DAYTON
Area Chamber of Commerce

United States Chamber of Commerce
ACCREDITED

2020 Dayton Region
Economic Outlook

Introduction

The Dayton Area Chamber of Commerce knows business owners rely on trustworthy financial forecasts from local economists, investors and researchers to chart their path in the year ahead. That's why every year the chamber convenes the Research Advisory Council (RAC) to help business owners navigate changes in the local, regional and national economy. Their unique insight along with government data and research from industry organizations will help business, civic and non-profit leaders plan and strategize for 2020.

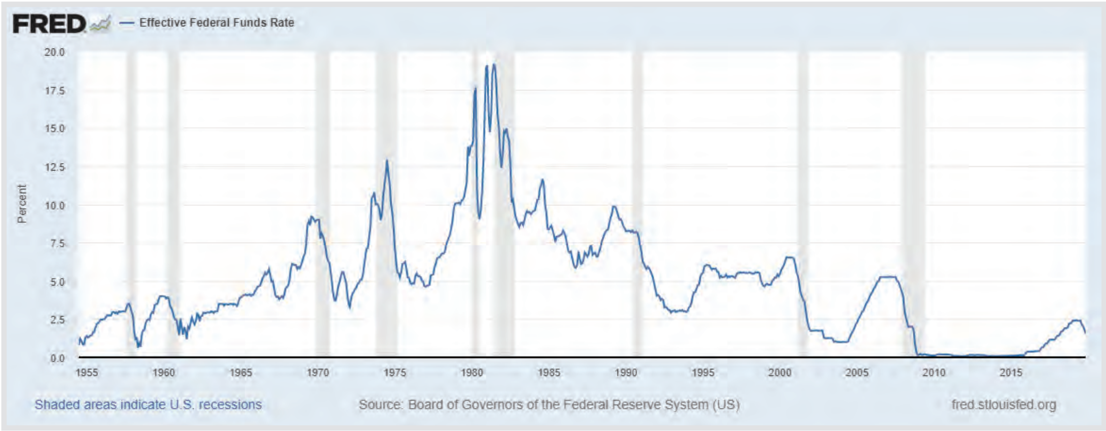
2020 Research Advisory Council

Research Advisory Council Meeting
Photo courtesy: Dayton REALTORS®

- Daniel Davis – PNC Bank
- Stephanie Keinath – Dayton Area Chamber of Commerce
- Keith Klein – City of Dayton
- Jyl Hall Smith – Dayton REALTORS®
- David Snipes – Montgomery County
- Dr. Richard Stock – Business Research Group, University of Dayton
- Dr. Thomas Traynor – Raj Soin College of Business, Wright State University
- Jessica Wagner – Dayton Area Chamber of Commerce
- Matt Watson – James Investment Research
- Chris Wimsatt – City of Dayton

