

***Associated Builders & Contractors
Of Metro Washington***

***Washington Metro
Economy and Outlook***

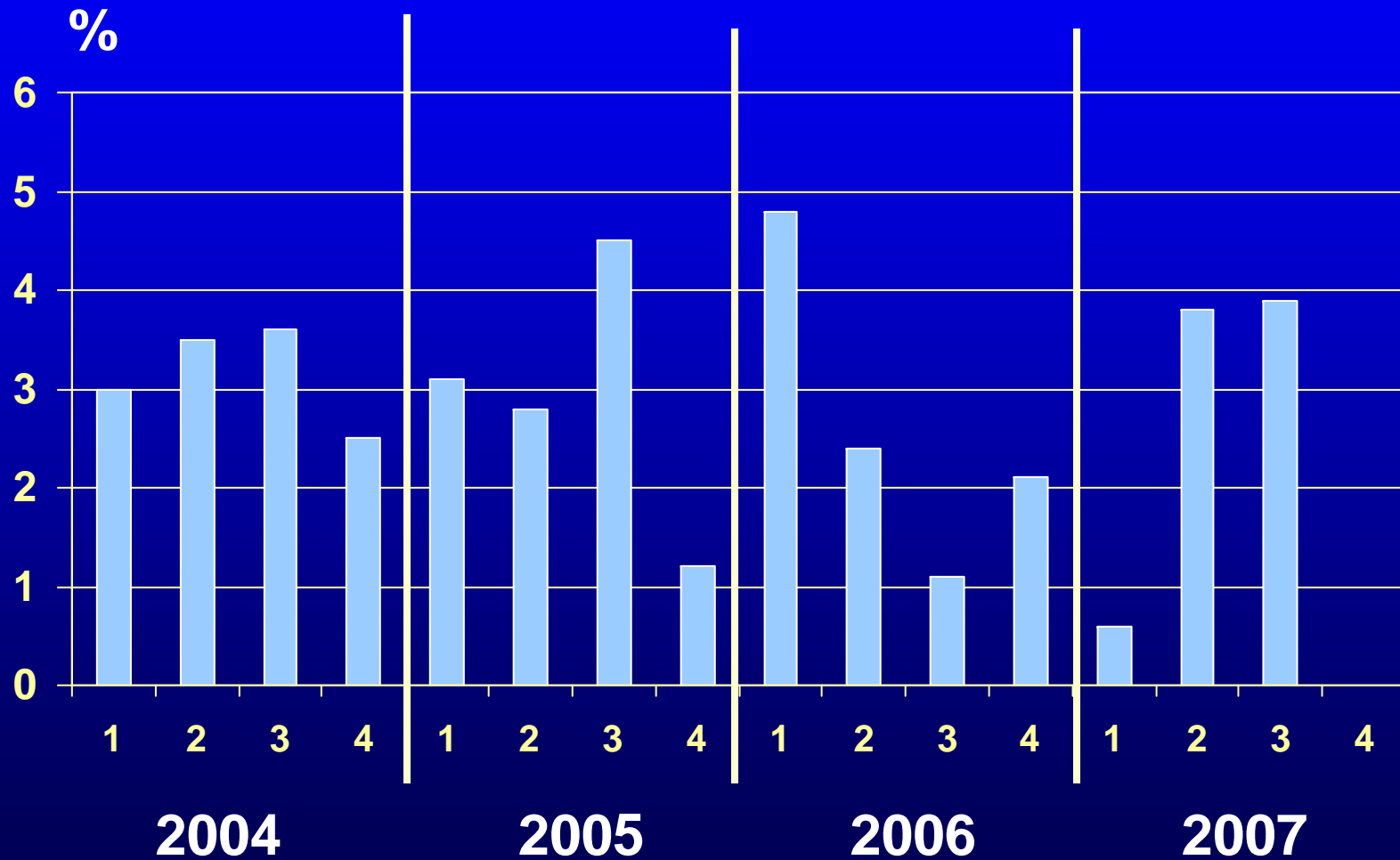
**John McClain, AICP, Senior Fellow and
Deputy Director, Center for Regional Analysis
School of Public Policy, George Mason University**

