

Urban Land Institute

“Outlook for 2009-2011”

November 2009

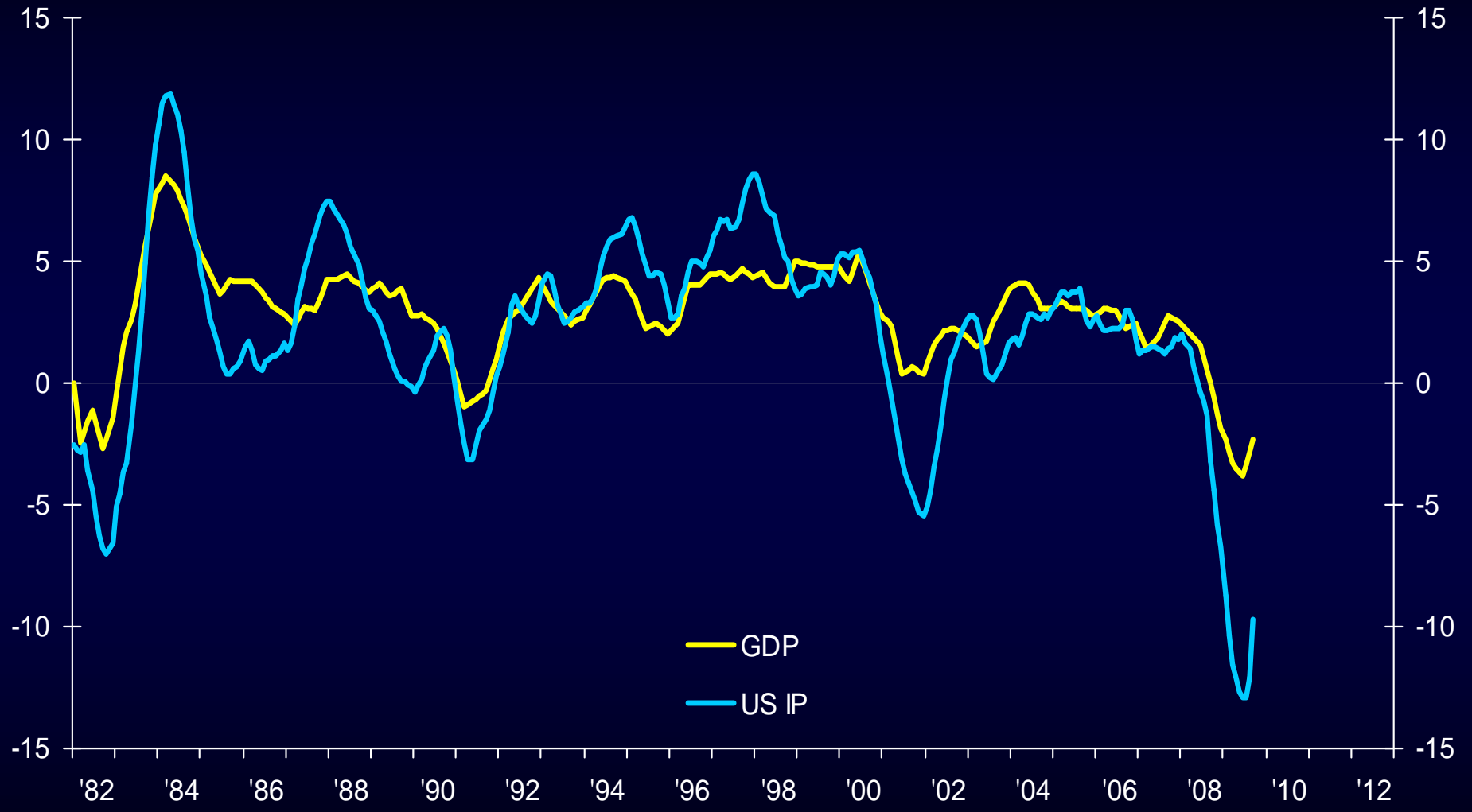
Presented By:

Institute for Trend Research

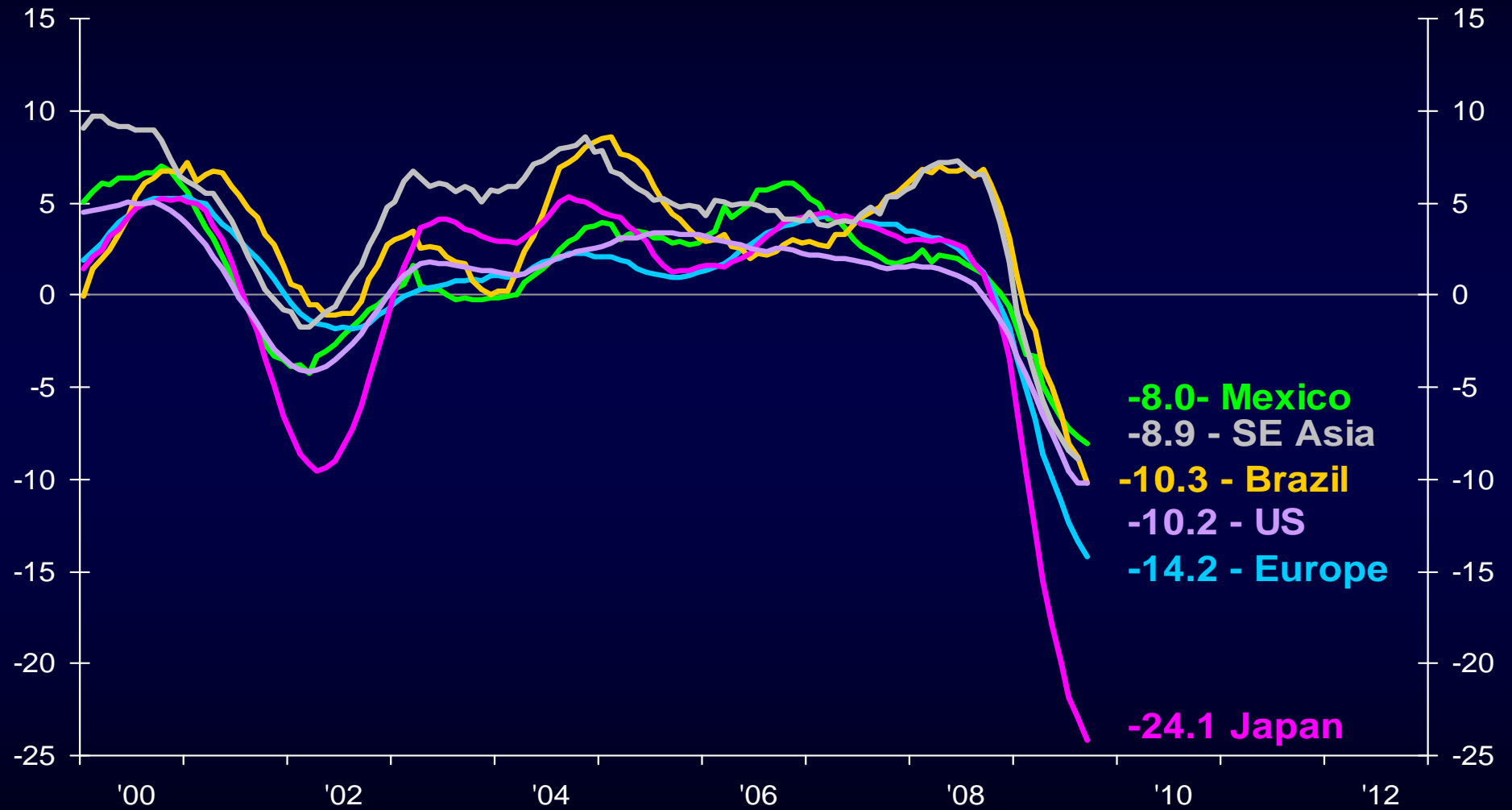
Brian Beaulieu

brian@ecotrends.org ◆ www.ecotrends.org

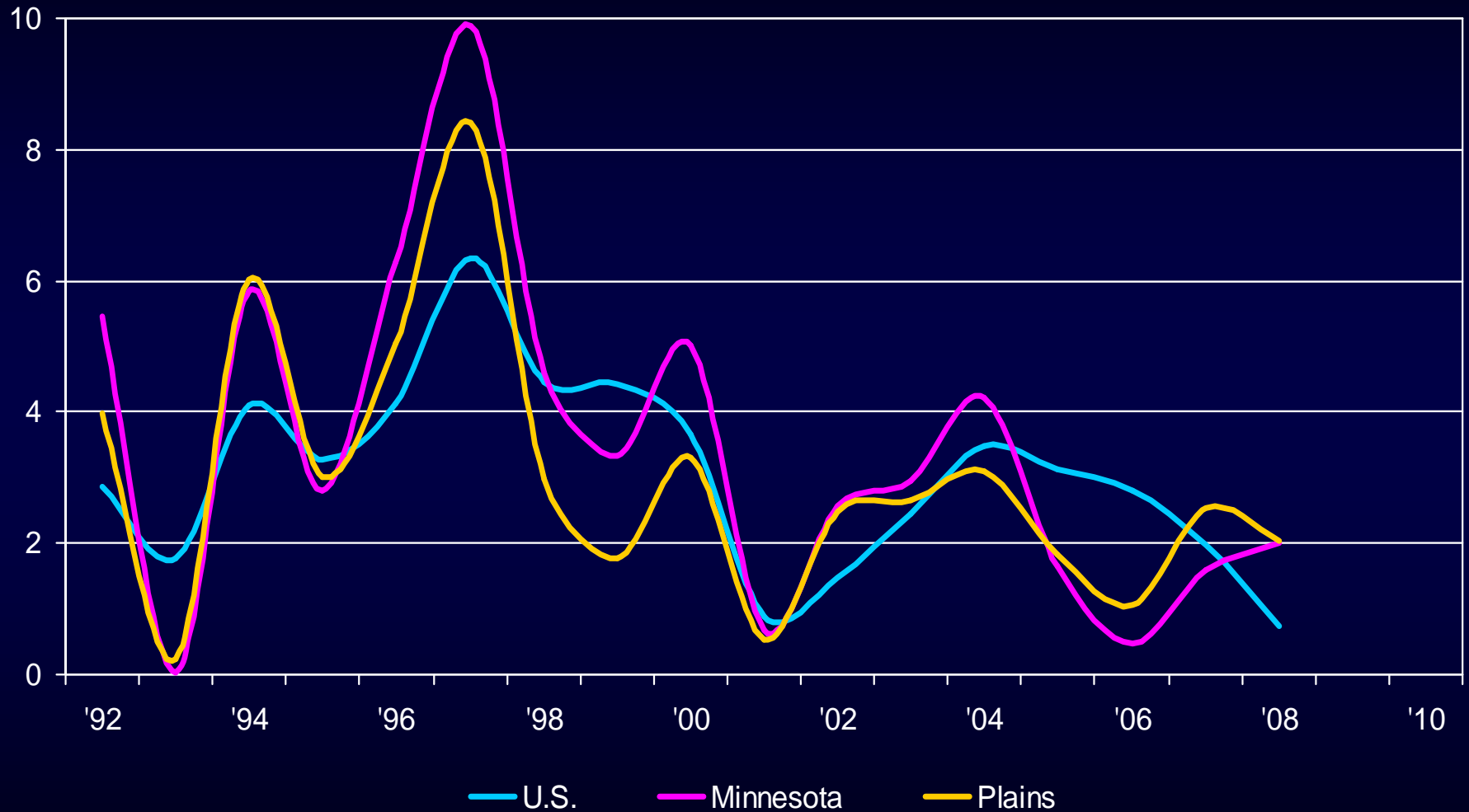
US Industrial Production to Gross Domestic Product 3/12 Rates-of-Change



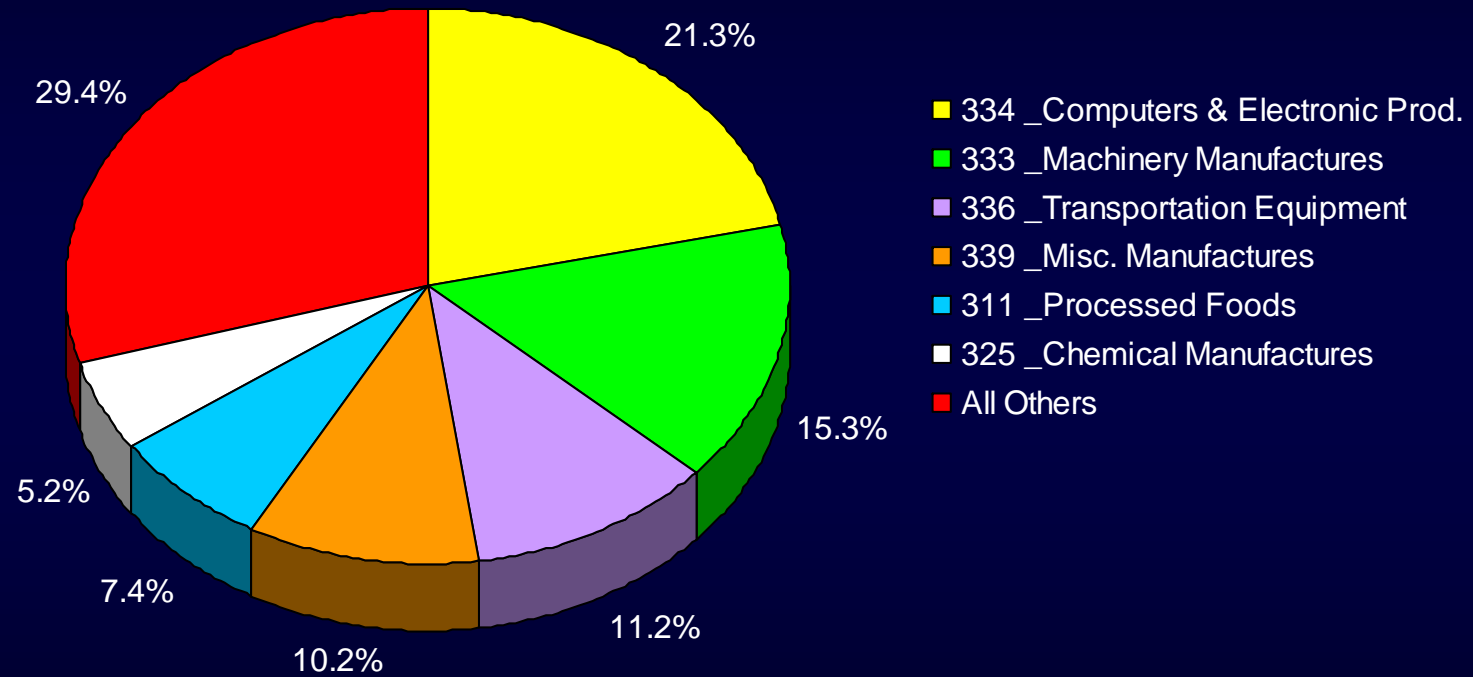
Global Industrial Production Indices 12/12 Rates-of-Change



