

METRO TRENDS

Economic Review and Outlook

December 2018

Building a
Competitive Edge

- Coming to Terms with a Slow Growing Economy
- A Local Cycle of Creative Destruction
- A Regional Economic Survey
- Local Manufacturing Shows Competitive Edge
- Welspun Expands Local Manufacturing Base
- On the Line at Prospect Steel
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- Single-Family Up, Multi-Family Down in Early 2018
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Metroplan's *Economic 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, writing and editing
Lynn Bell, graphics, layout, and illustration

Photographs by Lynn Bell and Jonathan Lupton except where noted.

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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.

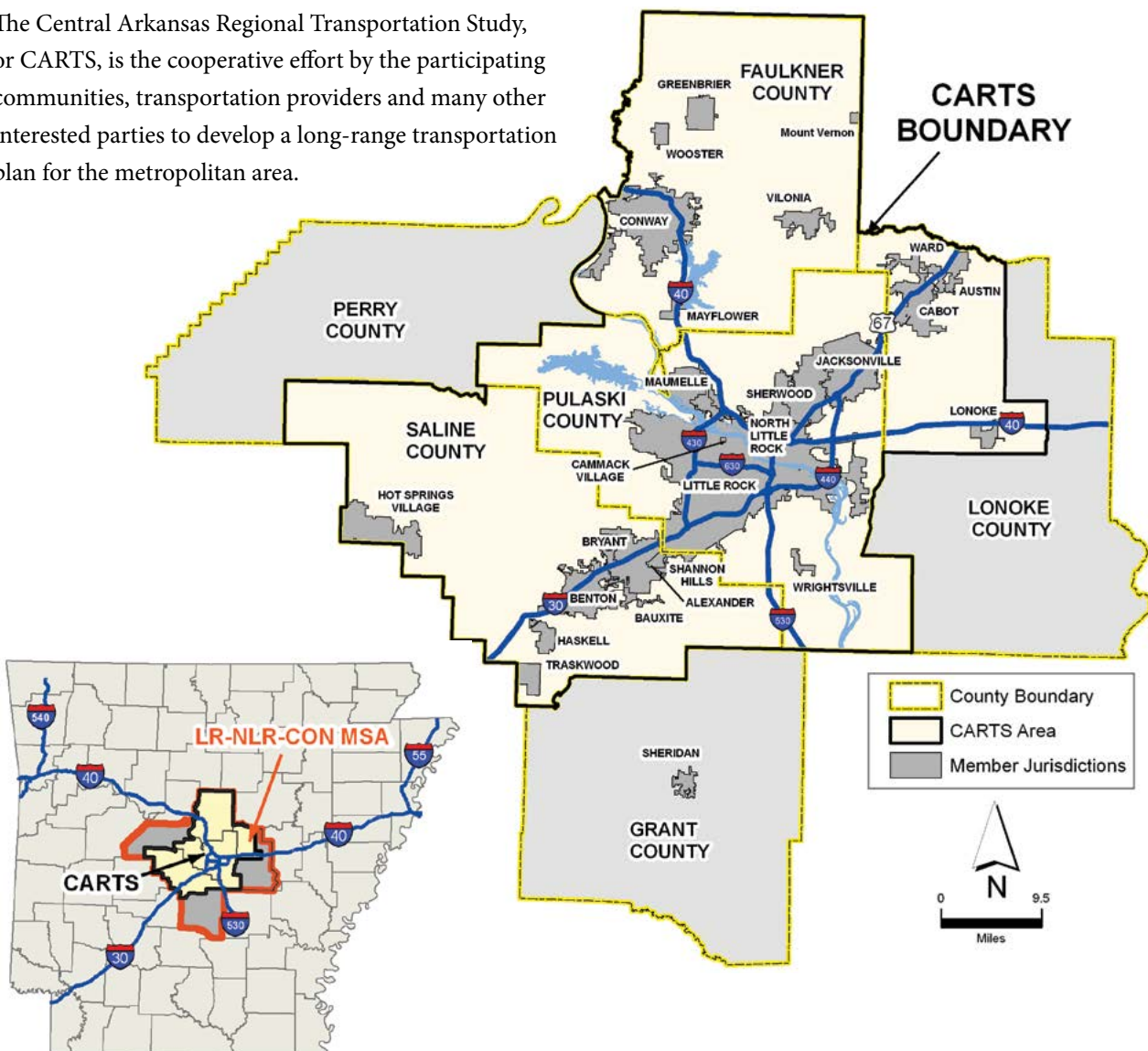


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Coming to Terms with a Slow Growing Economy

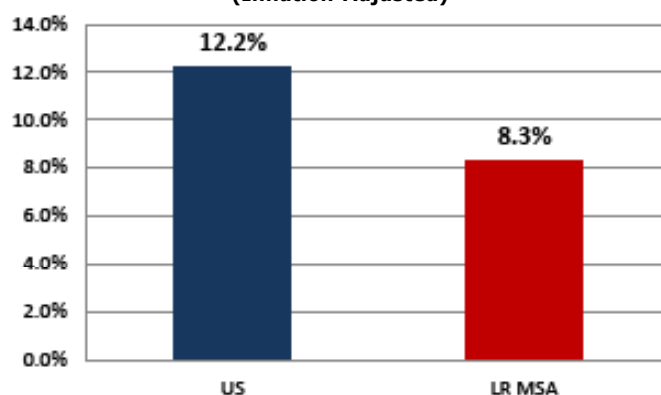
The chart below shows the annual rate of job growth for the Little Rock region compared with U.S. job growth. It depicts regional strengths and weaknesses through recent economic cycles. The U.S. economy saw negative job growth through three years in the Great Recession, losing over 4 percent of all jobs during the worst portion, from 2008 to 2009. By comparison, the local region only saw two years of job decline, not exceeding 3 percent loss even through the worst of it. When the U.S. economy was growing jobs at nearly two percent annually from 2010 through 2015, the Little Rock region averaged barely over one-half percent annually. Lately, as U.S. job growth has slowed, the local region has picked up some. Preliminary 2018 figures suggest about 1.2 percent growth locally, not far below the national pace around 1.5 percent.

Local income growth has also lagged, although the figures are not as up-to-date as with employment. Adjusting for inflation, regional per capita income rose about 8 percent from 2010 to 2016, compared with over 12 percent growth at the national level. Unemployment remains the region's brightest performance, through bad times and good. When U.S. unemployment was a painful 9.2 percent in September 2010, the Little Rock region's rate was 6.9 percent. In September 2018 the Little Rock region had an unemployment rate of just

