Regional ECONOMY

Review and Outlook

for the

New York–New Jersey Metropolitan Region

THE PORT AUTHORITY OF NY & NJ

AUGUST 1999

THE PORT AUTHORITY OF NY & NJ

Dear Colleague:

With this edition of the "Regional Economy Review and Outlook for the New York-New Jersey Metropolitan Region," I am pleased to report that we have entered the last year of this century with a vibrant economy and the prospect for a bright future.

In 1998 the region's economic expansion was the strongest of this decade. Led by rapid growth in business, financial and personal services as well as culture and entertainment, the region's employment levels increased by 2.3 percent, a gain of 170,800 jobs -- the largest annual increase since 1985. Wages rose even more rapidly, by 7.7 percent, while inflation dropped to a 33-year low of 1.6 percent.

Parallel increases in the 1998 activity levels at Port Authority facilities reconfirmed the link between the agency's businesses and the region's economic growth, and record levels of activity were established in each of the services the agency provides the bi-state region. For example, the number of air passengers rose 3.0 percent, to total more than 86 million. Travel over Port Authority bridges and tunnels increased 2.9 percent, to more than 121 million vehicles, and the value of international trade through our ocean and air cargo facilities increased 6.6 percent, totaling $173.7 billion.

With the leadership of Governors Pataki and Whitman and our Board of Commissioners, our investment in the region's infrastructure in 1998 reached $860 million, the highest in the agency's history. Many noteworthy improvements for the year were made at the region's airports. At JFK, the new Terminal 1 was opened and construction began on the new $1 billion replacement for the International Arrivals Building. Construction also began on the $1.3 billion AirTrain which, when completed, will provide reliable and convenient airport access. Similar efforts to improve the accessibility, comfort and convenience of our passengers were made at both Newark and LaGuardia airports. In 1999, even more ambitious plans are underway to invest more than $1 billion in the redevelopment of the Port of New York and New Jersey, interstate crossings, and other assets.

This report documents another turn in the age-old ability of this region to compete in global markets and to fortify its position as an international leader in finance, trade and business services. In 1999, the region will continue to prosper, adding 120,000 jobs. The Port Authority's capital investment program will help insure that the region's prosperity continues well into the next century.

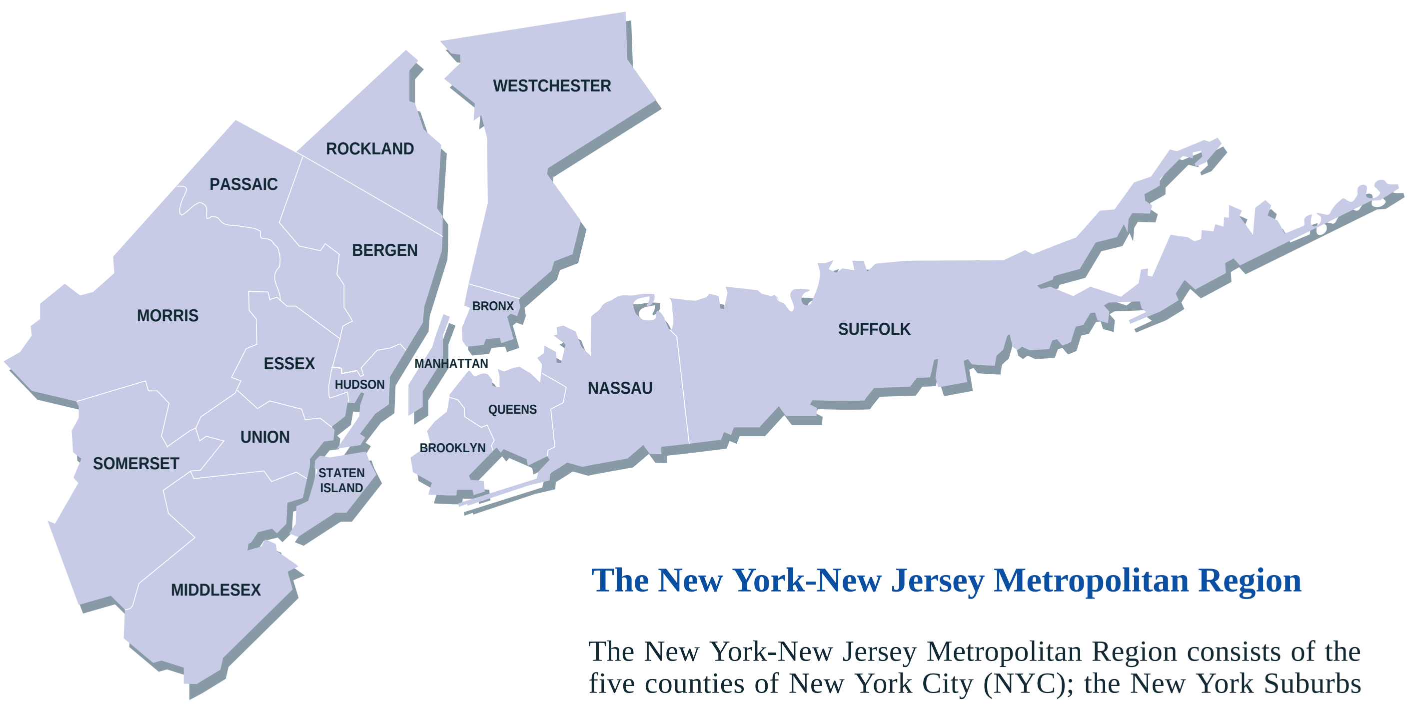
Sincerely,

Robert E. Boyle
Executive Director

Regional ECONOMY

REVIEW AND OUTLOOK FOR THE NEW YORK–NEW JERSEY METROPOLITAN REGION

August 1999



The New York-New Jersey Metropolitan Region

The New York-New Jersey Metropolitan Region consists of the five counties of New York City (NYC); the New York Suburbs (NYS) including Nassau, Rockland, Suffolk and Westchester counties; and the eight counties in the Northern New Jersey Sector (NNJ): Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.

THE PORT AUTHORITY OF NY & NJ

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Economic Overview

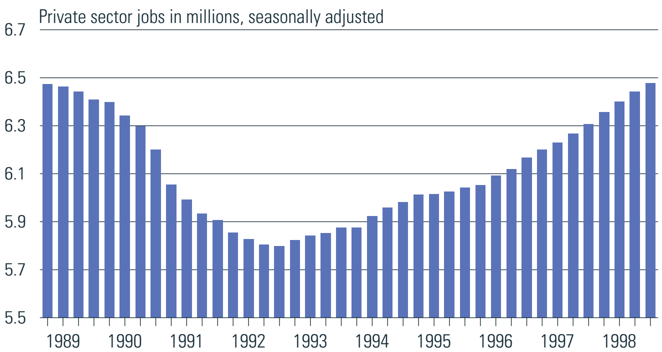
Strengthening Economic Performance for the Region in 1998

As with the current US economic expansion, growth in the NY-NJ region[1] has become stronger over time. The region closed out 1998 with a gain of 170,800 jobs, the largest annual increase since 1985. Private job growth in 1998 increased by 2.6 percent, well above the region's long-term growth rate. The region's economy has been led by solid gains in business and financial service jobs and by rising retail and tourism activity.

Only manufacturing and export activity slipped, sapped by slow sales to Asian and Latin American trading partners whose own economies are weak. However, the region's export losses were moderate due to increasing trade with Europe. Slower worldwide demand significantly lowered the price of oil and other commodities and for manufactured goods. This dynamic has provided a particular benefit to the NY-NJ region, which is driven more by goods consumption and distribution than manufacturing. The region's robust consumer economy took advantage of the strong dollar and stepped up purchases of lower priced imports. Transportation and energy costs declined in the region in 1998, and the overall rate of regional inflation continued a downward trend, to 1.6 percent.

EXHIBIT 1

Continued Strong Growth in 1998 Pushes Regional Job Totals to All Time Highs



Sources: NY and NJ State Departments of Labor

[1] A definition of the NY-NJ metropolitan region and its geographic sectors is provided on the area map pictured on the title page of the report.

Economic growth in the region continued to broaden across most industry groups in 1998. The service sector remained the region's key performer, adding 99,900 new jobs, or 4.0 percent. Consulting, advertising, and computer services, health and social services, and culture and entertainment led this growth. With growth rates averaging 3.9 percent over the past three years, the service sector has added more than 500,000 jobs to the economy since the economic recovery began in 1993.

Regional growth has also been fueled by accelerating gains in the finance, insurance and real estate sector (FIRE), which provides the region's highest wages. FIRE employment rose 2.3 percent in 1998, improving from a 1.6 percent rate the previous year. Job growth in this sector has resumed relatively recently as the impact of banking consolidation eased; gains in the New York City securities sector averaged over 6 percent during the 1996-1998 period.

Rising incomes and low interest rates have sparked residential construction, and large commercial and infrastructure projects like the Conde Nast office tower at 4 Times Square and the Bergen-Hudson NJ Light Rail Project were in full swing. In 1998, construction jobs jumped 7.1 percent, the best growth since the boom of the 1980s. These engines of the economy, combined with tourism growth, have sparked local consumer activity, especially retailing and restaurant jobs; the overall wholesale/retail trade sector has added 134,900 jobs since 1992.

In 1998, manufacturing jobs shrank 0.4 percent, a modest loss compared to the trend over the past decade. The manufacturing sector has lost 85,100 jobs even after the region's recession culminated in late 1992. Government jobs rose a slight 0.6 percent in 1998, with additional hiring for public safety and education. Government employment remains 16,100 lower than at the recession's end.

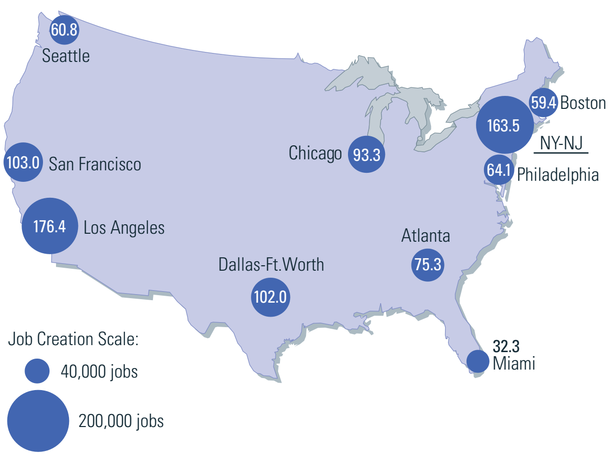
As a large and mature economy, historical growth in the NY-NJ region has long trailed many regions of the South and West where population and employment centers are developing at a rapid pace. In concert with the greater Los Angeles metropolitan area, the NY-NJ region has recently reemerged to stake claim as the nation's leading center for new job growth (Exhibit 2).

Together, these two regions accounted for 12 percent of the nation's private job growth in 1998. While in percentage terms the fastest growing areas were Seattle, adding 60,800 jobs (a 4.4 percent gain) and Atlanta, 75,300 jobs (also up by 4.4 percent), these areas have much smaller employment bases. In fact, the New York-New Jersey region added more new jobs in 1998 than did Seattle and Atlanta combined.

EXHIBIT 2

Bi-Coastal Expansion: Job Gains Led By The Los Angeles and NY-NJ Regions

(The Ten Largest US Regions, 1998 Private Job Growth in 000s)



Sources: Regional Financial Associates, Port Authority of NY & NJ

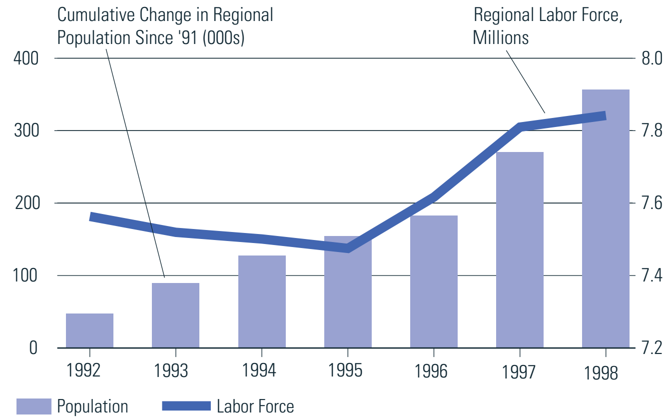
Regional Fundamentals Support Improved Growth

Regional economies grow at above-trend rates when they "export" goods and services to people and businesses located outside the region. The last few years have been a period of rising demand for the NY-NJ region's "export industries" and, overall, the region's growth momentum has clearly been building (Exhibit 5). Not only has job growth improved throughout the course of the 1990s economic recovery, the region has also improved its share of US employment growth. Overall, the region has one-half million more people working compared to five years ago.

The New York-New Jersey metropolitan area, having burnished its image as a global business center, is once again attracting a skilled and competitive labor force. Growth in population and labor force is critical to the long-term health of a region's economy. The demographics of the region in terms of rising population and a growing labor force have recently turned very positive, as depicted above. Population growth in the NY-NJ region through most of the 1990s averaged a modest 0.3 percent per year. For 1997 and 1998, this growth rate doubled. The strong economy has also drawn more people into the workplace. Some 350,000 people entered the labor force in just the past three years.

EXHIBIT 3

Gains in Population and Labor Force Provide Support For the Region's Economic Expansion Moving Forward



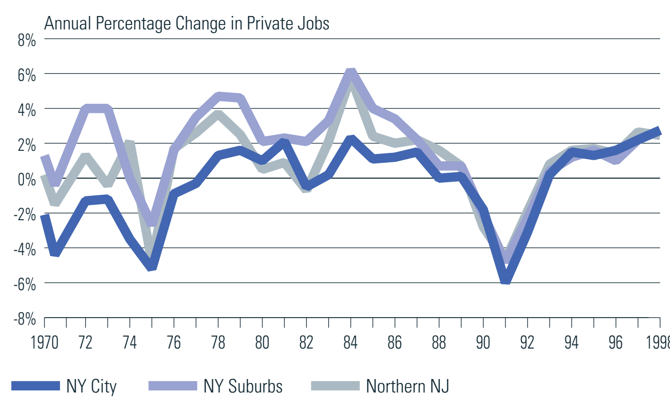
Sources: NY and NJ State Departments of Labor

Balanced Growth Throughout the Bi-State Area

The geographic subsectors of the region - New York City, Northern New Jersey, and the New York Suburbs have shared the economic prosperity of recent years. Compared to most of the 1970s and 1980s, when economic growth in the suburbs often occurred at New York City's expense, the regional economy is more integrated. In fact, the three subsectors have moved in lockstep since the onset of the recession of the late 1980s and all through the recovery of the 1990s.

EXHIBIT 4

Economic Interdependence: Ten Straight Years of Virtually Identical Growth Rates Throughout the NY-NJ Region

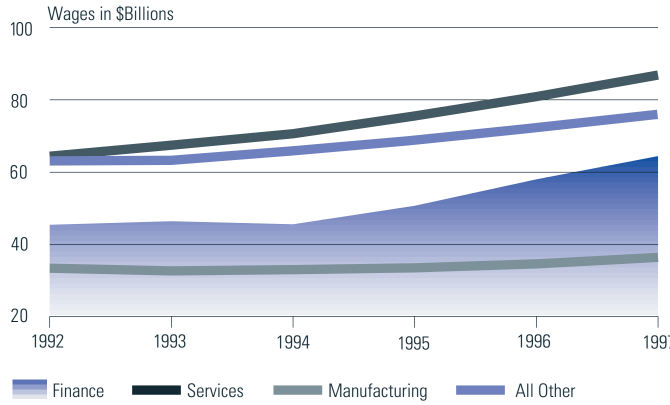


Sources: NY and NJ State Departments of Labor

Why is the region more economically united? Business relationships and transportation and communication links play a vital role in helping spread prosperity throughout the metropolitan area. Regional businesses buy goods and services from one another, and the labor force uses the region's extensive highway and transit links to reach employment centers throughout the metropolitan area. Manhattan, as the core of the region's economic fabric, is the source of about 42 percent of regional wages and 73 percent of the wages in the top-paying financial-insurance-real estate sector. The Port Authority's facilities, and those of other regional transportation providers, are crucial to getting skilled workers from around the region to this high-value employment base.

