MWCOG Chief Admin Officers Group

Trends and Outlook for the Washington Area Economy and Real Estate Markets

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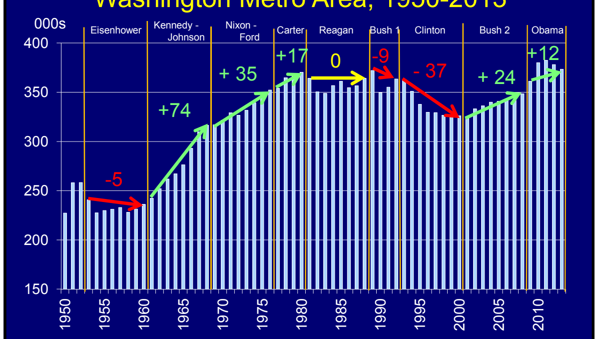
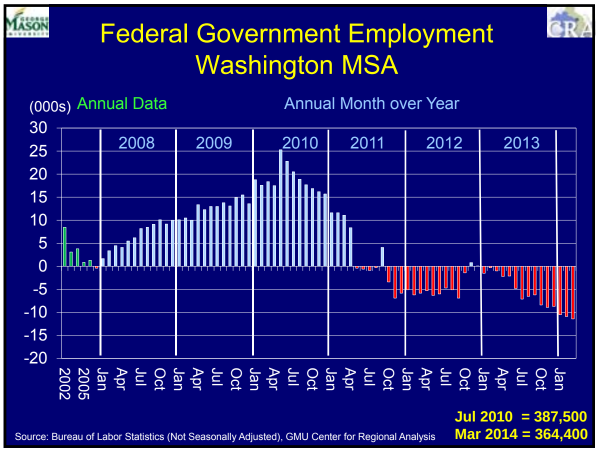
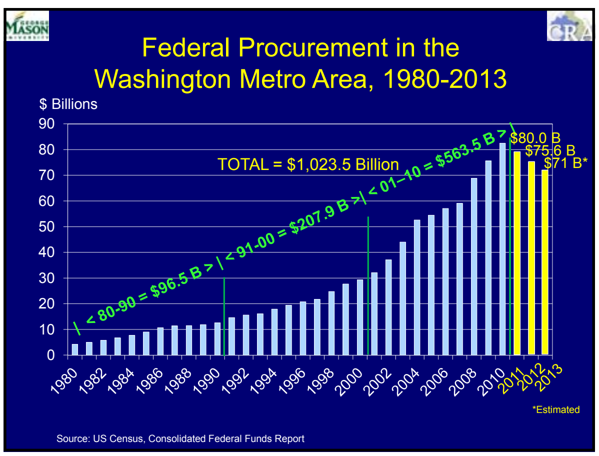
The Washington metro area economy is in a transitional period

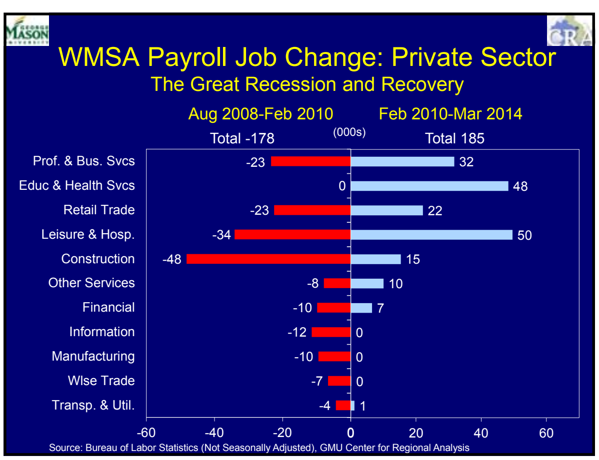
Federal Employment in the Washington Metro Area, 1950-2013



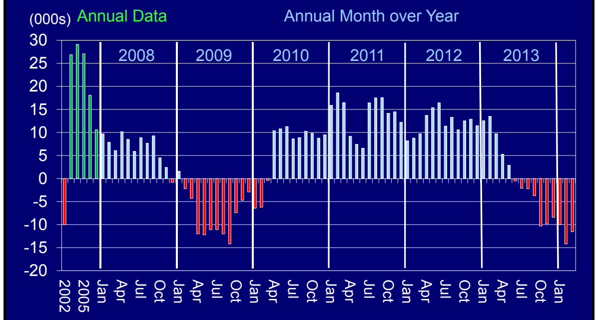
Source: US Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Federal Government Employment
Washington MSA
(000s) Annual Data
Annual Month over Year
2008
2009
2010
2011
2012
2013
30
25
20
15
10
5
0
-5
-10
-15
-20
2002
2005
Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan
Jul 2010 = 387,500
Mar 2014 = 364,400
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Federal Procurement in the
Washington Metro Area, 1980-2013
$ Billions
90
80
70
60
50
40
30
20
10
0
TOTAL = $1,023.5 Billion
| < 80-90 = $96.5 B > | < 91-00 = $207.9 B >| < 01–10 = $563.5 B > |
$80.0 B
$75.6 B
$71 B*
1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2011 2012 2013
*Estimated
Source: US Census, Consolidated Federal Funds Report


WMSA Payroll Job Change: Private Sector
The Great Recession and Recovery
Aug 2008-Feb 2010
Feb 2010-Mar 2014
(000s)
Total -178
Total 185
Prof. & Bus. Svcs -23 32
Educ & Health Svcs 0 48
Retail Trade -23 22
Leisure & Hosp. -34 50
Construction -48 15
Other Services -8 10
Financial -10 7
Information -12 0
Manufacturing -10 0
Wlse Trade -7 0
Transp. & Util. -4 1
-60 -40 -20 0 20 40 60
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

