ICIC
Initiative for a Competitive Inner City

4.12.10

21st Century Urban Industrial Strategies: Rethinking Industry and Land Use

2010 APA National Planning Conference

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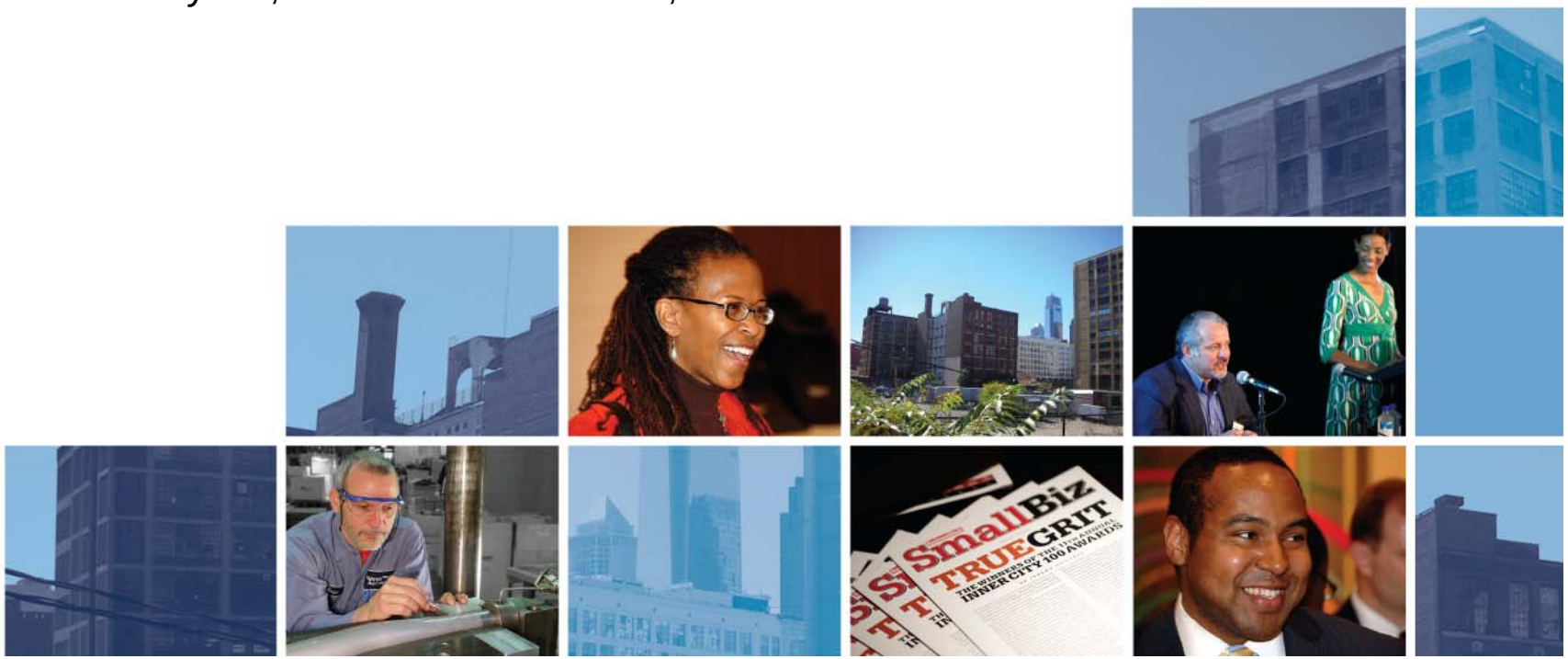

1

Contrary to conventional wisdom, there is and will continue to be industrial market opportunities for the United States.

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1.1

The U.S. should be more competitive in industry in the next decade because of changes in key economic factors.

Falling dollar reduces relative price of US exports:

• Dollar depreciated against the euro from $1.20 in 2000 to $0.63 in 2008.

Increased energy costs and "greening" favor domestic production:

• Crude oil prices increased from $16 to $73 per barrel b/t 1999 and 2009.

Real estate bubble accelerated loss of industrial land and jobs in the U.S.:

•40% of industrial land in the Bay Area is "at-risk"; in L.A. industrial land prices increased from 1/3 to 2x residential due to pressure from conversions.

Impact on Industrial	1998-2008	2008-2018
Exchange Rate	⇩	⇧
Residential	⇩	–
Green	–	⇧

