

African-American Real Estate Professionals

***The Washington Region
Economy and Housing Market
Outlook for 2008 and Beyond***

John McClain, AICP
Senior Fellow and Deputy Director
Center for Regional Analysis
School of Public Policy, George Mason University

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Mixed Signals

- 69 % of adults think a recession in 2008 is likely
- Global Insight puts a 40% probability on a recession in 2008
- 2 of 54 economists in Business Week's annual economic outlook survey forecasts a recession in 2008

“Sound of the
Bubble Bursting”

“Aftershock: Housing in the Wake of
the Mortgage Meltdown”

“How Low Can They Go?”

“Big City Home Prices
Declined Faster in Fall”

“Home Building, Bids for Permits
Continue Free Fall”

“Credit Crisis: The Sky is not Falling”

Things are not
always what
they seem.



Fig. 1.

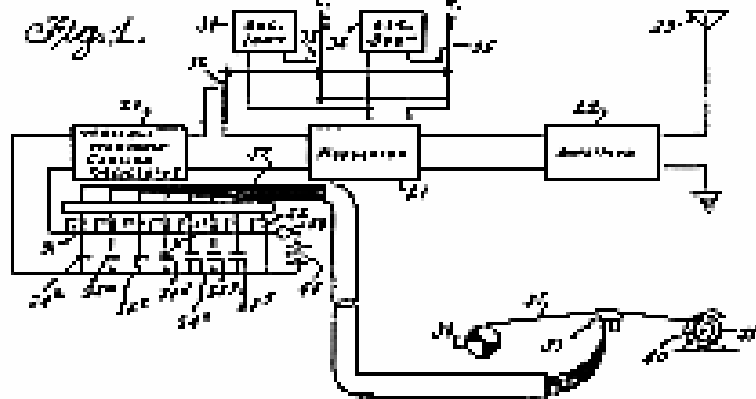


Fig. 2.

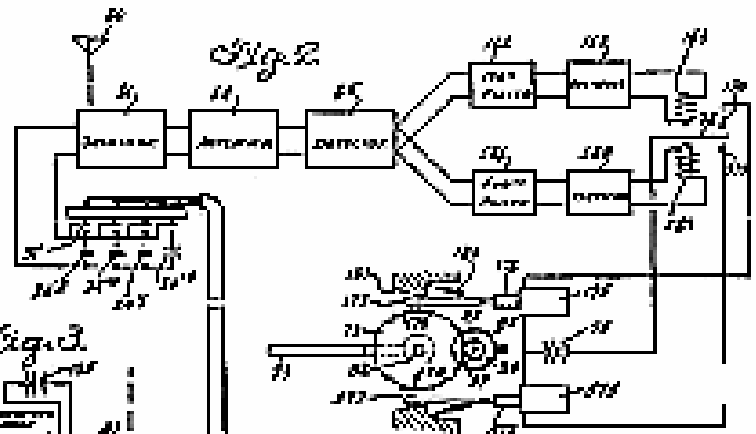
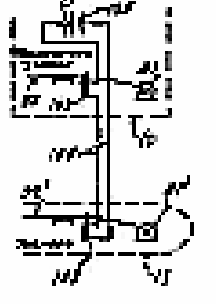


Fig. 3.



Witness
Hedy Adelaide Markey
George Antheil
By Lyon & Lyon

Fig. 7.

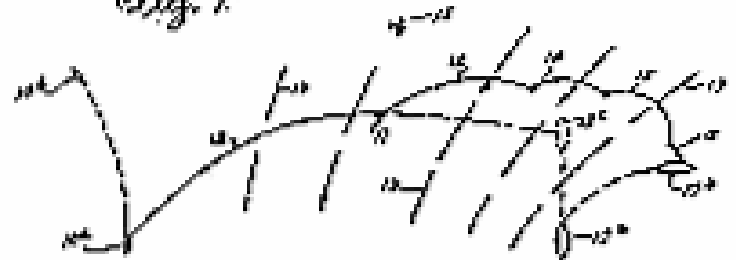


Fig. 4.

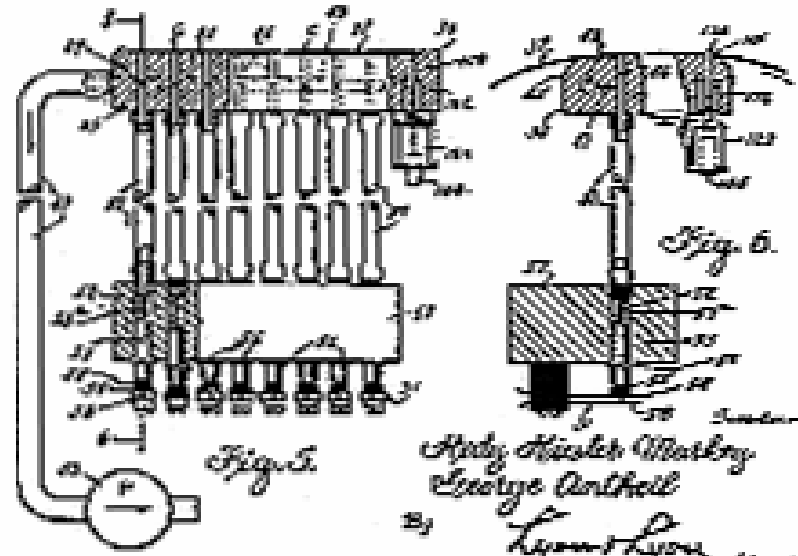


Fig. 6.

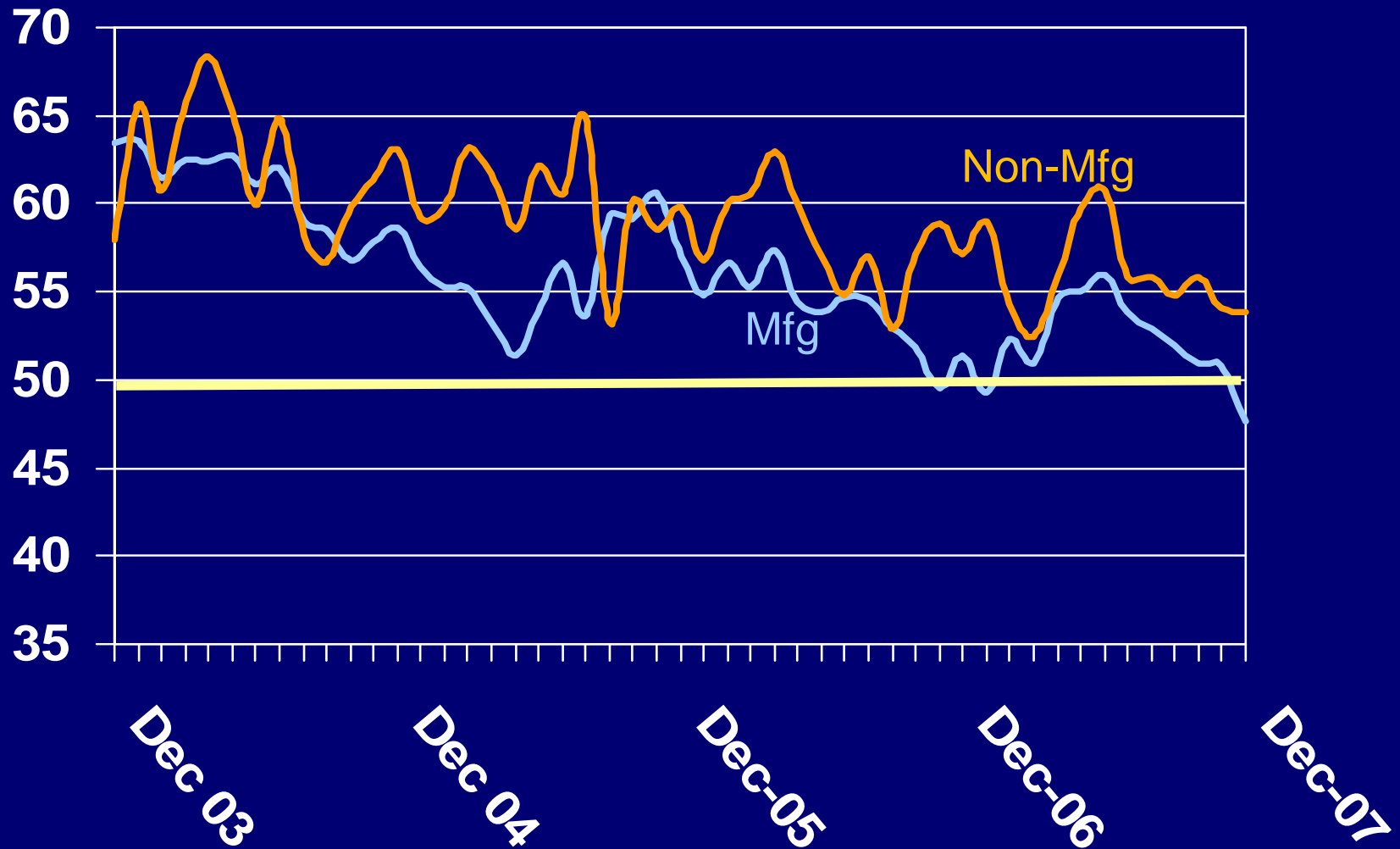
Witness
Hedy Adelaide Markey
George Antheil
By Lyon & Lyon

Two pages of drawings from Lamarr and Antheil's patent. Note the player-piano-like slotted paper on the second sheet. Markey is the name of Hedy Lamarr's second of six husbands.

U.S and Washington Area Recent Recessions

U.S.	Washington Area GRP Change
3/01 - 11/01 (8)	2.5 %
7/90 - 3/91 (8)	0.2 %
7/81 - 11/82 (16)	3.1 %
1/80 - 7/80 (6)	2.3 %

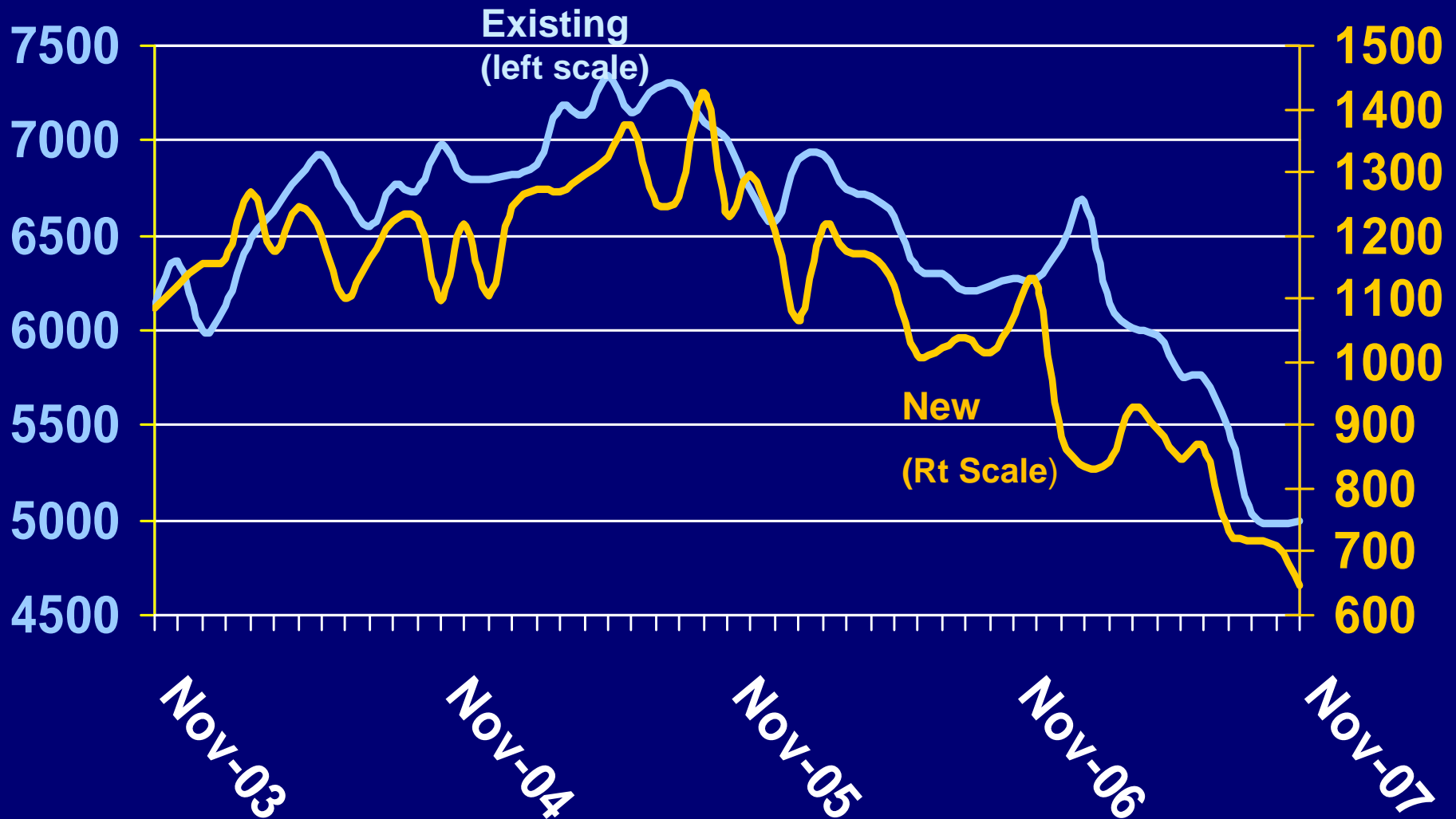
ISM Manufacturing and Non-Manufacturing Indices



Housing Trends: New & Existing Home Sales

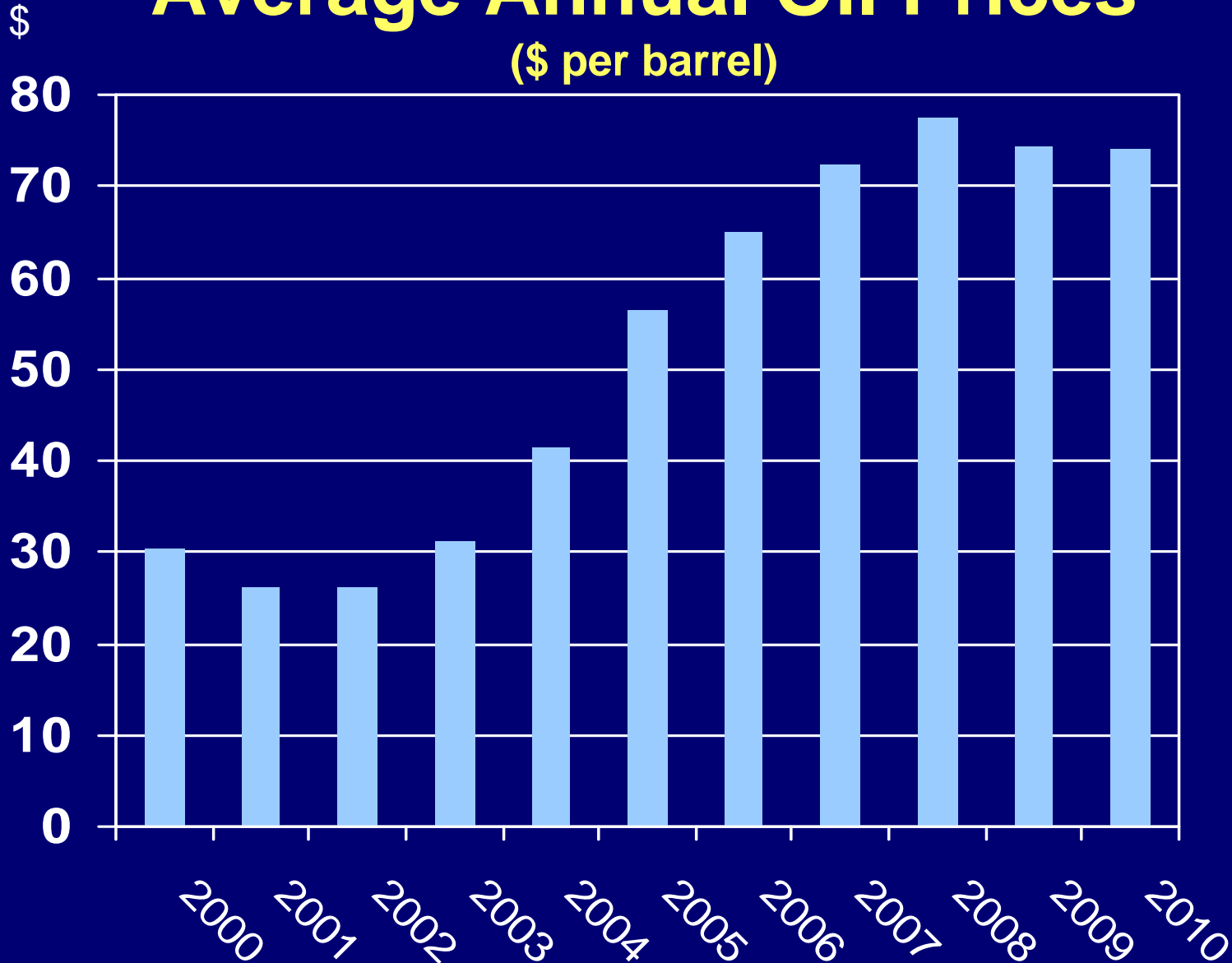
(000s)

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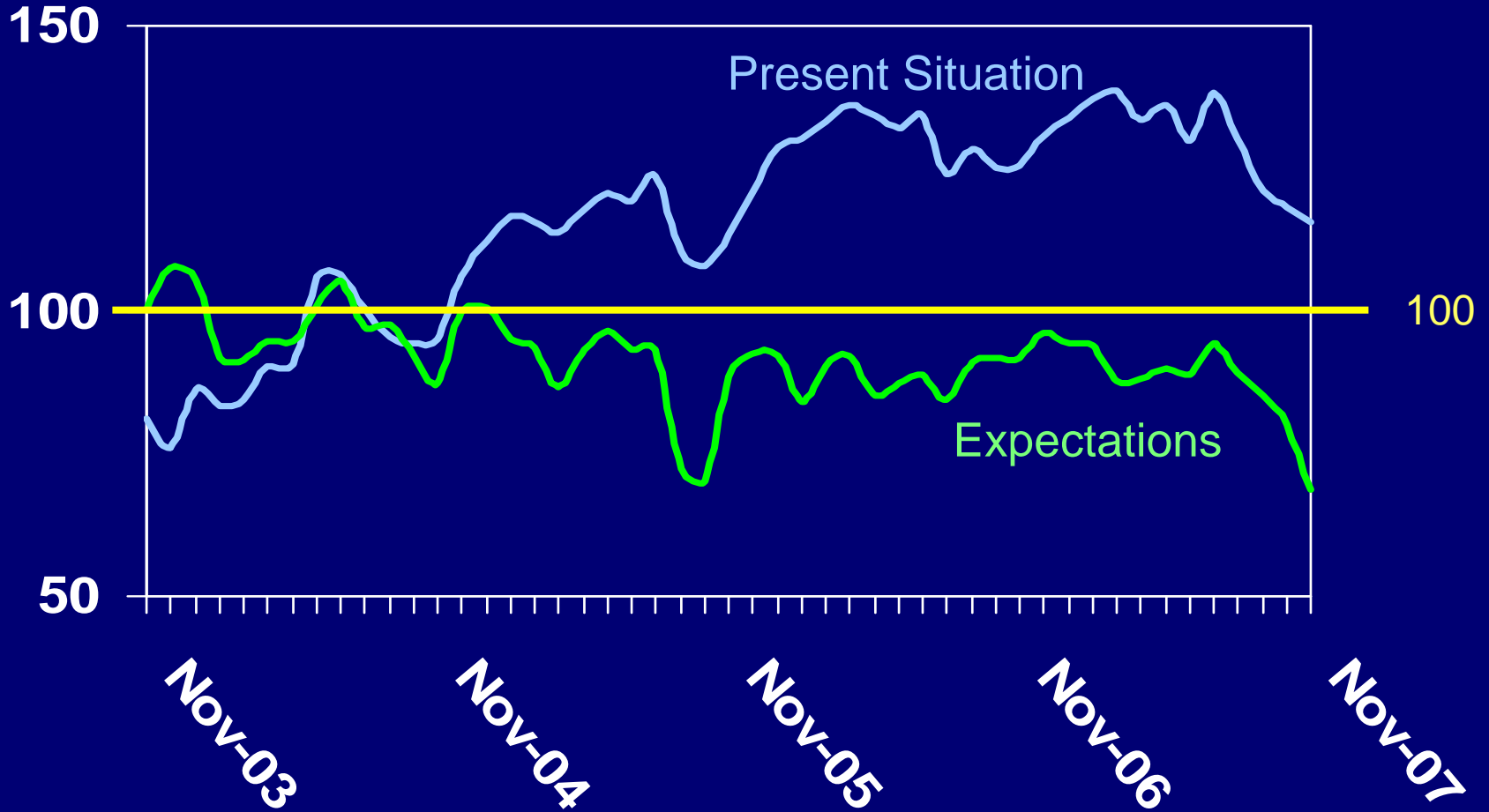