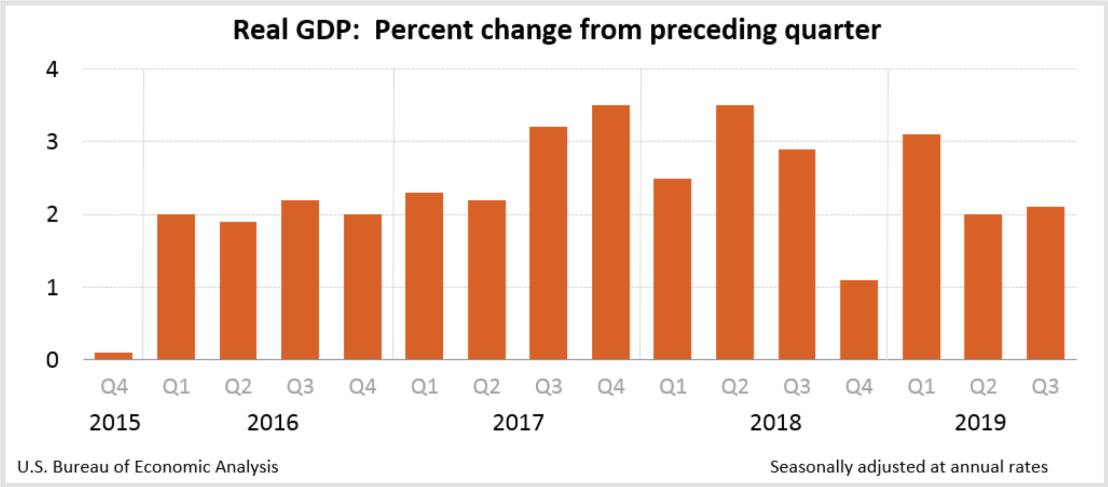
National Outlook

The RAC concluded 2019 was another strong year, marking the longest economic expansion in history. But some members cautioned that the market is showing some signs of softening – businesses were hesitant to spend capital on new equipment and building expansion. That hesitation was felt by the Federal Reserve who held interest rates steady, between 1.5% and 1.75%. That decision halted a series of rate cuts that lifted markets and countered recession fear amid continued trade uncertainty. As for 2020, a majority on the Federal Open Market Committee anticipate keeping interest rates level.



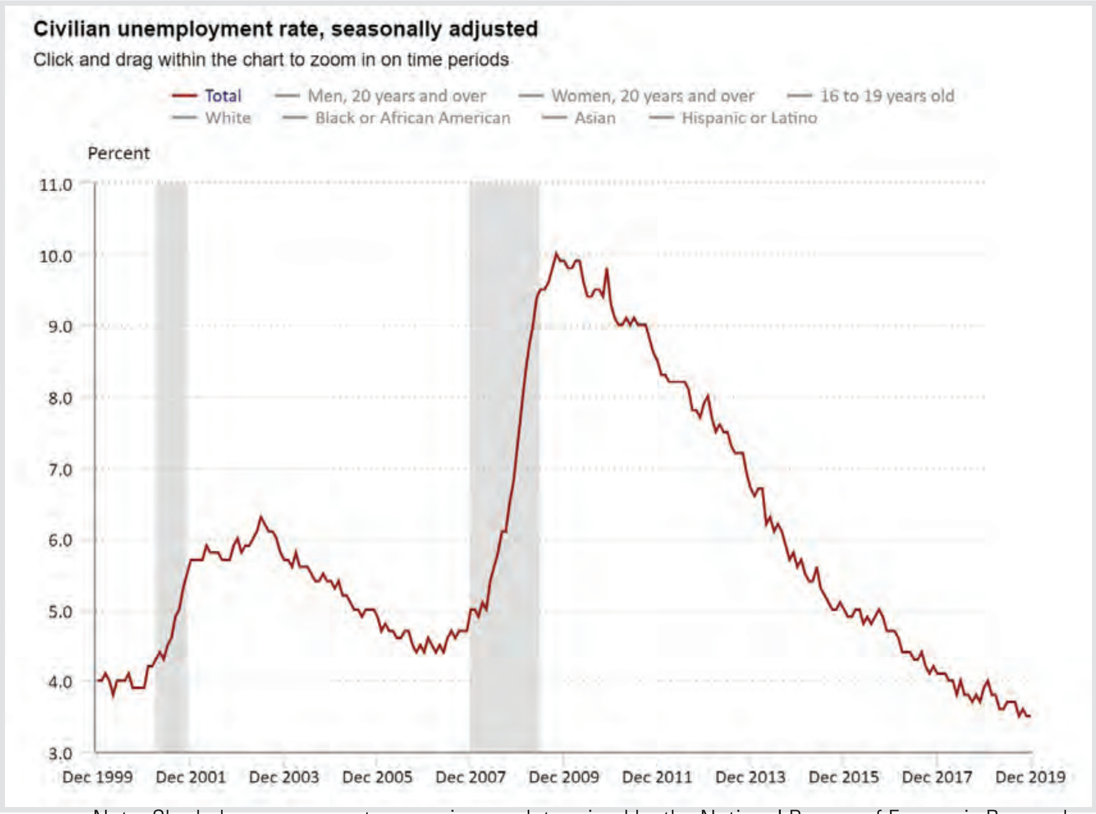
The Federal Reserve lowered its forecast for the unemployment rate in 2020 to 3.5%; it had been at 3.7%. Inflation is still expected to remain just below 2% for the full year. The RAC agreed with the Federal Reserve but noted the upcoming presidential election, Brexit and possible trade spats with China leave a margin of error.

