

Urban Land Institute

“Outlook for 2010-2012”

November 2010

Presented By:

ITR

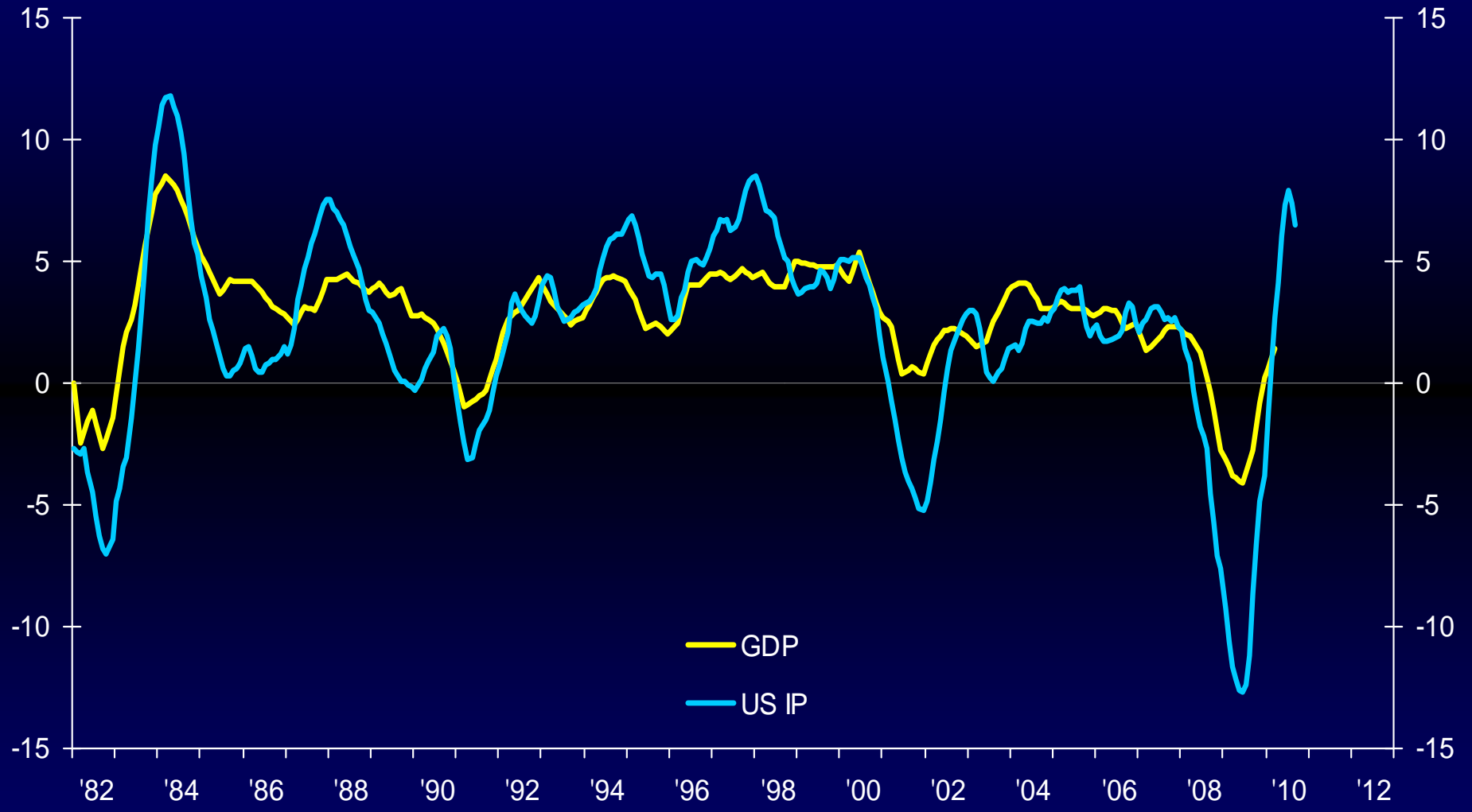
Brian Beaulieu

brian@itreconomics.com



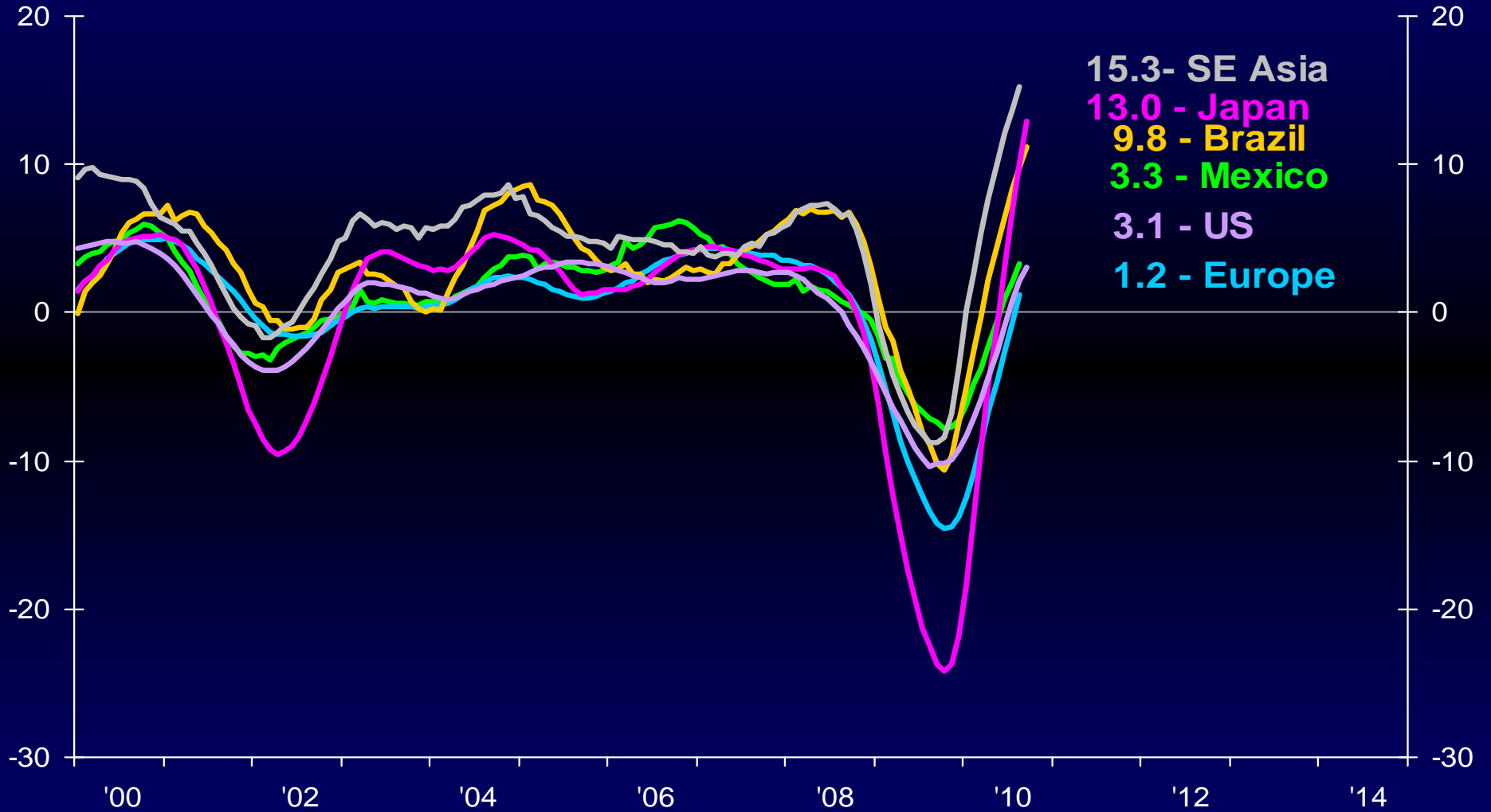
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US Industrial Production to Gross Domestic Product 3/12 Rates-of-Change

