



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors



discover. **develop.** **deliver.**

The Economic Outlook 2015

Perry Woodside, Ph.D.

Urban Land Institute Carolinas Regional Meeting

December 16, 2014

Certified Public Accountants and Advisors

Copyright © 2013 Dixon Hughes Goodman LLP

All rights reserved. No part of this presentation may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without permission in writing from Dixon Hughes Goodman LLP.

2015 US Forecast

The modest growth recovery will continue

^a As of Nov. 17, 2014

^b As of June, 4, 2014

^c As of Dec. 10, 2014

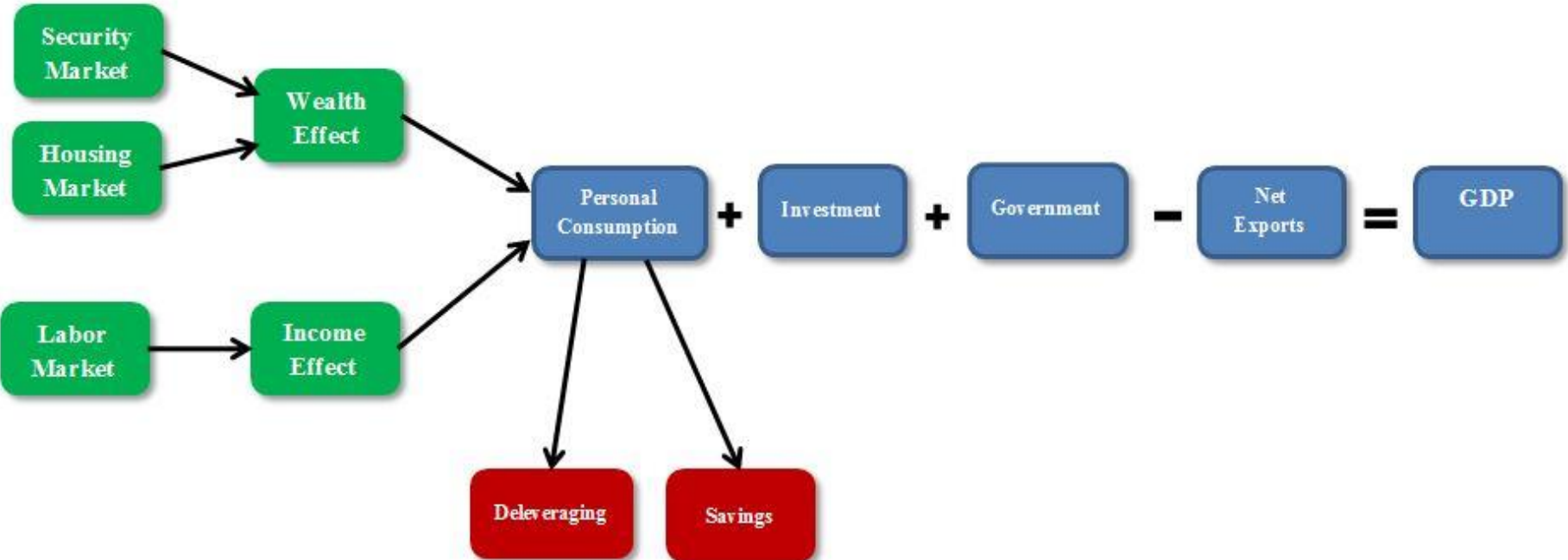
^d As of Sept. 17, 2014

^e As of Nov. 12, 2014

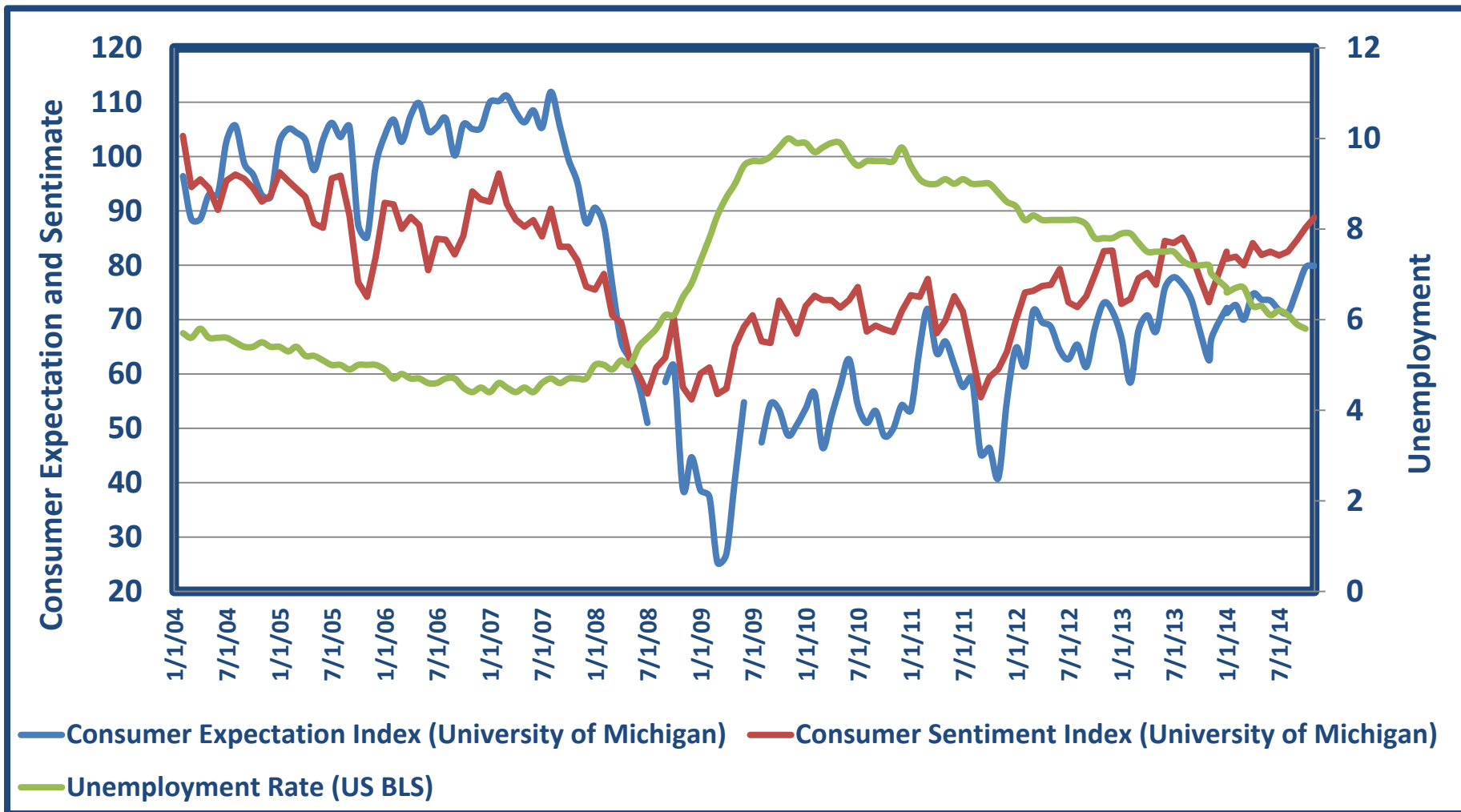
| 2015 Forecasts | Real GDP | Real Consumer Spending | Unemployment | Interest Rates (10 yr. T-Notes) | Consumer Price Index |
|---|-----------|------------------------|--------------|---------------------------------|----------------------|
| Federal Reserve Bank of Philadelphia (Survey of Prof. Forecasters) ^a | 3.0% | 1.8% | 5.5% | 3.2% | 2.0% |
| Livingston Report ^b | 2.9% | | 5.9% | 3.75% | 2.0% |
| Wells Fargo ^c | 2.8% | 2.5% | 5.6% | 2.54% | 1.7% |
| Federal Reserve Bank ^d | 2.6%-3.0% | 1.6%-1.9% | 5.4%-5.6% | | 1.6%-1.9% |
| Conference Board ^e | 2.5% | 2.5% | | | |



