

Mississippi Gulf Coast Regional Brief

Second Quarter 2011

Published September 26, 2011

This report contains statistics and commentary relative to the events and news that shaped the Mississippi Gulf Coast economy in the second quarter of 2011. This report is not comprehensive but provides insight on various issues, including the labor force, the overall economy, housing, tourism, and infrastructure. For more information regarding this report, please contact Jack Norris at the Gulf Coast Business Council Research Foundation at 228-897-2020.

Executive Summary

This report contains information and commentary reflective of the Mississippi Gulf Coast and is intended to provide a regional perspective of economic conditions during the second quarter of 2011 and insight for the coming months. Research conducted for this report is administered on a quarterly basis. The Gulf Coast Business Council makes these reports available on its website, dating back to the third quarter 2008. Below are some of the key findings of this report.

- The Mississippi Gulf Coast added establishment jobs in ten consecutive months leading up to April 2011, but momentum shifted backwards in the second quarter. Of the seventeen sectors reported by the Mississippi Department of Employment Security, however, fifteen continued to grow. Of the four sectors which reported declines between July 2011 and July 2010, the manufacturing sector has reported the largest year-over-year losses. Recent developments suggest that manufacturing is poised for a rebound.
- Sales tax collections in the second quarter were flat compared to 2010. This is somewhat encouraging considering that BP employed several thousand contractors during the same general time period of 2010, most of whom were from out-of-state and were receiving per diems and daily hotel allowances.
- The tourism industry on the Mississippi Gulf Coast is the region's largest non-governmental employer. Gaming revenues have increased in five consecutive quarters after posting declines in seven straight. The Mississippi Coast Regional Tourism Partnership, created in April 2011 by the Gulf Coast Business Council, represents the first ever regional destination marketing organization in the Mississippi Gulf Coast's recent history, and includes representatives from all three counties. The Tourism Partnership will be administering a \$16 million grant received from BP over the next three years and will continue to work with tourism partners to develop a cohesive and singular approach to promoting tourism on the Mississippi Gulf Coast.
- Huntington Ingalls, VT Halter, Trinity Yachts, and Signet Maritime all announced large contracts during the second quarter 2011. Within Harrison and Jackson Counties, over 14,000 people are employed at the Mississippi Gulf Coast's five largest shipbuilders.

This report includes economic updates for sales tax collections, employment figures, and residential real estate on the Mississippi Gulf Coast. Additionally, this report references key economic news which surfaced in the second quarter of 2011 and discusses the tourism, shipbuilding, military, aerospace, and seafood sectors of the regional economy. To download this report in its entirety, please visit www.msgcbc.org/research, where this report and historical reports are available.

Employment

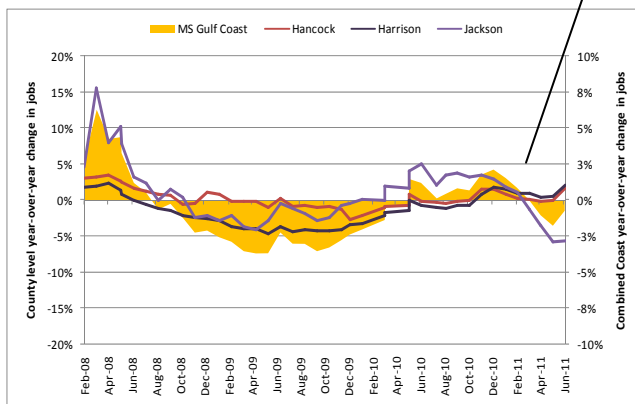
After eleven consecutive months of year-over-year gains in establishment jobs, the combined Mississippi Gulf Coast experienced a slight contraction in jobs in the second quarter 2011. The majority of the job losses occurred in the manufacturing and government sectors; job losses in the manufacturing sector were due to the cyclical nature of the industry.

Table 1: Mississippi Gulf Coast Establishment Jobs
Comparing July 2011 to prior year and to pre-Katrina
Source: Mississippi Department of Employment Security

	7/31/2011	7/31/2010	Change	% Change	7/31/2005	Change	% Change
Manufacturing	18,620	20,570	(1,950)	-9.5%	21,660	(3,040)	-14.0%
Agri., Forestry, Mining, Utilities	1,900	1,840	60	3.3%	2,110	(210)	-10.0%
Construction	10,510	10,420	90	0.9%	7,150	3,360	47.0%
Wholesale Trade	2,170	2,090	80	3.8%	2,270	(100)	-4.4%
Retail Trade	16,770	16,580	190	1.1%	18,710	(1,940)	-10.4%
Transportation and Warehousing	3,830	3,690	140	3.8%	3,840	(10)	-0.3%
Information	1,720	1,740	(20)	-1.1%	2,820	(1,100)	-39.0%
Finance & Insurance, Real Estate	6,100	6,030	70	1.2%	5,810	290	5.0%
Professional Services	6,310	6,290	20	0.3%	5,860	450	7.7%
Management of Companies	980	950	30	3.2%	1,340	(360)	-26.9%
Waste Mgt.	10,590	10,580	10	0.1%	9,000	1,590	17.7%
Educational Services	850	830	20	2.4%	540	310	57.4%
Health Care	11,890	11,810	80	0.7%	11,790	100	0.8%
Arts, Entertainment, and Recreation	420	470	(50)	-10.6%	280	140	50.0%
Leisure & Hospitality	27,090	26,900	190	0.7%	33,320	(6,230)	-18.7%
Other Services and Government	3,070	3,050	20	0.7%	3,490	(420)	-12.0%
Government and Education	33,250	33,370	(120)	-0.4%	31,010	2,240	7.2%
Total Establishment jobs	156,070	157,210	(1,140)	-0.7%	161,000	(4,930)	-3.1%

