

METROTRENDS

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2002 Economic Review and Outlook

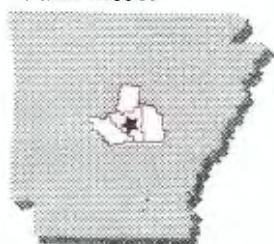
During the year 2001 central Arkansas employment declined for the first time since the early 1980's. As the chart shows, the entire state of Arkansas also saw net job loss, while employment growth was just 0.3 percent for the USA as a whole. Monthly data through October 2002 show that the Little Rock-North Little Rock MSA, the state and the USA will probably all show net employment decline for the year 2002.

Meanwhile, unemployment has climbed at local, state and national levels. Unemployment in the LR-NLR MSA climbed marginally to 4 percent in 2001. By comparison, unemployment rates for the US and Arkansas were 4.8 percent and 5.1 percent, respectively.

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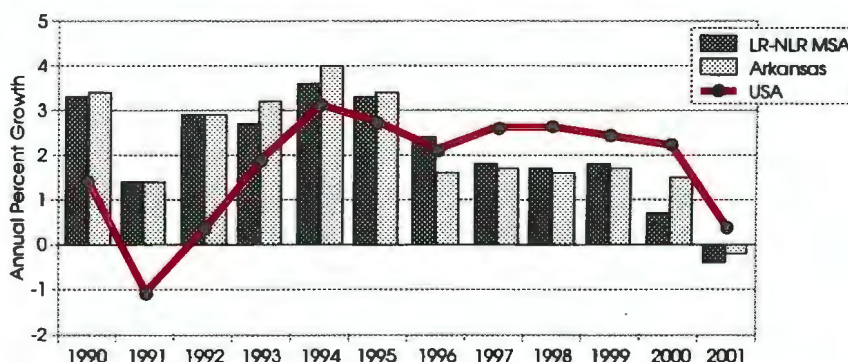
. . . and more!



Little Rock - North Little Rock MSA
(Metropolitan Statistical Area)

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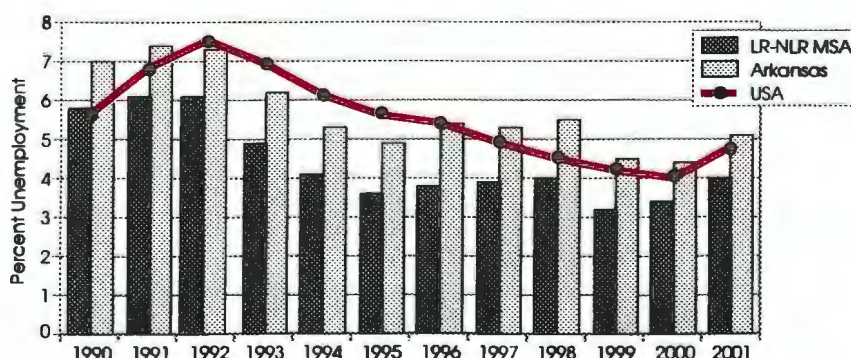
1990-2001 Job Growth
LR-NLR MSA Versus State and US



These figures reveal a combination of factors that may shape the coming economic recovery in central Arkansas. During the year 2002, unemployment has dropped locally even while increasing at the national level. In October 2002, for example, unemployment in the LR-NLR MSA had fallen to just 3.6 percent, versus 5.3 percent for the US and 5.1 percent for the state of Arkansas.

Central Arkansas saw a growth slowdown ahead of state and US averages. The latest unemployment data suggest the region might be moving into economic recovery ahead of the trend.

1990-2001 Unemployment
LR-NLR MSA Versus State and National Averages



Source: (for charts) US Bureau of Labor Statistics and Arkansas Employment Security Department.

Commuting Trends

From Home to Job in a New Decade

You probably do not think much about your daily drive to work. You just do it. Census statistics suggest that, nationally and locally, we are all just "doing it" in about the same manner we did a decade earlier. As the table at right shows, few of us carpool or take public transit, and the proportion of people using these means declined from 1990 to 2000, just as it did during previous decades.

We also spend a bit more time commuting than we did a decade earlier. There are more cars and trucks on the road than ever before, while homes and workplaces are often distant from

one another. The table below shows the growth in driving time from 1990 to 2000. Note that driving time increased at a faster rate in the Little Rock-North Little Rock region than it did nationally.

