

Mississippi Gulf Coast Regional Brief

First Quarter 2012

Published March 28, 2012

This report contains statistics and commentary relative to the Mississippi Gulf Coast regional economy. 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 and leading up to the first quarter 2012. Research conducted for this report is administered on an ongoing 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 reports 3,720 fewer establishment jobs^a in the first quarter 2012 than it did in 2009 and nearly 8,000 fewer than in February 2008. The region added jobs in 2010 but it is anticipated that the Mississippi Department of Employment Security announce a downward revision for 2011 data in April, resulting in a slight contraction in employment for 2011.
- The sales tax base for the combined Mississippi Gulf Coast regressed slightly in 2011 after growing during 2010. Sales tax collections in 2011 exceeded 2009 marginally.
- Several new contracts have been awarded to the region's shipbuilding industry over the last six months. In the coming months and years, any reductions or cuts to the nation's Department of Defense budget have the potential to impact not only the region's shipbuilders, but also its military and aerospace installments. The fact that billions of dollars have been invested into the region's military and shipbuilding sectors over the last several years will be an asset when and if reductions are considered.
- The Gulf Coast Business Council has been working with tourism stakeholders from across the Mississippi Gulf Coast for more than four years to create the region's first regional destination marketing organization to promote its \$1.7 billion tourism industry. As of March 2012, leaders from the Business Council's Premier Destination Initiative have been working with the Harrison County Tourism Commission and other stakeholders and will recommend an official resolution for the Harrison County Board of Supervisors to create such a body.
- As of March 2012 the RESTORE Act has passed both the House and the Senate. The primary thrust of the RESTORE Act will be to allocate 80% of any BP Penalty monies (stemming from the 2010 oil spill) to the impacted states.

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 relevant to the region and discusses the shipbuilding, military, aerospace, tourism, and real estate 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.

^a Establishment jobs are those located in Hancock, Harrison, and Jackson Counties. These exclude self-employed individuals.

Employment

The Mississippi Gulf Coast reports 3,720 fewer establishment jobs^b in the first quarter 2012 than it did in 2009 and nearly 8,000 fewer than in February 2008. Generally speaking, the recession did not begin on the Mississippi Gulf Coast until September 2008. Momentum gained in the regional economy in late 2010 ultimately snapped a 21 month trend of year-over-year declines in jobs, and although 2011 was challenging for Mississippi Gulf Coast, progress towards recovery from the recession is evident. The sector which has reported the largest decrease in jobs over the last four years has been manufacturing, and many of those losses are due to the cyclical nature of the industries which make up that sector. The Leisure & Hospitality sector, which was initially impacted heavily by the recession, has clearly made progress over the last two years. In April 2012 the Mississippi Department of Employment Security will release final revision for 2011 job data, and preliminary forecasts suggest that after contracting slightly over the summer months, the Mississippi Gulf Coast regained some of the momentum at the end of the year.

Table 1: Mississippi Gulf Coast Establishment Jobs
Comparing February 2012 to February 2009 and to pre-Katrina
Source: Mississippi Department of Employment Security

