



 **AngelouEconomics**
GLOBAL ECONOMIC DEVELOPMENT



2011-12 EconomicForecast

Emerging Opportunities, New Challenges

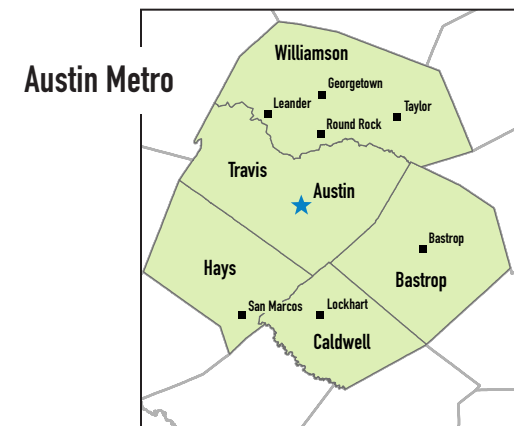
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2010-2011 Economic Forecast Summary **Austin Metro**

	Employment			New Jobs			Annual Growth		
	2010	2011	2012	2010	2011	2012	09-10	10-11	11-12
Total Employment	766,300	785,100	810,200	8,200	18,800	25,100	1.1%	2.5%	3.2%
Professional Services	106,800	108,400	111,600	300	1,600	3,200	0.3%	1.5%	3.0%
Leisure & Hospitality	90,200	94,000	98,100	6,900	3,800	4,100	8.3%	4.2%	4.4%
Government	169,700	173,200	177,200	3,300	3,500	4,000	2.0%	2.1%	2.3%
Retail Trade	80,600	82,900	86,100	-1,400	2,300	3,200	-1.7%	2.8%	3.9%
Wholesale Trade	37,300	38,100	39,200	-700	800	1,100	-1.8%	2.3%	2.9%
Education & Health Services	85,800	88,500	91,300	2,500	2,700	2,800	3.0%	3.1%	3.2%
Construction	39,400	40,000	41,500	-1,400	600	1,500	-3.4%	1.6%	3.8%
Manufacturing	47,100	48,200	49,600	-1,200	1,100	1,400	-2.5%	2.4%	2.9%
Information	18,900	19,500	20,400	-900	600	900	-4.5%	3.1%	4.6%
Other Services	34,000	32,500	36,500	800	1,000	1,500	2.4%	2.9%	4.3%
Financial Activities	43,800	44,400	45,300	100	600	900	0.2%	1.4%	2.0%
Transportation, Warehousing, & Utilities	12,700	12,900	13,400	-100	200	500	-0.8%	1.4%	3.9%
Unemployment Rate	7.1%	6.9%	5.8%						
Retail Sales (Billions)	\$21.49	\$22.70	\$24.00	\$0.93	\$1.21	\$1.30	4.5%	5.6%	5.7%
Population (Year-end)	1,775,000	1,835,000	1,910,000	55,000	60,000	65,000	3.2%	3.4%	3.5%

Source: AngelouEconomics; employment projections based on data from the Texas Workforce Commission



Austin MSA Non-Agricultural Wage and Salary Employment (In Thousands)

	TOT	MFG	CON	TWU	TRA	FIRE	PROF	OTH	EDC	LHO	INFO	GOV
1998	600.7	78.2	34.9	10.5	87.7	32.9	76.3	20.9	56.5	54.4	18.5	129.9
1999	635.4	77.8	38.2	10.8	97.1	34.6	83.5	21.5	59.8	57.9	20.5	133.8
2000	672.7	82.8	41.3	10.7	104.3	35.3	91.9	22.3	62.3	60.6	24.3	136.8
2001	674.1	76.3	41.5	11.3	105.3	36.4	91.3	23.2	63.3	61.8	23.3	140.4
2002	658.4	63.5	38.2	11.1	102.2	38.0	87.2	23.9	64.7	62.3	22.6	144.8
2003	653.0	57.7	37.4	10.6	101.5	39.5	85.6	24.5	66.0	63.8	20.8	145.6
2004	667.4	57.4	37.7	11.0	104.5	40.0	89.1	26.0	68.4	67.1	20.5	145.8
2005	692.2	57.3	40.2	11.7	110.1	41.2	94.1	26.5	71.1	69.7	21.5	148.9
2006	723.2	58.9	44.6	12.6	114.8	43.3	99.6	27.7	73.8	74.3	21.8	152.0
2007	757.4	60.0	48.6	13.4	122.3	45.0	106.7	28.2	76.6	78.4	21.9	156.3
2008	777.6	58.2	47.8	13.4	125.5	44.9	111.7	30.4	80.6	80.5	20.1	163.4
2009	758.2	48.3	40.8	12.8	120.0	43.7	106.5	33.2	83.3	83.3	19.8	166.4
2010	766.3	47.1	39.4	12.7	117.9	43.8	106.8	34.0	85.8	90.2	18.9	169.7

TOT Total Non-Agricultural Wage & Salary Employment
MFG Manufacturing
CON Construction
TWU Transportation, Warehousing, & Utilities
TRA Wholesale & Retail Trade
LHO Leisure and Hospitality

FIRE Finance, Insurance, & Real Estate
PROF Professional Services
OTH Other Services
EDC Education & Health Services
INFO Information
GOV Government

Source: AngelouEconomics; Texas Workforce Commission

Note: Due to rounding, industry estimates may not equal total employment.

National Economy

2010 YEAR IN REVIEW

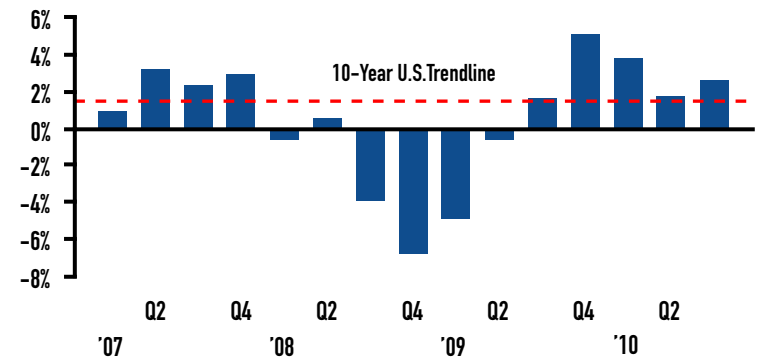
2010 brought the first signs of light to a dark time in the U.S.'s economic history. For the first time since 2007, unemployment appears to have peaked and started its slow reversal to pre-recession levels. Though the country has far to go to recover the jobs lost and create enough opportunities to meet labor force supply, green shoots are visible. The last five quarters demonstrated positive U.S. GDP growth and 2010 ended strong. Temporary employment grew by 495,000 jobs since September 2009, demonstrating a need for labor and production in spite of business concerns. Fears plaguing businesses and investors in the heart of the recession caused massive cost reductions and stock devaluations that overcompensated for mild revenue declines. This grew corporate savings to an astronomical \$1.9 trillion. Undervalued businesses combined with large war chests encouraged substantial merger and acquisition (M&A) activity. Global M&A rose 22.9% in 2010, to \$2.4 trillion. Additionally, U.S. initial public offerings (IPO) increased by more than 120% over 2009, with over 154 IPO's for the year.

