

# 2019 Dayton Region Economic Outlook



# Introduction

As the region's largest business organization, the Dayton Area Chamber of Commerce (DACC) knows how important it is for businesses to have the most accurate and reliable information to navigate upcoming challenges and opportunities. That's why the DACC publishes the Economic Outlook. The annual publication, which relies on government data, research from industry partners as well as collective insight from the Research Advisory Council (RAC), identifies trends, areas of growth, and potential challenges in the next 365 days.

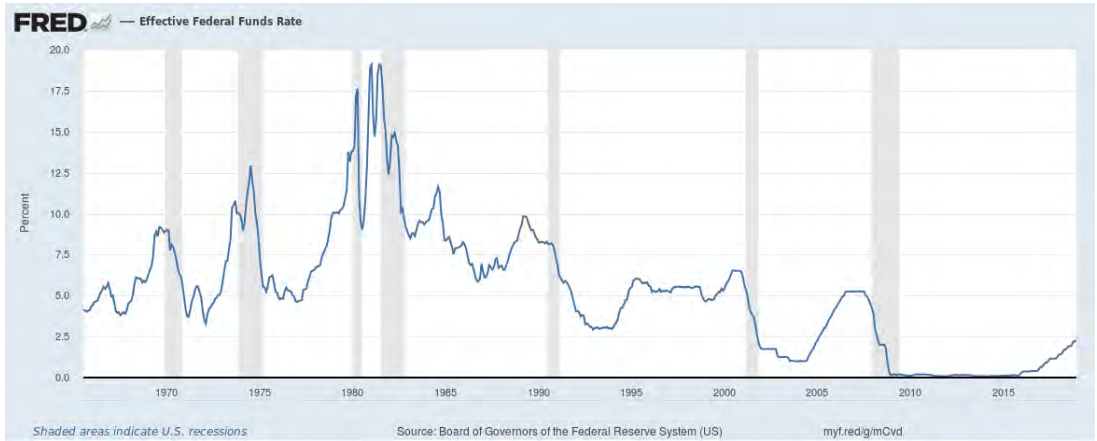
## 2019 Research Advisory Council

- Daniel Davis – PNC Bank
- Stephanie Keinath – Dayton Area Chamber of Commerce
- Keith Klein – City of Dayton
- David Snipes – Montgomery County
- 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
- Tyler Warner – Dayton REALTORS®
- Matt Watson – James Investment Research
- Chris Wimsatt – City of Dayton

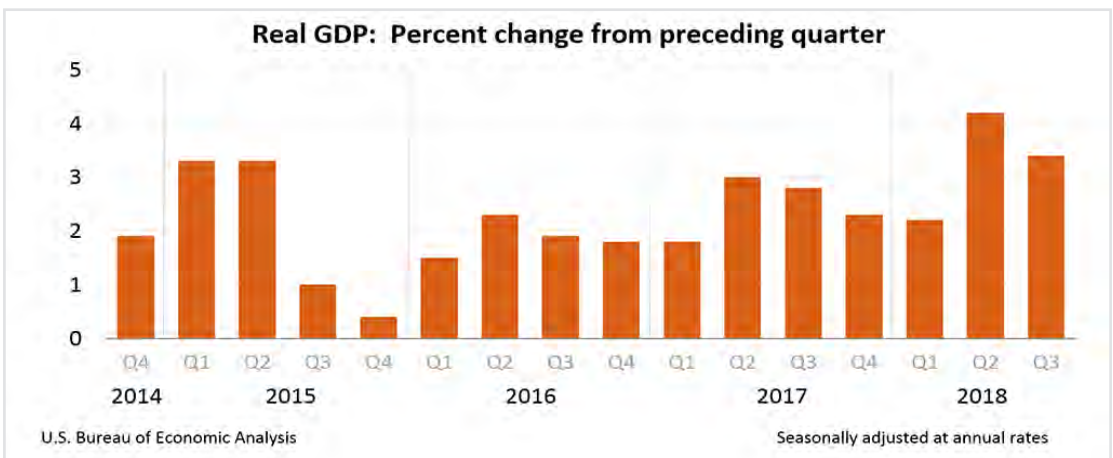


# National Outlook

The Research Advisory Council concluded 2018 was a great year for business, thanks in part to the Tax Cuts and Jobs Bill which slashed corporate and personal income taxes in a \$1.3 trillion package. In late December 2018, The Federal Reserve raised the interest rate for the fifth consecutive quarter to a range between 2.25 and 2.5%. The Federal Reserve also signaled that it expects additional rate increases in 2019. However, in light of weaker growth in China and Europe, plus a downturn in stock prices, the Fed predicted it will only raise rates twice over the next 12 months.