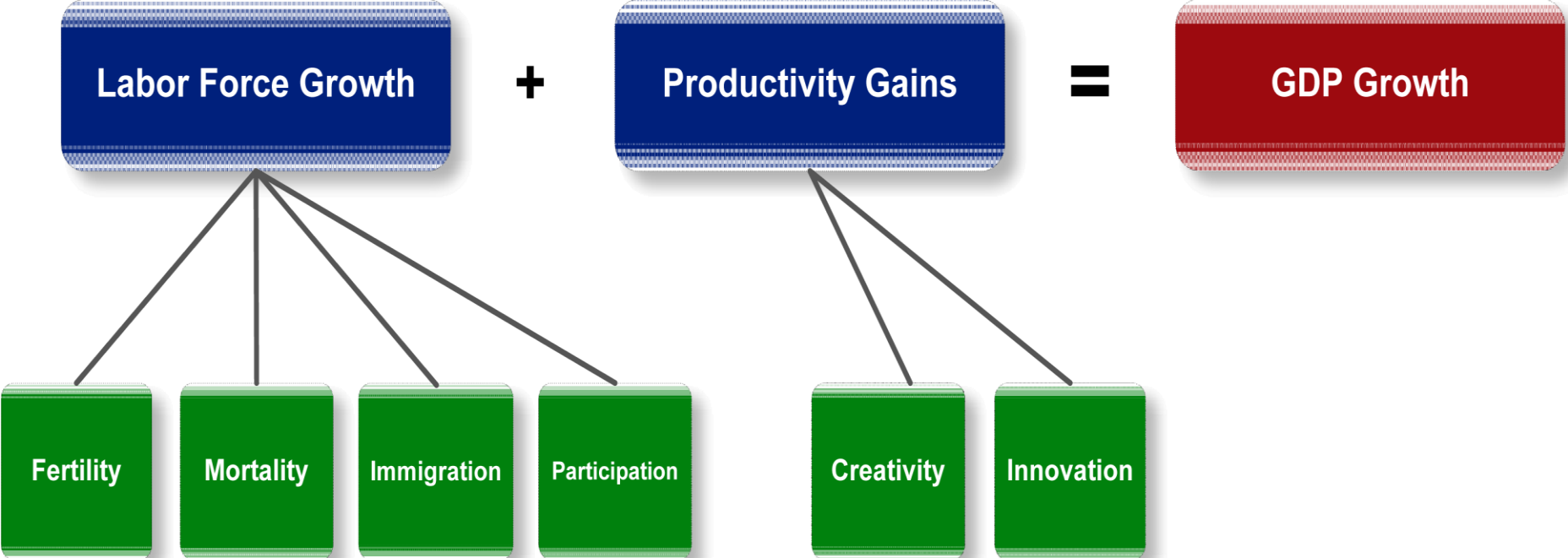
GDP Growth Factors



Consumer Sentiment, Expectations, & Unemployment



Long-run Drivers of Economic Prosperity



State Coincident Economic Activity Index

The Coincident Economic Activity Index includes four indicators: nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The trend for each state's index is set to match the trend for gross state product.

