

WELCOME

September 30, 2016

Presented by:

UNK

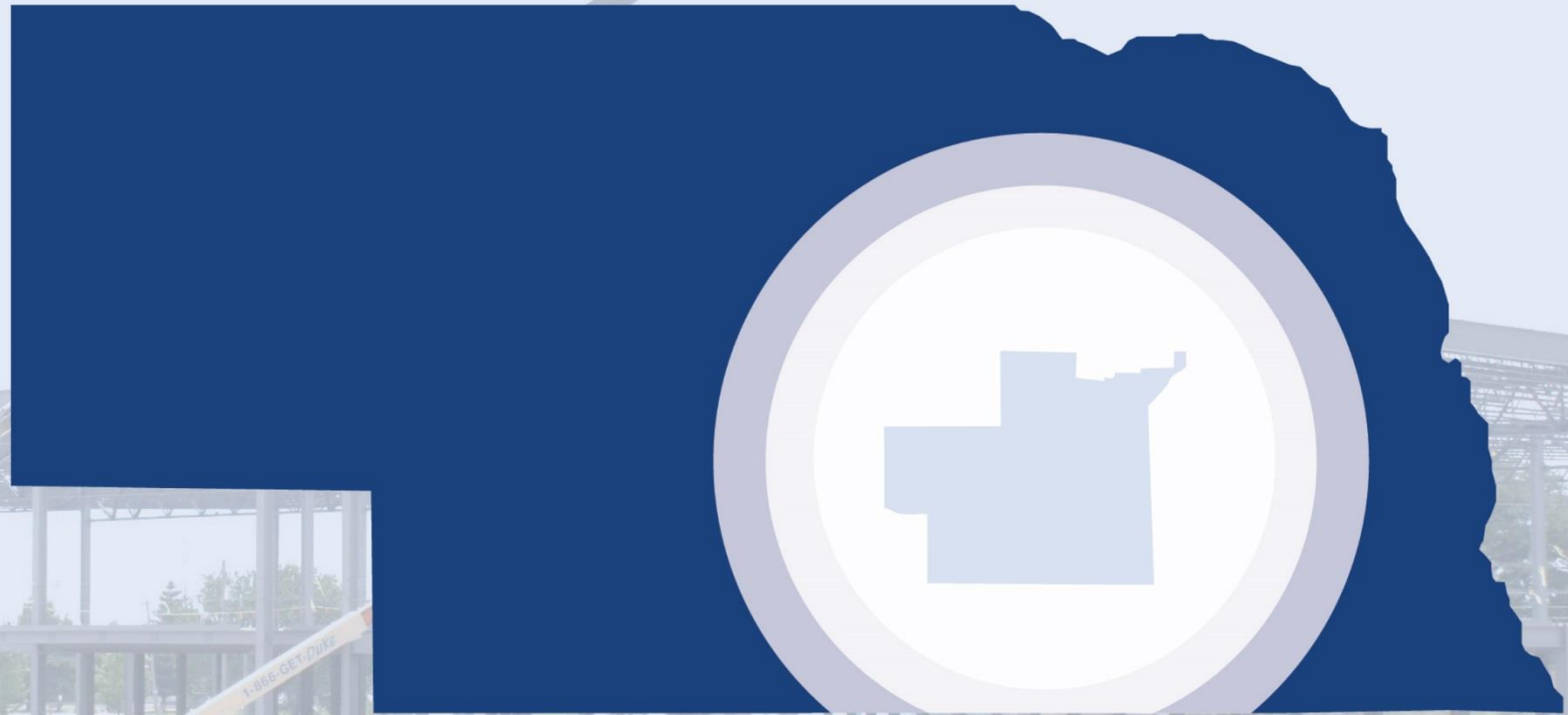
COLLEGE OF BUSINESS
& TECHNOLOGY

Bree Dority, PhD.
Daniel Chaffin, PhD.

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Grand Island Area
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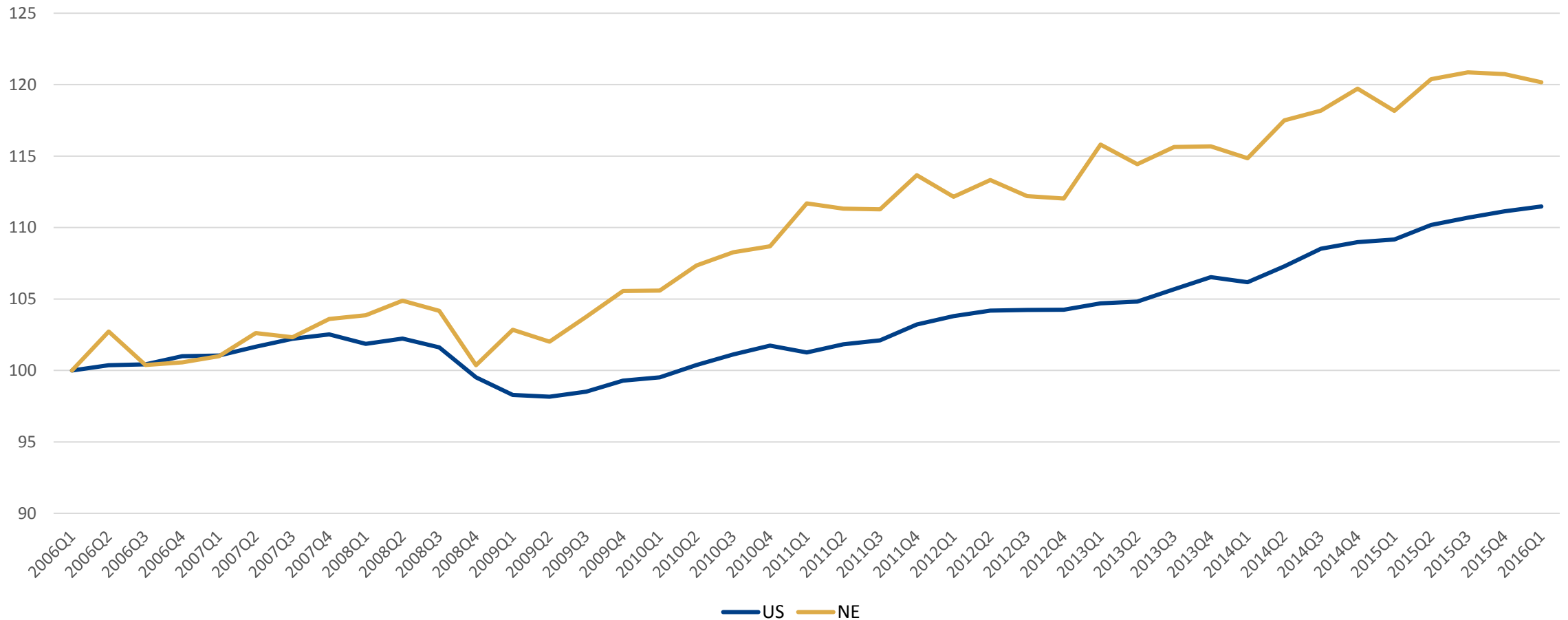


TRI-CITY AREA ECONOMIC FORUM

Overview

- State Indicators
- Tri-City Area
- Tri-City Area – Employment
- Tri-City Area – Housing

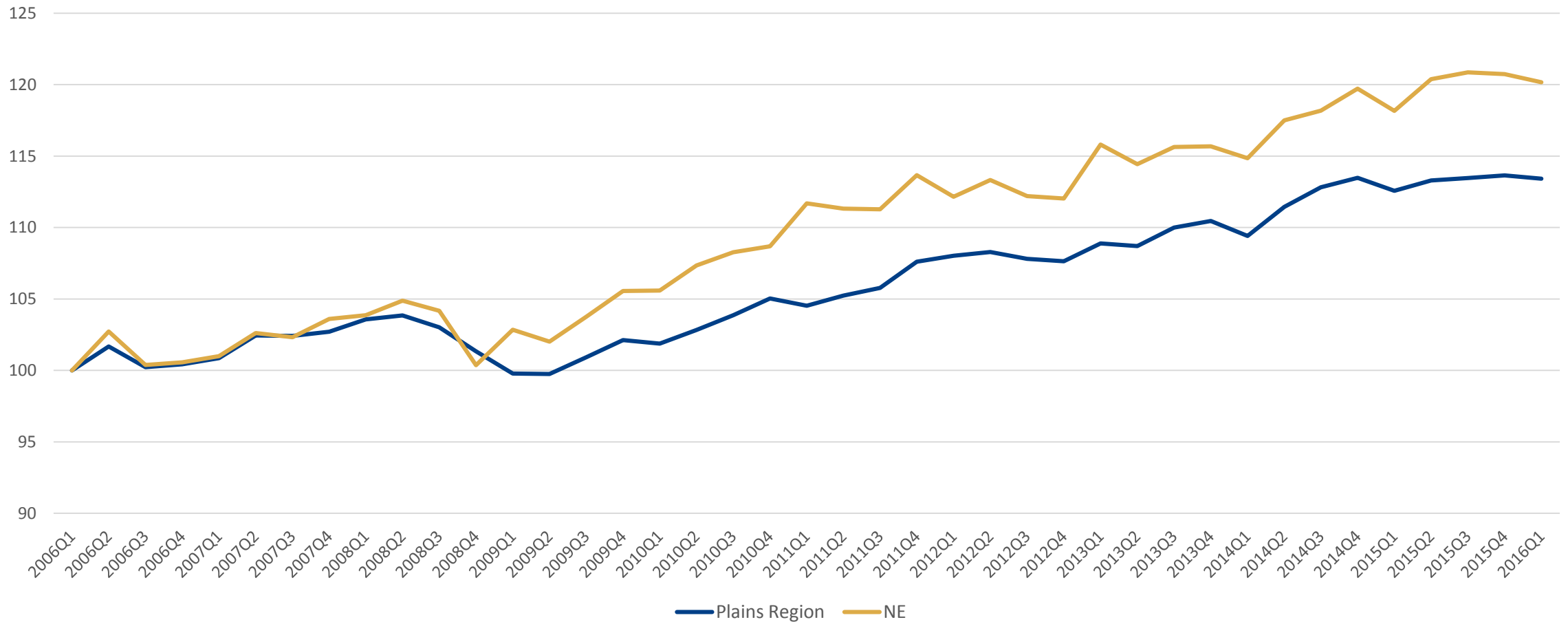
Real GDP: Nebraska vs. U.S.