Average Annual Oil Prices

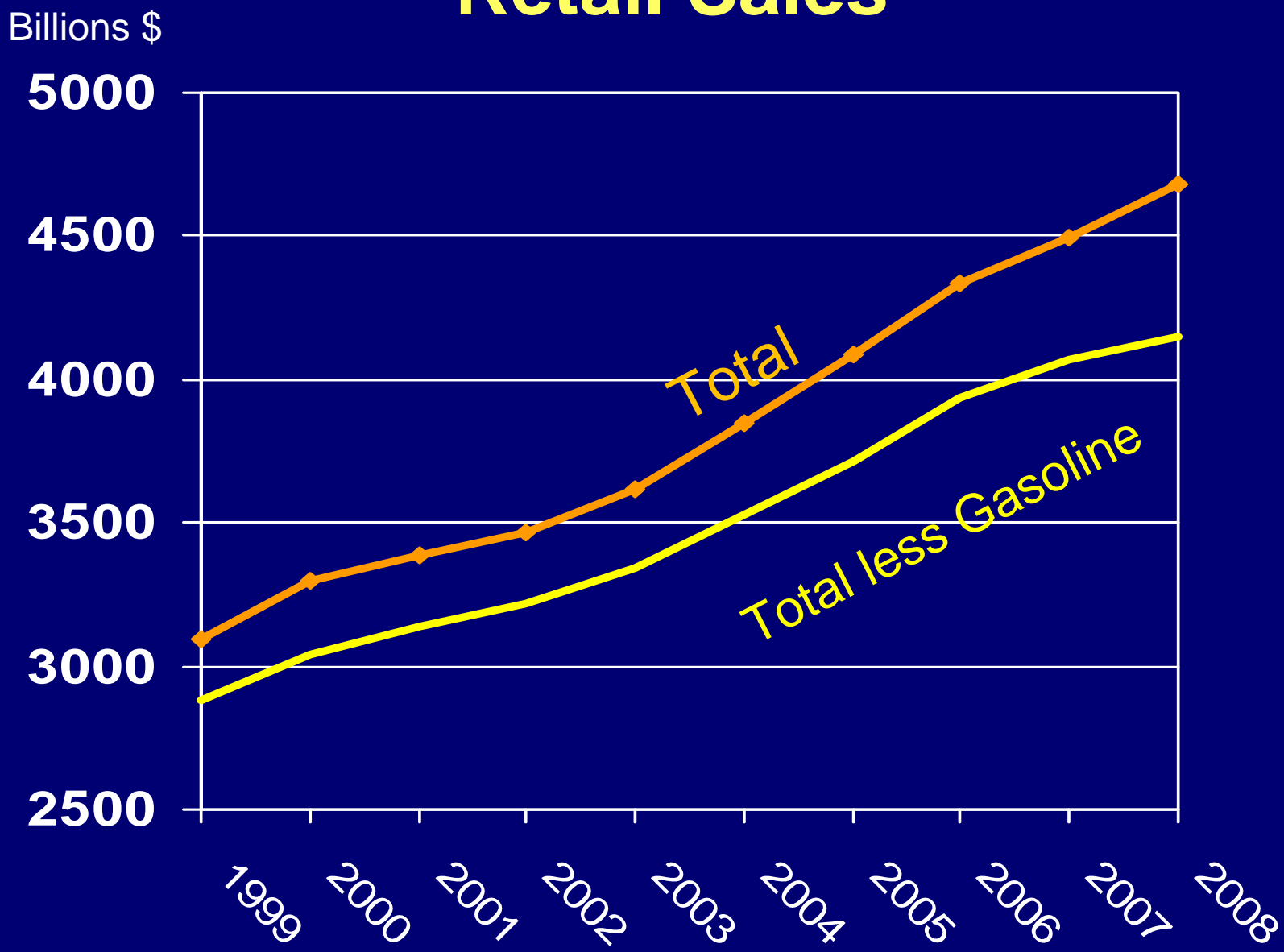
(\$ per barrel)



Consumer Confidence

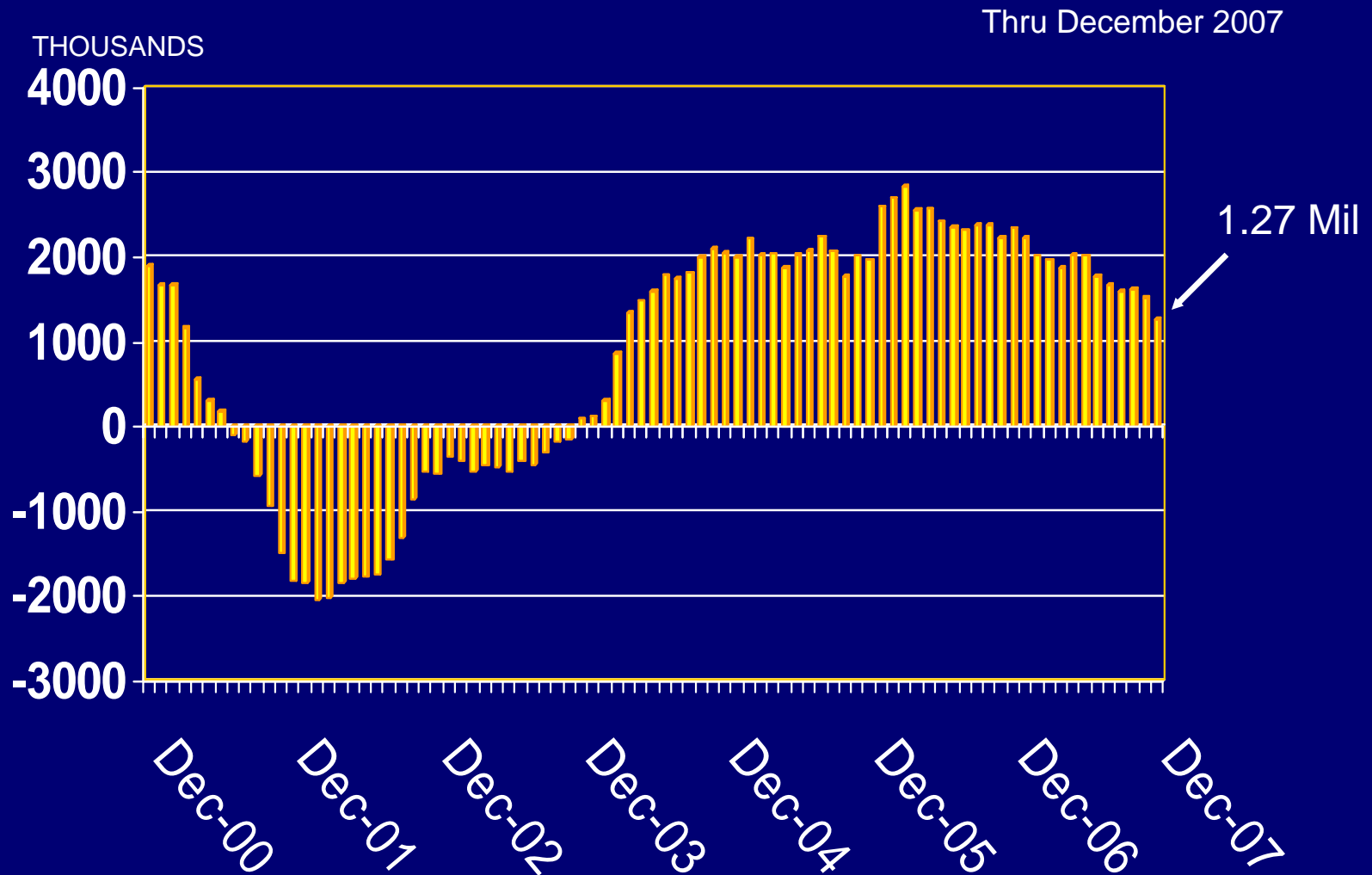


Retail Sales



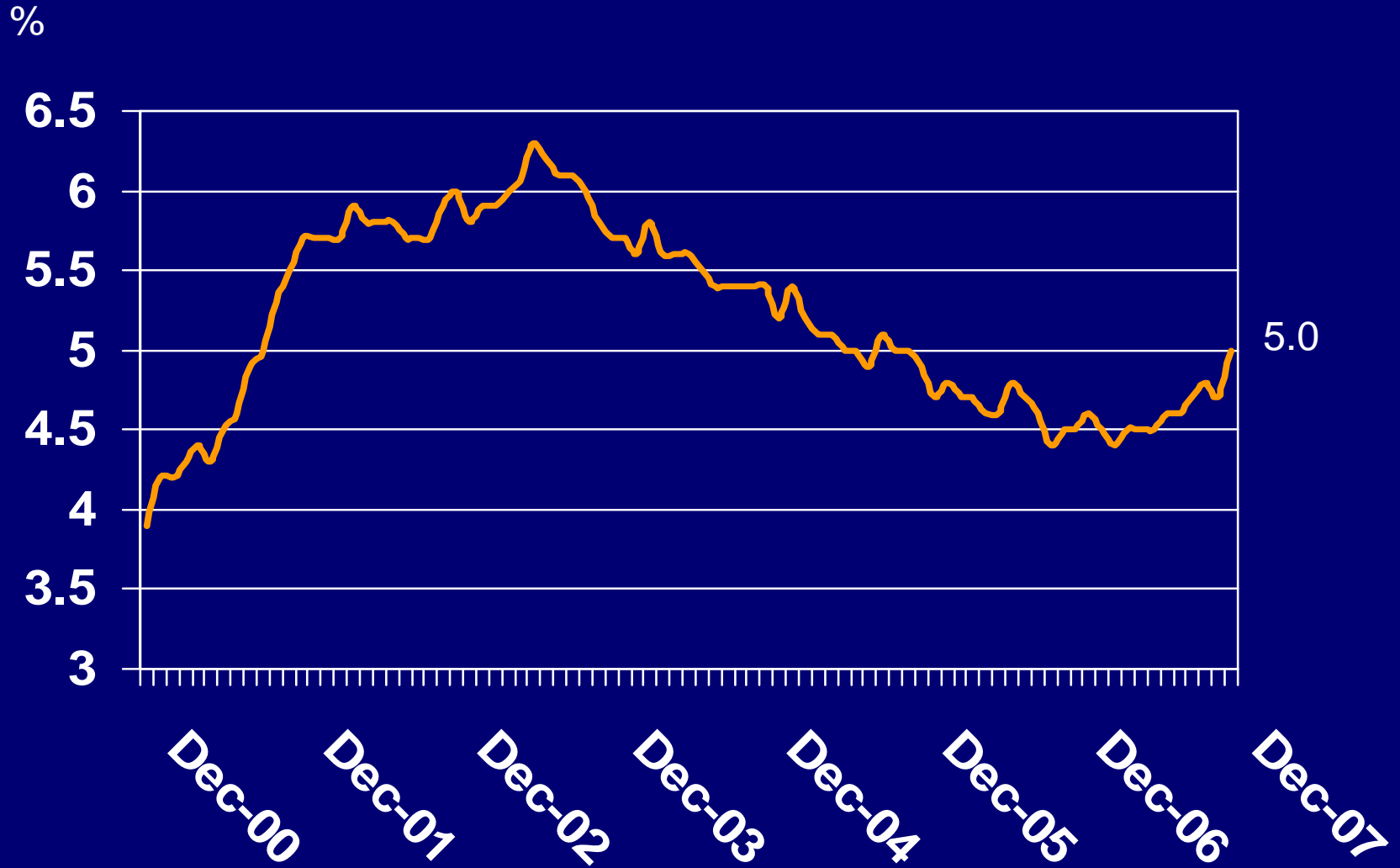
Source: Census, GMU Center for Regional Analysis

