

# Grayway



## A LOOK BACK, AND AHEAD

A MODEST 2012 GIVES WAY TO  
AN OPTIMISTIC NEW YEAR



## THIS ISSUE / A Look Back, and Ahead

---



Jill Wilson  
Vice President,  
Communications & Marketing  
jwilson@gray.com

Now that 2012 has elapsed and given rise to a new year, Americans are reflecting on our accomplishments and failures, and looking for hope and promise in the coming year.

This issue of the [GrayWay](#) provides a snapshot of 2012, with a review of the events that encapsulated the year's economy. We also offer expert opinions on expectations for 2013 as the economy continues its uphill climb toward recovery. Lastly, we are taking this opportunity to announce a new branding strategy Gray is implementing in January, unifying all Gray companies under one cohesive brand: simply Gray. Read on to find out more about what this means to our company, our business partners, and our customers. We wish you a safe and joyous new year.

*Jill Wilson*



MIX  
Paper from  
responsible sources  
FSC® C016583

*Gray practices methods  
which protect our environment.*





---

## CONTENTS

- 2 A LOOK BACK, AND AHEAD**  
A Modest 2012 Gives Way to an Optimistic New Year
- 5 THE 2012 ECONOMY**  
A Year in Review
- 6 DON'T BELIEVE THE HYPE**  
Media Perpetuating Uncertainty in the Global Economy
- 8 GRAY MATTER**  
One Thing's Clear, We Are All Now Gray
- 10 GRAY... WE'RE BUILDING**  
Ascena Retail Group, Inc.  
Etna Township, Ohio

# A LOOK BACK, AND AHEAD

---

**A MODEST 2012 GIVES WAY TO  
AN OPTIMISTIC NEW YEAR**

---



2013

~~2012~~

# A LOOK BACK, AND AHEAD

A MODEST 2012 GIVES WAY TO AN OPTIMISTIC NEW YEAR

---

In a presidential-election year, it can be tough to separate rhetoric from reality. Leading up to last year's election, Republicans painted a bleak picture of America's economic recovery, contending that jobs and the overall economy were not growing fast enough. Meanwhile, Democrats latched on to any positive economic news, and likely benefited from a slowly decreasing unemployment rate and a rebounding manufacturing industry. But now that the voting booths are closed and the rhetoric has quieted down, it may be easier to sort out what really happened in 2012, and make predictions for 2013.

**“It took guts to make money in 2012. But entrepreneurs found ways to make better profits than folks who were simply in the mode of conserving.”**

– Brian Beaulieu



*Brian Beaulieu*

Brian Beaulieu, chief executive officer of [ITR Economics™](#) and chief economist for [Vistage International](#), describes economic growth in 2012 as “modest,” as companies worldwide continued to sit on large amounts of cash—rather than investing—due to the uncertainty of the global economy. Beaulieu also says, however, that those who were willing to take risks in 2012 made out well.

“It took guts to make money in 2012,” said Beaulieu. “But entrepreneurs found ways to make better profits than folks who were simply in the mode of conserving.”

Foreign investment, Beaulieu says, started strong and remained so throughout 2012.

“Over the course of the year, we certainly saw a lot of foreign money coming in for manufacturing purposes,” he said.

“Additionally, foreign investors simply snapped up some of the commercial and residential real estate that has been available at bargain-basement prices. We expect both of these trends to continue if not all, but most of 2013.”

But what about Europe and its seemingly unending recession? According to Beaulieu, European countries are beginning to make meaningful changes that will lessen the drag of their economic woes on the world economy.

“The ECB (European Central Bank) having control over the banking system in the Eurozone is excellent—it’s clearly having an influence on the non-Eurozone banks as well, which is good,” contends Beaulieu. “Spain is getting with the program. Greece is negotiating successfully with the ECB in terms of their austerity measures. Portugal is biting the bullet, despite the fact that it means ongoing recession for them. So, the Europeans are toughening up and doing what they have to do, all of which means they won’t go cascading downward, but it certainly doesn’t put them in a position to experience a recovery.”





**“We see interest rates being kept low by the Federal Reserve, rising retail sales, and employment gains continuing in 2013. It’s a pretty strong winning combination... a good trifecta.”**

– Brian Beaulieu

As far as the overall U.S. economy is concerned, Beaulieu believes 2013 will be slightly better than 2012.

