

# 2009-2010 Economic Forecast: Global Trends, Local Impacts



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# AGENDA

- The U.S. Economy in 2008
- The Austin Economy in 2008
- Forecast 2009-2010
- Real Estate Outlook
- Economic Development Trends
- Closing Remarks

# 2008 AT A GLANCE – US & TEXAS

U.S.		Texas
139,489,000	Employment	10,234,000
-2,588,000 (-1.9%)	New Jobs	(2.2%) 222,400
7.2%	Unemployment	5.7%
304,500,000	Population	24,400,000
2,882,000	New Population	455,000
\$4.03 trillion	Retail Sales	\$413 billion
\$22.6 billion	Venture Capital	\$961 million
\$14.29 trillion	GDP	\$1.14 trillion

# 2008 AT A GLANCE – AUSTIN

Employment 777,800 (19,000, 2.5%)

Average Wage \$47,700 (2.2%)

Unemployment 5.0%

Population 1,652,000 (42,000)

Housing Starts 8,175 (-33%)

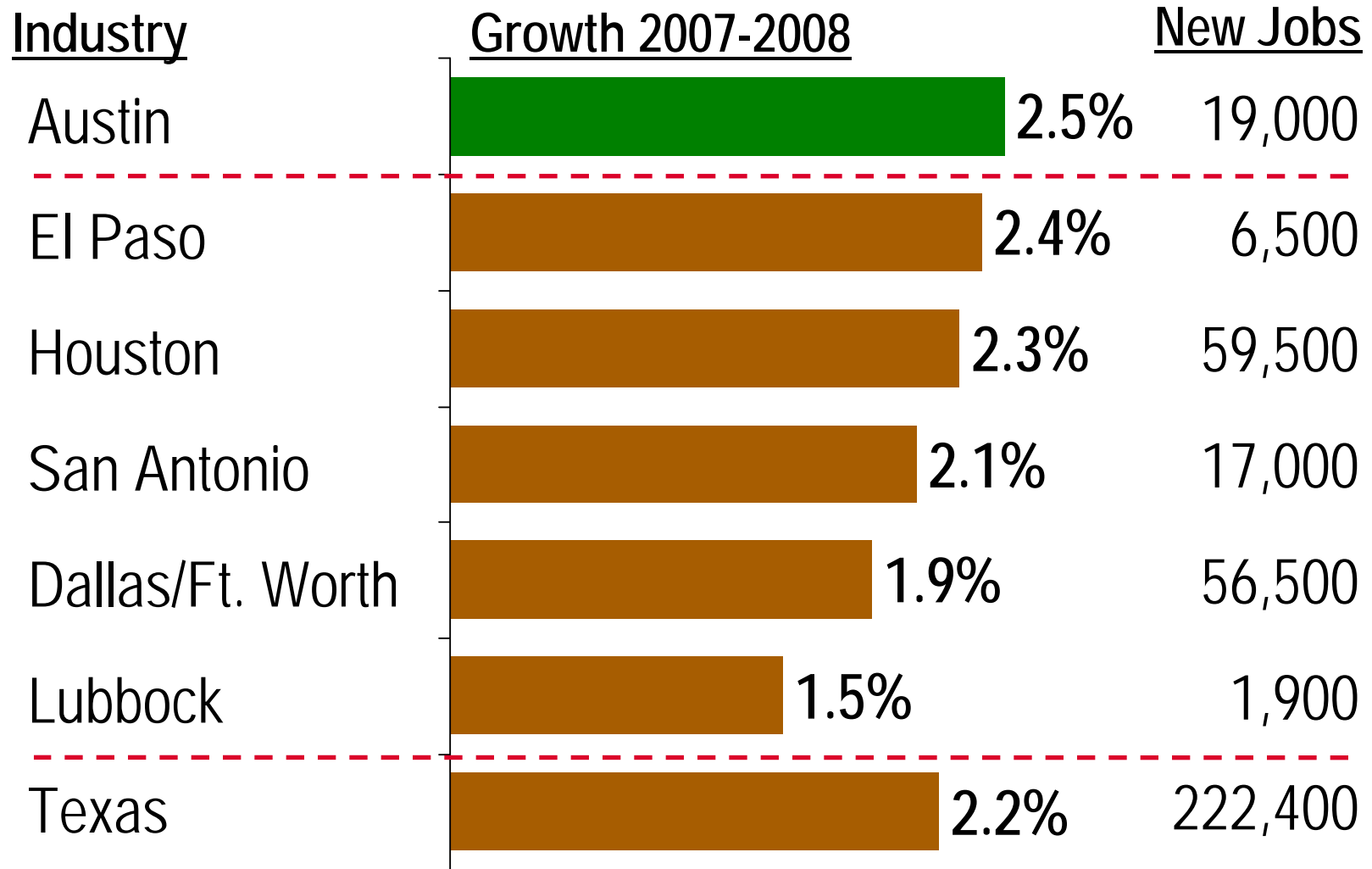
Avg. House Sales Price \$179,900 (-2.9%)

