



Market Analysis



M S P

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Methodology and Rationale

The basis for planning any changes in land use must include an analysis of the ability of the market to need and absorb that land. This creates an understanding for a realistic plan and opportunities for financing the plan's implementation.

The U.S. economy is primarily market-based. This economy relies on the creativity, risk-taking, and energy of the private market to create value in the economy. Almost always, of course, there is public involvement through incentives and/or regulation in order to attract and manipulate market forces for the benefit of the larger community.

The Missouri State Prison site does not exist in a vacuum. It is part of the regional, state, and national economies and should take advantage of opportunities within that context. Thus, the economic and market research focused on trends on which the MSP site can capitalize. As it turns out, one of the most powerful of these trends is the growth in state government. Because Jefferson City is the state capital and because it is a relatively small city, state government exerts an unusually high amount of "market" influence. To this degree, state government is the underlying "basic industry" in the Jefferson City area.

The methodology for the market analysis of the MSP site included the following major steps:

1. Projections of market absorption and timing
2. Analysis of regional, state, and national economic contexts
3. Interviews of public and private officials
4. Correlations of past growth with data indicators
5. Projections of growth based on indicators
6. Conversion of trends to building and land area needs

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Comparative Population Trends

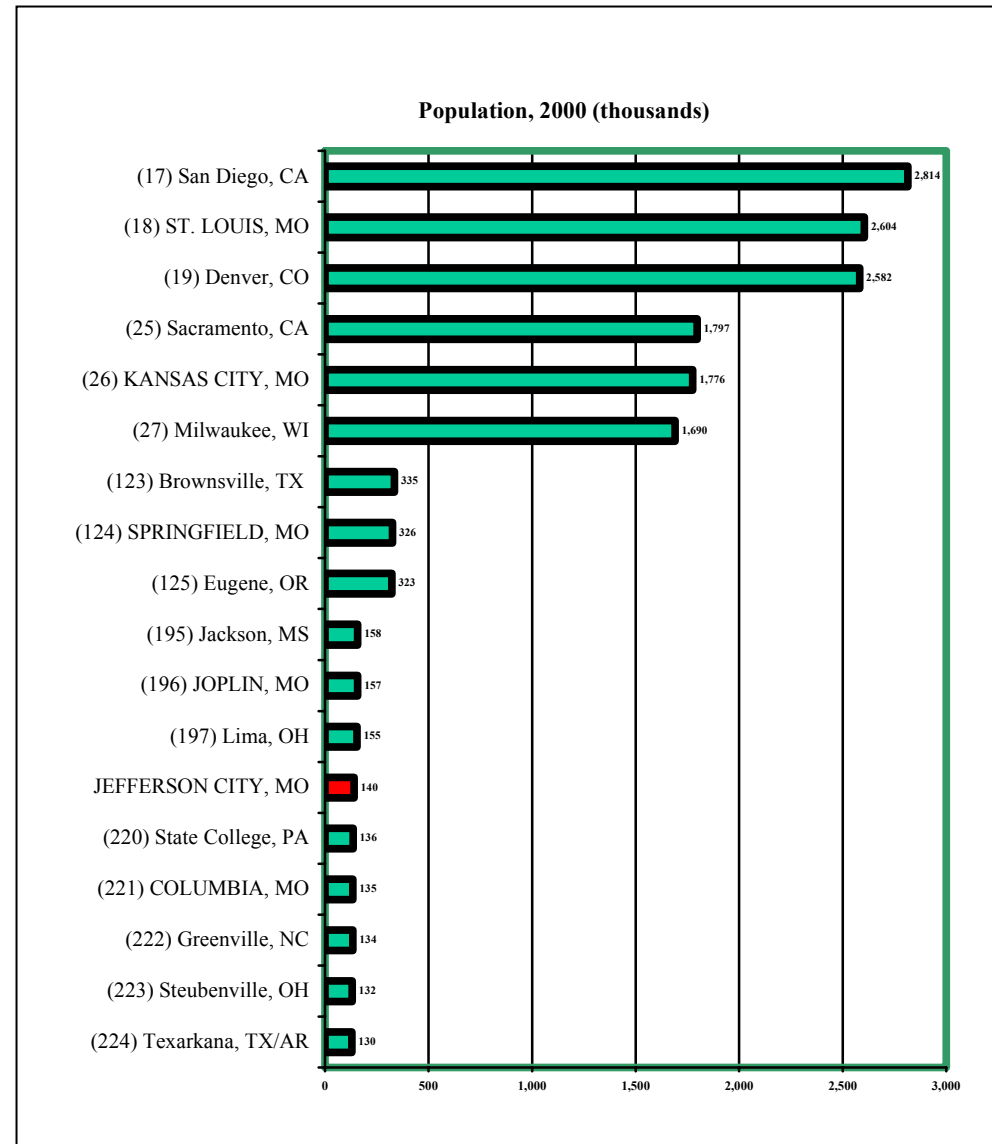
The focus of our regional economic context is a four-county area of Mid-Missouri. This includes Cole, Moniteau, Osage, and Callaway Counties. Together, these had a combined 2000 population of just over 140,000.

