The Organizational Structure & Spatial Dynamics of Investment Advisory Services: The Case of Metropolitan Philadelphia, 1983-2003

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ABSTRACT

This article examines the organizational structure and spatial dynamics of the institutional investment advisory industry, 1983-2003, focusing on the Philadelphia Metropolitan Area. Traditionally, high order financial services located in Pennsylvania like institutional investment advisory services have been concentrated in the Philadelphia Central Business District (CBD). However, analysis of the industry's organizational structure and spatial dynamics over the 1983-2003 study period indicates significant growth of the industry within the Philadelphia Metropolitan Area, but relative decline within the traditional core--the Philadelphia CBD. The Money Management Directory of Pension Funds and their Investment Advisors (1983-2003) provides the data for the analyses. Maps and tables describe the institutional investment advisory industry's spatial organization at both the inter- and intrametropolitan scales.

Key words: investment advisory services, financial services, location

INTRODUCTION

The tremendous growth of the multi-trillion dollar institutional investment advisory industry[1] over the 1983-2003 study period, is emblematic of the nation's transition to an "information economy" (Hepworth 1990; 1991). With over $18 trillion in total assets under management in 2003, the location of institutional investment advisory firms represent financial "control points" in the nation's economic geography (Borchert 1978; Green 1993; Graves 1998; Bodenman 2000). Furthermore, information-intensive financial services providers like institutional investment advisory firms have traditionally anchored downtowns (Stanback 1991; Carlino 2001), and thus their locational dynamics should be of particular interest to all concerned with the vitality of urban centers in the United States.

The great majority of research exploring the locational dynamics of financial services activities suggests that information intensive financial services are disproportionately concentrated in the cores of the largest metropolitan areas due to (1) the importance of trusted face-to-face contacts in the decision making process at the highest level, (2) the existence of a business/social milieu, (3) prestige of a given place, (4) the importance of fixed assets in the Central Business District (CBD) that could be devalued in the case of owner exodus, and (5) agglomeration of ancillary services, including networks, telecommunications, and "knowledge spillovers" (Carlino 2001; Clark 2000; Daniels 1993; Sassen 1991; Castells 1989). More specifically, there is general agreement that spatial concentration in high order urban centers promote: (1) opportunities for backward

[1]The investment advisory industry consists of investment advisory firms that manage the securities portfolios of institutional clients for a fee.

linkages (i.e., database services, business and financial information services, computer and other technical services); and (2) opportunities for forward linkages (i.e., markets). Theoretically, concentration allows firms to maximize opportunities for both forward and backward linkages, and minimize the transaction costs associated with the production and delivery of financial services (Bloomfield et al. 2000; Lee 2000; Daniels 1993).

This article will highlight the organizational structure and locational dynamics of the investment advisory industry in Pennsylvania, 1983-2003, focusing on Metropolitan Philadelphia. First, I will provide a general background of the institutional investment advisory industry in Pennsylvania. Second, I will provide an overview of the Money Market Directory data sets used for the tables, maps, and figures compiled for analysis. Finally, I will conclude with several suggestions for the direction of future research on this topic.

BACKGROUND

Until the 1970s, the vast majority of investment managers and their traders worked for banks and insurance companies. Independent investment advisory firms of any size first appeared in the early 1960s and proliferated in the 1970s and 1980s, when clients began demanding more aggressive investment strategies. Figure 1 illustrates that, in 1983, independent investment advisory firms (also referred to as investment management firms) managed 30% of the total assets under management, while banks and trusts ran 34%, and insurance companies 35%. By 2003, independent investment advisory firms had increased their share of managed assets to more than 86% of the $21.3 trillion in total assets under management, with banks and trusts dropping to 4% and insurance companies to 8%. Though pension funds (tax-exempt assets) are by far the largest source of managed funds, investment advisory firms also take in billions of dollars from profit-sharing plans, employee savings plans, unions, state and local governments, endowments, and foundations. The primary investment vehicles are transferable securities and equity products that include stocks, bonds, commercial paper and derivative products like futures, options and swaps. Table 1a lists the top twenty investment advisory firms in the United States ranked by total tax-exempt assets under management in 2003. Table 1b lists the top twenty investment advisory firms located in the state of Pennsylvania. Note that the largest firm in Pennsylvania, The Vanguard Group (Table 1b), is the fourth largest advisory firm in the United States (Table 1a).

The purpose of this article is to examine the locational dynamics of the investment advisory industry in the state of Pennsylvania. The institutional investment management business--the management of pension and endowment assets for a fee--is an excellent example of an important information intensive financial services industry that has grown dramatically over the 1983-2003 study period. Geographical analysis of the institutional investment advisory industry at both the inter- and intra-metropolitan scales will provide a basis for examining the extent to which concentration, dispersal and/or both processes are operating with respect to the industry's locational pattern within Pennsylvania as the information economy continues to mature.

DATA AND ANALYSIS

The data to map investment management firm locations and assets under management were obtained from Standard & Poor's: The Money Market

Directory of Pension Funds and Their Investment Managers (1983; 2003). Based on both SEC licensing information and individual firm surveys, the directory provides a profile of every institutional investment management firm managing assets for a tax-exempt fund sponsor headquartered in the United States with over $1 million in total assets. The assets under management include corporate, state and local government, and union plan sponsored employee benefit funds (all tax-exempt), as well as endowment and foundation funds (also tax-exempt).

Institutional investment advisory firms produce a constantly evolving and varied mix of products and services that are sold to institutional investors, clients with a minimum of $1 million tax-exempt assets invested. Defining and measuring the aggregate value of the output produced by the industry is problematic. However, given that investment advisory firm revenues (fees) are based on a percentage of the assets they have under management, total assets under management serves as a surrogate measure of the industry's output, and relative asset size provides an indicator of the market shares held by individual firms, as well as the changes in shares over time.

INTERMETROPOLITAN DISTRIBUTION

Table 3a indicates that in this initial year, the top ranked MSAs by percent of total assets and percent of total firms included New York, Boston, Chicago, San Francisco, and Los Angeles. The highest ranked MSA in the state of Pennsylvania was Philadelphia, ranked 8th behind Houston and Baltimore with 2.9% of total assets, and ranked 6th behind Los Angeles with 3.8 % of total firms. Overall, the 20 highest-ranking MSAs accounted for 94.4% of the assets under management, and 76.3% of the total firms with assets under management in 1983.

