

# METRO TRENDS

## Economic Review and Outlook

December 2020

### Covid-19 and Our Economy

- The State of the Region: A Crisis in Public Health • UAMS and Covid-19
- The Health Perspective • Geographic Breakdown of Covid-19 in Arkansas
- Trio's Restaurant Gets Creative • Loca Luna Weathers a Pandemic
- Housing Construction in Early 2020 • Construction Dollar Trends
- The Port of Little Rock • Economic Outlook 2020 • Statistical Supplement



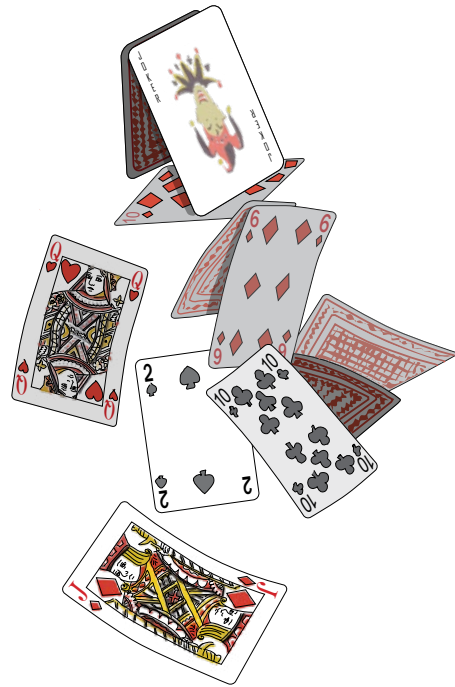
METROPLAN

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## About the Cover

### *House of Cards*

Opening stages of the Covid-19 pandemic resembled a house of cards falling down, as structures and systems that had seemed secure collapsed suddenly. People were affected very unevenly, some faced with immediate economic and employment loss, while others saw their lives transformed as they shifted to working from home. In March 2020 our region experienced the sudden closing of businesses and schools, as well as self-quarantining and social distancing. In more recent months some degree of normality has returned, but businesses, schools and governments are running a balancing act to keep people safe from the virus. Many large retailers as well as small businesses are struggling, with a sharp increase in bankruptcy filings and closures. Other companies, including fintech firms and online retailers, are thriving. For many low-wage workers, the loss of even a small amount of income can be devastating, leading to evictions or debt. This issue will review the regional economy amidst these challenges, with an eye to the post-pandemic future.



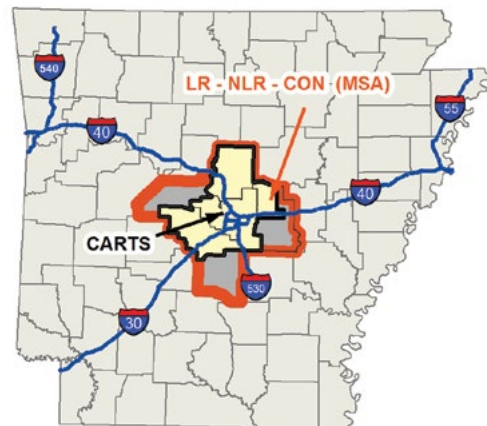
## About Metroplan

Metroplan is a voluntary association of local governments that has operated by interlocal agreement since 1955. Originally formed as the Metropolitan Area Planning Commission of Pulaski County, Metroplan now has members in five counties of the six-county metro area. Metroplan is the designated metropolitan planning organization (MPO) under Title 23 of the United States Code.

Metroplan serves as the regional voice on issues affecting Central Arkansas, develops transportation plans required by federal law, convenes stakeholders to deal with common environmental issues, and provides information and staff resources to our member local governments, the business community and the public. As part of that mission, Metroplan publishes *Metrotrends* twice yearly. The spring/summer edition is the *Demographic Review and Outlook*; the fall/winter edition is the *Economic Review and Outlook*.

## About CARTS

The Central Arkansas Regional Transportation Study, or CARTS, is the cooperative effort by the participating communities, transportation providers and many other interested parties to develop a long-range transportation plan for the metropolitan area.



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, writing and editing

Lynn Bell, graphics, layout, editing, and illustrations

Photographs by Lynn Bell, Jonathan Lupton, and Bernadette Rhodes except where noted.

### Acknowledgments

This edition of the *Metrotrends* newsletter, like all others, was helped along by many hands (and minds). Metroplan would like to give special "thanks" to Melinda Jensen at the Arkansas Department of Workforce Services. We'd also like to thank the professionals we interviewed at UAMS, ADH, Trio's Restaurant and Loca Luna for their insights, photos, and data. And, as always, several members of the Metroplan staff provided vital help with maps (Hans Haustein), building permit data (Iris Woods), and editing (Tab Townsell, Casey Covington, Susan Markman, and Bernadette Rhodes).

This report was funded in part through grant(s) from the Federal Highway Administration and Federal Transit Administration, U.S. Department of Transportation. The views and opinions of the authors expressed herein do not necessarily state or reflect those of the U.S. Department of Transportation.

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### About the Quotes

On September 22, The Venture Center held an online forum called *VCChat/CEO Panel—Effects of COVID-19 on Business*, featuring six Arkansas business owners/CEOs. The discussion explored their strategies for adapting to the pandemic, including creative solutions they used to meet the challenge. The session was moderated by Venture Center Executive Director Wayne Miller. Scattered throughout this issue are excerpts from the conversation, as well as quotes from interviews conducted specifically for this newsletter.

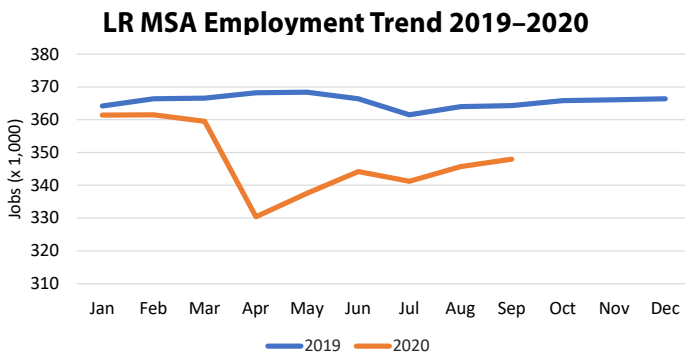
- Johnny Burgess—President, Mainstream Technologies
- Capi Peck— Little Rock City Board Member and co-owner, Trio's Restaurant (see article on page 8)
- Carmen Portillo—Owner, Cocoa Belle Chocolates
- Cathy Tuggle—Owner/Principal Broker, Apartment Hunters
- Tony Warren—Managing Director of Payment Software, Euronet Software Solutions
- Sean Whiteley—CEO, Revolution

# THE STATE OF THE REGION: A CRISIS IN PUBLIC HEALTH

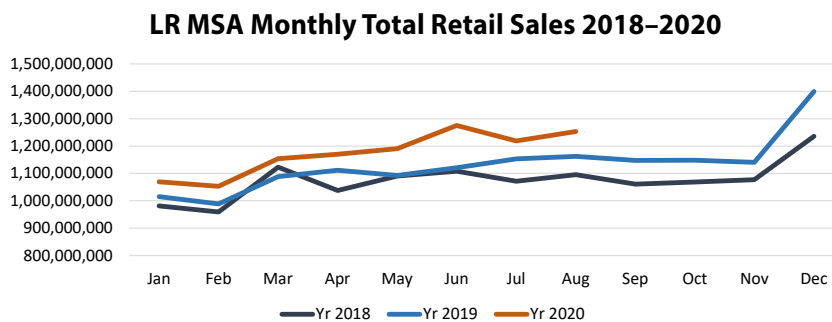
The Covid-19 pandemic has caused the deepest U.S. economic recession since the Great Depression, and the prospect for recovery remains uncertain. It is possible that the worst economic damage is already over, but with cases spiking across the country (and in Arkansas) further economic disruptions may lie ahead. The good news is that the widespread lockdown in economic activity that took place from March through early May of 2020 is unlikely to return. The bad news is that the crisis is becoming prolonged. During the lockdown period it seemed possible the pandemic might be largely stamped out, with future outbreaks contained via contact-tracing. In practice Covid-19 continues spreading. While Arkansas had a comparatively low infection rate in the early stages in March and April, conditions have worsened since then. During September and early October, the state regularly logged the highest death rates per 100,000 in the country. At the time of this writing Arkansas ranks thirteenth among the states for recent deaths per 100,000.<sup>1</sup> The state's



There is a long casualty list of bankruptcy filings in 2020, including Stein-Mart (top) and the Park Plaza Mall (above). Other bankruptcy filings include household names like J.C. Penney, Lord & Taylor, Neiman Marcus and Men's Wearhouse.