Note: Ten-Year Index of Growth; Q1 2006 = 100

Source: Bureau of Economic Analysis

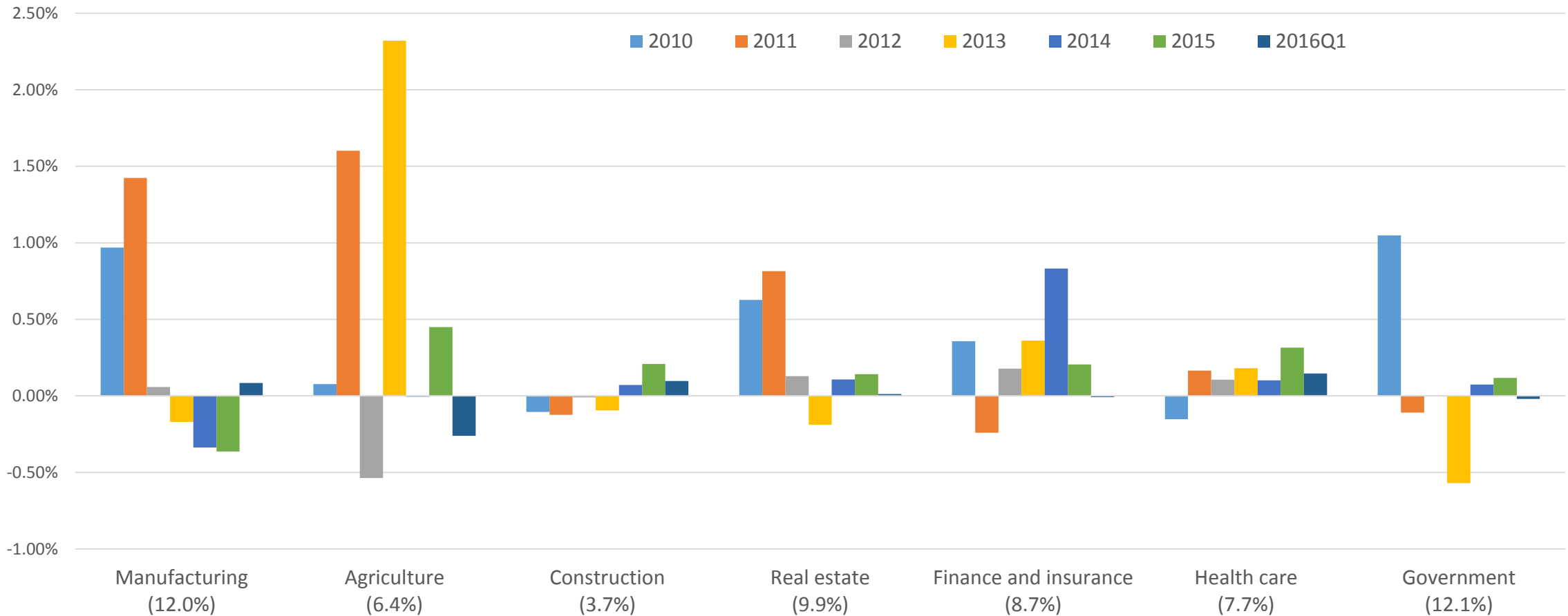
Real GDP: Nebraska vs. 7-State Plains Region



Note: Ten-Year Index of Growth; Q1 2006 = 100

Source: Bureau of Economic Analysis

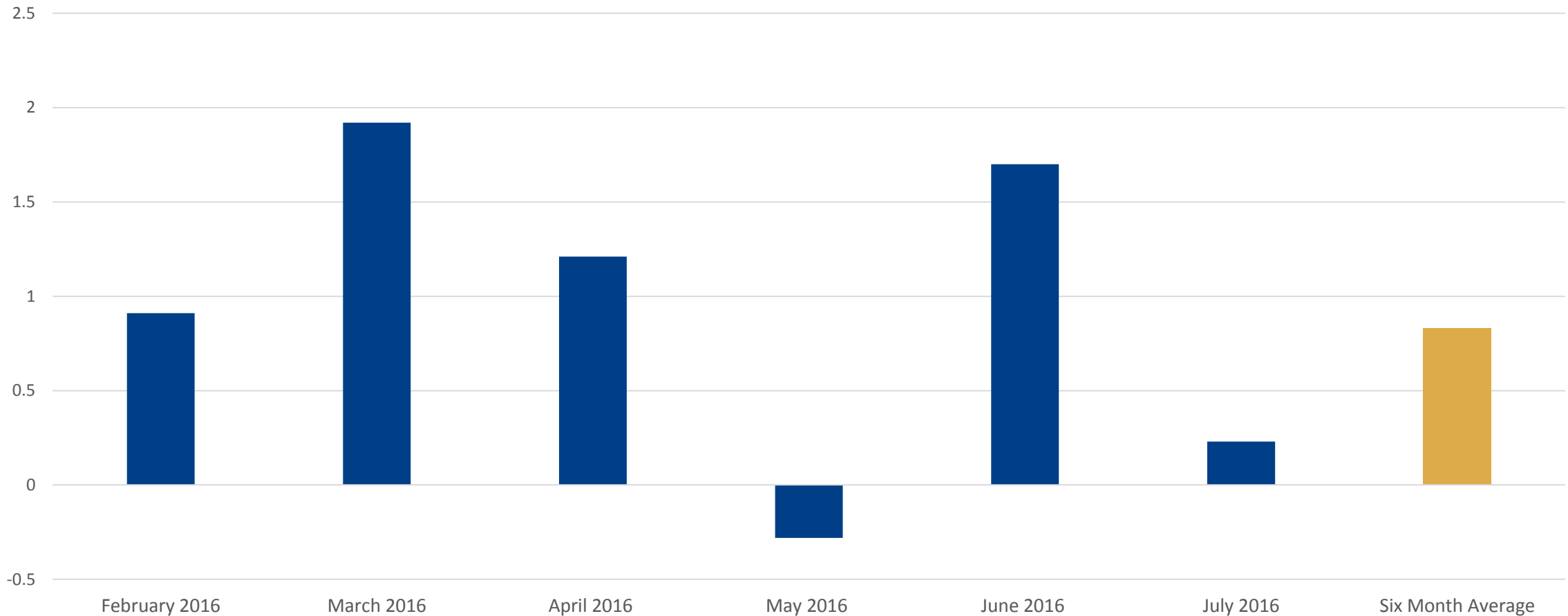
Contribution to Nebraska Real GDP Growth by Industry



Note: Contribution to Nebraska real GDP growth calculation: $100 * \frac{Real\ GDP_{i,t-1}}{\sum_i Real\ GDP_{i,t-1}} * \left(\frac{Real\ GDP_{i,t}}{Real\ GDP_{i,t-1}} - 1 \right)$. Percentage of total real GDP by industry is in parentheses.