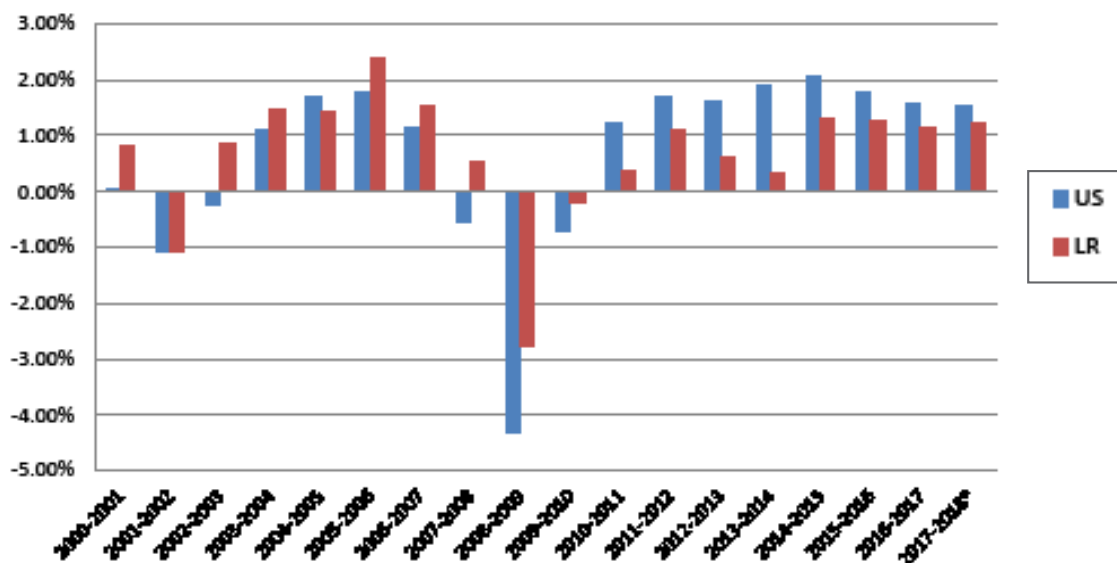


Tipping the scales at nearly \$100 million, the new Bank of the Ozarks headquarters on Cantrell Road in western Little Rock demonstrates the local finance industry's competitive strength.

**Per Capita Income Change 2010–2016
(Inflation-Adjusted)**



Annual Rate of Job Growth 2000–2018



*Forecast for 2018 based on January–August trend.

3.0 percent, better than the unusually strong U.S. figure of 3.6 percent. Of course, the local strength implies labor-shortage conditions for local employers, a problem that is particularly acute in high-skill jobs. On the other hand, greater demand for workers tends to have an upward impact on pay, implying improving local income growth in the present and near future.

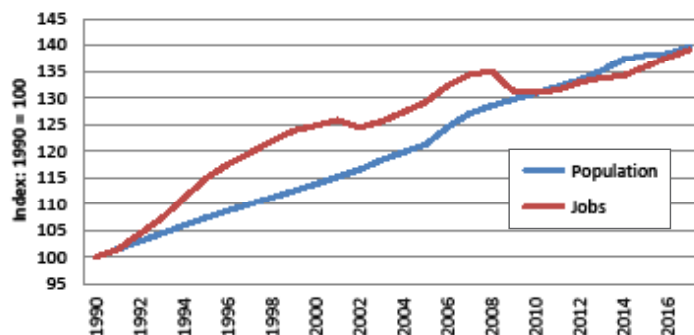
Slow growth is not no growth. In fact, at a time when the State of Arkansas has been growing population and jobs more slowly than the national average, the Little Rock area has done better than the state average. Some of the local slowdown may also be cyclical. Larger metro areas, especially those with populations above 5 million, have seen the bulk of the nation's population growth in the past eight years. When compared with metros in its own size rank (between 500,000 and one million) the Little Rock area's population growth has run only slightly below average. While the past eight years have seen relatively tepid growth in the area, the previous ten or so years saw growth that was above national averages.

The chart at right shows trends over the past eighteen years in the region, with lines comparing population and job growth. As you can see, job growth outpaced population until about 2010. Then job growth veered down sharply. Jobs started coming back from 2011 onward, but the rate of job growth slowed in comparison with population growth, verifying other

evidence that local labor force participation dropped with the Great Recession. Job participation looks unlikely to return to previous levels.

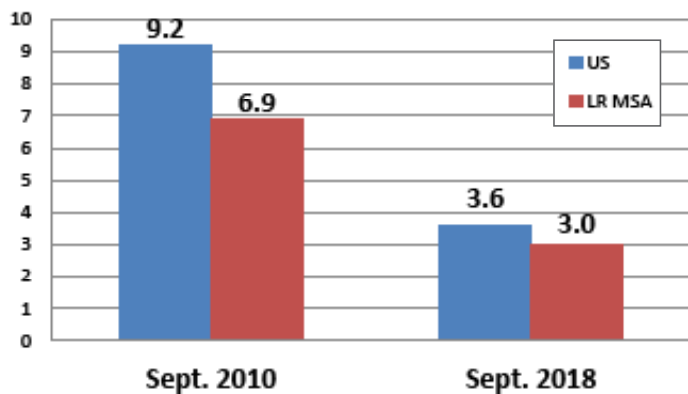
Some of the local change has been structural. During the 2000 decade, the region had a larger-than-average concentration of economic activity in the information sector, especially telecommunications, but by 2018 was down below the U.S. average. The region has seen a major down-shift in telecom, which may be reaching a bottom-out point. The region continues seeing growth in finance, health, education and business services. Local manufacturing has held up well; a few sectors have managed to grow despite competitive pressures. This edition of the *Metrotrends Economic Review and Outlook* will review the region's economy in the present and its prospects for growth. **M**

Little Rock Region Population and Jobs 1990–2017



Sources: U.S. Bureau of Labor Statistics, Metroplan population estimates.

**Comparative Unemployment
(Not Seasonally-Adjusted)**



Source: U.S. Bureau of Labor Statistics



Manufacturing workers needed: a November 2018 job fair sponsored by the Little Rock Regional Chamber of Commerce at Arkansas Workforce Center. Companies included Caterpillar, Kimberly-Clark, LM Wind Power and L'Oreal.

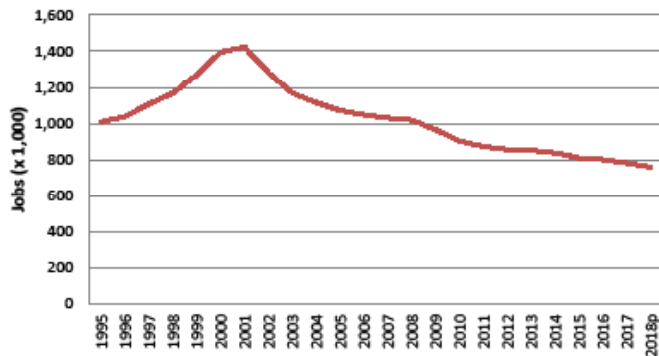
A Local Cycle of Creative Destruction

During the late 1990s the U.S. telecommunications sector was growing exponentially. Networks with rising data capacity—first fiber optic, and later wireless systems—were replacing slower networks of the past, and there was plenty of business to do. Within the telecom sector, there was a brief boom in telephone call centers. Then the 2001–2002 recession tipped the sector into decline. Call centers were undermined by rapid innovation in Internet services, while over-investment in “wired” telecommunications yielded a sector-wide bust. Markets began shifting toward wireless.



Alltel's former headquarters in Little Rock's Riverdale neighborhood. It has taken awhile to fill Alltel's shoes as a key economic driver.

U.S. Jobs in Telecom Sector 1995–2018



Source: Arkansas Department of Workforce Services. Annual figure for 2018 is projected based on trend through October, 2018.