Means of Transportation to Work

	USA		LR-NLR MSA	
	1990	2000	1990	2000
Drove alone	73.2	75.7	79.8	81.6
Carpooled	13.4	12.2	14.4	13.2
Public Transportation	5.3	4.7	0.9	0.9
Other means	5.1	4.1	2.9	2.0
Work at home	3.0	3.3	2.0	2.3

Source: Census 1990, STF-3 and Census 2000, SF-3

Mean Travel Time to Work in Minutes 1990 and 2000

	1990	2000	Change in Minutes	Percent Change
USA	22.4	25.5	3.1	13.8
LR-NLR MSA	19.9	22.9	3.0	15.1
Faulkner Co.	21.8	24.8	3.0	13.8
Lonoke Co.	23.5	27.5	4.0	17.0
Pulaski Co.	18.4	20.8	2.4	13.0
Saline Co.	24.2	27.0	2.8	11.6

Source: Census 1990, STF-3 and Census 2000, SF-3

Living and Moving in Complicated Times

There are signs that Americans' attitudes about the daily drive might be beginning to change, according to a new Census Bureau housing study. The study revealed that, among people who moved during 2001, nearly 31 percent reported that convenience to their job was a factor in choosing their new neighborhood, compared with about 22 percent back in 1993. As the chart on page 3 shows, there has been a consistent trend of growing concern about workplace convenience since the early 1990's.¹

Continued on page 3

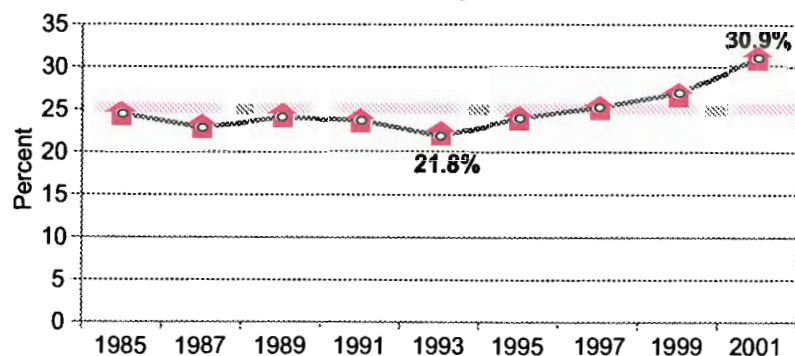


The daily commute takes longer now.

¹ American Housing Survey, US Bureau of the Census and HUD, 1985-2001.

Commuting Trends

Percent of US Movers Citing Convenience to Job



Source: American Housing Survey 1985-2001, US Bureau of the Census and HUD.



Large new homes have superseded older structures in several close-in areas. This new home recently replaced a smaller, older one in North Little Rock's Lakewood neighborhood.

Locally, there are hints that proximity to work is rising in importance. The downtown area's newly-constructed loft apartments have been highly successful, with consistently high occupancy rates. In several near-downtown neighborhoods older homes have been remodeled or replaced by newer, larger structures. At least a few prosperous residents seem to prefer the convenience of close-in neighborhoods.

Sprawl Still Rules

The data suggest that the transportation advantages of central location are being valued more as traffic frustration rises. Make no mistake, however. Most new housing and commercial developments in the USA and central Arkansas continue crawling across fields and woodlands in the suburbs and exurbs.

LR-NLR Socio-Economic Statistics 2001

	LR-NLR MSA	Faulkner	Lonoke	Pulaski	Saline
Average Resident Employment	286,250	40,400	24,825	181,275	39,750
% Unemployment	4.0	5.0	3.5	4.1	3.3
Manufacturing	31,500	N/A	N/A	N/A	N/A
New Industries	5	1	1	3	0
Expanding Industries	26	5	0	20	1
Assessed Valuations (\$)	5,989,093,349	786,272,365	417,855,267	3,995,802,882	789,162,835
Real Estate (\$)	4,134,072,535	551,494,702	286,253,794	2,705,525,379	590,798,660
Personal Property (\$)	1,511,627,544	209,272,530	101,535,290	1,030,322,800	170,496,924
Corporate (\$)	343,393,270	25,505,133	30,066,183	259,954,703	27,867,251
Bank Deposits (\$)*	2,996,807,000	443,488,000	450,966,00	1,873,795,000	228,558,000
Bank Assets (\$)*	3,401,138,000	548,922,000	532,729,000	2,071,911,000	247,576,000

