

DEMOGRAPHIC REVIEW & OUTLOOK 2007

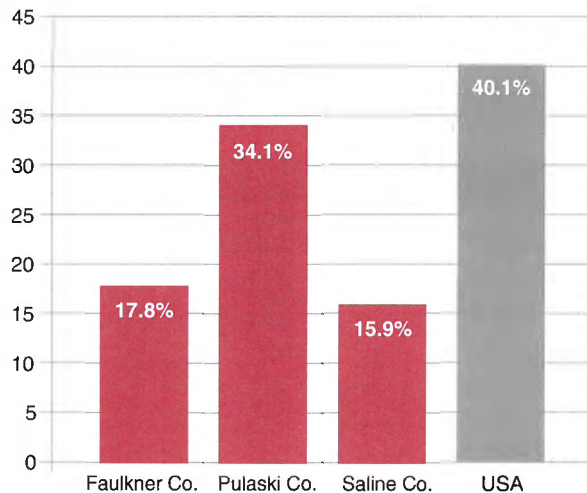
Central Arkansas and the National Housing Downturn

After rising nicely for years, housing values have begun declining in most U.S. markets. It is a time of anxiety in real estate markets, and U.S. construction activity has slowed. Foreclosures have increased, especially with so-called subprime loans, those made to borrowers with lower-than-average incomes or questionable credit histories.

experienced the scale of over-valuation found in other parts of the country. Nonetheless, evidence of a larger valuation bubble in Pulaski County may help explain why the 2006 housing permit trend (pp. 4-5) shows more of a construction slowdown in the region's central cities than its outlying communities.



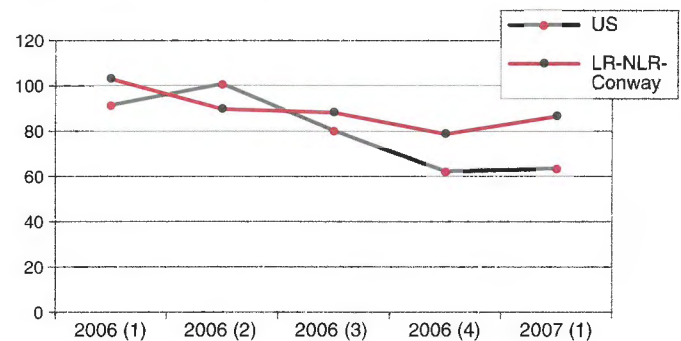
Percent Growth in Housing Value 2000-2005



Over-building and over-valuation are less serious in central Arkansas than nationally. The chart above compares the rise in housing value 2000-2005 for the region's three largest counties with the national average.¹ As you can see, housing values grew by less than half the national average in Faulkner and Saline counties and even in Pulaski County growth was below the national average.² The region has not

The chart below compares local and US single-family housing construction trends from early 2006 through the first quarter in 2007.³ As you can see, U.S. construction has seen a more drastic drop-off in recent quarters. In central Arkansas, first-quarter 2007 construction held at 87 percent of its average during 2004-2005, while U.S. first-quarter 2007 construction has slumped to 63 percent. *(continued on page 4)*

Quarterly Single-Family Housing Permit Trend Index 2006-Early 2007



Inside . . .

- Population estimates (pages 2-3)
- Housing trends (pages 4-5)
- Special Census (page 6)

¹ Urban counties were used instead of overall metro areas because the metropolitan data sets for 2000 and 2005 differ. Specifically, the geographic definition of the LR-NLR-Conway Metro area changed from 2000 to 2005. Data from U.S. Bureau of the Census, Census 2000 and 2005 American Community Survey.

² No 2005 ACS figures were available for Grant, Lonoke or Perry Counties.

³ The figures are an index based on the average quarterly construction trend for the years 2004-2005. For each region, a value of 100 represents the 2004-2005 average. Data from U.S. Bureau of the Census and Metroplan.