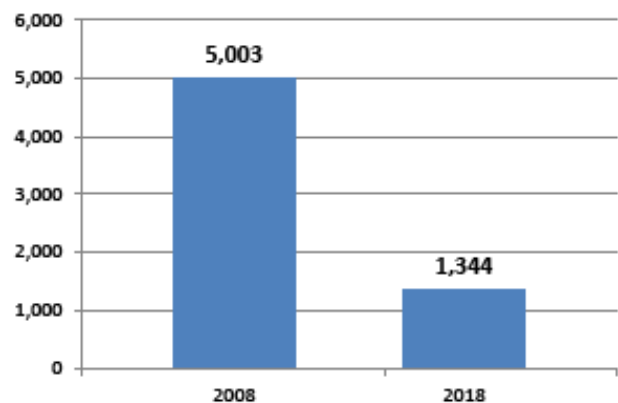
While the Little Rock region saw some impacts from the 2001–02 recession, it was less hard-hit than average. Its home-based telecommunications giant Alltel continued expanding, often buying out other firms. The 2000–2008 years saw a minor boom in population and economic growth in Central Arkansas that was boosted by telecom, until reality caught up with the region. In 2006, Alltel spun off its “wired” sector, which became Windstream Communications. Then Alltel was purchased in 2008, many of its components becoming part of the Verizon Corporation.

By early in the 2010 decade, the Little Rock region started losing many jobs in its formerly lucrative telecom sector. Verizon pared back its workforce in Central Arkansas, while Windstream struggled in the declining wired telecom sector. The region went from having over 5,000 jobs in telecom

during 2008 to about 1,300 in 2018. Since many of these jobs had paid above-average wages, the loss also depressed regional income growth. Growth slowed in other sectors like business services, due to linkages.

The region as a whole has continued to grow economically, but at a reduced pace. By 2018 the local telecom sector had dropped below the national average in terms of jobs for the region's size.¹ Local telecom employment will probably stabilize to a level needed to serve local needs. Declining fortunes in telecommunications have probably exerted a certain economic under-tow, holding back regional growth while a major sector of the local economy was restructuring. **M**

LR MSA Jobs in Telecom (NAICS 517)



Source: Arkansas Department of Workforce Services. Figures are from month of February, not seasonally adjusted.

¹ In technical terms, regional location quotient has dropped from 1.91 in 2008 to 0.71 in 2018, suggesting the sector now serves primarily local needs and is not an export industry.

A Regional Economic Survey

Metroplan asked selected economic leaders around the region for their observations on the state of the region's economy. Here are excerpts of the responses:¹



Q: How do you feel about the regional economy at present?

The Central Arkansas economy appears to be doing quite well, with a below-average unemployment rate. Local conditions, with job expansions such as Bank of the Ozarks, Dassault Falcon Jet and Envoy (another aerospace firm) favorably affect my business.

—Ted Bailey III, the Multi-Family Group



Very favorable. Lowest unemployment ever, good access to capital, good access to high quality graduates, low inflation.

—Nick Brown, Southwest Power Pool

Very favorable, my business is always affected by the amount of disposable income.

—Mark Abernathy, owner Loca Luna, Red Door restaurants



Local conditions are neutral to favorable with decreased crime, some population growth and major infrastructure development

—Jay Chesshir, President and CEO Little Rock Regional Chamber



The quality of life is very high in Central Arkansas and rivals that of many cities. I would emphasize bike trail, river, downtown revitalizations, excellent health care to attract and retain people.

—Lisa Ferrell, CEO North Bluffs Development Corporation

Metroplan also asked participants for strategy and policy ideas. Some included national and state-level policies that are beyond control of the local area, others quite specific to the local area:

Q: What Policies Should We Pursue?

We have too many "silos," i.e. disdain for suburbs, feeling that downtown has to set the tone for economic development, West Little Rock vs Mid-Town.

—David Elrod, Elrod Real Estate

ELROD REAL ESTATE



[we need] A community coalition of parents, educators, business leaders and citizens to create and implement strategies to improve public education throughout Pulaski County. This is not a one-district problem and should be addressed at the county level...

—Jay Chesshir, President and CEO Little Rock Regional Chamber

¹ Please note that Metroplan made minor text changes in a few cases, to improve clarity without altering the intended meaning.

Start a public campaign asking everyone to take pride in Central Arkansas, ask businesses to clean and maintain the sidewalks and public space around their businesses, homeowners to do the same... this may seem small but can make a difference [as with] broken windows theory.

—Lisa Ferrell, CEO North Bluffs Development Corporation

Arkansas still ranks near the top of the wrong lists: poverty, household food insecurity... To change this picture, wages must rise and job training must have political will and funding, especially in view of the work requirements for Medicaid and SNAP.

—Nancy Conley, Communications Director, Arkansas Hunger Alliance



It is imperative that we increase the job participation rate. The revisions in the tax code have given us an incentive with Opportunity Zones.

—David Elrod, Elrod Real Estate

We've got to get the message out there of all the GOOD things happening and stop focusing on the BAD. Most Southern cities have problems but to turn things around we must tell the story of where we are headed ... the region is leading with UAMS and Children's in Health Care and is the home to three large regional banks over \$10 billion in size and we rarely hear about it.



—John William Adams, Market President
First Security Bank of Conway and Board Member, Conway Corporation



We pay the highest restaurant taxes in the U.S. and there is no good reason for that. It depresses wages, business income and growth.

—Mark Abernathy, Owner Local Luna, Red Door restaurants



Focus on reducing the crime rate. Aggressively pursuing new job growth and continuing with ongoing infrastructure improvements which may positively leverage additional private investment. Eliminate or reduce the state income tax to be more competitive with surrounding states!

—Ted Bailey III, the Multi-Family Group

Putting it Together

The comments above were excerpts. You may access them in totality at metroplan.org/content/publications. Taken as a whole, several themes can be gleaned from the survey results. At a minimum, without endorsing or denigrating any of the comments, it was useful to get an airing of perspectives and ideas. Probably the strongest commonly-expressed sentiment was a desire for a more coordinated regional effort at economic growth. In an “off-the-record” comment, one respondent pointed to the dispersion of regional chambers of commerce. Virtually every city in the region has one and this implies some duplicated effort. The crime issue was mentioned by several respondents. During a period when U.S. crime rates have been declining, the Little Rock region has also seen a drop but sometimes gets unfavorable rankings. Public schools and job training were mentioned multiple times. Finally, several respondents contended that the regional dialogue needs a more positive tone, that the regional economy is under-appreciated for its economic soundness, rising entrepreneurship, and rising financial sector. **M**

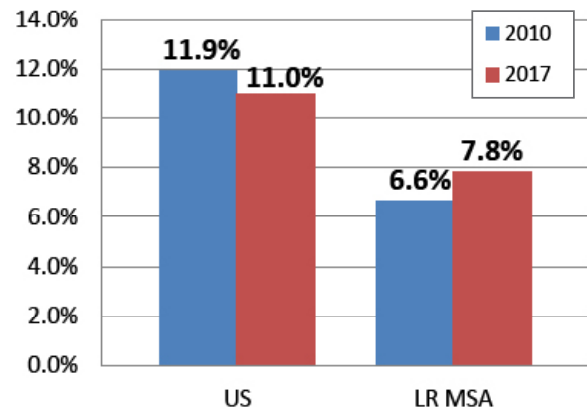
² Metroplan does not automatically endorse the comments.

