

EAST TENNESSEE

Regional Partnership Annual Review 2009



East Tennessee

Table of Contents

A Regional Approach	2
Regional Demographic Trends	3
10-Year Population Growth	
5-Year Unemployment Rate Comparison	
Unemployment Rate Comparison by County	
Regional Employment by Industry	
Educational Attainment by County	
Average Weekly Wages by County	
Active Project Trends 2007-2009	6
Business Sectors	
Buildings and Sites Requests	
Project Source	
Regional Growth	8
Job Growth 2005-2009	
Capital Investment 2005-2009	
The Worst is Now Behind Us - <i>Dr. Matthew Murray</i>	10
Opportunities for Growth	12
Co-Located Staff	13

15 - County Region



A Regional Approach

Working as a unified and interdependent region has become recognized as the accepted approach for successful economic development programs. We can be proud that our region has been an advocate of this concept for over 20 years. As is true in most areas, political boundaries are irrelevant when it comes to our regional economy. People throughout our region cross county lines daily to work and shop.

With each community an integral part of the regional economy, our collective approach to marketing and project assistance is beneficial to both the urban and rural counties in our region.

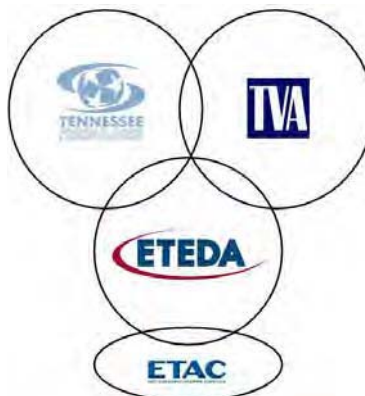
A key factor in further unifying our region's economic development efforts has been the co-location of ETEDA, the State's regional office of Economic and Community Development, and TVA's regional economic development representative.

Together this economic development partnership works with a number of active projects throughout the year. This annual review shows a regional demographic profile, trends in active project requests and a five-year trend in new jobs and capital investment from new company locations.

A different dimension was recently added to our partnership when East Tennesseans for Airfare Competition (ETAC) joined the co-located team. ETAC promotes more direct flights and lower airfares, a key factor in successful economic development.

This unique partnership arrangement gives both our local communities and prospects the advantage of making one phone call to reach this highly qualified professional team. This single point of contact has proven to be both efficient and effective for marketing, working with the local economic development community and providing leadership in the site selection process.

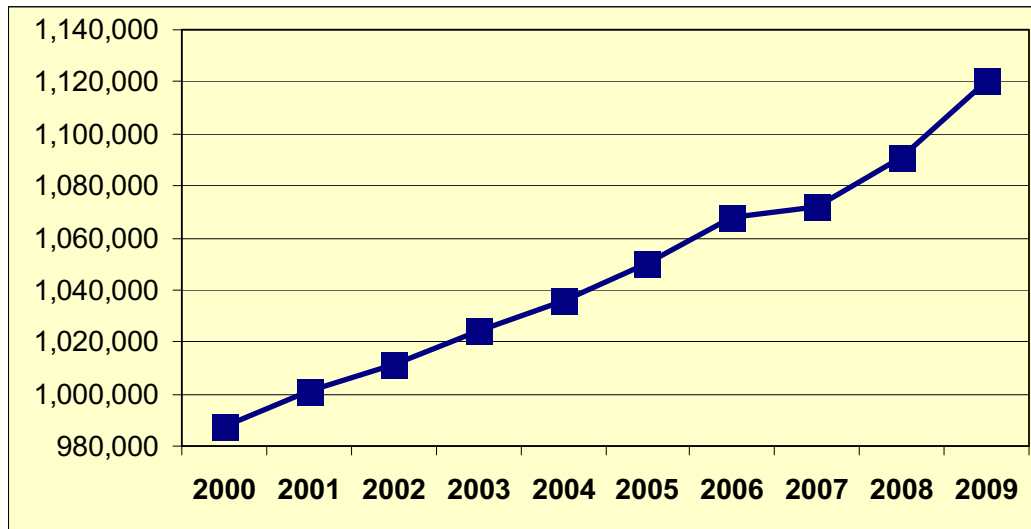
Co-located Team



Regional Demographic Trends

By tracking the demographic trends in population, unemployment, employment by industry, educational attainment and average weekly wages for the 15-county region, we are better able to respond to inquiries and to assist our local communities in the site selection process.

