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In This Issue

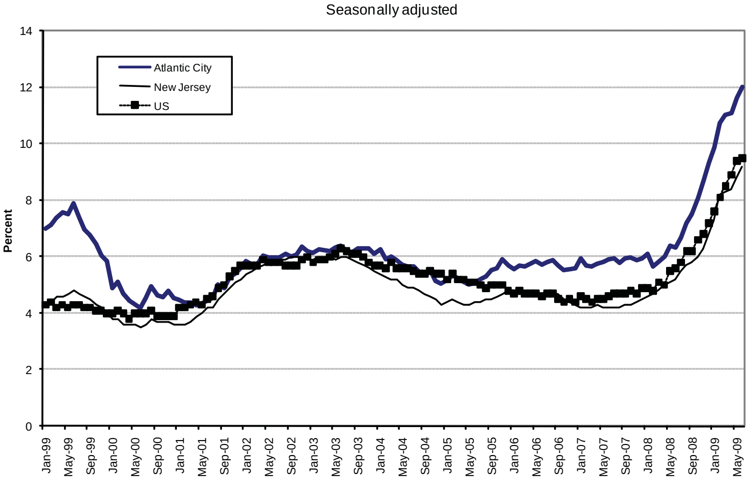
CURRENT ECONOMIC TRENDS

National

Several recent indicators suggest that the worst of the current national recession – which began in December, 2007 (making it the longest recession since the Great Depression) – may finally be over. Most importantly, the U.S. Bureau of Economic Analysis' advance estimate of second-quarter real gross domestic product (GDP) showed that the national economy decreased at an annual rate of 1% in the second quarter – less than the 1.5-2% decline widely expected. At the same time, the second quarter advance estimate revised the first quarter decline in real GDP to 6.4% from an original estimate of 5.5%. The advance estimates also included benchmark revisions that showed that the economic situation during the past eighteen months was considerably worse than originally estimated: real GDP increased 0.4 percent for 2008; in the previously published estimates, real GDP had increased 1.1 percent. And, from the fourth quarter of 2007 to the first quarter of 2009, real GDP decreased 2.8 percent at an average annual rate; in the previously published estimates, it had decreased 1.8 percent.

Establishment employment continued to decline in July, as payrolls fell by 247,000. However, as was the case with second quarter GDP, this payroll decline was smaller than expected and provides another strong indication that the worst of the recession is likely over. The national unemployment rate also edged down in July (Figure 1) to a seasonally adjusted 9.4% from 9.5% in June. Other recent indicators of a potentially improving nationally economy include: a surprising uptick in new home sales, modest signs of home price stabilization

Figure 1: Unemployment Rate: Atlantic City, New Jersey, US
January 1999 to June 2009
Seasonally adjusted



Source: U.S. Bureau of Labor Statistics. Atlantic City unemployment rate seasonally adjusted by author.

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in some markets, and some stronger-than-expected corporate earnings. Such signs underlie the recent strong upward trends exhibited by several equity markets. Since the onset of the national recession, which began in December, 2007, establishment employment has declined by 6.66 million (-4.8%).

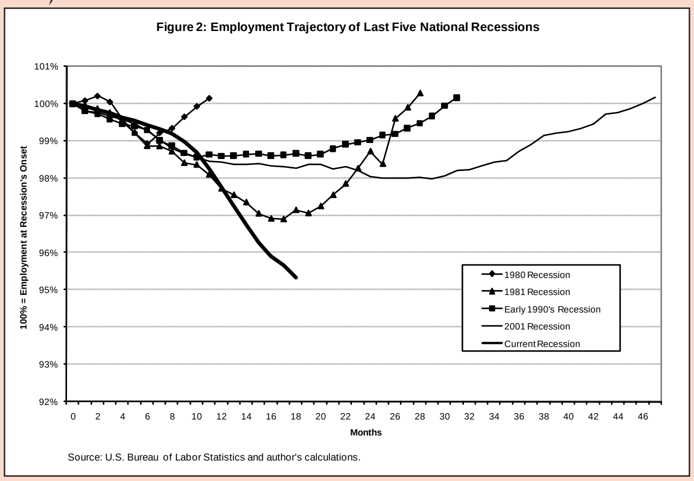

Figure 2: Employment Trajectory of Last Five National Recessions

Source: U.S. Bureau of Labor Statistics and author's calculations.

While there remains significant debate regarding the direction the national economy will take over the coming quarters, it is likely that the economy will begin recording some growth again later this year. Whether or not such growth will prove to be sustainable for any extended period of time, however, remains in question. This is especially true in light of expectations that the labor market is likely to remain quite weak for several quarters. A repeat of the "jobless" recovery that occurred in the aftermath of the 2001 recession (during which payroll employment remained below its prior peak level for nearly four years) is a distinct possibility, and one that would seriously threaten any sustained recovery. Indeed, it is worth noting that the first 1980's recession that ended in July, 1980 was followed by a mere year of expansion before its "twin" recession began in July, 1981.

Figure 2 shows the trajectories of establishment employment for the five most recent national recessions. (Each series ends once employment increased back to the point at which it stood at the onset of recession.) The severe impact the current recession has had on employment is clear: the current recession's employment loss, at 4.7%, is significantly worse than those experienced during the prior four national recessions.