Federal Reserve officials also lowered its 2019 growth forecast from 2.5 to 2.3%. The RAC had a more positive outlook, with growth at 2.5%, but acknowledged that prediction comes with a margin of error. As for GDP (Gross Domestic Product), the U.S. Bureau of Economic Analysis reported, increased 3.4% in the third quarter of 2018.



# Local Economy

Similar to years' past, the RAC predicts continued employment growth in the region, though the Dayton region tends to lag behind national trends. From 2013 to 2018, jobs in the 9-county Dayton Area Chamber of Commerce region increased by 6.9% to 797,047. Although that's slightly short of the national growth rate, by 2019, jobs should grow to just over 800,000. That's a 1.5% jump in a two-year period, which is about the growth rate predicted by the RAC. According to the ManpowerGroup Employment Outlook Survey, 24% of employers in the Dayton MSA anticipate increasing their staff in the first quarter of 2019. That's a 7% jump from the same time one year ago.

## Civilian unemployment rate, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Note: Shaded area represents recession, as determined by the National Bureau of Economic Research. Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

Source: U.S. Bureau of Labor Statistics.

As for unemployment, the rate remained steady for most of 2018, usually between 4 – 4.5%. According to the Bureau of Labor Statistics, the Dayton MSA unemployment rate in October 2018 was 4.2%. That's significantly better than the state average at 4.6 but lagging behind the national unemployment rate at 3.7%. The RAC agreed that the unemployment rate for this region will remain low in 2019, but unless wages increase, there is a small portion of the population that will not re-enter the workforce.

# Industry Trends

## Dayton's Supply Chain Economy

The RAC indicated it looks at manufacturing, logistics and warehousing industries as part of the broader supply chain economy. The Dayton region has seen new investment in those industries, particularly around the I-70/75 Corridor and the Dayton International Airport. That area, commonly called the "Crossroads of America," boasts one of most efficient local transportation networks in the country, which the Dayton region leverages as an attractive location for companies to move their products more quickly. The RAC commented that the region has done a better job of leveraging this distribution network, noting an uptick in Air Force and defense related manufacturing as well as food and paper products. Although the RAC cautioned manufacturing employment is not at pre-recession levels, it has continued to steadily increase each year. In the 9-county DACC region, manufacturing jobs grew by 12% between 2013 and 2018 and jobs should grow another 2% between 2017 and 2019. But the RAC noted that despite the growth, the manufacturing industry still struggles with competitive wages. Although wages may see a slight increase, the RAC concluded the few high-paying jobs will be related to aerospace and medical manufacturing.



*Courtesy of Hematite*

Another growth area in Dayton's supply chain economy is transportation and warehousing. Although it's only expected to grow by a slight 1% in 2019, the industry has boomed in the Dayton region, adding more than 2,000 jobs between 2013 and 2018. With plenty of land still to develop around the Dayton International Airport, members of the RAC say there's room for more development in the years to come.

## Education



Wright-Patterson Air Force Base relies heavily on our higher education institutions to recruit mathematicians, engineers or even business students to fill the gap of retiring federal workers or contractors. The RAC pointed out that although the Dayton area has a lower percentage of the population with bachelor degrees compared to the national average, we have a higher number of those with graduate degrees. Again, that's likely because of the impact of the base and the number of employees who obtain those higher degrees through government work.

But the RAC notes higher education jobs are down a bit, partially driven by attrition happening at Wright

State University; however that school continues to graduate 4,000 – 5,000 students per year. Clark State Community College noted that more and more students are pursuing add-on certificates for in-demand jobs like welding, EMS and STNA. The RAC added there are upticks at both Central State University and Sinclair College. Regionally, education service jobs across the DACC footprint will increase just slightly, about 1% in 2019.

