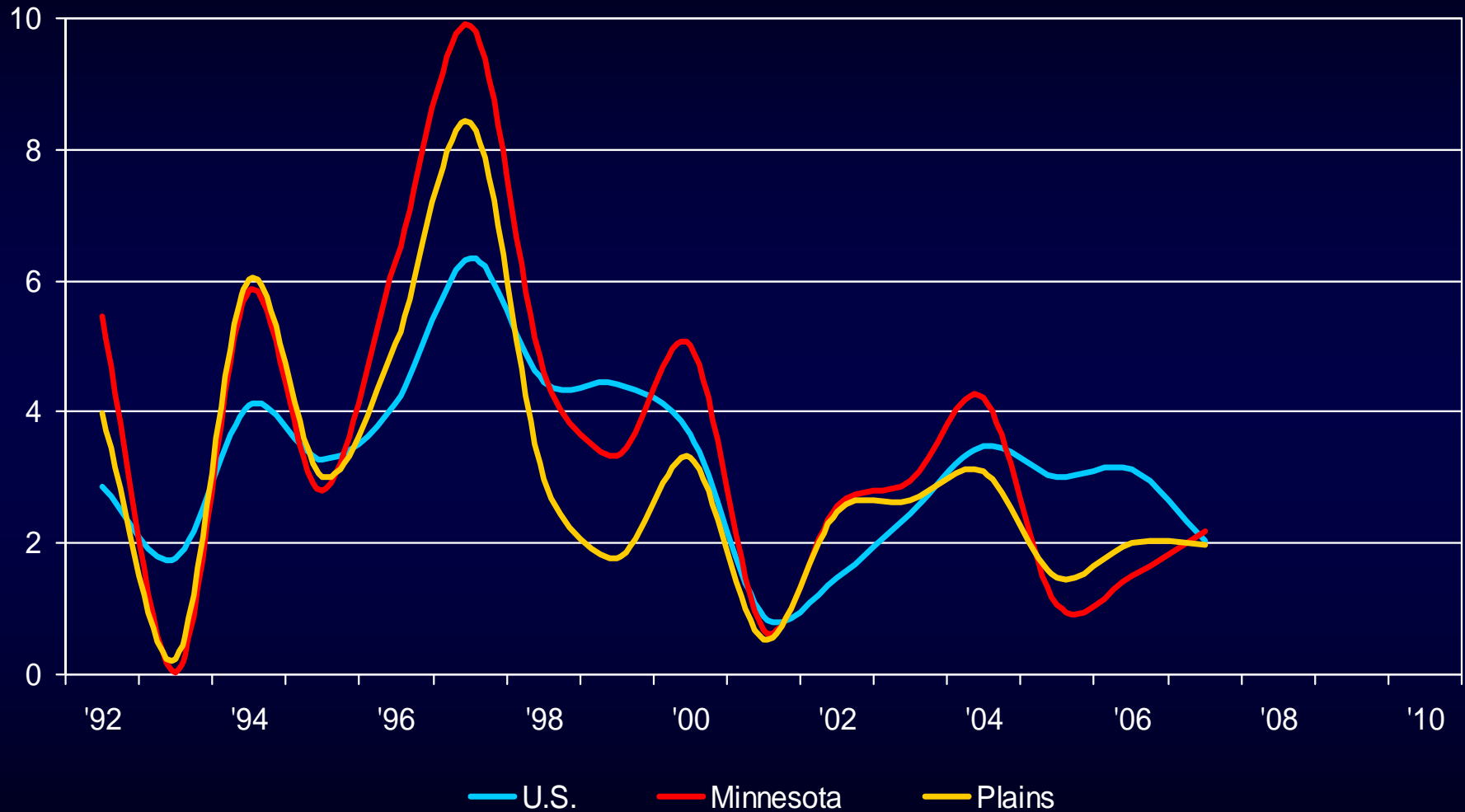
brian@ecotrends.org ◆ www.ecotrends.org

US Industrial Production to Gross Domestic Product

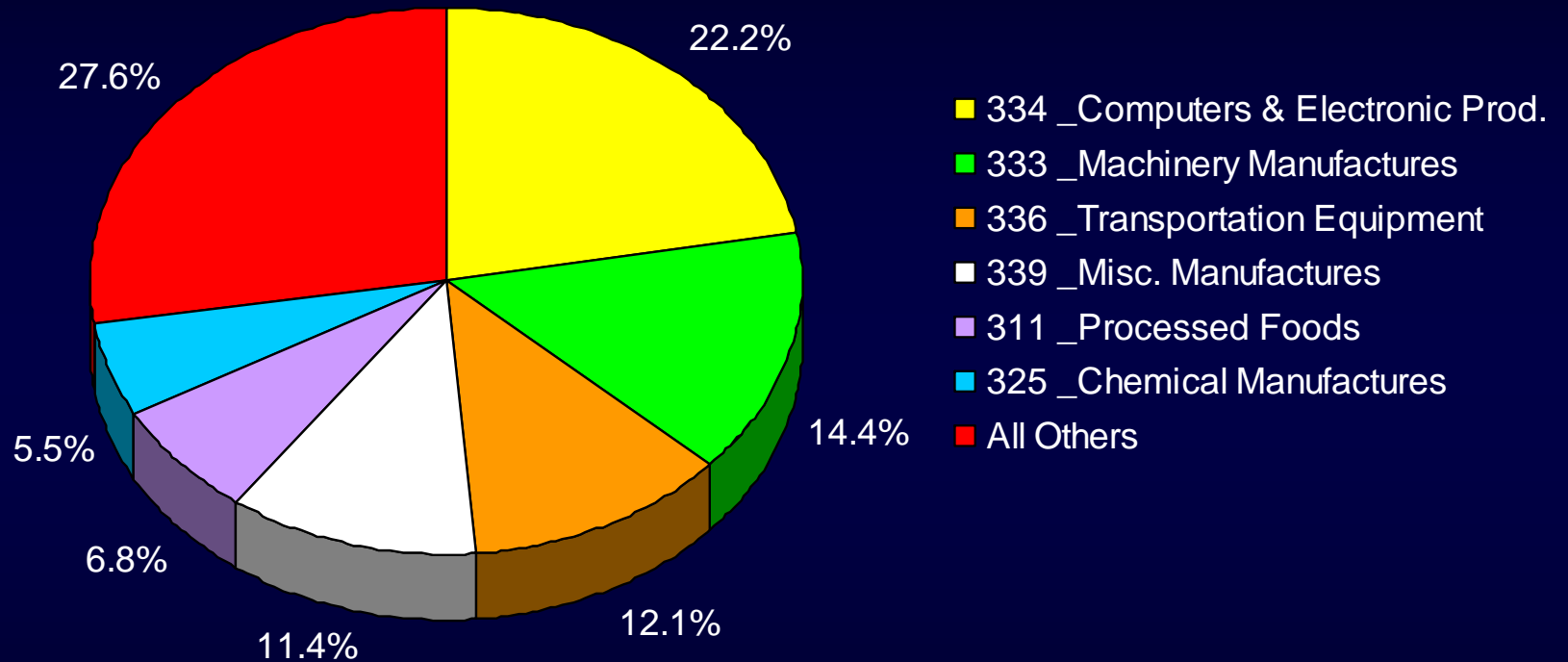
3/12 Rates-of-Change



US, Minnesota & the Plains Annual GSP Growth Rate



2007 Exports from Minnesota to World

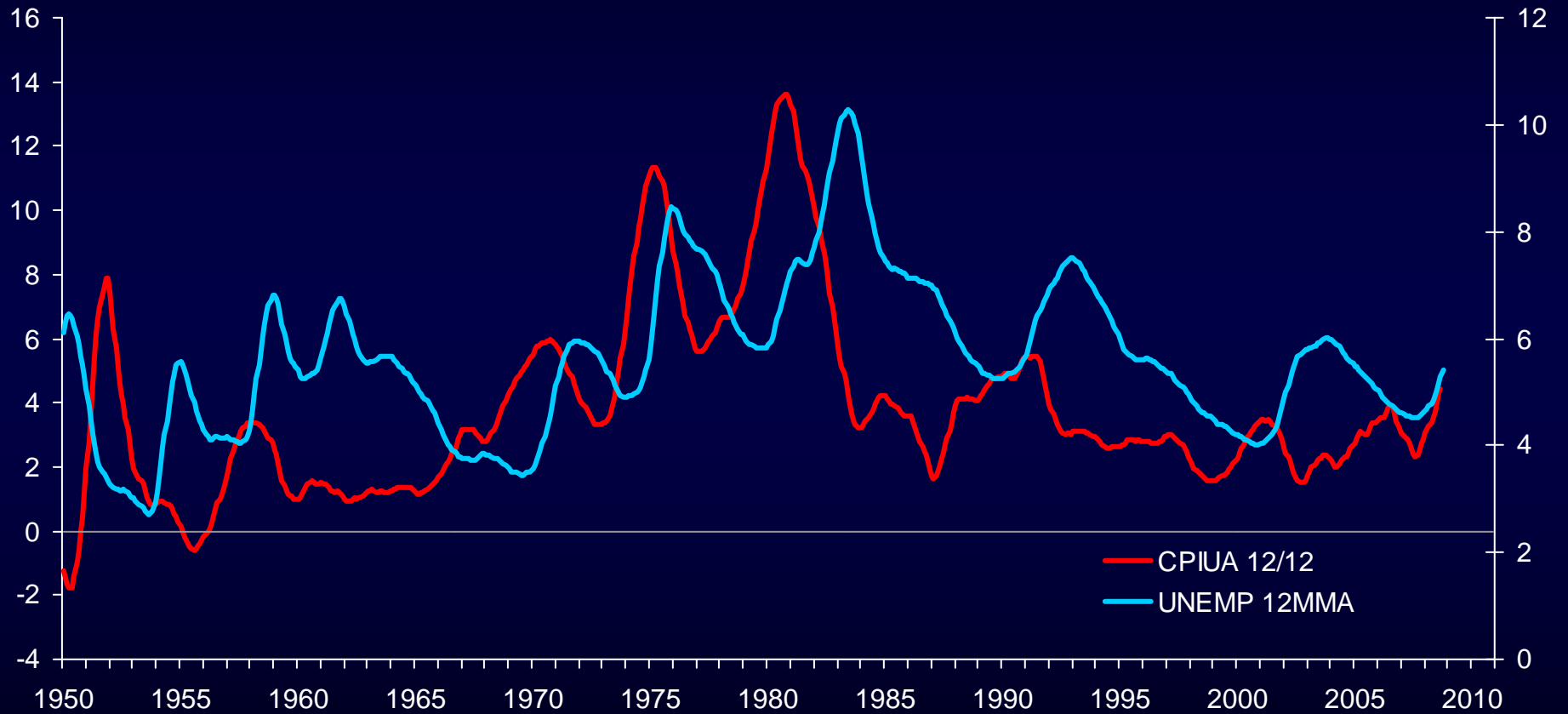


Unemployment Rate to Consumer Price Index