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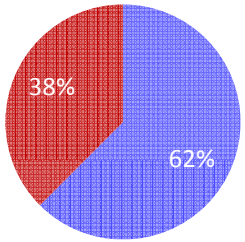
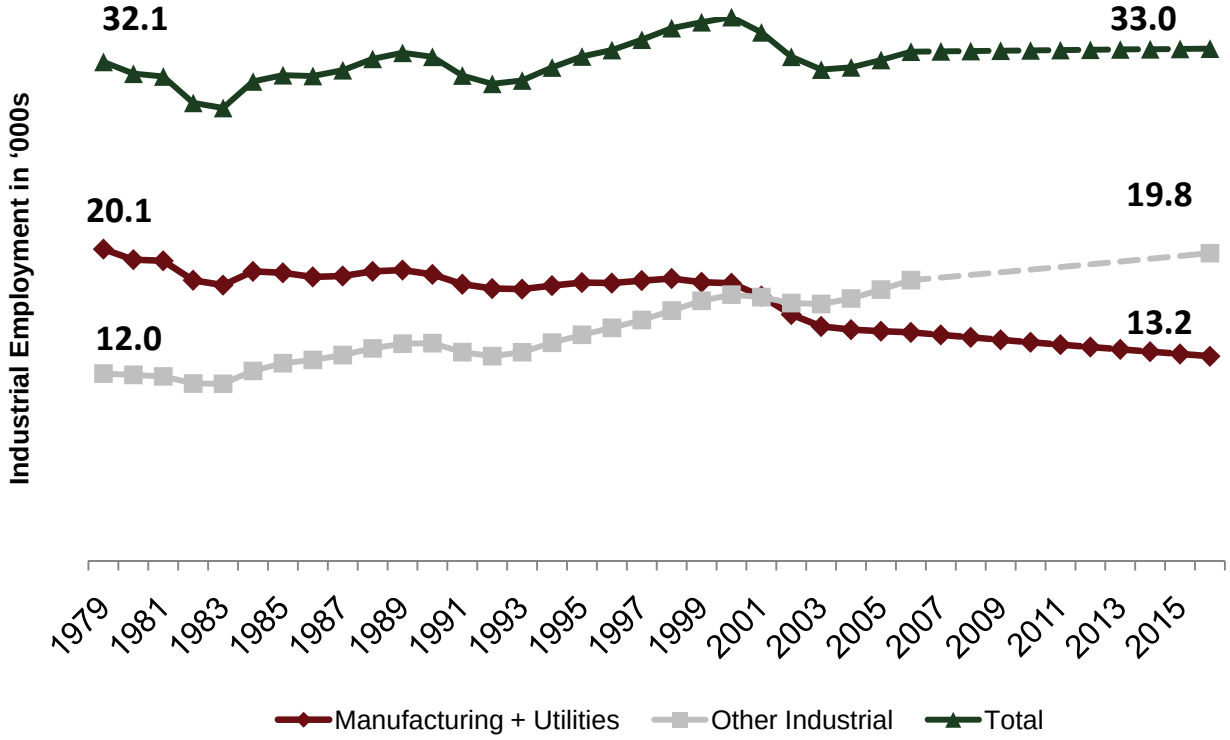
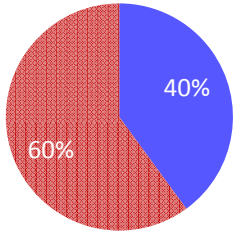
1.2

Industrial employment has remained constant, the change has occurred in the mix of industries.

There has been a shift away from manufacturing, from 62% of industrial employment in 1979 to a *projected 40% in 2016.*







Note: Total Industrial Employment is sourced from EHE and reported at sector (2 digit NAICS) level
Source: BLS 10-Year Employment Projections, Employment Hours and Earnings (EHE) Annual Average Employment, and ICIC Analysis

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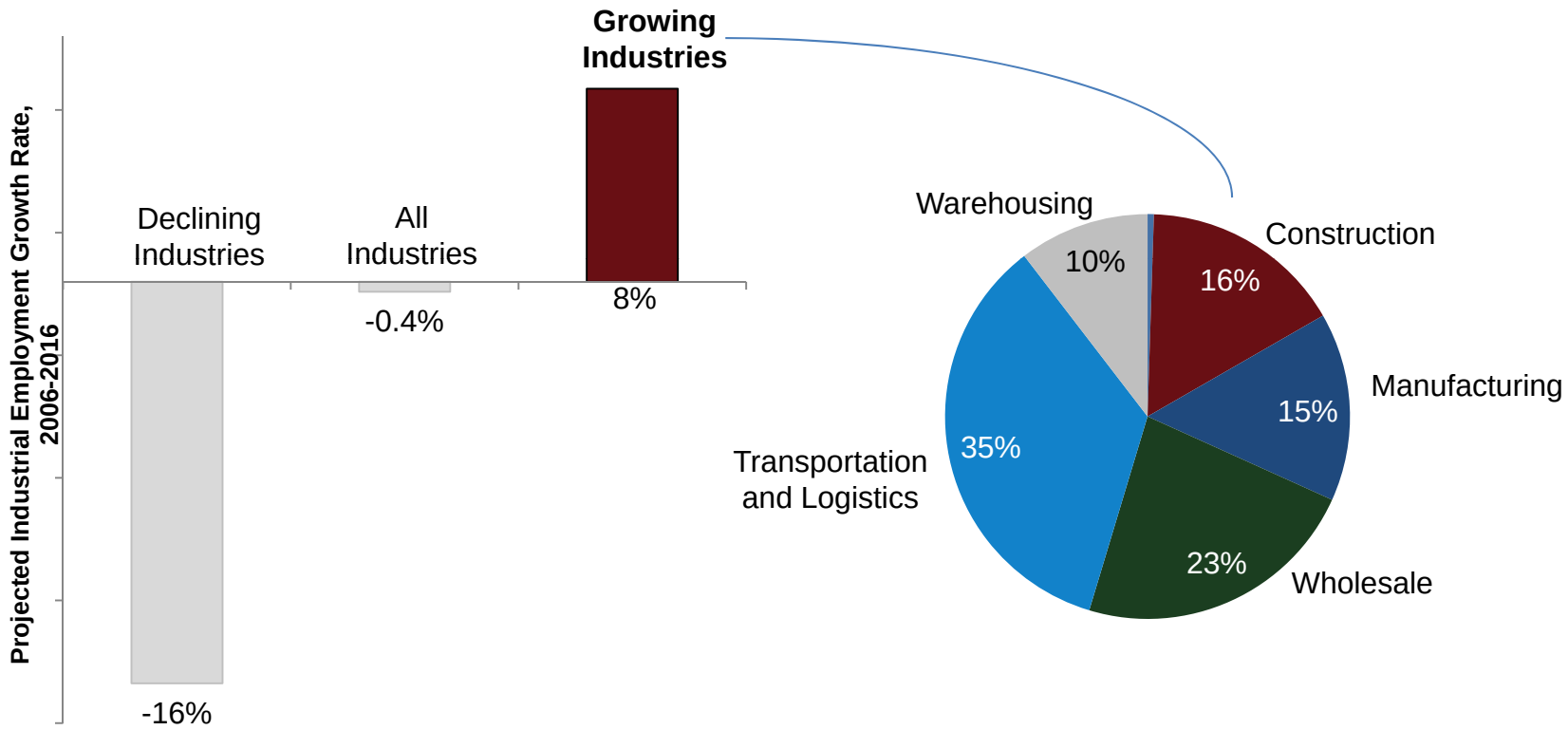
1.3