The Federal Reserve also predicted GDP (Gross Domestic Product), which measures how fast the economy is growing, will expand at or slightly below 2% for the next three years. That's roughly how fast the U.S. has been growing since the recession more than 10 years ago. The U.S. Bureau of Economic Analysis reported GDRP increased 2.1% in the third quarter of 2019, up slightly from 2.0% in the second quarter.



Local Economy

The RAC concluded that the nation is essentially at full employment, given that unemployment has hovered around the 4% mark or less. The Dayton region tends to lag behind national trends so the unemployment rate is higher, closer to 4.5%. But that's a sharp decrease from 5 years ago when the unemployment rate in the Dayton Metropolitan Statistical Area (MSA), defined as Montgomery, Greene and Miami Counties, was at 5.87%. The RAC is confident unemployment rates both nationally



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.

and locally will remain low. Steady but slow job growth is predicted for Dayton. By the end of 2020, employers in the Dayton MSA should add more than 2,200 jobs.

According to the ManpowerGroup Employment Outlook Survey, 26% of employers in the Dayton MSA plan to hire more employees in the first quarter of 2020. ManpowerGroup also reports a majority of businesses surveyed, 67%, will maintain current staff levels.

According to the Bureau of Labor Statistics, the Dayton MSA unemployment rate for October 2019 was 4.2%, on par with the state of Ohio but higher than the national average for the same month, at 3.6%.

