

## Recovery in 2010, and we beat some national numbers

Economist Rajeev Dwahan, Georgia State University, released his forecast for Georgia and the nation in November. He reports:

- no real recovery for Georgia until late 2010.
- weak corporate spending brings with it a flood of layoffs.
- for the calendar year 2008, Georgia will show a net loss of 75,100 jobs and another 72,000 jobs in 2009.
- even government jobs aren't safe. In previous recessions, they were a cushion for the downturn.
- Georgia's unemployment rate will increase from its projected 6.0% rate in 2008 to 7.5% in 2009, and further to 8.0% in 2010. However, it will still be less than the national number.
- Atlanta's total housing permits will plummet in 2008 by 54% after a 34.6% decline in 2007. Permits will again decrease by 13.5% in 2009 before recovering mildly in 2010 (2.7% increase). *See more on pg. 5.*

### Some bright spots

- Georgia's Unemployment Insurance Trust Fund stands at about \$1 billion and is relatively stable. In contrast, other states' unemployment insurance funds are depleted or are close to running out of money. One of the most severe case, Michigan, already has had to borrow more than \$300 million from the federal government to meet its unemployment payment obligations.
- Education and health services represent the only bright spot in the economy—still adding more than 1,000 jobs per month, but even that is much weaker than a year ago, as of November.
- In an October ranking by the *Financial Times* of London, of who is suffering most in the financial crisis, Georgia ranked 34th among US. The ranking looked at annual growth rates of personal income and employment, foreclosures as a percentage of all loans and the annual percentage change of real gross state product. Texas is faring best; Florida the worst, ranked last. Other southern states such as Tennessee and Mississippi aren't faring as well as GA.



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# an Intelligence Report



georgia,usa

Issue IX  
2009

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## Transportation - Air, Rail, Road

Hartsfield-Jackson Atlanta International Airport, world's busiest airport in 2007 in terms of flights and passengers, held its ranking into 2008. More total system and domestic passengers boarded planes in the first nine months than at any other US airport. 250,000 customers fly through the airport each day.

Greater efficiencies for moving customers at Hartsfield

- The airport added 10 new security lanes in October; total is up to 32.
- According to SITA, an aviation tech company, Atlanta passengers led in kiosk and web use, with 56.2% using kiosks and the Web for airport check-in.

### International trade key to Hartsfield growth

International air traffic is essential to the growth of Atlanta's economy and the airport. Atlanta-based Delta Air Lines Inc., which recently merged with Northwest Air Lines Corp., has committed to expanding its lucrative international service. On Nov. 12, Delta announced 15 new international routes throughout its network, with several originating in Atlanta.

Financial environment is threatening Hartsfield's new international terminal. Frozen bond markets impede a \$600 million funding need for the \$1.6 billion terminal project. The problem in obtaining bonds isn't the airport or the city of Atlanta, which have a solid A+ bond rating, "We're just a microcosm of what the rest of the world is going through," General Manager Brian DeCosta said.

### Rail moving new kinds of shipment

More Georgia companies are using rail to move product beyond the traditional rail-shipped commodities. Companies are using rail to move finished consumer goods; creating new balance between rail and trucking industry. Whirlpool Appliances in Henry County constructed a 1.5 million square foot distribution facility reliant on rail access. Other companies like Nestle in McDonough and Norcom in Griffin are moving finished goods via rail. Fuel cost is a major factor. May impact relocation and expansion decisions for some corporate decision makers.

CSX and Norfolk Southern own 73% of the 5000 miles of freight railroads.

Traffic congestion costs the Atlanta region \$2.58 billion annually in lost time and wasted fuel, or \$1,177 per person. Governor Perdue is looking to his Congestion Mitigation Task Force and "Fast Forward" program to address mobility and expedite solutions. Legislators seem determined to pass a major transportation funding scheme in the 2009 session that began January 15.