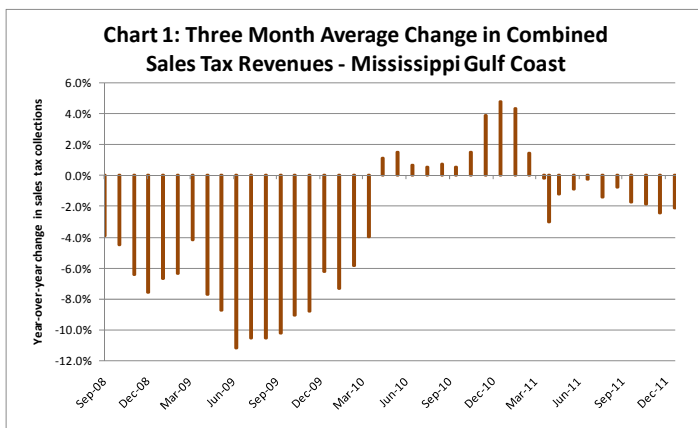
| | 2/29/2012 | 2/28/2009 | Change | % Change | 8/31/2005 | Change | % Change |
|-------------------------------------|-----------|-----------|---------|----------|-----------|---------|----------|
| Manufacturing | 18,080 | 21,130 | (3,050) | -14.4% | 21,190 | (3,110) | -14.7% |
| Agri., Forestry, Mining, Utilities | 1,770 | 1,810 | (40) | -2.2% | 2,030 | (260) | -12.8% |
| Construction | 9,220 | 10,650 | (1,430) | -13.4% | 6,710 | 2,510 | 37.4% |
| Wholesale Trade | 1,970 | 2,200 | (230) | -10.5% | 2,210 | (240) | -10.9% |
| Retail Trade | 16,970 | 16,670 | 300 | 1.8% | 18,430 | (1,460) | -7.9% |
| Transportation and Warehousing | 3,660 | 3,960 | (300) | -7.6% | 3,710 | (50) | -1.3% |
| Information | 1,620 | 1,790 | (170) | -9.5% | 2,820 | (1,200) | -42.6% |
| Finance & Insurance, Real Estate | 5,880 | 5,890 | (10) | -0.2% | 5,820 | 60 | 1.0% |
| Professional Services | 5,980 | 6,360 | (380) | -6.0% | 5,870 | 110 | 1.9% |
| Management of Companies | 1,300 | 920 | 380 | 41.3% | 1,340 | (40) | -3.0% |
| Waste Mgt. | 9,220 | 8,930 | 290 | 3.2% | 9,020 | 200 | 2.2% |
| Educational Services | 990 | 780 | 210 | 26.9% | 540 | 450 | 83.3% |
| Health Care | 11,730 | 11,650 | 80 | 0.7% | 11,810 | (80) | -0.7% |
| Arts, Entertainment, and Recreation | 400 | 260 | 140 | 53.8% | 280 | 120 | 42.9% |
| Leisure & Hospitality | 26,140 | 25,440 | 700 | 2.8% | 32,050 | (5,910) | -18.4% |
| Other Services and Government | 2,900 | 3,170 | (270) | -8.5% | 3,490 | (590) | -16.9% |
| Government and Education | 33,870 | 33,810 | 60 | 0.2% | 32,270 | 1,600 | 5.0% |
| Total Establishment jobs | 151,700 | 155,420 | (3,720) | -2.4% | 159,590 | (7,890) | -4.9% |

The other benchmark listed in Table 1 is a comparison of establishment jobs reported at the end of 2011 to those reported before Hurricane Katrina devastated the region. The region still lacks 6,470 establishment jobs compared to August 2005. The two sectors which account for the largest gap between pre-Katrina and present jobs levels are Retail and Leisure & Hospitality; as the national and regional economies transition from the recession to growth, opportunities for growth in the near-term will arise.

^b Establishment jobs are those located in Hancock, Harrison, and Jackson Counties. These exclude self-employed individuals.

Sales Taxes

As Chart 1 illustrates, year-over-year sales tax collections on the Mississippi Gulf Coast declined significantly between September 2008 and February 2010. Between March 2010 and December 2010, the economy on the Mississippi Gulf Coast grew, with some of this growth being subsidized by the presence of several thousand BP contract workers and the initial influx of BP claims money being distributed. In 2011, the region's economy regressed slightly. Likely contributors to the regression in 2011 include: high gas prices at the onset of the year, a void of BP contractors, and declining consumer confidence at the national level spurred by uncertainty about the nation's budgetary challenges and Europe's ongoing financial crisis.



The economy on the Mississippi Gulf Coast grew in 2010 after declining significantly between September 2008 and February 2010. In 2011 the region's growth was stymied, resulting in an overall decline of 1.8%.

Ultimately any sustainable job growth on the Mississippi Gulf Coast is contingent upon growth in the region's sales tax base. The sales tax base for the combined Hancock, Harrison and Jackson Counties regressed in 2011 by just under 2%, after growing in nine of eleven months in 2010, but remains above 2009 levels.

Table 2: Annual Sales Tax Collections (reflects spending in calendar year)