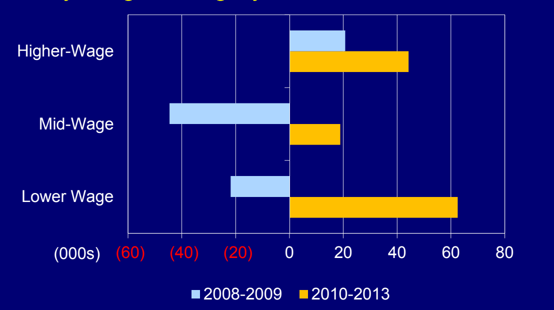
Prof. & Business Services Employment Washington MSA



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Oct 2012 = 712,800
Mar 2014 = 696,100

Washington Metropolitan Area Job Change by Wage Category between 2008 to 2013



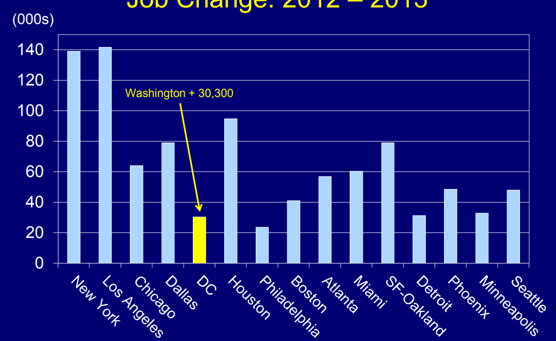
Sources: EMSI 2013.3 & GMU Center for Regional Analysis

Summary for Federal Spending Trends in the Washington Metropolitan Area, 2010-2013

- Federal Procurement Outlays declined 15% between FY 2010 and FY 2013.
- Federal employment has declined since peaking in July 2010, losing 17,100 jobs or 4.4%.
- Federal payroll is declining and will continue to decline as the workforce shrinks and older workers retire and are replaced by younger workers.

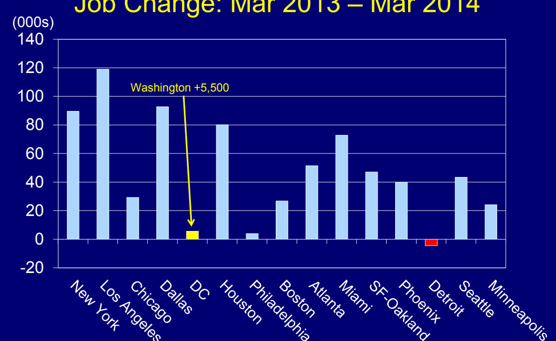
The Washington Area Economy: 2013 was a rough year

15 Largest Job Markets
Job Change: 2012 – 2013

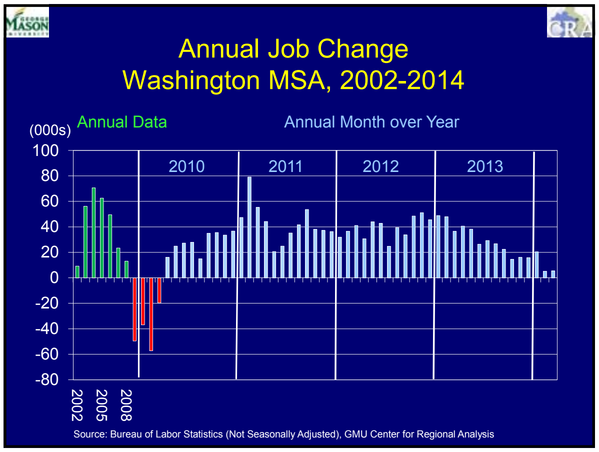


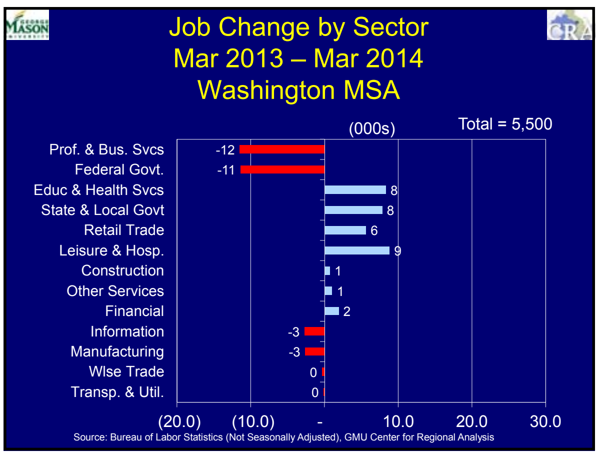
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

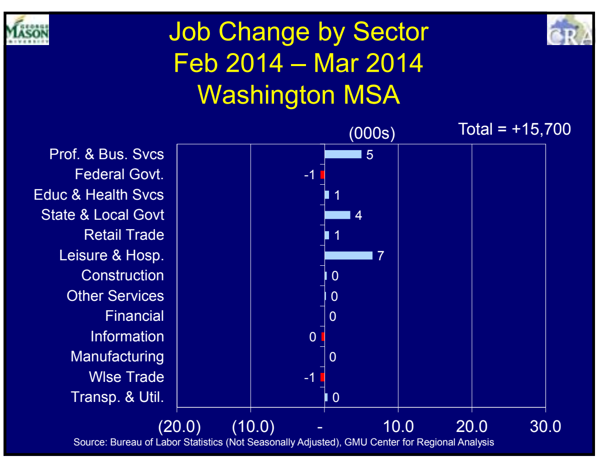
15 Largest Job Markets
Job Change: Mar 2013 – Mar 2014