EXHIBIT 6

Wages in Finance and Services Propel the Growth of the Regional Economy in the 1990s



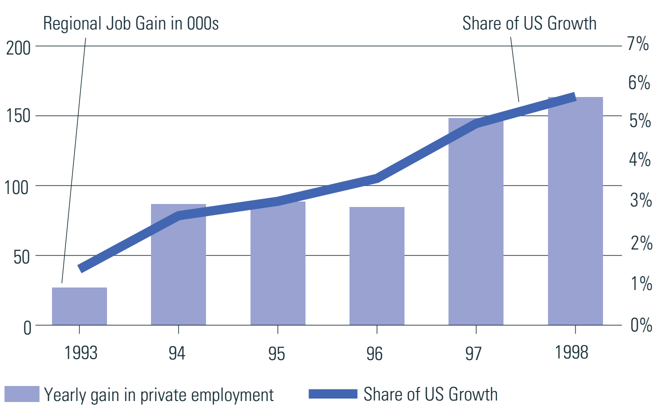
Sources: NY and NJ State Departments of Labor

Will the Good Times Continue?

The case in support of continued growth in the New York-New Jersey metropolitan region rests on economic fundamentals. With high levels of job and wage growth and a booming stock market, regional personal income levels pushed to an all-time high of better than $580 billion. As the same time, consumer price stability has become the norm. It was no wonder that consumers exhibited a strong measure of spending and confidence, generating significant demand for retail purchases, travel, and imports. The momentum for strong regional gains of the past two years, coupled with a forecast for above-trend US economic growth in 1999, argues for continued and sound growth. The outlook for 2000 is less certain as the current expansion approaches the longest record of prosperity in US economic history. When will the slowdown occur?

EXHIBIT 5

Regional Employment Growth Shows Momentum, Boding Well for Continued Gains



Sources: US Bureau of Labor Statistics
NY and NJ State Departments of Labor

A year ago slowing economic activity seemed inevitable. In Asia, which had been the world's fastest growing region throughout the 1990s, most nations reeled from the effects of deep financial crises and looming recession. As the crisis spread to the developing economies of Latin America and to Russia, a reduced global demand for US goods and services was implicit. As the world's global financial capital, the NY-NJ region was especially vulnerable. What could have been a significant crisis, however, was replaced by renewed confidence as the Federal Reserve acted aggressively to intervene with a series of interest rate reductions in the fall of 1998. Moreover, the reduction in worldwide demand for oil resulted in plummeting petroleum prices, which had positive effects by lowering import prices, lowering energy prices, and lowering interest rates. As such, the impact of these "crisis economies" was not even so much as a speed bump on the road to continued prosperity for the NY-NJ region.

Indeed, as the US and regional economies continue to fare well despite the hardships experienced by key trading partners, a significant shift in global economic fortunes may again be underway. Recent indications are that much of Asia and Latin America are recovering faster than expected. In a less positive twist, though, the story of improving economic growth in Western Europe and especially Germany has come into question given the unsettled state of the new European currency and a dramatic slowdown in export activity to Eastern Europe and Russia.

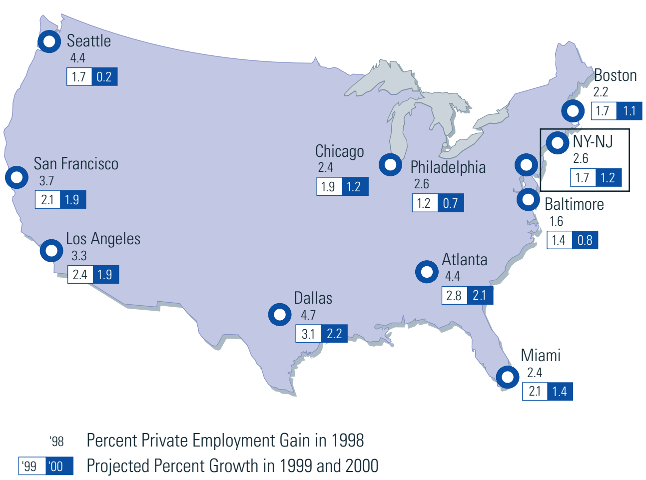
Outlook:

Above-Average Growth, Projected to Slow Gradually into 2000

The fast expansion of leading economic drivers such as financial and business services, entertainment, and tourism has fueled the region's rapid growth over the past several years. This mix of high-value industries has generated rising incomes and spending, which has, in turn, spurred activity across other sectors of the region's economy, including retailing, construction, and transportation. Exhibit 6 notes the significant income gains in these fast growing sectors. This recipe for growth points to above-average increases for 1999. Forecasted growth in the region's leading industries is expected to spur an additional $80 billion increase in personal income over the next three years.

EXHIBIT 7

Over the Next Two Years, Most US Regions are Expected to Show Slowing Employment Growth



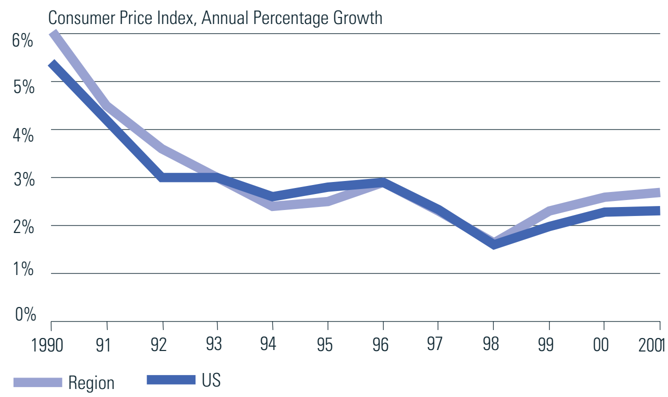
Sources: Regional Financial Associates, The Port Authority of NY & NJ

While conditions are expected to remain favorable overall, an eventual slowing of the US economy will in turn lead to a gradual slowdown in regional economic growth. For the NY-NJ metropolitan region, job gains should remain above average, but moderate from 1998's fast pace. Private employment is expected to increase by 1.7 percent in 1999 and by 1.2 percent in 2000. This pattern of gradually slowing growth is projected to unfold across the Northeast and for most of the nation. The most significant slowdown is anticipated for Seattle as a result of announced cuts in aircraft production.

For 1999, total jobs in the NY-NJ metropolitan region are expected to advance 120,000, a 1.6 percent increase. Another 85,000 jobs are projected to be added in 2000. Fairly strong, but slowing, gains in personal income growth should take hold, with total regional income rising 4.6 percent in 1999 and 4.1 percent in 2000. An ever-vigilant Federal Reserve is expected to keep inflation under control while navigating a gradual slowdown. One result will be consumer price growth anticipated to be less than 3 percent over the next two years (Exhibit 8).

EXHIBIT 8

Coming Off an Exceptional 1998, Inflation Growth Projected to Remain Very Modest



Data Source: US Bureau of Labor Statistics
Forecast: Port Authority of NY & NJ, DRI/McGraw-Hill

The fundamentals underlying the coming slowdown are the same ones that aided the nation's rapid growth during the past two years. Long-term interest rates, which play a big role in governing future activity in both the housing and equity markets, have rebounded about 75 basis points (three-quarters of a percent) since late 1998. Commodity prices are stabilizing, and oil costs are rising as a result of an agreement by OPEC nations to curtail production.

The major risk to the economy is that sentiment may be negatively affected if these trends continue. Free-spending consumers and an increasingly profitable business environment have characterized the growth of much of the 1990s. Can and will consumers maintain current spending levels? Given that corporate profit growth slowed throughout 1998, will the expansion plans of business in new investment and hiring be put on hold?

Regardless of the answer to these questions, it's important to remember that overall economic conditions are the strongest in a generation. The economy has demonstrated a resiliency that few expected. Even with significant financial upheaval in Asia, Eastern Europe and Latin America, the US has remained prosperous. In many ways it has benefited immensely from the decline in prices for commodities and finished goods, as well as from opportune investments in the deflated assets of foreign companies. US productivity has been on the rise and tight labor markets have neither constrained job growth nor rekindled inflation. Contrary to the history of most economic expansions, which tend to favor one section of the US over others, job growth across the nation's leading regional economies has been remarkably balanced.

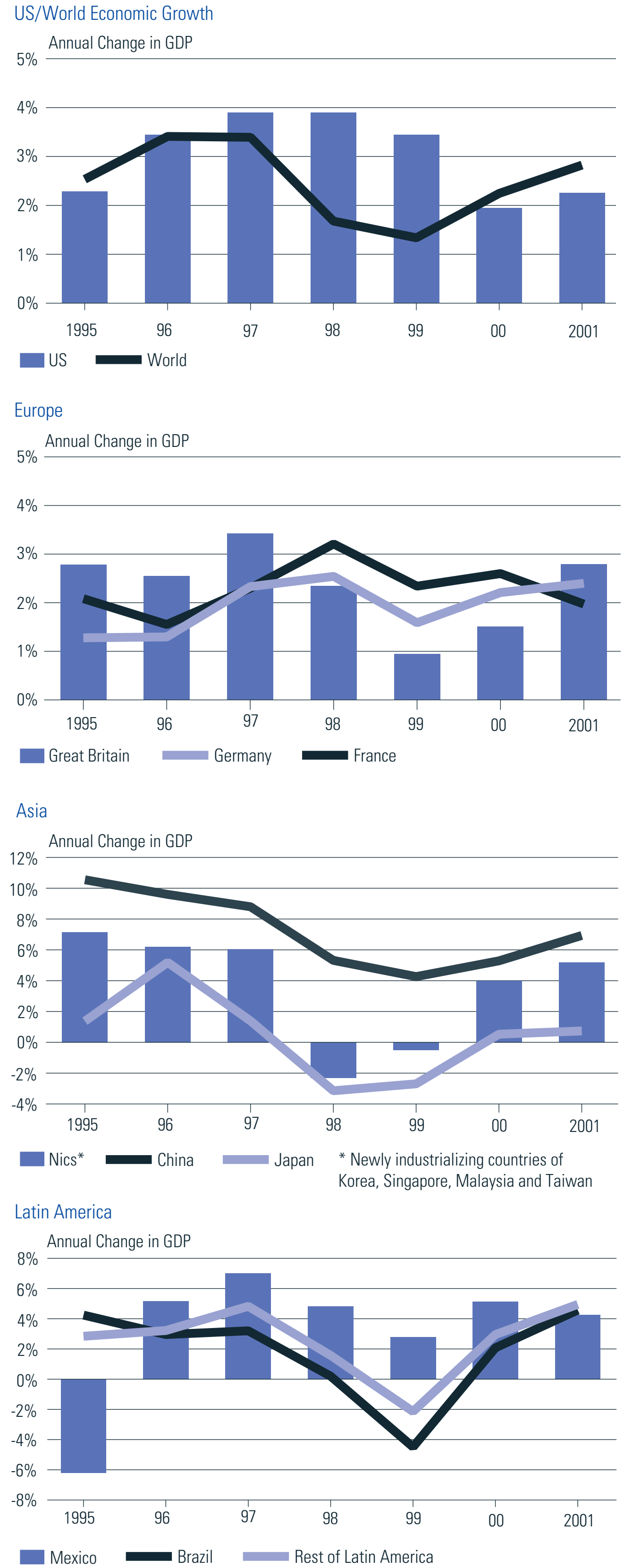
Having led world growth for the better part of three years, the US economy now appears to be at a crossroads. The economy still has momentum, and US Gross Domestic Product (GDP) is expected to gain 3.4 percent in 1999, slowing to an increase of 1.9 percent by 2000. A quicker recovery in Asia and Latin America would set the tone for cushioning the US slowdown and improving the merchandise trade balance.

Global Economy: A Mix of Promise and Caution

Although global economic conditions look better, an emerging decline in the leading European economies lends caution to the international context for NY-NJ regional growth (Exhibit 9). In 1998, solid growth in regional exports to Europe more than offset the decline in Asian trade associated with the economic crisis. Germany, the largest European economy, saw solid GDP growth of 2.8 percent in 1998, and formed the basis for an 8 percent rise in air cargo exports to that market. Growth has since faltered. A decline in production and orders indicate a weakening of demand, and coupled with the falling value of the Euro, US exports become more expensive and less attractive. For Great Britain, a marked slowdown has been unfolding since mid-1998. With that nation's GDP growth falling below 2 percent necessitating a recent cut in interest rates, some cause for concern is warranted. Both Great Britain and Germany are expected to have difficulty generating 2 percent growth in 1999 and 2000. Better rates of GDP growth are expected in France as rising export activity has bolstered the economy.

EXHIBIT 9

World Economy Forecast
Influences NY-NJ Metropolitan Region Growth



Sources: Consensus Forecasts, DRI/McGraw-Hill

Encouragingly, the recovery in Asia by many of the economies that faced bleak prospects a year ago is striking. In Korea, industrial output is recovering rapidly and the stronger exchange rate has helped lower import prices and the forecasted rate of inflation. Rebounding demand in the key electronics sector is providing the impetus for recovery in Malaysia and Singapore.

Conditions in Japan are expected to improve fitfully, as any revival in consumer and business sentiment will be tempered by substantial corporate restructuring and overall weak demand. Recovery in Hong Kong, where GDP fell 5.1 percent in 1998, also remains depressed by rising unemployment and flagging retail consumption. Although a stimulative spending program has enhanced growth in mainland China, the economy was not immune to the problems of slowing exports, declining foreign investment, and the credit crunch that afflicted many of its neighbors. The slowdown appears to be easing, but growth rates have been halved from the rapid expansion earlier in the '90s.

The major story unfolding in Latin America is the rapid turnaround in Brazil's financial condition. While fragile, recovery in this immense market appears to be underway. Growth in Mexico has continued and is expected to improve.

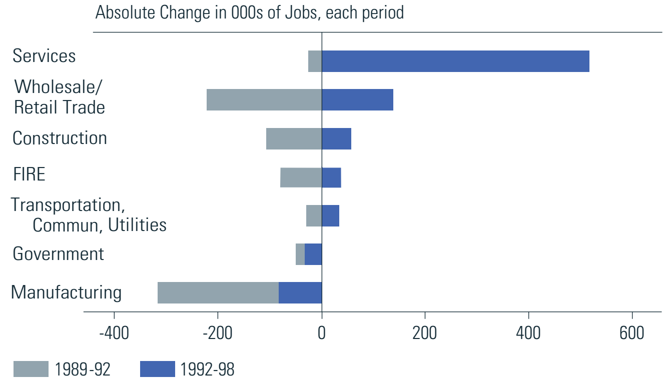
The NY-NJ Region In Close-Up: 1998

With the addition of 163,500 jobs in 1998, the private employment total of 6,420,600 marked an all-time record for the NY-NJ region. However, it has been a lengthy process of recovery from the deep recession of 1989-92, taking seven years to recoup the job losses associated with the sharp cutbacks in financial services, construction spending, and regional incomes following the 1987 stock market crash.

Solid rates of job growth occurred throughout the region's geographic subsectors in 1998. Private job growth advanced by 2.5 percent in Northern New Jersey and by 2.7 percent both in New York City and the New York Suburbs. Total employment in 1998 rose by 2.4 percent in New York City, by 2.5 percent in the New York Suburbs, and by 2.1 percent in Northern New Jersey.

EXHIBIT 10

Expanding Services Sector a Driving Force of Regional Job Growth in the Post-1992 Economic Recovery



Sources: NY and NJ State Departments of Labor

Job gains in the services industries continued to lead the region's growth in 1998, contributing 99,900 jobs, a 4.0 percent gain. This sector has been a steady performer for several years, with an increase of 3.9 percent in 1997 and 3.8 percent the previous year. Wholesale and retail trade, the second largest industry in the bi-state area, increased 1.8 percent in jobs in 1998, following a 1.9 percent gain in 1997.

