




Cardinal Bank & George Mason University
23rd Annual Economic Conference

**What Will Drive Growth in the
Washington Area Economy
Going Forward?**

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

January 15, 2015

**Top Ten: How Does the Washington
Area Economy Rank, 1950-2030**

	<u>1950</u>	<u>2010</u>	<u>2014</u>	<u>2030</u>	<u>2030</u> ¹
NYC					
LA					
Chi					
Phil					
Detroit					
SF/Oak					
Boston					
Pitts					
Wash					
St. Louis					

Sources: U.S. Bureau of Economic Analysis; GMU Center for Regional Analysis




Top Ten: How Does the Washington Area Economy Rank, 1950-2030

<u>1950</u>	<u>2010</u>	<u>2014</u>	<u>2030</u>	<u>2030¹</u>
NYC	NYC			
LA	LA			
Chi	Chi			
Phil	Wash			
Detroit	Houston			
SF/Oak	Dallas			
Boston	Phil			
Pitts	SF/Oak			
Wash	Boston			
St. Louis	Atlanta			

Sources: U.S. Bureau of Economic Analysis; GMU Center for Regional Analysis




Top Ten: How Does the Washington Area Economy Rank, 1950-2030

<u>1950</u>	<u>2010</u>	<u>2014</u>	<u>2030</u>	<u>2030¹</u>
NYC	NYC	NYC		
LA	LA	LA		
Chi	Chi	Chi		
Phil	Wash	Houston		
Detroit	Houston	Wash		
SF/Oak	Dallas	Dallas		
Boston	Phil	SF/Oak		
Pitts	SF/Oak	Phil		
Wash	Boston	Boston		
St. Louis	Atlanta	Atlanta		

Sources: U.S. Bureau of Economic Analysis; GMU Center for Regional Analysis




Top Ten: How Does the Washington Area Economy Rank, 1950-2030

<u>1950</u>	<u>2010</u>	<u>2014</u>	<u>2030</u>	<u>2030¹</u>
NYC	NYC	NYC	NYC	
LA	LA	LA	LA	
Chi	Chi	Chi	Chi	
Phil	Wash	Houston	Houston	
Detroit	Houston	Wash	Dallas	
SF/Oak	Dallas	Dallas	Wash	
Boston	Phil	SF/Oak	Atlanta	
Pitts	SF/Oak	Phil	Miami	
Wash	Boston	Boston	Phoenix	
St. Louis	Atlanta	Atlanta	Boston	

Sources: U.S. Bureau of Economic Analysis; GMU Center for Regional Analysis



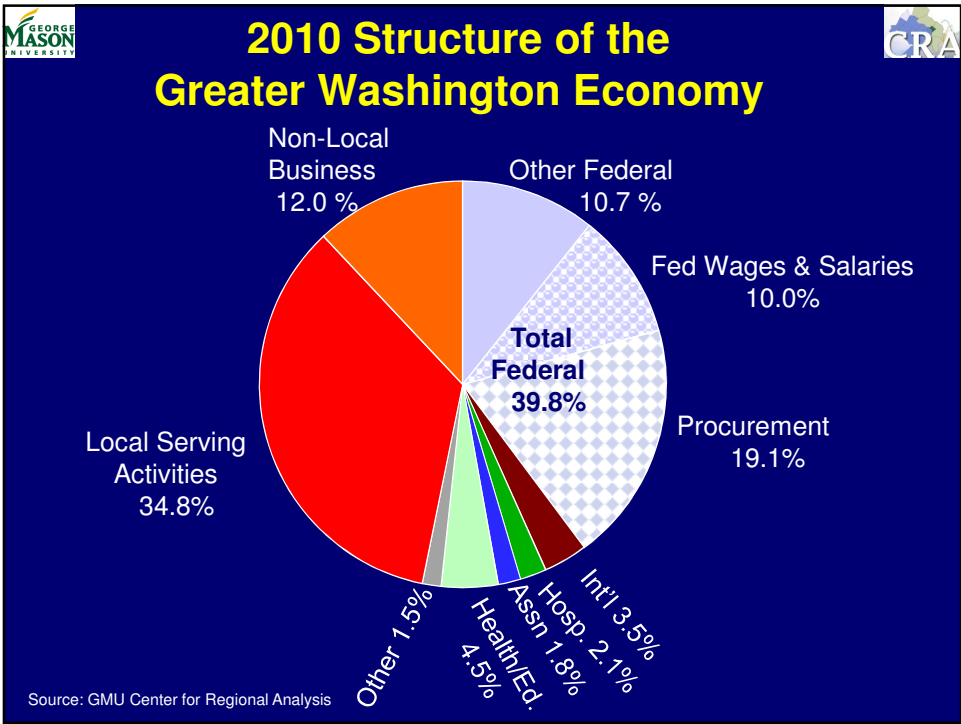

Top Ten: How Does the Washington Area Economy Rank, 1950-2030

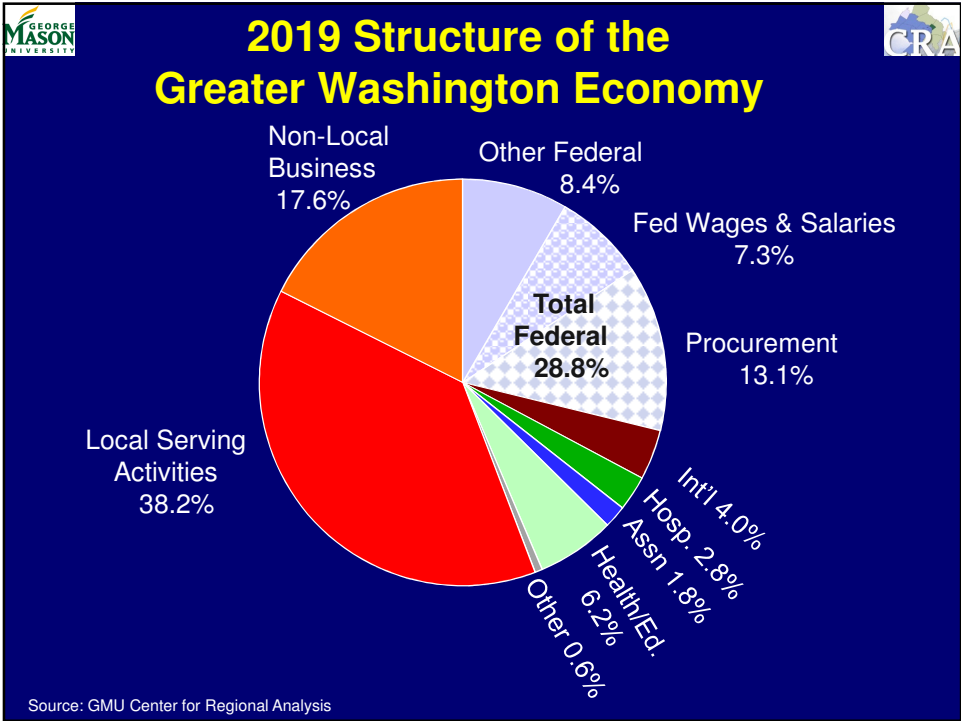
<u>1950</u>	<u>2010</u>	<u>2014</u>	<u>2030</u>	<u>2030¹</u>
NYC	NYC	NYC	NYC	NYC
LA	LA	LA	LA	LA
Chi	Chi	Chi	Chi	Dallas
Phil	Wash	Houston	Houston	Wash
Detroit	Houston	Wash	Dallas	Houston
SF/Oak	Dallas	Dallas	Wash	Chi
Boston	Phil	SF/Oak	Atlanta	Atlanta
Pitts	SF/Oak	Phil	Miami	
Wash	Boston	Boston	Phoenix	
St. Louis	Atlanta	Atlanta	Boston	¹ 2009 forecast

Sources: U.S. Bureau of Economic Analysis; GMU Center for Regional Analysis

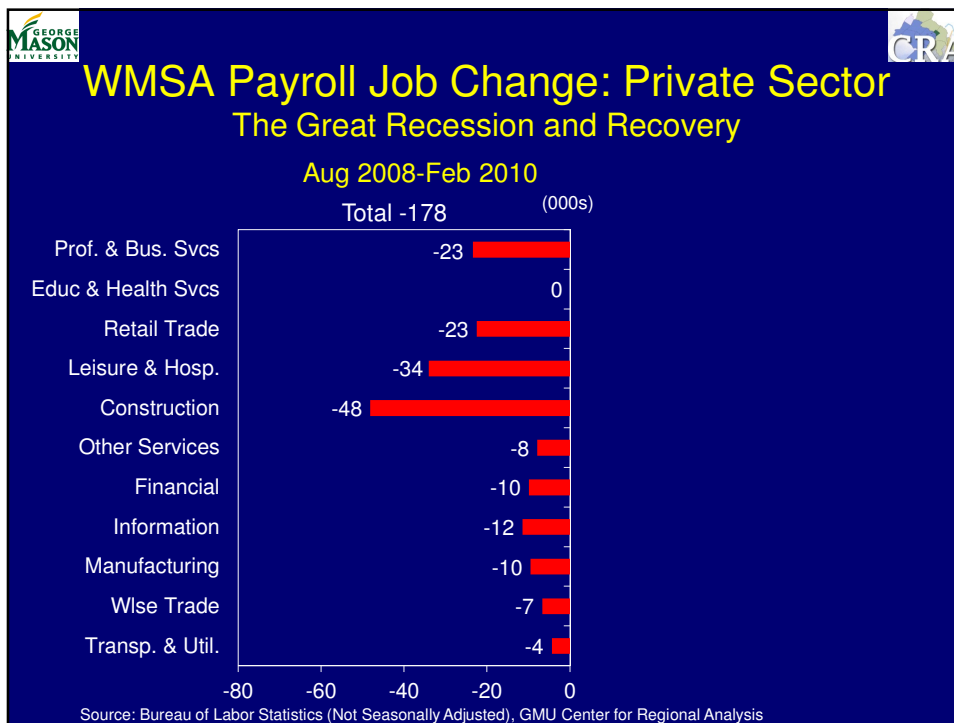
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From Company Town To Global Business Center





