



2007-2008 Economic & Technology Forecast

Sponsored by:



January 25, 2007

PROGRAM

1. The Economy in 2006

2. The Forecast

3. Real Estate Outlook

4. Economic Development

5. Conclusion

NEW JOBS BY INDUSTRY, 2006

<u>Industry</u>	<u>New Jobs</u>	<u>Growth Rate</u>
Government	4,900	3.3%
Professional Services	4,000	4.3%
Leisure & Hospitality	3,000	4.3%
Construction	2,900	7.2%
Education & Health	2,300	3.2%
Retail Trade	1,700	2.3%
Financial Activities	1,000	2.4%
Other Services	1,000	3.7%
Information	900	4.2%
Transportation	300	2.6%
Wholesale Trade	200	0.5%
Manufacturing	200	0.3%

Total Jobs
22,400

AUSTIN AT A GLANCE

Employment	715,600
New Jobs	22,400
New Homes	17,000
Unemployment Rate	4.1% (Nov. 3.7%)
Population	1,501,500 (+42,000)
Retail Sales*	\$24.8B (+\$2.5B)
VC Funding	\$603M

* Gross Sales

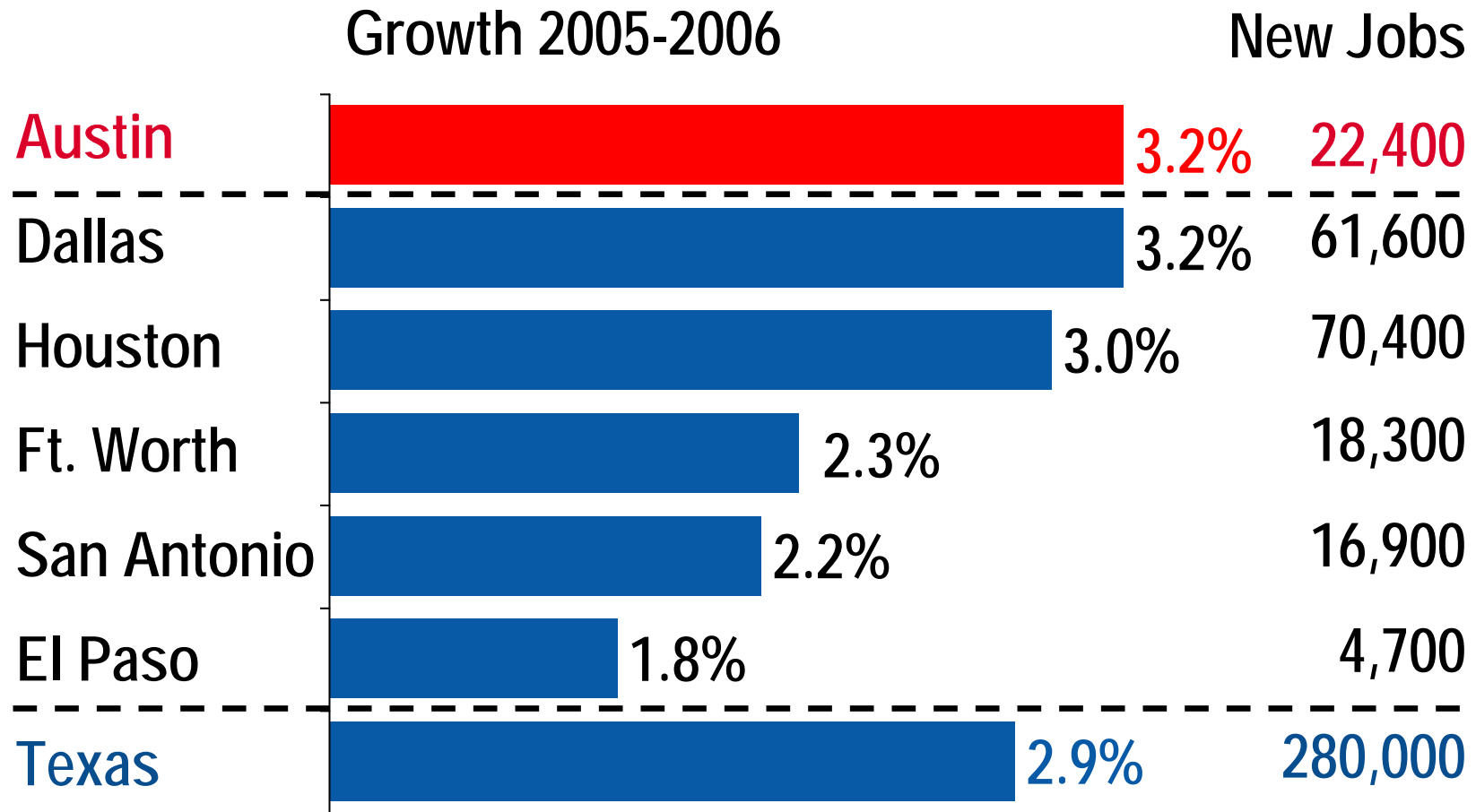
Sources: BLS, Census, Texas Real Estate Center, Venture Economics

MERGERS & ACQUISITIONS

<u>Buyer</u>	<u>Company</u>	<u>Value</u>
Blackstone	Freescale	\$17.6B
AMD	ATI Technologies	\$5.4B
Blackstone	Encore Medical	\$870M
Qwest	OnFiber	\$107M
Luminex	TM Bioscience	\$44M
Perficient	3 companies	\$35.6M
AAI Corp.	Symtx	\$34.3M
Trilogy	Artemis International	\$23.9M

Source: Austin Business Journal

JOB GROWTH COMPARISON - TEXAS

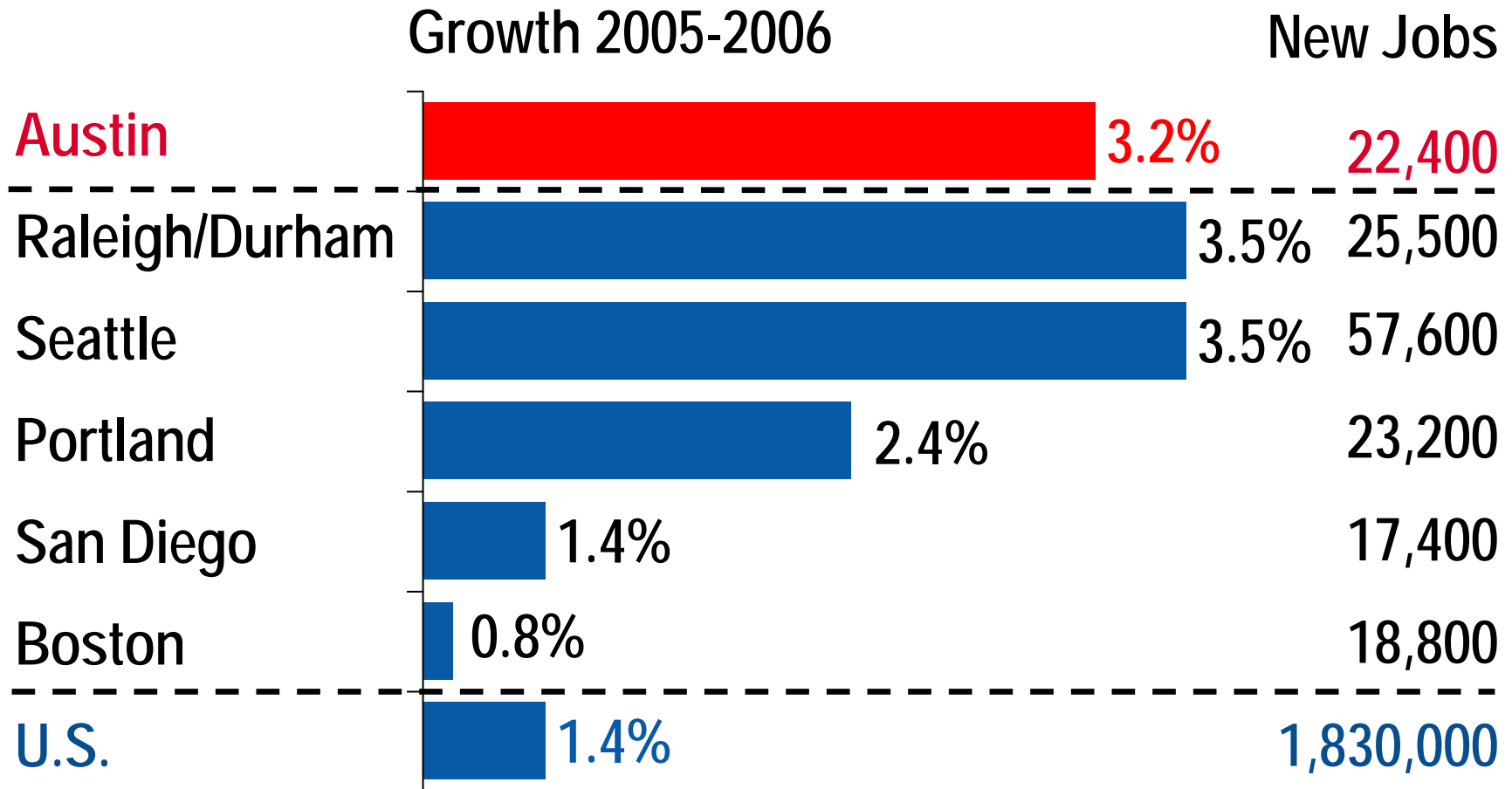


Source: Bureau of Labor Statistics

AVERAGE WAGE GROWTH, 2005-2006

	2006 Avg. Wage	'05-'06 Growth
Austin	\$45,980	5.7%
Boston	\$57,850	6.7%
Dallas/Fort Worth	\$48,290	6.5%
Houston	\$51,020	8.2%
Portland	\$43,180	5.2%
Raleigh/Durham	\$44,645	6.1%
San Diego	\$47,170	7.6%
Seattle	\$50,270	7.8%
Texas	\$43,100	7.3%
U.S	\$43,300	6.5%