The market opportunities for industrial growth span a wide array of sectors.



Note: Total Industrial Employment is reported at industry (6 digit NAICS) level
Source: BLS 10-Year Employment Projections, QCEW 2006 Data, and ICIC Analysis

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1.4

One-third of industrial industries are projected to grow over the next ten years.

Industrial growth will come from a wide variety of industries, including:

Plumbing, heating and air-conditioning contractors (29% projected growth)	Heavy and civil engineering construction (22%)
Wholesale trade agents and brokers (27%)	Ophthalmic goods manufacturing (16%)
Sign manufacturing (24%)	Mixed mode transit systems (13%)

Source: BLS 10-Year Employment Projections, ICIC Analysis

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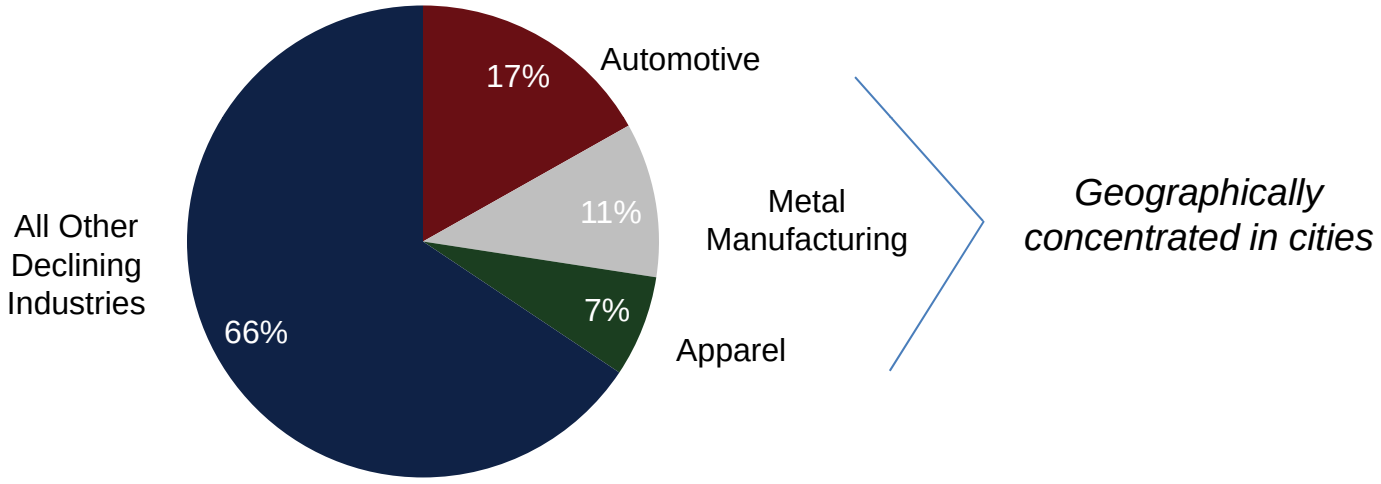
1.5

The decline of traditional manufacturing will free up over 1 billion square feet of industrial building space.

Three industries will account for one-third of the decline in demand for industrial space



Note: Totals may not sum to 100 due to rounding
Source: QCEW 2006 and 2008; BLS 10-year projections, ICIC Analysis

…but growing industrial activities in the U.S. will require an almost identical amount of industrial space.

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2

Cities are well positioned to benefit from future industrial market opportunities. Each city will need an industrial development strategy that capitalizes on its unique assets.

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2.1

Because of their assets, cities are natural locations for industrial activity.

	Transportation/ Logistics/ Wholesale	R&D Manufacturing (High-Tech)	Traditional Manufacturing/ Construction
Sector Needs:	Infrastructure Population patterns	Knowledge cluster Educated workers Low-cost flex space	Skilled labor Industrial assets
Advantages of Urban Location:	Access to: • 24% of US ports • 66% of the 50 largest airports • 35% of intermodal facilities • 2/3 of the US population	Key Concentrations: • "Eds/Meds" clusters • Highly skilled and educated workers • Existing footprints, incubator space, etc.	Industrial Legacy: • Pockets of remaining industrial strength • National and global headquarters • Existing buildings with access to infrastructure