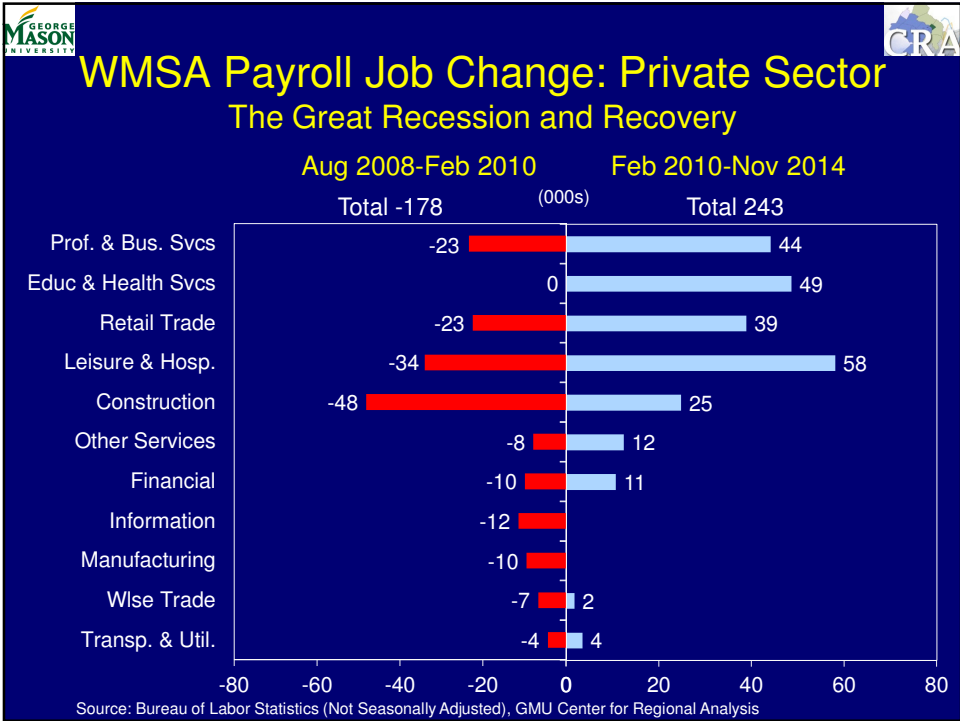
From the Recession to the Federal Sequester and Shutdown



The GRP* Effects of Private Sector Job Change
in the Washington Metropolitan Area
 Aug 2008-Feb 2010 (in 2014 \$s)

Job Change	Total GRP Value
- 177,700	- \$28,467,350,000 ¹

Source: GMU Center for Regional Analysis
 *Gross Regional Product
¹ \$156,199 per job contribution to GRP



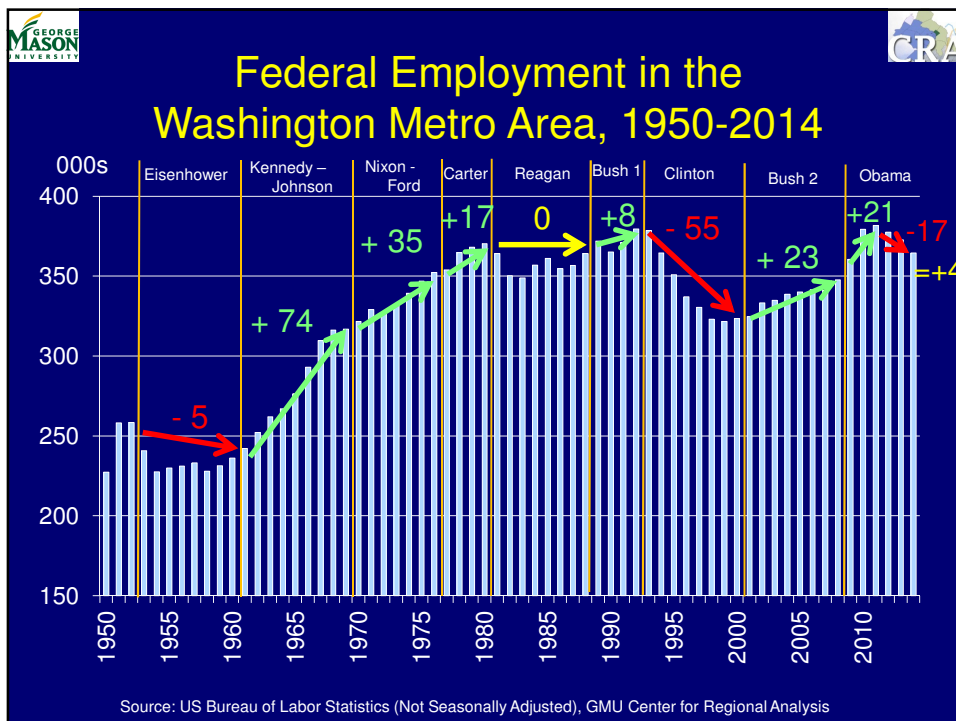
The GRP* Effects of Private Sector Job Change
in the Washington Metropolitan Area
Aug 2008-Nov 2014 (in 2014 \$s)

Job Change	Total GRP Value
- 177,700	- \$28,467,350,000 ¹
<u>+ 242,400</u>	<u>+ \$27,483,800,000²</u>
+ 64,700	- \$983,550,000

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

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

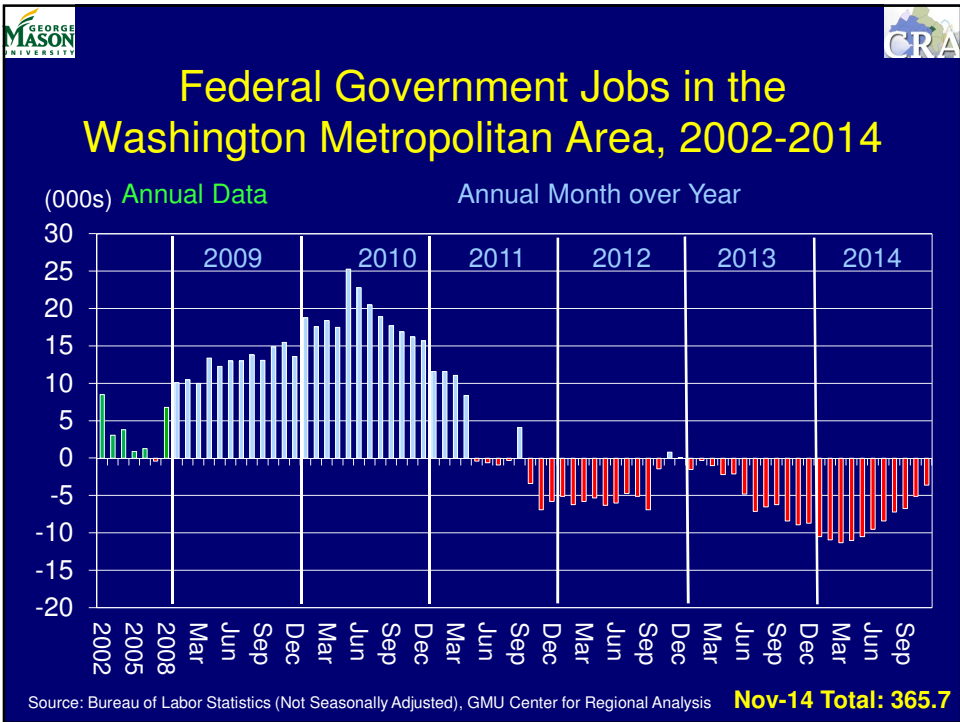
- Federal Procurement Outlays declined \$13.3 billion or 16.1% between FY 2010 and FY 2013.
- Federal employment has declined since peaking in July 2010, losing 21,800 jobs or 5.6%.
- Federal payroll declined by \$2.4 billion or 5.7% between FY 2010 and FY 2014 and will continue to decline as the workforce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

