

**Northern Virginia
Association of Realtors**

***The Regional Economy and
Housing Market in 2007***

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Center for Regional Analysis
George Mason University**

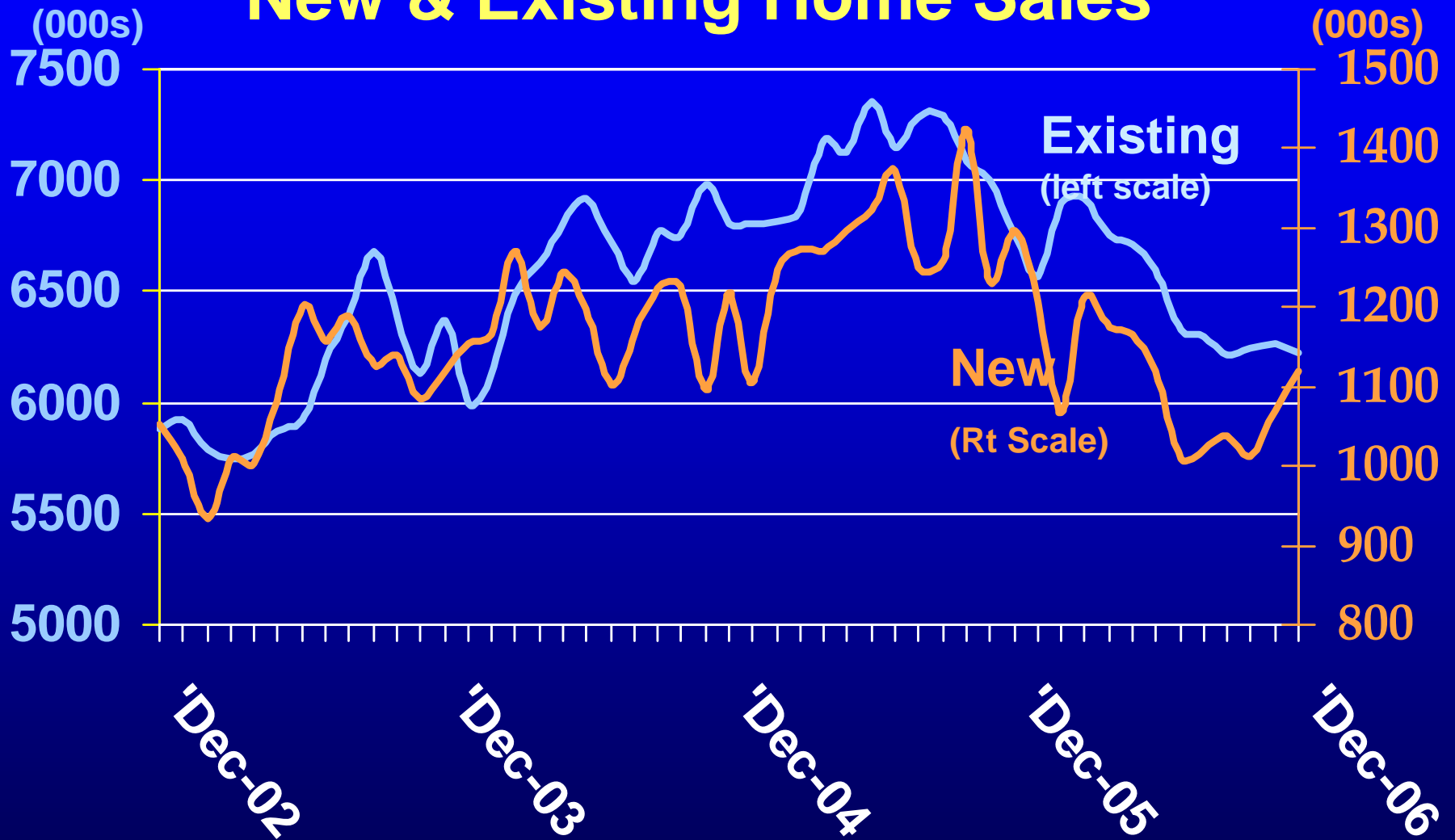
March 15, 2007

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



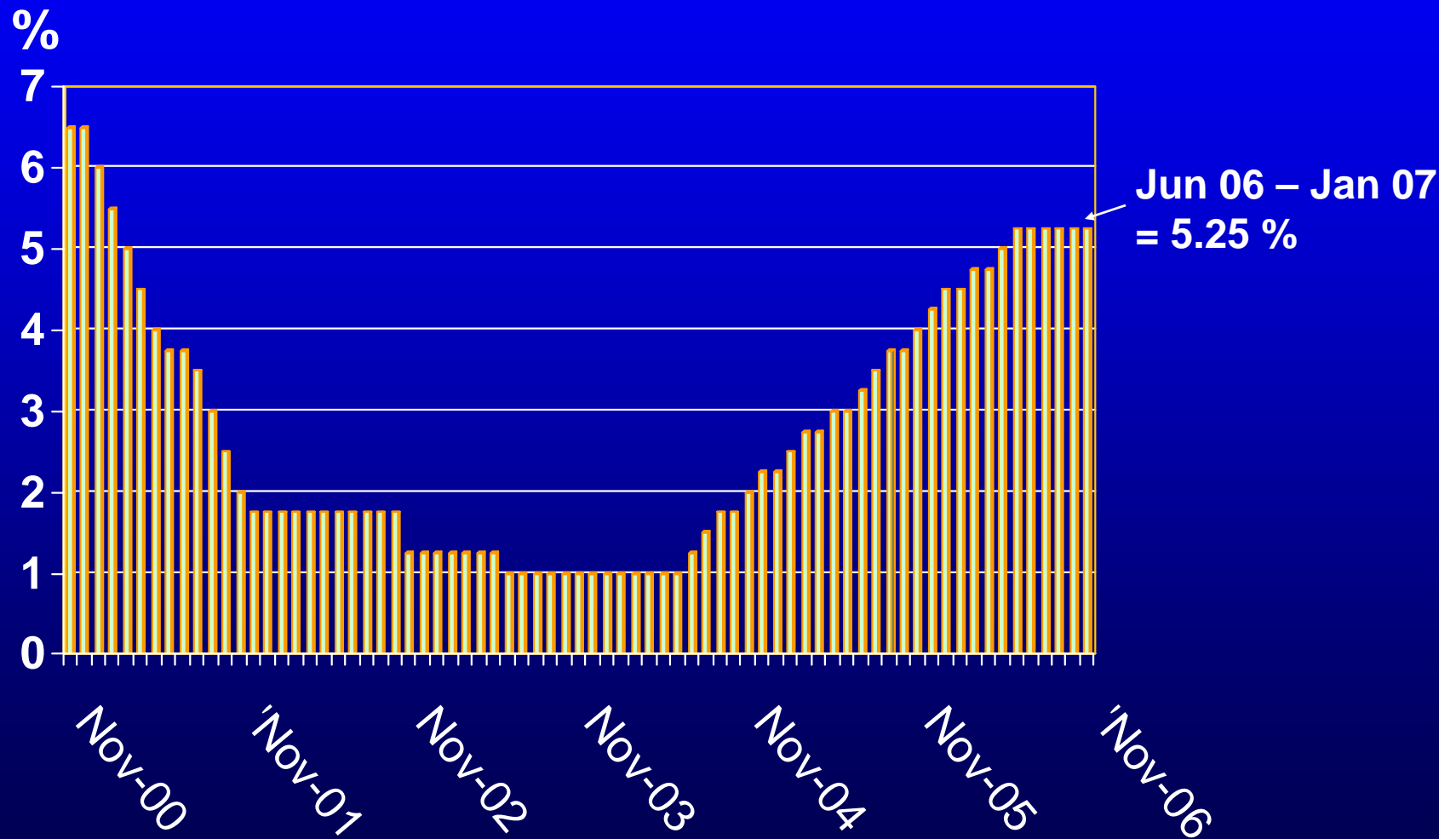
Oil Prices: 1999 – 2008

(\$ per barrel)



