

ROBERT PITTENGER COMPANY

LAND INVESTMENTS

December 1, 2011

Dear Friend:

While 2011 has been a challenging year for all of us, RPC investment properties are in solid economic regions. For your review, we have attached the following articles:

1. Forbes, July 6, 2011 "The Next Big Boom Towns in the U.S" cites Austin-#1, Raleigh-#2, Nashville-#3, San Antonio-#4 and Charlotte-#8.
2. Forbes, November 4, 2011 "Where Construction Activity is Rumbling Now" cites Austin, San Antonio, Raleigh, Charlotte, Nashville and Charleston at the top of construction permitting nationwide.
3. Site Selection Magazine, November 2011 "Top State Business Climate Rankings": Texas-#1, North Carolina-#3, South Carolina-#5 and Tennessee-#8 of the fifty states.
4. Wells Fargo Securities reports, November 2011-"Employment: Job Gains Consistent with Continued Growth", "LEI Posts Another Monthly Gain in October", "Personal Income Recovers in October", and "Consumer Confidence Rebounds Solidly in November".

As noted from the Forbes and Site Selection Magazine articles, RPC investment properties are located in the strongest regions of the country.

We look forward to our marketing relationship with Jefferies & Company. They will receive all updated market data this week from MarketGraphics and should have some indication of response by the end of 1Q 2012.

The San Antonio market is one of the strongest in the country with an unemployment rate of 7.5%, compared to 9.1% nationally. We hope that you will join us in the San Antonio – Culebra Road investment, purchased at approximately 40% of the defaulted loan value, per discussions with bank officials. Major single family developments and planned retail are in close proximity to the property.

Please contact Brittany Cochran at bc@pittengercompany.com or call 704-365-0065 to request an investment summary or RSVP to Brittany to join us for the San Antonio – Culebra Road reception-briefing in Greensboro at the O'Henry Hotel on Tuesday, December 6th at 5:45pm or in Charlotte at Zebra Restaurant-RPC on Wednesday, December 7th at 5:30pm.

Thank you for your friendship and involvement.

Sincerely,



Robert M. Pittenger

The Next Big Boom Towns In The U.S.

Jul. 6 2011 - 2:38 pm | 125,489 views | 0 recommendations | 17 comments
By JOEL KOTKIN



What cities are best positioned to grow and prosper in the coming decade?

To determine the next boom towns in the U.S., Forbes, with the help of Mark Schill at the [Praxis Strategy Group](#), took the 52 largest metro areas in the country (those with populations exceeding 1 million) and ranked them based on various data indicating past, present and future vitality.

We started with job growth, not only looking at performance over the past decade but also focusing on growth in the past two years, to account for the possible long-term effects of the Great Recession. That accounted for roughly one-third of the score. The other two-thirds were made up of a broad range of demographic factors, all weighted equally. These included rates of family formation (percentage growth in children 5-17), growth in educated migration, population growth and, finally, a broad measurement of attractiveness to immigrants — as places to settle, make money and start businesses.

We focused on these demographic factors because college-educated migrants (who also tend to be under 30), new families and immigrants will be critical in shaping the future. Areas that are rapidly losing young families and low rates of migration among educated migrants are the American equivalents of rapidly aging countries like Japan; those with more sprightly demographics are akin to up and coming countries such as [Vietnam](#).

Many of our top performers are not surprising. No. 1 Austin, Texas, and No. 2 Raleigh, N.C., have it all demographically: high rates of immigration and migration of educated workers and healthy increases in

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population and number of children. They are also economic superstars, with job-creation records among the best in the nation.

Perhaps less expected is the No. 3 ranking for Nashville, Tenn. The country music capital, with its low housing prices and pro-business environment, has experienced rapid growth in educated migrants, where it ranks an impressive fourth in terms of percentage growth. New ethnic groups, such as Latinos and Asians, have doubled in size over the past decade.

Two advantages Nashville and other rising Southern cities like No. 8 Charlotte, N.C., possess are a mild climate and smaller scale. Even with population growth, they do not suffer the persistent transportation bottlenecks that strangle the older growth hubs. At the same time, these cities are building the infrastructure — roads, cultural institutions and airports — critical to future growth. Charlotte's bustling airport may never be as big as Atlanta's Hartsfield, but it serves both major national and international routes.

