ECONOMIC BASE UPDATE - DRAFT
Industrial-Business Market Update
Newtown, CT

Prepared Under Contract to:

TOWN OF NEWTOWN
ECONOMIC DEVELOMENT COMMISSION

By:

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I. Purpose & Methodology

AMS Consulting (AMS) was engaged by the town of Newtown's Economic Development Commission to an undertake a limited update of its earlier study *"Market Assessment – Proposed Newtown Technology Park"* dated July 2008 to include a broader look at industrial business prospects in town, particularly as it may relate to attracting High Tech industries. The current update is also intended re-examine the projected state of the market for development six industrial/commercial buildings on a 23 acre site (as part of a larger 42 acre parcel) for a Business Park in Newtown, currently known as Newtown Technology Park.

The current submission represents the first Deliverable of this assignment covering the Economic Base Update.

The Economic Base Update will later be merged with the full Market Update report which will include competitive market update, summary of findings, conclusions and recommendations.

The purpose, scope, approach and limiting conditions of the full Market Update Study and Recommendations is provided below:

Purpose of Analysis:

The purpose of the analysis has been to:

1. To provide an update on the economic and competitive climate for industrial – business development in Newtown, with a focus on opportunities for the proposed Tech Business Park in Newtown, CT;
2. To provide recommendations on enhancing and growing Newtown's Industrial-Business base.

Scope of Research Activity:

- Delineation of the primary Competitive Market Area[1]
- Update of Economic Base analysis
- Review of Industrial Market Trends: National, regional and local
- Update of Newtown Area Industrial Park Survey
- Broker – Businesses Interviews
- Target Market analysis
- Market Recommendations

[1] Competitive Market Area is defined in this case as that geographic area most likely to compete with Newtown for industrial and business service demand for buildable industrial lots.

Methodology:
In preparation of this report, we have examined data relating to the industrial market within and outside the immediate market area of Newtown. We also made field inspections of competitive Business and Industrial Parks in the region, primarily focusing on parks in communities located along the I-84 corridor (between Waterbury and Danbury) and Route 25 (between Newtown and Trumbull).

In addition, we have collected demographic data and economic data and projections from various reliable sources and reviewed a variety of documents relating to the relative economic health and business desirability of this locale.

As a formal matter, the opinions expressed in this study are based in whole or in part on:

- The experience of the analysts
- Information obtained from proprietary and public databases
- Field research and inspection of properties
- Interviews with local businesses and professionals involved with the development and marketing of industrial product in the area
- Articles and studies prepared by third parties.

This report is submitted to the Client subject to the following limiting conditions:

No responsibility is assumed for matters of a legal nature. No responsibility is assumed for errors in information furnished by others and believed to be reliable at the time of compilation. This study is not intended to reflect the economic or financial feasibility of developing the subject property under any of the development alternatives examined herein.

This report is not intended to serve as a property appraisal of any kind. Rather it is intended to assess the market environment for expanding the industrial-business base of Newton and developing the proposed Business Park as it may relate achievable pricing and marketability of the subject property under certain specific conditions, which may or may not be currently in effect.

II. Definition of Competitive Market Area

The Competitive Market Area (CMA) is that area within the Newtown region that we have determined best constitutes area of potential competition for the Subject Property for commercial-industrial investment in real estate and space. In the case of the region, direct competition (market supply) is most likely to originate with business parks and zoned industrial areas located in the towns immediately accessible to I-84 between Oxford and Danbury, as well as those towns linked by Route 25 between Newtown and Trumbull. These towns are as follows:

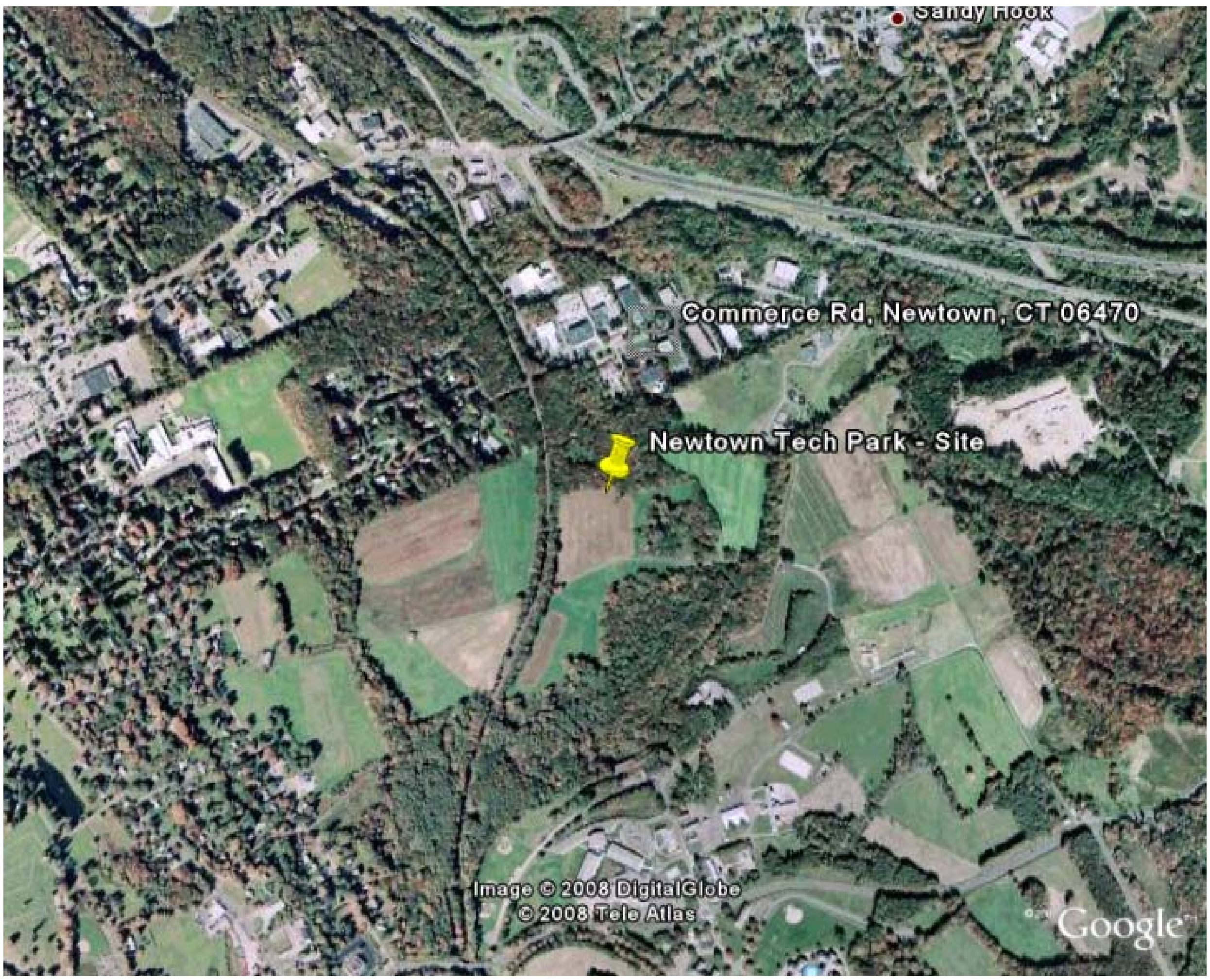
Newtown Primary Competitive Market Area – Industrial Market

- Bethel
- Brookfield
- Danbury
- Monroe
- Naugatuck
- Newtown
- Oxford
- Southbury

III. Proposed Newtown Tech Park

The proposed Newtown Tech Park is located within a 42 acre parcel of which 23 acres is slated for development for the tech park. The site is accessed via Commerce Road off Route 6 in the Sandy Hook section of Newtown (see site map below). Commerce Road functions as the main access to Commerce Park, a business park privately developed in the 1970s and now largely built-out. Immediately north of the site on Route 6 is I-84 with east and westbound interchanges. Dominant features of the site include an active rail line (Housatonic RR) running partly parallel to Commerce Road and the proposed tech park. Further south is the Fairfield Hills campus containing the now vacated Fairfield Hills State Hospital on 770 acres of which the town has since purchased 185 acres. A master plan for the town-owned section has been adopted for redevelopment of the property which to date has largely focused on public purpose uses (school, recreation fields, town offices).

Exhibit 3.1



IV. Economic Base Update

Economic and Demographic Study Areas

The Town of Newtown

For the purpose of analyzing the economic drivers impacting Newtown and the region, we have evaluated a number of demographic and economic trends. For obvious reasons Newtown is the primary focus of this analysis. But as appropriate, we have analyzed and compared town data and trends with other communities in the region, the county, and the state.

Labor Market Areas

In analyzing regional economic trends particularly as it relates to labor force, job skills and employment trends, much of the data is derived from the Connecticut Department of Labor, Office of Research. Such regional data on labor force and jobs in Connecticut is organized into nine Labor Market Areas. As part of a re-configuration of labor markets in 2005, the town of Newtown was shifted from the Danbury LMA to the Bridgeport-Stamford LMA which comprises much of lower Fairfield County and the Bridgeport region. However, due to Newtown's strong interdependence and economic ties with the Danbury and Waterbury area via Interstate 84, we have also included in our regional economic research an analysis of the Danbury LMA and Waterbury LMA.