New Jersey

Since the national recession began, New Jersey's economy has shed 155,000 jobs (-3.8%). Of these losses, 85,700 occurred last year, while 69,300 occurred year-to-date through June. The only current positive news regarding employment is that recent month-to-month losses have begun to ebb somewhat: employment declined by only 2,100 in June, and 8,000 in May, following an average monthly loss of 14,800 in the year's first four months.

In absolute terms, New Jersey's job loss during the current recession ranks as the 14th-largest among the states (plus the District of Columbia). In percentage terms, New Jersey's job loss ranks 26th. (Figure 3)

Figure 3: Establishment Employment Losses (000) by State Since Recession Began

State	# Decline	% Decline
Michigan	-396.2	-9.3%
Arizona	-239.5	-9.0%
Nevada	-100.4	-7.8%
Florida	-571.9	-7.2%
Oregon	-110.9	-6.4%
Georgia	-249.7	-6.0%
Idaho	-39.4	-6.0%
California	-904.3	-6.0%
Ohio	-318.5	-5.9%
Indiana	-172.4	-5.8%
Delaware	-24.5	-5.6%
Tennessee	-156.7	-5.6%
North Carolina	-225.0	-5.4%
Rhode Island	-25.5	-5.2%
Kentucky	-97.7	-5.2%
Alabama	-102.8	-5.1%
Illinois	-305.1	-5.1%
South Carolina	-97.5	-5.0%
Vermont	-14.7	-4.8%
Wisconsin	-135.5	-4.7%
Utah	-57.6	-4.6%
Minnesota	-123.1	-4.4%
Hawaii	-26.9	-4.3%
Colorado	-99.5	-4.2%
Connecticut	-65.6	-3.8%
New Jersey	**-155.0**	**-3.8%**
Kansas	-49.8	-3.6%
New Mexico	-30.4	-3.6%
Washington	-105.3	-3.6%
Maine	-21.9	-3.5%
West Virginia	-24.9	-3.3%
Mississippi	-37.3	-3.2%
Massachusetts	-103.4	-3.1%
Pennsylvania	-182.3	-3.1%
Virginia	-114.8	-3.0%
Missouri	-81.6	-2.9%
Iowa	-44.0	-2.9%
Maryland	-66.9	-2.6%
Arkansas	-30.5	-2.5%
New Hampshire	-14.7	-2.3%
New York	-193.7	-2.2%
Texas	-179.1	-1.7%
Montana	-7.1	-1.6%
Wyoming	-4.6	-1.6%
Nebraska	-14.8	-1.5%
South Dakota	-4.4	-1.1%
Oklahoma	-16.2	-1.0%
Louisiana	-7.4	-0.4%
District Of Columbia	4.7	0.7%
Alaska	2.8	0.9%
North Dakota	10.3	2.8%

Source: U.S. Bureau of Labor Statistics.

The state's unemployment rate stood at a seasonally adjusted 9.2% in June – up four percentage points from June, 2008.

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NEW JERSEY, *continued from page 2*

The number of unemployed individuals in the state totaled 420,787 in June, up from 235,712 in June, 2008.

New Jersey's economic fortunes over the remaining months of 2009 will be closely tied to those of the national economy. Given this, the state is likely to continue to experience job losses – albeit likely smaller than those recorded during the first quarter – for several additional months. This implies that the unemployment rate will likely continue to trend upward for some time, suggesting that a rate of 10% by year's end is likely.

Atlantic City's Economy Shows Few Signs of Stabilization

Atlantic City's economy showed few signs of stabilization during the first half of 2009. As Figures 4 and 5 show, the rate of job loss in the metropolitan area accelerated over the first two quarters of the year. Atlantic City's employment base contracted 2.2% in the fourth quarter of 2008, 3.5% in this year's first quarter, and 5.7% in the second quarter. Presently, total establishment employment in Atlantic City is contracting at a 6% year-over-year pace. (Figure 4) This rate of job loss is considerably worse than the state's (-3.3%) and nation's (-4.1%). Since the onset of the current national recession, employment in the metropolitan area – which currently stands at 140,300 – has declined by 9,500 or 6.4%. Alternatively, employment has declined by 15,100 (9.7%) since its September, 2006 peak of 155,500.[1]

Reflecting the dismal state of its labor market, the metropolitan area's unemployment rate climbed to a seasonally adjusted 12% in June. This rate was significantly above both the state's (9.2%) and the nation's (9.5%) unemployment rates. (Figure 1) The number of unemployed individuals in the metropolitan area in June (approximately 16,980 on a seasonally adjusted basis) was 93% higher than it was in June 2008.

Over the coming quarters, the outlook for Atlantic City's economy will remain fairly bleak. The local employment effects of the national recession and housing market malaise will continue to underwrite household retrenchment. And, the fallout from the gaming industry's on-going struggles (industry revenue declined 15.3% through the first six months of the year), which are tied to the national recession as well as (and, perhaps more importantly) heightened regional gaming competition, will continue to exert a drag on local personal income and consumption flows. Indeed, among the most significant trends to emerge over the past two years – one that highlights the recent dire conditions of the regional economy – is the metropolitan area's plummeting rate of population growth. (Figure 6), pg. 5. After averaging 1.1% between 2002 and 2006, population growth began to slow dramatically in 2007 and 2008. In fact, last year marked the first time since 1982 that Atlantic City's rate of population growth (0.2%) slipped below the state's (0.3%).