Local Manufacturing Shows Competitive Edge

The Central Arkansas regional economy is traditionally oriented toward services, not manufacturing. However, in recent years the region has shown an upward manufacturing trend. While manufacturing's share of U.S. GDP declined slightly from 2010 to 2017, the local share jumped. Just as compelling, local GDP outgrew local jobs in manufacturing by a factor of seven to one. By comparison, U.S. manufacturing GDP lagged behind job growth. The Little Rock metro's high ratio of GDP growth to job growth in manufacturing is at least partly related to tight local labor markets, but also suggests a competitive advantage in manufacturing productivity.

The Central Arkansas region ranks high in steel and metal products (NAICS 331-332), which account for nearly one in four local manufacturing jobs. This includes firms like Welspun (pipe manufacturing), but also in structural metals (Lexicon, Schueck Steel). The region's second-biggest focus is in wood and paper products (NAICS 321-322), with such firms as Interstate Signways and Kimberly-Clark. The region ranks slightly above average in machinery (NAICS 333) with firms like Caterpillar, LM Windpower and Cameron (formerly Orbit Valve). Finally the region has a niche in aerospace, with Dassault Falcon Jet but also Custom Aircraft Cabinets. A new addition is Envoy, a firm that performs aircraft maintenance for American Airlines at the Little Rock Airport. This last may technically fall in the "service" category, but there is a lot of crossover between manufacturing and maintenance/repair activities.

Manufacturing Share of GDP

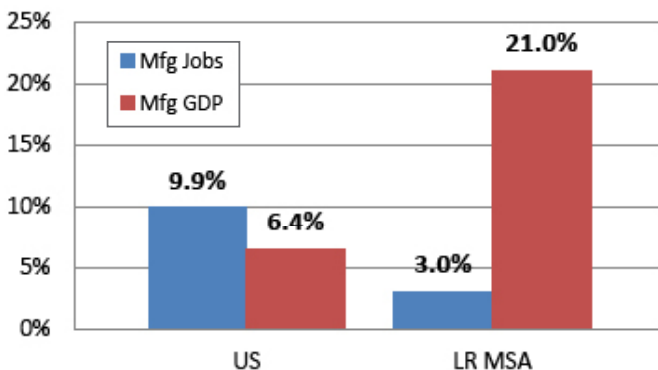


Source: U.S. Bureau of Economic Analysis.

Two small sectors within the local manufacturing scene have shown rapid growth lately: ethanol processing and pharmaceuticals. Looking to the future, local manufacturers are often constrained by a need for skilled workers with STEM aptitude, a problem in common with the rest of the USA.

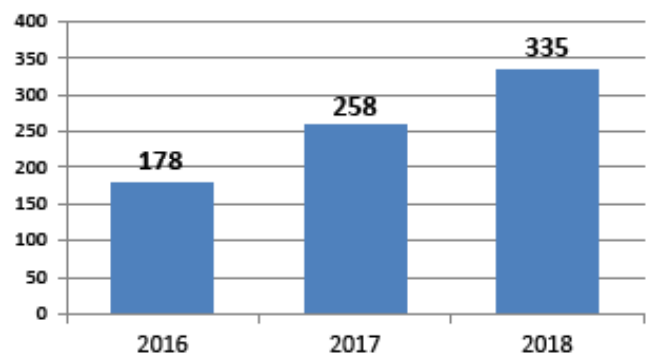
One of the region's biggest manufacturing competitive advantages lies with the Little Rock Port Authority, which accounts for about 1,600 manufacturing and 3,400 total jobs.¹ Back in 2005, the Little Rock Port accounted for about 4 percent of local manufacturing jobs; by 2015 that had risen to 8 percent. The Port has major transportation advantages, connected to the regional freeway network, with direct access to two major rail lines (UP and Burlington Northern), and barge traffic via the Arkansas River that provides low-cost shipping to much of middle North America. **M**

Manufacturing Trend Comparison 2010–2017



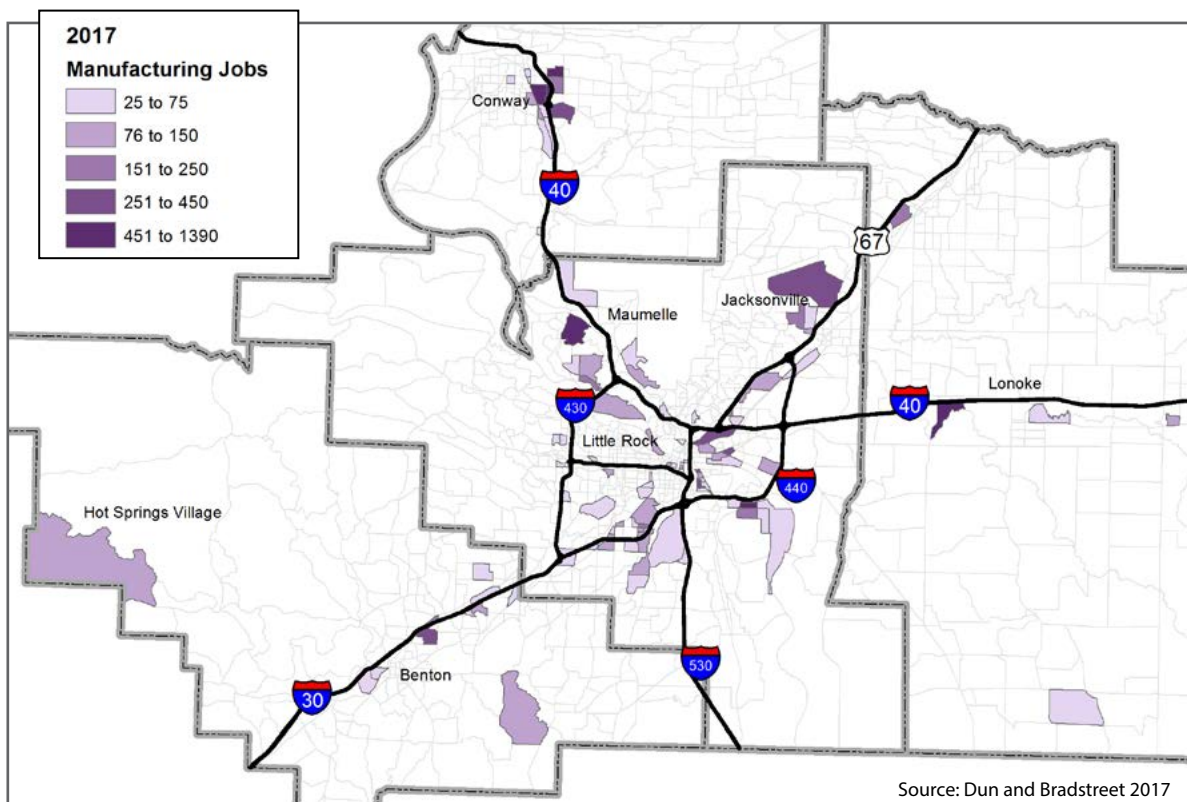
Source: U.S. Bureau of Economic Analysis.
GDP figures are in constant chained 2009 dollars.

