

# 2010-2011 Economic Forecast: Challenging Times, Emerging Opportunities

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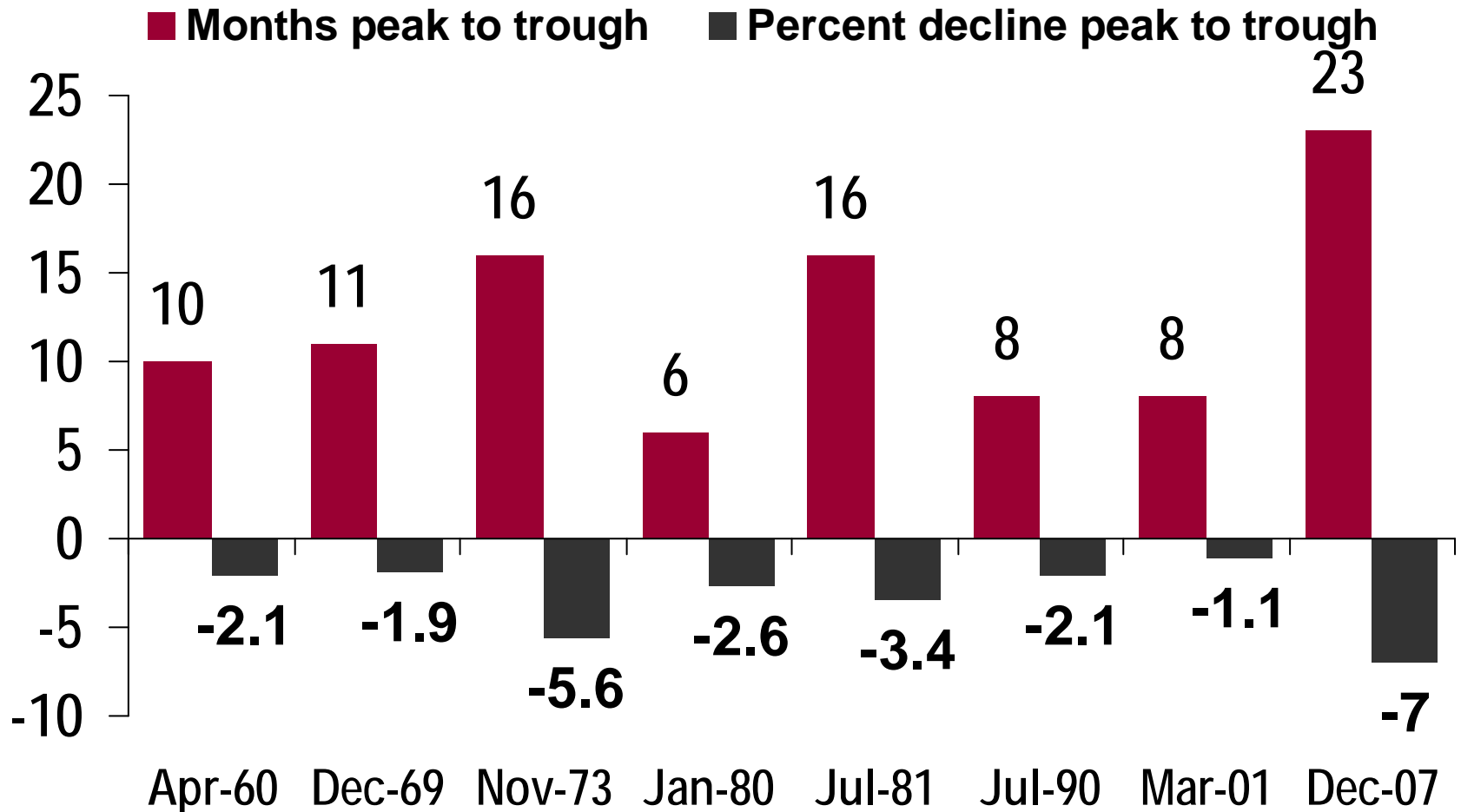
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# AGENDA

- The U.S. Economy in 2009
- The Austin Economy in 2009
- Forecast 2010-2011
- Real Estate Outlook
- Economic Development Trends
- Closing Remarks

# RECESSION LENGTH AND DEPTH



Source: AngelouEconomics, Federal Reserve Bank of Dallas

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## 2009 AT A GLANCE – U.S.

Employment	132,104,000
New Jobs	-4,942,000 (-3.6%)
Unemployment	10.0%
Population	304,448,000 (0.94%)
New Population	2,827,000
Retail Sales	\$3.65 trillion
Venture Capital	\$27.97 billion
GDP	\$14.24 trillion