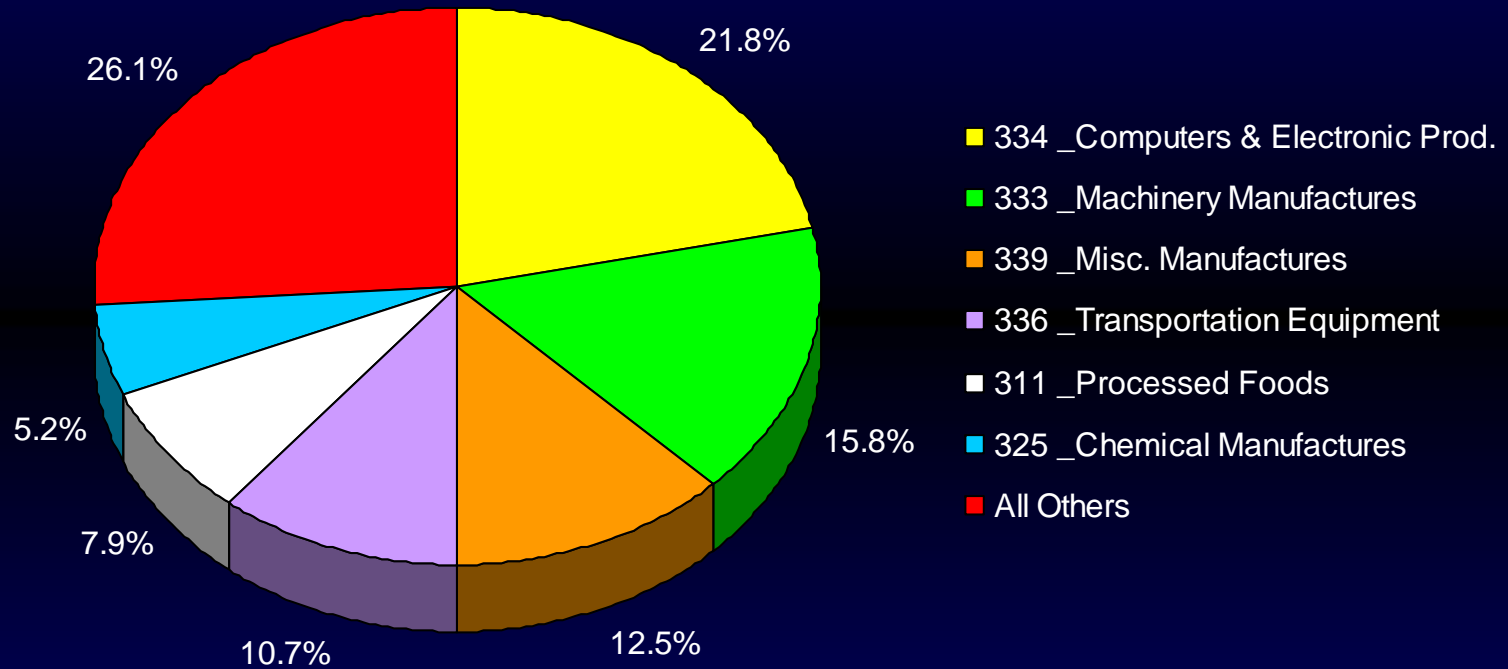


Global Industrial Production Indices

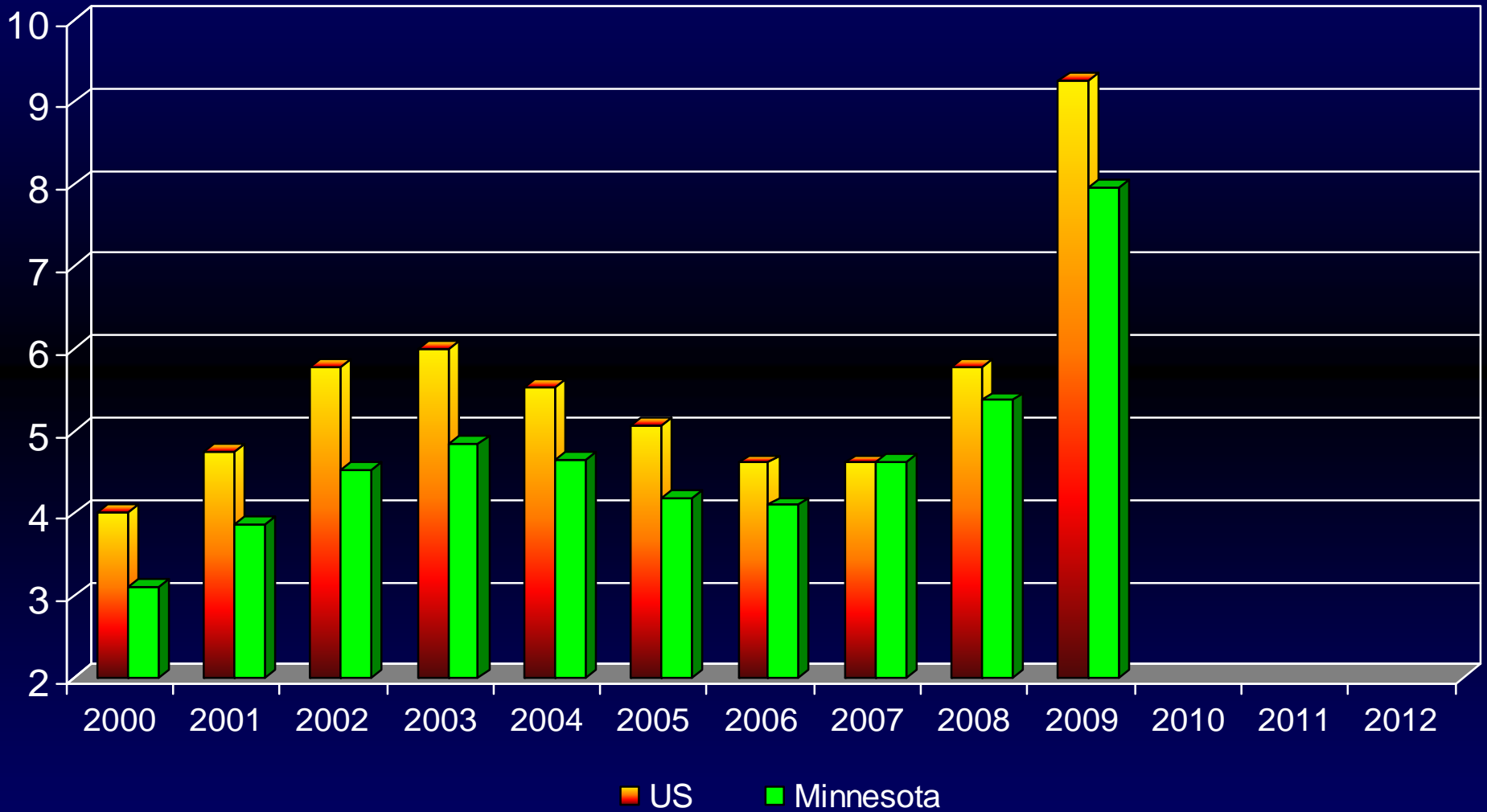
12/12 Rates-of-Change



2009 Exports from Minnesota to World

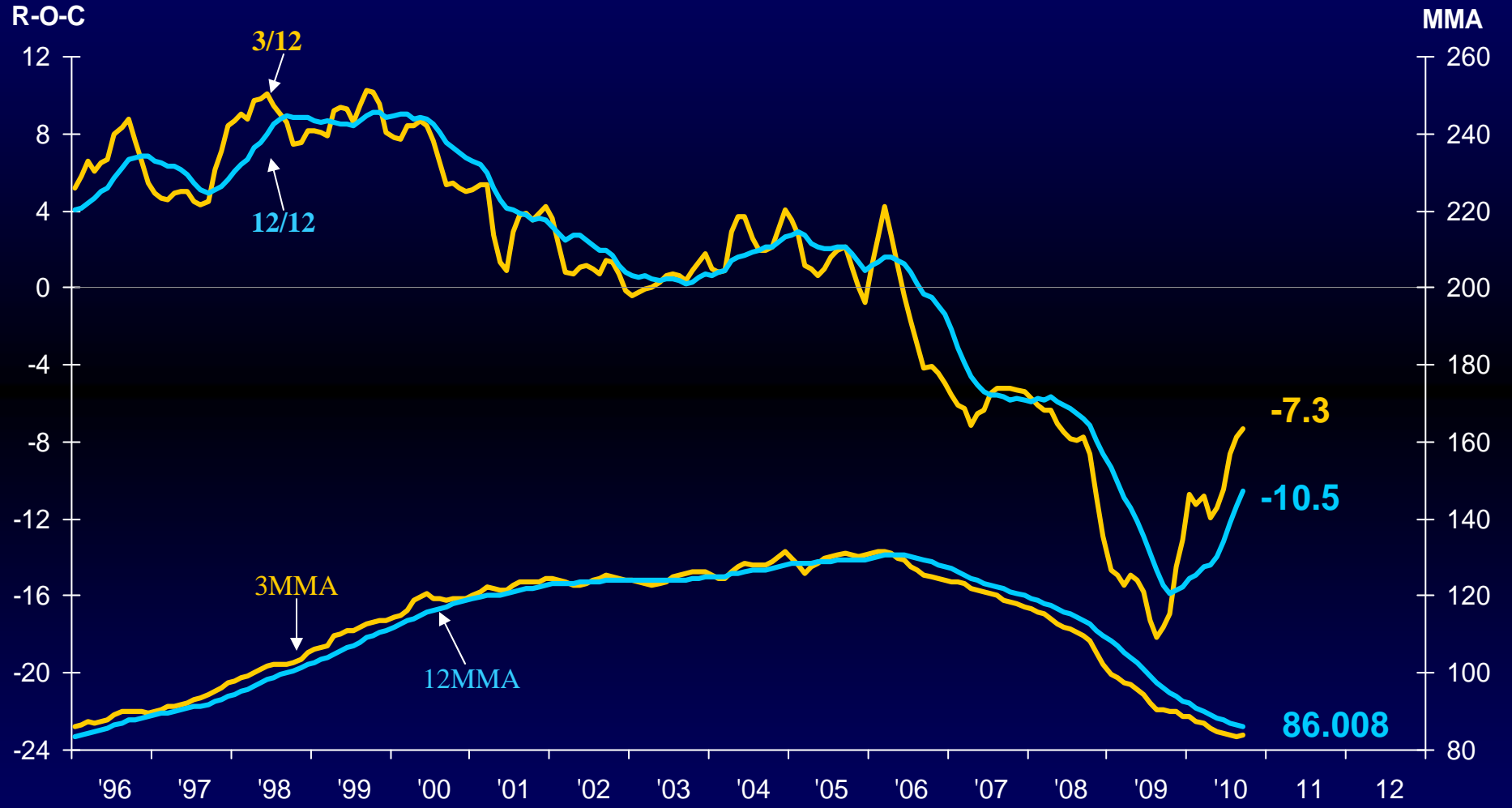


Unemployment Rates



Minnesota Construction Industry Employment

Thousands of Units



Minneapolis/St. Paul Construction Industry Employment

Thousands of Units

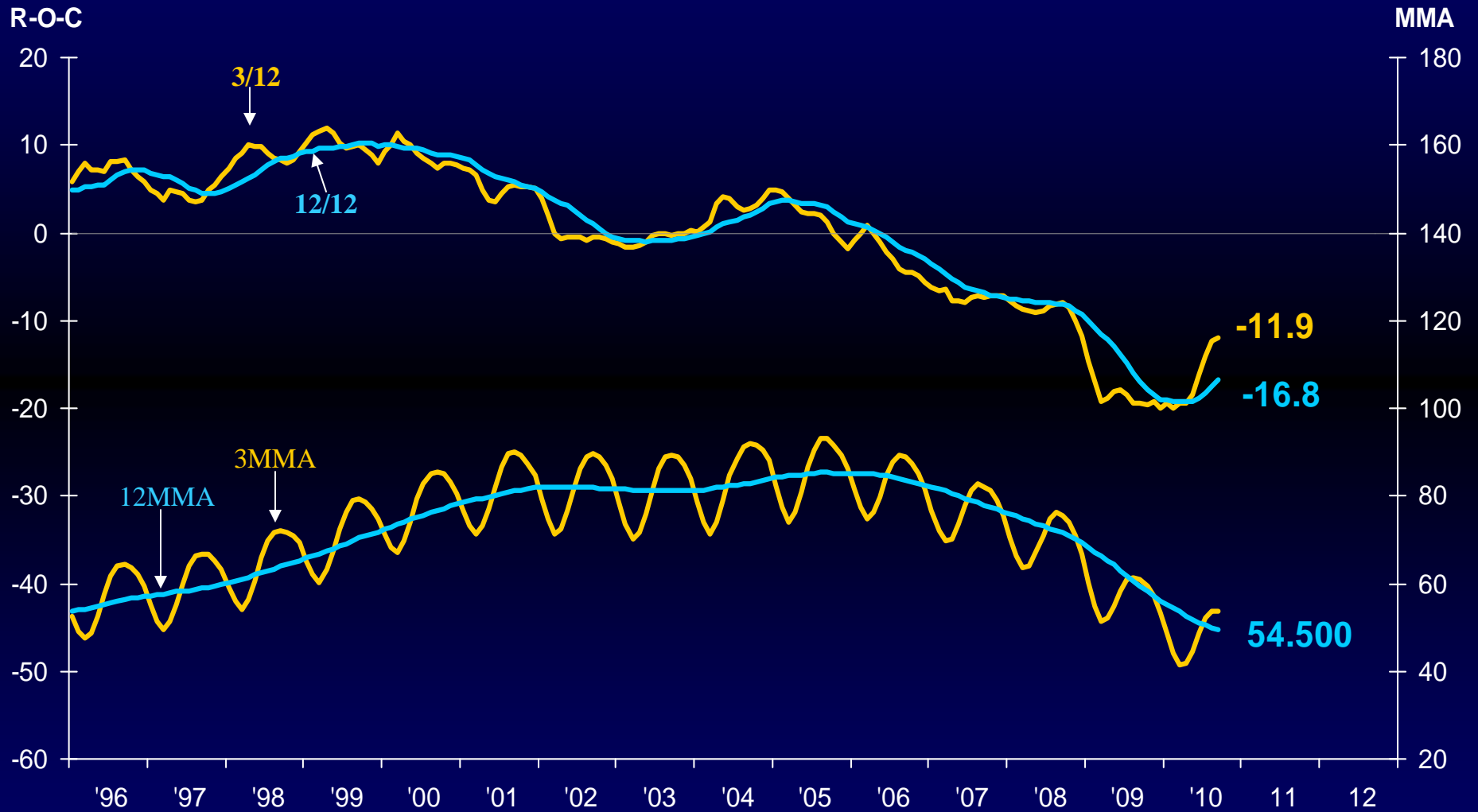
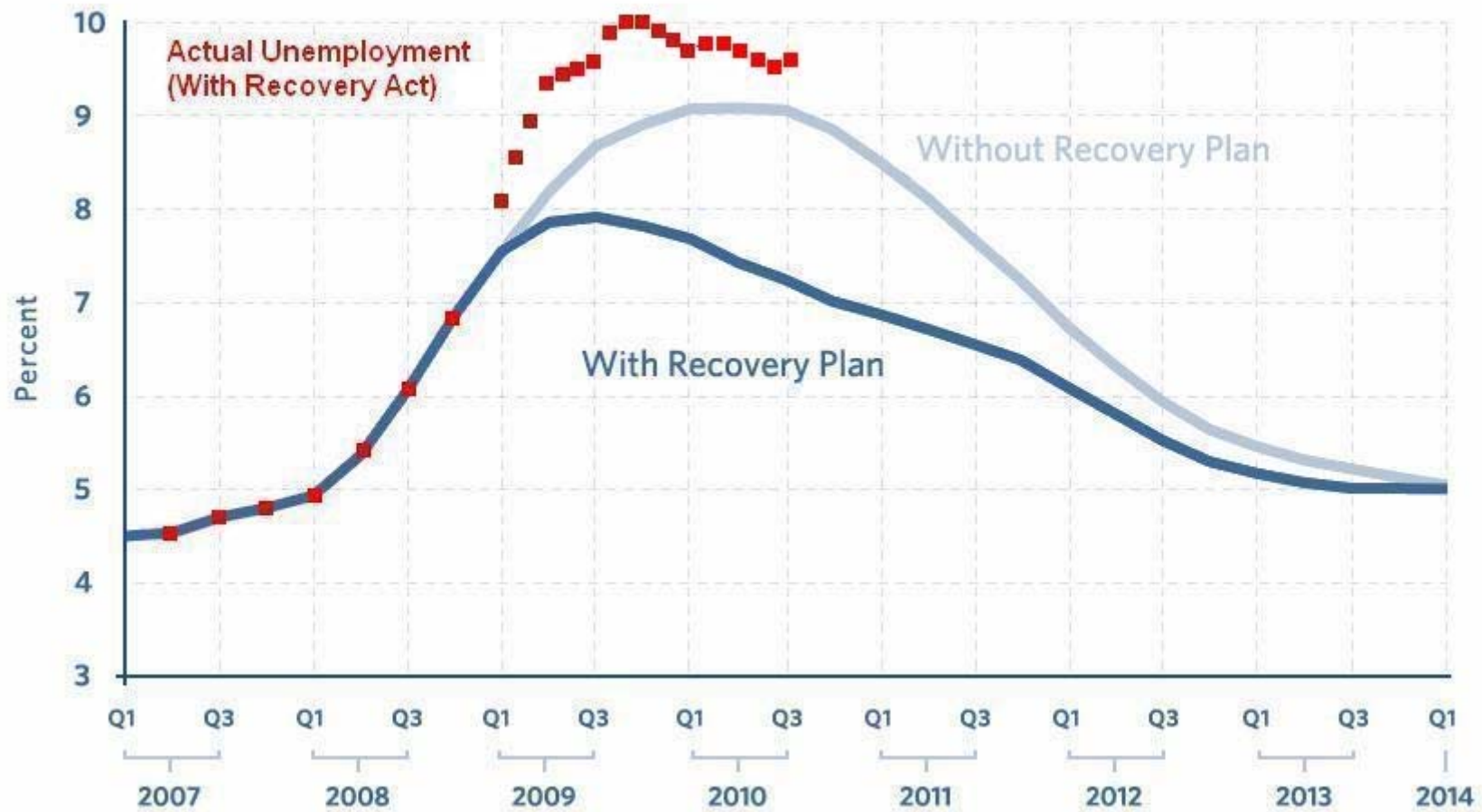
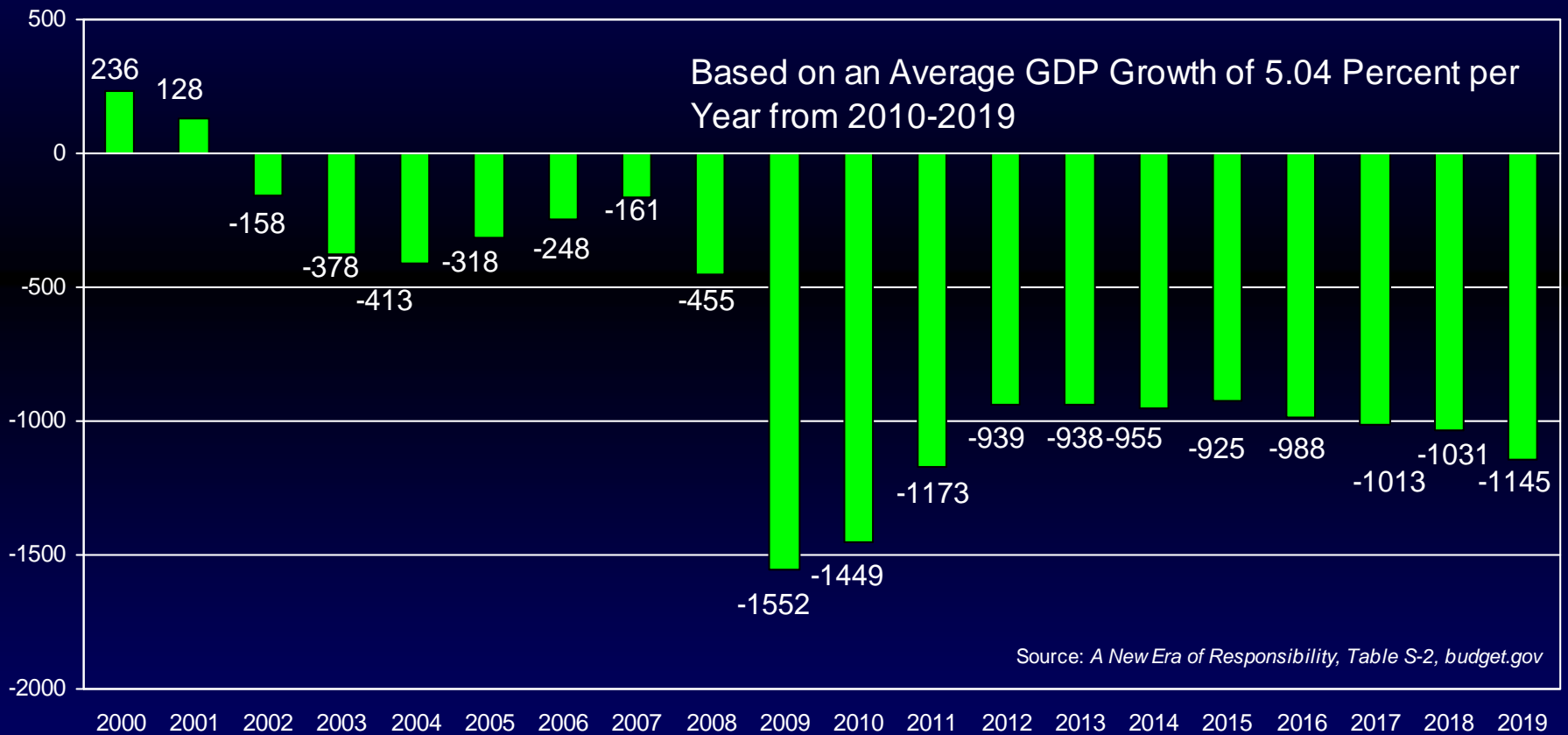


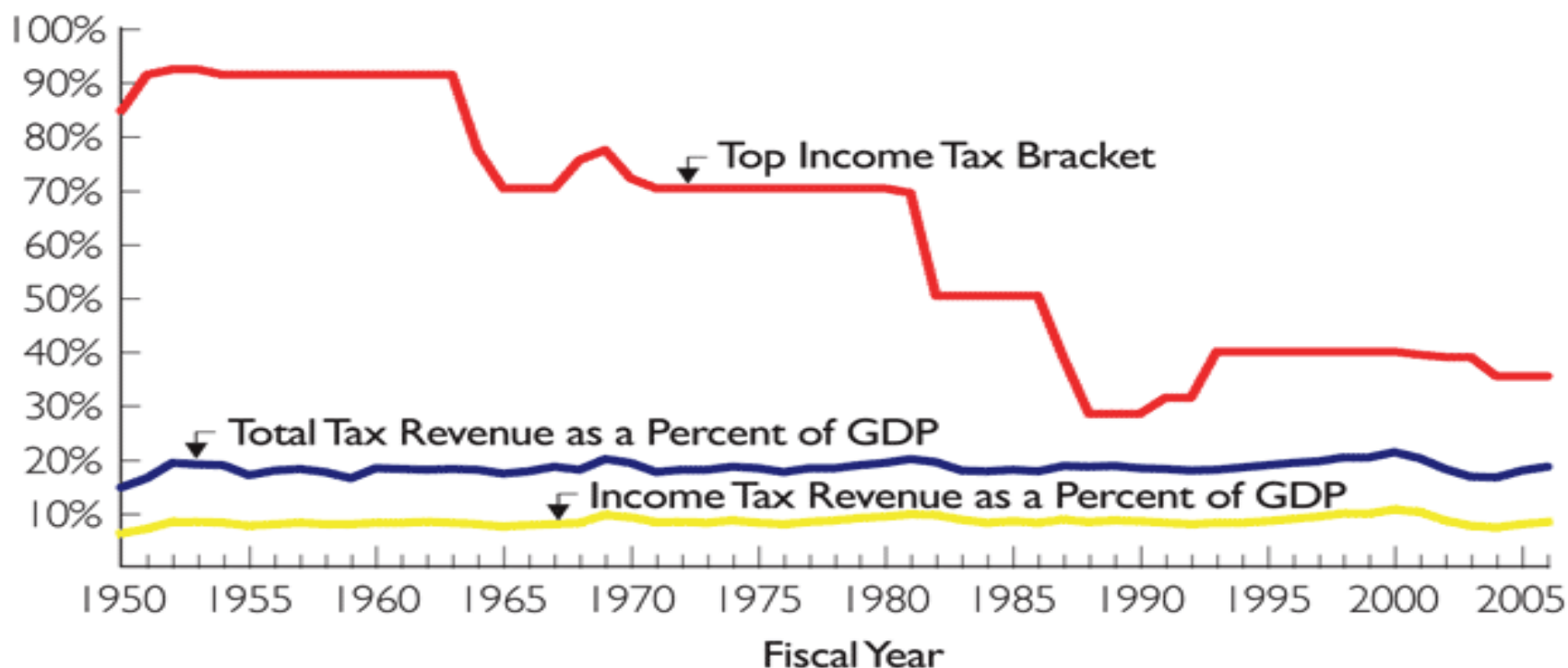
Figure 1
Unemployment Rate With and Without the Recovery Plan



President Obama's 10-Year Deficit Projections (Baseline of Current Policy) Billions of Dollars



Tax Revenues Do Not Correlate with Tax Rates

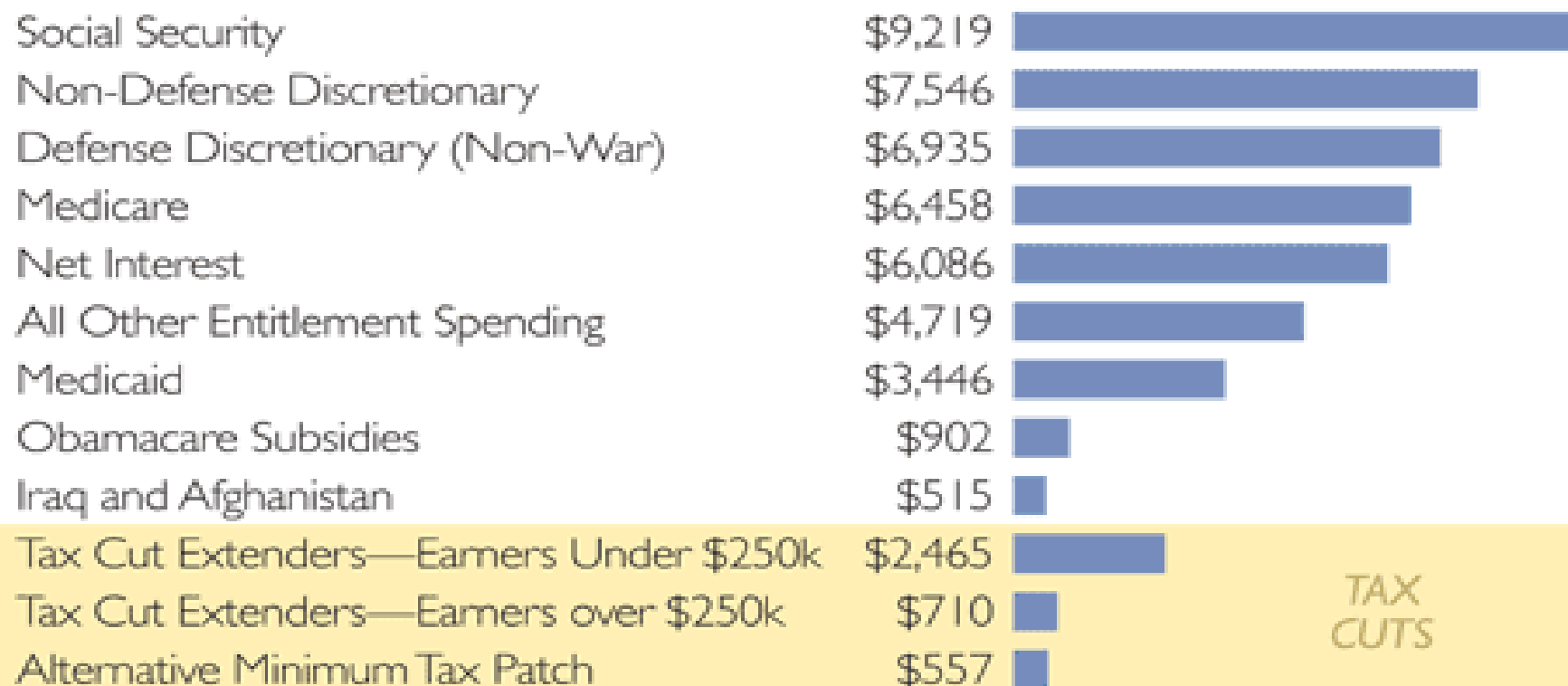


Sources: Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2007* (Washington, D.C.: U.S. Government Printing Office, 2006), pp. 25–26, Table 1.3, at www.whitehouse.gov/omb/budget/fy2007/pdf/hist.pdf (January 16, 2007), and Internal Revenue Service, "U.S. Individual Income Tax: Personal Exemptions and Lowest and Highest Bracket Tax Rates, and Tax Base for Regular Tax, Tax Years 1913–2005," at www.irs.gov/pub/irs-soi/histaba.pdf (January 16, 2007).

Source: Heritage Foundation

Projected Cost of Spending and Tax Cuts, 2011–2020

In Billions of Dollars



Note: Tax extender figures for those earning under \$250,000 include \$311 billion in outlays for refundable tax credits.

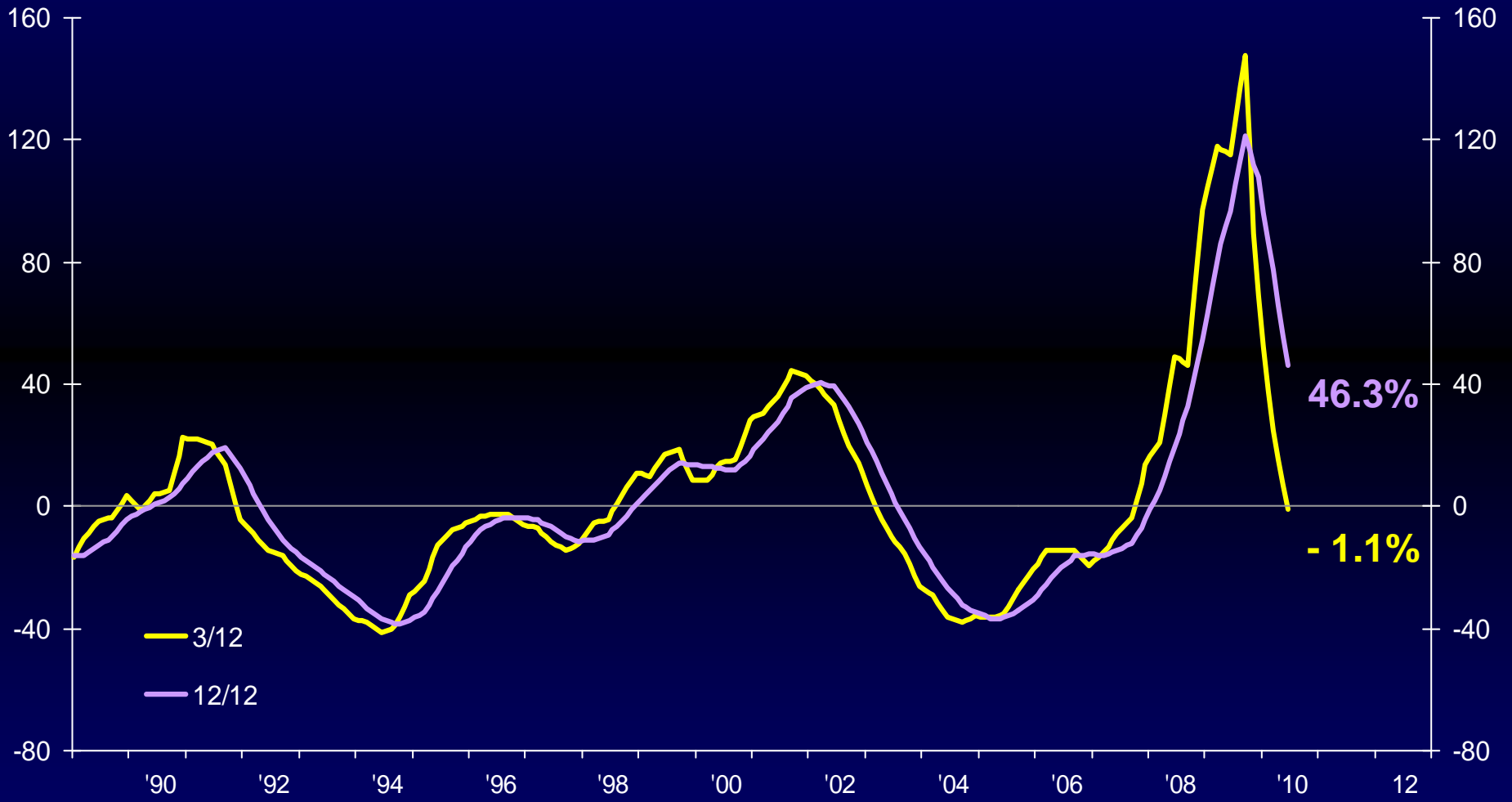
Source: Heritage Foundation calculations of the current-policy budget baseline, based on Congressional Budget Office data. See the Appendix for calculations.

