

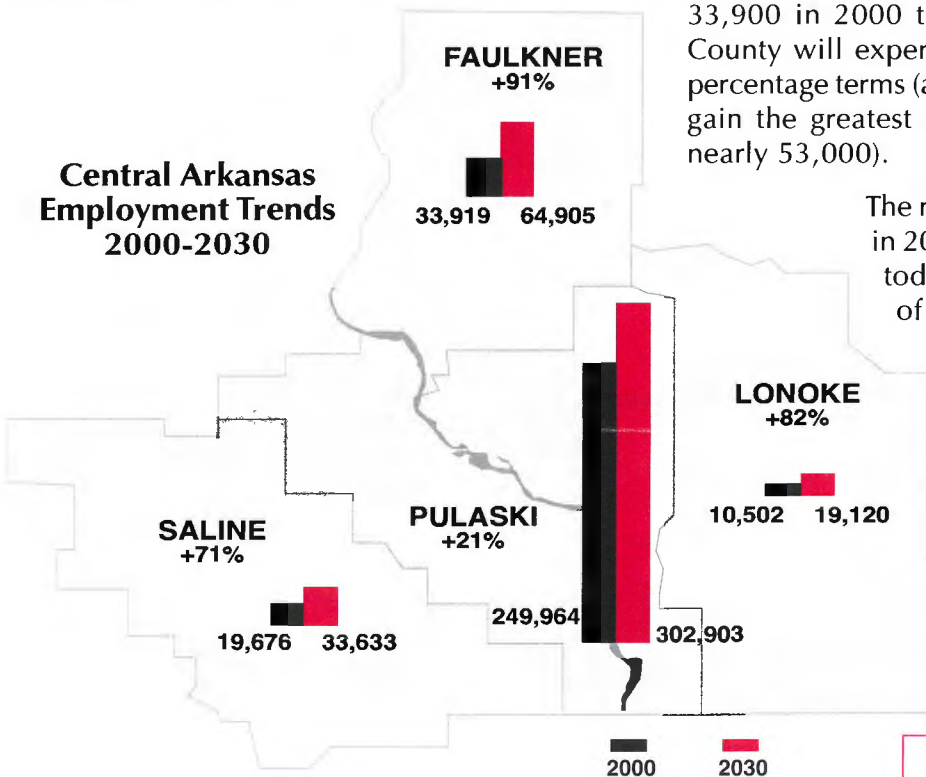
METROTRENDS

A DEVELOPMENT INFORMATION SERVICE OF METROPLAN

2004 Economic Review and Outlook

METRO 2030 Employment Projections

Metroplan predicts that regional employment will grow by about one-third from 2000 to 2030. This will yield about 420,500 jobs in 2030, compared with an estimated 314,000 in 2000. The fastest growth by percent will occur in Faulkner County, which will nearly double its employment from 33,900 in 2000 to 64,900 in 2030. Pulaski County will experience the slowest growth in percentage terms (about 21 percent) but will still gain the greatest amount of new jobs (up by nearly 53,000).



The regional employment balance in 2030 will differ somewhat from today, with a higher proportion of jobs in the three outlying counties. Pulaski's share of total employment will decline from about 80 percent in 2000 to 72 percent in 2030, just below three-quarters of the total. The outlying counties will account for about 118,000 jobs, or 28 percent of the total.

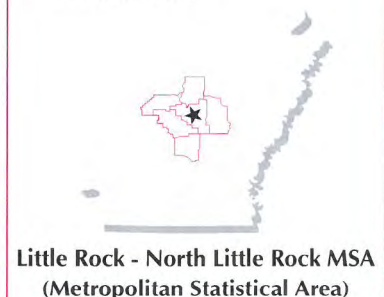
(continued on page 8)

Metroplan Employment Forecast for Central Arkansas to 2030

	Faulkner	Lonoke	Pulaski	Saline	4-County
2000	33,919	10,502	249,964	19,676	314,061
2010	48,738	14,647	270,744	26,277	360,406
2020	58,371	17,192	291,686	30,517	397,766
2030	64,905	19,120	302,903	33,633	420,561
Change	30,986	8,618	52,939	13,957	106,500
Percent	91.4%	82.2%	21.2%	70.9%	33.9%

Inside . . .

- **Employment & Income Trends** (pages 1 & 2)
 - **METRO 2030 Employment Projections** (pages 8 & 9)
 - **Housing Trends** (starting on page 4)
- . . . and more!