In Chart 1, historic year-over-year changes in establishment jobs in the region are illustrated at both the county level as well as the regional level.

Chart 1: Y-O-Y change in establishment jobs
Source: Mississippi Department of Employment Security



Leading up to April 2011, the Mississippi Gulf Coast added establishment jobs (year-over-year) for eleven consecutive months.

As noted in the previous Regional Brief, high gas prices and a slowing national economy likely inhibited job growth in the second quarter 2011. Of the three coastal counties, the bulk of the year-over-year declines in establishment employment have occurred in Jackson County. As mentioned previously, most of the declines have been in the manufacturing sector, and much of those were anticipated. Recent news in Jackson County, however, suggests that the

region's manufacturing sector is poised for a rebound. In the following section, an analysis of sales tax collections in the region is presented.

Sales Taxes

Job growth that occurred on the Mississippi Gulf Coast between June 2010 and April 2011 was partially fueled by year-over-year growth in sales tax revenues that took place the last three quarters of 2010. In the first quarter of 2011, sales tax growth stagnated and even was reversed in some municipalities (relative to prior year), but in the second quarter of this year some momentum appeared to be regained. Reference Table 2 for a comparison of second quarter sales tax generation.

Table 2: Historic 2Q Sales Tax Collections - (actual period sales took place)

Source: Mississippi Department of Revenue

	2011	2010	2011 vs 2010	2008	2011 vs 2008	2005	2011 vs 2005
BAY ST LOUIS	296,518	284,347	4.3%	364,411	-18.6%	405,489	-26.9%
BILOXI	2,736,705	2,607,558	5.0%	2,969,129	-7.8%	3,266,122	-16.2%
D'IBERVILLE	1,437,593	1,353,950	6.2%	1,170,920	22.8%	945,594	52.0%
GAUTIER	578,564	637,619	-9.3%	715,162	-19.1%	496,304	16.6%
GULFPORT	4,816,945	4,710,166	2.3%	5,551,823	-13.2%	4,710,392	2.3%
LONG BEACH	334,118	352,428	-5.2%	428,961	-22.1%	406,672	-17.8%
MOSS POINT*	425,033	524,842	-19.0%	476,889	-10.9%	385,865	10.2%
OCEAN SPRINGS	1,050,201	1,107,451	-5.2%	1,192,826	-12.0%	989,439	6.1%
PASCAGOULA	1,336,476	1,373,086	-2.7%	1,707,542	-21.7%	1,426,156	-6.3%
PASS CHRISTIAN	274,425	249,095	10.2%	94,876	189.2%	343,791	-20.2%
WAVELAND	533,251	648,014	-17.7%	717,929	-25.7%	583,582	-8.6%
Combined Cities	\$13,819,828	\$13,848,556	-0.2%	\$15,390,469	-10.2%	\$13,959,405	-1.0%

*In 2010 Moss Point received a lump sum payment for unspecified reasons.

Over the last 12 months, Harrison County is the only county to exceed prior year sales tax collections, with a moderate, 2.3% increase. Hancock County is down 6.5% during that same time period while Jackson County is down 2.0%.

Over the last 12 months, Harrison County is the only county on the Mississippi Gulf Coast which has exceed prior year sales tax collections. Overall, the region's aggregate collections have grown by \$340,209.

Table 3: County Level Sales Tax Collections

County	Aug '09 -	Aug '10 -	Change
	Jul '10	Jul '11	
Hancock	3,454,861	3,231,880	-6.5%
Harrison	36,449,688	37,284,779	2.3%
Jackson	13,932,887	13,660,986	-2.0%
Totals	53,837,437	54,177,646	0.6%

It is difficult to forecast at what rate or when the recovery from the recession will resume in the region, but it does not appear likely that the region is poised for another long period of declines.

Referencing a recent *Sun Herald*¹ article, a table containing annual city operating budgets (for the 11 municipalities on the Mississippi Gulf Coast) is presented below. Also included are sales tax proceeds for the last 12 months, population estimates, per capita sales tax generation, and per capita budget expense.