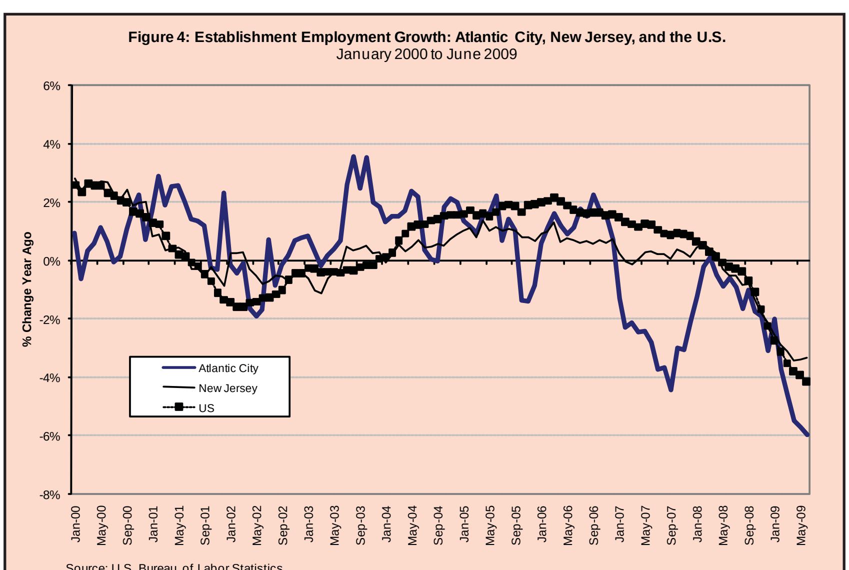


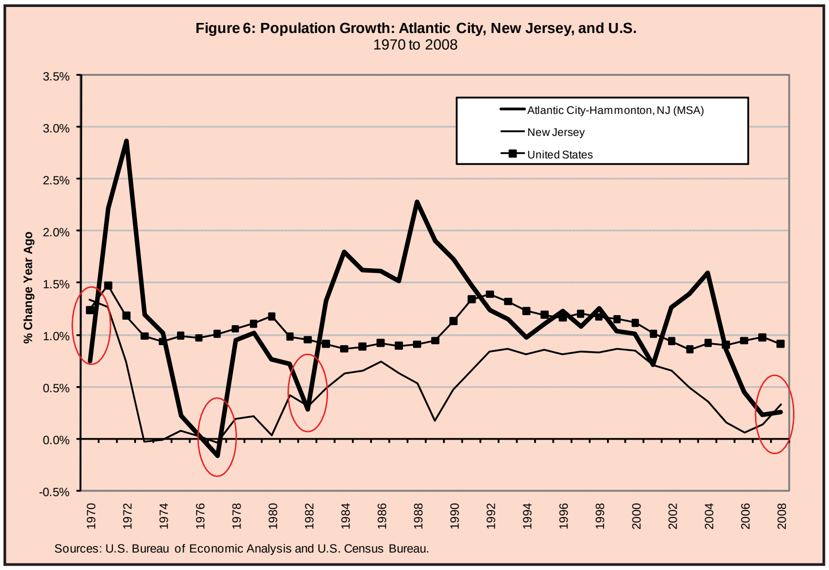
Figure 4: Establishment Employment Growth: Atlantic City, New Jersey, and the U.S.
January 2000 to June 2009

Source: U.S. Bureau of Labor Statistics.

Figure 5: Establishment Employment by Industry, Atlantic City, NJ Metropolitan Area