JOB GROWTH COMPARISON - NATIONAL



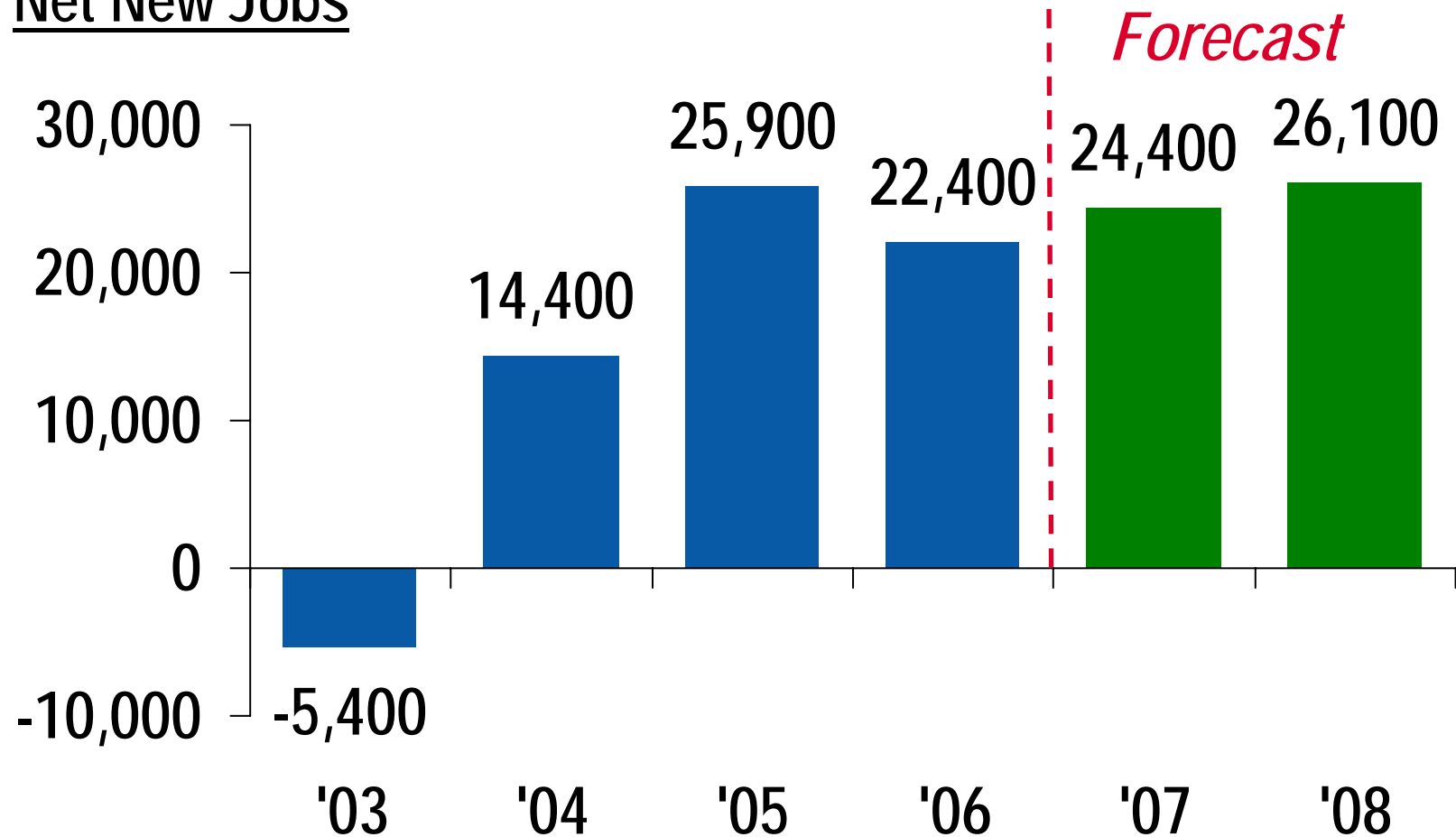
Source: Bureau of Labor Statistics

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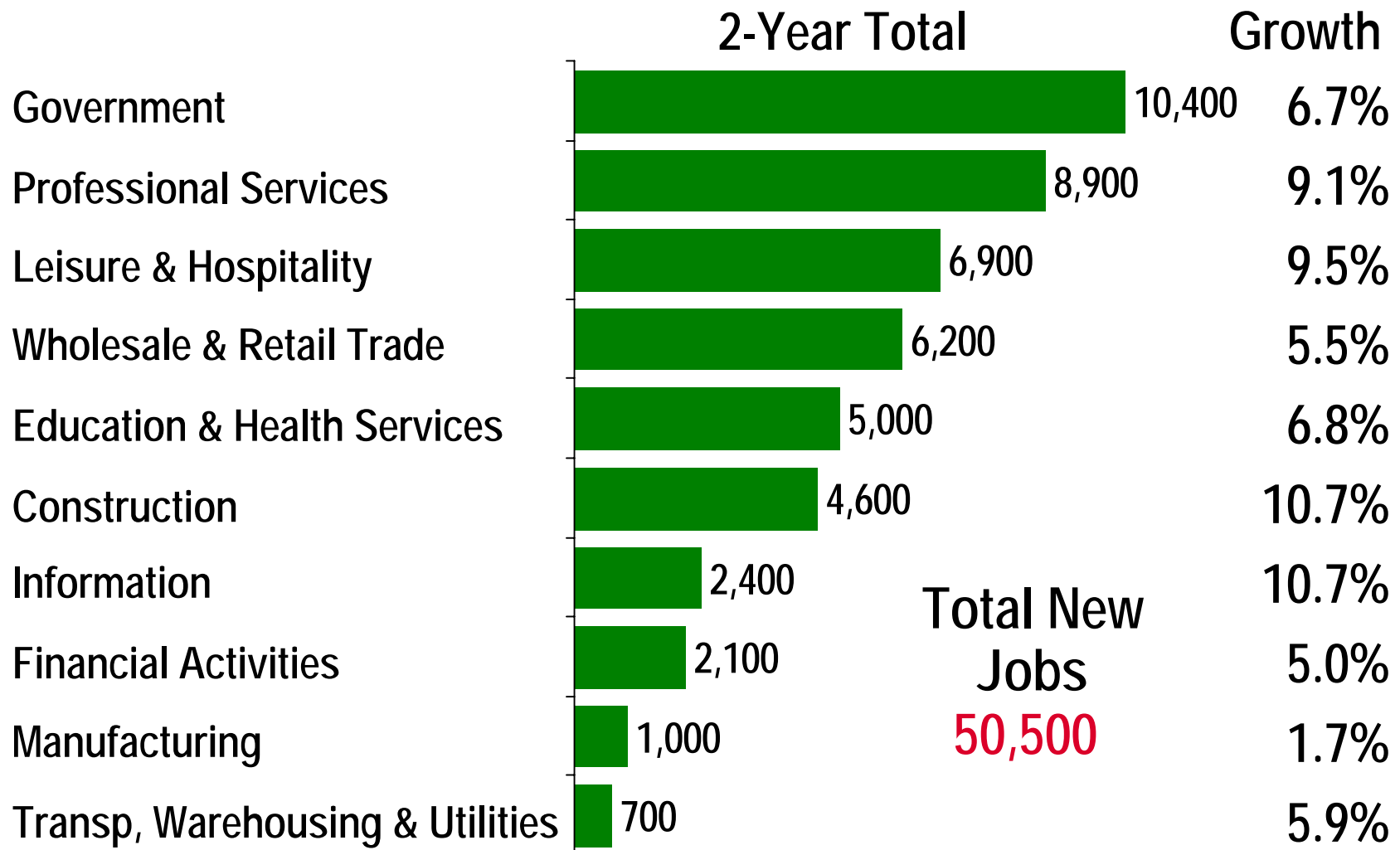
JOB CREATION FORECAST