Drive Time Labor Pool Areas

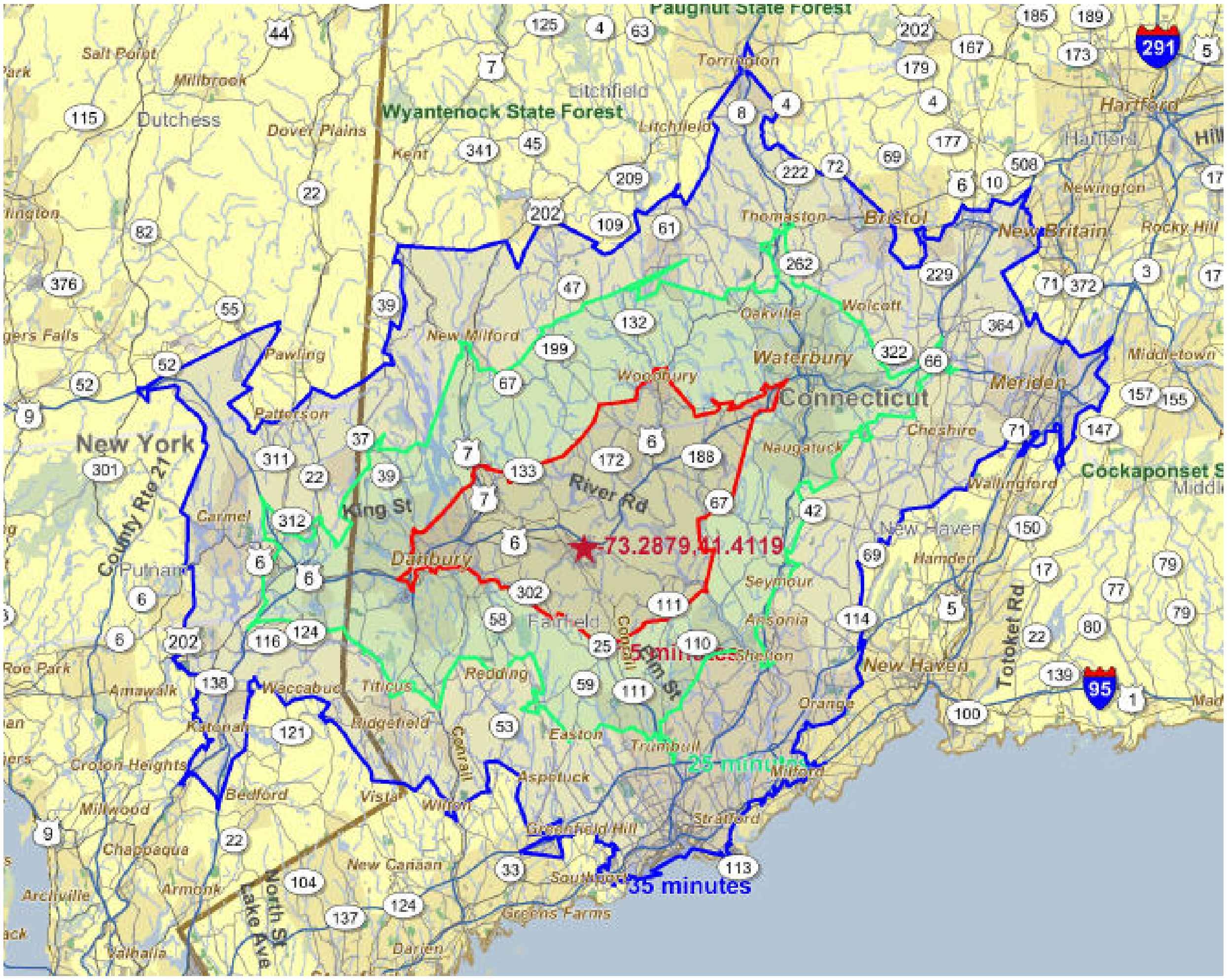
Finally, when it comes to evaluating the market potential of a business park, it is important to analyze the educational and job skill characteristics of the adult workforce most likely to be a source of employees for businesses in the proposed Business Park. In some cases, these areas do not conform to defined labor market areas but instead are influenced by accessibility and drive times. Thus for this latter analysis we have geographically defined three drive time areas of 15, 25 and 35 minutes, which represent potential source market areas for workers within a reasonable commuter drive time of the Subject Property. It is noted that the 35 minute drive time area is one-third the size of Connecticut and pulls from as far west as Westchester County, New York and as far east as New Britain, CT.

On the following page please refer to site map defining the three drive time areas.

Exhibit 4.1

Areas Defined by Drive Times: 15 minutes, 25 minutes, 35 Minutes

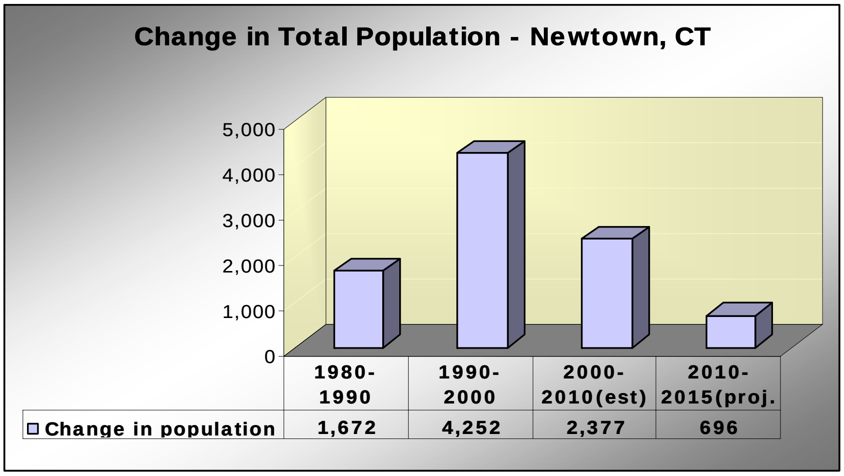
Site Map
Prepared By AMS



Population and Household Trends

Economic and demographic data reviewed includes actual census data for 1990 and 2000 with estimates for 2010 and projections for 2015 provided by ESRI, a leading source of demographic information.

Exhibit 4.2



Although Newtown and surrounding towns continue to report respectable population growth over the past decade, the pace of growth has declined appreciably. Annual population growth in Newtown has dropped to 0.89% this decade from 1.88% in the 1990s, while Fairfield County has slipped from 0.64% annually to 0.26%. Projected growth for the next decade indicate even further decline in growth which ultimately could have implications for labor force growth. While factors that include an aging population and the impact of two recessions have contributed to this trend, tighter land use regulations within the region in the last decade have also played a significant role.

Exhibit 4.3
Population Changes 1990-2015
Newtown & Select Area Towns

Town	1990	2000	Average Annual % Change 1990-2000	2010 Estimate	Average Annual % Change 2000-2010
Bethel	17,550	18,067	0.29%	18,500	0.24%
Brookfield	14,104	15,664	1.05%	16,990	0.68%
Danbury	65,558	74,848	1.33%	79,979	0.65%
Middlebury	6,145	6,451	0.49%	7,212	1.09%
Monroe	16,875	19,247	1.32%	19,496	0.13%
Newtown	**20,779**	**25,031**	**1.88%**	**27,408**	**0.89%**
Oxford	8,685	9,,821	1.24%	12,409	2.31%
Southbury	15,818	18,657	1.62%	20,000	0.73%
Trumbull	32,035	34,243	0.67%	35,263	0.29%
Fairfield Cty			0.64%		0.26%
State of CT			0.35%		0.37%

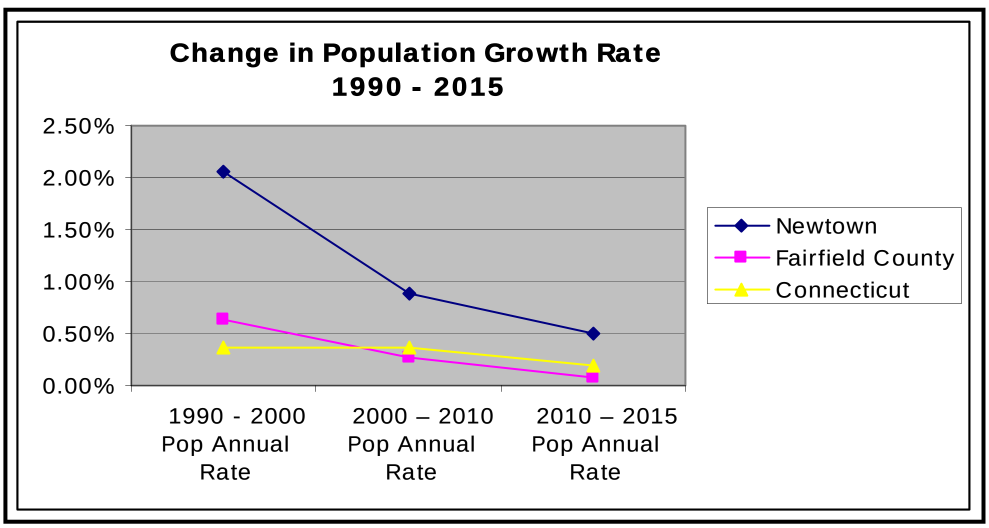
Source: US Census, ESRI

Like population, the rate of household growth is also trending downward in Newtown dropping from an average of 2% a year in the 1990s to just under 1% this decade. Nor is this trend confined to Newtown with similar declines in growth rates estimated for Fairfield County and the State. Projections over the next five years point to further slowdown for Newtown, the County and the state – with Fairfield County flirting with stagnant growth.