Retail Sales \$24.0 billion

Venture Capital \$293.9 million

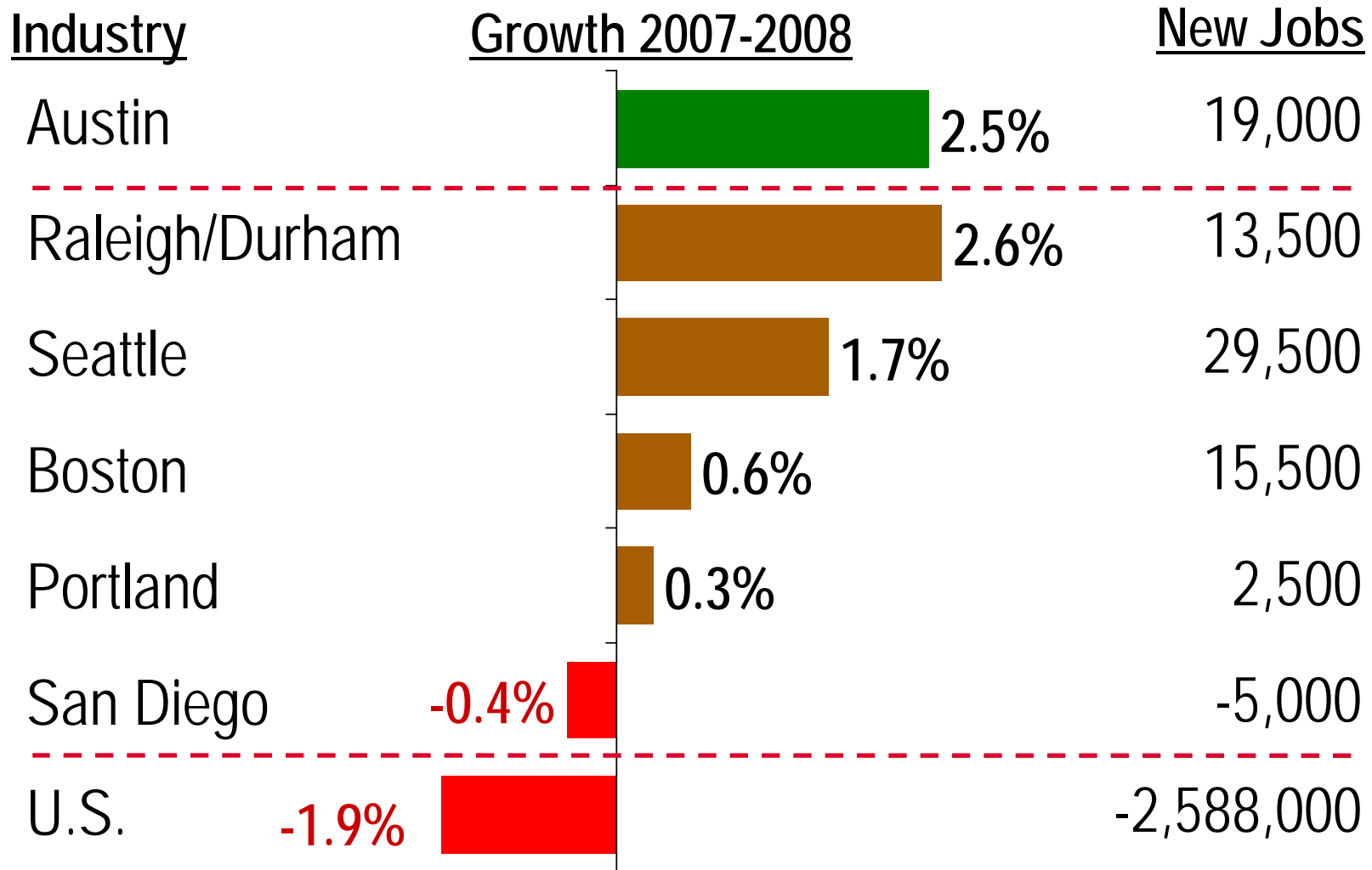
GDP \$79.8 billion

# JOB GROWTH – TEXAS



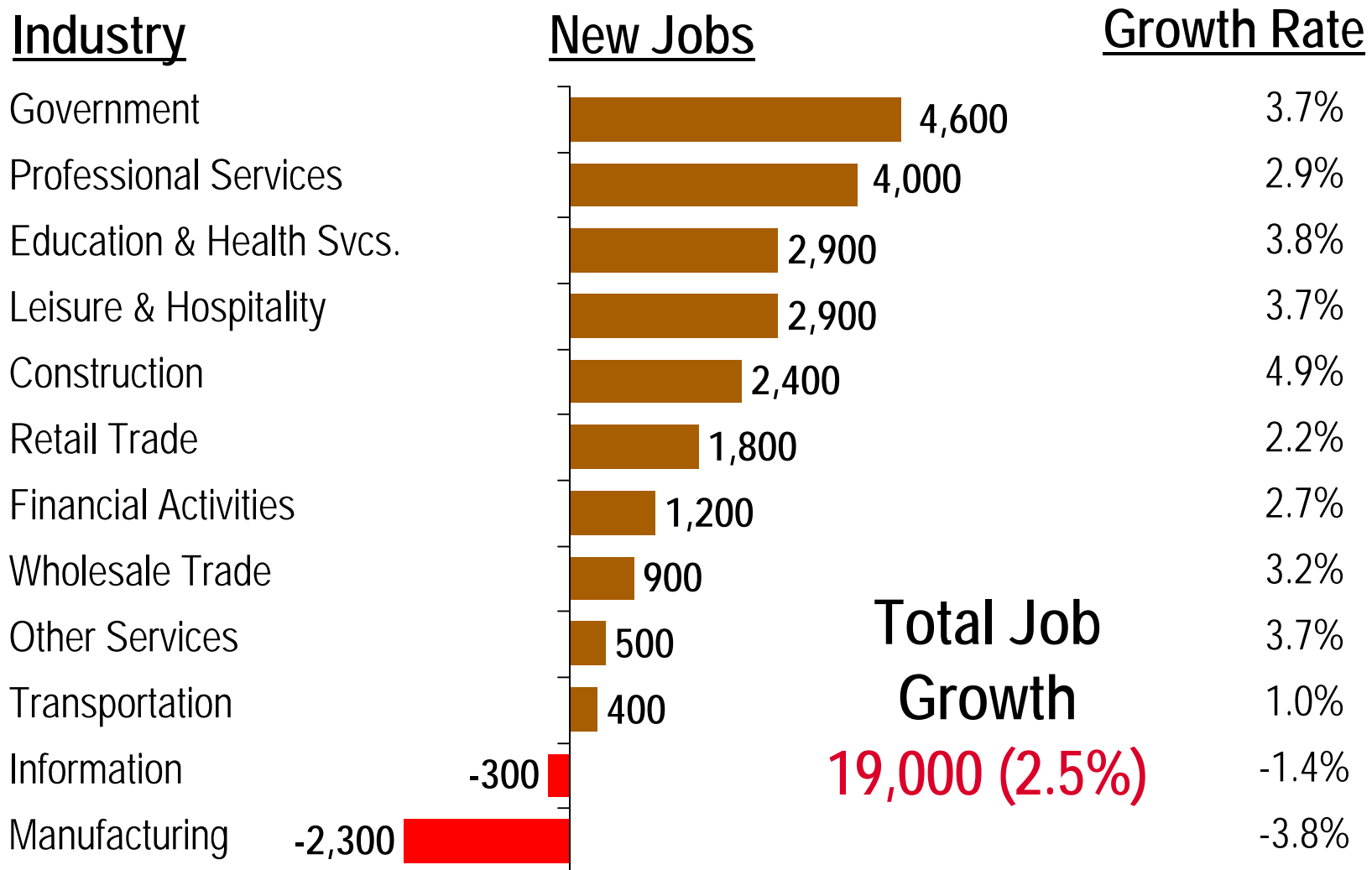
Source: Bureau of Labor Statistics

# JOB GROWTH — AUSTIN VS. BENCHMARKS



Source: Bureau of Labor Statistics

# NEW AUSTIN JOBS BY INDUSTRY, 2008



Source: Bureau of Labor Statistics

# AUSTIN JOBS FORECAST, 2009-2010

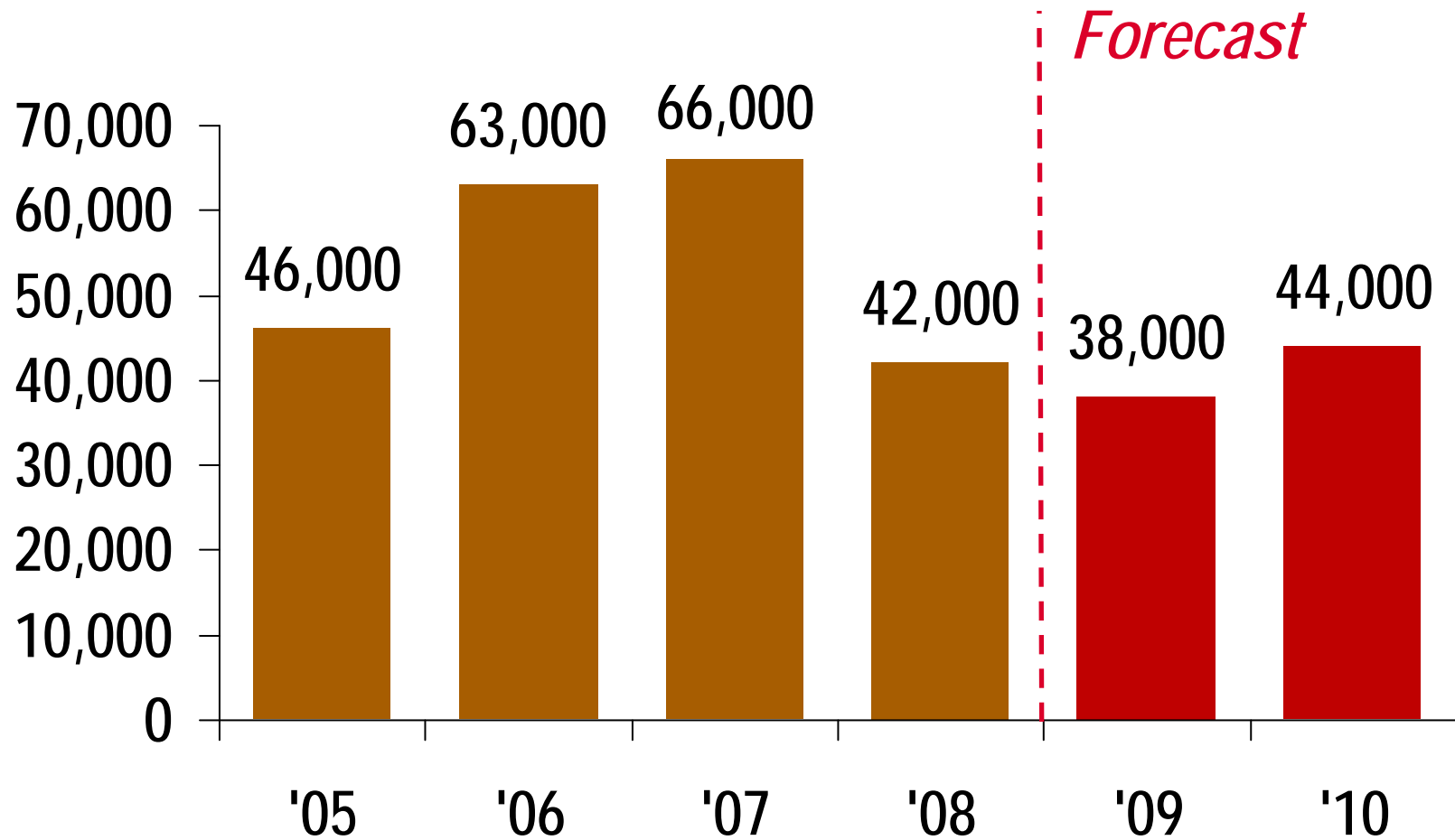
## Industry

## New Jobs

## Growth Rate

Industry	New Jobs	Growth Rate
Government	6,000	3.7%
Professional Services	5,700	5.2%
Education & Health Svcs.	3,800	4.8%
Leisure & Hospitality	600	0.7%
Transportation	300	2.2%
Financial Activities	200	0.4%
Wholesale Trade	0	0.0%
Information	0	0.0%
Other Services	0	0.0%
Retail Trade	-100	-0.1%
Construction	-900	-1.8%
Manufacturing	-2,500	-4.3%
<b>2-Year Total Job Growth</b>		
<b>13,100</b>		

