



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

March 31, 2015

Honorable County Executive, and
Members of the Montgomery County Council

Ladies and Gentlemen:

I am pleased to present the findings of the Sixteenth Annual Business Advisory Panel that was convened on February 25, 2015. The enclosed report was prepared by the County's Department of Finance pursuant to Article XI, Section 20-61 of the Montgomery County Code.

The report consists of a summary of the panel's advice, a list of the panelists, the information package that the Department of Finance sent to the panelists in advance of the meeting, and a presentation prepared for the Panel by Dr. Stephen Fuller of the Center for Regional Analysis, George Mason University. The information package includes the agenda for the meeting, concise statements by the Department on the economic outlook, and a framework for discussion.

I believe that the accompanying material accurately reflects the economic advice given by the Business Advisory Panel.

Sincerely,

Joseph F. Beach, Director
Department of Finance

Enclosures

Office of the Director

101 Monroe Street, 15th Floor • Rockville, Maryland 20850 • 240-777-8860 • 240-777-8857 FAX
www.montgomerycountymd.gov

montgomerycountymd.gov/311



301-251-4850 TTY

**FINDINGS OF THE SIXTEENTH ANNUAL
BUSINESS ADVISORY PANEL
FEBRUARY 25, 2015**

Pursuant to Article IX, Section 10-61, of the Montgomery County Code, the Department of Finance (Finance) convened a meeting of the Business Advisory Panel (BAP) on February 25, 2015. The County Council of Montgomery County established the BAP in 1999 to seek the advice of industry experts in key sectors of the County's business community concerning the current and future state of the County's economy. The law requires that the Director of Finance convene the panel annually and relay the panel's advice to the County Executive and County Council. This report provides such advice.

The BAP members representing real estate, finance, bioresearch, health services, and government and trade associations, were joined by the County Executive Isiah Leggett and County Council Vice President and Chair of the Planning, Housing, and Economic Development (PHED) Committee Nancy Floreen.

The meeting was structured to allow all participants to provide a briefing on the local and regional economic trends and to share their insights about future economic prospects in the County. The participants also discussed the Finance's economic assumptions for the next six fiscal years. For purposes of this report, the results of the discussions are presented in two parts. The first part discusses the participants' professional judgments about the County's economy and Finance's economic assumptions. The second section discusses the participants' views of their respective industry sector.

The County Executive chaired the meeting and opened the meeting by stating that the County's economy is in a transition period and the goal of economic development and land use is to build a foundation to put the County in the best position in the future for economic development. He also stated that current challenges include the pending decision by the U.S. Supreme Court (SCOTUS) on the Wynne income tax case and the uncertainties regarding State Aid and other potential legislative changes made by the new Governor and General Assembly in Annapolis. The County is currently working through a period of uncertainty.

I. Current Economic Conditions and Future Economic Assumptions

Finance staff asked the participants to provide comments to a paper prepared by staff that analyzed the County's economy and provided assumptions about the economic outlook for the next six years. The paper analyzed a number of economic indicators including employment, personal income, real estate, inflation, construction, and interest rates. A detailed report on the economic assumptions follows these findings. Summary of those assumptions are:

- Payroll employment will continue to increase from CY2014 to CY2021 and grow at an average annual rate of 1.0 percent over that period,
- Resident employment is expected to increase at an average annual rate of 1.1 percent from CY2014 to CY2021,
- Total personal income in Montgomery County will grow at an average annual rate of 3.8 percent from CY2013 to CY2021. By CY2021, Finance assumes that total personal income will reach \$99.9 billion,
- The regional inflation index will gradually increase from 1.64 percent in CY2014 to 1.80 percent in CY2015, 2.15 percent in CY2016, then gradually accelerate to 3.30 percent by CY2021, and
- The County will earn an average of less than 0.17 percent in investment income on its short-term portfolio for fiscal year (FY) 2015 with increases to 0.65 percent in FY2016 and 1.25 percent in FY2017.

The participants did not recommend any changes to the assumptions. Because of the current federal budget sequestration, and potential effect of sequestration on the regional economy, a majority of the discussion by the participants focused on the outlook for the region's economy.

Please note: On March 20 and subsequent to the meeting of the Business Advisory Panel, the Maryland Department of Labor, Licensing and Regulation and the Bureau of Labor Statistics (BLS), U.S. Department of Labor, released the revised employment data (household survey) for Montgomery County for calendar years 2005 through 2014. Finance estimated the annual employment data and unemployment rates based on a twelve-month annual average. The results show that employment from the household survey declined from 507,370 in 2013 to 507,172 (↓0.04%) while the unemployment rate declined from 5.1 percent in 2013 to 4.5 percent in 2014.

Washington Region Economy

According to the Center for Regional Analysis (CRA), George Mason University, and the Bureau of Economic Analysis (BEA), U.S. Department of Commerce, the gross regional production declined 0.8 percent in calendar year 2013 while the national economy grew 2.2 percent. Federal sequestration has had an effect on the region's economy based on a number of factors. According to CRA, federal procurement declined from its peak of over \$80 billion in fiscal year 2010 to \$71.2 billion in fiscal year 2014, and there are 21,800 fewer federal jobs since its peak in July 2010, while federal payroll declined by \$2.4 billion (↓5.7%) between FY2010 and FY2014.

Eight out of eleven private sector industries added jobs between December 2013 and December 2014. The largest growth occurred in professional business services (+3,000), retail trade (+4,000), leisure and hospitality (+8,000), construction (+4,000), and financial (+3,000). Of the remaining three private sector industries that lost jobs during the past year, information experienced the greatest loss of 3,000 jobs, while manufacturing, and transportation and utilities lost a total of between 1,000 and 2,000

jobs. Education and Health Services experienced little growth over that twelve-month period.

According to CRA, the five principal sources of job growth between 2014 and 2019 and value added per jobs to the gross regional product from 2014 to 2019 are professional and business services (48.3% share of total job growth), construction (20.5% share), education and health (12.1% share), hospitality services (11.4% share), and state and local government (8.5% share). However, the value added per jobs varies among the five sectors. For example, professional and business services are estimated to add an average value of \$157,969 per job while hospitality services adds only \$51,110 average value per jobs. CRA estimates there has been a shift from high-wage jobs to low-wage jobs from 2008 to 2014. From August 2008 to December 2014, wage jobs with an average contribution of \$156,199 to GRP declined by 177,700 while wage jobs with an average contribution of \$113,382 increased by nearly 244,000. The effect on the change in jobs growth and average value contribution to GRP amounted to a loss of \$813.4 million in gross regional product.

According to data provided by CRA for suburban Maryland, job growth between December 2013 and December 2014, occurred in three of the thirteen sectors - professional and business services, education and health services, and state and local government. Of those sectors, there were 7,000 jobs added to the suburban Maryland economy over the past year ending in December 2014. Of the ten remaining sectors – construction, retail trade, information, and manufacturing experienced job losses while the federal government, leisure and hospitality, financial, wholesale trade, transportation and utilities, and other service experienced little change in employment.

Overall, employment in the Suburban Maryland region led by construction should increase by an average growth of nearly 16,500 jobs per year between 2015 and 2019 with most of that growth occurring between 2016 and 2017 – nearly 18,600 per year.

The theme discussed amongst the panel members was the need to look outside the federal government for growth in employment. The Washington region and Montgomery County must rely less on the federal government and more on the private sector for employment and economic growth. Federal sequestration may be the impetus for the local economies to focus on the private sector as the engine of economic growth.

II. Specific Industry Sectors

Representatives from the Washington regional associations discussed the state of the economy in the Washington metropolitan area and Montgomery County. The representative from the Board of Trade stated that Maryland has two future economic opportunities: the Purple Line and the Port of Baltimore. Compared to other counties in the metropolitan region, Montgomery County experienced only modest economic contraction compared to Northern Virginia specifically Arlington and Fairfax counties. While certain counties in the region were a “drag” on the economy, the region’s economy did not contract as much as the rest of the country during the great recession, but we have

also not grown as far as the national economy during the recovery period. For the outlook in 2015, the results for this year should be what 2014 was supposed to be.

The second representative discussed the cause of the region's economic slowdown. The first indicator was the \$13 billion decline in federal procurement – a similar point reported by CRA. The region also lost between 5,000 and 10,000 workers each year. The federal sequestration has had a bigger impact on the region's economy (reduction in federal procurement and loss of federal jobs) than the fiscal cliff.

The positive aspects of the region's and the County's economy is that both have the best educated population in the United States. He cited a study by the Brookings Institution which stated that the region has high-value industries, high research and development per employee, the fifth highest density high-value industries, and there are 500,000 employees in high-value industries. Finally, the success of the region's economy is that Washington has world class universities and should market the cyber security innovation not just to the federal government but to other sectors of the economy including those industries outside the metropolitan region.

The representative from the Real Estate Industry stated that the real estate market should be better in 2015 than in 2014. However, that expectation is dependent on the drawdown of the current inventory. There is 25 percent more inventory than last year and growth in home sales will be dependent on job growth. Finally, there need to be improvements/solutions to the transportation system to enable employees to commute to their jobs in reasonable time and cost. Finally, one of the outstanding issues in the County's real estate market is distressed sales.

Representatives from commercial real estate development stated that currently the rents are down and the vacancy rate is up. For example, the vacancy rate among office space is 18 percent along the I-270 corridor. The construction of new office buildings is not the economic engine for the County. Suburban office buildings are converting to residential property. The second challenge is that loans are difficult to obtain and the cost-of-living remains too high for young adults. The second representative mentioned development opportunities in the County: the Purple Line and storm water management and underground utility construction. Secondly, there are opportunities in the County for infill construction projects. Finally both representatives discussed the rapid increase in commercial assessments in the County by the State Department of Assessments and Taxation that they thought was not supported by the underlying property appreciation.

The representative from the Financial Services Sector stated that while business lending in Bethesda has slowed it still remains a vibrant market and the company provides infill financing. The challenge remains in providing workforce housing and such construction should be vertical or multi-unit housing development. Also of concern expressed by the representative is the future of interest rates such that turnover in housing is between five and seven years.

The representative from the Biotechnology Sector discussed the employment situation in that sector. The representative stated that the sector wants to grow jobs but attracting professional staff particularly researchers who are highly compensated and controlling general and administrative costs by biotechnology firms is a challenge. The pharmaceutical industry is doing financially well through strategic sales and good multiples. Secondly, the Affordable Care Act's cost containment provisions mean that new products face greater obstacles to entry into the market because of reimbursements and the emphasis in less value-added products. The industry in the County must become less reliant on the federal government. A theme discussed by the other representatives.

The representative from the Health Care Industry noted two economic factors that are currently affecting the economy: the aging population and pressure on costs. Costs per case and total costs for providing care are restricted by State law such that revenues are capped at 3.85 percent. A new hospital will open in November and is the first for the County in 35 years and a new health center will open in May. Finally, the representative stated that jobs in the health industry offer good career paths and opportunities for certification. The current minimum wage in the industry is \$11.50 per hour.

The representative from the Hotel Industry stated that the industry experienced five consecutive months of significant growth attributed to strong summer demand from tourism. The County cannot compete with National Harbor, and it is unlikely that the County will operate casinos. Therefore, that aspect of the hotel industry presents a challenge to the County. Federal sequestration may still have an effect on the hotel-motel industry in the County because of weak government and business travel. The other point mentioned was that the potential change in the start of the school term will not have an impact on the industry.

Finally, business representatives offered a number of points regarding the local business climate. One representative mentioned that small businesses particularly restaurants, are struggling. The challenge to businesses is the issue of wages that are affecting the small business community. Secondly, the White Flint sector plan focuses mostly on residential development and the rents for the units are very high. The creation of an Ombudsman position to assist in the development process such as zoning ordinances and rules is critical for future development. Another marketing strategy is the fact that two hotel companies, Choice and Marriott, are headquartered in the County. Therefore, there should be a marketing effort to make the County the hotel "center of the universe." Regarding employment by local businesses, companies were affected by the federal sequestration such that some companies closed. Finally, land-use companies are heavily influenced by the U.S. General Services Administration.

III. Conclusion

The representatives expressed cautious optimism regarding the region's and County's economy. While there has been improvement in specific sectors such as residential real estate and growth in small and medium-size businesses, there are challenges as well. Foremost among those challenges is the effect of the federal

sequestration. While the County's economy has been dependent on the federal government, the theme by several of the representatives is to move from the strong dependence on the federal government to greater reliance on the private sector for growth.

Attendees
Business Advisory Panel
February 25, 2015

PARTICIPANTS

Mr. Isiah Leggett
Montgomery County Executive

Ms. Nancy Floreen
Vice President, and
Chair, Planning, Housing, and
Economic Development Committee
Montgomery County Council

Mr. Chuck Bean
Executive Director
Metropolitan Washington Council of Governments

Mr. Bradley Chod, Vice President
General Partner of Real Estate Affiliates
Minkoff Development Corporation

Ms. Annice Cody
President
Holy Cross Health Networks
Holy Cross Hospital

Mr. Paul DesJardin
Director
Community Planning and Services
Metropolitan Washington Council of Governments

Mr. James C. Dinegar
President and Chief Executive Officer
Greater Washington Board of Trade

Mr. Javeed Froozan
Senior Director
Mergers & Acquisitions, Business Development
Emergent Biosolutions

Ms. Georgette Godwin
President and Chief Executive Officer
Montgomery County Chamber of Commerce

Ms. Kelly Groff
President and Chief Executive Officer
Visit Montgomery

Mr. Edward Harrington
Regional President MD/DC
John Marshall Bank

Ms. Ginanne M. Italiano
President and Chief Executive Officer
The Greater Bethesda-Chevy Chase
Chamber of Commerce

Mr. Michael Moran
Chief Executive Officer
Greater Capital Area Association of Realtors

Ms. Lily Qi
Special Projects Manager
Montgomery County
Office of the County Executive

Mr. James A. Soltesz
President and Chief Executive Officer
Soltesz Associates, Inc.

Ms. Sally Sternbach
Acting Director
Montgomery County Department of Economic Development

IN ATTENDANCE

Mr. Joseph Beach
Director
Montgomery County Department of Finance

Mr. Steve Farber
Council Administrator
Montgomery County Council

Mr. Dale Tibbitts
Chief of Staff
Office of Councilmember Elrich

Mr. Robert Hagedoorn
Chief, Division of Fiscal Management
Montgomery County Department of Finance

Mr. Michael Coveyou
Chief, Division of Treasury
Montgomery County Department of Finance

Mr. David Platt
Chief Economist
Montgomery County Department of Finance

MONTGOMERY COUNTY

16TH ANNUAL

BUSINESS ADVISORY PANEL



FEBRUARY 25, 2015

MEETING

WHERE: COUNTY EXECUTIVE'S CONFERENCE ROOM
EXECUTIVE OFFICE BUILDING
2nd FLOOR
101 MONROE STREET
ROCKVILLE, MARYLAND 20850
(240) 777-8877

WHEN: WEDNESDAY, FEBRUARY 25, 2015

AGENDA

9:00 A.M. Welcoming, Mr. Joseph Beach, Director, Department of Finance

9:05 A.M. Opening Remarks by Mr. Isiah Leggett, County Executive

9:20 A.M. Presentation of Department of Finance economic assumptions

9:30 A.M. Presentation by Dr. Stephen Fuller, Center for Regional Analysis,
George Mason University

9:50 A.M. Presentation by Metropolitan Council of Governments

10:00 A.M. Roundtable discussion by participants

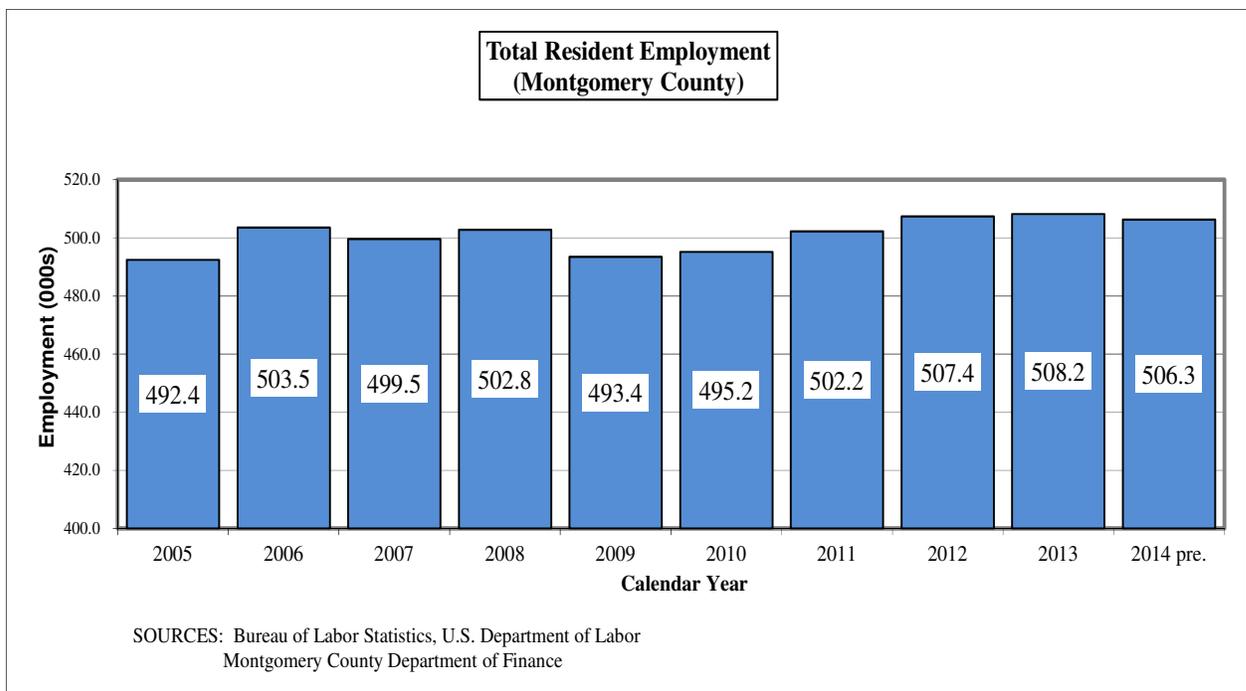
11:30 A.M. Adjournment

ECONOMIC CONDITIONS AND OUTLOOK

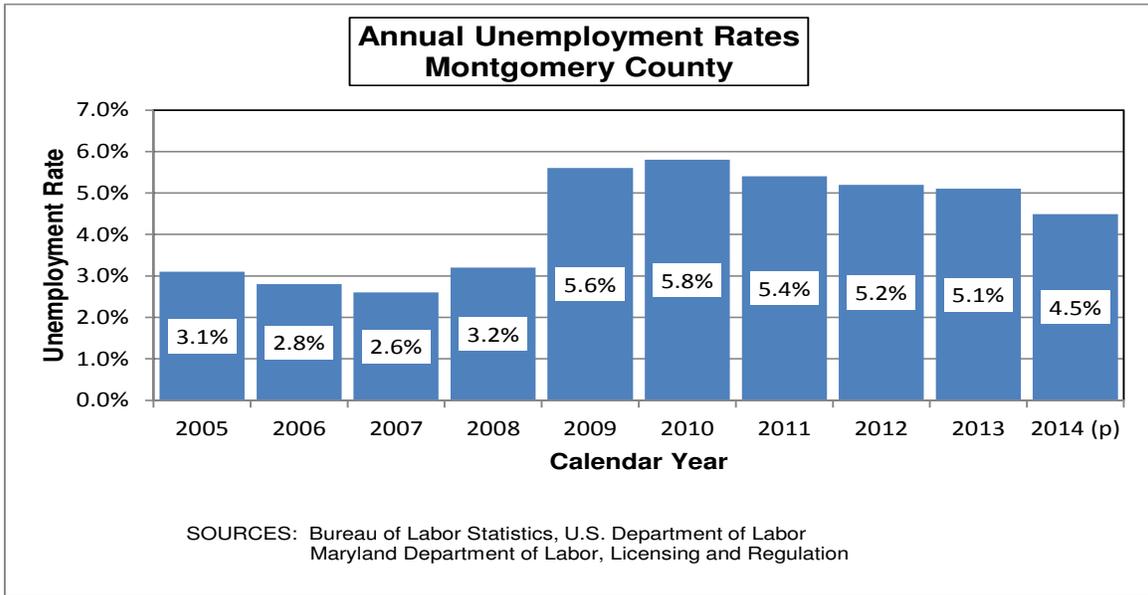
Montgomery County's economy experienced mixed economic performance during 2014. The reasons for a mixed performance include a decline in both residential employment and sales of existing homes, no increase in the *median* sales price for an existing home, a decline in the construction in the number of new residential units, and a decline in the construction of new office and bank buildings. However, offsetting those declines, the County experienced an increase in the *average* sales price for an existing home and a decline in the unemployment rate.

