

METRO TRENDS

Economic Review and Outlook

December 2012



Retrofitting Suburbia Issue

- Recovering Slowly in 2012
- Energy Crisis and Opportunity
- Manufacturing 2012
- 3-D Printing Thrusts NAMJet into the Future
- Time for a Suburban Rebuild
- Sustainable Success in SoMa
- Local Housing Market Continues Leading U.S. Recovery
- Construction Value Trends
- Economic Outlook 2013



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 Area Planning Commission of Pulaski County, Metroplan now has members in five counties of 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.

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.

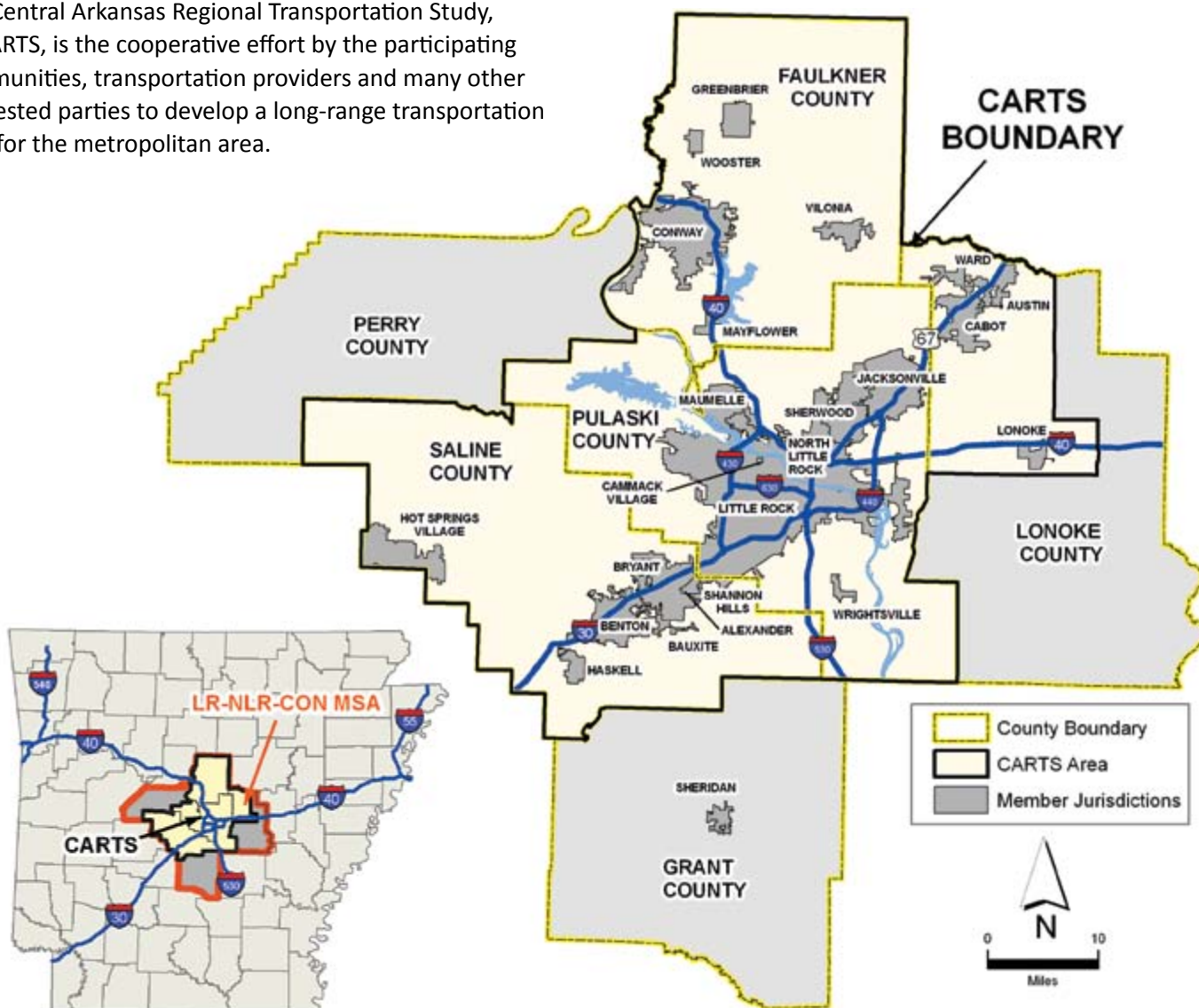


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Metroplan’s Economic Review and Outlook is an annual chronicle providing economic data and insight for the Little Rock-North Little Rock-Conway MSA.

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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.

Recovering Slowly in 2012

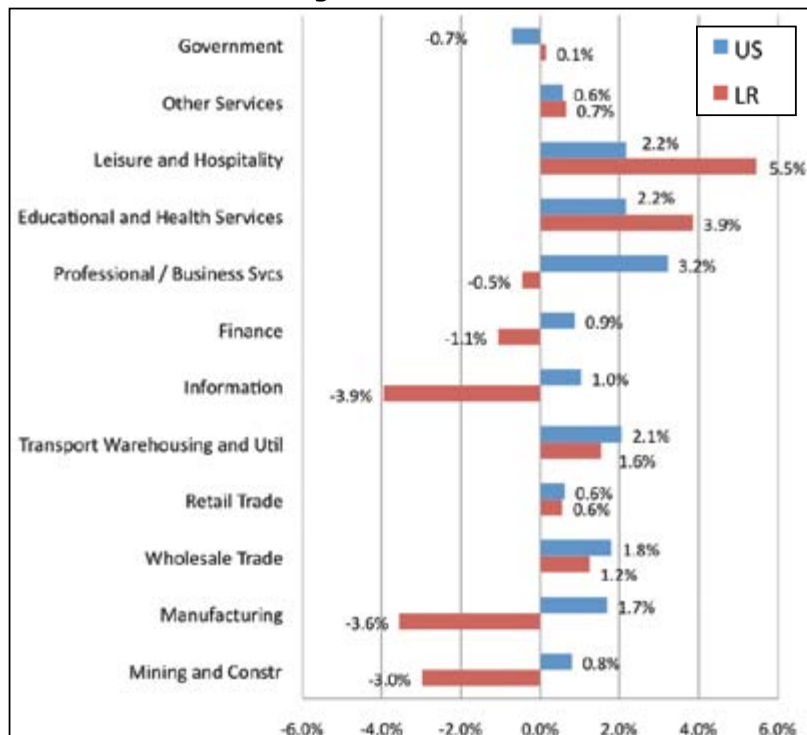
Local economic indicators remain tepid, but the pace of recovery may be quickening. The best news is that unemployment was down to 6.3 percent in August 2012, from a recessionary peak of 7.7 percent in January 2011.¹ Regional unemployment never reached the 10 percent U.S. average from late 2009 into mid-2010. U.S. unemployment has generally dropped throughout 2012, reaching 7.8 percent in September, its lowest reading since January, 2009.

