

A grayscale background image of the Statue of Liberty, showing her head with the crown and her right arm raised holding the torch. The image is partially obscured by the 'Grayway' logo and the main title.

# Grayway

## INVESTING IN LADY LIBERTY

.....

WHY MANUFACTURING IN THE U.S.  
IS BECOMING MORE APPEALING TO  
FOREIGN INVESTORS

.....



## THIS ISSUE / FOREIGN INVESTMENT

---



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

### **Welcome to 2012 and to our newly redesigned GrayWay newsletter!**

Beyond a refreshed look, we will be bringing you even more timely, important and interesting industry news that will be helpful to you and your colleagues. We are kicking off the year with a topic that affects us all: foreign investment in the United States. This issue will provide opinions from leading economists and economic development officials on the state of the global economy and the outlook for foreign investment in the coming years. We hope you find this issue interesting, educational and, most importantly, an easy read.

*Jill Wilson*



MIX  
Paper from  
responsible sources  
FSC® C016583

*Gray Construction practices methods  
which protect our environment.*

# INVESTING IN LADY LIBERTY

WHY MANUFACTURING IN THE U.S. IS BECOMING  
MORE APPEALING TO FOREIGN INVESTORS

## CONTENTS

- 2 MADE IN THE U.S.A.**  
Global Economic Crisis Driving  
Foreign Manufacturers to  
Reconsider the U.S.
- 5 GAINING INTEREST**  
U.S. Economic Development  
Officials Seeing Increase in  
Foreign Investment Leads
- 6 STANDING STRONG**  
German Economy Breaks Records  
in 2011 Despite Global Debt Crisis
- 8 SHADES OF GRAY**  
Uncertain, yet Hopeful
- 8 GRAY...WE'RE BUILDING**  
Whirlpool Corporation  
Cleveland, Tenn.
- 9 GRAY MATTER**  
Rolling out the Red Carpet  
to Foreign Trade



### DOWNLOAD THIS GRAYWAY

Scan the QR Code above with your  
smart phone to view both current  
and past Grayways.

# MADE IN THE U.S.A.



GLOBAL ECONOMIC  
CRISIS DRIVING FOREIGN  
MANUFACTURERS TO  
RECONSIDER THE U.S.

---

*Moving manufacturing* operations to low-wage nations not only became customary over the past couple of decades, but some believe necessary. Now, as countries across the globe sink deeper into debt, poor economic conditions have forced companies to rethink their manufacturing strategies, and the United States is regaining some of the appeal it had all but lost to low-wage nations. Economists have varying opinions on why this is happening, but they all agree that the U.S. is still a force to be reckoned with on the manufacturing landscape, and is gaining more and more interest from foreign manufacturers every day.

## Worker Productivity



Chad Moutray

Chad Moutray, chief economist for the National Association of Manufacturers (NAM), is one such expert who cites our nation's high worker productivity rates as a key variable in attracting more interest from foreign manufacturers.

“Most people assume that the United States lost a lot of jobs to China due to labor costs,” began Moutray. “The reality is that the U.S. continues to be one of the most productive in the world—if not *the* most productive in the world—when it comes to manufacturing overall productivity.”

According to Moutray, the U.S. has the most value added per worker than any other of the top ten economies in the world, which levels the playing field when competing against low-wage nations. The most recent numbers published in 2009

---

# “U.S. worker productivity rates have made explosive gains.”

- Chad Moutray, Chief Economist for the National Association of Manufacturers

---

by the Bureau of Labor Statistics indicate that the value added per worker in the United States was over \$118,000, some \$25,000 more than that of our closest competitor, Japan.

More recently, Moutray says U.S. worker productivity rates have made explosive gains.

“In the third quarter of 2011, you saw manufacturing productivity go up a little over 5 percent,” he said. “For durable goods, it’s well over 9 percent.”

“It doesn’t mean that everyone’s going to move back that moved over, but it means that if there is a need for additional facilities or if you’re looking at price comparisons for manufacturing products, I think the U.S. is going to be in the mix,” he said.

## Near-Sourcing

Another trend emerging on the global manufacturing landscape is what many are referring to as “near-sourcing.” The concept of near-sourcing is simple: decreasing the distance between the source of supply and the market served. Now that labor and other costs are on the rise in traditionally low-wage nations like China, some say it is becoming more and more compelling to manufacture close to your biggest consumer markets.



