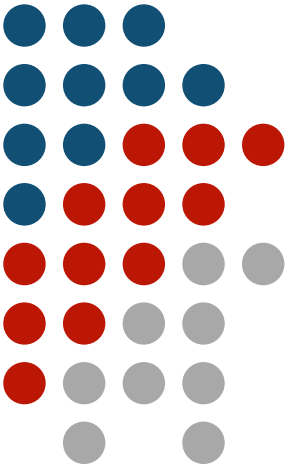
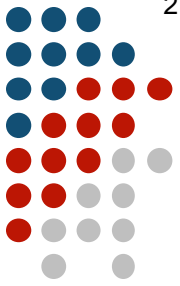


Metropolitan Washington Area Key Economic & Demographic Indicators

Arlington County Community Facilities Study
March 11, 2015

Lisa A. Sturtevant, PhD
Vice President of Research
National Housing Conference



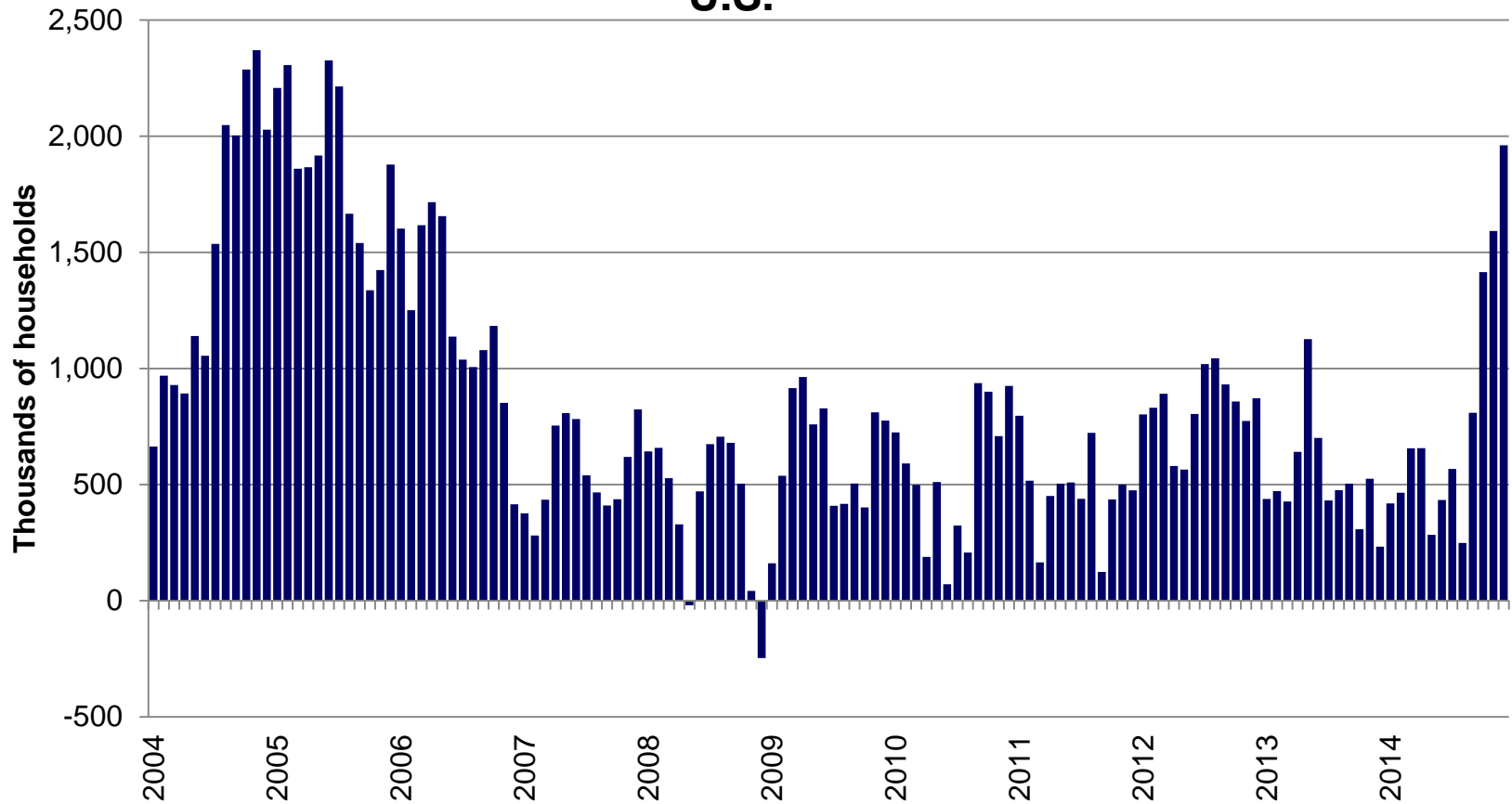


KEY NATIONAL DEMOGRAPHIC TRENDS

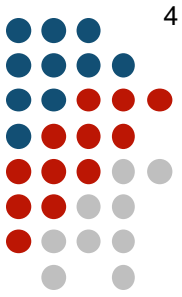
The rate of household formation is beginning to pick up as a result of the improving economy.



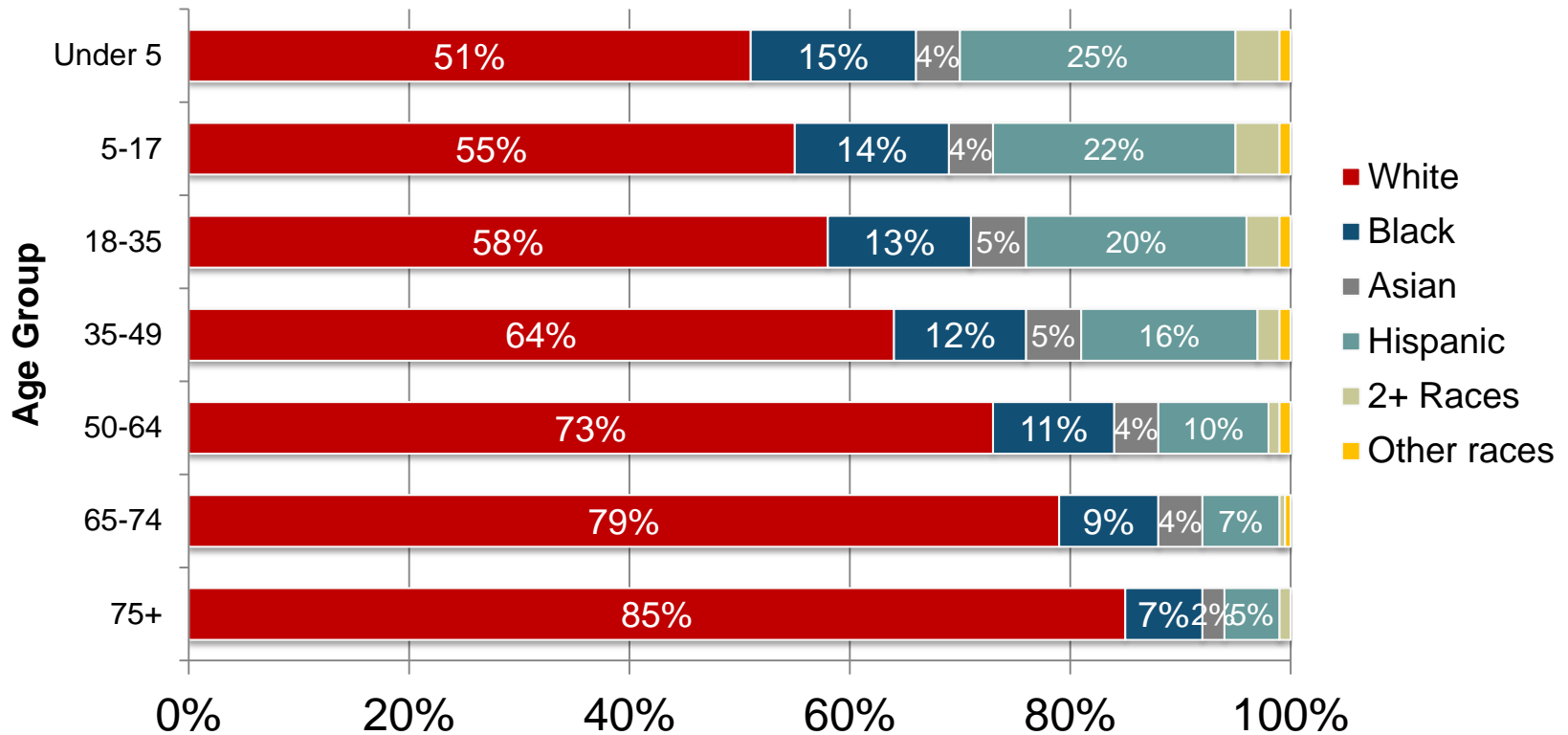
Month-over-the-year Household Growth U.S.

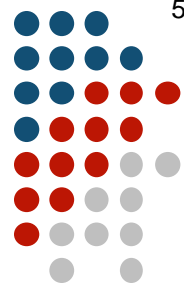


Looking ahead, the population will become more racially diverse—young people are much more diverse than older people.