Source: Mississippi Department of Revenue

| | 2011 | 2010 | 2011 vs 2010 | 2009 | 2011 vs 2009 |
|-----------------|--------------|--------------|--------------|--------------|--------------|
| BAY ST LOUIS | 1,096,616 | 1,153,227 | -4.9% | 1,252,566 | -12.5% |
| BILOXI | 10,243,179 | 10,297,767 | -0.5% | 9,929,856 | 3.2% |
| D'IBERVILLE | 5,607,989 | 5,576,153 | 0.6% | 4,765,215 | 17.7% |
| GAUTIER | 2,205,076 | 2,324,946 | -5.2% | 2,520,804 | -12.5% |
| GULFPORT | 18,931,557 | 18,896,227 | 0.2% | 19,551,450 | -3.2% |
| LONG BEACH | 1,324,712 | 1,343,555 | -1.4% | 1,349,174 | -1.8% |
| MOSS POINT | 1,610,484 | 1,771,458 | -9.1% | 1,664,621 | -3.3% |
| OCEAN SPRINGS | 4,293,788 | 4,450,810 | -3.5% | 4,552,348 | -5.7% |
| PASCAGOULA | 5,223,946 | 5,500,918 | -5.0% | 5,313,880 | -1.7% |
| PASS CHRISTIAN | 1,053,486 | 1,003,925 | 4.9% | 506,784 | 107.9% |
| WAVELAND | 2,059,144 | 2,289,432 | -10.1% | 2,204,484 | -6.6% |
| Combined Cities | \$53,649,978 | \$54,608,418 | -1.8% | \$53,611,180 | 0.1% |

When compared to prior year, municipalities in Hancock and Jackson Counties reported annual declines of 8% and 5%, respectively, while Harrison County remained flat.

Using aggregate sales tax collections alone to assess the economy can be misleading. When comparing 2011 to 2009, the overall Mississippi Gulf Coast has reported flat growth in sales tax collections, with some municipalities faring better than others. But when referencing the different classifications of sales tax collections, it is clear which sectors have been impacted the most by the recession.

Table 3: Mississippi Gulf Coast Gross Retail Sales by Type: 2011 vs. 2009

| | 2011 | 2009 | Change | |
|------------------------------------|----------------------|----------------------|---------------------|---------------|
| Food | 1,175,594,795 | 1,147,114,159 | 28,480,636 | 2.5% |
| <i>Contracting</i> | <i>1,140,624,996</i> | <i>1,995,974,068</i> | <i>-855,349,072</i> | <i>-42.9%</i> |
| General Merchandise | 1,117,003,408 | 1,063,831,424 | 53,171,984 | 5.0% |
| Automotive | 650,832,728 | 572,056,944 | 78,775,784 | 13.8% |
| <i>Misc. Retail</i> | <i>437,868,204</i> | <i>484,428,333</i> | <i>-46,560,129</i> | <i>-9.6%</i> |
| <i>Services</i> | <i>370,441,862</i> | <i>379,642,610</i> | <i>-9,200,748</i> | <i>-2.4%</i> |
| <i>Lumber & Bldg. Supplies</i> | <i>323,656,045</i> | <i>438,708,091</i> | <i>-115,052,046</i> | <i>-26.2%</i> |
| Machinery, Equip. | 198,826,084 | 162,474,331 | 36,351,753 | 22.4% |
| <i>Furniture</i> | <i>106,341,730</i> | <i>111,159,284</i> | <i>-4,817,554</i> | <i>-4.3%</i> |

In Table 3, which represents the combined Mississippi Gulf Coast, sales tax sectors such as Food and General Merchandise have managed moderate growth, and the Automotive sector has reported significant growth. Construction related activities, however, have been impacted by the recession substantially. Table 4 looks at growth reported between 2011 and 2009 at the county level.

Table 4: Comparing 2011 to 2009 Sales at County Level

| | Hancock | Harrison | Jackson |
|-------------------------|---------|----------|---------|
| Food | 3% | 3% | 1% |
| Contracting | -26% | -45% | -48% |
| General Merchandise | -9% | 11% | -4% |
| Automotive | -1% | 16% | 10% |
| Misc. Retail | 23% | -4% | -27% |
| Services | -11% | 0% | -5% |
| Lumber & Bldg. Supplies | -42% | -25% | -22% |
| Machinery, Equip. | 127% | 24% | -8% |
| Furniture | 16% | -3% | -23% |

When isolating sectors including General Merchandise, Automotive, Misc. Retail, and Services, the region's economy has grown by 3% since 2009, and if sustained this growth will lead to new investment and ultimately new construction. The biggest concern for the Mississippi Gulf Coast in 2012 will be what occurs at the gas pumps and any uncertainty about the nation's overall economy, the national election, or fiscal policy. The following sections include statistics, analysis, news, and commentary which will provide the reader with a better understanding of the Mississippi Gulf Coast economy.

