

ACEC / Metropolitan Washington

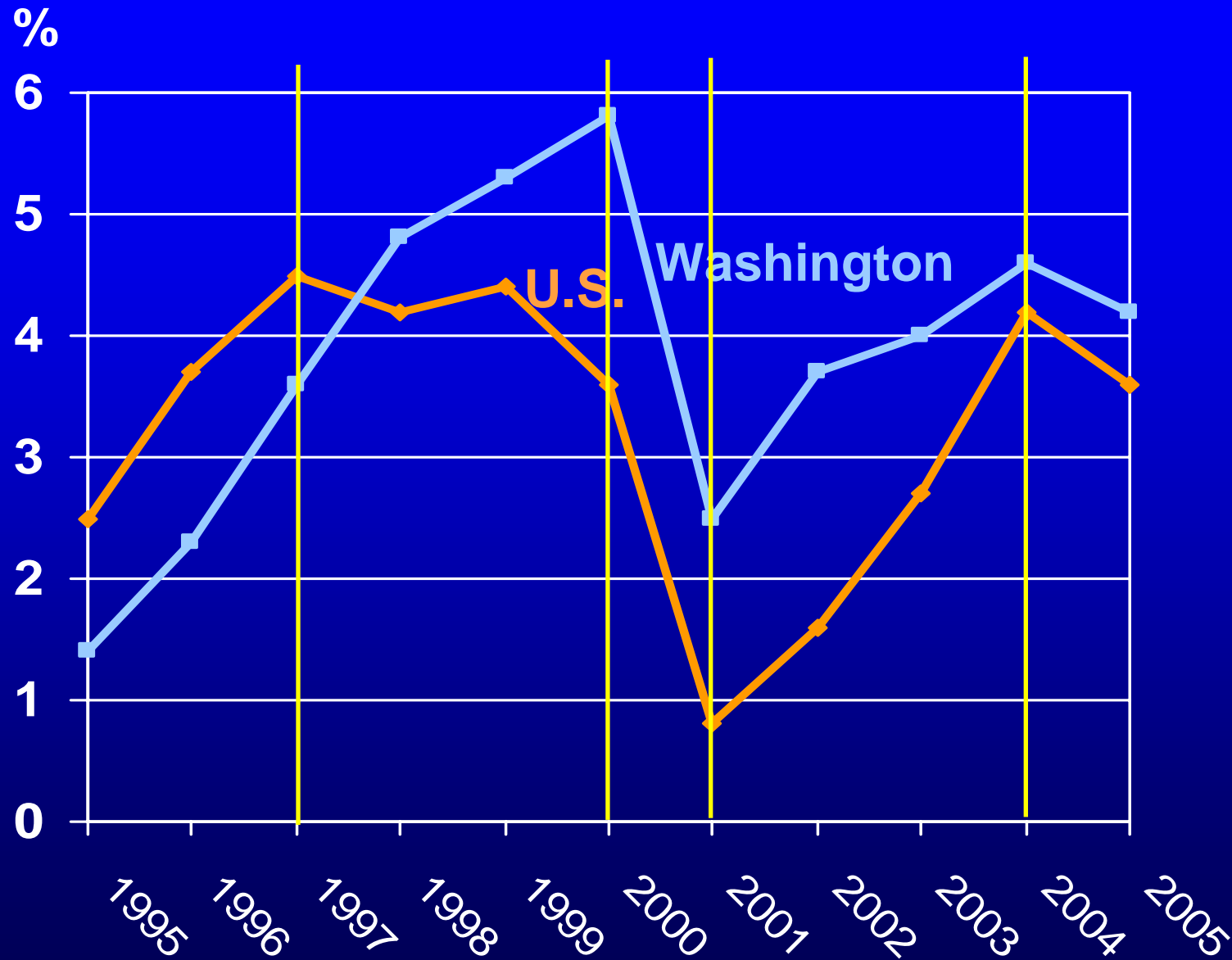
***The Washington Area Economy
and Outlook***

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Dwight Schar Faculty Chair and University Professor
Director, Center for Regional Analysis
School of Public Policy, George Mason University**

June 8, 2006

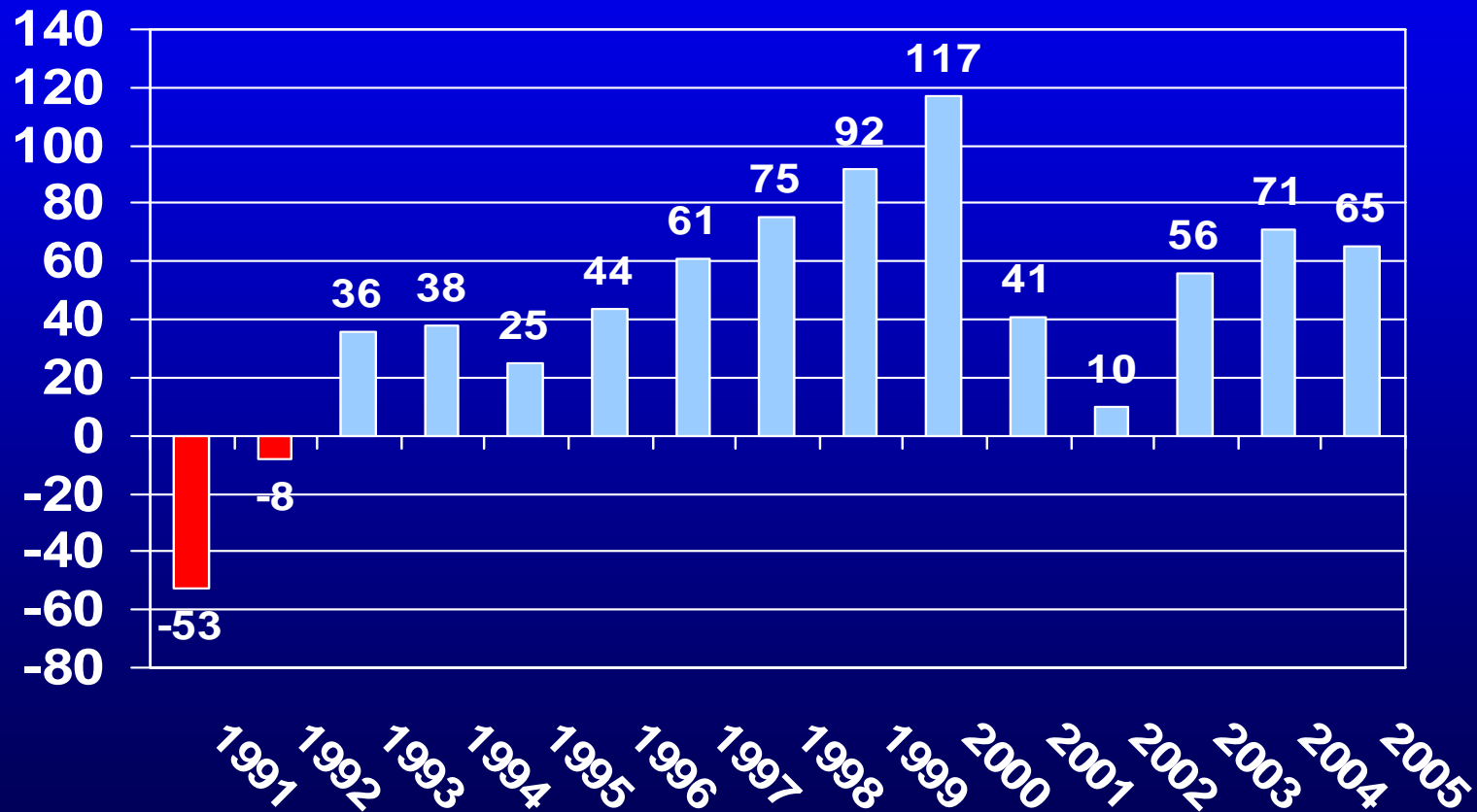
The Washington Economy: Current Performance

GDP 1995 - 2005



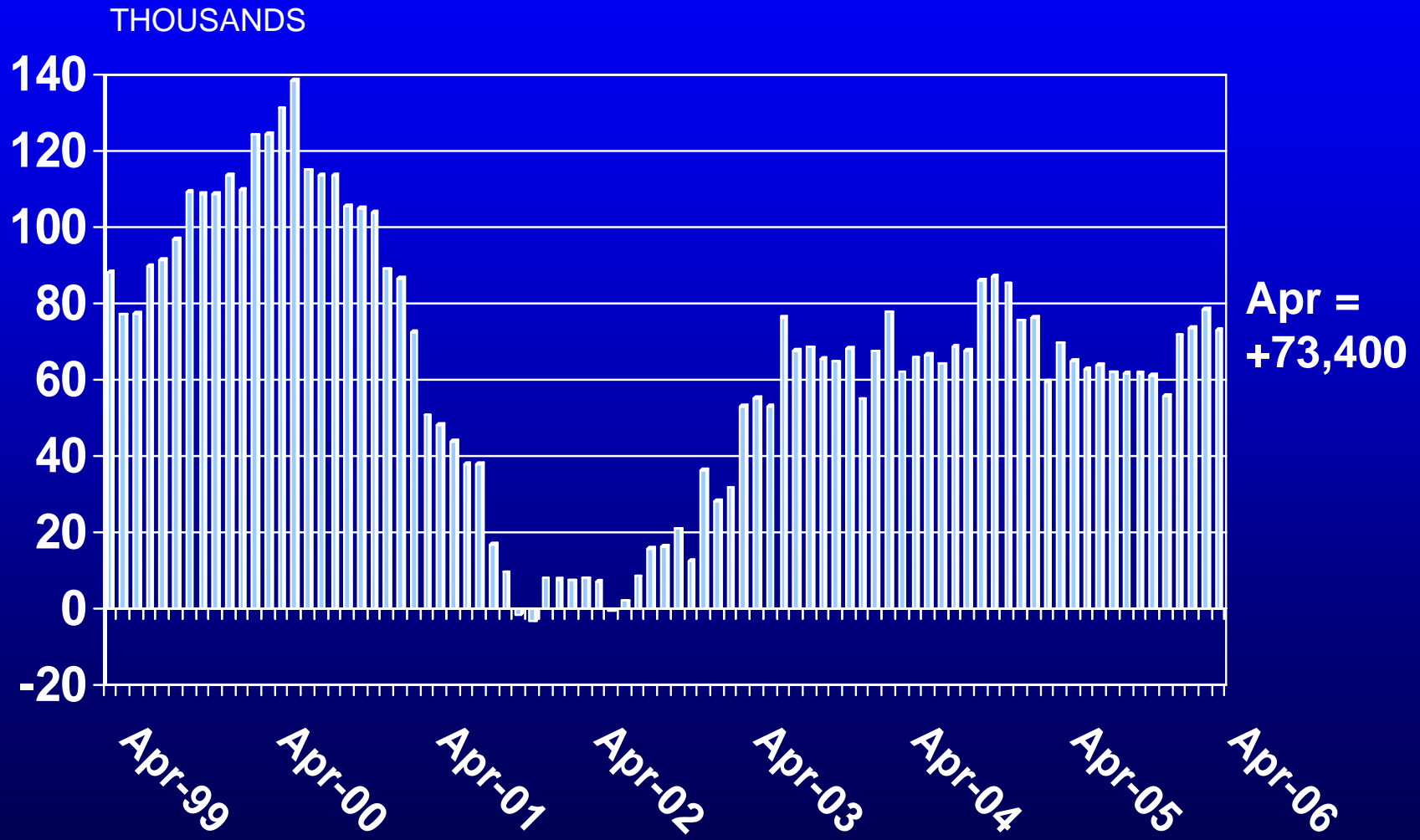
Source: GMU Center for Regional Analysis

