

U.S. MSA Attractiveness In The New Normal

Repositioning for the New Normal

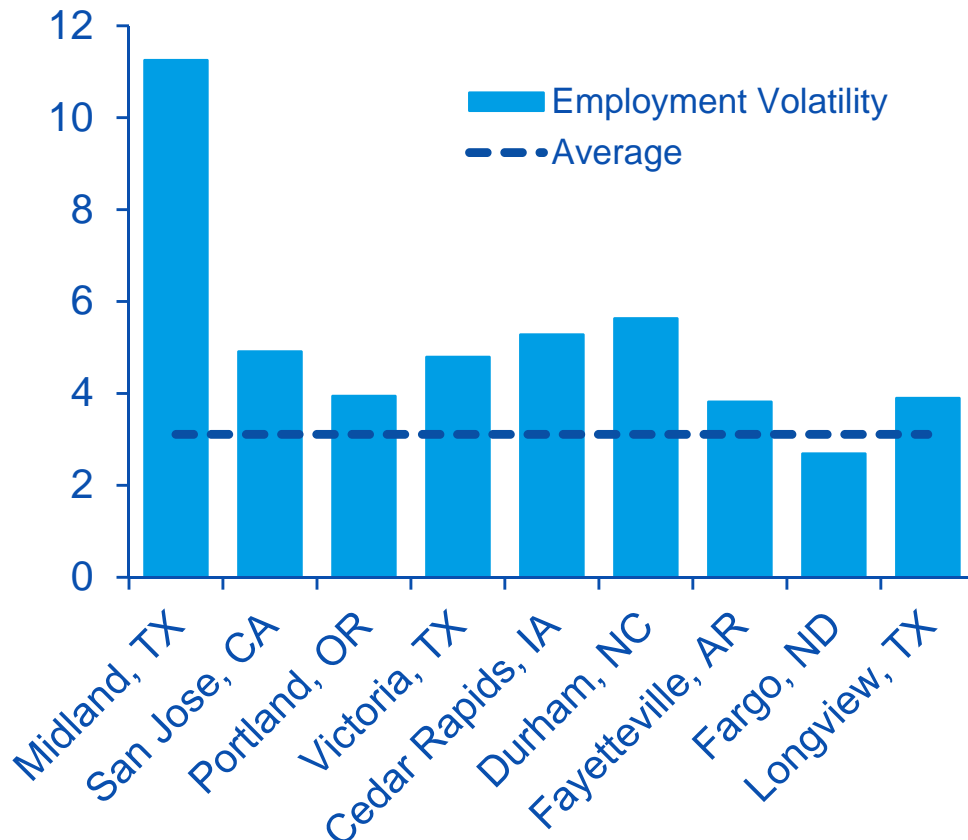
1. **Attractiveness shift:** end of commodity super-cycle, reassessment of sources of growth and global rebalancing
2. Secular trends favor **coastal and large MSAs** that embrace inclusion, globalization, sharing, Millennials and disruptive innovation
3. Commodity-exposed MSAs with **high-value services and high-skilled labor** remain attractive
4. **Opportunities in small towns:** densely populated, young, educated and innovative
5. **Risks to cities who fail to upgrade** existing infrastructure and adapt to technological transformation

Measuring Attractiveness

Simply looking at time series estimates of potential GDP masks other deficiencies and structural weakness

