Madison ECONOMIC DEVELOPMENT

Economic Dashboard Report

As of: August 28, 2009

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U.S. current = **9.7%**

WI current = **8.7%**

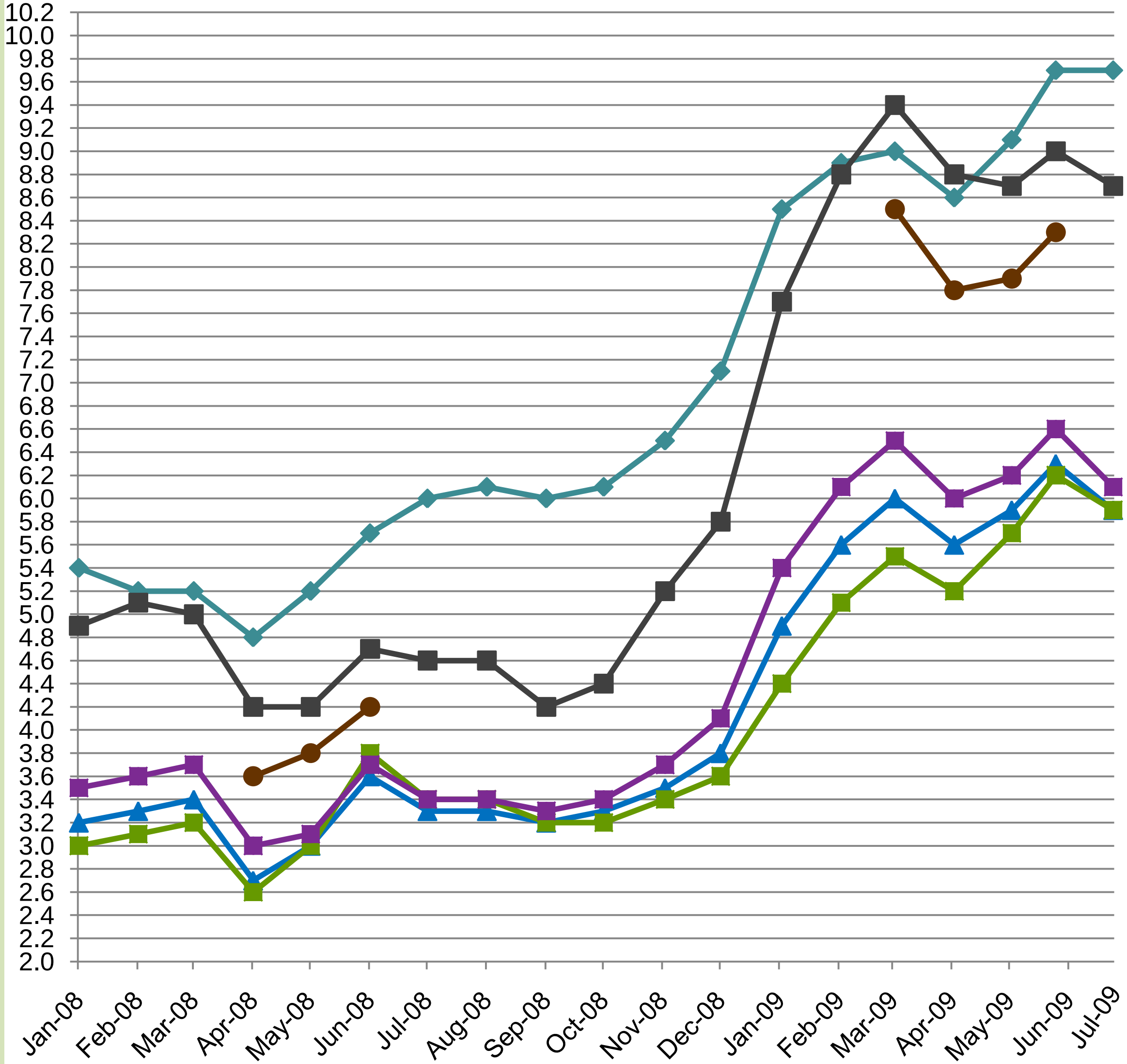
THRIVE, June = **8.3%**

MSA current = **6.1%**

DANE current = **5.9%**

July 2009 UNEMPLOYMENT

Unemployment Rates



CITY OF MADISON current 5.9%

Source: Wis. Dept of Workforce Development, THRIVE

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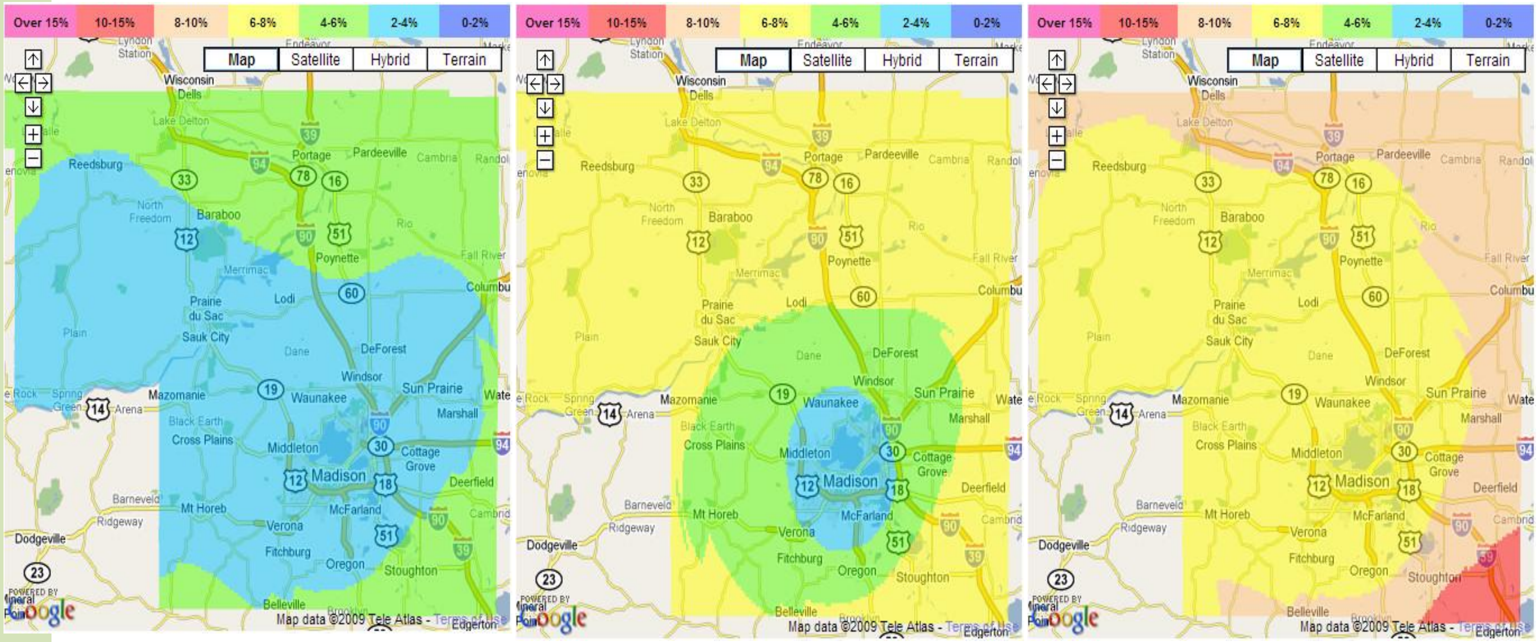
Madison MSA Unemployment Heat Maps



JUNE 2008

JANUARY 2009

JUNE 2009

Over 15%	10-15%	8-10%	6-8%	4-6%	2-4%	0-2%

Source: US Bureau of Labor Statistics

http://www.localetrends.com/metro/madison_wisconsin_home.php?MAP_TYPE=curr_ue

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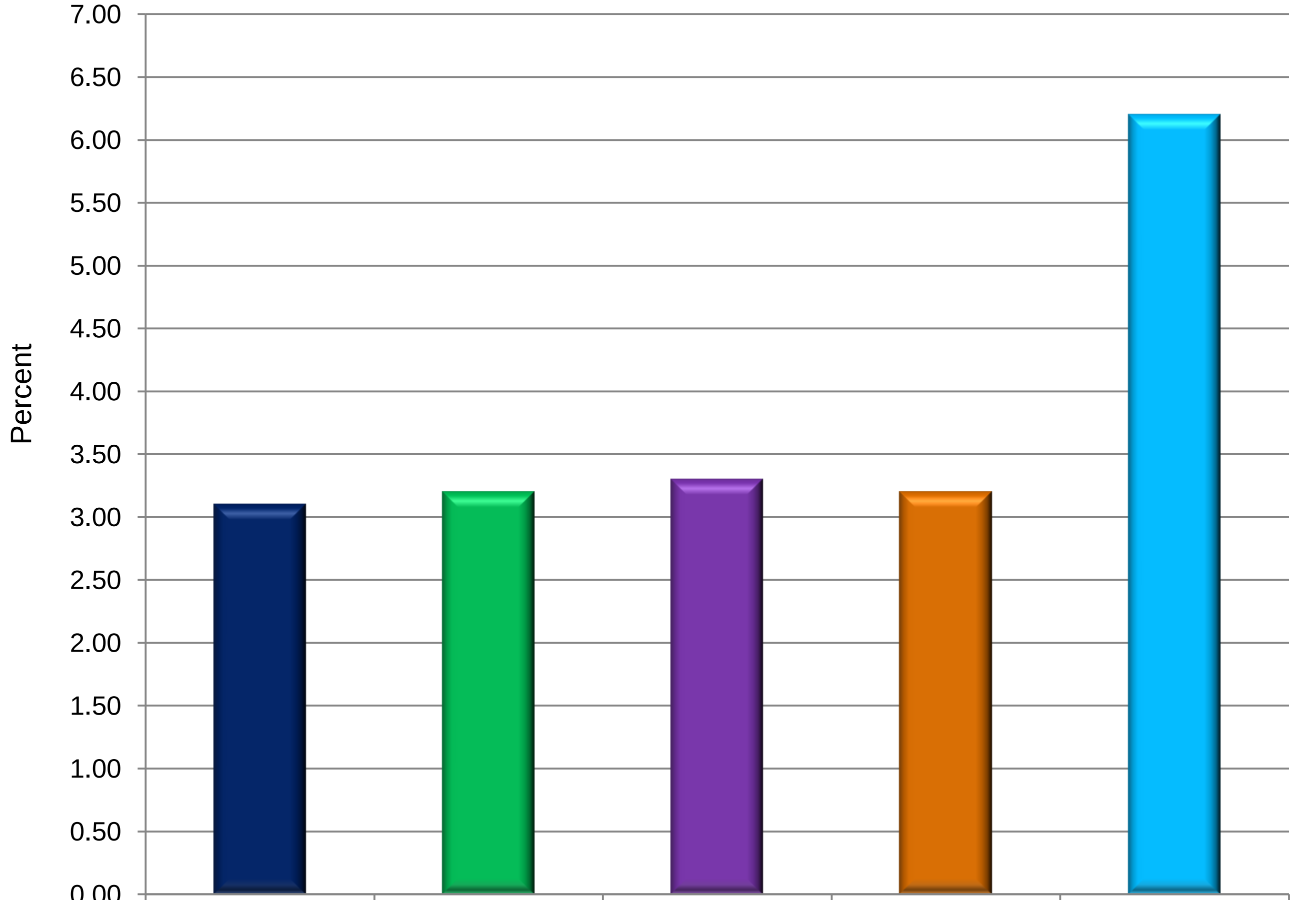
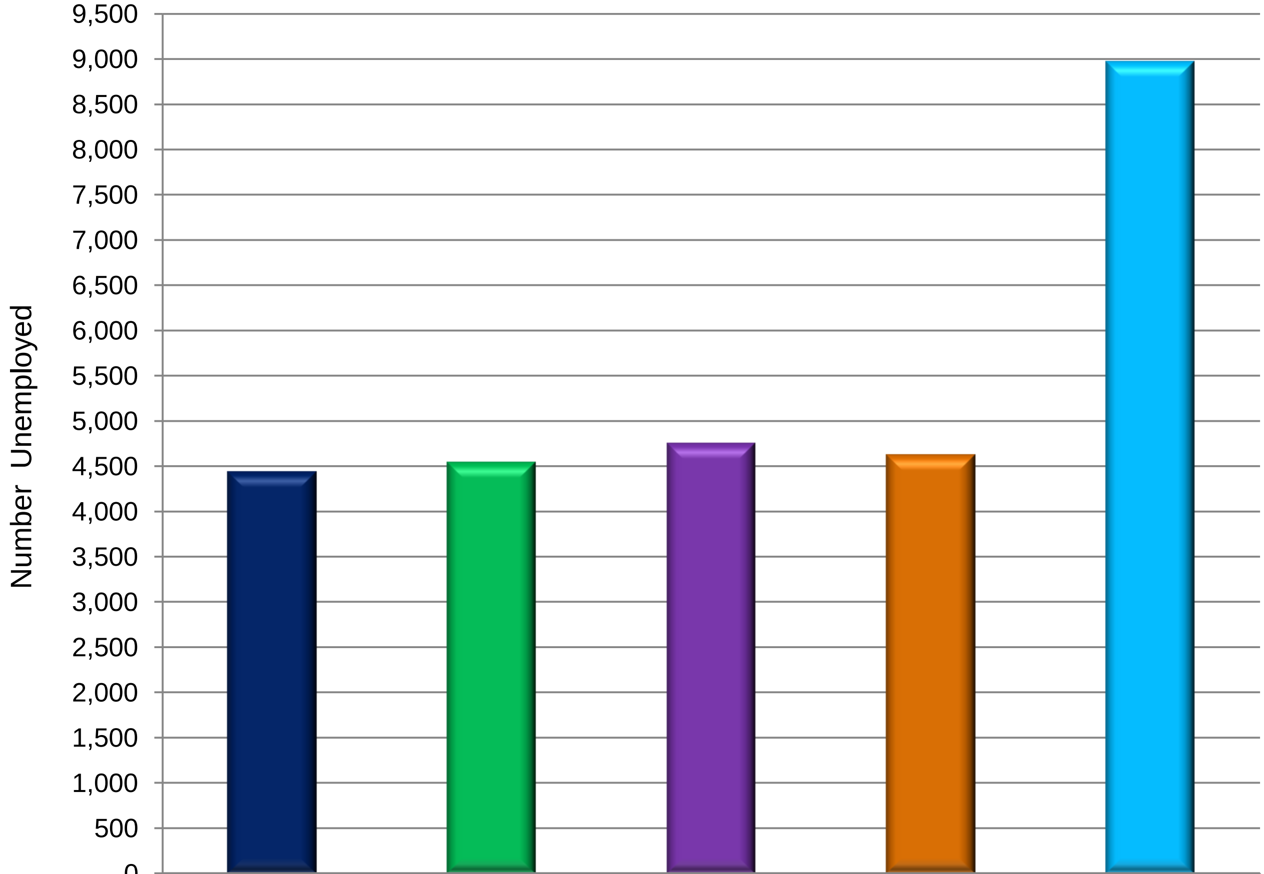
City of Madison Unemployment Rate (U-3)



	2005	2006	2007	2008	2009
Unemployment Rate	3.1	3.2	3.3	3.2	6.2

Source: Wisconsin Dept of Workforce Development

City of Madison Unemployed (U-3)



	2005	2006	2007	2008	2009
Unemployed People	4426	4536	4751	4622	8970

Source: Wisconsin Dept of Workforce Development

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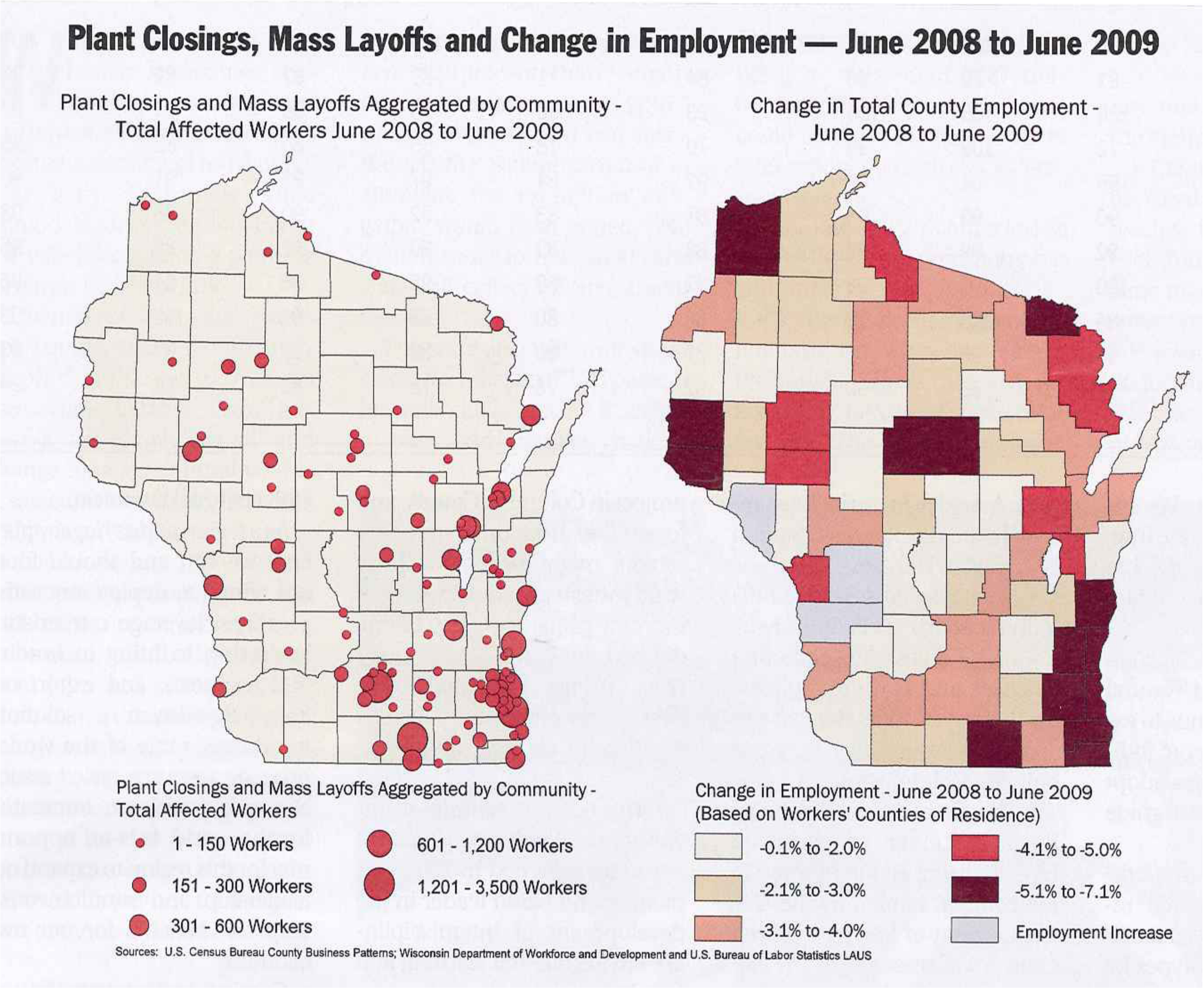

Source: Capital Region Business Journal, September 2009

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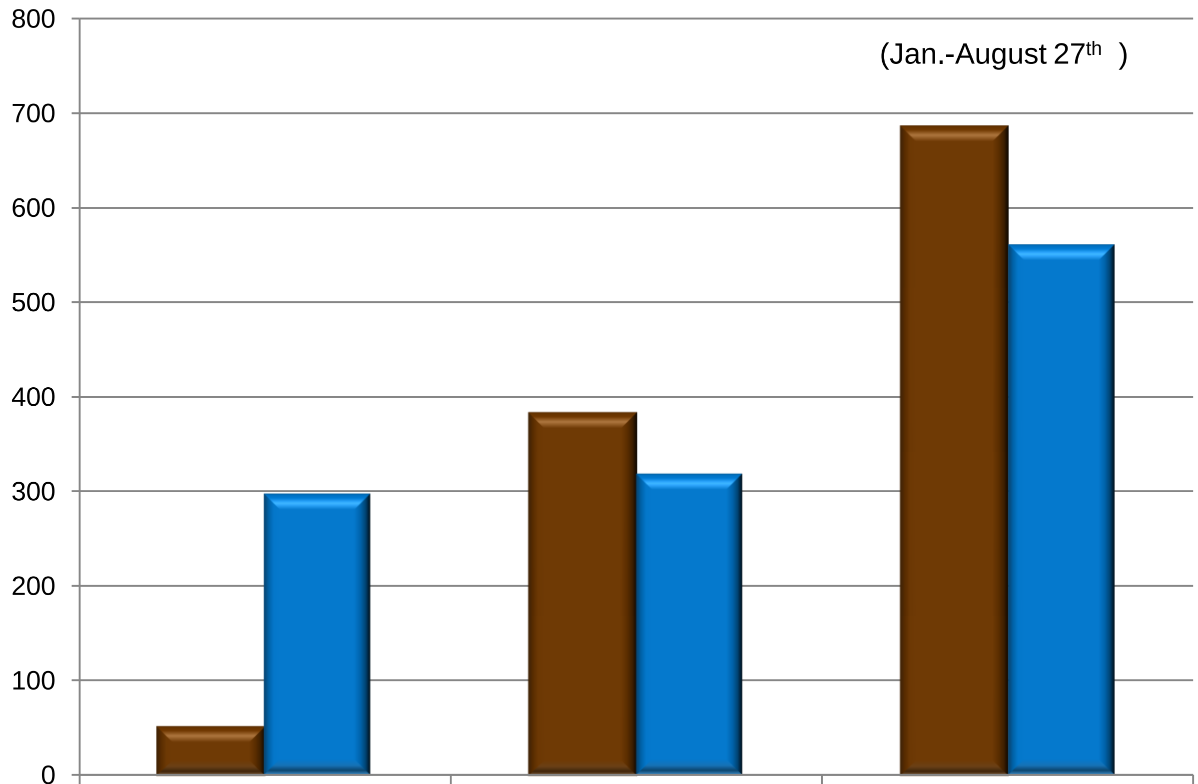
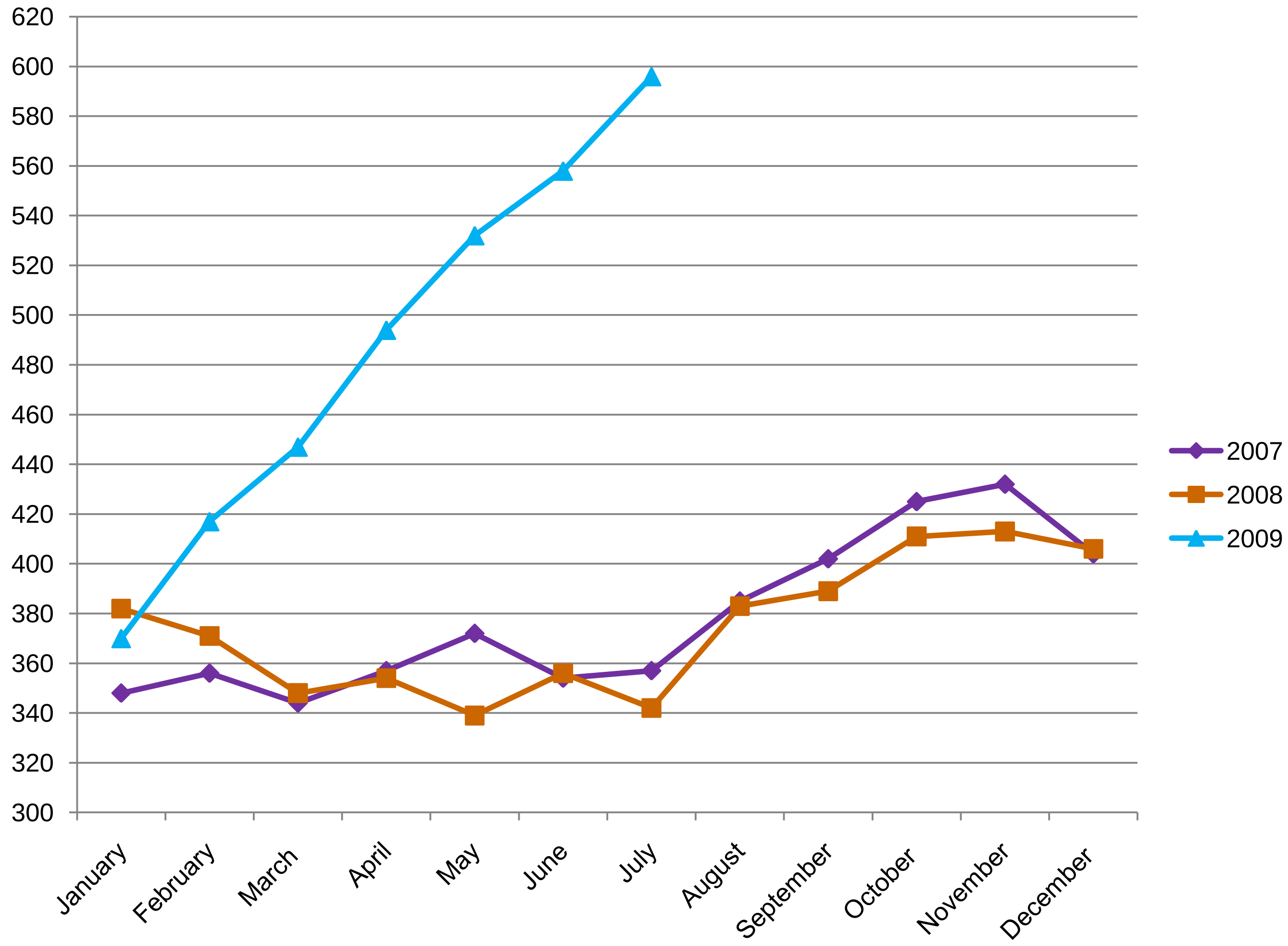
Number of Jobs Eliminated Due to Plant Closings and Mass Layoff Notices in the City of Madison