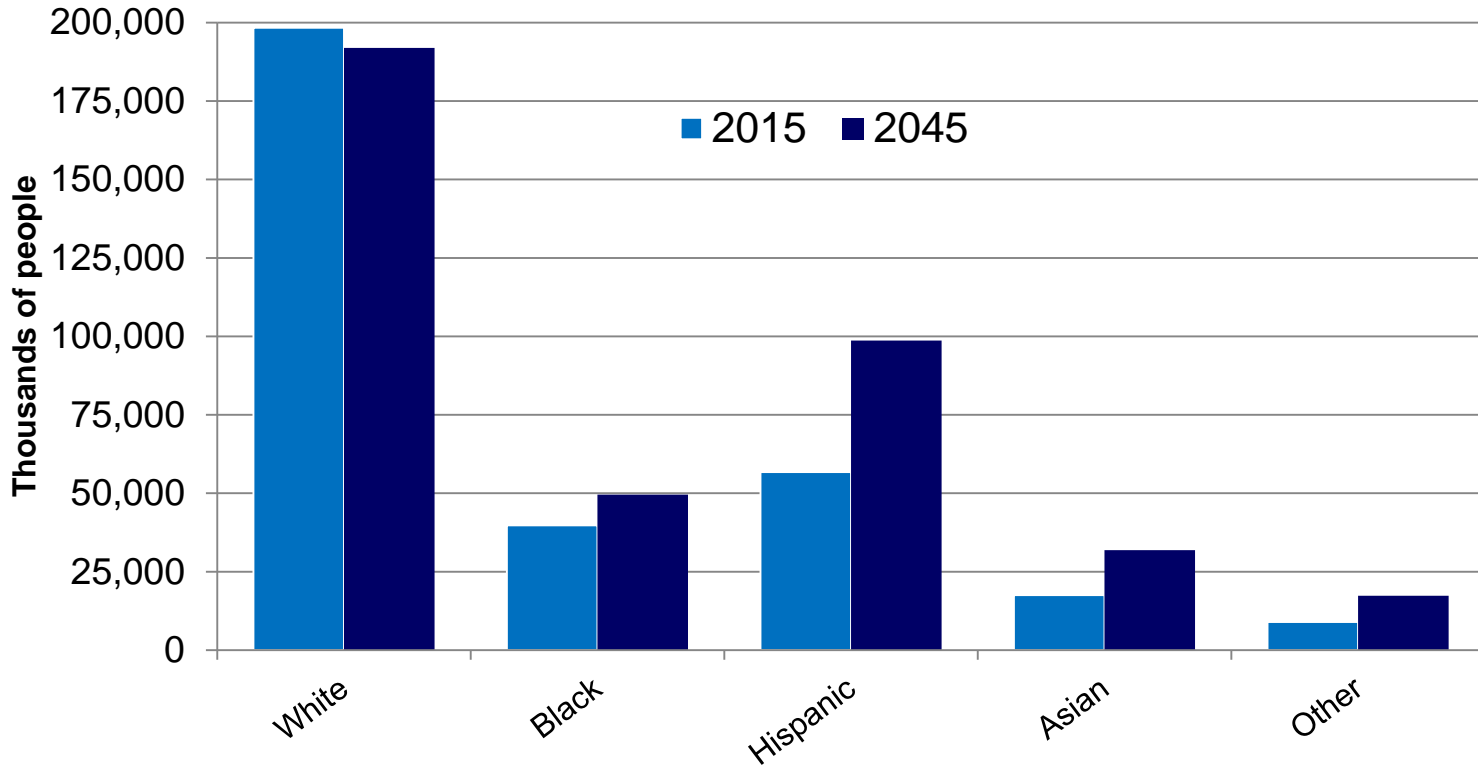
**Racial Make-up of Different Age Groups: 2012
U.S.**





Over the next 3 decades, the white population will actually decline in total numbers because of lower fertility rates.

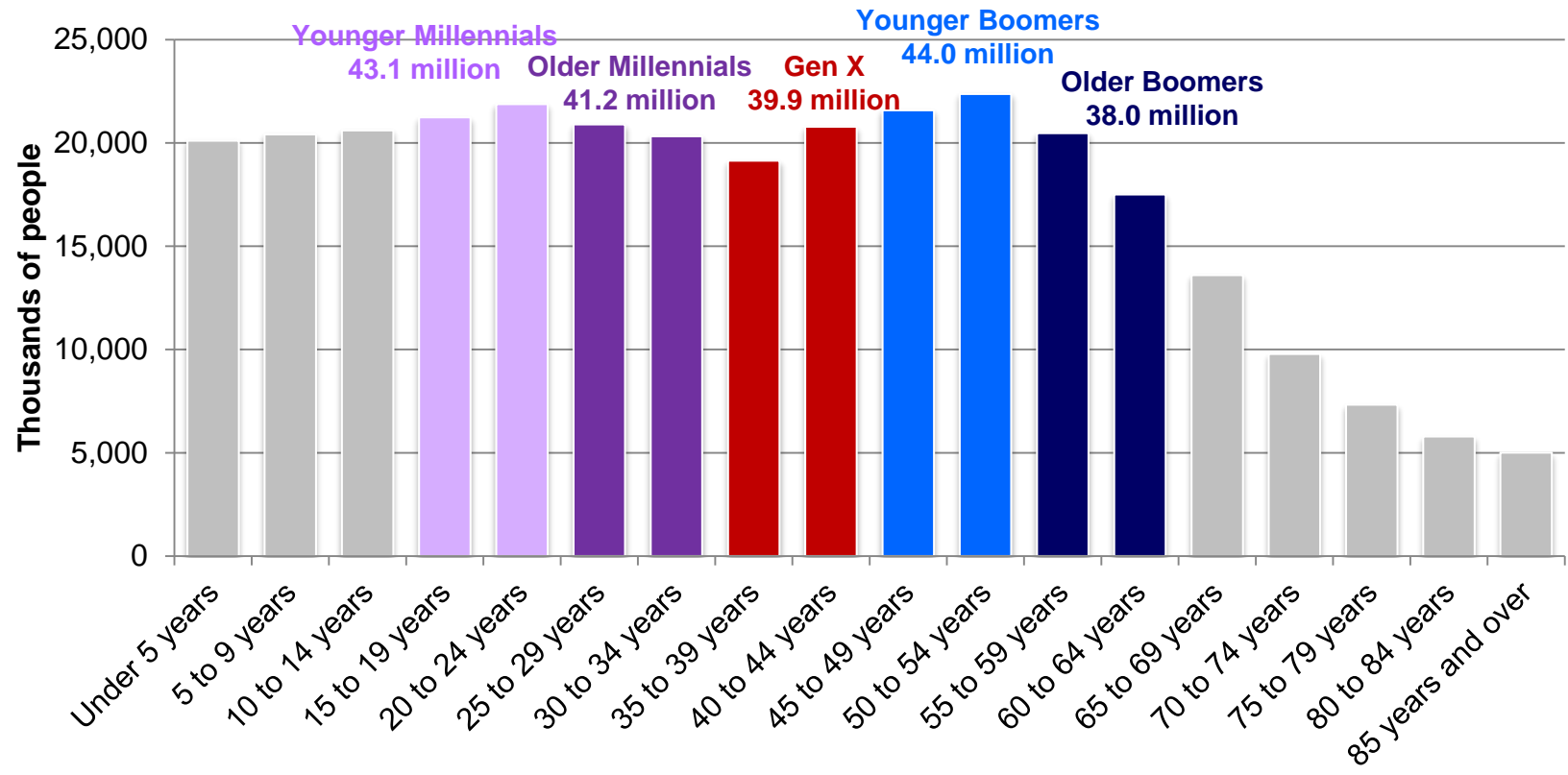
Population by Race/Ethnicity: 2015 and 2045
U.S.



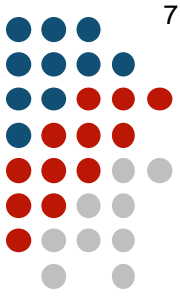


The decisions and opportunities of Boomers and Millennials will have important labor market and housing market implications.

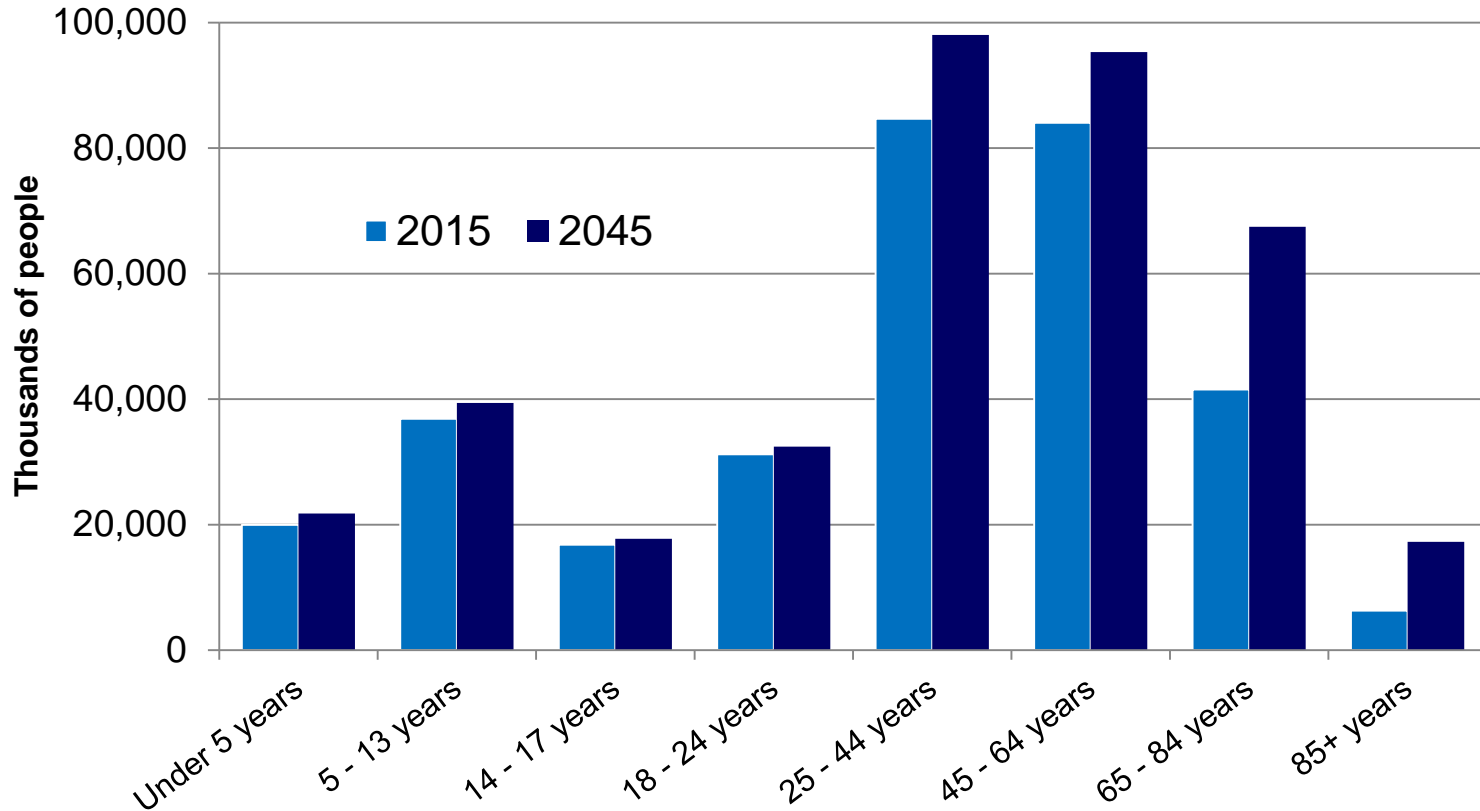
Population by Age Group U.S.