Positive Developments for the U.S. Economy:

Each month of growth reduces the threat of a double-dip recession. Federal Reserve purchases of \$600 billion in securities as well as the extension of unemployment benefits and Bush-era tax cuts limited lending costs and encouraged consumption. Retail sales improved over the holiday season, and corporations, having maximized productivity with existing resources, have resumed some hiring and equipment purchases. Other positive developments include:

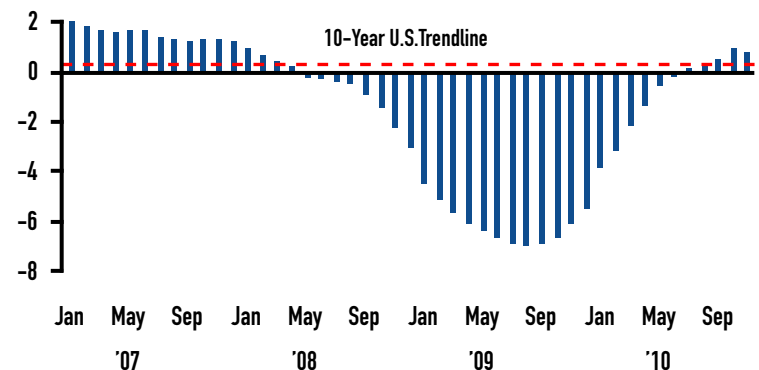
- **Growth in renewable technologies** has increased through new federal rules and state-level renewable portfolio (RPS) standards. Technologies devoted to energy efficiencies and grid management show the greatest growth opportunities. The U.S. Energy Information Administration predicts these advances alone will provide 13% to 30% of the additional energy needed over the next 25 years. While the absence of federal RPS standards slows expansion of renewable energy generation, this is expected to improve in the mid- to long-term.
- **Emerging markets** are largely responsible for the global economic recovery. Countries such as China, India and Brazil experienced much smaller slowdowns and saw incredible growth in investment and merger activity. M&A activity in emerging markets alone grew 76% to \$806 billion, or a third of all global merger activity. As these countries grow into major consumer economies, their demand for American products will continue to bolster domestic growth.

U.S. Real Gross Domestic Product Annualized Growth Rate



Source: Bureau of Economic Analysis

U.S. Year Over Year Employment Total Millions of Jobs Vs. Same Month Last Year



Source: Bureau of Labor Statistics

National Economy

2010 YEAR IN REVIEW (CONTINUED)

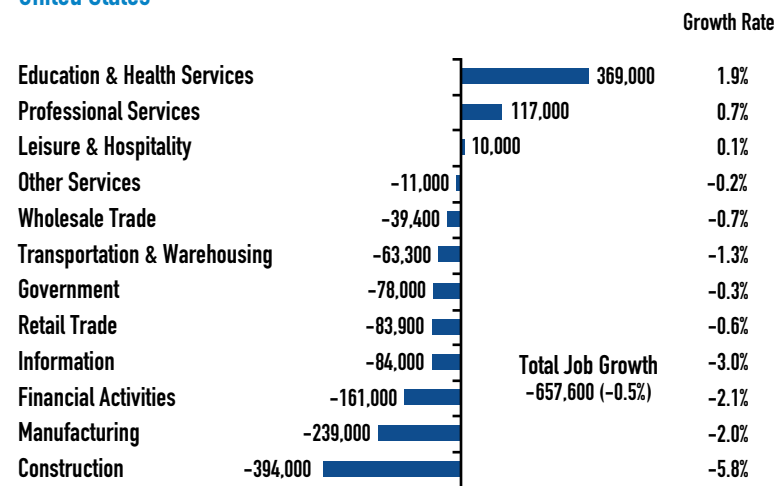
- Exports grew substantially in 2010, bolstered by a weak dollar and pent up demand. Containerized exports showed double digit growth in the first half of year, slowing to high single digits in the final quarter. Growth is expected to be between 7% and 9% for all of 2011 and early 2012.
- The household debt service ratio has steadily declined to stand at 11.89 in the third quarter of 2010 compared to its peak of 13.90 in 2007 Q4. This is its lowest in over a decade. The amount of consumer debt (credit cards) relative to disposable income has not been this low since 1984. Less debt equates to less disposable income going to interest payments, and lays the foundation for greater spending power on goods and services, which will stabilize and improve consumption rates.
- Real GDP is higher than it was pre-recession, even though unemployment is still high. Growth came almost entirely through net exports and personal consumption increases. Private investment also grew dramatically in the past four quarters, though it still lags pre-recession levels.

Continuing Challenges for the U.S. Economy:

- High unemployment is still a major threat in spite of GDP gains. The economy has added 1.1 million jobs since December 2009, or 94,000 jobs monthly. Annually, the country needs 1.8-2.4 million jobs to match labor growth. Additionally, much of the growth occurred in leisure and hospitality and temporary workers, both of which offer limited pay and benefits.
- The price of imports increased due to the weak dollar and foreign currency inflation. Of greatest concern are energy costs, as most reserves are held by foreign governments but priced in U.S. currency. Petroleum prices rose 13.7% in 2010 to more than \$90 per barrel. So far, there appears to be little pressure on consumer prices, but continued weakening of the dollar may fuel domestic inflation and hamper recovery.
- Several structural challenges face the nation. Substantial budgetary shortfalls at the state and local levels and a burdensome federal deficit create funding challenges for systems and infrastructure essential to our economy, including education, transportation, and research and development. As a knowledge and services based economy, top talent, strong logistics, and innovative technologies are essential for the U.S.'s continued success.

New Jobs by Industry, 2010

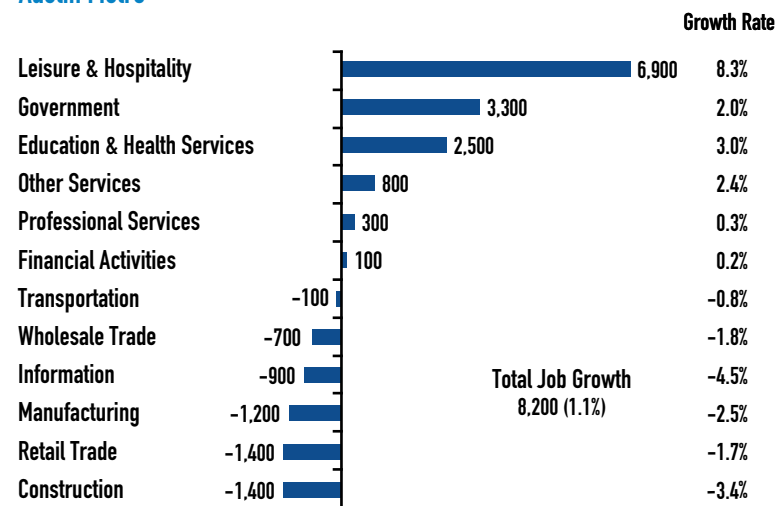
United States



Source: Bureau of Labor Statistics

New Jobs by Industry, 2010

Austin Metro



Source: Bureau of Labor Statistics



Austin Economy

2010 YEAR IN REVIEW

The Texas economy declined later than most of the nation and will be one of the first states to recover. Comparing November 2009 to November 2010, it gained 194,400 jobs, or 23% of the total U.S. jobs gained during the same time period. In absolute numbers, the greatest growth came from professional and business services and education and health services. Even manufacturing, a long-suffering industry in the U.S., gained 23,000 jobs. Overall, Texas gained 26,300 jobs in 2010, compared to the national loss of 658,000 jobs. Unemployment is still at historic highs, with a rate of 8.2% in November. However, this is likely to drop to below 7.5% by the end of 2011.

