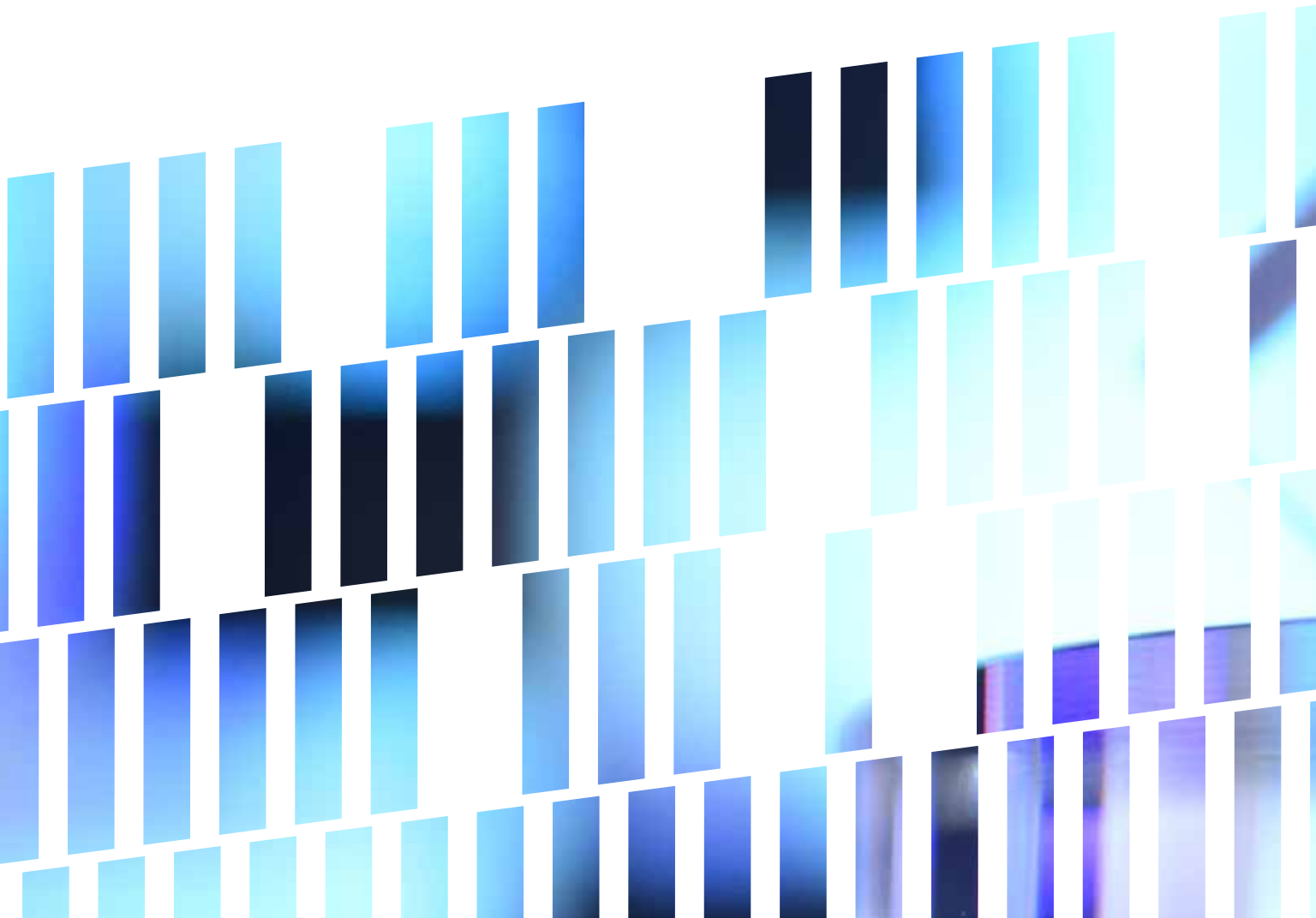




Existing
Industry
Report

2018



The State of the Industry - Through the Lens of our Businesses

The most valuable intel the Economic Alliance can gather on the local and regional economy comes directly from business leaders – those C-suite executives, plant managers, site supervisors and others working daily with company financial data, productivity statistics, workforce needs, customer trends, market changes and other factors in their industry. With the gracious permission and cooperation of those leaders, we've once again been able to visit on-site with more than 100 companies over the past year to conduct a comprehensive Existing Industry Survey. Their confidential individual data is aggregated into statistics we can then compare with similar data from the region, the state and nationwide. Together, it gives us the most comprehensive snapshot of the state of the economy we can compile.