Source: U.S. Bureau of Labor Statistics, nonfarm payroll jobs. Not seasonally adjusted.



Source: Sales data from Arkansas Department of Finance and Administration, total sales extrapolations by Metroplan. Figures not adjusted for seasonality or CPI.

high death rate probably owes to co-morbidities, including high prevalence of heart disease, obesity and diabetes.

The economic trend amid the pandemic is complex, even baffling at times. Job and new housing data provide the most

“We’ve had to pivot and be creative and adaptive. The character of an organization is revealed, not created, when challenges like this one arise.”

Sean Whiteley— CEO, Revolution

accurate short-term picture of the local economy because they are comparatively up-to-date. In the Little Rock MSA jobs dropped after the turn of year, as is customary. Instead of the normal trend in which jobs rise slowly after January, total jobs dropped from February to March, then nosedived in April in the sharpest short-term job loss recorded in modern history. When bottom-out occurred in April, the Little Rock region had lost over 30,000 jobs, yet suffered less

<sup>1</sup> U.S. Centers for Disease Control, November 24, 2020. 162 deaths in past seven days or 0.8 per 100,000, ranking thirteenth in the U.S. According to the Arkansas Department of Health, state practices for assigning Covid-19 deaths may differ.

serious economic damage than the U.S. average. This probably reflects the less severe nature of the local area's initial Covid crisis, as well as the somewhat less strict lockdown rules practiced in Arkansas.

Local jobs began climbing during the May–June period, but less steeply than the U.S. pace. The region's less severe initial encounter with the pandemic probably explains its slower pace of recovery. Many experts hoped the recovery would be V-shaped, with a climb-out as fast as the initial job loss. The recovery so far would be better described as a “reclining L” shape, with higher job figures each succeeding month but lagging below pre-Covid levels. Worse, the rebound appeared to be slowing for both local and U.S. economies as the fall of 2020 arrived. The next data set (retail sales) offers a clue as to how and why the rebound is slowing.

**“When the pandemic hit all of the large gatherings canceled. In one week we lost thousands in revenue. We had to be strategic.”**

Carmen Portillo—Owner, Cocoa Belle Chocolates

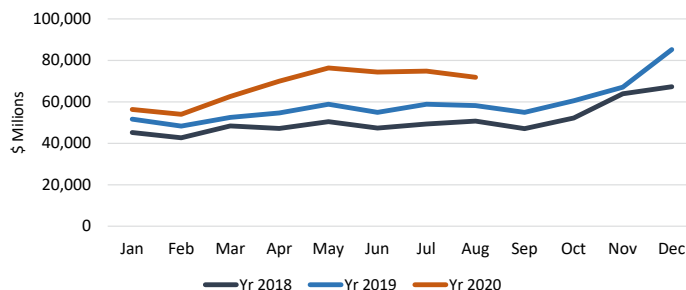
Total retail sales remained solid despite the pandemic, even during the lockdown period in March and April. Then, in May and June, regional retail sales ticked sharply up from the previous

two years, as shown in the chart on page 1. This uptick was particularly marked in Saline and Lonoke Counties.

Some retail businesses like restaurants saw a strongly negative impact from the pandemic. But others thrived. Grocery store sales climbed 30 percent from February through March of 2020. Department stores and general merchandise stores saw some increase in sales over the previous year, although the climb was less dramatic than for groceries. While there were lots of jobs lost during the months of March and April, consumer spending increased sharply in late spring, especially in the month of June. Economic research in future months and years will give us clearer insight into exactly what happened. It appears that retail sales climbed over the summer of 2020 because (a) consumers had time on their hands, and (b) federal stimulus gave consumers money to spend over the short run. Sales in outlying counties climbed more than in Pulaski County, suggesting more shopping was done closer to home in several bedroom communities—places like Bryant,

Cabot and Ward. Federal stimulus money was running out in the fall of 2020, and this may down-shift local retail sales.

### U.S. E-Commerce Sales 2018–2020



Source: U.S. Bureau of the Census. Figures in nominal \$  
Figures for NAICS 4541 electronic shopping and mail order.

E-commerce, which was growing faster than conventional in-store sales, really took off during the pandemic, as the chart above shows. The U.S. E-commerce sector was already growing and taking up a larger share of U.S. consumer spending, but its upward inflection during the pandemic may have permanently altered shopping habits, with implications for the future.



Delivery trucks are a more common sight as E-Commerce has taken on a greater role during the pandemic.

The Little Rock region has taken a harder-than-average economic hit in the Covid crisis, as compared with the state average and other metro areas in the state. This can probably be attributed to the region's service-oriented economic structure. As the chart on the bottom of page 3 shows, the region lost over 11,000 jobs

**“Covid has affected every decision I make every day. These are unprecedented times.”**

Wayne Miller—Executive Director, The Venture Center

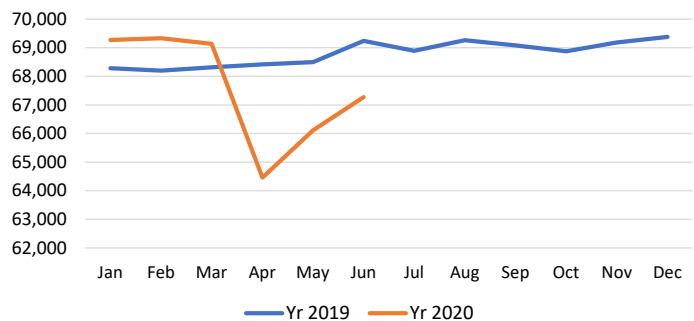
<sup>2</sup> The airline sector is a different story, but the bulk of the region's transportation jobs are in freight transport sectors like trucking and railroads.

in leisure and hospitality by April 2020, on a year-over-year basis. These jobs, and jobs in restaurants have received a large share of attention, but there were also substantial setbacks in the education and health sectors of the economy, which shed nearly 7,000 jobs year-over-year. These two areas, so-called “eds and meds,” make up a disproportionate share of the Little Rock region’s economy. Pandemic-related economic stress is evident in the health care sector. While ER and ICU facilities have been busy at times, elective procedures and routine health visits were cancelled or delayed by the crisis. The pandemic’s impact on health care jobs is shown in the chart at right.

The chart below also shows the pandemic has caused little job loss in manufacturing, construction and freight transportation, which have continued functioning at near-normal levels.<sup>2</sup> The housing sector has also held up well (see housing construction, pp. 10–11).

The remainder of this edition of the *Metrotrends Economic Review and Outlook* will review the local economy and public

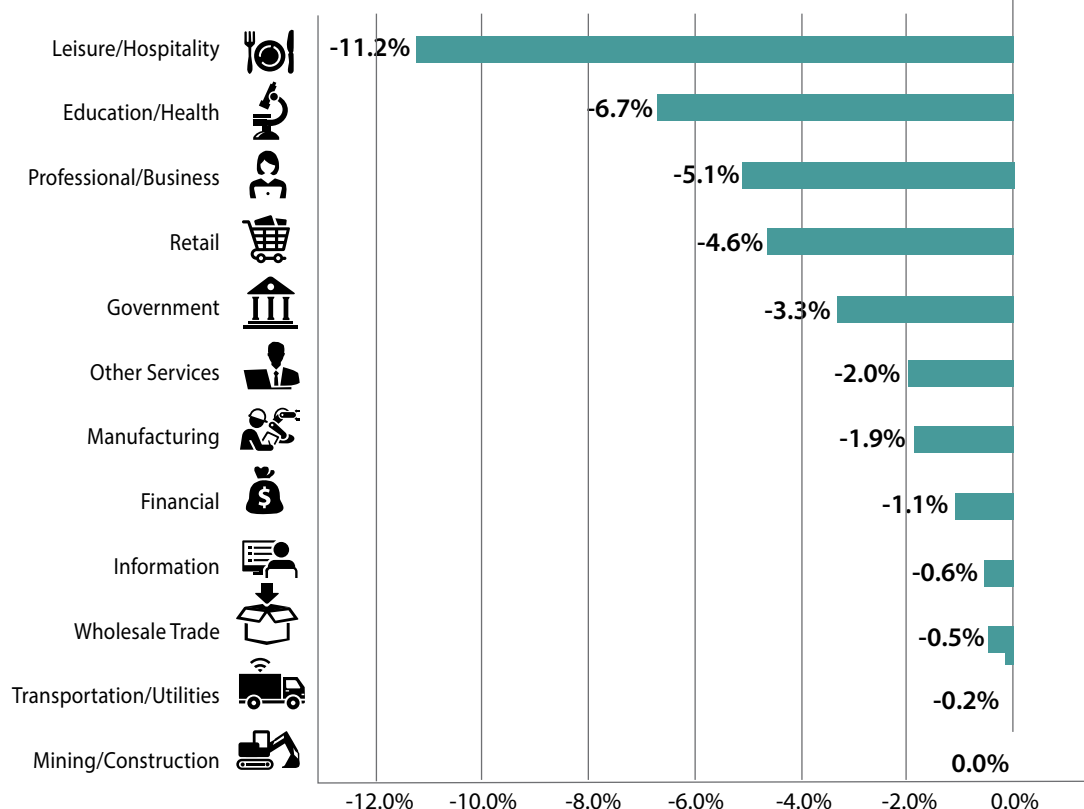
### LR MSA Medical Sector Jobs 2019–2020