Annual Job Change 1991 – 2005 Washington Metro

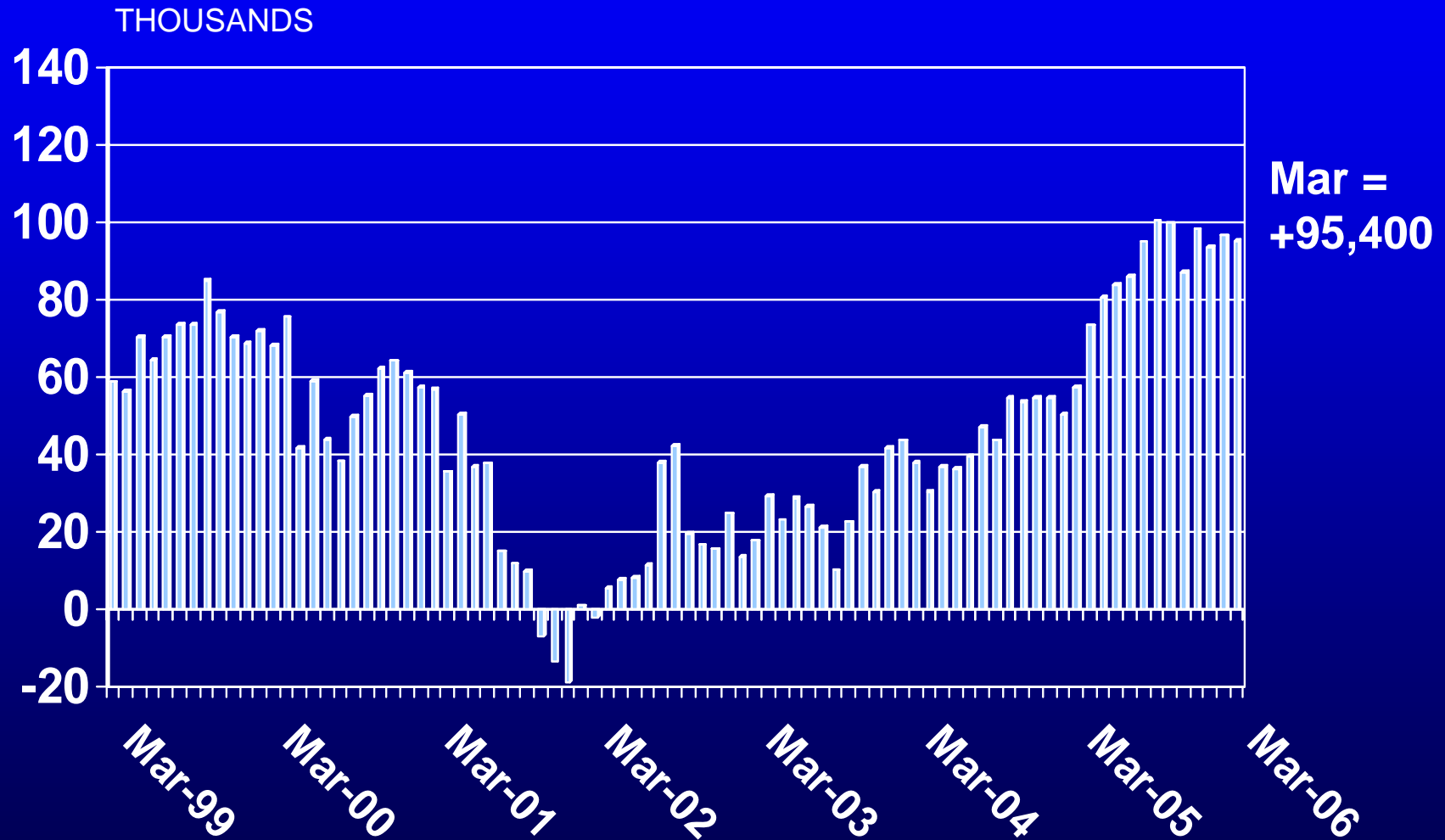


Source: BLS, CRA

Annual Job Change Washington MSA



Annual Change of Employed Washington MSA

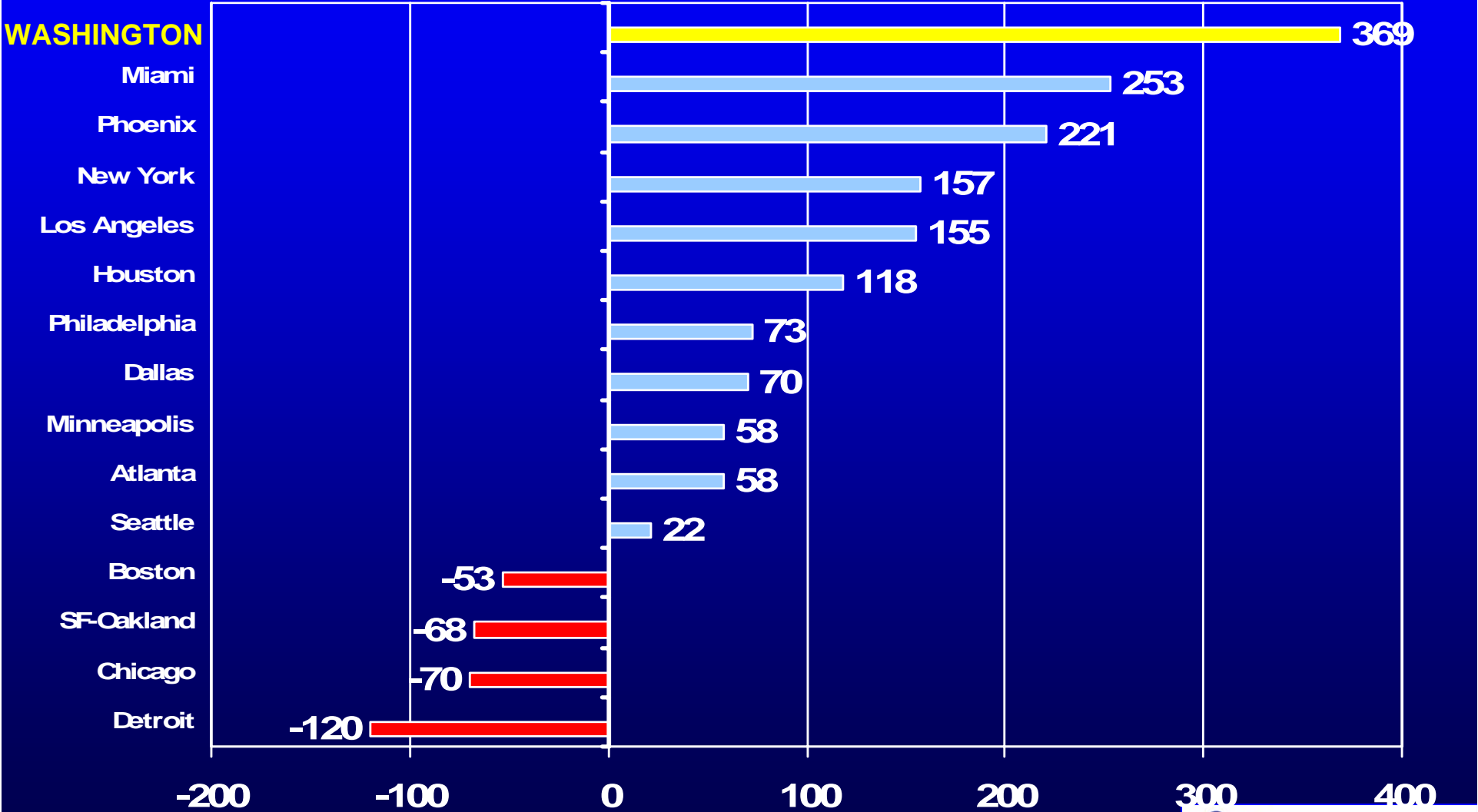


Source: BLS Household Survey

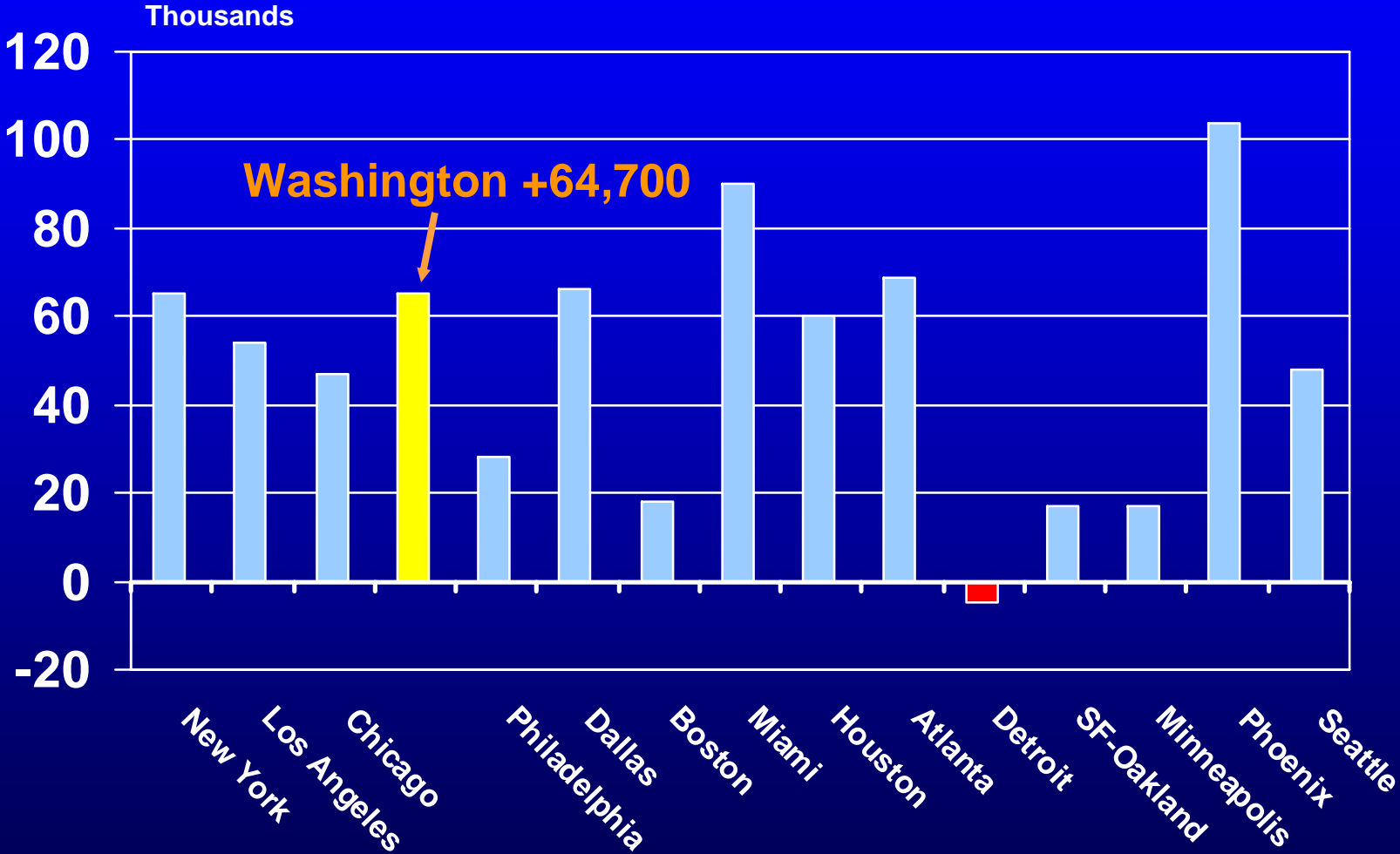
Metro Comparisons Job Change 2000-2005

15 Largest Metro Areas