Of course, Texas metropolitan areas feature prominently on our list of future boom towns, including No. 4 San Antonio, No. 5 Houston and No. 7 Dallas, which over the past years boasted the biggest jump in new jobs, over 83,000. Aided by relatively low housing prices and buoyant economies, these Lone Star cities have become major hubs for jobs and families.

And there's more growth to come. With its strategically located airport, Dallas is emerging as the ideal place for corporate relocations. And Houston, with its burgeoning port and dominance of the world energy business, seems destined to become ever more influential in the coming decade. Both cities have emerged as major immigrant hubs, attracting on newcomers at a rate far higher than old immigrant hubs like Chicago, Boston and Seattle.

The three other regions in our top 10 represent radically different kinds of places. The Washington, D.C., area (No. 6) sprawls from the District of Columbia through parts of Virginia, Maryland and West Virginia. Its great competitive advantage lies in proximity to the federal government, which has helped it enjoy an almost shockingly "good recession," with continuing job growth, including in high-wage science- and technology-related fields, and an improving real estate market.

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No. 1: Austin, Texas

This is no surprise. Austin consistently sits atop Forbes' annual list of the best cities for jobs and scores highly in other demographics rankings. It is the third-fastest-growing city in the nation, attracting large numbers of college grads, immigrants and families with young children.



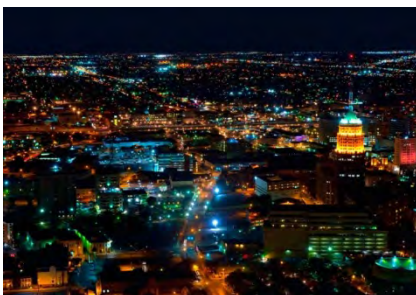
No. 2: Raleigh, N.C.

Raleigh has experienced the second-highest overall population increase and the third-highest job growth over the past two decades in the U.S. It also ranked among those regions seeing the biggest jump in new immigrants and is the No. 1 city for families with young children. The area is a magnet for technology companies fleeing the more expensive, congested and highly regulated northeast corridor. Affordable housing and short commute times are no doubt highly attractive to recent college graduates and millennials looking to start families.



No. 3: Nashville, Tenn.

The country music capital, with its low housing prices and pro-business environment, has experienced rapid growth in educated migrants, where it ranks an impressive fourth in terms of percentage growth. New ethnic groups, such as Latinos and Asians, have doubled in size over the past decade. A high quality of life, a vibrant cultural and music scene and a diverse population also make Nashville a desirable place to live.



No. 4: San Antonio, Texas

Like its other Texas neighbors, San Antonio boasts soaring population rates as well as a good job market and booming industry. One key factor in San Antonio's favor: stable house prices—even by Texas standards. PMI Mortgage Insurance's most recent risk index, which is a two-year measure, lists San Antonio as having the lowest risk from falling prices among large Texas cities.



No. 8 Charlotte, N.C. (tie)

Charlotte's low housing prices and short commute times makes it an attractive city for families looking to raise children. At the same time, it is building the infrastructure -- roads, cultural institutions, etc. -- critical to future growth. Charlotte's bustling airport may never be as big as Atlanta's Hartsfield, but it is increasingly plugged into both major national and international routes.

Where Construction Activity is Rumbling Now



By Jed Kolko, Trulia's Chief Economist

The housing bust brought construction nearly to a halt. Construction permits, starts, completions and new-home sales are now a small fraction of their high levels during the mid-2000's boom. They're now low even relative to their more "normal" pre-boom levels of the mid-1990's and early-2000's.

The construction slowdown means two things:

- First, it's a no-confidence vote by builders, who won't break ground until they're sure that housing demand is awakening, existing housing inventories are shrinking and prices are stabilizing. New construction activity is a good cue to what's going to happen in your local market: more new construction today will mean more inventory for buyers or renters — and more competition among sellers or landlords — in the near future.
- Second, the slowdown has slammed jobs in the construction sector, which account for 4.0-5.5 percent of all US jobs, depending on whether it's a fat or lean year for construction, plus additional jobs in related industries. New construction puts more money in the hands of workers — and their incomes will kick-start spending that will boost demand for housing.

How far has construction activity fallen? New construction permits in the first three quarters of 2011 — January to September — are running at the same low annual pace as in 2009 and 2010, and less than a third of the levels of 2002-2006.

