METROTRENDS

June 2010

2010 Demographic Review & Outlook

- **Shifting Demographics of Recession**
- **Population Estimates**
- **Recent Housing Trends**

METROPLAN

SMART PLANNING MAKES SMART PLACES

About Metroplan

Metroplan is a voluntary association of local governments that has operated by interlocal agreement since 1955. Originally formed as the Metropolitan Planning Commission of Pulaski County, Metroplan now has members in the six-county metro area (see below). 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 edition is the Demographic Review and Outlook; the fall edition is the Economic Review and Outlook.

Table of Contents

Cover photo: Concert at the riverfront amphitheatre in Little Rock, during Riverfest 2009. Reprinted with permission from Riverfest Arkansas.

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.

Prepared by: Jonathan Lupton, Research and writing
Jean Dahms, Graphics and layout

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Recession Demographics: A Preview

Recent editions of this newsletter have shown that the national recession of 2008-2009 was less severe than average in central Arkansas. While this was and remains true,

Unemployment 2006-2010

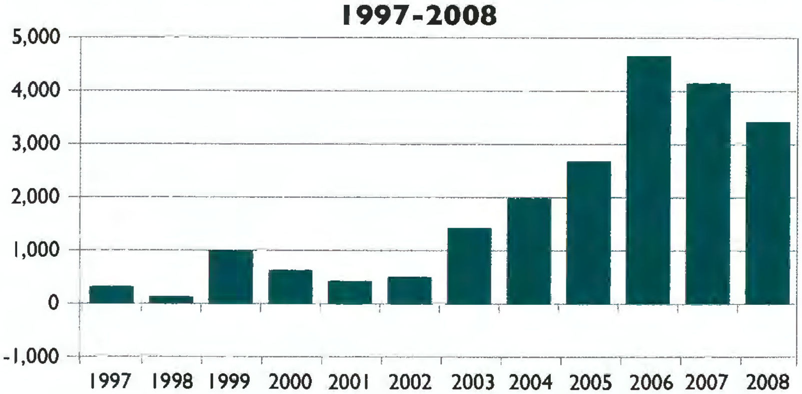
(Seasonally Adjusted)

recent months have seen rising local unemployment as economic linkages drew recession conditions into the central Arkansas economy.

How is our region coping with economic adversity? How has the recession affected our people? Demographic data tend to lag the trend more than economic data, so we can only make preliminary judgments.

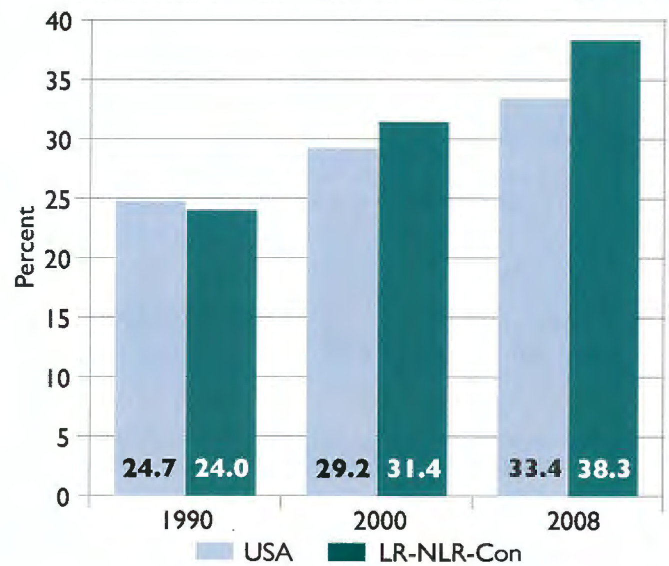
The chart below shows regional migration trends through 2008. As you can see, in-migration to central Arkansas slowed during the most recent interval, from 2007 to 2008, but remained in positive territory. Since U.S. domestic migration hit record lows during 2007-2008, these figures suggest central Arkansas continues attracting inmigrants – a direct contradiction of the national trend. This in-migration may indicate that even though the local job market has weakened, it remains strong enough to attract new workers from outside the region.