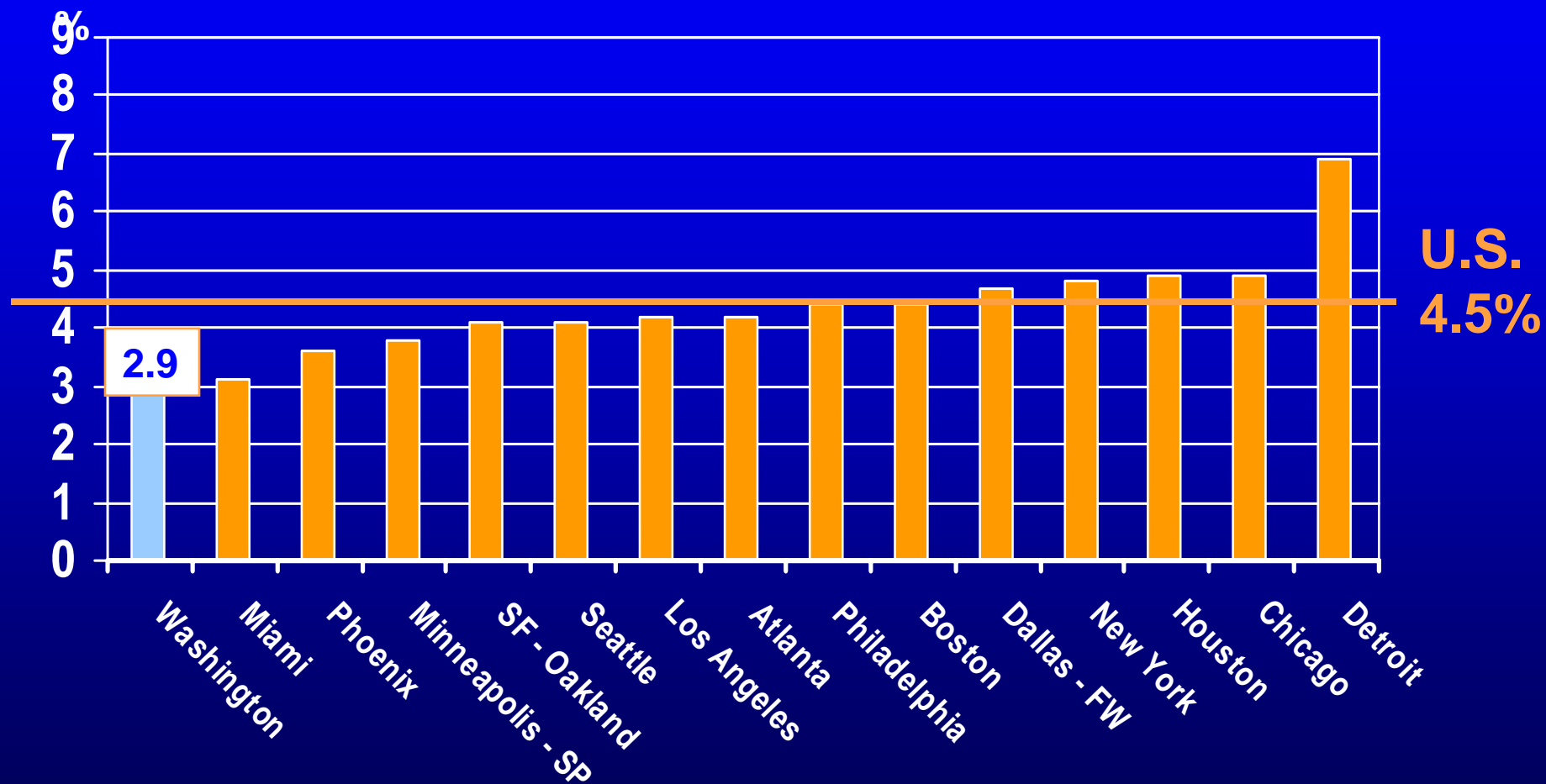
Thousands



15 Largest Job Markets Job Change in 2005



15 Largest Job Markets Ranked by Unemployment Rate April 2006



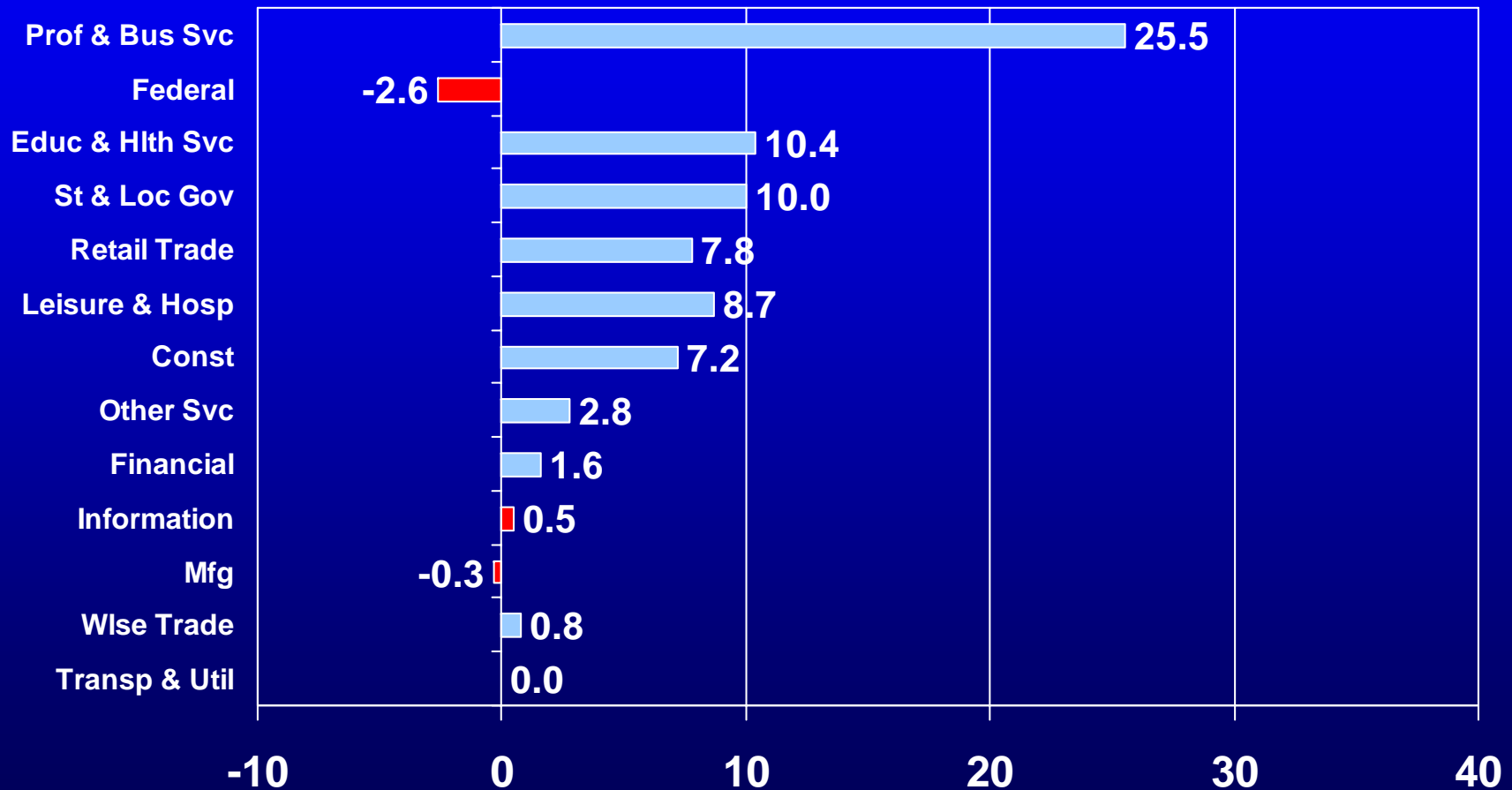
Data not seasonally adjusted

April 05 – April 06 Job Change By Sector MSA

(000s)

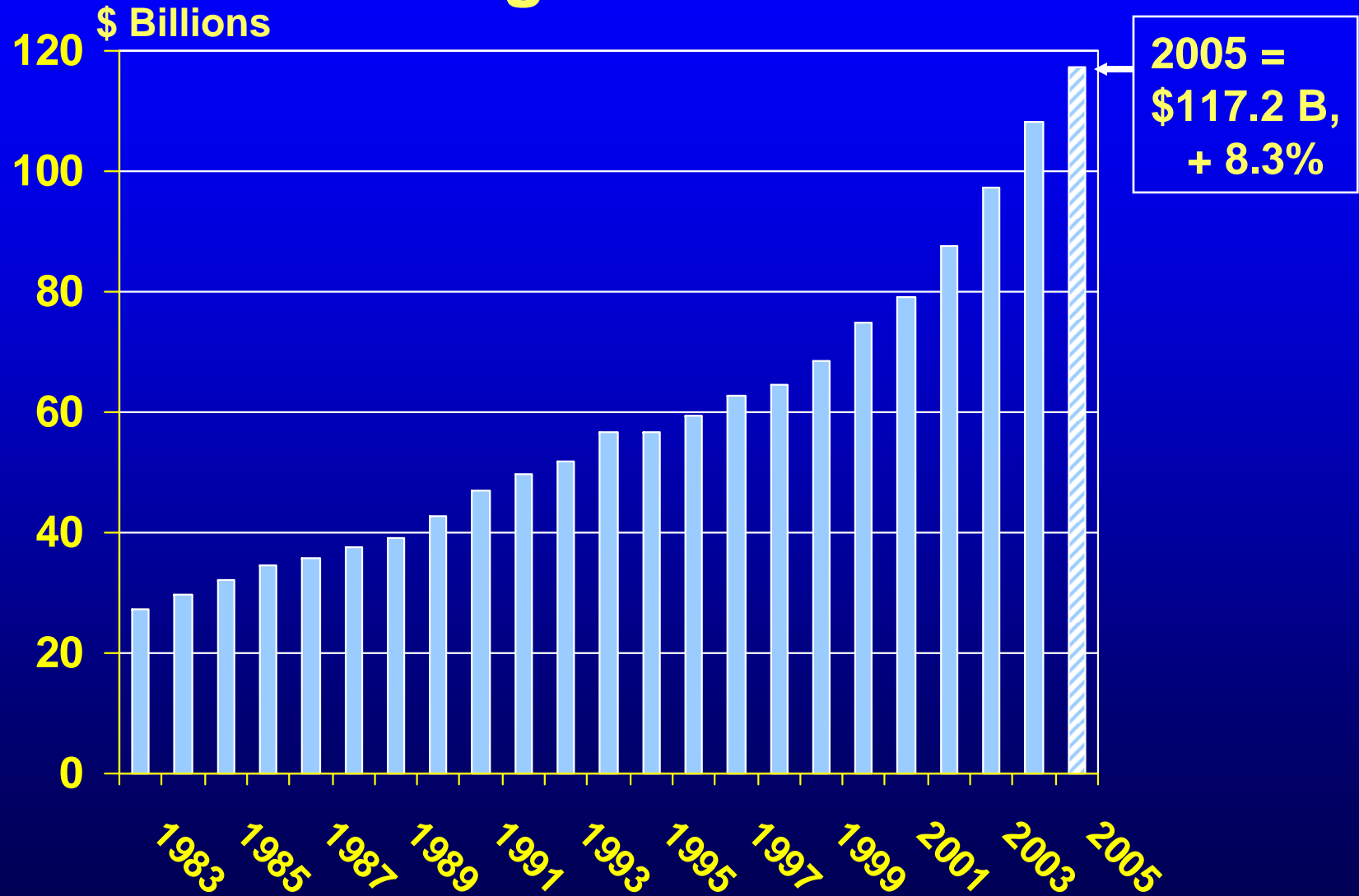
Total = 73,400

(Ranked by Size of Sector)