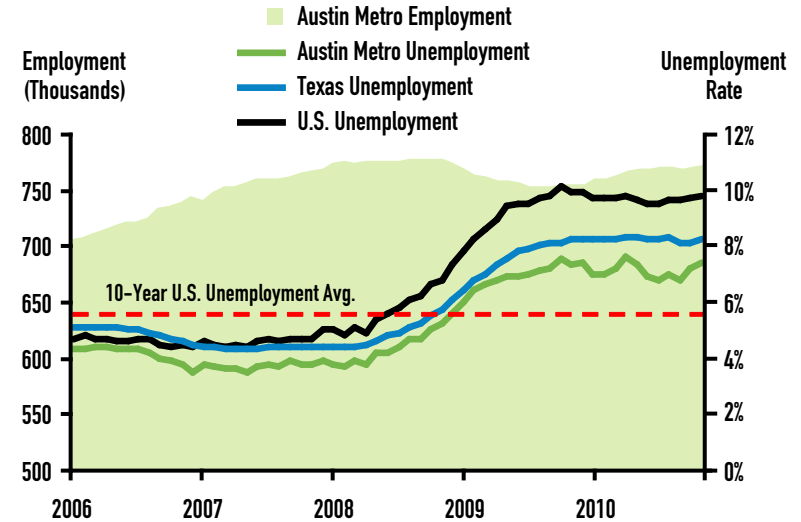
While Texas has been outperforming the nation, it still has internal challenges. Growth in all major metros has been anemic at best over the past year. Austin alone accounted for nearly a third of the State's net new jobs in 2010. Most job growth in Texas serves the needs of the growing population (retail, education, health services, government) rather than the needs of primary external markets (production, corporate headquarters, design). Without growth in primary industries, Texas' job growth will increasingly fall into lower wage sectors.

Austin's economy showed some of the best growth in the state in 2010. Gaining nearly 8,200 jobs, the metro area had the third highest growth rate in the state and highest among the five major metros (Dallas-Fort Worth, Houston, San Antonio, El Paso, Austin). The greatest additions came from leisure and hospitality (6,900), government (3,300), and education and health services (2,500). Austin's non-farm employment surpassed 766,000 in 2010, making it the second highest level in the city's history, behind only 2008. Austin's employment stability largely reflects nationwide trends of growth in service-oriented sectors, but it also reflects the area's appeal and high level of in-migration.

Despite strong job gains, there are challenges for Austin's economy in the mid- and long-term. Local technology is faltering and/or moving out. Sematech recently shut down operations in Austin. Very limited production occurs at Dell's Round Rock headquarters. Additionally, substantial in-migration, combined with the majority of growth occurring in lower paying service sectors, caused wage growth to flatten within the region.

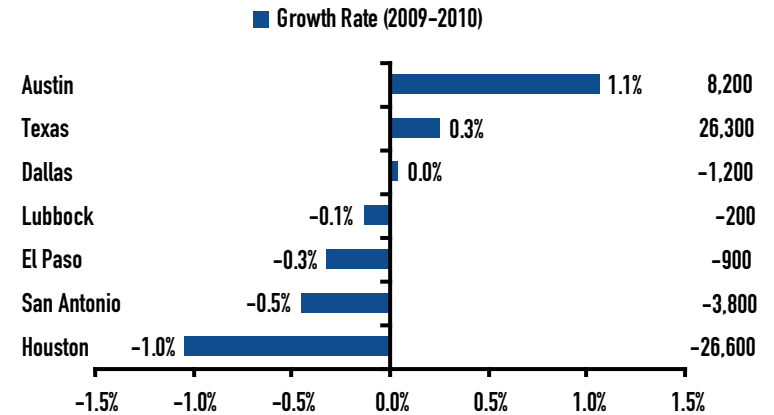
Employment and Unemployment Rate

(Seasonally Adjusted)



Source: AngelouEconomics; Federal Reserve Bank

Texas Employment Growth



Source: Bureau of Labor Statistics



Austin Economy

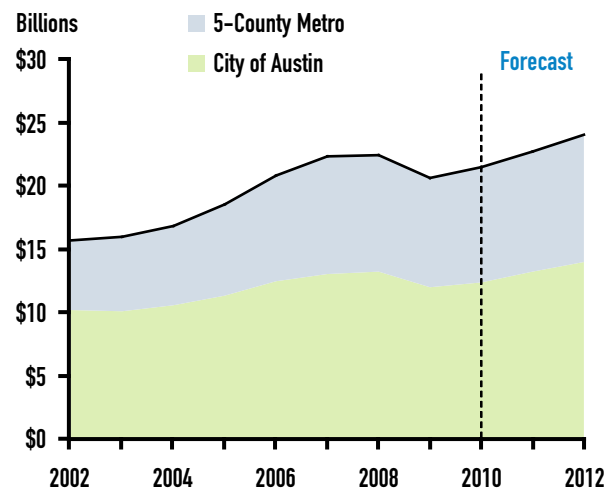
2010 YEAR IN REVIEW (CONTINUED)

In spite of job gains, local wages declined 0.4% between 2008 and 2009 to \$47,200. The average pay in the U.S. also decreased, but at a rate less than one third that of Austin. With national pay averaging \$45,600, Austinites still enjoy wages 3.6% higher than the average American. However, the difference in pay diminished by 53% since 2006, when Austin's wages were 7.5% higher than the U.S. average. Since 2001, Austin wages grew slower than numerous metros across the country, including Albany, Baltimore, Buffalo, and Cleveland. In fact, wage growth in Austin exceeded Detroit by only 1 percentage point. Austin's wage growth weaknesses challenge long-term economic strength.

While wages decreased, consumer spending remains strong in the Austin region. AngelouEconomics estimates that retail sales grew by 4.5% to \$21.5 billion from 2009 to 2010, adding \$0.93 billion in retail sales to Austin's economy. Without a doubt, most of the retail sales increase came as result of new population growth.

Additional retail developments such as the Hill Country Galleria in Bee Cave and Southpark Meadows in South Austin provide local consumers with a growing variety of retail choices. Retail sales will increase at a healthy pace through 2011, increasing by approximately 5.6% as greater job growth continues to take hold.

