• Tracking a Tenuous Recovery in 2011
• The Long-Term Economic Horizon: Looking Toward 2040
• Building a Green Economy in Central Arkansas
• Altered Housing Market Faces Uncertain Future
• Construction Value Trends
• Economic Outlook for 2012
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Metroplan's Economic Review and Outlook is an annual chronicle providing economic data and insight for the Little Rock-North Little Rock-Conway MSA.

Prepared by: Jonathan Lupton, Research and writing
Lynn Bell, Graphics and layout

Photographs by Jonathan Lupton and Lynn Bell, except where noted

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About Metroplan

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Tracking a Tenuous Recovery in 2011

Midyear 2011 found the recovery slowing if not stalled, with the looming prospect for relapse into a new recession. The federal fiscal crisis of late summer has increased the uncertainties and undermined economic confidence at a critical stage in the recovery.

Metroplan’s employment index, depicted in the chart below, shows that central Arkansas has created a few jobs since the local bottom-out about February 2010. After a surge in the spring of 2010, however, seasonally adjusted employment growth has been essentially flat. This probably means the local area is seeing jobs grow more slowly than population, also a problem at the national level. The local employment index has hovered just below 1.02 for about a year, while the U.S. index has climbed anemically from 0.97 to 0.98.

The unemployment comparison at right shows the region has suffered less economic pain than the U.S. average, but in June 2011 the region’s unemployment rate was back up to 7.3 percent (seasonally adjusted), matching its previous recession peak in August of 2010. U.S. unemployment remains high, at 9.1 percent in July of 2011.

Employment by Industry

The chart below shows local employment change by industry over the past year, from May of 2010 to May of 2011. As the figures show, the local region failed to out-perform the U.S. average in any sectors of job change except finance and government. Much of this probably owed to the local ‘lag effect,’ by which U.S. economic cycles tend to hit the central Arkansas region later than average.

The local region only exceeded the U.S. growth rate in the previously hard-hit financial sector, and local job loss in government was slower than the U.S. average. Local growth nearly matched the U.S. average in professional and business services, which was the biggest job gainer. The region also showed gains in retailing and the leisure/hospitality industries, albeit at a slower pace than the U.S. average.

Job Change by Industry

May 2010 – May 2011

1 Data from Arkansas Department of Workforce Services with index by Metroplan.

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<tr>
<td>Other Services</td>
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<td>Leisure and Hospitality</td>
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<tr>
<td>Financial Activities</td>
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<tr>
<td>Information</td>
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<tr>
<td>Transport, Warehouse, Utilities</td>
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<tr>
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<tr>
<td>Wholesale Trade</td>
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1 Data from Arkansas Department of Workforce Services with index by Metroplan.
Major job losses in government employment were related to completion of Census 2010, a major but temporary source of jobs. The local area saw larger losses in the information sector than the U.S. average. The biggest divergence from the U.S. average was in the transportation, warehousing and utilities sector, and secondarily in wholesale trade. The region’s two biggest job losers within these broader categories included scheduled air transportation, general freight trucking, and air transportation support activities. In all of these detailed categories, the rate of local job loss exceeded the national average during the 2007-2009 period.

Employment by County
When recession first began dragging down central Arkansas employment from late 2007 onward, employment dropped more sharply in the outlying counties than in centrally-located Pulaski County. By early 2009, this trend reversed in both Faulkner and Saline Counties, both of which saw employment growth even as Pulaski County employment continued declining through the third quarter of 2010.

In Faulkner County, the biggest gains have been in the mining sector (natural gas activity in the Fayetteville Shale Play) as well as in the management sector (primarily the Hewlett-Packard facility). Saline County employment growth has been in construction, professional/scientific/technical services, as well as broad-based growth in several service sectors. Lonoke County employment also grew slightly.

Income Trends
The Great Recession has been hard on incomes nationally. For the large majority of U.S. metro areas, inflation-adjusted per capita income declined over the 2005-2009 period. For the Central Arkansas region, income increased 4.2 percent, ranking the region 50th among 366 U.S. metro areas for income growth 2005-2009.

The Long-Term Economic Horizon: Looking Toward 2040
Metroplan is beginning to develop the next long-range regional plan, Metro 2040. How do you predict the basic nature of the regional economy thirty years into the future? Only with great difficulty, especially in rocky times when tomorrow’s stock market is beyond comprehension. Several data elements can help:

1. Demographics. Because a good part of the 2040 workforce is alive today, demographic analysis can provide useful background predictions.

2. Labor force participation. The share of people in the workforce varies by age, sex, and race. Personal decisions to enroll in trade schools and colleges can affect workforce participation rates, as can retirement decisions. Forecasters project trends in workforce participation.