November 7, 2007

The National Economy

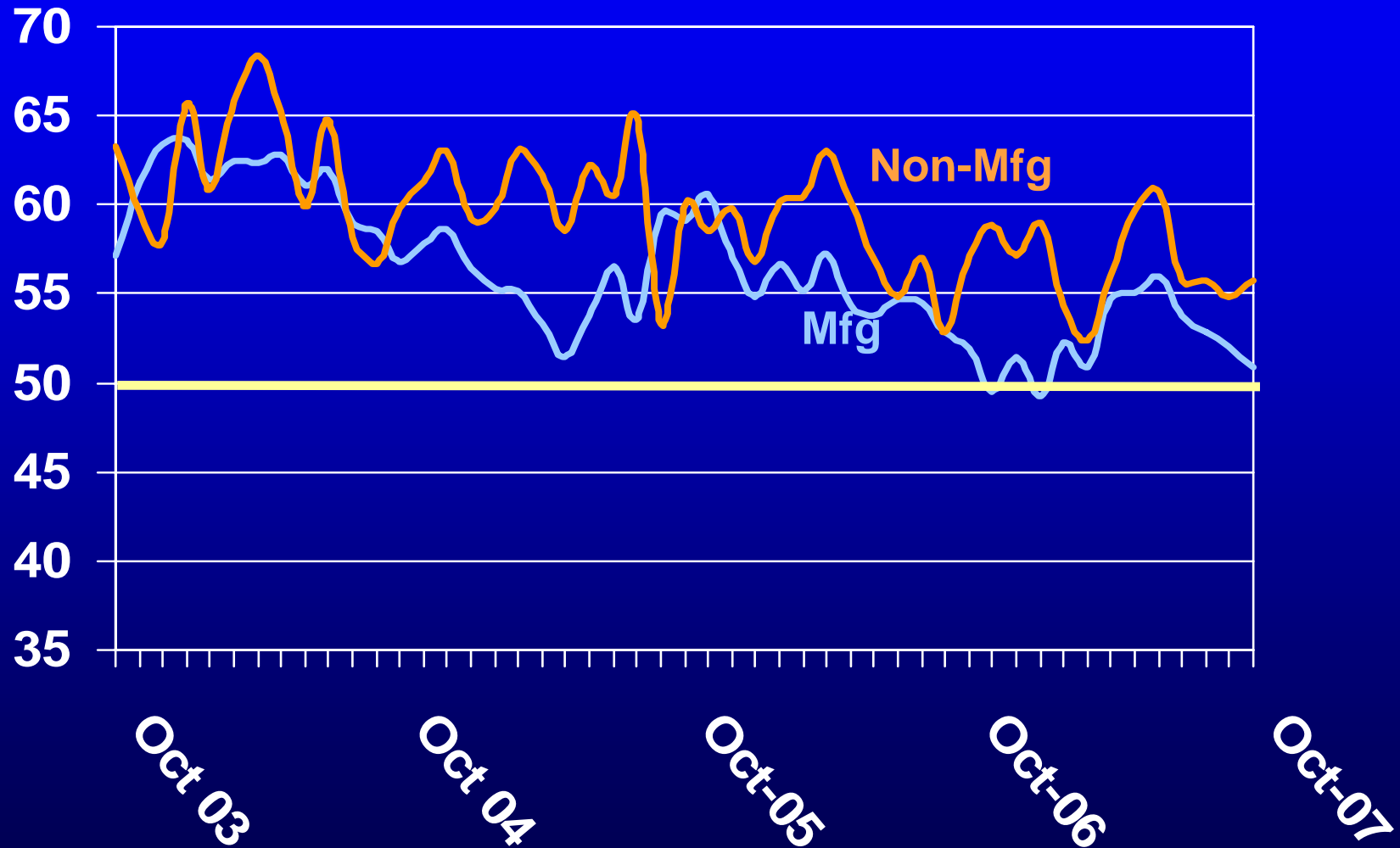
Current Performance

U.S. Gross Domestic Product Quarterly Change: 2004 – 2007

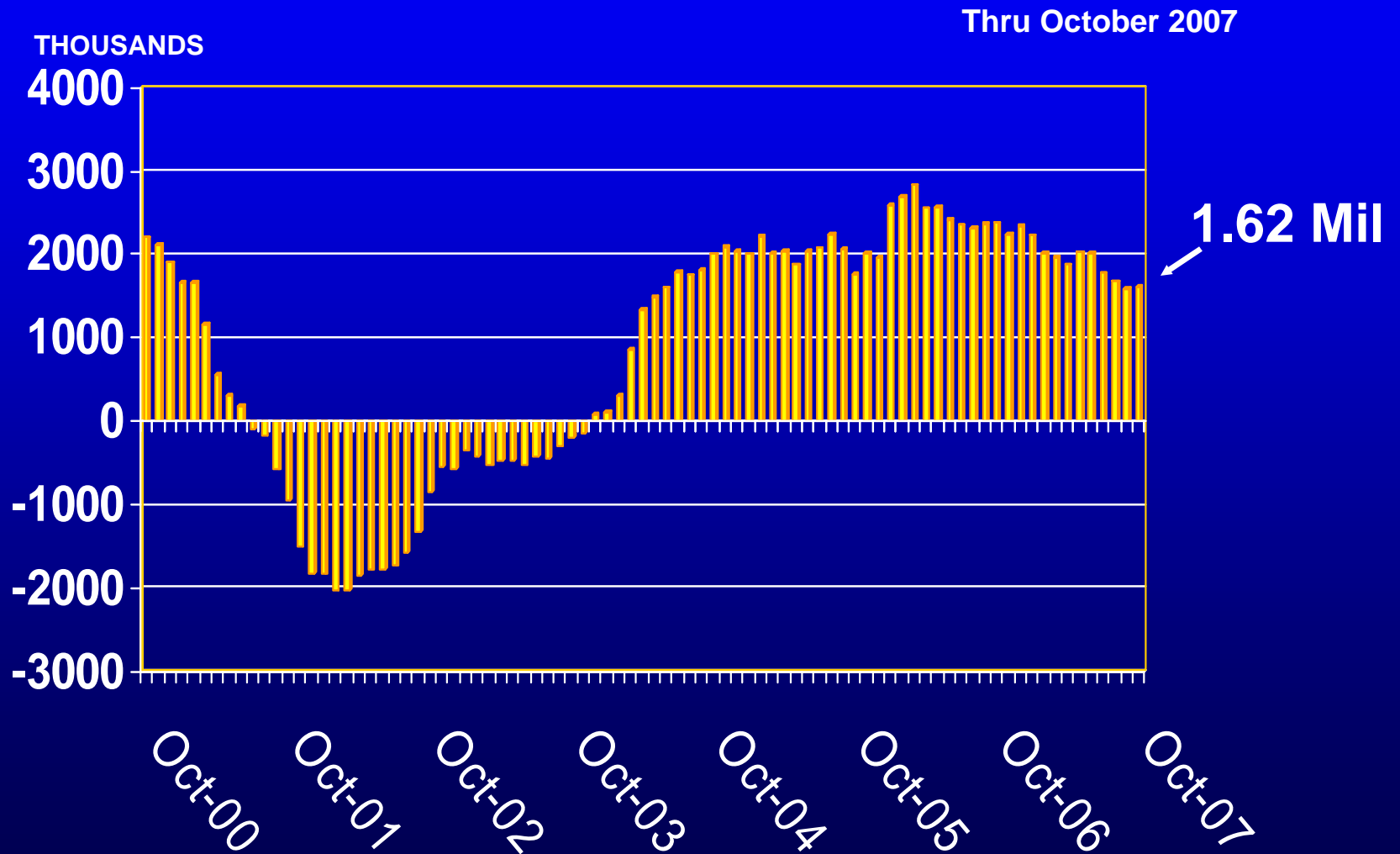


Source: BEA, GMU Center for Regional Analysis

ISM Manufacturing and Non-Manufacturing Indices

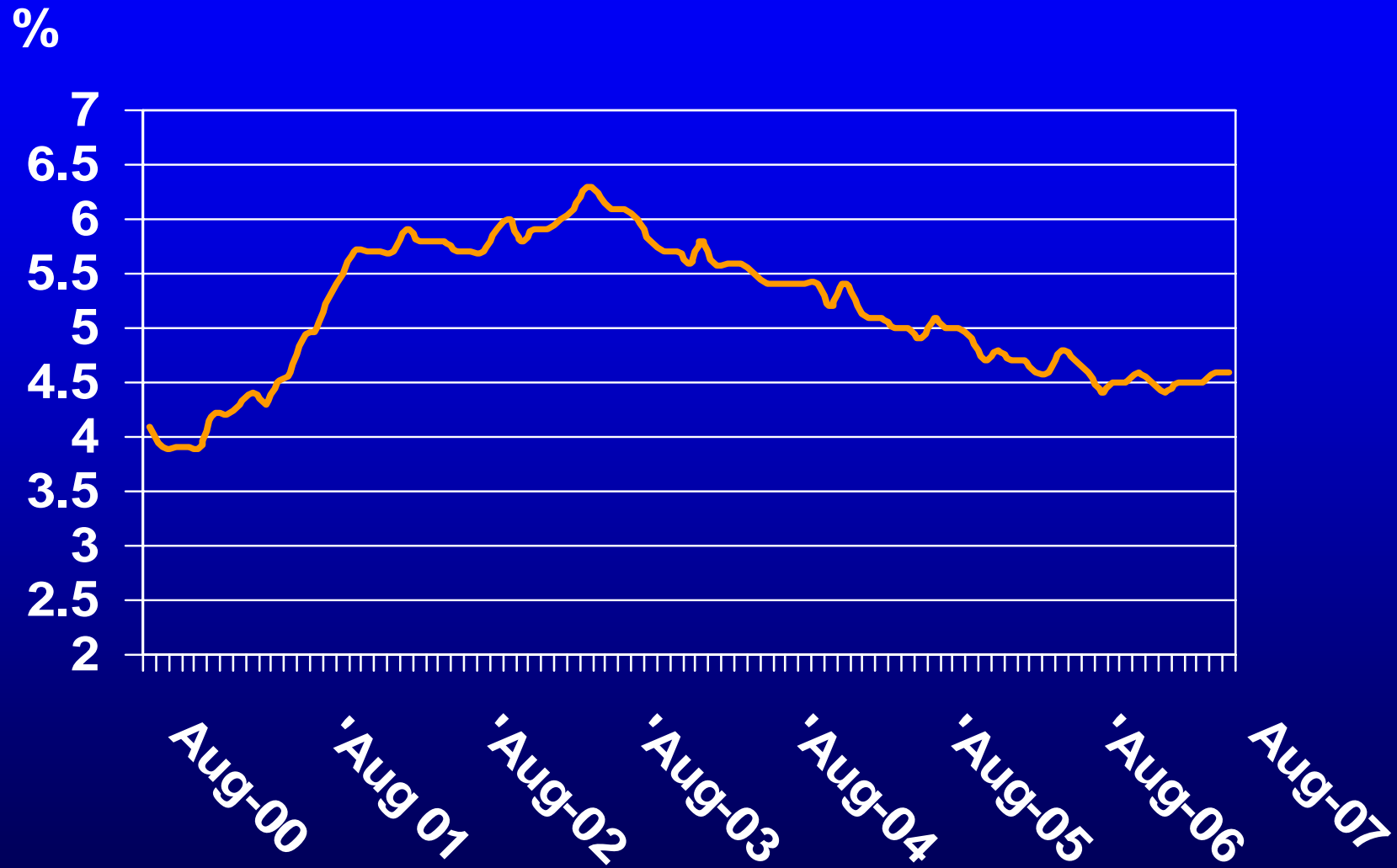


Annual Change in Jobs - US



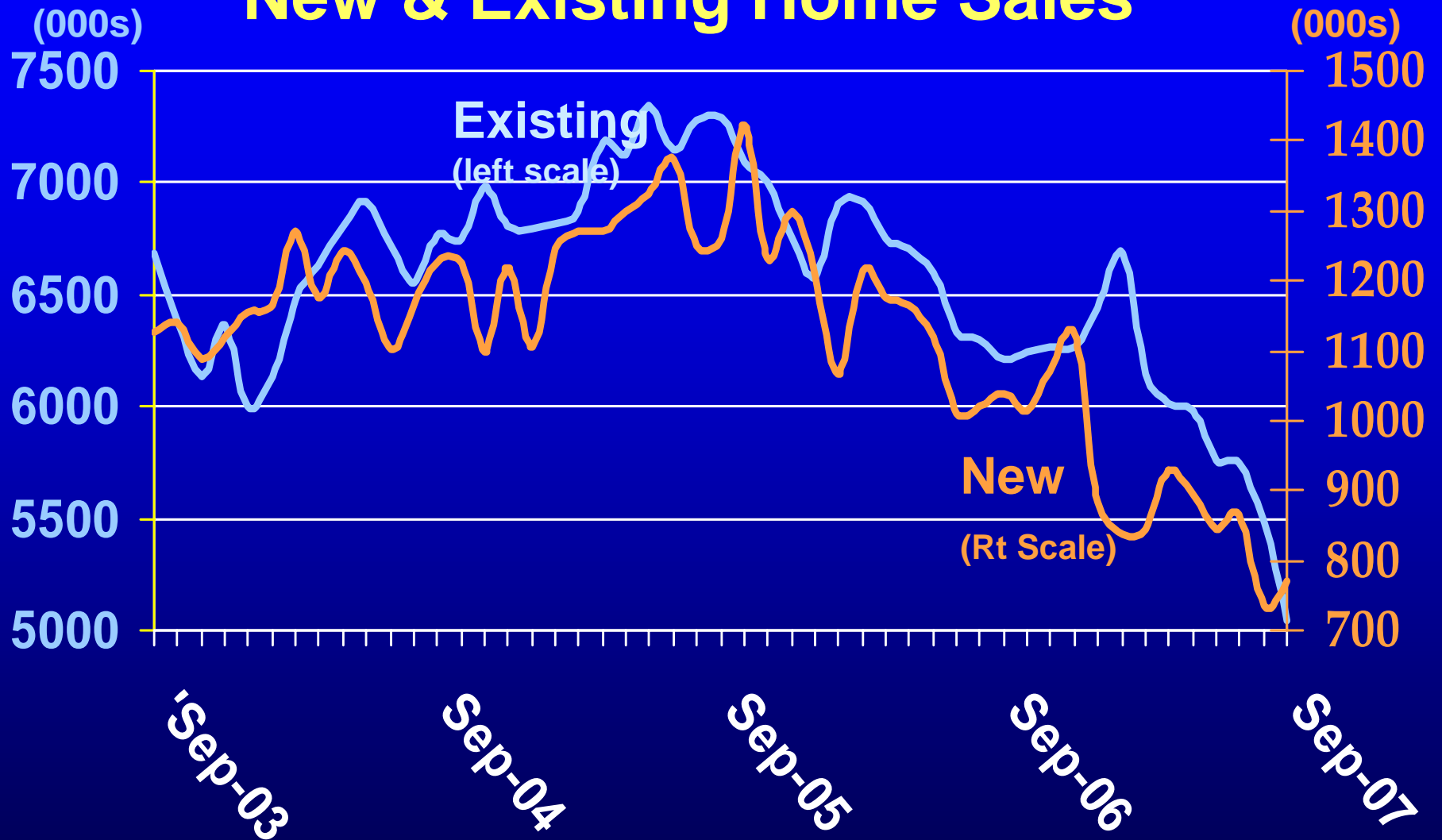
Source: BLS Establishment Survey

U.S. Unemployment Rate

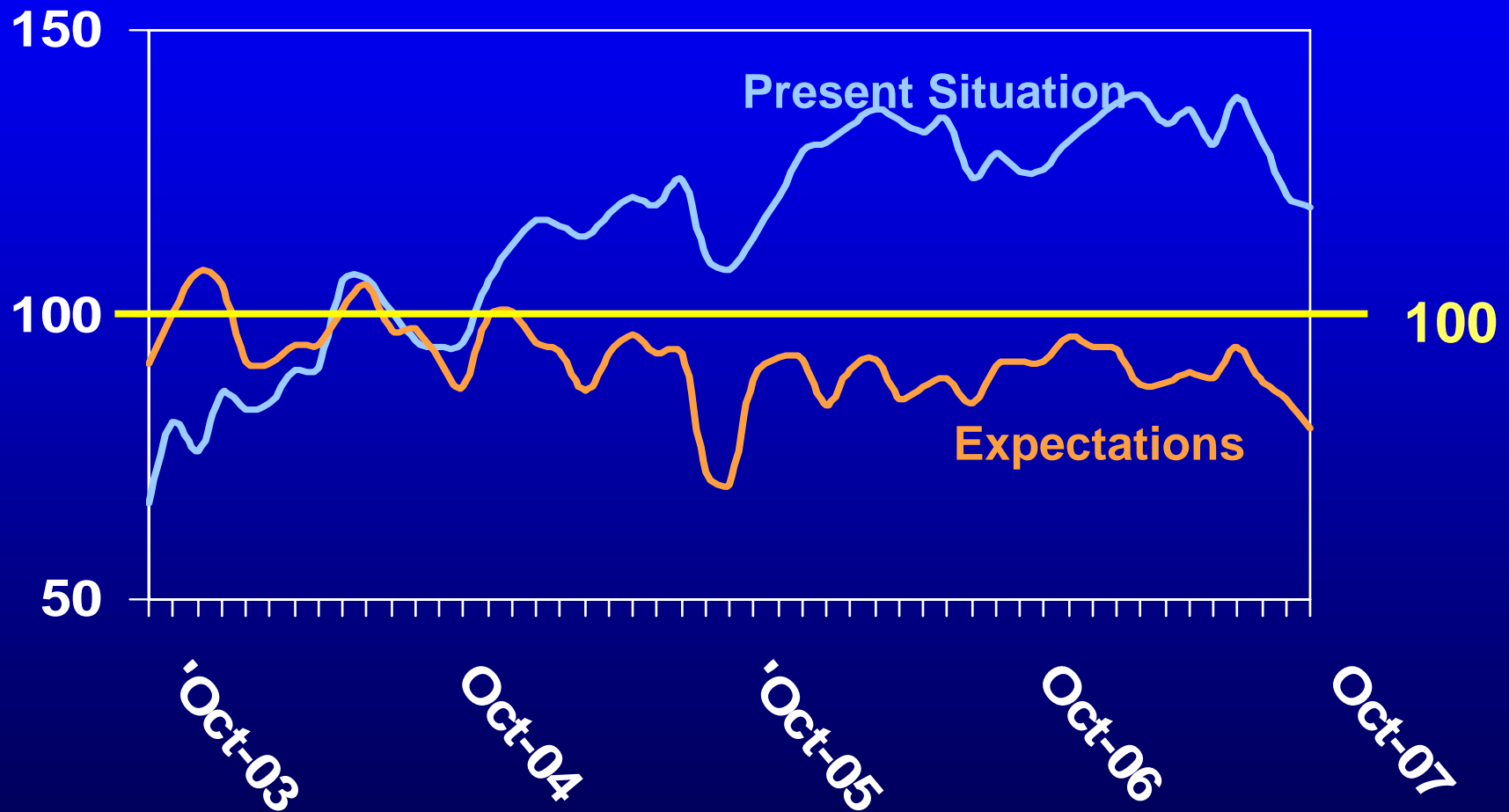


Source: BLS, Seasonally Adjusted

Housing Trends: New & Existing Home Sales

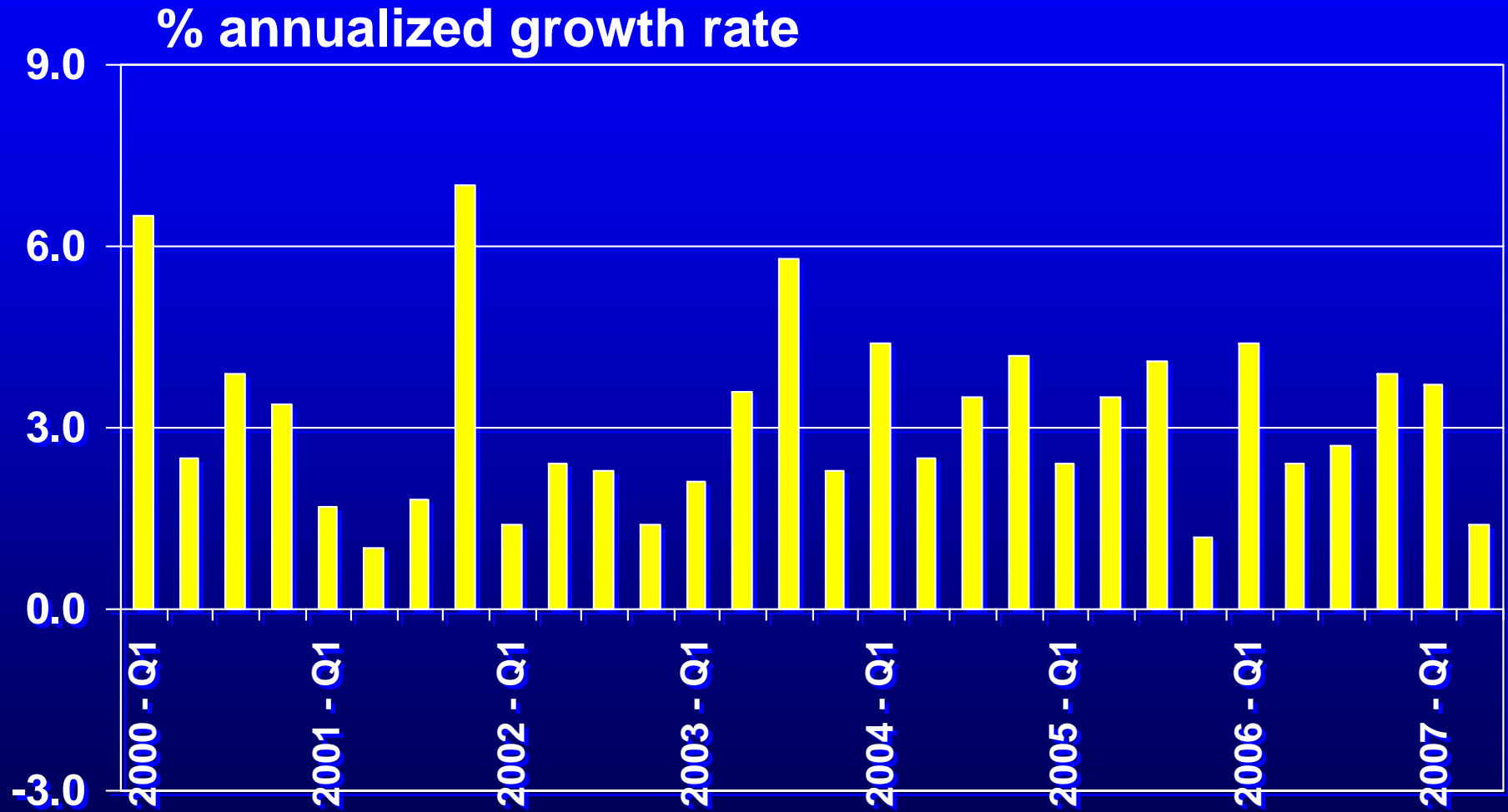


Consumer Confidence



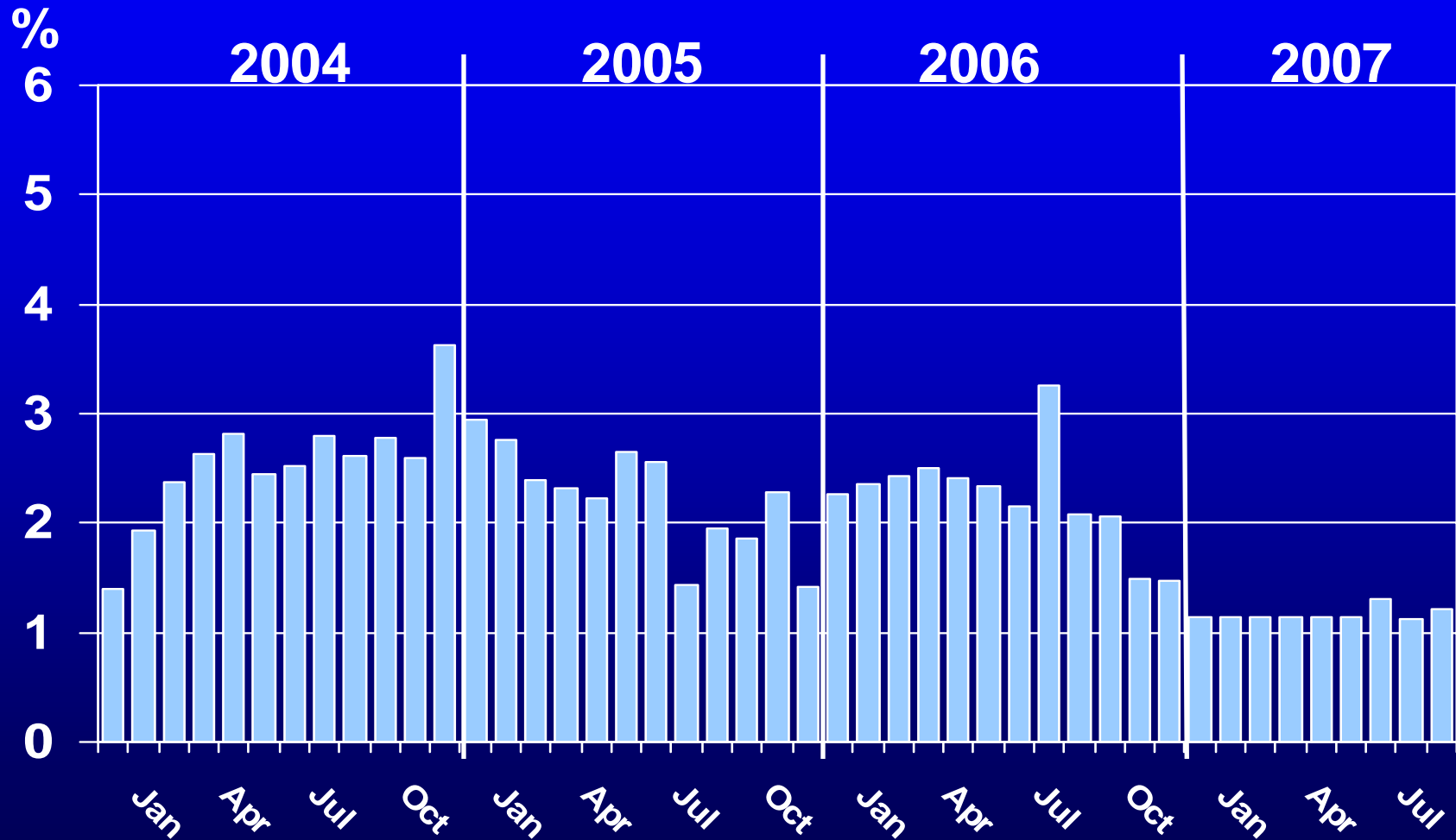
Source: Conference Board, GMU Center for Regional Analysis