Annual Change in Jobs - US



Source: BLS Establishment Survey, Not Seasonally Adjusted

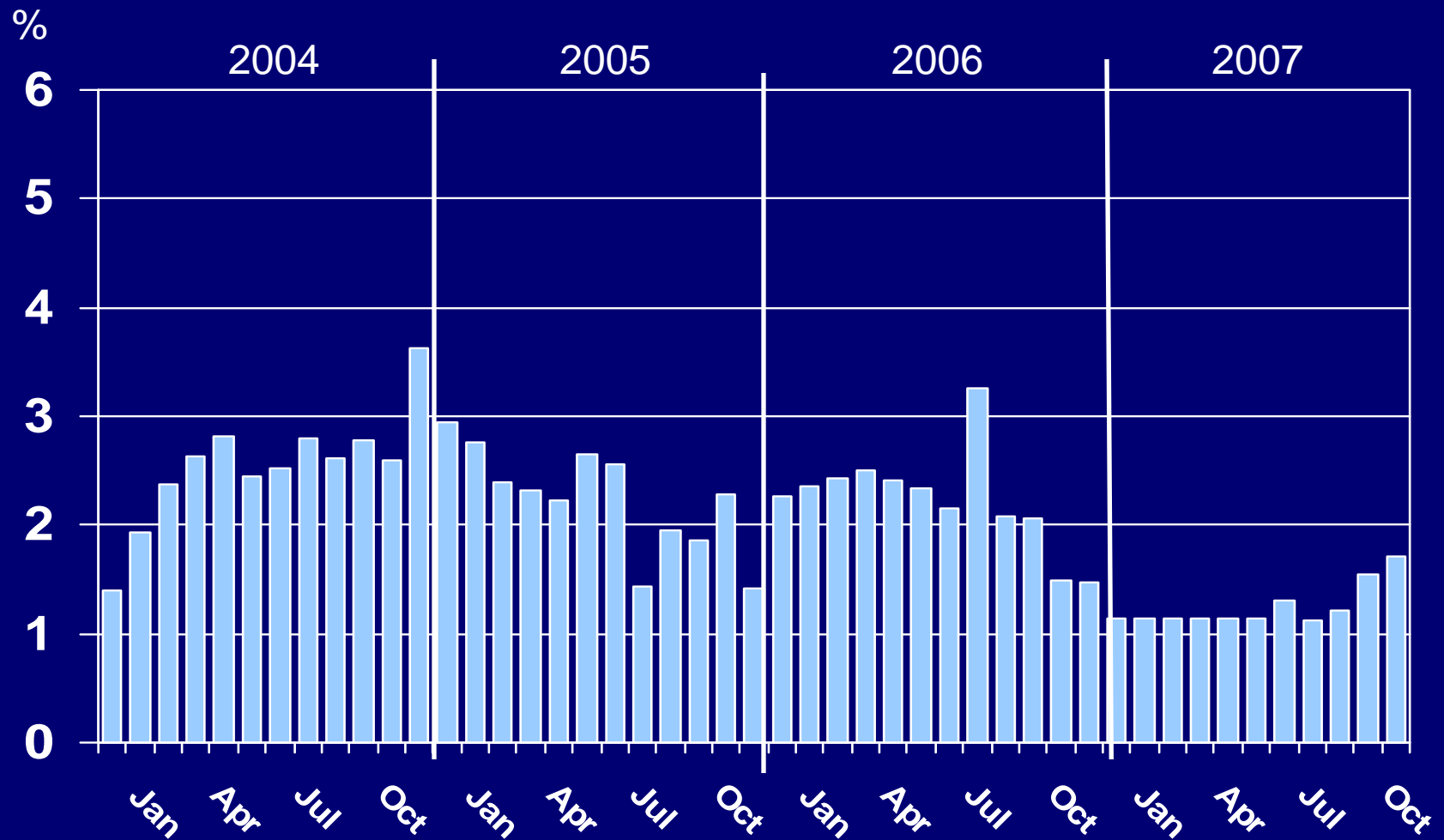
U.S. Unemployment Rate



Source: BLS, Seasonally Adjusted

U.S. Coincident Index

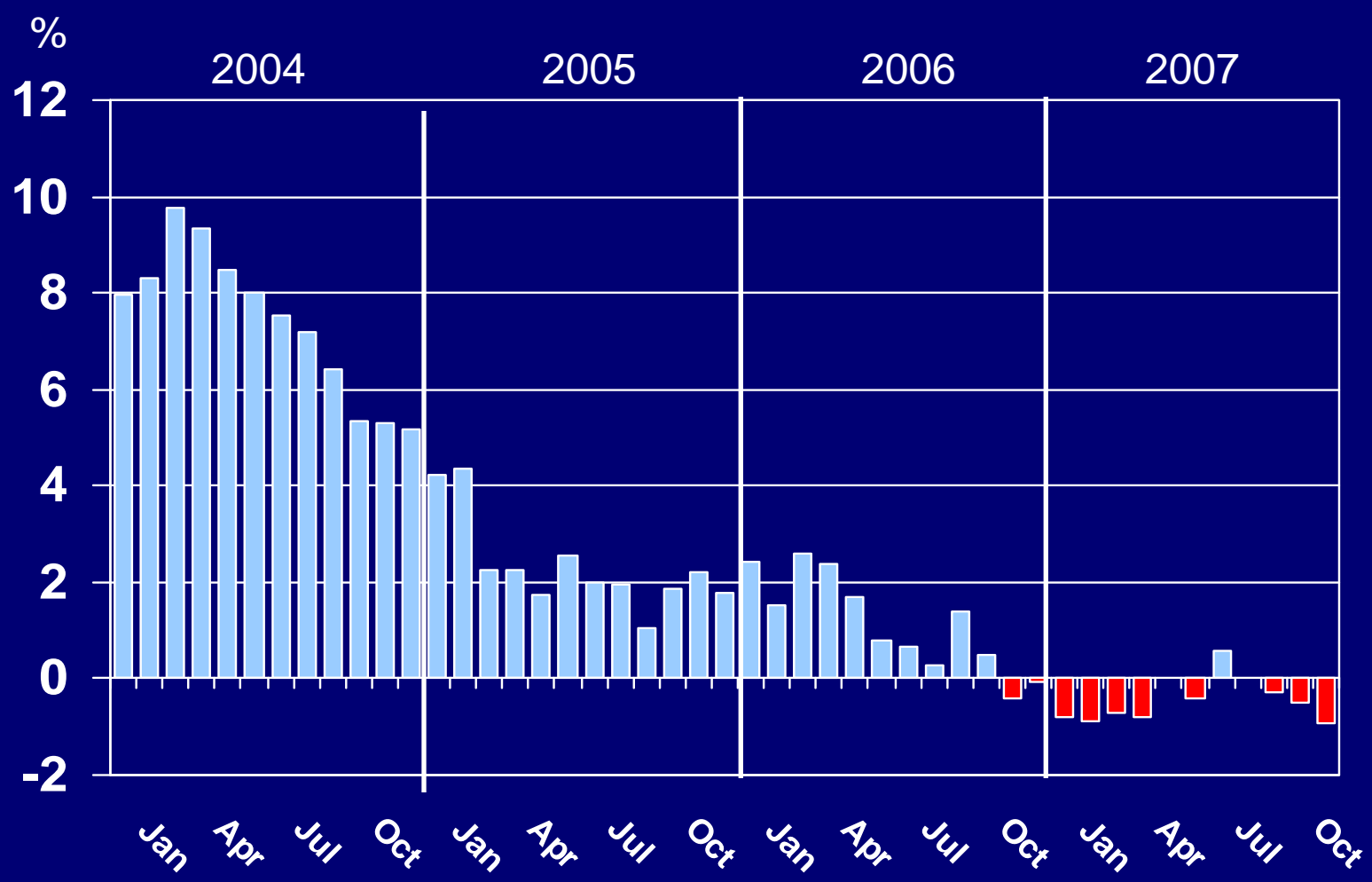
Monthly Over-the-Year Percent Changes



Source: Conference Board

U.S. Leading Index

Monthly Over-the-Year Percent Changes



GDP 2000 - 2010

% Real Annual Percent Change



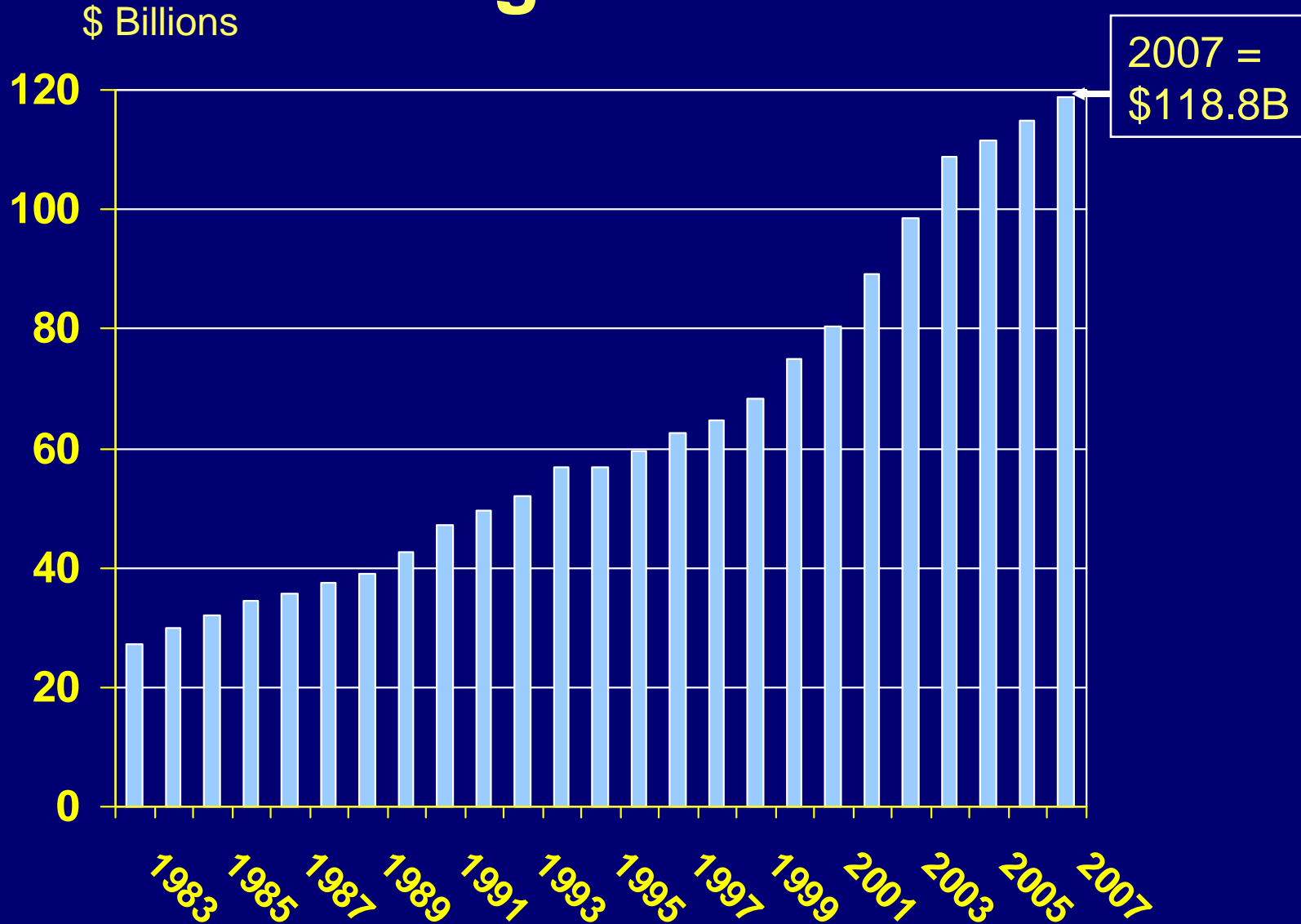
The Washington Area Economy

Looking Backwards/ Looking Forwards

Key Questions

- What's driving the Washington area economy?
- How vulnerable are these drivers to US/Global economic forces?
- What makes the Washington area economy different from other metropolitan economies?
- Will these differences protect the local economy or worsen the slowdown in 2008?

