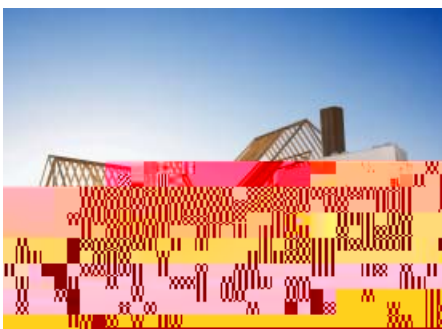


# THE SOUTH JERSEY ECONOMIC REVIEW

Spring/Summer 2008

## About the SJER

The SJER is part of a broader and on-going Stockton College initiative whose aim is to provide the region's stakeholders and policy-makers timely, high-quality research products and technical assistance that focus on the region's economy, its development, and its residents' well-being. The SJER is produced and distributed exclusively as an electronic journal. If you would like to be electronically notified of future releases of the Review, send an email to [sjer@loki.stockton.edu](mailto:sjer@loki.stockton.edu) with the subject line "Subscribe SJER".



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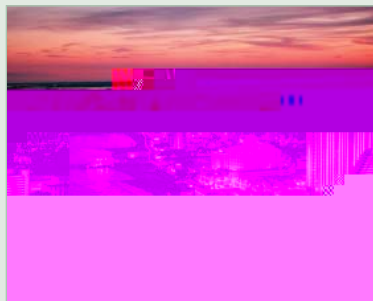
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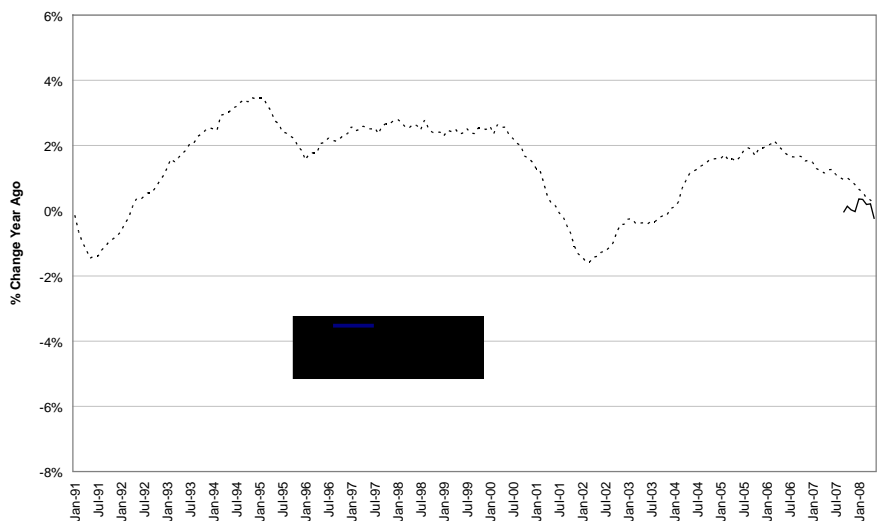
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## WEAKNESS IN ATLANTIC CITY'S ECONOMY CONTINUES