	2007	2008	2009
Closing	50	382	685
Layoff	297	318	560

Source: Wisconsin Dept of Workforce Development

Dane County W2 Caseload



Source: State of Wisconsin

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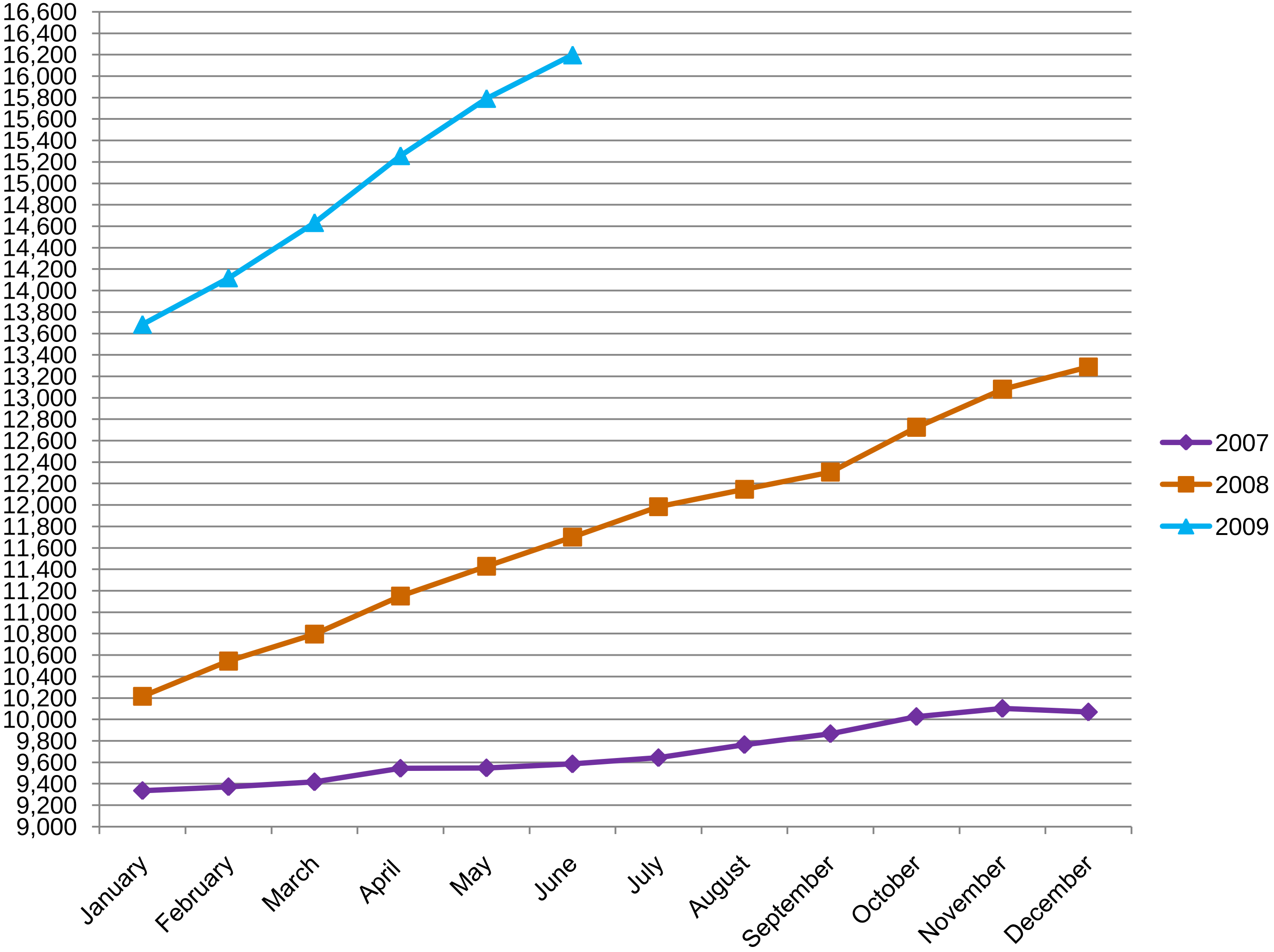
Dane County Food Stamps (Food Share)

Unduplicated Recipients



Source: State of Wisconsin

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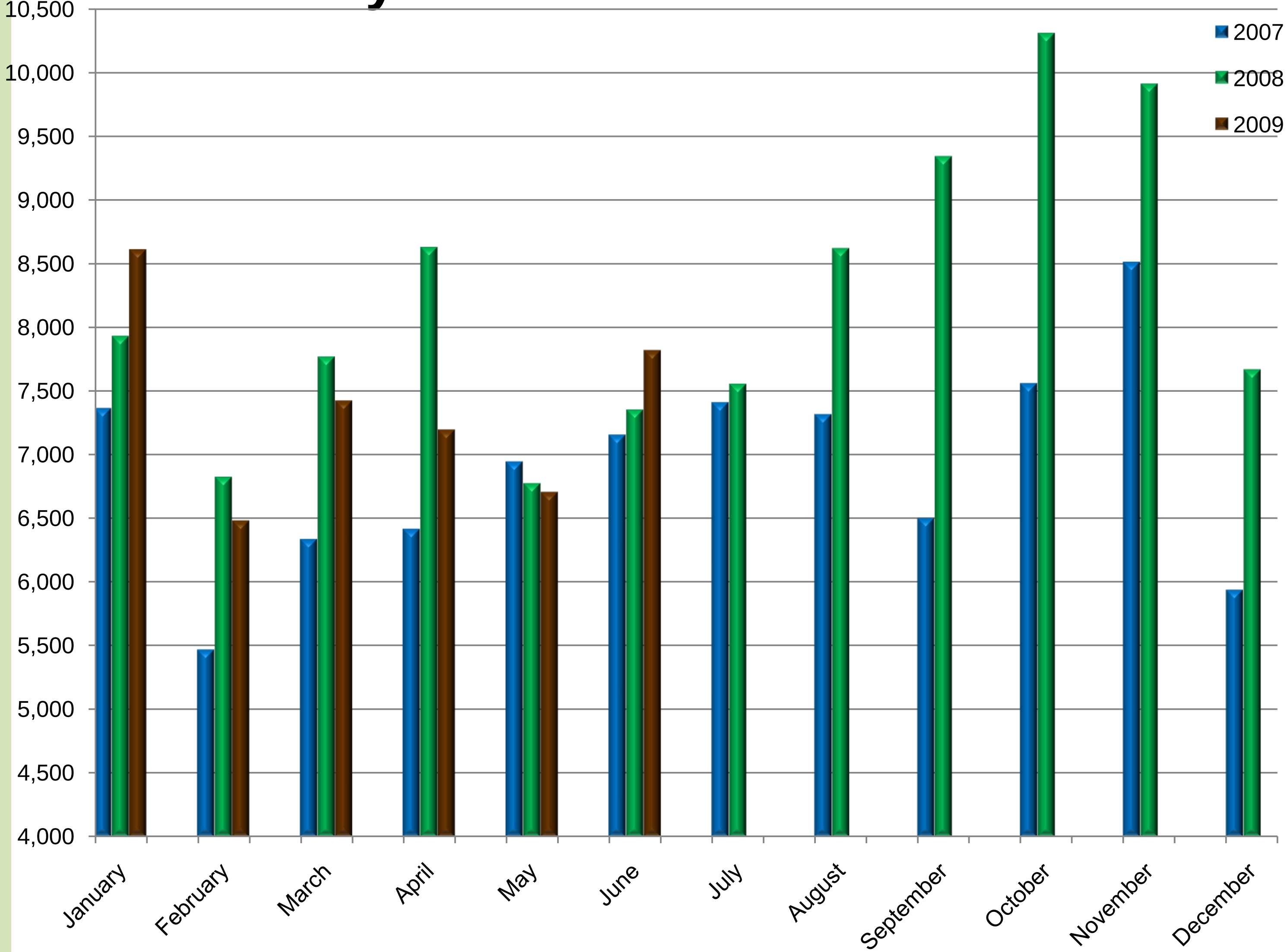
Household Visits to Food Pantries in Dane County



Source: City of Madison Community Development Division

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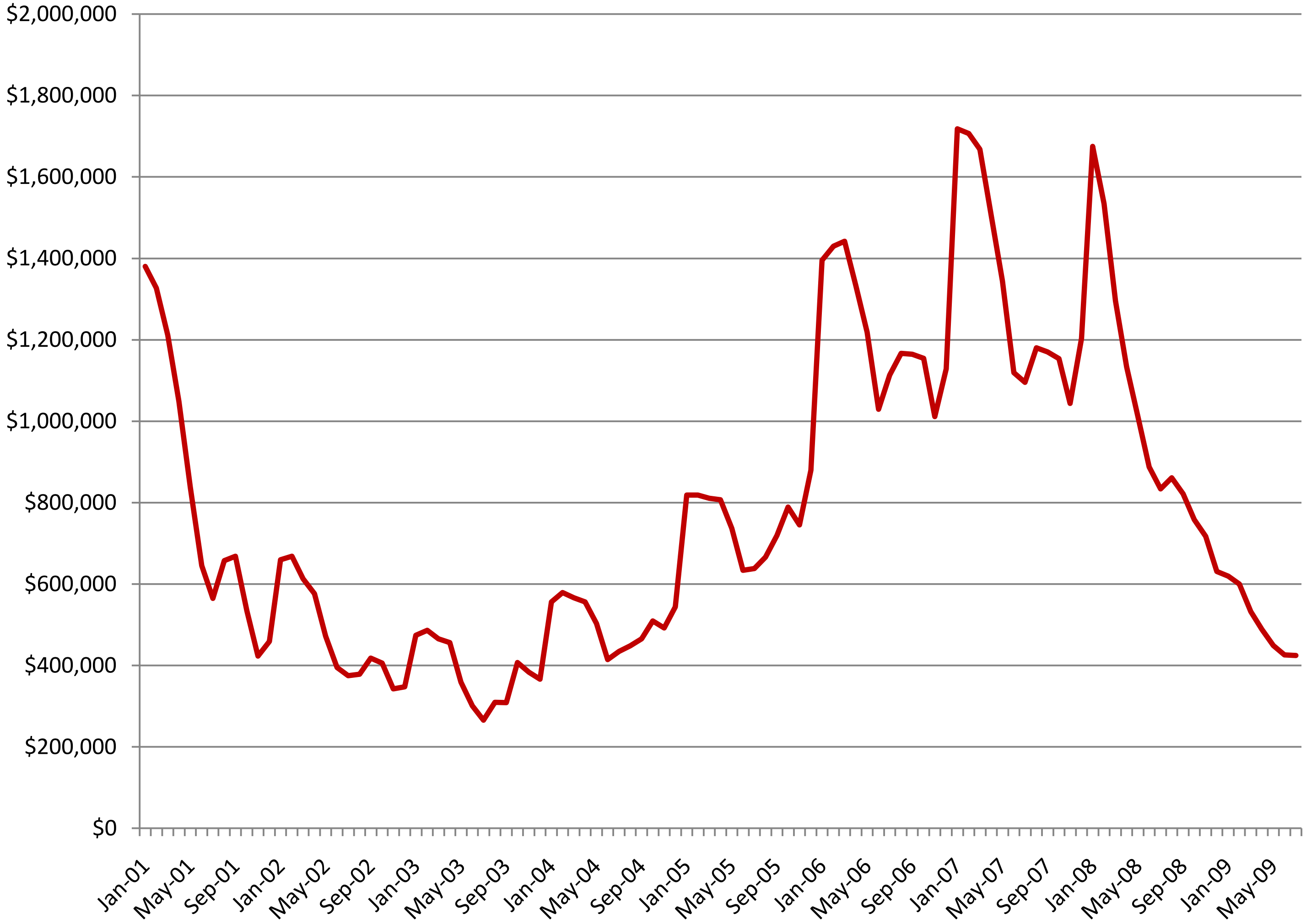
City Investment Income



Source: City of Madison Treasurer's Office

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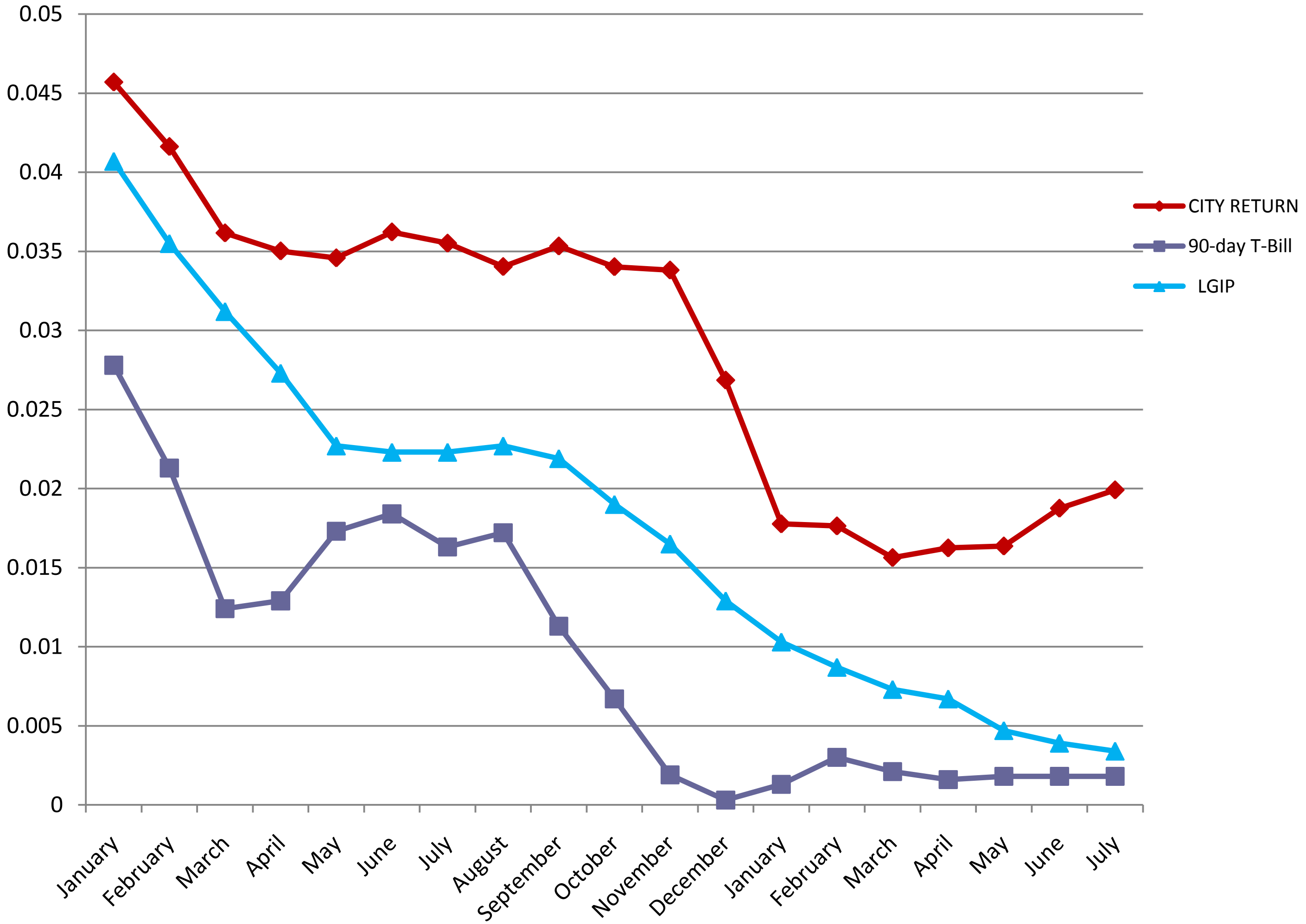
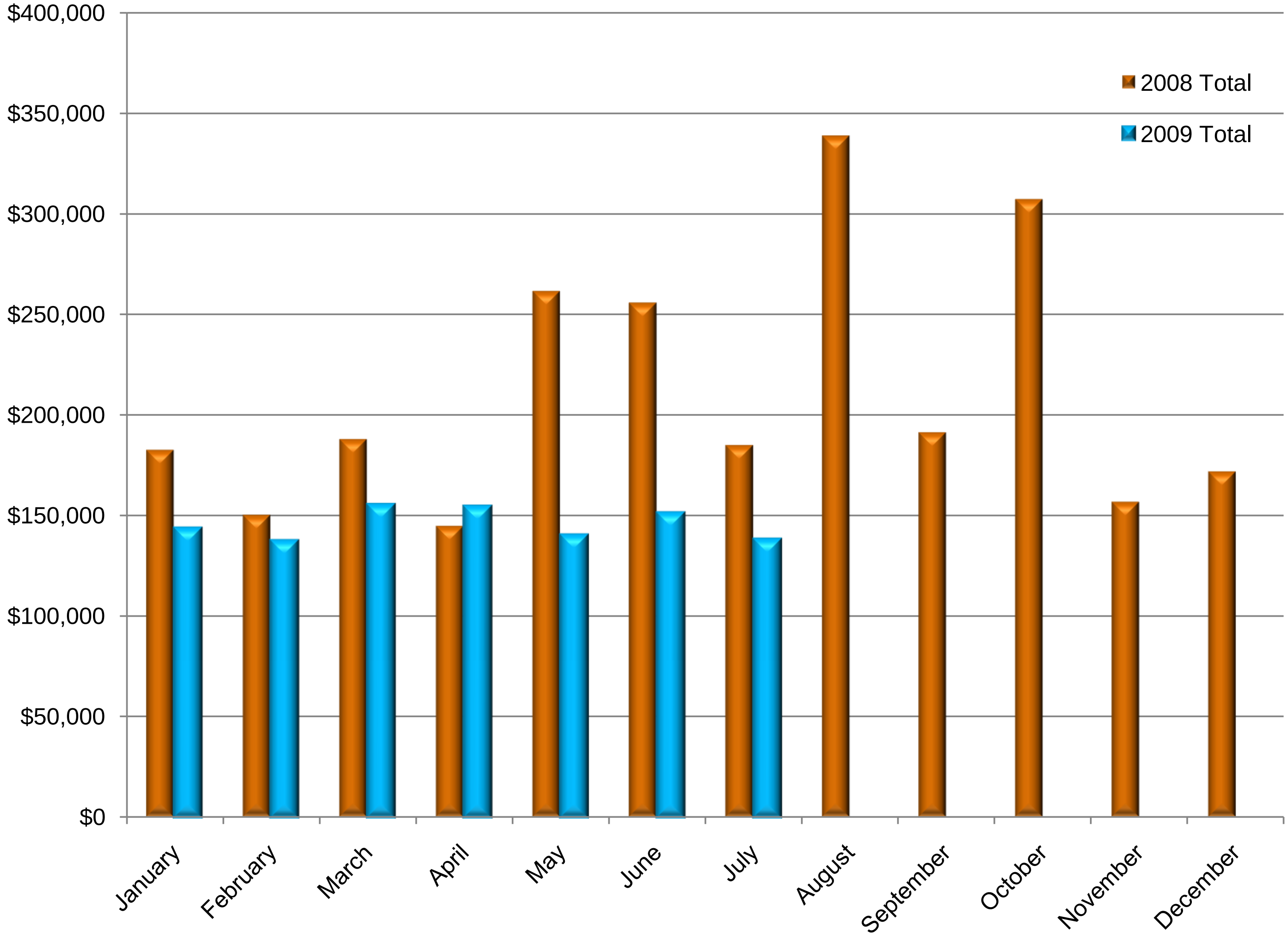
City Short-Term Investment Returns
2008-Present



