

DAYTON

Dayton Area
Chamber of Commerce

The Voice of Business



2017

Dayton Region Economic Outlook



Photo: The Moody Views

Introduction

Reliable and trustworthy forecasts can help local businesses chart their path to success in the year ahead. That's why the Dayton Area Chamber of Commerce holds an annual meeting with local economists, investors and researchers to map out where the region is headed in the next 365 days. The 2017 Economic Outlook is based on input from members of the Chamber's Research Advisory Council (RAC), government data and research from other industry organizations. Their combined efforts predict the challenges and opportunities in the months ahead.

The RAC agrees that 2016 was a positive year both in Dayton and across the country. Locally, the region saw the best three to four year stretch in employment growth since the late 1990's. The RAC noted regional successes in the logistics and financial sectors. The Council also acknowledged the continued revitalization of downtown Dayton.

But there are some uncertainties too. Despite optimistic job growth, employers are still struggling to find qualified workers to meet the demand. Those workers who are skilled are drawn to out-of-state jobs that offer more attractive wages and benefits packages. Still, the RAC notes a sense of optimism for businesses, especially startups and entrepreneurs. The region has the necessary tools like workforce training, easy access to interstates and a variety of properties ready for redevelopment to attract new businesses and support the growth of established companies.

RAC Committee Members*

- **Daniel Davis** – PNC Bank
- **Marie Davis** – Montgomery County
- **Doug Harnish** – Market Metric\$ LLC
- **Barry James** – James Investment Research
- **Keith Klein** – City of Dayton
- **Stephanie Precht** – Dayton Area Chamber of Commerce
- **Dr. Richard Stock** – Business Research Group, University of Dayton
- **Dr. Thomas Traynor** – Dept. of Economics, Wright State University
- **Jessica Wagner** – Dayton Area Chamber of Commerce

*Additional support from The Downtown Dayton Partnership, The Entrepreneurs Center and The Minority Business Partnership

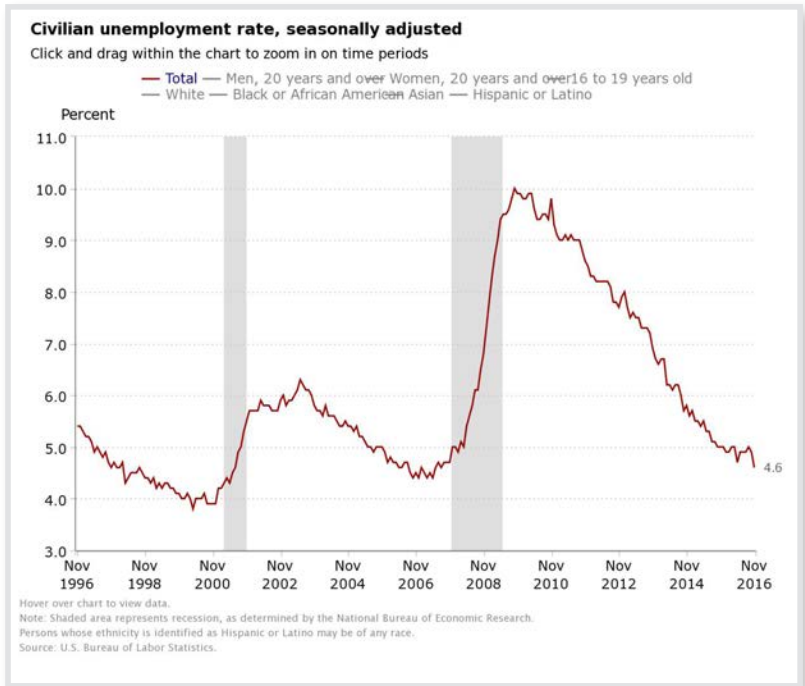


National Outlook

The Federal Reserve raised the interest rate by 0.25 percentage point toward the end of 2016, bringing the range from .5 to .75%. The move signals consumers are on solid footing as a result of steady job and income growth, cheap gasoline and reduced debt. The Federal Reserve said it will likely boost interest rates gradually in 2017 – only if the economy continues to grow. As for inflation, the Federal Reserve noted it increased but is still below 2%.