	Annual Employment (000)			2006-2007		2007-2008		Fourth Quarter				1st Six Months				1st Quarter				2nd Quarter			
Industry	2006	2007	2008	Change	% Change	Change	% Change	2007	2008	Change	% Change	2008	2009	Change	% Change	2008	2009	Change	% Change	2008	2009	Change	% Change
Total Employment	154.2	149.9	148.2	-4.3	-2.8%	-1.7	-1.1%	149.5	146.2	-3.3	-2.2%	147.9	141.1	-6.8	-4.6%	145.7	140.6	-5.0	-3.5%	150.1	141.5	-8.6	-5.7%
Total Employment (NJCCC casino employment data*)	157.4	152.9	150.7	-4.4	-2.8%	-2.2	-1.4%	152.3	148.4	-3.9	-2.6%	150.8	144.0	-6.8	-4.5%	148.7	143.4	-5.2	-3.5%	153.0	144.6	-8.4	-5.5%
Total Private	130.8	127.3	125.8	-3.5	-2.7%	-1.5	-1.2%	126.8	123.9	-2.9	-2.3%	125.1	119.3	-5.8	-4.7%	122.9	118.4	-4.5	-3.6%	127.4	120.1	-7.2	-5.7%
Leisure and Hospitality	58.5	54.8	54.2	-3.8	-6.5%	-0.5	-1.0%	53.5	53.0	-0.6	-1.1%	53.4	50.9	-2.6	-4.8%	52.0	50.4	-1.6	-3.1%	54.8	51.4	-3.5	-6.3%
Accommodation	44.8	41.0	40.6	-3.8	-8.5%	-0.4	-0.9%	40.4	39.6	-0.8	-2.0%	40.3	37.2	-3.2	-7.9%	39.8	37.2	-2.6	-6.4%	40.8	37.1	-3.8	-9.2%
Casino Hotels	41.9	38.6	38.2	-3.3	-8.0%	-0.4	-1.1%	38.0	37.1	-0.9	-2.5%	38.0	34.9	-3.1	-8.2%	37.5	34.9	-2.6	-7.0%	38.4	34.8	-3.6	-9.4%
NJCCC Casino Hotels	45.1	41.7	40.7	-3.5	-7.7%	-0.9	-2.3%	40.8	39.3	-1.5	-3.7%	40.9	37.8	-3.1	-7.7%	40.5	37.7	-2.8	-7.0%	41.3	37.9	-3.4	-8.3%
Food Services/ Drinking Places	11.6	11.8	11.7	0.1	1.1%	-0.1	-0.5%	11.3	11.9	0.6	5.0%	11.2	11.6	0.5	4.0%	10.5	11.4	0.9	8.2%	11.8	11.9	0.0	0.3%
Accommodation and Food Services	56.4	52.8	52.3	-3.7	-6.5%	-0.4	-0.8%	51.7	51.5	-0.2	-0.5%	51.5	48.8	-2.7	-5.3%	50.3	48.6	-1.7	-3.4%	52.7	48.9	-3.7	-7.1%
Educational and Health Services	18.1	18.2	18.3	0.1	0.5%	0.0	0.2%	18.3	18.5	0.1	0.7%	18.2	18.6	0.3	1.7%	18.2	18.5	0.3	1.8%	18.3	18.6	0.3	1.6%
Hospitals	6.2	6.2	6.3	0.0	0.8%	0.1	2.3%	6.1	6.4	0.2	3.8%	6.3	6.3	0.0	-0.3%	6.3	6.3	0.0	0.0%	6.3	6.3	0.0	-0.5%
Financial Activities	4.5	4.6	4.5	0.0	0.7%	0.0	-0.5%	4.6	4.5	0.0	-0.7%	4.5	4.5	0.0	-0.7%	4.5	4.5	0.0	0.0%	4.6	4.5	-0.1	-1.5%
Information	1.1	1.1	1.1	0.0	3.1%	-0.1	-5.3%	1.1	1.0	-0.1	-9.1%	1.1	1.0	-0.1	-6.3%	1.0	1.0	0.0	-3.2%	1.1	1.0	-0.1	-9.1%
Professional and Business Services	11.1	10.7	10.5	-0.4	-3.7%	-0.2	-2.2%	10.4	10.4	0.0	-0.3%	10.5	9.9	-0.5	-5.1%	10.2	9.9	-0.4	-3.6%	10.7	10.0	-0.7	-6.5%
Other Services	4.3	4.4	4.7	0.2	3.9%	0.3	5.7%	4.5	4.7	0.3	6.0%	4.6	4.7	0.1	2.2%	4.5	4.6	0.1	2.2%	4.6	4.7	0.1	2.2%
Retail Trade	16.0	16.5	16.2	0.4	2.7%	-0.3	-1.7%	17.0	16.2	-0.8	-4.9%	16.0	15.3	-0.7	-4.5%	15.9	15.1	-0.8	-5.0%	16.1	15.4	-0.6	-3.9%
Wholesale Trade	2.9	3.1	3.2	0.2	6.6%	0.1	2.9%	3.2	3.2	0.0	-1.0%	3.2	3.1	-0.1	-2.7%	3.1	3.1	0.0	-0.8%	3.3	3.1	-0.2	-5.1%
Manufacturing	4.2	3.8	3.3	-0.3	-8.0%	-0.5	-13.0%	3.7	3.2	-0.6	-15.2%	3.4	2.9	-0.6	-16.1%	3.4	3.0	-0.4	-10.8%	3.4	2.7	-0.7	-21.4%
Nat. Res./Mining, Construction	7.1	7.2	6.9	0.0	0.4%	-0.3	-4.1%	7.3	6.2	-1.1	-14.6%	7.2	5.7	-1.6	-21.7%	7.1	5.5	-1.6	-22.4%	7.3	5.8	-1.5	-20.9%
Transportation, Warehousing, and Utilities	2.9	3.0	3.0	0.1	2.0%	0.0	1.4%	3.1	3.0	-0.1	-3.2%	3.1	2.9	-0.2	-5.4%	3.0	2.9	-0.1	-3.3%	3.1	2.9	-0.2	-7.4%
Government	23.4	22.6	22.4	-0.8	-3.4%	-0.2	-0.8%	22.7	22.3	-0.4	-1.8%	22.7	21.8	-1.0	-4.2%	22.8	22.2	-0.6	-2.5%	22.7	21.4	-1.3	-5.9%
Federal Government	2.7	2.7	2.6	-0.1	-2.4%	-0.1	-2.8%	2.6	2.6	0.0	0.0%	2.6	2.6	0.0	0.6%	2.5	2.6	0.1	2.6%	2.6	2.6	0.0	-1.3%
State Government	4.4	3.9	3.7	-0.5	-12.2%	-0.2	-5.6%	3.9	3.6	-0.3	-8.5%	3.8	3.0	-0.8	-22.0%	3.8	3.1	-0.7	-17.7%	3.8	2.8	-1.0	-26.3%
Local Government	16.2	16.0	16.2	-0.2	-1.1%	0.1	0.7%	16.2	16.2	-0.1	-0.4%	16.4	16.2	-0.2	-1.0%	16.5	16.4	0.0	-0.2%	16.3	16.0	-0.3	-1.8%