Source: City of Madison Treasurer's Office

City of Madison Total Permit Fees



Source: City of Madison Building Inspection Division

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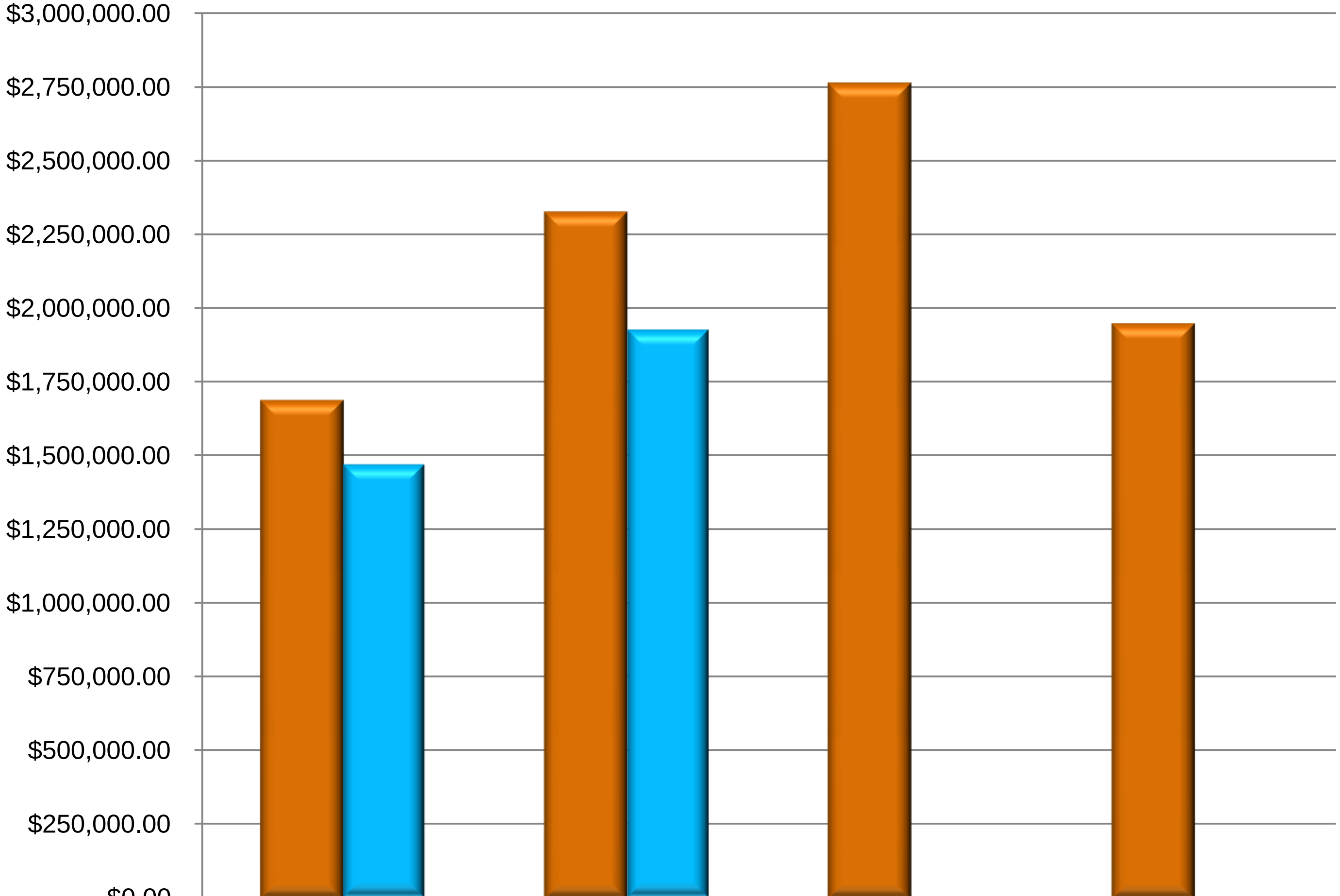
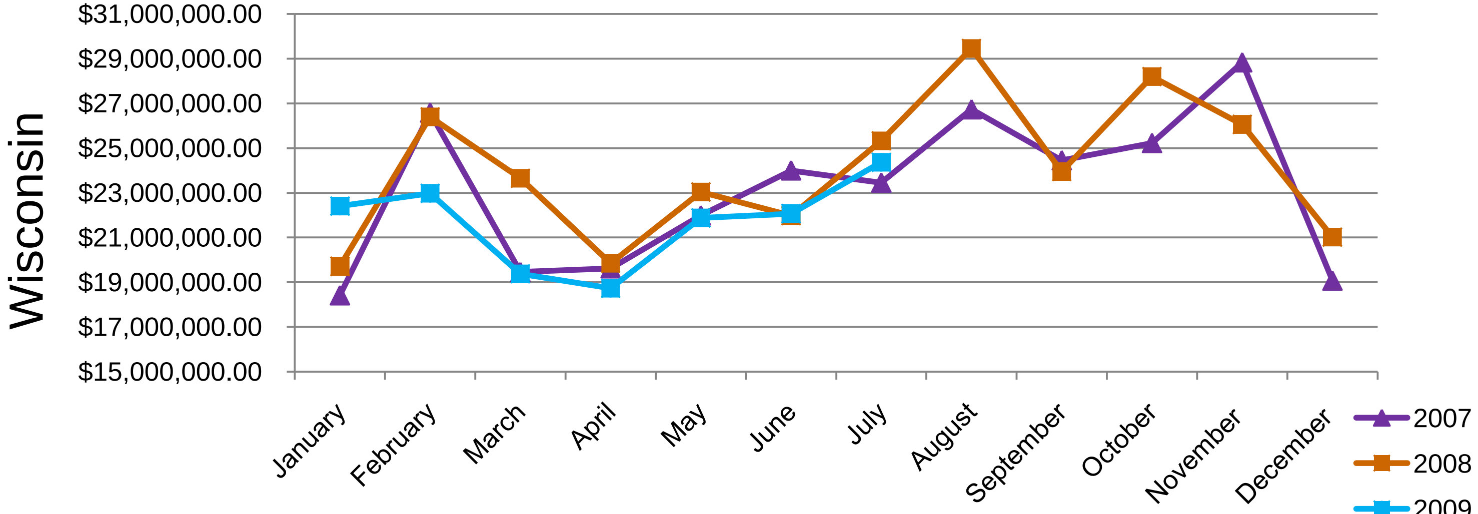
City of Madison Hotel Tax Revenues

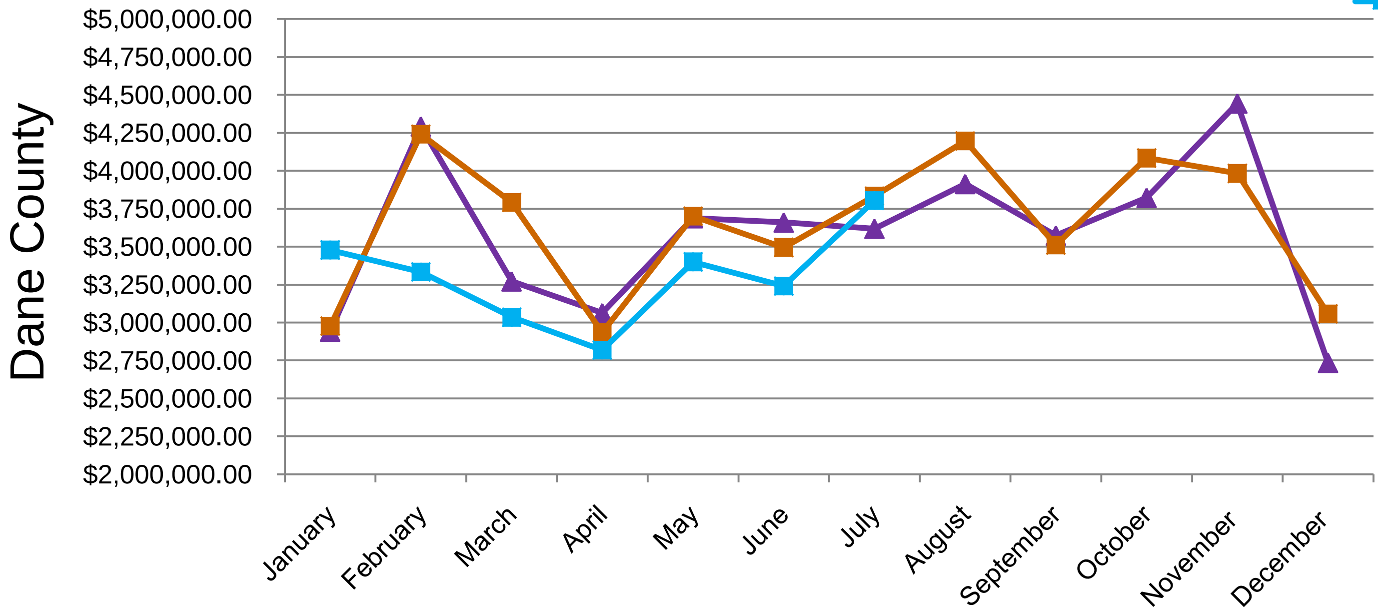


	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2008	$1,681,936.43	$2,319,676.45	$2,755,571.50	$1,941,200.49
2009	$1,468,252.47	$1,924,653.99		

Source: City of Madison Treasurer's Office

Sales Tax Revenues





Source: Wisconsin Dept. of Revenue

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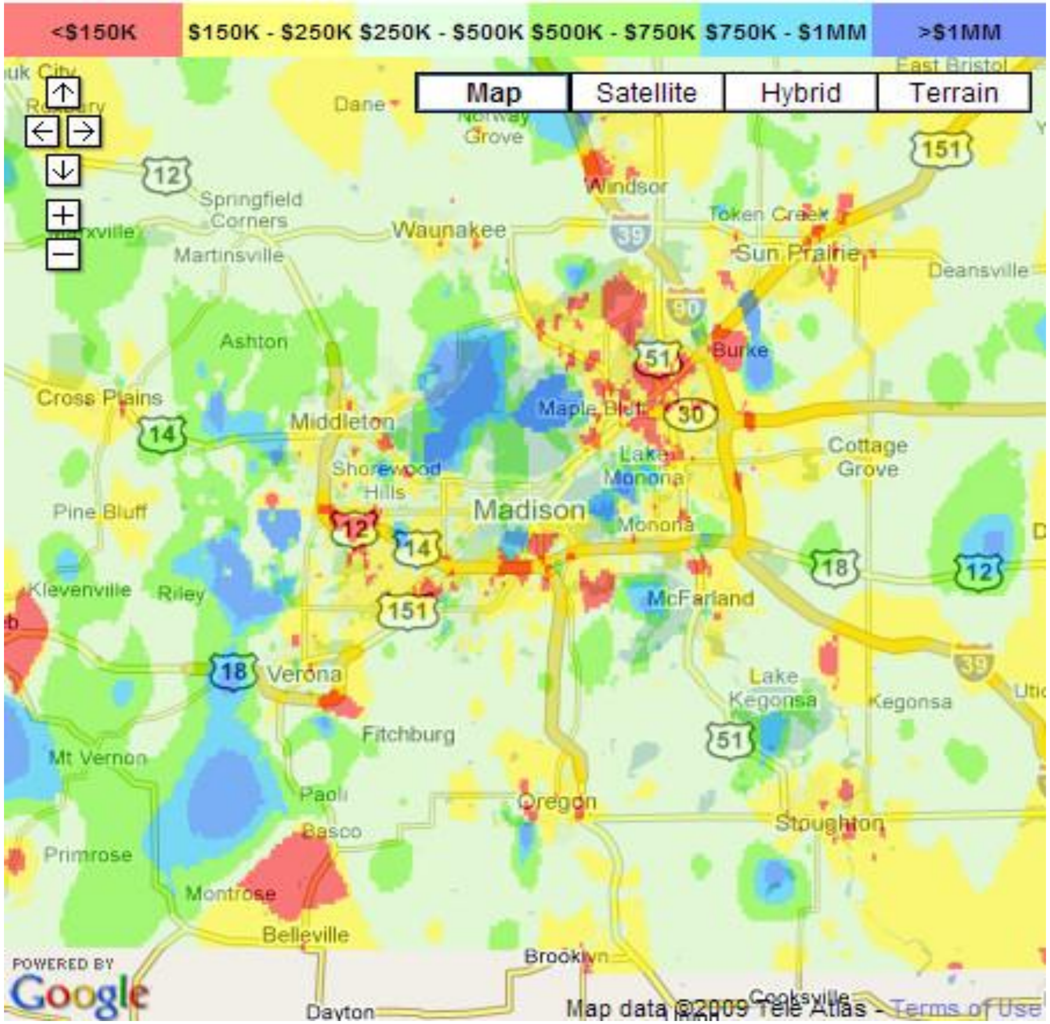
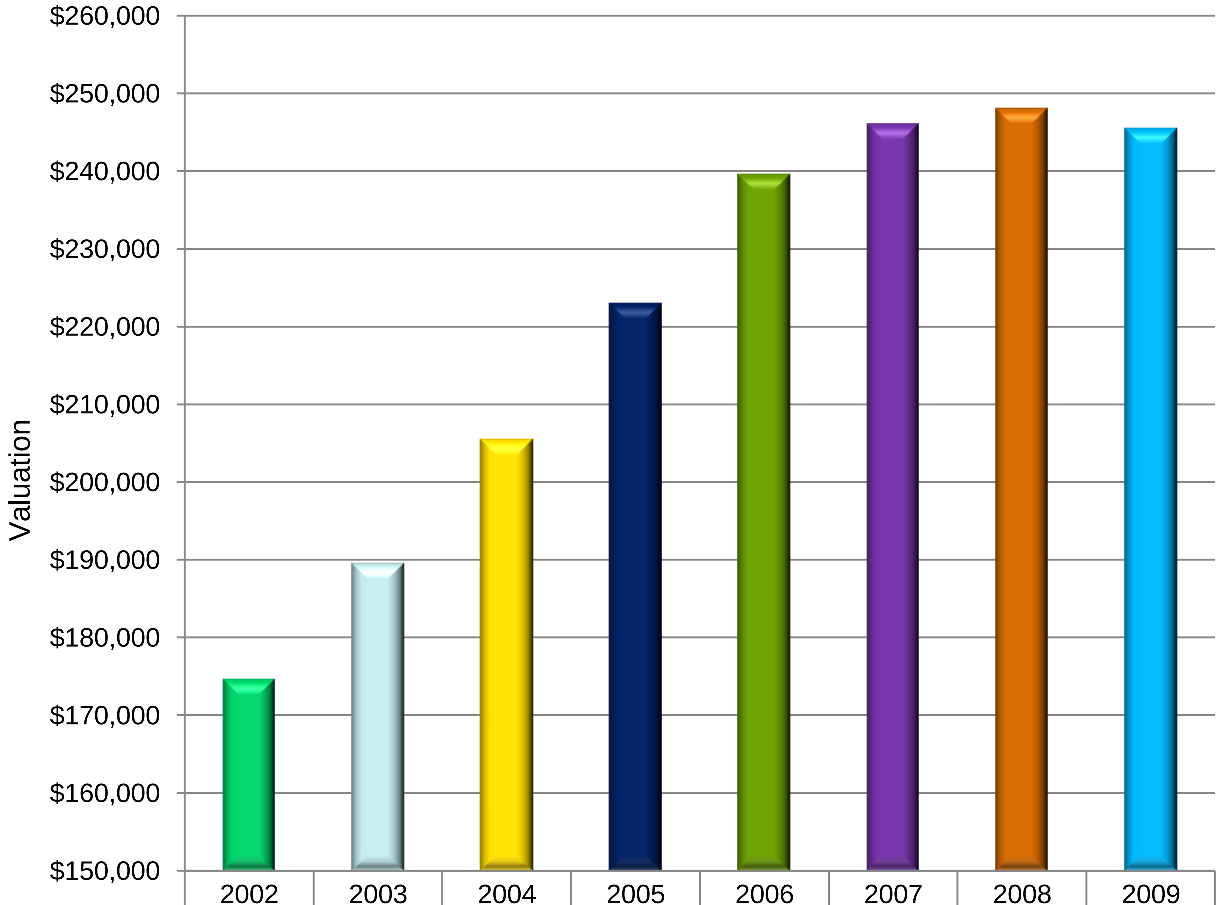
Madison MSA Home Price Heat Map



Source: Locale Trends Tracker

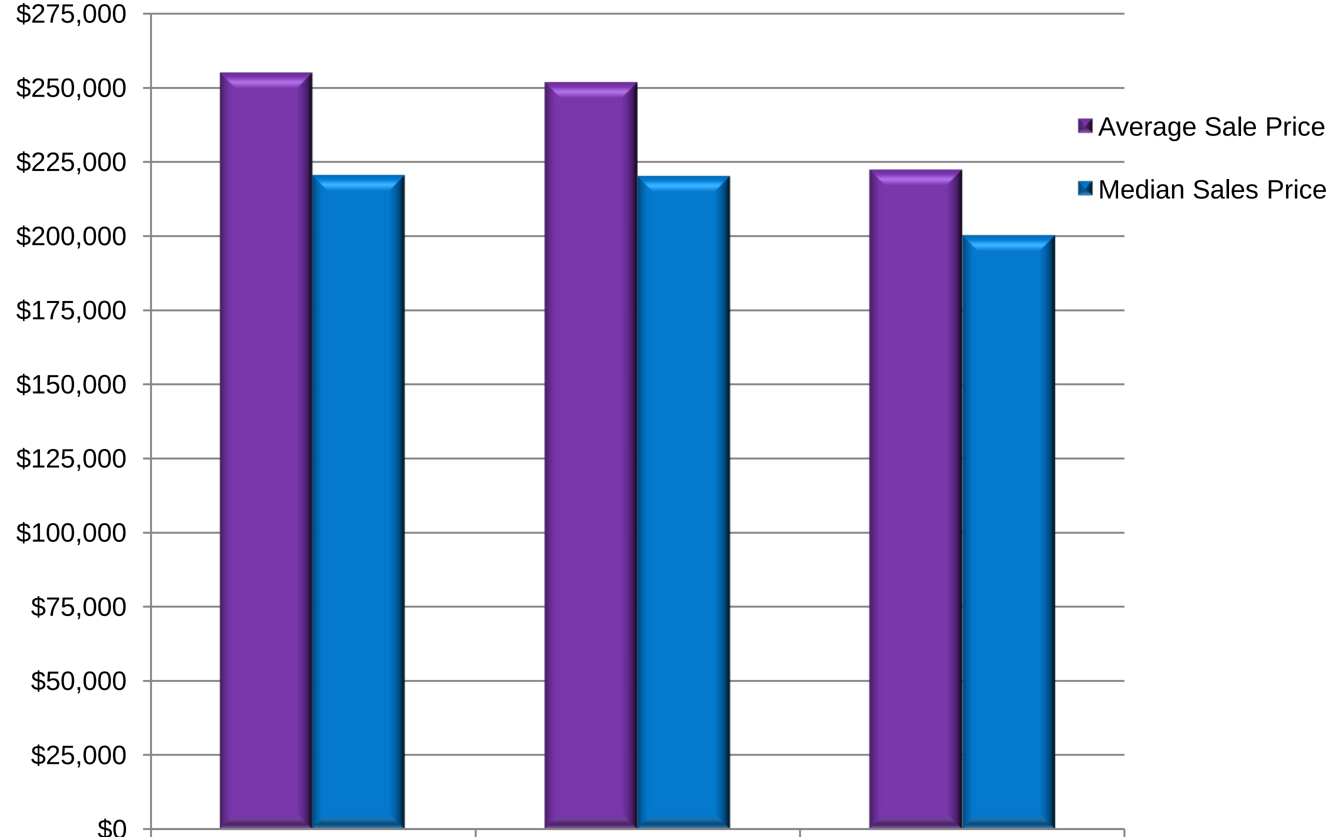
City of Madison Average Single Family Home Value



	2002	2003	2004	2005	2006	2007	2008	2009
Valuation	174,557	189,484	205,359	222,928	239,449	246,062	247,974	245,424

Source: City of Madison Assessor's Office

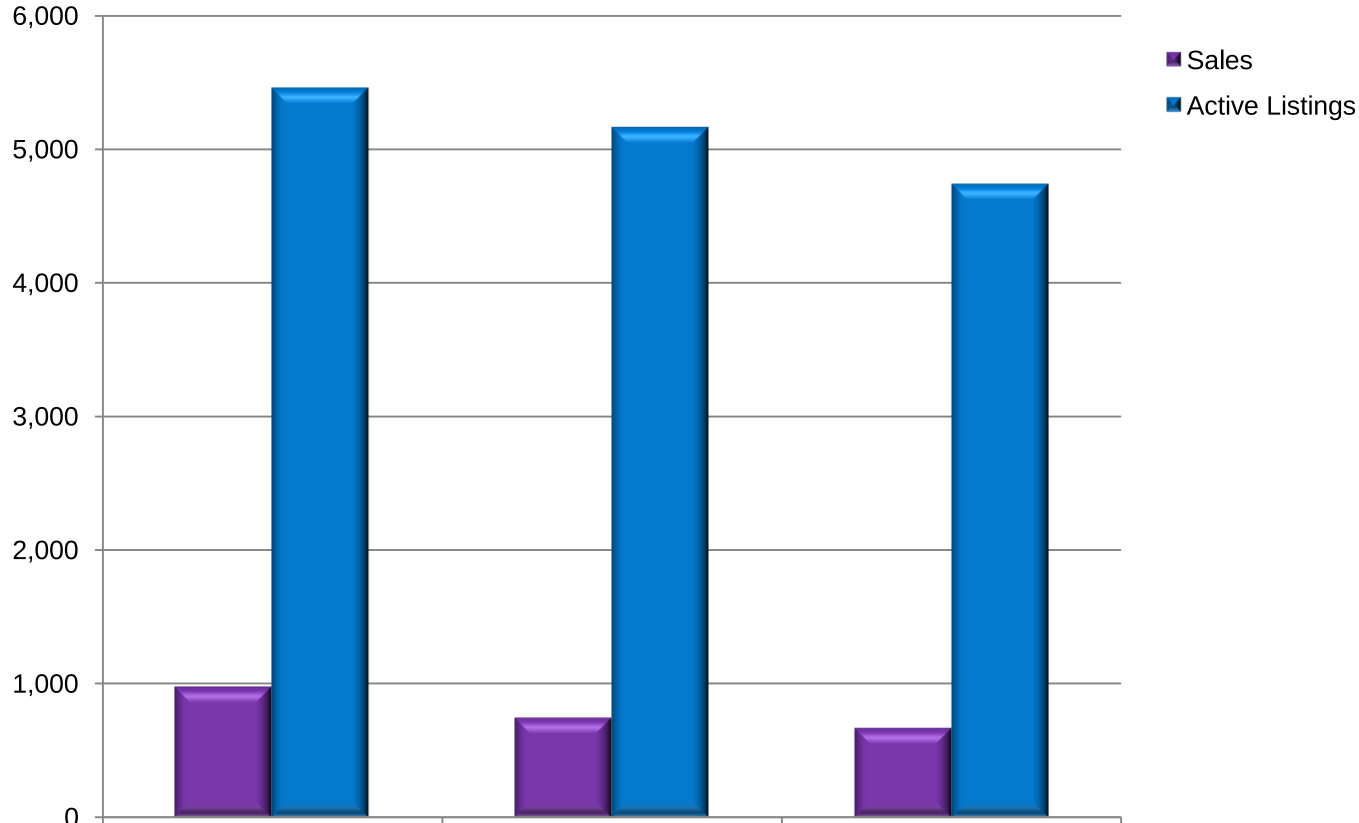
Dane County Residential Sale Prices
(including condominiums – June)



	2007	2008	2009
Average Sale Price	254969	251729	222257
Median Sales Price	220350	220000	200000

Source: South Central Wisconsin MLS Corp.

Dane County residential Sales Listings (including condominiums - June)



	2007	2008	2009
Sales	972	743	666
Active Listings	5458	5162	4740

Source: South Central Wisconsin MLS Corp.