Consumer Loan Delinquency Rates 3MMA and 12MMA



Delinquency Rates for C&I Loans

3/12 & 12/12 Rates-of-Change



Housing Starts

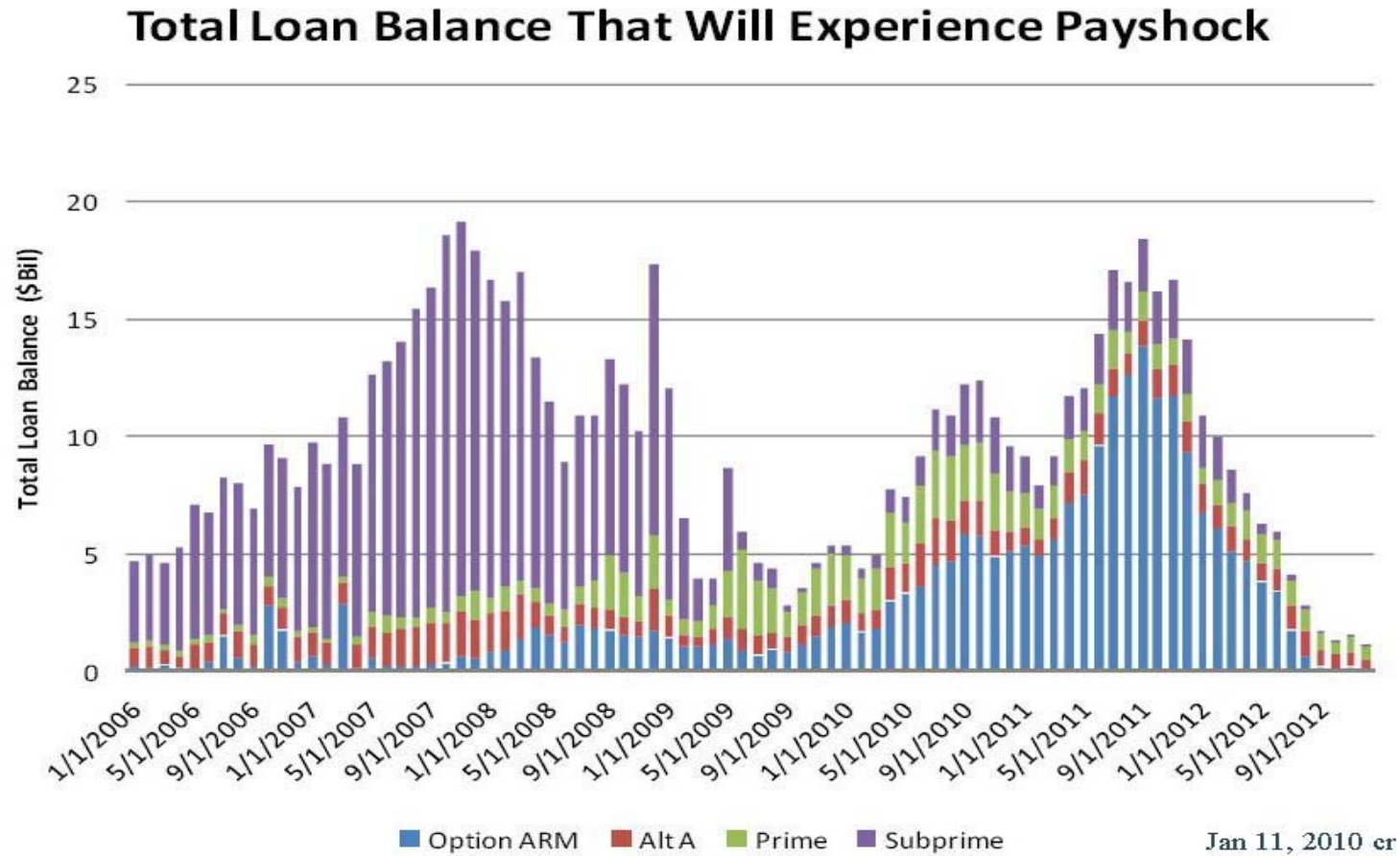
Millions of Units

R-O-C

MMT



Exhibit 8: Next Pay Shock On The Horizon



Source: Loan Performance, Amherst Securities



Jan 11, 2010 cr

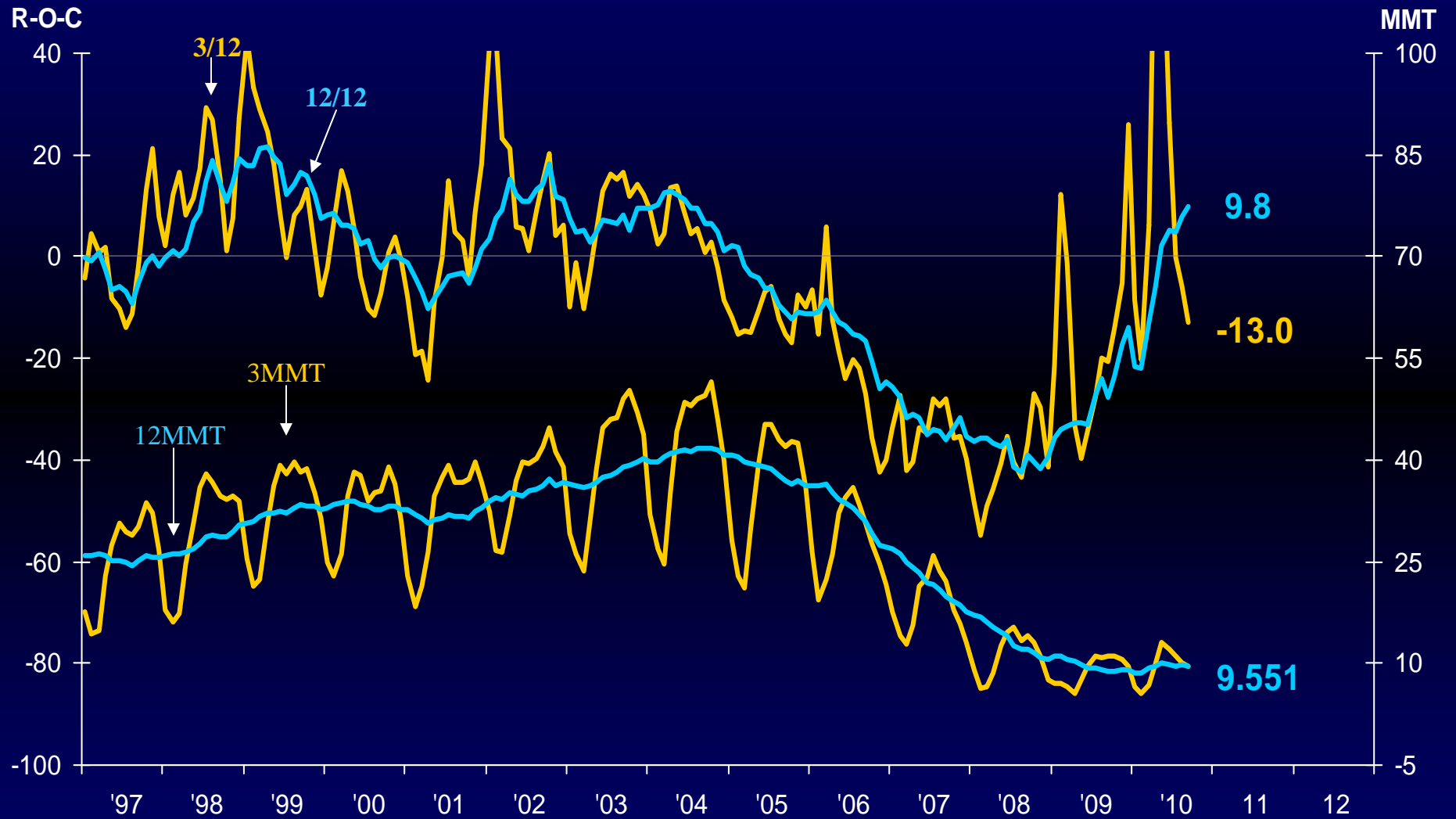


Building Permits 12/12 Rates-of-Change



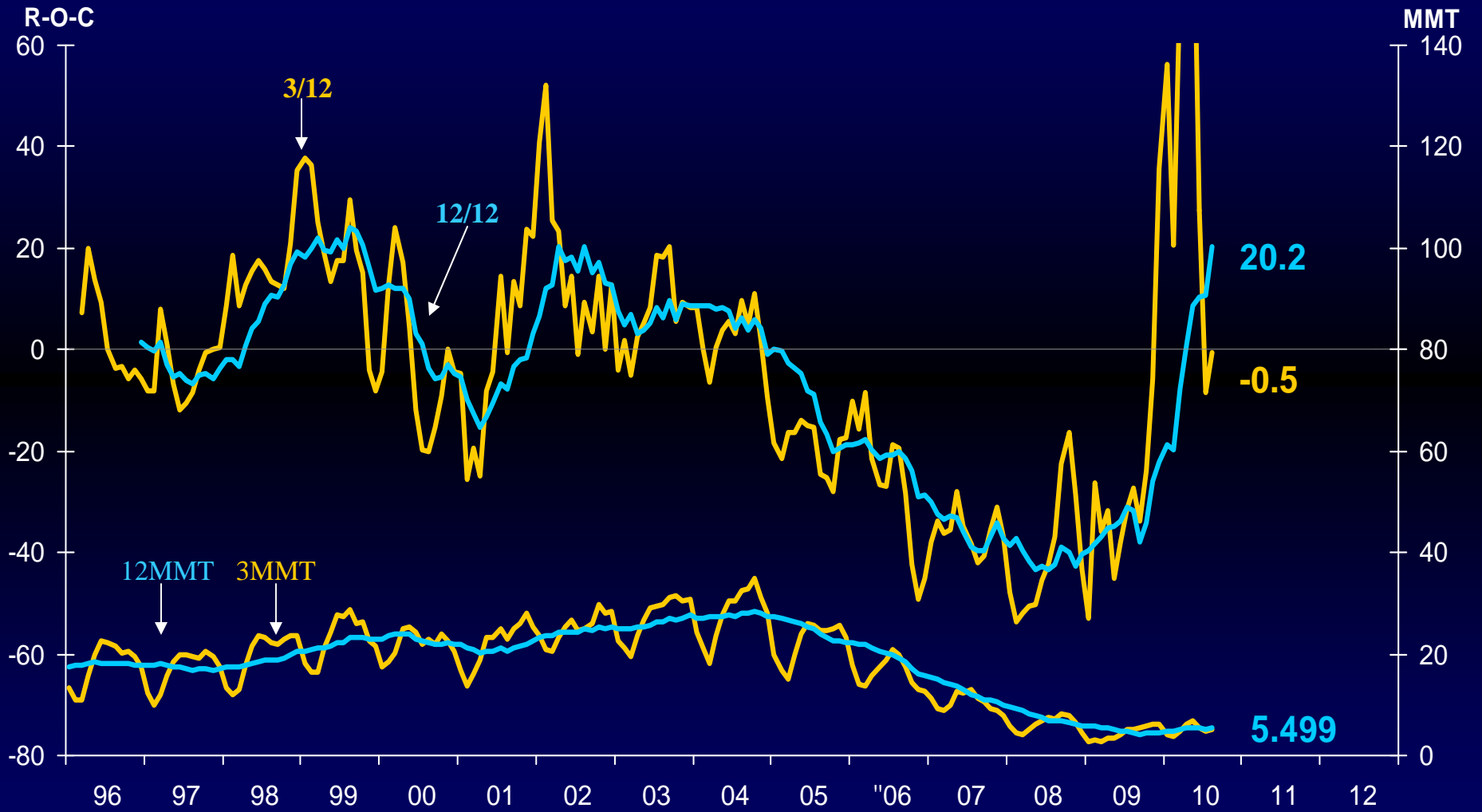
Minnesota Building Permits

Thousands of Units

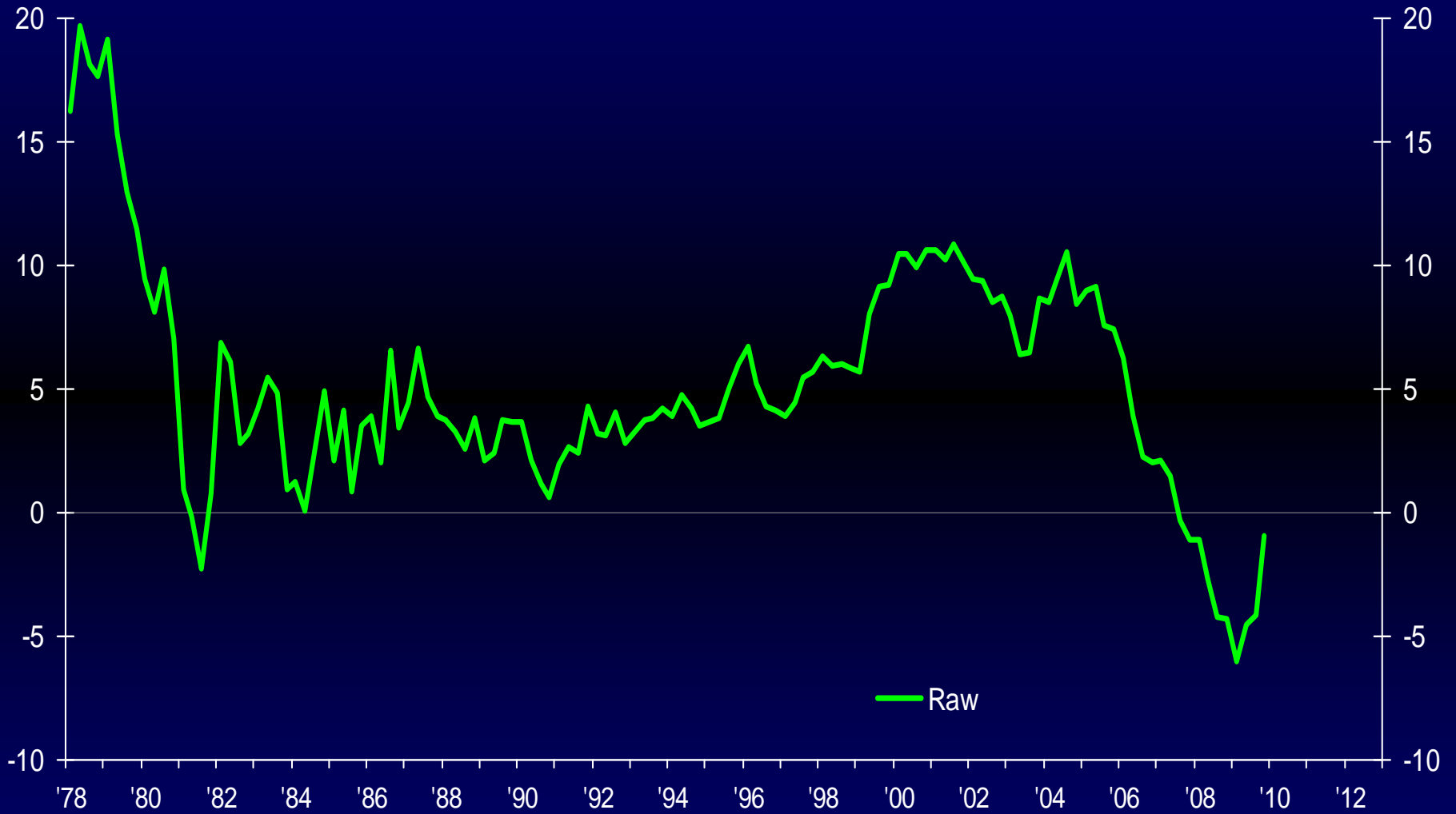


Minneapolis Building Permits

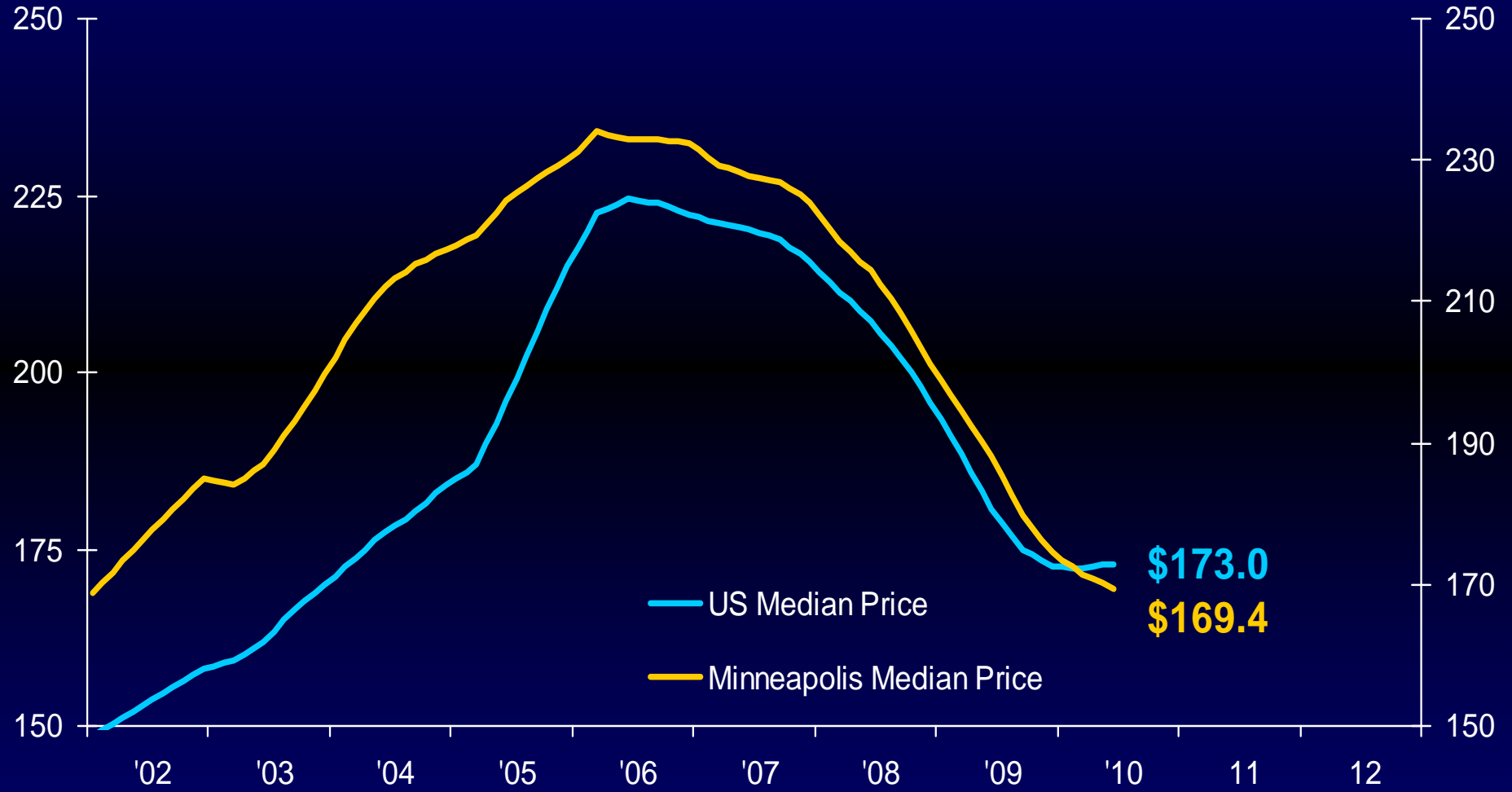
Thousands of Units



Minnesota Housing Price Index Year over Year % Change



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

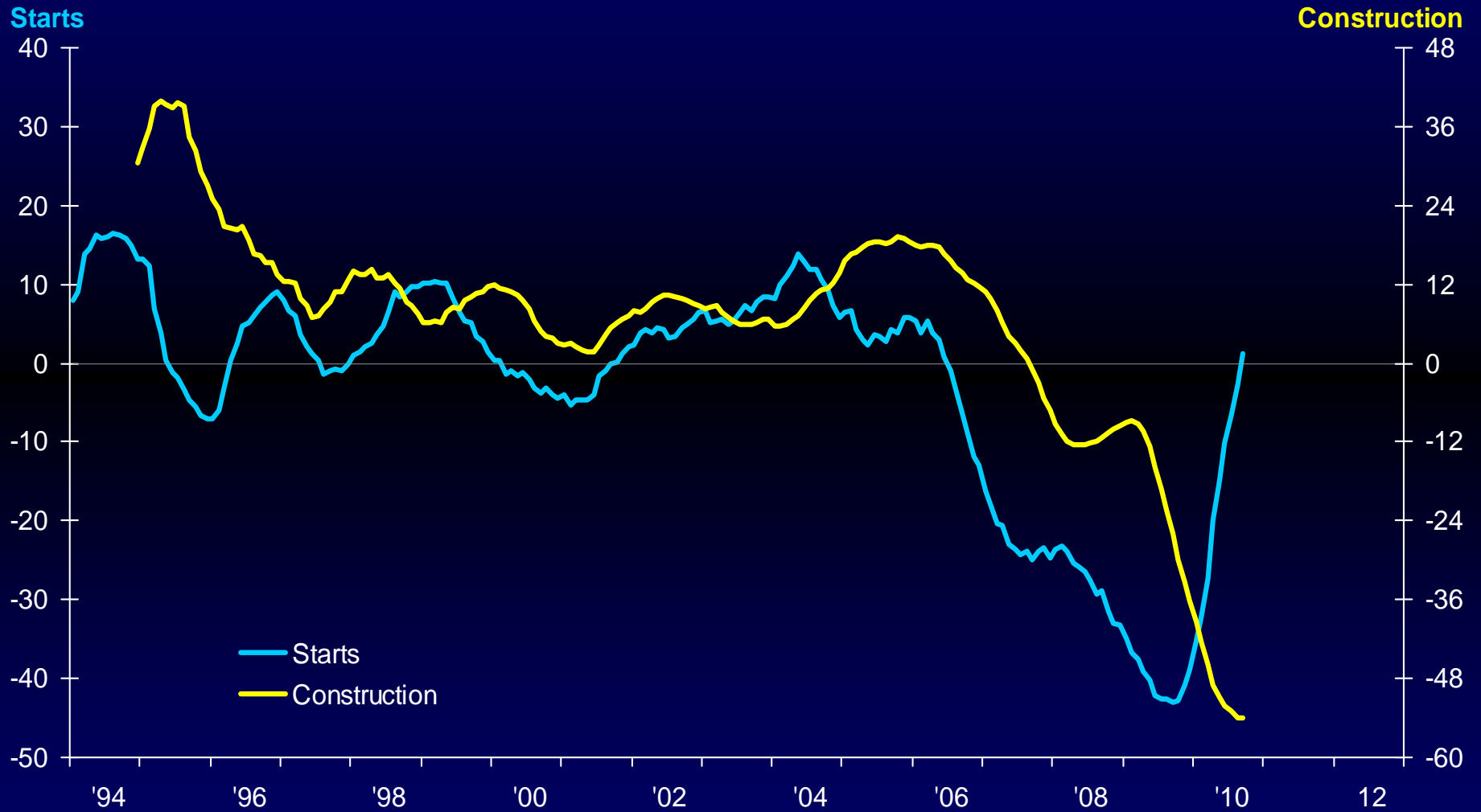


\$173.0
\$169.4



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



"Estimated Quarterly Revenue for Employer Firms"