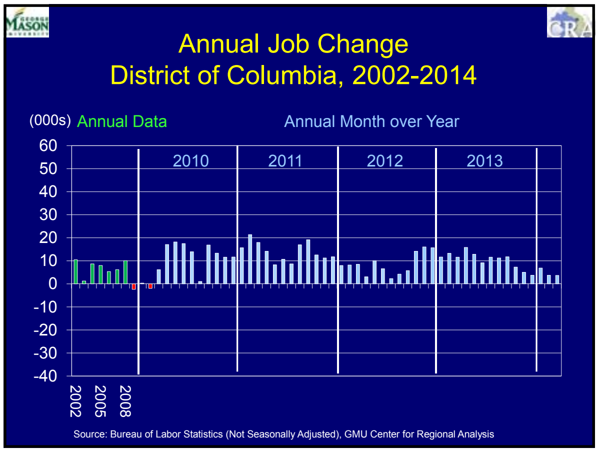


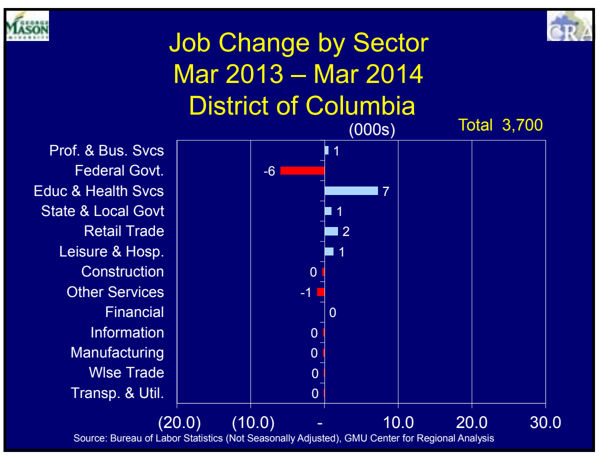
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

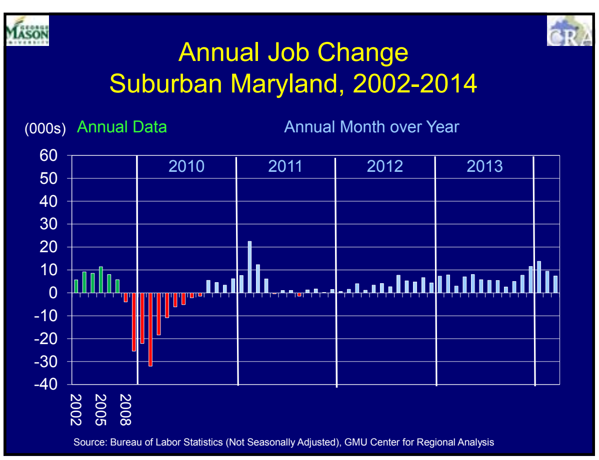

Annual Job Change
Washington MSA, 2002-2014
(000s)
Annual Data
Annual Month over Year
100
80
60
40
20
0
-20
-40
-60
-80
2010
2011
2012
2013
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

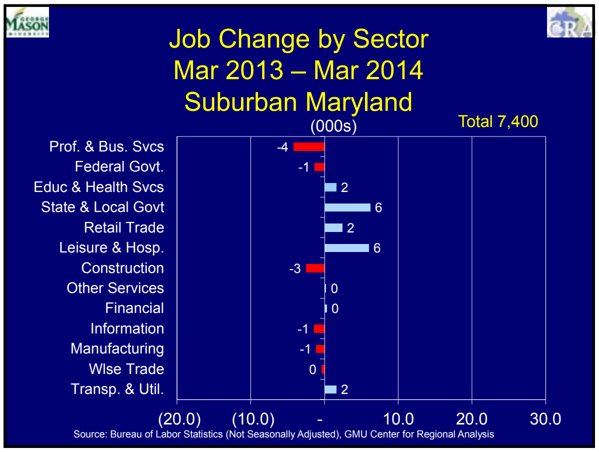

Job Change by Sector
Mar 2013 – Mar 2014
Washington MSA
(000s)
Total = 5,500
Prof. & Bus. Svcs -12
Federal Govt. -11
Educ & Health Svcs 8
State & Local Govt 8
Retail Trade 6
Leisure & Hosp. 9
Construction 1
Other Services 1
Financial 2
Information -3
Manufacturing -3
Wlse Trade 0
Transp. & Util. 0
(20.0) (10.0) - 10.0 20.0 30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

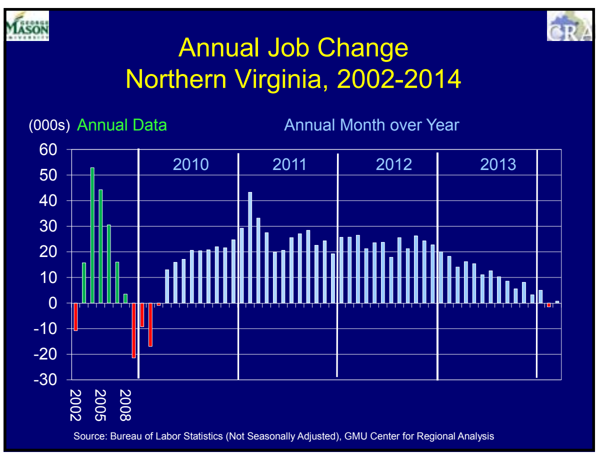

Job Change by Sector
Feb 2014 – Mar 2014
Washington MSA
(000s)
Total = +15,700
Prof. & Bus. Svcs 5
Federal Govt. -1
Educ & Health Svcs 1
State & Local Govt 4
Retail Trade 1
Leisure & Hosp. 7
Construction 0
Other Services 0
Financial 0
Information 0
Manufacturing 0
Wlse Trade -1
Transp. & Util. 0
(20.0) (10.0) - 10.0 20.0 30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