3. Jobs by industry. Recent changes in jobs by occupation and industry can be extrapolated forward, reflecting broad trends like declining manufacturing jobs, and growing health-care employment. The balance of jobs by industry is in flux at present, as American society adapts to a transformed economy in the Great Recession’s slow-moving aftermath.

4. Job locations. Employment has been suburbanizing for decades. For example, while Pulaski County jobs grew 3.5 percent from 2003 to 2010, jobs in Faulkner County jumped 17.7 percent. Evidence today suggests the suburbanizing trend is continuing, but with more clustering in ‘activity nodes.’ At a time of little job growth, however, the pace of change is slower than in the past.

It is looking increasingly likely that the Great Recession, and its ensuing multi-year economic slowdown, is not just another cyclical ‘blip.’ Sweeping, non-linear economic changes are underway. Predicting the future is therefore particularly difficult, yet also timely and relevant.

In 2009, the U.S. Bureau of Labor Statistics (BLS) released employment projections to the year 2018. The projections mapped out likely areas of U.S. economic growth. The insights are useful, yet may be more a reflection of the recent past than a prediction. Recent articles by BLS economists have admitted that economic trends have shifted sharply since the Great Recession’s onset, altering the outlook.

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Jill Joiner says people tell her, “You don’t look homeless.”

For many of us, the Great Recession has been an abstraction, with little direct personal impact beyond grim news stories and reductions in retirement savings and home values. For Jill Joiner and her husband Ron, today’s economic troubles have become very personal. Job losses, followed by some health problems, made them and their 9-year-old son homeless.

Ron has a bachelor’s degree, an associate degree, and is a journeyman electrician. Jill holds a part-time job, and wants to finish a degree in social work. But for now, they are taking things one day at a time. Aided by Family Promise of Pulaski County, a network of churches that assists homeless families, they stay in different churches for week-long stints. One of their biggest challenges is transportation. Lacking a car, they use transit when possible, but find it difficult to commute to work, run errands, attend job interviews, and meet other challenges. Sometimes a church member loans them a car. A church van helps take their son to Pulaski Heights Elementary and back. “You don’t look homeless,” people tell her. But she is. Jill says, “We’re hiding in plain sight.”

Economic trends have shifted sharply since the Great Recession’s onset, altering the outlook.
The chart at right summarizes the projections, and includes red arrows for economic sectors that face new prospects in light of the Great Recession:

1. Government. Few branches of government, federal, state or local, can grow much with today’s badly-weakened public balance sheets.

2. Educational services. This sector, along with health care/social assistance, managed to grow jobs through the recession, when all other sectors lost ground. Economic dislocations caused by the Great Recession will drive demand for better education many years into the future.

3. Finance. This sector is closely tied to the construction and property over-valuations that burst in 2007-2008. The financial sector grew far faster than its historical average during the housing boom. Its share of future jobs will drop back more in line with historic trends.

4. Professional and business services. One of the country’s leading job-builders in decades past, this sector suffered the second-greatest job loss during the recession. Professional and business services are undergoing a structural adjustment. Much of this sector is tied to the country’s troubled financial and construction sectors. At the same time, this sector includes ‘middle-skill’ jobs that are giving way to labor-saving technologies and foreign outsourcing.

5. Manufacturing. This sector’s overall output will accelerate as the U.S. adjusts toward greater export orientation. The rate of job loss may slow too, although overall job growth remains unlikely.

### The Great Reset

Richard Florida’s The Great Reset is one of those titles that advances the national economic and social dialogue by pulling otherwise baffling trends together into a meaningful context. Today’s economic crisis, Mr. Florida believes, is far more than a ‘normal’ recession. Instead, today’s troubles mirror the ‘Long Depression’ of the 1870s and the Great Depression of the 1930s, times of societal pain economist Joseph Schumpeter dubbed ‘creative destruction,’ which ultimately yielded a better future.

Developers and urban planners take note: much of the transformation will be geographic, as our country develops a new ‘spatial fix’ for its problems. The 1870s saw the Streetcar Era, with the emergence of dense, highly centralized, industrial cities. Recovery from the Great Depression set off decades of urbanization. The Great Reset will also construct a new urban landscape.

Tomorrow’s economy will be driven by ideas and creativity. The suburban ‘spatial fix,’ which built up a durable home-owning middle class after the 1930s, no longer works because it cannot provide the velocity and density needed to spur creative processes. Time-pressed idea workers dislike wasting time in traffic. They are spending more of their incomes on ‘experiential’ purchases, like exercise, dining out, and cultural events, and less on time-consuming, maintenance-heavy big-ticket items, like houses and cars. Suburbs will not disappear, but they must become denser, more economically diverse, and more accessible for bicycles and pedestrians.