Consumer Spending



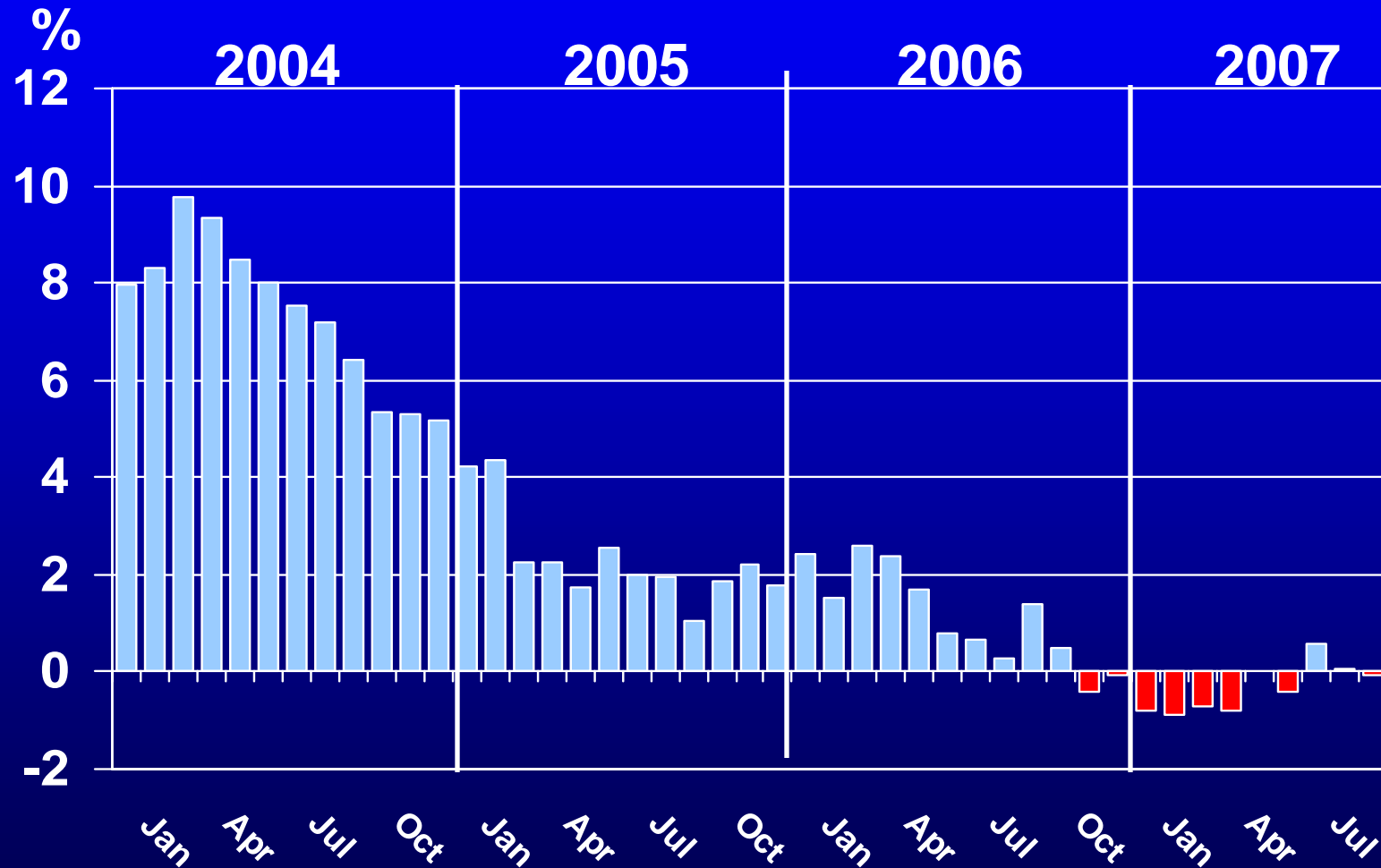
U.S. Coincident Index

Monthly Over-the-Year Percent Changes



U.S. Leading Index

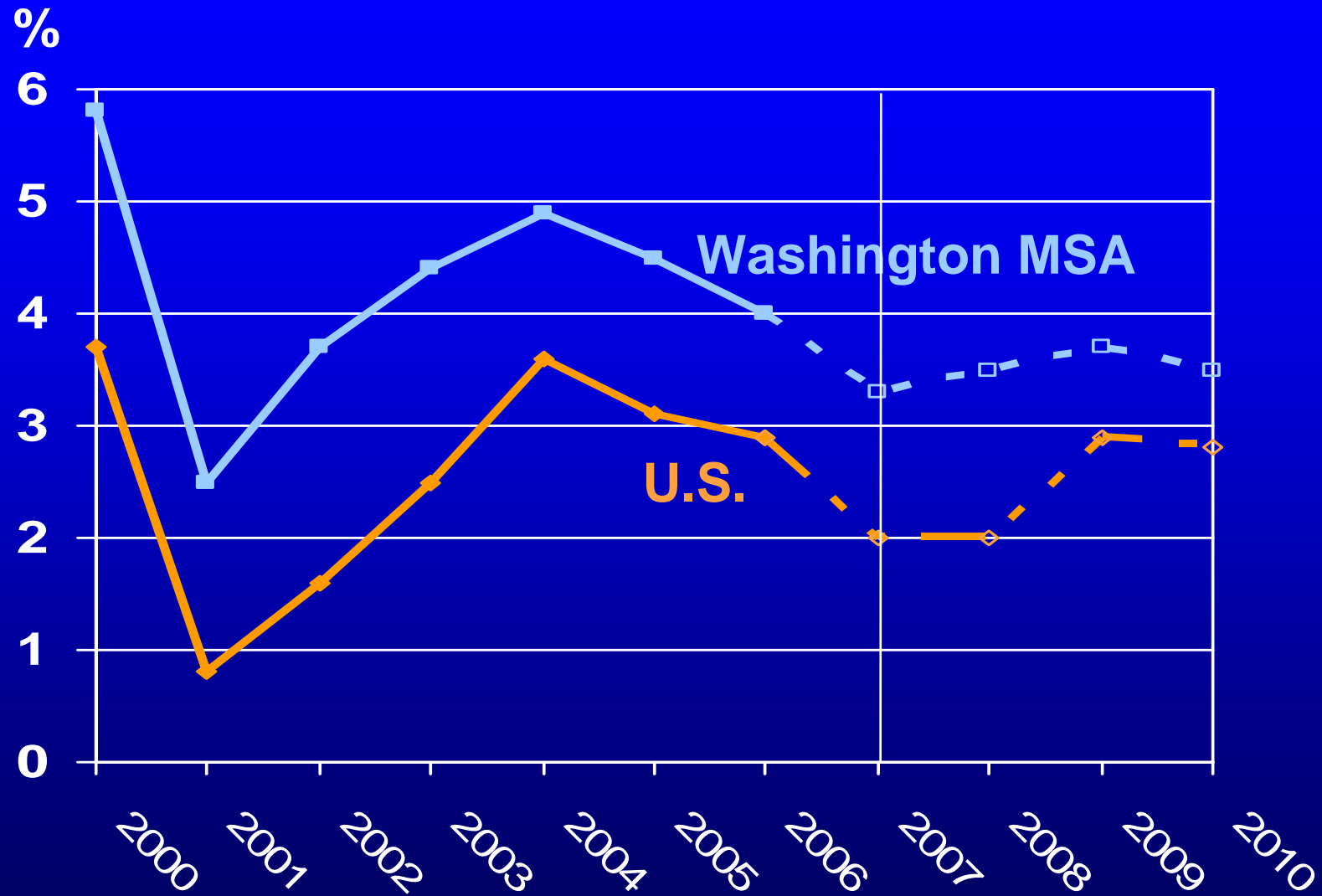
Monthly Over-the-Year Percent Changes



The Washington Economy

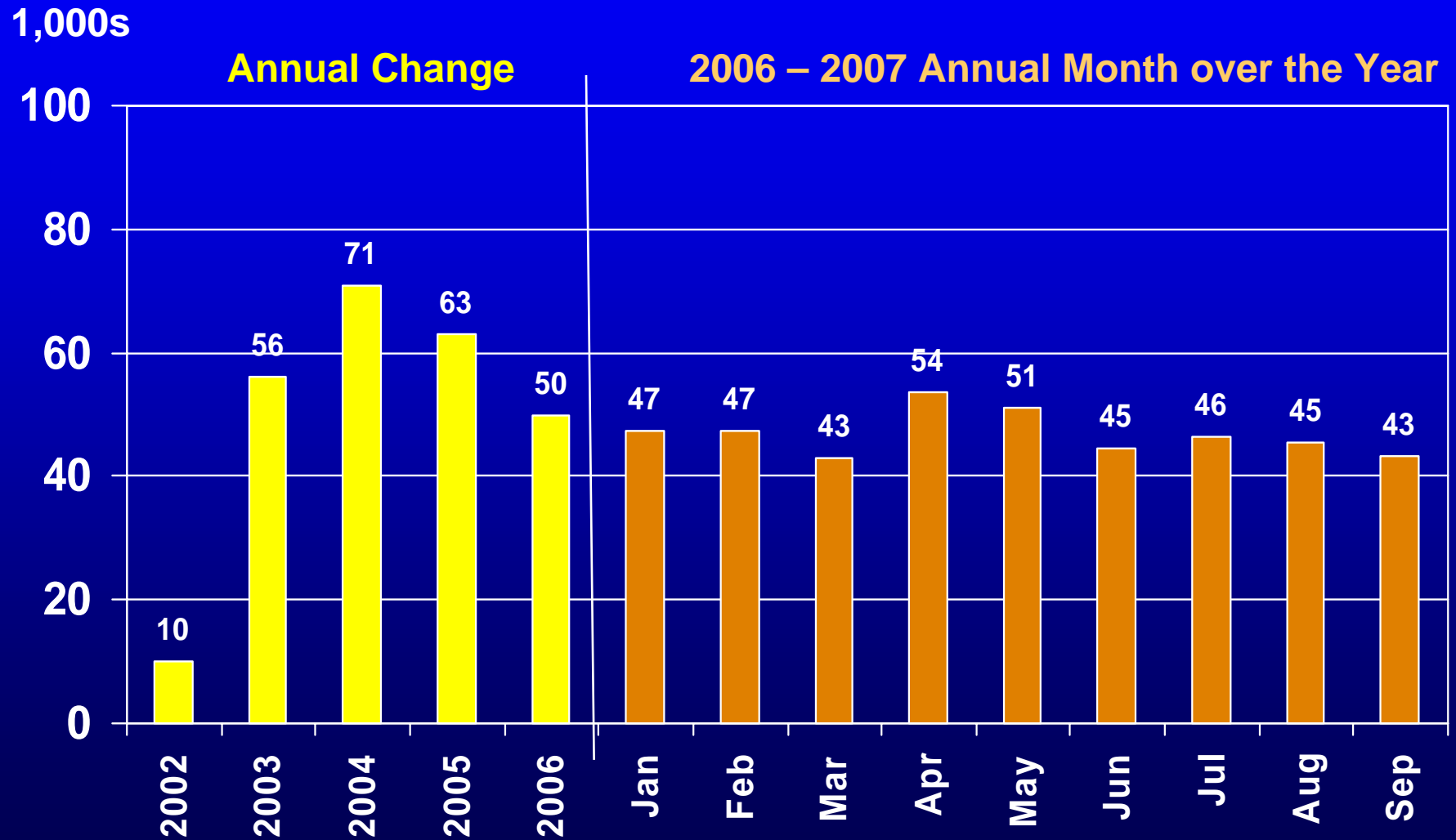
Current Performance

GDP 2000 - 2010



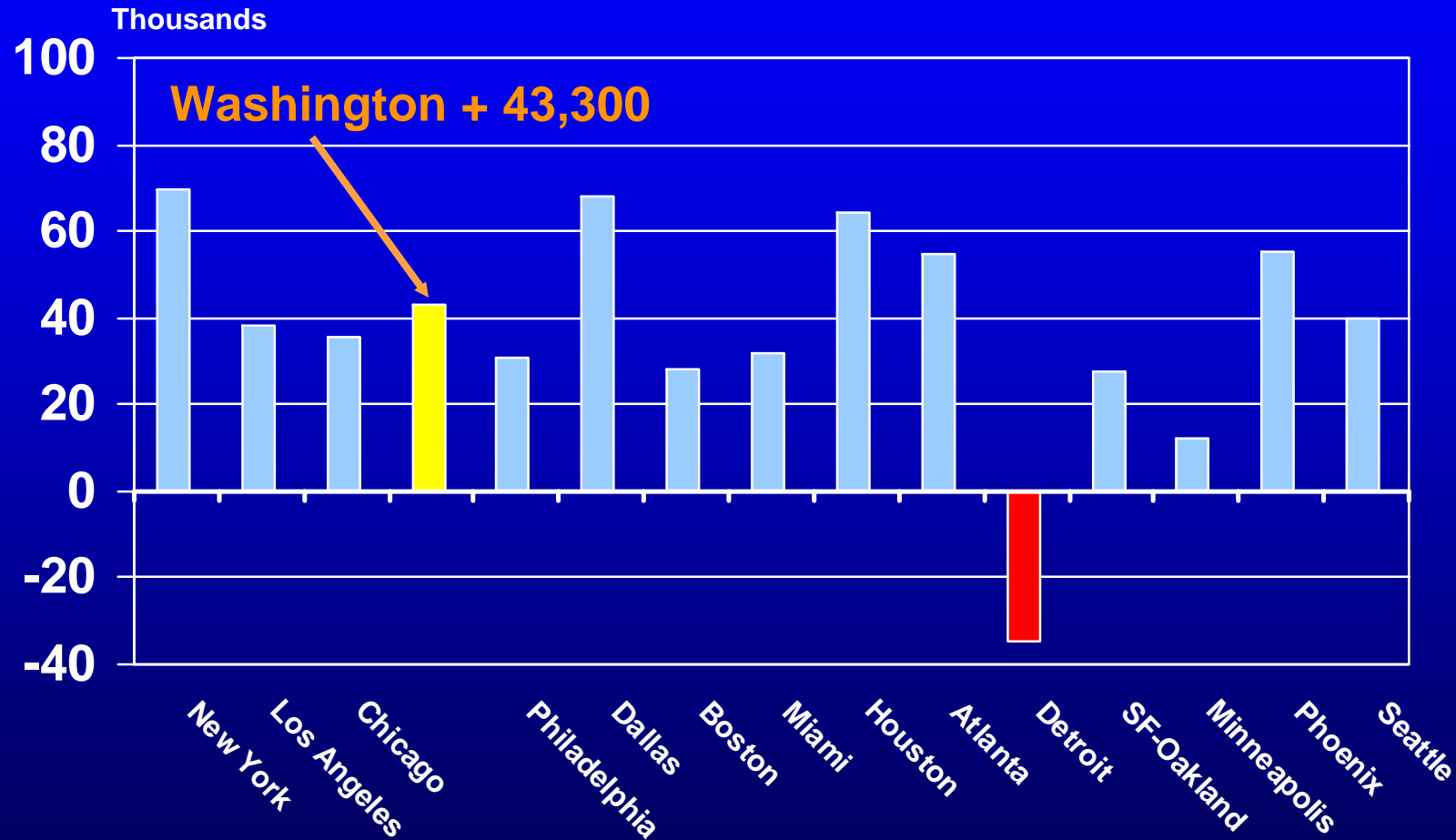
Source: Global Insight, GMU Center for Regional Analysis

Annual Job Change Washington Metro



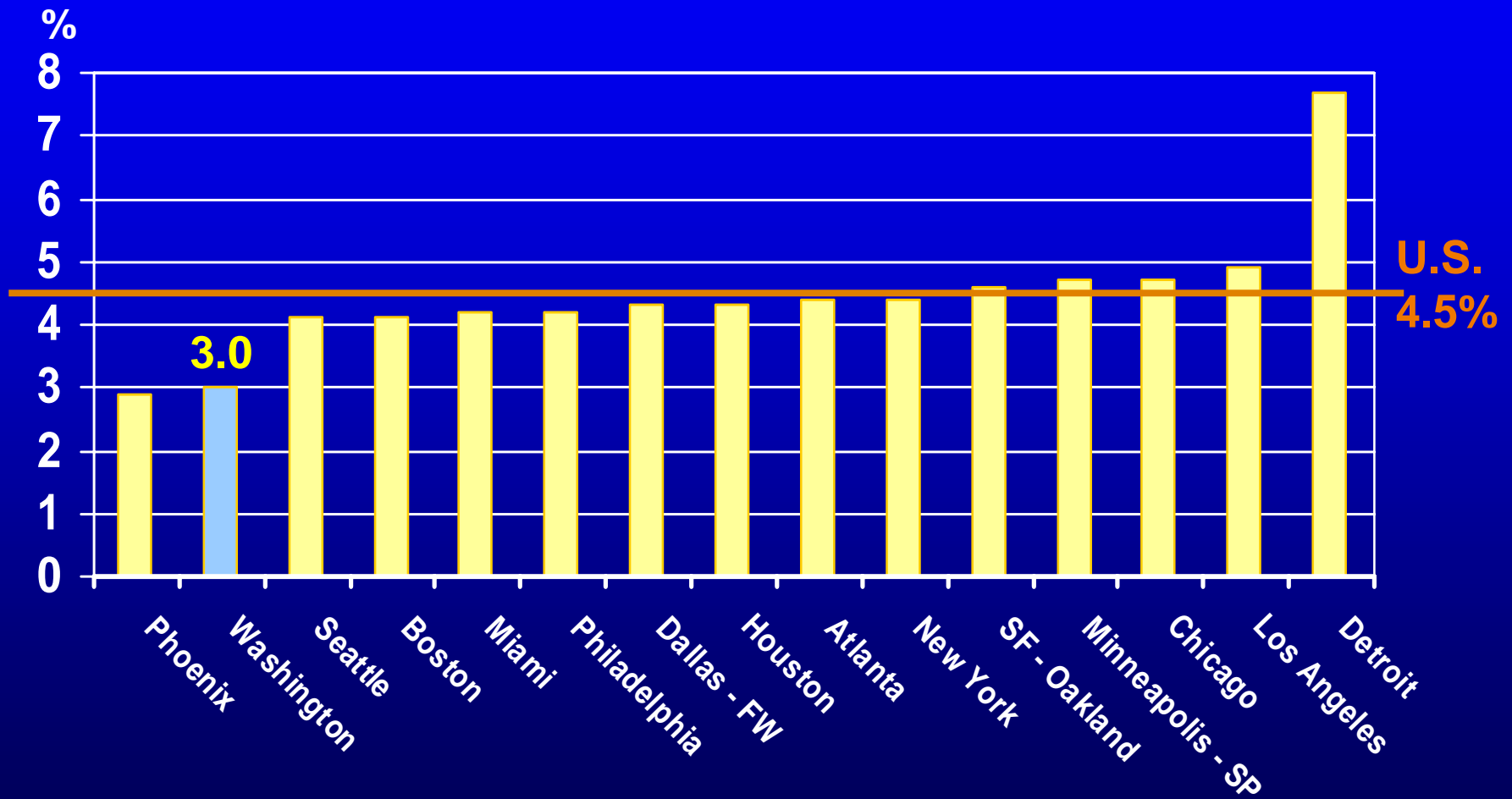
Source: MRIS, GMU Center for Regional Analysis

