

**CREW - Maryland**

***The Washington Region  
Economy and  
Real Estate Markets in 2007***

**John C. McClain, AICP  
Senior Fellow and Deputy Director  
Center for Regional Analysis  
George Mason University**

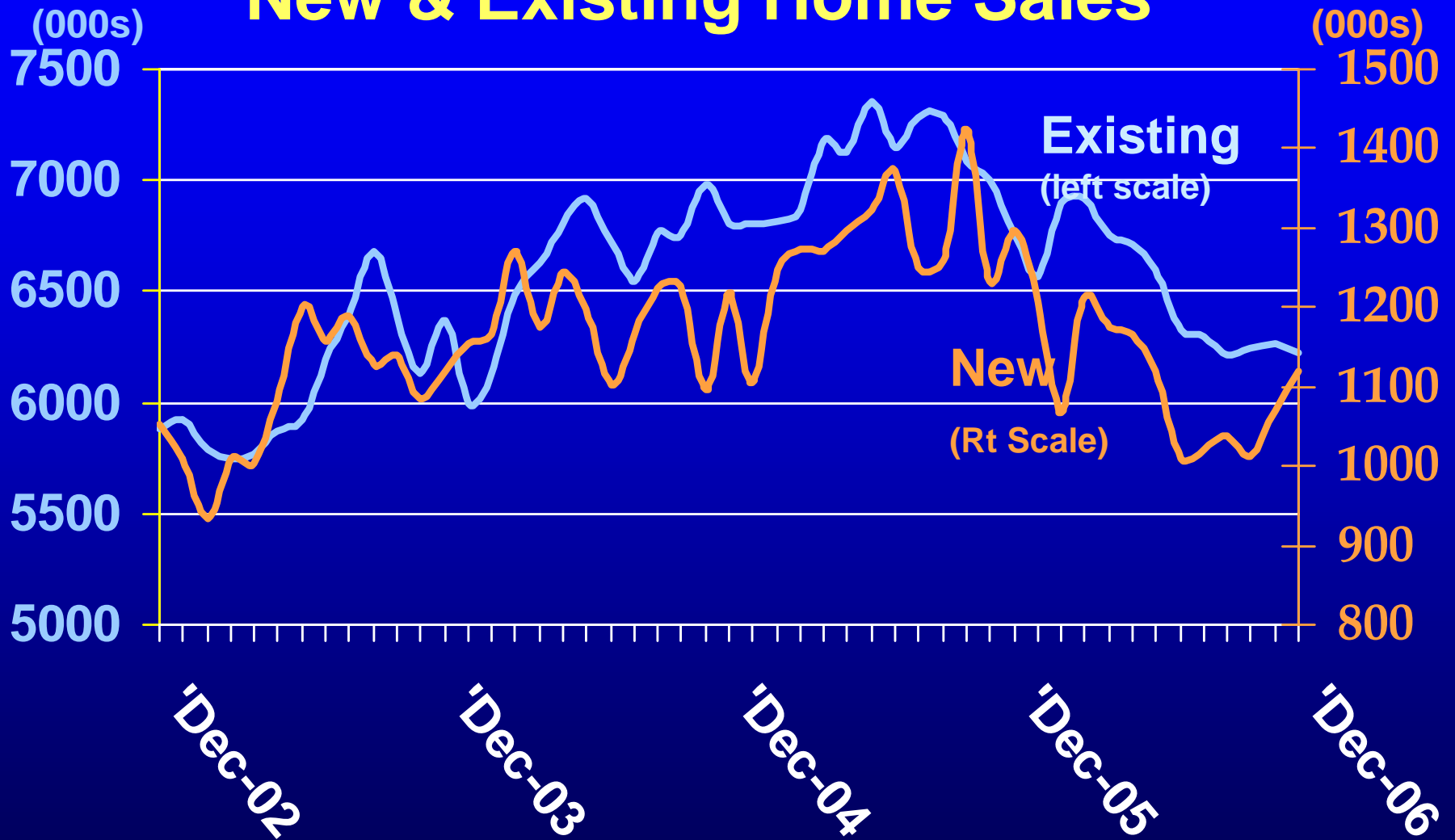
**March 14, 2007**

# **The U.S. Economy in 2007: Year of Changing Momentum**

# Major Factors Impacting GDP Growth

- **Downturn in Housing Market**
- **Increase in Oil Prices**
- **Increase in Federal Funds Rate**
- **Consumer Spending**

# Housing Trends: New & Existing Home Sales



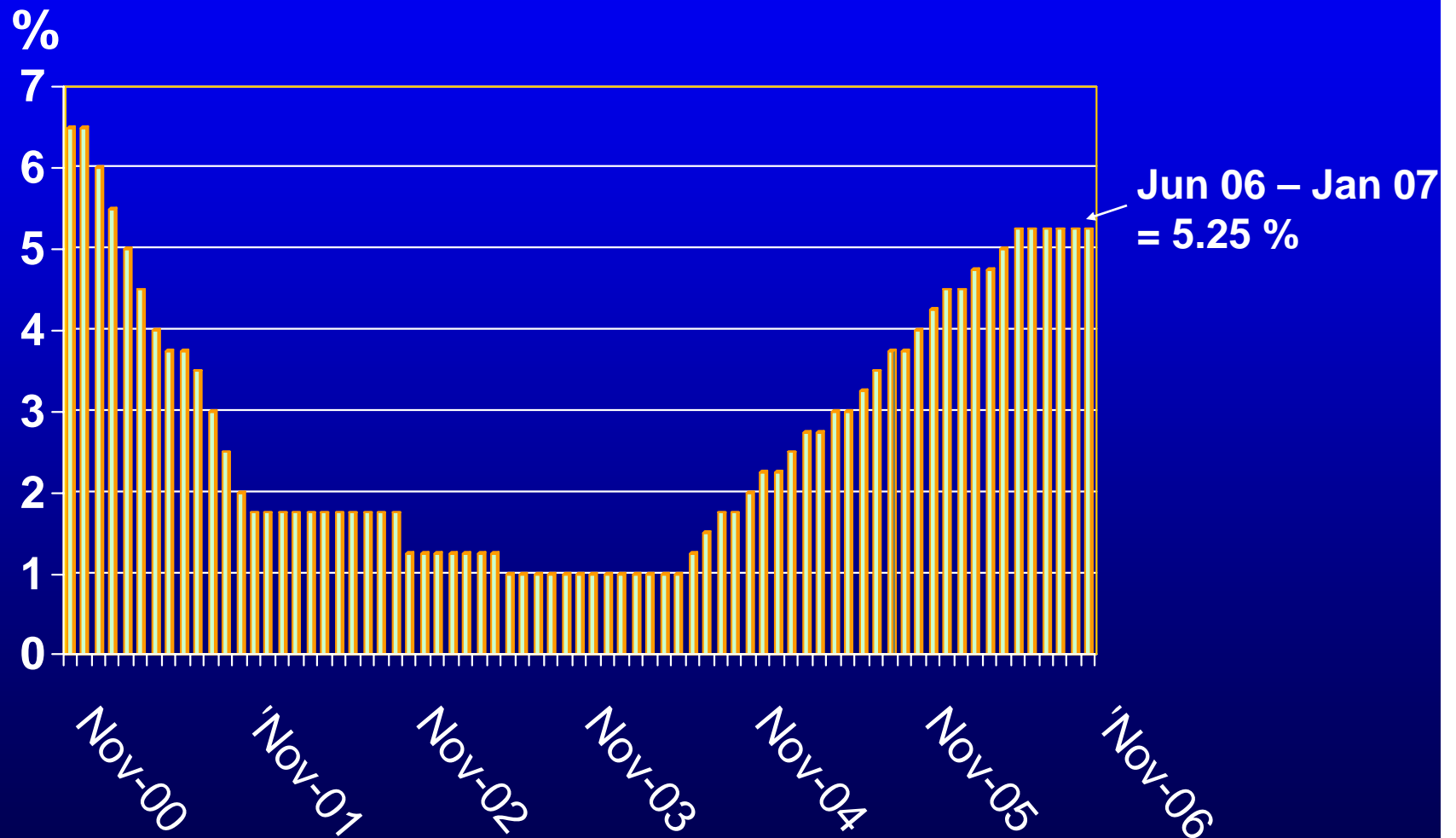
# Oil Prices: 1999 – 2008

(\$ per barrel)