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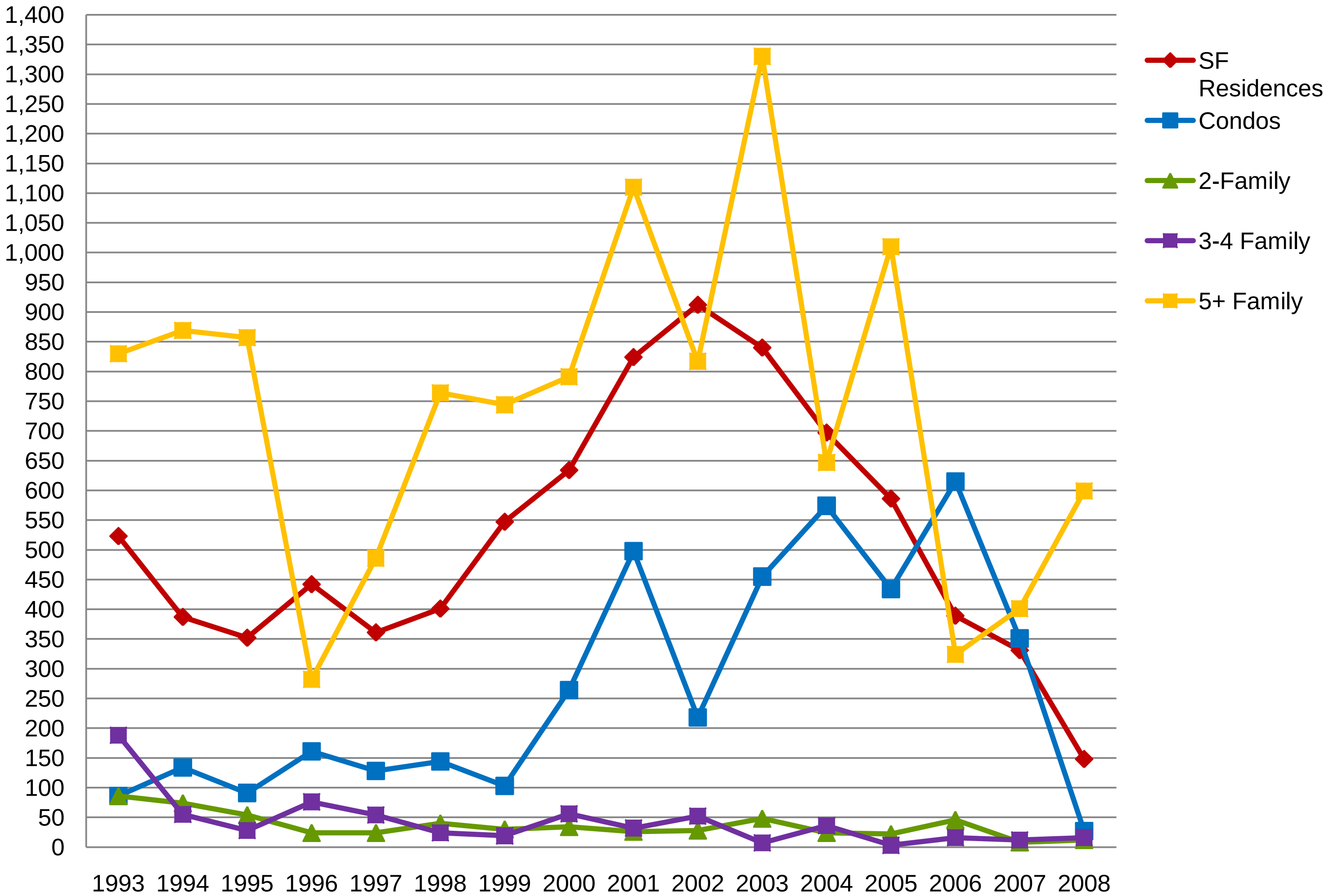
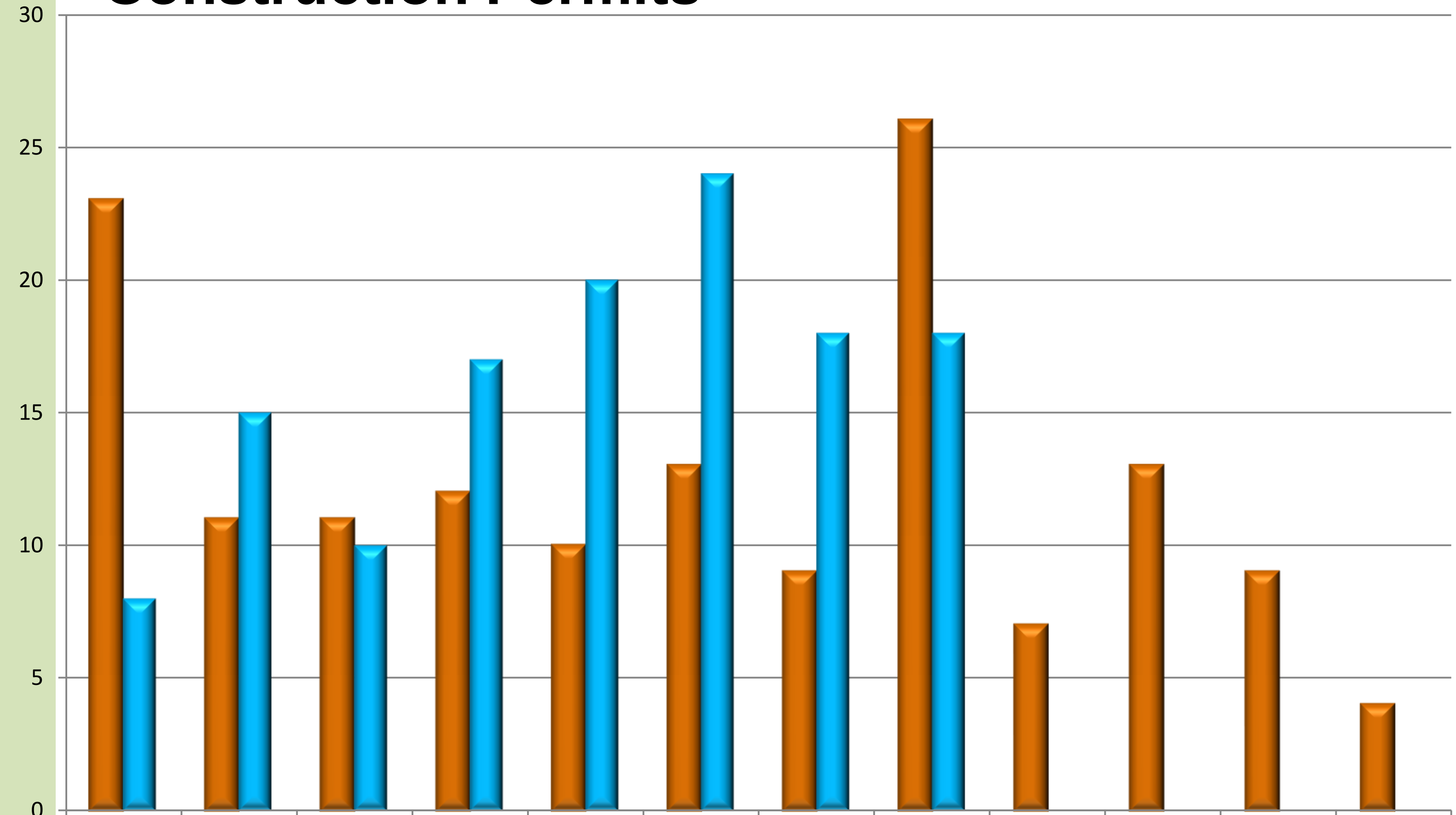
Annual Number of New Residential Building Permits



Source: City of Madison Building Inspection Division

City of Madison New Single Family Home Construction Permits



	January	February	March	April	May	June	July	August	September	October	November	December
2008	23	11	11	12	10	13	9	26	7	13	9	4
2009	8	15	10	17	20	24	18	18				

Source: City of Madison Building Inspection Division (1st -24th)

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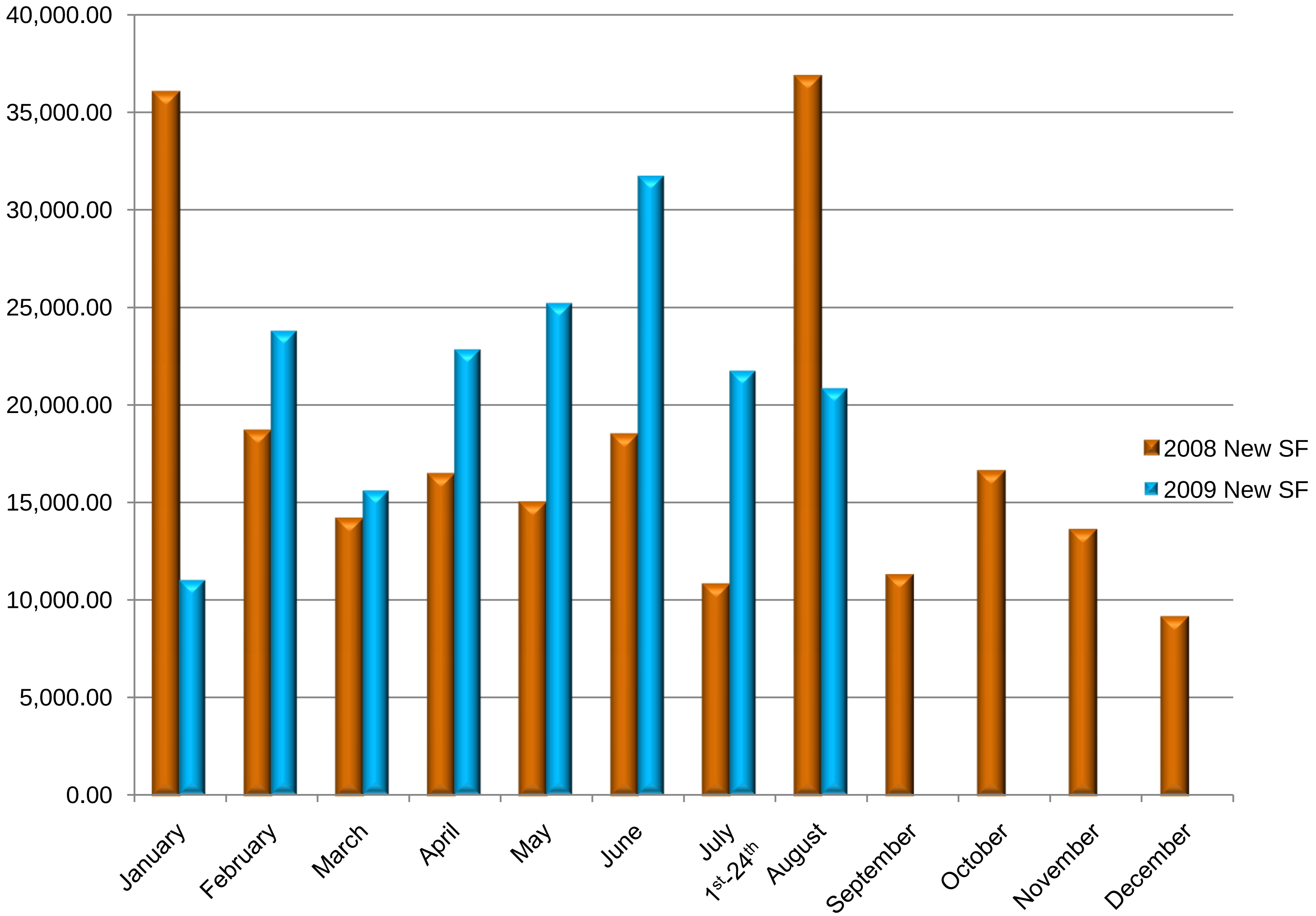
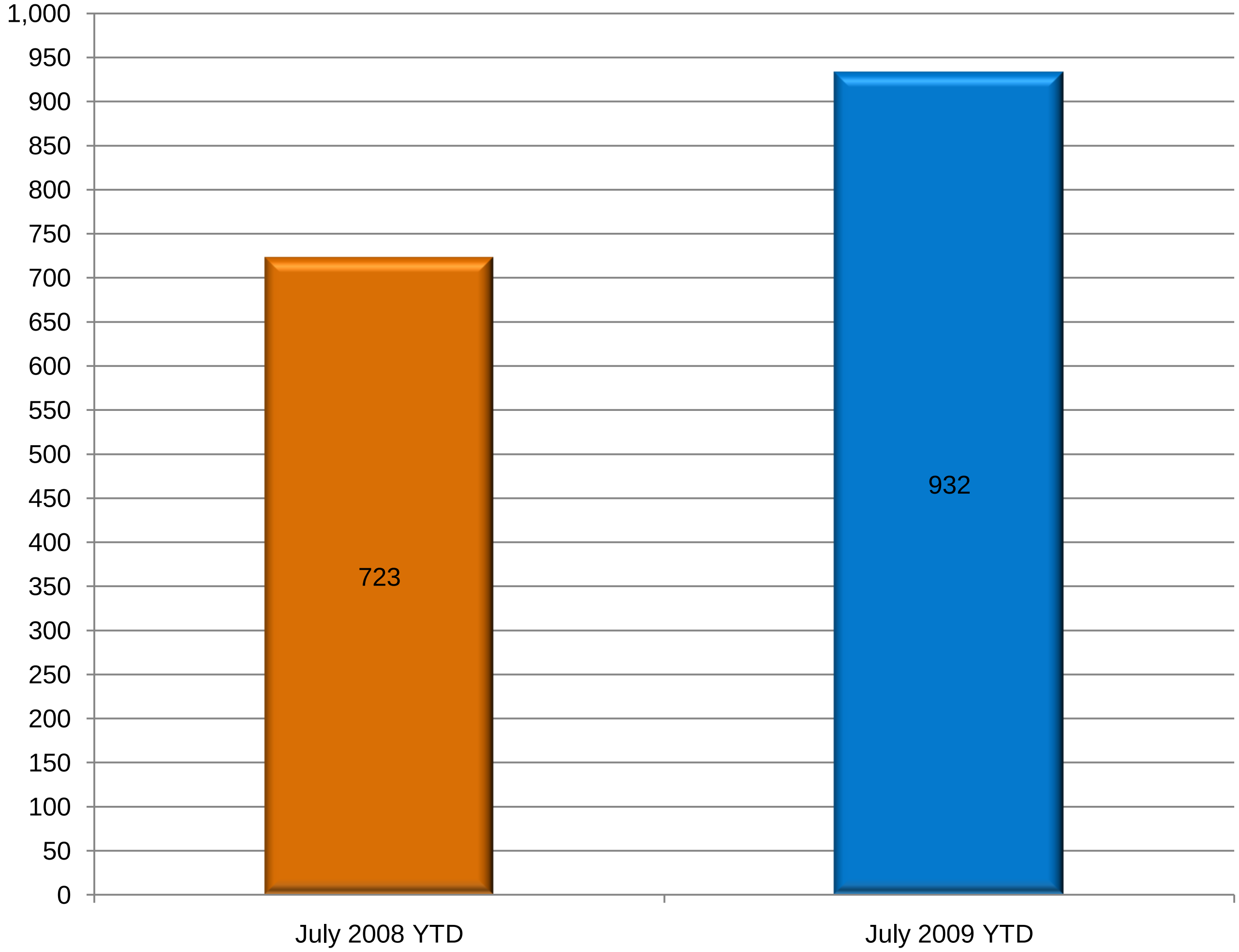
City of Madison New Single Family Permit Fees



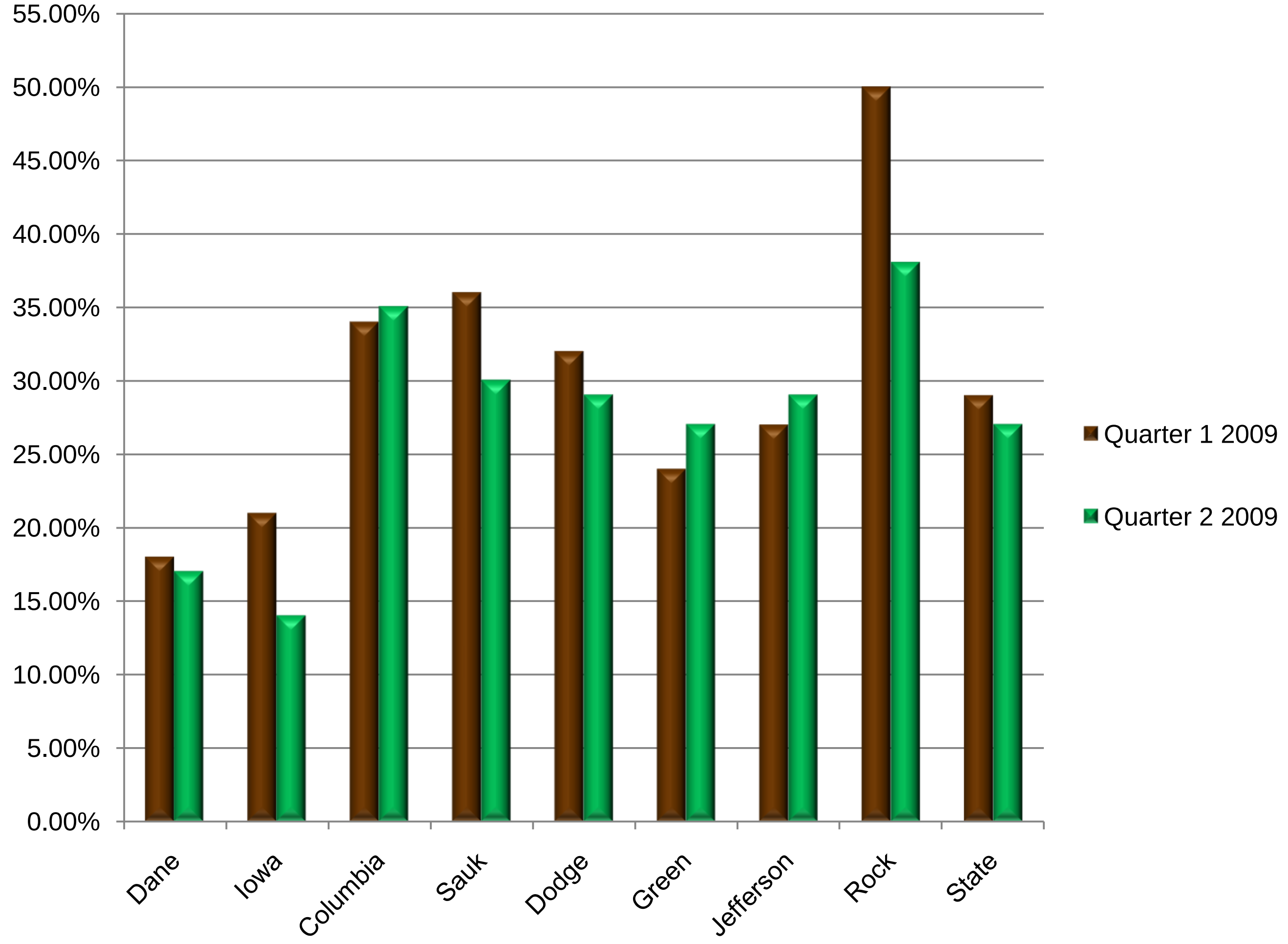
Source: City of Madison Building Inspection Division

Number of Dane County Foreclosures



Source: www.madisonrealestatemarket.com

Percentage of Housing Units in Foreclosure



Source: UW Extension

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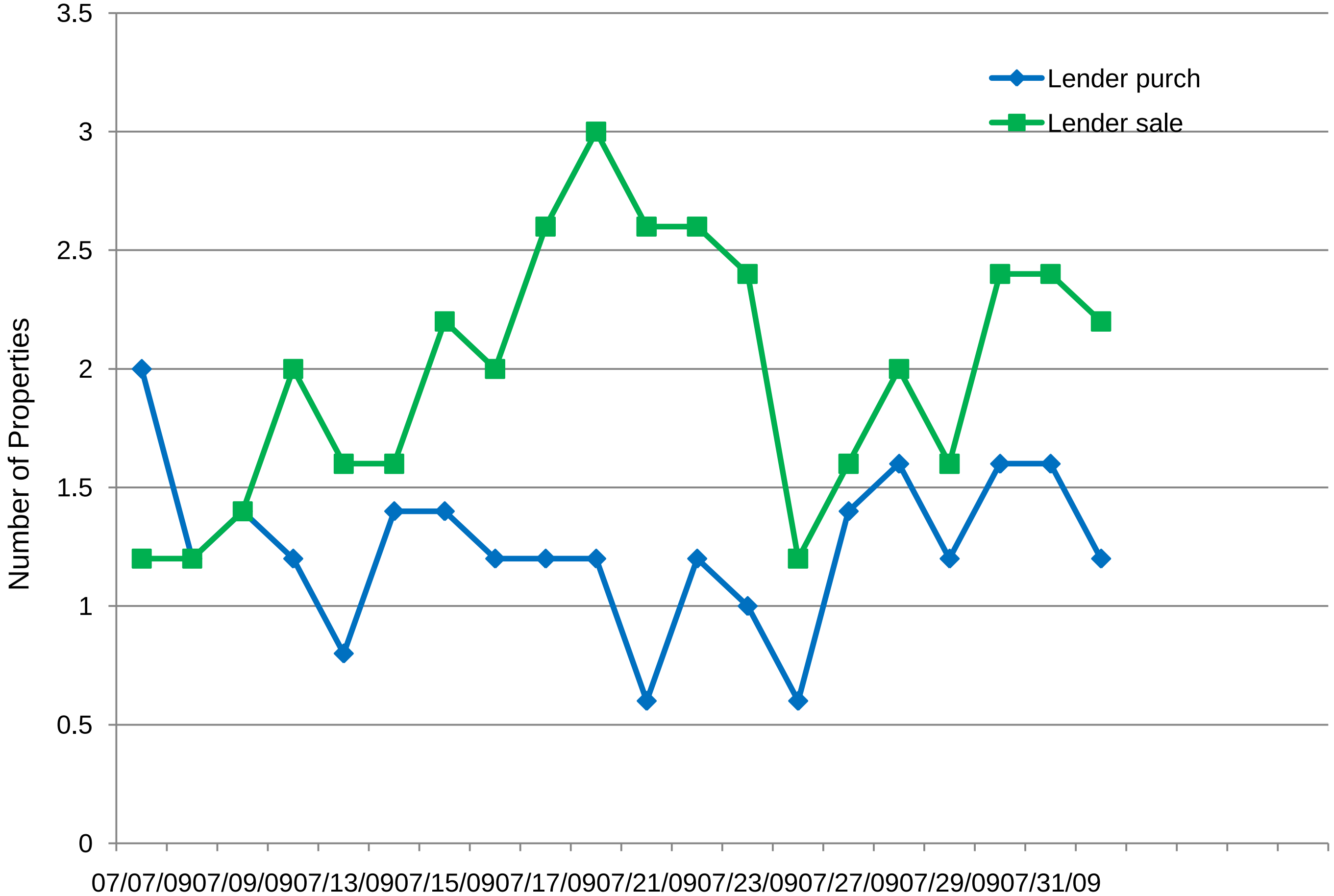
City of Madison Property Purchased and Resold