## 2009 AT A GLANCE – TEXAS

Employment 10,415,000

New Jobs (-2.0%) 201,700

Unemployment 8.0%

Population (1.96%) 24,805,000

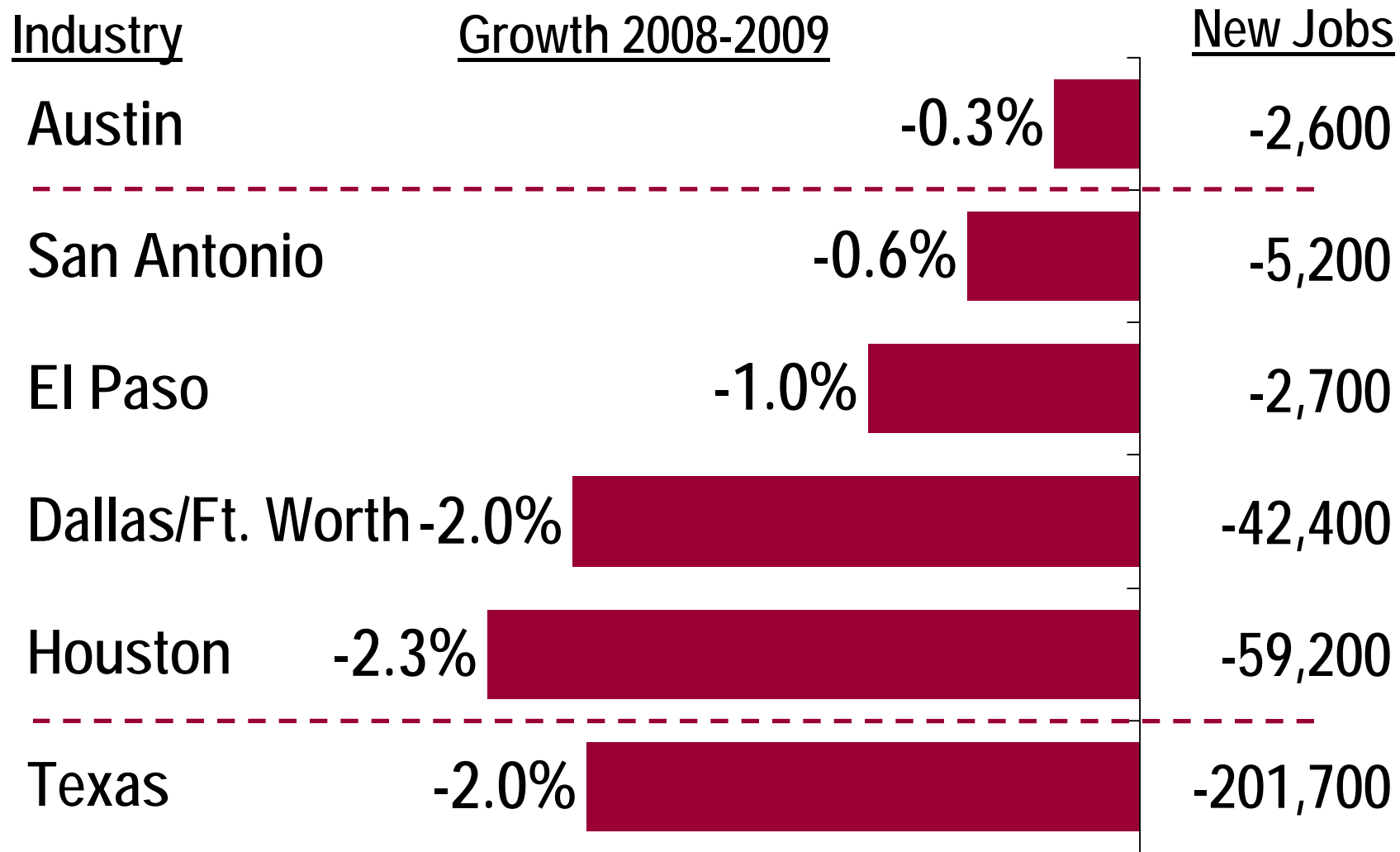
New Population 478,000

Retail Sales \$300 billion

Venture Capital \$448 million

GDP \$1.25 trillion

# JOB GROWTH



Source: Bureau of Labor Statistics

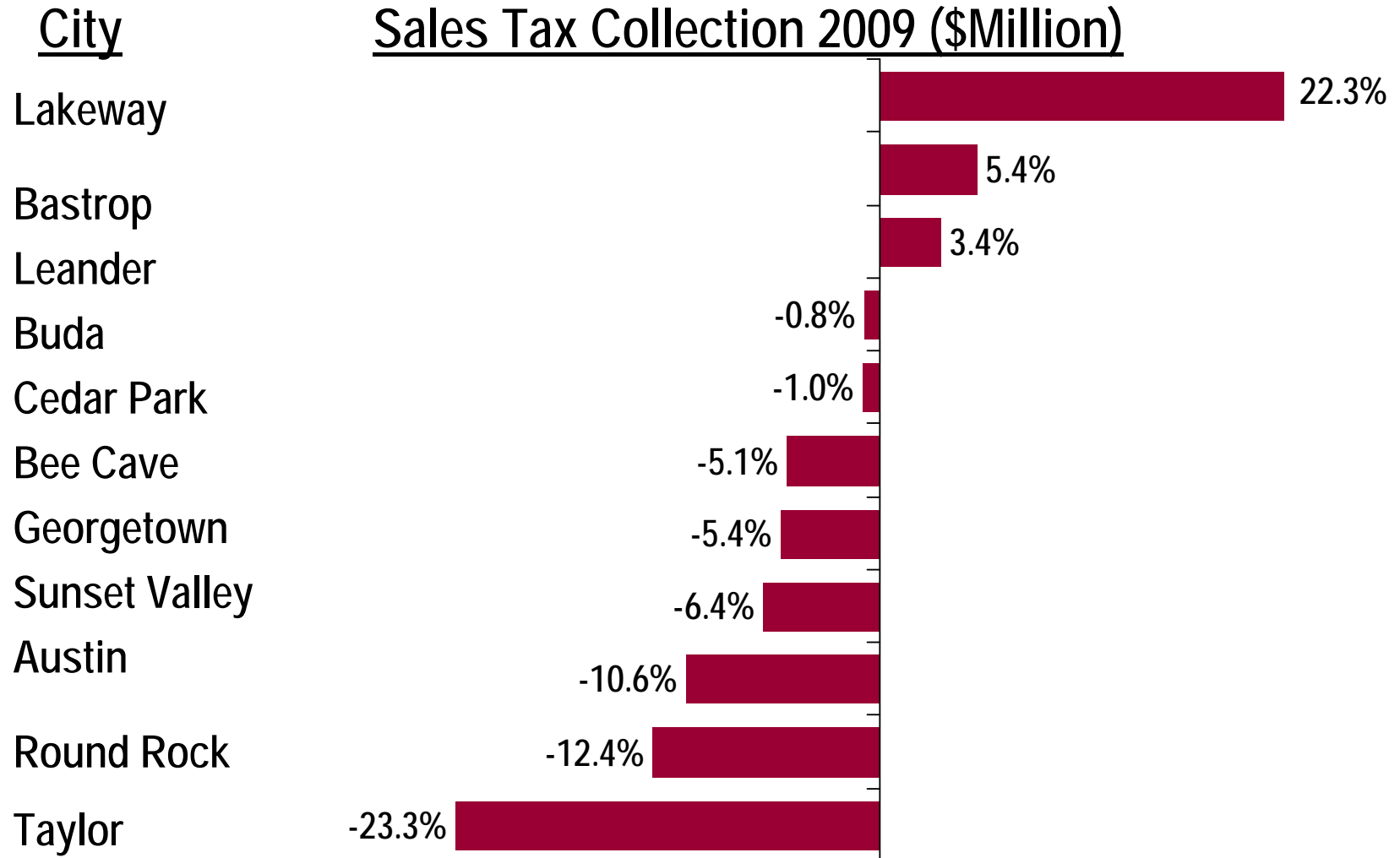
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## 2009 AT A GLANCE – AUSTIN

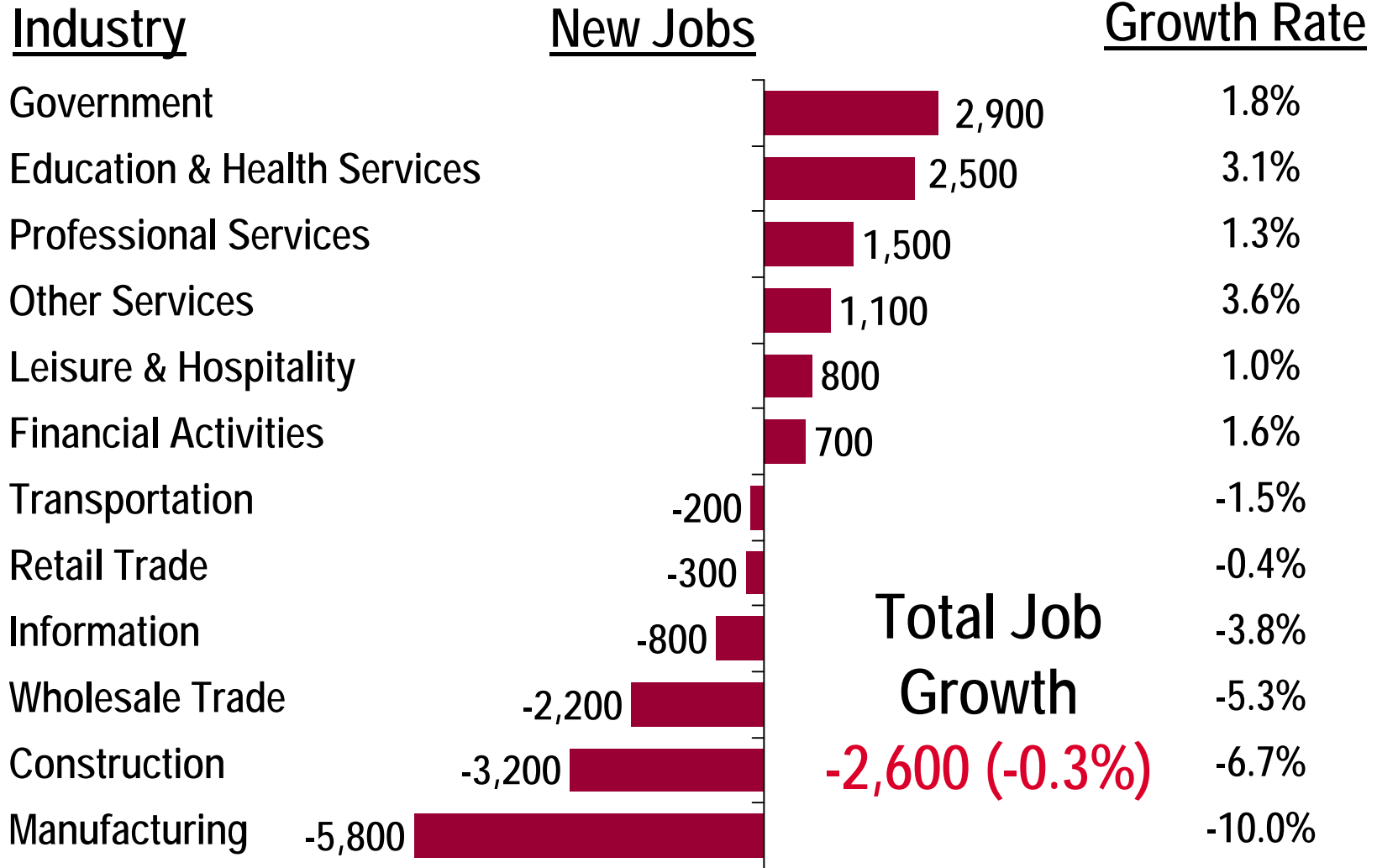
Employment	774,500 (-2,600, -0.3%)
Average Wage	\$47,700 (2.2%)
Unemployment	6.7%
Population	1,682,600 (44,400)
Housing Starts	6,490
Avg. House Sales Price	\$237,000 (-2.9%)
Retail Sales	\$21.3 billion (-11.3%)
Venture Capital	\$122.3 million (-58.4%)
GDP	\$80.1 billion (0.4%)