Source: Global Insight, GMU Center for Regional Analysis

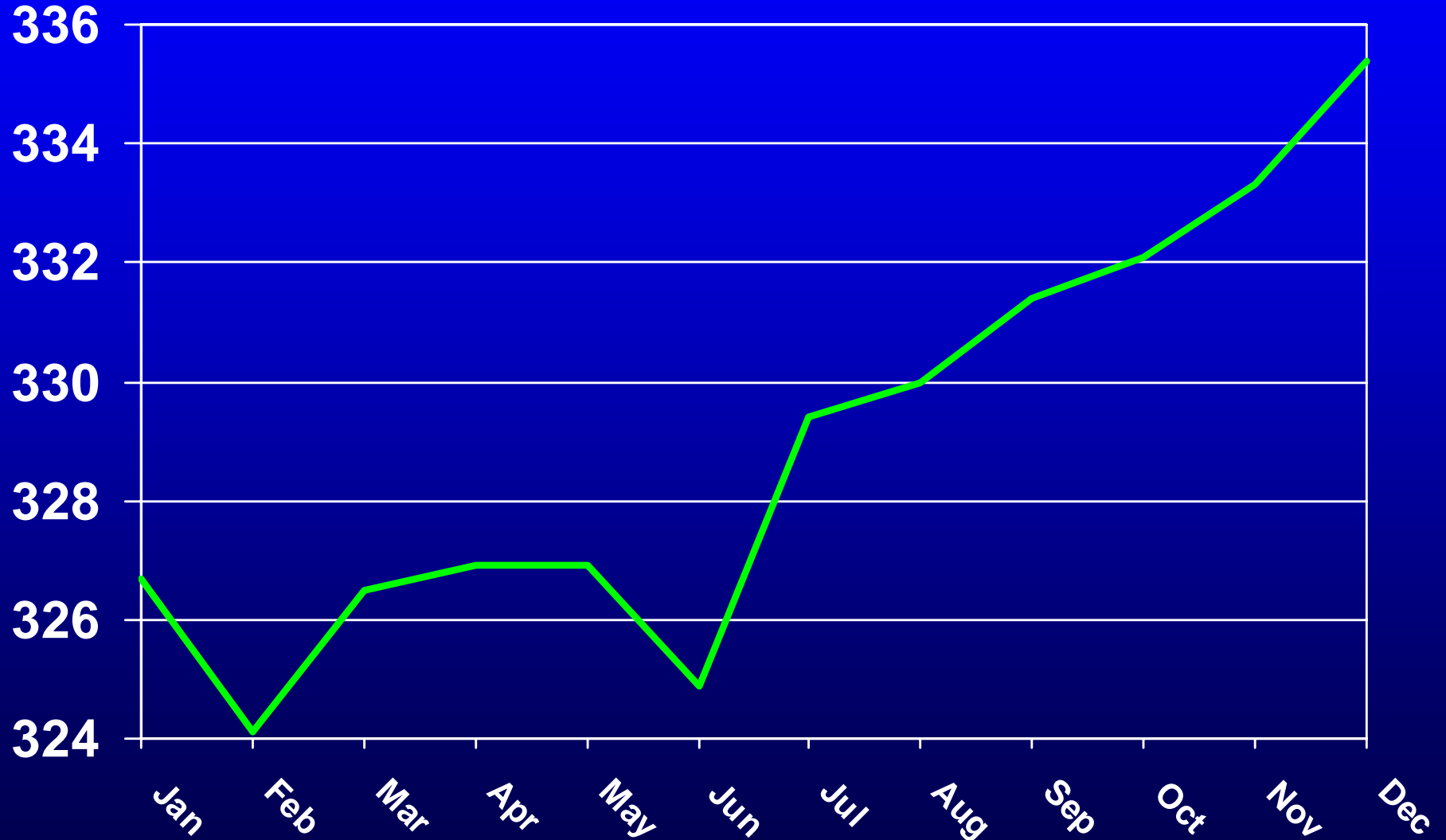
Federal Funds Interest Rate



Source: Federal Reserve, GMU Center for Regional Analysis

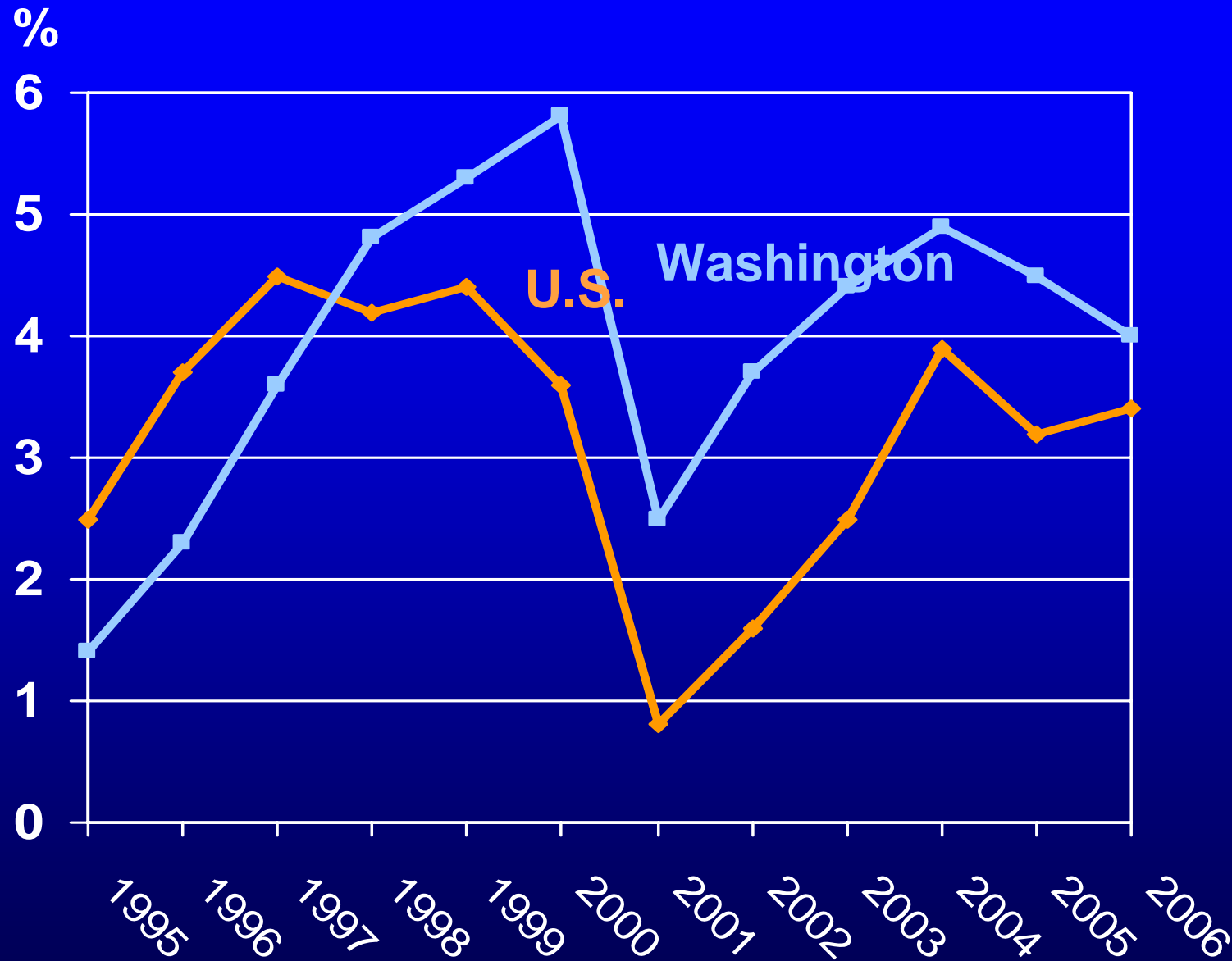
Retail Sales, Excluding Gasoline Dec 05 – Dec 06

\$ Bil.