Finance-insurance-real estate (FIRE) employment rose by 17,600, or 2.3 percent, in 1998, led by a 5.8 percent gain in jobs at Wall Street securities firms. While attrition in banking employment had been suppressing gains in the overall FIRE sector, these losses abated toward the end of 1998.

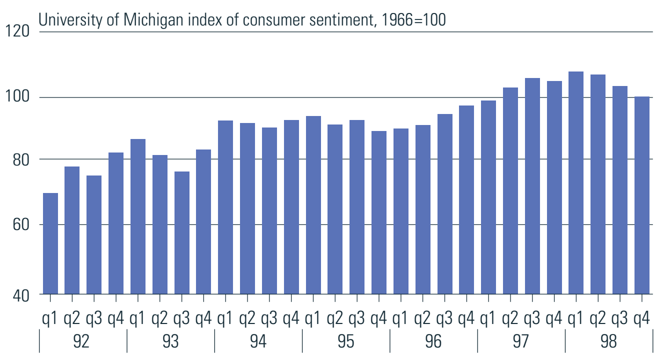
The construction sector had a starring role as a regional growth sector, adding 16,800 jobs, for a 7.1 percent advance in 1998. This boom follows a 4.7 percent growth rate in 1997 and a 1.5 percent gain in 1996.

The transportation-communication-public utilities (TCPU) sector turned in another year of growth with a gain of 6,500 jobs, or 1.4 percent, in 1998 compared to a 1.9 percent advance in 1997. The transportation sector routinely tracks regional demand generated by the increase in jobs, travel and goods movement activity, and has improved with the economy with job growth rates of 1.5 percent in 1997 and 2.3 percent in 1998. Growth in the fast-moving telecoms/utilities industries moderated to a rate of 1.7 in 1998, following a healthy expansion of 2.9 percent in 1997. Employment levels at regional manufacturing firms showed increasing signs of stability. Jobs fell a mere 0.4 percent in 1998, a further improvement over the 0.6 percent decline in 1997. These two years show the smallest losses of manufacturing jobs since 1989.

Wages Grow and Unemployment Shrinks

Led by strong gains on Wall Street, private sector wages advanced a robust 7.7 percent at year-end 1997 (wage data are published with a significant lag), continuing the strong 7.4 percent gain in 1996. The region's unemployment rate in 1998 fell a full point to 5.7 percent, reflecting 72,000 fewer jobless residents for the year.

EXHIBIT11
Consumer Sentiment Continues Strong Advance, Propelling Retail Activity



Source: University of Michigan

Consumer Activity an Important Element of Regional Growth

Improvements in jobs and wages, coupled with moderate interest rates, has buoyed consumer confidence and provided a firm underpinning for continued economic growth (Exhibit 11). US retail sales activity rose by 5.1 percent in 1998. With estimated retail expenditures of $175 billion, this region represents the nation's largest concentration of consumer wealth. A major contributor to the region's record-level spending was the benefit to consumers of a modest 1.6 percent rate of inflation in 1998. This was the sixth consecutive year of 3.0 percent or lower inflation - and the lowest inflation rate in over 30 years.

Continued Improvement in Real Estate Conditions

With business expansion firmly in place, strong office leasing activity proceeded apace throughout the region in 1998, as many companies scoured the market to accommodate a growing work force. In Midtown Manhattan, the leasing frenzy continued, with 18 million square feet of space leased — the third consecutive year for this level of heightened activity. Meanwhile, vacancies fell across the region and rental rates continued to increase. Lower Manhattan, with a vacancy rate of 5.2 percent for Class "A" space, emerged with one of the region's lowest vacancy rates; Hudson County, NJ, at 3.7 percent, held the region's lowest rate for Class "A" space. While suburban office markets around the region showed declining vacancy rates, vacancies remained higher than in Manhattan and Hudson County.

According to F.W. Dodge measurements of the level of public and private sector investment and construction activity in commercial, industrial, residential and infrastructure, the value of construction contracts awarded in 1998 retrenched to a level of $12.3 billion. This is lower than the $14.4 billion surge that occurred in 1997, but above the $11.8 billion completed in 1996.

Important Links Between Economic Growth and the Region's Transportation Infrastructure

Vehicles at the Port Authority's interstate crossings advanced to an all-time record 121.4 million (eastbound) in 1998, a 2.9 percent increase - roughly parallel to the growth rate of private jobs in New York City. Bus traffic rose even faster, growing 4.8 percent, up from 3.8 percent in 1997. This has been the fastest growing vehicle type in cross-Hudson travel since 1987. The PATH system, linking fast growing nodes of residential and commercial activity on both sides of the Hudson River, accommodated a record 65.0 million passengers, a 4.5 percent gain.

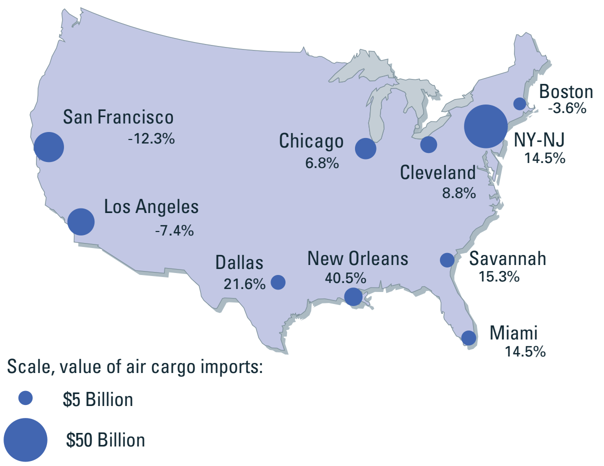
Increased levels of business and tourist travel resulted in corresponding rises in air passenger levels at the region's three airports, a trend that has continued throughout most of this decade. In 1998, international passenger traffic grew 6.0 percent, with strong gains in late 1998 overcoming some signs of weakness in global travel demand that emerged during the year. Domestic passenger growth has flattened over the past year, increasing a more modest 1.8 percent.

In the goods movement sector, a strong domestic economy and rising imports led to a 4.7 percent increase in truck traffic, a significant follow-through to the 5.1 percent jump in 1997. The ExpressRail intermodal facility at Elizabeth, which transfers cargo containers between ship and rail, continued its rapid expansion, handling 155,062 containers, a gain of 21.6 percent.

EXHIBIT 12

NY-NJ, the Nation's Largest Air Cargo Center, Showed Strong Growth in Imports in 1998

The Value of Goods Imported at the Largest Airport Systems and percent change from 1997



Source: US Department of Commerce

Further reflecting the strength of the region's consumer sector, air cargo imports to the region surged 14.5 percent to $58.7 billion in 1998 (excluding the value of gold). This is shown in Exhibit 12 above.

Ocean cargo imports rose 5.3 percent, to $50.8 billion. Held back by the weakness of the Japanese economy, overall ocean exports from the NY-NJ port declined in value by 2.3 percent. Air cargo exports from the region managed a 3.1 percent gain in 1998, despite the weakness in Asia.

The total value of merchandise trade through the region's gateway facilities reached $173.7 billion (excluding the value of gold), a 6.6 percent gain.

Employment Analysis

The Service Industries Lead a Broad Array of Growth Sectors

The creative talents of its work force have combined with the region's improved image to help drive growth across a wide swath of industries that are also the leading sectors of the global economy. These include finance, management consulting, telecommunications, media and the arts, and the new "internet" economy. As the region's image in popular culture has become enhanced in recent years, so has its employment in the production of motion pictures, the performing arts, multimedia, and cable programming. A related occurrence is the region's elevated stature as a destination for domestic and international tourism, where visitors are broadening the scope of their travels beyond the newly redeveloped Times Square area to destinations such as Harlem, Brooklyn, and the Jersey City Liberty Science Center. Supporting industries, such as hotels and eating and drinking places, gain as well — as have the region's aviation and transportation industries.

Total employment in the region increased 170,800 in 1998, a 2.3 percent rise that exceeded last year's gain of 153,100. The services industries have led the way with strong and steady growth over the past several years. Total services jobs grew 3.9 percent in 1998 and 3.8 percent in 1997. In New York City[2], the surge in business service employment continued, with jobs advancing 6.5 percent rise in 1998, on top of a rapid 8.6 percent gain in 1997. Consulting and management services firms extended their gains, expanding at a 7.9 percent rate in 1998, from a 3.9 percent rate in 1997. Securities firms added jobs at a 5.8 percent rate in 1998, leading the 2.3 percent gain in finance-insurance-real estate (FIRE).

Since the beginning of the jobs recovery in 1993, motion picture production in New York City has been the economy's fastest-growing sector (Exhibit 13). Rising tourism added to local entertainment demand spurred another year of record-setting attendance of

[2] Because of its size, the most detailed employment surveys are compiled on New York City by the US Department of Labor. Other regional information is presented in the analysis of services on page 10.

EXHIBIT 13

Leading the Economic Expansion:
The 10 Fastest Growing Sectors in New York City

Fast-Growing Sectors	'98 Jobs (000s)	Gain Since '92 (000s)	Compound Ann. Growth '92-'98
1. Motion Pictures	44.7	24.5	13.2%
2. Business Services	285.1	75.2	5.1%
3. Securities	166.1	35.3	4.0%
4. Home Furnishing Stores	20.7	4.1	3.7%
5. Educational Services	117.6	23.2	3.7%
6. Air Transportation	54.9	10.8	3.7%
7. Consulting/Mgt. Services	109.7	21.5	3.6%
8. Gen'l Building Contractors	21.2	4.1	3.6%
9. Eating/Drinking Places	145.4	28.1	3.6%
10. Local/Interurban Transit	22.8	4.0	3.2%
Total Private Employment	2,890.4	193.2	1.2%

Data Source: NY State Department of Labor

11.47 million for the Broadway theater season. Amusement services employment (including live theater and movie houses) rose 2.9 percent, extending the 8.2 percent surge in such jobs that occurred in 1997. Employment at eating and drinking places increased 3.3 percent, and hotel jobs rose 2.3 percent.

Enhanced Results Across All Industry Groups in the Bi-State Region

Regional growth in jobs and income continued to benefit the construction sector, where demand for housing and commercial space has been strong. Job growth has gained steady momentum, from a 1.5 increase in construction employment in 1996, to gains of 4.7 percent in 1997, and a strong upward move to 7.1 percent growth in 1998. The rebound in transportation-communication-utilities employment continued, with growth of 1.7 percent, two years after the cuts associated with the merger of Bell Atlantic and Nynex and a substantial restructuring of AT&T in 1996. Transportation employment moved in step with the demand for travel and merchandise trade placed by a steadily growing regional economy, and improved from a 1.5 percent gain in 1997 to 2.3 percent growth in 1998.

Wholesale and retail trade also responded to the growing needs of regional consumers and businesses. Growth in wholesale trade jobs improved to 2.0 percent in 1998, up from 1.8 percent in the previous year. Following the addition of large regional malls in 1997, growth in retail trade employment slowed to 1.7 percent in 1998, down from the 2.1 percent gain in 1997.

Manufacturing employment remained relatively stable in 1998, registering a small 0.4 percent loss, a steady performance from the 0.6 percent loss in 1997. Manufacturing jobs fell 2.5 percent in 1996. Government jobs registered a modest gain of 0.6 percent, with jobs added in public safety and education.

Regional Patterns of Economic Growth

New York City had the region's largest absolute employment growth, with private sector gains of 77,400 that accounted for nearly half the region's total job growth. Nearly all industries experienced improvement, led by broad contributions in finance, services, communications and retail trade. In 1997, growth was also strong — 67,100 private jobs were added, a significant upswing from the 44,000 jobs created in 1996.

Employment growth in Northern New Jersey held steady, with 50,100 private jobs added in 1998, on top of the 53,500 developed in 1997. Bergen County led the job growth of Northern New Jersey, as private jobs rose 3.8 percent in 1998, from a 2.8 percent gain in 1997. Services, finance, and construction led that improvement. The fast growth of the Middlesex/Somerset area, which paced regional gains of 3.0 percent in 1996 and 4.3 percent in 1997, eased back in 1998 to a 2.3 percent increase. Spurred by the fast growth of finance, trade, construction and transportation industries, private sector job growth in Hudson County advanced 2.1 percent in 1998, up from 1.4 percent in 1997. Employment growth of 1.9 percent in the Newark area during 1998 equaled the previous year's gain. A 4.7 percent loss in Passaic County's manufacturing sector held back private job growth to a 1.1 percent rate, lower than that of 1997.

Private job growth in the New York Suburbs strengthened in 1998, with 36,000 jobs created, improving from the 27,600 that were added in 1997. Long Island's strong economic performance continued, contributing 24,900 jobs, for a 2.6 percent gain to the region. Employment in communications rose 6.7 percent in 1998, following a rapid 7.3 percent gain the previous year, as Cablevision expanded its operations.

Rockland County, which has an employment base one-tenth the size of Long Island's, experienced its fastest growth of the decade as private jobs increased at a 5.0 percent rate in 1998. Construction jobs have grown at double-digit rates in 1997 and 1998 as two new malls were completed; and, in 1998, the number of jobs in wholesale and retail trade rose 8.7 percent. Westchester County, which has lagged the job growth of the other suburban New York Counties, saw private growth advance 2.1 percent, from a 1.7 percent gain in 1997. The closure of a General Motors facility and restructuring in the pharmaceutical sector has weighed on the County's manufacturing sector over the past two years, but construction jobs rose by more than 8 percent.

Patterns by Industry in the Seven Years of Economic Growth Since the '89-'92 Recession

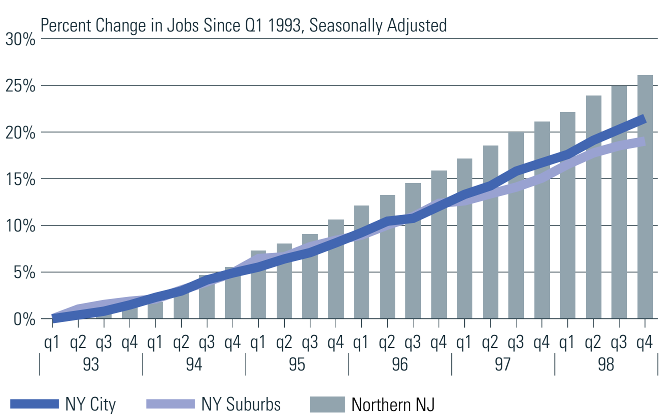
Services

The expansion of the services industries since the recession's end in late 1992 has led a dynamic recovery in the regional economy, adding about 500,000 jobs to the bi-state area. Northern New Jersey continues to lead the growth of this sector, with service sector jobs rising 26.1 percent since the recession's end. In 1998, Northern New Jersey continued to lead this growth, with a 4.2 percent increase in 1998, a slight slowdown from the 4.6 percent gain in 1997.

New York City has contributed over half the region's new services growth since 1992, adding 276,000 jobs - a 21.5 percent increase. These gains have been steady, at rates of 4.0 percent in 1998 and 3.9 percent in 1997. Services growth in the New York Suburbs improved to 3.7 percent in 1998, from 2.9 percent the previous year. Services jobs in the New York Suburbs have increased 19.0 percent since 1992.