The nature of work will change in other ways. Today’s most successful service-sector companies, like Google, Best Buy, and Whole Foods, build their workforces into teams with a stake in overall success. Worker empowerment demands more personal responsibility, but reduces the sense of futility and drudgery common to outdated ‘top-down’ organizations.

Florida uses the example of building maintenance staffs to provide a corrective lesson. Generally treated as low-status workers, these people have direct knowledge of how buildings function. Properly empowered, they can reform maintenance practices, find energy savings, and improve waste disposal.

The economic future will be discovered in similar, heretofore unseen, blind spots. Two basic skill clusters will predominate:

1. **Analytical skills.** Pattern recognition and problem-solving. Finding the blind spots, and fixing them. Analytical skills are also instrumental to the ongoing scientific/technological advances that drive economic growth.

2. **Social intelligence.** Change involves people, and teamwork. Social intelligence skills will make teams responsible and effective enough to replace outdated hierarchies of the past. Organizations must build teams out of the socially complex, more heavily female and culturally diverse workforce of the future.

Florida admits ‘I don’t have a crystal ball. Nobody can say in advance what this new economy, new way of life, this spatial fix, will ultimately look like.’ Yet he has gone a long way toward bringing today’s uncertainties into better focus, and has given a prescription for turning economic pain into opportunity.
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5. **Manufacturing.** This sector’s overall output will accelerate as the U.S. adjusts toward greater export orientation. The rate of job loss may slow too, although overall job growth remains unlikely.

6. **Construction.** This sector suffered worst of all. It appears the multi-year slump in housing construction represents a ‘new normal’ more than a short-term recessionary blip. The office and commercial sectors may be over-built also, due to job losses in sectors like finance and professional / business services.

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Building a Green Economy in Central Arkansas

Green Manufacturing in Central Arkansas

In 2008, the Brookings Institution ranked the central Arkansas region 15th worst in the nation, out of the 100 largest metro areas, for the per capita size of its carbon footprint. Central Arkansas residents released over 3 metric tons of carbon per capita, against the U.S. metropolitan average of 2.2. In short, the region did not fare well in one of the first national “green” rankings of metro areas.

The region was especially strong in Green Consumer Products, with 5,407 such jobs in 2010. The Brookings report, available online at www.brookings.edu/metro/clean_economy.aspx, mentioned the firms in the table below as green producers in central Arkansas:

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<th>Product</th>
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<td>Shendan</td>
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<td>3323</td>
</tr>
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<tr>
<td>LM Windpower Inc.</td>
<td>Little Rock</td>
<td>Wind turbine blades</td>
<td>3338</td>
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The central Arkansas region is also a sizeable exporter of green products, with an average export value of $57,514 per job, second in the nation. Since the central Arkansas region has never been a major industrial center, the region’s emergence as a manufacturer of green jobs stands out against the “background static” of routine statistical measures. Local success with green products may help explain some of the region’s economic resilience in today’s crisis times. Central Arkansas has the potential to become a growth pole in one of the most promising directions in global economic activity.

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A Case Study in Green Manufacturing: Delta Plastics and Revolution Bag

About twenty years ago, farmers in the Delta region began switching from using irrigation pipe made of plastic and metal to flexible, disposable poly tubing. The new irrigation tubing was easier to deploy in fields, and less obstructive for farm vehicles. But disposal remained a problem. Used tubing came in from the fields dirty with soil and vegetative matter, and seemed impossible to recycle.

Dhu Thompson of Delta Plastics refused to accept this state of affairs. He and his engineers combined technologies from several different fields, and in 1998 patented a process for cleaning and recycling the tubing into plastic resin. The resin could then be recycled into all types of plastic products. Delta Plastics recently spawned a new subsidiary that makes plastic bags from recycled irrigation tubing, literally turning trash into trash bags. The offspring is appropriately named Revolution Bag.

Beginning full operation in March of 2011, Revolution Bag sells a high-quality, cost-effective green product in the fiercely competitive, $4 billion U.S. plastic bag industry. Delta Plastics obtains its plastic waste by offering free disposal to farmers who purchase its tubing, using a system of trucks for after-use pickup. Based in Stuttgart, Delta Plastics started its Little Rock operations about two years ago, taking advantage of the Little Rock Port’s efficient rail service and proximity to the Delta region.

Revolution Bag and Delta Plastics today employ about 160 workers in the central Arkansas region. The business is growing despite recession, and might someday move into international exports.

As anyone in manufacturing knows, innovation is a constant – there is no such thing as ‘business as usual’. There are huge additional opportunities in irrigation and recycling, and Delta Plastics is pursuing them. Expect more revolutions in the near future.

