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## **IBO: Outlook Gets Grimmer**

*By Paul Bubny*

NEW YORK CITY--An even bleaker assessment of the economic outlook than [the city](#) and [state comptrollers](#) have already provided comes from the New York City Independent Budget Office. The IBO forecast projects New York City job losses 40% higher than state comptroller Thomas DiNapoli predicted in late November--a gap which IBO director Ronnie Lowenstein attributes partly to the passage of time.

Without knowing DiNapoli's precise methodology, "the biggest difference is just that in the past month or so, it's become clear that the US recession is far deeper than most macro forecasts had anticipated," Lowenstein tells GlobeSt.com. She adds that the forecasts from DiNapoli and city comptroller William Thompson, Jr. would not have incorporated the December unemployment numbers from the US Labor Department--just released on Friday--and may not have incorporated the November numbers, which have since been revised upward.

"Locally, since these reports came out, we have gotten the news from Citigroup," Lowenstein says. She's referring to the financial services giant's November announcement of 50,000 layoffs worldwide. Another factor influencing the IBO's job-loss projection--243,000 by 2010, compared to 175,000 in DiNapoli's forecast--is that "we have had an additional month of unemployment collection data. All of that is evidence that things are worse."

More than one-third of the projected job losses will occur in the financial services sector. IBO projects a total of 82,300 layoffs, including nearly 49,000 in securities alone. Construction and retail will also shed jobs, with IBO predicting layoffs of 17,700 and 20,900, respectively.

The IBO report notes that the city's mortgage recording tax and real property transfer tax revenues reached "an all-time high in 2007 at \$3.3 billion, having grown at an average annual rate of 24.6% since 2001. Revenues dropped to \$2.6 billion in 2008, as the number of real estate sales and mortgage refinancing declined sharply." Lowenstein expects the combined MRT and RPTT collections for 2009 to "continue their dramatic slide" with combined collections of \$1.6 billion, and reach bottom at \$1.4 billion for 2010.

The report's estimates for '09 and '10 for both taxes are below the Office of Management and Budget's November 2008 projections. "This reflects the worsening economic situation and the extremely low collections in November and December as lending nearly ceased," the report states. However, the report adds, "Even with this decline of more than 50% over two years, collections will only be about 9% below the levels of 2004."

A major factor in this decline has been the drop-off in very large sale transactions--those of \$500 million or more. "In fiscal year 2008, there were 11 sales of commercial properties valued at more than \$500 million," the IBO report states. "However, since the credit market meltdown of September 2008, there have been no reported sales in this price range."

Lowenstein says that other macroeconomic factors affecting the outlook for commercial real estate include employment--particularly office employment--personal income and interest rates. With the

city having already lost tens of thousands of jobs, it's clear that one of these indicators has declined, while citywide personal income is down if year-end bonuses are counted. As for interest rates, they've been cut, but Lowenstein observes, "There's no credit."

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