



Economic Outlook Greer & Walker, LLP

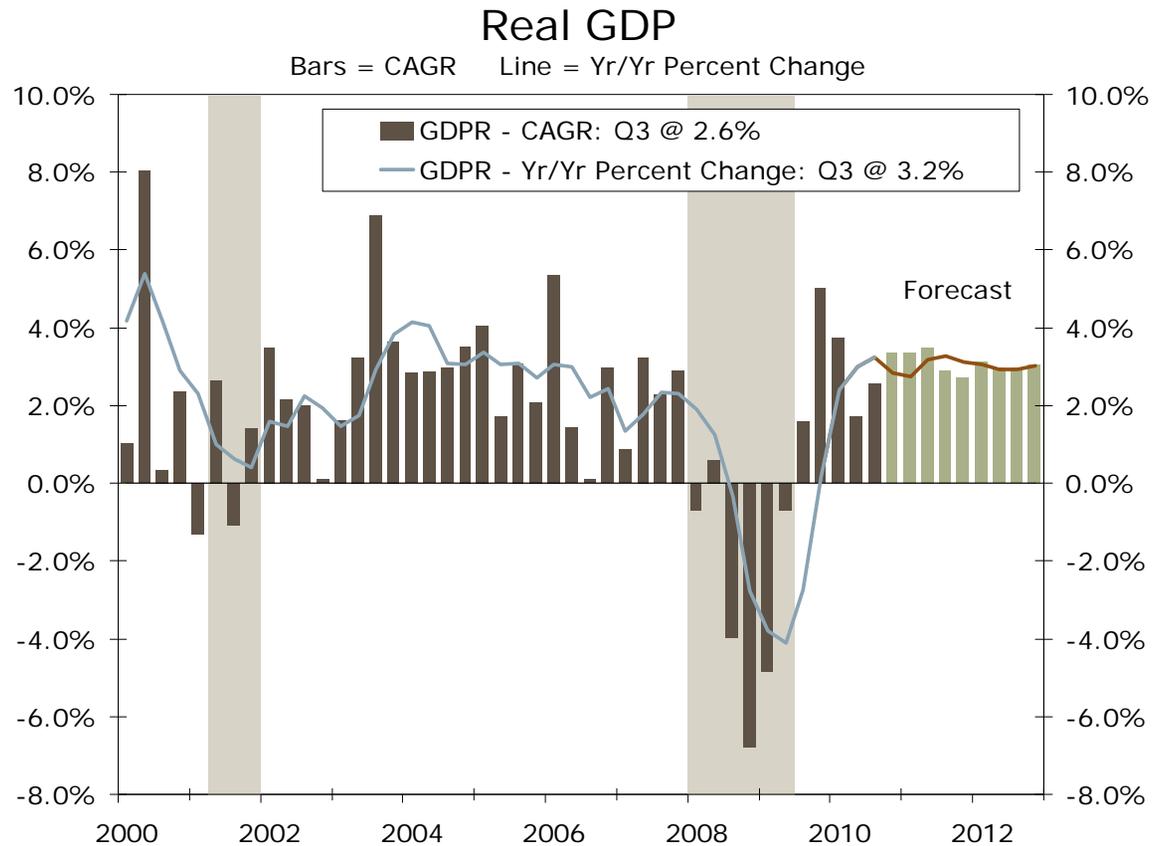
January 26, 2011

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Inventory rebuilding, exports and economic stimulus have help produce a modest economic recovery. The economy ended 2010 on a surprisingly strong note and appears to have solid momentum going into 2011

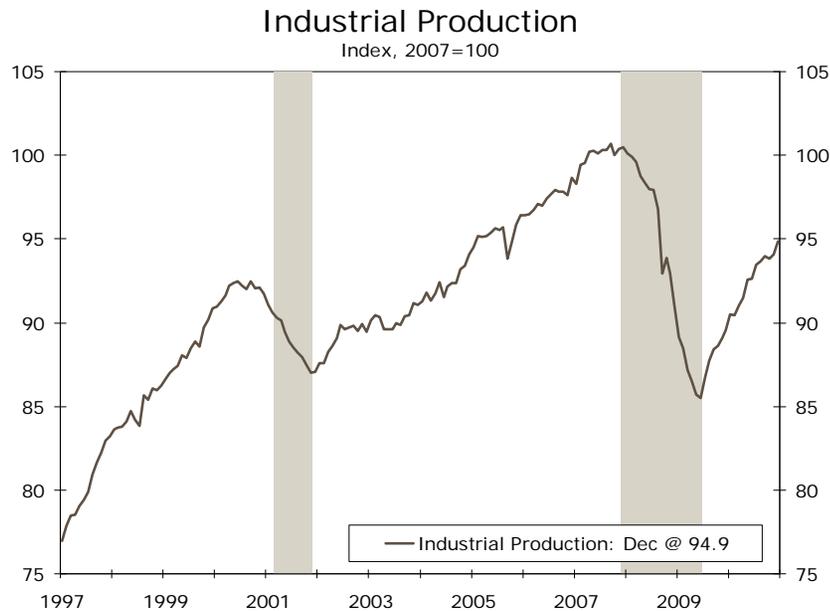


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

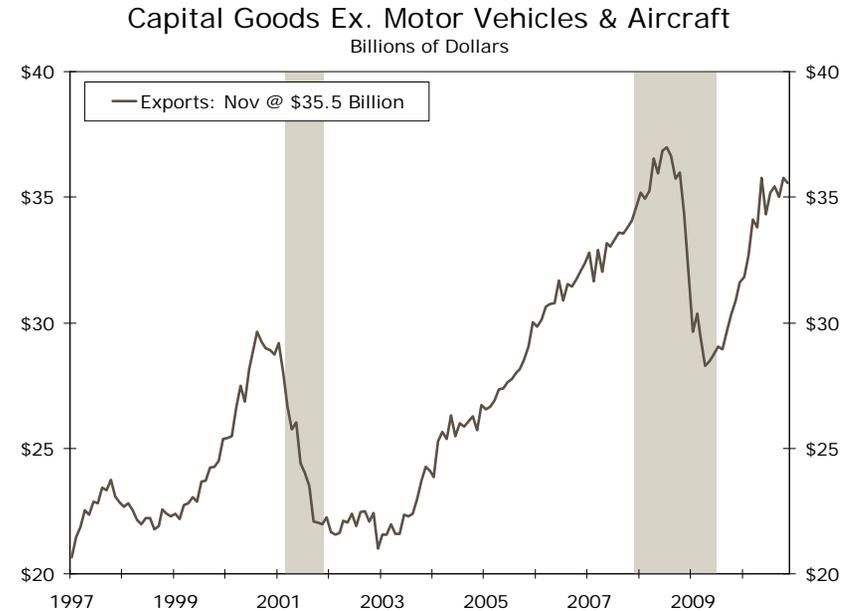
Industrial Production & Exports

A pick up in international trade is boosting industrial production and exports, though it's not likely to create a whole lot of jobs as growth is concentrated in capital intensive industries