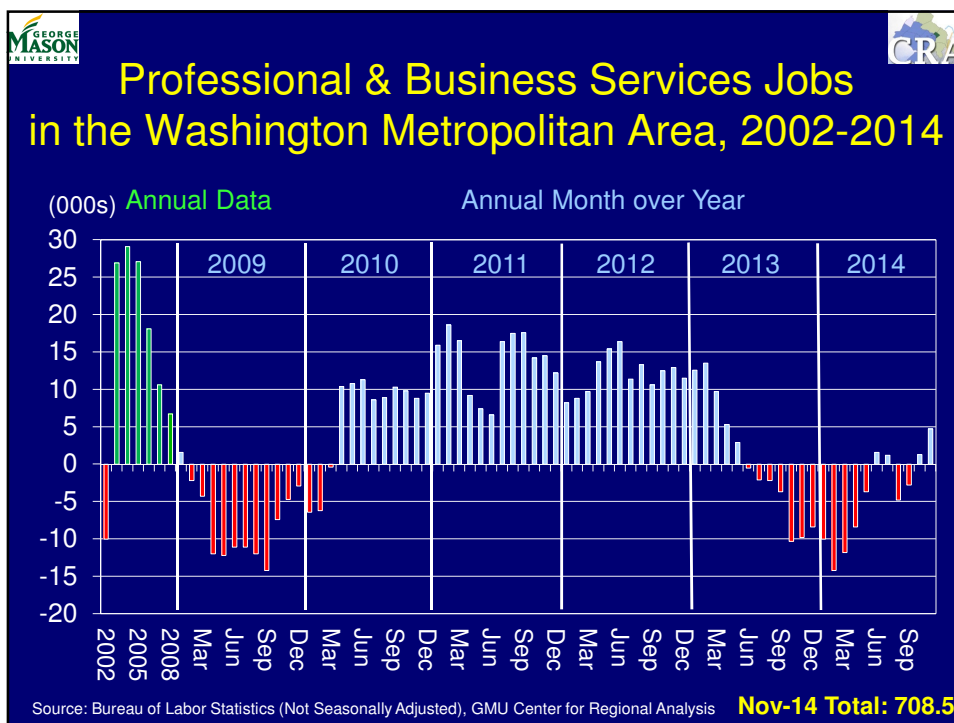
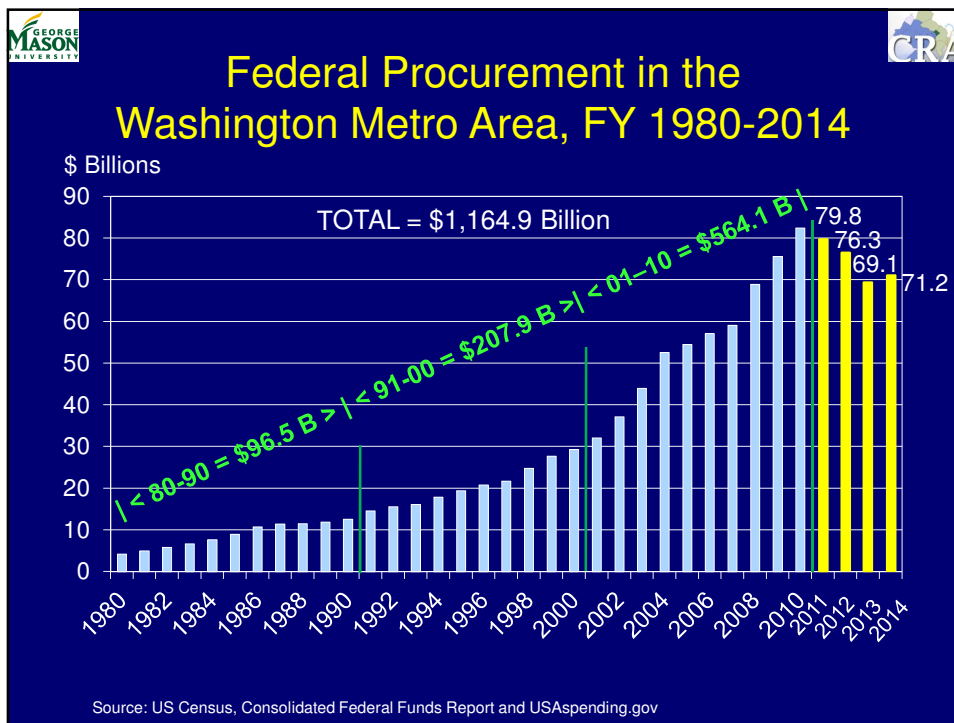


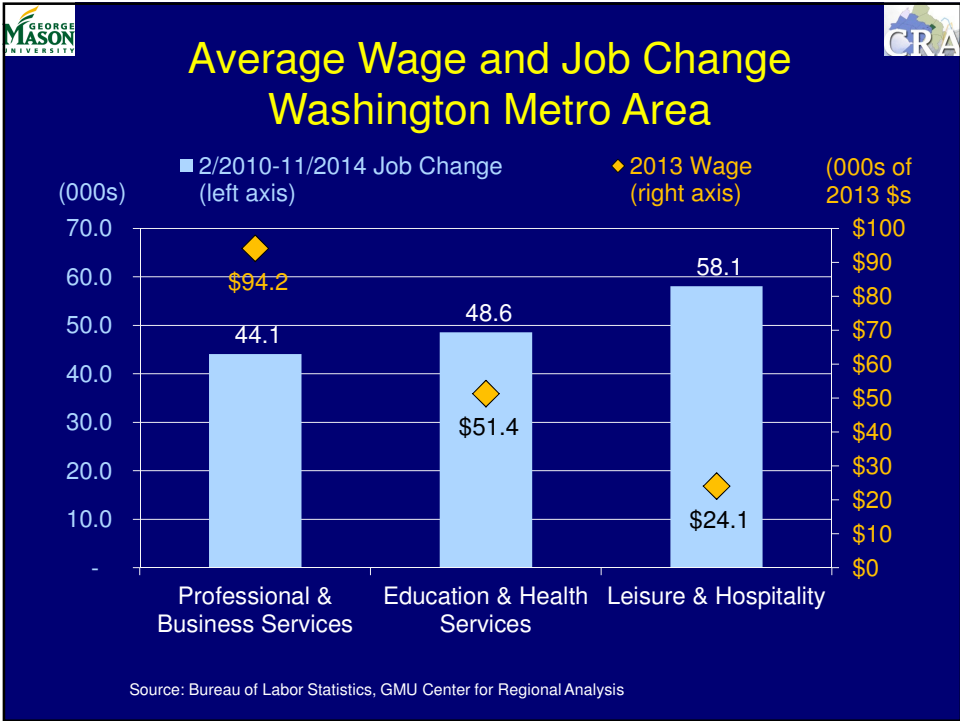
Federal Employment as a Percentage of Total Employment in Washington 1950-2020 (jobs in thousands)

Year	Total	Federal	%
1950	592.4	227.2	38.4
1960	745.7	236.2	31.7
1970	1,184.6	321.7	27.2
1975	1,336.8	347.0	26.0
1980	1,937.9	367.7	19.0
2000	2,679.3	326.2	12.2
2010	2,966.6	380.2	12.8
2020	3,379.4	340.9	10.1