LR-NLR-Conway Net Migration Trend 1997-2008



A local puzzle, mentioned briefly in Metroplan's 2009 Economic Review and Outlook, is that poverty has risen faster in the local area than the U.S. average. This trend is superficially surprising, since local income growth has outpaced the national average. The answer, it appears, is that poverty is closely correlated with single-parent households with children. While U.S. single-parent households have also grown as

Single-Parent Families as Share of Total Families with Children Under 18



a share of total households with children, they have grown at a faster rate in central Arkansas.

The figures we have so far give hints about social and economic changes that are driving today's trends. By the time Metroplan publishes its next edition of this newsletter, we should have more hard data on how the Great Recession has changed us. **M**

Population Estimates for 2010

Little Rock - North Little Rock - Conway MSA

	2000	2010	Change 2000-2010	Percent Change 2000-2010
Faulkner County Total	**86,014**	**114,013**	**27,999**	**32.6**
Conway	43,167	60,881	17,714	41.0
Greenbrier	3,042	4,420	1,378	45.3
Mayflower	1,631	2,286	655	40.2
Vilonia	2,106	3,547	1,441	68.4
Wooster	516	867	351	68.0
Small communities	1,535	2,172	637	41.5
Unincorporated	34,017	39,840	5,823	17.1
Grant County Total	**16,464**	**17,880**	**1,416**	**8.6**
Sheridan	3,872	4,681	809	20.9
Lonoke County Total	**52,828**	**68,779**	**15,951**	**30.2**
Cabot	15,261	23,821	8,560	56.1
Austin	605	1,905	1,300	214.9
Ward	2,580	3,964	1,384	53.6
Lonoke	4,287	4,458	171	4.0
England	2,972	3,030	58	2.0
Carlisle	2,304	2,417	113	4.9
Small communities	758	782	24	3.2
Unincoporated	24,061	28,402	4,341	18.0
Perry County Total	**10,209**	**10,334**	**125**	**1.2**
Perryville	1,458	1,440	-18	-1.2
Pulaski County Total	**361,474**	**387,436**	**25,962**	**7.2**
North Little Rock	60,433	60,853	420	0.7
Jacksonville	29,916	30,523	607	2.0
Sherwood	21,511	30,543	9,032	42.0
Maumelle	10,557	17,512	6,955	65.9
Unincorporated (N)	29,706	28,236	-1,470	-4.9
Total North of the River	152,123	167,667	15,544	10.2
Little Rock	183,133	192,334	9,201	5.0
Cammack Village	831	820	-11	-1.3
Alexander*	174	174	0	0.0
Wrightsville	1,368	1,642	274	20.0
Unincorporated (S)	23,845	24,799	954	4.0
Total South of the River	209,351	219,769	10,418	5.0
Total Unincorporated	53,551	53,035	-516	-1.0
Saline County Total	**83,529**	**105,345**	**21,816**	**26.1**
Benton	21,906	29,639	7,733	35.3
Bryant	9,764	18,432	8,668	88.8
Shannon Hills	2,005	3,231	1,226	61.1
Haskell	2,645	3,321	676	25.6
Alexander*	440	2,525	2,085	473.9
Traskwood	548	606	58	10.6
Bauxite	432	451	19	4.4
Unincorporated	45,789	47,140	1,351	3.0
Hot Springs Village Total	**10,375**	**13,739**	**3,364**	**32.4**
In Saline County (unincorporated)	3,719	6,075	2,356	63.4
In Garland County (unincorporated)	6,656	7,664	1,008	15.1
MSA Totals				
4-County Total	583,845	675,573	91,728	15.7
6-County Total (official MSA)	610,518	703,787	93,269	15.3

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.