Exhibit 4.4- Comparison of Population & Household Growth
Newtown, Fairfield County, State of Connecticut
1990 -2015

Attribute	Newtown	Fairfield County	State of CT
2000 Total Population	25,031	882,567	3,405,565
2010 Total Population (est)	27,408	906,634	3,404,565
2015 Total Population (proj.)	28,104	910,312	3,535,787
1990 - 2000 Pop Annual Rate	***1.88%***	***0.64%***	***0.35%***
2000 – 2010 Pop Annual Rate	***0.89%***	***0.26%***	***0.37%***
2010 – 2015 Pop Annual Rate	***0.50%***	***0.08%***	***0.19%***
2000 Households	8,325	324,232	1,301,670
2010 Total Household (est)	9,173	332,614	1,352,501
2015 Total Household (proj.)	9,416	333,861	1,366,074
1990 - 2000 HH Annual Rate	***2.05%***	***0.61%***	***0.57%***
2000 – 2010 HH Annual Rate	***0.95%***	***0.25%***	***0.37%***
2010 – 2015 HH Annual Rate	***0.52%***	***0.07%***	***0.20%***

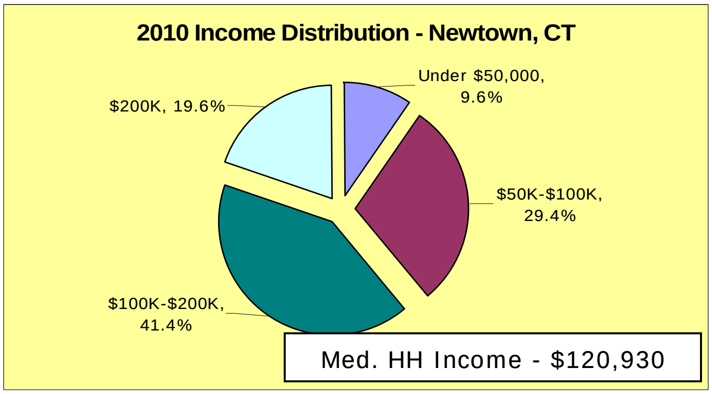
Source: US Census, ESRI



Income Trends

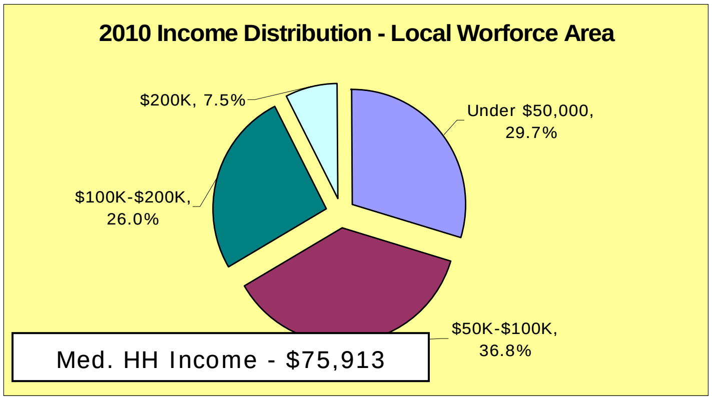
Analyzing the income pattern within a town or region is useful for determining the employment profile of the local resident base for new jobs entering the community.

Exhibit 4.5 - Newtown



Based on estimates provided by ESRI, Newtown households are largely affluent with 61% of its households earning above $100,000 as compared to 44% for the County and 29% for the state. Meanwhile less than 10% earn under $50,000. The recession, however, has taken its toll on the town's income base with Median HH income in Newtown falling from $131,880 in 2008 to an estimated $120,930 in 2010. Nevertheless, this continues to compare better to the county at $87,754 and state at $70,340.

Exhibit 4.6 – 25 min Drivetime



A more diversified income base is found in the region (15 to 35 minute drive time). Based on ESRI estimates, just under one-third of all households earn under $50,000, 37% earn between $50,000 to $100,000, and another third report incomes above $100,000. Refer to earlier Exhibit 4.1 for map delineating areas based on driving times.

Housing Characteristics & Trends – Newtown & Region

Consistent with its suburban character, Newtown's housing is overwhelming single family with 92.1% single family detached housing, and 1.0% single attached as of 2000 Census. Only 0.3% was located in housing of 5 units or more. It is no surprise therefore that housing tenancy within Newtown is largely owner-occupied representing an estimated 86% of all housing in 2010. Nor is Newtown an exception as can be seen from the map below with most of the surrounding towns reporting similar ratios.

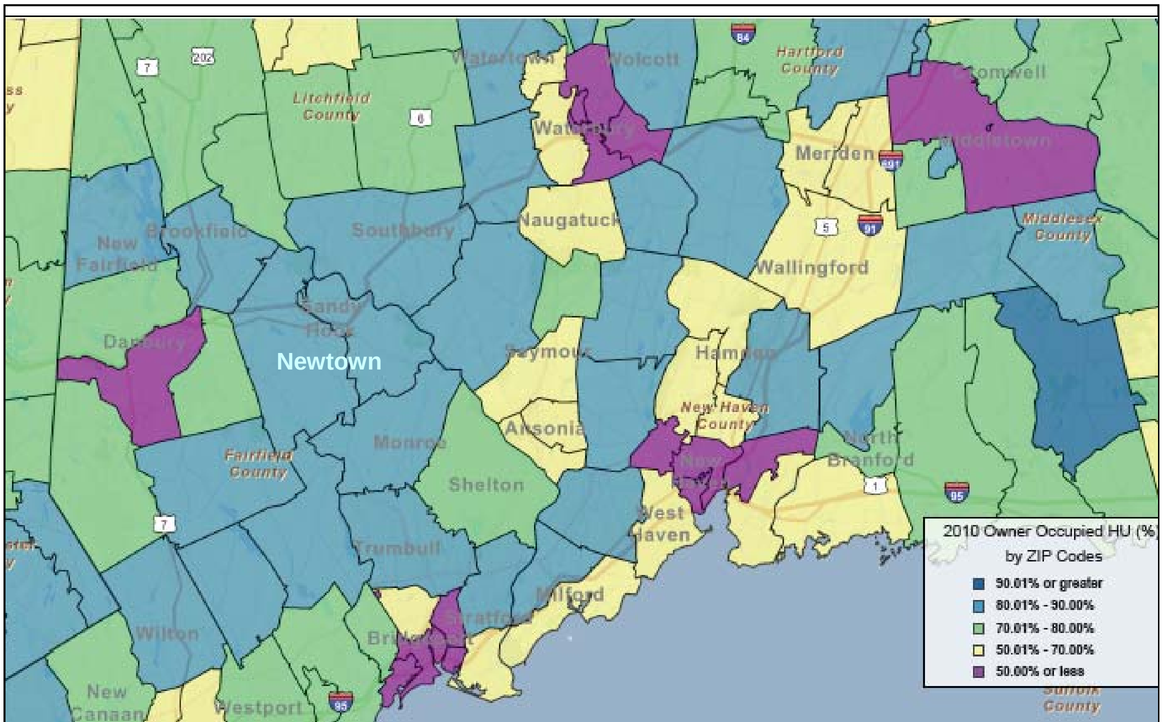
While housing options are somewhat limited in Newtown and immediate area, a greater mix of housing opportunities are found within easy driving distance, particularly within Naugatuck Valley and the Danbury area. This is critical given a diversity of housing choices in a region is important in supporting a strong labor force.

Exhibit 4.7– Newtown Tenancy Characteristics

	2000		2010 est	
	Number	Percent	Number	Percent
Housing Units by Occupancy				
Total	8,601	100.0%	9,647	100.0%
Occupied Housing Units	6,798	96.8%	9,174	95.1%
Owner Occupied Housing Units	6,038	89.0%	8267	85.7%
Renter Occupied Housing Units	760	7.8%	907	9.4%
Vacant Housing Units	396	3.2%	473	4.9%

Source: US Census, ESRI

Regional Owner-Occupied Housing Units by Zip Code - 2010



Educational Attainment

The 2010 ESRI estimates for Newtown point to a well educated community with over 62% of its residents 25 years or older indicating an Associate college degree or better, while over half have obtained a Bachelor's or post-graduate degree. Combined, nearly 96% of Newtown's adult residents have a high school degree or more.

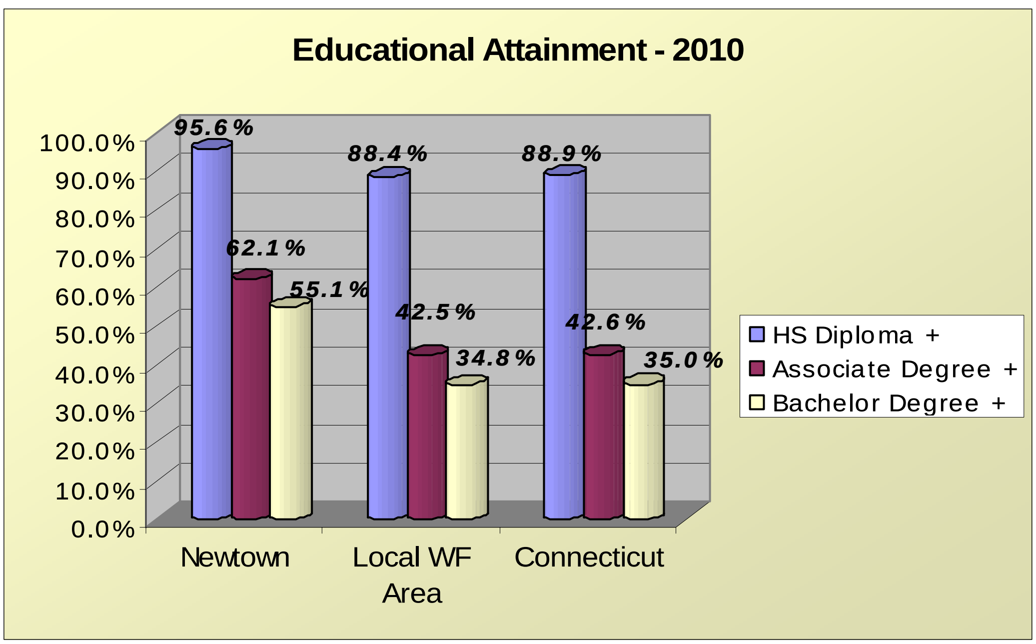
Although falling short of the high standards attained in Newtown, a respectable educational profile is evident in the local workforce area (25-minute drivetime). According to ESRI, 88% of the adult population within a 25-minute drive to Newtown has received a high school degree or better, while 42% have achieved a college or post graduate degree. This compares very closely to the overall educational profile of the state as can be seen in the chart and graph below.

