

Baton Rouge Area Chamber's **2015**

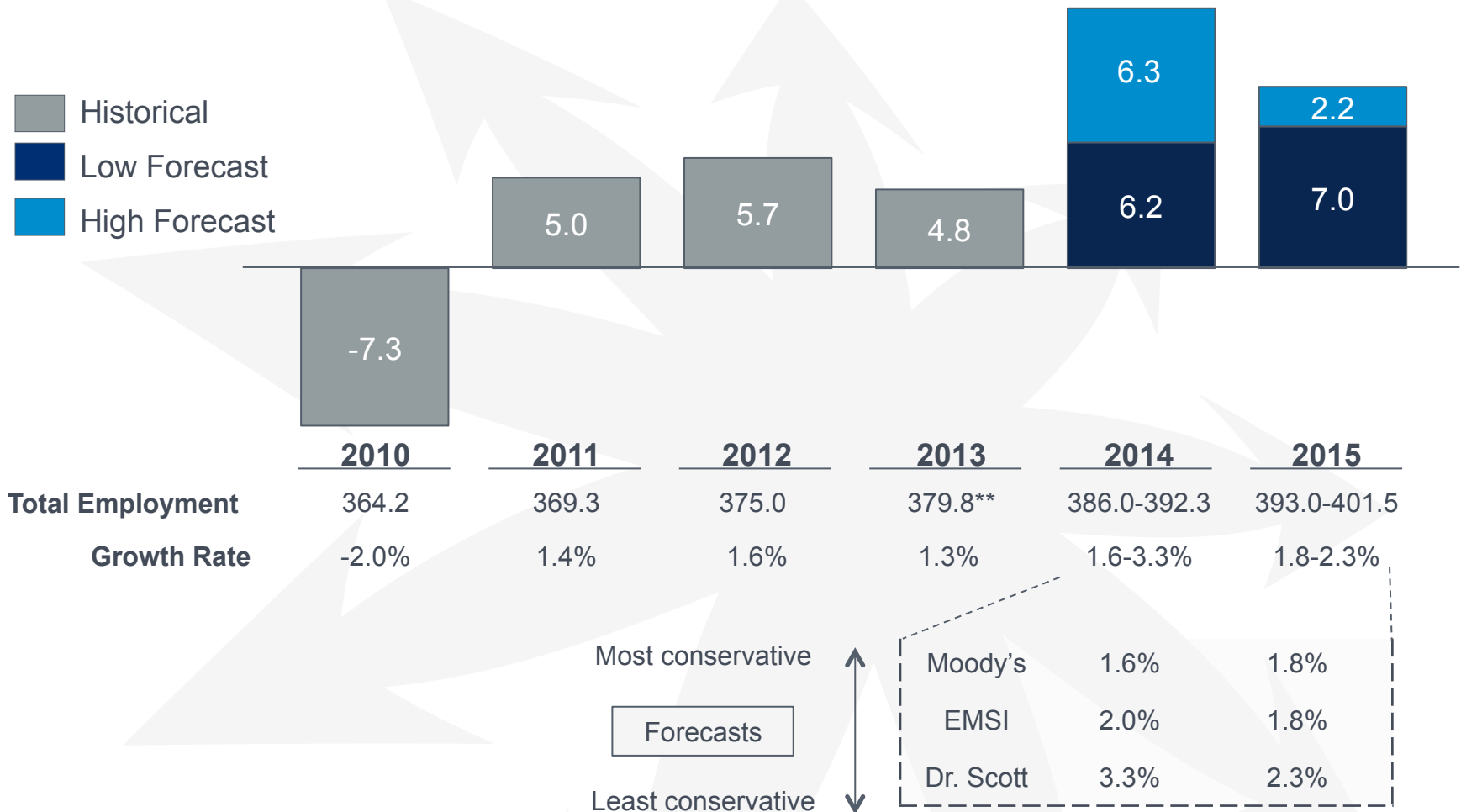
# **Economic** *Outlook*



Baton Rouge Area Chamber®

# Forecasted Job Growth

Last year, BRAC forecasted job growth at 2.3% in 2014  
 Nonfarm new net jobs and employment\* (thousands of people)

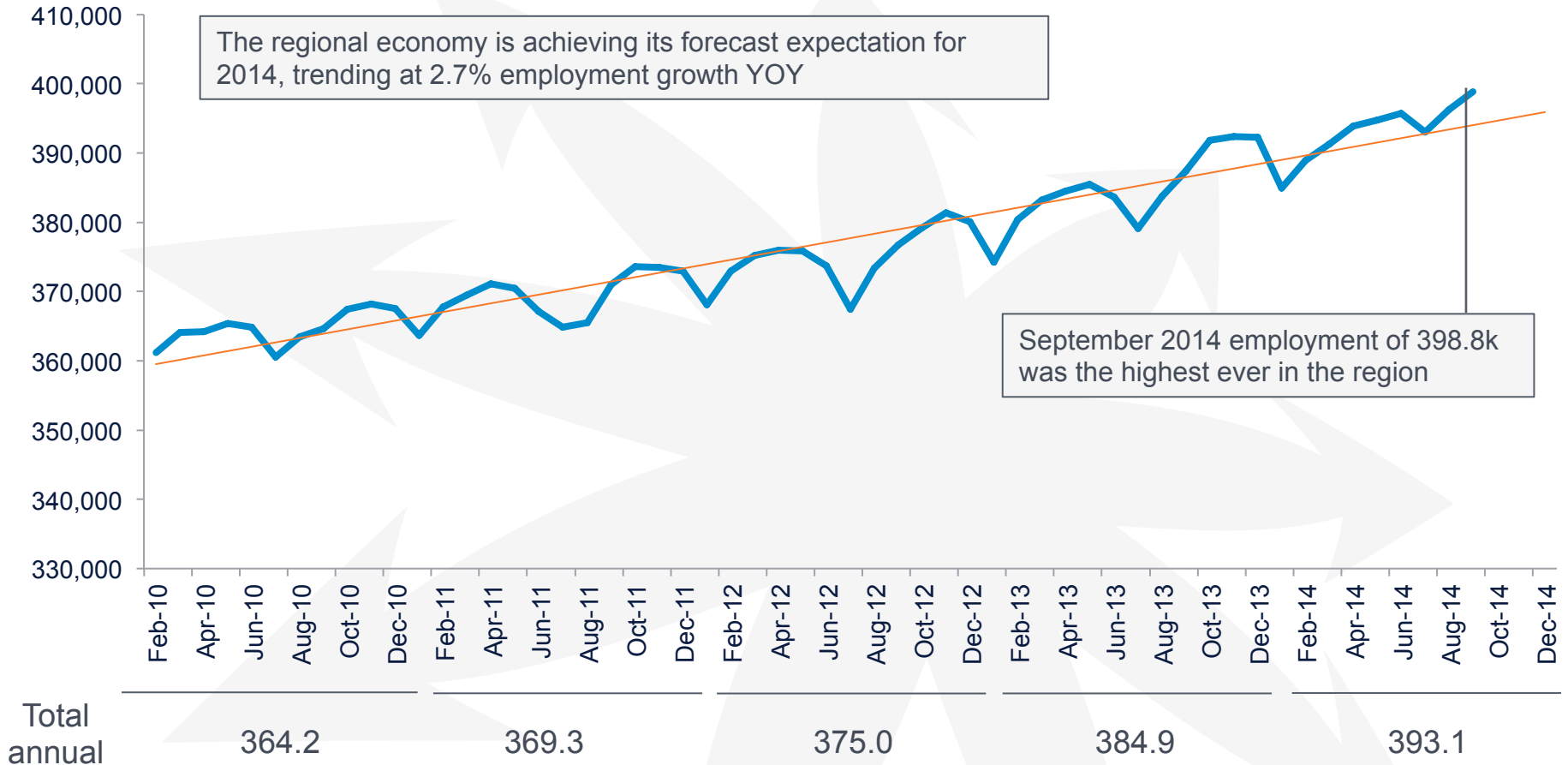


\*Not Seasonally Adjusted; \*\* January through August average

Source: BLS; Loren Scott's Louisiana Economic Outlook; Louisiana Workforce Commission; Moody's Analytics; Economic Modeling Systems Incorporated; BRAC analysis

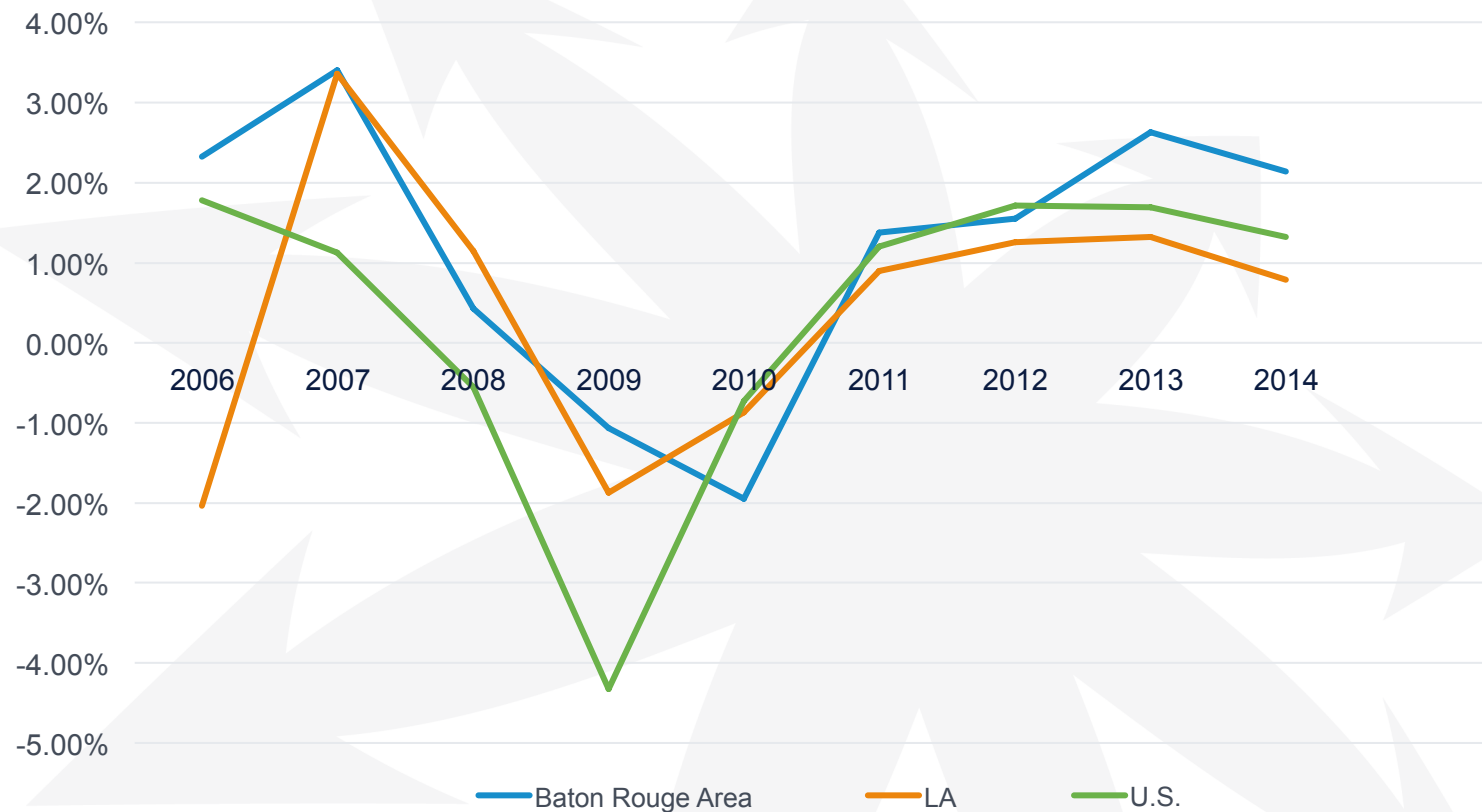
# Continued Job Growth

Regional employment **growth continues**, meeting forecast expectations  
 Nonfarm employment, not seasonally adjusted



