Dulles Area Transportation Association
Dulles Corridor Rail Association

The Washington Area Economy and Outlook

Stephen S. Fuller, PhD
Dwight Schar Faculty Chair and University Professor
Director, Center for Regional Analysis
School of Public Policy, George Mason University

March 30, 2006

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The Washington Economy: Current Performance

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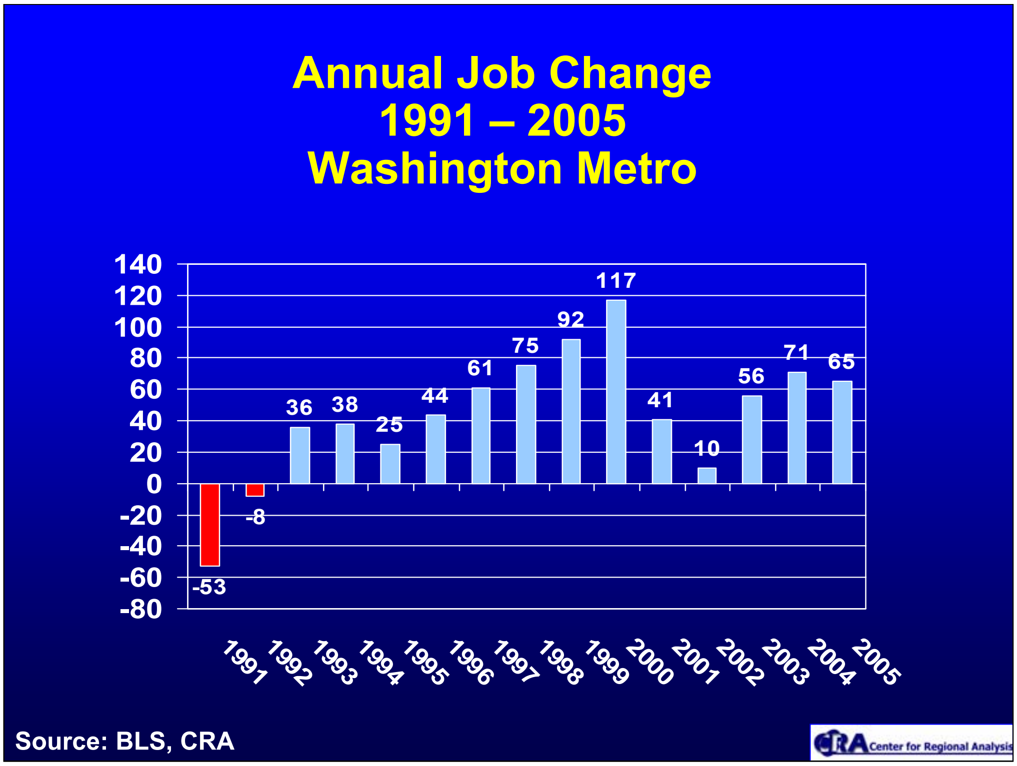
Annual Job Change
1991 – 2005
Washington Metro
140
120
100
80
60
40
20
0
-20
-40
-60
-80
-53
-8
36
38
25
44
61
75
92
117
41
10
56
71
65
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
Source: BLS, CRA
Center for Regional Analysis

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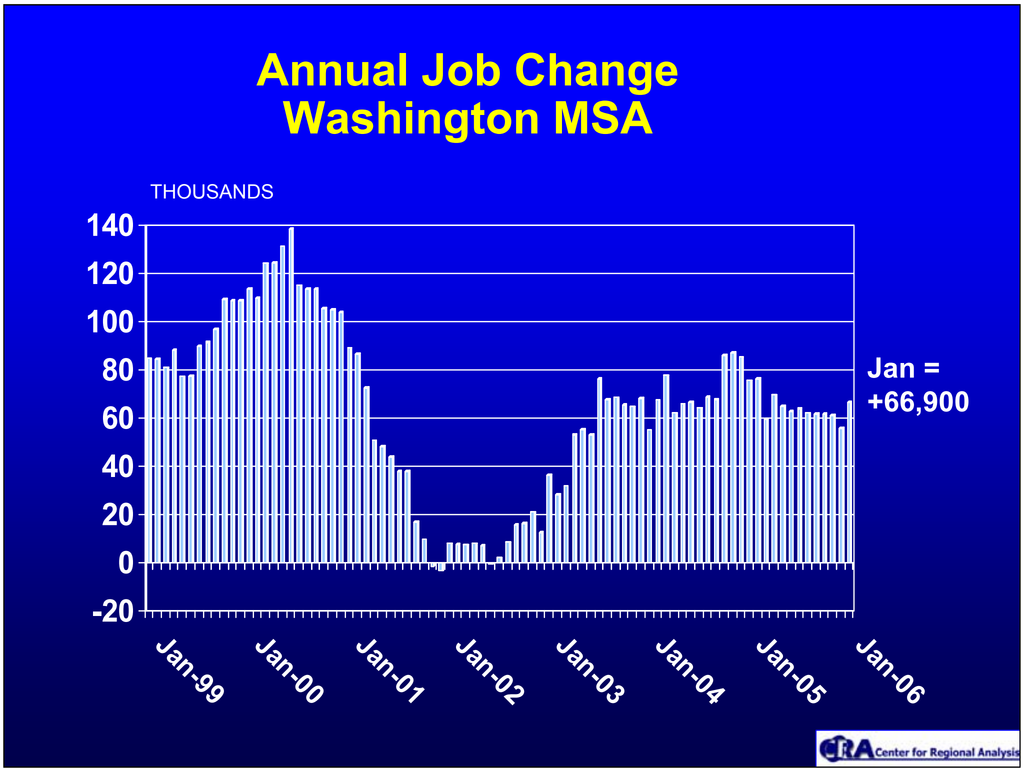
Annual Job Change
Washington MSA
THOUSANDS
140
120
100
80
60
40
20
0
-20
Jan =
+66,900
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Center for Regional Analysis

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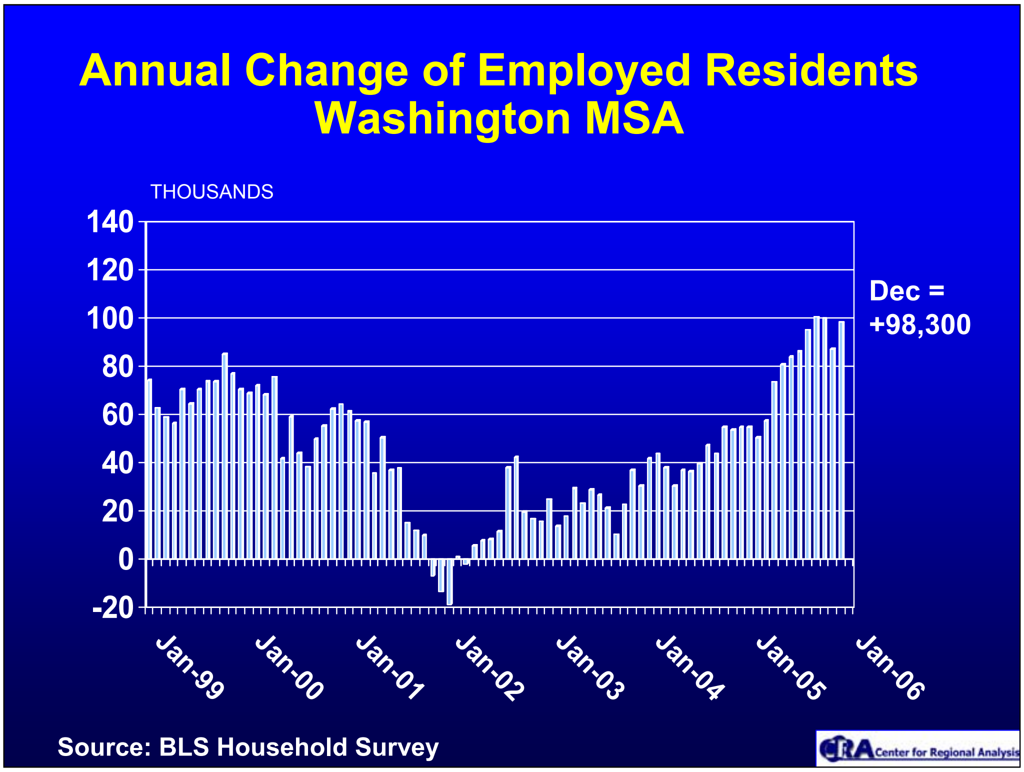