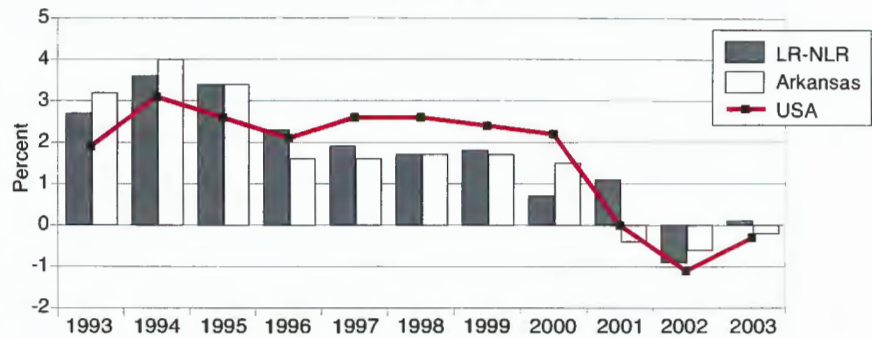
Employment & Income Trends

Living Well in Difficult Times

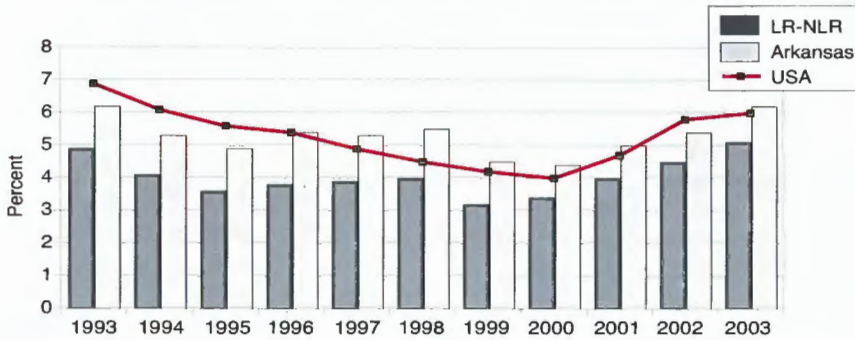
Total job growth in central Arkansas in 2003 amounted to about 300 jobs – a gain of about one-tenth of one percent over the previous year. This humble performance nonetheless outpaced state and national averages, both of which again registered losses during 2003.

What has caused the prolonged employment growth slump in recent years? Most economists believe a rapid rise in productivity, or output per job, has been the primary factor. Foreign out-sourcing of jobs is probably another contributing factor. The large-scale call-up of reservists for military duty abroad has also been a small factor, albeit a difficult one to measure. While continuing economic recovery has finally added a few jobs at the national level since the beginning of 2004, the pace of growth remains slow.

**Nonfarm Payroll Jobs
Change Over Previous Year
1993-2003**



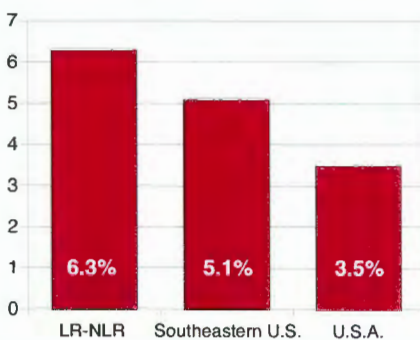
**1993-2003 Unemployment
LR-NLR MSA Versus State and National Averages**



Source: Arkansas Employment Security Department and US Bureau of Labor Statistics.

Unemployment in central Arkansas hit its highest level in over ten years during 2003, at 5.1 percent. Once again, though, the region did better than the state average of 6.2 percent, and was also well below the U.S. average of 6.0 percent.

**Per Capita Income Growth
LR-NLR Versus Regional
and U.S. Averages
2000-2002**



Despite the lack of significant job growth, most economic measures suggest that central Arkansas is out-performing the national average. Since the year 2000, the region's population growth has accelerated. Trends in housing and general construction suggest growth well above U.S. norms (see data on pp. 4-5). Further, as the chart below shows, growth in per capita income has run above the U.S. and southeastern average since the year 2000.

Several competitive advantages may have helped the region out-perform the national average in recent years. Economic diversity shielded central Arkansas from the worst effects of the 2001 recession. Cost-of-living advantages and strengths in local industries have worked to the region's advantage as well.

The chart on the opposite page compares employment change by industry from 2000 to 2003, based on the new NAICS employment classification system. As you can see, central Arkansas has out-

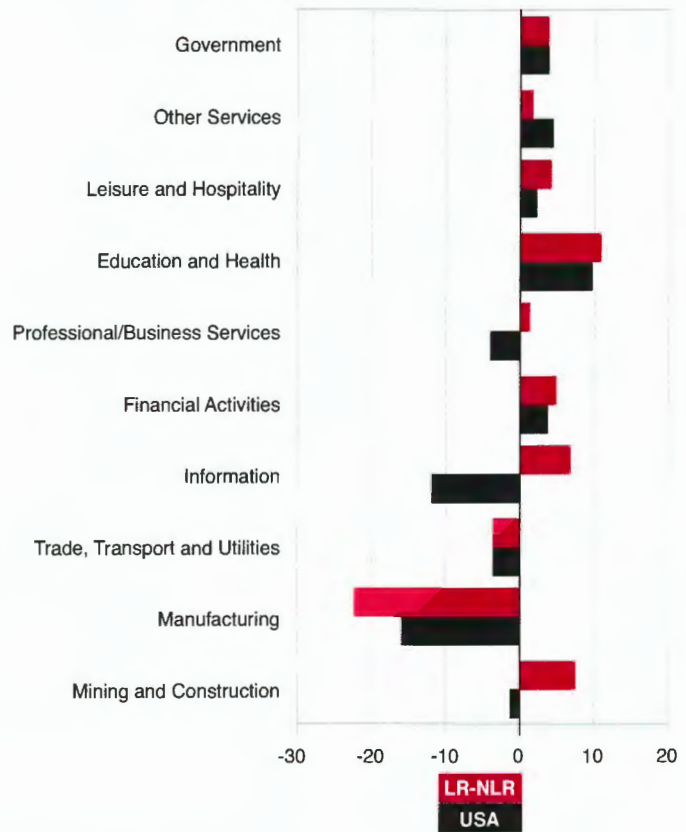
Source: US Bureau of Economic Analysis.