POPULATION ESTIMATES FOR 2007

Little Rock - North Little Rock - Conway MSA

	2000	2007	Change 2000-2007	Percent Change 2000-2007
Faulkner County Total	86,014	106,337	20,323	23.6
Conway	43,167	55,935	12,768	29.6
Greenbrier	3,042	3,963	921	30.3
Mayflower	1,631	2,022	391	24.0
Vilonia	2,106	3,156	1,050	49.9
Wooster	516	728	212	41.1
Small communities	1,535	2,143	608	39.6
Unincorporated	34,017	38,390	4,373	12.9
Grant County Total	16,464	17,575	1,111	6.7
Sheridan	3,872	4,485	613	15.8
Lonoke County Total	52,828	64,470	11,642	22.0
Cabot	15,261	22,281	7,020	46.0
Austin	605	728	123	20.3
Ward	2,580	3,489	909	35.2
Lonoke	4,287	4,395	108	2.5
England	2,972	2,719	-253	-8.5
Carlisle	2,304	2,338	34	1.5
Small communities	758	733	-25	-3.3
Unincorporated	24,061	27,787	3,726	15.5
Perry County Total	10,209	10,427	218	2.1
Perryville	1,458	1,475	17	1.2
Pulaski County Total	361,474	378,491	17,017	4.7
North Little Rock	60,433	60,733	300	0.5
Jacksonville	29,916	31,349	1,433	4.8
Sherwood	21,511	24,668	3,157	14.7
Maumelle	10,557	15,619	5,062	47.9
Unincorporated (N)	29,706	30,361	655	2.2
Total North of the River	152,123	162,730	10,607	7.0
Little Rock	183,133	188,959	5,826	3.2
Cammack Village	831	820	-11	-1.3
Alexander*	174	174	0	0.0
Wrightsville	1,368	1,610	242	17.7
Unincorporated (S)	23,845	24,198	353	1.5
Total South of the River	209,351	215,761	6,410	3.1
Total Unincorporated	53,551	54,559	1,008	1.9
Saline County Total	83,529	102,864	19,335	23.1
Benton	21,906	27,985	6,079	27.8
Bryant	9,764	14,535	4,771	48.9
Shannon Hills	2,005	2,776	771	38.5
Haskell	2,645	3,514	869	32.9
Alexander*	440	2,255	1,815	412.5
Traskwood	548	588	40	7.3
Bauxite	432	445	13	3.0
Unincorporated	45,789	50,766	4,977	10.9
Hot Springs Village Total	10,375	13,168	2,793	26.9
In Saline County (unincorporated)	3,719	5,601	1,882	50.6
In Garland County (unincorporated)	6,656	7,567	911	13.7
MSA Totals				
4-County Total	583,845	652,162	68,317	11.7
6-County Total (official MSA)	610,518	680,164	69,646	10.2

Note: 4-County MSA includes Faulkner, Lonoke, Pulaski and Saline Counties, 6-County adds Grant and Perry Counties.

*The City of Alexander has portions incorporated in both Pulaski and Saline Counties.

POPULATION ESTIMATES (CONTINUED)

Population Estimates for 2007

Metroplan's 2007 population estimates show the region growing steadily at an average annual rate of about 1.6 percent since the year 2000. With over 680,000 people in 2007, the six-county region looks likely to exceed 700,000 by the next census in 2010. A round of special censuses completed during 2006 showed that Metroplan's estimates are on track, and the communities of Benton, Cabot, Conway and Maumelle have all seen substantial growth since the last decennial census in 2000.

The City of North Little Rock saw an upturn in growth by 2007, reflecting the addition of hundreds of new households with several large and mid-sized multi-family projects. More multi-family households will be added soon when projects currently under construction are ready for occupancy.

The City of Alexander conducted a major annexation in 2006, adding the Woodland Hills area to the city. Alexander had an estimated 2,200 residents by 2007. Revised estimates in 2007 also show nearly 18 percent population growth in the City of Wrightsville in southeastern Pulaski County.

Metroplan's estimates for 2007 for the first time include the unincorporated community of Hot Springs

Village astride the Saline-Garland County line.¹ These estimates were aided by the gracious help of Hot Springs Village staff. Their data from housing permits and water hookups have given us insight into population trends in unincorporated Saline County, one of our biggest question marks in recent years.