“Consumers are out there spending their little hearts out,” explained Beaulieu. “Despite all of the consternation about a ‘fiscal cliff,’ people seemed to be either a) oblivious to it or, b) convinced that it was going to go away, or c) some combination of the above. They are just spending money.”

“Retail sales from Thanksgiving through Christmas came in above year-earlier levels,” he continued. “We saw the big-box stores hiring more people seasonally this year than they did last year. Employment continues to go up, housing sales are doing fantastic, all of which says the consumer is doing the heavy lifting for this business cycle right now, and the heavy lifting will go even higher.”

The Consumer Confidence Index—published by The Conference Board by Nielsen, a global provider of consumer information and analytics—reached a four-and-a-half-year high in November of 2012, a good sign that more spending and new investments may be just around the corner. And when consumer confidence increases, so too does the demand for products supplied by U.S. manufacturers.

“Consumer spending is going to remain fairly strong in the first half of the year,” predicts Beaulieu. “We see interest rates being kept low by the Federal Reserve, rising retail sales, and employment gains continuing in 2013. It’s a pretty strong winning combination... a good trifecta.”



---

# The 2012 Economy

## A Year in Review

---

### The Unemployment Rate

Non-farm unemployment decreased from 8.3% in January to 7.7% by November, the lowest unemployment rate since the end of 2008.

*(Source: [Bureau of Labor Statistics](#))*

---

### Manufacturing

Economic activity in manufacturing expanded eight out of 12 months in 2012; expansion was classified mostly as “moderate.”

*(Source: [Institute for Supply Management](#))*

---

### Gross Domestic Product

The U.S. GDP grew at a 3.1% annual rate in the third quarter of 2012, mainly driven by a rebound in inventory investment.

*(Source: [Bureau of Economic Analysis](#))*

---

### Interest Rates

The Federal Reserve maintained low interest rates throughout 2012 due to high unemployment and a sluggish economy. The 30-year fixed-rate mortgage maintained a near-record-low average of 3.35% in December 2012, while fixed-rate 15-year mortgages averaged 2.69%.

*(Sources: [Federal Reserve](#); [Freddie Mac](#))*

---

### The Housing Market

The total U.S. for-sale inventory of single-family homes, condos, townhomes and co-ops remained at historic lows, with 1.76 million units for sale in October 2012, down -17% compared to a year ago.

The median list price in October was \$189,900, the same as a year ago. The median age of inventory was down -11.81% compared to one year ago.

*(Source: [Realtor.com](#))*

---

### Foreclosures

U.S. foreclosure starts dropped to a 71-month low in November, but bank repossessions increased annually for the first time since October 2010.

*(Source: [RealtyTrac U.S. Foreclosure Market Report](#))*

---







**“We are still seeing companies making investments, they are just a lot more strategic in how they make those investments.”**

**–Bobby Bono**

statement because they know their own individual company a lot better than they know the macro environment.”

Bono says despite the lack of certainty in the global economy, PwC’s third-quarter Manufacturing Barometer clearly illustrates that manufacturers expect good things in the coming year, with some 82 percent predicting revenue growth in 2013. Many also plan to hire additional employees, as well as invest in new products and research and development.

But optimism in the coming year for the U.S. economy dropped to 37 percent in the third quarter of 2012, down 15 points since the second quarter. Sentiment regarding the 12-month outlook for the world economy among manufacturers who market abroad remained low at 29 percent, although this level improved by 16 points since the second quarter. Still, the majority of respondents (54 percent) expressed uncertainty regarding the 12-month outlook for both the U.S. and global economies.

“So what that tells you is, in this macro environment, they believe what the news is telling them about the world economy, but they feel confident in how their own company can navigate through that uncertainty,” said Bono.

Bono cited a perceived lack of product demand, legislative and regulatory pressures, and oil and energy prices as the three biggest factors perpetuating little optimism in the global economy.

Since the recession, he says manufacturers have become much more astute at adapting to harsher economic climates, having been required to do so just a handful of years ago. His most valuable piece of advice for manufacturers today is to never lose focus on the customer.