# RETAIL SALES



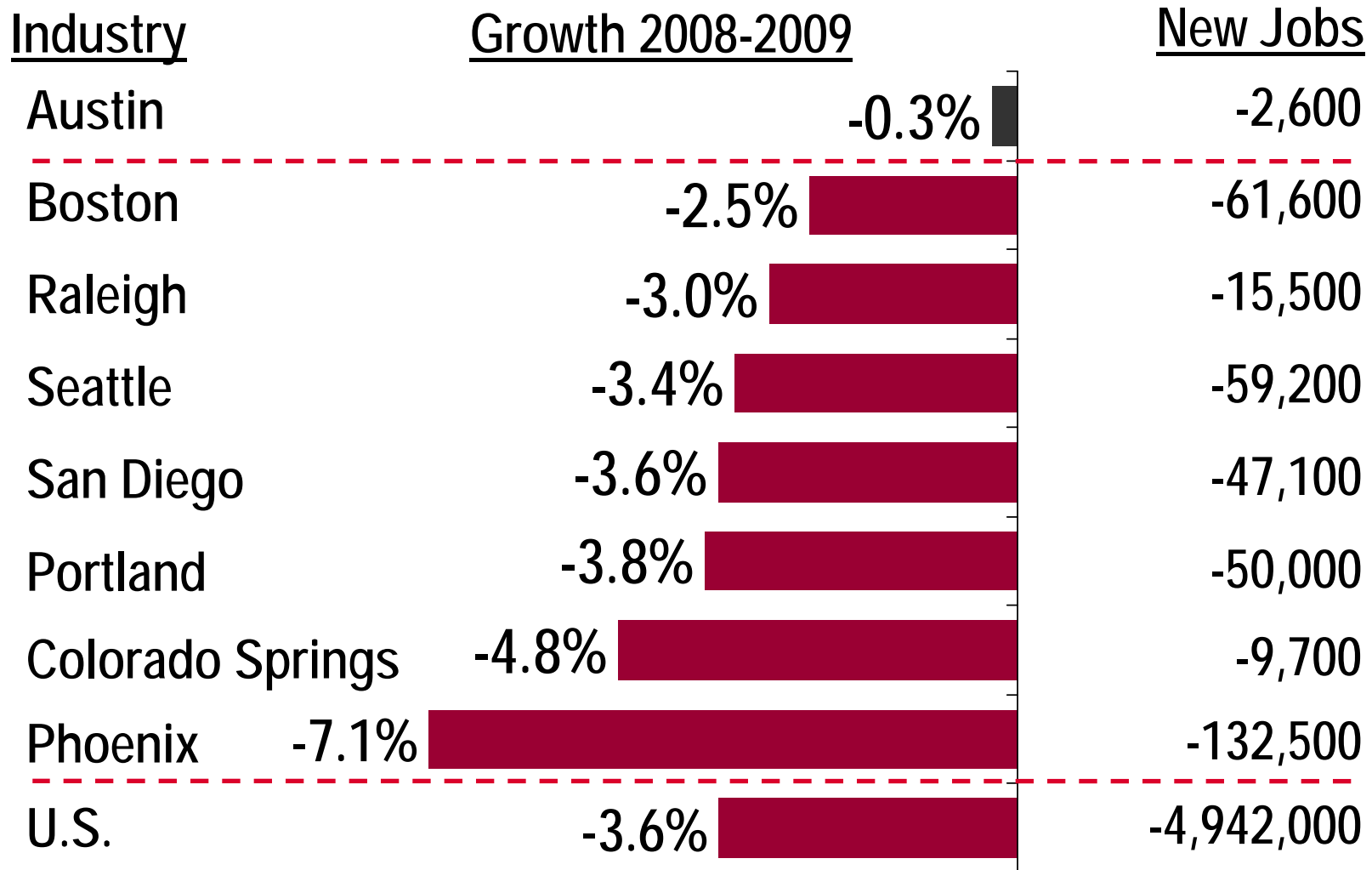
Source: Office of Texas Comptroller

# NEW AUSTIN JOBS BY INDUSTRY, 2009



Source: Bureau of Labor Statistics

# JOB GROWTH – AUSTIN VS. BENCHMARKS

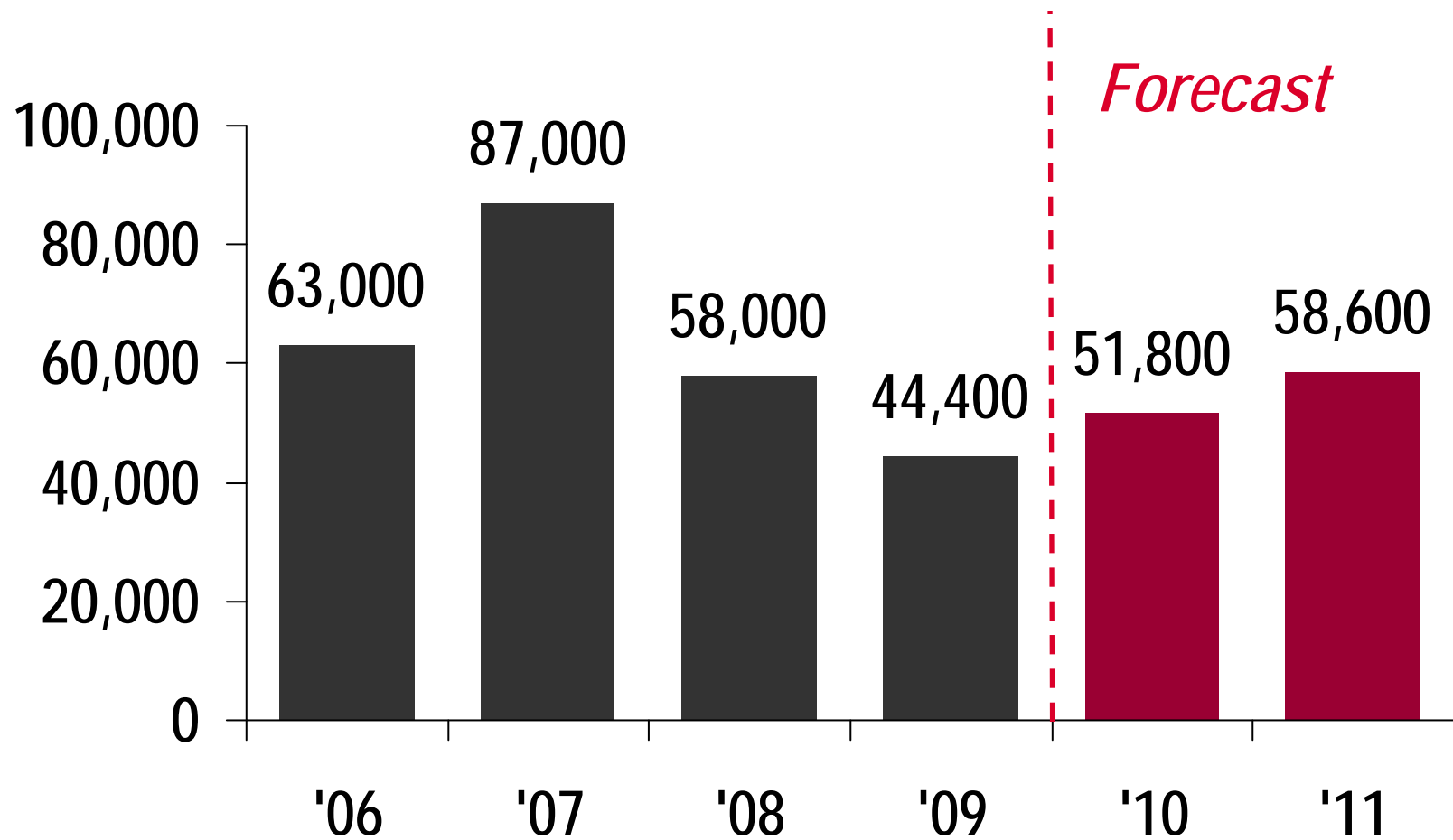


Source: Bureau of Labor Statistics

# AUSTIN JOBS FORECAST, 2010-2012

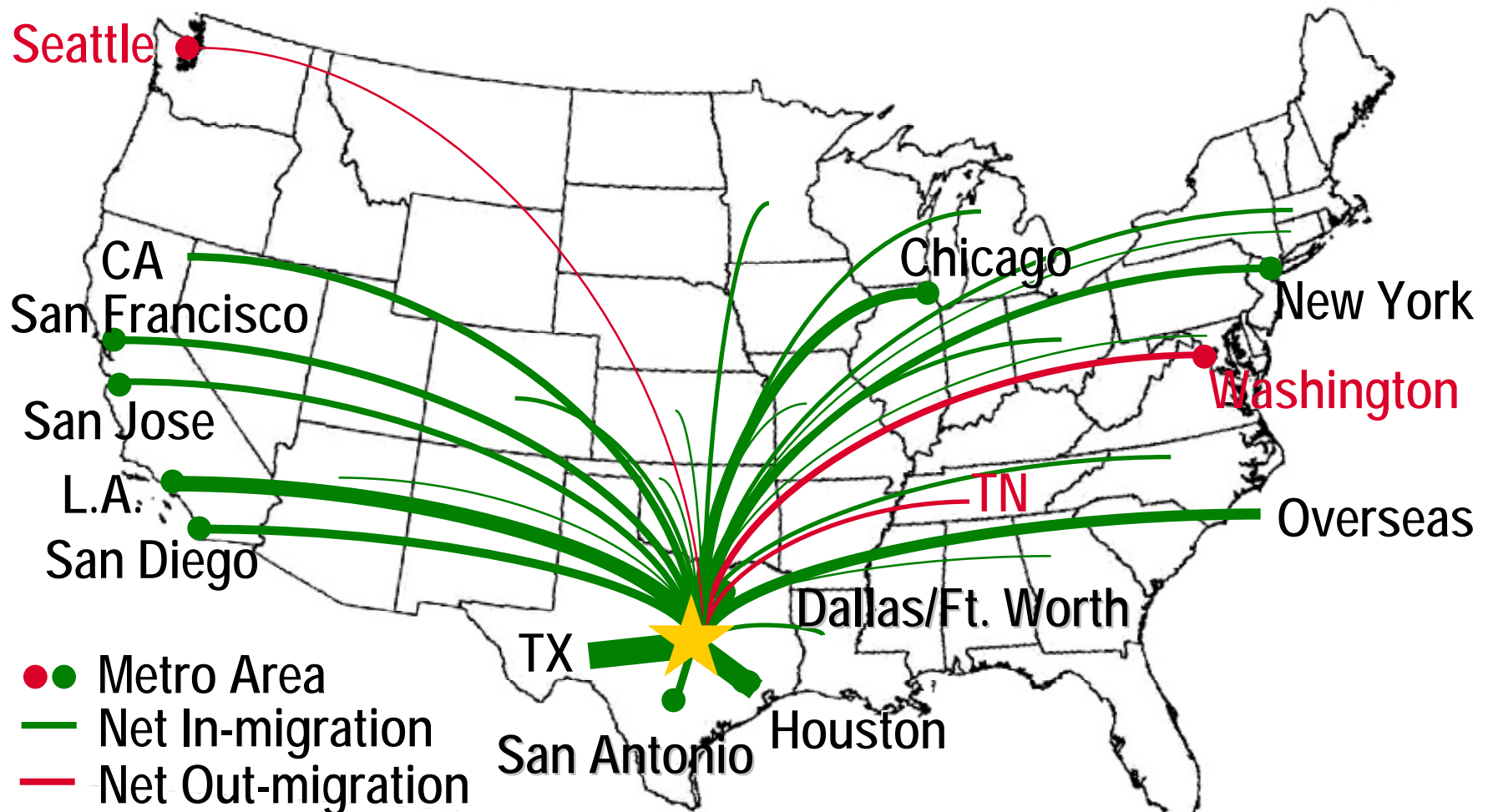
<u>Industry</u>	<u>New Jobs</u>	<u>Annualized Growth Rate</u>
Professional Services	5800	2.3%
Government	5800	1.7%
Education & Health Svcs.	4900	2.9%
Leisure & Hospitality	2600	1.6%
Retail Trade	2300	1.4%
Other Services	1900	3.0%
Financial Activities	1200	1.3%
Wholesale Trade	900	1.1%
Information	800	2.0%
Construction	700	3.0%
Transportation	200	0.8%
Manufacturing	-400	-0.4%
<b>2-Year Total Job Growth</b>		
<b>26,300</b>		