Total Federal Spending Washington Metro Area

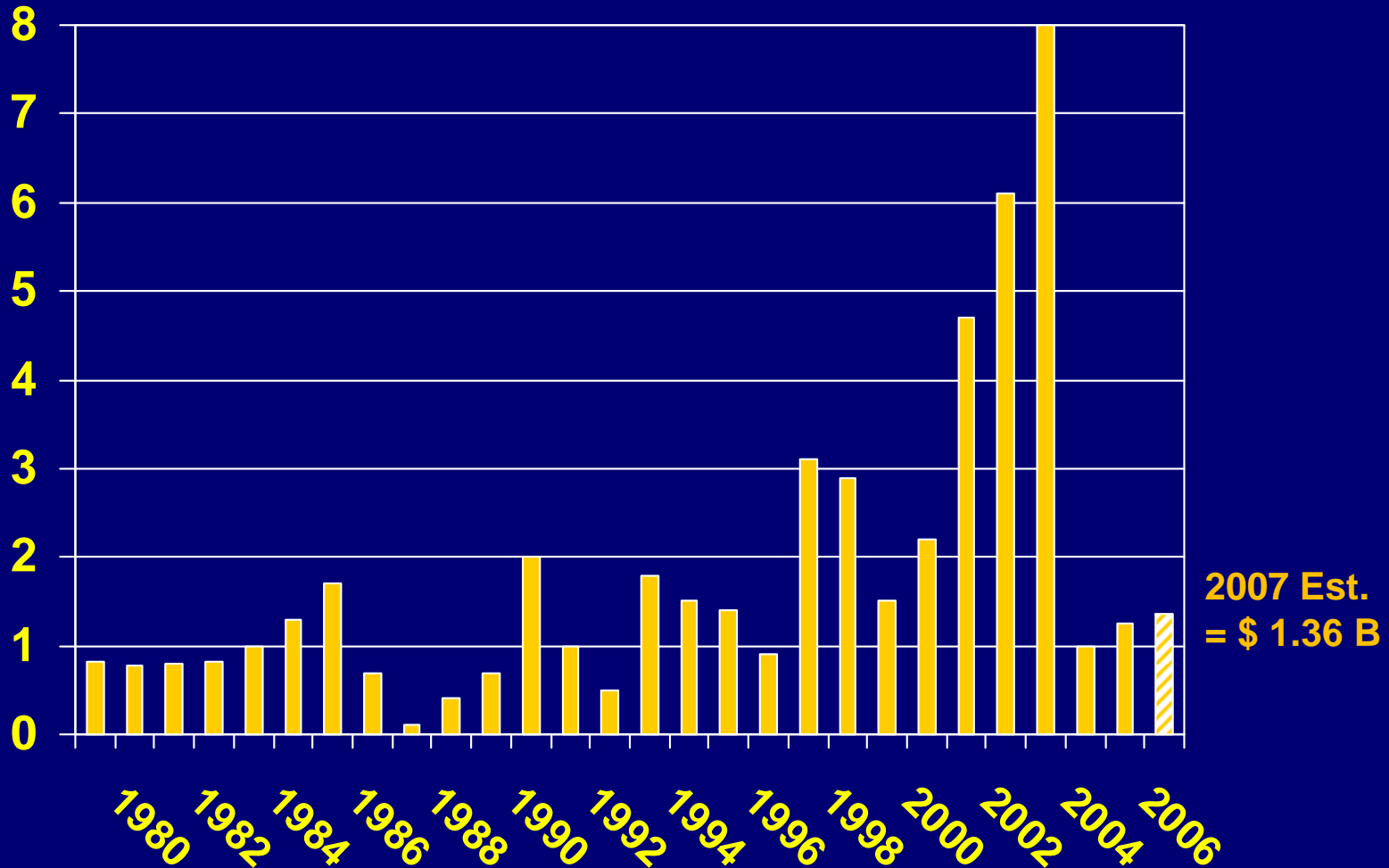


Federal Spending by Type 1983 - 2007



Annual Change in Federal Procurement Spending Washington Metro Area

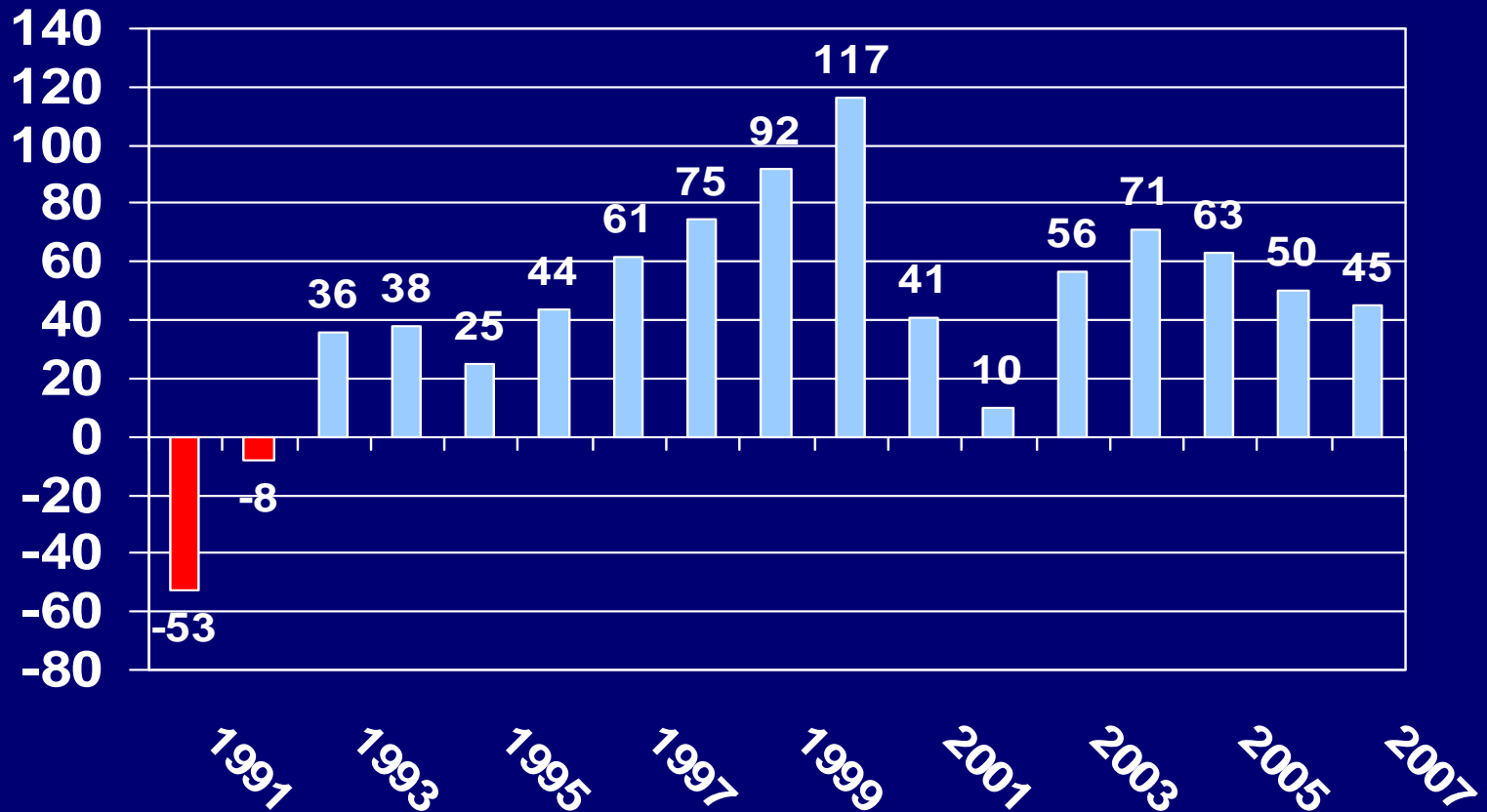
\$ Billions



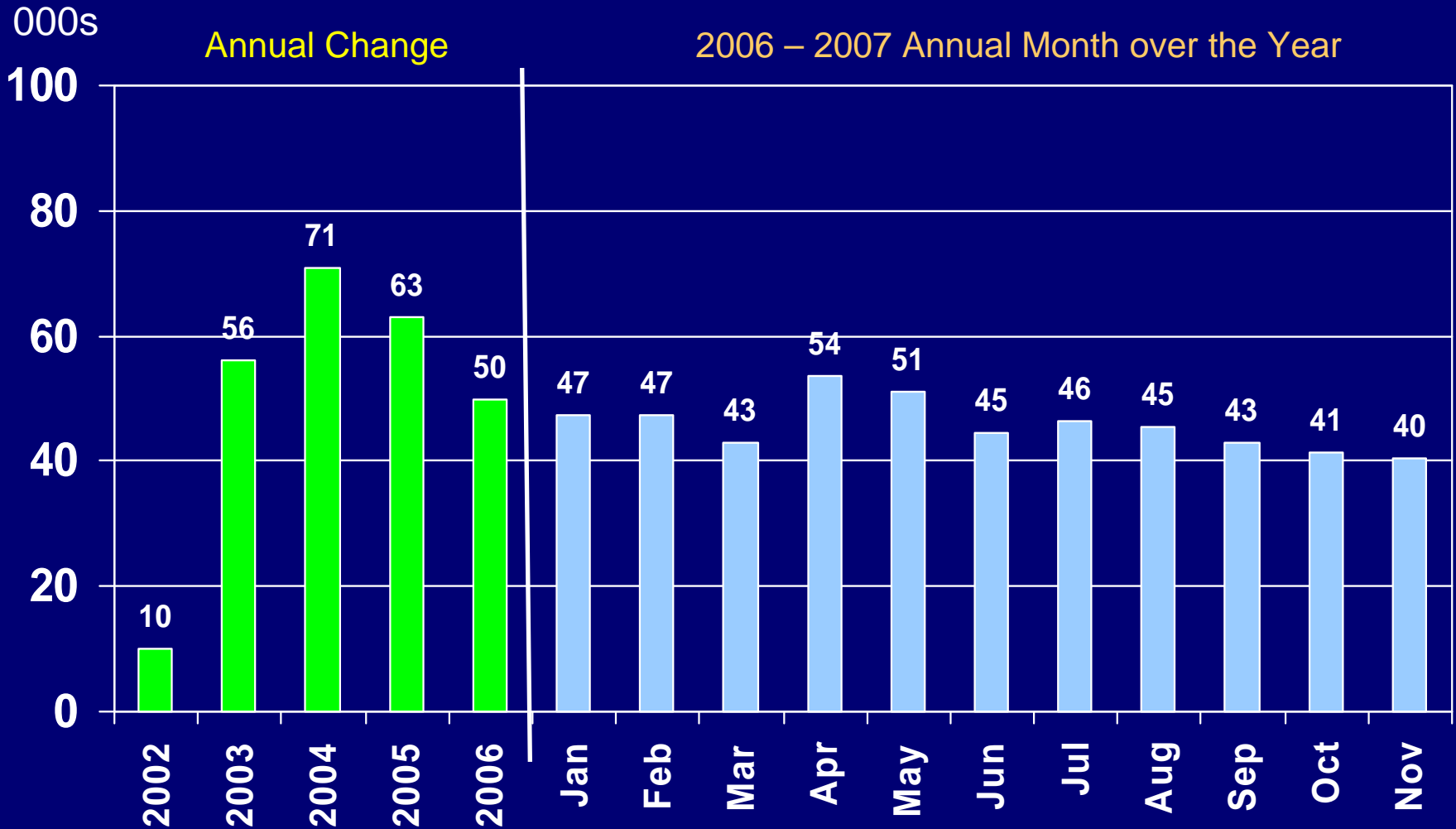
2007 Est.
= \$ 1.36 B

Annual Change in Jobs 1991 – 2007 Washington Metro

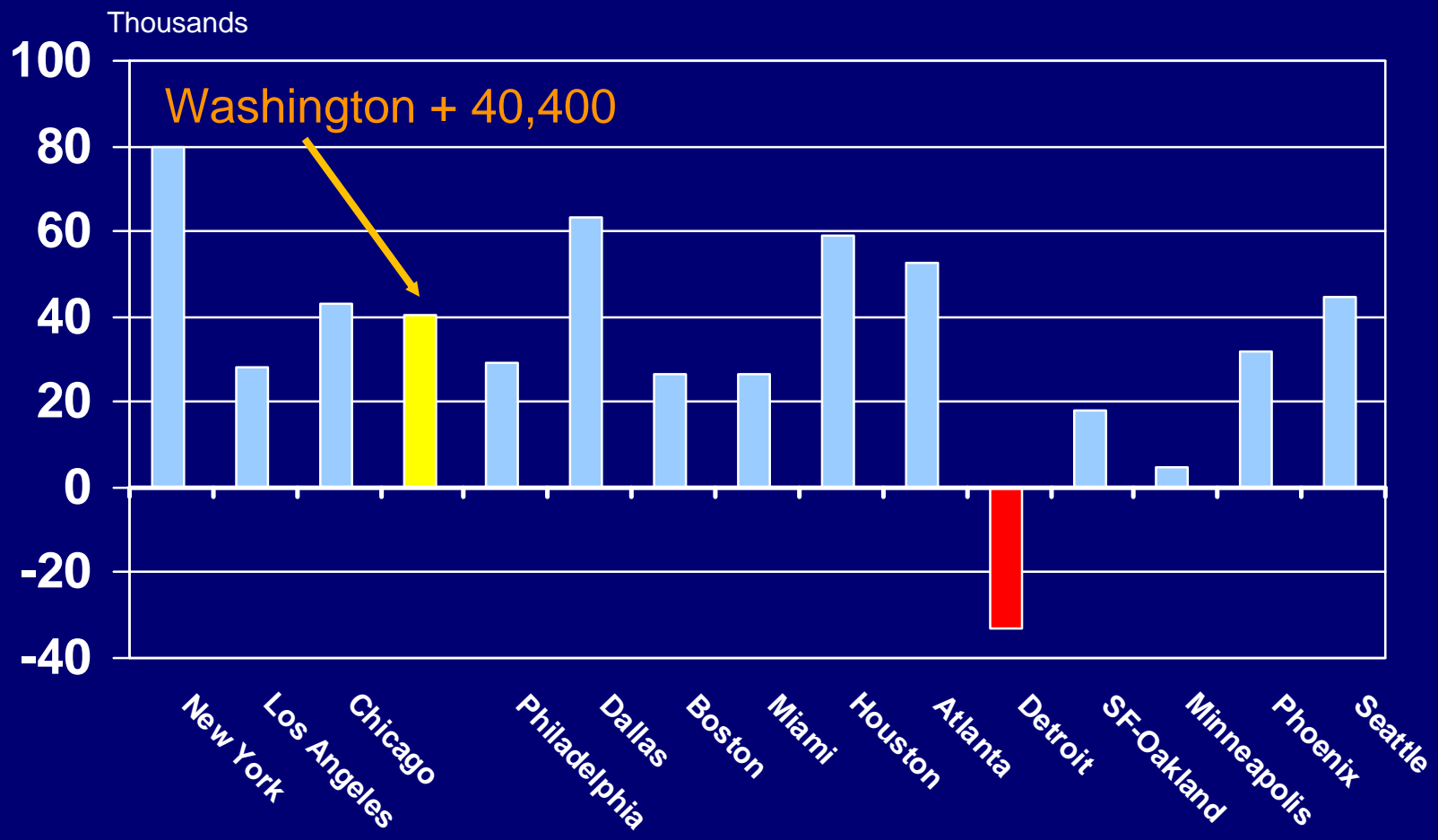
Thousands



Annual Job Change Washington Metro



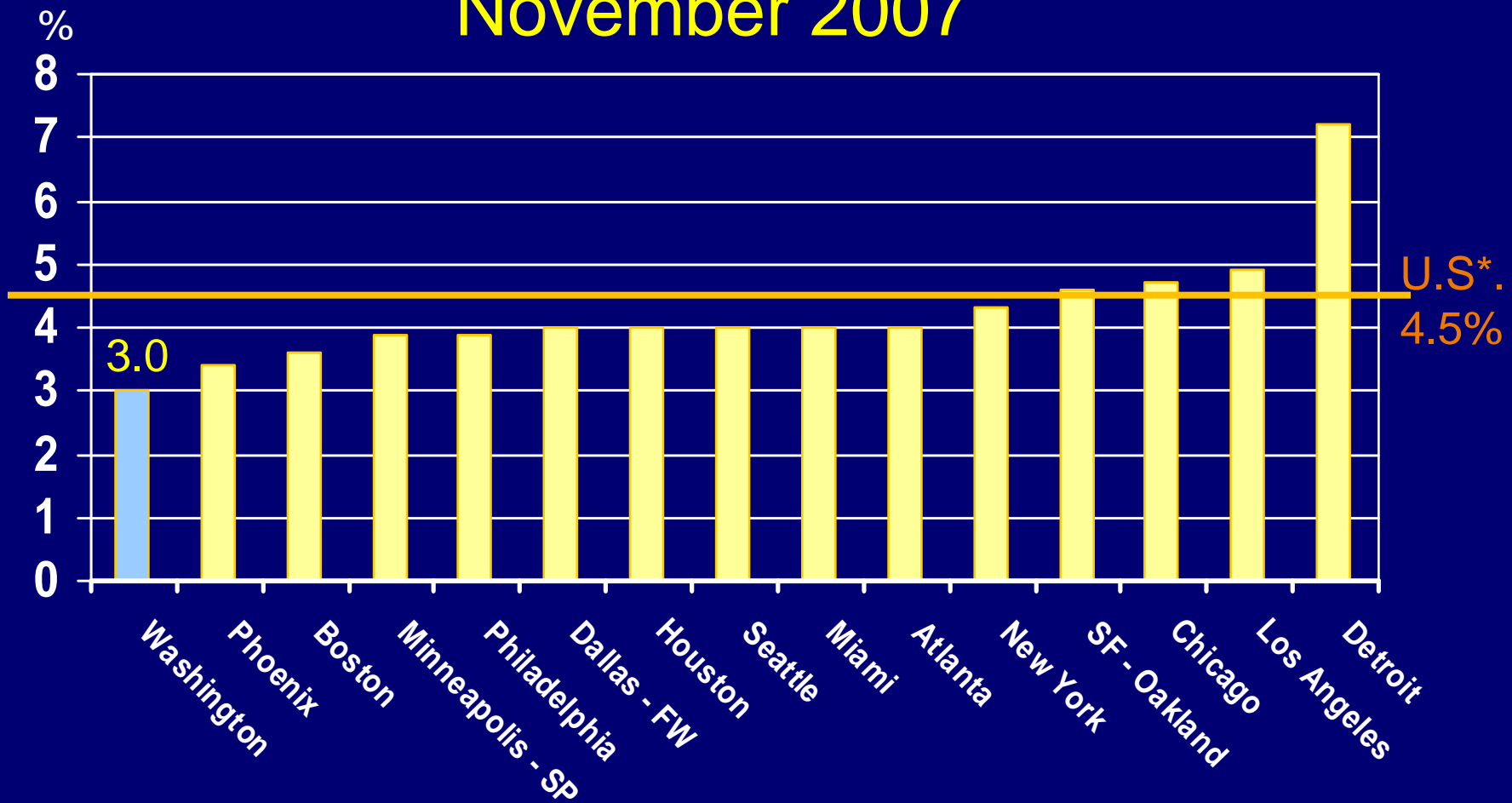
15 Largest Job Markets Job Change Nov 06 – Nov 07



Ranked by Total Jobs

Source: BLS, GMU Center for Regional Analysis

15 Largest Job Markets Ranked by Unemployment Rate November 2007



Data not seasonally adjusted

* U.S. Seasonally Adjusted = 4.7%

What is Reality about the Housing Market?

- Prices
- Inventory
- Foreclosures
- Supply Trends

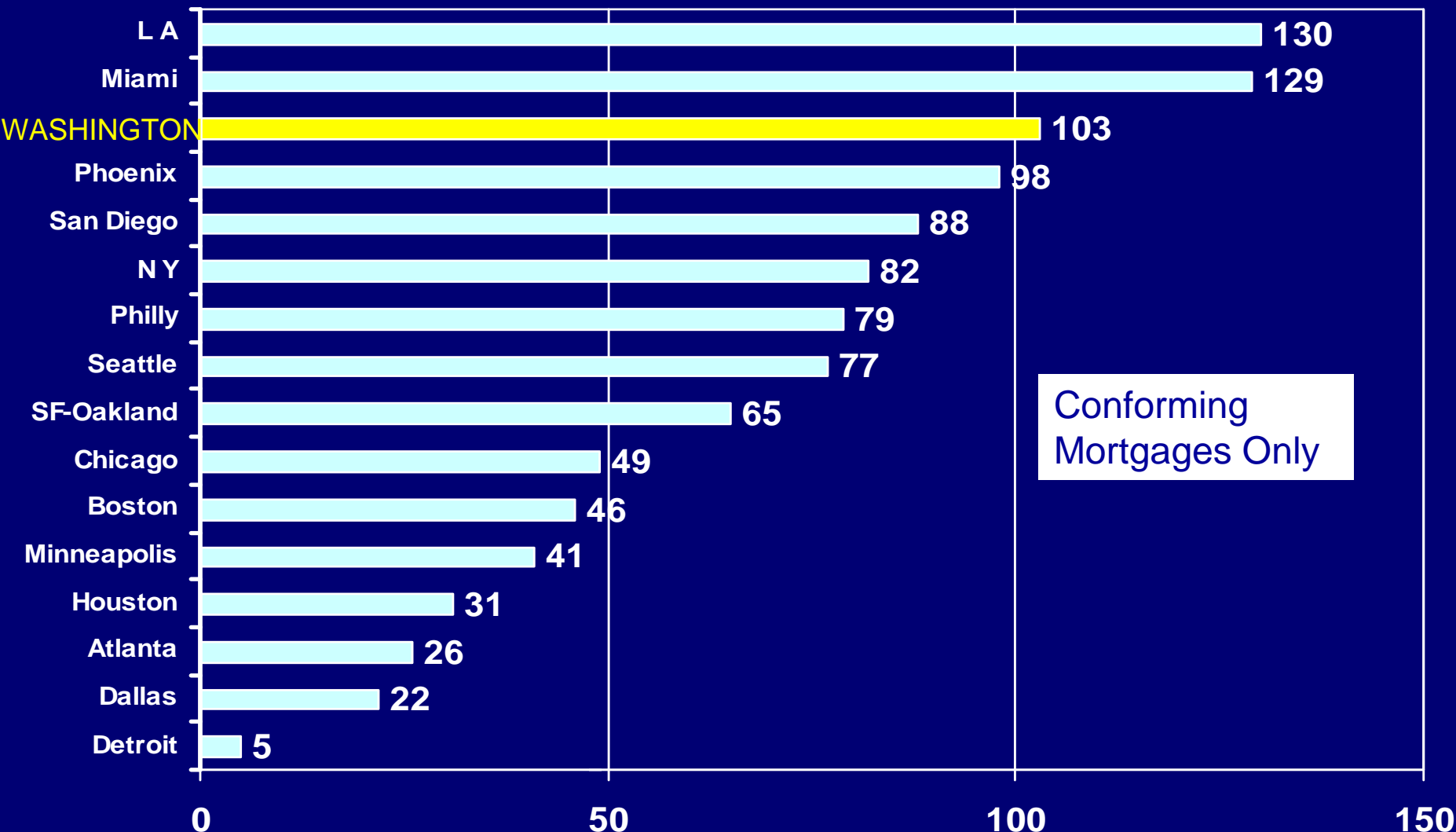
What is the Outlook?

Housing Prices

Metro Comparisons

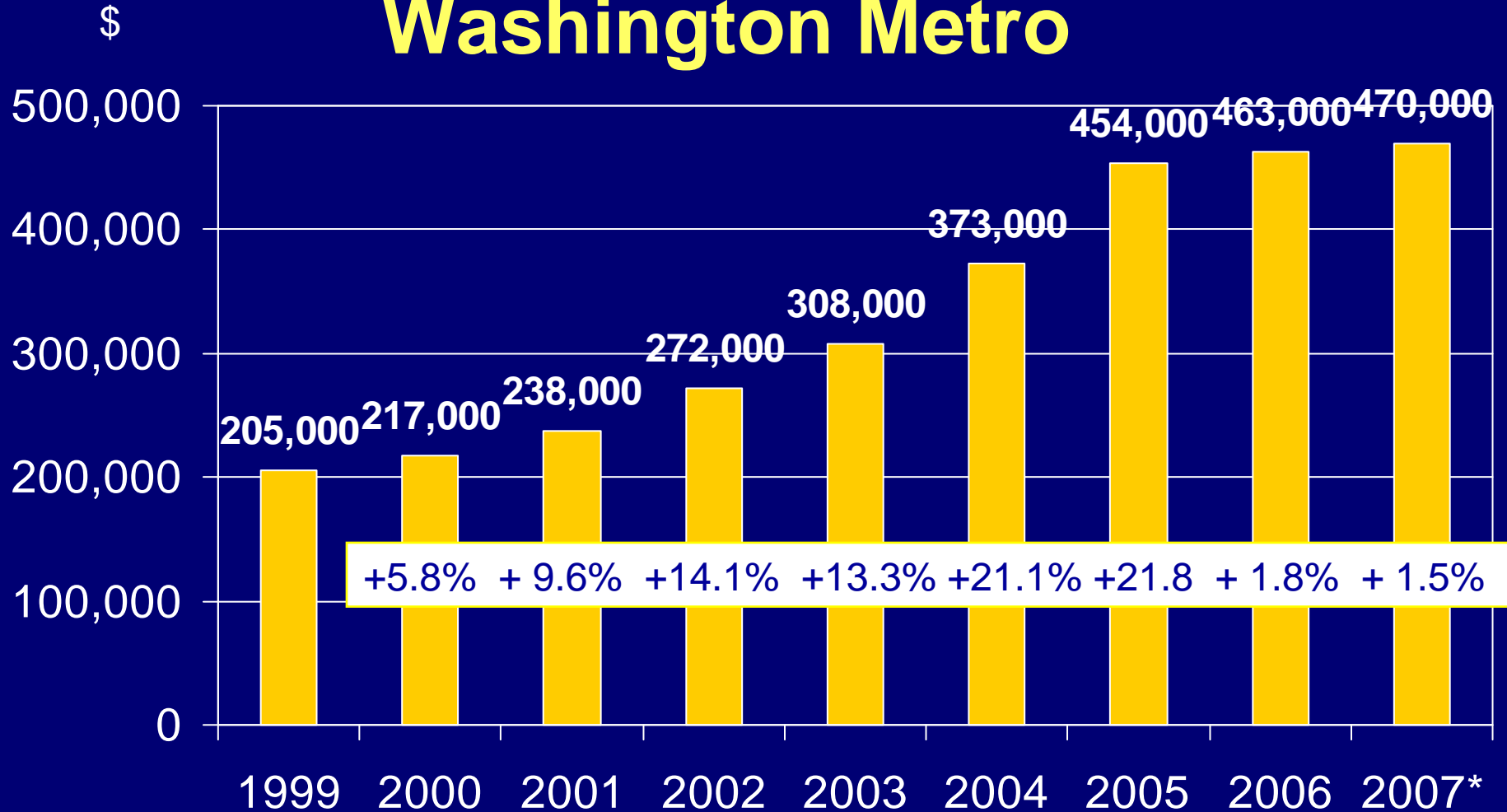
Percent Change in House Prices 2001 – 2007 (3rd Quarter)

%



Conforming Mortgages Only

Average Sales Price All Housing Types Washington Metro



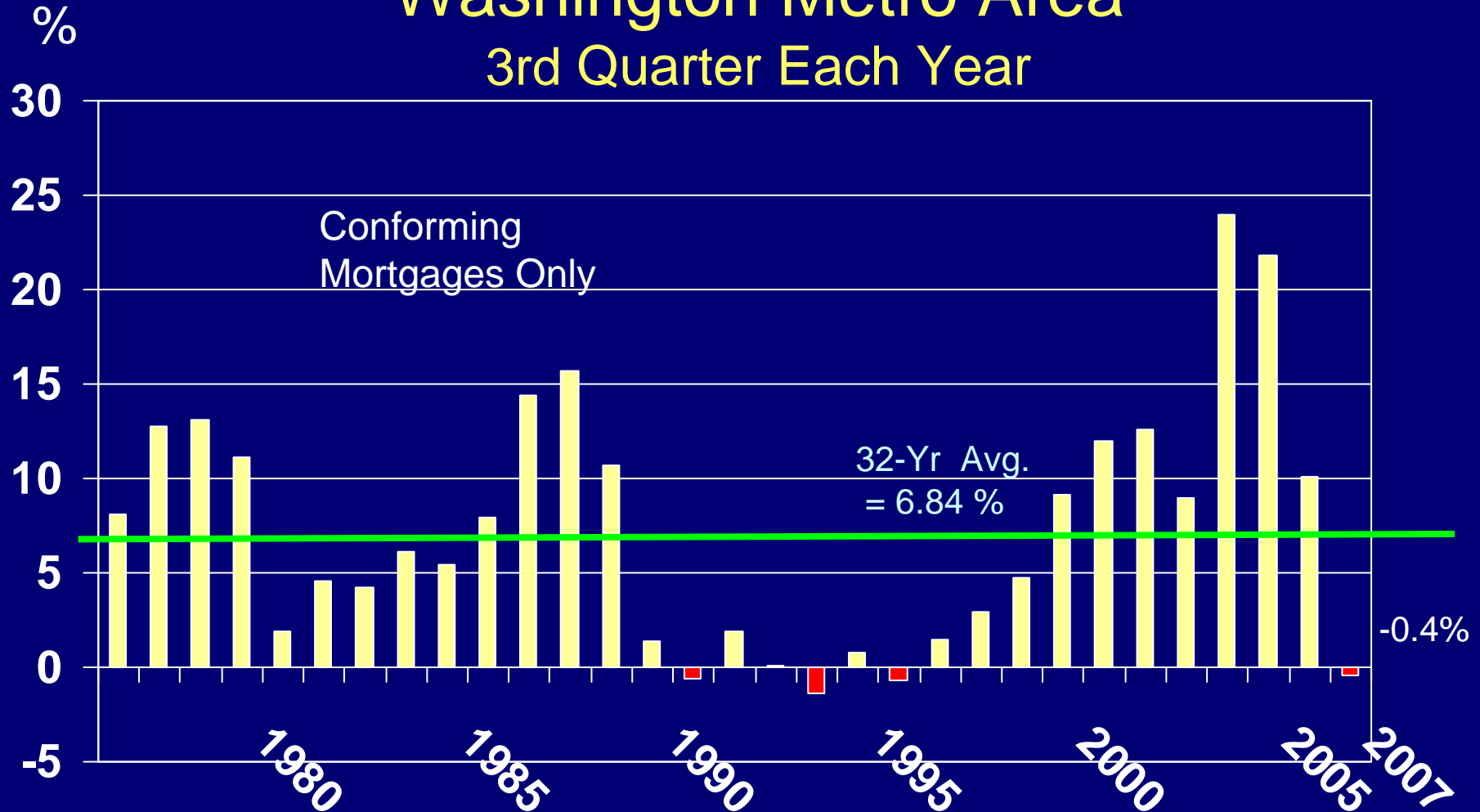
Source: MRIS, GMU Center for Regional Analysis

Housing Price Index

Annual % Change

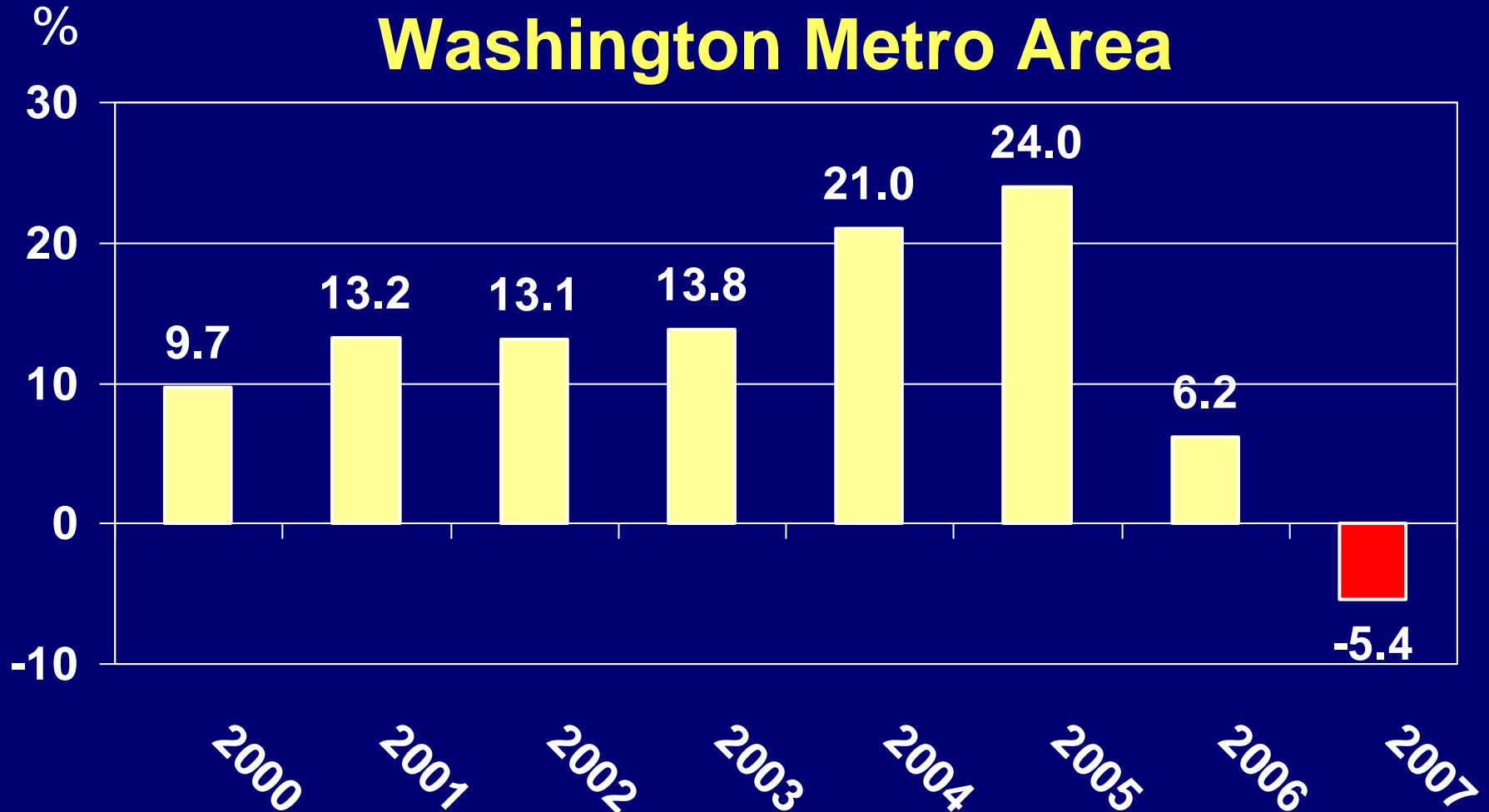
Washington Metro Area

3rd Quarter Each Year



Source: Office of Federal Housing Enterprise Oversight, GMU Center for Regional Analysis