By 2003, total tax-exempt assets under management had grown to $7.9 trillion, and the number of investment advisory firms to 897 (Table 2b). Figures 1b and 2b illustrate the tremendous growth of assets under management in the traditional core (New York, Boston, Chicago, Los Angeles and San Francisco), but also in an increasing number of newly emerging centers. By 2003, Philadelphia is ranked 5 ahead of Chicago with 5.4% of total assets, and 2.8% of total firms. Overall, the total assets under management in the top 20 MSAs increased to nearly $7.2 trillion, but the top 20 MSAs share of the total decreased from 94.4% (Table 3a and Figure 1a) to 91.8% percent (Table 3b and Figure 2a). Similarly, the top 20 MSAs share of total firms decreased from 76.3% in 1983 (Table 3a and Figure 2a) to 67.4% in 2003 (Table 3b and Figure 2b). In short, industry deconcentration at the intermetropolitan scale, albeit in a relatively small number of newly emerging centers.

Geographically, the 532 institutional investment advisory firms with over $411 billion in assets under management in 1983[2] were located in 133 cities in 30 states across the nation (Table 2a). By 2003, the total number of firms managing tax-exempt assets had grown to 897 firms with nearly $7,937 trillion in assets under management located in 287 cities in 46 states (Table 2b). By 2003, the state of Pennsylvania ranked fourth overall, with nearly $525 billion under management by 51 firms (Table 2b). Figures 1a and 2a illustrate the spatial distribution of assets under management and number of investment advisory firms by

[2] All 1983 assets are reported in constant 2003 dollars.

metropolitan area in 1983--a total of $411 billion under management by 532 firms.

But what about the investment advisory industry's ties to the central business district (CBD)? Are these weakening as well? Are the deconcentration trends at the intermetropolitan level also occurring at the intrametropolitan level? Tables 4a and 4b indicate that the top 20 ranked Cities (the urban cores of MSAs) share of total assets and total firms declined from 90.2% and 65.2% respectively in 1983 (Table 4a), to 88.3% and 39.7% respectively in 2003 (Table 4b). Certainly of note is New York City's drop from 1st to 2nd behind Boston in the wake of September11, 2001. However, also of note is the emergence of new centers such as Malvern (6), Plainsboro (7), Pasadena (13), Cambridge (18), Purchase (19), and Westport (20). Overall, the emergence of new centers, and the decreasing relative shares of the traditional investment advisory urban cores 1983-2003, suggests that deconcentration is also taking place at the intrametropolitan level.

INTRAMETROPOLITAN DISTRIBUTION

As discussed earlier, the investment advisory firms with tax-exempt assets under management in 1983 were located in 133 cites in 30 states across the nation (Table 2a). By 2003, the number of cities and towns with firms managing tax-exempt assets had grown to 287 in 46 states (Table 2b). Where is investment advisory industry growth occurring? In the traditional financial centers of each respective state? Or in new locations outside of the traditional financial centers?

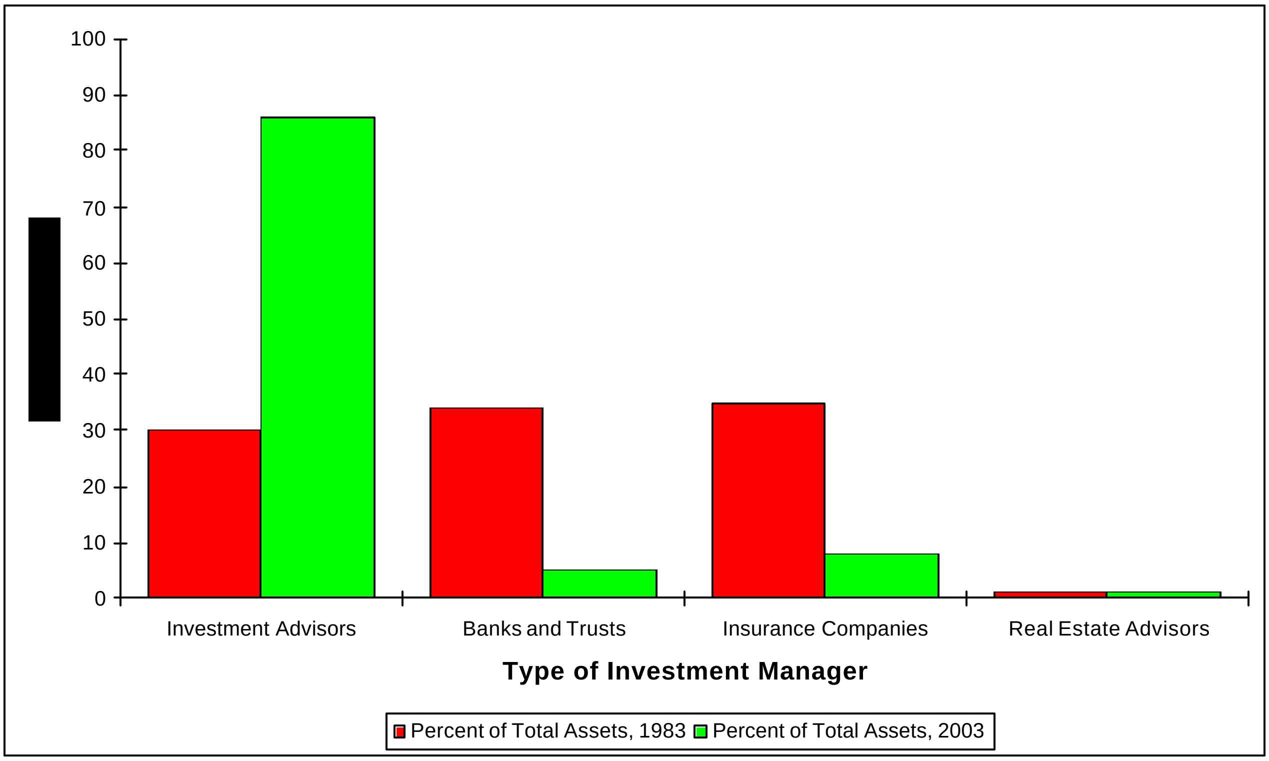
Focusing on Pennsylvania, Table 2b indicates that the state ranks 4th behind New York, California, and Massachusetts, and is home to 51 investment advisory firms with nearly $525 billion in tax-exempt assets under management. Furthermore, the Philadelphia MSA (ranked 5th ahead of Chicago) and the Pittsburgh MSA (ranked 11th) had a combined $520 billion in tax-exempt assets under management between them in 2003, or over 98 percent of the total assets under management in the state of Pennsylvania (Table 3b).