EXHIBIT 14

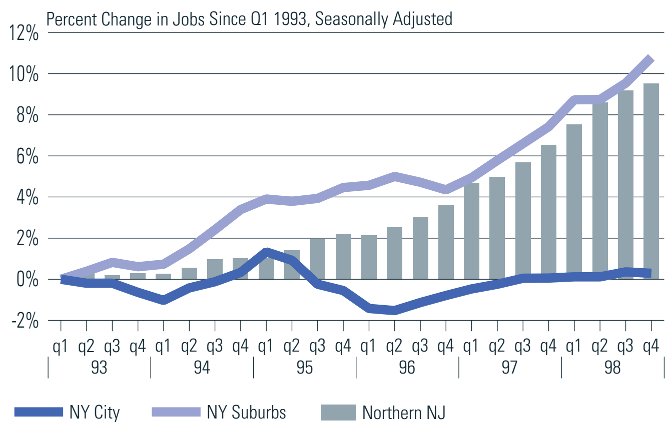
Northern NJ Continues to Perform Strongly in Adding New Services Jobs



Sources: NY and NJ State Departments of Labor

EXHIBIT 15

Growth in Wholesale Trade Employment Largely Occuring Outside of New York City



Sources: NY and NJ State Departments of Labor

Wholesale/Retail Trade

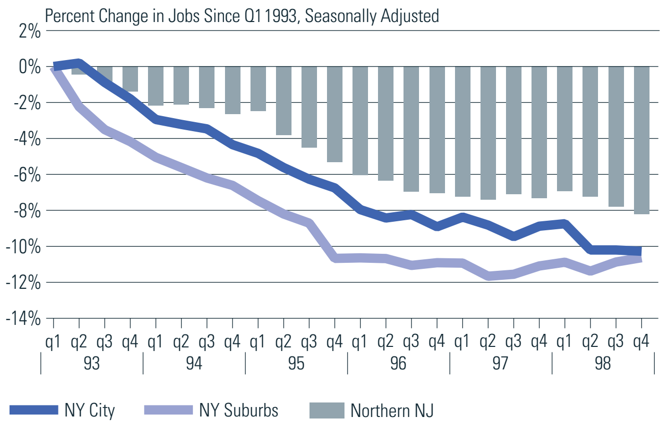
Wholesale/retail trade, the region's second largest industry sector, has added 135,000 new jobs since late 1992, increasing by 9.6 percent as of 1998. Growth in this sector has been steady for the last two years, with rates of 1.8 percent in 1998 and 1.9 percent in 1997.

The geographic location of growth in wholesale and retail trade jobs continues to diverge. New York City, the region's largest consumer market, is also the location of the region's fastest growth in retail employment, with such jobs rising 16.6 percent since 1992. Only the fast developing suburbs of Middlesex/Somerset equal this rate of growth.

Wholesale and warehouse employment in New York City has been flat since the recession's end. However, since 1992, new wholesale itrade jobs have risen 10.8 percent in the New York Suburbs and 9.5 percent in Northern New Jersey. The new demand in the market has been for large, modern, single-story spaces geared for just-in-time inventory controls and large geographic market reach. This type of development has almost

EXHIBIT 18

After Years of Significant Decline, Manufacturing Jobs Show Signs of Stabilizing



Sources: NY and NJ State Departments of Labor

leading pharmaceutical, chemical, and computer manufacturing firms, the region retains an important base of manufacturing jobs. Significantly, much of the manufacturing activity that remains in the region consists of smaller scale firms that supply the region's large base of retailers, including fashion, furniture and food purveyors.

Construction

The modest recovery in construction activity for most of the 1990s has quietly transformed into something of a construction boom in much of the bi-state region at the end of this decade. Largely supported by the strength of the housing, retailing and public infrastructure sectors, near double-digit employment growth occurred in 1998.

See page 16 for a comprehensive analysis of the region's construction investment trends.

More Jobs Mean Lower Unemployment

As might be expected, the health of the regional labor market has improved significantly, in keeping with the degree of new hiring over the past several years. However, the rate of unemployment failed to fall significantly until 1998, remaining at 6.7 percent as the acceleration in job growth was matched by a rise in new entrants to the labor force. The year 1998 was the first in which regional job growth outpaced the rate of growth in labor force. As such, the number of unemployed persons dropped by 72,000, and the unemployment rate decreased a full percentage point, reaching 5.7 percent.

More than half the decline in the number of unemployed took place in New York City, where the incidence of unemployment far exceeds that of its suburbs. Even as the City's labor force continued to grow in 1998, the rate of unemployment fell from 9.4 percent to 8.0 percent. This is an encouraging sign as people are moving from welfare to work.

However, even in good times, there are a number of important issues facing the regional job market. Any region needs a pool of people available to fill new jobs and a growing labor force reinforces continued economic growth in the NY-NJ metropolitan region. Of course, education and human capital development are fundamental to economic success, especially in an economy such as that of the NY-NJ region, which is so strongly driven by jobs with high skills requirements.

In addition, the location of job growth vis-a-vis the unemployed workforce affects how the region taps its human capital. Job growth in suburban areas still outstrips the rate of growth in available labor force and, in the New York Suburbs, unemployment has fallen to a rate of 3.3 percent. Unemployment rates in the suburban New Jersey counties of Bergen, Middlesex, Morris and Somerset are similarly low. Even with the healthy growth of jobs in New York City, the City's large unemployed labor force could benefit from increased accessibility to suburban workplaces, often unreachable without an automobile.

Strong Wage Growth Continues

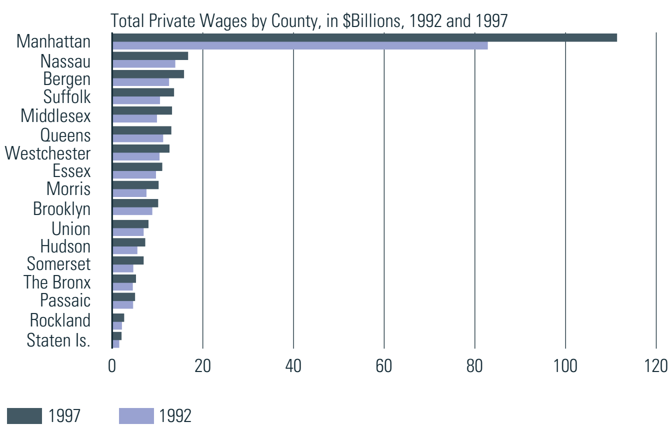
The well-reported strong upward move in wages in the securities sector has also been accompanied by gains in other regional industries. Total regional wages in all industry groups have risen faster than the rate of inflation throughout the 1990s. Certainly, however, with Wall Street's average compensation of $175,316, and an increase of 17.5 percent in total wages paid in the securities industry in 1997, this sector is a key engine of growth in the regional economy.

Total wages paid in all regional industries improved 7.7 percent in 1997 (the latest full-year data available), furthering the 7.4 percent gain seen in 1996. The average wage per job rose 5.5 percent to a total of $43,493 in 1997, and was the third year of 5 percent or better growth in the per job average wage.

Manhattan, the core of the regional economy, not only has the greatest number of jobs, but also, on average, the region's highest paying jobs. As such, the borough looms large as a regional engine for economic growth, as depicted by Exhibit 19. Manhattan alone accounts for 42 percent of total regional wages and 73 percent of the region's FIRE wages. Private wages in New York City increased 8.4 percent in 1997, continuing the strong 8.8 percent gain in 1996. In Manhattan, the average wage per job now approaches $63,000, a gain of 7.2 percent from 1996.

EXHIBIT 19

Manhattan Wages Drive Regional Economic Gains Since the Recession's End



Sources: NY and NJ State Departments of Labor

In Northern New Jersey, private wages rose by 7.2 percent in 1997, with the counties of Somerset (up 14.6 percent), Morris (up 8.6 percent) and Middlesex (up 8.2 percent) showing the fastest gains. Wages in the New York Suburbs rose 6.4 percent. Long Island, Westchester, and Rockland all had similar gains.

Outer Counties

Over the last decade, the economies of the outer counties of the region have expanded in both size and importance to the development of the greater metropolitan region. Even as significant economic growth took place around the region in 1998, this "outer ring" continues to lead many parts of the core region in the rate of development.

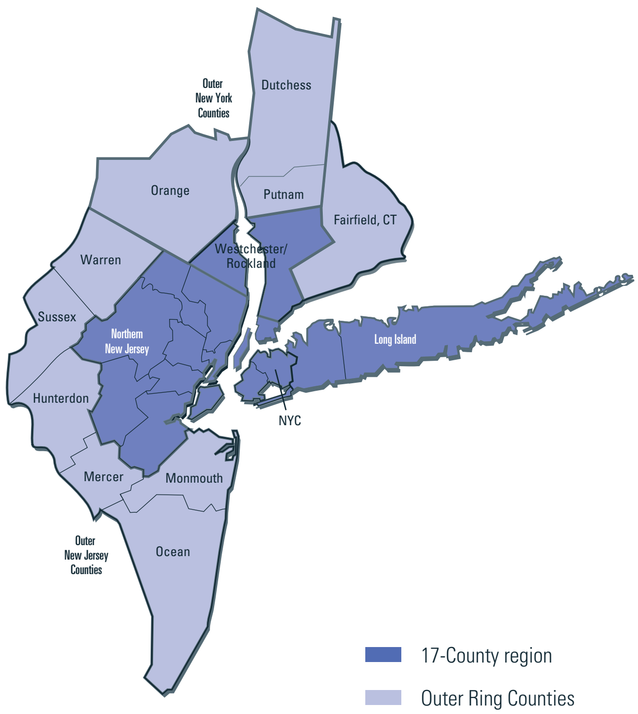
Fast Population Growth in Outer Counties and Inner Core

Population in the 27-county greater metropolitan region reached 19.2 million in 1998, an increase of 115,700 persons, or 0.6 percent. Growing by 0.9 percent, the outer counties continued to lead the region in rate of population growth for 1998. Even so, the year was more noteworthy for New York City since 1998 marked its largest population increase for the decade. With the addition of 34,700 persons, or 0.5 percent, the City was the fastest growing part of the region in absolute terms. The eight New Jersey inner counties also registered the largest gains of the decade, adding 32,300 residents, or 0.7 percent, during the year.

The improvement in New York City's population growth during 1997 and 1998 is attributable to a reduction in the number of people moving out of the City combined with a steady rate of natural increase (births minus deaths). Nevertheless, the net flow of people leaving the City this decade was substantial. Out-migration is estimated at 1.2 million people. International immigration, which totaled 850,000, helped to neutralize the outflow. Other counties in which out-migration has slowed population growth include Essex, Hudson, Passaic, Union, Nassau, Suffolk, Westchester and Mercer.

Since 1990, population in the 27-county region has expanded by 551,600 persons, with growth averaging less than 0.4 percent per year. Compared to the national average annual rate of 1.0 percent, this region obviously lags many other regions in population growth. However, some of the region's outer counties represent pockets of growth that outpace the national average. In fact, Somerset County, NJ, the region's fastest growing county, averaged 2.2 percent population growth per year this decade. Other New Jersey counties with rapid population growth included Hunterdon, at 1.7 percent per year; Ocean at 1.6 percent per year; and Monmouth and Morris, both at 1.1 percent per year. In New York, Putnam County led regional gains, increasing by 1.4 percent annually for the decade. The more rapid rate of growth in these counties can be attributed to significant in-migration.

EXHIBIT 20
The "Outer Ring" is an Important Extension of the Metropolitan Area



Patterns in Job Growth in the Outer Counties

With the fast increases in population, the economic base of the outer ring tends to be driven by the services, construction and wholesale and retail trade industries. Additionally, the range of manufacturing activities in each of the outer counties tends to be less diverse than the inner 17-county region. With their smaller economic bases, growth in the outer counties can be strong but uneven, which has been the case for most of the 1990s.

For the outer New Jersey counties, private job growth steadied in 1998 to 2.1 percent, down slightly from the 2.3 percent rate established in 1997 (based on second quarter covered employment statistics). This equaled the growth rate established for the inner New Jersey counties in 1998. In 1996, private jobs in the outer New Jersey counties grew at a very slow 0.6 percent.

Hunterdon County continued to show rapidly accelerating growth, as jobs rose 5.4 percent in 1998, increasing from the already rapid gains of 4.6 percent in 1997 and 4.4 percent in 1996. Hunterdon's growth in 1998 was paced by services (up 9.4 percent) and manufacturing (up 5.7 percent). Warren County also showed a large jump in employment growth, with an increase of 5.2 percent in 1998, up from 2.1 percent growth in 1997. Construction jobs rose 10.8 percent, and retail trade employment increased 8.4 percent in 1998. In Monmouth, private employment rose 2.5 percent in 1998, increasing from a 2.2 percent gain in the previous year. Job growth in Ocean County slowed to 0.9 percent, from 1.8 percent in 1997.

New York's outer Orange County showed a strong rebound in employment growth in 1998 as private jobs advanced 4.7 percent, from a gain of 0.9 percent in 1997. New jobs in construction and wholesale and retail trade paced this growth. In Dutchess, the rate of job growth improved modestly, to 1.5 percent, from 0.9 percent in 1997. Putnam County, which has a very small employment base, experienced a 7.8 percent gain in employment in 1998, led by new construction activity.

Fairfield County, Connecticut, has a larger population base than the other outer counties - as well as a diversified economic base of financial and services headquarters and major retail activity. Private jobs increased at a solid 2.7 percent rate in 1998, after a 2.1 percent gain in 1997, which paralleled the growth trend experienced in the 17-county metropolitan region.

Consumer Activity

Confident Consumers Reach Into Their Pockets with Increased Vigor

Once again, consumer buying led the nation's economic growth. In 1998, purchases outpaced the already high levels of 1997 by 4.9 percent in real terms and even outpaced growth in disposable income by 1.7 percentage points. This year's vigorous spending was driven by a combination of robust increases in job creation, low unemployment, and low housing mortgage rates. The resulting accelerated pace of housing purchases provided the impetus for a high level of durable goods purchases. Sales of new and existing homes reached 5.7 million units, up 12.9 percent over 1997. Expenditures on furniture and appliances increased by precisely the same rate.

Overall, inflation adjusted durable goods purchases advanced by 10.2 percent, with computer sales burgeoning at a gain of nearly 68 percent. Also notably high were sales of cars and light trucks — reaching 15.65 million units, for a 4 percent increase over the previous year. In value, these purchases, along with motor vehicle parts, increased by 8.5 percent in 1998.

In the first half of last year, consumer confidence as measured by the University of Michigan Index of Consumer Sentiment reached a new record, peaking at 107.8 in the first quarter of the year and remaining robust through June. By the second half of the year, though, the shock of the economic downturns in Russia and Brazil had reverberated domestically and dampened somewhat the confidence of this nation's consumers. Even so, the index averaged 104.6 in 1998, a 1.4 percent gain over the already exuberant levels of 1997.

Retail sales activity data for the New York-New Jersey region are no longer available, but other indicators suggest that regional consumers were spending just as much as their national counterparts. For example, truck volumes at Port Authority facilities advanced 4.9 percent, to 7.9 million vehicles, a barometer indicating robust retail sales. In addition, employment in the region's wholesale and retail trade sector grew by 1.8 percent, adding 27,100 new jobs.

Falling Oil and Commodity Prices Drive Inflation Lower

A 30 percent reduction in oil prices offset the pressure of continued economic prosperity and tight labor markets to hold both the national and regional increases in the 1998 Consumer Price Indices to 1.6 percent, the lowest inflation rate since 1965.

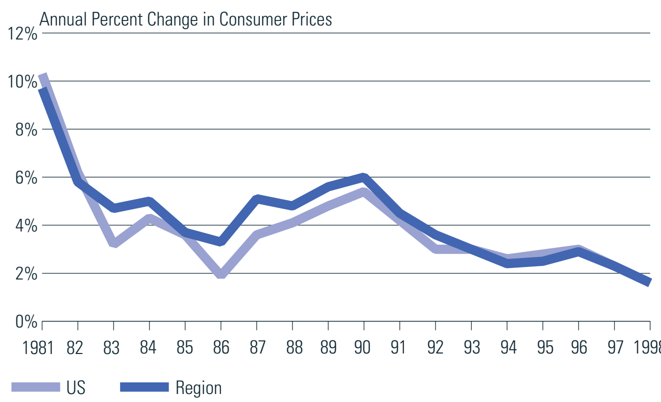
Declining oil prices, experienced throughout the world, were directly attributable to lower demand for energy products in several beleaguered Asian economies, especially Japan, the second largest economy in the world.