Job growth is, however, a better measure of raw economic progress. By this indicator, recovery in Central Arkansas is still on the slow road. The latest jobs data for August, 2012 showed a gain of just 0.3 percent over August, 2011.² By comparison, U.S. employment rose at an unspectacular but better 1.7 percent over the same period. Over the longer term, Central Arkansas has still created more jobs than the U.S. average. Metroplan's employment index, at right, shows that the local area gained more jobs over the period 2005–2012 than the U.S. average, albeit with negligible net gain since early 2010.

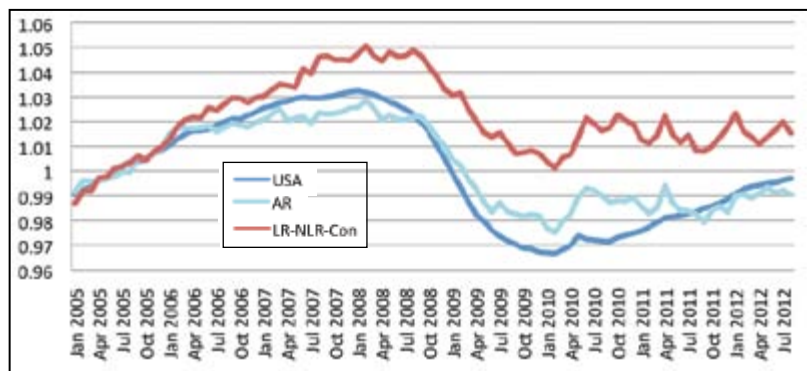
Slow performance in Central Arkansas is probably tied to its mix of industries. For the U.S. economy, much of the biggest post-recession growth so far has been manufacturing. For example, from 2009 to 2010, durable goods manufacturing contributed nearly a quarter of U.S. GDP growth, more than any other sector. During the same period, the biggest contributor to GDP growth in Central Arkansas was the trade sector (wholesale and retail trade).³ Despite a robust post-recession recovery, the U.S. manufacturing sector lost about 11 percent of its jobs from 2008 to 2012. During the same period, Central Arkansas lost 22 percent of its manufacturing jobs.

The chart at right shows job change by industry from August 2011 to August 2012, comparing Central Arkansas against the U.S. average.

**Employment by Industry Percent Change
August 2011–2012**



**Index of Employment Change
2005–August 2012**



Central Arkansas suffered over 3 percent job losses in three sectors: information, manufacturing, and mining/construction. The U.S. economy slowly gained jobs in all three. The Central Arkansas region out-performed the U.S. average in the education/health services and leisure/hospitality sectors, while doing marginally better in other services and government.

¹ U.S. Bureau of Labor Statistics, household data. Metroplan's seasonally adjusted figure for August is 6.4 percent. The regional official peak was January 2011, at 7.7 percent, or (seasonally adjusted) in October 2011, at 7.4 percent.

² U.S. Bureau of Labor Statistics, nonfarm payroll jobs series.

³ The GDP performance of Central Arkansas manufacturing over this period was withheld by the U.S. Bureau of Economic Analysis, for reasons of disclosure prevention.

The chart below compares median household income in Central Arkansas against the U.S. average from 2005–2011. The figures are inflation-adjusted, using 2011 dollars. As you can see, the trend in Central Arkansas has run downward since 2006, with a brief exception in 2008–2009. The U.S. trend has run even more steeply down after peaking in 2007. Because a median is not warped by excessively high or low values, this measure is superior to per capita income for conveying the typical household's economic situation.

Emerging from Recession

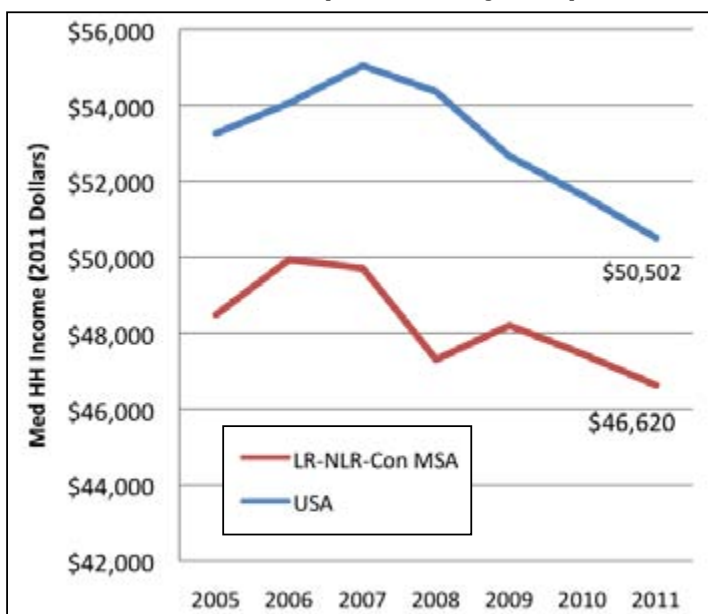
In summary, the regional recovery has been modest so far. Employment has grown more slowly than the U.S. average in the recession's aftermath. More promising trends in unemployment, and strength in a few sectors, may hint at a strengthening pace of recovery. Inflation-adjusted incomes have not yet rebounded. Amidst these mixed signals, it may be best to step back to a broader perspective. In a time of deep and wide-ranging economic transformation, short-term indicators may not be the best measure of progress. After five difficult years, the regional economy is growing again. It has endured the worst recession in living memory with a smaller share of its population out of work, and less overall economic loss,



Central Arkansas' leisure/hospitality sector held up well in a slow economy.

than the national average. Such a foundation should prove sufficient for an enduring recovery. **M**

**Median Household Income
2005–2011 (Inflation Adjusted)**

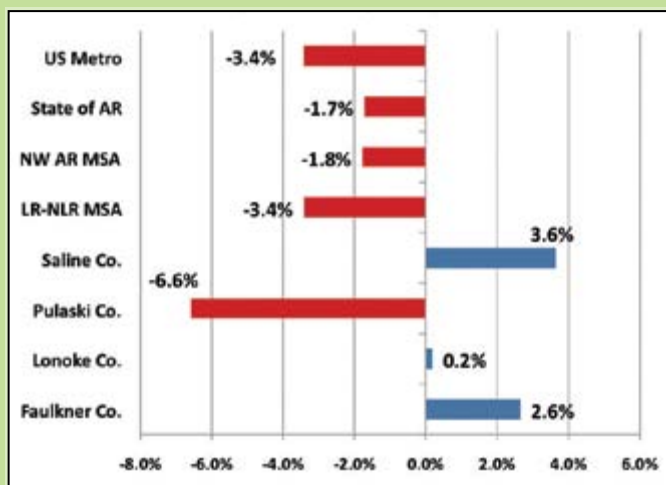


Source: U.S. Bureau of the Census. American Community Survey

Per Capita Income Trends

Central Arkansas per capita income declined from 2008–2011, after adjusting for inflation. This change was identical to the U.S. Metro average. By comparison, both the state and Northwest Arkansas metro areas did better. Pulaski County's income has not yet regained its 2008 level, declining 6.6 percent after adjusting for inflation. Yet the region's outlying counties saw modest income growth during these tough years.