If Mid-Missouri was a formal metropolitan statistical area, it would rank about 210 out of America’s almost 300 metro areas. Boone County, where Columbia is located, is its own metro area with 135,000 people, which is obviously also part of the regional economy of Jefferson City.

The Mid-Missouri counties, therefore, rank on a par with formally designated metropolitan areas like Lima, Ohio (155,000) and State College, Pennsylvania (136,000), not to mention Columbia, Missouri. By comparison, other Missouri metro areas rank as follows:

- St. Louis is the 18th largest metro area with over 2.6 million people.
- Kansas City is the 26th largest with 1.8 million.
- Springfield is the nation’s 124th largest metro area with 326,000 residents.
- Joplin is 196th with 157,000.
- Columbia is 221st with 135,000.

Jefferson City is one of only eight state capitals that is not part of a formally designated metro area.



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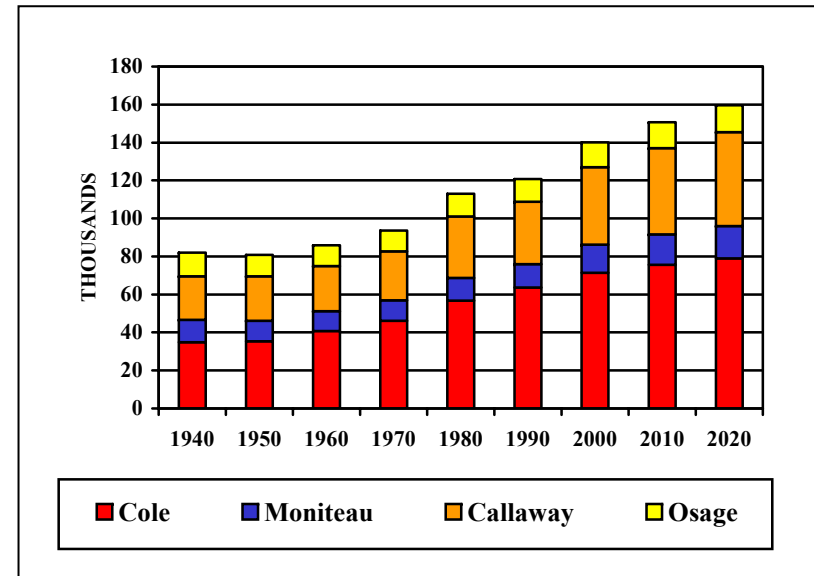
Mid-Missouri County Populations

Cole County is certainly the largest of the four Mid-Missouri Counties with about 71,500 residents as of the 2000 census. Since 1940, it is the only one of the four counties to have grown significantly.

Callaway County is the second largest at 41,000 residents. Its growth rate during the 1990s, however, was about twice as fast as Cole County. Each county added roughly 8,000 residents but, because Callaway was smaller to begin with, its growth rate was just over 24 percent compared to about 12 percent in Cole County.

Independent projections of population for Missouri counties prepared after the 1990 Census by the Missouri Office of Administration suggest that the population of the Mid-Missouri counties would have a combined total of about 160,000 by 2020. This includes an adjustment by Development Strategies to the projections to adjust for actual counts in 2000. Independent projections have not yet been completed to reflect Census 2000.

This 20,000 increase in population between 2000 and 2020 is about a 14 percent growth rate. This would be slightly faster than the Census Bureau’s 11 percent growth rate projection for the entire state of Missouri but slower than the U.S. national projection of about 18 percent (middle series).



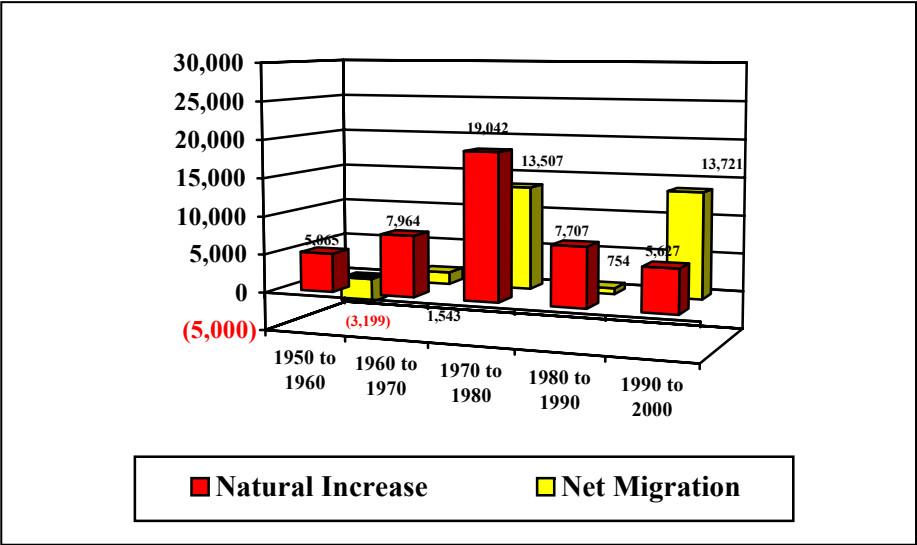
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Mid-Missouri Components of Growth