Exhibit 4.8

2010 Population 25+ by Educational Attainment – Newtown, Local Workforce Area & State

		Newtown	Local WF Area 25min Drive	State of CT
	Total	17,563	289,978	2,369,503
	Less than 9th Grade	1.3%	5.3%	4.6%
	9th - 12th Grade, No Diploma	3.1%	6.3%	6.5%
	High School Graduate	18.4%	28.7%	29.2%
	Some College, No Degree	15.1%	17.2%	17.1%
	Associate Degree	7.1%	7.7%	7.6%
	Bachelor's Degree	32.9%	20.6%	19.7%
	Master's/Prof/Doctorate Degree	22.1%	14.2%	15.3%

Source: US Census



Journey to Work

As can be seen from the commuter data from the 2000 Census, Newtown is both a bedroom community and jobs center with 9,270 outbound commuters (excluding the 2,998 that work in town) versus 8,560 inbound commuters working in Newtown inclusive of the Newtown residents. Inbound commuters outside of Newtown residents mainly originated from the surrounding towns and cities of Danbury and Bridgeport, followed by Southbury, Waterbury and New Milford. The diversity of inbound commuters beyond the top five shown below underscores the accessibility of Newtown from areas throughout the lower western part of the state via Route 25 and Interstate 84.

Exhibit4.9

Year 2000 COMMUTER TRENDS - NEWTOWN

Inbound Commuters to Newtown	Number	%	Outbound Commuters from Newtown	Number	%
Newtown	2,998	35.0%	**Newtown**	2,998	24.4%
Danbury	861	10.1%	Danbury	1,606	13.1%
Bridgeport	385	4.5%	Norwalk	463	3.8%
Southbury	364	4.3%	Bridgeport	450	3.7%
Waterbury	285	3.3%	Stamford	449	3.7%
New Milford	257	3.0%	Bethel	361	2.9%
Bethel	233	2.7%	Trumbull	324	2.6%
Naugatuck	223	2.6%	Brookfield	323	2.6%
Monroe	200	2.3%	Fairfield	319	2.6%
Brookfield	187	2.2%	Ridgefield	314	2.6%
Subtotal	**5,935**	**69.3%**		**7,607**	**62.0%**
Total	**8,560**	**100%**		**12,268**	**100%**

Source: US Census

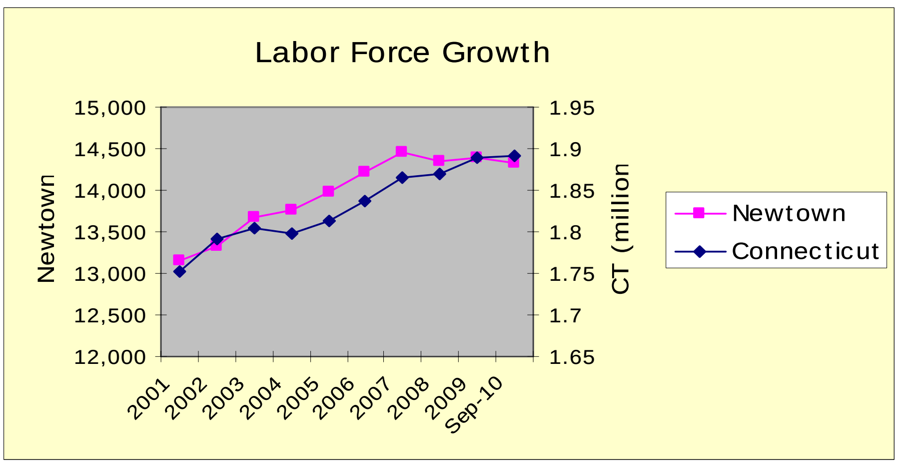
Labor Force Trends

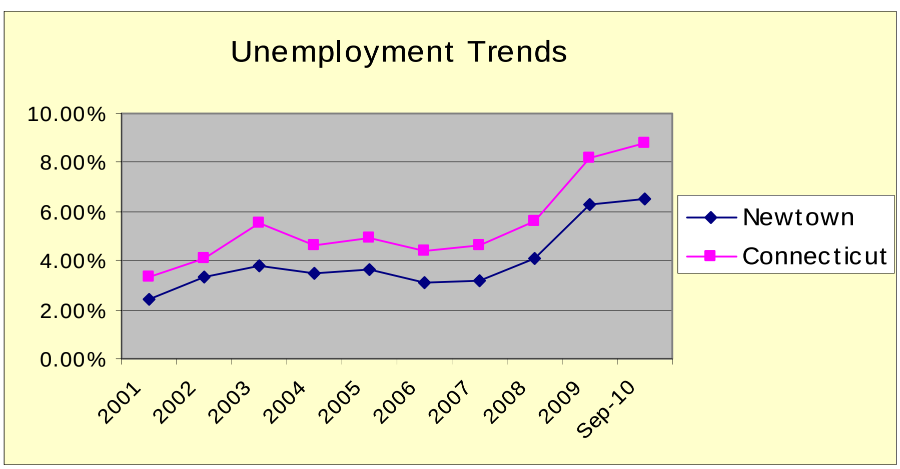
Town of Newtown – Labor Force & Unemployment

For much of the 2000 decade Newtown posted healthy labor force gains amounting to an overall increase of 9.9% between 2001 and 2007. With the recent recession and sluggish recovery, however, such growth has since gone flatline. A similar trend in labor force growth and decline is observed for Connecticut.

Of greater concern, however, is the recession's impact on jobs which has pushed unemployment in Newtown to unprecedented levels and within the state to heights not seen since the severe 1991-2 recession. According to CT Department of Labor, joblessness in Newtown stood at 6.2% in October 2010, while state unemployment was reported at 8.5% (or 9.1% seasonally adjusted).

Exhibit 4.10 – Newtown LF & UE Trends





Source: CT Department of Labor

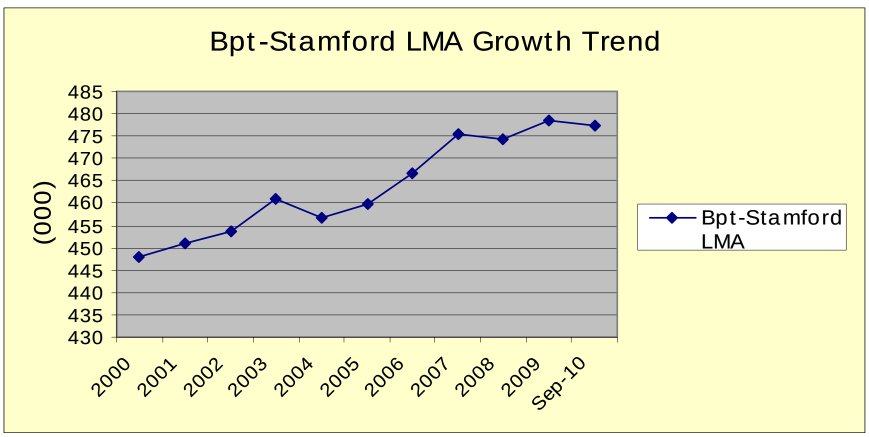
Regional Labor Force Trends

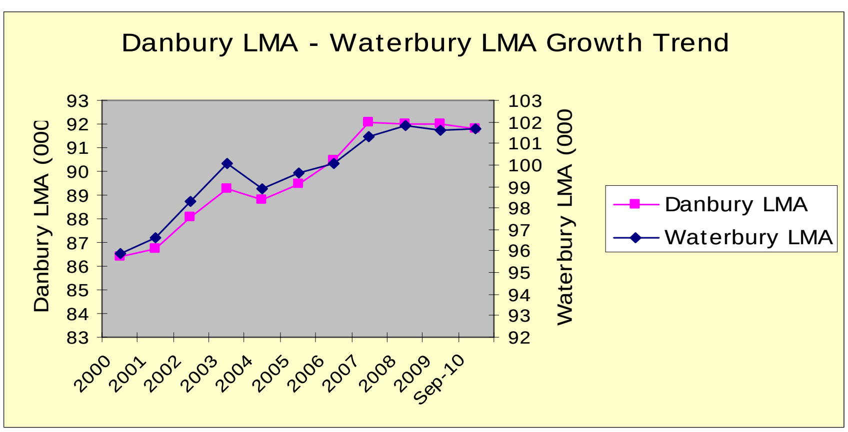
Newtown is officially located in the Bridgeport-Stamford Labor Force Market Area but has strong ties to the Danbury and Waterbury Labor Force Market Areas principally due to linkage with I-84. Thus growth trends in labor force for all three Labor Market Areas are presented below.

Like Newtown, labor force growth in all three labor force regions has stalled with the onset of the national recession in late 2007 – soon to be followed by the state in the second quarter 2008. This is in sharp contrast to the recession of 2001-2002 which saw labor force gains in all three regions.

The Bridgeport-Stamford LMA reported a brief uptick in labor force in 2009 before dipping down again in 2010. Danbury and Waterbury LMA, on the other hand, have essentially remained flat since the beginning of the recession. One concern with this trend is that lower or flat labor force growth yields potentially lower GDP growth and often presages a decline in population.