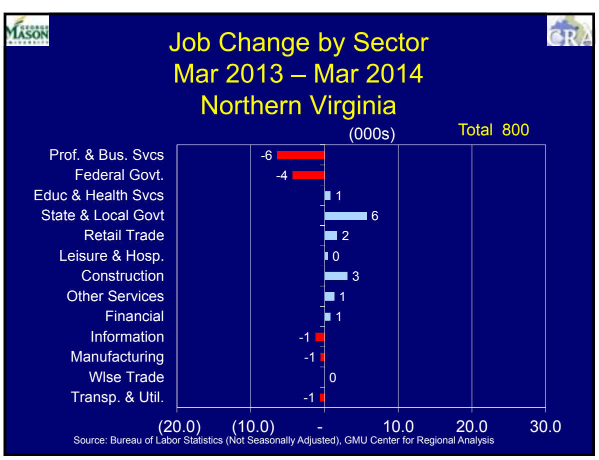

Annual Job Change
District of Columbia, 2002-2014
(000s) Annual Data
Annual Month over Year
60
50
40
30
20
10
0
-10
-20
-30
-40
2010
2011
2012
2013
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

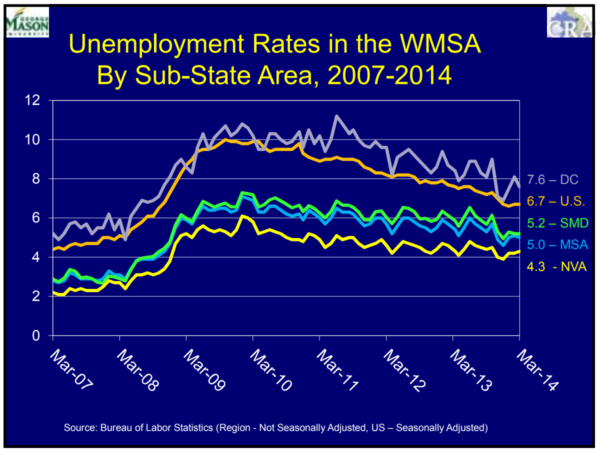

Job Change by Sector
Mar 2013 – Mar 2014
District of Columbia
(000s)
Total 3,700
Prof. & Bus. Svcs 1
Federal Govt. -6
Educ & Health Svcs 7
State & Local Govt 1
Retail Trade 2
Leisure & Hosp. 1
Construction 0
Other Services -1
Financial 0
Information 0
Manufacturing 0
Wlse Trade 0
Transp. & Util. 0
(20.0)
(10.0)
-
10.0
20.0
30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

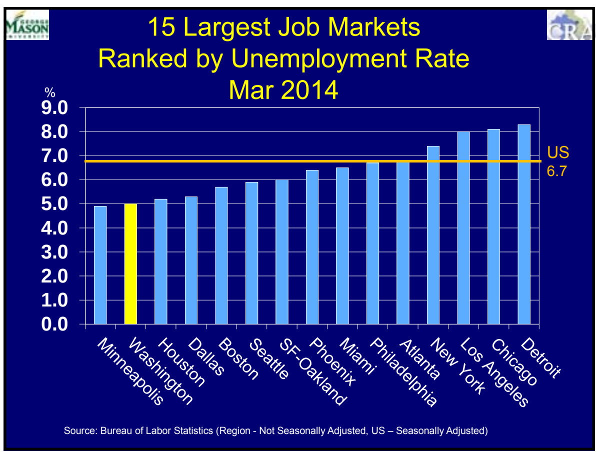

Annual Job Change
Suburban Maryland, 2002-2014
(000s) Annual Data
Annual Month over Year
60
50
40
30
20
10
0
-10
-20
-30
-40
2010
2011
2012
2013
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis


Job Change by Sector
Mar 2013 – Mar 2014
Suburban Maryland
(000s)
Total 7,400
Prof. & Bus. Svcs -4
Federal Govt. -1
Educ & Health Svcs 2
State & Local Govt 6
Retail Trade 2
Leisure & Hosp. 6
Construction -3
Other Services 0
Financial 0
Information -1
Manufacturing -1
Wlse Trade 0
Transp. & Util. 2
(20.0) (10.0) - 10.0 20.0 30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

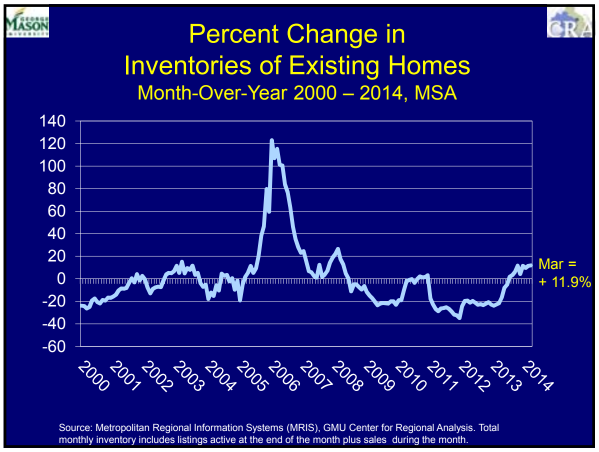

Annual Job Change
Northern Virginia, 2002-2014
(000s) Annual Data
Annual Month over Year
2010
2011
2012
2013
60
50
40
30
20
10
0
-10
-20
-30
2002
2005
2008
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