Retail Sales Austin Metro



Source: AngelouEconomics; Texas Comptroller

2010 at a Glance

U.S.		TEXAS
130,262,000	Employment	10,337,400
-657,600	New Jobs	26,300
-0.5%	Annual Growth	0.3%
9.4%	Unemployment*	8.2%
308,745,538	Population	25,145,600
1,738,988	New Population	363,300
\$3,918.89	Retail Sales (\$B)	\$271.42
\$21,823	Venture Capital (\$M)	\$890.6

*December 2010
Source: AngelouEconomics

2010 at a Glance

AUSTIN METRO

Employment	766,300
New Jobs	8,200
Annual Growth	1.1%
Unemployment*	7.4%
Population	1,775,000
New Population	55,000
Retail Sales (\$B)	\$21.49
Venture Capital (\$M)	\$344.4

*December 2010
Source: AngelouEconomics



Austin Economy

2011-2012 FORECAST

Changing Demographics

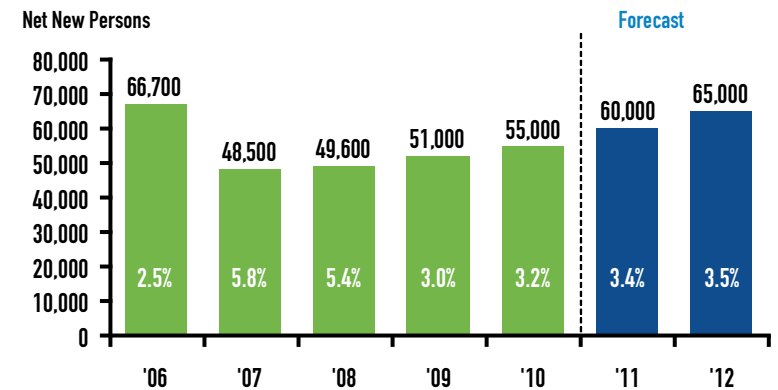
Austin continues to be one of America's most desirable communities. The metro area population is currently estimated at 1.78 million, an increase of 41% compared to only a decade ago. Austin's population expansion has come primarily from migration, with 14% of population increases coming from outside the state. Metro demographics are also changing with overall population growth.

Austin Forecast

Austin is rapidly becoming a diverse area as the minority population continues to grow faster than the non-Hispanic, white population. Asians and people of Hispanic ethnicity are the fastest growing segments of Austin's population, with the Asian population growing by more than 50% and the Hispanic population growing by 38% since 2000. Hispanics now comprise more than 30% of Austin's population. The area's population is younger and better educated than U.S. and state averages, factors that will additionally enhance future economic expansion.

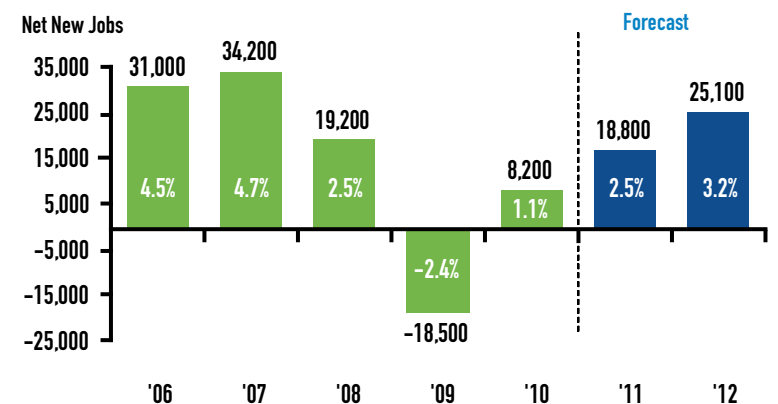
Austin's economy will experience solid job growth in 2011 and 2012, with employment increasing by 18,800 and 25,100 jobs, respectively. New jobs will be created across the Austin economy, with leisure and hospitality and information showing the biggest gains. Job growth will remain strong in government, education and health care services, and retail. Growth in manufacturing as well as the transportation, warehousing, and utilities sector will remain slow. Professional services will have slow growth in 2011, but will approach pre-recession growth trends in 2012.

Austin Metro Population Growth Forecast, 2006 to 2012



Source: AngelouEconomics; Census

Austin Metro Job Creation Forecast, 2006 to 2012



Source: AngelouEconomics; Texas Workforce Commission

Top 25 Public Companies

HEADQUARTERED IN AUSTIN

Company	Description	Symbol	2010 Revenue	2009-2010 Revenue Change	Local Employment
Dell	Diversified Technology Manufacturing / Services	DELL	\$52.9 Bil	-\$8.2 Bil	DND*
Whole Foods Market	Natural Foods Markets	WFMI	\$8.03 Bil	\$77.71 Mil	1,600
Temple-Inland	Manufacturing / Financial Services	TIN	\$3.58 Bil	-\$307 Mil	452
National Instruments	Instrument Design / Manufacturing	NATI	\$676.6 Mil	-\$143.94 Mil	2,305
EZCorp	Pawnshop Developer / Operator	EZPW	\$597.5 Mil	\$140.5 Mil	255
National Western Life Insurance	Insurance	NWLI	\$568.4 Mil	\$157.3 Mil	290
Silicon Laboratories	Mixed-signal Integrated Circuits	SLAB	\$441 Mil	\$25.4 Mil	500
Golfsmith International Holdings	Golf Equipment Retailer	GOLF	\$338 Mil	-\$40.75 Mil	DND*
ArthroCare Corp	Medical Devices / Equipment	ARTC	\$331.8 Mil	\$14.02 Mil	111
American Campus Communities	Real Estate Investment Trust	ACC	\$309.6 Mil	\$76.01 Mil	164
Cirrus Logic	Semiconductor Design	CRUS	\$221 Mil	\$46.35 Mil	330
Citizens	Insurance	CIA	\$189 Mil	\$42.31 Mil	135
HealthTronics	Medical Devices / Equipment	HTRN	\$185.3 Mil	\$19.39 Mil	DND*
Forrester Group Inc.	Real Estate / Natural Resource Investment	FOR	\$146.3 Mil	-\$13.47 Mil	DND*
Multimedia Games	Games	MGAM	\$127.2 Mil	-\$3.98 Mil	DND*
Luminex	Medical Devices / Equipment	LMNX	\$120.6 Mil	\$16.2 Mil	DND*
Solar Winds Inc.	Network Management and Monitoring Software	SWI	\$116.5 Mil	\$23.31 Mil	DND*
American Physicians Service Group	Financial Services / Insurance	AMPH	\$84 Mil	\$9.26 Mil	DND*
Brigham Exploration	Oil / Gas Exploration	BEXP	\$70.3 Mil	-\$57.4 Mil	76
Pervasive Software	Software	PVSW	\$47.2 Mil	-\$4.75 Mil	194
Entorian Technologies	Computer Memory Manufacturer	ENTN	\$45.1 Mil	-\$10.81 Mil	50
Active Power	Uninterrupted Power Supply Providers	ACPW	\$40.3 Mil	-\$2.67 Mil	111
Astrotech Corp	Aerospace Technologies	ASTC	\$32 Mil	\$6.44 Mil	11
Valence Technology	Energy Storage Solutions	VLNC	\$26.2 Mil	\$5.38 Mil	DND*
Xplore Technologies	Rugged Mobile Computing Systems	XLRT	\$22.6 Mil	-\$2.73 Mil	DND*
Total			\$69.2 Bil	-\$8.1 Bil	

Source: Austin Business Journal Book of Lists

*Did Not Disclose

The Entrepreneurial Economy

2010 AUSTIN ECONOMY

Venture Capital (VC) increased substantially in 2010 in the U.S. The first three quarters of the year attracted nearly as much VC as all of 2009, at nearly \$16.1 billion. As of the third quarter, this is a 40% increase over 2009. The combination of undervalued companies and large war chests from corporate cost cutting and record income has prompted substantial merger and acquisition (M&A) activity growth. Global M&A activity rose 22.9% in 2010, to \$2.4 trillion. The largest growth occurred in emerging markets, which grew 76% to \$806 billion, or a third of all global merger activity. Additionally, U.S. initial public offerings (IPO) increased by more than 120% over 2009, with over 154 IPO's for the year.

