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RECOVERY FOR ATLANTIC CITY'S ECONOMY REMAINS ELUSIVE

Four years into the official recovery from the nation's Great Recession, and 15 months removed from the launch of its new advertising and rebranding campaign "Do AC," Atlantic City's economy remains anemic. Spring 2012's Revel-induced uptick in job growth in the metropolitan area unfortunately proved ephemeral. Through the first four months of 2013, total establishment employment in the metropolitan area's economy was down 3,900 year-on-year, a 2.9% decline. (Figure 1) Thus, the metropolitan area's early 2013 job growth trend was actually worse than 2010's -2.4% and 2011's -2.1%, and significantly worse than last year's 1.3% gain.

year) and more modest ones in professional and business services (up 3%) were offset by a hefty decline of nearly 5,000 jobs (-11%) in the area's key leisure and hospitality (L&H) sector. A decline of 5,900 jobs in the accommodations and food services component of the L&H sector (which includes casino hotels employment) implied that the sector's other component, arts, entertainment, and recreation (for which official employment estimates are not reported) recorded a year-on-year job gain of 1,000 jobs during the first four months of the year. While the latter gain is especially noteworthy in light of the aforementioned rebranding campaign (and may suggest that the campaign has started to bear fruit), it represents one of the few rays of light in an otherwise grim economic picture.

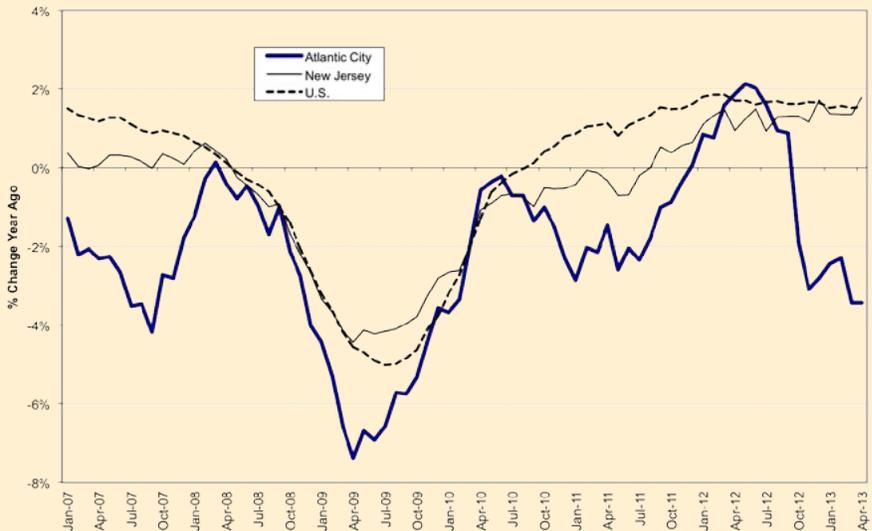
Strong job gains in the metropolitan area's retail trade sector (up a robust 9.2% year-on-year through the first four months of the



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Figure 1: Employment Growth: Atlantic City, New Jersey, and the U.S. January 2007 to April 2013



Source: U.S. Bureau of Labor Statistics

Southern New Jersey Unemployment Crisis Continues

Unemployment in the metropolitan area (which is coincident with Atlantic County) stood at a seasonally adjusted 13.3% in

April—well above the state's 8.7% and the nation's 7.5%. (Figure 2) While the total number of unemployed individuals and the unemployment rate have declined steadily

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UNEMPLOYMENT CRISIS

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since peaking at 20,631 and 15%, respectively, last November, these recent downward trends reflect a significant decline in the metropolitan area's labor force which fell by over 3,700 between November and April. Given the fact that the official unemployment rate excludes discouraged workers as well as those working part-time for economic reasons, the official underemployment rate in the metropolitan area likely lies north of 20%.