Net New Jobs



Source: AngelouEconomics, Texas Workforce Commission

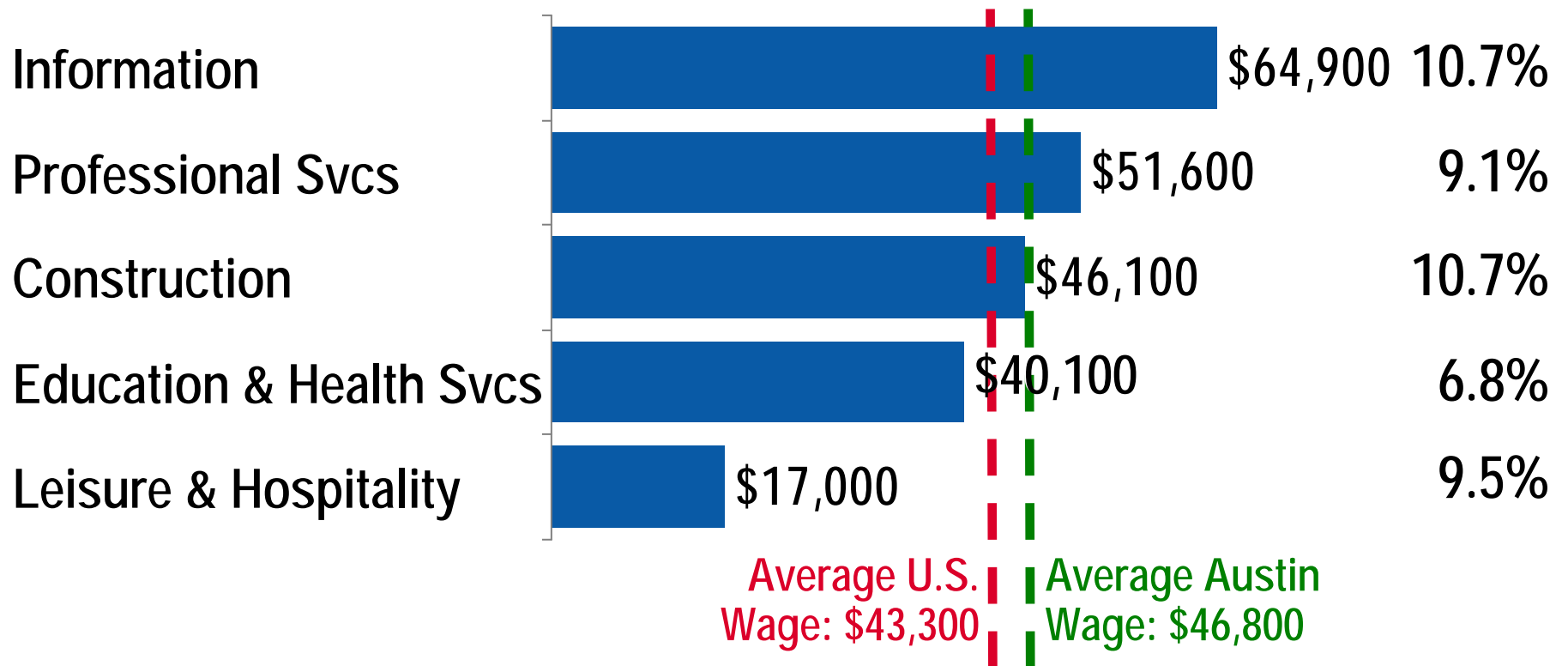
NEW JOBS BY INDUSTRY 2007-2008



Source: AngelouEconomics

AVG WAGES IN HIGH-GROWTH INDUSTRIES

'06 to '08
Empl. Growth



Source: Bureau of Labor Statistics

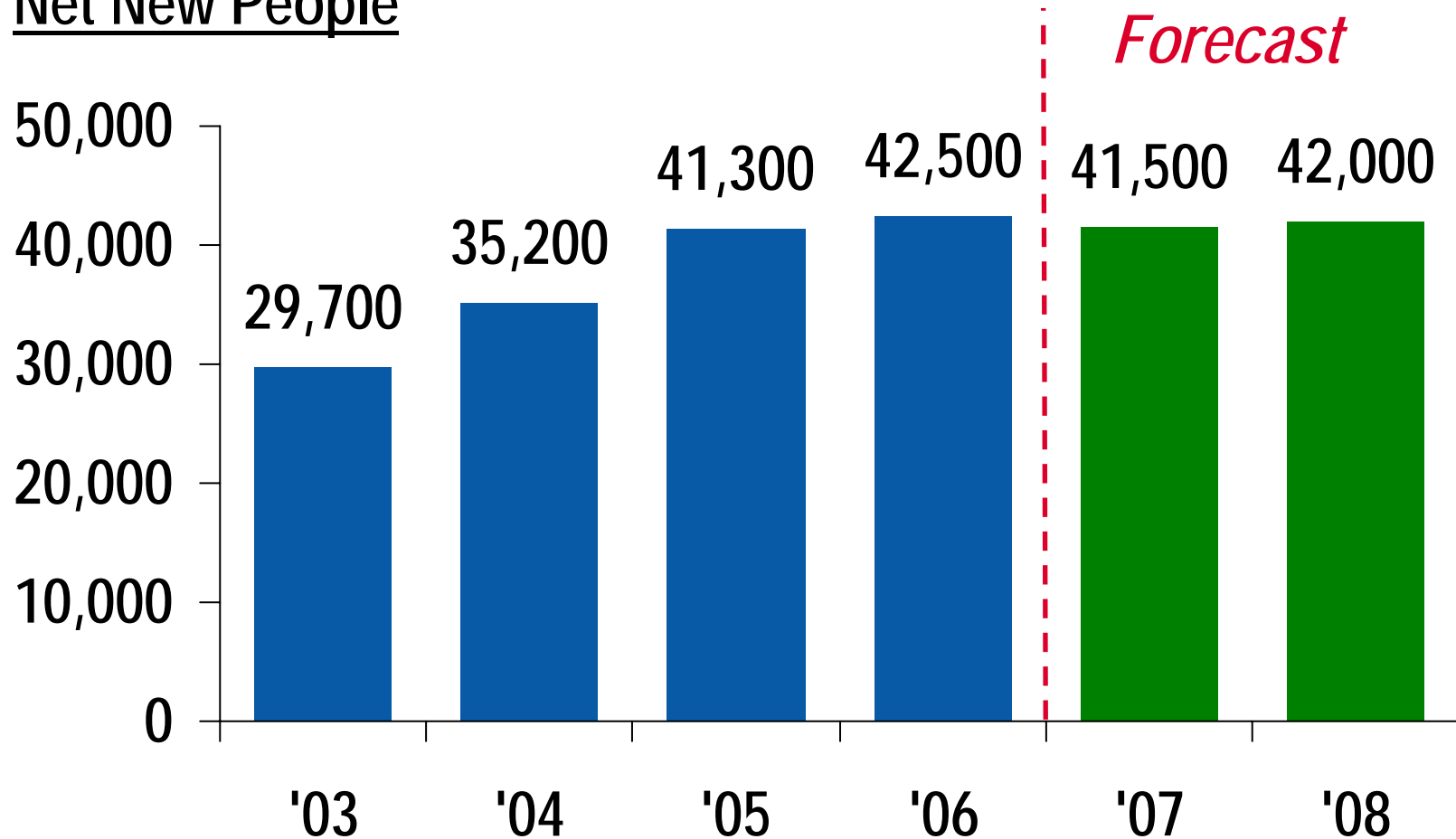
TECH INDUSTRY GROWTH

<u>Industry</u>	<u>2006</u>	<u>'06-'07</u> <u>Growth</u>	<u>'07-'08</u> <u>Growth</u>
Software	\$197 Billion Revenue	7%	8%
Semiconductor	\$261 Billion Chip Sales	11%	9%
PCs	230 Million Shipments	13%	12%
IT	\$1.2 Trillion in Spending	6%	7%