10-Year Population Growth



Source: US Census Bureau, Population Estimates Program; Decision Data; ETEDA

Ten – Year Growth Rate

- 15-county region 13.5%
- State 12.3%
- US 8.7%

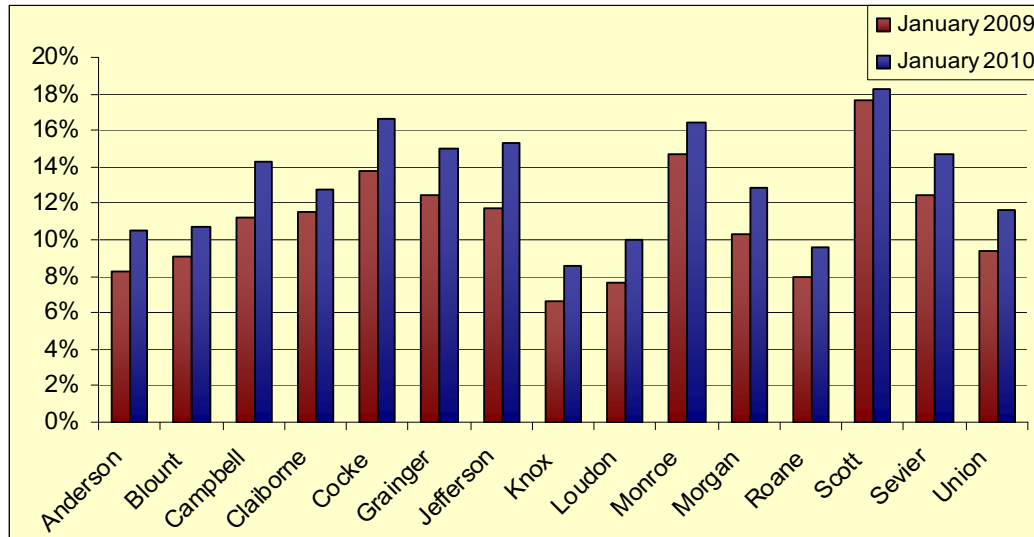
5-Year Unemployment Rate Comparison

Year	15 - County Labor Force	Employed	Unemployed	Unemployment Rate
2005	524,830	498,230	26,600	5.19%
2006	542,610	517,130	25,480	4.40%
2007	545,460	521,630	23,830	4.40%
2008	551,190	518,050	33,140	6.00%
2009	551,450	495,940	55,510	10.10%

Source: TN Department of Labor & Workforce Development, Division Emp .Sec, R&S; ETEDA