Manufacturing and Ports

Dating back to 2004, the Mississippi Gulf Coast's manufacturing sector has employed between 16,320 and 22,060 people. Entering 2012, the manufacturing sector employs nearly 19,000 people, and several large contracts already in place will present opportunities for growth in employment. The Mississippi Gulf Coast's three ports (Pascagoula, Gulfport, and Bienville) also play large roles in supporting the region's manufacturing sector, particularly the Port of Pascagoula. Overall, the Mississippi Gulf Coast's shipbuilding and manufacturing sectors are positioned for a growth over the next two years.

- In the fourth quarter 2011, dedication ceremonies were held at VT Halter Marine in Pascagoula for the first of four fast missile ships being built for the Egyptian Navy¹. The first ship is slated for a late 2012 delivery, and the total contract for four vessels exceeds \$800 million. VT Halter is also pursuing a \$20 million grant (from the Katrina Supplemental Community Development Block Grant) for a \$32 million expansion which would create 400 new full-time jobs within three years of project completion². The expansion would add ship and rig repair to the yard's construction business. VT Halter has also contracted with Hornbeck Offshore Services Inc. to assist with construction of 16 high-specification offshore supply vessels. Hornbeck announced in November a total contract worth \$720 million³.
- Huntington Ingalls was awarded a \$697 million contract to build an Arleigh Burke-class destroyer in Pascagoula in September. As of October 2011 Ingalls Pascagoula shipyard had a total workload representing more than \$5 billion in contract awards⁴, slated to last into 2016. In November Huntington Ingalls was awarded a \$13 million contract for continued work on the U.S. Navy's Zumwalt (DDG 1000) class of destroyers, and Ingalls also reported a \$51.3 million contract for engineering and support services on the amphibious transport docks on the Navy's USS Sant Antonio-class ships. Over the next two years, Ingalls anticipates hiring as many as 5,000 people at its three shipyards, one of which is located in Pascagoula. As of late February 2012 President Obama's 2013 budget request does not include the last two of eight planned national security cutters, which are slated to be built in Pascagoula. An MOU between the Navy and Huntington Ingalls should open doors for a new helicopter carrier for the Marines, which will be built in Pascagoula.
- Chevron, which operates a refinery in Pascagoula, announced plans for \$32.7 billion capital and exploratory spending in 2012, with some of those investments targeting Pascagoula's \$1.4 billion base oil project. The two-year project will create 1,000 construction jobs and 20 full-time positions which will between \$55,000 and \$65,000 annually.
- Trinity Offshore christened two new tugboats in October, and those will soon be escorting ships transporting natural gas from Angola, West Africa into the Port of Pascagoula⁵.
- In late October 2011 the \$1.1 billion Gulf LNG (liquid natural gas) facility in Pascagoula was brought online. As a result of LNG shipments to the facility, cargo tonnage at the Port of

Pascagoula was up 30% over prior year⁶ in the third quarter 2011. The Pascagoula port will be challenged in 2012 as poultry exports are not expected to rebound, but the LNG terminal should offset any declines in poultry exports, and the port also depends heavily on business from Signet Maritime, Ingalls Shipbuilding, and VT Halter Marine – all of which are seeking funds for expansion. The port also imports chemicals such as aniline and benzene for use at the DuPont chemical plant in Harrison County. In October Harrison County Supervisors granted DuPont an annual \$250,000 property tax exemption if the company invests \$45 million into its operations near DeLisle⁷.

- The \$621 million restoration project at the state Port at Gulfport continues. As with any construction project, the number of jobs created will depend on the phase of construction – the substantial investment is still in its initial phases. Ultimately the new and expanded Port at Gulfport will quadruple container capacity by 2017 and create more than 1,300 new direct jobs and make Mississippi substantially more competitive in the quest to attract the influx of new container traffic which is anticipated when the Panama Canal completes its expansion in 2014 or 2015. The Port of Gulfport reported an increase in cargo volume of 3.6% in 2011, or 216,000 TEU's (twenty foot equivalent units).

Aerospace

The Mississippi Gulf Coast's Aerospace industry continues to grow. From a geographic standpoint, the Mississippi Gulf Coast's "Aerospace Corridor" runs along Interstate 10 – the corridor actually spans from New Orleans East to Eglin Air Force Base near Fort Walton. Below are notable developments for the Mississippi Gulf Coast⁸.