But housing markets are local, and new construction is no exception. Of course, larger metro areas will tend to have more permits for new housing construction just because they're bigger, so let's look at new units permitted from July to September 2011 per thousand existing housing units. The most construction-permitting activity, among large metros, is in Texas, which has had strong recent job growth and far-from-the-worst home price declines during the bust. Houston and Dallas top the list for new construction permits, and Austin, San Antonio and Fort Worth are also among the top twenty large metros. Construction is gearing up in Southern cities like Raleigh, Charleston SC and Charlotte too, but not Florida: no metro in Florida or the other high-foreclosure states of California, Nevada or Arizona makes this list. Houston, in fact, is almost back to normal construction permitting activity. Permits there

in 2011 Q3 are only a little below Houston's average rate for 1990-2010; same for Dallas, Omaha and San Antonio.

Top Metros by Construction Permitting Activity, Q3 2011

Metro area	New units permitted per thousand existing units, 2011 Q3	Multifamily (5+ units) share of new permitted units
Houston-Sugar Land-Baytown, TX	3.68	27%
Dallas-Plano-Irving, TX	3.41	55%
Raleigh-Cary, NC	3.04	5%
Omaha-Council Bluffs, NE-IA	2.96	39%
Austin-Round Rock-San Marcos, TX	2.81	20%
Salt Lake City, UT	2.64	32%
Charleston-North Charleston-Summerville, SC	2.59	8%
Charlotte-Gastonia-Rock Hill, NC-SC	2.53	23%
San Antonio-New Braunfels, TX	2.51	46%
Tacoma, WA	2.42	47%
Colorado Springs, CO	2.39	29%
Nashville-Davidson-Murfreesboro-Franklin, TN	2.38	32%
Fort Worth-Arlington, TX	2.35	40%
Washington-Arlington-Alexandria, DC-VA-MD-WV	2.27	47%
Honolulu, HI	2.19	71%
Columbia, SC	2.16	12%
Seattle-Bellevue-Everett, WA	2.11	47%
Virginia Beach-Norfolk-Newport News, VA-NC	2.05	49%
Indianapolis-Carmel, IN	1.98	30%
Denver-Aurora-Broomfield, CO		

Site Selection's 2011 Top State Business Climate Rankings

Overall Ranking	Executive Survey Rank	2010 New Plant Rank	New Plant Rank per Million Pop.	Competitiveness Rank	2011 New Plant Rank (Jan. - Aug.)	Tax Climate Rank	Final Total Points	
1	Texas	1	1	17	3	8	13	463
2	Georgia	3	5	7	7	4	25	446.5
3	North Carolina	2	6	11	4	1	41	437
4	Virginia	5	10	10	2	16	12	432
5	South Carolina	7	11	2	5	4	24	428.5
6	Indiana	9	9	5	8	7	10	426
7	Louisiana	11	3	1	1	3	36	408.5
8	Tennessee	5	14	13	11	19	27	398.5
9	Ohio	8	2	4	10	13	46	395
10	Florida	4	18	43	34	11	5	379
11	Pennsylvania	14	4	6	9	23	26	363.5
12	Alabama	10	17	18	20	18	28	359
13	Oklahoma	13	24	21	17	14	30	339
14	Utah	14	29	23	13	27	9	330.5
15	Michigan	21	7	12	16	20	17	325.5
16	Kansas	20	19	9	6	21	35	319.5
17	Mississippi	18	27	22	18	21	21	308
18	Colorado	14	31	36	25	23	15	301.5
19	Kentucky	31	13	3	12	6	19	299.5
20	California	11	15	47	37	9	49	295.5
21	Illinois	25	8	19	27	2	23	293.5
22	New York	18	12	32	28	10	50	285.5
23	Iowa	14	28	25	29	27	45	277.5
24	Maryland	21	20	27	22	26	44	258.5
25	Nevada	21	35	35	41	31	4	251.5

Source: Conway Data New Plant Database



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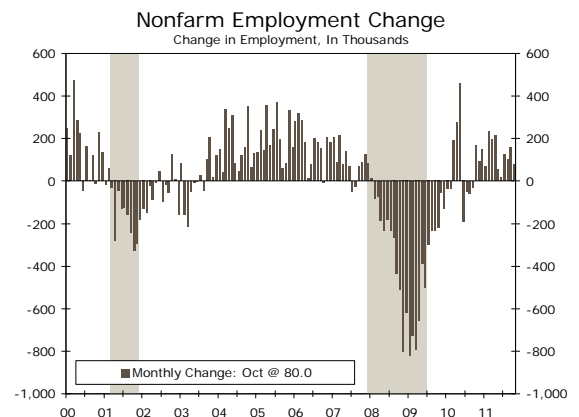
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Employment: Job Gains Consistent with Continued Growth

Moderate job gains have been the story for some time and this suggests the economy has settled into expansion mode. The distribution of jobs continues to be concentrated in professional services.