Source: Global Insight, GMU Center for Regional Analysis

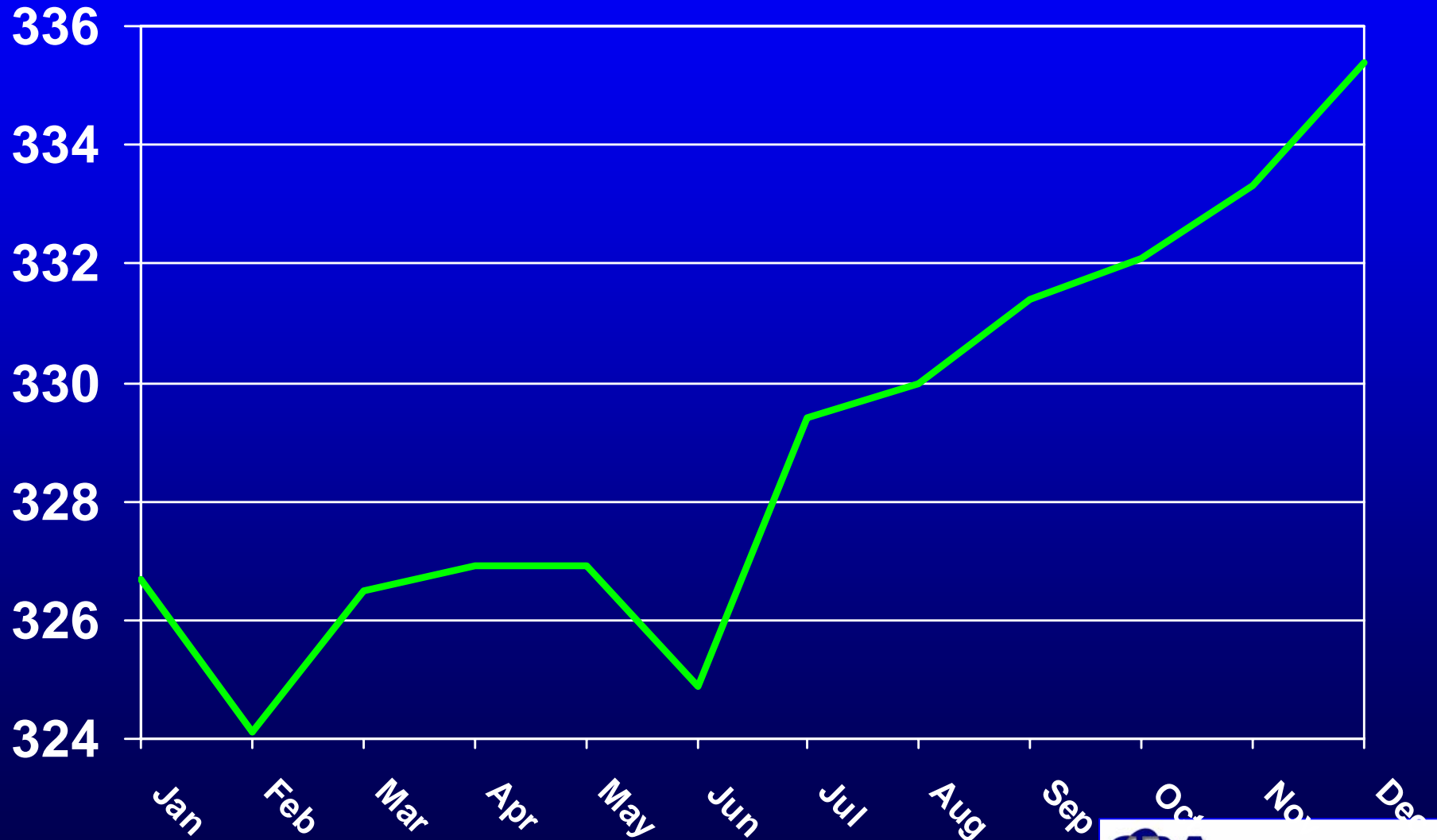
# Federal Funds Interest Rate



Source: Federal Reserve, GMU Center for Regional Analysis

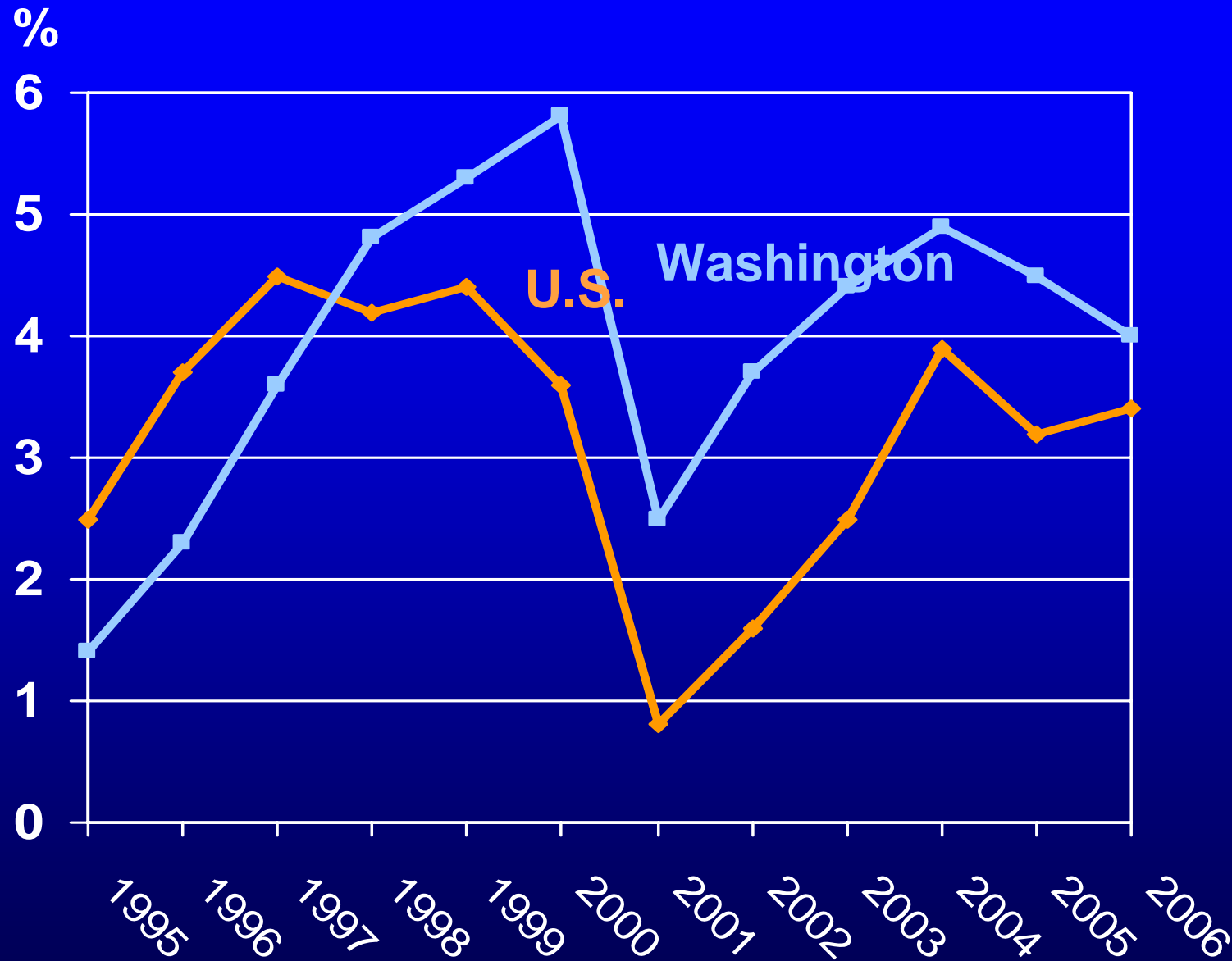
# Retail Sales, Excluding Gasoline Dec 05 – Dec 06

\$ Bil.