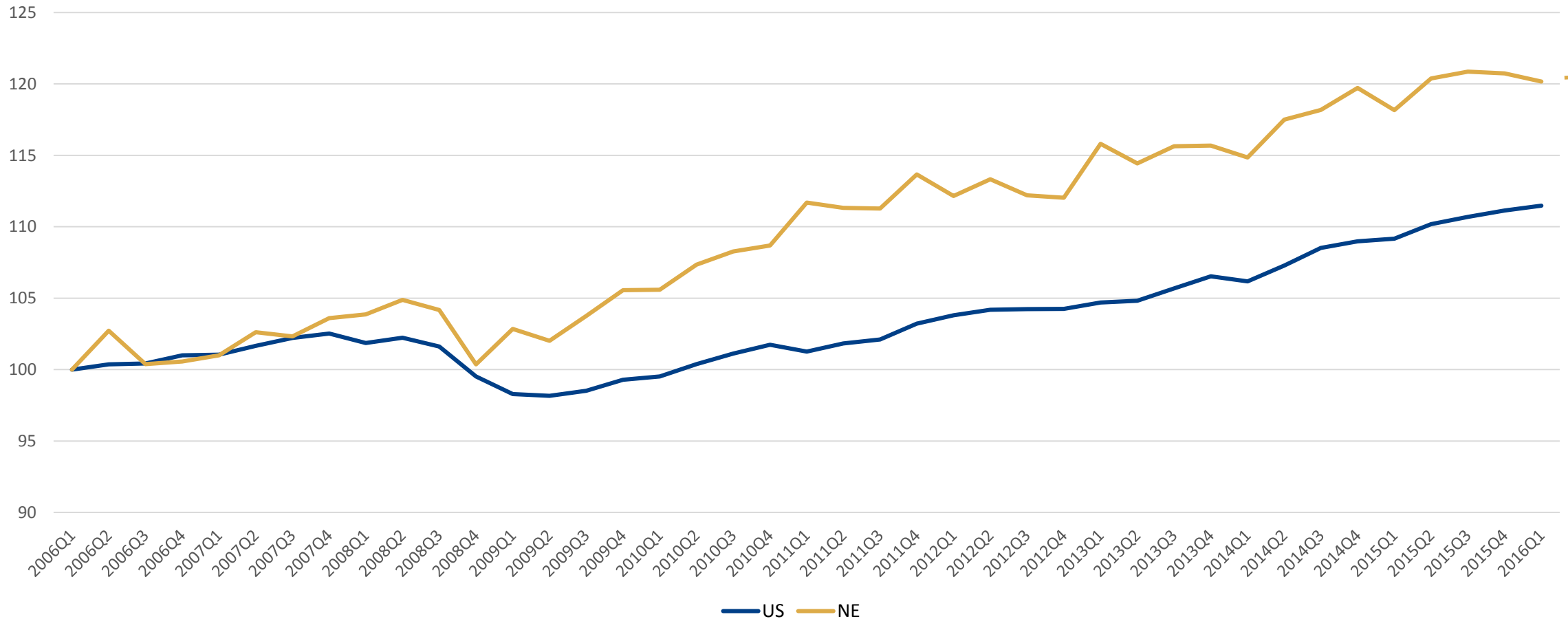
Source: Bureau of Economic Analysis

Leading Economic Indicator – Nebraska



Source: Bureau of Business Research, University of Nebraska-Lincoln

Real GDP with Leading Economic Indicator



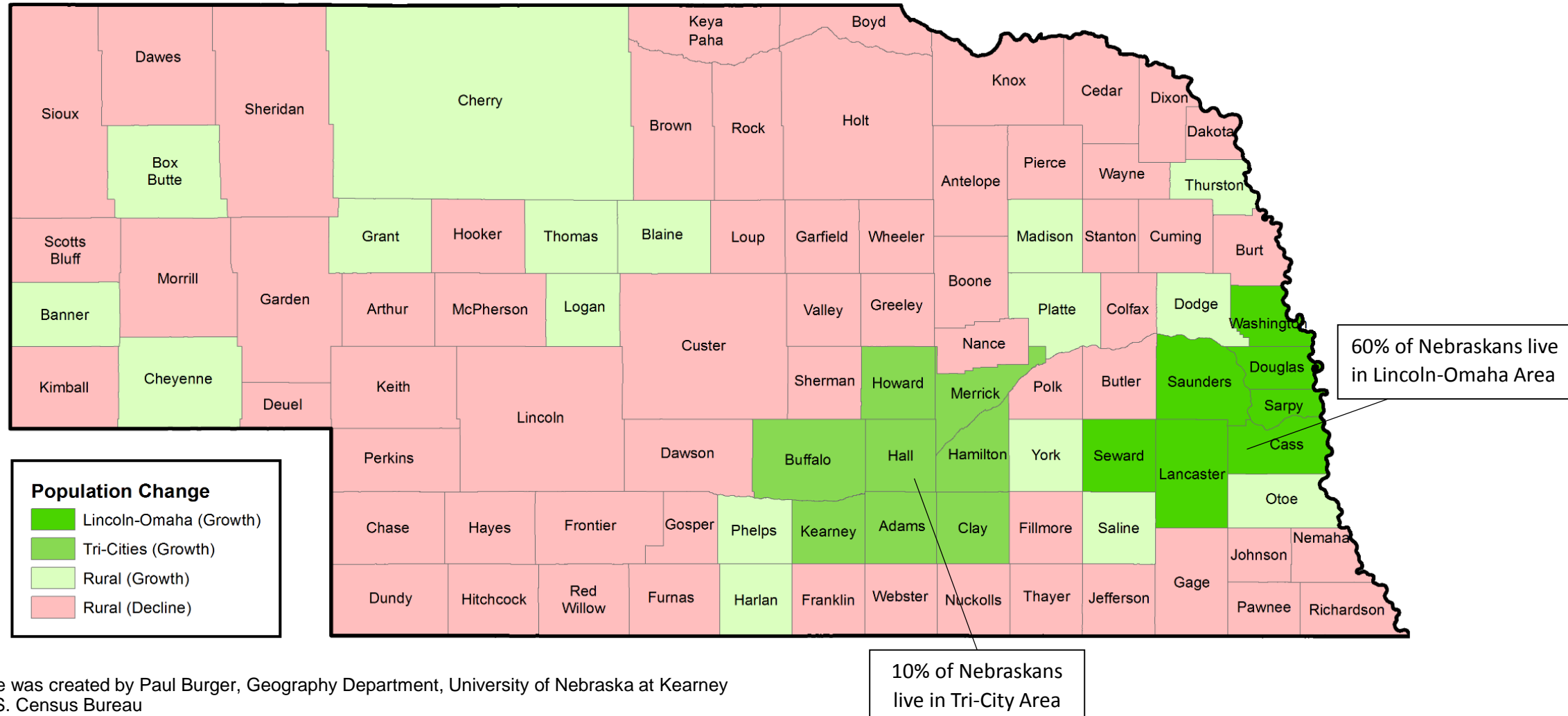
Note: Q1 2006 = 100

Source: Bureau of Economic Analysis

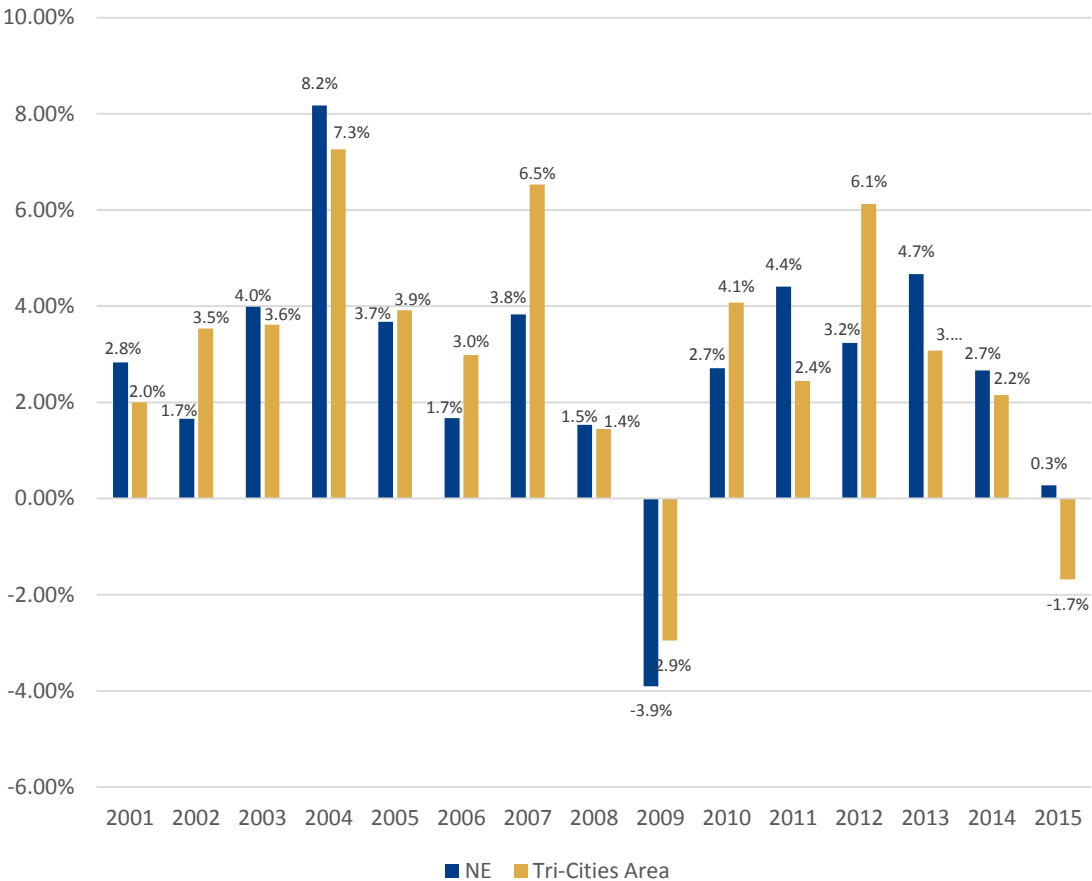
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Tri-City Area Population Growth



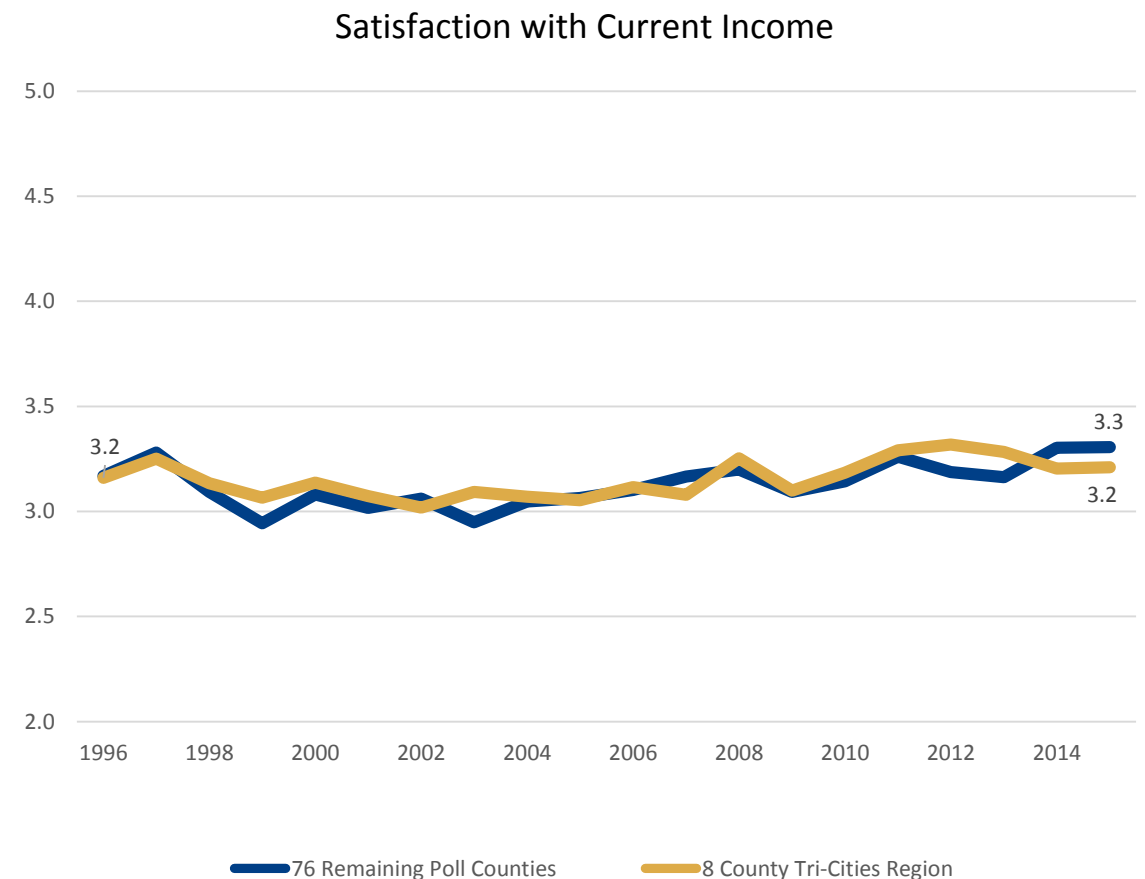
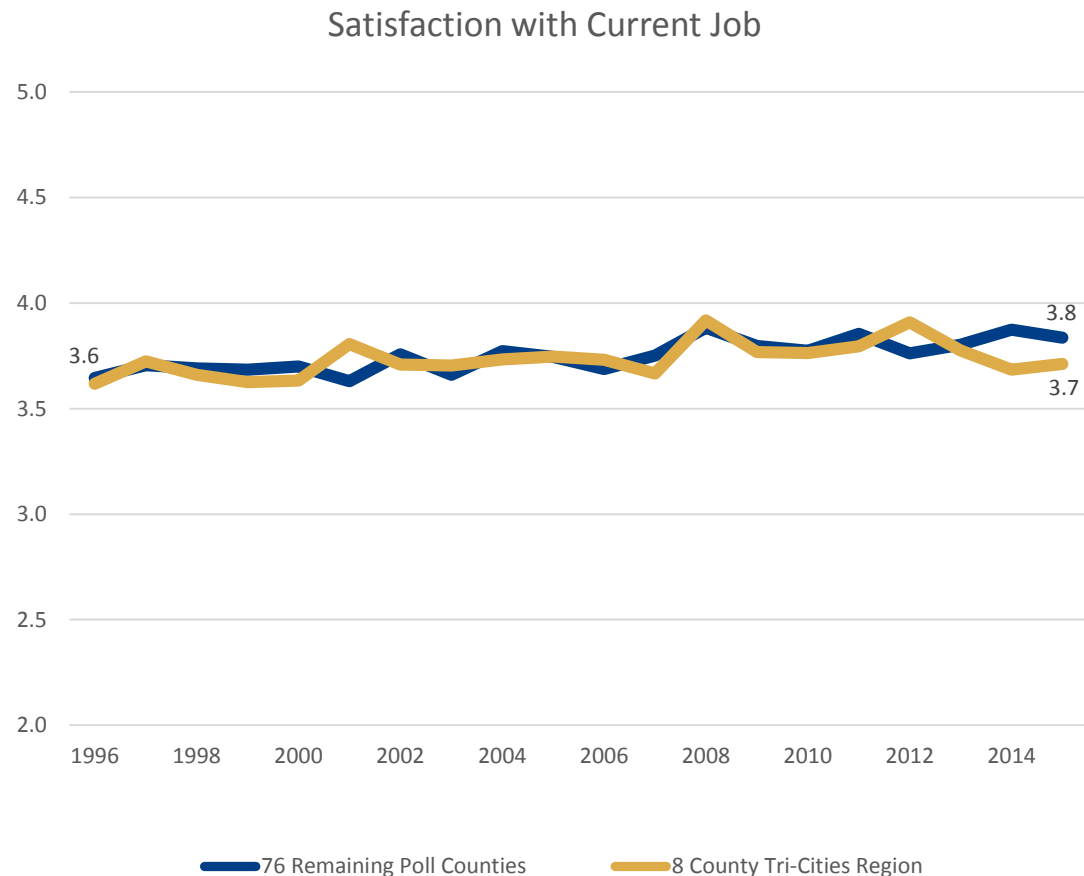
Taxable Sales Growth



Industry	2014-15 Growth
92 Public Administration	25%
53 Real Estate & Rental & Leasing	22%
51 Information	10%
71 Arts, Entertainment & Recreation	8%
72 Accommodation & Food Services	6%
62 Health Care & Social Assistance	4%
54 Professional, Scientific & Technical Services	3%
56 Administrative, Support, Waste Management & Remediation Services	1%
61 Educational Services	-1%
22 Utilities	-1%
81 Other Services	-5%
52 Finance & Insurance	-7%
11 Agriculture, Forestry, Fishing & Hunting	-12%
42 Wholesale Trade	-13%
48-49 Transportation & Warehousing	-14%
23 Construction	-15%
31-33 Manufacturing	-17%