Placing Atlantic City's recent unemployment situation in a national context highlights the unemployment crisis it continues to face. Of the 372 metropolitan areas the U.S. Bureau of Labor Statistics provides seasonally adjusted unemployment rate data for, only eight other metro areas had April 2013 unemployment rates higher than Atlantic City's. (Table 1) Seven of those metropolitan areas were in California, while one was in Arizona. Moreover, Atlantic City's neighboring metropolitan areas also had extremely high unemployment rates. The unemployment rate in Vineland-Millville-Bridgeton (Cumberland County) was 13.3% in April, while Ocean City's (Cape May County) was 12.9%. The on-going unemployment crisis in the Southern New Jersey regional economy will likely have detrimental effects on the regional economy's development for years to come. Indeed, as a recently released report from the National Employment Law Project amply demonstrates, the consequences of long-term unemployment reach far beyond earnings losses and often include significant and wide-ranging health and social costs—many of which are ultimately borne by taxpayers.¹

Industry Employment Trends in Atlantic City

In addition to the aforementioned job gains recorded in Atlantic City's retail trade and professional and business services industries, the metropolitan area also saw job gains in state government (+300 or +6%) during the first four months of 2013. These three industries' total job gain of 2,000 was offset by declines in every other industry, however. Beyond the sizable job losses in its key leisure and hospitality sector (which included a decline of 200 jobs in restaurants and bars), job losses were recorded in construction (-600 or -11.4%), manufacturing (-200 or -7%), information (-100 or -12.5%), hospitals (-200 or -3.9%), and local government (-300 or -2%). (Table 2) It should be noted that while Hurricane Sandy adversely affected many businesses in Atlantic City during the fourth quarter of last year, very little of this year's

