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MEMORANDUM

To: Economic and Community Development Committee

Date: April 27, 2010

From: Brian Rademacher, Economic Development Coordinator

Re: Economic Development Quarterly

As part of CMAP's effort to build regional capacity the Community and Technical Assistance unit has produced a quarterly report that provides a regional look at business activity and focus on trends as it relates to regional labor market, productivity, real estate, and innovation.

During a discussion on developing such reports at the October meeting the committee suggested that a report be drafted for review. The first draft has been completed and is ready for comment and feedback.

Moving forward, C&TA staff will work with the sub-working committee to refine the reports and make them available on-line.

Action Requested: Discussion

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Economic Development Quarterly

Quick Stats for Northeastern Illinois

Labor Market	
Population (2008)	8,489,934
Employment (Q2, 2009)	3,786,662
Unemployment (February 2010)	11.3%
Average Annual Wage (Q2, 2009)	\$49,438
Productivity	
2008 Real Gross Regional Product	\$435 billion
Total Exports (2008)	\$35.6 billion
Real Estate	
Industrial Property Vacancy(Q1, 2010)	12%
Office Property Vacancy (Q1, 2010)	16%
Innovation	
R/D Expenditures at regional Universities (2007)	\$1.2 billion
Venture Capital Spending (2009)	\$192 million
Employment in Research Industry (Q2, 2009)	22,503

Labor Market

The Chicago region lost 234,000 jobs from the second quarter of 2008 to the second quarter of 2009. As of February 2010, The Chicago region's unemployment rate decreased from 11.5% to 11.3%. The average annual wage in the region is \$49,438, with goods-producing industries offering the highest paying wages. Educational and Health Services Industry and State and Local Government saw an increase in employment from the last year (14,000 and 3,000 respectively).

Productivity

In 2008, the region's gross regional product was \$435 billion. This is down 0.4% from the previous year when gross regional product was \$436 billion. Sectors the heavily contributed to the slowing economic growth included Finance/Insurance, Real Estate, Rental & Leasing and the Manufacturing. The region exported over \$35 billion worth of manufacturing goods primarily to Canada, Mexico, and India.

Real Estate

The Chicago commercial property market started the first quarter of 2010 with a vacancy rate of 12% for industrial property and 15% for office. The vacancy rate was little changed from the previous quarter. The average quoted asking rental rate for available office space was \$22.79 per square foot per year while industrial averaged \$4.60. Time on the market for commercial properties in northeastern Illinois averaged twenty months in the first quarter.

Innovation

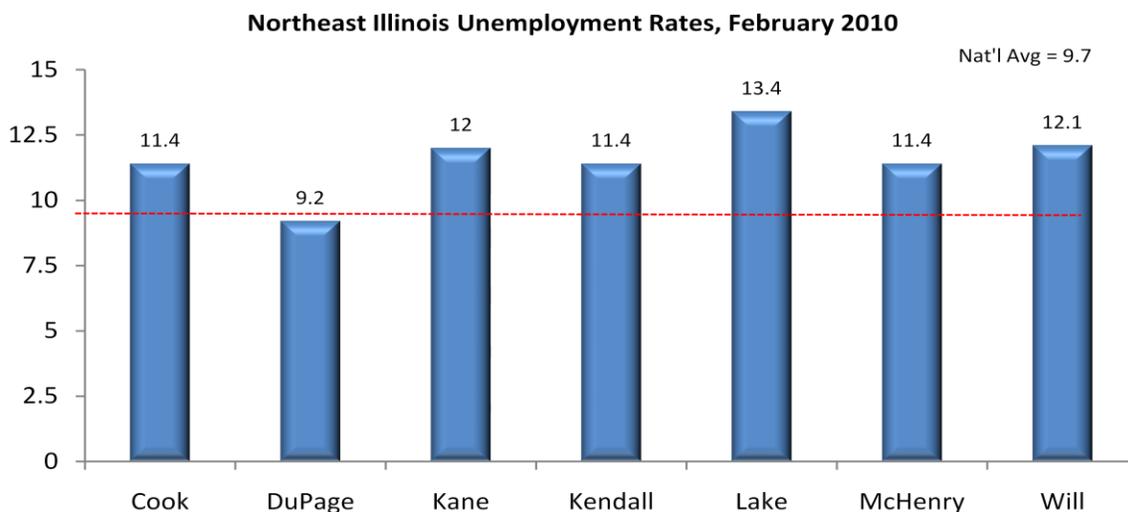
Venture capital investment in the Chicago Region was \$192 million in 2009 with a total of 40 deals. In the fourth quarter there were 13 deals totaling \$76 million in investment, according to the latest data from PricewaterhouseCooper. Academic Institutions in the Chicago region reported expenditures in research and development of \$1.2 billion in FY 2007. The majority of the financing came from federal government, while the rest was financed primarily from state, local, and other sources. Employment in private research institutions has been declining since early last year while the average weekly wage has been rising.