Late Decade Population Estimates

Central Arkansas Population in 2010

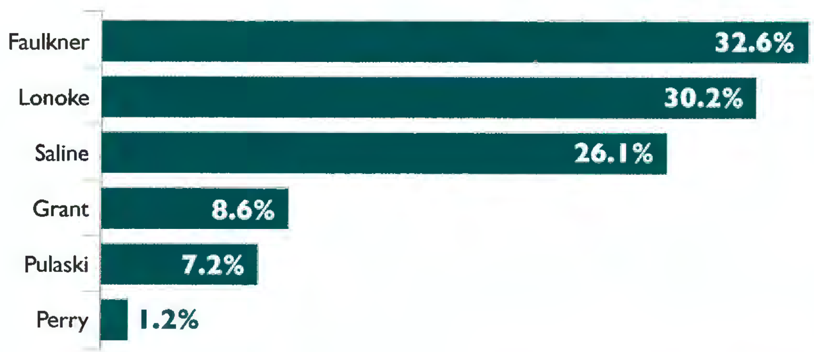
Metroplan's population estimates show a region that has grown by just over 15 percent in the new millennium's first decade. Regional growth was thus slightly faster than the U.S. average over the same time period. Within the region, growth ran fastest in the three large outlying counties, led by Faulkner County, followed closely by Lonoke and Saline. Growth was lower in the smaller outlying counties, as well as in centrally-located Pulaski County. Even so, if Metroplan's estimates are correct, Pulaski County grew about twice as quickly, at 7.2 percent, as it did from 1990 to 2000, when growth was 3.4 percent.

Known Unknowns, Unknown Unknowns, and Census 2010

How accurate are Metroplan's population estimates? We will find out next year, when the first basic counts are due from Census 2010. If our experience from the year 2000 is any guide, our estimates should hold up pretty well. For example, our estimates for the MSA total and the City of Little Rock were closer to the mark than the Census Bureau's own estimates.

Our estimate methodology is based on housing permit records. For communities that provide accurate and detailed records, our estimates are likely to come in very close. Our estimates will be less accurate in areas for which we have limited permit records, or no records at all. The problem is even greater in unincorporated areas - our biggest "known unknowns." But there will always be surprises, the "unknown unknowns." We will get answers to all of our questions when local Census 2010 figures are released in March of 2011. **M**

Estimated Population Growth by County 2000-2010



Components of Population Change
Little Rock-North Little Rock-Conway MSA 2000-2010

	January 1 2010	April 1 2000	Change	Births	Deaths	Natural Increase	**Net Migration**
Faulkner	114,013	86,014	27,999	13,612	6,759	6,853	**21,146**
Grant	17,880	16,464	1,416	1,906	1,597	309	**1,107**
Lonoke	68,779	52,828	15,951	8,148	4,852	3,296	**12,655**
Perry	10,334	10,209	125	1,195	1,140	55	**70**
Pulaski	387,436	361,474	25,962	52,692	32,346	20,346	**5,616**
Saline	105,345	83,529	21,816	10,469	7,652	2,817	**18,999**
4-Co. MSA	675,573	583,845	91,728	84,921	51,609	33,312	**58,416**
6-Co. MSA	703,787	610,518	93,269	88,022	54,346	33,676	**59,593**

Sources: Birth and death data from Arkansas Department of Health.
Birth data for 2007-2009 and death data for 2008-2009 are provisional.
Year 2000 death data represent period from April 1 - December 31, estimated as 75 percent of the total.

Market Adjustments in 2010

If there's a word to describe central Arkansas housing markets today, as they respond to a prolonged housing crisis and the aftermath of a severe recession, that word would be "downsizing." During 2009, for the first time since the middle 1980's, construction of multi-family housing units in central Arkansas outnumbered new single-family homes. Total single-family housing units permitted during 2009 amounted to 1,352 units, the lowest recorded since 1990. The square footage of new single-family housing units has also moved down, in line with national trends.[1]

Along with the downsizing trend, there are also signs of recovery at last. While it is normal for new construction to move up in the first quarter of the year, Metroplan's single-family housing index showed an uptick even when adjusted for seasonality. The local single-family index also continues to outperform the national average.

