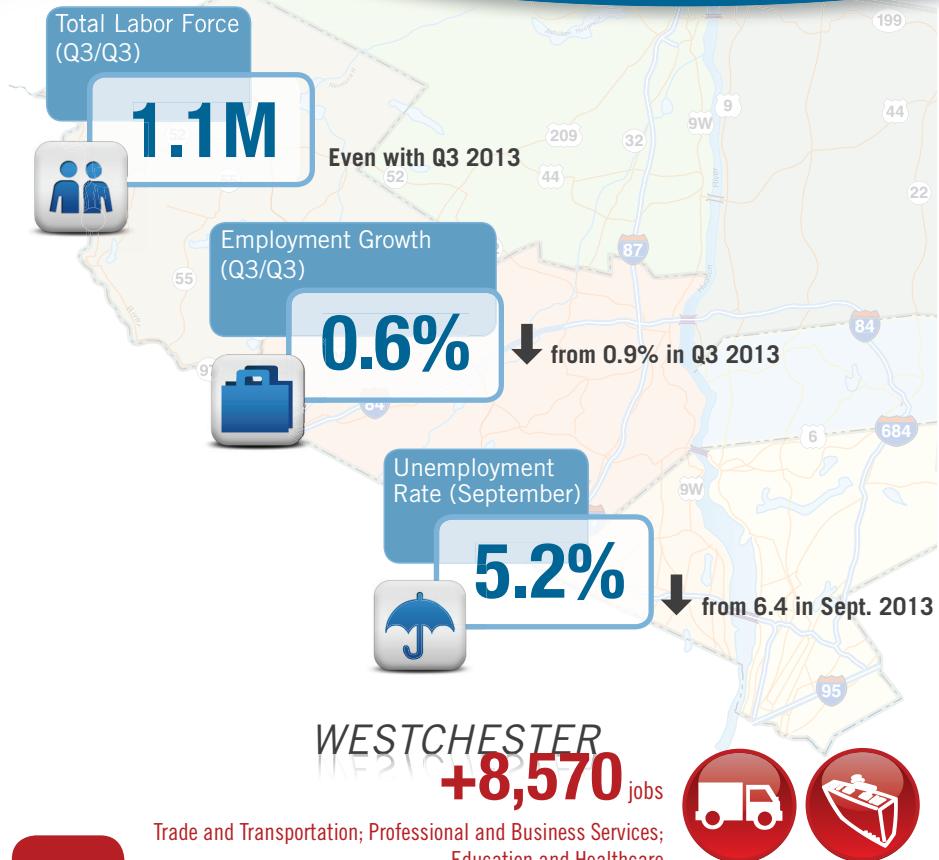


QUARTERLY ECONOMIC REPORT

Fall 2014

3rd Q | Hudson Valley News & Notes



Laurence P. Gottlieb
President and CEO
HVEDC

Employment Remains Steady in Hudson Valley

The Hudson Valley economy remains relatively stable as the total labor force in the third quarter of 2014 is down just 29,900 jobs from a year ago, but remains at about 1.1 million for the seven-county region. Economists are partially attributing this decrease to a loss of residents moving out of the state. Meanwhile, the unemployment rate for the third quarter was just 5.2 percent, down from 6.4 percent in the quarter last year.

Regionally, sectors with growing numbers of jobs in the last year are leisure and hospitality; educational and health services; trade, transportation and utilities; and professional and business services. Decreasing sectors are natural resources; mining and construction; government; and manufacturing. The education and healthcare category continues to drive employment across the region, adding more than 4,700 jobs in the last year.