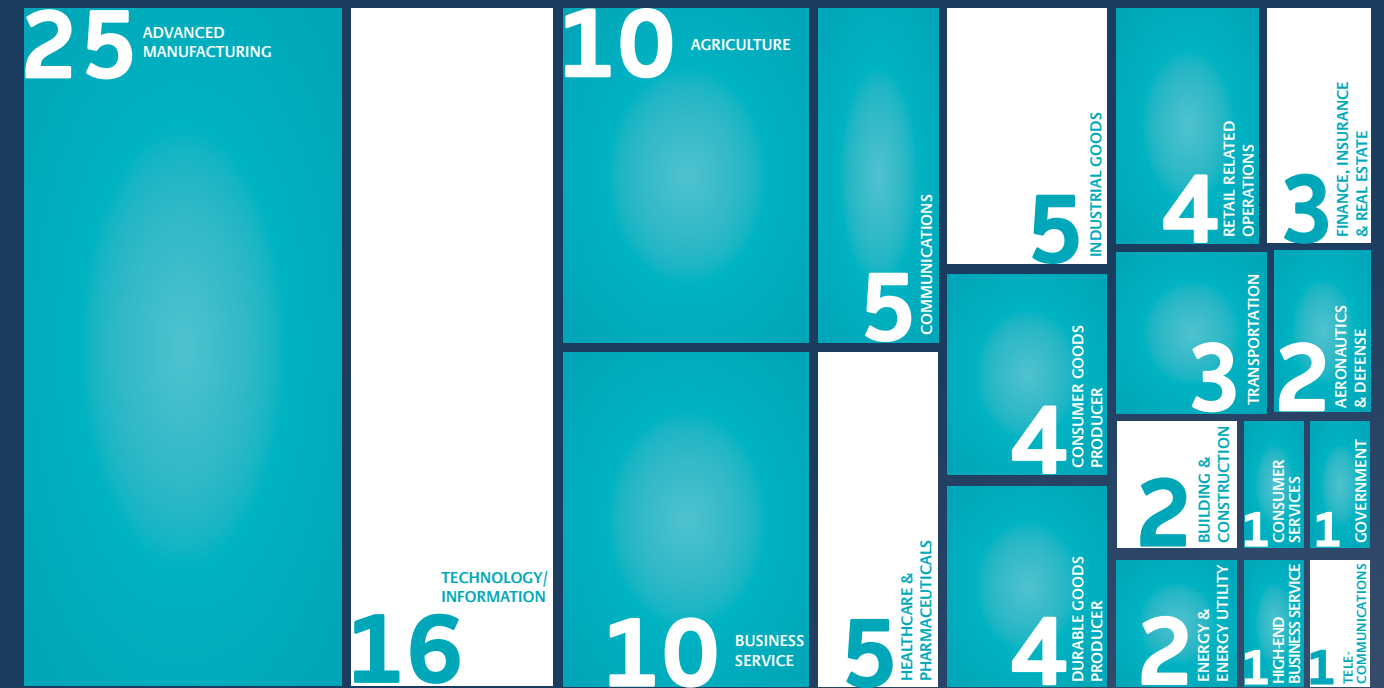
We use the results of this annual report to fashion programs, services, events and initiatives that are responsive to the greatest needs of business. We hope the information might also be beneficial to business leaders and community leaders in guiding and informing strategies and decisions ranging from company-specific to community-wide.

This year's report paints a strong economic picture of an optimistic business community planning for growth and product expansion. Some statistics are at or near 10-year highs. Assets such as the Eastern Iowa Airport and Kirkwood Community College remain highly admired and appreciated. There's cause for concern in the data, too. Workforce availability issues are so acute they are causing a pause or even abandonment of expansion plans in some circles. Please take a look at the rest of the information inside.