Employment & Income Trends

performed the U.S. average in information, construction, and several types of service employment. The region's competitive advantage has been especially strong in information (NAICS 51), with 6.8 percent employment growth since 2000 despite 11.9 percent decline at the national level.

As the chart shows, manufacturing job losses have been steep. The U.S. economy has shed one in six of all its manufacturing jobs since 2000, a loss of over 2.7 million jobs. While Central Arkansas has suffered an even higher rate of job loss than the national average, manufacturing accounts for a smaller share of total jobs than it does at the national level. The U.S. manufacturing sector has been losing jobs overall for 25 years, while central Arkansas has seen steady job losses in this sector for nearly 10 years.

**Percent Employment Change by Industry
2000-2003 LR-NLR Versus U.S.A**



One of the Wealth Builders

In a recent Brookings Institution study, the Little Rock-North Little Rock MSA ranked 12th in the U.S.A. as a "Wealth Builder" region among the 100 largest metropolitan areas. Author Paul Gottlieb defines Wealth Builders as regions that can raise their incomes without fast population growth. Gottlieb points out that "growth without growth" may be desirable because it avoids problems like rapidly rising infrastructure costs and spiraling traffic congestion. Regression analysis shows no meaningful correlation between population increase and per capita income growth in metropolitan areas. "Population Magnet" regions like Seattle, Portland and El Paso have seen little income gain despite fast population growth, possibly demonstrating the problems associated with rapid in-migration rates.

Gottlieb does not favor coercive policies to discourage population growth. He simply contends that a region's population growth rate is not a benchmark of economic progress or quality of life. Often characterized by an above-average share of high-technology jobs, Wealth Builder regions hold a subtle but important advantage in the relentless game of regional competition.

The study cited is titled "Growth Without Growth: An Alternative Economic Development Goal for Metropolitan Areas," by Paul Gottlieb, February 2002. You can find it online at :

<http://www.brookings.edu/metro/publications/gottliebexsum.html>

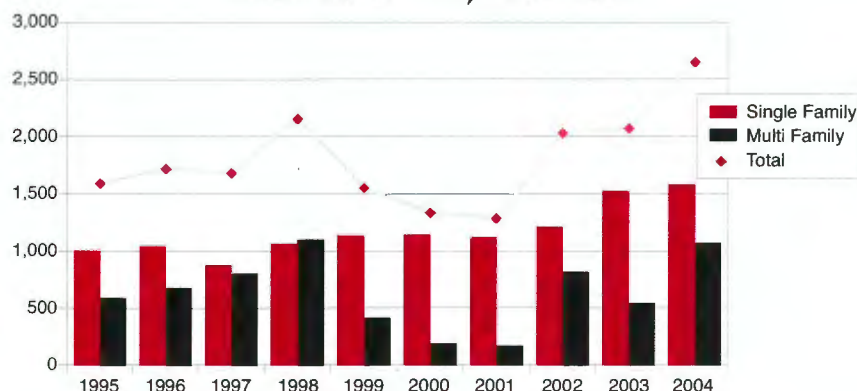
Housing Trends

Housing Construction Accelerates into 2004

Over 2,600 new housing units were permitted in central Arkansas during the first half of 2004, reflecting strong housing demand and low interest rates. Six of the region's nine major cities over 5,000 population recorded more single-family permits than during the first half of 2003. Only Bryant, Maumelle and Conway saw decline compared with the previous half-year.

Multi-family housing had a very active year in Little Rock, which saw more multi-family units permitted in the *first half* of 2004 than in all of the ten previous *full years*, with the exception of 1997. Aside from 189 units permitted in Conway, the pace of multi-family construction elsewhere in the region was modest.

**Total Housing Unit Permits LR-NLR MSA
First Half of Year, 1995-2004**



**Housing Unit Permits
First Half of Year, 1995-2004**

Single-Family	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Little Rock	261	263	230	265	287	283	239	276	331	390
N. Little Rock	47	50	37	33	43	30	38	32	37	40
Jacksonville	27	43	39	38	37	41	67	41	69	90
Sherwood	49	46	46	67	71	64	64	95	120	145
Maumelle	68	112	147	145	157	139	130	141	164	149
Cabot	183	155	93	139	140	157	160	159	209	243
Benton	73	73	57	84	76	127	103	128	217	218
Bryant	71	84	63	74	86	90	110	121	92	61
Conway	225	218	167	218	240	211	208	219	287	248
Single-Family Total	1,004	1,004	879	1,063	1,137	1,142	1,119	1,212	1,526	1,584
Multi-Family	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Little Rock	240	183	609	634	261	42	64	263	278	864
N. Little Rock	0	0	2	0	0	0	0	59	56	0
Jacksonville	1	0	7	1	58	80	0	114	4	2
Sherwood	274	19	0	226	0	8	61	0	0	0
Maumelle	0	0	0	0	0	0	0	0	168	0
Cabot	13	5	0	0	20	0	0	144	0	14
Benton	0	276	0	0	5	8	24	0	0	0
Bryant	10	0	2	0	4	4	0	0	0	0
Conway	51	194	184	236	67	50	17	237	39	189
Multi-Family Total	589	677	804	1,097	415	192	166	817	545	1,069
Total Housing Units	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Housing Units	1,593	1,721	1,683	2,160	1,552	1,334	1,285	2,029	2,071	2,653
Percent Single-Family	63.0	60.7	52.2	49.2	73.3	85.6	87.1	59.7	73.7	59.7
Percent Multi-Family	37.0	39.3	47.8	50.8	26.7	14.4	12.9	40.3	26.3	40.3

Construction Trends

Construction Industry Continues at Record Pace in 2003

The total value of all construction permits in the region was \$840.2 million in 2003, only slightly lower than last year's record performance. New residential construction was once again the hottest performer, passing the half-billion dollar mark at \$526.2 million, the highest residential performance ever recorded in the region. Once again, low interest rates were a strong spur to construction.