Source: Nebraska Department of Revenue http://www.revenue.nebraska.gov/research/salestax_data.html

Average Satisfaction with Job and Income



Note: Recent satisfaction with current job and income has become weaker in the Tri-City Area compared to remaining counties

Source: Nebraska Rural Poll – reported satisfaction with job and current income: Tri-City Area 8,063 and 10,529 respondents and 76 remaining counties 29,940 and 40,294 respondents. Responses to a 5 point scale very dissatisfied to very satisfied

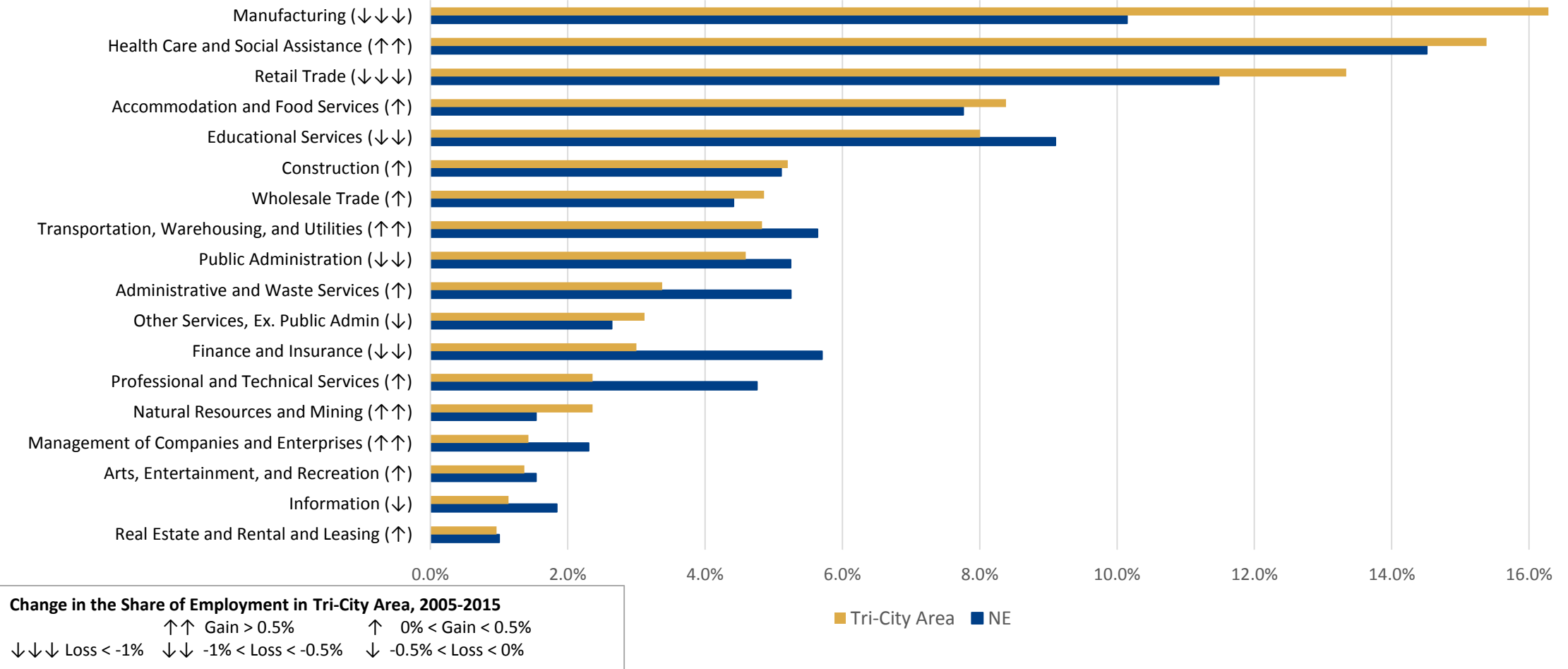
Challenges & Opportunities

- Challenges
 - Softening taxable sales in the Nebraska and Tri-City Area
 - Led by manufacturing, construction, and transportation and warehousing
 - Softening is manifested in both satisfaction with resident job and income
- Opportunities
 - Tri-City Area appears to be robust to population declines in the surrounding rural area
 - Growth in accommodation and food services, information and real estate industries

Overview

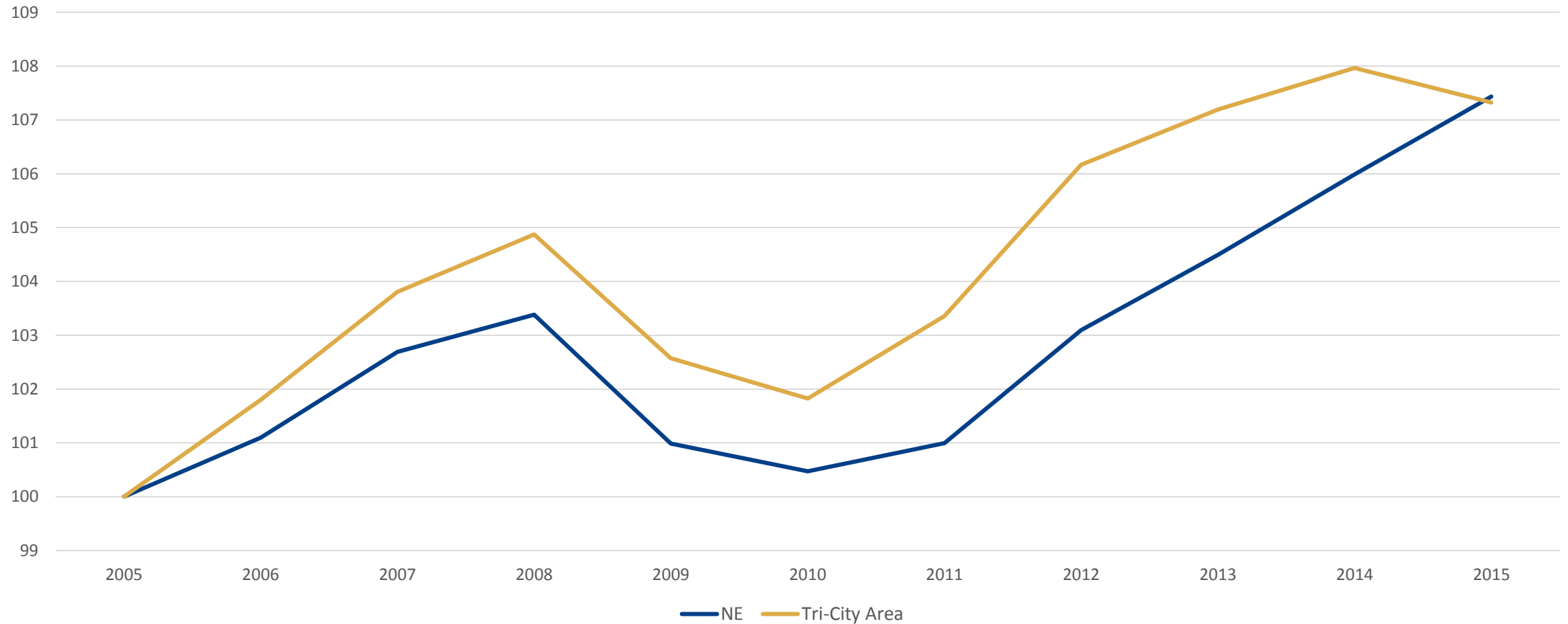
- State Indicators
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Distribution of Employment by Industry, 2015