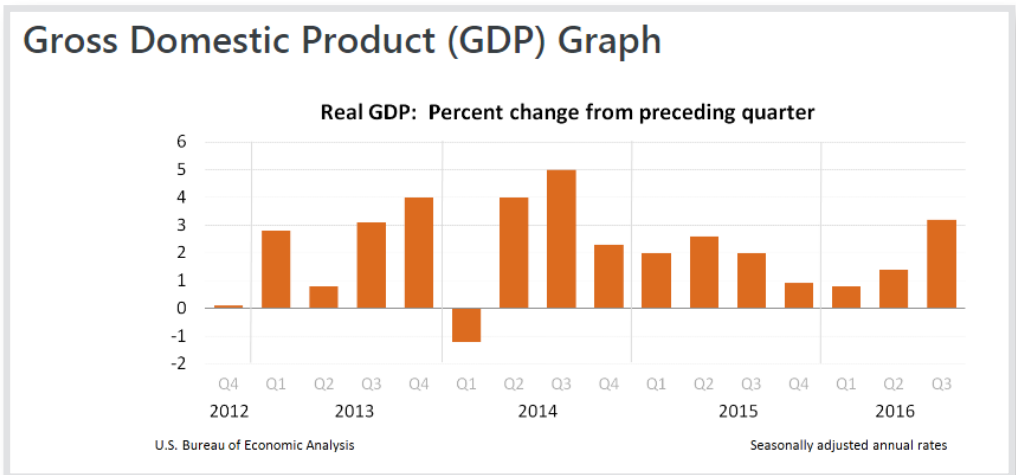
According to the Census Bureau, median household income rose 5.2% to \$56,516 in 2015. That's the largest single-year increase since record-keeping began in 1967.

The unemployment outlook heading into 2017 is positive, especially after the November jobs report. According to the Bureau of Labor Statistics, the unemployment rate for November dropped to 4.6% -- a level not seen since 2007. The Dayton MSA fared even better at 4.2% -- down from 4.5% in October.



Source: U.S. Bureau of Labor Statistics

According to the U.S. Department of Commerce's Bureau of Economic Analysis, in the third quarter of 2016, GDP increased at a rate of 3.2%. The RAC predicts continue positive, but slow, GDP (Gross Domestic Product) growth under 2% for 2017.



Source: U.S. Department of Commerce

Regional Outlook

The Dayton region celebrated a lot of wins for new construction and expansion generating what the RAC described as a “sense of optimism.” That especially held true for the professional and technical services industry. The RAC acknowledged the region still lags behind parts nation but noted significant gains. Housing experts noted real estate was a “little tepid” for the area but there’s still quite a boom of new construction in the southeast corner of Montgomery County and the northern parts of Warren County.

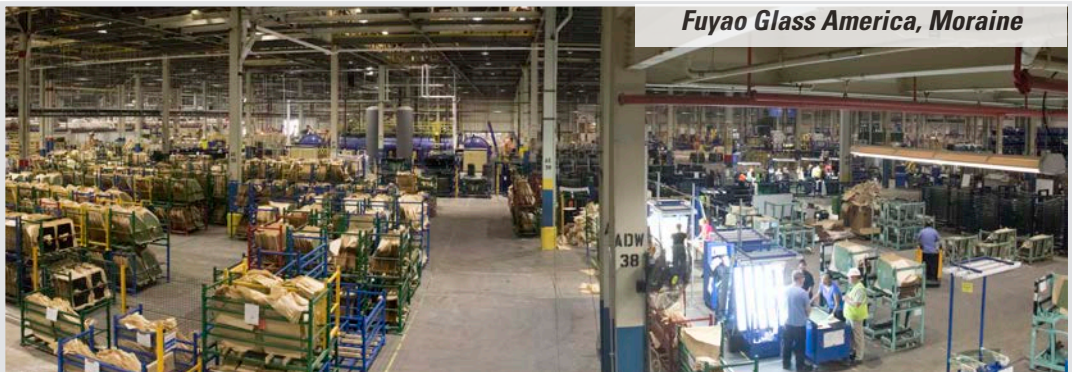
Logistics/Transportation

The Committee agrees the region is in a “pretty good position” when it comes to attracting new logistics companies and maintaining an environment conducive to growth. The RAC concludes the uptick in logistics jobs will continue for 2017. The region boasts one of the most efficient transportation systems in the country. Proof of that was the completion of the decade-long I-75 modernization project through Downtown Dayton. The Ohio Department of Transportation says the overhaul was completed a year early and under budget. That’s sure to give established businesses confidence in distributing goods and tempt new companies to the region.



Manufacturing

The RAC noted that despite the success of Fuyao, which boasts 2,000 jobs and more on the way, the region’s job growth is not primarily in manufacturing. Employers are still struggling to find qualified workers with a starting salary right around \$12/hour. However, the RAC noted that manufacturing locations are a function of the best supply chain and given the success of the logistics industry, the committee notes the labor market should adjust and wages could increase. There’s also a concerted effort around the region to bring together economic development and workforce partners to create “one stop” services for employers to help with worker training and re-education.



Healthcare

The RAC called the healthcare and biosciences industry the “steadiest” – pointing to an average annual increase of about a thousand jobs. The RAC notes new construction and expansion is largely due to the area’s aging population. In order to keep up with demand, steady construction of cancer centers, emergency departments and patient towers have dotted the region. Premier Health announced a \$60 million expansion of Miami Valley South, Kettering Health Network held a ribbon cutting at the end of 2016 for its new \$53 million cancer center and Dayton Children’s unveiled a new specialty care center on its south campus which will also be home to a new pediatric emergency room and surgery center in 2017.