Industrial Production

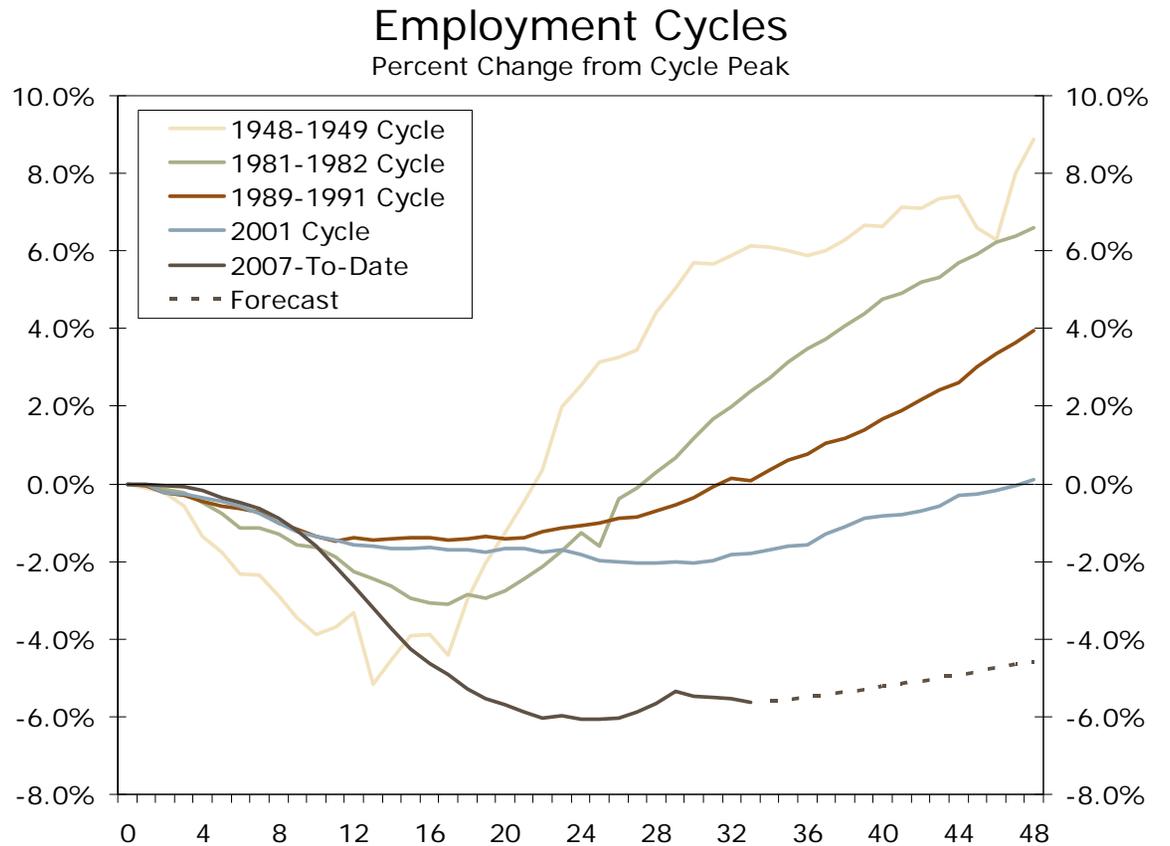


Exports



Source: U.S. Department of Commerce, Federal Reserve Board and Wells Fargo Securities, LLC

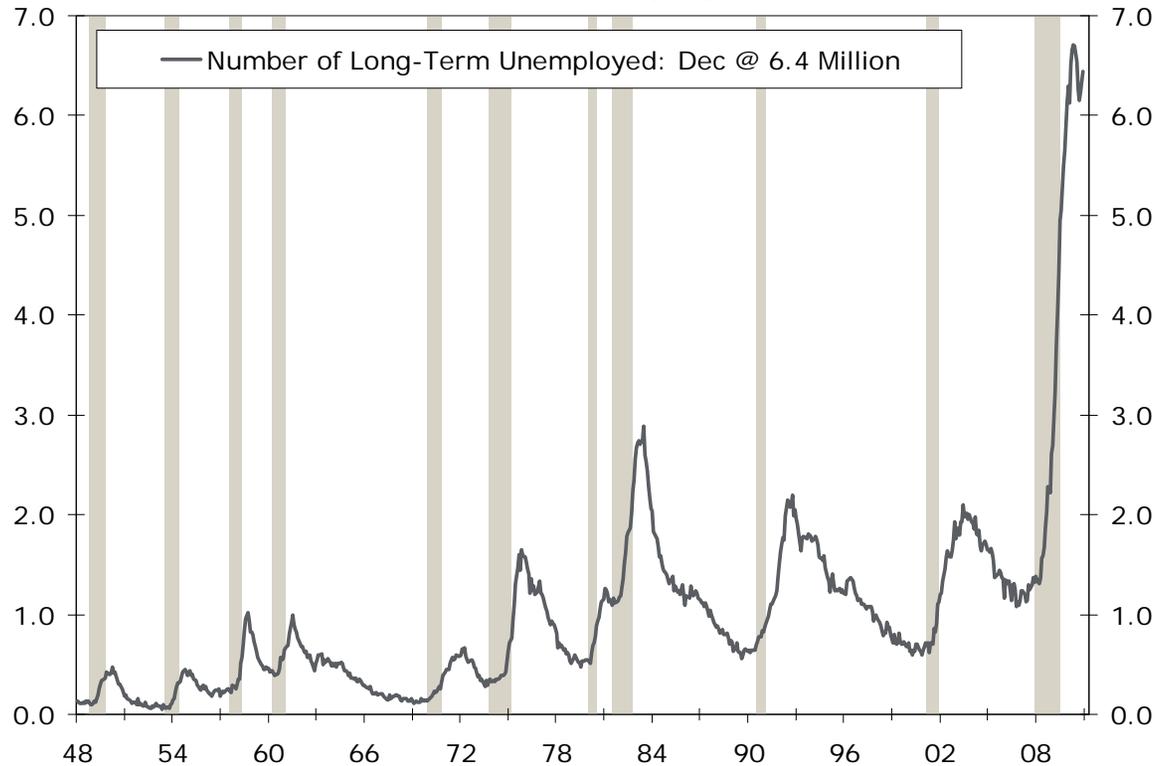
Job losses exceeded every post-World War II downturn and the modest recovery to date has been extremely disappointing



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

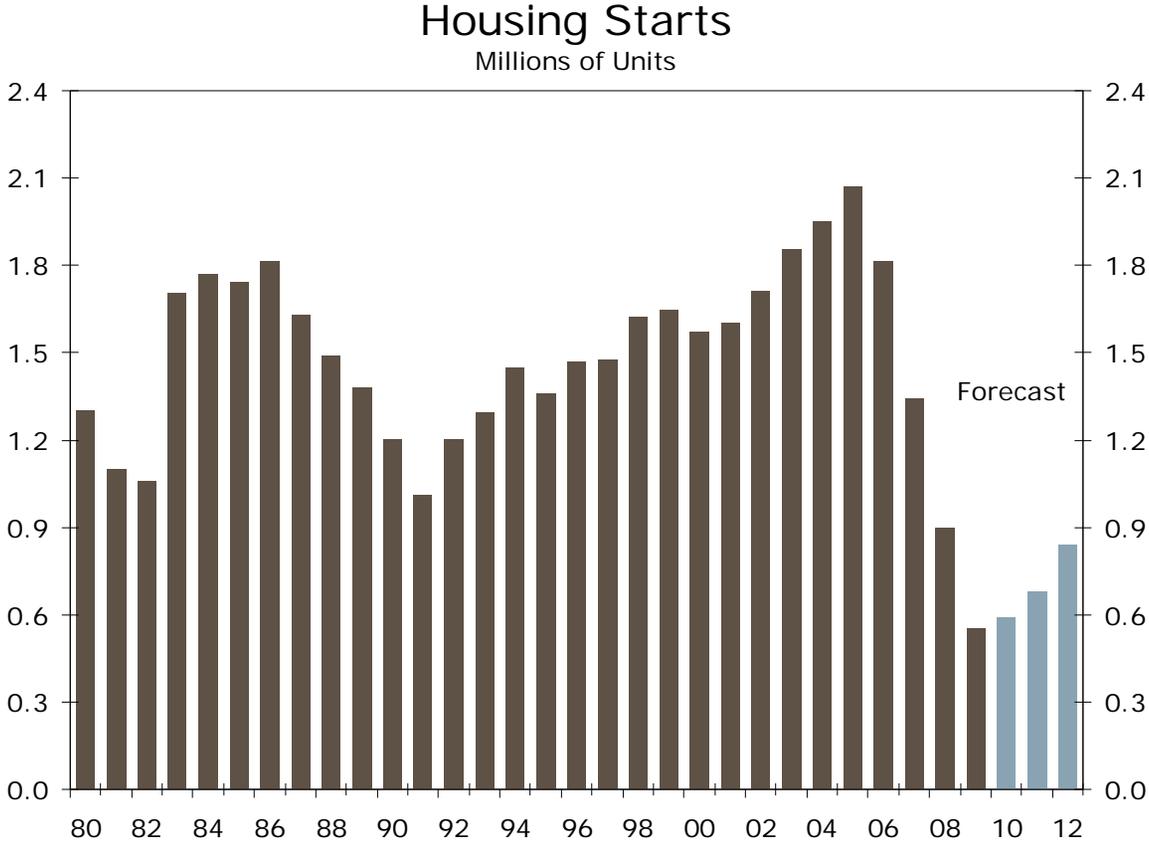
Not only is unemployment remaining exceptionally high, but a large number of people have remained unemployed for a long period of time