# AUSTIN POPULATION GROWTH



Source: AngelouEconomics, U.S. Census Bureau

# AUSTIN METRO MIGRATION PATTERNS

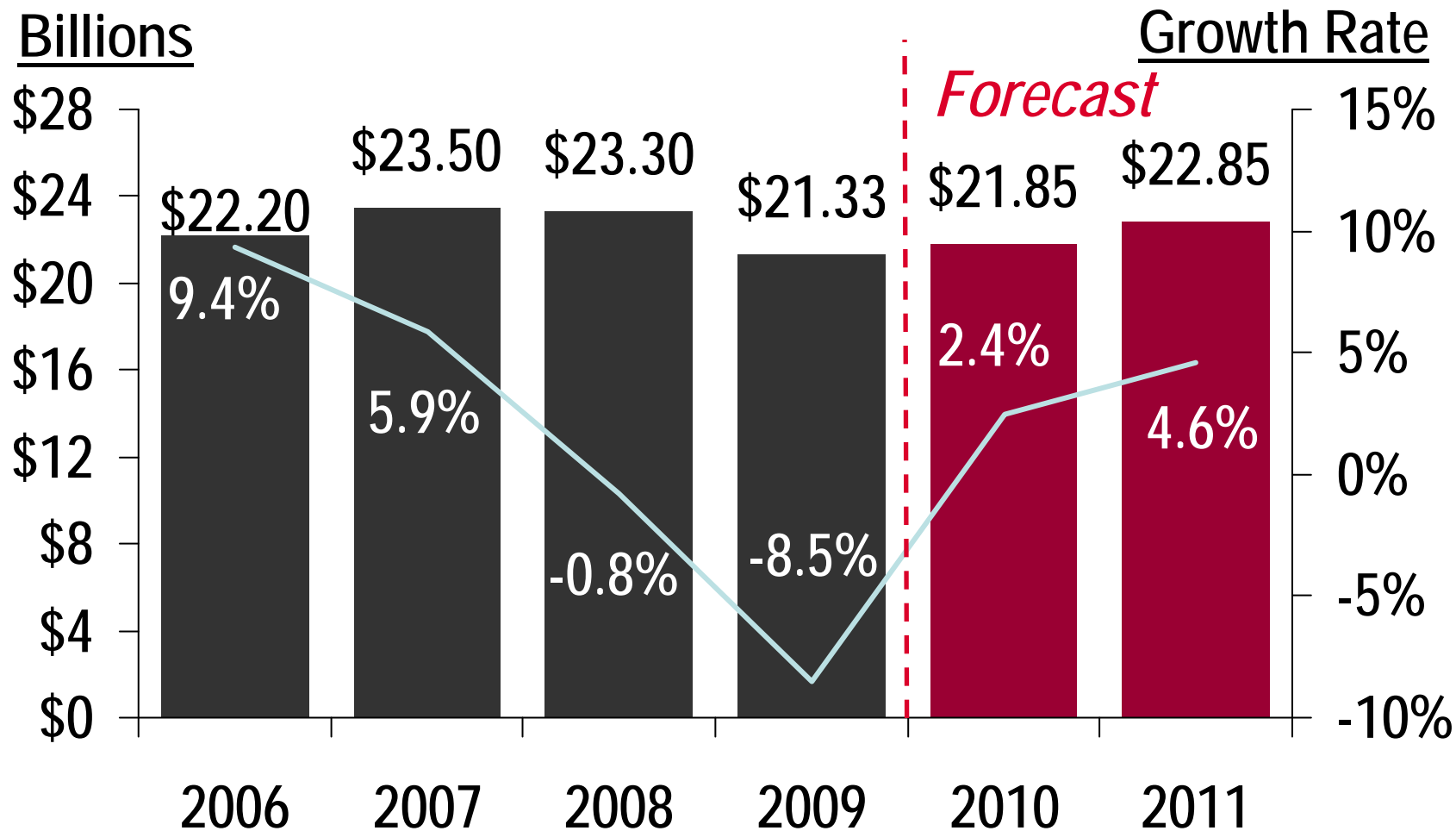


Source: IRS

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# AUSTIN METRO RETAIL SALES

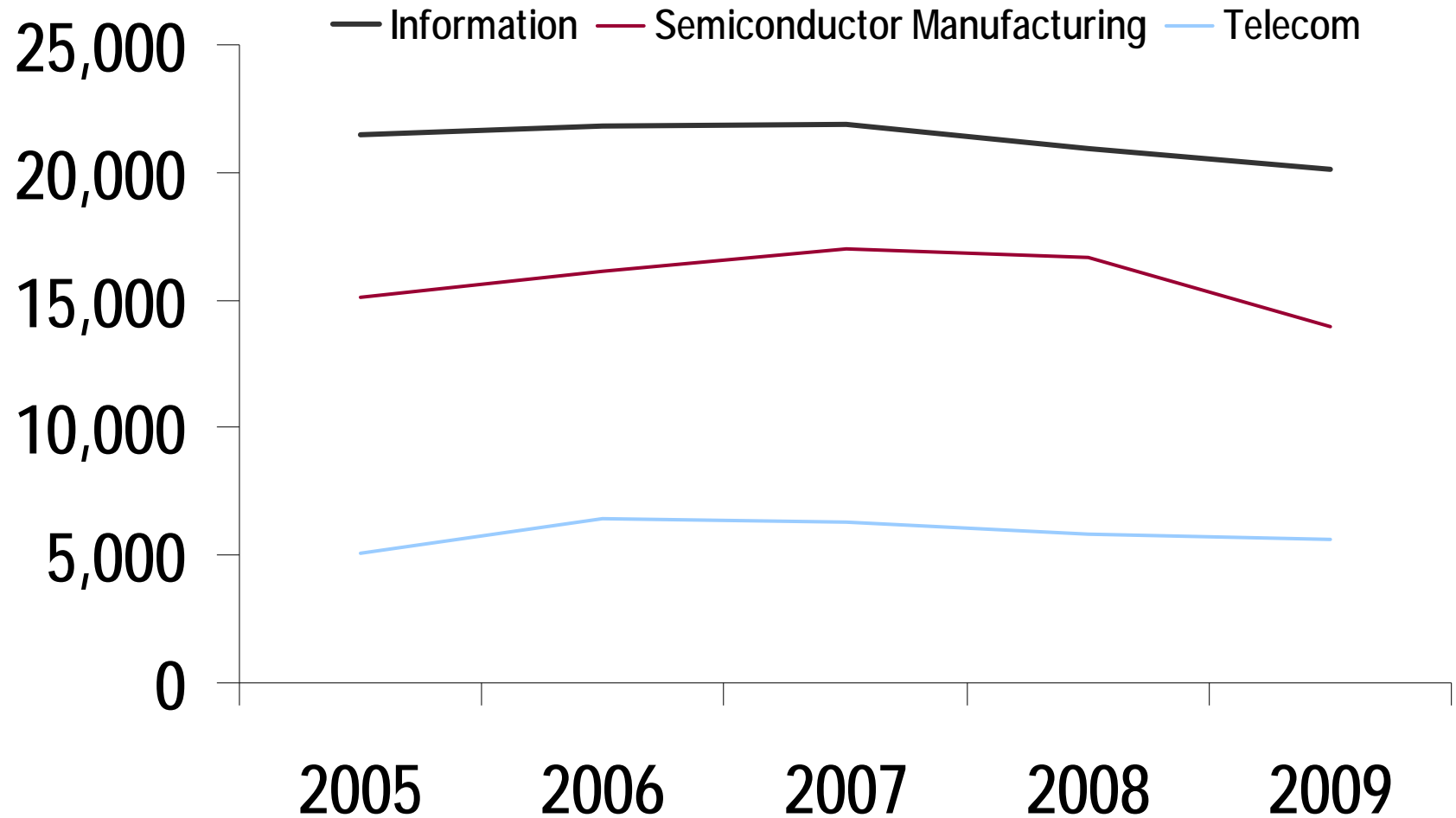


Source: AngelouEconomics, Office of Texas Comptroller

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# AUSTIN TECHNOLOGY SECTOR



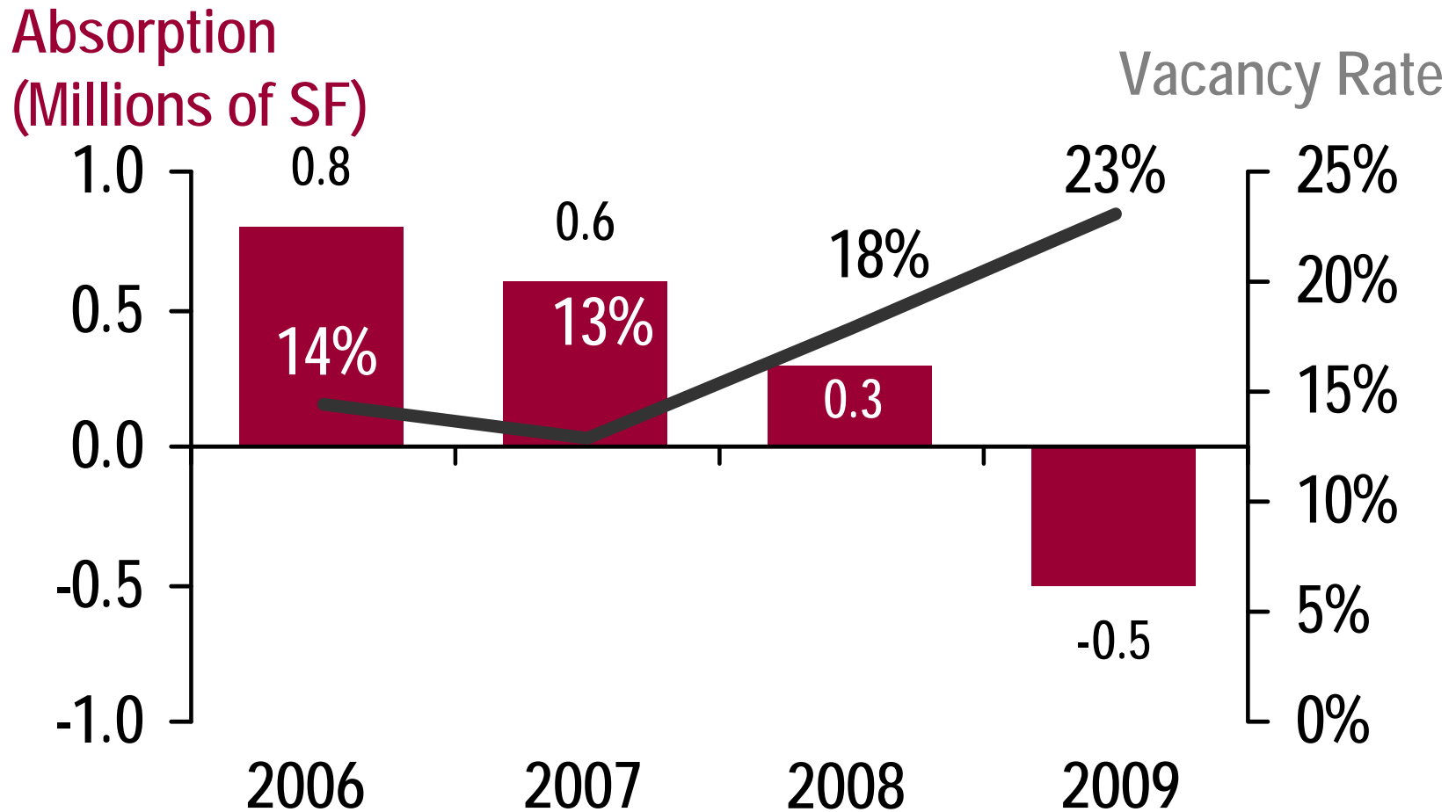
Source: AngelouEconomics, Bureau of Labor Statistics