In 2010, traditionally dominant VC sectors, such as biotechnology, industrial/energy, software, and medical devices, continued to receive the majority of investment. These four sectors accounted for 62% of all VC investment as of 2010 Q3. In spite of how well venture capital did through 2010 Q3, it is still likely to have 30% less investment than 2007, the highest VC year in recent history.

Local venture capital rebounded to 2008 levels, with \$300 million in investment and 56 deals. This is a marked improvement on 2009 numbers, which were the lowest in more than a decade. The bulk of investment (40%) went to software and industrial/energy firms. Notably, 10% of all healthcare services venture capital within the U.S. went to firms in the Austin area, compared to no investment in this sector the year prior. Electronics/instrumentation also captured 5.6% of the national investment in that sector.

U.S. Venture Capital by Industry*

Industry	Deals	Investment (\$M)
Biotechnology	346	\$3,064.5
Software	563	\$2,717.7
Industrial/Energy	186	\$2,396.8
Medical Devices and Equipment	238	\$1,844.9
IT Services	196	\$1,158.0
Media and Entertainment	216	\$878.9
Semiconductors	104	\$864.7
Telecommunications	103	\$690.2
Financial Services	58	\$460.2
Networking and Equipment	52	\$367.8
Electronics / Instrumentation	55	\$333.3
Consumer Products and Services	68	\$324.7
Computers and Peripherals	46	\$322.8
Business Products and Services	69	\$296.8
Healthcare Services	28	\$191.4
Retailing / Distribution	20	\$117.2
Other	19	\$33.8
Total	2367	\$16,063.7

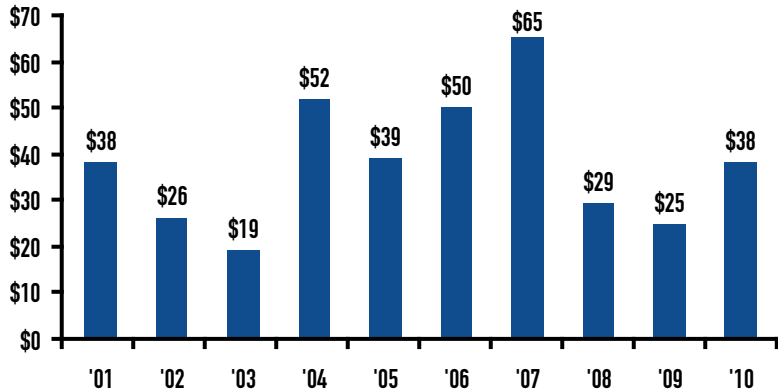
Source: PWC Moneytree

*Through Q3 2010

The Entrepreneurial Economy

U.S. IPO Market

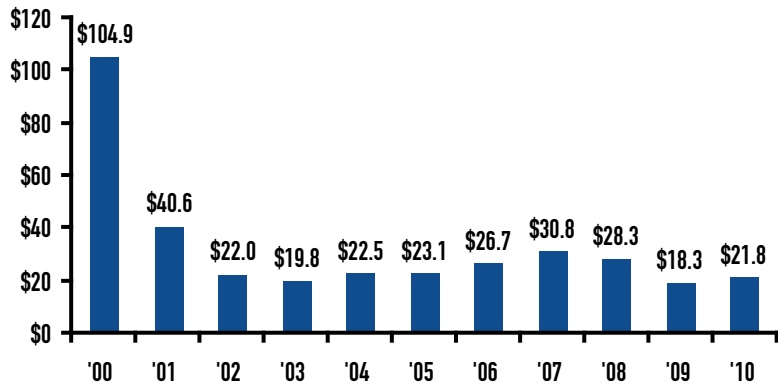
Billions Raised



Source: PWC Moneytree

U.S. Venture Capital Funding

Billions



Source: PWC Moneytree

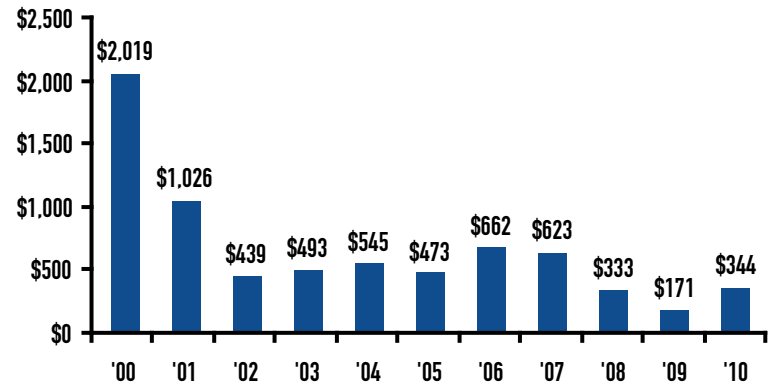
Austin Venture Capital by Industry

Industry	Deals	Investment (\$M)	Share of U.S.
Software	19	68.1	2.5%
Industrial / Energy	6	63.0	2.6%
Biotechnology	1	2.5	0.8%
Semiconductors	4	24.7	2.9%
Medical Devices and Equipment	3	24.6	1.3%
Healthcare Services	3	19.7	10.3%
Electronics / Instrumentation	2	18.5	5.6%
IT Services	4	18.0	1.6%
Media and Entertainment	4	10.9	1.2%
Financial Services	2	10.0	2.2%
Networking and Equipment	3	7.8	2.1%
Consumer Products and Services	2	7.4	2.3%
Business Products and Services	1	2.0	0.7%
Computers and Peripherals	2	0.3	0.1%
Total	56	300.0	1.97%