**Per Capita Income Change 2008–2011
(Inflation Adjusted)**



Per capita income data from U.S. Bureau of Economic Analysis. Inflation Adjustment by Metroplan.

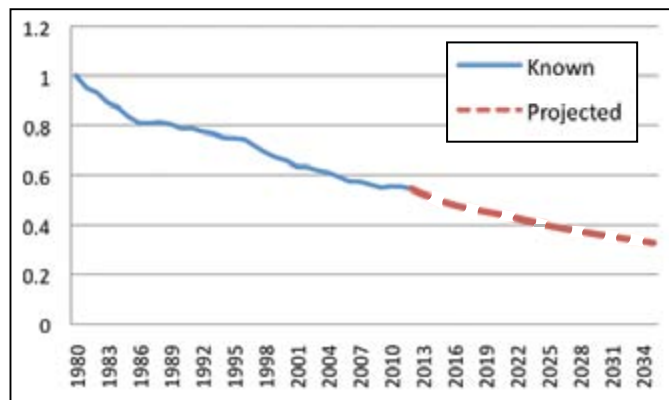
Energy Crisis and Opportunity

The U.S. energy situation has seen remarkable changes over the past three years, as markets responded to persistently high oil costs. After declining constantly since 1970, U.S. oil production climbed 24% from 2008 to 2012. U.S. share of world oil output, down to 9.9 percent by 2008, climbed to 11.6 percent in 2011. In its latest annual energy report, the International Energy Agency predicted U.S. oil production would resume the top spot among world countries by 2020. Much of this change owes to the Bakken formation “tight oil” fracking bonanza in North Dakota and Montana.

Oil prices remain high though, because global demand keeps growing. Energy use is rising several times faster in developing countries like China and India than in the United States. The chart below shows prices are today 3.5 times as high as in 1994, after inflation adjustment, yet global production has only risen by 1.3 times over 1994 levels.¹

Energy costs have affected U.S. metropolitan growth patterns. Housing values in low-density suburbs and exurbs declined far more than in closer-in communities.² Even if market prices stay low enough to allow plentiful oil consumption, the environmental costs aren’t going away. Fracking puts demands on scarce water reserves. The buildup of atmospheric carbon dioxide continues. Some of today’s fastest-growing oil sources, like Canadian tar sands, yield greater CO₂ outputs than conventional crude.

**U.S. Energy Use per Dollar of GDP
1980-2012 With Projections to 2035**



“Regional energy metabolism” has recently gained prominence, because it affects the local bottom line. In a world of tight oil supplies, with growing likelihood of tighter emission controls, future economic growth will demand regional energy efficiency.

It was once conventional wisdom that there was an “iron link” between wealth and energy use – each extra dollar of wealth required a commensurate increase in energy consumption. The chart above shows this link was long ago overwhelmed by market forces. By 2011, it took only 55 percent as much energy to generate a dollar of economic output as it did 31 years ago. The U.S. Energy Information Administration projects that by 2035 the ratio will be closer to 25 percent. Energy use does not drive wealth. For U.S. metro areas, energy waste is becoming a drag on wealth creation. **M**

**Global Oil Production and Price 1994-2012
(Inflation-Adjusted)**



Longer-than-average commutes and a larger share of big vehicles keep local energy expenditures above the U.S. average.

¹ U.S. Energy Administration data for January 1994-June 2012, index and inflation adjustment by Metroplan.

² Federal Reserve Board study 2010, cited in *The Very Hungry City: Urban Energy Efficiency and the Economic Fate of Cities*, by Austin Troy. Yale University Press, 2012.

Manufacturing 2012

The U.S. manufacturing sector is today recovering, gaining jobs in the aftermath of severe losses 2008-2009. By comparison, manufacturing is a smaller share of the Central Arkansas economy, and has continued shedding jobs. The slow local economic recovery results in part from manufacturing weakness.

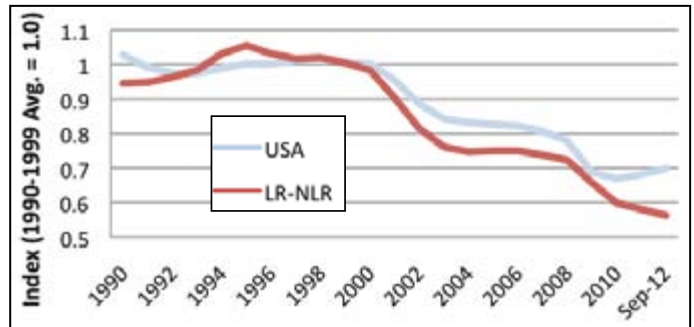
The charts at right compare job trends in U.S. and Central Arkansas manufacturing. As you can see, both suffered major job losses in the 2001-2002 recession, and even steeper decline in the 2008-2009 period. Since then, U.S. manufacturing employment has risen. Central Arkansas manufacturing job loss has continued. By late 2012, manufacturing jobs accounted for 9 percent of all jobs in the U.S., but just 5.6 percent in Central Arkansas.

Macroeconomic trends suggest manufacturing will see better employment prospects in the next few years than during the 2000-2010 decade. Yet there is a major skills gap. Many well-compensated manufacturing jobs do not require a college degree, but instead demand specialized education – in STEM (Science, Technology, Engineering and Mathematics) fields.

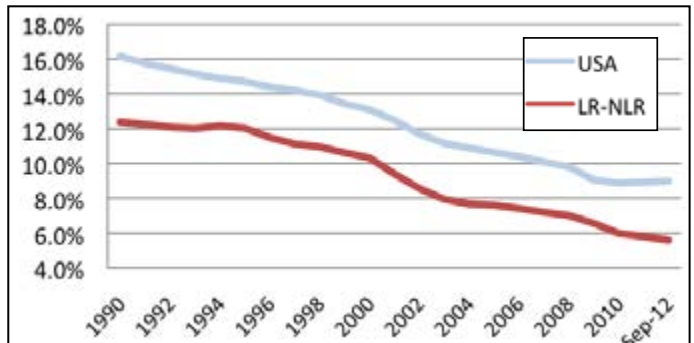
Local manufacturing firms have no problem filling jobs that require college graduates and engineers. But they cannot find enough CNC (Computer Numerically-Controlled) machinists, despite enviable pay rates. Manufacturing firms are struggling to fill positions held by retiring Baby-Boom era workers. These jobs require only a community-college degree—or even high school-level skills—for applicants with basic math and technological aptitude.