Components of Population Change 2007

The table below shows the raw materials that constitute the murky field of demographic change. Births, deaths and migration account for all changes, but knowing the exact size of these changes is difficult. The figures show fast natural increase in Faulkner, Lonoke, and Pulaski Counties. In all three cases, births outnumber deaths by at least one-third. In the region's three other counties, Grant, Perry and Saline, the margin of natural increase is lower. The figures show net in-migration for Pulaski County over the period 2000-2007, a distinct turnaround from trends during the 1980's and 1990's. In actuality, migration figures are hard to know for certain.



¹ Garland County is part of the Hot Springs Metropolitan Statistical Area. We include the estimate for the Garland County portion as a courtesy to the community of Hot Springs Village, which is a Metroplan member.

**Components of Population Change
Little Rock - North Little Rock - Conway MSA 2007**

	January 1 2007	April 1 2000	Change	Net Migration	Births	Deaths	Natural Increase
Faulkner	106,193	86,014	20,179	15,621	9,078	4,520	4,558
Grant	17,575	16,464	1,111	913	1,288	1,089	199
Lonoke	64,470	52,828	11,642	9,460	5,388	3,206	2,182
Perry	10,427	10,209	218	168	826	776	50
Pulaski	378,491	361,474	17,017	539	38,938	22,461	16,478
Saline	102,864	83,529	19,335	17,546	6,857	5,068	1,789
4 Co. MSA	652,018	583,845	68,173	43,167	60,260	35,254	25,006
6 Co. MSA	680,020	610,518	69,502	44,247	62,374	37,119	25,255

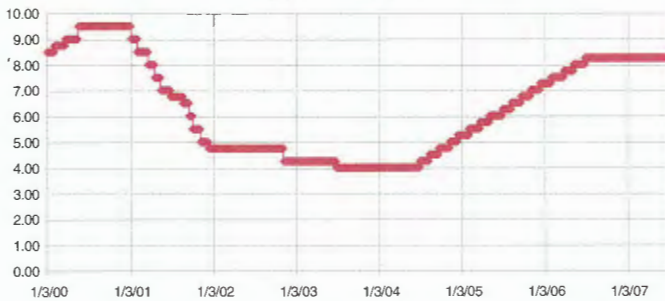
Sources: Birth and death data from Arkansas Department of Health; birth data for 2005-2006 and death data for 2006 are provisional. Year 2000 death data represent period from April 1-December 31, estimated as 75 percent of the total.

HOUSING PERMITS 2006

Housing Slowdown Continues

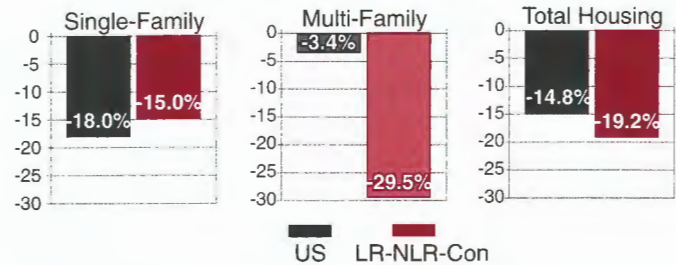
The pace of housing construction in central Arkansas was down in 2006 compared with the boom year 2005. The number of housing starts fell off about 19.2 percent, slightly faster than the U.S. drop of 14.8 percent from 2005 to 2006. This worse-than-average trend was caused by a sharp local falloff in multi-family construction. Local multi-family construction was off by nearly 30 percent, compared with a modest 3.4 percent drop nationally. This local trend should

**U.S. Prime Bank Loan Rate
2000 - 2007**



Source: Board of Governors of the Federal Reserve System

**Change in New Housing Unit Construction
2005 to 2006
U.S. Versus LR-NLR-Conway MSA**



be viewed with care, since the multi-family construction market is by nature volatile.

In single-family housing, the region saw a slower decline than the U.S. average, dropping about 15 percent in 2006 versus an 18 percent slowdown nationally. The pace of single-family construction dropped in eight of the region's nine largest cities, with the exception of Cabot. The decline was greatest in Maumelle and Jacksonville, at over 30 percent, and least in Bryant, where the pace of construction dropped about 5 percent compared with 2005.