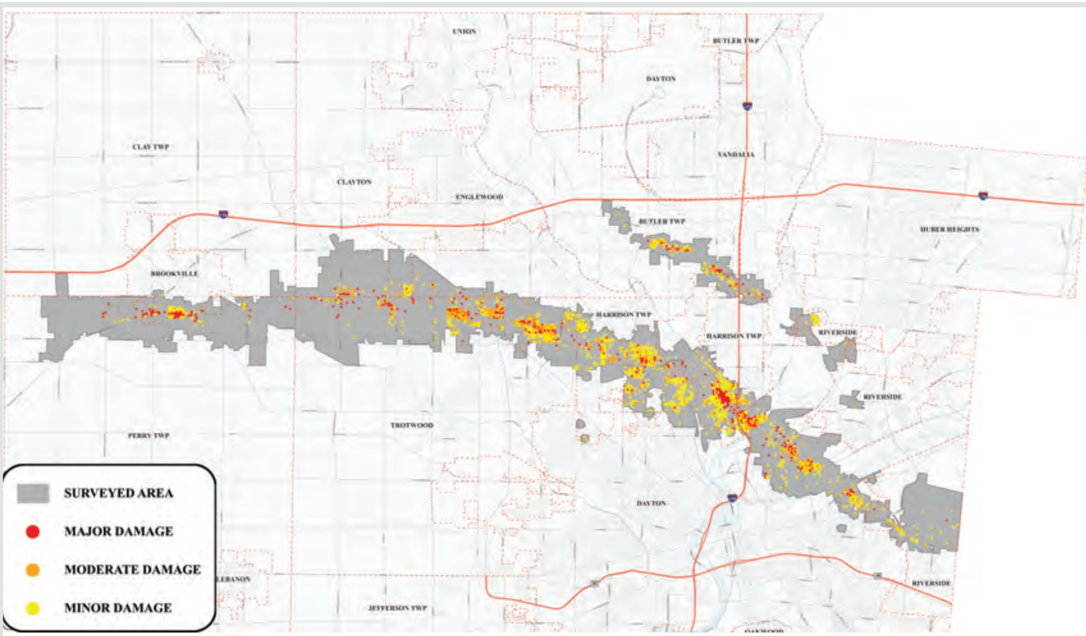
Dayton's Long Term Tornado Recovery

It would be difficult to talk about the 2020 outlook without mentioning the economic impact of the Memorial Day tornadoes. The RAC noted there will be wide-reaching and long term economic effects from the 15 tornadoes that touched down on Memorial Day throughout the Dayton region. The biggest impact was felt by Montgomery County. According to auditor Karl Keith, his office received a total of 1,268 damaged or destroyed property value reduction applications. Nearly 2/3 of those reports were from Trotwood and Harrison Township. In total, the loss of property value for those 1,268 applicants is approximately $46.3 million. That translates to $1.7 million loss of property tax revenue.

2019 Memorial Day tornadoes impact

$46.3 million loss

Montgomery County property value



The auditor's office said schools will be impacted the most. For example, Trotwood Madison local schools are expected to lose more than $320,000 and Dayton Public Schools will lose more than $248,000. The auditor's office noted these are still early estimates and it expects additional loses of value when countywide property revaluation is completed by the end of 2020.

Photos from June 7, 2019 tornado tree and debris removal by volunteers from Team Rubicon Disaster Response, Home Depot and LexisNexis

The RAC says this only tells part of the story and it's still difficult to quantify some of the impact, especially to businesses who had to rebuild or delay any planned expansions. The council added that some businesses that weren't damaged faced productivity challenges from power outages or employees whose homes were in the path of the storms.

Industry Trends

Supply Chain Economy

Manufacturing, transportation/warehousing and logistics remain strong industries within the region but the RAC notes employment is still below pre-recession levels. According to a report conducted by the U.S. Conference of Mayors (of which Dayton Mayor Nan Whaley is a member) at the peak of the 2007 recession, the Dayton region lost more than 34,000 jobs and the report predicts it will be 2024 before all of those jobs return. The auto industry remained a little soft in 2019 but the RAC predicts it will stabilize in the second quarter of 2020. From 2014 to 2019, manufacturing jobs grew by more than 4,000 in the Dayton MSA. Transportation and warehousing grew by 6% within the same time period. The RAC said the overall softening is a national trend but those industries are more volatile here in Dayton, partially because wages lag slightly behind the national average. According to the most recent wage estimates by the U.S. Bureau of Labor Statistics, median hourly earnings for all production occupations in the nation are at $16.86. In the Dayton MSA, those same occupations earn a median hourly wage of $16.54.

However, the area around the Dayton International Airport continues to be a big draw for national companies. Chewy opened a brand new fulfillment center with 1,200 jobs and Crocs relocated its facility, creating 250 jobs. Both companies say access to the airport and I-70 and I-75 are key in getting orders to customers, sometimes in just two days. Representatives from Crocs note that because the Dayton region is already a hotbed for distribution centers, many of their workers already have experience working on other assembly or packaging lines.

Aerospace & Defense

In late 2019, President Donald Trump signed the 2020 National Defense Authorization Act which includes the final $120.9 million needed to expand the National Air and Space Intelligent Center (NASIC) at Wright-Patterson Air Force Base. The largest single-site construction project in the history of the base includes a new 255,000 square foot facility as well as upgrades to the existing NASIC campus.

F-35 Lightening II

That news is on top of the already 440 jobs coming to Wright-Patt as part of the F-35 project. The Hybrid Product Support Integrator (HPSI) Organization is relocating to the Air Force Life Cycle Management headquarters from Virginia. Construction started in 2019 and is expected to be wrapped up by 2022.

Both projects further bolster the importance and impact of the base not only to the Dayton region, but the entire state. With 30,000 employees, Wright-Patt is by far the largest employer in Dayton and the largest single-site employer in Ohio. According to an economic impact analysis released by the Dayton Development Coalition, the base along with the Springfield National Guard Base and the Dayton Veterans Affairs Administration Medical Center have a combined economic impact of $16.68 billion dollars in a 14-county Dayton region.