Employment Cycles in Top 10 MSAs for TFP Growth

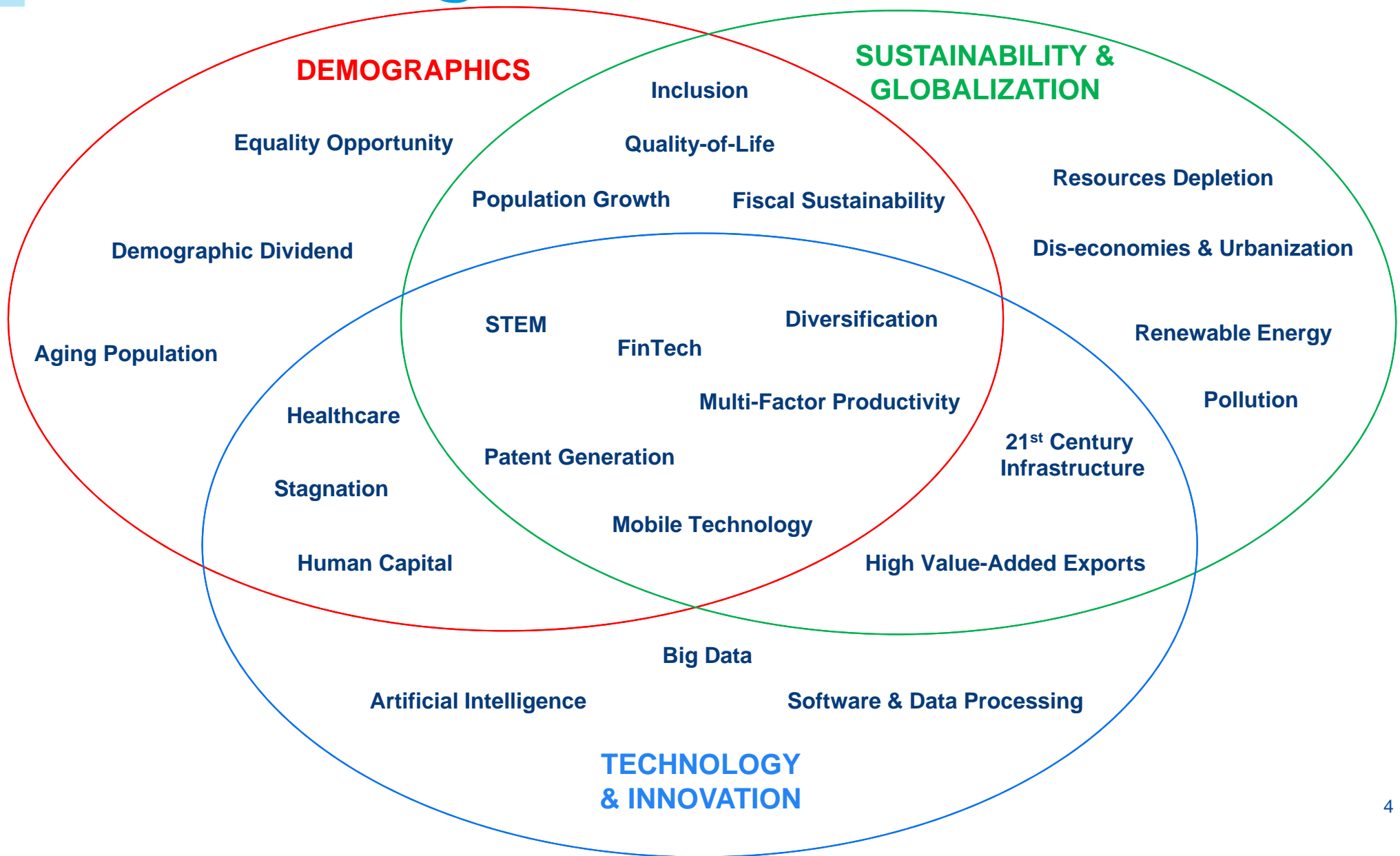
%, 2002-2014



Source: BLS and BBVA Research

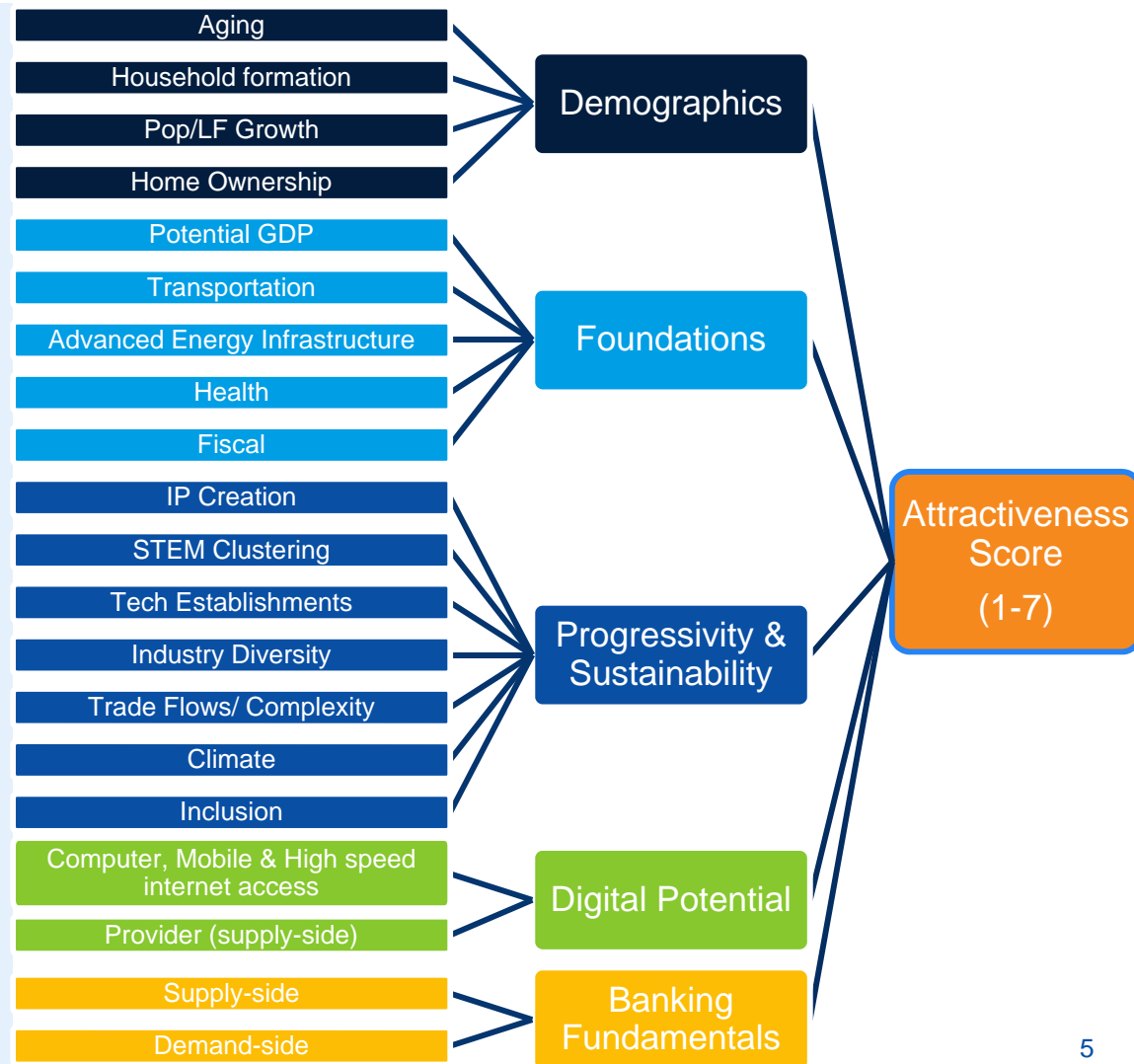
- Incorporating demographics, innovation & technology will more accurately identify winners in the “new normal”
- Attractive MSAs must also provide sustainable and inclusive growth models
- Lack of diversity, poor fiscal policies and insufficient and dated infrastructure will reduce attractiveness in the long-run
- Human capital and investment will inevitably flow to areas that appropriately manages disruptive trends