# Job Growth Performance

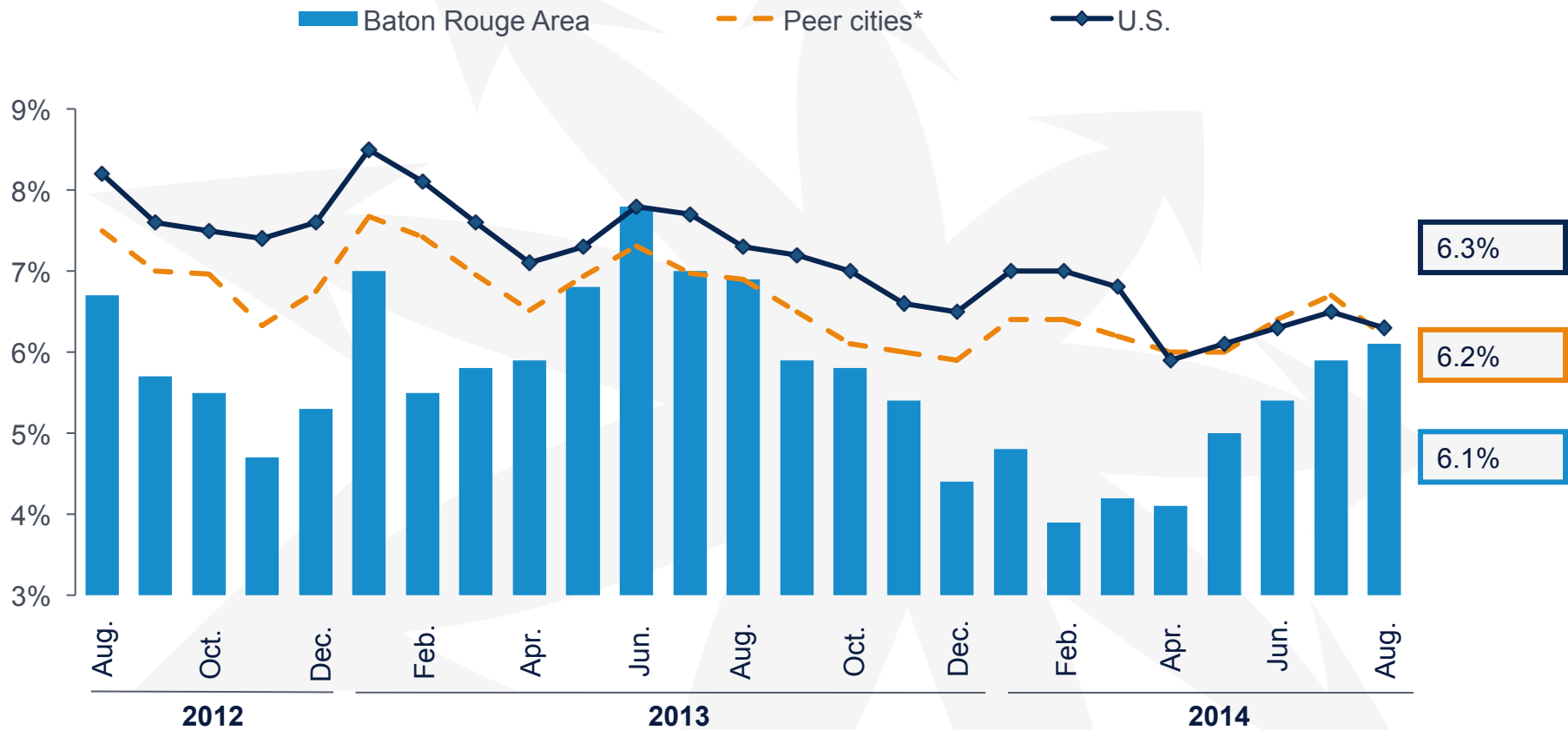
Regional employment growth has **outperformed** Louisiana and the nation  
Nonfarm employment, not seasonally adjusted (percent change)



# Regional Unemployment

The Capital Region unemployment remains **lower** than the state and peer metro average, but has been trending upwards in recent months

Unemployment rate (percent)



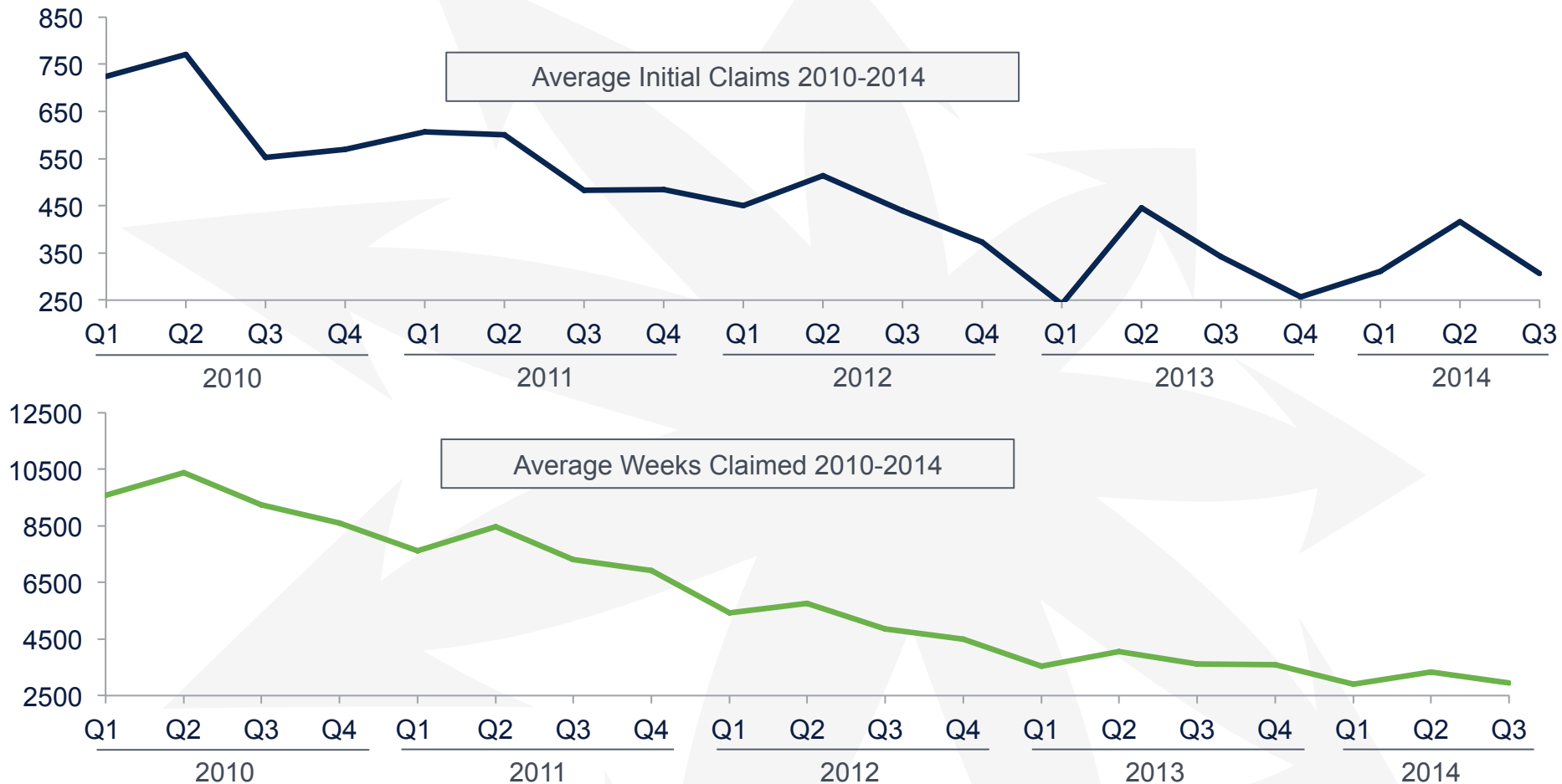
\*Peer cities include: Austin, Birmingham, Jackson, Little Rock, Memphis, Mobile, Nashville, and Raleigh

Source: Bureau of Labor Statistics; BRAC analysis

# Unemployment Claims

Unemployment **claims** are down 7% compared to 2013, continuing a downward trend since 2010

Average unemployment insurance initial claims and weeks claimed 2010-2014



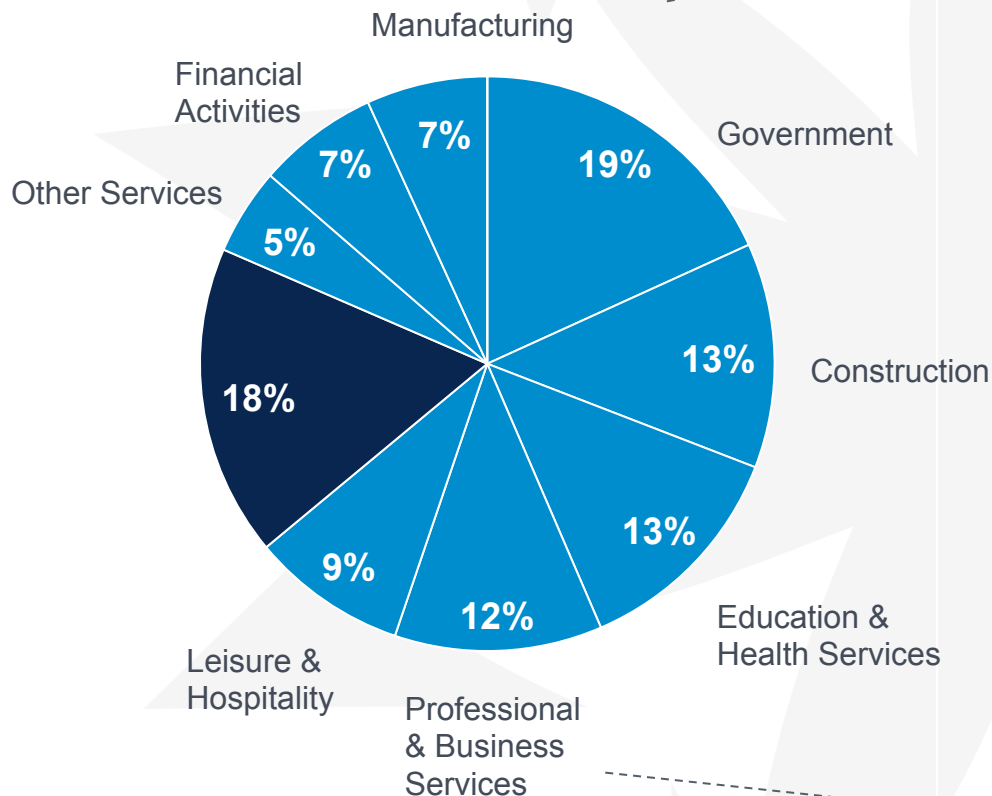
# Local Economy

82% of the local **economy experienced growth** in 2014,  
led by the construction and business services sectors

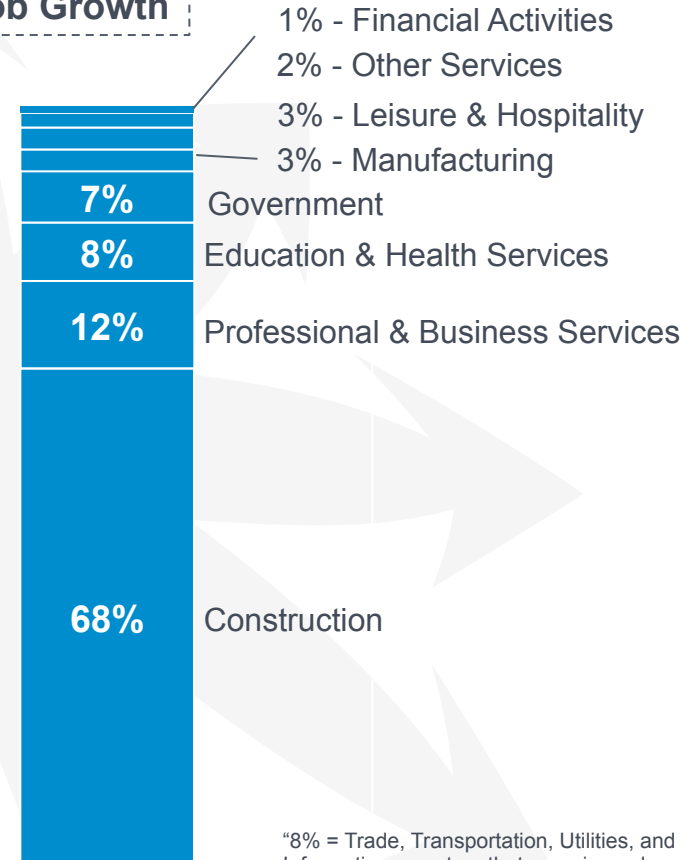
Percent of total 2014\* job distribution and growth