The Washington Area Economy: Current Performance

GRP 1995 - 2006

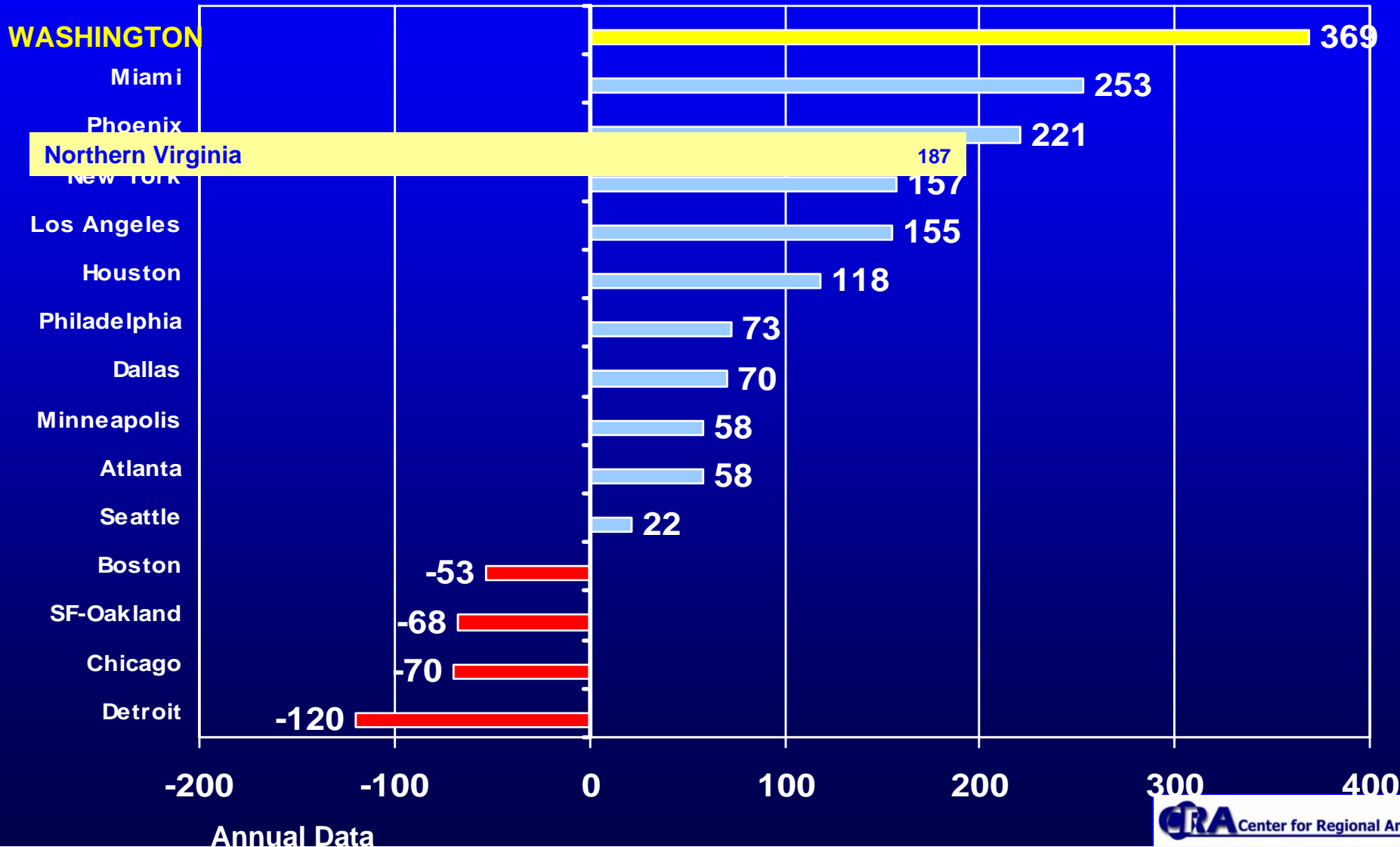


Source: GMU Center for Regional Analysis

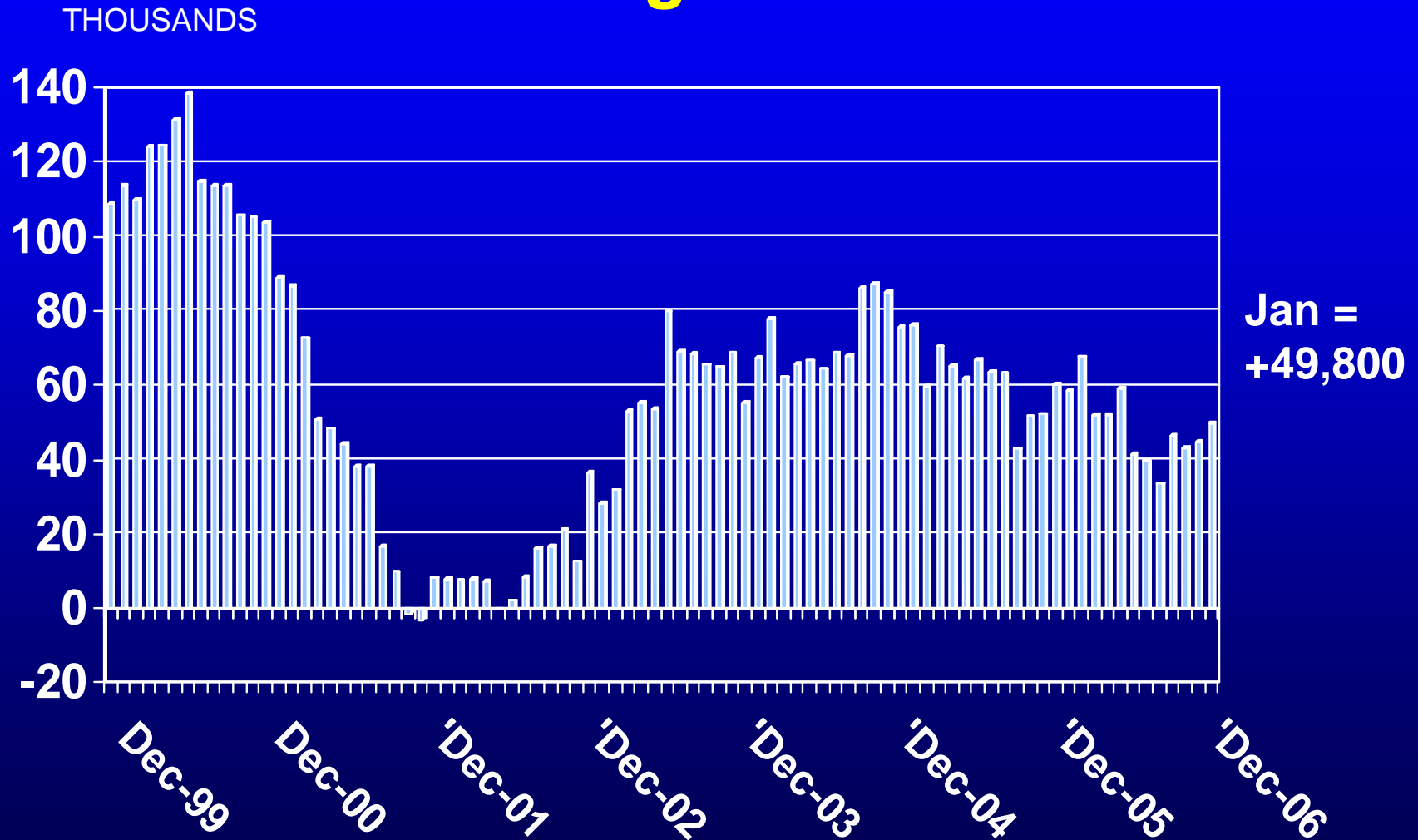
Metro Comparisons Job Change 2000-2005

15 Largest Metro Areas

Thousands

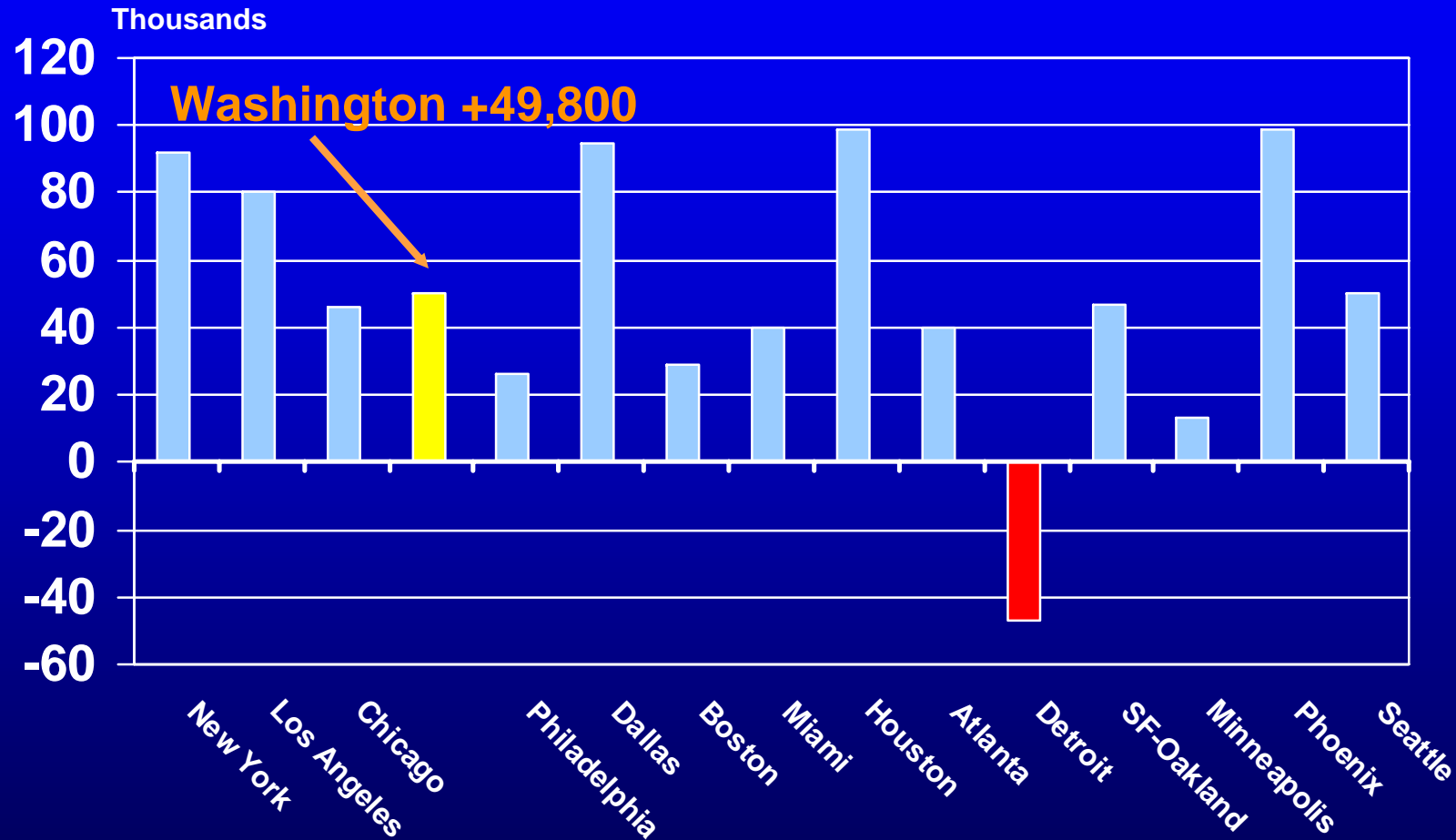


Annual Job Change Washington MSA



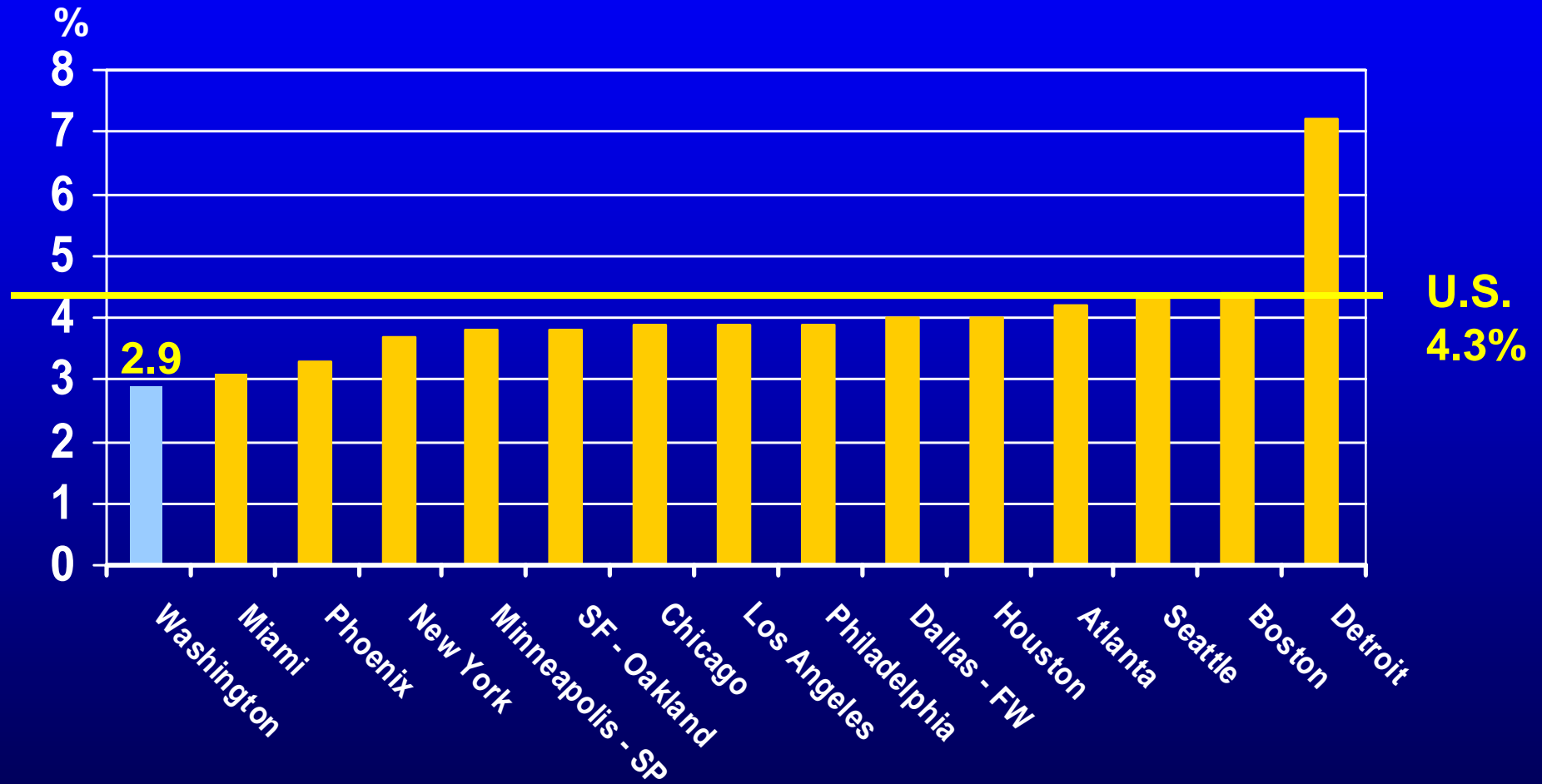
Source: BLS Establishment Survey

15 Largest Job Markets Job Change Jan 06 – Jan 07



Ranked by Total Jobs

15 Largest Job Markets Ranked by Unemployment Rate December 2006

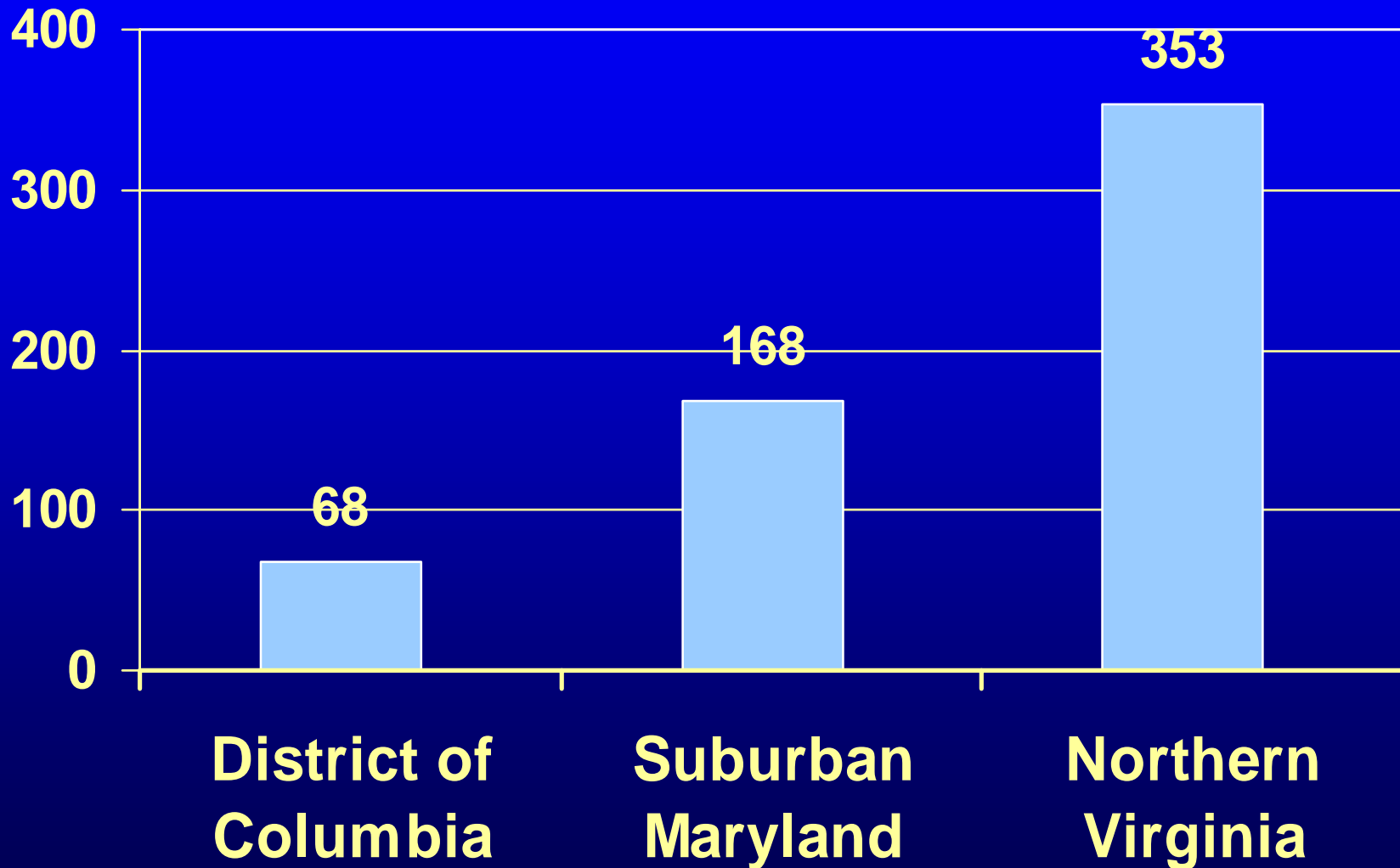


Source: BLS, GMU Center for Regional Analysis

Data not seasonally adjusted

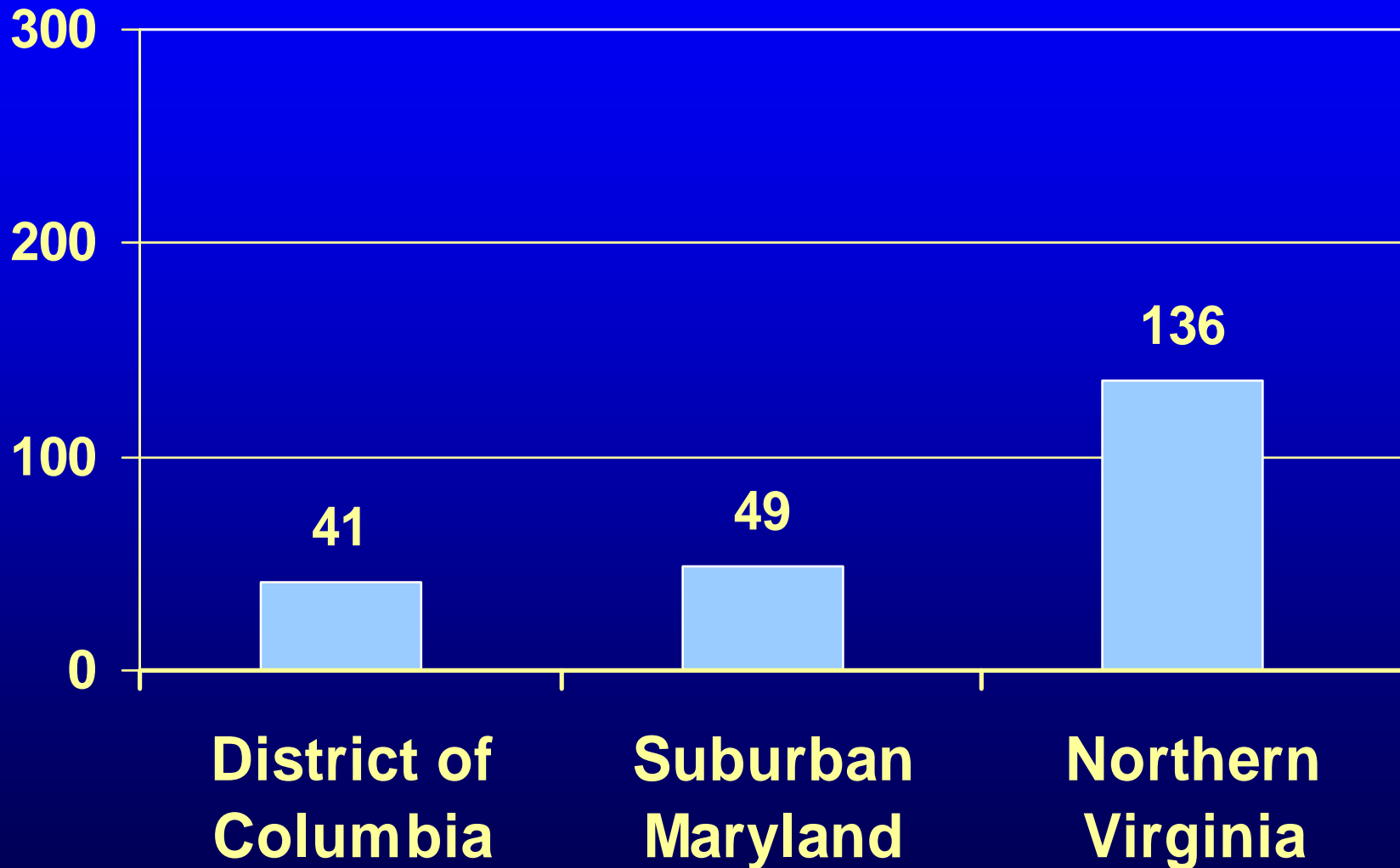
Total Job Change by Sub-state Region 1996 - 2006

Thousands