Source: New Jersey Department of Labor and Workforce Development.

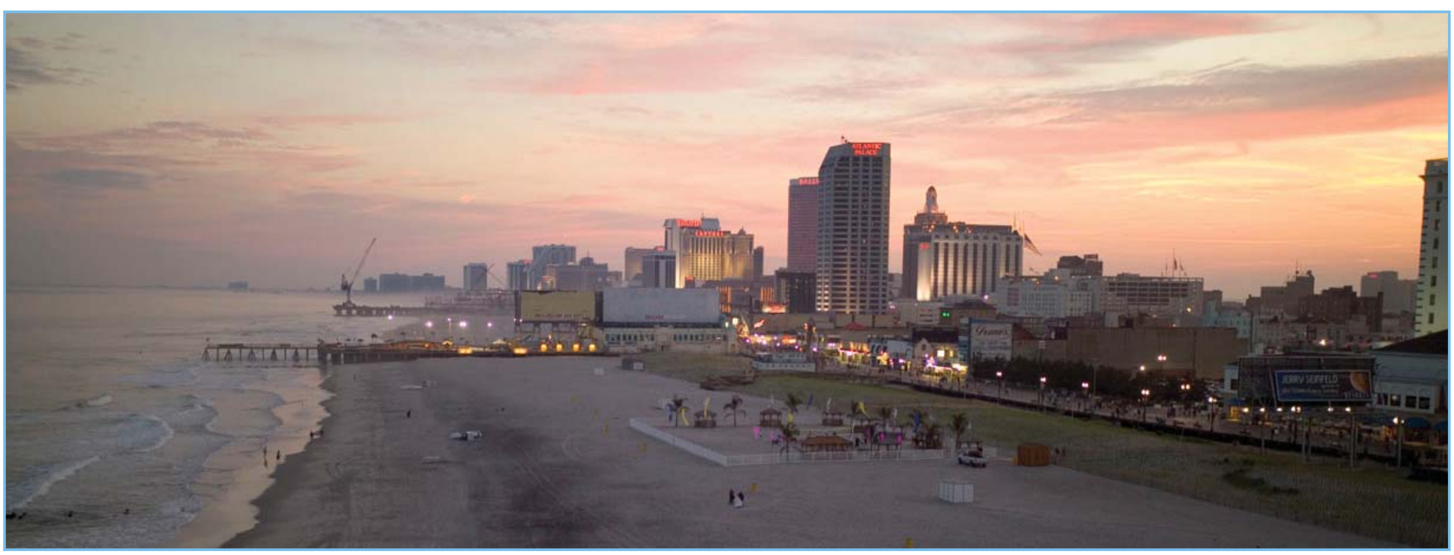


Industry Detail

Employment in Atlantic City's key leisure and hospitality sector declined 4.8% (2,600 jobs) during the first half of this year. As Figure 5 shows, the pace of job loss in the sector has accelerated significantly this year: to -6.3% in the second quarter from -3.1% in the first quarter, and -1.1% in the final quarter of last year. The leisure and hospitality sector is comprised of two industries: arts, entertainment, and recreation (NAICS 71) and accommodation and food service (NAICS 72). The vast majority of Atlantic City's leisure and hospitality sector is accounted for by employment in accommodation (which includes casino hotels) and food service. Job losses in accommodations (and, more specifically, casino hotels, which shed 3,100 jobs (on a year-on-year basis) over the first six months of the year according to New Jersey Department of Labor estimates) have accounted for all of the employment losses in leisure and hospitality this year. In contrast, employment in food services and drinking places increased by a somewhat surprising 500 (+4%) year-on-year during the first six months. All of the industry's gains occurred during the first quarter of the year, however.

Beyond the leisure and hospitality sector, the most significant job losses through the first six months of the year occurred in construction (-1,600 or -21.7%), retail trade (-700 or -4.5%), manufacturing (-600 or -16.1%), and professional and business services (-500 or -5.1%). Reflecting the acute fiscal repercussions of the recession, job losses were also recorded in state and local government employment in Atlantic City. While local government employment declined by 200 jobs (-1%), state government employment declined by a steep 800 (-22%).

The only other industries beside food services and drinking places to record year-on-year employment gains during the first six months of this year were educational and health services (+300) and other services (+100).