Index

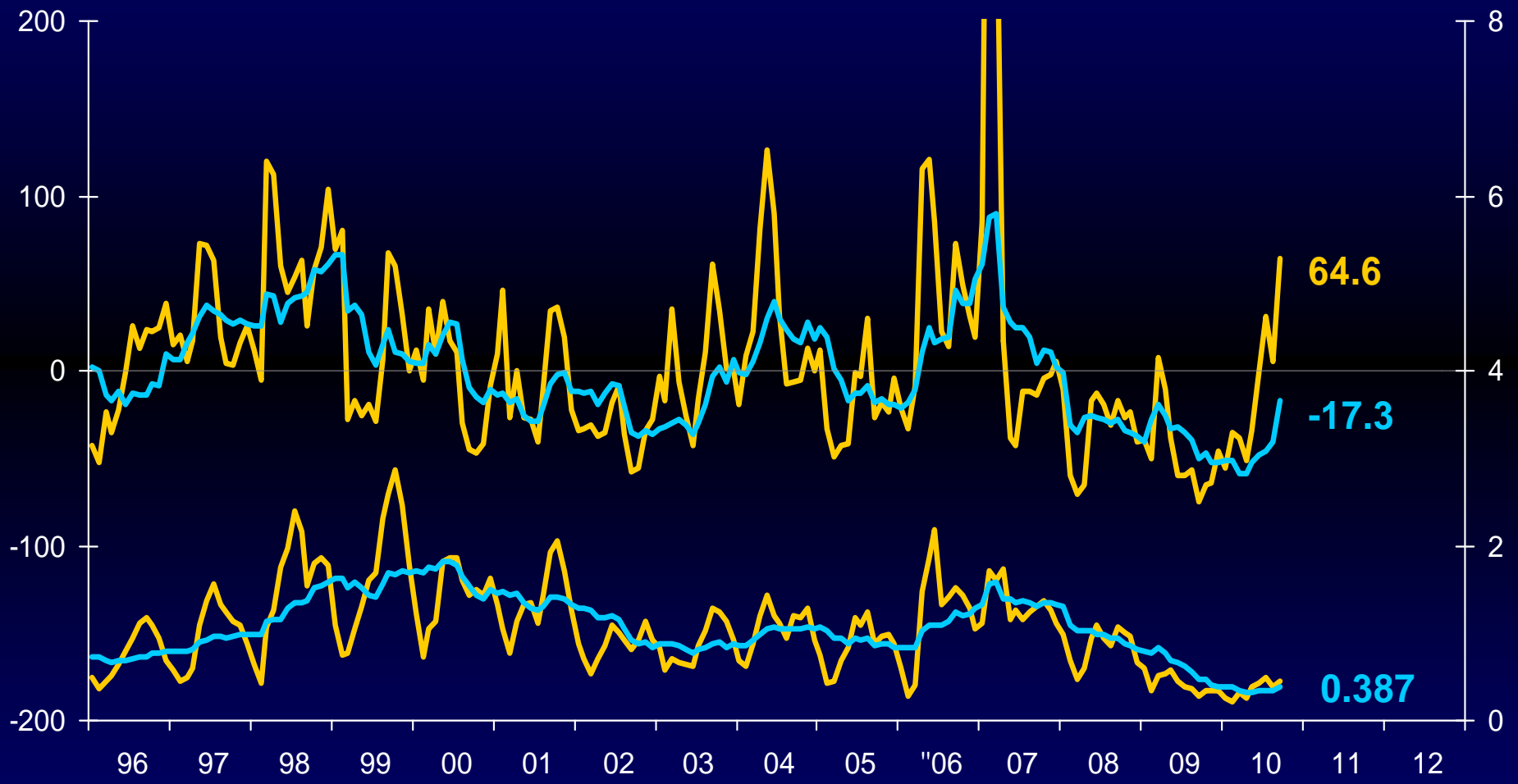


Minnesota Total Value of Commercial Construction

Thousands of Dollars

R-O-C

MMT



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



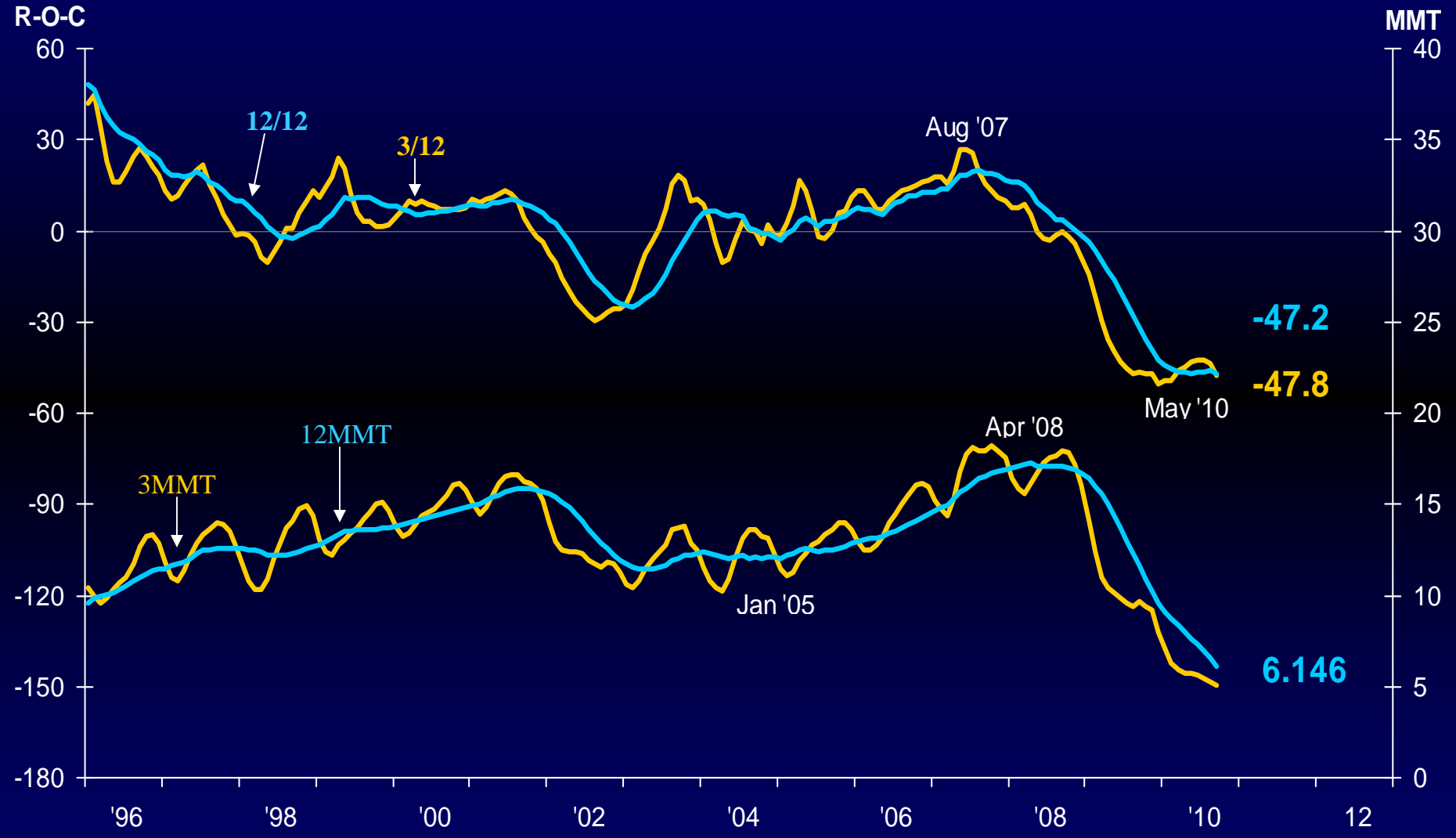
Multi-Retail Buildings Construction

Private, Billions of \$

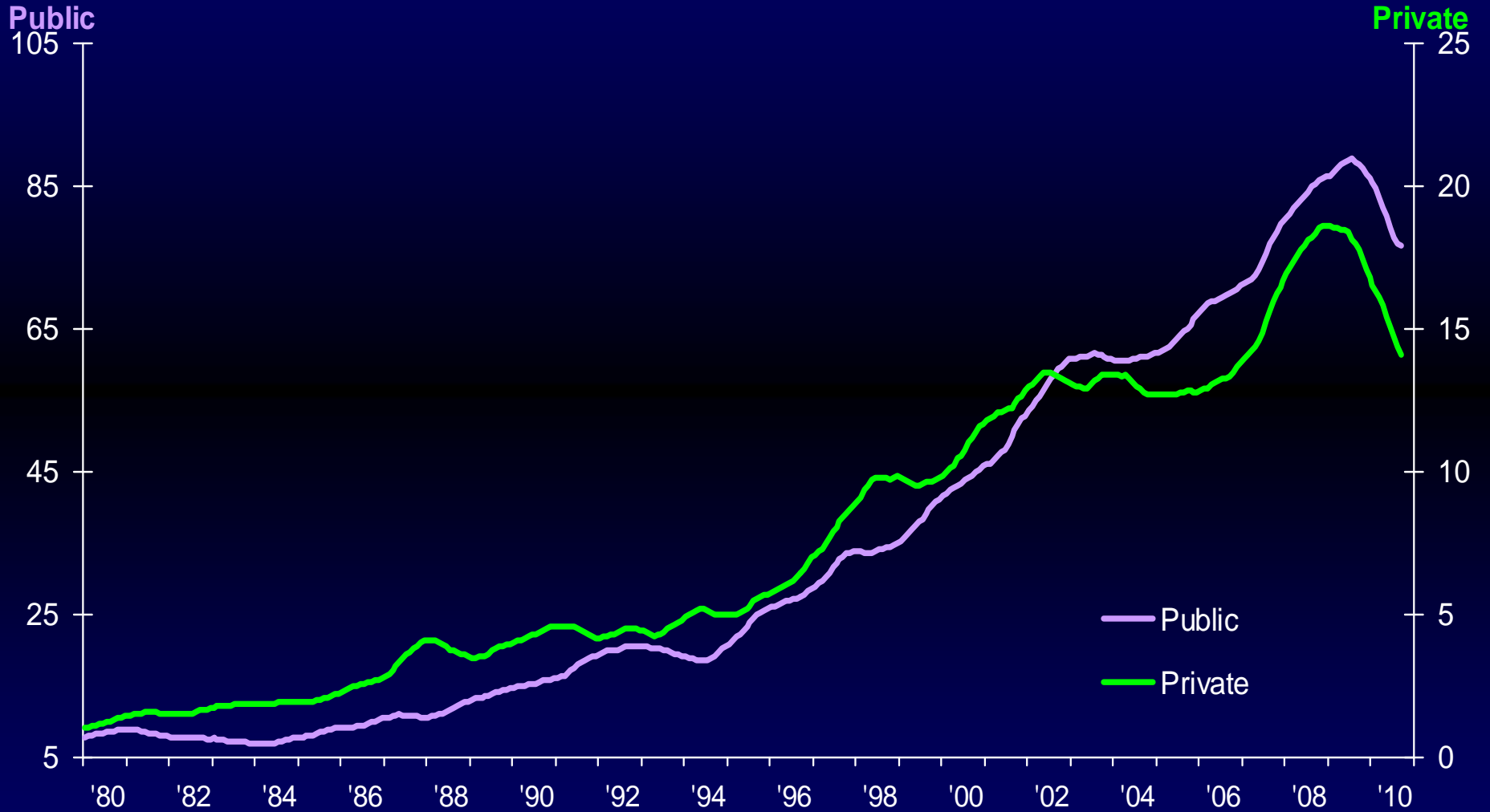


Warehouse Buildings Construction

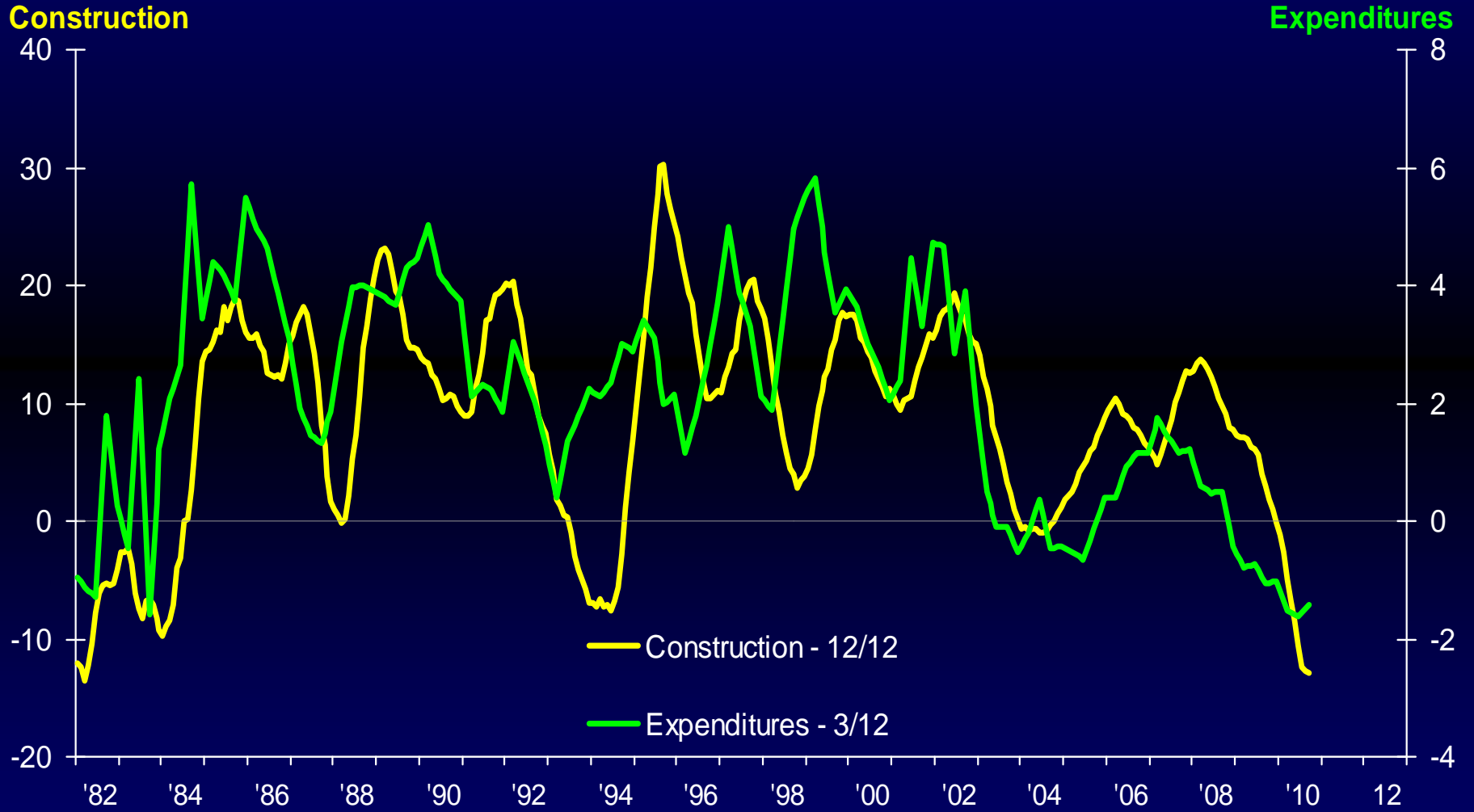
Private, Billions of Dollars



Public & Private Educational Buildings Construction Data Trends

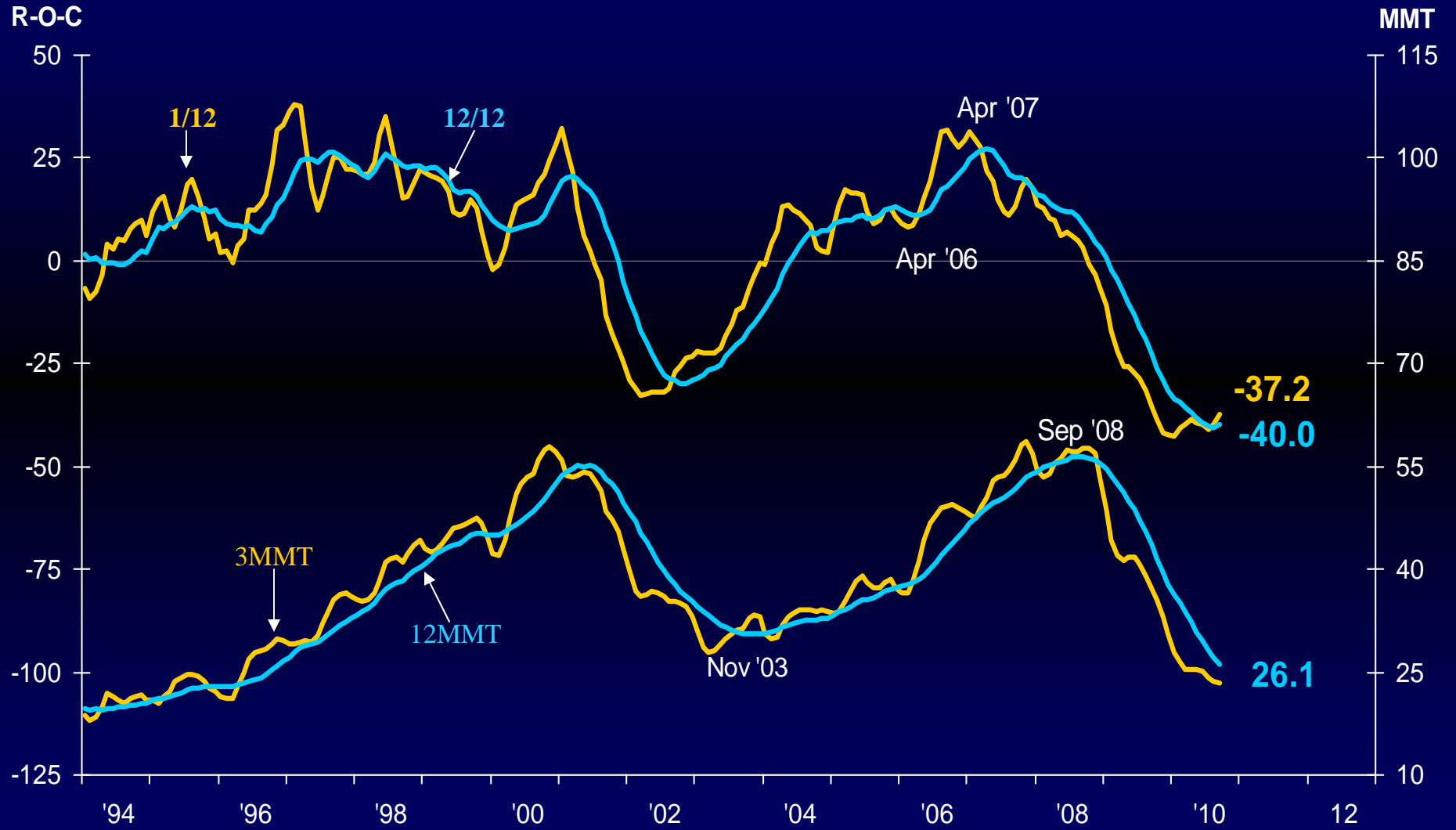