## Job Distribution

Percent



## Job Growth

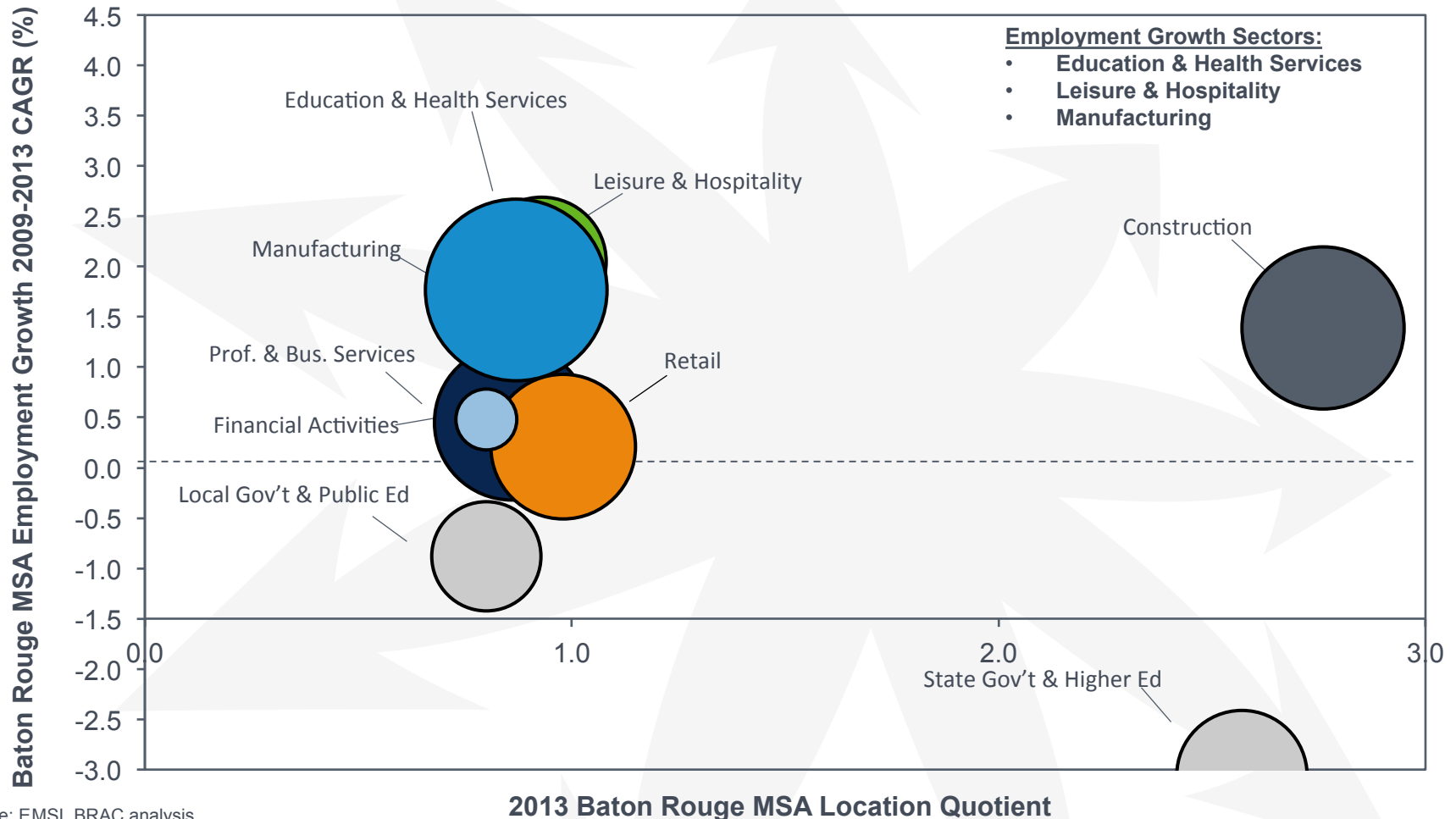


\*8% = Trade, Transportation, Utilities, and Information – sectors that experienced no growth (18% of economy)

# Growth Sectors

Over the last five years, there has been **significant growth** from education and health services, leisure and hospitality, and manufacturing

Bubble diameter is proportional to number of employees in 2013

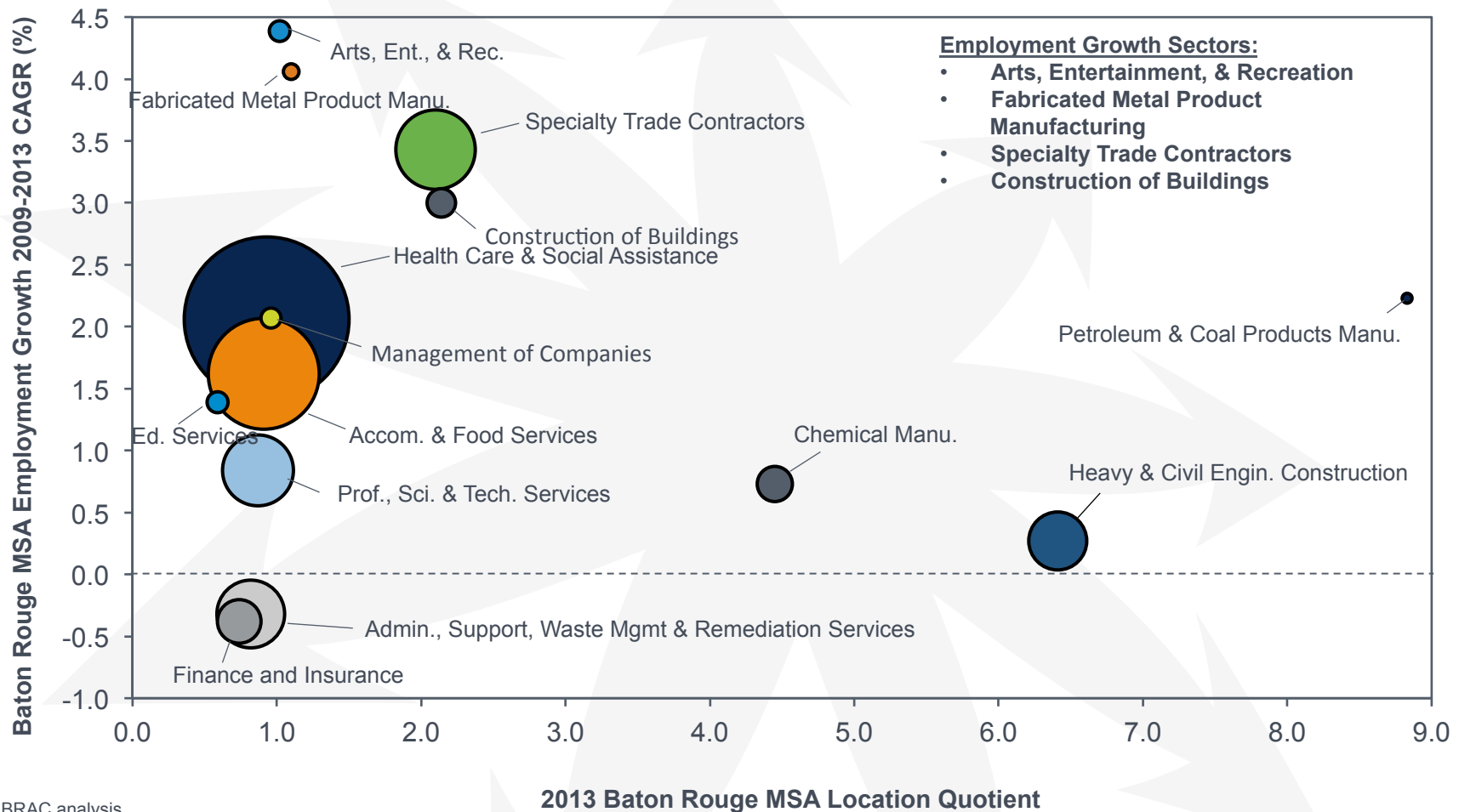




# Growth Sectors

**Health care** contributed significantly to growth, with industrial-related sectors also growing at high rates

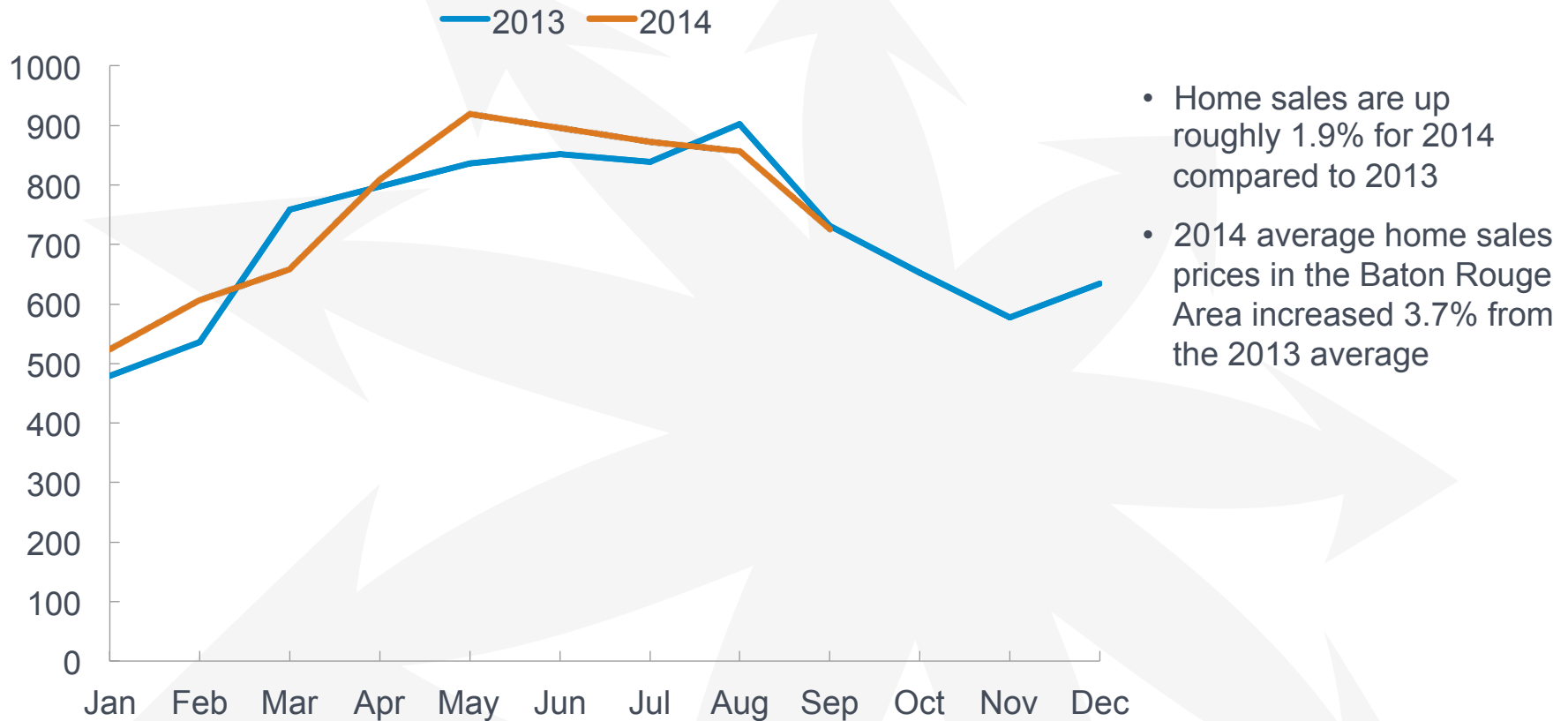
Bubble diameter is proportional to number of employees in 2013