**What is Different
About The Washington
Area Economy?**

Total Federal Spending Washington Metro Area

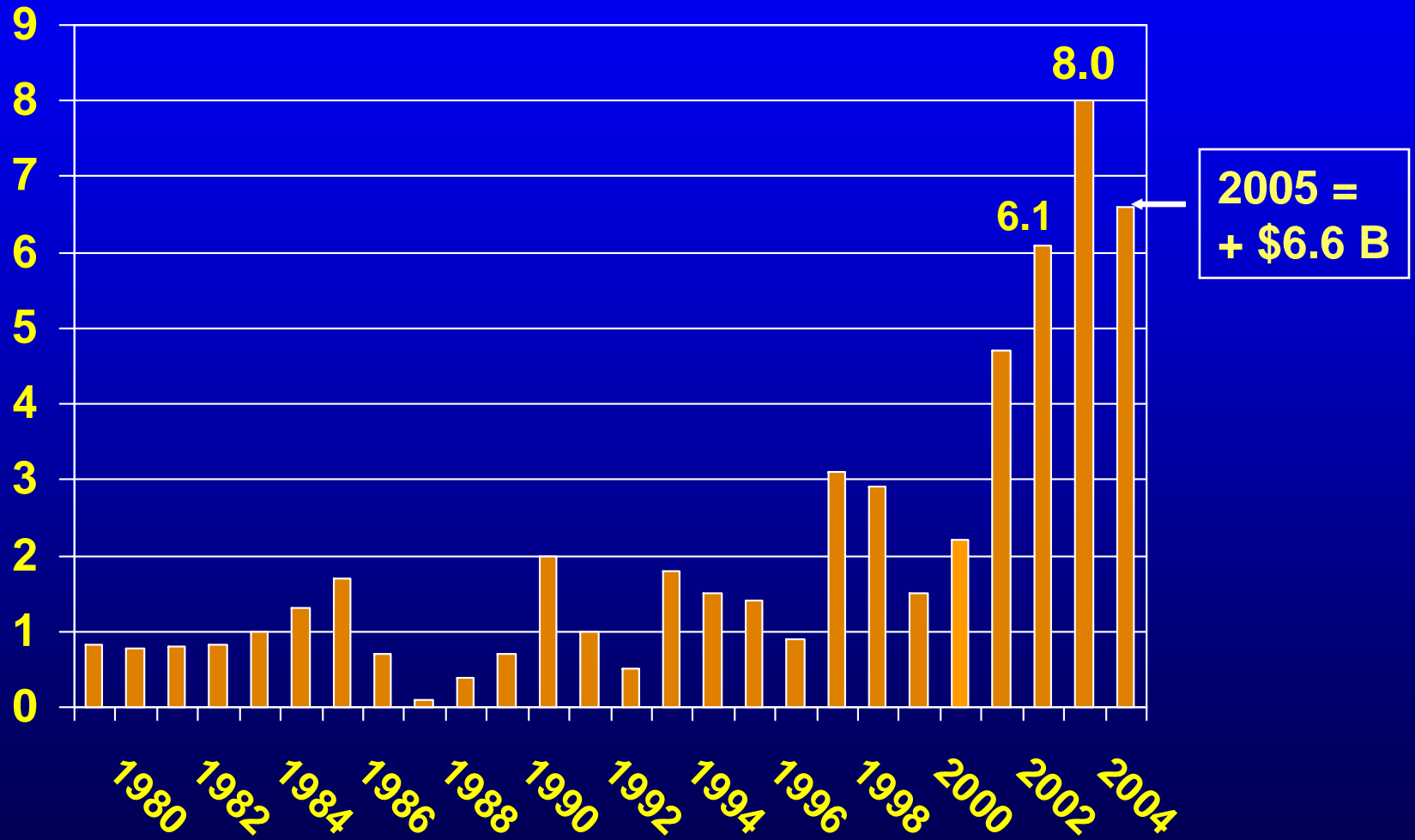


Federal Spending by Type 1983 - 2004



Annual Change in Federal Procurement Spending Washington Metro Area

\$ Billions



Federal Spending in 2004: U.S. and Washington MSA (\$ in billions)

	TOTAL		PROCUREMENT	
	Amount	% Chg 03-04	Amount	% Chg 03-04
U.S.	\$2,162.2	4.9%	\$339.7	3.8%
Washington Metro	108.2	11.4%	52.6	19.0%
% Of U.S. in 04	5.0%		15.5%	

**68.6% of the 2003-2004 increase in Federal
Procurement nationally was in the Washington MSA**

The Washington Regional Economy is Outperforming Because:

- 1. The Federal Government Moderates National Business Cycles – 35% of Regional Economy**
- 2. Federal Government Support of the Tech Sector – Over 70% of Sales**
- 3. Federal Government is the Current Economic Stimulus via Procurement – 19.0% Increase in 2004**

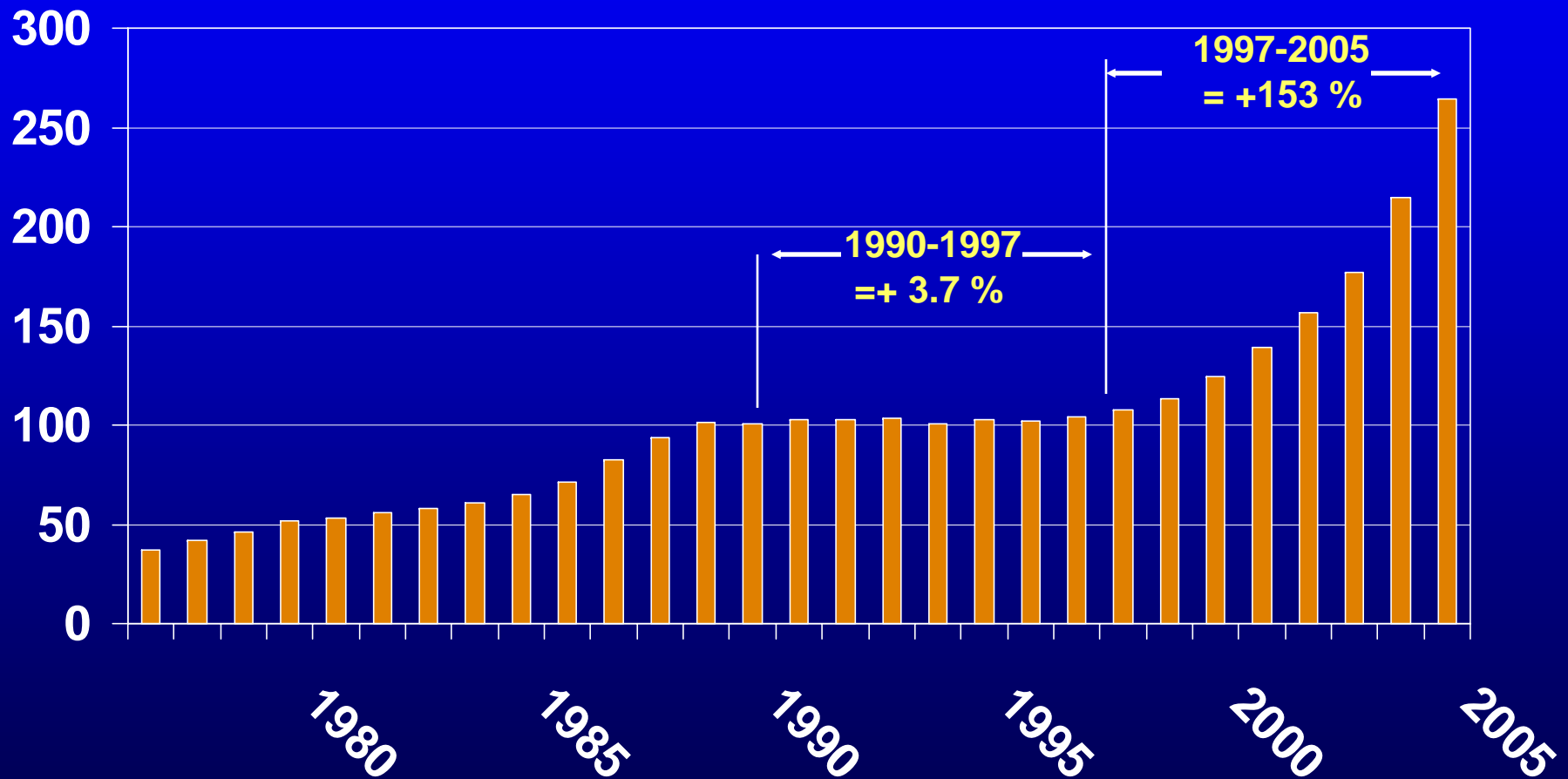
The Washington Area Housing Market

What is Happening?

- **Nationally – Low mortgage interest rates**
- **Job growth creates demand**
- **Housing supply constrained by collective planning and zoning policies of the local governments**
- **Housing Prices increasing at record levels**