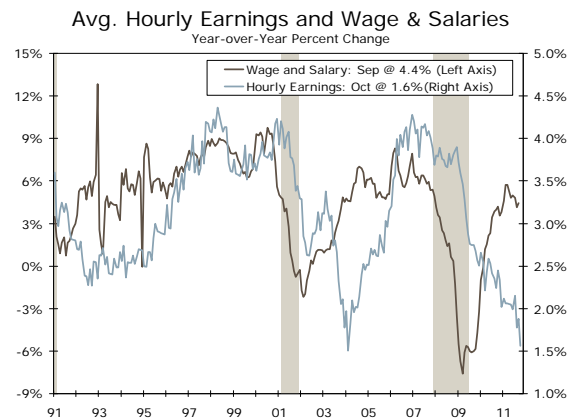
Job Gains Consistent with Continued Economy

For October, jobs were up 80,000 with upward revisions for the prior two months. Job gains were centered, as expected, in professional services, education & health, leisure & hospitality and manufacturing. Retrenchment in state & local government continues, with most of the job cuts in areas excluding education. As we have argued in the past, the modest gains in the labor market are not inconsistent with the pace of economic growth. Labor is a derived demand from the demand for goods and services, so with subpar aggregate demand, the hiring of workers will be weak as well. As evidenced in the top graph, the current recovery continues to generate far fewer jobs than many expected and far fewer than at this point during the 1990 and 2000 expansions. The ongoing under-performance of job gains reflects a longer-term structural change in what and how we produce goods and services in America.



Persistent Unemployment, Subdued Average Earnings

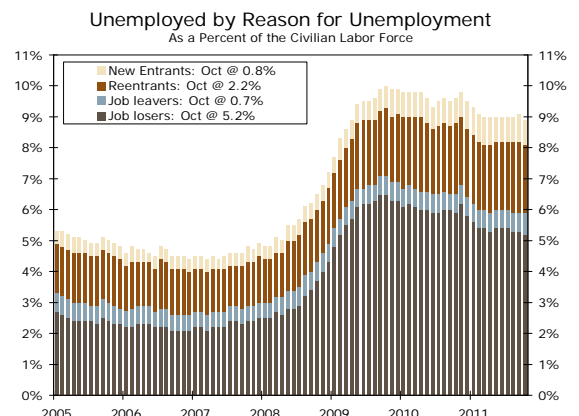
Average hourly earnings are up just 1.6 percent year over year (middle graph). Moreover, on the demand side, the cost of labor for firms is far more than wages—it is the cost of benefits, especially the uncertain future cost of health benefits, that limits the hiring of workers as the wedge between how labor costs (wages plus benefits) grow relative to the take-home pay of workers. Meanwhile, for workers, the pace of consumer price inflation exceeds the gain in wages and thereby suggests weaker real take-home pay and continued weakness in real consumer incomes and discretionary spending.



On the demand side, firms are reluctant to hire and are desperate to keep costs down in the face of weak final demand for products and services. Meanwhile, the many unemployed who are seeking a job are limited by skills and mobility issues.

Where Do the Unemployed Come From?

The unemployed come from very different economic experiences. As evidenced in the bottom graph, the majority (5.3 percent of 9.1 percent) of the unemployed do indeed come from the expected source—layoffs. This is a good illustration of why initial jobless claims remain a useful guideline to forecasting job gains. Job leavers are a small portion of the unemployed and their contribution has not changed over the last year. What has changed are the next two categories. Since 2009, reentrants have become a rising portion of the unemployed, thereby suggesting that a greater share of the unemployed represents recent reentrants that have not found a job. The last category, new entrants, represent mostly young workers, many of whom are recent graduates from high school or college, who are not finding that first job. This is a relatively new phenomenon for U.S. recoveries.