Civilians Unemployed For 27 Weeks or More
In Millions, Seasonally Adjusted



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

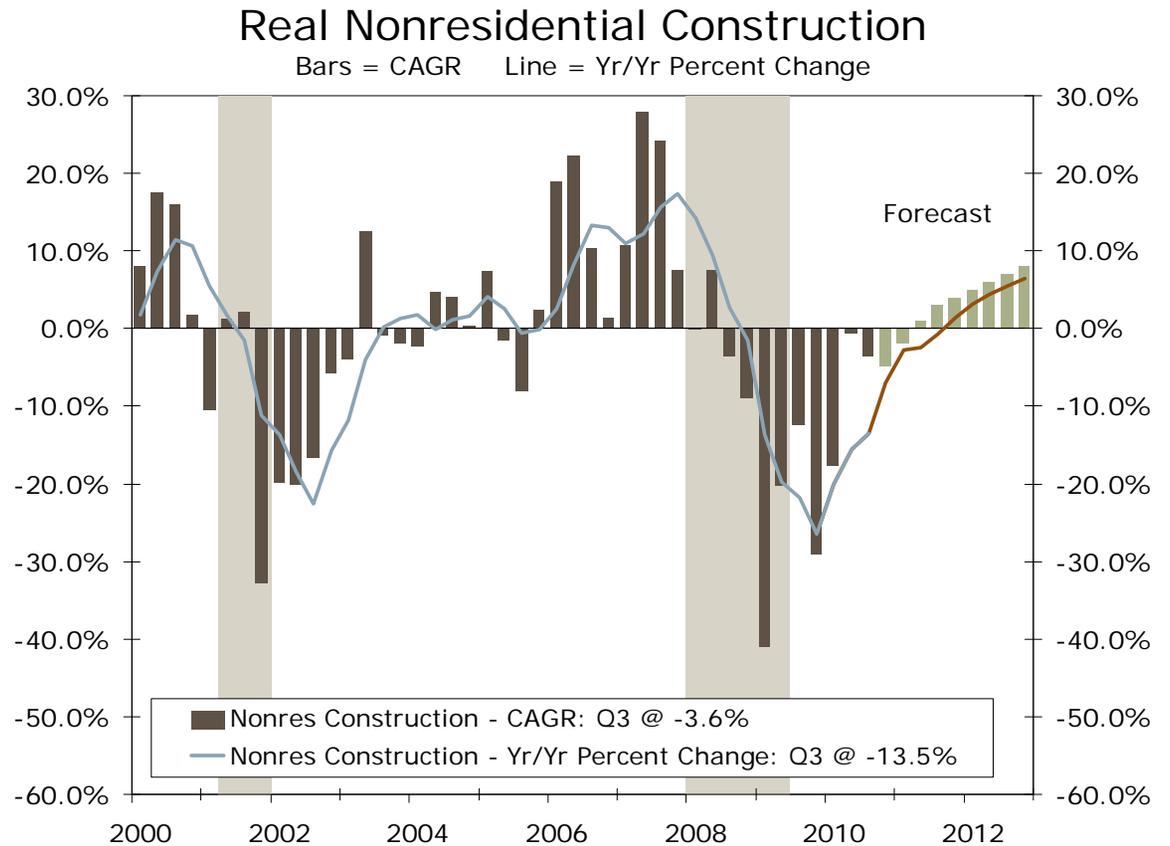
We believe housing starts have bottomed and will increase modestly through 2012



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Nonresidential Construction

Declines in private nonresidential construction spending have begun to moderate and are expected to bottom out in early 2011



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

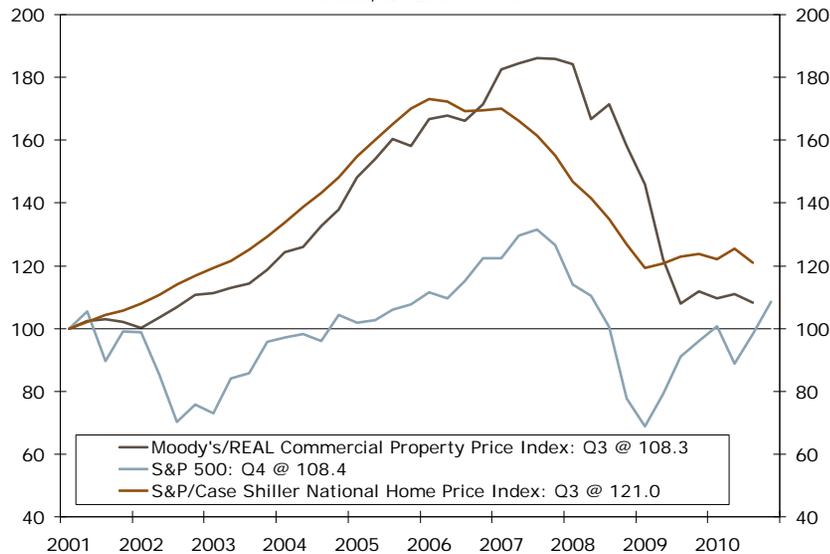
Commercial Real Estate Prices

Commercial real estate prices have improved slightly since last year, but transactions volume remains low with many distressed sales

Prices

Commercial Property Prices vs. S&P 500

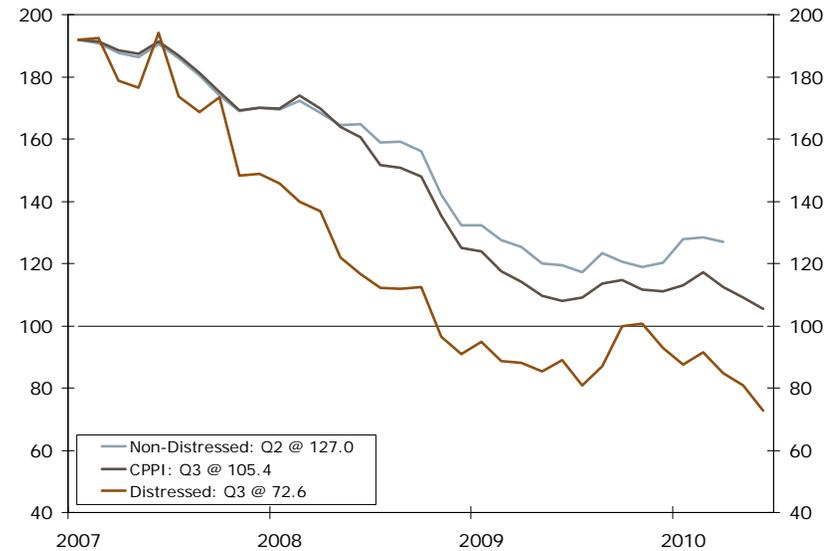
Index, Q1 2001 = 100



Distressed Prices

Distressed and Non-Distressed CRE Prices

Index, Q1 2001 = 100



Source: Moody's, Standard & Poor's RCA, Geltner Associates and Wells Fargo Securities, LLC

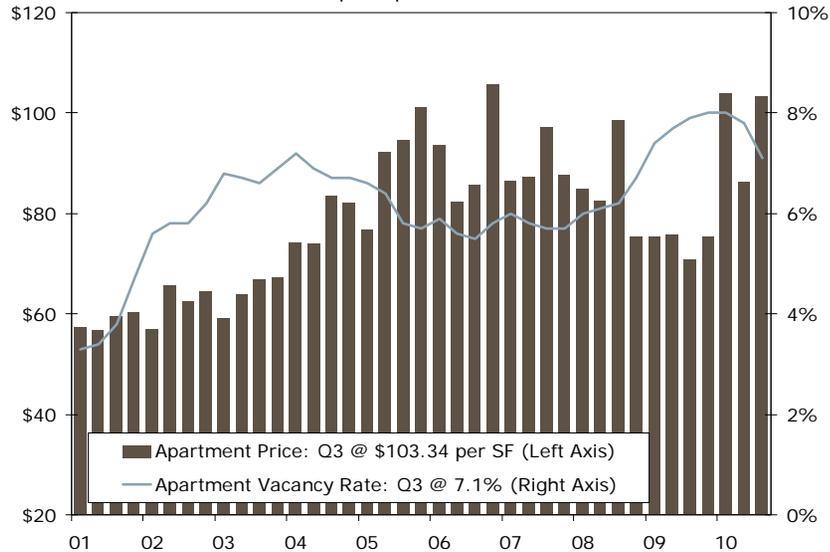
Apartment

The apartment market now appears to be in full recovery as net absorption is growing much faster than completions