Sources: U.S. Bureau of Labor Statistics; GMU Center for Regional Analysis



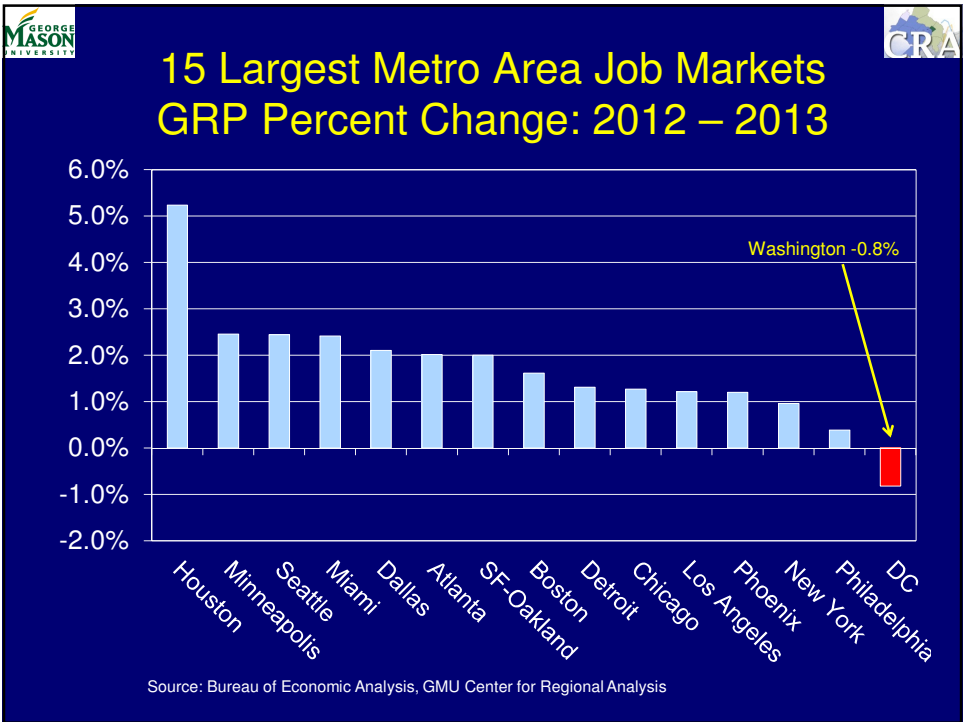


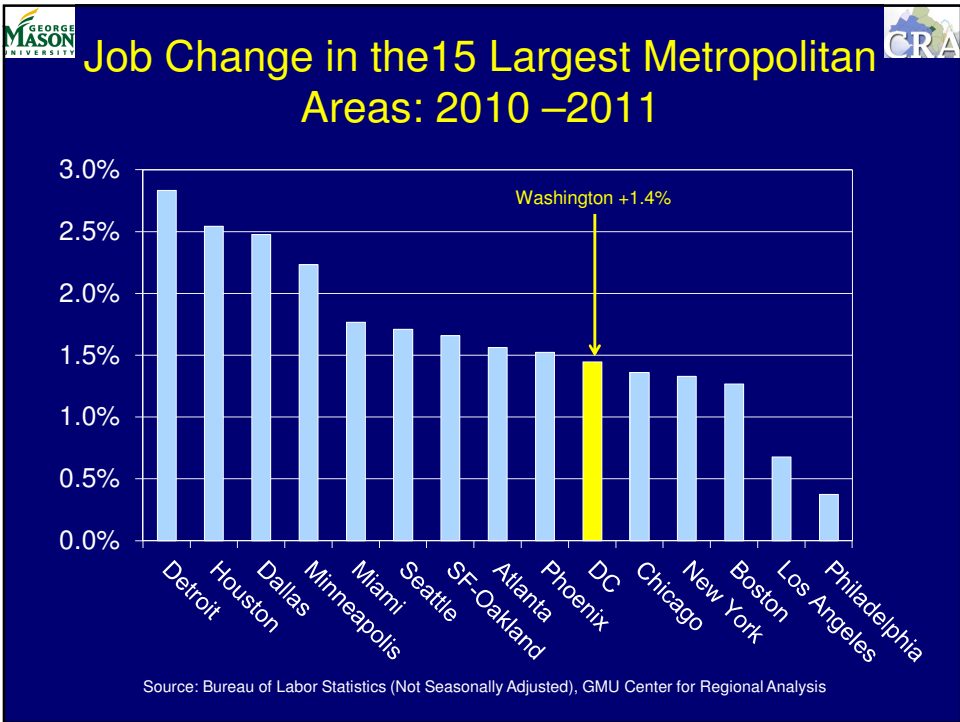
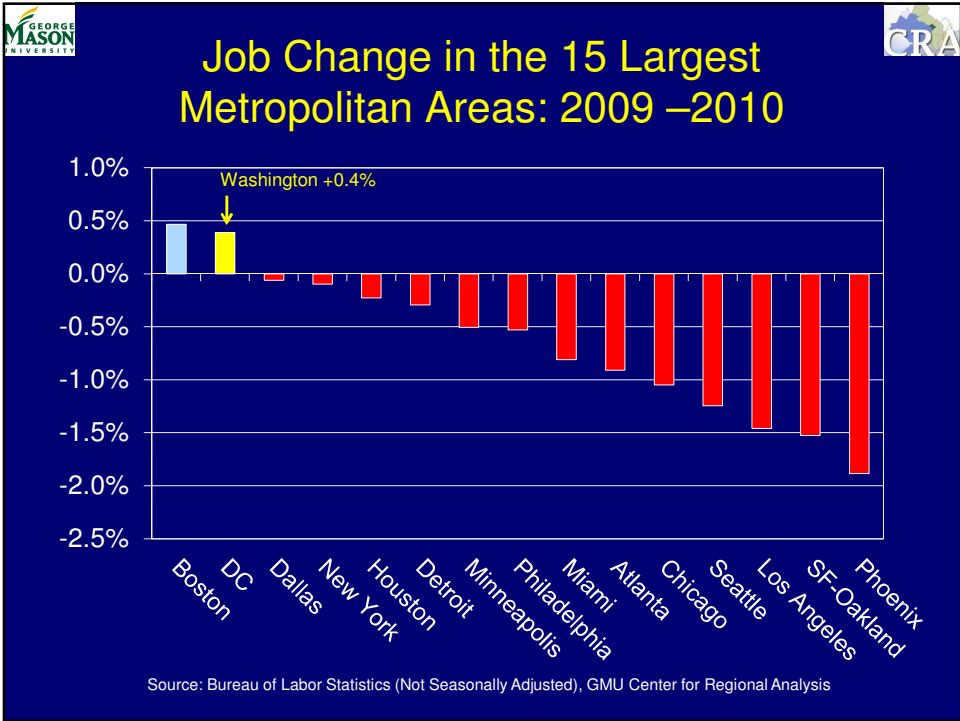


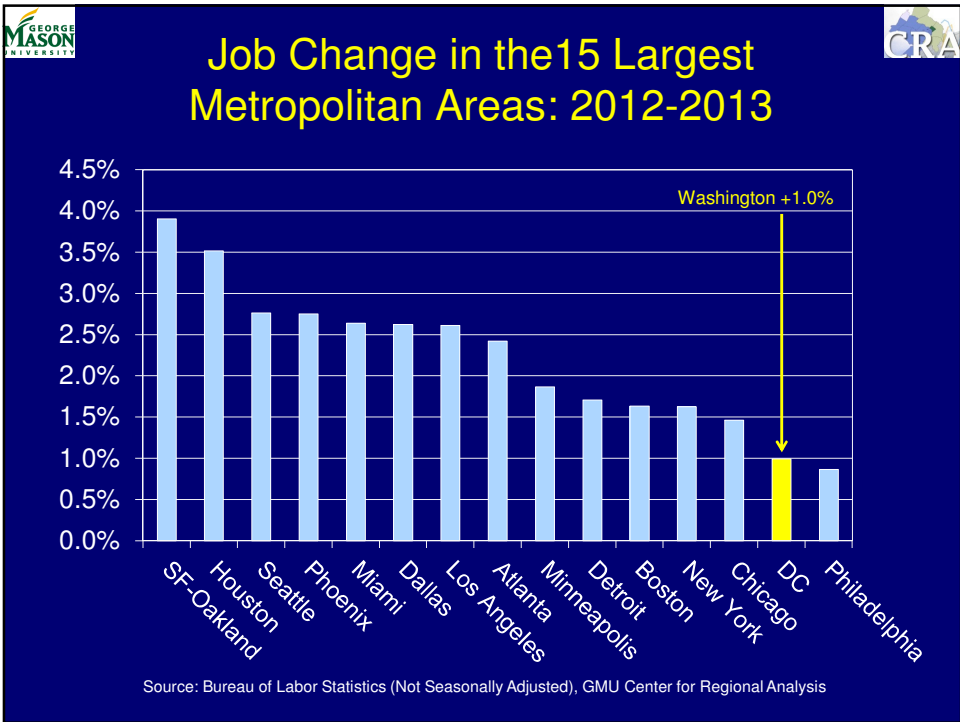
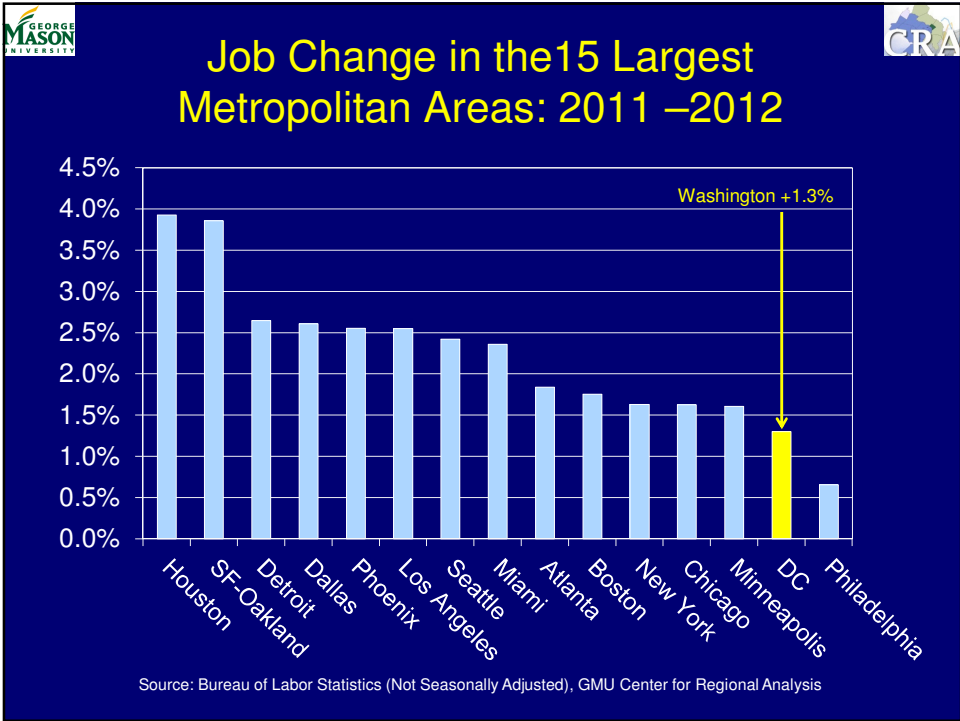
The Household Income Effects of Structural Change in the Washington Metropolitan Area


Jurisdiction	Median HH Income 2013*	Change from 2009*
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

Source: U.S. Census, ACS 1-Year; GMU Center for Regional Analysis *in 2013 dollars

