



District of Columbia Economic and Revenue Trends: August 2014

Vincent C. Gray, Mayor
 Jeffrey S. DeWitt, Chief Financial Officer

Fitzroy Lee, Deputy CFO & Chief Economist
 Stephen Swaim, Senior Economist

Highlights:

- ◇ More jobs, diversity in DC's private sector.....3
- ◇ Resident employment rises.....4
- ◇ More tourists.....12

Indicator updates:

- Wage and salary employment.....2
- Sectors of the DC economy3
- Resident employment and unemployment 4
- Wages and income.....5
- Residential real estate.....6
- Commercial office space.....10
- Hospitality12
- US economy13
- DC tax collections.....14
- US and DC forecasts.....16
- DC revenue estimate.....18
- ORA reports & documents.....21
- About this report.....21
- ORA contact information.....21

Can professional services contribute as much to growth in DC's economy in the future as it has over the past two decades?

Professional and Technical Services, the Bureau of Labor Statistics industry grouping that includes legal, consulting, accounting, computer, marketing, research, engineering, and architectural services, is second in importance only to the federal government as a source of well paying jobs in DC. In June 2014, this sector (“professional services,” for short) employed almost 108,000, accounting for 14.5% of all jobs in DC and 21.6% of all wages and salaries earned. (The share is 21.3% of all private sector jobs and 34.6% of all private wages and salaries.)

Taken together, the federal government and professional services represent the backbone of DC's economy, accounting for 41% of all jobs and 55% of all wages and salaries. With federal employment falling and federal spending constrained by tight fiscal policy, the outlook for professional services takes on special significance for the course of the District's economy. At this point, however, that outlook seems rather uncertain.

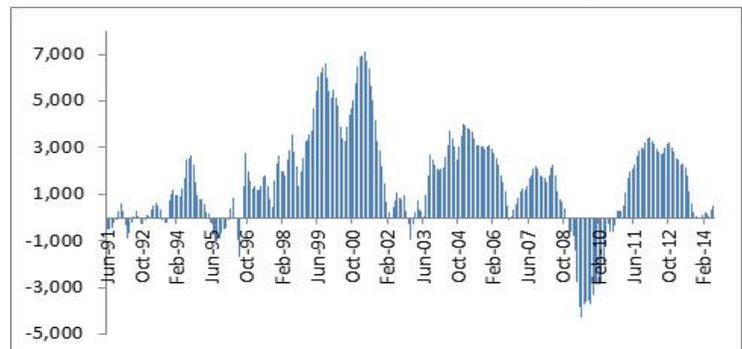
Professional services have been an important part of the story of the revival of the District's economy, growing 49.4% from 1991 to 2014, compared to 9.7% for all jobs in DC and 26.5% for all private sector jobs. The sector's growth has not, however, been smooth from year to year as shown in the graph below. Year-over-year gains were greatest in the 2- year period from 1999 to 2001 when more than 5,000 were added each year; a rate of more than 3,000 per year were also added in recovery periods following the 2001 recession (and 9/11 attacks) and the Great Recession (2008). Periods of slow or negative growth have also occurred, one of which—that which began in 2013—helps to explain why the outlook for professional services is so uncertain at the present time. Three factors affecting that outcome are discussed below. (Continued on p.19)

Professional and technical services sector in DC: 2014

Number of wage and salary jobs (3 mo avg.)	107,867
Wage and salary earnings (\$ billion)	\$13.37
Average wage and salary per job	\$123,929
% of all DC wage and salary employment	14.5%
% of all wages and salaries earned in DC	21.6%
Avg. wage and salary as % of DC avg.	149.0%
% of all DC private sector jobs	21.3%
% of all private sector wages and salaries	34.6%
Avg. wage and salary as % of DC private avg.	162.1%

Source: employment: BLS (June 2014), wages: BEA (March 2014)

Professional services employment in DC: June 1991 to June 2014
 (change from the prior year in the 3-month moving average)



Wage and salary employment

DC's job growth continues to pick up

● July wage and salary employment in DC was up by 5,967 (0.8%) from a year earlier as measured by the 3-month moving average.

● Federal government employment in DC for July was down by 4,867 (-2.4%). The private sector more than offset this loss with a gain of 10,067 (2.0%).

● Total year-over-year DC metropolitan area employment increased by 17,200 (0.6%) in July as measured by the 3-month moving average.

● Suburban Washington employment in July increased by 0.5% from a year earlier.

● Seasonally adjusted wage and salary employment in DC grew 400 in July from the prior month. Seasonally adjusted employment was up by 6,700 from January, six months earlier.

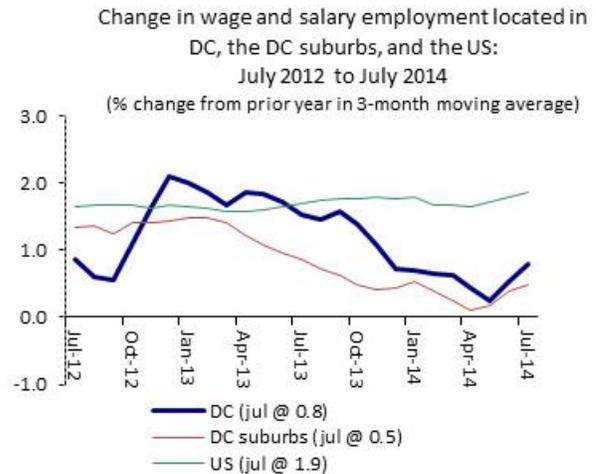


Table 1. Wage and salary employment in DC, Washington Metro area, and the US: July 2014

Jurisdiction	FY 2011	FY 2012	FY 2013	12-mo avg	3-mo average	This month
District of Columbia	723,233	730,950	743,892	748,100	753,833	763,400
1 year change	14,158	7,717	12,942	6,133	5,967	8,700
% change	2.0	1.1	1.8	0.8	0.8	1.2
Washington metro area	3,000,142	3,036,558	3,075,142	3,086,458	3,108,333	3,107,800
1 year change	42,375	36,417	38,583	15,417	17,200	19,800
% change	1.4	1.2	1.3	0.5	0.6	0.6
Washington suburbs (% ch)	1.3	1.3	1.1	0.4	0.5	0.5
US (% ch)	1.2	1.7	1.7	1.8	1.9	1.9

Not seasonally adjusted. Suburban employment is the difference between the metro area total and the DC portion.

Source: BLS. July is preliminary.

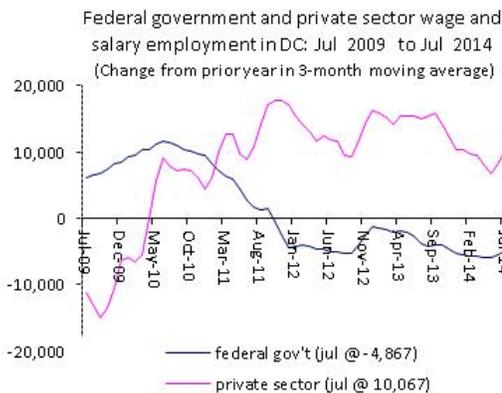


Table 2. Federal government and private sector wage and salary employment in DC: July 2014

Sector	FY 2011	FY 2012	FY 2013	12-mo avg	3-month average	This month
Federal government	213,258	208,575	206,042	201,575	200,367	201,200
1 year ch.	5,025	-4,683	-2,533	-5,075	-4,867	-4,100
% change	2.4	-2.2	-1.2	-2.5	-2.4	-2.0
Private sector	474,833	487,642	502,992	511,083	515,133	517,300
1 year ch.	10,733	12,808	15,350	10,642	10,067	12,400
% change	2.3	2.7	3.1	2.1	2.0	2.5

Source: BLS. Not seasonally adjusted. July is preliminary.