# AUSTIN POPULATION GROWTH



Source: AngelouEconomics, U.S. Census Bureau

# AUSTIN METRO MIGRATION PATTERNS



Source: IRS

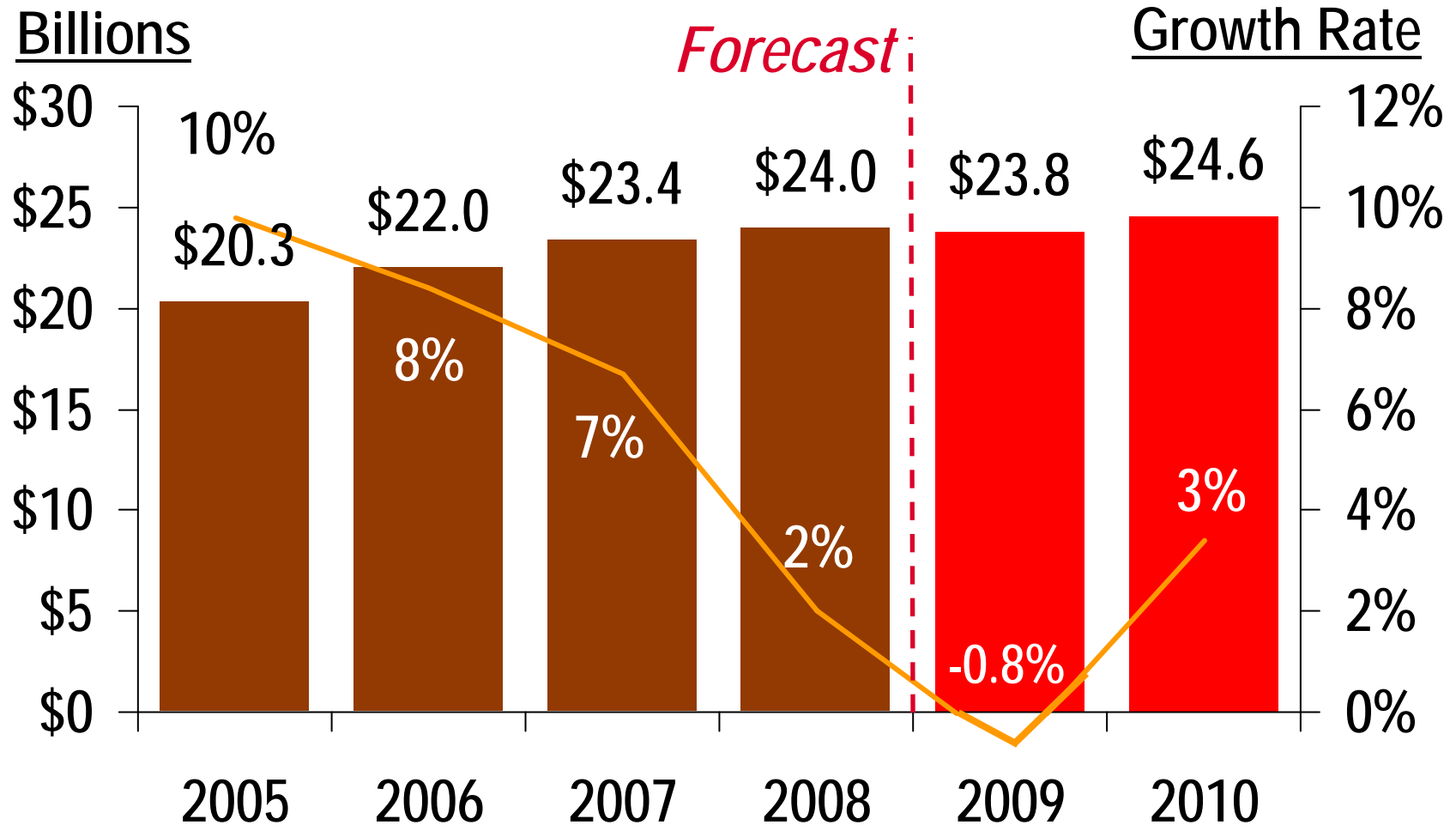
## 2009-2010 Components of Population Change