Regional Demographic Trends

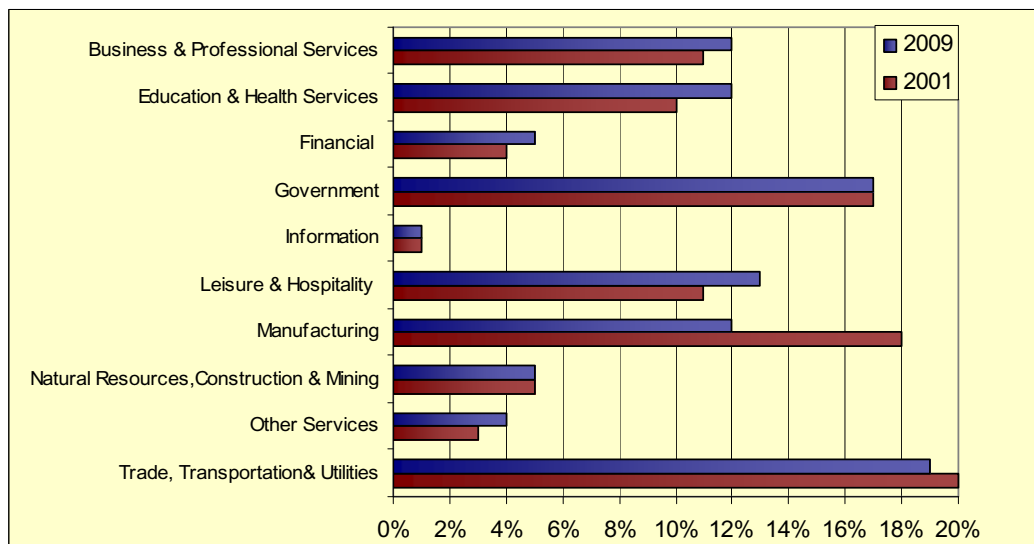
Unemployment Rate Comparison by County



Source: Tennessee Department of Labor & Workforce Development, Div., Employment Security, R&S; ETEDA

- Two thirds of the region's labor force works in one-third of the counties.
- The region's unemployment rate has more than doubled in the last 5 years.

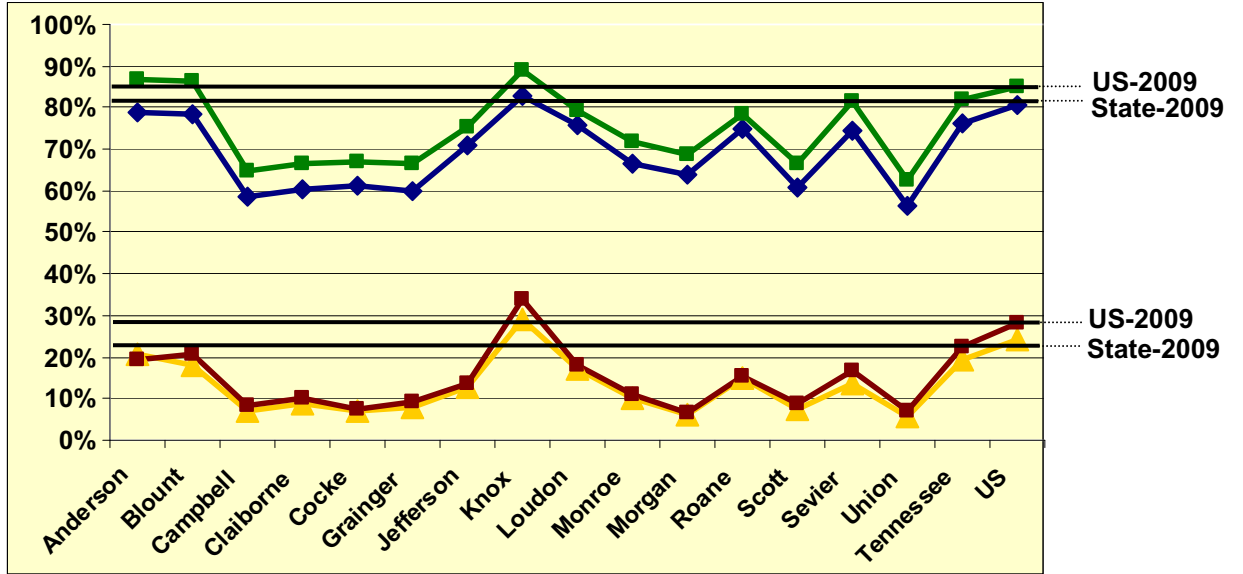
Regional Employment by Industry



Source: Tennessee Department of Labor & Workforce Development/East Tennessee Development District; ETEDA

- Manufacturing employment has decreased by over 30% in the past nine years.
- The service sector (financial, business and professional services, education and health services, and leisure and hospitality) continues to show steady increases.