Housing Downturn (continued from page 1)

The table below compares a few more statistics between the local housing market and U.S. average.

As one can see, the typical central Arkansas household is less encumbered by housing costs than average among U.S. metro areas. While local median income ranks near the middle, the median value (and cost) of a typical housing unit is in the bottom one-third. The

proportion of subprime loans and the national housing cost burden index is also in the lowest third.

Nobody knows for certain how severe, or how prolonged, today's housing slump will be. It is clear, however, that the local housing market has slackened without crashing. Whatever the U.S. housing future may hold, central Arkansas will weather the storm with less damage than many other regions.

	U.S. Average	LR-NLR-Conway Metro	Metro Area Rank	Year of Data
Median Household Income ⁴	\$46,242	\$42,089	187 (of 358)	2005
Median Value of Owner-Occ Unit ⁵	\$167,500	\$108,700	243 (of 358)	2005
Mortgage Loans of Subprime Lenders ⁶	18.7%	14.5%	221 (of 337)	2004
Housing Cost Burden ⁷	51%	47%	210 (of 337)	2000

⁴ U.S. Bureau of the Census, American Community Survey 2005.

⁵ Ibid.

⁶ Home Mortgage Disclosure Act (Federal Financial Examination Council), provided by Data Place™ (<http://www.dataplace.org>), May 24, 2007.

⁷ Comprehensive Housing Affordability Strategy special tabulation (U.S. Census Bureau), 2000, provided by Data Place™ (<http://www.dataplace.org>), May 24, 2007.

HOUSING PERMITS 2006

Housing Unit Permits 1996 - 2006 for Cities Over 5,000 Little Rock - North Little Rock - Conway MSA

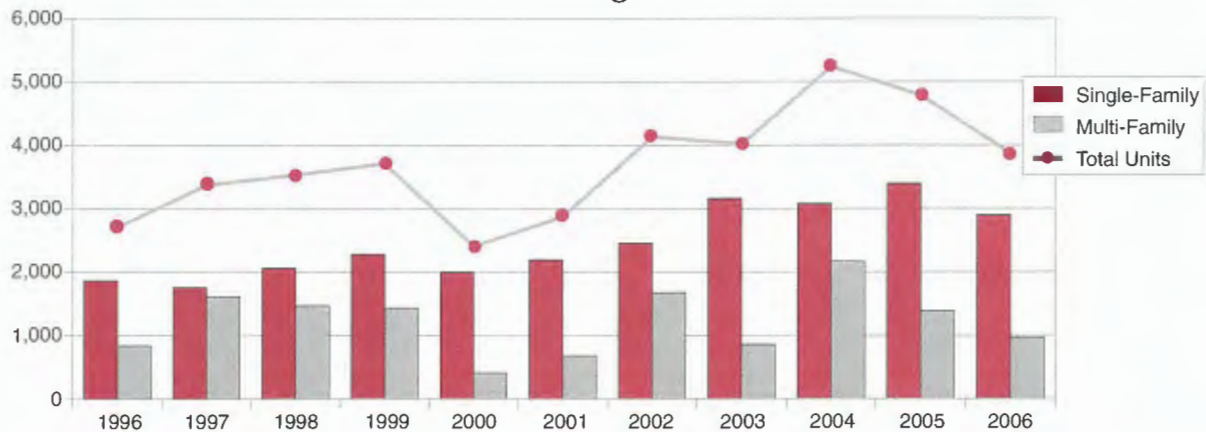
Single-Family Housing Unit Permits

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Benton	126	127	150	205	224	205	281	438	366	557	496
Bryant	167	150	154	166	128	223	235	175	138	116	110
Cabot	235	256	277	271	266	304	302	362	499	387	416
Conway	389	323	436	493	364	409	445	645	499	489	409
Jacksonville	78	73	83	63	71	92	82	154	123	186	126
Little Rock	477	436	490	556	505	483	581	729	797	967	810
Maumelle	220	240	263	276	245	256	276	339	274	338	221
N. Little Rock	90	66	83	82	62	77	60	73	92	113	93
Sherwood	85	88	128	168	136	148	197	245	287	259	218
Total SF	1,867	1,759	2,064	2,280	2,001	2,197	2,459	3,160	3,075	3,412	2,899