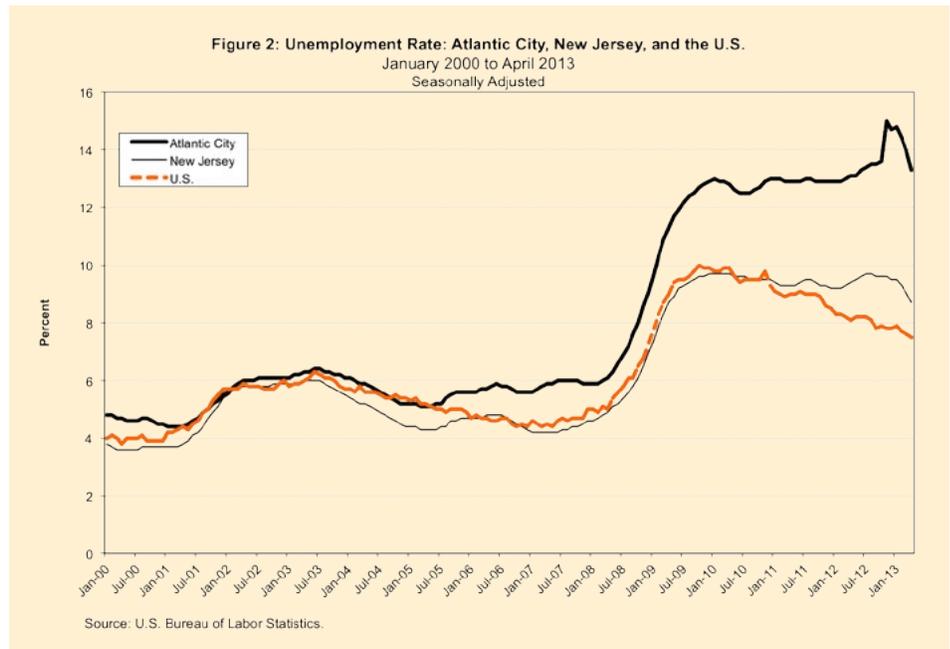


Table 1: 20 Highest Metropolitan Area Unemployment Rates, April 2013

Rank	Metropolitan Area	April 2013 Unemployment Rate
1	Yuma, AZ MSA	30.0
2	El Centro, CA MSA	26.3
3	Merced, CA MSA	15.3
4	Yuba City, CA MSA	15.2
5	Visalia-Porterville, CA MSA	14.2
6	Hanford-Corcoran, CA MSA	13.6
7	Fresno, CA MSA	13.5
8	Modesto, CA MSA	13.4
9	Atlantic City-Hammonton, NJ MSA	13.3
10	Vineland-Millville-Bridgeton, NJ MSA	13.3
11	Stockton, CA MSA	13.2
12	Ocean City, NJ MSA	12.9
13	Rocky Mount, NC MSA	12.8
14	San Juan-Caguas-Guaynabo, PR MSA	12.3
15	Bakersfield-Delano, CA MSA	12.0
16	Madera-Chowchilla, CA MSA	11.9
17	Decatur, IL MSA	11.9
18	Rockford, IL MSA	11.2
19	Redding, CA MSA	11.1
20	Kankakee-Bradley, IL MSA	11.0

Source: U.S. Bureau of Labor Statistics

job losses are attributable to the lingering effects of Sandy. Indeed, as a recent report by The Richard Stockton College of New Jersey's Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism noted, the effects of Hurricane Sandy had largely run their course by January of this year.²

Retail Trade Bright Spot in Early 2013

As noted, the metropolitan area saw robust gains in retail trade employment in early 2013. On a year-on-year basis, retail trade employment in Atlantic City was up 1,400 in the January-April period of this year compared to 2012, a robust 9.2% gain. Among other industries, the retail trade sector includes furniture and home furnishing

stores, electronics stores, sporting goods and clothing stores, pharmacies and drug stores, jewelry stores, and food and beverage stores.

Total retail sales estimates by Moody's Analytics indicate that while the pace of retail sales growth in Atlantic City moderated in early 2012, it accelerated in the second half of last year and continued to accelerate in early 2013. In the first quarter of this year, retail sales in the metro area were up 7.7% on a year-on-year basis.³ (Figure 3) While this clearly represented good news for the local economy's retail trade industry it seems likely that some of this year's first quarter gains in retail sales were attributable to Sandy, as effected local residents finally began to replace ruined belongings (especially home furnishing items) after several weeks of clean-

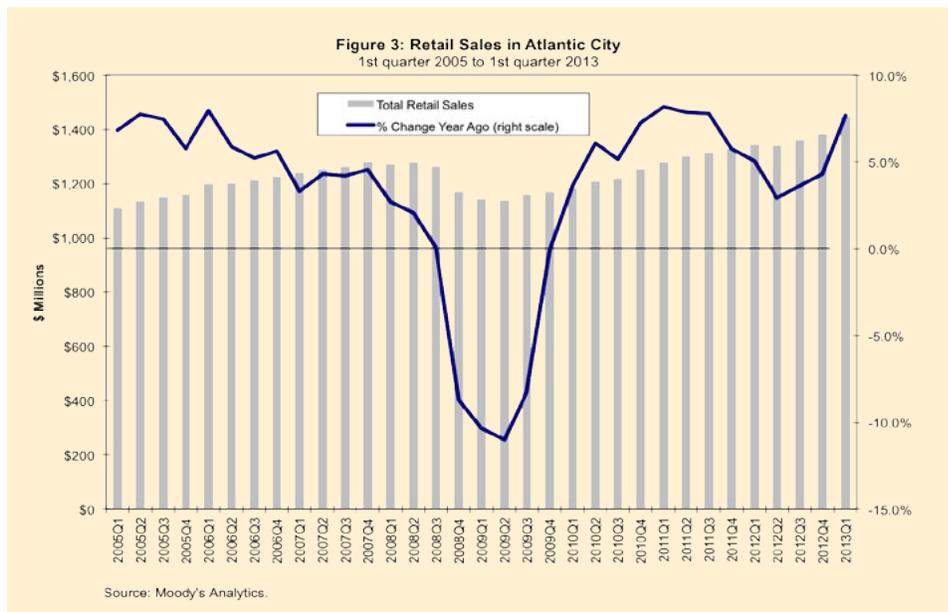
Table 2: Industry Employment Trends in Atlantic City