Population growth results from two major forces: More births than deaths and more in-migration than out-migration. The four Mid-Missouri counties have done well in both respects.

- The red bars show the net difference between births and deaths—positive for all decades since 1950.
- The yellow bars show net migration, which has been positive in all decades except the 1960s.

Remarkably, the net in-migration to the four counties during the 1990s was about 2.5 times the net natural increase, resulting in almost 14,000 more residents in 2000 than in 1990 because of new residents attracted from elsewhere. These new in-migrants made up 71 percent of all net new population growth.



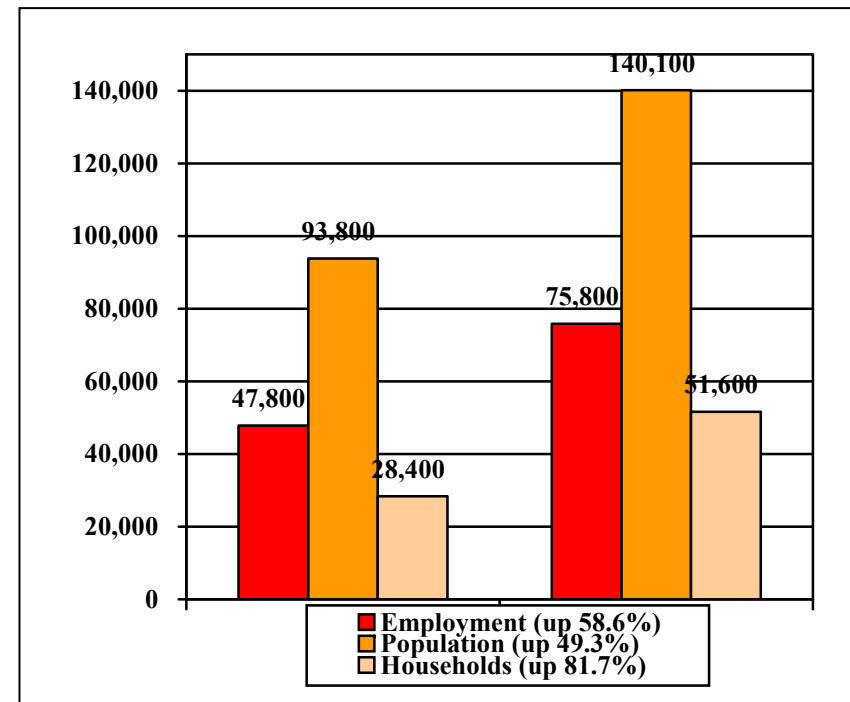
Overall, the region has had a 49 percent rate of growth in the last 30 years, much higher than the rate of growth for the St. Louis metro area, for example, at 5.7 percent for 30 years. Net in-migration in metro St. Louis, by the way, was negative in the 1990s. Thus, the net gains in Mid-Missouri suggest an ability of the four counties to attract new residents with quality of life characteristics and decent jobs. This ability to attract residents will be important in forging a larger and more diverse economy in the coming years.

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Mid-Missouri Jobs and Households

In the last three decades, however, jobs and housing development grew faster than population. To accommodate the 49 percent increase in population in the four Mid-Missouri counties, there are now 82 percent more housing units (actually, growth in households which are occupied housing units). And many of these people wanted or came for jobs. Employment in the four counties increased by 59 percent between 1970 and 2000.

Corresponding growth rates in metro St. Louis, for comparative purposes as the largest metro area in the state, were 5.7 percent for population 23 percent for housing, and 33 percent for jobs. While these growth rates represent larger absolute numbers, it is clear that Mid-Missouri has been growing relatively rapidly, most notably through its ability to attract in-migrants to take a rapidly expanding number of jobs.