The Reason's Foundation 2008 ranking of state-owned highway performance (for 2006) GA ranked 10th in overall performance.

## Office Market

The office market in Atlanta had a vacancy rate of 14.7% at the end of third quarter 08. Third quarter construction included 25 buildings totaling 541,456 square feet that were completed in the Atlanta market area.

The Savannah office market ended the third quarter 2008 with a vacancy rate of 16.6%.

The pain felt throughout the US housing market over the past two years is going to catch up with commercial real estate in 2009. Atlanta's potential vacancy rate through 2010 could reach 17%, according to the CoStar Group.

Luxury Hotel Will Move its US Headquarters to Atlanta  
Asian-based Mandarin Oriental will open a luxury brand residential hotel in Midtown Atlanta in 2011.

"Green" properties continue to enjoy a premium in the marketplace in terms of higher occupancy levels, nationally. They also get from \$3 to \$18 more for per square foot.

## Automotive -Special Report

While the big three Detroit automakers are making grim headlines these days, foreign automakers have created America's other auto industry and Georgia is getting her share. Widely known as the Southern Automotive Corridor or Auto Alley, Georgia and fellow southern states are home to auto assembly plants. Of the top ten foreign car manufacturers in the US, four, soon-to be-five, have plants in the South. Honda, Mercedes, BMW, Nissan and newcomer KIA. Including plants in four other states outside the South, two-thirds of "foreign imports" are made in the US.

Georgia is home to 300 companies in the automotive industry. Eight have located their global headquarters in this state; more than 50 have based their North American headquarters here, including automakers Saab USA and Porsche and parts suppliers Hella and Daewoo.

### The Market is here

Georgia, and the other Southern states, provide the customers. This region is the nation's fastest-growing market with nearly 50 million registered drivers. Automakers are looking for a location that offers transportation connectivity to speed their supply delivery and product distribution.

**Case in point, BMW.** In order to better serve its Southeast market, predominately Florida, this year BMW will divert about 20% of its inbound vehicles from S.Carolina to Brunswick, where it already owns an automobile processing center. The move will reduce the costs of transporting the cars to dealers in the Southeast. "It's not just where you dock the ships. It's the cost after you dock the ships," said Robert Hitt, media manager for BMW Manufacturing Co.

### Brunswick ideal for manufacturers

**Port of Brunswick is designed to export and import automobiles.** Now it's home to Mercedes, and BMW is back. The Brunswick's Colonel's Island Terminal remains one of the nation's premier auto handling facilities. "Roll-on/Roll-off (Ro/Ro) cargo at the Port of Brunswick has tremendous potential for future growth," said Port Director Doug Marchand. Despite the well-publicized struggles of the auto industry, the Port of Brunswick has maintained consistently strong Ro/Ro throughput. In fiscal year 2008, the Georgia Port Authority (GPA) handled more than 368,000 rolling units through the Colonel's Island facility and secured the return of BMW to Brunswick from the Port of Charleston. This year, the GPA will move about 35,000 BMW units.

**In August 2008, Mercedes-Benz broke ground on a 70,000 square-foot processing facility.** This facility, the second processor on the south side of Colonel's Island, will create 122 new jobs for the area and bring an estimated 50,000 additional automobiles through Brunswick. The Mercedes expansion will generate a projected annual benefit of \$1.5 million in state and local taxes and add \$5.5 million to Georgia's gross state product.

### Losses from two of the big three

- Georgia did lose jobs with Detroit. Georgia auto workers lost their jobs in September 2008, when the GM plant in Doraville finally closed its doors.
- Ford Motor Company closed its Hapeville Assembly Plant, south of Atlanta, in 2006. It was one of six plants closing nationally to trim 30,000 jobs by 2012.

### Don't Forget Bluebird

LaFayette and Fort Valley is home to the famous yellow bus manufacturer, Bluebird. The LaFayette plant is winner of a prestigious Shingo Award for Manufacturing Excellence.