# Real Estate Market

The Baton Rouge Area's real estate market showed **growth** in sales and home prices over the past year

Baton Rouge Area\* home sales (units sold)

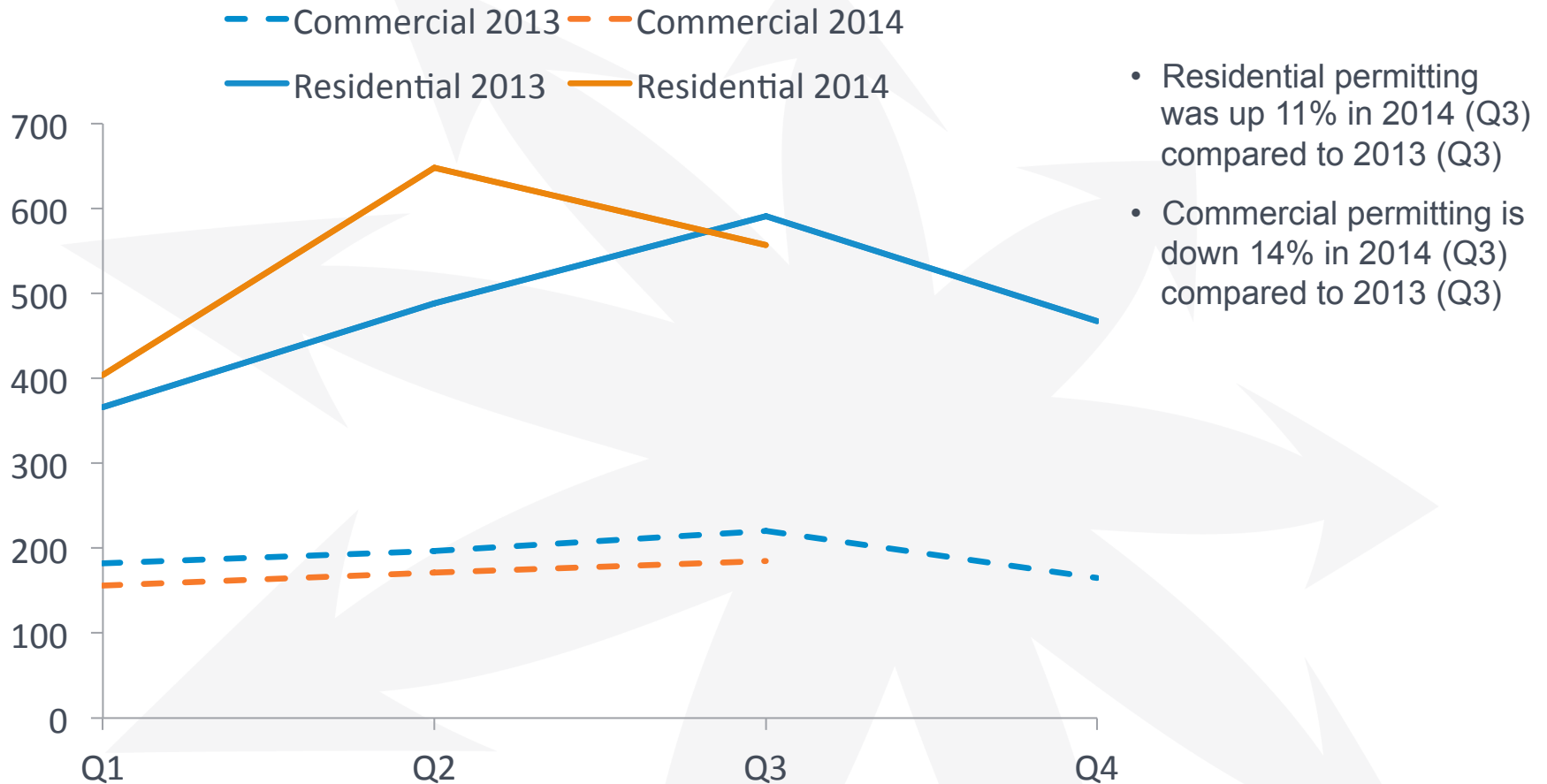


- Home sales are up roughly 1.9% for 2014 compared to 2013
- 2014 average home sales prices in the Baton Rouge Area increased 3.7% from the 2013 average

# Permitting

Residential and commercial permitting are both **up** since 2013

New East Baton Rouge residential and commercial units permitted



# Current Office Market

## Total Square Feet

- Total Office Space Square Feet (Class A & Class B) = 6,225,466
- Total Available Office Space Square Feet = 729,067
- Total Amount of Available Office Space (5,000 Square Feet of Contiguous Space or less) = 330,000
- Actual Amount of Functional Contiguous Square Feet Available = 450,000 -550,000
- Total “Theoretical” Vacancy Rate: ~12%

## Functional Square Feet

- 36 Buildings with 10,000 Sq. Ft. or More of Vacant Contiguous Space (5 Class A, 12 Class B, 19 Class C) 7 Buildings with 40,000 Vacant Contiguous Space (1 Class A, 3 Class B, 3 Class C)
- Functional Space versus Vacant Space
- Obsolete and/or Inadequate “Class B/C” skews Vacancy Rate
- Actual Vacancy Rate for Functional Class A and Class B Space: ~7%

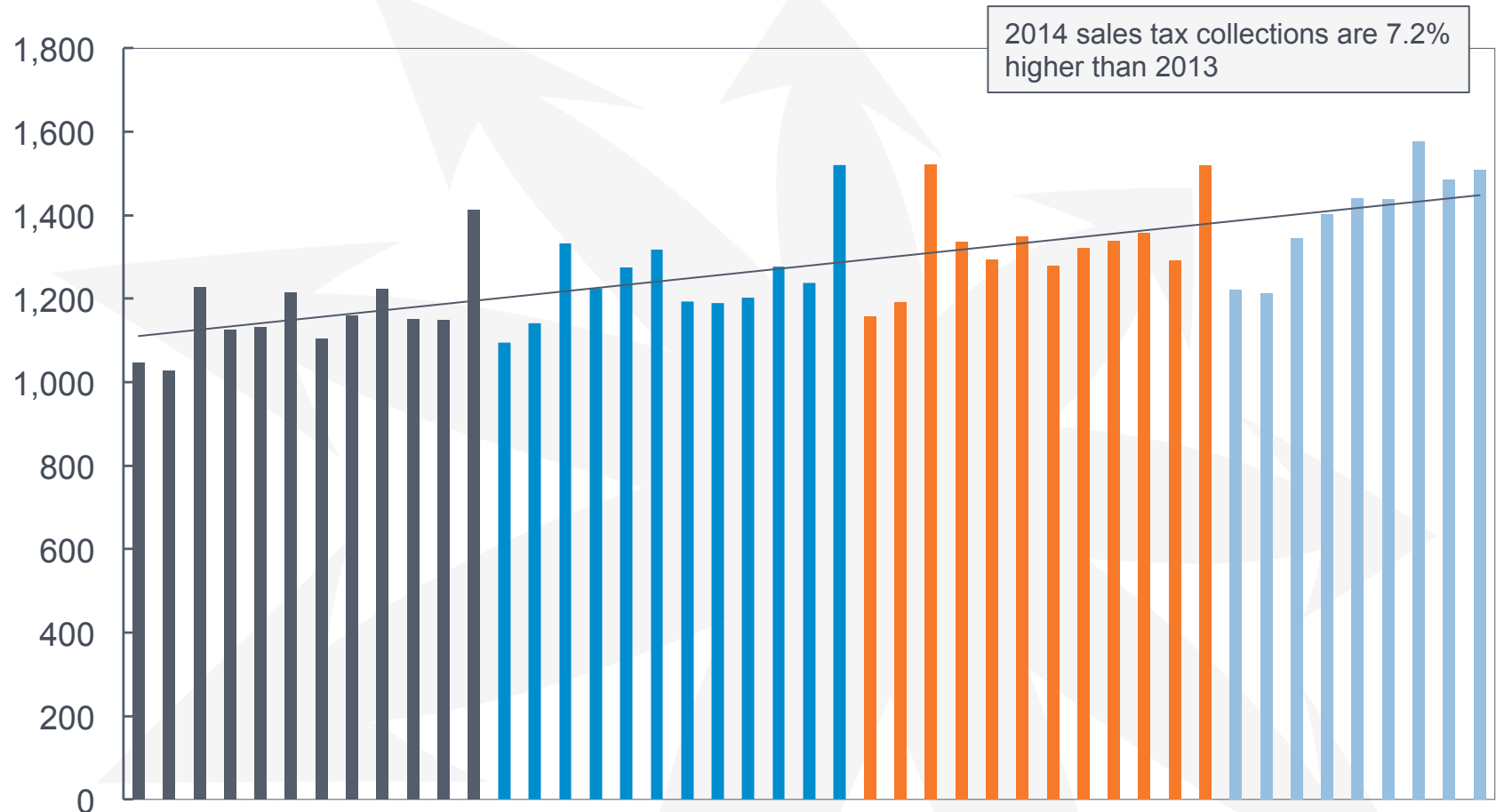
## Office Market Projection

- Velocity of national deals indicates few will wait for BTS options
- Limited availability of large blocks of space continue will deter new tenants
- Total Vacancy Rate projected to decrease to ~7% in 2015 (~430,000 SF)
- Functional Vacancy Rate projected to decrease to ~3% in 2015 (~200,000 SF)

# Regional Spending

Regional spending has been slowly but steadily **increasing** since 2011

Regional spending January 2011 to September 2014 (millions)



Region includes Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, West Baton Rouge and West Feliciana parishes

\*Sales were estimated from sales and use tax collections and rates of each taxing jurisdiction within each parish

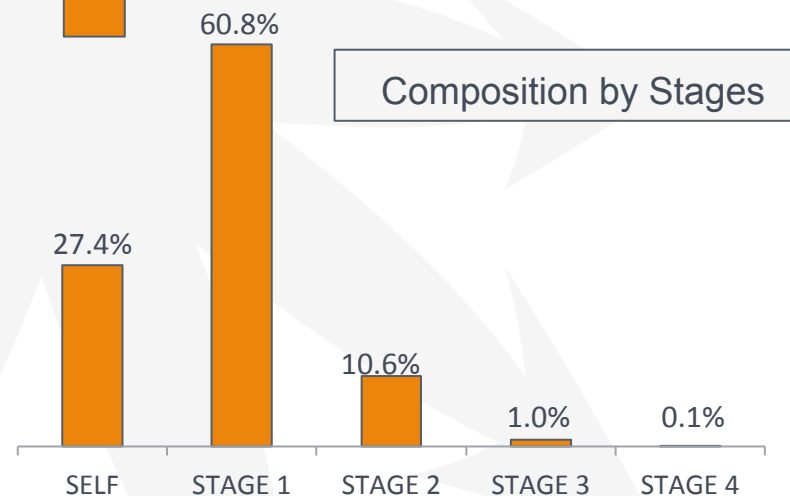
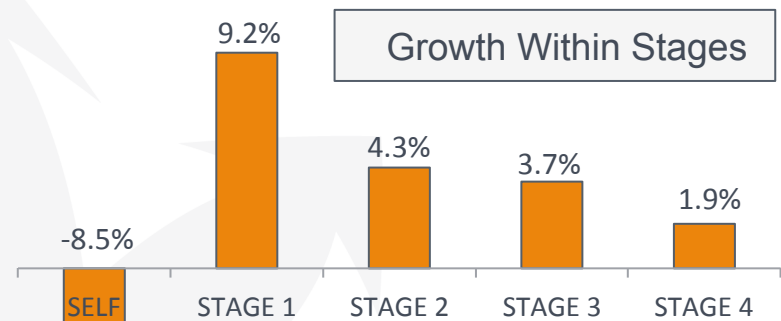
Source: Local tax offices; BRAC analysis

# Business Growth Rate

Baton Rouge Area's **business growth** rate ranks 26<sup>th</sup> in the U.S. for the past five years, with small business growth being the driver

The total number of business establishments has increased by 6,226, or an average annual rate of 2.5%, from 2009-2013.