# **The Washington Area Economy: Current Performance**

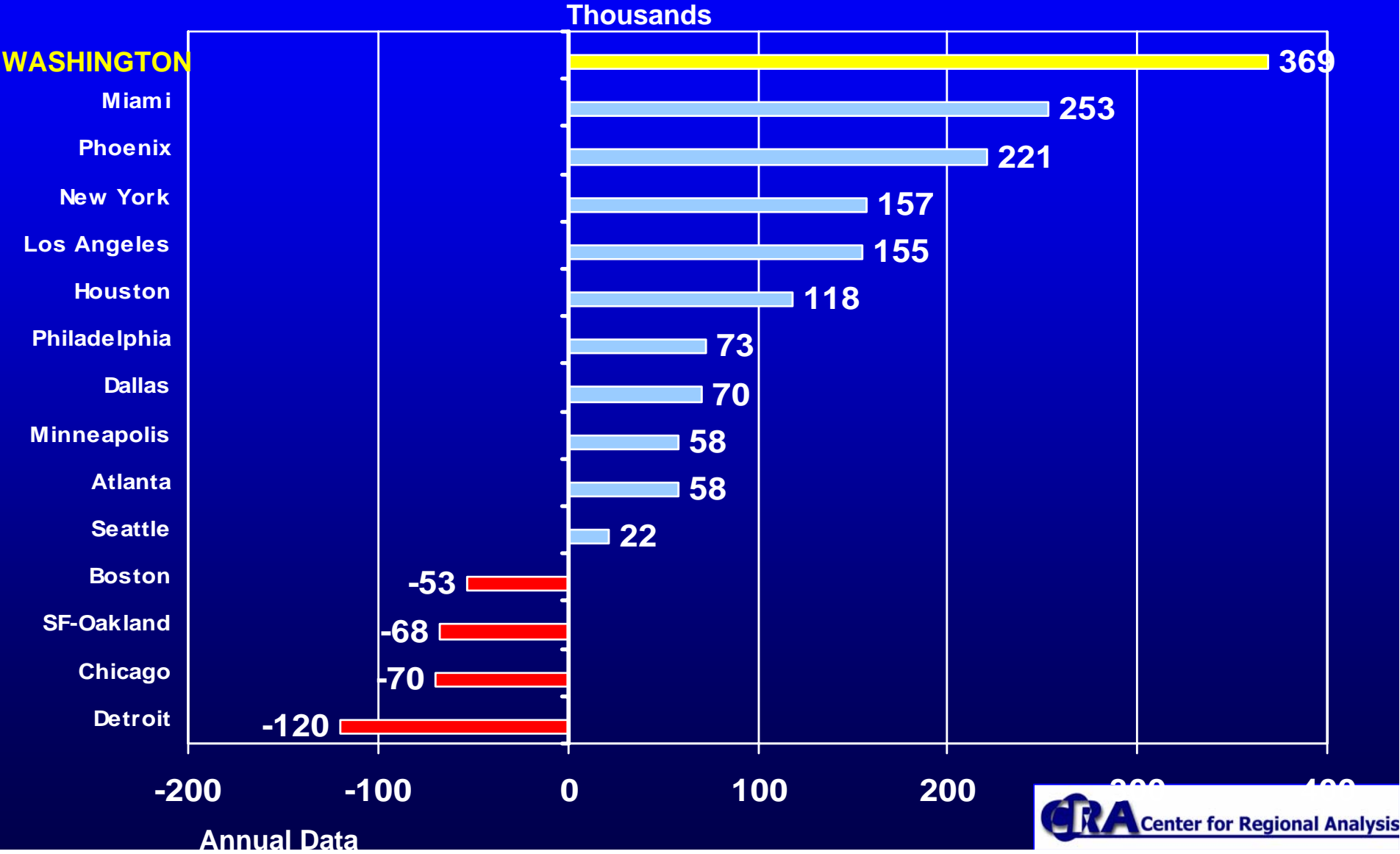
# GRP 1995 - 2006



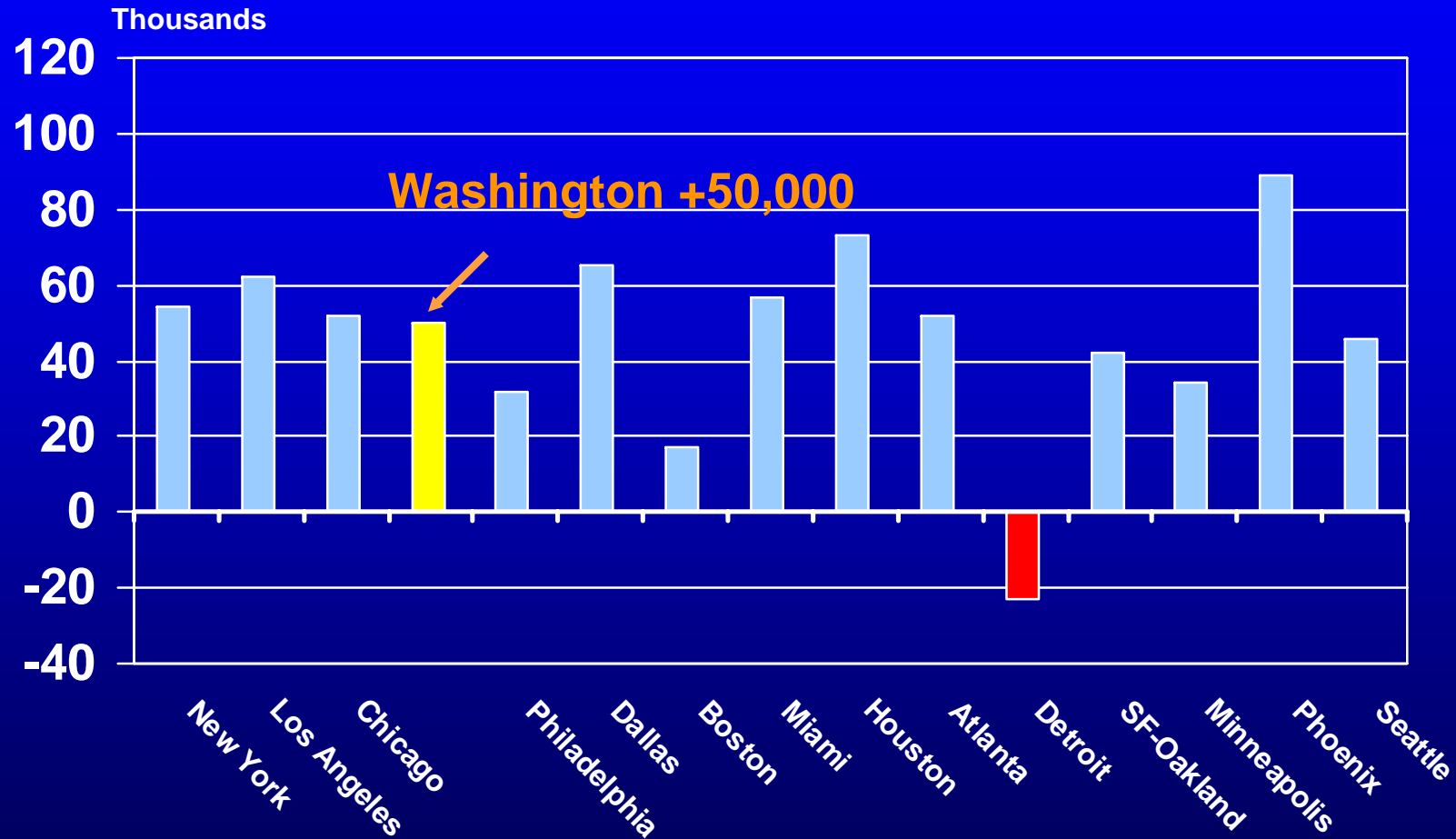
Source: GMU Center for Regional Analysis

# Metro Comparisons Job Change 2000-2005

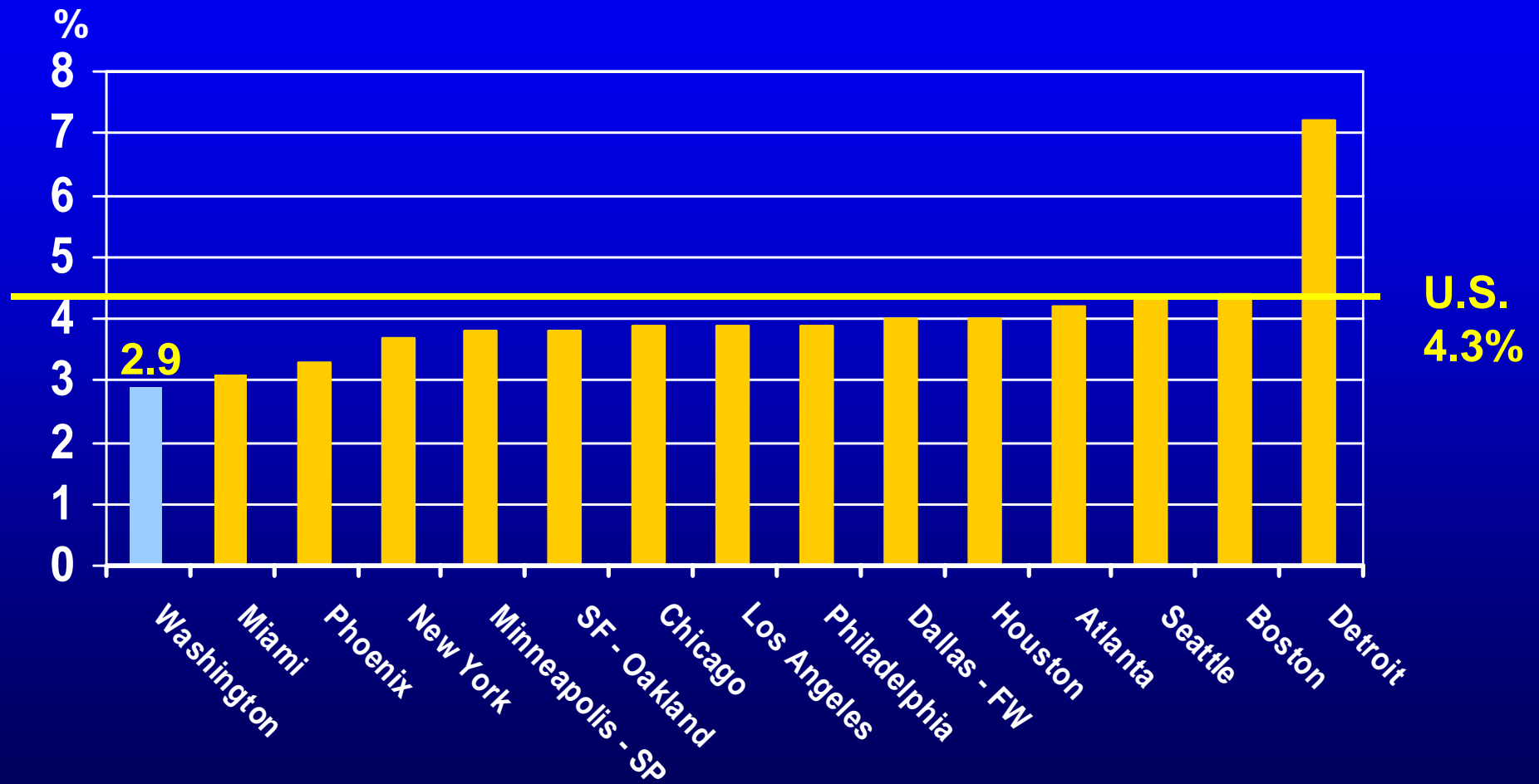
15 Largest Metro Areas



# 15 Largest Job Markets Job Change Jan 06 – Jan 07



# 15 Largest Job Markets Ranked by Unemployment Rate December 2006



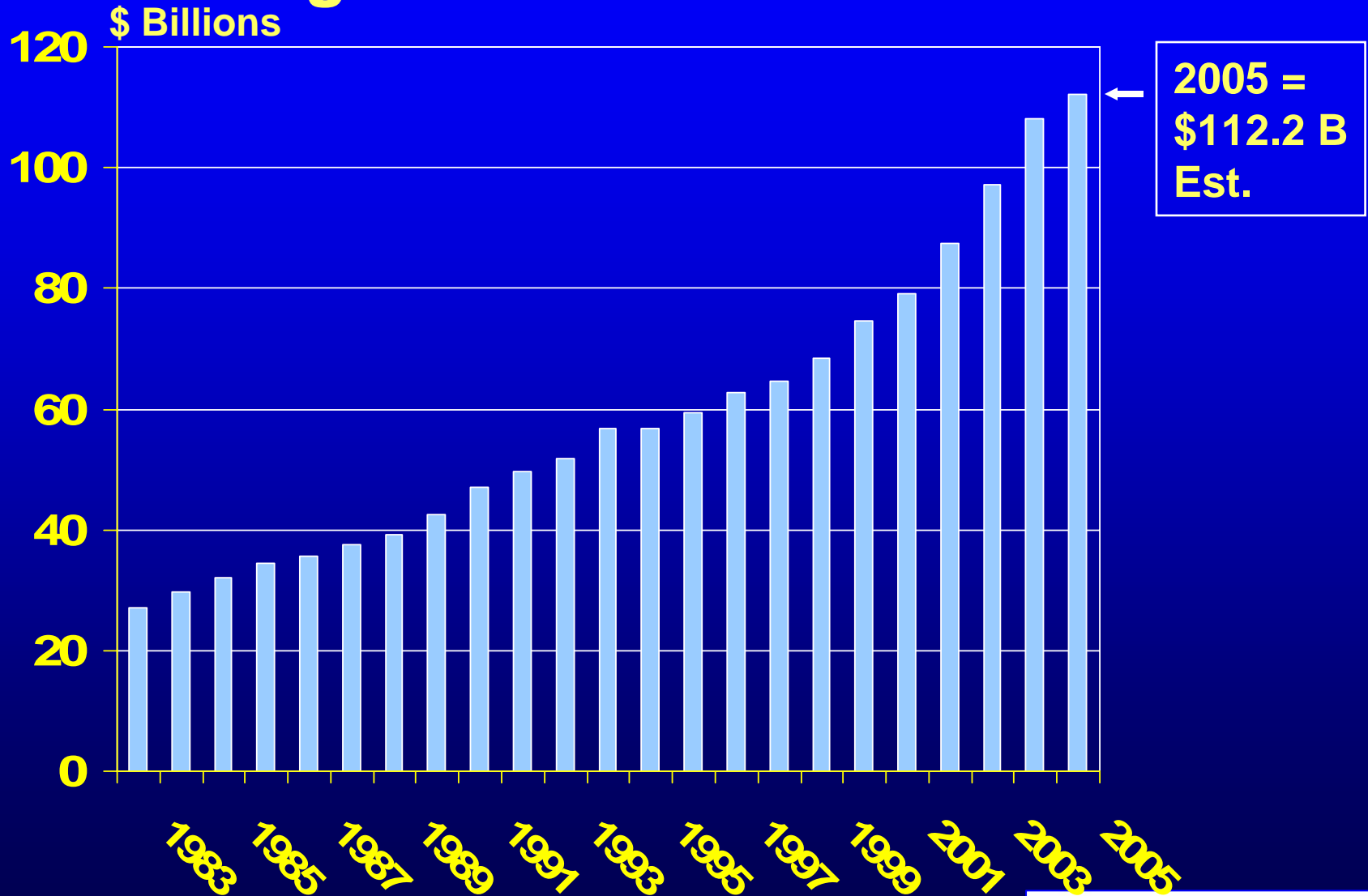
Source: BLS, GMU Center for Regional Analysis