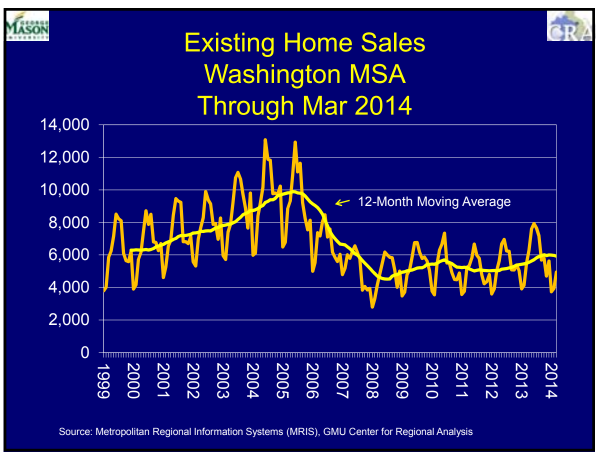

Job Change by Sector
Mar 2013 – Mar 2014
Northern Virginia
(000s)
Total 800
Prof. & Bus. Svcs -6
Federal Govt. -4
Educ & Health Svcs 1
State & Local Govt 6
Retail Trade 2
Leisure & Hosp. 0
Construction 3
Other Services 1
Financial 1
Information -1
Manufacturing -1
Wlse Trade 0
Transp. & Util. -1
(20.0) (10.0) - 10.0 20.0 30.0
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

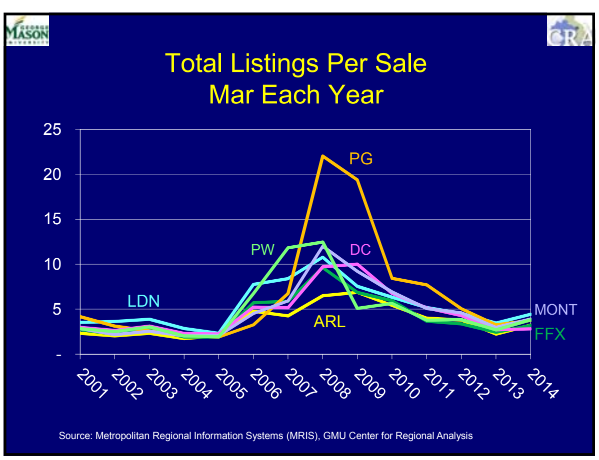


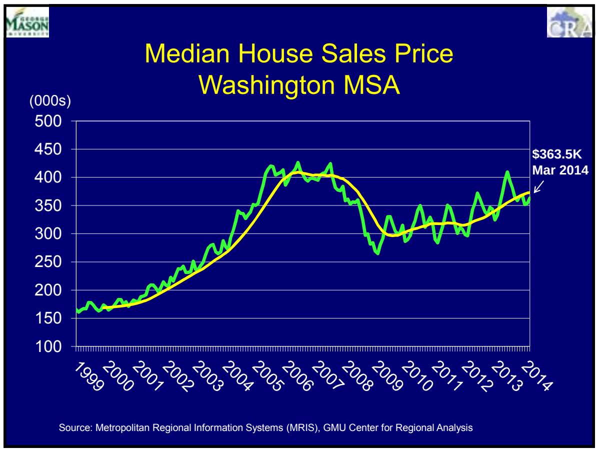


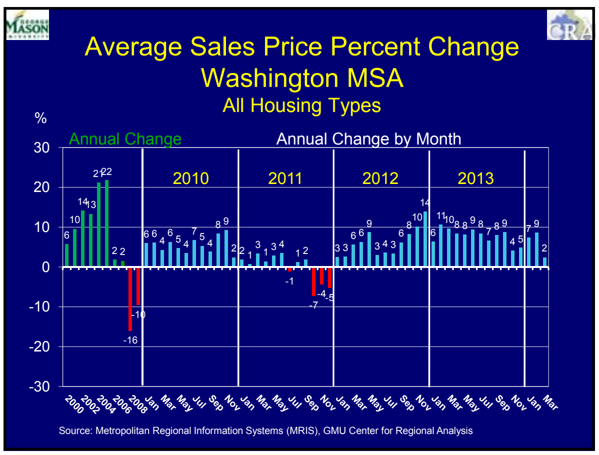
Housing indicators point to more activity and continued appreciation…for now

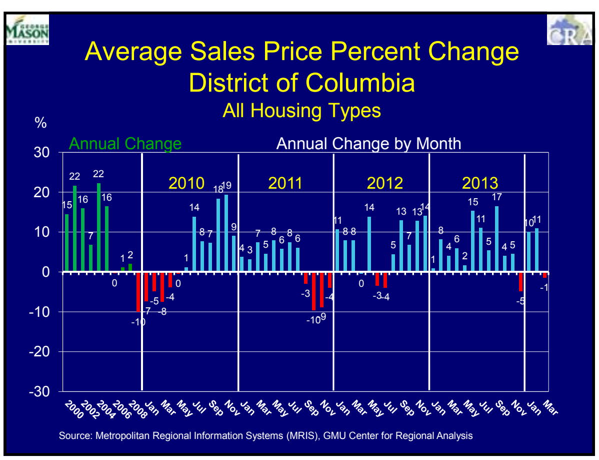

Percent Change in
Inventories of Existing Homes
Month-Over-Year 2000 – 2014, MSA
140
120
100
80
60
40
20
0
-20
-40
-60
Mar =
+ 11.9%
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis. Total monthly inventory includes listings active at the end of the month plus sales during the month.