Little Rock MSA Pharmaceutical Jobs



Source: Arkansas Department of Workforce Services, NAICS 3254.
Figures represent month of February for each year.

¹ U.S. Bureau of the Census data for 2015, LEHD On the Map data for tract 40.07 Block Group 1.



The map above gives a general depiction of where the manufacturing jobs are located in the Little Rock region. The largest concentrations are in the Port of Little Rock, Conway, Jacksonville, Maumelle, and eastern North Little Rock. Most of the major concentrations are close to freeway and rail infrastructure, but there are exceptions. Recent changes in jobs, such as growth at Welspun in the Port of Little Rock, are not fully reflected in the map, and there could be minor inaccuracies with data reporting—so use the map with caution. The map uses traffic zone (TAZ) geography to generalize for confidentiality. The image below gives a close-up aerial of the Port of Little Rock, which hosts at least 1,600 manufacturing jobs and continues growing.



Welspun Expands Local Manufacturing Base

When Welspun, the world's leading maker of steel pipes, decided to start a plant in the United States, Little Rock wasn't even on the list. Welspun needed a location well within the predominant U.S. pipeline grid, with good barge and rail access, and rock-solid local coordination to start up a plant and get pipes under production inside 15 months. Rajesh Chokhani made the rounds back in 2006 in Alabama, Mississippi, and Texas, and cities like Memphis, New Orleans, and the Tulsa area, but couldn't quite find the right combination.¹ Then, while staying in a hotel in Memphis, he scanned Google maps, and chanced upon the slack-water harbor and rail lines leading into the Port of Little Rock. After two emails and a phone call, he was meeting with people from the Port, the Greater Little Rock Chamber, and local and state government who worked together seamlessly to help. By June, 2008 production was underway.

When you visit Welspun's Little Rock facility, it's hard not to be impressed by the size—close to 800 acres in total. The company employs 1,000 people, commuting from up to fifty miles away. You see stacks of steel pipe, and large structures where more of it is being constantly fabricated. The pipe is made from 30–40 ton steel coils and welded together via a



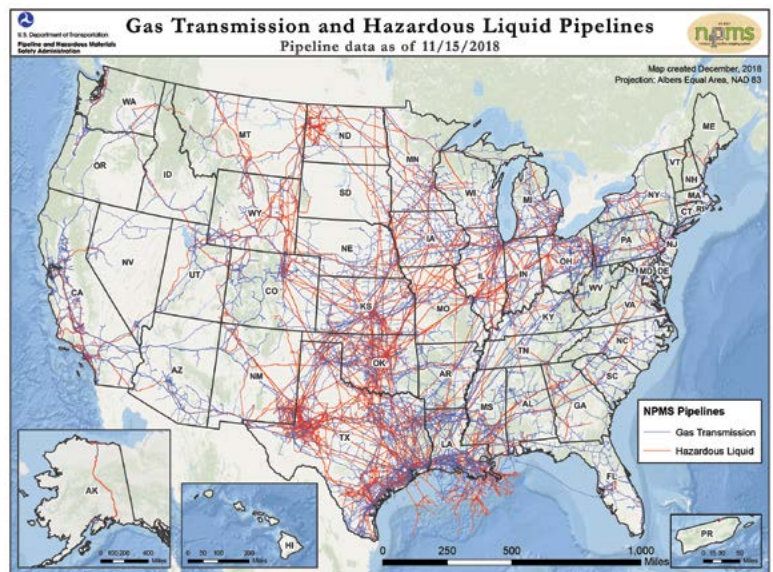
The glow shows where the newest segment of pipe is being cut from a continuous production run.

process known as HSAW.² It's heavy industry, involving 40- and 80-foot pipe lengths that are shipped out to provide a goodly share of the new and replacement pipe for America's approximately 1.8 million miles of oil and gas pipelines.³

Welspun works with local institutions to maintain and improve programs that train local residents for its jobs. At present, pipe manufacturing is thriving and Rajesh says "I need 100 people today." They recruit throughout the state and



Working the controls at Little Rock's Welspun plant.



Welspun needed a location in close proximity to the U.S. pipeline grid.

¹ Rajesh Chokhani is Chief Operating Officer at Welspun's Little Rock site.

² Helical Submerged Arc-Welding

³ Figures from U.S. Department of Transportation

beyond to bring in qualified workers. To help, Rajesh serves on the Board of Directors for Pulaski Tech, which is constantly fine-tuning its mechanical and electrical training programs.

Rajesh likes Little Rock, praising its welcoming ethos. Low housing costs are a competitive advantage, but operating in the U.S. market brought surprises for Welspun. Arkansas is not traditionally a heavy-industry state, so the company had to bring in some training and engineering expertise up-front. Welspun recognizes that it is not just employing workers but supporting families, and it provides benefits like a top-notch health insurance program and an Employee Assistance Program (EAP) or confidential counseling. Yet the company has found that problems with substance abuse are widespread and, to keep operations safe and productive, random drug testing is mandatory.

Demand is strong for welders, machinists, electricians, electronic specialists, and millwrights. Local freight-shipping infrastructure is good, but more and better out-shipment

capacity is needed with both rail and barge traffic. Welspun is producing and selling pipe so quickly its four rail-spur tracks dedicated by the Port Authority are sometimes inadequate, limiting it to loading 120 railcars at a time. When customers want your product faster than it can be shipped out, it's a good problem to have, but also a reminder that infrastructure matters. **M**



Welspun's patented spiral weld process at its Little Rock plant represents state-of-the-art manufacturing globally.



Welspun's facility in the Little Rock Port covers almost 800 acres, using four rail spurs to ship out new pipes for the U.S. Market. Photo courtesy of Welspun.

On the Line at Prospect Steel

When you visit Prospect Steel, staffers enjoy pointing to their “Wall of Fame,” which shows construction projects their company has assembled. The highlights include UAMS Medical Center, the Dallas Cowboys Stadium in Dallas, Texas, and numerous industrial facilities, bridges and convention centers across the country.

It’s hard to get enough skilled workers at Prospect Steel. “Everybody got busy all at once” the plant manager says. Right now, he could use forty-five additional seasoned welders. There’s plenty going on at the plant. Steel plates come in from a rail spur, to get methodically processed into finished plate girders. The manager points to some plate girders that will go into a bridge in Illinois. If you get up close you can spot the points that were welded. You might expect the weld-joint to have the familiar bubbly look but instead it’s smooth and you can only discern the weld by its shiny patina. Noticing this, I have to ask: does a machine smooth over the weld once it’s done? “No,” comes the answer: “it’s craftsmanship.” That’s what



A robot welder has sped up the process and reduced production costs.

he means by a seasoned welder. X-ray checking guarantees that the weld is more than smooth, it is thorough and structurally sound.