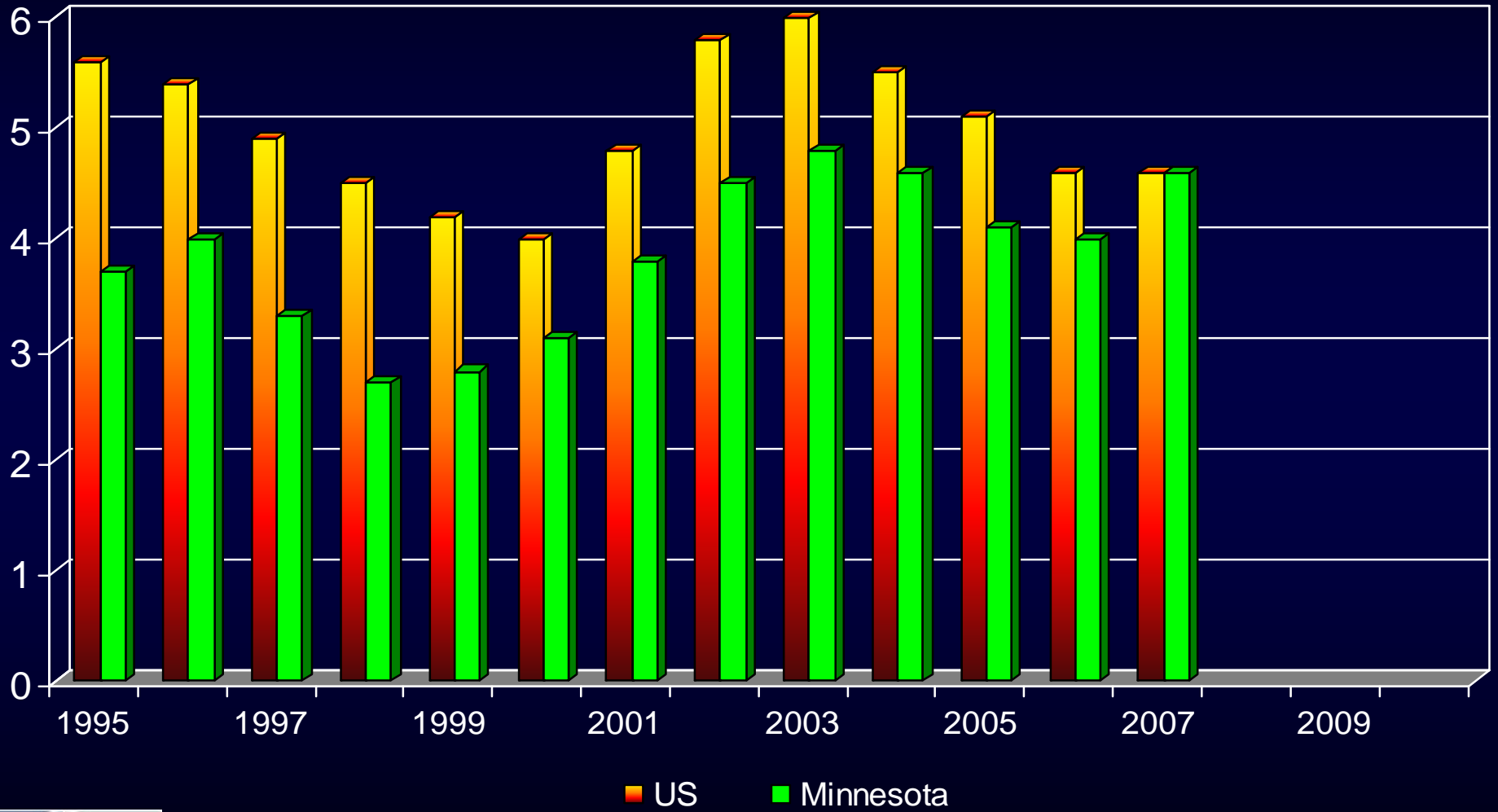
Data Trends to Rates-of-Change

CPIUA

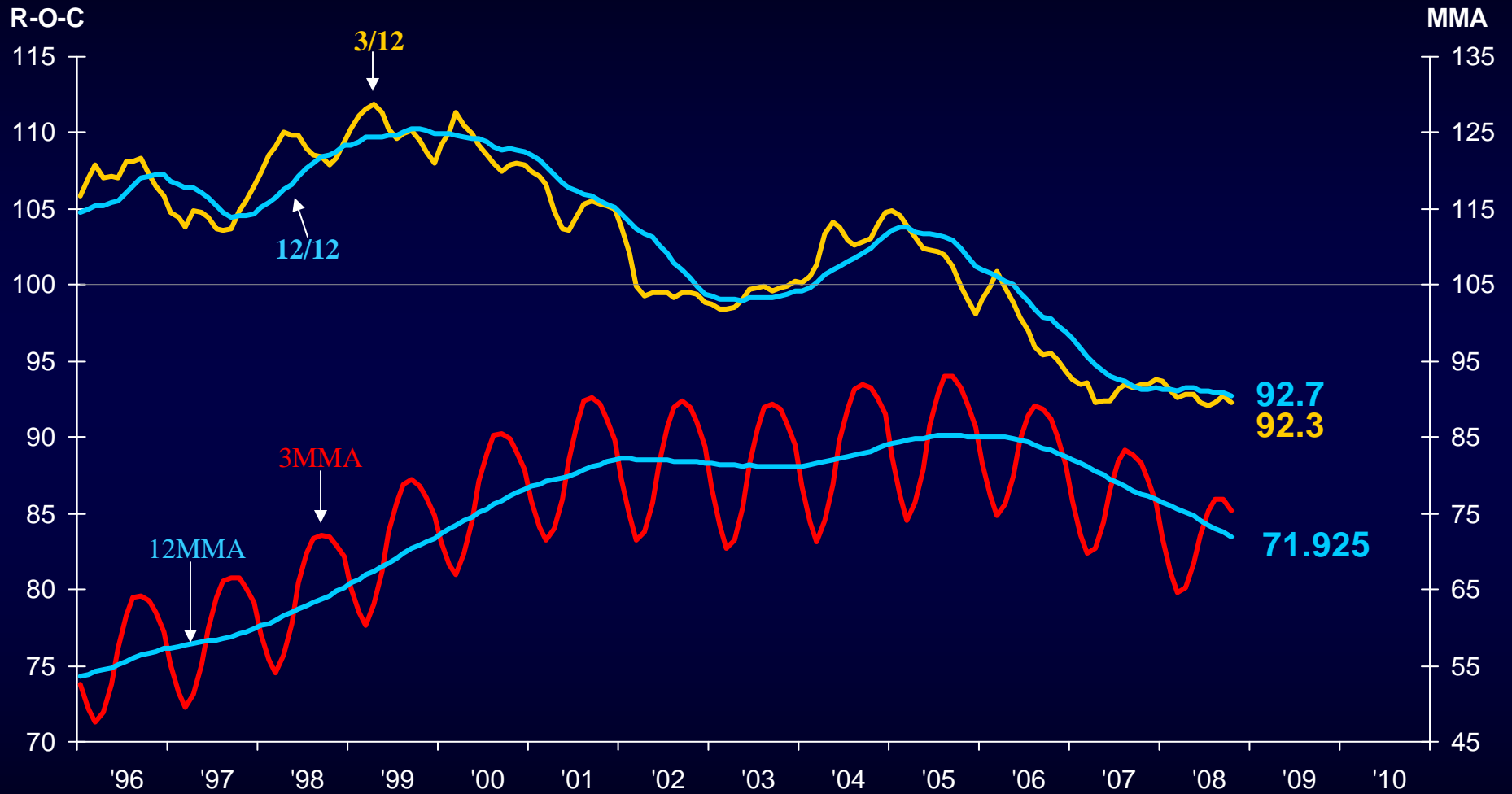
UNEMP



Unemployment Rates

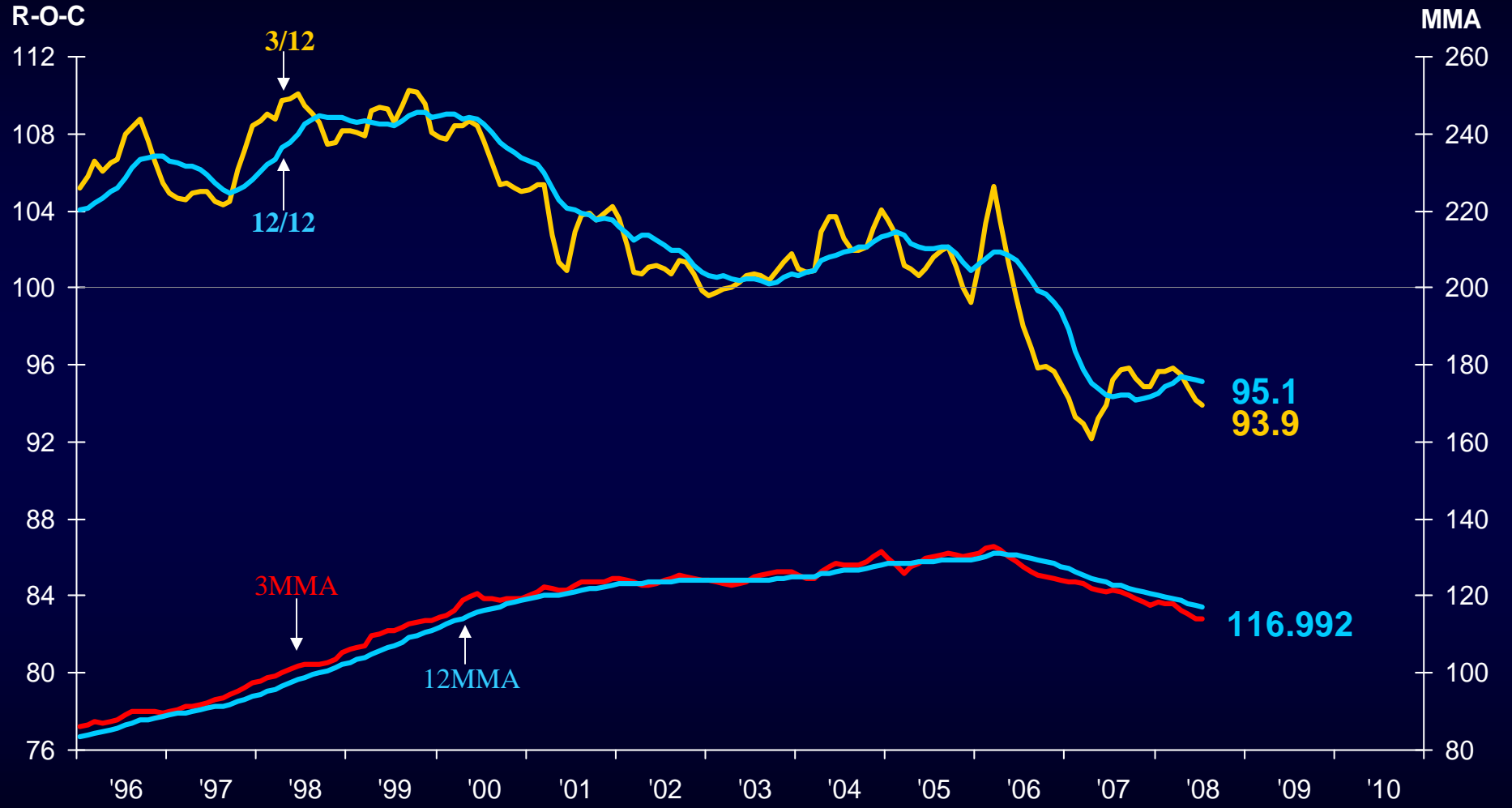


Minneapolis/St. Paul Construction Industry Employment Thousands of Units



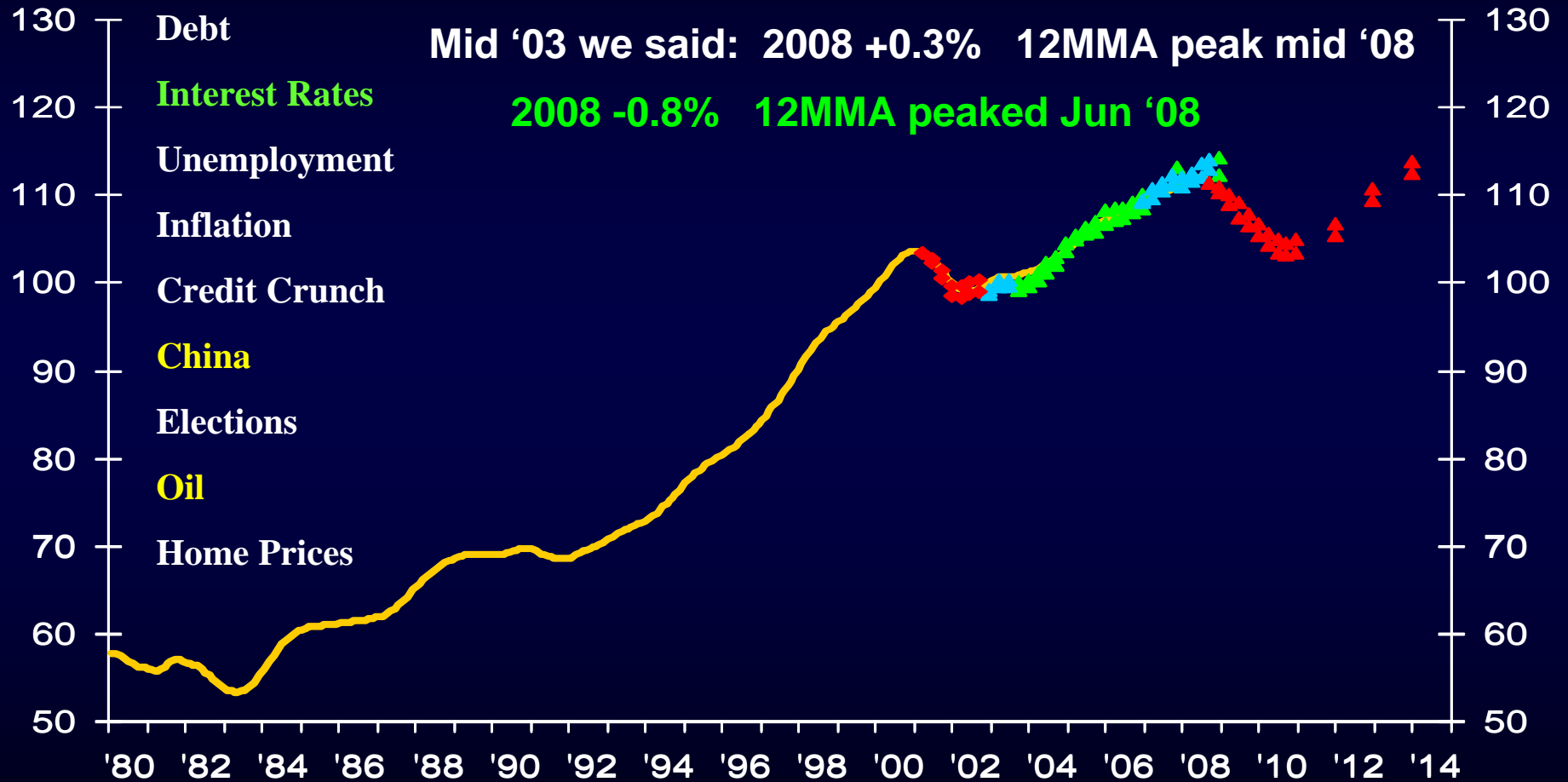
Minnesota Construction Industry Employment