For the nation, the change in oil prices translated into lower energy costs. The specific impact on this region was a 6.1 percent decline in the energy component of the CPI, which, in turn, served as a trigger for lower prices not only for all petroleum products used in the production and distribution of goods but also for consumer transportation. As a result, the regional prices for all commodities, exclusive of food, fell by 1.6 percent, and transportation costs declined by 1.9 percent. Only the cost of food increased, with a modest gain of 1.8 percent for the year.

Core inflation, which is calculated to determine the regional rate of inflation without the affects of changes in energy and food prices, rose 2.2 percent in 1998, a slight improvement over the 2.5 percent increase in 1997. The areas experiencing the highest rates of inflation were medical care, at 4.3 percent, and shelter, at 3.6 percent. After a 2.0 percent rise in 1997, prices for apparel fell by 1.8 percent — the combined result of a strong dollar and the need for Asian economies to export.

A comparison of trends in national and regional inflation shows that the New York-New Jersey region is experiencing a resurgence of competitiveness as it sheds its inflation premium over other regions in the United States. The turnaround began in 1993, the year the region began to sustain an inflation rate that was either lower than or equal to the nation's. This broke a previous ten-year pattern of higher regional inflation rates, including three years when the region's costs were increasing at nearly 1.5 percentage points more than the national average.

EXHIBIT 21
Healthy Growth and Low Inflation Prevail in the Region, Unlike the Fast Growth of the 1980s



Source: US Bureau of Labor Statistics

Global Economic Woes Slow Tourism Growth

Weakened by a decline in international visitors, the number of tourists to New York City in 1998 grew by a modest 3 percent, to 34 million, as estimated by the New York Convention and Visitors Bureau. This growth is significantly slower than in 1997 and is largely a reflection of the recession in Asia and Brazil, the economic slowdown in Europe, and the declining purchasing power of Canadian to US dollars.

Overall, international visitors in 1998 are estimated to have declined by 1.3 percent, to 6.0 million. The reduction was led by 15.5 percent fewer travelers from Asia than in 1997. Although total visitors from South America and Europe increased in 1998, they did so at a very slow pace and could not offset the loss in the number of visitors from Asia and Canada.

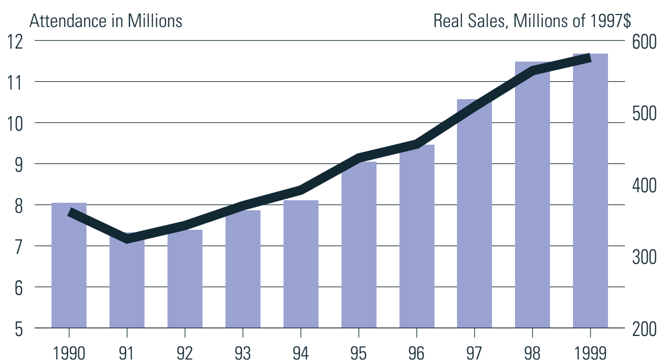
Overseas visitors average a longer length of stay and much higher expenditures per trip than their domestic counterparts. Therefore, the reduction in visitors from Japan and Brazil, for example, has a disproportionate impact on hotels, restaurants and retailers, especially at the high end of the market.

Nevertheless, visitor spending in 1998 totaled $14.3 billion, an increase of 3.5 percent over 1997, but this is the slowest increase in several years. The return to growth in many Asian economies, including Japan's, and the economic recovery in Brazil, could improve international tourism in the latter part of 1999.

EXHIBIT 22

Theater Growth at the Forefront of the Region's Attractivness for Tourism and Entertainment

Theater season ended May of each year



Source: League of American Theaters and Producers

The hotel industry continued to set record prices for rooms in 1998, even with the decline in foreign visitors. For the year, average room rates approached $214, a 10.9 percent gain over 1997, according to PKF Consulting. While still at historically high levels, occupancy rates fell slightly to 81.3 percent, due in part to construction that has increased the supply of hotel rooms. More than 2000 hotel rooms were added in 1998.

Visitors to the region are an important part of the audience for Broadway. The 1998-99 theater season saw a continued increase over the record-breaking attendance of last season. According to the League of American Theatres and Producers, attendance reached 11.67 million, a 1.7 percent increase over last year. With an increase of five new productions in the 1998-99 season, gross revenues climbed 5.4 percent, to $588 million.

Real Estate Markets

Following 1997 Surge, New Construction Contract Activity Eases

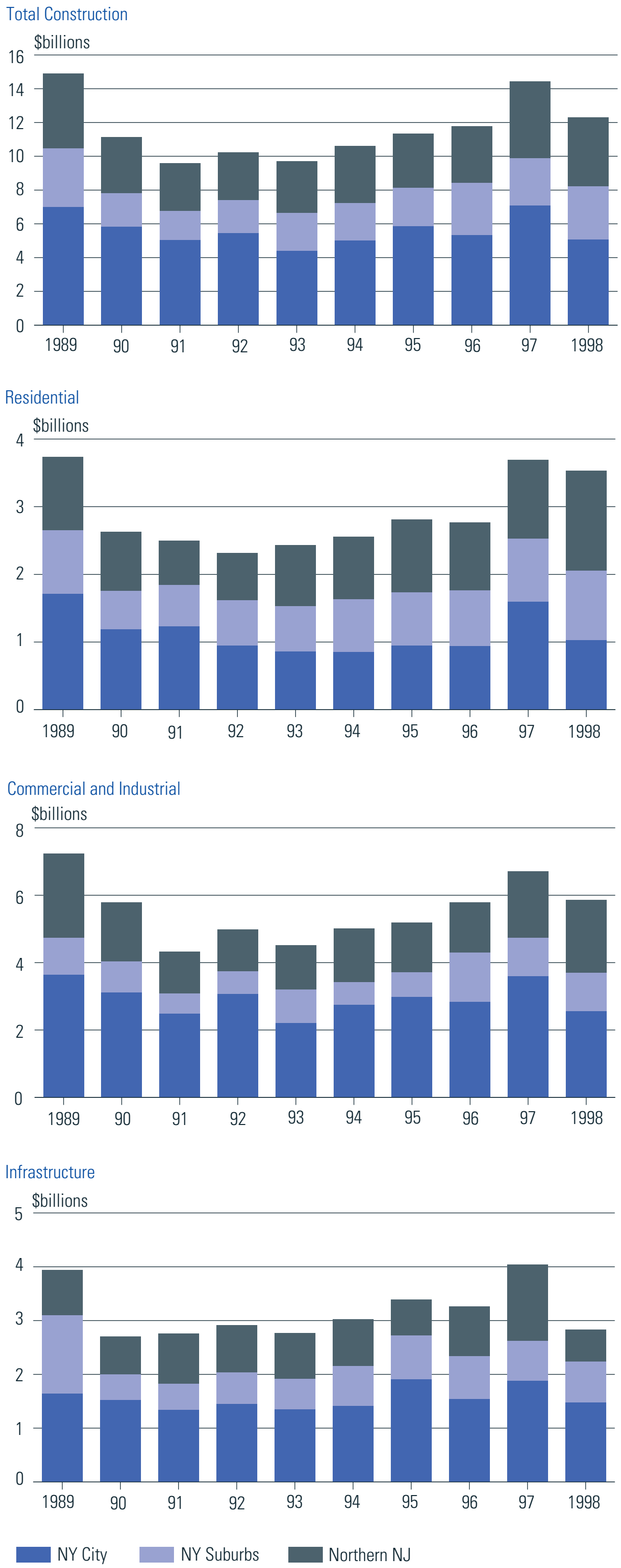
The value of contract awards, as reported by F.W. Dodge, gives a snapshot of activity levels in commercial/industrial, residential and infrastructure construction. For the US, awards rose 8.3 percent as a 15.5 percent increase in residential building provided strength to the nation's construction sector. In the NY-NJ metropolitan region, the major uptick in construction activity began in 1997 when contract activity surged to $14.4 billion, a 22.7 percent increase over the previous year, on the strength of new investment in residential and infrastructure assets. In 1998, the level of new activity eased to $12.3 billion. In 1996, the total value of new construction in the region stood at $11.8 billion (Exhibit 23).

In 1998, residential construction remained the strongest segment of the NY-NJ regional market, spurred by low interest rates and rising incomes, totaling $3.6 billion. In Northern New Jersey, residential investment continued to be very strong, rising at more than 20 percent in 1997 and again in 1998. The number of single family residences under construction was the highest since 1987. Residential construction in the New York Suburbs increased to $1.1 billion, a 15.2 percent gain from 1997, and has contributed more

EXHIBIT 23

Pullback From A Banner Year of New Construction Activity in the NY-NJ Metropolitan Region

(New Contract Awards, Constant 1997$)



Source: F.W. Dodge (Reproduction Not Permitted Without Prior Consent)

activity than for any other type of real estate asset this decade. Activity in New York City, which jumped 71 percent in 1997 as several large apartment developments began, fell 36.5 percent in 1998. The 6,746 apartment units constructed in New York City in 1997 were the highest since 1989.

Commercial/Industrial construction in the region pulled back in 1998, declining by 13.3 percent, following the strong 12.2 percent increase in 1996 and a 15.6 percent gain in 1997. In Northern New Jersey, awards rose 15.4 percent, a healthy follow-through to the 33 percent gain in 1997. Investment in stores, restaurants and office construction led this increase. Spending on commercial projects in the New York Suburbs has eased since the completion of two large malls in Rockland County in 1997. In New York City, hotel construction improved to $342 million, the highest level in three years, but new office activity slowed following the completion of 4 Times Square.

At over $4 billion, infrastructure investment in 1997 topped the previous high set in 1989. New contracts for the Bergen-Hudson Light Rail corridor, about $500 million, provided a boost to total regional infrastructure commitments. New investment in 1998 totaled $2.8 billion. In New York City, infrastructure investment was $1.5 billion, down from $1.9 billion in 1997 but equal to the level set in 1996. In Northern New Jersey, new spending in 1998 was $600 million, compared to $1.4 billion in 1997. Infrastructure expenditures in the New York Suburbs in 1998 were $760 million, holding at a fairly consistent level over the past several years.

Office Markets Show Continued Vibrancy

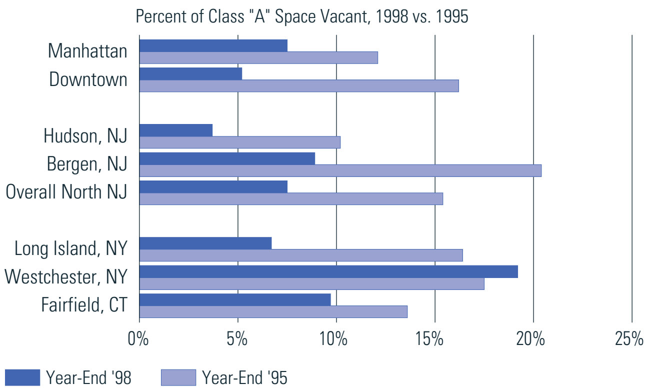
The expansion plans of regional businesses contributed to another year of significant improvement in office markets around the region. As has been the trend over the past few years, leasing continued to be very strong, rental rates increased, and vacancies fell in nearly every major market in the NY-NJ area (Exhibit 24).

Lower Manhattan continued to show substantial progress. According to Cushman & Wakefield, “Class A” vacancies fell to 5.2 percent from 8.8 percent in 1997. Total leasing was brisk, rising from a very active

9.0 million square feet in 1997 to 10.1 million square feet in 1998. Major commitments included a deal for the New York Stock Exchange to remain in the financial district in Lower Manhattan, moving across the block from its current location at 11 Wall Street, and a deal by the Federal Deposit Insurance Corporation to lease space at 20 Exchange Place.

EXHIBIT 24

Three Years of Strong Employment Growth Bring Down Stubbornly High Office Vacancy Rates Around the Region



Source: Cushman & Wakefield

In Midtown Manhattan, where the total office space inventory is twice that of the Downtown area, 18.7 million square feet of space was leased, the third consecutive year of leasing at this level. Vacancy rates for "Class A" space fell to 7.5 percent, from 8.2 percent in 1997. Midtown rents for Class A space continued to be the region's most dear, at an average $46.72 per square feet.

New plans for office construction in the Midtown area include a 2.1 million square foot mixed-use development at Columbus Circle, to be anchored by the world headquarters of Time Warner, following demolition of the Coliseum exhibition hall. Morgan Stanley Dean Witter entered into an agreement that will develop a one million square foot office building at 745 Broadway in the Times Square area.

Midtown South, running from Canal Street north to 34th Street, has strengthened as a leading location for new media, internet, telecommunications, and advertising firms. These burgeoning industries have created demand for the conversion of former industrial buildings, such as the newly renovated Telecommunications Center at 325 Hudson Street. With leasing activity strong, total vacancies remained largely unchanged, at 8.9 percent, even as new space was added to the market.

Across the River, demand for office space along the Hudson County waterfront continued to intensify. Class A vacancies fell to 3.7 percent, and rental rates in the County were the highest in all of Northern New Jersey. New office construction is proceeding at the Pavonia/Newport area, with plans for two more developments within the Colgate Center at Exchange Place. Demand for office space in Bergen County, NJ, has also increased, with vacancies in 1998 falling to 8.9 percent, in contrast to a 20 percent rate three years earlier.

Westchester County, NY, has struggled to maintain positive momentum in reducing its inventory of available office space. Class A vacancies stood at 19.2 percent at year-end 1998. Meanwhile, the office vacancy rate in Fairfield County, CT — a direct competitor to Westchester — was 9.7 percent in 1998. Long Island's office market continued to show improvement, as vacancies fell to 6.7 percent.

Growth in Wages and Jobs Spur Residential Sales

Low mortgage rates and increases in regional jobs and income in 1998 continued to heat up the residential market. Total single family home sales in the region's suburban markets jumped 10.6 percent in 1998, building from a healthy 7.7 percent gain in 1997. The median price of existing single family homes sold in the region advanced 5.7 percent in 1998, well above the 2.0 percent increase in the previous year, according to the National Association of Realtors. The quarterly trend in regional housing values has shown strong upward momentum, depicted in Exhibit 25 to the right.

Westchester County, NY, continued to lead the region in housing sales and price performance in 1998. Total sales rose 15.9 percent — a third year of double-digit growth — and sales prices improved 6.7 percent. Nassau County, NY, saw a 2.1 percent gain in sales as the median price of a home rose 9.1 percent. Total sales increased by 7.7 percent in Northern New Jersey in 1998, and the median home price increased 3.5 percent.

Port Authority Facilities

Transportation Demand Grows with the Expanding Economy

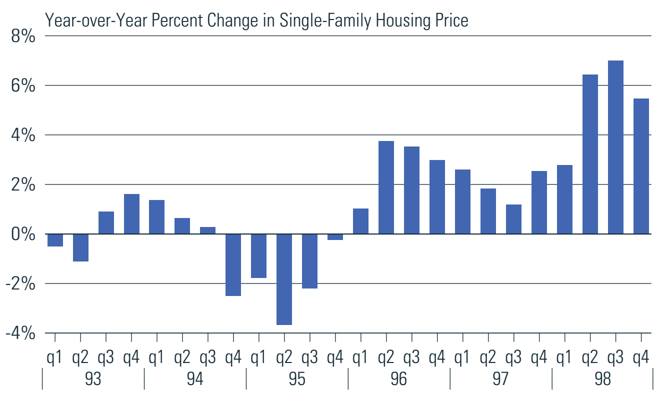
The region's economic growth placed increasing demand on the region's transportation infrastructure in 1998. Trips induced by expanding trade, travel, shopping, leisure, and commutation to jobs directly affected demand at Port Authority facilities — as well as for regional transportation services provided by others. Regional, national, and international businesses, along with 15.9 million residents, rely on the region's transportation infrastructure to accommodate the market changes that foster economic prosperity. In turn, the transportation sector is itself a major generator of regional employment.