Labor Market

Labor market analysis is a timely indicator on the region's industry performance. Between 2008 and 2009 the Chicago region lost 234,000 jobs with the largest losses in Professional Services, Trade & Transportation, and Manufacturing. The unemployment rate for the region remains at 11.3%, same as the State of Illinois and above the national average of 9.7%. Three sectors have had some resilience, in particular the Education and Health Services and State and Local Government added jobs over the year.

Northeastern Employment and Wages by Industry, Quarter 2, 2009				
Industry	Number of	Total	Average Annual	Change from Q2 2008
	Firms	Employment	Wage (\$)	to Q2 2009
GOODS-PRODUCING	37,330	516,749	55,268	-87,957
Natural Resources and Mining	419	4,931	36,819	-631
Construction	24,427	145,053	58,603	-34,493
Manufacturing	12,484	366,765	54,198	-52,833
SERVICE-PROVIDING	196,643	2,776,676	47,603	-149,374
Trade, Transportation, and Utilities	47,605	752,593	41,504	-52,966
Information	3,892	77,146	69,417	-7,415
Financial Activities	24,312	275,737	77,898	-19,448
Professional and Business Services	49,839	611,847	61,440	-66,738
Educational and Health Services	22,575	545,684	43,773	14,170
Leisure and Hospitality	19,063	367,522	20,299	-13,353
Other Services	22,491	140,384	35,659	-4,482
Unclassified	6,866	5,763	28,523	858
State & Local Government	2,206	437,677	51,423	3,400
Federal Government	538	55,560	71,260	-302
Total All Industries	236,717	3,786,662	49,438	-234,233

Source: Illinois Department of Employment Security



Source: Illinois Department of Employment Security

Productivity

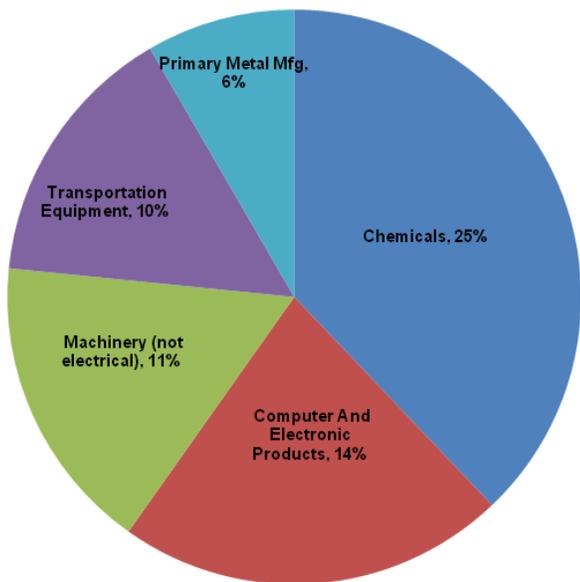
Productivity has a direct impact on the region's economic growth and as an indicator provides insight on the value of goods and services the region produces and exports. The average annual growth of the region's gross product over the last seven years is 1.34% and peaked at \$436 billion before contracting 0.4% in the last year. The region is still the 6th largest export market in United States. The leading products are chemicals and manufactured components with 42% of the merchandise going to NAFTA countries and the region is becoming one of the major metros that exports to India.