Thousands of Units



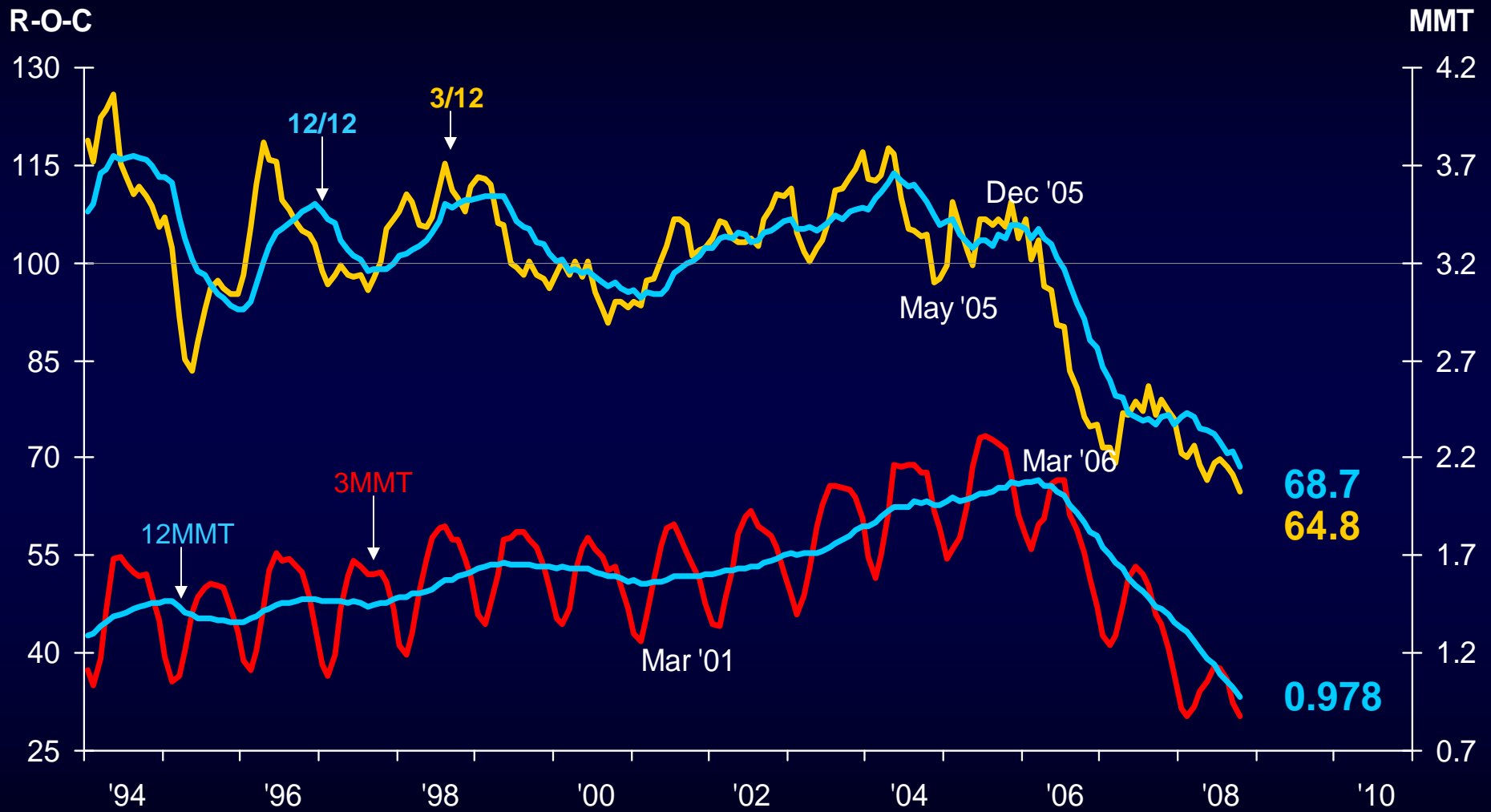
US Industrial Production Index

Forecast Through December 2013
Annual Average Index



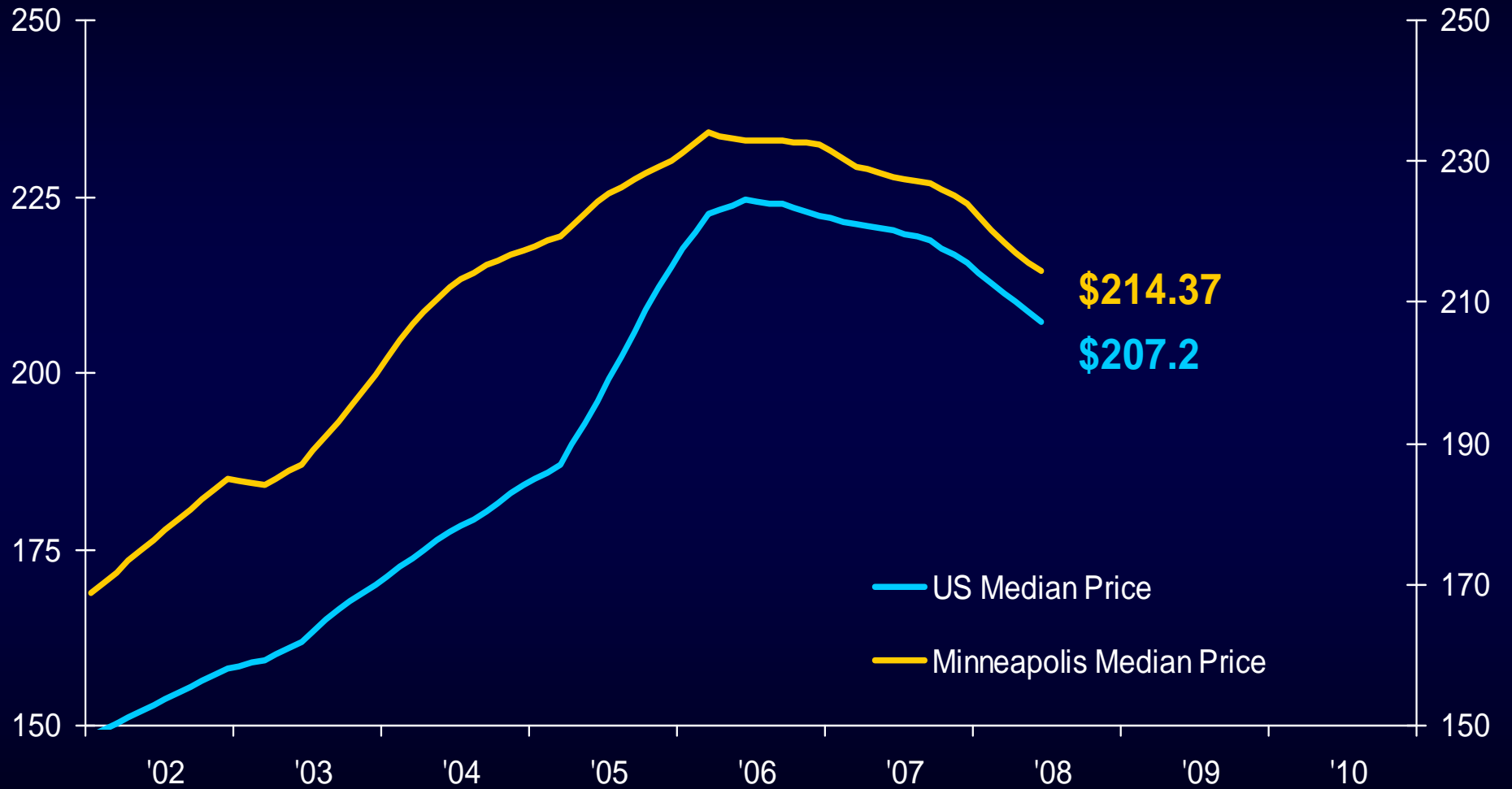
Source: ITR's EcoTrends[®]
Monthly Economic Report