Interstate Travel: Vehicular Traffic Sets Record; Demand for Bus Services and PATH Quickens

For the fourth consecutive year, total vehicular volumes at the interstate crossings advanced to an all-time record of 121.4 million eastbound vehicles, a gain of 2.9 percent. Bus traffic, which has been the fastest growing vehicular category for the past twelve years, increased sharply once again in 1998, by 4.8 percent, reaching 2.5 million vehicles. A robust 4.7 percent increase in truck crossings, spurred by strong consumer activity, resulted in a total eastbound crossing of 7.9 million vehicles.

EXHIBIT 25

Regional Housing Values Surge With Strong Economic Growth



Source: National Association of Realtors

The George Washington Bridge, the largest facility in the interstate network, also experienced the fastest rate of vehicular growth, with volumes reaching 52.4 million vehicles, an increase of 3.6 percent over 1997. The Staten Island Bridges, comprising the Goethals, Outerbridge Crossing and the Bayonne bridges, advanced 2.8 percent, to 30.6 million vehicles. Traffic at the Holland and Lincoln Tunnels combined rose 2.0 percent, to 38.5 million vehicles.

The PATH system, which links fast growing nodes of commercial and residential activity on both sides of the Hudson River, transported 2.8 million more passengers in 1998 — bringing total volume to 65 million passengers, a 4.5 percent gain over 1997. The passenger growth rate in 1998 was 2 percentage points higher than growth registered in 1997. The strength of the metropolitan economy led to increased boardings at every PATH station. On the New York side, World Trade Center PATH grew by 4.9 percent, to 16.1 million passengers. The 33rd Street station activity advanced 5.1 percent, to 7.1 million passengers. In New Jersey, Pavonia continued to be the fastest growing station in the entire system, increasing 9.2 percent, to 3.3 million passengers. Exchange Place grew 5.2 percent, for a total of 3.2 million passengers in 1998.

Other Regional Transportation Systems Also Face Increased Travel Demand

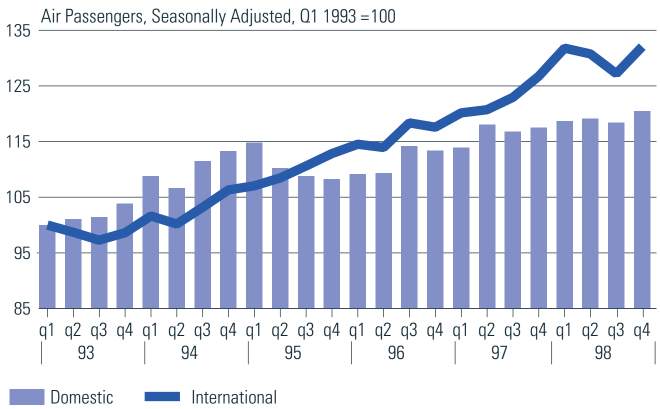
Economic growth caused a surge in demand for other regional transportation facilities and services as well. Commuter traffic increased on New Jersey Transit, Metro North and Long Island Railroad. New Jersey Transit rail ridership gained 6.3 percent to 54.1 million riders. MetroNorth grew 4.0 percent, to 66.4 million passengers; and the Long Island Railroad ridership was up 2.1 percent, to 77.4 million. Traffic on the New Jersey Turnpike was up 3.2 percent, while the Garden State Parkway advanced 3.3 percent.

Air Travel: International Passenger Traffic Continues to Lead Growth

In 1998, more than 86 million travelers used the region's three major airports, a 3.0 percent increase over the previous year. For the fourth consecutive

EXHIBIT 26

Dynamic Growth in Air Passengers Continues During a Turbulent 1998



Source: Port Authority Aviation Department

year, international passengers grew at a faster rate than their domestic counterparts, as depicted in Exhibit 26 above. International passengers grew by 6.1 percent, to 25.7 million, in 1998, while domestic air travel slowed to grow by only 1.6 percent, to 55.2 million. Commuter passengers reached 5.6 million, a 5.0 percent gain over 1997. Even though the economic recessions in Japan and Brazil curtailed demand from two of the region's leading markets for international visitors, its effect was offset by stimulus from lively regional and national economies and a strong dollar. The stronger purchasing power of the dollar gave impetus to international business and leisure travel by regional residents. The slower growth in domestic air travel was also a likely effect of low gasoline prices, which resulted in many regional residents favoring the automobile over domestic air travel for their leisure trips.

Regional Cargo Activity Muted by Export Slowdown

Cargo activity at the region's airports declined in 1998 by 2.4 percent, to 2.7 million tons. Domestic volumes fell 1.6 percent after an extremely strong 6.6 percent growth in 1997. Hurt by weaker worldwide demand, international volumes declined 3.0 percent to almost 1.5 million tons.

Oceanborne general cargo, which includes containerized and breakbulk cargo, increased 10.6 percent, to 16.7 million long tons. At 12.2 million long tons, imports grew by a healthy 15.6 percent in 1998. Exports declined slightly, down to 4.5 million tons, or 1.0 percent. Strong trade with Northern Europe and Latin America cushioned the loss in exports to Asian markets.

Total auto trade through the Port of NY-NJ increased 4.8 percent, to 449,000 vehicles. Imports of vehicles climbed 11.1 percent, to 369,514 units, reflecting the strong consumer economy last year. Exports of vehicles declined 17 percent, to 79,386 units.

In terms of value, regional trade transported by both water and air cargo increased 6.6 percent, to $173.7 billion (excluding the value of gold). Imports climbed to $109.5 billion, up 9.9 percent. Exports grew only 1.4 percent, to $64.2 billion, with all gains in commodities transported by air.

The stabilizing quality of the region's diversity of trading partners was demonstrated once again in 1998 as gains in exports to Europe offset declines to Asia (Exhibit 27). Exports to Asia declined 14.5 percent, to $21.0 billion, reflecting the recession in many of this region's key markets, such as Japan, South Korea, and Hong Kong. By contrast, exports to Europe were up 11.4 percent, to $33.5 billion, led by a 15.8 percent hike in air exports to this region. Air exports to France were especially strong, up 34 percent, to $2.9 billion, led by the sale of machinery and computers, optical, photo and medical instruments and electrical machinery. Exports to United Kingdom, the largest air market in Europe, also advanced, by 12.3 percent.

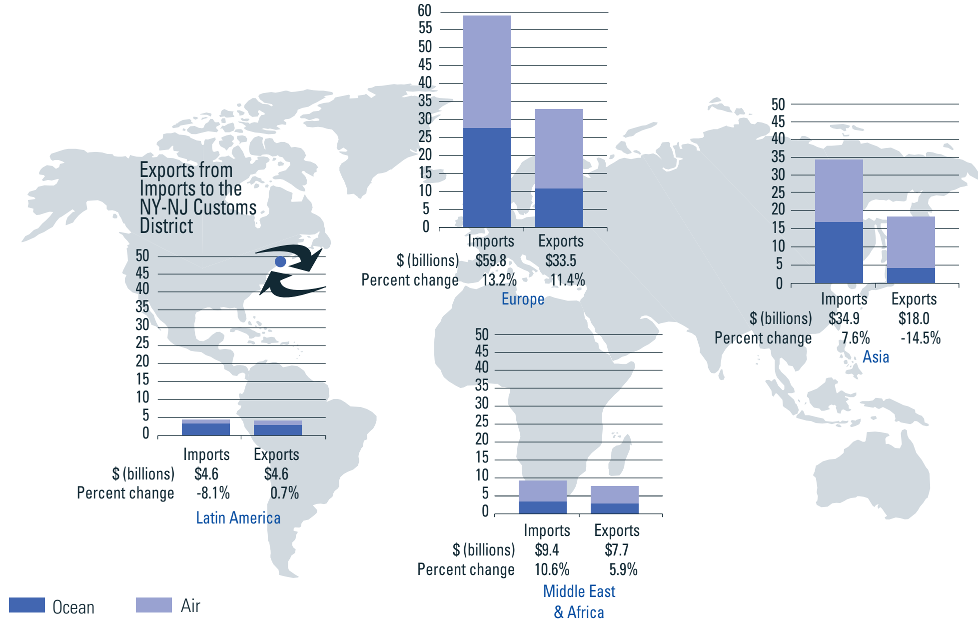
Exports to Latin America, which had been growing rapidly, retrenched in 1998 with a modest 0.7 percent increase, to $4.6 billion. In this market, ocean exports remained strong, growing 5.6 percent, while air shipments declined by 6.3 percent. Air exports to Brazil, which account for about half of this region's air exports to Latin America, fell 16.3 percent. By contrast, ocean exports to Brazil declined only 2.8 percent and were offset by rapid increases in trade to Argentina and Venezuela. Increased trade of machinery and motor vehicles triggered a 32 percent ocean export increase to Argentina and a 51 percent increase to Venezuela.

The value of exports to the Middle East and Africa increased by 5.9 percent. Air shipments, which grew by 17.5 percent, accounted for all of the gain and helped to offset the 11.8 percent decline in oceanborne exports. Air export gains to Israel, Saudi Arabia, and South Africa led trade gains to the Middle East and Africa. A decline in ocean exports was precipitated by a reduction in passenger motor and military vehicle exports to the Middle East.

Surprisingly, import growth from Europe in 1998 was almost double the growth from Asia even though many Asian nations needed exports to pull their economies out of recession. European imports totaled $59.8 billion, up 13.2 percent over 1997. Imports from Germany, Italy, France and Ireland were especially strong.

EXHIBIT 27

International Trade Growth at the New York-New Jersey Customs District Driven by Strong European Links in 1998



Note: Excludes the value of non-monetary gold

Source: US Department of Commerce

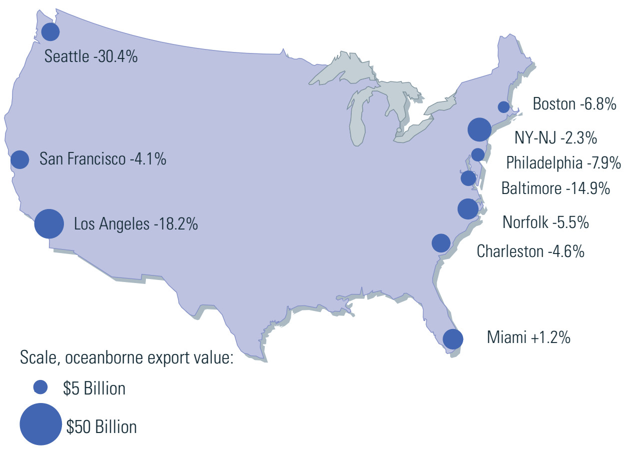
Imports from Asia were dulled by slow trade with Japan, this region's largest source of imports from Asia. Total ocean and air imports from Asia were $11.6 billion, up only 1.9 percent from 1997. Air imports from Asia were up 7.4 percent and were especially strong from Singapore and India. Air imports from Singapore rose 112 percent, to $2.0 billion due to increased computer and machinery imports.

The growth from India was attributable to increased imports of precious stones. Ocean imports from South Korea were up 37 percent, led by increased automobile and machinery imports. Trade with China, New York's fourth largest source for ocean imports, grew by 14 percent, to $3.4 billion, led by greater imports of toys and footwear.

EXHIBIT 28

Global Economic Downturn Affects Export Activity at Most US Ports in 1998

The Value of Goods Exported at the Largest US Ports and Percent Change from 1997



Source: US Department of Commerce

Imports from the Middle East and Africa gained 10.6 percent, to 9.4 billion, while imports from Latin America declined 8.1 percent, to $4.7 billion. In both of these regions, the value of trade was affected by the significant reduction in worldwide crude oil prices last year.

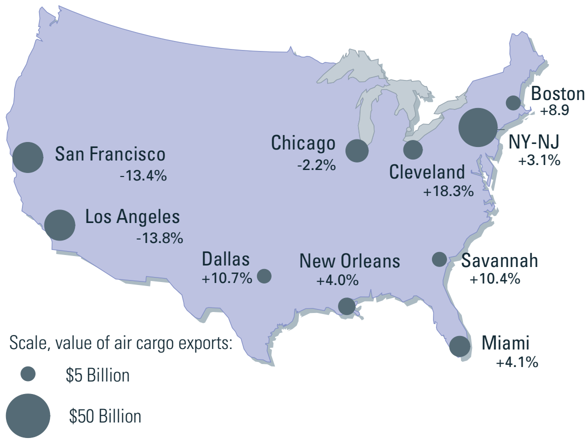
Region Well Positioned to Compete in International Cargo Markets

The region's diverse links to the global economy have been an important source of strength as several US regions encountered more difficult trading conditions in 1998. Of the leading North Atlantic ports, Norfolk experienced a 5.5 percent decline in export value; for Baltimore, exports fell 14.9 percent as coal prices and demand plummeted (Exhibit 28).

EXHIBIT 29

Air Cargo Exports from the NY-NJ Region Fared Well As the Asian Downturn Affects the West Coast

The Value of Goods Exported from the Largest Airport Systems and Percent Change from 1997



Source: US Department of Commerce

Excluding gold, US air cargo exports fell 0.9 percent, with declines of 13.4 percent from San Francisco and 13.8 percent from Los Angeles as both depend heavily on trade with Asia.

This region, as the nation's leading air cargo gateway, increased its share of international trade to 23.7 percent in 1998 (excluding gold), up from 22.2 percent the previous year.

US/International Economies

US Nears Longest Economic Expansion in History

The continuation of US economic growth into the second quarter of 2000 will make this expansion the longest in US economic history. Based on the economic performance of 1998, the probability of hitting the record books is high. Real Gross Domestic Product (GDP) expanded by a robust 3.9 percent as the unemployment rate continued to dip throughout the year, averaging 4.5 percent, compared to 4.9 percent in 1997. Low petroleum and commodity prices helped to reduce inflation to 1.6 percent. The economy added 3.1 million new jobs, a 2.6 percent gain over 1997.

The Federal Reserve Bank navigated the economy past a series of international shocks occurring during the summer of 1998. US markets experienced a jolt from the recession in Asia, the collapse of the Russian financial markets and ruble, the onset of recession in Brazil, and the near collapse of Long-Term Capital Management. From a July 17 peak, the US stock market lost 20 percent of its value before a turnaround began. The Federal Reserve reacted quickly in the fall with a series of 25 basis point rate cuts in Federal Funds Rate targets, one in late September, one in October, and another in November. Markets calmed, consumers remained confident, and the economy marched forward. By year-end, the stock market had more than recovered the summertime losses; and the Standard and Poor's 500 Index ended the year with a healthy 24 percent gain.

Consumers, benefiting from increased employment opportunities, rising incomes, and lower inflation, stepped up their expenditures even more. Real consumption expenditures increased by 4.9 percent, far exceeding the 3.2 percent gain in real disposable income. The business sector of the economy further contributed to economic growth by increasing nonresidential fixed investment by 11.8 percent in price adjusted dollars. Investments in producer durable equipment reached $770 billion, a 16.5 percent gain over 1997. This category is being driven by business investment in information processing, which reached $388 billion in 1998, 30 percent expansion above 1997 expenditures. Investment in structures was $203 billion, remaining unchanged from 1997 outlays.

The trade sector, as expected, curtailed economic growth as exports showed little growth in the wake of significant declines in exports to recession-laden Asia. Imports expanded sharply as US demand and the purchasing power of the dollar increased substantially. Exports, including both goods and services, increased only 1.5 percent in 1992 dollars, to $985 billion. Imports increased a robust 10.6 percent, to $1.223 trillion. As a result, the US trade deficit grew to $238 billion.

While the trade deficit itself reduced GDP growth by approximately 1.5 percentage points, many of the residual effects of global distress had a positive impact on growth in the domestic economy. For example, lower interest rates, energy prices, and import prices all contributed to real GDP growth in 1998 and offset the drag on the economy from the growing trade deficit.