- In September 2011 NASA announced plans for a heavy-lift rocket which will use space shuttle main engines and the J-2X engines tested and/or assembled at Stennis Space Center.
- In August 2011 the Army turned over the former Mississippi Army Ammunition Plant to NASA, adding a 1.6 million-square-foot facility and increasing NASA's building space at Stennis by a third.
- The Navy continues to expand its unmanned helicopter fleet. The Northrop Grumman Unmanned Systems plant in Moss Point stands to benefit from this.
- In January 2012 the Mississippi Development Authority announced that Rolls-Royce North America is adding a second jet engine test stand to company's footprint at Stennis Space Center in Hancock County. The \$50 million project will create 35 new jobs⁹.

Tourism

With over 26,000 jobs, the Leisure & Hospitality employment sector is the Mississippi Gulf Coast's largest non-government source of jobs. Tourism generates over \$1.7 billion in spending by visitors to the Mississippi Gulf Coast annually. When including indirectly supported and induced jobs, the Mississippi Gulf Coast's tourism industry impacts over 36,000 jobs.

In February the Mississippi Development Authority's Tourism Division released its *Travel and Tourism Economic Contribution Report* for fiscal year 2011 (ended June 30, 2011). Tables 5-7 include tourism related tax collections, tourism related spending, and tourism related employment on the Mississippi Gulf Coast in recent years. It should be noted that much of Fiscal 2011 was impacted by the large number of BP contractor who occupied the Mississippi Gulf Coast.

Harrison County receives 45% of hotel taxes collected to promote tourism, or roughly \$3 million. Similarly sized markets have tourism budgets which exceed \$5 million.

Table 5: Special Tourism Tax Revenues - HOTEL

| | 2005 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Hancock County | \$153,107 | \$129,382 | \$154,052 | \$140,837 | \$97,170 | \$93,966 |
| Harrison County | \$5,940,137 | \$5,136,250 | \$6,378,701 | \$5,717,171 | \$5,807,698 | \$6,160,414 |
| Ocean Springs | \$30,176 | \$31,439 | \$49,881 | \$29,500 | \$22,799 | \$28,527 |
| Pascagoula | \$0 | \$146,817 | \$157,100 | \$102,706 | \$85,959 | \$93,730 |
| Moss Point | \$267,524 | \$326,095 | \$488,296 | \$384,578 | \$369,140 | \$417,064 |

Table 6: Travel and Tourism Expenditures by Visitors

| | 2005 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Hancock County | \$147,471,749 | \$115,241,091 | \$167,036,611 | \$159,314,707 | \$139,787,880 | \$155,162,576 |
| Harrison County | \$1,690,917,011 | \$1,342,950,816 | \$1,452,426,414 | \$1,344,839,062 | \$1,338,597,423 | \$1,448,374,190 |
| Jackson County | \$162,671,507 | \$126,215,877 | \$139,690,292 | \$130,057,694 | \$138,579,820 | \$155,639,702 |

While aggregate hotel tax collections have remained somewhat constant over the last seven years, visitor spending has declined. The fiscal year 2005 ended before Hurricane Katrina.

Table 7: Direct Travel and Tourism Employment

| | 2005 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------|--------|--------|--------|--------|--------|--------|
| Hancock County | 2,190 | 1,890 | 1,930 | 1,850 | 1,785 | 1,830 |
| Harrison County | 26,940 | 22,000 | 22,300 | 20,000 | 20,000 | 20,340 |
| Jackson County | 2,500 | 1,840 | 1,860 | 1,750 | 1,780 | 1,830 |

The Mississippi Gulf Coast supports 7,000 fewer travel and tourism jobs today than it did before Hurricane Katrina.

Harrison County's 5.0% hotel tax generates roughly \$6 million per year. Of that, 45% (or 2.25% of 5.0%) is used to fund the Harrison County Tourism Commission, leaving Harrison County with roughly \$3 million to promote tourism. A 2009 study commissioned by the Gulf Coast Business Council and conducted by Convention Sports & Leisure demonstrates that similarly sized tourism destination operate with an annual budget of roughly \$5 million.

Notably, while available funding for tourism promotion (from hotel taxes) has remained relatively level over the last seven years, visitor spending and jobs supported by tourism on the Mississippi Gulf Coast have declined. Clearly, Hurricane Katrina and the recession have taken tolls on the region's tourism industry, but opportunities exist to improve the Mississippi Gulf Coast's tourism industry.