Data for NAICS 62, Health Care. June represents latest available in fall of 2020. Courtesy of Melinda Jensen, Arkansas Department of Workforce Services.

health in light of the pandemic. It will be a while before the impacts of Covid-19 are fully understood. Some information presented in the following articles is preliminary and anecdotal in nature. It is presented with the caveat that more complete analysis will become available over time as data sets catch up. It is a developing story with few guideposts, because the Covid-19 pandemic is unlike any other crisis in living memory. **M**

### LR MSA Job Change by Sector April 2019 to April 2020



Source: U.S. Bureau of Labor Statistics. Figures represent job change from July 2019 to July 2020.

“Our most recession-resistant line of business is recycled trash bags — it’s about half of what it was. Our carry-out bag business (Wendy’s, Chick Fil-A, Taco Bell) has exploded.”

Sean Whiteley—CEO, Revolution

“Thankfully, we haven’t had to furlough any employees. Our team can work remotely and be successful.”

Tony Warren—Managing Director of Payment Software, Euronet Software Solutions



# UAMS AND COVID-19

When caseloads of virus-stricken patients rose, other medical visits tapered off sharply. Covid-19 thus dealt a hard blow to the economy's health care sector. We talked to Dr. Steppe Mette, CEO of UAMS Medical Center and Amanda George, UAMS' Chief Financial Officer, about the pandemic's impact on the UAMS system. By the end of April, they told us, clinical visits were down by half, and surgical cases had dropped even more. The loss of business hit the hospital system's bottom line. Business started coming back as the economy reopened in May, but remains down on a year-over-year basis.



**Amanda George, MHA, CPA**  
Vice Chancellor for Finance  
and Chief Financial Officer  
Photo credit: UAMS



**Steppe Mette, M.D.**  
Senior Vice Chancellor for UAMS  
Health and Chief Executive  
Officer, UAMS Medical Center  
Photo credit: UAMS

| UAMS Volume April 2020     |          |        |        |
|----------------------------|----------|--------|--------|
|                            | Average* | Apr-20 | Change |
| Total Inpatient Discharges | 2,387    | 1,684  | -29.5% |
| Clinic Visits              | 42,175   | 20,209 | -52.1% |
| Emergency Visits           | 5,160    | 3,238  | -37.2% |
| Total Surgical Cases       | 1,533    | 570    | -62.8% |

| UAMS Year-to-Date Volumes September 2020 |          |          |        |
|--|----------|----------|--------|
|  | YTD 2020 | YTD 2019 | Change |
| Total Inpatient Discharges               | 6,744    | 7,042    | -4.2%  |
| Clinic Visits                            | 112,415  | 128,867  | -12.8% |
| Emergency Visits                         | 13,913   | 15,785   | -11.9% |
| Total Surgical Cases                     | 4,586    | 4,718    | -2.8%  |

\*Average July 2019–February 2020

UAMS avoided major job cuts by redeploying existing staff, and enacted a temporary hiring pause for most positions. Its educational mission continued with minimal disruption. By September business was better, and nearly back to normal. Total jobs in the UAMS system sagged to about 10,000 at lowest ebb, but are now back around 10,600.

The hospital has marshalled its efforts to keep Covid-19 under control on its premises. Between widespread use of personal protective equipment, and implementation of social distancing measures, the hospital has upheld a high standard of staff and client safety.



The University of Arkansas for Medical Sciences, about two miles west of downtown Little Rock, is a critical player in the region's sizeable health care sector. Photo credit: UAMS Creative Services.



As the leading research hospital in the state, UAMS has been involved in the use of experimental treatments, including convalescent plasma and remdesivir. UAMS is also engaged with studies of vaccines and the exposure levels, or seroprevalence, of Covid-19 in the state.

## No Magic Wand

When Covid-19 first hit, it seemed like shutdowns and social distancing advisories would be short-term measures. Yet the crisis has continued, and even deepened in its long-term economic and social impacts. The economy began reopening in May. Caseloads accelerated again during the summer of 2020. The state's Covid-19 death rate per 100,000 population is currently (November 24, 2020) thirteenth highest in the United States.<sup>1</sup> Since the state's case load is not exceptionally high (about 25<sup>th</sup> among the 50 states) the high death rate probably owes to a high prevalence of co-morbidities, including obesity, heart disease, diabetes and other health risks.

When does it end? How quickly can life get back to normal? Dr. Mette offered insights from inside the medical profession. He conceded that nobody has a clear answer, so the information is advisory only.

It is looking likely that a vaccine may be available by December 2020. The first doses must go to front-line health care workers, first responders, essential workers and to vulnerable populations like the elderly and those with pre-existing health conditions. Gradually, perhaps by mid-2021, vaccination will begin to encompass the majority of population. Social distancing measures will need to remain in place a while longer.

A Covid-19 vaccine will boost immunity, reducing severity of symptoms for those infected, but we do not yet know whether the vaccines will reduce viral transmission. Vaccination of the general population will be gradual, and

**"This has been very rewarding because you get to meet people that you otherwise wouldn't get to meet and even though it's a brief encounter, sometimes those encounters really leave a lasting impression."**

Barbara McDonald—APRN, UAMS Medical Center

**"We have the power to change the course of the disease by our own behavior."**

Dr. Steppe Mette—CEO,  
UAMS Medical Center



Barbara McDonald, APRN, who has been working in the UAMS COVID-19 testing unit on campus. She also has worked quite a few mobile testings across the state. Photo credit: UAMS.

some individuals will choose to avoid it. Vaccinations may need to be administered in multiple doses, and mutation of the virus could also cause new versions to appear over time, much as influenza changes and mutates from year to year. These are all reasons why the public health crisis will take a while to get over.

The 1918 flu pandemic lasted three or four years, with social distancing continuing through about 1923. In this case, some social distancing measures are likely to stretch into 2022.

Dr. Mette reminded us that human behavior—how we choose to deal with Covid-19—is in our own control. It can be managed without the kind of full-fledged shutdowns that occurred in March and April of 2020. Measures like partitions, alterations to foot-traffic movements, and above all mask-wearing are antidotes that have been proven to work. While they are a nuisance, they really do minimize the economic impacts of the disease and save lives. Just remember these measures will be around a while. There is no magic wand. **M**

**"I don't think of myself as a hero, I honestly don't because this is a gift that was given to me and this is what I chose. This is the path that I chose so it's a blessing that I'm empowered to help others."**

Barbara McDonald—APRN, UAMS Medical Center

<sup>1</sup>Figures represent the most recent seven days. Although there was little attention in the local press, mortality in Arkansas ranked highest in the nation during part of September into early October 2020.

# THE HEALTH PERSPECTIVE

## Insights from the Arkansas Department of Health

Dr. Jennifer Dillaha of the Arkansas Department of Health (ADH) took time out of her busy pandemic schedule to talk with us. Here are some insights:

- Public safety depends, above all, on awareness and knowledge about safe health practices, testing, and social distancing.
- Health insurance remains a critical social determinant of health. As a general rule, those lacking insurance are more vulnerable to Covid-19 as they are to other health risks.
- ADH bears a particular responsibility to assist disadvantaged populations, particularly minority and economically disadvantaged groups.
- Hispanic Americans and immigrant populations are sometimes reluctant to seek testing. In response, ADH has worked with churches and other trusted non-government institutions to serve as sites for health counseling and testing.
- Masks make a clear difference in reducing infection rates. There is still a gap in public understanding about the role of masks, which protect the general public, not just the user.
- Face shields have been shown to protect the wearer but are not a substitute for face masks.
- Duration of exposure is important. In general, people who were within 6 feet of a positive patient for at least 15 cumulative minutes during the patient's infectious



**Jennifer A. Dillaha, MD**  
State Epidemiologist  
Medical Director, Immunizations  
and Outbreak Response  
Arkansas Department of Health  
Photo credit: ADH

period are considered close contacts who need to quarantine.