US, Minnesota & the Plains Annual GSP Growth Rate



2008 Exports from Minnesota to World



Unemployment Rates

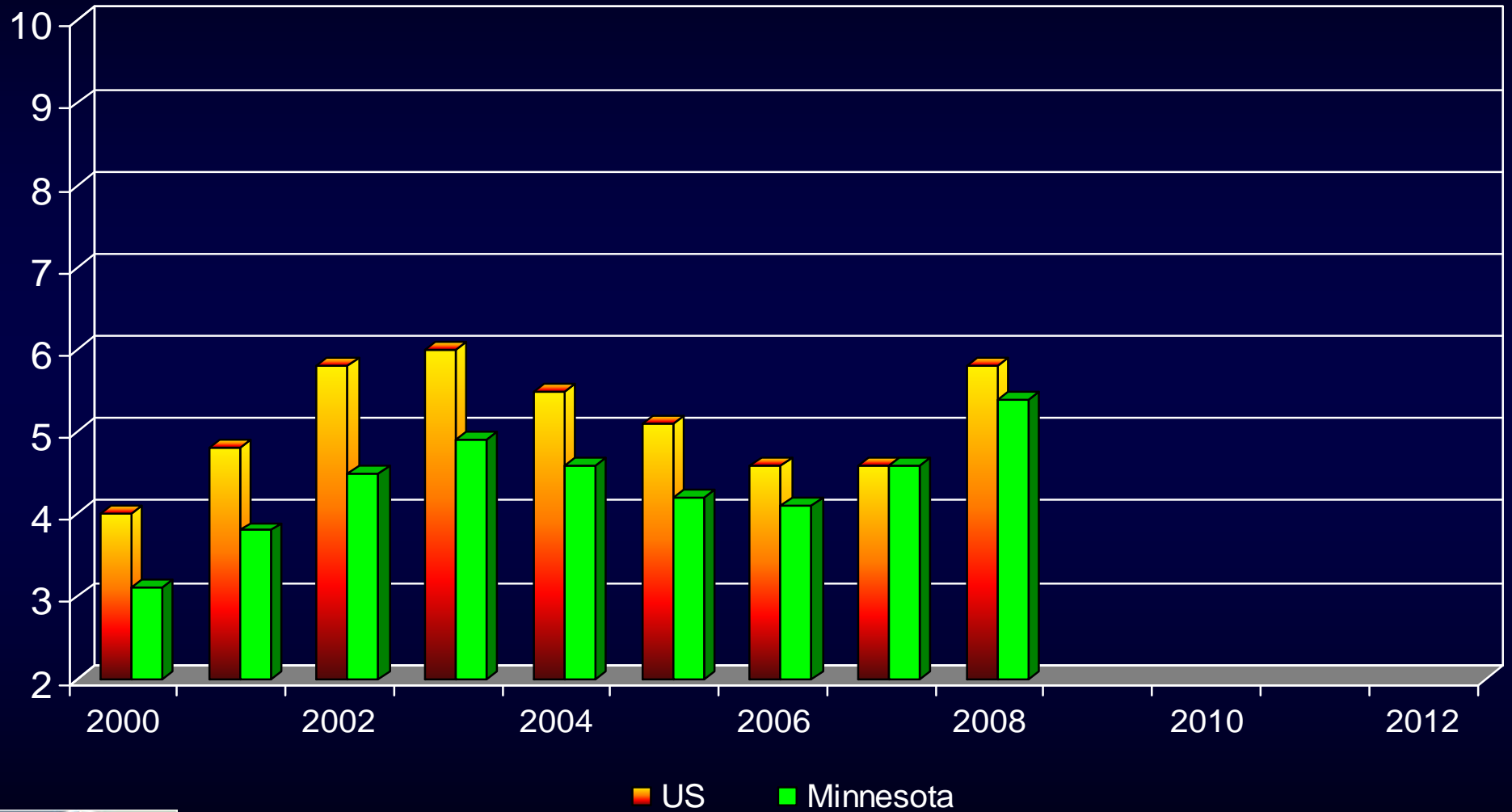
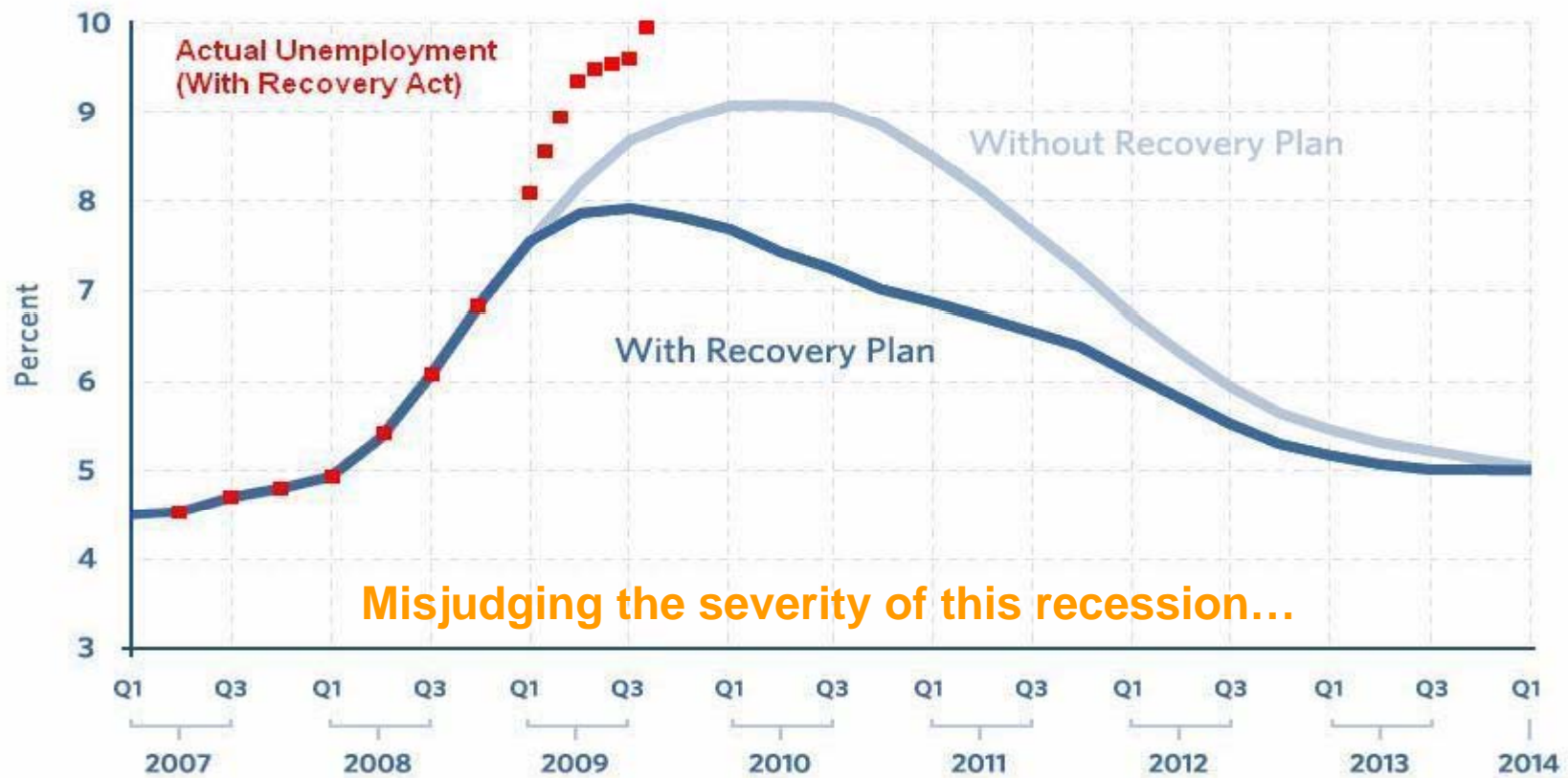
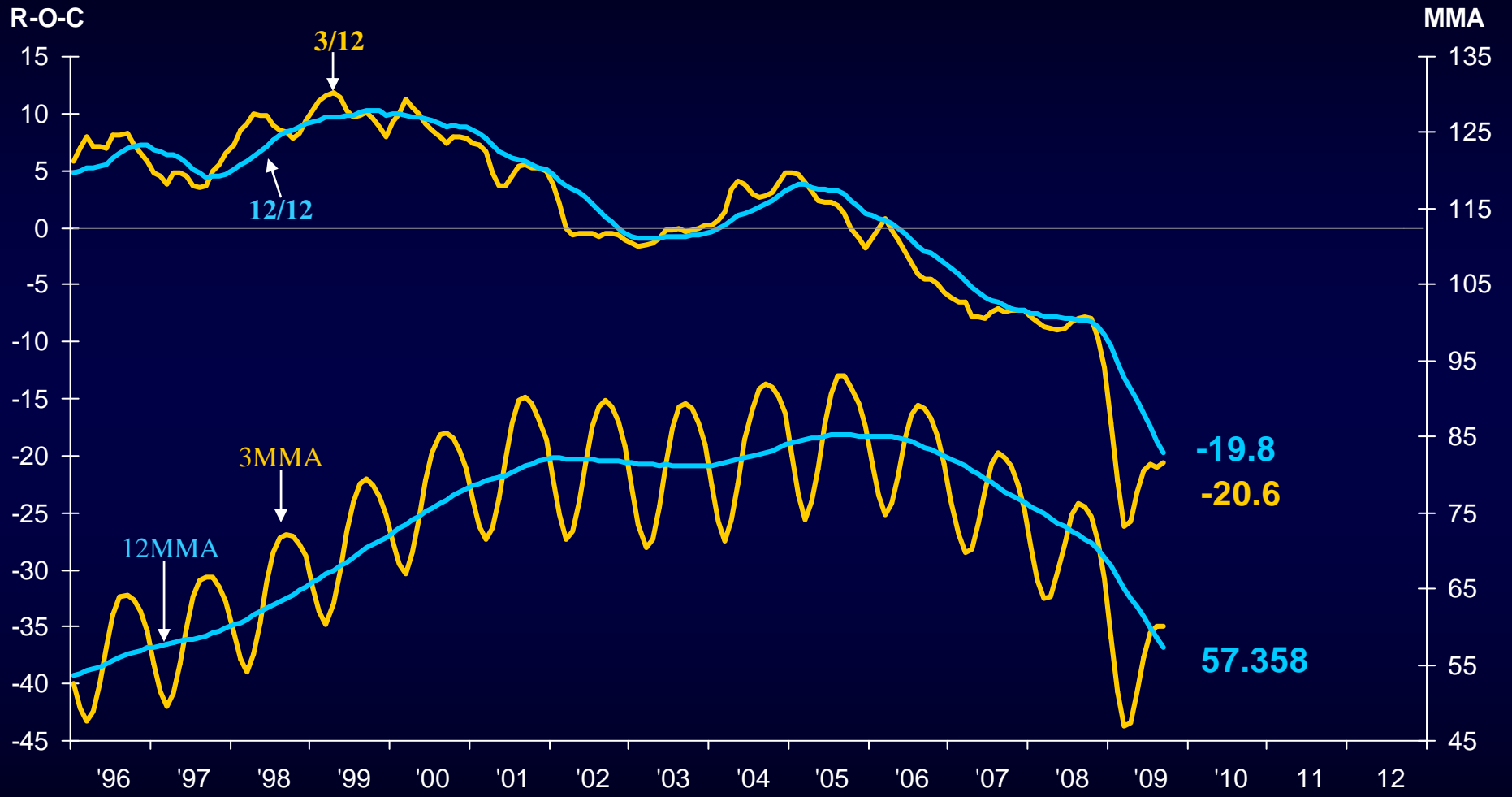