Downtown Dayton's Renewal

According to the Downtown Dayton Partnership (DDP), the center city is very different today than it was ten or even 5 years ago. Today's downtown has the largest number of residential units it has seen in decades and new storefronts housing small and independent businesses are dotting the urban landscape. The DDP says the secret to success is actually people – more Daytonians want unique spaces to live, work and play with better walkability. That interest is driving 62 projects in the pipeline across the Greater Downtown.

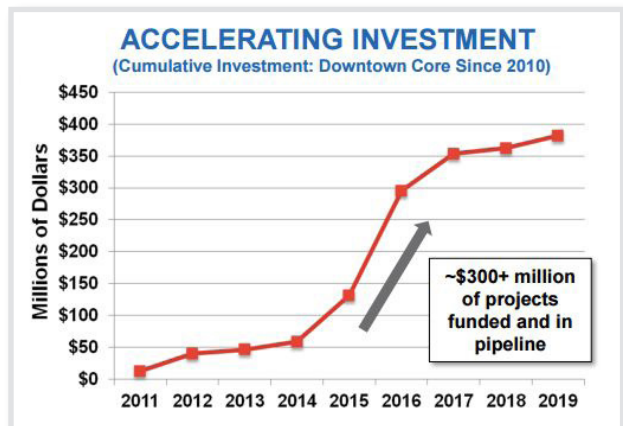
Arcade Development

Miller-Valentine and Cross Street Partners are spearheading the multi-phase project to create a collision of several creative elements. The first phase calls for artist housing and work spaces and a kitchen incubator. With \$20 million in tax credits already awarded, the DDP calls it the best development opportunity for the Arcade in 30 years.



Water Street and CareSource

Water Street continues to be one of the hot places to live and work downtown. The Delco Lofts are currently under construction, a second location for Lock 27 Brewing is in the works and plans have been announced for a seven-story hotel at the corner of Monument and Patterson. The area is also getting a big boost thanks to CareSource. The company, which the Dayton Business Journal called a "beacon" for downtown development, announced a new 250,000 square foot office building that will house more than 600 employees. Company officials say the space should connect its existing headquarters on North Main Street to the Ballpark Village building on Monument Avenue.



Source: Downtown Dayton Partnership

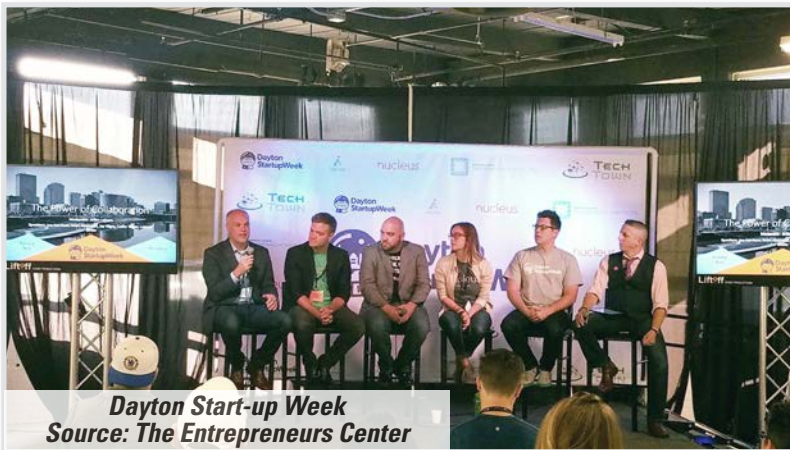
Levitt Pavilion

The effort to bring a music venue to the central business district is in the final fundraising stretch. Already established in six other cities, the Levitt Pavilion is a proven model to transform underutilized urban parks into community gathering spaces. In addition to the 50 free music concerts per year, the project should also spur economic growth in the area known as “The Nine.” Groundbreaking is scheduled for 2017 with concerts expected to start in 2018.

Rise of the Entrepreneur

According to The Entrepreneurs Center, the Dayton entrepreneurial ecosystem mirrored the national trend of increasing start-up activity – and along with it, community support and enthusiasm for entrepreneurs. 2016 was a year of incredible growth and development, and that trend shows no sign of slowing down.

Significant entrepreneurial energy surrounds the Air Force Research Laboratory (AFRL), which continues to increase its influence and support to the community. New AFRL initiatives include the AFRL Small Business Hub, and the AFRL Maker Hub, both located at Wright Brothers Institute (WBI). Along with AFRL, The



Entrepreneurs Center (TEC) and WBI increased their assistance to local and national businesses as they commercialize AFRL technology, with more than 40 businesses participating in the joint Technology Acceleration Project. Dayton’s local Universities also continue to participate in that effort, as TEC has joined with The University of Dayton and Wright State University to integrate AFRL technologies directly

into the classroom – giving students a chance to start businesses based on AFRL technologies.