Organizations that Have Formally Recognized Delta Plastics

- Arkansas Business (Two-time Arkansas Business of the Year)
- Arkansas Wildlife/National Wildlife Environmental Federation
- Keep Arkansas Beautiful Commission
- Keep America Beautiful
- Arkansas Recycling Coalition

Revolution Bag takes used irrigation tubing from a 400-mile radius to turn waste plastic into the bags being rolled out in these images.

At right: Recycled-plastic trash bags ready for shipment at Revolution Bag in Little Rock.

*Metropolitan rankings, based on data from the U.S. Bureau of Economic Analysis and Census 2010.
*Formerly LM Glasfiber Inc. (and listed as such in the Brookings study).
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About twenty years ago, farmers in the Delta region began switching from using irrigation pipe made of plastic and metal to flexible, disposable poly tubing. The new irrigation tubing was easier to deploy in fields, and less obstructive for farm vehicles. But disposal remained a problem. Used tubing came in from the fields dirty with soil and vegetative matter, and seemed impossible to recycle.

Dhu Thompson of Delta Plastics refused to accept this state of affairs. He and his engineers combined technologies from several different fields, and in 1998 patented a process for cleaning and recycling the tubing into plastic resin. The resin could then be recycled into all types of plastic products. Delta Plastics recently spawned a new subsidiary that makes plastic bags from recycled irrigation tubing, literally turning trash into trash bags. The offshoot is appropriately named Revolution Bag.

Beginning full operation in March of 2011, Revolution Bag sells a high-quality, cost-effective green product in the fiercely competitive, $4 billion U.S. plastic bag industry. Delta Plastics obtains its plastic waste by offering free disposal to farmers who purchase its tubing, using a system of trucks for after-use pickup. Based in Stuttgart, Delta Plastics started its Little Rock operations about two years ago, taking advantage of the Little Rock Port’s efficient rail service and proximity to the Delta region.

Revolution Bag takes used irrigation tubing from a 400-mile radius to turn waste plastic into the bags being rolled out in these images.

Organizations that Have Formally Recognized Delta Plastics

- Arkansas Business (Two-time Arkansas Business of the Year)
- Arkansas Wildlife/National Wildlife Environmental Federation
- Keep Arkansas Beautiful Commission
- Keep America Beautiful
- Arkansas Recycling Coalition

*Metropolitan rankings, based on data from the U.S. Bureau of Economic Analysis and Census 2010.

1Formerly LM Glasfiber Inc. (and listed as such in the Brookings study).

*Arkansas Environmental Business Commission
Anyone who thinks recycling is a frivolous ‘feel-good’ activity should visit the Conway Recycling Center. They have made 'waste' a synonym for 'opportunity.' Many ordinary garbage items, like clothing, toys, baby strollers, and even working appliances, are intercepted on their way to the landfill, then cleaned and sold for re-use. Conway Recycling has become a go-to source for disaster relief, helping people after house fires, floods, or tornadoes. Their new automated facility – the only one of its type in the American South – sorts recycling waste quickly and cleanly, with fewer workers than ever before. The city has enough excess capacity to take other cities’ recycling waste, and turn it into a revenue-producing commodity.

The recycling program in Conway and Faulkner County is really about dollars and cents. Land-filling is only cheaper than recycling in the short-term sense. When the current landfill opened in 1991, its life expectancy was projected to be 17 years – the year 2008. Thanks to recycling, the same landfill is now expected to last out to 2026. By diverting waste from the landfill, the Recycling Center is delaying the day when future taxpayers must purchase more land. The Conway Recycling Center demonstrates that an important future opportunity lies in finding and fixing inefficiencies in today’s practices. The long-term financial gain will be enormous. The long-term reduction in land wastage, pollution, and environmental damage is even greater.

On any small amount of sorting is still done by hand. The green growth has been such that the current automated system has had to be up-sized. Only a small amount of sorting is still done by hand.

Angie Howard and Cheryl Herrington of the Conway Recycling Center stand in front of baled plastic waste, which is sometimes stored until zigzagging commodities markets offer a worthwhile price. Fill-up day has been put off until 2026.

Above: The NexGEN Automatic Recycling Sorting System separates aluminum, steel and plastics quickly and reliably. The Conway Recycling Center holds learning sessions in the colorful education center. Children tour the facility and learn about what they can do to help their community.

Employees guide the recycling material onto a conveyor belt. Rather than eliminating jobs, automation has allowed Conway Recycling to put its workforce into expanding the reach of its recycling program.

Above: Many items are saved from the landfill, then cleaned, repaired and given new homes through the resale shop. Below: electronics are collected and sent to Texarkana for disassembly.
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Below: electronics are collected and sent to Texarkana for disassembly.

Fill-up day has been put off until 2026.