Brian Beaulieu

According to Brian Beaulieu, an economist with ITR Economics, despite the recent recession and credit crunch, the U.S. maintains its position as the “strongest, most vibrant consumer economy on the planet.”

“Our natural propensity to consume is second to none, as far as I know,” said Beaulieu. “So, you build here because you want to be locally sourced to where your customers are.”

Near-sourcing allows foreign manufacturers to make and ship goods on American soil, eliminating pricey overseas shipping costs.





Photo Courtesy BMW Manufacturing Co.

A BMW Manufacturing Co. associate works on an engine at the Upstate South Carolina factory, the only BMW manufacturing facility in the United States.

### Keeping Perspective

No doubt, the U.S. has many reasons to believe foreign manufacturers will be looking this way for new locations, but Beaulieu says it's not quite time to celebrate. One of our nation's most beneficial trading partners is Europe, but his predictions for economic growth in Europe are meager at best.

"We see (Europe) growing some in 2012, but at a very mild pace, slower than the U.S.," he said. "And, in 2013, we see them underperforming the U.S."

Beaulieu has even less optimism for the growth of Europe's Gross Domestic Product.

"We think in 2012, it'll be up around 0.7 percent, and in 2013, it will be essentially flat."

### Cash in the Coffers

Even if Beaulieu's predictions ring true, he believes many of the world's leading manufacturers are simply being cautious, waiting to invest until global economic conditions improve.

"All you have to do is look at what's sitting on corporate balance sheets across America—it's like \$2 trillion in cash," he explained. "And with the employment trend continuing to rise here in the U.S., and the capacity utilization rates generally moving up within the U.S., that means there's going to be more building going on in the U.S. in 2012 and 2013."

**For an expanded version of this article, visit [www.gray.com/news/blog](http://www.gray.com/news/blog).**

### FOREIGN DIRECT INVESTMENT IN THE UNITED STATES BY COUNTRY, 2010

RANK	COUNTRY	INVESTMENT
1.	UNITED KINGDOM	\$432 B
2.	JAPAN	\$257 B
3.	NETHERLANDS	\$217 B
4.	GERMANY	\$213 B
5.	CANADA	\$206 B
TOTAL		\$2,343 B

Note: These statistics are based on the most recently available data from the U.S. Department of Commerce.

# GAINING INTEREST

## U.S. Economic Development Officials Seeing Increase in Foreign Investment Leads

There is no doubt the manufacturing industry is vital to the U.S. economy—it provides good, long-term jobs for countless Americans. There is also no doubt that foreign manufacturers are responsible for creating an increasing number of these jobs by manufacturing within the world's most vital consumer market. With high unemployment rates plaguing the nation, it would be easy to assume that interest from foreign investors is waning, but many economic development officials believe that is simply not the case.



*Erika Lucas*

“Even with the global economic volatility in recent years, foreign direct investment coming into the United States has remained steady,” said Erika Lucas, director of global recruitment and trade for the Oklahoma Department of Commerce. “We have seen a decline on capital expenditure and job creation by international

investors, but when I meet with international firms, and I talk about Oklahoma’s stable economy, our innovative climate and prosperous industry clusters they realize the unmatched opportunity for success.”

Lucas says that nearly 45 percent of jobs at international companies in her state are in the manufacturing industry, accounting for more than 15,000 jobs, and subsidiaries of global companies provide more than 34,000 jobs.



*Randi Tveitaraas Jack*

Randi Tveitaraas Jack, international business development manager for the Kansas Department of Commerce, agrees interest from foreign investors has remained strong and says that is largely due to the types of industries that call Kansas home.

“There are certain industries that are still growing despite the economy,” said Jack. “Renewable energy is one that has remained very strong...bioscience too. We’ve seen consistent, good activity.”

Jack says that the opening of a Siemens wind turbine plant in Hutchinson, Kan. has been one of the most significant investments in recent history.

“That attracted a number of European suppliers who have set up assembly, distribution, and other kinds of service facilities, from Denmark to the Netherlands to Germany,” explained Jack. “So we’ve seen good activity—some that followed Siemens to Kansas—and then others because of the wind energy industry in the United States growing.”

Jack says the federal government deserves some of the credit for the increase in interest from foreign investors.