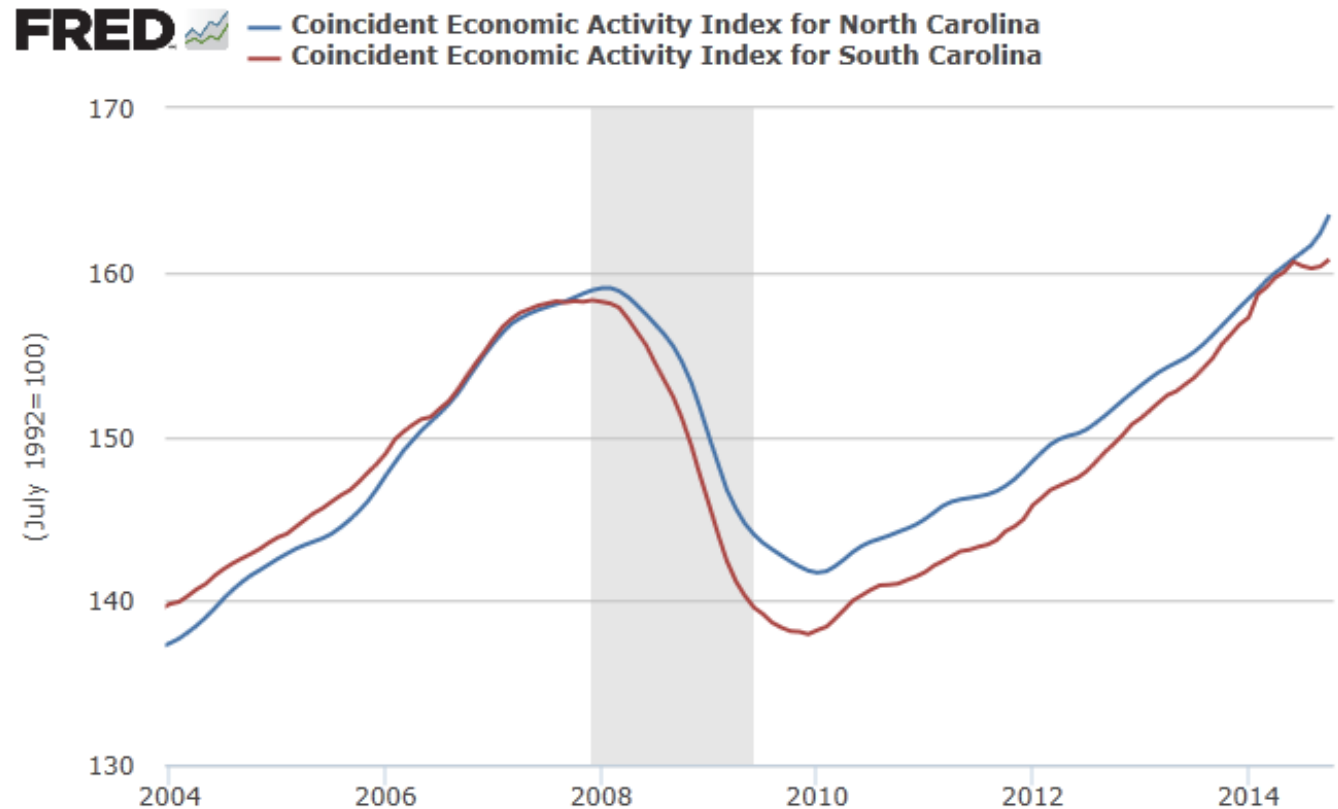


Carolinas' Coincident Economic Activity Index

As of October 2014

NC: 163.51 – up from 156.73 in October 2013

SC: 160.78 – up from 155.59 in October 2013



DIXON HUGHES GOODMAN LLP



State Leading Index

The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill.