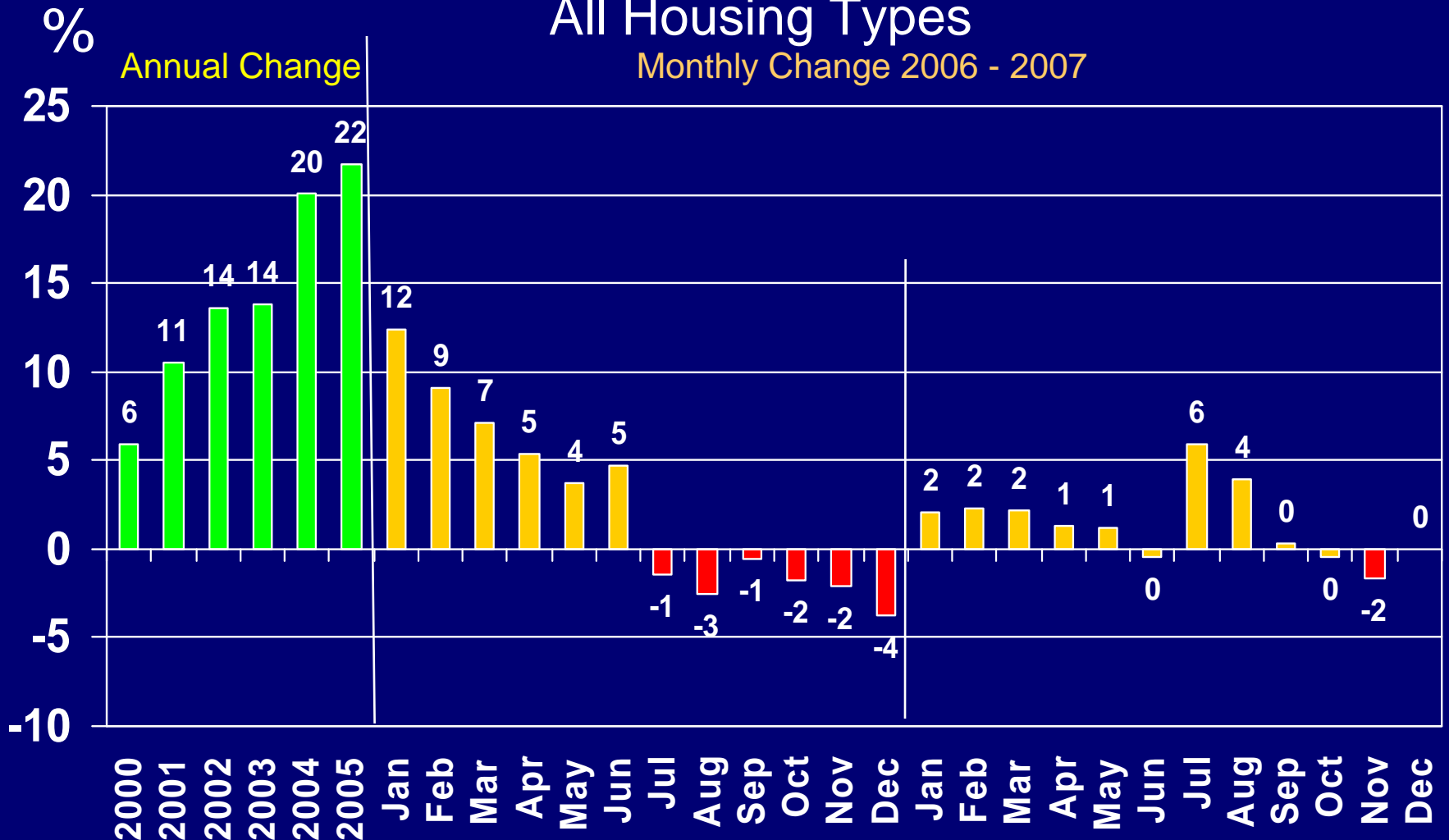
Case-Shiller Housing Price Index Annual % Change Washington Metro Area



Average Sales Price Percent Change Washington MSA

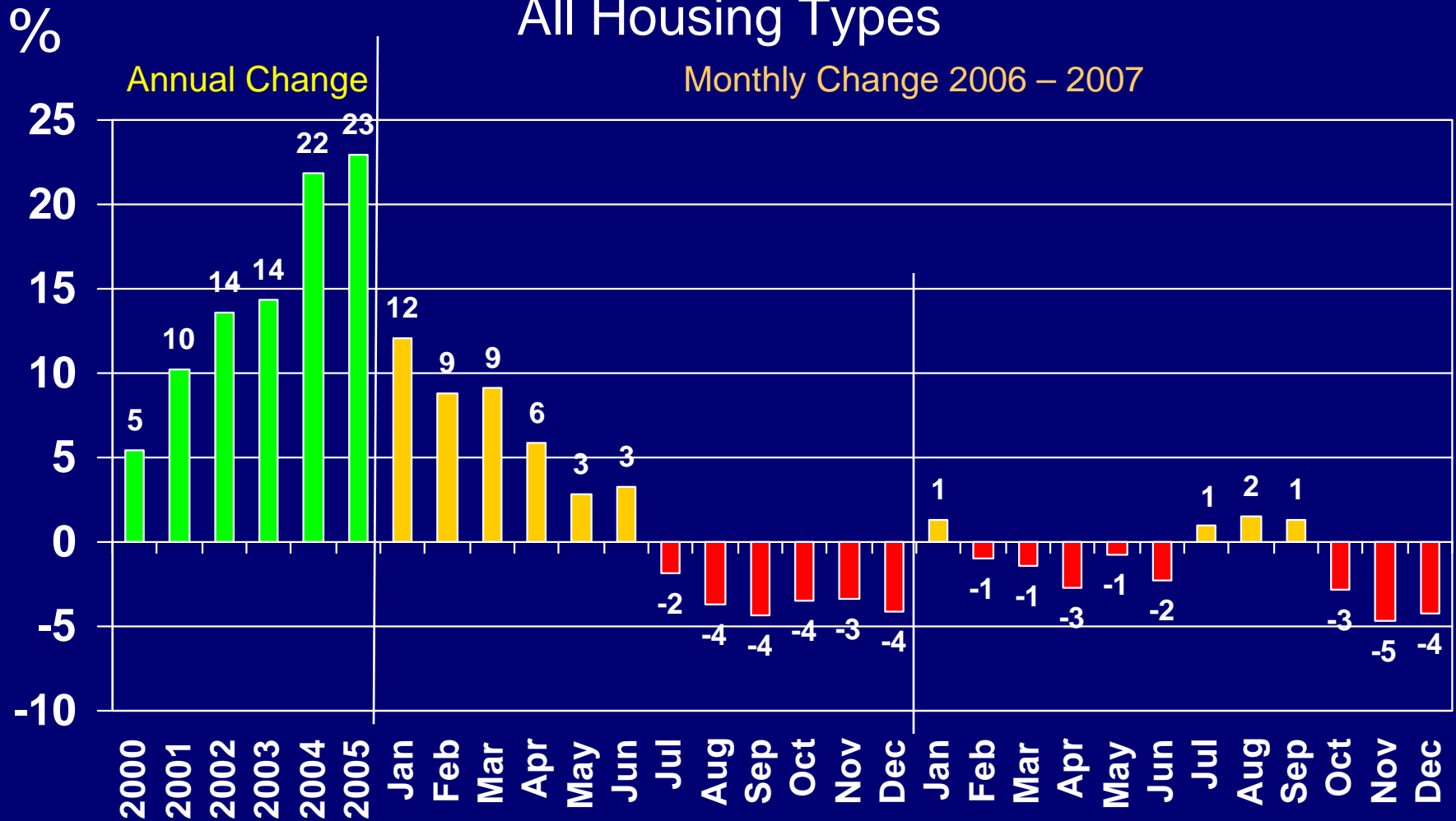
All Housing Types

Monthly Change 2006 - 2007



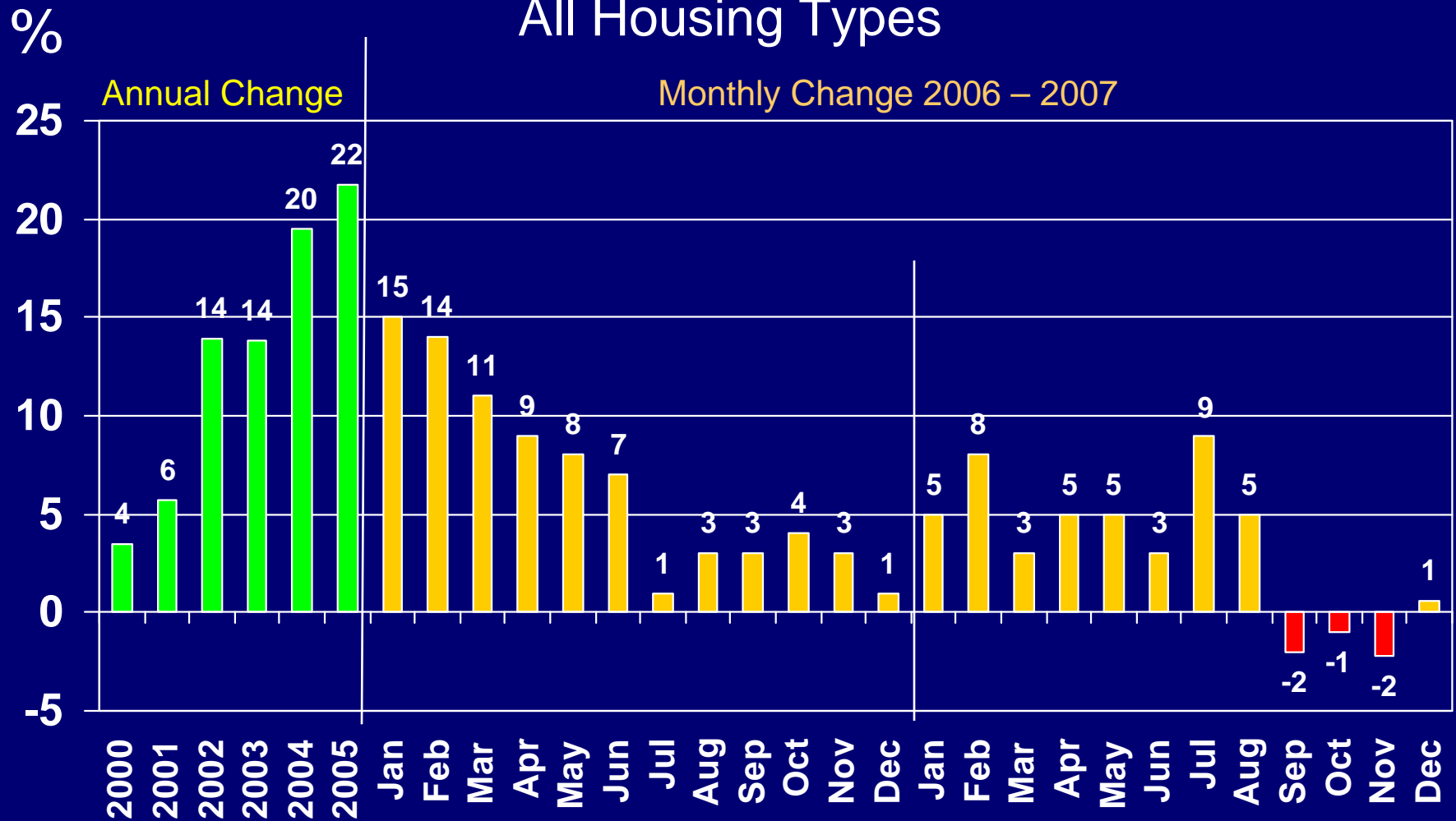
Average Sales Price Percent Change Northern Virginia

All Housing Types



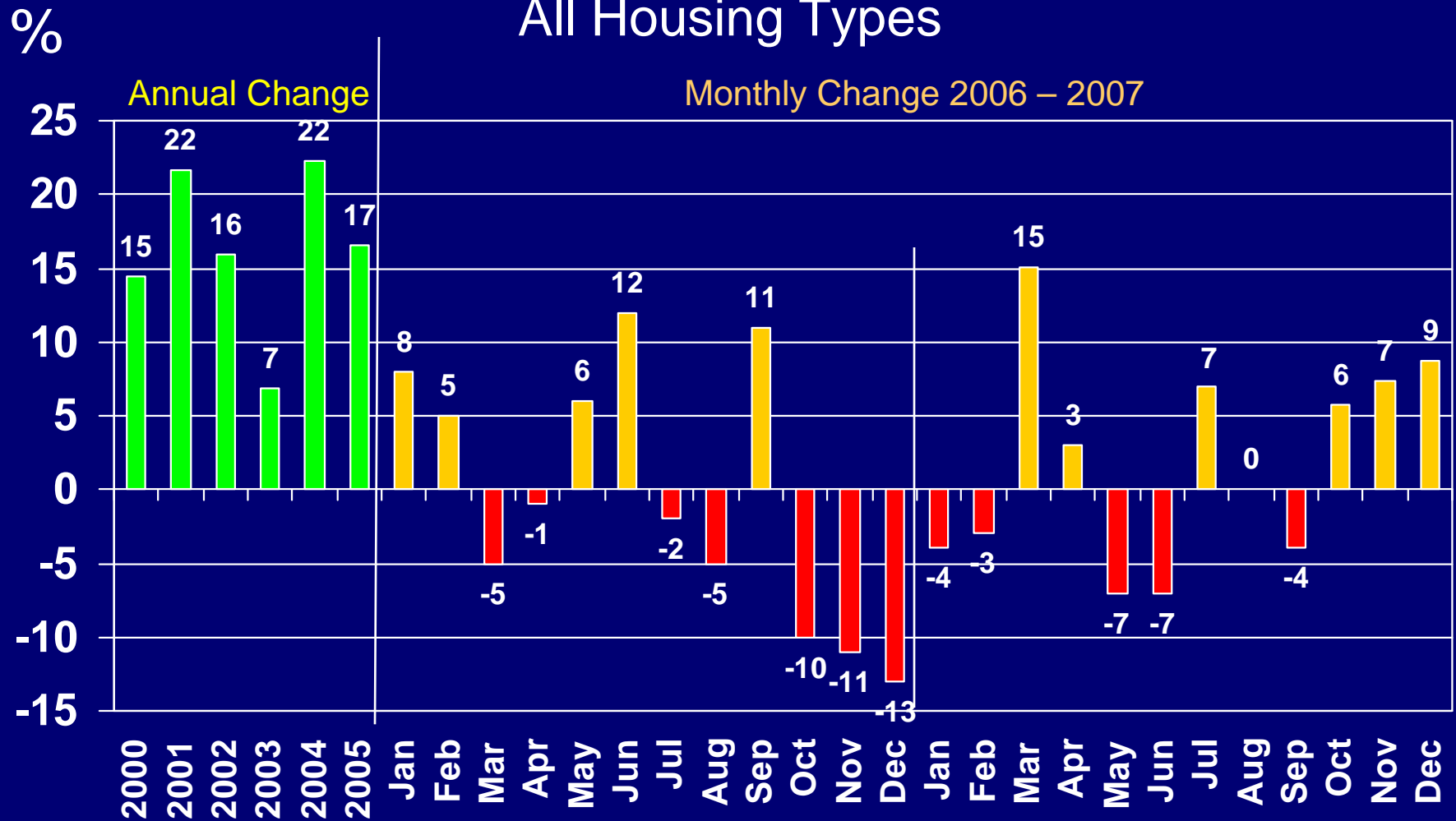
Average Sales Price Percent Change Suburban Maryland