In the long run, public health lies at the core of a successful and prosperous society. As Dr. Dillaha likes to point out, “one of the functions of public health is to protect the economy.”

## Protecting the Public

If a person tests positive for Covid-19, he/she is required by law to complete a defined period of isolation to prevent further spread of the disease. If a person is a close contact of an infected person, he/she is required to quarantine while monitoring

for symptoms. Since going into isolation or quarantine presents challenges, the ADH provides counseling and, if necessary, can make temporary housing provisions. ADH has a 29-bed facility in Little Rock, for example, for homeless persons and others unable to isolate or quarantine at home.

If a person tests positive for Covid-19 he/she will be reached by a case investigator, who interviews the patient to determine where they may have been infected, define the infected period and identify close contacts. Isolation and quarantines are both key to stopping the spread of Covid-19. They are enforced primarily via the “honor system,” but if this fails violators may be given a written order of isolation or quarantine. **M**



ADH held a free testing event at Our House shelter, which helps provide a pathway out of homelessness for families and individuals in Central Arkansas. Photo credit: Our House.



Physicians with the Arkansas Department of Health meet in April at ADH headquarters in Little Rock to discuss the statewide response to COVID-19. Photo credit: Arkansas Department of Health.

The mission of the Arkansas Department of Health is to protect and improve the health and well-being of all Arkansans.

# GEOGRAPHIC BREAKDOWN OF COVID-19 IN ARKANSAS

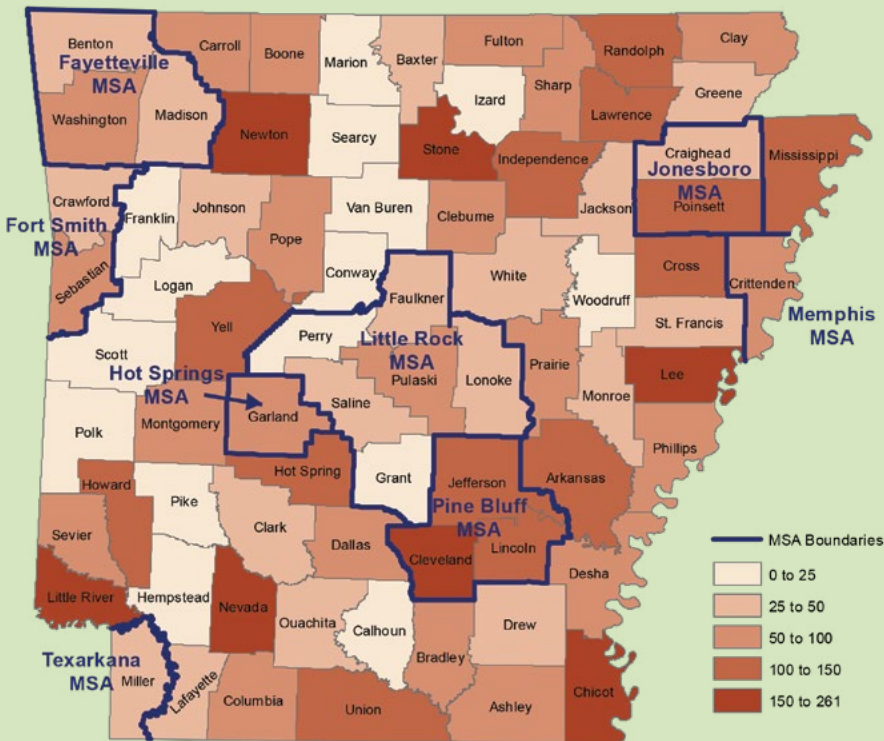
The map below depicts Covid-19 deaths per 100,000 by county, as of November 4, 2020. As you can see, there is a lot of variation. The map shows mortality *rates*, differing from many which show *total* mortality, tending to make the pandemic look more severe in heavily populated areas. Most of the state's highest death rates have instead been in rural counties. In some cases, mortality has been affected by the presence of institutional populations, like nursing homes and prisons with disproportionate impacts from the pandemic.<sup>1</sup> Other counties with large institutional populations have shown comparatively low death rates so far.

Mortality rates may be more accurate than case rates, which are affected by testing. Mortality is subject to error too, but probably gives a closer approximation of overall pandemic impact. Early statistical evidence suggests Covid-19 has

also been accompanied by a rise in “excess deaths,” not directly assigned to the pandemic but likely linked to it. Known Covid-19 death counts are therefore probably under-estimates.

The table below provides statistics for each metro area in the state as well as its rural population. As you can see, while it saw many of the state's earliest Covid-19 cases the Little Rock MSA had, as of November 4, one of the state's lowest death rates among metro areas. It is possible that comparatively early mask-wearing ordinances for public spaces, first in Little Rock and then North Little Rock, Conway and other cities, may have kept the death rate lower. With the pandemic still worsening at present, the statistics shown do not tell the final story. **M**

**Covid-19 Deaths per 100K**



**Arkansas Covid-19 Mortality by Metro Area\***

| Region             | Pop 2019         | Deaths       | Deaths/100,000 |
|--------------------|------------------|--------------|----------------|
| Fayetteville MSA   | 534,904          | 254          | 47.5           |
| Ft Smith MSA       | 208,799          | 128          | 61.3           |
| Hot Springs MSA    | 99,386           | 71           | 71.4           |
| Jonesboro MSA      | 133,860          | 72           | 53.8           |
| Little Rock MSA    | 742,384          | 322          | 43.4           |
| Memphis MSA        | 47,955           | 46           | 95.9           |
| Pine Bluff MSA     | 87,804           | 126          | 143.5          |
| Texarkana MSA      | 43,257           | 16           | 37.0           |
| Rural              | 1,119,455        | 819          | 73.2           |
| <b>State Total</b> | <b>3,017,804</b> | <b>1,854</b> | <b>61.4</b>    |

Note: statistics for metros spanning state lines represent only Arkansas portion.

\* Deaths as of 11/4/2020.

<sup>1</sup> Examples include Chicot, Hot Spring, Little River, Poinsett and Randolph Counties.



## TRIO'S RESTAURANT GETS CREATIVE

Little Rock's Trio's Restaurant co-owners Capi Peck and Brent Peterson had to be innovative in response to the pandemic. They decided to close the restaurant to inside dining early on—they were one of the first restaurants in the area to do so—for the safety of their employees and customers. From a bustling restaurant in business for 34 years, Trio's was shuttered overnight. Catering, which had been 20 percent of business, came to an abrupt halt.

Then it was time to adapt. As Capi says, "We morphed into a new model—we creatively packed everything to go." Instead of furloughing employees, the owners kept wait staff employed as delivery drivers. They increased wait staff base pay from \$2.63 an hour to \$10 per hour and streamlined the menu. Trio's developed online ordering.

Even in normal times restaurants operate on very thin profit margins (about 5 cents on the dollar). Trio's had a record year in 2019, but early in the pandemic business was down about



**Executive Chef Capi Peck**  
Co-Owner, Trio's Restaurant  
Little Rock City Director  
Photo courtesy of Capi Peck.

40 percent. Capi and Brent chose to forego their own paychecks to keep the doors open and pay employees, some with 25 years at Trio's. Capi says that morale is good and she tries to set an example for her employees.

Capi credits her loyal customers with helping them through this challenging time. In addition to curb-side pickup, delivery, and patio dining, the restaurant opened to indoor dining in early October. With customer and staff safety at the forefront, masks are required and occupancy is limited to 60% of capacity.

The restaurant landscape has changed forever.

As Capi says, "You have to be flexible. We will keep a lot of the new tools in our tool chest." **M**



During the early days of the Covid-19 pandemic, Trio's kept employees busy and customers fed via patio dining, deliveries with the Trio's van, and online orders for pick-up. In October indoor dining returned, with strict safety measures in place.