Public Educational Buildings Construction to State & Local Government Expenditures Rates-of-Change



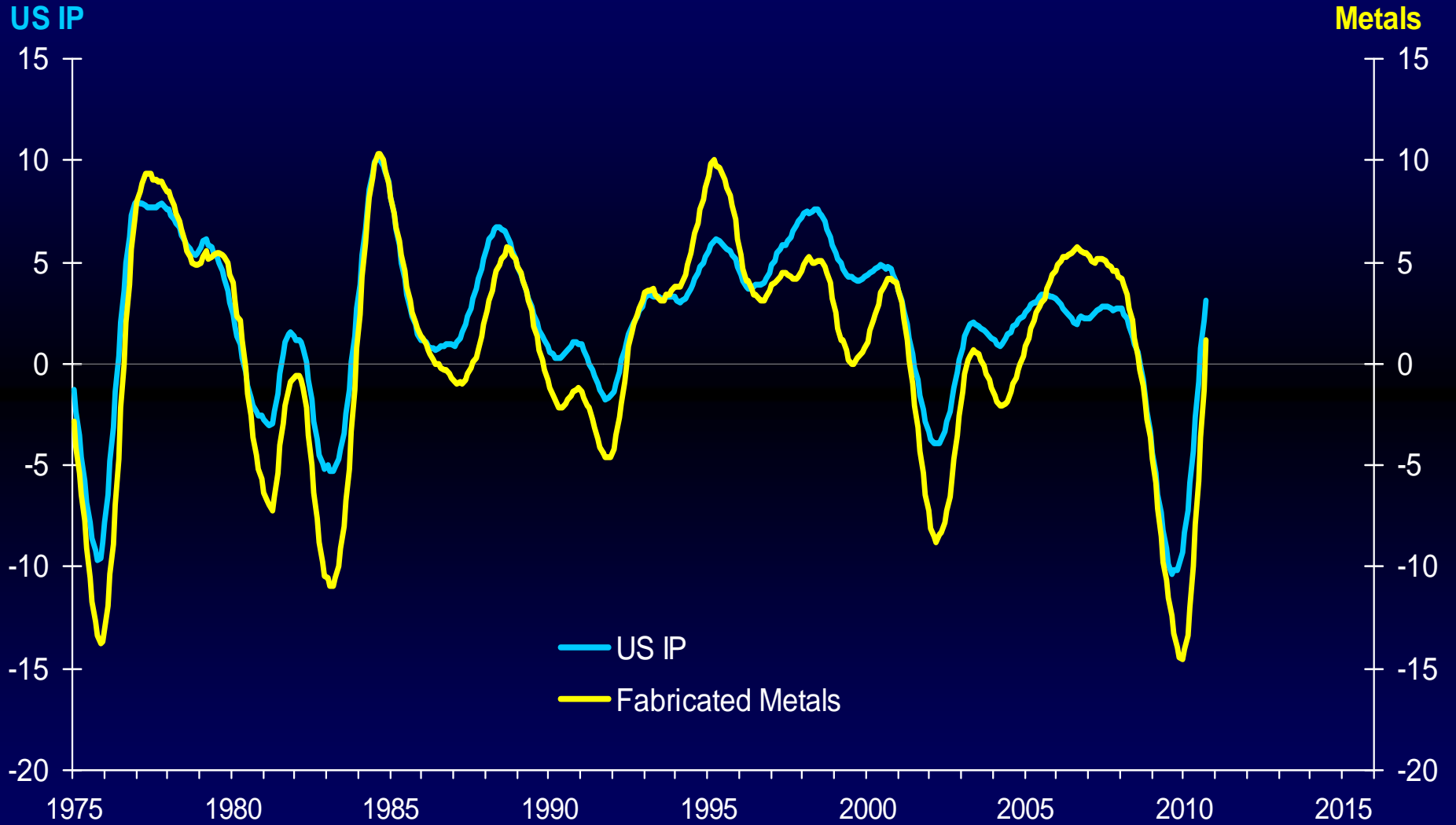
Office Buildings Construction

Billions of Dollars

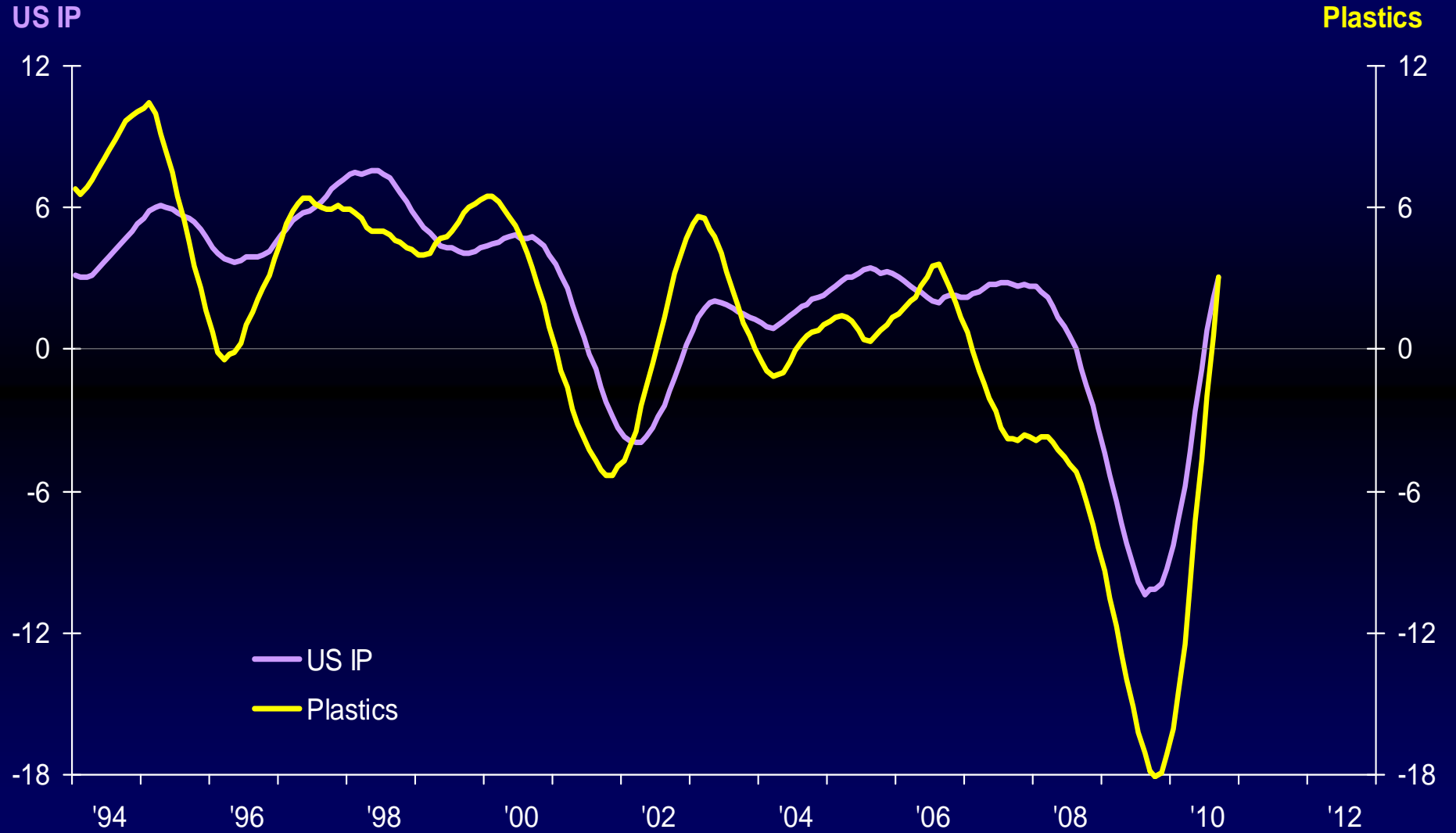


US Industrial Production to Fabricated Metal Products Production

12/12 Rates-of-Change

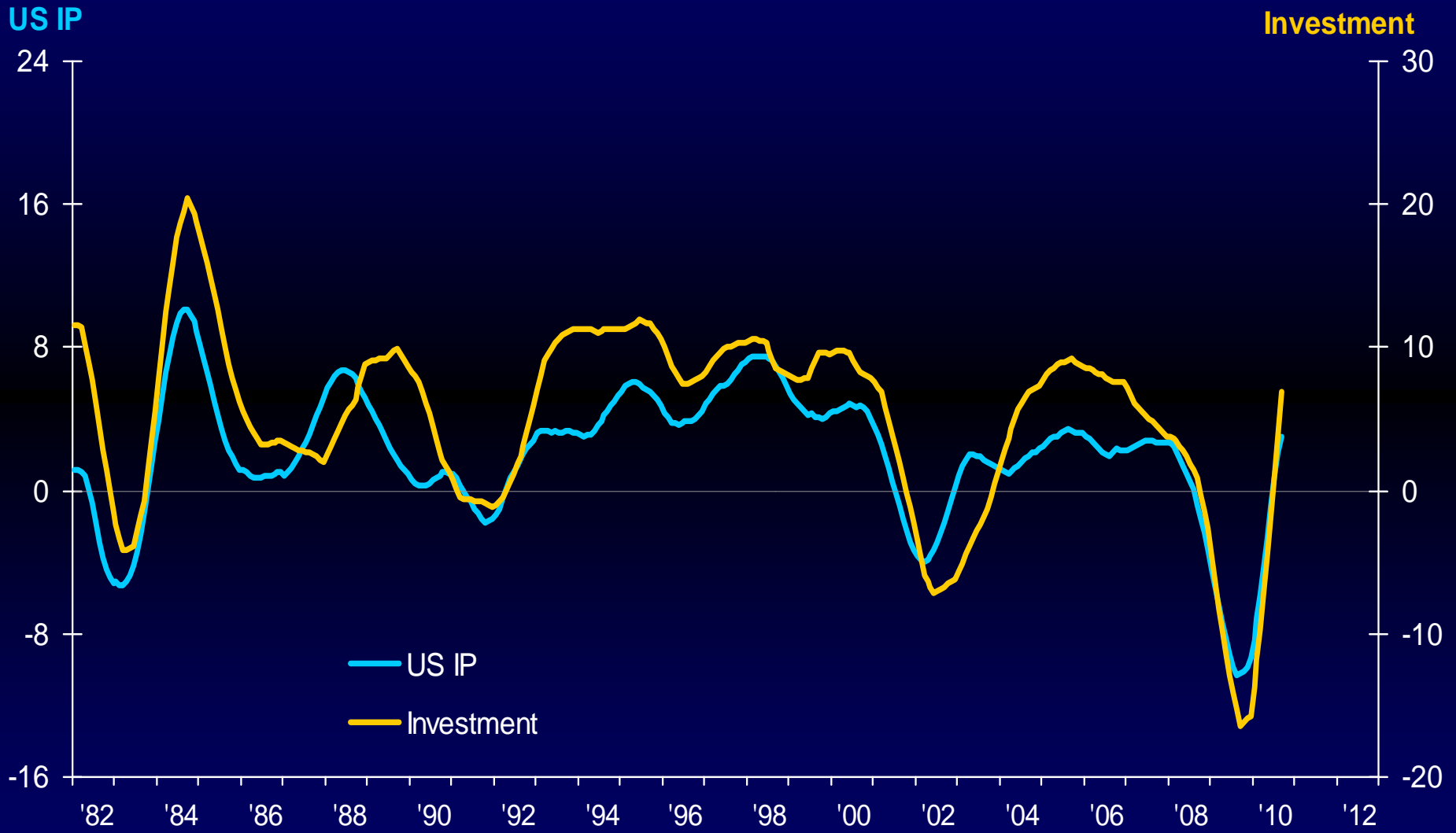


US Industrial Production to Plastics Products Production 12/12 Rates-of-Change



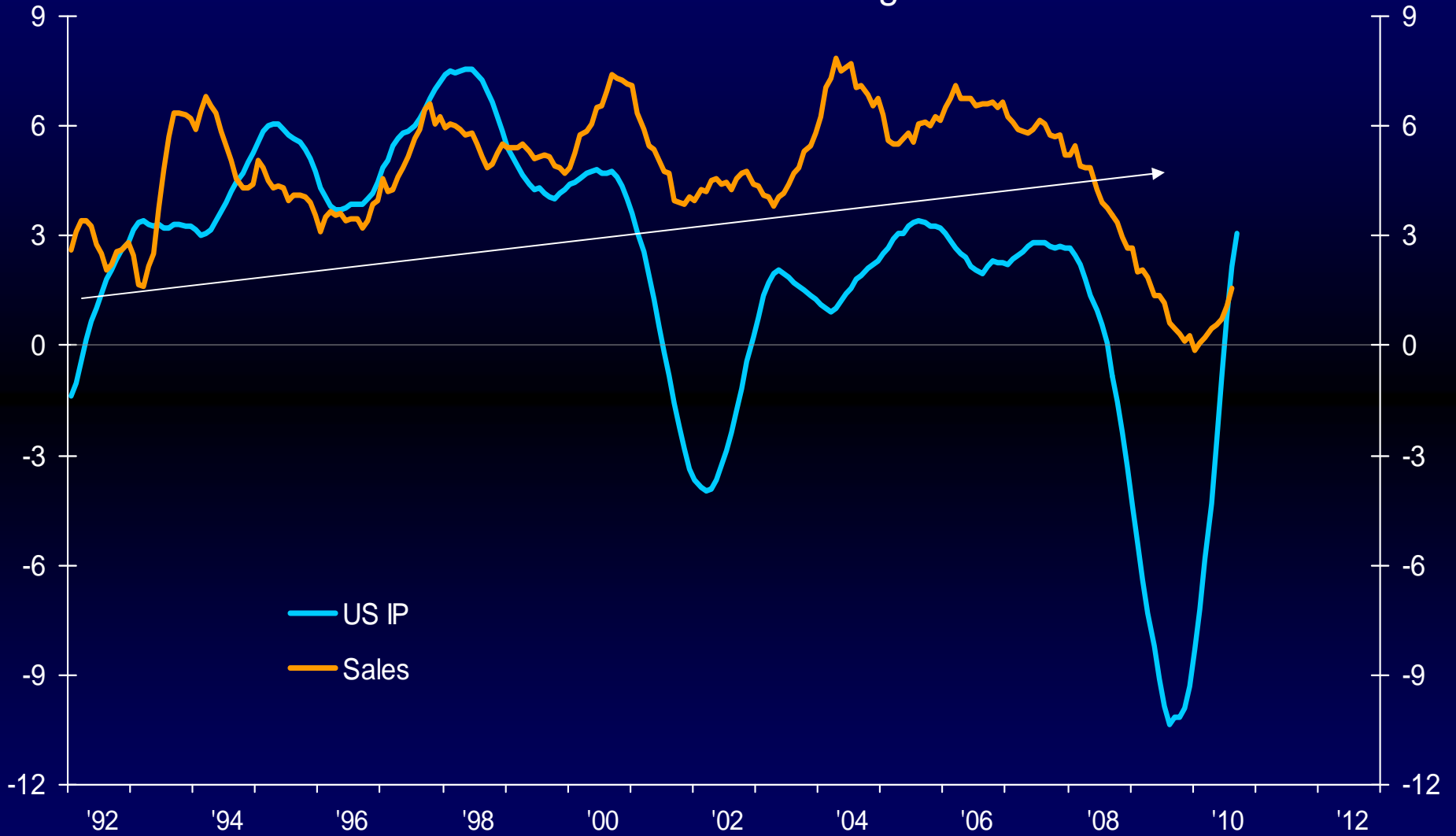
US Industrial Production to Equipment & Software Investment