However, data at the intrametropolitan scale (Tables 4a and 4b) indicate significant relative decline for the city of Philadelphia relative to the suburbs. Table 4a indicates that in 1983 the city of Philadelphia ranked 9th overall in assets under management, and 6th overall in total firms. By 2003, however, Table 4b indicates that the city of Philadelphia falls out of the top 20 with $32 billion under management. The Philadelphia suburb of Malvern, however, appears in the top 20, ranked 6th overall in total assets with $291 billion, more than the city of Pittsburgh ($119 billion) and Philadelphia ($32 billion) combined.

In Figure 3a, Philadelphia stands out as the investment management center of Pennsylvania, the location to firms with $8.9 billion in tax-exempt assets under management in 1983, representing 65.7 percent of the total tax-exempt assets under management in Pennsylvania (Table 5). By 2003 (Figure 3b), the southeast corner of the state still appears to be the center of the industry, but Philadelphia is no longer the top city in terms of total assets under management.

Table 5 indicates that Malvern, home of The Vanguard Group, is ranked first in 2003 with over $291 billion in total assets, followed by Pittsburgh (2nd) with nearly $120 billion, almost four times the assets under management in the city of Philadelphia (4th) with $32 billion. Also ahead of Philadelphia is the suburb of

Figure 1: Percent of Total Assets Under Management by Type of Investment Manager, 1983 and 2003.



Source: Money Market Directory, 1983; 2003.

Table 1a: Top 20 Investment Advisory Firms in United States Ranked by Total Tax-Exempt Assets Under Management, 2003

Rank	Firm Name	City		$ Millions
1	Barclays Global Investors	San Francisco	CA	696,276
2	State Street Global Advisors	Boston	MA	613,840
3	Fidelity Management & Research Co.	Boston	MA	339,500
4	The Vanguard Group	Malvern	PA	290,494
5	Merrill Lynch Investment Managers	Plainsboro	NJ	254,054
6	Capital Research Mangement Co.	Los Angeles	CA	247,382
7	Pacific Investment Management Co.	Newport Beach	CA	229,317
8	J.P. Morgan Fleming Asset Management	New York	NY	212,562
9	UBS Global Asset Management	Chicago	IL	194,345
10	Alliance Bernstein Inst. Investment Management	New York	NY	193,048
11	Deutsche Asset Management	New York	NY	148,548
12	INVESCO	Atlanta	GA	140,233
13	Morgan Stanley Investment Management	New York	NY	133,618
14	Goldman, Sachs & Co., Asset Management	New York	NY	122,723
15	Banc One Investment Advisors Co.	Columbus	OH	112,863
16	Evergreen Investments	Boston	MA	111,447
17	General Motors Investment Management	New York	NY	107,400
18	CDC IXIS Asset Management North America	Boston	MA	93,000
19	BlackRock, Inc.	New York	NY	87,511
20	Western Asset Management	Pasadena	CA	87,502

Source: Money Management Directory, 2003.

Table 1b: Top 20 Investment Advisory Firms in Pennsylvania Ranked by Total Tax-Exempt Assets Under Management, 2003

Rank	Firm Name	City	$ Millions
1	The Vanguard Group	Malvern	290,494
2	Mellon Bond Associates	Pittsburgh	62,250
3	Gartmore Group	Conshohocken	39,758
4	Federated Investors	Pittsburgh	32,367
5	Mellon Equity Associates	Pittsburgh	18,425
6	Delaware Investment Advisers	Philadelphia	18,036
7	Rittenhouse Financial Services	Radnor	9,019
8	Aronson & Partners	Philadelphia	6,311
9	Rorer Asset Mgmt.	Philadelphia	5,862
10	Turner Investment Partners, Inc.	Berwyn	4,674
11	Chartwell Investment Partners	Berwyn	4,492
12	Geewax, Terker, & Co.	Chadds Ford	3,382
13	MDL Capital	Pittsburgh	3,127
14	Wellington Management Company	Radnor	2,971
15	1838 Investment Advisors	King of Prussia	2,877
16	McGlinn Capital Mgmt. Inc.	Wyomissing	1,937
17	Valley Forge Asset Management	Valley Forge	1,850
18	C.S. McKee & Co. Inc.	Pittsburgh	1,791
19	Schneider Capital	Wayne	1,581
20	Cooke & Bieler, Inc.	Philadelphia	1,329

Source: Money Management Directory, 2003.

Table 2a: Percentage of Total Tax-Exempt Assets and Percentage of Total Firms with Tax-Exempt Assets Under Management in the Top 20 States, 1983.

1983 Rank	State	$ in Millions*	# of Firms	% of Total Assets	% of Total Firms
1	New York	139,654	154	33.95	28.95
2	Massachusetts	77,343	50	18.80	9.40
3	California	31,871	77	7.75	14.47
4	Illinois	30,549	27	7.43	5.08
5	Connecticut	26,312	19	6.40	3.57
6	Texas	26,163	18	6.36	3.38
7	Pennsylvania	13,569	27	3.30	5.08
8	Maryland	13,336	10	3.24	1.88
9	Minnesota	7,663	8	1.86	1.50
10	Georgia	6,627	13	1.61	2.44
11	New Jersey	5,552	14	1.35	2.63
12	Washington	5,175	6	1.26	1.13
13	Oregon	3,733	4	0.91	0.75
14	Wisconsin	3,616	8	0.88	1.50
15	Florida	2,820	8	0.69	1.50
16	Ohio	2,730	19	0.66	3.57
17	Virginia	2,288	9	0.56	1.69
18	Missouri	2,258	9	0.55	1.69
19	Kentucky	1,986	2	0.48	0.38
20	Colorado	1,432	12	0.35	2.26
	Others (10 states)	6,663	38	1.62	7.14
	Total (30 states)	**411,339**	**532**	**100.00**	**100.00**

*1983 Assets reported in constant 2003 dollars.
Source: Money Market Directory, 1983.

