

The World and the West

We have answers.

Go ahead, ask.



Hosted by
William L. Exeter
*President and Chief Executive Officer
Exeter 1031 Exchange Services, LLC*

Presented by
Alan Nevin
*Principal
The London Group*

The Exeter Edge™ Webinar Series

- Welcome to The Exeter Edge Webinar Series sponsored by Exeter 1031 Exchange Services, LLC
- The goal of The Exeter Edge™ Webinar Series is to provide you with useful, up-to-date information so that you can make better informed investment decisions.

The Exeter Edge™ Webinar Etiquette

- Everyone will be in listen only mode
- We do want to encourage questions
- **Ask questions** as they come up
- Use the question function on your GoToMeeting console
- Questions will be read off and addressed as they come up.

Exeter 1031 Exchange Services

- Qualified Intermediary (Accommodator)
- Exchange Accommodation Titleholder
- All types of 1031 exchanges, including:
 - Forward 1031 Exchange
 - Reverse 1031 Exchange
 - Improvement 1031 Exchange
 - Zero Equity 1031 Exchanges™
- All 50 states and foreign property
- Real and Personal Property Exchanges
- Call Exeter 24/7 via web site



Exeter Fiduciary Services, LLC

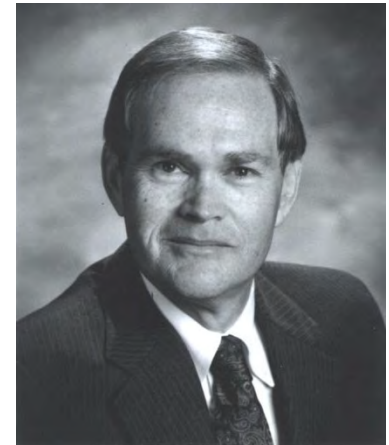
- Private, Professional Fiduciary
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- Qualified Trust Accounts (1031s)
- Settlement, dissolution, dispute resolution trust accounts
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 - California Offices:
 - San Diego (Corporate headquarters)
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 - Fresno
 - San Francisco
 - Chicago, Illinois
 - Kona, Hawaii
 - Pittsburgh, Pennsylvania
 - East Northport, New York
 - Springfield, New Jersey
 - Colorado Springs, Colorado
 - Wilmington, Delaware

Our Presenter Today is ...

Alan Nevin
Principal
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The World and the West

The London Group Realty Advisors



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The International Perspective

“Extreme pessimism” appears to be dominating the financial community worldwide.

The pessimism relates predominantly to:

- Troubles in Europe
- Chinese economic slowdown
- Lackluster U.S. recovery



The International Perspective

Extreme pessimism inevitably offers long term opportunities

“The time to buy is when there's blood in the streets.” -*Baron Rothschild*

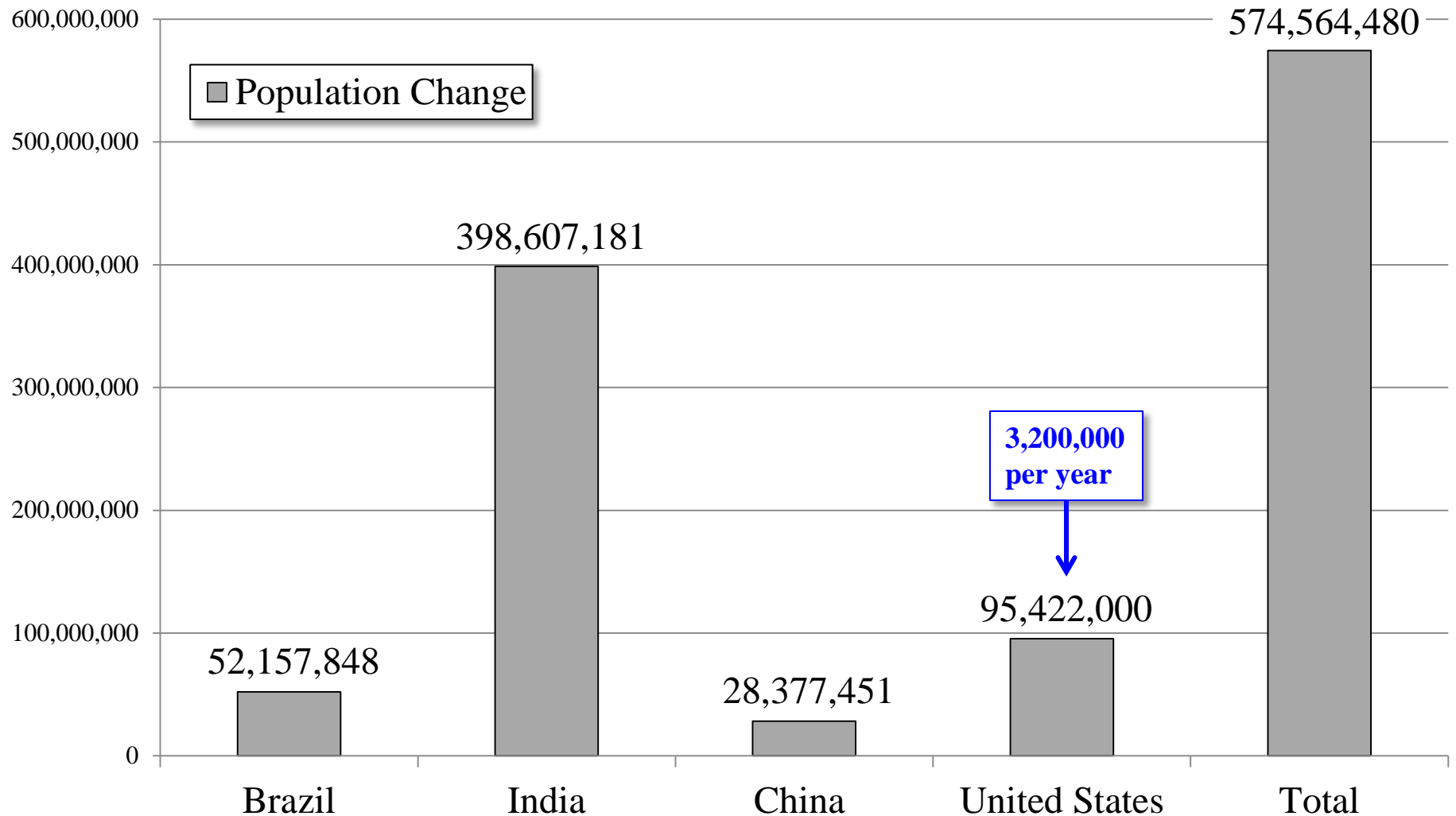


Massive Transition and Restructuring Worldwide

- Massive **movements in manufacturing** from once low-cost countries, like China and Japan, back to the industrialized countries. Our corporations are geared up to serve the evolving world with enormous hordes of cash.
- Major **demographic changes** in most of the world.
 - **Continued population gains** in China, India, Brazil, the U.S. and many of the third world countries.
 - The U.S. is one of the few 1st world countries to maintain the necessary 2.0 children per household that is needed to grow the economy.
 - Slowdowns in new births worldwide means households have more disposable income and that means major demand increase for discretionary goods.

Population Change 2010-2040

Major Consumer Growth Economies



Source: U.S. Census International Database Global Forecasts, April 2011



Massive Restructuring of the World Economies

- The **European countries** that produce goods and services will survive and prosper (like Italy, Germany, Great Britain and Ireland) while the others languish and rely almost totally on tourism (Greece, France, Turkey).
- China, Brazil and Mexico are gradually **reducing government ownership** of business in an effort to promote economic growth and efficiency.
- Full scale **global rebalancing** over the coming decades
 - **Powerful trends toward capitalism and especially state capitalism**
 - **China's international investing** will change Africa and Latin America dramatically (They fear nothing and will play by the rules of the countries they invade- just as the U.S. did at one time).



The U.S. Position

- **We remain the envy of the world.**
- **Our dollar** is the safest and strongest in the world. Every country wants to hold dollars.
- The **price of money** in the U.S. is at an all-time low and will remain so for several years.
- We have more persons trying to **immigrate** to the U.S. than any other country in the world.
- Our **universities** are clearly ranked as the best in the world, especially those in California.
- The **creativity of our enterprises** vastly overshadows that of any other nation.