Manufacturing will never again employ large numbers of unskilled workers. But some of the apparent weakness in manufacturing job statistics owes not to layoffs, but lack of workers with the right skills. For those with initiative, creativity, a bit of post-secondary education and a bent toward applied engineering and technology, manufacturing offers some of the best opportunities today. **M**

Manufacturing Employment Index 1990-2012



Manufacturing Share of Total Employment 1990-2012



New and Expanded Industries October 2011 - September 2012

Major Category	NAICS	New Jobs	Company	City	Product
31-33 Manufacturing	311615	0	Tyson Foods, Inc.	North Little Rock	poultry processing
	31192	5	Westrock Coffee LLC	North Little Rock	roasted coffee
	31323	21	Kimberly-Clark Corporation	Maumelle	non-woven products
	325412	15	Cantrell Drug Company	Little Rock	pharmaceutical prep.
	32562	0	L'Oreal USA Products, Inc.	North Little Rock	cosmetics
	331311	3	AluChem of Little Rock LLC	Little Rock	alumina refining
	33231	18	Ryerson, Inc.	Little Rock	steel plate work
	332311	35	All Weather Insulated Panels	Little Rock	metal building panels
	332911	65	Cameron Valves & Measurement	Little Rock	industrial valves
	332992	17	Remington Arms Company LLC	Lonoke	recreational ammunition
	33312	130	Caterpillar, Inc.	North Little Rock	construction equipment
	3364	140	Custom Aircraft Cabinets	Sherwood	aircraft cabinets, upholstery
42 Wholesale Trade	42482	136	Glazer Distributors of Arkansas, Inc.	North Little Rock	wholesale spirits
54 - Prof/Sci/Tech	541613	8	Integrated Direct Marketing LLC (IDM)	Little Rock	marketing advisory
56 - Admin/Support Svcs	56142	100	ABC Financial Services, Inc.	Sherwood	call center

Source: Arkansas Economic Development Commission; NAICS assignments by Metroplan.

3-D Printing Thrusts NAMJet into the Future

The 3-D printer at NAMJet in Benton looks like a big microwave oven, squeezed into an office filled with routine items: file cabinets, desks, and computer workstations. But this is one of the first 3-D printers – possibly the very first – put to use by a manufacturer in the state of Arkansas.

NAMJet, formerly North American Marine Jet, has been in business since 1983, manufacturing marine jet drives. These propulsion systems are better-suited to shallow waters than propellers. Marine jets are safer for aquatic life, can be vectored for tight maneuvering, and work well for small, high-speed watercraft. NAMJet sells to the U.S. army and its NATO allies, and exports to the United Kingdom, France, Norway, and elsewhere. NAMJet drives provide power for small tugs, line-handling boats, and rescue boats that service oil exploration platforms and drilling rigs in the U.S.A. and overseas. NAMJet offers the highest thrust per unit of horsepower in the industry, for maximum efficiency and speed.

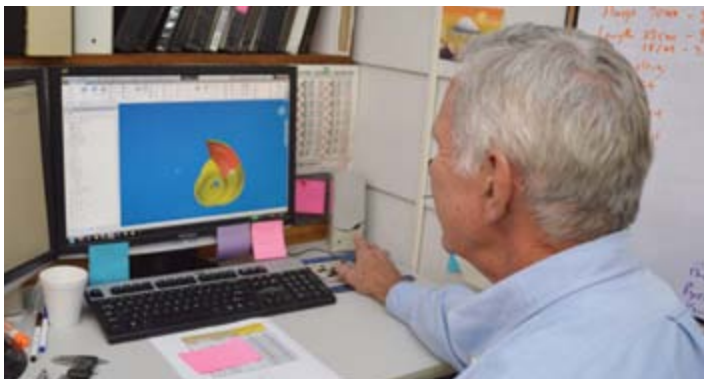
The manufacturing business demands rapid component design. In the past, prototypes for new parts, like impeller



The 3-D printer (at left), and Len Hill, founder of NAMJet, shows a prototype impeller blade, produced in the printer.

blades for marine jet motors, required careful handwork involving milling machines, aluminum cutting, and even hand-applied putty and wax. Today, NAMJet can design a new product on a workstation with a CAD (computer-aided design) program, then generate prototype parts by clicking the “print” button. The 3-D printer lays down plastic resin in layers, to seven thousandths of an inch. The 3-D printer can make a plastic prototype for a complex, honeycombed part in 18 hours, compared with 30 hours using manual methods. The prototypes can then become molds for real parts.

Since the 3-D printer sits idle sometimes, NAMJet offers 3-D printing service to customers. The new technique has helped NAMJet raise its profile, get into longer, more profitable production runs, and beat tough competition in the fast-paced business of global manufacturing. **M**



You just press ‘enter’ after designing a product with a CAD program.

Socioeconomic Statistics 2011-2012

	LR-NLR-Conway MSA	Faulkner	Grant	Lonoke	Perry	Pulaski	Saline
Average Res. Employment 2011	322,750	53,900	7,900	30,825	4,375	176,250	49,500
% Unemployment 2011	7.0%	7.0%	7.1%	6.8%	8.9%	7.2%	6.6%
New Industries 2011-12**	43	0	0	0	0	43	0
Expanding Industries 2011-12**	650	0	0	17	0	633	0
Bank Deposits 2012 (\$ 1,000)*	\$9,524,921	\$3,199,891	\$100,669	\$402,515	\$0	\$5,687,055	\$134,791
Bank Assets 2012 (\$ 1,000)*	\$11,773,519	\$3,956,743	\$115,340	\$481,545	\$0	\$7,051,057	\$168,834

Sources: Arkansas Department of Workforce Services, Arkansas Economic Development Commission, and FDIC.

Rounding may cause some unemployment rates to differ slightly from DWS data.

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

Bank deposit and asset data represent July 31, 2012.

**New and Expanded industries as announced by the Arkansas Economic Development Commission, over period October 2011 through September, 2012

Time for a Suburban Rebuild

Cities—especially great cities—do not develop all at once. Instead, they change and mature over time, through cycles of redeveloping land uses.¹ This confronts Central Arkansas (and much of America) with a challenge. A large share of the landscape is suburban in nature, constructed over the past fifty-odd years. Despite pockets of variety, most has a standardized low-density form. It is only really navigable with a personal vehicle, inhibiting convenient access by “alternative” modes like walking, transit, or bicycle.

The suburban landscape is beginning to show its age, particularly its older “inner suburban” components.² The market is demanding something different, and commercial real estate in older suburban areas is showing signs of vacancy and under-investment. Clearly, unless we want to write off large (and growing) portions of our cities, we will need to find a way to retrofit them. How do we do that?

Low-density residential areas are unlikely candidates. Most suburban residents are protective of their individual property rights. However, suburban areas nonetheless have nonresidential areas, or so-called “greyfields”—the vast acres of parking lots and old buildings in older malls and shopping centers. In many cases, the structures were built for a 30-year life cycle which has already expired. Many “greyfield” areas have just one or two owners, making purchase and repositioning viable options. Such areas offer redevelopment opportunities. In practice, the most successful retrofits are usually of mixed use or New Urbanist character, combining office, retail and public recreation space within a pedestrian-friendly format.

Suburban landscapes must change if Central Arkansas is to keep up with economic and social changes altering the American urban realm. A new suburbia is on the horizon, one that mixes uses, houses more people on less land, and offers greater convenience to its time-pressed workers and residents. The process of intensification and change has already begun in a few pockets here in Central Arkansas.