Annual Change of Employed Residents
Washington MSA
THOUSANDS
140
120
100
80
60
40
20
0
-20
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Dec =
+98,300
Source: BLS Household Survey
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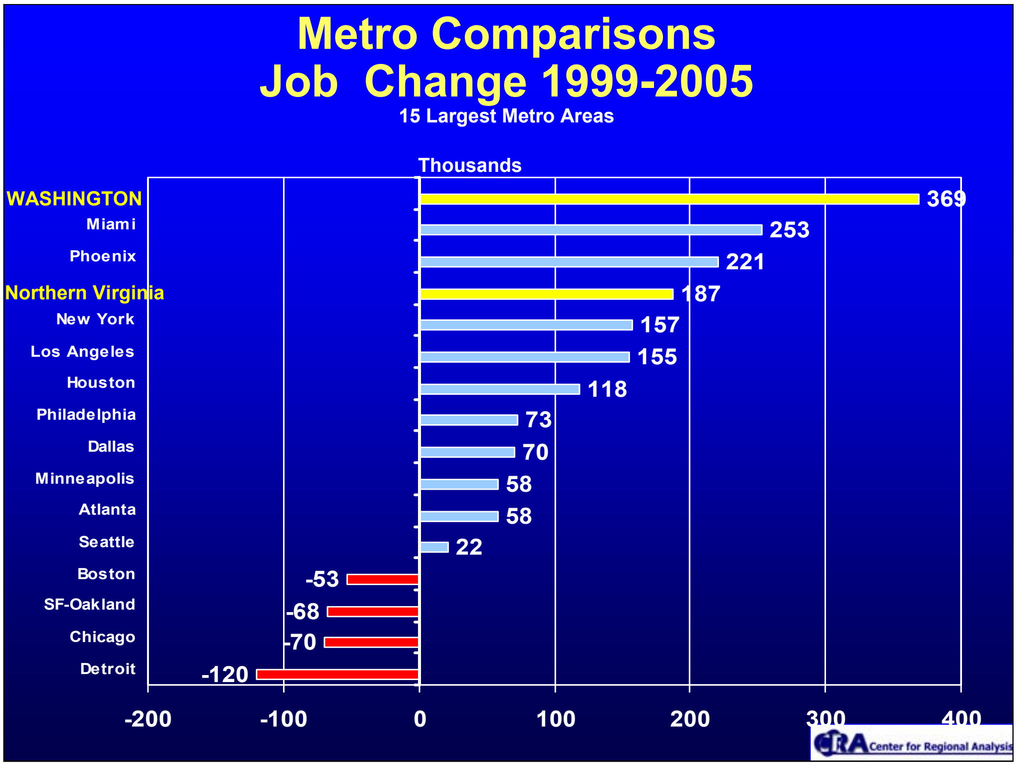
Metro Comparisons
Job Change 1999-2005
15 Largest Metro Areas
Thousands
WASHINGTON 369
Miami 253
Phoenix 221
Northern Virginia 187
New York 157
Los Angeles 155
Houston 118
Philadelphia 73
Dallas 70
Minneapolis 58
Atlanta 58
Seattle 22
Boston -53
SF-Oakland -68
Chicago -70
Detroit -120
-200
-100
0
100
200
300
400
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15 Largest Job Markets
Job Change in 2005
Thousands
120
100
80
60
40
20
0
-20
Washington +64,700
New York
Los Angeles
Chicago
Philadelphia
Dallas
Boston
Miami
Houston
Atlanta
Detroit
SF-Oakland
Minneapolis
Phoenix
Seattle
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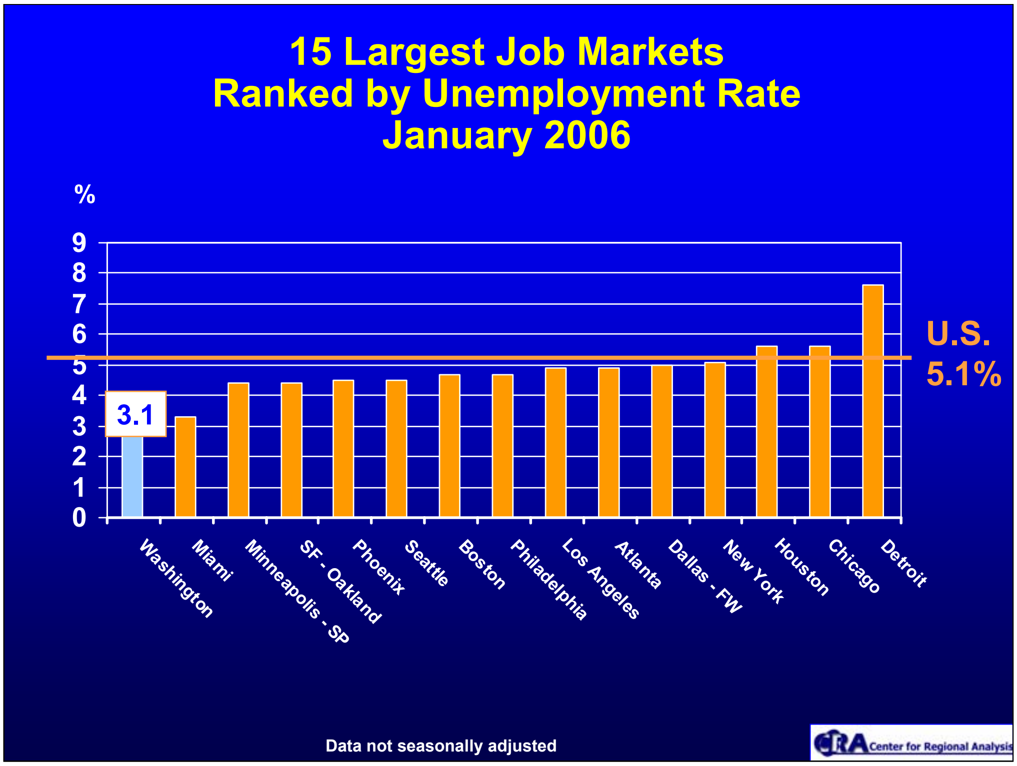
15 Largest Job Markets
Ranked by Unemployment Rate
January 2006
%
9
8
7
6
5
4
3
2
1
0
3.1
U.S.
5.1%
Washington
Miami
Minneapolis - SP
SF - Oakland
Phoenix
Seattle
Boston
Philadelphia
Los Angeles
Atlanta
Dallas - FW
New York
Houston
Chicago
Detroit
Data not seasonally adjusted
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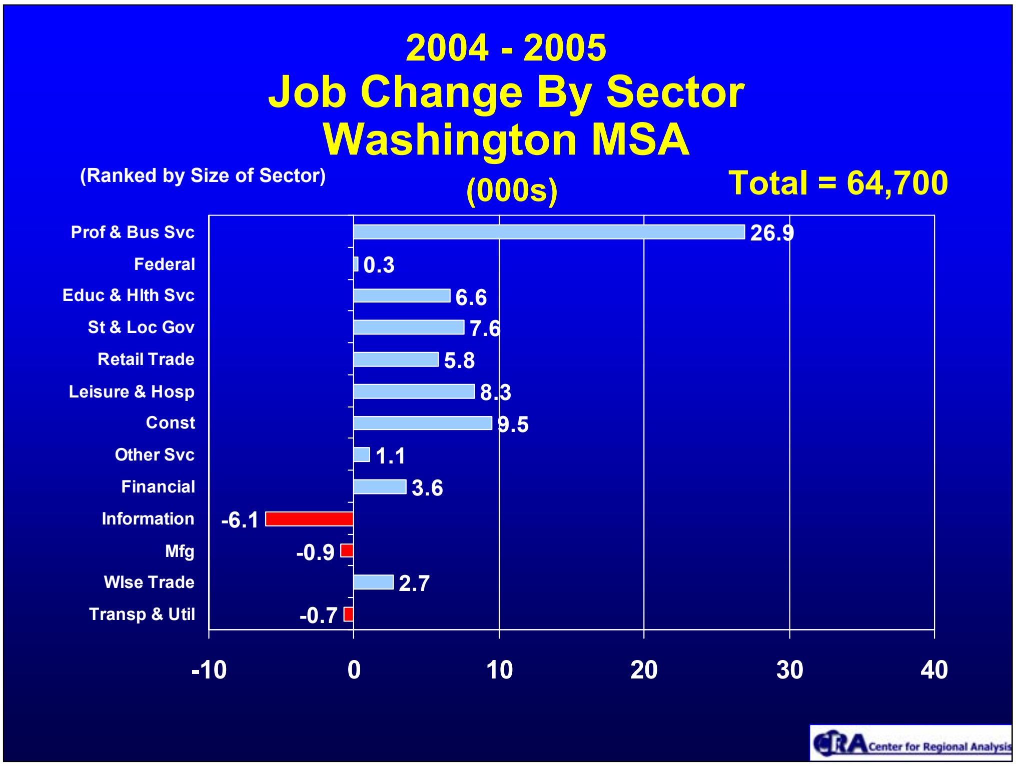
2004 - 2005
Job Change By Sector
Washington MSA
(Ranked by Size of Sector)
(000s)
Total = 64,700
Prof & Bus Svc 26.9
Federal 0.3
Educ & Hlth Svc 6.6
St & Loc Gov 7.6
Retail Trade 5.8
Leisure & Hosp 8.3
Const 9.5
Other Svc 1.1
Financial 3.6
Information -6.1
Mfg -0.9
Wlse Trade 2.7
Transp & Util -0.7
-10
0
10
20
30
40
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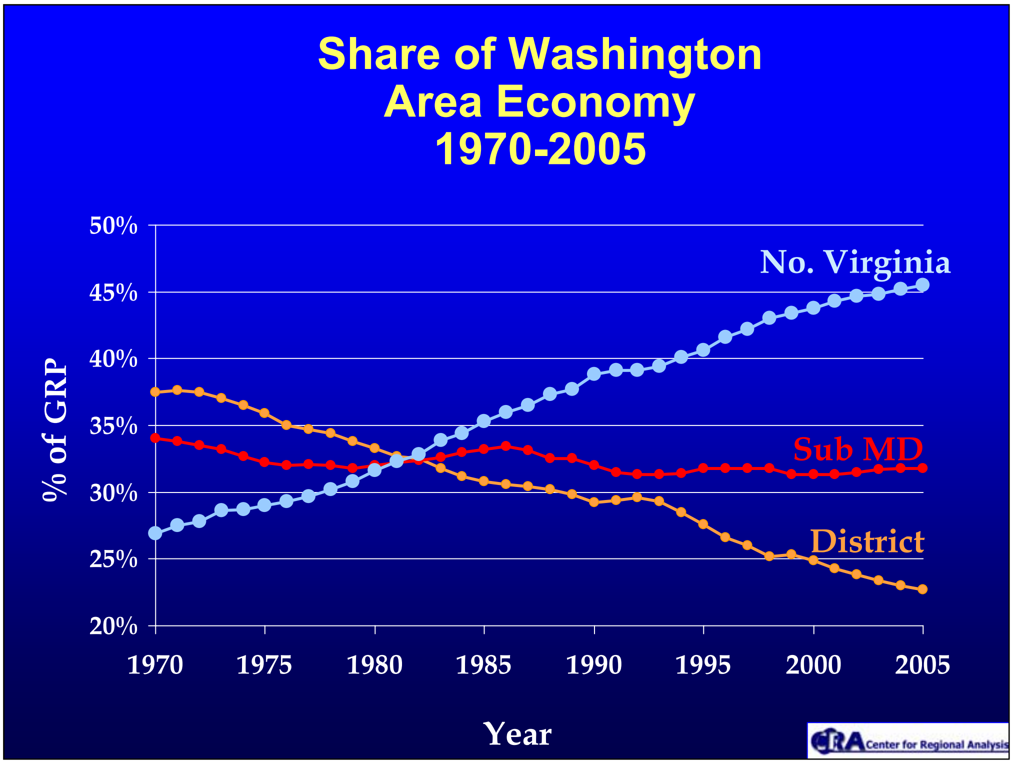
Share of Washington
Area Economy
1970-2005
50%
45%
40%
35%
30%
25%
20%
% of GRP
No. Virginia
Sub MD
District
1970
1975
1980
1985
1990
1995
2000
2005
Year
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What is Different About The Washington Area Economy?