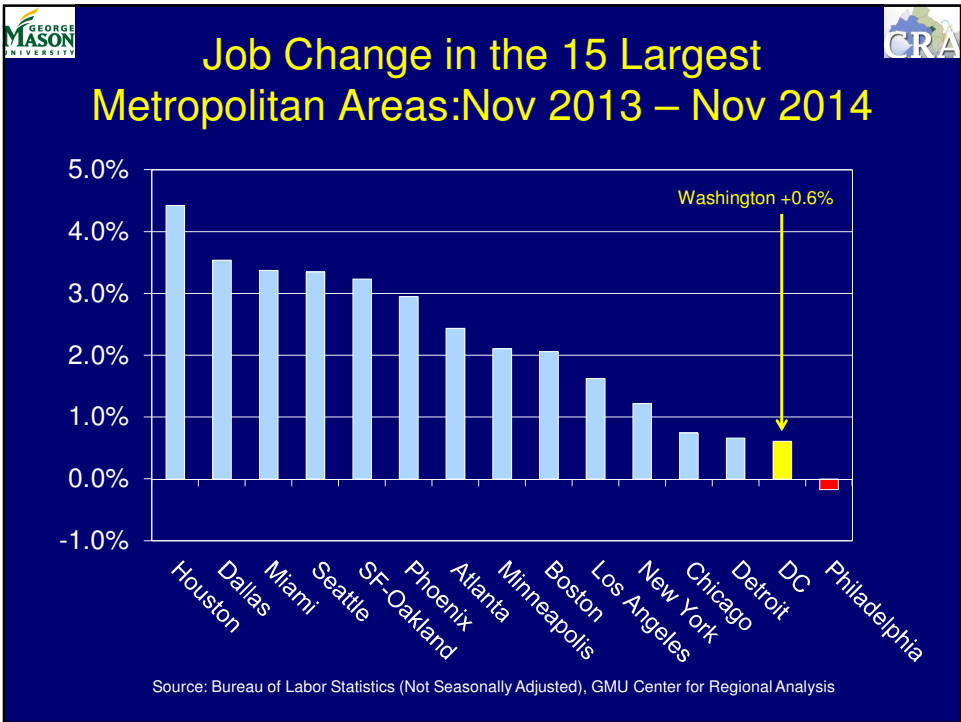


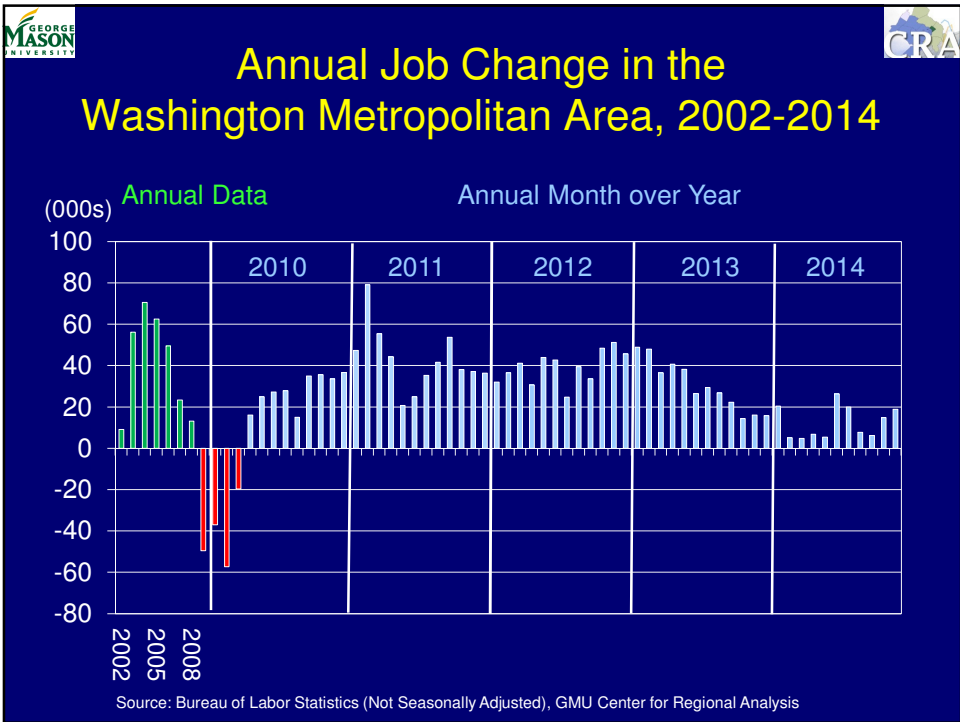
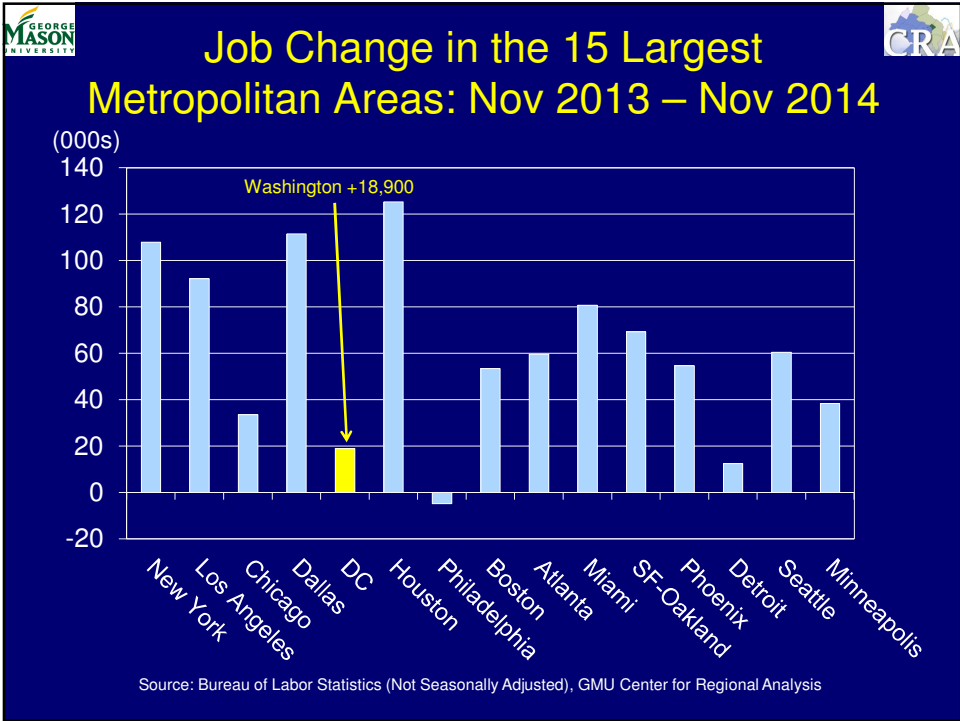


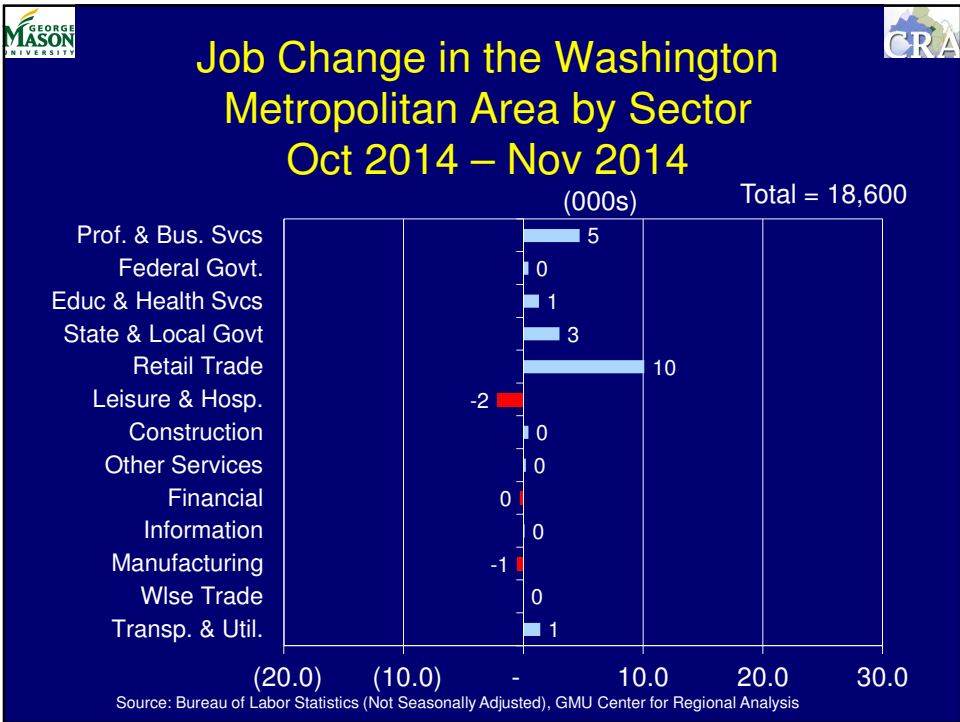
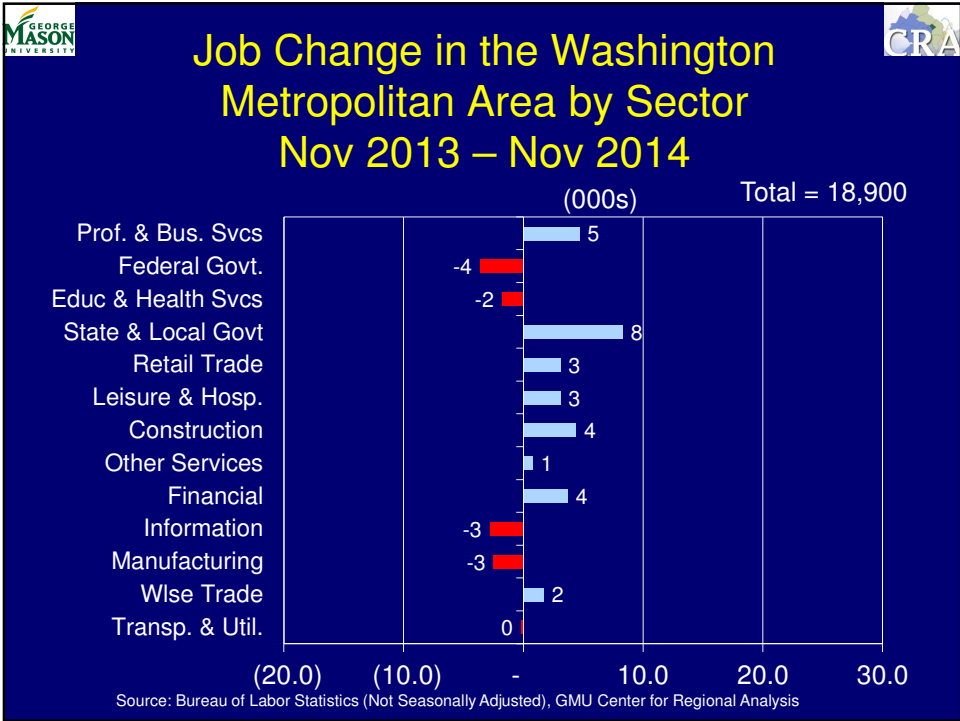