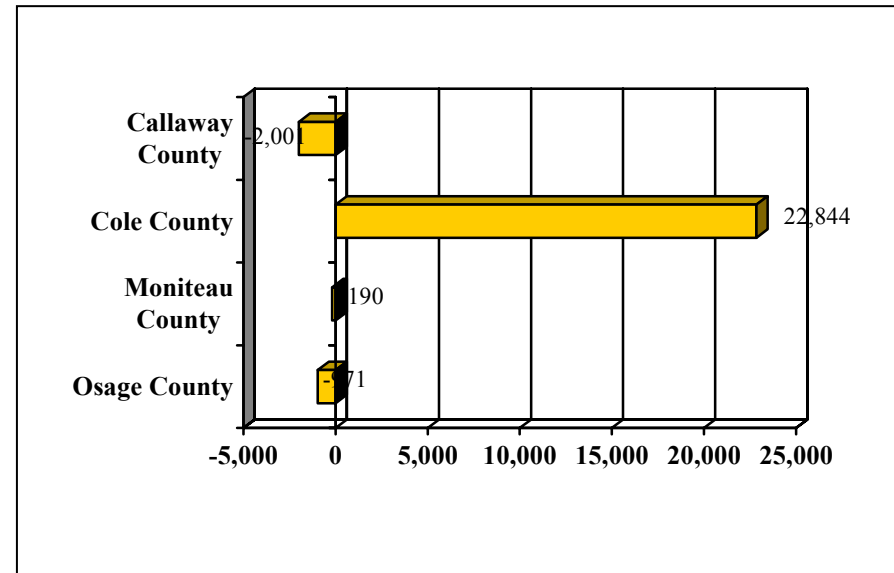
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Commuting to Jobs Mid-Missouri, 1999

Cole County is the center of jobs in Mid-Missouri, as long as Boone County is ignored. Of the four Mid-Missouri counties, only Cole attracts a *net* number of commuters each day while the others all have net decreases.

This is based on comparing the number of jobs in a county with the number of residents who hold jobs—no matter where those jobs are. Cole County has almost 23,000 more jobs within its borders than residents who have jobs. Thus, there is a whole lot of in-commuting in the morning, and out-commuting at night.

Note, however, that the “negatives” of Callaway, Moniteau, and Osage Counties do not equal the “positive” of Cole County. This indicates that Cole is attracting commuters from a wider range of counties, not just the other three. In fact, the Greater Jefferson City Chamber of Commerce defines its economic region over ten counties, which would probably better reflect the “commuting shed” for Jefferson City.



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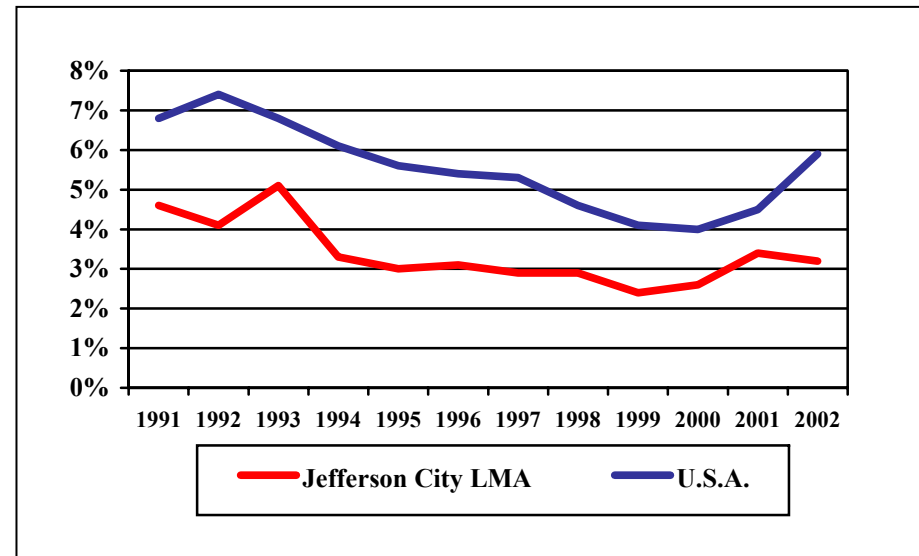
Mid-Missouri Unemployment Rates

The good news is that the unemployment rate in Mid-Missouri is and has been consistently below the national rate all through the 1990s until today. The bad news is that the unemployment rate has been so far below the national rate.

Analysis of these curves suggests that there is a relatively small labor pool in the Jefferson City labor market area (LMA) that can be immediately called upon to fill new job creations. The LMA consists of the four counties of Mid-Missouri. It also suggests that there may be a relatively high number of jobs not being adequately filled with the right kinds of workers.

This latter factor tends to attract workers from outside the region to take such jobs. Indeed, as was shown with the net migration graph, this area has been attracting population and labor force at a fairly strong rate.

The recent convergence of the unemployment rate lines in this graph suggests that this pressure to attract in-migrants may be softening a little bit, but the trends are far too short to make any such firm conclusion.