Non-residential construction dropped 22 percent over 2002 with a total value of \$270.8 million. This was a fairly modest overall performance compared with recent past years. The underlying source of this slowdown was a drop-off in Pulaski County, where nonresidential permit value dropped from its near-record performance of \$307 million in 2002 to about \$186 million in 2003. Non-residential construction actually climbed sharply in all three outlying counties following several years of slower activity in the recent past.

The central Arkansas region has substantially out-performed the national average in construction values over the past two years. Overall values rose 30.5 percent locally from 2001 to 2003, compared with 6.7 percent growth at the national level. The region's edge has been most pronounced in single-family housing, with 53.3 percent growth 2001-2003 versus 24.7 percent at the national level. In non-residential construction, the region has shown growth while national nonresidential construction declined 2001-2003.¹

Metroplan's *Economic Review and Outlook* is an annual chronicle providing economic data and insight for the Little Rock-North Little Rock MSA.

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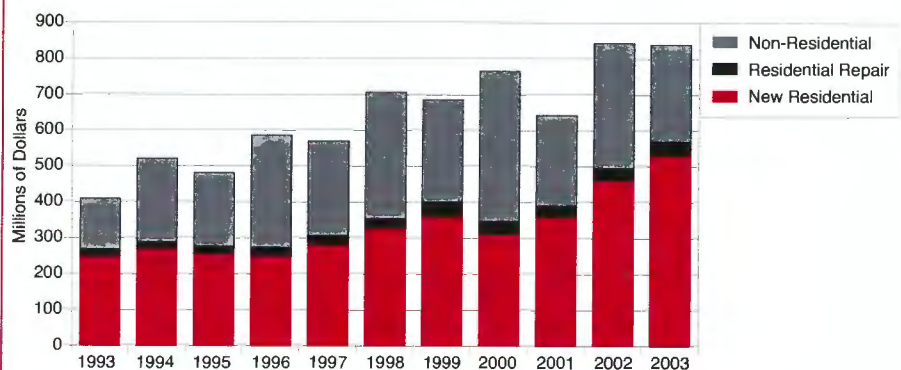
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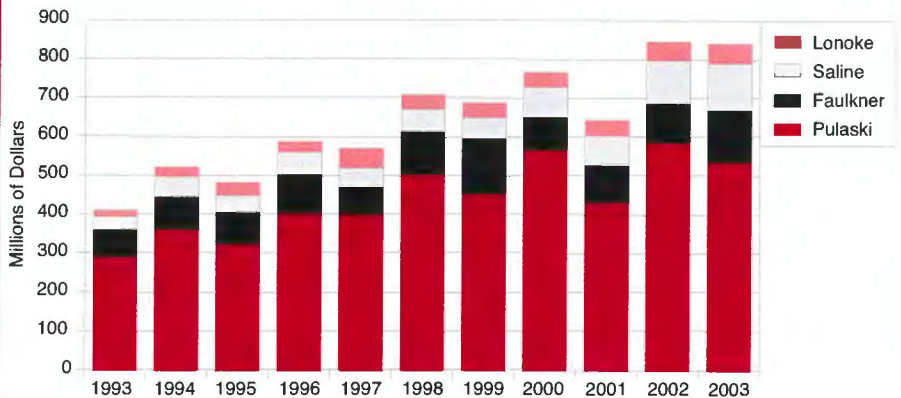
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Building Permit Value Trends 1993-2003



Total Building Permit Values by County 1993-2003



¹ Figures derived by comparing local permit values with U.S. construction figures from the Bureau of the Census. Note that local and census data sets are compatible in single-family housing, but less compatible with nonresidential construction owing to differences in data collection methodologies.

Housing

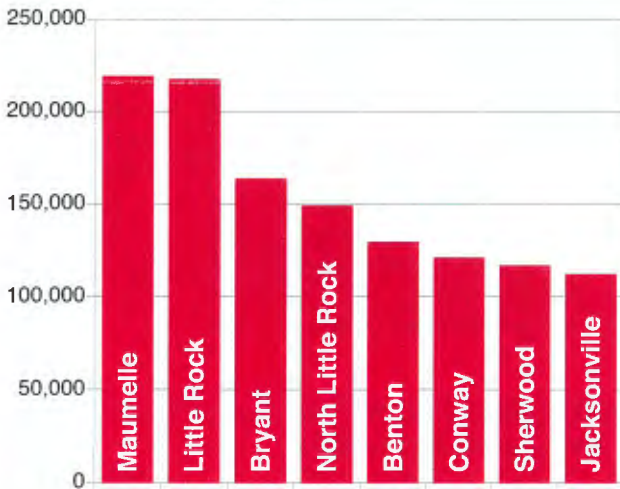
Means, Medians and Affordable Homes

Since 1996, Metroplan has provided data on mean housing permit value for each city in central Arkansas. While useful, mean housing cost is an inadequate measure of housing affordability. This year, Metroplan is also providing data on *median* housing cost. This provides a different and more precise indicator of housing affordability.