Table 4: Estimated Operating Budgets to Annual Sales Tax Collections (\$ million)

	Operating Budget	Annual Sales Tax Collection	Percent of Budget	Population*	Per Capita Sales Tax Generation	Per Capita Budget Expense
BAY ST LOUIS	\$10.0	\$1.1	11%	9,260	\$123	\$1,080
BILOXI	\$59.3	\$10.3	17%	44,054	\$233	\$1,346
D'IBERVILLE	\$10.3	\$5.6	55%	9,486	\$596	\$1,086
GAUTIER	\$9.0	\$2.3	25%	18,572	\$121	\$485
GULFPORT	\$51.8	\$19.0	37%	67,793	\$280	\$764
LONG BEACH	\$9.9	\$1.3	13%	14,792	\$89	\$669
MOSS POINT	\$10.5	\$1.6	16%	13,704	\$120	\$766
OCEAN SPRINGS	\$14.0	\$4.3	31%	17,442	\$248	\$803
PASCAGOULA	\$26.0	\$5.4	21%	22,392	\$243	\$1,161
PASS CHRISTIAN	\$4.8	\$1.0	22%	4,613	\$227	\$1,041
WAVELAND	\$4.5	\$2.1	47%	6,435	\$325	\$699
Combined Cities	\$210.1	\$54.2	26%	228,543	\$237	\$919

*Population is based on 2010 Census Data - City only. Total three county population exceeds 370,000.

Regarding the above table, three important considerations must be made: 1) the operating budgets are estimated and have not been verified with each respective city; 2) expenses typical to operating budgets may vary from city to city; and 3) annual spending budgets have likely fluctuated significantly in recent years due to Hurricane Katrina.

Cities typically collect revenue through taxation, fees and fines, user fees, and intergovernmental transfers. In a survey of 1,200 cities in Texas, sales taxes typically account for 20% of annual general fund spending². On the Mississippi Gulf Coast, the aggregate ratio of sales taxes to budget is slightly above the Texas average, or at 24%, but at the individual city level the ratio of sales taxes to annual operating budgets varies significantly. Monitoring sales tax bases for cities on the Mississippi Gulf Coast is not only a good economic indicator, but also a good way to assess a municipality's overall health. Notably, many cities in the region have used Hurricane Katrina funds to rebuild government facilities which are significantly larger than those which existed pre-Katrina – this will ultimately result in higher operating costs. As evidenced in Table 2 (previous page), many cities have yet to reach pre-Katrina sales tax levels, and Table 2 does not factor in growth that should have occurred between 2005 and 2011. Another key source of funding for cities is property taxes (in Texas the typical city funds 30% of its operating budget with ad valorem). Property values on the Mississippi Gulf Coast have not only been impacted by the national housing bubble, but also by high costs of insurance.

The other interesting components of Table 4 are the per capita ratios calculated for sales tax generation and annual budget expense. Some cities, like D'Iberville, generate significantly higher sales taxes per capita than others; in D'Iberville's case, this can be attributed by the significant retail offerings which are patronized not only by residents of the surrounding community, but also from out-of-state visitors. From the standpoint of per capita operating budgets, most cities were generally aligned. Nonetheless, it is important to keep tabs on sales tax collections as they are key indicators of the overall financial health of cities in the region, and Katrina-related debt will likely challenge municipal budgets throughout the region in the coming years. Regarding Mississippi's current 7.0% sales tax rate, only California has a higher rate (7.25%), and 43 states³ have base rates which are lower than 7.0%. When referencing sales tax rates, however, it is important to remember that personal income and property tax rates in many states (which have lower sales tax rates) are less competitive than Mississippi's.

In the following section, recent events which will impact the regional economy both in the short term and the long term are outlined.

General Economy

Shipbuilding

As noted in the first section of this report, the manufacturing sector on the Mississippi Gulf Coast, particularly in Jackson County, has seen its workforce reduced significantly over the last twelve months. Most of these reductions were anticipated and are related more to the cyclical nature of the industry than to the lingering national recession. One of the cornerstone's of the Mississippi Gulf Coast's manufacturing sector is shipbuilding. Within Harrison and Jackson Counties, five key employers (Trinity Yachts, Huntington Ingalls, Signet Maritime, Signal International, and VT Halter) employ roughly 14,000 people, or roughly three-quarters of the region's manufacturing sector. Below is a list of recent events which are positive indicators for shipbuilding in the area.