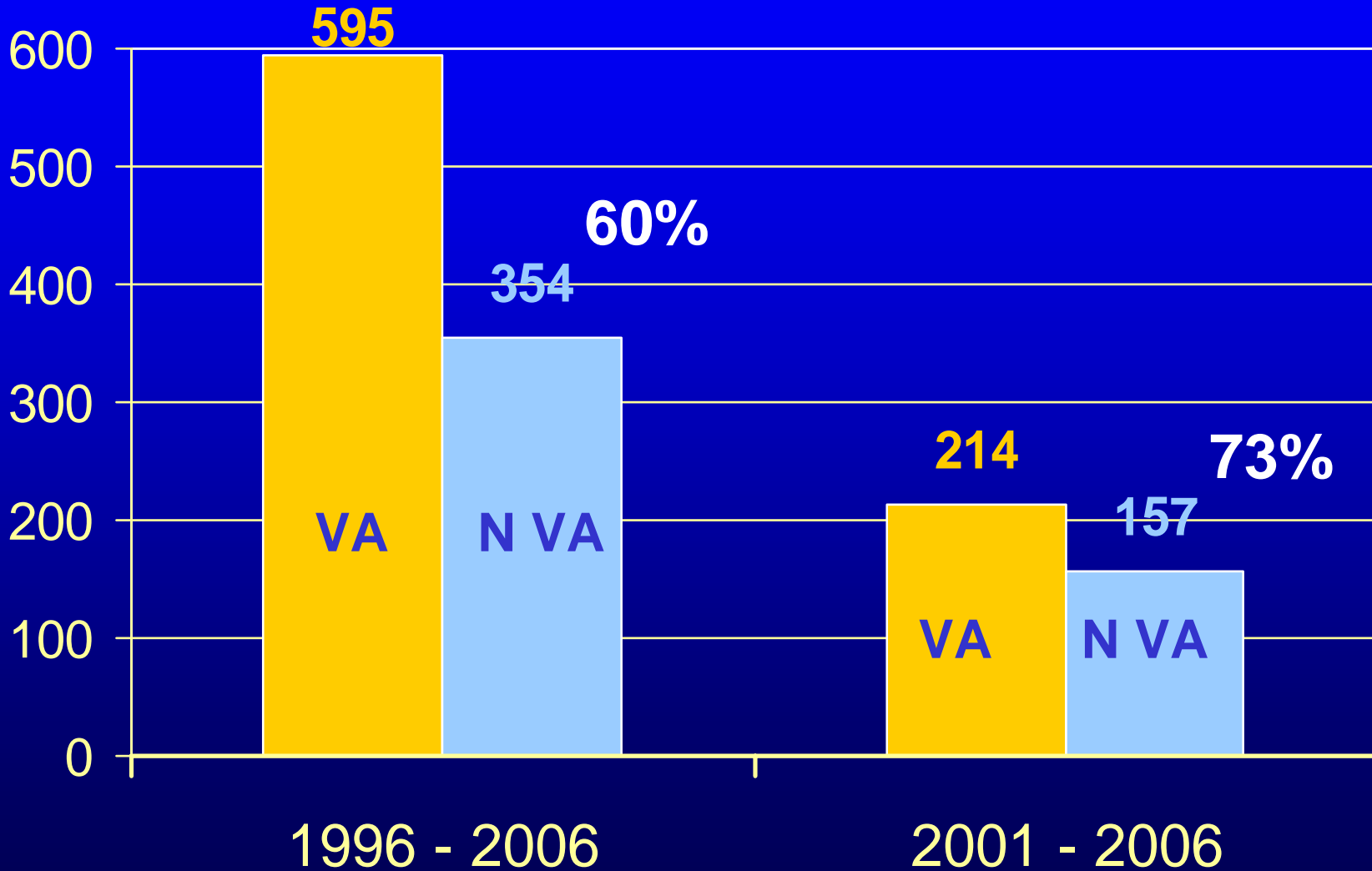
Professional and Business Services Job Change by Sub-state Region 1996 - 2006

Thousands



Total Job Change: Virginia and Northern Virginia

Thousands



Metropolitan Area Median Incomes, 2005

1	San Jose-Sunnyvale-Santa Clara	\$76,500
2	Washington-Arlington-Alexandria	\$74,700
3	Bridgeport-Stamford-Norwalk	\$71,600
4	Oxnard-Thousand Oaks-Ventura	\$66,900
5	San Francisco-Oakland-Fremont	\$65,400

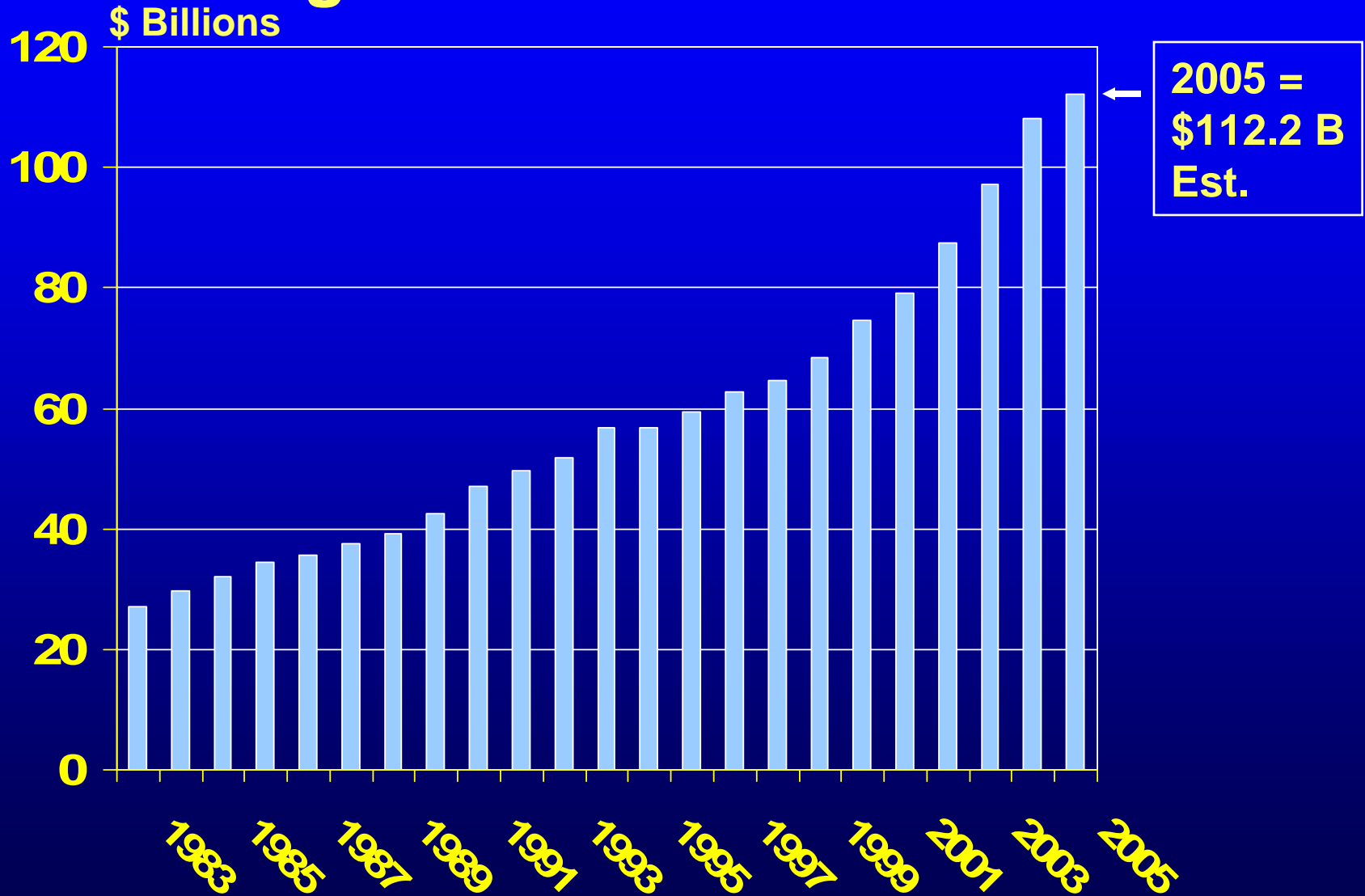
County Median Incomes, 2005

Rank in the U.S.

1	Loudoun (VA)	\$98,500
2	Fairfax (VA)	\$94,600
4	Howard (MD)	\$91,200
7	Calvert (MD)	\$84,400
10	Montgomery (MD)	\$82,200
11	Prince William (VA)	\$81,900
13	Arlington (VA)	\$80,400
17	Stafford (VA)	\$78,700

What is Different About The Washington Area Economy?