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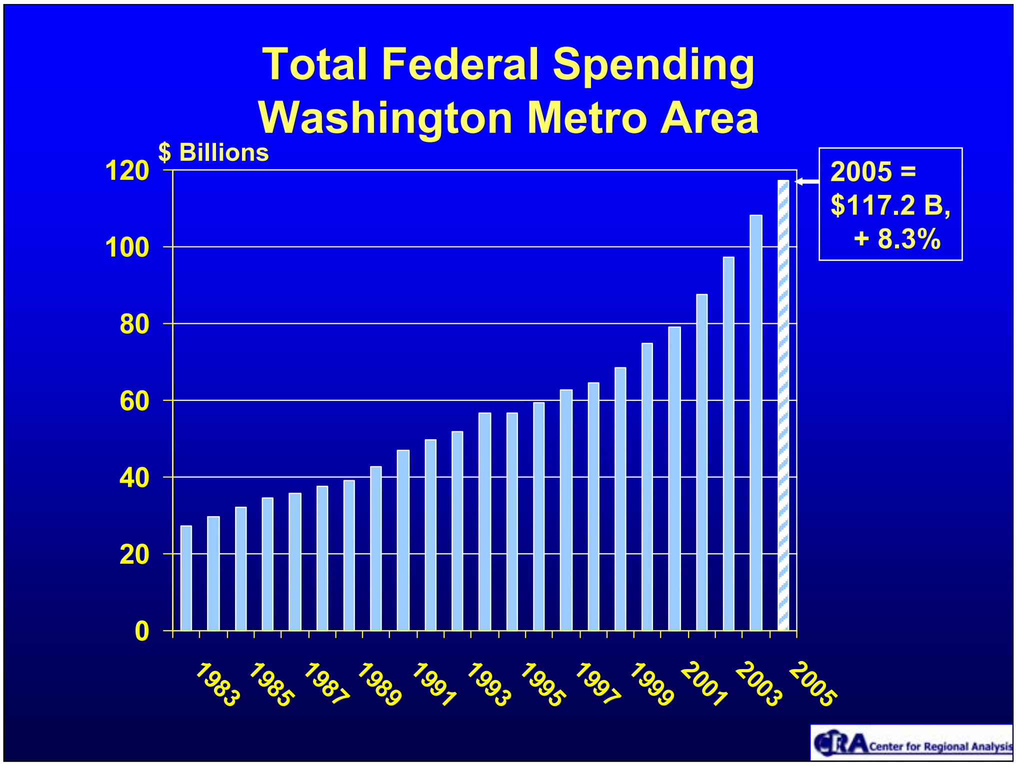
Total Federal Spending
Washington Metro Area
$ Billions
120
100
80
60
40
20
0
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2005 =
$117.2 B,
+ 8.3%
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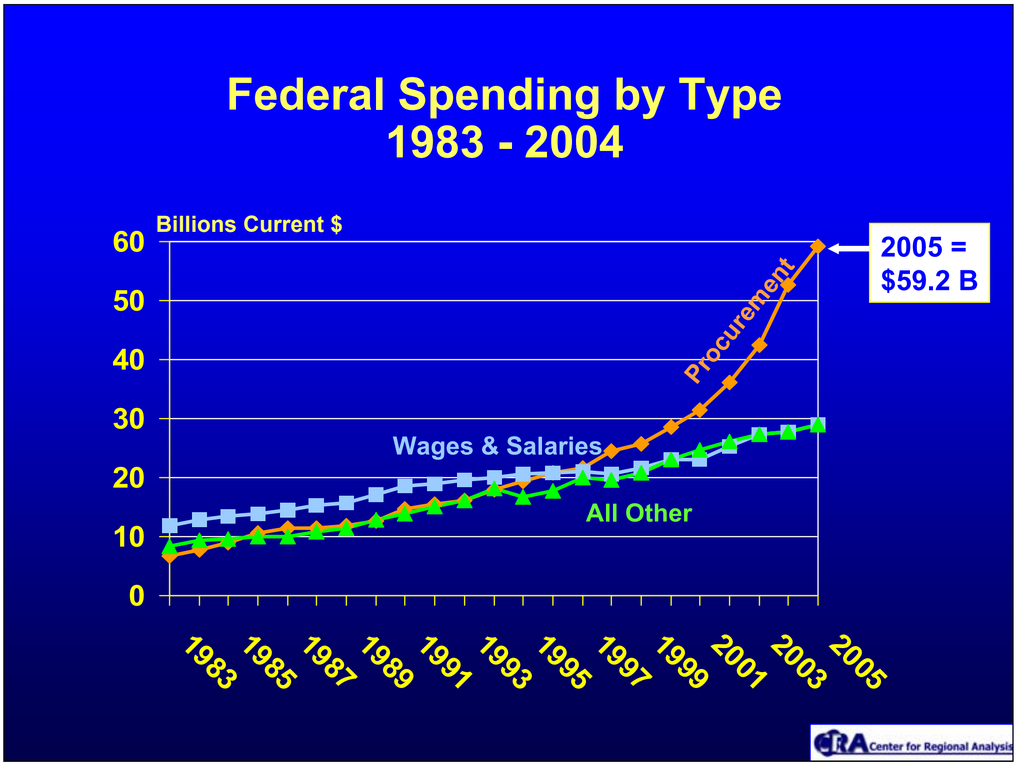
Federal Spending by Type
1983 - 2004
Billions Current $
60
50
40
30
20
10
0
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
Procurement
Wages & Salaries
All Other
2005 =
$59.2 B
Center for Regional Analysis