Table 3. Seasonally adjusted DC Employment: January 2014 to July 2014

Indicator	Jan	Feb	Mar	Apr	May	June	July
D.C. Wage and Salary employment	747,000	745,700	745,300	747,600	749,700	753,300	753,700
change from prior month	-400	-1,300	-400	2,300	2,100	3,600	400
% change from prior month	-0.1	-0.2	-0.1	0.3	0.3	0.5	0.1

Source: BLS seasonally adjusted. July is preliminary

Jobs by sectors of the economy

More diversification in DC's private sector with growth of more than 1,000 jobs in 6 areas

- In July, food service gain of 2,233 jobs over last year was more than that of any other sector. (3-month moving average.)
- Five other sectors grew by more than 1,000 jobs: retail (2,133), education (2,067), other business services (1,900), health (1,567), and other professional and technical services (1,267).
- Private sector industries losing jobs included organizations and accommodations.
- Local government rose by 767 (2.0%).
- The federal government accounted for 26.6% of all DC jobs in July. Over the past year, DC's share of federal employment fell slightly in the US, and grew slightly in the metro area.

Change in private sector wage and salary jobs located in DC, the DC suburbs, and the US: July 2012 to July 2014

(% change from prior year in 3-month moving average)

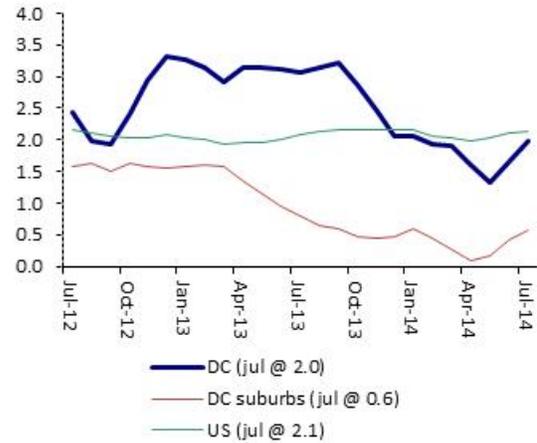


Table 4. Wage and salary employment located in DC: July 2014

Industry sector	3-month moving average				12-mo. moving avg: % change	Sector % of all DC jobs, Jul 2014	DC share (%) in Jul 2014 of all sector jobs in:		Change from Jul 2013 to Jul 2014 in DC share of sector jobs in:	
	July 2013	July 2014	Amount	%			metro area	US	metro area	US
Federal government	205,233	200,367	-4,867	-2.4	-2.5	26.6	54.9	7.36	0.1	-0.04
Local government	37,567	38,333	767	2.0	1.6	5.1	12.0	0.20	0.0	0.00
Legal services	30,067	29,900	-167	-0.6	0.0	4.0		2.62		-0.02
Other Professional and technical	78,067	79,333	1,267	1.6	0.4	10.5	23.0	1.10	0.4	-0.02
Employment services	14,733	14,767	33	0.2	0.9	2.0	34.8	0.41	-0.5	-0.03
Other Business services	33,633	35,533	1,900	5.6	2.0	4.7	18.4	0.48	0.8	0.02
Information	17,167	17,067	-100	-0.6	-1.2	2.3	23.1	0.64	0.6	0.00
Finance	28,600	28,900	300	1.0	1.4	3.8	15.3	0.36	-3.5	0.00
Organizations	61,900	60,467	-1,433	-2.3	-0.7	8.0	35.9	2.04	-0.7	-0.06
Education	54,267	56,333	2,067	3.8	8.3	7.5	52.5	1.74	-0.9	0.04
Health	65,667	67,233	1,567	2.4	2.5	8.9	23.5	0.37	0.5	0.00
Food service	46,633	48,867	2,233	4.8	4.3	6.5	22.1	0.45	0.2	0.01
Accommodations	15,533	15,100	-433	-2.8	0.2	2.0	35.4	0.77	-0.6	-0.03
Amusement and recreation	7,100	7,100	0	0.0	0.0	0.9	15.4	0.31	-0.4	-0.01
Retail trade	19,567	21,700	2,133	10.9	8.0	2.9	8.0	0.14	0.6	0.01
Wholesale trade	4,900	4,967	67	1.4	-0.8	0.7	7.8	0.08	0.0	0.00
Construction	14,200	14,233	33	0.2	-0.8	1.9	9.6	0.23	0.0	-0.01
Personal and miscellaneous ser.	7,800	8,567	767	9.8	5.0	1.1		0.33		0.03
Other private	5,233	5,067	-167	-3.2	-4.3	0.7	6.9	0.03	2.1	0.00
Total	747,867	753,833	5,967	0.8	0.8	100.0	24.3	0.54	0.1	-0.01
Public sector	242,800	238,700	-4,100	-1.7	-1.9	31.7	34.9	1.11	-0.4	-0.02
Private sector	505,067	515,133	10,067	2.0	2.1	68.3	21.2	0.44	0.2	0.00

Source: BLS. not seasonally adjusted. na=not available. For the metro area, legal is included in other professional and technical, and personal and miscellaneous services is included in organizations (a category BLS calls "other services")

Resident employment and unemployment

Resident employment has started increasing faster

- In July DC resident employment was up 5,178 (1.5%) from a year earlier (3-mo. moving average). The labor force also grew by 0.2%.
- Seasonally adjusted DC resident employment rose in July for the 3rd month in a row, and was 1,533 more than in January.
- In July the unemployment rate (seasonally adjusted) remained at 7.4%.
- July initial unemployment insurance claims were down 9.5% (3-month moving average).

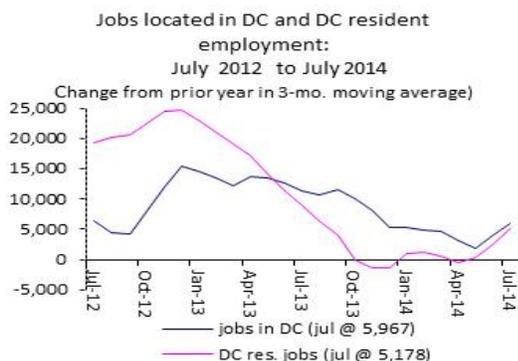
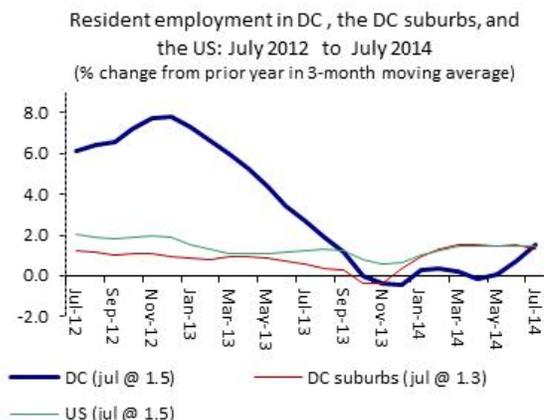


Table 5. Unemployment rates for DC, metro area, and US: July 2014

Jurisdiction	Not seasonally adj.		Seasonally adj.	
	July 2013	July 2014	July 2013	July 2014
US	7.7	6.5	7.3	6.2
DC	8.9	7.9	8.4	7.4
DC metro area	5.7	5.4	na	na
DC suburbs	5.3	5.1	na	na

Source: U.S. BLS. na= data not available

Table 6. Resident employment and unemployment: July 2014

Indicator	FY 2010	FY 2011	FY 2012	FY 2013	12-mo avg	3-mo. avg.	This month
DC Labor force summary							
Resident employment	308,814	313,267	325,322	340,055	341,037	347,498	350,726
1 year change	4,557	4,453	12,055	14,734	1,344	5,178	6,454
% change	1.5	1.4	3.8	4.5	0.4	1.5	1.9
Labor Force	343,870	348,877	358,972	371,745	369,323	375,406	380,941
1 year change	9,706	5,007	10,095	12,773	-2,587	590	3,204
% change	2.9	1.5	2.9	3.6	-0.7	0.2	0.8
Unemployed	35,056	35,611	33,651	31,690	28,287	27,909	30,215
1 year change	5,149	554	-1,960	-1,961	-3,931	-4,588	-3,250
% change	17.2	1.6	-5.5	-5.8	-12.2	-14.1	-9.7
Unemployment rate	10.2	10.2	9.4	8.5	7.7	7.4	7.9
DC Unemployment insurance (state program)							
Initial claims (monthly avg.)	1,799	2,101	1,784	1,915	1,897	1,956	1,972
1 year change	-404	302	-317	131	7	-206	-480
% change	-18.3	16.8	-15.1	7.3	0.4	-9.5	-19.6
Weeks compensated (mo. avg.)	53,592	46,423	45,170	42,862	42,381	38,581	45,401
1 year change	-881	-7,169	-1,253	-2,308	-448	-2,782	-4,708
% change	-1.6	-13.4	-2.7	-5.1	-1.0	-6.7	-9.4

Source: Labor force: BLS. Unemployment Insurance: US Dept of Labor. Not seasonally adj.