Domestic Migration:  
38,700

Natural Increase:  
35,600

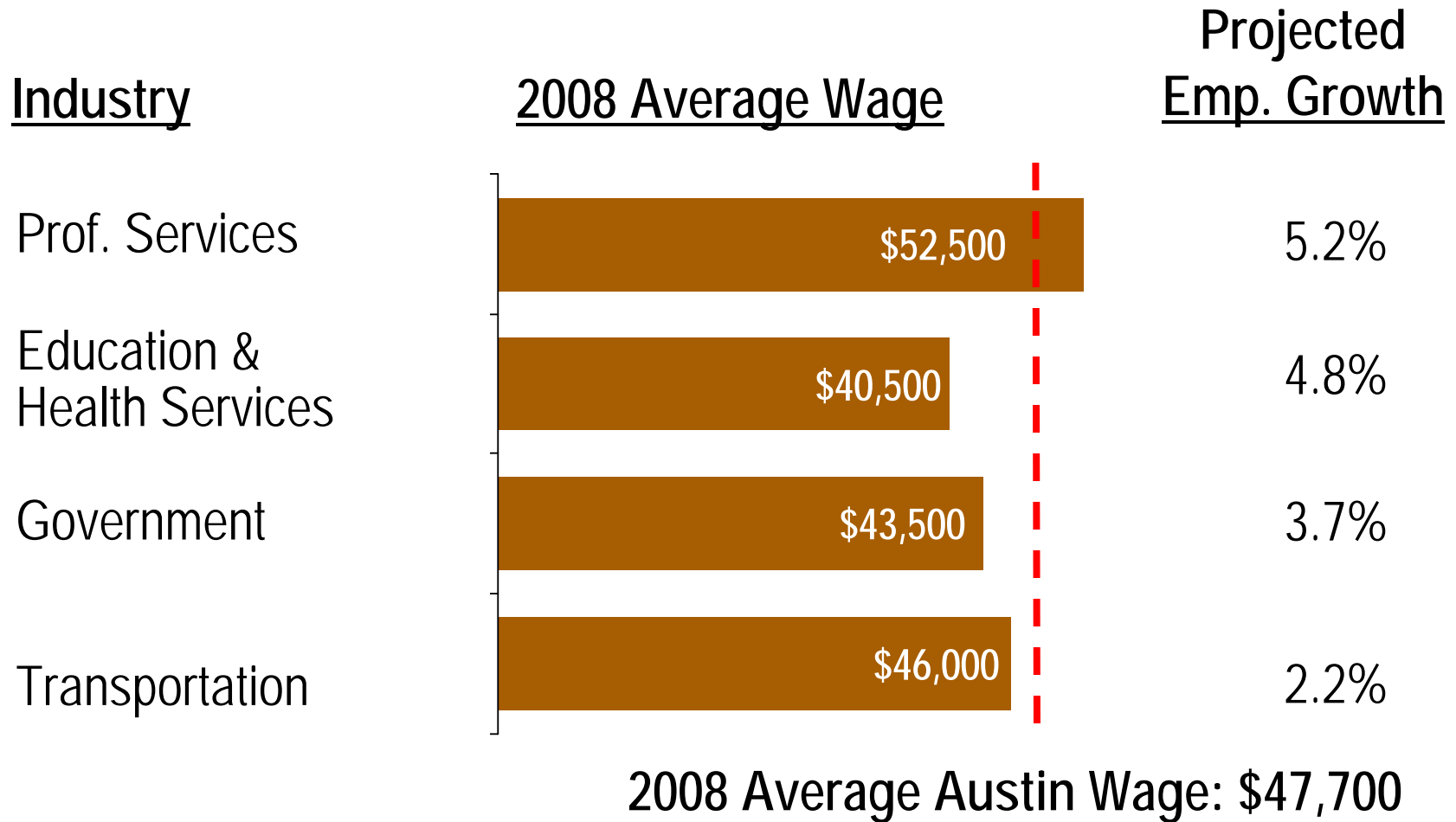
Int'l Migration:  
7,700

# AUSTIN METRO RETAIL SALES



Source: AngelouEconomics, Office of Texas Comptroller

# WAGES IN GROWTH INDUSTRIES



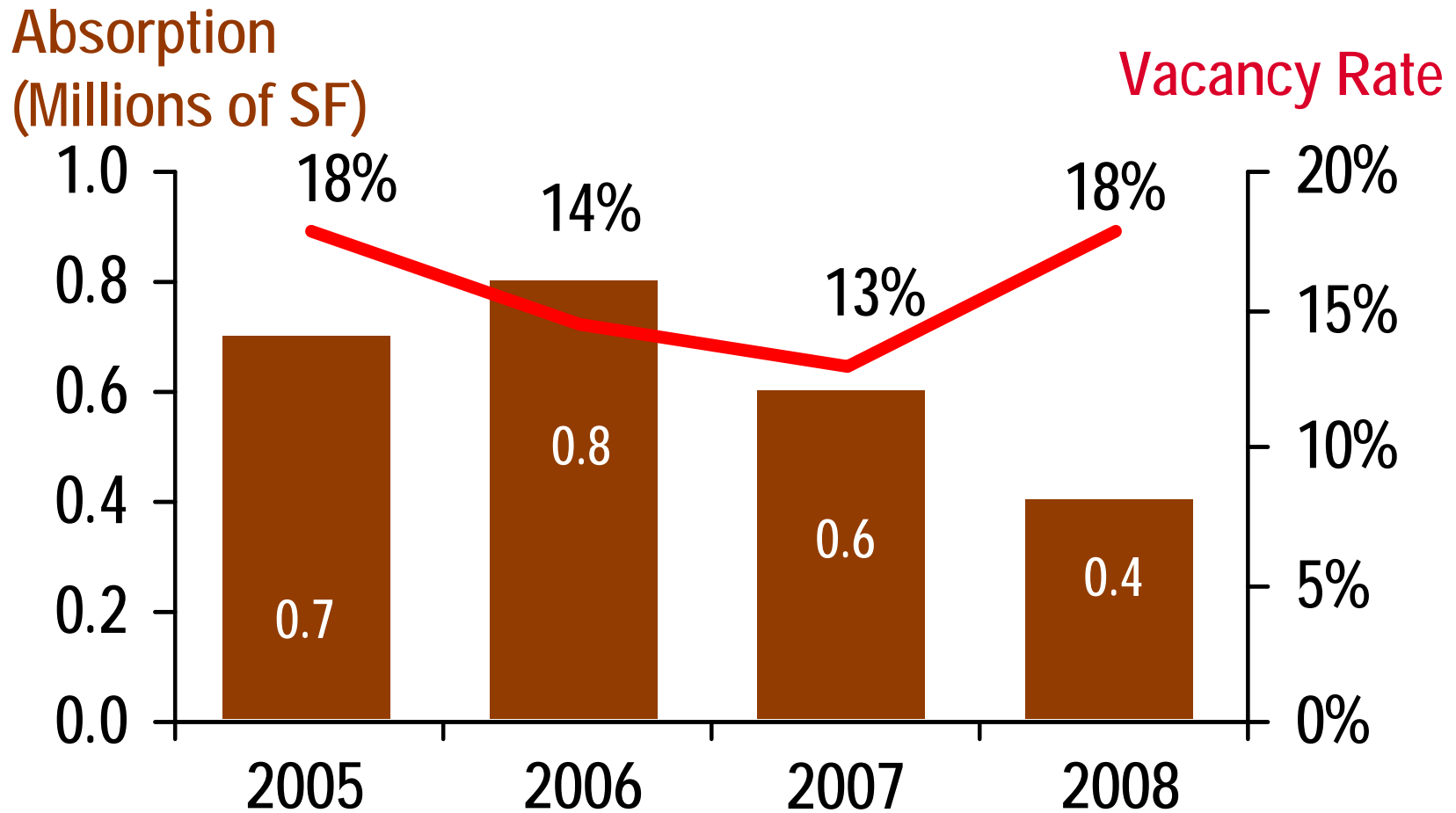
Source: Bureau of Labor Statistics

# TECH INDUSTRY GROWTH

Industry	2008	'08-'09 Growth
Software	\$196 Billion in Sales	8%
Semiconductor	\$261.2 Billion Chip Sales	-5%
PCs	302 Million Shipments	3%
IT	\$3.6 Trillion in Spending	6%

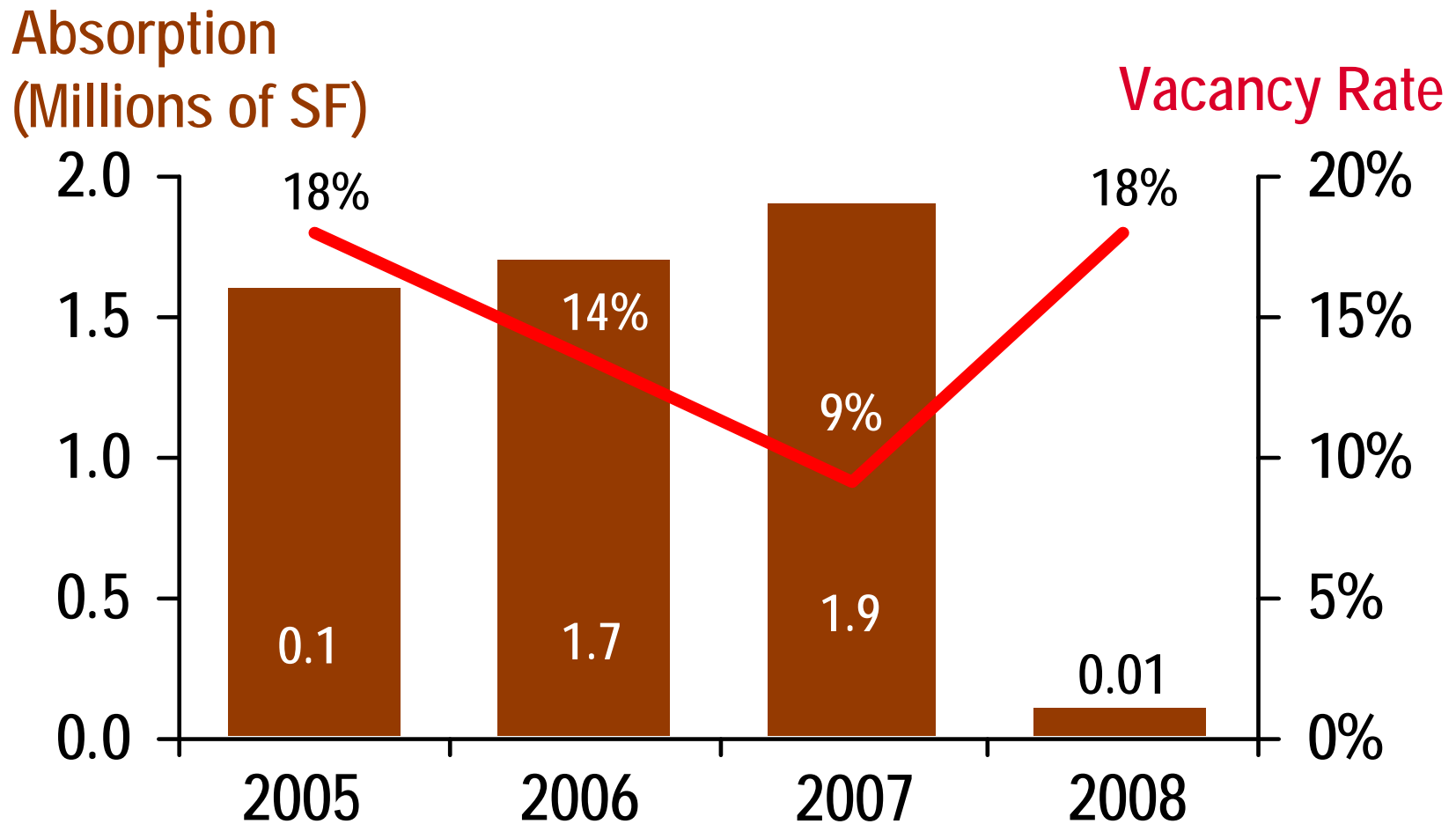
- Technology expenditures are slowing as companies cut spending
- Future growth will be fueled by emerging regions, as well as the replacement of obsolete systems
- Technology shifts, especially the shift from desktop to mobile computing, will also contribute to industry growth

