

100 LEADING LOCATIONS for 2016

year before despite the fact that global economic uncertainty pulled down investments in general in the fourth quarter.

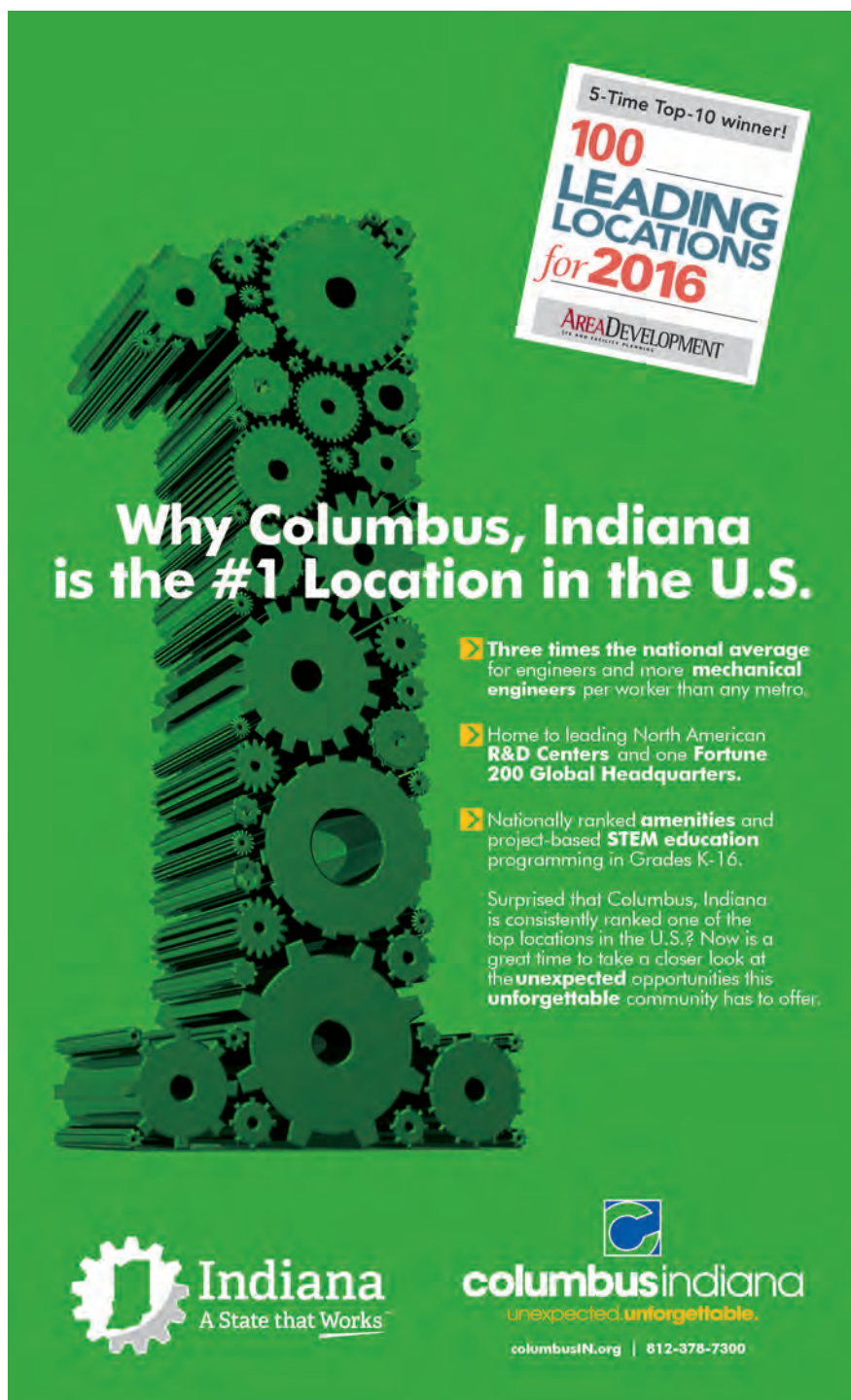
That flood of venture capital points to the fact that the area lives up to its reputation as a technology-centered economy. Historically a financial center and magnet for tourism, the economy these days gets a lot of its strength from the tech sector, biotech, and medical research. The hot economy is creating an abundance of jobs, as reflected in the low unemployment rate — as of March 2016 the Bureau of Labor Statistics pegged the jobless rate at 3.8 percent in the San Francisco-Oakland-Hayward area.