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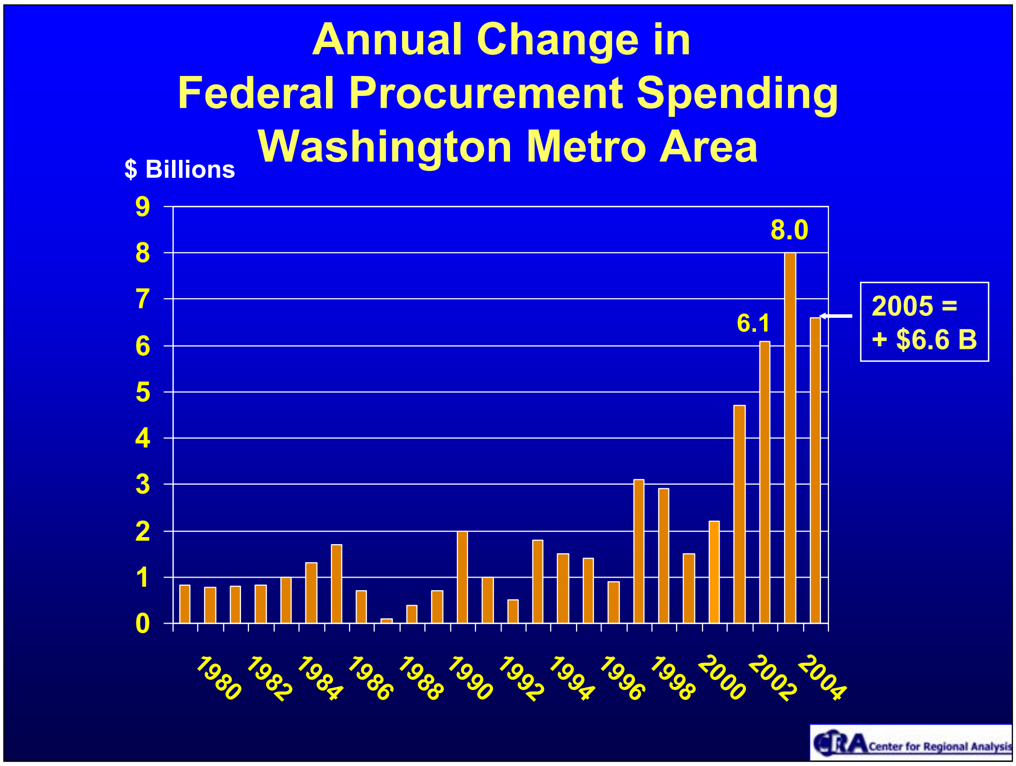
Annual Change in
Federal Procurement Spending
Washington Metro Area
$ Billions
9
8
7
6
5
4
3
2
1
0
8.0
6.1
2005 =
+ $6.6 B
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
Center for Regional Analysis

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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

Source: US Census, GMU Center for Regional Analysis

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The Washington Area Housing Market

So, given these dire speculations, examples and experiences – do they have any relevance to the Washington area housing market outlook in 2006?

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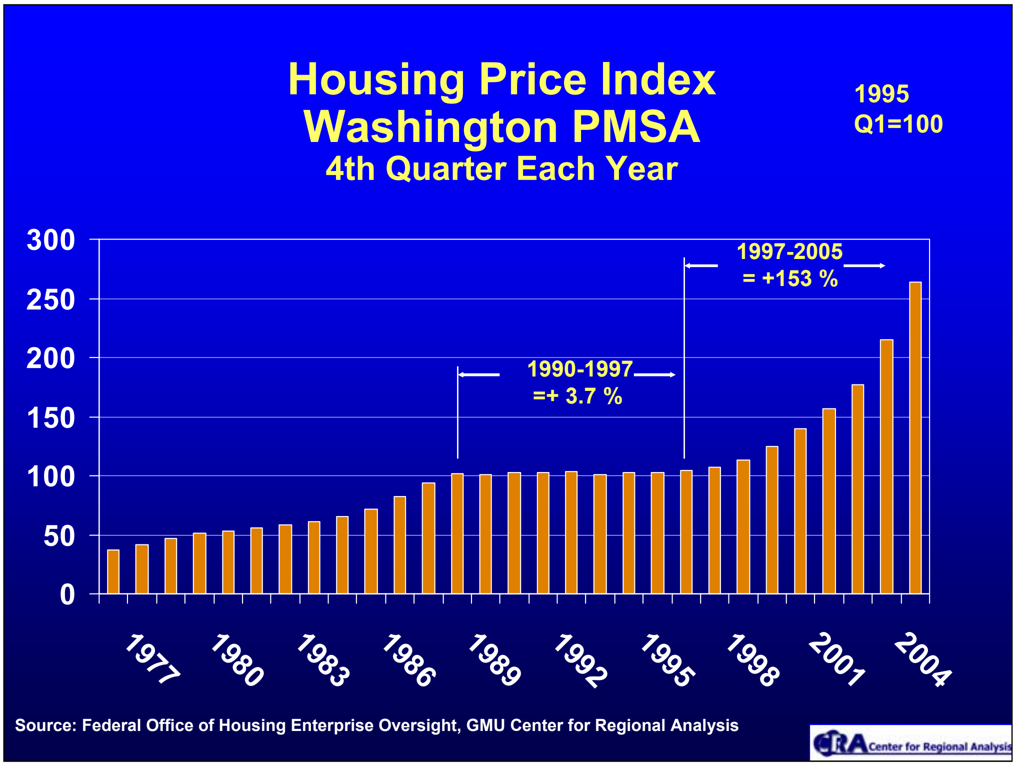

Market flat in 90-97, and up 143% since.

