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Investment in Corporate Facilities On The Rise In U.S. Increase Has Positive Impact on State Economies, Jobs, Economic Development and Investment Real Estate Sector

New York, NY (November 8, 2005) -- Corporate investment in new business facilities such as office buildings, industrial campuses and call centers rose to a record \$1.2 trillion in the U.S. last year -- the highest level of such investment since 2000, according to Ernst & Young LLP's "US Investment Monitor" -- a new report tracking real property investment by Corporate America.

According to Mark Costello, head of Ernst & Young's Business Risk Services-Real Estate (BRS) practice in the eastern region, this record investment comes at an interesting time since actual ownership of business facilities by corporations is decreasing, as more national real estate development and management companies partner with investors to own and manage this real estate. "The report points to record tangible business expansion in the form of new facilities which is good news for economic development around the country. It's also a boon for the real estate sector since increasingly Corporate America is looking to the RE industry to own and manage these facilities for them," Costello said.

Of the total \$1.2 trillion invested, \$270 billion was spent on new facilities and \$950 billion was allocated for replacing and/or modernizing existing facilities.

The numbers in the state-by-state look at corporate investments in business facilities, plants and related job growth, are significant, not least in light of the recent impact to parts of the country from severe hurricanes. Six of the top 15 capital investment projects announced in 2004, totaling nearly \$4 trillion, are in areas directly hit by Hurricane Katrina. The good news for the Gulf region is that these projects were in the early stages of development and look set to proceed, and eventually will create almost 1,500 jobs.

Texas grew its business facilities fastest in 2004 with \$13B in capital invested, more than twice as much as invested by second-place Michigan and also ahead of Ohio, California and New York. Of the top 15 "mega-projects" by capital investment around the country, almost half are taking shape in the Lone Star state, the biggest of these projects being Texas Instruments' \$1B facility in the Dallas suburb of Richardson. Richardson is also home of the nation's largest new job creator -- a \$200 billion call center being built by Countrywide Financial Group that will eventually employ 7,500. In fact, the Dallas metroplex was far and away the biggest beneficiary of job creation via new business facilities in 2004 with projects announced totaling more than 11,500 new jobs.

As far as the US as a whole, US Investment Monitor findings also indicate that there have been significant investments in new back office and call center facilities here in the United States, "even taking into account all of the stories we read about the explosion of off-shoring," said Chris Steele, a business location specialist with Ernst & Young's BRS practice in New York. "Again, those facilities also house jobs, which are an important and much sought-after benefit of the capital now being committed to expanding, relocating and updating US business facilities," Steele said.

The study found that, even with their high costs, states like New York and California continue to rank highly for business facilities growth and construction in areas like biotech, publishing, and high-tech. "That growth is also translating into job growth," said Costello.

According to Ernst & Young's Real Estate Business Risk Western Regional Head, John Heywood, "An unprecedented increase in mega mixed-use projects have commenced here in the west, particularly in LA and Las Vegas. Corporations and large resort developers are taking advantage of the demand and the support by these cities in creating urban villages. The complexity of these projects which include a mix of residential, hotel, retail, office and casinos require sophisticated contractual and financial management procedures to enable developers and corporate executives alike to monitor costs and their correct allocation for depreciation and investment purposes."

Another key finding indicates that there are far more investments being made in new office buildings, headquarters, research and development centers and light and heavy manufacturing facilities by U.S. companies setting up new operations outside of their home states. Forty nine percent of investment in U.S. facilities originated from firms moving outside their home state, while in-state investment averaged 34 %. Foreign companies operating in the U.S. are investing less than home grown companies, about 17% of the capital tallied by E&Y came from foreign companies. "This is an interesting finding for a business public that has come to believe that we may not be holding our own here at home," said Steele. Among the states, Ohio had the highest percentage of foreign investment in its business facilities with Japan, Germany and UK companies doing the lion's share of investing nationally.

Steele said that the purpose of the US Investment Monitor is to give Ernst & Young's clients a look at which states are most popular, monetary investment levels around the country and what impact those investments by themselves and their peers are having on labor and local economic development. Our feeling is it's important to think about the trends here. "We constantly ask ourselves why they think that these places are so great that they're willing to make significant investments there. That in turn helps other companies to make informed decisions."

Corporate real estate properties selected to be part of the Ernst & Young study have a minimum of \$10 million invested or 20 jobs retained or created. Project types run the gamut of real property improvements, excluding retail and entertainment establishments, restaurants, hotels, airports, and power plants. To download a copy of the report, visit [www.ey.com/global/download.nsf/US/US Investment Monitor September 2005/\\$file/InvestmentMonitor09-05.pdf](http://www.ey.com/global/download.nsf/US/US%20Investment%20Monitor%20September%202005/$file/InvestmentMonitor09-05.pdf)

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