Data not seasonally adjusted

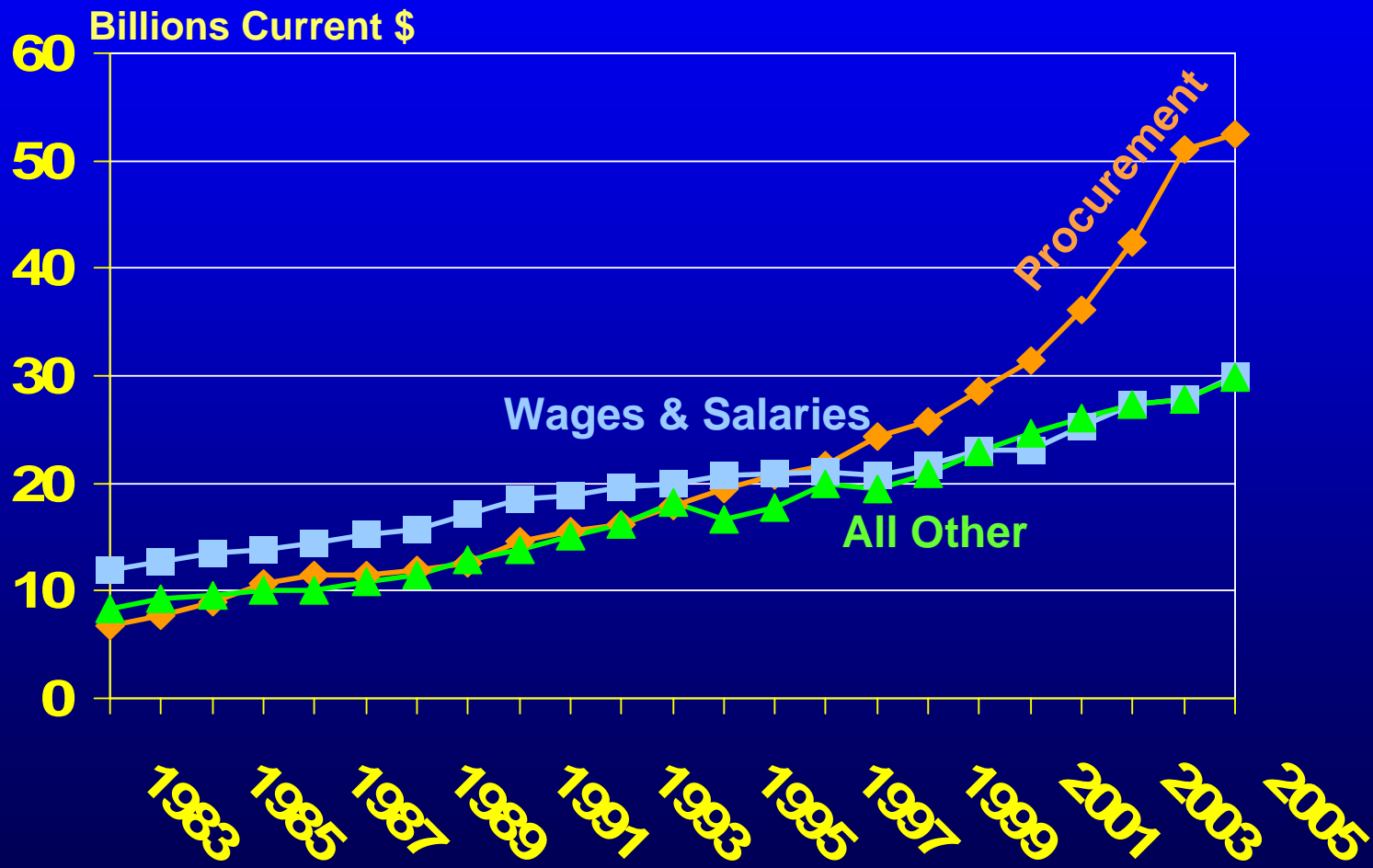
# What is Different About The Washington Area Economy?

# Total Federal Spending

## Washington Metro Area: 1983 - 2005

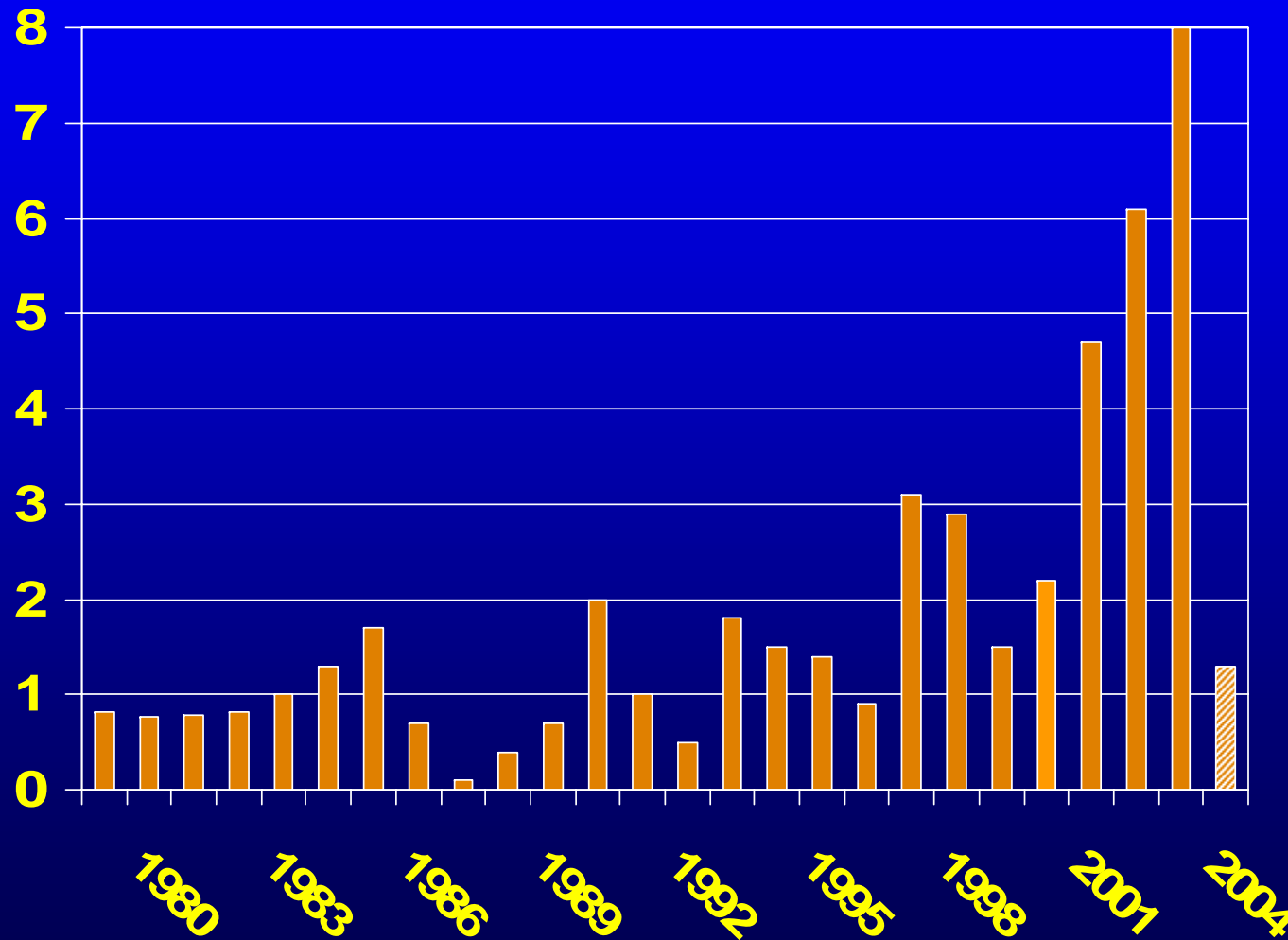


# Federal Spending by Type 1983 - 2005



# Annual Change in Federal Procurement Spending Washington Metro Area

\$ Billions



# Federal Procurement Spending in Washington Metro Area FY 2004 and 2005\*

Area	2004	2005*	Change	% Change
<b>DC</b>	\$13.3	\$12.6	\$ - 0.7	- 5.8
<b>Sub. MD</b>	11.9	12.5	0.6	5.6
<b>N VA</b>	25.9	27.3	1.4	5.4
<b>Total</b>	\$51.1	\$52.4	\$1.3	2.5

Source: Eagle Eye Publishers; GMU CRA

\* Excludes USPO, FAA, and other Off-budget outlays; 2005 preliminary reporting by some agencies incomplete.

## Employment Change by Sub-state Region (000s)

	2006	2007	2008	2009	2010	2011
<b>D.C.</b>	<b>6.1</b>	<b>6.0</b>	<b>7.0</b>	<b>6.5</b>	<b>4.5</b>	<b>3.5</b>
<b>S. MD</b>	<b>12.6</b>	<b>10.0</b>	<b>13.0</b>	<b>15.2</b>	<b>12.8</b>	<b>11.6</b>
<b>No. VA</b>	<b>31.5</b>	<b>30.0</b>	<b>32.0</b>	<b>34.0</b>	<b>30.0</b>	<b>26.5</b>
<b>REGION</b>	<b>50.2</b>	<b>46.0</b>	<b>52.0</b>	<b>55.7</b>	<b>47.3</b>	<b>41.6</b>
	<b>2.2%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.5%</b>	<b>1.3%</b>