Housing Price Index Washington PMSA 4th Quarter Each Year

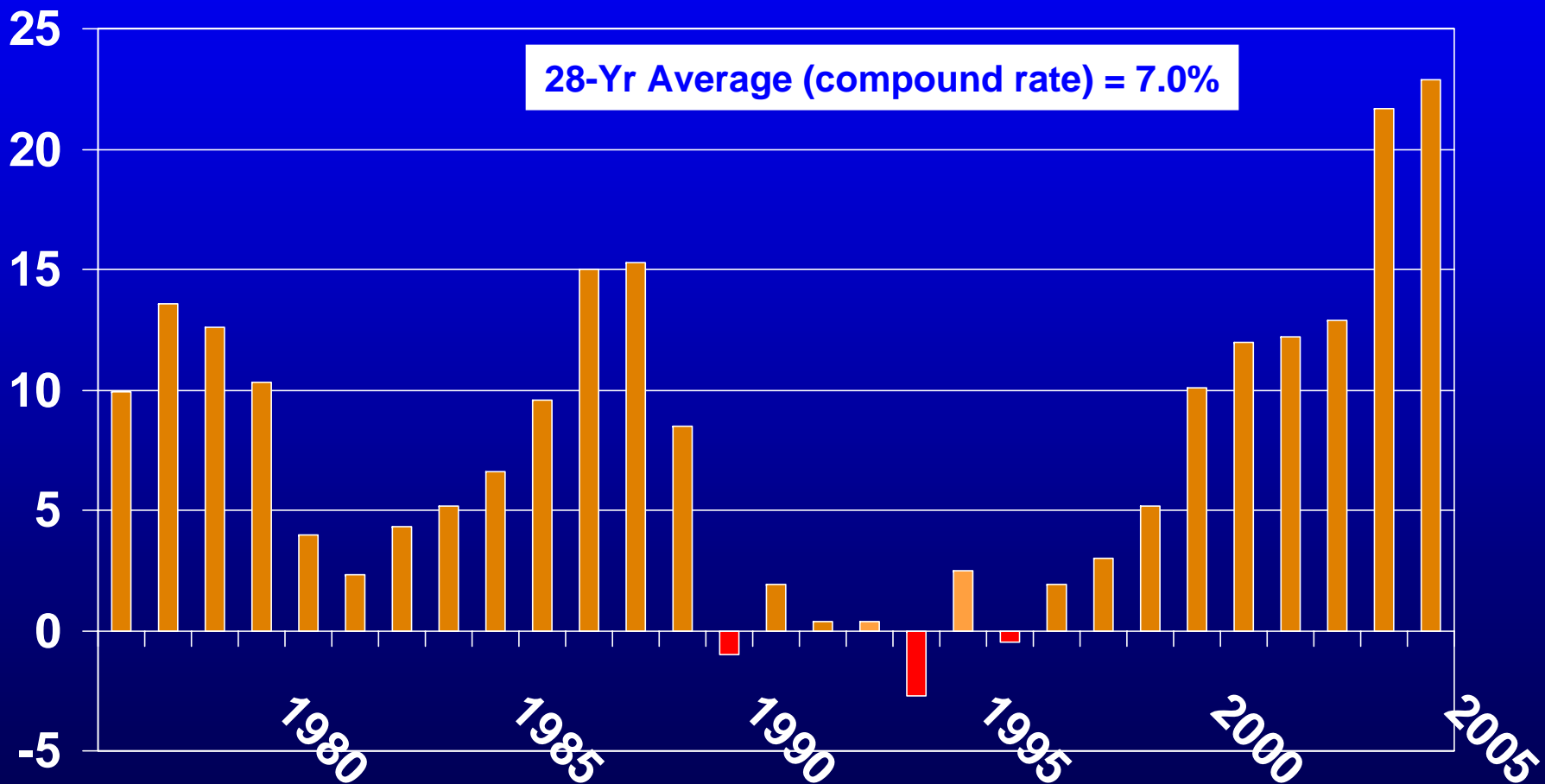
1995
Q1=100



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

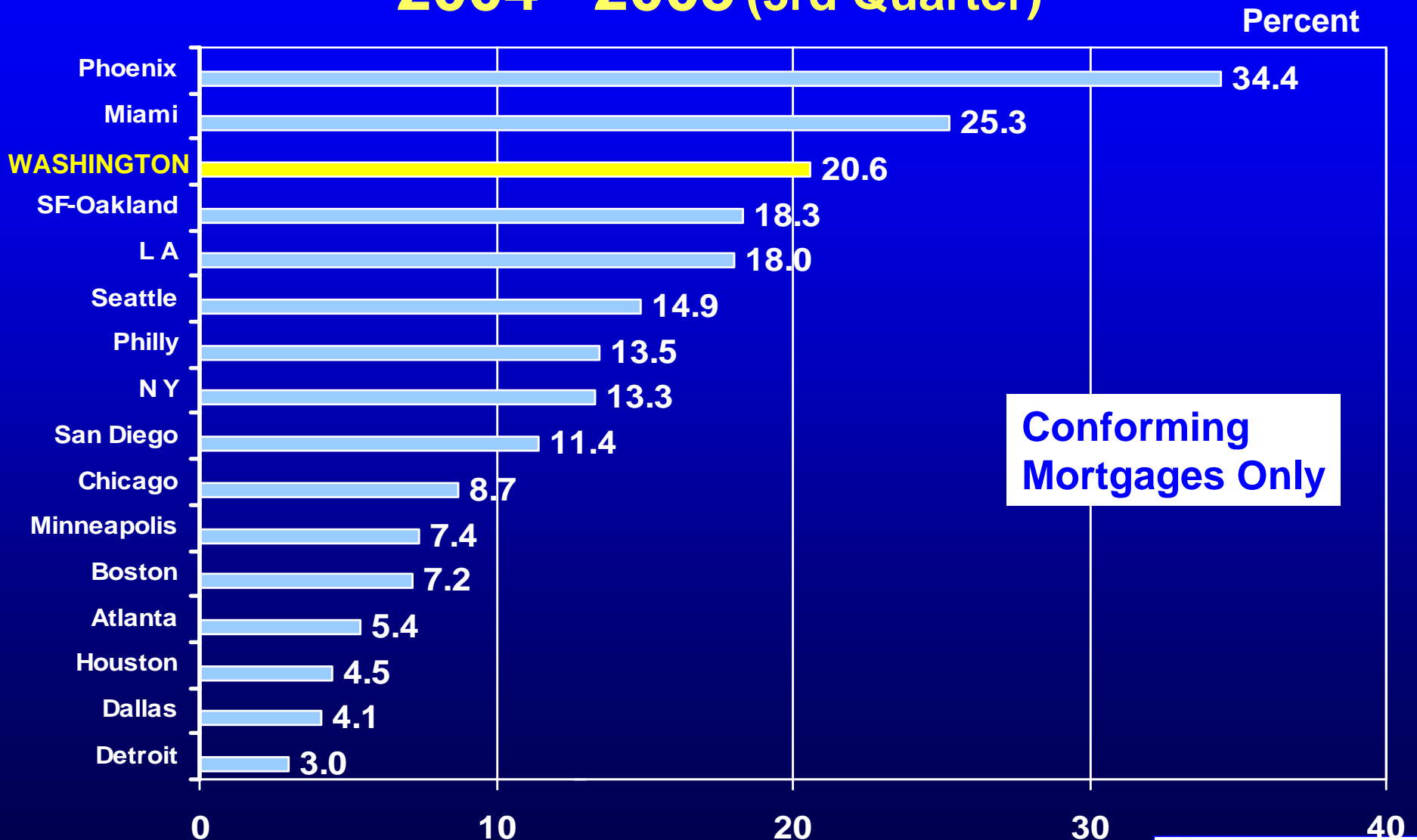
Housing Price Index Annual % Change Washington PMSA 4th Quarter Each Year

1995 Q1=100



Metro Comparisons

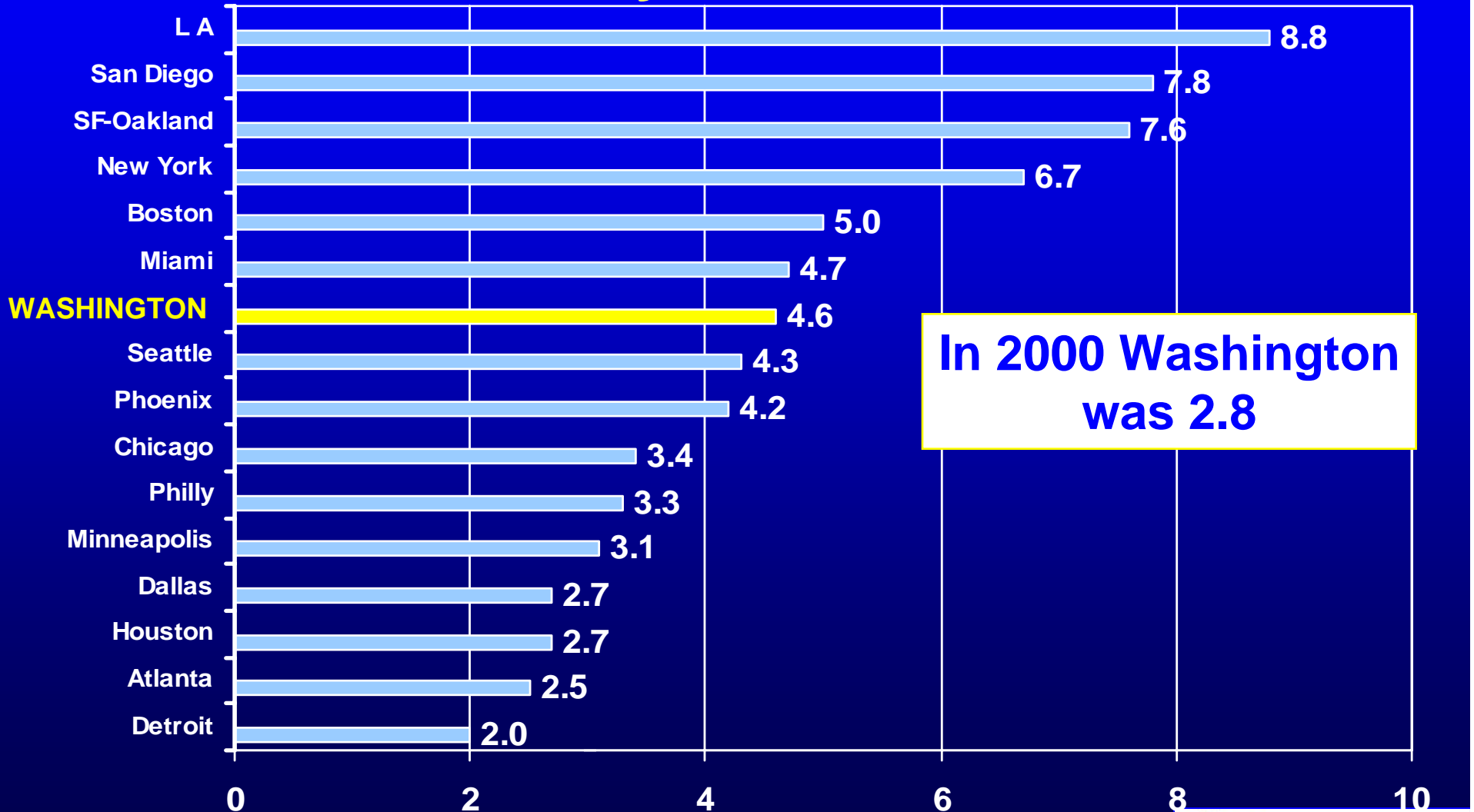
Annual Percent Change in House Prices 2004 – 2005 (3rd Quarter)



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

Metro Comparisons

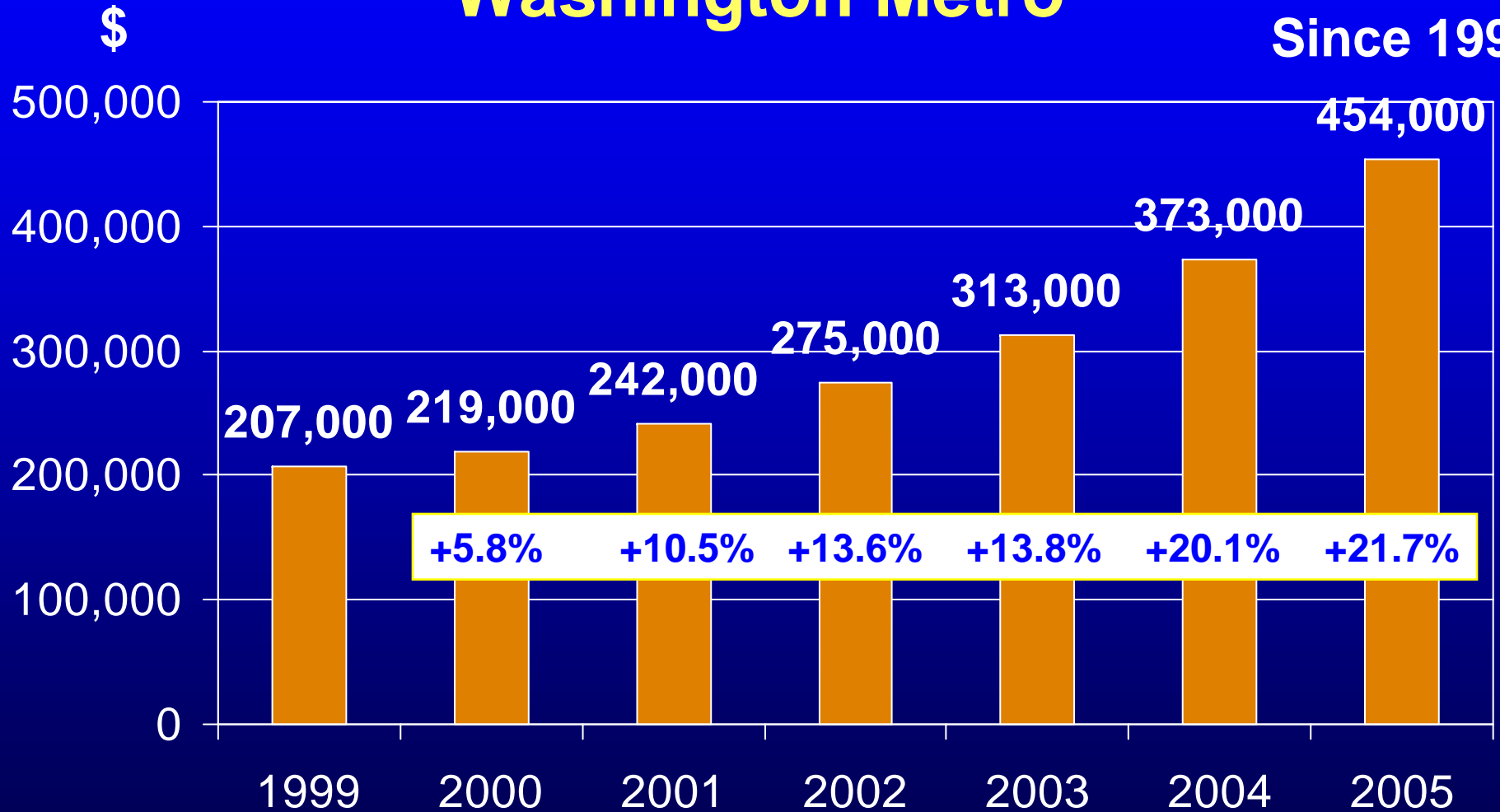
Ratio of Median Value of New Housing to Median Family Income – Q3 2005