Source: City of Madison Treasurer's Office

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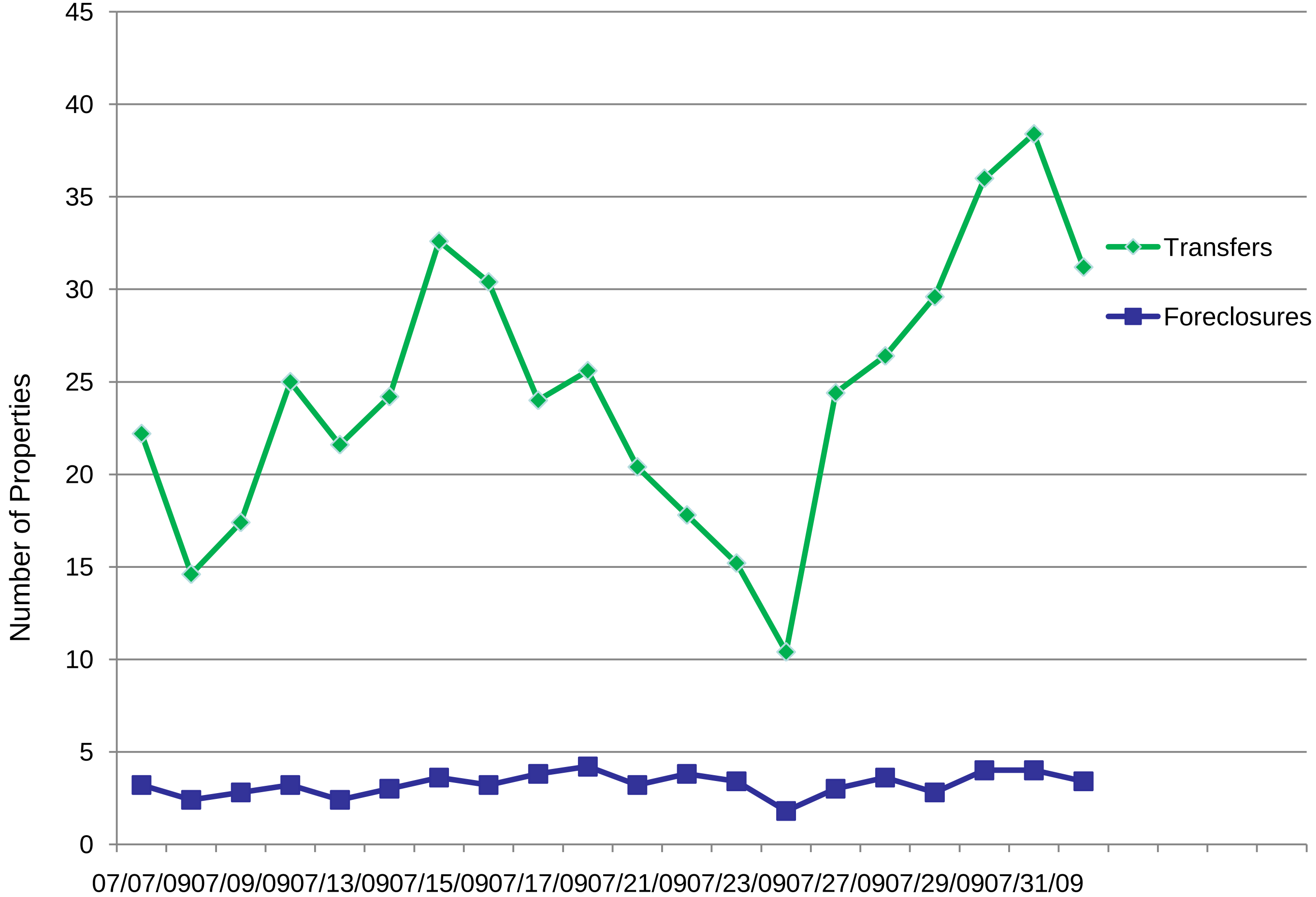
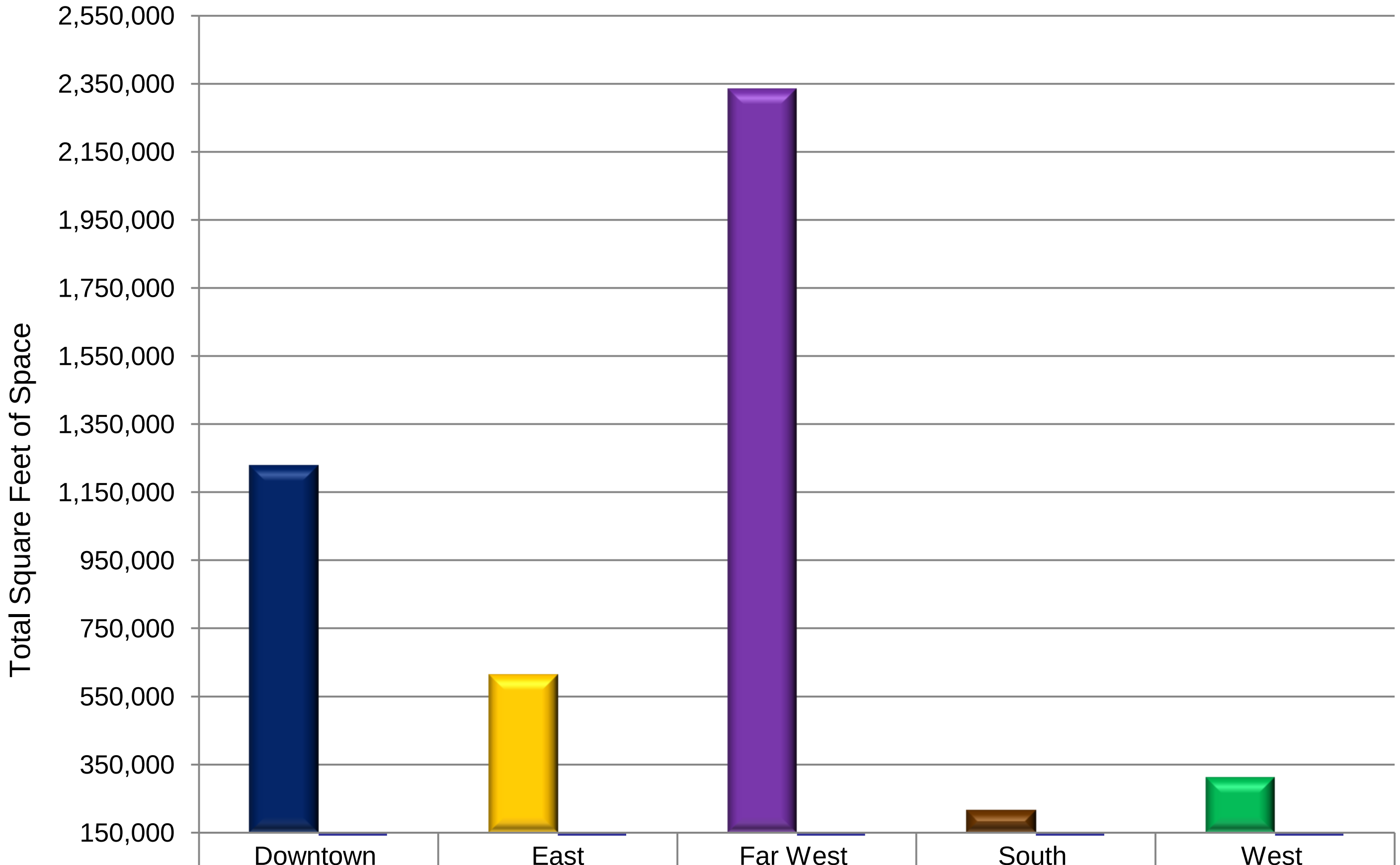
Third Party Real Estate Transfers in City of Madison



Source: City of Madison Treasurer's Office

Inventory and Vacancy of Class A Office Space Qtr 2, 2009



	Downtown	East	Far West	South	West
Inventory	1,225,154	612,600	2,333,958	215,000	310,795
Vacancy rate	7.90%	15.50%	16.60%	40.50%	34.40%

Source: Oakbrook Commercial Real Estate, Inc.

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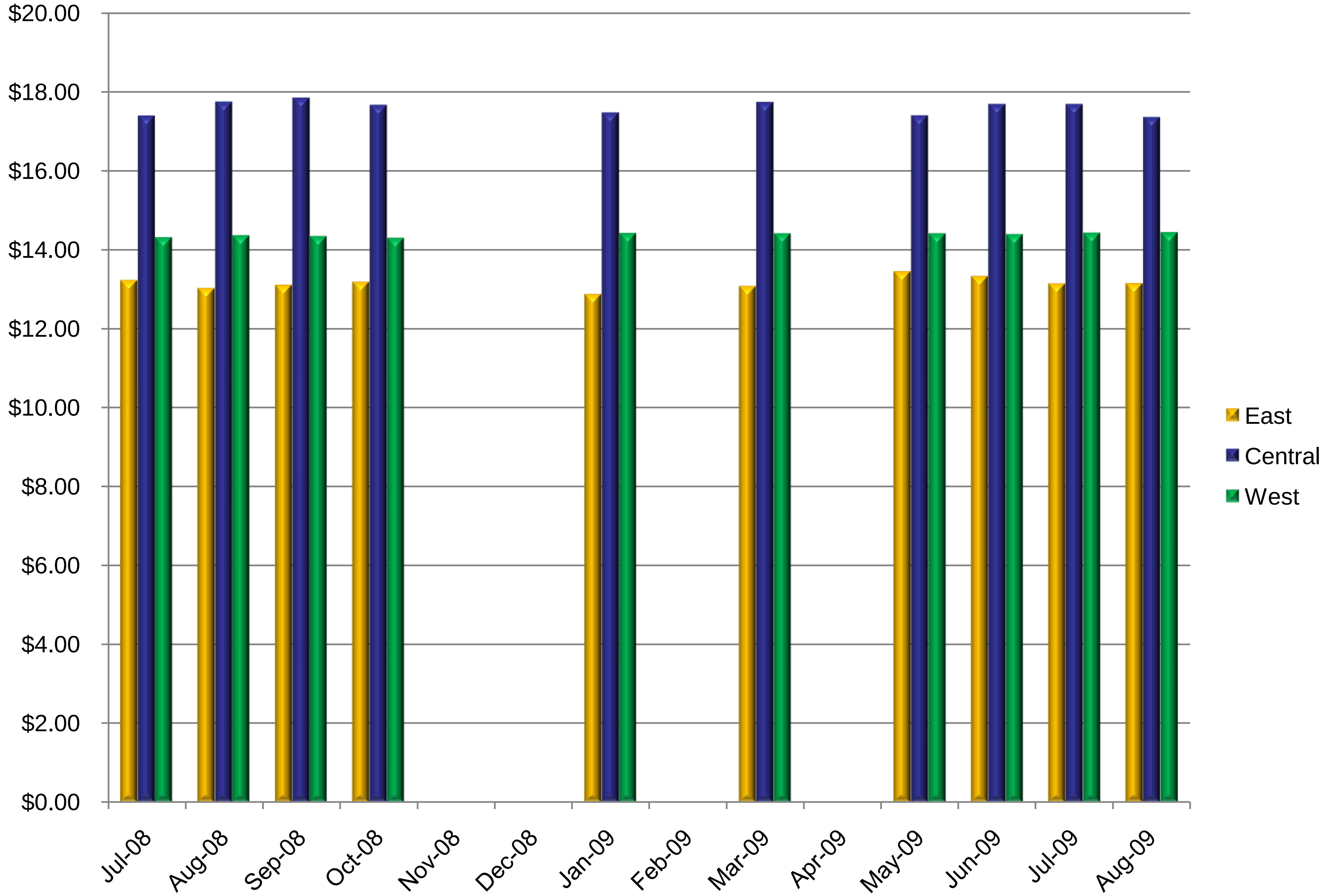
Madison Area Office Space Per Square Foot Rental Costs



Source: Capital Region Business Journal

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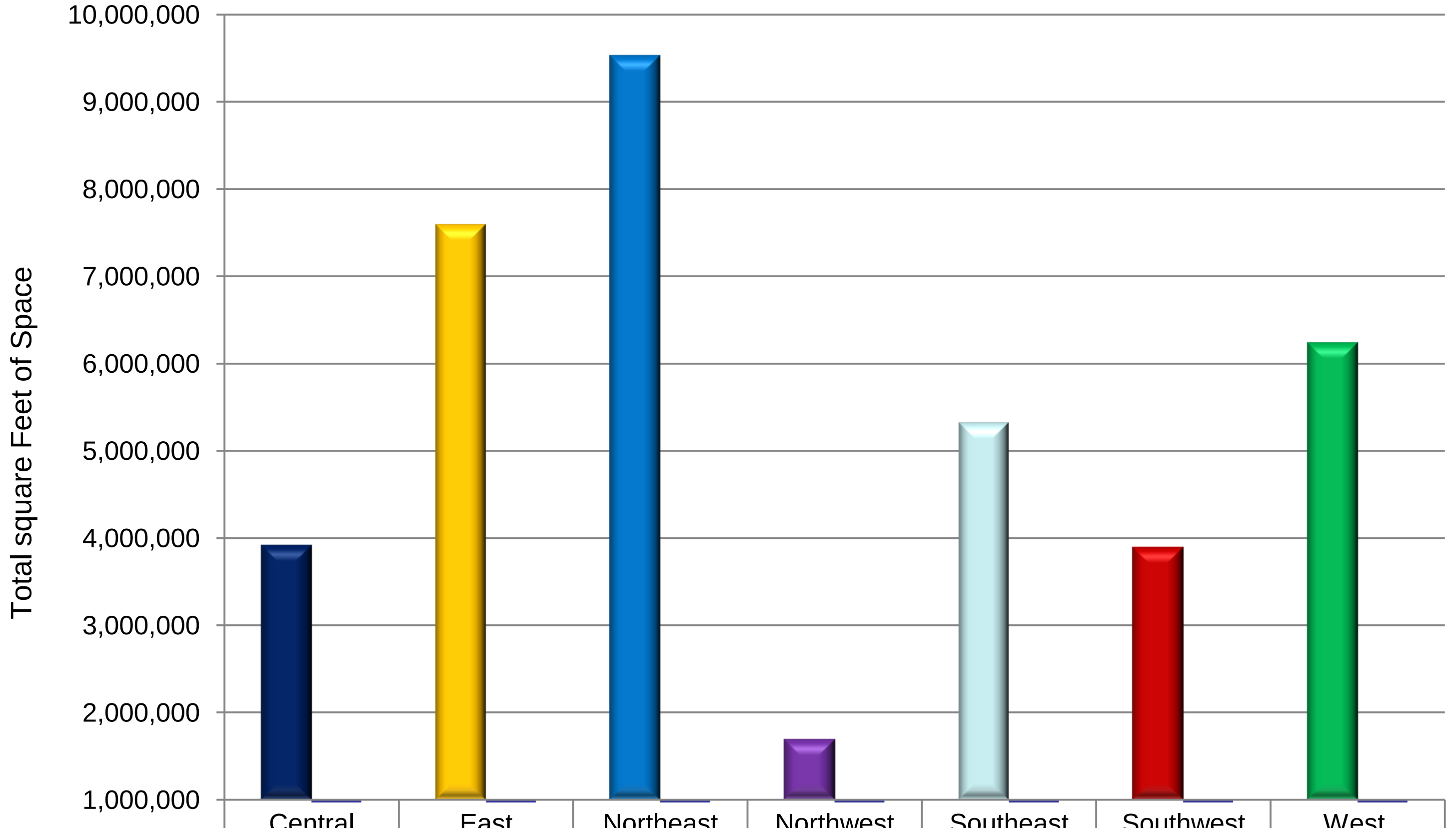
Inventory and Vacancy of Industrial Space Qtr 2, 2009



	Central	East	Northeast	Northwest	Southeast	Southwest	West
Inventory	3,908,834	7,586,785	9,527,967	1,683,287	5,317,631	3,884,337	6,225,669
Vacancy rate	2.30%	3.60%	7.90%	0.40%	4.40%	0.50%	2.40%

Source: Oakbrook Commercial Real Estate, Inc.

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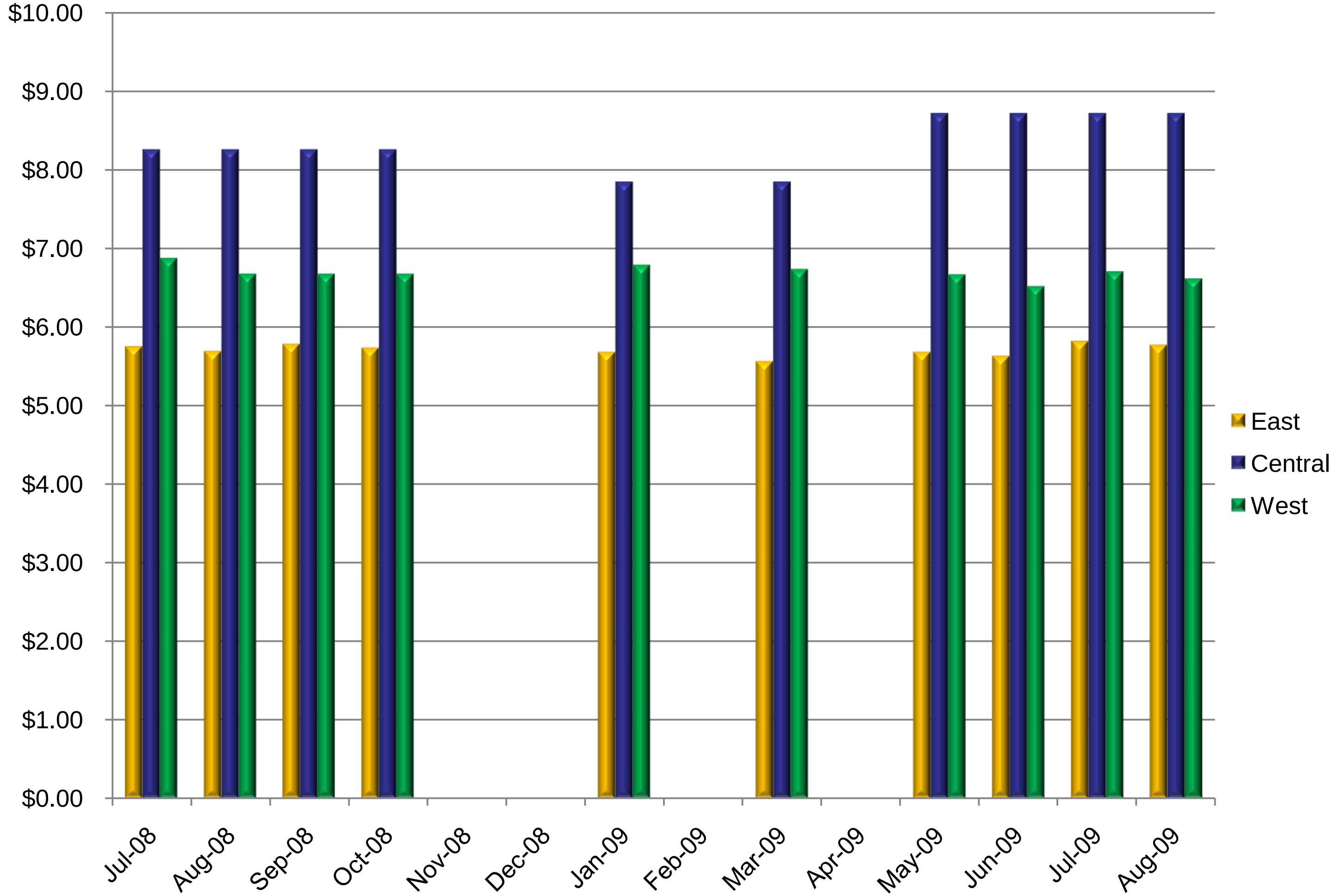
Madison Area Warehouse, Manufacturing and Industrial Space Per Square Foot Rental Costs



Source: Capital Region Business Journal

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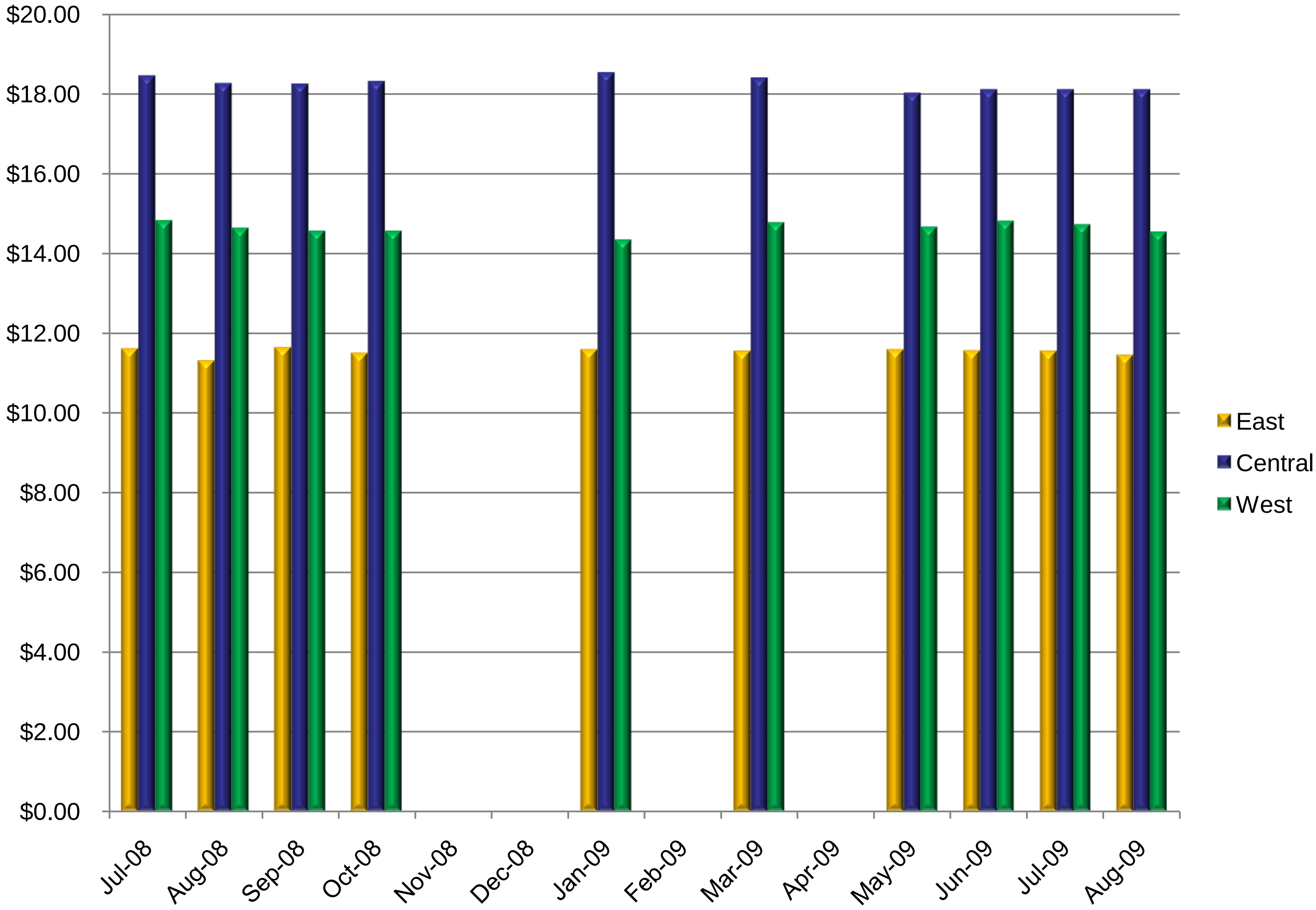
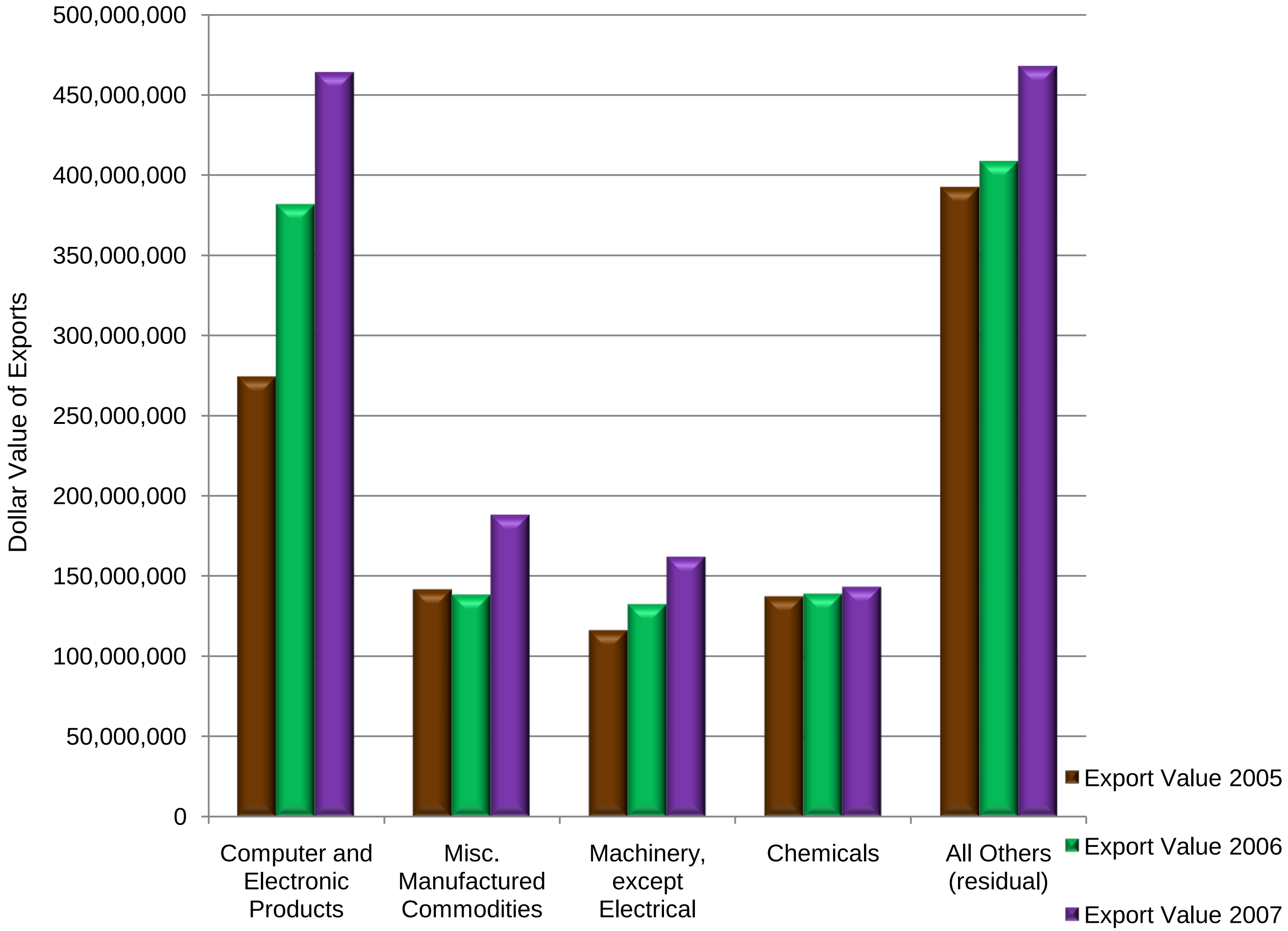
Madison Area Retail Space Per Square Foot Rental Costs



