

# NEW YORK

## EMPLOYMENT GROWTH RANK

Best=1 Worst=389

2006-08

**257**  
4th quintile

2006-11

**280**  
4th quintile

## LIFE CYCLE PHASE

Mature/Decline

Best=1 Worst=381

### VITALITY

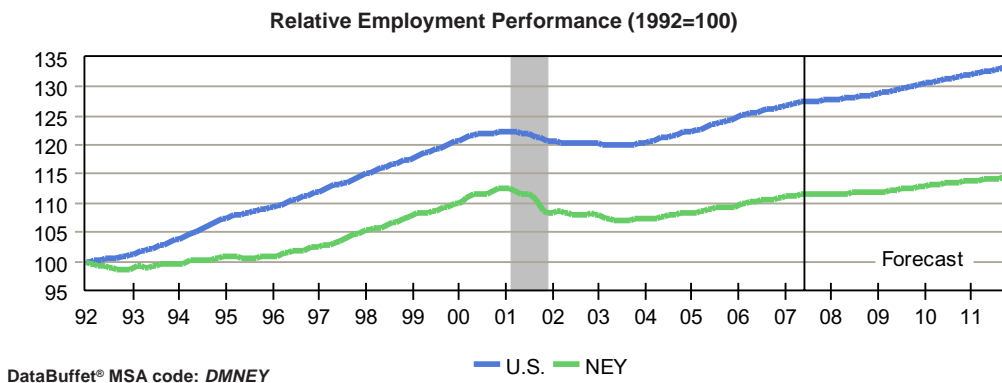
**172**  
3rd quintile

### COST OF DOING BUSINESS

U.S.=100% **138%**

### COST OF LIVING

U.S.=100% **114%**



DataBuffet® MSA code: DMNEY

— U.S. — NEY

2000	2001	2002	2003	2004	2005	2006	Indicators	2007	2008	2009	2010	2011
523.1	538.9	527.3	539.1	562.0	584.4	603.9	<b>Gross Metro Product, C\$B</b>	614.8	625.6	638.5	652.3	664.7
6.9	3.0	-2.2	2.2	4.2	4.0	3.3	<b>% Change</b>	1.8	1.8	2.1	2.2	1.9
5,186.4	5,166.2	5,035.9	4,992.0	5,015.9	5,069.9	5,136.7	<b>Total Employment (000)</b>	5,186.5	5,200.3	5,228.6	5,277.3	5,313.3
2.5	-0.4	-2.5	-0.9	0.5	1.1	1.3	<b>% Change</b>	1.0	0.3	0.5	0.9	0.7
5.1	5.5	7.3	7.4	6.4	5.3	4.7	<b>Unemployment Rate</b>	4.8	5.1	4.8	4.7	4.7
7.7	2.3	-0.8	1.6	7.5	4.4	6.7	<b>Personal Income Growth</b>	8.6	3.5	3.7	4.0	3.6
11,314.8	11,397.8	11,441.3	11,483.8	11,522.7	11,559.0	11,561.6	<b>Population (000)</b>	11,567.4	11,590.1	11,610.6	11,633.2	11,653.6
5,114	4,920	4,599	4,508	4,053	4,340	3,532	<b>Single-Family Permits</b>	2,589	2,640	4,130	4,463	4,299
17,610	18,397	20,926	23,534	30,335	37,219	36,366	<b>Multifamily Permits</b>	33,940	14,877	17,919	19,495	19,375
252.8	302.4	344.8	385.6	432.1	503.5	518.2	<b>Existing Home Price (\$Ths)</b>	539.1	515.5	524.2	532.6	540.5
30,844	50,594	74,422	112,782	88,388	101,389	90,279	<b>Mortgage Originations (\$Mil)</b>	90,239	70,802	76,262	78,537	79,003
9.0	-12.8	-47.4	-79.6	-91.7	-99.7	-75.9	<b>Net Migration (000)</b>	-79.7	-64.1	-67.8	-67.7	-71.8
29,435	33,829	35,462	38,266	40,203	58,292	11,410	<b>Personal Bankruptcies</b>	20,109	27,048	30,081	32,749	33,515

## STRENGTHS & WEAKNESSES

### STRENGTHS

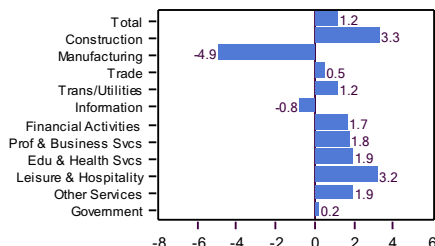
- Financial capital of the nation.
- High per capita income and limited exposure to manufacturing.
- High level of international immigration.