Housing Starts Millions of Units



Source: ITR's EcoTrends[®]
Monthly Economic Report

US to Minneapolis/St. Paul Area Median Home Sale Prices Annual Data Trends

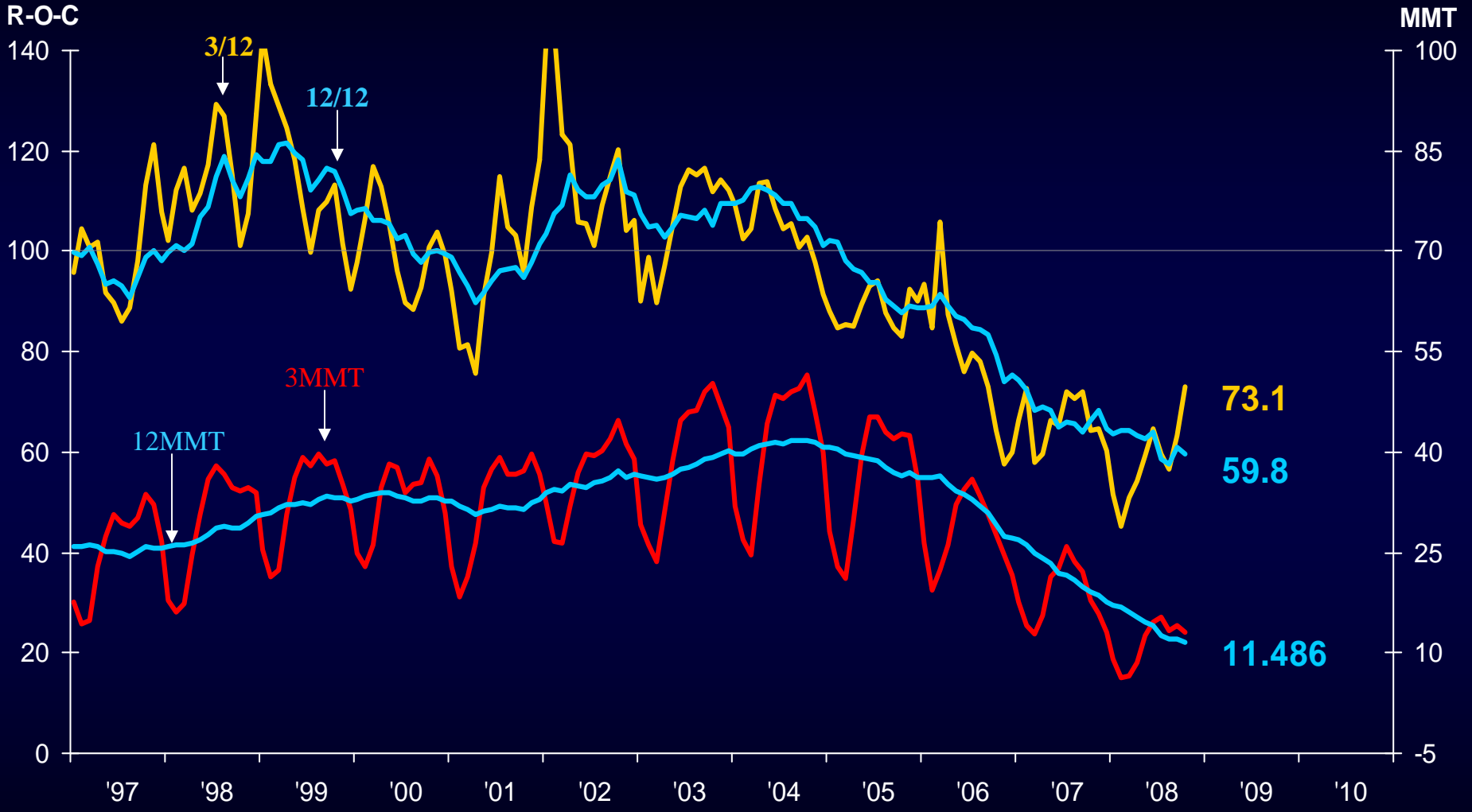


Building Permits 12/12 Rates-of-Change



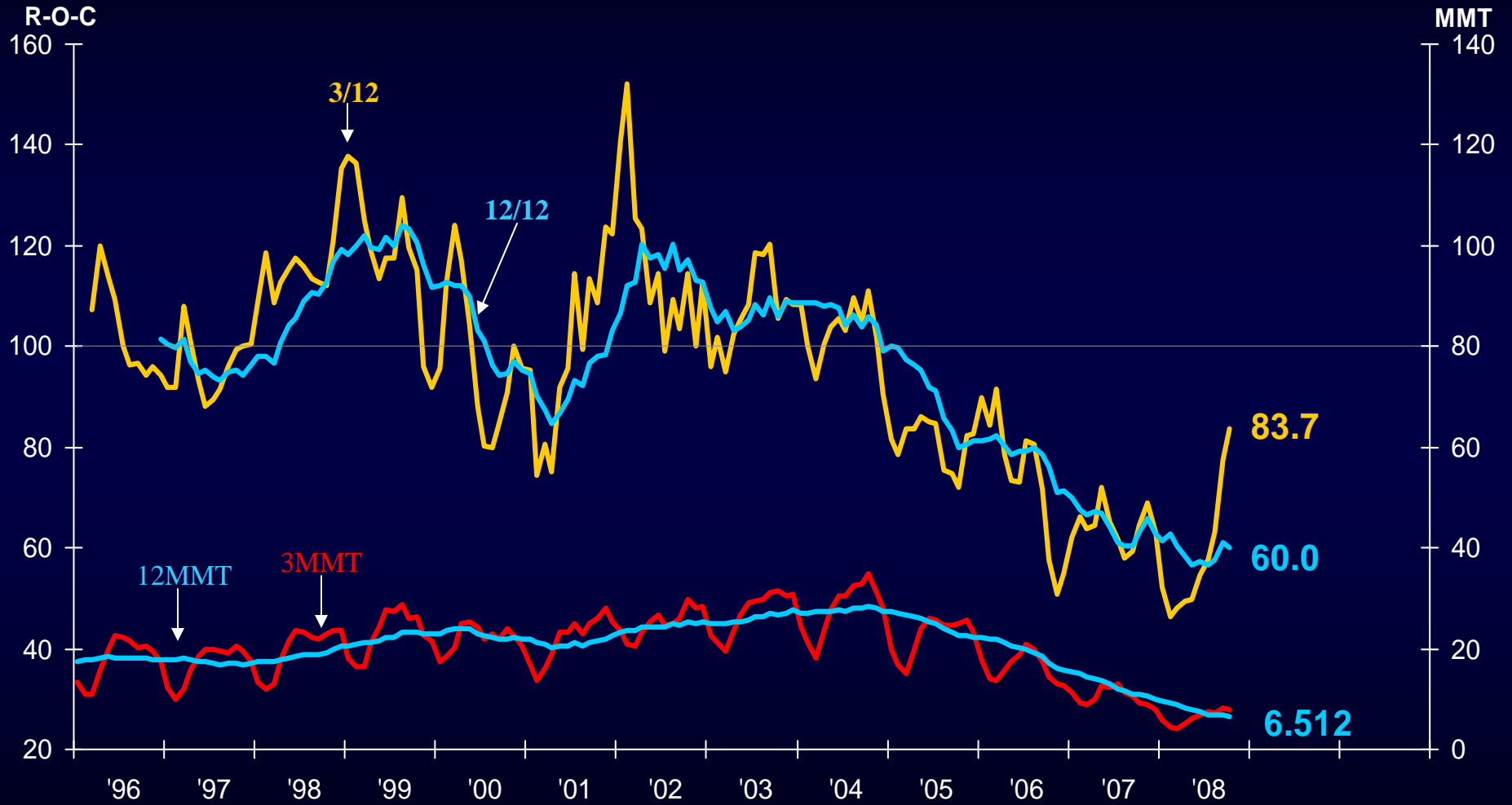
Minnesota Building Permits

Thousands of Units

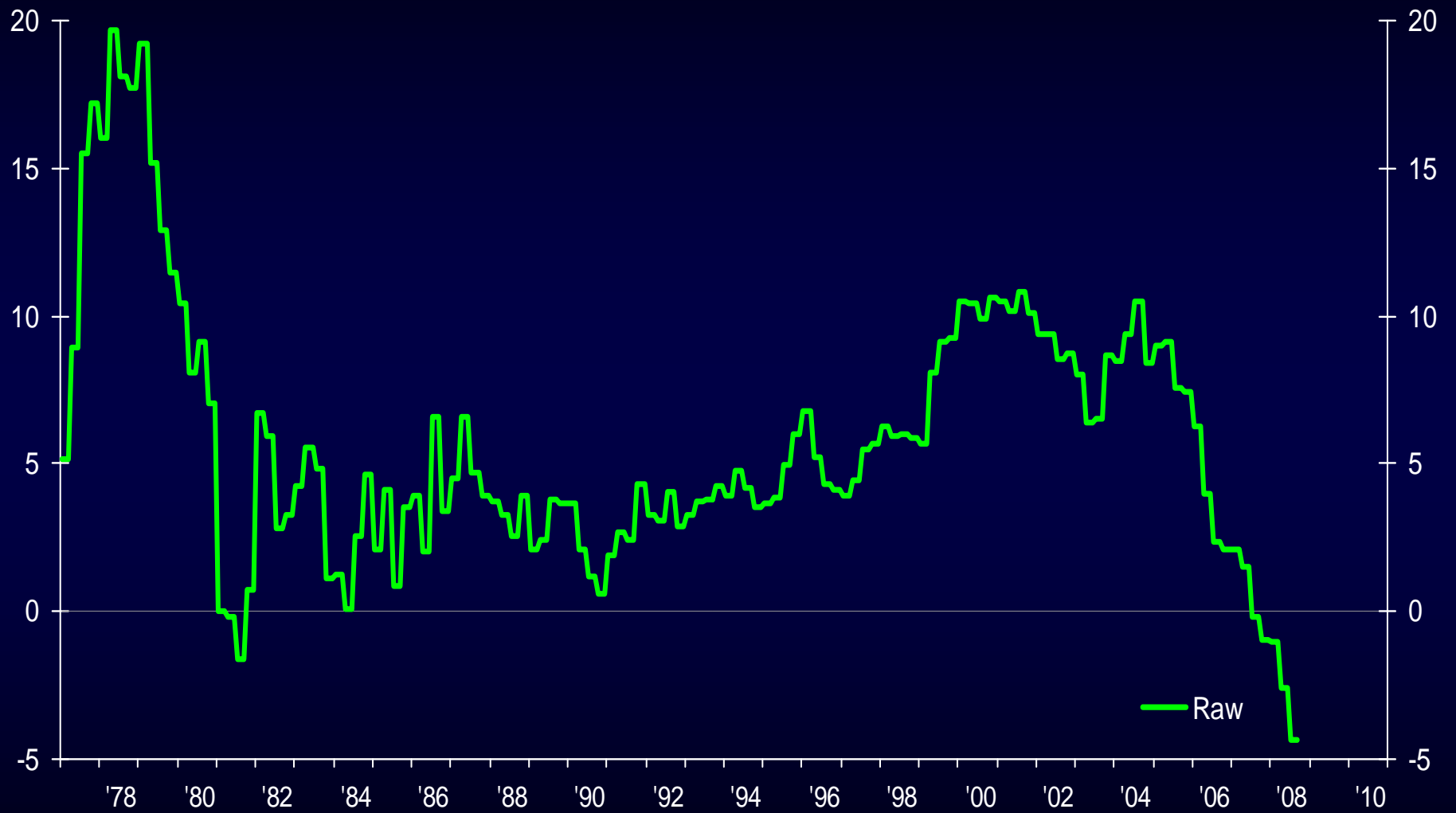


Minneapolis Building Permits

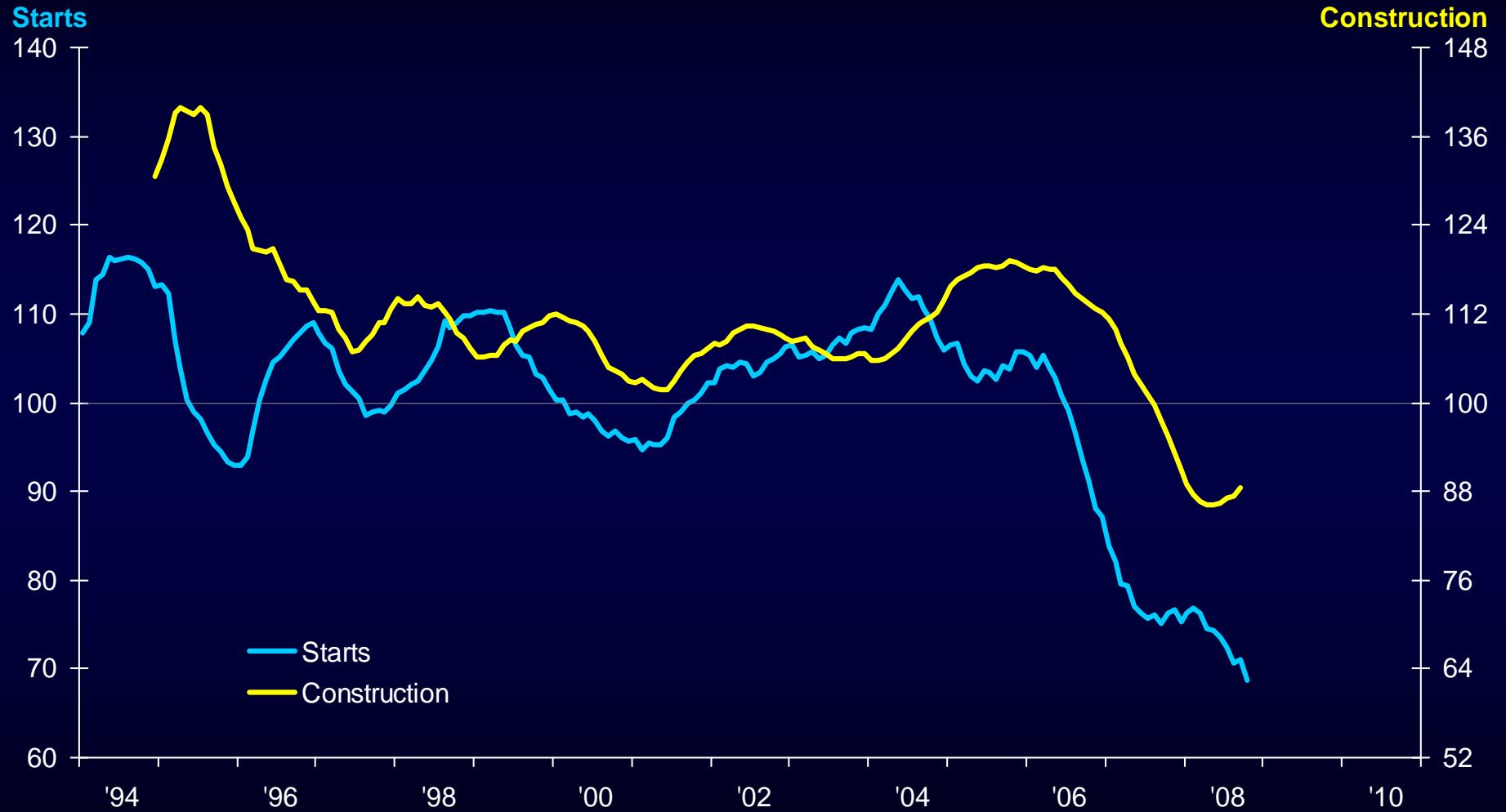
Thousands of Units



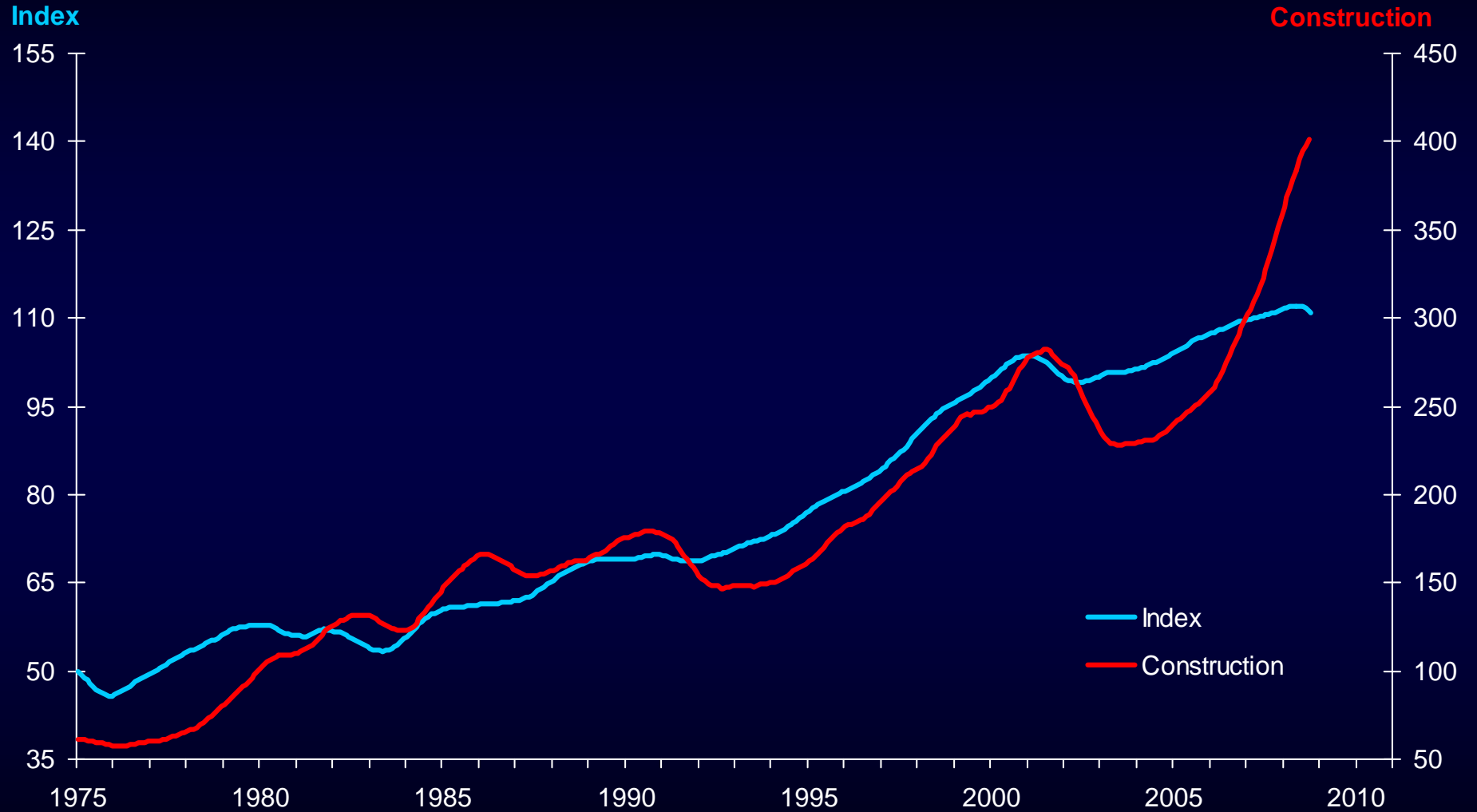
Minnesota Housing Price Index Year over Year % Change



Housing Starts to Multi-Family Residential Construction 12/12 Rates-of-Change



US Industrial Production to Non-Residential Construction Data Trends



Architecture Billings Index

12/12 Rates-of-Change

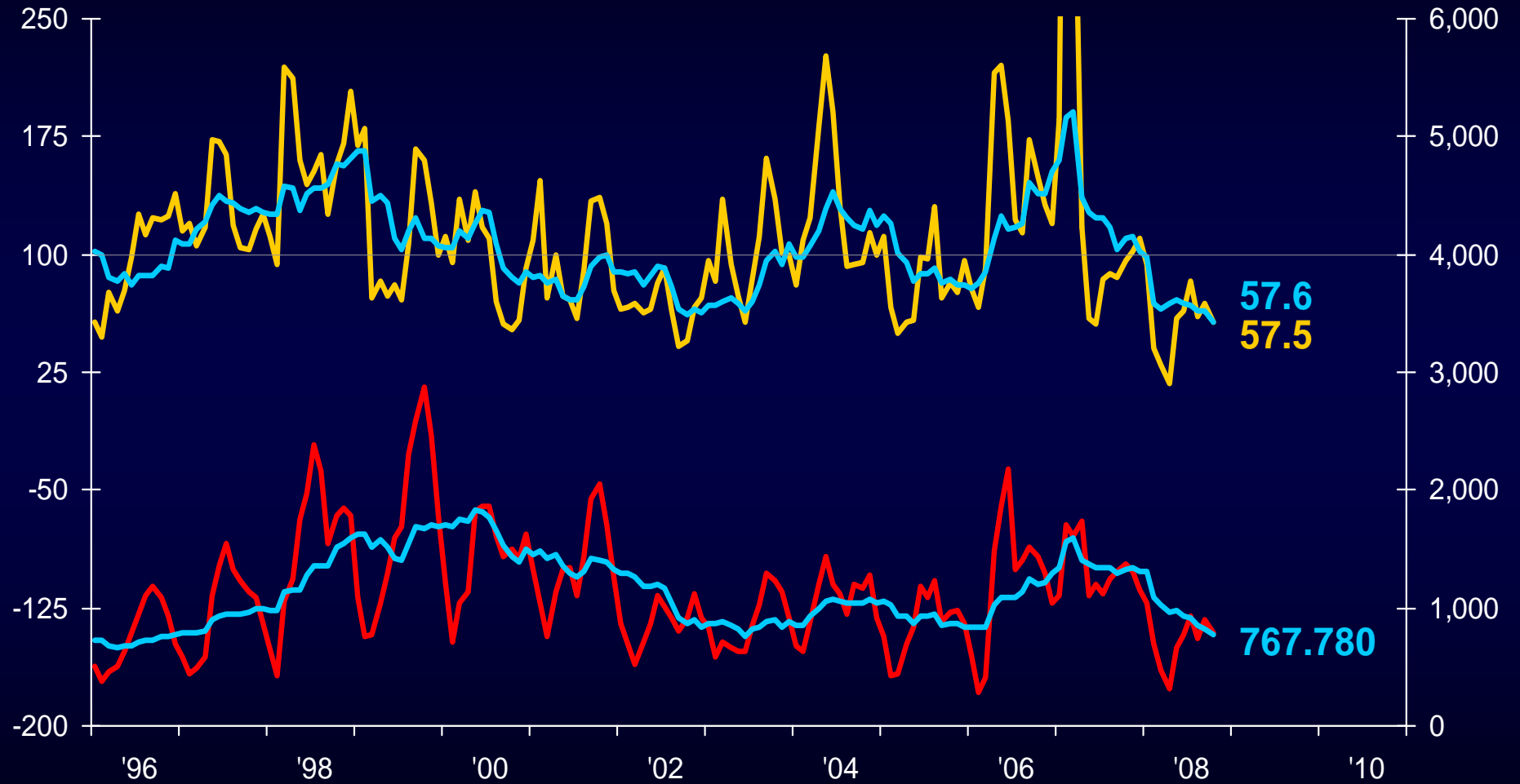


Minnesota Total Value of Commercial Construction

Thousands of Dollars

R-O-C

MMT



Minnesota Commercial Construction to Spending, Area and Number 12/12 Rates-of-Change