The U.S. Position

- We clearly have the lead on bio-tech, communications, aerospace, health sciences and the other **fast-growing high tech sectors**. (Jobs in these sectors pay handsome salaries)
- Yes, our overall **employment growth is dismally slower** than in traditional recoveries. One reason is that our industries have learned to be far more efficient with far fewer employees.
- But that is changing. You can only push productivity so far without hiring **new employees, especially when sales are booming**.



The U.S. Position

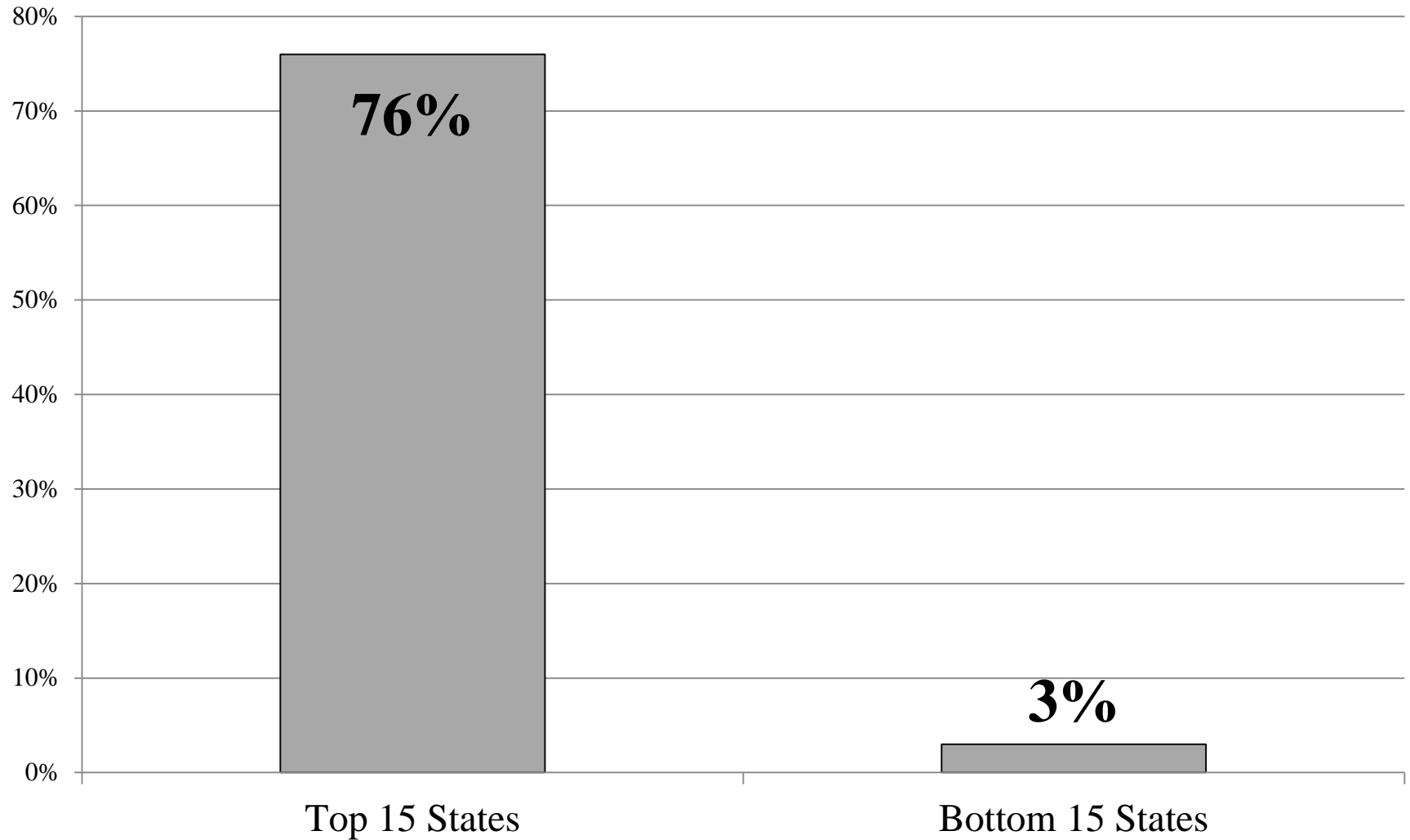
- The real reason why our recovery has been dismal is that the **construction industry** had not recovered and the government has done nothing to **encourage** its return to health. **In nine of the past 11 recessions, construction led the way out.**
- For that reason, this recovery will take 7-8 years compared to 2-3 years in a traditional situation (it has already been five years).
- The forthcoming national election has little to do with the lackluster economy. Qualcomm and Apple are not sitting around waiting to see who wins.