12/12 Rates-of-Change



Retail Sales for Eating Places to US Industrial Production

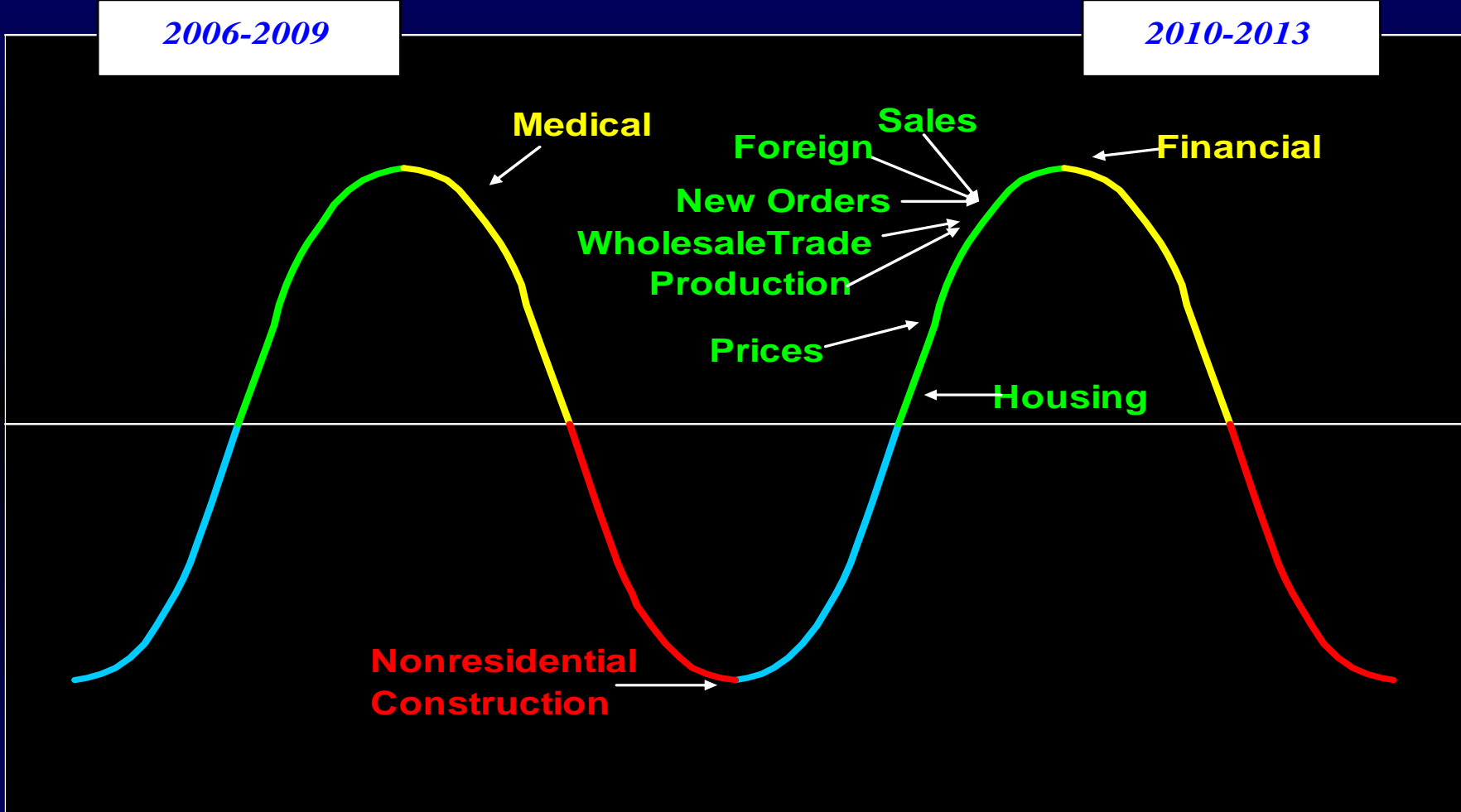
12/12 Rates-of-Change



Inflation – US and the Midwest

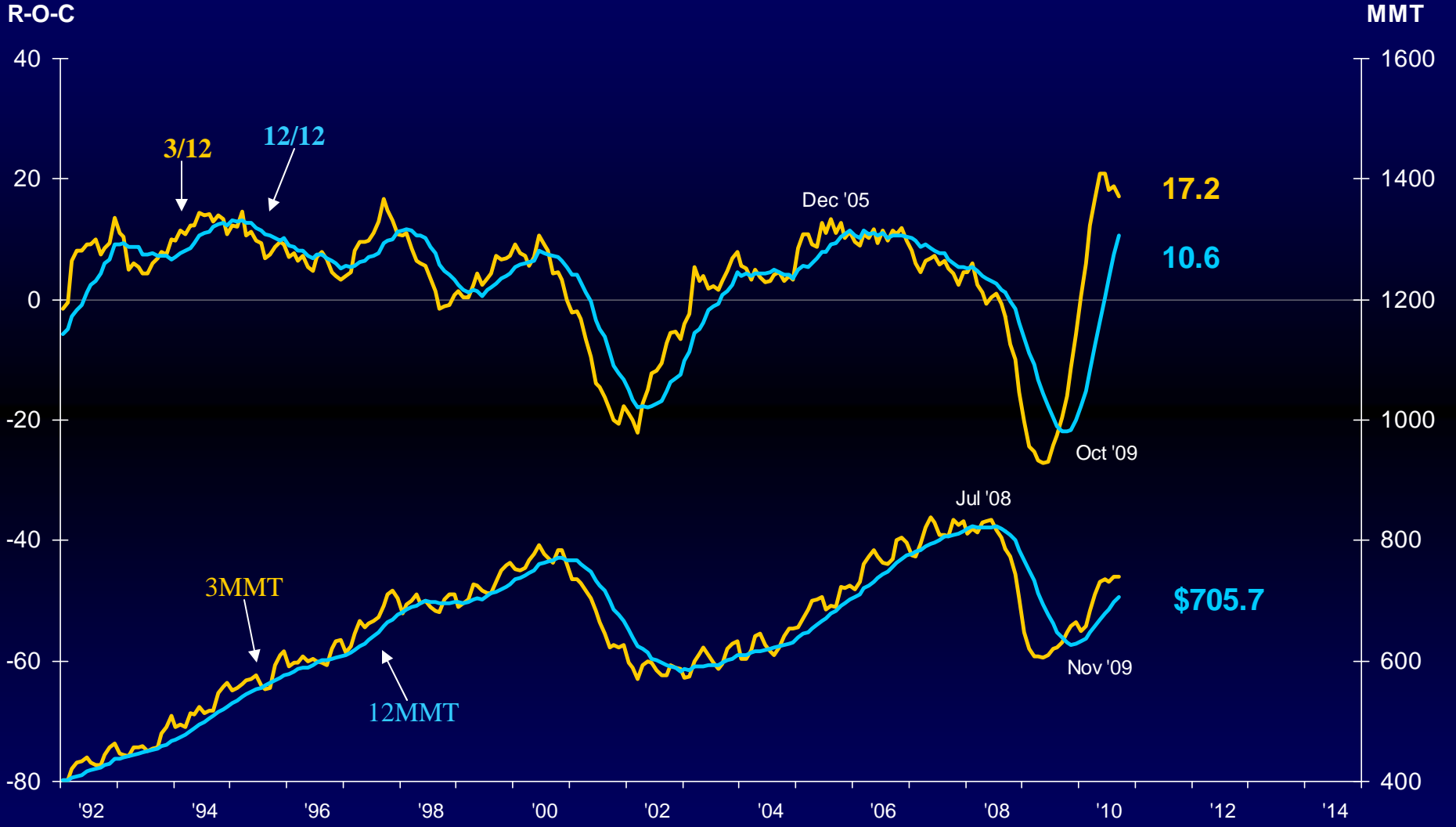


Trends 10



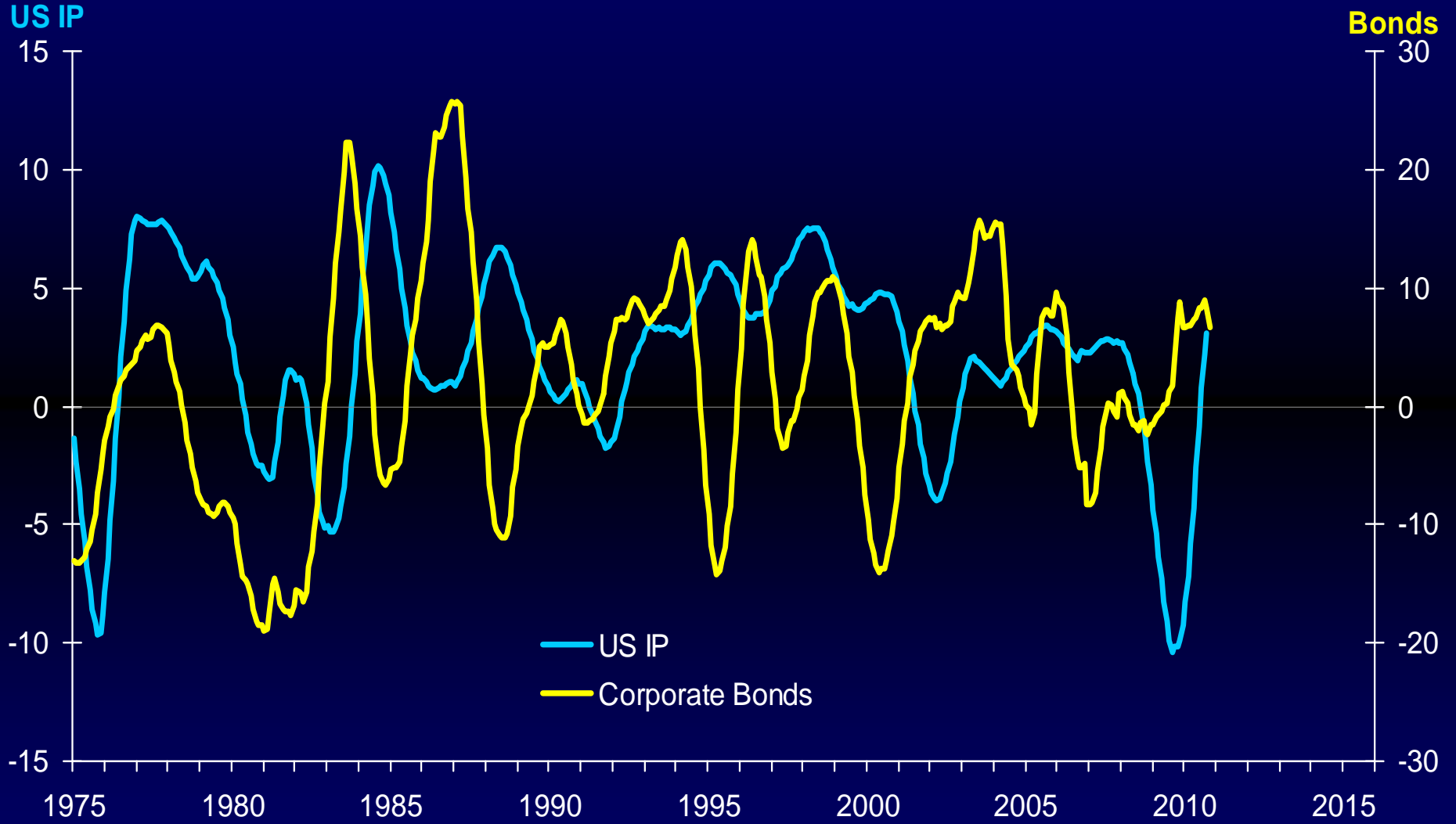
Nondefense Capital Goods New Orders w/o Aircraft