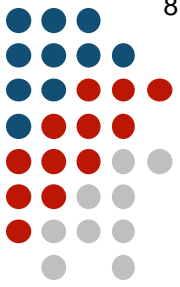


Longer life expectancies will mean dramatic growth in the nation's older population over the next 3 decades.



Population by Age Group: 2015 and 2045 U.S.





OVERVIEW OF THE WASHINGTON AREA ECONOMY



WMSA Payroll Job Change: Private Sector

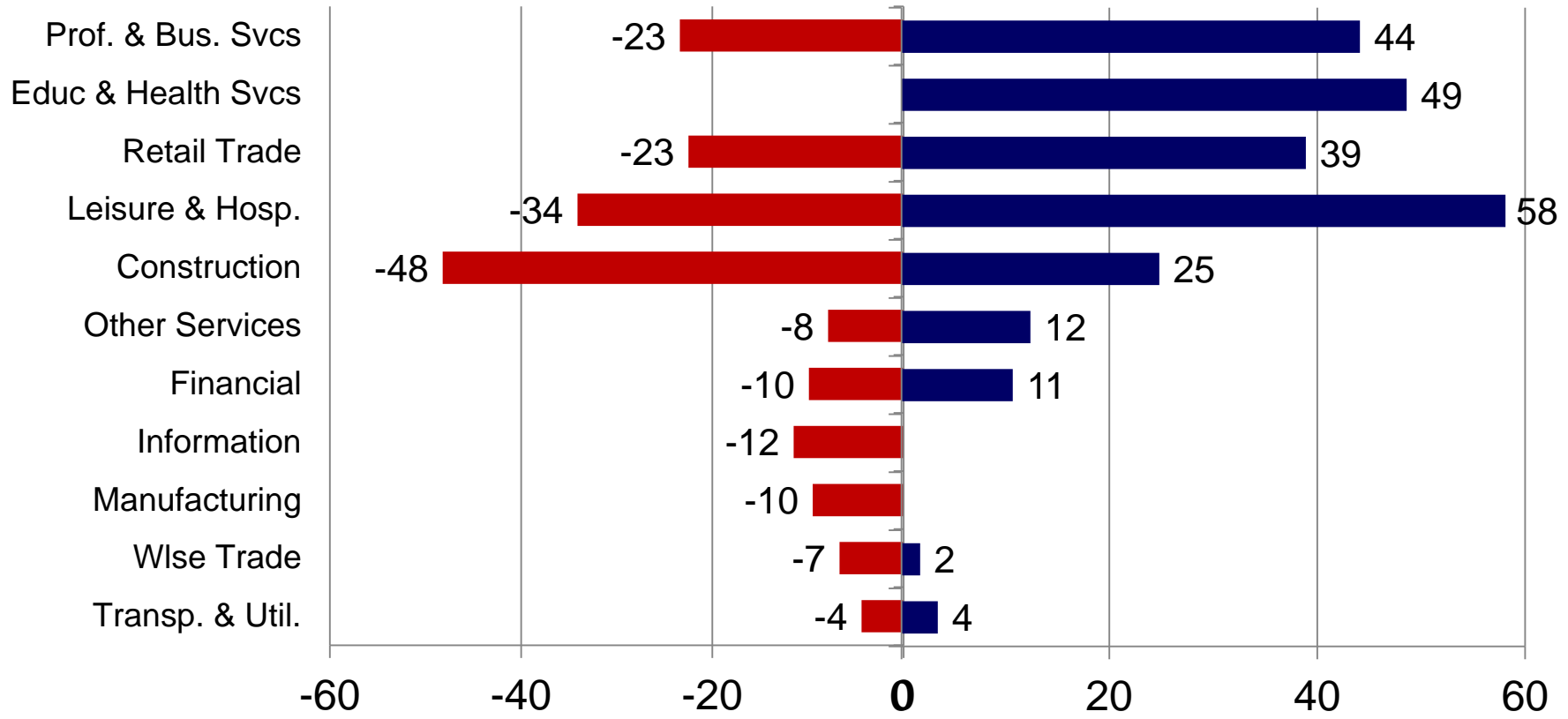
The Great Recession and Recovery

Aug 2008-Feb 2010

Feb 2010-Nov 2014

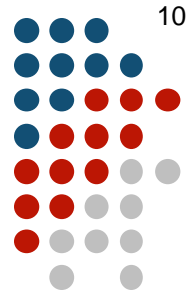
Total 178

Total 243



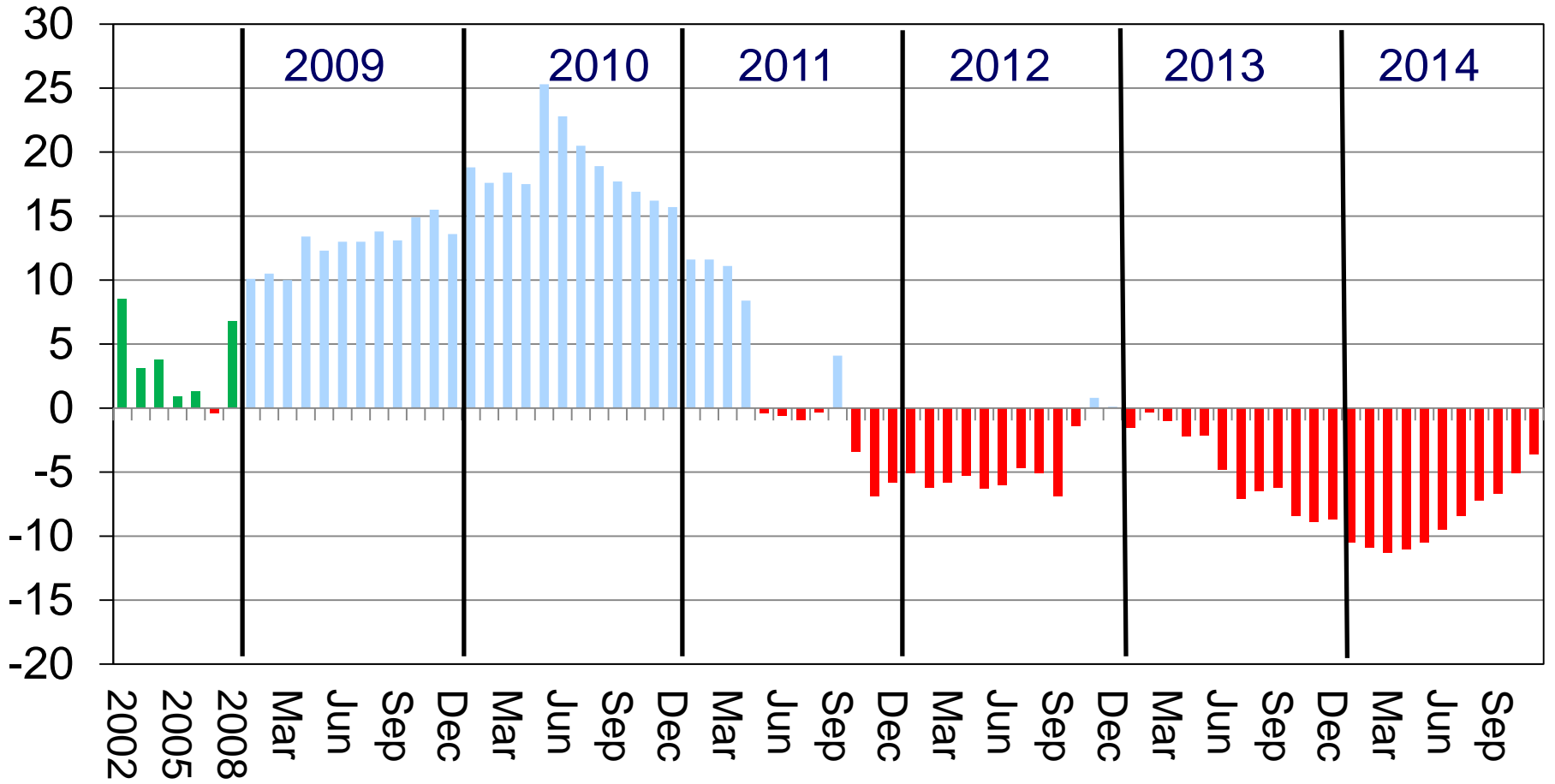
Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Federal Government Jobs in the Washington Metropolitan Area, 2002-2014