Let's Talk Real Estate

- Econ 101: Over time, **real estate values increase in metropolitan areas that have increases in household formations.**
- In the past 30 years, the **top 15 population-growth states** accounted for 76% of U.S. population gain, compared to 3% for the bottom 15 states.
- It is a given that population gain and jobs go together. Therefore, the states with the major population gains also have the greatest employment gains. **2/3's of our GDP is consumer expenditure-related.**
- Employment gains mean the highest levels of demand for residential and commercial properties.

United States Population Change 1980-2010



Source: U.S. Census Bureau



Let's Talk Real Estate

- **High levels of demand for real estate, over the long run, inevitably mean increases in value.**
- The states hugging the West Coast (and we can include Nevada and Arizona) have had an amazing run for the past 30 years. Yes, they have had recessions, but have recovered smartly every time.



Real Estate Projections for the West Coast

Residential Sector- Resale Market

- The home resale market has stabilized in most locales, even in Arizona and Nevada.
- Sales of resale housing has returned to normalcy in most metropolitan areas.
- In many areas like San Diego, the Bay Area and Seattle, homes newly listed are receiving 4-5 offers and prices are being bid up.



Real Estate Projections for the West Coast

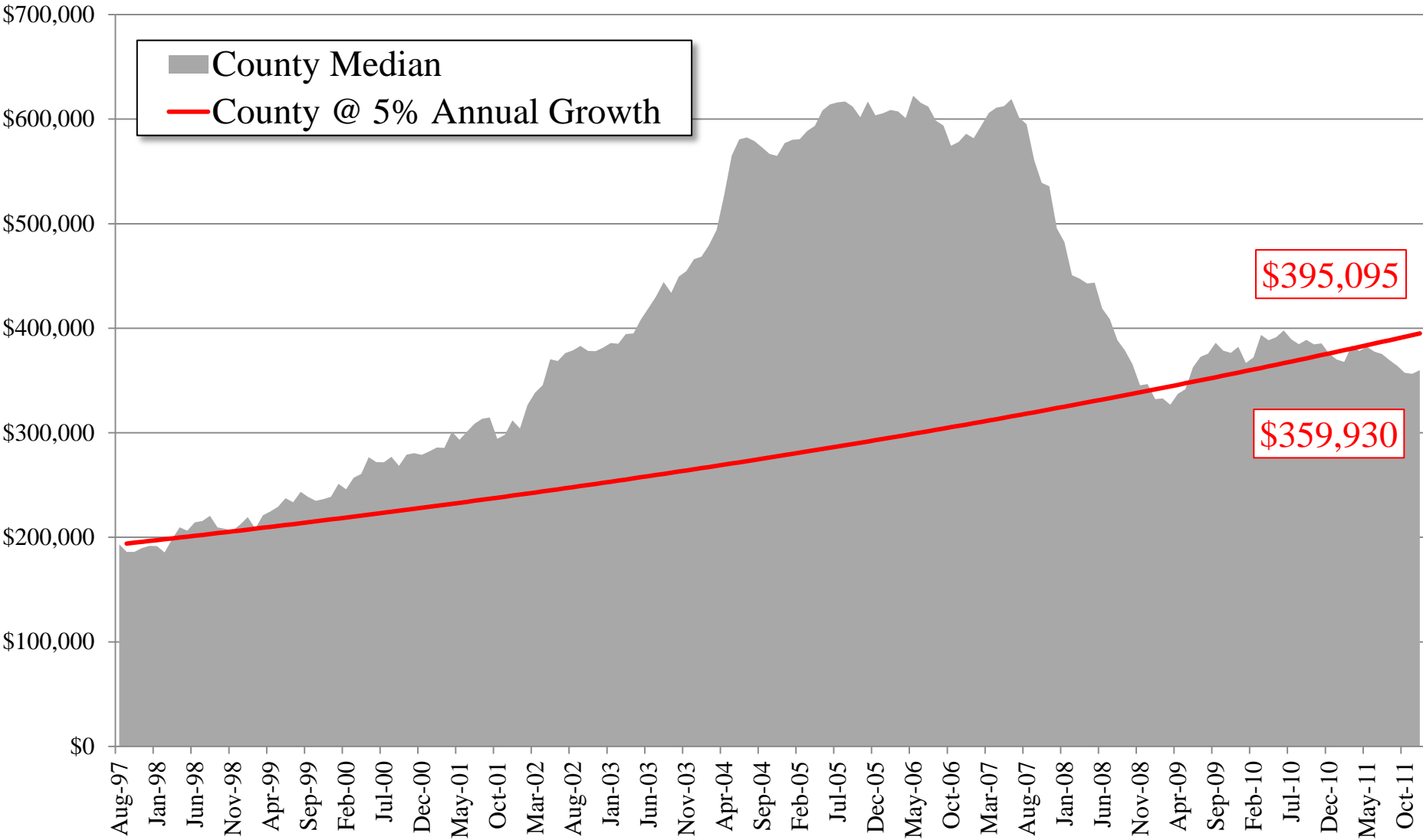
Residential Sector- Resale Market

- In better quality suburbs, resale home prices are accelerating, not wildly, but accelerating nonetheless.
- Traditionally, there is a six-month inventory of homes for sale. In San Diego County, we are down to a three-month inventory.
- Foreclosures and distressed sales are down as well. The investor market is dissipating as the courthouse steps are empty.

If Single-Family Home Prices Increased 5% per Year Since 1997



San Diego County





Real Estate Projections for the West Coast

Residential Sector- New-Home Construction

- Few new homes are being built. In many counties, like San Diego and Los Angeles, there is a dearth of shovel-ready lots. In several cases, the supply of new lots is 2-3 years away.
- Further, the few lots that are shovel-ready near the coast are expensive, with new homes rarely available for under \$600,000.