Table 2b: Percentage of Total Tax-Exempt Assets and Percentage of Total Firms with Tax-Exempt Assets Under Management in the Top 20 States, 2003.

2003 Rank	State	$ in Millions	# of Firms	% of Total Assets	% of Total Firms
1	California	1,880,253	138	23.69	15.38
2	Massachusetts	1,766,633	74	22.26	8.25
3	New York	1,616,884	163	20.37	18.17
4	Pennsylvania	524,131	51	6.60	5.69
5	Illinois	359,823	57	4.53	6.35
6	New Jersey	298,585	26	3.76	2.90
7	Connecticut	258,329	42	3.25	4.68
8	Georgia	222,970	20	2.81	2.23
9	Ohio	180,442	24	2.27	2.68
10	Minnesota	129,639	25	1.63	2.79
12	Maryland	92,368	25	1.16	2.79
13	Colorado	81,592	21	1.03	2.34
14	Missouri	60,377	12	0.76	1.34
15	North Carolina	52,470	13	0.66	1.45
16	Virginia	44,062	27	0.56	3.01
17	Florida	43,676	19	0.55	2.12
18	Wisconsin	28,332	20	0.36	2.23
19	Michigan	21,149	14	0.27	1.56
20	Tennessee	20,271	12	0.26	1.34
	Others (26 states)	133,070	87	1.68	9.70
	Total (46 states)	**7,936,568**	**897**	**100.00**	**100.00**

Source: Money Market Directory, 2003.

Table 3a: Percentage of Total Tax-Exempt Assets and Percentage of Total Firms with Tax-Exempt Assets Under Management in the Top 20 MSAs, 1983.

1983 Rank	Metro Area	State	$ in Millions*	# of Firms	% of Total Assets	% of Total Firms
1	New York	NY	139,155	150	33.83	28.20
2	Boston	MA	77,307	49	18.79	9.21
3	Chicago	IL	30,549	27	7.43	5.08
4	San Francisco	CA	26,680	30	6.49	5.64
5	Los Angeles-Long Beach	CA	17,424	35	4.24	6.58
6	Houston	TX	13,463	12	3.27	2.26
7	Baltimore	MD	13,134	8	3.19	1.50
8	Philadelphia	PA	11,730	20	2.85	3.76
9	Stamford-Norwalk	CT	11,400	6	2.77	1.13
10	Minneapolis-St. Paul	MN	7,663	8	1.86	1.50
11	Atlanta	GA	6,627	13	1.61	2.44
12	Hartford	CT	5,489	8	1.33	1.50
13	Seattle-Bellevue-Everett	WA	5,167	5	1.26	0.94
14	Anaheim-Santa Ana	CA	3,880	7	0.94	1.32
15	Newark	NJ	3,741	5	0.91	0.94
16	Portland	OR	3,733	4	0.91	0.75
17	Bridgeport	CT	3,398	5	0.83	0.94
18	Milwaukee-Waukesha	WI	3,235	6	0.79	1.13
19	Kansas City	MO	2,333	6	0.57	1.13
20	Louisville	KY	1,986	2	0.48	0.38
	Total		**388,094**	**406**	**94.35**	**76.32**

*1983 Assets reported in constant 2003 dollars.

Source: Money Market Directory, 1983.

Table 3b: Percentage of Total Tax-Exempt Assets and Percentage of Total Firms with Tax-Exempt Assets Under Management in the Top 20 MSAs, 2003.

2003 Rank	Metro Area	State	$ in Millions	# of Firms	% of Total Assets	% of Total Firms
1	New York	NY	1,915,469	179	25.79	15.16
2	Boston	MA	1,763,501	74	23.75	6.27
3	San Francisco-Oakland	CA	1,072,379	58	14.44	4.91
4	Los Angeles-Long Beach	CA	475,671	42	6.41	3.56
5	Philadelphia	PA	400,262	33	5.39	2.79
6	Chicago	IL	369,711	50	4.98	4.23
7	Atlanta	GA	222,508	15	3.00	1.27
8	Stamford-Norwalk	CT	215,777	29	2.91	2.46
9	Anaheim-Santa Ana	CA	141,375	9	1.90	0.79
10	Minneapolis-St. Paul	MN	128,075	20	1.72	1.69
11	Pittsburgh	PA	119,604	12	1.61	1.02
12	Columbus	OH	112,863	2	1.52	0.17
13	Denver-Boulder	CO	90,151	18	1.21	1.52
14	Baltimore	MD	83,794	18	1.13	1.52
15	Houston	TX	58,155	15	0.78	1.27
16	Cleveland	OH	50,680	5	0.68	0.42
17	Kansas City	MO	44,237	3	0.60	0.22
18	San Diego	CA	43,116	12	0.58	1.02
19	Fort Lauderdale-Hollywood	FL	40,386	2	0.54	0.17
20	Dallas-Fort Worth	TX	35,440	9	0.48	0.76
	Total		**7,383,154**	**605**	**93.03**	**67.44**

Source: Money Market Directory, 2003.

Figure 1a: Tax-Exempt Assets Under Management by Metropolitan Statistical Area, 1983.
1983 Assets reported in constant 2003 dollars.
Source: Money Market Directory, 1983.

Figure 1b: Tax-Exempt Assets Under Management by Metropolitan Statistical Area, 2003.
Source: Money Market Directory, 2003.

Figure 2a: Number of Firms with Tax-Exempt Assets Under Management by Metropolitan Statistical Area, 1983.
Source: Money Market Directory, 1983.

Conshohocken with nearly $40 billion under management, and not far behind Philadelphia is Radnor (5th) with $12 billion (Table 5).