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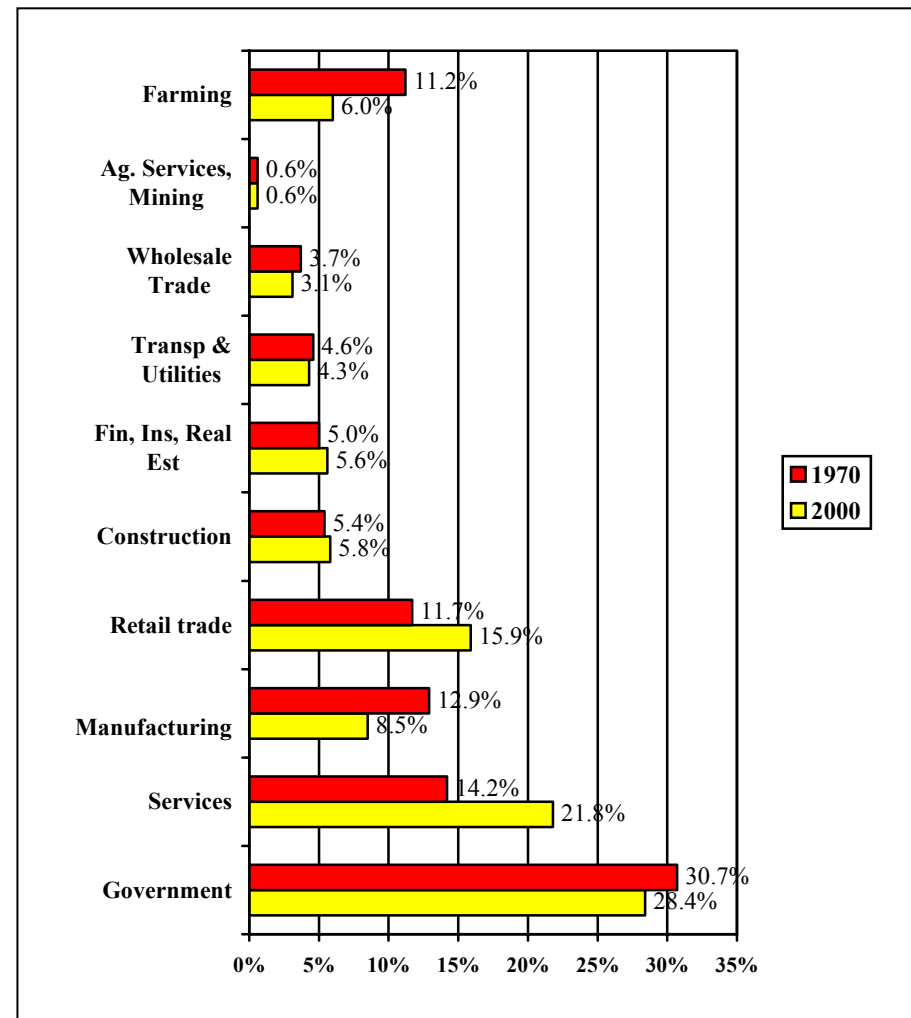
Changes in Mid-Missouri Employment by Sector, 1970 - 2000

The “business” of Mid-Missouri is not so much business as it is government. Almost three out of ten jobs in the region are in government. Of course, this isn’t surprising since this is the seat of state government in the 17th most populous state in the nation (almost 5.6 million residents).

The federal government’s computer model that determines multipliers for economic sectors shows that state government in the four counties of Mid-Missouri has a multiplier of 1.68, meaning that, for every dollar spent to support state government in Mid-Missouri, another 68 cents are generated in “gross domestic product” in the four counties. And one state government job in Mid-Missouri creates another 1.1 jobs in the four counties.

These multipliers emphasize how important state government is because it attracts so many dollars from elsewhere in the state to be spent locally. Projecting a potential development program for the MSP site, therefore, should start with analysis of growth in government employment.

Since 1970, however, the proportion of government workers has dropped slightly from 30.7 percent of all jobs to 28.4 percent. While the four counties never constituted a large manufacturing center (12.9 percent of all jobs in 1970), they have experienced much the same rate of decrease in manufacturing employment as the rest of the nation, coupled with a shift to more jobs in the services sector.