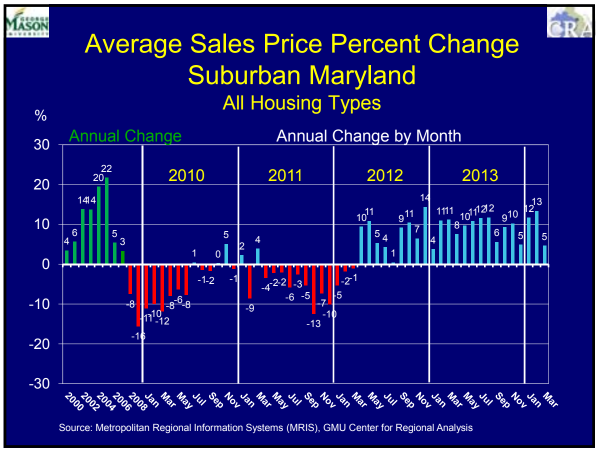

Existing Home Sales
Washington MSA
Through Mar 2014
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
12-Month Moving Average
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

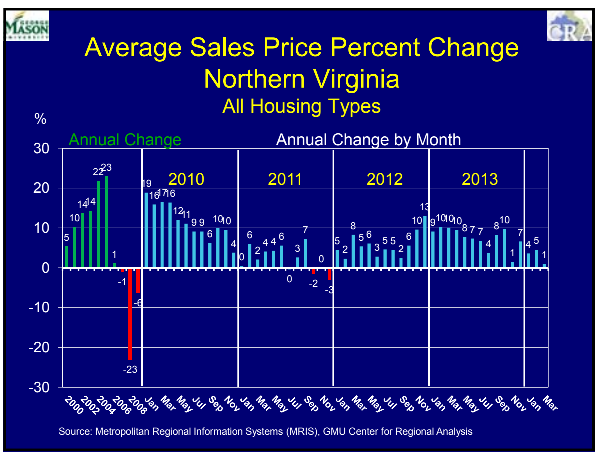

Total Listings Per Sale
Mar Each Year
25
20
15
10
5
-
PG
PW
DC
LDN
ARL
MONT
FFX
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

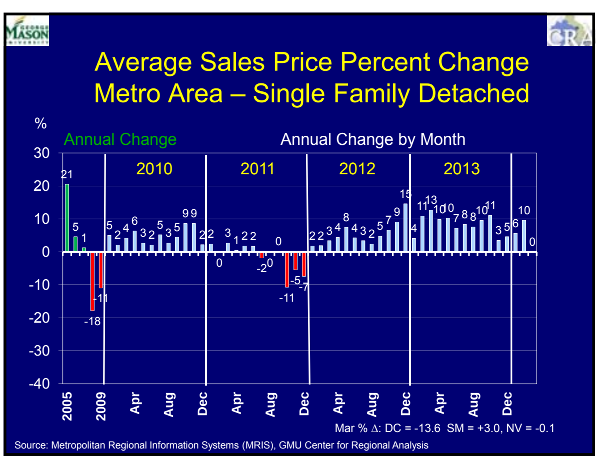

Median House Sales Price
Washington MSA
(000s)
500
450
400
350
300
250
200
150
100
1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014
$363.5K
Mar 2014
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

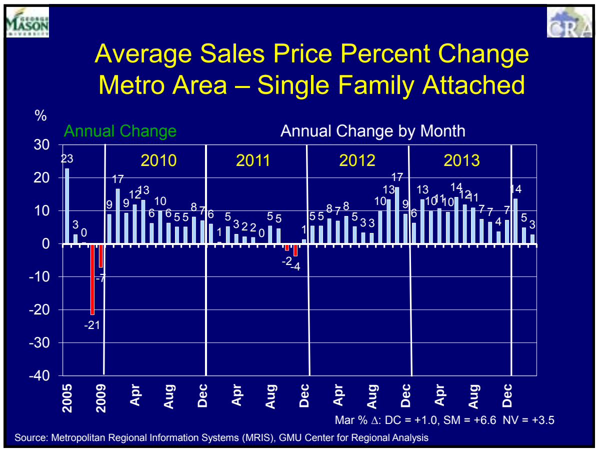

Average Sales Price Percent Change
Washington MSA
All Housing Types
%
Annual Change
Annual Change by Month
2010
2011
2012
2013
30
20
10
0
-10
-20
-30
2000 2002 2004 2006 2008 Jan Mar May Jul Sep Nov Jan Mar May Jul Sep Nov Jan Mar May Jul Sep Nov Jan Mar May Jul Sep Nov Jan Mar
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

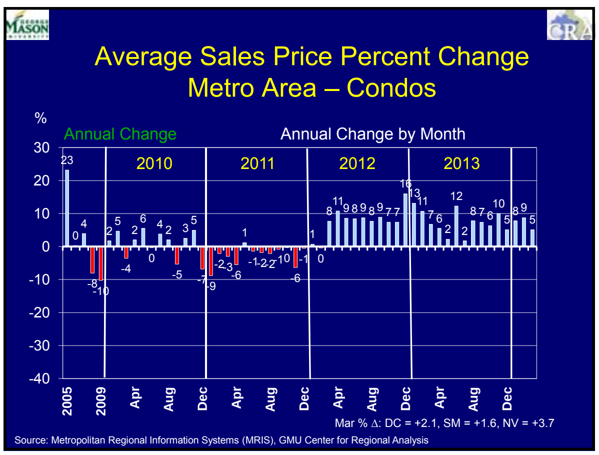

Average Sales Price Percent Change
District of Columbia
All Housing Types
%
Annual Change
Annual Change by Month
2010
2011
2012
2013
30
20
10
0
-10
-20
-30
2000 2002 2004 2006 2008 Jan Mar May Jul Sep Nov Jan Mar May Jul Sep Nov Jan Mar May Jul Sep Nov Jan Mar May Jul Sep Nov Jan Mar
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