440 jobs coming to WPAFB Plus

$120.9 million

NASIC expansion

The RAC noted those thousands of jobs span multiple industries and skills – from engineers and logisticians to custodians and emergency responders. But more employees inside the fence will also increase the number of jobs outside the fence through various defense contractors. The strength of those companies will in-part depend on the Dayton region's ability to attract and retain skilled talent.

Healthcare

Healthcare remains the second fastest growing industry for the Dayton MSA (right behind government jobs at Wright-Patterson Air Force Base) and the RAC sees no reason why that growth won't continue into 2020. The importance of this industry is underlined by data from the Greater Dayton Area Hospital Association. 29 hospitals and health organizations in the greater Dayton region have an $8.1 billion economic impact and employ nearly 35,000 people – well above the national average. Thanks to stronger partnerships between Wright-Patt and the entrepreneur community, the Dayton region is seeing more activity in the med-tech space – taking technology from behind the fence and spinning it into commercial applications.

Part of the rapid growth in the healthcare industry is due to the aging population. In fact, according population data, the Dayton MSA has a higher-than-average population of people over the age of 55. While that demographic will ensure continuing growth, it is draining places like long-term care facilities and nursing homes. Many of those facilities are struggling to find a skilled workforce and wages in those occupations tend to lag behind other jobs in the healthcare field.

Housing

Downtown Dayton remains one of the strongest areas for both new housing and occupancy. According to research from the Downtown Dayton Partnership (DDP), the average apartment occupancy rate was 97.4% as of October 2019. The sales average in 2019 was $227/SF, an increase from $174/SF in 2018. The DDP reports 367 housing units are in the pipeline downtown. But the RAC noted housing purchases were down about 20% overall in the City of Dayton.

Photo courtesy: Downtown Dayton Partnership

The southern part of Montgomery County also saw significant growth. According to the Montgomery County Auditor, 54% of all residential construction took place in Washington Township and residential property tax values in the same area increased by 1.57% in 2019.

According to Dayton REALTORS®, the overall demand for housing will continue to be high in 2020. Inventory is low, but builders say they're challenged by the lack of laborers in the skilled trades.

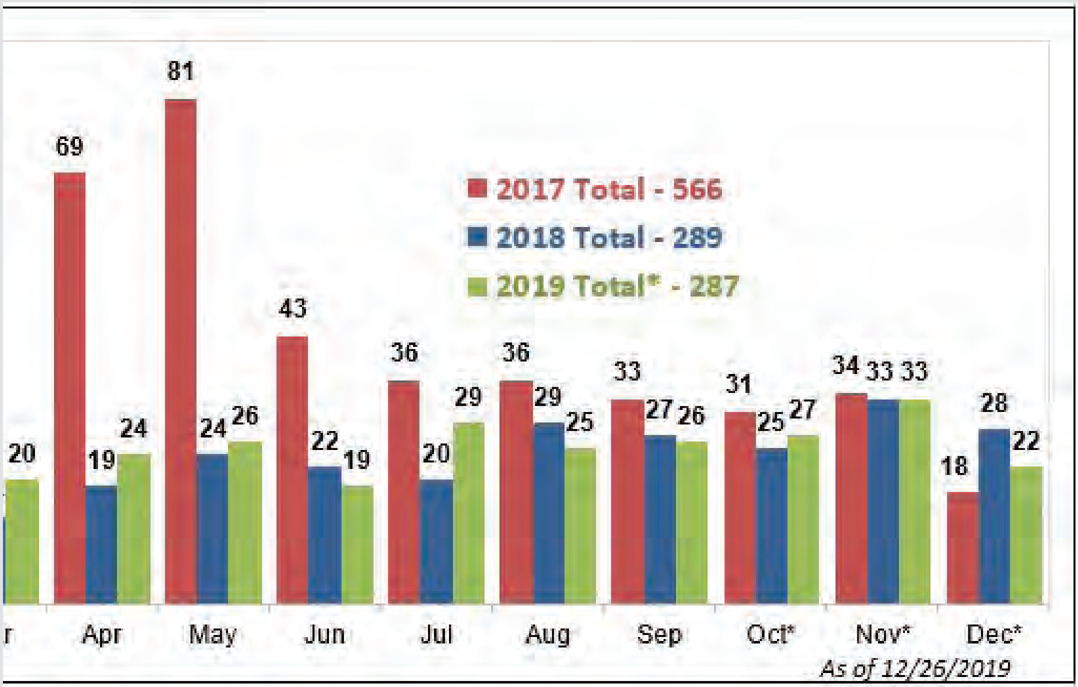
Jan-Nov 2019 MLS Single-Family & Condo Sales