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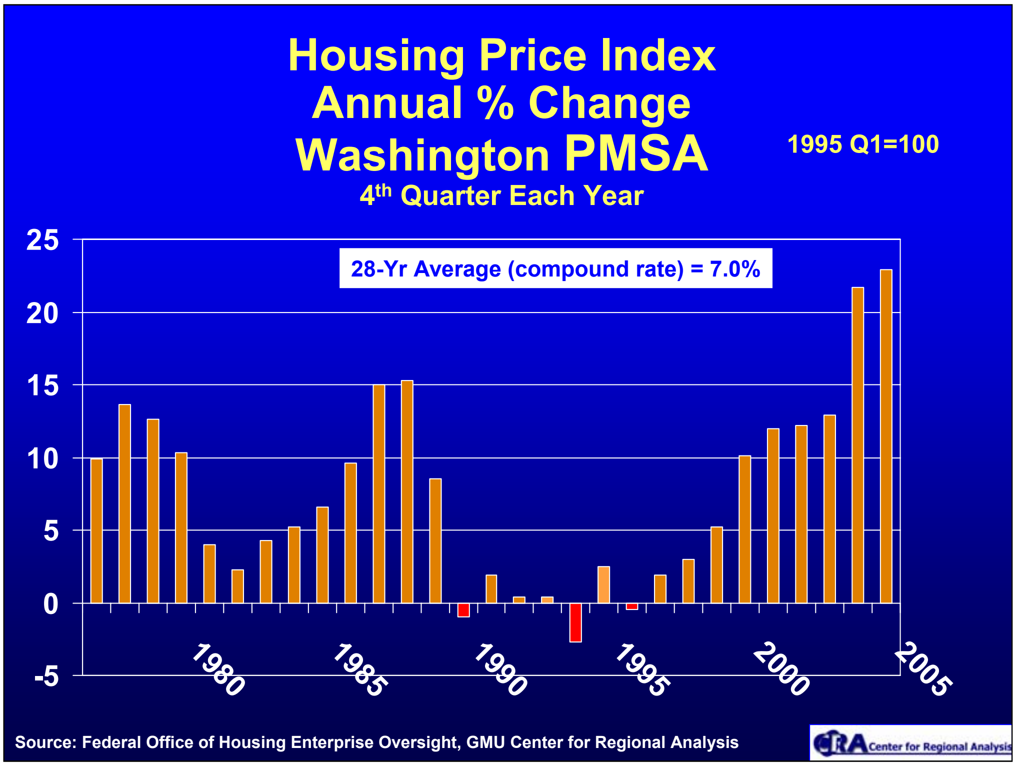

We experienced slight declines in 3 of those early 90's years, but the largest was – 1.3% in 1993. Note that over the long term, the last 27 years, the housing price index has increased at an average of almost 7% per year – that's a price increase we should keep in mind as we think about what is "normal".

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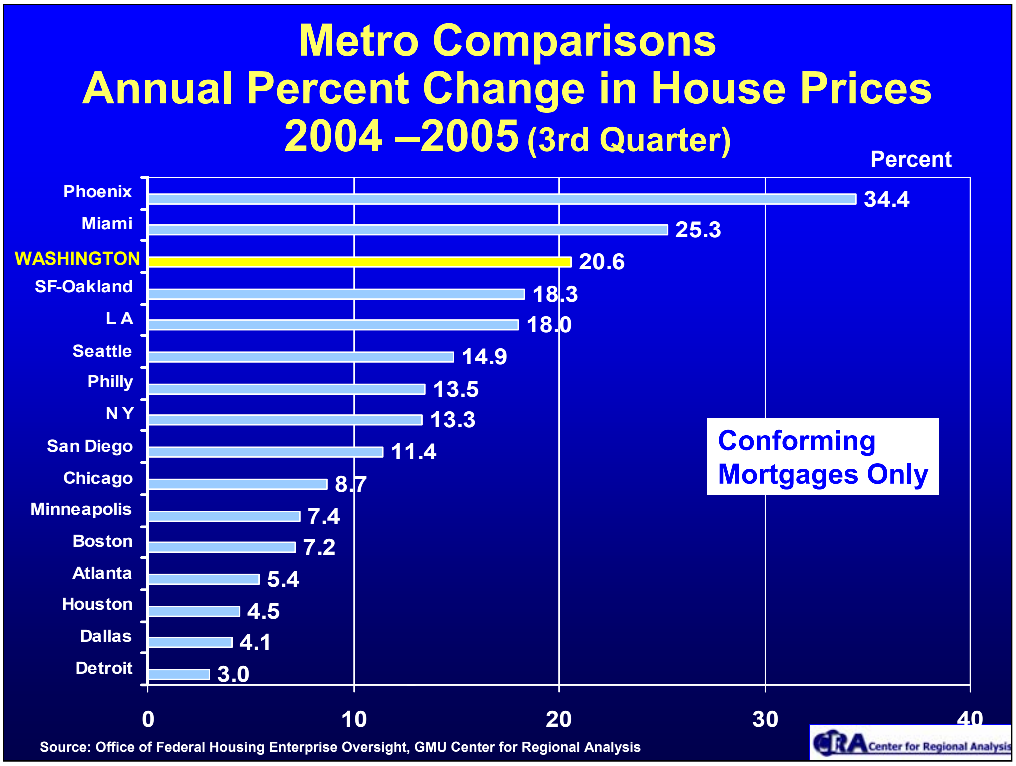

Steve showed the slide of job changes in the top 15 markets – well over the last year Washington has had the 3rd highest increase, topped only by Miami and phoenix. (Note San Diego here is an increase of 11% from 04-05, and it increased 28% from 03-04 – a significant drop but not negative.)

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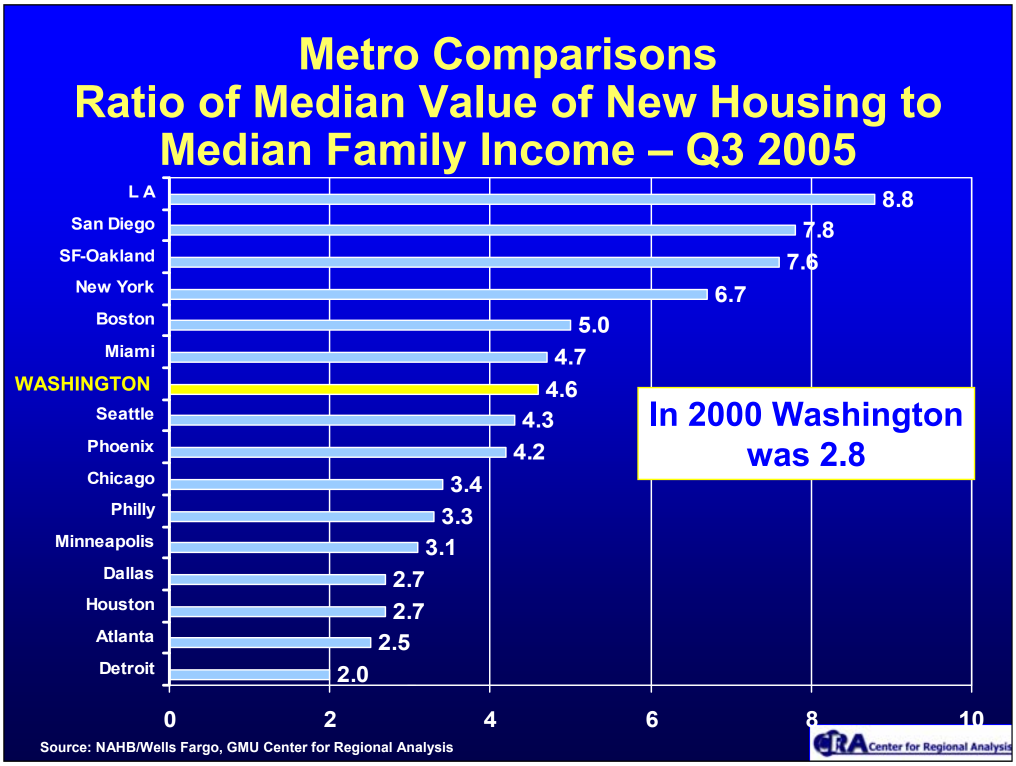

One question we have to ask concerns affordability. As noted, we have gone from MVH/income ratio of 2.8 in 2000 to 4.3 in 2005. A significant increase, but we are still more affordable than the West Coast, New York, Boston, and Miami.