Source: Bureau of Transportation Statistics, ICIC Analysis

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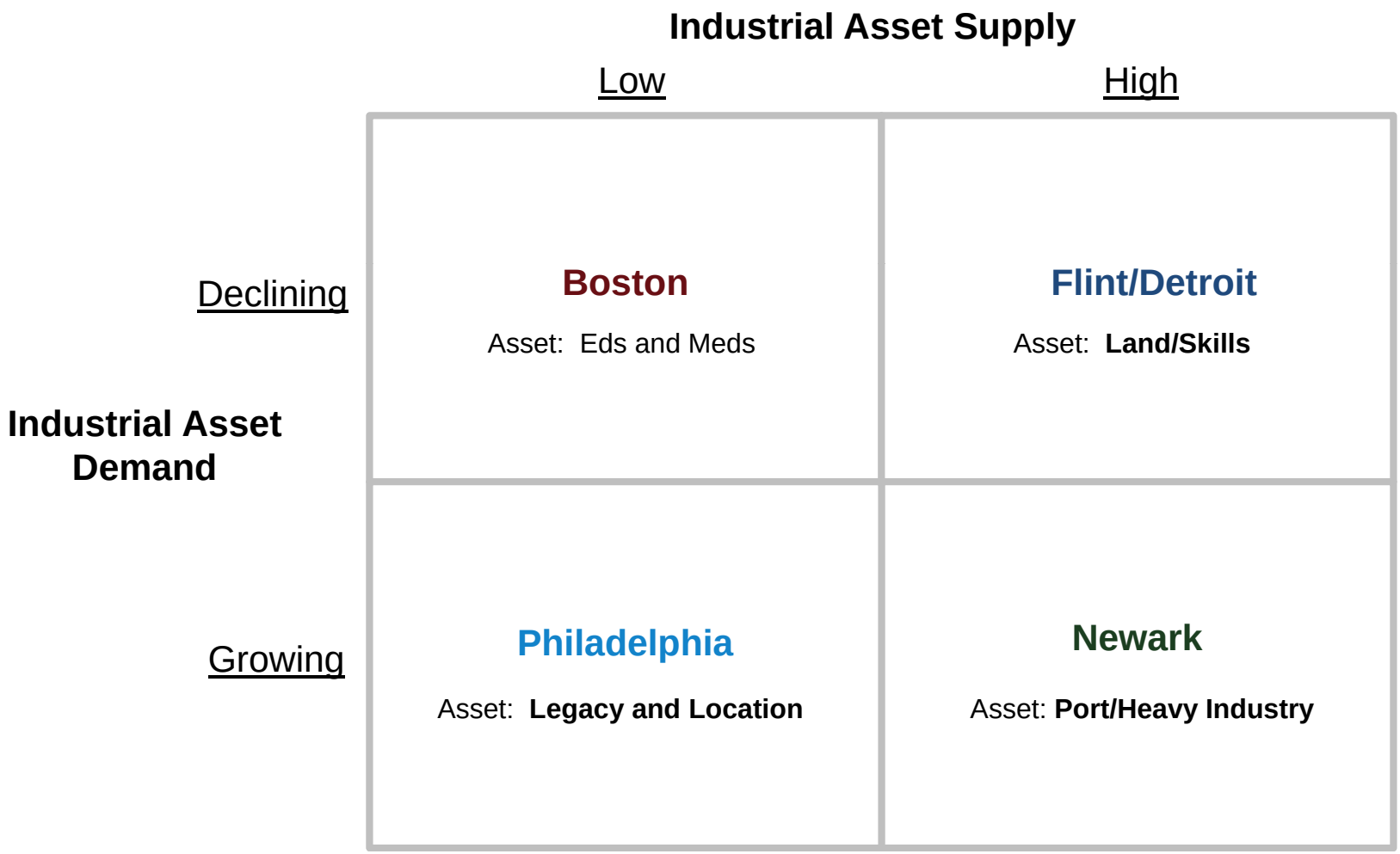
2.2

Cities can be categorized based on their industrial assets (and aspirations).



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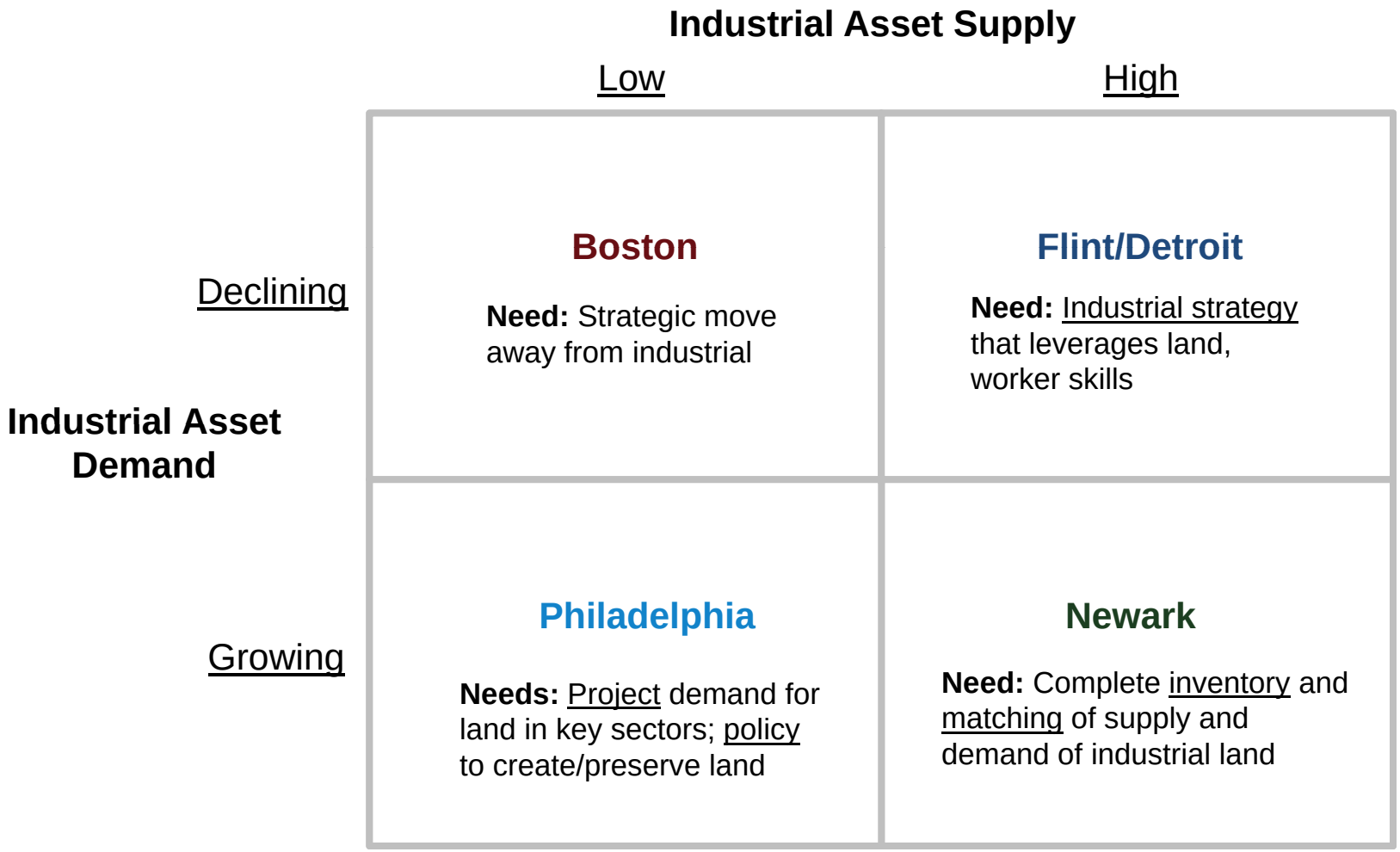
2.3