Table 7. Seasonally adjusted DC Resident employment and unemployment: January 2014 to July 2014

Indicator	Jan	Feb	Mar	Apr	May	June	July
DC Resident employment	342,202	343,396	342,778	341,811	342,423	343,556	343,735
change from prior month	2,011	1,194	-618	-967	612	1,133	179
% change from prior month	0.6	0.3	-0.2	-0.3	0.2	0.3	0.1
DC Unemployment rate (%)	7.4	7.4	7.5	7.5	7.5	7.4	7.4

Source: BLS seasonally adjusted. July is preliminary

The percentage growth of DC wages and salaries has slowed and remains well below the US average

●Wages and salaries earned in the District of Columbia were just 0.1% higher in the March quarter compared to the same quarter of 2013.

●Wages earned in DC have now grown at a slower rate than the US average for three years.

●In the March quarter, estimated wages of DC residents grew 0.7%. DC Personal Income grew 2.4%.

●In the March quarter, private sector wages and salaries earned in DC grew by \$270 million over the prior year. Private sector wage growth in the last two quarters was the lowest in four years.

●Federal wages and salaries were \$330 million lower in the March quarter than a year earlier.

Wages earned in DC, wages earned by DC residents, and wages earned in the US: 2012.1 to 2014.1

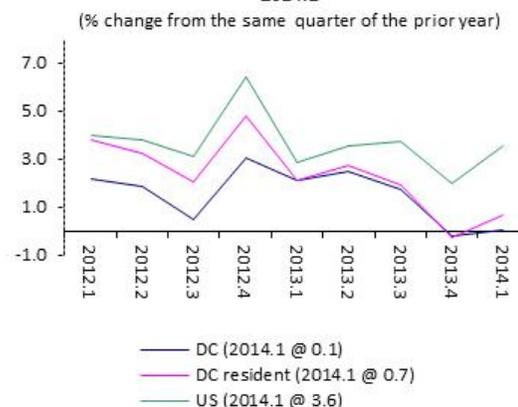


Table 8. DC Wages and Personal Income: March 2014

(\$ billion at seasonally adjusted annual rates unless otherwise noted)

Indicator	FY 2010	FY 2011	FY 2012	FY 2013	4-quarter moving average	Latest quarter (Mar.)
Wages and salaries earned in DC	57.24	59.56	60.62	62.05	62.03	62.18
1 year change	2.33	2.31	1.07	1.43	0.62	0.05
% change	4.2	4.0	1.8	2.4	1.0	0.1
Supplements to wages & salaries	14.93	16.11	16.23	16.03	15.99	16.05
% change	6.0	7.9	0.7	-1.2	-0.6	-0.7
Proprietors' income earned by DC residents*	5.35	5.56	5.80	6.16	6.35	6.53
% change	-8.2	4.0	4.3	6.2	6.9	6.5
Wages and salaries of DC residents***	22.03	23.48	24.33	25.03	25.06	25.16
change from one year ago	1.27	1.45	0.85	0.71	0.32	0.17
% change	6.1	6.6	3.6	2.9	1.3	0.7
Income earned by DC residents	30.1	32.5	33.7	34.4	34.5	34.8
% change	3.8	7.9	3.7	1.9	1.1	1.5
Property income of DC residents	6.16	7.08	7.51	7.87	8.01	8.08
% change	-8.8	14.9	6.1	4.8	4.4	5.7
Pensions and other transfer of DC residents	5.19	5.68	5.65	5.82	5.94	6.01
% change	12.7	9.3	-0.4	2.9	4.2	3.2
DC Personal Income**	41.50	45.27	46.87	48.05	48.43	48.86
1 year change	1.10	3.77	1.60	1.18	0.96	1.15
% change	2.7	9.1	3.5	2.5	2.0	2.4
US Personal income (% change from prior year)	1.3	5.9	4.0	3.7	2.8	3.5
US Wages and salaries(% change from prior year)	0.2	4.2	3.4	4.1	3.2	3.6
<i>Addendum: Change from prior year in wages earned in DC by sector</i>						
Private sector (1 yr ch, \$B)	0.49	1.76	1.35	1.84	0.98	0.27
Federal government (1 yr ch, \$B)	1.77	0.68	-0.35	-0.40	-0.39	-0.33
DC res. wages as % of wages earned in DC	38.5	39.4	40.1	40.3	40.4	40.5

* Proprietors' income is derived from federal tax data and therefore all proprietors' income is earned by DC residents.

**Reflects deduction of social insurance paid by individuals. Wage and salary amounts shown are before this deduction.

***Est. by ORA; assumes wage and salary suppl. are the same % for DC resident wages as for wages earned in DC.

Source: BEA; data for March were released June 24, 2014

Single family and condominium housing

Single family home sales decline, but prices rise

- The July 3-month moving total of single family home sales was down 1.8% from a year earlier, while the average selling price was 10.2% higher. Sales over \$1 million accounted for about one in every four sales.
- July condominium sales were 5.7% above a year earlier as measured by the 3-month moving total; the average selling price was 4.0% higher.
- The total value of all home sales in July was 8.8% more than a year earlier as measured by the 3-month moving total.
- July year-to-date median prices were up 4.8% for single family units, and 1.8% for condominiums.



Table 9. D.C. Residential Real Estate Indicators: July 2014

Indicator	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	12-mo moving total or average	3-mo moving total or average	This month
Number of sales (settled contracts)								
Single family	3,259	4,084	3,800	3,563	3,979	4,025	1,220	395
1 year change	237	825	-284	-237	416	104	-22	-42
% change	7.8	25.3	-7.0	-6.2	11.7	2.7	-1.8	-9.6
Condo	2,590	2,884	2,469	2,784	3,487	3,673	1,152	362
1 year change	-206	294	-415	315	703	330	62	20
% change	-7.4	11.4	-14.4	12.8	25.3	9.9	5.7	5.8
Total	5,849	6,968	6,269	6,347	7,466	7,698	2,372	757
1 year change	31	1,119	-699	78	1,119	434	40	-22
% change	0.5	19.1	-10.0	1.2	17.6	6.0	1.7	-2.8
Average prices of units that sold								
Single family (\$)	597,269	538,395	601,026	630,109	712,799	750,244	852,033	841,277
1 year change	-70,098	-58,874	62,631	29,083	82,690	53,336	78,836	77,401
% change	-10.5	-9.9	11.6	4.8	13.1	7.7	10.2	10.1
Condo (\$)	359,952	414,030	423,365	429,611	447,827	466,907	478,105	452,215
1 year change	-52,283	54,078	9,336	6,245	18,216	23,903	18,496	-10,404
% change	-12.7	15.0	2.3	1.5	4.2	5.4	4.0	-2.2
Total value of all sales (\$ million)								
	2,878.8	3,392.9	3,329.2	3,441.1	4,397.8	4,734.7	1,590.3	496.0
1 year change	-290.6	514.1	-63.7	111.9	956.7	521.1	129.0	4.0
% change	-9.2	17.9	-1.9	3.4	27.8	12.4	8.8	0.8
Ratio: active inventory to sales								
Single family	5.2	3.4	3.3	2.3	1.6	1.6	1.4	1.7
Condo	5.7	4.6	4.9	2.9	1.7	1.8	1.7	2.0

Median contract prices, CY to date in July 2014: single family \$628,750 (4.8% 1 yr ch); condo \$415,000 (1.8% 1 yr ch)

Closed (settled) contracts. Average prices calculated by ORA based on number of sales and total value of sales.

Source: Metropolitan Regional Information Systems (MRIS); median price and inventory ratio data accessed through Greater Capital Area Assn. of Realtors.

Table 10. D.C. Single family and condominium home sales at prices of \$1 million or more: July 2014

Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	12-mo moving total	3-mo moving total	This month
Single family homes	333	418	489	458	689	750	294	108
1 year change	-102	85	71	-31	231	114	28	19
% change	-23.4	25.5	17.0	-6.3	50.4	17.9	10.5	21.3
percent of all single family sales	10.2	10.2	12.9	12.9	17.3	18.6	24.1	27.3
Condominiums	62	89	87	72	112	122	39	6
1 year change	-15	27	-2	-15	40	17	8	-5
% change	-19.5	43.5	-2.2	-17.2	55.6	16.2	25.8	-45.5
percent of all condominium sales	2.4	3.1	3.5	2.6	3.2	3.3	3.4	1.7

Source: Metropolitan Regional Information Systems (MRIS). Sales are ones closed (settled) during period shown.