Sources: Semiconductor Industry Assn, Gartner, IDC

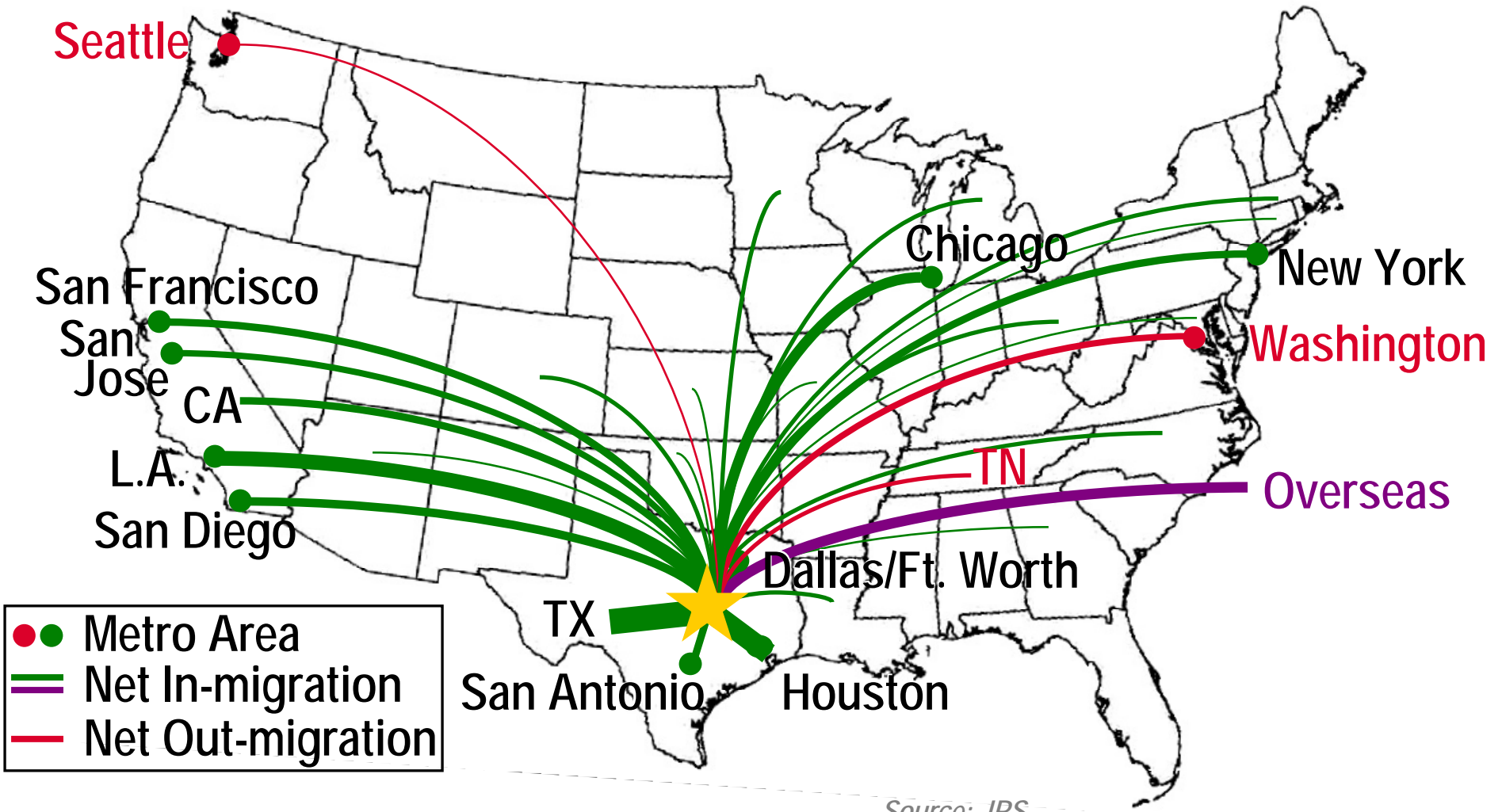
POPULATION FORECAST

Net New People



Source: AngelouEconomics, U.S. Census Bureau

AUSTIN MSA MIGRATION PATTERNS



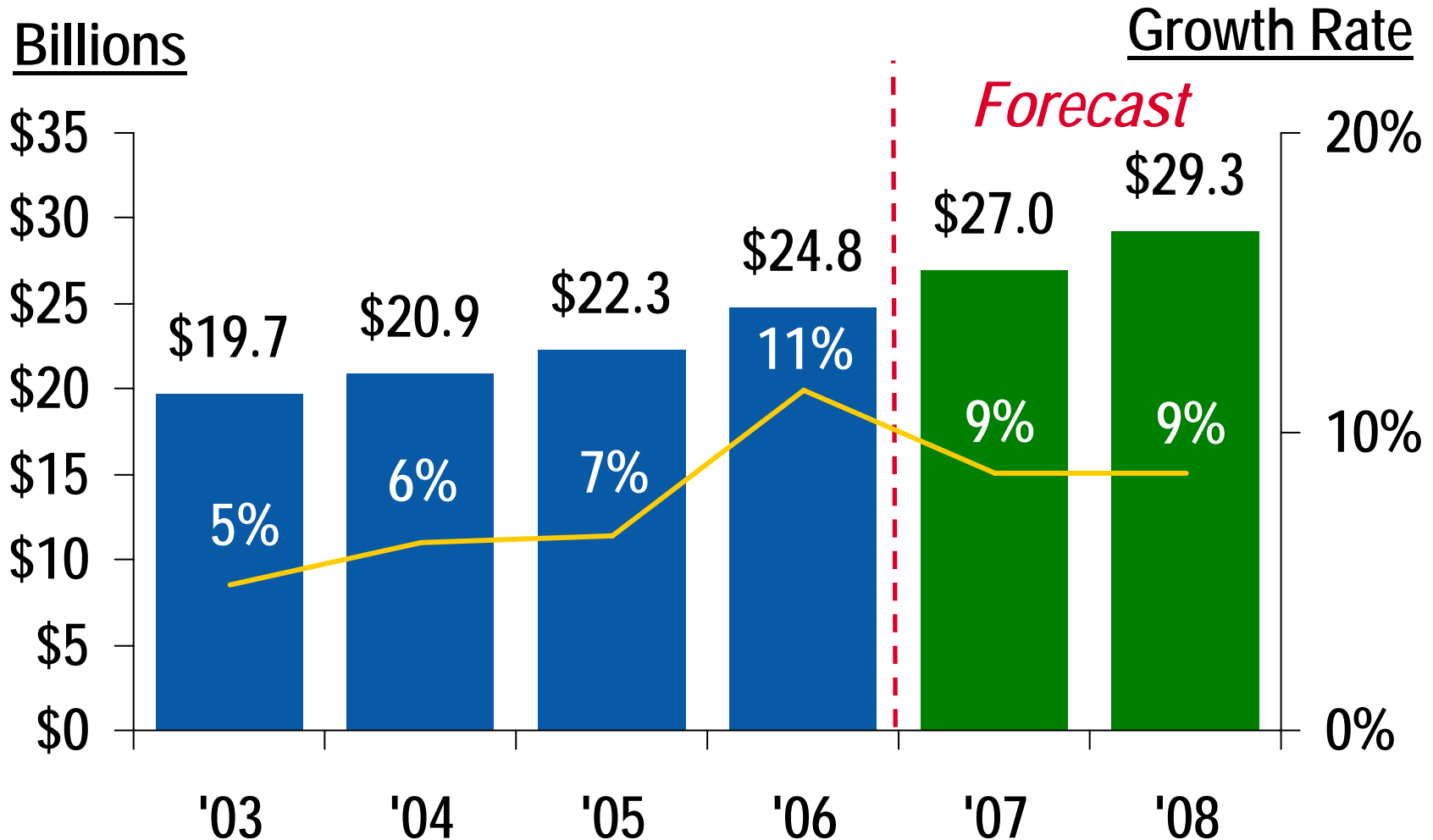
Source: IRS

EDUCATIONAL ATTAINMENT

Metro Area	%25 to 44 w/ Bachelor's Degree or Higher	%25+ w/ Bachelor's Degree or Higher
Raleigh/Durham	45.9%	41.9%
Austin	41.8%	31.9%
San Diego	34.3%	33.9%
Portland	33.6%	31.9%
Dallas	30.0%	30.0%
U.S.	29.7%	27.2%
Houston	26.1%	27.9%

Source: U.S. Census Bureau

AUSTIN METRO RETAIL SALES



Sources: AngelouEconomics, Office of Texas Comptroller

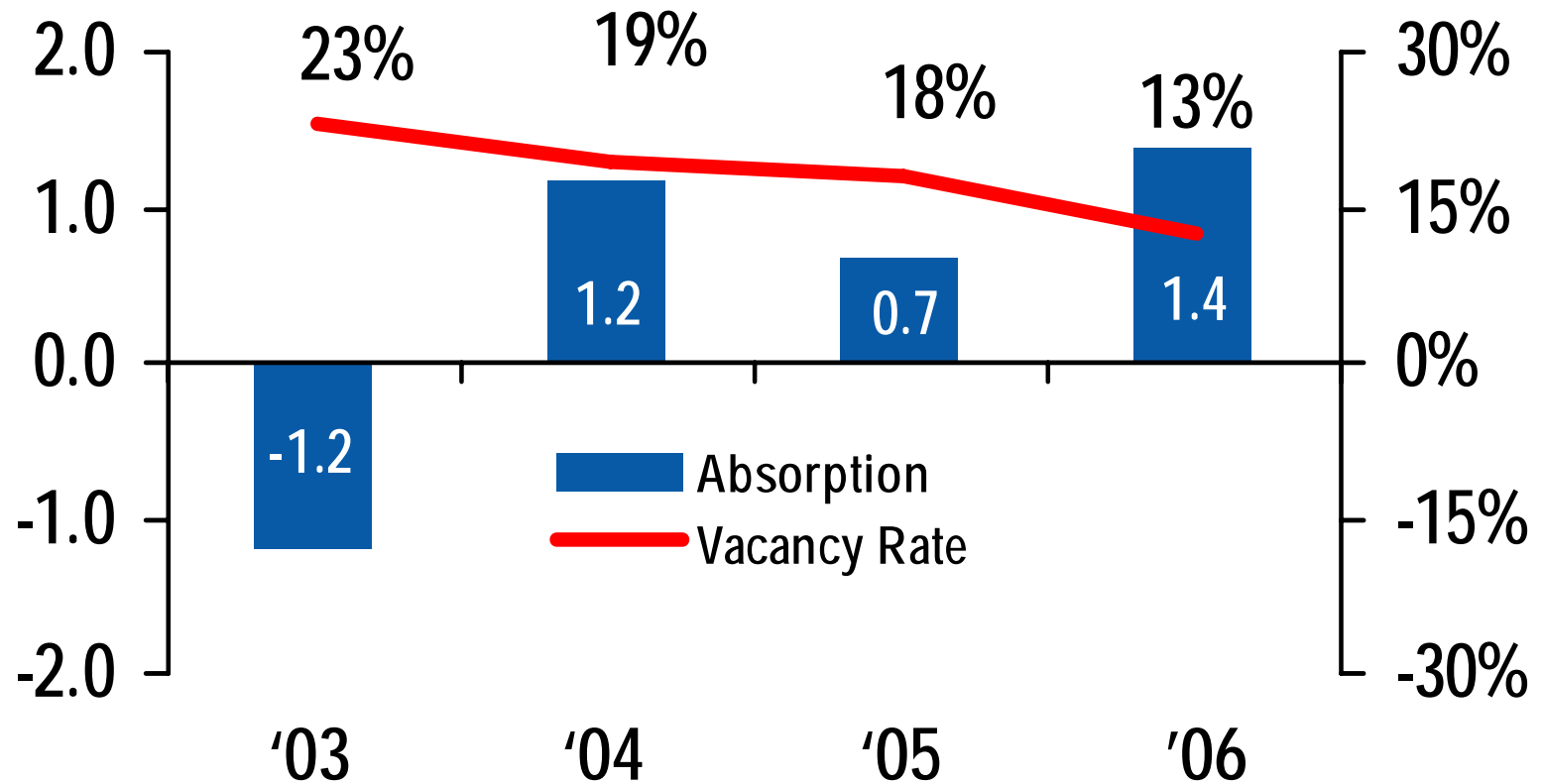
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AUSTIN METRO OFFICE MARKET