The relevant industrial development strategy will depend on the city's asset and land mix.



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3

ICIC uses cluster development analysis to determine industrial market opportunities.

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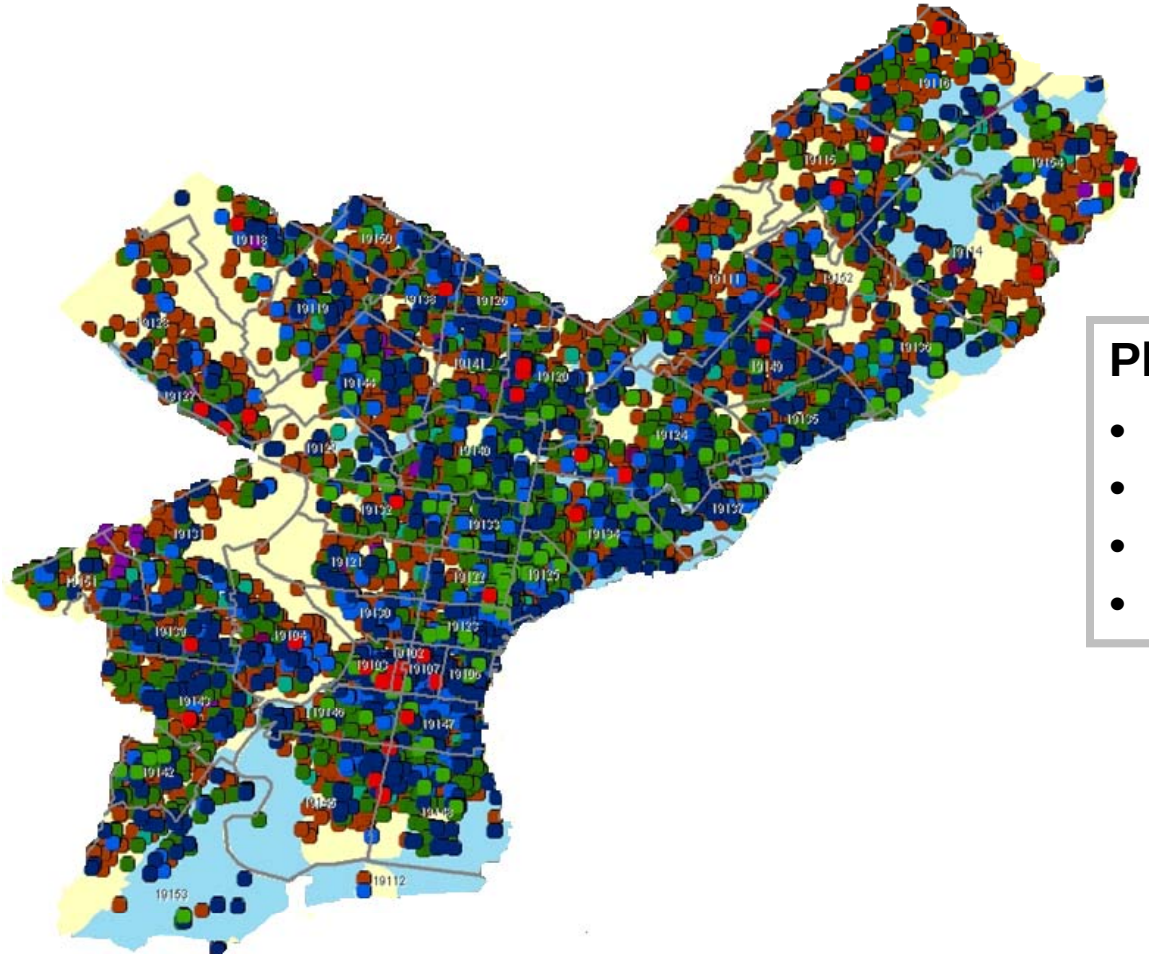
3.1

Industrial cluster analysis is used to organize and understand the local economy.