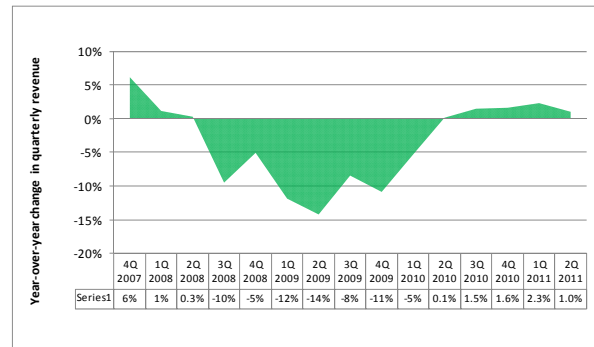
- In August, Huntington Ingalls was awarded a contract add-on worth \$11 million related to research, development, test and technical services for the DDG 1000 Zumwalt-class destroyer. All of the work will be done at facilities in Harrison and Jackson Counties⁴.
- VT Halter was awarded a new contract⁵ to build a 112-foot offshore articulated tug barge in May and work began at the Moss Point Marine facility in Escatawpa over the summer. VT Halter is also planning to expand its operations to allow it to enter the drill rig and ship repair market.⁶
- In late May, Trinity Yachts announced a new contract to build a 120-foot, high-speed motor yacht.
- Signet Maritime is working on propulsion for highly specialized terminal support/escort tugs (being built in Gulfport) which will provide marine services for Angola LNG Supply Services (ALSS) vessels into the Port of Pascagoula.

Tourism

The Mississippi Gulf Coast’s largest non-government sector, Leisure and Hospitality, has actually added jobs over the last twelve months. Most all of the growth has occurred in Harrison County, which is home to 10 of the region’s 11 commercial casinos. The gaming industry has likely fueled the growth in Leisure & Hospitality jobs, as the region has posted year-over-year increases in revenues in ten out of the last fourteen months.

After seven consecutive quarters where gaming revenues declined on the Mississippi Gulf Coast, the region’s 11 commercial casinos have now posted year-over-year increases in five consecutive quarters.

Chart 2: Y-O-Y change in quarterly gaming revenues
Source: Mississippi Department of Revenue



As evidenced in Table 5, growth in tourism jobs over the last year has occurred on the Mississippi Gulf Coast. Despite the recent growth in tourism jobs, it is important to consider that the region still lacks over 6,200 tourism jobs when comparing current levels to pre-Katrina levels.

Table 5: Tourism Jobs in Hancock and Harrison Counties

	2011	2010	Change	% Change	2005	Change	% Change
Casino Employment	11,574	11,453	121	1.1%	13,951	(2,377)	-17.0%
Non Casino Employment	15,516	15,447	69	0.4%	19,369	(3,853)	-19.9%
Total Leisure & Hospitality Establishment Jobs	27,090	26,900	190	0.7%	33,320	(6,230)	-18.7%

When comparing sectors (on the Mississippi Gulf Coast) which have yet to reach pre-Katrina employment levels, **the tourism industry accounts for 5 out of every 10 jobs that have yet to be replaced**; in Harrison County six out of every 10 jobs which have yet to be replaced since Katrina are tourism jobs.

Hotel room supply is a key driver for tourism jobs, and the current supply of hotel rooms on the Mississippi Gulf Coast is roughly 24% lower today, or down 4,288 rooms than it was in July 2005⁷. Interestingly, the supply of hotel rooms located on the beaches in Harrison County is down by 45%, while the supply of hotel rooms located elsewhere in the region has actually grown marginally. Reference Table 6 on the following page for an inventory of hotel rooms in the region. The reasons why hotel supply along Beach Boulevard in Harrison County has been slow to reach pre-Katrina levels

include: the higher cost of insurance, the fact that many establishments were privately-owned, the recession, and challenges related to obtaining affordable financing.

Table 6: Mississippi Gulf Coast Hotel Room Supply

Source: Mississippi Hotel & Lodging Association

	Pre-Katrina	2011	Pre-Katrina Capacity
Beach Inventory			
<i>Gulfport</i>	2,107	708	34%
<i>Biloxi</i>	7,490	4,637	62%
<i>Long Beach</i>	254	79	31%
<i>Pass Christian</i>	22	0	0%
Total Beach Inventory	9,873	5,424	55%
Non-Beach Rooms	7,661	7,822	102%
Totals	17,534	13,246	76%

Additionally, the state-of-the-art Mississippi Coast Convention Center in Biloxi is not meeting its full potential; this can be attributed to the fact that 80% of the facility's potential visitors will not consider a convention site unless there is a headquarter hotel within immediate proximity⁸. Notably, the same survey (which determined that 80% of conventions prefer a headquarter hotel) indicated that 80% of conventions are interested in the Mississippi Gulf Coast as a host site. Currently officials from the Coliseum & Convention Center are working with members of the Gulf Coast Business Council and the Premier Destination Tourism Initiative⁹ to identify opportunities to bring a flagship headquarter hotel to the Convention Center in Biloxi. A successful project would not only add several hundred jobs to the local economy, but it would also greatly enhance the region's ability to attract more than 1,400 events which rotate nationally each year, bringing in tens of thousands of new visitors to the area who would not only patronize local businesses on their visit, but also likely return for future visits. In June, Coast Coliseum Commission members previewed plans for a Convention Center District which will be plotted to attract businesses which will compliment the Coliseum and Convention Center¹⁰.