Figure 1
Unemployment Rate With and Without the Recovery Plan

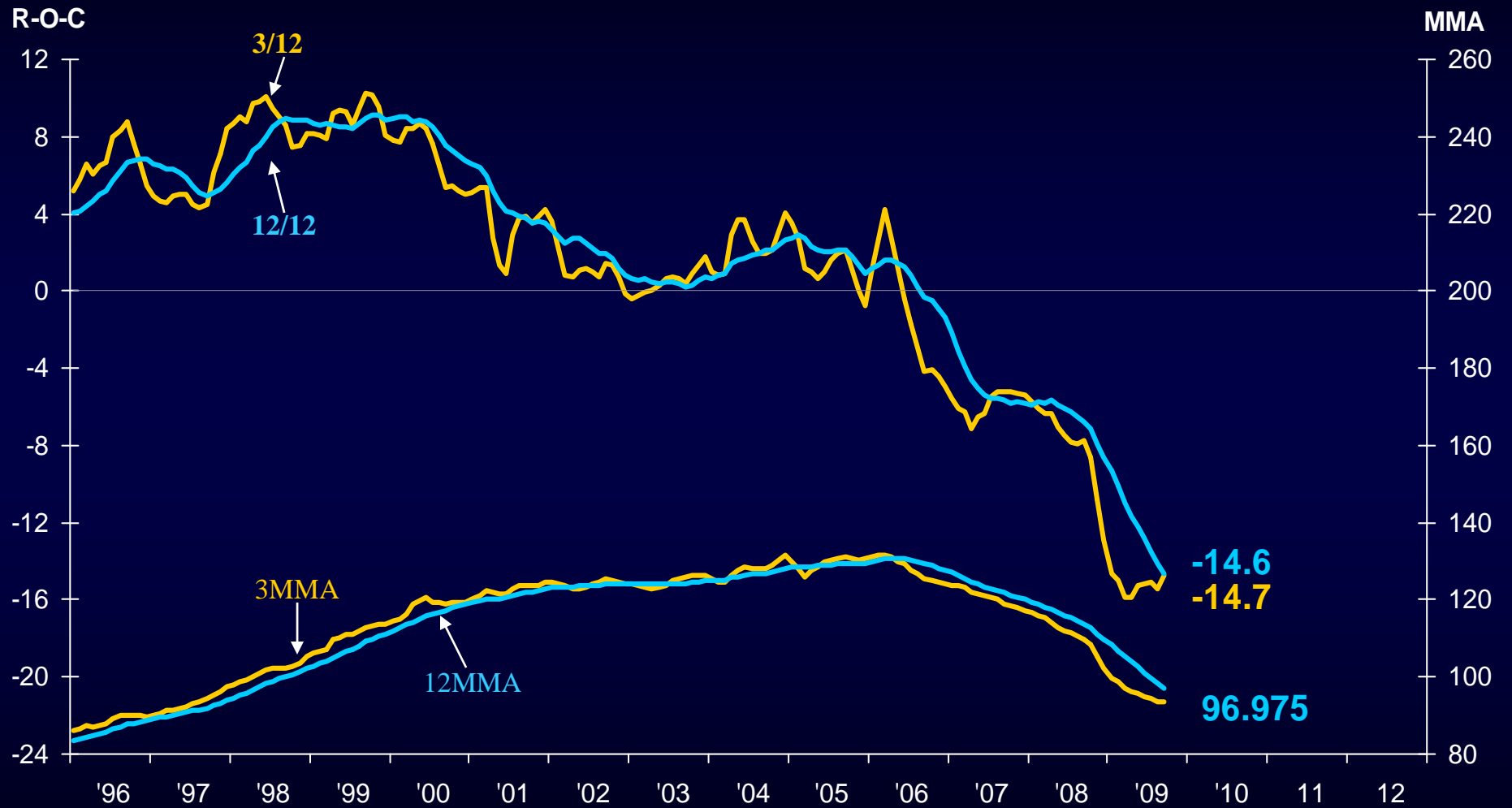


Minneapolis/St. Paul Construction Industry Employment Thousands of Units



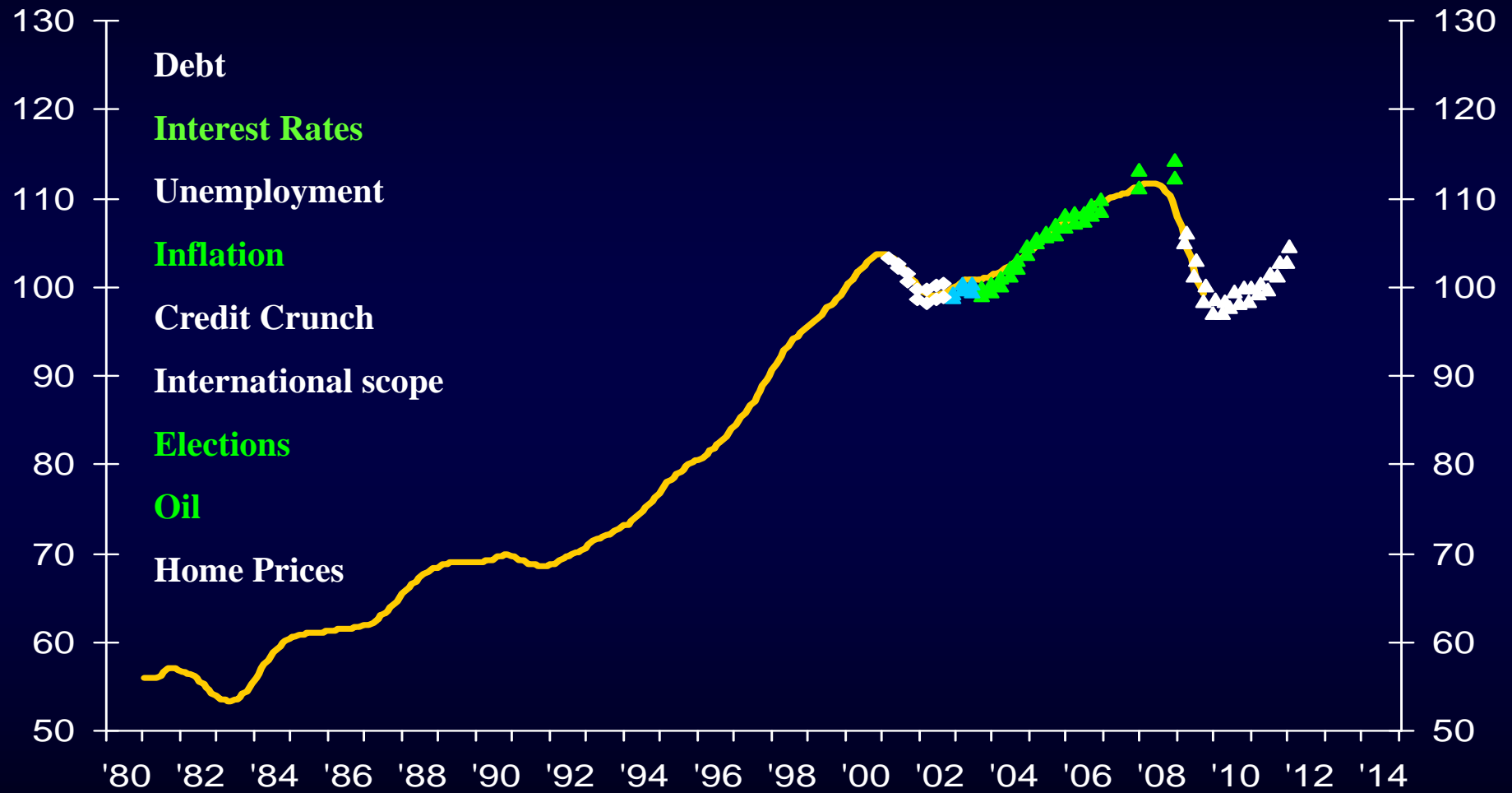
Minnesota Construction Industry Employment

Thousands of Units



US Industrial Production Index

Forecast Through December 2011
Annual Average Index



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

Housing Starts

Millions of Units



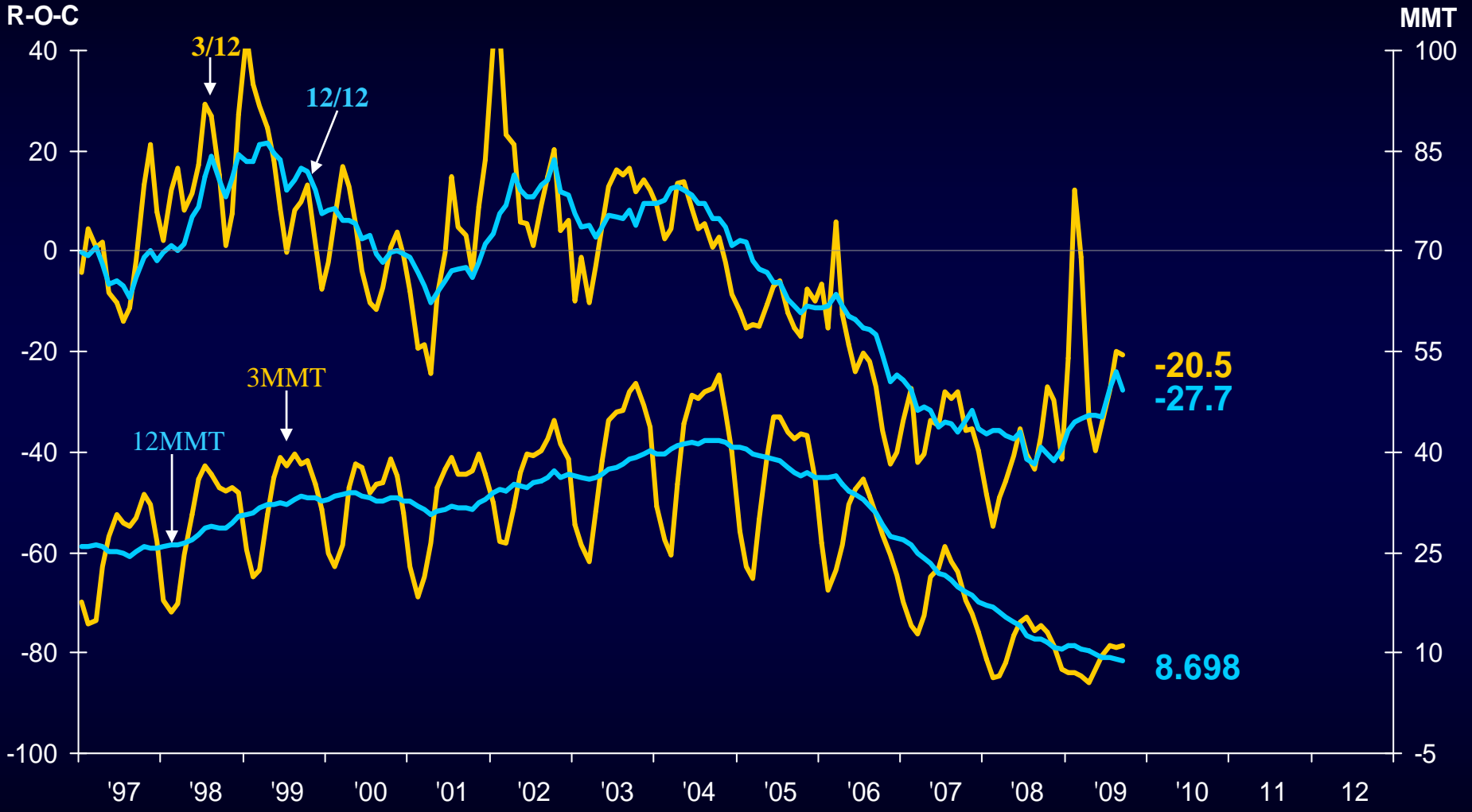
Source: ITR's EcoTrends[®]
Monthly Economic Report