Source: Nebraska Department of Labor

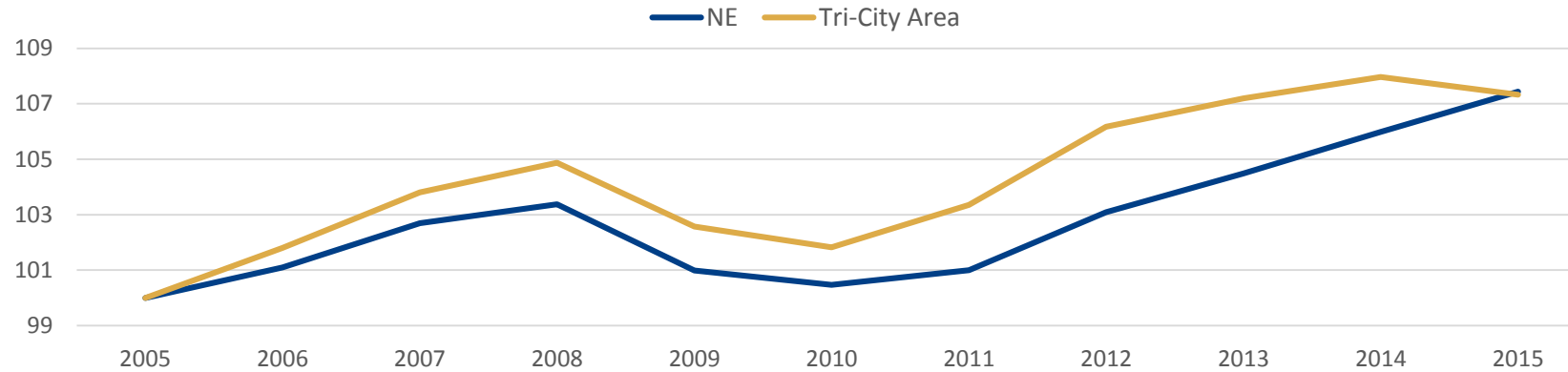
Employment: Ten-Year Index of Growth



Note: 2005=100

Source: Nebraska Department of Labor

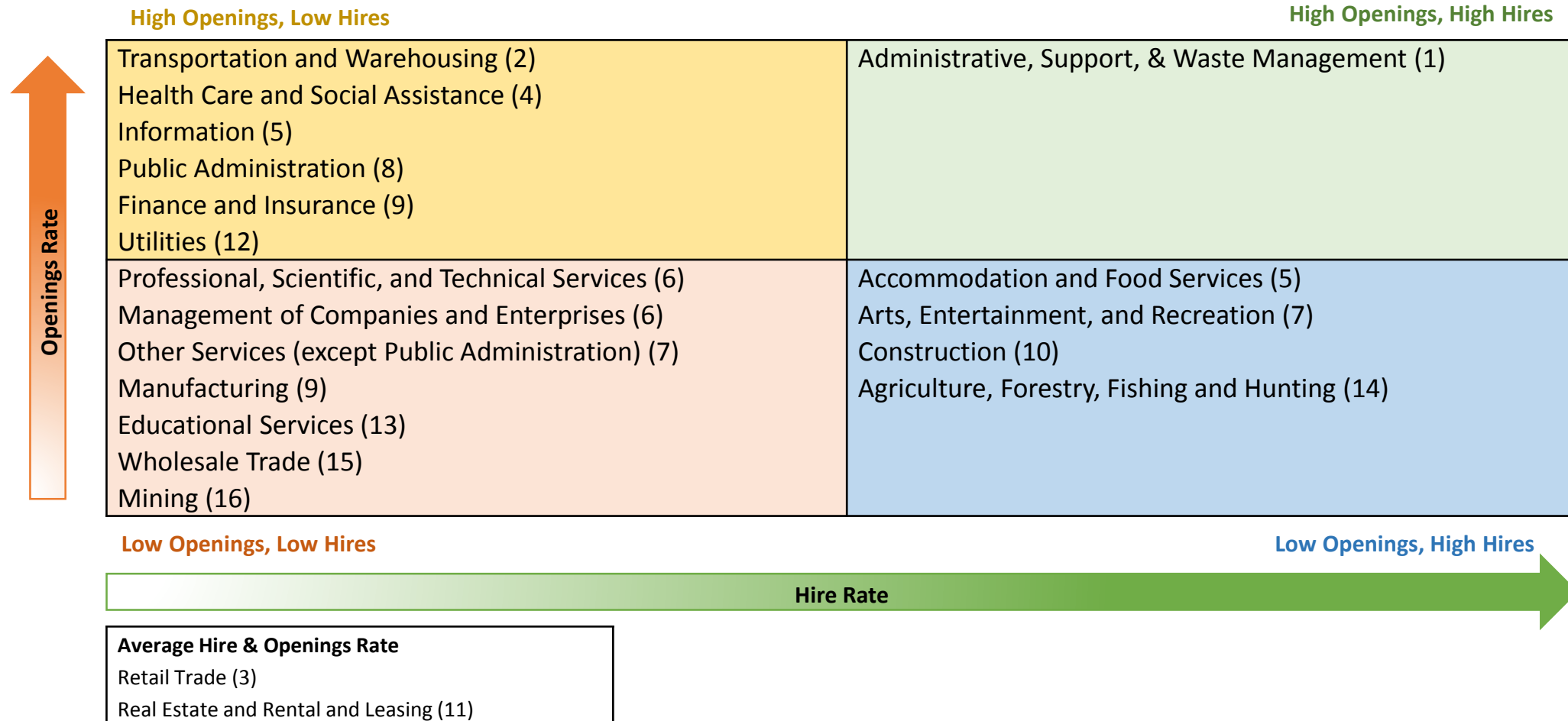
Employment Growth for Top 10 Industries by Time Period



	2005-2008		2008-2010		2010-2012		2012-2015		2005-2015	
Top 10 Industries by Employment	Tri-City Area	Nebraska	Tri-City Area	Nebraska	Tri-City Area	Nebraska	Tri-City Area	Nebraska	Tri-City Area	Nebraska
Manufacturing	0.72%	0.00%	-2.11%	-1.06%	1.17%	0.38%	0.11%	0.25%	-0.18%	-0.46%
Health Care and Social Assistance	0.69%	1.03%	0.04%	0.36%	1.03%	0.38%	0.05%	0.99%	1.83%	2.80%
Wholesale Trade	0.69%	0.16%	0.04%	-0.16%	0.12%	0.09%	-0.04%	0.10%	0.82%	0.19%
Construction	0.66%	0.31%	-0.31%	-0.81%	-0.07%	0.06%	0.55%	0.73%	0.86%	0.28%
Trans., Warehousing, and Utilities	0.59%	0.26%	-0.14%	-0.38%	0.68%	0.08%	-0.21%	0.08%	0.93%	0.02%
Educational Services	0.47%	0.42%	0.23%	0.33%	-2.18%	-0.03%	1.45%	0.16%	0.04%	0.89%
Administrative and Waste Services	0.31%	0.04%	-0.45%	-0.47%	0.76%	0.40%	-0.15%	0.57%	0.46%	0.54%
Accommodation and Food Services	0.22%	0.21%	-0.01%	-0.15%	0.46%	0.31%	0.05%	0.32%	0.74%	0.69%
Retail Trade	0.13%	0.07%	-0.69%	-0.36%	0.17%	0.13%	0.22%	0.47%	-0.19%	0.31%
Public Administration	-0.29%	-0.21%	0.09%	0.15%	-0.18%	-0.14%	0.15%	0.08%	-0.22%	-0.11%
Total, All Industries	4.87%	3.38%	-2.91%	-2.81%	4.27%	2.61%	1.09%	4.21%	7.33%	7.44%

Source: Nebraska Department of Labor

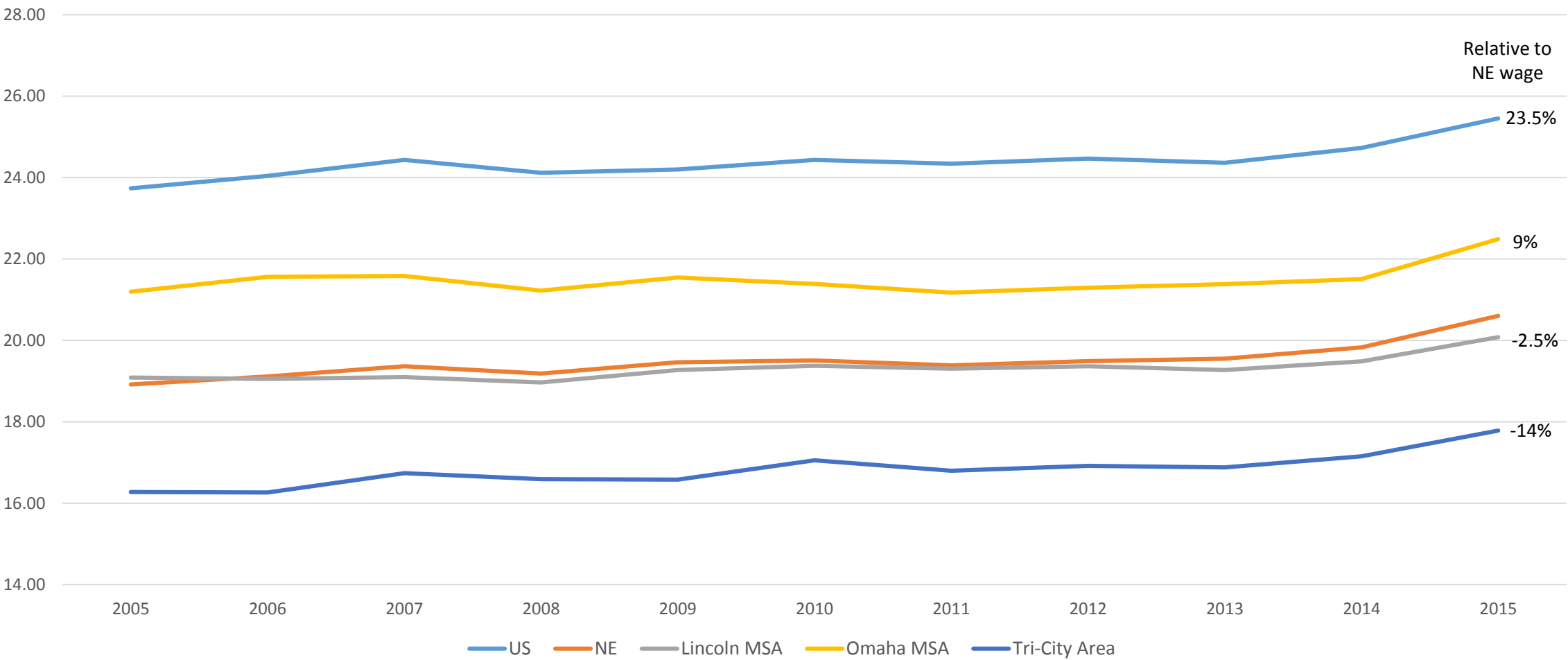
Industries by Rates of Hires and Job Openings, 2015



Note: Combined rank of job openings rate and turnover rate are in parentheses.

Source: Nebraska Department of Labor; Longitudinal Employer-Household Dynamics (LEHD) Program Quarterly Workforce Indicators (QWI)

Real Hourly Wage



Source: Bureau of Labor Statistics

Industries by Rates of Hires and Job Openings, 2015

High Openings, Low Hires

High Openings, High Hires

	Hourly Wage	Wage Relative to NE	Wage Growth 10-15		Hourly Wage	Wage Relative to NE	Wage Growth 10-15
Transportation and Warehousing (2)	20.69	98%	6% (S)	Administrative, Support, & Waste Mngt (1)	13.64	81%	17% (F)
Health Care and Social Assistance (4)	20.12	98%	4% (F)				
Information (5)	18.37	66%	5% (S)				
Public Administration (8)	20.13	93%	6% (F)				
Finance and Insurance (9)	23.35	77%	13% (F)				
Utilities (12)	42.90	105%	10% (F)				
Professional, Scientific, & Technical Services (6)	23.00	75%	9% (F)	Accommodation and Food Services (5)	6.79	95%	12% (F)
Management of Companies and Enterprises (6)	25.04	54%	-6% (S)	Arts, Entertainment, and Recreation (7)	7.53	88%	-5% (S)
Other Services (except Public Admin.) (7)	11.24	79%	9% (F)	Construction (10)	20.95	92%	11% (F)
Manufacturing (9)	20.90	93%	0% (S)	Agriculture, Forestry, Fishing & Hunting (14)	19.54	106%	26% (F)
Educational Services (13)	19.34	97%	4% (F)				
Wholesale Trade (15)	23.93	85%	4% (S)				
Mining (16)	19.11	75%	14% (F)				

Low Openings, Low Hires

Low Openings, High Hires

Hire Rate			
Average Hire & Openings Rate			
Retail Trade (3)	11.61	95%	7% (F)
Real Estate and Rental and Leasing (11)	16.27	87%	15% (F)
All Industries	17.78	86%	4% (S)

Note: Combined rank of job openings rate and turnover rate are in parentheses. S indicates that wage growth from 2010-15 has been slower in the Tri-Cities than in Nebraska. F indicates that wage growth from 2010-15 has been faster in the Tri-City Area than in Nebraska.

Source: Nebraska Department of Labor; Longitudinal Employer-Household Dynamics (LEHD) Program Quarterly Workforce Indicators (QWI)

Challenges & Opportunities

- Raise wages to attract new labor resources and to retain the talent in the area
 - National surveys indicate that 92% of executives believe there is a serious skills gap, and nearly 50% are struggling to fill jobs
- Develop a new strategy to manage the talent pipeline
 - Requires collaboration among educators and businesses/organizations

Challenge for Educators

- Responsibility to better equip young people for careers has fallen, by default, to higher education. **Educators need to embrace the challenge rather than resist it.**
- What business executives are say (The Economist Intelligence Unit Survey):
 - “The design of the curriculum has not changed for a long time and doesn’t reflect the types of jobs employees do in the workplace.”
 - “Colleges and universities think they’re adequately preparing students for the workforce. You couldn’t have a more stark difference of opinion from industry. They’re not getting anywhere close to what they need.”
 - “Higher education does follow what goes on in the economy, but the problem is it’s much too slow.”
- Supported by data (Gallup, Federal Reserve):
 - Only 11% of business leaders perceive college graduates to be ready for work, whereas 96% of chief academic officers in colleges nationwide believe students are adequately prepared to start their careers.
 - Students perceive this disconnect – only 35% feel prepared to enter the workforce, and nationwide, only 42% of young workers have a job that is closely related to their field of study.