Source: Capital Region Business Journal

Madison MSA Exports



Source: Wisconsin Dept of Commerce

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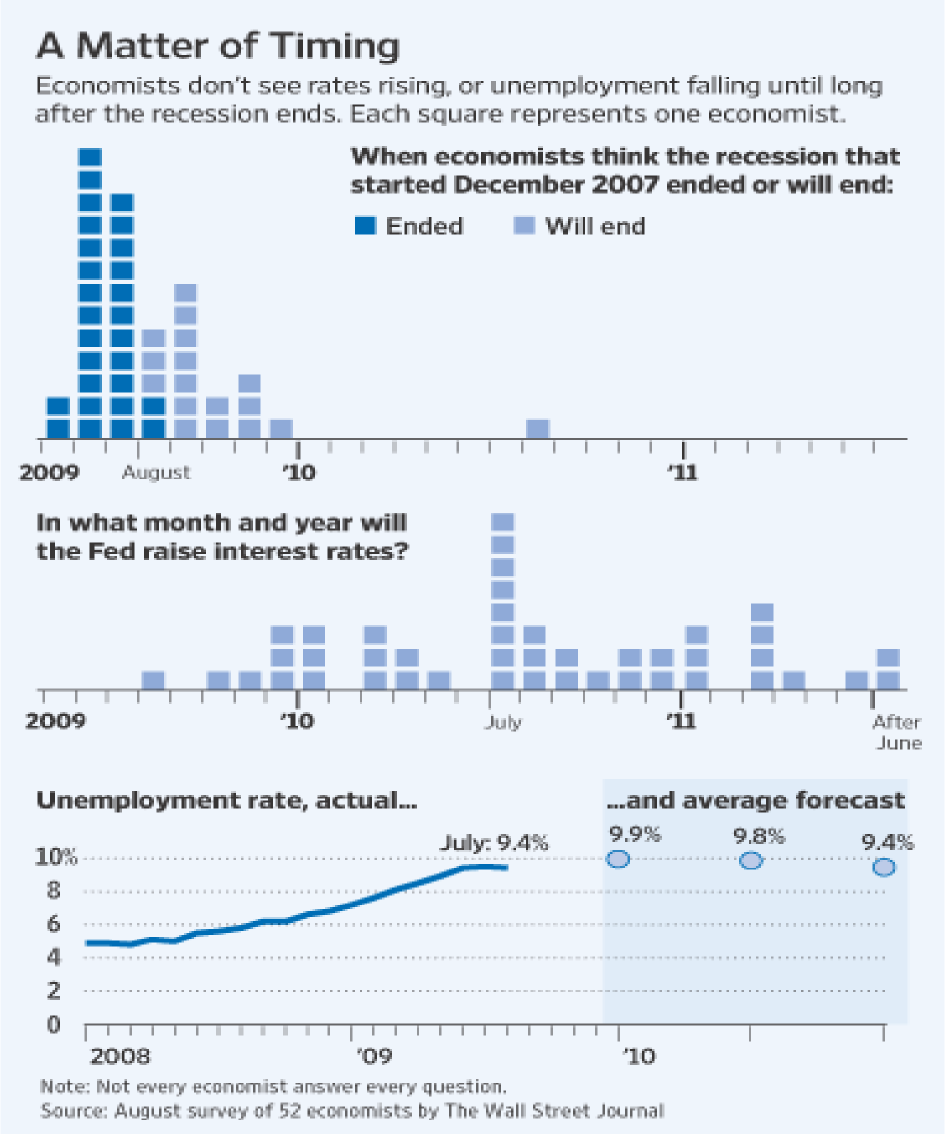
Economists Viewpoint



Source: Wall Street Journal

Cooley

BREITBART.COM

Real US unemployment rate at 16 pct: Fed official

AFP

Aug 26 02:25 PM US/Eastern

The real US unemployment rate is 16 percent if persons who have dropped out of the labor pool and those working less than they would like are counted, a Federal Reserve official said Wednesday.

"If one considers the people who would like a job but have stopped looking -- so-called discouraged workers -- and those who are working fewer hours than they want, the unemployment rate would move from the official 9.4 percent to 16 percent, said Atlanta Fed chief Dennis Lockhart.

He underscored that he was expressing his own views, which did "do not necessarily reflect those of my colleagues on the Federal Open Market Committee," the policy-setting body of the central bank.

Lockhart pointed out in a speech to a chamber of commerce in Chattanooga, Tennessee that those two categories of people are not taken into account in the Labor Department's monthly report on the unemployment rate. The official July jobless rate was 9.4 percent.

Lockhart, who heads the Atlanta, Georgia, division of the Fed, is the first central bank official to acknowledge the depth of unemployment amid the worst US recession since the Great Depression.

Lockhart said the US economy was improving but "still fragile," and the beginning stages of a sluggish recovery were underway.

"My forecast for a slow recovery implies a protracted period of high unemployment," he said, adding that it would be difficult to stimulate jobs through additional public spending.

"Further fiscal stimulus has been mentioned, but the full effects of the first stimulus package are not yet clear, and the concern over adding to the federal deficit and the resulting national debt is warranted," he said.

President Barack Obama's administration has resisted calls for more public spending, arguing that the 787-billion-dollar stimulus passed in February needs time to work its way through the economy.

Lockhart noted that construction and manufacturing had been particularly hard hit in the recession that began in December 2007 and predicted some jobs were gone for good.

Prior to the recession, he said, construction and manufacturing combined accounted for slightly more than 15 percent of employment. But during the recession, their job losses made up more than 40 percent of all US job losses.

"In my view, it is unlikely that we will see a return of jobs lost in certain sectors, such as manufacturing," he said.

"In a similar vein, the recession has been so deep in construction that a reallocation of workers is likely to happen -- even if not permanent."

Payroll employment has fallen by 6.7 million since the recession began.

Coxey

Local Area Unemployment Statistics

Alternative Measures of Labor Underutilization for States, Third Quarter of 2008 through Second Quarter of 2009 Averages

Six alternative measures of labor underutilization have long been available on a monthly basis from the Current Population Survey (CPS) for the United States as a whole. They are published in the Bureau of Labor Statistics' monthly Employment Situation news release. (See table 12.) The official measure of unemployment (referred to as U-3 in the U-1 to U-6 range of alternative measures) includes all jobless persons who are available to take a job and have actively sought work in the past four weeks. This measure has been thoroughly reviewed and validated since the inception of the CPS in 1940. The other measures are provided to data users and analysts who want more narrowly (U-1 and U-2) or broadly (U-4 through U-6) defined measures.

BLS made these alternative measures for states available beginning with annual averages for 2008. Annual averages for 2005, 2006, and 2007 are available as well. Beginning with the second quarter of 2008 through the first quarter of 2009 period, BLS began to update these data on a 4-quarter moving-average basis. The analysis that follows pertains to the 4-quarter averages from the third quarter of 2008 through the second quarter of 2009.

The six state measures are based on the same definitions as those published for the U.S.:

- U-1, persons unemployed 15 weeks or longer, as a percent of the civilian labor force;
- U-2, job losers and persons who completed temporary jobs, as a percent of the civilian labor force;
- U-3, total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate);
- U-4, total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers;
- U-5, total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers; and
- U-6, total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.

Generally, all six measures move together over time, including across business cycles. Similarly, states that have high official unemployment rates tend to have high values for the other five measures; the reverse is true for states with low unemployment rates. Note that, in the table and in the comparisons below, the unemployment rates (U-3) that are shown are derived directly from the CPS. As a result, these U-3 measures may differ from the official state unemployment rates for the latest 4-quarter period. The latter are estimates developed from statistical models used by the Local Area Unemployment Statistics (LAUS) program that incorporate CPS estimates, as well as input data from other sources; these model-based estimates are accessible through the LAUS program homepage.

Alternative measures of labor underutilization by state, third quarter of 2008 through second quarter of 2009 averages
(percent)

State	Measure					
	U-1	U-2	U-3	U-4	U-5	U-6
United States	3.2	4.6	7.6	8.0	8.8	13.7
Alabama	3.8	4.7	8.5	8.9	9.7	14.1
Alaska	2.3	3.7	7.2	7.6	8.6	12.7
Arizona	3.3	5.1	8.4	8.8	9.4	15.5
Arkansas	2.3	4.1	6.8	7.2	7.9	13.0
California	4.3	5.7	9.3	9.7	10.7	17.7
Colorado	2.4	3.6	6.2	6.3	7.0	11.5
Connecticut	3.0	4.1	6.9	7.4	8.1	12.4
Delaware	3.1	4.2	7.1	7.4	8.1	12.3
District of Columbia	3.7	3.8	8.0	8.4	9.6	12.1
Florida	4.1	5.4	8.4	8.9	9.6	15.6
Georgia	3.8	5.1	8.4	8.8	9.5	14.5
Hawaii	2.5	3.3	6.3	6.7	7.7	13.3
Idaho	2.5	4.4	7.4	7.7	8.5	14.2
Illinois	3.7	5.2	8.3	8.7	9.4	14.4
Indiana	3.6	5.1	8.1	8.5	9.1	14.6
Iowa	1.6	3.0	5.4	5.5	6.0	9.9
Kansas	1.9	3.2	5.6	5.8	6.5	10.0
Kentucky	3.6	5.0	8.7	9.2	10.2	14.5
Louisiana	2.5	3.2	6.1	6.5	7.0	9.1
Maine	2.8	3.9	7.1	7.4	8.4	12.8
Maryland	2.5	3.4	5.9	6.2	7.0	10.2
Massachusetts	2.8	4.7	6.8	7.0	7.7	11.6
Michigan	5.2	7.1	11.0	11.7	12.8	19.2
Minnesota	2.8	4.2	7.0	7.3	8.0	13.0
Mississippi	3.0	4.6	7.9	8.8	9.7	13.9
Missouri	3.3	4.7	7.8	8.1	8.6	12.9
Montana	2.1	4.4	6.5	6.7	7.1	11.9
Nebraska	1.5	2.2	4.0	4.2	4.7	7.8
Nevada	3.9	5.8	8.5	8.8	9.3	15.2
New Hampshire	1.9	3.2	5.0	5.2	6.0	10.1
New Jersey	3.1	4.5	6.9	7.3	8.1	12.4
New Mexico	1.7	3.1	5.9	6.2	6.9	11.7
New York	3.1	4.2	6.9	7.5	8.2	12.2
North Carolina	4.2	5.2	8.7	9.1	9.9	14.8
North Dakota	1.0	1.9	3.7	3.9	4.2	7.0
Ohio	3.6	5.0	8.6	9.0	9.9	15.1
Oklahoma	1.9	2.6	4.9	5.1	5.6	8.4
Oregon	4.1	6.8	10.0	10.3	11.0	18.4
Pennsylvania	2.6	3.8	6.7	6.9	7.8	11.8
Rhode Island	4.9	6.2	10.1	10.5	11.5	17.1
South Carolina	4.9	6.1	9.6	10.0	10.9	16.8
South Dakota	1.1	2.5	4.3	4.8	5.2	8.7
Tennessee	4.0	5.8	9.0	9.4	10.1	15.7
Texas	2.0	3.3	6.1	6.3	7.0	11.3
Utah	1.6	3.2	5.3	5.5	5.9	9.3

State	Measure					
	U-1	U-2	U-3	U-4	U-5	U-6
Virginia	1.8	2.8	5.4	5.6	6.2	10.0
Washington	2.5	4.2	7.2	7.5	8.3	13.5
West Virginia	2.4	3.6	6.1	6.5	7.2	11.3
Wisconsin	2.7	4.3	6.7	6.8	7.6	11.9
Wyoming	1.1	2.4	4.3	4.4	4.9	8.1

+77%

Michigan registered the highest 4-quarter average rates for all six measures, including a CPS-based unemployment rate of 11.0 percent, a U-1 of 5.2 percent, and a U-6 of 19.2 percent. The states with the next highest CPS-based unemployment rates were Rhode Island, 10.1 percent; Oregon, 10.0 percent; South Carolina, 9.6 percent; and California, 9.3 percent. With the exceptions of Oregon's U-1 and California's U-2, these four states also had the second-through-fifth highest alternative measures, though not in the same rank order.

North Dakota recorded the lowest rates for all six measures, including a CPS-based unemployment rate of 3.7 percent, a U-1 of 1.0 percent, and a U-6 of 7.0 percent. Four other states had values of U-3 below 5.0 percent over the latest 4-quarter average period: Nebraska (4.0 percent), South Dakota and Wyoming (4.3 percent each), and Oklahoma (4.9 percent). Except for Oklahoma's U-1, these four states also reported the second-through-fifth lowest alternative measures, though not in the same rank order.

There are some interesting exceptions to the general pattern. The District of Columbia was the only jurisdiction with a U-1 nearly as high as its U-2 (3.7 and 3.8 percent, respectively). While the District's U-1 ranked 12th highest, its U-2 was only the 31st highest. The long-term unemployed constitute a relatively large share of jobless persons there, leading to a relatively high U-1. Categorized by reason for unemployment, the unemployed in the District are more likely to be labor force entrants and less likely to be job losers than the unemployed in most states, leading to a relatively low U-2.

Mississippi had the largest gap between its U-4 and U-3, +0.9 percentage point. (This was more than twice the gap of +0.4 percentage point nationally over the 4-quarter average period.) The difference between U-4 and U-3 is that the former includes discouraged workers. Thus, the large gap for Mississippi is a reflection of the relatively high degree of worker discouragement there.

Beyond the marginally attached, who are included in U-5, involuntary part-time workers are included in U-6. The larger the difference between U-5 and U-6, then, the higher the incidence of underemployment. Oregon posted the largest gap between its U-6 and U-5, +7.4 percentage points, followed by California, +7.0 points, and Michigan, +6.4 points. These three states also had among the five highest CPS-based unemployment rates over the 4-quarter average period. The two remaining states with gaps between their U-6 and U-5 of +6.0 percentage points or more—Arizona (+6.1 points) and Florida (+6.0 points)—registered only the 12th highest CPS-based unemployment rates among states (8.4 percent each).

All six measures for all states increased relative to the prior 4-quarter average period. Oregon experienced the largest increases among states in five of the six measures, ranging from a 1.4-percentage point increase in its U-1 to a 3.1-point increase in its U-6. Tennessee registered the largest increase in U-2 from the prior period, +1.4 percentage points.

Though these data pertain to the 4-quarter average period ending in June 2009, the deterioration in the labor market over between the fourth quarter of 2008 and the second quarter of 2009 was so rapid and pronounced that many of these measures understate the *current* degree of labor market underutilization. For example, the U.S. unemployment rate in June 2009 was 9.5 percent (seasonally adjusted), well above the 7.6-percent average for the 4-quarter period. Despite the lag, 4-quarter averages are used to increase the reliability of the CPS estimates, which are based on relatively small sample sizes at the state level.

For additional information on state estimates derived directly from the CPS, see notes on subnational CPS data.

Note: Some state rankings cited above include ties. Data are calculated from quarterly tables in which the components of each measure are rounded to the nearest hundred. As a result, these measures contain slightly more rounding error than that found in typical CPS annual average tabulations (in which rates are calculated based on unrounded data). Due to small state sample sizes, neither monthly nor quarterly state data from the CPS satisfy BLS publication standards.

Last Modified Date: August 10, 2009

Cooley

Falk: Property tax growth might be more than expected

By MATTHEW DeFOUR
608-252-6144
August 14, 2009

For only the second time in 13 years, Dane County Executive Kathleen Falk said she won't be able to hold property tax growth to her self-imposed index.

Coupled with the value of existing Dane County residential property this year dropping $700 million, or 2 percent, that means homeowners may see a higher county property tax increase than usual.

County property tax increases have been relatively low in recent years because of the county's tremendous growth and Falk's practice of increasing the property tax levy by the rate of population growth plus inflation. But the index for next year would be based on inflation of 0.75 percent and population growth of 0.44 percent, or 1.19 percent — "the lowest in recent memory," Falk wrote to the County Board.

If she stuck to the limit, the total tax levy would increase $1.4 million. But next year, Human Services faces $2 million in state cuts and the Sheriff's Office costs $1 million more just to maintain services.

By contrast, the second-lowest index during Falk's time in office was 2.93 percent in 1999. This year's rate was 4.63 percent and the levy increased by $5.3 million.

"It is already clear to me that the county cannot sustain acceptable levels of human services and public safety if I don't propose raising the levy beyond my normal limit," Falk said. "I will keep the levy increase to the minimum needed to maintain human services, public safety, and the services important to our Dane County families as they cope with this tough economy."

Falk blamed the budget situation on the economy. She wouldn't say how much she expects property taxes to increase because department budgets are still being completed.

Falk's budget is due to the County Board on Oct. 1.

Obama Increases 2010 Deficit Forecast 19% to $1.50 Trillion

By Roger Runningen and Brian Faler

Aug. 25 (Bloomberg) -- U.S. **unemployment** will surge to 10 percent this year and the budget **deficit** will widen to $1.5 trillion next year, reflecting a "deeper recession" than previously expected, White House budget chief **Peter Orszag** said.

The Office of Management and Budget also forecasts that the U.S. economy will shrink 2.8 percent this year, worse than the 1.2 percent contraction the OMB projected in May. For next year, the budget office said the gross domestic product will grow 2.0 percent, less than the 3.2 percent expected in May. By 2011, the economy would be well on its way to recovery, growing at a 3.8 percent annual rate, according to the administration's mid-year economic review, released this morning.

The budget shortfall for 2010 will mark the second straight year of trillion-dollar deficits. The projected deficit for the fiscal year that begins Oct. 1 is higher than the $1.26 trillion forecast in May and reflects expectations economic growth will be slower this year and next because of "the severity of the crisis in the U.S. and in our trading partners," said **Christina Romer**, White House chief economist, who along with Orszag briefed reporters on the report.

The deficit and unemployment numbers may weigh down President **Barack Obama's** drive for his top domestic priority, overhauling the U.S. health care system.

'Bad, Bad Shape'

"It throws a wrench in health-care reforms," **Maya MacGuineas**, president of the bipartisan **Committee for a Responsible Federal Budget**, said in an interview before the report was released. "No matter the specific numbers, they're a constant reminder that we're in bad, bad shape."

The **Congressional Budget Office** is scheduled to issue its budget forecast later this morning.

The administration said last week that the deficit for the 2009 fiscal year, which ends Sept. 30, will be $1.58 trillion, less than the $1.84 trillion projected in May, because budget officials were able to delete hundreds of billions of dollars that had been set aside for bank bailouts. Last year's deficit was $459 billion.

"The Obama White House deserves some credit for managing the financial situation so that the additional bailout wasn't necessary," said **Stan Collender**, a former budget analyst for the House and Senate budget committees. "The changes from the previous forecast are one part good management, one part good forecasting strategy and one part good luck," he said in a memo to budget reporters.

10-Year Deficit

Over the next decade, the budget picture is darker, with the 10-year deficit reaching $9.05 trillion, up from $7.1 trillion forecast in May, the budget office said Aug. 19.

"Whatever their cause, the administration is very concerned about these out-year deficits, and getting those deficits under control is a top priority of the administration," Orszag said.

As a result, he said the budget blueprint Obama submits to Congress in February will "include proposals to put the nation back on a fiscally sustainable path; I'm not going to comment" on any specifics, he said.

The median estimate of 31 economists in a Bloomberg News survey completed Aug. 21 was for a fiscal year 2010 deficit of $1.3 trillion.

Orszag defended the trillion-dollar deficits during a recession and said it was desirable to reduce them as the economy recovers.

"The first step is to stop making those deficits worse" by enforcing pay-as-you-go legislation so that "any new tax or entitlement" programs are paid for, and by adopting an overall of the U.S. health-care system that doesn't add to the deficit, he said.

Health-Care Reform

"I know there are going to be some who say this report proves we can't afford health reform," Orszag said. "I think that has it backwards," because savings must be squeezed from the system.

Even with economic conditions worse that originally forecast, Romer said "we do expect positive GDP growth by the end of this year" for the fourth quarter, as the economy reaches "a turning point." This is in line with 94 percent of Blue Chip economists, according to Orszag.

"A return to employment growth will take longer," Romer said.

Obama and his advisers have repeatedly warned that their **unemployment** forecast of 8.1 percent for 2009 from earlier this year would be have to be revised. The president said in a Bloomberg Television interview in June that he expected it to reach at least 10 percent before declining.

The jobless rate, which hit 9.5 percent in June before dipping to 9.4 percent last month, likely will rise to 10 percent by the end of 2009, averaging 9.3 percent for the entire year, Romer said. It will worsen to a 9.8 percent average in 2010, instead of the 7.9 percent estimate in May.

Worse Recession

"It's in the fourth quarter of this year that we expect it to peak," Romer said. "The recession was, simply, worse than" government forecasters expected, she said. "None of us has a crystal ball."

Romer said the economic stimulus package probably is adding "between 2 and 3 percentage points" to economic growth in the second quarter of this year, blunting conditions that would have been worse. A report on the effect of the stimulus program is due to Congress next month, she said.

Inflation will remain subdued. Projections for the consumer price index show a contraction to 0.7 percent this year, rising to 1.4 percent next year and 1.5 percent in 2011, Romer said.

The economic assumptions were compiled by the Council of Economic Advisers, Treasury Department and the Office of Management and Budget. The estimates reflect conditions as of early June.

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Last Updated: August 25, 2009 09:30 EDT

WISCONSIN JOB WATCH

COWS
center on wisconsin strategy

July 2009 Data Update

WISCONSIN JOB PICTURE CONTINUES TO STABILIZE

Wisconsin has 137,100 fewer jobs than when the recession started in December 2007 – a nearly 5 percent loss in total jobs – and the unemployment rate remains at highs not seen since the 1980s. However, Figure 1 shows that the jobs picture appears to be stabilizing. The state lost an average of 18,650 jobs per month in the six months leading up to April 2009. From April to July, the total number of jobs has held roughly steady (a 3,700 gain in jobs from April to June, and a 4,100 loss from June to July).

But stability in the jobs picture is only a first and weak step toward recovery. Many Wisconsinites have lost their jobs and are looking for work. Wisconsin's unemployment rate doubled since the beginning of the recession, reaching a high of 9.0 percent in June and July. The majority of this spike in unemployment has occurred since September 2008, though the rate of increase has slowed substantially in recent months, with unemployment up only 0.5 percent from March to July 2009. (Table 1, Figure 3 on back page.)

MANUFACTURING AND CONSTRUCTION JOBS STILL IN DECLINE

Wisconsin's manufacturing sector has 66,100 fewer jobs than when the recession started. This decline accounts for nearly 50 percent of total job loss in Wisconsin since December 2007, and represents a 13 percent loss within this sector. The rate of job loss in manufacturing slowed notably beginning in April 2009, and jobs remained stable between May and June. However, another 4,800 manufacturing jobs were lost between June and July 2009.