Philadelphia:

- 5,000 industrial firms
- 117,357 industrial jobs
- 22% of total employment
- 27% of total revenue

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Source: Hoovers, SICE, ICIC Analysis

3.2

Step one: ICIC uses four filters to remove weak and low-performing clusters.

Filter 1: Cluster is weak in city and declining in the region.

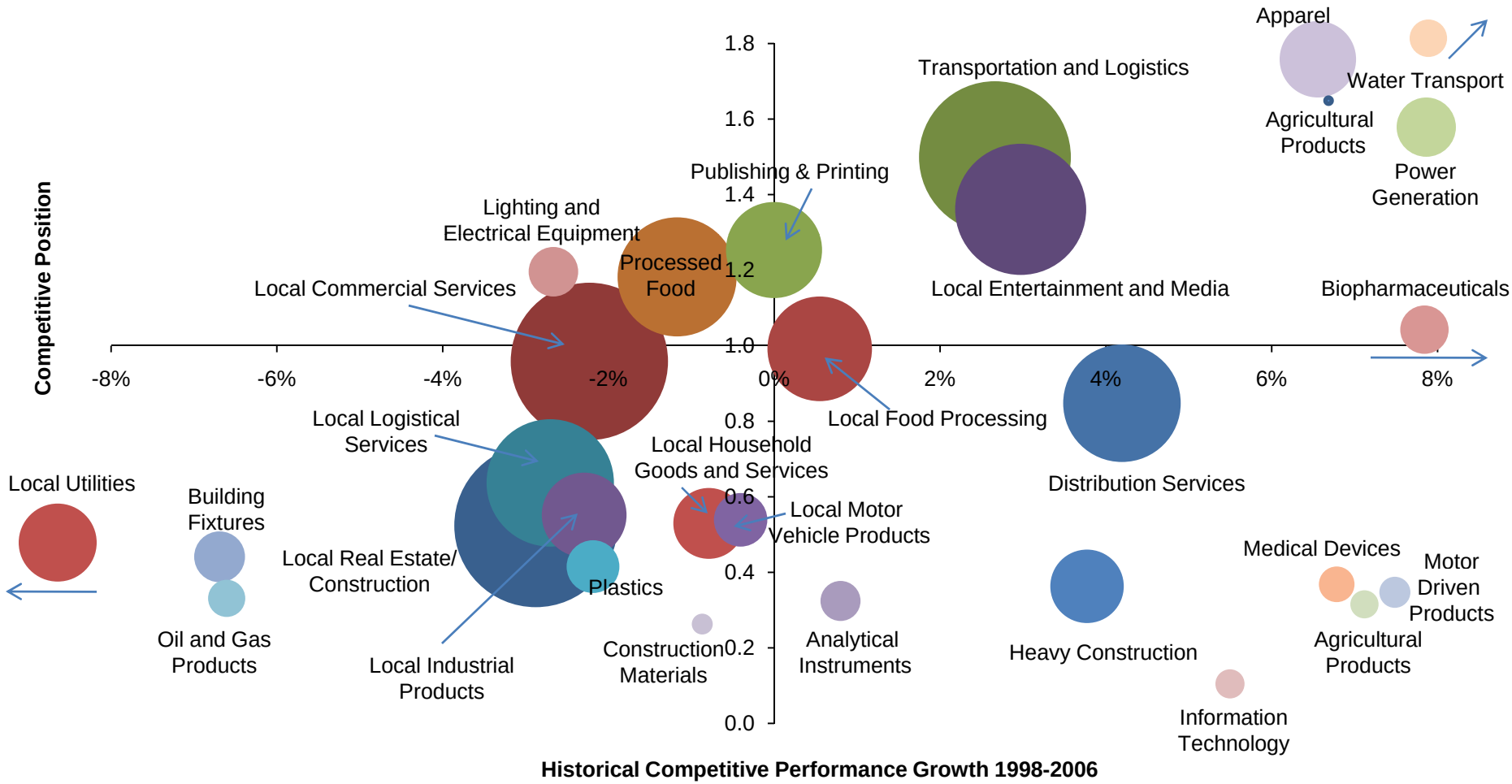
Filter 2: Cluster is weak and declining in region; and region's activity not concentrated in city/local economy.

Filter 3: Cluster is weak and declining in city, region, and US.

Filter 4: Cluster has few industrial employees.