# TECH INDUSTRY GROWTH

Industry	2009	'09-'10 Growth
Software	\$218 Billion in Sales	11%
Semiconductor	\$220 Billion Chip Sales	10%
PCs	291 Million Shipments	10%
IT	\$3.3 Trillion in Spending	3%

- Technology expenditures are beginning to grow again
- Near-term growth will be fueled by replenishing inventories, 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, Oxford Commercial, NAI/CIP, Grubb & Ellis

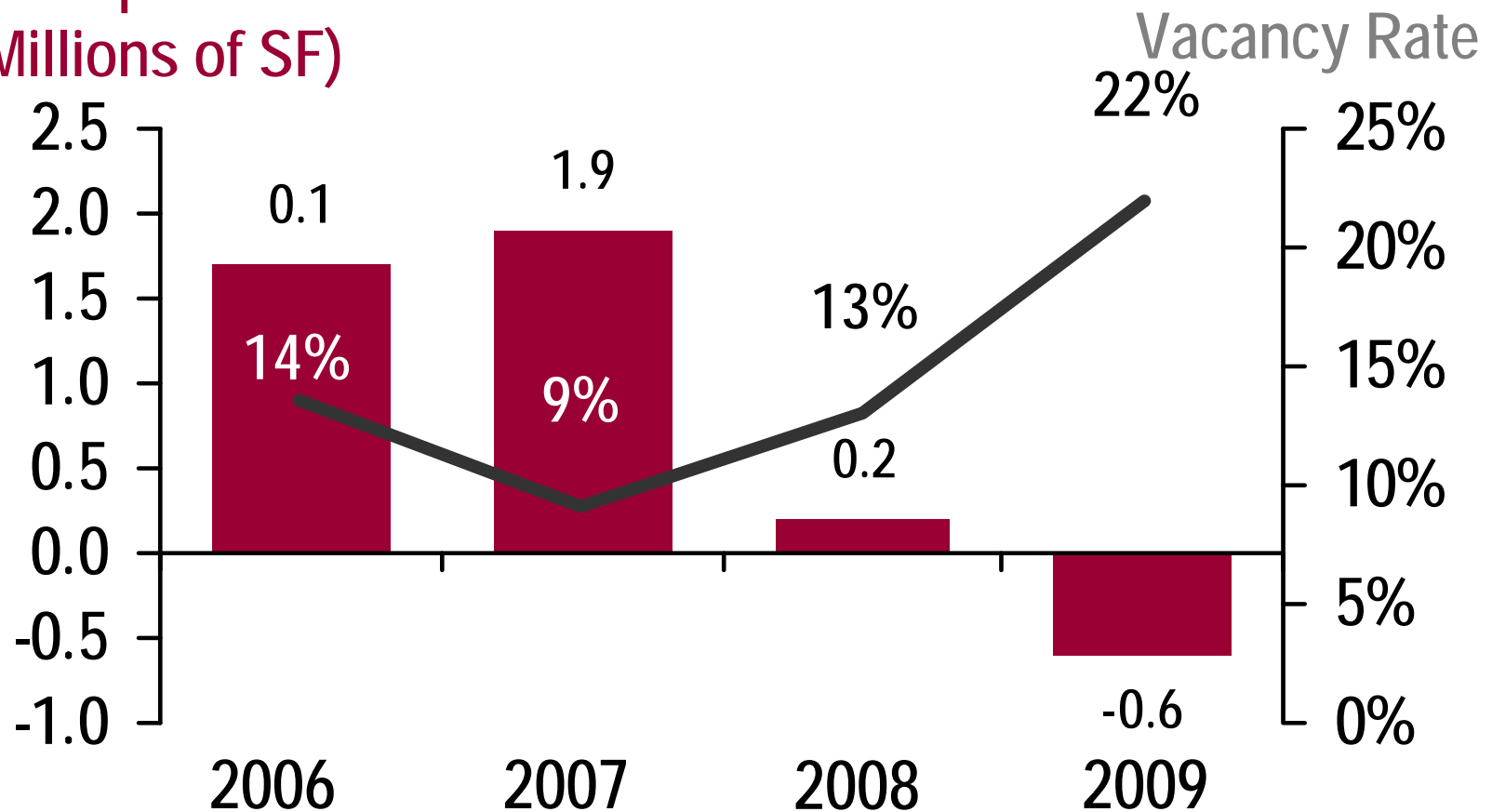
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# AUSTIN METRO INDUSTRIAL MARKET

## Absorption

(Millions of SF)