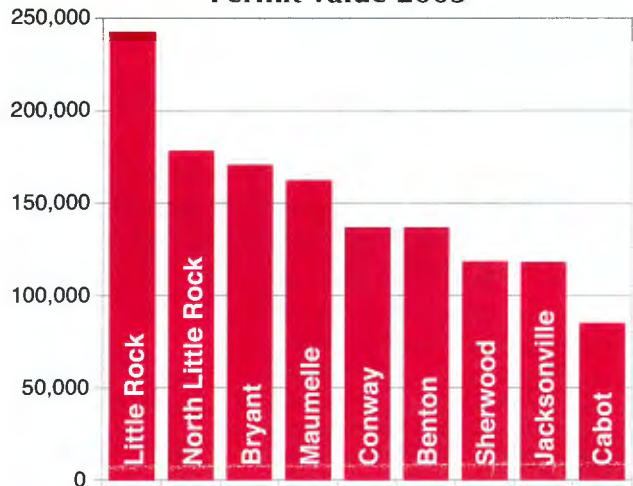
The chart below right depicts the mean value of new housing units given permits in central Arkansas during 2003, ranked by city. The results are roughly similar with past years. The mean cost crept up to \$158,216 in 2003, with the highest mean values in Little Rock and North Little Rock and the lowest in Jacksonville and Cabot.

When ranked by median value, Maumelle ranked first in 2003, with a median value of \$219,005, with Little Rock in second place at \$217,499. A closer look reveals that nearly 60 percent of Maumelle's new homes were valued at over \$200,000. Only five units in Maumelle – just 1.5 percent of the city's total – were valued under \$100,000.

Median Single-Family Permit Value 2003



Mean Single-Family Permit Value 2003



City Median and Mean Values

	Median	Mean
Benton	129,479	136,682
Bryant	163,709	170,476
Cabot ¹		84,838
Conway	121,044	136,584
Jacksonville	111,971	117,827
Little Rock	217,499	242,125
Maumelle	219,005	162,127
North Little Rock	149,106	178,088
Sherwood	116,735	118,313
LR-NLR MSA	149,250	158,216

¹ Median housing value for Cabot is not available, owing to lack of detailed data.

Explaining Means and Medians

The mean value for each city represents the total dollar value of all new single-family homes in each city divided by the number of units. Although a useful measure, the mean does not necessarily convey a value that is typical. For example, if a city builds a small number of really high-value homes, say over \$1 million each, the mean for all homes will go up even though the vast majority may be in the much lower \$100,000 to \$200,000 range.

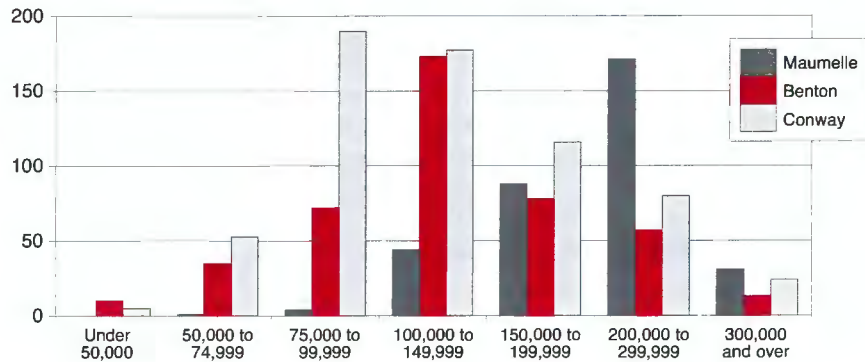
To compensate for such distortions, we can use the median – the value at which exactly half the units are lower in value and half are higher. The substantial difference between means and medians can be seen in the results conveyed by the charts.

Housing

The distribution of affordable homes varies widely between different cities. The charts below give just three examples, showing the distribution of new housing units by value in Maumelle, Benton, and Conway, in 2003. Maumelle's distribution shows the greatest slant toward the high end, while Benton's

distribution is remarkable for its comparative balance between low, medium, and high prices. Conway shows a major affordability advantage with a fairly high proportion of homes under \$100,000.

**New Single-Family Housing Units by Value 2003
Maumelle, Benton and Conway**



LR-NLR MSA Single Family Housing Permits by Value 2003

	Benton	Bryant	Conway	Jacksonville	Little Rock	Maumelle	North Little Rock	Sherwood
Under 50,000	10	0	5	2	5	0	1	0
50,000-74,999	35	0	53	7	16	1	5	18
75,000-99,999	72	0	190	51	50	4	3	64
100,000-149,999	173	59	177	71	131	44	28	121
150,000-199,999	78	62	116	13	117	88	15	34
200,000-299,999	57	28	80	10	240	171	11	7
300,000 & over	13	3	24	0	163	31	10	1

2003 Building Permit Values - (\$ Millions of Dollars

	All Permits	New Residential	Residential Repairs & Additions	Non-Residential New & Modified/Repair
Faulkner	136.3	92.2	3.2	40.9
Conway	136.3	92.2	3.2	40.9
Lonoke County	50.4	36.7	1.1	12.7
Cabot	50.4	36.7	1.1	12.7
Pulaski County	533.9	311.6	36.2	186.1
Little Rock	301.2	193.4	25.6	82.2
North Little Rock	84.4	15.5	7.0	61.9
Jacksonville	47.1	18.8	1.1	27.2
Sherwood	46.3	29.0	2.5	14.7
Maumelle	55.0	55.0	N/A	N/A
Saline County	119.5	85.7	2.7	31.1
Benton	86.9	59.9	1.6	25.5
Bryant	32.6	25.9	1.1	5.7

METRO 2030 Employment Projections (continued)

Workforce 2030

The regional labor force will grow more slowly over the study period than during the previous thirty years, as a result of underlying demographic trends. While just over half of today's population is in the workforce, by 2030 the portion will drop to slightly under half, as shown at right.