It’s hard work. Prospect Steel employs workers who “have their heads down” through the shift as they weld, fit and test parts through the production process. The plant takes certified welders from trade schools and trains them

on the job. The younger workers often have more aptitude for computer tasks, which helps with CNC machines and the plant’s robotic arm. The best workers are people who like to work with their hands in a non-office environment, to look at a finished plate girder and say “I built that.” The jobs pay well but conditions aren’t always comfortable. The plant is cold in winter and hot in summer. Training and skill help, but



Prospect Steel built the components for the Bill Coats Bicycle Pedestrian Bridge in Houston, Texas. Photo source: <https://www.hermannpark.org/poi/6/>

Prospect Steel can turn an unskilled neophyte into an effective worker, if the individual is willing to learn and stay on-task, and passes mandatory drug testing. “You find out pretty quick” if a worker will measure up, we’re told.

While there’s plenty of nitty-gritty grunt work, the job requires creative thinking, too, since the lifting and welding machinery have to be constantly adapted to differing product designs. Prospect Steel recruits from local high schools, and has found many of its best people start out as high school kids who don’t like school but want to work. All of the plant’s foremen, in fact, have come “from the floor,” veterans who worked their way up. The biggest takeaway is that there are plenty of good jobs at places like Prospect Steel for people who don’t want—or can’t get—college degrees. Dedication and work ethic can still matter more than training. **M**



Human workers are more versatile than robots, often doing skilled follow-up welding downstream from the robot.

Gas Pos Offers Promise

Gas Pos is a new company that has developed software that allows gas stations to use their existing equipment to read chip cards. This is important, because stations—many of them privately-owned small businesses—must upgrade to chip-reading by 2020, and the cost can be prohibitive.¹ Gas Pos software does more than just read chips: it improves sales and inventory management systems. The company has investor backing to keep growing its business by providing small retail businesses with hyper-modern tech savvy. Gas Pos is a tale that grows with the telling. Ask CEO Josh Smith to describe his business and he finds it hard to summarize things at the present, because the horizons are expanding too quickly. The firm has already gone from four employees to nine in under a year.

Josh has worked the “tech scene” in places like Portland and San Francisco, but found good reasons to grow his business in Arkansas instead. Gas Pos moved to Little Rock from Birmingham this year, with urging and help from Little Rock’s Venture Center, the AEDC and the Greater Little Rock Chamber. Gas Pos was one of ten finalists from a field of about 300 applicants for the Venture Center’s 2018 Accelerator Program. Businesses in high-value locations like San Francisco have to compete with the likes of Google, Microsoft and Facebook for talent. By comparison, Central



Easy chip-reading for gasoline sales has boosted the retail sales in stations, partly because lines are shorter.



Joshua Smith, CEO and Nanette Smith, CTO and President. The rooftop patio at the Gas Pos offices has views of the Little Rock skyline, Verizon and the thriving Argenta neighborhood.

Arkansas talent is under-utilized, and Gas-Pos has done well with graduates from UALR’s Donaghey College of Engineering and Information Technology. The new Gas Pos office location in downtown Argenta provides an attractive, stimulating and walkable urban environment, at low cost compared with suburban office space. The work environment matters, both in attracting talent and providing a stimulating environment for a creative business. Proximity to the Venture Center helps, too.

The availability of capital, Josh explains, is one of the key reasons tech firms prefer “hot” locations, especially Silicon Valley, in spite of their high costs. Little Rock’s Venture Center has, however, helped pair his business with investors, and the number of subscribers is growing. Given the Little Rock region’s proven acumen with finance technology and cyber-security, it looks like a good fit. **M**



A historic building in downtown Argenta makes a comfortable and accessible corporate location.

¹The upgrade is required by the major credit card companies for better security. It costs about \$17,000 to replace a pump.

Single-Family Up, Multi-Family Down in Early 2018

Total construction dropped in the first half of 2018, compared with an abnormally high level in the first six months of 2017. The total number of housing unit starts was, however, consistent with the trend since about 2012. Single-family construction actually rose by about 11 percent. The overall decline can be attributed to the drop in multi-family (down 72 percent), a fairly predictable change after a period of unusually rapid multi-family construction starts.

In single-family construction the region was led as usual by its largest city, Little Rock, with 173 new units. The capital city was followed by Sherwood, with 123, then Benton with 92 and Bryant with 90. Compared with early 2017, the biggest change in early 2018 was in Hot Springs Village, where new housing growth climbed to 36 new units from just 18 during the first half of 2017. The second-fastest growth was in Bryant, where units ticked up 43 percent, from 63 to 90.

This year's single-family construction index is now derived from a new base year, 2015. As you can see, local single-family construction was moving downward a bit through the third quarter of 2018 for both the overall U.S. market and for the Little Rock region. The local region has seen a sharper downward move across the first three quarters of 2018. Rising interest rates may be a factor behind this slowdown. The Federal Funds rate, shown on page 13, is still well below its peak in the 2006–2007 period, but rising rates since late 2015 have been making housing finance more expensive.

Half Year (January–June) Housing Unit Permits 2015–2018

Single-Family

	2015	2016	2017	2018
Benton	101	92	80	92
Bryant	32	81	63	90
Cabot	45	49	54	67
Conway	83	111	72	71
Hot Sprgs Vill	37		18	36
Jacksonville	18	25	23	19
Little Rock	193	160	166	173
Maumelle	12	24	36	44
N Little Rock	46	52	41	57
Sherwood	74	108	129	123

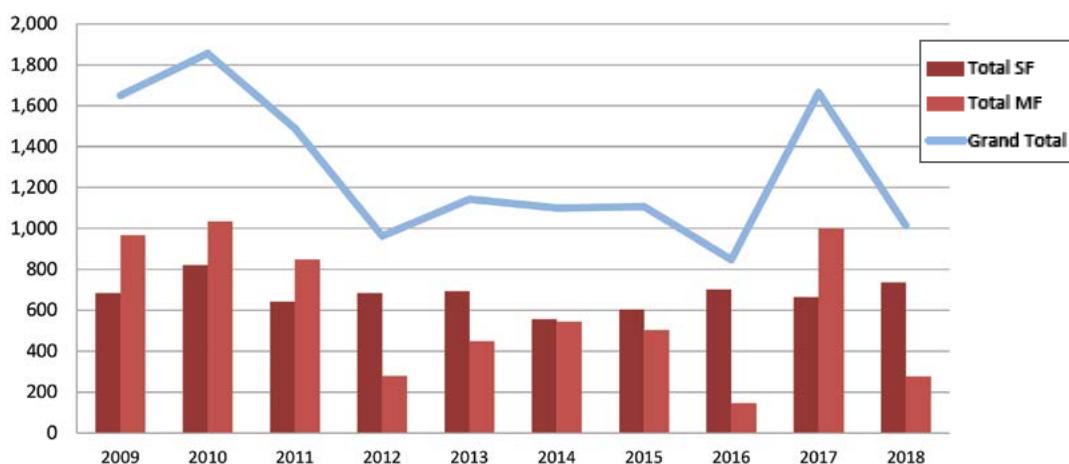
Multi-Family

	2015	2016	2017	2018
Benton	0	0	52	0
Bryant	0	12	0	0
Cabot	19	0	76	0
Conway	6	44	86	95
Hot Sprgs Vill	0		0	0
Jacksonville	0	2	2	0
Little Rock	370	6	761	134
Maumelle	108	0	0	0
N Little Rock	0	82	15	48
Sherwood	0	0	8	0