3.3

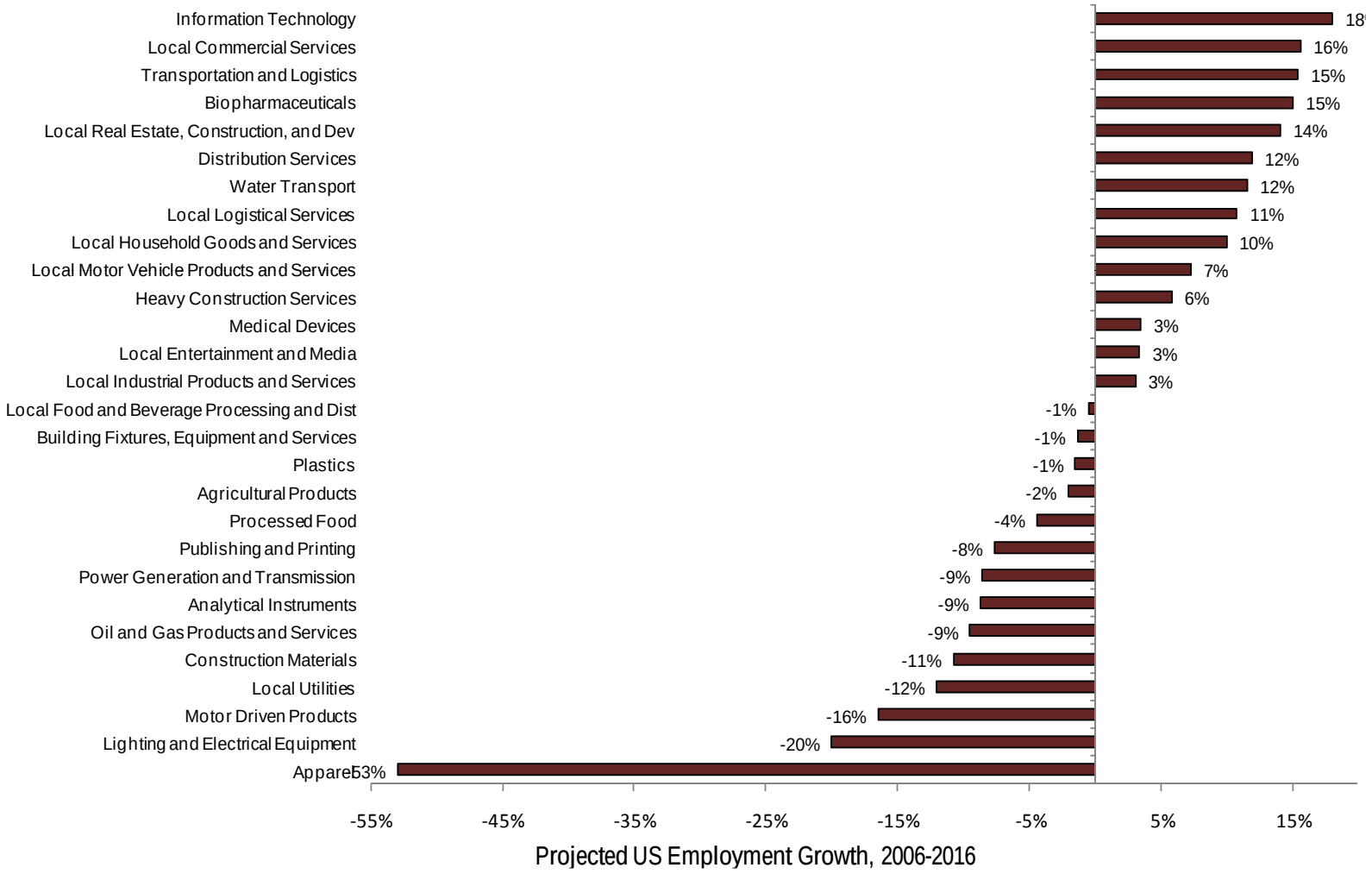
We begin by examining cluster strength and recent performance.



Source: SICE, ICIC Analysis

4.5

The projected baseline cluster growth rate is used to highlight future high growth clusters.



Source: BLS 10-Year Employment Projections , SICE, ICIC Analysis

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3.4

To select the final clusters, ICIC creates scenarios of future growth trajectories.

Analyze future employment opportunities:

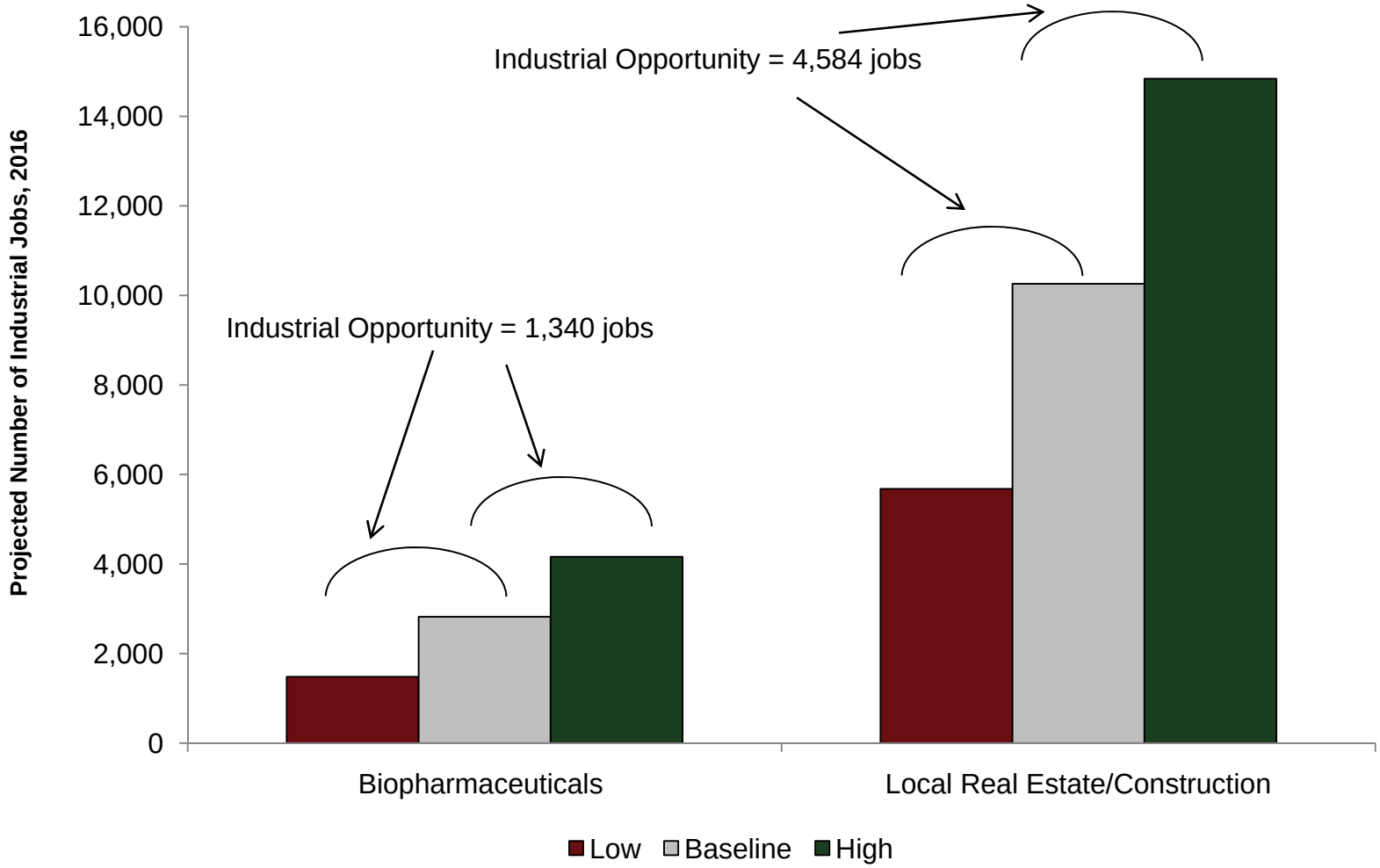
- Which clusters are a good fit with local strengths and assets?
    - Competitive position and recent growth in competitive position.
- Which clusters could see the largest job impact from land use policy interventions?
    - Historical difference between growth rates for city and nation.
    - Potential job creation, based on national growth projections and size and trajectory of local cluster.