# LOCA LUNA WEATHERS A PANDEMIC

Mark Abernathy is a veteran of the restaurant business, having owned and run Loca Luna for about twenty-five years. When Covid-19 hit, Loca Luna became one of the first local restaurants to close, on March 15<sup>th</sup>. Since Mark owns the real estate and is not burdened with rent payments, the financial “hit” was manageable. Unemployment assistance soon became available for his workers, although it proved both a blessing and a curse. Under the CARES Act many workers were making more—\$600 a week—than they had on their jobs. When time came to reopen, some had to be reminded the assistance would be cut off entirely if they did not return.

Mark did not rush to reopen. Regulations for first-stage reopening were restrictive, so he used the time instead to renovate the facility. When Loca Luna did reopen, social distancing and mask-wearing were strictly enforced. Of about fifty employees, all but two returned. So far none have contracted Covid-19. Tables are kept six feet apart. Restaurants are currently limited to 60 percent of seating capacity, but restaurants don’t operate at full capacity every night anyway, and Mark is hopeful Loca Luna can be profitable again.

For now, Loca Luna has endured the Covid-19 crisis, and



**Executive Chef  
Mark Abernathy**  
Owner, Loca Luna and  
Red Door Restaurants  
Photo credit: localuna.com

the long-term prospect looks good. Not all restaurants have done as well; several have closed permanently with more closures coming. Mark believes locally owned restaurants are a resource for any city, giving character to neighborhoods, variety of experience to customers, and stable employment for their workers. While fast-food restaurants deal with annual staff turnover in the 150–180 percent range, Loca Luna sees 10–15 percent turnover in its family-like working environment.



Diners enjoy the outdoor patio at Loca Luna in October 2020.



“Private non-chain restaurants contribute a unique identity to their areas, with far lower staff turnover than chains. Locally-owned restaurants can become anchors for micro-neighborhoods.”

Mark Abernathy—Owner, Loca Luna and Red Door Restaurants

“It’s not over yet,” Mark contends. With colder weather the pandemic could worsen, and restaurants will lose the option of outdoor dining—safer for social distancing. Mark expresses frustration with the political leadership, which he believes could have made a quicker, better-informed response to the pandemic. Stricter and more careful measures over the short run, he contends, would have brought the pandemic under control more effectively, saving lives and allowing a better environment for businesses to recover and prosper. **M**

# HOUSING CONSTRUCTION IN EARLY 2020

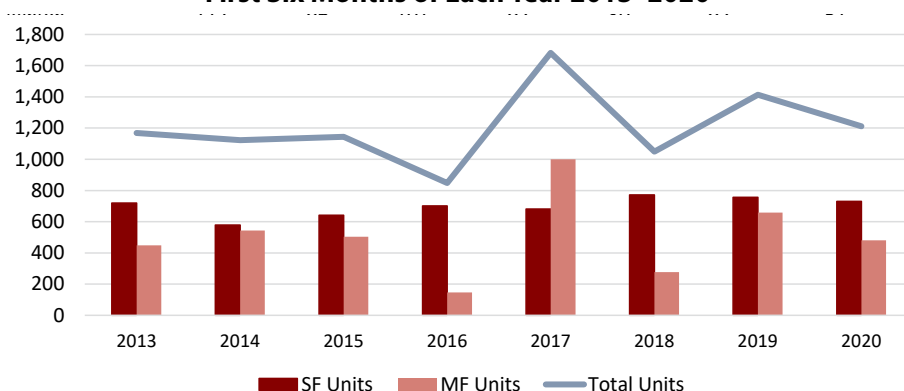
The Covid-19 pandemic disrupted but did not stop housing construction in Central Arkansas. The chart below shows January–June construction trends from 2013 to 2020. As the figures show, the Little Rock region saw a total of 731 new single-family units put under construction from January to June of 2020, only marginally lower than totals for the same period in 2018 and 2019, and higher than the January–June total of 2017. Multi-family construction continued, with 481 units permitted. This was lower than the same period in 2019 but higher than 2018 figures. Hundreds of multi-family units are under construction in the region, although it looks unlikely that major new projects will break ground before today’s uncertain economic outlook clarifies.

The chart at bottom compares the monthly U.S. and regional single-family construction trend since January 2019. As you can see the year 2019 saw a generally upward trend, which continued into early 2020. Both U.S. and local construction then dropped off during the lockdown period in April and May. Recovery began in June. This is visible in the chart’s “U” pattern. The Little Rock MSA recorded about 150 permits in August 2020, the highest monthly figures in over two years (since March of 2018). Low interest rates and growing demand for housing appear to be driving factors.

“In March the pandemic hit, and we were unsure of what to expect. We decided to rely more on our database, since we were unable to tour our clients in a traditional fashion. Luckily, we already had a catalog of photos and videos stored in our database to help sell the properties. Occupancy rates were at an all time high—97% to 100.”

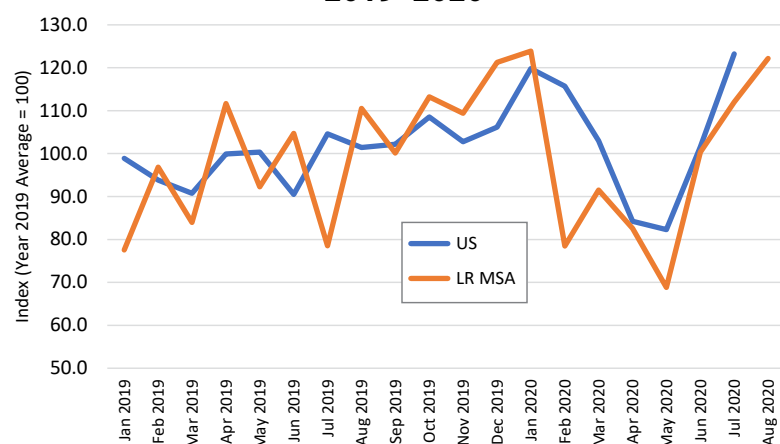
Cathy Tuggle—Owner/Principal Broker, Apartment Hunters

**LR-NLR-Conway Housing Unit Permits  
First Six Months of Each Year 2013–2020**



Note: Hot Springs Village figures not in total units tally. Portion of Hot Springs Village is outside Metroplan region.

**Trend in New Single-Family Housing Unit Construction  
2019–2020**



Sources: U.S. Bureau of the Census. Metroplan building permit records.



Greenbrier housing construction.

“We’ve had a tremendous amount of support from the community.”

Carmen Portillo—Owner, Cocoa Belle Chocolates



Among individual cities, Benton saw the biggest jump in single-family construction after a slow performance in the first half of 2019. North Little Rock, Hot Springs Village and Bryant also saw more units permitted in 2020 than the previous year. Other cities all saw a reduction in new single-family permits. The decline in single-family units was especially notable in Little Rock (down 32 percent from the first half of 2019 to the first half of 2020) and Conway (down 23 percent). Little Rock and Conway led the trend in multi-family permits. Although we lack sufficient data, small cities like Austin, Greenbrier, Vilona and Ward see a steady trend of single-family new housing construction. **M**

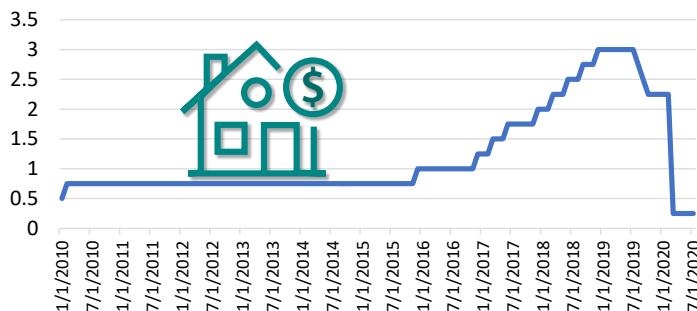


New homes in Vilona.