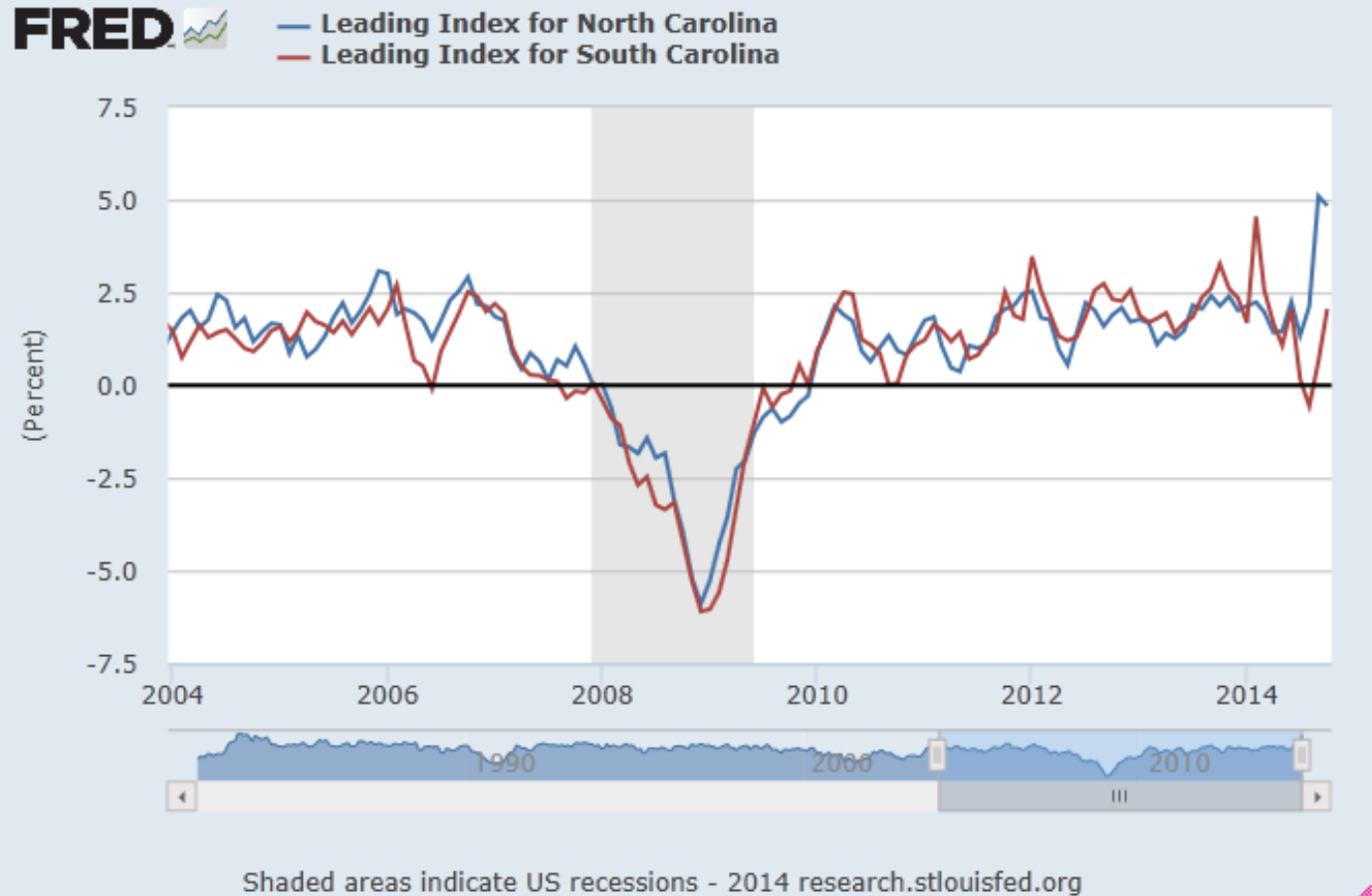


Carolinas' Leading Index

As of October
2014

NC: 4.84 – up from
2.14 in October
2013

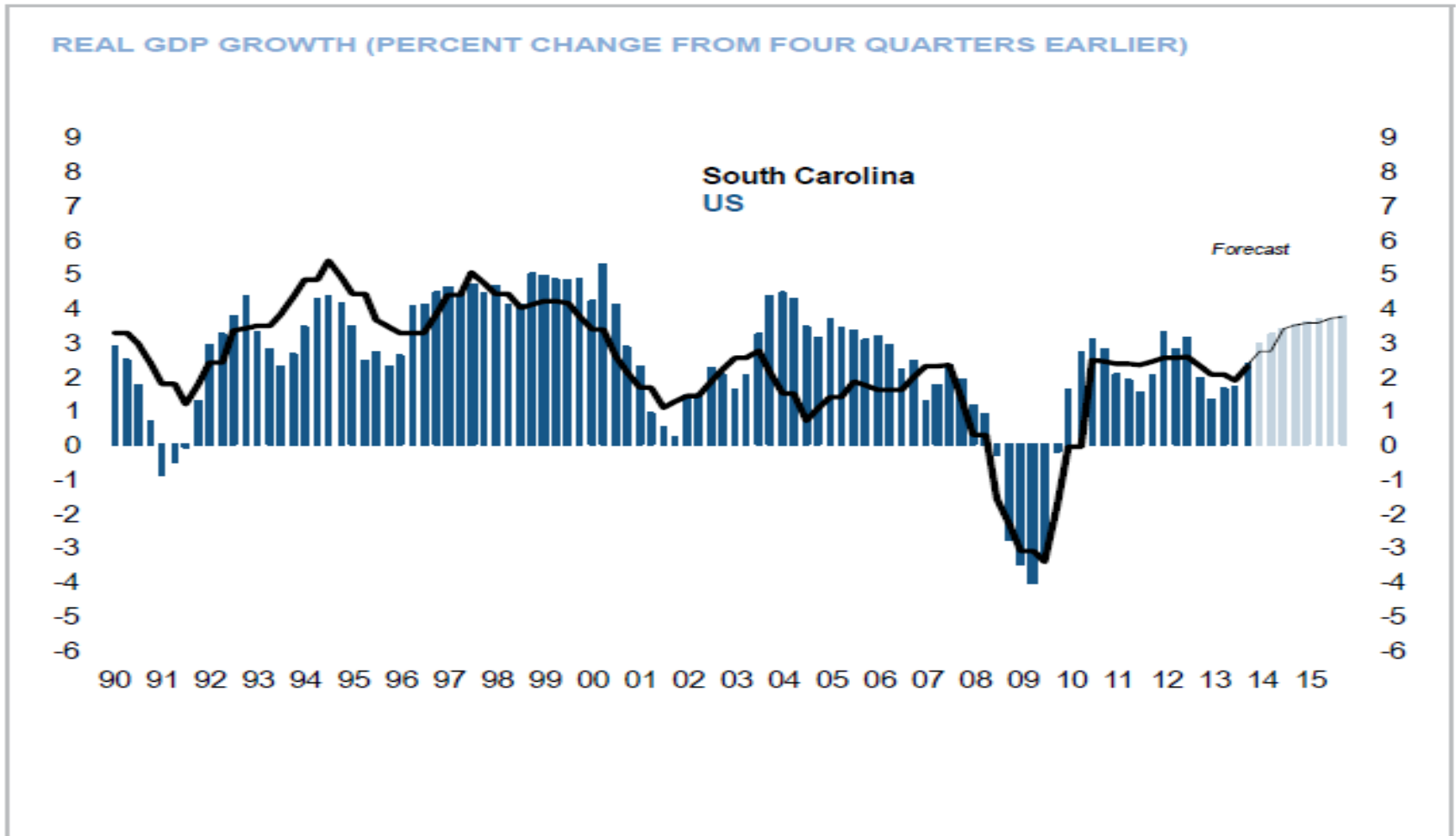
SC: 2.06 – down
from 3.27 in
October 2013



DIXON HUGHES GOODMAN LLP



SC Economic Growth



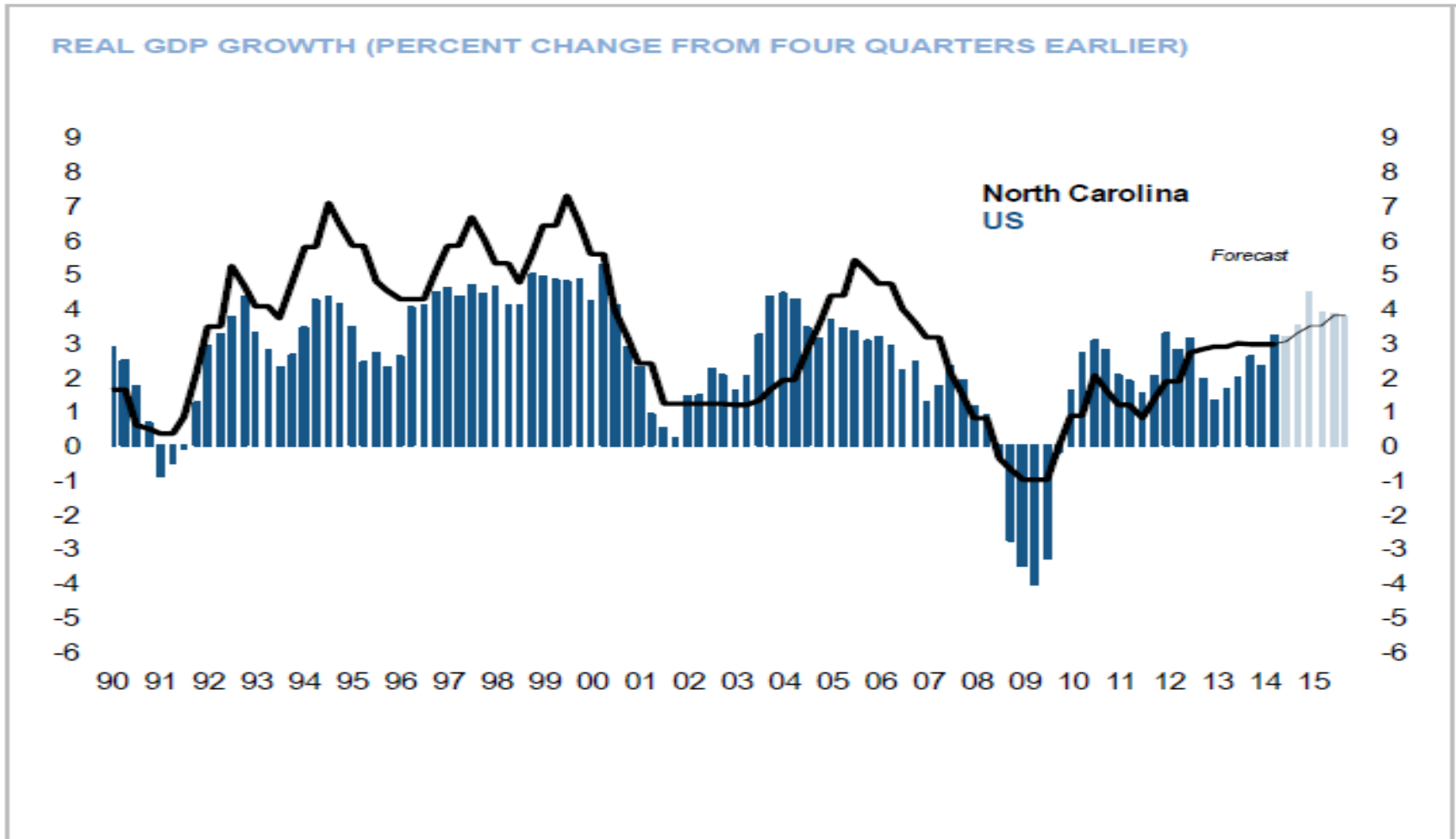
Chase J.P. Morgan: Regional Perspectives NC Economic Outlook June 3, 2014