Overall, the top five cities in Pennsylvania (Figure 3b; Table 5) were home to 22 firms with $13.3 billion in tax-exempt assets under management (reported in constant 2003 dollars), representing over 98 percent of the total tax-exempt assets under management in 1983. By 2003, the top five cities were home to 24 firms with $494.9 billion in tax-exempt assets under management. However, this absolute increase represented a decrease in total share from over 98 percent in 1983 to 94 percent in 2003, especially for Philadelphia which saw its share of total tax-exempt assets under management decrease from 65.7 percent in 1983 to 6.1 percent in 2003 (Figure 5), a dramatic decline. Bodenman (1998) reports on the initial stages of this decline in an earlier study of investment advisory firm location within the Philadelphia MSA, 1983-1993.

Perhaps equally dramatic and interesting, however, is the growing number of investment advisory firms located outside of the top five cities. In 1983, 81.5 percent of the firms with tax-exempt assets under management in Pennsylvania were located in the top five cities. By 2003, the top five cities share of total firms had dropped to 47 percent – the vast majority of this growth again taking place at the expense of Philadelphia. However, most of the growth in new firms and their tax-exempt assets under management has taken place in cities that are part of the Philadelphia Metropolitan Area (Figures 4a and 4b).

For example, a number of the cities experiencing growth in firms and assets, including Malvern (1st), Conshohocken (3rd), and Radnor (5th), are "Main Line" suburbs of Philadelphia. Considered at

Table 4a: Percentage of Total Tax-Exempt Assets and Percentage of Total Firms with Tax-Exempt Assets Under Management in the Top 20 Cities, 1983.

1983 Rank	City	State	$ in Millions*	# of Firms	% of Total Assets	% of Total Firms
1	New York	NY	136,599	147	33.21	27.63
2	Boston	MA	77,267	46	18.78	8.65
3	Chicago	IL	28,949	25	7.04	4.70
4	San Francisco	CA	24,634	18	5.99	3.38
5	Los Angeles	CA	16,085	24	3.91	4.51
6	Baltimore	MD	13,134	8	3.19	1.50
7	Houston	TX	12,043	12	2.93	2.26
8	Stamford	CT	9,448	1	2.30	0.19
9	Philadelphia	PA	8,914	14	2.17	2.63
10	Minneapolis	MN	7,663	8	1.86	1.50
11	Atlanta	GA	6,627	13	1.61	2.44
12	Hartford	CT	5,007	4	1.22	0.75
13	Seattle	WA	3,838	3	0.93	0.56
14	Portland	OR	3,733	4	0.91	0.75
15	Chatham	NJ	3,553	2	0.86	0.38
16	Newport Beach	CA	3,275	4	0.80	0.75
17	Milwaukee	WI	3,235	6	0.79	1.13
18	Beverly Hills	CA	2,890	5	0.70	0.94
19	White Plains	NY	2,046	1	0.50	0.19
20	Louisville	KY	1,986	2	0.48	0.38
	Total		**370,926**	**347**	**90.18**	**65.23**

*1983 Assets reported in constant 2003 dollars.

Source: Money Market Directory, 1983.

Table 4b: Percentage of Total Tax-Exempt Assets and Percentage of Total Firms with Tax-Exempt Assets Under Management in the Top 20 Cities, 2003.

2003 Rank	City	State	$ in Millions	# of Firms	% of Total Assets	% of Total Firms
1	Boston	MA	1,705,525	60	0.02	5.08
2	New York	NY	1,531,267	136	0.02	15.16
3	San Francisco	CA	951,378	33	0.01	2.79
4	Los Angeles	CA	400,971	26	0.01	2.20
5	Chicago	IL	349,797	41	0.00	3.47
6	Malvern	PA	291,196	2	0.00	0.17
7	Plainsboro	NJ	254,054	1	0.00	0.08
8	Newport Beach	CA	231,695	7	0.00	0.59
9	Atlanta	GA	222,508	15	0.00	1.27
10	Pittsburgh	PA	119,534	11	0.00	0.93
11	Minneapolis	MN	117,072	19	0.00	1.61
12	Columbus	OH	112,863	1	0.00	0.08
13	Pasadena	CA	111,182	8	0.00	0.68
14	Stamford	CT	89,565	6	0.00	0.51
15	Baltimore	MD	83,794	18	0.00	1.52
16	Denver	CO	75,269	16	0.00	1.35
17	Houston	TX	58,155	13	0.00	1.10
18	Cambridge	MA	57,976	6	0.00	0.51
19	Purchase	NY	49,680	2	0.00	0.17
20	Westport	CT	47,381	5	0.00	0.42
	Total		**6,860,862**	**426**	**88.34**	**39.72**

Source: Money Market Directory, 2003.

Table 5: *Percentage of State's Total Assets and Percentage of State's Total Firms with Tax-Exempt Assets Under Management in Pennsylvania's Top Five Cities, 1983 and 2003.*

1983 Rank	City	State	$ in Millions*	# of Firms	Firm Average	% of Total Assets	% of Total Firms
1	Philadelphia	PA	8,914	14	637	65.70	51.85
2	Bala Cynwyd	PA	1,488	1	1,488	10.97	3.70
3	Valley Forge	PA	1,125	1	1,125	8.29	3.70
4	Reading	PA	984	3	328	7.25	11.11
5	Pittsburgh	PA	844	3	281	6.22	11.11
	Total		**13,355**	**22**	**607**	**98.43**	**81.48**

2003 Rank	City	State	$ in Millions	# of Firms	Firm Average	% of Total Assets	% of Total Firms
1	Malvern	PA	291,196	2	145,598	55.56	3.92
2	Pittsburgh	PA	119,534	11	10,867	22.81	21.57
3	Conshohocken	PA	39,758	1	39,758	7.59	1.96
4	Philadelphia	PA	31,991	7	4,570	6.10	13.73
5	Radnor	PA	12,414	3	4,138	2.37	5.88
	Total		**494,893**	**24**	**20,621**	**94.42**	**47.06**

*1983 Assets reported in constant 2003 dollars.
Source: Money Market Directory, 1983 and 2003.

Figure 2b: Number of Firms with Tax-Exempt Assets Under Management by Metropolitan Statistical Area, 2003.
Source: Money Market Directory, 2003.