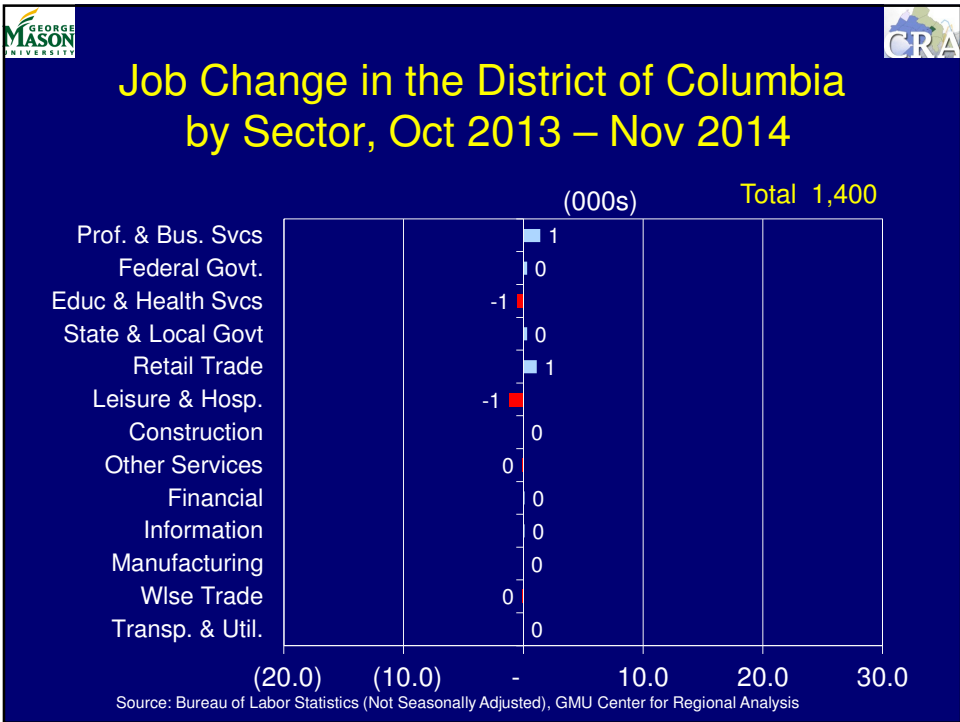
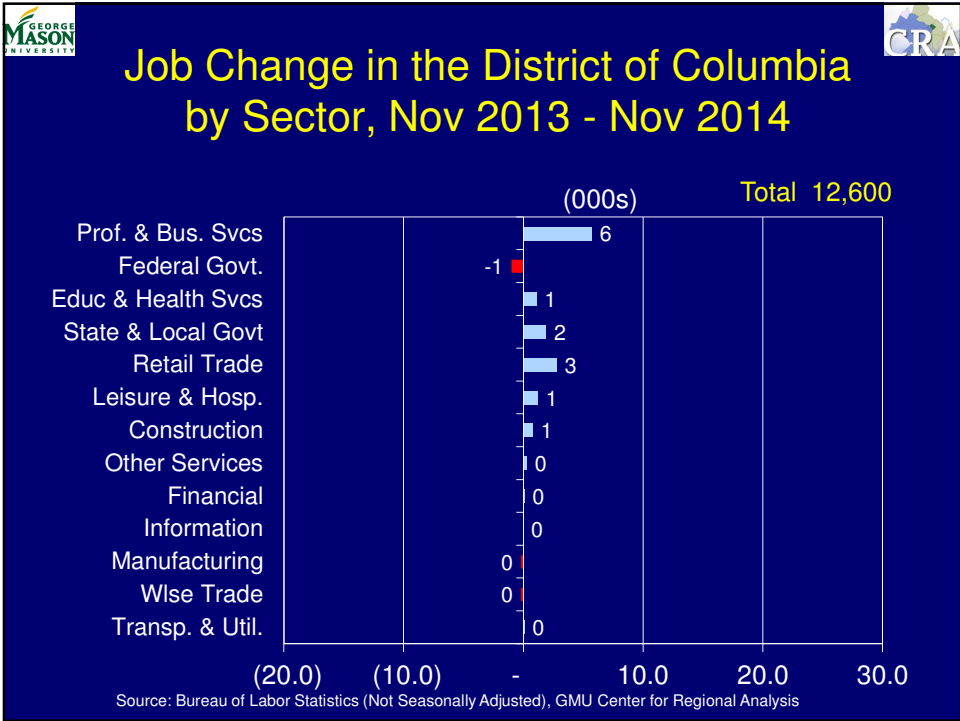
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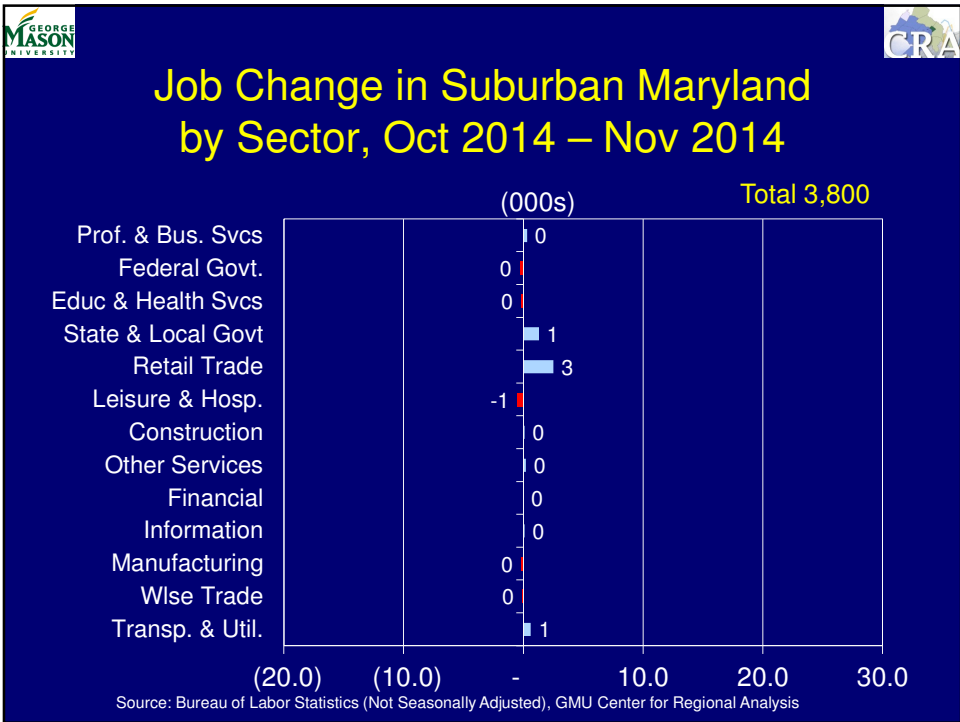
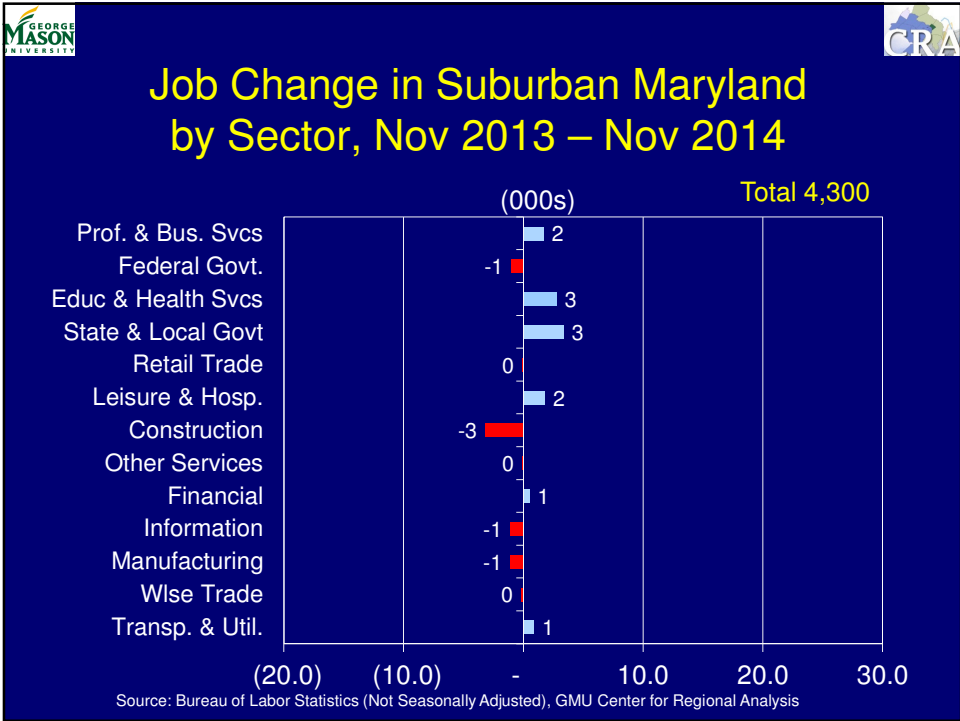
The Washington Region's Economy at the End of 2014