Employment Situation

Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, resident employment (labor force series and not seasonally adjusted) in 2014 decreased by nearly 1,920 from 2013 (↓0.38%).

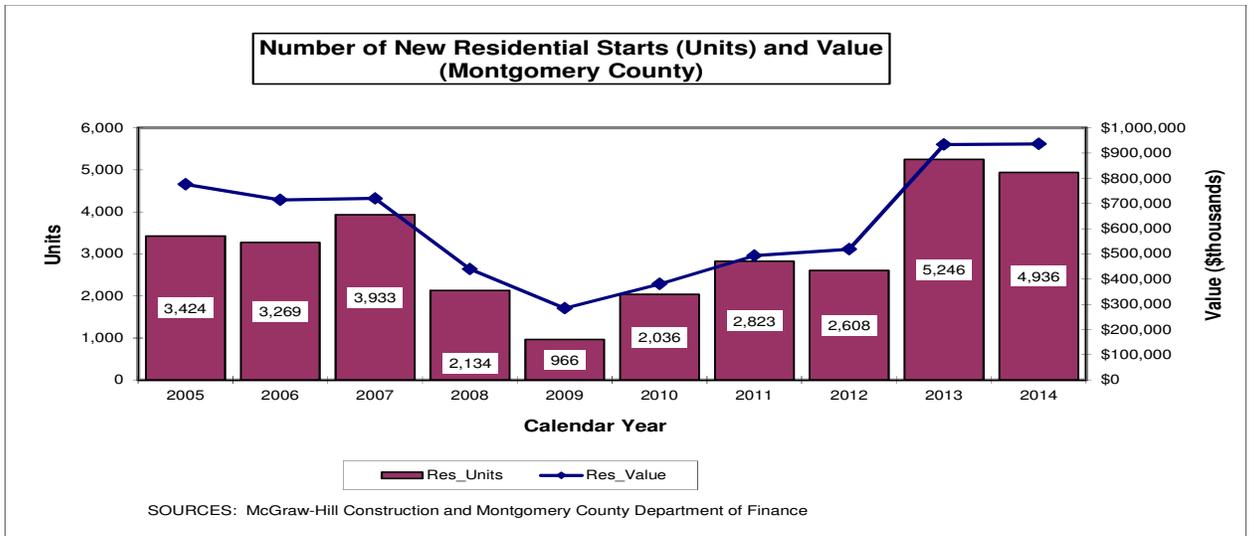


The County's unemployment rate declined to 4.5 percent compared to 5.1 percent in 2013 and is at the lowest level in six years. However, the decline in the unemployment rate does not necessarily reflect a strengthening labor market but is more attributable to a larger percentage decline in the labor force (↓0.97%) than in resident employment (↓0.38%).



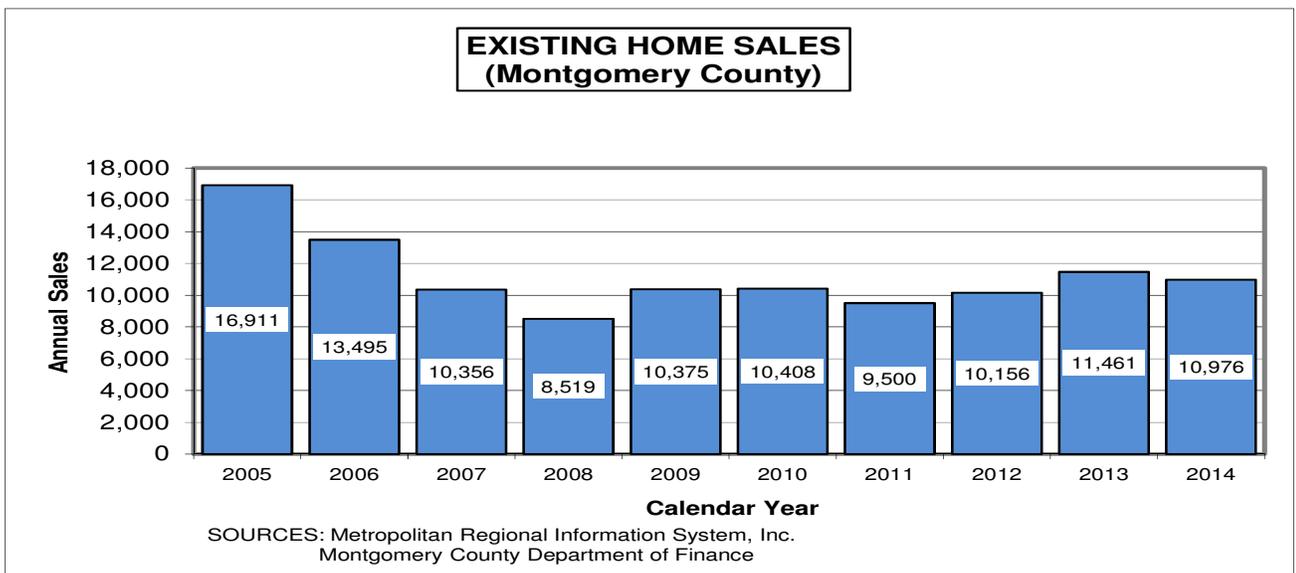
Construction Activity

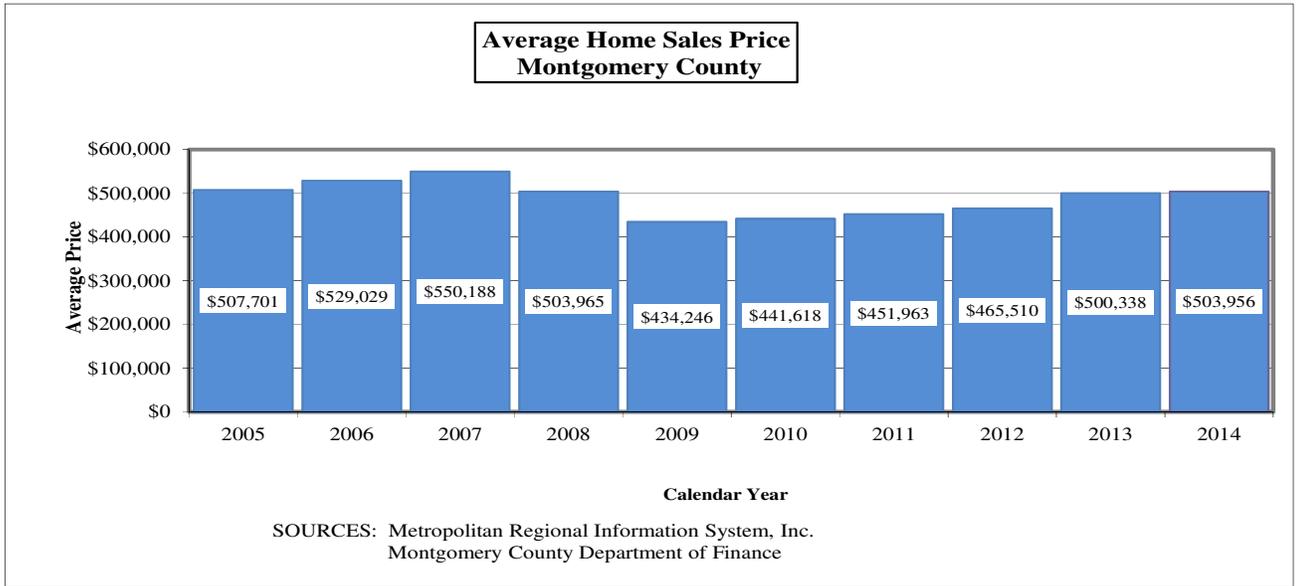
After experiencing an increase of over 100 percent in 2013, the construction of new residential units declined 5.9 percent in 2014. Even with that decline, the number of new residential units constructed in 2014 was the second highest number in ten years. The decrease was attributed to a drop in construction of single-family homes ($\downarrow 10.8\%$) and multi-family units ($\downarrow 3.7\%$). Total value added increased slightly from a total of \$933.7 million in 2013 to \$935.9 million in 2014 ($\uparrow 0.2\%$). While the number of non-residential construction projects increased from 104 projects in 2013 to 152 in 2014 ($\uparrow 46.2\%$), the total value added decreased from \$829.3 million to \$456.7 million ($\downarrow 44.9\%$). The difference between the growth in the number of projects and the decline in value added is attributed to the decline in the amount of square footage for the construction of office and bank buildings from 1.735 million square feet in 2013 to less than 0.3 million square feet in 2014 and a decline in value added from \$182.2 million to \$52.1 million in 2014 ($\downarrow 72.1\%$).



Residential Real Estate

During calendar year 2014, existing home sales decreased 4.2 percent from 2013. Average sales prices for existing homes increased 0.7 percent in 2014 – the fifth consecutive annual increase since the 2008 real estate recession - but the median sales price did not change and remained at \$400,000 in 2014. Even with low mortgage rates, the real estate market in the County was weak with declining home sales and weak price increases. Such a weakness can be attributed to the weak employment situation during 2014 when resident employment declined 0.38 percent. Unless the employment outlook improves in the County, home sales will likely remain weak. Another factor is that the number of new listings for home sales, a measure of inventory-to-sales ratio, has remained at or below three-months of sales. At that level, average or median sales prices should increase at a greater rate than experienced in 2014.





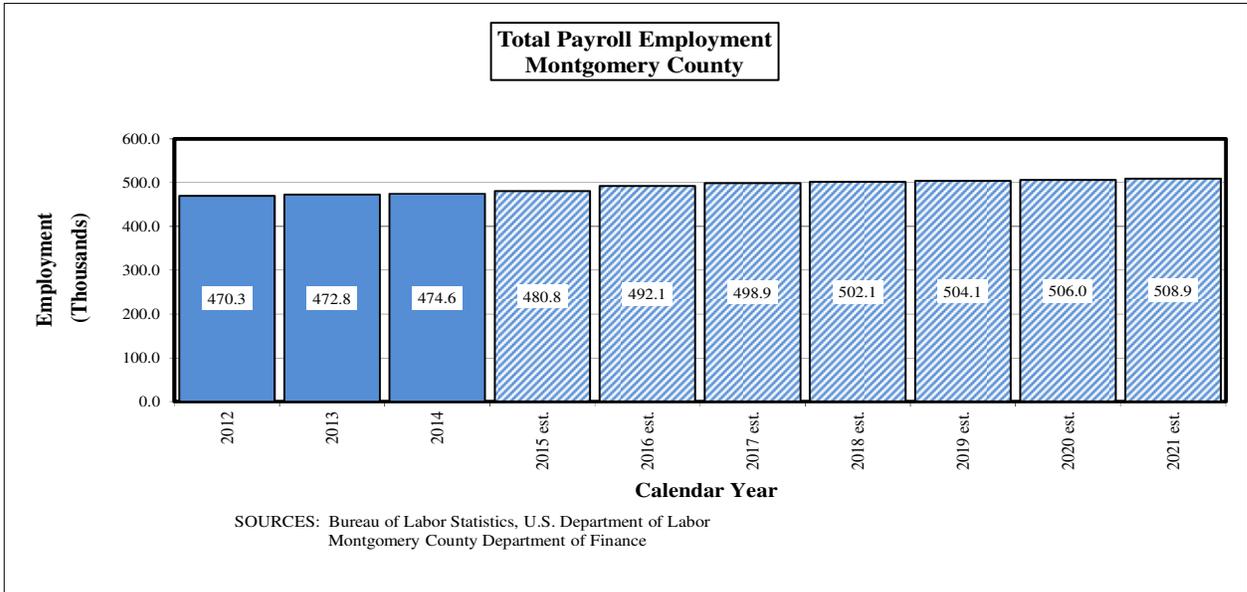
Retail Sales

Using sales tax receipts as a measure of retail sales activity in the County, retail sales, including assessment collections, increased an estimated 3.0 percent during the first eleven months of 2014. Purchases of nondurable goods, which include food and beverage, apparel, general merchandise, and utilities and transportation, increased 4.3 percent during this period while sales of durable goods were up 3.4 percent. The increase in nondurable goods purchases was largely attributed to the increase in food and beverage items (↑5.6%) and utilities and transportation (↑5.4%), while the increase in purchases of durable goods was solely attributed to an increase in automobile sales and products (↑4.6%) and furniture and appliances (↑3.9%). Given the decline in home sales during 2014, the increase in sales of furniture and appliances is a conundrum given the historical relationship between home sales and sales of furniture and appliances.

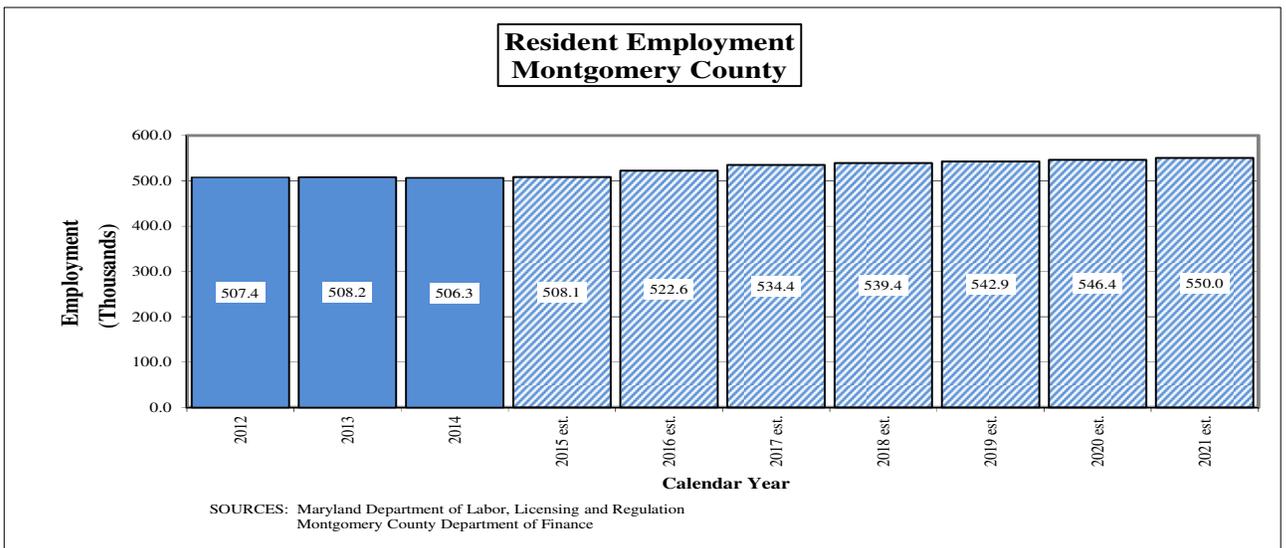
ECONOMIC OUTLOOK

The Department of Finance (Finance) expects that Montgomery County’s economy will experience modest growth during the next six years.

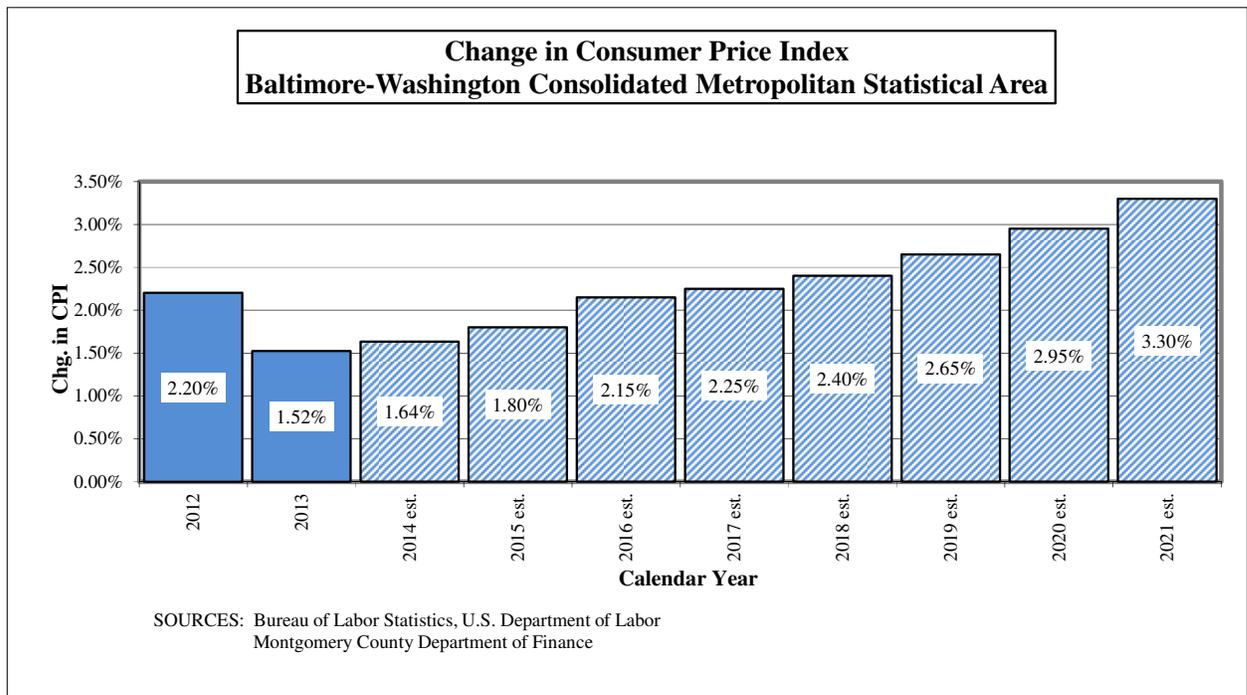
- Employment.*** Finance estimates that payroll employment (survey of business establishments) will continue to increase from CY2014 to CY2021 and grow at an average annual rate of 1.0 percent over that period.