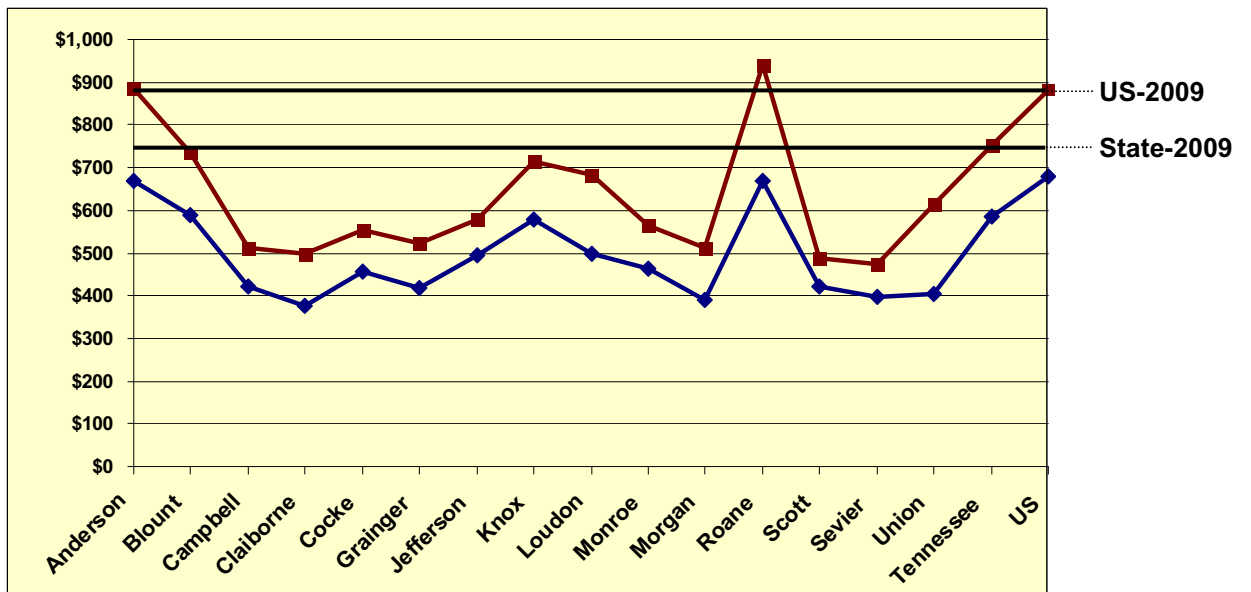
Educational Attainment 2000 - 2009



Source: Decision Data; ETEDA

- 2000 High School Graduate or Higher
- 2009 High School Graduate or Higher
- 2000 Bachelor's Degree or Higher
- 2009 Bachelor's Degree or Higher

Average Weekly Wages 2000 - 2009



Source: Bureau of Labor Statistics/US Census Survey 2004; ETEDA

- 2000
- 2009

Active Project Trends: 2007 - 2009

The co-located partners, ETEDA, ECD and TVA, work throughout the year with a number of companies that have expressed an interest in locating to our region.

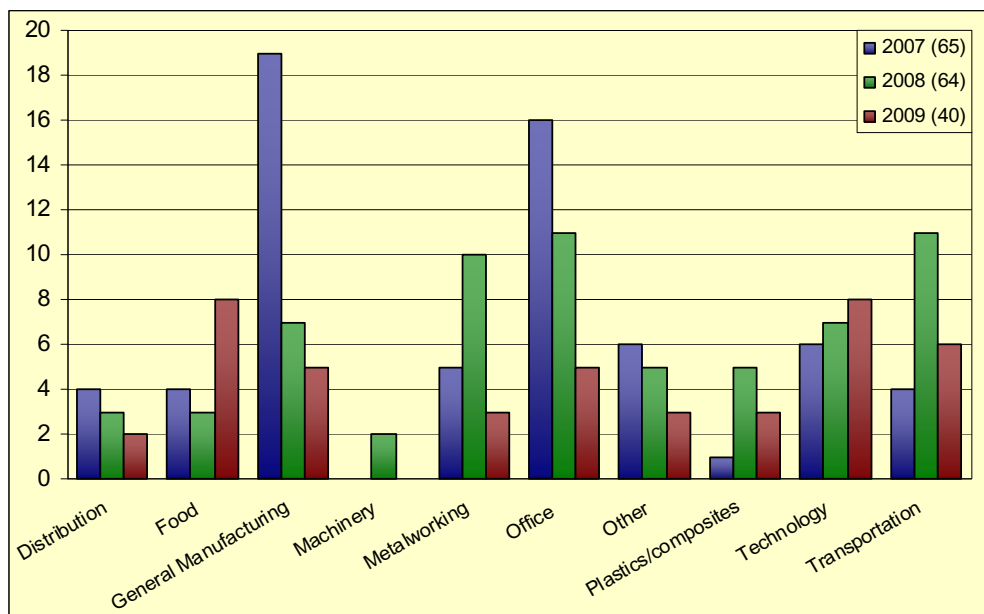
Active projects are defined as those companies that have definite plans to move or expand, have requested specific information about our 15-county region or want assistance in their relocation process.