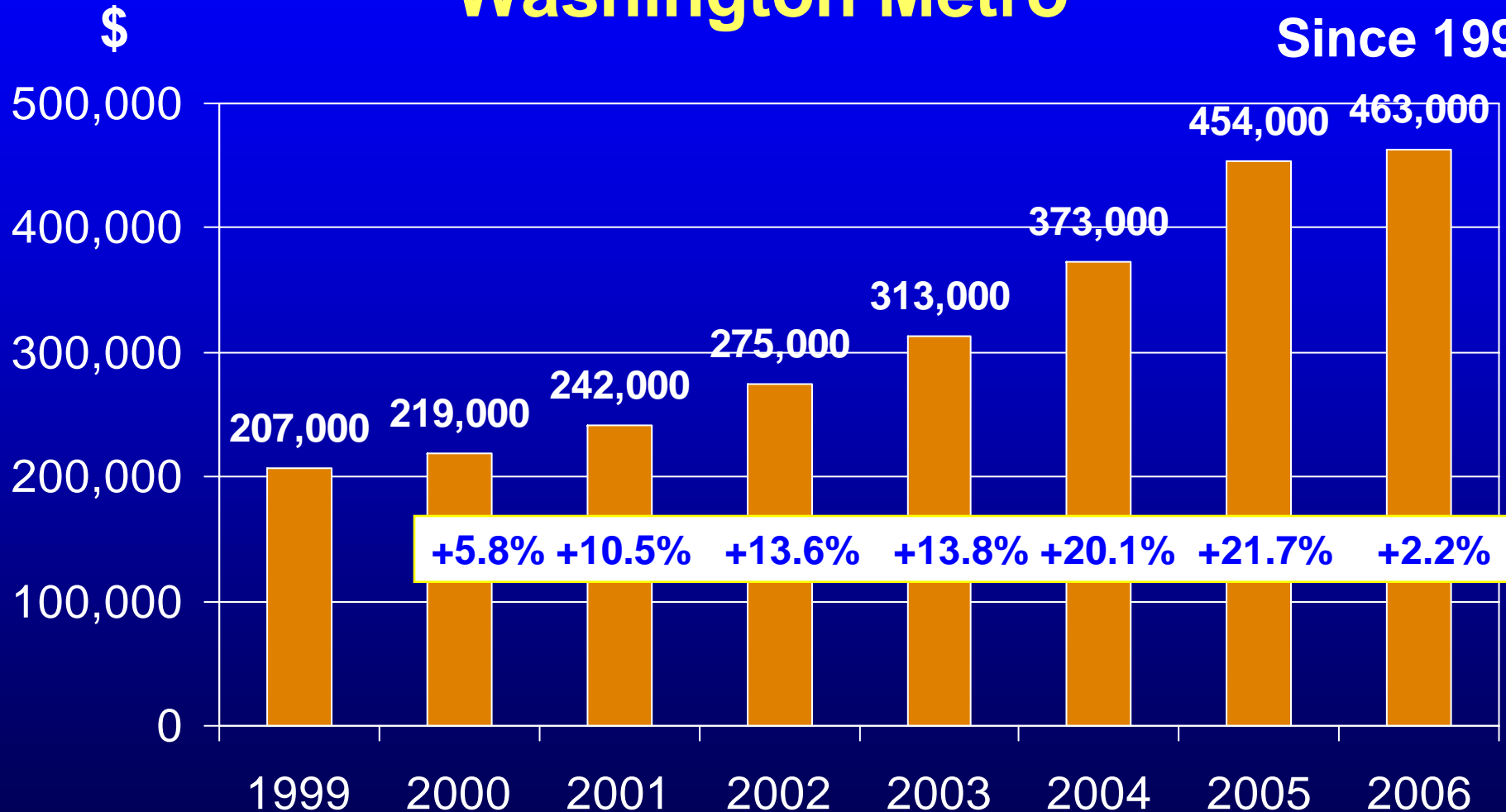
# **Residential Real Estate Trends and Outlook**

## Where Is the Market?

- **Record inventory levels in 2006**
- **Month-over-the-year price changes turned negative in July**
- **Inventory returning to normal levels at end of year**
- **Price changes likely to remain in negative territory through the winter**

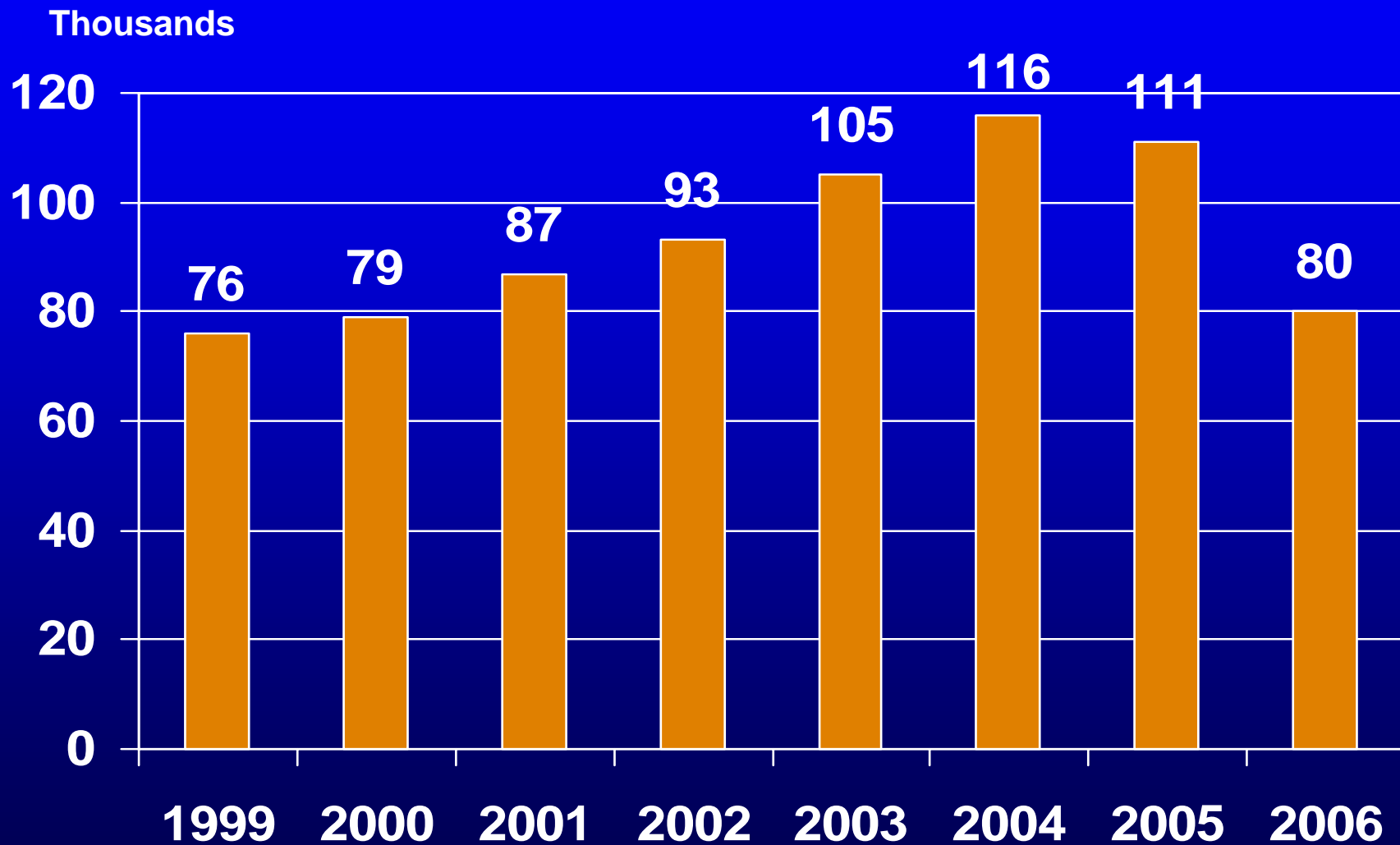
# Average Sales Price All Housing Types Washington Metro

+ 124%  
Since 1999



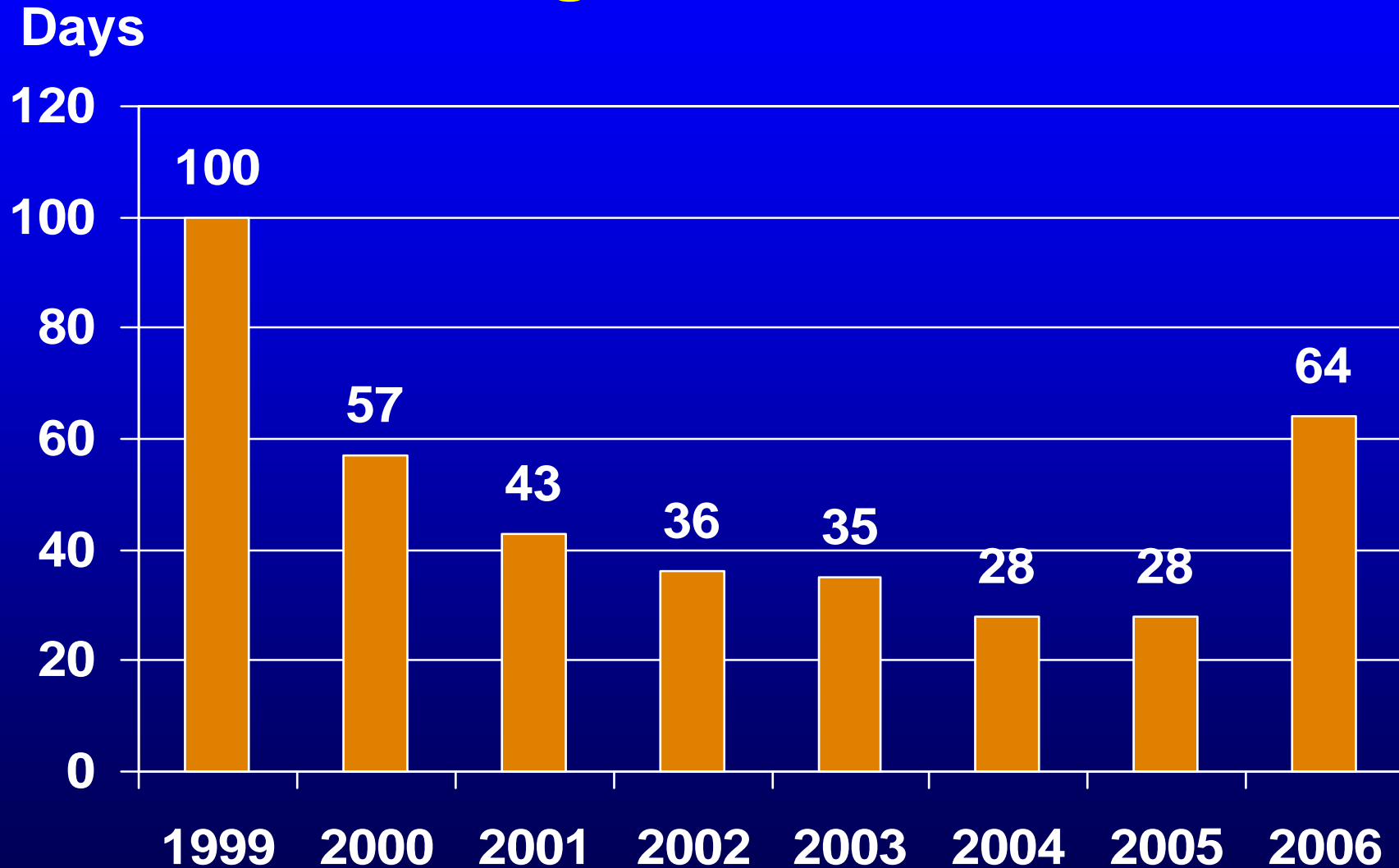
Source: MRIS, GMU Center for Regional Analysis