## Healthcare

It's no surprise that healthcare continues to be another big economic driver for the Dayton region, particularly direct healthcare providers. The RAC commented that despite the closure of Good Samaritan Hospital, there continue to be numerous satellite campuses for our three largest hospital associations, Premier Health, Kettering Health Network and Dayton Children's Hospital. In fact, in the DACC region, healthcare is the second largest industry in the region, just trailing government-related jobs. According to the Greater Dayton Area Hospital Association, which serves 29 hospital in an 11-county area, the regional hospitals have an \$8.1 billion economic impact. The industry has grown 8% in the last 5 years and is predicted to grow 3% in 2019. The council also pointed out the healthcare industry employs a variety of jobs for almost every level of education. Members noted that senior care services will likely expand in the next several years as the elderly population grows.

## Housing

Area realtors would tell you that 2018 was a very good year for the housing market. According to data from Dayton REALTORS®, between January and November 2018, the average sale price was listed at \$165,733 and a median sale price of \$142,000, both of which increased around 6% compared to 2017. But local realtors noted price growth is starting to slow. On a national level, the National Association of REALTORS® (NAR) pointed out that although the Federal Reserve rose the interest rate for the third time in 2018, mortgage rates are at their highest level since 2011. However, conventional loan rates are still low despite recent increases. If housing supply can be increased through more home building, the negative impact of rising rates can be mitigated. The NAR is forecasting 30-year fixed rate mortgages to average 4.6% for 2018 and 5.2% for 2019.

### Jan-Nov 2018 MLS Single-Family & Condo Sales

|                            | <b>2018</b>     | <b>2017</b>     | <b>% Change</b> |
|----------------------------|-----------------|-----------------|-----------------|
| <b>New Listings</b>        | 19,834          | 19,617          | 1.11%           |
| <b>Solds</b>               | 15,195          | 15,036          | 1.06%           |
| <b>Total Sale Price</b>    | \$2,518,319,409 | \$2,342,944,306 | 7.49%           |
| <b>% Sale / List Price</b> | 98.5            | 98.1            | 0.41%           |
| <b>Median Sale Price</b>   | \$142,000       | \$134,000       | 5.97%           |
| <b>Average Sale Price</b>  | \$165,733       | \$155,822       | 6.36%           |

Courtesy: Dayton REALTORS®

## Retail



Members of the RAC commented they were surprised how well retail in this region is doing in light of increasing challenges from online giants like Amazon. But between 2013 and 2018, the retail trade industry in the DACC region added nearly 4,000 jobs. The council reasoned that brick and mortar merchants are getting better at understanding consumers' need for convenience and becoming more nimble to adjust to changing demands. The committee also noted the establishment of more mom and pop stores and

boutiques which could be a sign that consumers have more disposable income. Retail trade should grow just slightly, about 1%, between 2017 and 2019. That's slightly behind national predictions but the RAC continues its positive outlook.

## Wright-Patterson Air Force Base

The economic impact of Wright-Patterson Air Force Base cannot be overstated. As Ohio's largest single-site employer, the base provides thousands of steady, high-paying jobs both behind the fence and through defense contractors located in the surrounding Fairborn and Beavercreek areas. In late 2018, the Air Force announced Wright-Patt will host the support mission for the F-35 Lightning IIs. The F-35 Hybrid Product Support Integrator organization supports a global fleet of more than 340 aircraft. That new mission will bring at least 400 jobs to the region.

The base is also readying for another big development after President Trump signed into law the first installment of a \$182 million building expansion at the National Air and Space Intelligence Center (NASIC). According to the Dayton Business Journal, NASIC will expand its campus by more than 40% with a new facility called the "Intelligence Production Complex." The new space will allow more room to test new technology and modeling simulation. Although the project is moving forward, construction likely won't be complete until late 2022.