Absorption
Millions of SF

Vacancy Rate



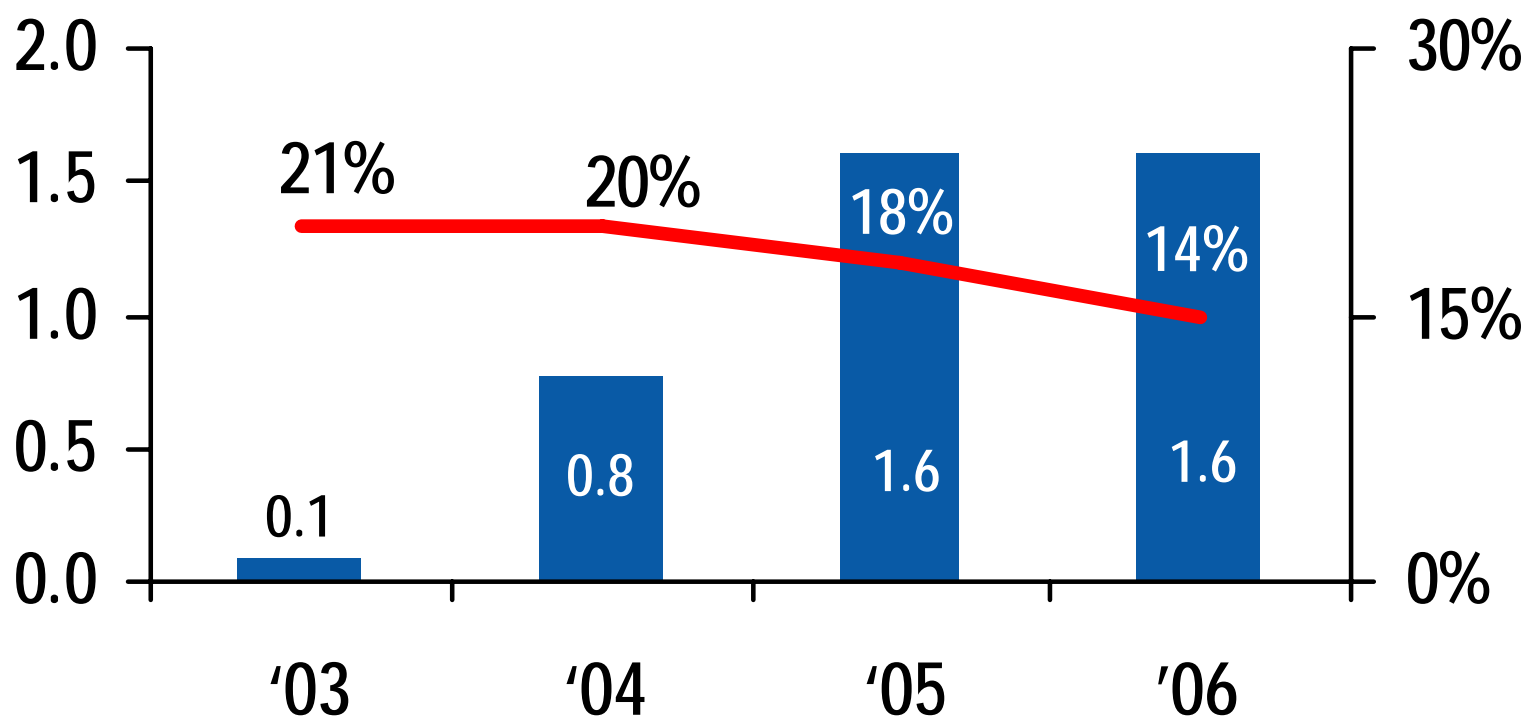
Source: Colliers Oxford, NAI/CIP, Grubb & Ellis