The slide in overall workforce participation will accelerate after 2010, when Baby Boomers start to retire. There will also be a modest proportional rise in workforce participation by females and workers over retirement age, but these sub-trends will be minor in comparison. There will be proportionally fewer workers in 2030 than today in the younger age groups, while the percent of workers age 55 and up will increase somewhat, as shown below.

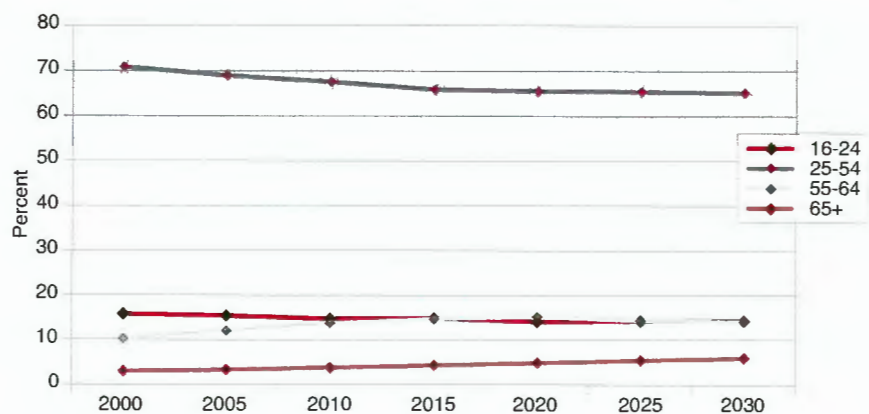
Labor Force Participation as Percent of Population in Central Arkansas

	2000	2030
Labor Force	50.4	46.6
Not in Labor Force	49.6	53.4

Employment by Industry

There will be continuing changes in the nature of economic activity, not all of which can be foreseen at present. The broad array of employment types classified as services will be the region's primary source of new jobs. The bulk of job growth is likely to occur in the so-called "ICE" (Information, Communications and Entertainment) industries within the service sector.

LR-NLR Percent of Labor Force by Age 2000-2030



Empty Factories of the Future

Manufacturing employment will diminish from 9 percent of all jobs in the region in 2000 to a mere 6 percent by 2030. U.S. manufacturing job losses have actually increased as a portion of total job loss during the last two recessions

(1991 and 2001). Since recessions reveal underlying trends, the steep manufacturing job losses of recent years may point toward jobless factories in years to come.¹ Increasing automation means that most of the few jobs remaining in manufacturing will be in non-production activities like maintenance, management, and research.

LR-NLR Age of Workers as Percent of Total Employment 2000-2030

	2000	2010	2020	2030
16-24	15.9	14.8	14.2	14.4
25-54	70.9	67.6	65.6	65.2
55-64	10.2	13.8	15.3	14.3
65+	3.1	3.9	5.0	6.1

Retail Employment

Retail employment will grow, but at a slightly lower pace than overall employment. There is uncertainty about the future of retail employment, owing to the increasing role of non-store sales, particularly Internet transactions. The chart below shows the growth of so-called E-Commerce as a percent of total

¹ Dye, Robert. "Employment Trends in the Last Two Recessions," The Dismal Scientist (from Economy.com) December 10, 2003.

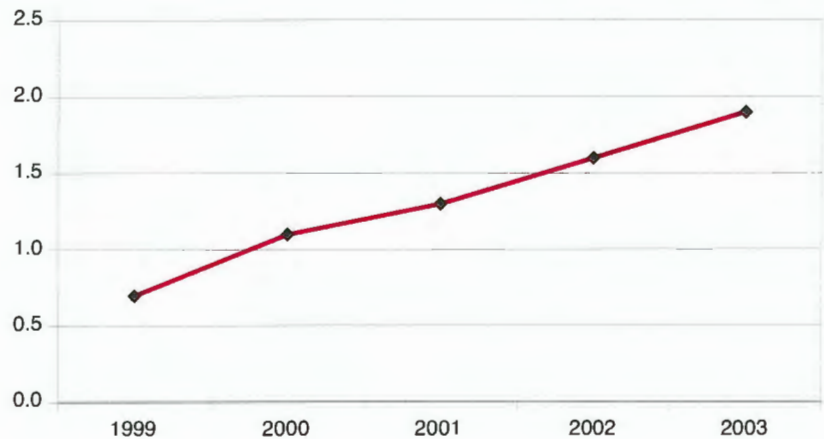
METRO 2030 Employment Projections

U.S. retail sales 1999-2003. E-commerce has more than doubled in four years, with no sign of slowing.² This trend suggests a major reshaping in the retail industry, the results of which cannot be fully foreseen at present.