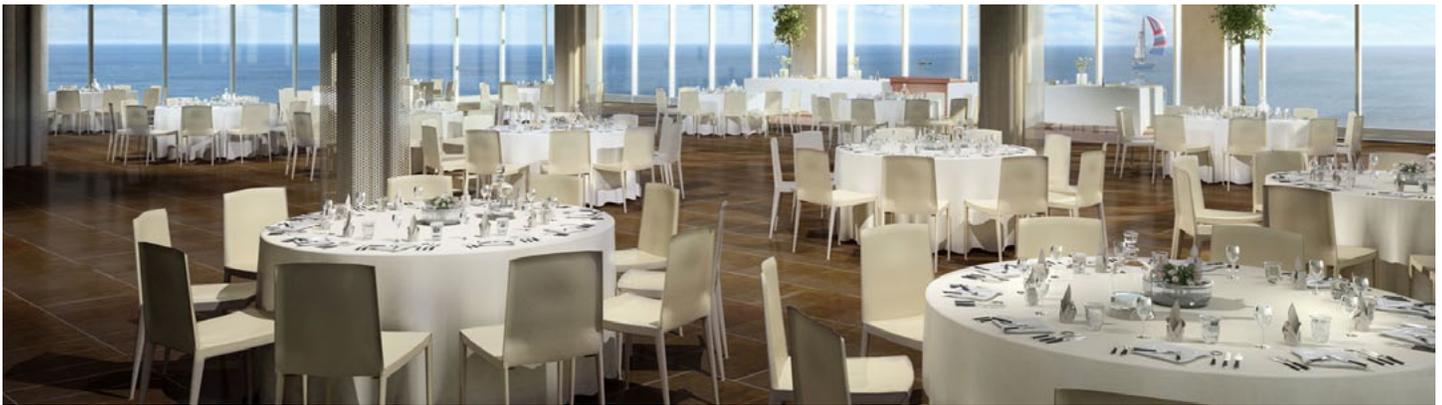
Metro Area/Division	Average Employment (000s)			Changes from prior period			% Change from prior period		
	Jan-Apr 2011	Jan-Apr 2012	Jan-Apr 2013	Jan-Apr 2011	Jan-Apr 2012	Jan-Apr 2013	Jan-Apr 2011	Jan-Apr 2012	Jan-Apr 2013
Total Nonfarm	131.4	133.0	129.2	-2.8	1.7	-3.9	-2.1%	1.3%	-2.9%
Total Private	108.1	109.9	106.2	-2.5	1.8	-3.8	-2.3%	1.7%	-3.4%
Leisure and Hospitality	44.2	45.0	40.0	-2.4	0.8	-4.9	-5.1%	1.8%	-11.0%
Accommodation and Food Services	42.8	43.6	37.7	-2.2	0.7	-5.9	-4.9%	1.7%	-13.5%
Accommodation	32.6	32.6	26.9	-2.2	0.0	-5.7	-6.3%	0.1%	-17.4%
Casino Hotels	31.0	31.0	25.5	-2.0	0.0	-5.5	-6.1%	-0.1%	-17.7%
Food Service and Drinking Places	10.3	11.0	10.7	0.0	0.7	-0.2	-0.2%	6.8%	-2.1%
Construction	4.4	5.0	4.5	0.0	0.6	-0.6	0.6%	14.2%	-11.4%
Manufacturing	2.2	2.2	2.0	0.1	0.0	-0.2	2.4%	0.0%	-7.0%
Wholesale Trade	2.8	2.9	2.8	0.1	0.1	-0.1	4.6%	1.8%	-2.6%
Retail Trade	14.8	14.9	16.3	0.0	0.1	1.4	0.3%	0.5%	9.2%
Transportation and Utilities	2.6	2.9	2.9	-0.1	0.3	0.0	-1.9%	10.6%	0.9%
Information	0.9	0.8	0.7	-0.1	0.0	-0.1	-10.5%	-5.9%	-12.5%
Financial Activities	4.0	3.9	4.0	0.0	-0.1	0.1	-0.6%	-2.5%	1.9%
Professional and Business Services	9.5	9.0	9.3	-0.1	-0.5	0.3	-1.3%	-5.2%	3.0%
Education and Health Services	18.4	18.9	19.1	-0.1	0.5	0.2	-0.4%	2.7%	0.9%
Hospitals	6.3	6.5	6.2	-0.2	0.1	-0.2	-2.7%	2.4%	-3.9%
Other Services	4.4	4.5	4.7	0.0	0.2	0.1	-0.6%	3.4%	3.3%
Government	23.2	23.1	23.0	-0.3	-0.1	-0.1	-1.5%	-0.5%	-0.5%
Federal Government	2.8	2.7	2.7	0.0	-0.1	0.0	-0.9%	-2.7%	-1.8%
State Government	4.4	4.2	4.4	0.4	-0.2	0.3	8.7%	-5.1%	6.0%
Local Government	16.1	16.2	15.9	-0.7	0.2	-0.3	-4.0%	1.1%	-2.0%