“I guess the one thing that’s changed over the past few years is that the U.S. government has gotten involved again in promoting the U.S.,” she said. “There is the SelectUSA business investment initiative.... So there is kind of a comprehensive effort now to promote the U.S. as a good place to invest, and I think that’s very positive.”

For more information on the SelectUSA initiative, visit [www.selectusa.gov](http://www.selectusa.gov).



Siemens Energy, Inc.  
Nacelle production facility in Hutchinson, Kan.

# STANDING STRONG

GERMAN ECONOMY BREAKS RECORDS IN 2011 DESPITE GLOBAL DEBT CRISIS

“They live within their means—that’s what German companies do. They normally tend to do well in situations like this because they haven’t overextended themselves.”

—Pamela Jackson,  
Manager of Communications,  
German American Chamber  
of Commerce of the Southern  
U.S., Inc.

*Gloom and doom*—two words that have been used countless times to describe Europe’s economic outlook. The U.S. debt crisis has spawned similar crises across the globe, and some believe the euro is on the brink of implosion.

But while the economies of Portugal, Ireland, Italy, Greece and Spain continue to spiral downward, things are much more rosy for central Europe, specifically Germany. The German economy has not only remained strong, but experienced record-breaking growth in 2011. A December 27, 2011 article featured in the popular German online newsmagazine *Spiegel Online* stated that Germany exported goods worth over \$1.3 trillion in 2011—its highest figure to date. What’s more, an unprecedented 41.6 million people were employed in Germany in 2011, also a history-making figure.



Pamela Jackson

The state of the German economy, compared to its fledgling neighbors in the euro zone, has many wondering what this country is doing differently to not only survive but thrive amidst Europe’s economic turmoil. According to Pamela Jackson, manager of communications for the German American Chamber of Commerce of the Southern U.S., Inc., one factor is simply responsible money management.





“They haven’t borrowed more than they can handle,” said Jackson. “They live within their means—that’s what German companies do. They normally tend to do well in situations like this because they haven’t overextended themselves.”



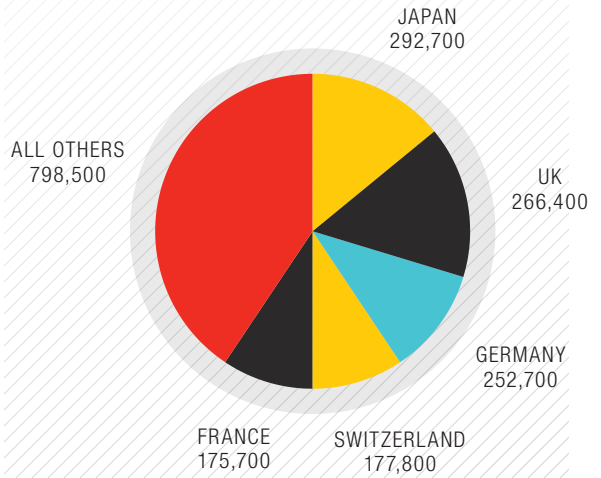
Thilo Zimmermann

Thilo Zimmermann, a managing partner with the German investment group albatross invest, says it’s not just Germany that has remained strong during the downturn and that a country’s core industries play a vital role in determining how it will

fare in a less-than-favorable economy. He says that the export-oriented countries such as Germany and partly France are growing in step with the markets they serve, like the automotive sector.

“You see a different picture in the United Kingdom, for example,” Zimmermann explained. “They very much depend on the financial sector. And here, we differentiate...we dilute the real economy and the financial sector economy. From a financial sector point of view, things look much, much different than if you’re active in industry (like exporting).”

## TOP COUNTRIES IN MANUFACTURING EMPLOYMENT SUPPORTED BY U.S. AFFILIATES OF FOREIGN COMPANIES, 2009



Note: These statistics are based on the most recently available data from the U.S. Department of Commerce.