Building Permits 12/12 Rates-of-Change



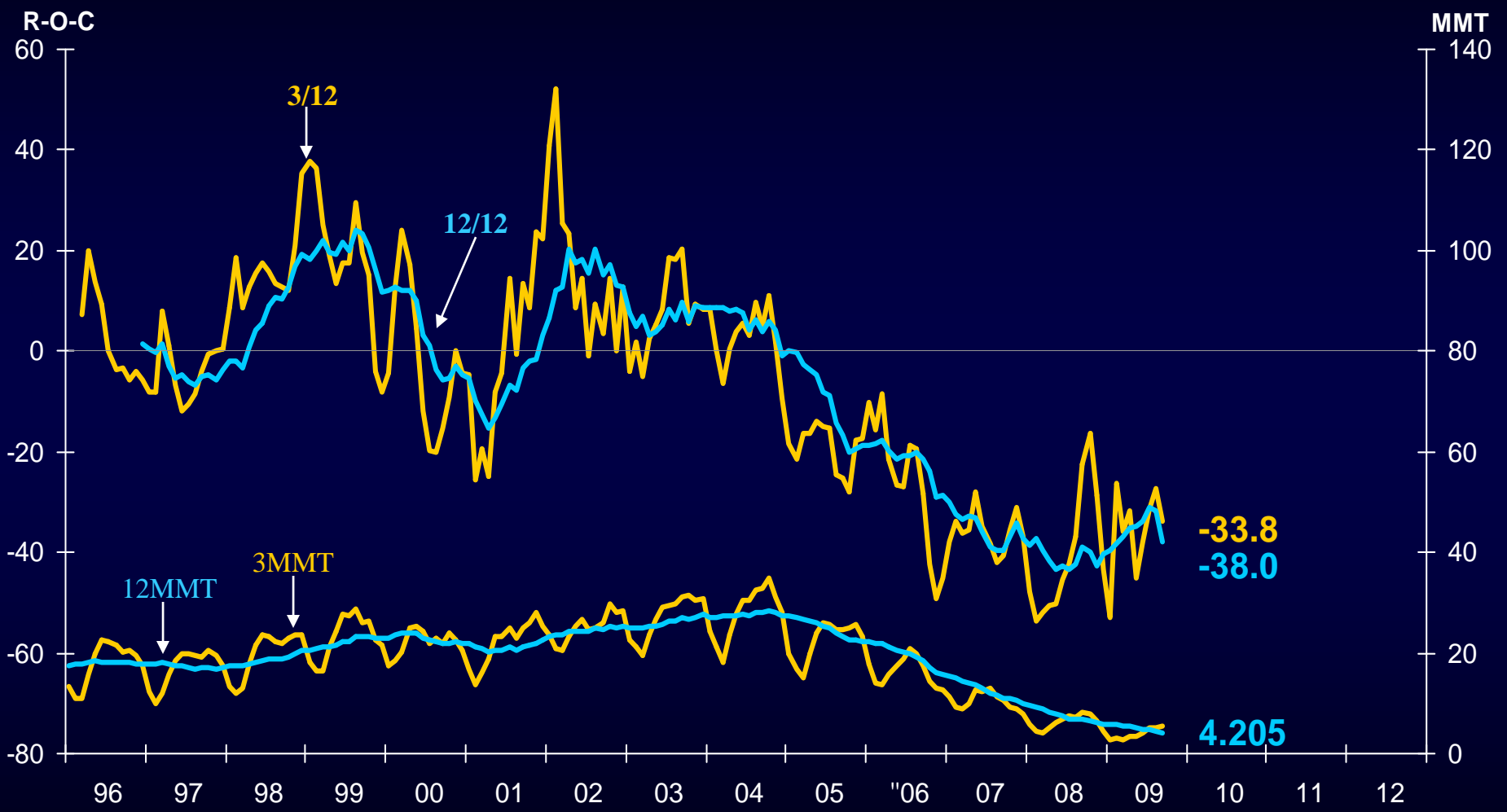
Minnesota Building Permits

Thousands of Units

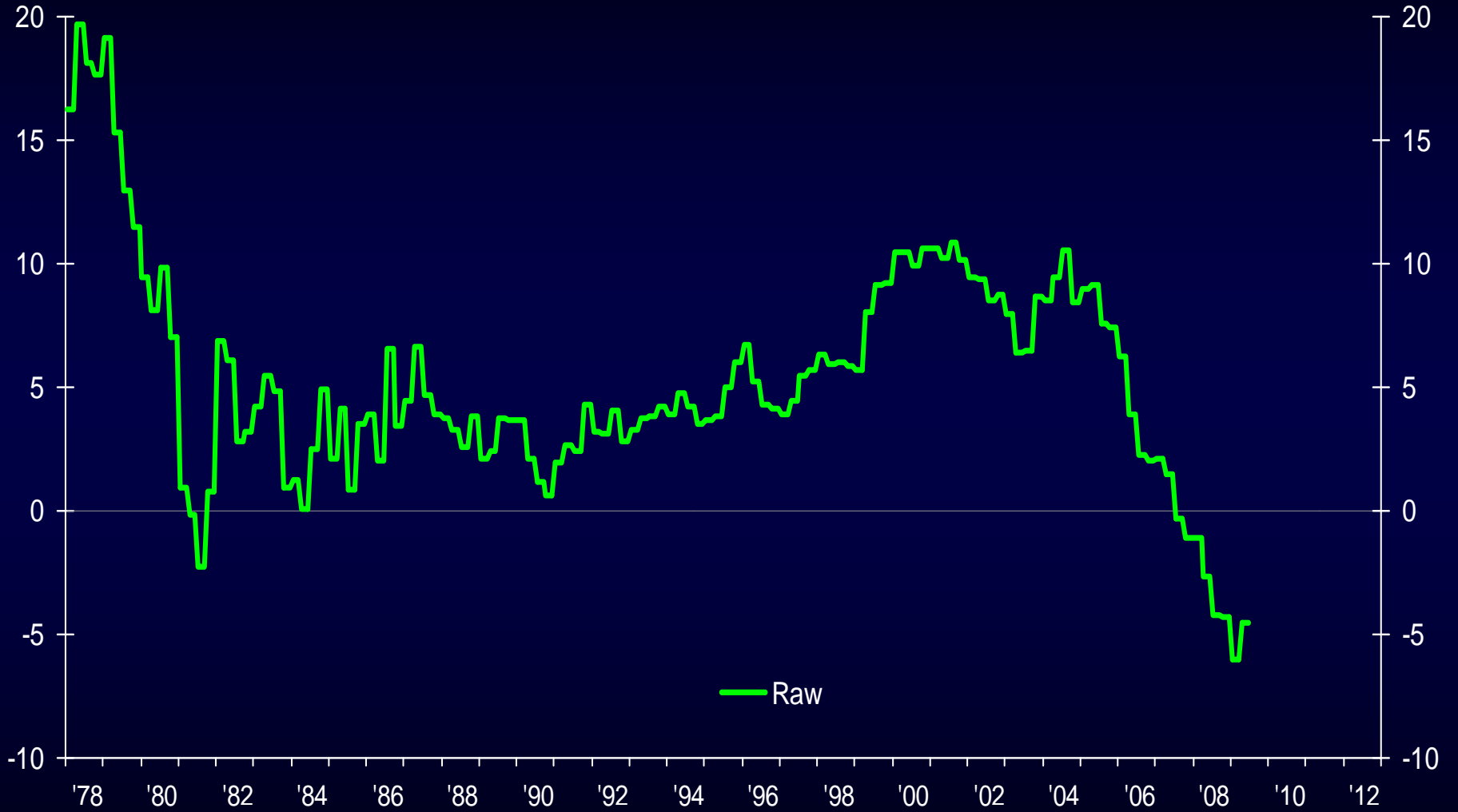


Minneapolis Building Permits

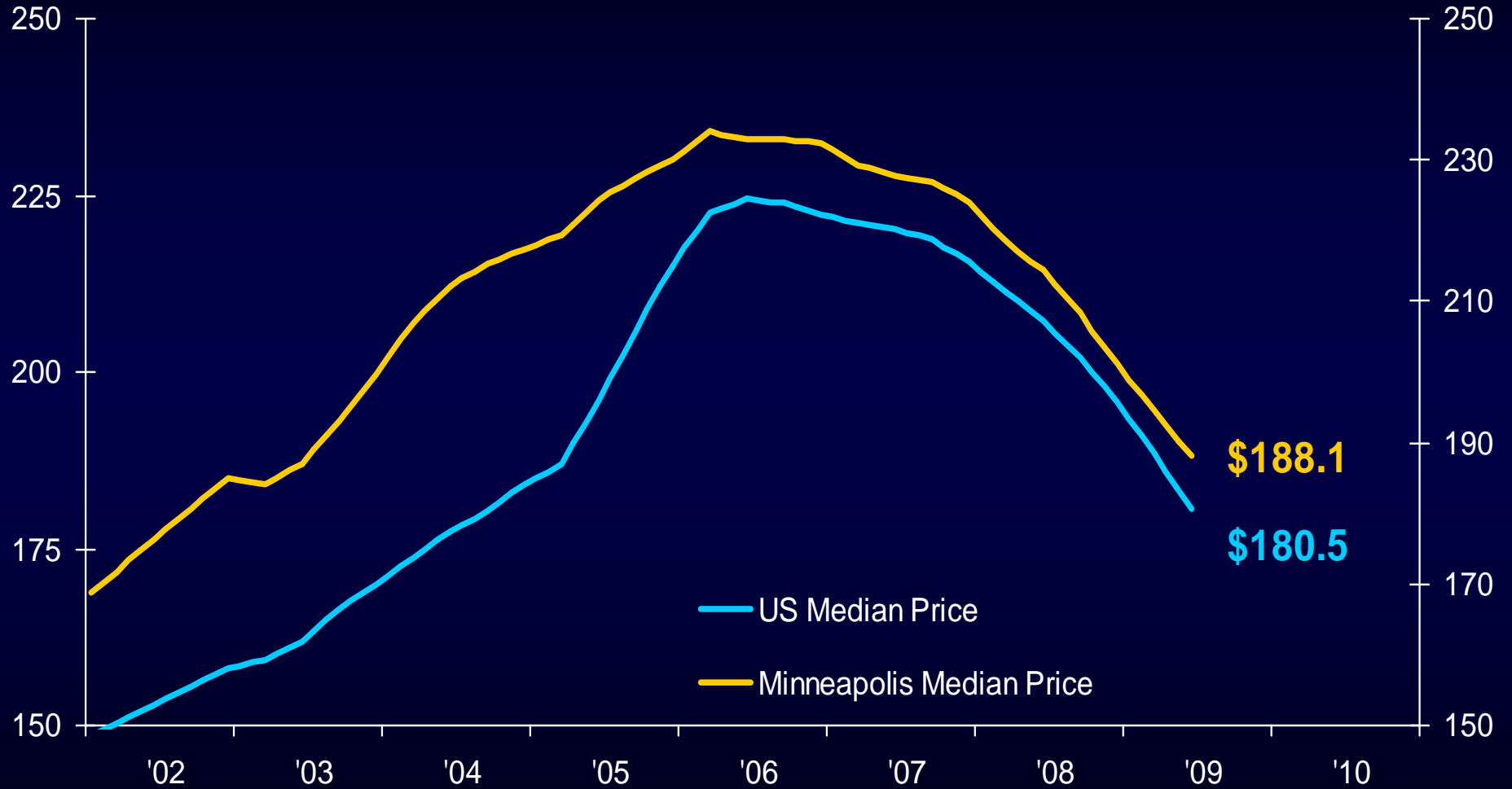
Thousands of Units



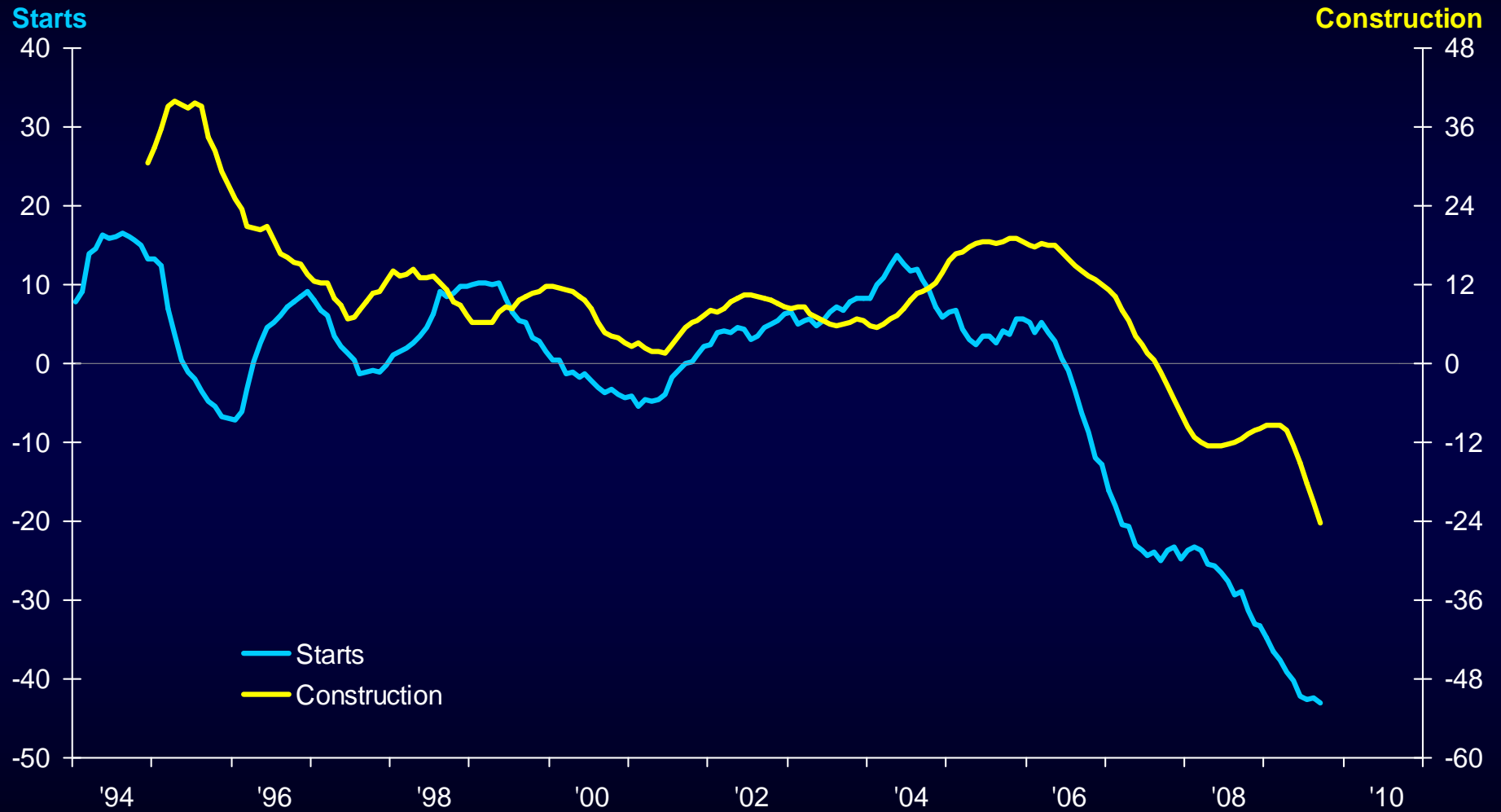
Minnesota Housing Price Index Year over Year % Change