Recession Takes a Toll on State's Metropolitan Areas

Atlantic City's economy has suffered the greatest employment losses (in percentage terms) among the state's metropolitan areas/divisions during the current recession. (Figure 7) At the same time, no metropolitan area/division in the state has avoided employment losses. In absolute terms, Edison-Brunswick – the second-largest metropolitan area in terms of total establishment employment – has seen the greatest number of job losses since the recession's onset. In percentage terms, Trenton-Ewing has recorded the fewest job losses since the national recession began in December, 2007.

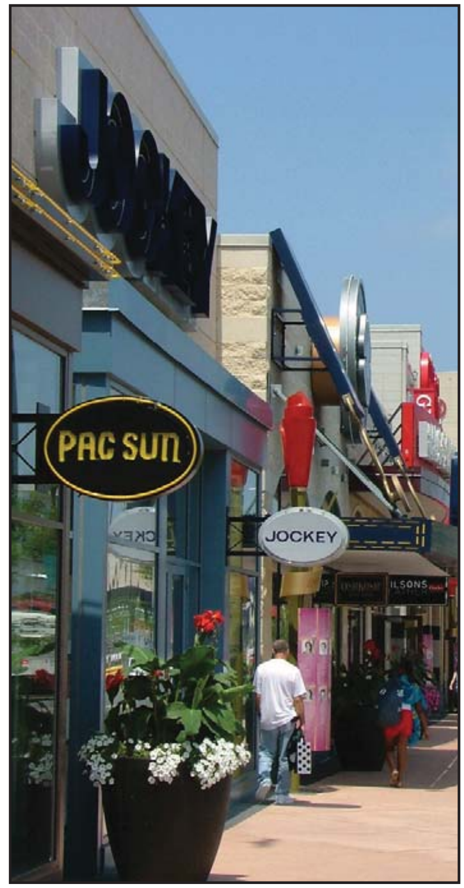


Figure 7: Employment Losses by New Jersey Metro Areas During the Recession

Metropolitan Area/Division	Dec-07	Jun-09	Job Loss	Job Loss %
Atlantic City	150.0	140.3	-9.5	-6.4%
Camden	540.3	513.9	-26.4	-4.9%
Ocean City	42.4	40.7	-1.7	-4.0%
Edison-New Brunswick	1,039.0	998.7	-40.4	-3.9%
Bergen-Hudson-Passaic	910.8	881.9	-28.9	-3.2%
Vineland-Millville-Bridgeton	62.4	60.5	-1.9	-3.0%
Newark-Union	1,041.0	1,017.4	-23.6	-2.3%
Trenton-Ewing	241.7	236.5	-5.2	-2.2%
New Jersey	4,086.2	3,931.2	-155.0	-3.8%

Source: U.S. Bureau of Labor Statistics. Metropolitan areas' employment seasonally adjusted by author.

Housing Market

National Association of Realtor (NAR) home price data indicate that the median sales price of existing single-family homes in Atlantic County declined to $219,100 in the first quarter – down 21% from the prior year's first quarter ($277,400). (Second quarter figures are due out in mid-August.) (Figure 8) This rate represented a further acceleration in the pace of single-family home price decline that began in the second quarter of 2008. It should be noted that while Atlantic City's first-quarter decline paled in comparison to those recorded in many other metropolitan areas (Figure 9), it was nevertheless significantly above the 152 metropolitan area median decline of 9.6%.

Figure 8: Single Family Home Price Trends in Atlantic City
4q 2005 to 1q 2009

Sources: National Association of Realtors and Freddie Mac.

While foreclosure data by county are not publicly available, the NAR's most recent release indicated that the continued declines in single-family home prices in most metropolitan areas (134 out of 152 metropolitan statistical areas reported lower median existing single-family home prices in comparison with the first quarter of 2008) was significantly influenced by distressed sales, as foreclosures and short sales accounted for nearly half of all transactions in the first quarter.

The trend in single-family home prices in Atlantic City provided by Freddie Mac's conventional mortgage home price index (CMHPI) offers a somewhat more hopeful view of local home prices than that shown by the NAR trend. (Figure 8) Specifically,

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Housing Market

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the CMHPI for Atlantic City indicates that single-family home prices – which declined 5.9% year-on-year in the first quarter, compared to 5.6% in last year's final quarter and 7% in the third quarter of 2008 – may have begun to stabilize somewhat.

Single-family building permits – a closely watched leading indicator of future single-family home construction activity – continued to plummet during the first five months of the year. (Figure 10) The six-month moving average of single-family permits fell to 33.3 in May. This level of permits was 51.3% below the prior year level of 68.5, and 75% below the peak level reached in May, 2005. This level of permit activity suggests that the current trend in single-family home prices (as well as the on-going shakeout in credit markets) has continued to make homebuilders extremely cautious. This in turn implies that the steep declines in construction employment in the metropolitan area – construction employment declined 21.7% (-1,600 jobs) through the first six months of the year – are unlikely to reverse course any time soon.