Annual

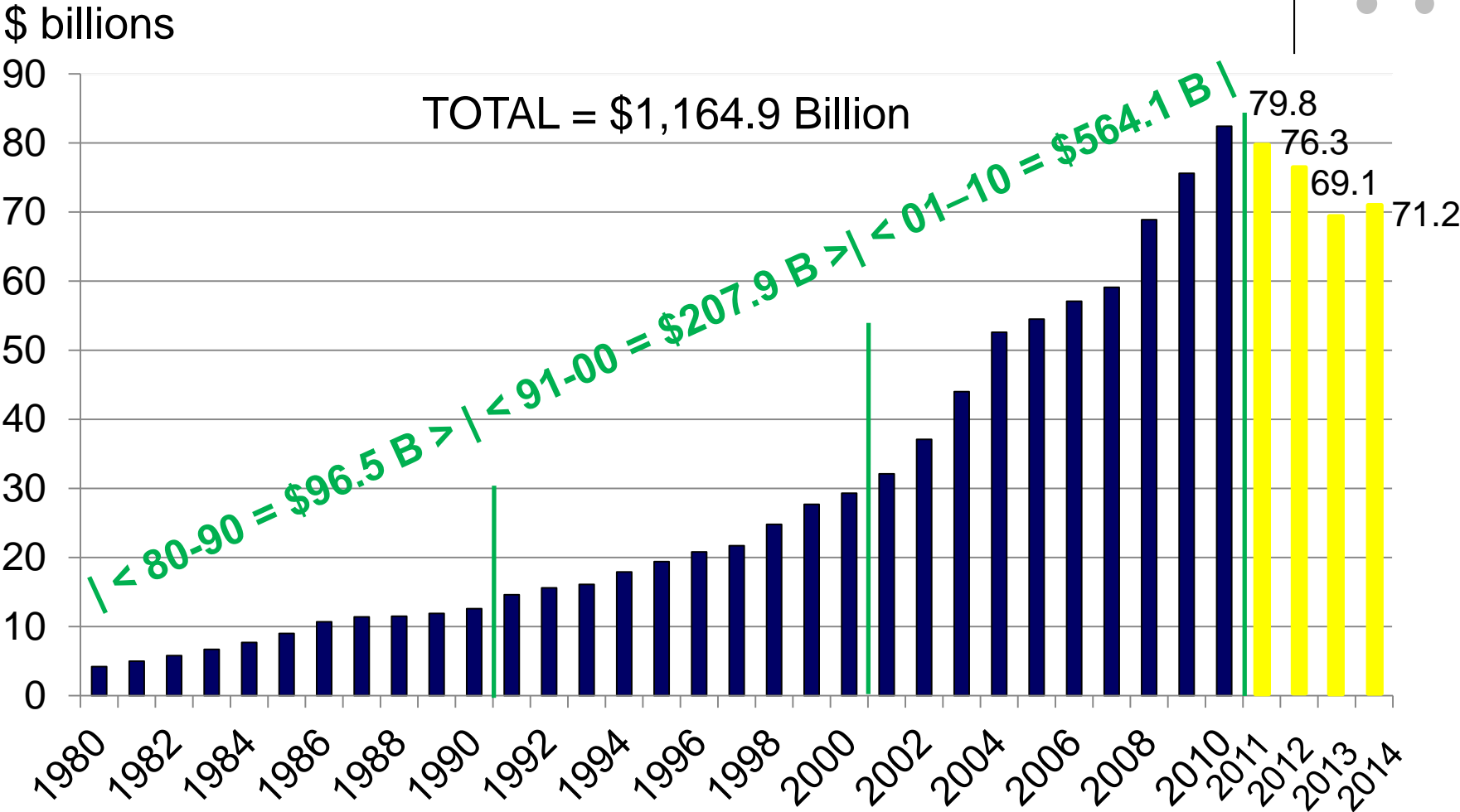
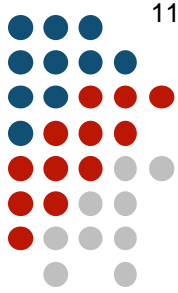
Annual Month over Year



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

Nov-14 Total: 365.7

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



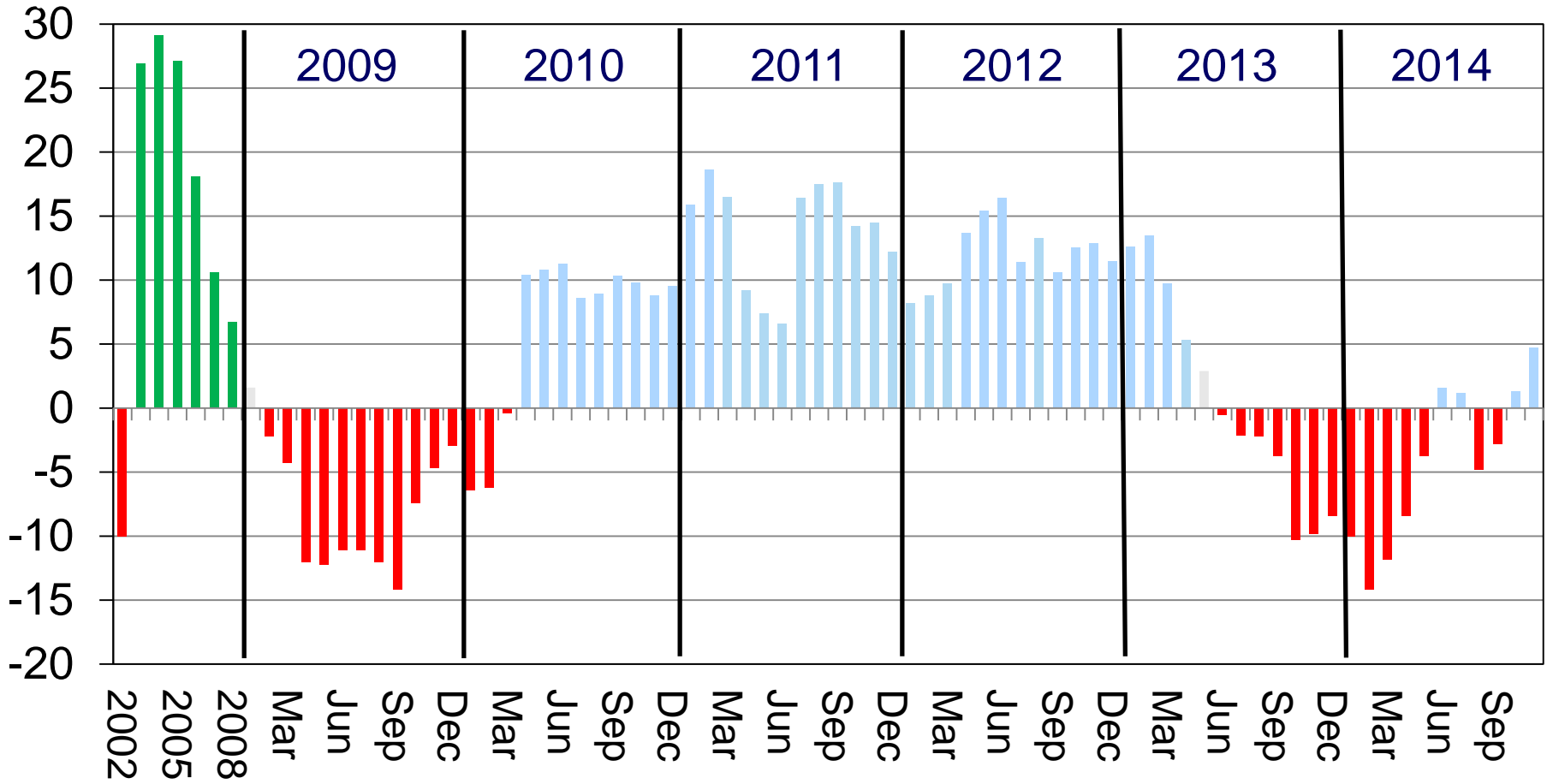
Source: US Census, Consolidated Federal Funds Report and USAspending.gov, GMU CRA



Professional & Business Services Jobs in the Washington Metropolitan Area

Annual Data

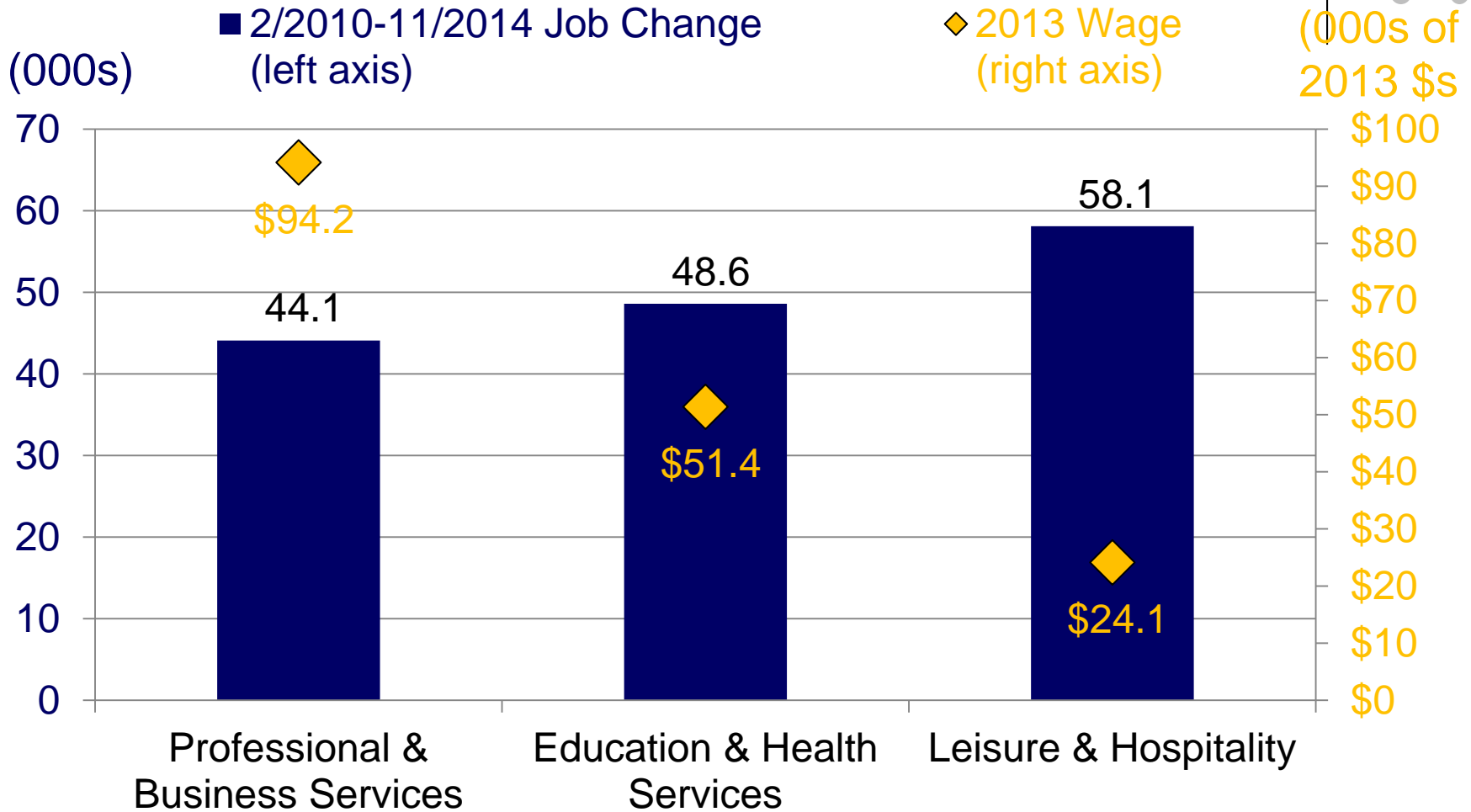
Annual Month over Year

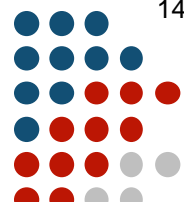


Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Nov-14 Total: 708.5

Average Wage and Job Change Washington Metro Area





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)	\$ 67,572	\$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	116,848	- \$7,283
Prince Wm County	95,268	- \$2,234
Alexandria City	86,775	\$2,985
Total Metro Area	\$ 90,149	- \$2,287