Prices

Apartment Price vs. Vacancy Rate

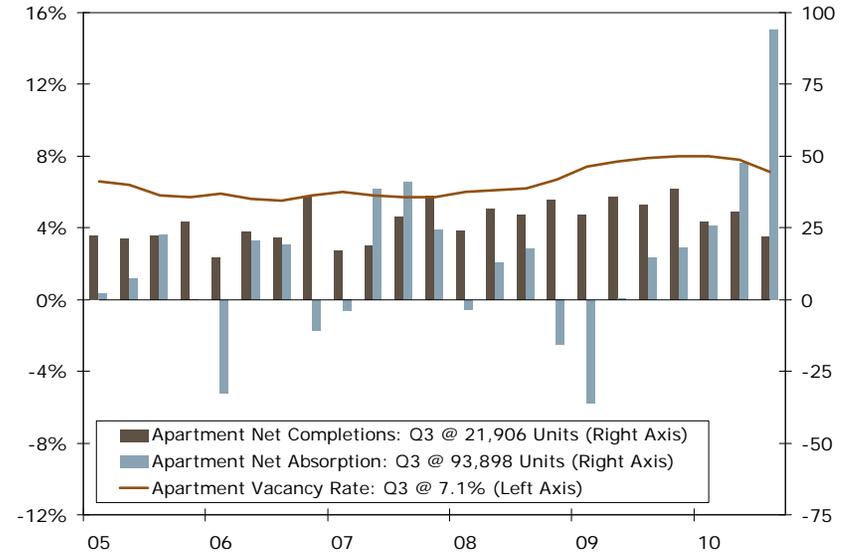
Dollars per Square Foot, Percent



Supply & Demand

Apartment Supply & Demand

Percent, Thousands of Units



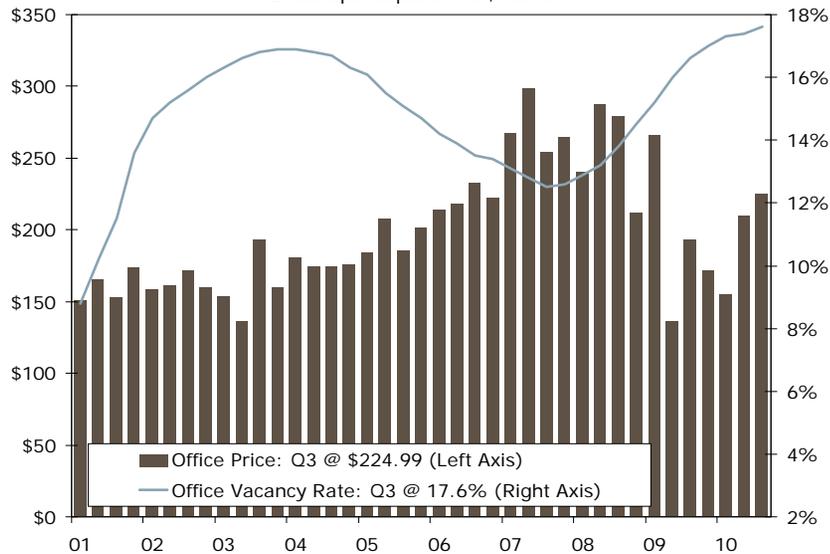
Source: Real Capital Analytics, Reis, Inc. and Wells Fargo Securities, LLC

Demand for office space continues to decline, but the pace of decline is moderating

Prices

Office Price vs. Vacancy Rate

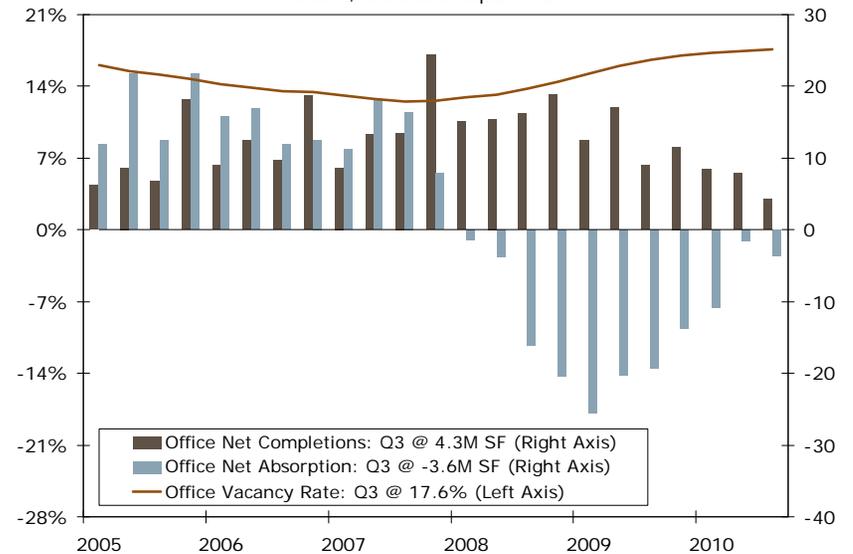
Dollars per Square Foot, Percent



Supply & Demand

Office Supply & Demand

Percent, Millions of Square Feet



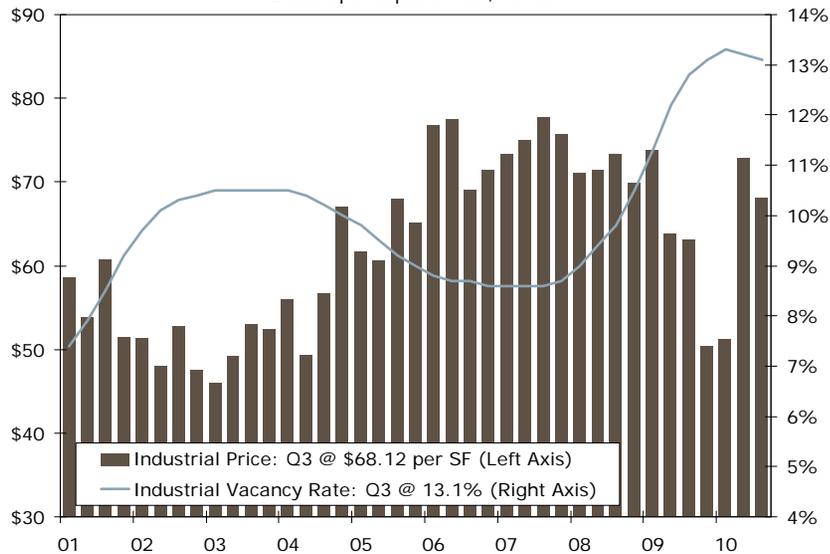
Source: Real Capital Analytics, Reis, Inc. and Wells Fargo Securities, LLC

Industrial property fundamentals appear to be improving as net absorption outpaced completions in the past two quarters

Prices

Industrial Price vs. Vacancy Rate

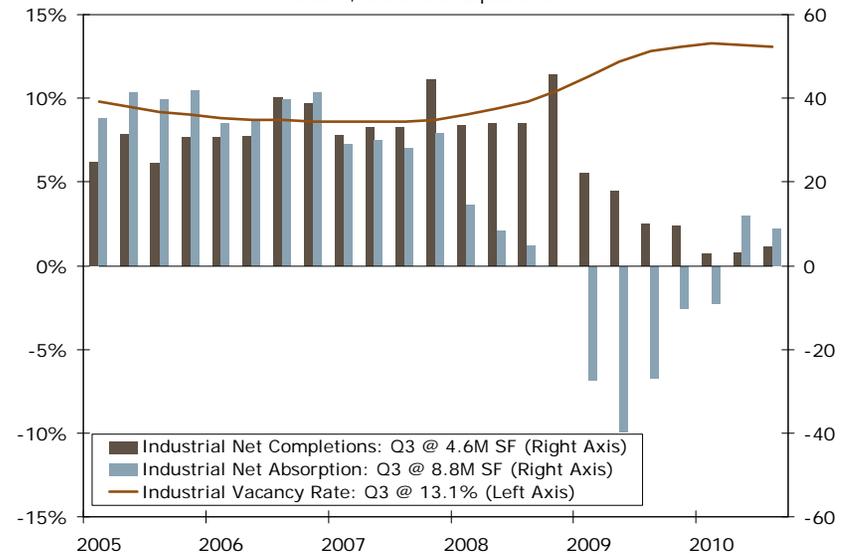
Dollars per Square Foot, Percent



Supply & Demand

Industrial Supply & Demand

Percent, Millions of Square Feet



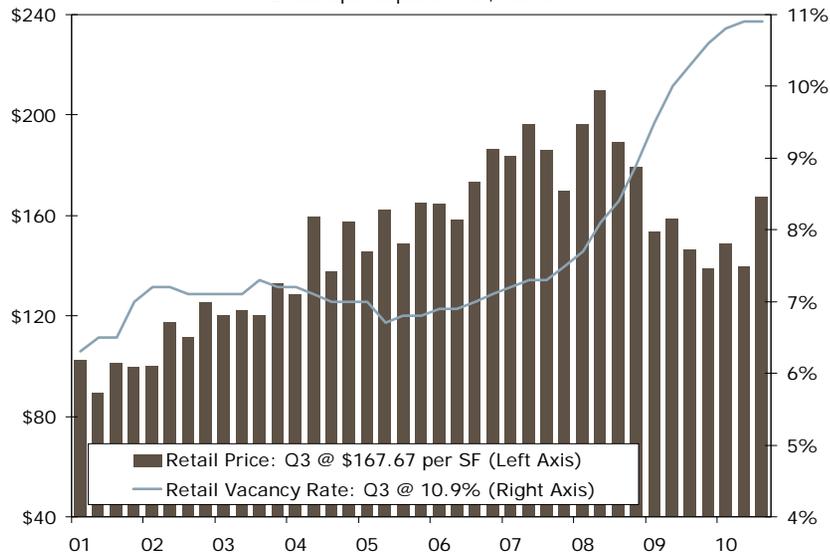
Source: Real Capital Analytics, Property & Portfolio Research, Reis, Inc. and Wells Fargo Securities, LLC

Retail fundamentals will likely remain weak until a self-sustaining recovery takes hold

