

HVEDC - JLL

QUARTERLY ECONOMIC REPORT

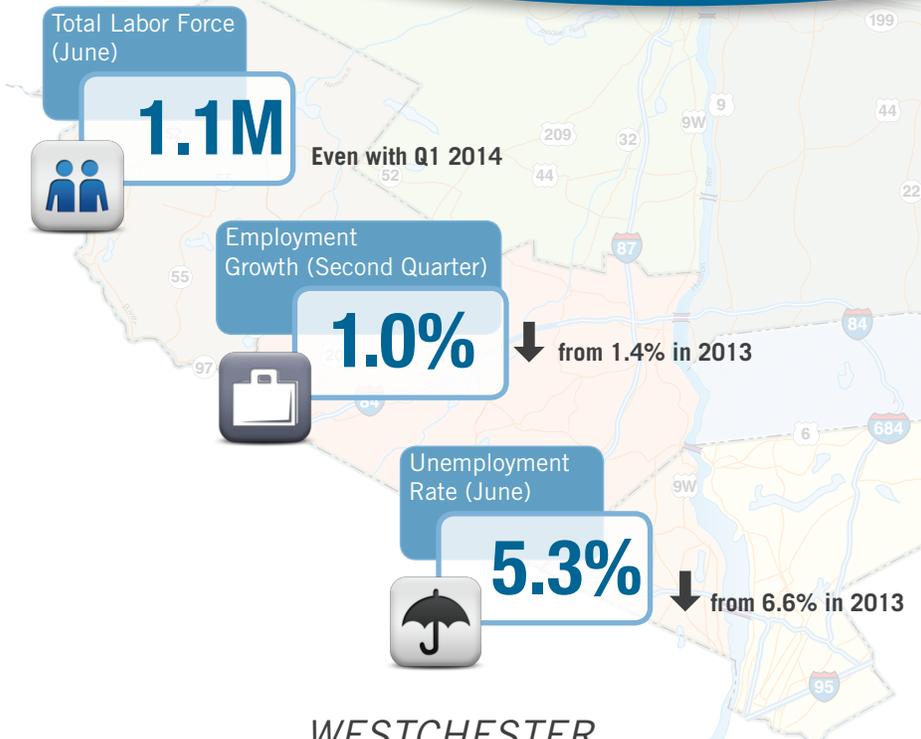
September 2014



2nd Q | Hudson Valley News & Notes



Laurence P. Gottlieb
President and CEO
HVEDC



Employment Remains Steady in Hudson Valley

The unemployment rate in the Hudson Valley declined by 1.3 percentage points over the past year as the region gradually returns to pre-recession numbers and the overall economy continues to improve. Although the labor force has essentially not changed, overall the Hudson Valley experienced some increases over the past several months.

The strongest areas of growth in the region are in the high-tech and office-using sectors, and Westchester and Rockland-Orange saw the most jobs created. However, a reduction in government spending has hindered job growth in some areas. Health care, education and professional services have also experienced modest increases in job rates.

Other news of note:

- With its beautiful scenery, strong creative spirit and proximity to New York City, the Hudson Valley is drawing film and television crews more and more. The number of feature films shot in the mid-Hudson Valley has grown by 600 percent from 2003 to 2013, according to Woodstock-based Hudson Valley Film Commission. The popular HBO series "Girls" filmed an episode at SUNY New Paltz in late July. New York State offers competitive tax incentives for production companies to film movies and TV shows, generating more than \$470 million in spending in the first half of the year alone.
- The Mid-Hudson Regional Economic Development Council has endorsed 25 regional priority projects. Together, these efforts are expected to generate more than \$600 million in economic activity, providing a substantial boost to the regional economy. The projects will also create an estimated 3,500 sustained, full-time jobs and nearly 4,000 construction jobs.
- The Hudson Valley is a major hub for world-class craft breweries, wineries, distilleries, wineries and cideries. HVEDC's Hudson Valley Food & Beverage Alliance is hosting the Hudson Valley Beer, Wine, Spirits and Cider Summit 2.0 from 7:30 a.m. to noon on Oct. 9 at The Culinary Institute of America. www.hvedcbwscsummit.eventbrite.com/