**“We were already prepared to work remotely. The biggest change—working from home is now a 100% option for employees who want it.”**

Johnny Burgess—President, Mainstream Technologies

### U.S. Federal Reserve, Discount Interest Rate 2010–2020



### Half Year (January–June) Housing Unit Permits 2017–2020 Single-Family

|                | 2017 | 2018 | 2019 | 2020 |
|----------------|------|------|------|------|
| Benton         | 80   | 92   | 51   | 111  |
| Bryant         | 63   | 90   | 57   | 58   |
| Cabot          | 54   | 67   | 47   | 40   |
| Conway         | 72   | 71   | 158  | 121  |
| Hot Sprgs Vill | 18   | 36   | 28   | 32   |
| Jacksonville   | 23   | 19   | 29   | 34   |
| Little Rock    | 166  | 173  | 205  | 139  |
| Maumelle       | 36   | 44   | 28   | 36   |
| N Little Rock  | 41   | 57   | 55   | 66   |
| Sherwood       | 129  | 123  | 98   | 94   |

### Multi-Family

|                | 2017 | 2018 | 2019 | 2020 |
|----------------|------|------|------|------|
| Benton         | 52   | 0    | 0    | 0    |
| Bryant         | 0    | 0    | 0    | 0    |
| Cabot          | 76   | 0    | 6    | 0    |
| Conway         | 86   | 95   | 176  | 169  |
| Hot Sprgs Vill | 0    | 0    | 0    | 0    |
| Jacksonville   | 2    | 0    | 66   | 0    |
| Little Rock    | 761  | 134  | 410  | 293  |
| Maumelle       | 0    | 0    | 0    | 0    |
| N Little Rock  | 15   | 48   | 0    | 19   |
| Sherwood       | 8    | 0    | 0    | 0    |

### Regional Totals

|             | 2017  | 2018  | 2019  | 2020  |
|-------------|-------|-------|-------|-------|
| Total SF    | 682   | 772   | 756   | 731   |
| Total MF    | 1,000 | 277   | 658   | 481   |
| Grand Total | 1,682 | 1,049 | 1,414 | 1,212 |



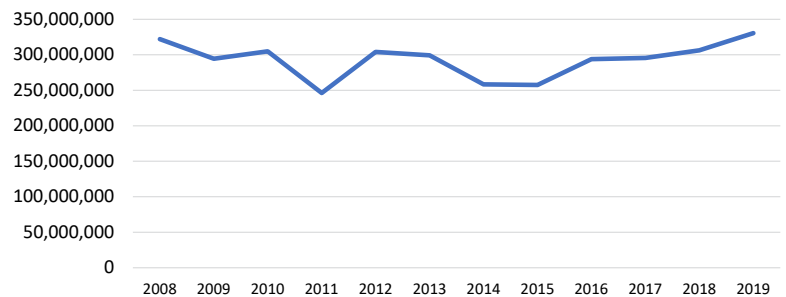
A new subdivision goes up in Ward.

# CONSTRUCTION DOLLAR TRENDS

Total construction value in Central Arkansas in 2019 broke no records, but it was a year of solid investment across the region. Total construction value was \$1.126 billion. In nominal dollars, this was the second-highest value recorded since 2007. Of this total, \$814 million occurred in Pulaski County, amounting to 73 percent of the regional construction dollar total. Faulkner County followed with \$136 million, about 12 percent of the regional total. Saline County accounted for \$131 million, or about 11.7 percent of the total, and Lonoke County saw a total value of \$31.7 million, 2.8 percent.

Residential construction hit a recent peak in 2019, with a total of \$455.3 million invested in the region. Single-family construction was \$330.6 million in 2019, its highest value

**LR-NLR-Con MSA New Single-Family Construction Investment 2008–2019 (2019 Dollars)**

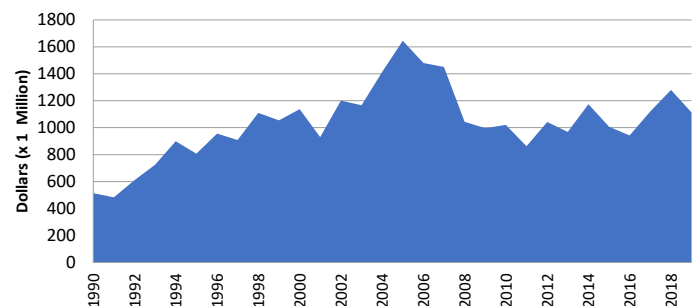


since 2007. The total number of single-family permits in 2019 (1,458) was strong but less exceptional compared with previous years. The high total dollar value therefore suggests that newly-built homes have been getting pricier. It therefore makes sense that the median value of a new single-family

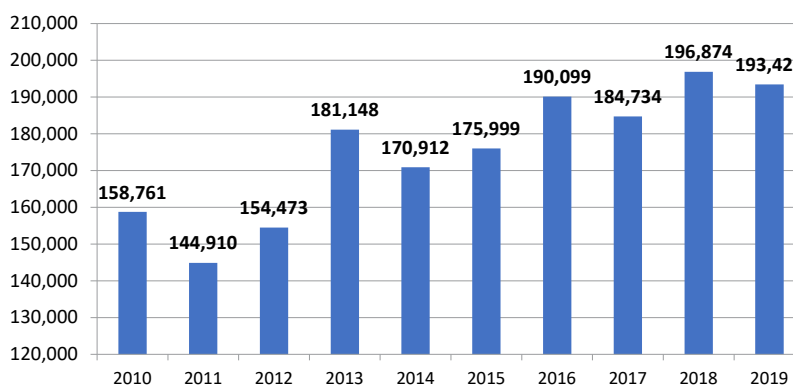


The new Career Technical Center along I-30 south of Benton will boost economic and career prospects in Saline County.

**Construction Value LR-NLR-Con MSA 1990–2019 (2019 Dollars)**



**LR MSA Median New Home Value 2010–2019**

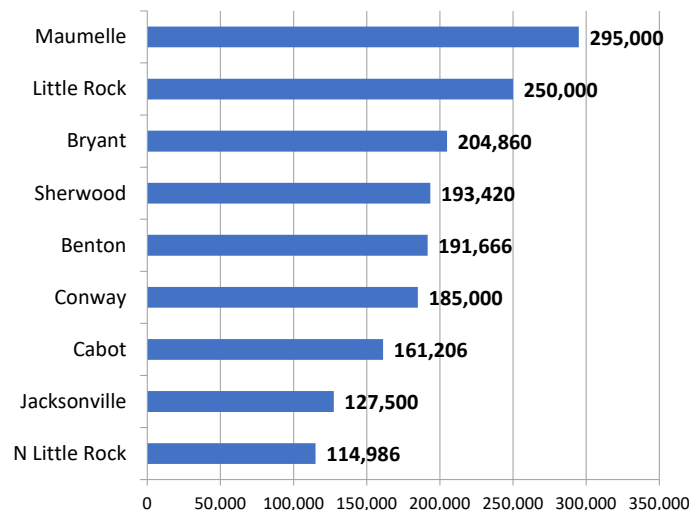


“We have 1200 employees. 26 employees have tested positive or were in contact with someone who had. We set up a COVID relief fund (the executives went without pay) to help those employees, including with things like paying for child care. It was a wonderful experience that all the members of our team stepped up.”

Sean Whiteley—CEO, Revolution

housing unit permit was its second-highest ever in 2019, at \$193,420. Maumelle homes were the priciest, with a median value of \$295,000 in 2019, followed by Little Rock homes at \$250,000. Bryant came in third with new-home median value at \$204,000.

### New Single-Family Units Permit Median \$ Value 2019



Multi-family investment totaled \$124.7 million in 2019. This was just behind the 2017 value of \$125.3 million (inflation-adjusted). Over 4,300 new multi-family have been added to the regional total in the past three years. By a raw estimate, this represents 5.9 percent growth in multi-family units in the space of three years. Based on past experience, the multi-family construction cycle is likely to turn downward for at least a year or two as new units are absorbed into the market.

Non-residential construction performed well in 2019, but somewhat below its record value in 2018. Little Rock led the way, as usual, with a total of \$220.8 million in new non-residential construction, about 38 percent of the regional total. North Little Rock saw \$143.0 million in non-residential construction, amounting to 25 percent of the total. North Little Rock's strong market was boosted by a growing medical presence along Springhill Rd, including a \$7 million CARTI cancer treatment center. **M**

"How do we package information so that it's relevant and desired?"

Johnny Burgess—President, Mainstream Technologies

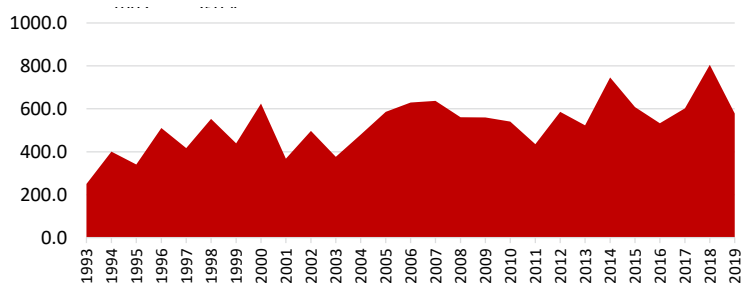
"A lot of us are flying this airplane while we're building it."