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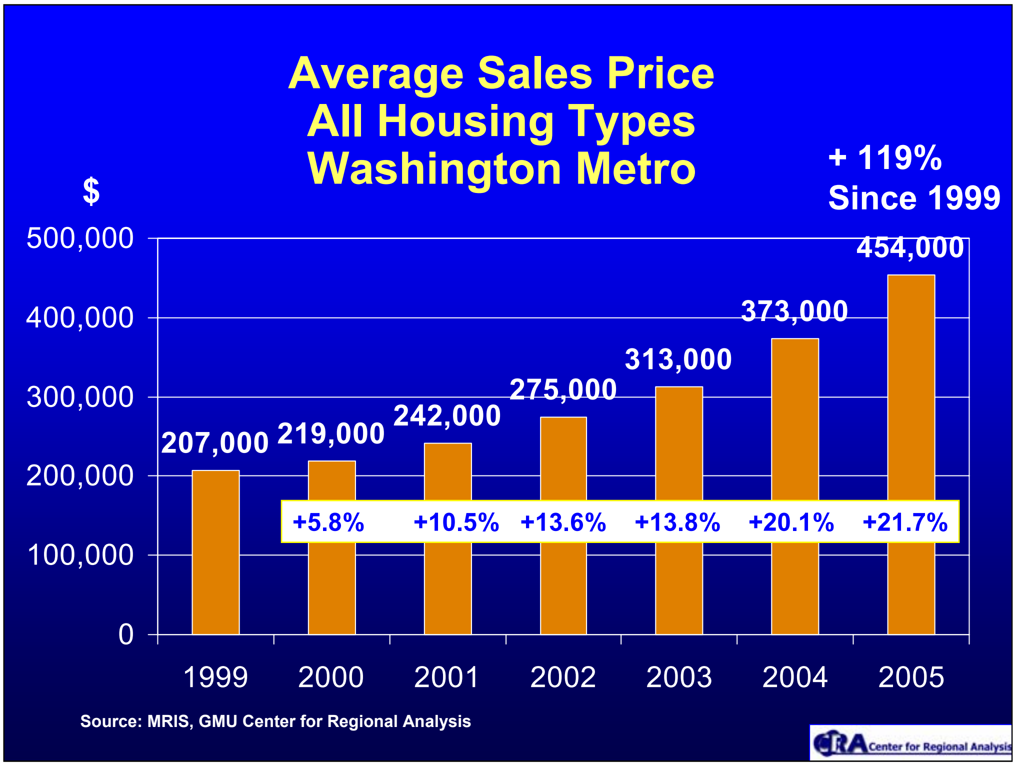

Here is what has happened in average prices in the metro area since 99.

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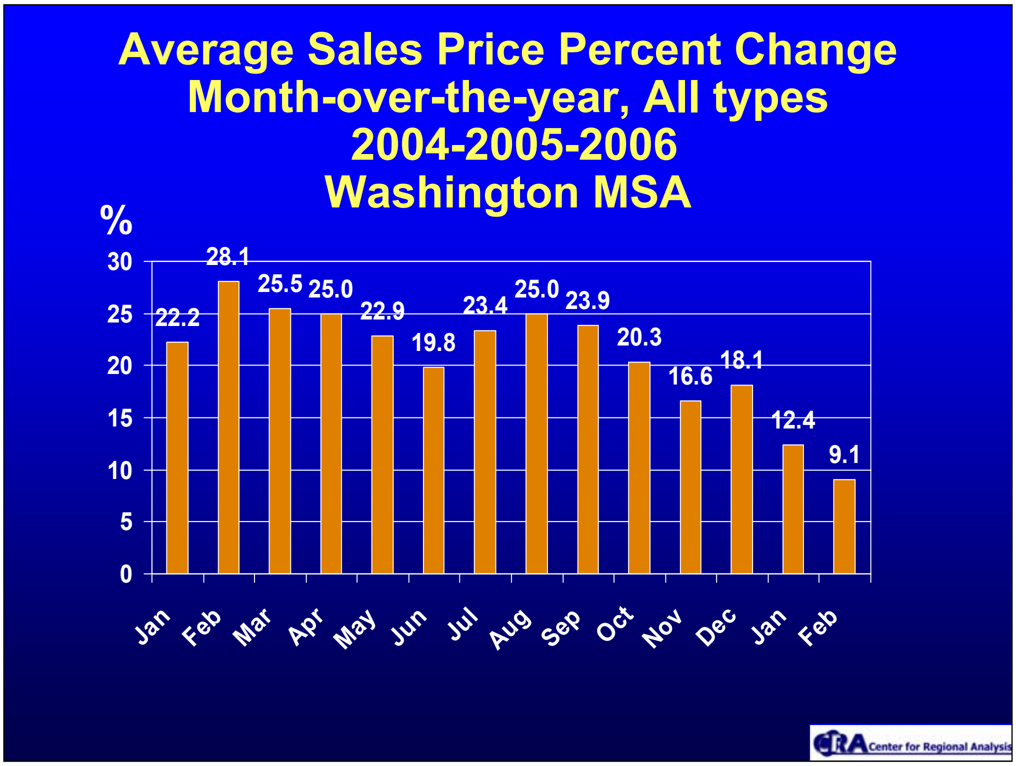

To look more closely, here is the same month in 04 compared to 05. Largest % increase was in February…a drop in June then back into the mid 20%s, and since August has been dropping. Preliminary December data for 05 has a price increase of approximately 19% over 04. So prices continue to rise, but not quite as fast.

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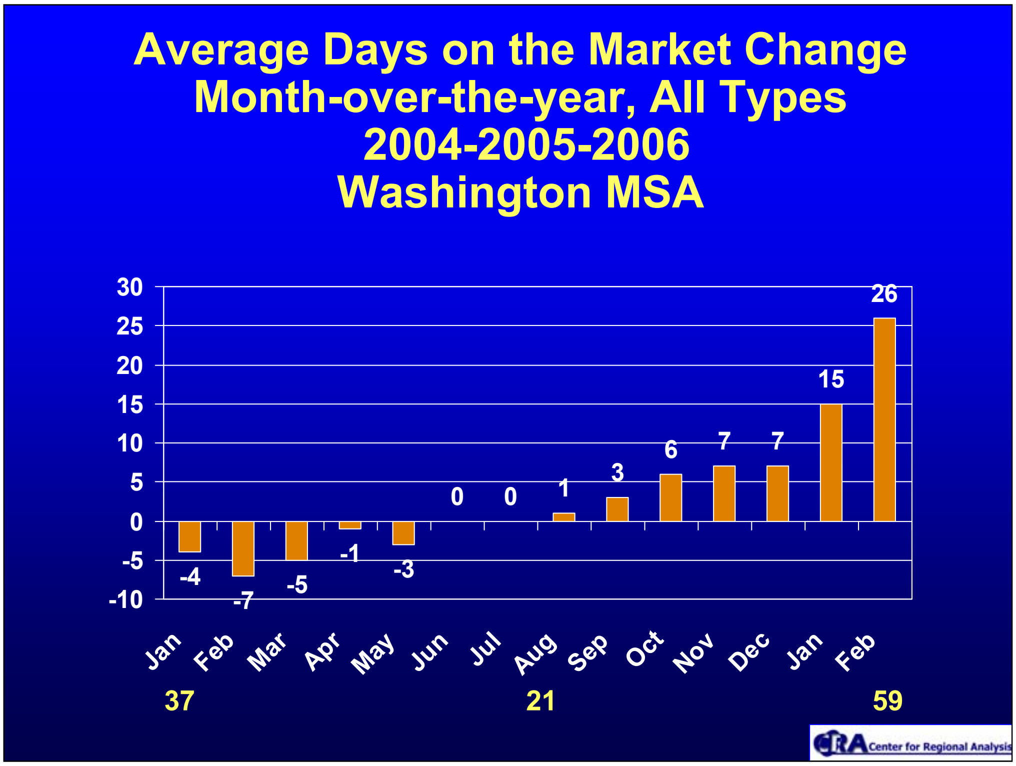