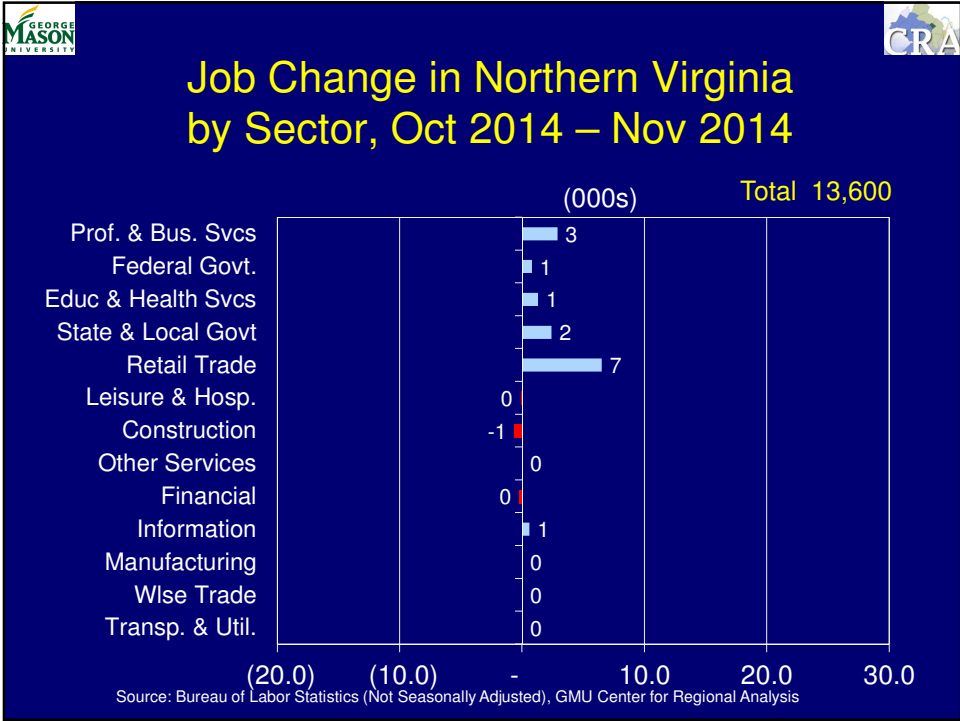
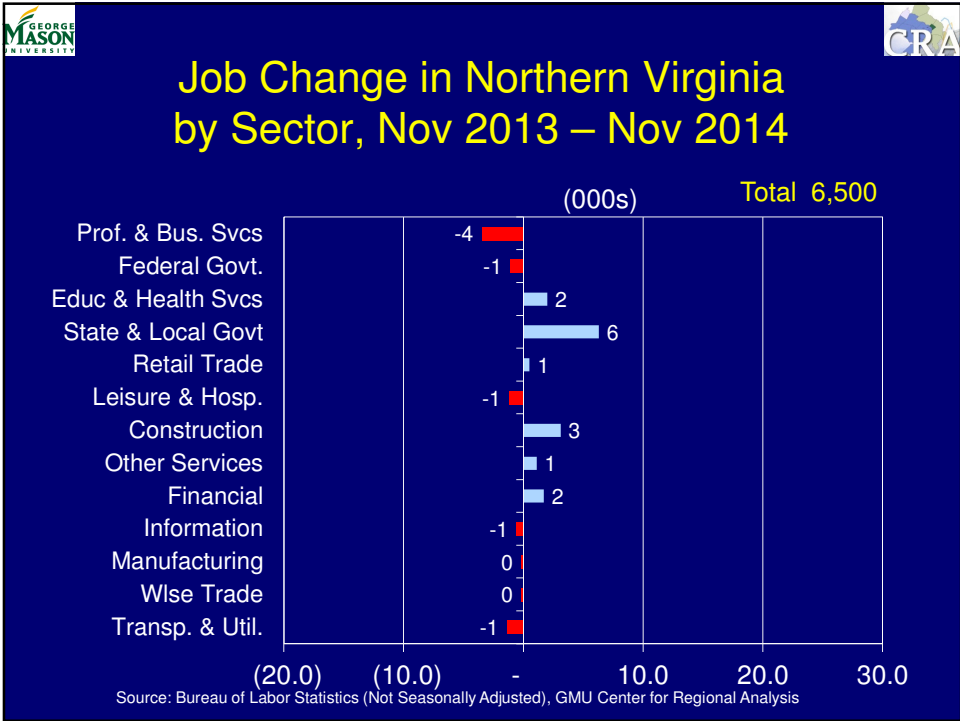


















 Rankings by the Association of Foreign Investors in Real Estate, January 2015  Top 5 Global Cities								
	2008	2009	2010	2011	2012	2013	2014	2015
New York	1	3	3	1	1	1	2	1
London	2	2	1	3	2	2	1	2
San Francisco	-	-	-	-	5	3	3	3
Tokyo	-	4	5	-	-	-	-	4
Madrid	-	-	-	-	-	-	-	5
Washington, D.C.	2	1	2	2	3	4	-	-

Source: Association of Foreign Investors in Real Estate, January 8, 2015; GMU Center for Regional Analysis

 Rankings by the Association of Foreign Investors in Real Estate, January 2015  Top 5 U.S. Cities								
	2008	2009	2010	2011	2012	2013	2014	2015
New York	1	2	2	1	1	1	1	1
San Francisco	4	3	3	4	3	2	2	2
Houston	-	5	-	-	-	4	3	3
Los Angeles	3	4	5	5	5	-	5	4
Washington, D.C.	2	1	1	2	2	3	4	5
Boston	-	-	4	3	4	5	-	-


Source: Association of Foreign Investors in Real Estate, January 8, 2015; GMU Center for Regional Analysis