Source: NAHB/Wells Fargo, GMU Center for Regional Analysis

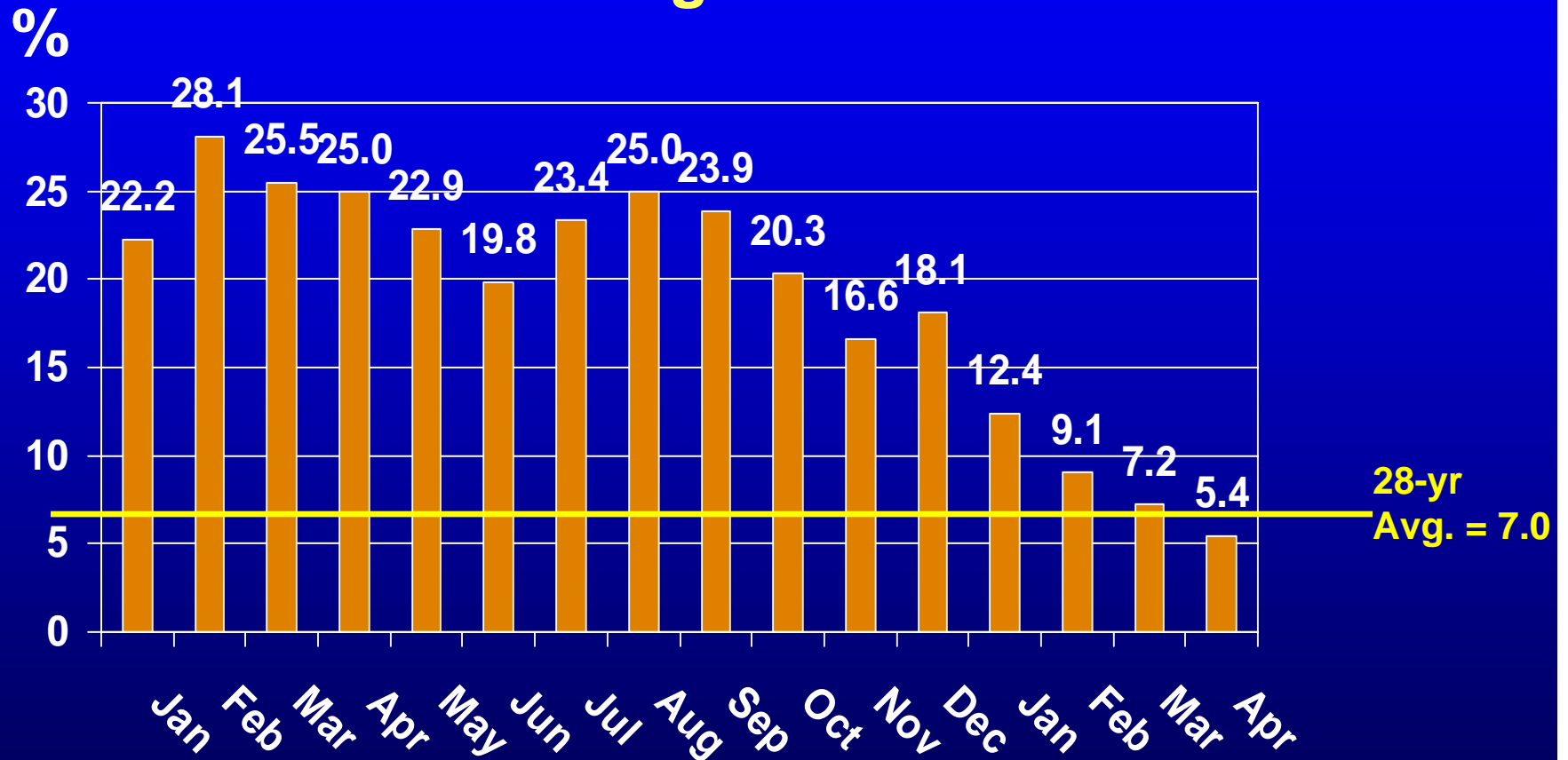
Average Sales Price All Housing Types Washington Metro

+ 119%
Since 1999

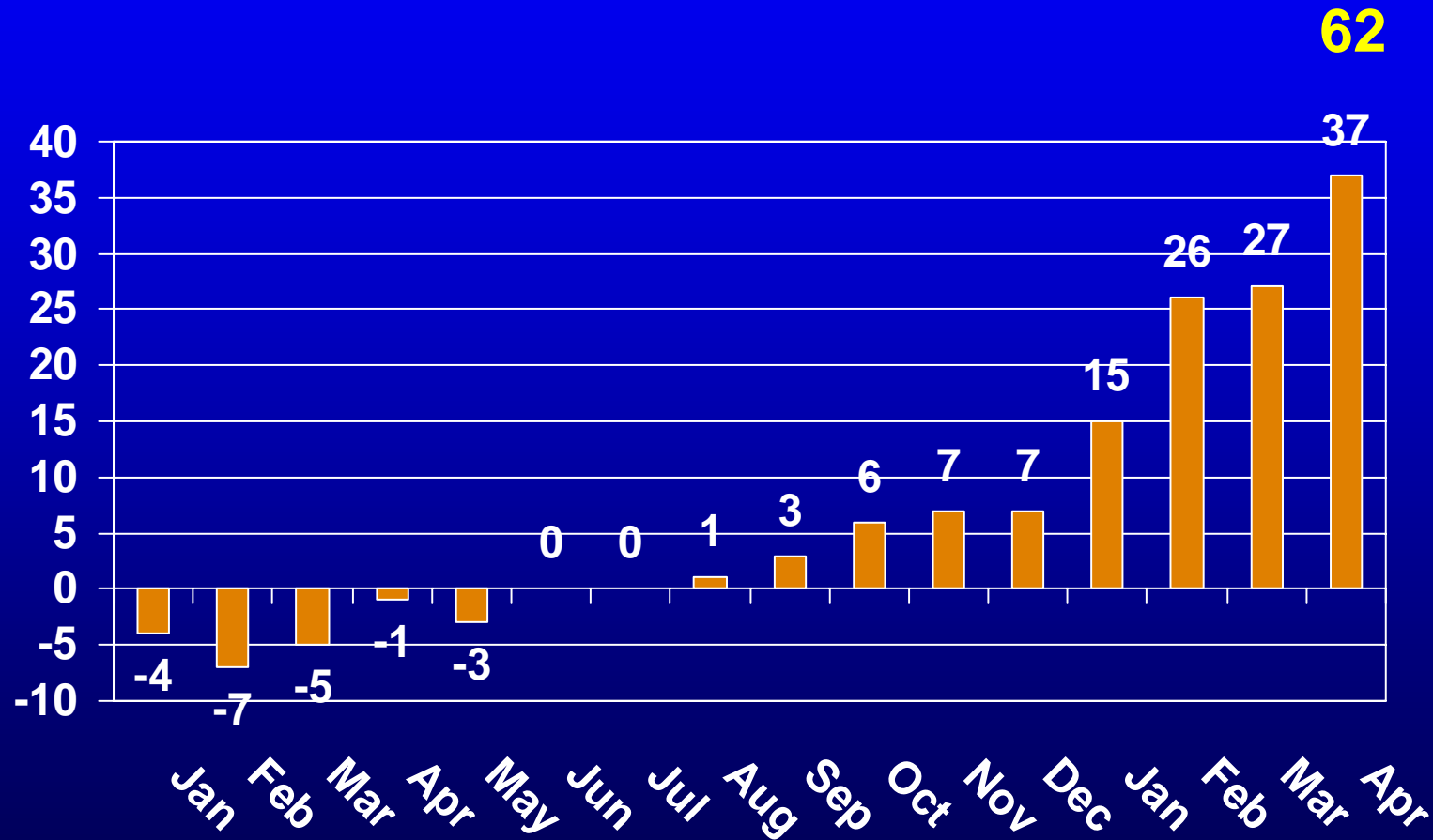


Source: MRIS, GMU Center for Regional Analysis

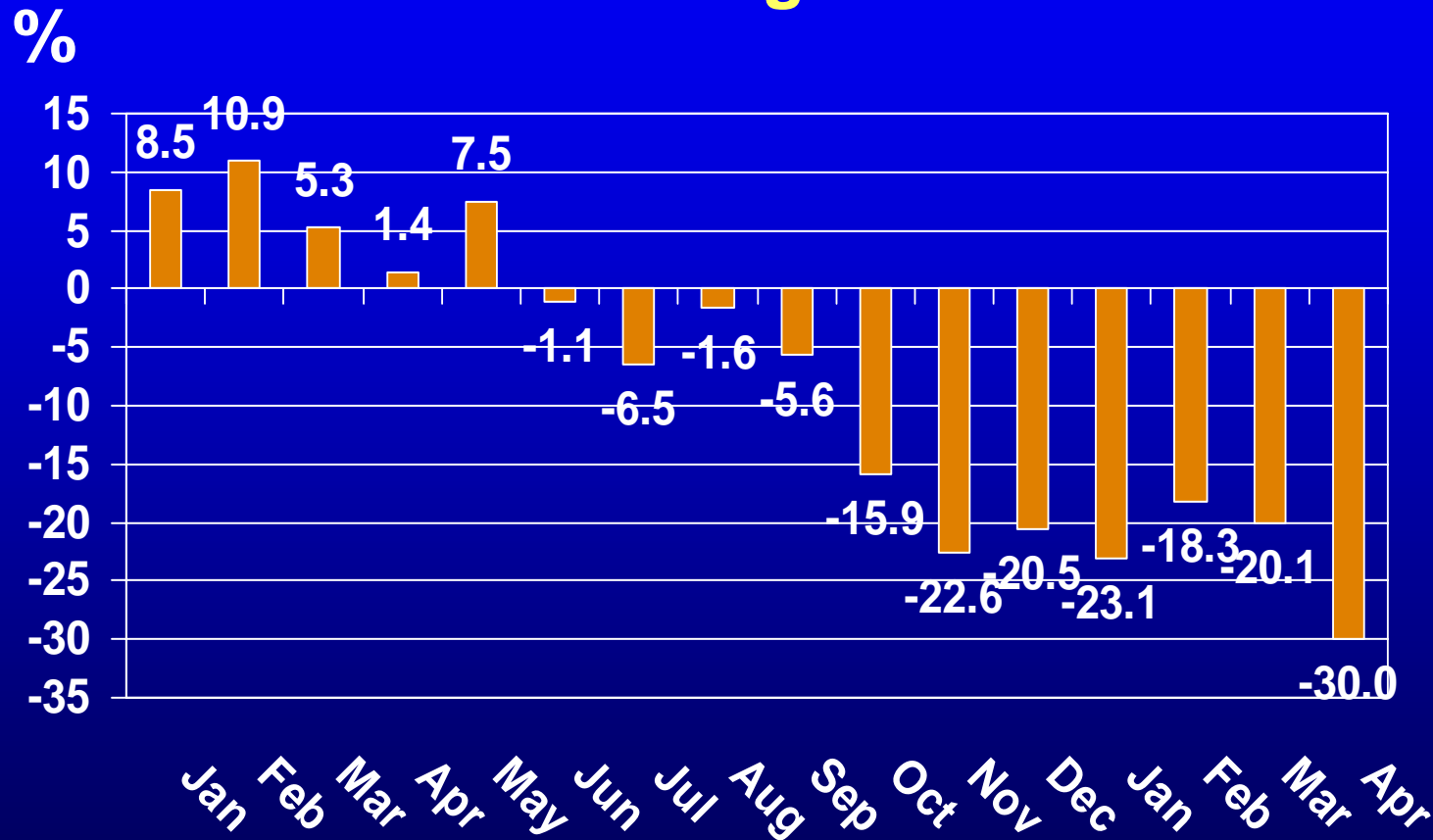
Average Sales Price Percent Change Month-over-the-year, All types 2004 - 2005 - 2006 Washington MSA