- Condominiums should be the answer to satisfying the needs of our middle-income households, but **shovel-ready land is meager; financing is almost impossible to obtain**; and the **major builders** (who don't need financing) have virtually **no appetite** for condominium development.



Real Estate Projections for the West Coast

Residential Sector- New-Home Construction

- Traditionally, new sale housing drives the resale market. Combined, they cause economies to thrive. With minimal new sale housing, it will be difficult to have a full recovery.
- **Having said that, in coastal markets, demand continues as the job market expands and there will be a major imbalance in supply/demand that will result in a continual upward push on prices.**



Real Estate Projections for the West Coast

Residential Sector- Apartment Construction

- Apartment construction is moving forward as the major national apartment firms recognize the opportunities for serving growing markets.
- In most coastal markets, the vacancy rates are below 5.0% and rents are gradually rising.
- Further, substantial opportunities exist for upgrading existing rental housing, much of which is old and ill-maintained, even in affluent areas.



Real Estate Projections for the West Coast

Commercial Construction

- The retail sector, by and large, is very healthy, with vacancy rates below 5.0% in most coastal locales. The once bulging supply of vacant big boxes has virtually disappeared in most areas.
- The office and industrial markets are gradually healing with minimal new construction.
- The hotel market has stabilized and room rates are gradually increasing. Tourism is strong on the West Coast, with particular strength in the international visitor market.



Conclusion: The world is restructuring.



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We provide a full range
of advisory services for:

- ✓ Developers
- ✓ Investors
- ✓ Lenders
- ✓ Attorneys
- ✓ Public Agencies



Follow-up Questions

- Please ask any follow-up questions that you might have now by entering them in the question console.

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- Visit our webpage at:

www.exeter1031.com/seminars.aspx

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Closing Comments

- Set-up a complimentary consultation with Alan Nevin or Bill Exeter
- Brief survey upon logging out
- Follow-up email with links
 - Copy of power point presentations
 - Downloadable resources
 - Our contact information
- Thank you for attending – we look forward to working with you.

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