Those with deeper questions about the data are encouraged to contact the Economic Alliance. This report is merely a summary of the overall information we compile and analyze from a variety of sources. And if we can be helpful to businesses or the prospects for economic growth, well, that's why we exist.



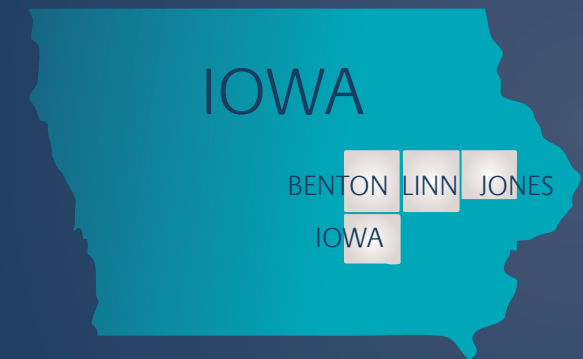
Doug Neumann, Executive Director,
Cedar Rapids Metro Economic Alliance



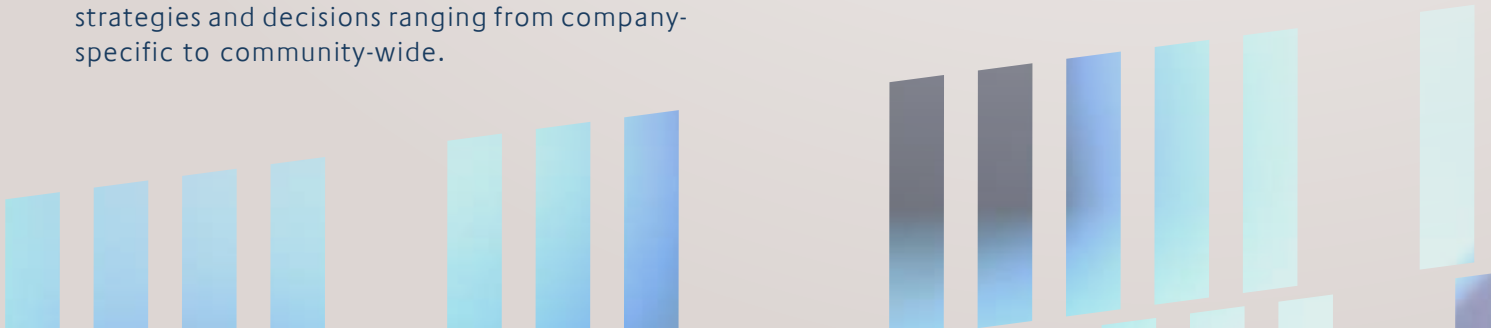
Industry Breakdown

The Economic Alliance uses the Existing Industry Survey to get an annual update on the pulse of interstate commerce companies in the Cedar Rapids metro area, including Benton, Linn, Jones, and Iowa counties.

By partnering with local business leaders to collect this data, we are able to see regional trends year-over-year as well as get a sense for how our regional economy is performing relative to the state and nation in four key areas: Workforce, Business Growth, Infrastructure, and Community Development.