The region's multi-family housing index showed a downward trend in the final quarters of 2009 and the first quarter of 2010. Yet it remains higher than the national average. The local multi-family construction market is by its very nature prone to volatility. Anecdotal evidence suggests multi-family construction could strengthen by mid-2010. Demographic evidence, too, may point toward latent demand for additional housing, since the region's population has continued to grow at a faster pace than the national average.

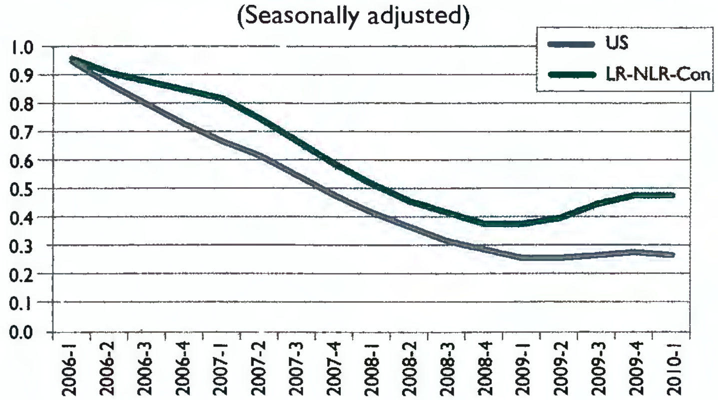
During 2009, Conway single-family construction climbed 35 percent in the face of national recession, while Bryant and North Little Rock markets grew by 20 and 14 percent, respectively. All other markets were down, but in most cases the decline from 2008 to 2009 was moderate.

As the chart bottom right shows, interest rates have remained at historic lows since early 2009. Many economists suspect rates must begin rising again soon to head off inflationary pressures. In the meantime, a promising market like central

[1]See text box on page 8.

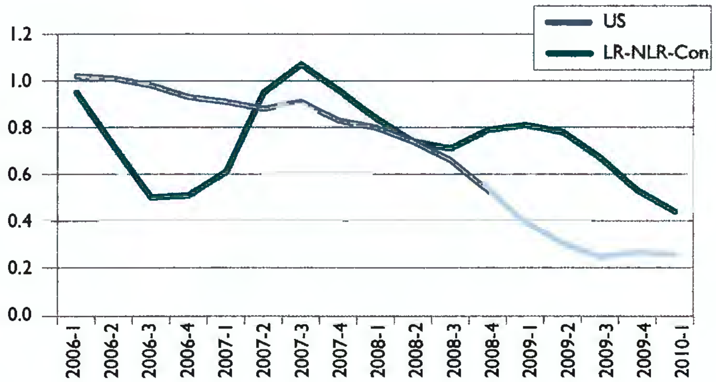
Single-Family Construction Index 2006-2010

(Seasonally adjusted)

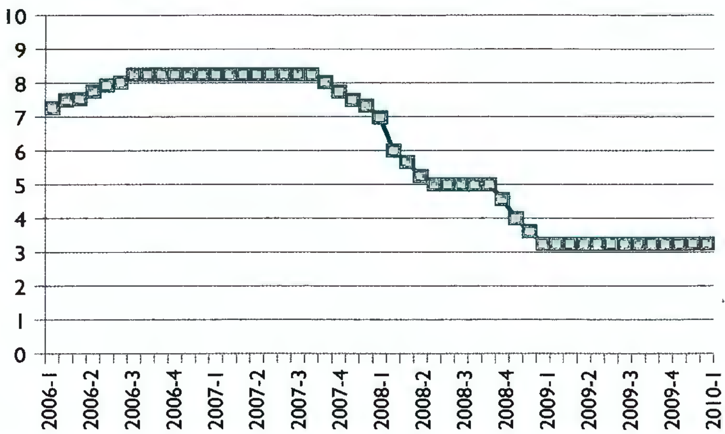


Multi-Family Construction Trend 2006-2010

(Seasonally adjusted)