Regional Totals

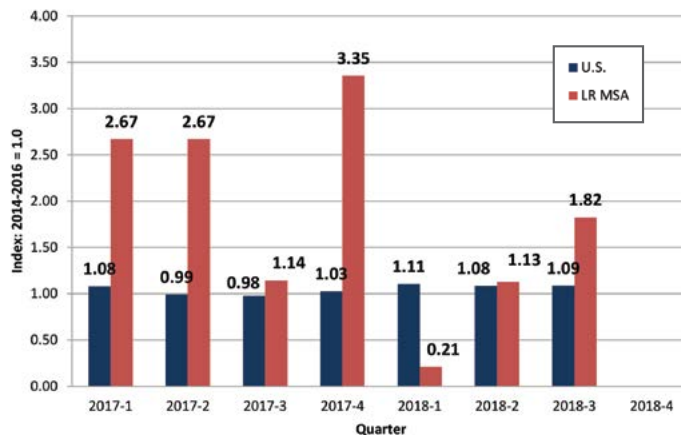
	2015	2016	2017	2018
Total SF	604	702	664	736
Total MF	503	146	1,000	277
Grand Total	1,107	848	1,664	1,013

LR-NLR-Conway Housing Unit Permits - First Six Months of Each Year 2009–2018

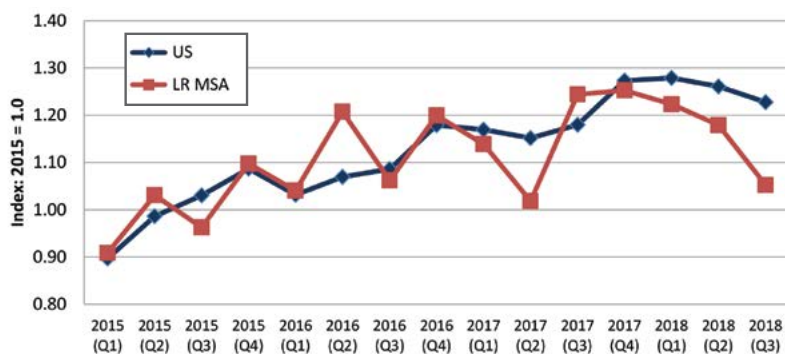


Multi-family starts were confined to the region's three largest cities, Little Rock, North Little Rock, and Conway during the first half of 2018. For Little Rock the multi-family construction consisted of duplexes and small projects mostly in western portions, as well as a 130-unit retirement complex, also in western Little Rock. In Conway a small complex and several duplexes rounded out the activity. For North Little Rock 48 units were added on Scenic Drive, near UA-Pulaski Tech. As the multi-family construction index chart shows, activity ticked back up in the third quarter, with two new complexes in western Little Rock and additional duplexes in Conway. This suggests a multi-family growth trend above the national average in six of the past seven quarters.¹ **M**

Multi-Family Construction Index 2017–2018
Seasonally Adjusted

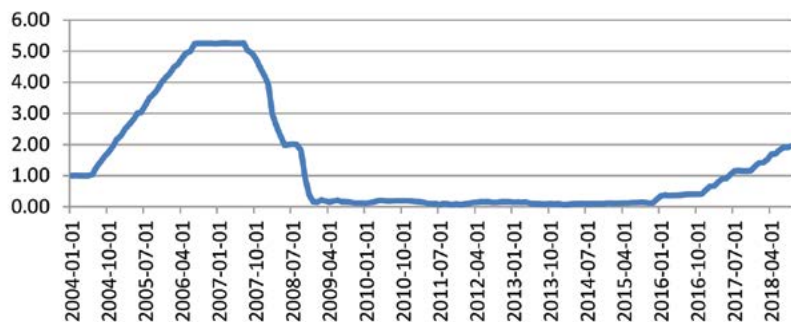


Quarterly Single-Family Construction Trend 2015–2018 Q3(p)



A new neighborhood of upscale housing is emerging at Rockwater Village in North Little Rock

Federal Funds Rate 1-2004 to 8-2018



Source: Federal Reserve Bank of St. Louis



This is the first of several new multi-family structures along North Hills Boulevard in North Little Rock. When complete, the new complex could contain up to 900 new units.

¹ Multi-family index is based on average apartment construction for the U.S. and Little Rock-area markets 2014–2016.

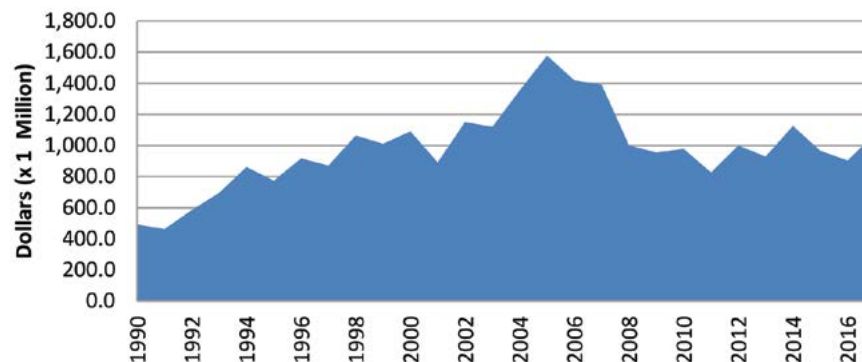
Construction Climbs in 2017

Total construction value in the four-county region was \$1,074,000 in 2017, topping the \$1 billion mark for the first time since 2014.¹ This marked a modest upward tick of 21 percent over 2016, and matched a mild upward trend visible in regional employment and incomes during 2017. The chart below shows the region's trend in construction values since 1990, adjusted for inflation. The bulk of 2017 construction activity (74 percent) was in Pulaski County, followed by Faulkner County with 13 percent, Saline County at 11 percent, and Lonoke County around 3 percent. The gains occurred across the board, in both residential and commercial new construction.

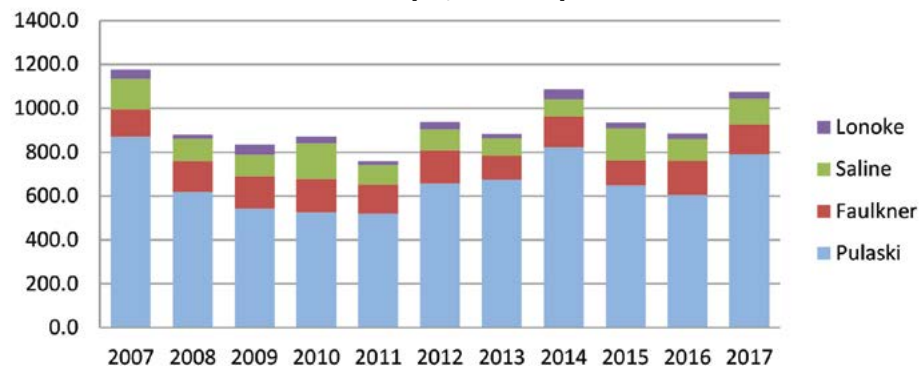


First Orion's new headquarters is the latest step in the upscale redevelopment of North Little Rock's Argenta district.