Challenge for Businesses & Organizations

- Sophisticated at managing high-performing and adaptive supply chains. **Businesses need to take a similar approach to sourcing and developing talent.**
 - Businesses are an end-customer in the talent supply chain
 - Take a leadership role in partnering with higher education to organize and manage flexible and responsive talent pipelines
 - Collaborate with educators to develop measures and incentives to reinforce and improve performance across all partners in the talent supply chain
- Case Studies
 - Kansas' Workforce AID (Aligned with Industry Demand): links educational supply with employer demand through a bidding process
 - Backhaul Direct, a small Indianapolis logistics business: tracked its return on investment for each university from which it hired to improve the recruit-to-hire ratio among the applicant pool
 - Arizona Chamber of Commerce and Industry launched sector-based employer collaboratives
 - See <https://www.uschamberfoundation.org/> for more examples

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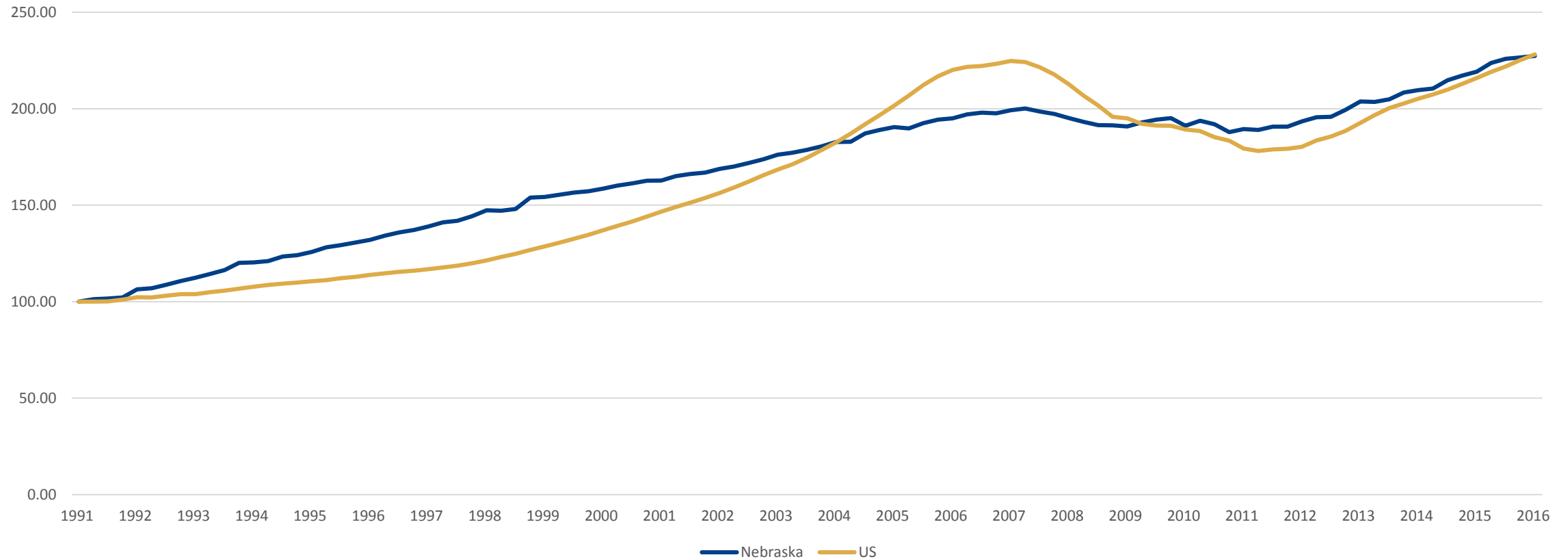
Change in Wages and Housing Prices

Tri-City Area Housing Prices

Variable	2010	2011	2012	2013	2014	2015	%Change 2010-15
Days on Market	86	96	71	57	58	54	-36.9
Above Ground Square Foot	1,390	1,441	1,441	1,453	1,436	1,428	2.8
Real Sale Price	134,450	133,434	137,777	146,053	154,060	158,762	18.1
Real Price/SF	96	93	97	101	107	112	15.9
Real Wages	17.05	16.79	16.92	16.88	17.15	17.78	4.3

Source: Local Realtors; Nebraska Department of Labor

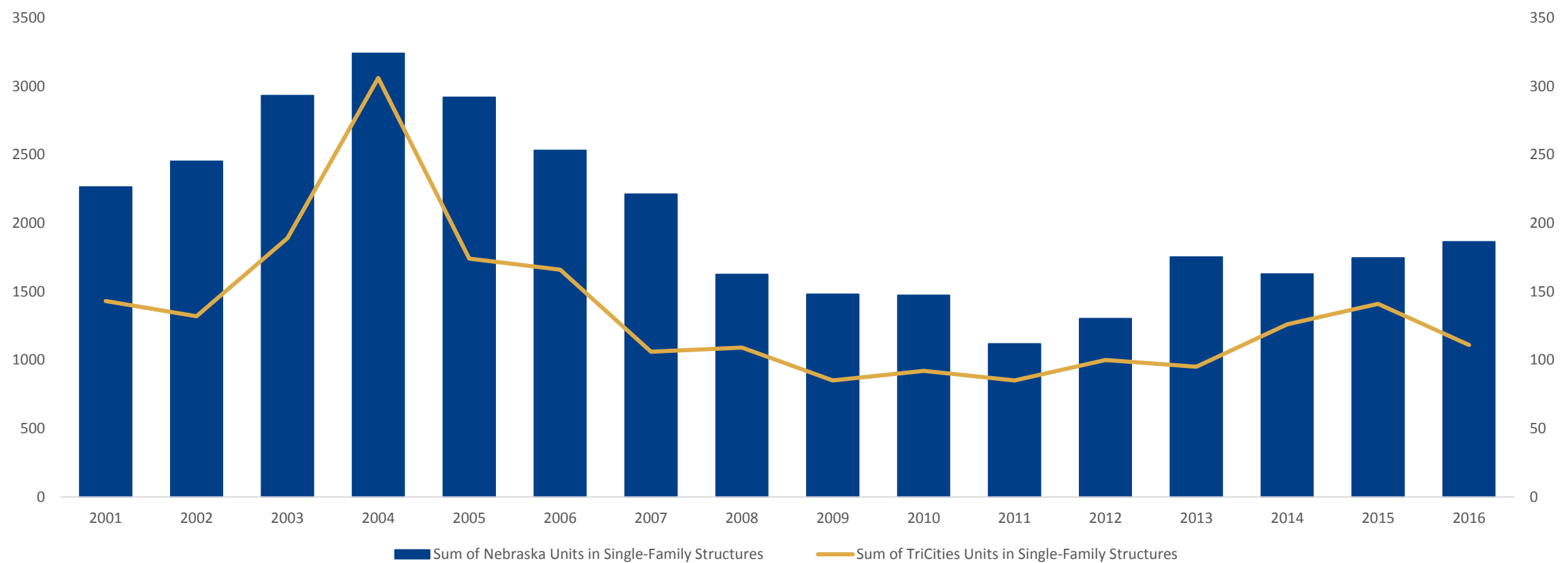
Index of Housing Prices for the US and Nebraska, 1991-2016



Note: Index of purchase only housing prices for Nebraska and the US from 1991

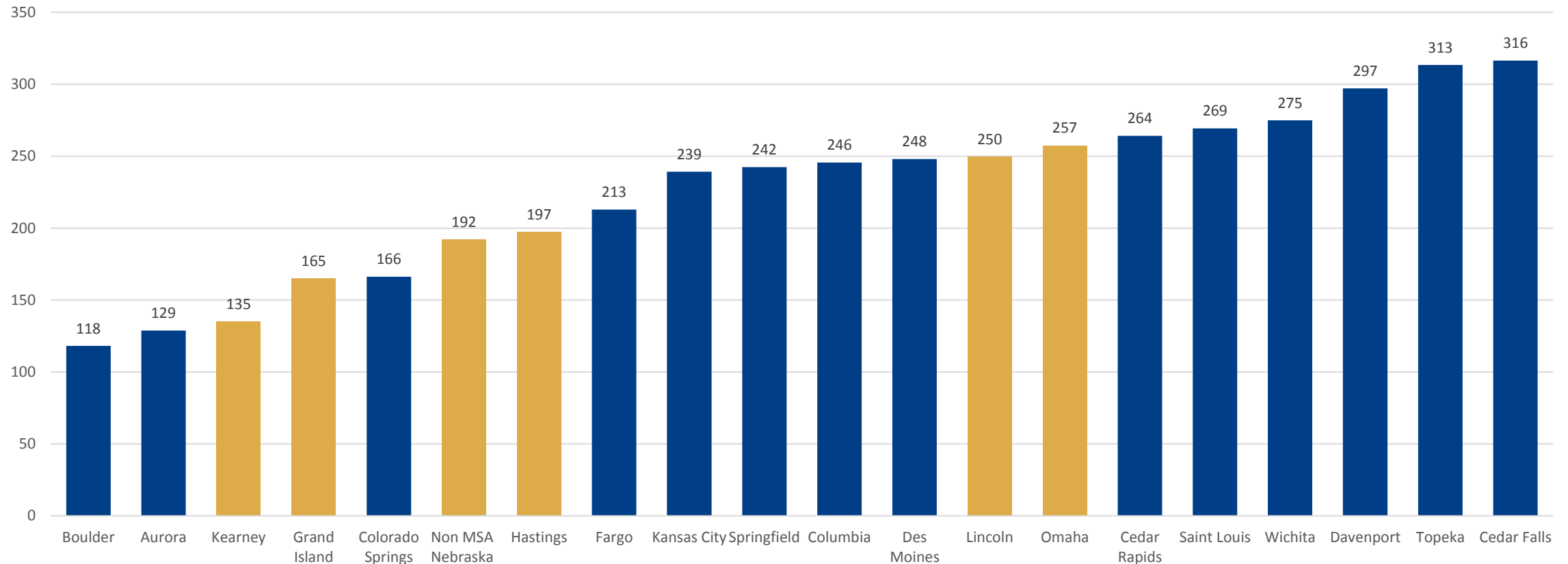
Source: Federal Housing Finance Agency <http://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#qpo>

Single Family Housing Permits



Note: Includes only January through May for each year for 2016 YTD comparison
Source: SOCDS Building Permits Database