Prices

Retail Price vs. Vacancy Rate

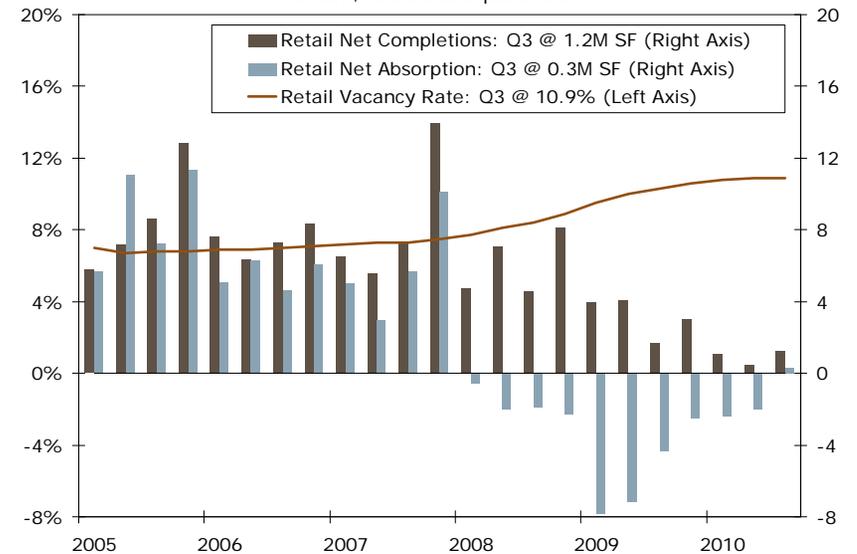
Dollars per Square Foot, Percent



Supply & Demand

Retail Supply & Demand

Percent, Millions of Square Feet

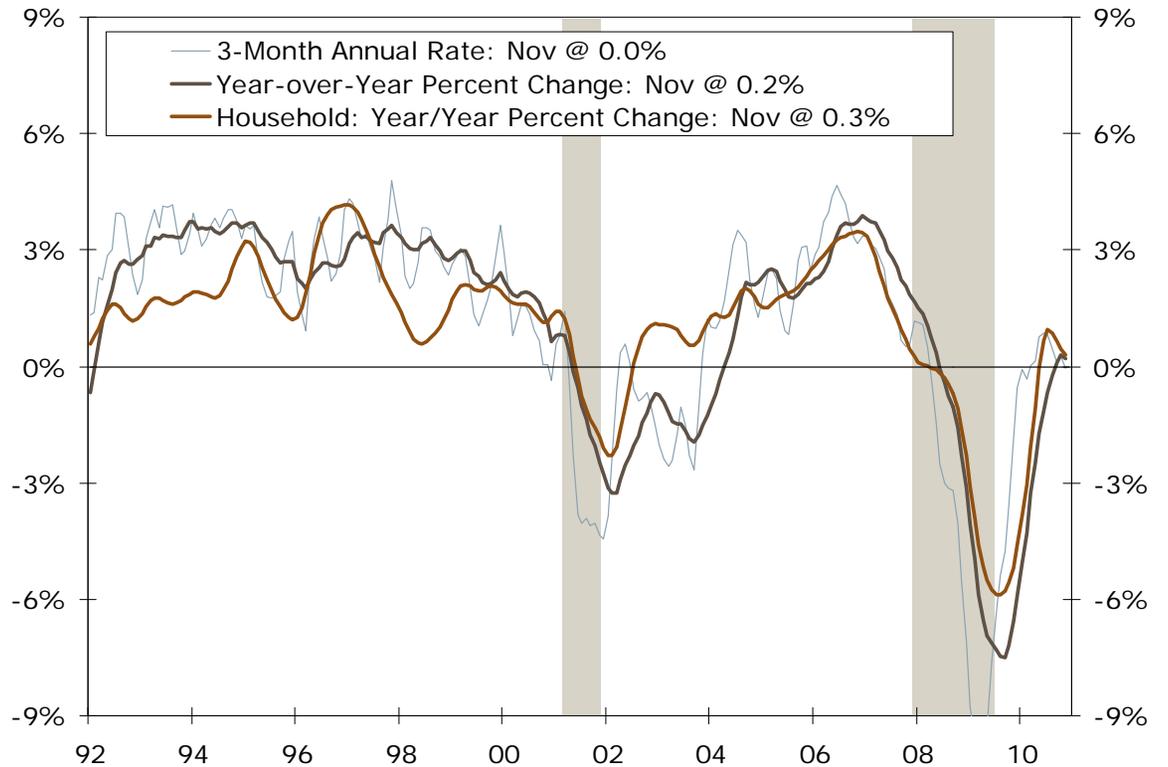


Source: Real Capital Analytics, Reis, Inc. and Wells Fargo Securities, LLC

North Carolina

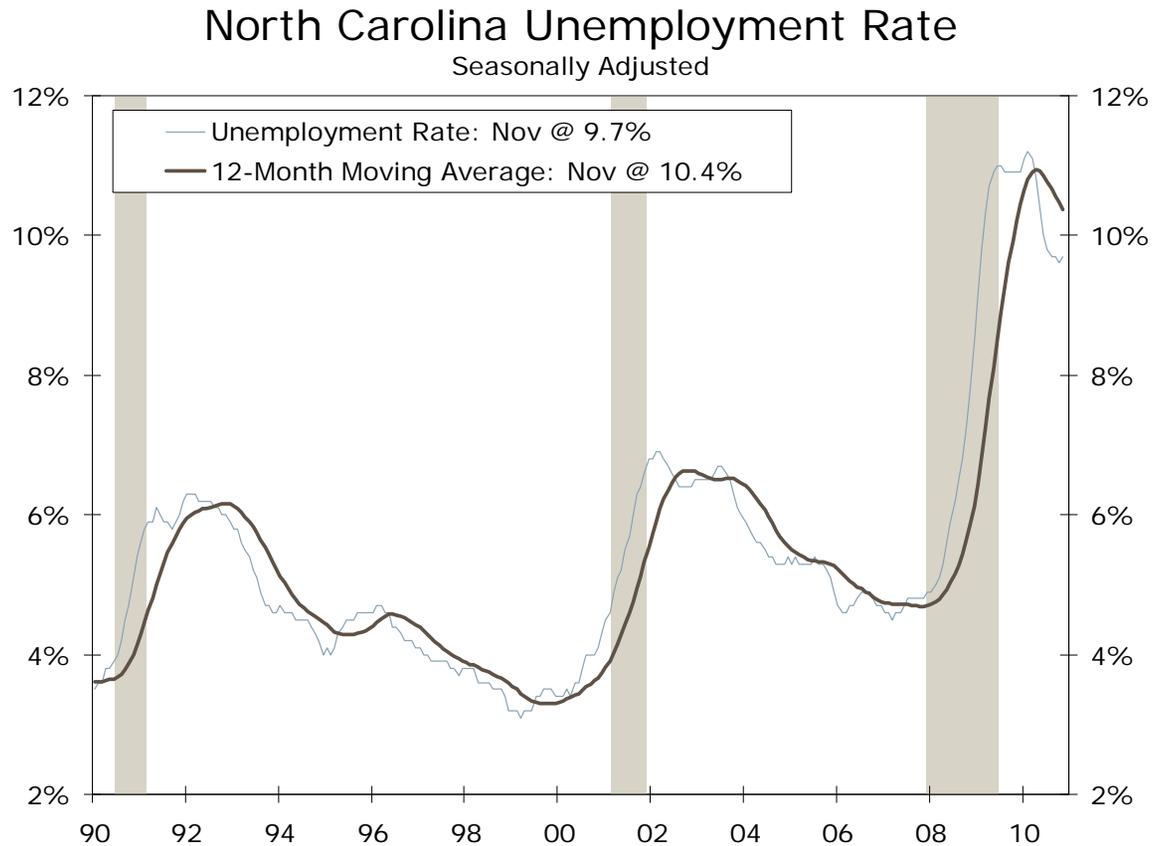
Data show a modest improvement in employment