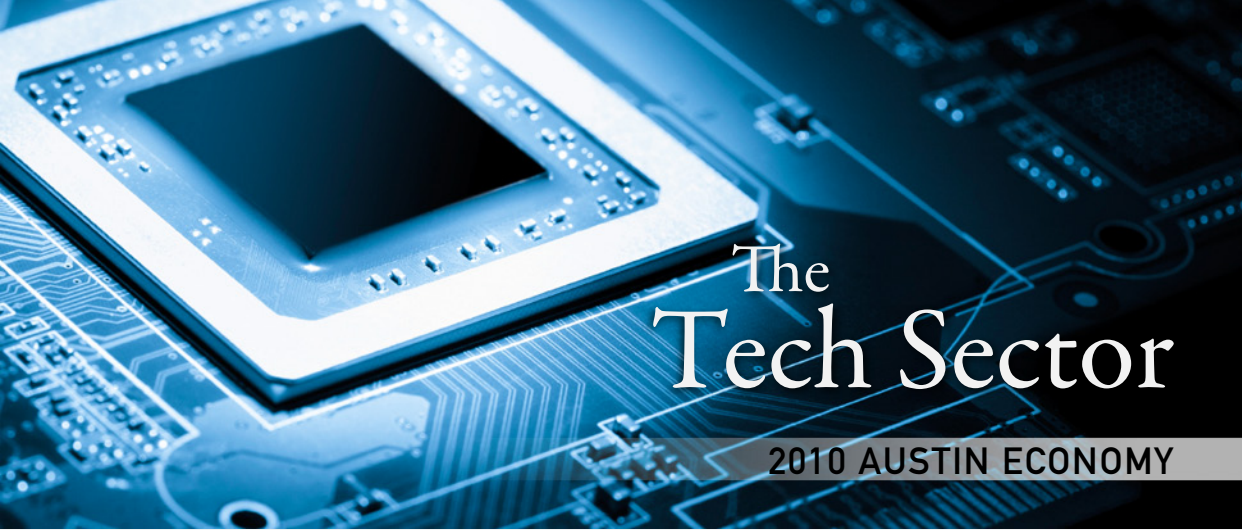
Source: PWC Moneytree Through Q3 2010

Austin Venture Capital Funding

Millions



Source: PWC Moneytree



The Tech Sector

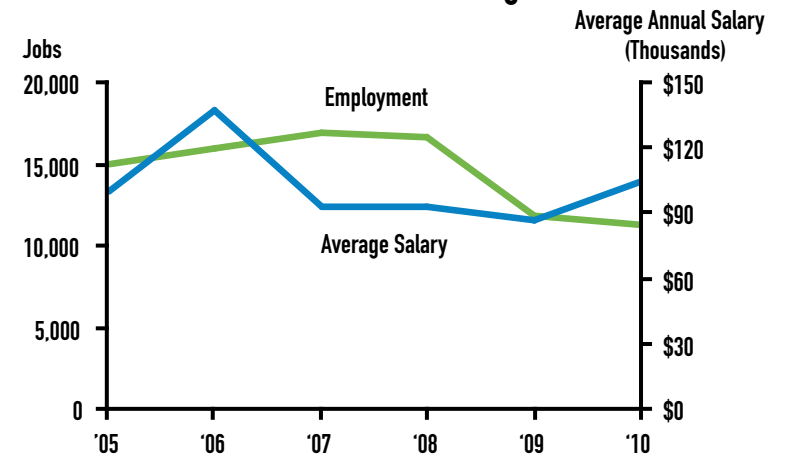
2010 AUSTIN ECONOMY

Austin's technology sector struggled in 2010, with the downsizing of multiple firms and the relocation of Sematech. Through diversification into areas such as gaming, niche consumer products, medical devices and clean energy technologies, employment remained at 2009 levels. At the same time, wages rose, increasing the value of these jobs to the Austin area.

We expect this sector to rebound substantially over the next two years. Worldwide chip sales and IT spending were at their highest in four years in 2010. While personal computer (PC) shipments slowed in 2009, they returned to pre-recession growth trends in 2010 and are forecasted to grow 11-13% annually over the next two years. Companies have to replenish inventories and make needed upgrades that can no longer be delayed. Additionally, growth of emerging markets is creating new opportunities for hardware and software sales and service.

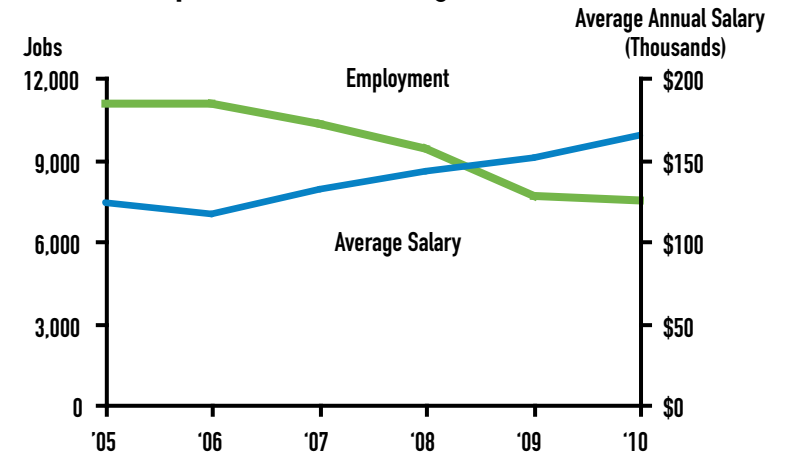
While there are some opportunities in hardware manufacturing in the United States, they are limited. To preserve this sector, Austin needs to work with businesses to keep the highest value-added manufacturing local. Additionally, local leaders need to aggressively pursue businesses that require similar skill sets but fall within different industries, as PC and semiconductor assembly and manufacturing show very limited long-term sustainability within the region. Good opportunities will be in semiconductor design, clean technology and medical devices industries.

Austin Semiconductor Manufacturing



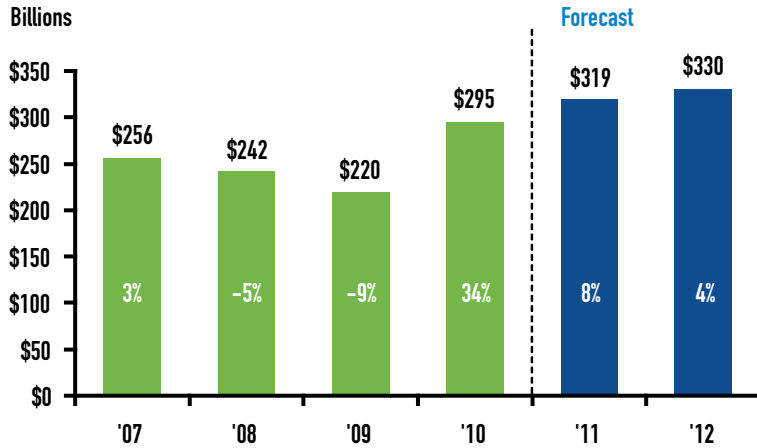
Source: AngelouEconomics; Texas Workforce Commission

Austin Computer Manufacturing



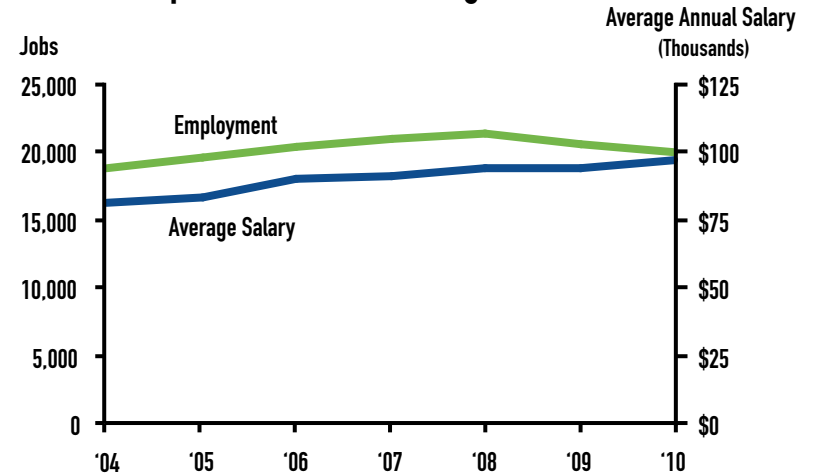
Source: AngelouEconomics; Texas Workforce Commission

Global Semiconductor Chip Sales



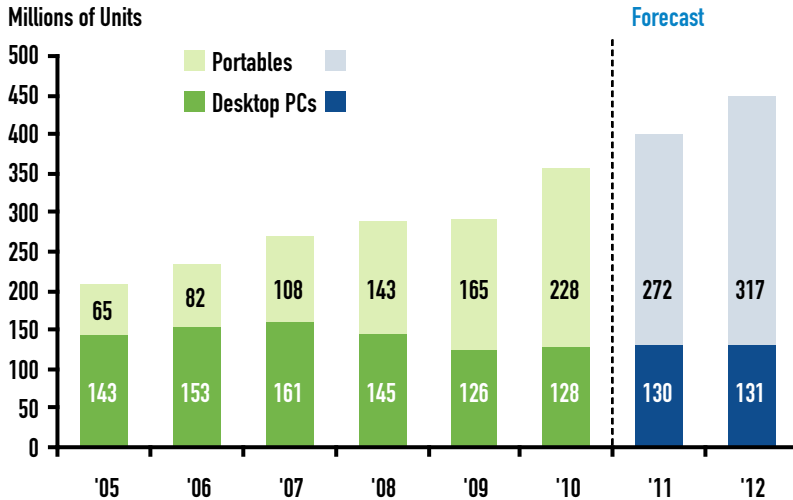
Source: Semiconductor Industry Association; Gartner