Chicago Region Real Gross Product 2001-2008



Source: Bureau of Economic Analysis

Top Exports by Industry, 2008



Top 3 export destinations

Canada	\$10.6 billion
Mexico	\$4.3 billion
India	\$2.5 billion

Source: U.S. Office of Trade and Industry

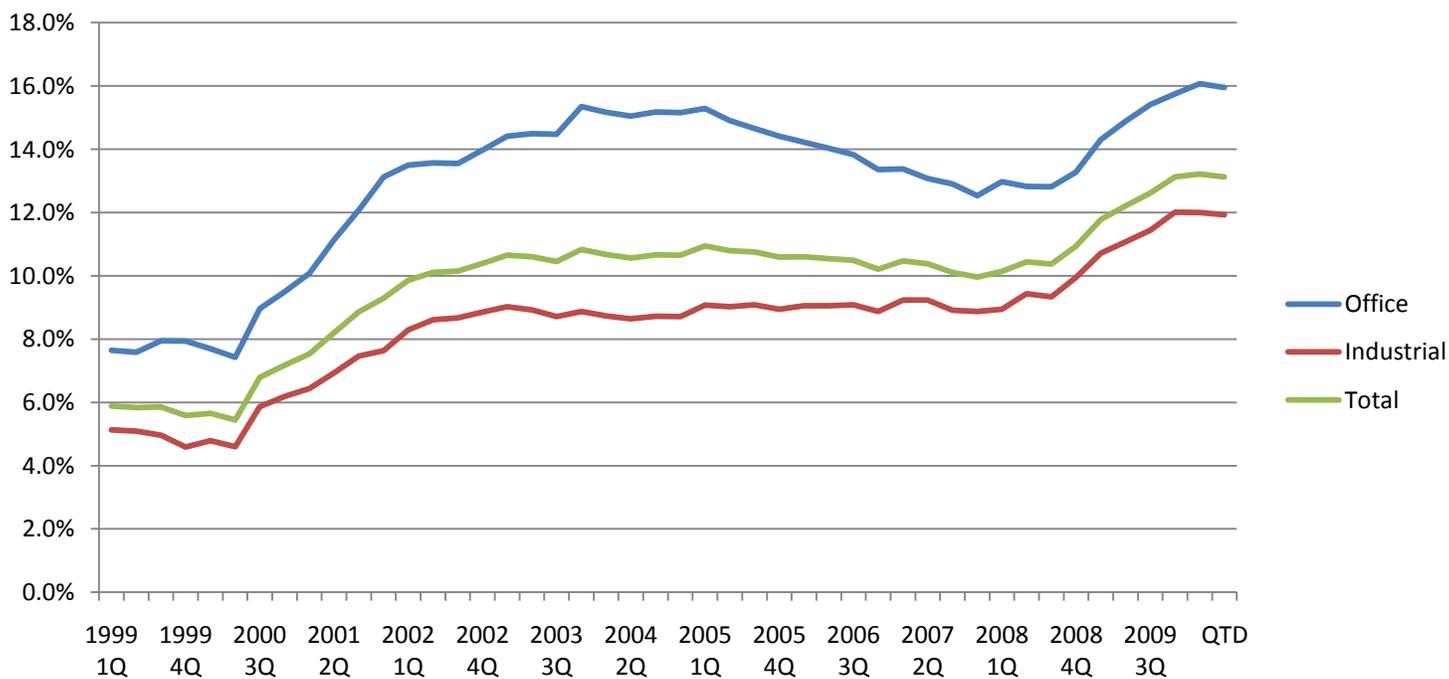
Commercial Real Estate

The commercial real estate market is an indicator of business activity and associated with doing business in the region. The industrial and office market vacancy rates were little changed from the previous quarter although the industrial and office rates are above the current national average of 10.4% and 12.8% respectively. According to a CoStar Chicago Market report for 2009 4th quarter sales activity totaled 86 transactions -- 54 in industrial properties and 32 in office properties. Transactions overall were down for commercial properties from 560 in 2008 to 279 transactions in 2009.