The total number of active projects the partners worked with over the past three years is a reflection of the current national economy, with 65 active regional projects in 2007, 64 in 2008 and 40 in 2009.

We track pertinent information about these regional projects, such as the source of projects, types of industries considering the region and the building needs for the projects.

The following charts track only those companies that were considering relocating to the region and do not include existing business expansions. Overall, re-location of new businesses generates approximately 20% of an area's business growth while expansion of existing businesses and internal growth account for 80%.

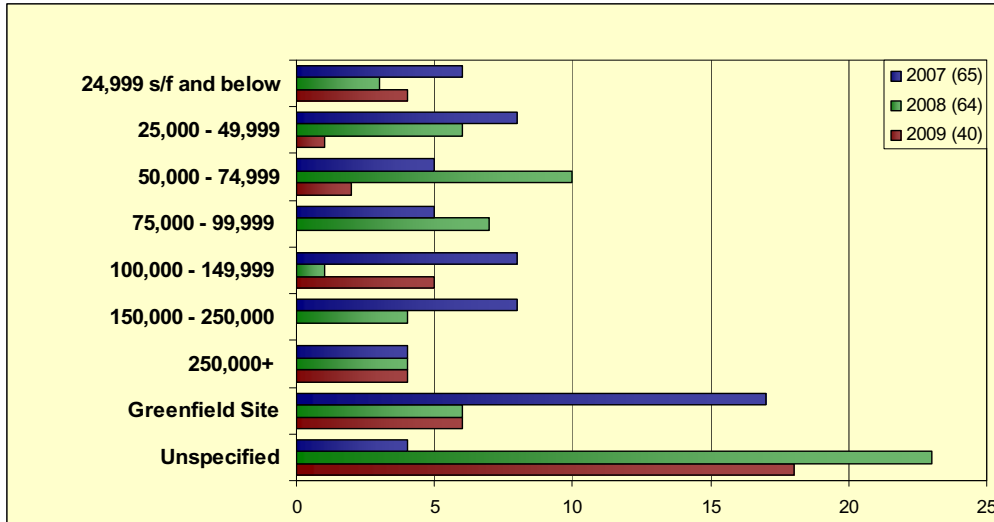
Business Sectors



Source: ETEDA, ECD, TVA

- Inquires in office, alternative energy and food projects showed an increase in late 2009.