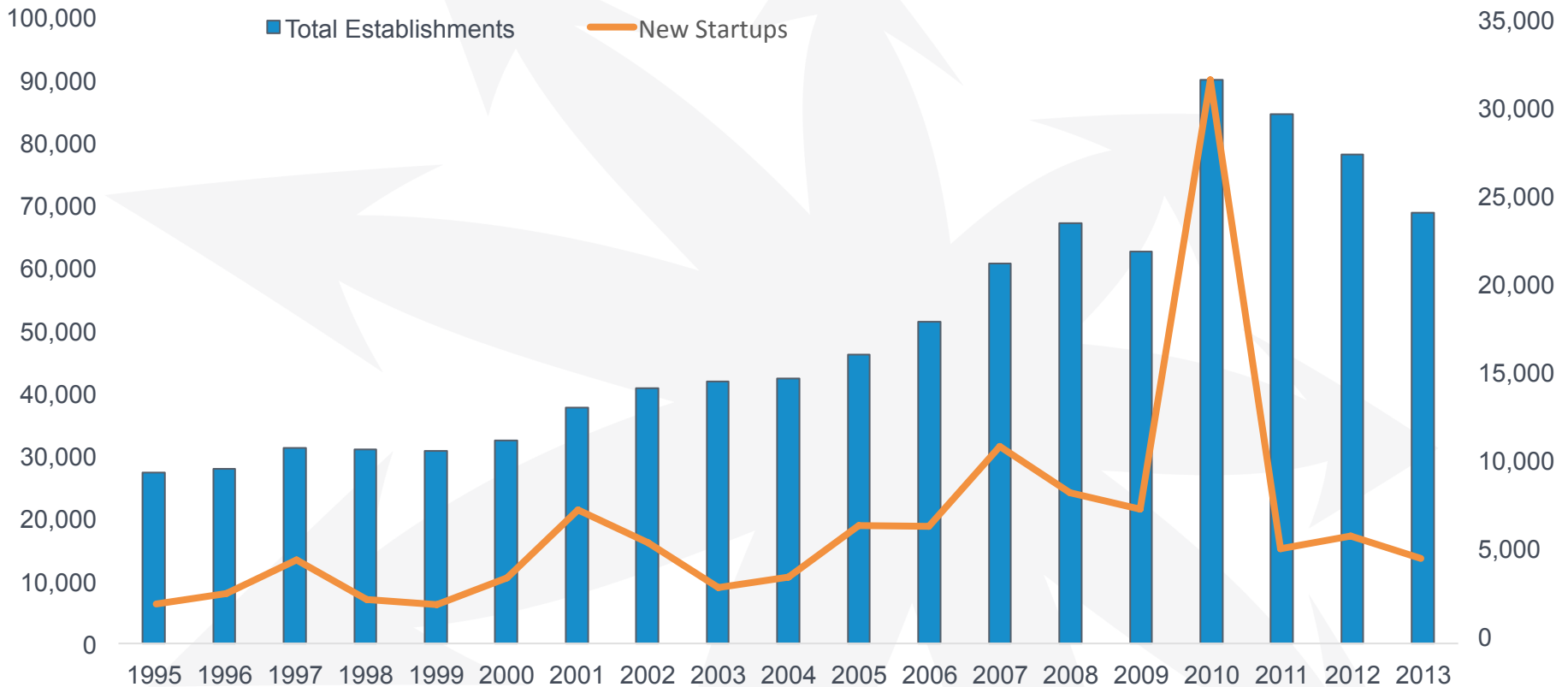
Establishments	2009	2013	Change
Total	62,492	68,718	6,226
Self Employed	21,704	14,309	-7,395
Stage 1 (2-9)	33,700	46,112	12,412
Stage 2 (10-99)	6,411	7,526	1,115
Stage 3 (100-499)	587	674	87
Stage 4 (500+)	90	97	7



# Business Creation

The Baton Rouge Area has experienced considerable business growth since the mid 1990s, but **business creation** has been stagnant in the last three years

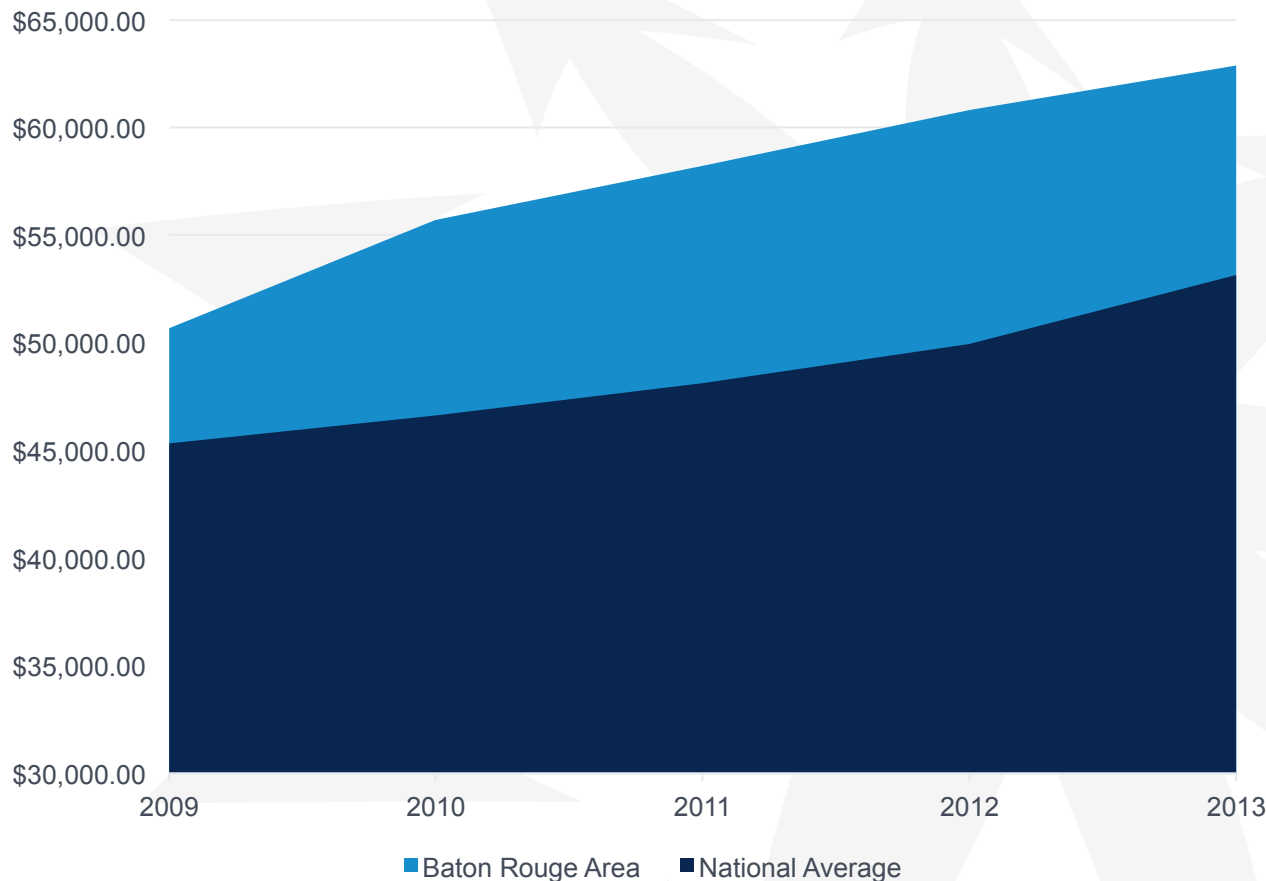
Total establishments and new startup creation by year



# Gross Regional Product

The Baton Rouge Area has experienced extremely **strong** gross regional product (GRP) growth since 2009, driven by a flood of investment into the region

Baton Rouge Area and national GRP/GDP per capita



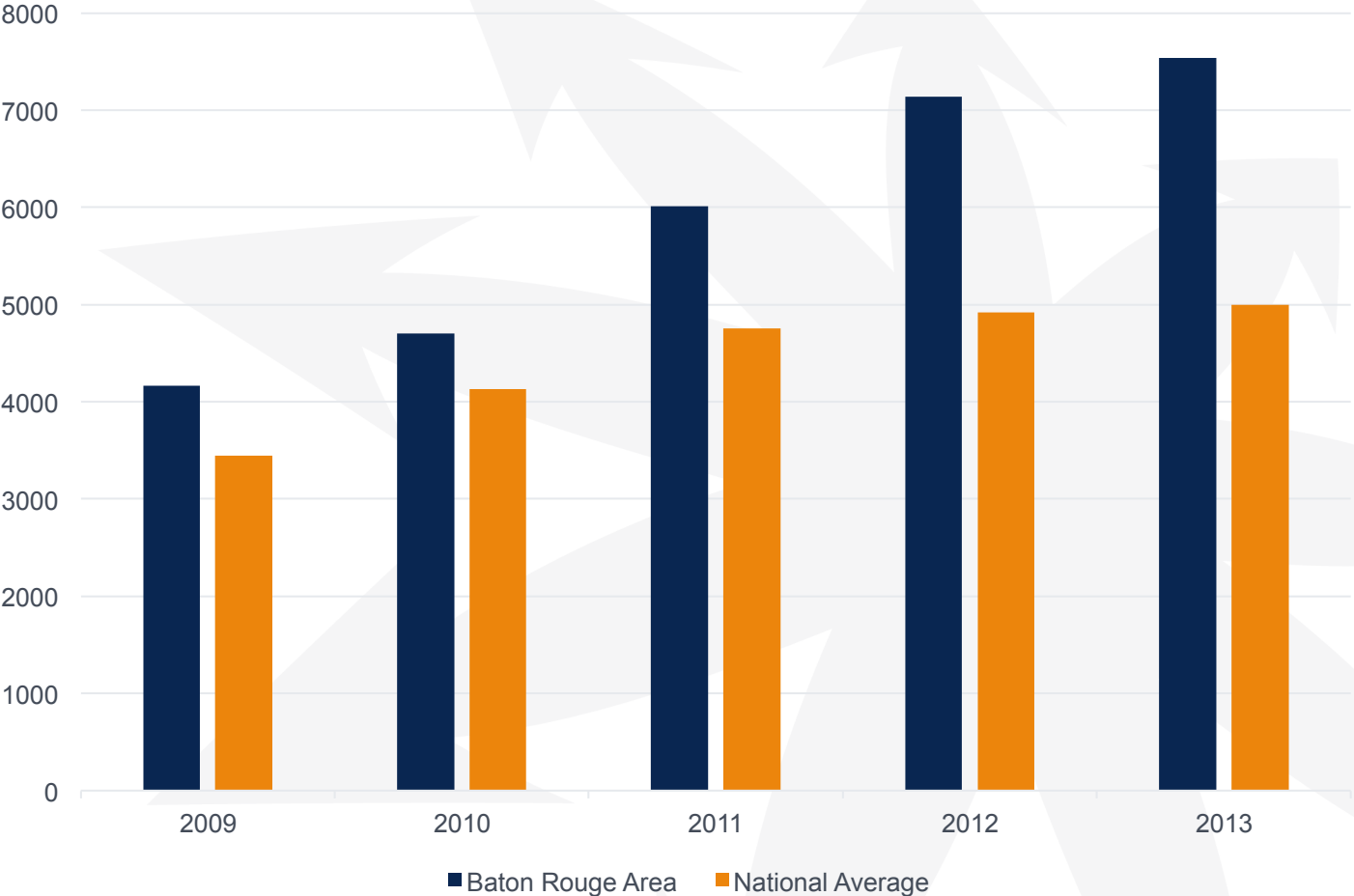
- Baton Rouge Area GRP has increased by 24% since 2009
- This increase amounts to just over \$11.9 billion



# Exports

Baton Rouge Area exports per capita have **increased 81%** since 2009, compared to a national average of 45%

Exports per capita



- Baton Rouge Area exports have increased by 81% since 2009
- This increase amounts to nearly \$3 billion

Source: Department of Commerce, International Trade Administration; EMSI

# Economy Outlook

Business owners are growing **more optimistic** about the regional economy

Adjectives assessing the overall condition of the Capital Region economy

Size of the word is proportional to frequency of response in a survey of business leaders