Total Federal Spending Washington Metro Area: 1983 - 2005

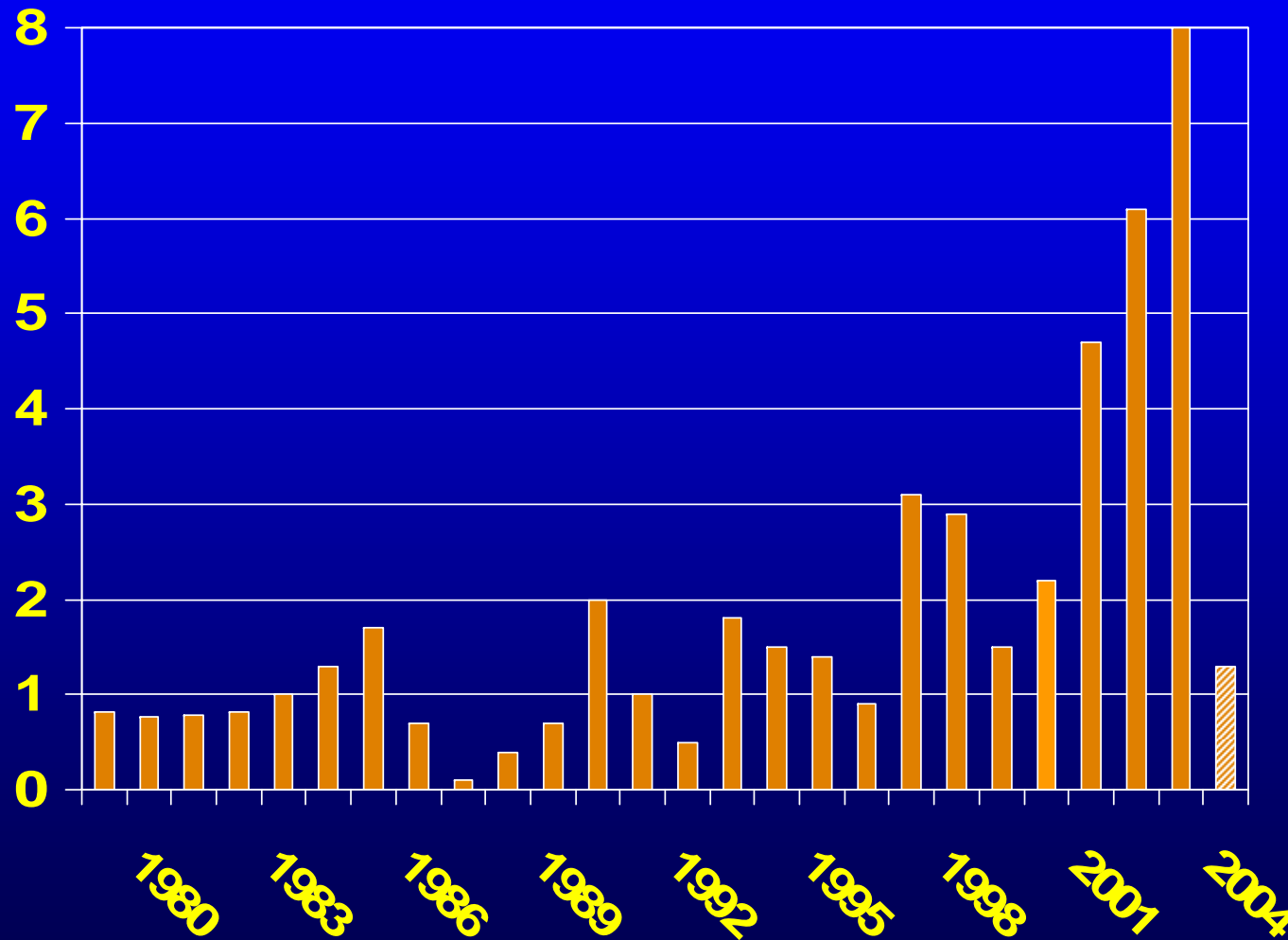


Federal Spending by Type 1983 - 2005



Annual Change in Federal Procurement Spending Washington Metro Area

\$ Billions



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

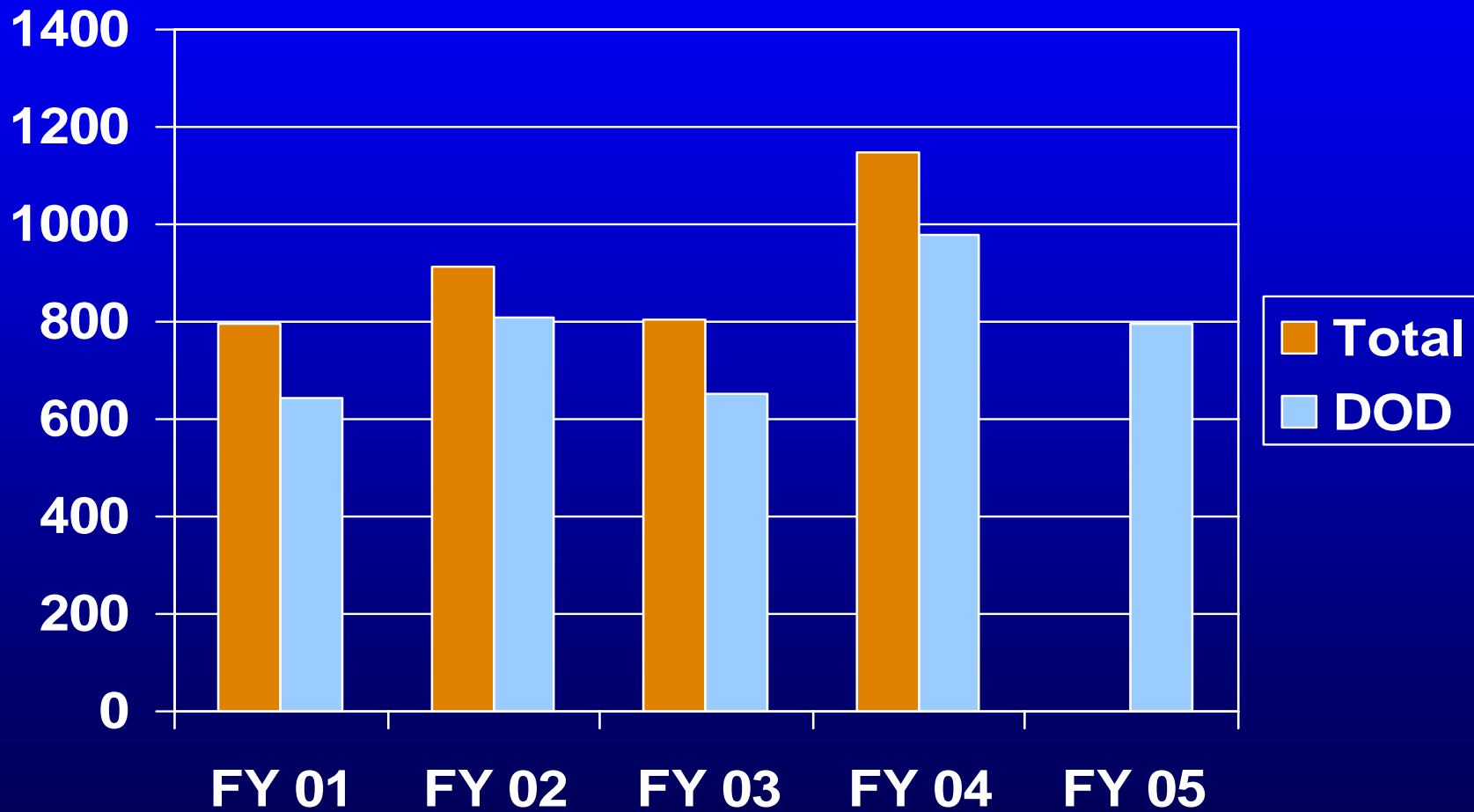
Area	2004	2005*	Change	% Change
DC	\$13.3	\$12.6	\$ - 0.7	- 5.8
Sub. MD	11.9	12.5	0.6	5.6
N VA	25.9	27.3	1.4	5.4
Total	\$51.1	\$52.4	\$1.3	2.5

Source: Eagle Eye Publishers; GMU CRA

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

Federal Procurement Prince William County

\$ Millions



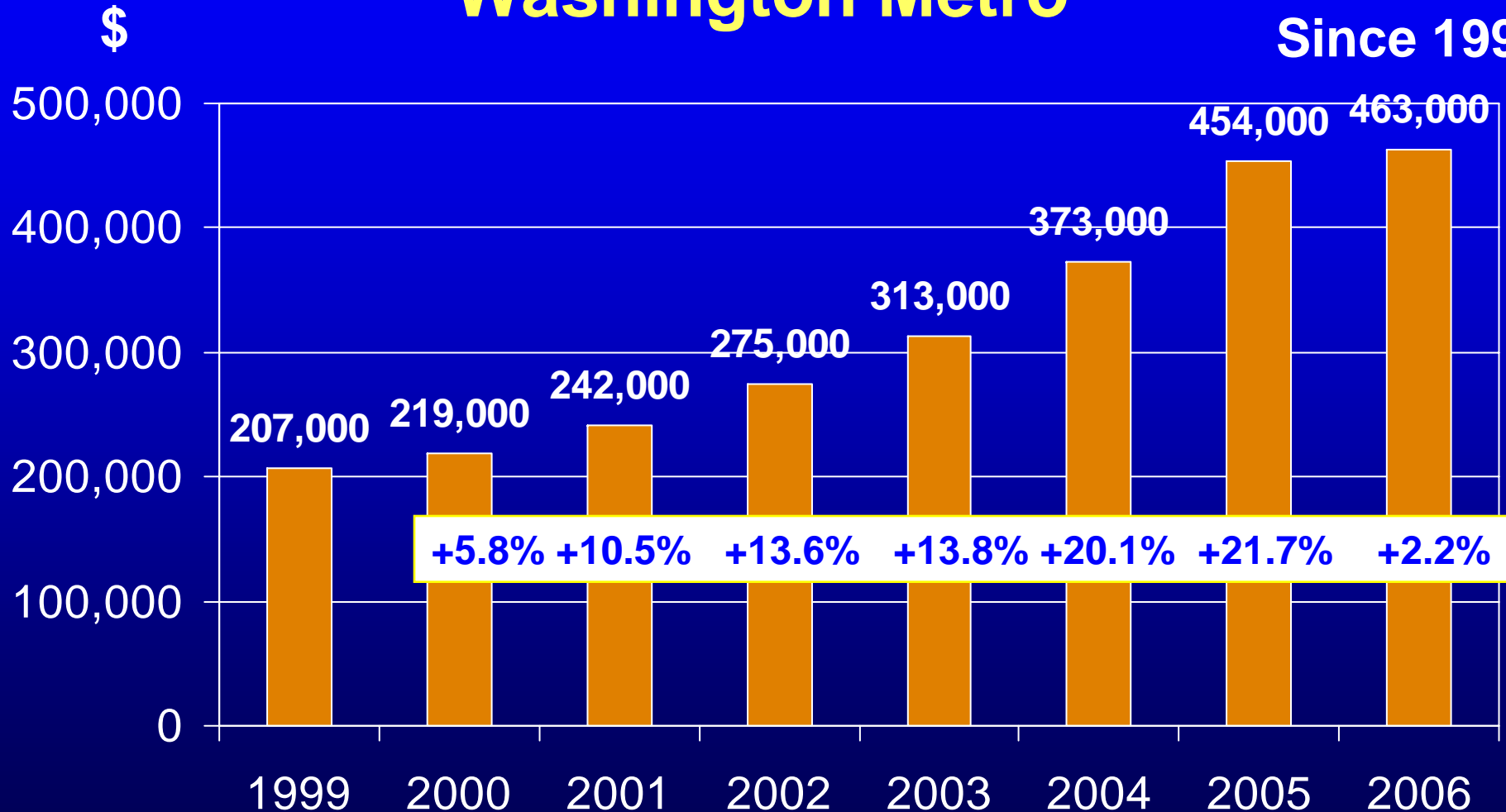
The Housing Market

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

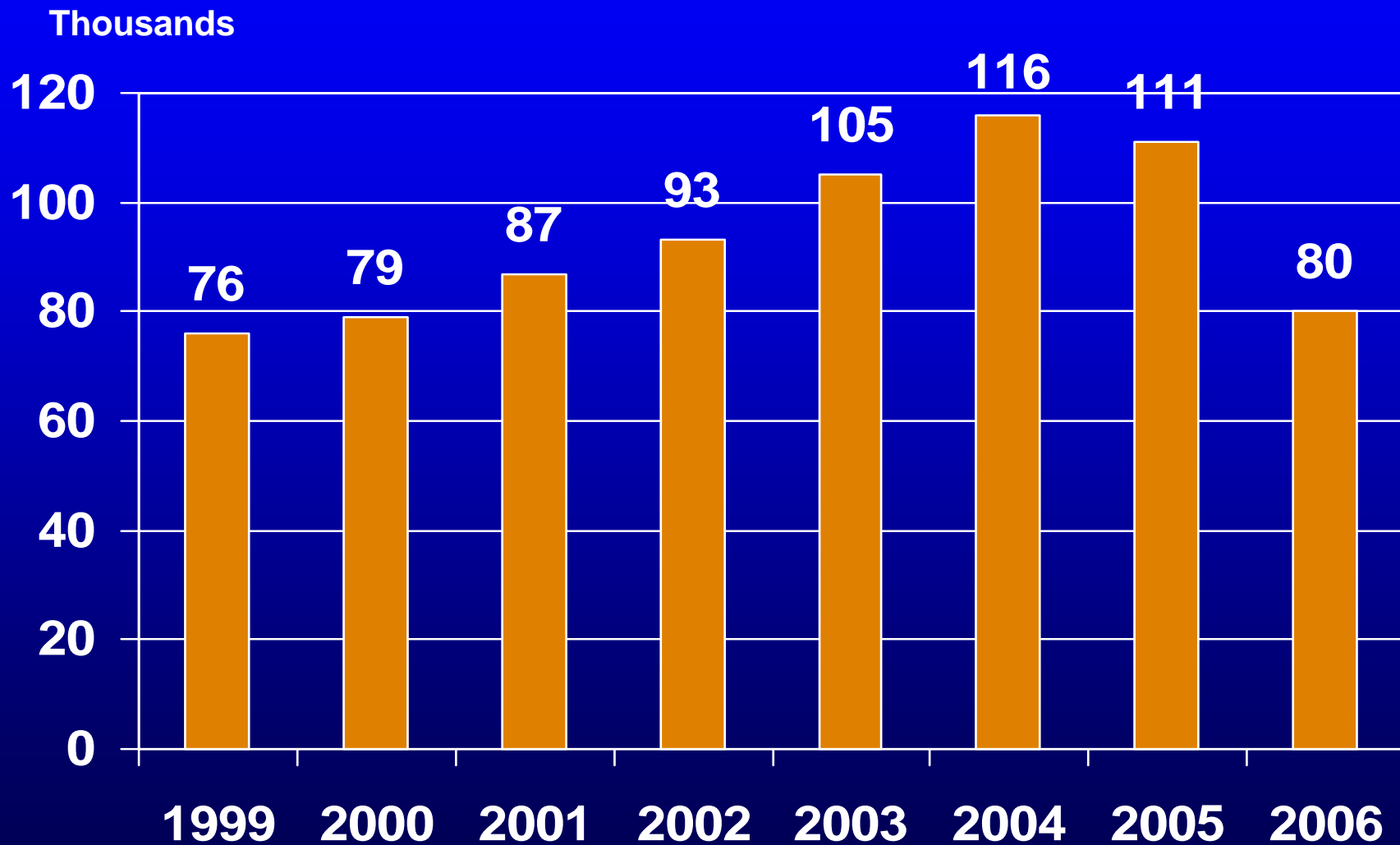
Average Sales Price All Housing Types Washington Metro