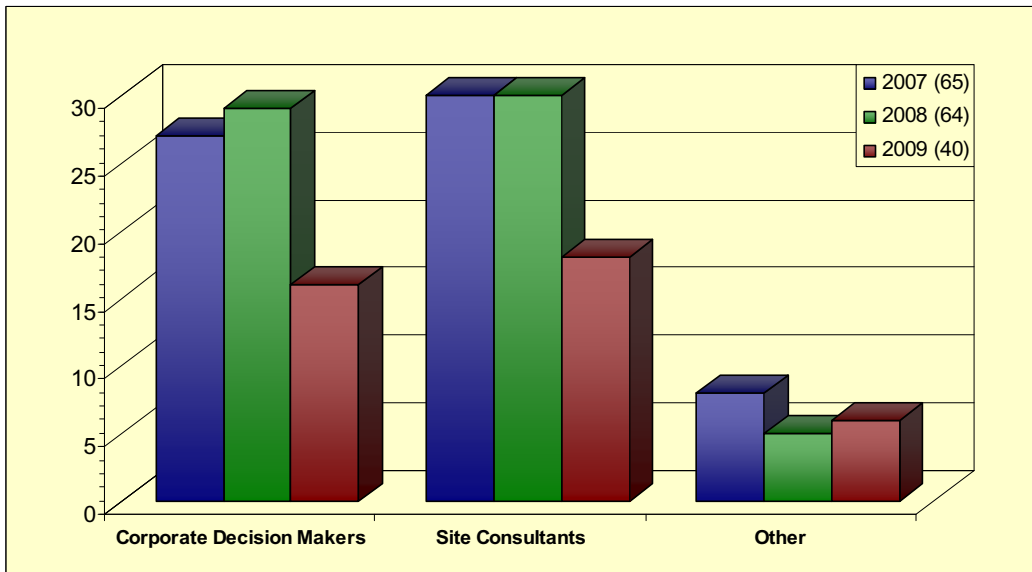
Buildings and Sites Requests



Source: ETEDA, ECD, TVA

- Requests for existing buildings decreased by approximately one-third from 67% in 2007 to 45% in 2009.
- Greenfield site requests dropped in 2008, reflecting the increased costs of construction and the number of existing buildings on the market.
- The percentage of companies requesting rail increased to 10% in 2009.
- 30% of requests were for minimum ceiling height of 24'.
- 40% of requests were for ceiling heights of 26' and higher.
- Reliable energy at competitive rates is an important factor in most projects.

Project Source



Source: ETEDA, ECD, TVA

- Projects from both site consultants/real estate brokers and corporate decision makers remained consistent at approximately 45% each.
- Visits to the website continue to increase, with the majority of prospects visiting the website before making contact.

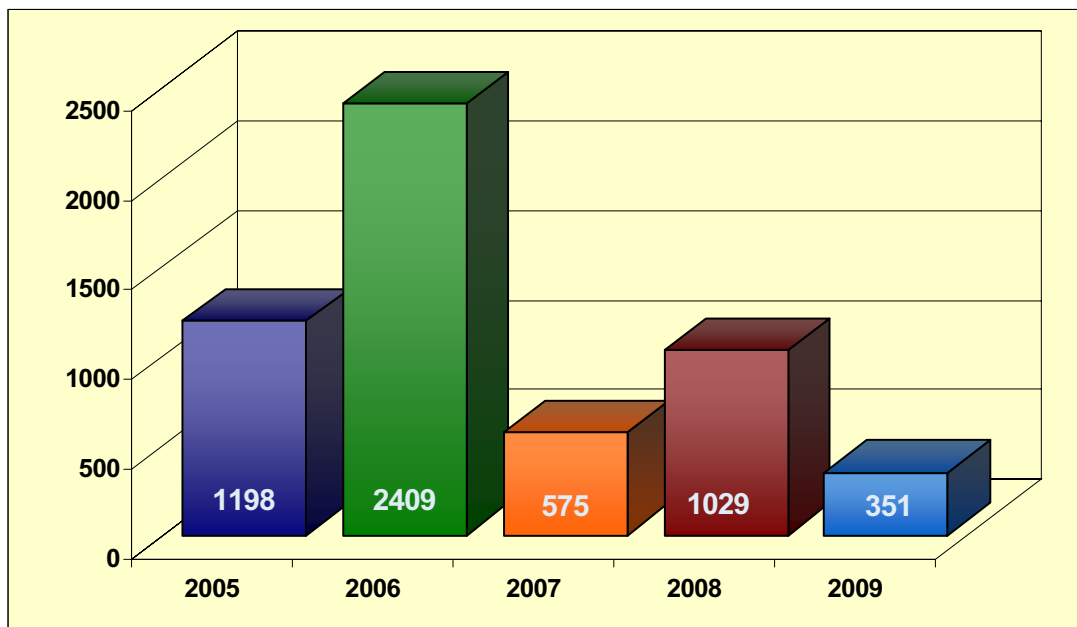
Regional Growth

The State's Department of Economic and Community Development tracks, on an annual basis, the jobs created and capital investment generated by new businesses locating to the State.