Process includes interviews with stakeholders:

- Provide a qualitative view of the data.
- Interviews: businesses, trade associations, industry experts, government officials.

4.6

Cluster job opportunity is calculated based on historical and projected growth.



Source: BLS 10-Year Employment Projections , SICE, ICIC Analysis

4.7

After filtering and determining industrial opportunity, eleven clusters were chosen as the targets for industrial strategy.

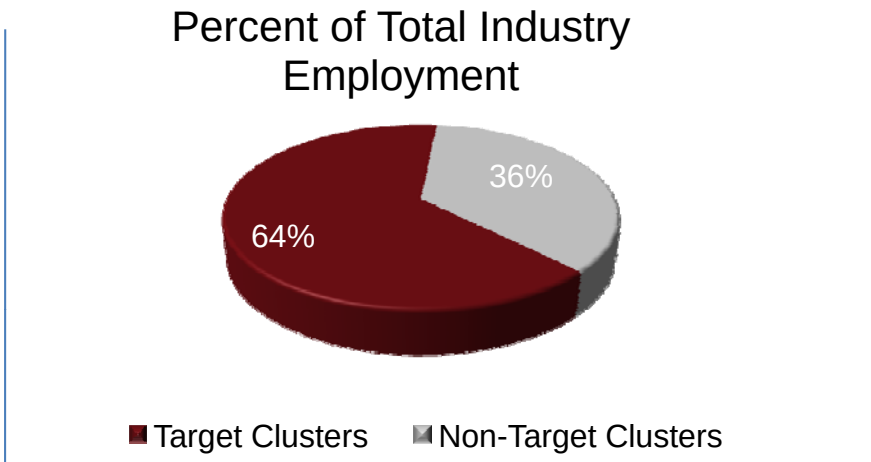
Final target list

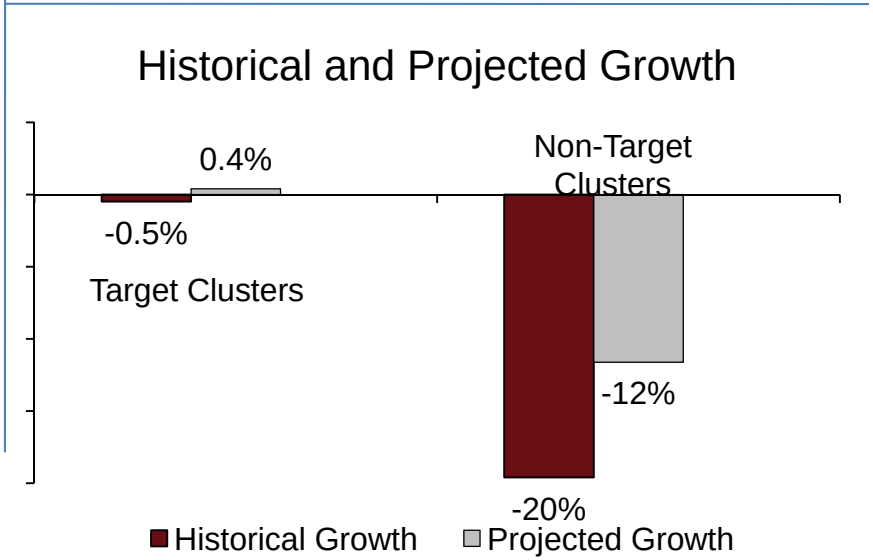
Industrial Target 1

Industrial Target 2

Industrial Target 3

etc.





Source: BLS 10-Year Employment Projections , SICE, ICIC Analysis

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