Wayne Miller—Executive Director, The Venture Center

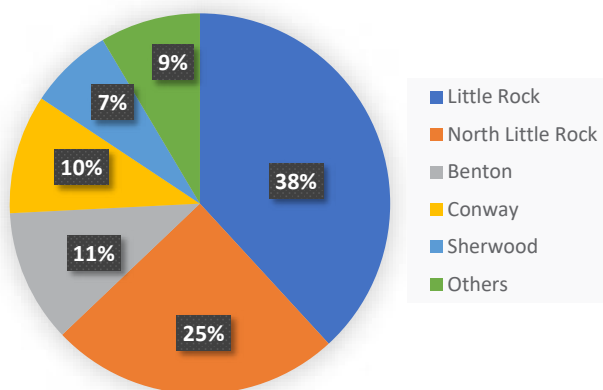


The Heights at Shackleford is adding multi-family units south of the Shackleford Crossing shopping center.

### LR-NLR-Con MSA Non-Residential Construction Value 1993–2019 (\$ Millions, Inflation-Adjusted)



### Nonresidential Construction \$ Value 2019





# THE PORT OF LITTLE ROCK

It's not every day you run across a building permit for half a billion dollars. That's \$500 million, or eight zeroes on the left-hand side of the decimal. That's the stated price tag for Amazon's new fulfillment center currently under construction at the Port of Little Rock. The Little Rock Port Authority is working with the City of Little Rock, Pulaski County, the U.S. Economic Development Administration, the Delta Regional Authority and ArDOT to provide road improvements that will get cars, vans and trucks in and out of the new mega-facility without interfering excessively with the Port's existing traffic flows. With 1,000 new jobs in prospect, a little new traffic is a price worth paying.

The Port of Little Rock is also expanding its site potential by moving an FAA VOR cone located south of the current port since 1946, to a new location.<sup>1</sup> This will open up at least 1,000 acres for a potential super-site. Another challenge is attracting additional amenities such as restaurants in closer proximity for the Port's workforce of over 4,000. With good road, rail and water access amid a sizeable labor market, the Port of Little Rock is thriving amid the pandemic and will inject further vitality into the regional economy when normality returns. **M**



Recycled-plastic production lines at Revolution's Little Rock facility. Under pandemic conditions the market for the company's can liners sagged, while demand for their restaurant carryout bags surged. The company recognized the shift and quickly adapted. Photo courtesy of Revolution.



A Federal TIGER grant enabled the Port of Little Rock to build this rail extension.



Amazon's new Fulfillment Center at the Port of Little Rock represents a half-billion-dollar investment in the region.

This VOR cone, emplaced by the FAA in 1946, will be relocated to give the Port of Little Rock a potential super-site of 1,000+ acres. Photo credit: Little Rock Port.



**"With the remote workers, we have to provide opportunities to interact and to advance."**

Sean Whiteley—CEO, Revolution

<sup>1</sup> For background, see <https://www.youtube.com/watch?v=-B3zhnyQUDk&feature=youtu.be>

# ECONOMIC OUTLOOK 2020

During 2020, economic trends went decidedly non-linear. Individual social-distancing choices became an overlying trend that slowed and altered economic activity. Predictions come hard when normal trends have been shoved aside by pandemic realities.

- With local caseloads and mortality rates generally rising, pandemic conditions will worsen in coming months before vaccine penetration can help. The best information currently suggests social-distancing measures must remain strict through at least mid-2021.
- Interest rates, low before the recession, are even lower now. This reflects how the pandemic and economic crisis have parked a lot of money, with reduced spending putting a firm brake on economic activity. Aging of the population may also be a constraint on spending. Remember, though, that low rates create investment opportunities.
- Demand will remain depressed in the economic sectors most vulnerable to social distancing. All populations, but especially vulnerable populations—the elderly, and those aware of pre-existing health conditions—will remain less economically active until the pandemic subsides. Our situation will resemble a “ninety percent economy.”
- The major delivery firms are strained by this year’s rapid E-commerce growth. They are likely to put their focus on long-haul operations and step back from local activities, opening a business opportunity for enterprising local-delivery firms.
- The pandemic has injected extra energy into those forms of tech and AI activity which provide workarounds to substitute for human contact and even some physical labor. The fintech sector, in which the Little Rock region is a player, is seeing rapid growth as the pandemic shifts financial activity away from paper and even card transactions toward digital banking. Another local tech niche, cyber-security, will remain a vital corollary to increasing digital activity.
- Covid-19 might prove an inflection point in the global energy picture. Fossil-fuel use dropped under pandemic

“From an industry standpoint, we’ve done fairly well. We do demonstrations online. We continue to invest. Opportunity is excellent.”

Tony Warren—Managing Director of Payment Software, Euronet Software Solutions



Does the change have to be temporary? Outdoor dining in the Argenta Arts District on weekends during the pandemic. Photo credit: <https://www.argentaartsdistrict.org/post/press-release-argenta-outdoor-dining-district>

- conditions, while solar and wind energy are beginning to surpass coal and oil in cost-effectiveness for electric power generation.
- Long-term planning must take pandemic threats into account. Architecture, landscape architecture, and urban design will all demonstrate greater pandemic preparedness.
- The pandemic hit urban areas first, leading to a perception that urban locations are less safe. Longer-term perspective may reverse this outlook. Globally and in Arkansas, after the initial crisis mortality rates in rural areas have usually exceeded those of cities.
- Reductions in office and retail activity could have a negative impact on downtowns and concentrated suburban nodes like malls, shopping centers, and office parks. Land devaluations might nonetheless yield long-term opportunities. Housing may replace office and retail uses in select sites with location advantages.
- Pandemic conditions have led to greater outdoor pedestrian activity, as in Downtown Argenta where Main Street is now being closed to traffic—and opened to walkers—on weekends. History has seen multiple cases of cities being written off after pandemics, then re-emerging stronger than before. **M**

“I plan to optimize the virtual shopping experience. The outlook for 2021—Go for it!”

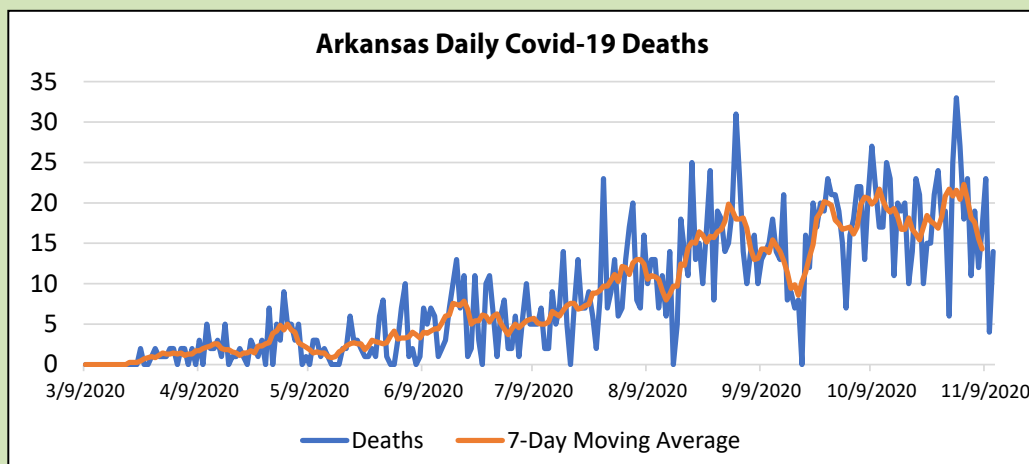
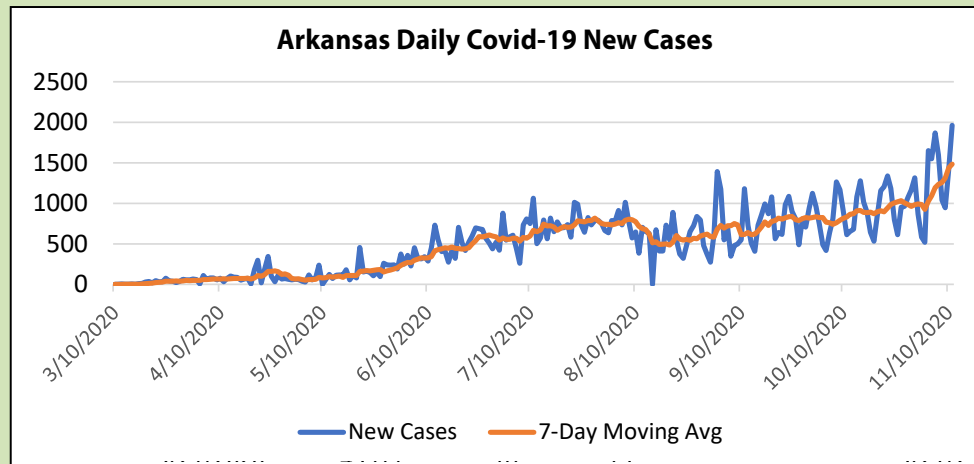
Carmen Portillo—Owner, Cocoa Belle Chocolates