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



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

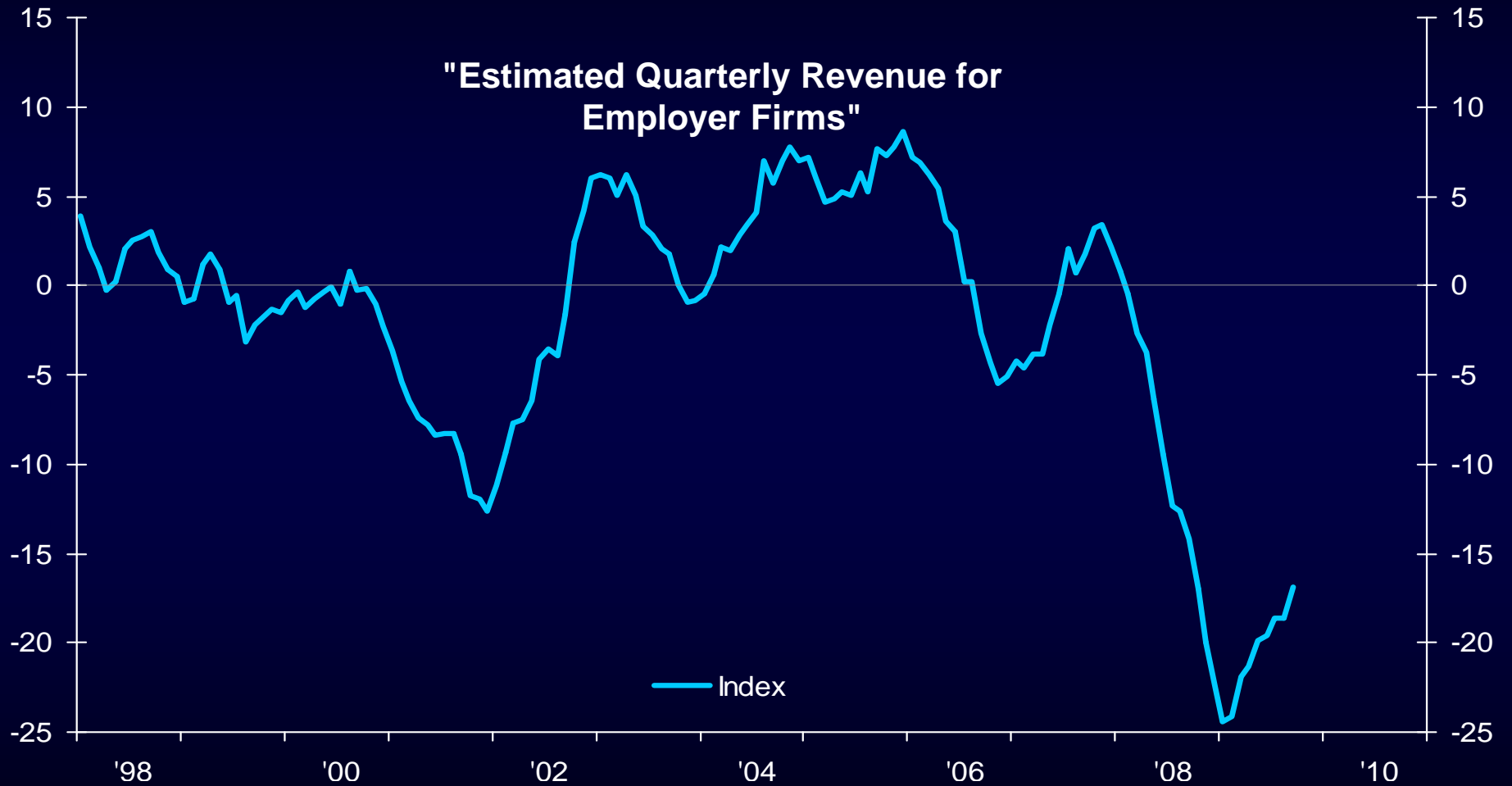


US Industrial Production to Non-Residential Construction Data Trends

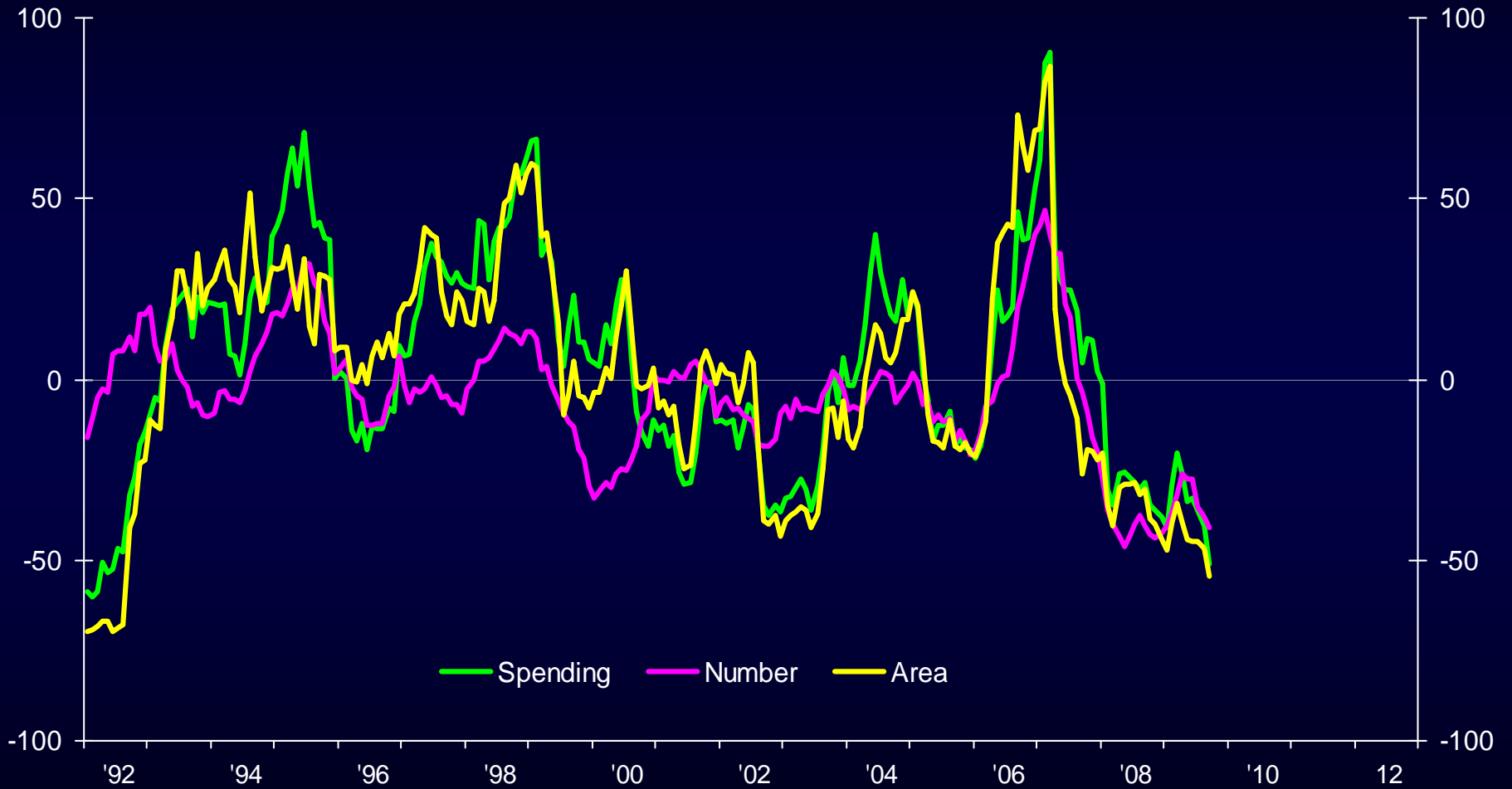


Architecture Billings Index

12/12 Rates-of-Change

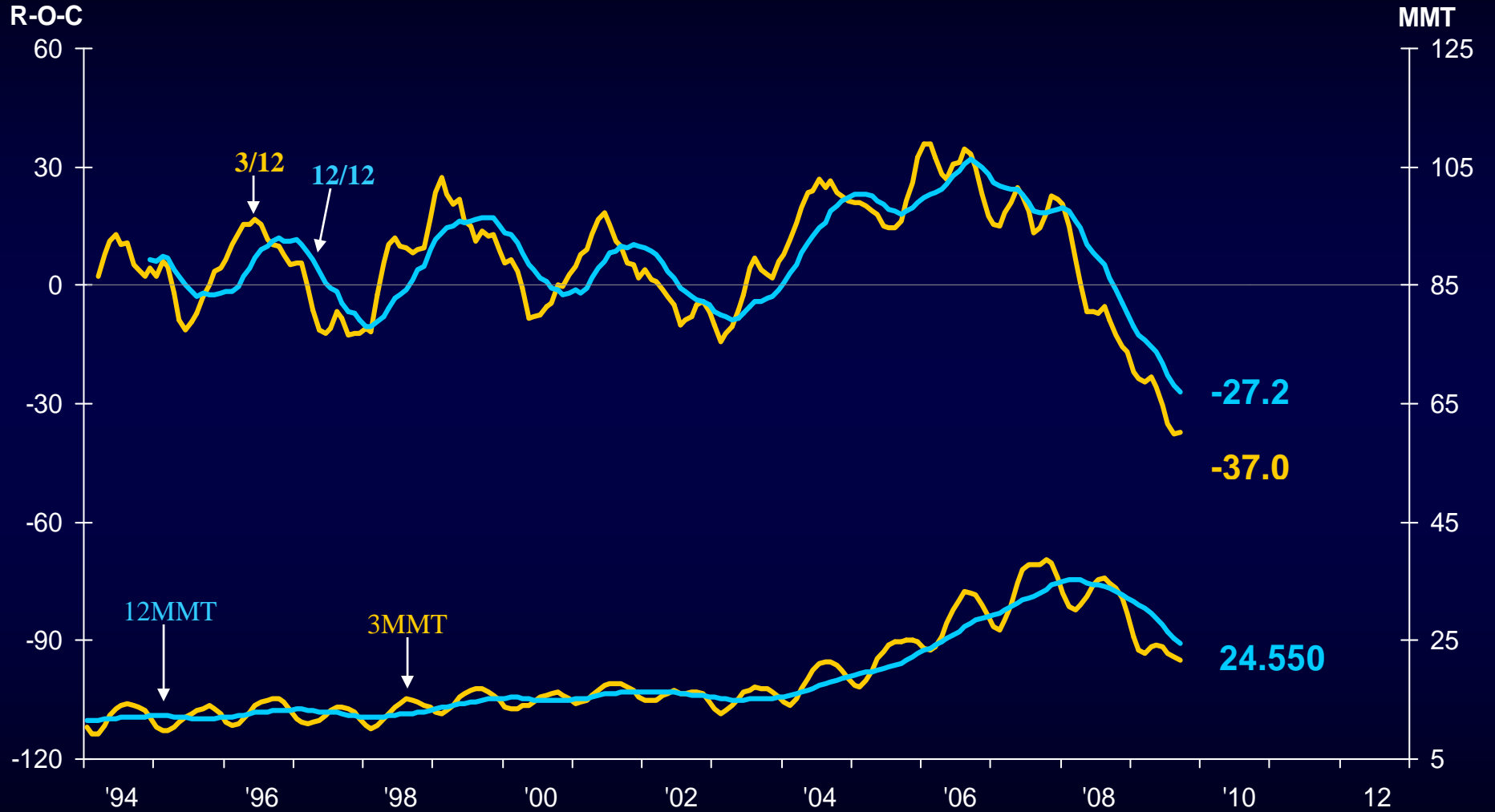


Minnesota Commercial Construction to Spending, Area and Number 12/12 Rates-of-Change



Multi-Retail Buildings Construction

Private, Billions of \$

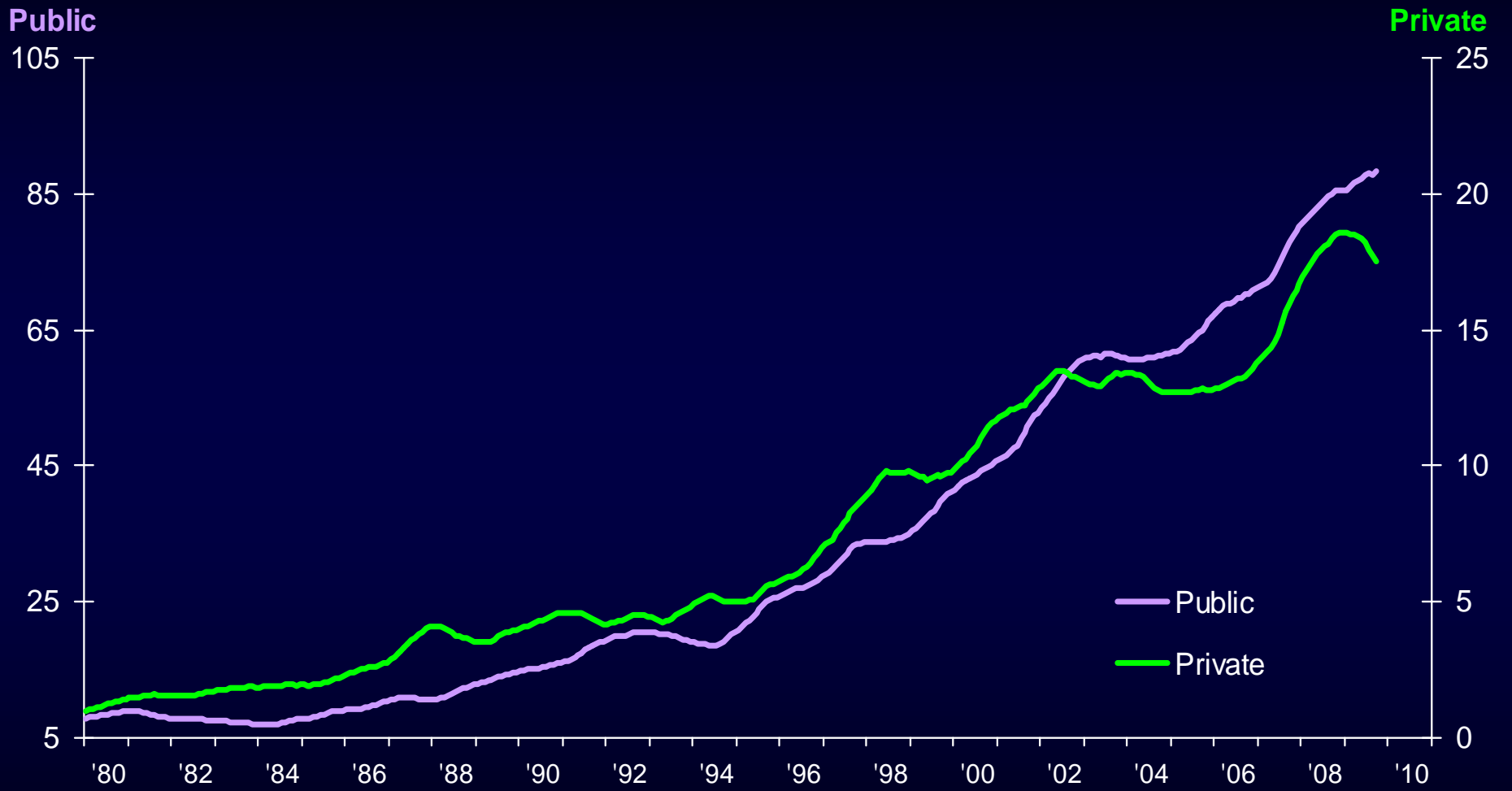


Warehouse Buildings Construction

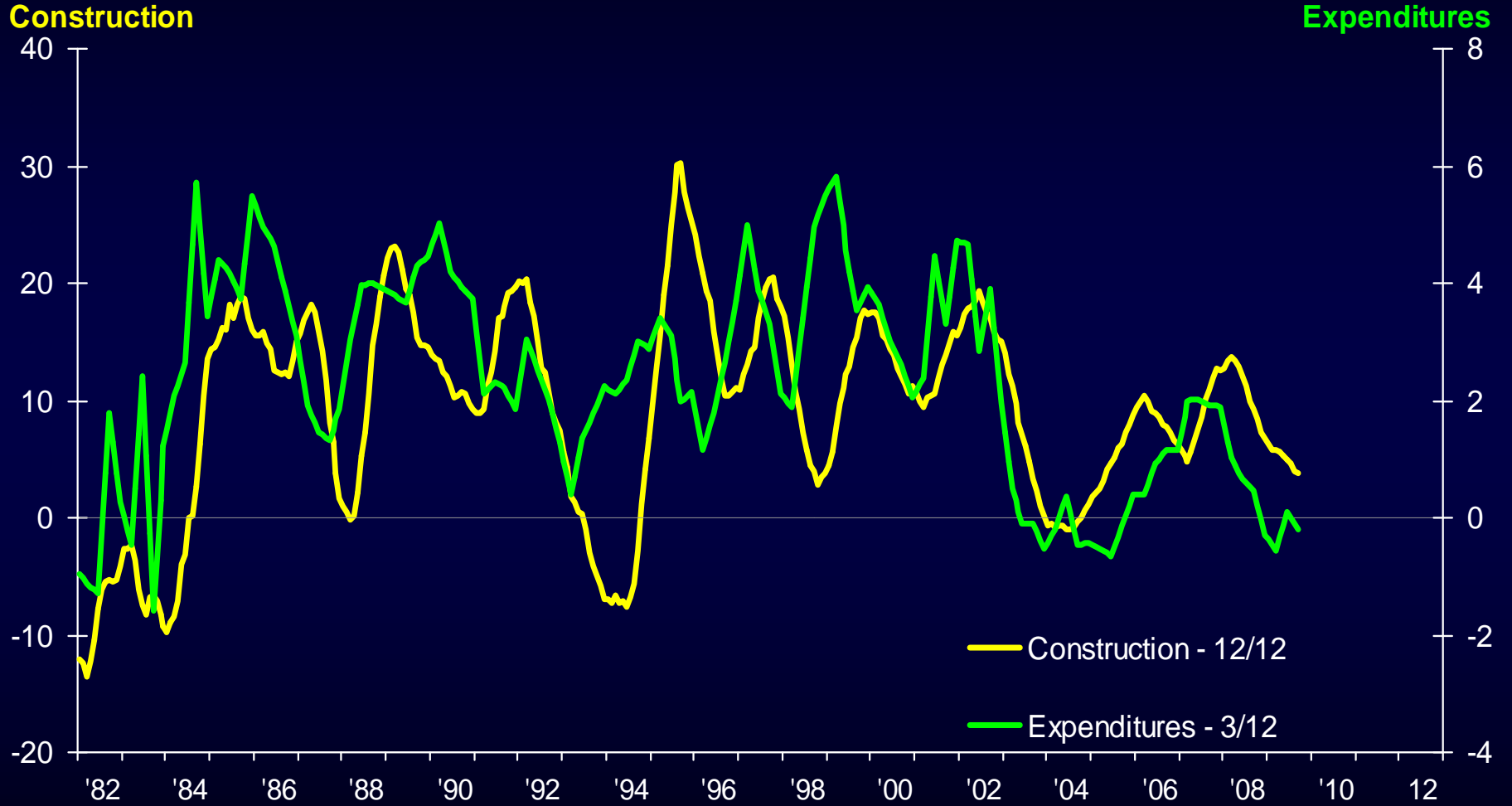
Private, Billions of Dollars



Public & Private Educational Buildings Construction Data Trends

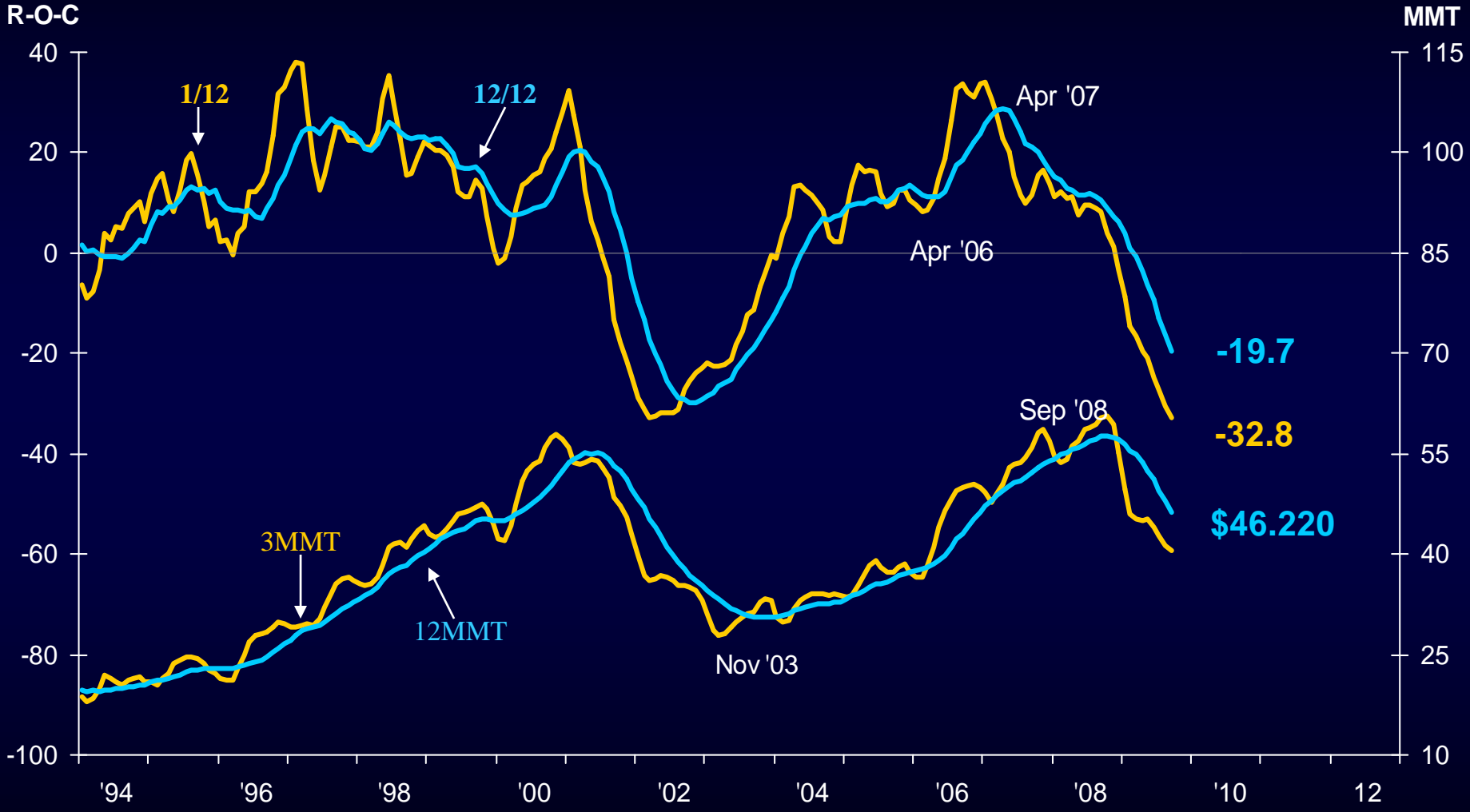


Public Educational Buildings Construction to State & Local Government Expenditures Rates-of-Change