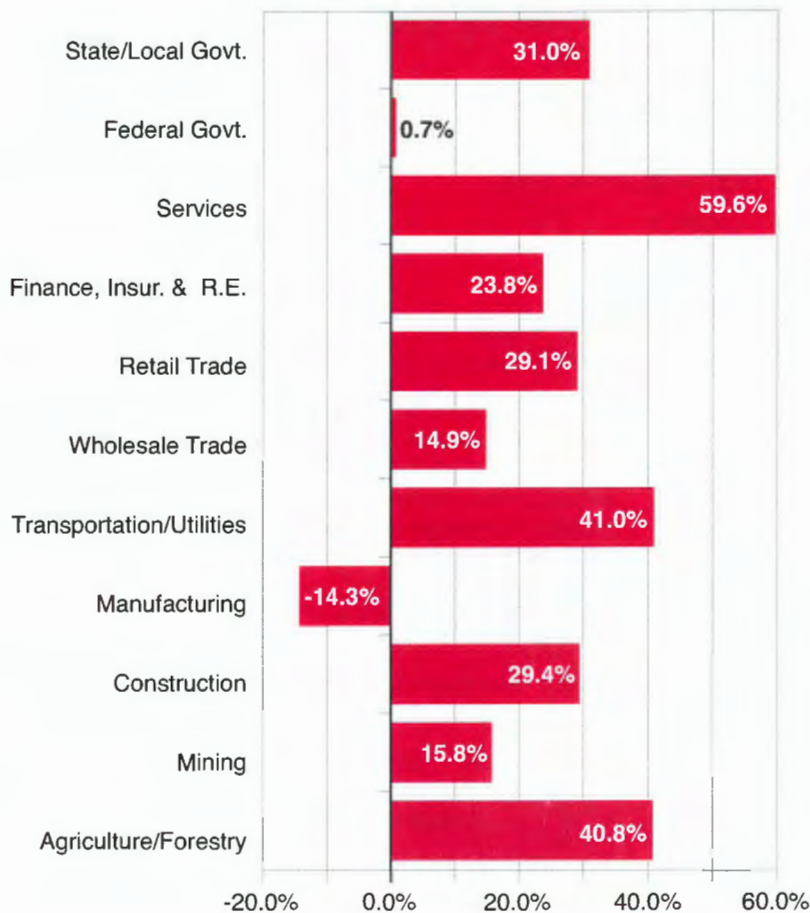
Today's Thoughts Versus Tomorrow's Reality

Metroplan's employment projections attempt to give definition to trends that contain many unknowns. The role of technology is raising serious questions about the economy's future direction. Slow job growth since 2001, often blamed on outsourcing, probably really owes to increased productivity. Machines and software are replacing human workers not just in manufacturing, but even in once-secure office jobs.

U.S. 4th Quarter E-Commerce Sales as Percent of Total Retail Sales 1999-2003



Forecast LR-NLR Employment Change by Industry 2000-2030



Extrapolated into the future, today's trends suggest that tomorrow's routine tasks will be increasingly replaced with technology. Even complex problem-solving and other high-skill tasks may give way to the cyber-revolution. Some thinkers believe that future jobs will likely emphasize capabilities that only humans have, like creativity and interpersonal skill.³

One aspect of the future can be seen with clarity. The role of personal skill and education will matter even more in 2030 than today. Future economic growth will depend on how society trains tomorrow's workers as they adapt, innovate and create the economy of the future.

² U.S. Department of Commerce, Census Bureau, August 20, 2004. During this period, E-commerce has grown by 193 percent, while total retail sales grew by less than 17 percent.

³ Samson, Richard W. "How to Succeed in the Hyper-Human Economy." *The Futurist*, September-October 2004.

Large Commercial Projects 2003

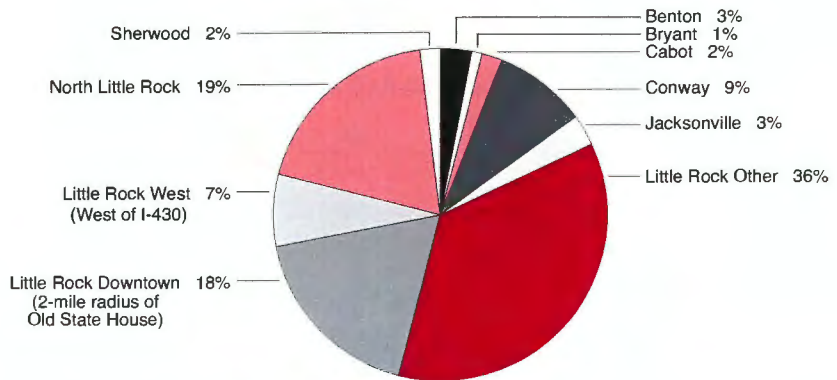
There were 68 large commercial projects (valued at \$1 million or more) permitted in central Arkansas during 2003. Between them, these projects accounted for \$222.7 million, or about 82 percent of total commercial construction value during 2003. The largest was the First Security Center in the River Market District, a mixed-use project valued at \$18 million. The second largest was the Wal-Mart Super Center at the junction of Cantrell Road and Chenal Parkway in western Little Rock, valued at nearly \$12 million.

Retail projects accounted for 24 percent of the total, the biggest share held by the retail sector since at least 2000. Churches and K-12 and college-level educational facilities accounted for large shares of the total as well.

The cities of Little Rock and North Little Rock were again heavily dominant in large projects, but Conway also played a major role with a new middle school and major retail construction at the Conway Commons project near the junction of I-40 and U.S. 64.

Little Rock permits showed more dispersion than in the recent past. While downtown and western Little Rock saw major projects, about \$82 million, or 59 percent of all permit value within the city was elsewhere in locations like mid-town, southwest, and near-downtown. West Little Rock remains a growth area, but has been less dominant in the regional construction picture in the past four years than it was during the 1990's.