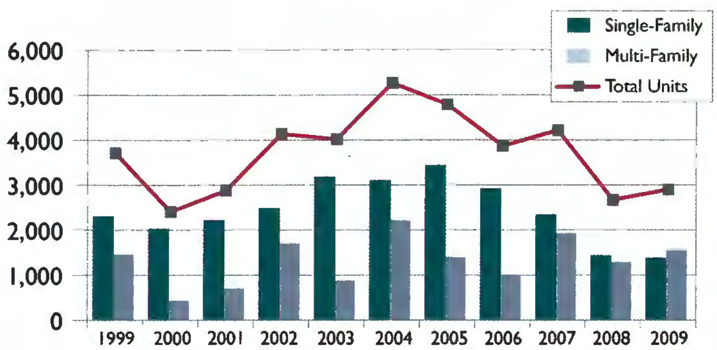


US Prime Bank Loan Rate 2006-2010



Arkansas represents an investment opportunity while the cost of money remains lower than many of us may see again in our lifetimes. **M**

Regional Housing Unit Permit Totals 1999-2009



Apartment construction continues near Maumelle Blvd in western North Little Rock.

Housing Unit Permits 2006 - 2009 for Cities Over 5,000 LR - NLR - Con MSA

Single-Family Housing Unit Permits

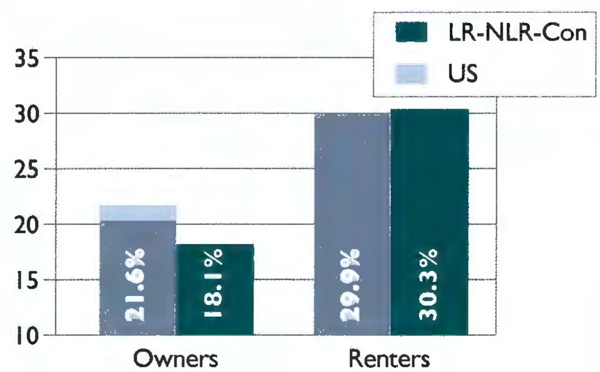
	2006	2007	2008	2009
Benton	496	372	260	198
Bryant	110	158	115	138
Cabot	416	183	113	111
Conway	409	303	192	259
Hot Springs Vil.	299	213	80	62
Jacksonville	126	125	54	51
Little Rock	810	707	360	317
Maumelle	221	144	108	85
N. Little Rock	93	104	84	96
Sherwood	218	219	123	97
Total SF	2,899	2,315	1,409	1,352

Multi-Family Housing Unit Permits

	2006	2007	2008	2009
Benton	0	10	0	0
Bryant	2	412	8	8
Cabot	152	0	0	72
Conway	222	152	741	874
Hot Springs Vil.	0	0	0	0
Jacksonville	34	22	25	12
Little Rock	15	564	280	330
Maumelle	0	0	72	22
N. Little Rock	540	740	136	226
Sherwood	4	0	0	2
Total MF	969	1,900	1,262	1,546
Total Units	3,868	4,215	2,671	2,898
Percent SF	74.9	54.9	52.8	46.7
Percent MF	25.1	45.1	47.2	53.3

Housing Cost vs. Income

The chart below compares total housing cost as a share of income between central Arkansas and the U.S. average. The region's homeowners benefit from one of the country's better housing-to-income



matchups in a metropolitan setting. For local renters, the deal is less good. The following table shows the region's affordability ranking among U.S. metro areas.

	Rank Among All 369 US Metros	Rank Among 49 Mid-Sized Metros
Owners	72	3
Renters	216	25

Source: American Community Survey 2008. Rankings and analysis by Metroplan.