Reaching Toward a Greener Future at the Conway Recycling Center
Altered Housing Market Faces Uncertain Future

The year 2011 marks the third year since the financial crisis of 2008. The housing market bottomed out early in 2009, but has not yet recovered. By the second quarter of 2011, Metroplan’s single-family housing index showed a U.S. value of 0.25, meaning single-family housing construction lingered at 25 percent of its level during the boom years 2004-2005. The central Arkansas single-family market was down to 0.37. For multifamily housing, the U.S. index stood at 0.36, while the central Arkansas region saw a value of 0.8.

These figures continue a trend evident for three years now, in which construction of new multi-family units has exceeded single-family construction in central Arkansas. This shift toward multi-family housing has likewise led the move toward “building in” as a replacement for the previous trend of “building out,” when construction activity moved in succeeding waves farther out into the region’s periphery.

During the first half of 2011, single-family construction showed a pronounced preference for the region’s central cities, gaining ground over the first half of 2010 in North Little Rock, and holding nearly steady in Little Rock and Bryant. The decline was most pronounced in Conway and Bryant (both off by over 50 percent), followed by Conway and Benton (each off about 40 percent).

Central Arkansas Housing Market Faces Uncertain Future

For three years now... construction of new multi-family units has exceeded single-family construction in central Arkansas.

In multi-family construction, the central cities swept the field, with 514 new multi-family units permitted in Little Rock, and 312 in North Little Rock. Only one other city (Bryant) recorded a few (22) multi-family permits. In the case of Conway, it was the first six-month interval with no new multi-family (or duplex) permits yet recorded by Metroplan.

The construction of the Park Avenue Center continues a mid-town retail comeback in Little Rock.

Construction of the Park Avenue Center continues a mid-town retail comeback in Little Rock.
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During the first half of 2011, single-family construction showed a pronounced preference for the region’s central cities, gaining ground over the first half of 2010 in North Little Rock, and holding nearly steady in Little Rock and Sherwood. All other cities showed a drop-off in single-family construction, with the exception of Cabot. The decline was most pronounced in Jacksonville and Bryant (both off by over 50 percent), followed by Conway and Benton (each off about 40 percent).

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Construction of the Park Avenue Center continues a mid-town retail comeback in Little Rock.

Central Arkansas Housing Unit Permits
First Six Months of Each Year 2008-2011

<table>
<thead>
<tr>
<th>Single-Family Housing Unit Permits</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benton</td>
<td>159</td>
<td>39</td>
<td>125</td>
<td>78</td>
</tr>
<tr>
<td>Bryant</td>
<td>71</td>
<td>59</td>
<td>100</td>
<td>73</td>
</tr>
<tr>
<td>Cabot</td>
<td>62</td>
<td>42</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Conway</td>
<td>126</td>
<td>158</td>
<td>137</td>
<td>82</td>
</tr>
<tr>
<td>Hot Springs Vill.</td>
<td>53</td>
<td>36</td>
<td>46</td>
<td>26</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>35</td>
<td>14</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td>Little Rock</td>
<td>211</td>
<td>186</td>
<td>183</td>
<td>180</td>
</tr>
<tr>
<td>Maumelle</td>
<td>68</td>
<td>48</td>
<td>50</td>
<td>34</td>
</tr>
<tr>
<td>N Little Rock</td>
<td>49</td>
<td>36</td>
<td>74</td>
<td>80</td>
</tr>
<tr>
<td>Sherwood</td>
<td>91</td>
<td>44</td>
<td>61</td>
<td>54</td>
</tr>
<tr>
<td>Total SF</td>
<td>873</td>
<td>684</td>
<td>821</td>
<td>642</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Multi-Family Housing Unit Permits</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benton</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bryant</td>
<td>10</td>
<td>4</td>
<td>450</td>
<td>22</td>
</tr>
<tr>
<td>Cabot</td>
<td>0</td>
<td>72</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td>Conway</td>
<td>212</td>
<td>523</td>
<td>318</td>
<td>0</td>
</tr>
<tr>
<td>Hot Springs Vill.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>25</td>
<td>8</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Little Rock</td>
<td>278</td>
<td>328</td>
<td>126</td>
<td>514</td>
</tr>
<tr>
<td>Maumelle</td>
<td>46</td>
<td>16</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>N Little Rock</td>
<td>120</td>
<td>8</td>
<td>98</td>
<td>312</td>
</tr>
<tr>
<td>Sherwood</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total MF</td>
<td>691</td>
<td>966</td>
<td>1,034</td>
<td>848</td>
</tr>
<tr>
<td>Total Units</td>
<td>1,564</td>
<td>1,650</td>
<td>1,859</td>
<td>1,490</td>
</tr>
<tr>
<td>Percent SF</td>
<td>55.8%</td>
<td>41.5%</td>
<td>44.3%</td>
<td>43.1%</td>
</tr>
<tr>
<td>Percent MF</td>
<td>44.2%</td>
<td>58.5%</td>
<td>55.7%</td>
<td>56.9%</td>
</tr>
</tbody>
</table>