Source: AngelouEconomics, NAI Austin, Grubb & Ellis

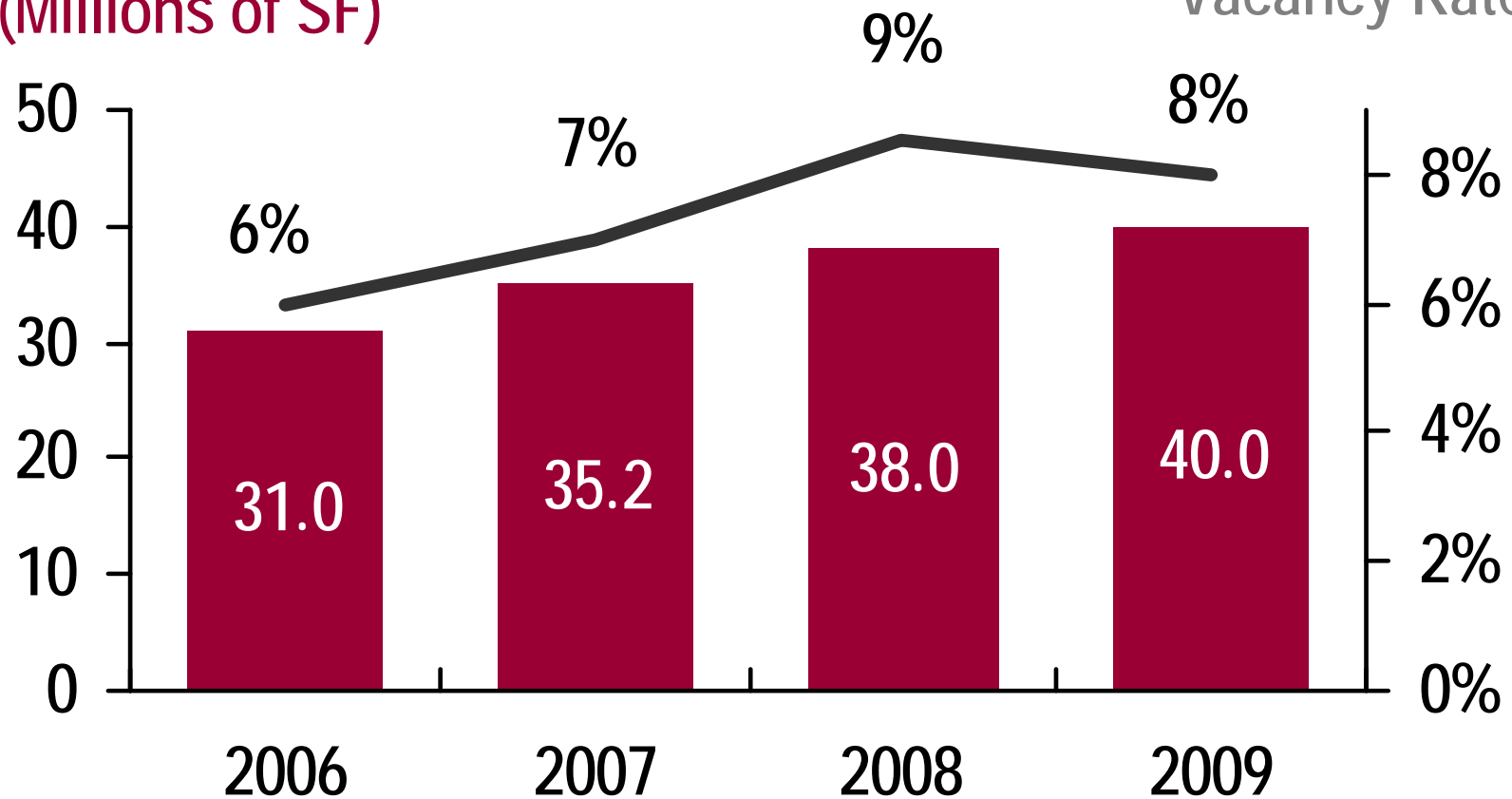
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# AUSTIN METRO RETAIL MARKET

Total Market  
(Millions of SF)

Vacancy Rate



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

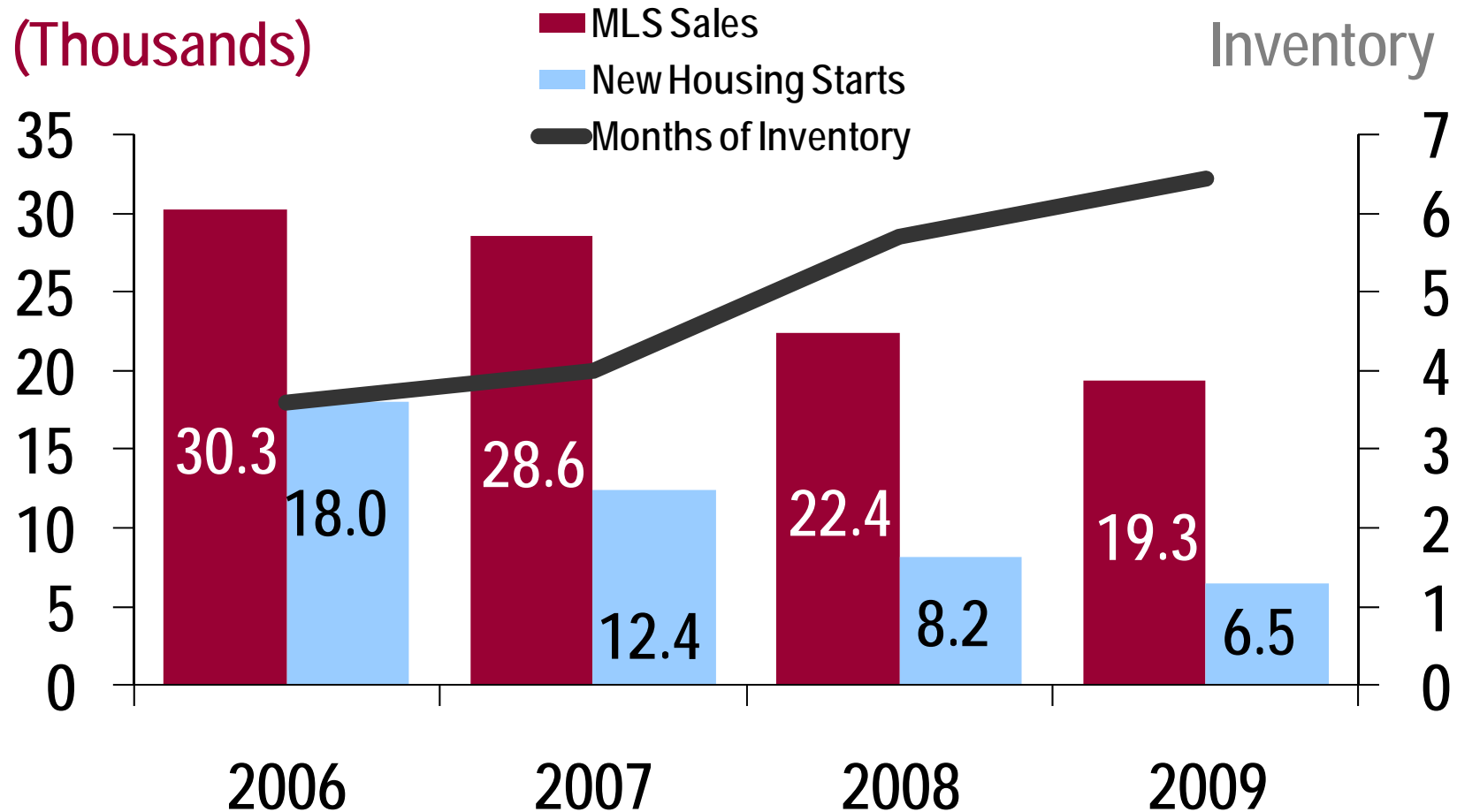
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# AUSTIN METRO HOUSING MARKET

Homes  
(Thousands)

Months of  
Inventory

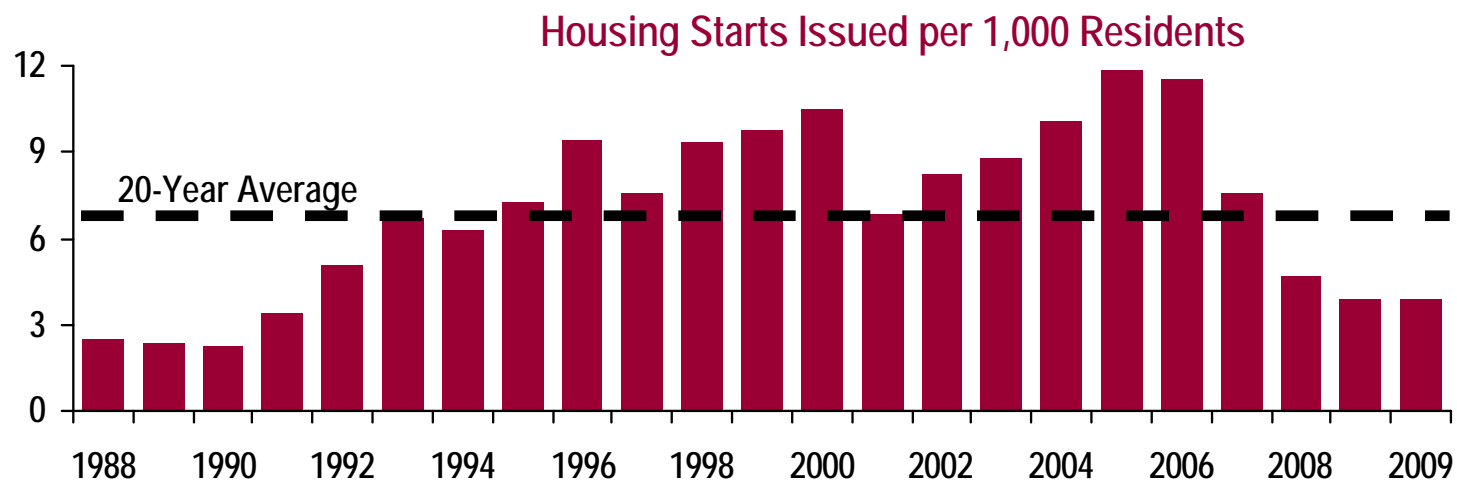


Source: Texas A&M Real Estate Center, Residential Strategies, Inc.