Northeastern Illinois Commercial Real Estate Market 1 st Quarter, 2010				
	Buildings	Vacant Rate	Average Rate	Average time on the market
Industrial	18,031	12.10%	\$4.60/nnn	18.8 Months
Office	10,529	16.1%	\$22.79/fs	23.6 Months
TOTAL	28,560	13.00%	\$4.63/nnn	20.4 Months

Source: CoStar

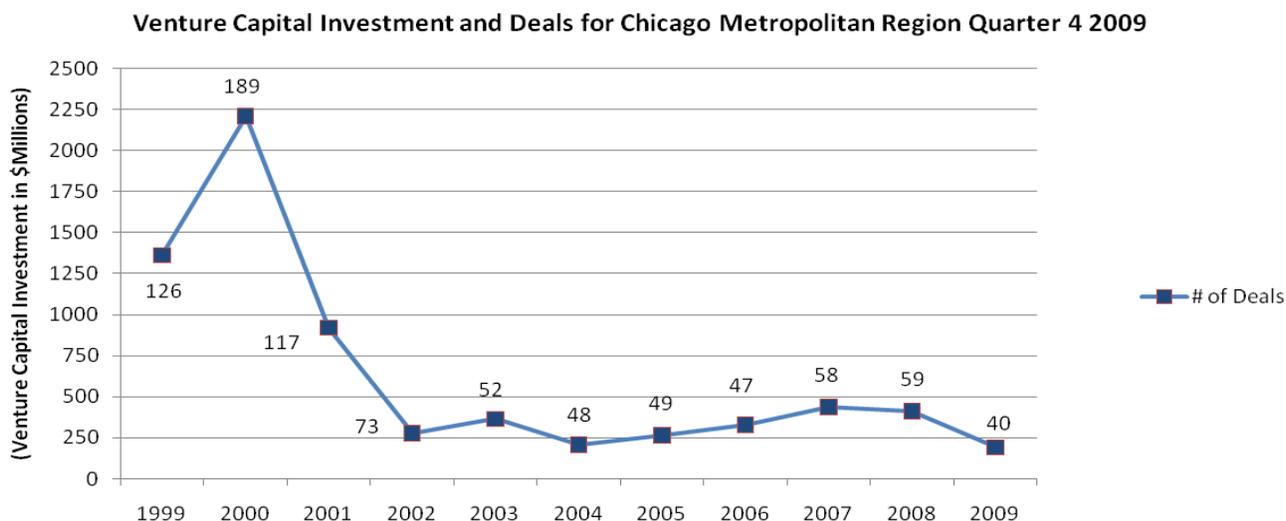
Vacancy Rate by Building Type 1999-2010



Source: CoStar

Innovation

Innovation is an indicator for knowledge based economies and typically tied to high-wage jobs. In the 4th quarter of 2009, the Chicago region ranked 13th in venture capital investment among competing metro areas with \$76 billion in investment for 13 deals according to the recent data from PricewaterhouseCooper. Venture capital investment was down from \$400 million in 2008 to \$192million in 2009 funding 40 deals. Media and Entertainment and Software industries received the majority of financing during the fourth quarter covering ten deals. Expansion and Later stage firms received \$40.8 million of investment while early stage received \$36 million.