DIXON HUGHES GOODMAN LLP



NC Economic Growth



Chase JP Morgan: Regional Perspectives NC Economic Outlook June 3, 2014



DIXON HUGHES GOODMAN LLP



Carolinas' Unemployment Rate

As of October 2014

Unemployment Rate
in NC: 6.3%

Unemployment Rate
in SC: 6.7%



DIXON HUGHES GOODMAN LLP



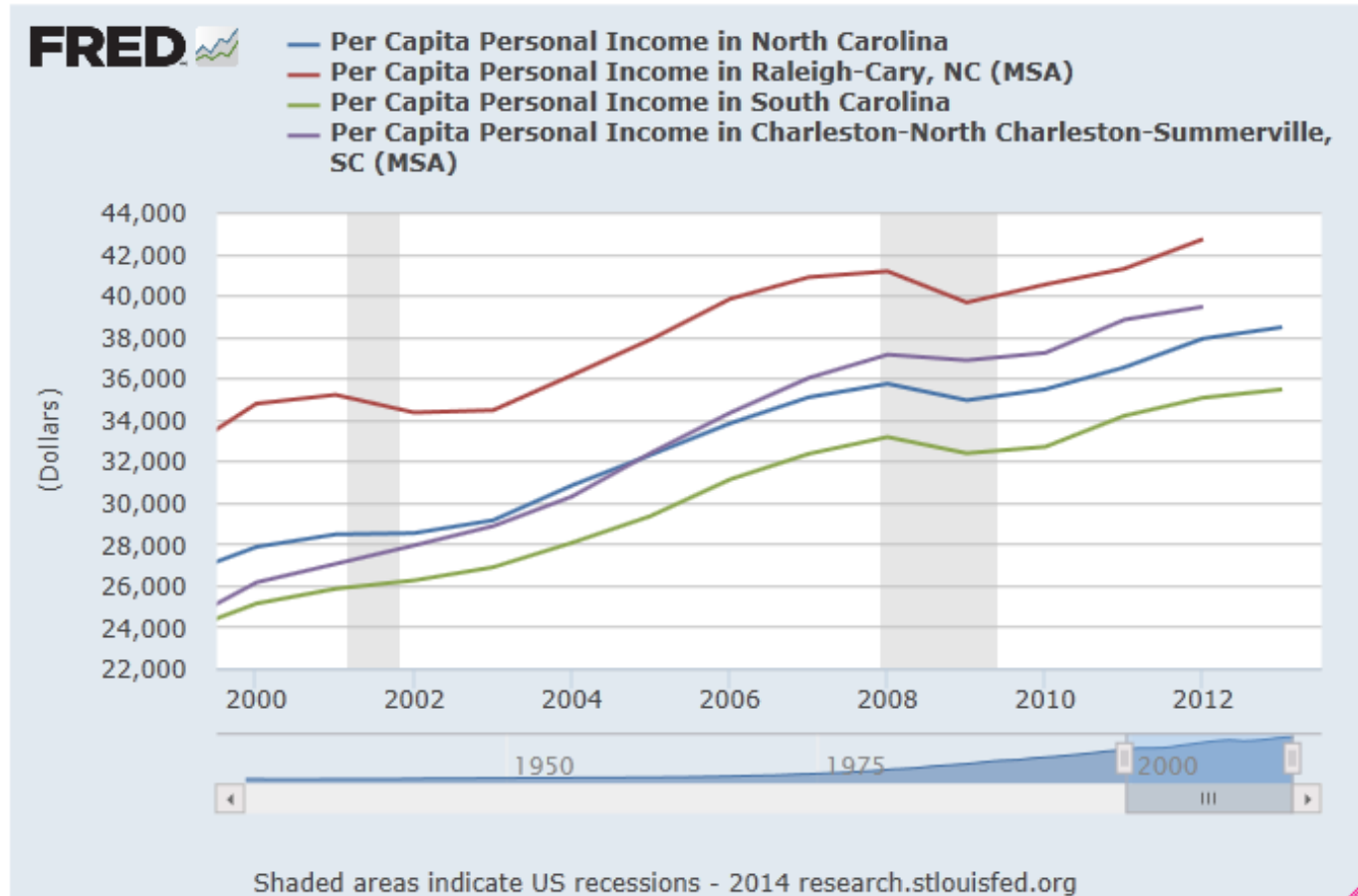
Carolinas' Per Capita Personal Income

NC Statewide Per Capita Income as of 2013: \$38,457

Raleigh MSA as of 2012 \$42,709

SC Statewide Per Capita Income as of 2013: \$35,453

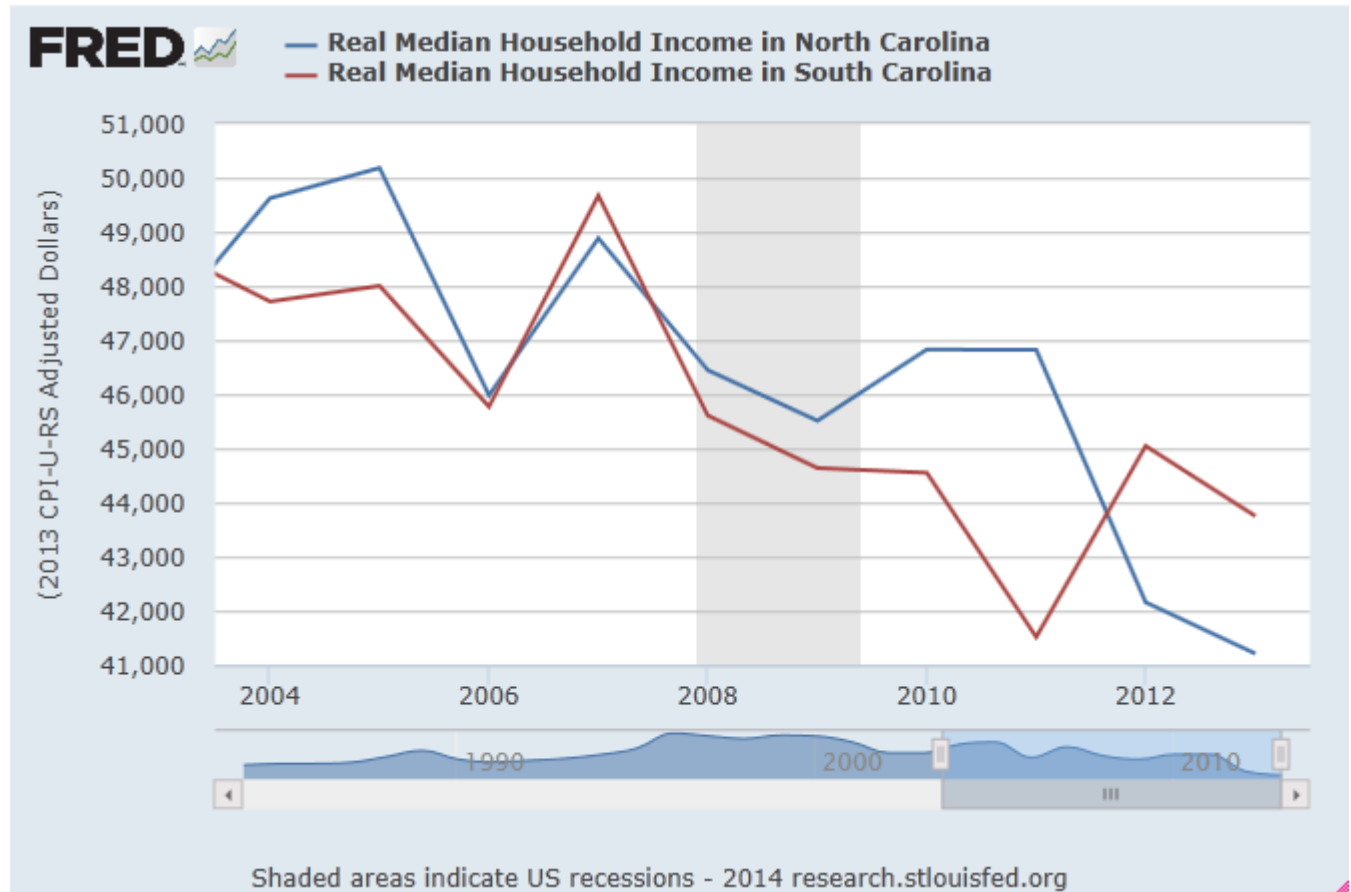
Charleston MSA as of 2012 \$39,444



Carolinas' Real Median Household Income

As of January 2013

NC \$41,208
SC \$43,749



DIXON HUGHES GOODMAN LLP



Model for Economic Prosperity

ECONOMIC DEVELOPMENT OUTCOME

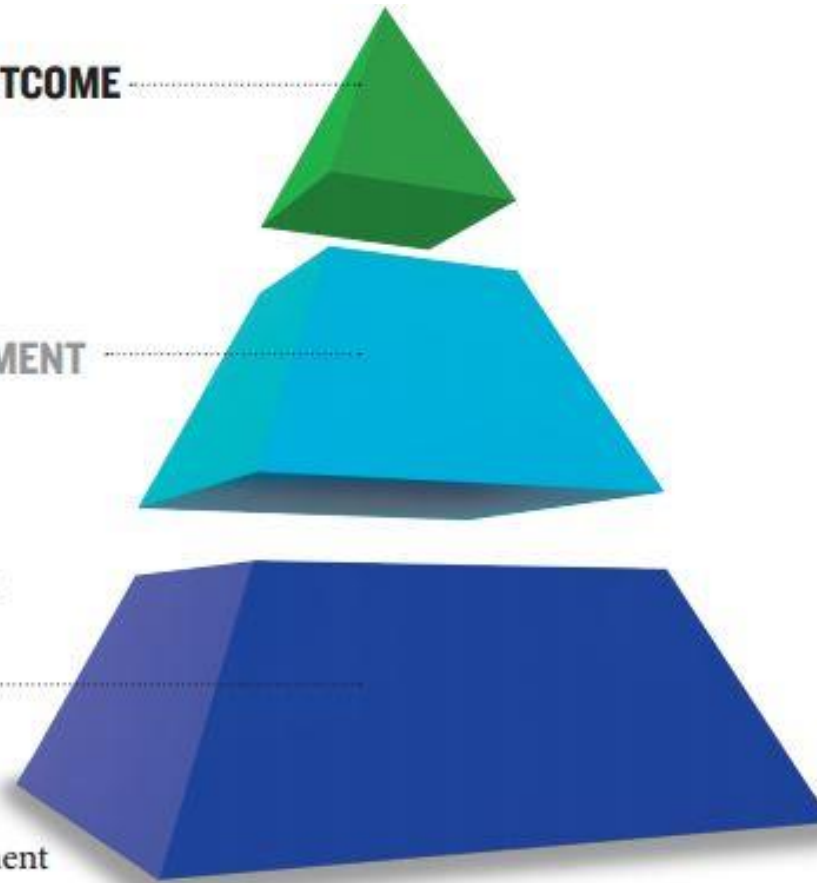
- Economic Output
- Employment
- Earnings & Income

ENVIRONMENT FOR DEVELOPMENT

- Industrial Composition
- Physical Infrastructure
- Social, Cultural & Institutional Environment

COMPETITIVENESS INPUTS

- Human Capital
- Innovative Activity
- Entrepreneurial Environment
- Quality of Place



Quality of Life Indexes

| Rank | Peer MSA | Vitality | Earning | Learning | Social Capital | Cost of Lifestyle | After Hours | Around Town | Average |