Billions of \$

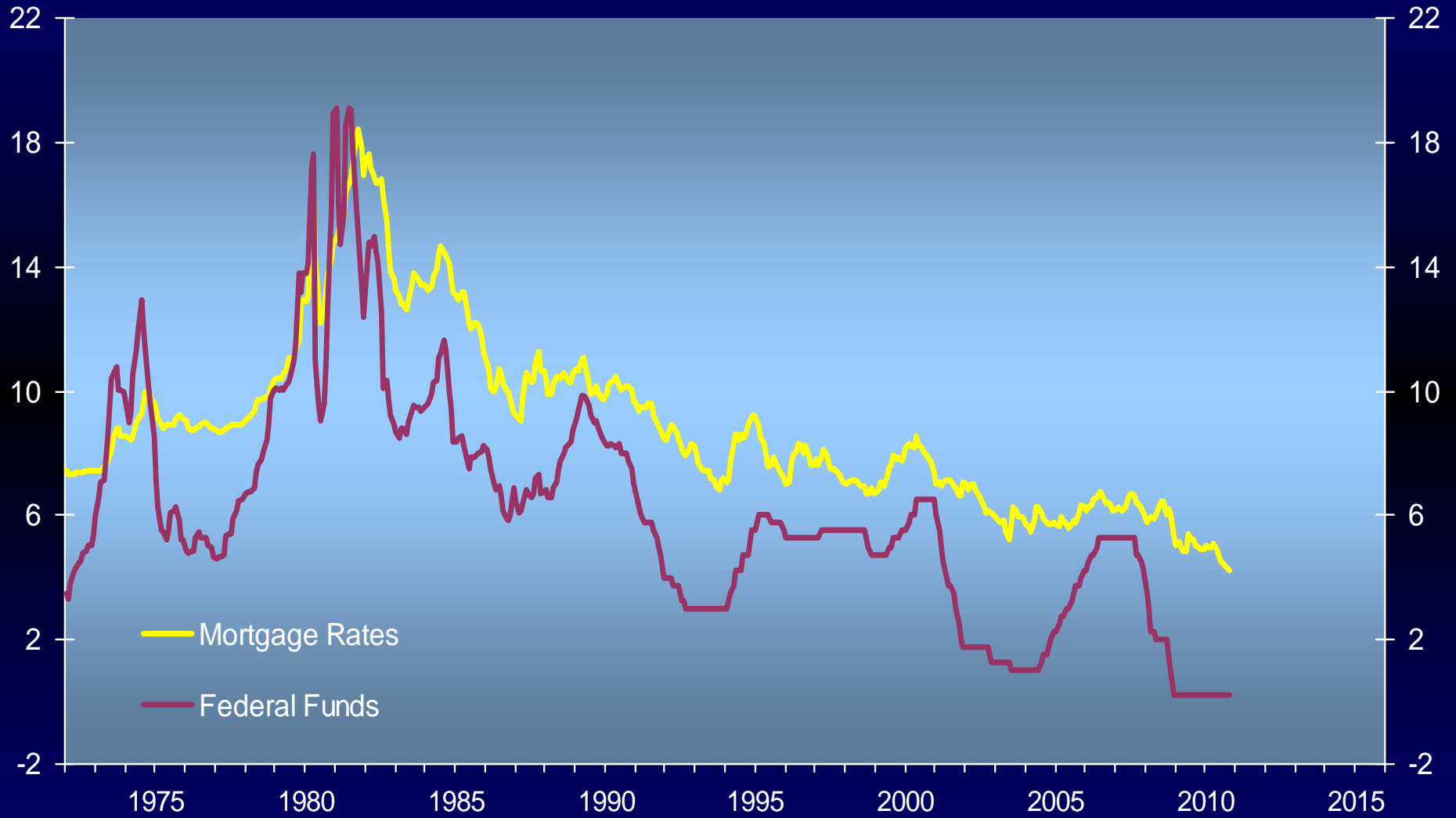


US Industrial Production to Corporate Bond Prices

12/12 Rates-of-Change



Mortgage Rates to Federal Funds Raw Data



U.S. Composite Leading Indicator

1996 = 100



Purchasing Managers Index ISM



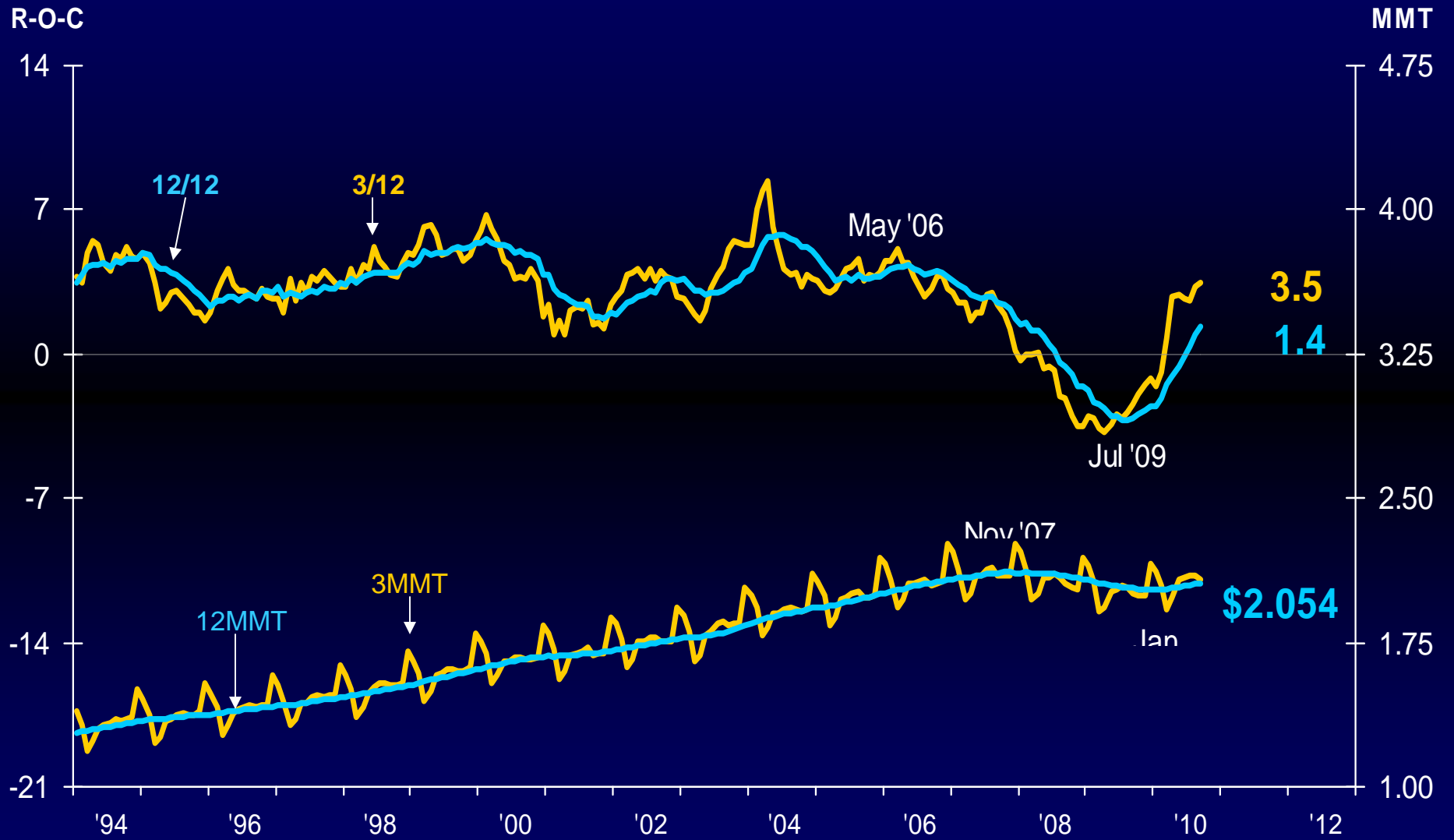
Stock Prices Index

S&P 500, 1941 - 43 = 10



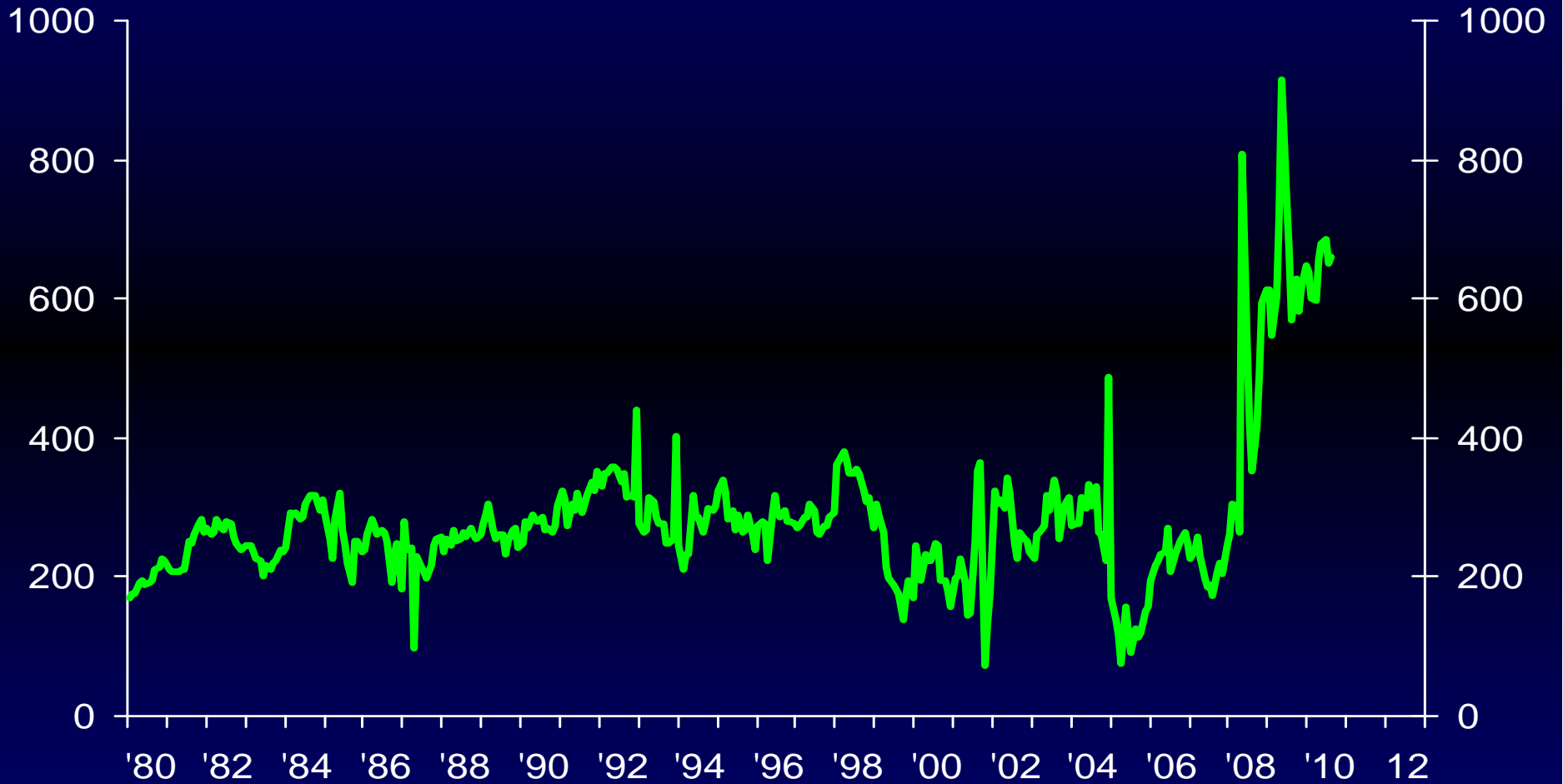
Retail Sales Excluding Automobiles

Trillions of 82-84\$



Personal Savings

Billions of \$, Annual Data Trend
SAAR

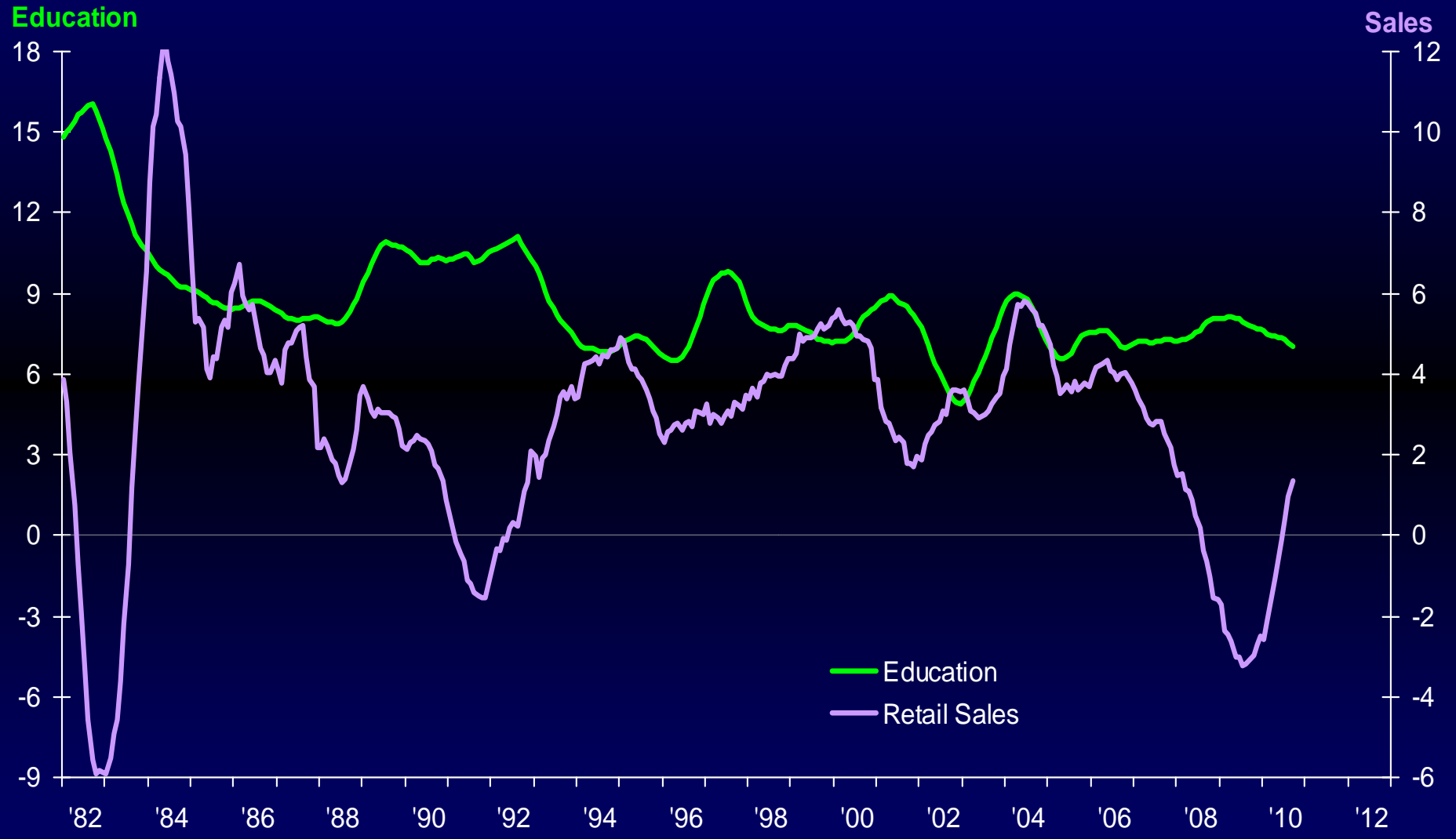


Source: Bureau of Economic Analysis

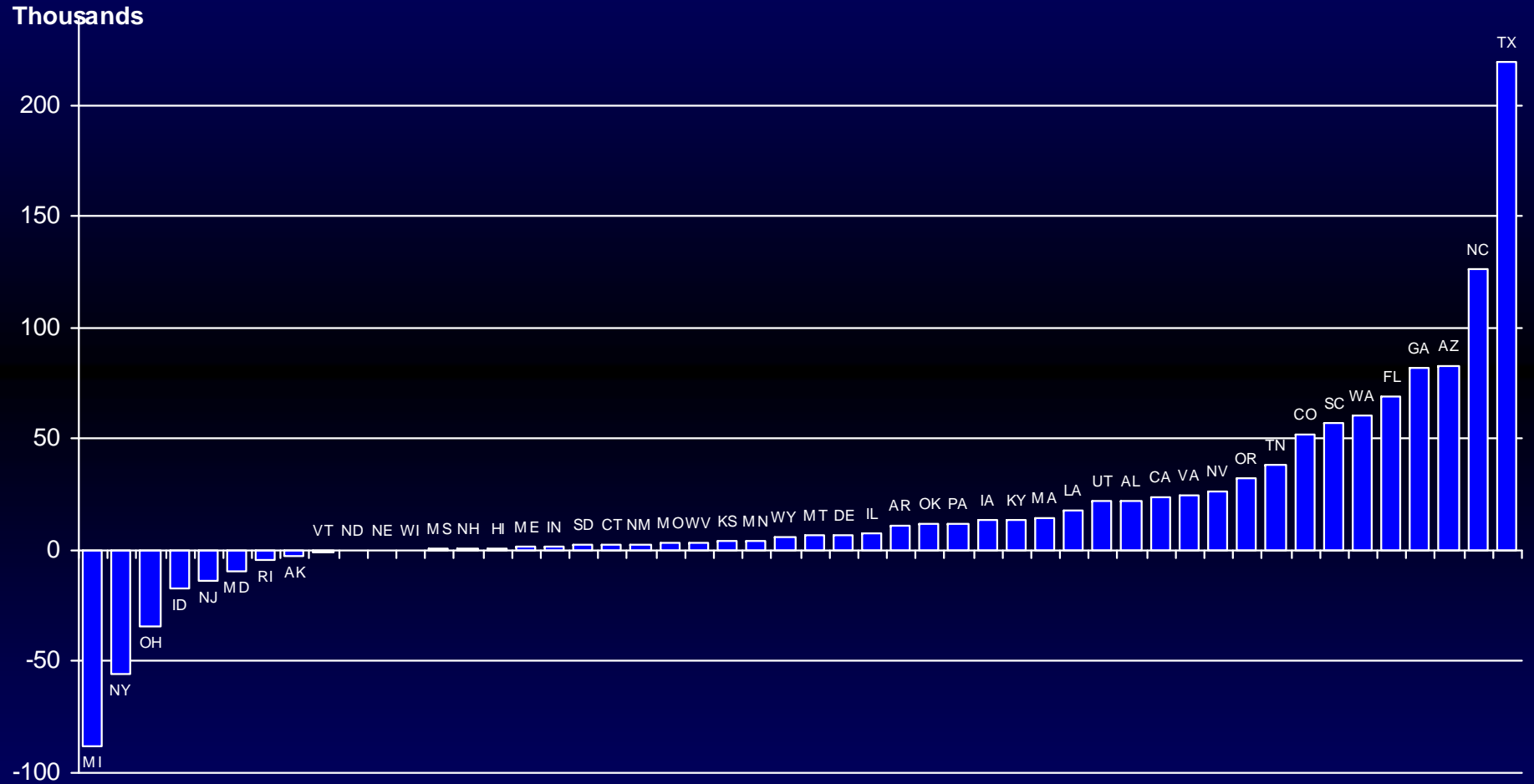


Higher Education Expenditures to Retail Sales excluding Autos

12/12 Rates-of-Change

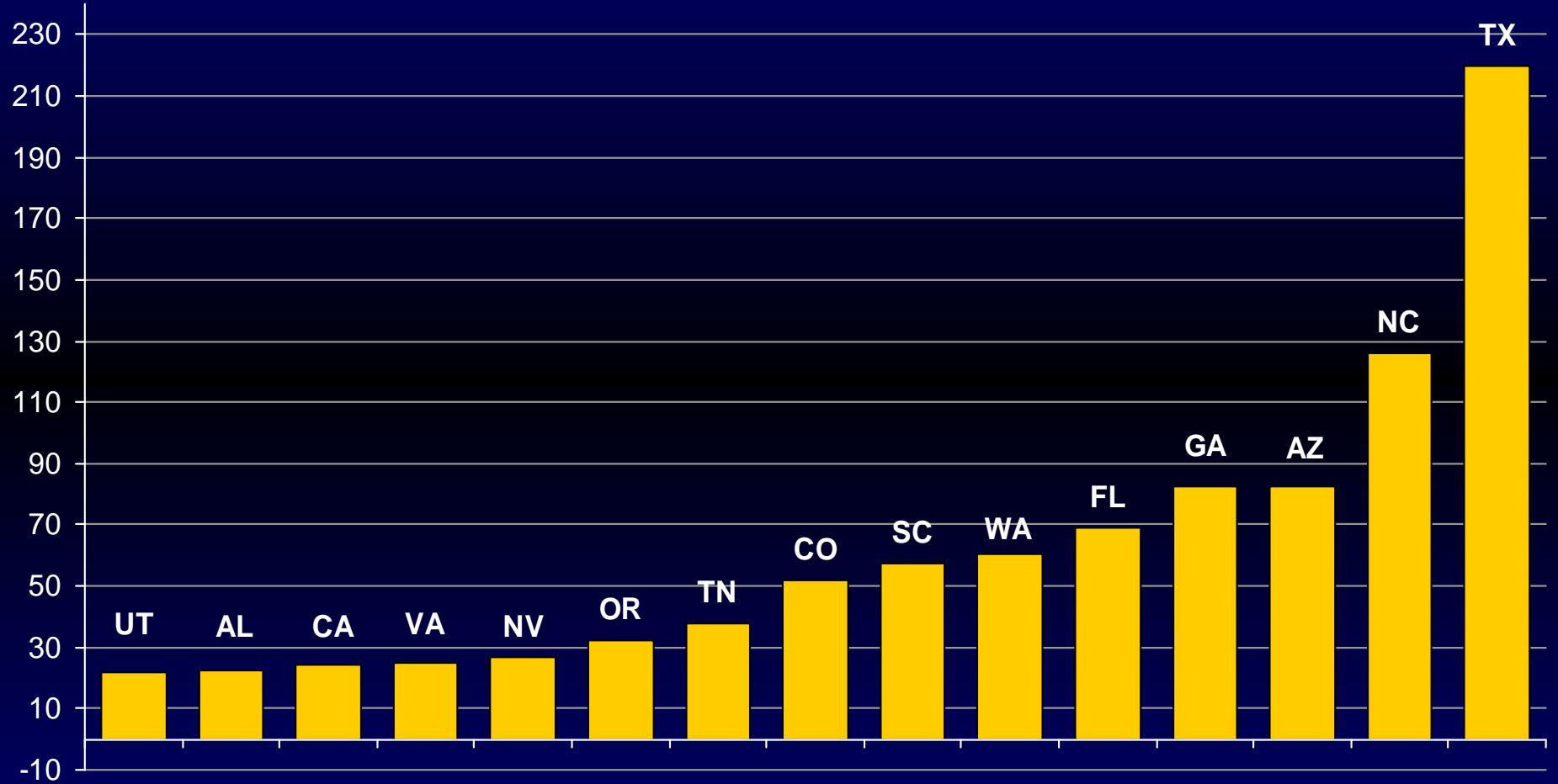


Net Migration



Net Migration – Top 15

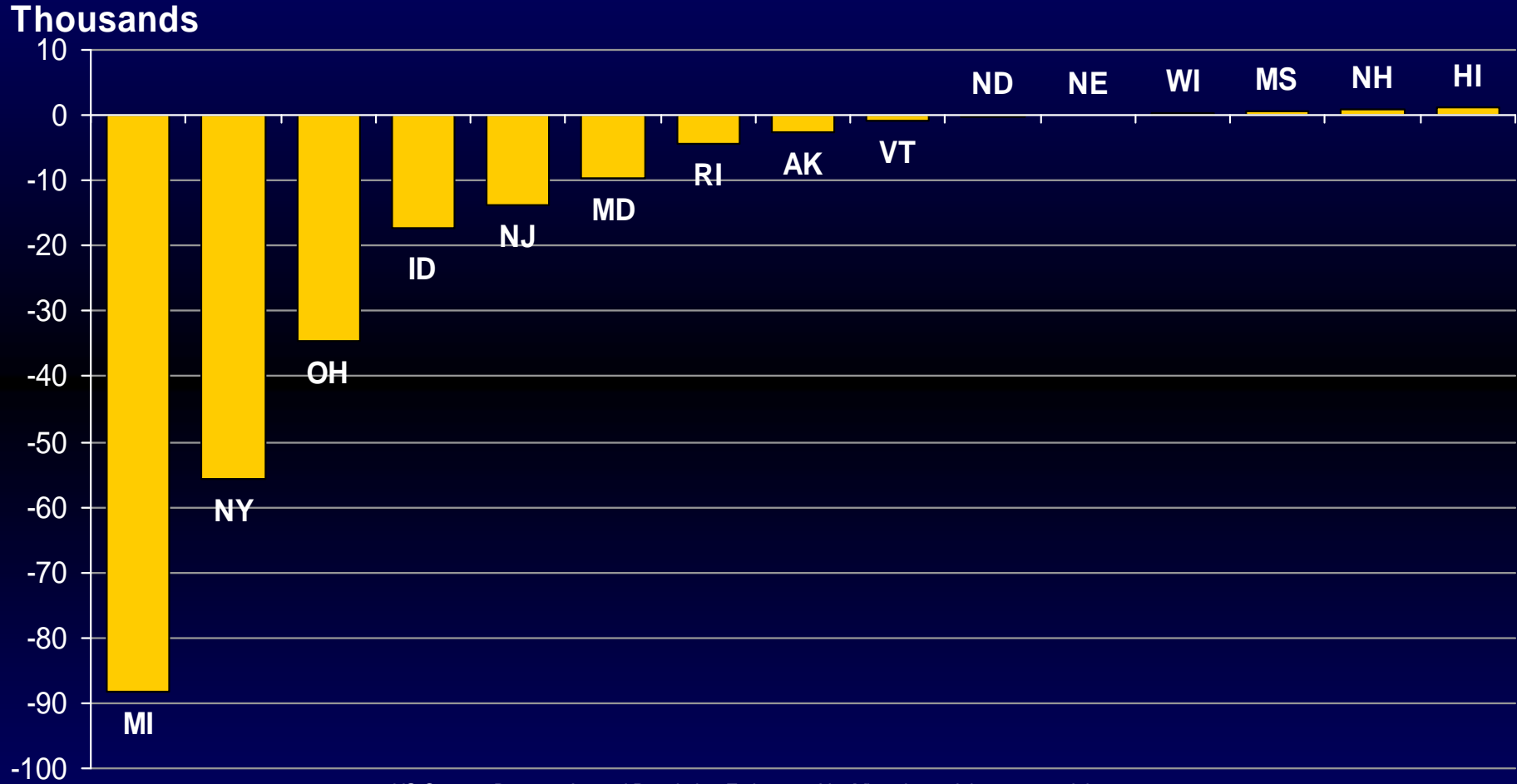
Thousands



US Census Bureau, Annual Population Estimates, Net Migration 1 July 2008 - 1 July 2009