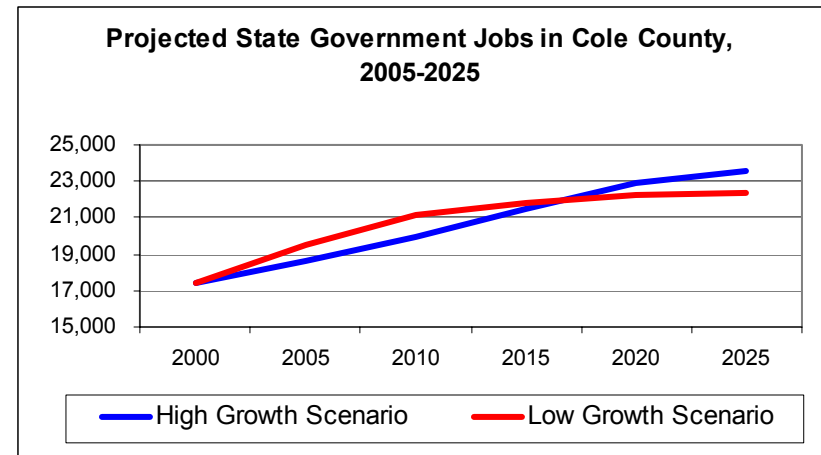


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State Government Employment Projections in Cole County

Growth in state government employment implies the need for growth in places to work. This graph illustrates two scenarios for projecting state employment in Cole County.

- The blue line is based on the long-term relationship between state government jobs in the state and the population of the state. As the population grows, so does the need for government workers to continue to serve that population.
- The red line assumes there is a relationship between state government jobs and all other jobs. That is, there is long-term ratio of state jobs to the entire economy of the Missouri.



The graph depicts these effects on state government jobs located within Cole County alone. The second scenario would suggest that present state jobs in Cole County are well below the long-term relationship between state government and other jobs. Thus, there would have to be a lot of catching up to do by 2005 to get on the “trend line.” But further growth in state jobs on this line would be slower than the other scenario.

In 2000, there were about 17,350 state government jobs in Cole County. The blue line scenario would increase this to 18,600 by 2005 while the red line scenario would increase it to 20,500 by 2005. These projections would “cross” in about 2015 so that, by 2025, Cole County would need to be home to some 24,300 state employees based on the per capita scenario or 22,400 state employees based on the per all jobs scenario. Thus, between 5,000 and 6,900 additional state jobs would be located in Cole County in 25 years.

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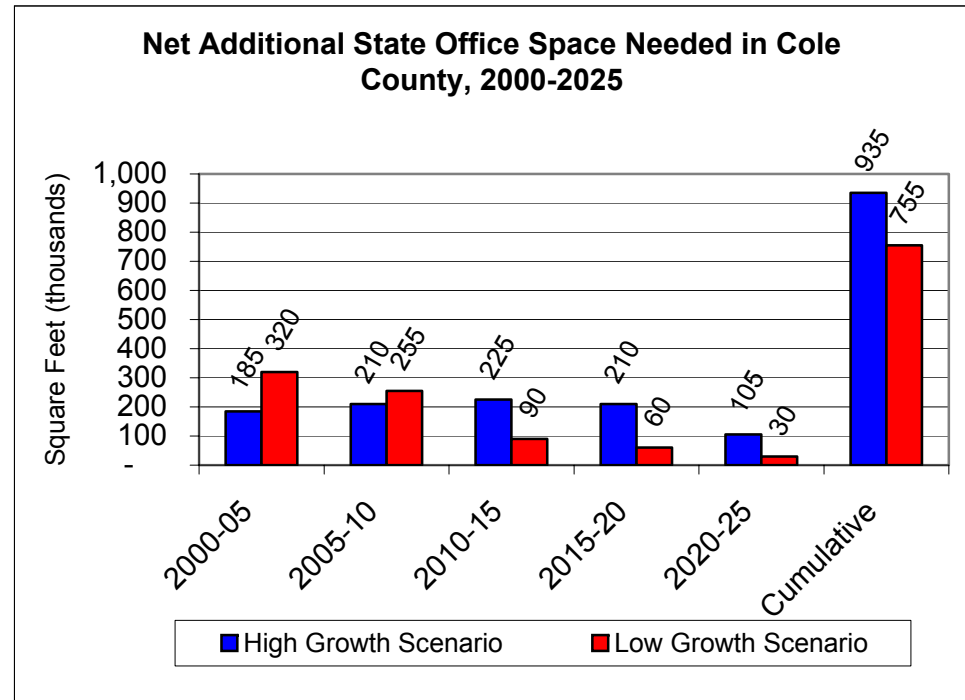
State Government Office Space Needs in Cole County

On an assumption that 75 percent of the jobs projected on the previous graph would be located in office space in Cole County (the other 25 percent would not require office space, per se), an additional 755,000 to 1,040,000 square feet of office space would need to be in place in Cole County by 2025 to accommodate this growth.

But this presumes only *net new growth* in office needs. There would also likely have to be other office space construction in the time frame to account for *replacement space* that would become (or already is) obsolete by 2025.

By way of comparison, the Truman State Office Building in downtown Jefferson City has approximately 800,000 square feet of floor area. Thus, the projections suggest that, on a net new basis, the equivalent of another Truman Building would be necessary by 2025.