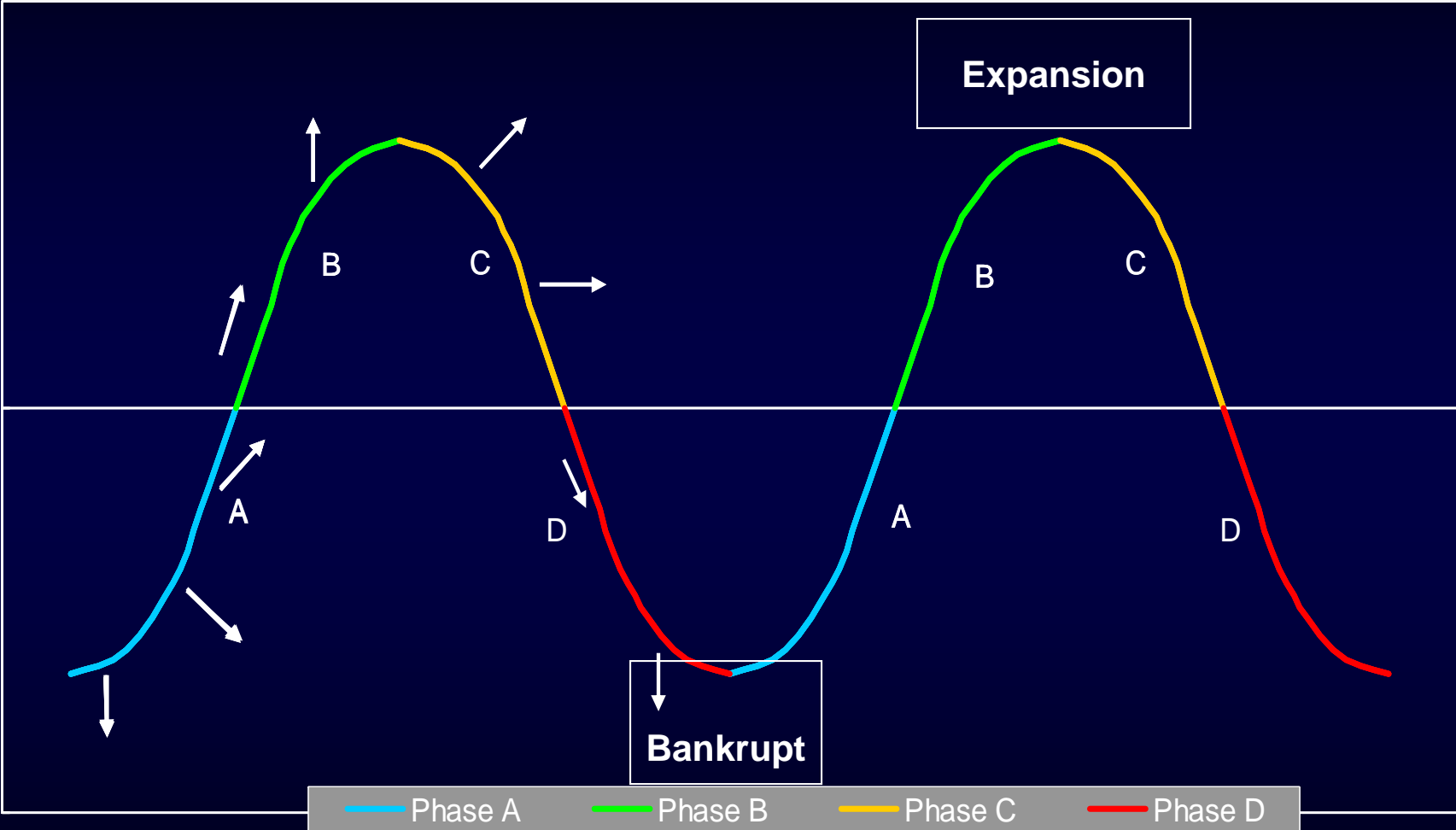


Office Buildings Construction

Billions of Dollars



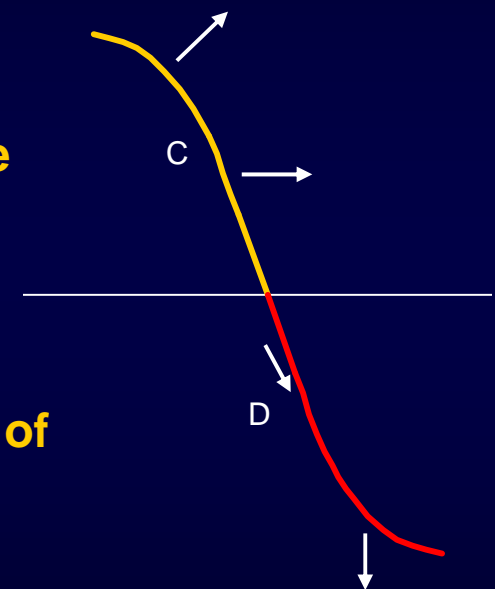
Four Phases



Phase Management Objectives™ :

Phase Late C - Warning:

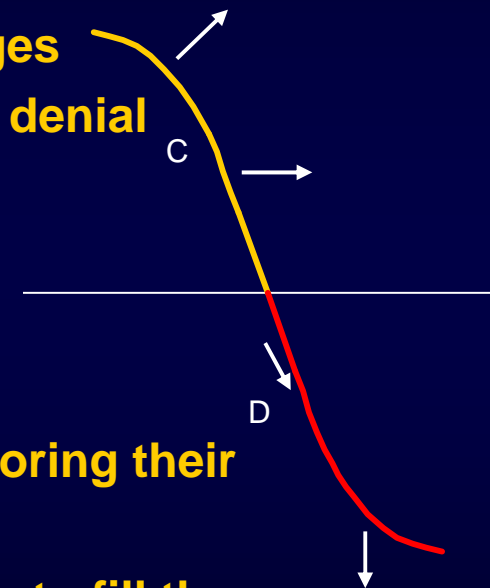
1. Begin work force reductions
2. Set budget reduction goals by department
3. Avoid long-term purchase commitments late in the price cycle
4. Concentrate on cash and balance sheet
5. Reduce advertising & inventories
6. De-emphasize commodity/services in anticipation of diminishing margins
7. Weed out 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:

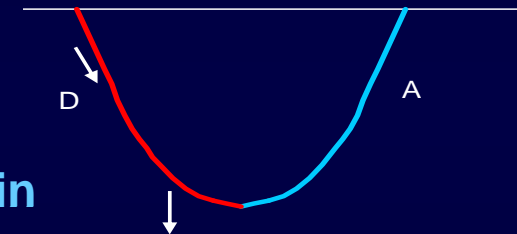
1. Continue force reduction
2. Reduce advertising – be very selective
3. Continue to avoid long-term purchase commitments
4. Review all lease agreements
5. Increase the requirements for justification of capital equipment
6. Eliminate all overtime
7. Reduce overhead labor
8. Combine departments with like 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 Late D – Recession

1. Prepare training programs
2. Negotiate union contracts if possible
3. Develop advertising & marketing programs
4. Enter or renegotiate long-term leases
5. Look for additional vendors
6. Capital expenditures & acquisitions considered in light of market-by-market potential
7. Make acquisitions – use pessimism to your advantage
8. People will be scared – lead with optimism and “can do” attitude

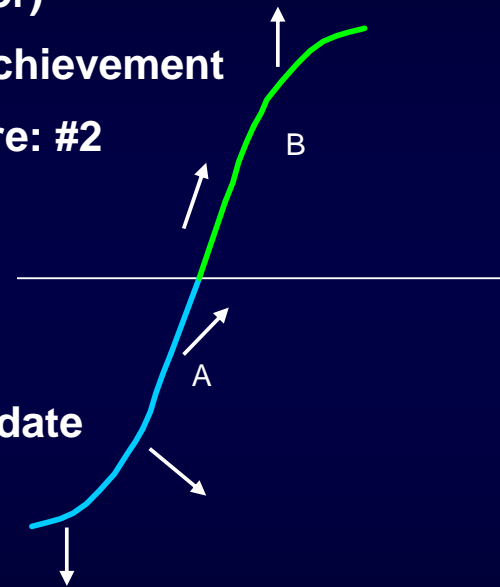
Early A - Early Recovery



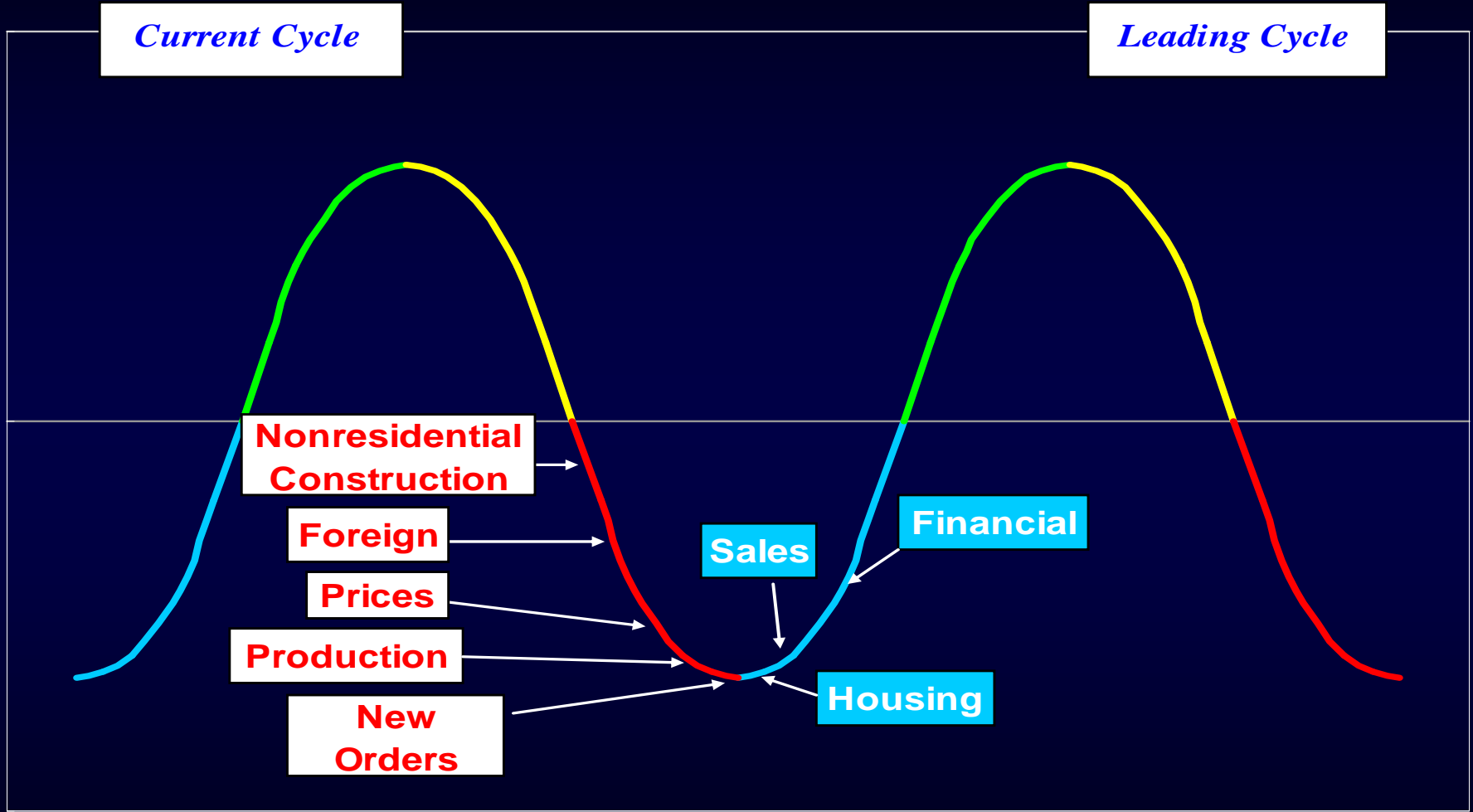
Phase Management Objectives™ :

Phase Late A - Recovery:

1. Positive leadership modeling (culture turns into behavior)
2. Establish goals: tactical goals which lead to strategic achievement
3. Develop a system for measurement and accountability re: #2
4. Align compensation plans with #2 and #3
5. Be keenly aware of the BE point and check it regularly
6. Judiciously expand credit
7. Check distributions systems for readiness to accommodate increased activity
8. Review and uncover competitive advantages
9. Invest in customer market research (know what they value)
10. Improve efficiencies with investment in technology and software