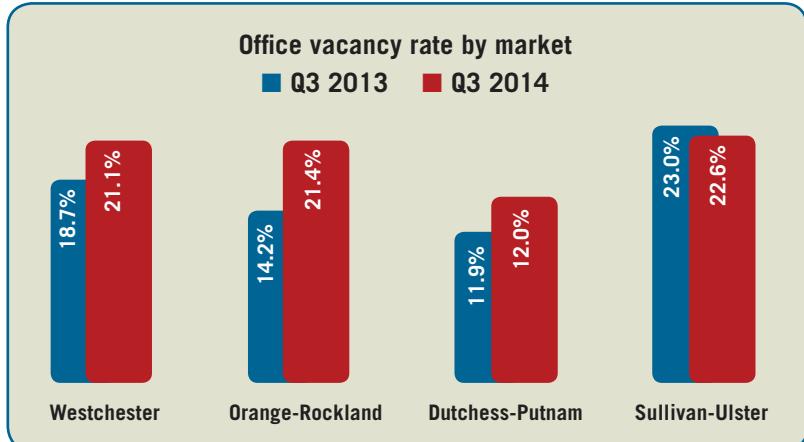
Job Gains (last 12 months)
& Industry Drivers

Other news of note:

- Touro College of Osteopathic Medicine opened its Middletown branch campus in the old Orange Regional Medical Center Horton building. The school has 135 first-year medical students. The number is expected to grow to about 500 in four years.
- The Gap will expand its 2.3 million-square-foot distribution center in Fishkill as the company spends \$96 million in renovations. Changes include the purchase of new machinery and equipment related to a new operation moving in there. The expansion means the facility will go from its current 428 fulltime equivalent positions to more than 1,600 in five years.

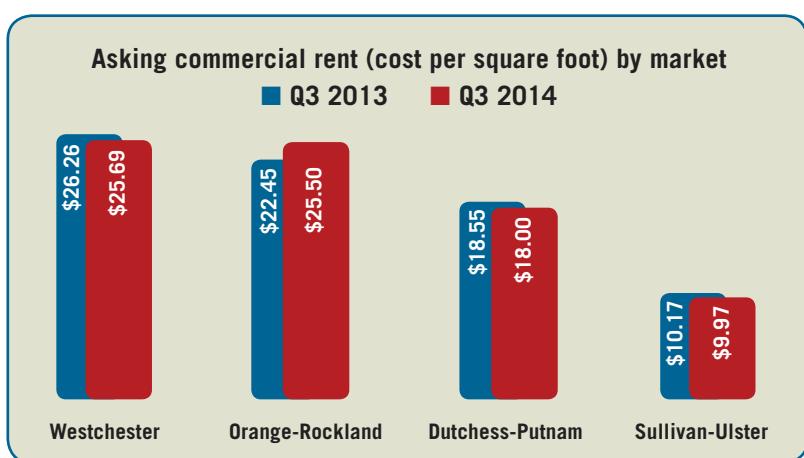
Overview

- Year-over-year vacancy rate in the Hudson Valley decreased slightly overall.
- Orange-Rockland has displayed the largest year-over-year change in vacancy.
- Westchester's vacancy rate has continued to tick upward because of continued consolidation in the area.
- The vast majority of users of office space in the region are in the 5,000- to 10,000-square-foot-range.
- Vacancy rate in Sullivan-Ulster has now remained relatively similar over the last 24 months.

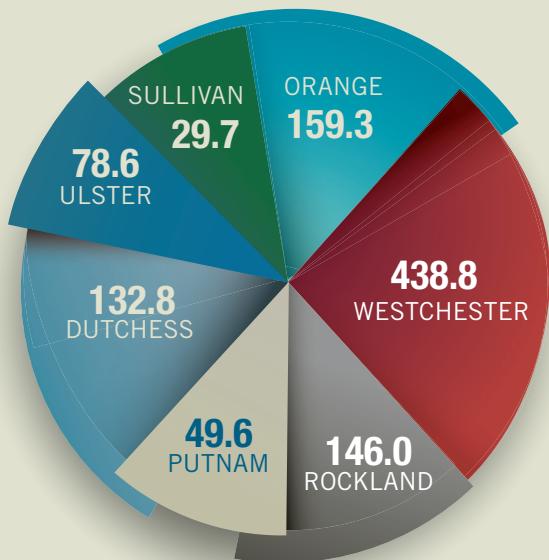


Things to watch

- New Rochelle is preparing for a large construction project that is expected to add approximately 1 million square feet of medical and office space.
- The government sector over the last year has dispensed of 2,600 jobs; this trend is expected to continue.
- Orange-Rockland is the only area in the Hudson Valley with higher asking rents in 2014 than 2013.