Austin Computer & Software Design



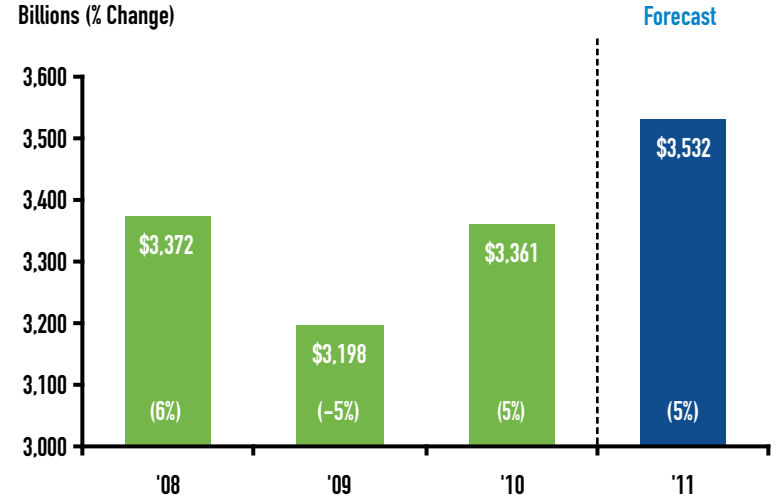
Source: AngelouEconomics; Texas Workforce Commission

Worldwide PC Shipments



Source: IDC

Worldwide IT Spending



Source: AngelouEconomics; Gartner



Commercial Real Estate

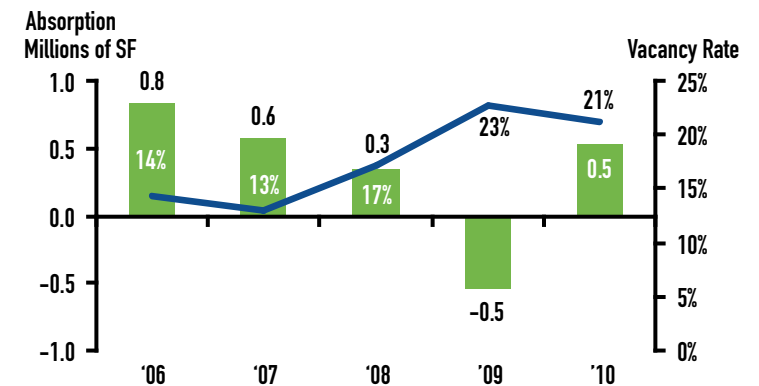
2010 AUSTIN ECONOMY

Austin's office market improved enough in 2010 to recoup the losses of 2009. Total vacancies are still very high, with 21% of all office space currently available. However, 533,000 square feet was absorbed year-to-date, making up for the 500,000 negative absorption for 2009. This equilibrium was achieved partially through rate reductions, with Class A lease rates dropping from \$29.10 to \$28.34 per square foot. In 2008, the same space leased at \$31.27 per square foot. The Central Business District has improved slightly from 2009, with vacancies decreasing from 15% to 14.5% today. The highest vacancy rates are in the Round Rock and far northwest areas, which have vacancy rates of 46% and 61%, respectively.

Austin's industrial market largely stabilized in 2010, with vacancy rates remaining between 17.5% and 18%. This stabilization has mainly been achieved through price reductions, averaging just \$6.91 per square foot compared to 2009's \$7.10 average. While absorption remained negative, only 180,000 square feet has become vacant compared to nearly 1.2 million square feet in 2009.

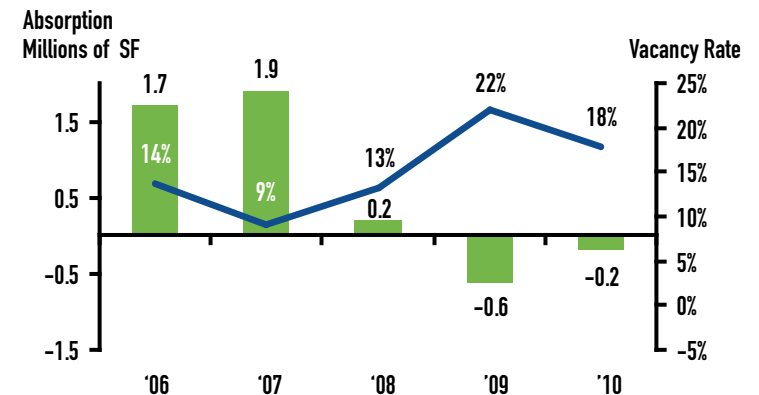
Retail is a bright spot in Austin's commercial market. The retail market posted positive absorption figures for the past decade, with nearly 94% of available commercial retail space occupied. Approximately 200,000 square feet is currently under construction even as more than 400,000 square feet has been absorbed through the first three quarters of 2010. Although absorption has been down for the past two years, Austin's retail market remains far healthier than the national retail market. Some retail space, particularly Highland Mall, is seeing new life through new uses; in this case, it will be used for expansion of the Austin Community College campus.

Austin Office Market



Source: CB Richard Ellis; Grubb & Ellis

Austin Industrial Market



Source: CB Richard Ellis; Grubb & Ellis

Austin Commercial Market

	Office	Industrial	Retail
Inventory SF	41,994,800	61,863,000	75,173,000
Occupancy	78.9%	82.2%	93.6%
Rental Rate	\$28.34	\$6.91	\$19.35
Absorption YTD	533,300	-178,700	403,000

Source: Costar; Texas A&M Real Estate Center



Residential Real Estate

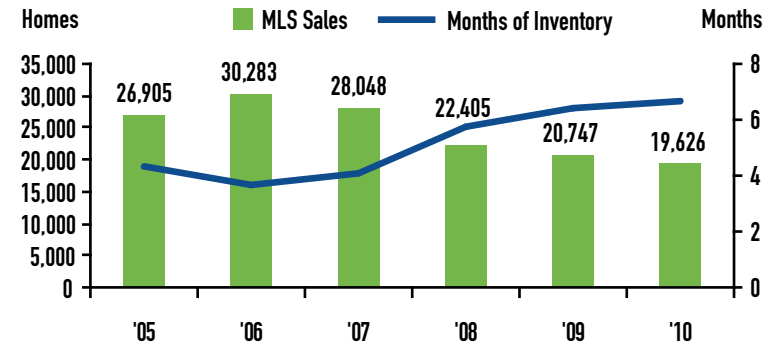
2010 AUSTIN ECONOMY

Although the Austin residential real estate market continues to outperform the national real estate market, the area struggles to reach pre-recession sales levels, which peaked in 2006 at nearly 30,300 units. In 2010, sales were less than 20,000, with over 6.7 months of inventory, the highest level of inventory since 2003. Even so, average home prices have returned to growth, though at half the 7.5% average rate experienced pre-recession. Price increases, in spite of slower absorption, are likely due to a weak credit market where only the most qualified borrowers (who often can afford more expensive homes) are purchasing. Additionally, the \$8,000 first time homebuyer tax credit ended in April, slowing starter home purchases. The average Austin area home sales price in 2010 was \$247,100, a 4.5% increase from 2009 and a 0.6% increase from the area's previous peak price of \$245,600 in 2007.