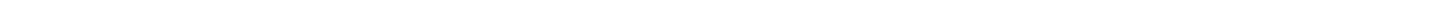
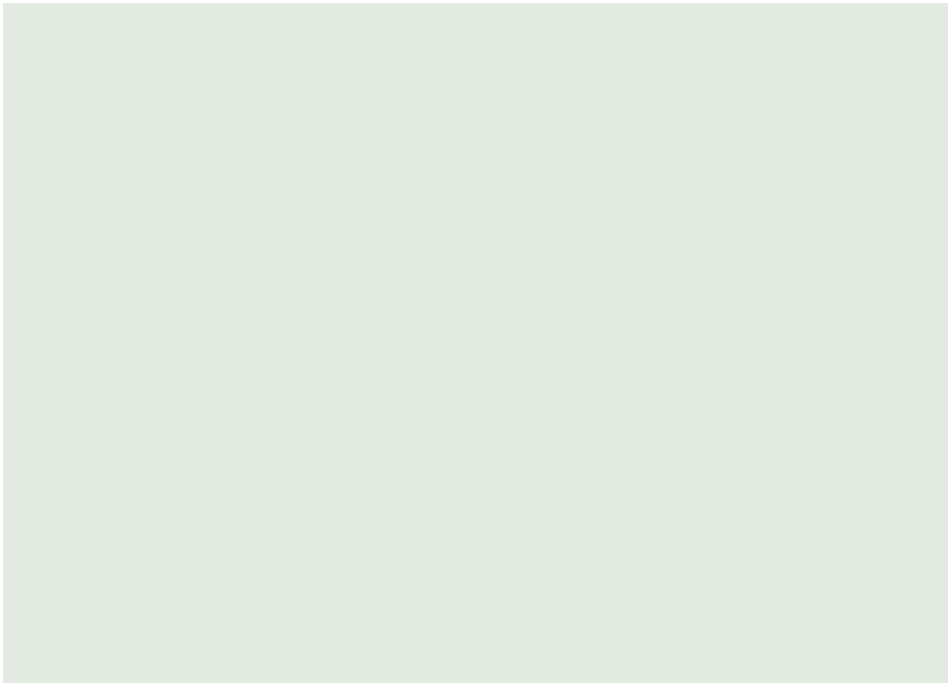


While the Atlantic City metropolitan area's economy has improved modestly during recent months—the rate of job loss has slowed to 0.6% year-on-year from 2007's 2.6% pace—it remains weak. (See Figure 1) The average monthly number of jobs in the metropolitan area through May was 147,300, down 800 from the same period in 2007. Continued job losses in the construction and leisure and hospitality sectors continue to constitute serious drags on the economy. State government employment, which contracted significantly in 2007, has continued to decline this year. The two bright spots in the local economy remain retail trade and education/health care/social services—both of which added jobs year-to-date through May. ■

Figure 1: Employment Growth: Atlantic City, New Jersey, and the U.S.  
January 1991 to May 2008







## Housing Market

As it has for some time now, the trend in home prices in the Atlantic City metropolitan area remains ambiguous, as the two most widely-watched indicators of metropolitan area home prices—the National Association of Realtor’s (NAR) series of median prices of existing single-family homes and Freddie Mac’s conventional mortgage home price index (CMHPI)—continue to show divergent trends. (See Figure 5)