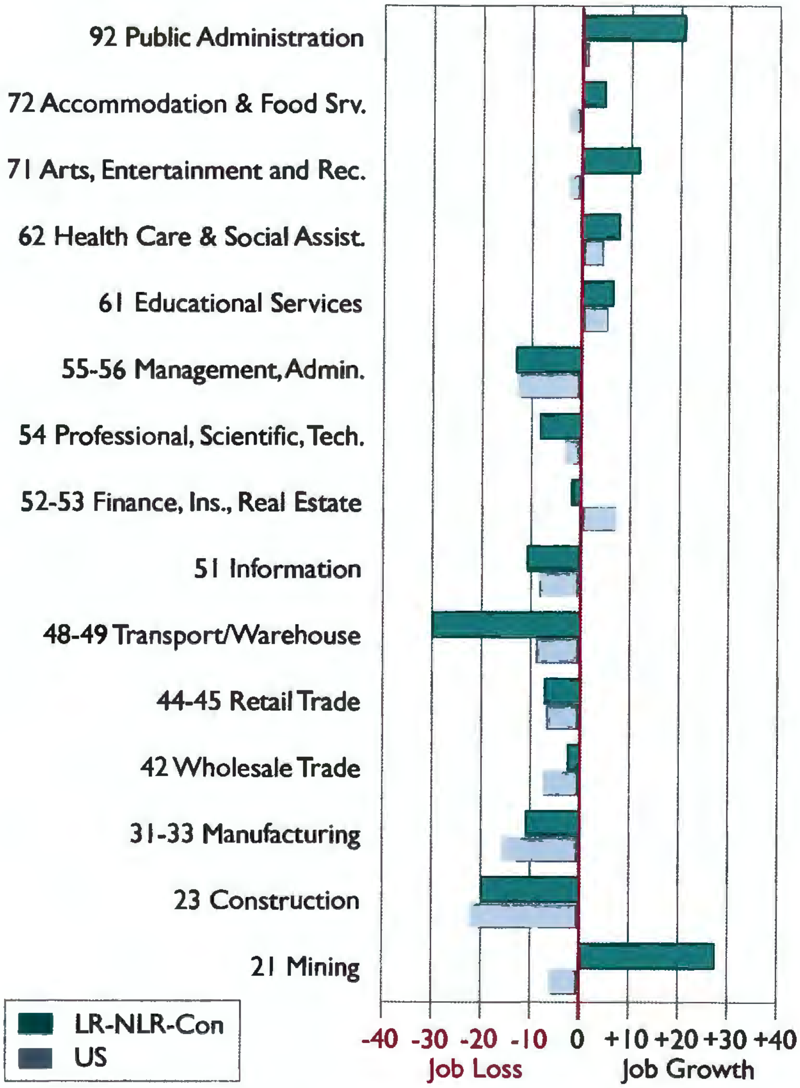
Rankings are from lowest cost to highest. Thus, central Arkansas had the 72nd lowest owner costs among all 369 U.S. metros.

The Economic Dislocation Challenge

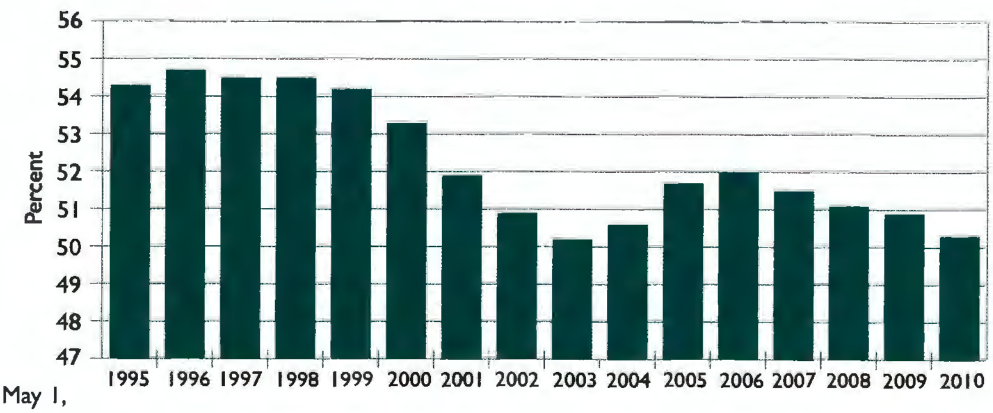
Economists are fretting about the "jobless" quality of today's U.S. economic recovery. Compared with past recoveries, employment growth has run slowly, and unemployment rates have lingered at high levels. Why has employment recovery been so slow? Part of it was the Great Recession's painful magnitude, as the worst recession since the Great Depression. But dislocation is a problem too.[1] Losses have been especially bad for workers in two industries, construction and manufacturing. In central Arkansas, the transportation and warehousing sectors have also been hit hard. Workers in these sectors may lack the skills necessary to transfer into available job openings. Thus, firms in growing sectors like education and health care cannot find people to fill positions, yet many workers remain unemployed. The chart top right compares employment change from late 2007 to late 2009 for the US and central Arkansas economies.[2]