Precepts for Suburban Redevelopment

The formula for making workable mixed-use neighborhoods is not an easy one. Yet it offers opportunities for creative entrepreneurs willing to see past the dogmas of low-density single-use greenfield development:

- 1. The site.** In practice, the most successful retrofits to date have been in dead malls, as in the case of the old University Mall, which now hosts the redeveloping Park Avenue Center. Similarly, aging shopping centers with large “greyfields” of under-used parking space offer other opportunities. A certain amount of decay and under-use, superficially unattractive, sometimes signals that land costs are low enough to justify purchase and redevelopment.
- 2. Transportation nodes.** Retrofits tend to happen ‘where the transportation infrastructure (usually with some improvements) can support it,’ typically locations at key intersections of busy streets.³
- 3. Centrality.** Both housing and jobs have spread far out into the suburbs and away from downtowns over the past forty years. As a result, key suburban locations may be more central to the urban area than they were when first developed. Such locations can prove attractive for offices, retail and housing because they offer shorter commutes to suburban residents and workers in suburban jobs.
- 4. Trip capture.** This one is fundamental to New Urbanist design. The key is to think out multiple uses that will keep many trips within the local center. Thus, restaurants in walking distance of grocery stores, or day-care centers near offices, and other creative combinations, may “capture” trips by offering walkable convenience to people already using the new center. One study shows that New Urbanist developments can reduce overall vehicle-miles traveled by 30 percent for those who work or live in them.⁴ This win-win benefit reduces traffic congestion while simultaneously providing more convenient lifestyles.

¹Ellen Dunham-Jones and June Williamson. *Retrofitting Suburbia*. Hoboken NJ, John Wiley, 2011, p. 2. This title contributed much to this article’s inspiration, as did a seminar conducted by Ms. Dunham-Jones hosted at Metroplan in October, 2011.

²“Inner suburban” is a relative term. Population decline often signals that a suburb is beginning to age, often thirty to forty years after build-out. By this definition, parts Pleasant Valley west of I-430 in Little Rock, southern Sherwood, and other areas might be today called “inner suburban.”

³*Retrofitting Suburbia*, p. 10.

⁴*Growing Cooler: The Evidence on Urban Development and Climate Change*. Urban Land Institute, 2008.

The Challenge

There are many remaining obstacles to successful suburban retrofits. Old habits die hard, even when they have demonstrably failed. Most of the commercial land in Central Arkansas is zoned for single use, with conventional low, auto-dependent densities. The land use laws that helped create urban sprawl today act as a straitjacket, inhibiting necessary market-driven changes to the urban structure.

The outcome, if still hazy, is clearer than it was five to ten years ago. Our suburbs are likely to undergo a retrofit, starting slowly at first, in isolated locations. The history of the world's great cities reveals that few landscapes remain unchanged over time. As new economic and social trends take priority, suburbs will prove more malleable, and less indelible, than they seem today. **M**



These images from 2009 (above) and 2012 (below) convey the gradual transformation of the old University Mall site into the mixed-use Park Avenue Center.

On Finance, Suburbs and Maintenance

You buy a brand-new house on a pretty street in a freshly-built suburb. Over time you make payments, your investment grows in value, and saplings grow into tall, shady trees. But what if this wonderful promise is built shakily, too close to a slide-prone precipice of debt? The roads, sewer lines, and most other elements of infrastructure are debt-financed. There's another, non-financial aspect. Streets have a life cycle, typically twenty to thirty years, before major maintenance is needed. The same goes for other infrastructure.

Some writers have labeled suburban development a "Ponzi scheme," a pyramid of expectations built on costs paid by the latest entrants to the market. Disturbing as this is, it fits some underlying problems revealed in U.S. housing markets after about 2006. So long as housing values were climbing, investment in new suburbs appeared to make sense, and financiers were eager to lend. But then values veered downslope, the game stopped paying, subdivisions were left partly built-out, and financial insolvency hit historic levels.

These are market problems that must work themselves out. But there's a public dimension, based on an implicit assumption that tax revenues from new development will cover maintenance over the long run. City governments have long accepted "free" new streets deeded over by developers. Yet tax revenues are usually inadequate to pay maintenance costs, a problem that is particularly pronounced with low-density suburban housing.



Cracking pavement is surpassing rebuild efforts all across suburban America.

Many Central Arkansas cities are grappling with these maintenance and fiscal problems, with varying degrees of crisis and success. In most cases, the problem will worsen as local infrastructure ages. The City of Conway saw a drop in new-home permits following imposition of impact

fees in 2003, but put itself on a firmer foundation to avoid hidden development costs. Whether the solution for other cities lies with impact fees, raising taxes, or by playing a waiting game, remains to be seen. Today, U.S. housing is "recovering," with 32 percent as many single-family units under construction as before the crash. This may signal a suburban development future far different from the past.

Sustainable Success in SoMa

In the past several decades, commercial land development has followed a formula of rapid-transformation “greenfield development.” Finance was readily available for developers to buy tracts of land near the suburban fringe, knock down the trees, put up a parking lot and retail stores, flip the property quickly, and move on to their next project. But although many of these “instant” suburban power centers and strip malls are today thriving with retail traffic, some are not. The financial loss associated with land-development failures is part and parcel of the Great Recession and its slowly-recovering aftermath.

Little Rock’s South Main (SoMa) neighborhood is the kind of district greenfield developers avoid. Ethnically diverse, separated from downtown Little Rock by the cultural and perceptual barrier of I-630, SoMa is a suburb from the past. Just a few years ago, it was an area of comparatively low property value, a mix of fast food restaurants, small businesses, vacant lots, and mostly-vacant parking lots.

But SoMa is now redeveloping as a district of opportunity. It is filling the needs of local residents in the Pettaway and Quapaw neighborhoods who previously lacked goods and services nearby. Anita Davis is one of SoMa’s developers. She has roots in the region, and is dedicated to the neighborhood for the long term. She and other developers are involved with the community, and they understand that place-making is the key to success. They are rebuilding the community slowly, with an eye toward sustainable environmental design.



This strip center on Rahling Road in western Little Rock has never held a tenant.

The Bernice Garden, owned by Ms. Davis but aimed for public use, serves as a focal point. The garden has twice hosted the highly successful Arkansas Cornbread Festival, which drew in 2,600 fee-paying attendees in 2011 and 3,300 in 2012. The garden is also home to a weekly farmer’s market and other community-oriented events.

Ms. Davis has retrofitted historic buildings in an environmentally-friendly fashion. The structure which houses Root Café, for example, has a “green” roof, reducing cooling costs and collecting rainwater. This and similar environmental design measures increased up-front costs, but will also keep day-to-day heating, cooling, and water bills down.



Anita Davis built the Bernice Garden on what was recently an empty lot and a concrete slab. The garden is now a gathering place for the community and a catalyst for growth on South Main Street.



Ms. Davis collaborated with area architects and students from the University of Arkansas at Little Rock, to build the Bernice Garden pavilion. It is made from recycled and reclaimed materials and features LED lighting and a cistern to collect rainwater for the garden.