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

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

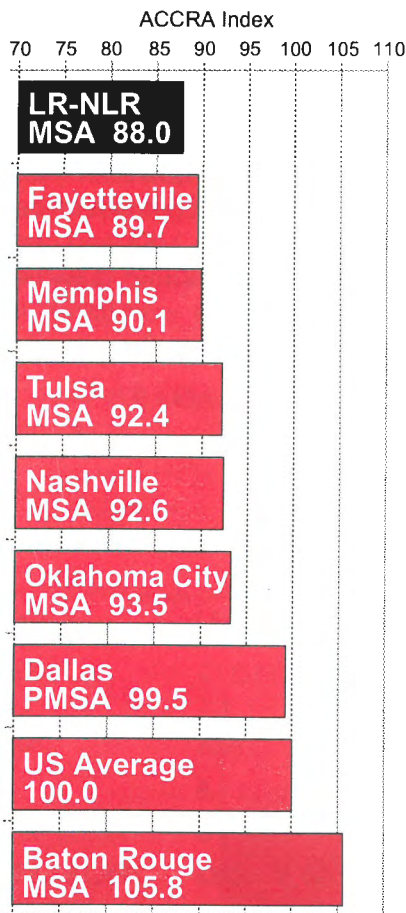
Regional Cost of Living

Where Central Arkansas Beats the Competition, Hands Down

By most measures, the Little Rock-North Little Rock region ranks as a typical mid-size metropolitan area in the south central United States. Education, per capita income, and poverty levels are close to the norm. Most other measures are also typical.

Typical, that is, except for cost of living. According to the ACCRA cost of living index, only two small metropolitan areas in the entire USA have lower costs, while the Little Rock region is tied with one other region for third place, with a cost of living at about 88 percent of the national average.¹ The chart below compares the central Arkansas cost of living with several other South central metro areas. In the critical category of housing, the Little Rock region also performs quite well, where an index of 81.4 puts it 11th in the country for housing affordability.²

2000 Cost of Living Index for Selected South Central Metro Areas



The central Arkansas region's low cost of living could become an inducement to economic growth, precisely because its other indices are so typical. The table at right compares ACCRA's cost of living index with a Metroplan index for per capita income and education levels. As the figures show, per capita income is about average among nearby metro areas, while education levels rank above the regional average and essentially on par with the national average. A local firm can expect a labor force up to national standards, but with a lower cost structure. People can live, and live well, on less money than required in other urban areas.

Indicators for Selected South Central Metro Areas Compared with the US Average

	ACCRA Cost of Living Index	Metroplan Per Capita Income Index ³	Metroplan Education Index ³
Austin TX MSA	N/A	109.0	145.0
Baton Rouge LA MSA	105.8	85.0	100.0
Dallas TX PMSA	99.5	120.0	115.0
Fayetteville AR MSA	89.7	79.0	89.0
LR-NLR AR MSA	88.0	93.0	99.0
Memphis TN MSA	90.1	99.0	90.0
Nashville TN MSA	92.6	105.0	103.0
Oklahoma City OK MSA	93.5	86.0	97.0
Tulsa OK MSA	92.4	98.0	88.0
US Average	100.0	100.0	100.0

Cost of living figures from 2001 Statistical Abstract of the United States, Table 695, provided courtesy of ACCRA.

¹ First place overall went to nearby Ft. Smith, Arkansas, with an index of 86.9; second place to Jonesboro, Arkansas with a value of 87.0. The Little Rock region is tied with Kingsport, Tennessee for third place with a value of 88.0.