15 Largest Job Markets Job Change Sep 06 – Sep 07



Ranked by Total Jobs

15 Largest Job Markets Ranked by Unemployment Rate September 2007

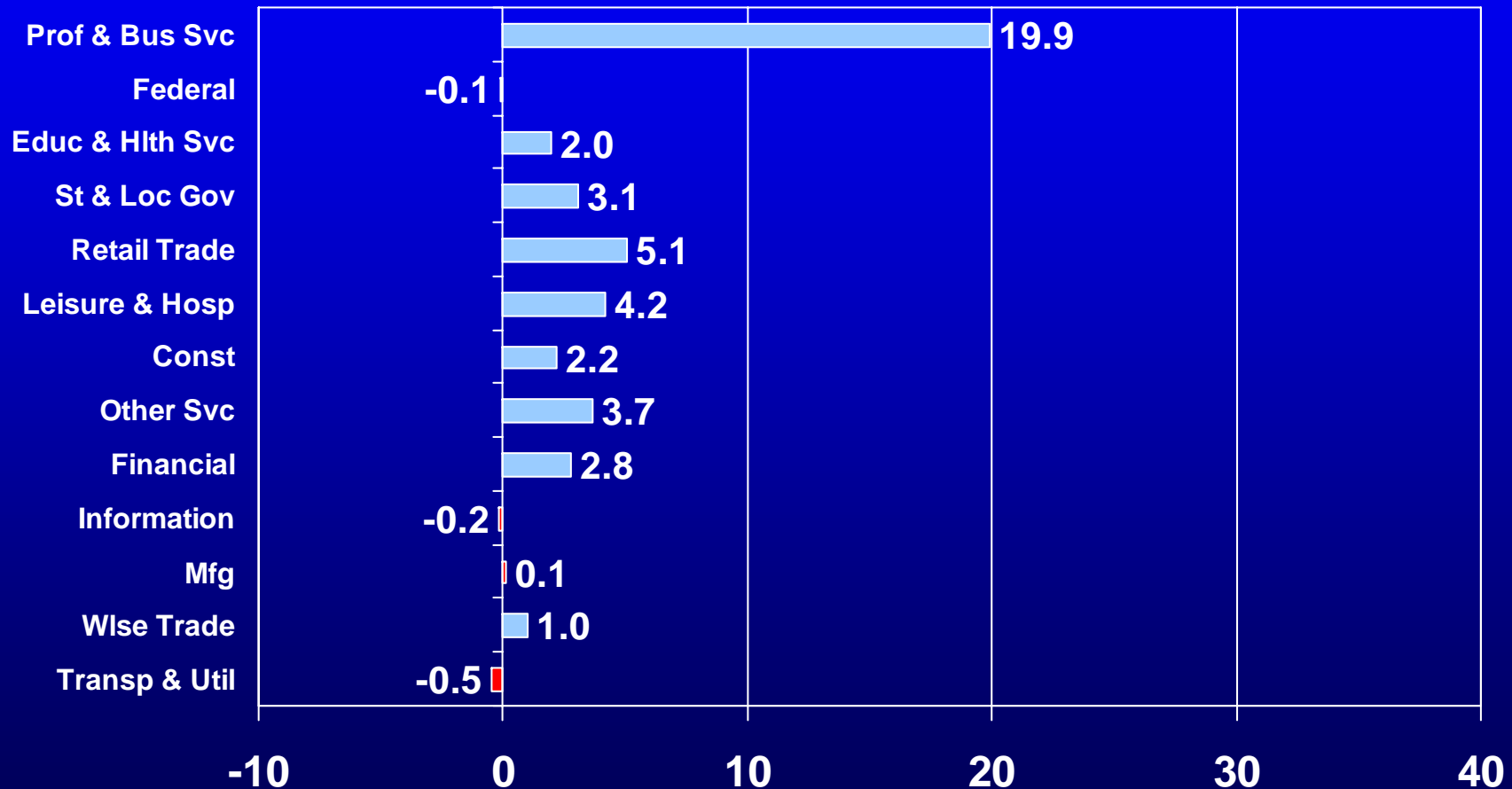


September 06 – September 07 Job Change By Sector MSA

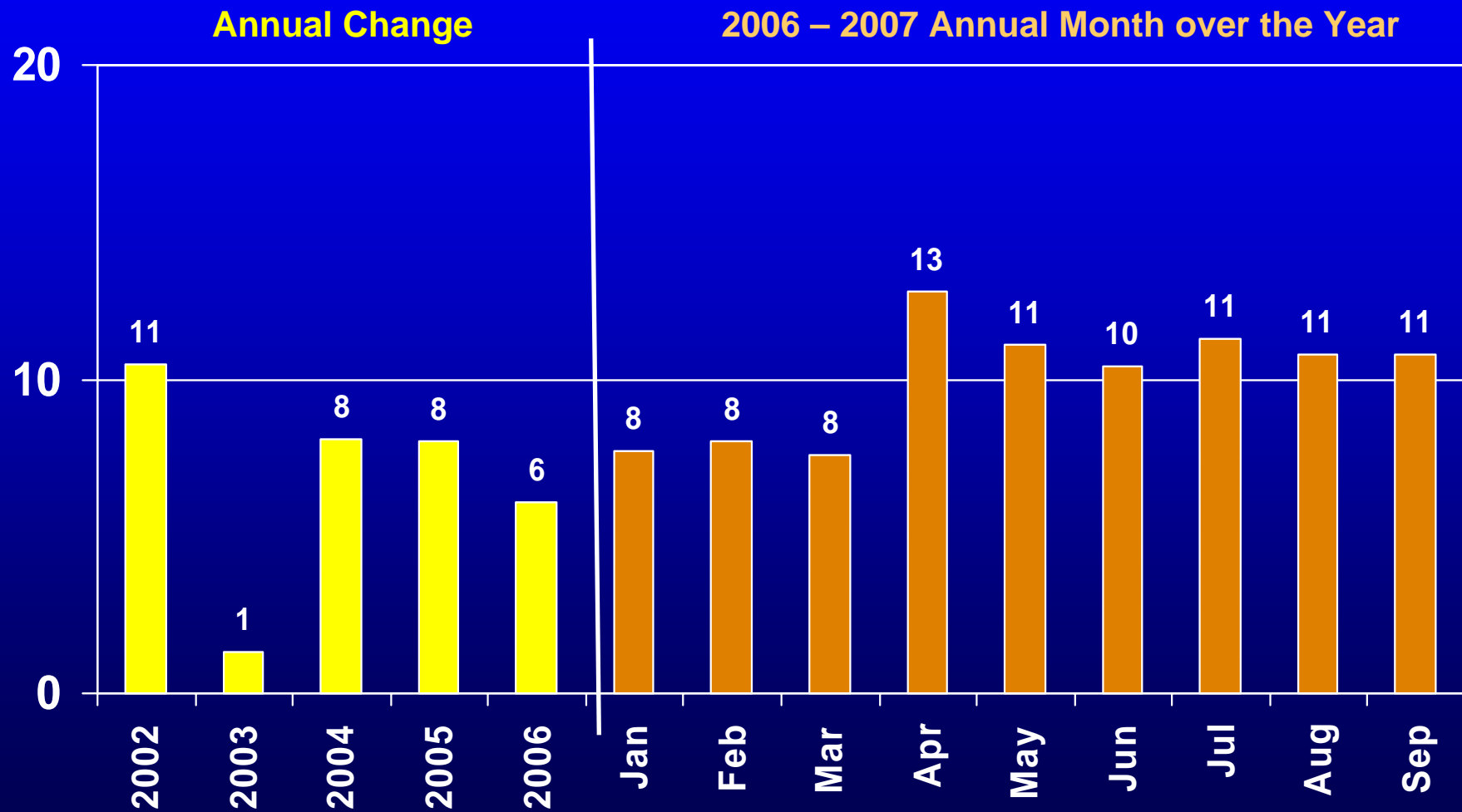
(000s)

Total = 43,300

(Ranked by Size of Sector)

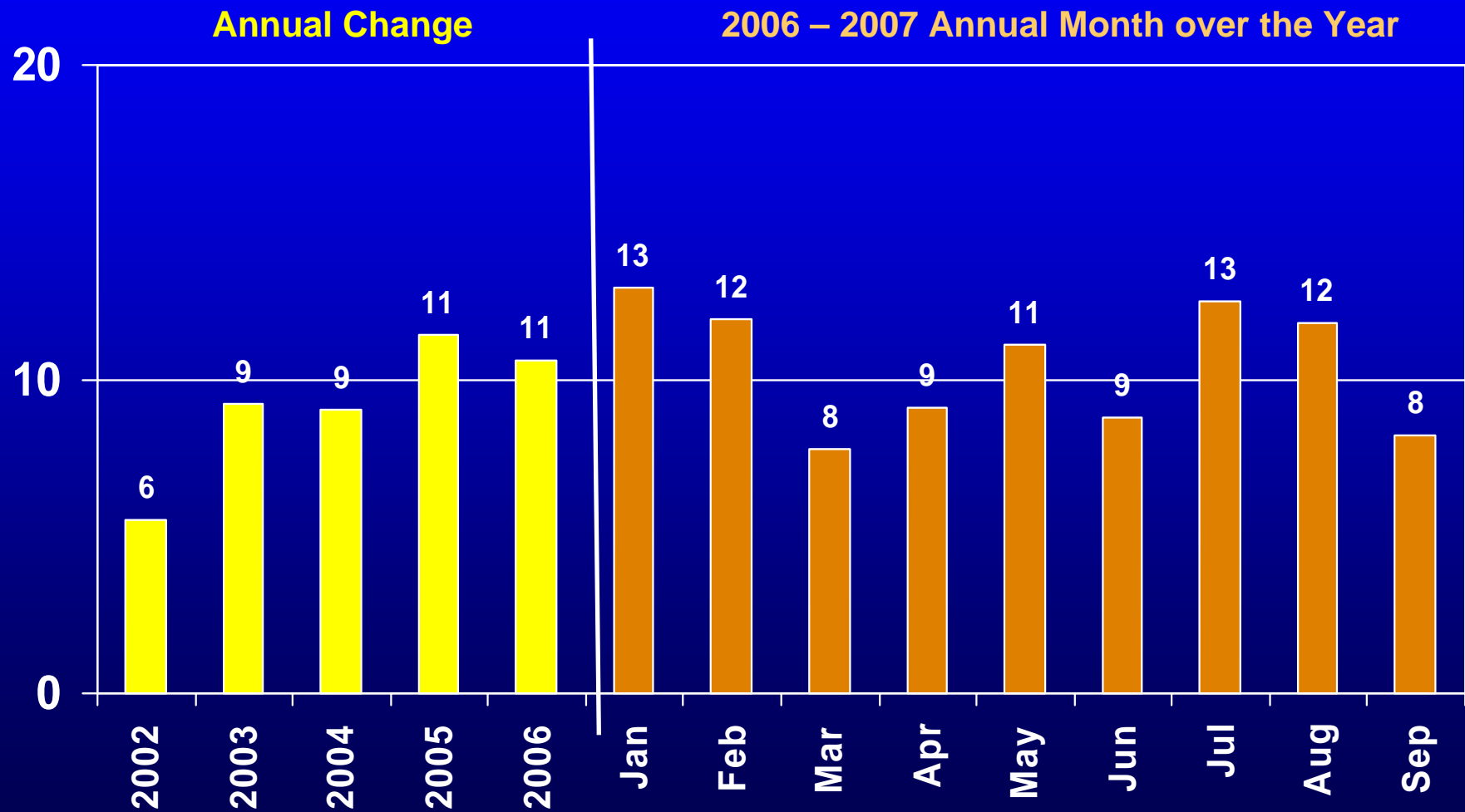


Annual Job Change District of Columbia



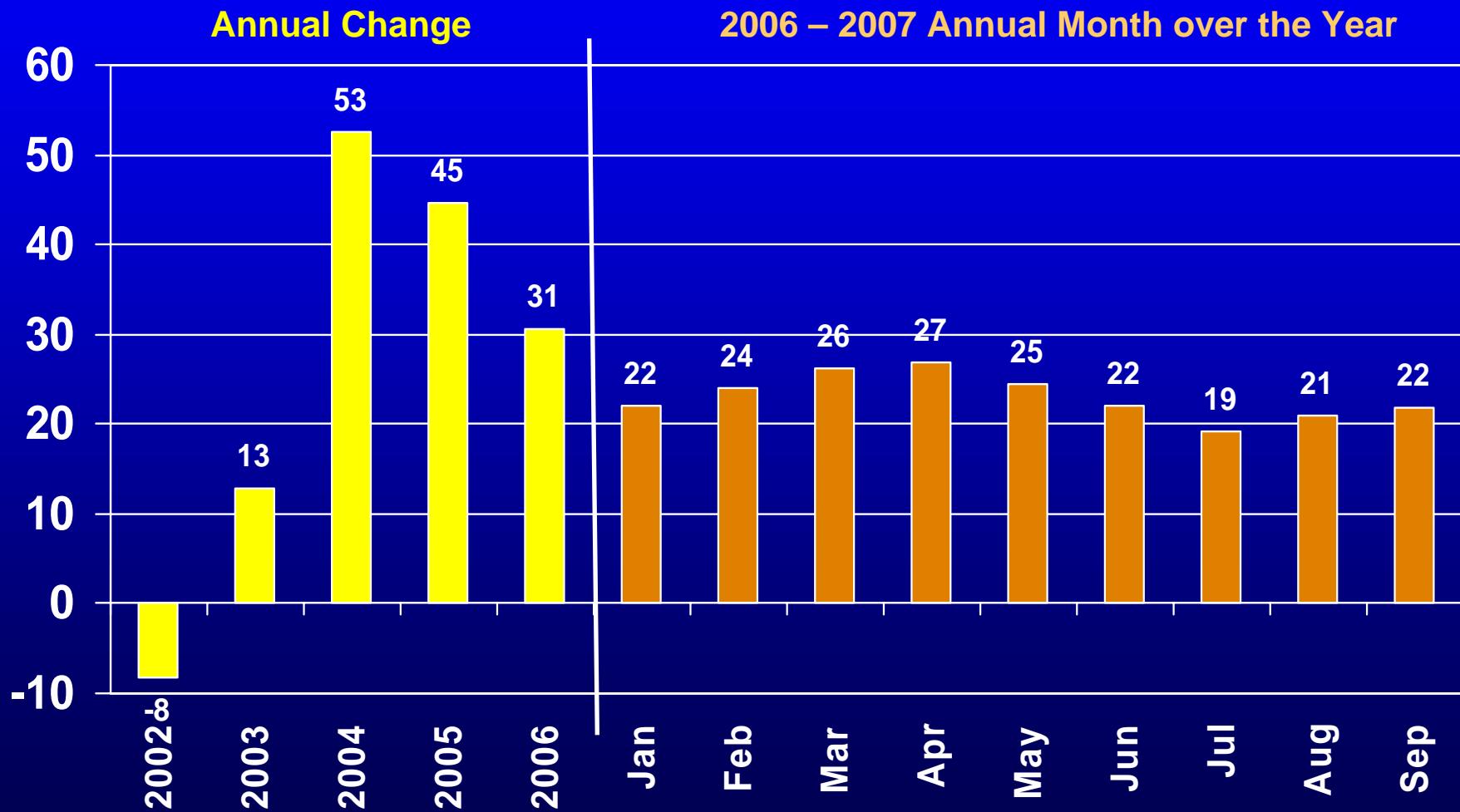
Source: MRIS, GMU Center for Regional Analysis