|------|------------|----------|---------|----------|----------------|-------------------|-------------|-------------|---------|
| 1 | Austin | 6 | 10 | 6 | 6 | 4 | 6 | 9 | 6.7 |
| 2 | Raleigh | 9 | 6 | 6 | 8 | 6 | 4 | 3 | 6.0 |
| 3 | Charleston | 2 | 5 | 9 | 5 | 1 | 6 | 6 | 4.9 |
| 4 | Nashville | 5 | 4 | 4 | 4 | 5 | 8 | 4 | 4.9 |
| 5 | Charlotte | 5 | 3 | 2 | 6 | 5 | 5 | 5 | 4.4 |
| 6 | Greenville | 4 | 4 | 4 | 1 | 8 | 1 | 2 | 3.4 |

Consulting, Charleston Handprint 2013



Best Performing Cities

Widely quoted ranking

| Category | Charlotte MSA | Raleigh MSA | Columbia MSA | Charleston MSA |
|--|---------------|-------------|--------------|----------------|
| 5-yr Job Growth (2007-12) | 61 | 29 | 109 | 28 |
| 1-yr Job Growth (2011-12) | 17 | 24 | 72 | 19 |
| 5-yr Wage Growth (2006-11) | 88 | 30 | 117 | 22 |
| 1-yr Wage Growth (2010-11) | 19 | 60 | 157 | 24 |
| Short-Term Job Growth | 53 | 131 | 61 | 96 |
| 5-yr High Tech GDP Growth (2007-12) | 54 | 44 | 106 | 5 |
| 1-yr High Tech GDP Growth (2011-12) | 76 | 17 | 157 | 79 |
| High Tech GDP Concentration (2012) | 112 | 16 | 159 | 77 |
| # of High Tech Industries LQ >= 1 (2012) | 91 | 7 | 133 | 68 |
| Overall Rank 2013 | 27 | 13 | 122 | 11 |