North Carolina Nonfarm Private Employment
3-Month Moving Averages



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

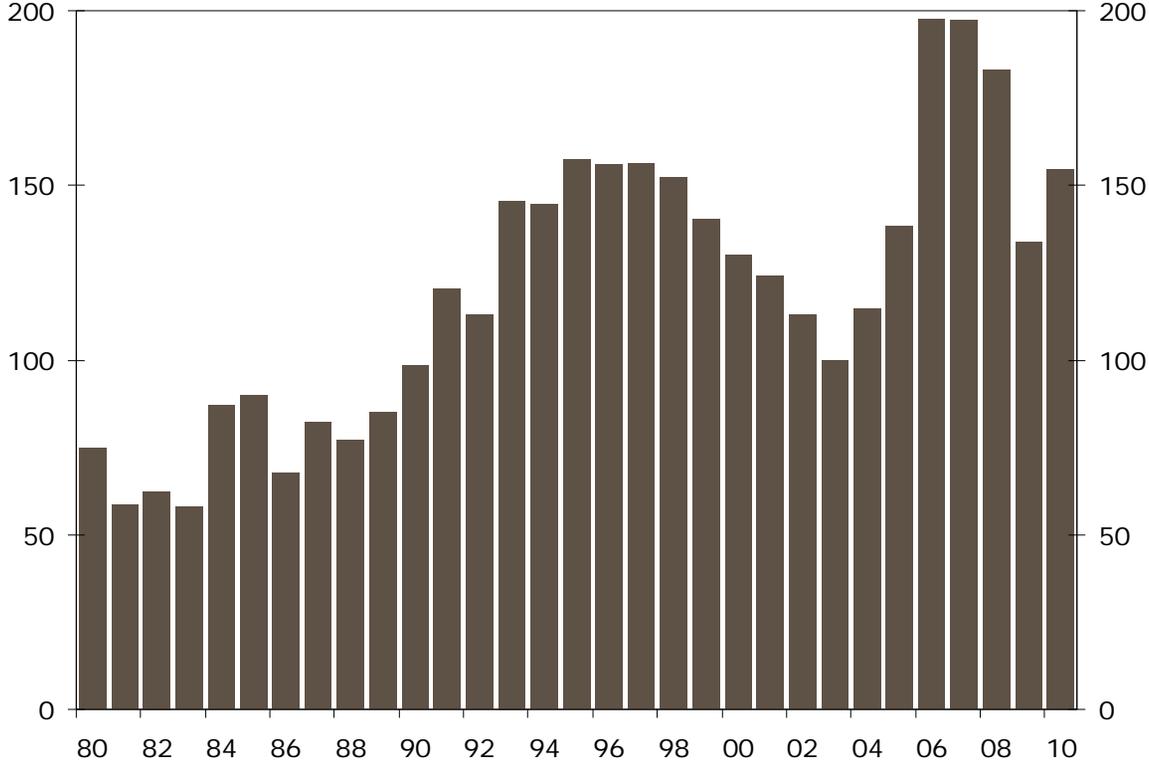
The unemployment rate is falling, mainly as a result of job creation in private services industries and education & healthcare



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

The recession cut into North Carolina's population growth

North Carolina Population Growth
In Thousands

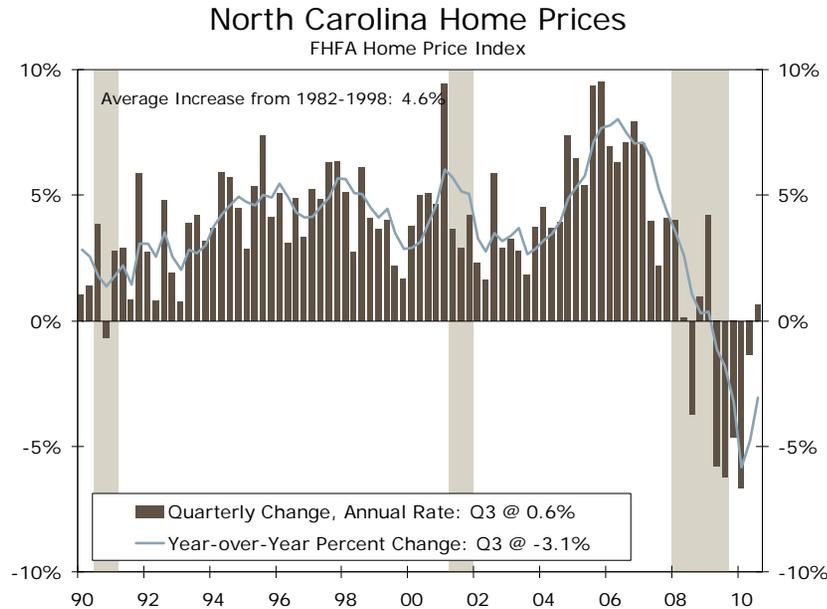


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

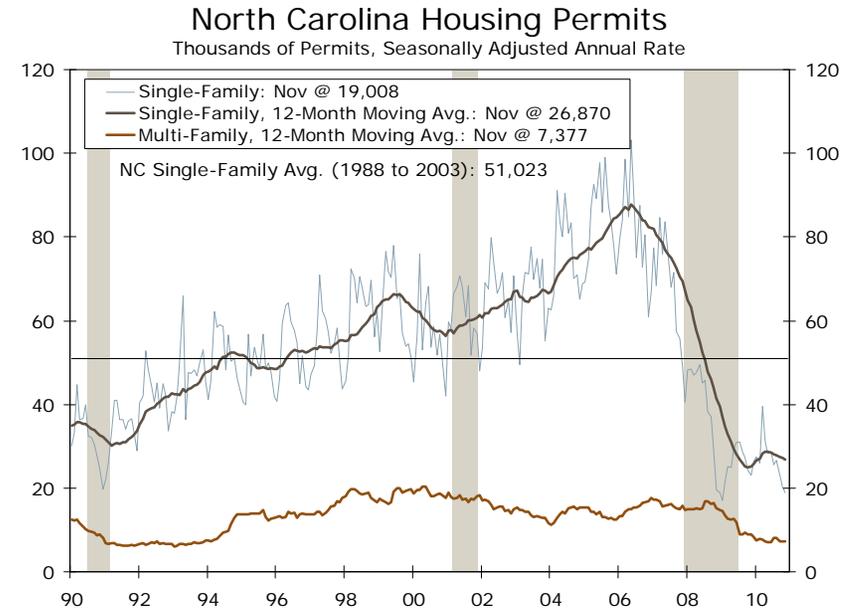
North Carolina – Home Prices and Construction

Home prices continued to fall following the expiration of the homebuyer tax credits. Housing construction is still being constrained by high inventory levels and distressed transactions

Home Prices



Housing Permits

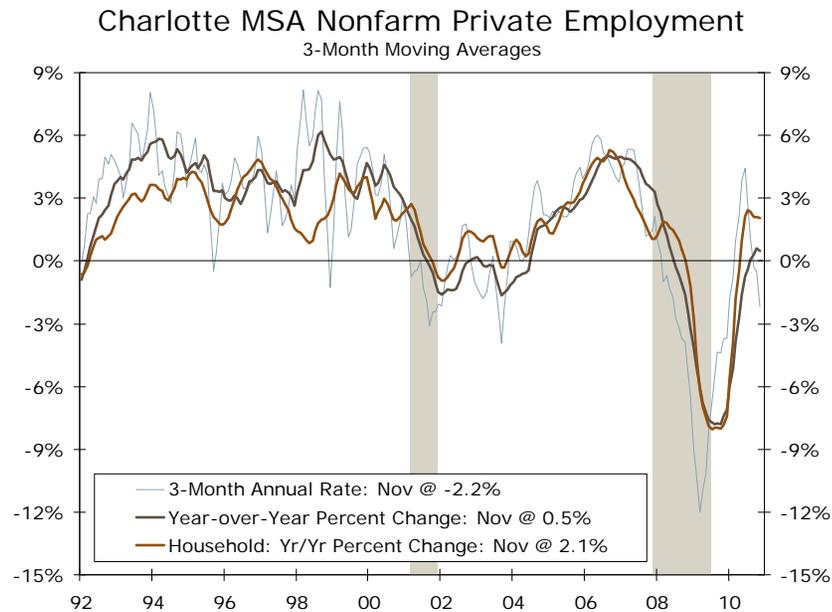


Source: FHFA, U.S. Department of Commerce and Wells Fargo Securities, LLC

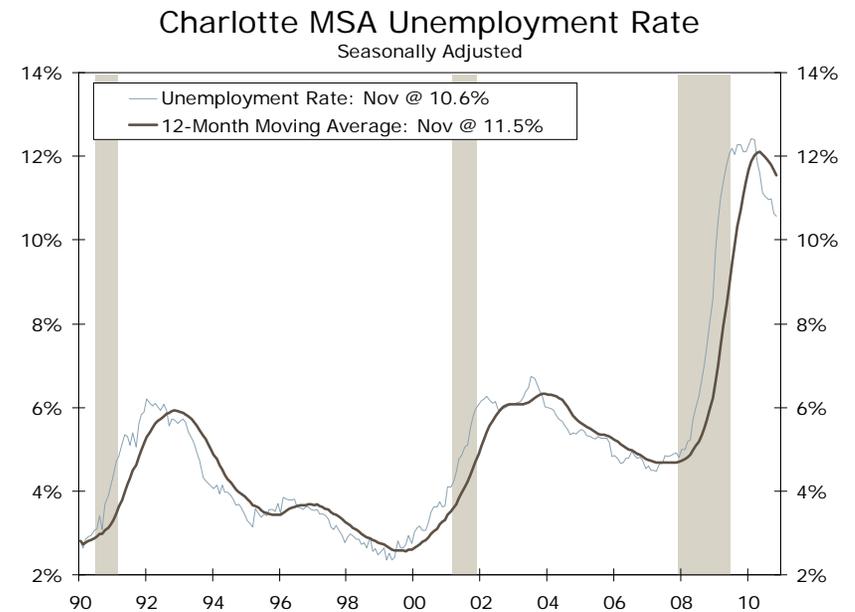
Charlotte MSA – Employment Growth & Unemployment Rate