It is nothing like the fast-paced, property-flipping mentality of greenfield development. Retrofitting of this sort requires public-private cooperation, and long-term thinking. But with today's limited financing, and more modest pace of economic growth, low costs must be built in. SoMa's story brings to mind how the world's great cities developed – and redeveloped – slowly, through an interaction between the built environment and the people who lived in it. The SoMa story recalls the past, but it may also be sharing wisdom about the urban future. **M**



Boulevard Bread, the Root Cafe, the Green Corner Store and other local businesses, have contributed to the financial success and livability of South Main between 12th and 15th Streets.



This mural brightens the side of a building next to the Root Cafe, featuring Corny, the mascot of the yearly Arkansas Cornbread Festival. This building will soon house the Esse Purse Museum, showcasing an extensive collection of purses and photographs of the women who used them. The museum will be another unique opportunity to bring visitors to the area.



The Bernice and Lincoln Buildings house local businesses and apartments. Right: Diners enjoy a sunny fall day at the Root Cafe, which serves locally grown and organic cuisine.



Getting More Out of Under-Utilized Asphalt

Developers today are learning to look more closely at “under-utilized asphalt” – those large gray spaces that sit empty much of the time, yielding no return on investment. These tables of tar often occupy space in prime locations near busy intersections, like the images shown here. The

right kind of rebuild could put cars in decks, and make room for more restaurants, stores, housing, maybe even a small park or two – and space to shop, walk, and play without dodging cars.



Asher/University — Little Rock



Lakewood Village/McCain Mall — North Little Rock



Military Road — Benton

Local Housing Market Continues Leading U.S. Recovery

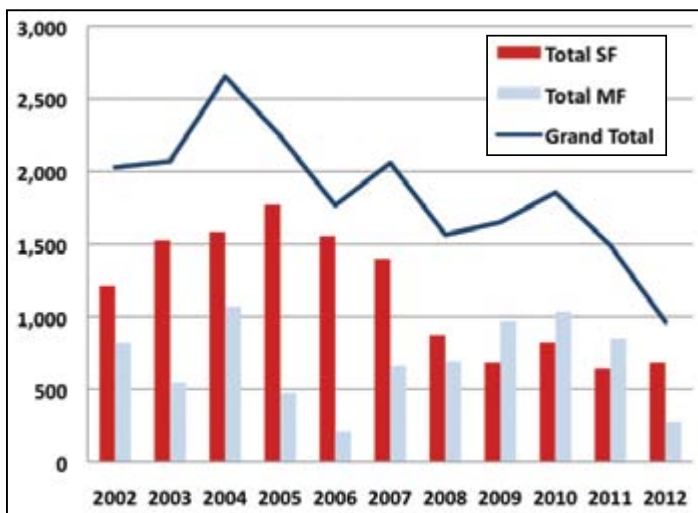
The chart and table below compare local housing permits for January-June of 2012 with the same interval in previous years. As you can see, although single-family permits were up slightly to 684, multi-family permits dropped to 279 in the year's first half. This yielded a total of 963 new housing units, the lowest number recorded since Metroplan began tracking the January-June permit trend in 1995.

Most local cities recorded more single-family permits from January to June 2012 than during the first half of 2011. North Little Rock recorded more single-family units than Conway. Benton saw the biggest jump, with 101 units permitted, up 29.5 percent from the same period in 2011. Sherwood single-family rose 27.7 percent, and Maumelle 20.5 percent. Only three cities, Little Rock, Bryant and Jacksonville, were down compared with the previous year. In July 2012 (not shown) Jacksonville permitted 58 units, mainly at the Base Meadows inside Little Rock Air Force Base, turning its trend sharply upward from the year's first half.

Local multi-family permits went through a hiatus in the January-June period of 2012, with just 207 units started in Little Rock, 40 in Conway, and 26 in Bryant. The multi-family total of 279 was thus down sharply, off by 67 percent compared with January-June of 2011.

The charts on the facing page convey Metroplan's single-family and multi-family construction indices. They go

**LR-NLR-Conway Housing Unit Permits
First Six Months of Each Year 2002-2012**



beyond the half-year data shown below, extending through the third quarter of 2012. Since these permit figures are preliminary, Metroplan provides overall data, but not a city-by-city tally for the third quarter. As you can see, single-family housing has taken a pronounced upward tilt, reaching an index value of 0.48, the highest local value since the stimulus days of early 2010. U.S. single-family housing is also continuing a recovery, reaching an index value of 0.32, its highest since late 2008.

**Half Year (January-June) Housing Unit Permits
2009-2012**

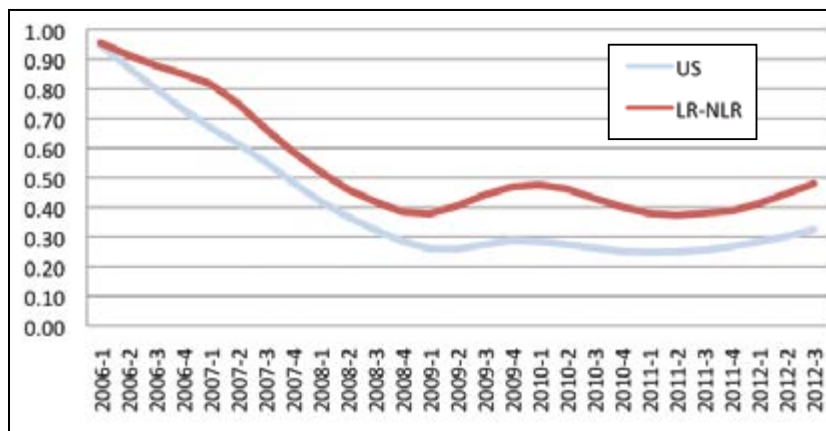
Single-Family				
	2009	2010	2011	2012
Benton	97	129	78	101
Bryant	59	109	73	69
Cabot	42	45	45	48
Conway	158	137	82	86
Hot Sprgs Vill	30	40	26	28
Jacksonville	14	33	16	15
Little Rock	186	183	180	168
Maumelle	48	50	34	41
N Little Rock	36	74	80	87
Sherwood	44	61	54	69

Multi-Family				
	2009	2010	2011	2012
Benton	0	0	0	0
Bryant	4	450	22	26
Cabot	72	36	0	0
Conway	528	318	0	40
Hot Sprgs Vill	0	0	0	0
Jacksonville	8	6	0	6
Little Rock	328	126	514	207
Maumelle	16	0	0	0
N Little Rock	8	98	312	0
Sherwood	2	0	0	0

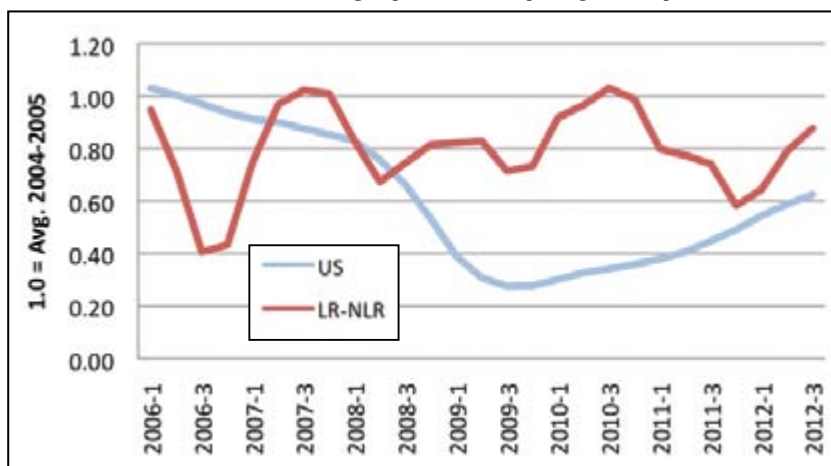
Regional Totals				
	2009	2010	2011	2012
Single-family	684	821	642	684
Multi-family	966	1,034	848	279
Total Units	1,650	1,855	1,490	963