# AUSTIN METRO OFFICE MARKET



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

# AUSTIN METRO INDUSTRIAL MARKET

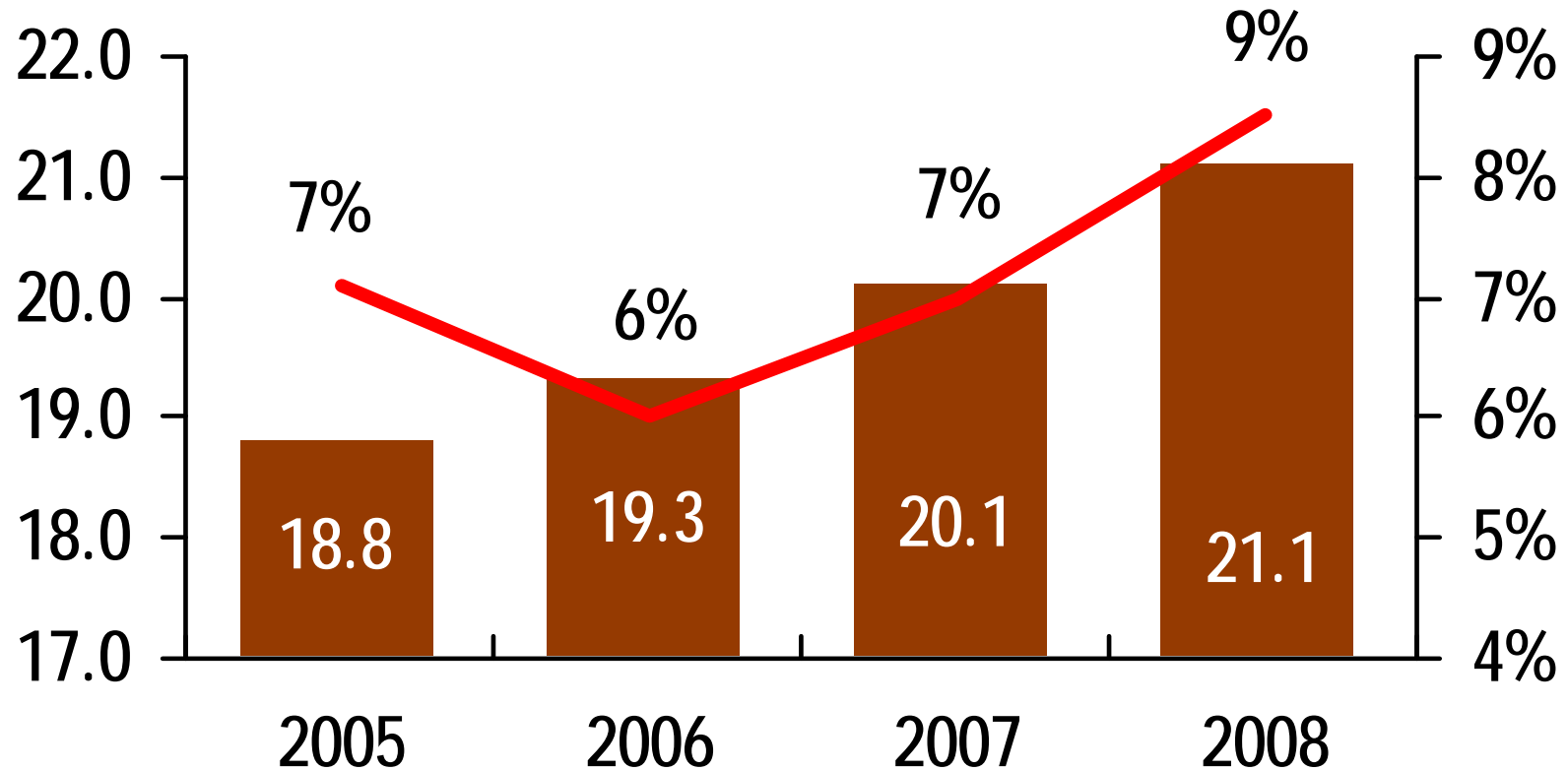


Source: AngelouEconomics, Colliers Oxford, NAI Austin, Grubb & Ellis

# AUSTIN METRO RETAIL MARKET

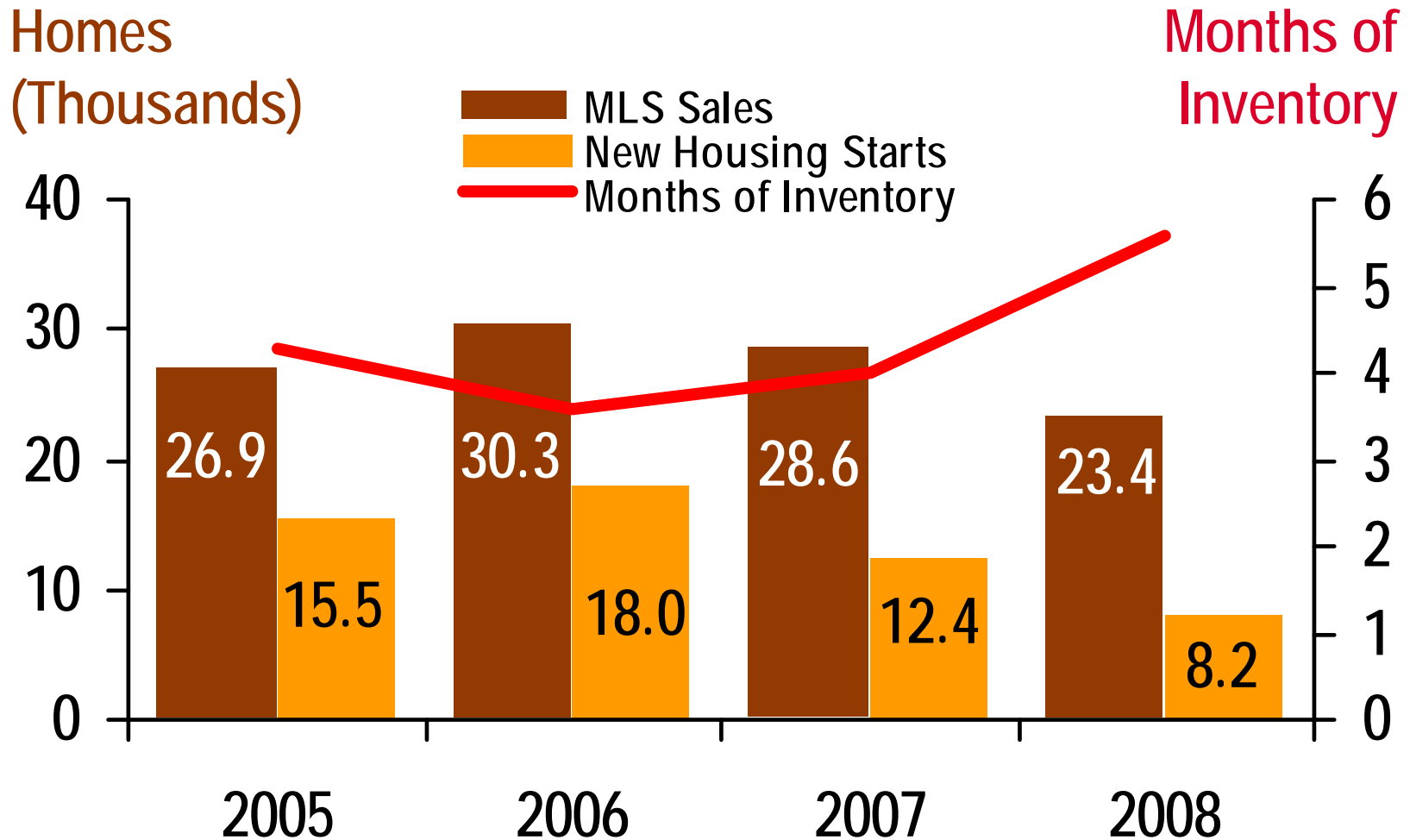
Total Market  
(Millions of SF)

Vacancy Rate



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

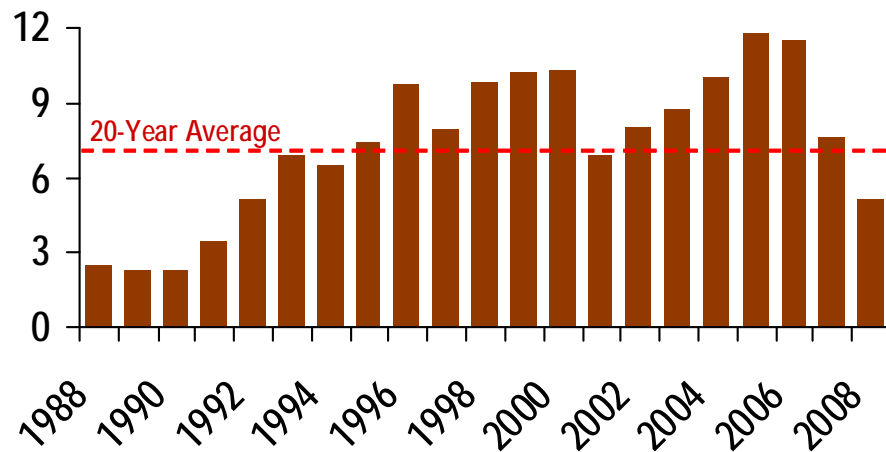
# AUSTIN METRO HOUSING MARKET



Source: Texas A&M Real Estate Center, Residential Strategies, Inc.

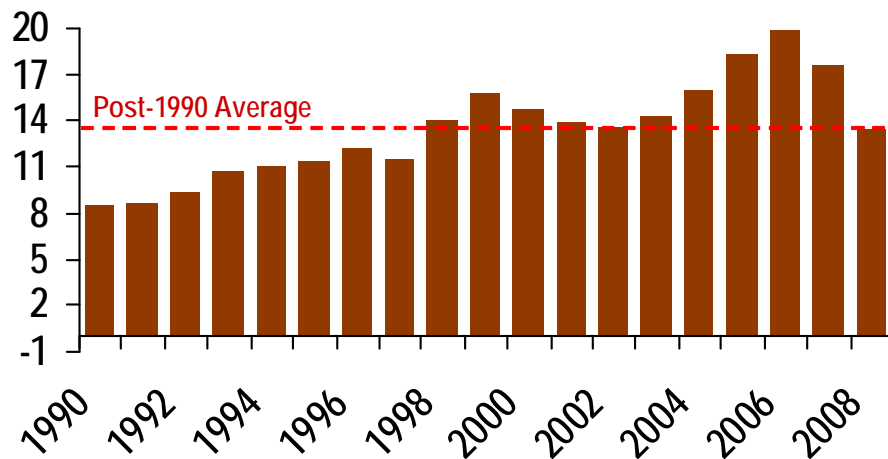
# AUSTIN METRO HOUSING MARKET

Housing Starts Issued per 1,000 Residents



- Housing starts below 20-year averages for first time since 1995
- 50% below peak in 2005-2006