Job Gains (last 12 months) & Industry Drivers

WESTCHESTER
+5,565 jobs
Education and Healthcare; Professional and Business Services; Leisure and Hospitality



ROCKLAND-ORANGE
+ 2,196 jobs
Education and Healthcare; Trade and Transportation



SULLIVAN-ULSTER
+777 jobs
Professional and Business Services; Leisure and Hospitality



DUTCHESS-PUTNAM
-616 jobs
Government, Manufacturing



Total Jobs +7,922

Overview

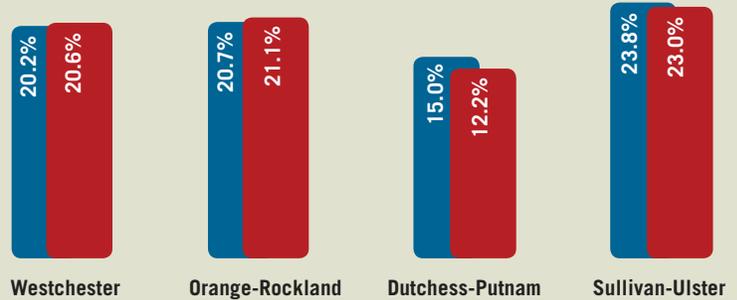
- Quarter-over-quarter, vacancy rates were relatively unchanged in the Hudson Valley office market, however there were some minor decreases across the Hudson Valley.
- Strong outlook for the Westchester County office market relies on several factors, including the continued investment into areas like Life Science that can ultimately absorb excess office space.
- A large majority of building occupiers in the region are in the 5,000-to-10,000-square-foot range.
- Vacancy in Sullivan-Ulster decreased by 0.8 percent.

Things to watch

- Westchester County office tenants are seeing their leverage in the marketplace grow. In spite of a local economy that is showing improvement, the office market is lagging, and continues to struggle against a lack of new tenant demand.
- The manufacturing and government sectors of employment should continue to yield decreases in numbers, while health and professional business services sectors are expected to continue their promising growth.
- New York State's START-UP NY initiative will also be instrumental for the region, offering a tax incentive to companies located on designated properties in close proximity to educational institutions in the program.

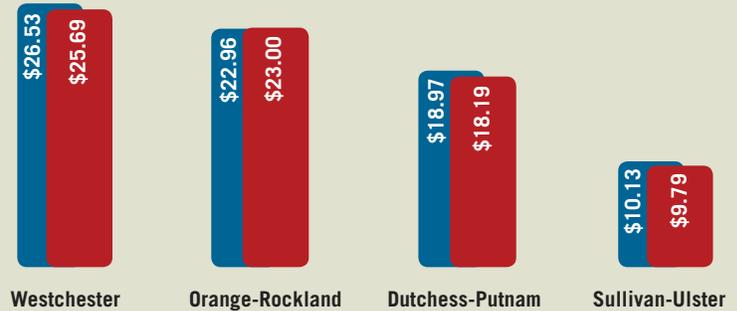
Office vacancy rate by market

■ Q2 2013 ■ Q2 2014



Asking commercial rent (cost per square foot) by market

■ Q2 2013 ■ Q2 2014



Harrington's Five Facts:

- Between 2003 and 2013, manufacturing employment in the Hudson Valley declined by 27 percent. The manufacturing sector today is very different from the blue-collar dominated manufacturing of the old. In the Hudson Valley, 45 percent of manufacturing workers are employed in college labor market jobs with high education and skills requirements.
- Employment in the region's health care sector grew before, during, and after the Great Recession. Between 2003 and 2013, health care accounted for 80 percent of the region's net job growth.
- The accommodation and food services industry is another important source of job creation in the region, albeit lower-wage jobs.
- In 2011-2012 only 24 percent of teens (16-19) and 59 percent of young adults (20-24) in the Hudson Valley were employed. This is due to low rates of labor force participation (35 percent among teens and 71 percent among young adults) and high unemployment rates (33 percent among teens and 16 percent among young adults).
- Although Baby Boomers are staying in the labor market beyond retirement age and even re-entering the labor market, reliance on older workers to fill the region's workforce needs cannot be a long-term solution.



