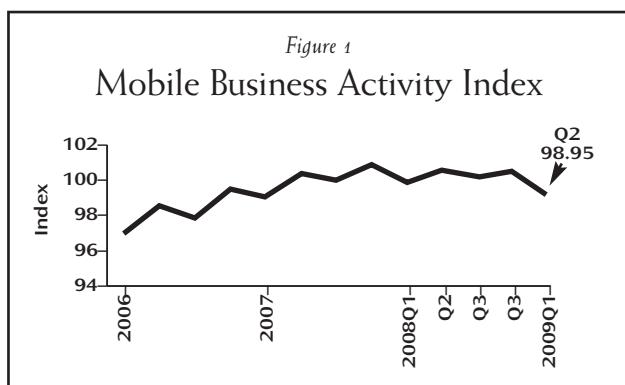


The (Other) Coastal Economy: Mobile is the Economic Engine for Coastal Alabama

BY DONALD R. EPLEY, PH.D., CCIM, MAI

Editor's Note: Recession and recovery are rarely uniform events geographically. Ever vigilant, and keeping a keen eye out for signs of economic recovery, the editors of Real Estate Issues intend to invite, on a regular basis, local and regional viewpoints on the business and economic environment from researchers and analysts at academic institutions around the country. Most states, and many, many institutions of higher learning hold within their walls real estate schools, business schools and economics departments that keep a close watch on conditions, developments and trends in the local and regional economies that affect them most directly. We begin in this issue with an analysis and commentary on the Coastal Alabama economy from Donald R. Epley, director of the Center for Real Estate Studies in the Mitchell College of Business at the University of South Alabama.

THREE VIEWS OF THE COASTAL ALABAMA ECONOMY provide a good cross-sectional analysis of the direction and strength of future activity. The Mobile Business Activity Index is an approximation of economic growth. It tracks employment for 10 NAICS industrial classifications weighted by each



industry's personal income-per-worker. It shows the level of workforce spending power in the economy. Business activity declined 0.11 percent from the previous quarter, and 1.57 percent from the same quarter in 2008. The index increased 3.58 percent from the same quarter four years earlier. Although the current index declined slightly, the overall three-year trend is upward with a modest growth.

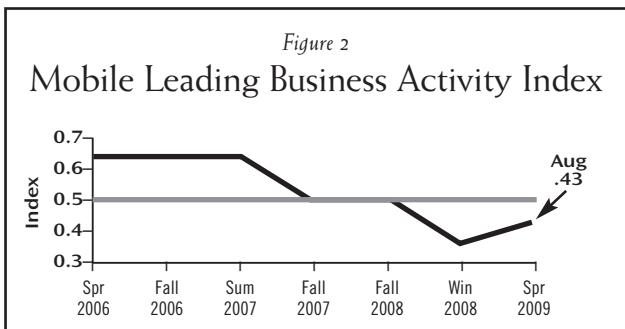
The Mobile Leading Business Activity Index includes 14 time series selected as good indicators of future business activity. All series are assembled for the most recent month or quarter, three statistical tests are applied, and the results are weighted into an index number that provides a good indication of business activity in the next six months. An index above .50 is considered to be positive with moderate strength.



About the Author

Donald R. Epley, Ph.D., CCIM, MAI, is a USA Distinguished Professor of Real Estate and director for the Center for Real Estate Studies, Mitchell College of Business at the University of South Alabama in Mobile. He holds a doctorate degree in regional and urban economics from the University of Missouri, and was awarded a MAI designation from the Appraisal Institute and a CCIM designation from the Commercial and Investment Institute. Epley served as president of the American Real Estate Society and on its board of directors for fifteen years. He was elected as a trustee of the Appraisal Foundation (Washington, D.C.) and served a term on its executive committee. Epley has authored and co-authored nine textbooks, and has been the editor of two academic journals. He frequently is quoted in the media on his analysis of the local economy and real estate markets.

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The most recent Leading Index was +.43 which is a below average performance. When the four time series representing the U.S. economy and the state of Alabama are removed, the Index increases to .60, representing an above-average performance. This means that the 10 remaining Mobile indicators point to a stronger performance in the next three months.

In the period following 2003, the rate of increase in local employment was higher than the rate of increase in the

local civilian workforce, which is a good indicator of the future. This relationship caused the unemployment rate to drop to 3.2 percent. In recent periods, the reverse is true, causing the unemployment rate to increase to 9.5 percent in May.