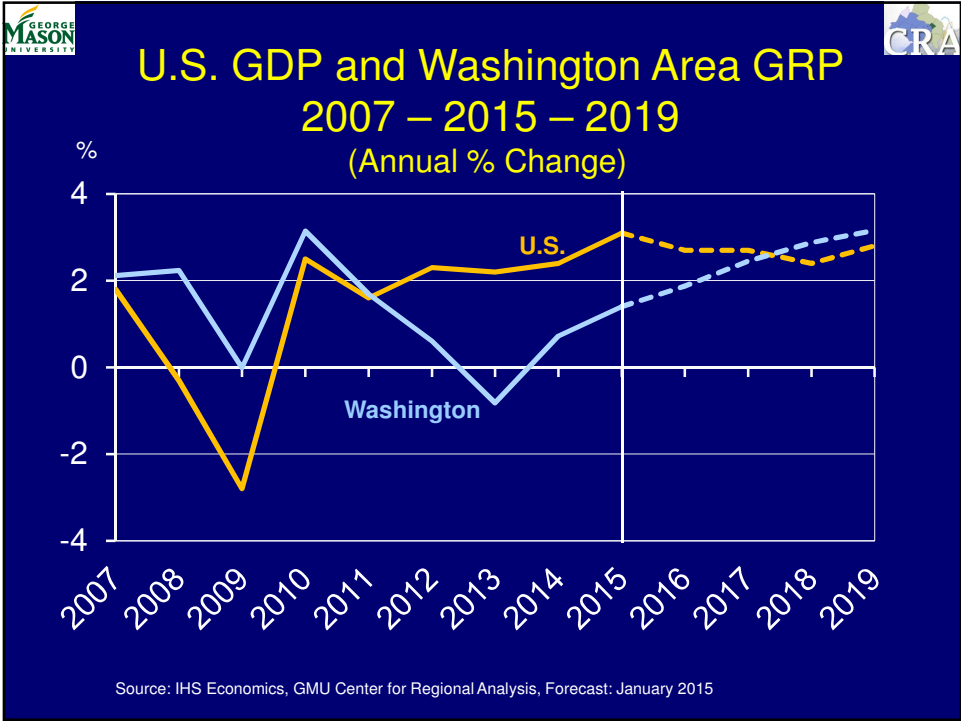
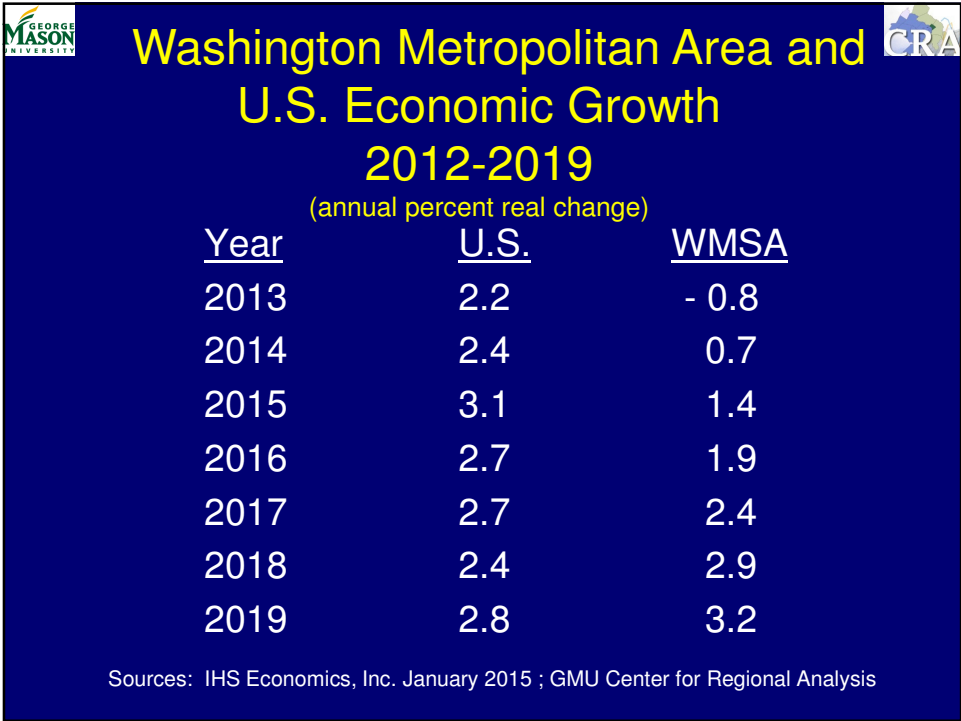
“ . . . [U]nlike other cities which currently have technology and energy drivers, D.C. mostly depends on the U.S. government to keep occupancy in balance; given the current situation, Washington area real estate is the short-term, unintended victim of Federal budget tightening. On a long-term basis, Washington, as the capital city of the free world, remains a very attractive opportunity.”

-- James A. Fetgatter,
Chief Executive, Association of
Foreign Investors in Real Estate
January 8, 2015

Source: Association of Foreign Investors in Real Estate, GMU Center for Regional Analysis



The Washington Region's Economy of the Future





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



Rethinking The Regional Economy's Future

- Exports are key to growing the economy
 - Scientific and Technical Services
 - Higher Ed and Health Services
 - Manufacturing
 - Agriculture and Natural Resources
 - Leisure and Hospitality
 - Foreign Direct Investment
- Growing high-value added employment builds the residentially based economy and strengthens the tax base.



Fresh Approaches For Economic Development

- Identify the region's principal non-federally dependent economic assets and focus marketing strategies on these sources of future growth;
- Unify local and regional approaches to economic development to reduce their conflicting messages and predatory practices;



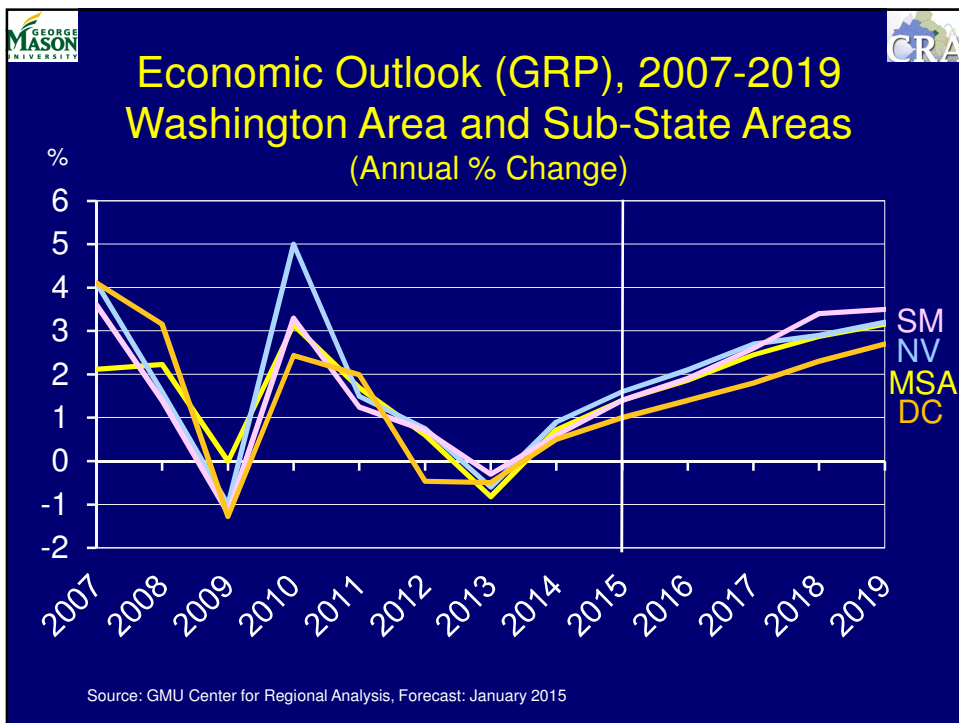

High-Value Added Economic Development Targets of Opportunities

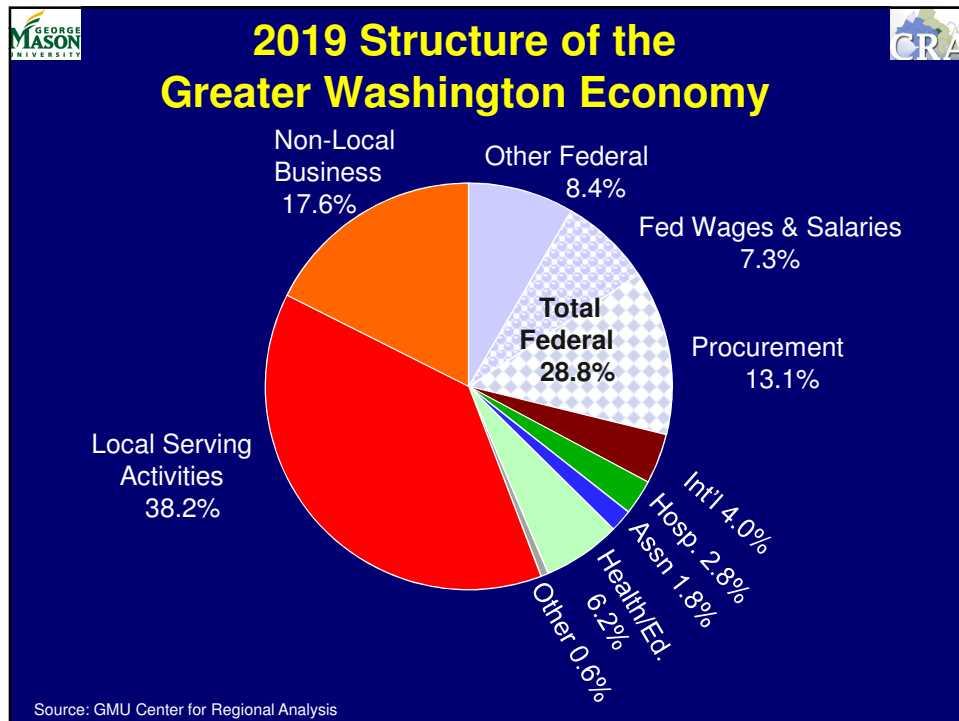
- Redevelop Union Station into a 21st Century transportation, employment and residential center;
- Grow Dulles Airport into a center for global business building on connectivity to regional, national and world economies;
- Develop the Washington region as a global medical complex;
- Implement the White Oak Science Gateway Plan centered on FDA;
- Market the Washington region as a world-class cultural and sports visitor destination;
- Capitalize on the region's federal labs and centers: Fort Belvoir, Fort Meade/NSA, NASA, Cybersecurity/FBI, NIH/FDA/BioTech;
- Accelerate Prince Wm Cty/GMU Innovation /Technology Center.




- Strengthen the business-to-business base in the region and local jurisdictions by reducing the unproductive public costs of business operations;
- Re-brand the region's and local jurisdictions' economic development images and business investment climates to build on their competitive assets in the national and global economies;

- Invest in the region's and local jurisdictions' infrastructure to strengthen their competitive positions; and,
- Increase the capacity of the region's educational and skills training institutions to respond to the workforce development requirements for on-going up-skilling of current workers and to prepare new-to-the-labor market workers for the Region's new and emerging economies.





Becoming a Global Business Center does not happen without:

- strong public and private sector leadership, and
- increased investment in public infrastructure, workforce development and private sector productive capacity reflecting new technologies.



Thank You & Questions

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