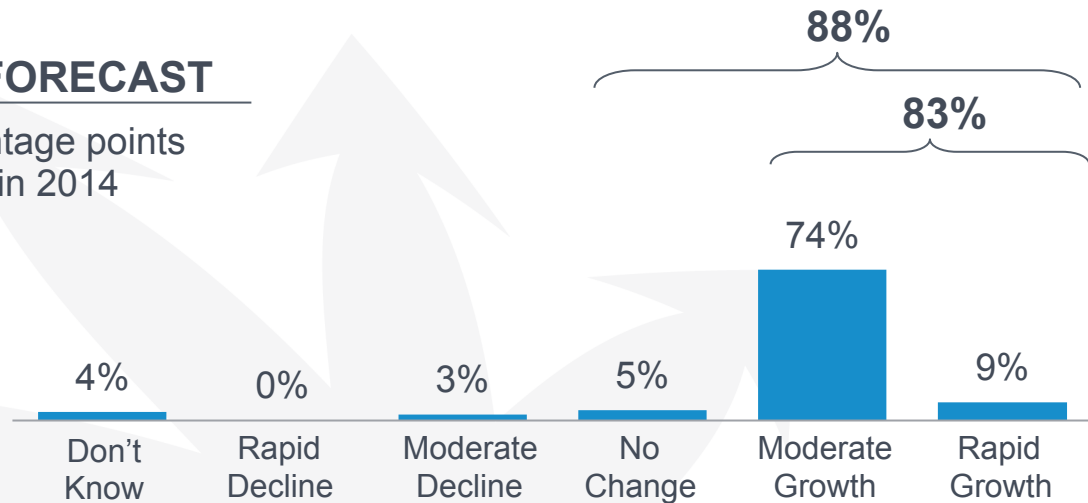


# 2015 Forecasts

Percentage of respondents in a survey of regional business leaders\*

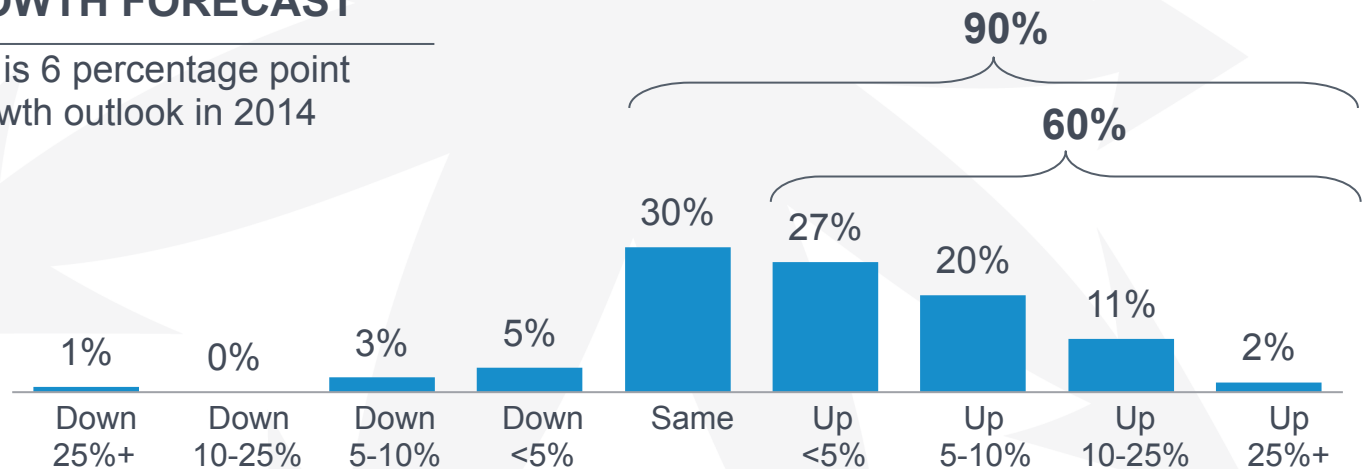
## 2015 ECONOMIC GROWTH FORECAST

The outlook for growth is 3 percentage points lower versus 86% growth outlook in 2014



## EMPLOYMENT GROWTH FORECAST

The outlook for growth is 6 percentage point higher versus 54% growth outlook in 2014



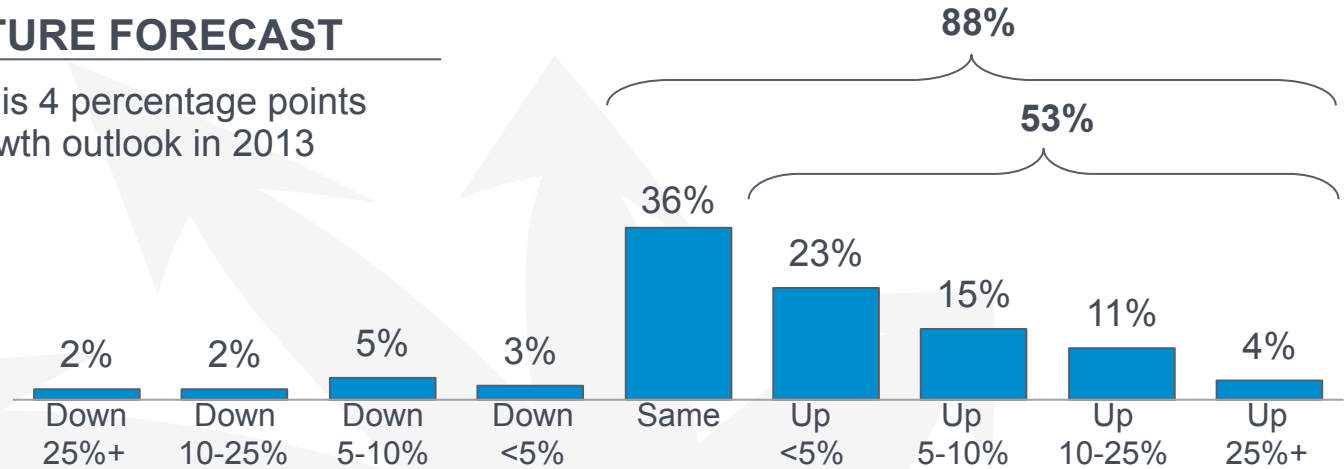
\*Percentages may not sum to 100 due to rounding

# 2015 Forecasts

Percentage of respondents in a survey of regional business leaders\*

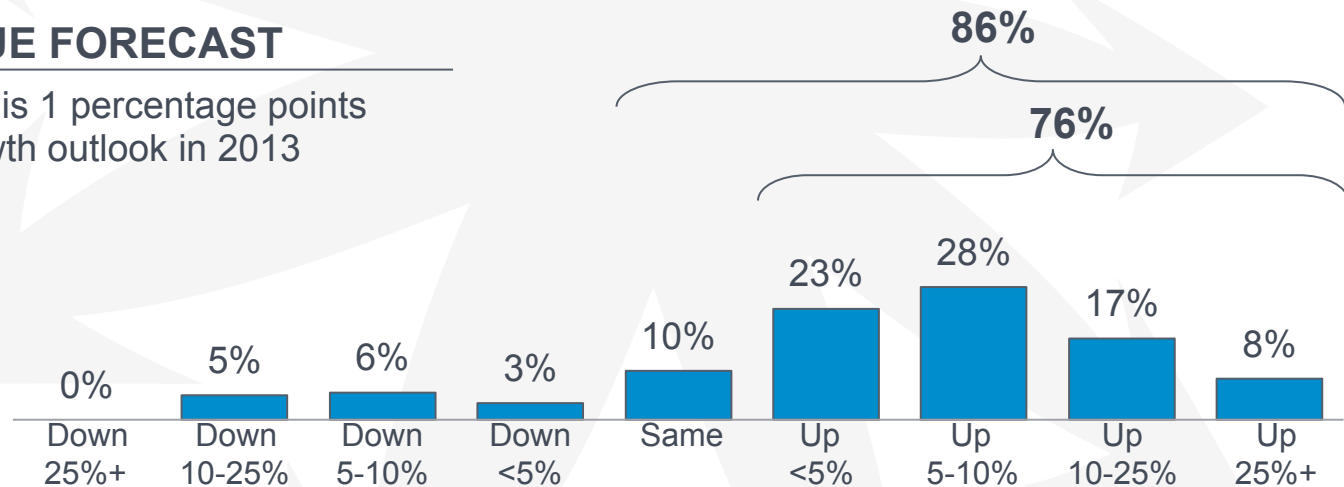
## CAPITAL EXPENDITURE FORECAST

The outlook for growth is 4 percentage points higher versus 49% growth outlook in 2013



## BUSINESS REVENUE FORECAST

The outlook for growth is 1 percentage point lower versus 77% growth outlook in 2013



\*Percentages may not sum to 100 due to rounding

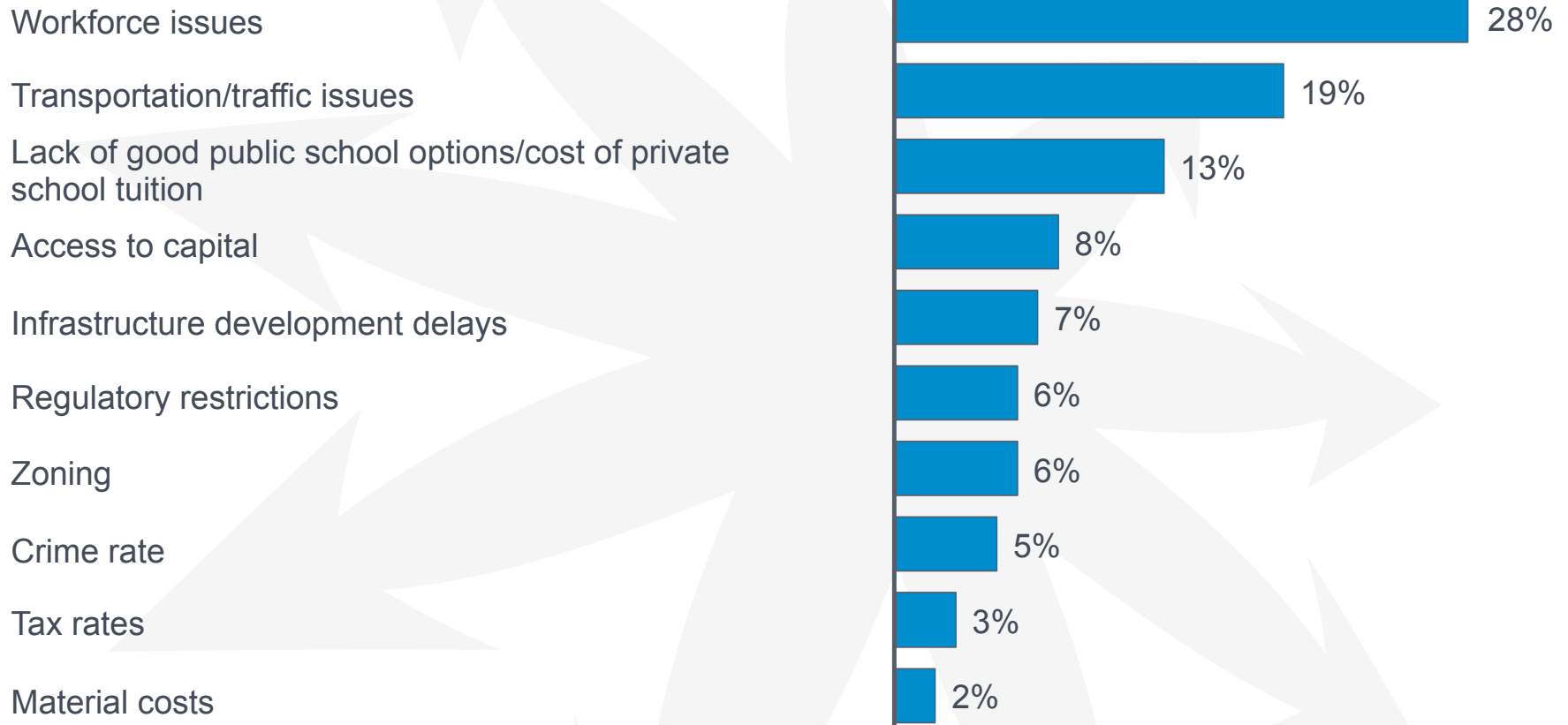
# Survey Responses

Workforce, transportation/traffic, and education remain as the top **obstacles** for businesses in the Capital Region