Finance also estimates that resident employment (survey of households) will recover from the decrease in CY2014 and increase at an average annual rate of 1.1 percent from CY2014 to CY2021.

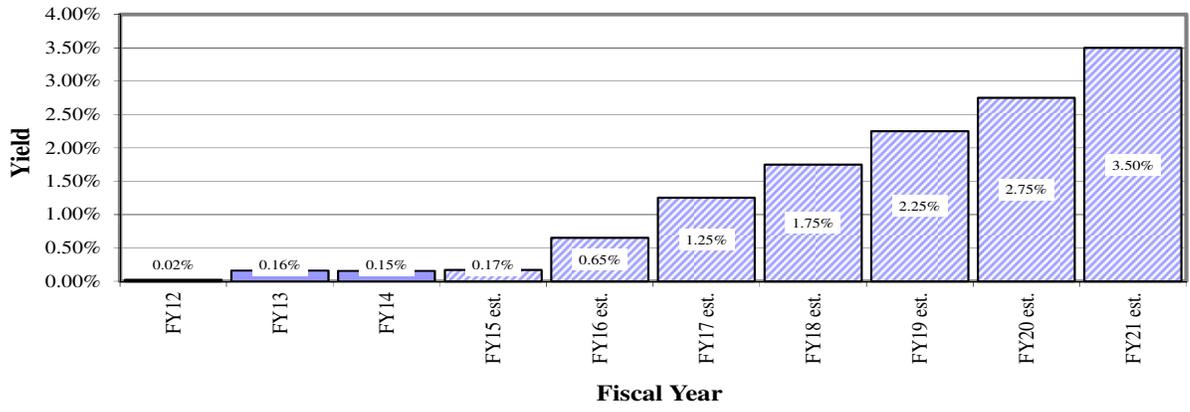


- Personal Income.** Finance estimates that total personal income in Montgomery County will grow at an average annual rate of 3.8 percent from CY2013, the latest date for which data are available from the Bureau of Economic Analysis, U. S. Department of Commerce, to CY2021. By CY2021, Finance also estimates that total personal income will reach \$99.9 billion, and that wage and salary income will grow at an average annual rate of 3.9 percent between CY2013 and CY2021. Total wage and salary income is estimated to reach \$45.3 billion by CY2021.
- Inflation (annual average).** Finance estimates that the overall regional inflation index will steadily increase from an estimated 1.64 percent in CY2014 to 3.30 percent by CY2021.



- Interest Rates.** Based on its decision at the January 2015 meeting, the Federal Open Market Committee (FOMC or Committee) “reaffirmed its view that the current 0.00 to 0.25 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress – both realized and expected – toward its objectives of maximum employment and 2 percent inflation.” Since the yield on the County’s short-term investments is highly correlated with the federal funds rate, Finance estimates that the County will earn an average of 0.17 percent in investment income on its short-term portfolio in fiscal year (FY) 2015 with increases to 0.65 percent in FY2016 and 1.25 percent in FY2017.

**Yield on Investment Income
Montgomery County**



SOURCE: Montgomery County Department of Finance

DISCUSSION FRAMEWORK

The economic estimates provide a framework for the Department of Finance's revenue projections for FY2016 through FY2021. The following issues create the framework for the discussion that is the focus of the Business Advisory Panel. In order to gain a better sense of the direction of the major industrial sectors, it would be helpful if the participants of the Business Advisory Panel could comment on our estimates and discuss the major economic trends that affect your industry sector in the next six years. The following list of items, if applicable to your sector, may be used to focus your discussion:

Real Estate

- Residential construction
- Commercial construction
- Foreclosures/short sales
- Prices/rents
- Vacancy rates
- Loan conditions – residential and commercial sectors

Income

- Capital gains
- Estimated payments
- Wage and salary growth

Industry Sectors

- Business activity
- Employment outlook
- Consumer spending
- Federal government spending and employment

Risk to the Forecasts (Assumptions)

- Federal government
- Employment
- Interest rates
- Inflation
- Oil prices
- Domestic stock market volatility attributed to current and future international economic and political events
- Federal Reserve policy
- Residential/commercial development

Montgomery County Business Advisory Panel

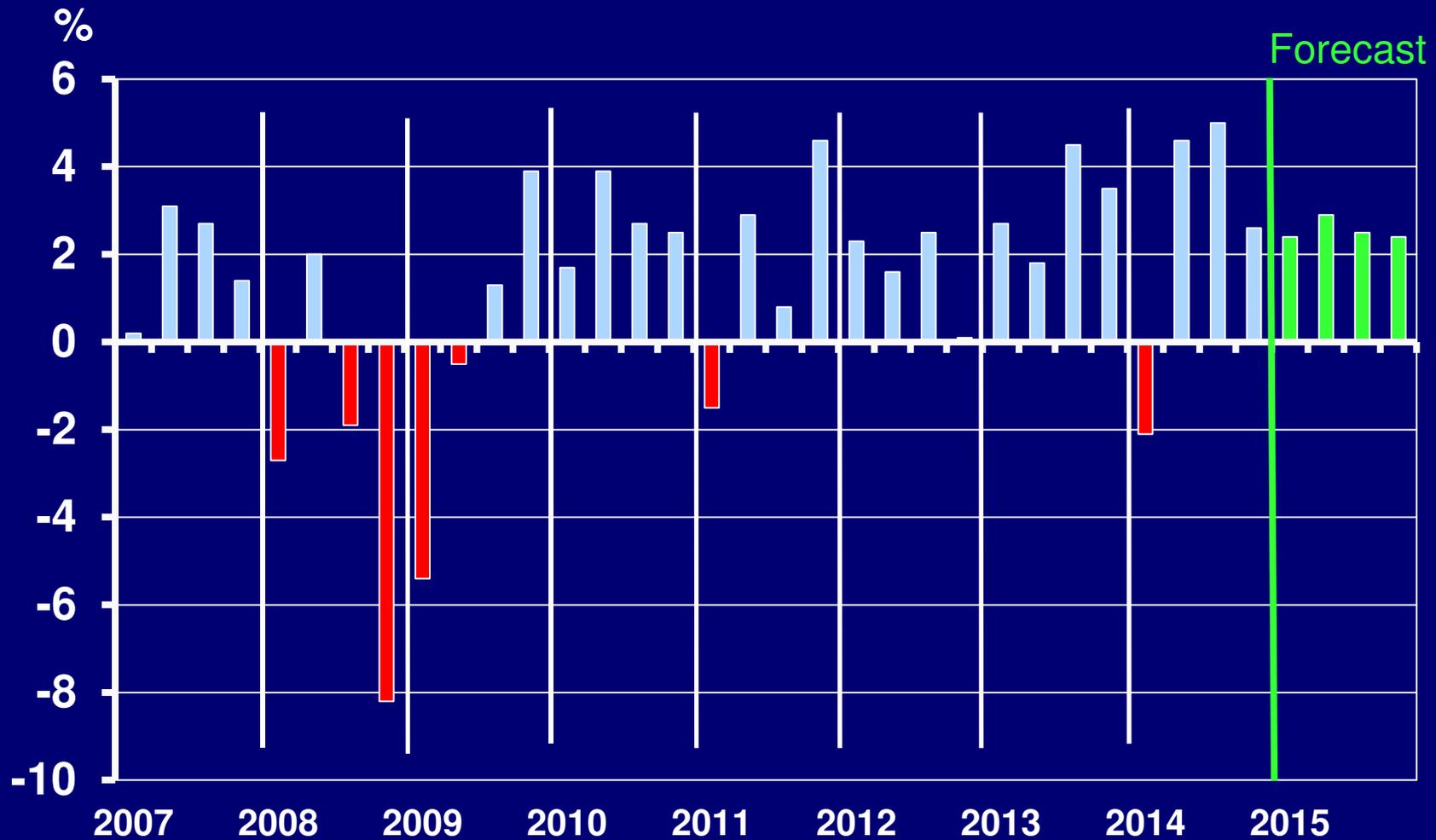
The U.S., Washington Metropolitan Area and Suburban Maryland Economic Performance and Outlook

Stephen S. Fuller, Ph.D.

Dwight Schar Faculty Chair and University Professor
Director, Center for Regional Analysis
George Mason University

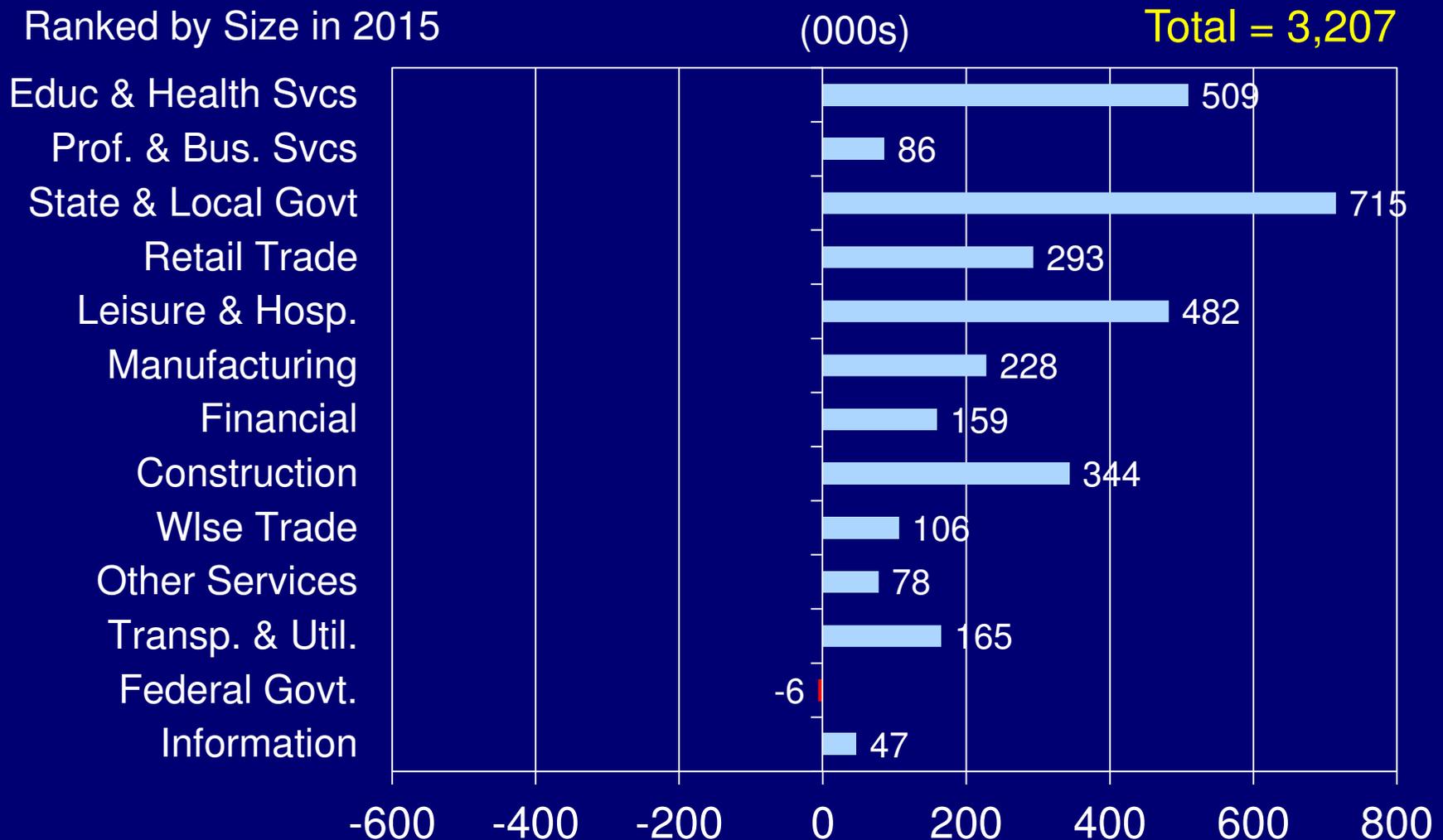
February 25, 2015

U.S. Gross Domestic Product Quarterly Change: 2007 – 2015



Source: Bureau of Economic Analysis, IHS Economics February 2015

U.S. Payroll Job Change by Sector Jan 2014 – Jan 2015



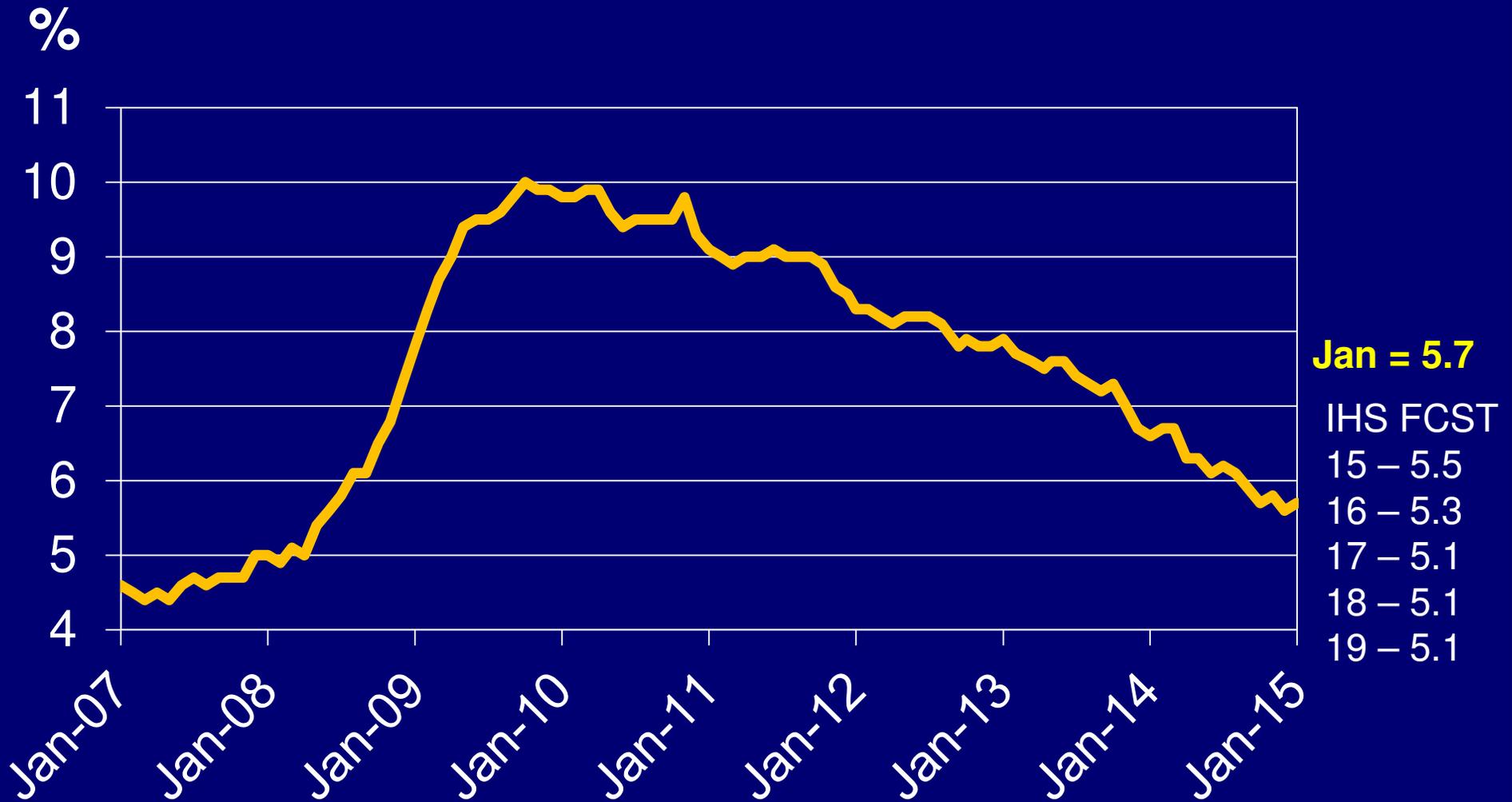
Source: Bureau of Labor Statistics (Seasonally Adjusted), GMU Center for Regional Analysis

Initial Claims for Unemployment 4-Week Moving Average



Source: Department of Labor

U.S. Unemployment Rate



Source: Bureau of Labor Statistics (Seasonally Adjusted), IHS Economics February 2015