# Total Units Sold Washington Metro Area



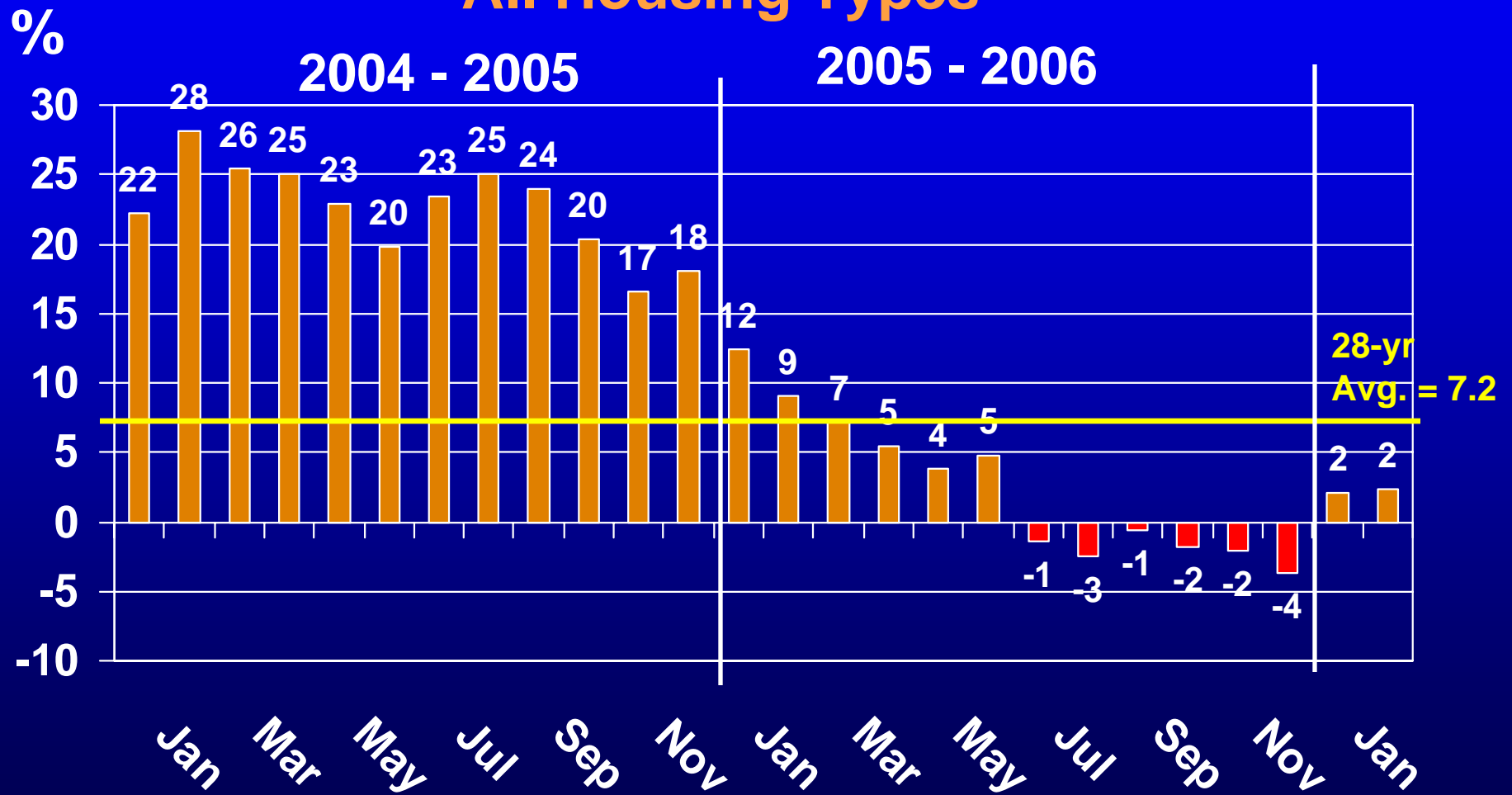
Source: MRIS, GMU Center for Regional Analysis