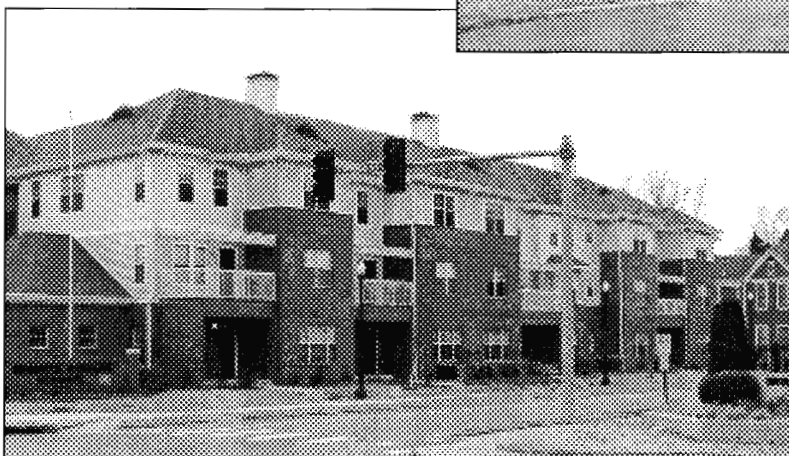
² First place in housing went to Pueblo, Colorado with an index of 78.5; second place to Odessa-Midland TX at 79.2. The Little Rock region is tied with Lubbock, Texas for eleventh place with a value of 81.4.

³ The Metroplan per capita income index is derived from Bureau of Economic Analysis figures for per capita income in 2000. The Metroplan education index is based on the percentage of persons with bachelor and graduate degrees for population aged 25 and greater, based on Census 2000. Both Metroplan indices are based on the U.S. average (100.0). A score above 100 implies per capita income or education levels above the U.S. average, while a lower score suggests levels below the U.S. average.

Regional Cost of Living



Central Arkansas residences come in many types and sizes, but cost less than in most other US urban areas.



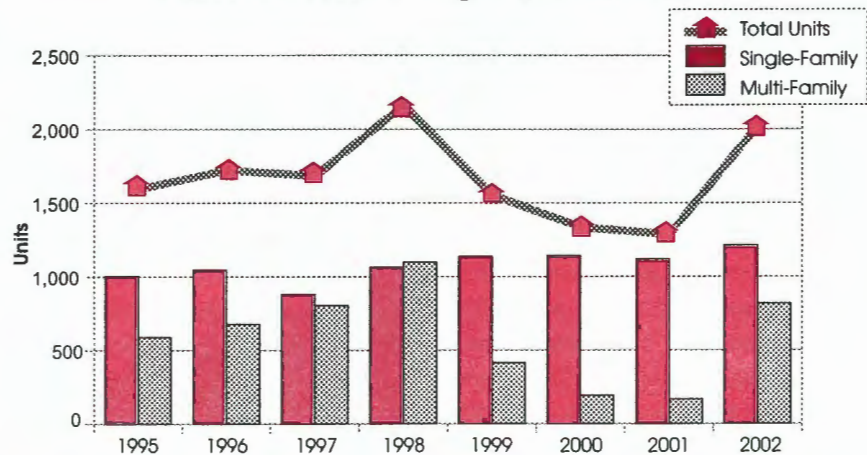
Housing Trends

Housing Construction Surged in Early 2002

Housing construction accelerated during the first six months of 2002. The total number of single-family units permitted (1,212) was the highest figure for January-June since the local housing boom year 1994. This surge was probably driven by a continuing drop in the federal funds rate, which hit its lowest point in several decades during 2002. Low mortgage rates are encouraging existing homeowners to trade up into larger units, as well as encouraging renters to buy into the housing market.

Multi-family construction also turned upward during 2002's first half, with 817 new units permitted. This up-tick is more an indicator of characteristic multi-family market volatility than of any broad trends. The new construction includes 38 units in the Rock St. Lofts in downtown Little Rock, plus 56 units in the new Argenta Square complex in downtown