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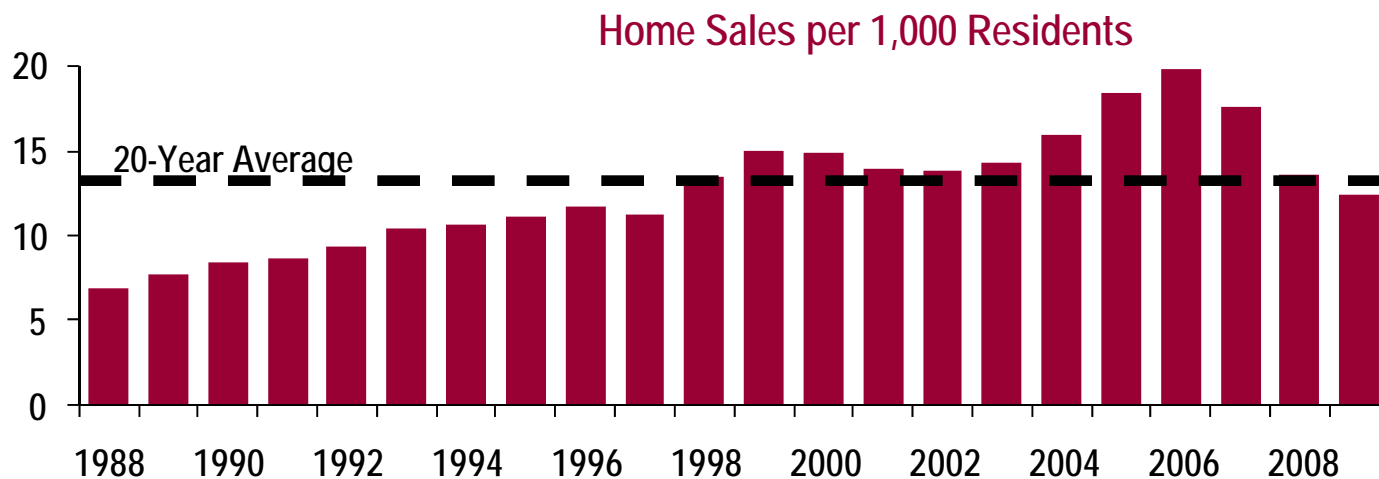


# AUSTIN METRO HOUSING MARKET



2009 Market Equilibrium

**11,900 Annual Housing Starts**



**21,400 Annual Home Sales**

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

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# HOUSING OPPORTUNITY INDEX

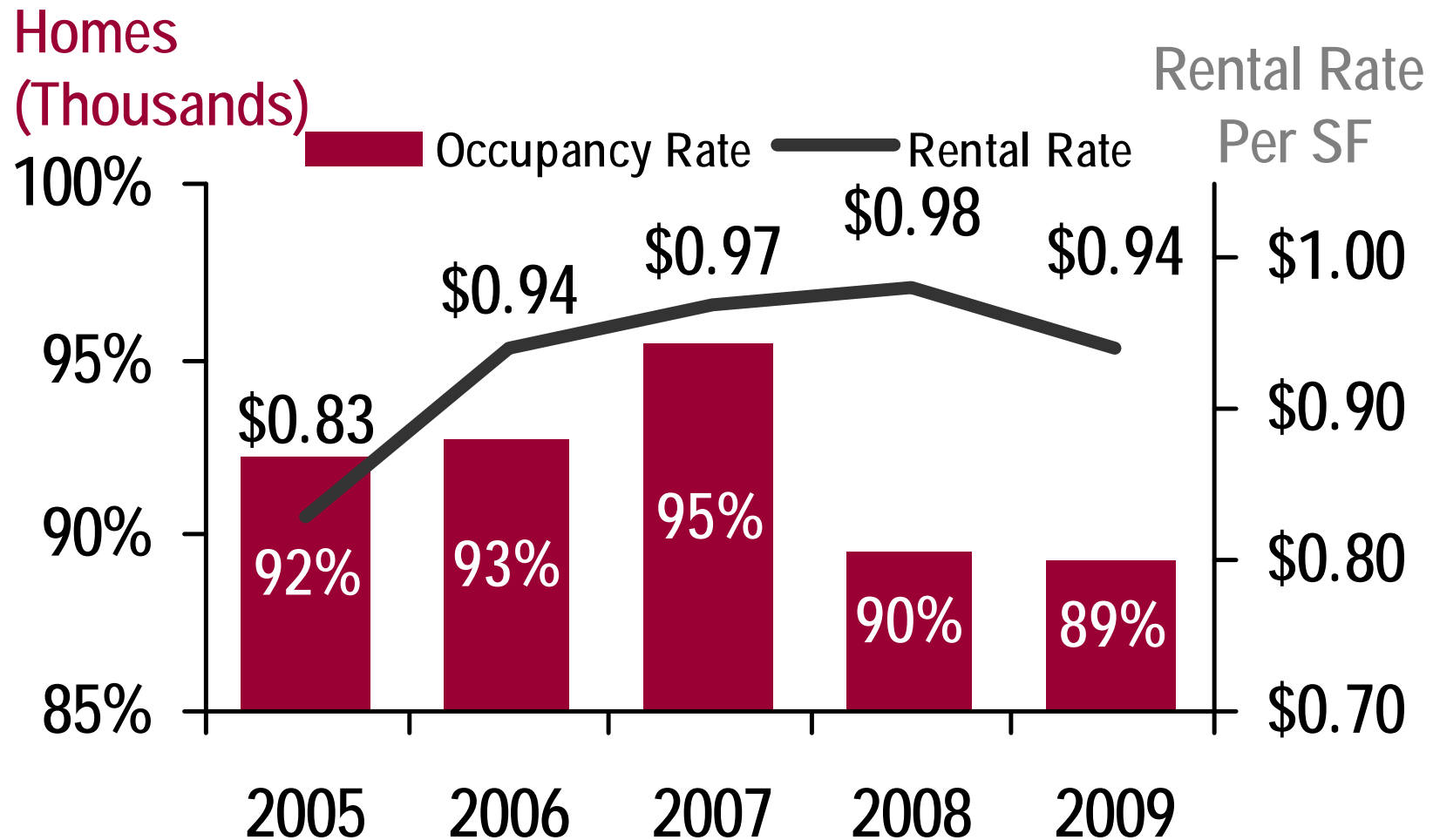
	1999: Q3	2009:Q3	10-Year Low Point
Austin	55.8	74	49.9
Boston	56.2	56.6	22.3
Raleigh	65.6	76.2	52.6
Seattle	51.6	55.7	19.3
San Diego	36.2	50.2	3.6
Portland	45.8	62.5	22.2
Colorado Springs	54.2	78.3	49.8
Phoenix	70.7	82.9	26.6
United States	63.4	70.1	40.4

Source: Wells Fargo Housing Opportunity Index

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# AUSTIN METRO APARTMENT MARKET



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

# REAL ESTATE FORECAST, 2010-2012

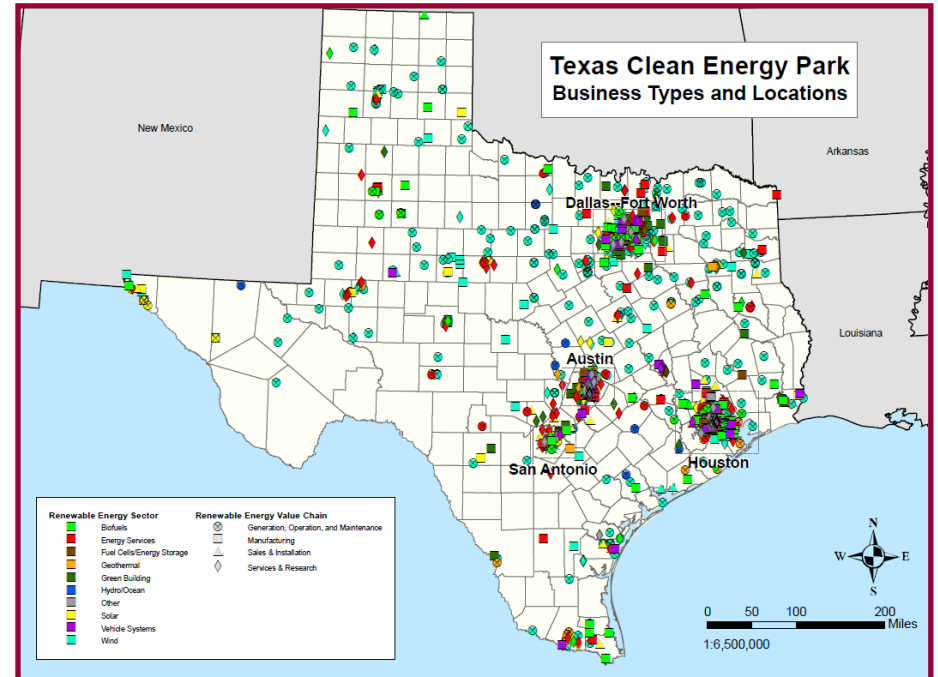
<u>Market</u>	<u>Expected Absorption</u>
Office	400,000 sq. ft.
Industrial	200,000 sq. ft.
Retail	500,000 sq. ft.
Single Family	18,000 units
Multi-Family	9,000 units

# ECONOMIC DEVELOPMENT TRENDS

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

# RENEWABLE ENERGY

- Stimulus is encouraging additional growth
- Workforce availability is a key roadblock to success
- Austin can lead in smart grid technologies (Pecan St. Project)
- Texas leads in wind, but is losing ground to states with better incentive packages, including New Mexico and Oregon