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LEI Posts Another Monthly Gain in October

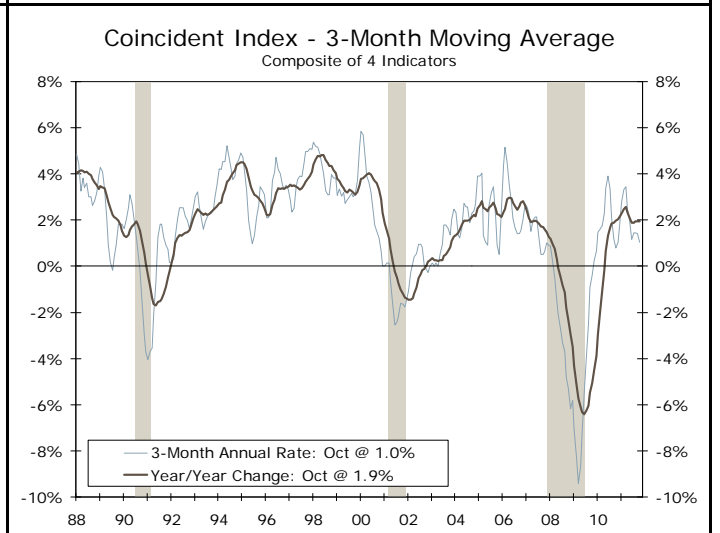
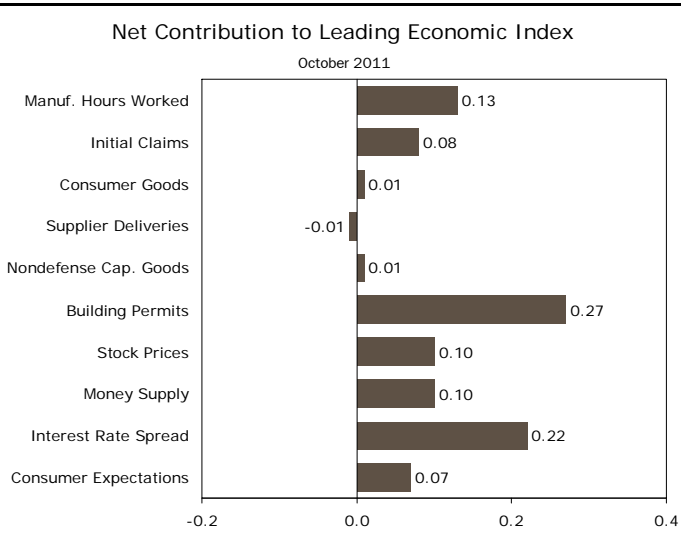
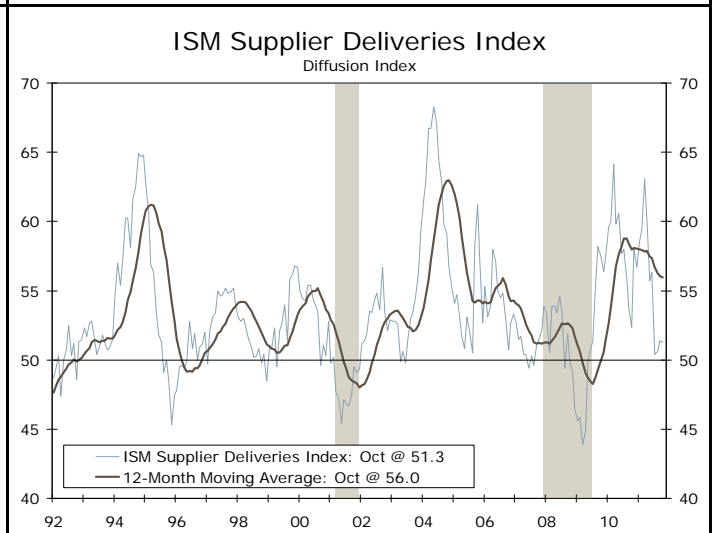
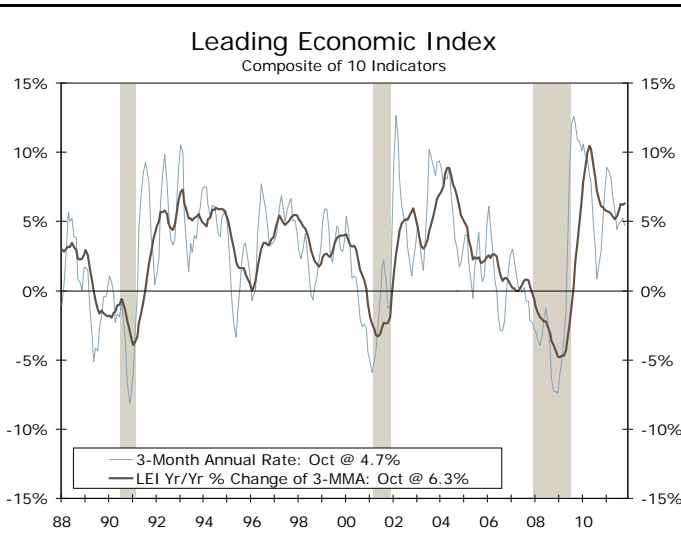
The Leading Economic Index (LEI) rose 0.9 percent in October, with building permits and the yield spread making the largest contributions. The supplier delivery component was the only negative contributor.