All Housing Types

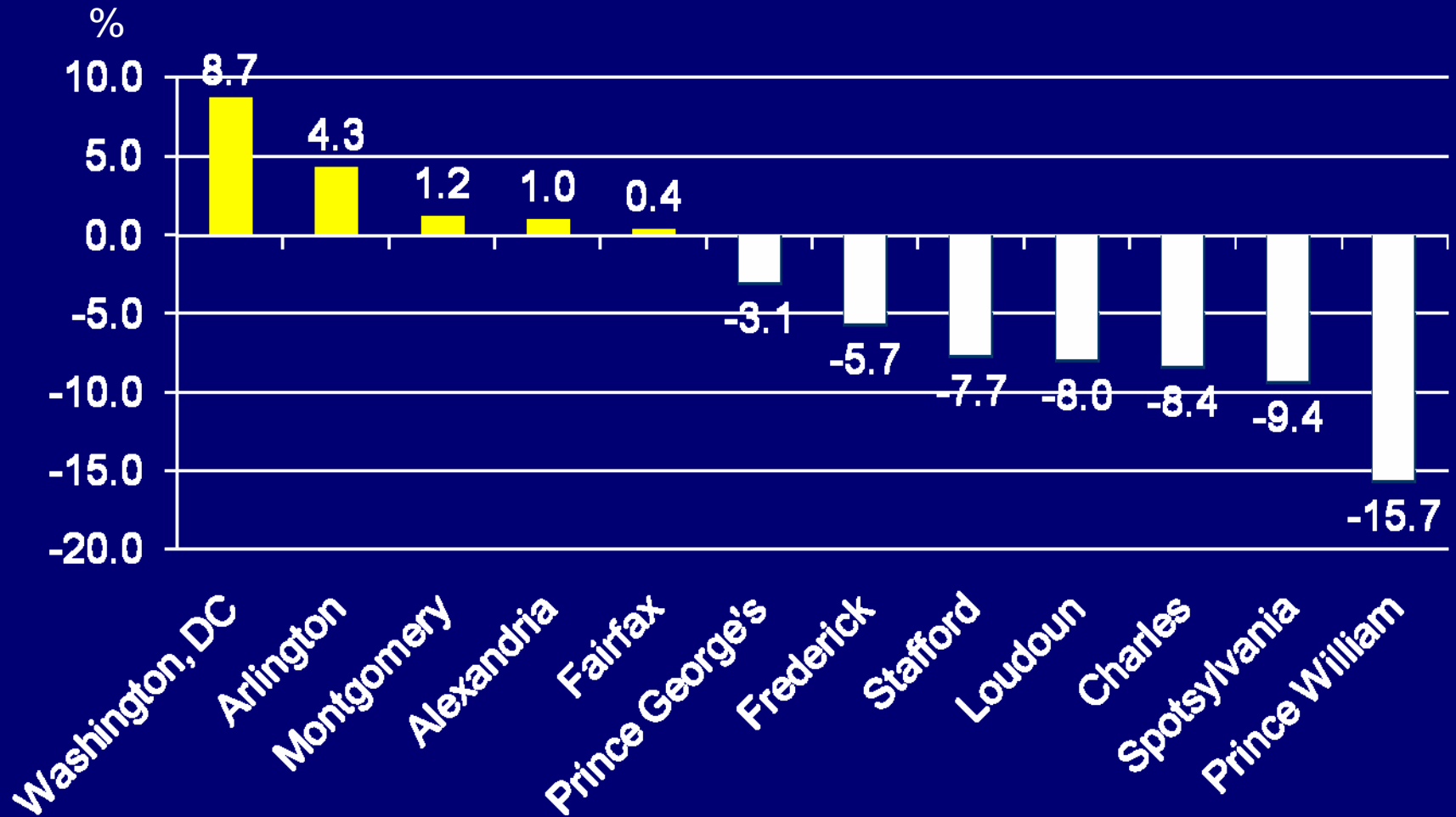


Average Sales Price Percent Change District of Columbia

All Housing Types

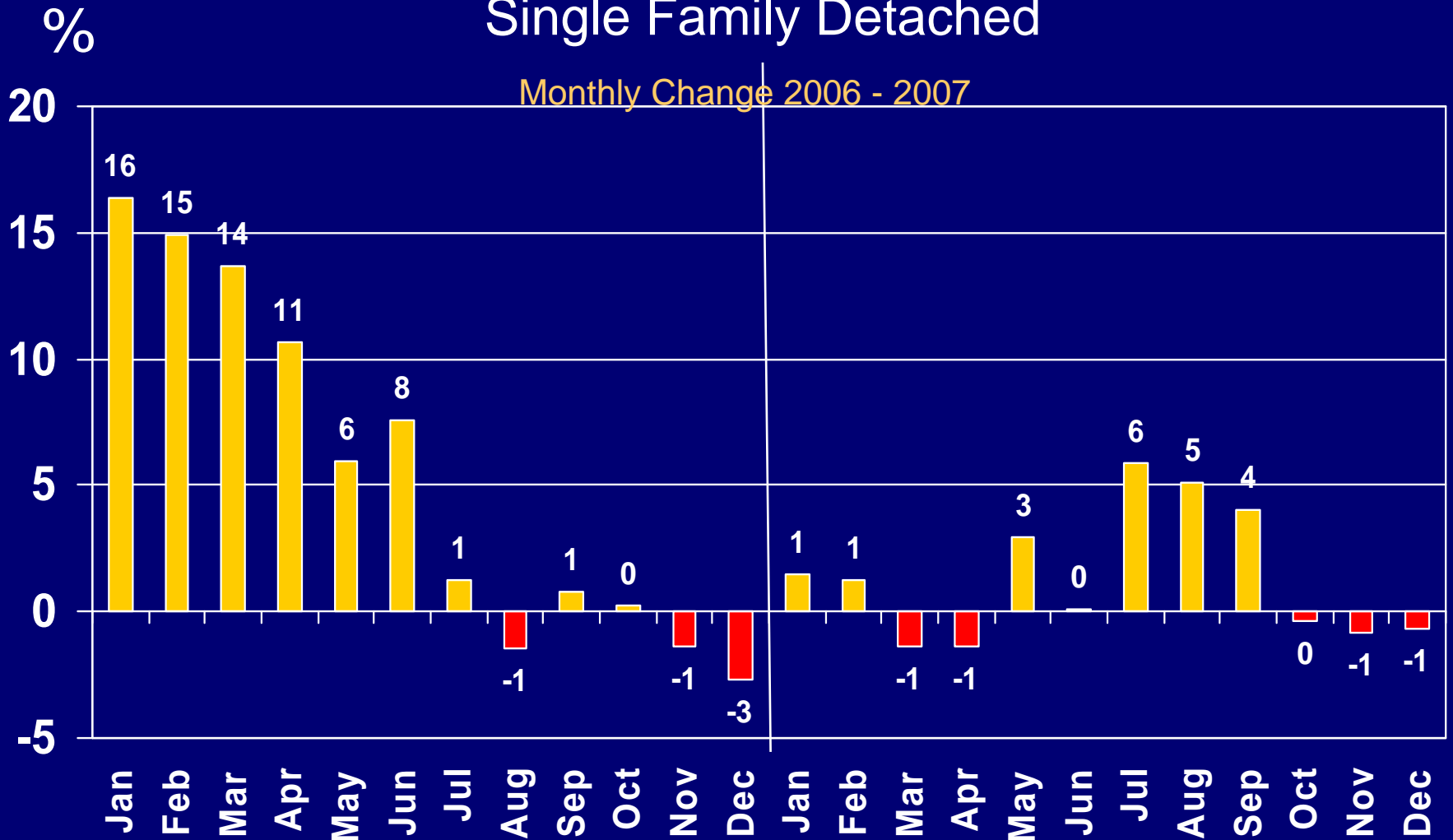


Change in Average Housing Price December 2006 – December 2007



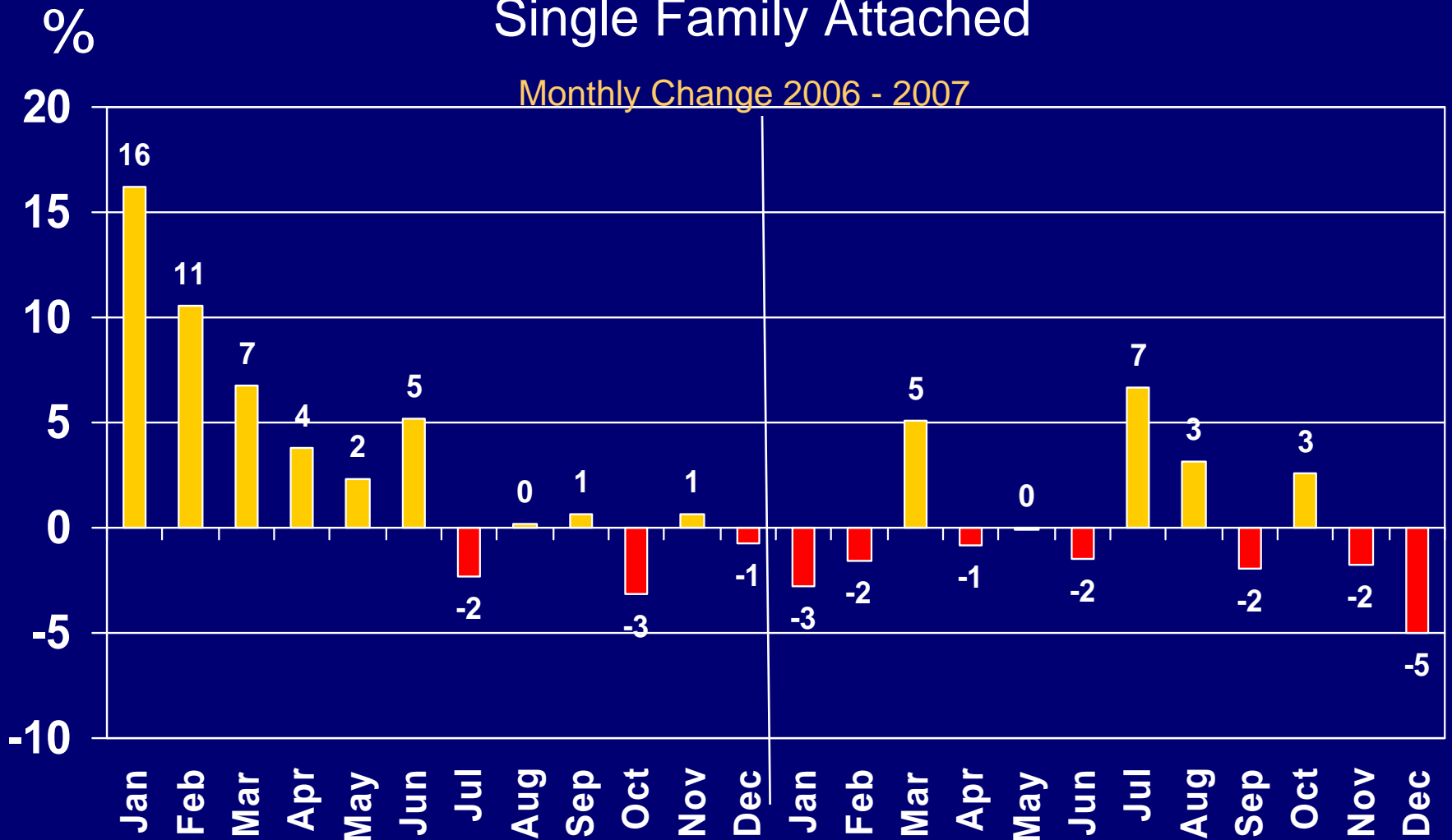
Average Sales Price Percent Change Washington MSA

Single Family Detached



Average Sales Price Percent Change Washington MSA

Single Family Attached

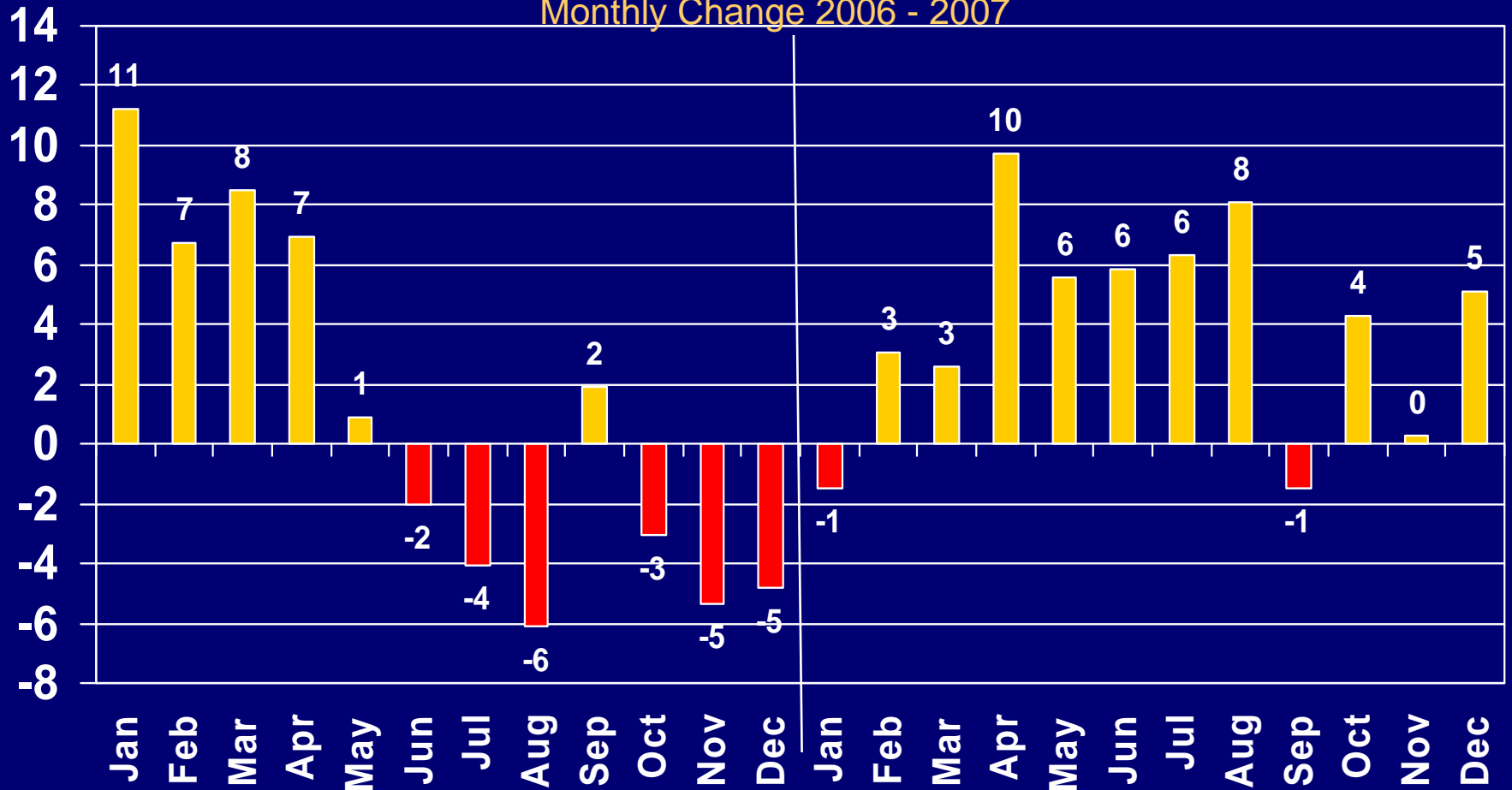


Average Sales Price Percent Change Washington MSA

Condominiums

%

Monthly Change 2006 - 2007



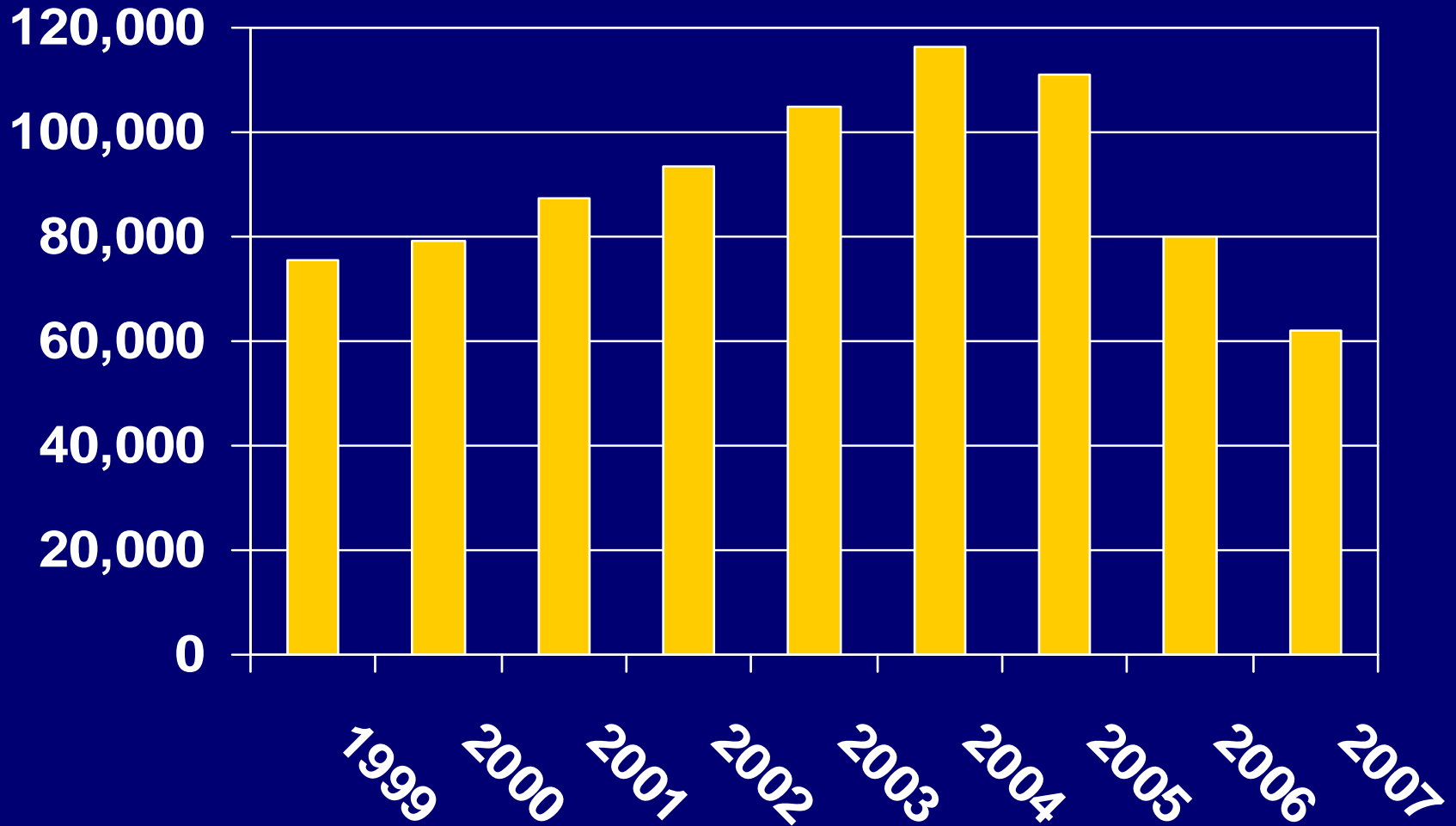
Inventory

Sales and Total Active Listings

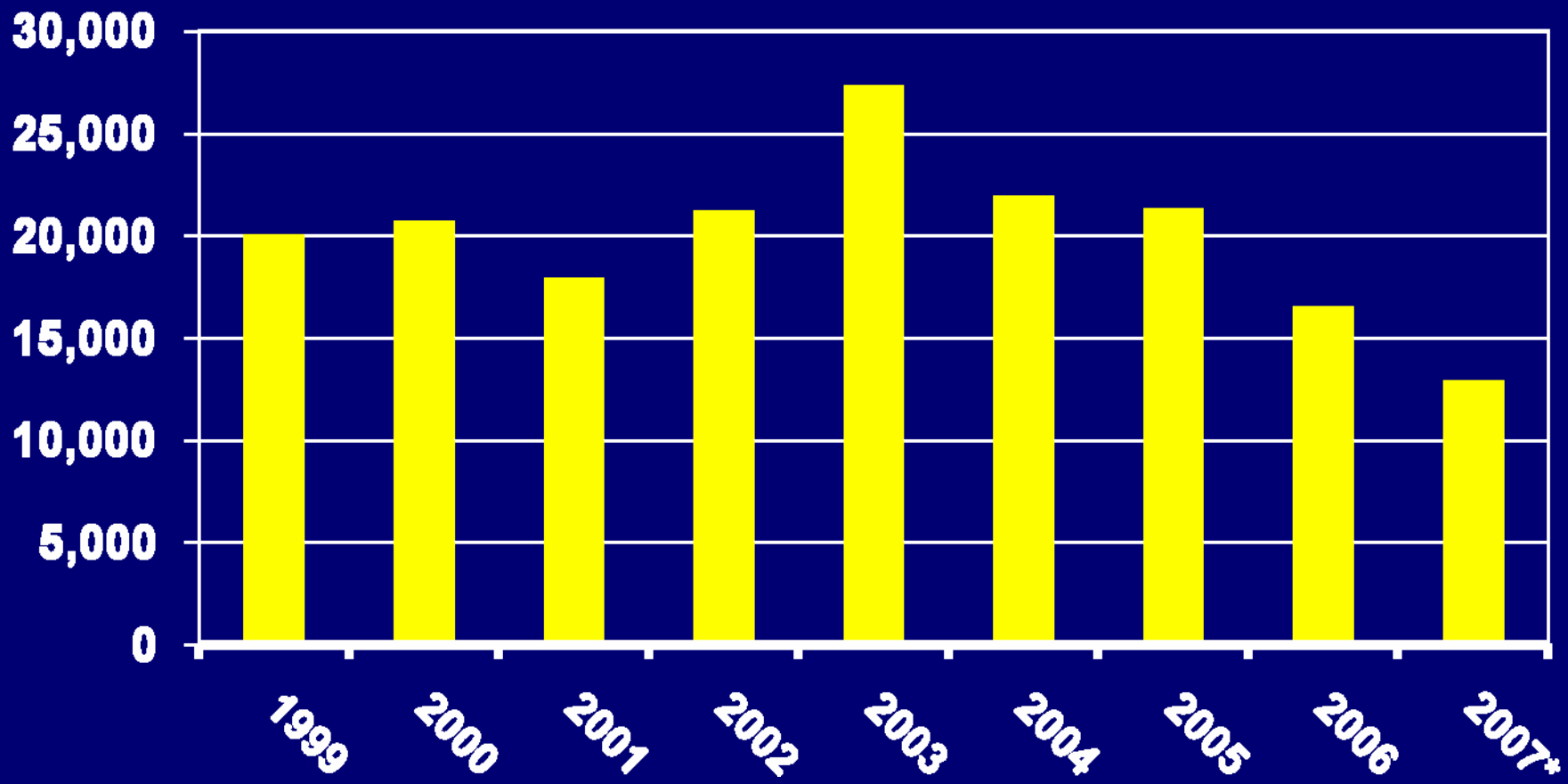
Washington Metro Area, December Each Year