For three years now...construction of new multi-family units has exceeded single-family construction in central Arkansas.
Construction Value Trends

The distribution of median new-home permit values by city is shown in the chart at right center on the next page. Little Rock, which registered the third-highest values as recently as 2008, is now registering near the center of the pack. Maumelle, Hot Springs Village, and Bryant rank highest. Cabot, Jacksonville, and North Little Rock offered the most affordable new units in 2010.

The chart below compares median square footage for homes in central Arkansas with the U.S. average. Both veered up slightly in 2010 compared with the previous year. The larger size of central Arkansas homes probably reflects the region’s housing affordability advantage.

Nonresidential construction value rebounded slightly in 2010 to $347.1 million. This represents a 4.2% increase over 2009, a year with the lowest values since 2001. Residential new construction value increased 12 percent over 2009, to $347.1 million. Nonresidential construction in 2010 was $460.7 million, down 2 percent since 2009. Regionally, Faulkner and Saline counties saw gains. Saline County construction value was $162.4 million in 2010, versus $100.7 million in 2009. Faulkner County hit $152.7 million, its highest value since 2006. Construction values in Pulaski and Lonoke counties were down compared with 2009.

The chart below uses an index to compare US and local trends in residential construction value through the first half of 2011. The central Arkansas region, with an index value of 0.73, widened its edge over the U.S. average (0.53) in early 2011. Local multi-family construction accounts for much of the difference. The chart below right compares nonresidential construction. While both continued veering downward, the LR-NLR-Conway MSA remains higher, with an index value of 1.30 compared with the base period (the years 2002-2003), while the US average was 0.93. Overall, nonresidential construction has not fallen as hard in the period 2008-2011.

The chart at the top of the next page shows median regional new-home value, which was $163,874 in 2010. Up from 2009, this is still lower than the average during 2004-2008. From 2000 to 2005, regional median new-home value climbed on average 5.5 percent annually. This trend then reversed, falling about 0.8 percent annually from 2006 to 2010.

The chart below compares median square footage for homes in central Arkansas with the U.S. average. Both veered up slightly in 2010 compared with the previous year. The larger size of central Arkansas homes probably reflects the region’s housing affordability advantage.

**New and Expanded industries as announced by the Arkansas Economic Development Commission.**

<table>
<thead>
<tr>
<th>AEDC List of New and Expanded Industries</th>
<th>LR-NLR-Conway MSA 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permit Values by Type 2001-2010 (x $1 Million)</strong></td>
<td><strong>Permit Values by County 2001-2010 (x $1 Million)</strong></td>
</tr>
</tbody>
</table>
Construction Value Trends

Total new construction value in central Arkansas rebounded slightly in 2010 to $870.8 million. This represents a 4.2% increase over 2009, a year with the lowest values since 2001. Residential new construction value increased 12 percent over 2009, to $347.1 million. Nonresidential construction in 2010 was $460.7 million, down 2 percent since 2009. Regionally, Faulkner and Saline counties saw gains. Saline County construction value was $162.4 million in 2010, versus $100.7 million in 2009. Faulkner County hit $152.7 million, its highest value since 2006. Construction values in Pulaski and Lonoke counties were down compared with 2009.

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Residential Construction Value Trend 2004-2011

Nonresidential Construction Value Trend 2004-2011

Medicare Single-Family Home Value Trends 2000-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>LR-NLR-Conway MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$140,943</td>
<td>$130,750</td>
</tr>
<tr>
<td>2001</td>
<td>$150,736</td>
<td>$135,500</td>
</tr>
<tr>
<td>2002</td>
<td>$165,571</td>
<td>$145,625</td>
</tr>
<tr>
<td>2003</td>
<td>$167,412</td>
<td>$146,375</td>
</tr>
<tr>
<td>2004</td>
<td>$169,250</td>
<td>$147,250</td>
</tr>
<tr>
<td>2005</td>
<td>$171,094</td>
<td>$148,125</td>
</tr>
<tr>
<td>2006</td>
<td>$172,938</td>
<td>$149,000</td>
</tr>
<tr>
<td>2007</td>
<td>$174,782</td>
<td>$150,000</td>
</tr>
<tr>
<td>2008</td>
<td>$176,626</td>
<td>$151,000</td>
</tr>
<tr>
<td>2009</td>
<td>$178,470</td>
<td>$152,000</td>
</tr>
<tr>
<td>2010</td>
<td>$180,314</td>
<td>$153,000</td>
</tr>
</tbody>
</table>

Notes:
- The index is based on the previous period.
- The chart is for median new-home values.
- The chart shows the median for the US and the LR-NLR-Conway MSA.