**Total Housing Unit Permits LR-NLR MSA
First Half 1995 through First Half 2002**



**Housing Unit Permits
First Half of Year 1995-2002**

Single-Family	1995	1996	1997	1998	1999	2000	2001	
Little Rock	261	263	230	265	287	283	239	276
North Little Rock	47	50	37	33	43	30	38	32
Jacksonville	27	43	39	38	37	41	67	41
Sherwood	49	46	46	67	71	54	64	95
Maumelle	68	112	147	145	157	139	130	141
Cabot	183	155	93	139	140	157	160	159
Benton	73	73	57	84	76	127	103	128
Bryant	71	84	63	74	86	90	110	121
Conway	225	218	167	218	240	211	208	219
Single-Family Total	1,004	1,044	879	1,063	1,137	1,142	1,119	1,212
Multi-Family	1995	1996	1997	1998	1999	2000	2001	2002
Little Rock	240	183	609	634	261	42	64	263
North Little Rock	0	0	2	0	0	0	0	59
Jacksonville	1	0	7	1	58	80	0	114
Sherwood	274	19	0	226	0	8	61	0
Maumelle	0	0	0	0	0	0	0	0
Cabot	13	5	0	0	20	0	0	144
Benton	0	276	0	0	5	8	24	0
Bryant	10	0	2	0	4	4	0	0
Conway	51	194	184	236	67	50	17	237
Multi-Family Total	589	677	804	1,097	415	192	166	817
Total Housing Units	1995	1996	1997	1998	1999	2000	2001	2002
Total Housing Units	1,593	1,721	1,683	2,160	1,552	1,334	1,285	2,029
Percent Single-Family	63.0	60.7	52.2	49.2	73.3	85.6	87.1	59.7
Percent Multi-Family	37.0	39.3	47.8	50.8	26.7	14.4	12.9	40.3

Housing Trends

North Little Rock. There will also be a new 184-unit complex in western Little Rock, the first major multi-family construction in this area since the late 1990's. The region's northeastern quadrant is seeing a continuation of multi-family construction with an 88-unit complex in Jacksonville and a 144-unit complex in Cabot. In Conway, a 176-unit complex was permitted in March, resuming the city's large scale multi-family construction trend after a two-year slowdown.

The national recession has slowed new household formation to a seven-year low. Low interest rates have been luring apartment dwellers into new houses.¹ These factors, combined with nonexistent local job growth, will keep regional multi-family construction soft for the time being.

Economists believe that, despite historically low interest rates, demand for new single-family housing has been met, and will therefore drop off in coming months. Housing markets are generally counter-cyclical, thriving when the overall economy is weak and interest rates are down, and then slowing as economic growth bids up interest rates. Thus, housing construction serves as a stabilizing factor during economic hard times. A coming drop-off in new housing construction may thus become a signal that the economic recovery is gaining strength.

¹ *Multifamily Hits Bottom*. Celia Chen, The Dismal Scientist, July 25, 2002. Accessed online: <www.dismal.com>.

Income & Poverty

Income and Poverty Rankings of Cities in Little Rock-North Little Rock MSA 2000

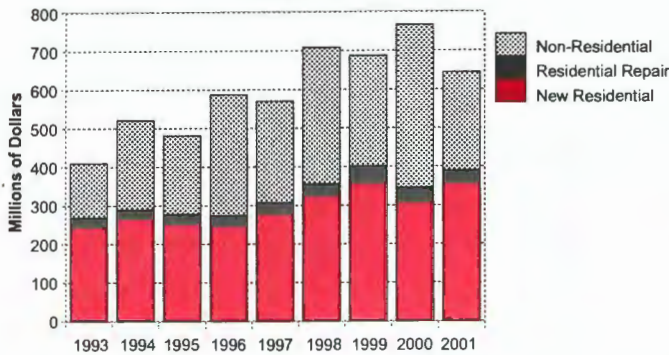
Ranking by Median Household Income			Ranking by Per Capita Income			Ranking by Poverty Rate		
1	Maumelle	\$65,534	1	Maumelle	\$30,013	1	Conway	16.3
2	Cabot	\$49,389	2	Little Rock	\$23,209	2	N Little Rock	16.1
3	Bryant	\$48,870	3	Sherwood	\$21,515	3	Little Rock	14.3
4	Sherwood	\$44,838	4	Bryant	\$20,730	4	Jacksonville	14.2
5	Benton	\$41,503	5	Benton	\$19,797	5	Benton	8.6
6	Little Rock	\$37,572	6	N Little Rock	\$19,662	6	Cabot	7.1
7	Conway	\$37,063	7	Cabot	\$19,020	7	Sherwood	6.3
8	N Little Rock	\$35,578	8	Conway	\$18,509	8	Bryant	4.8
9	Jacksonville	\$35,460	9	Jacksonville	\$16,369	9	Maumelle	2.9

Source: Census 2000, SF-3

Building Permit Values

The total dollar value of new construction permits in central Arkansas dropped substantially in 2001, from a record \$766.2 million in 2000 to \$643.7 million in 2001. This decline was partially offset by construction on major projects conducted without official building permits at UALR and UAMS.