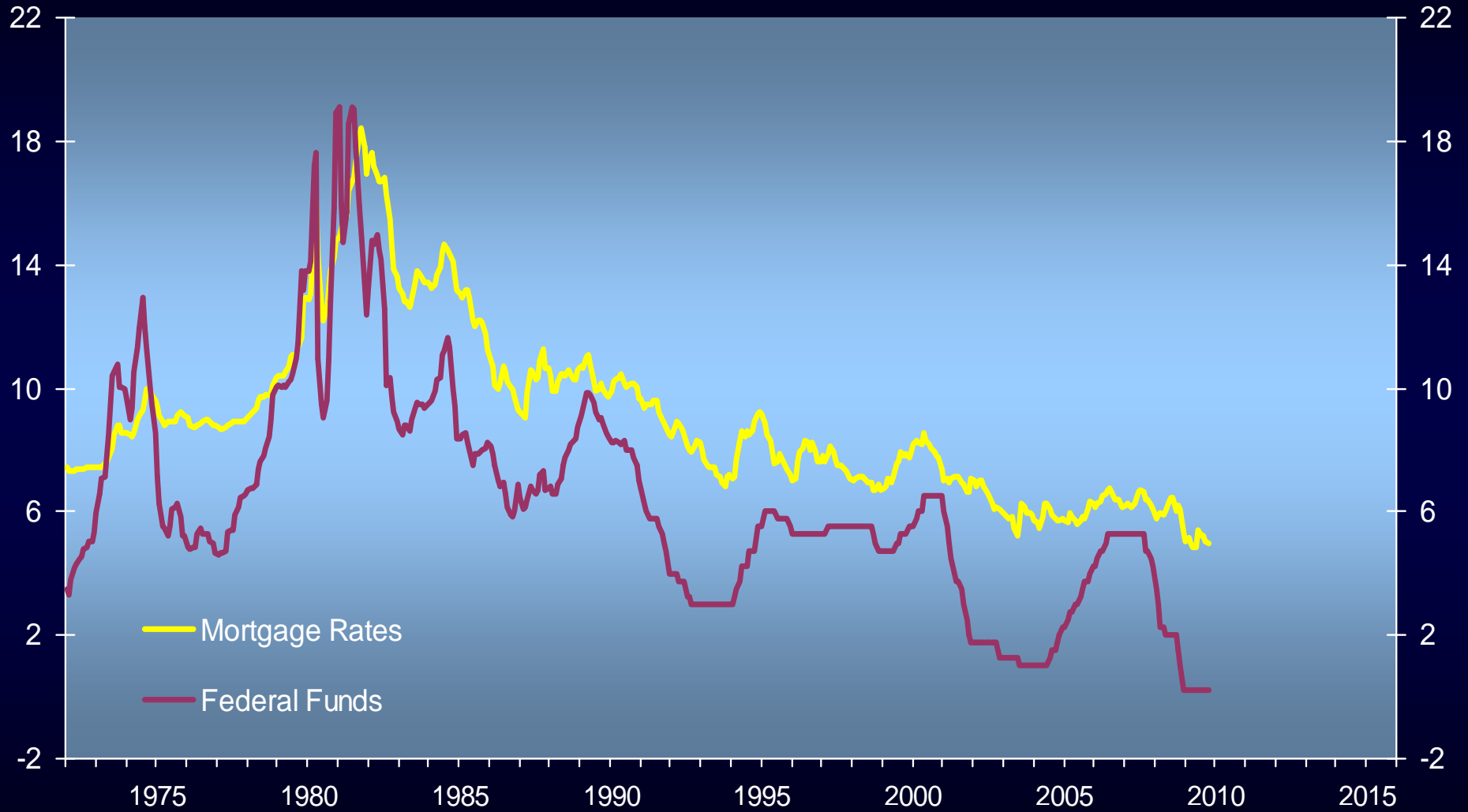
The Eco 8



Inflation – US and the Midwest



Mortgage Rates to Federal Funds Raw Data



M2 Money Supply Trillions of 82\$



\$3.855



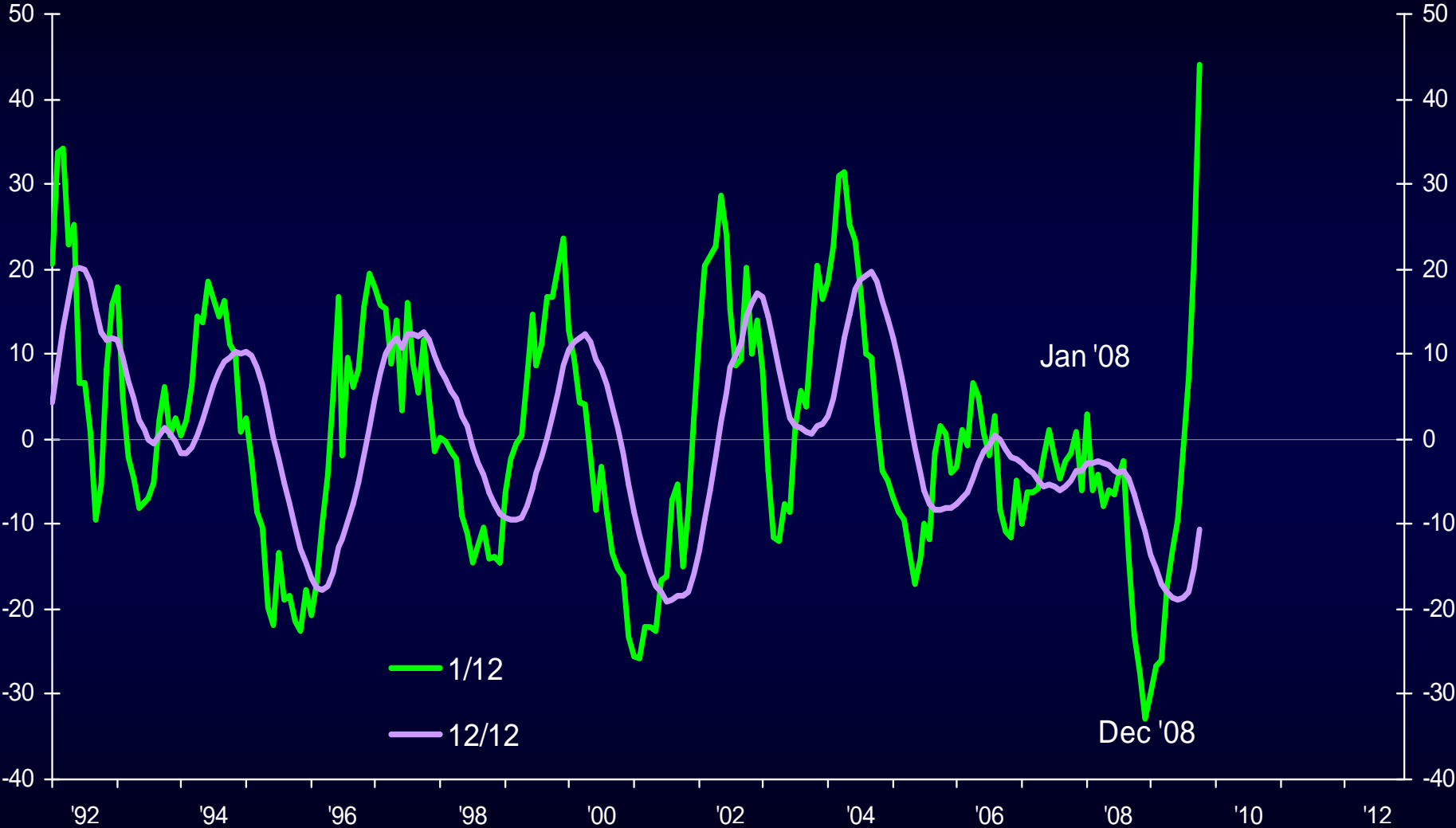
Source: ITR's EcoTrends[®]
Monthly Economic Report

U.S. Composite Leading Indicator

1996 = 100

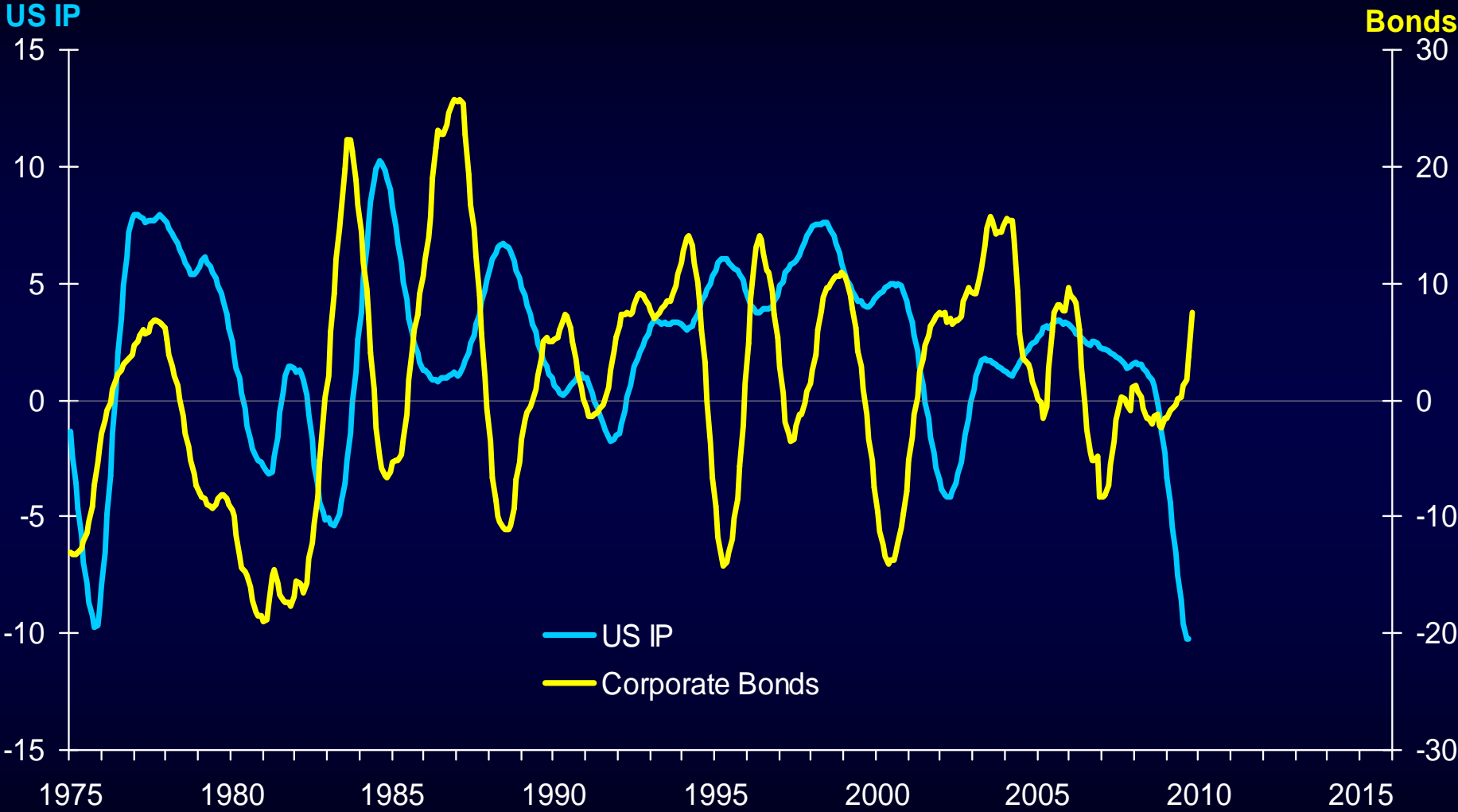


Purchasing Managers Index ISM



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

US Industrial Production to Corporate Bond Prices 12/12 Rates-of-Change



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

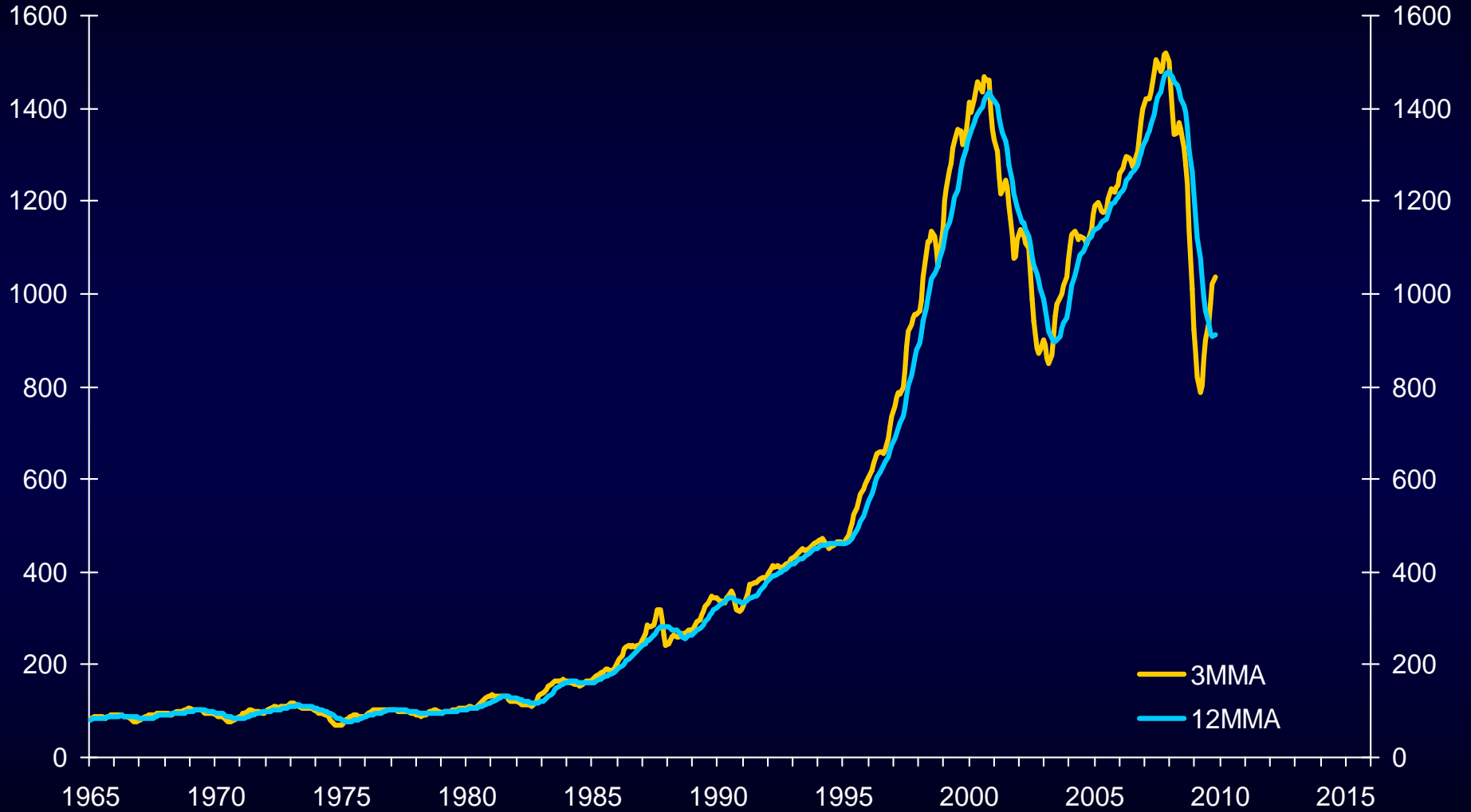
Stock Prices Index

S&P 500, 1941 - 43 = 10



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

Stock Prices Index Data Trends



GP Index **GP**
 CBINTOT NY 30SEP09 00:00 -147.10 Billion
 CBINTOT INDEX Hide GP - Line Chart Page 1/6
 Range 12/31/70 - 09/30/09 Upper Mid Line Mov. Avgs Currency USD
 Period Quarterly Events



1970-1974 1975-1979 1980-1984 1985-1989 1990-1994 1995-1999 2000-2004 2005-2009 2

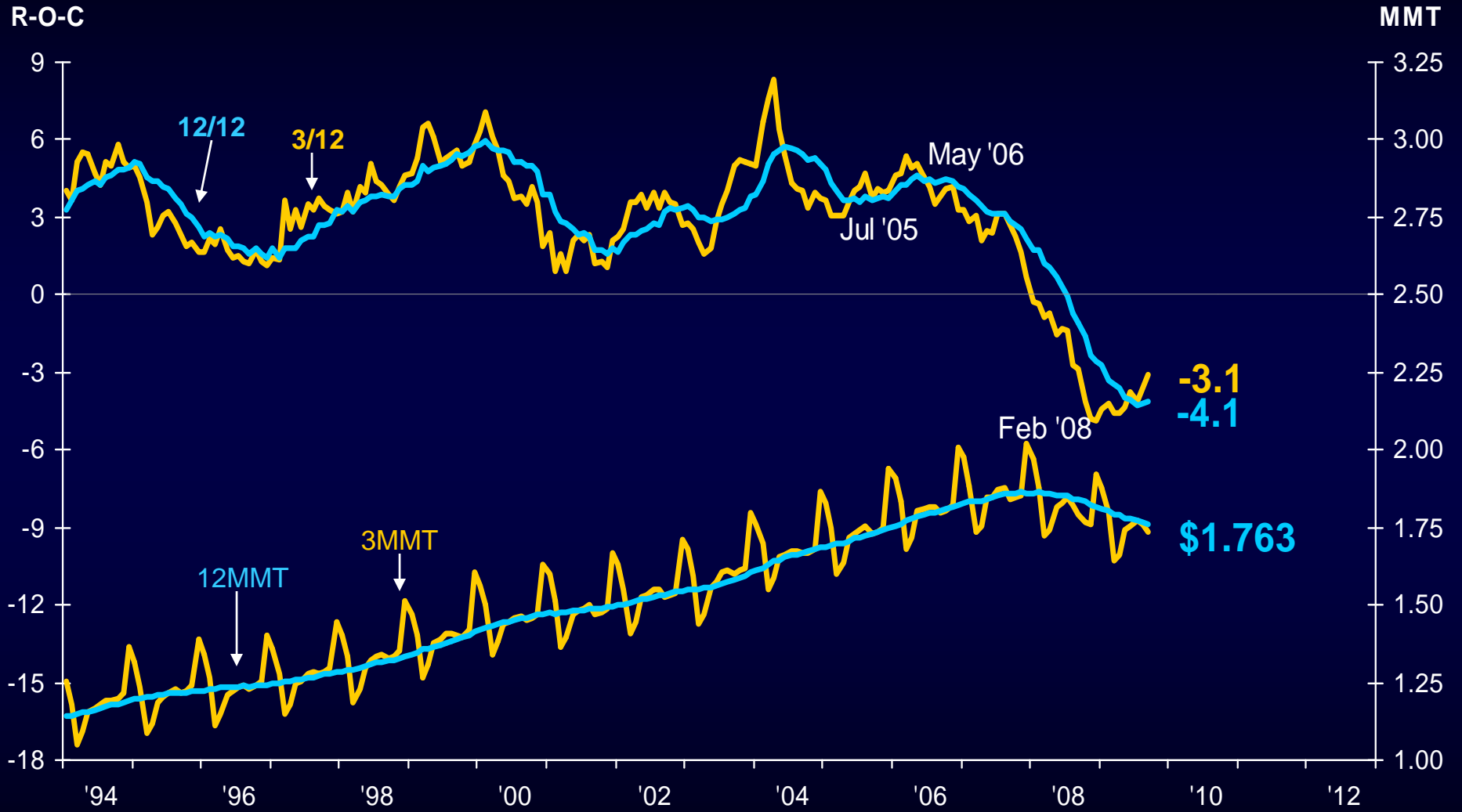
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
 Copyright 2009 Bloomberg Finance L.P.
 SN 837787 6923-568-1 29-Oct-2009 09:17:34