Multi-Family Housing Unit Permits

Benton	278	22	0	5	16	31	161	0	0	0	0
Bryant	3	4	0	82	4	2	580	2	102	10	2
Cabot	13	2	0	20	0	2	200	122	32	0	152
Conway	307	323	425	417	66	307	335	80	258	1,052	222
Jacksonville	0	22	12	60	80	4	102	2	8	4	34
Little Rock	191	1,240	790	649	232	95	238	425	1,100	309	15
Maumelle	0	0	0	120	0	120	0	168	240	0	0
N. Little Rock	0	2	10	2	0	120	60	56	262	0	540
Sherwood	48	0	232	78	8	0	0	0	160	0	4
Total MF	840	1,615	1,469	1,433	406	681	1,676	855	2,162	1,375	969
Total Units	2,707	3,374	3,533	3,713	2,407	2,878	4,135	4,015	5,424	4,787	3,868
Percent SF	69.0	52.1	58.4	61.4	83.1	76.3	59.5	78.7	60.1	71.3	74.9
Percent MF	31.0	47.9	41.6	38.6	16.9	23.7	40.5	21.3	39.9	28.7	25.1

LR-NLR-CON MSA Housing Unit Permits 1996-2006



Source: Permit records provided by city governments. Recent Cabot data from Census/HUD records.

SPECIAL CENSUS

Special Censuses in Four Fast-Growing Cities

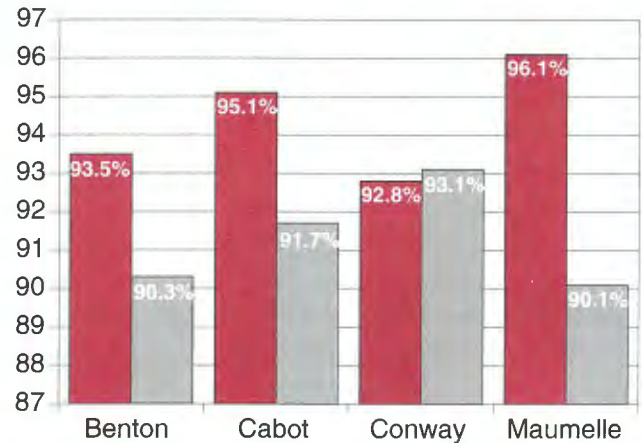
During 2005 and 2006, the cities of Benton, Cabot, Conway and Maumelle all contracted with the Census Bureau to conduct a special census. While these special censuses were conducted to gain additional state turnback revenue, they have also provided hints at underlying local demographic trends.

In three of the four cities, housing occupancy has declined since 2000. This change was especially notable in Maumelle, where occupancy dropped from 96 percent to 90 percent. Occupancy rose only in Conway, and there only slightly. The average number of persons per household rose a bit in Benton and Conway, and declined slightly in Cabot and Maumelle. This trend may indicate that household sizes are working toward stability overall, as predicted in Metro 2030, the region's long-range transportation plan.

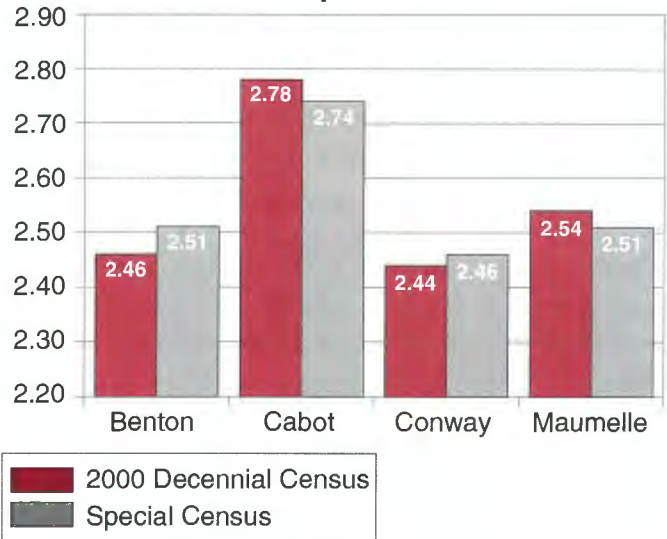
The special census results came in very close to Metroplan estimates. Just the same, we have used

the information to sharpen our estimates slightly. The information from these special censuses will be the last complete-count population data for our region until Census 2010 results arrive sometime in early 2011.