The local loss in construction and manufacturing has been less severe than the U.S. average. The local area has shown less job loss in most sectors, but in transportation and warehousing the local job loss has been about three times as great. The local mining sector has grown by 27 percent thanks to natural gas extraction in the Fayetteville Shale Play, but the total number of jobs gained in this sector is a rather modest 390. Local job growth in public administration,

Percent Employment Change by Industry 2007 (Q3) to 2009 (Q3)



LR-NLR-Con MSA Labor Force Participation 1995-2010



[1] "Something's Not Working," *The Economist*, May 1, 2010.

[2] U.S. data from U.S. Bureau of Labor Statistics; local data from U.S. Census Bureau's LEHD data set.

Metroplan Estimates, Census Estimates, and the National Context

The Census Bureau publishes its own estimates, which provide a useful index of population change for the country and its constituent states, counties and cities. The latest census estimates currently available are for July 1, 2009.[1] The Census Bureau bases these estimates on so-called federal "administrative records," including birth and death certificates, IRS migration files, and other federal records.

Census estimates have historically proven fairly accurate, with an error margin generally under about 4 percent. For the local area, Metroplan's estimates have nonetheless come closer to the mark in years past. In central Arkansas, census estimates generally under-counted communities in both the 1990 and 2000 censuses.

The table below compares census estimates with Metroplan estimates. Since the latest census estimates only go to July 1, 2009, whereas Metroplan's latest cover January 1, 2010, the table extrapolates census estimate figures forward to provide comparable time points. Then it takes all of them forward to official census day, April 1, 2010. As you can see, both Metroplan and census estimates show that the region's population growth has exceeded the national average over the past decade.

Population Trends 2000-2010

	Decennial Census & Census Estimates		Metroplan Estimates
Date	USA	LR-NLR-Con MSA	LR-NLR-Con MSA
4/1/2000	281,421,906	610,518	
7/1/2009	307,006,550	685,488	n/a
1/1/2010	308,389,504	689,540	703,787
4/1/2010	**309,080,981**	**691,567**	**706,179**
2000-2010	**+9.8%**	**+13.3%**	**+15.7%**

[1] Except for cities (called places in Census nomenclature). Census place estimates for July 1, 2009 will become available in July, 2010, at www.census.gov/popest.

while substantial, cannot fuel long-term economic growth.

The chart, at the bottom of the facing page, shows Metroplan's estimate for central Arkansas' labor force participation rate over the past decade. As you can see, participation rates have never regained their highs from the late 1990's. Participation increased during the economic recovery from 2003 through 2006, but has dropped steadily since. While age-related demographics can play a role in participation, economic signals are probably a more important factor. Labor force participation can be an index of worker discouragement. Lower participation rates suggest that some economically marginal workers are no longer looking for a job.