The construction industry has lost 19,600 jobs since the start of the recession, an almost 16 percent loss within this sector. The spike in construction jobs between April and May 2009 (5,100 jobs) was a welcomed trend and the first time construction jobs had risen since May 2008. However, the last two months have seen construction jobs fall yet again, with 2,500 jobs lost between May and July 2009. (Table 1, Figure 2)

Table 1

CHANGES IN UNEMPLOYMENT AND NUMBER OF JOBS IN WISCONSIN, DECEMBER 2007 TO JULY 2009

	December 2007	*July 2009*	*Change*	*Percent Change*
Unemployment	4.5%	9.0%	4.5	
All jobs	2,889,000	2,751,900	-137,100	-4.7%
Manufacturing jobs	500,000	433,900	-66,100	-13.2%
Construction jobs	123,800	104,200	-19,600	-15.8%

Figure 1

TOTAL JOB LOSS IN WISCONSIN, DECEMBER 2007 TO JULY 2009

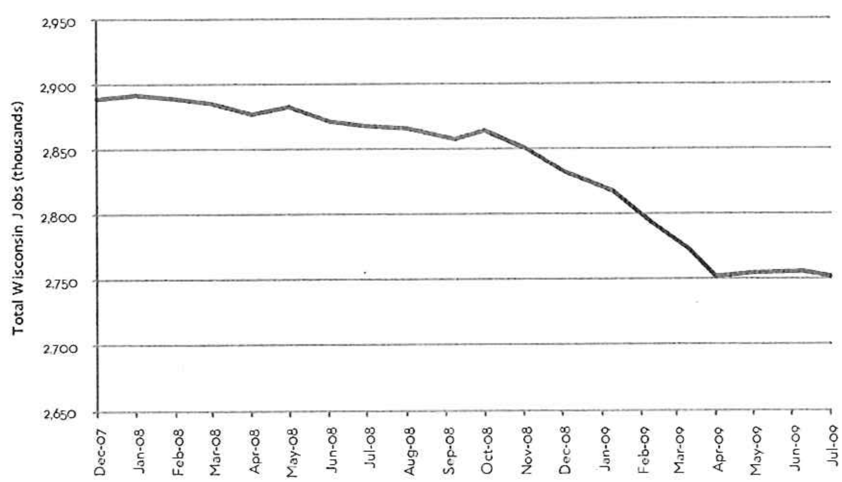
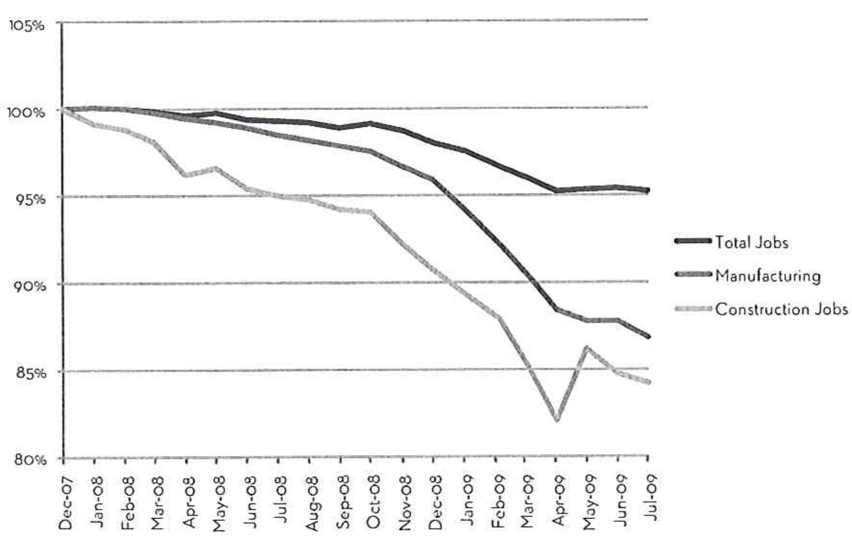


Figure 2

PERCENT CHANGE IN MANUFACTURING, CONSTRUCTION, AND TOTAL JOBS IN WISCONSIN, DECEMBER 2007 TO JULY 2009



JOB LOSS RIVALS THAT OF OF 1981 RECESSION

This has been a long and difficult recession. That job loss appears to be bottoming off is a welcome relief for hard hit communities and workers in the state. This recession is severe, especially when compared to the 1990 and 2001 recessions. Those past recessions officially lasted eight months each; the current recession is in its 19th month. More tellingly, the current recession rivals the severe recession of the early 1980s with respect to percent of jobs lost (almost 5 percent). Though Wisconsin's unemployment rate is still well below 1980s levels, unemployment has risen more precipitously in this recession, and it has not necessarily reached its peak (whereas unemployment peaked in the 18th month following the start of the 1981 recession). Given that unemployment typically continues to rise even when jobs stabilize, we will likely see further increases in coming months. (Figures 3 and 4)

Figure 3
WISCONSIN UNEMPLOYMENT RATE IN CURRENT RECESSION, COMPARED WITH 1981, 1990, AND 2001 RECESSIONS

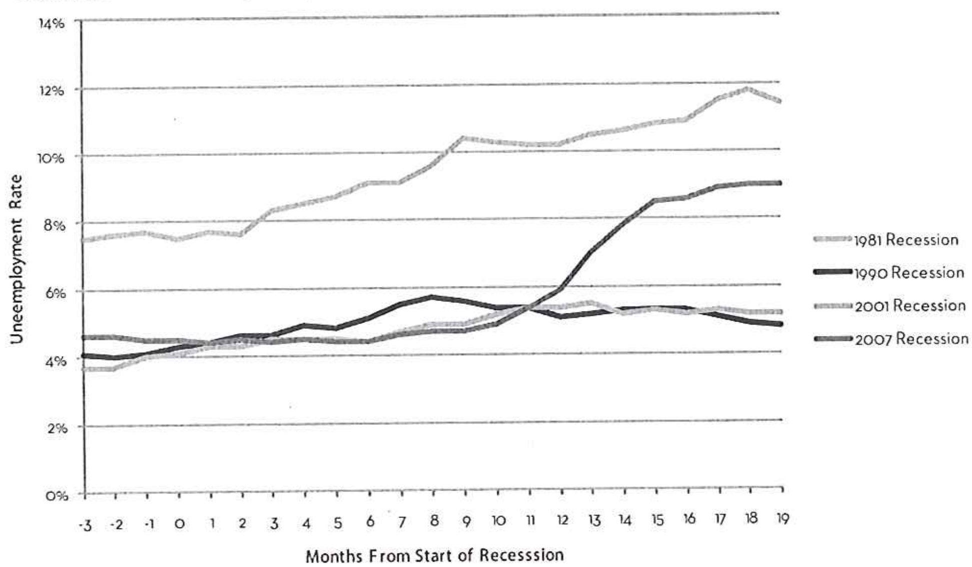
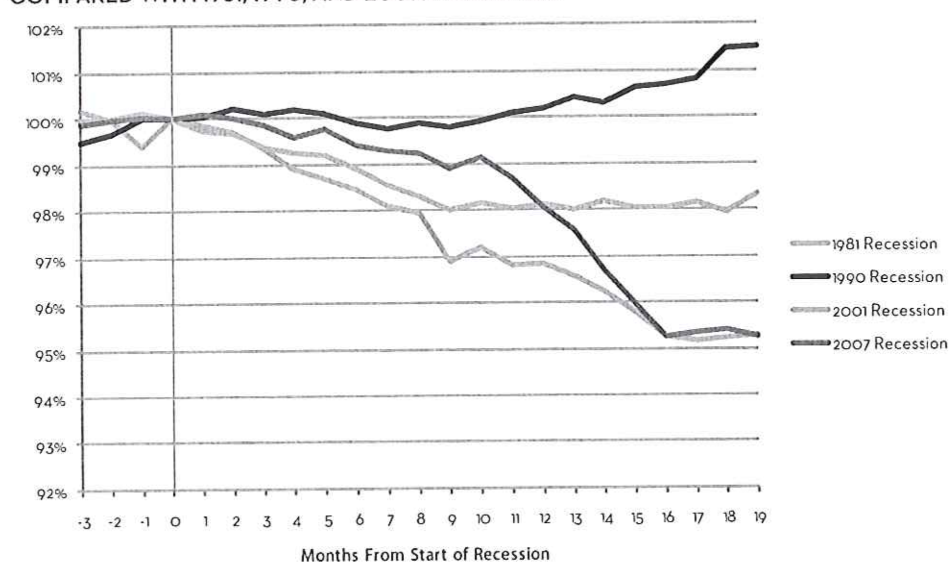


Figure 4
PERCENT CHANGE IN WISCONSIN JOBS IN CURRENT RECESSION, COMPARED WITH 1981, 1990, AND 2001 RECESSIONS



Wisconsin Job Watch, a monthly publication of the Center on Wisconsin Strategy (COWS), provides a snapshot of Wisconsin's job picture and reports on key recession trends. The numbers provided in this report are based on seasonally-adjusted Bureau of Labor Statistics data compiled by the Economic Policy Institute (www.epi.org).

The Center on Wisconsin Strategy (COWS) is a policy center and field laboratory for high road economic development – a competitive market economy of shared prosperity, environmental sustainability, and capable democratic government. Housed at University of Wisconsin-Madison, COWS has been supporting progressive policy innovation since 1991. For more information, visit www.cows.org.

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AUGUST 12, 2009

Productivity Leaps as Companies Reduce Costs

By TOM BARKLEY

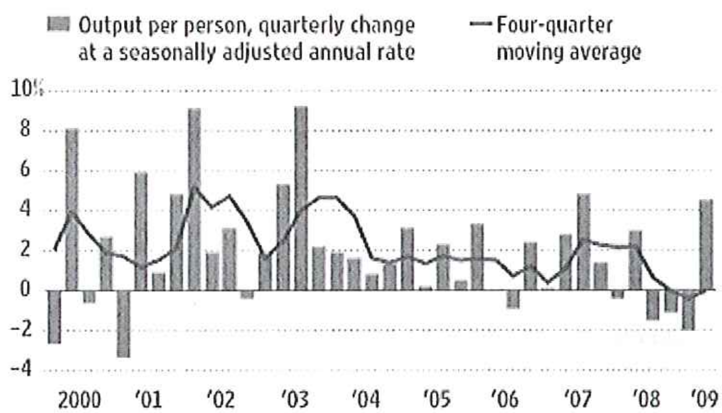
U.S. productivity staged its biggest gain in nearly six years in the second quarter despite the contraction in the overall economy, suggesting companies have adjusted to the recession by cutting jobs and workers' hours.

Nonfarm business productivity rose a higher-than-expected 6.4% at an annual rate last quarter, the most since the third quarter of 2003, the Labor Department said in preliminary figures released Tuesday.

Productivity, which is defined as output per hour worked, rose 0.3% in the first quarter of the year, revised downward from 1.6%.

More Work, Fewer Workers

Productivity rose 6.4% in the second quarter as the labor force shrunk and the output per person rose.



Source: Labor Department

Unit labor costs -- a key gauge of inflationary pressure -- fell 5.8% last quarter at an annual rate, a pace of decline not seen since the second quarter of 2001. Costs were down 0.6% from a year ago, an indication that inflation pressures are easing. First-quarter unit labor costs were revised to negative 2.7% from positive 3%.

The data help explain why companies have been able to post good earnings figures, having moved quickly to slash jobs and cut costs.

"In short, good macro news, but it reflects painful job losses," Ian Shepherdson, chief U.S. economist at High Frequency Economics Ltd., said in a note to clients.

Over the long run, productivity is key to improved living standards by spurring rising output, employment, incomes and asset values. While the jump in productivity could suggest that the economy is poised for a strong recovery once it reaches bottom, that could be offset by the negative impact on consumer demand from job losses.

Labor market conditions are expected to remain difficult, though the 247,000 drop in nonfarm payrolls in July was the smallest decline since August 2008. The economy has also shown signs of stabilization, with gross domestic product registering a 1% contraction in the second quarter.

In a separate release Tuesday, the Commerce Department said wholesale inventories dropped 1.7% to $393.9 billion in June. The weak inventories suggest the economy actually contracted at a 1.8% rate in the second quarter, according to a J.P. Morgan note to clients. The government will revise its GDP estimate at the end of August.

Nonfarm business output fell 1.7% during the second quarter, at an annual rate, following a revised 8.8% drop the previous quarter, the Labor Department said Tuesday.

Hours worked declined 7.6% last quarter, an improvement from the 9% drop in the first quarter that was the largest since 1975.

Hourly compensation in the nonfarm business sector increased 0.2% last quarter. Real compensation, adjusted for inflation, fell 1.1%.

Joshua Shapiro, chief U.S. economist at MFR Inc., said that despite signs of improvement in the economy, the job market will likely remain tight.

"Looking ahead, stabilizing output ought to prompt a less aggressive approach to cost-cutting on the labor front, hence a commensurately slower rate of decline in hours worked," he said in a note. "However, we do expect efforts to boost productivity to continue, and therefore any labor market recovery to be late in arriving and tepid when it does begin."

Write to Tom Barkley at tom.barkley@dowjones.com

Printed in The Wall Street Journal, page A2

Cooley

Confessions of a Money Manager: For better or worse, productivity leads to recovery

Ray Unger
August 13, 2009

Those green shoots emerging from the cracks in our economic landscape are apparently not noxious weeds. Indeed, they're evidence that an impending economic recovery is on the horizon.

Yes, most of us market watchers have been eyeballing the biggies of economic statistics - gross domestic product, unemployment, consumer confidence, manufacturing output, and the like -- but the recently released labor productivity numbers confirmed that we're poised for better times ahead.

According to the Labor Department, non-farm business productivity rose at an annual rate of 6.4 percent during the April-to-June quarter. Productivity measures the output of goods and services compared to the number of hours of labor used to produce these goods and services. During the second quarter, the total number of hours worked fell at an annual rate of 7.6 percent while the output fell 1.7 percent. These input to output numbers translate into labor productivity jumping by 6.4 percent (see chart in Wednesday's Wall Street Journal story, "Productivity Leaps as Companies Reduce Costs" by Tom Barkley).

Now comes the tough question, "Is this good news?" Or perhaps the better question is, "If this is good news, who's it good for?"

Yes, it's good news for corporations because they were able to keep costs down and preserve profits while top-line revenues fell. But for workers, it's bad news because they were laid off and may never be recalled. Moreover, labor economists say that the July's poor Consumer Confidence report - following June's falling numbers -- reflects this good news/bad news conundrum. Consumer spending, they say, will continue to be weak as long as unemployment stays high, and strong productivity gains will prolong the day of re-hiring workers.

Yes, productivity gains are painful to workers who are displaced. History - even very recent history - however, tells a different story. Tuesday's Wall Street Journal reported that big gains in productivity foreshadowed economic rebounds (see "Productivity Augurs Recession's End. Usually."). The table in that article lists the major jumps in productivity at the tail end of previous recessions. For example, productivity jumped 6.5 percent during the first quarter of 1975; 5.9 percent in the second quarter of 1991; 7.2 percent in the first quarter of 2001. These gains preceded recoveries by mere months. And recoveries lead to lower unemployment.

Today's negative commentators, however, are not unlike those of years past. I can recall growing up in the 1950s and hearing my uncle moan about how automation - back then productivity and automation were synonymous - destroyed jobs. Yet he was a direct beneficiary of technology.

Our extended family crawled out of the Great Depression in the 1930s by acquiring a spring water bottling company. They bottled water one bottle at a time. Later, after earning enough money to afford a bottling machine, they started bottling soda along with spring water. Eventually, the soda factory grew and we hired more workers, bottled more water and soda and expanded sales. Nonetheless, my uncle griped about how such automation and innovation killed jobs. Go figure.

Later, when I was an undergraduate at the University of Wisconsin-Milwaukee, I recall how city workers were upset when the city of Milwaukee proposed installing conveyer belts that would eliminate the need to manually shovel crud into the municipal furnaces. The uproar seemed justified because these workers would be out of jobs. Well, eventually the conveyor belts were installed and those displaced workers were transferred to other municipal jobs. The uproar ended in a whimper.

Likewise, 19th century newspaper printers chafed when linotype machines replaced manual typesetters. Later, these same linotype advocates who applauded their new technology fought tooth and nail to prevent computers and software from replacing them. So history is replete with the obvious drawbacks of technology. Yet, even as a youngster as I remember asking my uncle, "If automation kills jobs, how come so many people are working?"

The pain and suffering caused by productivity is seen everyday. When factories automate, when new technology replaces manual processes, workers lose jobs. However, that's been the case since Eli Whitney invented the cotton gin.

For better or worse, strong jumps in labor productivity tell us the economy is on the mend. While it's bad news for those who suffer job losses, it's good news for the overall economy and that means the cycle of re-hiring can begin sooner rather than later. For stock market watchers, it also means better days for corporate sales, earnings, and yes, stock prices.

Ray Unger is chairman of Forward Investment Advisors in Madison. He can be reached at 833-9400; e-mail: runger@forwardinvestmentadvisors.com.

Return to story

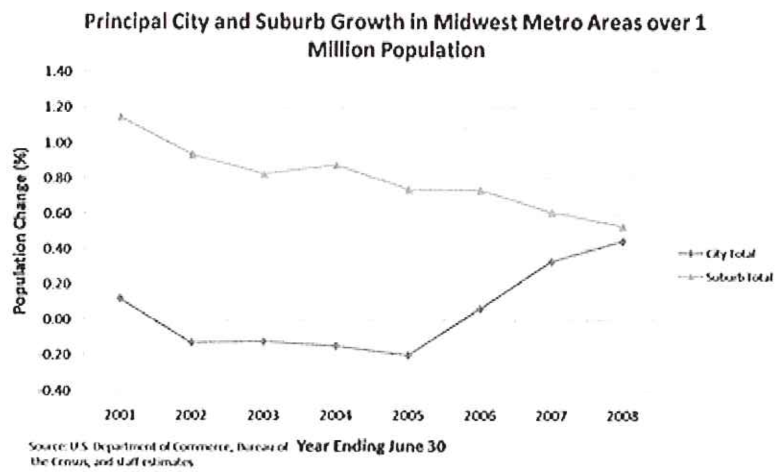
Cooley

City-Suburban Population and the Housing Bust

August 12, 2009

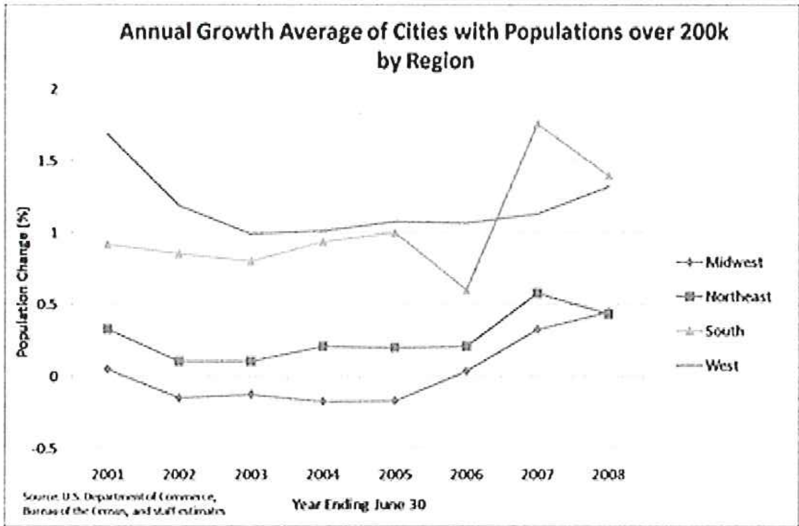
Federal Reserve Bank of Chicago

Demographer William H. Frey calls to our attention a striking turnaround in population growth in the central cities of metropolitan areas. Since the 2005-06 peak of the housing construction boom in the United States, the growth rates of central cities have begun to gain ground on surrounding suburban areas. Beginning with 2005 and ending with population estimates reported by the Census Bureau for mid-year 2008, Frey illustrates a convergent city-suburb trend for U.S. metropolitan areas having a population over one million. These trends hold for all four major U.S. regions—North, Midwest, South, and West. (The 12-state Midwest population performance is shown below).



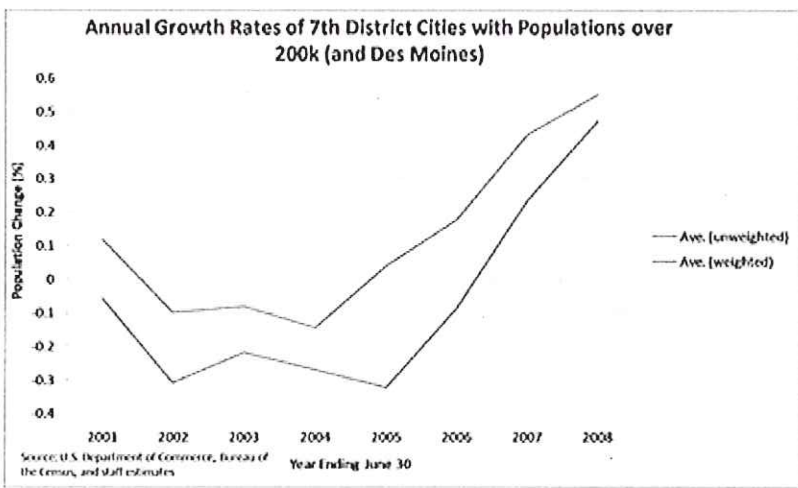
Population vs Migration?
Income?
Who's Moving Back to Inner Cities?

Similarly, Frey reports that these gains "are not confined to the very largest American cities. Among the 75 cities with populations exceeding 200,000, 41 grew faster in 2007-08 than in the preceding year, and 54 grew faster than in 2004-05." We show the population trends for such cities by region below. Once, again, we can see that the turnaround has taken place, on average, in all Census regions of the U.S.



Within the Seventh District states of Illinois, Indiana, Iowa, Michigan and Wisconsin, growth has also tended to rebound in cities over 200,000 in population (below). For the year ending in the middle of 2008, six of seven cities exhibited positive population growth. However, the City of Detroit is an outstanding exception with an accelerated decline in the mid-year ending 2008.

On average, Seventh District cities shifted from zero or negative growth in 2005 to an annual growth rate of 0.5 percent for 2008. The largest swings in performance were registered by Des Moines, with a swing from minus 1.3 percent in 2004 to plus 1.2 percent in 2008, and Chicago, with a swing from minus 0.7 in 2005 to plus 0.7 for 2008.



Annual Growth Rates of 7th District Cities with Populations over 200k

City	State	2001	2002	2003	2004	2005	2006	2007	2008
Chicago	Illinois	0.0	-0.4	-0.4	-0.5	-0.7	-0.4	0.2	0.7
Detroit	Michigan	-1.0	-0.8	-0.2	-0.3	-0.3	-0.2	-0.2	-0.5
Indianapolis	Indiana	0.4	-0.1	0.1	0.1	0.2	0.4	0.4	0.4
Milwaukee	Wisconsin	0.0	0.2	0.2	0.3	0.2	0.2	0.0	0.3
Fort Wayne	Indiana	-0.3	-0.3	-0.5	-0.5	-0.1	0.6	0.8	0.4
Madison	Wisconsin	1.3	1.6	1.1	1.3	0.9	0.9	1.3	1.4
Des Moines	Iowa	0.5	-0.9	-0.9	-1.3	0.2	-0.4	0.5	1.2
Ave. (unweighted)		0.1	-0.1	-0.1	-0.1	0.0	0.2	0.4	0.6
Ave. (weighted)		-0.1	-0.3	-0.2	-0.3	-0.3	-0.1	0.2	0.5

Source: Annual Estimates of the Resident Population for Incorporated Places over 100,000, U.S. Census Bureau

*All years ending June 30

At this point in time, the reasons for this shift toward central cities remain open to speculation. But given the timing, there are strong reasons to believe that the housing bust lies behind much, if not most, of the reversal. A general rise in demand for housing, such as that which occurred earlier in this decade, exerted a magnified impact on the fringe of urban areas. Given the lower price of land on the fringe and the ease with which larger single family homes can be constructed there (rather than tear-downs closer in), both population and housing generally shifted towards the periphery. Construction jobs related to fringe development likely bolstered the trend, as some households followed job opportunities to the suburbs. And now we may be seeing a reversal of such trends as home demand and employment have fallen off.