All in all, the area has performed incredibly well in recent rankings, topping Mercer's 2016 Quality of Living Survey, while coming in second only to the San Jose area in the Milken Institute "Best-Performing Cities" economic vitality report. Its strength in Prime Workforce is reflected in its #3 ranking in the Robert Half Career City Index, according to the SFCED.

Grand Rapids-Wyoming, Michigan Population: 988,938

The Grand Rapids metropolitan area was highest among large cities in Economic Strength and Five-Year Growth. It also was a top-10 finisher on the big-city rankings of Year-Over-Year Growth, in the sixth spot, and Prime Workforce, placing eighth.


Grand Rapids enjoys a diverse economy that is a job-creating engine — unemployment as of March 2016 was 3.4 percent, and job growth over the past five years is averaging more than




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TOP 20 MID-SIZE CITIES - "Prime Workforce"

CITY/MSA	State	Population	Rank Within Prime Workforce
1 Gainesville	FL	264,275	3
2 Blacksburg-Christiansburg-Radford	VA	178,237	4
3 College Station-Bryan	TX	228,660	6
4 Tyler	TX	209,714	7
5 Fort Collins	CO	299,630	9
6 Burlington-South Burlington	VT	211,261	15
7 Naples-Immokalee-Marco Island	FL	321,520	16
8 Myrtle Beach-Conway-North Myrtle Beach	SC-NC	376,722	19
9 Bremerton-Silverdale	WA	251,133	21
10 Asheville	NC	424,858	23
11 Reno	NV	425,417	25
12 Provo-Orem	UT	526,810	26
13 Sioux Falls	SD	228,261	30
14 Savannah	GA	347,611	31
15 Prescott	AZ	211,033	41
16 Fargo	ND-MN	208,777	42
17 Des Moines-West Des Moines	IA	569,633	45
18 Panama City	FL	184,715	48
19 Bloomington	IL	186,133	49
20 Boulder	CO	294,567	61

TOP 30 MID-SIZE CITIES

CITY/MSA	State	Population	Rank Within Leading Locations
1 Reno	NV	425,417	9
2 Fort Collins	CO	299,630	11
3 Saginaw	MI	200,169	13
4 Provo-Orem	UT	526,810	16
5 Kalamazoo-Portage	MI	326,589	17
6 Sioux City	IA-NE-SD	168,563	18
7 Elkhart-Goshen	IN	197,559	19
8 Santa Rosa	CA	483,878	20
9 Ann Arbor	MI	344,791	23
10 Naples-Immokalee-Marco Island	FL	321,520	27
11 Lansing-East Lansing	MI	464,036	29
12 Blacksburg-Christiansburg-Radford	VA	178,237	30
13 Savannah	GA	347,611	35
14 San Luis Obispo-Paso Robles-Arroyo Grande	CA	269,637	36
15 Trenton	NJ	366,513	38
16 Ogden-Clearfield	UT	597,159	38
17 Boulder	CO	294,567	49
18 Lafayette-West Lafayette	IN	201,789	50
19 Sioux Falls	SD	228,261	52
20 Gainesville	FL	264,275	53
21 Fort Wayne	IN	416,257	56
22 Greeley	CO	252,825	58
23 Eugene	OR	351,715	59
24 South Bend-Mishawaka	IN-MI	319,224	62
25 Vallejo-Fairfield	CA	413,344	63
26 Appleton	WI	225,666	65
27 Janesville-Beloit	WI	160,331	66
28 St. Cloud	MN	189,093	69
29 Gainesville	GA	179,684	74
30 Medford	OR	203,206	83

4.5 percent. The area has a long history in manufacturing, with a strong presence in furniture, automotive, and aviation. Manufacturing is, indeed, a cornerstone of the economy, creating 19 percent of the jobs in western Michigan.