Source: Arkansas Economic Development Commission

AEDC List of New and Expanded Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Corporation</th>
<th>City</th>
<th>Type</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>Southwest Power, Inc.</td>
<td>Little Rock</td>
<td>Electric services</td>
<td>2000</td>
</tr>
<tr>
<td>Tobacco</td>
<td>Rock Town Distillery, Inc.</td>
<td>Little Rock</td>
<td>Poker, gin &amp; whiskies</td>
<td>2000</td>
</tr>
<tr>
<td>Textiles</td>
<td>Kimberly-Clark Corporation</td>
<td>Conway</td>
<td>Nonwoven fabrics</td>
<td>2000</td>
</tr>
<tr>
<td>Wood</td>
<td>Century Industries, Inc.</td>
<td>Little Rock</td>
<td>Wood staircases</td>
<td>2000</td>
</tr>
<tr>
<td>Metal</td>
<td>Rock Ten Consulting</td>
<td>Conway</td>
<td>Paper Board cartons</td>
<td>2000</td>
</tr>
<tr>
<td>Medical</td>
<td>Kimberly-Clark Corporation</td>
<td>Conway</td>
<td>Sanitary paper products</td>
<td>2000</td>
</tr>
<tr>
<td>Aerospace</td>
<td>Kimberly-Clark Corporation</td>
<td>Conway</td>
<td>Personal care products</td>
<td>2000</td>
</tr>
<tr>
<td>Architectural</td>
<td>architect finishing</td>
<td>Little Rock</td>
<td>Vents and coatings</td>
<td>2000</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>Wholesaler Tubular LLC</td>
<td>Little Rock</td>
<td>Steel pipe</td>
<td>2000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>AEDC Data</td>
<td>Little Rock</td>
<td>Security electronics</td>
<td>2000</td>
</tr>
<tr>
<td>Software</td>
<td>America</td>
<td>Conway</td>
<td>Data processing, hosting</td>
<td>2000</td>
</tr>
<tr>
<td>Defense</td>
<td>Allied Wireless</td>
<td>Little Rock</td>
<td>Corporate headquarters</td>
<td>2000</td>
</tr>
<tr>
<td>Defense</td>
<td>Starmark Healthcare</td>
<td>Little Rock</td>
<td>Corporate headquarters</td>
<td>2000</td>
</tr>
<tr>
<td>Diversified</td>
<td>Cellexis Partnership (Ventures)</td>
<td>Little Rock</td>
<td>Corporate headquarters</td>
<td>2000</td>
</tr>
</tbody>
</table>

Source: Arkansas Economic Development Commission

**Notes:**
- AEDC list of new and expanded industries as announced by the Arkansas Economic Development Commission.
- Data reflects change in employment rates on U.S. data.
- Bank data reflects assets and deposits held by banks serving the area but does not include the Little Rock NLR-Conway MSA.
- New and expanded industries as announced by the Arkansas Economic Development Commission.

**Sources:**
- Arkansas Department of Workforce Services, and FDIC. Housing may cause some employment rates to differ slightly from U.S. data.
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**Notes:**
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Economic Outlook for 2012

Central Arkansas suffered less than average during hard times since 2007, but (in line with past downturns) recovery has lagged the U.S. average. Thus, the Brookings Institution’s Metro Indicators ranked the Little Rock-North Little Rock-Conway MSA in the ‘Strongest 20’ among the 100 largest metro areas for overall performance,¹ but in the ‘Weakest 20’ for recovery performance. Regional GDP growth has lagged the U.S. average following the recession’s trough. Within the region, recovery has been more pronounced in Faulkner and Saline counties. Saline County’s first major information technology cluster has emerged with Fleming Network Services in Bryant. Pulaski County, with its large share of jobs in the hard-hit business services and finance sectors, has been slower to recover. Overall, the region continues to benefit from economic diversity and low costs, and has shown dynamism in green manufacturing.

Local businesses have moved beyond crisis reaction. They are investing and looking toward the future again, but with understandable caution in today’s shaky environment. Even when short-term business conditions look favorable, firms are reluctant to create new full-time positions. There is also a greater-than-usual mismatch between unfilled demand for workers with the highest skill levels, and weak demand for less skilled workers.

One key to understanding today’s economic and employment crisis is that jobs with routine work tasks are being automated. Today’s employment crisis is most acute in middle-skill jobs, traditionally held by college graduates. Technology, software, and foreign outsourcing are replacing once-safe jobs in fields like accounting, legal research, and even professional medicine. The answer is to nurture creative and analytical skills machines cannot match.