## STATISTICAL SUPPLEMENT

### Pandemic Stats

The Outlook section of Metroplan's recent Demographic Review and Outlook newsletter, published in August 2020, warned that Arkansas Covid-19 caseloads were rising and that this could jeopardize the prevailing sense that the pandemic's worst days were over. Sadly, these words proved prophetic. For several weeks in September and early October, Arkansas regularly posted the nation's highest rate of recent deaths per 100,000, a fact which received scant attention in the local press.<sup>1</sup> The death rate may be a more useful indicator than the caseload, because the latter is dependent on the extent of testing.

Since the September–October window several states have passed Arkansas for recent deaths as the pandemic worsened in the Dakotas and other parts of the country's mid-section. A look at the charts below demonstrates the state's oscillating pattern in cases and deaths. The two have moved separately yet in relation with one another. Accelerating caseloads at present (mid-November) suggest that deaths will begin to tick upward within a few weeks. The pandemic is, quite simply, worsening. The state is suffering about 23 deaths daily at the time of this writing.<sup>2</sup> It is affecting the state's overall mortality and—based on national trends—also probably depressing fertility rates. Demographic consequences will outlast the pandemic. Population forecasts will require downward revision, to an extent unknown at present.



Source: U.S. Centers for Disease Control.

<sup>1</sup> Some of the spike in deaths may be attributed to statistical adjustments made in mid-September by the Arkansas Department of Health to account for deaths previously assigned to other causes. However, the state's top national ranking persisted afterward into October, and as of November 24 remained 13<sup>th</sup> out of 50 states (0.8 deaths per 100,000 population over the past seven days).

<sup>2</sup> CDC for Arkansas, November 24 previous seven days, 162 deaths.

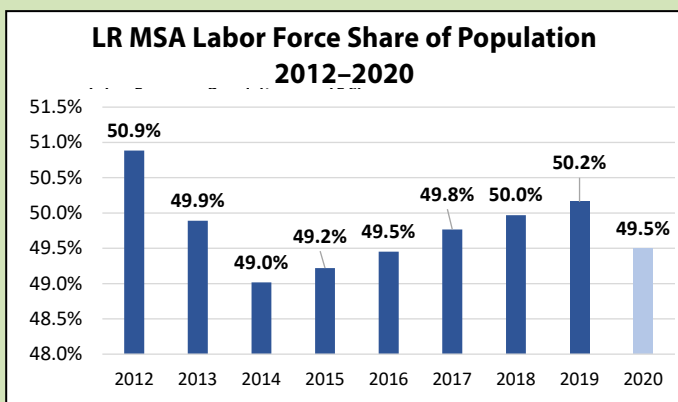


## Labor Force Trends

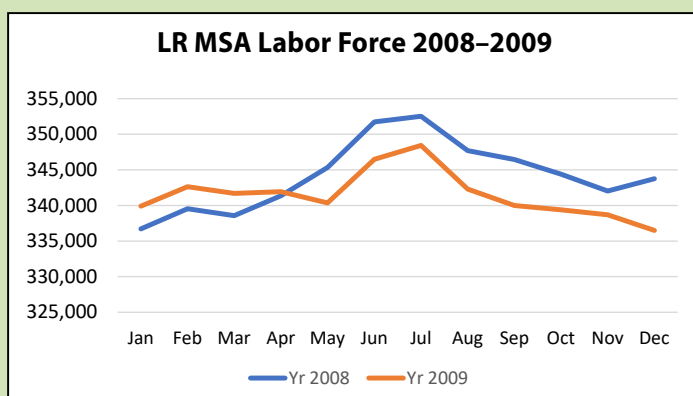
Labor force participation is a useful measure of economic activity and expectations. Covid-19 has shrunk the size of the U.S. labor force, and done the same for the Little Rock region, reversing a slow rise since about 2013. Female labor force participation seems to be hit especially hard, impacted by market trends and family situations.

The two charts below compare the labor force “hit” in the Covid-19 recession against the region’s previous recession in 2009. As you can see, from 2008 to 2009 labor force dropped but not precipitously. In the 2019 to 2020 data so far, disruption to the labor force has been substantially greater. As the pandemic fades, perhaps in early 2021, participation will probably recover. Once people leave the labor force, however,

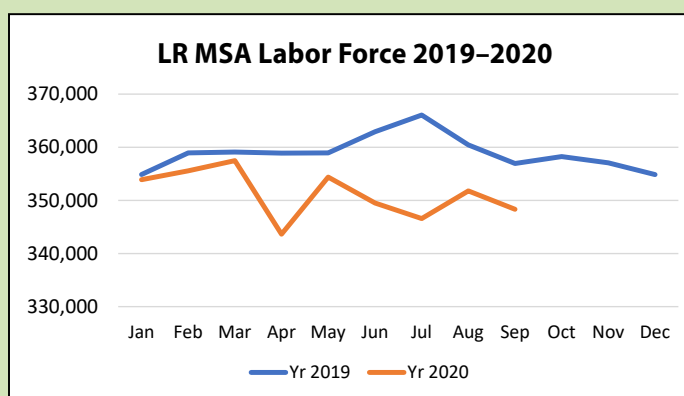
they don’t always return and—even if they do—it typically takes years for a full recovery.



Sources: 1. Labor force data from U.S. Bureau of Labor Statistics. 2. Census population figures for 2010. 3. Revised Metroplan population estimates for all other years. 4. Metroplan extrapolation for labor force 2020.



Figures are nominal; not seasonally adjusted.

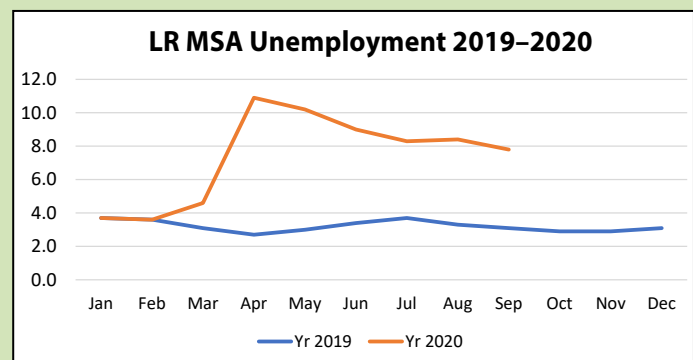


Figures are nominal; not seasonally adjusted.

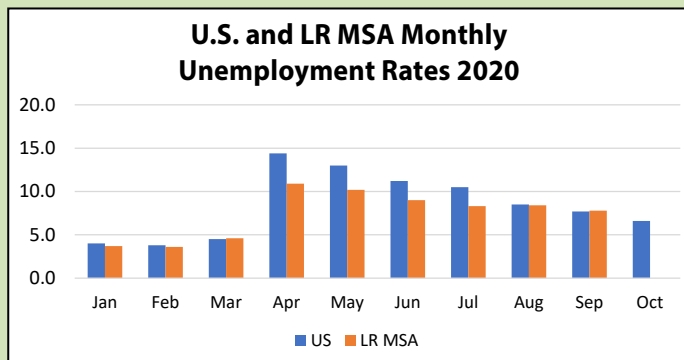
## Unemployment

At the start of 2020, regional unemployment was running at a comfortable 3.7 percent. When Covid-19 hit it rose quickly, peaking at 10.9 percent in April. Since that time it has been coming back downward, slowly, as shown in the chart below.

When the initial crisis hit hard in April, U.S. unemployment hit 14.4 percent, or 3.5 points higher than in Central Arkansas. Yet it also came down more quickly. By September U.S. and Little Rock region rates were close (7.7 and 7.8 percent, respectively). October data has not yet been released for the Little Rock MSA.



Figures are nominal; not seasonally adjusted.



Figures are nominal; not seasonally adjusted.

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