MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

June 2013

UNEMPLOYMENT RATE (percent of labor force)	MAY 2013	PREVIOUS 3 MONTHS AVERAGE	MAY 2012
U.S. (seasonally adjusted)	7.6	7.6	8.2
U.S. (not seasonally adjusted)	7.3	7.6	7.9
REGION (not seasonally adjusted)	NA	8.1	8.7

NON-FARM EMPLOYMENT (thousands)	MAY 2013	PREVIOUS 3 MONTHS AVERAGE	% CHANGE MAY 2013 / MAY 2012
U.S.	135,637	135,315	0.1
REGION	8,443	8,338	2.1
Construction and Manufacturing	638	636	0.7
FIRE / Professional / Business	2,077	2,069	2.1
Government	1,201	1,162	2.6
All Others	4,526	4,471	2.1

REAL GDP (percentage change)	2013Q1	2012Q4	2012Q3
U.S. (seasonally adjusted at annual rates)	1.8	0.4	3.1
REGION (Oxford Economics Estimate)	2.3	1.3	2.1

CONSUMER PRICE INDEX (percentage change)	MAY '13 / MAY '12	MAY '13 / APR '13	APR '13 / APR '12
U. S.	1.4	0.1	1.1
Core	1.7	0.2	1.7
REGION	1.4	0.1	1.4
Core	1.9	0.2	1.9
Food & Beverages	0.8	-0.6	1.9
Housing	2.0	0.4	1.9
Transportation	0.7	0.4	-0.4
Energy	-1.5	0.6	-3.3

CONSTRUCTION COST INDEX (percentage change)	MAY '13 / MAY '12	MAY '13 / APR'13	APR '13 / APR '12
U.S. 20-CITY	1.4	0.0	1.5
NY REGION	5.0	0.1	5.0

GASOLINE PRICES (US dollars per gallon)	JUN 2013	A month ago	A year ago
U.S. (all types NSA)	$3.73	$3.80	$3.56
New York City (all types NSA)	$4.02	$4.02	$3.89
Newark, NJ (all types NSA)	$3.59	$3.60	$3.50

HOUSING PRICES (12-month percentage change)	APR '13 / APR '12	MAR '13 / MAR '12	FEB '13/ FEB '12
U.S. 20-CITY COMPOSITE	12.1	10.9	9.4
NY METROPOLITAN AREA	3.2	2.6	2.0

INTERNATIONAL TRADE (billions of dollars)	APR 2013	% CHANGE VS. APR 2012	% CHANGE YTD 2013 VS APR 2012
U.S.	320.5	1.2	-0.9
NY CUSTOMS DISTRICT	35.4	2.0	-2.4
NY Imports	21.2	3.6	-3.6
NY Exports	14.2	-0.4	0.0

MANHATTAN COMMERCIAL REAL ESTATE	MAY 2013	APR 2013	MAR 2013
Availability (%)			
Manhattan Totals	11.5	11.8	11.8
Midtown	11.6	12.2	12.0
Downtown	14.3	13.3	13.6
Average Asking Rent (Class A Office APRket) ($/square foot)			
Manhattan Totals	69.5	70.1	70.3
Midtown	77.2	77.7	78.5
Downtown	52.6	52.6	52.6

REGIONAL ECONOMIC FORECAST	2013	2014	2015
Real GDP (%)	1.9	2.5	3.0
Nonfarm Employment Growth (%)	1.1	1.1	1.6

Sources available upon request.

The views expressed herein are solely those of the authors and do not reflect the official positions of PANYNJ or its leadership.

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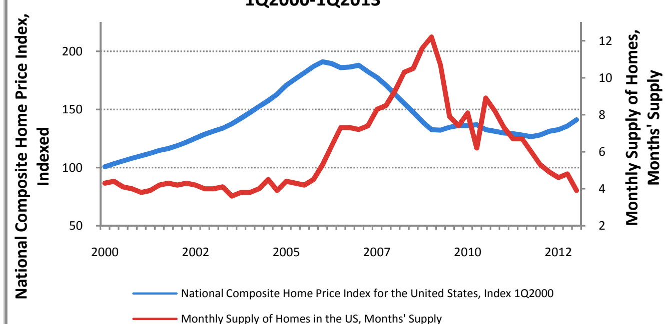
SPECIAL FOCUS

Uncertain Growth in Home Prices

While the pace of the current economic recovery remains modest, one sector has picked up speed in recent months: housing. Despite tight credit conditions, house prices are rebounding from lows reached in late 2011 with prices in some regional markets growing more than 20 percent in the last year. This unexpected recent price increase trends may be fueled by unprecedented market dynamics, including record low inventories and pent-up demand for properties.