	2019	2018	% Change
New Listings	19,388	19,834	-2.25%
Solds	15,265	15,195	0.46%
Total Sale Price	$2,706,425,382	$2,518,319,409	7.47%
% Sale / List Price	98.7	98.5	0.20%
Median Sale Price	$153,000	$142,000	7.75%
Average Sale Price	$177,296	$165,733	6.98%

Courtesy: Dayton REALTORS®

Addressing the Opiate Crisis in the Region's Workforce

One of the major workforce challenges not only in the Dayton region, but also across the country is the addiction to opiates. In Montgomery County, more than 500 accidental overdose deaths were reported in 2017. According to the chart below, those numbers have been dropping, but employers report continued issues with employees not being able to pass a drug test.



Source: Montgomery County Corner's Office

That's where the new OneFifteen Outpatient clinic comes in. It's a new concept to provide wraparound services for those struggling with drug addiction. Marti Taylor, President & CEO of OneFifteen explains how it will work:

OneFifteen has begun its quest to reverse the course of addiction right here in Dayton, Ohio.

OneFifteen is a non-profit ecosystem dedicated to the full and sustained recovery of people living with opioid addiction or substance use disorder. The OneFifteen Outpatient Clinic is now open, located at 257 Hopeland Street in Dayton.

“This is just the beginning of OneFifteen’s quest to reverse the course of addiction and we look forward to being able to offer a full continuum of care for patients at all levels in their recovery journey over the next year,” said OneFifteen Medical Director, Natalie Lester, M.D. “We are welcoming patients who have been receiving care from our operating partner, Samaritan Behavioral Health, Inc., as well as new patients needing care.”

OneFifteen was launched in 2019 with partners Kettering Health Network, Premier Health, Montgomery County Alcohol, Drug Addiction and Mental Health Services Board, Alexandria Real Estate Equities and Verily, the healthcare and life sciences arm of Alphabet. OneFifteen is creating a tech-enabled system of care that will offer a treatment center, rehabilitation housing, and wrap-around services, all on one state-of-the-art campus in Dayton, Ohio.

As OneFifteen’s campus expands in 2020, we will provide a full continuum of care to patients - including a crisis stabilization unit, intensive outpatient, and residential treatment levels, co-occurring mental health treatments, and medical care services. Over time, OneFifteen will offer additional services to support sustained recovery, including job training and residential housing opportunities. To maintain recovery from substance use disorder, people need stability, employment, and a sense of purpose. OneFifteen leaders believe their model will support sustained recovery and contribute to community rehabilitation, which means more productive citizens, healthier families and reduced burden on costly local services.

To that end, OneFiften plans to launch a vocational training program in 2020. It’s looking to partner with local organizations to offer education and training opportunities to our patients to assist them with gaining meaningful employment.

OneFifteen’s Crisis Stabilization Unit, inside Kindred Hospital Dayton, is set to open in early 2020.

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About the Dayton Area Chamber of Commerce: The Dayton Area Chamber of Commerce brings together 2,200 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.

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