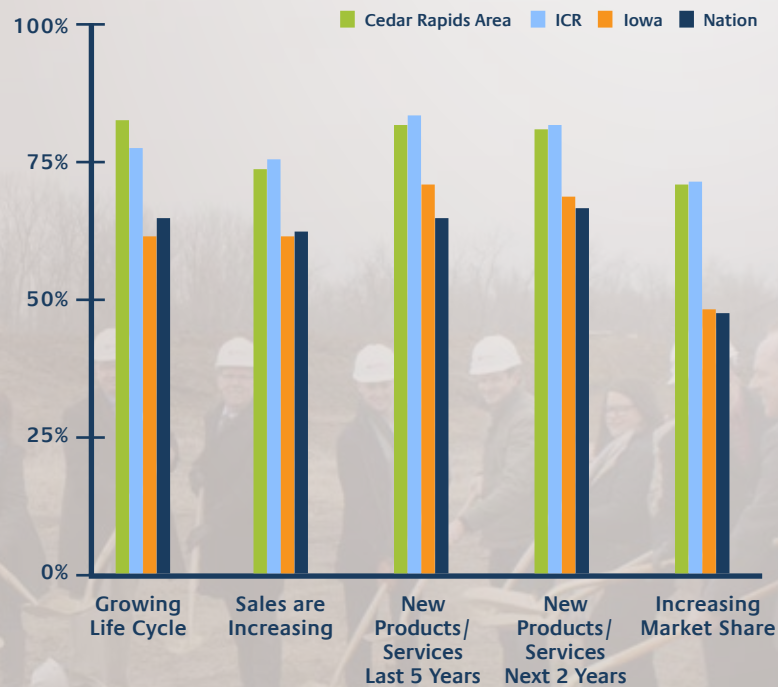
Surveyed Counties



Business Growth

By almost every metric in the four-county region that includes the Cedar Rapids metro area, business is booming. Companies are growing, increasing their market share, and introducing new products and services to the marketplace. We have seen steady economic growth since 2008, and this is reflected in both the regional GDP and employment numbers.

Business Growth Metrics



82% indicate their business is in a “growing” life cycle phase

73% report that company sales are increasing

81% have introduced new products or services within the last 5 years

80% plan to introduce new products or services within the next 2 years

70% of companies are increasing their market share of their primary product/service

GDP

Regional real gross domestic product estimates the value of the goods and services produced by the region adjusted for inflation.

Since 2009, regional real GDP has grown by 25% well surpassing the national growth of 14% during the same time period. The majority of this growth came from the Finance and Insurance industries that alone experienced a 78% growth.

Regional Real GDP Growth Since 2009



Employment

With this growth has come an increase in total number of jobs in the region. Since 2009, employment has grown consistently year-over-year from 135,521 employees in 2009 to 141,891 in 2017. During this same time period, the available pool of labor force living in the region has decreased, causing the pinching of low unemployment we are seeing now and the subsequent workforce issues.

Regional Employment



A strong business climate has allowed the number of jobs in the region to grow by 4.7% from 2009 to 2017.

BUSINESS GROWTH

Workforce Availability

The importance of tracking and addressing workforce concerns can not be overstated. The Existing Industry survey allows us to evaluate workforce concerns by four components: Availability, Quality, Stability, and Productivity.

We hear from companies every day about the difficulty in filling job vacancies and know that with a current unemployment rate of 2.1%* that availability is the most challenging part of workforce issues. This bears out in the results of the Existing Industry Survey as well. 82% of respondents state that they are experiencing recruitment problems and 40% of respondents indicated that the number of unfilled positions is increasing.

82% of Respondents **Experiencing Recruitment Problems**

40% of Respondents **Say Unfilled Positions are Increasing**

*October 2018 not seasonally adjusted

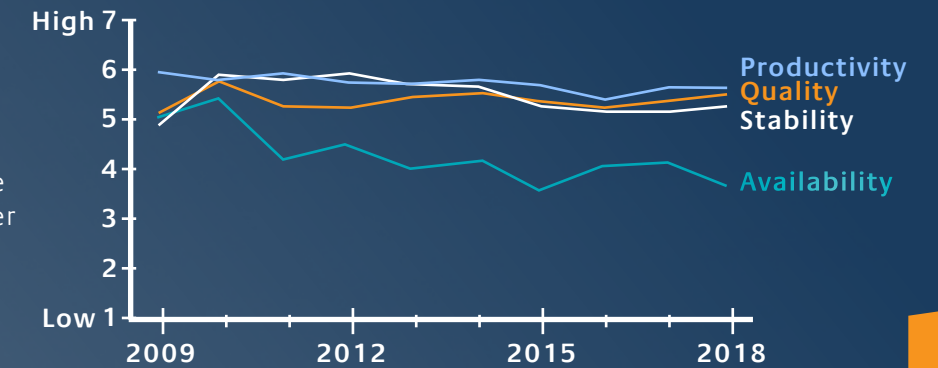
The rating for workforce availability has been decreasing since 2010, and in 2018, respondents rated Workforce Availability the second lowest it's been in the last nine years (only 2015 was marginally lower) at 3.8 on a 7-point scale. Positions that were mentioned as being most difficult to fill include various types of engineers, production workers, software developers, computer programmers, and drivers.