Total Units Sold Washington Metro Area



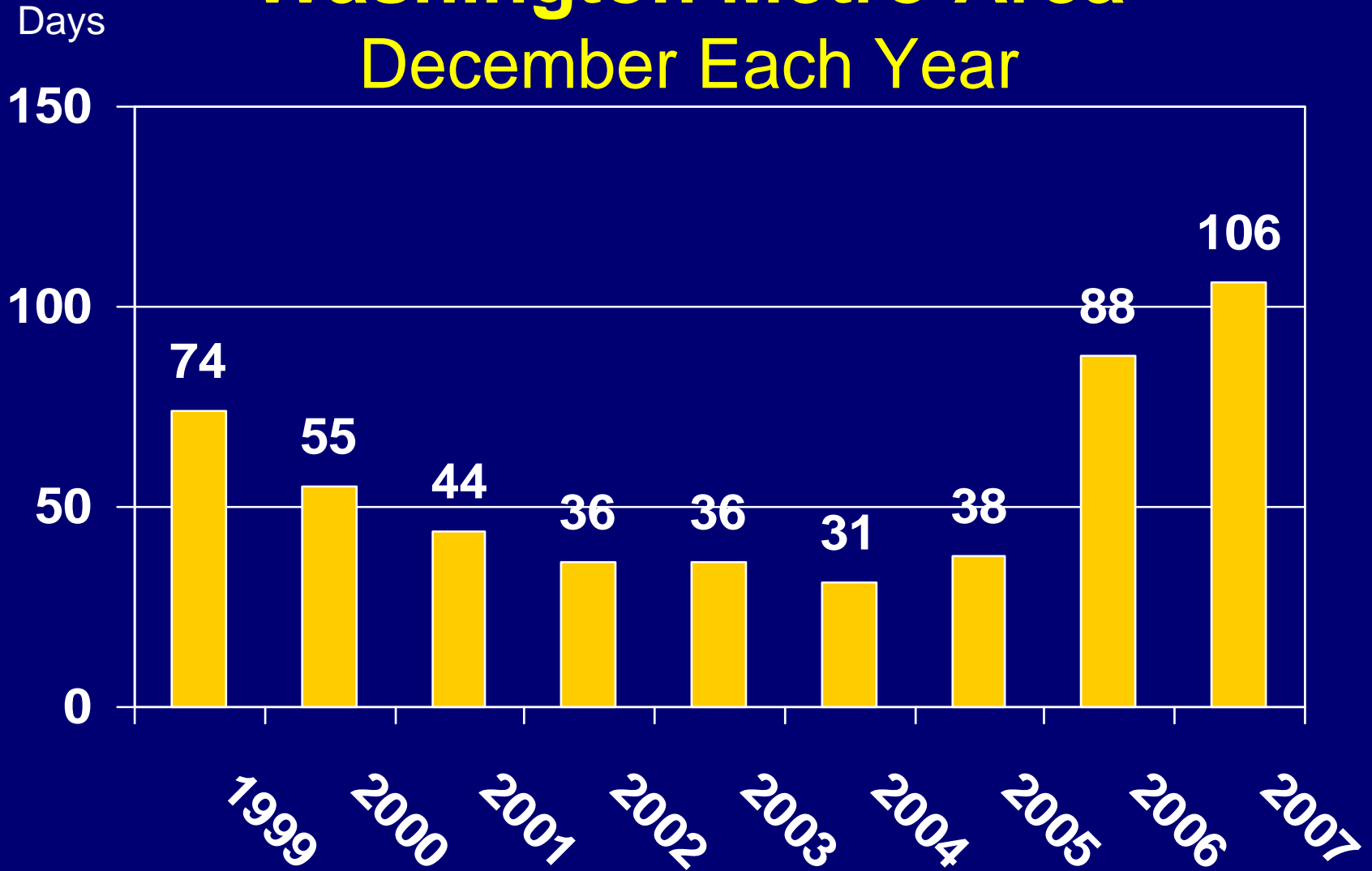
New Housing Units Sold Washington Metro Area



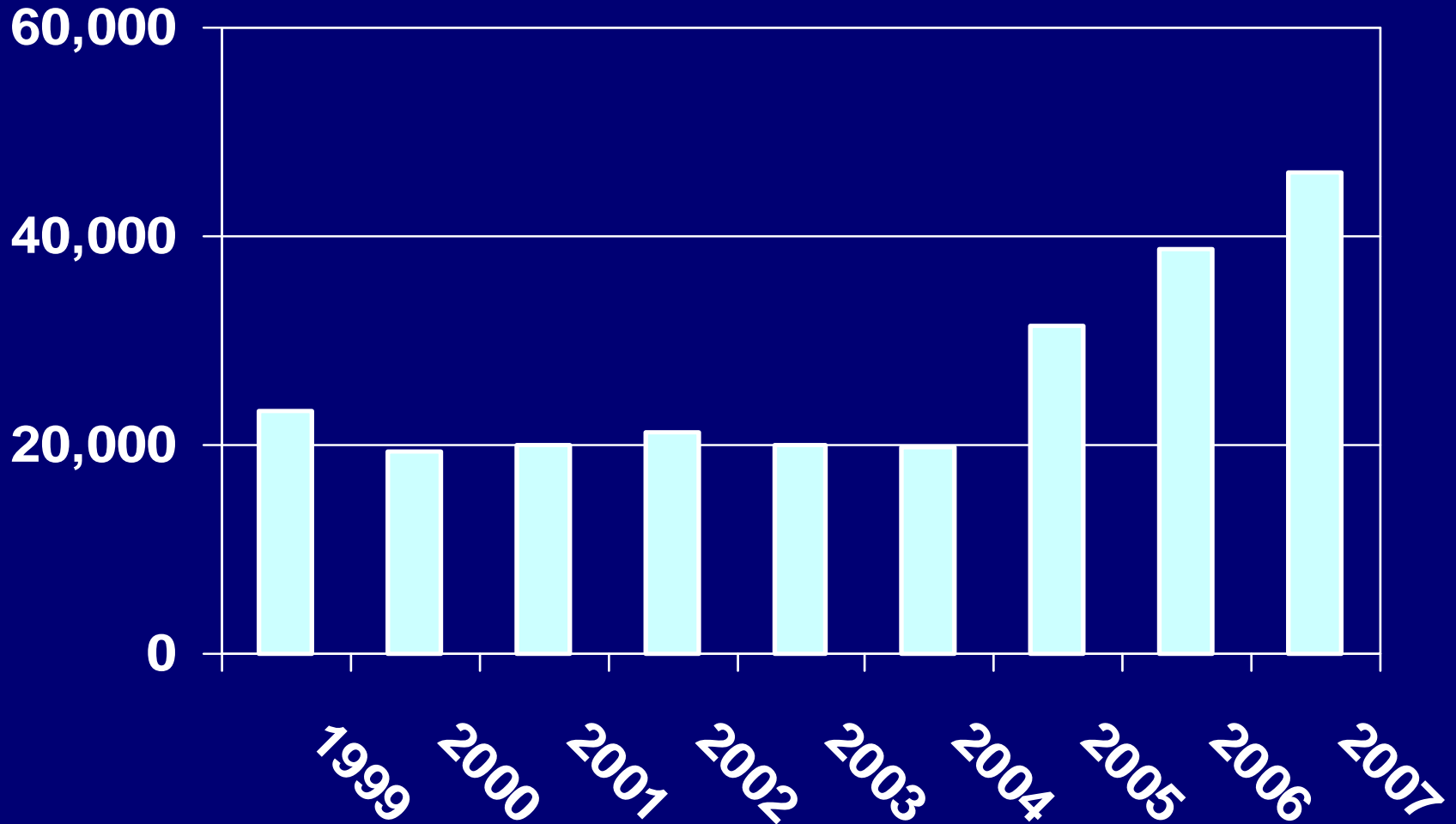
Source: Hanley-Wood, GMU Center for Regional Analysis

