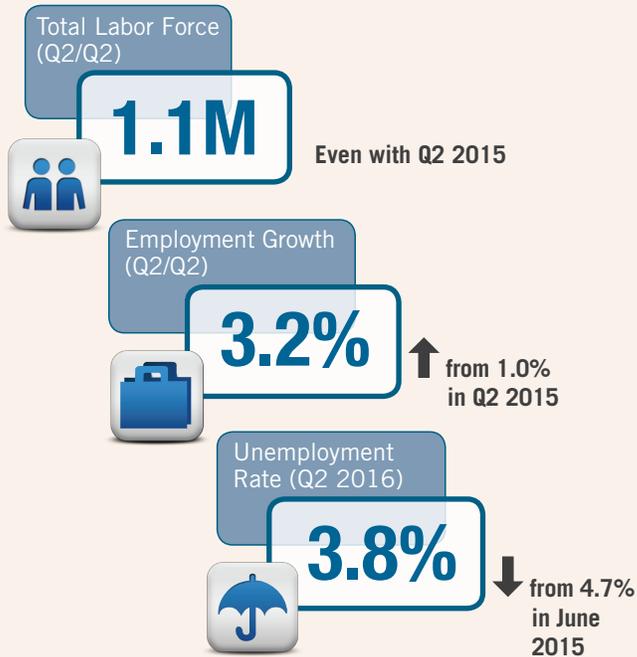


QUARTERLY ECONOMIC REPORT

JULY 2016



2nd Quarter Hudson Valley News & Notes

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Job Growth Steady Throughout the Hudson Valley Region

The second quarter saw healthy job growth throughout the region, with the Hudson Valley overall adding more than 16,160 jobs. The most notable gains were in education and health services (nicely dovetailing the launch of HVEDC's Hudson Valley EDs & MEDs cluster development initiative), natural resources, construction and mining, transportation and utilities, business services and government. The unemployment rate currently sits at 3.8 percent - a marked improvement from 4.7 percent in the second quarter of 2015.

In the office market, the Dutchess-Putnam, Orange-Rockland and Westchester markets have all remained stable, with no notable recent business contractions. The vacancy rate in Sullivan-Ulster did increase from the first quarter to the second quarter, however - going from 42.7 percent to 46 percent. It's worth noting that much of this increase can be attributed to the large amounts of new construction happening in both counties over the past year.

In other news:

- The developer of the proposed LEGOLAND New York development in Orange County has announced plans for a \$500 million, 153-acre theme park at a site in Goshen. According to officials from Merlin Entertainments PLC, a developer and operator of theme parks worldwide, the park would attract 10,000 daily visitors - and 20,000 some peak days. Also predicted are 500 full-time, 300 part-time and 500 seasonal jobs, along with about 800 construction jobs as the park is being built.
- In Wallkill, Piller USA has opened its new, 24,000-square-foot U.S. headquarters and light manufacturing facility. The company makes uninterruptible power supplies, selling them to a variety of industry sectors.
- Three banks are opening their first branch locations in Orange County. These include Lakeland Branch in Highland Mills, Jeff Bank in Port Jervis and Rhinebeck Bank in Goshen. Officials from all three banks say they have been lured to the area because of its growing economy.

Job Gains (last 12 months) & Industry Drivers

WESTCHESTER

+8,025 jobs (June 2015: -440)
Professional/Business Services, Natural Resources/
Mining, Education/Health Services



ORANGE-ROCKLAND

+4,940 jobs (June 2015: -210)
Education/Health Services, Leisure/Hospitality,
Government



SULLIVAN-ULSTER

+940 jobs (June 2015: +900)
Education/Health Services, Professional/Business
Services, Other Services



DUTCHESS-PUTNAM

+2,255 jobs (June 2015: +380)
Education/Health Services, Government,
Manufacturing



Total Jobs +16,160
(June 2015: +630)