Exhibit 4.11 – Regional Labor Force Trends



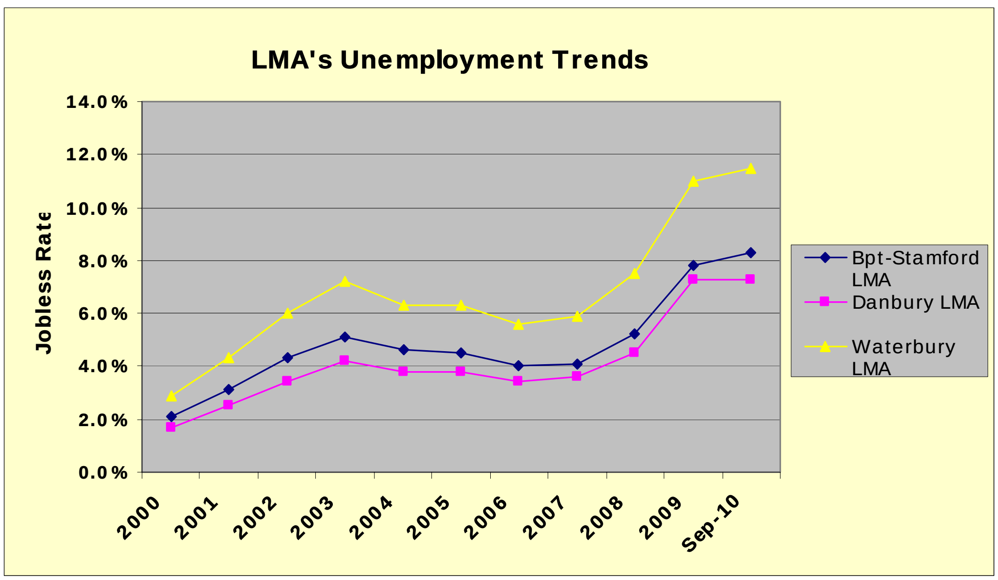


Source: CT Department of Labor

Unemployment

While labor force growth rates have tracked similarly between the three labor markets during the economic downturn, unemployment has not. Unemployment in the Waterbury LMA has nearly doubled jumping from 5.9% in 2007 to 11.7% as of September 2010. Resident workers in the Waterbury region have been particularly victimized by the recession due to a longtime reliance on manufacturing and construction jobs, two of the hardest hit sectors of the economy during the recession. The Danbury and Bridgeport-Stamford LMA have also experienced sharp increases in unemployment in the last two years, though less pronounced to Waterbury, with rates of 7.3% and 8.3%, respectively, in September 2010.

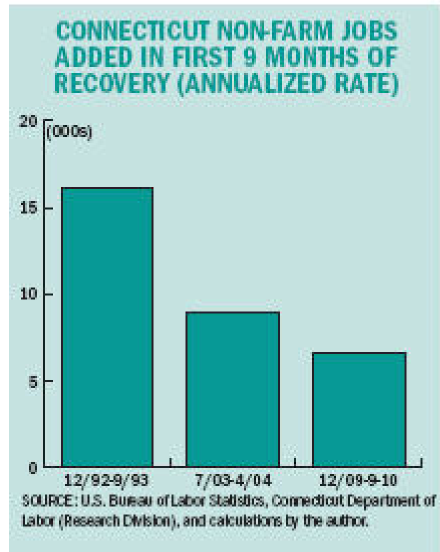
Exhibit 4.12 – Regional LMA Unemployment Trends



Source: CT Department of Labor

Unemployment Prognosis

Although recent data suggests the worst is over in job losses, state economists are warning that the unemployment rate is likely to remain elevated for some time. During the recession of the early 1990s, Connecticut lost 150,000 jobs which took seven years to recoup. In the current recession over 100,000 state jobs were eliminated in Connecticut – peak to trough –beginning in March 2008 to December 2009. But eerily reminiscent of the last downturn, the end of the recession has generated little in the way of sustained job creation for either the state or the nation. Moreover, job recoveries continue to be weaker in the state with each recession (see chart to the right). Indeed with the state and many local municipalities facing major deficits, economists are forecasting the potential for further net job losses if the private sector is unable to boost output and begin to hire beyond its present weak level. Further complicating matters is that even with job creation, first hires often go to the underemployed part-timers and employees with reduced hours who are not counted in the unemployment figures. According to the Connecticut Center for Economic Analysis, the underemployed in the state is nearly on par with the unemployed (estimated 160,000). Thus if job gains are modest as projected for next year and most hires first go to the underemployed, the unemployment rate is likely to remain stubbornly unchanged for a prolonged period.



Source: CT Economy, Winter 2011

Newtown & Regional Workforce Characteristics

As to be expected there is little change in Newtown's residential occupational profile as compared to 2008 when last studied. As before, it is overwhelmingly white-collar (77%) and concentrated in areas of management, financing and professional services. Notably, however, 13.4% of its resident workforce base is employed by manufacturers, either as management or in-line production workers, which is well above the state ratio of 10.5%. Meanwhile, Newtown's blue collar base is estimated at 12.6% of its employed labor force, or 2,022 workers, versus 17.8% for the state.

A greater diversification of job skills and occupations is found in the broader Newtown region which has important implications for supporting business growth in Newtown. With regional labor pools defined by drive times to Newtown (15 to 35 minutes), the share of blue collar workers expands to 19% of the workforce (see chart below). Moreover, all three labor pools are well-represented in the industries of manufacturing, wholesale trade, transportation and utilities, all of which are prime targets for end-users in Business-Industrial parks.

Exhibit 4.13 – Resident Workplace Characteristics: Newtown & Drive Time Labor Pools

	Newtown	15 min	25 min	35 min
2010Employed Population 16+ by Industry				
Total	**13,773**	**59,962**	**216,870**	**529,833**
Agriculture/Mining	0.3%	0.3%	0.3%	0.3%
Construction	7.3%	8.0%	6.8%	6.1%
Manufacturing	13.4%	13.5%	12.8%	11.9%
Wholesale Trade	3.8%	3.0%	3.1%	3.2%
Retail Trade	11.4%	12.7%	12.2%	12.0%
Transportation/Utilities	2.6%	3.0%	3.6%	3.8%
Information	4.0%	3.1%	2.8%	2.7%
Finance/Insurance/Real Estate	10.8%	7.1%	7.8%	8.4%
Services	42.7%	46.8%	46.8%	47.6%
Public Administration	3.7%	2.5%	3.9%	4.0%
2010Employed Population 16+ by Occupation				
Total	**13,773**	**59,962**	**216,870**	**529,833**
White Collar	76.9%	63.3%	63.8%	64.0%
Management/Business/Financial	*24.8%*	*17.0%*	*16.7%*	*15.9%*
Professional	*29.6%*	*23.1%*	*23.5%*	*23.7%*
Sales	*12.5%*	*11.9%*	*11.5%*	*11.5%*
Administrative Support	*10.0%*	*11.3%*	*12.1%*	*13.0%*
Services	10.5%	17.3%	16.8%	16.8%
Blue Collar	12.6%	19.3%	19.5%	19.2%
Farming/Forestry/Fishing	*0.2%*	*0.1%*	*0.1%*	*0.1%*
Construction/Extraction	*5.8%*	*7.2%*	*5.8%*	*5.3%*
Installation/Maintenance/Repair	*2.1%*	*2.6%*	*3.2%*	*3.4%*
Production	*2.3%*	*5.3%*	*5.9%*	*5.9%*
Transportation/Material Moving	*2.3%*	*4.1%*	*4.4%*	*4.4%*

Source: US Census, ESRI

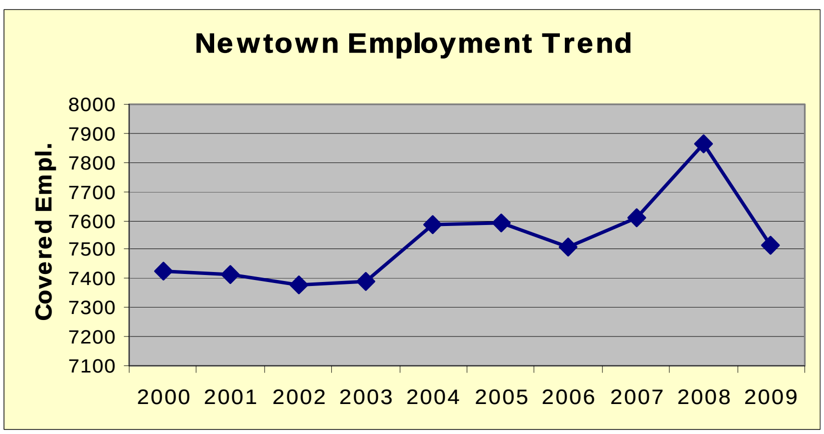
Employment Trends

Town of Newtown

While Newtown principally functions as a bedroom community, it supports a sizeable business base that employs 7,520 workers[2] as of 2009. Moreover many of these jobs are an important source of employment for local residents[3]. It is also an economic base that has become more diverse in recent years. This has proved important over the past decade as Newtown has attempted to steer through several periods of expansion and contraction. On net, Newtown can still claim a level of employment in 2009 that is above its 2000 base despite a steep loss of 350 jobs in the latest recession (see chart below). By comparison the region and the state have seen job losses that have pushed employment down to levels last seen in 1997.

Much of Newtown's job diversification occurred in the past decade when Newtown experienced sizeable shifts in key sectors of its economic base. Good Producing jobs (mining, farming, utilities, manufacturing, and construction) dropped from 25% of its employment base in the 1990s, to under 10% in 2009 according to the state Dept of Labor. Government employment, which represented one in three jobs in town at the time, also fell significantly with the closing of state-run Fairfield Hills Hospital in the mid 1990s. Meanwhile employment in service-based industries (exclusive of government) has grown by over a third.

Exhibit 4.14



Source: CT Dept of Labor, US Census

[2] This figure does not include sole proprietors, self-employed workers, or private household employees.
[3] According to US Census 2000, 35% of Newtown jobs were filled by Newtown residents.

Newtown's Economic Base

Despite the closing of Fairfield Hospital, government jobs remains the largest source of employment in Newtown (22% of job base), with most linked to the town's Board of Education. Garner Correctional Institute is also a big contributor with nearly 300 jobs. Other key industries in town include manufacturing (5.3%), construction (4.3%), wholesale trade/transportation/warehousing (7.5%), retail trade (12.8%), information (8.2%), professional services (6.5%) and health care – social assistance (10.4%).

Key sectors of business growth in Newtown between 2000 to 2009 are found in Wholesale Trade, Construction, Professional and Technical Services, Educational Services, and Health Care-Social Assistance. Newtown's wholesale trade sector reported the most impressive gains expanding from 51 to 82 businesses (+61%) over the nine year period. Solid business growth is also evident in the Professional and Technical Services sector which also commands the largest share of businesses in town with 110, up from 99 in 2000 (+11%). Construction businesses follow in number with 94 in 2009 and despite a recession that has been brutal on this industry show a 13% gain in total number of firms over 2000 levels.