Single family and condominium housing

Federal data: DC home price increases are moderating, but are still rising faster than in the US or metro area

- In June the quarterly Federal Housing Finance Agency house price index for DC was 6.9% higher than a year ago. This is a rate of growth about half than in June of 2013.2.
- DC's 6.9% price increase in the June quarter was higher than that in the DC metro area (5.0%) and the US (6.3%).
- Sales of new condominium units for the 12-months ending June totalled 537—25.8% more than a year earlier. Estimates for new condominium units to be delivered over the next 36 months have increased.

FHFA expanded-data housing price index for DC, the Washington Metropolitan Area, and the US: 2005.2 to 2014.2
(index number: 1991.1 = 100; 12-mo. avg.)

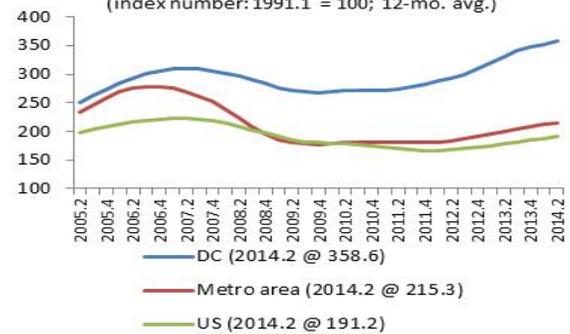


Table 11. Federal Housing Finance Agency Price Index for single family property in DC, DC metro area, and US: June 2014 (2014.2)

Indicator	Fiscal year average					Quarter				
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	2013.2	2013.3	2013.4	2014.1	2014.2
% change from prior year in value of index										
DC	-7.4	1.3	1.8	8.0	13.5	13.1	12.9	8.3	6.8	6.9
DC metro area	-15.0	1.9	-0.4	3.6	9.2	9.7	9.4	9.1	7.7	5.0
US	-10.3	-3.0	-4.7	0.9	7.1	7.5	8.6	7.7	7.2	6.3

Addendum: % change from prior year in the average price of settled sales contracts for single family homes

Average DC sales price	-10.5	-9.9	11.6	4.8	13.1	12.7	14.9	-2.2	6.7	12.2
------------------------	-------	------	------	-----	------	------	------	------	-----	------

Source: (1) Federal Housing Finance Agency "Expanded-data HPI Index" (sales plus refinancings) (nsa). This index is a broad measure of the movement of single-family house prices. It measures average price changes in repeat sales or refinancings on the same properties. This information is estimated using Enterprise, FHA, and Real Property County Recorder data licensed from DataQuik.

(2) Average DC sales price is the average price only of houses that sold during the period (settled contracts): see Table 9. Not seas. adj.

Table 12. Single family housing permits: 2005 to July 2014

FY	#	FY	#	12-month moving total	
2005	134	2010	104	July 2013	340
2006	77	2011	267	July 2014	295
2007	605	2012	236	ch	-45
2008	223	2013	368	% ch	-13.2
2009	135				

Source: Census Bureau

Table 13. New condominium unit sales: FY 2005 to June 2014 (2014.2)

FY	#	FY	#	12-month moving total	
2005	2,677	2010	470	June 2013	427
2006	2,755	2011	677	June 2014	537
2007	1,955	2012	335	ch	110
2008	1,288	2013	479	% ch	25.8
2009	217				

Source: Delta Associates

Table 14. Condominium units under construction or planned: June 2014

Area of DC	Remaining units		Proposed/rumored				Total pipeline	
	Planned with probable sales within 36 mo		w long term delivery					
	projects	units	projects	units	projects	units	projects	units
Central	5	117	10	484	4	580	19	1,181
Mideast	20	598	10	434	2	105	32	1,137
Upper NW	3	46	0	0	3	152	6	198
Capitol East	12	203	12	938	6	584	30	1,725
Total	40	964	32	1,856	15	1,421	87	4,241

Source: Delta Associates

Table 14a. Delta Associates: Condominium pipeline for next 36 months

Date of report	2014.1	2014.2
Unsold units	861	964
New units total	1,461	1,856
	2,322	2,820

Source: Delta Associates

Planned projects: Permits are filed, a ground-break date is established, size and location is determined, and the project is in one of many phases of the planning process (site plan review, design review, environmental compliance review, zoning, etc.).

Proposed projects: a developer has proposed to build a project (either formally or informally) but has not submitted any plans for review and permits have not yet been filed.

Apartments and population

The number of occupied apartments in June was 2.0% more than a year earlier.

• In the June quarter, occupied apartment units increased 1,730 (2.0%) from a year earlier; rents rose 1.3% and the vacancy rate rose to 5.7%.

• For the four years 2010 through 2013, the number of occupied apartment units increased by a total of 5,962, about 30% of the 20,303 increase in estimated households in DC.

DC occupied market rate apartment units:
2012.2 to 2014.2

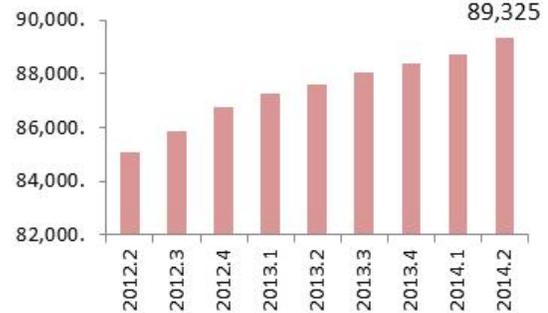


Table 15. Reis summary of DC market rate apartment units: 2005 to 2018 (est)

CY	Inventory			Occupied units			Effective rent	
	Number	1 yr ch	% vacant	Number	1 yr ch	% ch	\$ per month	1 yr % ch
2005	83,723			80,530			\$1,142	
2006	84,150	427	4.0	80,751	221	0.3	\$1,228	7.5
2007	84,618	468	3.9	81,284	533	0.7	\$1,307	6.4
2008	86,583	1,965	4.8	82,465	1,181	1.5	\$1,346	3.0
2009	87,788	1,205	6.1	82,415	-50	-0.1	\$1,353	0.5
2010	88,360	572	5.5	83,477	1,062	1.3	\$1,403	3.7
2011	88,817	457	4.7	84,632	1,155	1.4	\$1,440	2.6
2012	90,688	1,871	4.4	86,737	2,105	2.5	\$1,489	3.4
2013	93,333	2,645	5.3	88,377	1,640	1.9	\$1,520	2.1
2014 est	98,610	5,277	7.4	91,356	2,979	4.4	\$1,548	1.8
2015 est	100,556	1,946	7.3	93,238	1,882	2.3	\$1,579	2.0
2016 est	101,935	1,379	7.1	94,687	1,449	1.4	\$1,616	2.3
2017 est	103,389	1,454	7.5	95,662	975	1.4	\$1,656	2.5
2018 est	104,889	1,500	7.8	96,756	1,094	1.1	\$1,698	2.5
latest quarter: 2014.2								
2014.2	94,732	3,019	5.7	89,325	1,730	2.0	\$1,522	1.3

Source: Reis. Includes units in competitive, private sector buildings with 40 or more units. Excludes condo conversions. June 2014

Table 16. DC Population and Households: 2003 to 2013

Calendar year	Population			Households (estimated)			
	Number	Change from prior yr. number	%	Number	Change from prior yr. number	% pop/hh ratio	
2003	568,502			251,373		2.26	
2004	567,754	-748	-0.1	252,468	1,095	2.25	
2005	567,136	-618	-0.1	253,232	763	2.24	
2006	570,681	3,545	0.6	254,435	1,204	2.24	
2007	574,404	3,723	0.7	255,715	1,279	2.25	
2008	580,236	5,832	1.0	257,928	2,213	2.25	
2009	592,228	11,992	2.1	262,868	4,941	2.25	
2010	605,125	12,897	2.2	268,195	5,327	2.26	
2011	619,624	14,499	2.4	273,546	5,351	2.27	
2012	633,427	13,803	2.2	278,550	5,003	2.27	
2013	646,449	13,022	2.1	283,172	4,622	2.28	
Change from 08 to 13		66,213	11.4		25,244	9.8	2.62

Source: U.S. Census Bureau. Estimate is as of July 1 of the year shown. Households estimated by ORA based on DC Office of Planning data.