Housing Affordability Index



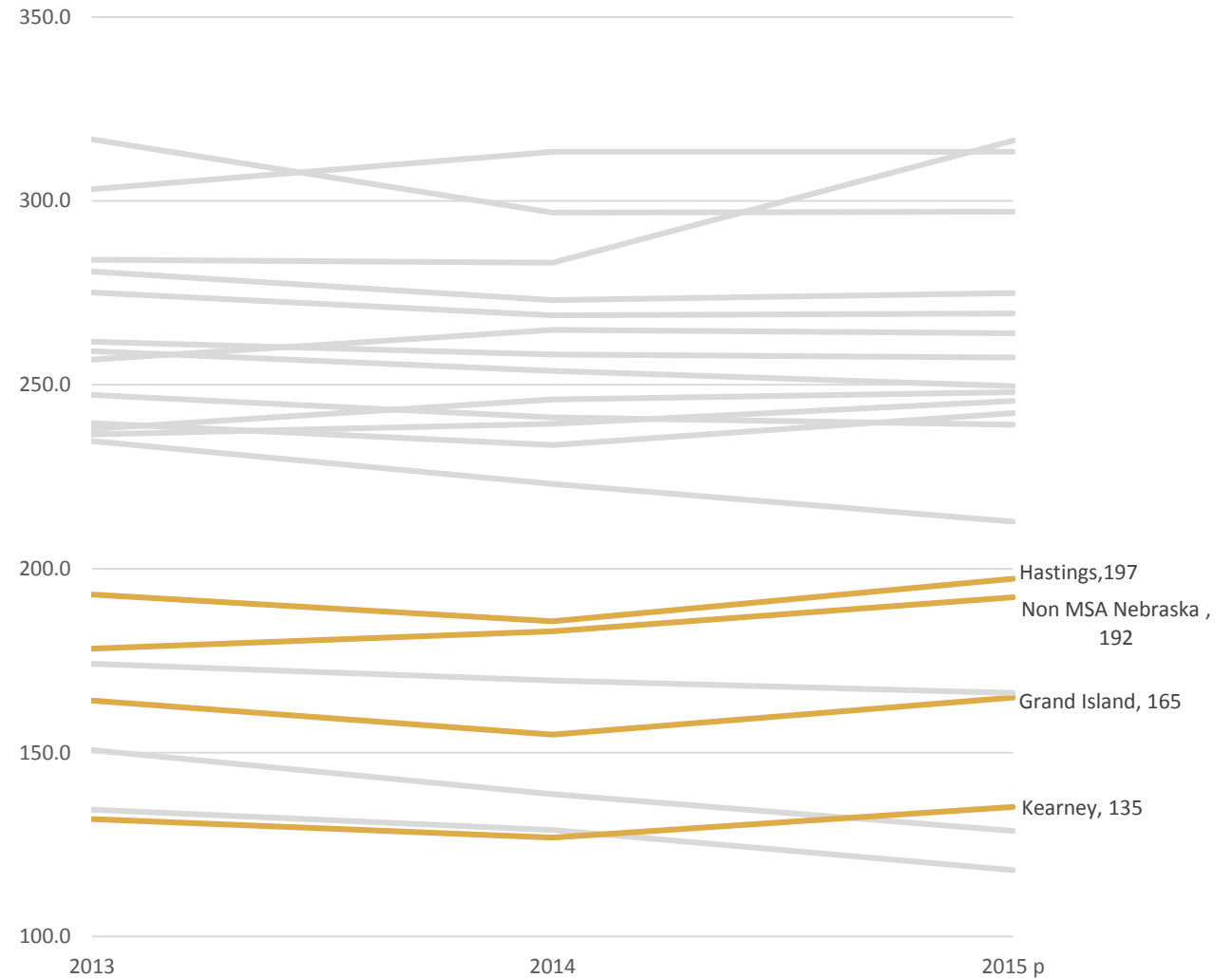
Note: Housing affordability index for Tri-Cities Area and surrounding MSAs

Source: National Association of Realtors: <http://www.realtor.org/topics/housing-affordability-index>

Local realtors for local Tri-Cities area data

Change in Affordability Index

- While affordability in the Tri-City Area is low when compared to surrounding areas, it has improved recently

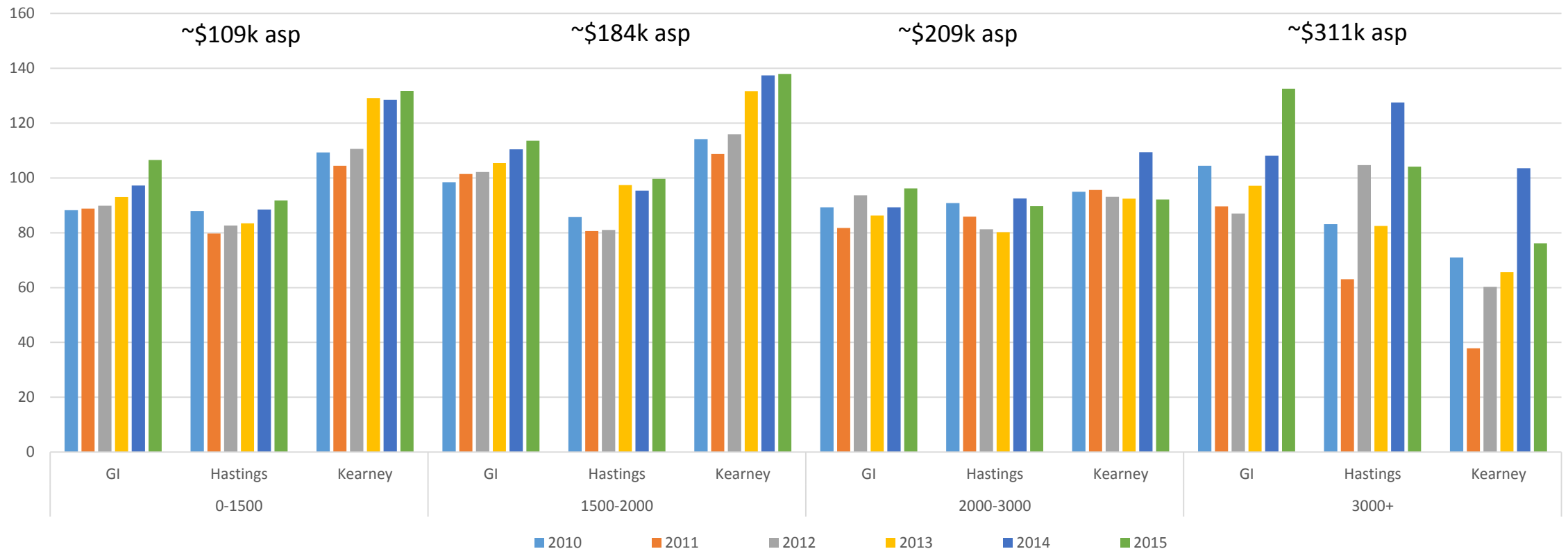


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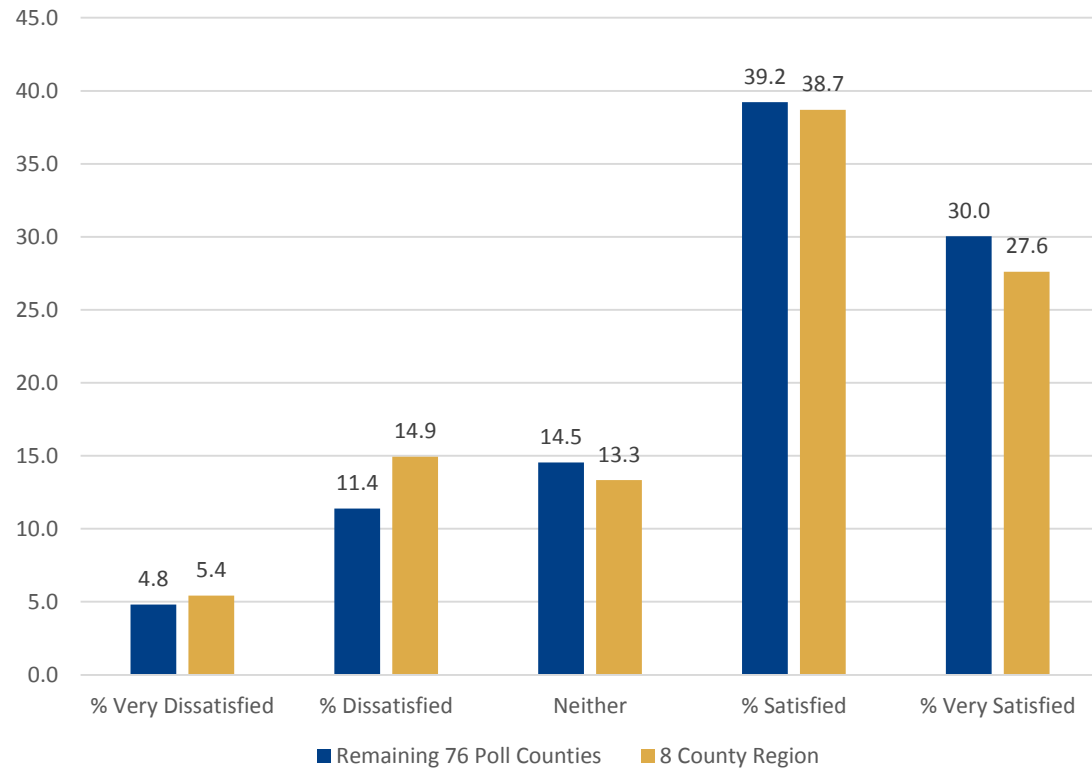
Average Real Price per Square Foot by Geography, Year, Size



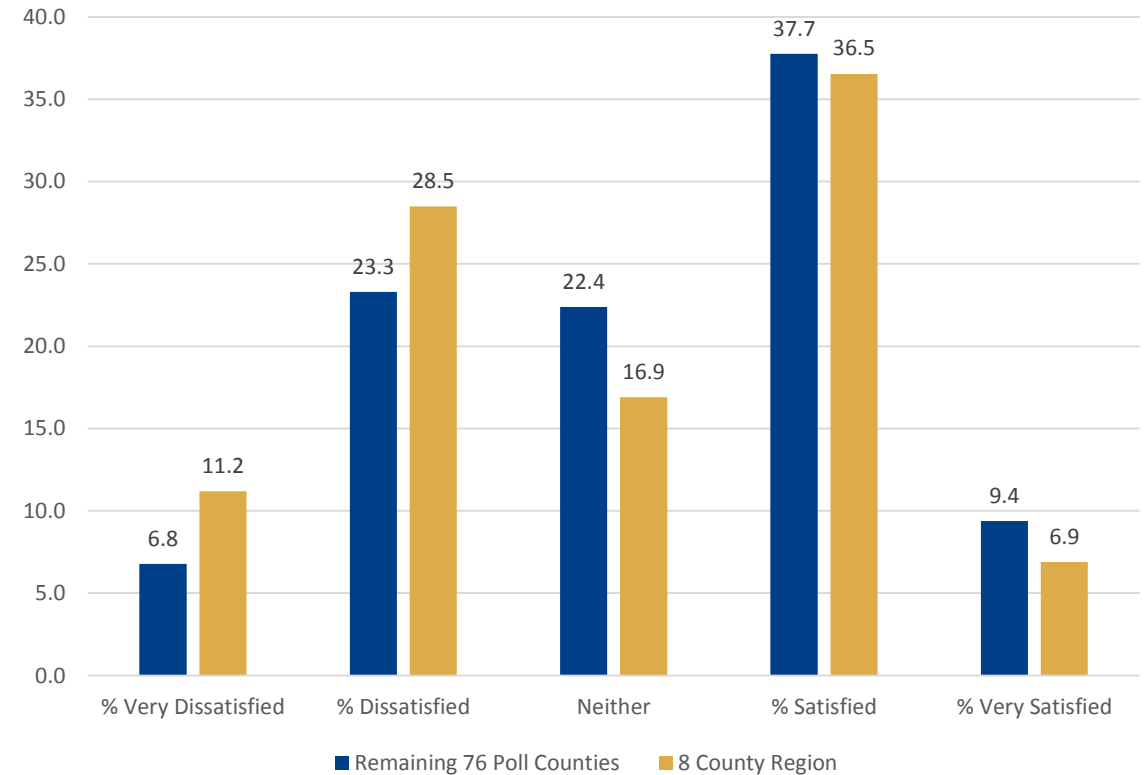
Source: Local realtors in Grand Island, Hastings and Kearney MLS sales of single family homes