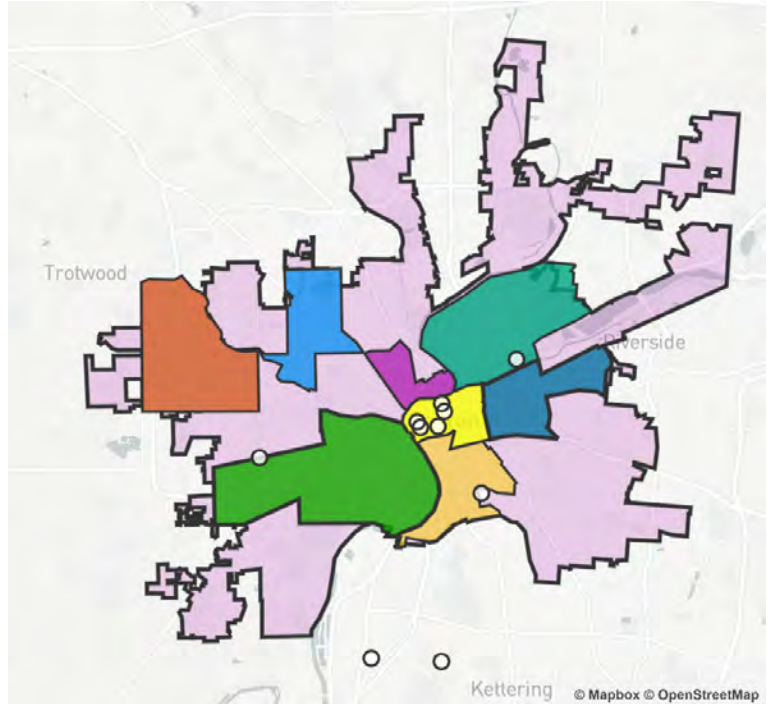


# Dayton Opportunity Zones

Submitted by City of Dayton staff

Opportunity Zones were created as a part of the Federal Tax Reform Law signed into law in late 2017. The intention of the program is to drive investment in rural and low-income urban communities that have struggled to recover post-recession.

- Largest Employers
- Opportunity Zones - Springfield Street Corridor
- Opportunity Zones - Downtown
- Opportunity Zones - Phoenix/Northwest
- Opportunity Zones - Dayton West
- Opportunity Zones - Downtown South
- Opportunity Zones - Da Vinci/Northeast
- Opportunity Zones - Grandview
- Opportunity Zones - Northwest
- Dayton Corp



The program allows investors to re-invest their capital gains into designated Opportunity Zones in return for significant tax benefits. These benefits, under certain conditions, include deferral of any capital gains taxes owed for the length of the Opportunity Zone investment, a potential reduction of up to 15% of the original capital gains liability, and any gains resulting from investments in Opportunity Zones will be tax free under the current rules.

Each state was allowed to designate up to 25% of its low-income, high poverty census tracts as for the program. In Montgomery County, 18 census tracts received designation, including 17 tracts in the Dayton city limits. These tracts cover nearly 40% of the city's geography and are divided into 8 distinct geographic zones. Each zone has its own unique strengths and, when combined with the tax advantages of Opportunity Zone designation, each has the potential to provide meaningful investor return.

Taken together, Dayton's Opportunity Zones house or are immediately adjacent to 8 of the 15 largest employers in the 4-county region (Montgomery, Clark, Miami and Greene Counties). Each of the 8 zones present unique opportunities:

## Springfield Street Corridor

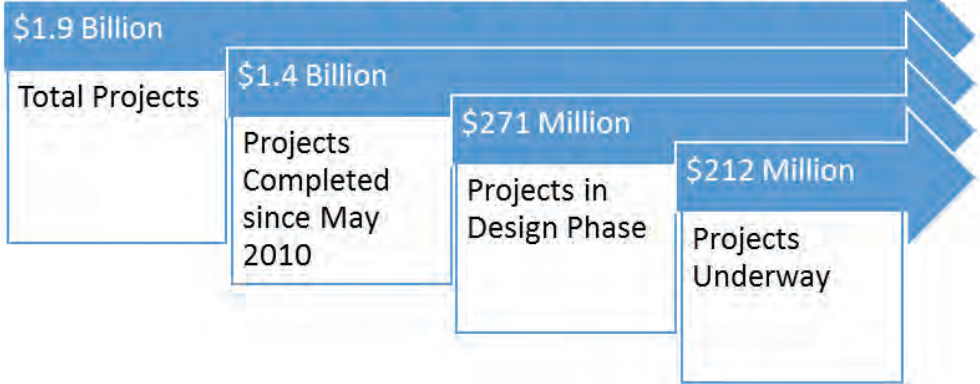
The Springfield Street Corridor already serves as the umbilical cord that connects the Downtown Innovation ecosystem to Wright-Patterson Air Force Base. The area has seen recent investments from the advanced manufacturing companies already located here, and Opportunity Zones could prove a major boost to future defense and aerospace companies.



## Downtown

The downtown opportunity zone houses some of the region's largest employers as well as a booming housing market. The area has experienced significant reinvestment over the past decade, and Opportunity Zone designation can be a catalyst for further development.

## Investments Within the Greater Downtown



## Phoenix/Northwest

The Salem Avenue Corridor in Northwest Dayton has long been a vibrant commercial and residential sector of the city. Salem Avenue itself serves as a vital artery stretching from the Great Miami River north of Downtown, to the northwest corner of the city and beyond. The significant thoroughfares in this area transport hundreds of thousands of people each year from across the region.

## Dayton West



The Dayton West Opportunity Zone is full of history, character and charm. This is where the Wright Brothers developed the first practical airplane and later operated the world's first airplane factory. The historic Wright Factory site encompasses 52 acres, and planning efforts are currently underway for an adaptive reuse that will include a \$10 million Dayton Metro Library branch. Poet Paul Laurence Dunbar called this area home. It is also where President Abraham Lincoln chose to locate the Central Branch for the National Home for Disabled Soldiers 150 years ago. This national asset is now called the

Dayton VA Medical Center and is home to 2,400 employees. Given its history and assets, the potential of this zone cannot be overstated. Pictured below is a proposed rendering of what one of the more visible areas of Dayton West could look like through Opportunity Zone investment.



## Downtown South

This Opportunity Zone lies directly south of the city's Central Business District, and is considered part of the Greater Downtown. The area includes Miami Valley Hospital and part of the University of Dayton. It is an area that has seen extensive development, and is poised for more, due in part to the presence of these institutions. Of particular interest is the 38 acre former Fairgrounds property. Owned through a partnership between the University of Dayton and Premier Health, the property, dubbed "OnMain: Dayton's Imagination District," is envisioned as a place where Dayton's history of innovation takes off into the future.

## Da Vinci/Northeast

The DaVinci/Northeast Opportunity Zone occupies a large swath of Northeast Dayton. The area has played host to important parts of American history, and is currently an important regional economic driver. The zone is home to Dayton Children's Hospital, historic McCook Field, the Salvation Army's Kroc Center, and the Old North Dayton commercial district.

## Grandview



The Grandview area is a lively collection of historic neighborhoods situated immediately across the Great Miami River from downtown. In addition to being home to some of the city's most distinctive residential and institutional architecture, this Zone is also home to some of the city's largest and most well-known celebrations. Each year in July, this

area fills with excited onlookers as one of the best places from which to view Dayton’s well-known 3rd of July fireworks show. Tens of thousands of people from across the region also flock here for the Dayton Art Institute’s annual Oktoberfest celebration.

## Northwest

The Northwest Industrial Park (NWIP) is one of the last large greenfield development sites left for large-scale manufacturing and logistics in Dayton. With over 200 acres of farmland available for reuse, this area represents one of the city’s best available sites when competing against other communities in national site selection searches. It also has excellent access to utilities, including a massive 40MW electric transmission line owned by Dayton Power & Light. As you can see from the below chart, the northwest area of Dayton is one of the most impoverished of all of the Opportunity Zones in the city, but there is great potential for investment.

### Income to Poverty Ratio



mySidewalk.com · Sources: US Census 2013-2017 ACS

For more information on Dayton’s Opportunity Zones, please contact one of the city staff below:

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# DAYTON

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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



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