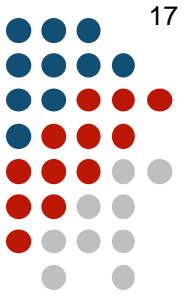
HOW ECONOMICS & DEMOGRAPHICS WILL SHAPE HOUSING DEMAND IN THE REGION



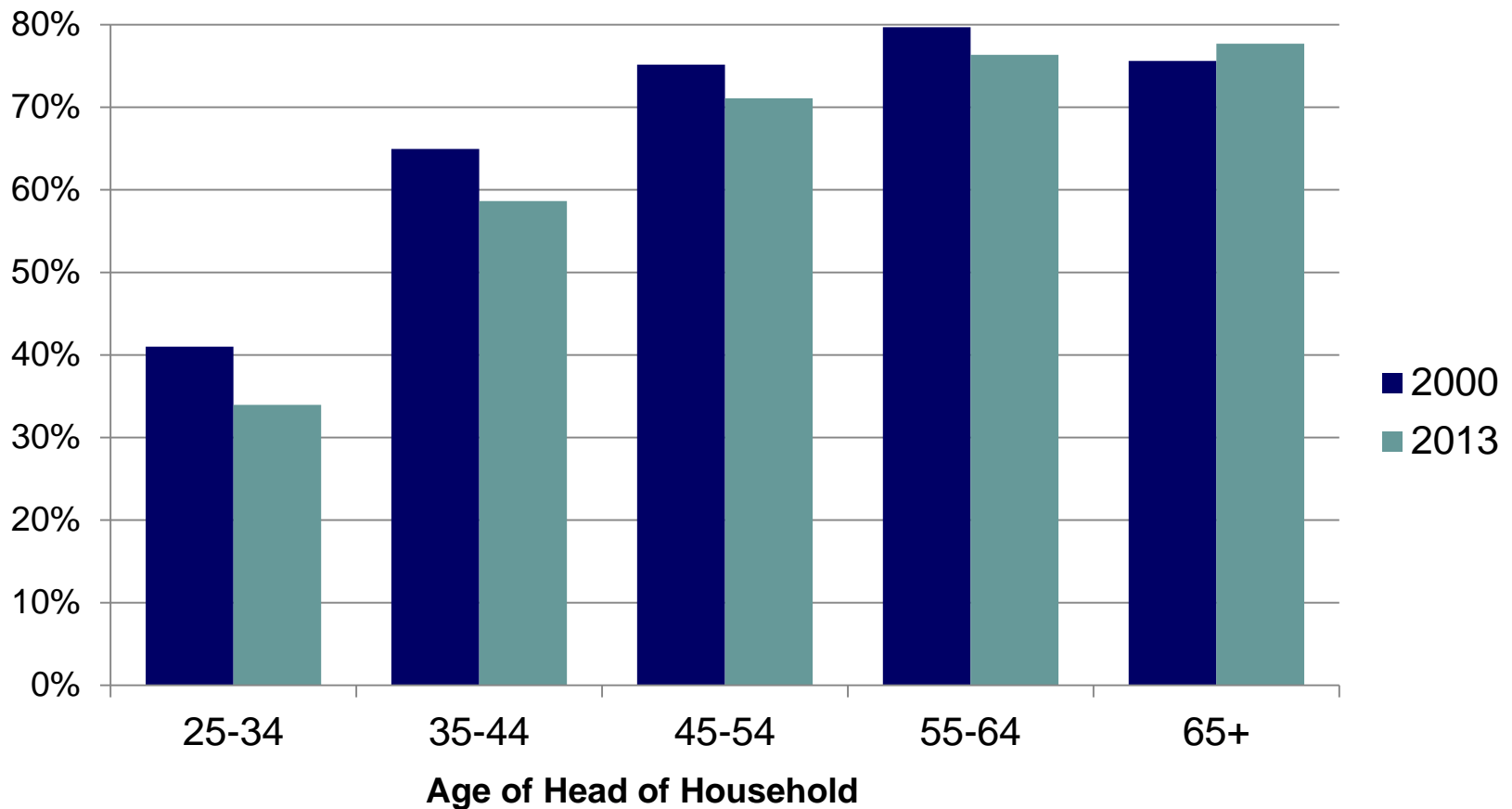
How Demographics Will Shape Housing Demand in 2015

- Millennials: The First-Time Homebuyers
- Gen X: The Move-Uppers
- Baby Boomers: The Downsizers

Homeownership Has Declined Across Age Groups, Except Seniors



Homeownership Rate by Age Category Washington MSA





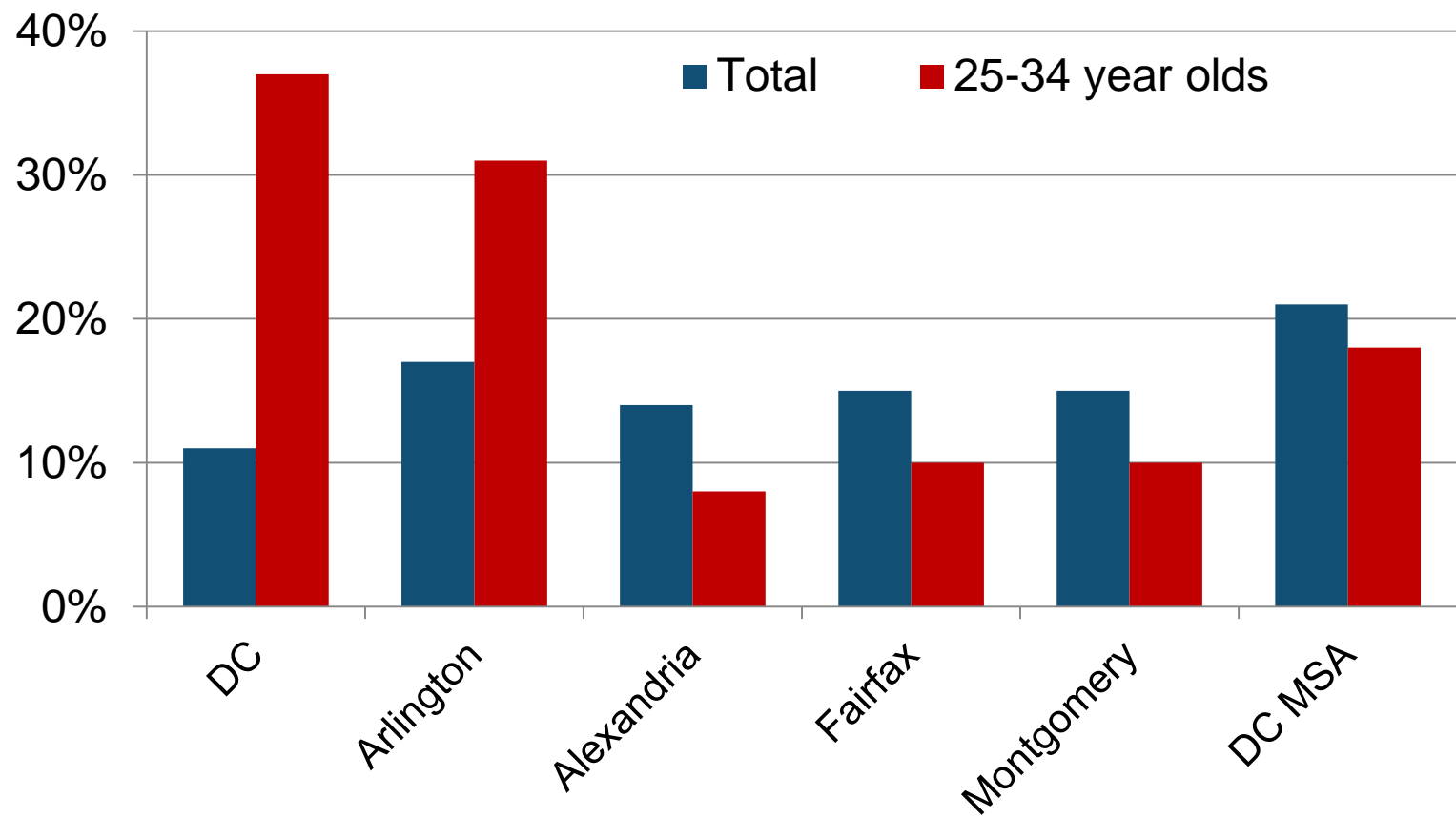
Millennials: The First-Time Homebuyer

- Time is the key
 1. Wages
 2. Marriage
 3. Homeownership
- Preferences may not be substantially different from prior generations'
 - Housing options may be limited