The following charts reflect uneven growth in the region over the past five years due to significant fluctuations in the global economy. They do not, however, include expansions or internal growth in the 15-county region.

Over 5500 jobs were created in the region in the past five years by new locations. As the chart indicates, almost one half of the jobs were created in 2006, prior to the downturn in the economy. Although 2009 was not a good year for jobs growth, there were very positive signs late in the year that 2010 will be better for job creation.

**Jobs
15-County Region
2005 - 2009**

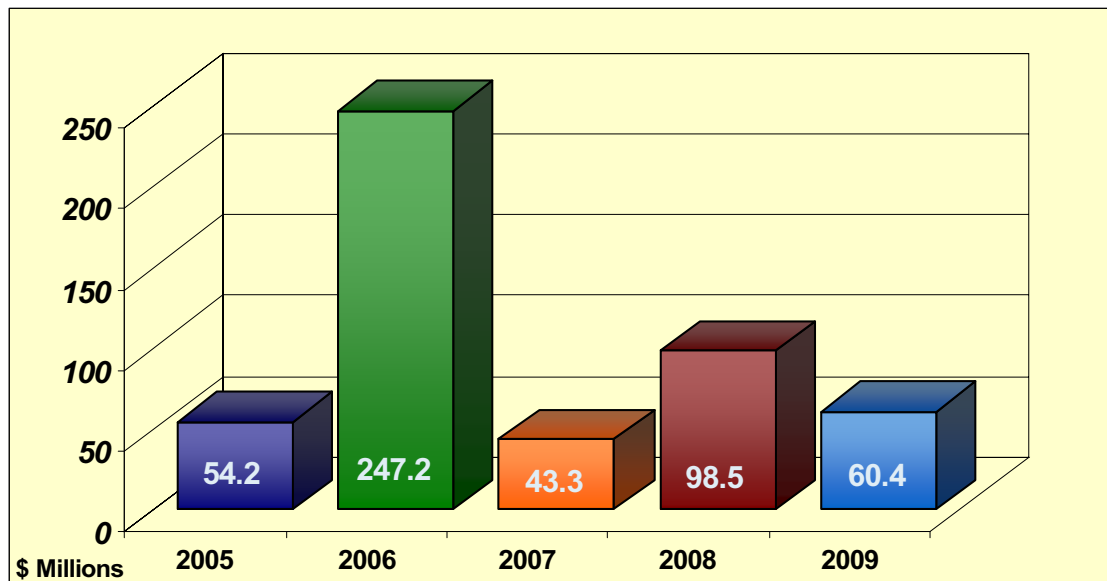


Source: Tennessee Dept of Economic and Community Development; ETEDA

More than \$500M in capital investment has been generated by new locations to the 15-county region over the past five years. As is typical in economic growth, there can be significant fluctuation from one year to another, as the chart indicates in 2006 when the region had several major announcements.

Although 2009 was not a strong year for capital investment, various economic indicators in recent months have shown signs for a more optimistic 2010 for new capital investment in the region.

Capital Investment 15-County Region 2005 – 2009



Source: Tennessee Dept of Economic and Community Development; ETEDA

The Worst is Now Behind Us



Dr. Matthew Murray

*Associate Director
Center of Business and Economic Research
University of Tennessee*

The *Great Recession* will be talked about for years to come—the longest and deepest economic downturn since the Great Depression. The recession likely ended sometime in the middle of last year when a variety of economic indicators hit rock bottom.