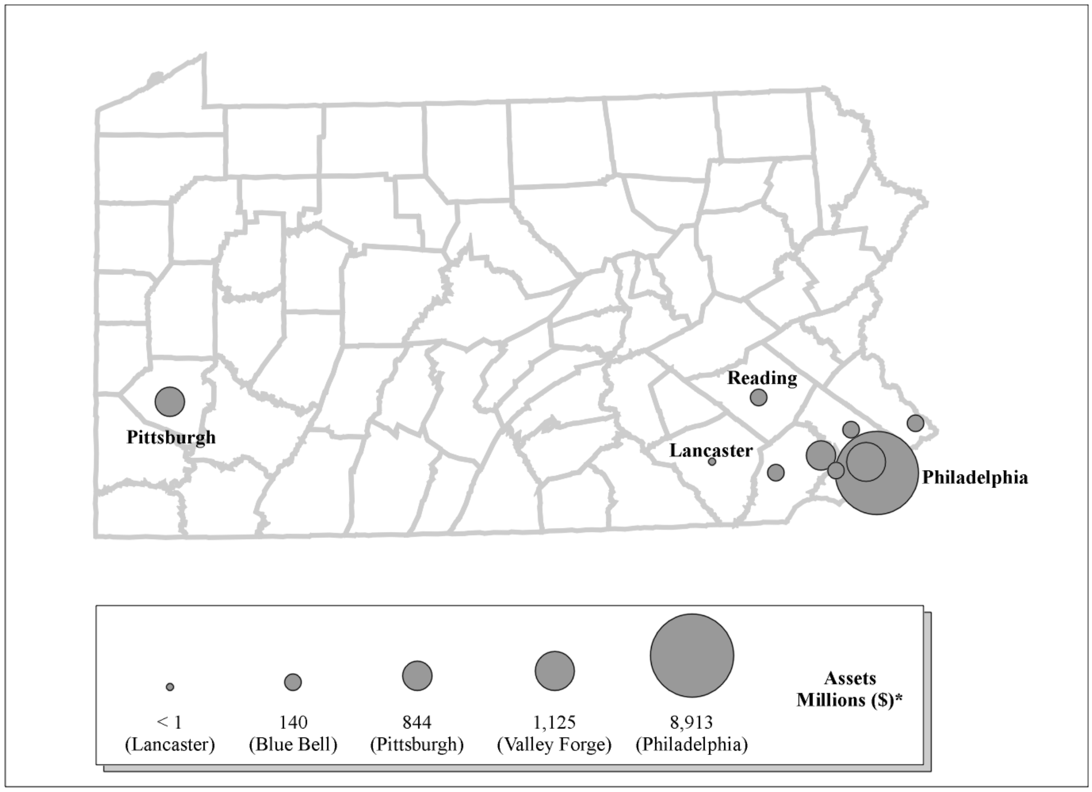


Figure 3a: Tax-Exempt Assets Under Management in Pennsylvania by City, 1983.
**1983 assets reported in constant 2003 dollars.*
Source: Money Market Directory, 1983.

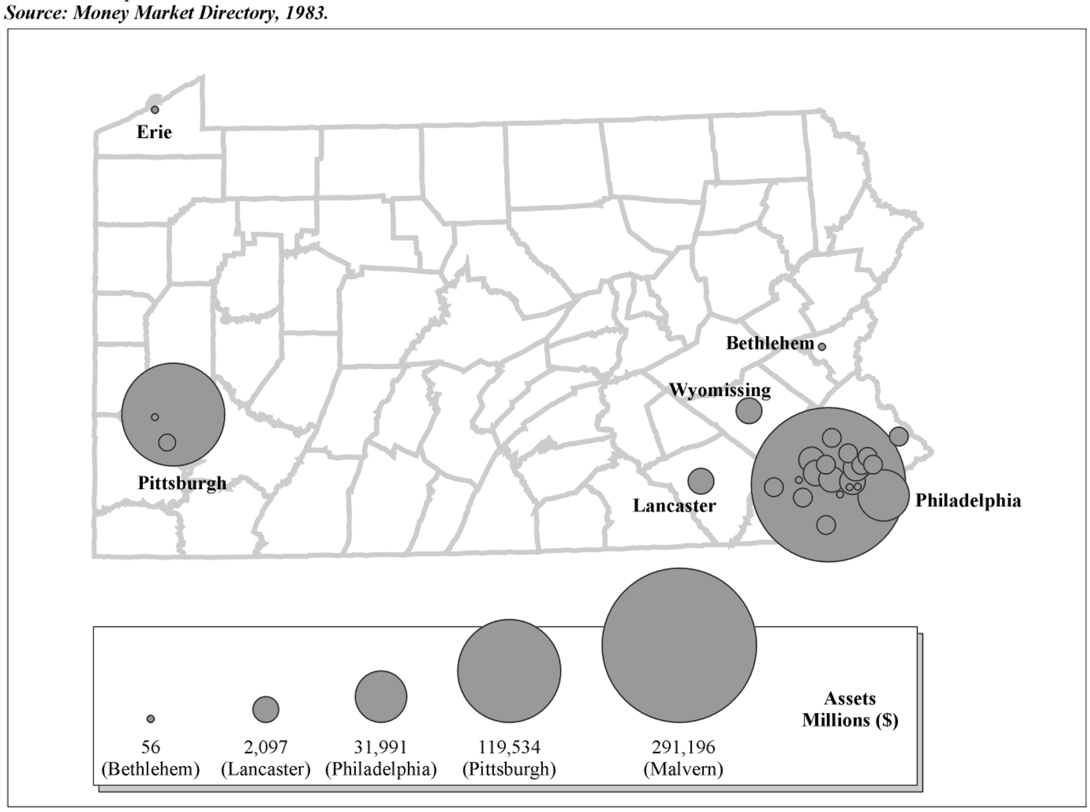


Figure 3b: Tax-Exempt Assets Under Management in Pennsylvania by City, 2003.
Source: Money Market Directory, 2003.