### WEAKNESSES

- High business costs, especially due to energy costs.
- Very unaffordable housing and high tax burdens on residents.
- High level of domestic out-migration.

## CURRENT EMPLOYMENT TRENDS

### August 2007 Employment Growth % change year ago, 3 mo. MA



## FORECAST RISKS

SHORT TERM ↓ LONG TERM ↑ RISK-ADJUSTED RETURN, '06-11 **-1.40%**

### UPSIDE

- WTC rebuilding plans are fully funded and proceed on schedule.
- The economy diversifies over time, becoming less volatile.

### DOWNSIDE

- City budget deficits return, requiring cuts in services or additional taxes.
- Another terrorist attack occurs in NEY.
- A rapid and sizable correction to real estate prices.

## ANALYSIS

**Recent Performance.** While the rest of the nation's economy is slowing, the New York City-Wayne-White Plains metro division continues to see accelerating growth. The NEY economy is an anchor of stability amid a slowing national and regional economy and so far has been mostly immune to the housing downturn precipitating the slowdown elsewhere. At the same time, the metro division is facing serious downside risks to growth in the second half of this year and early next year as financial market turmoil stemming from the subprime lending debacle has serious repercussions for Wall Street firms.

**Financial turmoil.** Recent turbulence in financial markets stemming from the fallout in the subprime lending arena has sent the share prices of the major Wall Street investment banks down about 25% in the past several months, as well as precipitating layoffs in the subprime lending divisions of these firms. Fortunately for NEY, none of the job cuts related to subprime lending were local although expected weaker financial performance of the major investment firms over the next several quarters lends considerable downside risk to the hiring outlook for the metro division.

The forecast for the financial services industry in NEY has been downgraded; through the end of next year, the industry is expected to lose about 10,000 jobs, although other industries will perform well enough to keep overall payroll levels in the metro division from falling.

**Income outlook.** Despite what is sure to be weaker financial performance on Wall Street in the second half of this year, bonus payouts for 2007, which will be paid out in early 2008, should continue to keep pace with the past several years, which have been record breakers. While third quarter financial results are just rolling in, the news so far does not appear to be as bad as many were expecting. Moreover, the first half of 2007 saw record net income

for most investment banks, which will offset any second half weakness. The rate cut by the Federal Reserve in mid-September should calm equities markets, and mergers and acquisitions volume is not expected to slow and should post another banner year in 2007. All of this will translate into another year of record bonus payouts, which will help to bolster the NEY economy early next year.

**Credit crunch.** Although incomes may continue to rise in NEY, residents will find it much more difficult to buy houses now that bank lending standards have tightened. This means that NEY's housing market may finally see a significant slowdown in demand as fewer would-be homebuyers are unable to qualify for mortgages. In 2004 and 2005, over one-quarter of all mortgages originated in NEY were subprime but in 2006 that share fell to 16%. While this is still higher than the national average, that share is expected to plummet this year. Condo and single-family house prices will decline through early-2009.

**The outlook for the New York City-Wayne-White Plains metro division has weakened moderately in the wake of a rapidly-cooling national economy and turbulence in financial markets.** NEY will see job losses in its financial services industry beginning at the end of this year and continuing next year. Total employment growth will remain positive, albeit weaker this year and next, bottoming out in mid-2008. A still-strong global economy will help to support NEY's important tourism industry despite slower spending growth domestically. Tighter credit conditions and slower job growth will finally cause house prices in NEY to fall next year. Over the long-term forecast horizon NEY will underperform the nation but will perform in line with the rest of the Northeast.

Marisa Di Natale  
September 2007

## EMPLOYMENT & INDUSTRY

### TOP EMPLOYERS

New York-Presbyterian Healthcare System	28,909
Citigroup Inc.	26,809
JPMorgan Chase and Company	20,883
Verizon Communications, Inc.	17,622
Federated Department Stores Inc.	17,000
Continuum Health Partners Inc.	15,592
Columbia University	13,151
Time Warner Inc.	12,890
North-Shore Long Island Jewish Health System	12,857
New York University	12,621
Mount Sinai Medical Center	12,279
Personal Touch Home Care Inc.	12,000
Consolidated Edison Inc.	11,743
Saint Vincent Catholic Medical Centers	10,764
Montefiore Medical Center	10,682
Morgan Stanley	10,047
Medisys Health Network Inc.	8,974
Memorial Sloan-Kettering Cancer Center	8,791
Bank of New York Company	8,750
Merrill Lynch & Company, Inc.	8,400