### Company Highlight - diesel engines

Perkins Shibaura Engines  
In 2004, the first Perkins plant in North America opened in Griffin. "We chose the location near Atlanta because of the excellent logistics it provides our North American customers," said Jeremy Canham, general manager, Industrial Systems.

## Automotive continued

### KIA, a plum for Troup County

In a 2006 announcement, KIA Motors Corp. selected West Point for its first US assembly plant. The \$1.2 billion facility is now under construction with plans to open the end of 2009 and hire 2,900 employees. When KIA accepted applications last winter—only online, not in person—43,000 people applied. This December, a 2.5-mile, four-lane road that runs along the 2,200-acre plant site was completed. Naturally, it's called KIA Parkway.

### The next Southeast Plum looks to be Volkswagen

Volkswagen is currently building a plant outside of Chattanooga, TN, which will produce 150,000 cars a year. But VW, with ambitious plans to increase its American sales, obtained an environmental permit that allows it to make 512,000 autos at the site. North GA communities like LaFayette, are courting potential suppliers to locate in these nearby communities.

### GA Named Comeback Kid

...Like many communities in the rural South, West Point and LaGrange were hammered by job losses from the apparel and textile industries. And like similar places in the South, the automotive industry has come on strong to replace those lost jobs.

by Southern Business & Development,  
Sept. 08 about the KIA project

## KIA Supplier Announcements Locating in GA since 2006

Uni-Tech of Alabama	automation technology	Tallassee
GMB Automotive USA	powertrain components	Auburn
HS Automotive Alabama	weather strips, tubing, hoses	Enterprise
KwangSung America	plastic hoses, sun visors	Dadeville
Daewon America	coil springs	Opelika
Hanil USA	brake, fuel & power steering tubes	Tallassee
Engineering World	racks, door hinges, springs	LaGrange
Seohan Auto USA	axle assemblies	Auburn
Hyundai (engine plant)	4 cylinder theta engines	Montgomery
Halla Climate Systems	radiators, condensers	Shorter
Sejin Alabama	plastic spoilers, interior consoles	Dadeville
Mobis Alabama	f/e modules, cockpit modules, bumpers	Montgomery
Mobis	f/e modules, cockpit modules, bumpers	West Point
Daelim USA	plastic interior components	LaGrange
Dongwon Autopart Technology	door frames, side impact beams	Meriwether County
Sejong Georgia LLC	muffler & exhaust systems	LaGrange
Daehan Solutions Alabama	NVH mitigation products	Hope Hull, AL
Sewon America	metal stamping	LaGrange
Daeki America	air cleaners, air canisters, fuel filters	Chambers County
Kumho Tire	radial tires	Macon
Ajin	metal stamping	Chambers County
MP Tech	LED lighting	Chambers County
Daehan Solutions Georgia	NVH mitigation products	Harris County
Hysco	metal blanking	West Point
Daedong Hi-Lex	window regulators	Chambers County
JCI	seats, interiors	Harris County
Glovis Georgia	logistics	West Point
DNT Georgia	carpet, floor mats	Columbus
Mando America	brake systems, steering systems	Opelika
Hyundai PowerTech	transmissions	West Point

## Residential Housing Market

Economist Jeffrey Humphreys sees some bright spots in Georgia housing

Georgia's housing downturn will bottom out late in 2008 for new homes and for existing homes in first quarter of 2009. New home sales will lead the turnaround; existing home values will not begin to appreciate until late 2009 and early 2010. While Georgia is sure to feel the painful symptoms of a nationwide economic recession, it could emerge less scathed than many other states whose economies have been hurt by bloated overpriced real estate. "We're in a housing recession, but the good news for Georgia is that the equity is intact. Prices haven't dropped significantly. ...The real problem is that the activity isn't there," Humphreys said.

Homebuilding is to Atlanta what carpet is to Dalton, what the ports are to the coast and what the military is for Augusta, Warner Robins and Columbus.