Other news which impacted the region's tourism economy in the second quarter includes:

- In June the United States Tennis Association held its Mississippi Adult Championships on the Mississippi Gulf Coast. According to a study funded by the Mississippi Gulf Coast Sports Commission, approximately 1,000 people participated in the event, with roughly 90% of those travelling from outside of the region. Those visitors generated more than \$1.8 million in direct and indirect spending. The Sports Commission recently announced that the Mississippi Coast will again host the event in 2012.

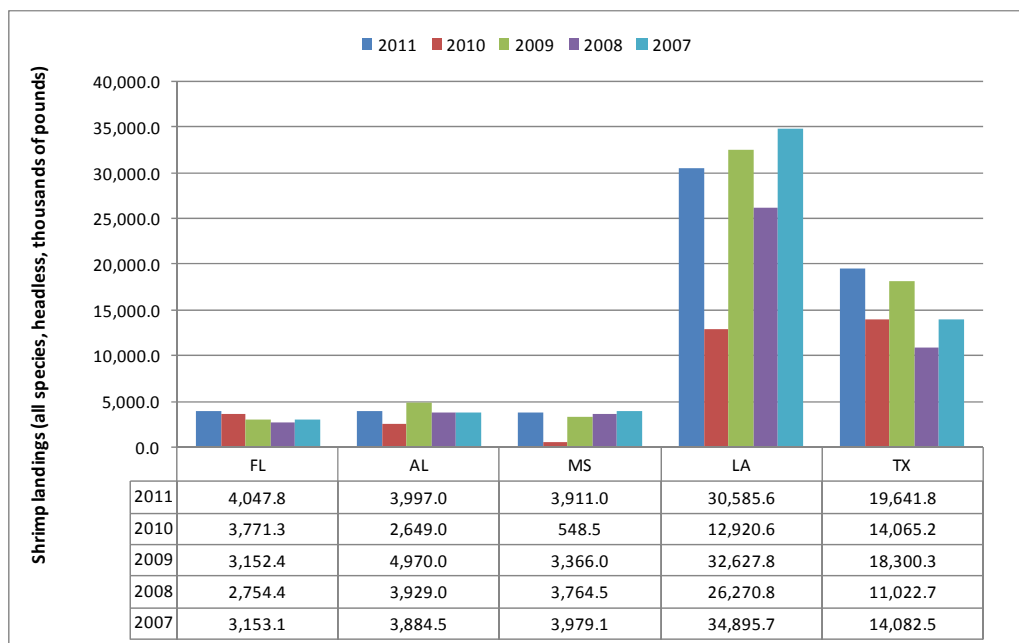
- The inaugural Gulfport Music Festival brought more than 20,000 people to the streets of downtown Gulfport. The two day music festival featured 21 bands and plans are being made for similar event in 2012.
- The Palace Casino completed a \$50 million renovation and first phase of an expansion. When the property reopened it did so as the only non-smoking casino in the state.
- The Billfish Classic attracted over 70 boats from across the southeast, offering top prizes of \$100,000 to the largest blue marlin caught and \$25,000 for categories including tuna, dolphin, and Wahoo. Notably, a 2008 study conducted by the Gulf States Marine Fisheries Commission estimates that saltwater angling in the Gulf of Mexico is a \$12 billion industry; a new study is currently underway.
- Using Facebook to generate votes, the Four Points Sheraton Biloxi won a national contest for a \$50,000 hotel makeover.
- In June, Bay St. Louis celebrated the unveiling of the 100 Men Hall Marker which is part of the Mississippi Blues Trail.
- The City of Biloxi approved a Tax Increment Financing (TIF) bond to improve access to Jimmy Buffett's Margaritaville Casino & Restaurant, which is currently under construction and slated to open in summer 2012.
- In a show of confidence in the Mississippi Gulf Coast gaming market, Boyd Gaming Corp. announced the purchase of the IP Casino Resort Spa in Biloxi for \$278 million. Boyd will invest more money into the property and, according to the *Wall Street Journal*, the multiple at which the property was purchased (relative to EBITDA) was at a premium for what similar sales have gone for in recent years.

While the regional tourism industry has certainly made strides over the last 24 month, the industry is not without its challenges. According to the Mississippi Hotel & Lodging Association, occupancy rates have been down in 2011 compared to 2010. While the lingering national recession and high gas prices at the onset of 2011 likely influenced this, the void of BP contract workers in the region likely also contributed to this. Last summer, for example, there were between 4,000 and 6,000 contract workers in the region during the summer months, and as many as 70% of those were from out of the area and staying in hotel rooms and eating at local restaurants. As noted in the previous Regional Brief, the Mississippi Coast Regional Tourism Partnership (a 501c6 corporation chartered by the Gulf Coast Business Council), which represents all three counties of the Mississippi Coast, has been charged with managing a \$16 million grant to promote and grow the region's \$1.6 billion tourism industry. The Tourism Partnership has recently announced plans to accept applications for limited special events funding in 2011 and will soon announce plans for funding in 2012 and 2013. To learn more about the Tourism Partnership, visit www.visitmscoast.org.