# Days on Market Washington Metro Area

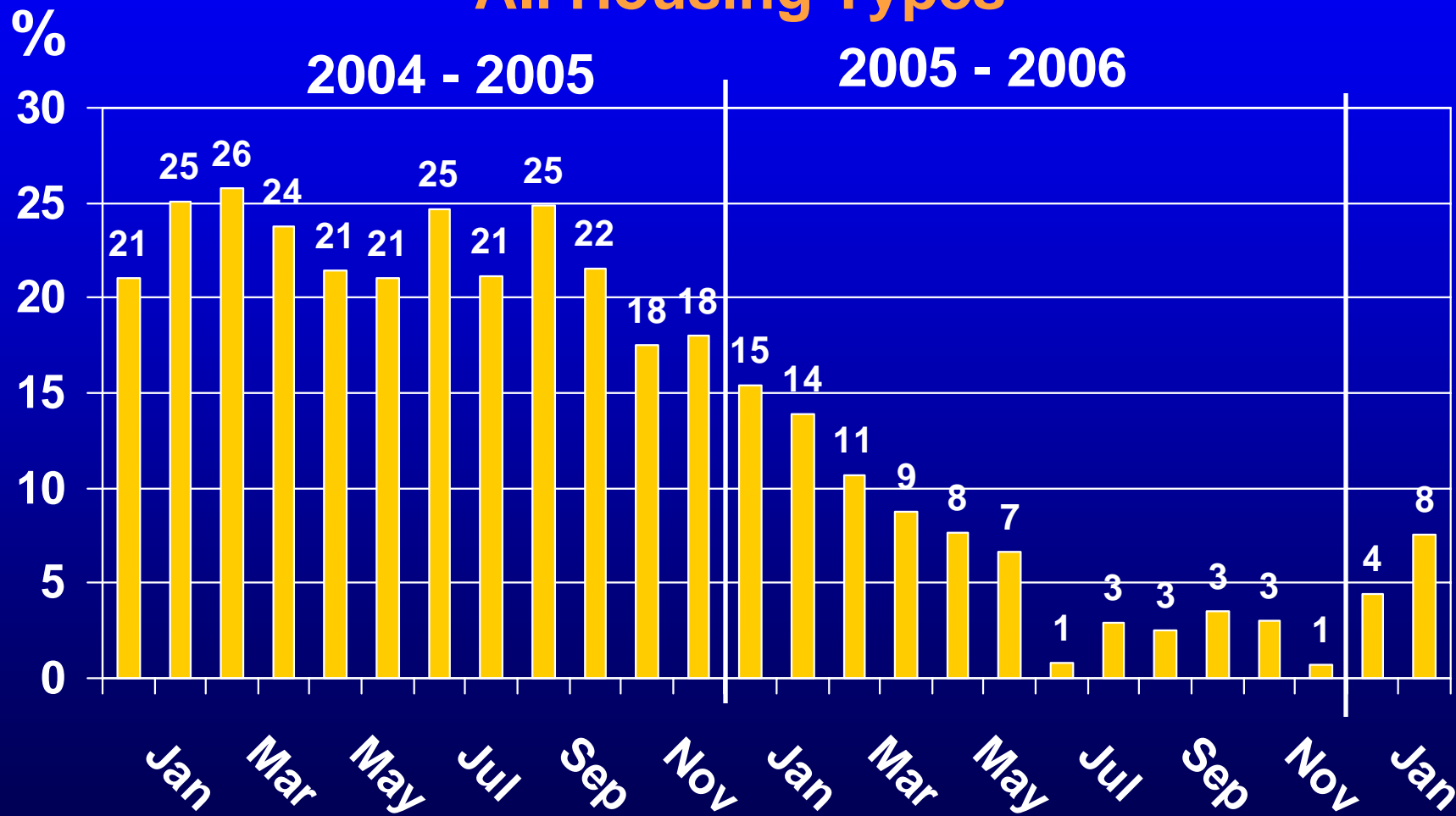


Source: MRIS, GMU Center for Regional Analysis

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

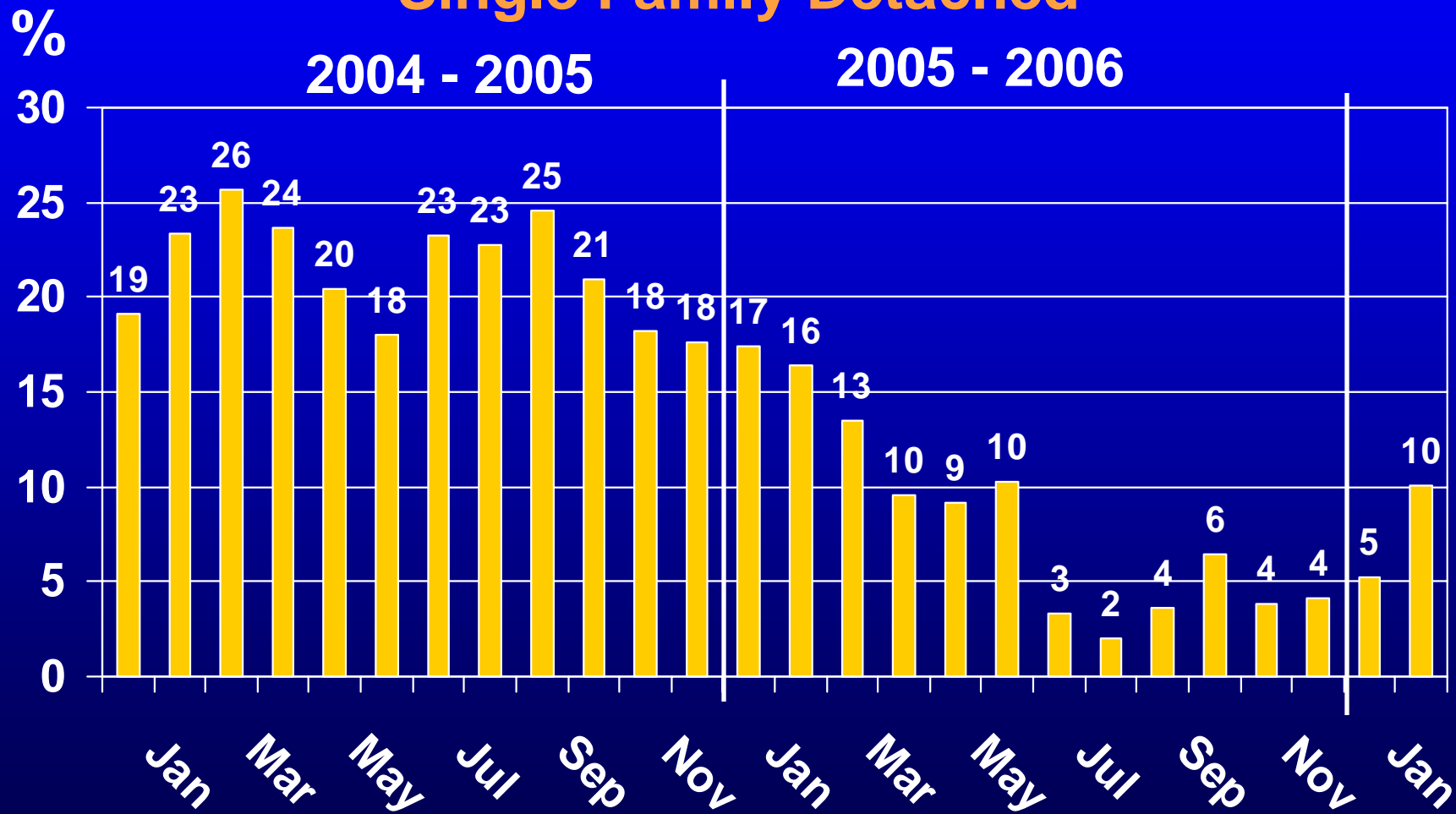


# Average Sales Price Percent Change Month-over-the-year, 2004 - 2007 Suburban Maryland All Housing Types



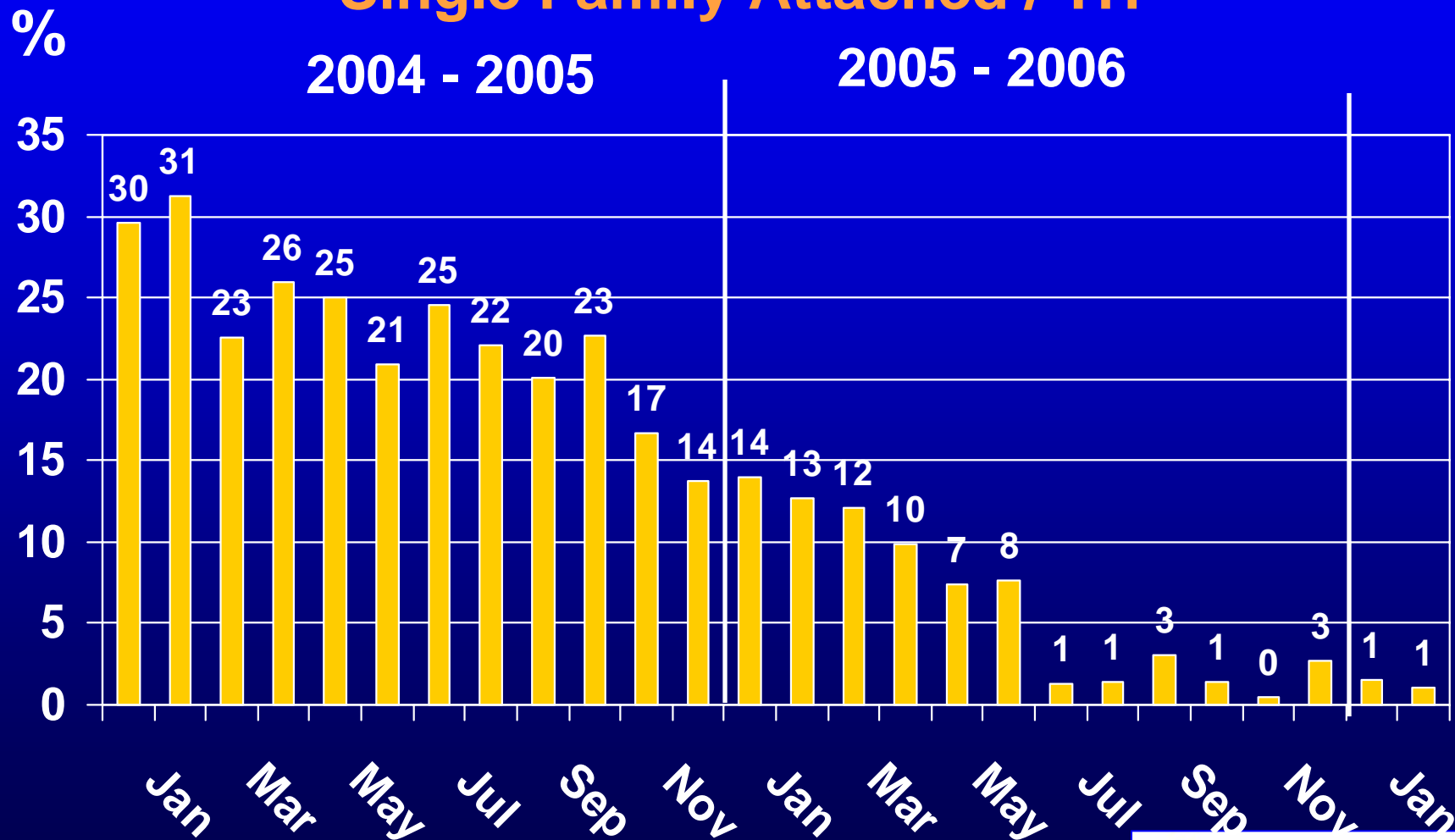
Source: MRIS, GMU Center for Regional Analysis

# Average Sales Price Percent Change Month-over-the-year, 2004 - 2007 Suburban Maryland Single Family Detached



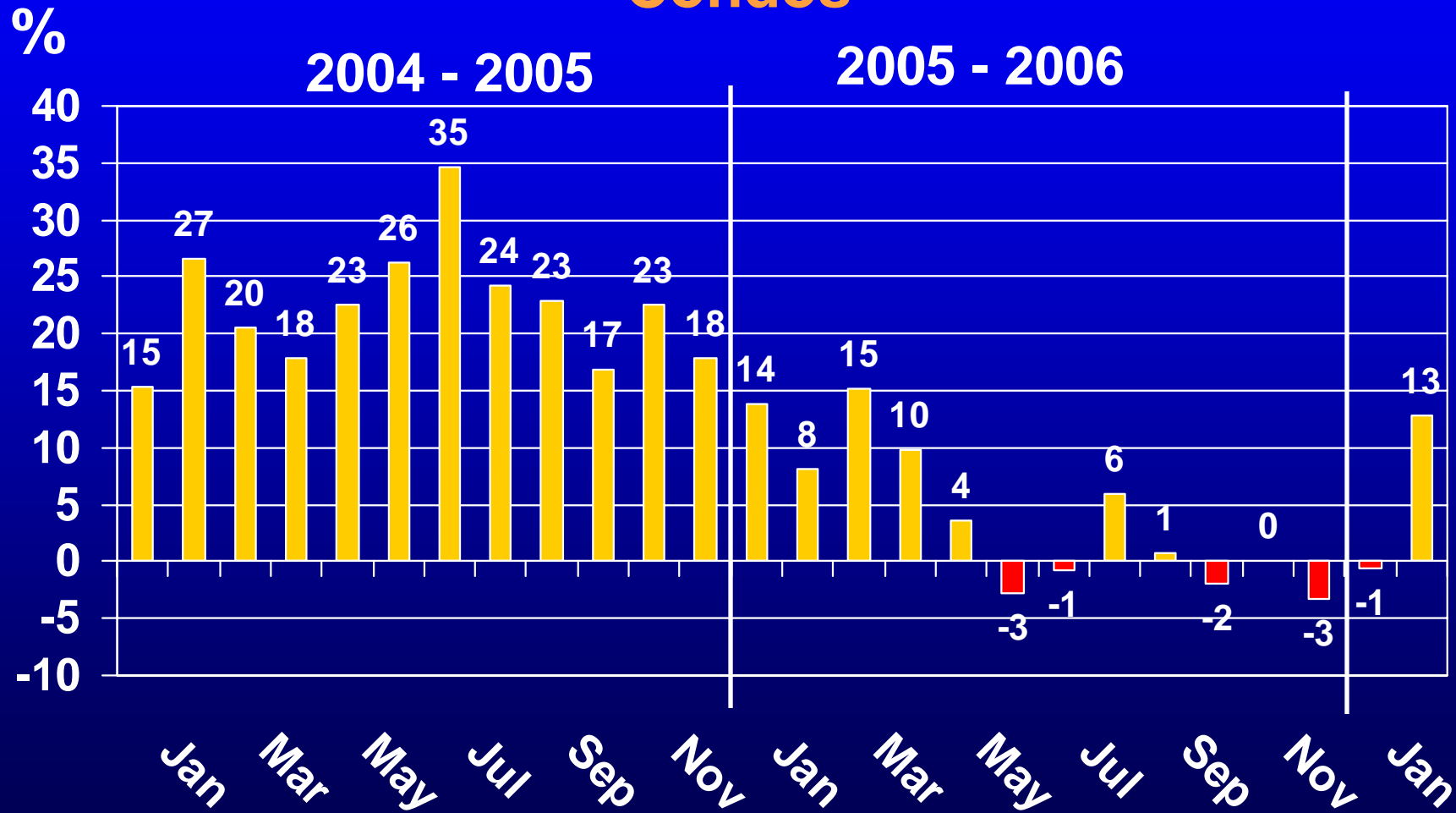
Source: MRIS, GMU Center for Regional Analysis

# Average Sales Price Percent Change Month-over-the-year, 2004 - 2007 Suburban Maryland Single Family Attached / TH



Source: MRIS, GMU Center for Regional Analysis

# Average Sales Price Percent Change Month-over-the-year, 2004 - 2007 Suburban Maryland Condos



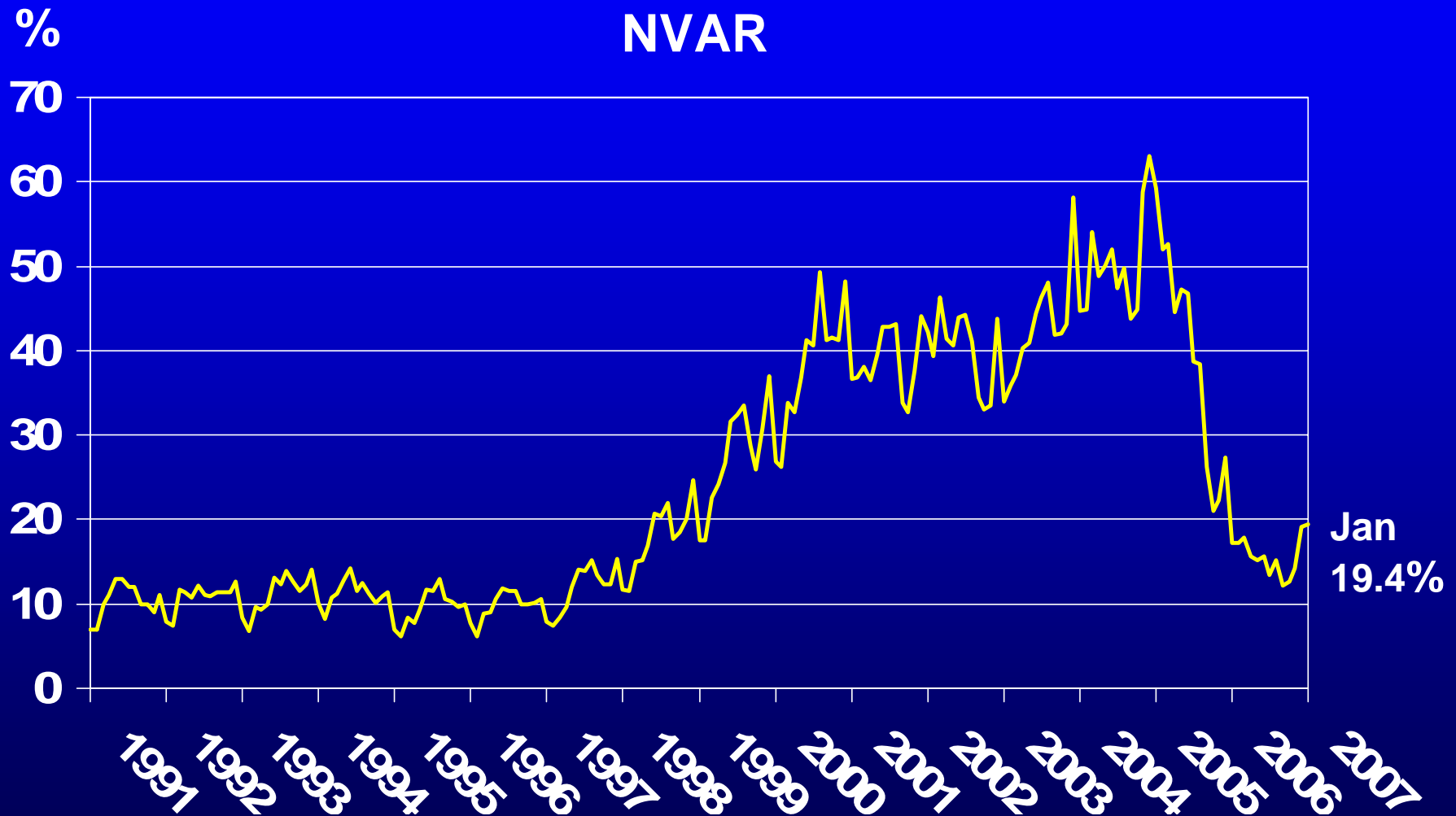
Source: MRIS, GMU Center for Regional Analysis