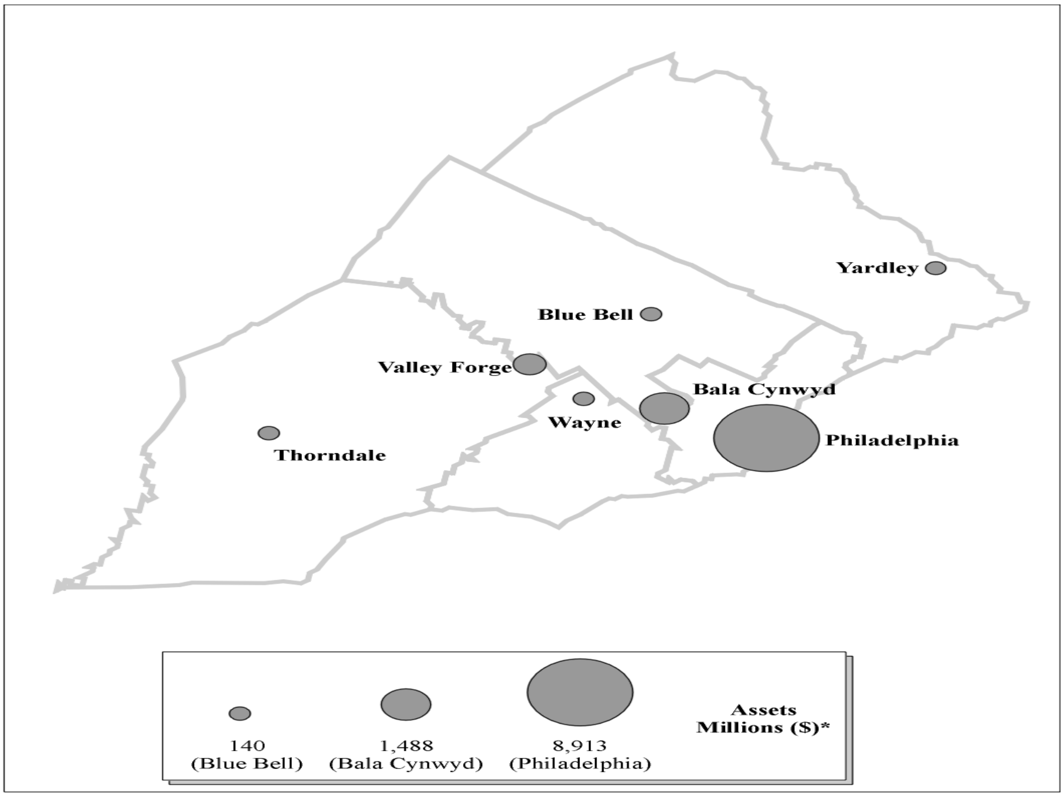
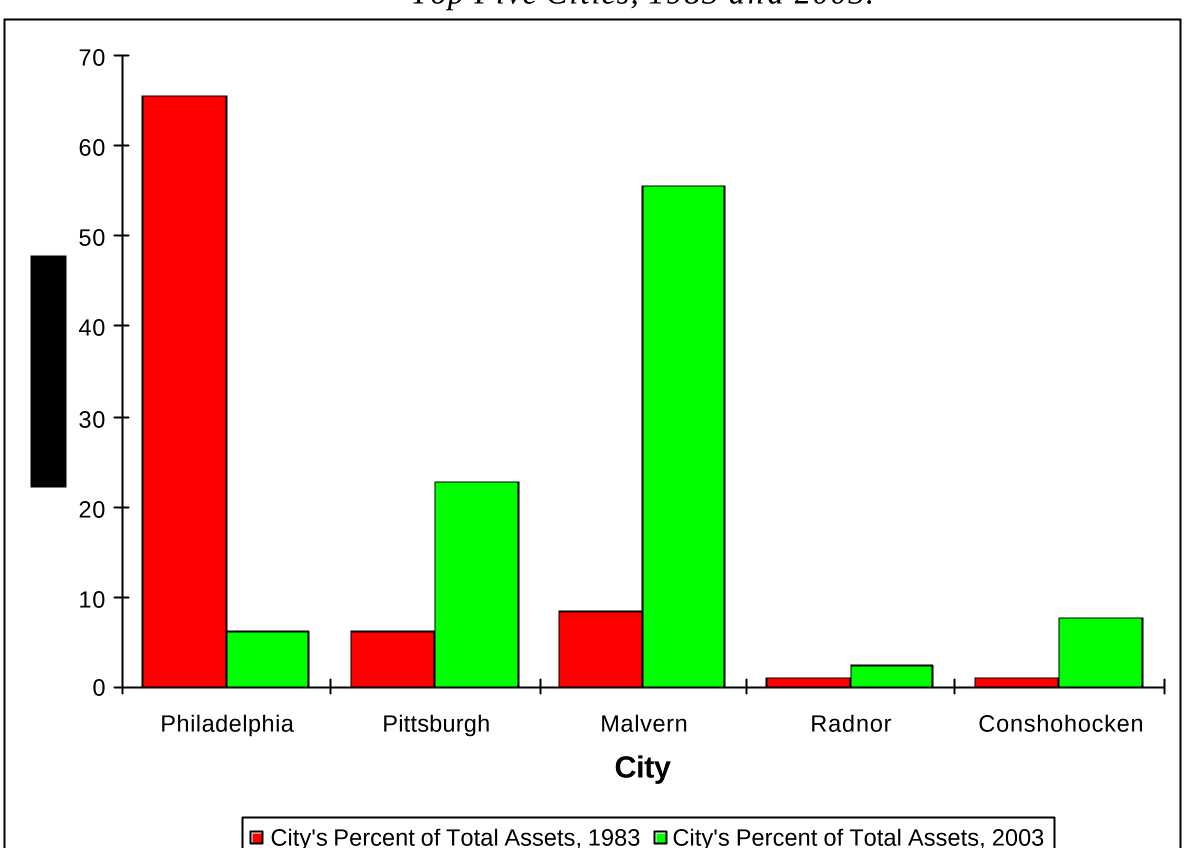


Figure 4a: Tax-Exempt Assets Under Management in Philadelphia MSA by City, 1983.
**1983 assets reported in constant 2003 dollars.*
Source: Money Market Directory, 1983.