AUSTIN METRO INDUSTRIAL MARKET

Absorption
Millions of SF

Absorption
Vacancy Rate

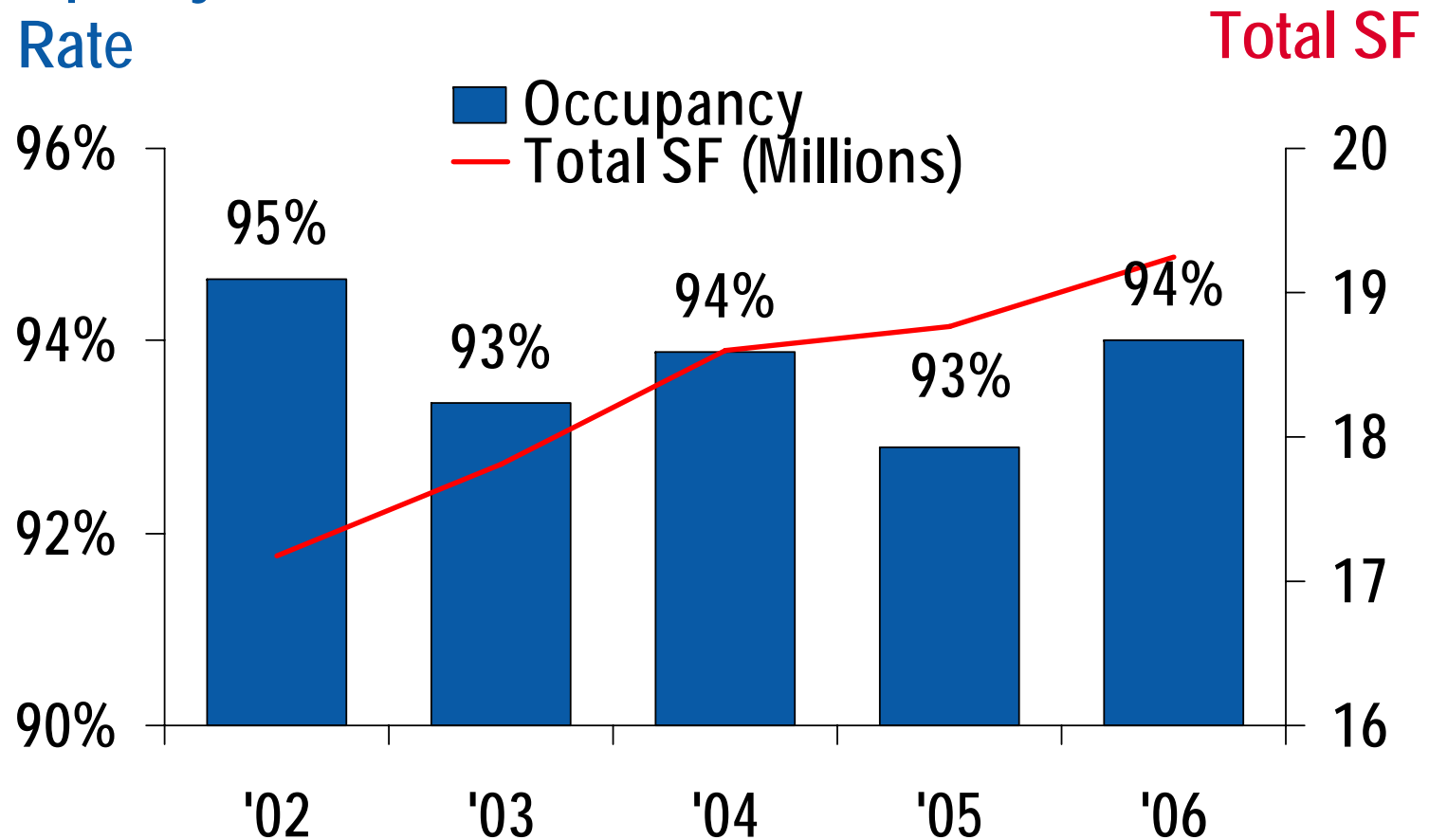
Vacancy Rate



Source: Colliers Oxford, NAI/CIP, Grubb & Ellis

AUSTIN METRO RETAIL MARKET

Occupancy Rate



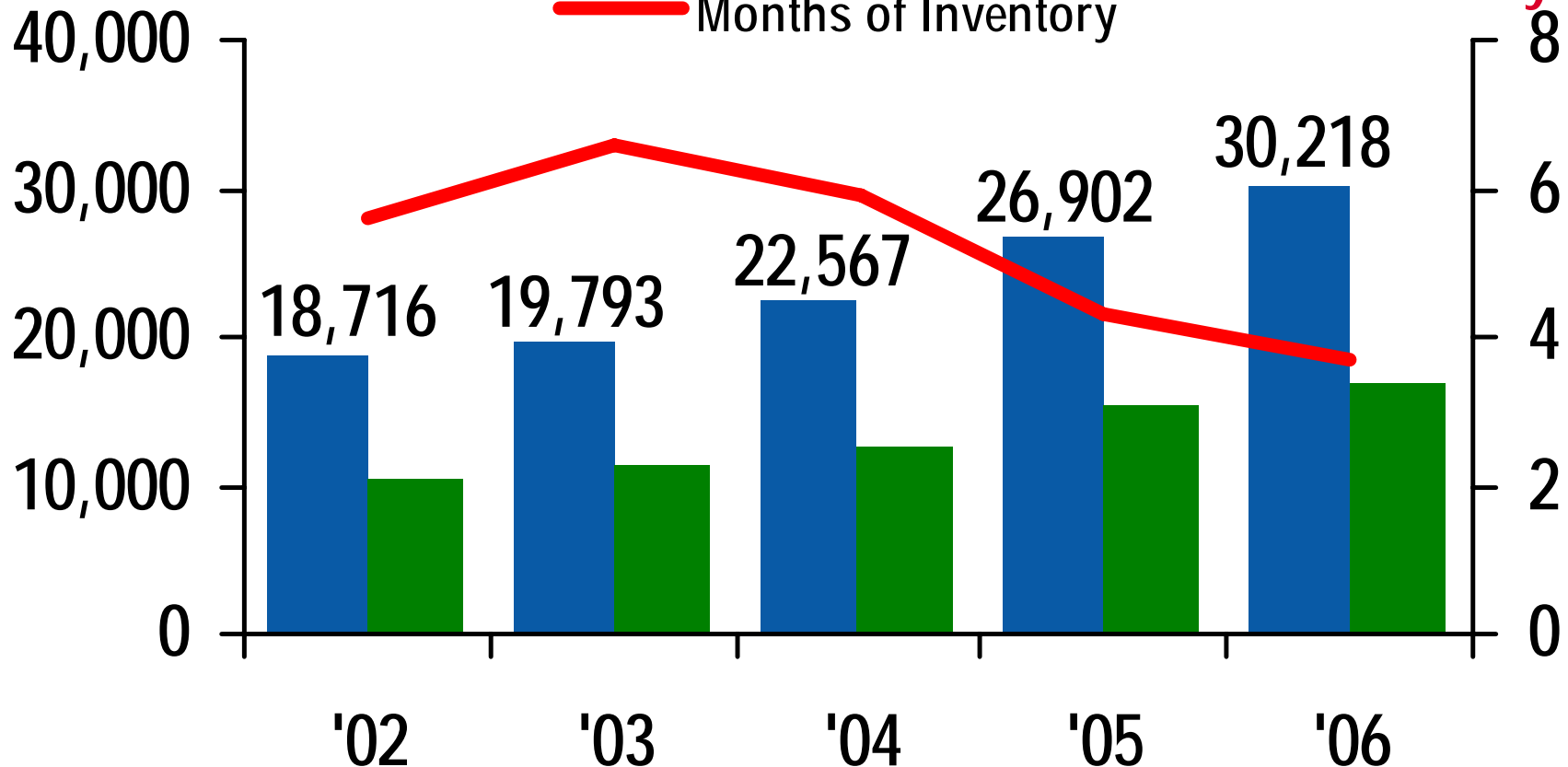
Source: Colliers Oxford, NAI/CIP

AUSTIN METRO SINGLE FAMILY MARKET

Homes Sold

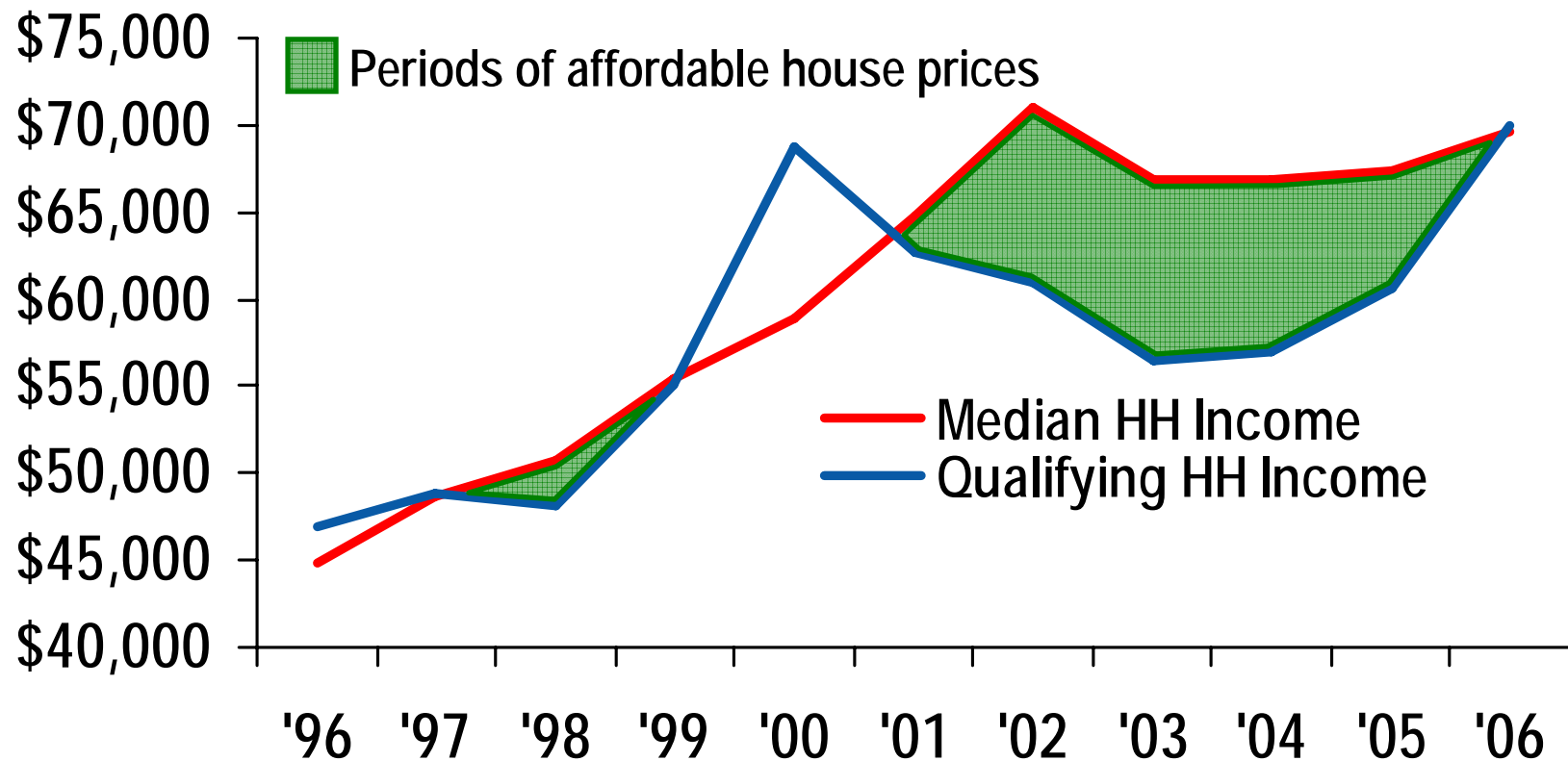
■ MLS Sales
■ New Housing Starts
— Months of Inventory