Homes Sales per 1,000 Residents



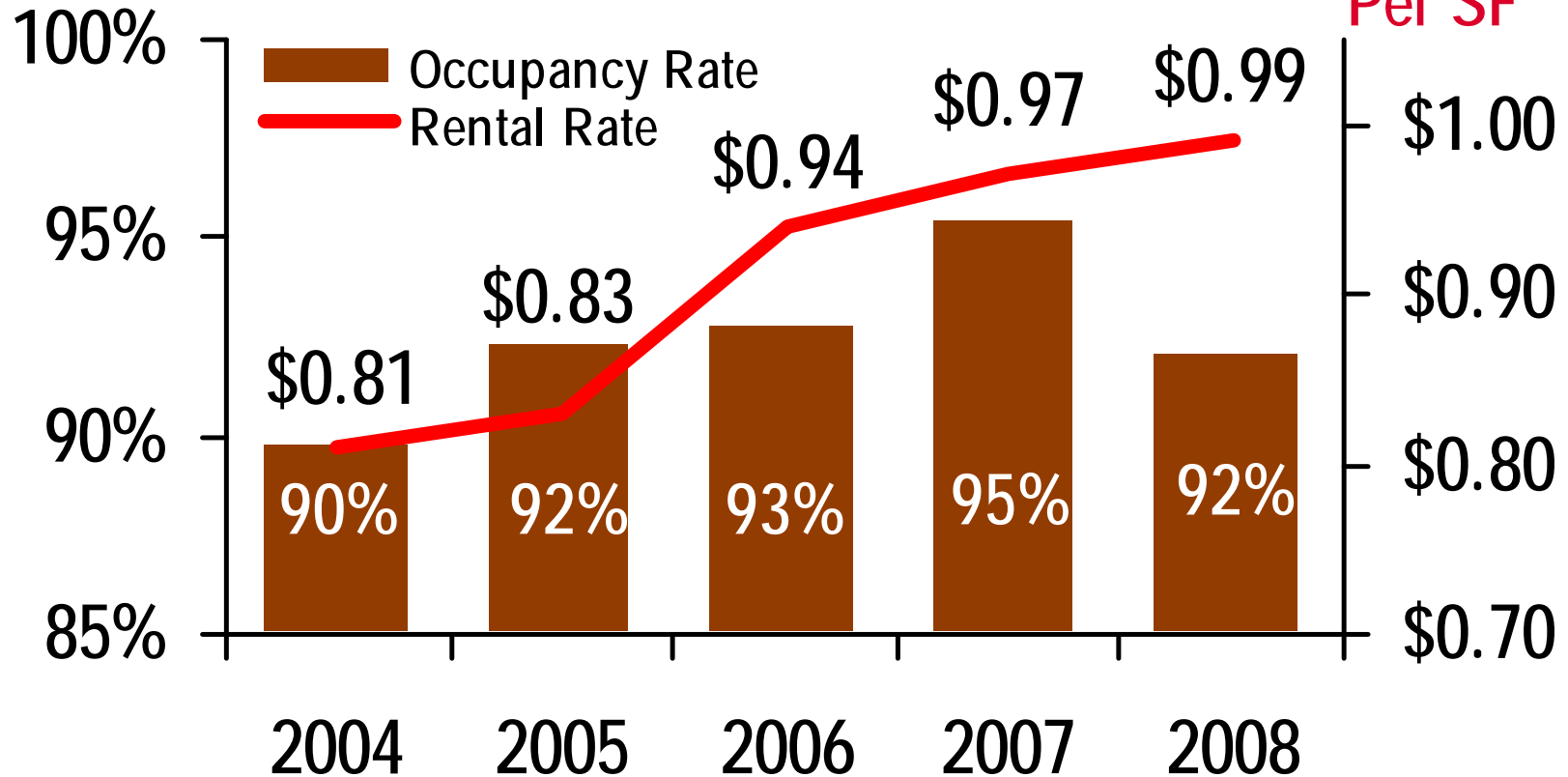
- Austin home sales dropped dramatically from 20 to 13 homes sold per 1,000 residents
- Rapidly increasing inventory and reduced sales volumes & prices

Source: AngelouEconomics, Texas A&M Real Estate Center, U.S. Census Bureau

# AUSTIN METRO APARTMENT MARKET

Homes  
(Thousands)

Rental Rate  
Per SF



Source: Texas A&M Real Estate Center, Residential Strategies, Inc.

# REAL ESTATE FORECAST

2009-2010

<u>Market</u>	<u>Expected Absorption</u>
Office	300,000 sq. ft.
Industrial	250,000 sq. ft.
Retail	600,000 sq. ft.
Single Family	14,000 units
Multi-Family	9,000 units

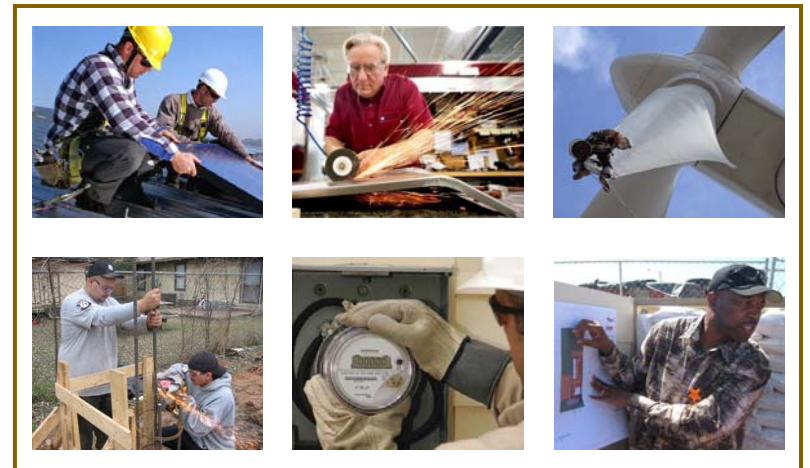
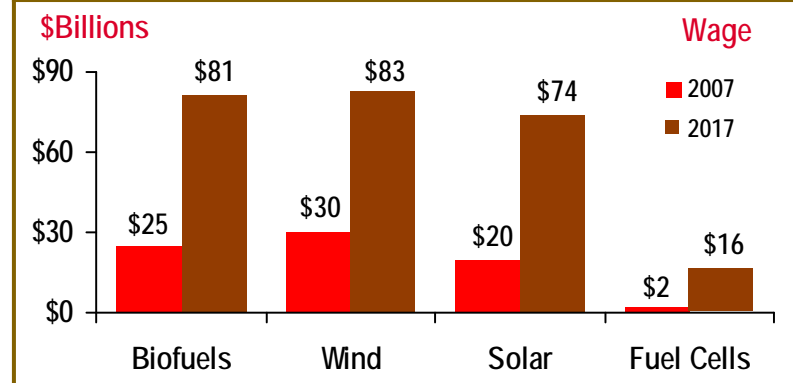
# ECONOMIC DEVELOPMENT TRENDS

- Renewable Energy
- Data Centers
- Creative Media
- Software Development
- Healthcare & Biotechnology
- Innovation

# RENEWABLE ENERGY

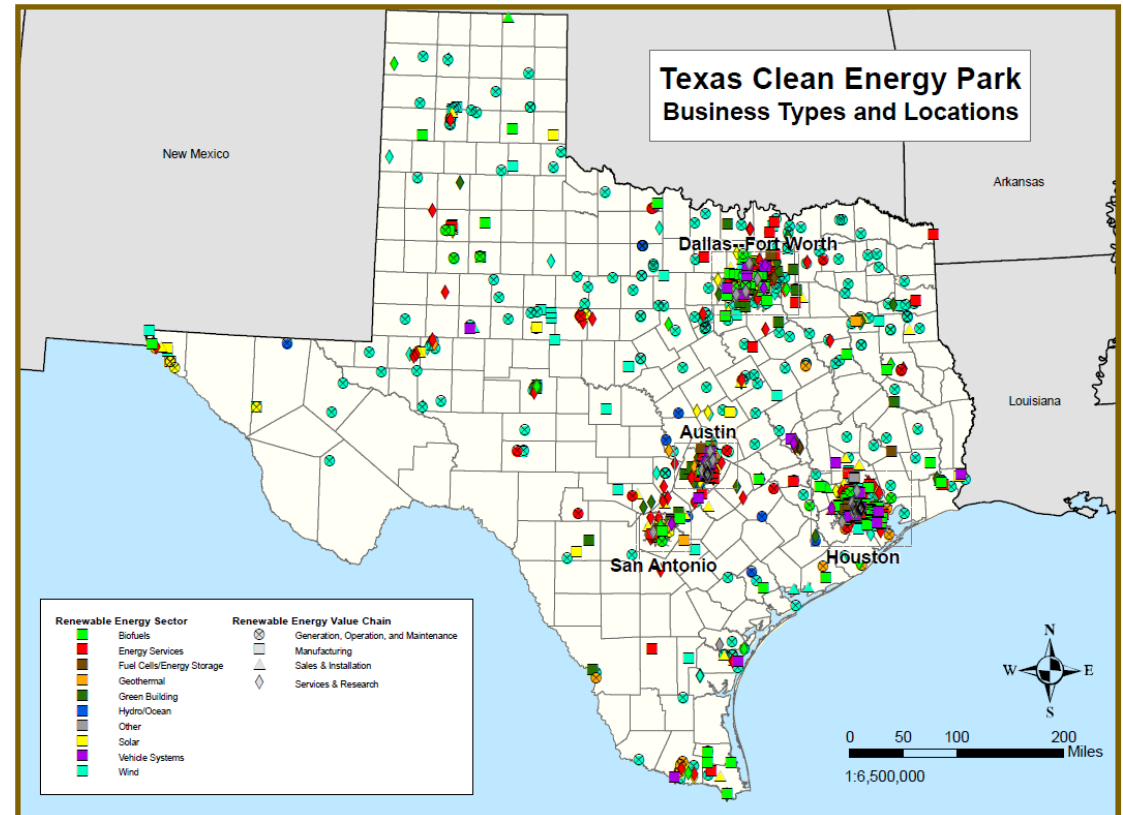
- Macro-trend in U.S., international economies
- Exponential growth
- Energy efficiency as important as renewable energy production
- Energy services companies are gearing up for stimulus
- Workforce availability is a key roadblock to success
- Austin can lead in smart grid technologies (Pecan St. Project)

U.S. Ren. Energy Market, 2007 & 2017



# RENEWABLE ENERGY

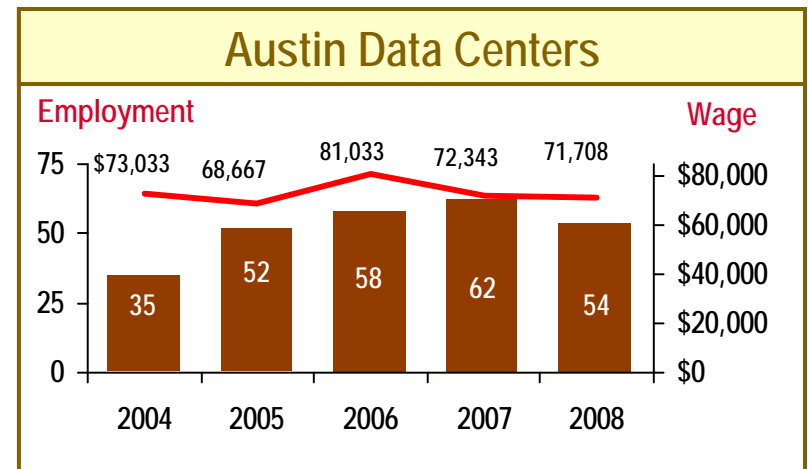
- More than 800 renewable energy and efficiency companies are located in Texas