## Workforce Development

Emory University, Georgia Tech and The University of Georgia (UGA) are ranked among the best schools in the nation, according to the 2009 edition of *U.S. News & World Report's "Best Colleges"* guide. The magazine's rankings of national universities places Emory at 18, Georgia Tech at 35 and UGA at 58. UGA also is tied for 20th among public universities and has been ranked among the top 20 leading public universities in the nation eight of the last 10 years. The undergraduate program at UGA's Terry College of Business is ranked 30th overall and 18th among public business schools.

Georgia in 2008 joins a handful of states offering a universal tuition tax credit program. The program grants parents access to privately funded scholarships to send their children to private schools. The legislation is to empower parents, by granting them as many options as possible with respect to how to educate their children.

Georgia's average annual teacher salary is the 18th highest in the nation but, after adjusting for cost of living, pension contributions and teacher experience, the state's teacher compensation is, in fact, the highest in the nation. Sources: "Rankings and Estimates, National Education Association," [www.nea.org/newsreleases/2007/nr071210.html](http://www.nea.org/newsreleases/2007/nr071210.html) and "Annual Report on Teacher Pay," John Locke Foundation, [http://www.johnlocke.org/acrobat/spotlights/spotlight\\_340-teacherpay.pdf](http://www.johnlocke.org/acrobat/spotlights/spotlight_340-teacherpay.pdf)



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[www.educatedgeorgia.org](http://www.educatedgeorgia.org), the  
Center for Educated Georgia

## Arts and Entertainment

A new family-oriented \$20-million science museum opened January. The Tellus Northwest Georgia Science Museum features a facility in Cartersville just north of Atlanta. The museum includes a 120-seat planetarium and an observatory with a 50-centimeter telescope.

Film Industry Lures Business with Incentives

Georgia's new aggressive 30 percent entertainment tax incentives have resulted in three major production companies filming in Georgia. Filming has begun in various Alpharetta and Atlanta locations. The productions are estimated to have an economic impact of \$31 million in Georgia and represent more than 500 jobs.

### New Projects

Disney Family Channel

Echo Lake Productions

Warner Specialty Productions

### Film Investment Incentives

1. Income tax credit of 20%
2. Plus, another 10% if the GA Entertainment Promotional logo is embedded within the titles or production credits.

## India Chooses Atlanta for Office

### India to open consulate in Atlanta

Expect to see more Georgia business with India; India has decided to open two more consulates in the US in apparent recognition of the dramatic turnaround relations in recent years and the burgeoning Indian American population, now put at well over 2.5 million. The two new cities of choice are Atlanta and Seattle, both fast-growing economic hubs.

Washington has accepted the Indian proposal for these two new consulates, but did not say when they would be opened.

Apart from the embassy in Washington, India at present has its consulates in New York, Chicago, San Francisco and Houston.



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for location potential in S. GA

## Empowered Employees -Portable Health Insurance

*In May 2008, Governor Perdue signed into law legislation that pushes Georgia's health care system in a market-based direction. This practical legislation addresses some of health care's biggest challenges - the high cost of insurance, inequities in the tax code, the lack of portability and the increasing toll of chronic disease.*

*"This legislation is great because it paves the way for small employers to offer personal and portable insurance that can follow workers from job to job. It also allows employers to enact wellness programs to combat the onset of chronic conditions."*

*Devon M. Herrick, Ph.D Senior Fellow  
National Center for Policy Analysis*

*Georgia is now the second state in the union to allow employers to help their employees obtain personal and portable health insurance. Certainly a boost for GA's strong in-migration of young professional workforce.*



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[www.gppf.org](http://www.gppf.org), a GA think tank.

MEAG Power is a public generation and transmission corporation providing wholesale electricity to Georgia's public power utilities. As Georgia's third largest power supplier, MEAG Power also provides statewide economic development services to new and existing industries.

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