Expert Viewpoint

By Paul Harrington, Ph.D.
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The economic turbulence in the nation's labor markets over the last decade was

accompanied by a considerable change in the Hudson Valley job market. Over a fairly short period of time, the region has seen major shifts in the kinds of industries, the kinds of occupations found in those industries, and the educational attainment of those employed in the region. And, this remarkable transition of the region's labor market continues today. Goods producing firms have suffered large payroll employment losses over the last decade, while service-producing firms, that have much different staffing requirements, have more than offset losses in the region's goods producing sectors - construction and manufacturing.

The shifting industrial composition of employment in the region has resulted in a variety of developments that are important for employers, educators and elected officials to understand.

Expert Viewpoint

- The region's health sector has become the engine of economic growth and a source of economic stability during a decade of economic turbulence. Between 2003 and 2013, employment in the region's health and social service sector increased by 20,000 jobs, accounting for more than 80 percent of the region's net new job creation over that time period. There is a good chance of a slowdown in the health care sector employment; something that we'll discuss in a future column. But suffice it to say that the region needs to diversify its industry mix.
- At the same time that manufacturing employment has declined, the education and skill requirements among manufacturers have increased. Over the course of the economic recovery, manufacturing productivity has sky-rocketed as technology and physical capital has replaced labor in the production process and altogether new products and production methods for these products are introduced (think 3D printing technologies like those developing at SUNY New Paltz). Amazingly high shares (45 percent) of manufacturing industry workers in the Hudson Valley are employed in college labor market occupations - a dramatic change from the blue-collar dominated industry of old.
- Accommodations and food services has been another important source of new job creation in the Hudson Valley region. Employment in this sector is heavily concentrated in service occupations and usually has below-average annual earnings-in part because of the seasonal nature of demand for these services. These jobs are important to the region and are key sources of employment stability and growth and should be considered part of a broader array of growth engines in the Hudson Valley. Fortunately the region is well endowed with institutions that can supply high quality staff to the industry, including The Culinary Institute of America.
- Teens and young adults have pretty poor connections to the labor market in the Hudson Valley and this should be a major source of concern for business leaders in the region. Over the last decade the fraction of teens aged 16 to 19 who work has fallen from 45 percent to just 25 percent during 2013. In the Hudson Valley region we found that just 24 percent of teens were employed. Among those aged 20-24 the employment rate was just 59 percent, well below a 70 percent plus level we would expect for young adults who should be engaged in the world of work. Low levels of engagement in the labor market during teenage years and young adulthood has a lasting negative impact of job prospects in the future; more on this down the road.
- The population of the Hudson Valley region, like that of New York State as a whole, is aging rapidly. Since the 1970s rising population has driven labor force growth. Baby Boomers surged into the the job market and rising rates of work among married women with kids caused the labor supply to grow rapidly. But the rate of labor force growth has slowed in part as a rising share of Baby Boomers reaching retirement age. The good news is that Boomers are opting to continue working and some are re-entering the labor market. But this is only a short-term fix; eventually the labor supply will shrink unless we can bolster labor supply from other sources. In the meantime, firms will increasingly look to capital and technology to solve their production problems, placing a high value on those workers with the abilities, knowledge, skills and behaviors that allow them to develop and utilize the emerging technologies in the delivery of goods and increasingly in the delivery services.

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 (Jones Lang LaSalle) 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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