Accounting for the New Normal



MSA Ranking Methodology

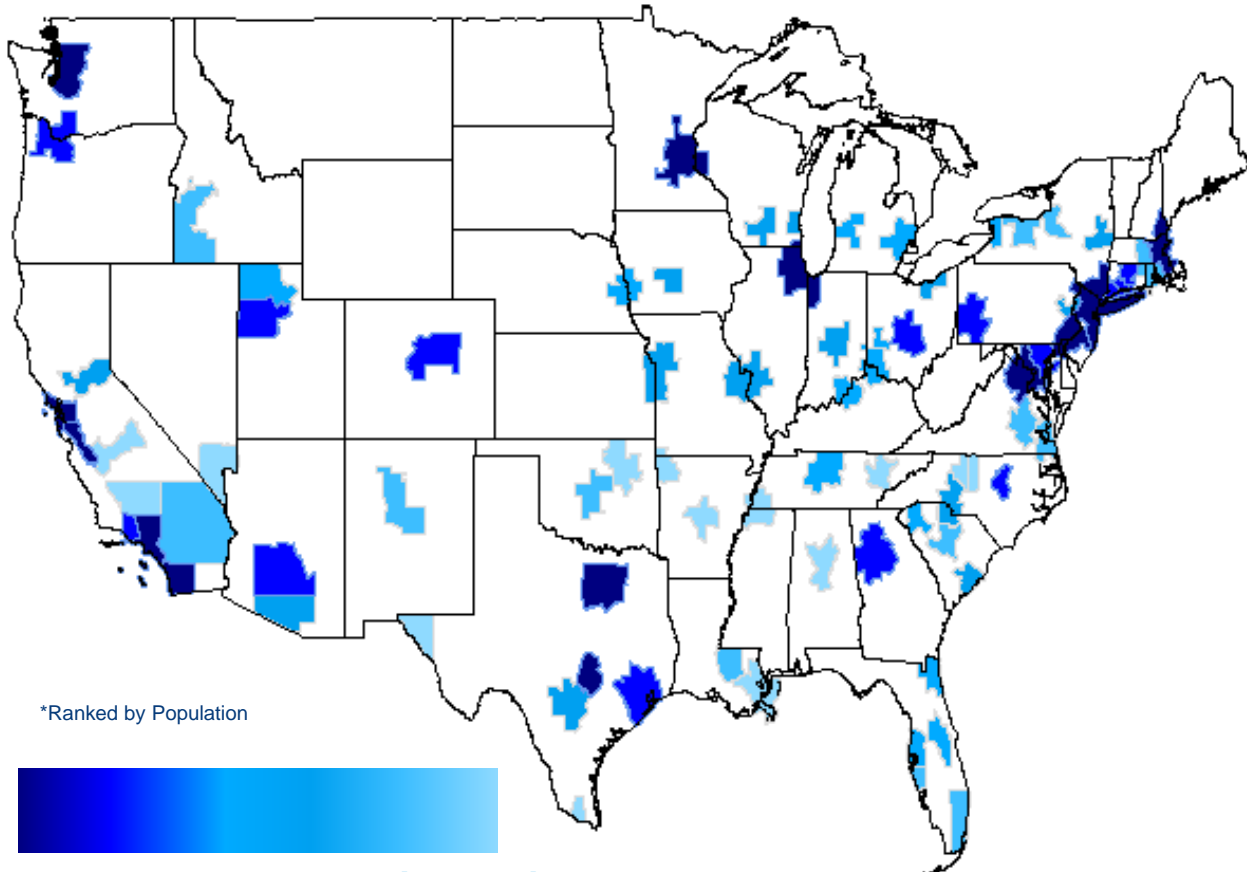
- Attractiveness based on improved methodology
- Index combines 86 indicators
 - Macro fundamentals, banking and demographics remain
 - Ranking enhanced by 21st century trends: innovation, intellectual property, sustainability, STEM, inclusion, digitization & diversity
- Min-max scoring: 7 is best, 1 is worst
- Geographic Coverage
 - 86% of the U.S. population
 - 66% of the 381 MSAs
 - 92% of MSA population