Millennials Drove Population Growth in DC and Arlington

Percent Population Change, 2000-2012

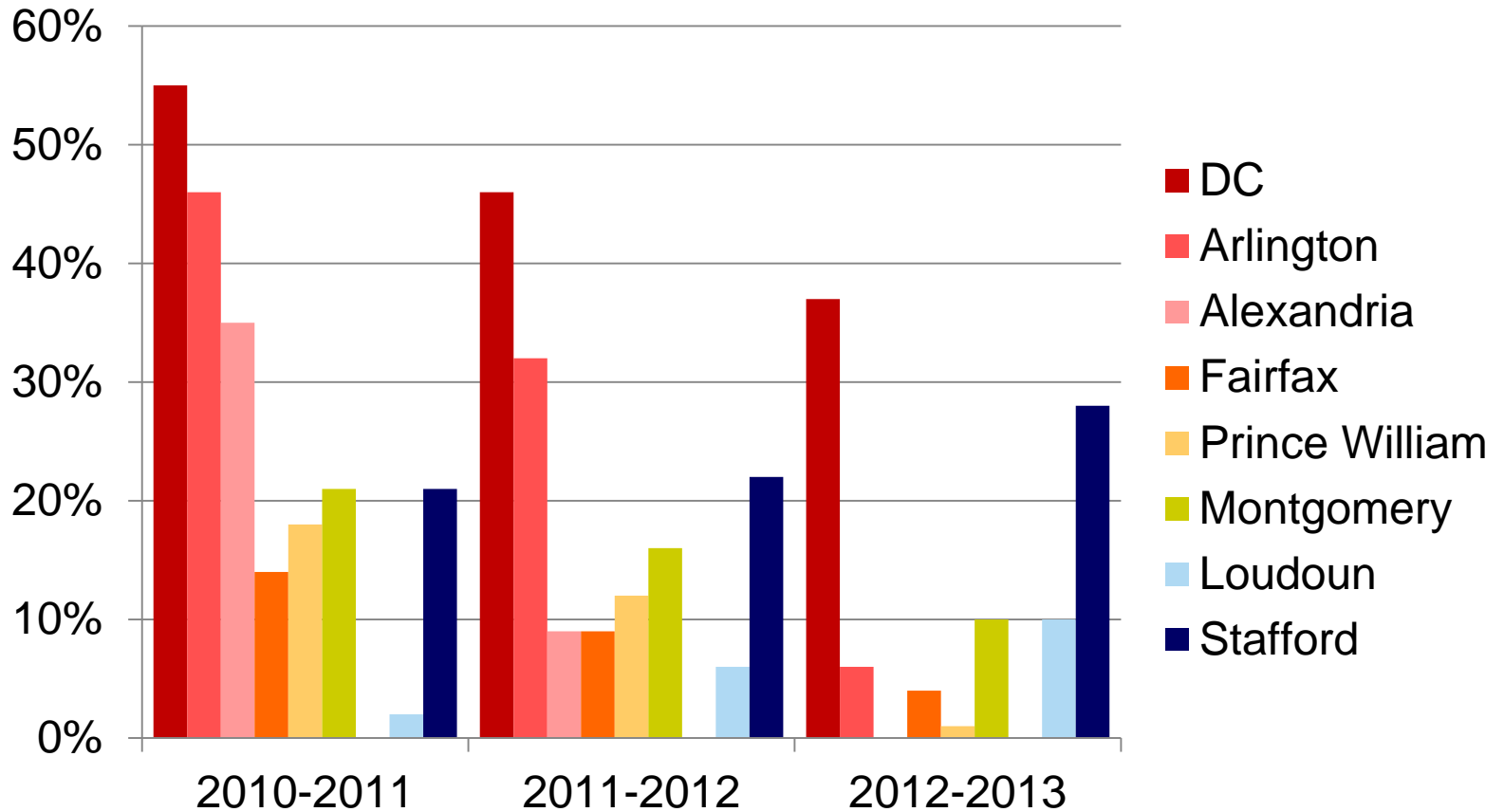


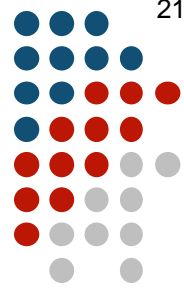
Source: U.S. Census Bureau, 2000 Census SF3 and American Community Survey 1-year file

But There Are Shifts to the Suburbs



25 to 34 Year Old Share of Population Growth

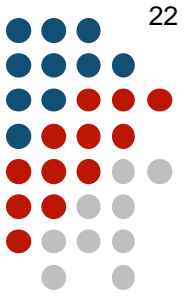




Gen X: The Move-Uppers

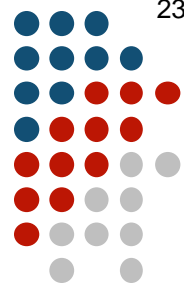
- Inclination to move is contingent
 - Interest rates
 - Equity
- More likely to purchase new construction

Interest Rates are Still Very Low



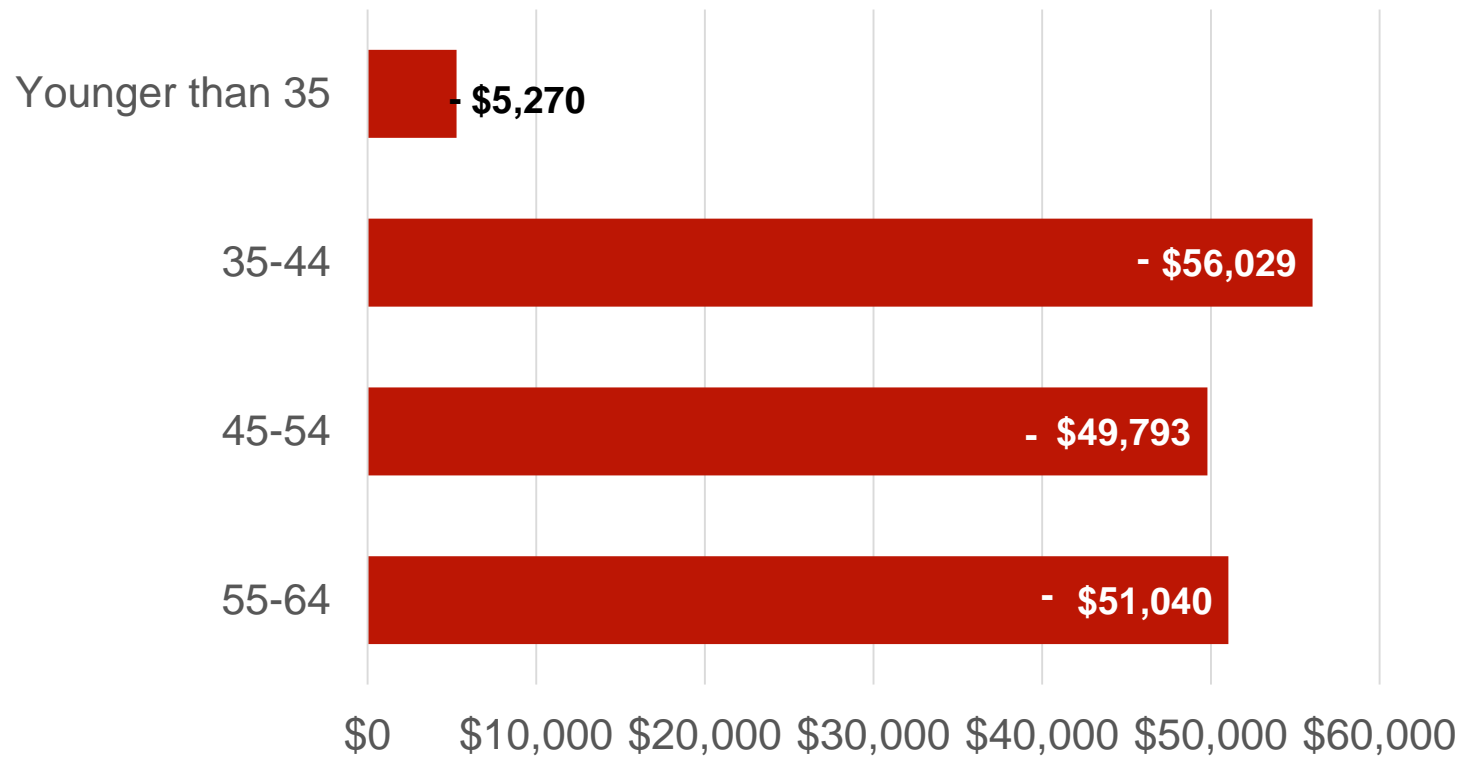
Conventional, Conforming 30-Year Fixed Rate Mortgage



