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Fitch: Amazon HQ2 May Have Some Long-Term Credit Impact.

Fitch Ratings-New York-30 April 2018: The location of Amazon's second headquarters (HQ2) will not have a near-term impact on local government ratings or the housing market around the eventual winner, says Fitch Ratings.

The jobs brought by HQ2 will only affect the local governments that can capture the attendant property, sales and income taxes. The projected 50,000 jobs the regions will gain varies from a minimal impact on the New York-Newark-Jersey City MSA, which has a labor force of more than 10 million, to a more significant 7.4% of the labor force in Raleigh, North Carolina. The increase in salaries paying more than $100,000 per year varies as well.

We do not anticipate a change in the local housing markets as the market has enough supply to absorb the increased housing need. The average home price index for the regions rose by 5.9% between first-quarter 2017 and first-quarter 2018. Rents grew more slowly over the period.

Fitch reviewed MSA-level data from the U.S. Bureau of Labor Statistics and the U.S. Bureau of Economic Analysis for the 20 finalist locations from which there are 17 MSAs, as Newark, New Jersey and New York City are in the same MSA, as are Montgomery County, Virginia, and Washington, D.C. Data for Toronto, Canada may not be directly comparable to U.S. data. Fitch believes the MSA is the best measure of overall economic impact, as workers will not necessarily choose to live within the geographic boundaries of the location chosen.

Amazon has narrowed the pool of potential HQ2 locations to 20, and is expected to announce its decision sometime in 2018. There may be a further narrowing of the field before the final announcement.

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Additional information is available on www.fitchratings.com. The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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