Seafood Industry

While the seafood industry on the Mississippi Gulf Coast is not what it once was, it remains a significant one, generating roughly \$400 million in sales annually and supporting over 8,500 jobs¹¹. Clearly the seafood industry was substantially impacted by the 2010 Deepwater Horizon Oil Spill, and while countless scientific studies have confirmed that seafood from the Gulf of Mexico is safe to eat, the industry remains disrupted as a result of the oil spill and must retrench as it battles false consumer perceptions about the quality of seafood and also the thousands of individuals whose work was interrupted because of the oil spill. Below is a chart containing recent shrimp landing data.

Chart 3: Combined June and July Shrimp Landings
Source: National Marine Fisheries Services



As presented in the table above, the 2011 (June and July) shrimp harvest in Mississippi exceeds that of 2010 (in July 2010 Mississippi's season was closed) and generally has outpaced prior years. Notably, while Mississippi's harvest started off strong in June, landings diminished in July. Prices remain higher than pre-oil spill but the cost of fuel has also risen, and the industry continues to fight dumping practices of countries outside of the United States. In the coming months it is anticipated that Mississippi and the other states along the Gulf of Mexico will utilize BP funding in order to continue to promote the region's safe, high-quality seafood.

This summer the Crystal Seas oyster processing plant re-opened in Pass Christian after being forced to close because of the oil spill. The oyster industry will likely be challenged by Mississippi River flooding in 2011, which flooded many oyster reefs with millions of gallons of freshwater.

Other Economic News

High fuel prices and the lagging national economy has inhibited economic progress on the Mississippi Gulf Coast in 2011, but the region continues to make strides towards resuming the growth that occurred in late 2010. Below are examples of milestones which occurred in the second quarter 2011 that will propel the Mississippi Gulf Coast economy in the months to come.

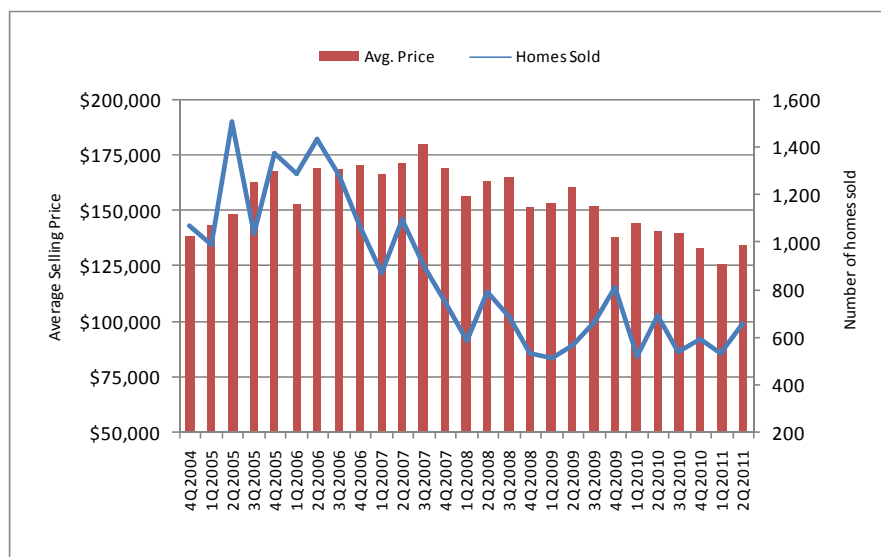
- In Hancock County, the award-winning Lazy Magnolia Brewery has received a \$740,000 interest-free expansion loan¹² which will make it possible to quintuple production over the next four years. With a total price tag of \$3 million, the expansion will triple the company's employment (reaching 50 people) and allow it to expand its geographic reach, which currently includes Louisiana, Alabama, Tennessee, Florida, and Georgia.
- In early July the Jackson County Port Authority Board of Commissioners awarded more than \$870,000 in construction contracts. The bulk of those is going to Hemphill Construction Company as part of a \$24 million project to improve the county's industrial water supply system¹³.
- In June the first tanker carrying liquefied natural gas arrived at a new terminal in Pascagoula. El Paso Corp. expects its \$1.2 billion Gulf LNG facility to be open in October of this year.
- Hancock Holding Company (parent company of Hancock Bank) announced in May¹⁴ that it has received all federal regulatory approvals required to complete its merger with Whitney Bank. The combined company will be the 32nd largest bank holding company headquartered in the United States, with roughly \$20 billion in total assets and spanning 5 contiguous states (Texas, Louisiana, Mississippi, Alabama, and Florida). Also in May, BauerFinancial Inc. named Hancock Bank as a "Five-Star Superior Bank", marking the 86th consecutive quarter than Hancock has earned recognition has one of the nation's most financially sound banks.
- Singing River Health System, which is based in Ocean Springs, has opened a new behavioral health service center in Gulfport.
- Memorial Hospital in Gulfport has received favorable ratings for over \$74 million in bond debt from Fitch Ratings¹⁵.
- The Ocean Springs Board of Aldermen voted unanimously in July to extend the city's tax abatement ordinance as an incentive to develop portions of U.S. 90 in the downtown area through June 2013.
- NASA's new J-2X rocket engine, which could power the upper stage of the nation's future heavy-lift launch vehicle, is ready for its first round of testing¹⁶. Pratt & Whitney Rocketdyne, which has facilities at the Stennis Space Center complex, designed and built the engine.