The ongoing recovery will get many people back to work. But when 10 percent of local manufacturing jobs, 20 percent of construction jobs, and 30 percent of transportation and warehouse jobs have vanished in the space of two years, there has been a major and probably long-lasting structural change in the economy. The pace of human adaptation will continue lagging behind the economic recovery. **M**

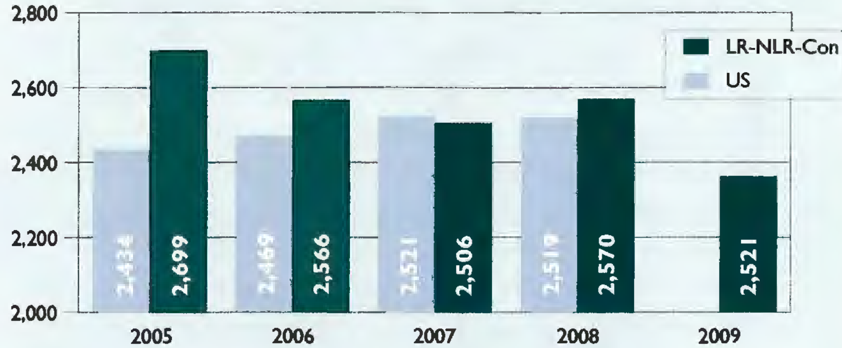
Well-located but vacant: warehouse space in central Arkansas.

A New Data Set

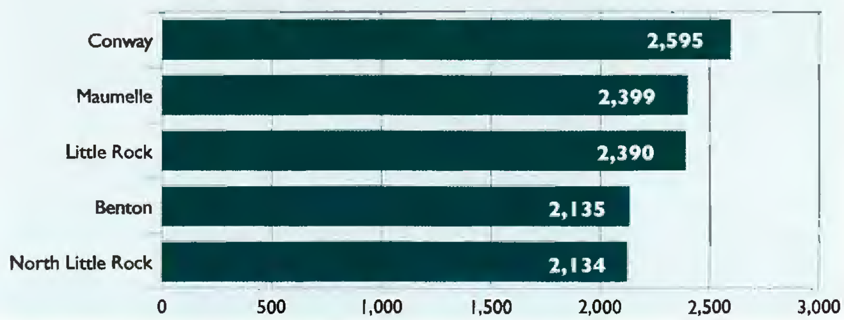
The chart top right compares average square footage of new single-family homes between the U.S. and central Arkansas. As you can see, the average size of local new housing has declined since 2005, dropping fastest from 2008 to 2009. U.S. square footage rose through 2007, then declined from 2007 to 2008. The U.S. Census Bureau had not reported a 2009 U.S. figure by the time of this writing.

Like most data sets, this one must be used with care. For central Arkansas, the data trend is based on four cities: Benton, Conway, Little Rock, and North Little Rock. These cities, plus Maumelle, are the only ones that report square footage in their building permit records. Therefore, the regional average figure should be used with care. It may slightly overstate the average size of new units.

Mean Square Footage of New Single-Family Housing Units



Square Foot Average for New Single Family Homes 2009



Demographic Outlook 2010

The Great Recession has diminished the value of financial investments and housing, delaying and changing future plans – including retirement plans - for the working population. Income growth and career progress have slowed for young people entering the work force. Regional housing growth lags population growth, and has shifted toward more multi-family, and smaller single-family units. An "echo bust" in housing remains possible as government market interventions are withdrawn.[1]

Prospects for the near-term future:

- Uncertainty about future energy costs will favor more compact housing developments located closer to jobs and activity centers.
- Land costs will reflect even more strongly the importance of centrality and proximity.
- The higher cost of well-located land will tend to push lower-cost housing out toward the edges.
- Generation X is moving into its prime housing "trade-up" years. This group has lower incomes and smaller families than the preceding Baby Boom, and a stronger taste for community-oriented housing.[2]
- Generation Y, the "twenty-somethings," will continue boosting multi-family demand, and begin to impact single-family markets.
- Access to trails and sidewalks will matter more.

Some of the trends outlined above contradict others. Successful developments will use creative solutions to combine as many as possible.

Census 2010 results for the local area should be released in March of 2011. Next year's *Demographic Review and Outlook* will offer a detailed local assessment. **M**

[1] "Waiting for the Other Shoe to Drop," *The Economist*, March 27, 2010.

[2] "A Glimpse into the Postcrash Environment," *Urban Land*, March/April 2010.

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