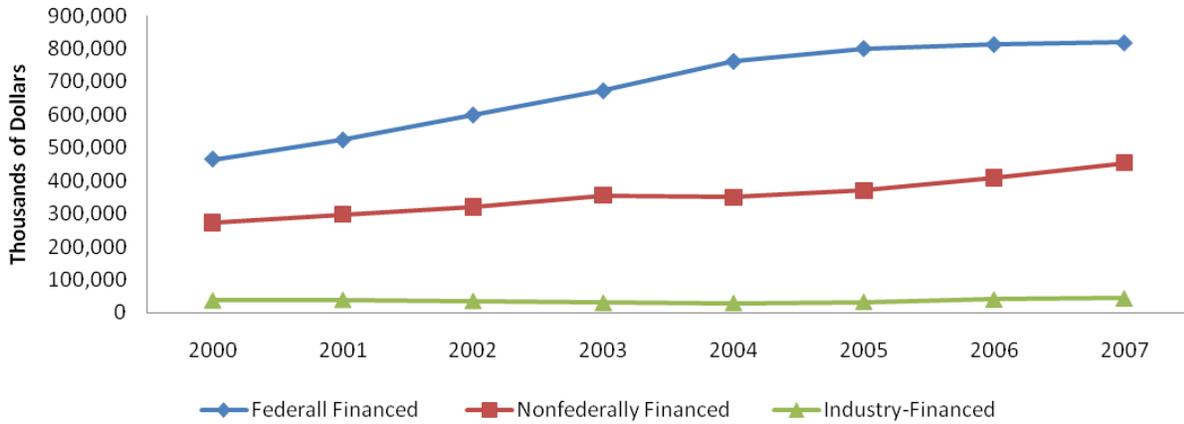
Top 3 Sectors receiving venture capital Q4, 2009	Investment(\$M)
Media and Entertainment	\$32.1
Software	\$25.3
Retailing/Distribution	\$7.1

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The Chicago region reported \$1.2 billion of expenditures in Research and Development and totals 68% of the States \$1.9 billion of total expenditures in R&D in 2007. The majority of funding comes from federal funding, while local, state and other sources have been contributing more over time. The Chicago region has over 14 academic institutions with the funding focused in Life Sciences, Physical Sciences and Computer Sciences.

<u>R&D Expenditures in:</u>	<u>2006</u>	<u>2007</u>
Life Sciences	\$907,186	\$952,676
Physical sciences	\$96,653	\$96,186
Computer Sciences	\$35,442	\$39,460
Math and sciences	\$9,233	\$10,348
Source: National Science Foundation		(Dollars in thousands)

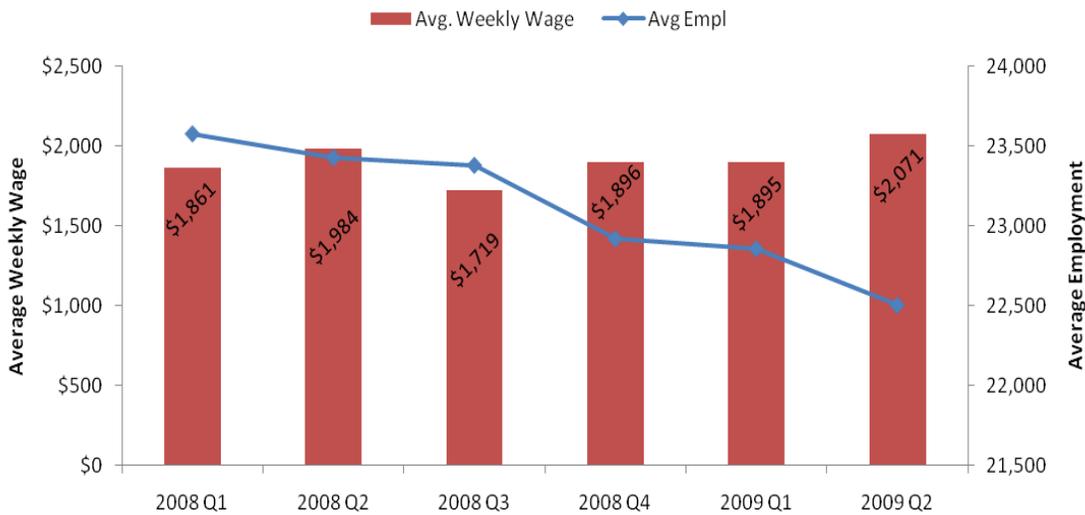
R&D Expenditures by Funding Source at Chicago Metropolitan Universities 2000-2007



Source: National Science Foundation

Eighteen percent of the Chicago region's workforce is in occupations related to Engineering, Computer/Mathematics, Business Management, and Life/Physical Sciences. The latest data on employment and average weekly wages paid by private research institutions indicate that although wage has increased slightly employment fell over the last year.

Regional Private Research Institutes Wages & Employment



Source: Bureau of Labor Statistics