**Building Permit Value Trends
1993 - 2001**



Paradoxically, while overall dollar value declined, residential construction in 2001 almost matched its highest-ever showing in 1999, and may perform quite well for 2002 as well. New residential construction climbed nearly 16 percent from 2000 to 2001. However, nonresidential construction permit values dropped a substantial 39 percent from 2000 to 2001. This probably reflects a weakening national economy and its impacts on the industrial, telecom, and technology sectors in central Arkansas.

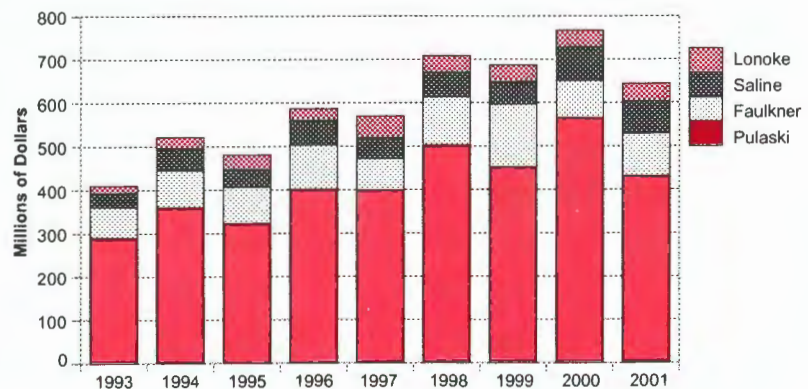
While most of the drop-off in building permit value occurred in Pulaski County, Faulkner County saw a moderate increase and Lonoke County also

registered a modest gain. Saline County construction value dropped slightly.

Commercial construction is likely to come out weak for 2002 and early 2003 as well, because the US economic slowdown is having three major impacts on real estate:

- The retail sector has taken a hit, and is also restructuring owing to the impact of information technology and changing consumer shopping tastes.
- The manufacturing sector has registered net decline over the past two years.
- Office space needs have dropped in face of white-collar layoffs.

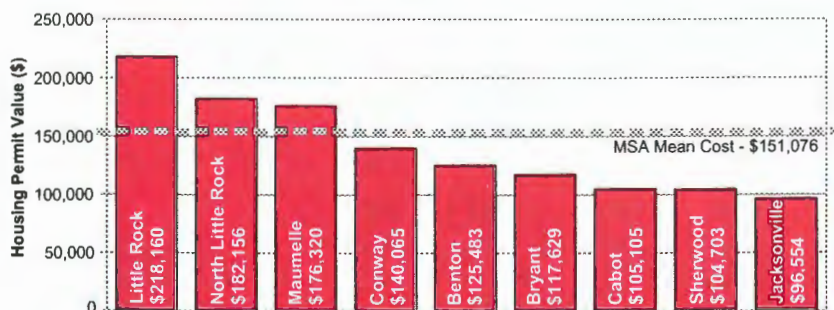
**Total Building Permit Values by County
LR-NLR MSA 1993-2001**



The region's weakness in commercial construction simply indicates the local impact of these national trends. Unlike residential construction, which is often counter-cyclical, commercial trends strongly reflect overall market growth conditions. Fortunately, there are no serious local signs of past over-

building that might cause a prolonged weakness in construction, except perhaps in the retail sector. Once the economy starts climbing out of its current slowdown, commercial construction will join the ascent.

2001 Average Single-Family Housing Permit Values by City



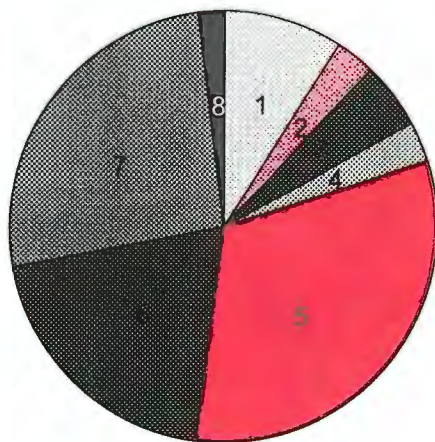
Large Commercial Projects

Commercial Construction Shows Diversity in 2001

There were 64 commercial projects valued at over \$1 million permitted by cities in the four-county region during the year 2001. Office construction was a much smaller component of the total during 2001, at just 18 percent of the total, compared with 46 percent of the total during the year 2000. Retail construction was the second largest major category, at 13 percent of the total, mainly in the form of new "big box" retail facilities in the region's outlying cities.