Percentage of respondents in a survey of regional business leaders\*

## Top obstacles

## 2015 response

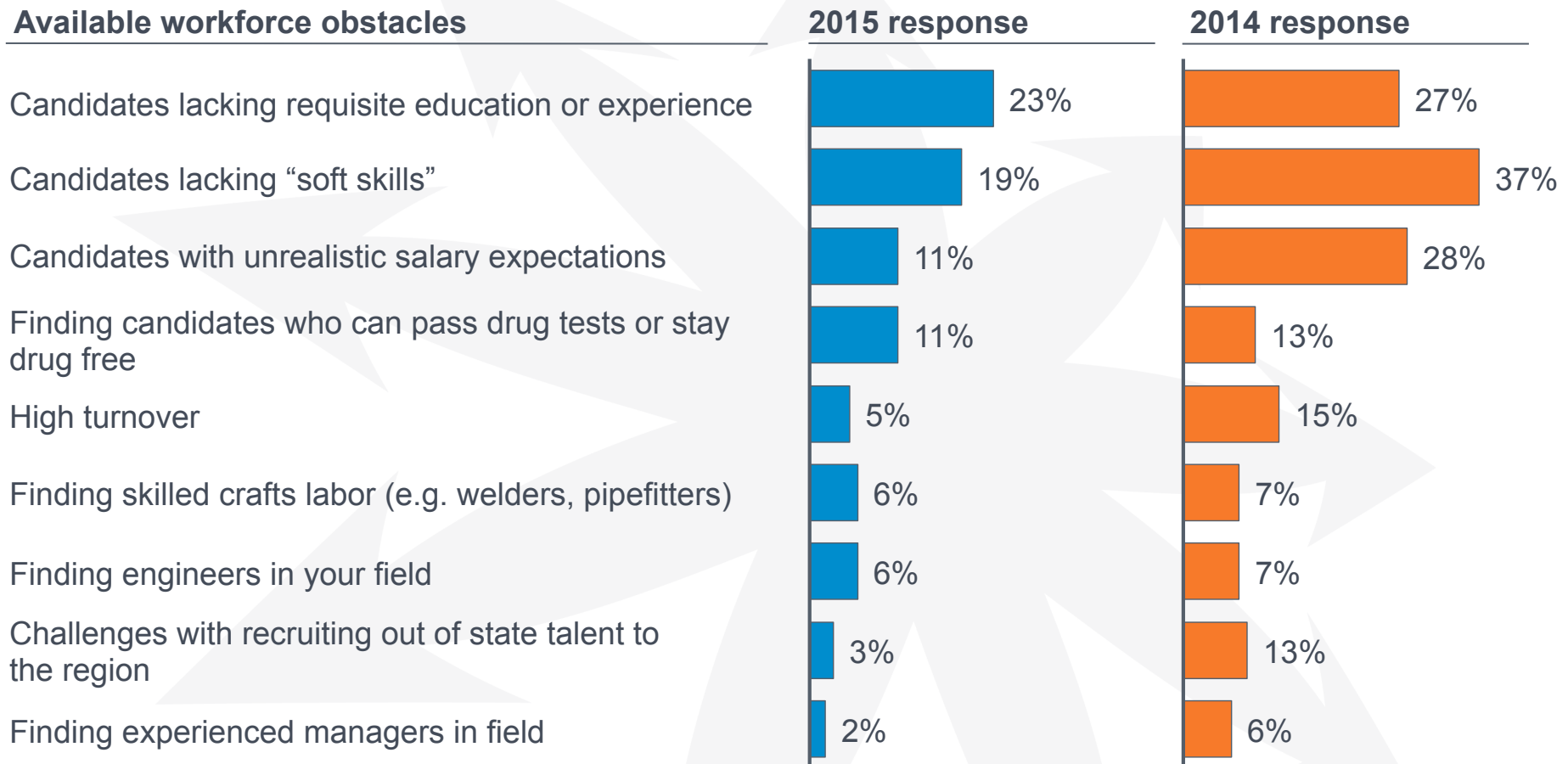


\*Respondents were not allowed to choose multiple answers

# Survey Responses

## Top **concerns** of area business leaders on availability of qualified workforce

Percentage of respondents in a survey of regional business leaders\*

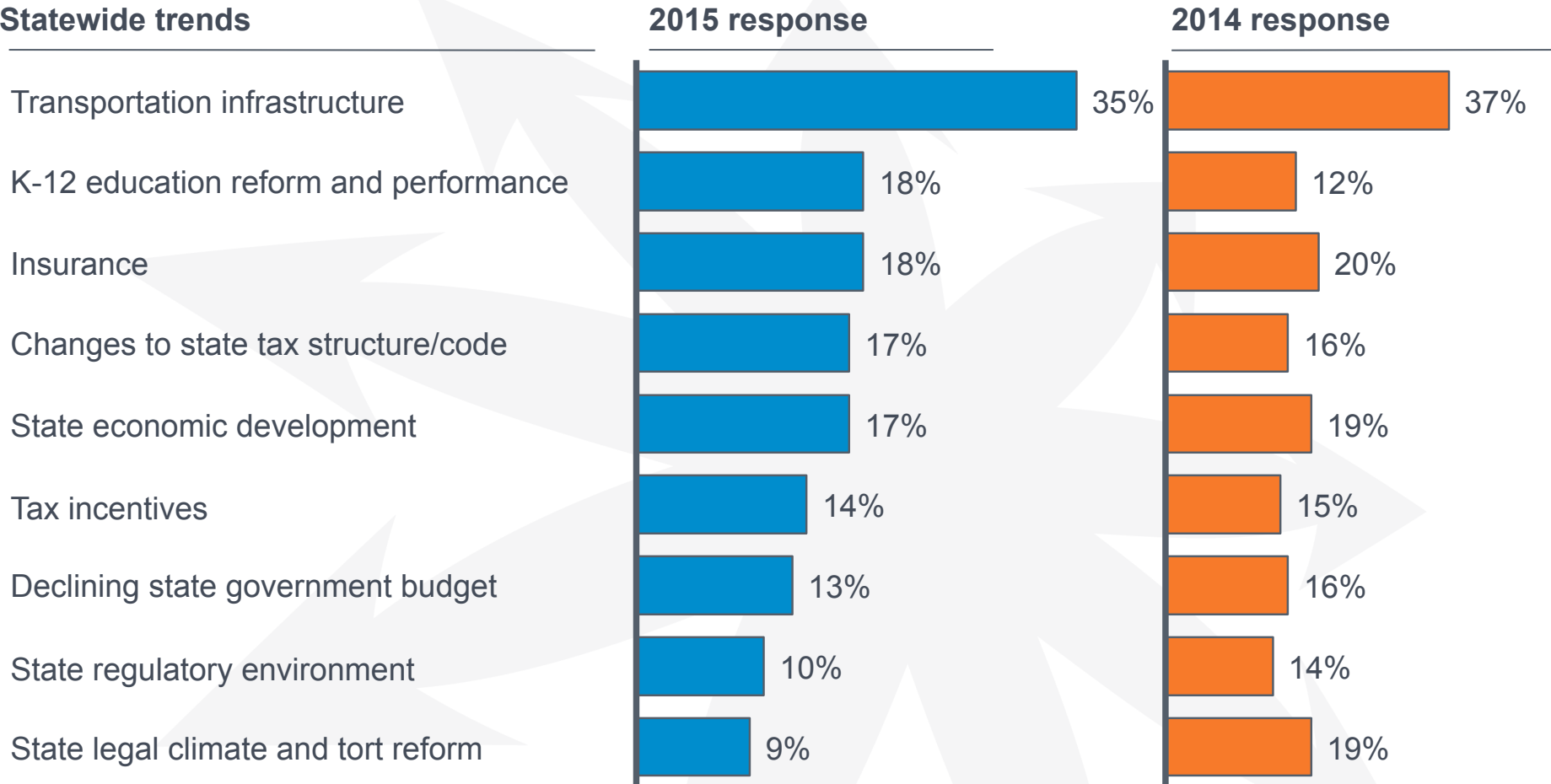


\*Respondents were allowed to choose multiple answers

# Survey Responses

Transportation infrastructure is the **top statewide trend** of concern  
Percentage of respondents in a survey of regional business leaders\*

## Statewide trends



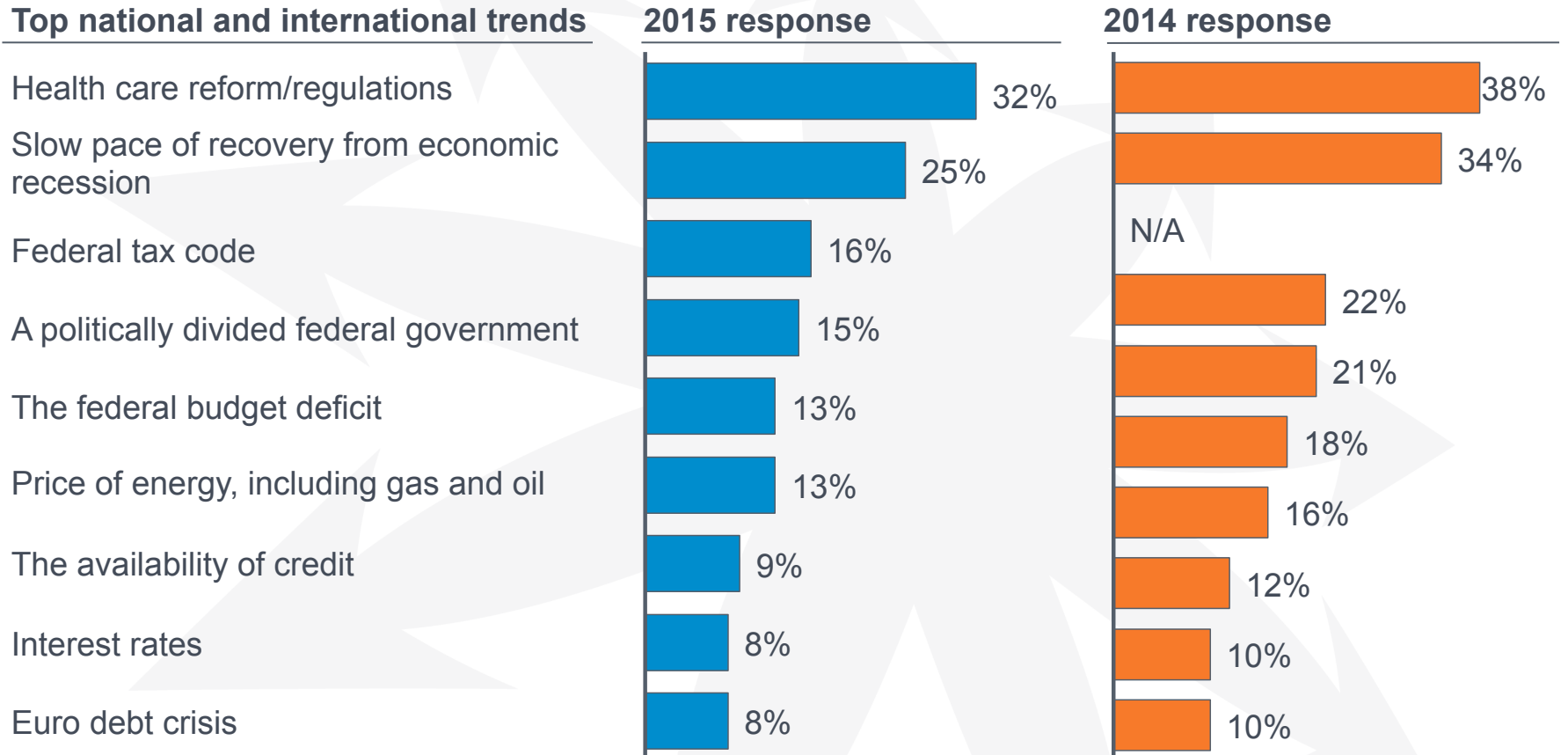
\*Respondents were allowed to choose multiple answers