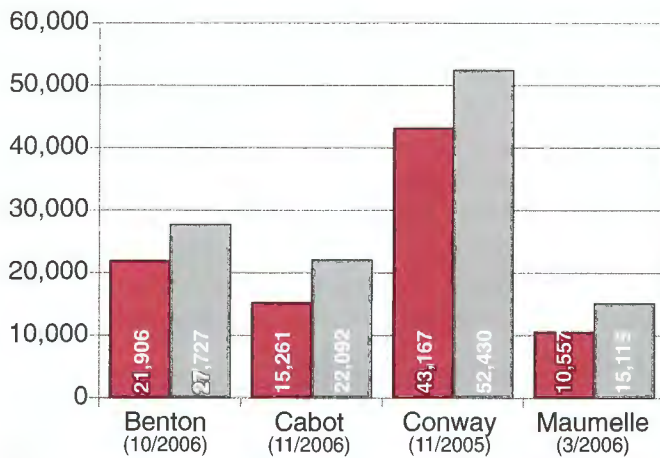
Housing Occupancy 2000 vs. Special Census



Average Household Size 2000 vs. Special Census



Population 2000 vs. Special Census*



*Date of special census below city name.

Metroplan's *Demographic Review and Outlook* is an annual chronicle providing demographic and housing data and insight for the Little Rock-North Little Rock-Conway MSA.

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The preparation and publication of this document was financed in part by federal funds provided by the U.S. Department of Transportation through the Federal Highway Administration and Federal Transit Administration. The provision of federal financial assistance should not be construed as denoting U.S. government approval of any plans, policies, programs or projects contained herein.

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A NEW REGIONAL TITLE

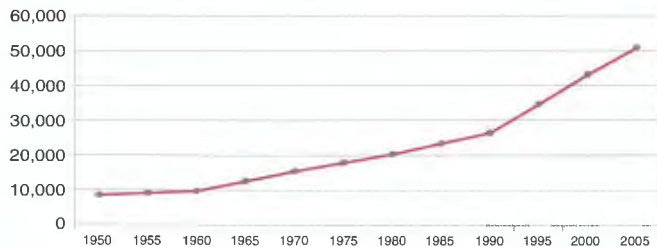
Conway is in the Name

On December 18, 2006, the White House released OMB Bulletin 07-01. As a result, the central Arkansas region added another city to its name, becoming the Little Rock-North Little Rock-Conway Metropolitan Statistical Area. This change owed to Conway's 2006 Special Census, which officially established