This difficulty is not unique to our region. Survey results from the State of Iowa rate workforce availability even lower (3.6) and nationwide results are only marginally higher (4.0).

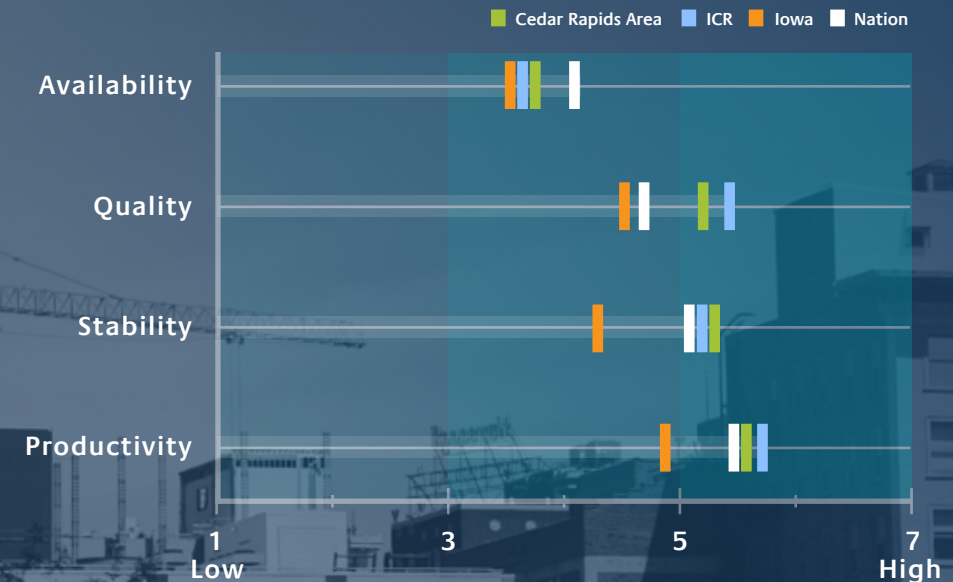
Workforce Trends

While we continue to battle addressing the availability of workforce, we should be encouraged and proud of the consistently high ratings given for workforce quality, stability, and productivity. Each of these metrics have stayed strong over the last nine years and also measure significantly higher than the state and national results.

10-Year Trends in Area Workforce



2018 Geographical Comparison



Addressing Workforce Challenges

Economic growth is being inhibited by workforce shortages, and there's no easy or immediate solution in sight. Woods & Poole Economic projects a population increase of 6,943 people in the seven-county region from 2018 to 2020. That number doesn't even replace retiring workers much less close the gap on the need for workers.

In response, employers are working on new strategies and are more open-minded to solutions that haven't previously been considered.