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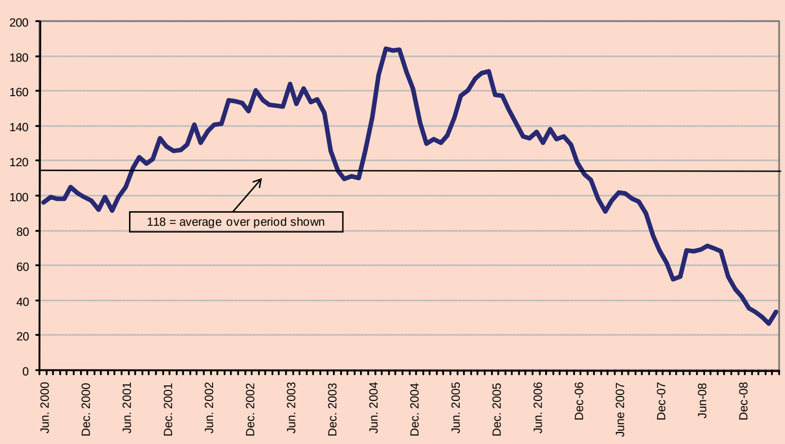
Figure 9: Median Sales Price Existing Single-Family Home, Selected Metropolitan Areas (sorted in ascending order of percentage change)

Metropolitan Area	Median Home Price (000) 1q 2008	1q 2009	%Chya
U.S.	**196.1**	**169.0**	**-13.8%**
Cape Coral-Fort Myers, FL	213.2	87.3	-59.1%
Saginaw-Saginaw Township North, MI	65.4	30.3	-53.7%
Akron, OH	96.3	50.1	-48.0%
San Francisco-Oakland-Fremont, CA	701.7	402.0	-42.7%
San Jose-Sunnyvale-Santa Clara, CA	780.0	450.0	-42.3%
Phoenix-Mesa-Scottsdale, AZ	222.2	129.2	-41.9%
Sarasota-Bradenton-Venice, FL	262.3	155.2	-40.8%
Riverside-San Bernardino-Ontario, CA	287.1	172.5	-39.9%
Las Vegas-Paradise, NV	247.6	155.3	-37.3%
Miami-Fort Lauderdale-Miami Beach, FL	319.1	206.0	-35.4%
Sacramento--Arden-Arcade--Roseville, CA	258.5	169.3	-34.5%
Los Angeles-Long Beach-Santa Ana, CA	460.5	303.5	-34.1%
Orlando, FL	232.0	154.8	-33.3%
Cleveland-Elyria-Mentor, OH	102.1	69.9	-31.5%
Grand Rapids, MI	102.8	72.0	-30.0%
Sioux Falls, SD	136.0	95.5	-29.8%
San Diego-Carlsbad-San Marcos, CA	459.0	323.2	-29.6%
Lansing-E.Lansing, MI	92.5	65.6	-29.1%
Anaheim-Santa Ana, CA (Orange Co.)	607.4	435.8	-28.3%
Palm Bay-Melbourne-Titusville, FL	158.8	114.3	-28.0%
Toledo, OH	89.7	65.5	-27.0%
Deltona-Daytona Beach-Ormond Beach, FL	175.6	128.7	-26.7%
Tampa-St.Petersburg-Clearwater, FL	184.7	135.3	-26.7%
Reno-Sparks, NV	283.7	209.8	-26.0%
Gary-Hammond, IN	124.0	92.0	-25.8%
Chicago-Naperville-Joliet, IL	249.6	185.6	-25.6%

	Median Home Price (000)		
Ocala, FL	145.5	108.6	-25.4%
Canton-Massillon, OH	88.5	66.2	-25.2%
Washington-Arlington-Alexandria, DC-VA-MD-WV	372.5	279.4	-25.0%
Atlanta-Sandy Springs-Marietta, GA	154.0	115.6	-24.9%
Youngstown-Warren-Boardman, OH-PA	67.7	51.2	-24.4%
South Bend-Mishawaka, IN	80.9	61.8	-23.6%
Worcester, MA	248.2	189.6	-23.6%
Providence-New Bedford-Fall River, RI-MA	262.9	202.4	-23.0%
Barnstable Town, MA	355.2	276.7	-22.1%
Atlantic City, NJ	**277.4**	**219.1**	**-21.0%**
Bridgeport-Stamford-Norwalk, CT	439.3	347.4	-20.9%
Dayton, OH	100.5	79.7	-20.7%
Tucson, AZ	221.0	176.4	-20.2%
Boise City-Nampa, ID	193.4	157.1	-18.8%
Boston-Cambridge-Quincy, MA-NH**	357.7	290.7	-18.7%
NY: Nassau-Suffolk, NY	462.8	376.7	-18.6%
Norwich-New London, CT	244.9	199.6	-18.5%
Kingston, NY	237.8	194.3	-18.3%
Portland-South Portland-Biddeford, ME	234.0	192.1	-17.9%
Cincinnati-Middletown, OH-KY-IN	128.5	106.5	-17.1%
Jacksonville, FL	185.7	154.1	-17.0%
Pittsfield, MA	216.6	180.0	-16.9%
Saint Louis, MO-IL	121.4	100.9	-16.9%
Spartanburg, SC	130.3	109.1	-16.3%
New York-Northern New Jersey-Long Island, NY-NJ-PA	445.8	374.5	-16.0%

Source: National Association of Realtors

Figure 10: Single Family Housing Permits in Atlantic County
Units Authorized
June 2000 to May 2009
6-month moving average



Source: U.S. Census Bureau.