Consumer Confidence

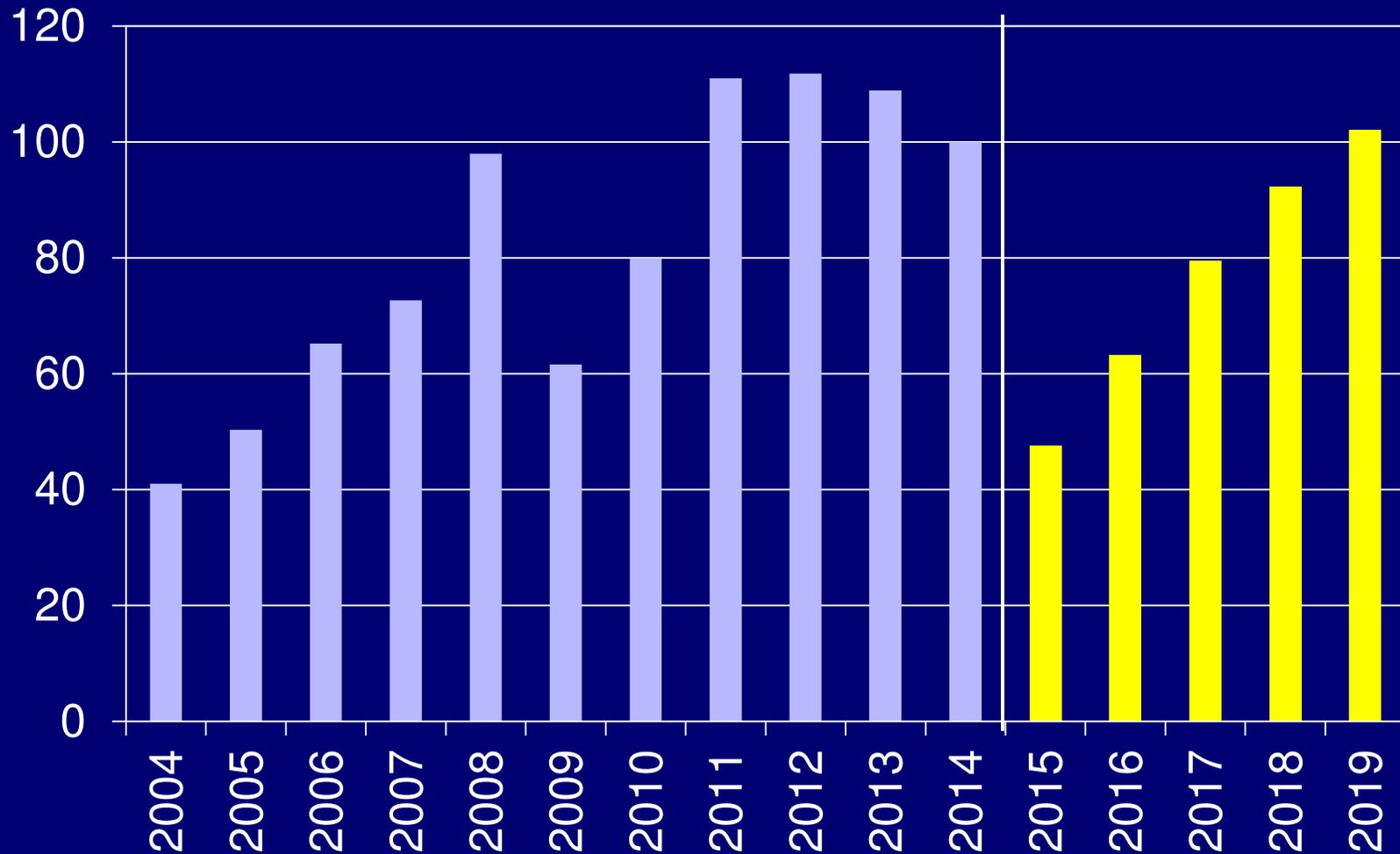


Source: The Conference Board, GMU Center for Regional Analysis

Oil Prices \$ per barrel

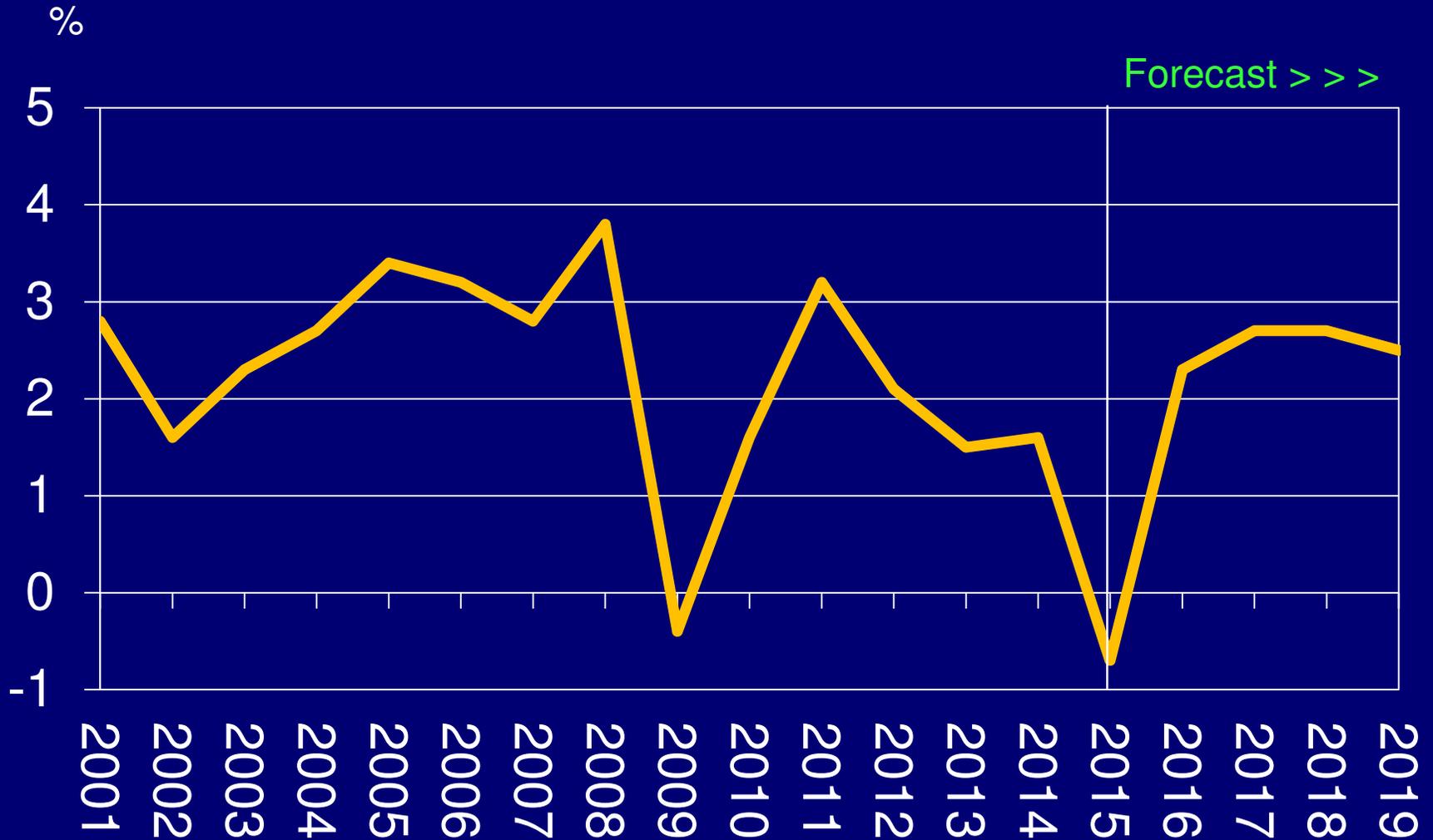
\$/barrel

Forecast >>>>



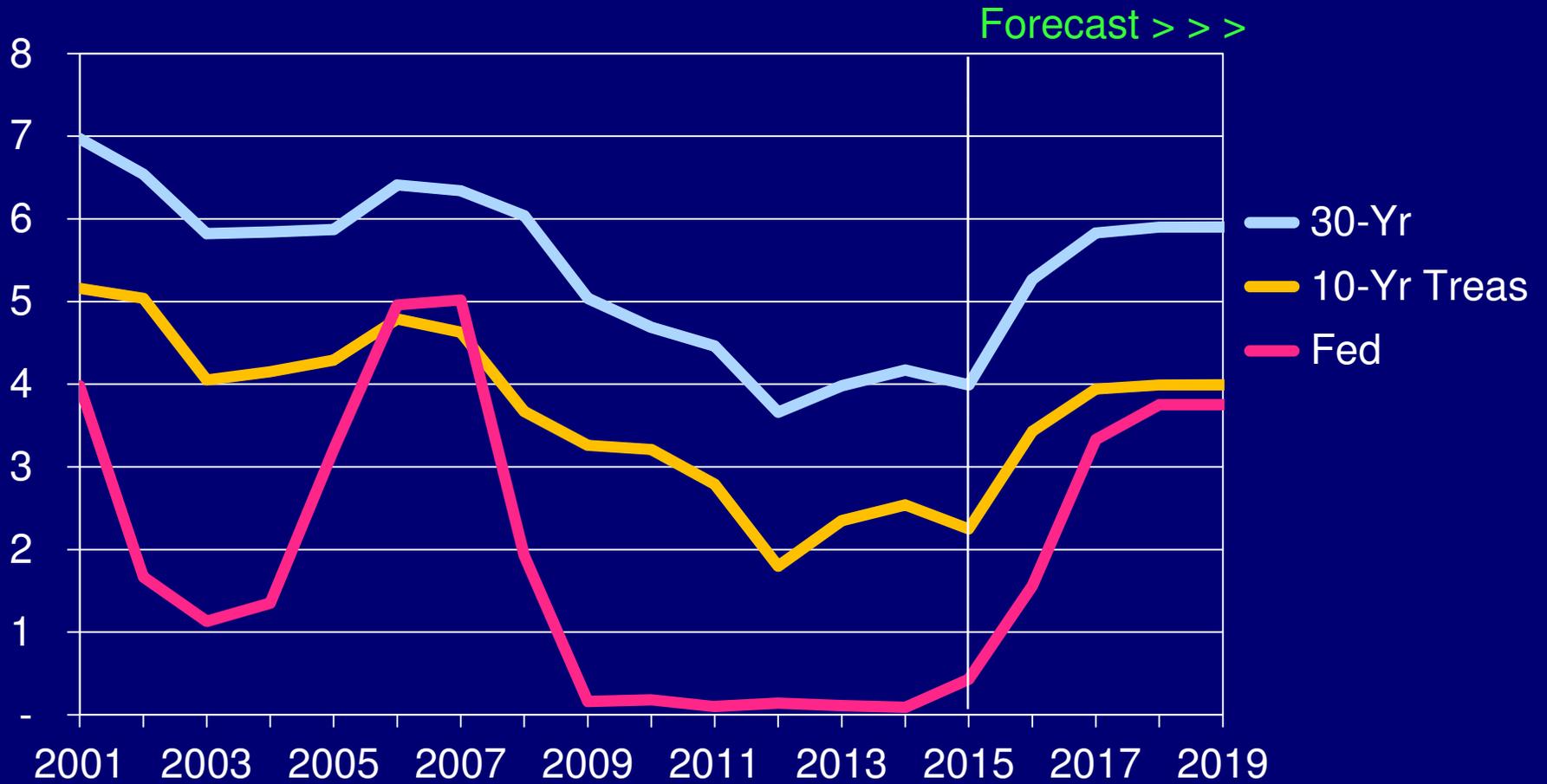
Source: IHS Economics February 2015

Consumer Prices 2001 - 2019



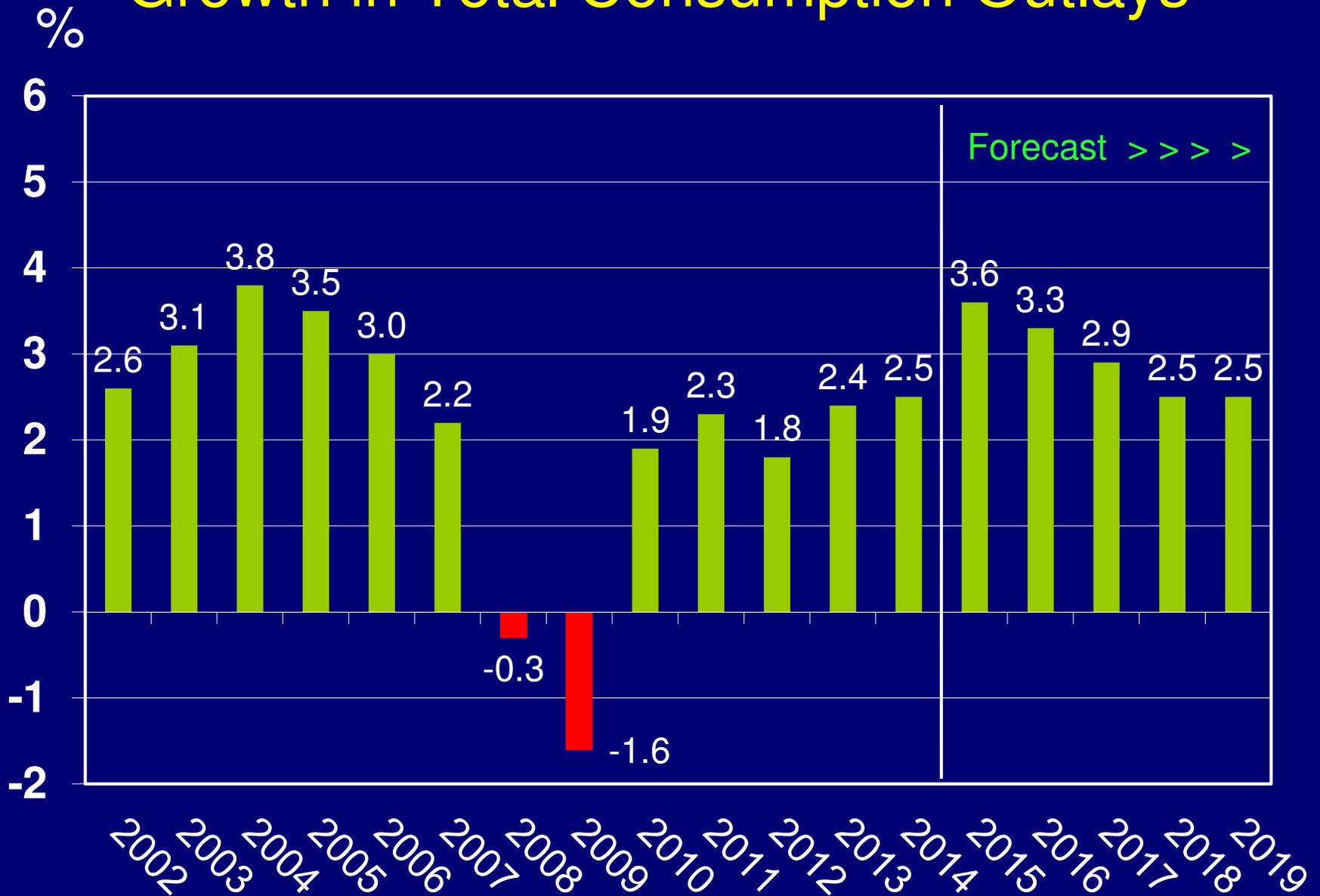
Source: Bureau of Labor Statistics, IHS Economics February 2015

Interest Rates 2001 - 2019



Source: IHS Economics February 2015

Growth in Total Consumption Outlays



Source: Bureau of Economic Analysis, IHS Economics February 2015

From the Recession to the Federal Sequester and Shutdown

WMSA Payroll Job Change: Private Sector

The Great Recession and Recovery

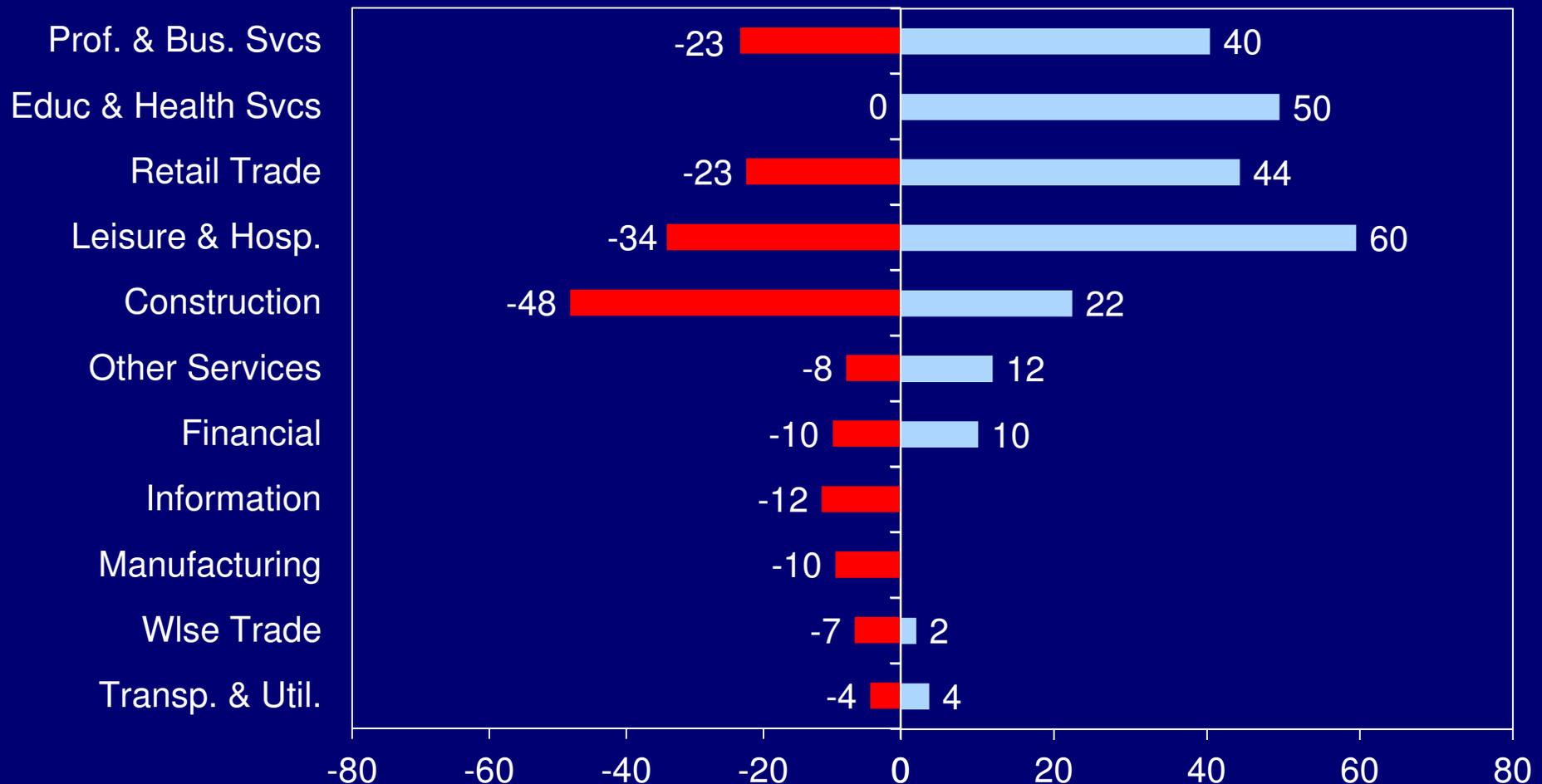
Aug 2008-Feb 2010

Feb 2010-Dec 2014

Total -178

(000s)

Total 244



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

The GRP* Effects of Private Sector Job Change in the Washington Metropolitan Area Aug 2008-Dec 2014 (in 2014 \$s)

| <u>Job Change</u> | <u>Total GRP Value</u> |
|-------------------|---------------------------------------|
| - 177,700 | - \$28,467,350,000 ¹ |
| <u>+ 243,900</u> | <u>+ \$27,653,900,000²</u> |
| + 66,200 | - \$813,450,000 |

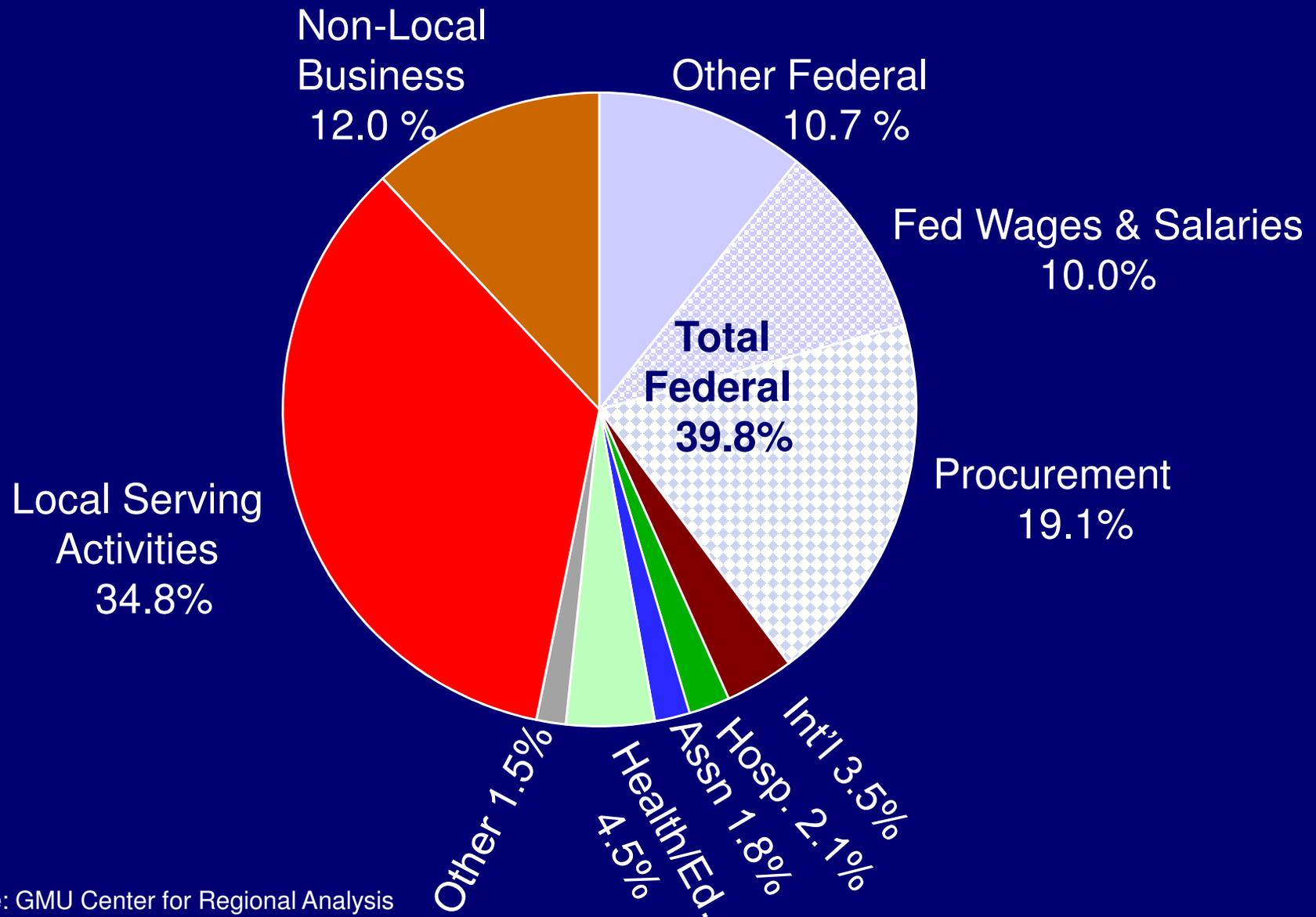
Source: GMU Center for Regional Analysis