- Officials at Stennis Space Center are developing expansion plans after receiving 1.6 million square-feet of facility space (located on site) from the U.S. Army. Stennis is home to over 5,400 jobs and the federal city is home to more than 30 federal, state, academic, and private organizations. Universities which have a research presence at the site include Mississippi State University, the University of Southern Mississippi, and the University of New Orleans.
- In June NVISION announced that it received a contract from the United States Army Engineer Research and Development Center in Vicksburg to provide aerial-data collection services for the entire Great Lakes Region coastline. NVision is a part of a geospatial technology cluster of the Magnolia Business Alliance.

Real Estate

The residential real estate market on the Mississippi Gulf Coast continues to be characterized by low volumes of transactions and falling average selling prices, though it does appear that the average volume of homes sold has stabilized. Chart 4 summarizes average quarterly selling price and the number of homes sold over the last seven years.

Chart 4: Average selling price and average volume of homes sold
Source: Multiple Listing Services



The high cost of insurance for properties located south of the Interstate will likely continue to place downward pressures on existing real estate prices, though if the economy picks back up many consumers may be incited to take advantage of low interest rates. Table 7 includes snapshots of recent inventories and it is encouraging that those have leveled off over the last two quarters and are nowhere near as large as they were in 2010.

Table 7: Snapshots of Available Home Inventories

Price Range	Jul-11	Apr-11	Oct-10	Jul-10	Apr-10	Feb-10	Oct-09	Jun-09
Less than \$130K	1,351	1,368	1,970	1,744	1,663	1,540	1,405	1,100
Between \$130K and \$200K	1,017	1,039	1,188	1,296	1,313	1,227	1,296	1,241
Greater than \$200K	1,026	1,036	1,091	1,213	1,116	1,103	1,177	1,252
Total Homes on Market	3,394	3,443	4,249	4,253	4,092	3,870	3,878	3,593

Source*: Multiple Listing Services

*Information in this database changes frequently

Notably, the residential real estate information presented in Chart 4 and Table 7 is presented at the aggregate (Mississippi Gulf Coast) and county levels, respectively. Within the region, some areas are faring better than others. Generally speaking, areas located further north and regions least impacted by Hurricane Katrina have fared better.

To the right is a table containing estimated population shifts between 2000 and 2010. With Hurricane Katrina playing a major role in population migration, Jackson County grew by 6.3% over a ten year period, with many of its new residents likely coming from Harrison County. Areas farther north from the beach, including Diamondhead, Kiln, D'Iberville, Latimer, and Vancleave all experienced significant growth. Conversely, the cities which posted the largest declines typically were cities which have the largest geographic borders along Beach Boulevard in Harrison County. The least impacted city in Harrison County, Gulfport, also has the largest footprint towards the north.

Table 8: Select 2010 vs 2000 Population Estimates

Source: U.S. Census and Gulf Regional Planning Commission

	2010	2000	Change	% Change
Hancock County	43,929	42,967	962	2.2%
Bay St Louis city	9,260	8,209	1,051	12.8%
Diamondhead CDP	8,425	5,912	2,513	42.5%
Kiln CDP	2,238	2,040	198	9.7%
Waveland city	6,435	6,674	-239	-3.6%
Harrison County	187,105	189,601	-2,496	-1.3%
Biloxi city	44,054	50,644	-6,590	-13.0%
D'Iberville city	9,486	7,608	1,878	24.7%
Gulfport city	67,793	71,127	-3,334	-4.7%
Long Beach city	14,792	17,320	-2,528	-14.6%
Lyman CDP	1,277	1,081	196	18.1%
Pass Christian city	4,613	6,579	-1,966	-29.9%
Saucier CDP	1,342	1,303	39	3.0%
Jackson County	139,668	131,420	8,248	6.3%
Gautier city	18,572	16,954	1,618	9.5%
Gulf Hills CDP	7,144	5,900	1,244	21.1%
Gulf Park Estates CDP	5,719	4,272	1,447	33.9%
Latimer CDP	6,079	4,288	1,791	41.8%
Moss Point city	13,704	15,851	-2,147	-13.5%
Ocean Springs city	17,442	17,225	217	1.3%
Pascagoula city	22,392	26,200	-3,808	-14.5%
St Martin CDP	7,730	6,676	1,054	15.8%
Vancleave CDP	5,886	4,910	976	19.9%
Overall MS Gulf Coast	370,702	363,988	6,714	1.8%

While interest rates and the cost of insurance are obvious variables which impact real estate in the region, jobs and economic development also play a role. As the Mississippi Gulf Coast continues its path towards economic recovery, new jobs will be created and ultimately the housing market will be poised for a rebound, and significant opportunities for long term investment will exist.