After stalling in early 2012, local multi-family housing gained steam, veering up to an index value of 0.88 in the third quarter. Sizeable new projects in Cabot and North Little Rock, and some multi-family construction in Conway, accounted for the up-tick. U.S. multi-family housing, less volatile due to larger scale, continued its steady rise since late 2009, reaching an index value of 0.63 in the third quarter of 2012. In summary U.S. and local housing markets may have at last turned the corner. Today's new housing mix differs from the past, and is based less on equity expectations and more on actual need, but the long-awaited recovery is finally gaining steam. **M**

**Single-Family Construction Index
2006-2012 Q3 (Seasonally Adjusted)**



**Multi-Family Construction Index
2006-2012 Q3 (Seasonally Adjusted)**



The New Urbanism has been transformed from dream to real-world success at Hendrix Village in Conway.

Construction Value Trends

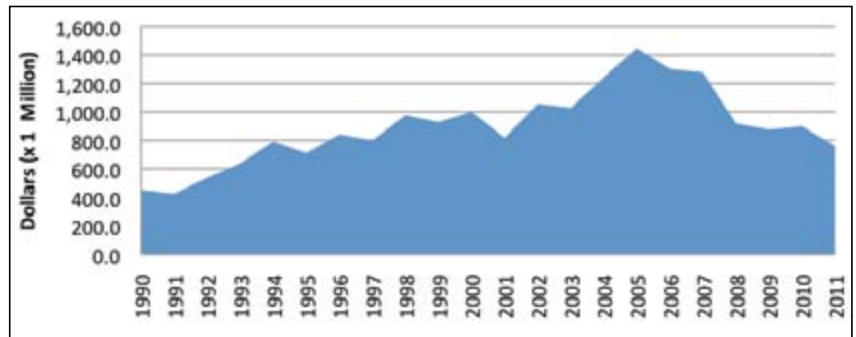
The year 2011 saw a slow construction trend in Central Arkansas. Total construction value in 2011 amounted to \$758.6 million. This was the lowest value since 2001, in nominal dollars. In inflation-adjusted dollars, this was the region's weakest showing since 1993, as shown in the chart at right. Residential new construction accounted for \$316.2 million, lower than last year (\$347.1 million) but higher than in 2009 (\$310.1 million). Nonresidential construction was \$758.6 million, the lowest in nominal dollars since 2001.

Since the start of 2012, however, local construction has veered upward, especially the commercial sector. The charts at right show Metroplan's index for construction values, allowing a comparison with national trends. Total values hit an index of 1.01, versus a national value of 0.75 during the first half of 2012. The nonresidential index climbed to 1.45, against a 1.04 showing for the U.S. average.

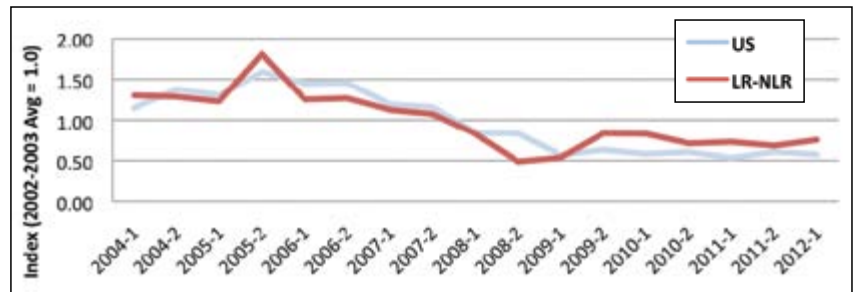
The year 2011 probably marked the local construction sector's bottom-out point. Given signs of recovery elsewhere in the economy, the slope will probably continue at least a modest upward trend.



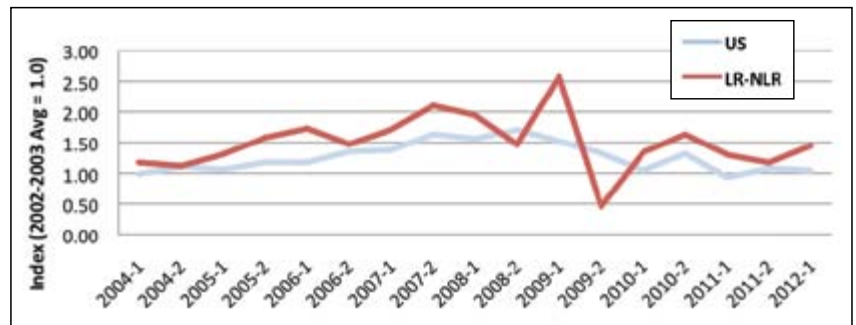
Construction Value
LR-NLR-Con MSA 1990-2011 (2011 Dollars)



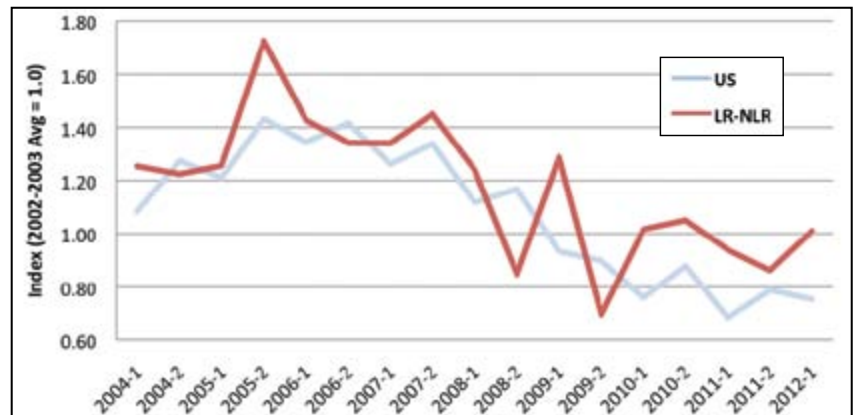
Residential Construction Value Trend 2004-2011