# RENEWABLE ENERGY

## Top Clean-Tech Job Sectors

### Energy

Renewable Energy (e.g., Solar, Wind)  
Energy Storage  
Energy Conservation and Efficiency  
Smart Grid Devices and Networks  
Electric Transmission and Grid Infrastructure  
Biomass and Sustainable Biofuels

### Transportation

Hybrid-Electric Vehicles  
All-Electric Vehicles  
Electric Rail  
Hydrogen Fuel Cells for Transport  
Advanced Transportation Infrastructure  
Advanced Batteries for Vehicles

### Water

Energy-Efficient Desalination  
UV Filtration  
Reverse Osmosis Filtration  
Membranes  
Automated Metering and Controls  
Water Recovery and Capture

### Materials

Biomimicry  
Bio-Based Recycling  
Reuse and Recycling  
Green Building Materials  
Cradle-to-Cradle Systems  
Green Chemistry

*Source: Clean Edge, Inc.*

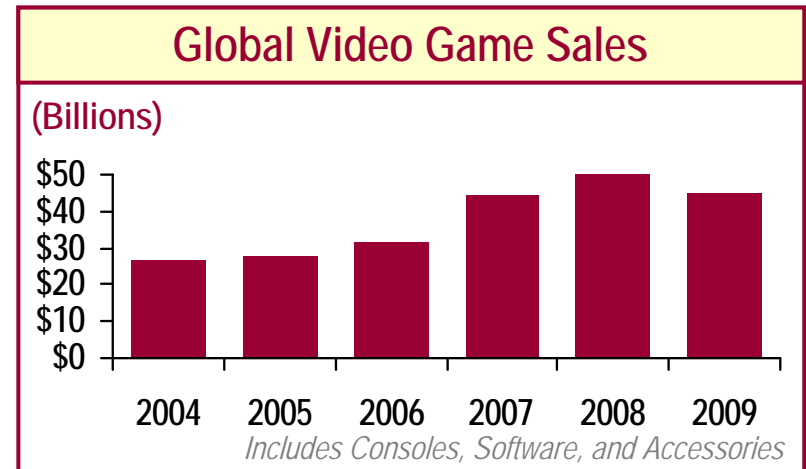
# DATA CENTERS

- 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 efforts to digitize healthcare and reduce network vulnerabilities, will only further increase the demand
- Average wage is \$80,000; the industry also features high levels of capital investment



# CREATIVE MEDIA

- Global video game revenues surpassed the music industry in 2007. While declining last year, growth is expected to exceed 10% annually for the next 3 years
- More than half of American adults play video games; over a third play every day



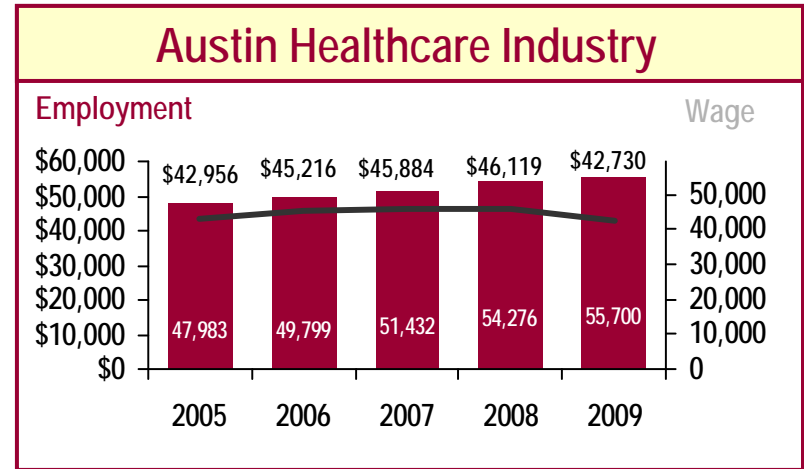
# SOFTWARE

- Average wages are over \$100,000
- Growing opportunities in rapidly growing platforms, including mobile devices (smart phones, tablet pc's) and gaming consoles (Xbox Natal, Nintendo Wii)
- Austin's reputation as a national technological hub, combined with its strong entrepreneurial spirit, gives it a natural advantage



# 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
- While some uncertainty exists regarding the federal healthcare proposal, the industry will continue to grow regardless



# AUSTIN VENTURE CAPITAL FUNDING, 2009

Sector	Companies	Investment (\$M)
Software	7	\$31.7
Semiconductors	3	\$18.5
Consumer Products	2	\$18.3
IT Services	5	\$15.2
Networking & Equipment	1	\$15.0
Computers and Peripherals	1	\$7.6
Media & Entertainment	3	\$6.3
Medical Devices/Equip	2	\$1.6
Other	5	\$9.7
<i>2009 Total</i>	<i>29</i>	<i>\$122.3</i>
<i>2008 Comparison Total</i>	<i>55</i>	<i>\$340.2</i>

\* Data includes Q1-Q3, 2009 & 2008

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# EMPLOYMENT RECOVERY

## How long will it take to replace the jobs lost?

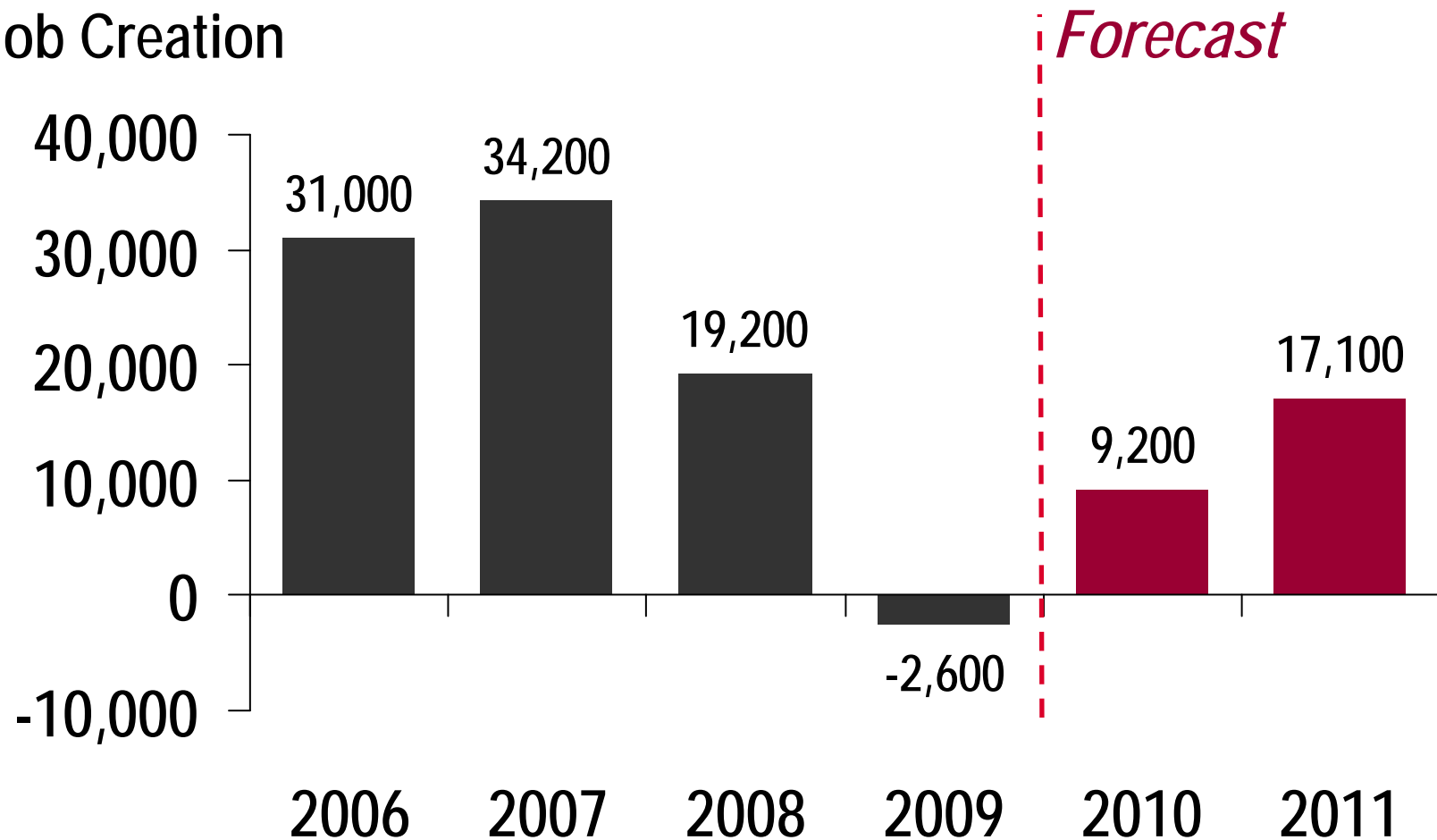
	Austin	Texas	United States
Jobs lost this recession	2,600	465,000	7,200,000
Average historical monthly growth (January 1999 - January 2009)	1,300	12,600	57,500
Aggressive historical growth (January 2003 – January 2007)	1,750	17,100	126,700
Months to replace lost jobs	1-2	27-37	56-125

# AUSTIN ECONOMIC TRENDS, 2010-2012

	Decline	No Change	Growth
Job Growth	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Population Growth	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Venture Capital	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Residential Real Estate	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Office Real Estate	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Retail Real Estate	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Industrial Real Estate	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

# JOB GROWTH FORECAST

Job Creation



**THANK YOU**



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