Examples of Employer Workforce Efforts

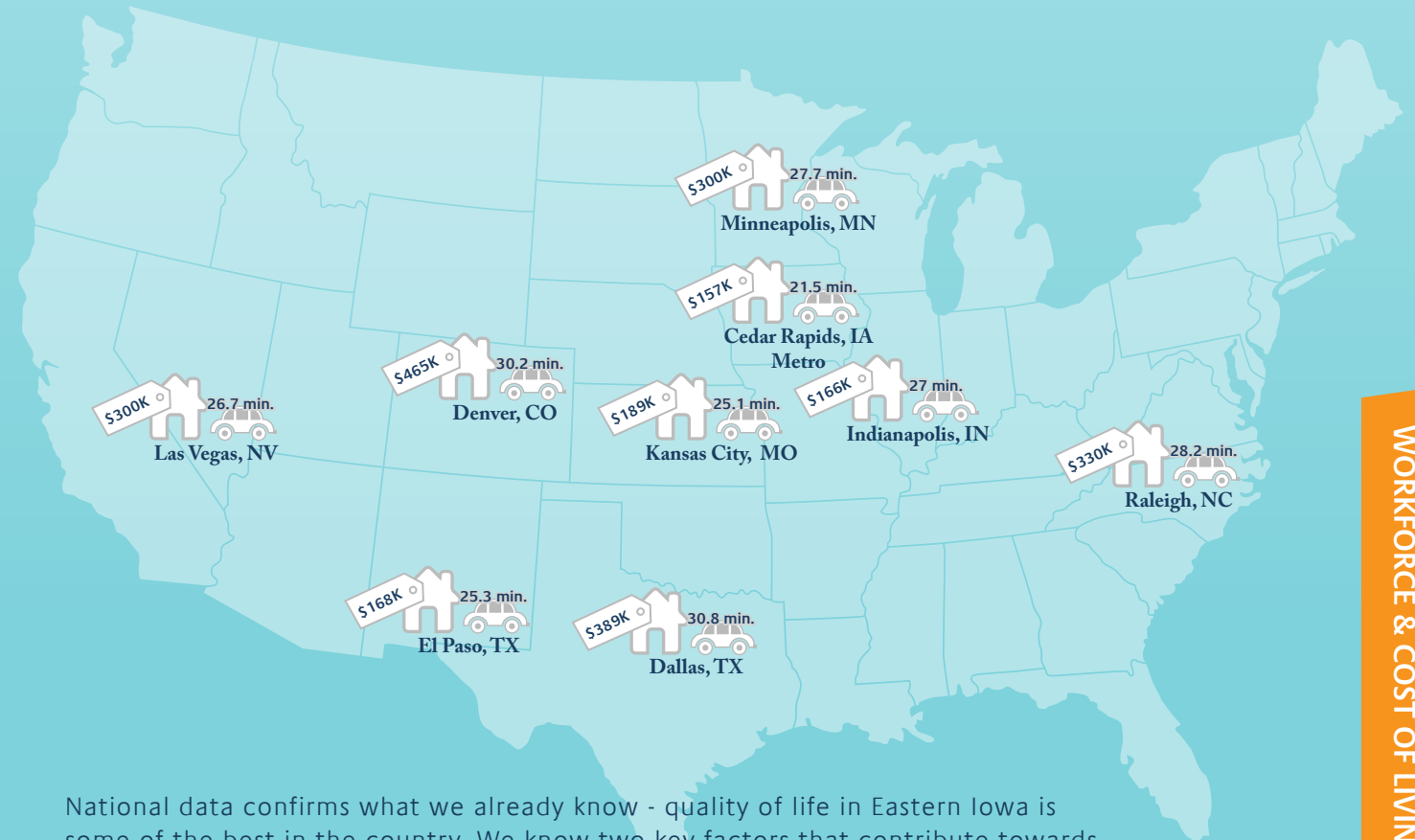
- Hiring ex-offenders
- Earn-to-learn programs
- Increased automation & modernization
- On-site daycare
- Assisting employee transportation needs
- Employee referral programs
- Internship & job shadow programs
- Remote worker policies
- Workplace culture advances
- Increasing compensation & benefits

Likewise, the Economic Alliance is adding programs, services and more resources, including continued support of a joint venture with the Iowa City Area Development Group to do some workforce development on a regional basis via ICR Iowa. It will take the business community, civic leaders, educational and economic development organizations all working on various aspects in order for this region to be more competitive for workforce.

Examples of Economic Alliance/ICR IOWA Efforts

- Workforce Solutions consultation & strategy and resource recommendations
- Marketing to former Iowans to recruit them back
- Online talent hub to match job seekers and employer positions
- ImpactCR – young professionals organization
- Student community tours
- Executive community tours
- Urban Living & other housing initiatives
- Public policy advocacy (Future Ready Iowa, workforce housing tax credits, policies addressing childcare cliff, etc.)

Cost of Living & Average Commute



National data confirms what we already know - quality of life in Eastern Iowa is some of the best in the country. We know two key factors that contribute towards this is cost of living and commute times. The Cedar Rapids metro continues to offer a reasonable cost of living whether you're buying groceries or a new home and commute times are some of the lowest in the country.



What We're Hearing

“This is a great place to raise a family.”

“Being centrally located is an asset.”