Apartments and housing permits

New housing permits down over the past 3 months

• For the 12-month period ending July, 3,821 housing permits were issued, down 9.7% from a year ago; the 3-month decline was 26.1%.

• Apartment demand is expected to more than keep pace with that of the past several years. According to Reis, in the 3 years 2011, 2012, and 2013 there was an increase of 4,900 in the number of occupied market rate apartments. Over the next 3 years, occupied units are expected to increase by 5,850 according to Reis, and 6,630 according to Delta.

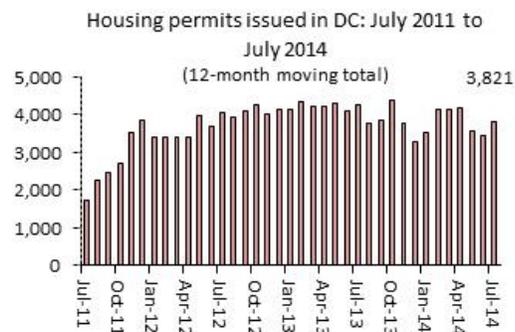


Table 17. Housing unit building permits issued in DC: July 2014

	FY 2010	FY 2011	FY 2012	FY 2013	12-mo. moving total	3-month moving total	This month
Total units	986	2,459	4,091	3,855	3,821	1,018	922
change from 1 yr ago	487	1,473	1,632	-236	-410	-360	366
% change from 1 year	97.6	149.4	66.4	-5.8	-9.7	-26.1	65.8
Multi-family projects with 5 or more units	6	13	21	36	29	8	6

Source: Census Bureau (permits issued during period).

Table 18. Reis apartment summary and forecast: July 2014

Date of report	2014.1	2014.2
Net absorption, last 12 months	1,850	1,730
Vacancy rate (%)	5.1	5.7
Rent increase, last 12 months (% ch)	1.6	1.3
New supply of units, next 3 years	8,075	7,930
New demand for units, next 3 years	7,963	5,850

Source: Reis, see table 15. 3 year estimate of supply and demand estimated by ORA from Table 15.

Table 19. Delta Associates apartment summary and forecast: July 2014

Date of report	2014.1	2014.2
Net absorption, last 12 months	1,822	2,026
Stabilized vacancy rate	4.8%	4.1%
Rent increase, last 12 months	-0.2%	1.1%
New supply of units, next 3 years	11,088	11,303
New demand for units, next 3 years	6,630	6,630

Source: Delta Associates. Investment grade Class A and B units. Supply and demand are Class A only

Table 20. Apartment units under construction, planned, or contemplated by area of DC: June 2014 (2014.2)

Area of DC	Under construction and/or marketing		Planned for possible delivery in next 36 mo		Longer-term planned or rumored	
	projects	units	projects	units	projects	units
Upper NW	5	959	1	141	2	90
Columbia Heights/Shaw	13	1,660	5	729	5	1,033
Central	9	1,621	5	463	4	1,133
NoMa/H Street	9	1,688	8	2,498	8	1,511
Capitol Hill/Riverfront	12	2,533	10	2,488	16	3,883
Upper GA	2	344	0	0	2	290
Northeast	3	719	2	662	3	983
River east	1	216	1	360	3	643
total	54	9,740	32	7,341	43	9,566

Addendum : Pipeline of available units in buildings likely to actually deliver by June 2017: **11,303**.

Approximately 18% of the planned units are expected to materialize by June 2017.

Demand for new apartments by June 2017: **6,630**

Source: Delta Associates

Planned projects: Permits are filed, a ground-break date is established, size and location is determined, and the project is in one of many phases of the planning process (site plan review, design review, environmental compliance review, zoning, etc.).

Proposed projects: a developer has proposed to build a project (either formally or informally) but has not submitted any plans for review and permits have not yet been filed.

Commercial office space

• Commercial office market showed mixed results in the June quarter

• For the quarter ending June, the vacancy rate in Delta Associates' broader office market measure fell to 7.1%, and the Cushman and Wakefield measure fell to 12.7% (both without sublet).

• DC's vacancy rates in June were 24% to 55% lower than the metropolitan area average. Rents were 37% to 47% higher than the region.

• In June occupied space rose 0.2% from the prior quarter in Cushman and Wakefield's market summary; the average asking rent fell 2.4%.

Occupied office space: 2012.1 to 2014.2
(Cushman and Wakefield; million square feet)

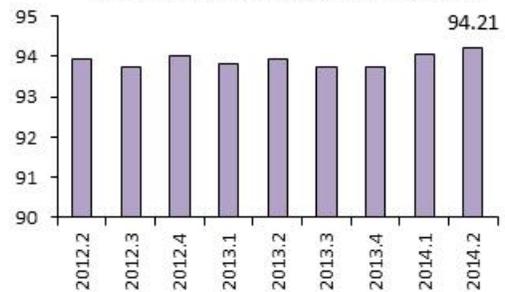


Table 21. Delta Associates summary of DC commercial office space: 2005 to 2014.2

Time period	Inventory		Occupied space			Direct vacancy rate %	Effective rent		Direct vacancy (msf)	Under construction (msf)
	Level (msf)	1 yr ch (msf)	Level (msf)	1 yr ch (msf)	% ch		\$ per sq ft.	1 yr % ch		
Calendar Year (year end)										
2005	119.05		113.41			4.7	46.45		5.64	
2006	124.62	5.57	117.34	3.93	3.5	5.8	48.36	4.1	7.28	
2007	128.86	4.24	122.11	4.77	4.1	5.2	50.19	3.8	6.75	
2008	129.73	0.87	121.64	-0.47	-0.4	6.2	51.25	2.1	8.09	
2009	134.54	4.81	122.51	0.87	0.7	8.9	47.81	-6.7	12.03	
2010	137.71	3.17	127.74	5.23	4.3	7.2	44.47	-7.0	9.97	
2011	138.34	0.64	129.16	1.43	1.1	6.6	44.16	-0.7	9.18	
2012	138.78	0.44	129.25	0.09	0.1	6.9	43.27	-2.0	9.53	
2013	140.21	1.43	130.38	1.13	0.9	7.0	42.05	-2.8	9.83	
Last Quarter: 2014.2										
DC	140.50		130.47			7.1	42.41		10.03	0.83
Metro area	404.64		360.29			11.0	28.95		44.35	3.16
DC share/ difference %	34.7		36.2			-54.9	+46.5		22.6	26.4

Sources: Delta Associates: includes single tenant and privately owned space. Excludes government owned space. Quarterly data on comparable basis is not available before 2013.4 due to changes in data base. msf = million square feet.

Table 22. Cushman and Wakefield summary of commercial office space in DC: 2011 to 2014.2

Calendar year (end of year)	Inventory	Occupied	Direct	Asking face rent (\$/sf)	Under
	(msf)	(msf)	vacancy rate		construction (msf)
2011	104.95	93.66	10.8	50.63	1.60
2012	106.61	94.02	11.8	51.58	0.82
2013	107.95	93.72	13.2	50.96	1.78
Last quarter: 2014.2					
DC	107.93	94.21	12.7	49.73	1.10
Metro area total	297.08	247.51	16.7	36.26	4.48
DC share/DC difference	36.3	38.1	-24.0	37.1	24.6
DC year-over-year change					
Amount	0.87	0.29	0.4	-1.64	0.21
%	0.8	0.3		-3.2	24.0
DC change from prior quarter					
Amount	-0.16	0.17	-0.3	-3.19	0
% ch	-0.1	0.2		-2.4	0

Source: Cushman and Wakefield: For-rent buildings 25,000 sf and larger. Excludes owner or government occupied properties. Rent includes taxes and utilities. msf = million square feet.

Commercial office space outlook and value of all property transfers

Property transfers rise, but at a more modest rate. Forecast for office space demand is reduced.