up, restoration, rebuilding and insurance claims adjustment-related work in the final two months of 2012.

As Figure 3 shows, after declining to \$1.13 billion in the second quarter of 2009 (from a fourth-quarter 2007 business cycle peak of \$1.28 billion) amid the Great Recession, retail sales in the Atlantic City metropolitan area (which is coincident with Atlantic County) began to recover in late 2009 and continued to rise steadily until last year's second quarter when sales declined by \$10 million. Sales began to increase again, however, in the second half of last year. In the final quarter of 2012, which obviously included the effects of Hurricane Sandy, retail sales in the metropolitan area totaled \$1.36 billion, bringing last year's total retail sales to \$5.4 billion.⁴

To put this retail sales estimate in perspective, total casino hotel revenue (which includes gaming, room, food and beverage, and entertainment revenues) totaled \$4.3 billion in 2012. According to New Jersey Division of Gaming Enforcement (DGE) data, third party businesses that lease space from the casinos recorded \$246 million in sales in 2012. This suggests that these casino-based businesses (the vast majority of which are retailers, restaurants and bars) accounted for approximately 4.6% of all retail sales in the metropolitan area last year.⁵





Despite Some Recent Improvements, the Leisure and Hospitality Sector Continues to Weigh on Atlantic City's Economy

While recent evidence suggests that Atlantic City's broader leisure and hospitality sector continues to make modest strides in its attempt to rebrand and refashion itself as a resort and entertainment destination that offers more than gaming, it remains true that the sector has continued to constitute a drag on Atlantic City's economic growth—especially in employment and wage terms.⁶

Since the onset of the national recession that began in December 2007, total employment in Atlantic City has declined by 11.2% (16,800 jobs), whereas total employment excluding leisure and hospitality (L&H) employment has declined by 4.8% (4,600 jobs). Thus, job losses in L&H have accounted for 75% of all jobs lost in Atlantic City since the onset of the national recession which officially ended in June 2009. As noted, the leisure and hospitality "supersector" is comprised of two sub-sectors: arts, entertainment, and recreation (NAICS Sector 71), and accommodations, restaurants and bars (NAICS Sector 72). Job losses in NAICS Sector 72 totaled 13,800 during this period, implying a net job gain of 1,300 in Sector 71.

It should be noted that of the 13,800 lost jobs in NAICS Sector 72 since December 2007, nearly all have been accounted for by losses in accommodations, as restaurants and bars employment remained virtually unchanged at approximately 11,600. Casino hotels employment (which accounts for virtually all accommodations employment) has declined by 12,400 since December 2007. Moreover, it has declined by 8,600 since the onset of the national recovery (June 2009), and by 7,000 since last April when Revel officially opened to the public.⁷

The decline in casino hotels employment is reflected in wages. Wage data from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (which is released with a considerable lag) indicate that total wages paid by casino hotels declined to \$1.08 billion in 2011—down 25% or \$361 million since 2005. Since 2009, casino hotels wages declined by \$150 million or 12.2%.⁸ Thus, whereas casino hotels wages accounted for 27% of all wages paid in the metropolitan area in 2005, in 2011 they accounted for 20%.