One would expect that a cool housing market in an area experiencing population growth would face a tighter rental market, and this is indeed occurring in Austin. Decreased housing demand has begun to heat up the multi-family housing market. In 2010, average rents grew to nearly \$1.00 per square foot on average, a near historic high. Occupancy rates steadily improved through the year to currently stand at 93.4%. With only 1,500 units under construction and a limited supply of units being planned, it is likely prices will be sustained at high levels.

Single Family Market

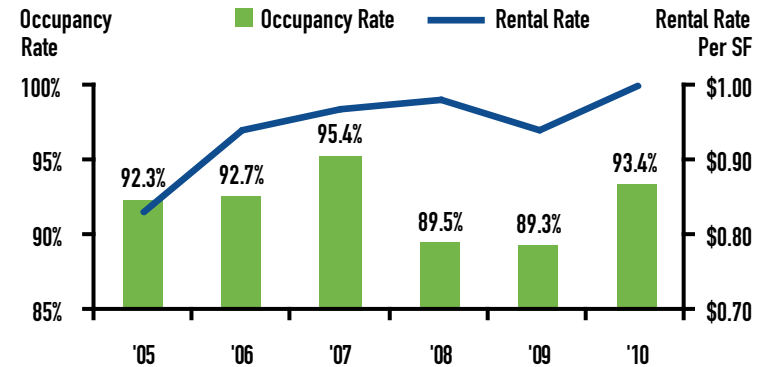
Austin Metro



Source: Texas Real Estate Center

Multi-Family Market

Austin Metro



Source: O'Connor and Associates; Grubb & Ellis; CB Richard Ellis



Emerging Growth Sectors

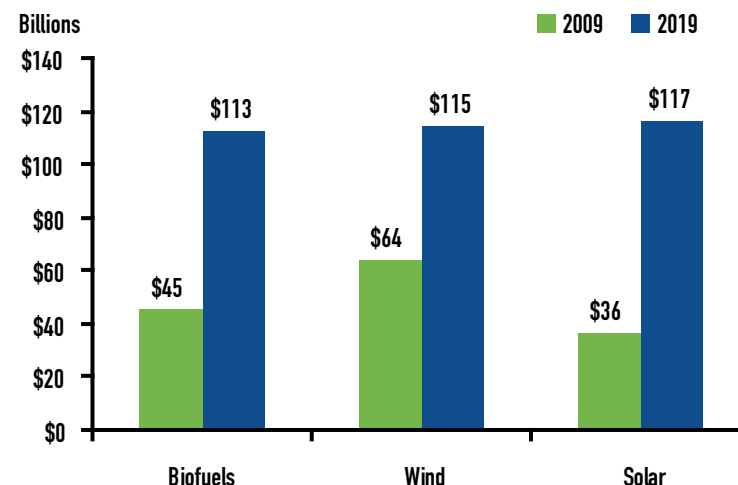
2010 AUSTIN ECONOMY

Austin has been known for many years for its strengths in computer technology and development. These sectors are waning to a certain extent in the U.S. and the regional economy must diversify into emerging growth sectors to secure job opportunities and limit challenges that a sector's decline can bring. Clean technology and medical devices represent two expanding sectors that Austin should aggressively pursue to fuel continued economic growth. The region's workforce skills, existing infrastructure, and climate all make it an attractive place for these sectors.

Austin is emerging as a center for clean technologies. Supportive local utilities, forward-thinking public policy focused on building Austin as a sustainable city, and the willingness of public officials to act and support businesses seeking to operate in the area have encouraged a significant presence. So much progress has been made that the Austin area ranked as the 10th best metro for clean-tech job activity, up from 12th in 2009. Much of this growth has come through solar installation and manufacturing, energy services companies, and green building. Austin must leverage these opportunities to expand into energy efficiency and smart grid technologies in the near term, and renewable power generation in the long term. Energy efficiency and smart grid technologies are growing today, and as the price of oil and coal increase, renewable power generation will improve its cost proposition.

Medical device design and manufacturing already has a significant presence in Austin with firms such as Arthrocare, HealthTronics, and Luminex all operating in the region. This is a cutting edge sector with a high value add proposition, which in turn creates strong wages. In 2011, the global industry is expected to reach \$312 billion and grow 4-6% annually for at least the next few years. In coming years, medical devices are expected to increase market share and grow as a global industry. Hospitals are continually investing in new technologies and devices to reduce the length of stay and improve recovery time. Expanding demand for health services in emerging markets provides an incredible long-term opportunity.

Global Clean Energy Growth



Source: Clean Edge, Inc.

Clean-Tech Job Activity Top U.S. Metro Areas

2010 Rank	Metro Area	2009 Rank
1	San Francisco-Oakland-San Jose, CA	1
2	Los Angeles-Long Beach-Riverside, CA	2
3	Boston-Cambridge-Quincy, MA-NH	4
4	New York-Northern New Jersey-Long Island, NY-NJ	3
5	Denver-Aurora-Broomfield, CO	6
6	Washington-Arlington-Baltimore, DC-VA-MD	5
7	San Diego-Carlsbad-San Marcos, CA	11
8	Houston-Sugar Land-Baytown, TX	15
9	Chicago-Joliet-Naperville, IL-IN-WI	9
10	Austin-Round Rock-San Marcos, TX	12
11	Seattle-Tacoma-Bellevue, WA	7
12	Atlanta-Sandy Springs-Marietta, GA	-
13	Dallas-Fort Worth-Arlington, TX	-
14	Portland-Vancouver-Hillsboro, OR-WA	8
15	Sacramento-Arden-Arcade-Roseville, CA	10

Source: Clean Edge, Inc., 2010

A photograph showing several people in business attire sitting around a table, looking at and pointing to various charts and documents. The scene is brightly lit, suggesting an office or conference room environment.

Conclusion

2011-2012 FORECAST

The Austin area has weathered the storm. One of the last to enter the recession, and likely one of the first to exit...

2011 begins as a year of hope. With many economists declaring the recession officially over, we can now concentrate on turning our economic recovery into one of job recovery, too.

The Austin area has weathered the storm. One of the last to enter the recession, and likely one of the first to exit, the area's robust economy has largely insulated residents from the challenges facing places like Las Vegas, Atlanta and Portland.

The regional economy must now take advantage of these strengths. Austin is entrepreneurial and has a competitive cost of living. The world knows it as a dynamic place to live. Headquarters are attracted here on name alone. Continued business attraction and expansion of high value jobs is essential for living up to our reputation. Technology and clean energy job growth are key to Austin's future.

AngelouEconomics expects 2011 to be a rebuilding year for the region. By 2012, we expect employment to be at 810,200 jobs in the Austin metro area, the highest level in its history. Unemployment should drop to 5.8%, the lowest rate since 2008. The population will grow to 1.91 million, likely making it one of the largest 30 metropolitan areas in the United States.

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2011-12 Economic Forecast

Emerging Opportunities, New Challenges



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