- Texas leads in wind, but is losing ground to states with better incentive packages, including New Mexico

# DATA CENTERS

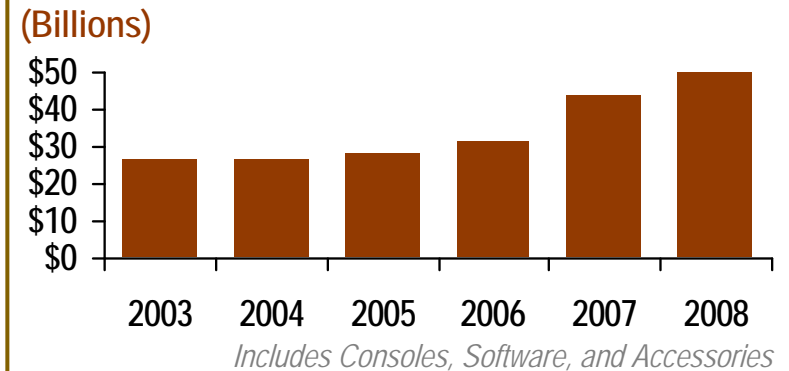
- Over the past decade the number of computer servers in the USA has grown from 2.6 million to 11.6 million.
- The adoption of new technologies such as cloud computing, as well as wider application in healthcare and security, will only further increase the demand for new data centers.
- Average wage is \$81,000; the industry also features high levels of capital investment.



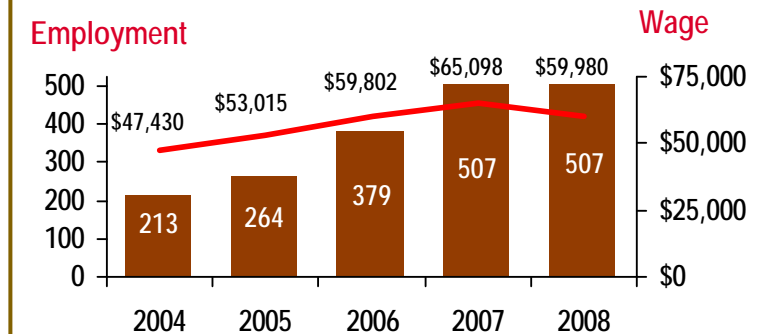
# CREATIVE MEDIA

- Global video game revenues surpassed music industry in 2007, will surpass film industry in 2009.
- Approximately 53% of American adults play video games; over 20% play everyday
- New platforms such as the iPhone and Wii will only increase the number of players.
- Austin's film employment has steadily risen over the past 5 years.

## Global Video Game Sales



## Austin Film Industry

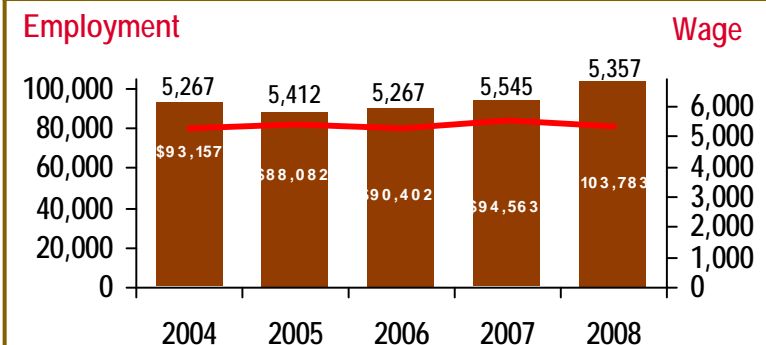


# SOFTWARE

- Average wage is over \$100,000
- Growing opportunities in rapidly growing platforms, including mobile devices (iPhone, smart phones), gaming consoles (Nintendo Wii, Play Station, Xbox), and cloud computing.
- Austin's reputation as a national technological hub, combined with area's strong entrepreneurial spirit, gives Austin a natural advantage.

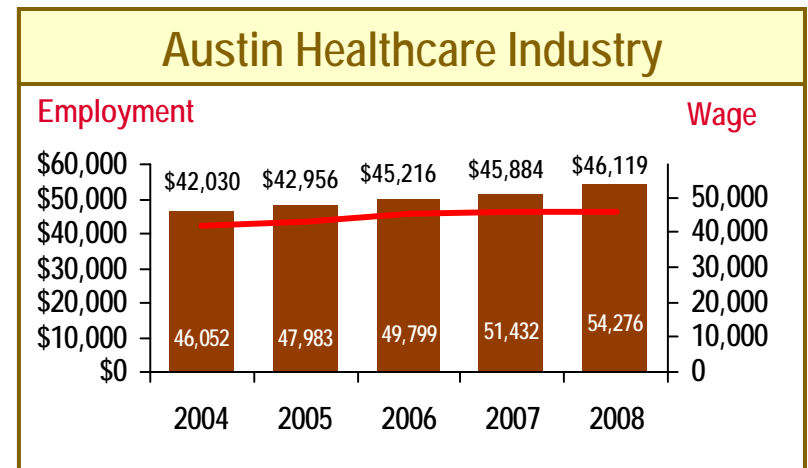


## Austin Software Industry



# HEALTHCARE & BIOTECHNOLOGY

- The healthcare industry will continue to enjoy robust growth as the region grows and ages.
- Austin's highly-educated population and entrepreneurial VC community will help support local biotechnology and nanotechnology firms.
- The development of a first-class medical research center is crucial in furthering this industry locally.



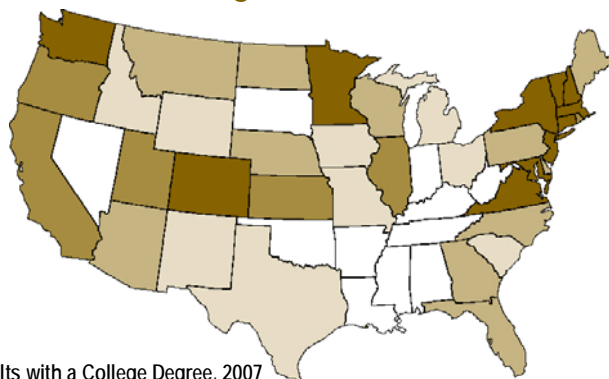
# INNOVATION

- From renewable energy to creative media, all high-wage, growing industries are dependent on technological innovation.
- During economic downturns, the opportunity costs of innovation are dramatically lower: commercial/industrial space cost less, workers are available, traditional employment opportunities are diminished.
- Successful communities foster innovation through the 1) support of human capital (education), 2) pre-commercial technology funding (research and development), 3) intellectual property (patents), and 4) start-ups (VC).