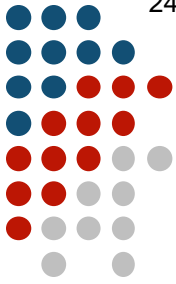


Wealth Losses Hit Gen X'ers Disproportionately Hard

Total Decline in Median Wealth by Age of Household Head, US, 2000-2010



Source: Pew Research Center, tabulations of Survey of Consumer Finances data



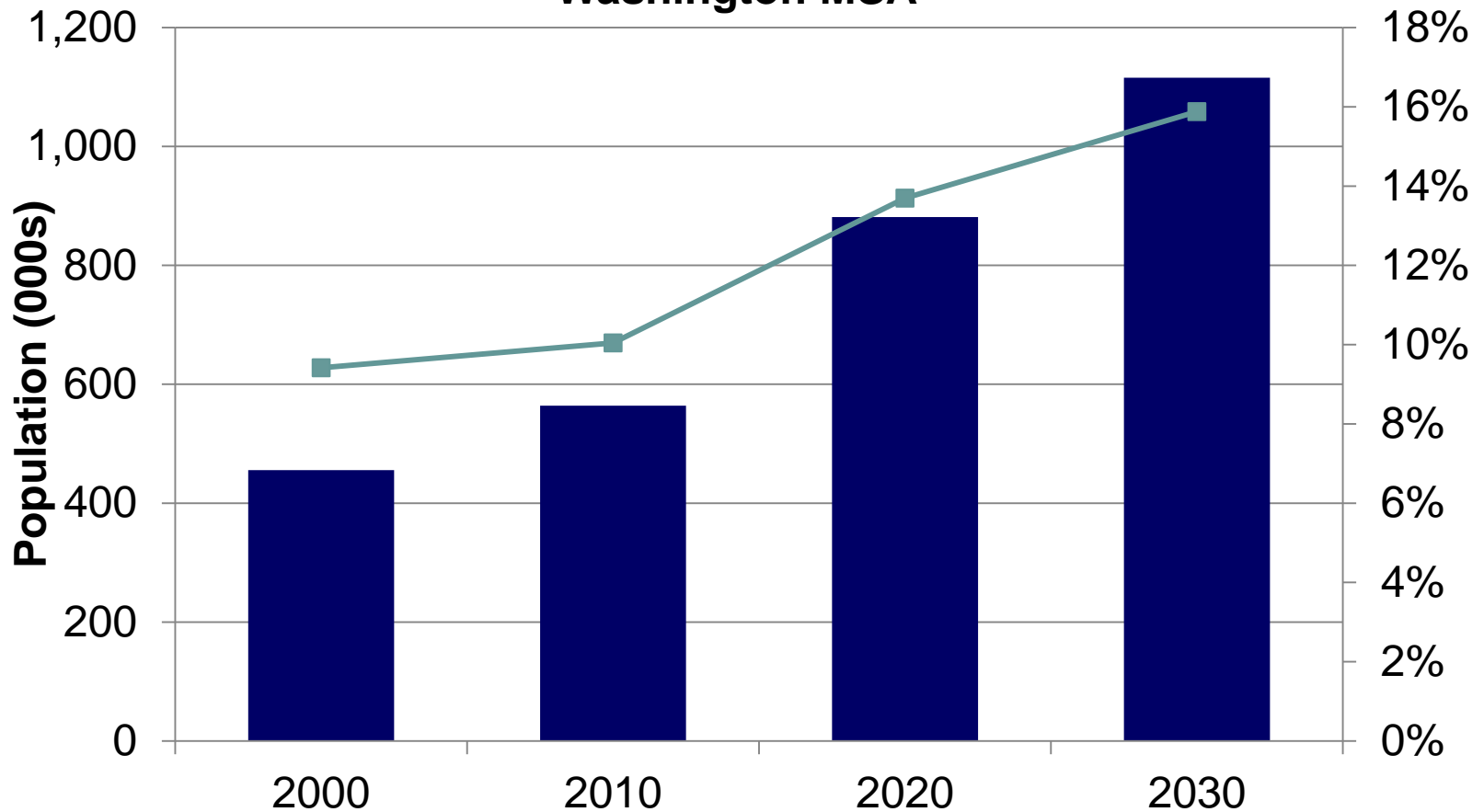
Baby Boomers: The Downsizers

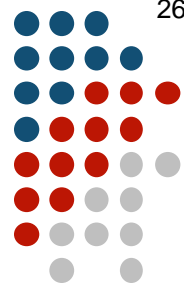
- Large wave of retirees
 - Most live in suburbs
 - Many will stay in the region
- Diversity of housing preferences

Seniors Are a Growing Share of Our Population



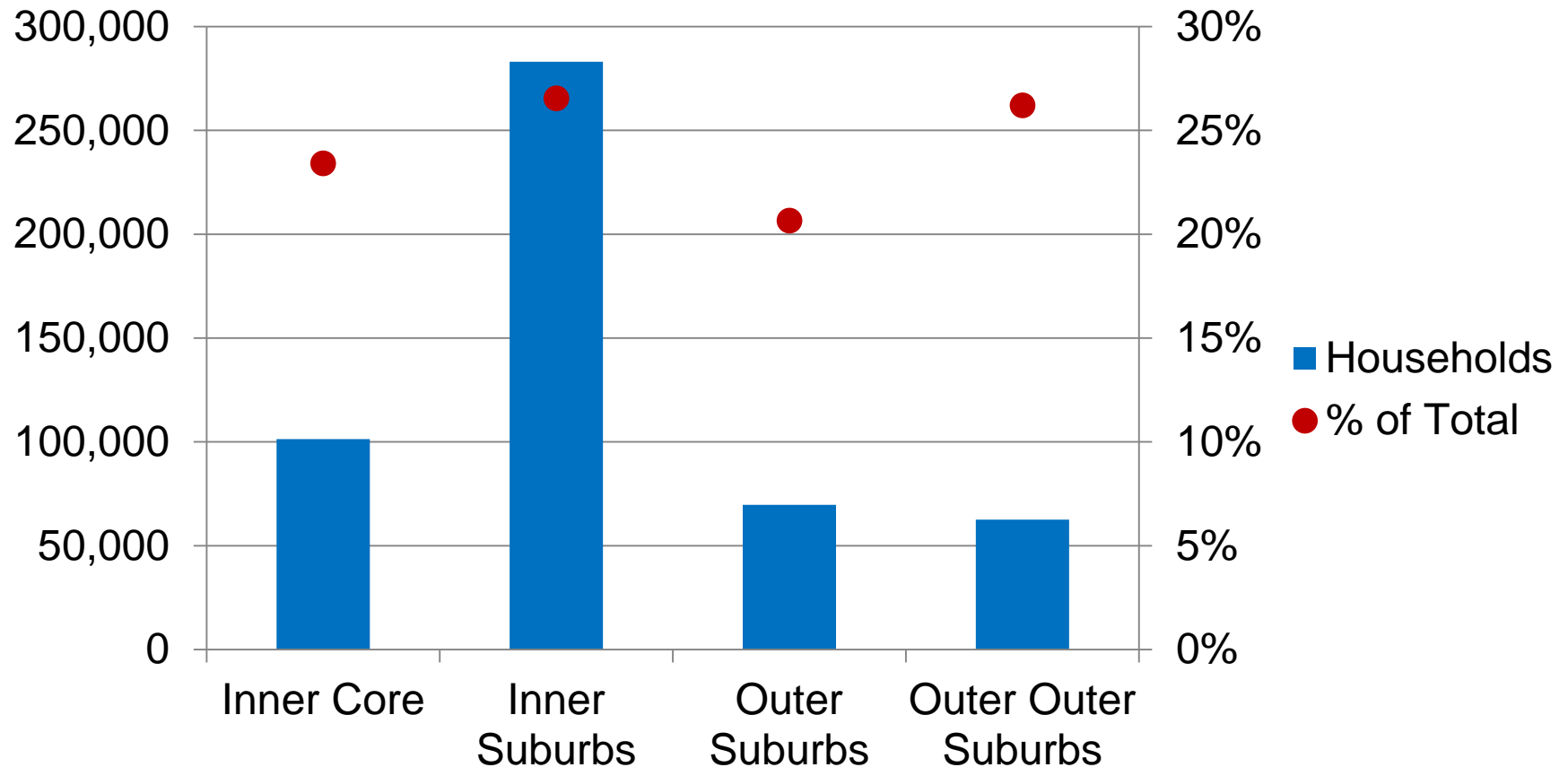
Population Age 65+ Washington MSA



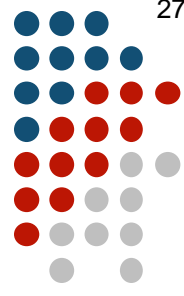


Greatest Number of Boomer Households in Fairfax & Montgomery Counties

Households Headed by a Person Age 60+: 2010 Washington MSA



Source: 2010 Census, SF1

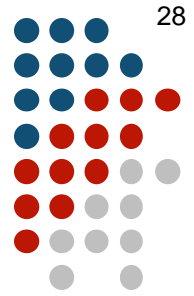
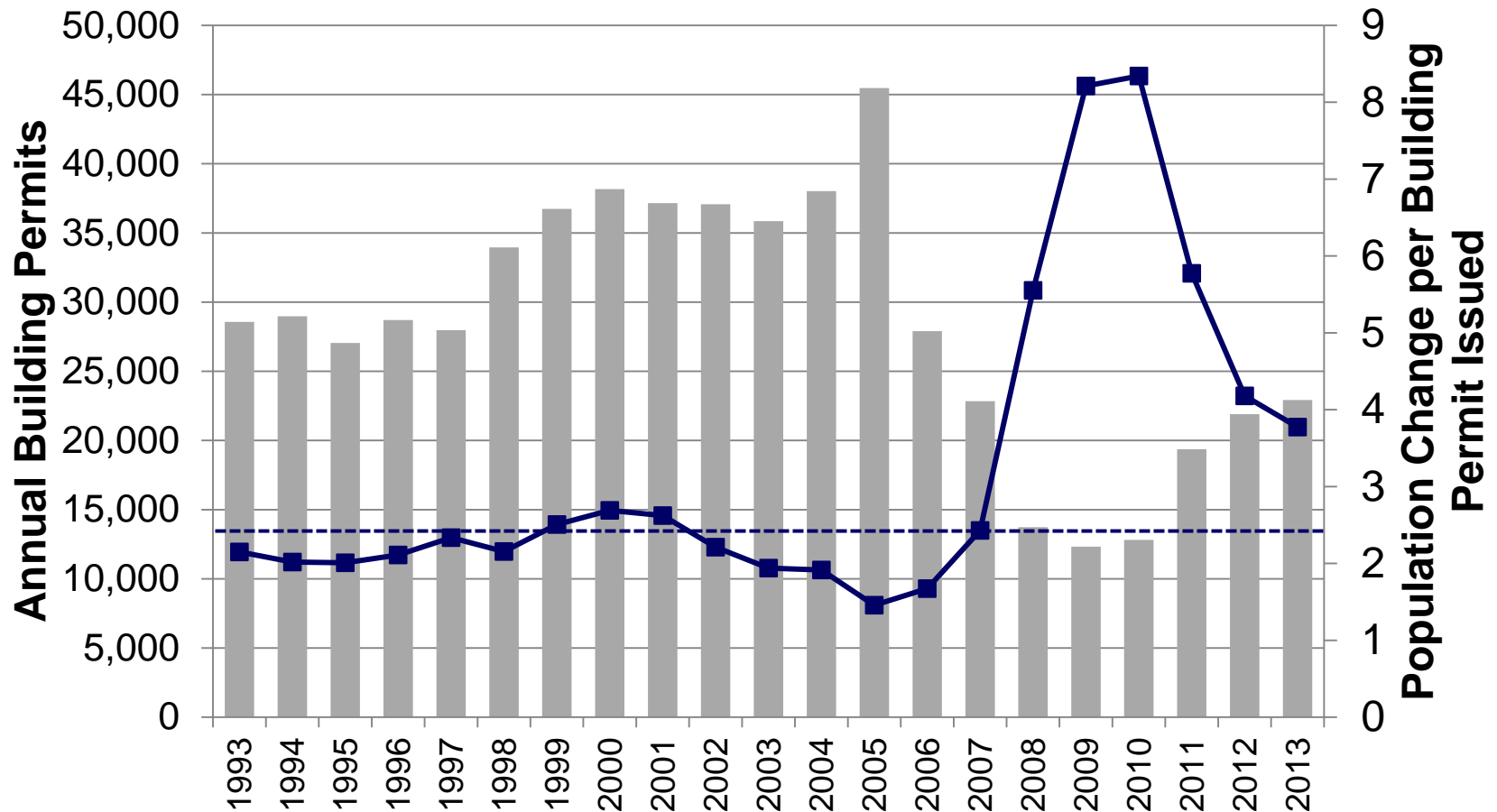


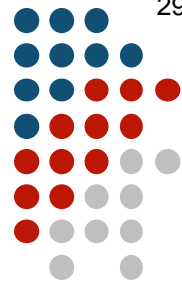
Will There Be Sufficient Housing to Meet Demand for All Cohorts?