“The quality of people, value of Iowa and the benefits of a smaller community are assets.”

“This is a fantastic city. The downtown area has made a lot of progress.”

“You won't find a similar quality of workforce anywhere else in the country--quality people and work ethic.”

“Great educational system.”

“The cost of living is very reasonable, particularly housing costs.”

“Kirkwood and area colleges are strong resources.”

“Good relationships with collaborative strength in the region is a great asset.”

Infrastructure

One of many reasons why the economy and business continues to thrive here is our commitment to improving our infrastructure.

Air

The Eastern Iowa Airport has seen a significant increase in both passenger and air cargo traffic over the last five years, with consecutive months of record-breaking passenger traffic in 2018.



The amount of air cargo shipped through CID has also seen a significant increase in the last 10 years, and in September 2018, the Eastern Iowa Airport announced that it had received an \$8.8 million Federal Aviation Administration grant to relocate and expand its cargo operation. Air Cargo has consistently been rated well by survey respondents over the last ten years - 5 on a 7-point scale.

To accommodate the growth of a quality air traffic facility, the Eastern Iowa Airport is working on a four phase terminal modernization project.

The project is currently in Phase 3 and includes a \$30.8 million, 54,000 square foot expansion. This investment is reflected in the positive rating of air passenger service from respondents, that has gotten a higher rating every year since 2012. When asked about overall customer service specifically, respondents rated CID very high - 89% saying customer service was Very Good or Excellent.

Nonstop Flights from CID



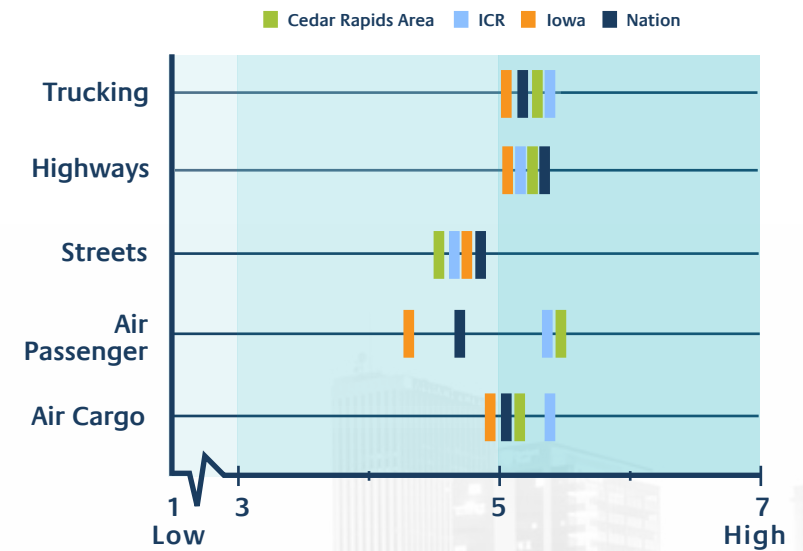
Road

Regional highways and trucking services have also consistently been rated well every year at 5 on a 7-point scale. Projects like Highway 100, Tower Terrace Road, and the upcoming update to the I-80/380 interchange will all continue to support efficient transportation in our greater region.

Locally, the City of Cedar Rapids is five years into their Paving for Progress program to invest \$18 million annually for the maintenance, repair, construction, and reconstruction of public streets. We are already seeing a positive response to these improvements as the local streets rating has been increasing for the fourth year in a row.



2018 Infrastructure Satisfaction



Water

Routine investment and maintenance of key community infrastructure is wise to ensure firm capacity and long-term process reliability. The City of Cedar Rapids is right in step with their \$478 million, 10-year capital construction project for improvements to water, sewer, and wastewater treatment infrastructure. These capital projects include both updates to existing infrastructure and capacity expansion in key areas to provide growth opportunities. Some of these projects will take place in our

Cedar River watershed for leveraging multiple benefits from upstream investments. When asked about the quality of water and sewer services, responses to the Existing Industry Survey have shown a gradual decrease in these ratings in the last few years. The City of Cedar Rapids is optimistic that these timely projects will ensure that our watershed and utilities can serve our community in a cost effective and reliable manner for decades to come.