Spreading International Economic Crisis Calmed by Year-End

World economic growth faced a fair amount of turbulence in 1998. Even as the US economy moved steadily forward, the financial crisis and recession that unfolded in Asia in late 1997 threatened to spread unchecked through Latin America and Russia in 1998. A palpable sense of fear emerged that even the US could not continue as an island of prosperity in the midst of this global economic crisis. The leadership of the Federal Reserve Board of Governors and the International Monetary Fund prevailed to maintain confidence and implement programs to curb the worst imbalances of the world's crisis economies. Year-end 1998 culminated with signs of economic recovery and a forward looking sense of optimism, but at times the path had been harrowing.

As the locus of the economic crisis, the nations of developing Asia bore the brunt of the economic contraction in 1998. Thailand, where the financial crisis began with the fall of the Baht currency, saw its economy decline 8.0 percent. Indonesia's GDP output cratered 13.7 percent, and was threatened with political upheaval following the Suharto regime. Economies long used to economic vibrancy, such as Hong Kong, Malaysia and South Korea, had to contend with GDP declines in excess of 5.0 percent, and rapidly rising inflation. For example, in South Korea in 1998, corporate bankruptcies were numerous, unemployment jumped from 2.6 percent to 6.8 percent, and GDP fell by 5.8 percent. Japan, whose economy has languished throughout the 1990s despite numerous attempts at fiscal stimulus, could not function as an engine of growth for the region.

Fortunately, as had occurred in Mexico's economic crisis in 1995, the combination of imposed fiscal austerity and devalued currency worked off domestic excesses while making Asian exports more of a bargain for a ready and willing US marketplace. The very sectors in the deepest trouble during 1998, such as electronics in Malaysia and Korea, had turned around significantly by the end of the year.

For Latin America, the crisis in late 1998 was headed off by the renewed confidence of improved liquidity in financial markets and the implementation of tougher reform measures, headed by those of Brazil. Issues of weak balance of payment accounts and excessive domestic spending began to head toward resolution, bolstering financial markets throughout that region.

European growth in 1998 was solid for most of the year but showed some strains — especially for economies such as Germany's, with its strong ties to Russia's financial markets. While GDP in Germany rose an overall 2.0 percent in 1998, gains in the fourth quarter of the year were a noticeably weaker 1.3 percent. In the UK, interest rates were cut throughout the year to ward off the effects of slower economic growth. GDP output increased 2.1 percent in the UK during 1998, but at a mere 1.1 percent rate in the final quarter of 1998.

Growth prospects in France remained favorable as export growth held strong. GDP rose 3.2 percent in 1998, representing the French economy's best gains during the 1990s. In Italy, business investment showed impressive growth as the current account deficit shrank and inflation moderated. Unfortunately, unemployment has remained a stubbornly high 12 percent, and economic output only increased 1.4 percent, following a 1.5 percent gain in 1997.

Statistical Compendium

Table 1

New York-New Jersey Metropolitan Region Wage & Salary Employment (in thousands)

By Major Industry, 1969-1998

	Total	Construction	Manu-facturing	TCPU	Wholesale & Retail Trade	FIRE	Services & Misc.	Government
1969	6,693.5	239.4	1,765.4	513.3	1,369.3	597.2	1,249.0	959.9
1970	6,677.1	244.4	1,666.2	521.7	1,378.3	597.7	1,271.3	997.5
1971	6,528.3	245.3	1,549.0	495.4	1,360.0	594.3	1,266.7	1,017.6
1972	6,553.5	244.9	1,526.5	495.7	1,376.0	593.2	1,290.5	1,026.7
1973	6,615.2	254.1	1,522.0	494.9	1,384.0	587.9	1,321.6	1,050.7
1974	6,532.7	236.5	1,452.9	481.5	1,366.3	584.0	1,331.4	1,080.1
1975	6,298.5	193.0	1,315.5	458.7	1,330.0	577.5	1,324.5	1,099.3
1976	6,263.4	170.7	1,329.0	453.9	1,341.2	577.0	1,341.6	1,050.0
1977	6,336.3	168.5	1,347.5	453.0	1,354.4	579.7	1,380.7	1,053.5
1978	6,513.5	178.8	1,366.6	462.4	1,380.7	588.1	1,448.4	1,088.5
1979	6,635.8	193.2	1,371.8	466.3	1,402.1	607.2	1,516.2	1,079.0
1980	6,691.9	199.0	1,338.3	468.9	1,399.2	630.4	1,578.4	1,077.7
1981	6,778.7	202.6	1,319.8	470.9	1,410.1	661.1	1,648.8	1,065.4
1982	6,773.9	206.4	1,245.7	465.7	1,419.6	680.0	1,693.2	1,063.3
1983	6,858.7	216.0	1,206.3	454.9	1,456.3	697.2	1,759.6	1,068.4
1984	7,113.4	238.8	1,223.5	475.3	1,529.8	717.0	1,847.6	1,081.5
1985	7,268.3	266.2	1,192.8	474.7	1,570.1	737.3	1,918.1	1,109.1
1986	7,400.9	289.7	1,155.8	465.0	1,597.2	778.1	1,990.8	1,124.3
1987	7,528.5	304.1	1,126.2	468.9	1,618.3	816.7	2,059.3	1,135.1
1988	7,591.1	331.4	1,098.6	470.9	1,621.1	820.8	2,105.8	1,159.5
1989	7,622.2	305.3	1,056.9	479.6	1,612.4	818.3	2,176.3	1,170.8
1990	7,496.2	283.7	986.7	482.7	1,559.7	802.6	2,196.2	1,182.4
1991	7,135.0	239.7	910.5	467.1	1,470.7	766.3	2,122.4	1,158.4
1992	6,968.7	209.8	862.0	446.8	1,428.8	746.1	2,129.1	1,146.9
1993	7,001.4	212.0	836.0	450.5	1,421.0	746.0	2,183.8	1,152.8
1994	7,083.6	220.9	815.4	456.5	1,443.0	756.8	2,243.0	1,148.1
1995	7,154.1	223.5	796.6	459.7	1,471.7	746.6	2,324.8	1,130.0
1996	7,221.0	226.9	776.4	462.6	1,483.7	744.7	2,414.0	1,112.1
1997	7,374.1	237.6	771.4	471.6	1,511.6	756.0	2,508.0	1,117.1
1998	7,544.8	254.5	768.1	478.0	1,538.7	773.6	2,608.0	1,124.2

TCPU = Transportation, Communications & Public Utilities.
Note: Regional numbers may not add to totals because of rounding error in county labor market data.

FIRE = Finance, Insurance & Real Estate.
Sources: NY & NJ State Departments of Labor.

Table 2
New York City Wage & Salary Employment (in thousands)
By Major Industry, 1969-1998

	Total	Construction	Manu-facturing	TCPU	Wholesale & Retail Trade	FIRE	Services & Misc.	Government
1969	3,796.2	104.5	825.8	323.8	749.1	464.2	781.8	547.0
1970	3,743.3	110.1	766.2	323.3	735.4	458.2	797.3	562.8
1971	3,608.4	110.7	702.4	299.1	704.1	450.1	772.8	569.2
1972	3,566.2	105.1	675.8	297.8	694.9	445.6	781.3	565.7
1973	3,540.5	107.5	652.8	293.6	685.5	434.6	790.6	575.9
1974	3,446.1	101.8	602.1	282.9	664.8	425.2	785.6	583.7
1975	3,286.4	80.0	536.9	269.5	633.9	420.1	772.2	573.8
1976	3,209.8	66.8	541.1	263.7	628.9	416.3	770.7	522.3
1977	3,187.9	64.2	538.6	258.2	620.1	414.4	784.6	507.8
1978	3,236.3	65.6	532.1	259.5	619.6	418.0	820.7	520.8
1979	3,278.7	70.9	518.5	258.6	621.1	429.7	859.8	520.1
1980	3,301.5	76.8	495.7	257.0	612.8	448.1	894.3	516.8
1981	3,357.2	82.5	485.1	255.8	611.6	473.0	934.7	514.5
1982	3,345.4	85.4	450.8	248.1	607.0	485.9	951.1	517.1
1983	3,356.0	88.2	432.7	234.3	610.4	493.2	975.0	522.0
1984	3,434.9	94.5	429.6	237.0	630.5	500.5	1,007.2	535.6
1985	3,488.1	106.3	407.7	232.0	638.1	507.6	1,039.8	556.6
1986	3,539.0	113.7	391.2	217.3	638.5	529.3	1,075.4	573.5
1987	3,590.0	118.8	379.6	214.9	637.6	549.7	1,109.2	580.4
1988	3,606.6	120.1	370.1	218.4	634.3	542.4	1,123.6	597.8
1989	3,614.4	120.9	359.5	224.6	630.2	530.2	1,147.5	601.5
1990	3,566.2	114.9	337.5	229.1	608.3	519.5	1,149.3	607.6
1991	3,374.8	99.8	307.8	218.4	565.4	493.6	1,097.2	592.6
1992	3,281.7	87.1	292.8	204.8	545.6	473.5	1,093.5	584.5
1993	3,291.2	85.8	288.8	203.4	537.9	471.6	1,116.1	587.6
1994	3,322.3	89.3	280.5	201.5	544.1	480.3	1,148.4	578.3
1995	3,339.3	90.2	273.5	202.9	555.4	473.4	1,183.8	560.1
1996	3,369.3	91.4	266.4	204.9	565.0	468.5	1,226.7	546.0
1997	3,411.3	93.8	264.8	205.5	577.7	473.4	1,275.2	551.5
1998	3,524.1	100.8	262.0	206.9	588.0	484.0	1,326.1	556.4

TCPU = Transportation, Communications & Public Utilities.

FIRE = Finance, Insurance & Real Estate.

Source: NY State Department of Labor.

Table 3

New York Suburbs Wage & Salary Employment (in thousands)

By Major Industry, 1969-1998

	Total	Construction	Manu-facturing	T.C.P.U.	Wholesale & Retail Trade	FIRE	Services & Misc.	Government
1969	1,068.2	60.7	259.1	52.1	260.9	45.9	197.8	191.8
1970	1,092.0	60.7	242.2	56.1	272.3	50.1	206.4	204.3
1971	1,094.7	62.1	225.1	55.6	274.7	53.0	213.7	210.3
1972	1,133.0	66.3	227.7	57.2	289.1	55.9	223.4	213.3
1973	1,177.5	70.9	236.1	57.6	297.9	58.5	235.2	221.3
1974	1,186.5	63.3	233.6	57.1	297.8	61.4	243.1	230.2
1975	1,168.5	51.4	217.9	56.1	295.1	61.0	249.2	237.8
1976	1,181.3	45.6	233.0	55.7	301.9	62.4	257.4	235.4
1977	1,219.0	45.9	232.7	56.7	311.1	64.0	268.5	239.9
1978	1,281.6	49.9	245.3	58.0	321.7	67.0	283.5	256.2
1979	1,323.7	53.8	255.7	60.2	333.8	71.1	297.9	251.2
1980	1,349.2	54.0	256.9	61.5	338.7	72.8	310.9	254.3
1981	1,369.1	53.7	258.9	63.2	342.9	75.2	325.9	249.2
1982	1,389.6	57.0	253.8	65.0	350.4	77.7	340.0	246.0
1983	1,428.8	61.6	251.5	64.6	365.1	82.8	356.0	247.2
1984	1,502.2	68.3	261.6	69.1	388.4	87.7	379.4	247.7
1985	1,555.2	77.0	264.9	70.5	404.5	92.8	394.0	251.2
1986	1,602.5	86.1	262.6	70.9	418.3	100.6	410.0	254.0
1987	1,634.7	91.0	254.9	73.2	426.3	108.1	424.9	256.2
1988	1,648.0	91.5	248.8	74.3	422.8	113.4	437.5	259.5
1989	1,651.3	87.9	236.2	75.2	416.9	116.7	456.4	262.1
1990	1,632.3	81.6	221.5	76.8	404.8	116.2	466.4	264.9
1991	1,559.7	67.9	202.3	75.6	383.8	113.9	457.2	259.0
1992	1,521.9	58.5	189.9	72.7	374.5	114.0	460.9	251.4
1993	1,528.6	59.6	179.2	74.0	375.5	113.1	474.6	252.6
1994	1,548.1	62.1	173.0	74.8	382.6	113.4	465.9	256.4
1995	1,570.6	63.9	167.6	74.8	392.2	110.7	503.5	257.8
1996	1,582.8	66.5	163.9	74.9	391.8	109.9	519.1	256.3
1997	1,611.2	71.7	160.3	78.1	396.9	110.6	534.1	257.1
1998	1,650.9	78.5	163.6	79.1	404.2	111.3	553.6	260.8

TCPU = Transportation, Communications & Public Utilities
Note: Employment numbers for 1989 adjusted to eliminate the effect of the telephone strikes.

FIRE = Finance, Insurance & Real Estate
Source: NY State Department of Labor.

Table 4

Northern New Jersey Sector Wage & Salary Employment (in thousands)

By Major Industry, 1969-1998

	Total	Construction	Manu-facturing	TCPU	Wholesale & Retail Trade	FIRE	Services & Misc.	Government
1969	1,827.6	74.2	680.4	137.3	359.3	85.7	269.5	221.1
1970	1,840.2	73.6	657.8	142.3	370.6	88.1	277.6	230.3
1971	1,824.4	72.4	621.5	140.8	381.1	90.4	280.2	238.1
1972	1,854.6	73.5	622.9	140.7	392.0	91.6	285.9	247.7
1973	1,854.6	73.5	622.9	143.7	400.6	94.8	295.9	253.5
1974	1,900.1	71.3	617.2	141.5	403.7	97.5	302.7	266.1
1975	1,843.5	61.7	560.7	133.1	401.1	96.3	303.1	287.6
1976	1,874.5	58.3	564.9	134.6	410.5	98.4	313.4	292.3
1977	1,929.8	58.4	576.1	138.1	423.1	101.3	327.5	305.8
1978	1,995.6	63.3	589.2	144.9	439.5	103.1	344.2	311.5
1979	2,033.2	68.5	597.5	147.5	447.1	106.5	358.5	307.6
1980	2,040.8	68.1	585.7	150.4	447.6	109.4	373.1	306.6
1981	2,052.2	66.3	575.7	151.9	455.7	112.8	388.2	301.7
1982	2,038.9	64.0	541.1	152.6	462.2	116.7	402.1	300.1
1983	2,073.9	66.2	522.1	156.0	480.8	121.2	428.6	299.0
1984	2,176.3	76.0	532.3	169.2	510.9	128.8	461.0	298.2
1985	2,225.0	82.9	520.2	172.2	527.4	136.9	484.2	301.2
1986	2,259.5	89.9	501.9	176.8	540.4	148.2	505.4	296.9
1987	2,303.7	94.3	491.7	180.7	554.4	158.9	525.2	298.5
1988	2,336.4	99.8	479.6	178.2	564.0	165.1	544.5	302.2
1989	2,356.5	96.6	461.2	179.9	565.3	171.5	572.3	307.2
1990	2,297.7	87.2	427.7	176.9	546.6	166.8	580.4	309.9
1991	2,200.6	72.0	400.3	173.1	521.5	158.9	568.0	306.8
1992	2,165.5	64.2	379.2	172.6	508.4	158.6	574.8	311.4
1993	2,181.6	66.5	368.1	176.8	507.6	161.6	593.6	312.6
1994	2,213.2	69.4	361.9	184.0	516.4	163.1	608.7	313.4
1995	2,244.1	69.3	355.4	181.9	524.1	162.5	637.5	312.2
1996	2,268.9	69.0	346.2	182.8	526.8	166.2	668.2	309.8
1997	2,321.0	72.2	343.6	187.9	537.0	172.1	698.8	308.3
1998	2,369.9	75.3	342.6	192.1	546.4	178.3	728.3	307.1

TCPU = Transportation, Communications & Public Utilities

Note: Numbers may not add to totals because of rounding error in county labor market data.

FIRE = Finance, Insurance & Real Estate

Source: NJ State Department of Labor.