Source: Milken Institute



DIXON HUGHES GOODMAN LLP



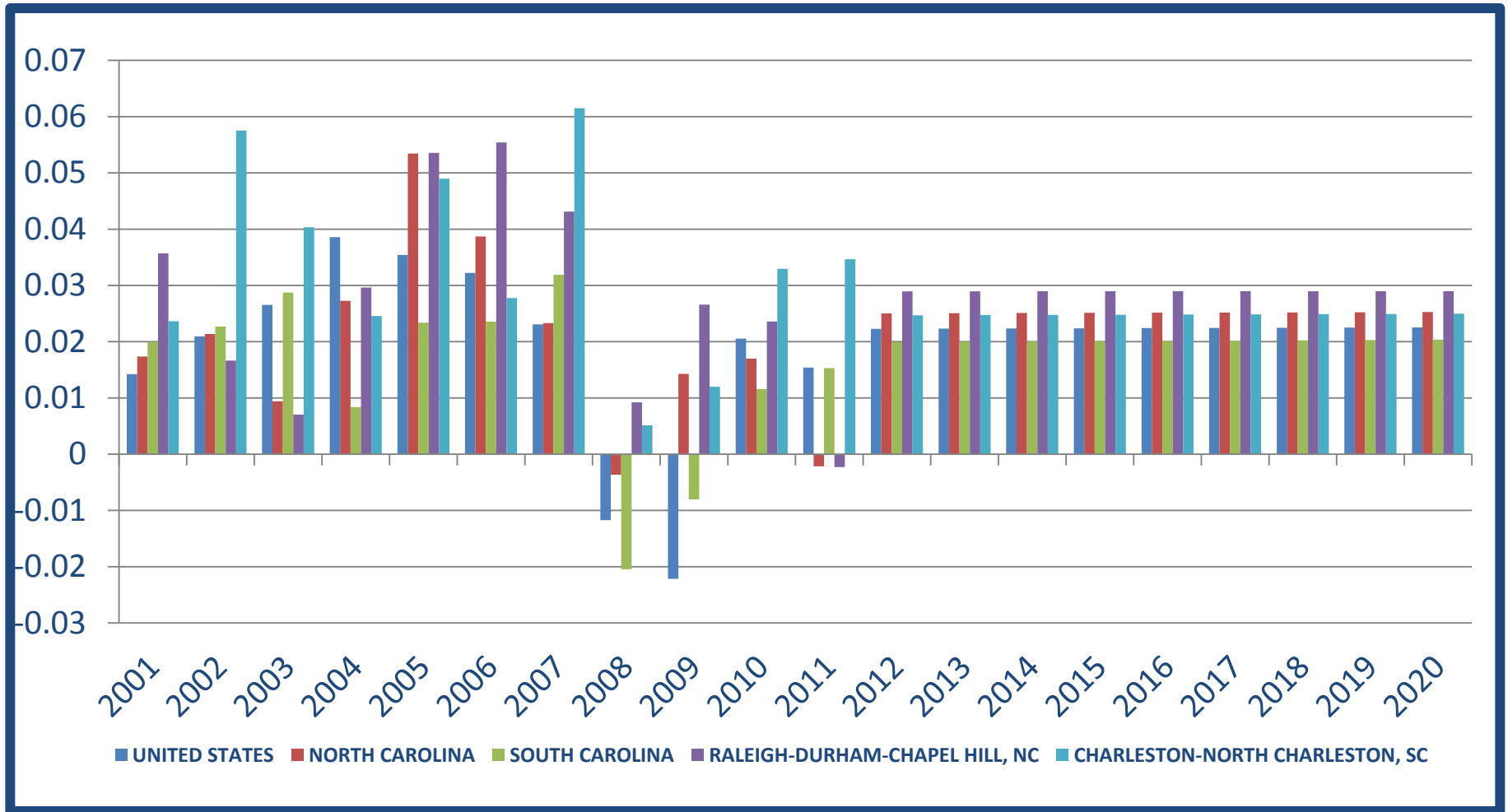
U.S. Markets to Watch: Overall Real Estate Prospects

- 1 Houston (1, 1, 2)
- 2 Austin (2, 4, 1)
- 3 San Francisco (3, 2, 5)
- 4 Denver (5, 5, 4)
- 5 Dallas/Fort Worth (9, 8, 3)
- 6 Los Angeles (6, 6, 6)
- 7 Charlotte (7, 7, 7)
- 8 Seattle (4, 3, 17)
- 9 Boston (8, 9, 14)
- 10 Raleigh/Durham (16, 17, 9)

| | Investment | Development | Homebuilding |
|-------------------------------|------------|-------------|--------------|
| 1 Houston (1, 1, 2) | 4.01 | 3.80 | 4.21 |
| 2 Austin (2, 4, 1) | 3.85 | 3.68 | 4.33 |
| 3 San Francisco (3, 2, 5) | 3.82 | 3.75 | 3.80 |
| 4 Denver (5, 5, 4) | 3.66 | 3.54 | 3.87 |
| 5 Dallas/Fort Worth (9, 8, 3) | 3.56 | 3.43 | 3.98 |
| 6 Los Angeles (6, 6, 6) | 3.65 | 3.52 | 3.73 |
| 7 Charlotte (7, 7, 7) | 3.61 | 3.44 | 3.71 |
| 8 Seattle (4, 3, 17) | 3.70 | 3.72 | 3.34 |
| 9 Boston (8, 9, 14) | 3.58 | 3.37 | 3.39 |
| 10 Raleigh/Durham (16, 17, 9) | 3.42 | 3.24 | 3.57 |