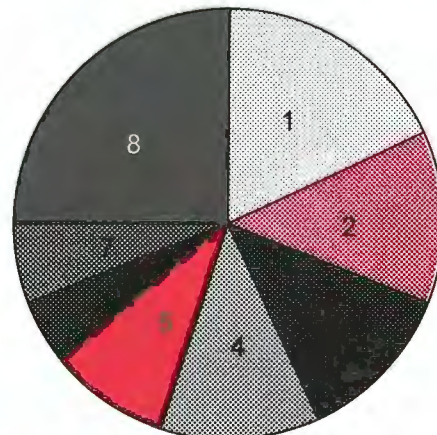
The City of Little Rock led the region's cities with 52 percent of large construction values, nearly half of this and 20 percent of the regional total occurring in the downtown area. North Little Rock accounted for just over a quarter of the region's total construction value. Benton followed with 9 percent of total construction values, and Conway ranked fourth at 5 percent.

**Large Commercial Project Values for 2001
by City and Type**



City	Value (\$)	Percent
1 Benton	14,489,000	9%
2 Cabot	4,759,580	3%
3 Conway	8,373,000	5%
4 Jacksonville	5,600,000	3%
5 Little Rock not Downtown	52,211,068	32%
6 Little Rock Downtown	33,275,956	20%
7 North Little Rock	44,003,650	26%
8 Sherwood	4,029,000	2%
Total	\$166,750,254	

Type	Value (\$)	Percent
1 Office & Bank	30,533,652	18%
2 Retail	22,435,650	13%
3 Public	20,079,915	12%
4 Private Inst.	19,545,967	12%
5 Church	15,380,000	9%
6 Industrial & Warehouse	7,666,664	5%
7 Mixed Use	10,050,000	6%
8 Other	41,058,406	25%
Total	\$166,750,254	



Building Permit Values

2001 Building Permit Values - (\$) Millions of Dollars

	All Permits	New Residential	Residential Repairs & Additions	Non-Residential New & Repairs
Faulkner County	97.7	69.3	3.1	25.3
Conway	97.7	69.3	3.1	25.3
Lonoke County	40.2	32.0	0.5	7.8
Cabot	40.2	32.0	0.5	7.8
Pulaski County	430.7	206.3	27.1	197.3
Little Rock	233.6	118.2	14.5	100.9
North Little Rock	99.5	18.5	4.3	76.7
Jacksonville	18.1	8.9	0.5	8.8
Sherwood	27.9	15.5	2.5	9.9
Maumelle	51.6	45.1	5.4	1.1
Saline County	75.0	48.4	2.3	24.3
Benton	49.2	26.9	1.9	20.5
Bryant	25.8	21.5	0.4	3.9
MSA Total	643.7	356.0	33.0	254.7

1996-2000 Building Permit Values - County and MSA Totals

	All Permits	New Residential	Residential Repairs & Additions	Non-Residential New & Repairs
Faulkner County				
1996	102.3	49.4	1.8	51.1
1997	73.1	48.9	1.4	22.7
1998	111.9	68.2	2.4	41.2
1999	144.6	75.5	3.2	65.9
2000	86.7	51.6	3.0	32.0
Lonoke County				
1996	26.8	21.0	1.0	4.7
1997	50.1	24.6	0.7	24.8
1998	37.7	26.2	1.0	10.5
1999	37.6	26.8	1.1	9.7
2000	38.1	26.7	0.7	10.7
Pulaski County				
1996	400.9	133.8	23.2	243.9
1997	399.3	173.8	27.4	198.2
1998	502.0	196.2	25.2	280.5
1999	451.8	213.6	38.1	200.2
2000	564.8	178.9	32.5	353.4
Saline County				
1996	56.9	42.2	1.2	13.5
1997	47.9	30.2	1.3	16.4
1998	56.3	33.2	2.6	20.5
1999	53.0	40.6	2.0	10.4
2000	76.7	50.1	2.0	24.5
MSA Total				
1996	587.0	246.5	27.2	313.2
1997	570.4	277.5	30.9	262.1
1998	707.8	323.9	31.2	352.7
1999	687.0	356.4	44.4	286.2
2000	766.2	307.3	38.2	420.7