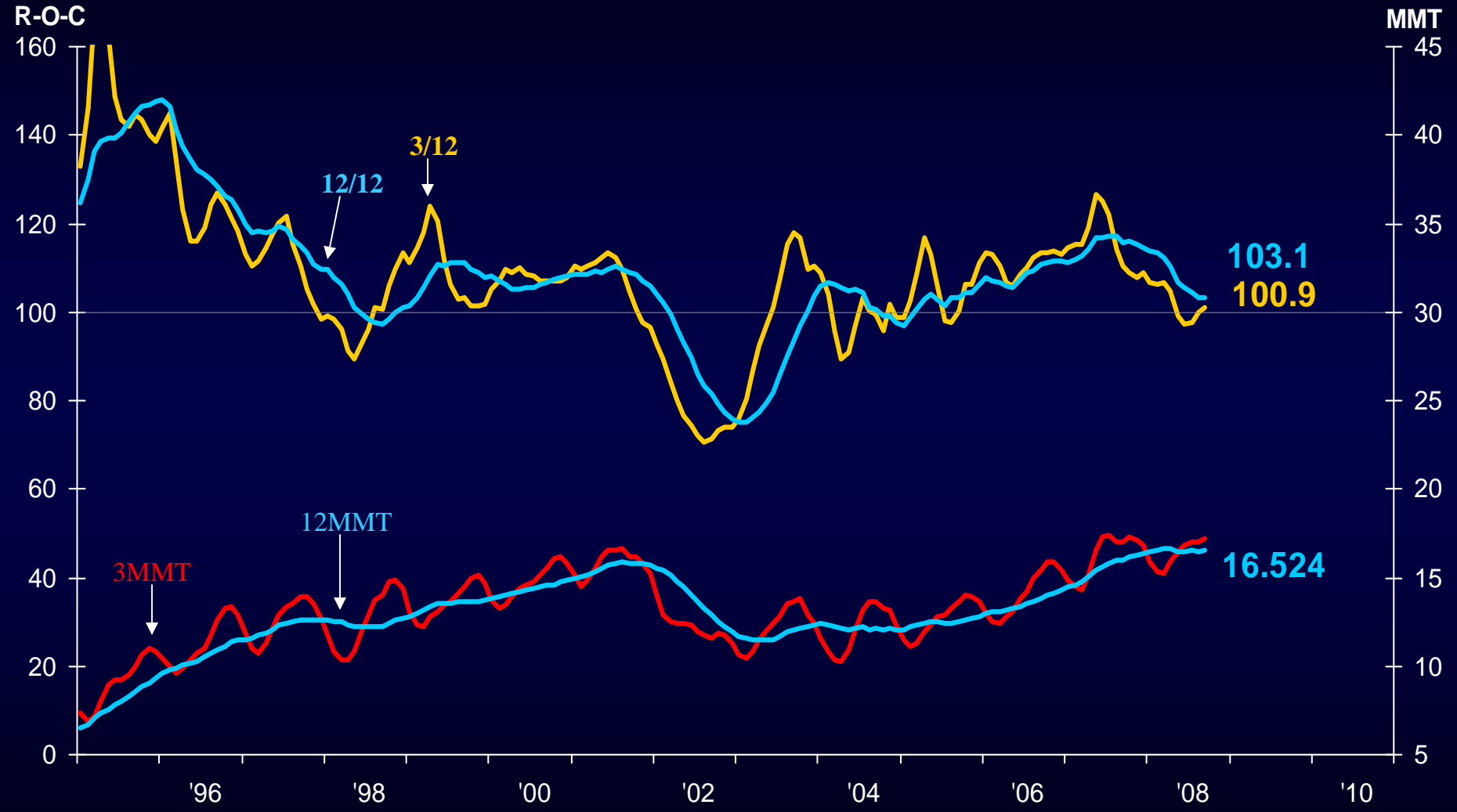
Multi-Retail Buildings Construction

Private, Billions of \$

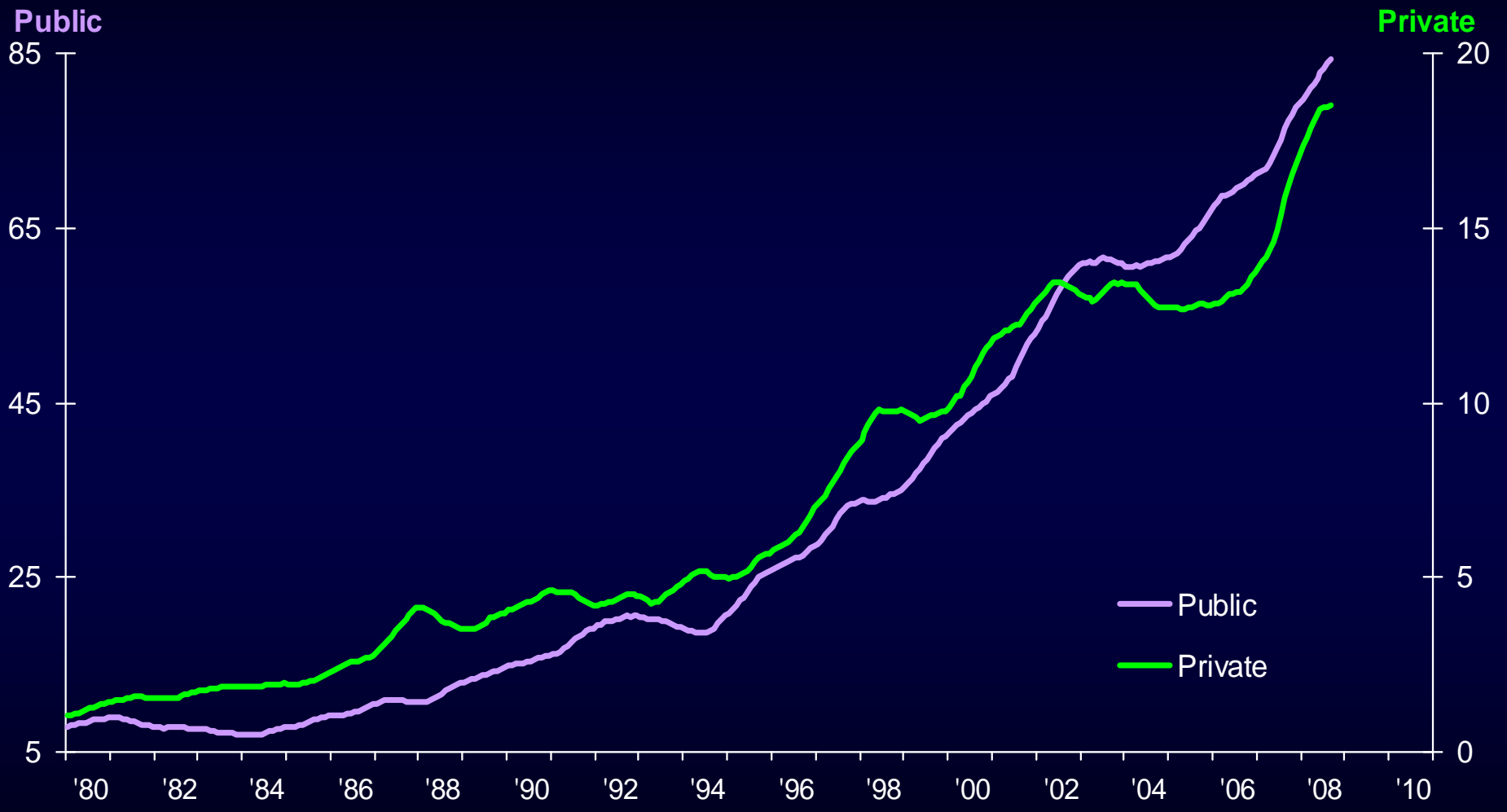


Warehouse Buildings Construction

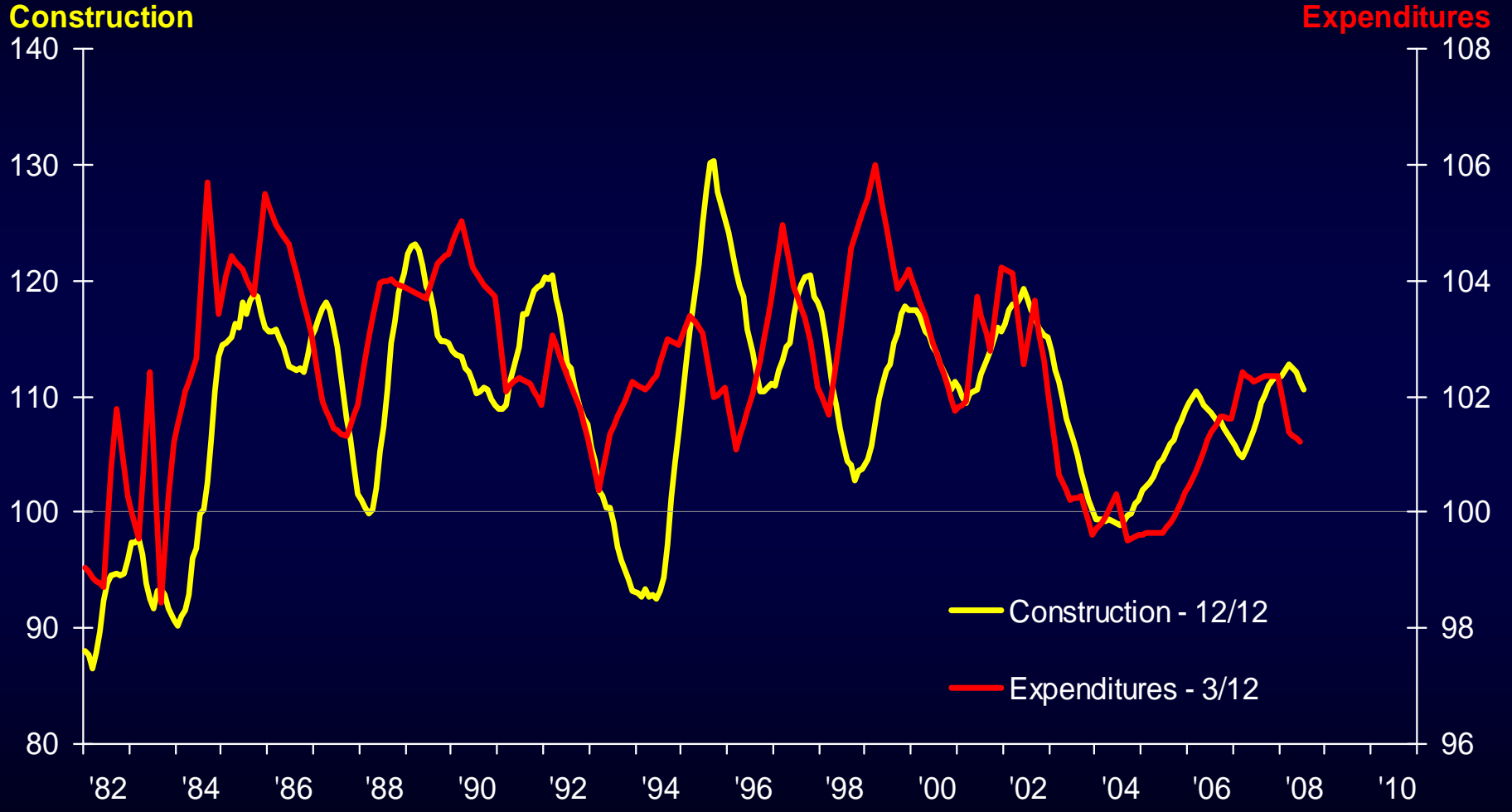
Private, Billions of Dollars



Public & Private Educational Buildings Construction Data Trends

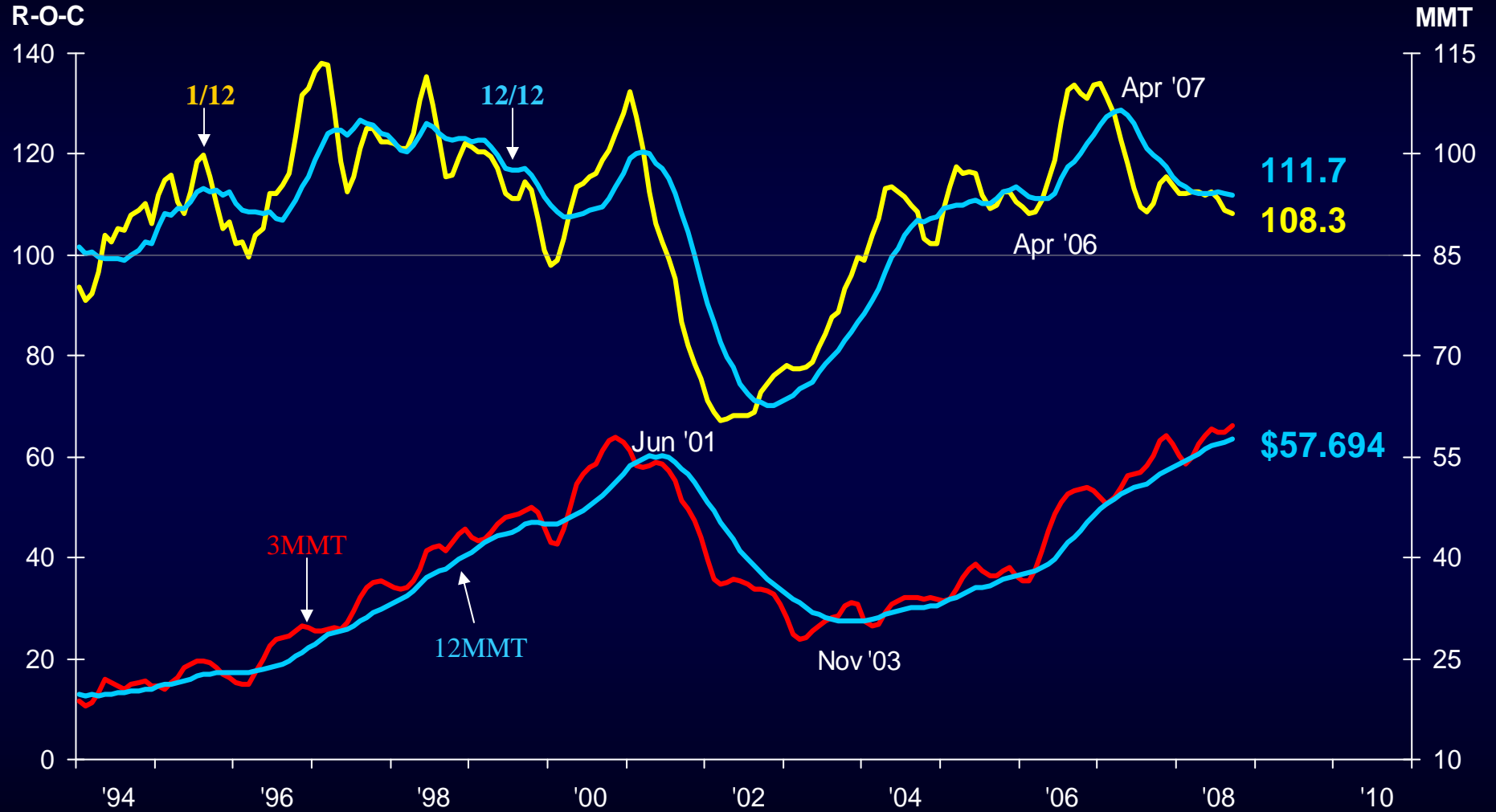


Public Educational Buildings Construction to State & Local Government Expenditures Rates-of-Change



