

*Pratt & Whitney
Southington, CT.*

*Environmental Property Acquisition
Real Estate Review*

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Acquisition Report Outline

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Regional and State Economic Analysis

The New England region has benefited greatly from the nation's economic growth. With regional unemployment at all time lows, this potentially *labor-constrained* economic market continues to experience exponential growth in both the service and trade industry sectors.

The Connecticut economy is on track to continue to parallel the unprecedented service and trade sector growth of both the region and the nation. A constrained labor market is applying upward pressure on wages, which potentially could inhibit growth at the state level; however, significant reductions in the State's corporate tax rate should compensate for the increased cost of labor.

New England:

- *National pay growth in 1996 outpaced the national average gain of 3.7% for the second consecutive year. Average annual pay increases grew to 4.4%, up from 4.0 in 1995*
- *Annual pay growth "varied widely by industry." Finance/Real Estate (FIRE) led the way at 8.3%. FIRE was followed by Wholesale trade at 4.9%. Manufacturing was tied with Construction for third at 4.7%, with retail pay increases following at 3.6%*
- *At \$40,826, the average pay for manufacturing is at a 12.67% premium over the national average of \$36,235*
- *The hourly compensation rate was more than \$2.00 higher than the US average of \$17.97, and was the highest among the four census regions in 1996*
- *Unemployment rate has remained below that for the nation since February, 1995*
- *Non-Farm employment gain of 154,000 jobs (1997), an increase of 2.4% compared with national average of 2.7%*

Connecticut:

- *Total compensation employment cost for private industry workers for the twelve month period from September 1996 - September 1997, rose at rate equivalent to 81.25% of that of the national average for the same period*
- *Of the six New England region's states, Connecticut was second only to Massachusetts in job growth by state. Massachusetts and Connecticut accounted for for 75% of the region's job growth during calendar 1997, with Connecticut accounting for 30.5% of that growth*
- *Of the 25 metropolitan areas in the region, Waterbury was third in relative job growth during 1997 at 4.2%. It should be noted that the subject property is located equidistant between Hartford and Waterbury, with no big block competitors identified south of the subject property in the Hartford MSA competitive property analysis*
- *The State had the second highest pay level in the US behind New York, and at \$36,579 was at a 26% premium over the national average of \$28,945 in 1997*
- *Per Capita income rose 5% to \$29,588 for the period December 1994 through December 1995*
- *Governor Rowland has cut taxes by \$1.2 billion, including a 33% corporate tax reduction*
- *State's corporate tax rate being reduced from 9.5% in 1998 to 7.5% in 2000*
- *The State's unemployment rate has dropped 1.3% during the period December 1996 through December 1997*
- *Since 1977 the State has stayed at or below the United States average for unemployment*

Connecticut's Economic Incentives

The state of Connecticut is very proactive with regard to promoting *Economic Growth* as evidenced by the major benefits identified below. And efforts to reposition this property can only be enhanced, given that it is domiciled in a *State Enterprise Zone*.

State Economic Incentives

- *Corporate tax rate reduction has been legislated, and will be reduced from 10% to 7.5% by the year 2000*
- *Additional Urban Jobs Program benefits outside of the Enterprise Zone are available at the discretion of the Commissioner of Economic and Community Development - Mr. Chet Camarata*
- *A 100% property tax abatement on new and used machinery for five years*
- *Sales and Use tax exemptions on newly acquired machinery and materials*
- *A 100% property tax credit toward corporate tax liability for computers and data processing equipment*
- *General Tax credits available for the following: Apprenticeship Training, Employee Training, Research & Development, Child Day Care, Clean Alternative Fuel, and Neighborhood Assistance*
- *State Development Authority issue Tax exempt bonds up to \$10 million dollars subject to federal tax regulations, issue general obligation bonds, and can make low interest loans with flexible terms and conditions*
- *Utility assistance - specialized reduced rate structure manufacturers, including funding toward improvements for energy conversion during build-out*
- *Labor training financial assistance*

Assessment of Political Climate

As evidenced by the data points enumerated below: The State of Connecticut's *Political Agenda* would appear to be very "business friendly," and to have broad *bipartisan* support.

- *At 37, the state's 86th Governor, republican John G. Rowland (Waterbury native) is youngest Governor in history of the state, and the Nation's youngest governor*
- *The State's surpluses have totaled nearly \$600,000,000 since 1995. An agenda of spending restraint and income tax cuts has characterized Rowland's "business friendly" administration*
- *The Governor also is empathatic to manufacturing, and has put on his agenda the creation of a "manufacturing resource center" to enhance vocational training with regard to manufacturing technologies*
- *The State has two Democratic Senators, Chris Dodd and Joe Lieberman. The New York Post describes Lieberman as "respected by Republicans and Democrats alike. Additionally, the New York Times endorsed his re-election in 1994 saying, "In only one term, he (Lieberman) has influenced the course of Federal legislation for the benefit of Connecticut and the nation*
- *In the House of Representatives, the State has six Congresspersons, two Republicans and four Democrats, one of which, Democratic Congresswoman Barbara Kennelly, is from Hartford*
- *In the State legislature, Southington has two representatives, Republican Angelo Fusco and Democrat Thomas Colapietro. Fusco, is a member of the Disabled American Veterans, and is employed in the plant engineering department of the Pratt & Whitney overhaul and repair division in Cheshire, and lives in Plantville. State Senator Colapietro is retired from the Delco Chassis Division of General Motors (a subject property competitor) where he was employed as a set-up operator for 29 years*