Source: Crain's New York Business, January 2007

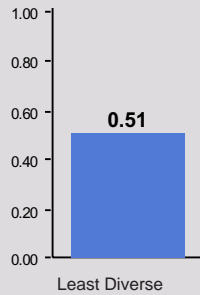
### Public

Federal	73,083
State	78,470
Local	620,181

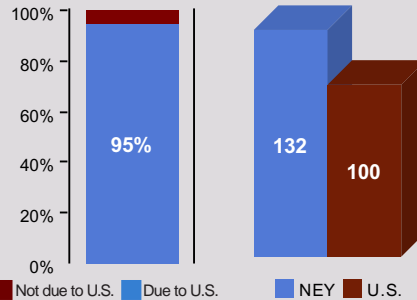
2006

### INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



### EMPLOYMENT VOLATILITY DUE TO U.S. FLUCTUATIONS RELATIVE TO U.S.

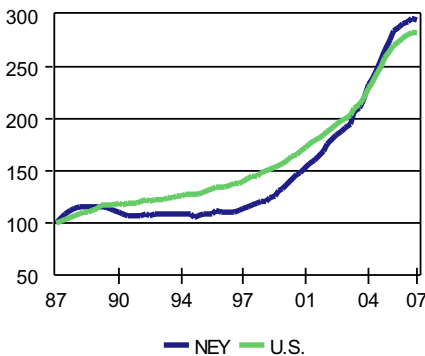


## COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	NEY	NY	US	NEY	NY	US
Construction	3.6%	3.9%	5.6%	\$64,052	\$54,099	\$47,221
Manufacturing	4.2%	6.6%	10.4%	\$83,439	\$73,208	\$68,318
Durable	41.4%	58.3%	63.4%	nd	\$71,568	\$69,250
Nondurable	58.6%	41.7%	36.6%	nd	\$75,329	\$66,721
Transportation/Utilities	3.6%	3.2%	3.7%	nd	\$50,897	\$55,322
Wholesale Trade	4.7%	4.1%	4.3%	\$85,179	\$73,405	\$64,921
Retail Trade	8.8%	10.2%	11.3%	\$36,227	\$30,001	\$27,345
Information	4.0%	3.1%	2.2%	\$133,734	\$115,280	\$80,729
Financial Activities	11.1%	8.4%	6.1%	\$143,810	\$110,359	\$52,912
Prof. and Bus. Services	15.1%	12.9%	12.9%	\$87,131	\$71,118	\$51,017
Educ. and Health Services	18.1%	18.2%	13.1%	\$45,517	\$42,465	\$41,006
Leisure and Hosp. Services	7.5%	7.9%	9.6%	\$31,390	\$25,118	\$19,783
Other Services	4.2%	4.1%	4.0%	\$30,011	\$26,798	\$23,438
Government	15.0%	17.3%	16.1%	\$66,213	\$61,163	\$55,340

Sources: Percent of total employment - Moody's Economy.com & BLS, 2006; Average annual earnings - BEA, 2005

### HOUSE PRICES



Source: OFHEO, 1987Q1=100, NSA

### CREDIT QUALITY

MOODY'S RATING

**Aa3**

CITY

### LEADING INDUSTRIES

NAICS Industry	Employees (000)
GVSL State & Local Government	698.7
6221 General Medical and Surgical Hospitals	194.9
5231 Sec. & Commod. Cont. Intermed. & Brokerage	136.2
7221 Full-Service Restaurants	133.3
6241 Individual and Family Services	129.7
5411 Legal Services	98.9
5613 Employment Services	93.3
5511 Management of Companies and Enterprises	93.1
6113 Colleges, Universities & Professional Schools	92.6
7222 Limited-Service Eating Places	81.0
5311 Lessors of Real Estate	78.8
4451 Grocery Stores	74.7
GVF Federal Government	73.1
4481 Clothing Stores	72.9
6216 Home Health Care Services	72.3
High-tech employment	187.0
As % of total employment	3.6