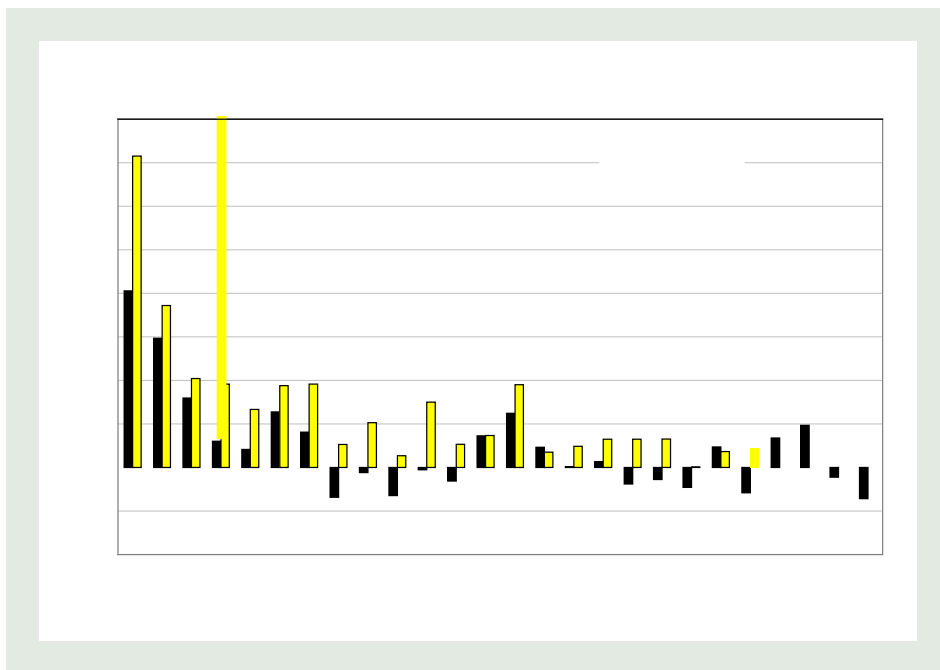
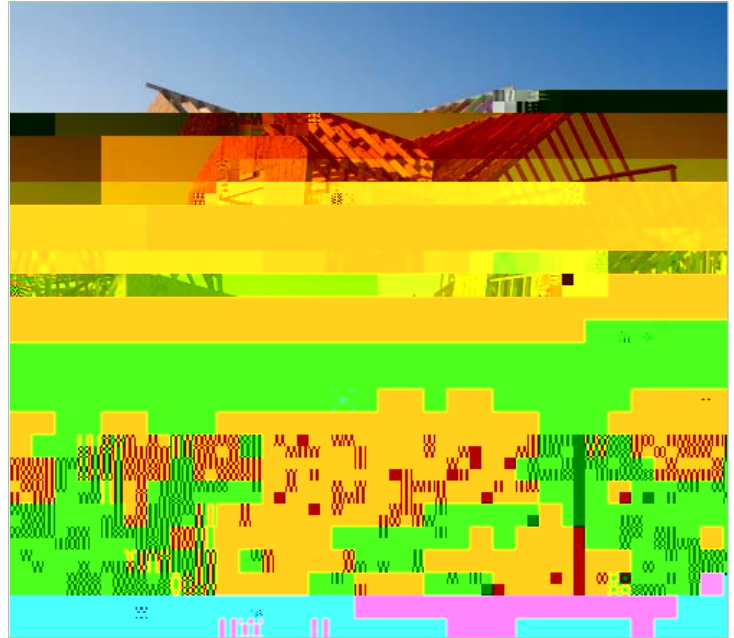
In a sign that Atlantic City’s housing market has still not reached bottom, the CMHPI shows that single-family home prices in Atlantic City declined 2.7% in the first quarter of this year, a larger year-over-year decline than the 1% decline recorded in last year’s final quarter. It should be noted, however, that despite the index’s last two quarterly declines (the first since the first quarter of 1997), its value in the first quarter, at 344.5, remains well above its five-year ago level of 203.

The NAR series meanwhile indicates that median home price of existing single-family homes in Atlantic City largely began to stabilize in 2007. The median home price of \$277,400 in this year’s first quarter represented a 4.8% increase on the prior year level.

**Housing Market**  
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Reflecting the on-going shakeouts in the credit market as well as the apparent continued hesitancy of homebuilders, the trend in single-family permits—a leading indicator of future home-building activity—suggests that the home-building market in Atlantic County remains anemic. (See Figure 6) The six-month moving average of single-family permits in Atlantic County declined to 51.8 in May, or 41% below its prior year level.

The continued weakness in Atlantic City's homebuilding market is reflected in the construction industry's payrolls which continue to plummet. (See Figure 7) Construction employment in the metropolitan area was contracting at a 10.7% year-on-year rate in May. Average monthly construction employment in Atlantic City through May totaled 6,400 down from 7,000 the prior year. Given several major on-going commercial projects and/or expansions in Atlantic City, which ostensibly should be providing some relief from the residential sector's on-going troubles, the construction industry's weakness is especially noteworthy. ■





*Looking Ahead  
cont'd from page 5*

the first time last year (whereas, historically, it has always managed to grow in national economic slowdowns), appears to suggest that the impact of heightened regional gaming competition represents one of the most important developments for Atlantic City's economy in some time. Year-to-date statistics, moreover, indicate that Atlantic City's gaming industry remains under considerable pressure (year-to-date revenue through April for the industry declined 6.7% year-on-year).