This is not to suggest that such a single, large building be constructed in Jefferson City in the near future. But it suggests that the scale of future development may be about the same.

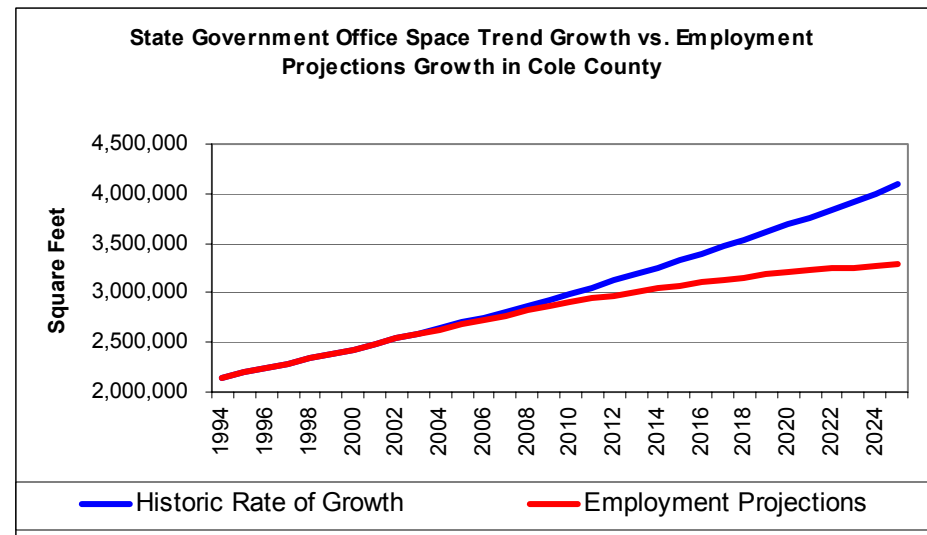


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State Government Office Space Projections in Cole County

Based on estimates of existing state government office (and related) space in Cole County, the projections shown on the previous graph would yield the red line (lower line) on this graph. In essence, there would be a total need for about 3.3 million square feet of state government office space in the year 2025 in Cole County.

In 1995, a study was completed for the State of Missouri on the office space needs of state government. *(That study was headed by Sverdrup Facilities, Inc. and included Development Strategies and Stifel, Nicolaus as subcontractors.)* To that time, state office space in Cole County had averaged about 2.1% annual growth over a long period of time. Projecting that same rate into the future, however, yields the blue line (top line) of this graph, showing a potential need for over four million square feet.



Both lines are the same from 1994 through 2002, using available information on actual state office space occupancy.

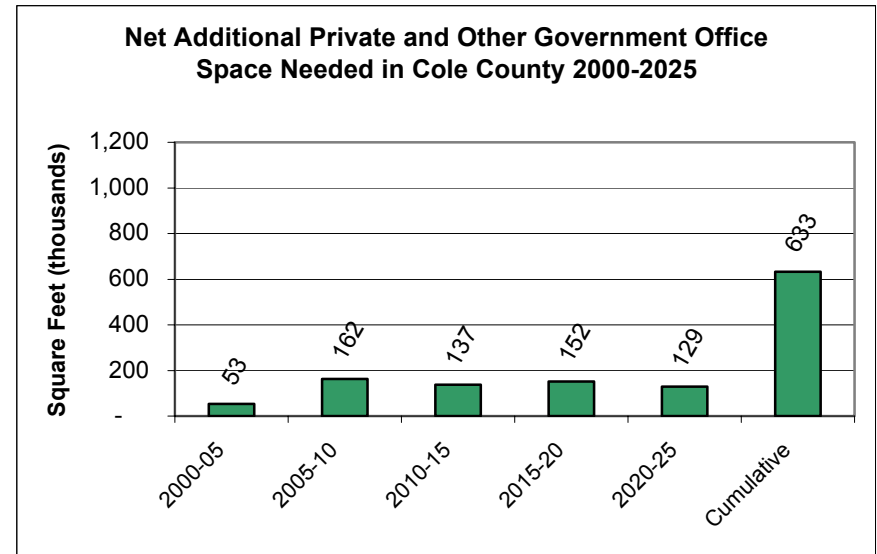
Thus, the employment projections model, used for this study, is more “conservative” than the historic growth rates. That is, the space projections shown earlier would yield less net new office space than if trend line projections were used. In many ways, it is best to be that conservative because the statistical relationship between state government employment and other indicators is not likely to be as “direct” as assumed here. And there are likely to be economies of scale in state government as its importance grows, such that past trends will be dampened by greater attention to costs and greater use of office technology leading to a need for relatively less space per employee.

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Private and Other Government Office Space Projections

Applying similar projection techniques to the rest of the Cole County economy, and applying different ratios of office space within each major economic sector, the non-state component of employment growth in the County would require more than 600,000 net additional square feet of office space by 2025.