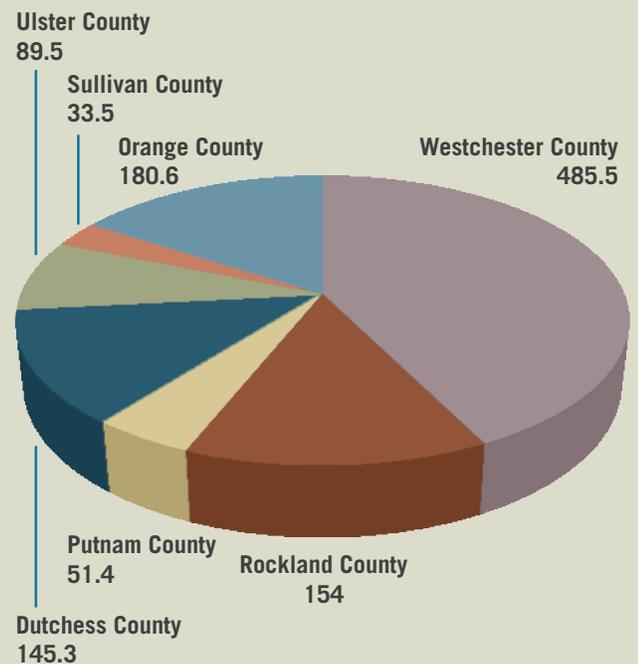
Overview

- Westchester rents increased year-over-year as a result of high demand for space along the Interstate 287 Corridor and White Plains Central Business District.
 - White Plains-based Sabra Dipping Co. LLC. recently signed a five-year lease for an additional 36,345 square-feet of space, expanding its headquarters.
- The Dutchess-Putnam and Orange-Rockland and Sullivan-Ulster markets seem to remain stable, without any notable business contractions.
- Sullivan-Ulster's vacancy rate increased from 42.7 percent in the first quarter to 46.0 percent in the second quarter due to new construction in both counties.
 - In Sullivan County, the new \$90 million Z Living/Veria Nature Cure & Ayurvedic Wellness Center is on track to open in 2017. The 290,000-square-foot structure, which is being built on the western bank of Bailey Lake in the Town of Thompson, will feature a two-story wellness center, a six-story, 131-room hotel and restaurants. LeChase Construction, which is building the facility, currently has a 45-member crew working on the project and is expected to more than triple that workforce by August.
 - While construction on the Nevele Prosport Campus in Ulster County is not expected to begin until early 2017, the developer for the project plans to start tearing down parts of the shuttered hotel in mid-to-late summer 2016. The \$165 million project, planned for the site of the former Nevele Resort in Ellenville, will feature four professional-regulation baseball fields, four regulation Little League fields, six multi-purpose and long fields for soccer, lacrosse and field hockey. The facility will feature a winter-season ice hockey rink and a hotel. In addition, the complex will also feature a \$750,000 multi-acre outdoor park that will include zip lines, a ski park, rock climbing facilities, trails, a golf course, indoor and outdoor pools, and an indoor water park. It is estimated that the project will create about 600 jobs.

Things to watch

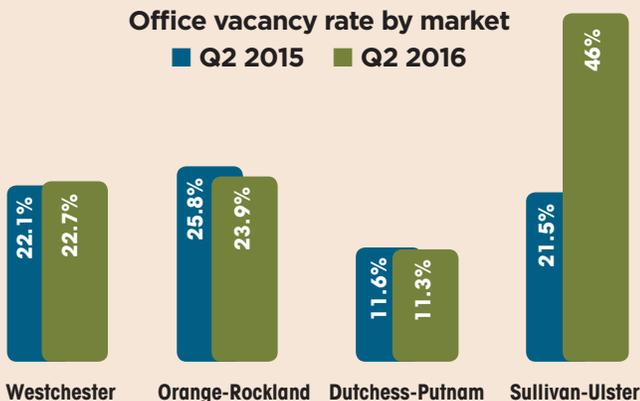
- The Time Nyack recently celebrated its grand opening and is the only upscale, boutique hotel with loft-style accommodations in Rockland County.
- In Dutchess County, a \$10.5 million, 93-room Hyatt Place in Poughkeepsie has been granted preliminary approval and another \$30 million project called "Water Club Luxury Living" will help revitalize Poughkeepsie's waterfront and downtown areas.
- In Orange County, Primo Sports will begin construction of its \$10.6 million sports complex in Chester.

Labor Force by County (thousands)



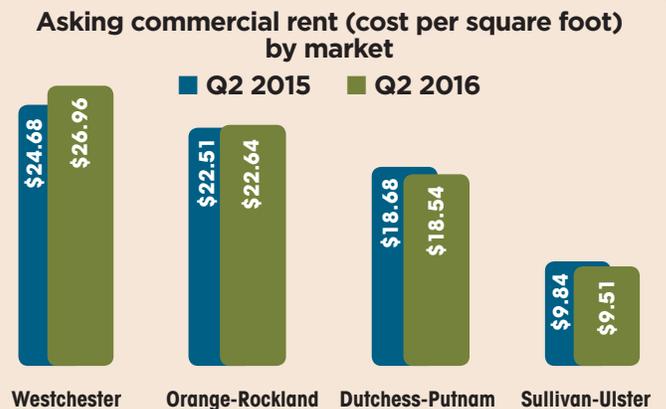
Office vacancy rate by market

■ Q2 2015 ■ Q2 2016



Asking commercial rent (cost per square foot) by market

■ Q2 2015 ■ Q2 2016





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Self-Employment in the Hudson Valley: Risks, Rewards and Work Satisfaction