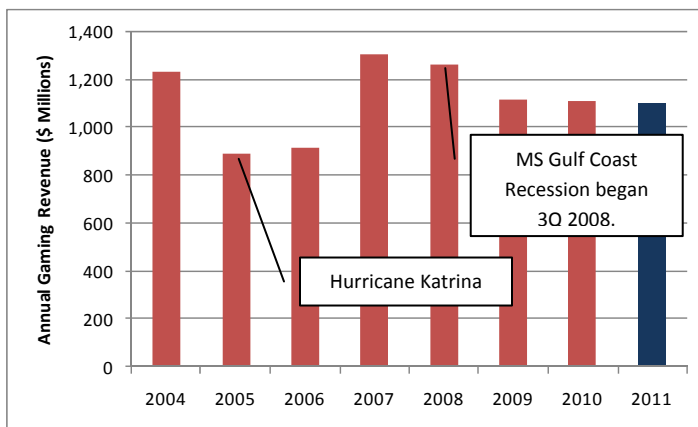
For the last four years, the Gulf Coast Business Council has been working with local tourism stakeholders and community business leaders to **push for the creation of a singular, regional destination marketing organization** ("DMO") to promote and market the entire Mississippi Gulf Coast as one vacation destination. The Gulf Coast Business Council created its Premier Destination Initiative ("PDI") as mechanism to establish a transparent group of more than 50 volunteers who represent tourism interests in all three counties (Hancock, Harrison, and Jackson) which make up the Mississippi Gulf Coast. Membership to the PDI is considered inclusive and membership is not limited. Existing entities which promote different parts of the Mississippi Gulf Coast's tourism industry, including the Harrison County Tourism Commission ("HCTC"), the Hancock County Tourism Commission, the Ocean Springs Chamber of Commerce, and the Jackson County Chamber of Commerce, have all been represented on the PDI dating back to 2009.

During the first quarter of 2012 several meetings took place and these meetings included members from PDI, HCTC, and tourism associations including the Mississippi Gulf Coast Attractions Association the Gulf Coast Chapter of the Mississippi Hospitality & Restaurant Association, the Mississippi Hotel & Lodging Association, the Mississippi Casino Operators Association, the Sports Commission, and the Golf Association. During these meetings a panel of 34 individuals reviewed several proposals for the creation of a regional DMO, ultimately narrowing the choices down to between a PDI proposal and an HCTC proposal. On February 24 the group voted 17-10 in favor of the PDI proposal, but because a super majority was not achieved the groups set out to find common ground for two proposals. On March 9 a second public stakeholder meeting occurred, and during this meeting 74% of the group supported a revised framework for the creation of a Mississippi Gulf Coast Convention and Visitors Bureau. At the time of publication of this report, a special committee is working on drawing up an official resolution which will be voted on by the Harrison County Board of Supervisors. Ultimately the new entity will include three appointments from Hancock and Jackson Counties, and tourism stakeholder associations will be able to recommend slates of individuals from which each respective board of supervisors will make appointments from.

The process of creating a regional DMO for the Mississippi Gulf Coast has been long and arduous, but common ground was found and in the end, the tourism industry for the entire Mississippi Gulf Coast stands to benefit from a better funded DMO which will pool together the talents and resources of all tourism entities – small and large – which make up the Mississippi Gulf Coast's unique and diverse tourism product.

As noted above, the fiscal year tallies of tourism spending for 2011 were subsidized by a large presence of BP contractors (several thousand occupied the Mississippi Gulf Coast for the latter half of calendar year 2010). When looking at 2011 from a calendar year standpoint, the tourism industry was relatively flat when compared to prior year.

Chart 2: Recent Annual Gaming Revenues on Mississippi Gulf Coast
Source: Mississippi Gaming Commission



Comparing 2011 to the region's record year of 2007, gaming revenues are down by 16%, or more than \$200 million on the Mississippi Gulf Coast.

Leading up to the slowdown in 2011, the region's casino operators had reported year-over-year monthly increases in revenue in ten out of fourteen months, but in the third quarter 2011, on the heels of consumer confidence (at the national level) reaching a two year low, momentum faded, and the eleven casinos which operate on the Mississippi Gulf Coast finished the year with no growth when compared to prior year.

Looking ahead to 2012, the Mississippi Gulf Coast's tourism industry has several challenges, but also many opportunities ahead which may result in overall net growth.