2016 MSA Attractiveness Ranking

Of the top 10 MSAs, 3 are in California, 1 in Texas, and 8 are coastal

2016 BBVA Research MSA Attractiveness- Large* MSAs



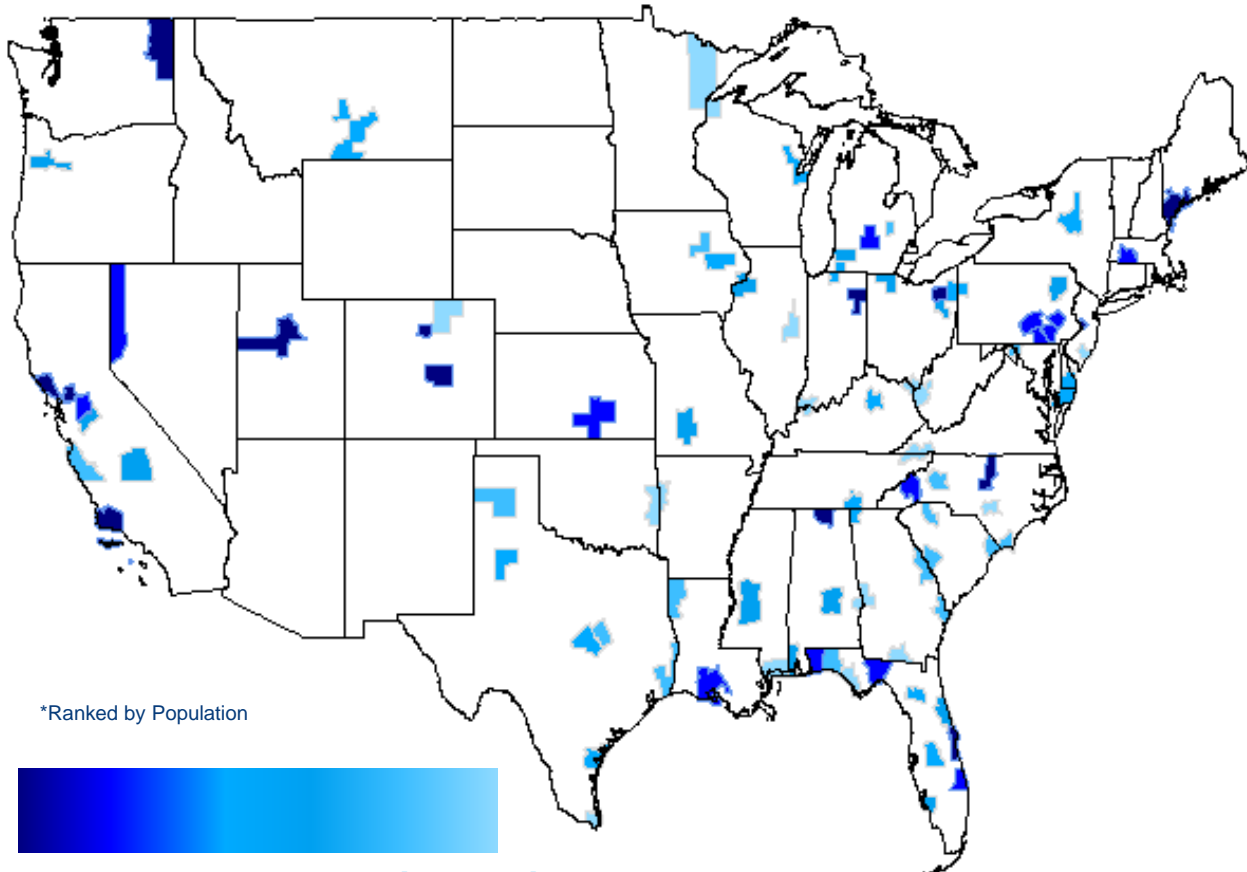
Top Ranking MSAs

	Overall Rank
San Jose, CA	1
New York, NY	2
San Francisco, CA	3
Boston, MA	4
Washington, DC	5
San Diego, CA	6
Seattle, WA	7
Austin, TX	8
Minneapolis, MN	9
Philadelphia, PA	10