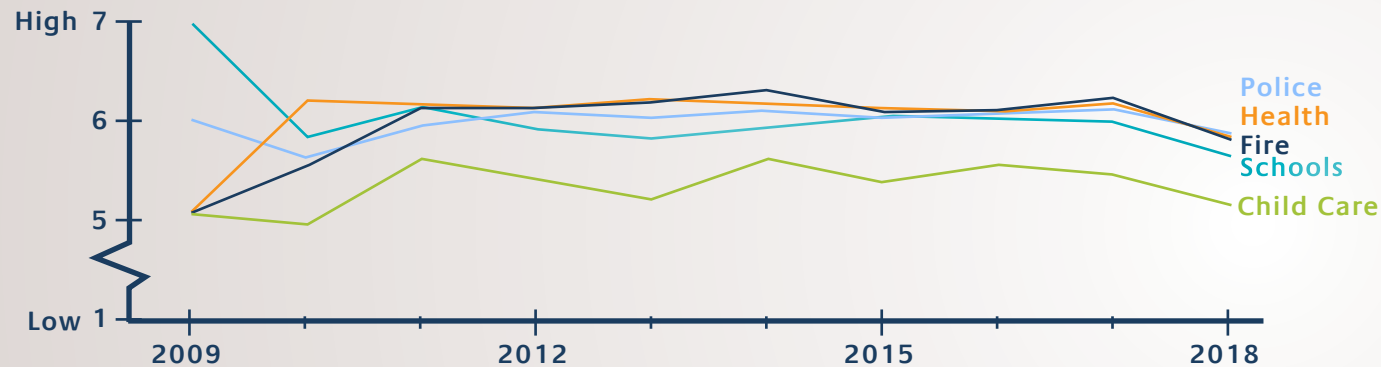
Community Development

One of the strongest assets in the Cedar Rapids Metro is our quality of life. High quality schools and outstanding community services are two of many strengths that make our region a great place to live, work, and play. Hospitals, public schools, fire protection, and police response are all consistently rated high year-over-year and on average over the last 10 years rated a 6 on the 7-point scale. Quality child care is necessary to support working parents. While still rated well, we have observed the child care rating decrease for the last 3 years. We know that the child care cliff is an obstacle keeping many workers from working more or taking better opportunities, and in turn that this makes it harder for businesses to hire.

While still rated well, the rating for child care has declined for the last 3 years. We know this is an obstacle keeping many workers from taking additional hours or taking better opportunities, and in turn making it harder for businesses to hire.



Community Services 10-Year Satisfaction Ratings



One Regional Economy

For the first time, the Economic Alliance has access to complete survey information from the seven-county region we now call ICR Iowa instead of just the four counties where we conduct interviews. Working in concert with our economic development friends in other counties, we're able to peek at the wider region and add even more assurance to the data-driven conclusions. When we add 2018 data from Johnson, Cedar and Washington counties, the specific results and the long-term trends look almost identical to our four-county area. We also singled out data from just Cedar Rapids. Again, it mirrored the region-wide results, with few if any statistically relevant differences. That's generally expected, and further reinforces how much our seven-county region acts as a single economy.

The Economic Alliance's work on this report is led by Mike Lukan, and supported by numerous contributors from our economic development, member services and communications teams. Many other collaborators help make this report possible. We appreciate the business interviews conducted or assisted by Nick Glew of the Marion Economic Development Corporation (MEDCO); Kim Downs of the City of Hiawatha and Hiawatha Economic Development Corporation (HEDCO); David Connolly of City of Cedar Rapids; Tom Banta and Mark Nolte of the Iowa City Area Development Group; and Kate Robertson of the Benton Development Group.

Lastly, a sincere thank you to the businesses and business leaders who contributed time and information. This report isn't possible without you. And our economy doesn't grow without you. Thank you!



CEDAR RAPIDS METRO
**ECONOMIC
ALLIANCE**

501 First Street SE
Cedar Rapids, IA 52401
319.398.5317
www.cedarrapids.org

PROUD TO BE IN

ICR
IOWA