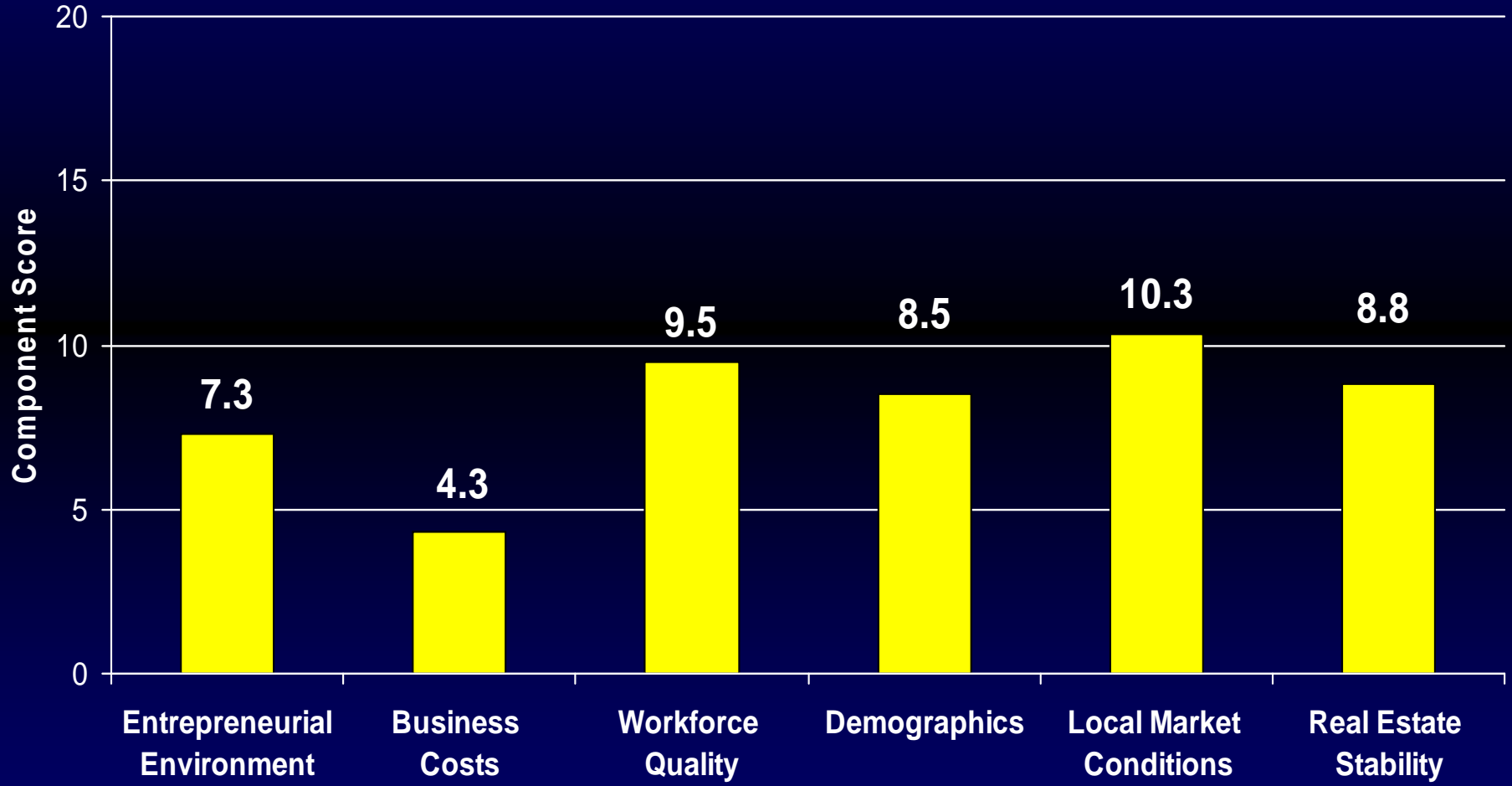
Net Migration – Bottom 15



US Census Bureau, Annual Population Estimates, Net Migration 1 July 2008 - 1 July 2009



Minnesota 31st Opportunity index Score 48.8 National Average 50.9

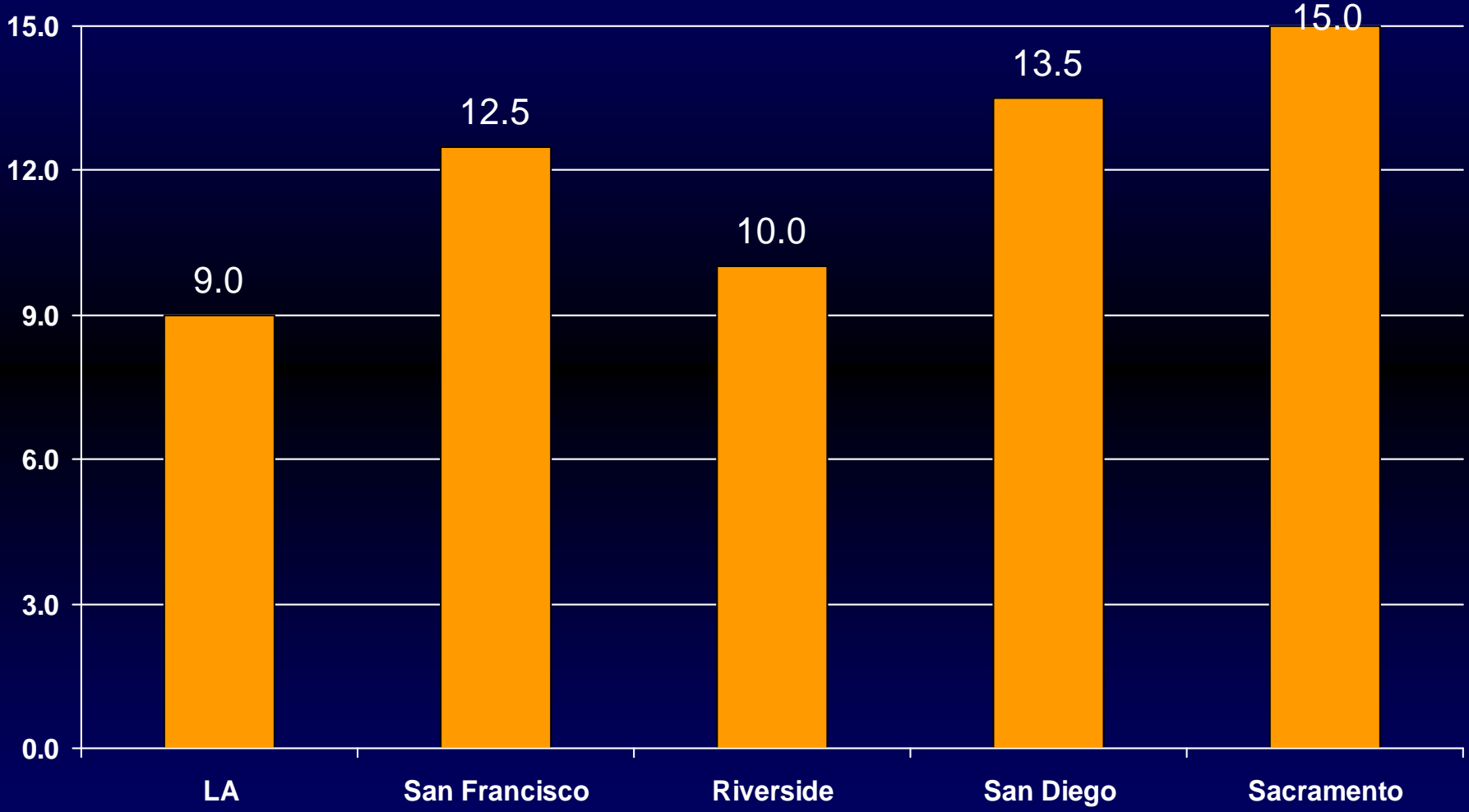


Minneapolis Opportunity index Score 10.0



Opportunity Index

Selected California Cities



Entrepreneurial Environment

- 1 New business openings (BLS) per thousand residents (Census)
- 2 Broadband telecom lines (FCC) per capita (Census)
- 3 Deficient or congested highway miles per 1000 miles (Reason Foundation)
- 4 Venture Capital dollars invested (SSTI) per capita
- 5 Bank deposits (FDIC) (thousands) per capita

Business Costs

- 1 Cost of Living Index (ACCRA)
- 3 Tax Climate score (Tax Foundation)

Workforce Quality

- 1 Percent of population with a Bachelor's or higher (Census)
- 2 Percent of workforce covered by union bargaining agreements (Unionstats)

Demographics

- 1 Net migration (Census)
- 2 Median Age (Census)

Local Market Conditions

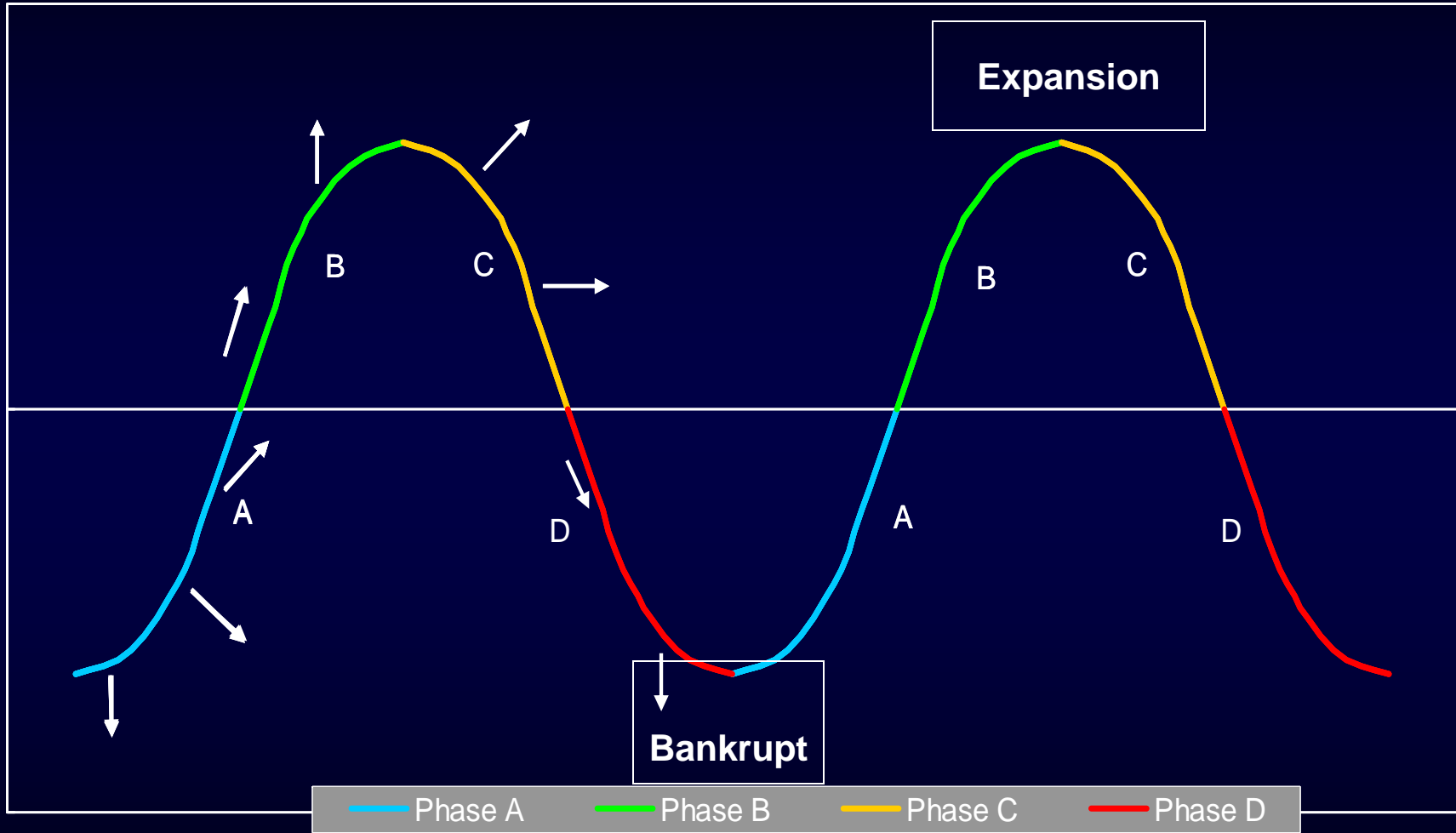
- 1 Real per capita personal income (FRED and ACCRA)
- 2 Industry diversity (percent of Gross State Product in top three local industries) (BEA)

Real Estate Stability

- 1 Housing starts per 1000 residents (FRED)
- 2 Rental vacancy rate (FRED)
- 3 Housing affordability (median home price/per capita personal income) (FRED)
- 4 Residential property price appreciation (FRED)



Four Phases

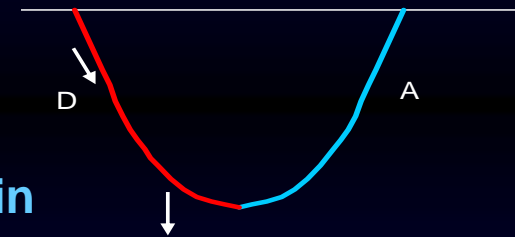


Phase Management Objectives™:

Phase Late D – Recession

Early A - Early Recovery

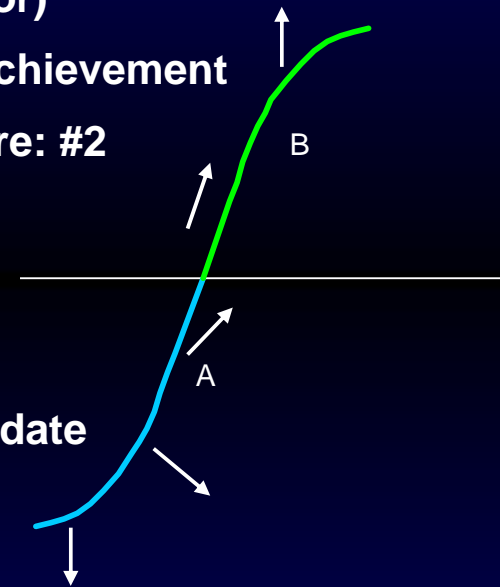
1. Prepare training programs
2. Negotiate union contracts if possible
3. Develop advertising & marketing programs
4. Enter or renegotiate long-term leases
5. Look for additional vendors
6. Capital expenditures & acquisitions considered in light of market-by-market potential
7. Make acquisitions – use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



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. Process standardization
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

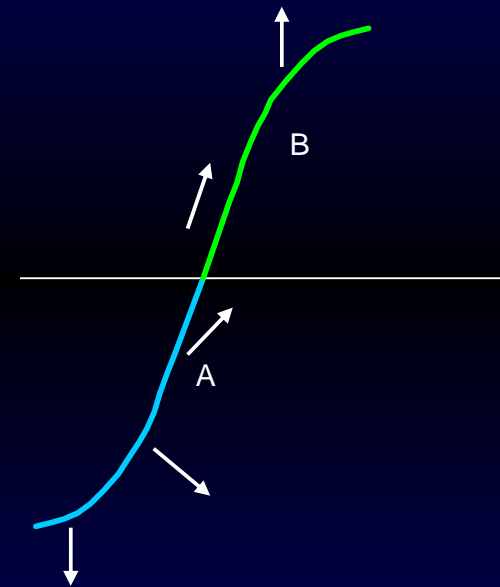


Phase Management Objectives™ :

Phase Late A - Recovery:

Part 2

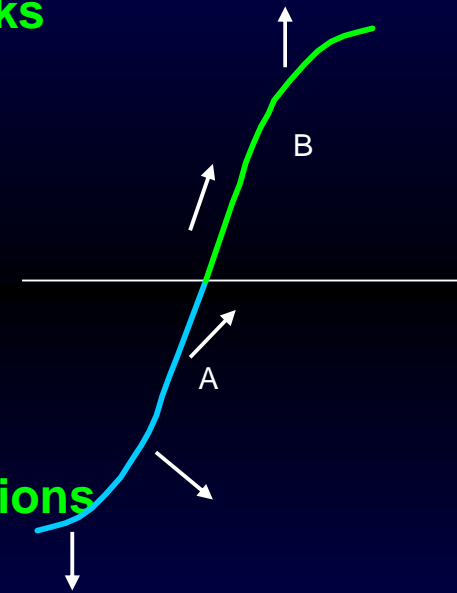
11. Start to phase out low margin work
12. Add sales staff
13. Build inventories, commoditized items (price)
14. Introduce new product lines
15. Capital equipment orders
16. Begin advertising and sales promotions
17. Hire to fill skill gaps
18. Implement plans for facilities expansion
19. Implement training programs



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

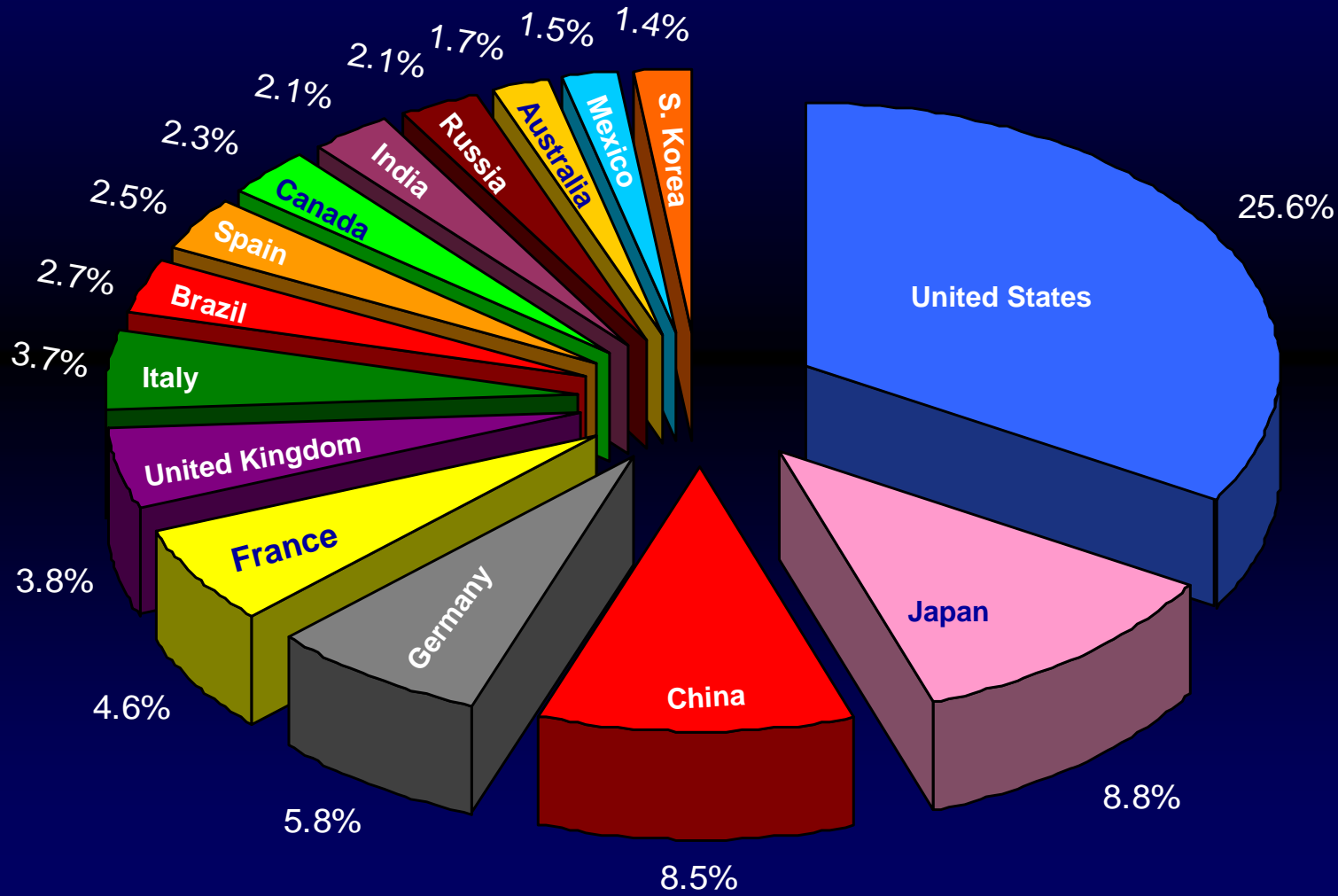


**Find a way to do business in the
“counter-cyclical” or largely
unaffected areas:**

- ★ **Energy**
- ★ **Green**
- ★ **Water**
- ★ **Canada / Exports**
- ★ **Higher Education**
- ★ **Health Care
Practices**
- ★ **Food**
- ★ **Pets**
- ★ **Funeral Services**
- ★ **Alcohol**
- ★ **Security**
- ★ **Legal Services
(Diversified)**

GDP, Bils of US \$, Current Prices

Percent of World GDP





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