Sources: BLS, Moody's Economy.com, 2006

## MIGRATION FLOWS

### Into New York, NY

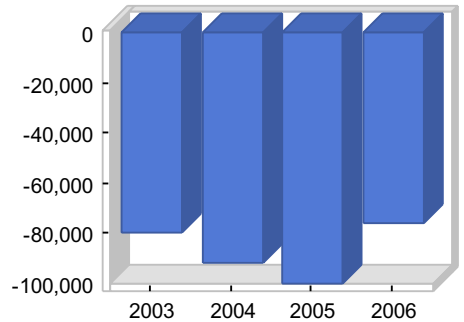
	Number of Migrants	Median Income
Nassau, NY	21,929	36,469
Newark, NJ	16,901	35,353
Edison, NJ	9,684	36,854
Poughkeepsie, NY	4,823	33,228
Bridgeport, CT	4,318	43,614
Philadelphia, PA	4,030	29,725
Los Angeles, CA	3,912	29,018
Washington, DC	3,730	35,690
Chicago, IL	3,264	39,821
Boston, MA	3,043	33,908
Total Immigration	199,674	29,341

### From New York, NY

Nassau, NY	38,769	42,378
Newark, NJ	30,707	45,337
Edison, NJ	25,417	50,312
Poughkeepsie, NY	14,547	49,534
Orlando, FL	12,615	20,725
Bridgeport, CT	9,592	71,862
Atlanta, GA	8,283	24,245
Fort Lauderdale, FL	7,861	25,250
Tampa, FL	7,279	26,043
Philadelphia, PA	6,670	29,211
Total Outmigration	375,159	32,501

<b>Net Migration</b>	<b>-175,485</b>	<b>-3,160</b>
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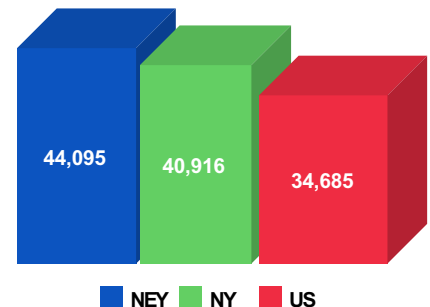
### Net Migration, NEY



	2003	2004	2005	2006
Domestic	-209,335	-208,693	-223,880	-200,198
Foreign	129,685	116,946	124,208	124,317
Total	-79,650	-91,747	-99,672	-75,881

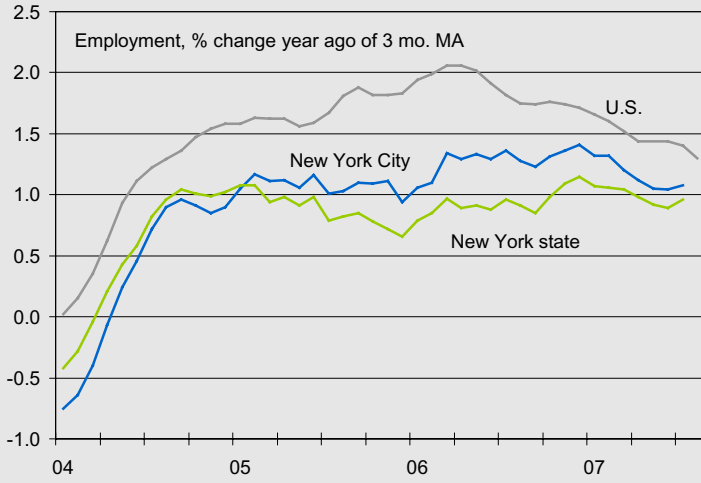
Sources: IRS (top), 2005; Census Bureau, 2006