Gross Regional Product & US GDP



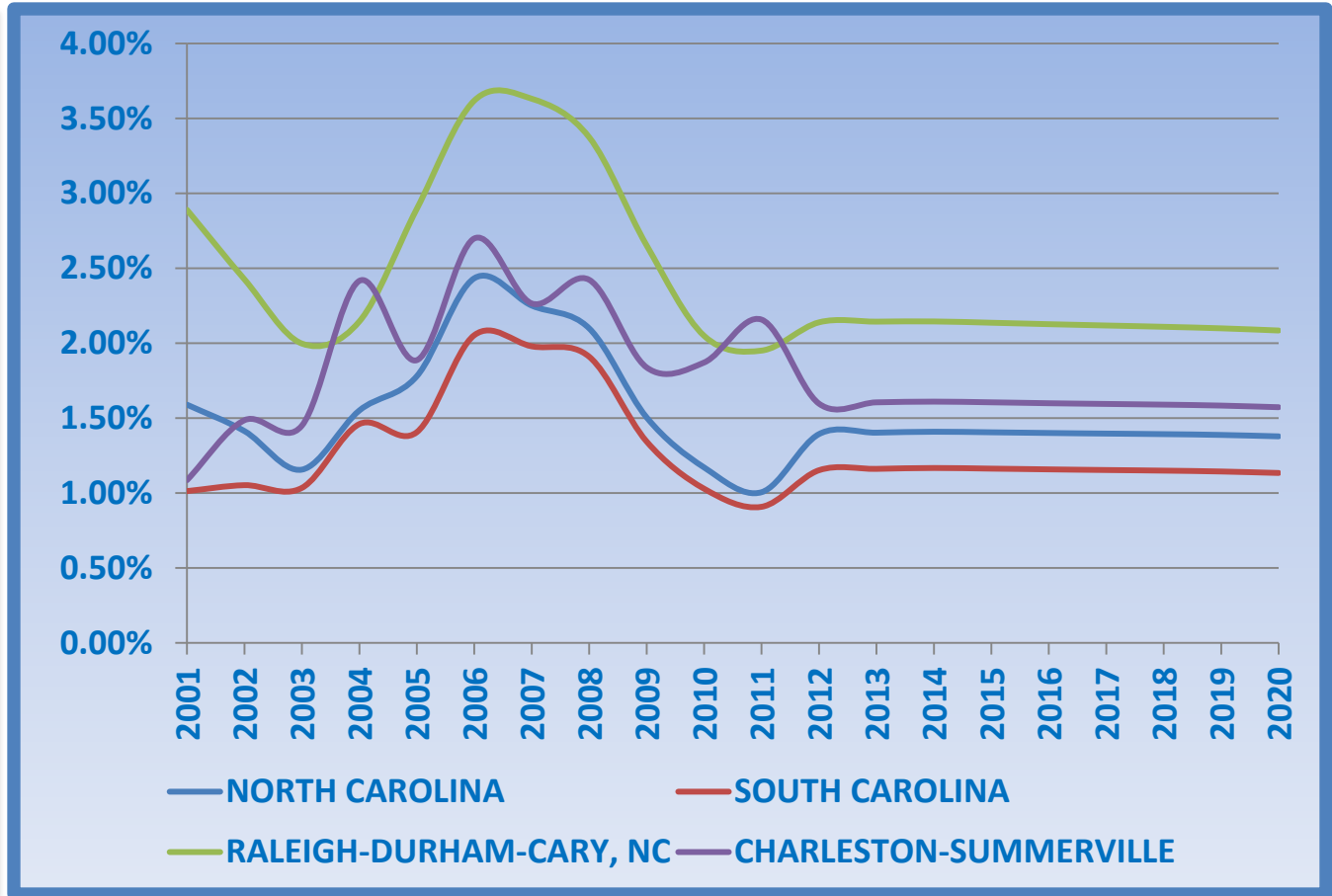
Source: Woods & Poole Economics, Inc.



DIXON HUGHES GOODMAN LLP



Long-Term Population Growth



Source: Woods & Poole Economics, Inc.



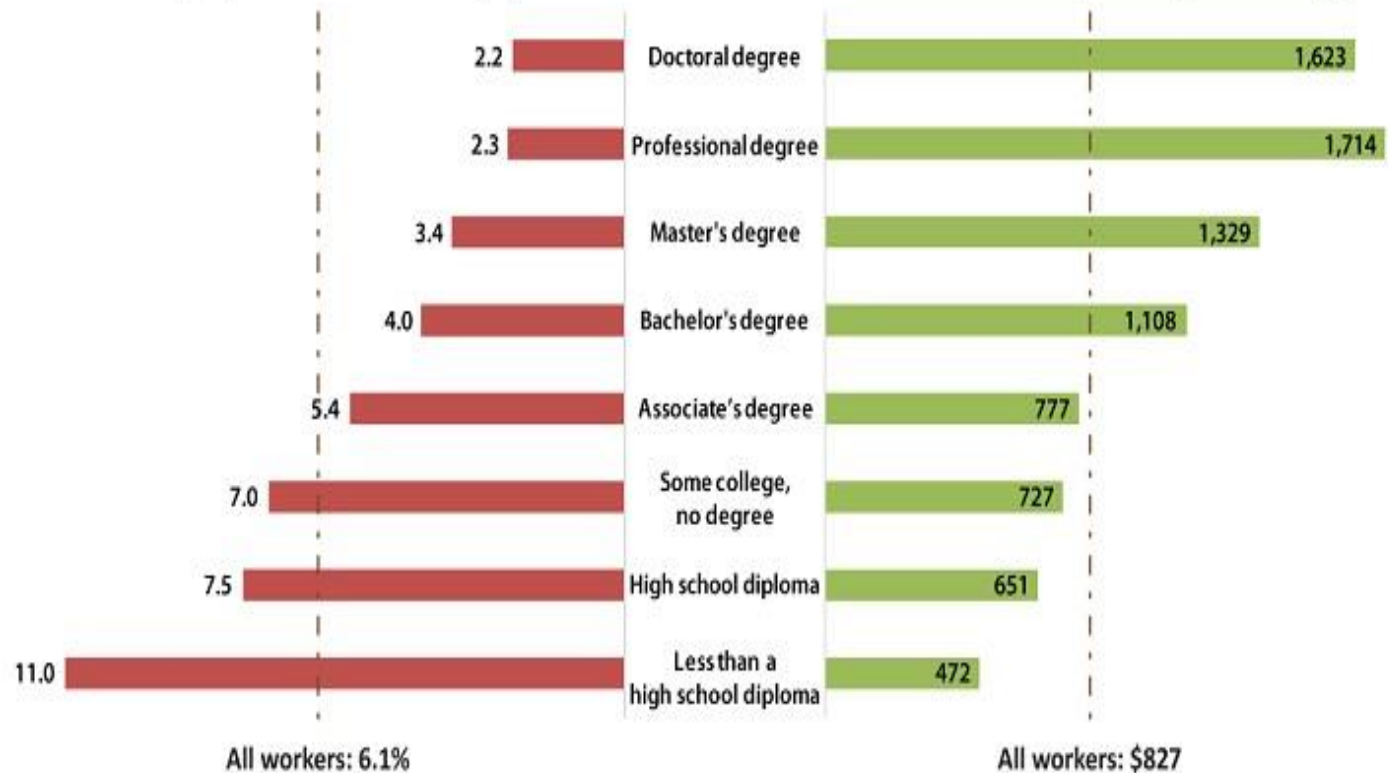
DIXON HUGHES GOODMAN LLP



Earnings and unemployment rates by educational attainment

Unemployment rate in 2013 (%)

Median weekly earnings in 2013 (\$)



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: Current Population Survey, U.S. Bureau of Labor Statistics, U.S. Department of Labor

Why education is important to economic growth



Perry Woodside, Ph.D.

Perry.Woodside@dhgllp.com

843.727.3214



DIXON HUGHES GOODMAN LLP