Election Update

In early August primaries were held across the state, and runoffs for various races (both local and state) were held on August 23. The general elections will be held on November 8, 2011 and among the offices decided will be the next governor of Mississippi. The next Regional Brief will include highlights from the upcoming election and a summary of how the legislative landscape for the Mississippi Gulf Coast has changed.

CEO & Business Owner Confidence

The Gulf Coast Business Council Research Foundation released its CEO & Business Owner Confidence Index for the second quarter 2011 in July. After reaching an all-time high in the last quarter of 2010 and remaining stable in the first quarter 2011, overall confidence in the regional economy declined during the second quarter. The overall measure of business confidence in the Mississippi Gulf Coast economy remains above neutral, however, and the decline in confidence in the region was significantly less than declines reported in similar surveys at the national level. To read the report in its entirety, visit www.msgcbc.org/research.

Closing Remarks

The first table in this paper presents establishment job counts by sector on the Mississippi Gulf Coast in recent years. When comparing jobs in 2011 to where the Mississippi Gulf Coast was before the storm, the three sectors which have the most ground to make up are manufacturing, retail, and tourism; combined, the three support more than 11,000 fewer jobs in 2011 than they did August 28, 2005. Because the manufacturing sector is cyclical and recent events suggest that the industry on the Mississippi Gulf Coast is poised for a rebound, the Retail and Leisure & Hospitality sectors can be isolated as the two sectors with the largest gap between pre-Katrina and 2011 job counts. To be exact, as of July 2011, there are 8,170 fewer Retail and Leisure & Hospitality jobs on the Mississippi Gulf Coast than there was in July 2005. This is particularly interesting given the fact that, as a whole, the Mississippi Gulf Coast is down by only 4,930 jobs in that same time period.

What the above implies is that if the Mississippi Gulf Coast can make its tourism and retail industries whole again, the region will reach an important milestone and surpass its pre-Katrina job levels. Four years ago the Gulf Coast Business Council began an effort, aptly named the Premier Destination Initiative, to create a regional destination marketing organization which would market the entire Mississippi Gulf Coast as a singular destination and take advantage of leadership from both the public and the private sectors. With the creation of the Mississippi Coast Regional Tourism Partnership ("Tourism Partnership") in April of this year, the region is closer today than it has ever been in accomplishing that goal. In the coming months it is critical that existing tourism agencies and tourism stakeholders continue to work with the Tourism Partnership to solidify a singular and cohesive approach to promoting the vast tourism offerings which the region has to offer, and to also make sure that

existing and future resources are invested wisely. Community leaders must also work together to address the tourism industry's needs, including new hotel supply, a flagship hotel at our state-of-the-art convention center, and additional non-gaming tourism offerings.

If you have any questions about this report or about any future reports please contact the Gulf Coast Business Council Research Foundation.

The Gulf Coast Business Council Research Foundation will continue to partner with area chambers of commerce to administer and report its quarterly **CEO and Business Owner Confidence** surveys with the goal of assessing current economic conditions and expectations each quarter and contrasting those positions to the prior quarter. The next survey will be conducted in early October 2011.

¹ Sun Herald, August 21, 2011, *Coast Cities Face Tight Budgets*

² Texas Budget Source, 2010, the Texas Public Policy Foundation

³ John Minassian, Vertex Inc.

⁴ Msbusiness.com, August 16, 2011

⁵ Sunherald.com, May 26, 2011

⁶ Msbusiness.com, June 23, 2011

⁷ Mississippi Hotel & Lodging Association

⁸ *Expansion Feasibility Study for the Mississippi Coast Coliseum & Convention Center*, Convention Sports and Leisure, 2003

⁹ The Gulf Coast Business Council's Premier Destination Initiative is comprised of over 50 tourism stakeholders (including members and non-members of the Gulf Coast Business Council) representing each of the three counties on the Mississippi Gulf Coast.

¹⁰ Msbusiness.com, June 20, 2011

¹¹ NOAA Fisheries Service, 2008

¹² Msbusiness.com, July 25, 2011

¹³ Msbusiness.com, July 15, 2011

¹⁴ MSbusiness.com, May 16, 2011

¹⁵ MSbusiness.com, April 17, 2011

¹⁶ MSbusiness.com, June 13, 2011