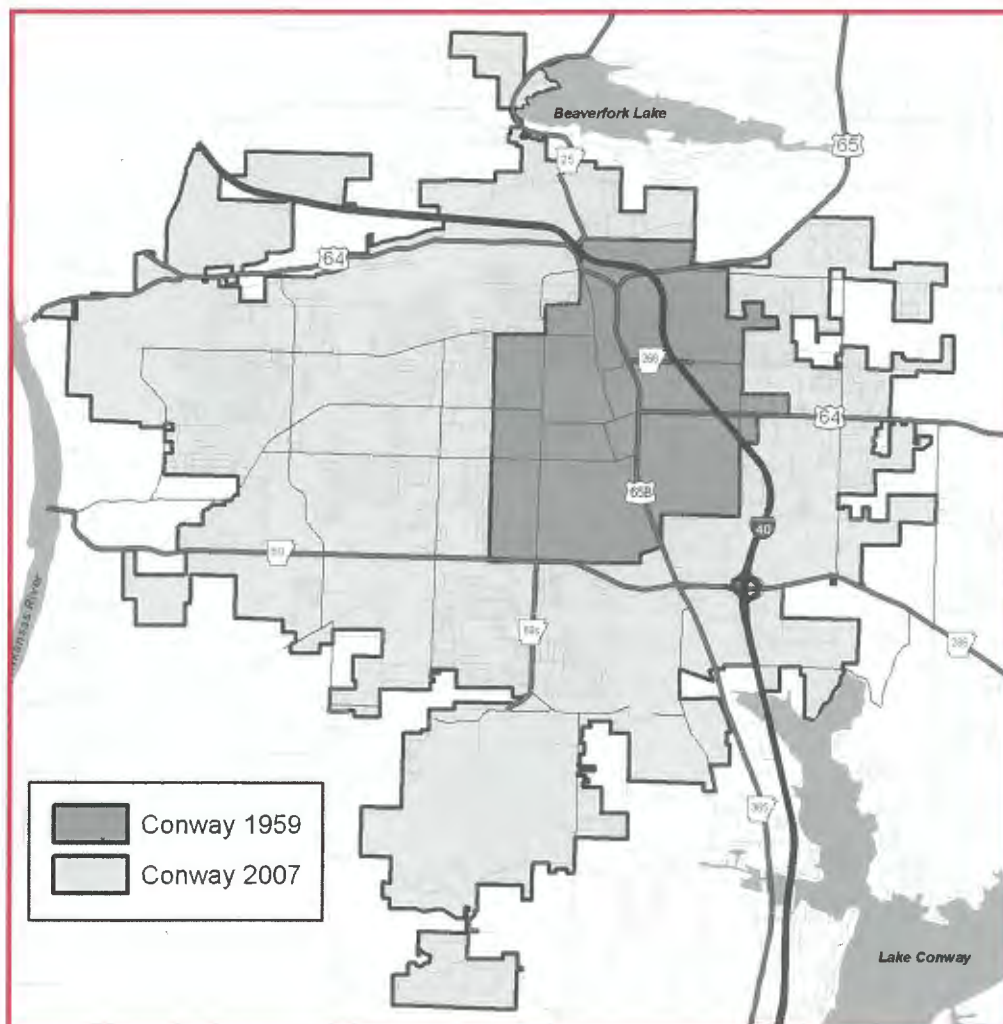
the city's population above 50,000 for the first time. This made Conway a "principal city" under the federal definition, qualifying placement of its name in the metropolitan title.

As recently as 1960, Conway had fewer than 10,000 people. While other cities go through phases, growing population rapidly and then slackening off, Conway has the kind of balanced economy and public-private leadership that has sustained growth over the long term. Now nearing 56,000, Conway may cross 60,000 before the 2010 Census. Today Conway has over eight percent of regional population, or one in twelve residents. While the future is difficult to predict, you can be sure the city's role in the Little Rock-North Little Rock-Conway Metropolitan Statistical Area will continue to grow.

Conway Population Trend 1950 - 2005



Conway City Limits for 1959 and 2007



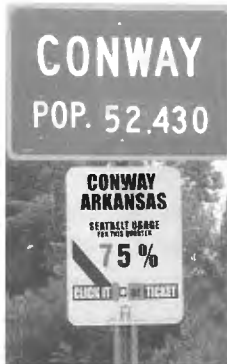
DEMOGRAPHIC OUTLOOK 2007

Growth of the Conway area is the major story for 2007. Inclusion of the city in the metro area's name is a symbolic change that acknowledges a growing practical reality. Conway is not just another suburban bedroom community, but an employment center in its own right, with an emphasis on manufacturing, services, and education. Faulkner County has accounted for over one-third of regional employment growth since 2000. Three of Conway's satellite communities – Greenbrier, Vilonia, and Wooster – have seen over thirty percent population growth since 2000.

It is probably no coincidence that the two communities between the region's urban center and Conway – Mayflower and Maumelle – are also experiencing major growth, a trend that will

continue over the next several decades. As Conway gains prominence, the city's transportation connection with the central region may be transformed from a commuting route into a vital axis of regional communication.

One new development may affect the nature of regional settlement trends. A recent Supreme Court ruling reversed several decades of racial desegregation policy in public schools. The short-term local impact will be minor, but since public school issues have played a major role in central Arkansas development trends over the past twenty years, the long-term impacts could be important. As always, the unintended consequences of major policy changes may turn out to be greater than the intended ones.



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