2016 MSA Attractiveness Ranking

Opportunities not omnipresent in mid-sized class

2016 BBVA Research MSA Attractiveness- Mid-Sized* MSAs



*Ranked by Population



Leaders

Laggards

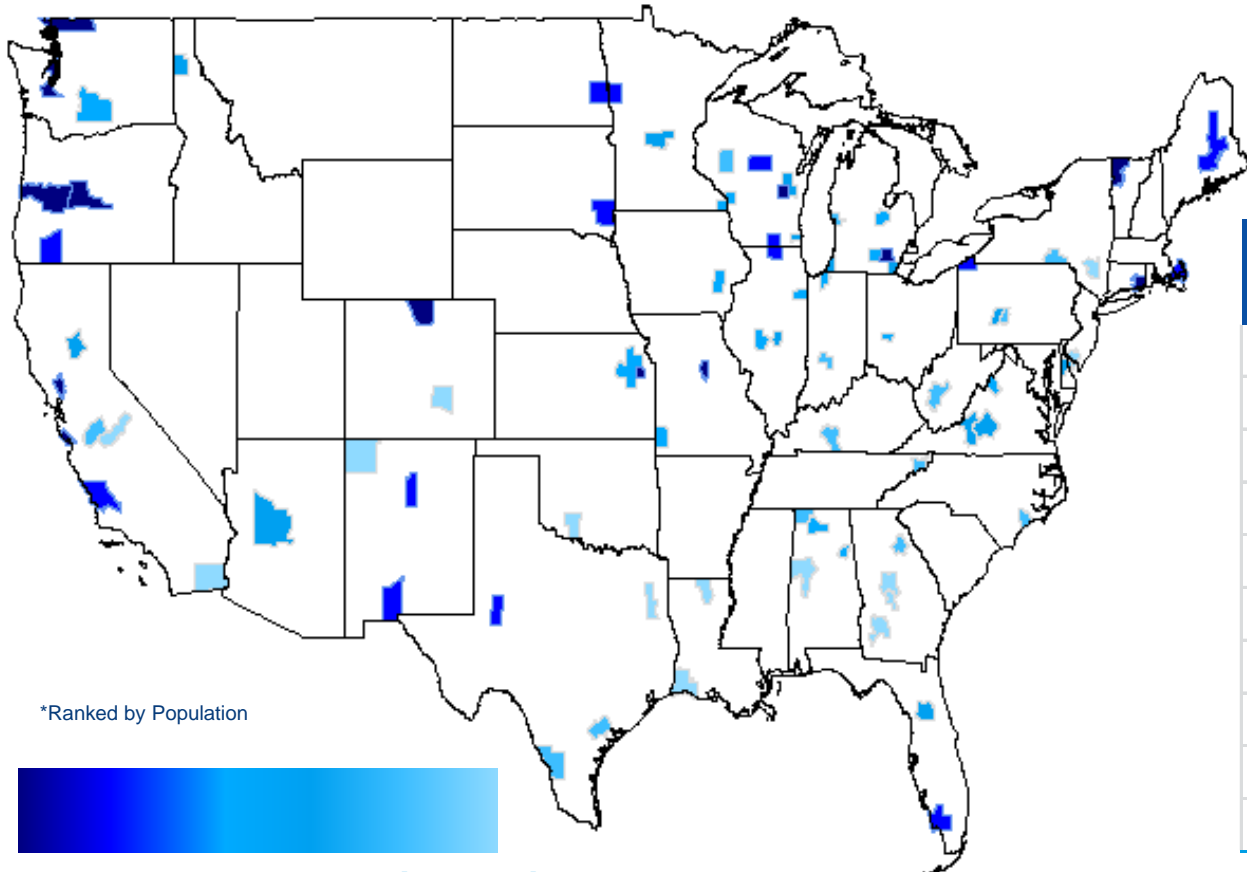
Top Ranking MSAs

	Overall Rank
Portland, ME	21
Santa Rosa, CA	31
Santa Maria, CA	33
Akron, OH	36
Colorado Springs, CO	46
Provo, UT	49
Huntsville, AL	52
Trenton, NJ	54
Boulder, CO	62
Spokane, WA	65

2016 MSA Attractiveness Ranking

As human capital premium intensifies, innovation and knowledge-driven small MSAs become more attractive

2016 BBVA Research MSA Attractiveness- Small* MSAs



Top Ranking MSAs

	Overall Rank
Fort Collins, CO	11
Olympia, WA	14
Burlington, VT	17
Ann Arbor, MI	18
Bellingham, WA	28
Lawrence, KS	32
Columbia, MO	34
Eugene, OR	35
Bremerton, WA	38
Oshkosh, WI	41

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