Annual Job Change Suburban Maryland



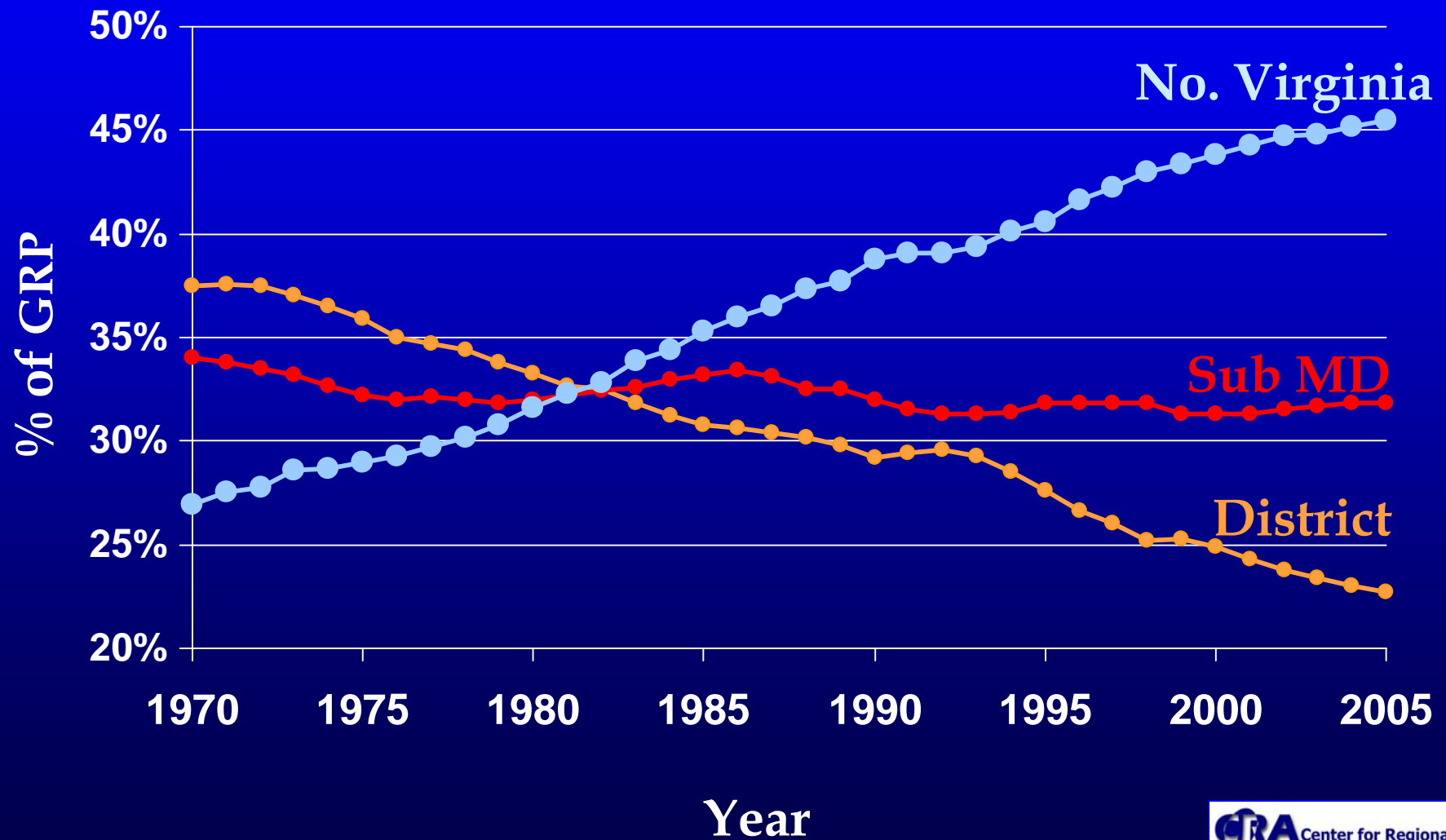
Source: MRIS, GMU Center for Regional Analysis

Annual Job Change Northern Virginia

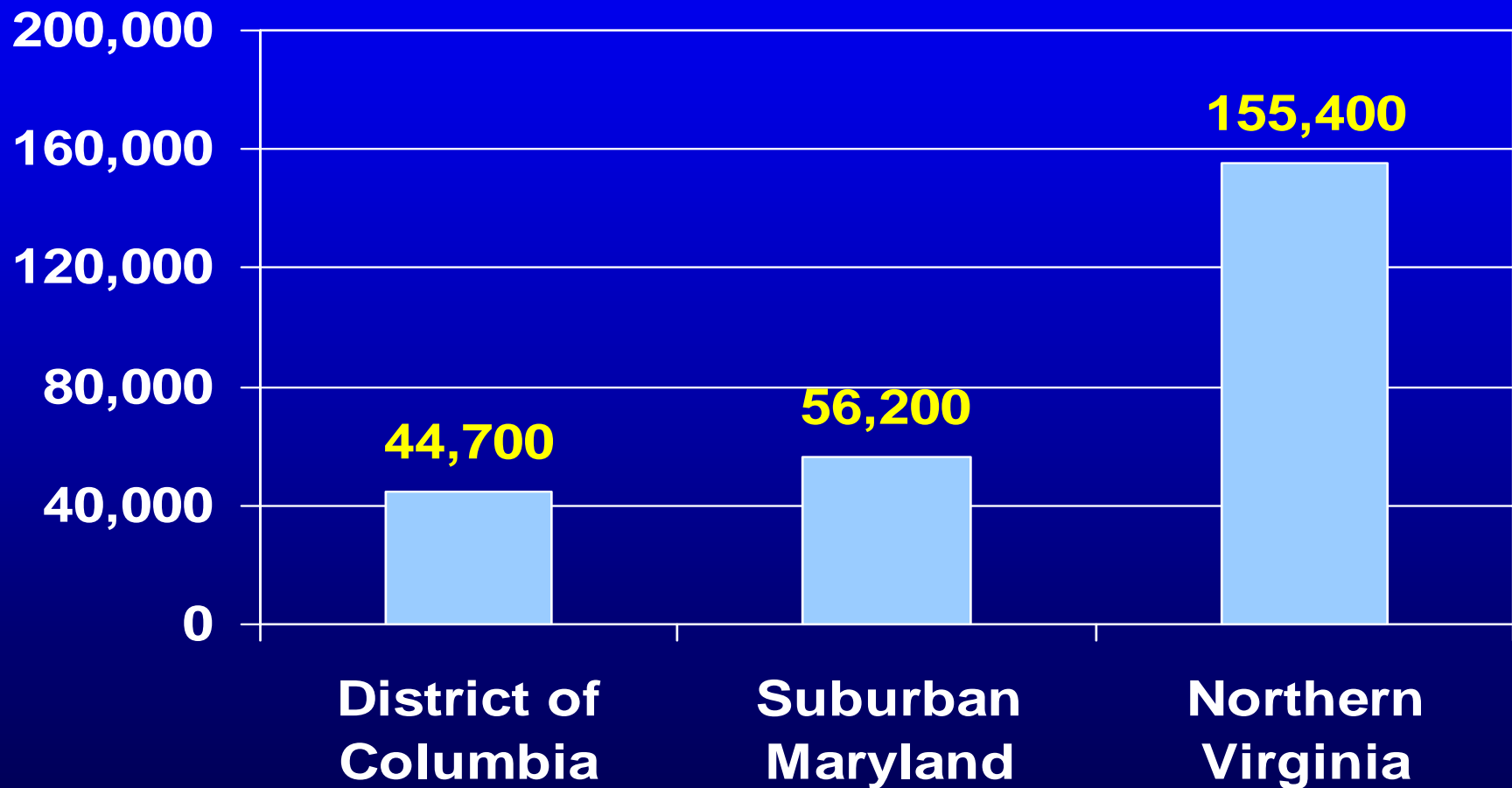


Source: MRIS, GMU Center for Regional Analysis

Share of Washington Area Economy 1970-2005



Job Growth by Sub-Region 2002 - 2007



Threats to the Washington Metro Economy's Future Performance

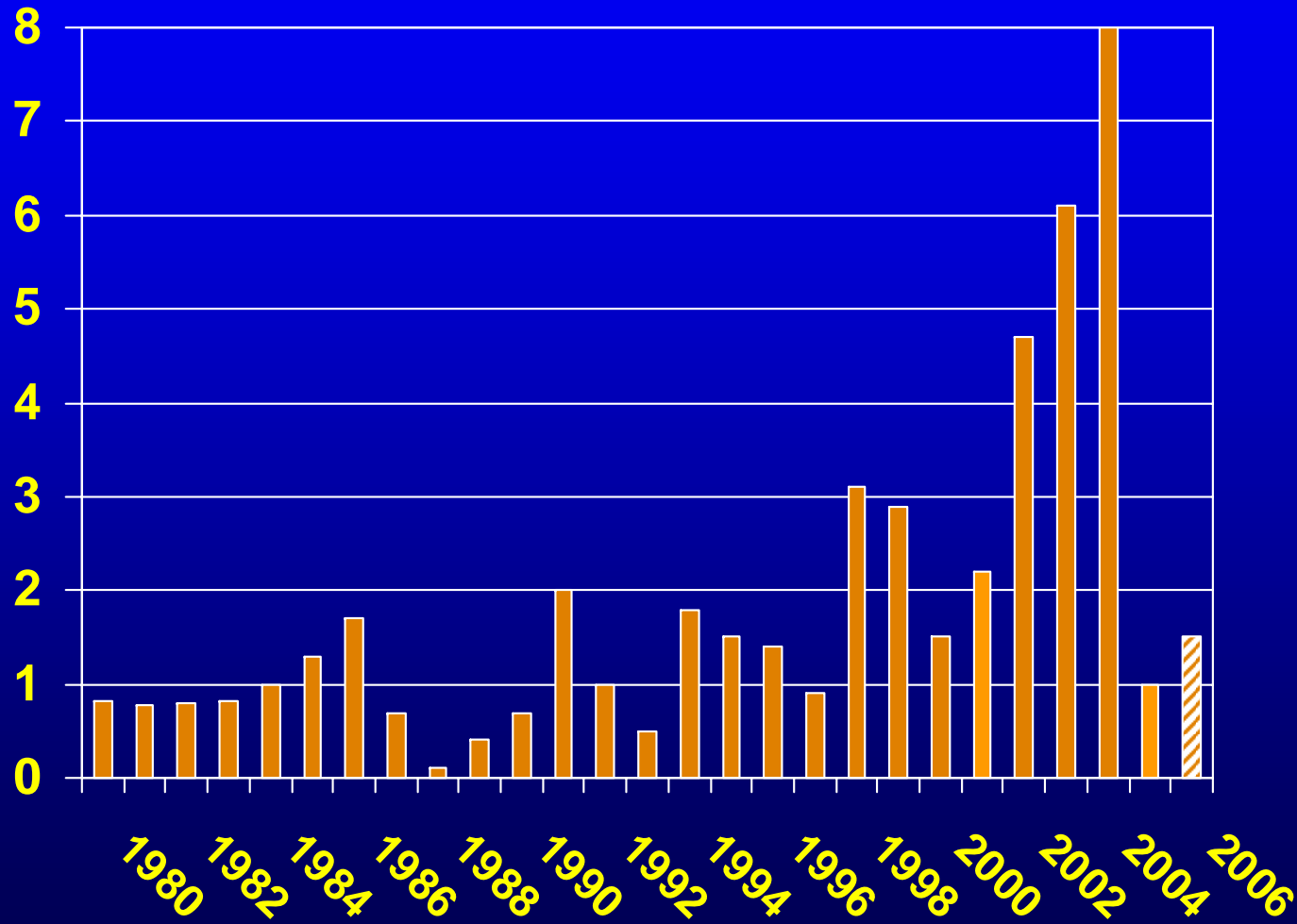
- **Slowing Federal Spending**
- **Area's Rising Cost of Living**
- **Increasing Oil Prices**
- **Turmoil in Financial Markets**
- **Continuing Weakness in RE Market**