- In March 2012 it was announced that the Golden Nugget will purchase the Isle Casino in Biloxi and reinvest \$150 million into the property¹⁰.
- Jimmy Buffet's Margaritaville Restaurant and Casino is set to open in May 2012, becoming the Mississippi Gulf Coast's twelfth casino – the first time since Hurricane Katrina where the region has featured 12 properties. The property will hire up to 1,000 people and its strong brand recognition should help attract new visitors to the region.
- Gas prices in the first quarter 2012 in the Gulf Coast region of the United States are trending above \$3 per gallon for regular gasoline. These prices are higher than any January-February on record¹¹.

- According to the Mississippi Hotel & Lodging Association, hotel occupancies in the Gulfport-Biloxi MSA dropped from 67% to 60% in calendar year 2011. In calendar years 2007-2008 occupancies in the region were roughly 66%. On a positive note, occupancy levels exceeded prior year in January 2012, while average daily rate declined slightly.
- Total passenger traffic reported by Gulfport-Biloxi International Airport declined 12.5% in 2011 (when compared to 2010). This decline can be attributed to the loss of Air Tran service to Atlanta and Tampa. In 2012, it was announced that Direct Air will providing year-round air service between Gulfport-Biloxi and Linder Regional Airport in Lakeland, Florida (near Orlando).
- In April 2012 the \$40 million Infinity Science Center will begin operation in Hancock County. The facility is projected to attract more than 300,000 visitors annually and is highly visible from Interstate 10.
- Cities across the entire Mississippi Gulf Coast continue to report increased development in and around their downtown areas. New marinas in Bay St. Louis and Biloxi will add to the region's attractions, and new restaurants along the beach in Biloxi, Gulfport, Long Beach, Pass Christian, and Bay St. Louis have opened over the last two years.

Lastly, the Mississippi Coast Regional Tourism Partnership, which began administering a \$16 million grant from BP in September 2011, has expended roughly \$3 million to promote the Mississippi Gulf Coast over the last several months, and is projected to spend roughly \$7 million promoting the region in 2012. In addition to funding broad-reaching advertising campaigns throughout the southeast United States and in other target markets, the Tourism Partnership has committed over \$1 million to support the following events in 2012. Below are examples of upcoming tourism events which the Tourism Partnership has funded.

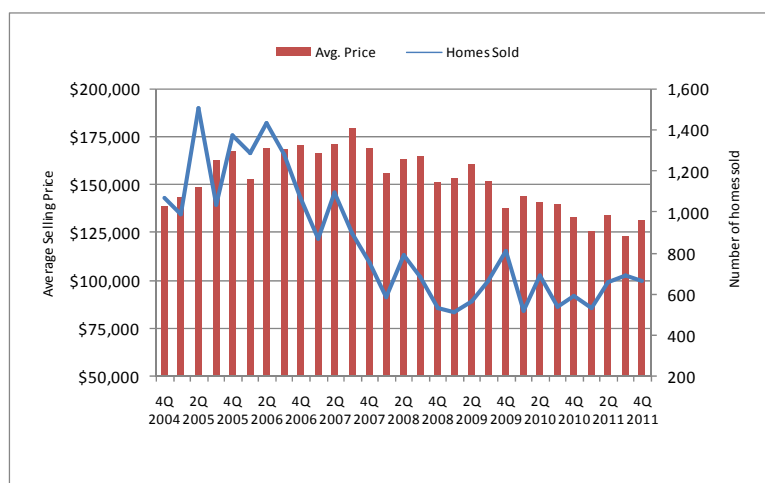
- The Mississippi Gulf Resort Classic (a nationally televised PGA event) – March 2012
- Smokin the Sound – April 2012
- Mississippi Coast Crawfish Festival – April 2012
- Southern Gaming Summit – May 2012
- A Memorial Day concert event in Biloxi – May 2012
- Billfish Classic – June 2012
- Southcoast Summerfest – June 2012
- SKA Fishing Tournament – November 2012

Parties interested in applying for special event grant funds from the Tourism Partnership should visit www.visitmscoast.org for more details.

Real Estate

Though selling prices for residential homes on the Mississippi Gulf Coast continue to fall, the volume of homes sold has increased (year-over-year) in three out of the last four quarters. Should volumes continue to increase and inventories be reduced, the average selling price of homes will begin to appreciate.

Chart 3: Average selling price and average volume of homes sold
Source: Multiple Listing Services



The volume of homes sold has increased on the Mississippi Gulf Coast in three out of the last four quarters.