Labor Force By County (000s)



Expert Viewpoint

By Dr. Paul E. Harrington and Dr. Neeta P. Fogg
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Payroll employment levels in the U.S. increased by 214,000 as the nation's unemployment rate edged down to 5.8 percent. At least some commentators were surprised that these labor market gains left the electorate unimpressed during the recent mid-term elections.

Placing these job creation numbers in an historic context, and examining some of the data at the state level, may help us understand some of the sources of continued dissatisfaction with job market conditions in the country. Since the beginning of the year, the nation has added nearly 2.3 million jobs, and is on pace for an annual average gain in payroll employment levels of about 1.9 percent for the year. This rate of new job creation certainly represents an improvement in the pace of new job creation since the beginning of the recovery; but,

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Expert Viewpoint

it is a modest rebound compared to previous economic recoveries. For example, back in 1983-1984 the nation added about 3.6 million jobs a year, a torrid 4 percent annual rate of job gains. Similarly, over an extended 1993-1998 period of economic rebound we saw employment increased by more than 3 million jobs a year growing at an annual pace of 2.8 percent. The current recovery looks more on pace with the so-called "jobless" recovery of 2004-2006, where the annual pace of new job creation was just 1.7 percent.

But another reason for the public's less than rosy view of the economy is the great geographic unevenness in the jobs recovery; some states have experienced a strong rebound from the losses incurred during the Great Recession, while others have yet to claw back enough jobs to reach their pre-recession employment levels. The nation lost 8.7 million jobs during the recession and did not get back those jobs until May of this year, and by October we had recovered 10 million jobs, so the national ratio of jobs gained to jobs lost over the Great Recession is 1.15. However, there are 24 states spread around the nation who are still underwater on the measure of labor market strength, with recovery ratios (jobs gained to jobs lost) below 1.0. States that lost a lot of jobs - especially in the Rocky Mountain region - have had poor recoveries; Arizona, Nevada and New Mexico have recovered only between one-third and two-thirds of the jobs lost in the downturn. States in the Northeast including Pennsylvania and Maryland have yet to recover all the employment lost during the downturn.

In contrast, a number of states are booming. Texas has added more than 1.4 million jobs since 2010, while losing fewer than

300,000 jobs during the preceding economic downturn years. North Dakota, South Dakota, Nebraska, Minnesota and the Upper Plains states in general, heading south to Louisiana, have all experienced rapid job growth and are all above water.

While much of the Northeast has struggled in job creation in recent years, New York stands out as a major exception. New York has added more than two jobs for every job lost during the downturn, with payroll employment growing by 550,000 over the recovery. The state has shown particular job creation strength at both ends of the education/skills spectrum. The professional, scientific and technical industry, that includes high-powered business, finance and accounting consulting firms, as well as engineering and scientific research companies, have added more than 80,000 jobs, a robust 15 percent gain since 2010. At the other end of the skill spectrum, the state has posted gains of nearly 140,000 new jobs, a 19 percent rise in its leisure and hospitality industries, with most of that gain coming from accommodation and food services companies.

Unfortunately, New York has seen sizable geographic imbalances in this recovery. Of the 550,000 jobs added over the recovery in New York, 70 percent occurred in New York City proper with the city's payroll employment levels expanding by 10.4 percent; a pace that is nearly three times the pace of new job generation in the rest of the state.

About Hudson Valley Economic Development Corporation (HVEDC)

HVEDC is the leading economic development agency for the seven-county region of Westchester, Putnam, Dutchess, Rockland, Orange, Ulster and Sullivan counties. The public-private partnership markets the region as a prime business location to corporate executives, site selection consultants and real estate brokers. HVEDC created the branding and promotional efforts for industry cluster initiatives Hudson Valley 3D Printing, the Hudson Valley Food & Beverage Alliance and NY BioHud Valley. For more information or to review available business sites, visit www.hvedc.com or call CEO Laurence P. Gottlieb at 845-220-2244.

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About JLL Research

JLL's research team delivers intelligence, analysis, and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our 300 professional researchers track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivaled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

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