+ 124%
Since 1999



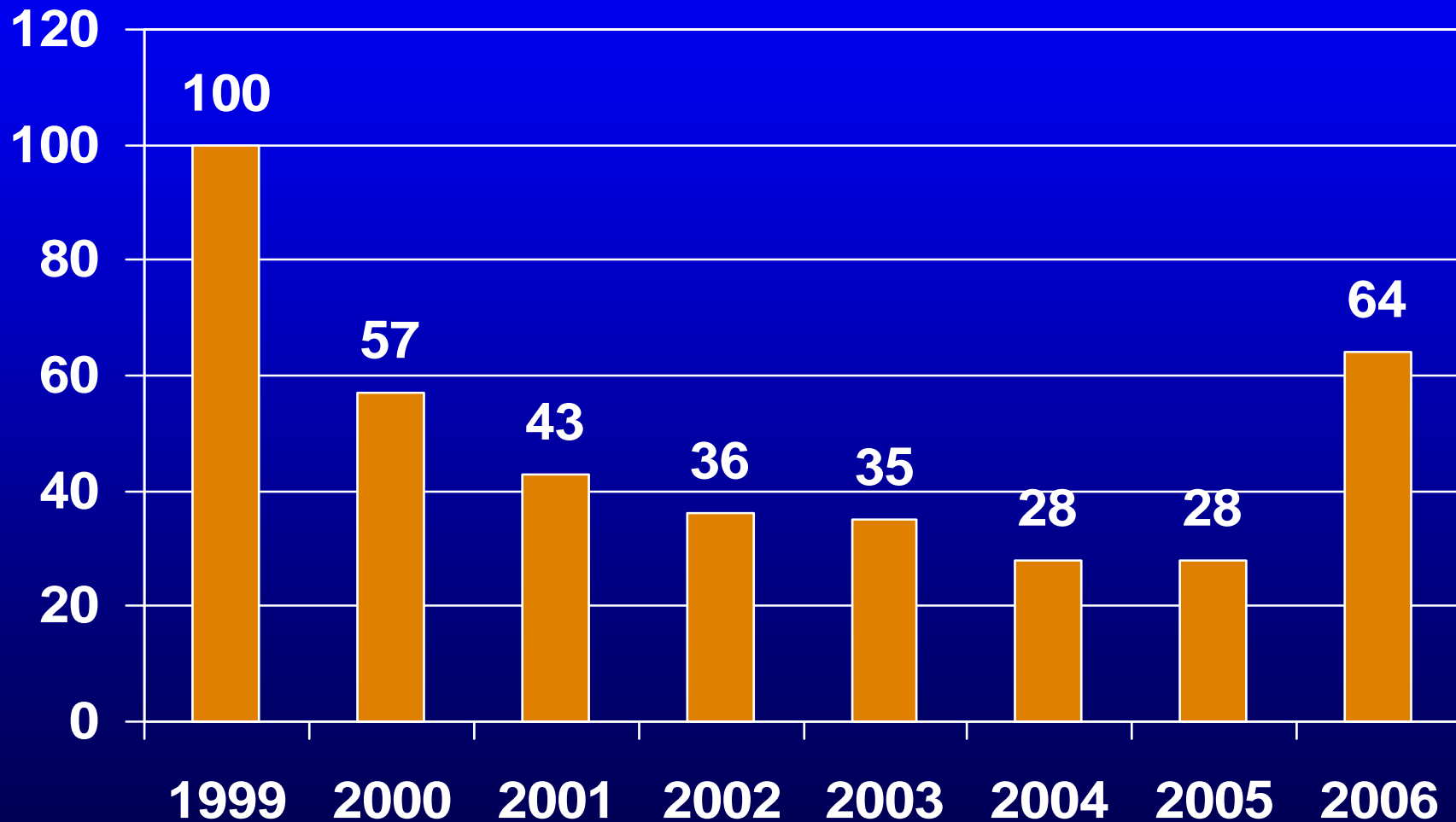
Source: MRIS, GMU Center for Regional Analysis