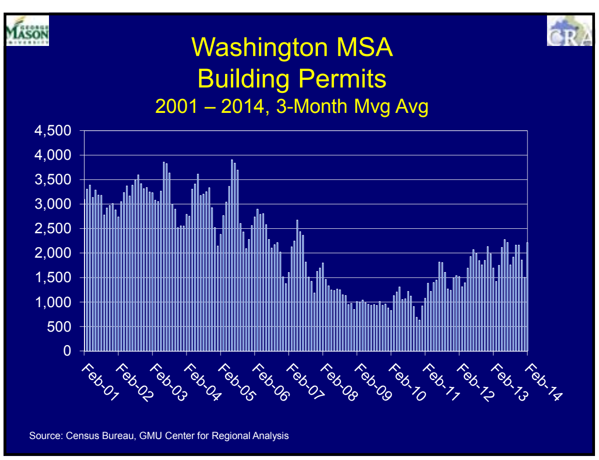

Average Sales Price Percent Change
Suburban Maryland
All Housing Types
%
Annual Change
Annual Change by Month
2010
2011
2012
2013
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis


Average Sales Price Percent Change
Northern Virginia
All Housing Types
%
Annual Change
Annual Change by Month
2010
2011
2012
2013
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

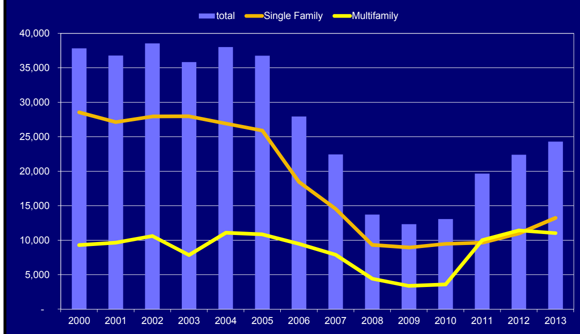

Average Sales Price Percent Change
Metro Area – Single Family Detached
%
Annual Change
Annual Change by Month
2010
2011
2012
2013
Mar % Δ: DC = -13.6 SM = +3.0, NV = -0.1
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis


Average Sales Price Percent Change
Metro Area – Single Family Attached
Annual Change
Annual Change by Month
2010
2011
2012
2013
Mar % Δ: DC = +1.0, SM = +6.6 NV = +3.5
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis


Average Sales Price Percent Change
Metro Area – Condos
Annual Change
Annual Change by Month
2010
2011
2012
2013
Mar % Δ: DC = +2.1, SM = +1.6, NV = +3.7
Source: Metropolitan Regional Information Systems (MRIS), GMU Center for Regional Analysis

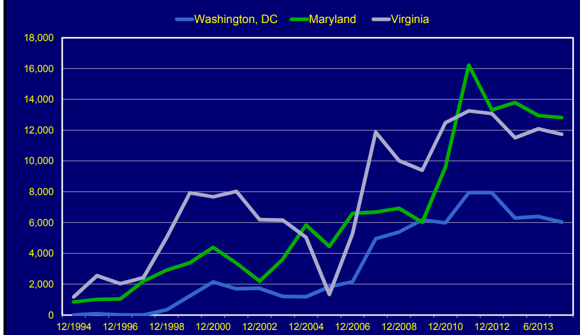

Washington MSA
Building Permits
2001 – 2014, 3-Month Mvg Avg
Source: Census Bureau, GMU Center for Regional Analysis

Washington MSA Building Permits 2000 – 2013



Source: Census Bureau, GMU Center for Regional Analysis

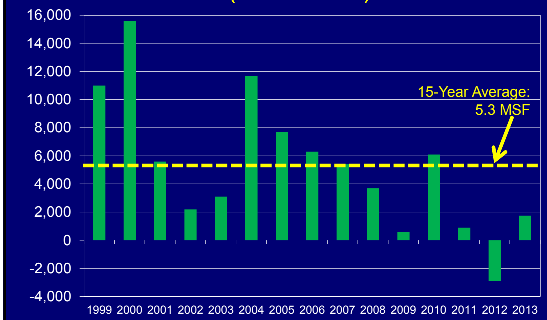
Multifamily Rental Housing Pipeline 1994 – 2013



Source: GMU Center for Regional Analysis

Regional office market is struggling; it's a bit better in District

Washington Metro Office Market
Net Office Absorption, 1999-present
(000s of SF)



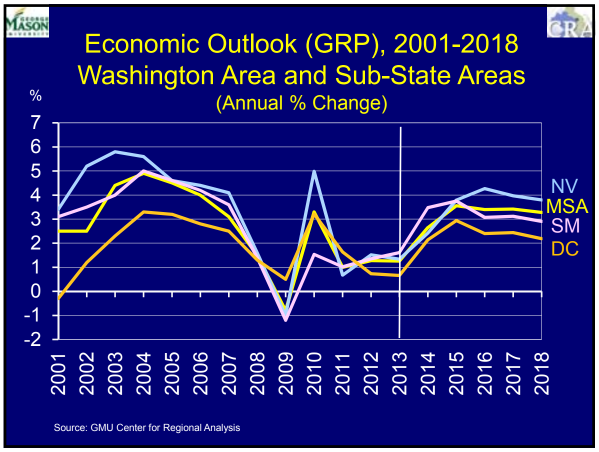
Source: Delta Associates

Washington Area Office Market Profile
Year End 2013

Area	Total Space (MSF)	Direct Vacancy Rate	MSF U/C or Renov.	2013 Net Absorption (000s)
District of Columbia	136.3	8.5%	2.4	744
Suburban Maryland	94.1	13.7%	1.3	235
Northern Virginia	190.4	14.5%	2.8	771
Region Total	**420.8**	**12.6%**	**6.4**	**1,750**