While the especially strong job gains recorded in arts, entertainment, and recreation over the past year undoubtedly represent a good

sign for those engaged in the metropolitan area's strategic rebranding effort, it seems likely that the seemingly endless proliferation of gaming halls across the East Coast will continue to weigh heavily on Atlantic City's gaming halls, imperiling their ability to contribute significantly to the metropolitan area's broader employment and wage growth over the near future. And, given the size of the declines in casino hotels employment recorded since late 2007, it seems very unlikely that even robust growth in arts, entertainment, and recreation employment will fill the void completely any time soon.

Employment Trends in NJ's Metropolitan Areas

Surveying recent job trends across the state's metropolitan areas provides striking evidence of the economic malaise the Southern New Jersey regional economy continues to face. In particular, while the Atlantic City and Vineland-Millville-Bridgeton economies recorded job losses during the first four months of this year, every other New Jersey metropolitan area or division saw job gains. Employment was up 2.2% year-on-year in Edison-New Brunswick, 2.1% in Trenton-Ewing, and 1.8% in Bergen-Hudson-Passaic. Even Camden and Newark recorded decent job growth early in the year. (Table 3)

Table 3: Employment Trends in New Jersey Metro Area

Metro Area/Division	Total Employment, 000				Change in Total Employment, 000			% Change in Total Employment		
	Jan-Apr 2010	Jan-Apr 2011	Jan-Apr 2012	Jan-Apr 2013	Jan-Apr 2011	Jan-Apr 2012	Jan-Apr 2013	Jan-Apr 2011	Jan-Apr 2012	Jan-Apr 2013
Atlantic City	134.2	131.4	133.0	129.2	-2.8	1.7	-3.9	-2.1%	1.3%	-2.9%
Camden	502.5	497.5	498.3	504.0	-5.0	0.8	5.7	-1.0%	0.2%	1.1%
Edison-New Brunswick	964.2	961.9	979.0	1000.3	-2.3	17.1	21.3	-0.2%	1.8%	2.2%
Newark-Union	956.8	953.1	964.8	973.0	-3.7	11.7	8.2	-0.4%	1.2%	0.9%
Ocean City	33.5	32.8	32.8	34.0	-0.8	0.1	1.2	-2.2%	0.2%	3.7%
Trenton-Ewing	237.3	238.2	240.6	245.7	1.0	2.3	5.1	0.4%	1.0%	2.1%
Vineland-Millville-Bridgeton	58.1	56.8	56.7	56.3	-1.3	-0.1	-0.4	-2.2%	-0.2%	-0.7%
Bergen-Hudson-Passaic	855.2	859.9	865.6	881.3	4.7	5.6	15.7	0.5%	0.7%	1.8%
New Jersey	3,796.8	3,786.9	3,830.3	3,885.4	-9.8	43.4	55.1	-0.3%	1.1%	1.4%