Nonresidential Construction Value Trend 2004-2011



Overall Construction Value Trend 2004-2011

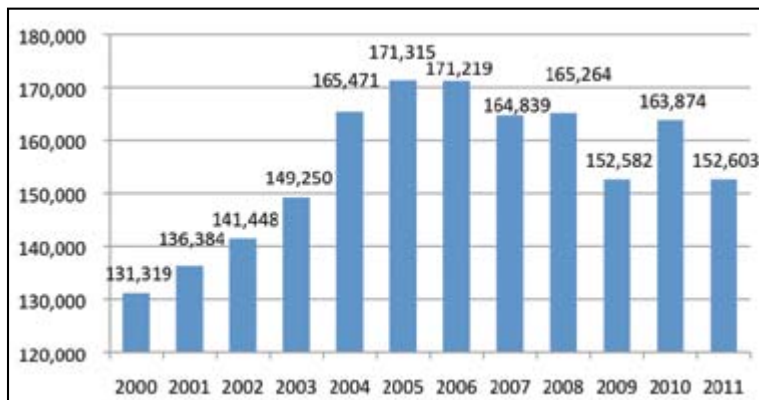


The Quality Question

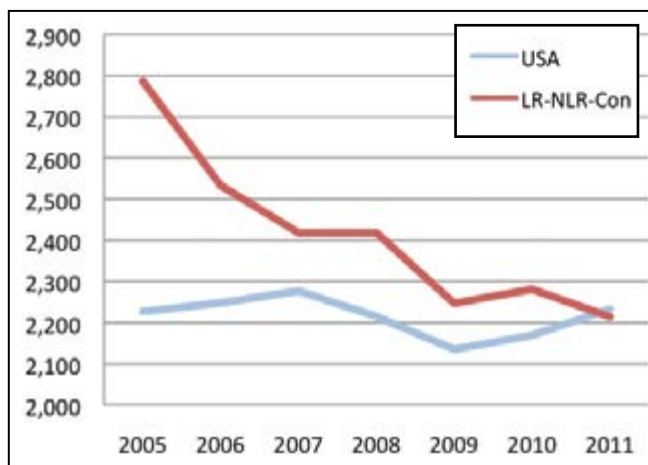
The value of new homes in the U.S. rose rapidly during the first half of the past decade, before entering a time of instability from 2006 onward. The local trend matched the national trend closely in terms of median value. The chart at right shows the trend through 2011. In the latest interval, 2010–2011, median new home value dropped again to \$152,603 in Central Arkansas, after rising in the 2009–2010 interval. The change is reflected not just in dollar value, but also in square footage. The chart at right center depicts median square footage for U.S. and Central Arkansas homes. Average square footage in Central Arkansas has run above the U.S. trend, but in 2011 it dipped below, at 2,214 square feet versus a U.S. average of 2,233. A shift toward greater multi-family construction in recent years adds further evidence that downsizing is the new reality.

That said, the U.S. trend in housing size, measured by median square footage, rose slowly from 2,135 in 2009 to 2,233 in 2011. By comparison, median square footage dropped twenty percent in Central Arkansas from 2005 to 2011. In light of the lower average per-square-foot cost of Central Arkansas homes, and a strengthening local economy, it seems likely local housing size will soon begin at least a modest rebound. **M**

LR-NLR-Conway Median New Home Permit Value 2000-2010

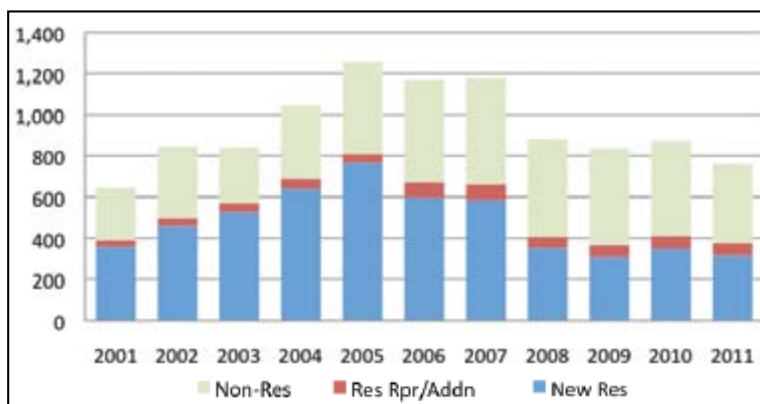


Median Square Footage of New Single-Family Homes 2005-2011



Today's newest housing stock includes smaller units, sometimes in infill locations like this one.

Permit Values by Type 2001-2011 (x \$1 Million)



Economic Outlook 2013

Local employment only grew by 0.3% from January through September of 2012, compared with 2.8% national job growth over the year so far, and 2.2% state job growth. But Central Arkansas typically lags U.S. and state economic recoveries. If U.S. recovery continues strengthening, the local region's underlying cost-competitiveness and quality-of-life advantages should enable a stronger local performance in 2013. If federal fiscal problems and global worries lead to a downturn in coming months, Central Arkansas' traditional economic diversity will at least buffer the blow over the short term.

A recent state referendum on transportation improvements should accelerate the timeline for local projects, like the ongoing widening of I-40 between Conway and North Little Rock. Local congestion will remain less onerous than average, continuing a quality-of-life advantage the region holds compared with the U.S. average.

Housing markets in Central Arkansas are showing clear signs of recovery. With single-family housing finally growing again, and several large new multi-family projects going up, how much more housing can the market take? The data so far suggest that the year 2012 will end with about 3,000 housing unit permits in the nine leading cities tracked in Metroplan's housing permit data set. The permit data covers 80 to 90 percent of all housing construction in the four-county region. Census trends show that the regional market absorbed about 3,300 units annually in the 1980-1990 decade, 3,500 units 1990-2000, and 4,200 units in the 2000-2010 decade (which included, of course, a housing "bust"). Therefore, a pace of 3,000 new units in 2012, or slightly more, is sustainable. The local housing market can keep growing over the short term. It is no doubt making up some lost ground from years of slow growth. But keep an eye on the job figures, which must turn upward to maintain the population growth needed for a sustained local housing recovery.

There is growing evidence that the region's expanding trail system is an economic incubator. The trails of course provide lifestyle advantages for the region as a whole, but there are also cases of successful housing and business location decisions that have been based partly on trail accessibility.

Land development continues changing. Projects that have succeeded in today's lean times are more economically diverse, often accommodating housing, office, retail and entertainment simultaneously. Because this new development paradigm is more complex, it also requires longer-term engagement by stakeholders, as opposed to the more detached "build it, sell it, and move on" mentality that dominated when finance markets were looser and less attentive. Growth-oriented local governments will work to minimize anachronistic single-use land regulations, which can sometimes prevent dynamic multi-use projects from emerging. Parking lots can become parks, markets, and shopping-places. Future redevelopment is likely to move beyond revitalizing downtowns, and into the suburbs. **M**



Widening work now underway will yield six travel lanes on I-40 between Conway and North Little Rock.



The 'traffic' of prospective tenants at the new Riverside at Rockwater apartments includes cyclists from the Arkansas River Trail.

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a community where the quality of life
is great no matter where you live.

Imagine Central Arkansas is an initiative of Metroplan.

It is designed to initiate honest conversation with the people who call the region home. This conversation is essential to creating a meaningful, long-term plan that accurately reflects what we want our communities to become over the next 30 years.

Our plan is to LISTEN, COLLECT FEEDBACK and PRIORITIZE the key concerns that matter to all of us.

For your voice to matter, it must first be heard.



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