And days on the market is going up

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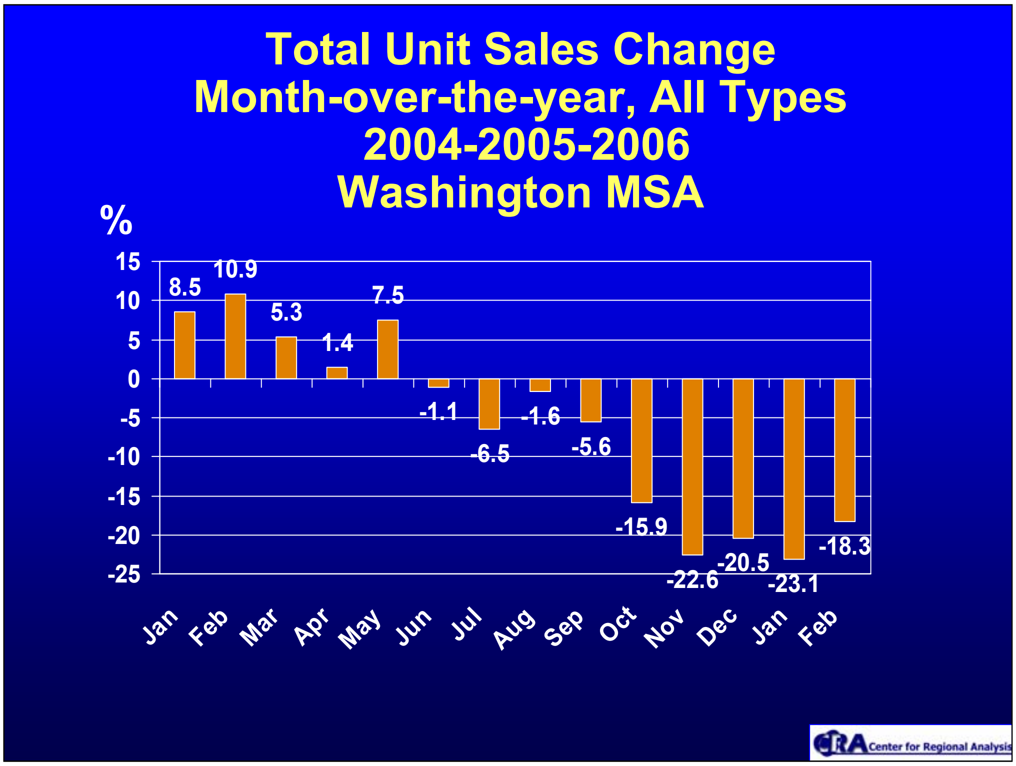

Sales, however, are dropping significantly…(Dec preliminary is – 26% from 2004)

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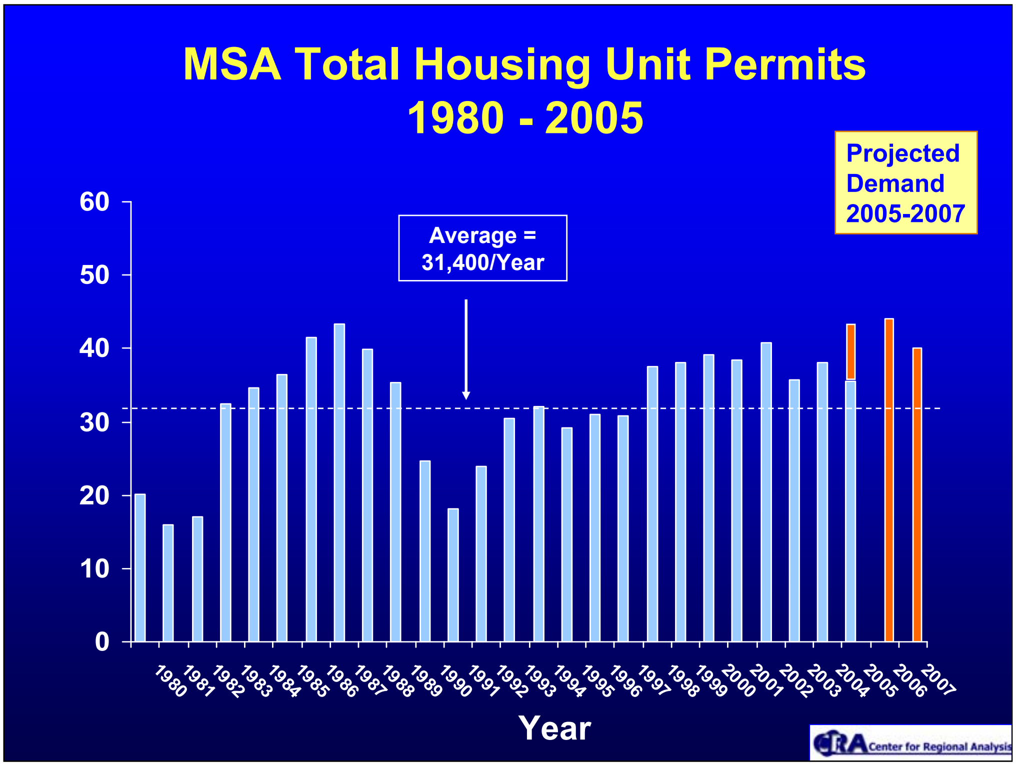

And if we compare that need to historical supply, we have only come close to producing that many units in a handful of years over the last 2 ½ decades.

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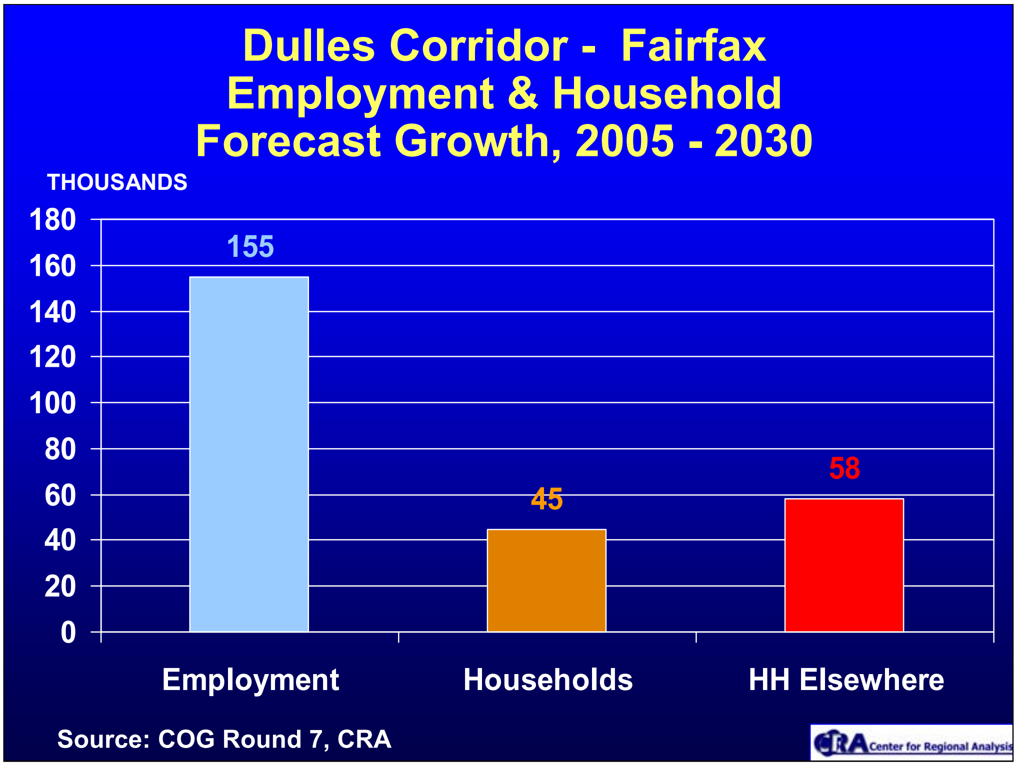
Dulles Corridor - Fairfax
Employment & Household
Forecast Growth, 2005 - 2030
THOUSANDS
180
160
140
120
100
80
60
40
20
0
155
45
58
Employment
Households
HH Elsewhere
Source: COG Round 7, CRA
CRA Center for Regional Analysis