Thus, Cole County may have to construct between about 1.4 million and 1.7 million *net additional square feet* of office space in the next 25 years. Plus there will be need for replacement space from outdated facilities. Planning for the location of such space is of critical importance to Jefferson City and Cole County authorities. The MSP site may offer an exceptional solution to these market-based pressures.



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Public Assembly Facility: Reasons for Potential Success

The other major land use that emerges as a market-based opportunity for the MSP site is for a public assembly facility. Long debated in the Jefferson City area, there has yet been no resolution of the issue as to whether and where it might be built.

There are many reasons why Jefferson City should have a large meeting facility. Tops among them is that it is the state capital and should be a center for meetings that involve state-wide issues. With economic growth come more reasons to meet. As the state economy grows, so do business meetings.

Moreover, the entire nation continues to see growth and change in the number of organizations that are created and hold regular meetings. Americans, in fact, are noted worldwide for their willingness and ability to organize into interest groups. As a free and democratic society, this will not change. We constantly find commonality with one another and we organize to fulfill many missions that, ideally, improve the human condition. With more groups, combined with more leisure time, more income, and longer life spans, will come the need for more and better places to meet. There is little reason why the capital of the 17th largest state should not be a major meeting place for Missouri-based organizations.

Increasingly, Jefferson City is easier to reach. Four-lane highways and Amtrak serve it well. While Jefferson City is one of only two state capitals not directly on an Interstate highway, Route 54 and, to a lesser degree, Highway 50 help to circumvent this shortfall. Better road access, however, would improve the ability of the city to market itself for statewide meetings.

Meanwhile, there are two key indicators that local demand is in need of more facilities:

(1) The Greater Jefferson City Convention & Visitors Commission says the city is turning away business because of a lack of facilities;

Reasons for Potential Success
PUBLIC ASSEMBLY FACILITY

- Center of state government
- Statewide and Mid-America growth in organizations needing to meet:
 - Religious
 - Social
 - Hobbies
 - Professional
 - Athletic
 - Political
- Central location, ease of access
- State economic growth: More reasons to meet.
- Sufficient and convenient hotel rooms are a necessity.

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(2) The Truman Building is perennially booked and is increasingly more “in-scheduled” for government business with less room for “out-scheduling” to serve other organizations.

But one factor will be critical in meeting the challenges of meetings: overnight accommodations. A successful convention and conference facility must have sufficient numbers of lodging rooms. If Jefferson City is a great place to meet and there will be more meetings, there will need to be more hotel rooms.

Public Assembly Facility: Anticipated Scale of Development

To date, a few proposals have been put forth for a Jefferson City convention center, none of which has been able to get underway. Moreover, a number of other small cities in a variety of economic contexts have constructed various kinds of convention, conference, and arena facilities. Conclusions from this analysis discount indoor sporting events as a major opportunity for Jefferson City in light of the facilities in Columbia, Springfield, Kansas City, and St. Louis. Also discounted are major concerts from being significant attractions because of the facilities in the aforementioned cities.

But meeting space is necessary. A consensus arises from an evaluation of other facilities and the size of the Jefferson City “market” that a facility could be created that has up to 60,000 square feet, plus parking, as outlined on the adjacent table. The exhibit hall/ballroom should be at least 30,000 square feet in scale, subdividable for smaller groups and/or multiple groups. And there should be break-out meeting spaces, perhaps with a formal lecture hall/small theater. A larger facility is also possible if a performing arts venue is created. But this should be done only after fuller testing of the market potential for attracting theatrical and small concert programs, possibly in conjunction with the Greater Lake of the Ozarks market and the Columbia/Boone County market.

Recommended Physical Components PUBLIC ASSEMBLY FACILITY

- Single, open floor space to accommodate up to 2,500 participants (approx. 30,000 square feet)
 - Exhibits
 - Ballroom
 - Large group meetings
- Separate, divisible meeting areas:
 - 10 to 15 rooms
 - Combinable
- Possible performing arts venue
- Full service kitchen
- Large and well-appointed lobby and pre-event area
- Appropriate number of parking spaces.

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Market Analysis: Summary Conclusions

1. The Jefferson City area needs more sites for office development.
 - a. State government alone could add over 750,000 square feet by 2025.
 - b. The private market adds perhaps another 600,000 square feet.
 - c. Plus land for campus settings, parking, road system.
2. Public Assembly Facility appears to be a crucial need for accommodating demand and diversifying the local economy.
 - a. There is a pressing need to resolve location issues.
 - b. There is absolutely a need support good quality and walkable hotel rooms.
3. MSP site offers solutions to these opportunities.
 - a. Little else will be ready and available in time.
 - b. Fulfills Governor's order to concentrate state facilities in existing cities (Smart Growth philosophy)