Figure 5: *Percentage of Total Tax-Exempt Assets Under Management in Pennsylvania's Top Five Cities, 1983 and 2003.*



Source: Money Market Directory, 1983; 2003.

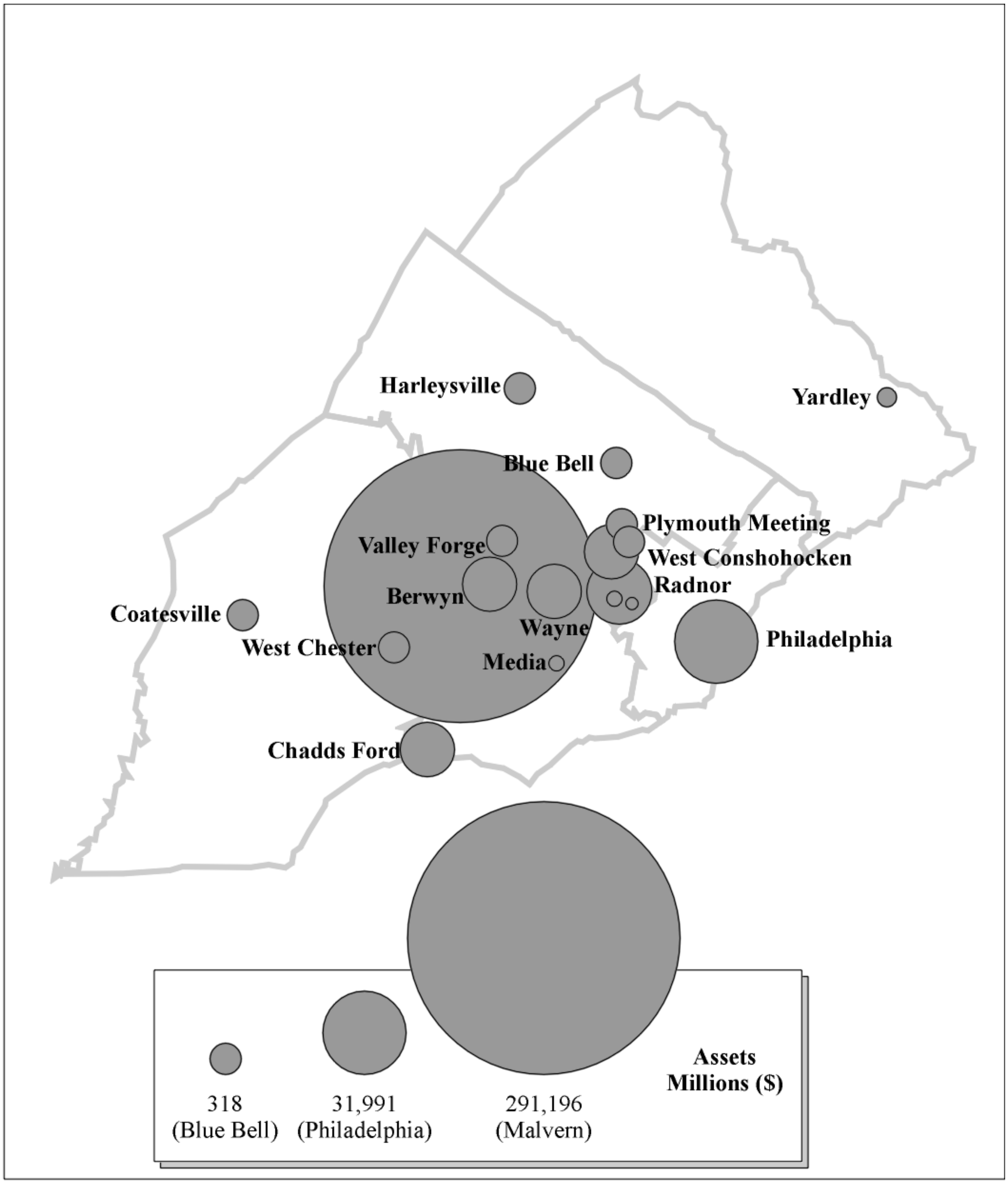


Figure 4b: Tax-Exempt Assets Under Management in Philadelphia MSA by City, 2003.
Source: Money Market Directory, 2003.

the metropolitan scale, therefore, dispersal of assets under management more accurately suggests "suburbanization." That is, most of the growth is in cities located in the Philadelphia Metropolitan Area. This finding supports the initial trends reported by Bodenman (1998; 2002) in earlier studies of the industry's locational dynamics.

SUMMARY AND CONCLUSIONS

Overall, the analysis of data at the intermetropolitan level indicates that within the state of Pennsylvania (ranked 4th in tax-exempt assets under management in 2003): both Metropolitan Philadelphia and Pittsburgh increased their relative shares of assets and firms during the 1983-2003 study period. By 2003, the Philadelphia MSA had moved ahead of Chicago (ranked 5th overall), and the Pittsburgh MSA moved into the top 20 nationally (ranked 11th overall).

However, analysis of the intrametropolitan growth and change of the investment advisory industry in Pennsylvania indicates that the industry's ties to the CBD of the traditional financial center, Philadelphia, continue to break down. The city of Philadelphia's share of Pennsylvania's total assets and total firms had declined to 6.1 percent and 13.7 percent, respectively, by 2003. However, the majority of cities that experienced the tremendous growth in firms and assets, were located in the Philadelphia metropolitan area. Thus, the analysis of intrametropolitan growth and change, suggests that (1) investment management ties to the CBD of the traditional financial center continue to weaken, but that (2) spatial proximity to the traditional financial center is being maintained. The analysis, therefore, suggests significant suburbanization of the investment advisory industry in Philadelphia from 1983 to 2003.

At both the inter- and intrametropolitan level, the industry's spatial dynamics in Pennsylvania indicate deconcentration and dispersal as the information economy continues to mature. The "concentrated dispersal" of the industry over the 1983-2003 study period further indicates that location in a central city (i.e., Philadelphia CBD) is no longer a necessary condition. However, the extent to which suburbanization of the investment advisory industry is occurring elsewhere, in other MSAs (i.e., New York) is unclear—an indication that additional industry location studies are needed.

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