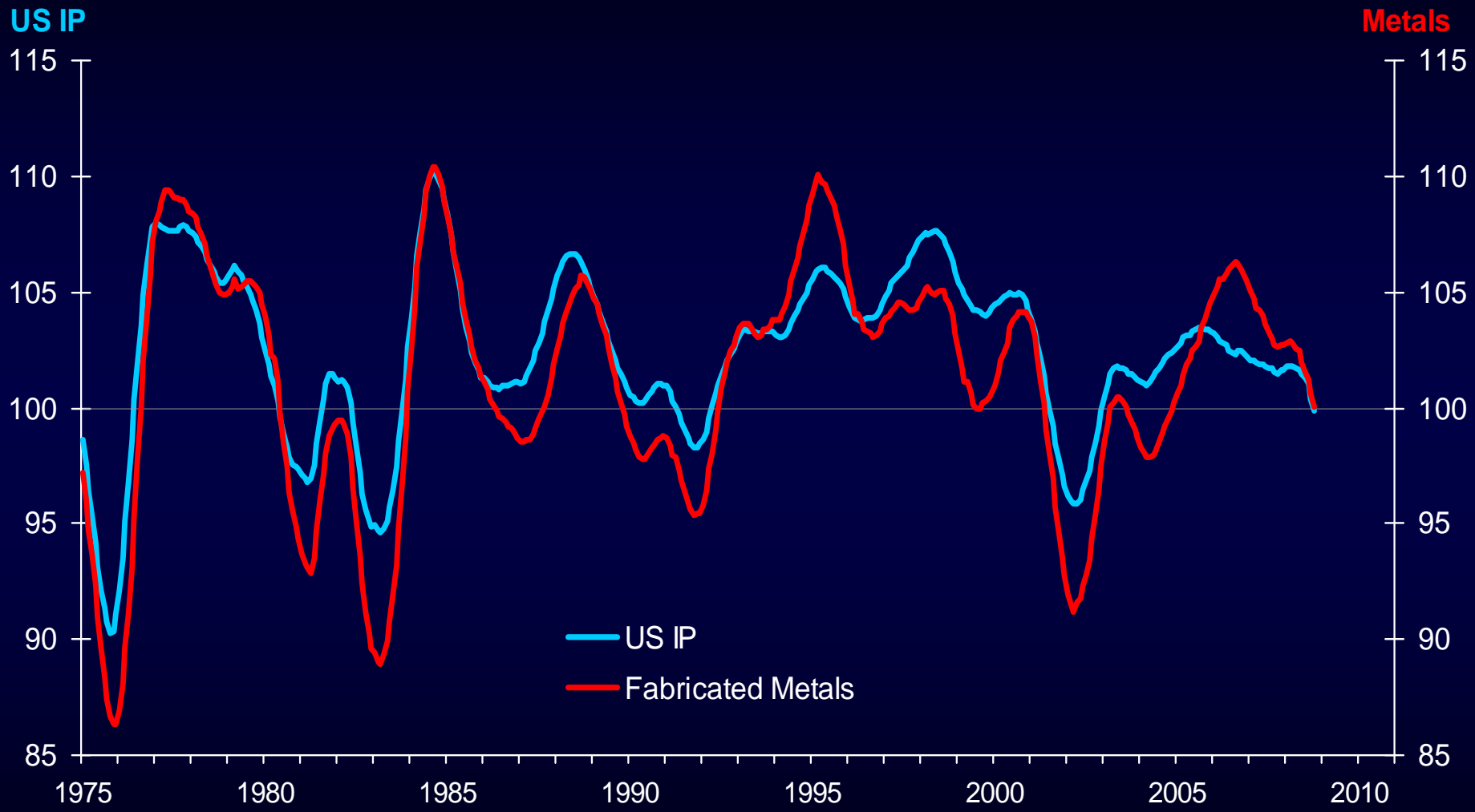
Office Buildings Construction

Billions of Dollars

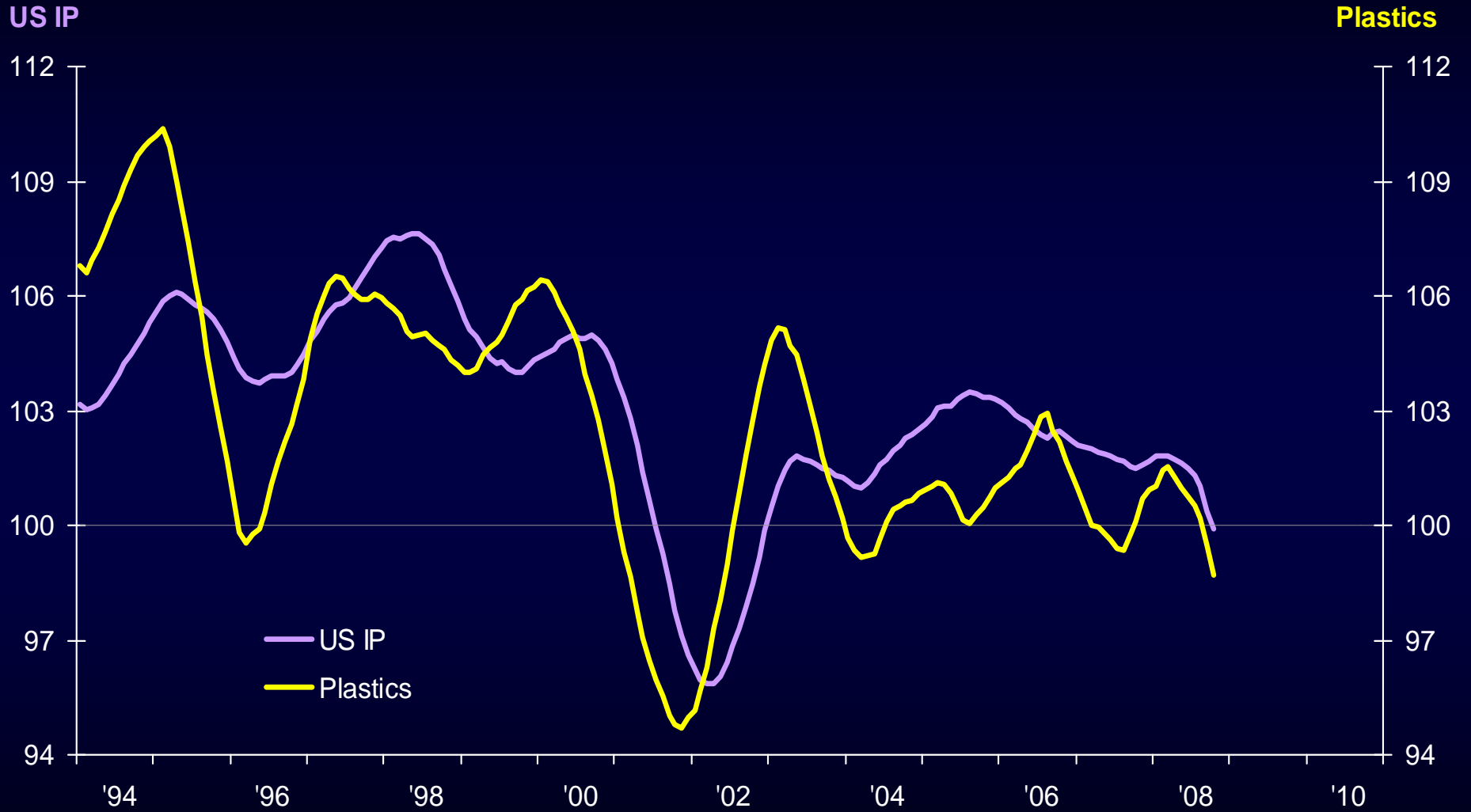


US Industrial Production to Fabricated Metal Products Production

12/12 Rates-of-Change

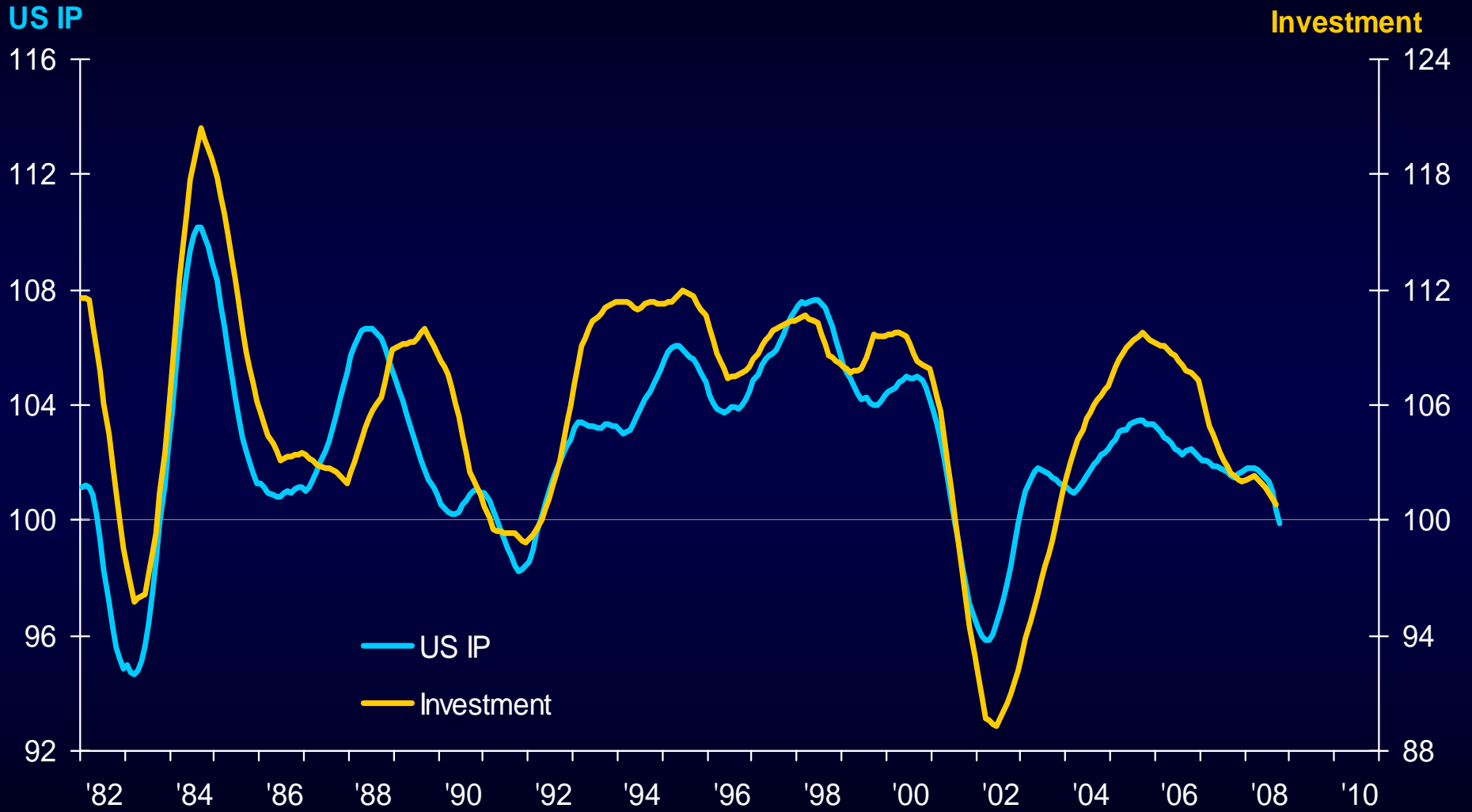


US Industrial Production to Plastics Products Production 12/12 Rates-of-Change



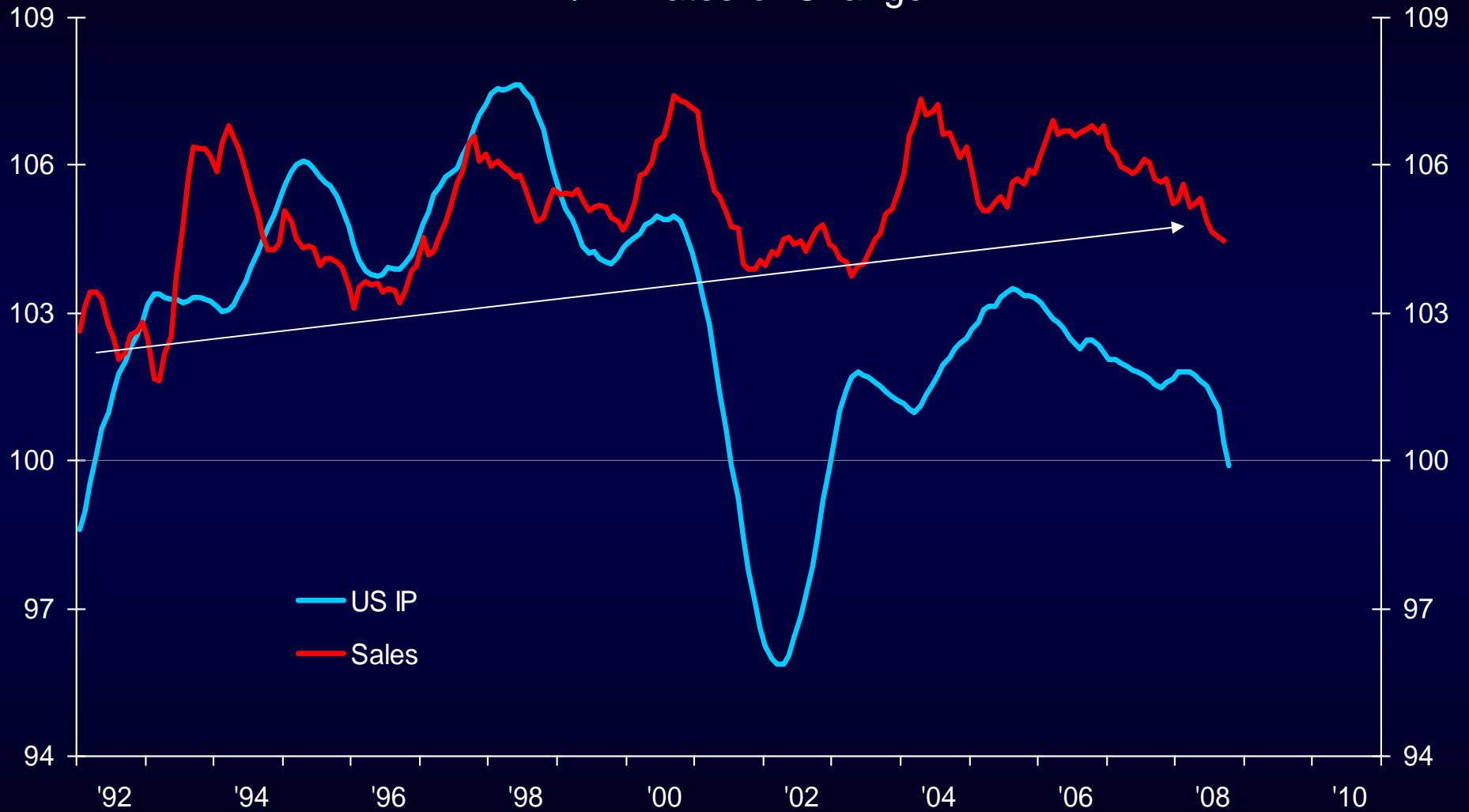
US Industrial Production to Equipment & Software Investment