### PER CAPITA INCOME

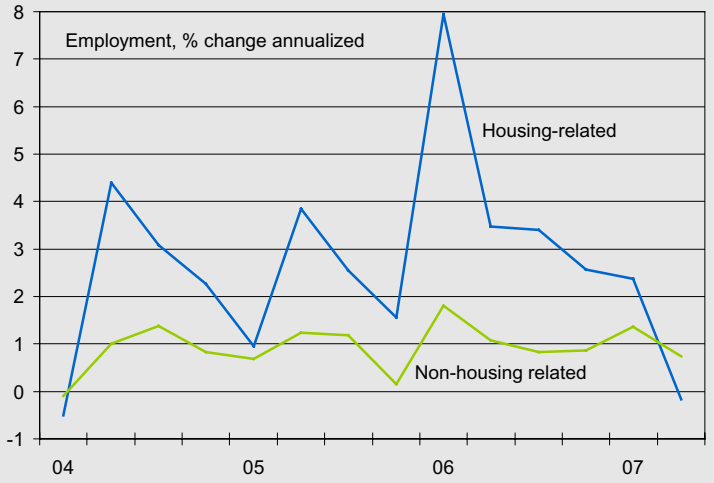


Source: Bureau of Economic Analysis, 2005

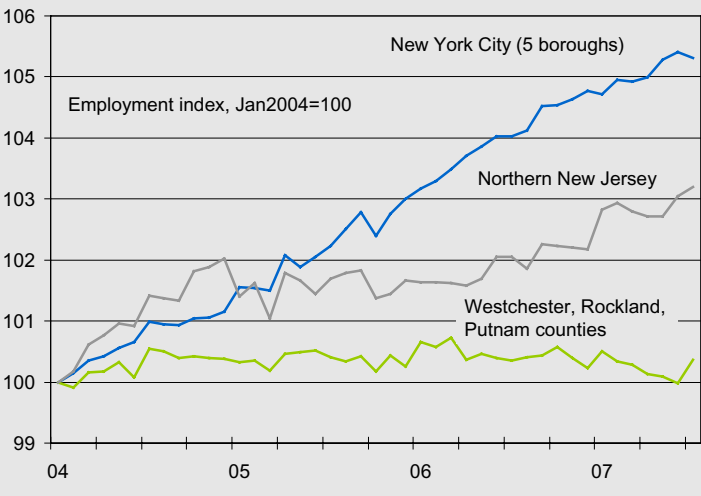
## Despite Recent Market Turbulence, No Slowdown Yet



## Non-Construction Sectors of Housing Industries Are Slowing

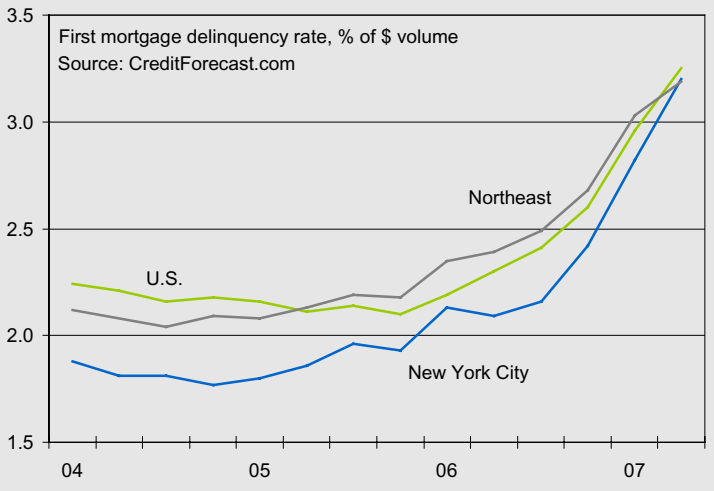


## New York City Is the Growth Engine for the Metro Division

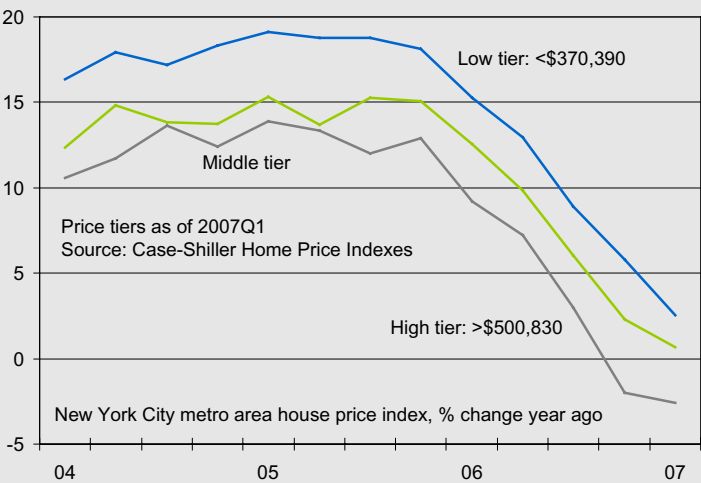


Although housing-related industries have become a small drag on overall employment growth, construction layoffs are not to blame. In fact, the construction industry continues to add jobs. In the three months ending in July, the industry had the second-fastest job growth rate in the metro division (leisure/hospitality was the fastest). The housing-related industries that are seeing weakness are related to mortgage finance, real estate leasing and housing-related retail. Construction continues to outpace most other industries in terms of job growth and will continue to do so through next year as a spate of commercial, public and residential projects continue or begin.

## Credit Quality Eroding Quickly in New York City



## Most of the Market Continues to See Growth



The mortgage delinquency rate in NEY now matches that of the national and regional averages and the sizeable gap that once existed between the NEY rate and the national rate has been erased as credit quality in NEY has eroded more quickly. The reason for the rapid erosion can be traced back to the prevalence of subprime mortgage lending in the NEY metro division over the past several years. Record low affordability spurred lenders to lower credit standards for would-be homebuyers, and in 2004 and 2005 over one-quarter of all mortgages originated were subprime.

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