# FOUR MEASURES OF INNOVATION

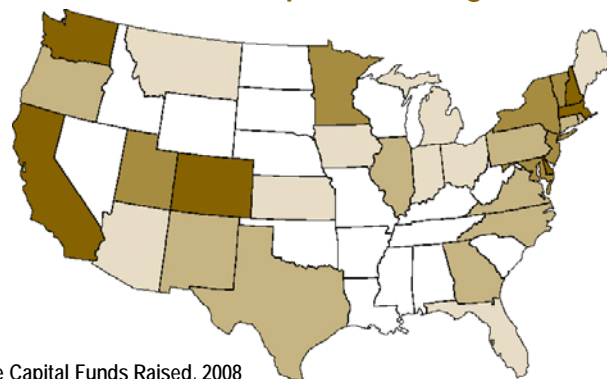
## College Attainment



Percentage of Adults with a College Degree, 2007



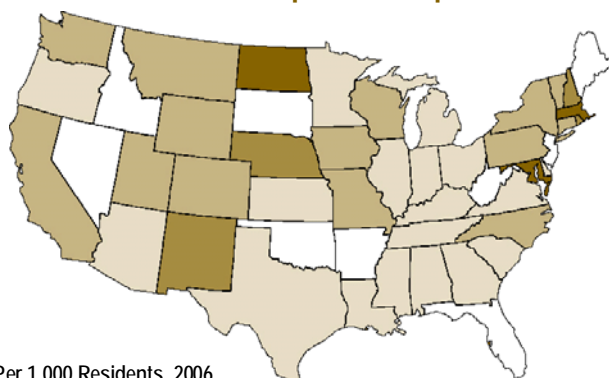
## Venture Capital Funding



Per Capita Venture Capital Funds Raised, 2008



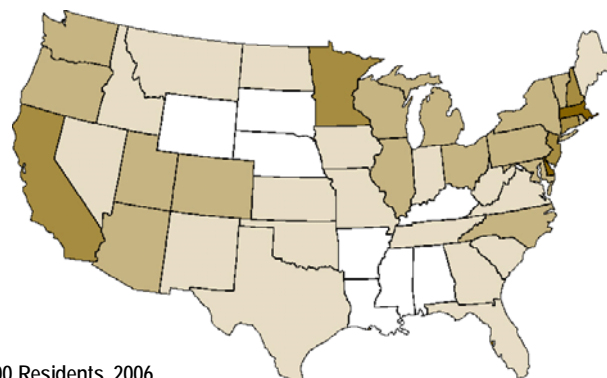
## Research & Development Expenditures



R&D Expenditure Per 1,000 Residents, 2006



## Patents



Patents Per 100,000 Residents, 2006



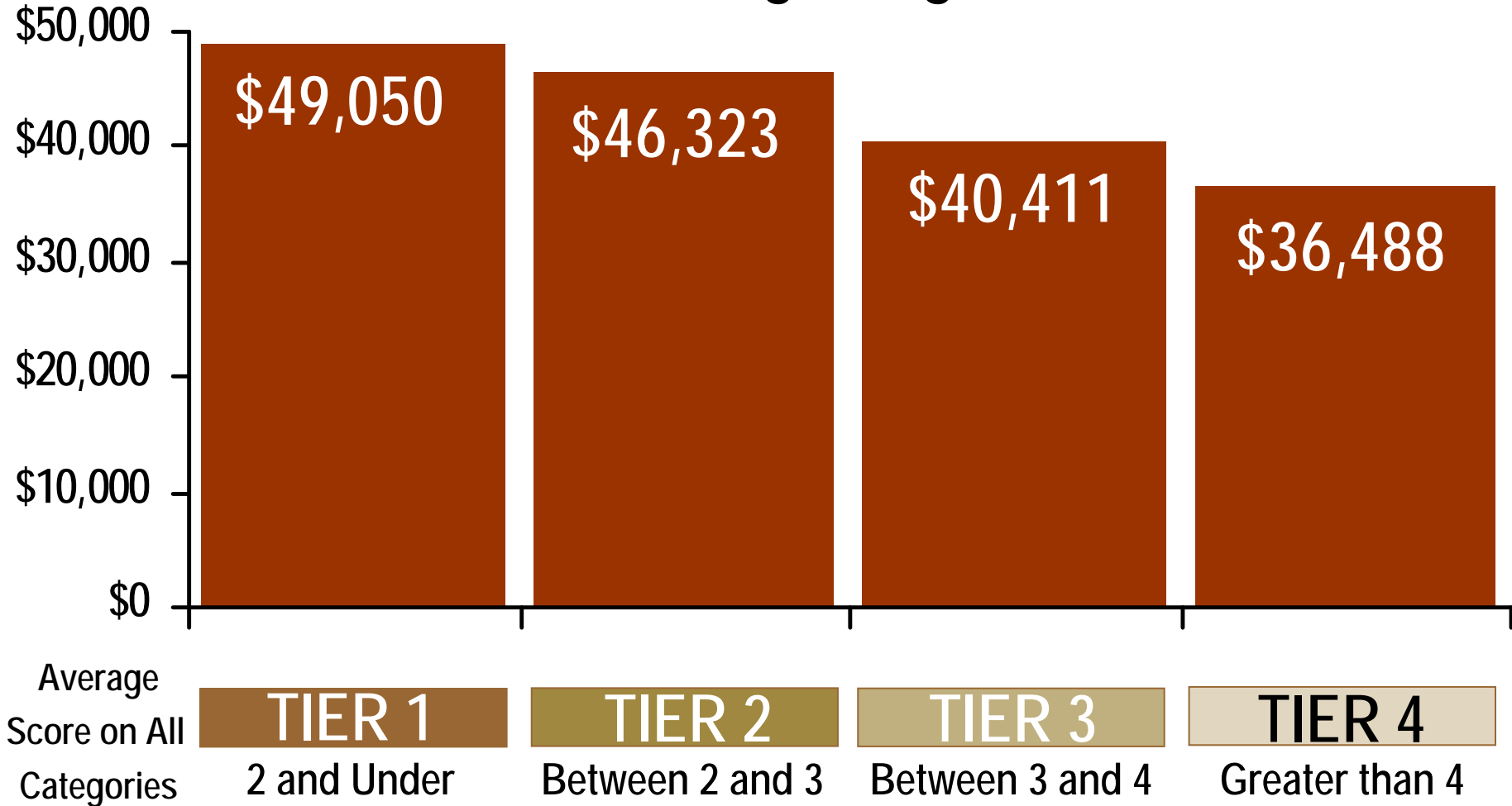
# AUSTIN VENTURE CAPITAL FUNDING, 2008

Sector	Companies	Investment (\$M)
Semiconductors	9	\$81.7
Software	13	\$81.2
Media & Entertainment	7	\$26.4
IT Services	4	\$24.3
Financial Services	2	\$13.8
Computers and Peripherals	3	\$12.8
Medical Devices/Equip	1	\$12.7
Industrial/Energy	1	\$12.5
Other	9	\$28.5
<b><i>2008 Total</i></b>	<b><i>49</i></b>	<b><i>\$293.9</i></b>
<b><i>2007 Comparison Total</i></b>	<b><i>46</i></b>	<b><i>\$418.2</i></b>

\* Data includes Q1-Q3, 2008 & 2007

# INNOVATION

## Average Wage

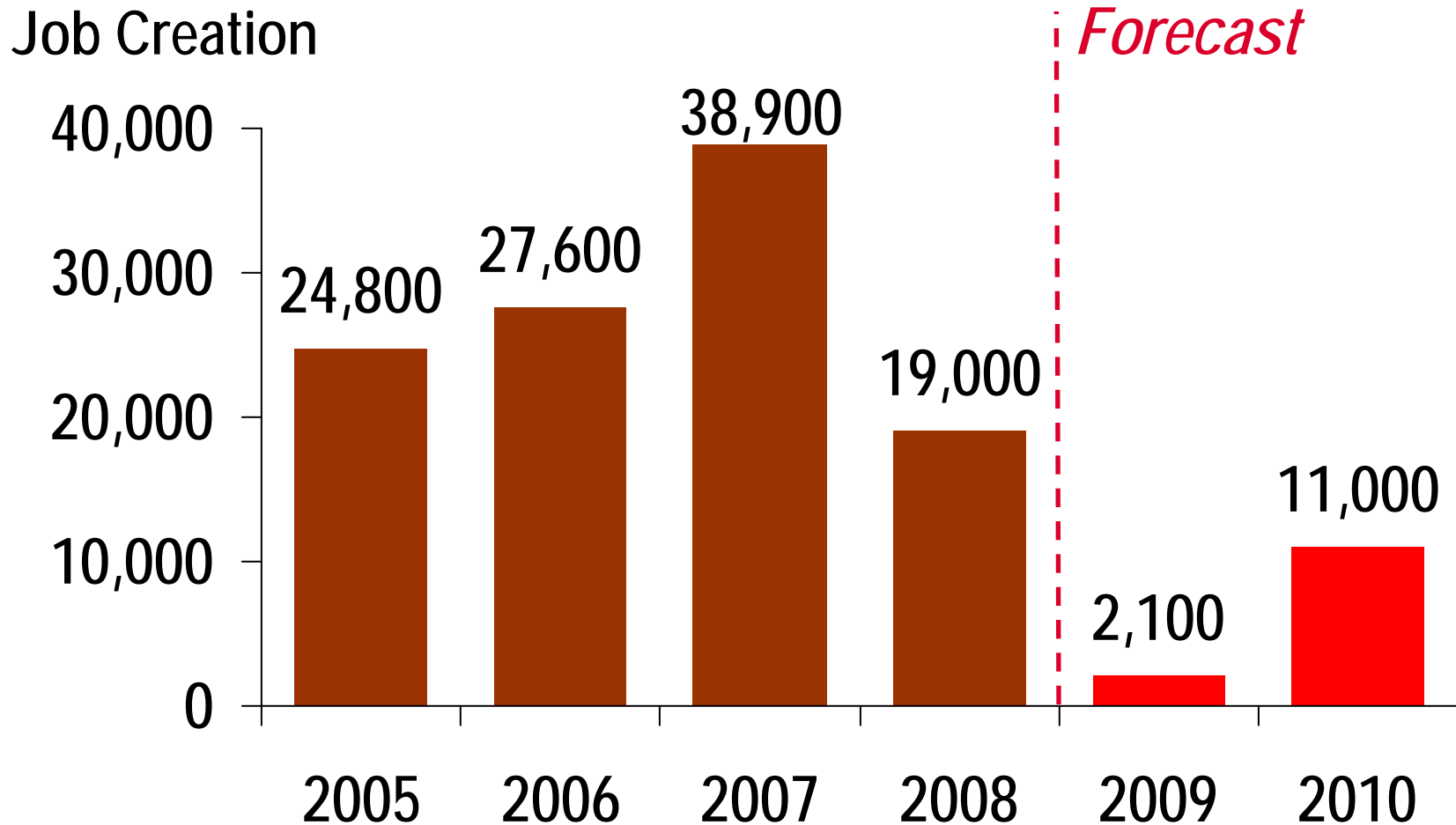


# LIGHT AT THE END OF THE TUNNEL

- More entrepreneurs
  - Improved customer service
- Increased business development and marketing
  - More emphasis on cost reduction
- Great investment opportunities in real estate
- More refinancing spurred by lower interest rates
  - More affordable rents



# JOB GROWTH FORECAST, 2009 - 2010



# THANK YOU



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