“It doesn’t really matter if taxes go up with this fiscal cliff—if customers have a need and they can fulfill that need, they should not be as concerned about this macro environment. The whole can come down, but their slice is going to stay the same.”

Bono says he routinely advises manufacturers to simplify their business and product offerings to focus on specific customer needs and how to best meet those needs.

“We are still seeing companies making investments, they are just a lot more strategic in how they make those investments,” Bono said. “They want to understand what the return is, if there is a real need for the customer and they are focusing on that.”

# ONE THING'S CLEAR... WE ARE ALL NOW GRAY

Wow, what a year Gray had in 2012! After several years of fighting to compete in an unstable economy, we are proud to say not only have we emerged unscathed, but Gray has recorded our biggest revenue increase in the history of the company.

While we are proud of this accomplishment, we know it will take an equal amount of enthusiasm and creativity to maintain this success, given the uncertainty that continues to cover the U.S. economy.

We will approach the year 2013 just as we have throughout our history, with the determination to make it even better than the year before. We are kicking off the year with a change we believe will benefit not only our internal operations, but our business partners and customers as well. **Beginning January 2013, we are unifying all Gray companies under one cohesive brand, dropping “Construction” from our name and rebranding our company as simply “Gray.” Both Gray-I.C.E. Builders in Anaheim, Calif. and WS Construction in Versailles, Ky. will assume the Gray name as well.**

We believe this change will directly benefit our customers by offering a clearer picture of our company-wide capabilities, and allow us to seamlessly serve our customers’ market-specific needs. ***This is a name change only—Gray will offer the same level of service we have become known for, delivered by the same talented group of people.***

With that said, we look forward to working with you in 2013, and for years to come!



Stephen Gray  
Chief Executive Officer

## Office Openings & Acquisitions

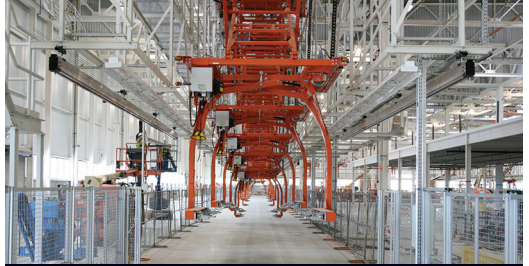
Since 1960



## Gray's Core Markets



**Siemens Gas Turbine manufacturing facility**  
Charlotte, N.C.  
Manufacturing



**BMW Assembly North plant**  
Greer, S.C.  
Automotive



**T. Marzetti Sister Schubert's Bakery facility**  
Horse Cave, Ky.  
Food & Beverage



**Academy Sports + Outdoors distribution center**  
Jeffersonville, Ga.  
Distribution



**Courtyard by Marriott**  
Anaheim, Calif.  
Hospitality



**H&M retail facility**  
Las Vegas, Nev.  
Retail

2001

Gray-I.C.E. Builders in Anaheim, Calif. acquired; Birmingham, Ala. Southeast regional office opened.

2006

South Central Ky. regional office in Glasgow moved to Bowling Green, Ky.

2012

South Atlantic regional office opened in Raleigh, N.C.

2013

All Gray companies unify under one brand: Gray; Gray-I.C.E. Builders in Anaheim, Calif. is now Gray's West regional office; WS Construction is now the Ohio Valley regional office.



# GRAY... WE'RE BUILDING

## ASCENA RETAIL GROUP, INC.

Etna Township, Ohio



Ascena team members participated in the groundbreaking event.

Gray was selected to provide design-build services for an expansion of [Ascena Retail Group](#)'s existing 460,000 s.f. distribution center in Central Ohio, bringing the total square footage to 760,000. The new facility will house distribution operations for over 3,800 stores, including leading brands such as Lane Bryant and Justice. The expansion is expected to add 200 jobs to the center's existing 300-person workforce.

The Ascena Retail Group is a leading national specialty retailer of apparel for women and "tween" girls, operating through its brands Justice, Lane Bryant, maurices, dressbarn and Catherines. Ascena broke ground on the center in December of 2012; the facility is scheduled to be complete by early 2014.



10 Quality Street  
Lexington, KY 40507-1450, USA  
T 859.281.5000

Alabama, California, Kentucky,  
North Carolina and Tokyo, Japan

[www.gray.com](http://www.gray.com)