Satisfaction with Housing Affordability & Cost

Reported Satisfaction with Ability to Afford Current Housing 2014 - 2015



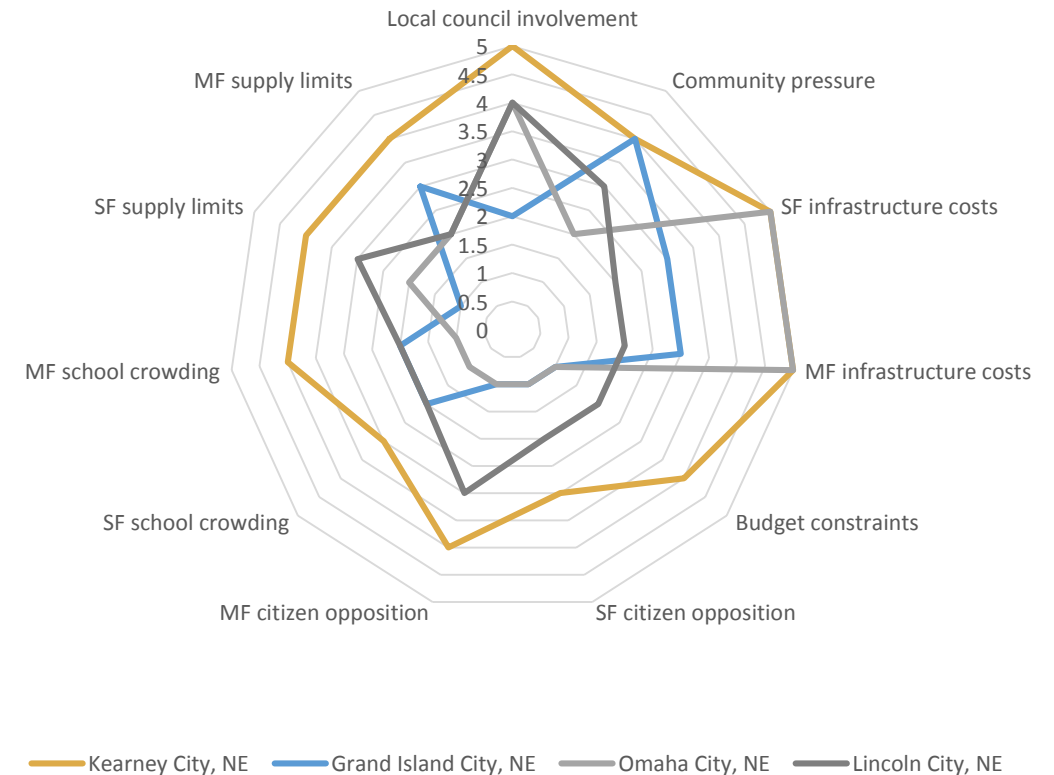
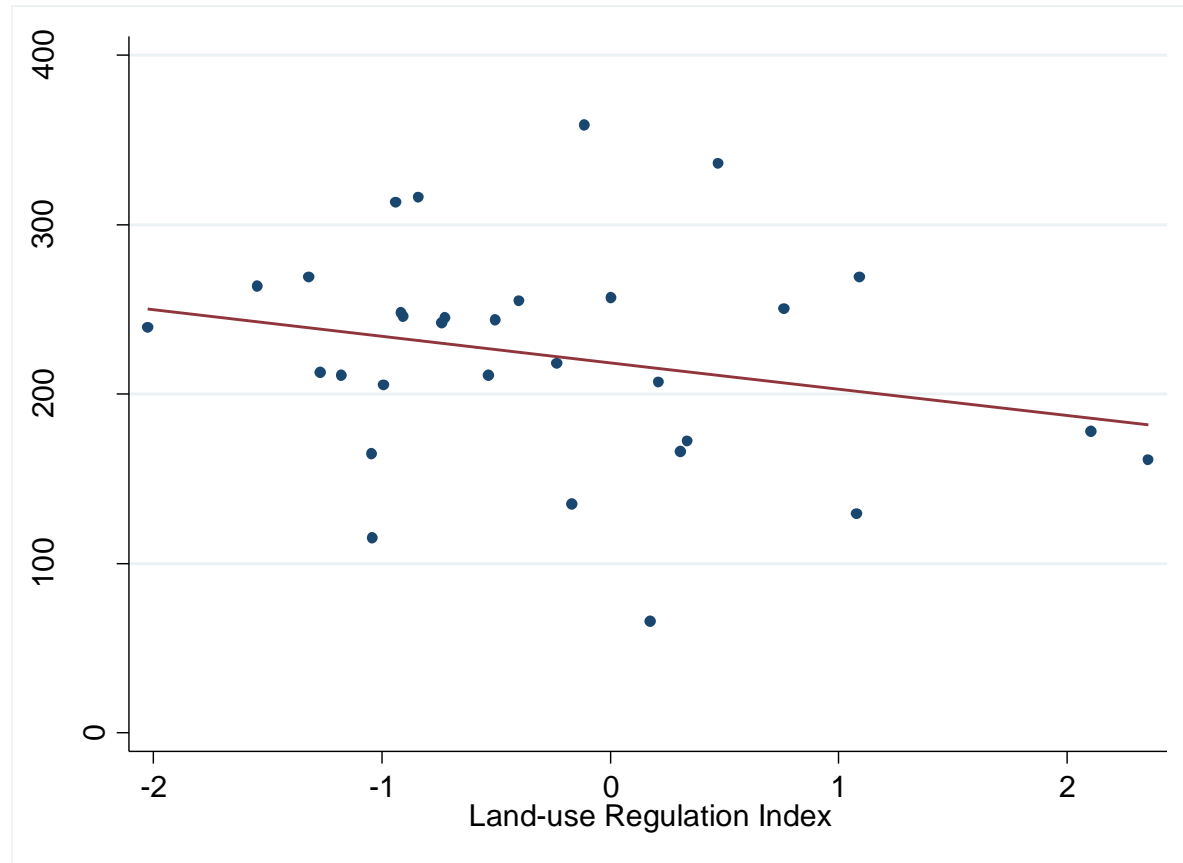
Reported Satisfaction with Community Housing Cost 2014 - 2015



Note: Observations for affordability (757 Tri-City Area, 2,180 76 Remaining Counties) Observations for satisfaction (769 Tri-City Area, 2,877 76 remaining counties)

Source: Nebraska Rural Poll

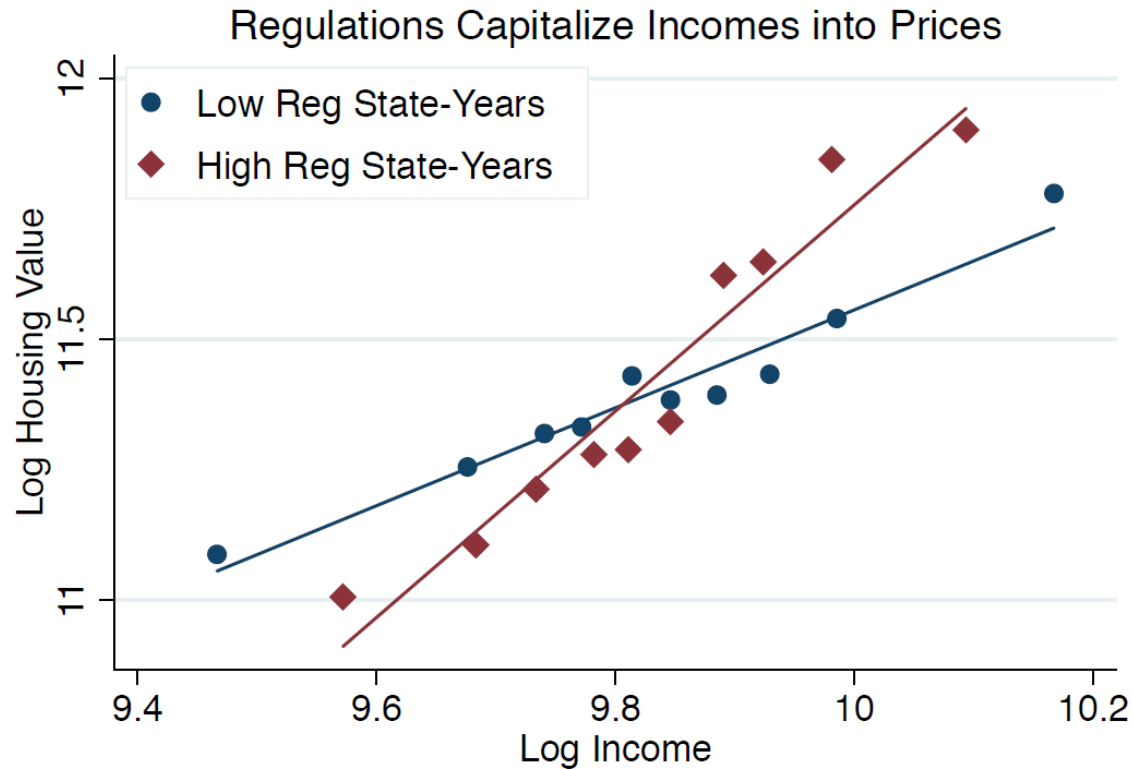
Land-Use Regulation Index & Affordability



Note: Housing affordability appears to be negatively related to the land-use regulation index as measured by the Wharton Urban Institute

Source: Gyourko, Joseph, Albert Saiz, and Anita A. Summers, "A New Measure of the Local Regulatory Environment for Housing Markets: The Wharton Residential Land Use Regulatory Index", Urban Studies, forthcoming. <http://real.wharton.upenn.edu/~gyourko/landusesurvey.html>

Regulation, Migration & Income Convergence



- Wage gains can be capitalized into housing prices in high housing regulation geographies
- Labor should migrate toward higher wage locations for income convergence
- Future net in-migration may require income gains beyond increasing housing costs

Source: Ganog and Shoag 2016 Hutchins Center Working Paper: *Why has regional income convergence declined?* https://www.brookings.edu/wp-content/uploads/2016/08/wp21_ganong-shoag_final.pdf

Housing Market Challenges and Opportunities

- Challenges

- Remains unaffordable when compared to surrounding communities
- Regulation
- New home permits are down
- Price increases are in the smaller housing stock where replacements are less likely

- Opportunities

- Revamping regulation
- Changing the perception of higher density housing
- Lower farm land prices

Housing Market Challenges and Opportunities



- Housing trust funds
 - Vehicle to coordinate state and federal programs to address community needs. Source of long term, low interest loans for housing developments that meet a need-based formula.
- Inclusionary zoning
 - A percentage of housing built for a certain income bracket
 - “fee in lieu” or density bonus, financial assistance, fee reductions, fast-track permitting, relaxed development standards
 - In Boulder the “fee in lieu” resulted in \$1.5 million which was deposited in the HTF to subsidize building 80 affordable units each year
- Tax credit investing
 - Developers are given federal/state subsidies toward creating affordable housing units (Low-income housing tax credits, new market tax credits and reinvestment tax credits)
- Reserved land for affordable housing
- Land banking and conservation
- Building code review and simplification

Source: Center for Housing Policy *Increasing the Availability of Affordable Homes* <http://www.hud.gov/offices/cpd/about/conplan/pdf/workingfamiliesreport.pdf> & <http://www.ashevillenc.gov/Portals/0/city-documents/communitydevelopment/Best%20Practices%20Final.pdf>

General Economy, Labor and Housing

- General Tri-City Area economy
 - Recent softening of the local economy
 - Manufacturing and agriculture is softening locally
- Labor market
 - Indicators suggest a combination of economic softening and a talent shortage
 - Local wages lag state averages
 - Manufacturing and agriculture more important than at state level
 - Growth in health care
- Housing market
 - Tri-City Area is remarkably low in affordability
 - New housing indicators are declining
 - Price increases are strongest among smaller housing stock
 - High housing regulation could be capitalizing wage increases locally

■ Questions?