US Housing Prices and Home Inventories, 1Q2000-1Q2013



Source: Federal Research Economic Data

The growth in demand for homes is fueled by the combination of traditional homebuyers looking to take advantage of current market conditions, and investors on the hunt for rental properties; according to the *Campbell HousingPulse Survey*, the percentage of homes purchased by investors was 20 percent in May. While purchases by institutional investors like BlackStone and Colony Capital constitute a miniscule portion of national home purchases, their tight geographic focus is driving strong price growth in Atlanta, Las Vegas, and other booming markets, reports CoreLogic. This competition is made more fierce as 76 percent of investor purchases in March were made in cash, compared with just 19 percent of purchases by current homeowners and first-time homebuyers. The ease of transacting in all cash means that purchasers who finance must raise their bids, pushing prices higher still.

Competition for properties is also reducing supply, pushing home inventory to its lowest level since 2005, a mere 4.1 months of sales. Additionally, considerable numbers (44 percent) of homeowners with mortgages are unable to sell their homes because of low or negative equity, according to the *Zillow Negative Equity Report*. While rising house prices lifted approximately 730,000 homeowners from negative equity in 1Q2013, the average underwater homeowner owes $73,059 more than the current value of their home. Although construction starts, building permits, and new home sales have soared above 2011 lows, they remain below long -term averages and new construction is not currently able to meet surging demand. Homes in foreclosure and real estate owned (REO) properties constitute 4.6 months of additional "shadow inventory", says CoreLogic, although this latter category is shrinking quickly due to purchases by investors.

Differences in foreclosure processes also have a material impact on regional housing price recovery. Port Authority analysis of house price trends in 20 metropolitan found that states with judiciary foreclosure (including New York and New Jersey) have experienced an increase in house prices of 7 percent on average, less than half of the 16 percent on average price recovery seen by states with few or no judiciary foreclosures.

As low inventories, record low interest rates and cash purchases drive home price appreciation across the country, it is questionable whether recent price increases are sustainable in the face of rising mortgage rates and tight credit.

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June 2013

AVIATION	Apr '13	Apr '12	Change
Revenue Passengers (000's)	**9,163.2**	**9,402.5**	**-2.5%**
John F. Kennedy International Airport (JFK)	3,935.0	4,130.0	-4.7%
LaGuardia Airport (LGA)	2,248.0	2,206.1	1.9%
Newark Liberty International Airport (EWR)	2,954.6	3,033.3	-2.6%
Stewart International Airport (SWF)	25.7	33.2	-22.7%
Revenue Freight (Short Tons)	**162,115**	**167,894**	**-3.4%**
Domestic	57,364	60,896	-5.8%
International	104,751	106,998	-2.1%
Flights	**105,971**	**103,623**	**2.3%**
Domestic Air Carrier	77,408	75,890	2.0%
International Air Carrier	23,270	22,461	3.6%
General Aviation	5,293	5,272	0.4%
Paid Parked Cars	**701,103**	**724,004**	**-3.2%**
Revenue AirTrain Passengers	**598,698**	**593,946**	**0.8%**

FERRY OPERATIONS	Apr '13	Apr '12	Change
Passengers (000's)			
New Jersey Ferries	679.7	673.3	1.0%

PATH	Apr '13	Apr '12	Change
Passengers (000's)	**6,316.0**	**6,445.0**	**-2.0%**
Average Weekday	248.7	260.7	-4.6%
Average Saturday	122.8	132.5	-7.3%
Average Sunday	88.5	88.2	0.4%

PORT COMMERCE	Apr '13	Apr '12	Change
Port Trade			
Container Imports (TEUs)	216,414	224,808	-3.7%
Container Exports (TEUs)	131,664	131,268	0.3%
Containers lifted on/off Express Rail	37,631	38,538	-2.4%