Exhibit 4.15
Employment Trends - Town of Newtown (QCEW Data)

NAICS	Newtown Employment	2000	2005	2008	2009	Industry Share 2009	% Change 2000-2009	% Change 2005-2009	% Change 2008-2009
11	Agri., Forestry, Fishing and Hunting	*	*	*	*	*	*	*	*
22	Utilities	*	*	*	*	*	*	*	*
23	Construction	341	436	463	321	4.3%	-5.9%	-26.4%	-30.7%
31	Manufacturing	677	381	460	402	5.3%	-40.6%	5.5%	-12.6%
42	Wholesale Trade	157	171	254	215	2.9%	36.9%	25.7%	-15.4%
44	Retail Trade	853	923	981	965	12.8%	13.1%	4.6%	-1.6%
48	Transportation and Warehousing	*	354	385	346	4.6%	*	-2.3%	-10.1%
51	Information	621	661	657	616	8.2%	-0.8%	-6.8%	-6.2%
52	Finance and Insurance	290	260	280	257	3.4%	-11.4%	-1.2%	-8.2%
53	Real Estate and Rental and Leasing	33	47	46	44	0.6%	33.3%	-6.4%	-4.3%
54	Profes., Scientific, and Technical Serv.	419	514	490	487	6.5%	16.2%	-5.3%	-0.6%
55	Management of Companies and Enterp.	*	*	*	3	-	*	*	*
56	Admini.&Support, Waste Mng& Remed.	*	230	254	258	3.4%	*	12.2%	1.6%
61	Educational Services	59	60	119	128	1.7%	116.9%	113.3%	7.6%
62	Health Care and Social Assistance	768	751	771	779	10.4%	1.4%	3.7%	1.0%
71	Arts, Entertainment, and Recreation	67	109	114	122	1.6%	82.1%	11.9%	7.0%
72	Accommodation and Food Services	345	382	394	386	5.1%	11.9%	1.0%	-2.0%
81	Other Services (except Public Admin.)	248	312	366	368	4.9%	48.4%	17.9%	0.5%
99	Unclassifiable/unknown industry	*	6	*	*		*	*	*
	Total Government	1,545	1,763	1,679	1,658	22.1%	7.3%	-6.0%	-1.3%
	Federal Government	42	31	54	51	0.7%	21.4%	64.5%	-5.6%
	State Government	593	626	421	404	5.4%	-31.9%	-35.5%	-4.0%
	Local/Municipal Government	910	1,106	1,204	1,203	16.0%	32.2%	8.8%	-0.1%
	Total Employment	**7424**	**7590**	**7866**	**7516**		**1.2%**	**-1.0%**	**-4.4%**

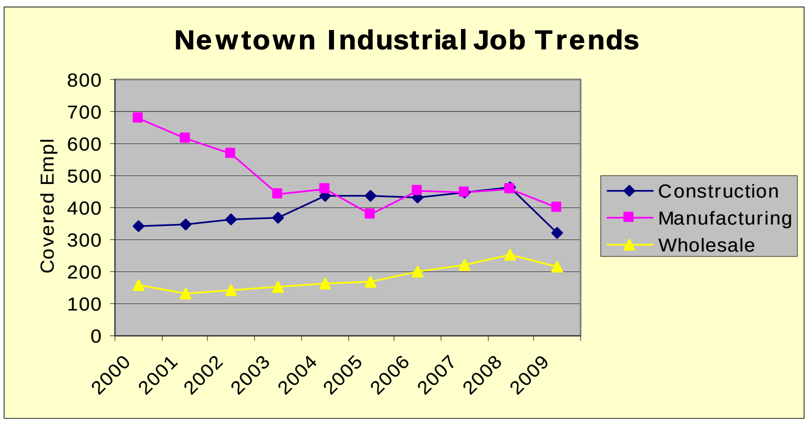
Source: US Census, CT Department of Labor

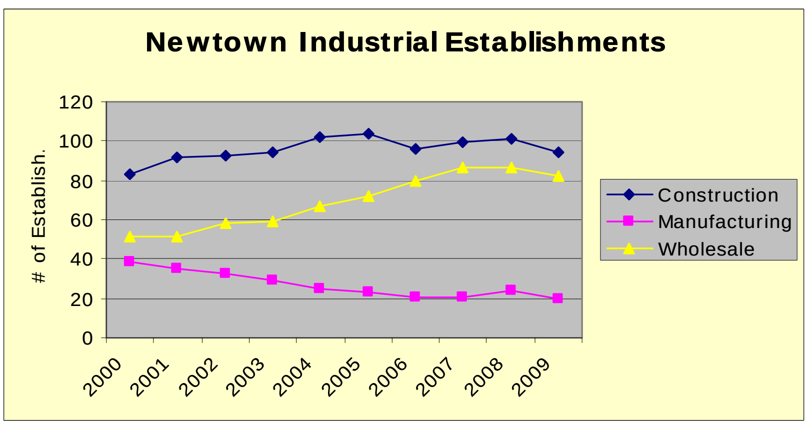
Newtown's Industrial Base

As can be seen on chart on previous page, Newtown has benefitted from the expansion of jobs across a broad spectrum of industries in the last decade. Areas of growth are most pronounced in wholesale trade, professional and technical services, educational services and arts, entertainment and recreation – all industries that represent candidates for business parks or industrial zoned areas. Manufacturing, on the other hand, is down by 40% over the nine year period, or a loss of 275 jobs, while construction fell by 31% in 2009, essentially erasing all the net jobs gained in the preceding eight years.

In time, the prognosis is good that the construction jobs will return. The same, however, cannot be said of manufacturing. As shown in the charts below, manufacturing has shown consistent drop both in # of jobs and business establishments. Meanwhile the number of business establishments in construction and wholesale trade in town have grown or remained steady with the likelihood that such contractions in jobs that do occur will rebound once the economy fully rebounds.

Exhibit 4.16





Source: CT Dept of Labor

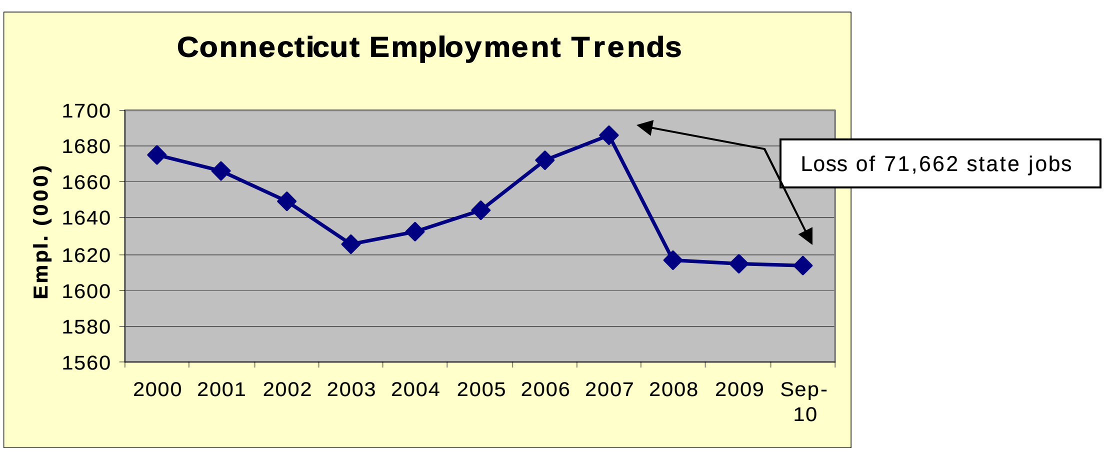
Regional and State Employment Trends

In the two years following the completion of the July 2008 Market Assessment study, an economic tsunami has ripped through the state and Newtown region resulting in massive layoffs and cutbacks. What was first reported as a trickle in lost Connecticut jobs in 2008[4], ultimately grew to a staggering 100,000+ eliminated jobs by December 2009 – peak to trough – before declines began to level off[5]. Overall, the job decline amounted to a -4.3% drop in the state's total employment base rivaling the 150,000 jobs that vanished during the 1991-92 recession. Moreover, unlike that recession, or any since, virtually every sector of the state economy was hit, with hardest hit sectors including Construction (-14,083 jobs or -20.5%), Manufacturing (-20,057 jobs or -10.5%) and Administrative and Support (-13,194 jobs or -14.8%). Only Education and Health Care eked out job gains during this period.

While protracted job declines have since moderated within the state, sustained job growth has proven elusive with most industries continuing to reflect overall weakness and excessive caution on re-hiring plans. Construction continues to shed jobs with 3,900 or -6.8% eliminated year over year between October 2009 and 2010. Manufacturing followed with -2,600 (-1.5%) while Financial Services fell a net -2,400 jobs (-1.8%). Meanwhile Government jobs fell by nearly 1% or -2,200, which may well be just the beginning of a long string of job losses in this sector as the state and local governments grapple with burgeoning deficits.

More encouraging signs, however, have begun to show up in sectors typically associated with discretionary spending including Retail Trade and Leisure and Hospitality which expanded by 1.8% and 3.7%, respectively, year over year in October. Business Services also took a major leap forward adding 3,100 new jobs over the same period while Education and Health Care continued to their steady pattern of job growth with an additional 5,300 employees.

Exhibit 4.17



Source: CT Dept of Labor

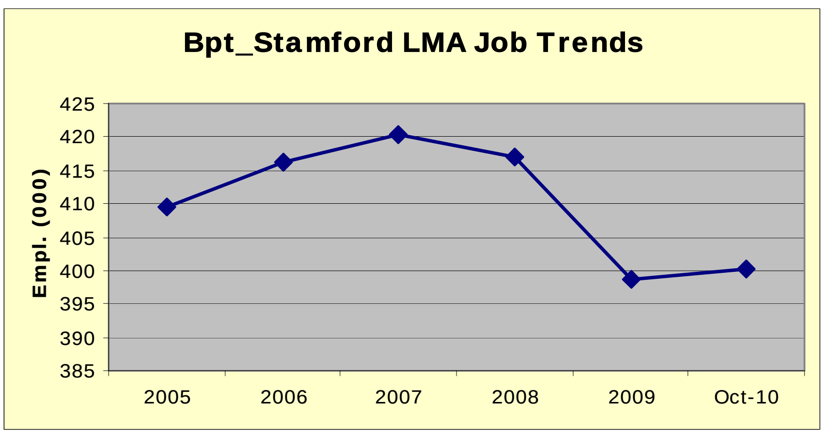
[4] As reported by the State Department of Labor, 5,000 net jobs were eliminated between January 2008 and May 2008.
[5] The chart above on CT employment trends measures average annual employment and therefore differs from the monthly peak-to-trough loss of over 100,000 jobs from March 2008 – Dec 2009.

