

January 2012

**A Glimmer of Hope for 2012**

Another year has come to a close, which prompts some of us to recap the past and forecast the future. As one of those people, I find it interesting to look back on what I wrote the previous year to see how close I came to hitting the mark. Based on our economic indicators for the land and energy sectors, last year's message, [A Glimmer of Light](#), noted improvement and a slow advance out of the great recession. It ends up that "glimmer" was a good choice of words, as it means "to emit a faint or intermittent light," which just about sums up 2011.

Using the same economic indicators today, I am optimistic that we will avoid a double-dip recession and the return of \$150-per-barrel oil, as we saw in 2007. Likewise, in the housing market, we watched the Seasonally Adjusted Housing Starts go from a rate of 526,000 a year ago to the current estimate of 685,000. That's a 30% increase and more sustainable growth rate than the 1,801,000 we experienced in 2006.

Our business pays close attention to the trends associated with housing-starts. In each of our office locations, 2011's first quarter produced an increase in residential permits. Though the following quarters were basically flat, an increase in job growth also brought hope. In Texas, the number of people employed has returned to pre-recession numbers. An increase in the number of people employed nationally will eventually strengthen the residential market, with commercial real estate following the trend.

We anticipate growth in traditional energy industries and sense uncertainty in our renewable energy markets. The volume of both oil and natural gas produced in the United

States has increased. The need to transport these products to refineries is generating demand for the construction of pipelines. Likewise, new NERC standards for electric transmission reliability and recent FERC-approved funding mechanisms proposed by MISO and SPP are moving major transmission projects forward. Project initiatives similar to CAPX2020 and CREZ are likely to get rolling as a result.

Renewable energy markets continue to lack long-term support and direction without comprehensive federal energy legislation. The pending expiration of the Production Tax Credit (PTC) for wind energy is an immediate concern and the 2012 election year compounds the issue. Though there is unquestionable uncertainty about the wind industry after 2012, we continue to assist clients with projects slated for construction in 2012 and beyond. Though solar energy doesn't face the same near-term PTC expiration, volatility in equipment pricing and the rarity of power purchase agreements provide significant challenges. Despite the issues, the market is continuing to grow through advancements in technologies and overall reductions in system costs. Some of the uncertainty in wind development is actively being hedged by a greater investment in solar energy, indicating a continued, strong interest in multiple forms of renewable energy generation.

Despite the challenges we face as we look to 2012, I am optimistic and have hope in the land and energy sectors. The economy has improved and will produce more jobs. Our markets are gaining the confidence to grow. We are on a slow, but steady path to another year further from the great recession.



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