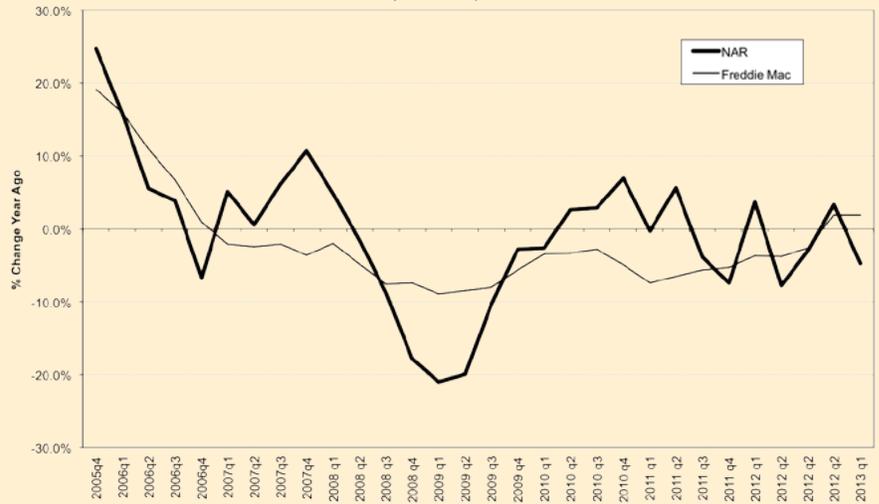
Source: U.S. Bureau of Labor Statistics

Atlantic City Housing Market

Similar to many other metropolitan areas, single-family home prices in Atlantic City appear to have finally started to regain some of the ground they lost during the national housing crisis. Based on Freddie Mac's house price index, single-family home prices in the metropolitan area were up 1.9% year-on-year in this year's first quarter—the second straight year-on-year quarterly gain (prices were up 1.9% in last year's fourth quarter as well). (Figure 4) Meanwhile, data from the National Association of Realtors indicate that single-family home prices in Atlantic City were down 4.8% year-on-year in the first quarter following an estimated 3.4% increase in the final quarter of 2012. While the different methodologies underlying each of these home price indices often result in differences in year-on-year quarterly growth rates, both indices make clear that single-family home prices in the metropolitan area remain roughly 25% below their late 2006 peak level.

While news of unusually low home sale inventories this spring and rock-bottom mortgage interest rates have prompted renewed homebuilding in many metropolitan areas, single-family homebuilding permits in Atlantic City remain at very low levels, suggesting that local homebuilders have remained cautious thus far in 2013. (Figure 5) This caution is somewhat surprising in light of the modest uptick in homebuilding activity the metropolitan area recorded in the final two quarters of 2012. The continued low level of homebuilding activity in the local economy is reflected in construction employment growth. Since increasing significantly in late 2011 and the spring of 2012 in the run-up to Revel's opening, construction employment in Atlantic City plummeted in the second half of 2012. While employment continued to decline in this year's first quarter, April saw a year-on-year job gain of 300 jobs.

Figure 4: Single Family Home Prices in the Atlantic City Metropolitan Area: National Association of Realtors vs. Freddie Mac's FMHPI 4q 2005 to 1q 2013



Source: National Association of Realtors and Freddie Mac.

Figure 5: Single Family Housing Permits in Atlantic County Units Authorized June 2000 to April 2013 6-month moving average



Source: U.S. Census Bureau.





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ENDNOTES:

¹ National Employment Labor Project, “Scarring Effects: Demographics of the Long-Term Unemployed and the Danger of Ignoring the Jobs Deficit” Briefing Paper, April 2013, New York

² Atlantic City Tourism Performance Indicators (AC-TPI), 1st Quarter 2013 Snapshot, Brian Tyrrell, Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism (LIGHT), June 10, 2013

³ The Moody’s Analytics estimates of retail sales cited include sales from restaurants and bars.

⁴ Again, it should be noted that while Sandy adversely affected many Atlantic City businesses, including the gaming industry, it also positively affected some retail establishments (e.g., building materials and hardware stores, and furniture and home furnishing stores) in Atlantic County—especially those located farther inland.

⁵ This is an approximate estimate because some of these third-party businesses’ sales may not (strictly speaking) qualify as retail trade industry sales. According to the DGE’s year-end 2012 industry report, there were 162 of these third-party casino-based businesses in 2012.

⁶ Atlantic City Tourism Performance Indicators (AC-TPI), 1st Quarter 2013 Snapshot, Brian Tyrrell, Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism (LIGHT), June 10, 2013

⁷ The figures cited here are from the U.S. Bureau of Labor Statistics’ Establishment Employment Survey also known as the payroll survey. Atlantic City’s gaming halls also report monthly employment to the Division of Gaming Enforcement. These two employment series for casino hotels employment have longed differed owing to methodological differences in estimation and reporting. However, it should be noted that while both BLS and DGE estimates of casino hotels employment include full- and part-time workers, the DGE monthly estimates also include an “other” category of employment. This other category of employees totaled 5,313 in May and 90% of these employees are indicated as being on leaves of absence. Presumably, many of those on leave are not receiving wages. Excluding this category of other employees reduces the DGE casino hotels employment estimate considerably—by approximately 4,800 in May—and brings the estimate considerably closer to the BLS’ estimate.

⁸ Due to disclosure constraints, annual wage data for the industry were not released in 2006, 2007, or 2008.

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