The area is increasingly strong in the high-tech sectors in particular, from advanced manufacturing and the life sciences to information technology. Its biopharmaceuticals sector ranks in the nation's top 10, and the food and agriculture sector adds nearly \$100 billion to the local economy.

Grand Rapids and the surrounding area regularly ranks near the top of a variety of surveys of business and quality-of-life factors. Last year, *Forbes* placed it #1 on its list of "Best Cities for Raising A Family," and second on the list of "Best Cities for Finding A Job." It's among the top U.S. "emerging cities" for global trade, and is home to more than 130 international companies.

San Jose-Sunnyvale-Santa Clara **Population: 1,836,911**

The San Jose-Sunnyvale-Santa Clara metropolitan area has a high reputation to uphold, given its nickname of “Silicon Valley,” and its place on the Leading Locations listing suggests that it’s doing just fine. It tops the list for Year-Over-Year Growth among large cities, ranks third in Economic Strength, and is seventh in Prime Workforce and ninth in Five-Year Growth.

The roster of technology companies operating in and around the region is a true Who’s Who, led by Cisco Systems along with such names as eBay, IBM, Adobe Systems, and in nearby Cupertino, Apple, to name-drop a few. Just within San Jose, some 25,000 people earn a living in the computer and communications hardware sector, another 16,000 in software, and nearly 12,000 in semiconductors. More than 800 high-tech companies have a San Jose address.

Relatively few are without work in the San Jose area, according to the Bureau of Labor Statistics. The metro area recorded a jobless rate of 3.9 percent in March 2016. That fact, along with the prevalence of high-paying tech jobs, has helped San Jose regularly tally the highest median income among the nation’s larger cities, along with the highest disposable income.

MID-SIZE CITIES **(Population 160,000–600,000)** **Reno, Nevada** **Population: 425,417**

Healthy Year-Over-Year Growth helped put Reno atop the list of mid-size cities — it’s second among mid-size cities and third among all cities in that category. Unlike larger cities, mid-size cities really share the wealth when it comes to the rankings used to determine Leading Locations, and there aren’t any cities that dominate all of the factors. Reno is 11th among mid-size cities in Five-Year Growth and Prime Workforce, and sixth in Economic Strength. Unemployment is higher than in some places but still reasonably healthy, coming in at 5.5 percent in March 2016, according to the Bureau of Labor Statistics.

With its location in Nevada not all that far from Lake

Tahoe, it’s not surprising that Reno’s economy has historically had strong ties to gaming, entertainment, and tourism. But the city has placed its bets on a more diverse future, and it has been a good bet. Data centers have been a big part of that diversification, with Switch spending nearly \$2 billion and others including eBay announcing data center plans.

Entrepreneurism is also one of the hottest games in town, with startups and other technology, clean energy, and healthcare businesses driving healthy growth. The geothermal business is energetic, and other advanced manufacturing sectors are on the rise as well.

Analysis

Small and Mid-Size Cities Dominate

By Gregory Burkart, Managing Director, Duff & Phelps

My first surprise is the strength of two Midwestern cities. Grand Rapids, Michigan, and Columbus, Indiana, are punching way above their weight. The report describes Grand Rapids as a “Large” MSA and, while technically accurate, the city is probably one of the smallest “large” cities. For two cities that are small to medium in size, ranking #3 and #4 overall this year and #3 and #8 last year is remarkable.