- The value of June property transfers was up by 7.3% from last year as measured by the 3-month moving total. The 12-month moving total (\$12.06 billion) was 16.7% higher than last year.
- In June Delta Associates cut its 2-year estimate of increased demand for office space to 2.3 million square feet. However, the vacancy rate is also expected fall as only 1.1 million square feet are added.
- The amount of office space in the planning phase is currently 12 times the amount (0.83 msf) under construction.



Table 23. Market Value of Real Property transfers subject to the Deed Transfer or Economic Interest tax: July 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	12-month moving total	3-month moving total	This month
All property transfers (\$ million)	5,591.2	7,789.1	10,059.5	9,533.3	11,063.9	12,057.2	3,481.1	1,171.0
change from one year ago (\$M)	-5,936.1	2,197.9	2,270.4	-526.2	1,530.6	1,726.4	236.2	-246.9
% change from 1 year ago	-51.5	39.3	29.1	-5.2	16.1	16.7	7.3	-17.4

Note: represents value of property or economic interest transferred as of date deed noted by the Recorder of Deeds.

Source: OCFO/Recorder of Deeds and OCFO/ORR (calculated from tax collections and deposits adjusted for tax rate changes).

Table 24. Delta Associates outlook for commercial office space in DC and the surrounding metro area: June 2014 to June 2016

Indicator	DC	No VA	Sub MD	Total	DC % of total
Inventory June 2014					
Inventory (msf)	140.5	178.6	85.5	404.6	34.7
vacancy rate (%)	7.1	13.2	12.6	11.0	
Estimated net activity to June 2016					
new supply (msf)	1.1	2.6	0.5	4.2	26.2
new demand (msf)	2.3	3.0	1.2	6.5	35.4
Estimated vacancy rate on June 2016					
vacancy rate (%)	6.2	12.8	11.7	10.3	

Source: Delta Associates msf = million square feet

Table 25 Delta two year forecasts for office outlook: July 2014

Date of forecast	2014.1	2014.2
2 year pipeline (msf)	3.0	1.1
2 year demand (msf)	3.1	2.3

Source: Delta Associates. Pipeline is office buildings under construction plus those planned that may deliver by June 2016.

Table 26. DC Office market, existing and future space, by area of DC: June 2014 (million square feet)

Indicator	Area of DC							
	Total	CBD	East end	Capitol Hill/Noma/ Capitol Waterfront	Southwest	West End	George-town	Uptown
Total existing rentable building area	140.50	46.33	44.61	18.92	11.85	4.55	2.82	11.43
Vacant	10.03	2.27	3.12	2.55	1.01	0.26	0.25	0.57
Under Construction	0.83	0.17	0.52		0.15			
Planned	10.34	0.21	1.75	3.79	4.48			0.11
Proposed	12.04	0.60	0.26	10.09	0.41			0.68

Note: pipeline of projects under construction and planned expected to deliver by June 2016 is **1.1 msf** (see table 24).

Source: Delta Associates with data from Reis. See below for definitions of planned and proposed

Planned projects: Permits are filed, a ground-break date is established, size and location is determined, and the project is in one of many phases of the planning process (site plan review, design review, environmental compliance review, zoning, etc.).

Proposed projects: a developer has proposed to build a project (either formally or informally) but has not submitted any plans for review and permits have not yet been filed.

Hospitality

Hotel sales revenue up sharply over the past 3 months

● In July, the 3-month moving total for hotel room-days sold was 4.0% above a year earlier. The average room rate was up 2.2%, and revenue rose 6.3%.

● Employment in food services was 4.8% more in July than a year earlier as measured by the 3-month moving average. Hotel employment was down 2.8%, and retail was 10.9% higher.

● May airline traffic into the DC area was down 0.6% compared to a year earlier as measured by the 3-month moving total. Reagan National was up 0.2%.

Hotel room-days sold: July 2012 to July 2014
(% change from prior year in 3-month and 12-month moving totals)



Table 27. Hospitality Industry: July 2014

Indicator	Units	date	FY 2011	FY 2012	FY 2013	12-mo total	3-month	This month
						or average*	moving total or average*	
Hotel stays								
Hotel room-days sold	('M)	jul	7.465	7.617	7.680	7.752	2.230	0.753
1 yr ch			0.095	0.152	0.062	0.120	0.086	0.027
1 yr % ch			1.3	2.0	0.8	1.6	4.0	3.7
Average room rate	\$	jul	206.60	203.57	207.33	206.84	211.68	192.80
1 yr ch			7.49	-3.03	3.75	-0.56	4.58	10.28
1 yr % ch			3.8	-1.5	1.8	-0.3	2.2	5.6
Occupancy rate (average)	%	jul	74.2	75.4	75.8	76.1	83.4	83.4
1 yr ch			0.5	1.2	0.5	0.5	-0.1	-0.5
1 yr % ch			0.6	1.6	0.6	0.7	-0.1	-0.6
Room revenue	(\$M)	jul	1,542.3	1,550.7	1,592.2	1,603.5	472.0	145.2
1 yr ch			74.8	8.4	41.5	20.5	28.1	12.6
1 yr % ch			5.1	0.5	2.7	1.3	6.3	9.5
Airline passengers								
DCA	1 yr % ch	may	6.2	2.8	5.5	0.1	0.2	2.2
IAD	1 yr % ch	may	0.6	-2.9	-4.0	-1.6	-0.9	0.2
BWI	1 yr % ch	may	4.2	1.0	-1.5	-1.4	-1.0	-1.4
Total	1 yr % ch	may	3.4	0.1	-0.3	-1.0	-0.6	0.2
Employment								
Accommodations	level ('000)	jul	15.3	15.4	15.2	15.3	15.1	15.0
1 yr ch			0.0	0.1	-0.2	0.0	-0.4	-0.5
1 yr % ch			0.1	0.7	-1.1	0.2	-2.8	-3.2
Food and bev	level ('000)	jul	39.3	42.7	44.9	46.4	48.9	48.7
1 yr ch			2.3	3.4	2.2	1.9	2.2	2.5
1 yr % ch			6.2	8.5	5.2	4.3	4.8	5.4
Arts and entertain.	level ('000)	jul	6.8	6.9	6.9	7.0	7.1	7.0
1 yr ch			-0.2	0.1	0.0	0.0	0.0	-0.1
1 yr % ch			-2.5	1.3	0.6	0.0	0.0	-1.4
Retail	level ('000)	jul	18.6	18.8	19.7	21.0	21.7	22.0
1 yr ch			0.2	0.3	0.8	1.6	2.1	2.5
1 yr % ch			1.3	1.4	4.5	8.0	10.9	12.8

* Total for hotel rooms sold and room revenue

Source: Smith Travel Research (hotel data); BLS (employment); Airport authorities (airline passengers);

US economic growth rebounded in the 2nd quarter; stock market and employment continued gains in July

- US real GDP growth in the June quarter rose sharply by 4.2%, reversing the 2.1% first quarter decline.
- US employment (seas. adj.) increased by 209,000 in July.
- The US unemployment rate (seas. adj.) rose to 6.2% in July.
- In July the S & P 500 index increased 1.3% from June and was 18.3% above last year.
- Compared to a year earlier, the rate of inflation fell slightly in July to 2.0% (seas. adj.).

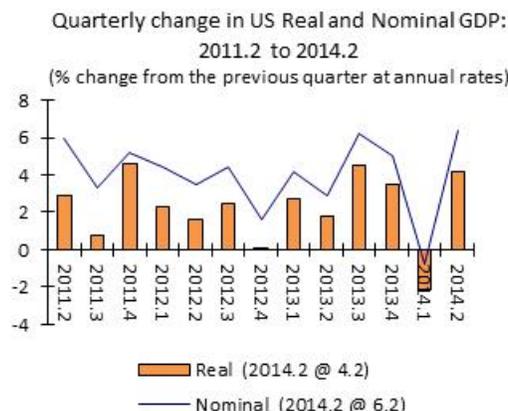


Table 28. US GDP, income, corporate profits, and inflation: 2014.2 and July 2014

(percent change from same period of prior year unless noted)

Indicator	Date of latest indicator		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	12-mo avg	2014.2	July
US GDP real	2014.2	1 yr % ch	-3.4	1.7	1.9	2.3	1.8	2.4	2.5	
US GDP nominal	2014.2	1 yr % ch	-2.3	2.6	4.0	4.2	3.5	3.9	4.2	
US Personal income	2014.2	1 yr % ch	-1.9	1.3	5.9	4.7	3.8	2.7	4.0	
US wages	2014.2	1 yr % ch	-3.2	0.3	4.2	3.5	4.0	3.6	4.7	
Corporate profits	2014.2	1 yr % ch	-10.3	33.5	-1.1	14.9	6.3	4.4	4.5	
S and P stock index	July	1 yr % ch	-34.3	23.7	13.8	5.4	16.7	20.4	18.1	18.3
US CPI	July	1 yr % ch	-0.3	1.7	2.7	2.4	1.6	1.6	2.0	2.0
Balt./Wash. area CPI	July	1 yr % ch	0.3	1.7	3.0	2.4	1.6	1.7	na	1.7

Source: BEA (data revised as of August 28, 2014), BLS, and Yahoo finance. na = not available

Personal income and wage data may differ from amounts shown in table 8 due to differences in BEA source tables.