**Construction Value
LR-NLR-Con MSA 1990–2017 (2017 Dollars)**



**Permit Values by County 2007–2017
(x \$1 Million)**



¹ The 2014 total was \$1,087,000 in nominal dollars. The record was set in 2007 at \$1,176,000 in nominal dollars.

A look at the region's cities shows that most saw higher values in 2017 than in 2016. Jacksonville, and secondarily Sherwood, saw big jumps with school-related construction. The largest amount of new construction was in Little Rock, with major office and related commercial projects, while Conway saw the second largest new construction by value, with a wide array of projects including a Hampton Inn, a nursing home, and several restaurants.

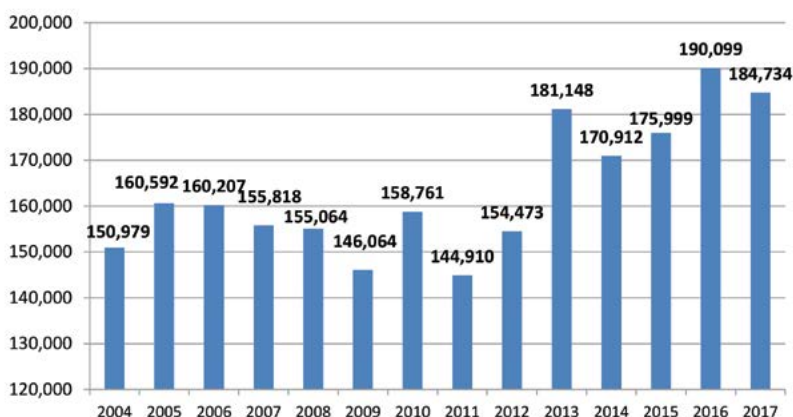
The median permit value of newly-built homes in the region was \$184,700 in 2017, slightly down from the year before. As the chart (below right) shows, median values varied sharply by city in 2017. The highest was Maumelle, at over \$260,000, followed by Little Rock at \$250,000 and Conway at \$226,000. Benton has climbed from being the region's third least-expensive market in 2013 to fourth highest in 2017. Sherwood stands out for having a middle-range median value, at \$149,341, while granting permits to 250 new units during

City Construction Value Totals in 2017

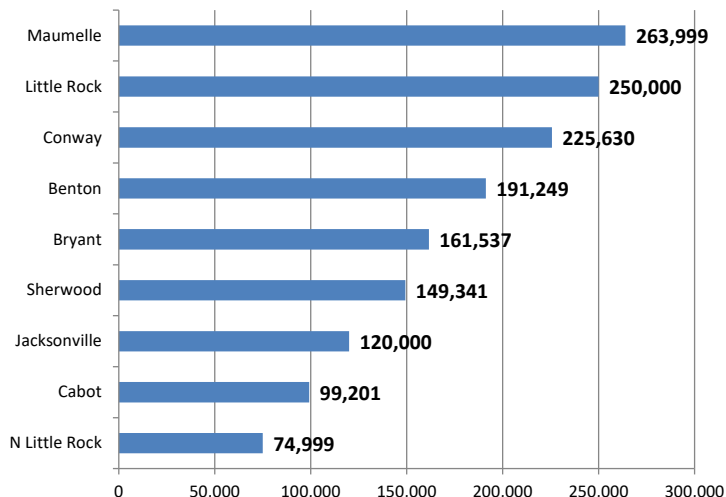
Rank	City	Value (\$ Millions)	Share of Region
1	Little Rock	495.9	46.2%
2	Conway	136.8	12.7%
3	Jacksonville	97.9	9.1%
4	N Little Rock	94.2	8.8%
5	Sherwood	84.6	7.9%
6	Benton	68.9	6.4%
7	Bryant	47.2	4.4%
8	Cabot	30.3	2.8%
9	Maumelle	18.0	1.7%

2017, meaning its new-home market provides a sizeable share of the region's moderately-priced new units. Another surprise was the low cost of about \$75,000 for a new home in North Little Rock, although closer analysis shows a number of high-value new units in selected locations. **M**

LR MSA Median New Home Value 2004–2017



New Single-Family Units Permit Median \$ Value 2016



Cammack Village is seeing a round of home replacements. Most of its original housing stock consists of modestly-sized homes built in the late 1940s and early 1950s, averaging between 800 and 1,200 square feet. Over the past two years, a number of older homes have been torn down (above) and replaced with larger, more modern ones ranging upwards of 3,500 square feet. The image below depicts one of the remaining original-stock houses, next to a larger newly-built home.



Economic Outlook 2018

Metroplan began researching this edition by asking questions like: why has the local economy under-performed in recent years, and what can be done about it? Closer analysis, which included input from selected regional leaders in our questionnaire (pp. 4–5) gave us a surprising conclusion. The region has undergone a slow spell, but its economic potential may be under-appreciated. The Little Rock regional economy remains strongly tied to “eds and meds,” large sectors which yield steady non-spectacular growth. Beyond this, the questionnaire responses pointed to several challenges, including slow labor force growth, inequality, crime and concerns about local schools. But those questioned had a mostly positive outlook. At the same time, local indicators are beginning to take a more upbeat turn.

The latest report from the U.S. Bureau of Labor Statistics shows that job growth in the Little Rock MSA in 2018 has run twice as fast as during the same portion of 2017.¹ Rapid lease-up of new apartment complexes is an anecdotal early indicator that might also suggest improving conditions. The region’s ability to provide ample rental housing with a wide range of cost and quality profiles may be an under-appreciated factor in economic growth.²



Two storefronts in this west Little Rock shopping center sit empty as retail trends keep shifting.

Keep an eye on single-family housing, which looks steady locally but shows signs of a downturn in larger metro areas.³ Since about 2010, metro areas with over 1 million population have been growing faster than smaller metros and rural areas. Yet many of these larger areas are running into problems with cost of living, and there’s evidence this may send some of their growth spilling into mid-sized regions like Central Arkansas.



An under-utilized asphalt parking lot is being replaced by a Purple Cow restaurant at McCain Mall in North Little Rock.

Job change trends in recent years show that the local economy has been restructuring, with a downward trend in telecommunications masking dynamism in other sectors. While the swoon in telecom fortunes has been a drag on the region for about a decade, the decline is probably ending now that the local share of jobs has fallen below the U.S. average. The regional manufacturing sector—a subtle but important driver of trends—is showing vitality. The local financial sector looks strong, indicating growing wealth but also demonstrating the region’s traditional financial acumen, possibly including an aptitude for identifying and supporting promising local start-ups. **M**

¹ 3.2 percent job growth January–October, compared with 1.6 percent during 2017.

² The July 2016 edition of *Metrotrends* provides further insight, at metroplan.org/content/publications

³ Kusisto, Laura, “The U.S. Housing Boom is Coming to an End, Starting in Dallas,” *Wall Street Journal*, November 26, 2018.



The Chenal Pines retirement facility in western Little Rock will offer 130 multi-family units for a growing elderly population. Photo at left: <https://www.facebook.com/ChenalPinesRetirement/>



Alleys like this provide parking behind homes, allowing a more pedestrian-friendly street in front, as seen at Rockwater Village in North Little Rock.



These new temporary structures were recently built by Amazon in North Little Rock, the corporate giant's first direct investment in the region. The distribution center currently employs over 100 people.

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