*Gross Regional Product

¹ \$156,199 per job contribution to GRP

² \$113,382 per job contribution to GRP

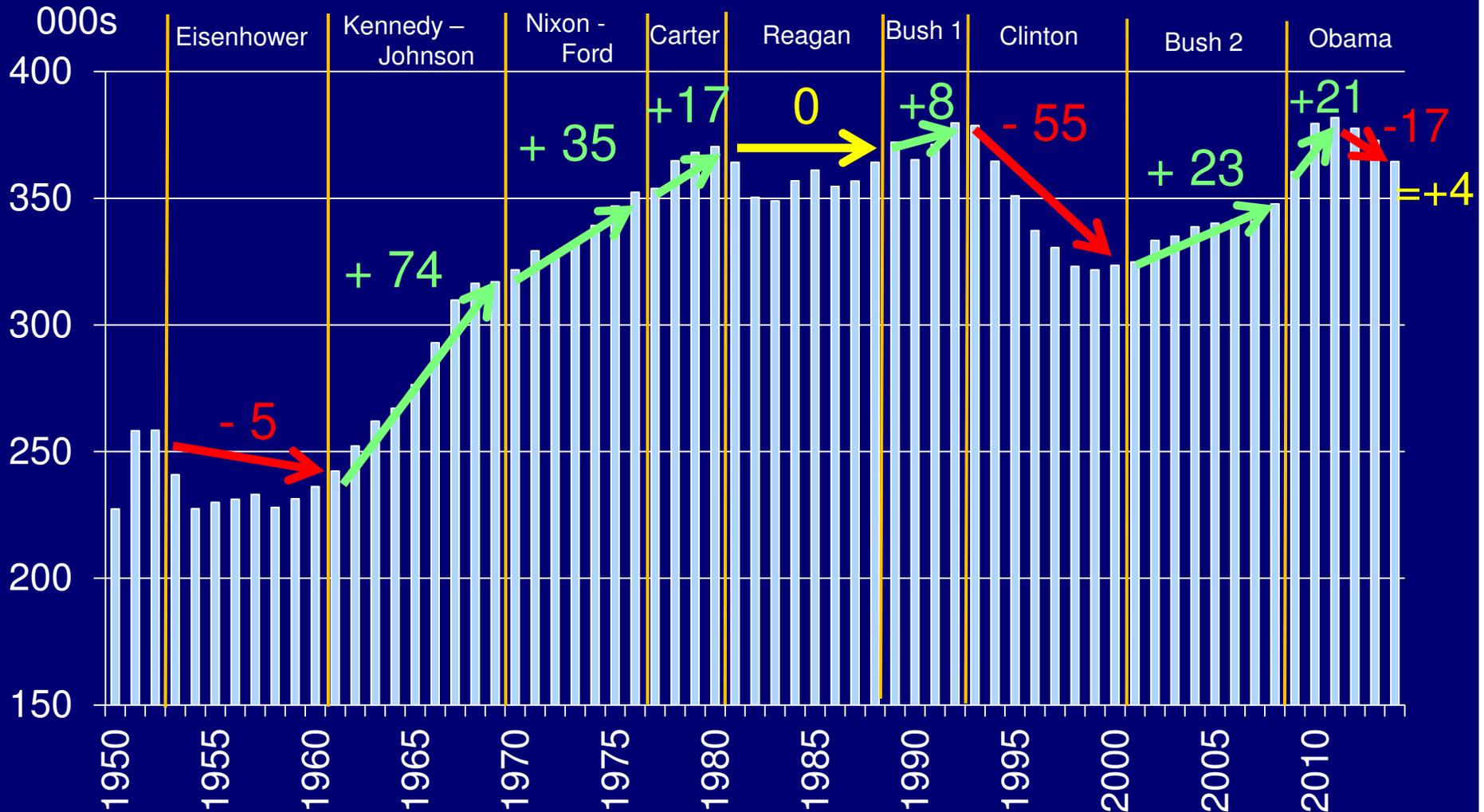
2010 Structure of the Greater Washington Economy



Summary of Federal Spending Trends in the Washington Metropolitan Area, 2010-2013

- Federal Procurement Outlays declined \$13.3 billion or 16.1% between FY 2010 and FY 2013.
- Federal employment has declined since peaking in July 2010, losing 21,800 jobs or 5.6%.
- Federal payroll declined by \$2.4 billion or 5.7% between FY 2010 and FY 2014 and will continue to decline as the workforce shrinks and older workers retire and are replaced by younger workers.

Federal Employment in the Washington Metro Area, 1950-2014

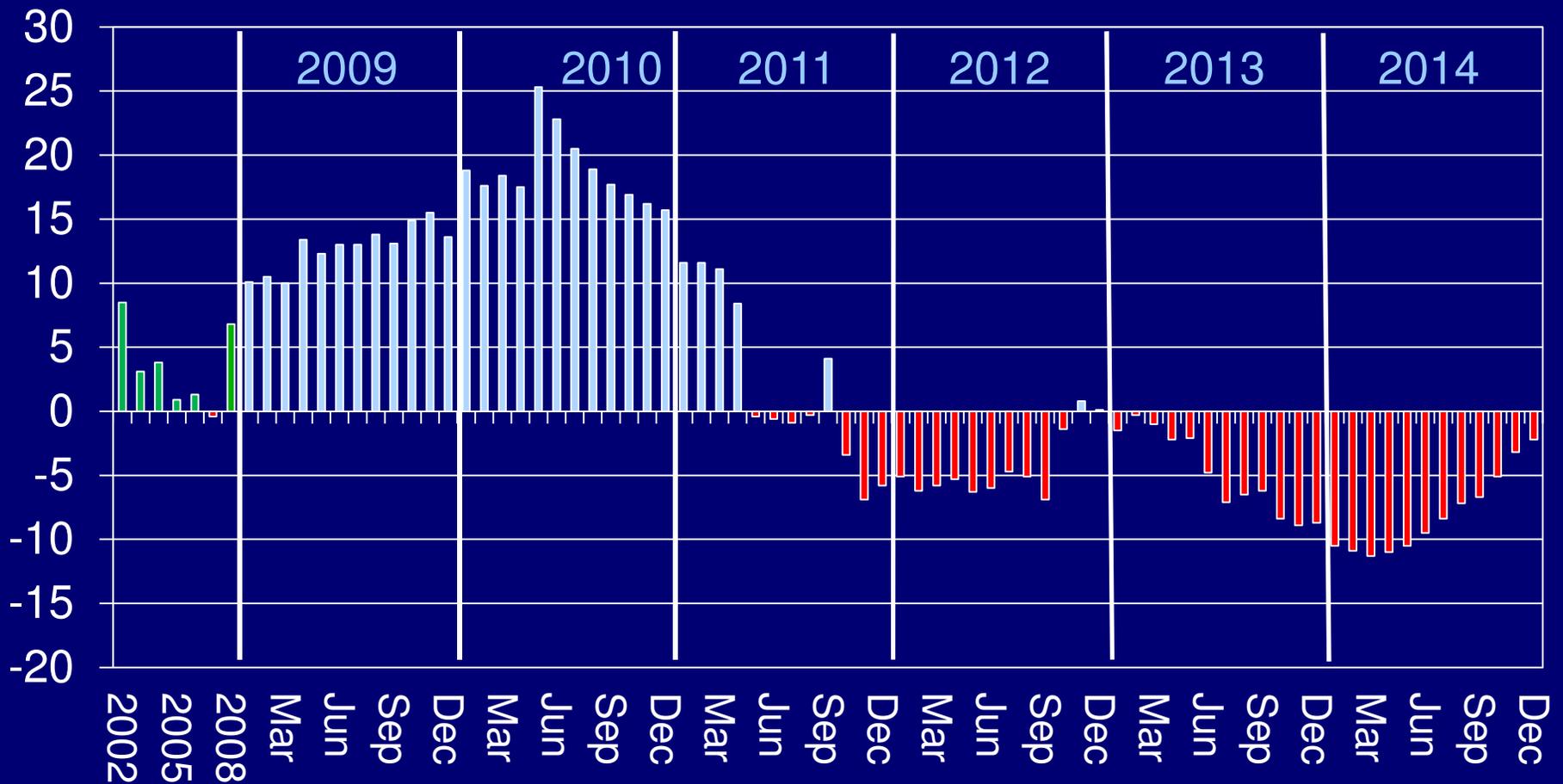


Source: US Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Federal Government Washington MSA