Federal Spending by Type 1983 - 2006

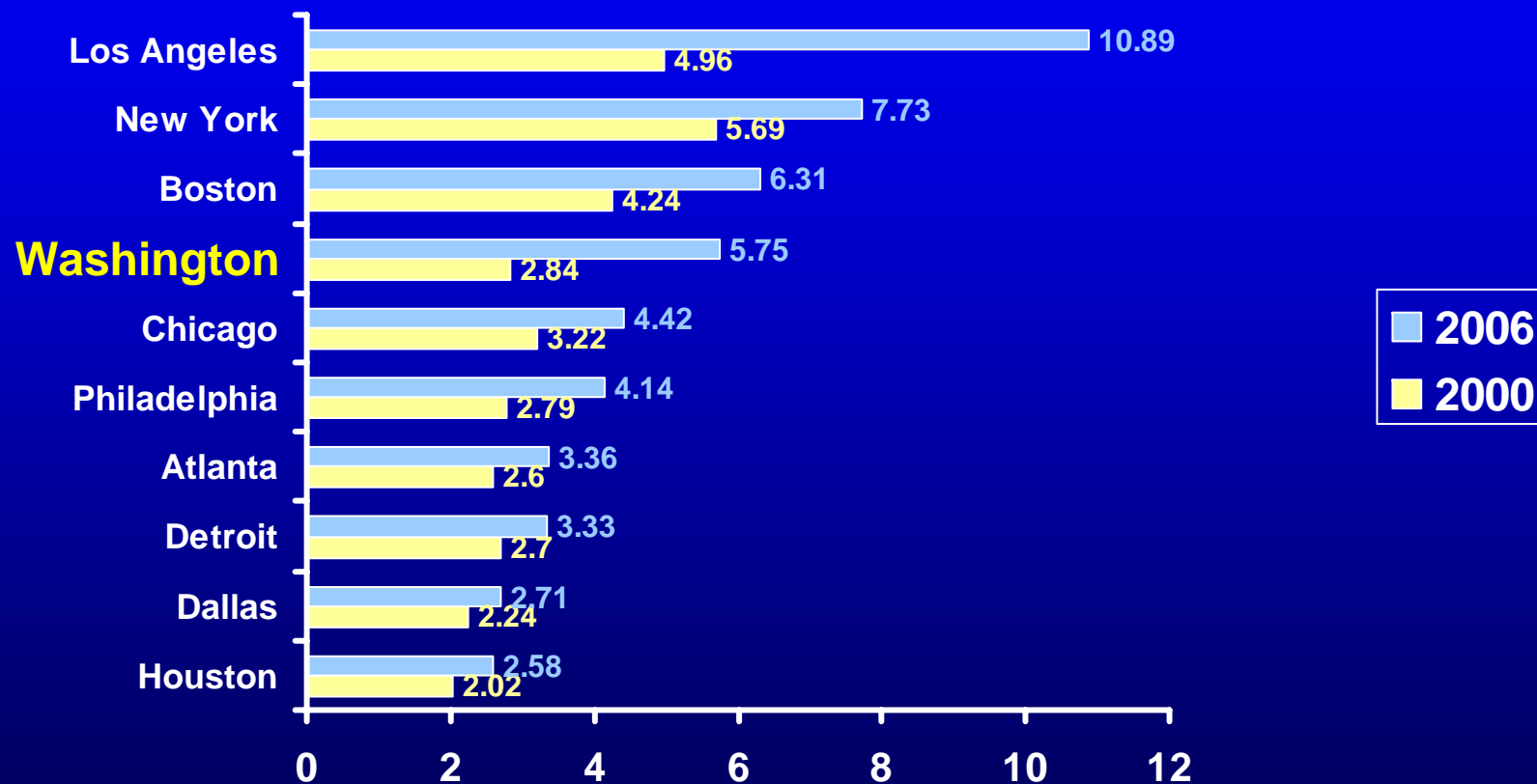


Annual Change in Federal Procurement Spending Washington Metro Area

\$ Billions

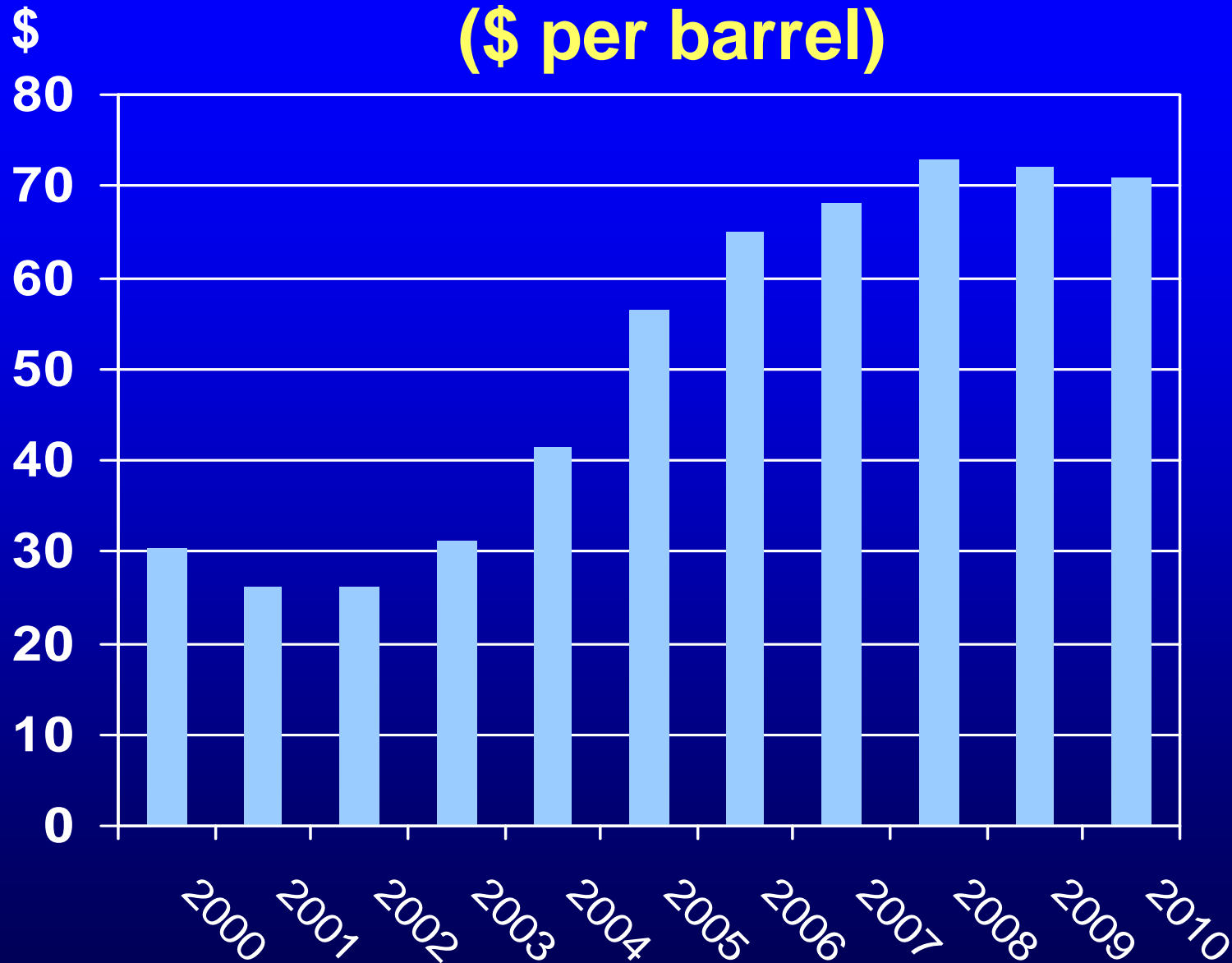


Ratio of Median Housing Value to Median Household Income 2000 - 2006



Source: 2000 Census, 2006 ACS, CRA

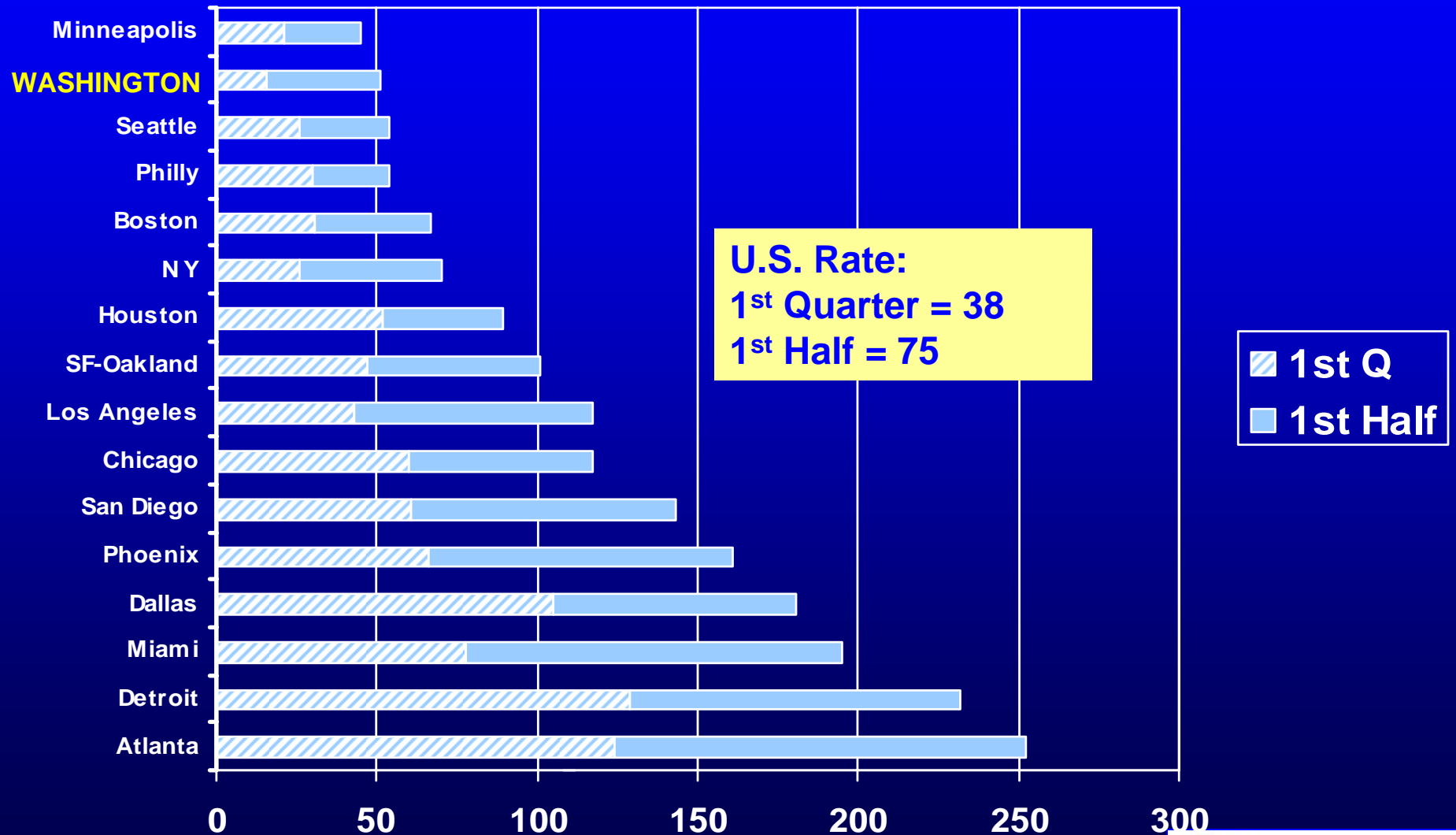
Average Annual Oil Prices (\$ per barrel)



Source: Global Insight, GMU Center for Regional Analysis

Metro Comparisons Mortgage Foreclosure Rates Jan - Jun 2007

Foreclosures /10,000HH



Outlook for the Region's Housing Market

Sales and Listings Washington Metro Area August Each Year

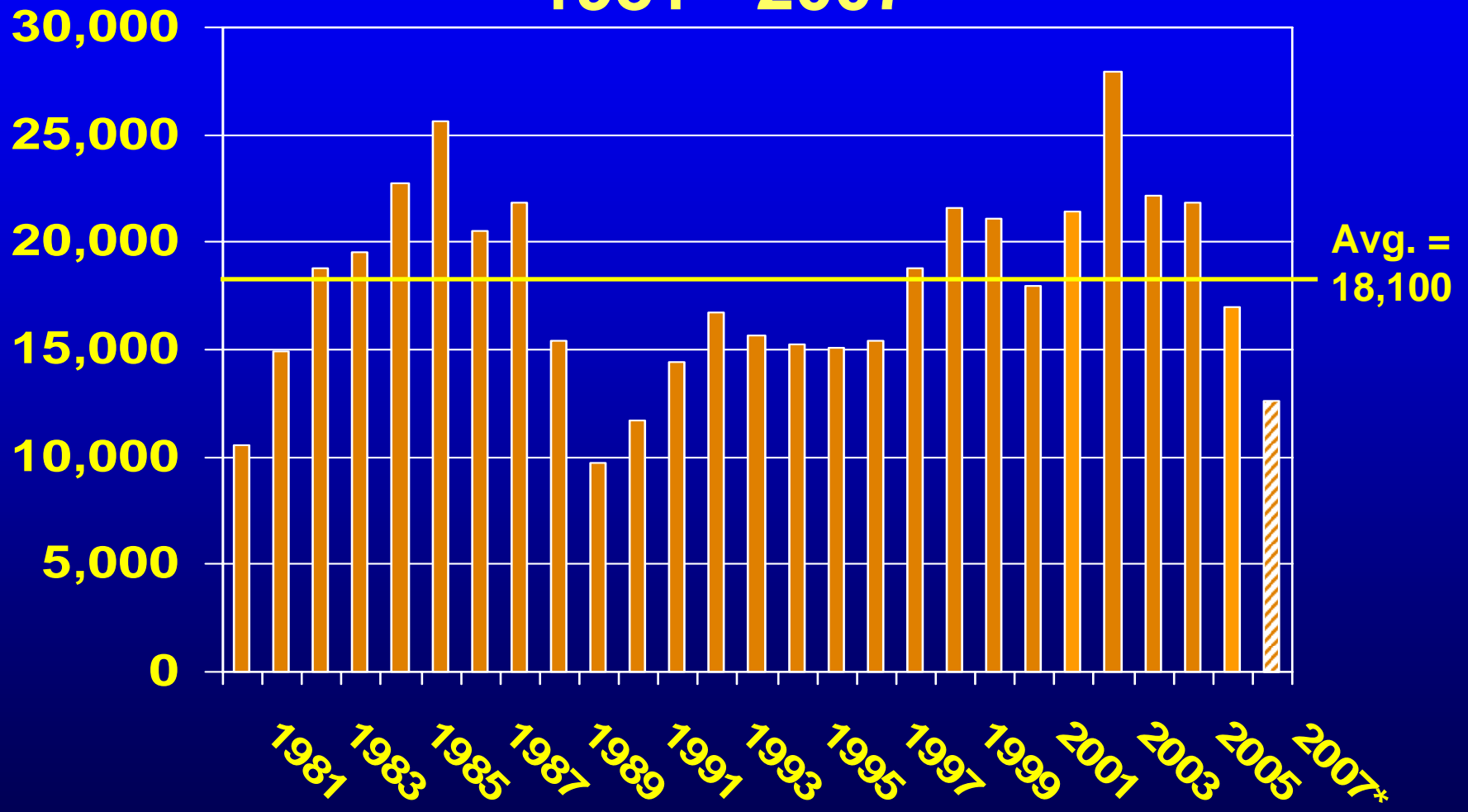


Percent Change in Inventories of Existing Homes Month-Over-the-Year-Change 2000 – 2007, MSA



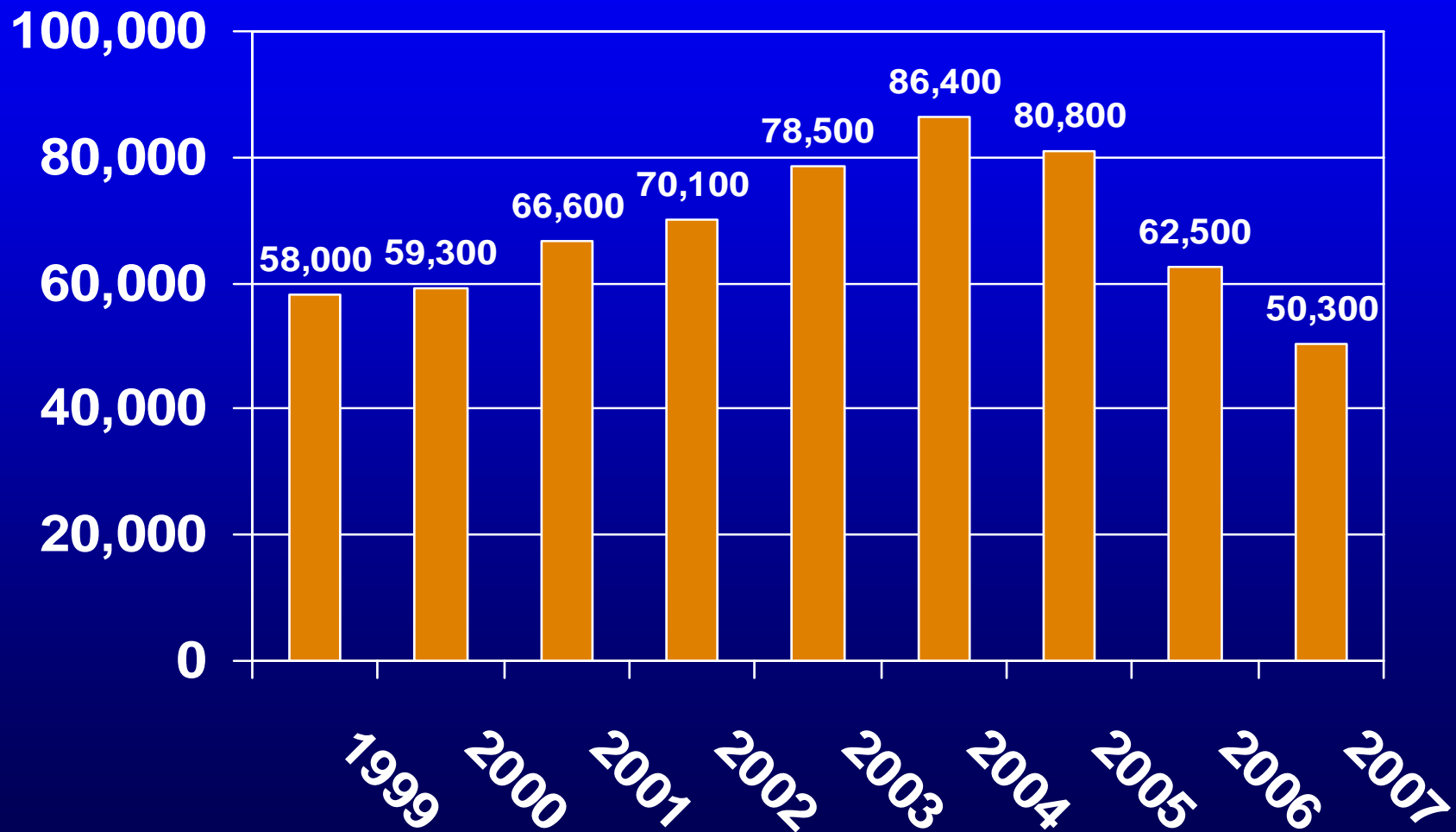
Source: NVAR, MRIS, GMU Center for Regional Analysis