William Frey also attributes the urban population resurgence to the nature of the urban economies, citing "broad economic diversity at a time when smaller cities … are vulnerable to economic shocks" and the "resiliency of large urban centers that are economically and demographically diverse." There may be some wisdom in thinking that this is so. In pursuing economic development, central cities have been trying to attract and grow "Eds and Meds," (education and health care). As measured by George Erickcek and Tim Bartik of the Upjohn Institute, health care and hospitals, along with colleges and universities have been a bulwark of the economic base of many cities. These sectors of the U.S. economy have tended to grow and expand consistently, and cities have benefited. From the 2000 Census, Bartik and Erickcek report that earnings derived from the education sector are, on average, 36 percent more concentrated in the principal cities of the nation's 283 metropolitan areas. Health care earnings are 12 percent more concentrated.

Nonetheless, with the release of the next mid-year Census estimates (for 2009), it will be interesting to see if central cities are able to sustain their momentum of population growth in relation to suburban areas. Beginning with 2009, the influences of the sharp U.S. recession and related job declines may become important. [1] Favoring central city economies, the education and health care sectors are steady performers even in recessions. So too, many central cities no longer host manufacturing production, which tends to be hit particularly hard during recessions. However, in many cities other elements of the economic base are both concentrated and highly sensitive to economic downturns. Such sectors include professional and business services, law, tourism/business travel, and especially the financial sector, which has been buffeted by the recent financial crisis.

Index of Job Concentration, 2004

	Chicago	Detroit	Des Moines	Indianapolis	Milwaukee
Construction	0.51	0.51	0.80	0.86	0.57
Manufacturing	0.61	0.98	0.71	0.88	0.67
Professional Services	1.58*	0.53	0.85	1.12	1.17
Financial & Insurance	1.64	1.05	1.11	1.05	1.54
Education	1.53	1.64	--	--	1.47
Health Care	1.09	1.45	1.39	1.04	1.20

Source: County Business Patterns, SOCDS Special Data Extract

*2003 data

Click to enlarge.

Little evidence is available so far concerning the differing impact of the two national recessions, 2001 and the current one, on city versus suburb. However, in a recent report by the Metropolitan Policy Program at Brookings, Elizabeth Kneebone and Emily Garr report on year-over-year unemployment rates for city versus suburbs in the nation's 100 largest metropolitan areas. They find that "in contrast to the last recession," when city unemployment rates rose more sharply versus their suburbs, "unemployment has increased at nearly equal rates in cities and suburbs." [2] The table below excerpts the year-over-year rise in unemployment rates for cities and their suburbs for several Seventh District cities and their suburbs and for the four major regions of the United States.

Recent Unemployment Rate Changes, Seventh District Cities and Suburbs, and by Region

	Unemployment rate				Percentage Point change	
	Primary Cities		Suburbs		Primary Cities	Suburbs
	May '08	May '09	May '08	May '09	May '08 to May '09	
Chicago-Naperville-Joliet, IL-IN-WI	6.9%	11.4%	5.7%	10.1%	4.4%	4.4%
Des Moines-West Des Moines, IA	4.5	6.2	3.2	4.3	1.7	1.1
Detroit-Warren-Livonia, MI	14.5	23.8	6.7	12.5	9.3	5.8
Indianapolis-Carmel, IN	5.0	9.1	4.2	8.1	4.1	3.9
Madison, WI	3.0	5.7	3.2	6.5	2.7	3.3
Milwaukee-Waukesha-West Allis, WI	6.0	11.4	3.5	7.8	5.4	4.3
Region						
Midwest	6.7%	11.1%	5.3%	9.3%	4.4%	4.0%
Northeast	5.3	8.9	4.8	8.0	3.6	3.2
South	5.0	8.5	4.7	8.4	3.4	3.7
West	6.0	10.4	5.4	9.7	4.4	4.2

Source: Elizabeth Kneebone and Emily Garr, Brookings Analysis of Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics

[1]To some degree, people tend to locate their residences in proximity to their jobs, so that job locations would tend to drive population growth as well.(Return to text)

[2]The difference in the gap between the two recessions is not large. Year over year changes in unemployment rates in cities rose by 1.9 percent in primary cities versus 1.4 percent in suburbs from May 2001 to May 2002. For May 2008 to May 2009, year-over-year rates rose by 3.9 and 3.7 percentage points, respectively, for cities and suburbs. However, city/suburb unemployment rate differences in level are wider currently than in the 2001-02 period.(Return to text)

Cooley, Timothy

From: Timothy Cooley [tcwired@gmail.com]
Sent: Friday, August 14, 2009 7:30 PM
To: Cooley, Timothy
Subject: FW: Green Development Outlook - Summary of Findings

CALL Cole's
→ MTG IN MADISON:
MAYOR?

From: The Concord Group [mailto:tim@theconcordgroup.ccsend.com] **On Behalf Of** The Concord Group
Sent: Friday, August 14, 2009 2:20 PM
To: tcwired@gmail.com
Subject: Green Development Outlook - Summary of Findings

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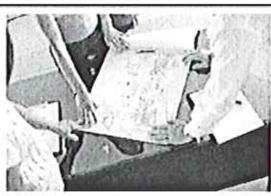

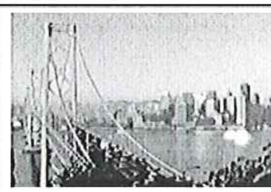

Green Development through the Recession:

Going Green to Make Green

In an effort to keep our colleagues informed on critical issues and trends, The Concord Group is pleased to present the results of a recent study focused on sustainable development and investment practices in commercial real estate. We compiled surveys of over 100 key executives in order to understand how decision makers are responding to current economic conditions.

Findings indicate that, despite economic challenges, commitment to and involvement in green commercial development are continuing to strengthen. Further, green development is no longer just an environmentally-friendly label, but a new technology that has the capability to create larger profit margins while simultaneously reducing the energy usage of commercial buildings around the world.

The full results of the study can be found here: Green Survey Results

Among the key points of The Concord Group's findings:

- Ground-up green development will likely be stalled through the economic downturn and well into a recovery as private developers seeking funding will face resistance from

About The Concord Group

The Concord Group is a leading real estate strategy firm with offices in Newport Beach, San Francisco and Boston. TCG provides vital analytical input throughout all phases of real estate financing, development and operations. Clients include investment/commercial banks, private equity firms and institutional and entrepreneurial capital, public agencies, and developer/builders lenders.

- There has been a shift in the drivers of commercial green development, with environmental benefits taking a back seat to financial gains. In the short-term, municipalities will be one of the few groups involved in sustainable development, passing new green legislation and retrofitting public buildings.

- During the economic recovery, there will likely be a sharp increase in existing green commercial property acquisitions as investors position themselves for a green development-driven future, resulting in a sudden but brief rise in sales prices of sustainable properties.

- In the long-term, sustainable development will become an industry standard, with a continued emphasis on real cost savings and government-imposed environmental benefits associated with green technology.

The Concord Group would like to extend a special thank-you to those that participated in the survey. Your input on trends surrounding green development is extremely valuable in today's recessionary economic climate.

Thank you,

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spanning all property sectors. TCG's 30 consultants complete over 350 assignments annually in the U.S., Europe, Asia and Latin America. Our services include market analysis, transaction due diligence and asset valuation.

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Summary of Results and Conclusions

The Concord Group Green Development Survey

August 2009

EXECUTIVE SUMMARY

The Concord Group's Green Development Survey aimed to gauge sentiments concerning the outlook of sustainable development practices in commercial real estate in the context of the current economic recession. The following are the survey's key findings:

- **Green stalled through the downturn:** Despite a significant increase in progress over the last decade, ground-up green development will likely be stalled through the economic downturn and well into a recovery. This conclusion was driven by respondents the financial services industries, who seemed unlikely to be involved in green development projects in the near-term (if any development deals at all).
- **Shift in green development drivers:** The main reasons for a development to "go green" (note: see green definition in '*Background and Methodology*' section) have recently changed, with financial benefits becoming increasingly important, especially in the context of current economic conditions. Conversely, environmental benefits such as a reduced carbon footprint and air quality improvements are becoming less important in a project team's decision to "go green".
- **Green premiums stable near-term:** From a developer/investor perspective, the premiums associated with green development (over conventional development) will remain relatively flat through the downturn, due largely to minimal transaction activity. The only premium that is likely to change is the extra costs associated with green construction. As technology continues to improve and the price of materials comes down, green construction costs will also fall, even in the near-term.

Overall, the current lack of real estate development and investment activity can be applied to sustainable properties as well. In the short-term, municipalities will be one of very few groups involved in sustainable development. During the downturn the public sector will look to pass new green legislation and retrofit public buildings with green features. Private real estate professionals interested in moving forward with plans for green development will be forced to remain on the sidelines through the downturn due to conservative lending practices. During the economic recovery, there will likely be a sharp increase in green property acquisitions as investors and financiers try to position themselves for a long-term future in real estate, undoubtedly filled with green development opportunities.

Continued Page 2

BACKGROUND AND METHODOLOGY

The survey targeted top-level executives and industry leaders, with nearly 60% of respondents at the C-level or President/Principal level. Conducted between May and June 2009, the survey's 101 respondents represent the breakdown seen in Figure 1.

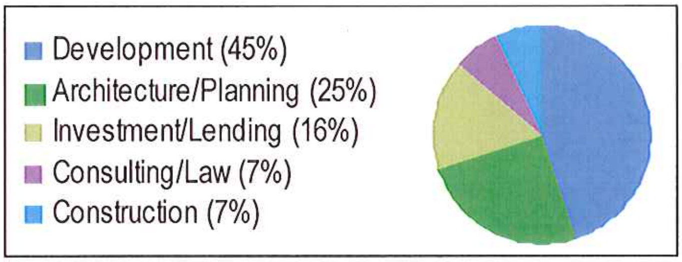

Figure 1: Respondent Breakdown

Sustainable development practices will unquestionably become an industry standard in the long-term. From 2005 to 2008, the value of green construction increased from $10 billion to $50 billion and there has been a 20% annual increase in professionals obtaining LEED certification since 2001. This survey intended to forecast the health of sustainable development through the downturn, during an economic recovery, and in the long-term. For the purpose of this survey, green development was defined as the practices of: a) increasing the efficiency with which buildings and their sites use and harvest energy, water, and materials; b) reducing building impacts on human health and the environment, through siting, design, construction, operation, and maintenance; and c) following the guidelines for certification from programs such as LEED, EnergyStar, or other recognized agencies.

RESULTS

Green Development Outlook

The survey results confirmed a general upward trend of sustainability, with 86% of survey respondents foreseeing an increased share of projects involving green development practices in the long-term. However, during the downturn and through the recovery only 28% and 57% of respondents, respectively, predict an increased share of sustainable development projects.

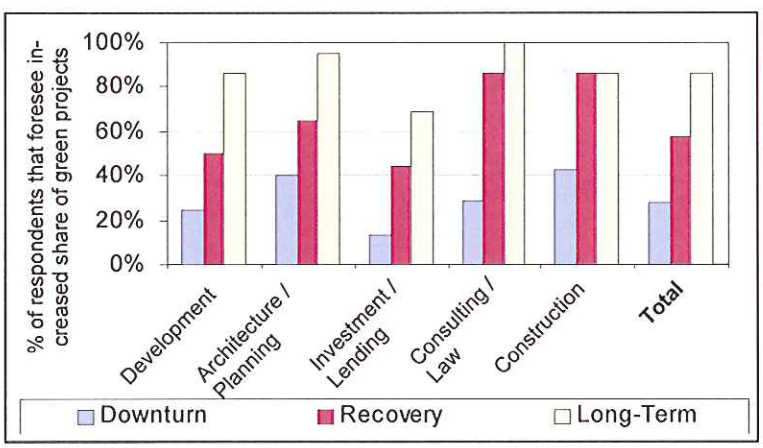

Figure 2: Green Development Outlook; Breakdown by Sector

Continued Page 3

Different real estate sectors are not in absolute agreement as to the near-term outlook of green development. As seen in Figure 2, investors and lenders are generally less likely to increase their share of green project involvement, most notably in the short-term. This result suggests that many green development projects are unlikely to gain financial support until *after* an economic recovery, despite the recent progress of the sustainable development sector.

	Green Share of Projects	All Respondents: Current	Downturn	Recovery	Long-Term	Change Current to Long-Term
Core Green	All	5%	10%	15%	20%	+10%
	Most	20%	15%	15%	15%	
Some Green	Approx. ½	10%	10%	15%	15%	+30%
	¼ - ½	15%	20%	30%	40%	
Minimal Green	Less than ¼	45%	25%	20%	10%	-40%
	None	5%	20%	5%	0%	
		100%	100%	100%	100%	

Figure 3: Green Development Outlook; Breakdown by Share

The near-term and long-term outlook of green development was also categorized by green share of total projects, as seen in Figure 3. The long-term trend is expected, with an overall increase in green projects. In total, 35% of respondents expect green development to be a core component of their projects in the long-term, a 10 percentage point increase from current. The middle group, those that have ¼ - ½ share of green projects, see the largest increase (30 percentage points) from current to long-term. In the long-term, only 10% of respondents predict minimal green project involvement, a 40 percentage point decrease from today.

In the short-term, respondents that currently have a core share of green projects see an increase through the downturn, but respondents with minimal green involvement predict a decreased share through the downturn.

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Ground-Up vs. Retrofit

Survey respondents were asked whether they foresee an increase in their company's involvement in retrofit projects. Figure 4, which represents an aggregate of all respondents, reveals that retrofits are

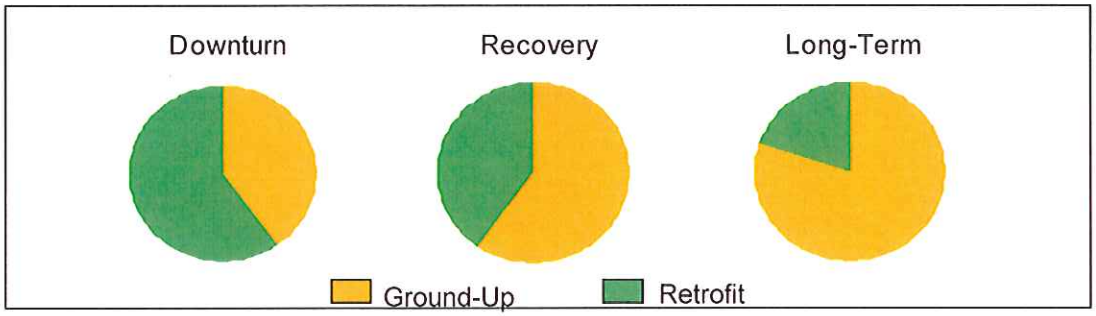

Figure 4: Ground-Up vs. Retrofit

likely to dominate development activity through the downturn, with ground-up construction gradually becoming the norm in the long-term. Retrofits do not yield the same profit margin as do ground-up construction projects, but are a safer play in the current economic climate. To that end, responses varied by industry sector, with developers looking to stay focused on ground-up projects during the downturn, while investors seem to be more likely to be involved in green retrofit projects in the near-term.

Benefits of Going Green

The decision to develop green (from the developer/investor perspective) is driven by a number of factors, the importance of each factor changing with market conditions. These changes are essential to track during the development process because they are the key drivers at every stage of the process,

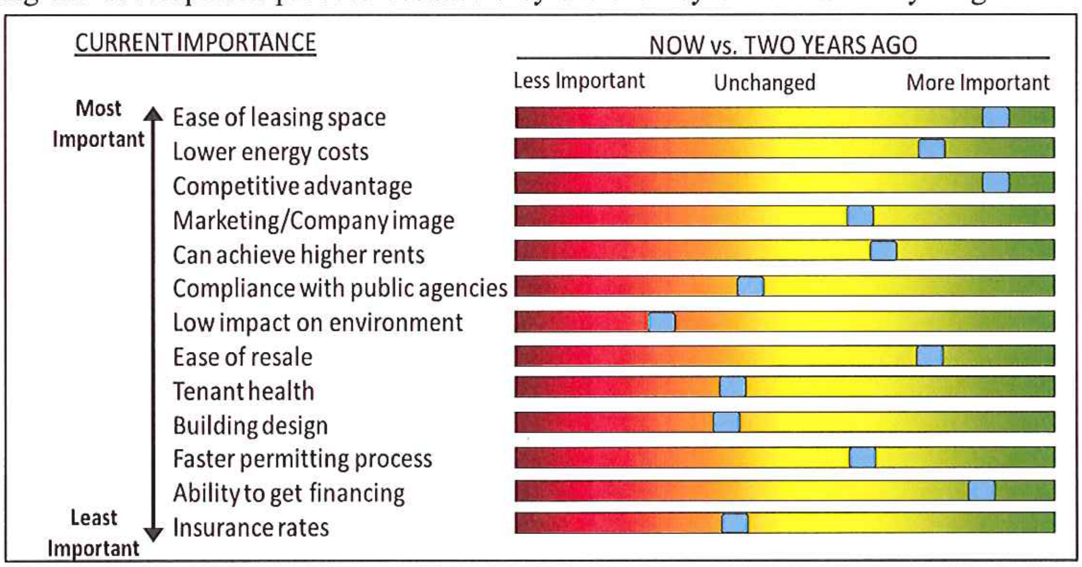

Figure 5: Green Development Drivers

from concept to construction to marketing and tenancy. Starting with the "ease of leasing space" and ending at "insurance rates", Figure 5 shows how respondents ranked the benefits, from the developer/investor perspective, of green development projects. Today's most important green drivers having a direct impact on bottom line financials, while environmental and health benefits are less important today than they were two years ago.

Continued Page 5

Green Premiums

Sustainable development is a young and extremely fast-moving industry, influenced by characteristics such as technological advances, regulatory changes, material costs, a more energy-conscious society, and changing economic conditions. As the green development industry changes, so too do the associated premiums and cost differentials. Survey respondents were asked to approximate current premiums

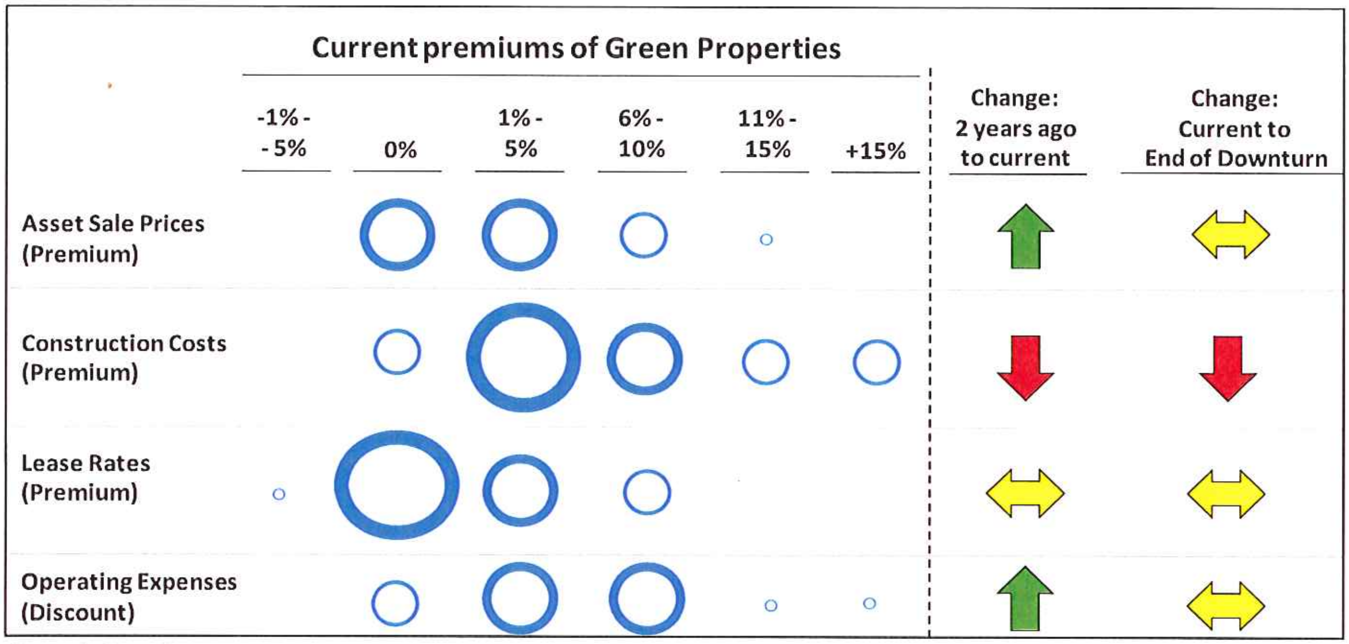

Figure 6: Green Premiums

associated with green properties (as compared to properties with conventional construction techniques), while also trending those premiums back two years and forecasting them out to the end of the economic downturn. With the size of the blue bubbles approximating relative response count, Figure 6 suggests that green construction costs carry the highest premium over conventional construction costs, but that difference in cost is decreasing. From an operations perspective, the survey also revealed the perception that the lease rate premium of a green property over a conventional property is the lowest; this premium has stayed relatively flat over the past few years, and is projected to remain stable in the near-term.

Continued Page 6

CONCLUSIONS AND IMPLICATIONS

While overall new development has fallen victim to the struggling economy, intentions for green development and investment are strengthening. Sustainable development is no longer just an environmentally-friendly label, but a new technology that has the capability to create larger profit margins for real estate professionals while simultaneously reducing the energy usage of buildings around the world. The goal of The Concord Group's survey was to measure the near- and long-term outlook of green development practices in commercial real estate in the context of today's recessionary climate. The major implications of the survey are:

- Those with minimal green project involvement today are likely to cease all sustainable projects through the downturn, but then increase involvement in the long-term. Professionals that are heavily involved in green development are projected to increase their involvement in both the near- and long-term.
- Despite the current recessionary climate, developers remain hopeful for ground-up green projects through the downturn, but will achieve little success as investors remain on the sidelines until the economy becomes more stabilized.
- Minimal development activity will cause green premiums and cost disparities to remain relatively flat through the downturn
- As capital markets unfreeze during the economic recovery, investors will look to position themselves for a green development-driven future by acquiring sustainable properties. This will lead a sudden, momentary rise in the sale price premium.
- The public sector will be the biggest sustainable development player through the downturn in the form of new energy legislation and municipal buildings undergoing green retrofits.

In the long-term, sustainable development will become an industry standard, with a continued emphasis on real cost savings and government-imposed environmental benefits associated with green technology.

***The Concord Group** is a national real estate strategy firm with offices in Boston, Newport Beach and San Francisco. The Concord Group provides vital analytical input throughout all phases of real estate financing, development and operations. Clients include investment/commercial banks, private equity firms and institutional and entrepreneurial capital, public agencies, and developer/builders spanning all property sectors.*

In addition to core services in market and financial analyses, TCG is active evaluating developments and loan pools throughout the United States and internationally. In 2Q2009 alone, TCG evaluated pools comprising of hundreds of properties with valuations in excess of $18 billion. Importantly, we continue to be involved with developer, financial, and public agency clients assessing strategies and tactics to maximize the value of owned-assets. We cover all property types, in all metro areas, and have the capability to work under tight due diligence deadlines.

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The Concord Group appreciates the time and effort put forth by the respondents of the survey and wishes to thank them for their participation.