(000s) Annual Data

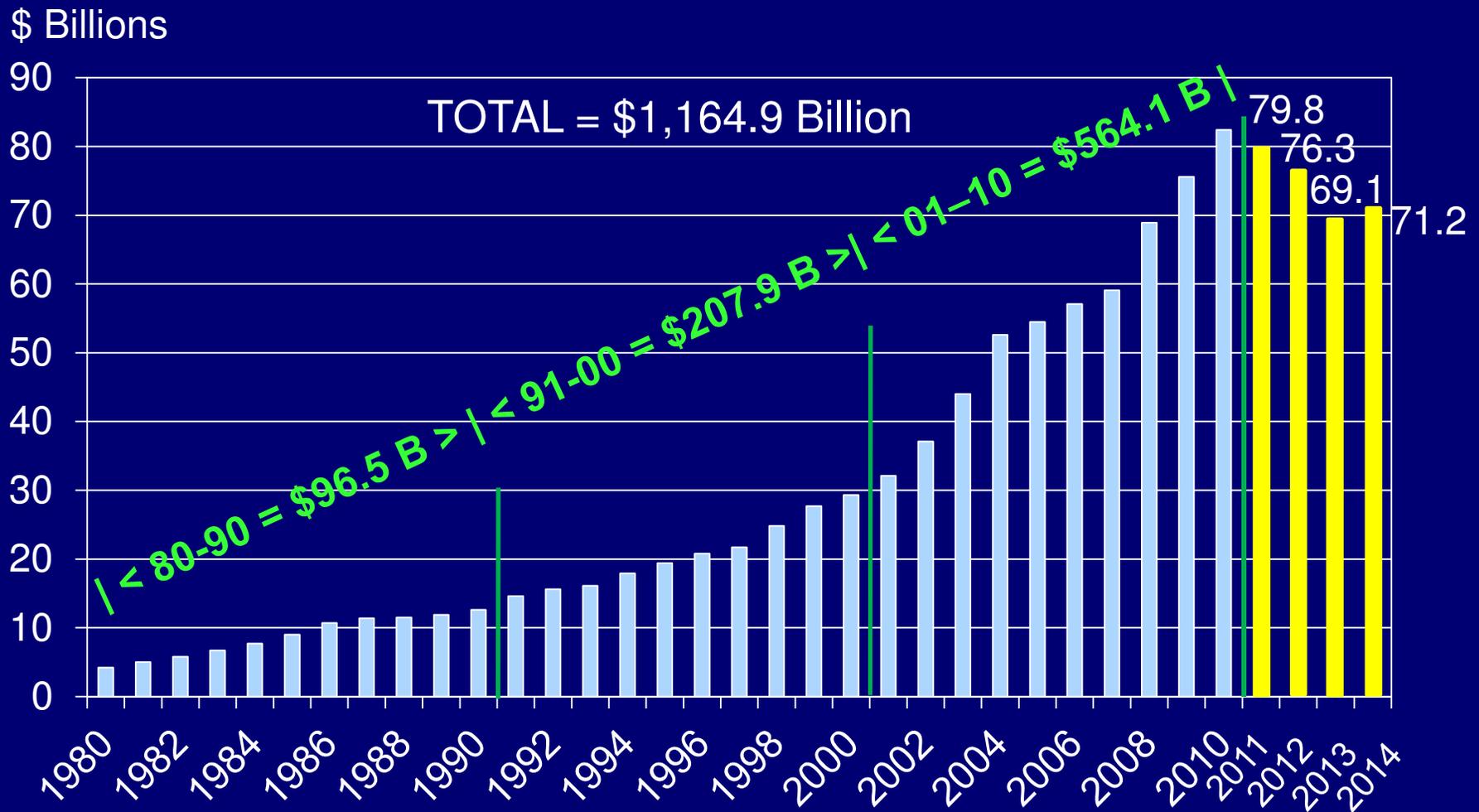
Annual Month over Year



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Dec-14 Total: 366.8

Federal Procurement in the Washington Metro Area, FY 1980-2014

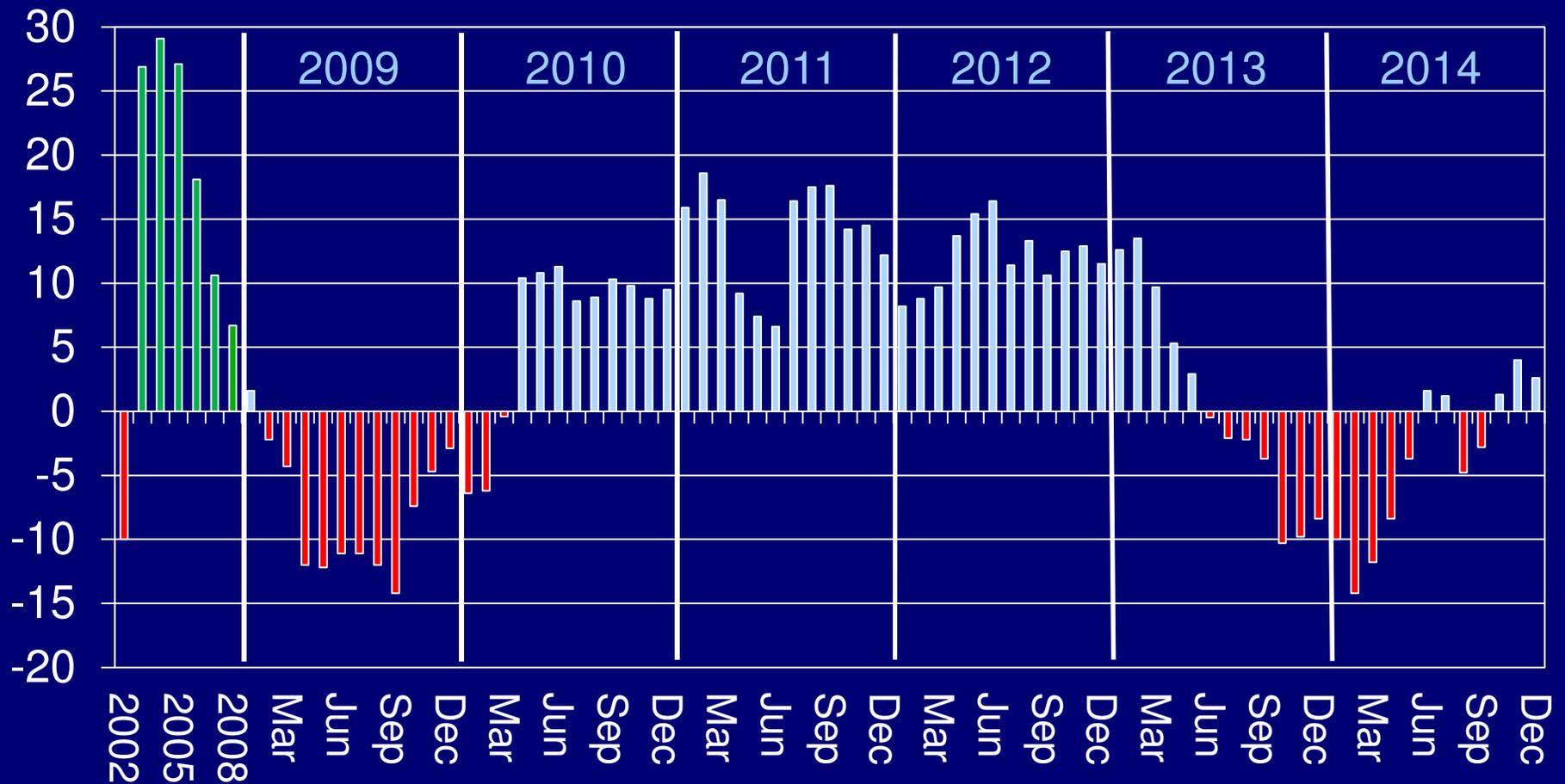


Source: US Census, Consolidated Federal Funds Report and USAspending.gov

Professional & Business Services Washington MSA

(000s) Annual Data

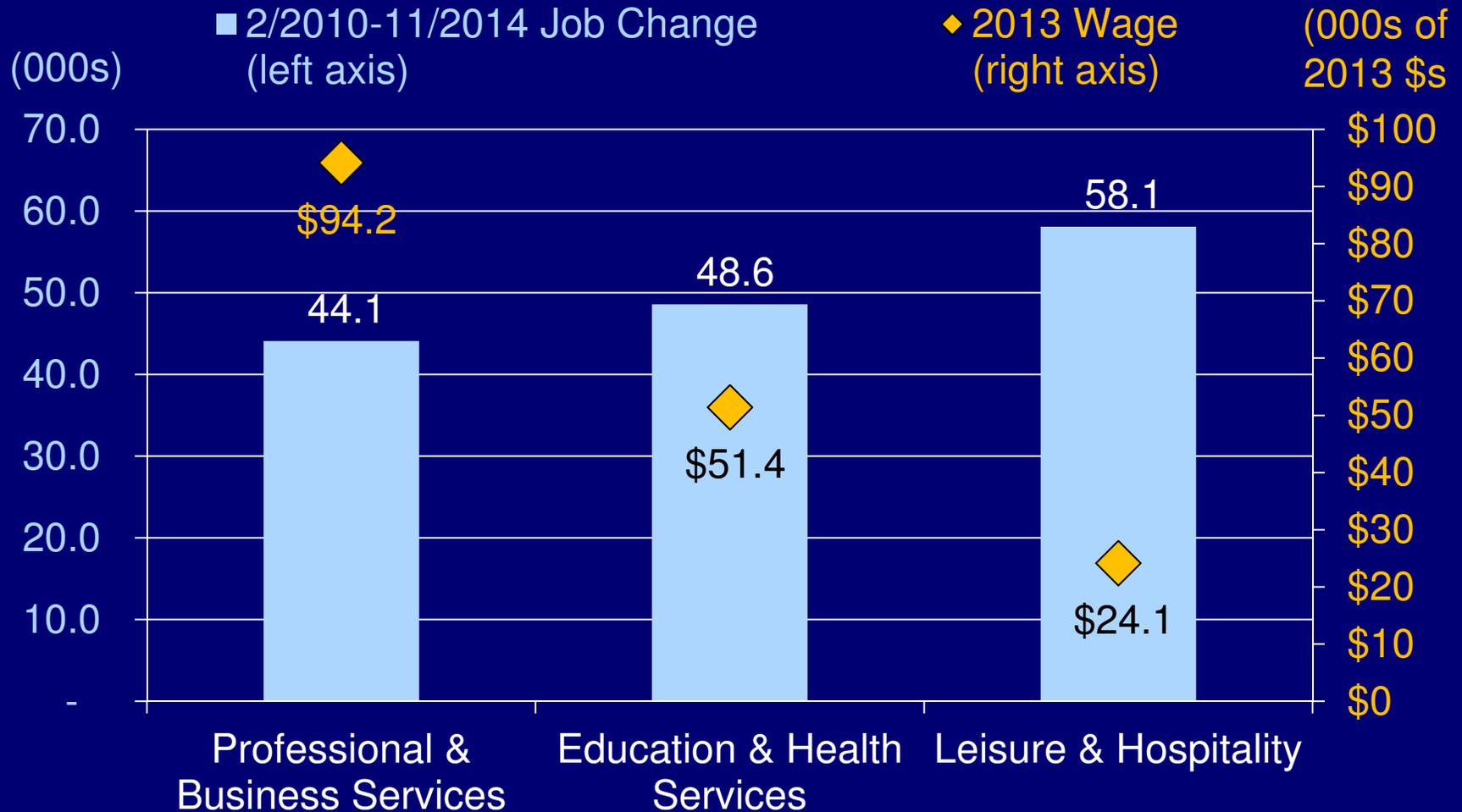
Annual Month over Year



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Dec-14 Total: 704.8

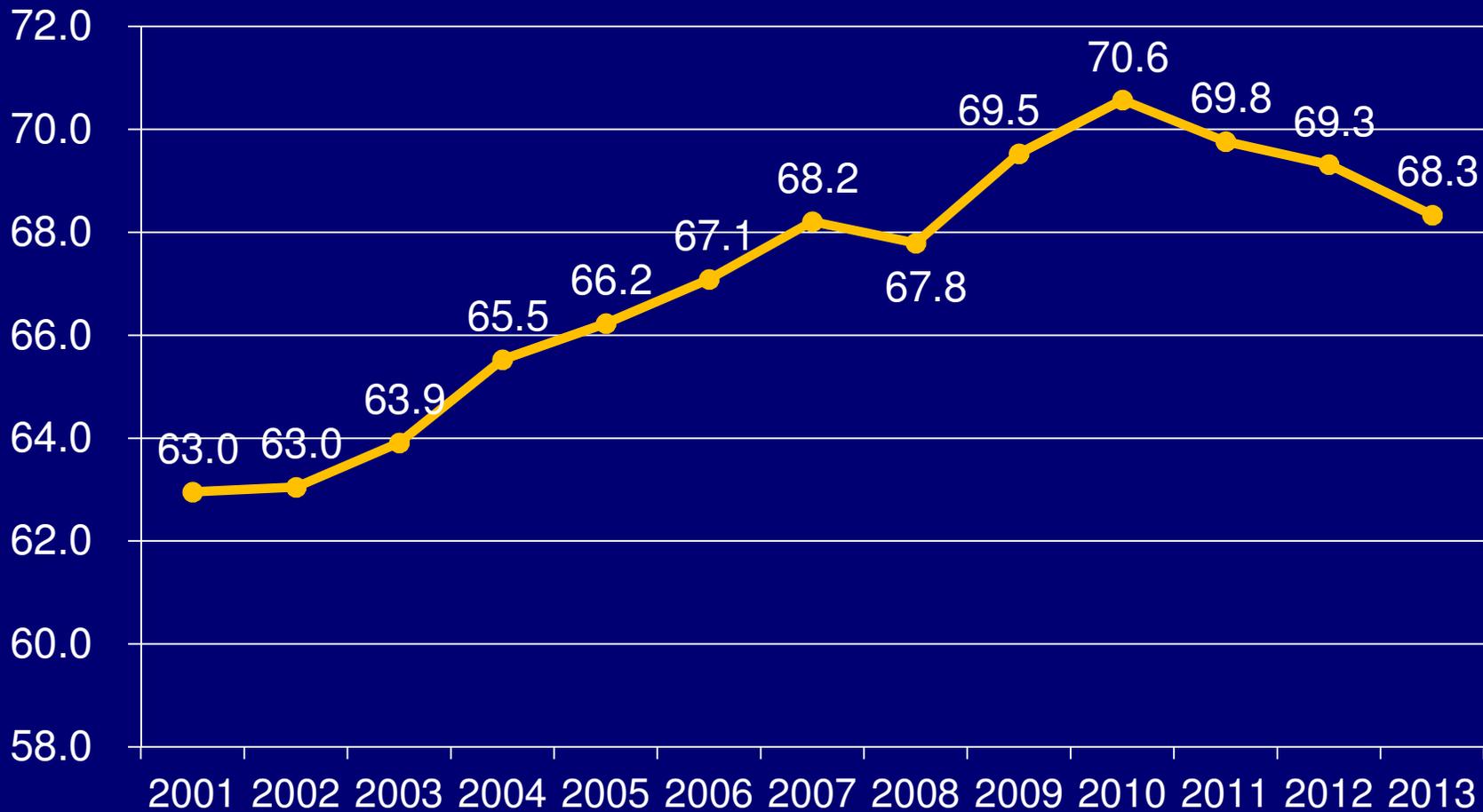
Average Wage and Job Change Washington Metro Area



Source: Bureau of Labor Statistics, GMU Center for Regional Analysis

Average Wages in the Washington Metro Area, 2001-2013

(000s of 2013 \$s)

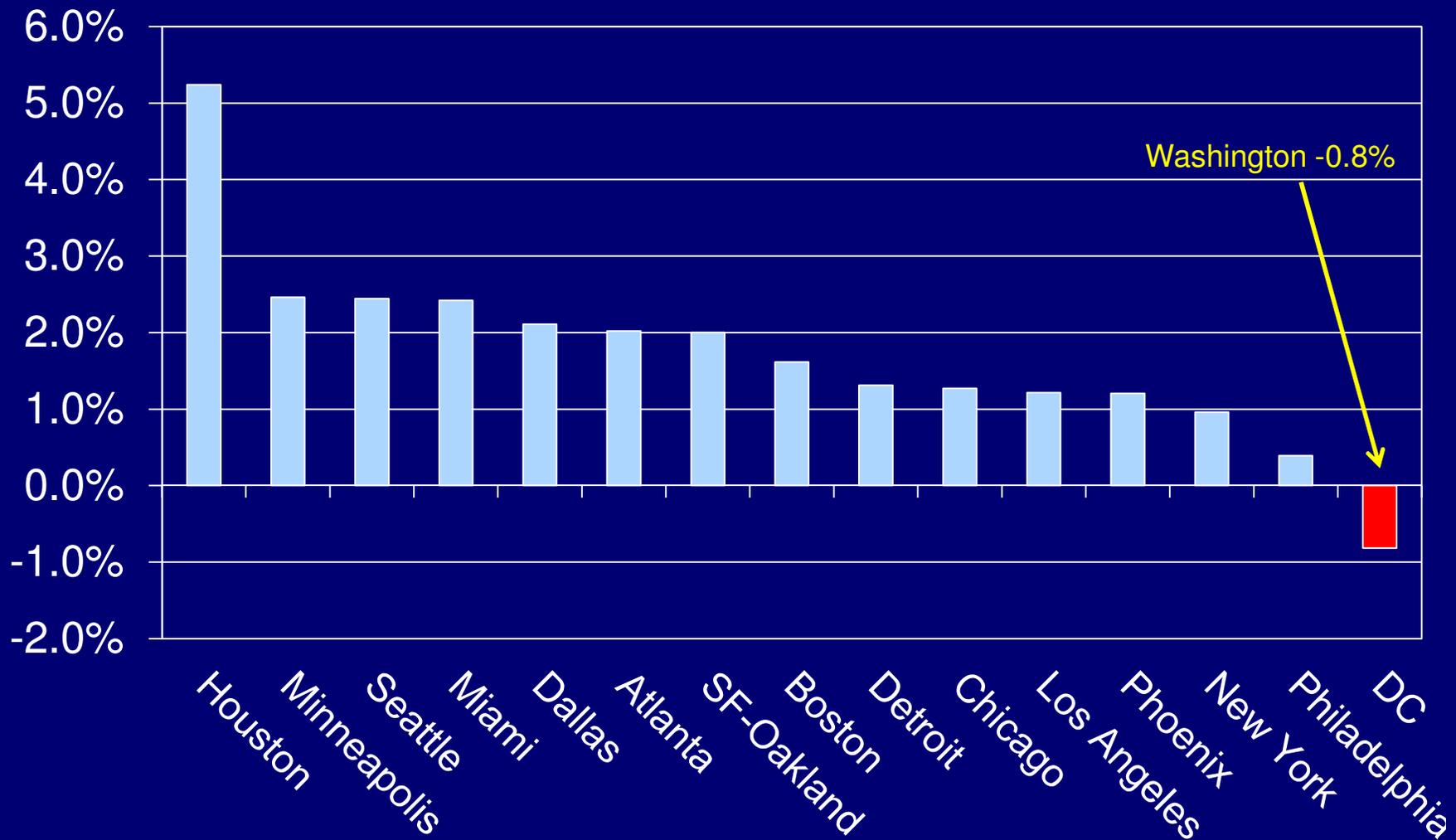


Source: Bureau of Labor Statistics, GMU Center for Regional Analysis

The Household Income Effects of Structural Change in the Washington Metropolitan Area

| <u>Jurisdiction</u> | <u>Median HH Income 2013*</u> | <u>Change from 2009*</u> |
|---------------------|-------------------------------|--------------------------|
| District (DC) | \$67,575 | \$2,919 |
| Frederick Cty | 84,308 | - \$5,856 |
| Montgomery Cty | 98,326 | - \$4,552 |
| Prince George's Cty | 72,052 | - \$4,060 |
| Arlington County | 102,501 | - \$1,675 |
| Fairfax County | 111,079 | - \$249 |
| Loudoun County | 116,768 | - \$7,283 |
| Prince Wm County | 95,268 | - \$2,234 |
| Alexandria City | 86,775 | \$2,985 |
| Total Metro Area | \$90,149 | - \$2,287 |

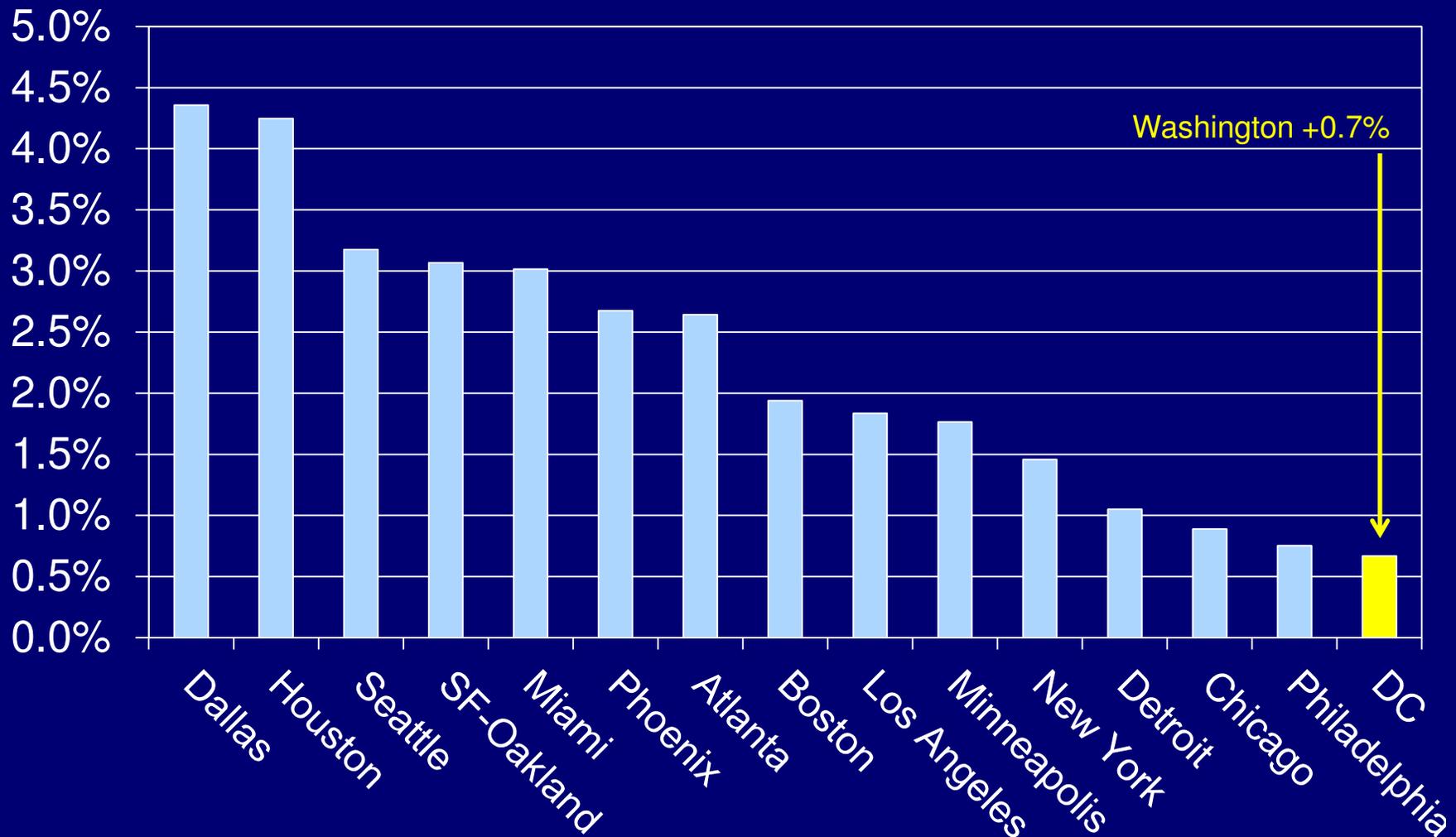
15 Largest Metro Area Job Markets GRP Percent Change: 2012 – 2013