All four of the national and Alabama indicators were judged to be negative. The U.S. Conference Board Leading Index showed a recent increase, but has not yet indicated a definite positive influence on the local metro area. The Alabama Business Index reached its lowest level ever with a very slight recent increase. In sum, the national and state indicators do not indicate an improving business environment.

The USA Activity Index projection, new residential 1-unit building permits, city sales tax collections, county sales tax collections, and total attraction visitors were all viewed as heading in the right direction.

Figure 3

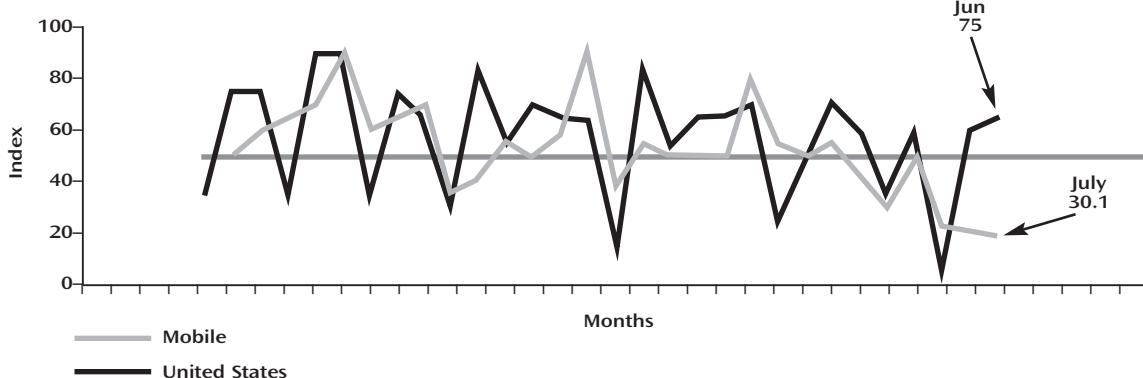
2009 Critical Mobile Economic Indicators Time Series in the Leading Business Index

Fourteen time series have been selected to represent the indicators of future business activity growth

| | COVERAGE | DIRECTION |
|--|----------|-----------|
| U.S. CONSUMER AND BUSINESS ATTITUDES: | | |
| Index of Consumer Sentiment | U.S. | - |
| Non-Mfg. Business Activity Index | U.S. | - |
| U.S. Leading Economic Index | U.S. | - |
| ALABAMA BUSINESS MARKETS: | | |
| Alabama Business Outlook | State | - |
| MOBILE MSA: | | |
| Mobile Business Activity Projection | Mobile | + |
| Non-Farm Employment | Mobile | - |
| Unemployment Rate | Mobile | - |
| New Residential 1-Unit Permits | Mobile | + |
| Home Affordability | Mobile | + |
| Housing Sales | Mobile | - |
| City Sales Tax Collections | Mobile | + |
| County Sales Tax Collection | Mobile | + |
| Total Attraction Visitors | Mobile | + |
| Special Events and Convention | Mobile | - |

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Figure 4
Mobile and U.S. One-Month Employment Diffusion Index



Negative influences included a recent rise in the unemployment rate, non-farm employment, housing sales, and special events and convention visitors. In sum, the Leading Index indicates an above average performance of the local economy.

The One-Month Mobile Employment Diffusion Index is comparable to a similar index for the U.S. economy. It measures the dispersal and impact on the economy of employment changes in specific industries. Each change in each of the 10 industrial clusters followed is weighted to reflect an expansion or contraction. Expanding industries will have a greater future impact on business activity than those that are contracting.

The latest Mobile Diffusion Index for Mobile in June is 75 compared to 30.1 for the U.S. in July. Recent Mobile employment growth indicates a much larger future

impact than the changes at the national level. Although the economy did not register large employment growth in any one cluster, six experienced an increase and three remained the same. Only one, Mining and Construction, declined. The overall impact is that the local economy showed a positive response to the negative impact of the national recession.

In conclusion, diversification of the local economy and recent economic development successes will cause business activity to respond to recession more slowly and to recover more quickly. ■

This report can be found at <http://cres.southalabama.edu>. For additional information, contact Dr. Don Epley, director, Center for Real Estate Studies, Mitchell College of Business, University of South Alabama, Office: 251-460-6735, E-mail: depley@usouthal.edu.

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