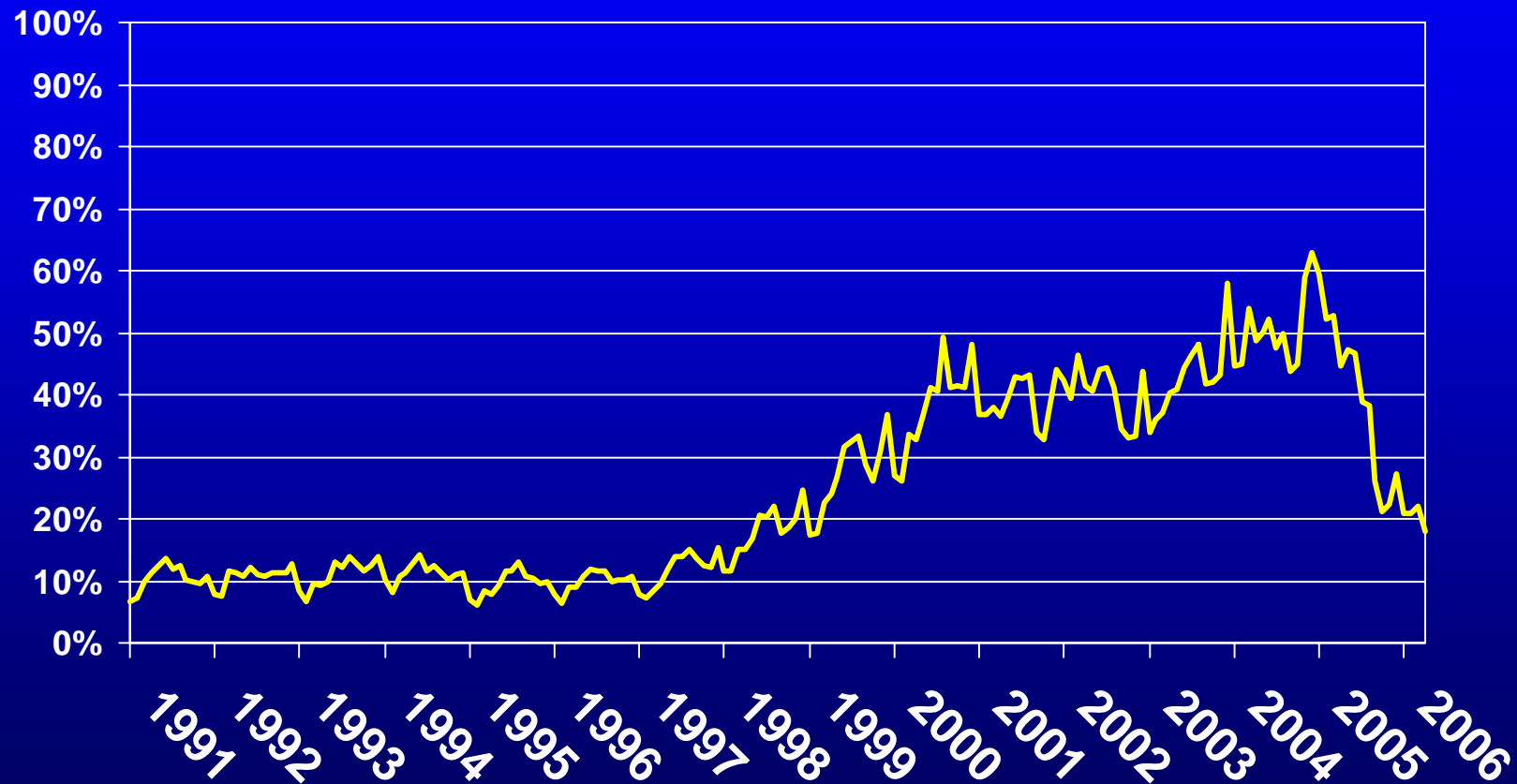
Average Days on the Market Change Month-over-the-year, All Types 2004 – 2005 - 2006 Washington MSA



Total Unit Sales Change Month-over-the-year, All Types 2004 – 2005 - 2006 Washington MSA



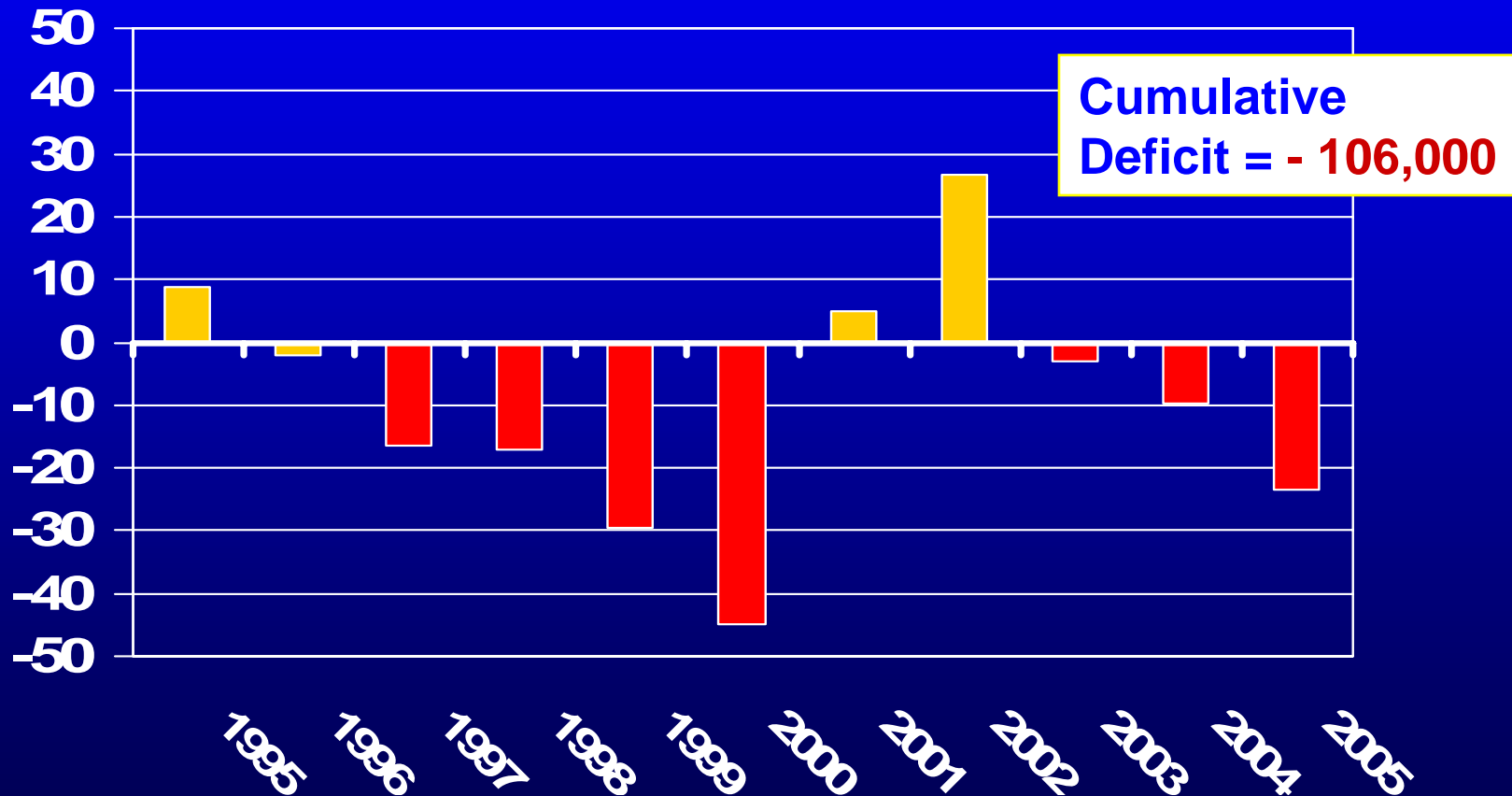
Monthly Sold Units as a Percentage of Active Listings: 1991 – 2006 NVAR