- Lower-priced homes
- Homeownership and rental housing in the suburbs
- “Accessible” housing

Population Growth Outpaced Residential Construction During the Downturn

Building Permit Activity Washington DC MSA





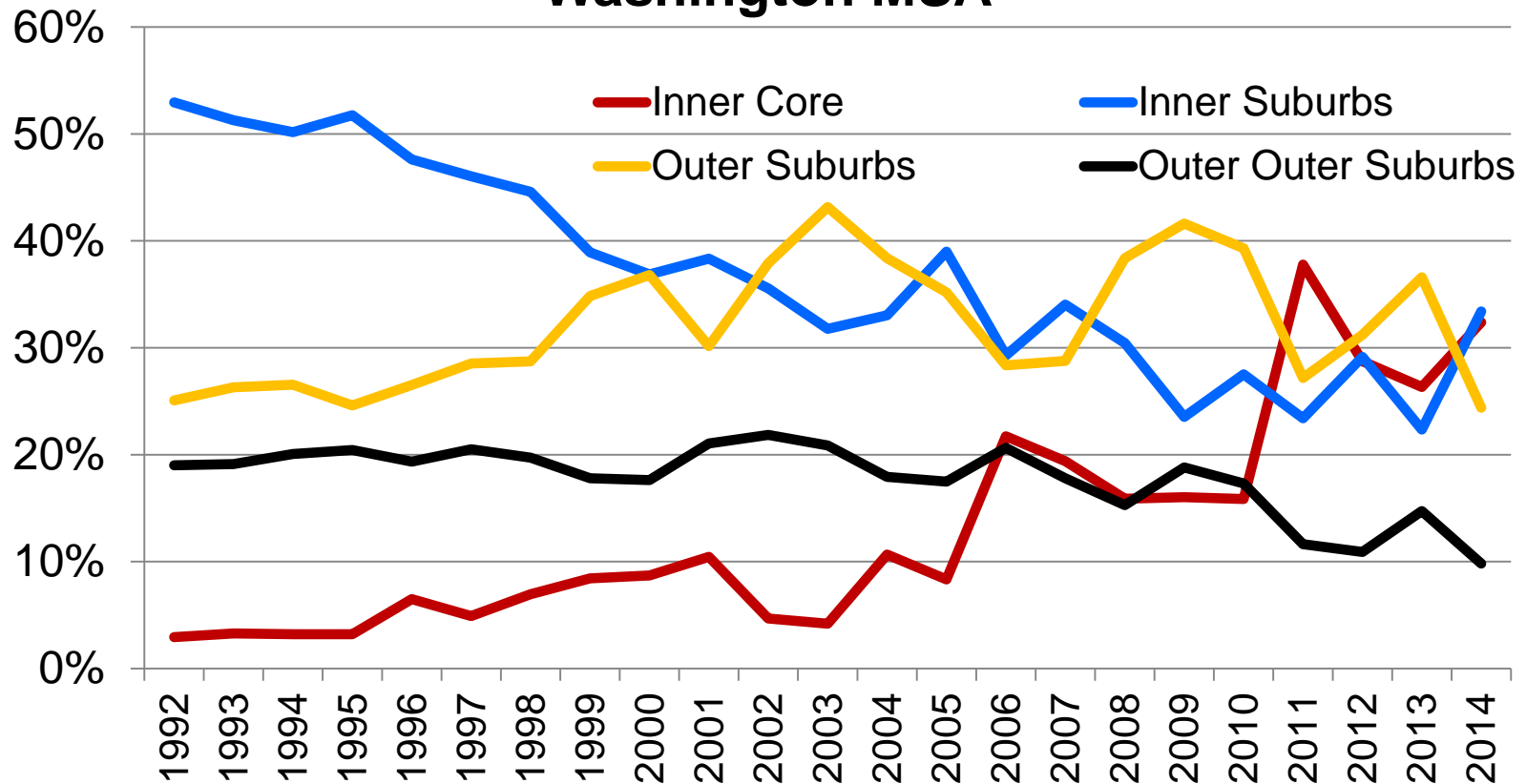
New Residential Construction to Meet Future Needs and Past Deficit

- The Washington MSA will need **39,000** new housing units each year between 2015 and 2019
 - 31,000 to meet annual population growth
 - 8,000 to make up deficit (assumed deficit made up over 10 years)

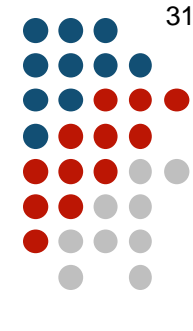
Where New Homes are Built Will Start to Shift



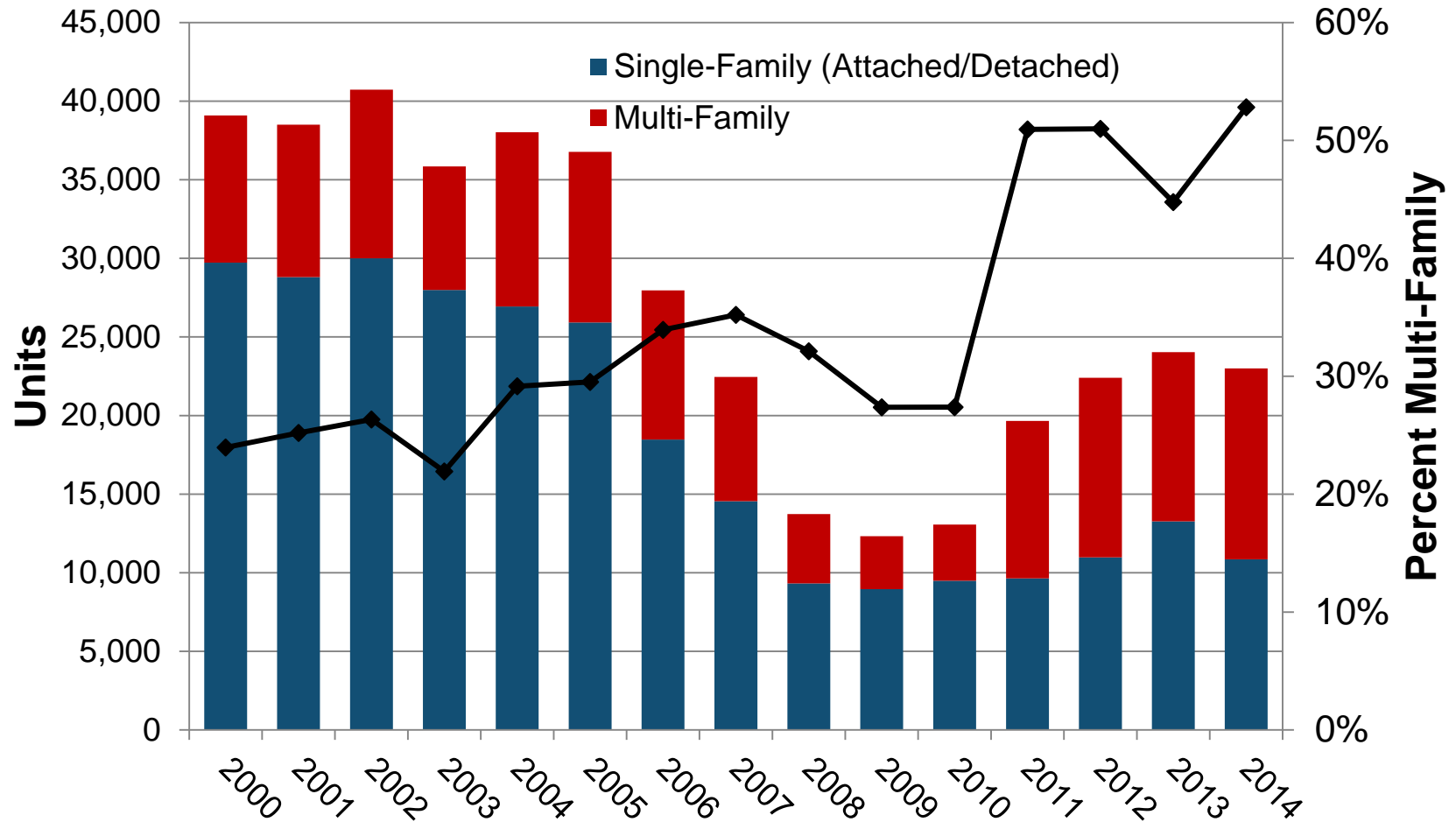
Share of Building Permits by Area Washington MSA

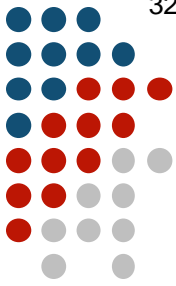


Single-Family Home Construction Still Hasn't Recovered



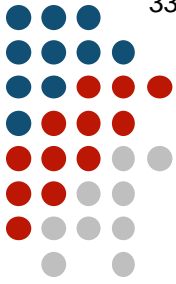
Building Permits by Type Washington MSA





Key Takeaways for 2015

- Housing market activity will pick up as inventories rise
 - First-time homebuyers will be key driver
- Growing demand for single-family homes.
 - But smaller homes, lower price points
- The suburbs are not dead and, in fact, are poised for a rebirth.
- While demand will be there in 2015, supply won't catch up until 2016.



Contact

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National Housing Conference

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