Building Permits Boost LEI

- The LEI rose 0.9 percent, with nine of ten components up in October. The better-than-expected increase was due to a spike in building permits, which contributed 0.27 percentage points. Building permits rose an impressive 10.9 percent in October following a 5.8 percent decline in September. While the monthly gain may be encouraging, the increase may be due to the seasonal adjustment process as housing remains depressed.

Economic Recovery Continues to Move Forward

- The ISM manufacturing supplier delivery component detracted a trivial 0.01 percentage point from the index. With only one component showing weakness, economic growth in the fourth quarter seems to be off to a pretty good start. That said, the coincident index rose 0.2 percent, with all four components increasing in October. Industrial production made the largest contribution as manufacturing continues to make modest gains.



Source: The Conference Board, ISM and Wells Fargo Securities, LLC



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Consumer Confidence Rebounds Solidly In November

Consumer confidence jumped 15.1 points to 56.0 in November. The jump in confidence is consistent with the strong start to the holiday shopping season and is another bit of unexpectedly good economic news.

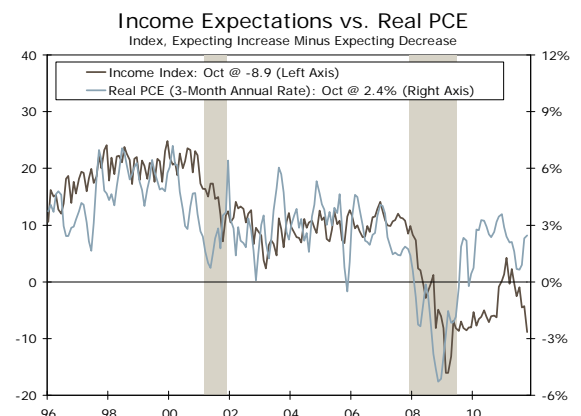
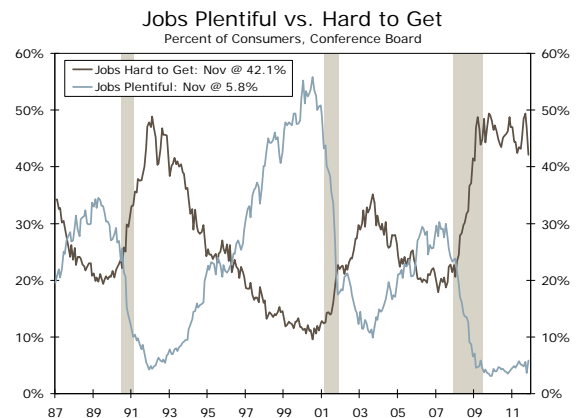
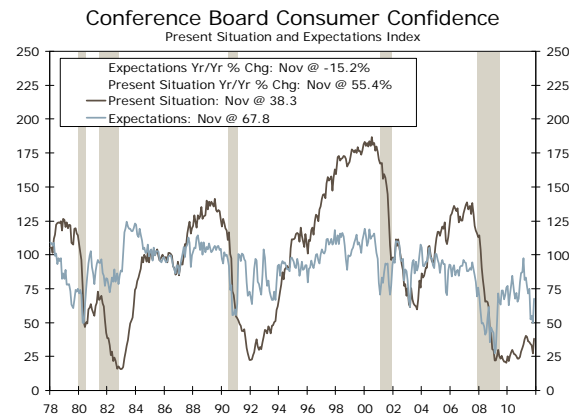
Consumer Confidence Perks Up In November

Consumer confidence rose 15.1 points to 56.0 in November, with solid gains in both the present situation index and future expectations series. With November's increase, the Consumer Confidence index is at its highest level since July, which was just before the debt ceiling/credit rating downgrade debacle. November's survey concluded too early in the month to include much of the latest concerns coming out of Europe, but the strong start to the holiday shopping season suggests consumers are not likely to be swayed by events overseas unless they materially affect employment prospects here at home.