## THE GERMAN ECONOMY AT A GLANCE

	2010	2011
GROSS DOMESTIC PRODUCT GROWTH	3.60%	3.10%
INDUSTRIAL INVESTMENTS GROWTH	5.20%	7.10%
INDUSTRIAL PRODUCTION GROWTH	10.70%	8.00%
TRADE BALANCE GROWTH	5.60%	5.40%

Source: albatross invest

## SHADES OF GRAY UNCERTAIN, YET HOPEFUL



*Bob Moore  
President  
Gray-I.C.E. Builders*

Questions, questions, questions. Uncertainty in the economy just creates more and more questions for those trying to make sound decisions. One question being pondered by countless businesses is, "If we make a long-term investment, is it going to pay off?" The global debt crisis, especially in Europe, continues to give rise to great ambiguities about future markets and business

opportunities affecting the U.S. economy. The result is businesses being stymied, holding business leaders and investors back from the necessary private business investment decisions to fuel desperately needed economic growth.

Within this uncertainty, however, is a glimmer of hope. The indicators of a more stable economy, driven by the emergence of more cohesive long-term plans to deal with sovereign debt, are beginning to materialize. As a modicum of predictability returns, we see investment materializing. In California, we expect the hospitality industry to make significant investments as economic stability is regained. Presently, we see hospitality developers planning and beginning projects, indicating their optimistic view of economic strength 12 to 18 months from now. Additionally, we are encouraged about better economic conditions based on a major California industrial real estate developer deciding to develop several buildings speculatively. Speculative development has been nearly non-existent in California for the past five years. These businesses' choices give us reason to believe economic growth and broader economic opportunity are probable in 2012.

## GRAY... WE'RE BUILDING



### WHIRLPOOL CORPORATION Cleveland, Tenn.

Whirlpool Corporation, the world's leading manufacturer of major home appliances, chose Gray Construction to build a three-phase 1,550,283 s.f. manufacturing facility in Cleveland, Tenn. This facility will replace an existing 100-year-old facility located just seven miles away and represents the largest single investment Whirlpool has made in the United States.

Phase I of this project, which consisted of 1,075,027 s.f. of manufacturing space, was completed on November 11, 2011, Whirlpool's 100<sup>th</sup> anniversary. Phase II is currently under construction and includes over 400,000 s.f. of distribution space. Phase III will consist of a 53,345 s.f. testing lab. Final completion of all three phases is scheduled for 2014. Whirlpool is pursuing LEED® Gold certification.

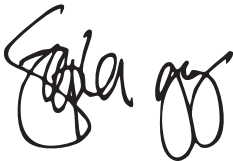
# ROLLING OUT THE RED CARPET TO FOREIGN TRADE

*In these times of economic uncertainty*, it has never been more important for America to embrace our foreign trading partners. Investors from across the globe continue to provide jobs for millions of Americans and each and every one of us should value the prosperity these companies have contributed to our economy.

At Gray, we know how truly valuable foreign investment can be. In fact, a large percentage of our new construction and expansion leads within the past several years have come from foreign manufacturers, and we see no signs of that slowing down. Without our overseas friends, the recession would have had a much more dramatic impact on the health of our company, and we owe a debt of gratitude to those customers who remained faithful in the U.S. economy despite its uncertainty.

Credit should be given to those countries that have managed to defy economic crises, the most notable being Germany. This country provides one of the best examples of fiscal responsibility and its commitment to high quality engineering has made it all but recession-proof. Investment from this country is vitally important to economic recovery in the U.S.

As 2012 gets underway, we expect to see even more movement from international manufacturers and are prepared to help maximize their investments and help them thrive in America, this land of opportunity.



Stephen Gray  
President and Chief Executive Officer





Gray's Service Team handles warranty and care requests during the warranty period and beyond.

# Maintenance Tips



Steve Higgins  
Service Team  
Manager  
Gray Construction

*For those areas prone to cold winter months,* there is no better time to ensure your building is ready for frigid and blustery weather conditions.

## Service Team

Manager Steve Higgins offers these maintenance tips to help you protect your investment over the harsh winter months.

- If you have a dry fire protection system under a canopy or other area that is exposed to cold temperatures, remember to check for and drain any condensation that may have collected in the system. The condensation can freeze and burst sprinkler heads or valves resulting in activation of the system.
- Winds can cause drifting of snow. These drifts are not much of a problem on the side of the road, but your facility's roof is another matter. Keep an eye on your roof to make sure snow or ice doesn't cover and clog drains. If your facility has gutters and downspouts make sure they are free to drain and not clogged with snow. Watch for deflections in your roof system and contact a structural engineer if unusual deflection is occurring during heavy snow loads.



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

Alabama, California, Kentucky,  
and Tokyo, Japan

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