My second surprise is how far and how fast the Texas cities have dropped. Houston went from #2 in 2015 to #225 this year. Plus, in 2015 there were six Texas cities in the top 20 for overall performance and this year there are none. The rate and depth of the drop indicates just how big the energy sector is in the U.S. For companies looking to expand, now would be a good time to look at Texas. Labor and construction costs are soft and, while far from liquidation prices, there are bargains to be had.

My third surprise is the strength of small to mid-size communities in this year’s report. There are currently 13 small- to mid-sized cities in the top 20 for Economic Strength, while in 2015 there were only 8 in the top 20. That is a 62 percent increase. What’s remarkable is that this growth occurred in communities that are typically lacking in airport accessibility or high rankings in the millennial aged work force. There must be something else that is not quite apparent from the data driving this performance. (I think there is a bigger story here.)

TOP 20 MID-SIZE CITIES – “Five-Year Growth”

CITY/MSA	State	Population	Rank Within Five-Year Growth
1 Greeley	CO	252,825	3
2 Naples-Immokalee-Marco Island	FL	321,520	8
3 Saginaw	MI	200,169	9
4 Elkhart-Goshen	IN	197,559	11
5 Provo-Orem	UT	526,810	12
6 Janesville-Beloit	WI	160,331	14
7 San Luis Obispo-Paso Robles-Arroyo Grande	CA	269,637	15
8 Canton-Massillon	OH	404,422	18
9 Sioux City	IA-NE-SD	168,563	20
10 Fort Collins	CO	299,630	22
11 Reno	NV	425,417	24
12 St. Cloud	MN	189,093	26
13 Gainesville	GA	179,684	30
14 Corpus Christi	TX	428,185	33
15 Vallejo-Fairfield	CA	413,344	34
16 Trenton	NJ	366,513	36
17 Chico	CA	220,000	38
18 Eugene	OR	351,715	45
19 Santa Rosa	CA	483,878	52
20 Lake Charles	LA	199,607	54

Reno also has distinct transportation advantages that have helped it attract distribution-related businesses eager for a location that can hit 80 percent of the 11 western states in a day or less. Among the most recent announcements are a distribution center for e-commerce retailer Jet.com and one for wholesaler Quality Bicycle Products.

Fort Collins, Colorado Population: 299,630

Colorado boasts a number of mid-size contenders, led by Fort Collins, with its Economic Strength ranking of 15th

TOP 20 MID-SIZE CITIES – “Economic Strength”

CITY/MSA	State	Population	Rank Within Economic Strength
1 Elkhart-Goshen	IN	197,559	1
2 Saginaw	MI	200,169	9
3 Santa Rosa	CA	483,878	11
4 Lake Charles	LA	199,607	13
5 Kalamazoo-Portage	MI	326,589	14
6 Reno	NV	425,417	17
7 Sioux City	IA-NE-SD	168,563	19
8 Gainesville	GA	179,684	22
9 San Luis Obispo-Paso Robles-Arroyo Grande	CA	269,637	24
9T Trenton	NJ	366,513	24
11 Spartanburg	SC	313,268	33
12 Ann Arbor	MI	344,791	35
13 Provo-Orem	UT	526,810	41
14 Lansing-East Lansing	MI	464,036	44
15 Fort Collins	CO	299,630	46
16 Fort Wayne	IN	416,257	49
17 Ogden-Clearfield	UT	597,159	50
18 South Bend-Mishawaka	IN-MI	319,224	51
19 Redding	CA	177,223	52
20 Medford	OR	203,206	53

among mid-size cities, a fifth-place Prime Workforce ranking, and Five-Year Growth placed at 10th. The hot economy has driven the jobless rate down to 3.1 percent as of March 2016.

The presence of Colorado State University has been a draw for high-tech industries, led by Hewlett Packard and including a variety of other prominent tech names. Manufacturing has been an economic mainstay, with products ranging from control systems to wireless phone protective gear to dental devices to beer. Just one of many positive headlines in recent months was the planned expansion of semiconductor designer Avago Industries, with more than 1,300 on the payroll locally.