Private sector employment growth improved through most of 2010, but dipped towards the end of the year. The unemployment rate remains well above the national average

Employment



Unemployment Rate

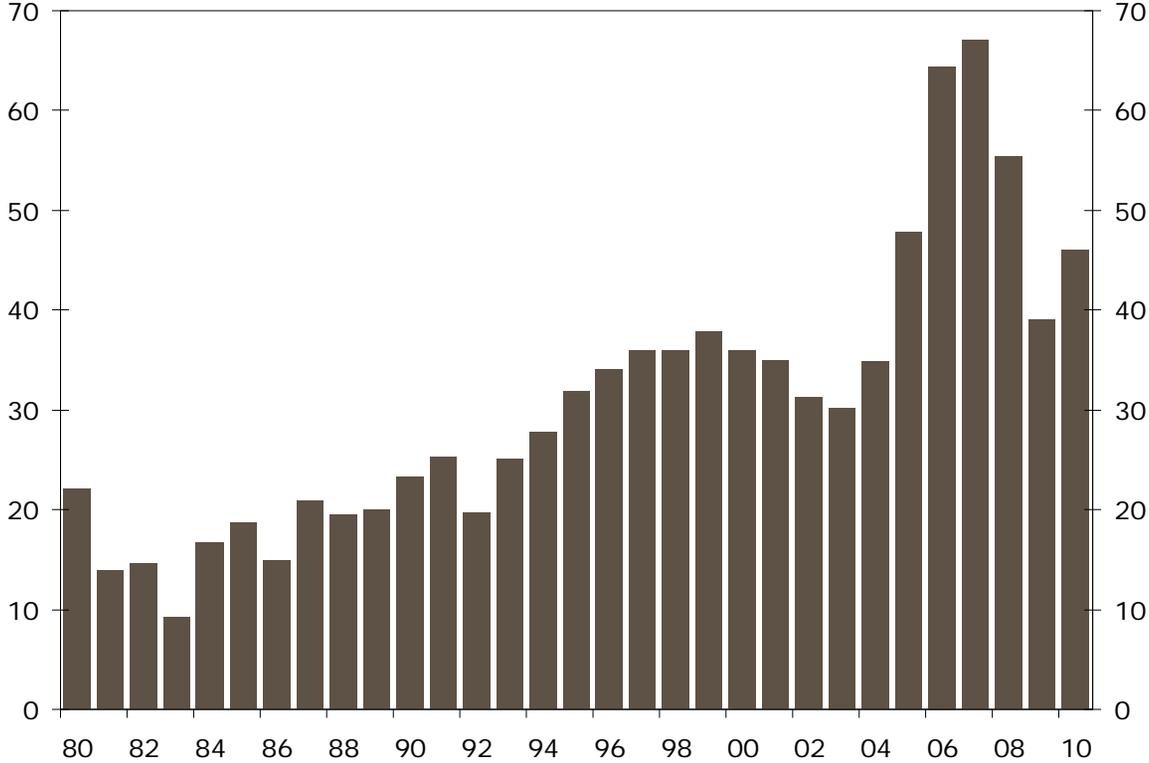


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Charlotte MSA – Population Growth

Population growth slowed from its record pace, but remains strong nonetheless

Charlotte MSA Population Growth In Thousands

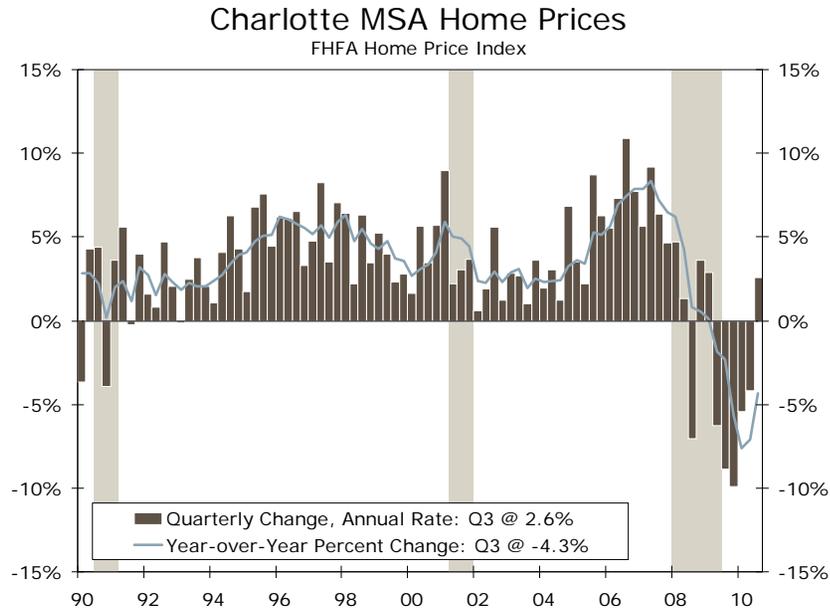


Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

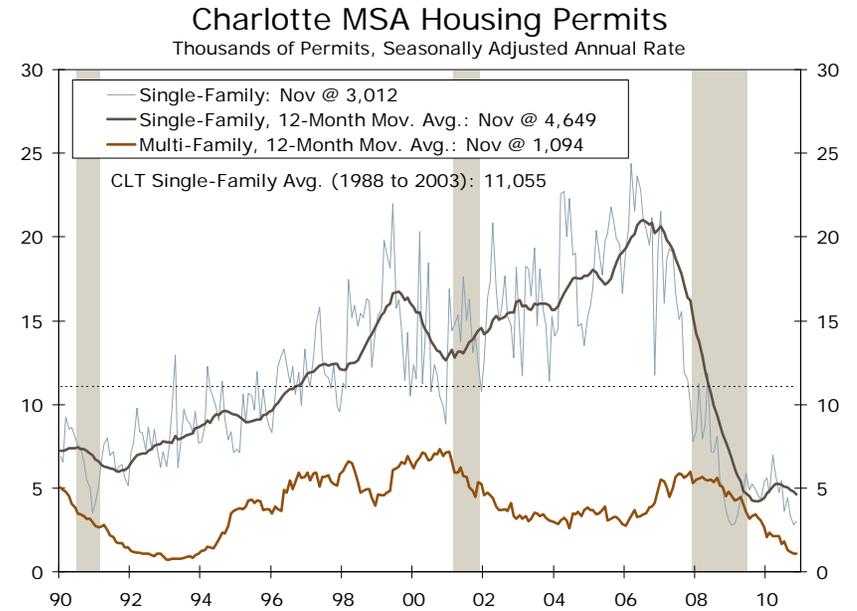
Charlotte MSA – Home Prices & Construction

Home prices saw a slight bounce in Q3 2010, though construction activity has slowed to a crawl

Home Prices



Housing Permits



Source: FHFA, U.S. Department of Commerce and Wells Fargo Securities, LLC

North Carolina Wrap-Up

Observations

- The recovery is making progress in North Carolina
 - The unemployment rate is falling in the state, mainly as a result of accelerating job creation in private services industries and public administration
- The state's housing market continues to slowly heal
 - Though elevated foreclosures pose significant risks to the state's housing outlook
 - Home prices remain constrained by rising distressed sales – particularly in metro areas such as Charlotte
- Tax revenues have begun to improve over the past two quarters, but the state's high unemployment rate combined with the slow pace of hiring and nominal wage gains will continue to put downward pressure on the growth of both sales and personal income tax collections

North Carolina Through the Years

(Percent Change Per Annum)

	1970s	1980s	1990s	2000s
Population	1.5	1.2	1.9	1.7
Personal Income	10.9	9.7	6.8	5.0
Employment	3.1	2.6	2.3	0.2
Single Family Housing Permits	-	-	6.1	(8.6)
Multi Family Housing Permits	-	-	5.5	(8.3)
Coincident Index	-	4.3	3.8	0.7
State Tax Revenue ¹	-	-	7.5	5.2
Sales Tax Revenue ¹	-	-	7.7	4.4
Personal Income Tax Revenue ¹	-	-	8.1	3.1

¹Begins in 1991

Newspaper Commentary

“A slow economic recovery and a projected \$3.7 billion budget gap caused in part by the end of federal stimulus funds means it will be difficult for North Carolina lawmakers to phase out government programs to ease fiscal pain in the coming year.”