Source: Delta Associates

Outlook:
Growth will return, but will look different

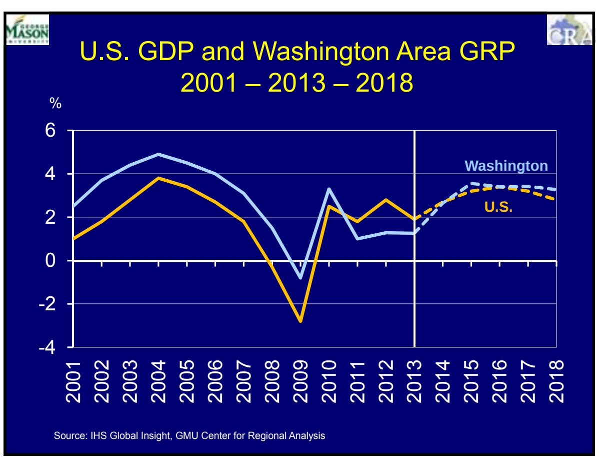


Employment Change in the WMSA by Sub-State Area (000s)

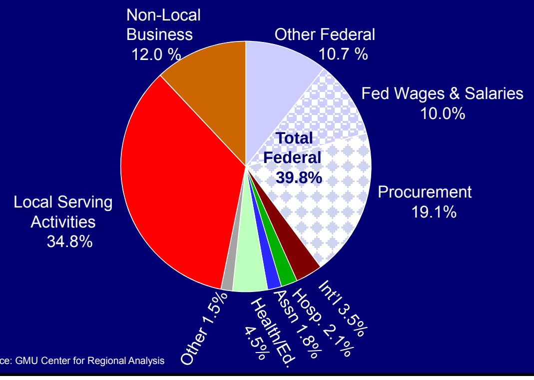
	2011	2012	2013	2014	2015	2016	2017	2018
D.C.	14.1	5.6	11.0	9.7	11.3	9.3	6.5	4.6
Sub. MD	4.4	4.8	6.7	18.1	22.7	20.0	14.3	12.2
No. VA	26.4	23.5	12.6	32.2	31.8	36.8	35.0	30.3
REGION	42.6	32.2	30.3	60.2	66.1	66.4	56.2	47.5

Average Annual Change 1990-2010 = 35,800

Source: BLS, IHS Global Insight, GMU Center for Regional Analysis
NOTE: The regional totals include Jefferson, WV.

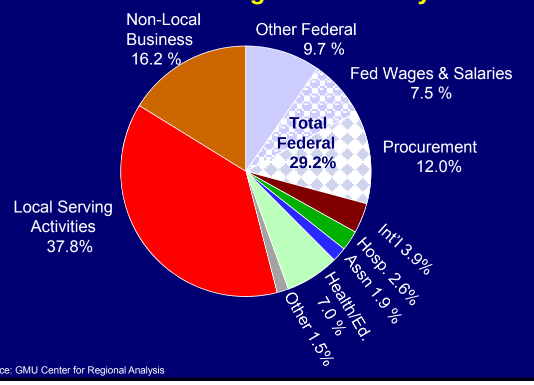


2010 Structure of the Greater Washington Economy



Source: GMU Center for Regional Analysis

2017 Structure of the Greater Washington Economy



Source: GMU Center for Regional Analysis

Economic forecasts for the Washington Area assume that:

(1) there will be a sufficient number of qualified workers to fill the jobs,

(2) there will be a sufficient supply of housing to house the future workforce at affordable costs, and

(3) the region will have the infrastructure required to support this future growth.

Estimated Housing Demand 2012-2032

	Single Family	Multi-Family	Total	Annual Average	% Multi-Family
DC	38,012	67,229	105,241	5,262	63.9%
Suburban MD	106,648	54,167	160,815	8,041	33.7%
Northern VA	197,575	81,430	279,005	13,950	29.2%
MSA Total	**344,624**	**203,674**	**548,298**	**27,415**	**37.1%**

Note: Assumes that all new residents will live and work in same jurisdiction
MSA Total includes Jefferson County, WV, so area totals do not add to MSA Total

Source: GMU Center for Regional Analysis

Housing Needs by Income/Price Range Washington MSA, 2012-2032

	LOW	MODERATE	HIGH	VERY HIGH
Household Income Range	<$50,000	$50,000 to $99,999	$100,000 to $149,999	$150,000+
Sale Price	<$200,000	$200,000 to 399,999	$400,000 to 599,999	$600,000+
Monthly Rent	<$1,250	$1,250 to 1,749	$1,750 to $2,249	$2,250+
Owner-Occupied	50,417	112,872	103,194	41,429
Renter-Occupied	106,044	93,444	35,166	5,733
Total Need	156,461	206,316	138,360	47,162
% of Total Demand	**29%**	**38%**	**25%**	**9%**

Source: Census Bureau and GMU Center for Regional Analysis

Thank You
Questions

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