Table 8: Inventory of Homes for Sale
Source: Multiple Listing Services

| Price Range | Jan-12 | Oct-11 | Jul-11 | Apr-11 | Oct-10 | Jul-10 | Apr-10 | Feb-10 | Oct-09 | Jun-09 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Less than \$130K | 1,236 | 1,366 | 1,351 | 1,368 | 1,970 | 1,744 | 1,663 | 1,540 | 1,405 | 1,100 |
| Between \$130K and \$200K | 813 | 910 | 1,017 | 1,039 | 1,188 | 1,296 | 1,313 | 1,227 | 1,296 | 1,241 |
| Greater than \$200K | 849 | 893 | 1,026 | 1,036 | 1,091 | 1,213 | 1,116 | 1,103 | 1,177 | 1,252 |
| Total Homes on Market | 2,898 | 3,169 | 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

Other positive signs include the fact that residential permits applied for in all three counties in the third and fourth quarters of 2011 exceeded the volume of permits applied for in 2010. When combined, the volume of residential permits applied for in the latter half of 2011 exceeded prior year by 25%, with the largest increases coming in Hancock and Jackson Counties.

Table 9: Summary Residential Permits
Source: Treen Reports

| | 3-4Q 2011 | 3-4Q 2010 |
|-----------------|------------|------------|
| Hancock County | 101 | 66 |
| Harrison County | 375 | 330 |
| Jackson County | 268 | 197 |
| Total | 744 | 593 |

The volume of commercial permits applied for has increased in three of the last four quarters, and the value of those projects has been fairly consistent. When removing government projects and Hurricane Katrina related projects from recent history, there are signs that private investment is increasing in the region.

Legislative

The United States Senate has approved the RESTORE ACT (as part of a two-year transportation bill). Under the current Senate version, 80% of any fines and levies paid by BP to the federal government for the 2010 oil spill will be allocated to the impacted states; fines will likely range from \$5 billion to \$20 billion. The House previously passed a similar version of legislation, and ultimately the two measures will be reconciled in the final bill.

In Mississippi, several legislators from the Mississippi Gulf Coast have received chair and vice chair assignments. These include:

- Appropriations – Herb Frierson, Chairman
- Banking and Financial Services – Hank Zuber, Chairman
- Conservation and Water Resources – Jessica Upshaw, Chairman
- Constitution – Scott Delano, Chairman
- Fees and Salaries of Public Officers – John Read, Chairman
- Gaming – Richard Bennett, Chairman
- Marine Resources – Casey Eure, Chairman
- Ports Harbors and Airports – Jeffrey Guice, Vice Chairman
- Ports Harbors and Airports – Randall Patterson, Chairman
- Rules – Mark Formby, Chairman

Other legislative activity being monitored by the Gulf Coast Business Council includes school start date legislation. The Gulf Coast Business Council has been advocating since 2008 for the state of Mississippi to consider legislation which would require that public schools start no earlier than the fourth Monday of August. In 2010 the Gulf Coast Business Council published a study titled An Introductory Study of Later School Start Dates, and followed that study up with an update in late 2011. Both of these studies are available on the Gulf Coast Business Council website and demonstrate that the overwhelming majority of Mississippi's citizenry (throughout the state) support later school start dates, and extensive research shows that moving school start dates back would generate well over \$100 million in new tourism spending and create over 1,000 new jobs. States such as Florida and Texas already have successfully introduced later school start dates and have not reported negative impacts to education. As of March 2012, HB 707 passed the House by an overwhelming (95-17) majority and the bill has moved to the Senate.

CEO & Business Owner Confidence

The Gulf Coast Business Council Research Foundation released its CEO & Business Owner Confidence Index for the fourth quarter 2011 in January. After declining for two consecutive quarters, the overall confidence in the regional economy increased in January 2012. To read the report in its entirety, visit www.msgcbc.org/research.

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 April 2012.

¹ MSBusiness.com, November 1, 2011

² MSBusiness.com, November 15, 2011

³ MSBusiness.com, November 22, 2011

⁴ Mississippi Business Journal, October 10, 2011

⁵ MSBusiness.com, October 12, 2011

⁶ Wlox.com, October 24, 2011

⁷ MSBusiness.com, October 4, 2011

⁸ Mississippi Gulf Coast Alliance for Economic Development, Alliance Insight, October 2011, Volume V Issue III – Special Feature by David Tortorano (see first three bullet points)

⁹ MSBusiness.com, January 9, 2012

¹⁰ Sunherald.com, March 6, 2012

¹¹ U.S. Energy Information Administration. Pricing goes back to 1992.