Months of Inventory



Source: Colliers Oxford, NAI/CIP

AUSTIN HOUSING AFFORDABILITY



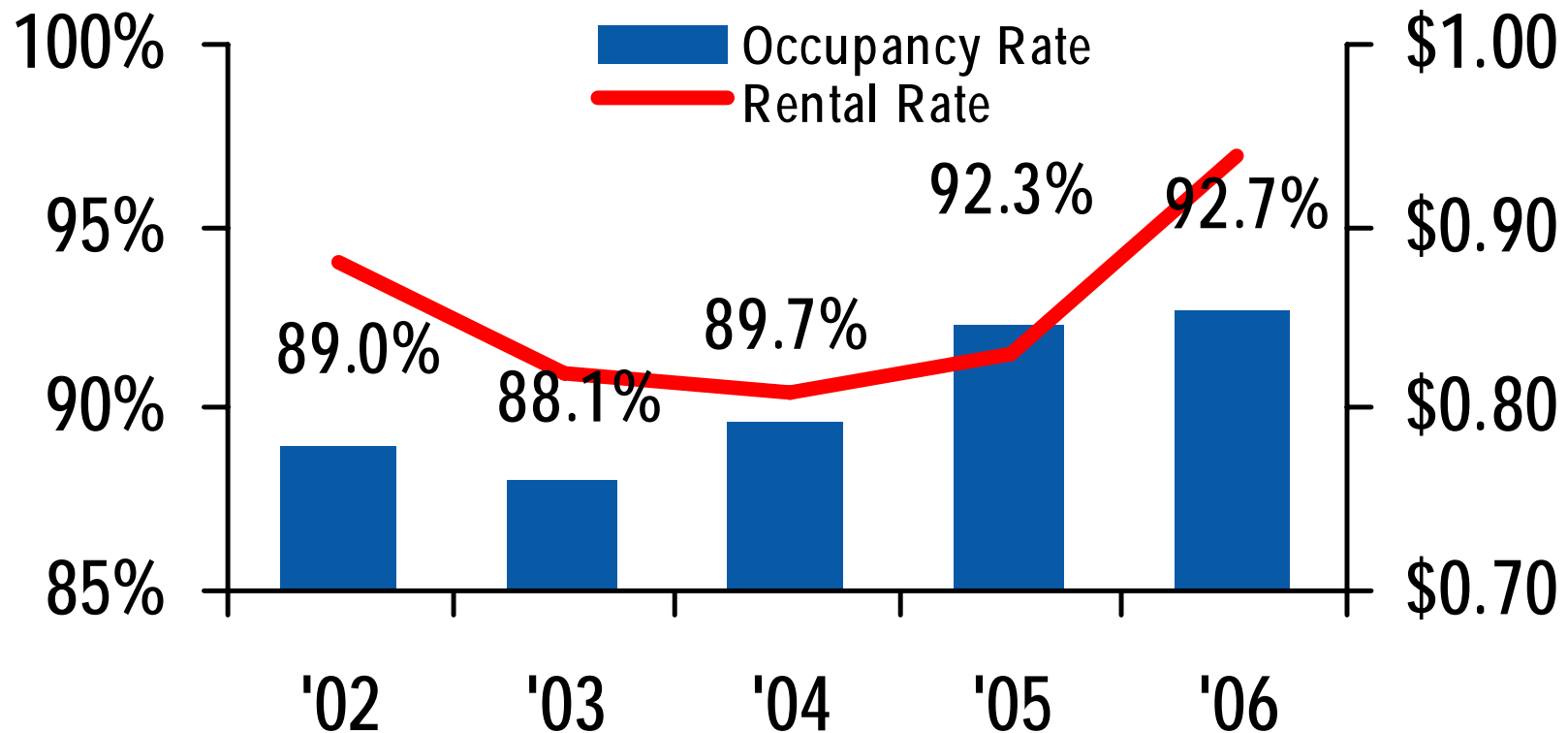
Based on 25% qualifying ratio of housing expense to income, 90% LTV, 30-year FRM at prevailing interest rates & average house prices

Sources: AngelouEconomics, City of Austin, HSH Associates

AUSTIN METRO MULTI-FAMILY MARKET

Occupancy
Rate

Rental Rate
Per SF



Source: Austin Investor Interests, O'Connor & Associates

REAL ESTATE ABSORPTION FORECAST

2007-2008

<u>Market</u>	<u>Expected Absorption</u>
Office	3.0 million sq. ft.
Industrial	3.2 million sq. ft.
Retail	1.1 million sq. ft.
Single Family	32,000 units
Multi-Family	11,000 units

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RECENT EXPANSIONS & RELOCATIONS

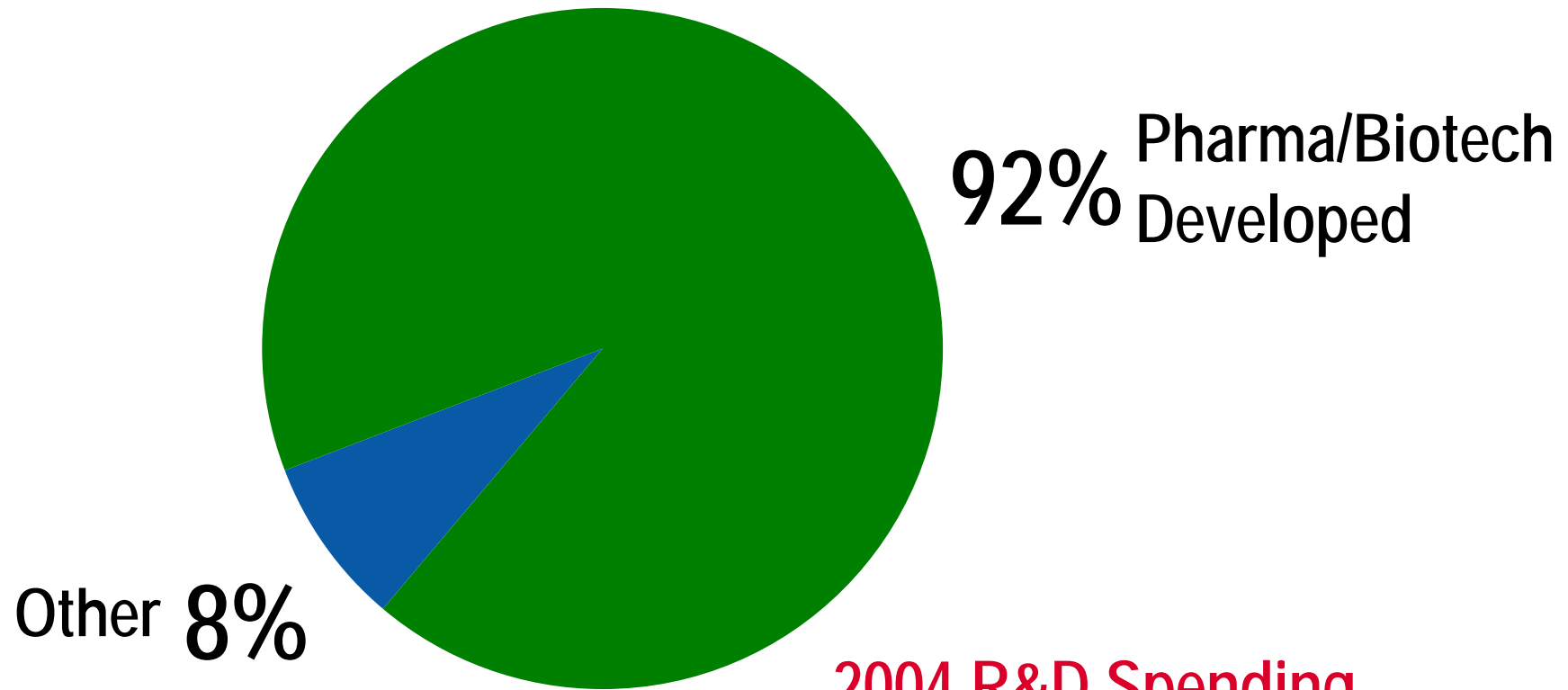
- Samsung Corp. – 900 jobs
- Dimensional Fund Advisors – 800 jobs
- PRC – 500 jobs
- IBM – 330 jobs
- AMD – 300 jobs (expansion)
- HP – 280 jobs
- Seton/RehabCare – 235 jobs (expansion)
- Motorola – 150 jobs (expansion)
- Reznick Group – 150 jobs
- Teco-Westinghouse Motor Co. – 150 jobs
- CompassLearning – 130 jobs

Source: Greater Austin Chamber of Commerce

TARGET INDUSTRIES: BIOTECHNOLOGY

- **Why Target:**
 - Avg. wage pharma mfg. = \$88,000
 - Avg. wage biotechnology R&D = \$85,000
- **Market Drivers:**
 - Health care market expanding
 - Population is aging globally
 - Future: anti-terrorism, bioinformatics, clean energy
- **Austin's Advantage:**
 - Top 10 U.S. Metro for VC funding