Wright State Research Institute (WSRI) continues to expand important support programs for entrepreneurs, including the Hitchhiker’s Guide to Dayton Tech and Startups, the most comprehensive resource for all things in our entrepreneurial ecosystem. WSRI also launched the first Dayton Startup Week, an annual event that engaged hundreds of regional entrepreneurs, stakeholders, and hopefuls.

Regional Healthcare partners have also entered the entrepreneurship space. Ascend Innovations has taken up residence in Tech Town. Ascend was founded by Kaleidoscope and the Greater Dayton Area Hospital Alliance, which represents local networks and hospitals, including: Premier Health Partners, Kettering Health Network, and Dayton Children’s Hospital. Ascend is developing technology solutions for unmet needs in the healthcare industry.

Local company Brixey and Meyer brought a Startup Grind chapter to Dayton. Together with local partners CityWide and Frost Brown Todd, Startup Grind hosts regional entrepreneurs who share their experiences – the good, the bad, and the ugly – with an audience of entrepreneurs eager to connect and learn from those who have walked the road before them.

The Start Downtown initiative, led by Downtown Dayton Partnership, brought together creatives and entrepreneurs to determine priority projects for the next phase of entrepreneurship in Dayton. In addition to other initiatives, pop-up co-working spaces have gotten hundreds of people connecting and working together in downtown spaces, while a passionate group of volunteers works to publicize the current, rich and vibrant entrepreneurship story of the Downtown community.

Minority Businesses Continue to be Vital in 2017

According to The U.S. Department of Commerce, the U.S. Census Bureau's 2012 Survey of Business Owners (SBO) found that business ownership in our nation is mirroring our increasingly diverse population. Minority-owned firms in the U.S. rose from 5.8 million in 2007 to 8 million in 2012, and employed 7.2 million people in 2012. While the number of minority-owned businesses increased by 2.2 million, the number of non-minority-owned business dropped from 20.1 million in 2007 to 18.9 million in 2012. (Results Released December 2015)

Five years ago, the Minority Business Partnership (MBP) became an economic development initiative under the Dayton Area Chamber of Commerce. The Dayton Area Chamber is committed to supporting all of its members' businesses and highlights this focus on minority-owned businesses. Matching national trends, the Dayton Region is experiencing the increase in minority-owned firms in our region, too. The MBP's goals are to increase the opportunities for minority businesses – helping them become valued suppliers, strategic partners and contributors to the job growth and economic vitality of our communities.

Research has shown that communities that have demonstrated economic opportunity across all demographics tend to grow at a faster rate than communities that haven't. The 2016 forecast for the growth and expansion of diverse firms (minority-owned, women-owned and veteran-owned businesses) is promising. The Dayton Area Chamber is poised to lead the region in connecting buyers with diverse suppliers to build sustainable relationships in our business community.

Construction Craze Continues

The construction pipeline entering 2017 is strong. Significant projects are highlighted below:

In 2017, Dayton Metropolitan Library project, "Libraries for a Smarter Future", will complete Segment I, continue Segment II and launch Segment III. This project continues to have an economic impact in our region. 2016 cumulative-to-date results closely mirror 2015 outcomes for inclusion and local goals¹.



Inclusion Goal	Percent Goal	Cumulative All Segments¹	Cumulative Qualifying Awards¹
Minority Owned Businesses	17.0%	11.4%	\$8,968,623
Women Owned Businesses	5.0%	11.8%	\$9,256,116
Montgomery County Businesses	60.0%	58.1%	\$45,649,448
DACC Local Businesses	70.0%	82.3%	\$64,662,427

¹Aggregate data include Segment I (as of 11/14/2016) and Segment II (as of 9/30/2016).

In addition to the DML project, MBP is working with several other partners to identify opportunities for MBE firms. 2017 projects we are currently working with include The Arcade, the new CareSource Downtown facility, and the Premier Health Miami Valley Hospital South Expansion.

The MBP is committed to the growth and support of minority-owned businesses and creating a procurement culture of inclusion in the Dayton Region. The MBP, along with several other business resource partners, will continue to promote awareness of the critical importance of MBE firms in our region. 2017 is certain to provide opportunities for MBE firms to grow in size, scale and impact.



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About the Dayton Area Chamber of Commerce: The Dayton Area Chamber of Commerce brings together more than 2,400 businesses and organizations in a nine-county area surrounding Dayton, Ohio. The Chamber strives to improve the region's business climate and overall standard of living through public policy advocacy, economic development initiatives and providing networking and training opportunities for its members.

A Special Thank You to Our Sponsor



Photo: Bill Franz

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