The employment components all improved in November. The proportion of households reporting that jobs were hard to get fell 4.8 points in November to 42.1 percent, which is the lowest reading since January 2009. The drop coincides with a modest improvement in weekly first-time unemployment claims, which have fallen below the key 400,000 level for the past three weeks. The proportion of consumers reporting that jobs were plentiful also rose sharply, climbing 2.2 points to 5.8 percent. While that marks an improvement, the level still remains extraordinarily low, suggesting that much more remains to be done on the employment front.

The present situation series rose 11.2 points in November to 38.3, while the future expectations series leapt 17.8 points to 60.8. The present situation series is now back to its highest level since June, while the expectations series remains 7.1 points shy of its July level. That said, the present situation series remains extremely low and is closer to levels typically seen at the depths of a recession rather than two and half years into an economic recovery. The share of households that rate current economic conditions as "Bad" is still nearly three times higher than the share that rate conditions as "Good". The series does a relatively good job of capturing the frustratingly sluggish and uneven economic recovery of the past two years.

The improvement in the expectations series is more notable, although the survey was completed prior to last week's stock market selloff. The share of households expecting conditions to improve over the next six months rose 2.4 points in November to 13.6 percent, while the share expecting conditions to worsen fell 5.5 points to 15.8 percent. The remaining 70.6 percent expect conditions to be roughly the same. Consumers are also notably less concerned about future income prospects, with the share expecting their income to decrease over the next six months falling 5.5 points to 13.8 percent and the share expecting incomes to increase rising 3.8 points to 14.9 percent. As a result, the income index rose back into positive territory in November, once again lending support to the better-than-expected start to the holiday shopping season. Along those lines, buying plans also perked up, rising 2.3 points to 49.5 in November.



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Personal Income Recovers in October

Personal income rose by 0.4 percent in October after very weak readings for almost the whole of 2011. At the same time, personal spending moderated considerably from the revised 0.7 percent increase in September.

Stop and Go in Personal Spending, Economic Growth

After going all out in September, consumers took a break on spending in October, perhaps to build up momentum to splurge during this holiday season. In last month's report, we argued that the strong performance in personal consumption expenditures in July and September, 0.9 percent and 0.7 percent, respectively, was not sustainable and that at some point in time consumers would have to come back to a more sustainable path that will be in line with changes in personal income. That moment came in earnest in October, when personal income increased by 0.4 percent while personal consumption expenditures increased by only 0.1 percent.

At the same time, disposable personal income increased by 0.3 percent during the month after remaining very weak since April of this year. Real disposable income, meanwhile, also increased by 0.3 percent during the month, the first positive reading since June and a sign that inflation slowed down in October after increasing in the previous months. The PCE price index decreased by 0.1 percent in October after a 0.2 percent increase in the previous month.

Wages and salaries increased by 0.5 percent in October, the second consecutive strong monthly gain after posting a 0.4 percent increase in September. However, disposable personal income in September was only up by 0.1 percent while disposable income for October was up 0.3 percent.

One of the explanations for the increase in personal income during October, other than the strong increase in wages and salaries, was the increase in personal current transfer receipts, which increased by \$6.9 billion in October compared to a decrease of \$1.8 billion during the previous month. The increase in transfer payments was the first since June of this year and was explained, fundamentally, by an \$8.2 billion increase in Medicaid payments. Meanwhile, Medicare payments dropped by \$0.7 billion and unemployment insurance dropped by \$2.4 billion during the month.

October's personal income and expenditure report also showed an increase in the personal saving rate, which went from 3.3 percent in September to 3.5 percent in October. We believe that the saving rate is going to continue to increase during "normal" months while decreasing again during the holidays, school and vacations seasons as U.S. households continue to rebuild their lost wealth due to the Great Recession and the drop in the price of their homes. We expect transfer payments from the government to continue its downward trend during the next several quarters, so we may not see income increasing by a lot unless the private sector steps up to the plate in the coming months.