TUNNELS, BRIDGES & TERMINALS	Apr '13	Apr '12	Change
Eastbound Vehicle Volumes (000's)	**9,638**	**9,790**	**-1.6%**
George Washington Bridge	4,112	4,134	-0.5%
Lincoln Tunnel	1,566	1,634	-4.2%
Holland Tunnel	1,355	1,365	-0.7%
Bayonne Bridge	288	293	-1.7%
Goethals Bridge	1,123	1,166	-3.7%
Outerbridge Crossing	1,194	1,198	-0.3%
Eastbound Volumes by Vehicle Type (000's)			
Autos	8,760	8,926	-1.9%
Trucks	627	616	1.8%
Buses	251	248	1.2%

PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100)	Apr '13	Mar '13	Change
PA Pulse (Transportation Activity Index)	96.4	95.6	0.9%
PA Freight Pulse	93.9	93.3	0.7%
PA Passenger Pulse	98.9	97.9	1.0%

U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100)	Apr '13	Mar '13	Change
TSI - Combined Index	113.7	114.7	-0.8%
TSI - Freight	112.4	113.8	-1.2%
TSI - Passenger	116.9	116.8	0.1%

TRANSPORTATION FOCUS

Drivers Hit the Brakes: The Puzzling Decline of National and Regional Auto Activity

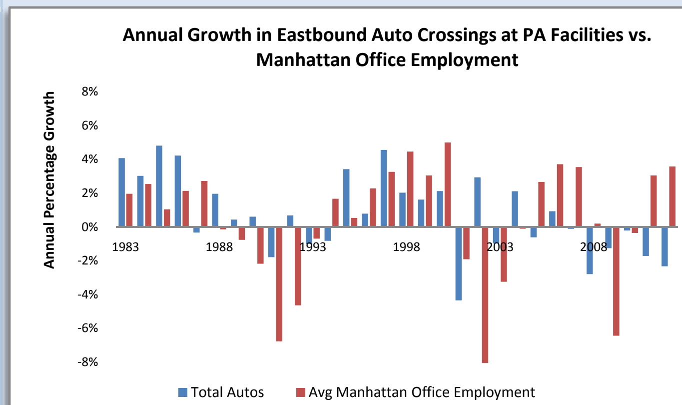
In November 2012, we wrote about the decline in automotive vehicle miles traveled (VMT) per capita across the nation and within the New York-New Jersey region. This trend, which dates back to 2006, has continued unabated. Lower driving activity has also been reflected in declining crossings at Port Authority and Metropolitan Transportation Association (MTA) bridges and tunnels, even after the end of the Great Recession.. The decline is associated with a number of factors, including higher gas prices, the aging of the U.S. population, and changing driving habits of the U.S.labor force.

Since 2000, both the level and volatility of real gas prices have increased compared to previous decades, which partly explains the reduction in automotive VMT per capita since 2006. Gas prices, which are driven by global demand, have been significantly affected by China's rise as a manufacturing powerhouse and political instability in the Middle East over the last ten years.

Another key factor affecting driving trends nationally and regionally is the aging of the U.S. population. The cohort of drivers in their prime driving years, defined as drivers aged 35-54, peaked around 2000 and has been declining since that time. Younger cohorts have not picked up the slack. In fact, the number of miles driven by 16 to 34 year olds dropped 23 percent from 2001 to 2009 according to research by U.S. Public Interest Research Group. The effect of the Great Recession on younger workers accounts for some of this decline, but it is also indicative of the growing share of younger workers who eschew automobile ownership and seek to work and live in cities.

At the regional level, changes in the commuting and discretionary driving habits of the workforce may also be contributing to fewer vehicle trips over regional bridges and tunnels. For example, finance, insurance and related service sector employment, once a strong indicator of demand for regional auto activity, has returned to its pre-recession heights while auto crossings on regional transportation facilities have continued to fall. Strong growth rates in sectors that do not use offices, such as healthcare, hospitality, and education, are also running against the trend of declining crossings at regional bridges and tunnels..

It is far too early to say whether the shift toward lower automotive VMT per capita is permanent or temporary. What is clear is that the association between auto activity and the economic and demographic forces that helped propel U.S. and regional automotive usage upward through the 20th century appears to be weakening at present. The onset of persistent high gas prices and the effects of the Great Recession may explain part of this phenomenon, but changes in national and regional transportation mode preferences, home locations, and changes in the age and work schedules of the labor force may also be contributing to the decline of national and regional automotive activity.



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