Today’s employment crisis is most acute in middle-skill jobs, traditionally held by college graduates.

Economic pundits are calling for more entrepreneurship, yet the pathways of business success in the recent past, fields like real estate, finance, business services, and even information, are retrenching. Entrepreneurs are finding it harder than in the past to gain financial backing for business ventures.² In a sharp turnaround from the past, manufacturing may offer better prospects.³ While modern, highly automated factories are unlikely to generate large numbers of jobs, shifting macroeconomic trends and technological revolution are creating once-in-a-lifetime opportunities for those willing to embrace the manufacturing sector’s demand for original thinking, social skills, and constant improvement. New techniques, especially 3-D printing technologies, will make manufacturing more malleable than ever, less hindered by production-line constraints and more easily influenced by personal creativity.⁴

It is the ‘creative class’ of bright and generally well-educated entrepreneurs who will drive the future. Innovative thinking thrives in a cultural and physical environment that encourages interaction and idea exchange. A look at landscapes in central Arkansas shows that environments which provide these opportunities are thriving despite the economic slowdown.⁵

One example of a thriving entrepreneurial environment is the River Market District in Little Rock. The E conomist has consistently noted that the River Market District is one of the country’s most innovative and creative. The River Market District is home to numerous small businesses that cater to tourists and locals alike. These businesses range from retail stores to restaurants to art galleries, all offering unique products and experiences.

Retail incubator space goes in at the River Market District.

³Improving conditions for small businesses have improved since the 2009-2010 crisis, but remain tighter than the easy-credit years prior to 2008. For insight, see ‘Starting a Business in a Downturn: Crazy or Genius?’ Catherine Clifford, http://money.cnn.com/, October 5, 2011.
⁵For further background, see ‘The Printed World,’ The Economist, February 12, 2011.
Economic Outlook for 2012

Central Arkansas suffered less than average during hard times since 2007, but (in line with past downturns) recovery has lagged the U.S. average. Thus, the Brookings Institution’s Metro Indicators ranked the Little Rock-North Little Rock-Conway MSA in the ‘Strongest 20’ among the 100 largest metro areas for overall performance,1 but in the ‘Weakest 20’ for recovery performance. Regional GDP growth has lagged the U.S. average following the recession’s trough. Within the region, recovery has been more pronounced in Faulkner and Saline counties. Saline County’s first major information technology cluster has emerged with Fleming Network Services in Bryant. Pulaski County, with its large share of jobs in the hard-hit business services and finance sectors, has been slower to recover. Overall, the region continues to benefit from economic diversity and low costs, and has shown dynamism in green manufacturing.

Local businesses have moved beyond crisis reaction. They are investing and looking toward the future again, but with understandable caution in today’s shaky environment. Even when short-term business conditions look favorable, firms are reluctant to create new full-time positions. There is also a greater-than-usual mismatch between unfilled demand for workers with the highest skill levels, and weak demand for less skilled workers.

One key to understanding today’s economic and employment crisis is that jobs with routine work tasks are being automated. Today’s employment crisis is most acute in middle-skill jobs, traditionally held by college graduates. Technology, software, and foreign outsourcing are replacing once-safe jobs in fields like accounting, legal research, and even professional medicine.2 The answer is to nurture creative and analytical skills machines cannot match.

Economic pundits are calling for more entrepreneurship, yet the pathways of business success in the recent past, fields like real estate, finance, business services, and even information, are retrenching. Entrepreneurs are finding it harder than in the past to gain financial backing for business ventures.3

In a sharp turnaround from the past, manufacturing may offer better prospects.4 While modern, highly automated factories are unlikely to generate large numbers of jobs, shifting macroeconomic trends and technological revolution are creating once-in-a-lifetime opportunities for those willing to embrace the manufacturing sector’s demand for original thinking, social skills, and constant improvement. New techniques, especially 3-D printing technologies, will make manufacturing more malleable than ever, less hindered by production-line constraints and more easily influenced by personal creativity.5

It is the ‘creative class’ of bright and generally well-educated entrepreneurs who will drive the future. Innovative thinking thrives in a cultural and physical environment that encourages interaction and idea exchange. A look at landscapes in central Arkansas shows that environments which provide these opportunities are thriving despite the economic slowdown.6

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3Lending conditions for small businesses have improved since the 2005-2010 crisis, but remain tighter than the easy-credit years prior to 2008. For insight, see ‘Starting a Business in a Downturn: Crazy or Genius?’ Catherine Clifford, http://www.money.cnn.com/, October 5, 2011.
5For further background, see ‘The Printed World,’ The Economist, February 12, 2011.