# Survey Responses

For the third consecutive year **health care reform/regulations** is the top national and international concern

Percentage of respondents in a survey of regional business leaders\*

## Top national and international trends



\*Respondents were allowed to choose multiple answers



# Economic Trends

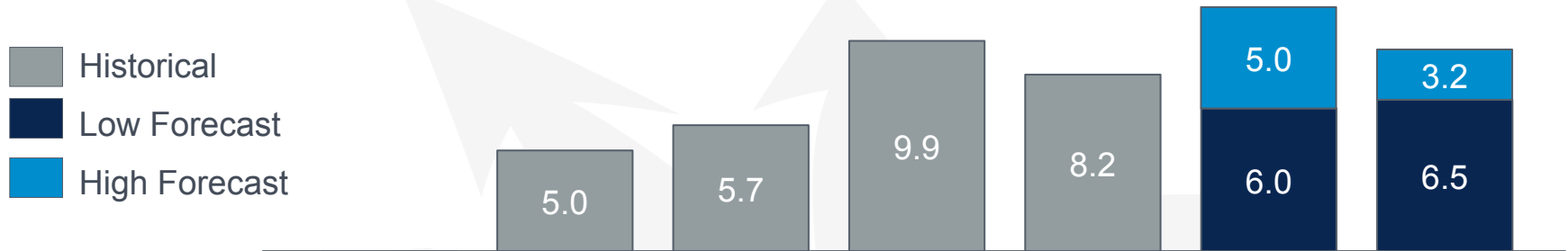
## Impact of global and national economic trends in the Baton Rouge Area

2014-2015 trends	Impact	Comment
Lower natural gas prices are driving growth in manufacturing of petrochem feedstock products	↑	Low natural gas prices (\$3.86mmbtu currently) supports continued petrochem manufacturing, spurs further industrial construction.
Foreign direct investment trends for the U.S. will continue	↑	In 2013 U.S. received \$258B in total FDI, compared to number two China at \$220B
Falling oil prices (from \$100 in 2011 to mid \$70's today)	↓	WTI crude currently at \$75/barrel. If oil is below ratio of 7:1 with gas, gas-based manufacturing less cost competitive, refined oil revenue lower
Continued strength in value of the dollar	↑	Continued sign of strong economy. May earn more on exports. Foreign goods become cheaper so we may see cheaper inputs for business production.
Potential national EPA regulatory changes, lowering air quality standards for ozone, issues with ERC availability	↓	BR area currently meets EPA standards of 75ppb, EPA may lower eight-hr ozone standards to 60's (return to non-attainment standard).
Growing consensus that the Fed may hike interest rates in 2015 after ending the asset purchase program	↓	Loren Scott projects 19,600 new jobs in region through 2016 (2.4%+). LA to surpass 2M jobs in 2016. \$24B in new projects, \$100B across LA.
Projected U.S. GDP growth in 2015 at 3.0%+/- but uncertainty in Europe and Asia could impact world economy	↔	Business confidence in U.S. will support growth. European economy slowing could impact U.S. exports. China could impact world economy. U.S. Treasury rate projected to remain stable at 2.5%+/- & inflation remain at 2% +/-

# Projected Growth

The Capital Region is projected to continue **strong job growth** through 2016

Nonfarm new net jobs and employment\* (thousands of people)



	2010	2011	2012	2013	2014	2015	2016
<b>Total Employment</b>	364.2	369.3	375.0	384.9	393.1**	399.1-404.1	405.6-413.8
<b>Growth Rate</b>	-2.0%	1.4%	1.9%	2.6%	2.1%	1.5-2.8%	1.6-2.4%

Most conservative

Forecasts

Least conservative

EMSI	1.5%	1.6%
Dr. Scott	2.5%	2.4%
Moody's	2.8%	2.3%

\*Not seasonally adjusted; \*\*January through September average

Source: BLS; Loren Scott's Louisiana Economic Outlook; Louisiana Workforce Commission; Economic Modeling Systems Incorporated; BRAC analysis

# Projected Growth

2015 job growth forecasts by industry sector

	Net New Jobs		Job Growth %	Comment
	Low	High		
Education & Health Services	1,149	1,729	2.2 – 4.0	Area hospitals continue expansions; outsourcing of government to private
Professional & Business Services	627	1,784	1.6 - 3.1	Engineering sector growth; particularly in services and government contracting
State Government & Higher Education	227	253	0.5 - 0.6	State employment losses expected to level out
Retail Trade	238	605	0.8 – 1.3	Retail following overall economic growth
Construction	910	1,340	3.0 – 3.6	\$8+ billion in industrial/commercial expansion in two years; more jobs than workers
Leisure & Hospitality	152	833	0.5 – 2.7	Restaurant/hotel expansion follows economic expansion; Bayou Country Superfest success
Local Government	161	793	1.5 – 2.8	Slight increases predicted for local government
Manufacturing	366	555	1.6 – 1.9	A booming chemical and refining sector driven by low natural gas prices
Financial Activities	164	730	0.9 – 2.5	Banking and insurance seeing expansion with regional growth
Other*	382	961	1.4 – 2.2	Potential of Tuscaloosa Marine Shale and increased logging activities
<b>Baton Rouge Area</b>	<b>4,376</b>	<b>9,583</b>	<b>1.4 – 2.5</b>	

\*Other includes mining & logging, federal government, wholesale trade, transportation, warehousing & utilities, information, and other services  
Source: Economic Modeling Systems Incorporated; Moody's Economy; Louisiana Economic Outlook; BRAC analysis

# Projected Growth

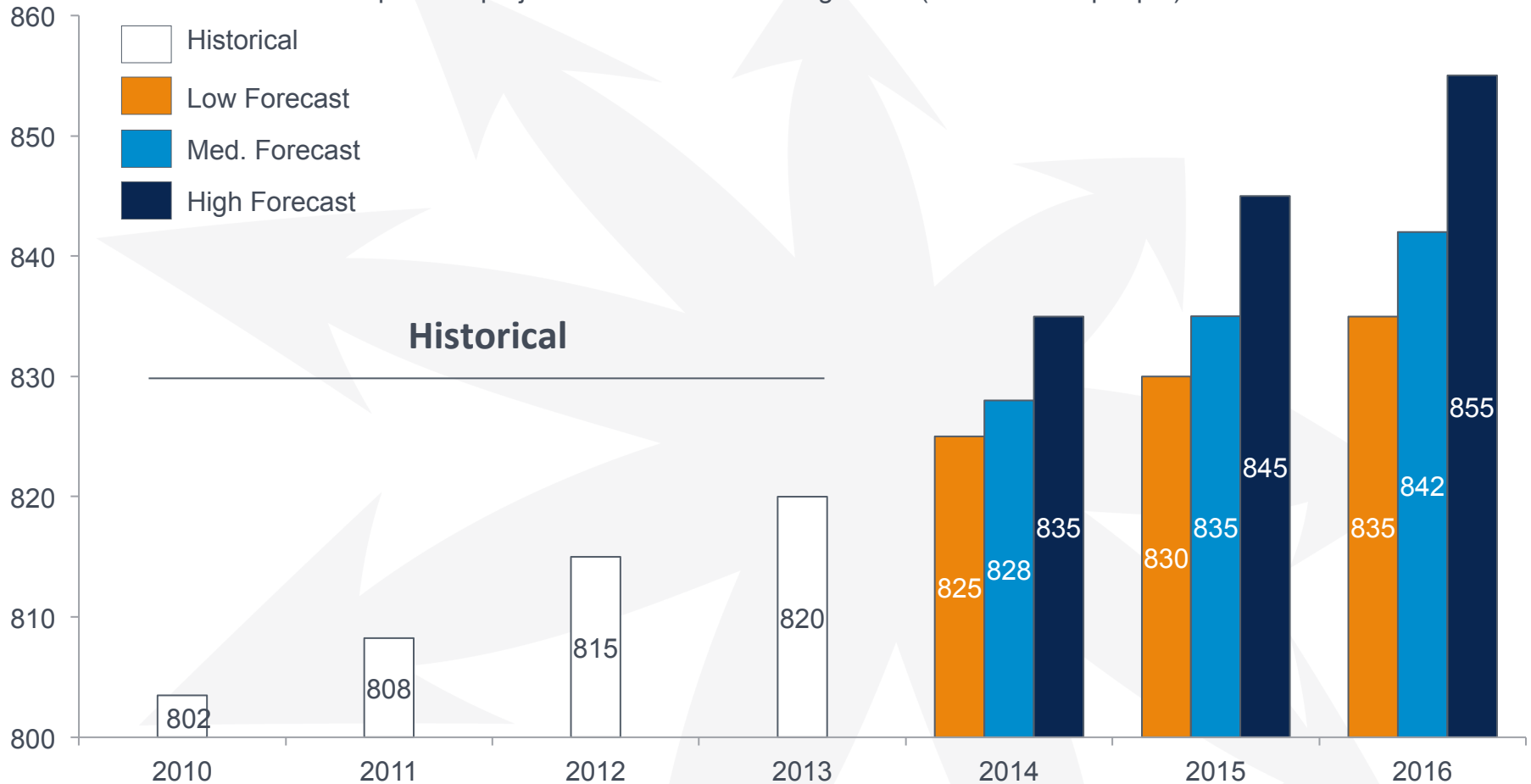
**Job growth** is expected to continue in all parishes, led by West Baton Rouge, Livingston, and Ascension

	Net New Jobs	Job Growth %	Comment
Ascension	1,436	3.4	Significant industrial activity expected to continue; housing, suburban, and retail growth
East Baton Rouge	3,685	1.3	IT growth (IBM, Stixis, Edgear), construction firms continue growth; fabricated materials sector
East Feliciana	109	2.2	New short line rail, first certified site (light industrial), Tuscaloosa Marine Shale potential
Iberville	149	1.0	Heavy industrial expansions: Dow, Shintech, SE Tylose, Axial, UPRR track improvements (\$500M)
Livingston	927	3.6	Juban Crossing, OLOL facility open; suburban growth continues, mnfg companies interested
Pointe Coupee	142	2.5	Multiple certified sites on river (shallow draft), additional retail developments. Livonia rail yard
St. Helena	40	2.6	Southland Steel growth; mid-sized industrial company interest, focus on preparedness
West Baton Rouge	513	3.9	Louis Dreyfus major new facility, Genesis Energy exp., rail infrastructure improvements
West Feliciana	101	1.8	BR Armature exp., KPAQ exp. New parish president focused on economic development

# Projected Growth

Local **population growth** is projected to continue, with the Baton Rouge Area gaining between 15,000 and 35,000 new residents by 2016

Population projection for the Baton Rouge Area (thousands of people)



# Performance Rankings

<i>Business Facilities'</i> Metro Area Economic Grow Potential, 2013	<b>#1</b>
<i>Southern Business &amp; Development's</i> Major Market, 2012 and 2013	<b>#1</b>
<i>Southern Business &amp; Development's</i> Mid-markets of the Decade	<b>#2</b>
Coldwell Banker Real Estate's Top Booming Suburbs in America, 2013	<b>#2</b>
<i>Business Facilities'</i> Metro Area Economic Grow Potential, 2014	<b>#2</b>
<i>Milken Institute's</i> Best Performing Cities for Wage and Salary Growth	<b>#3</b>
<i>Business Journal's</i> Healthiest Small Business Climate in the South, 2012	<b>#8</b>
<i>Forbes</i> America's Engineering Hubs: The Cities With The Greatest Capacity For Innovation	<b>#14</b>
<i>Forbes</i> Best States for Business, 2014	<b>#29</b>
Entrepreneur's Emerging Entrepreneurial Hubs, 2013	<b>Top 5</b>
<i>Site Selection</i> magazine named Capital Region as one of the top ten metro areas (population between 200,000 and 1 million) for new and expanded corporate facilities, 2010-2013	<b>Top 10</b>
<i>Site Selection</i> magazine named BRAC a top ten economic development groups for 2010-2013	<b>Top 10</b>

# Thank You

Presented by Adam Knapp  
President and CEO  
November 18, 2014