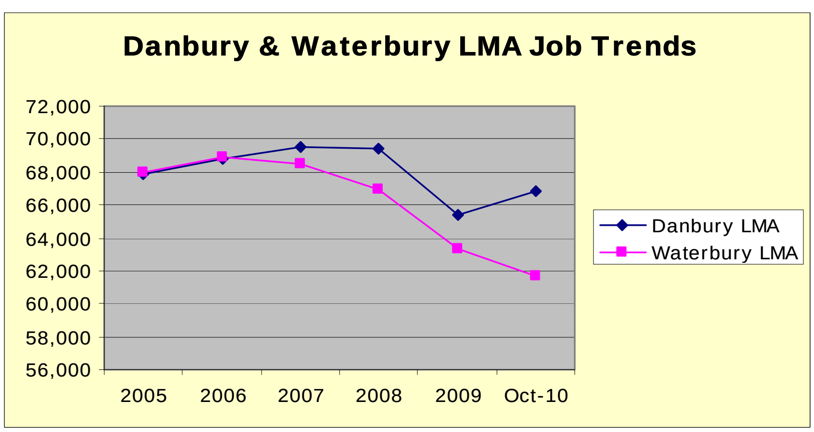
The regional labor markets of Bridgeport-Stamford, Danbury and Waterbury have all reported similar wholesale job losses across all industry sectors with the exception of education and healthcare. Overall, Bridgeport-Stamford lost more than 26,000 jobs, or 5.3% of its employment base during the recession (May 07 to May 10). Danbury and Waterbury LMA's saw declines of 7.6% and 13.3%.

Bridgeport-Stamford LMA, which includes Newtown, absorbed a 30% dive in construction employment between 2007 and 2010 along with a 12% decline of its manufacturing base. Together, the loss translated to a 17% drop in the region's goods producing sector. Employment in the Waterbury LMA shrank by 23% loss overall within the same sector while Danbury fell by 16%. Some signs of cautionary optimism, however, have been revealed in the latest data from the CT Department of Labor showing both Bridgeport-Stamford and Danbury LMAs gaining jobs in 2010. The Waterbury LMA, however, continues to lose employment. (Refer to Exhibits 4.18 and 4.19)

Exhibit 4.18

Labor Market Areas Job Trends





Source: CT Depart. Of Labor

Exhibit 4.19
Non-farm Employment Trends (000) – Bridgeport-Stamford LMA
May 2007-2010

	2007	2008	2009	2010	Change 07-10		Change 09-10
	May	May	May	May	Number	Percent	Percent
NON-FARM EMPLOYMENT	***423.1***	***426.8***	***400.9***	***400.6***	*-22.5*	*-5.3%*	*-0.1%*
GOODS PRODUCING	***56.3***	***57.1***	***49.5***	***46.7***	-9.6	*-17.1%*	*-17.1%*
Construction & Mining	16	16.3	12.5	11.2	-4.8	-30.0%	-10.4%
Manufacturing	40.3	40.8	37	35.5	-4.8	-11.9%	-4.1%
SERVICE PRODUCING	***366.8***	***369.7***	***351.4***	***353.9***	-12.9	*-3.5%*	*-3.5%*
Trans.,Trade & Utilities	75.9	76	70.9	70.4	-5.5	-7.2%	-0.7%
Wholesale T.	14.4	14.5	13.9	13.8	-0.6	-4.2%	-0.7%
Retailt Trade	49.9	49.8	46.4	46.1	-3.8	-7.6%	-0.6%
Trans., Warehousing, Util	11.6	11.7	10.6	10.5	-1.1	-9.5%	-0.9%
Information	11.5	12.4	11.4	11	-0.5	-4.3%	-3.5%
Financial Activ.	45.3	46	42.9	42.2	-3.1	-6.8%	-1.6%
Pro. & Bus.	71.8	71.7	63	62.1	-9.7	-13.5%	-1.4%
Edu & Health	61.8	62.4	64.8	67.5	5.7	9.2%	4.2%
Leisure & Hosp	34.7	35	33.9	35.3	0.6	1.7%	4.1%
Other Services	17.3	17.5	16.3	16.1	-1.2	-6.9%	-1.2%
Government	48.5	48.7	48.4	49.3	0.8	1.6%	1.9%

Non-farm Employment Trends (000) – Danbury LMA
May 2007-2010

	2007	2008	2009	2010	Change 07-10		Change 09-10
	May	May	May	May	Number	Percent	Percent
NON-FARM EMPLOYMENT	***70.8***	***71.3***	***66.0***	***65.4***	*-5.4*	*-7.6%*	*-0.9%*
GOODS PRODUCING	**13.1**	**13.2**	**11.7**	**11.0**	-2.1	-16.0%	-6.0%
SERVICE PRODUCING	**57.7**	**58.1**	**54.3**	**54.4**	-3.3	-5.7%	0.2%
Trans.,Trade & Utilities	16.0	16.0	14.7	14.4	-1.6	-10.0%	-2.0%
Retail Trade	12.0	11.9	11.0	10.7	-1.3	-10.8%	-2.7%
Pro. & Bus.	8.4	8.1	7.4	7.0	-1.4	-16.7%	-5.4%
Leisure & Hosp	5.7	6.0	5.4	5.1	-0.6	-10.5%	-5.6%
Government	8.6	8.4	8.5	10.0	1.4	16.3%	17.6%

Source: State of Connecticut, Department of Labor

Non-farm Employment Trends (000) – Waterbury LMA
May 2007-2010

	2007	2008	2009	2010	Change 07-10		Change 09-10
	May	May	May	May	Number	Percent	Percent
NON-FARM EMPLOYMENT	***69.9***	***68.8***	***63.5***	***60.6***	*-9.3*	*-13.3%*	*-4.6%*
GOODS PRODUCING	**12.6**	**12.7**	**10.3**	**9.7**	-2.9	-23.0%	-5.8%
Construction & Mining	2.9	2.9	2.3	2.3	-0.6	-20.7%	0.0%
Manufacturing	9.7	9.8	8	7.4	-2.3	-23.7%	-7.5%
SERVICE PRODUCING	**57.3**	**56.1**	**53.2**	**50.9**	-6.4	-11.2%	-4.3%
Trans.,Trade & Utilities	13.6	13.7	12.4	12.1	-1.5	-11.0%	-2.4%
Wholesale T.	2.1	2..2	2.1	2.0	-0.1	-4.8%	-4.8%
Retailt Trade.	9.4	9..2	8.4	8.3	-1.1	-11.7%	-1.2%
Trans., Warehousing, Util	2.1	2..3	1.9	1.8	-0.3	-14.3%	-5.3%
Information	0.9	0.8	0.7	0.7	-0.2	-22.2%	0.0%
Financial Activ.	2.5	2.4	2.1	1.9	-0.6	-24.0%	-9.5%
Pro. & Bus.	6.7	6.4	4.9	4.2	-2.5	-37.3%	-14.3%
Edu & Health	14.8	14.9	15.2	15.4	0.6	4.1%	1.3%
Health Care& Social Assistance	13.5	13.6	13.9	14.1	0.6	4.4%	1.4%
Leisure & Hosp	5.6	5.2	5.5	5.5	-0.1	-1.8%	0.0%
Other Services	2.9	2.6	2.4	1.9	-1	-34.5%	-20.8%
Government	10.3	10.1	10	9.2	-1.1	-10.7%	-8.0%

Source: State of Connecticut, Department of Labor

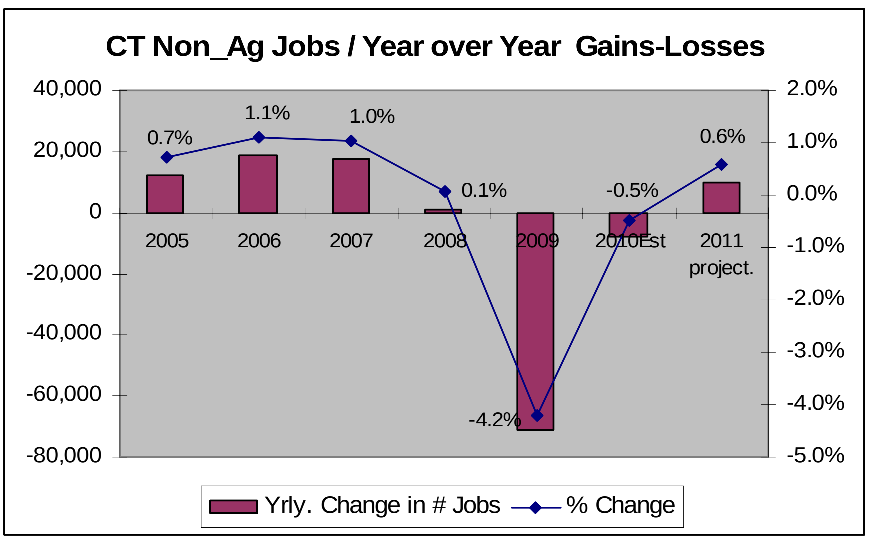
Jobs Forecast

In retrospect, the state forecast on future job growth conducted in mid 2008 during the early stages of the recession was overly optimistic. At the time, state economists projected essentially no growth through 2009 with major hits to the Financial sector but with Education, Health Care and oddly enough - Construction expected to show net gains. We know today of course that instead of flat growth, the state experienced annualized loss of over 70,000 jobs (and over 100,000 jobs peak to trough) between 2008 and 2009. Moreover, far from gaining employment, the construction sector was second only to manufacturing in the number of jobs eliminated during the recession.