12/12 Rates-of-Change

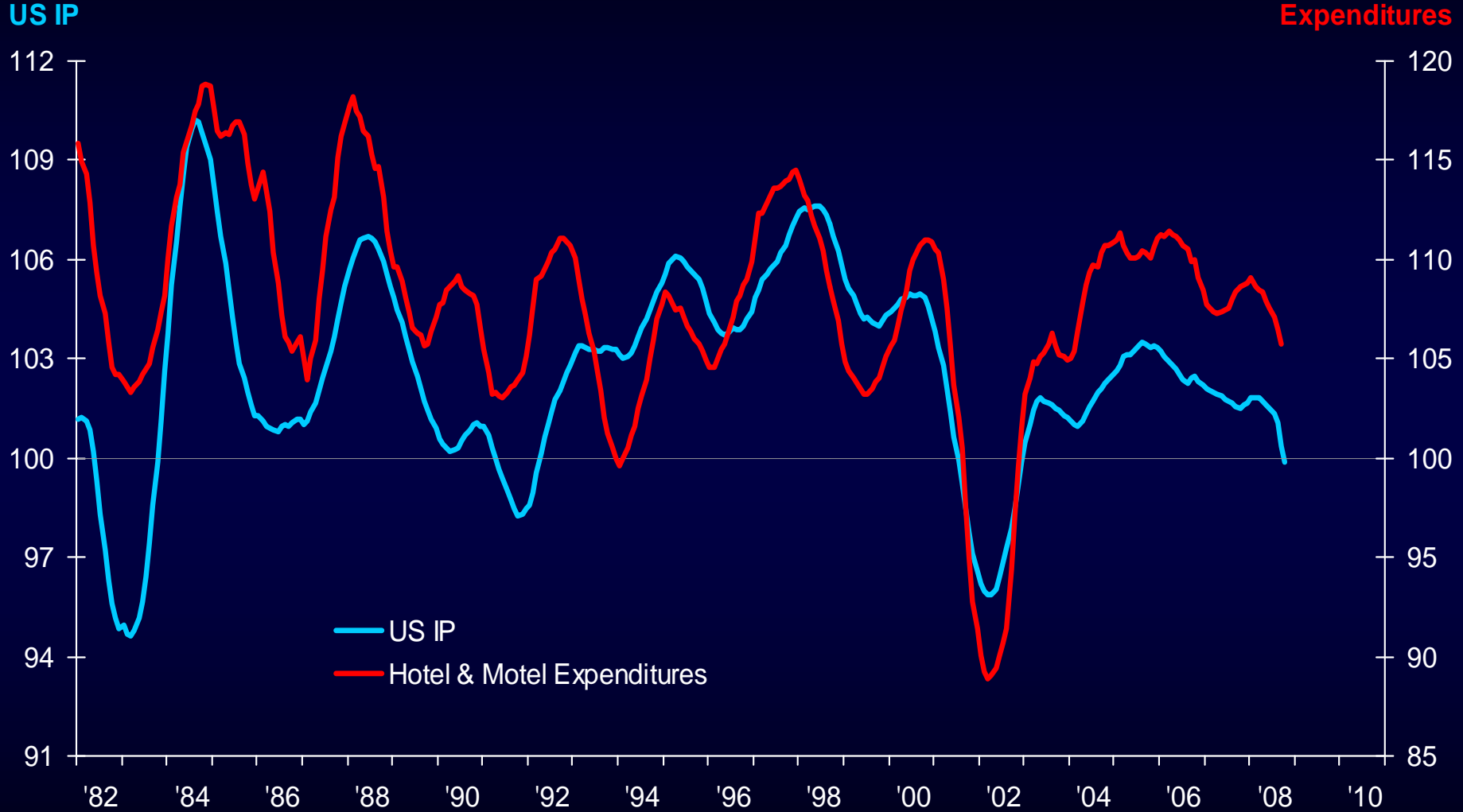


Retail Sales for Eating Places to US Industrial Production

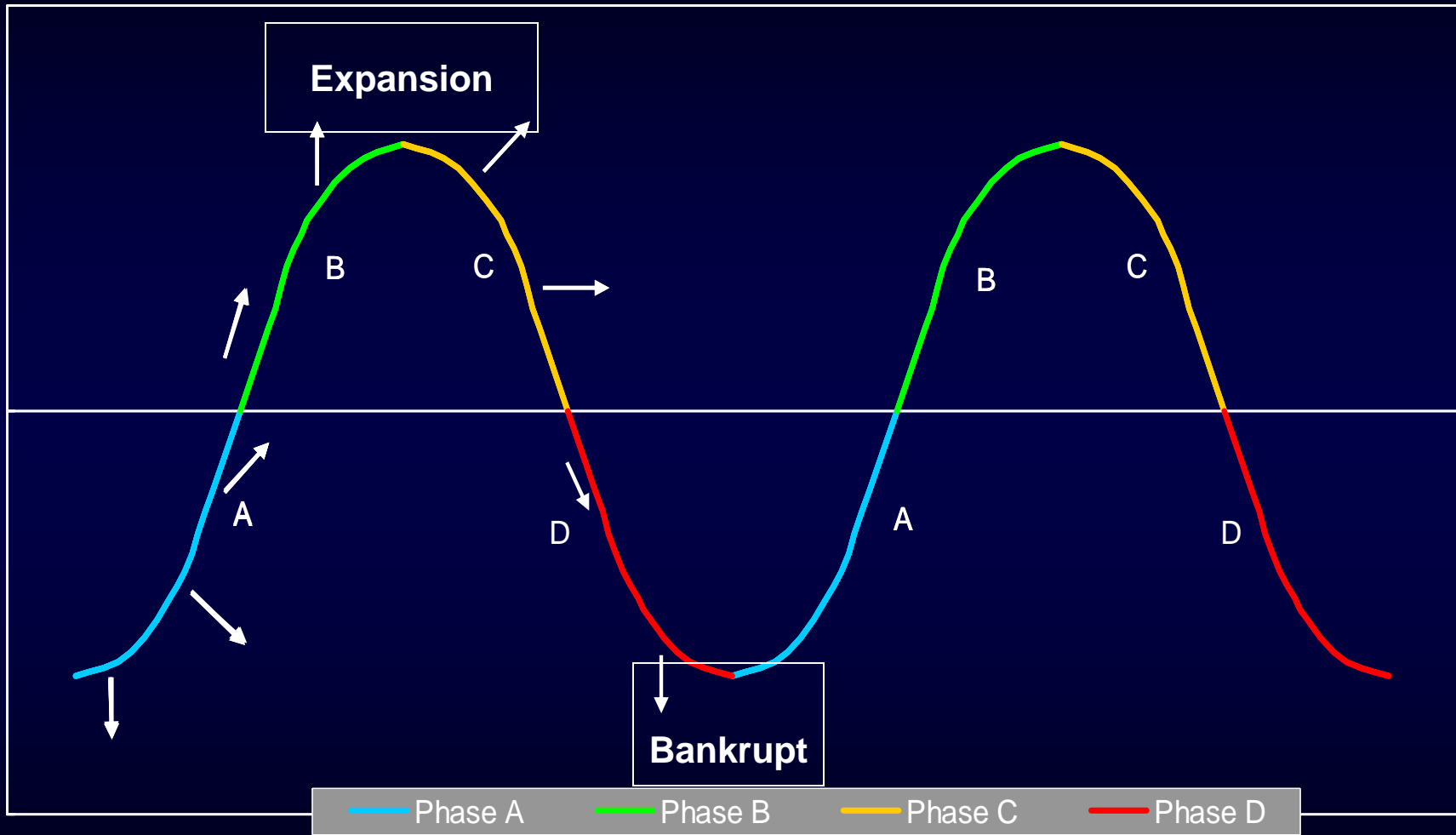
12/12 Rates-of-Change



US Industrial Production to Hotel & Motel Expenditures 12/12 Rates-of-Change



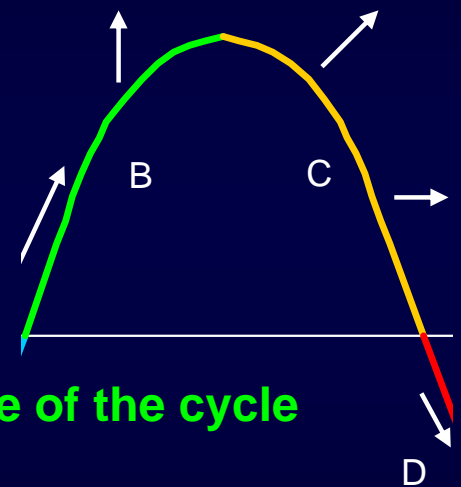
Four Phases



Phase Management Objectives™ :

Phase Late B Early C - Prosperity:

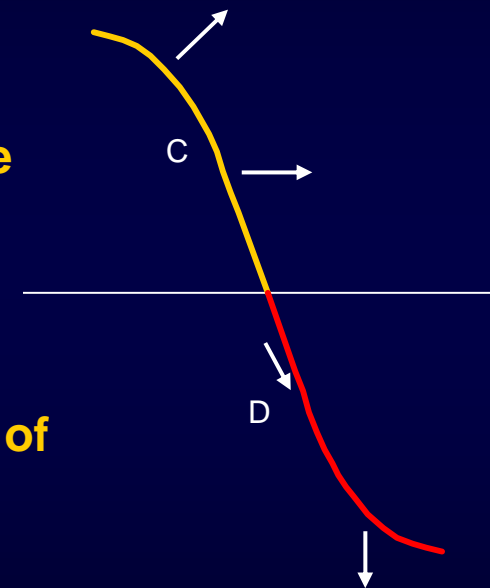
1. Stay in stock on A items, be careful with C items
2. Consider selling the business in a climate of maximum “goodwill”
3. Penetrate new selected accounts
4. Develop plan for lower activity in traditional, mature markets
5. Freeze expansion plans (unless related to “what is next”)
6. Spin off undesirable operations
7. Consider taking on subcontract work if the backside of the cycle looks recessionary
8. Stay realistic – beware of linear budgets
9. Begin missionary efforts into new markets
10. Communicate competitive advantages to maintain margins



Phase Management Objectives™ :

Phase Late C - Warning:

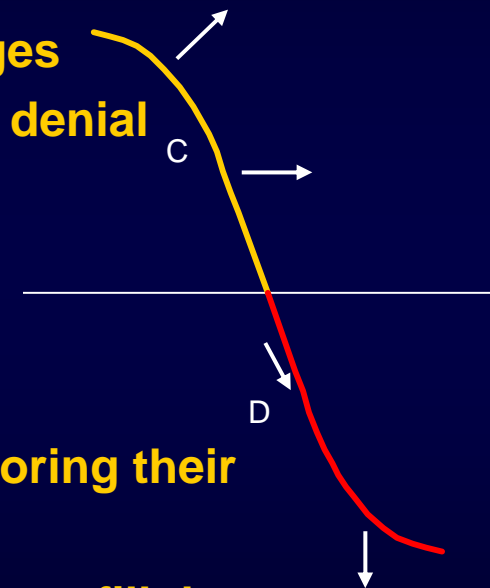
1. **Begin work force reductions**
2. **Set budget reduction goals by department**
3. **Avoid long-term purchase commitments late in the price cycle**
4. **Concentrate on cash and balance sheet**
5. **Reduce advertising & inventories**
6. **De-emphasize commodity/services in anticipation of diminishing margins**
7. **Weed out inferior products (lose the losers)**
8. **Encourage distributors to decrease inventory**



Phase Management Objectives™ :

Phase Late C - Warning:

9. Identify and overcome any competitive disadvantages
10. Make sure you and the management team are not in denial
11. Cross train key people
12. Watch Accounts Receivable aging
13. Increase the requirements for justification of capital expenditures
14. Evaluate vendors for strength (don't get caught honoring their warranties with no one to accept returned goods).
15. Manage the backlog through pricing and delivery, try to fill the funnel



Phase Management Objectives™ :

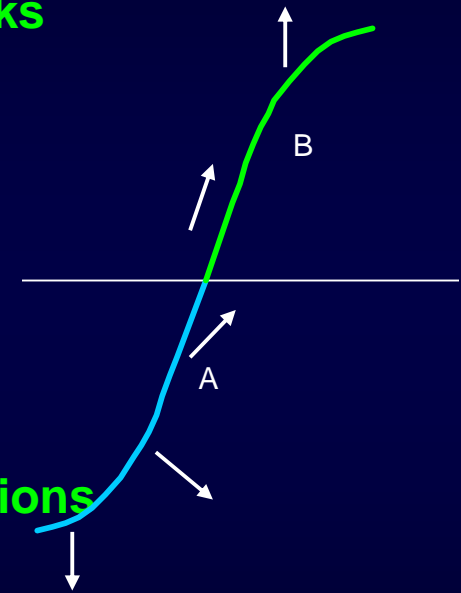
Phase Early D - Recession:

1. Continue force reduction
2. Reduce advertising – be very selective
3. Continue to avoid long-term purchase commitments
4. Review all lease agreements
5. Increase the requirements for justification of capital equipment
6. Eliminate all overtime
7. Reduce overhead labor
8. Combine departments with like capabilities and reduce management
9. Select targets of opportunity where price will get the business
10. Tighten credit policies – increase scrutiny
11. Look for opportunistic purchases
12. Grab market share as your competitor dies

Phase Management Objectives™ :

Phase Early B - Growth:

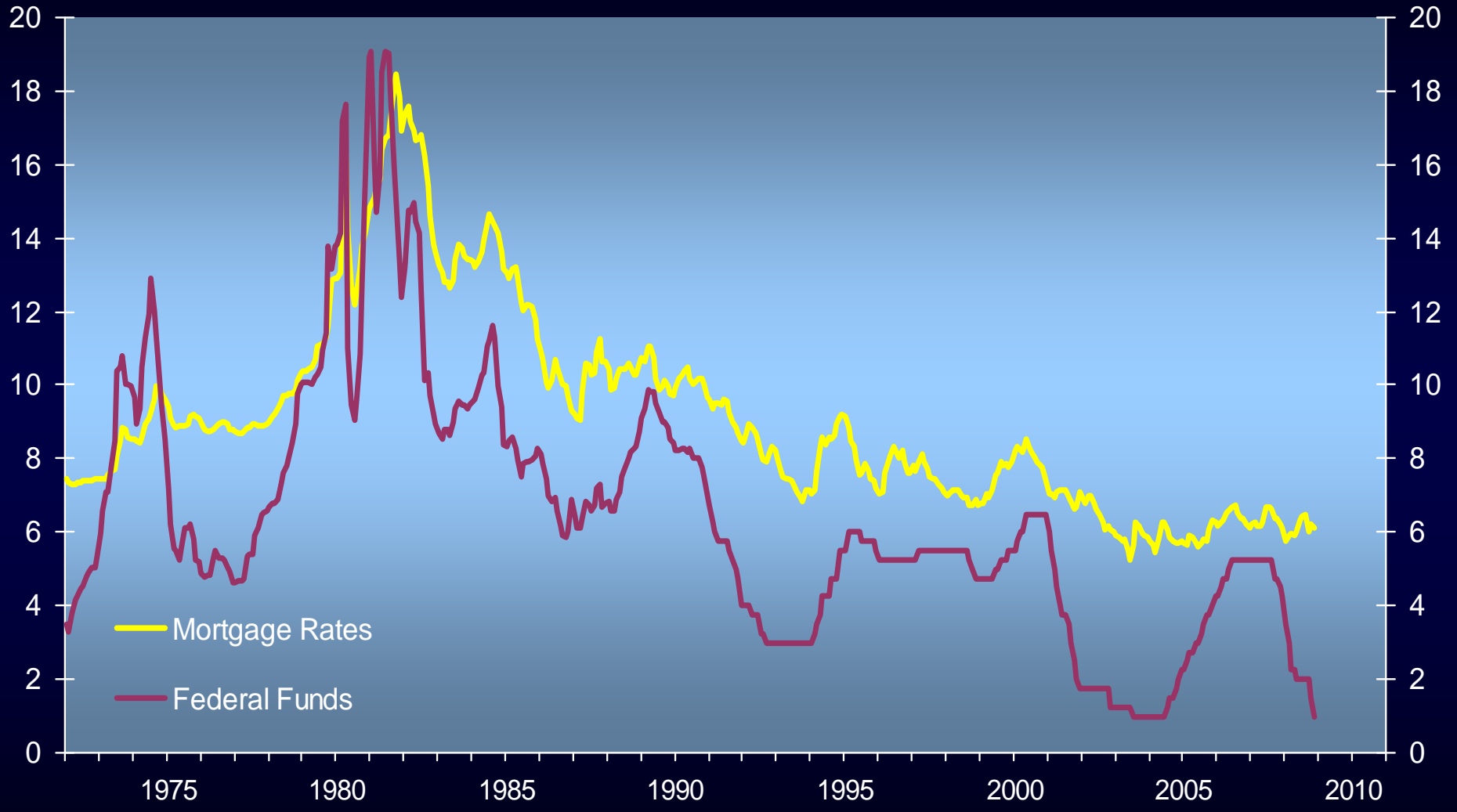
1. Accelerate training
2. Check the process flow for possible future bottlenecks
3. Continue to build inventory
4. Increase prices
5. Consider outside manufacturing sources if internal pressures becoming tight
6. Find the answer to “What next?”
7. Open distribution channels (your own or outsource)
8. Use improved cash flow to improve corporate operations
9. Use cash to create new competitive advantages
10. Watch your debt-to-equity ratio and ROI
11. Maintain/pursue quality: don't let complacency set in