New Home Sales Washington Metro Area 1981 - 2007

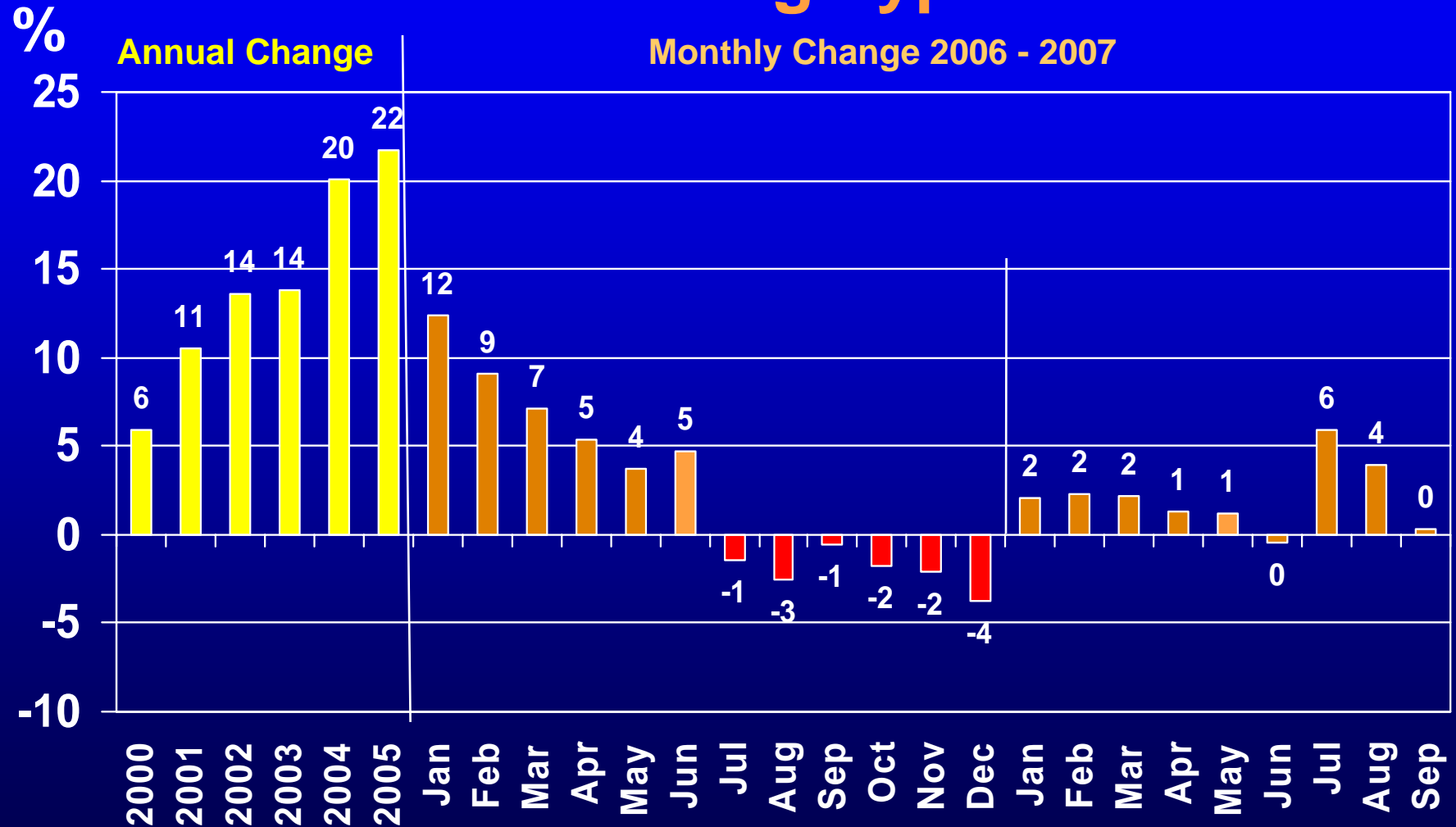


* 2007 Annualized

Total Units Sold Washington Metro Area Jan - Sep Each Year



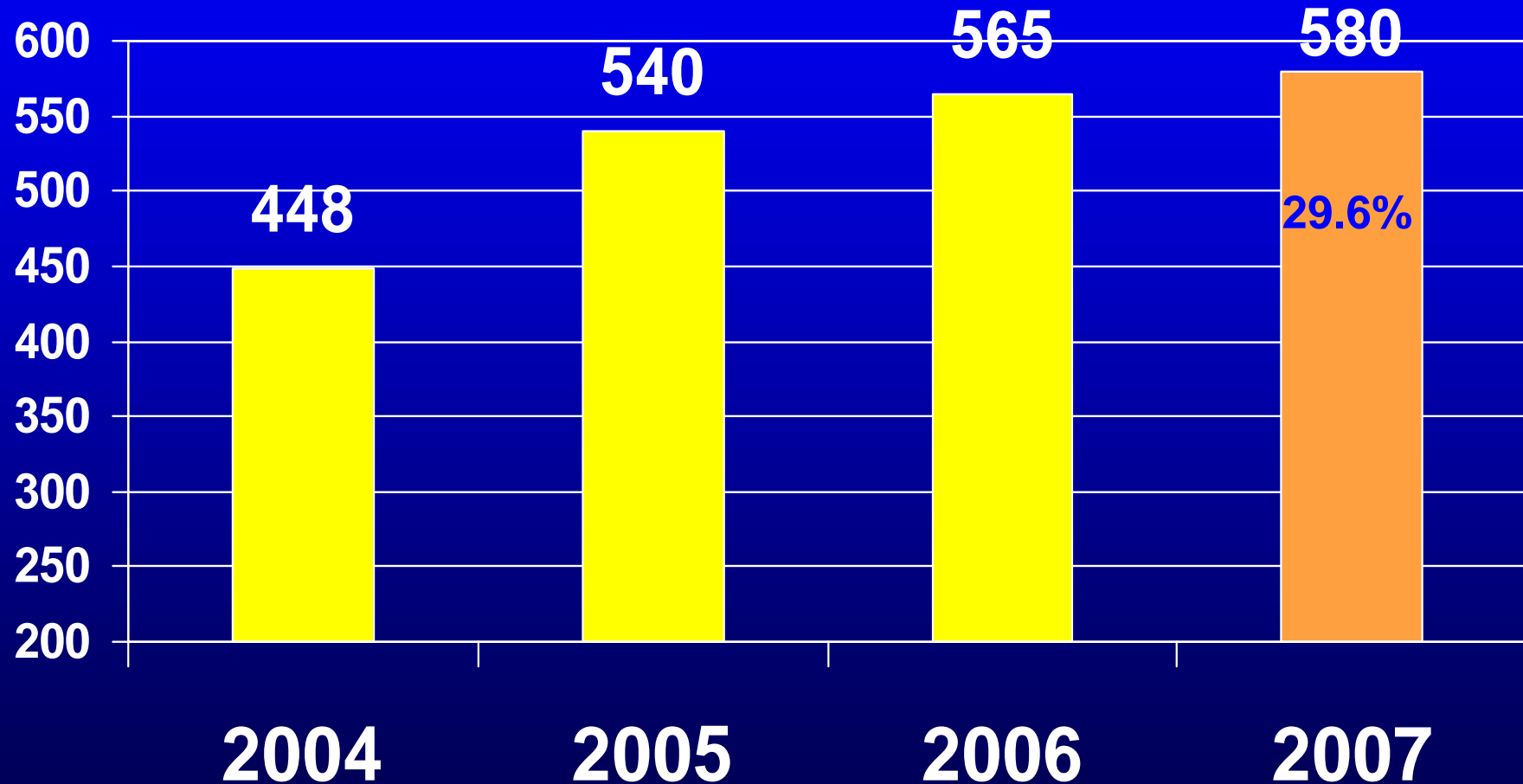
Average Sales Price Percent Change Washington Metro All Housing Types



Source: MRIS, GMU Center for Regional Analysis

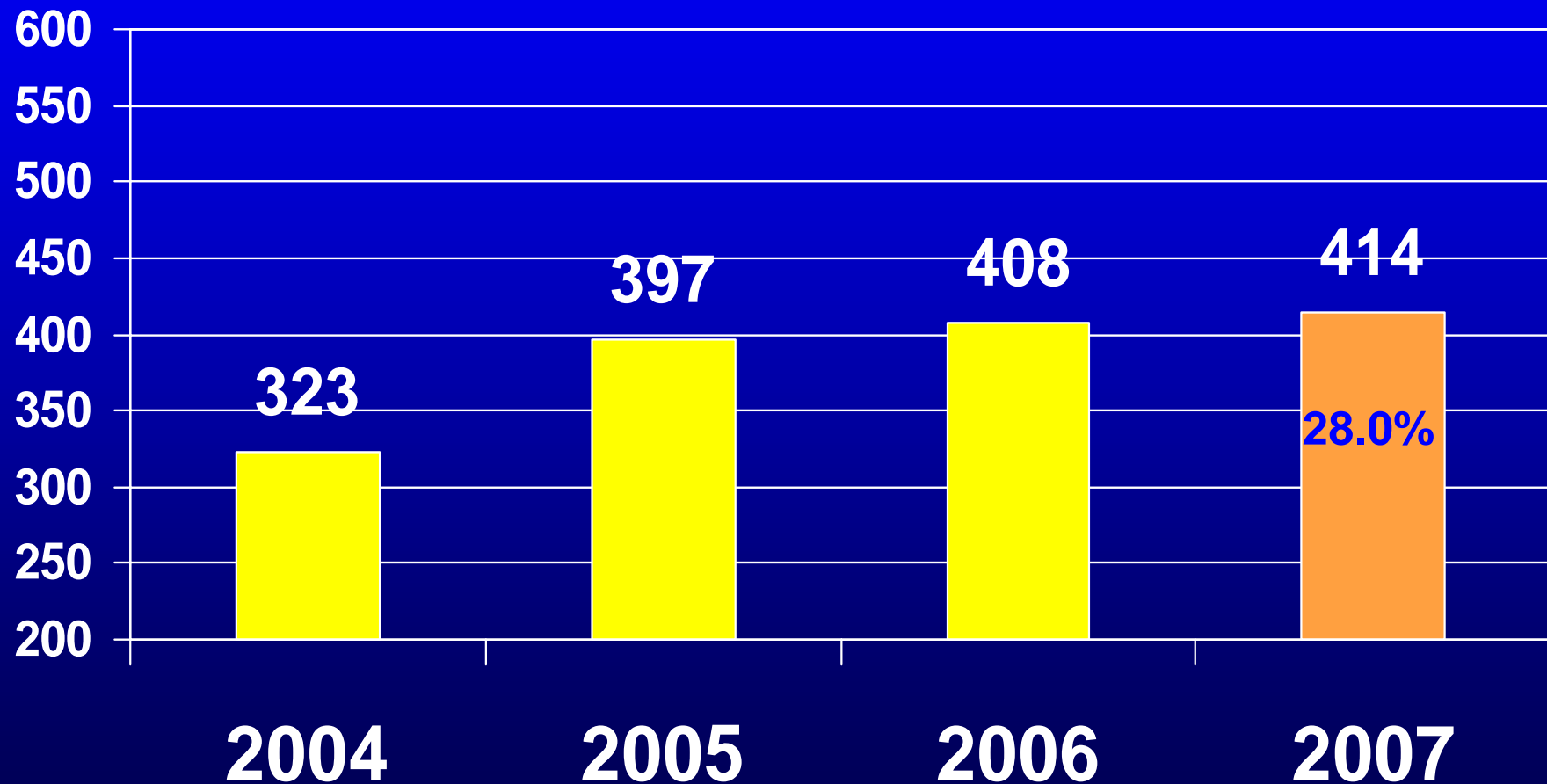
Average Sales Price Washington Metro Single Family Detached

\$1,000s



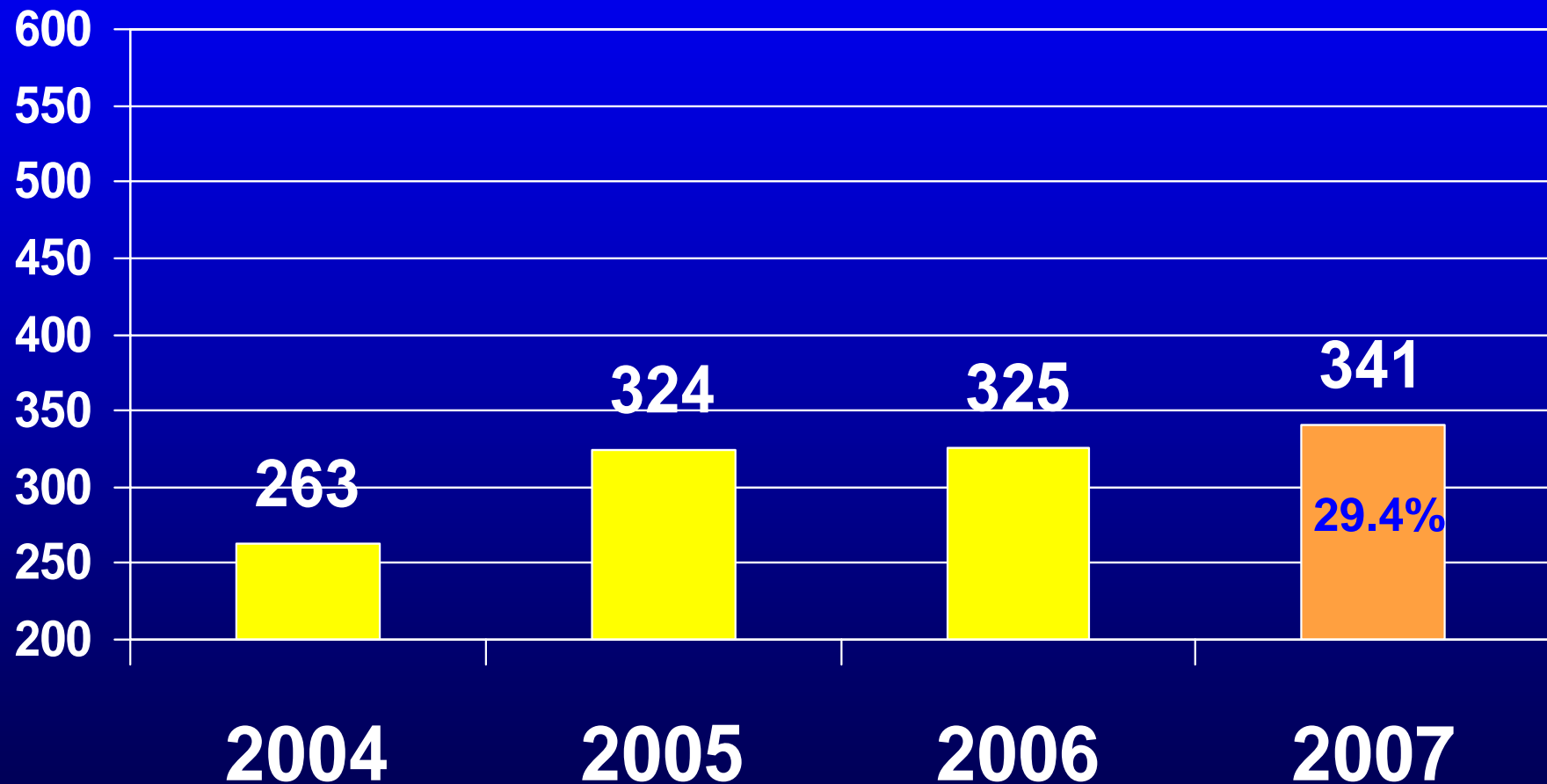
Average Sales Price Washington Metro Single Family Attached