Not surprisingly, economists are much more cautionary about the prospects for employment gains within the state over the next several years with latest estimates showing a net annualized loss for 2010 followed by projected increase of 0.6% for all of 2011 (approximately 10,000 jobs). Full recovery of the employment lost during the recession is not expected to occur until 2014, and potentially later. One small sliver of good news is that the restructuring of the US financial services industry, a vital output and job source for the state, has been less severe on the Connecticut economy than was originally feared. On the other hand, substantial cuts in state and local government jobs are potentially on the horizon as budget deficits grow due to sluggish income, business and property tax revenue.

Equally troubling is the state's history of lagging behind the nation in length of downturns and/or full recovery. As noted in earlier report, over the last 38 years, the state and nation have experienced 6 downturns (not including the current cycle) with the state exceeding the nation in length of downturn in all but one recession. Meanwhile national recoveries have often been faster and more robust.

Exhibit 4.17



Source: Connecticut Dept. of Labor

Summary & Conclusions Regarding Economic Trends

Population & Households

- Newtown and the immediate area continue to show positive population and household gains through 2010, however, the rate of growth has moderated considerably. During the 1990s, Newtown's population expanded by 2% annually. By contrast, over the current decade, the pace of population growth fell by half to 0.9% annually. Over the next five years, Newtown's rate of growth is projected to drop even further. A similar slowdown in population and household growth is noted for the region which could have implications for labor force expansion over the coming decade.

Income & Education

- As noted in the last report, Newtown is an affluent community with over 61% of its households earning over $100,000 based on 2010 estimates. A more diverse income base, and by inference a more diverse labor force, is found in the local workforce region (25 minute drive time) where one in three households earn above $100,000 while 30% earn below $50,000. The recent recession however has had a more significant impact on the income and wealth of Newtown residents than the region with median household income dropping from $131,880 in 2008 to $120,930 in 2010. Meanwhile the income base of the local workforce area as defined by median income has largely remained unchanged over the same period.

- Wealth is highly correlated with education so it's not surprising that Newtown residents are very highly educated with over 62% reporting an Associate degree or better according to 2010 estimates, up slightly from 61% in 2000. By comparison, less than half or 43% within the region and the state hold a post-secondary degree. One noticeable shift in the last ten years, both locally and in the state, is the gain in masters, doctorate and professional degrees re-affirming a well-documented trend towards greater specialization and higher educational skills.

Commutation Trends

- Commuter data is only available for year 2000 which as noted in previous study describes Newtown as principally a bedroom community but also one that supports a thriving business base employing over 7,500 workers as of 2009. Based on 2000 Census, 65% of all jobs in-town were met by workers living outside Newtown (or conversely 35% by in-town residents), while 75% of local residents commuted outside the town for jobs. It is estimated that these ratios will be similar for 2010.

Housing Characteristics

- A diverse housing base is often important in supporting and expanding a strong business base. For prospective employees to Newtown this can often mean looking outside the town since much of Newtown's housing is single family (92%) owner-occupied (86%) and costly (Median $439,137). While housing options are somewhat limited in Newtown, a broad range of housing can be found within easy driving distance to the town, principally within the areas of Danbury and Naugatuck Valley region.

Labor Force & Unemployment

- For much of the 2000 decade Newtown posted healthy labor force gains amounting to an overall increase of 9.9% between 2001 and 2007, or 1.6% annually. With the recent recession and sluggish recovery, however, such growth has since gone flatline, with labor force slipping by -1%. A similar flattening trend is observed for Connecticut over the last two years.

- Meanwhile, in testament to the severity of the recession and choppy recovery, unemployment in Newtown has soared to levels not seen since the 1991-2 recession with the latest joblessness figures in Newtown topping 6.2% in October 2010[6]. Newtown is hardly alone, however, with no town within the Bridgeport-Stamford Labor Market[7] reporting unemployment rates below 5.8%, while three are in double-digits (Ansonia, Bridgeport and Derby). Seasonally adjusted, the state posted a 9.1% unemployment rate in October 2010.

- Labor Force growth in the three labor force market areas that serve Newtown – Bridgeport-Stamford LMA, Danbury LMA and Waterbury – rose by 6.5%, 7.7%, and 6.2%, respectively, in the 2001-2008 period. Subsequently, labor force expansion has since stalled in all three market areas, though Bridgeport-Stamford did record a brief uptick in 2009.

- The Bridgeport and Danbury LMA are faring slightly better with respect to overall joblessness compared to counterpart regions in the state with rates of 8.0% and 7.0% in October 2010, respectively – up from previously reported 4.9% and 4.2% in May of 2008. The workforce in the Waterbury LMA, on the other hand, has been very hard hit with unemployment reaching 11.2% in October compared to 7.2% in May 2008.

[6] This compares to Newtown's unemployment rate for May 2008 of 3.7% as reported in first study.
[7] There are 25 towns within the Bridgeport-Stamford Labor Market Area.

State Economy – Jobs and Unemployment

- During the two and half years following the first study, a virtual tsunami effect has take a toll on jobs within the state and Newtown region. What was earlier reported as the first trickle of lost Connecticut jobs[8], ultimately grew to a staggering tidal wave of over 100,000 eliminated jobs in the state by December 2009 – peak to trough – before declines began to level off. Overall, the job decline amounted to a -4.3% drop in the state's total employment base. Moreover, unlike any recession of the past virtually every sector of the state economy was hit, with hardest hit sectors including Construction (-14,083 jobs or -20.5%), Manufacturing (-20,057 jobs or -10.5%) and Administrative and Support (-13,194 jobs or -14.8%). Only Education and Health Care eked out job gains during this period.

- State economists note that the state was late to bottom-out in the recession compared to the nation and will be slower to recover. Beginning with the start of recession in the state, unemployment has grown from 5.0% in March 2008 to 9.1% in October 2010. The number of unemployed has nearly doubled from 92,898 to 1,720,672 over same period. For much of 2010, joblessness in the state has straddled between 8.9% and 9.2% despite indications the recession ended in December 2009. Connecticut, however, continues to fare better than the US overall which saw unemployment edge up to 9.8% in November from 9.6% in October.

Employment Trends – Newtown and Region

- As reported in last study an examination of Newtown's regional workforce characteristics by industry and occupation point to adequate job skill diversity to respond to potential labor force needs in town, including blue collar skills. Though service employment accounts for nearly half the jobs of the resident base for Newtown and region, ample representation is found in the industry sectors of construction, manufacturing, wholesale trade, transportation and utilities. The blue collar base in the region accounts for nearly 20% of the adult residential base, or well above the 12% in Newtown. Some shrinkage, however, has occurred in this base over the last two years, raising the question as to whether this workforce has become discouraged with job prospects and seeking employment elsewhere.

- In Newtown government jobs constitutes the largest source of employment in town with 22% of the job base, with most jobs linked to the town's Board of Education, though state jobs associated with Garner Correctional Institute totaling nearly 300 as of 2010 is also a major contributor. Other key industries in town include manufacturing (5.3%), construction (4.3%), wholesale

[8] As reported by the State Department of Labor, 5,000 net jobs were eliminated between January 2008 and May 2008.

trade/transportation/warehousing (7.5%), retail trade (12.8%), information (8.2%), professional services (6.5%) and health care – social assistance (10.4%). Key private employers in town are well distributed among industry sectors and include Hubbell Wiring, Taunton Press, Mansonicare of Newtown, Curtis Packaging, Charter Communications and Newtown Savings Bank.

- Despite a relatively diverse economic base, job losses in Newtown have been significant during the recent recession. Between 2008 and 2009, virtually all industry sectors in Newtown reported employment declines with the exception of Education, Health Care/Social Services and surprisingly - Arts, Recreation and Entertainment. Net decline in employment amounted to 350 jobs, or more than double the annualized job decline in the previous recession (2001-2). On a percentage basis, this translates to a 4.4% decline, nearly on par with the state. Industry sectors most impacted in town include Construction (-142 jobs) Manufacturing (-58 jobs) and Information (-41 jobs).

- Key sectors of business growth in Newtown over the current decade are found in Wholesale Trade, Construction, Professional and Technical Services, Educational Services, and Health Care-Social Assistance. Newtown's wholesale trade sector reported the most impressive gains expanding from 51 to 82 businesses (+61%) over a nine year period. Solid business growth is also evident in the Professional and Technical Services sector which also commands the largest share of businesses in town with 110, up from 99 in 2000 (+11%). Construction businesses follow in number with 94 in 2009 and despite a recession that has been brutal on this industry show a 13% gain in total number of firms over 2000 levels

- Like Newtown and the state, the regional labor markets of Bridgeport-Stamford, Danbury and Waterbury have all reported wholesale job losses across all industry sectors with the exception of education and healthcare. Overall, Bridgeport-Stamford lost more than 26,000 jobs peak-to-trough, or 6.1% of its employment base during the recession. Danbury and Waterbury LMA's experienced steeper declines of 8.3% and 13.3%. Some glimmer of a recovery in progress, however was reported in the latest employment data on Bridgeport-Stamford and Danbury (October 2010).

Job Forecast

- In light of the severity of the recession and protracted recovery to date, state economists are understandably cautious about the prospects for future job growth, particularly as the verdict is still out as to whether, or how much the recession represented a long overdue correction of the housing and financial sector or portends a more systemic shift in the economy likely to downsize whole job sectors. Further drags on the economy are also expected from rising budget deficits at all levels of government and recurring global impacts from sovereign debt issues oversees. For the moment, the fear of a double-dip recession has eased somewhat but the recovery to date, both in Connecticut and nationally, has been rocky at best. The general consensus, however, is that 2011 will look the same as 2010 with a gain of no more than 10,000 jobs net, or 0.6% increase. This compares to 8,000 jobs that have been recovered to date in 2010. Under best case scenarios, full recovery of jobs lost in the Great Recession are not projected to occur any earlier than 2014.