

The manufacturing sector decreased 0.6% in 1999 and is expected to rise by a small amount in 2000. Thereafter, employment in this sector is anticipated to be unchanged. The manufacturing sector continues to be a tale of two diverse and differing subsectors. Core manufacturing, including GM and Bethlehem Steel, have not participated in the growth of employment that the Maryland economy has enjoyed over the last several years. However, an increase in productivity due to the incorporation of new technology has actually enhanced revenues at these facilities. High technology and, to a greater degree, biotechnology firms will likely drive any growth that occurs in the manufacturing sector in the coming years.

Employment growth in the construction sector increased at a rate of 6.6% in 1999, behind only the finance sector and more than double the rate of Maryland employment growth. A number of factors spurred this sector forward in 1999, including record low mortgage rates in 1998 and the early part of 1999 and an extremely tight market for office space, with low vacancy rates which haven't been seen since the mid-1980s. Vacancy rates for office space in downtown Baltimore have increased slightly through mid-2000 to 10.4%, although the rate for class A office space has declined from 4.5% to 3.9% over the first six months of the year. Rental rates for class A space have exceeded \$30 per square foot along Pratt Street and other downtown areas for the first time. The market is so tight that firms looking to expand are having to consider suburban locations.

The area around the Baltimore-Washington International Airport (BWI) is booming. Industrial space is increasingly in demand, with much of the new construction in the State occurring in this area. Speculative construction of both office and industrial space continues. The Maryland Aviation Administration recently announced a variety of improvements to BWI itself, including improving vehicular and pedestrian access to the airport, expanding the terminal by 243,000 square feet, building a 7,000 space parking garage, consolidating rental car activities to one facility, and potentially adding an intermodal transportation center. Along with the airport improvements, the influx of employers to the area and the opening of Arundel Mills Mall will result in a continuing development of shopping, eating and other establishments, transportation improvements, possibly even including