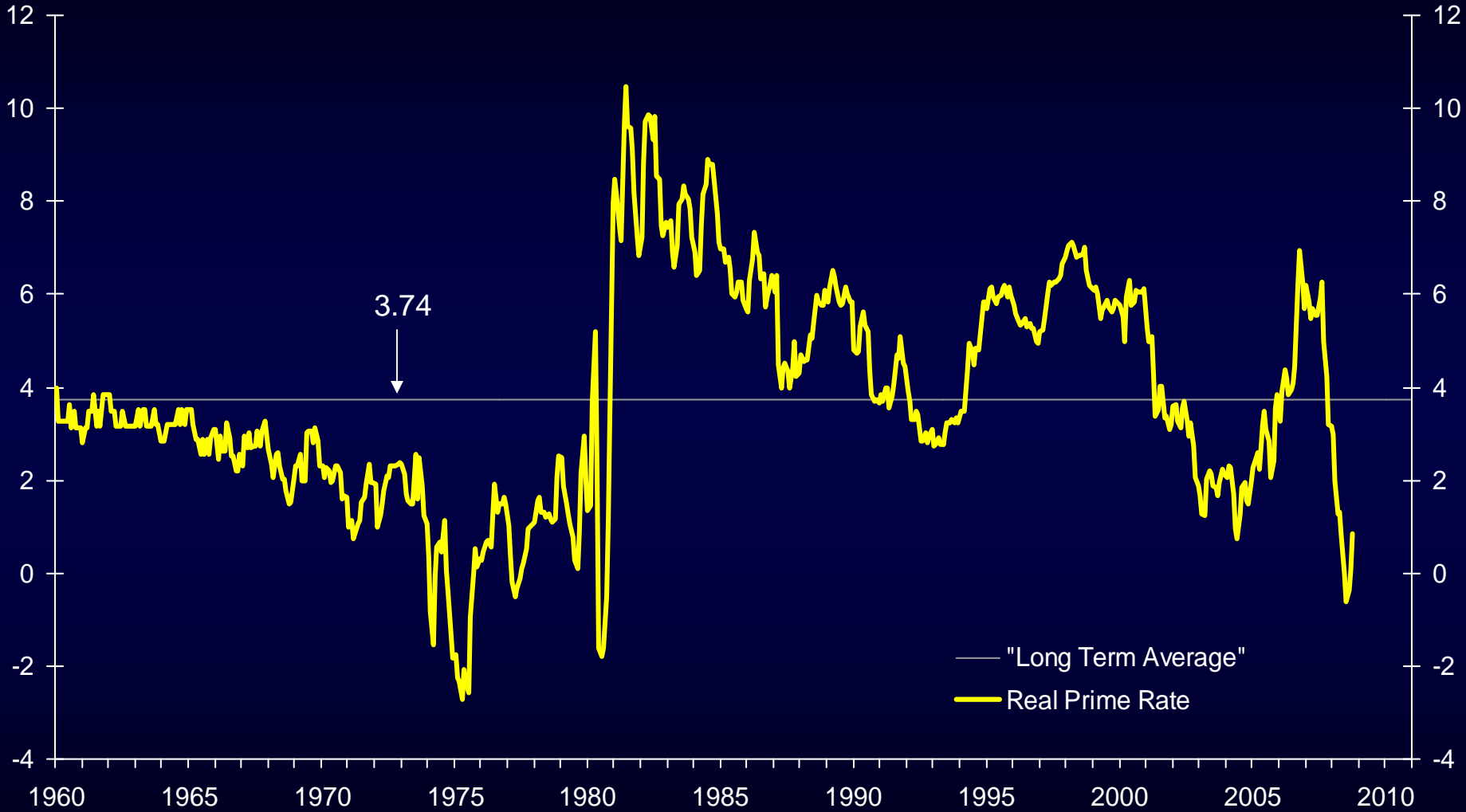
Inflation – US and the Midwest



Mortgage Rates to Federal Funds Raw Data



Real Prime Rate (Adjusted for Inflation)



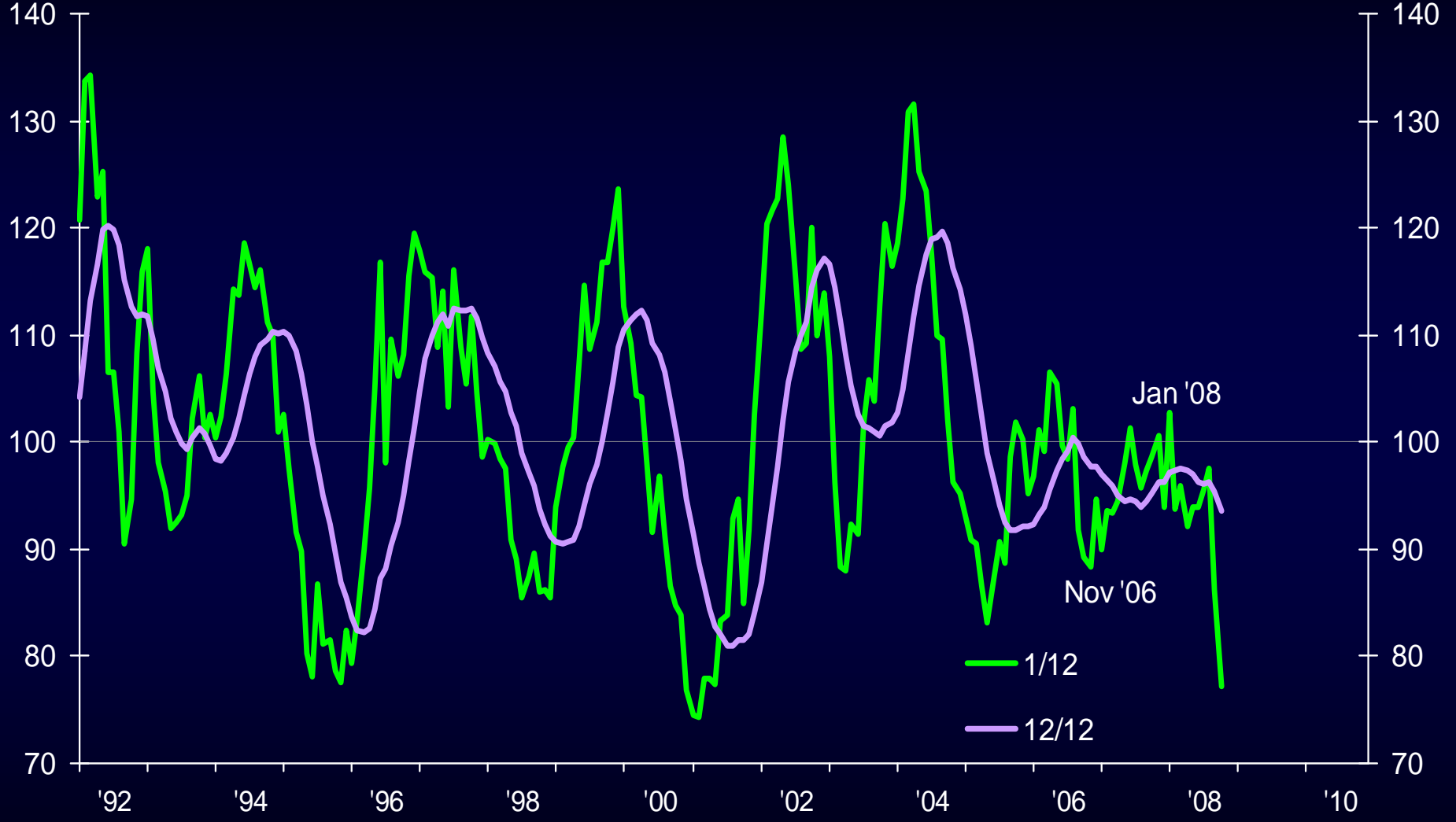
U.S. Composite Leading Indicator

1996 = 100



Source: ITR's EcoTrends[®]
Monthly Economic Report

Purchasing Managers Index ISM



Source: ITR's EcoTrends[®]
Monthly Economic Report

Stock Prices Index

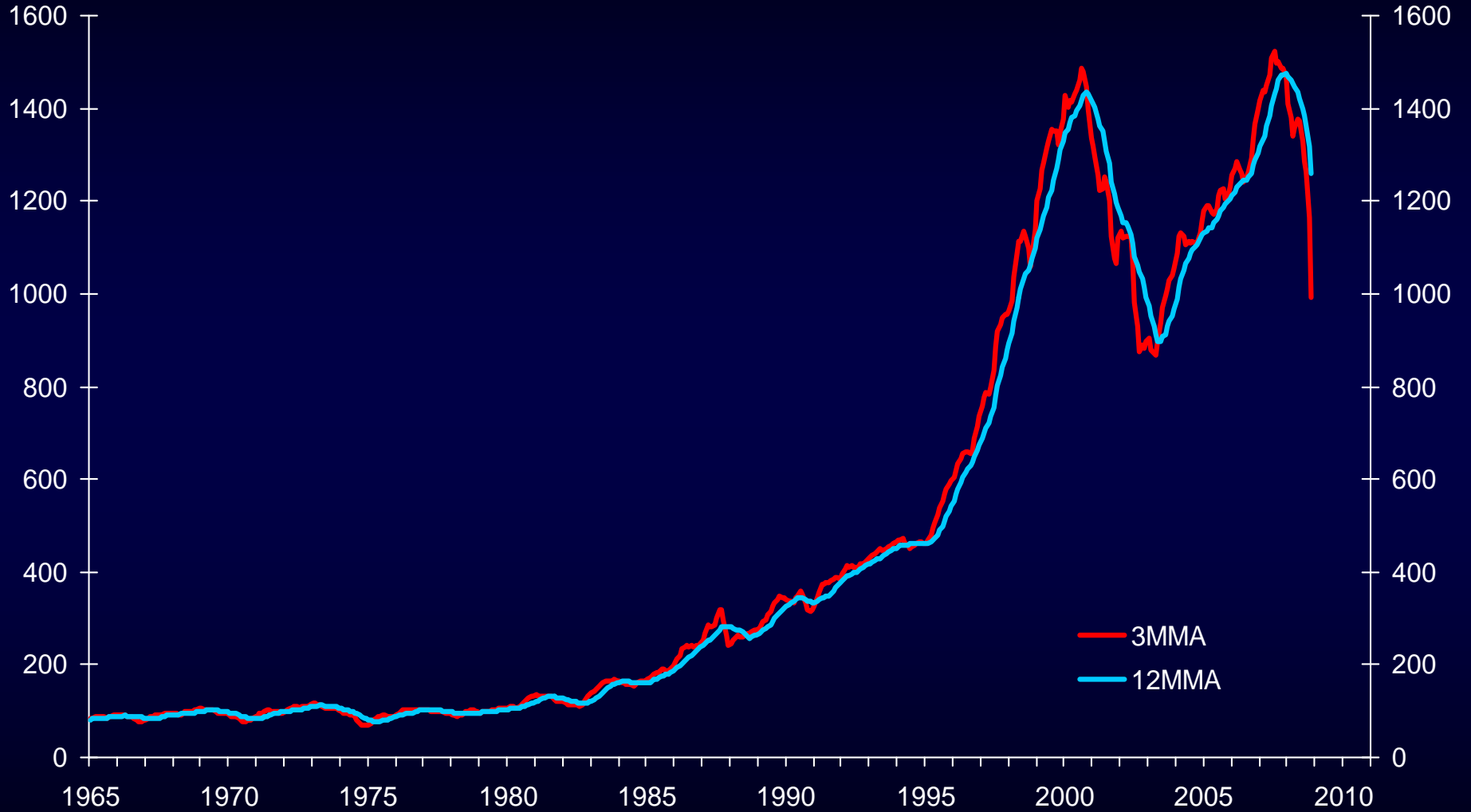
S&P 500, 1941 - 43 = 10



Source: ITR's EcoTrends[®]
Monthly Economic Report

Stock Prices Index

Data Trends



Retail Sales Excluding Automobiles

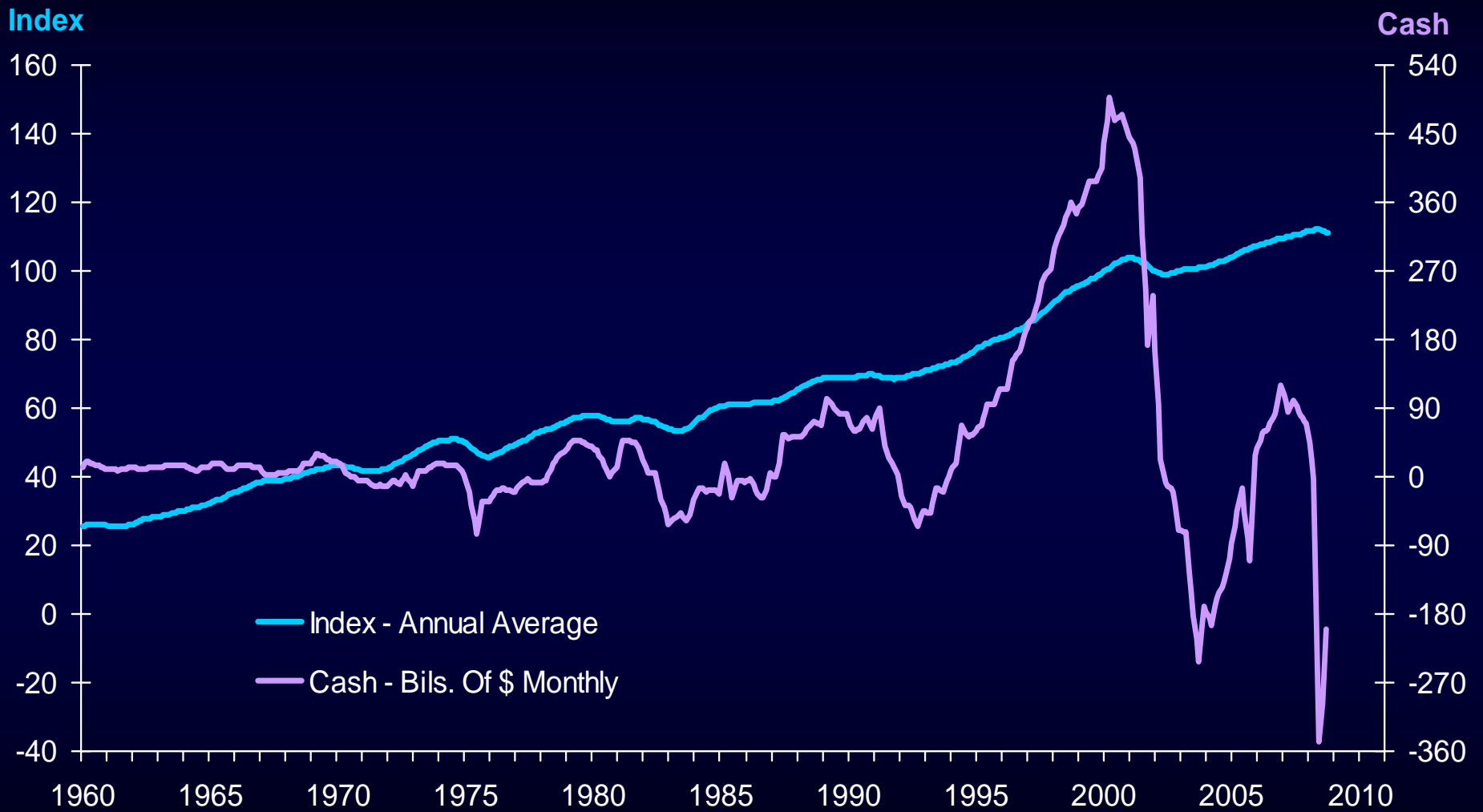
Trillions of 82-84\$



Source: ITR's EcoTrends[®]
 Monthly Economic Report

Fed. Government Cash Account to US Industrial Production Index

Data Trends



Find a way to do business in the “counter-cyclical” or largely unaffected areas:

- ☼ **Energy**
- ☼ **Green**
- ☼ **Water**
- ☼ **Canada / Exports**
- ☼ **Higher Education**
- ☼ **Health Care Practices**

- ☼ **Leisure**
- ☼ **Pets**
- ☼ **Funeral Services**
- ☼ **Alcohol**
- ☼ **Security**
- ☼ **Legal Services (Diversified)**

Demographics

Winning Demographics

USA ~ 300 Million grows to 400 – 500 Million

India

Indonesia

Australia

Negative Demographics

China

Europe

Japan

Russia

Source: United Nations

GOODS & SERVICES AS A PERCENT OF GDP (real) w/o structures



GDP, Bils of US \$, Current Prices

Percent of World GDP