In light of these developments, an important question regards the larger macroeconomic implications of possible continued visitorship declines (related to heightened regional gaming competition) to Atlantic City. Clearly, continued declines could hold important implications for the gaming industry's revenues, employment, and payroll levels. Beyond the gaming industry's employment and payroll (which

constitute its most obvious and direct economic impact), continued pressure on industry revenues and margins could have deleterious effects on the industry's volume of business with local businesses (input purchases). In 2007, the industry spent \$1.6 billion with local (Atlantic County-based) businesses. Alternatively, the industry spent \$0.33 of every dollar of gaming revenue it earned with local businesses. This volume of business represented (an estimated) approximately 16% of total personal income in the metropolitan area in 2007.

In addition to its role in supporting local gaming-industry vendors, the gaming industry also obviously helps stimulate non-gaming revenue for many local businesses. According to The Atlantic City Convention & Visitors Authority's most recent comprehensive visitor profile report (conducted in 2004), the total economic impact of Atlantic City visitation in 2004 was

\$6.5 billion. This compared to \$4.8 billion in the gaming industry's gaming revenue the same year. Given 2004 visitorship to Atlantic City of 33.3 million, this implies non-gaming expenditures of \$51 per visitor in 2004.

Last year's 3.6% decline in visitorship to Atlantic City represented a loss of 1.23 million visitors to the metropolitan area. If one assumes the \$51 figure just cited represents a lower-bound estimate of non-gaming expenditures per visitor (a reasonable assumption in light of the increase in Atlantic City's non-gaming entertainment and amenities offerings in recent years), last year's decline in visitorship would translate into \$62.9 million in lost revenue (non-gaming expenditures) for local businesses. This loss represents 0.6% of the metropolitan area's 2007 total personal

*cont'd on page 7*

income. And, this estimate does not take into account the associated tax revenue loss nor the larger negative multiplier effects (employment and income losses) that ostensibly flowed from this lost business.

While the above estimates are admittedly very rough ones (and, thus, should be interpreted with some caution), they nevertheless underscore the continuing economic significance of the health of Atlantic City's gaming industry to the wider metropolitan economy. While several on-going and/or planned developments in the gaming industry hold important implications for the future of the industry's competitiveness vis-à-vis other regional gaming operations (and, thus, the industry's wider future impact on the metropolitan area economy), some of these development have been temporarily put on hold or had their start and/or completion dates pushed back owing to the continuing shake-out in global credit markets and the weak national economic picture. This suggests that the above-estimated impact of continued declines in Atlantic City visitorship (related to heightened regional gaming industry competition) may be more likely to continue over the coming year or so. Finally, it should be noted that continued elevated gas prices exacerbate the detrimental effects (on Atlantic City visitorship) of heightened regional gaming competition.

Current local developments related to heightened regional gaming competition, as well as larger national ones—which are increasingly taking their toll in myriad ways on many U.S. households and their consumption—suggest that Atlantic City's economic outlook, like many other metropolitan areas', is unlikely to improve significantly over the near term. Atlantic City's medium and longer term economic prospects will only begin to come into sharper focus once several major on-going and planned projects begin to come on-line in 2009 and beyond.

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<sup>1</sup> Audi, Tamara, and Jeffrey McCracken, "Debt-Laden Casinos Squeezed by Slowdown" Wall Street Journal, July 1, 2008

<sup>2</sup> 2007 personal income data for metropolitan areas have not yet been released by the Bureau of Economic Analysis. The estimate cited applies New Jersey's rate of personal income growth in 2007 (5.5%) to Atlantic City's 2006 personal income in order to estimate a 2007 figure for the metropolitan area. In light of Atlantic City's poor 2007 economic environment the 16% figure cited likely represents a lower bound estimate.

<sup>3</sup> Atlantic City Convention & Visitors Authority, 2004 Atlantic City Visitor Profile.

<sup>4</sup> Chet Sherman, Pipeline, May 7, 2008. See: [http://www.atlanticcapewib.info/pdf/pipeline\\_last.pdf](http://www.atlanticcapewib.info/pdf/pipeline_last.pdf)

***All Analysis in this issue by:***

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