**2003 LR-NLR Large Commercial Permits
Total Dollar Value by City**



ADED List of New and Expanded Industries LR-NLR MSA 2002

Category/Company	City	New or Expanded	SIC	Product or Service
Durable Manufacturing				
Boltz, LLC	Conway	N	2514	Steel racks, shelving and furniture
Communications of America	Conway	E	2759	Commercial printing
Non-Durable Manufacturing				
L'Oreal USA Products, Inc.	N. Little Rock	E	2844	Cosmetics
Unity Plastics	N. Little Rock	E	3089	Plastic bottles and plastic bottle silk screening
Vinyl Building Products, Inc.	Little Rock	E	3089	Vinyl extrusion
Remington Arm	Lonoke	E	3482	Ammunition
Warehousing				
Frostyaire of Arkansas, Inc.	Maumelle	E	4222	Distribution of food products
Finance				
Central Mortgage (Arvest)	Little Rock	E	6162	Mortgage loan servicing call center
Business Services				
Remettra, Inc.	Little Rock	E	7374	Healthcare clearinghouse
Acxiom	Little Rock/Conway	E	7375	Information management solutions
Electronic Data Systems (EDS)	Little Rock	E	7376	Computer management services
Corporate HQ				
Alltel	Little Rock	E	8999	Corporate headquarters

LR-NLR Socio-Economic Statistics 2003

	LR-NLR MSA**	Faulkner	Grant	Lonoke	Perry	Pulaski	Saline
Average Resident Employment	302,950	43,475	6,375	25,650	3,600	181,775	42,075
%Unemployment	5.2	5.7	6.7	4.6	9.3	5.2	4.6
New Industries	1	1	0	0	0	0	0
Expanding Industries	12	2	0	1	0	9	0
Assessed Valuations (\$)	7,404,290,680	887,722,004	148,323,311	495,660,037	68,689,583	5,081,624,177	939,284,462
Real Estate (\$)	5,465,515,259	631,047,393	95,304,934	353,258,045	47,552,987	3,774,364,087	706,845,734
Personal Property (\$)	1,623,855,128	230,352,380	41,240,282	108,715,375	15,274,445	1,076,727,206	208,060,167
Corporate (\$)	314,920,293	26,322,231	11,778,095	33,686,617	5,871,151	230,532,884	24,378,561
Bank Deposits (\$)*	2,660,664,000	N/A	N/A	364,871,000	N/A	2,112,484,000	183,309,000
Bank Assets (\$)*	3,307,446,000	N/A	N/A	453,643,000	N/A	2,632,755,000	221,048,000

Sources: Arkansas Employment Security Department, Arkansas Department of Economic Development, Arkansas Assessment Coordination Division, and Little Rock Regional Chamber of Commerce.

* Bank data exclude assets and deposits held by banks serving the area but based outside the four-county Little Rock-North Little Rock MSA.

** Data compiled by Metroplan for six-county LR-NLR MSA.

Building Permit Values

1999-2002 Building Permit Values - County and MSA Totals (\$ Millions of Dollars)

	All Permits	New Residential	Residential Repairs & Additions	Non-Residential New and Repairs
Faulkner County				
1999	144.6	75.5	3.2	65.9
2000	86.7	51.6	3.0	32.0
2001	97.7	69.3	3.1	25.3
2002	104.3	77.5	3.5	23.3
Lonoke County				
1999	37.6	26.8	1.1	9.7
2000	38.1	26.7	0.7	10.7
2001	40.3	32.0	0.5	7.8
2002	47.4	42.9	1.2	3.3
Pulaski County				
1999	451.8	213.6	38.1	200.2
2000	564.8	178.9	32.5	353.4
2001	430.7	206.3	27.1	197.3
2002	583.9	245.6	31.1	307.2
Saline County				
1999	53.0	40.6	2.0	10.4
2000	76.7	50.1	2.0	24.5
2001	75.0	48.4	2.3	24.3
2002	109.2	91.7	1.8	15.7
MSA				
1999	687.0	356.4	44.4	286.2
2000	766.2	307.3	38.2	420.7
2001	643.7	356.0	33.0	254.7
2002	844.8	457.7	37.6	349.5

Economic Outlook 2005

The national economy has strengthened over the past year, with a trickle of employment growth after more than three years of negative performance. The oil-price spike has, however, put a question mark over the U.S. economy's near-term future. High oil prices tend to hit Arkansas harder than the national average.¹

Major infrastructure improvements underway on I-30, I-40, and U.S. 67-167 will provide an economic boost in the near future. These improvements will temporarily relieve traffic pressure, and may partly account for the recent housing development surge in Saline County. However, the experience of other metro areas and data from Metroplan's transportation model suggest the congestion benefit will be temporary.

Local economic indicators like income growth and construction trends remain strong, suggesting the region holds competitive advantages. Land development trends have shown a shift in recent years toward some in-fill and increasing density, not just downtown but throughout built-up parts of the region. Rising density and emphasis on high-amenity locations may reflect the region's growing incomes and increasingly technological economic structure. At the same time, the region continues growing at its periphery, as demonstrated by major recent retail completions in western Little Rock and Conway.

National economic uncertainty makes it hard to predict the near-term future. The experience of recent years suggests, however, that the central Arkansas regional economy can continue out-performing the national average in any case.

¹ Zandi, Mark, Dismal Scientist, October 18, 2004. <<http://www.dismal.com>>

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