Total Units Sold Washington Metro Area



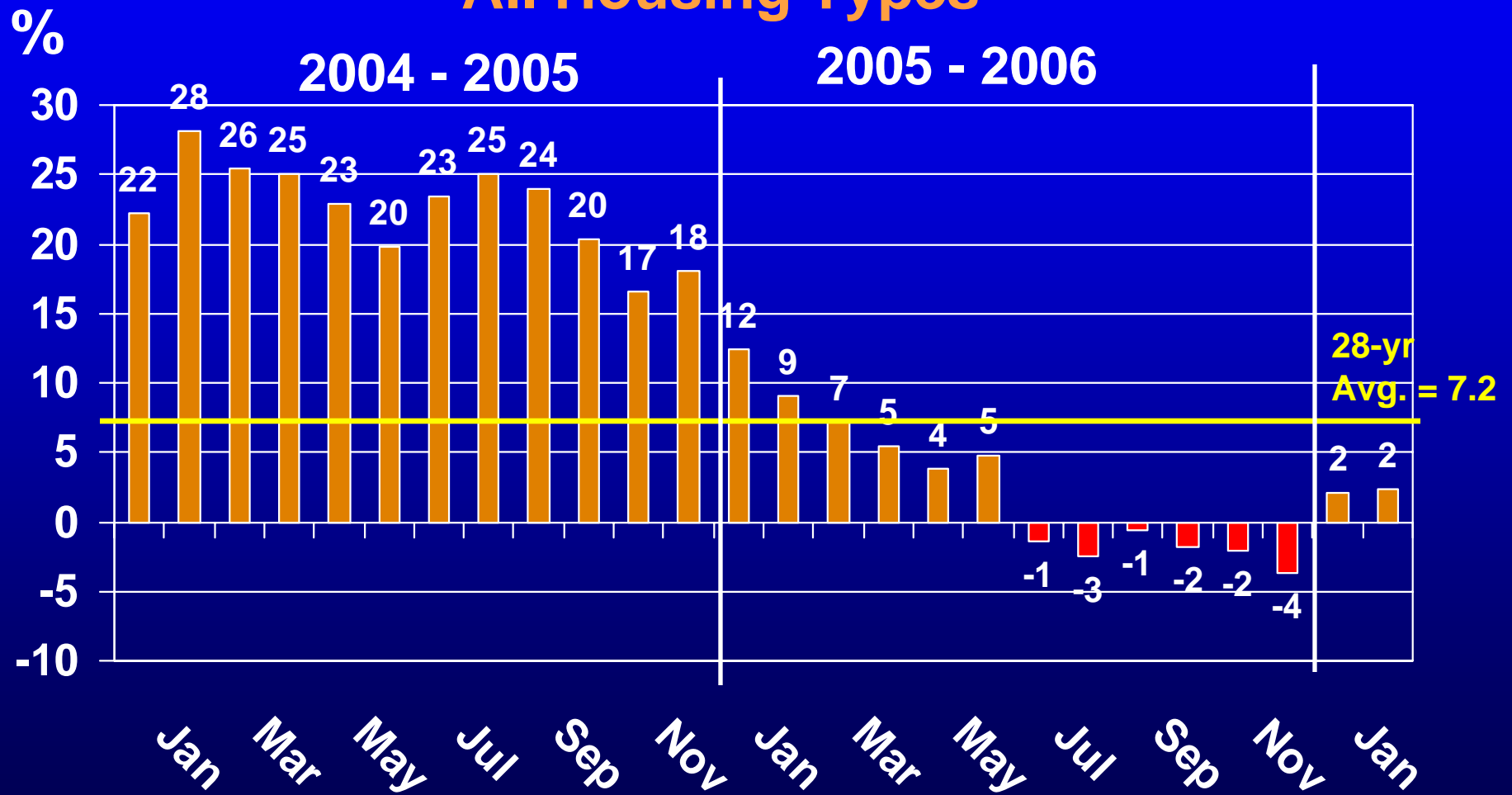
Days on Market Washington Metro Area

Days

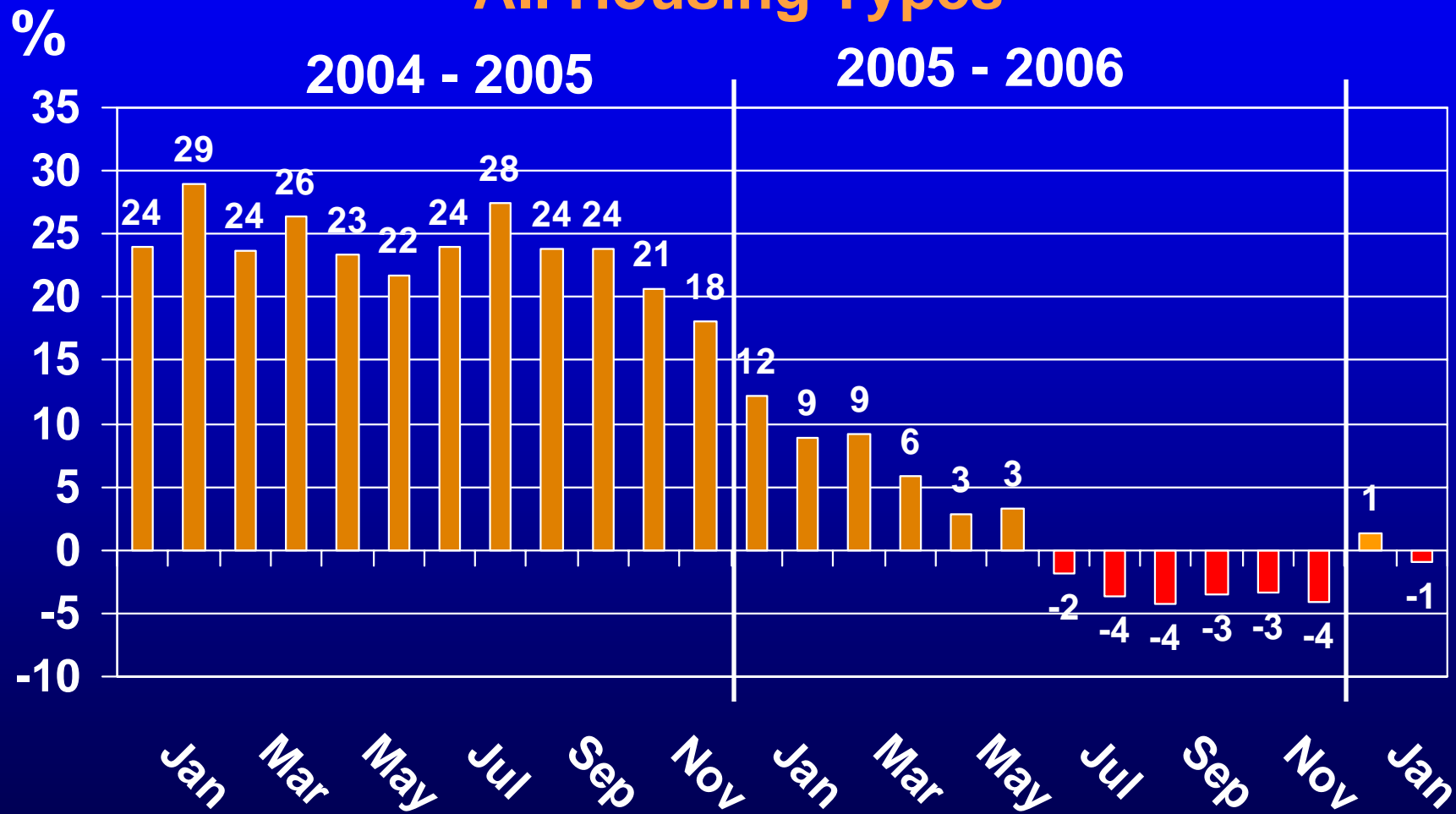


Source: MRIS, GMU Center for Regional Analysis

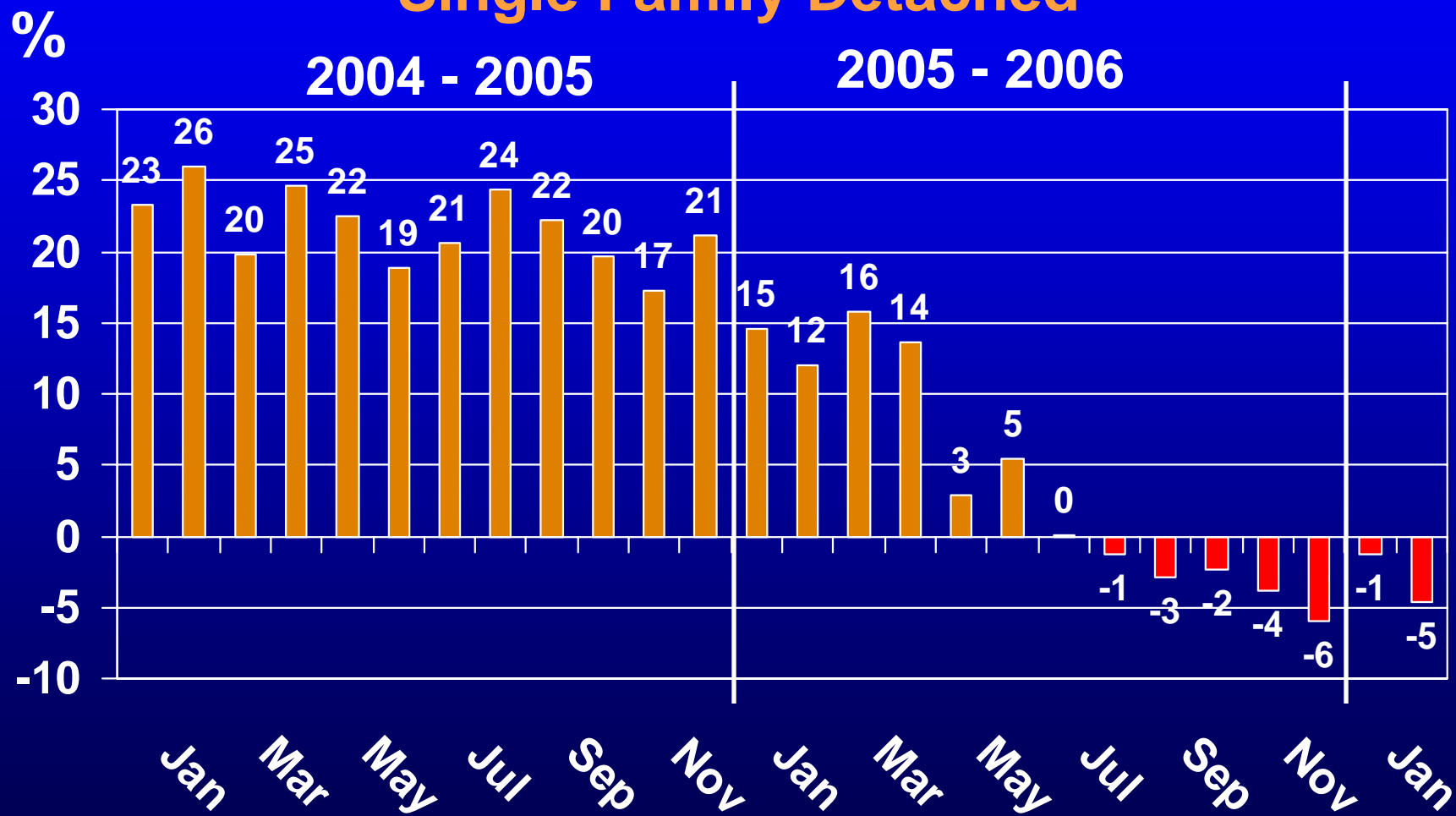
Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006 Washington MSA All Housing Types



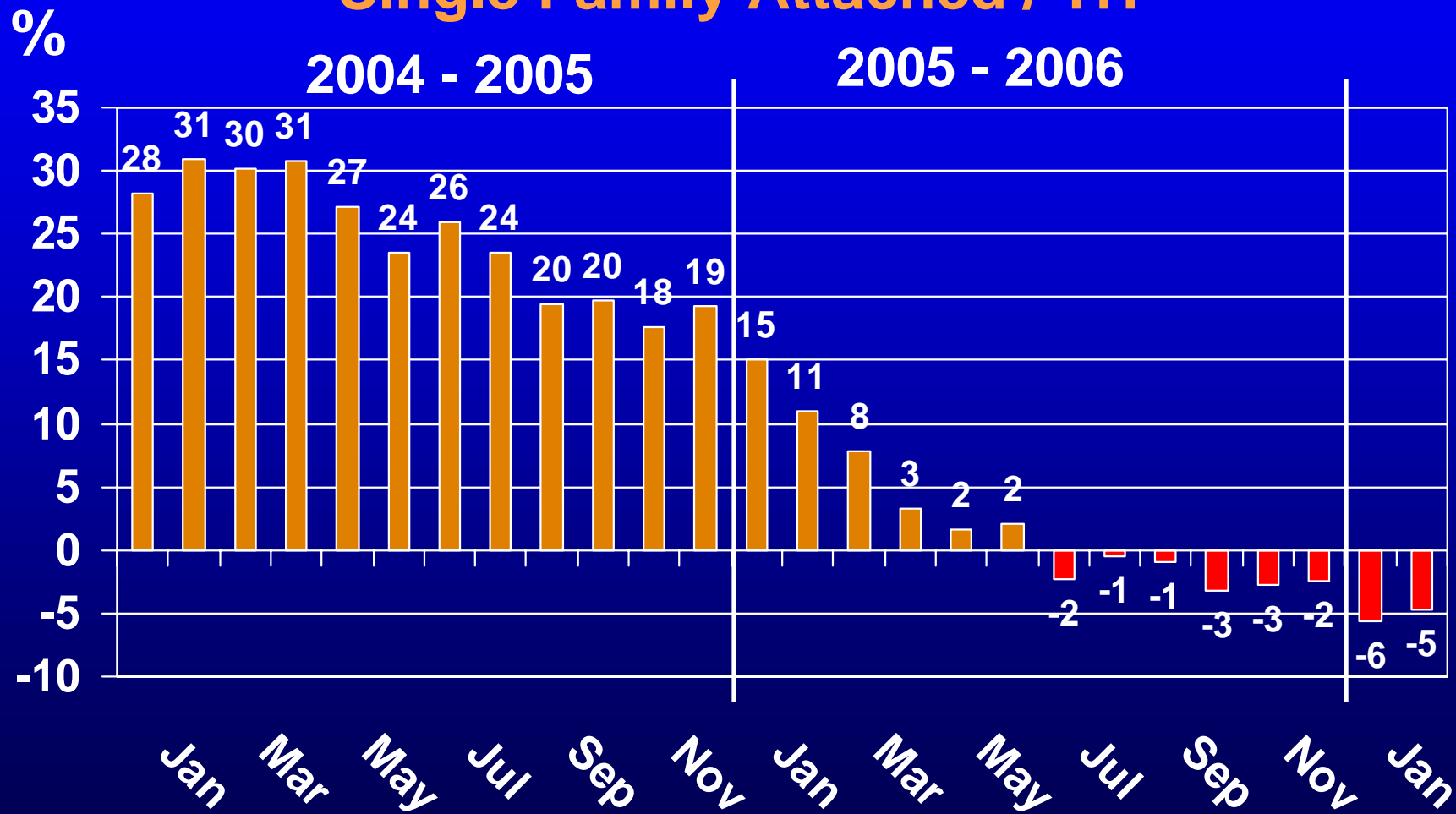
Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006 Northern Virginia All Housing Types



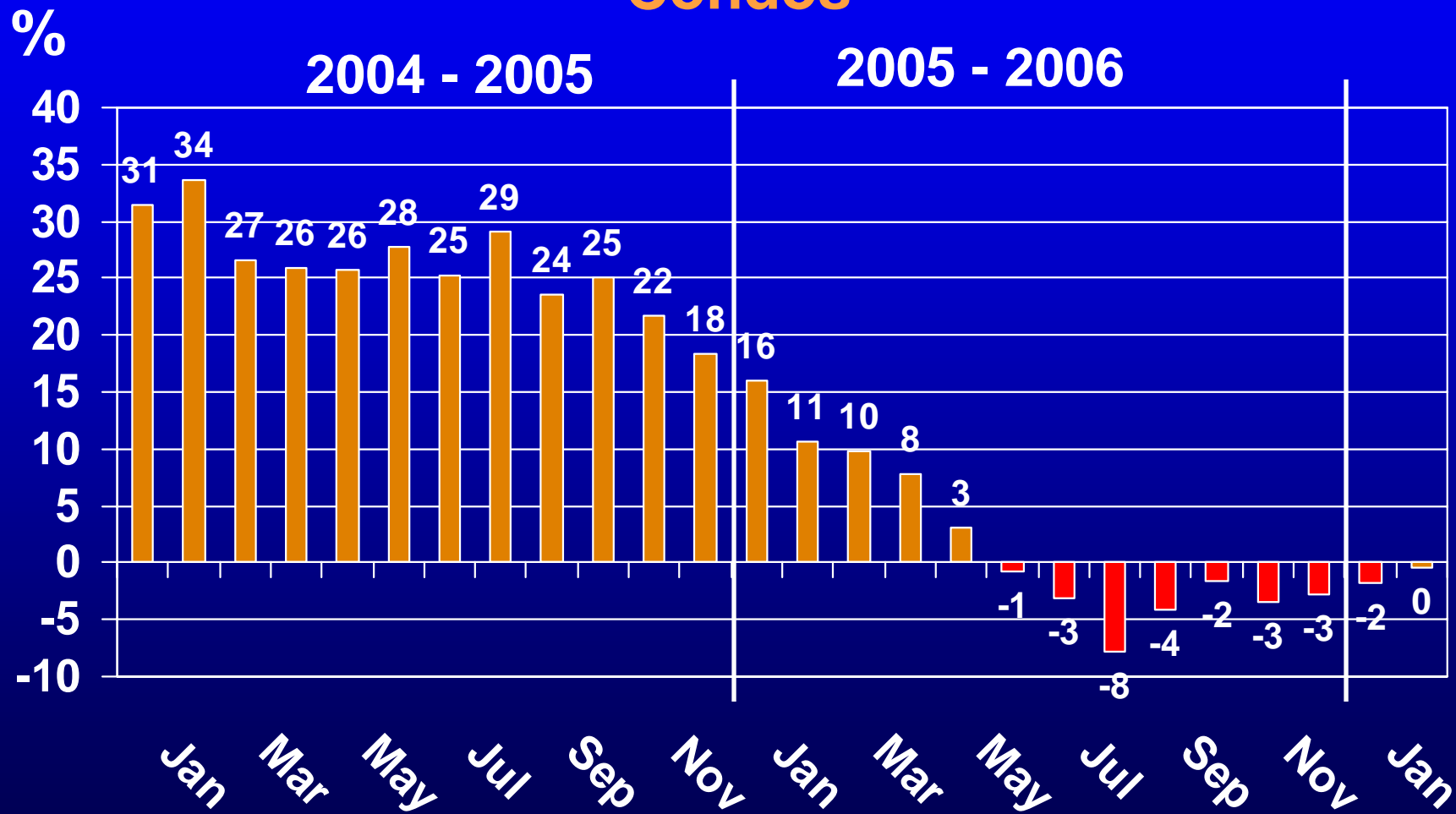
Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006 Northern Virginia Single Family Detached



Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006 Northern Virginia Single Family Attached / TH



Average Sales Price Percent Change Month-over-the-year, 2004 - 2005 - 2006 Northern Virginia Condos

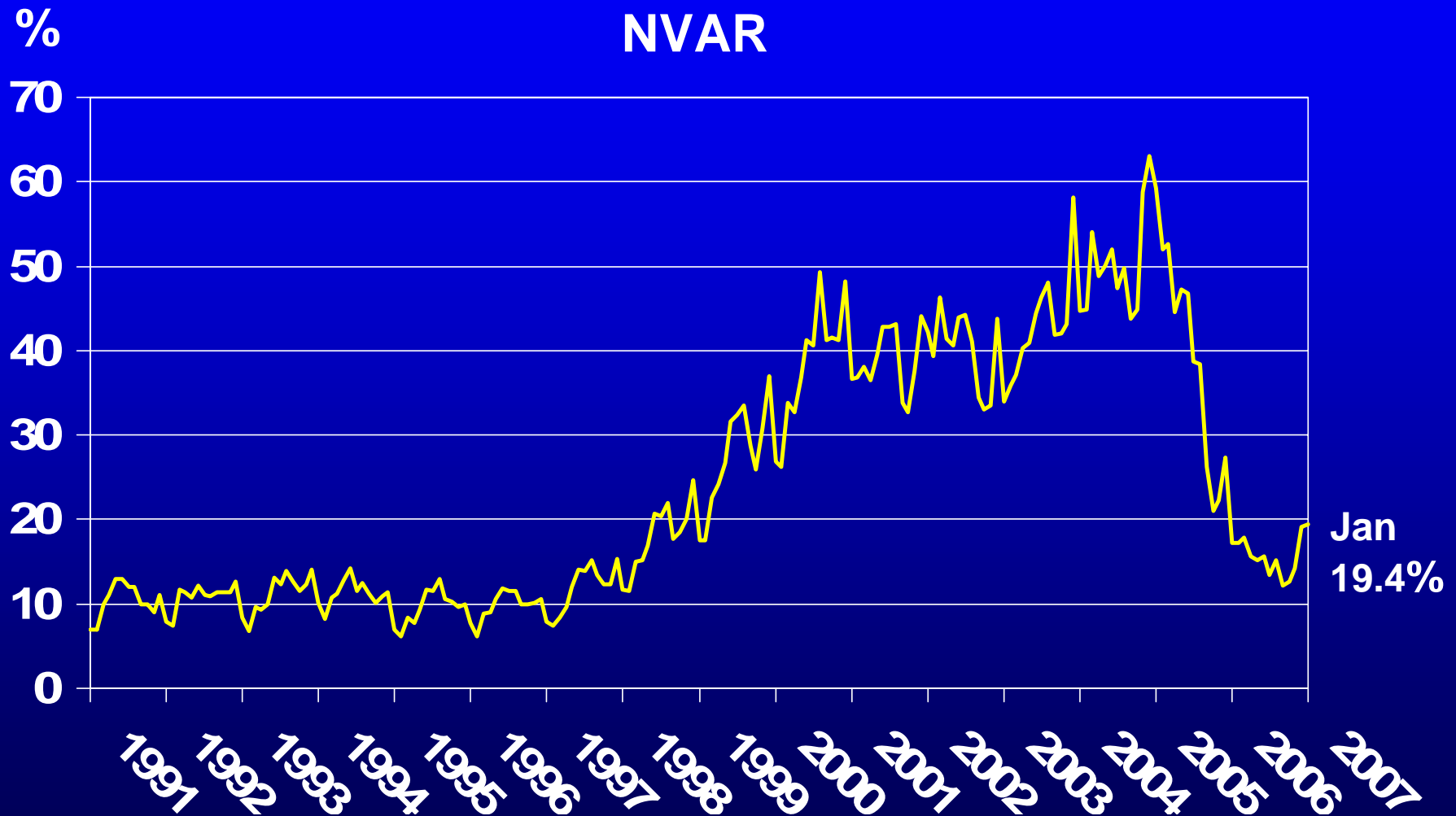


Percent Change in Inventories of Existing Homes Month-Over-the-Year-Change 1992 – 2007, NVAR



Source: NVAR, MRIS, GMU Center for Regional Analysis

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

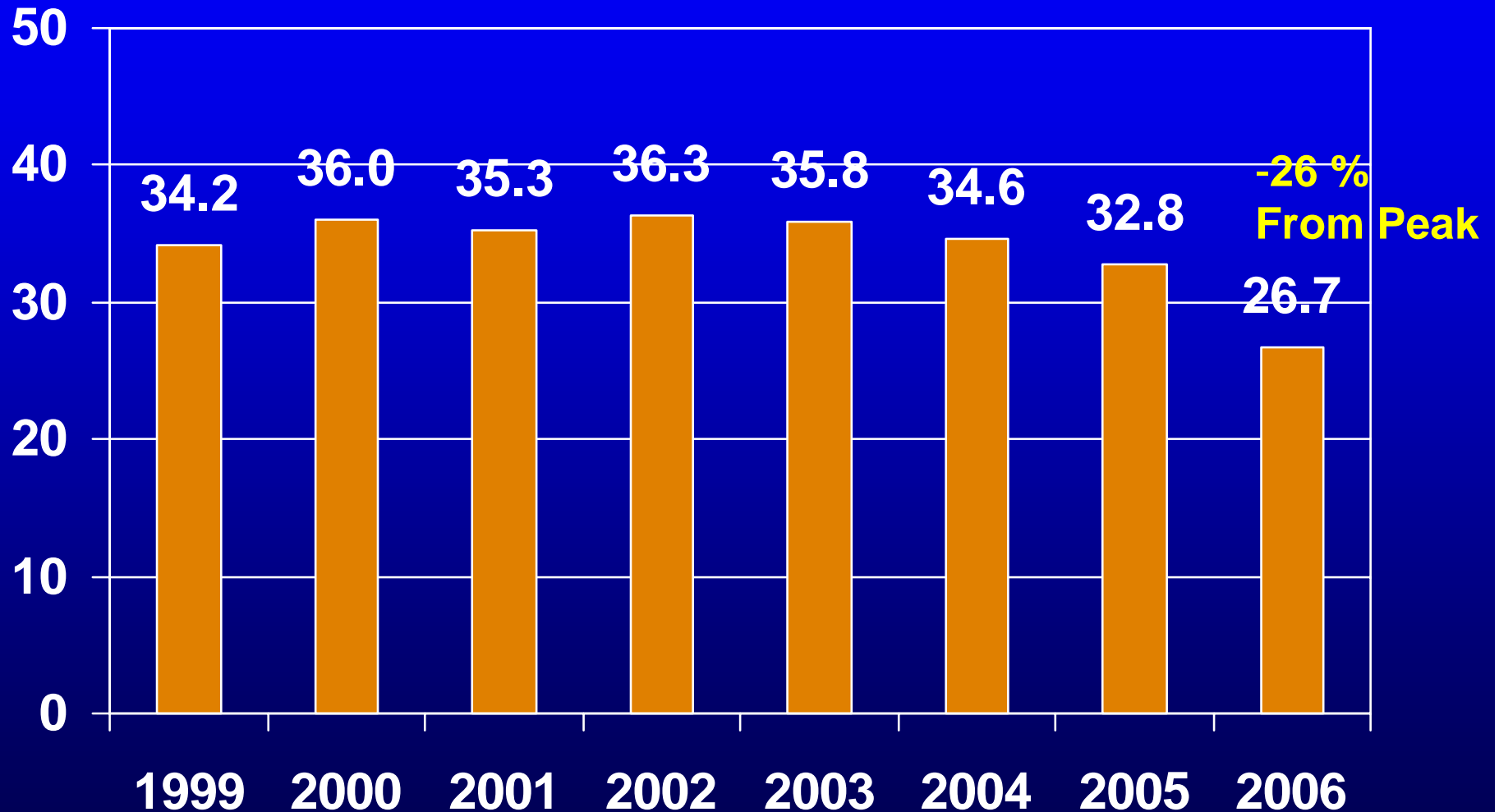


Source: MRIS, NVAR

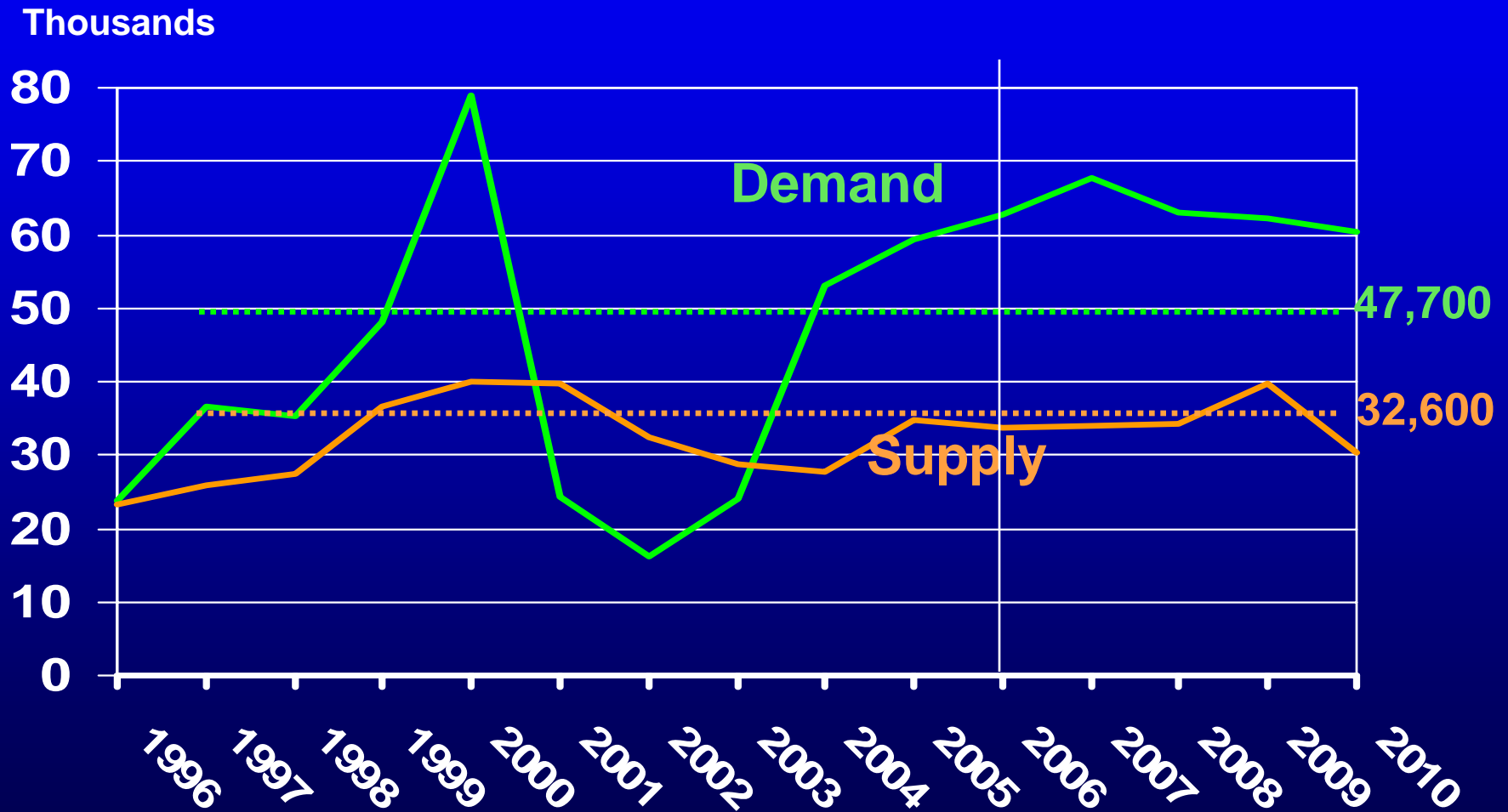
(NVAR: Arlington, Alexandria, Fairfax)

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**

Employment Change by Sub-state Region (000s)

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

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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