Self-employment is a path not usually chosen as a career by the overwhelming majority of labor market participants. For example, about one in 10 employed persons in the Hudson Valley region opt to run their own businesses. Deciding to run a business is fraught with personal risks and it's easy to make a wrong assessment of those risks. Entrepreneurs are thus optimists who see less risk and more opportunity in the future than those who opt to work on someone else's payroll.¹ Moreover, the self-employed, on average, work more hours every week and earn less than their wage and salary counterparts.

So why do the self-employed choose this risky pathway? Part of the answer is that while the risks of self-employment can be great, the financial rewards can be great as well. A simple illustration of this point can be found by comparing the ratio of mean to median earnings of different kinds of workers. The larger the mean to median ratio for a given type of worker, the wider the distribution of earnings for workers in that category, signaling greater reward, as well as greater risk.

Government workers in the Hudson Valley region have mean annual earnings of \$66,200, with median earnings of \$61,400. The average earnings of government workers in the region are only slightly above the median. This means that the distribution of earnings of government workers is relatively narrow, with the top earners not making all that much more than the median

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Ratio of Mean to Median Annual Earnings, by Class of Worker in the Hudson Valley Region, 2010-2014

Class of Worker	Mean Annual Earnings	Median Annual Earnings	Ratio of Mean to Median Annual Earnings
Government	\$66,200	\$61,400	1.08
Private, for profit	\$64,400	\$38,300	1.68
Private, non profit	\$58,900	\$41,600	1.42
Self-employed, incorporated	\$100,700	\$55,500	1.82
Self-employed, unincorporated	\$56,700	\$27,000	2.10
Total	\$65,300	\$42,900	1.52

Self-Employment in the Hudson Valley (continued from previous page)

worker (the worker at the 50th percentile of the earnings distribution); so for government workers, not much of a risk premium.

At the other extreme, we see relatively large differences between mean and median annual earnings of the self-employed. Self-employed individuals who have opted to incorporate had average annual earnings of more than \$100,000 while median earnings for incorporated self-employed were \$55,500. This means that there were some big winners who got a large annual earnings premium for the risk of self-employment relative to the more typical median self-employed person who incorporated. The unincorporated self-employed in the Hudson Valley area had an even larger mean-to-median ratio of 2.10. Again, this means that unincorporated self-employed individuals had very wide differences in the distribution of earnings – reflecting a large range of risk and reward.

Part of the reason that unincorporated self-employed individuals had much lower earnings is that these individuals were much more likely to be providing buildings and grounds cleaning services and personal care services - both relatively low paying fields. One in four unincorporated self-employed worked in these low earning service enterprises, compared to just one out of 14 incorporated self-employed individuals.

Similar to nationwide trends, the number of persons in New York who choose self-employment has declined in recent years, after several decades of growth. Even as wage and

salary jobs have rebounded in the post-Great Recession recovery, gains in the number of persons opting for self-employment have been near zero in the nation; and New York has experienced net losses in self-employment over the last decade.

Not much is understood about the reasons for a decline in self-employment. Some argue that the sectors that provided the best options for self-employment, like construction, have done poorly during the recovery. Others point to consolidation in some fields, notably a number of medical and health professions where practitioners are no longer able to strike out on their own as new federal rules and regulations create economies of scale that make the solo practitioner obsolete. Whatever the reason, the decline in self-employment is certainly lamentable.

The chance of capturing the brass earnings ring is surely an important motive for some individuals to take the increased risks that accompany self-employment. But another and perhaps more important motivation to strike out on your own, is that the self-employed derive a lot more satisfaction from their work and like the idea that they are their own boss. They find their work more interesting than wage and salary workers and like the idea that they make their own work decisions and live with the consequences of those decisions. As one comprehensive research study in the US and Western Europe found for the self-employed "... interesting work and autonomy are valued beyond material outcomes..."²

¹ G. Arabsheibani et al, "And a Vision Appeared Unto Them of a Great Profit: Evidence of Self-Deception among the Self Employed," *Economic Letters*, 67, 2000
² M. Benz and B. Frey, "The Value of Doing What you Like: Evidence from the Self-Employed in 23 Countries," *Journal of Economic Behavior and Organization*, December, 2008

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, NY BioHud Valley, Hudson Valley EDs & MEDs and Hudson Valley PLAY. For more information or to review available business sites, visit HVEDC's website or contact CEO Laurence P. Gottlieb.

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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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