MARKETED DRUG PRODUCTS



2004 R&D Spending

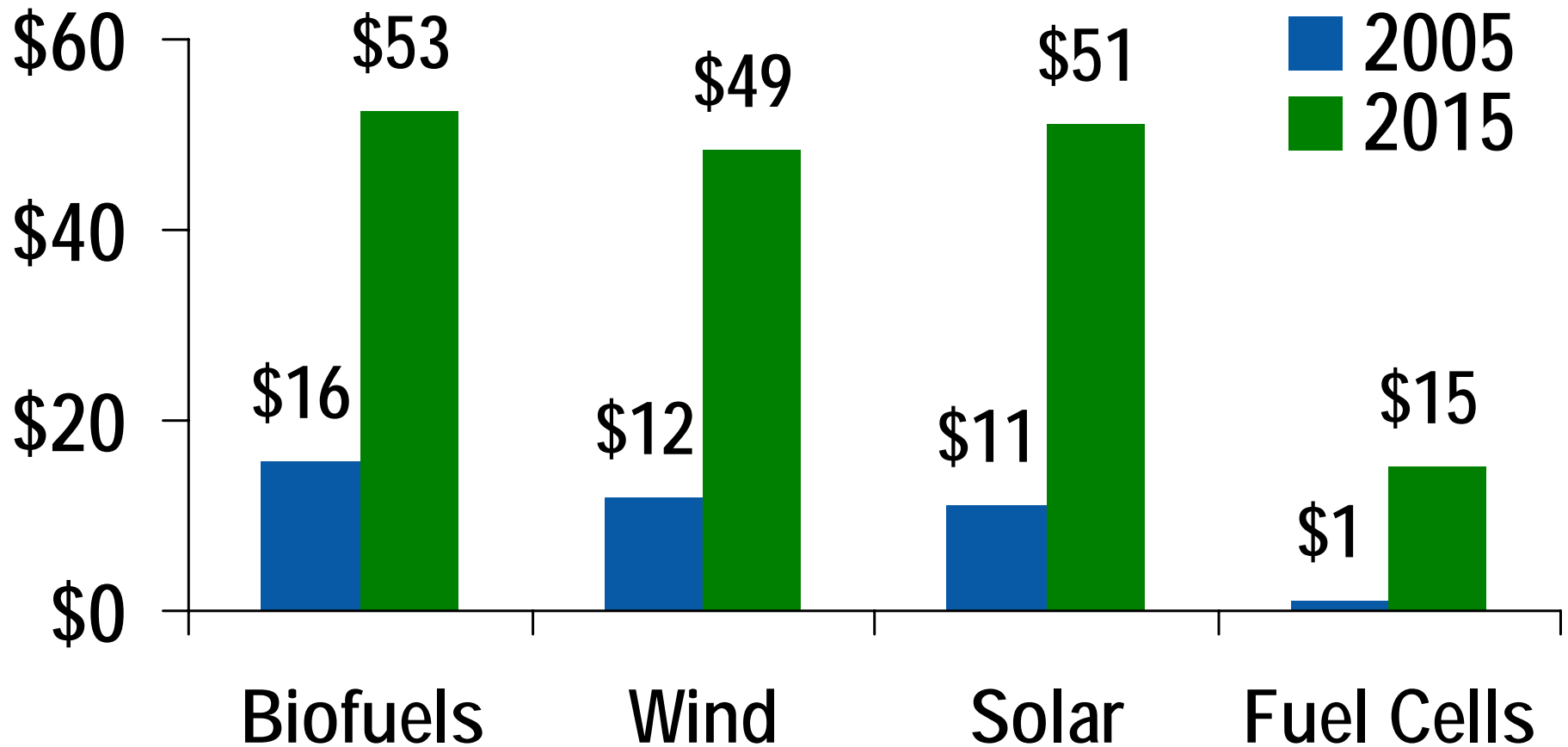
Biotech/Pharma: \$38.8 Billion

NIH: \$26.9 Billion

Source: Tufts Center for the Study of Drug Development

TARGET INDUSTRIES: CLEAN ENERGY

U.S. Market
(Billions)



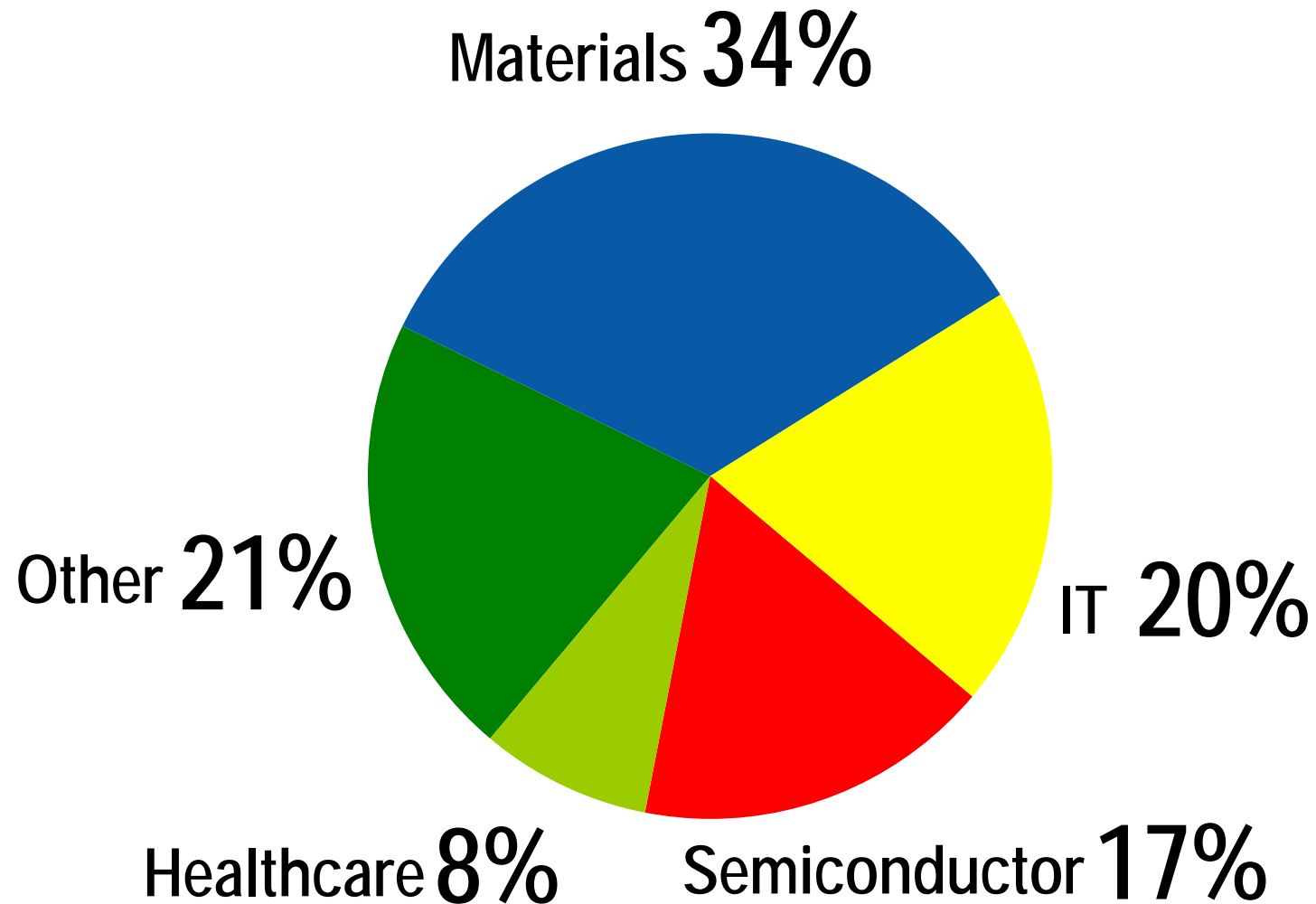
TARGET INDUSTRIES: CLEAN ENERGY

- **Why Target:**
 - Avg. wage = \$80,000
- **Market Drivers:**
 - Price of oil
 - Higher demand in the U.S., China & India
 - Clean energy becoming price competitive
 - Hedging against climate change policies
- **Austin's Advantage:**
 - Greenest utility in the U.S.
 - Fits Austin's personality

TARGET INDUSTRIES: INFO & ELECTRONICS

- **Why Target:**
 - Avg. wage in Software = \$100,000
 - Avg. wage in Systems Design = \$79,000
- **Market Drivers:**
 - Broadband, gaming, wireless, mapping
 - Increasingly competitive – rise of YouTube, MySpace
 - Search engine wars, value in content creation
- **Austin's Advantage:**
 - National technology hub and quality of life

U.S. NANOTECHNOLOGY MARKET



TARGET INDUSTRIES: DATA CENTERS

- **Why Target:**
 - Avg. wage = \$64,000
 - Consolidation to large facilities
- **Market Drivers:**
 - Cost Savings & Consolidation and M&A
 - Disaster Recovery
 - Sarbanes/Oxley, Hippa
 - Increased website usage, search engine, ecommerce
- **Austin's Advantage:**
 - Technology centric, skilled labor, quality of life

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JOB FORECAST BY INDUSTRY

<u>2007-2008</u>	<u>New Jobs</u>	<u>% of New Jobs</u>
Government	10,400	20.6%
Professional Services	8,900	17.6%
Leisure & Hospitality	6,900	13.7%
Wholesale & Retail Trade	6,200	12.3%
Education & Health Services	5,000	9.9%
Construction	4,600	9.1%
Information	2,400	4.8%
Financial Activities	2,100	4.2%
Manufacturing	1,000	2.0%
Transp, Warehousing & Utilities	700	1.4%

Source: AngelouEconomics

Thanks!

AngelouEconomics

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DEMOGRAPHIC TRANSITION

- **Upcoming workforce transition will intensify the competition for talent**
 - Baby Boom Generation's peak economic impact will be reached by 2010; Echo Boom will not reach peak until 2023
 - Aging workforces in key industries will not be replaced cheaply as labor force participation rates decline
 - Productivity growth may slow without expertise
 - Employees may shift their retirement expectations
- **Austin should prepare for transition by seeking value-added jobs, not just employment growth**

AUSTIN WITHOUT POPULATION GROWTH

<u>Indicator</u>	<u>2006 w/ Full Population Growth</u>	<u>2006 w/ Natural Increase Only</u>
Per Capita Income	\$21,886 (6.1%)	\$21,181 (2.7%)
Employment	715,600 (3.2%)	702,300 (1.3%)
Retail Sales	\$24.8 Billion (11.3%)	\$23.3 Billion (4.6%)
Population	1,501,500 (3.3%)	1,470,000 (1.2%)

SITE SELECTION STATISTICS

- **From 2003-2005:**
 - Only 1,100 new manufacturing plants nationwide per year
 - Only 2,000 plant expansions nationwide per year
 - Only 3,200 other facilities nationwide per year
- **Austin not in the running for many of these projects**
 - Must focus economic development efforts on high value-added projects, not simply boosting employment numbers across the board

Source: SiteSelection Magazine