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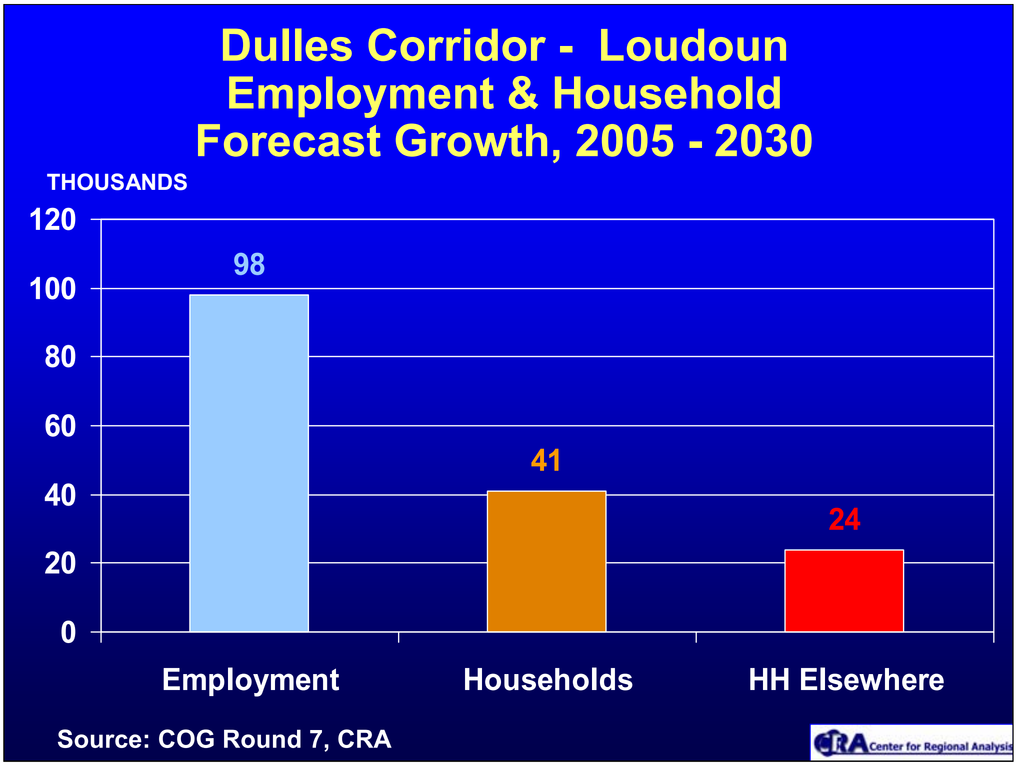
Dulles Corridor - Loudoun
Employment & Household
Forecast Growth, 2005 - 2030
THOUSANDS
120
100
80
60
40
20
0
98
41
24
Employment
Households
HH Elsewhere
Source: COG Round 7, CRA
Center for Regional Analysis

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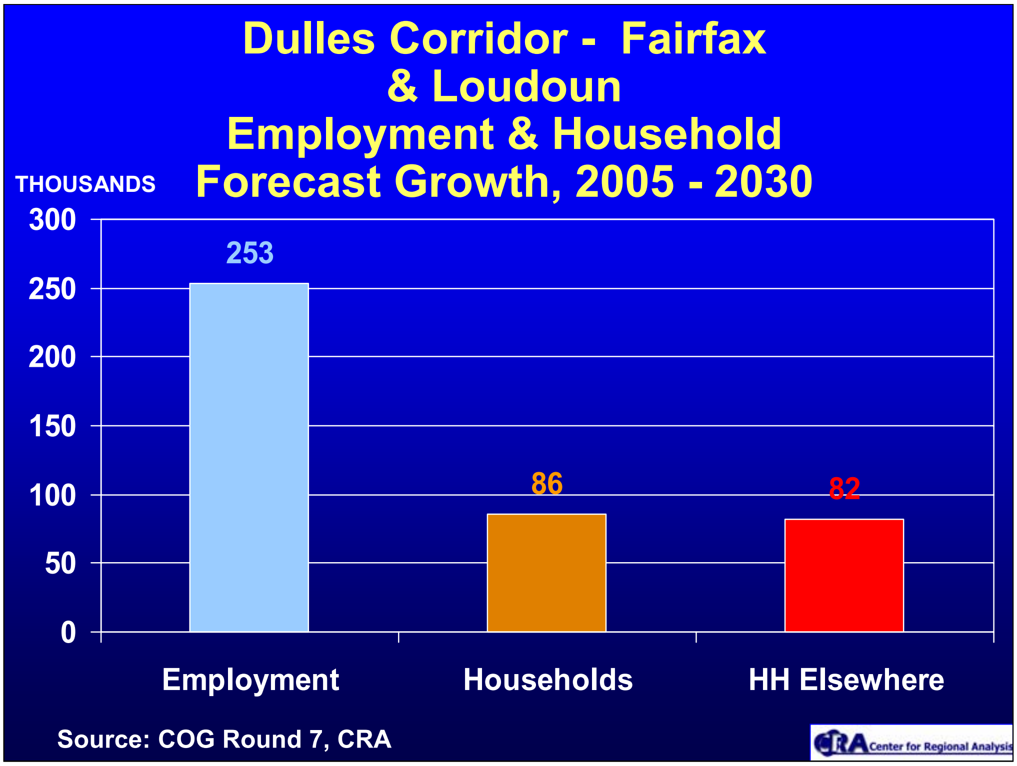
Dulles Corridor - Fairfax & Loudoun
Employment & Household Forecast Growth, 2005 - 2030
THOUSANDS
300
250
200
150
100
50
0
253
86
82
Employment
Households
HH Elsewhere
Source: COG Round 7, CRA
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Looking Ahead

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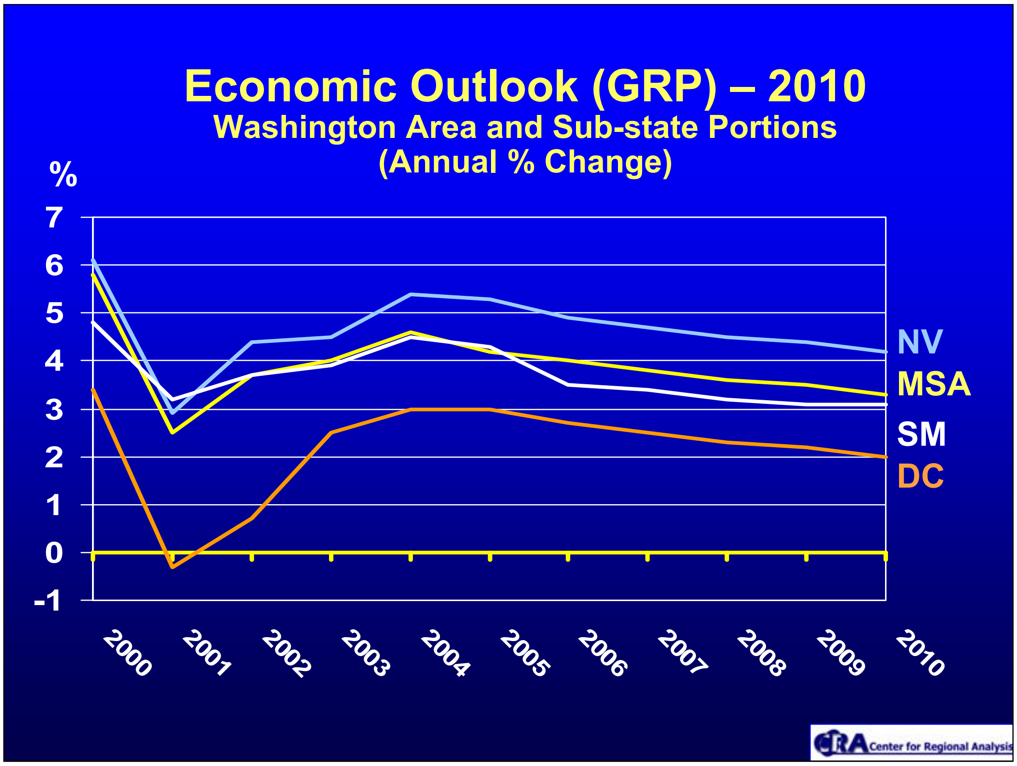
Economic Outlook (GRP) – 2010
Washington Area and Sub-state Portions
(Annual % Change)
%
7
6
5
4
3
2
1
0
-1
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
NV
MSA
SM
DC
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Employment Change by Sub-state Region (000s)

	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

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Housing Outlook for 2006 and 2007

Market will continue to cool – returning to "more Normal':

- 2006 Prices will increase in the range of 6% – 12% compared with 20+% in 2005
- Sales volume will drop back to 2002-2003 levels (98-100,000 transactions)
- Days on Market rising to 45-55 average

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Local Threats
to the Forecast

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Local 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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