* Annualized

Days on Market Washington Metro Area December Each Year



Total Active Listings Washington Metro Area December Each Year



Percent Change in Inventories of Existing Homes

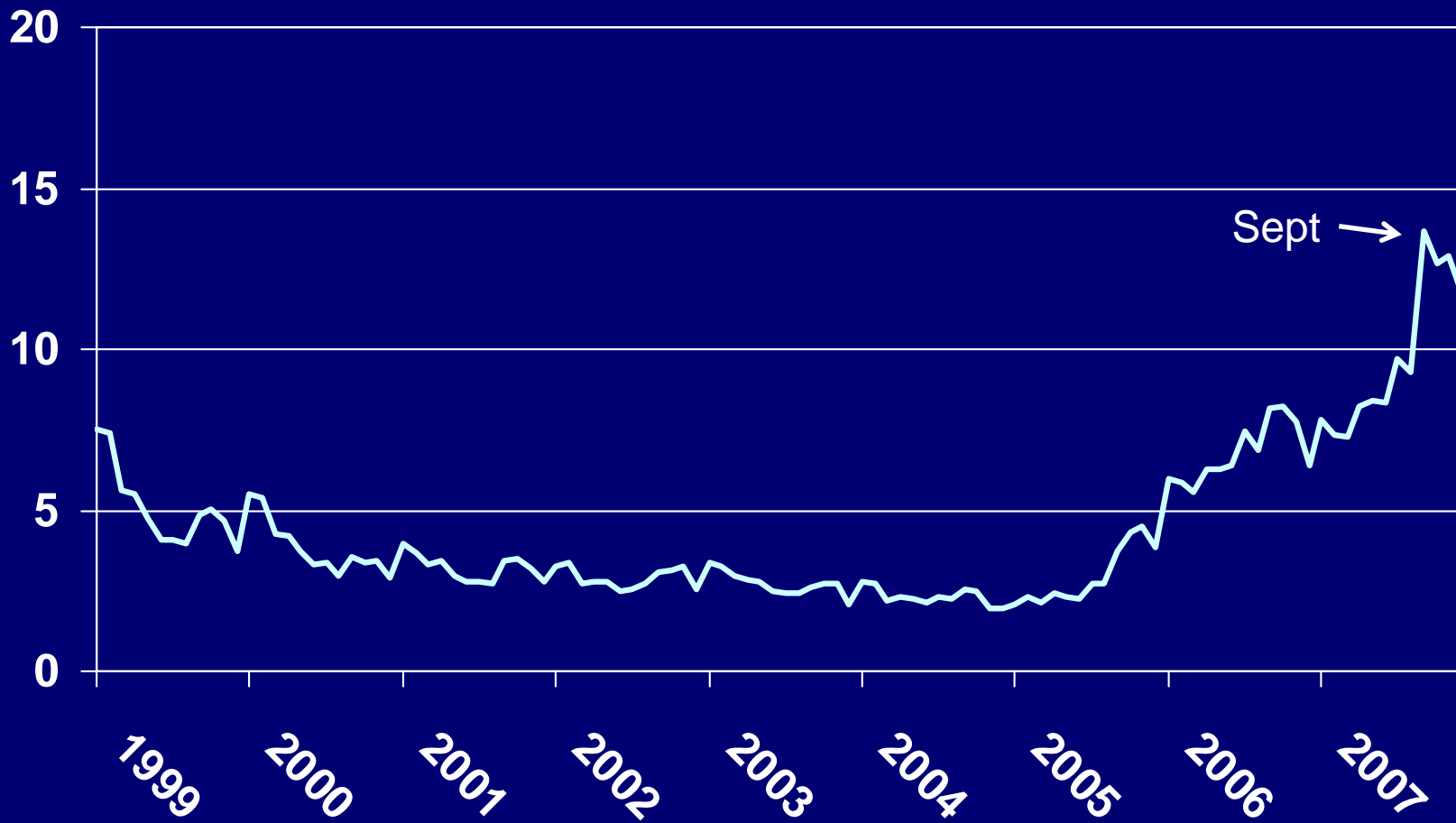
Month-Over-the-Year-Change

2000 – 2007, MSA



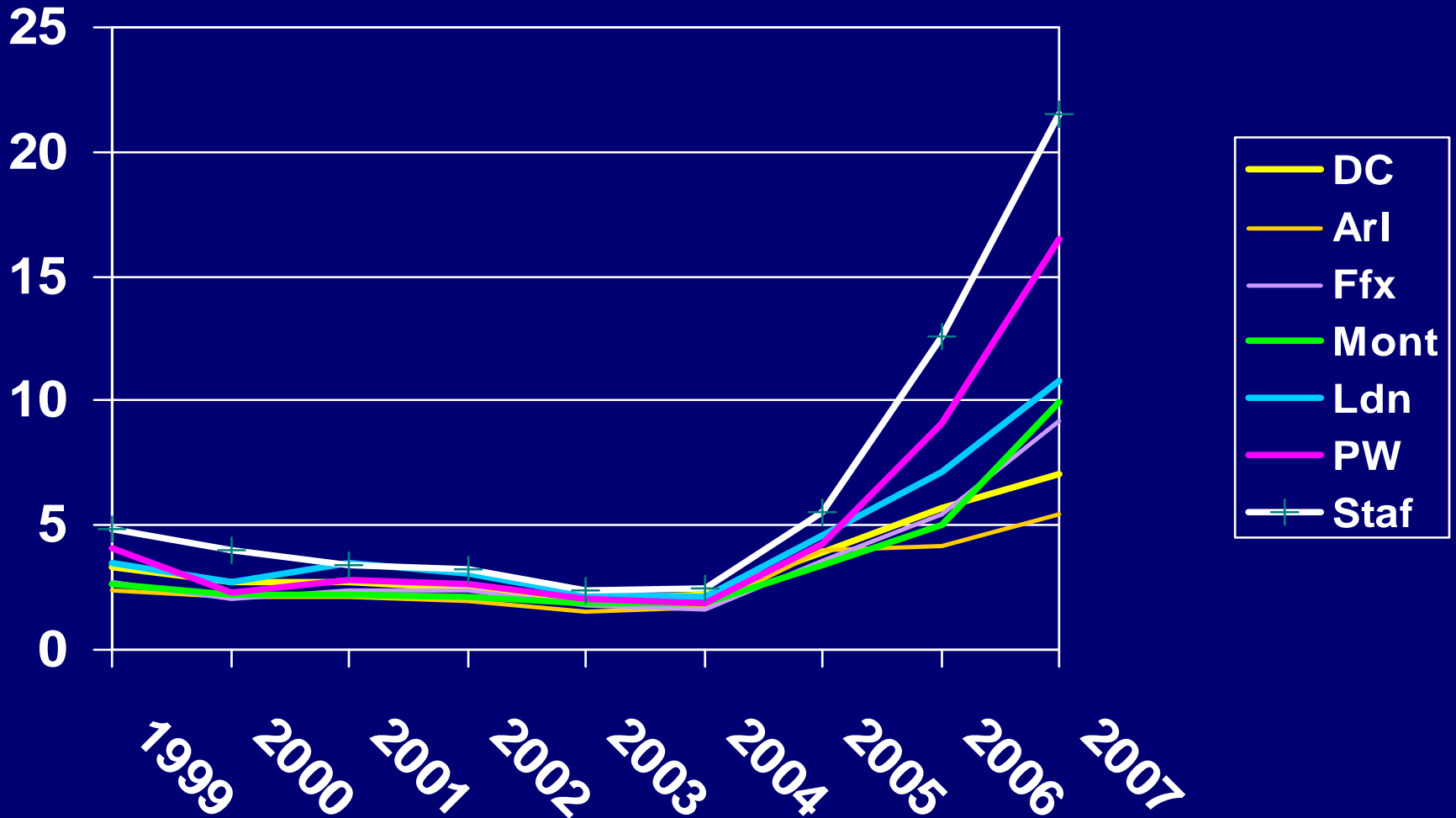
Total Active Listings per Sale

Monthly, 2000 – 2007, MSA



Total Active Listings per Sale

December Each Year



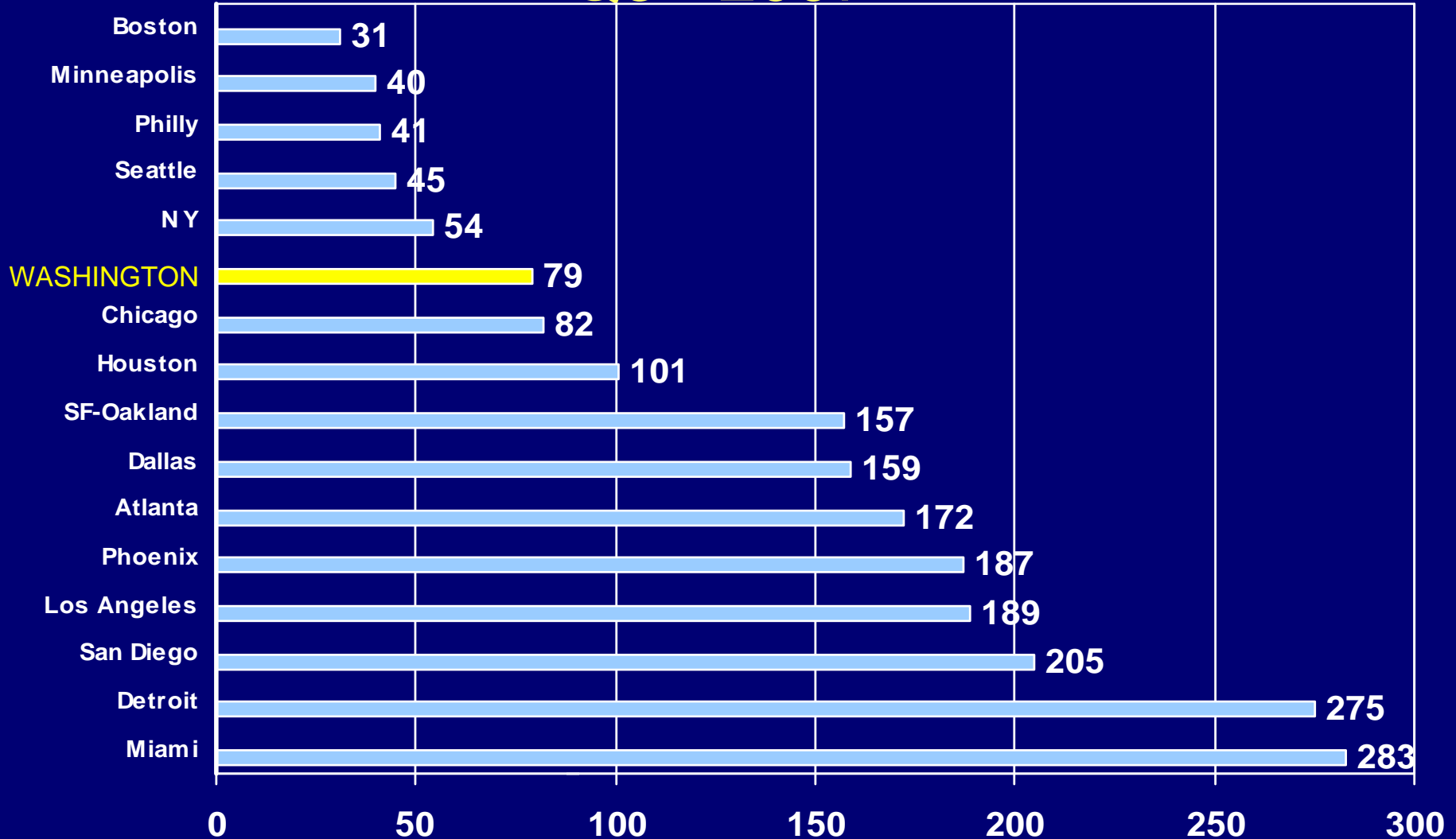
Foreclosures

Metro Comparisons

Mortgage Foreclosure Rates

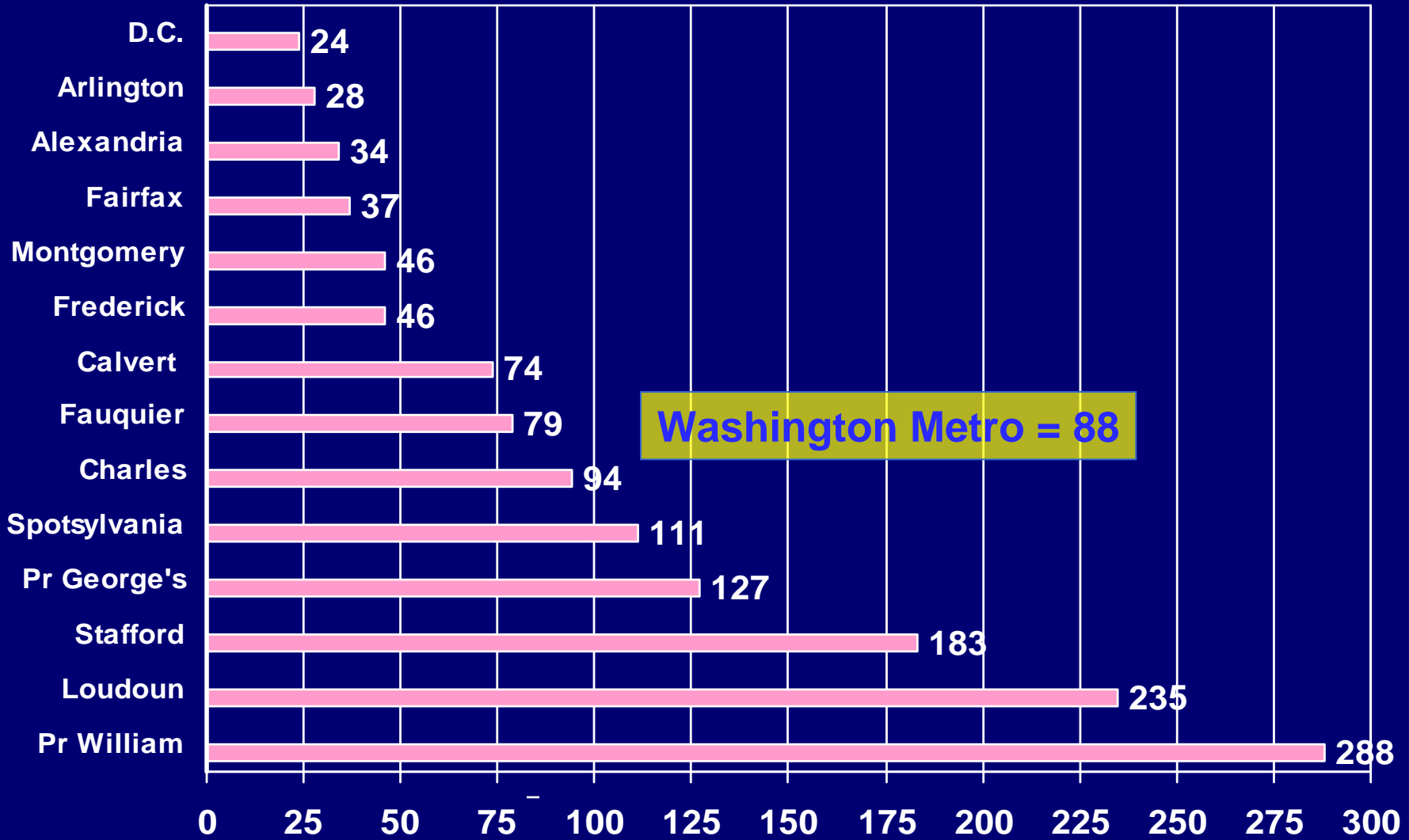
Q3 - 2007

Foreclosures /10,000 Units



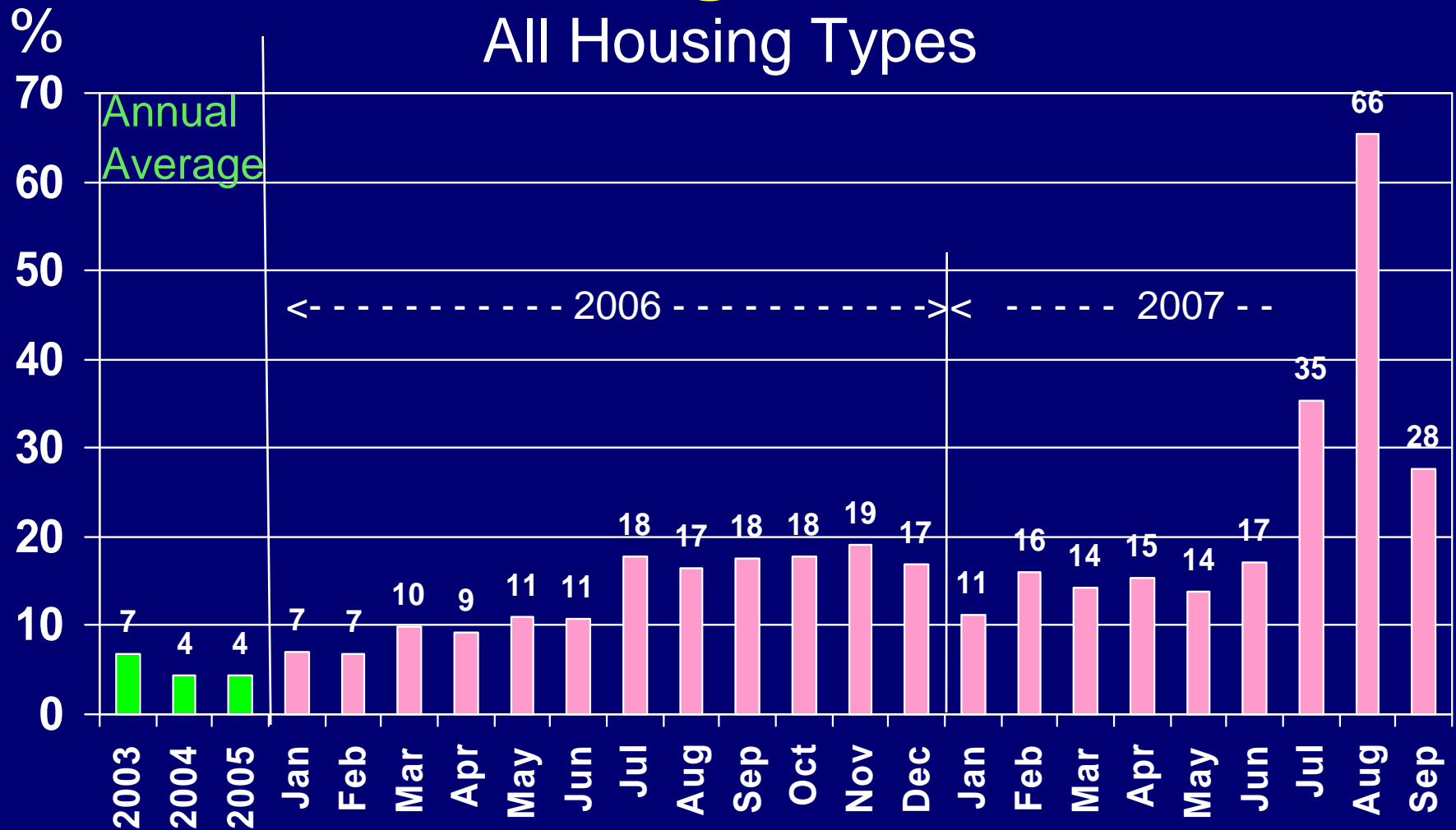
Mortgage Foreclosure Rates by County – Dec 28, 2007

Foreclosures /10,000 units



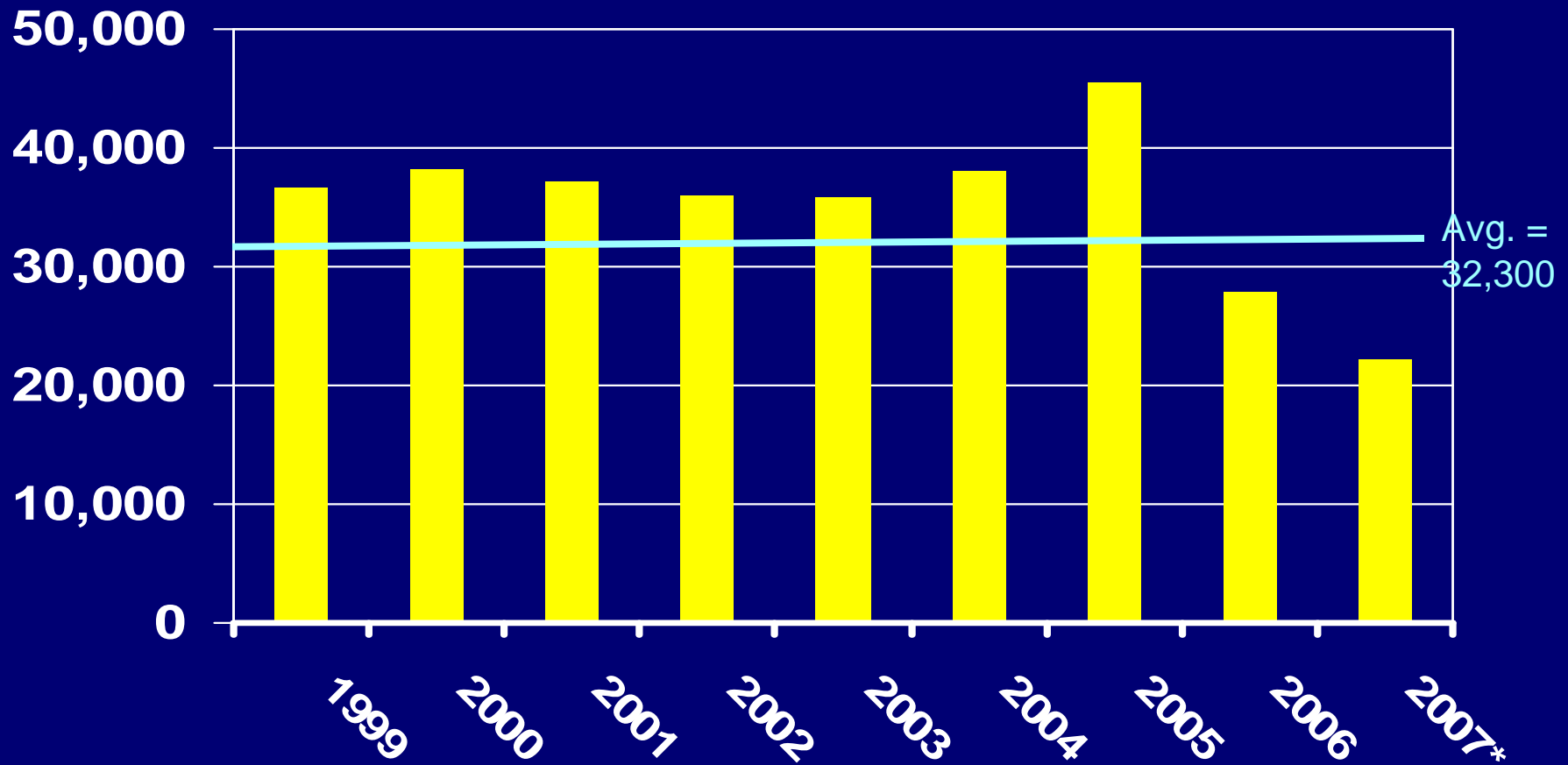
New Housing Contract Kick-Out Rate Washington MSA

All Housing Types



Supply Trends

Building Permits Washington MSA



Source: US Census, GMU Center for Regional Analysis

* Annualized

Outlook for the Housing Market

What is Reality about the Housing Market?

- **Prices** – Down slightly metro-wide, stable/increasing in central counties, significant declines in outer jurisdictions. Condos doing better last several months.
- **Inventory** – At record levels, some stabilizing last summer and then the credit crisis lowered the boom...most problematic in outer counties – inner areas seeing improvement.
- **Foreclosures** – Region is better off than most hot markets, outer jurisdictions in problem territory
- **Supply Trends** – Building permits down and this will help market imbalance until recovery underway.

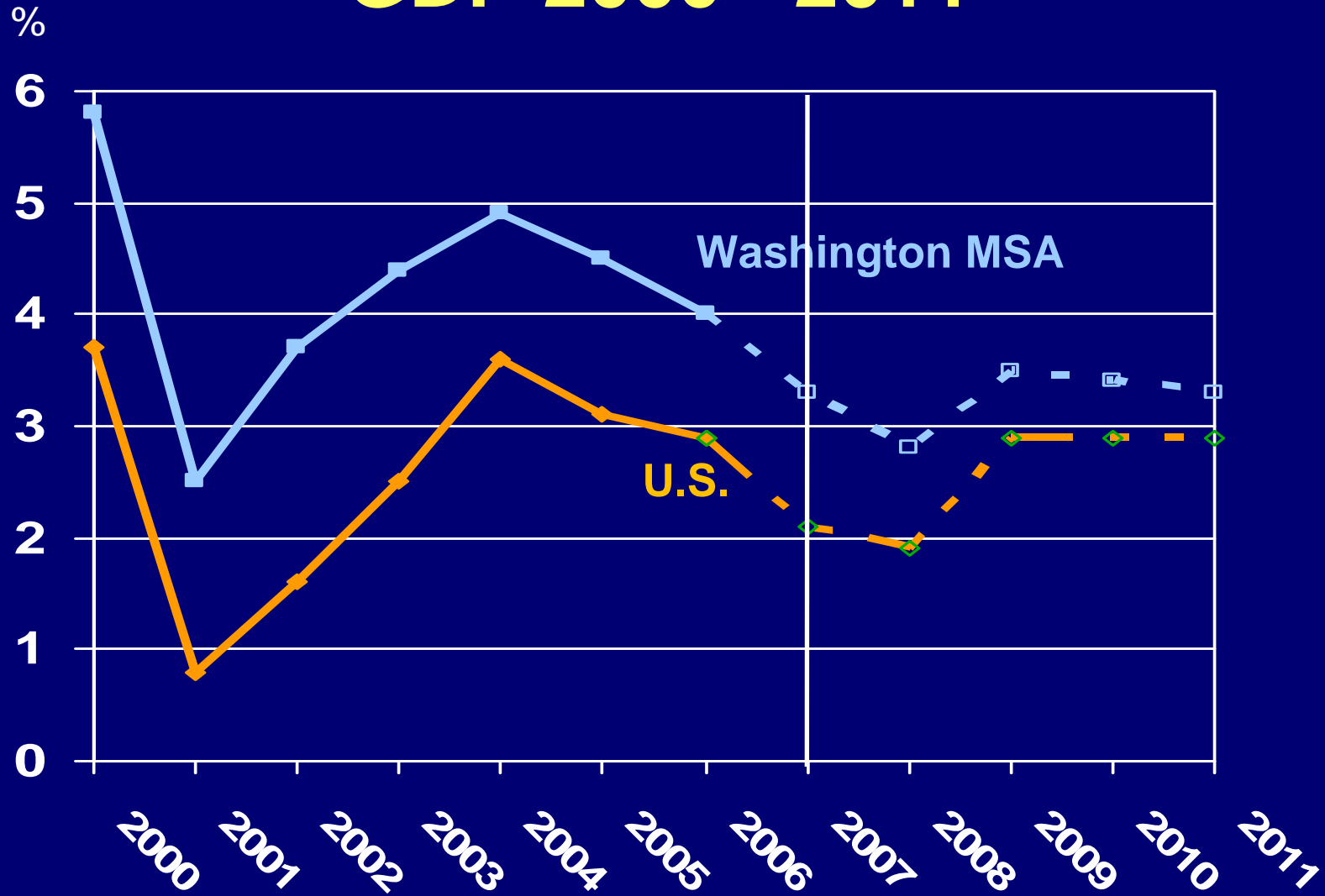
Outlook For 2008

- Metro Area Economic Fundamentals are Sound...Moderate Economic Growth as Backdrop
- Housing Sales Continue to be Below Long-term Levels, Inventories Continue Above Long-Term Levels, But Will Begin Moderating
- Housing Prices and Sales Will be a Mixed Story Across the Region – Some Jurisdictions Will be Negative until 2009+ while Other Jurisdictions are already in Recovery

Area Economic Forecast

2008 - 2011

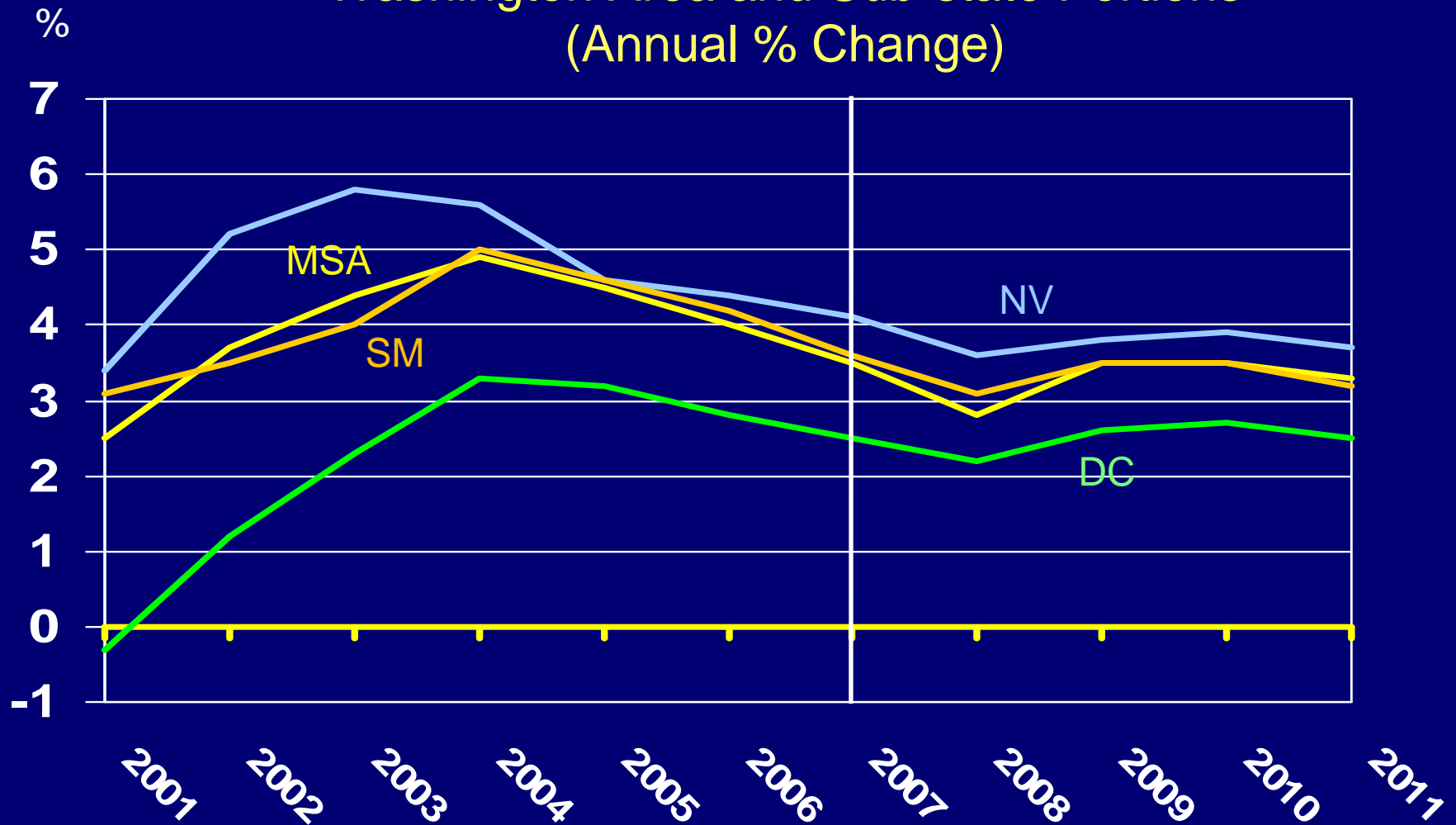
GDP 2000 - 2011



Source: Global Insight, GMU Center for Regional Analysis

Economic Outlook (GRP) – 2011

Washington Area and Sub-state Portions
(Annual % Change)



Employment Change by Sub-state Region (000s)

	2006	2007	2008	2009	2010	2011
D.C.	6.1	10.4 (5.3)*	7.1	6.5	5.0	5.0
S. MD	10.6	10.3 (10.5)*	10.0	11.5	12.5	13.0
No. VA	30.5	22.7 (28.7)*	20.5	21.0	24.0	25.5
REGION	47.2	43.4 (44.5)*	37.6	39.0	41.5	43.5
	1.6%	1.5%	1.2%	1.3%	1.3%	1.4%

* CRA Mid-2007 Forecast

Average Annual Change 1990-2007 = 44,900

Based on 2006 BLS Benchmarked Data.

Threats to the Washington Area Economy's Future Performance

- Slowing Federal spending
- Continuing weakness in real estate market
- Increasing oil prices
- Shortage of qualified workers
- Slowdown in consumer spending

www.cra-gmu.org