Table 29. Quarter to quarter change in US GDP and income: 2012.4 to 2014.2

(percent change from previous quarter at seasonally adjusted annual rates)

Indicator	calendar year quarter						
	2012.4	2013.1	2013.2	2013.3	2013.4	2014.1	2014.2
US GDP real	0.1	2.7	1.8	4.5	3.5	-2.1	4.2
US GDP nominal	1.6	4.2	2.9	6.2	5.0	-0.8	6.4
Wages and salaries	10.7	-3.0	4.4	1.9	3.5	7.3	5.6
Personal income	13.5	-8.9	4.4	3.3	1.8	4.8	6.0

Note: GDP=Gross Domestic Product Source: BEA, updated on August 28, 2014.

Table 30. Monthly selected US Indicators: January 2014 to July 2014

Indicator	January	February	March	April	May	June	July
S and P stock index (level)	1822	1817	1864	1864	1890	1947	1973
% change from prior month	0.8	-0.3	2.6	0.0	1.4	3.0	1.3
% change from 1 year ago	23.1	20.1	20.2	18.7	15.2	20.3	18.3
10 yr. Treasury Interest rate (level)	2.85	2.70	2.72	2.69	2.56	2.59	2.53
CPI % ch from prior month (seasonally adjusted)	0.14	0.10	0.20	0.26	0.35	0.26	0.09
CPI % ch from prior year (seasonally adjusted)	1.56	1.10	1.54	1.96	2.14	2.08	2.00
Jobs (seasonally adjusted level, in millions)	137.54	137.76	137.96	138.27	138.50	138.795	139.00
change from prior month (thousands)	144	222	203	304	229	298	209
% change from prior month	0.10	0.16	0.15	0.22	0.17	0.22	0.15
Resident employment (season. adj. level, in mil.)	145.22	145.27	145.74	145.67	145.81	146.22	146.35
change from prior month (thousands)	638	42	476	-73	145	407	131
% change from prior month	0.44	0.03	0.33	-0.05	0.10	0.28	0.09
Unemployment rate (seasonally adj.)	6.6	6.7	6.7	6.3	6.3	6.1	6.2

Source: BLS and Yahoo! Finance.

DC tax collections

Total DC tax collections (before earmarking): July 2009 to July 2014
(12-month moving total in \$ million)

July 2014 @ \$6,168M

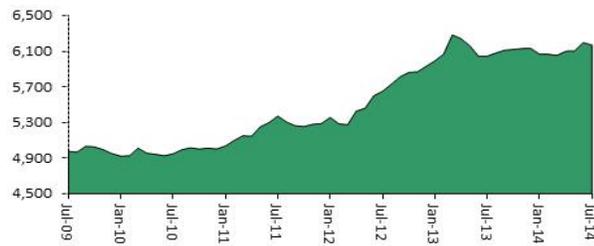


Table 31. Tax Collections (before earmarking): July 2014 (Preliminary)

Tax	Revenue (from CAFR)				Tax collections			
	FY 2010	FY 2011	FY 2012	FY 2013	12-month moving total	FY 2014 to date	3-month moving total	This month
Total taxes	5,005.2	5,325.3	5,853.3	6,105.5	6,168.5	4,526.4	1,180.2	344.2
1 year change	-47.0	320.1	528.0	252.2	123.7	57.5	68.5	-27.7
% change	-0.9	6.4	9.9	4.3	2.0	1.3	6.2	-7.4
Real property	1,821.5	1,715.1	1,822.0	1,914.8	1,929.4	1,013.1	32.4	23.5
1 year change	-1.2	-106.4	106.9	92.8	66.2	13.0	9.9	4.3
% change	-0.1	-5.8	6.2	5.1	3.6	1.3	44.3	22.4
General sales	976.7	1,014.9	1,111.0	1,137.9	1,142.6	965.8	323.3	104.8
1 year change	1.8	51.7	67.6	26.8	-11.9	11.4	9.7	-2.1
% change	0.3	3.9	9.5	2.4	-1.0	1.2	3.1	-1.9
Individual income	1,110.4	1,296.6	1,490.7	1,640.9	1,656.4	1,376.5	400.3	113.3
1 year change	-25.5	186.2	194.1	150.2	10.7	-5.5	3.2	-0.4
% change	-2.2	16.8	15.0	10.1	0.6	-0.4	0.8	-0.4
withholding	1,073.8	1,192.2	1,321.6	1,390.3	1,456.8	1,229.7	343.8	113.4
1 year change	52.6	118.3	129.5	68.7	74.5	53.8	-1.8	-2.8
% change	5.2	11.0	10.9	5.2	5.4	4.6	-0.5	-2.4
non-withholding	36.6	104.4	169.1	250.6	199.6	146.8	56.5	-0.1
1 year change	-78.1	67.8	64.6	81.5	-63.8	-59.3	5.0	2.4
% change	-68.1	185.2	61.9	48.2	-24.2	-28.8	9.7	nm
Corporate income	207.3	216.3	302.9	299.0	284.3	226.4	57.2	3.7
1 year change	-14.6	9.0	86.6	-3.9	-31.0	-17.7	2.4	-6.5
% change	-6.6	4.3	40.1	-1.3	-9.8	-7.3	4.5	-63.4
Unincorporated Bus.	116.4	143.4	163.0	154.3	137.6	110.7	26.7	1.8
1 year change	-3.9	27.0	19.6	-8.7	-23.4	-22.8	-4.2	-2.8
% change	-3.2	23.2	13.6	-5.3	-14.5	-17.1	-13.7	-60.1
Deed taxes*	225.6	311.2	306.6	367.3	404.3	324.9	102.8	32.7
1 year change	38.2	85.6	-4.5	60.6	83.8	37.9	8.2	-8.7
% change	20.4	37.9	-1.5	19.8	26.2	13.2	8.6	-21.0
Other taxes	547.3	627.8	657.0	591.3	613.9	508.9	237.4	64.4
1 year change	-43.3	80.6	29.2	-65.7	29.4	41.3	39.3	-11.6
% change	-7.3	14.7	4.6	-10.0	5.0	8.8	19.8	-15.2

*Deed taxes include deed recordation, deed transfer, and economic interest taxes on real property transactions.

Note: (1) Revenues for the fiscal years shown are based on the CAFR for those years.

(2) Tax collections data subject to accounting adjustments.

(3) This table and the graphs on the next page may include adjustments to the timing and consistency of collection reporting intended to make comparisons with prior year periods more meaningful. The data may therefore vary from other OCFO reports.

Source: OCFO/ORR nm=not meaningful due to small amount or negative numbers

Tax collections were strong in June

• For the 12 month period ending July, total tax collections (before earmarking) were \$123.7 million (2.0%) more than in the prior year. Through July, the 10th month of FY 2014, tax collections were \$57.5 million (1.3%) above last year; for the last 3 months they were 6.2% above last year.

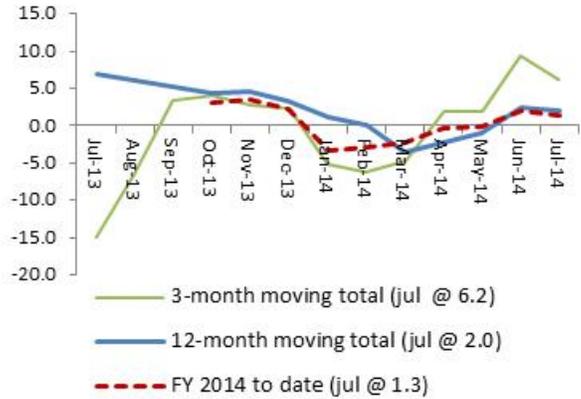
• Individual income tax collections were 0.6% above last year for the 12-months ending July; withholding was 5.4% higher, while the non-withholding portion was 24.2% lower.