Source: MRIS, NVAR

Annual Change In Housing Demand vs. Housing Supply 1995 - 2005 Washington MSA

Units in 1000s

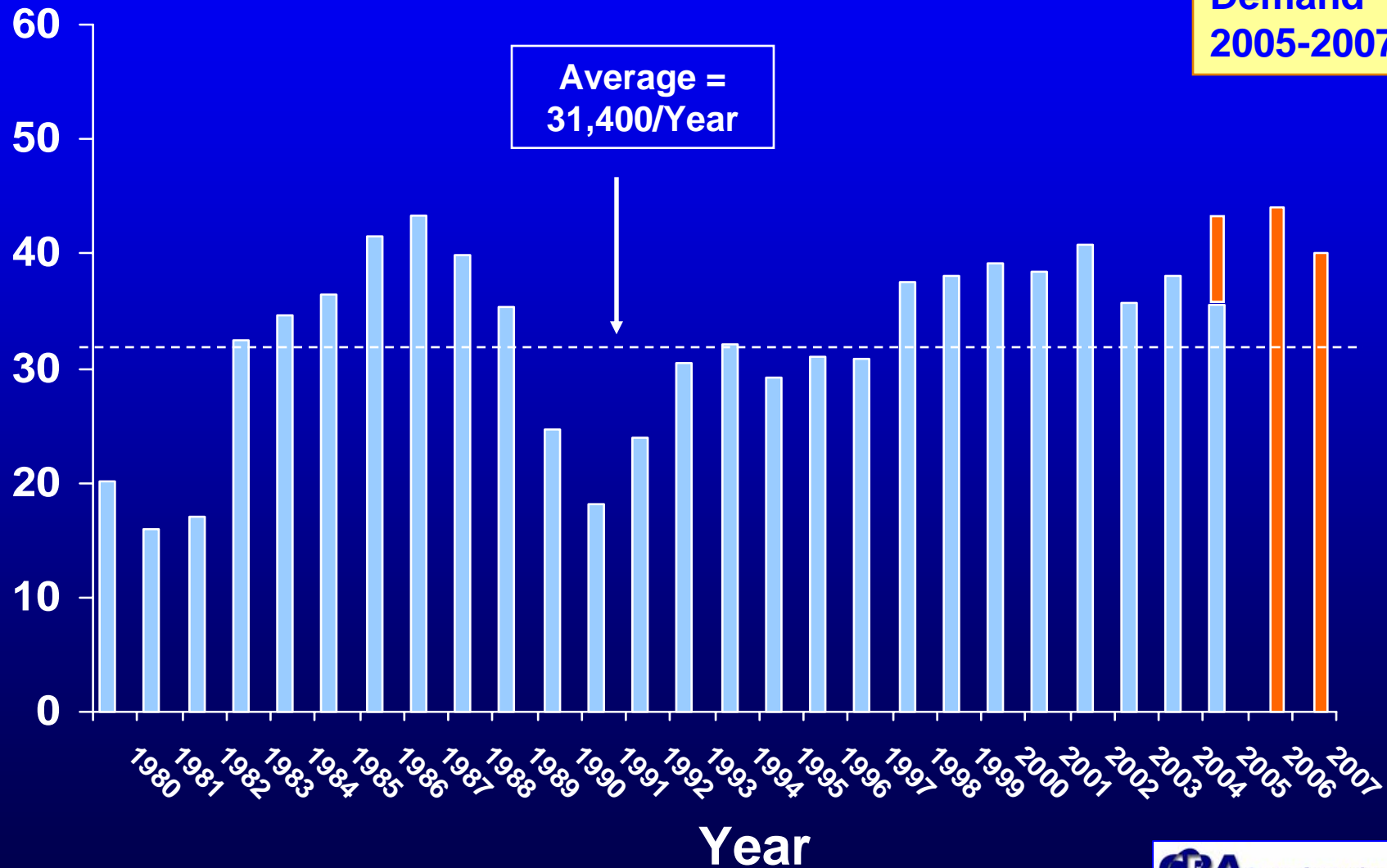


Source: CRA

Supply = Building Permits, Demand = Jobs/ 1.5 workers/unit

MSA Total Housing Unit Permits 1980 - 2005

Projected
Demand
2005-2007



Looking Ahead

Housing Outlook for 2006 and 2007

**Market will continue to cool –
returning to “more Normal”:**

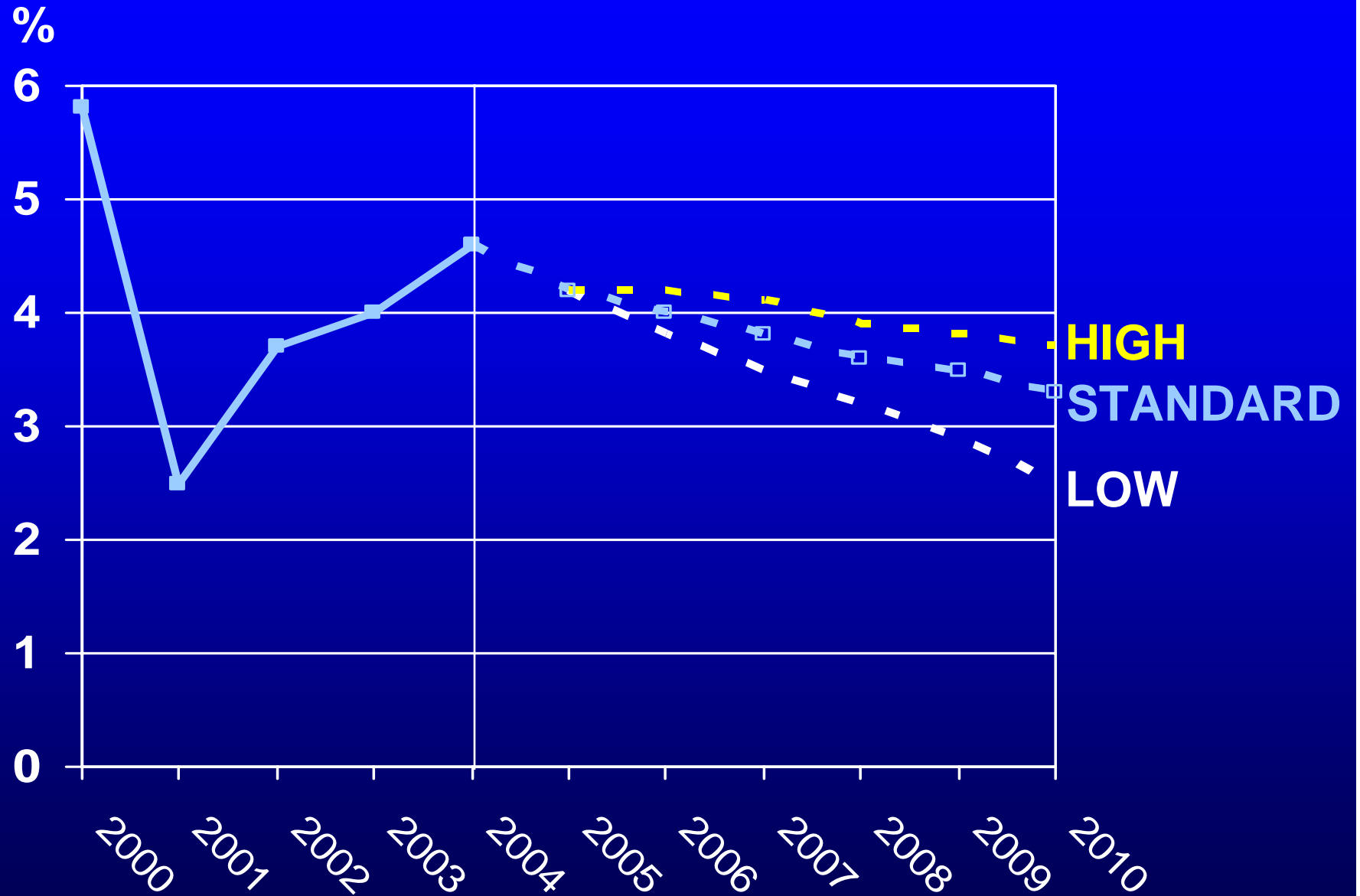
- **2006 Prices will increase in the range of 7% compared with 20+% in 2005**
- **Sales volume will drop back to 2002-2003 levels (98-100,000 transactions)**
- **Days on Market rising to 75 average**

Housing Outlook for 2006 and Beyond

The key factor in housing demand is job growth. When LA lost 22% in housing prices from 1990-1996, it was also losing 485,000 jobs from its economy.

Over the next 4 years, the Washington economy will grow by 256,000 jobs – 20% more than the last 4 years.

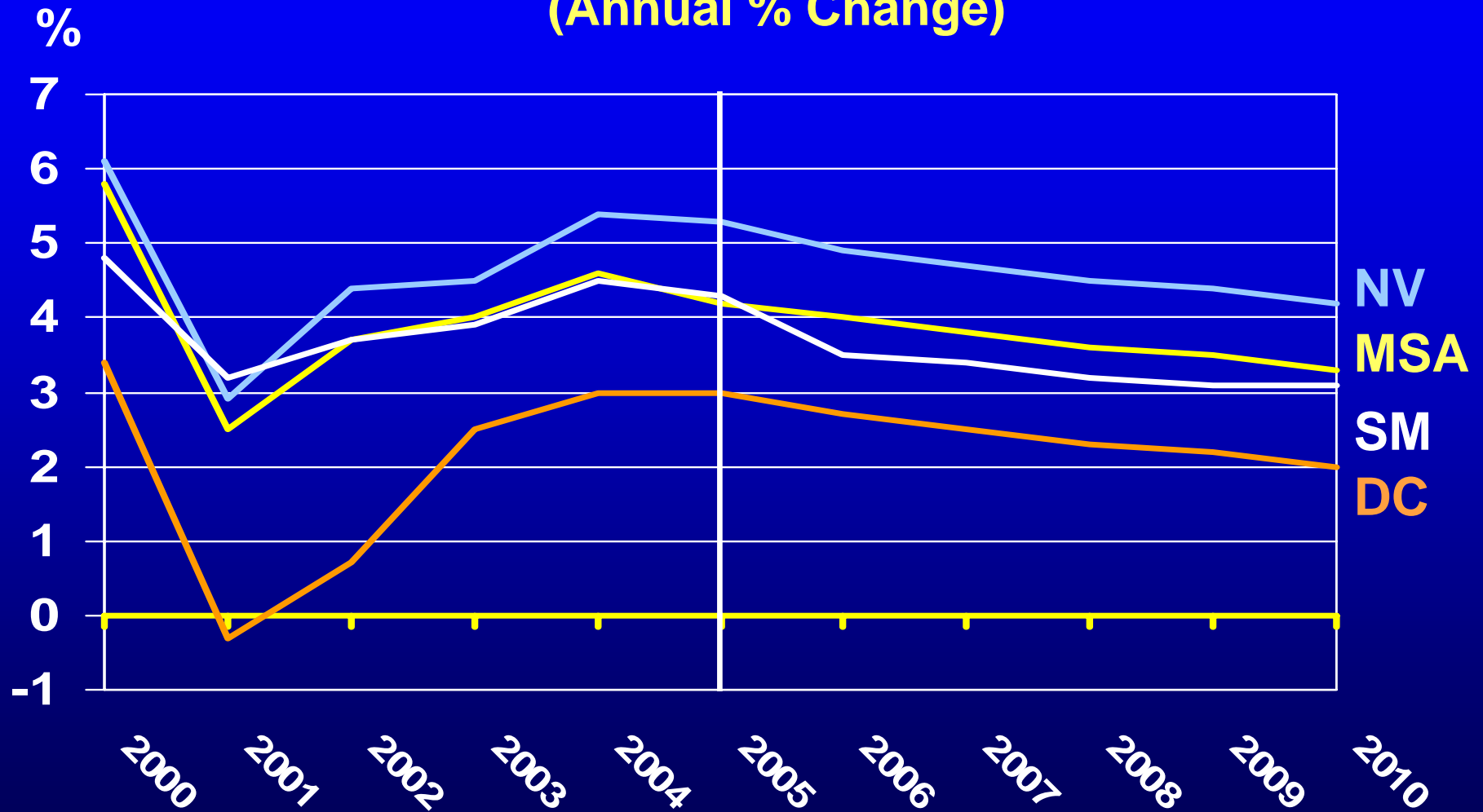
GRP Forecast 2005 - 2010



Economic Outlook (GRP) – 2010

Washington Area and Sub-state Portions

(Annual % Change)



Employment Change by Sub-state Region (000s)

	10-Yr Avg.(1)	2005	2006	2007	2008	2009
D.C.	3.9	7.5	8.0	7.5	6.0	4.0
S. MD	16.0	13.5	17.0	15.0	13.5	12.0
No. VA	34.9	43.3	41.5	38.5	35.0	31.5
REGION	54.8	64.3	65.5	59.5	53.5	47.5
	2.1%	2.3%	2.2%	2.0%	1.8%	1.5%

(1) 1995-2005

Threats to the Forecast

Threats to the Forecast

- **Global / National Forces**
- **Labor Force Availability, Quality and Cost**
- **Transportation Cost / Congestion**
- **Federal Spending and Procurement Policy**
- **BRAC**
- **Housing Affordability and Supply**



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