Federal Express Stock Price Rates-of-Change



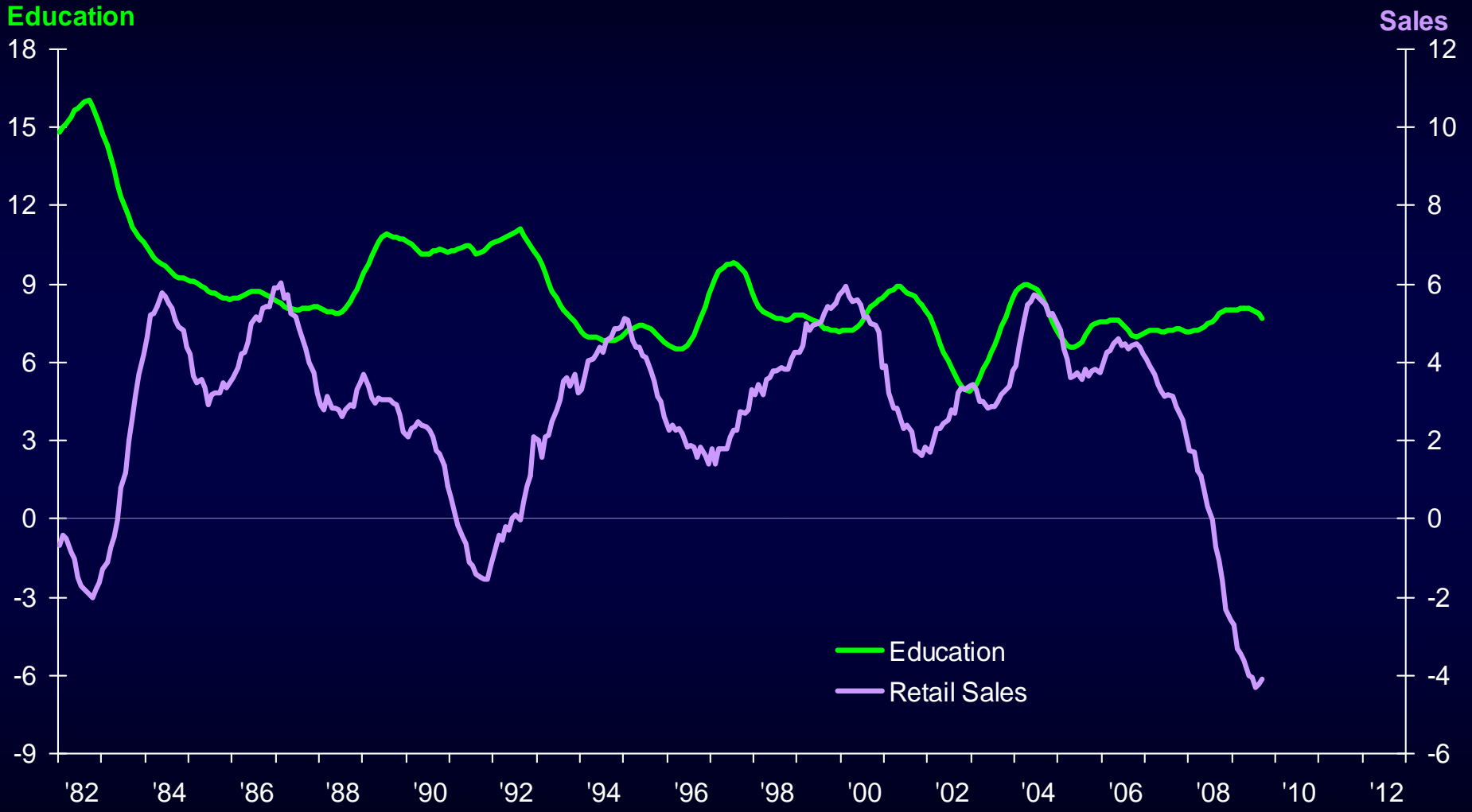
Retail Sales Excluding Automobiles

Trillions of 82-84\$



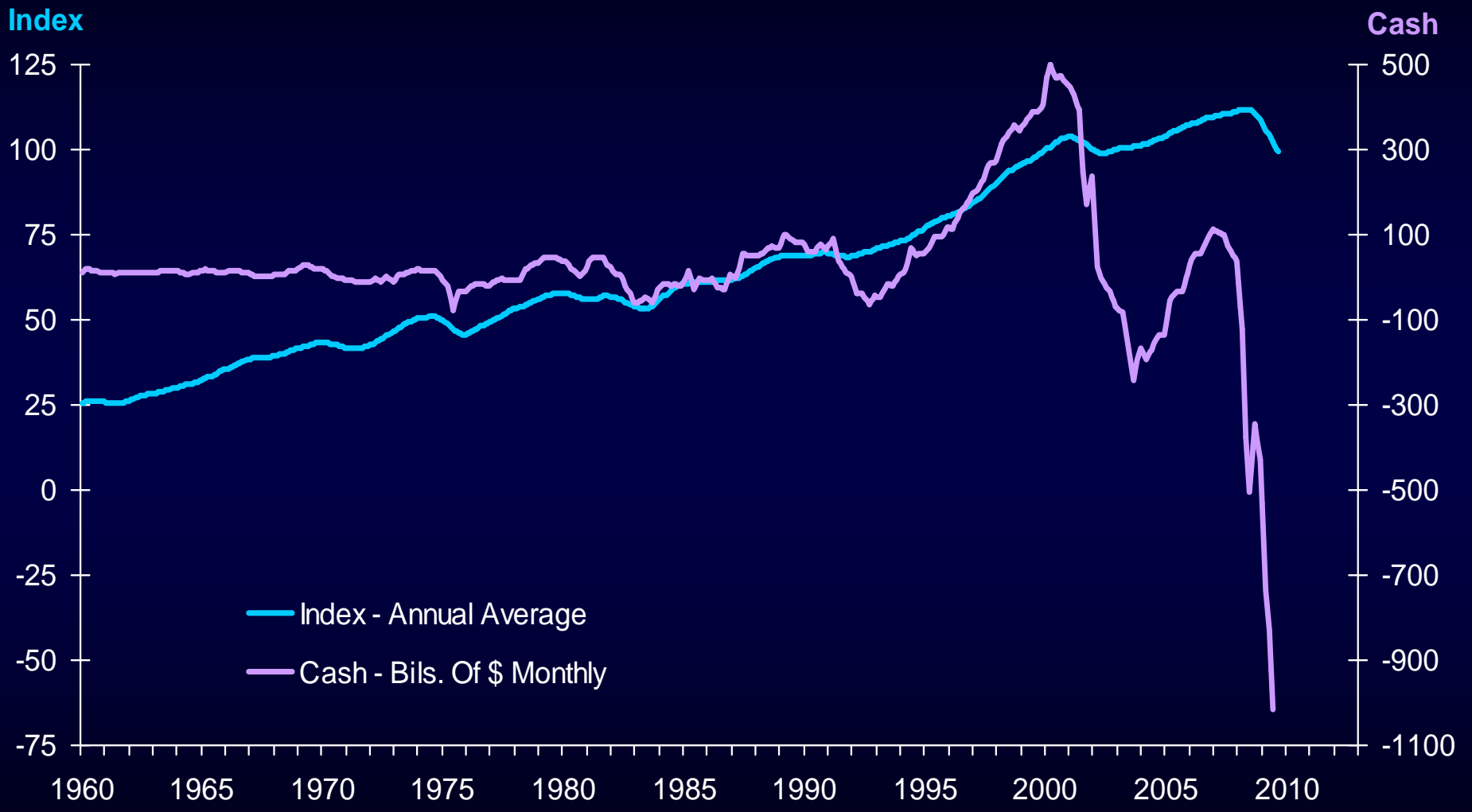
Source: ITR's EcoTrends[®]
 Monthly Economic Report

Higher Education Expenditures to Retail Sales excluding Autos 12/12 Rates-of-Change

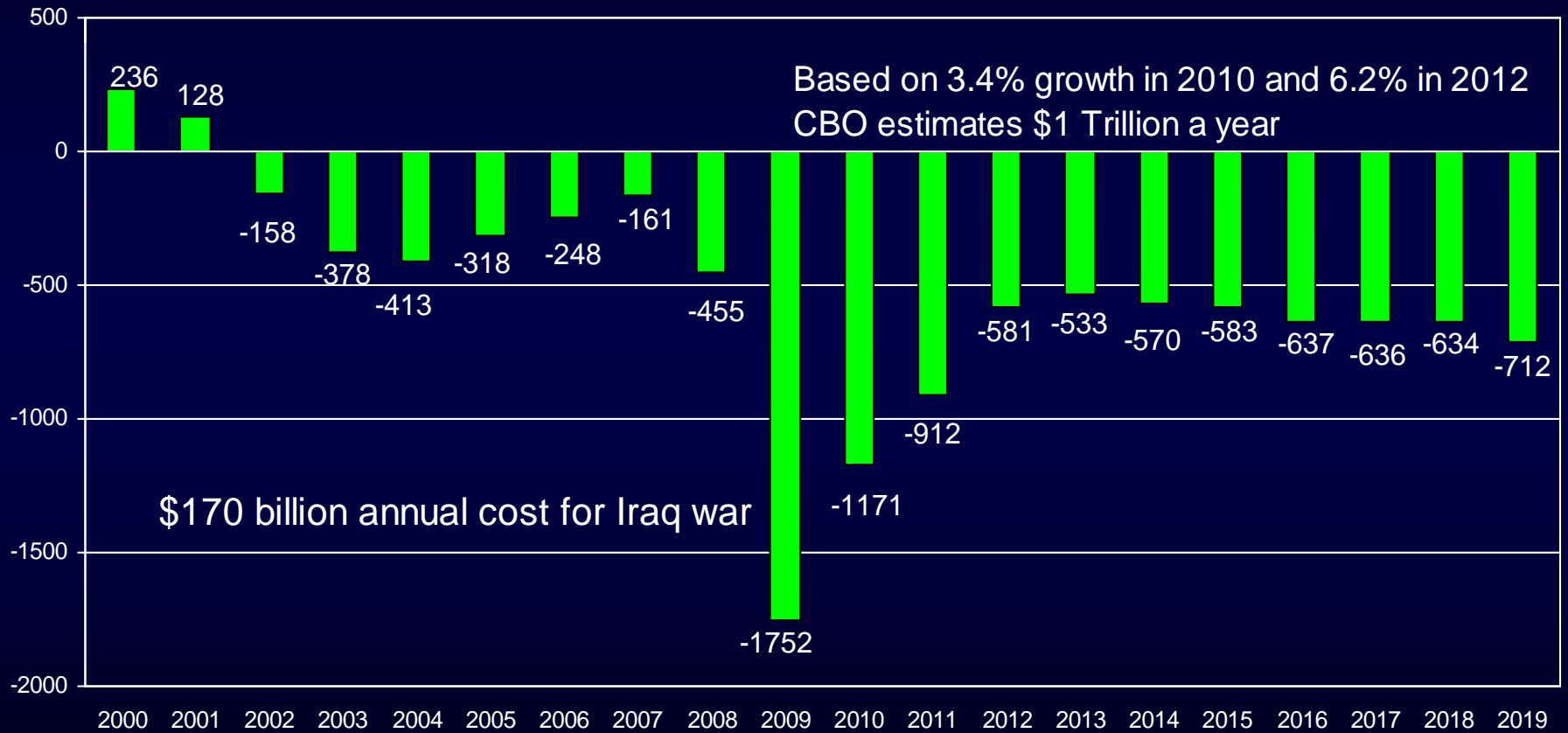


Fed. Government Cash Account to US Industrial Production Index

Data Trends



President Obama's 10-Year Deficit Projections Billions of Dollars



Source: A New Era of Responsibility, Table S-1, budget.gov

Assuming just a 50 basis point per annum increase in the federal government's cost of borrowing money and using Congressional Budget Office (CBO) estimates for the other variables, the government's debt service as a percent of total budget outlays will grow to approximately:

13.0% in 2009

25.5% in 2012

34.1% in 2015

- Either ... tremendous amount of fiscal responsibility and dramatically cut spending, or our **taxes** are going to be going up significantly ...
- The fiscal strain that lies ahead is going to be tremendous.
- The impact on the **stock market** from rising taxes is depressing the further out one goes from the next two years.

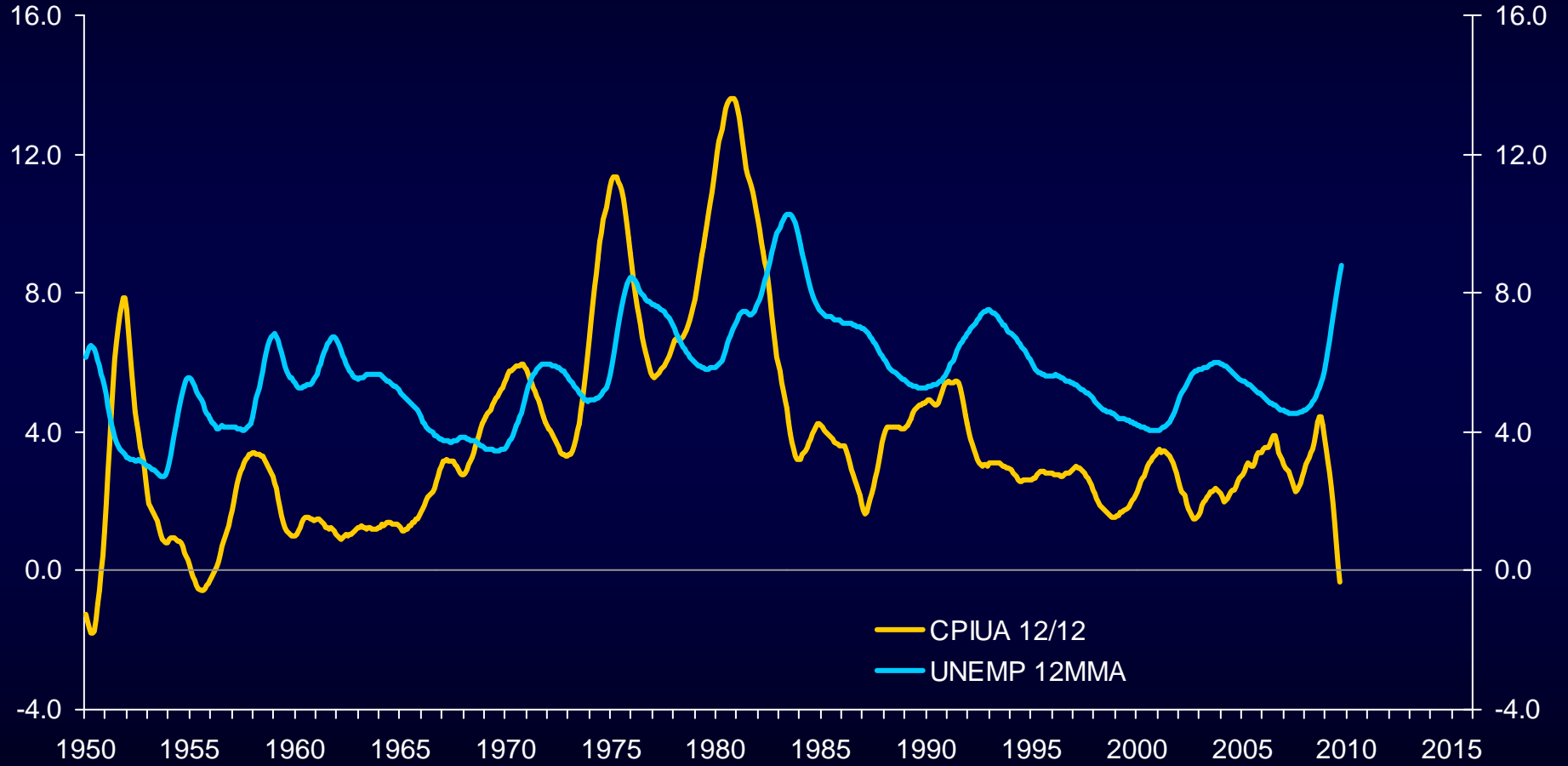
EcoTrends® May 2009 issue

Unemployment Rate to Consumer Price Index

Data Trends to Rates-of-Change

CPIUA

UNEMP



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

GDP, Bils of US \$, Current Prices

Percent of World GDP