Since that time there has been slow and steady improvement in economic conditions. This doesn't mean that things are rosy, but there have been marked improvements in the economy. Most important is stabilization of domestic and international financial markets. While lending needs to increase, the banking system is much healthier today than just a year ago.

To place the situation in perspective, there were fewer jobs in the national and state economies in 2009 than in 1999. For the nation, the current cycle has led to the loss of over 8 million jobs, while Tennessee has shed more than 132 thousand jobs since 2007. The good news is that the rate of job decay has slowly improved and there should be continued improvement in the months ahead.

Unfortunately, I still see job losses for the state and the nation in 2010. It also appears that the unemployment rate may have peaked, with the state rate holding steady at 10.7 percent for three months in row. The sharp increases in unemployment insurance claims have abated potentially forestalling the need to raise unemployment insurance tax rates.

The residential housing market is showing signs of a mild turnaround. While building permits for the metropolitan area were down in 2009 relative to 2008, the fourth quarter of 2009 showed improvement on a year-over-year basis. But this will be a long road to recovery: permitting activity in 2009 was only 30.1 percent of the activity in the pre-recession peak year of 2005. Mortgage delinquency rates and loan foreclosure rates are on the rise, but Tennessee appears to be doing better than the national average. We will nonetheless see downward pressure on home prices in the quarters ahead.

The market for commercial and industrial real estate continues to be weak, with a glut of properties on the market. Many parcels, particularly commercial properties, are under water, with refinancing looming on the immediate horizon.

There is significant downward pressure on lease rates as well. It will take several years for property markets to stabilize and approach pre-recession levels of economic activity. It remains to be seen how all of this will affect the local property tax base and property tax revenues.

We should see economic conditions steadily improve over the course of 2010. And we might see some sharp spikes in economic activity as well. But keep in mind that the economy has dug a deep hole since the beginning of the recession in December, 2007. To place things in context, even if building permits go up 100 percent this year, we will be well below the number of permits issued in 2007 when the recession began.

So be patient. The economy is on the mend, but it will take several years for economic activity to be fully restored.

Opportunities for Growth

As businesses continue to adjust during this economic downturn, it is vital that our region continue to market the competitive advantages of doing business in East Tennessee.

Our accessible location in the Eastern U.S., our unique and abundant technology assets, competitive business costs, talented workforce, reliable and competitive energy rates and outstanding quality of life, together make our area one of the most attractive in the Southeast.

Using East Tennessee as a brand allows us to build on an already strong and well-known name that has long been associated with an excellent business climate, a superb quality of life and a region that is recognized as a pioneer in technology.

Recognizing the recent shifts that industry has made, it has been important that we adjust our focus more closely on those business sectors that will not only survive, but thrive in this new economy.

As we continue to target historically strong business sectors that are adapting to this changing economic landscape, such as automotive, plastics, machinery and customer service, we are also focused on alternative energy, data centers and advanced manufacturing companies.

By attracting both traditional and emerging businesses that are using new and advanced technology to succeed in the changing economy, we are creating an excellent opportunity for our diverse workforce.

Our regional partnership is looking forward to the upturn in the economy and aggressively marketing our regional advantages and assisting those business sectors that will have the capability to grow and prosper in our region.

Co-Located Staff

ETEDA

Allen Neel, *President and CEO*
aneel@eteda.org

Barbara Cope, *Director of Operations*
bcope@eteda.org

Alan Clear, *Research Coordinator*
aclear@eteda.org

Jennifer Karp, *Marketing Assistant*
jkarp@eteda.org

State of TN, ECD

Gary Human, *Jobs Development Specialist*
gary.human@tn.gov

Michelle Scarbrough, *Jobs Development Specialist*
michelle.scarbrough@tn.gov

Ronald Wade, *BERO Enterprise Specialist*
ronald.wade@tn.gov

TVA

John Harenza, *Economic Development Specialist*
jharenza@tva.gov

ETAC

Danni Varlan, *President*
etac.org@gmail.com

10215 Technology Drive, Suite 202
Knoxville, TN 37932
865-777-3833