– *The Associated Press, 01/03/2011*

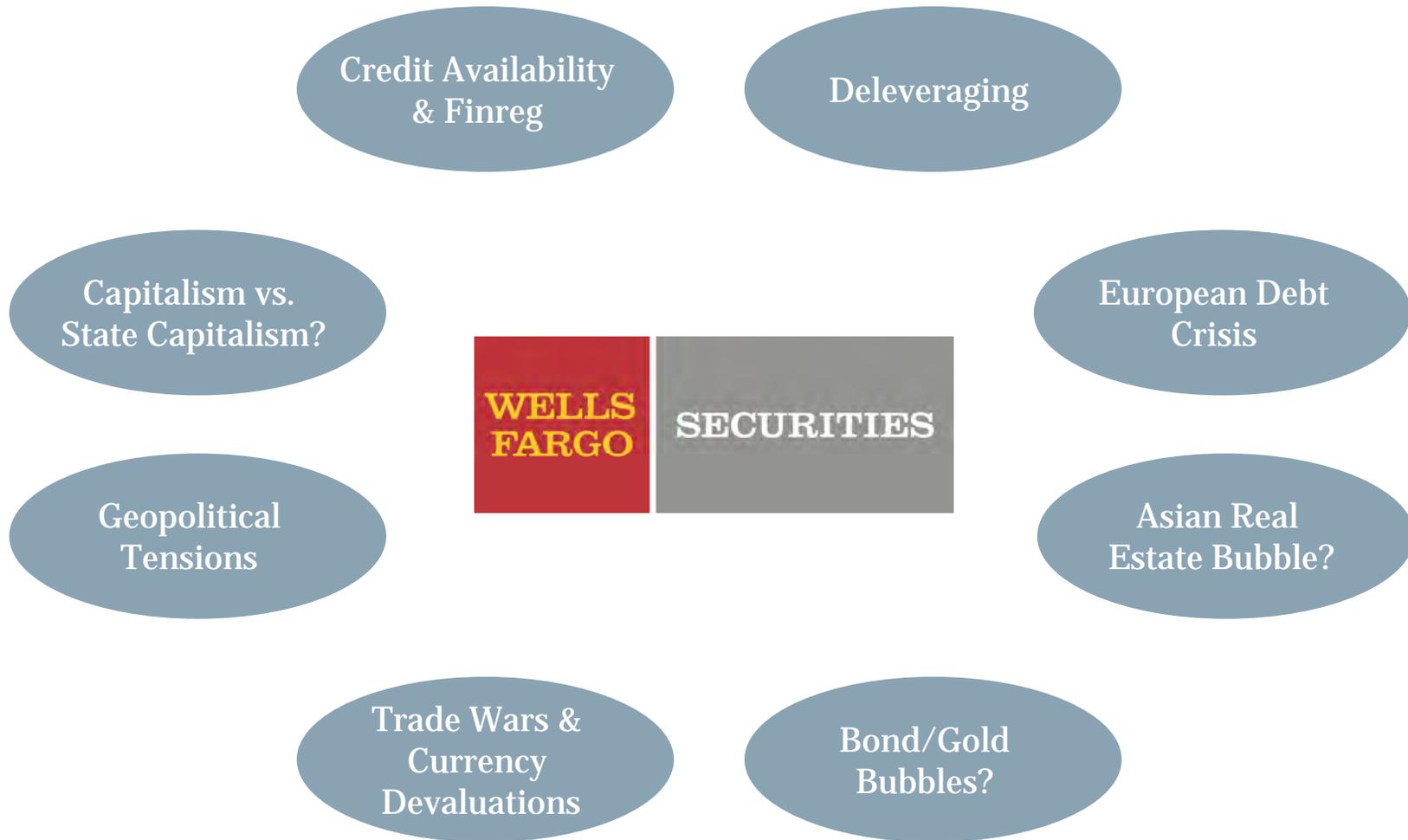
“North Carolina has gained back just a fraction of the jobs it lost during the recession, and job growth remains one of the most pressing challenges.”

– *Charlotte Business Journal, 12/8/2010*

“Capgemini is the latest in a string of major job announcements in the Charlotte area since the end of 2009. Others include Zenta bringing 1,000 jobs, Siemens promising 825 positions, American Red Cross with 440 jobs, and Husqvarna with 160 new job opportunities.”

– *WSOCTV.com, 01/13/2011*

Issues to Watch



Our Forecast

Wells Fargo U.S. Economic Forecast														
	Actual				Forecast				Actual		Forecast			
	2010				2011				2008	2009	2010	2011	2012	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q						
Real Gross Domestic Product ¹	3.7	1.7	2.6	3.4	3.4	3.5	2.9	2.7	0.0	-2.6	2.9	3.1	3.0	
Personal Consumption	1.9	2.2	2.4	3.7	2.3	2.2	2.3	2.7	-0.3	-1.2	1.7	2.6	2.4	
Inflation Indicators ²														
"Core" PCE Deflator	1.8	1.5	1.2	0.8	0.8	0.8	1.0	1.3	2.3	1.5	1.3	1.0	1.6	
Consumer Price Index	2.4	1.8	1.2	1.2	1.6	2.3	2.4	2.3	3.8	-0.3	1.6	2.2	2.5	
Industrial Production ¹	7.1	7.2	6.5	2.4	5.1	3.7	3.7	3.7	-3.3	-9.3	5.7	4.4	4.2	
Corporate Profits Before Taxes ²	37.6	37.0	26.4	12.5	8.2	6.2	6.2	6.7	-16.4	-0.4	27.5	6.8	7.0	
Trade Weighted Dollar Index ³	76.1	78.8	73.6	73.2	72.5	73.0	74.0	75.0	74.3	77.7	75.6	73.6	78.0	
Unemployment Rate	9.7	9.6	9.6	9.6	9.6	9.4	9.3	9.2	5.8	9.3	9.6	9.4	9.0	
Housing Starts ⁴	0.62	0.60	0.59	0.55	0.59	0.65	0.70	0.75	0.90	0.55	0.59	0.68	0.84	
Quarter-End Interest Rates ⁵														
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.88	0.25	0.25	0.25	0.50	
Conventional Mortgage Rate	4.97	4.74	4.35	4.71	4.90	5.00	5.20	5.20	6.04	5.04	4.69	5.08	5.55	
10 Year Note	3.84	2.97	2.53	3.30	3.30	3.40	3.60	3.70	3.66	3.26	3.22	3.50	4.03	

Forecast as of: January 14, 2011

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

³ Federal Reserve Major Currency Index, 1973=100 - Quarter End

⁴ Millions of Units

⁵ Annual Numbers Represent Averages

Appendix

A Sampling of Our Recent Special, Regional & Industry Commentary

Recent Special Commentary

Date	Title	Authors
January-07	The Labor Market Is Far From Out of the Woods	Vitner & Seydl
January-04	European Debt Crisis: What's Next?	Bryson
January-03	North Carolina Is Still Well Off Its Glory Days	Vitner
January-03	Early Challenges Await Dilma, Brazil	Aleman
December-23	New Jersey Economic Outlook: December 2010	Vitner, Khan & Watt
December-22	2010 Census: Slowest Population Growth Since the 1930s	Vitner & Seydl
December-22	Georgia Economic Outlook: December 2010	Vitner & Seydl
December-22	Shifting Drivers of Canadian Economic Growth	Bryson & Quinlan
December-20	Housing Data Wrap Up: December 2010	Vitner & Khan
December-17	Arizona's Economy Still Struggling	Aleman & Kruse
December-17	Arkansas Economic Outlook	Silvia & Brown
December-13	Resilient Pennsylvania Faces Next Challenge	Bryson, Quinlan & Seydl
December-10	Credit Quality Monitor: December 2010	Anderson & Kashmarek
December-08	Annual Economic Outlook 2011: Turning The Corner	Entire Group
December-07	Tax Cut Deal Reduces Uncertainty	Silvia & Brown
December-02	North Carolina Economic Outlook: Growth	Silvia & Brown
November-18	Housing Chartbook: November 2010	Vitner & Khan
November-17	Global Chartbook: November 2010	
November-15	Retailers Can Expect a Happy Holiday	Vitner & Quinlan
November-12	Commercial Real Estate Chartbook: Quarter 3	Vitner & Khan
November-03	FOMC: QE 1.6 Sets Sail in Uncertain Seas	Silvia
October-26	Would Canadian-Style Budget Cutting Work in America?	Bryson & Quinlan
October-20	Housing Data Wrap-Up: October 2010	Vitner & Khan
October-07	Structural Unemployment: Fact, Fiction or Too Early to Tell?	Silvia & Khan
October-07	Canadian Economic Recovery: Update & Outlook	Bryson & Quinlan
October-04	Will India Reach Its Long-Run Growth Potential?	Bryson
September-22	Brazil Pre-Election Update	Aleman
September-15	Housing Chartbook: September 2010	Vitner & Khan
September-10	Credit Quality Monitor: September 2010	Anderson & Kashmarek
September-01	How Steep Is The Japan Slowdown?	Anderson
September-01	Indian Economy Booming Again	Bryson

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