Local economic development officials strive to keep the good news rolling by funding targeted industry clusters. Among the more recent recipients are groups representing biosciences and food-related industries. Outside observers have taken note of the business-friendly environment,

TOP 20 MID-SIZE CITIES – “Year-Over-Year Growth”

CITY/MSA	State	Population	Rank Within Year-Over-Year Growth
1 Sioux City	IA-NE-SD	168,563	2
2 Reno	NV	425,417	3
3 Saginaw	MI	200,169	4
4 El Centro	CA	174,528	5
5 Elkhart-Goshen	IN	197,559	9
6 Santa Rosa	CA	483,878	10
7 Yakima	WA	243,231	11
8 Fort Wayne	IN	416,257	13
9 Ogden-Clearfield	UT	597,159	15
10 Norwich-New London	CT	274,055	17
11 Vallejo-Fairfield	CA	413,344	21
12 Oshkosh-Neenah	WI	166,994	29
13 Ann Arbor	MI	344,791	31
14 Lansing-East Lansing	MI	464,036	33
15 Kalamazoo-Portage	MI	326,589	35
16 Chattanooga	TN-GA	528,143	38
17 Blacksburg-Christiansburg-Radford	VA	178,237	40
18 Florence	SC	205,566	43
19 Redding	CA	177,223	44
20 Lafayette-West Lafayette	IN	201,789	45

including an “A” rating for small business friendliness from Thumbtack and a Fast Company top-10 ranking for tech jobs.

Saginaw, Michigan Population: 200,169

Next in line is this Michigan community, ranked second in Economic Strength among mid-size cities and ninth overall in that category. Its growing economy has landed it third on the mid-size cities list of both Year-Over-Year and Five-Year Growth. Unemployment in the area was at 5.3 percent in March 2016, according to the Bureau of Labor Statistics.

Saginaw is in the heart of the automotive manufacturing belt, and its multiple advanced manufacturing players build upon these roots, led by Nexteer Automotive, headquartered in Saginaw. But the economy is diverse — Dow Chemical and Dow Corning are headquartered in the region, and Dow Corning is a majority owner in Hemlock Semiconductor, with decades of history in the area. Also

100 LEADING LOCATIONS for 2016

Analysis

Diversity of Leading Cities Reflects Commercial Real Estate Demand

By Jason Tolliver, J.D., Vice President and Head of Industrial Research, Americas, Cushman & Wakefield

The insight offered by *Area Development's* Leading Locations is reflective of prominent trends being witnessed in the industrial market. The diversity, both in terms of size and geography, of the leading cities mirrors a booming industrial expansion that has been more broad-based than previous expansions. The U.S. industrial market has now enjoyed 24 consecutive quarters of positive net occupancy gains, placing the current expansion among the longest — and the strongest — on record. The U.S. industrial market shed over 130 million square feet (msf) of space during the economic downturn, but has absorbed more than 900 msf during the current expansion.

Prominent economic development wins and widespread occupancy gains continue to be registered across the country. Twenty-two markets reported over one million square feet (msf) of positive net absorption during the first quarter of 2016. As a result, the industrial vacancy rate has plummeted to its lowest level of the past 30 years and currently stands at 6.1 percent. With vacancy at such low levels, there is a lack of functional, modern space on the market, and developers are responding with more speculative construction in many leading cities. Despite this uptick in speculative construction, it remains a controlled development environment and the market nationally is still well below the levels of development observed at the peak of the last cycle. From 2004 to 2009 more than 776 msf of industrial product was delivered, 27 percent more than the 566 msf of product brought online during the current expansion.

Much of what drives demand for industrial space links to the U.S. consumer, and with expected wage and labor market gains referenced in the Leading Locations report, the consumer will have the wherewithal to drive growth. We anticipate another strong year for the property market as the leading cities continue to lead the industrial market to the longest and strongest expansion on record.