2001 New and Expanding Industries

Category/Company	City	New or Expanded	SIC	Product
Non-Durable Manufacturing				
Sweet Goods, Inc.	Sherwood	N	2051	Pastries for bakeries
Coca-Cola Enterprises, Inc.	Little Rock	E	2086	Beverages
St. Jude Packaging & Specialities	Little Rock	E	2653	Speciality packaging products
Rock-Tenn Co.	Conway	E	2657	Cartons
United Systems of Arkansas	Little Rock	E	2731	Publishing, printing & mail products
Watkins Co.	Little Rock	E	2752	Commercial offset printing
L'Oreal USA Products	North Little Rock	E	2844	Cosmetics
Veriplas Containers	Little Rock	E	3085	Plastic bottles
Improved Construction Methods, Inc.	Jacksonville	E	3089	ABS plastic forms
Durable Manufacturing				
Coreslab Structures, Inc.	Conway	E	3272	Precast concrete products
Minnesota Mining & Manf.	Little Rock	E	3295	Quarry
Minnesota Mining & Manf.	Little Rock	E	3295	Roofing granules
Tokusen USA	Conway	E	3315	Steel tire cord for radial tires
Lomanco, Inc.	Jacksonville	E	3444	Plastic injection molding
J and J Metals, Inc.	Jacksonville	E	3444	Flat roll steel
Orbit Valve Co.	Little Rock	E	3492	Valves for oil and gas industry
CECA LLC	Jacksonville	E	3498	Cold foregoings & extrusions
Parker-Hannifin Corp.	Benton	E	3593	Hydraulic parts (cylinders)
Class A Tooling	Cabot	N	3599	Tooling & dies for plastic injection molds
Evans Enterprises, Inc.	Conway	E	3621	Remanufactured electric motors
Molex, Inc.	Maumelle	E	3678	High performance cable
Transportation, Warehousing and Communications				
Network Logistics	Jacksonville	N	4231	Public warehouses, logistics & trucking
Perfect 10 Satellite Distributing	North Little Rock	E	4899	Satellite equipment distribution
Wholesale Trade				
Timex Corporation	North Little Rock	E	5094	Distribution center for Timex products
Retail Trade				
Nite Lite Products, Inc.	Little Rock	E	5961	Internet catalog ordering
Insurance				
Life Investors Insurance Co.	Little Rock	E	6311	Corporate headquarters
Business Services				
Olympia Publishing	Conway	E	7389	Call center
ICT Group, Inc.	Conway	N	7389	Call center
Engineering & Management				
A & G Enterprises	Little Rock	E	8721	Accounting, clerical, collections, publications
Safe Foods Corp.	North Little Rock	N	8731	Research to improve food safety
Flake-Wilkerson Market Insights LLC	North Little Rock	E	8741	Call center

Source: Arkansas Department of Economic Development (ADED)

2003 Economic Outlook

The progress of national economic recovery will set the pace for central Arkansas during 2003. Continuing productivity growth of the US economy suggests there are at present few major structural obstacles to long-term economic growth. The economy is instead being held back by loss of investor confidence, uncertainties caused by the terrorism threat, and the prospect of war in the Middle East. Deflation remains a remote threat over the coming year. Housing prices are already declining in several US metro areas. There is little evidence of housing over-valuation in central Arkansas.

Some national indicators show early signs of a comeback in high technology industries, which could fuel renewed growth in the Little Rock region's promising information sector. On the other hand, state budget austerity measures could have a mildly negative impact on the region's numerous government jobs. Fortunately, the fiscal situation in Arkansas is less dire than in many other states.

Central Arkansas is among roughly two-thirds of US metros currently losing jobs. The recent drop in regional unemployment to a mere 3.6 percent could, however, signal a turnaround in demand for workers ahead of the national trend. If job growth resumes in 2003, demographic factors and continuing weaknesses in manufacturing and telecommunications should keep the pace fairly slow.

Visit our website

www.metroplan.org

for more information

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

Prepared by: Jonathan Lupton, research & writing and Jean Dahms, graphics & layout.

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