\$1,000s

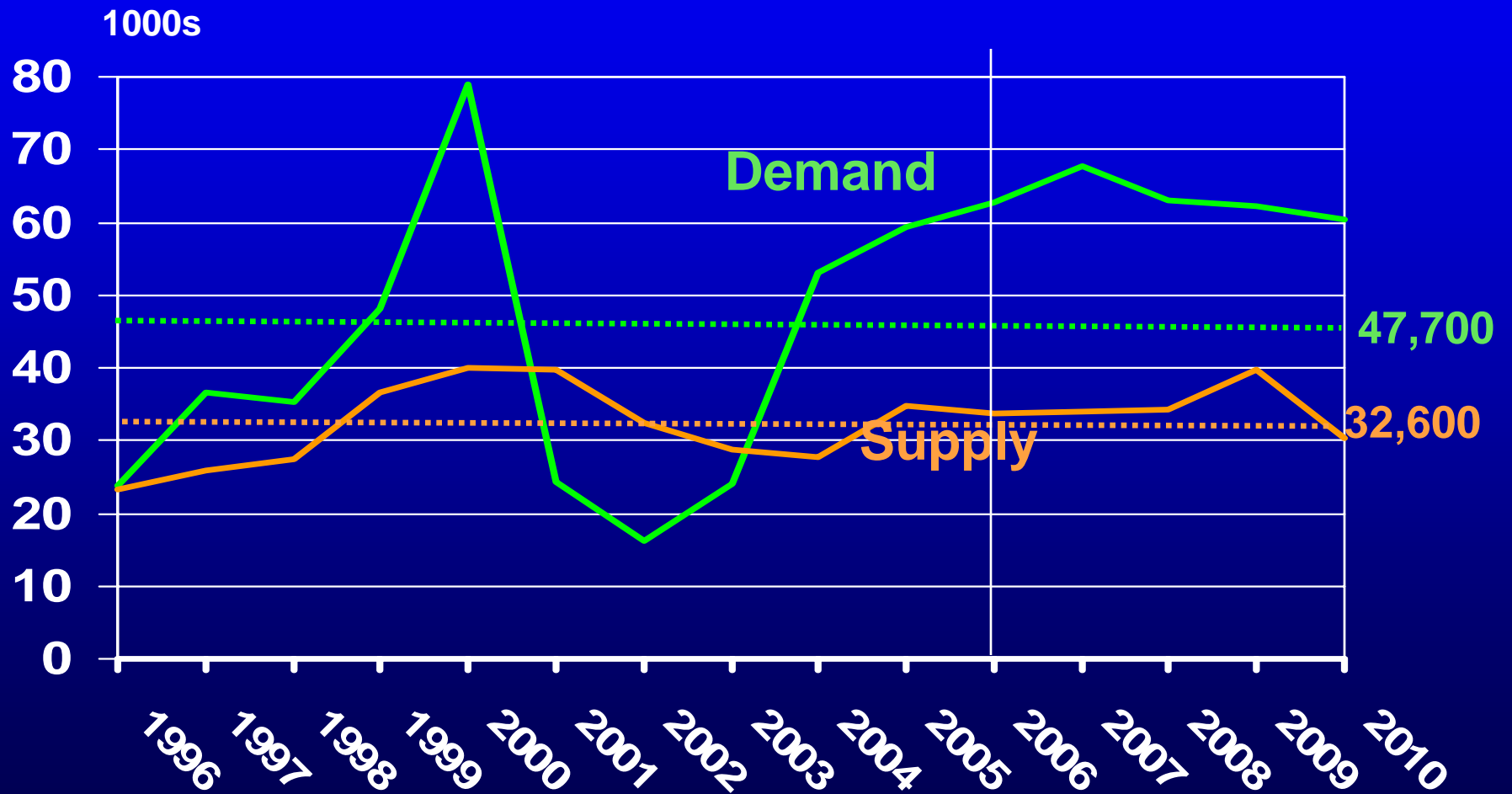


Average Sales Price Washington Metro Condos

\$1,000s

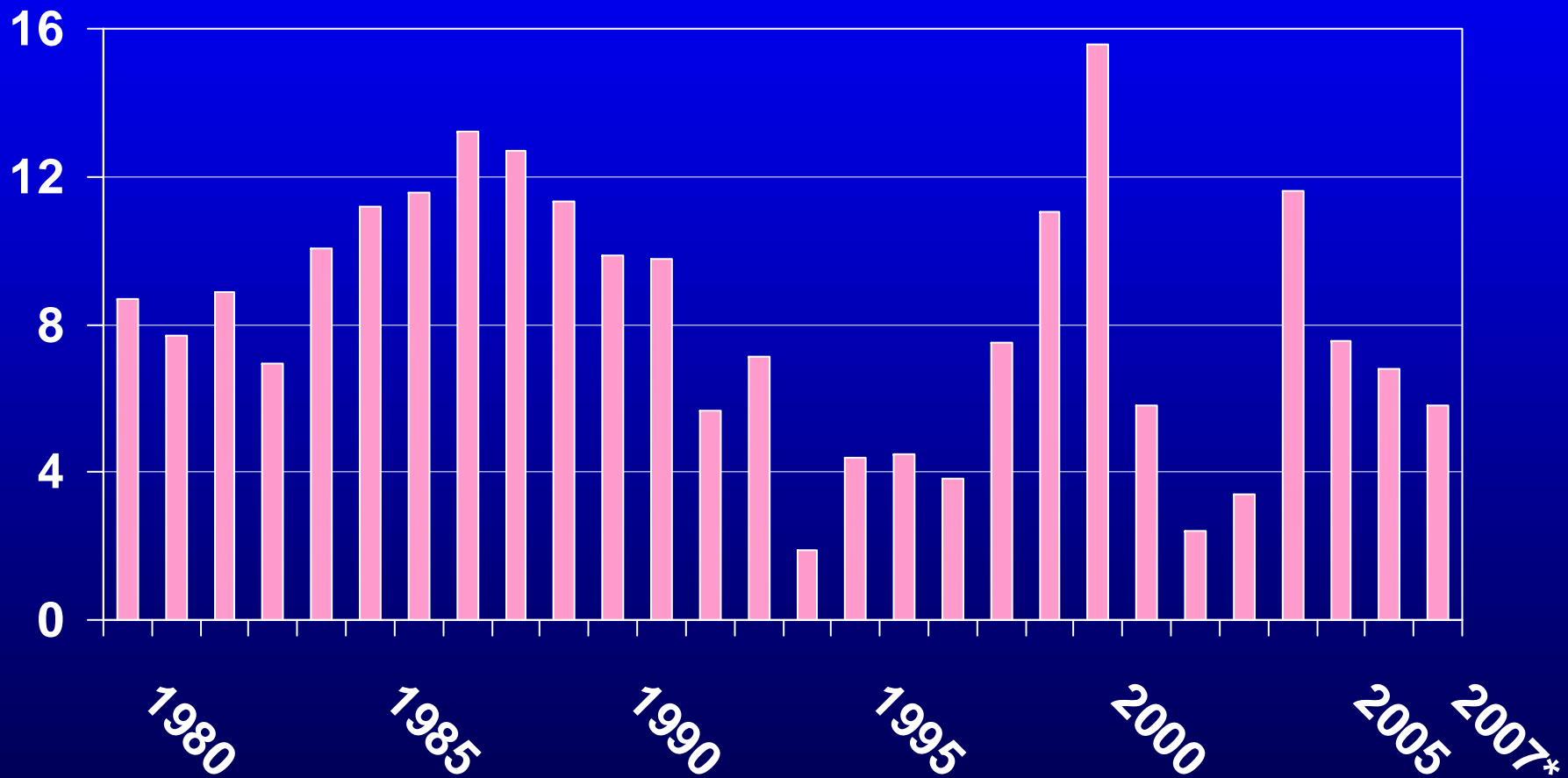


Annual Change In Housing Demand vs. Housing Supply 1995 - 2010 Washington Metro



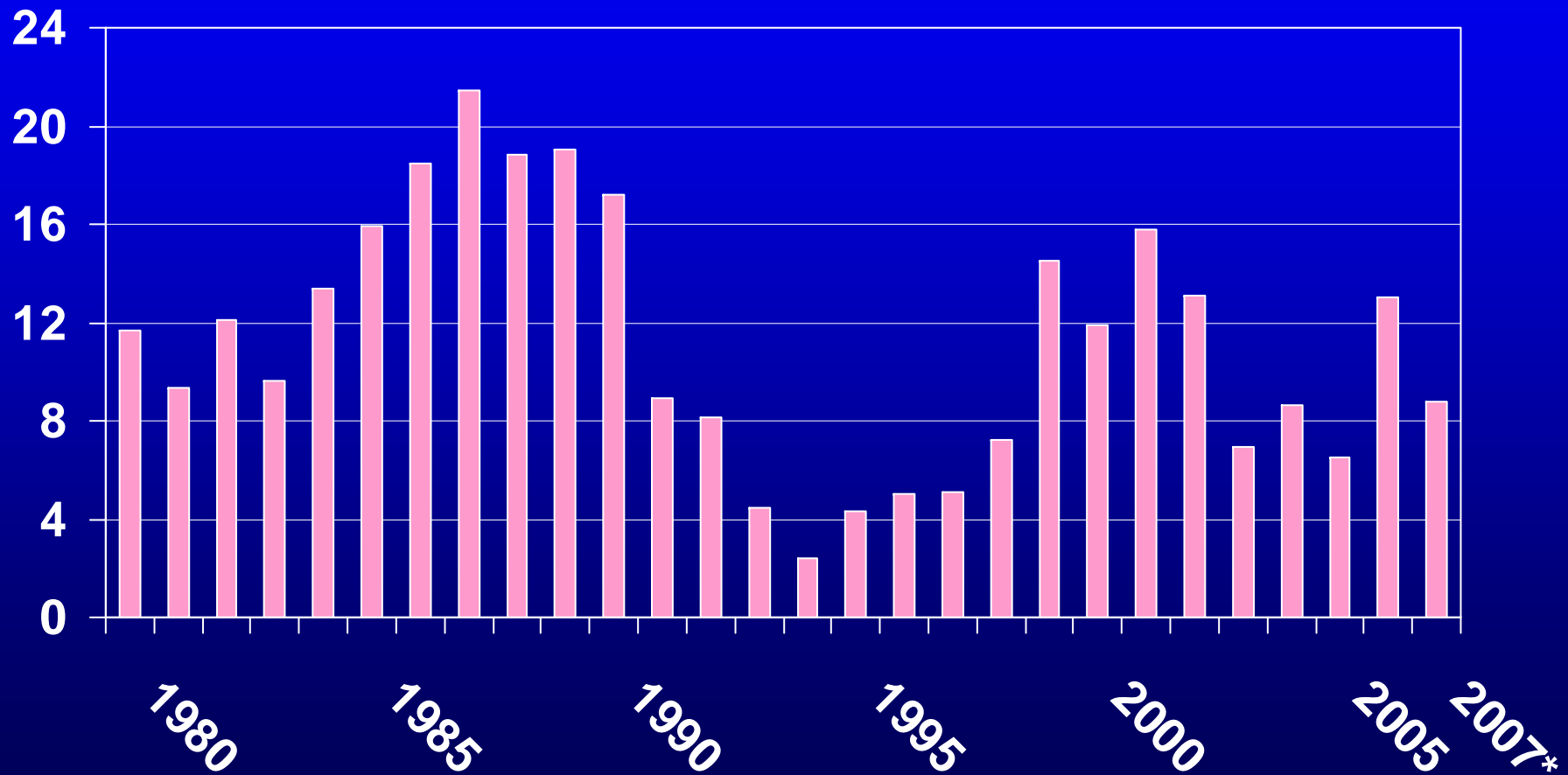
Office Market Trends

Net Absorption of Office Space Washington MSA 1980 Through Q3-2007



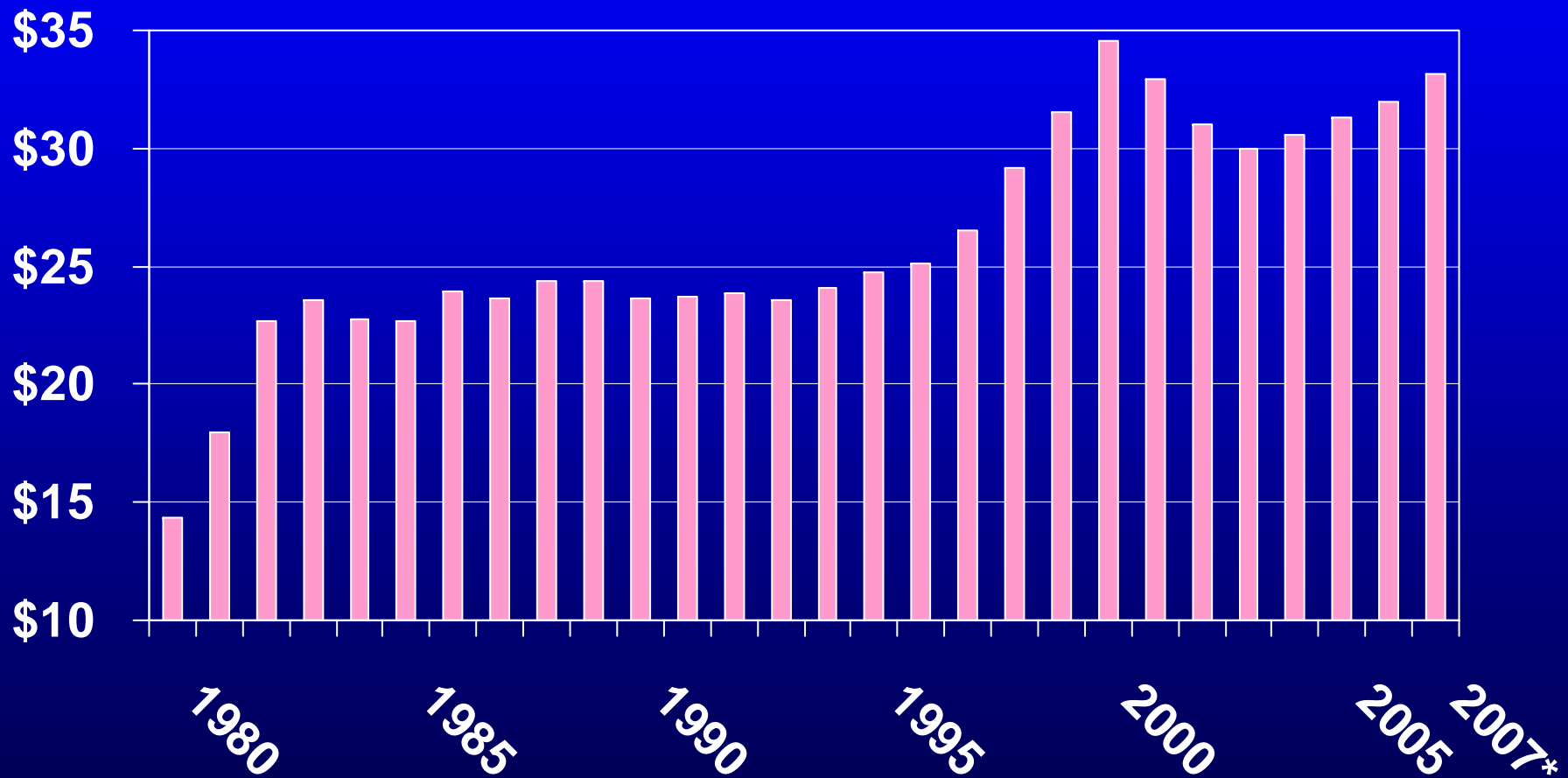
Source: Delta Associates

Office Space Deliveries Washington Metro Area 1980 Through Q3-2007



Source: Delta Associates

Average Class A Office Rents Washington MSA 1980 Through Q3-2007



Source: Delta Associates

Office Vacancy Rate Washington Metro Area 1980 Through Q3-2007



Source: Delta Associates

BRAC

- **26,000 jobs to be relocated to Ft Belvoir and Quantico by 2011 – most from other locations within the region**
- **Will require 6.2 million sq ft of office space and 7 million sq ft of parking at Ft Belvoir, 700,000 sq ft of space at Quantico**
- **Estimated construction outlays:**
 - **\$3.8 Billion at Ft Belvoir**
 - **\$300 Million at Quantico**

Five-Year Forecast

Employment Change by Sub-state Region (000s)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| D.C. | 6.1 | 5.3 | 4.8 | 5.0 | 4.6 | 4.1 |
| S. MD | 10.6 | 10.5 | 11.2 | 12.6 | 12.5 | 11.6 |
| No. VA | 30.5 | 28.7 | 31.4 | 31.4 | 29.6 | 25.9 |
| REGION | 47.2 | 44.5 | 47.4 | 49.0 | 46.7 | 41.6 |

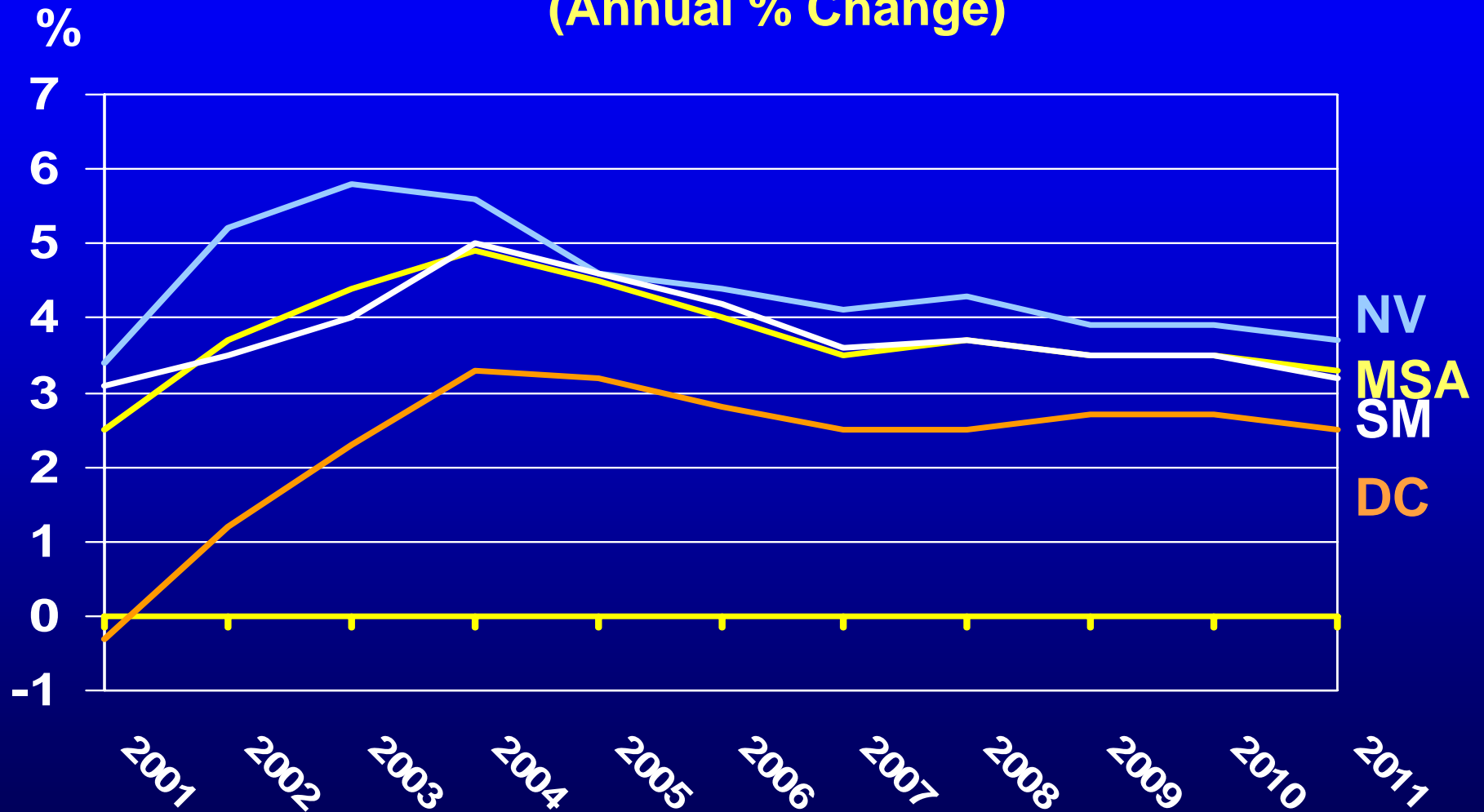
1.6% 1.5% 1.6% 1.6% 1.5% 1.3%

Average Annual Change 1990-2006 = 45,000/yr

Based on 2006 BLS Benchmarked Data.

Economic Outlook (GRP) – 2011

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



SUMMARY

- **National economic picture mixed, but more positive than negative.**
 - **Concerns: Credit markets, Energy costs**
- **Washington metro economy moderating but healthy**
 - **Concerns: Federal procurement, Housing, Workforce**

<http://cra.gmu.edu>



**WILL HOUSING RECOVERY
DRIVE GROWTH?**

Friday, January 11, 2008
7:30 a.m. - 12:00 noon

**16th Annual George Mason University &
Cardinal Bank Economic Conference**

Location: McLean Hilton, Tysons Corner • 7920 Jones Branch Drive • McLean, VA 22102