Source: Bureau of Economic Analysis, GMU Center for Regional Analysis

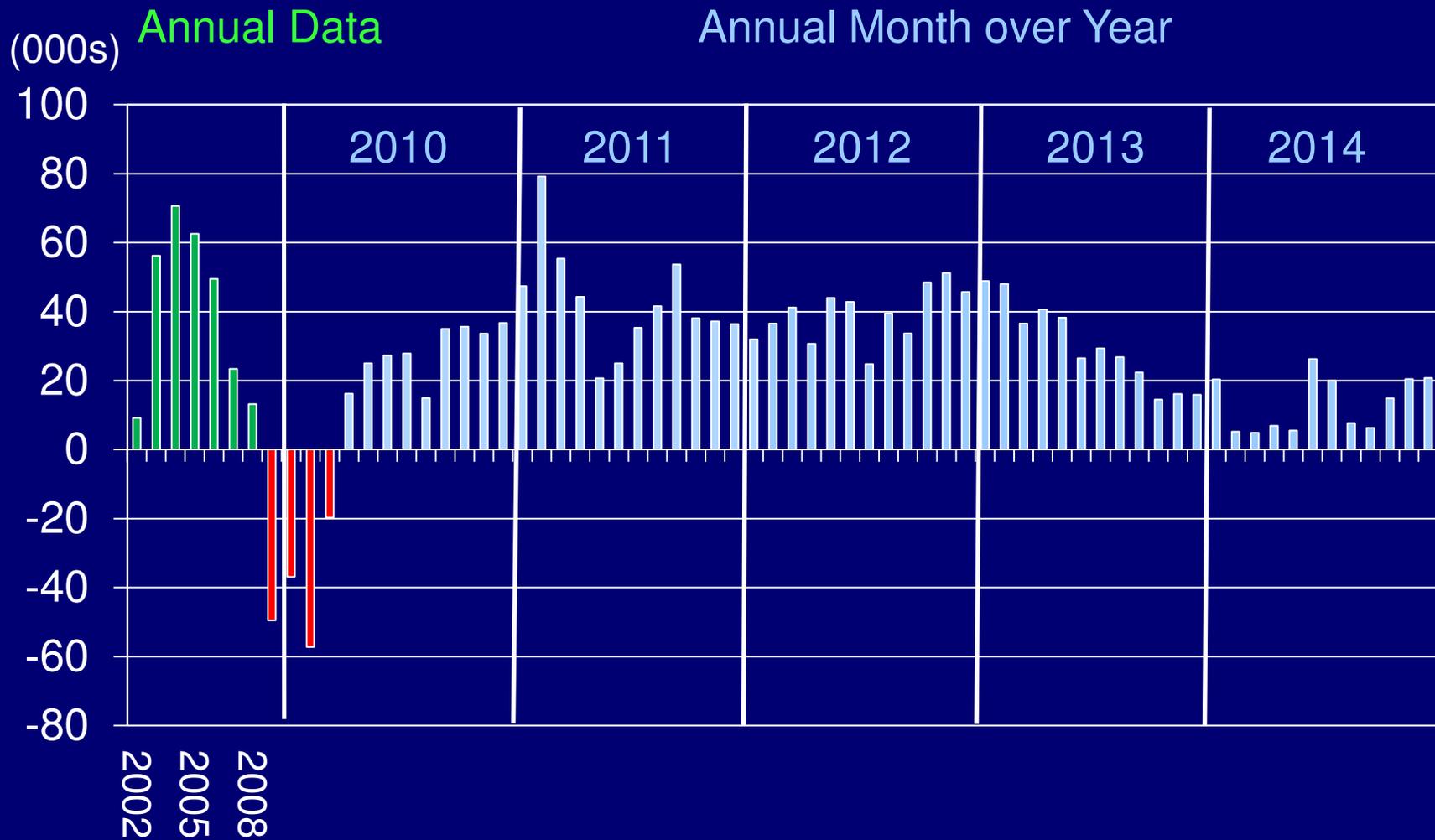
15 Largest Job Markets

Job Change: Dec 2013 – Dec 2014



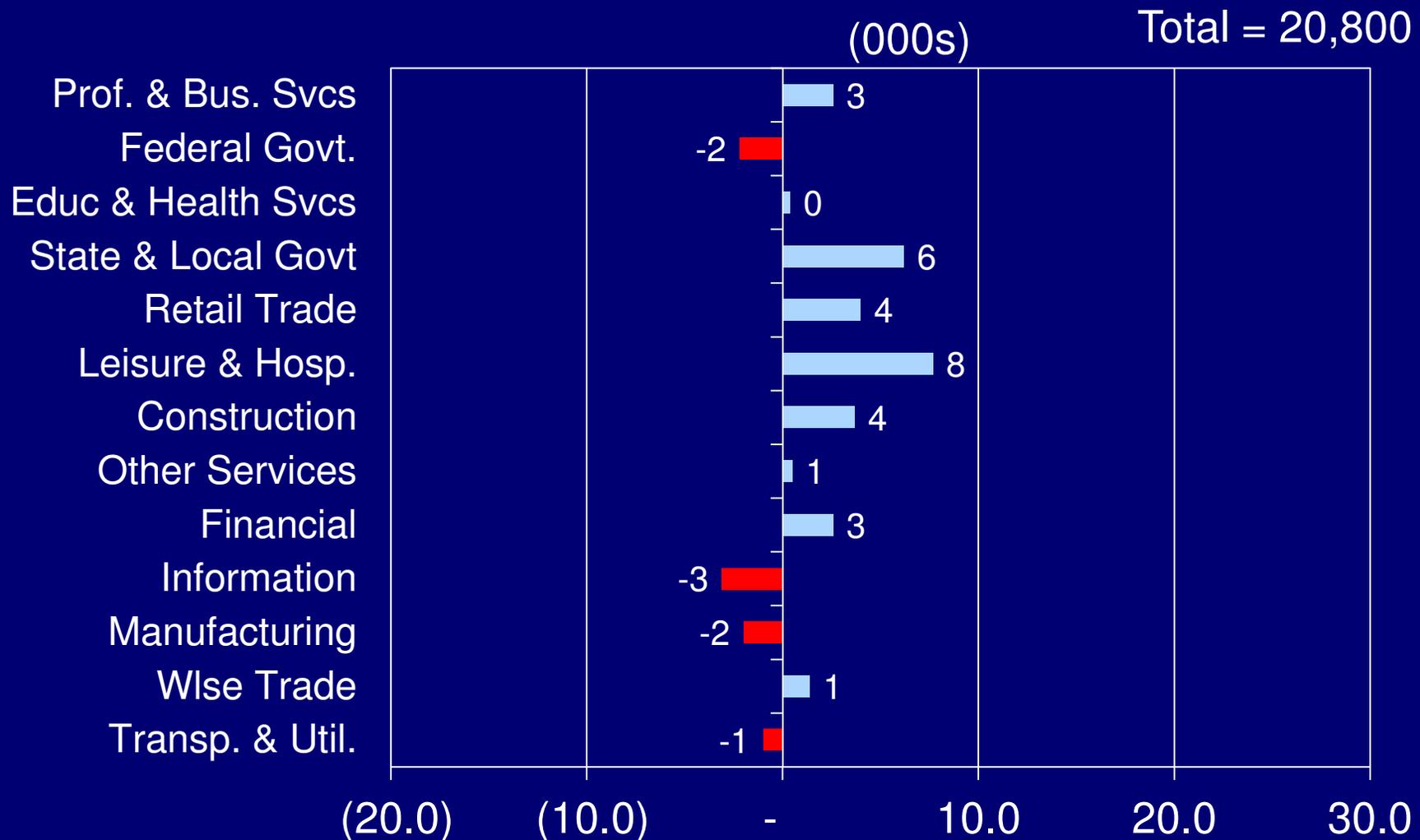
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Annual Job Change Washington MSA, 2002-2014



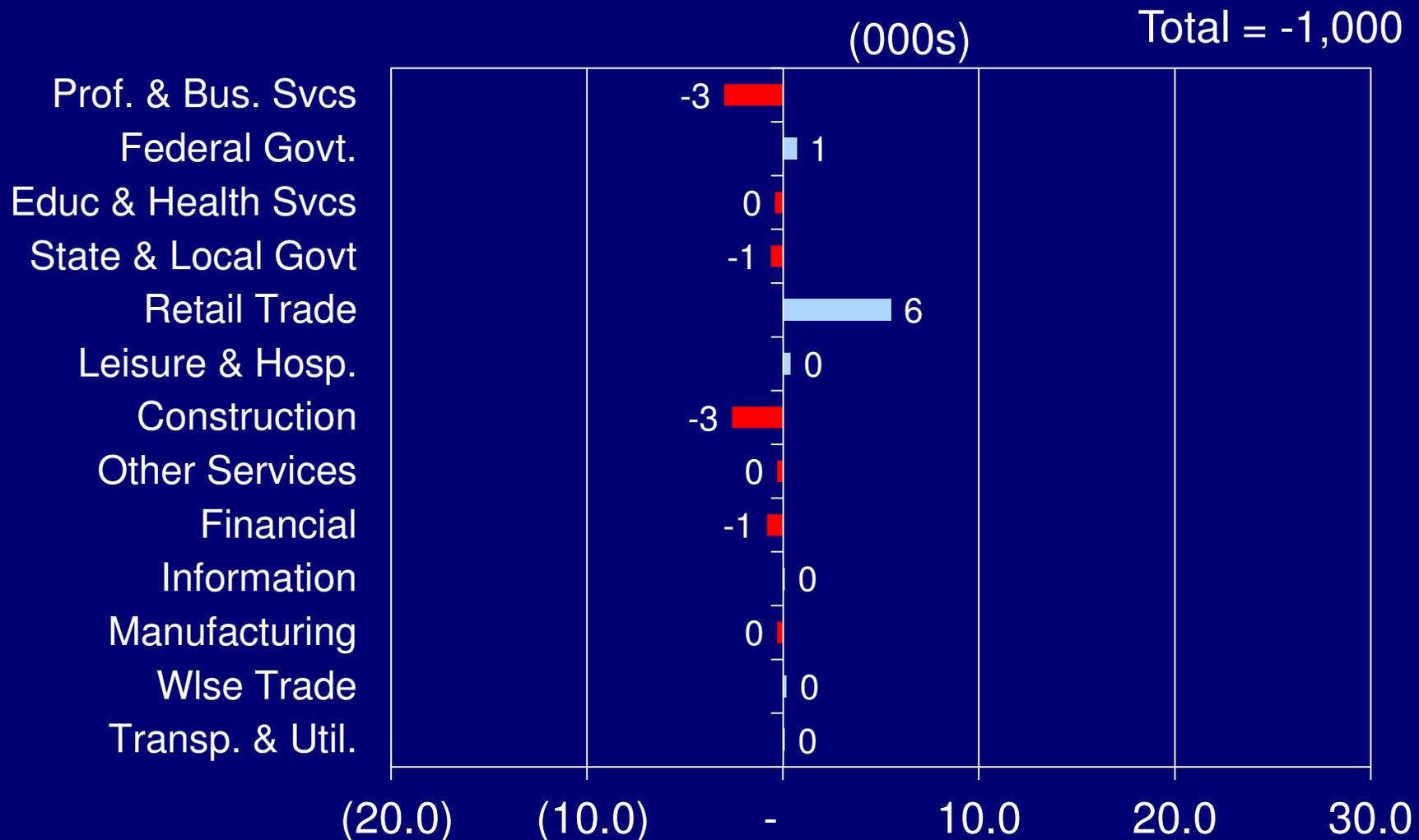
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Job Change by Sector Dec 2013 – Dec 2014 Washington MSA



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Job Change by Sector Nov 2014 – Dec 2014 Washington MSA

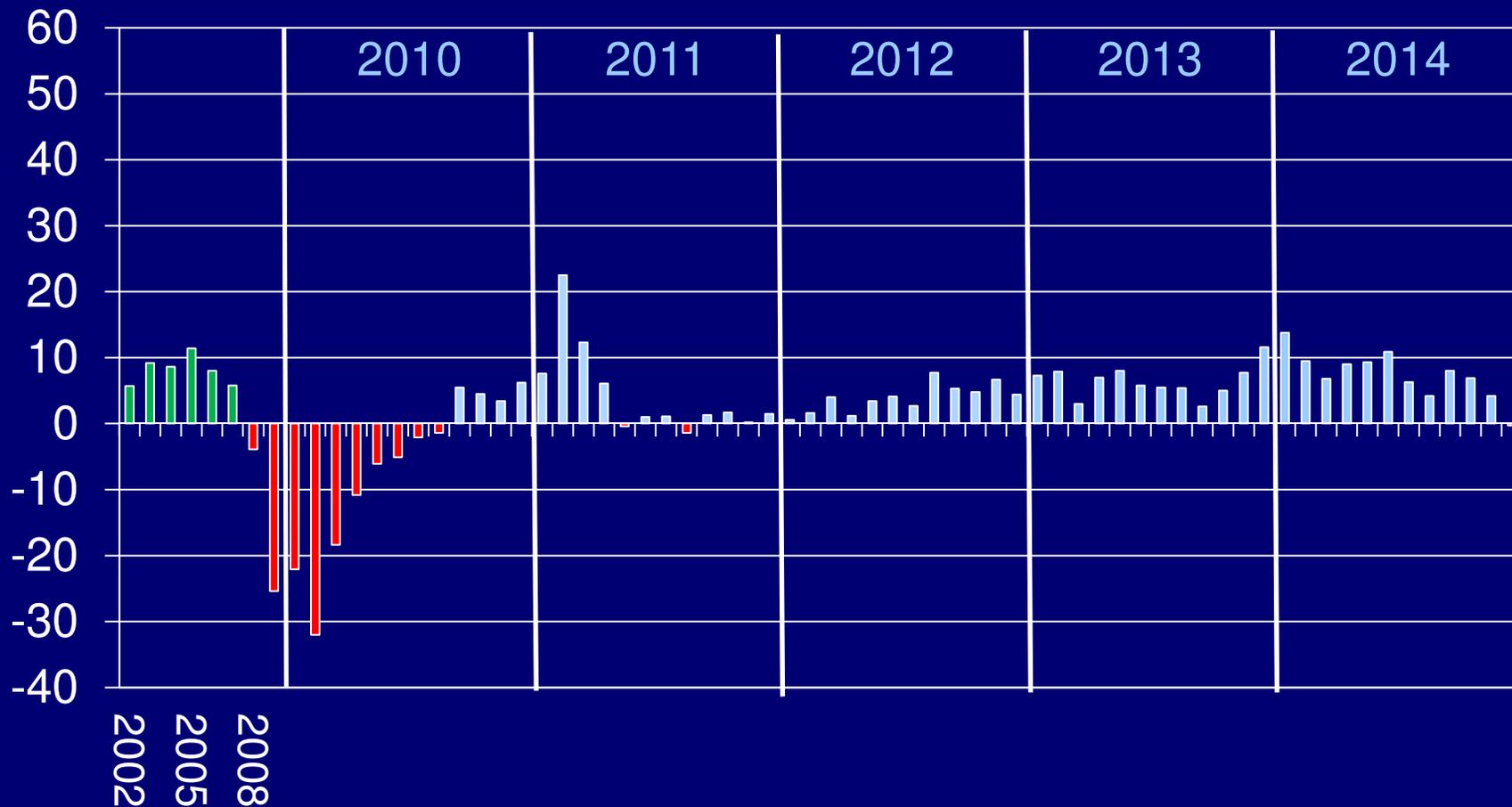


Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Annual Job Change Suburban Maryland, 2002-2014

(000s) Annual Data

Annual Month over Year

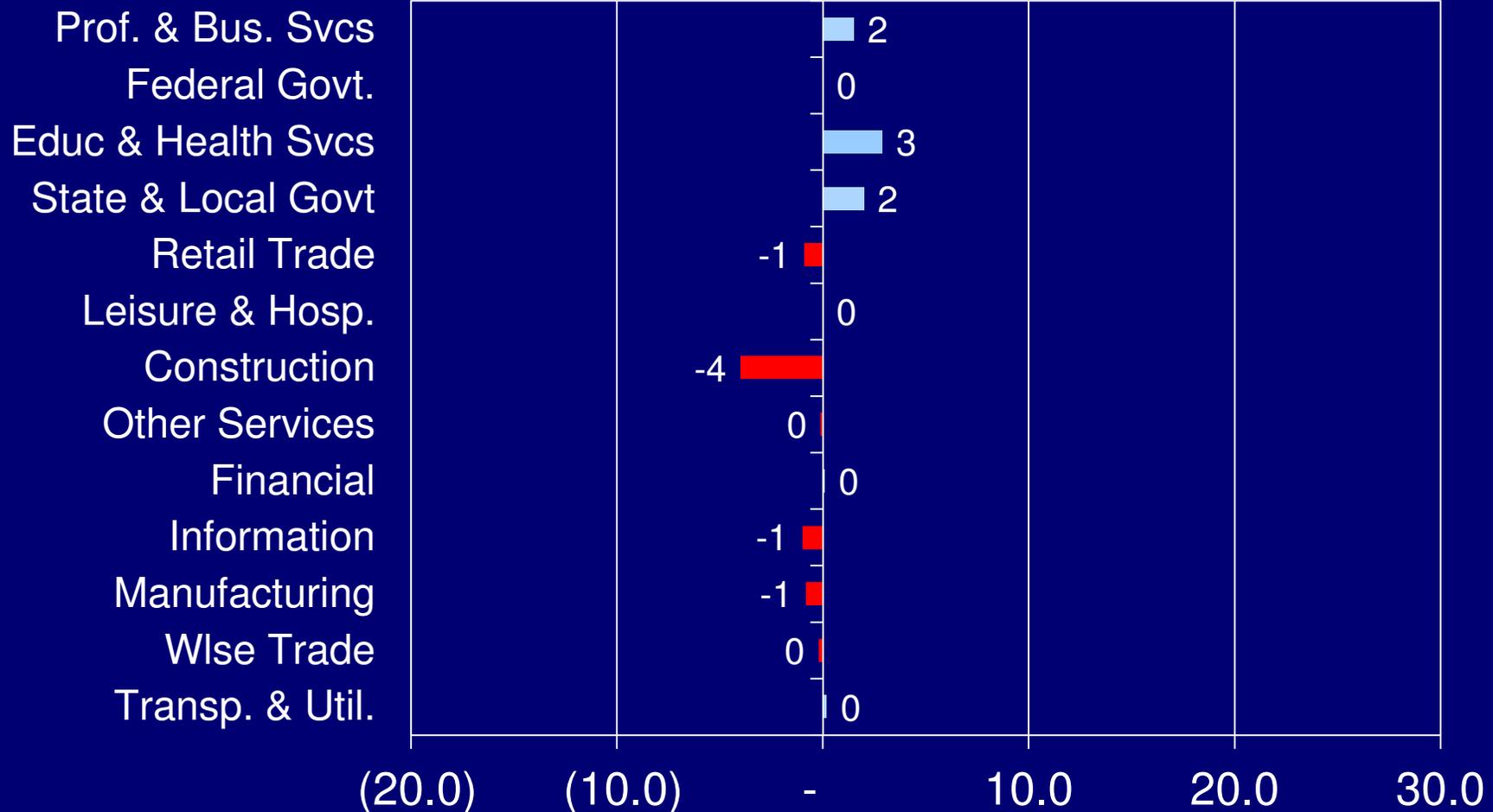


Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Job Change by Sector Dec 2013 – Dec 2014 Suburban Maryland

(000s)