Housing Market

cont'd from page 7

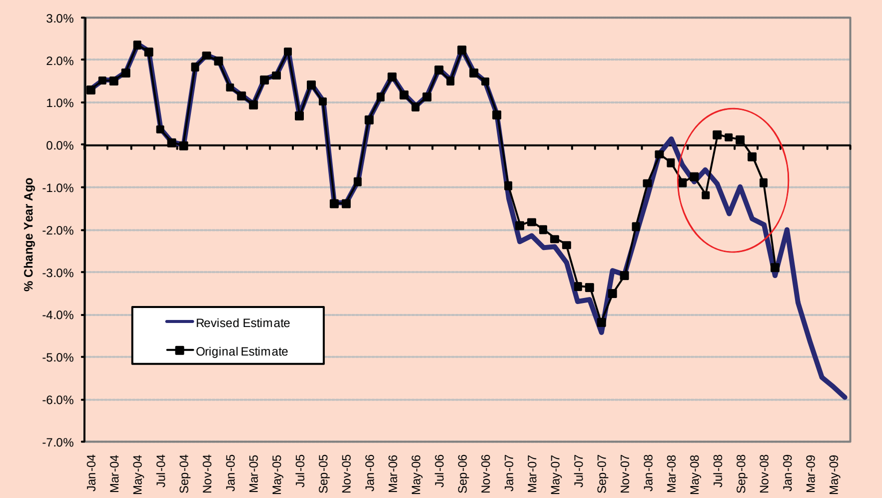
As noted in the prior edition of the South Jersey Economic Review, home price stabilization will eventually require the coalescence of a host of factors, including: broad-based stabilization in the credit market and banking sectors, continued low-levels of home building, a decline in the rate of foreclosures, and, an increase in household confidence. Currently, there appears to be growing evidence of stabilization in the credit and banking sectors. Further, despite some evidence of a very modest pick-up in home building activity in June (starts and permits showed increases nationally), the level of home building remains low. At the same time, the foreclosure malaise (which will continue to exert downward pressure on home prices) seems far from over. Finally, the critical issue of household confidence will continue to be closely tied to the overall health of the labor market which remains very weak. All of this suggests that while some markets – in particular those who have managed to escape significant job losses – may begin to see home prices stabilize toward the latter part of this year, the vast majority will have to wait until some time in 2010 to see any significant evidence of sustained stabilization.

Revisions to Employment Data Reveal Slower Job Growth in 2007 and 2008 than Originally Estimated

The New Jersey Department of Labor and Workforce Development's annual benchmark revisions to establishment (payroll) employment data this spring showed that job growth in Atlantic City during 2007 and 2008[2] was less than originally estimated. Total establishment employment in the metropolitan area for 2007 was revised down by 300 jobs (to 149,900 from an original estimate of 150,200), while total employment for 2008 was revised down by 1,100 jobs (to 148,200 from an original estimate of 149,300). As anticipated in the Winter 2009 edition of the *South Jersey Economic Review*, the downward revisions had the effect of erasing the originally-estimated modest job gains during the summer of 2008. In stark contrast, the revised estimates show clearly that total employment in Atlantic City actually continued to contract throughout this period. (Figure 11)

Figure 11: Revisions to Employment Data Show Weaker Job Growth than Originally Estaimted in 2007 and 2008

Atlantic City Total Establishment Employment



Source: New Jersey Department of Labor and Workforce Development.

[1]Atlantic City's peak employment month during the last business cycle expansion (September, 2006) was affected by the closing of the Sands casino in the fall of 2006. The national recession did not begin until December, 2007.

[2]Benchmark revisions are performed every year and are generally released in early spring, along with the new year's January employment data. The establishment (or, payroll, or nonfarm) employment estimates are developed each month from a sample of approximately 7,500 New Jersey employers. Each year (as required by the U.S. Bureau of Labor Statistics) the Department of Labor revises previous employment estimates (approximately the prior 21 months worth of estimates) to a benchmark or universe count of employment derived from unemployment insurance records of over 230,000 New Jersey employers. The data collected through unemployment insurance records represent a nearly complete count of employment including, farms, forestry, and fisheries. More than 96% of total wage and salary civilian jobs are counted by the unemployment insurance program because employers are required by law to provide the state a quarterly count of the number of employees covered under unemployment insurance. The employment estimates produced via the annual benchmark revisions process thus provide a more accurate picture of recent job trends, as they redress limitations inherent in survey sample based estimation techniques. More specifically, because the sample used to derive the monthly establishment employment estimates tends to over-represent large firm employment, sampling errors can be large in industries dominated by small firms. An example: a sample of 60 firms used to estimate employment in a small region may include 10 large establishments and 50 small ones. Small establishments dominate the sample by a 5 to 1 margin. However, if employment in the 10 large establishments is 8,000 and employment in the small firms is 500 then the large establishments' employment dominates the sample by a ratio of 16 to 1. This problem is often exacerbated near business cycle turning points because the survey does not fully capture small firms that are going out of business during a downturn or the rapid business creation (and, job creation) during a recovery.

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