# Percent Change in Inventories of Existing Homes Month-Over-the-Year-Change 1992 – 2007, NVAR



Source: NVAR, MRIS, GMU Center for Regional Analysis

# Monthly Sold Units as a Percentage of Active Listings: 1991 – 2007 NVAR

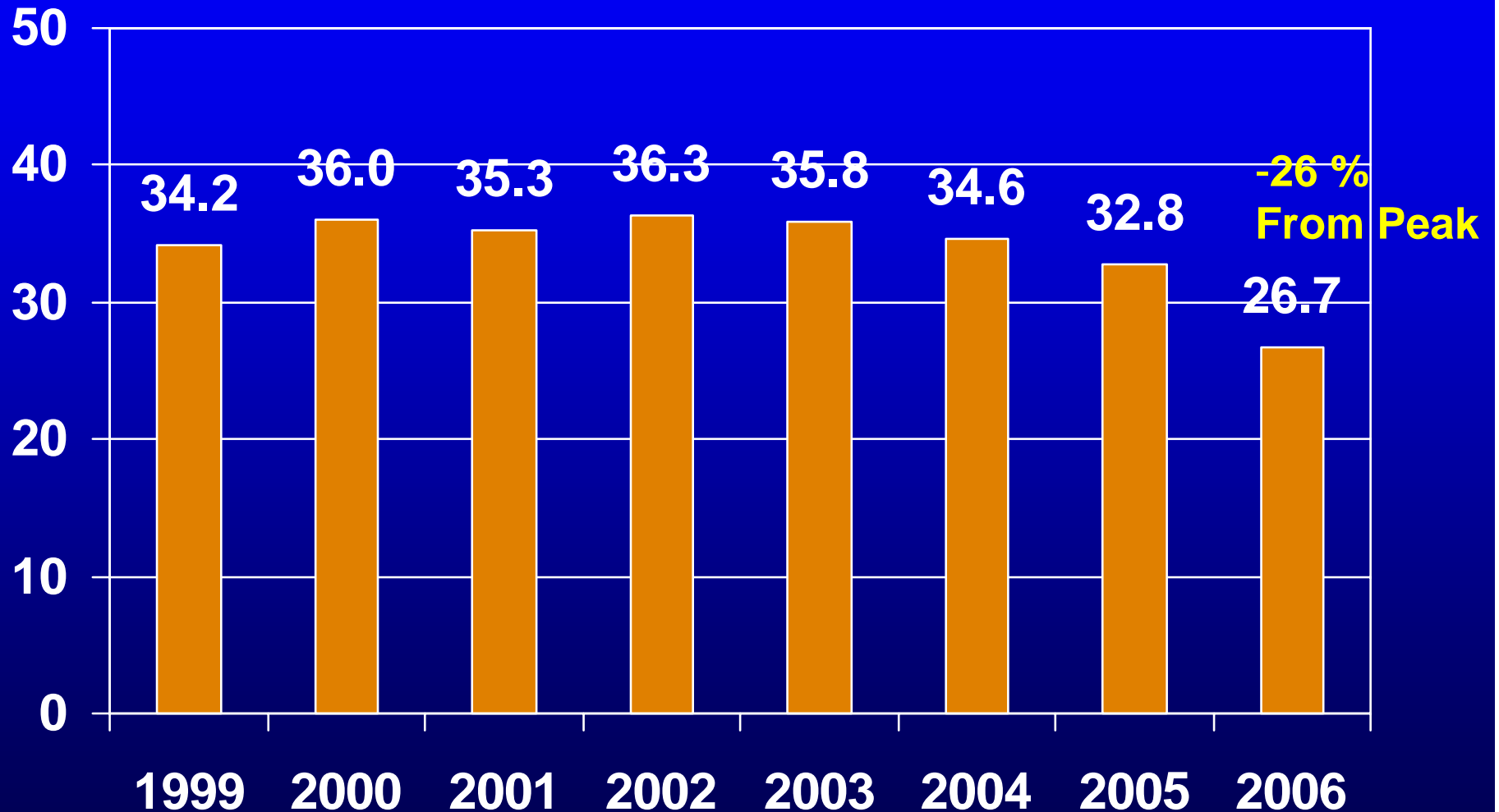


Source: MRIS, NVAR

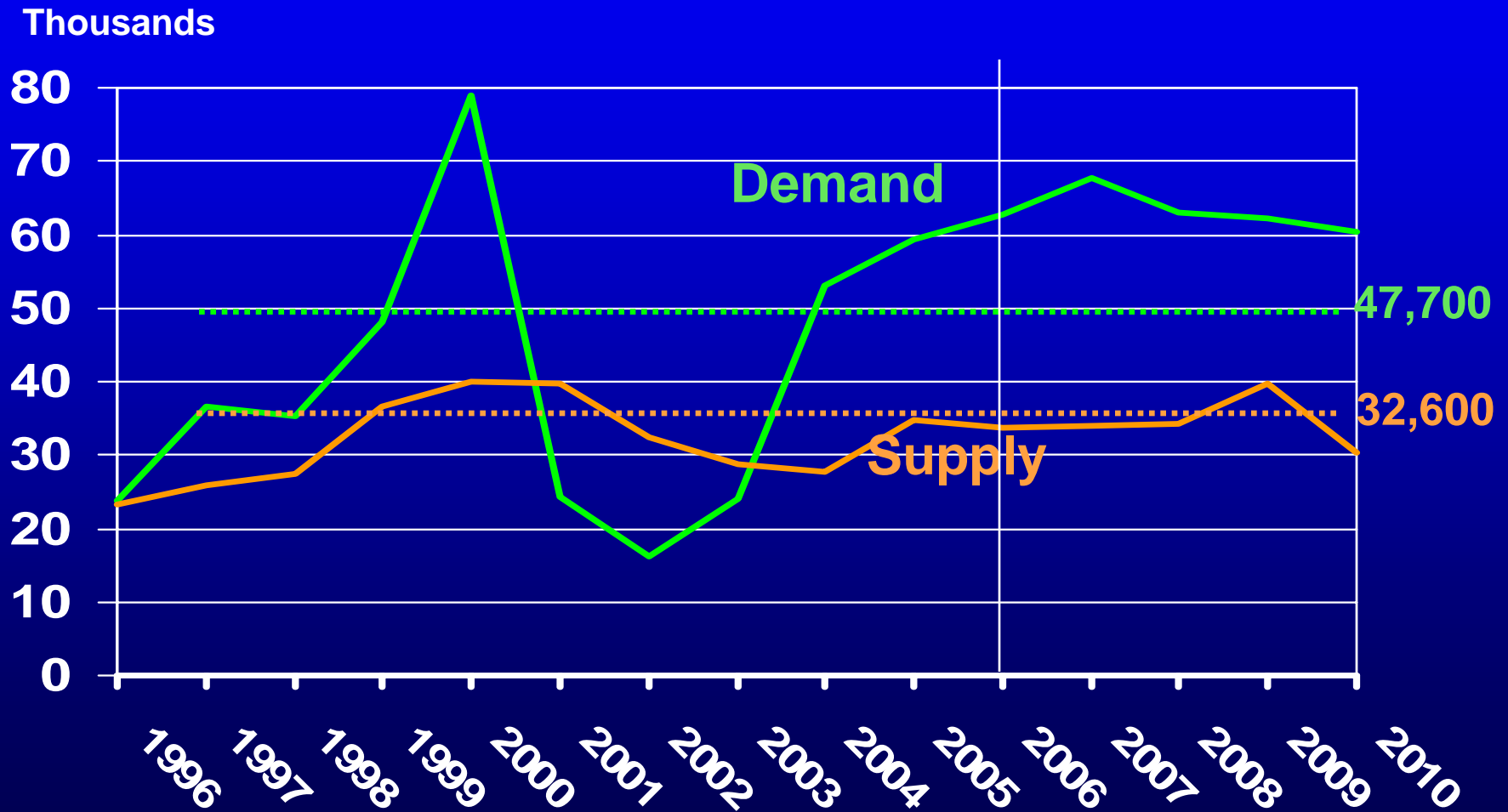
(NVAR: Arlington, Alexandria, Fairfax)

# Building Permits Washington Metro Area

Thousands



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



# Major Metro Area Housing Market Slumps Since 1977

Metro Area	Housing Price Index Decline	Time Period	Annual Rate of Job Change During Decline
Los Angeles	- 22 %	90 – 93	- 120,000
Detroit	- 14 %	81 – 83	- 24,000
Boston	- 11 %	90 – 92	- 46,000
Washington	- 3 %	91 – 93	9,000

# Housing Outlook for 2007

- **Market Adjustment nearing end – inventory stabilizing and prices will begin stabilizing**
- **2007 Prices will increase in the range of 0 - 5 %  
- by 2008-9 returning to long-term normal of 7%**
- **Sales volume will drop back to 1998 – 1999 levels**
- **Days on Market leveling in the 90s**

# Threats to the Forecasts

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



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