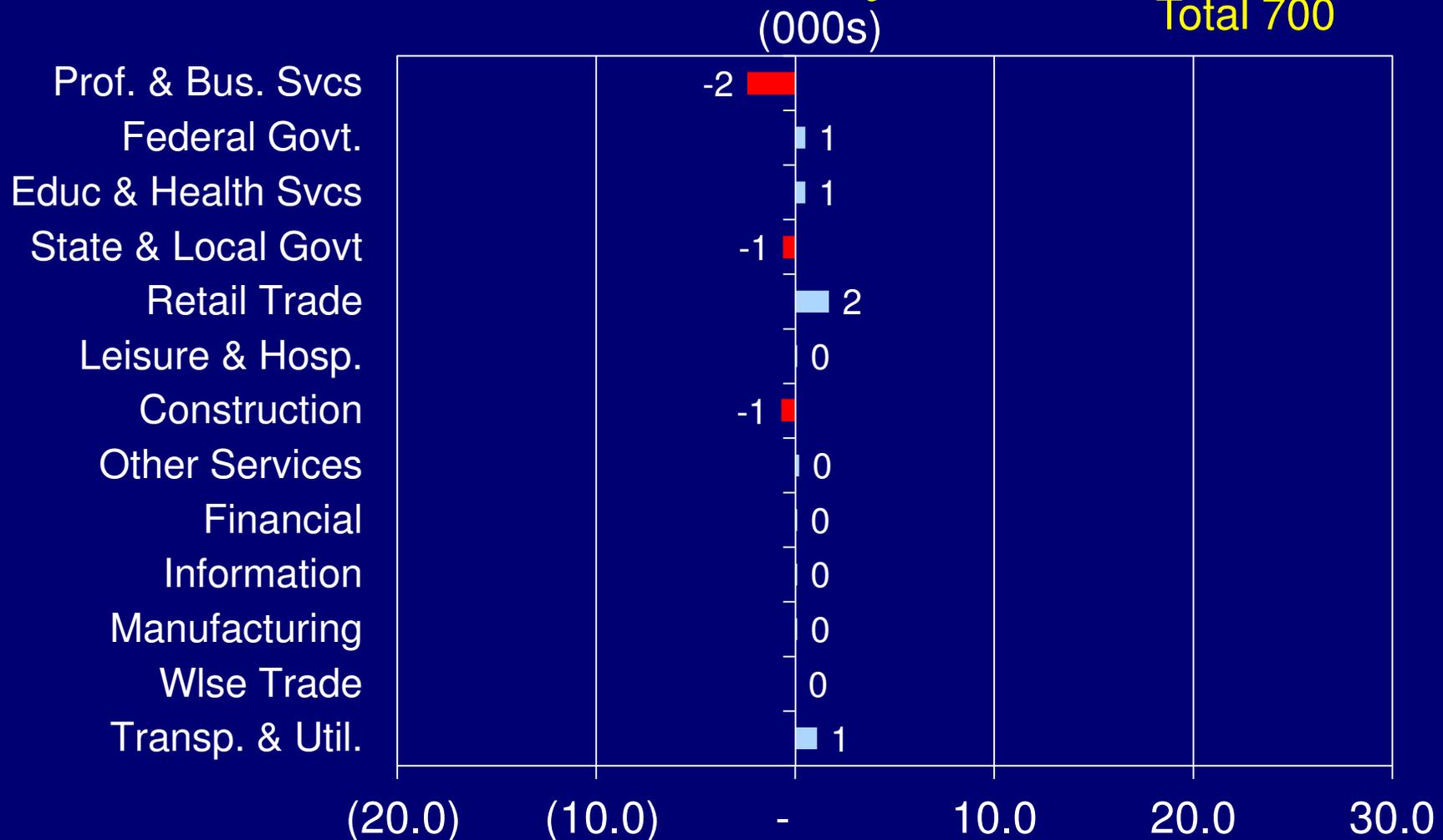
Total -300



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

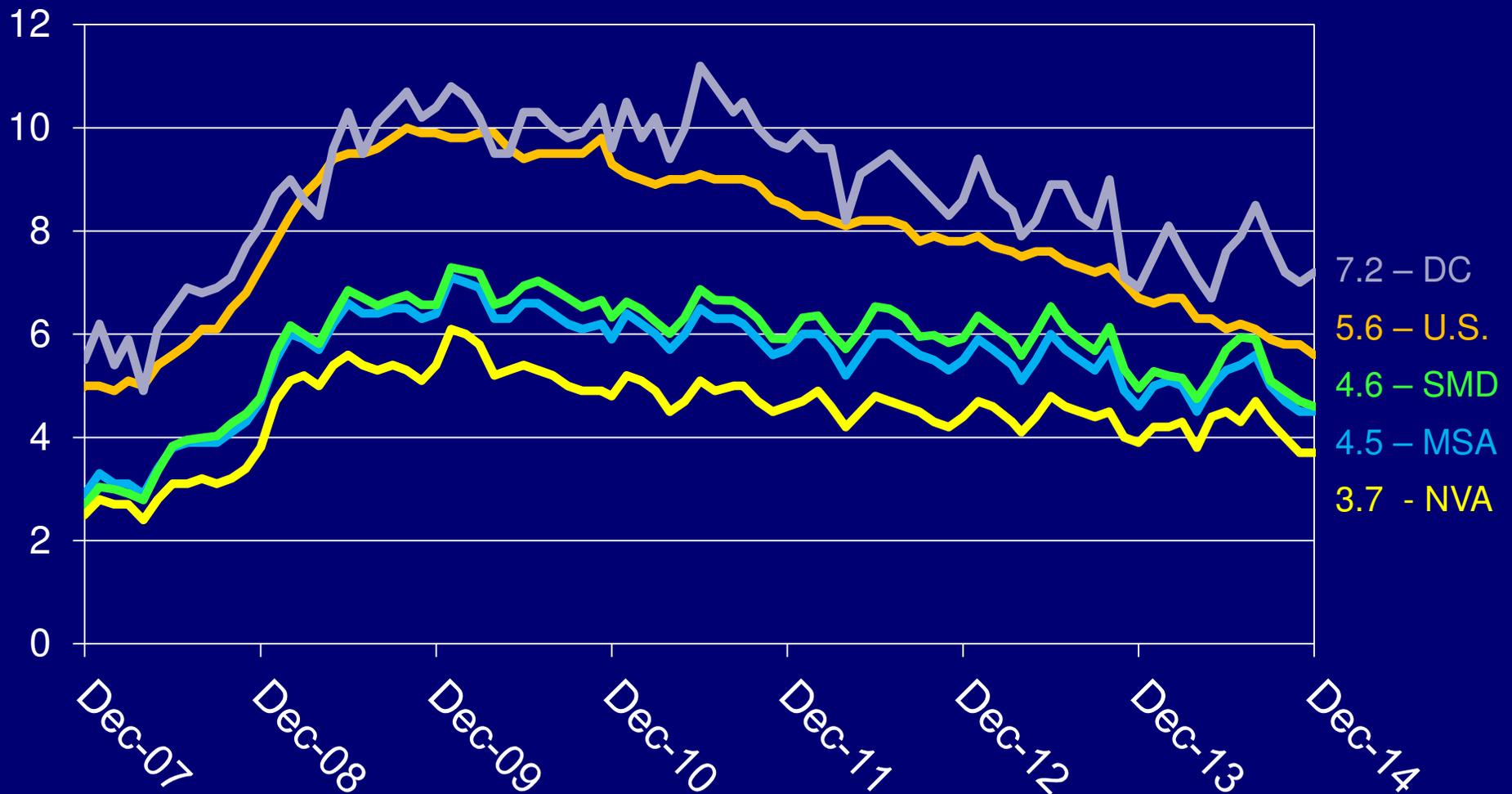
Job Change by Sector Nov 2014 – Dec 2014 Suburban Maryland

Total 700



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Unemployment Rates in the WMSA By Sub-State Area, 2007-2014



Source: Bureau of Labor Statistics (Region - Not Seasonally Adjusted, US – Seasonally Adjusted)

Economic Outlook for the Washington Metropolitan Area: 2014-2019

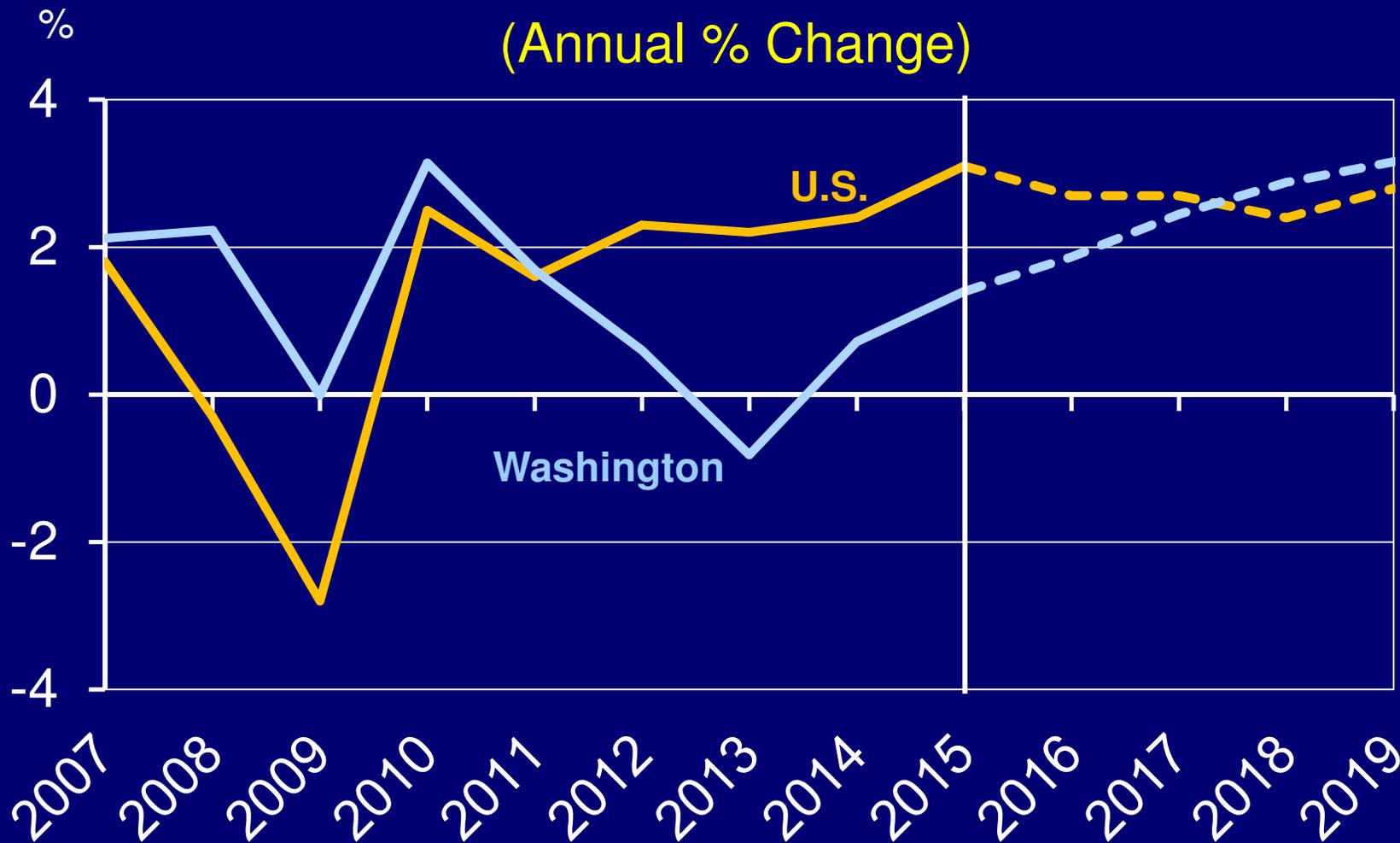
Washington Metropolitan Area and U.S. Economic Growth 2012-2019

(annual percent real change)

| <u>Year</u> | <u>U.S.</u> | <u>WMSA</u> |
|-------------|-------------|-------------|
| 2013 | 2.2 | - 0.8 |
| 2014 | 2.4 | 0.7 |
| 2015 | 3.0 | 1.4 |
| 2016 | 2.7 | 1.9 |
| 2017 | 2.8 | 2.4 |
| 2018 | 2.6 | 2.9 |
| 2019 | 2.8 | 3.2 |

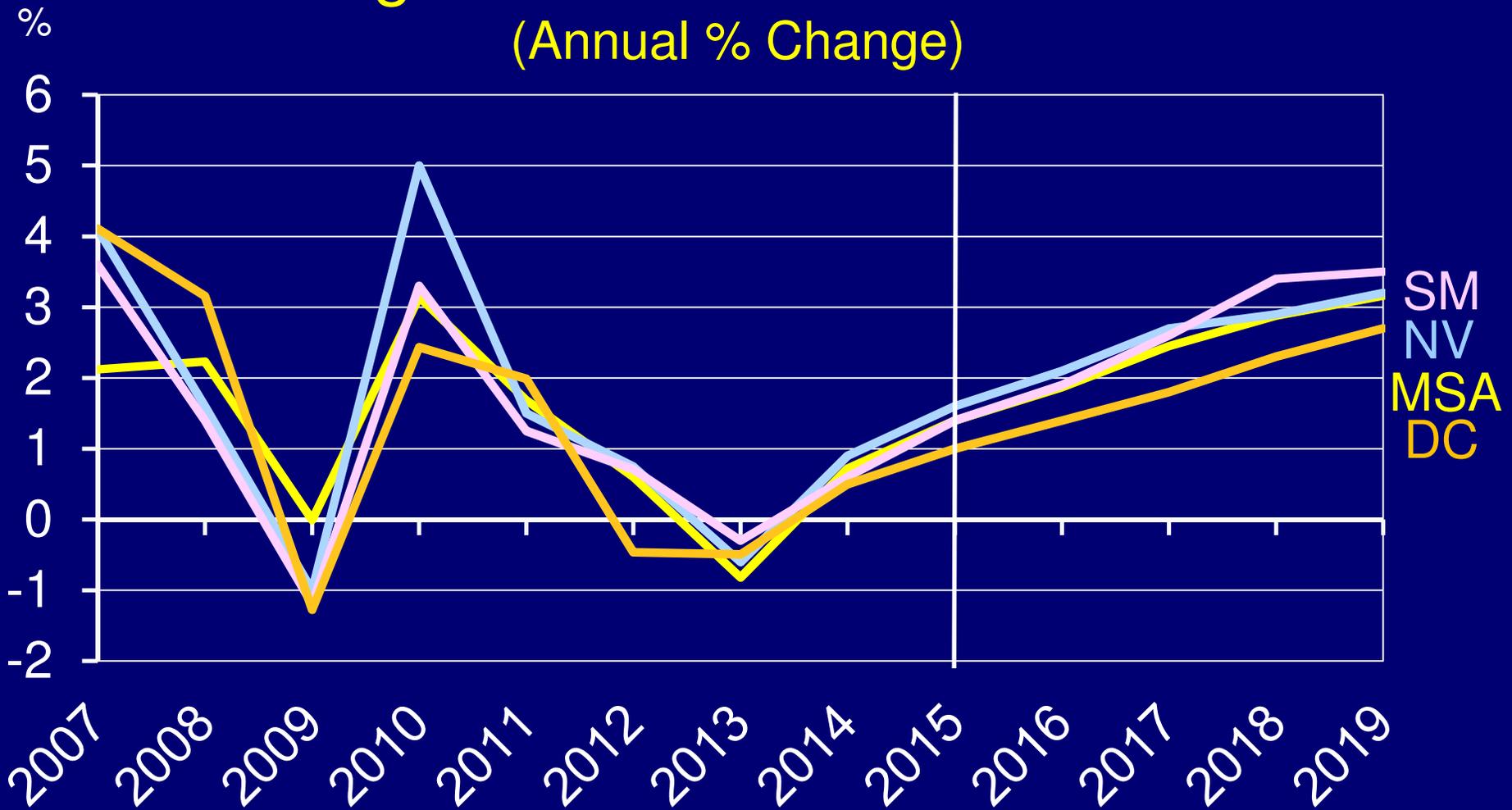
Sources: IHS Economics, Inc. February 2015 ; GMU Center for Regional Analysis

U.S. GDP and Washington Area GRP 2007 – 2015 – 2019 (Annual % Change)



Source: IHS Economics, GMU Center for Regional Analysis, Forecast: January 2015

Economic Outlook (GRP), 2007-2019 Washington Area and Sub-State Areas (Annual % Change)



Source: GMU Center for Regional Analysis, Forecast: January 2015

Employment Change in the WMSA by Sub-State Area (000s)

| | 2012 | 2013 | 2014* | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|------|------|-------|------|------|------|------|------|
| D.C. | 9.3 | 11.0 | 6.6 | 7.9 | 9.1 | 11.0 | 12.7 | 11.7 |
| Sub. MD | 4.2 | 6.7 | 8.1 | 12.5 | 17.0 | 20.1 | 16.9 | 15.8 |
| No. VA | 25.7 | 12.6 | 4.6 | 15.6 | 22.8 | 26.7 | 19.0 | 17.9 |
| REGION | 39.2 | 30.3 | 19.3 | 36.0 | 48.9 | 58.0 | 48.6 | 45.4 |

Average Annual Change 1990-2010 = 35,800

*average through 11 months; rebenchmarked jobs data available in March 2015

Source: BLS, IHS Economics, GMU Center for Regional Analysis (January 2015)

NOTE: The regional totals do not include Jefferson, WV.

Principal Sources of Job and GRP Growth in the Washington Area, 2014-2019

(in thousands)

| <u>Growth Sectors</u> | <u>Job Change</u> | <u>% of Total Job Change</u> | <u>Average Value Added per Job*</u> |
|-----------------------|-------------------|------------------------------|-------------------------------------|
| Prof. & Bus. Ser. | 114.4 | 48.3 | \$157,969 |
| Construction | 48.8 | 20.5 | \$111,992 |
| Education/Health | 28.7 | 12.1 | \$72,162 |
| Hospitality Services | 27.1 | 11.4 | \$51,110 |
| State and Local | 20.2 | 8.5 | \$81,736 |
| Sub-Total | 239.2 | 100.8 | \$119,749 |
| Overall Total | 236.9 | 100.0 | \$154,131 |

Sources: IHS Global Insight; GMU Center for Regional Analysis

*in 2014\$s

Job and GRP Gains and Losses for the Washington Area's Other Sectors, 2014-2019

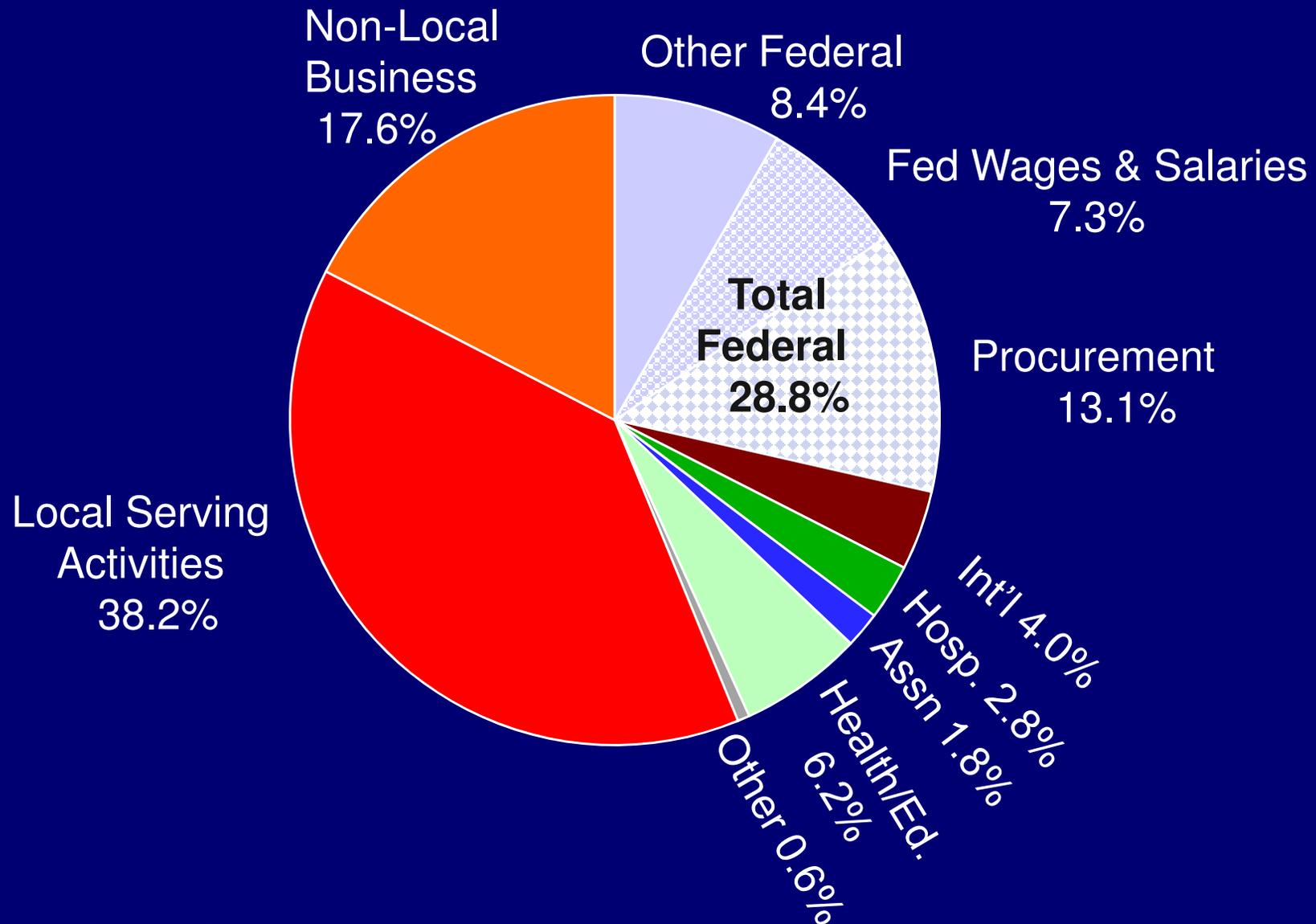
(in thousands)

| | <u>Job Change</u> | <u>% of Total Job Change</u> | <u>Average Value Added per Job*</u> |
|----------------------|-----------------------|----------------------------------|---|
| Federal Gov't | - 22.3 | - 9.4 | \$185,804 |
| Retail Trade | 0.5 | 0.2 | \$64,478 |
| Other Services | 2.6 | 1.1 | \$86,150 |
| Financial Services | - 0.1 | 0.0 | \$620,922 |
| Information Services | 2.0 | 0.9 | \$410,371 |
| Manufacturing | 0.0 | 0.0 | \$249,934 |
| Transportation | 8.8 | 3.7 | \$203,015 |
| Wholesale Trade | 6.2 | 2.6 | \$215,783 |
| Sub-Totals | - 2.3 | - 0.9 | \$197,811 |
| Overall Total | 236.9 | 100.0 | \$154,131 |

Sources: IHS Economics, Inc.; GMU Center for Regional Analysis

*in 2014 \$s

2019 Structure of the Greater Washington Economy



Thank You Questions

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