Table 5
Demographic Indicators

Population

	17-County NY-NJ Region	New York City	NY Suburbs	Northern NJ Sector
1970	16,182,800	7,895,600	3,680,200	4,607,000
1980	15,215,300	7,071,600	3,731,900	4,411,800
1981	15,271,700	7,111,700	3,737,700	4,422,300
1982	15,328,400	7,152,000	3,743,600	4,432,800
1983	15,385,200	7,192,500	3,749,400	4,443,300
1984	15,442,300	7,233,300	3,755,200	4,453,800
1985	15,499,700	7,274,300	3,761,000	4,464,400
1986	15,551,200	7,305,600	3,772,300	4,473,300
1987	15,598,200	7,332,200	3,783,700	4,482,300
1988	15,589,500	7,328,900	3,781,200	4,479,400
1989	15,542,000	7,322,700	3,762,300	4,457,000
1990	15,526,660	7,322,560	3,749,550	4,454,540
1991	15,518,930	7,303,370	3,757,060	4,458,500
1992	15,555,220	7,303,020	3,774,980	4,477,220
1993	15,617,610	7,327,440	3,791,560	4,498,620
1994	15,655,150	7,339,150	3,801,780	4,514,220
1995	15,691,450	7,347,280	3,812,900	4,531,280
1996	15,735,750	7,361,220	3,823,110	4,551,420
1997	15,797,820	7,385,490	3,833,350	4,578,970
1998	15,884,190	7,420,170	3,852,750	4,611,280

Sources: US Bureau of the Census

Total Labor Force

	17-County NY-NJ Region	New York City	NY Suburbs	Northern NJ Sector
1970	6,800,000	3,300,000	1,500,000	2,000,000
1980	7,045,875	3,042,000	1,864,775	2,139,100
1981	7,087,853	3,073,000	1,893,353	2,121,500
1982	7,125,625	3,066,000	1,915,925	2,143,700
1983	7,152,202	3,003,000	1,984,402	2,164,800
1984	7,268,498	3,081,000	1,938,498	2,249,000
1985	7,465,610	3,225,000	1,971,110	2,269,500
1986	7,525,737	3,208,000	2,026,537	2,291,200
1987	7,687,200	3,233,100	2,060,800	2,393,300
1988	7,656,800	3,210,100	2,056,700	2,389,900
1989	7,844,100	3,364,100	2,073,400	2,406,600
1990	7,782,500	3,333,500	2,035,100	2,413,900
1991	7,612,200	3,276,000	1,985,000	2,351,200
1992	7,563,200	3,262,100	1,952,300	2,348,900
1993	7,519,400	3,236,700	1,958,100	2,324,600
1994	7,501,000	3,220,900	1,944,800	2,335,300
1995	7,474,900	3,185,400	1,930,600	2,358,900
1996	7,616,600	3,281,700	1,941,800	2,393,200
1997	7,809,800	3,400,500	1,981,500	2,427,800
1998	7,842,200	3,445,200	1,992,900	2,404,100

Sources: NY & NJ State Departments of Labor

Unemployment Rates

	17-County NY-NJ Region	New York City	NY Suburbs	Northern NJ
1980	7.4%	8.6%	5.5%	7.2%
1981	7.5%	9.0%	5.6%	7.2%
1982	8.4%	9.6%	5.9%	8.9%
1983	8.1%	9.4%	6.2%	8.0%
1984	7.0%	8.9%	4.9%	6.2%
1985	6.4%	8.1%	4.3%	5.9%
1986	5.8%	7.3%	4.2%	5.2%
1987	4.6%	5.7%	3.3%	4.1%
1988	4.1%	4.7%	3.1%	4.3%
1989	5.3%	5.7%	4.0%	4.1%
1990	5.5%	6.8%	3.7%	5.0%
1991	7.3%	8.6%	5.8%	6.6%
1992	9.2%	11.0%	7.1%	8.5%
1993	8.5%	10.4%	6.2%	7.8%
1994	7.3%	8.7%	5.5%	7.0%
1995	6.8%	8.2%	4.9%	6.5%
1996	6.8%	8.8%	4.2%	6.3%
1997	6.7%	9.4%	3.9%	5.2%
1998	5.7%	8.0%	3.3%	4.6%

Sources: NY & NJ State Departments of Labor

Table 6
Consumer Price Index
Percent Change in Consumer Price Index
US and NY-NJ Metropolitan Region

	All Items		Food & Beverages		Housing		Transportation		Medical	
	U.S	NY-NJ Region	U.S.	NY-NJ Region	U.S.	NY-NJ Region	U.S.	NY-NJ Region	US	NY-NJ Region
1980	13.5%	11.3%	8.5%	9.0%	15.7%	12.1%	17.8%	16.8%	11.0%	9.6%
1981	10.3%	9.8%	7.8%	9.0%	11.5%	10.7%	12.1%	11.9%	10.8%	9.1%
1982	6.2%	5.8%	4.1%	5.1%	7.2%	6.3%	4.1%	3.9%	11.6%	8.9%
1983	3.2%	4.7%	2.2%	1.7%	2.7%	5.4%	2.4%	3.3%	8.7%	9.0%
1984	4.3%	5.0%	3.8%	4.7%	4.1%	4.6%	4.5%	6.0%	6.2%	8.1%
1985	3.6%	3.7%	2.5%	3.5%	4.0%	3.7%	2.6%	2.0%	6.2%	7.1%
1986	1.9%	3.3%	3.0%	4.6%	2.9%	3.8%	-3.9%	-2.1%	7.5%	8.5%
1987	3.7%	5.1%	4.1%	5.7%	3.0%	4.6%	3.0%	3.8%	6.6%	8.3%
1988	4.1%	4.8%	4.1%	5.2%	3.8%	6.0%	3.1%	3.7%	6.5%	6.4%
1989	4.8%	5.6%	5.7%	5.8%	3.8%	5.4%	5.0%	3.3%	7.6%	7.6%
1990	5.4%	6.1%	5.8%	5.7%	4.5%	5.6%	5.6%	5.7%	9.1%	10.7%
1991	4.2%	4.5%	3.6%	3.3%	3.9%	4.6%	2.8%	3.9%	8.7%	8.2%
1992	3.0%	3.6%	1.4%	1.2%	2.9%	3.9%	2.2%	2.8%	7.4%	7.2%
1993	3.0%	3.0%	2.1%	2.1%	2.7%	2.7%	3.0%	4.7%	6.0%	4.5%
1994	2.6%	2.4%	2.3%	2.0%	2.5%	2.8%	3.0%	3.0%	4.8%	4.1%
1995	2.8%	2.5%	2.8%	2.6%	2.5%	2.2%	3.5%	2.9%	4.5%	4.2%
1996	2.9%	2.9%	3.2%	2.4%	2.9%	2.6%	2.8%	4.5%	3.5%	3.8%
1997	2.3%	2.3%	2.6%	2.1%	2.6%	2.4%	0.9%	1.1%	2.8%	3.9%
1998	1.6%	1.6%	2.2%	1.9%	2.3%	2.4%	-1.9%	-1.9%	3.2%	4.3%

Source: US Bureau of Labor Statistics

Table 7
Construction Statistics
NY-NJ Metropolitan Region
(billions of 1997 dollars)

Total Construction Contract Awards

	NY-NJ Region	NY City	NY Suburbs	NJ Sector
1980	$9.263	$4.081	$1.806	$3.377
1981	$9.869	$4.598	$2.147	$3.125
1982	$9.268	$3.946	$2.046	$4.227
1983	$11.562	$5.216	$2.119	$3.810
1984	$13.027	$5.248	$2.788	$4.991
1985	$15.889	$6.297	$3.650	$5.943
1986	$15.953	$5.839	$3.637	$6.477
1987	$16.978	$7.622	$4.046	$5.310
1988	$14.463	$5.826	$3.182	$5.455
1989	$16.887	$7.904	$4.035	$4.947
1990	$11.985	$6.295	$2.132	$3.558
1991	$10.530	$5.536	$1.877	$3.118
1992	$10.805	$5.746	$2.067	$2.992
1993	$10.315	$4.711	$2.360	$3.244
1994	$11.340	$5.384	$2.357	$3.599
1995	$11.868	$6.138	$2.398	$3.332
1996	$11.610	$5.238	$2.046	$3.325
1997	$14.443	$7.074	$2.826	$4.543
1998	$12.267	$5.072	$2.806	$4.389

Residential Building Construction Contract Awards

	NY-NJ Region	NY City	NYNJ Suburbs	NJ Sector
1980	$2.712	$1.018	$0.663	$1.031
1981	$2.778	$0.943	$0.834	$1.001
1982	$2.532	$0.969	$0.521	$1.042
1983	$3.936	$1.311	$0.877	$1.748
1984	$4.478	$1.389	$1.146	$1.943
1985	$6.466	$2.273	$1.667	$2.525
1986	$6.371	$1.619	$1.831	$2.921
1987	$5.245	$1.516	$1.803	$1.926
1988	$4.619	$1.374	$1.359	$1.886
1989	$4.183	$1.924	$1.047	$1.212
1990	$2.878	$1.306	$0.622	$0.950
1991	$2.745	$1.354	$0.672	$0.719
1992	$2.422	$0.996	$0.702	$0.724
1993	$2.513	$0.889	$0.696	$0.928
1994	$2.650	$0.885	$0.808	$0.956
1995	$2.859	$0.982	$0.779	$1.098
1996	$2.790	$0.967	$0.845	$0.978
1997	$3.689	$1.600	$0.928	$1.161
1998	$3.692	$1.046	$1.099	$1.547

Commercial and Industrial Building Construction Contract Awards

	NY-NJ Region	NY City	NY Suburbs	NJ Sector
1980	$4.531	$2.233	$0.599	$1.699
1981	$5.159	$2.764	$0.828	$1.567
1982	$4.627	$2.206	$0.856	$1.566
1983	$5.018	$2.211	$0.858	$1.949
1984	$5.964	$2.448	$1.086	$2.430
1985	$6.469	$2.514	$1.207	$2.748
1986	$6.707	$2.708	$1.295	$2.704
1987	$8.022	$4.313	$1.080	$2.629
1988	$5.943	$2.500	$1.050	$2.393
1989	$7.840	$3.946	$1.194	$2.700
1990	$5.817	$3.124	$0.939	$1.754
1991	$4.433	$2.557	$0.605	$1.271
1992	$4.830	$2.980	$0.651	$1.198
1993	$4.542	$2.222	$1.001	$1.318
1994	$5.305	$2.913	$0.720	$1.672
1995	$5.394	$3.116	$0.751	$1.527
1996	$5.368	$2.639	$1.358	$1.371
1997	$6.710	$3.591	$1.154	$1.966
1998	$5.779	$2.568	$0.959	$2.252

Infrastructure Construction Contract Awards

	NY-NJ Region	NY City	NY Suburbs	NJ Sector
1980	$2.021	$0.829	$0.544	$0.647
1981	$1.933	$0.891	$0.485	$0.557
1982	$2.109	$0.771	$0.699	$0.668
1983	$2.608	$1.694	$0.384	$0.530
1984	$2.585	$1.411	$0.556	$0.618
1985	$2.954	$1.510	$0.775	$0.668
1986	$2.875	$1.512	$0.512	$0.851
1987	$3.711	$1.793	$1.163	$0.755
1988	$3.390	$1.952	$0.722	$1.177
1989	$4.864	$2.035	$1.794	$1.035
1990	$3.290	$1.865	$0.570	$0.855
1991	$3.352	$1.625	$0.599	$1.128
1992	$3.553	$1.770	$0.713	$1.070
1993	$3.261	$1.600	$0.663	$0.998
1994	$3.385	$1.585	$0.829	$0.971
1995	$3.615	$1.912	$0.869	$0.706
1996	$3.452	$1.545	$0.843	$0.977
1997	$4.044	$1.883	$0.744	$1.416
1998	$2.796	$1.458	$0.748	$0.590

Note: Construction awards in 1997 dollars using F.W. Dodge Building Cost Deflator.

Source: F.W. Dodge.

Table 8
Regional Traffic Trends

Domestic and Overseas Air Passenger Traffic
John F. Kennedy, LaGuardia and Newark Airports (in millions)

	International	Domestic
1977	12.0	32.9
1978	13.1	37.3
1979	12.5	42.2
1980	12.2	41.3
1981	12.2	41.9
1982	12.5	44.5
1983	13.7	50.4
1984	15.5	58.3
1985	15.9	62.1
1986	14.9	63.9
1987	16.8	61.1
1988	19.3	58.5
1989	19.9	54.5
1990	20.7	54.1
1991	18.5	49.6
1992	19.6	52.1
1993	19.6	52.8
1994	20.8	56.8
1995	22.2	55.4
1996	23.4	57.6
1997	24.4	59.5
1998	25.7	60.7

Source: Port Authority of NY & NJ

Port Authority Interstate Facilities
(in millions)

	Eastbound Tunnels & Bridges Vehicles	Bus Passengers	PATH Passengers
1977	82.8	66.0	40.5
1978	83.6	63.0	41.8
1979	84.5	64.0	44.3
1980	88.0	64.5	35.9
1981	91.3	62.8	47.9
1982	93.8	59.4	53.0
1983	97.7	59.6	54.9
1984	101.0	62.0	54.6
1985	105.7	64.5	53.7
1986	110.1	65.0	57.6
1987	109.6	64.1	58.2
1988	111.4	63.3	56.9
1989	111.8	63.1	56.4
1990	112.4	56.6	56.0
1991	110.2	58.5	53.4
1992	110.9	57.7	53.0
1993	109.9	54.0	56.2
1994	109.0	54.8	59.2
1995	112.5	56.6	59.3
1996	113.6	57.0	60.7
1997	118.0	60.8	62.2
1998	121.4	61.7	65.0

Note: Information excluded for the Journal Square Transportation Center.

NY City Transit Authority Bus and Subway Passengers
(in billions)

1977	1.6
1978	1.7
1979	1.7
1980	1.6
1981	1.5
1982	1.5
1983	1.5
1984	1.511
1985	1.511
1986	1.520
1987	1.546
1988	1.561
1989	1.557
1990	1.505
1991	1.460
1992	1.447
1993	1.475
1994	1.532
1995	1.553
1996	1.597
1997	1.673
1998	1.828

Source: New York City Transit Authority.

Regional Commuter Rail Passenger Passengers
(in millions)

	NJ Transit	LIRR	Metro-North
1977	38.1	61.3	41.1
1978	36.0	64.2	43.7
1979	35.9	69.0	46.8
1980	36.8	70.4	49.8
1981	37.0	71.2	48.7
1982	34.6	71.4	47.7
1983	30.2	73.3	40.5
1984	34.0	75.2	46.9
1985	36.8	75.9	49.2
1986	38.8	75.7	51.8
1987	45.5	72.0	53.8
1988	45.1	75.1	54.5
1989	44.4	75.4	55.9
1990	42.6	72.4	56.5
1991	41.6	70.5	56.0
1992	41.5	70.2	56.4
1993	42.6	71.6	57.8
1994	45.2	73.2	60.7
1995	45.3	73.6	60.9
1996	47.3	74.4	61.6
1997	50.5	75.8	62.6
1998	54.1	77.4	65.0

Sources: New Jersey Transit, and Metropolitan Transportation Authority. Metro North includes the Harlem, Hudson and New Haven lines in the Metropolitan region.

The data in this report were obtained from official government publications, including the US Bureau of the Census, US Bureau of Labor Statistics, US Department of Commerce, The State Departments of Labor in New York, New Jersey and Connecticut, The New York Convention & Visitors Bureau; from private data sources, including Consensus Forecasts, DRI/McGraw-Hill, F.W. Dodge, Cushman & Wakefield, HSH Associates, National Association of Realtors, PKF Consulting, The League of American Theaters and Producers; and from the Aviation, Port Commerce, Tunnels, Bridges & Terminals Departments, and the Port Authority Trans-Hudson Corporation of The Port Authority of New York and New Jersey.

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