• General sales collections were 1.0% below last year for the 12-months ending July, in part because of the FY 2014 cut in the general sales rate to 5.75%.

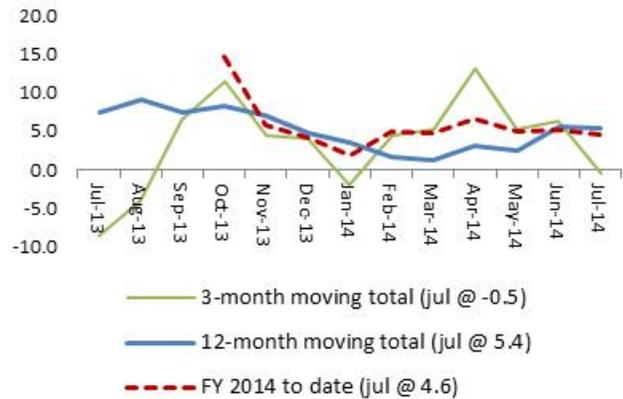
• Deed tax collections (12-mo. avg.) were up 26.2% from July of last year; for the past 3 months the gain was 8.6%.

• Corporate income taxes were down 9.8% and unincorporated business income taxes were also down 14.5% from last year (12-mo. avg.).

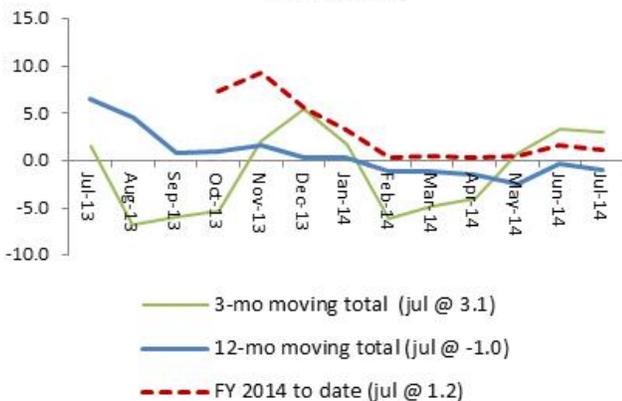
**Total tax collections (before earmarks):
July 2013 to July 2014**
(% change from prior year: 3-month and 12-month moving totals)



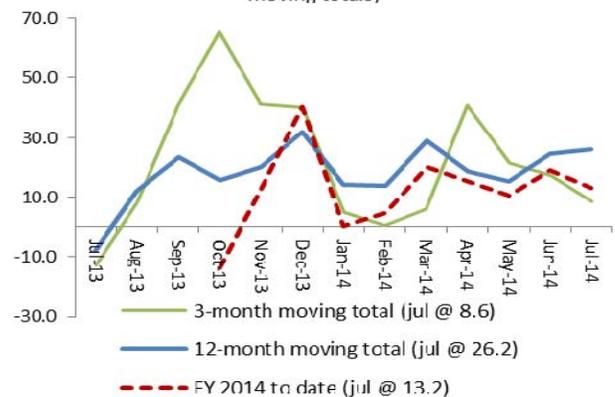
**Withholding for the Individual Income tax:
July 2013 to July 2014**
(% change from prior year: 3-month and 12-month moving totals)



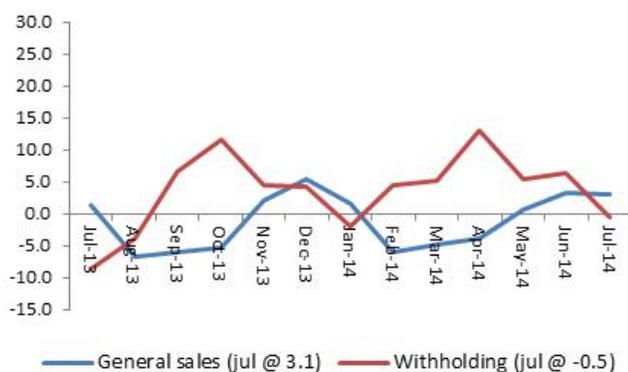
**General Sales tax collections (before earmarks):
July 2013 to July 2014**
(% change from prior year: 3-months and 12-month moving totals)



**Deed tax collections (before earmarks):
July 2013 to July 2014**
(% change from prior year: 3-month and 12-month moving totals)



General Sales tax and Withholding for the Individual Income tax: July 2013 to July 2014
(% change from prior year in the 3-month moving total)



US economic forecasts

Forecasts for FY 2014 GDP raised in August. FY 2015 and FY 2016 are expected to be better than FY 2014.

- The Blue Chip Indicator August forecast for real GDP now expects growth in FY 2015 of 2.8%, compared with 2.2% in FY 2014. The growth rate in nominal GDP in FY 2015 is expected to rise to 4.7% from 3.8% in FY 2014.
- CBO forecasts for FY 2014 and FY 2015 are below the Blue Chip estimates.
- The Blue Chip Indicator August forecast for inflation (CPI) remained at 1.7% for FY 2014 and 2.2% for FY 2015.
- S & P 500: The baseline forecasts for year-over-year growth in the 4th quarter of 2014 increased in the August estimates.

Table 32. Forecasts for US nominal and real GDP: FY 2013 through FY 2016
(1 yr % change)

Date of forecast	Fiscal year	real			nominal		
		Blue Chip	Economy.com	Global Insight	Blue Chip	Economy.com	Global Insight
actual	2013	1.8	1.8	1.8	3.5	3.5	3.5
May	2014	2.4	2.5	2.5	3.9	4.0	4.9
Jun		2.3	2.4	2.3	3.7	3.9	4.2
Jul		1.8	1.9	1.9	3.4	3.5	3.6
Aug		2.2	2.4	2.4	3.8	3.8	4.0
May	2015	2.9	3.6	2.7	4.8	5.8	6.5
Jun		2.9	3.5	2.8	4.8	5.7	6.9
Jul		2.7	3.2	2.6	4.6	5.5	5.3
Aug		2.8	3.1	2.6	4.7	5.4	5.7
May	2016		3.4	3.5		5.7	5.8
Jun			3.3	3.2		5.4	5.5
Jul			3.4	3.2		5.5	6.0
Aug			3.4	3.2		5.9	6.1

Sources: BEA, Blue Chip Indicators, Moody's Economy.com, and IHS Global Insight.

Table 33. CBO estimates of GDP and other indicators: FY 2013 to FY 2016

Indicator	Date of est.	FY 2013	FY 2014	FY 2015	FY 2016
Real GDP (1 yr % ch)	February 2014	1.7	2.4	3.3	3.4
	August 2014		1.8	2.7	3.5
Nominal GDP (1 yr % ch.)	February 2014	3.3	3.9	4.9	5.3
	August 2014		3.4	4.5	5.3
CPI (1 yr % ch)	February 2014	1.6	1.5	1.9	2.1
	August 2014		1.7	2.3	2.0
10 yr. Treasury bond rate	February 2014	2.1	3.0	3.6	4.2
	August 2014		2.7	3.1	3.7
Unemployment rate	February 2014	7.6	6.9	6.6	6.2
	August 2014		6.5	5.9	5.8

Source: CBO, *The Budget and Economic Outlook: 2014 to 2024*, Feb. and Aug. 2014

Table 34. Blue Chip forecasts for CPI and 10 year Treasury interest rate: FY 2013 to FY 2015

(% change from prior fiscal year)						
Forecast date	CPI			10 yr Treasury rate		
	2013	2014	2015	2013	2014	2015
May	1.6	1.6	2.0	2.1	2.9	3.5
Jun	1.6	1.6	2.0	2.1	2.9	3.5
Jul	1.6	1.7	2.2	2.1	2.8	3.5
Aug	1.6	1.7	2.2	2.1	2.7	3.2

Source: Blue Chip Indicators

Table 35. IHS Global Insight forecast for S and P 500: 2013.4 to 2015.4

Forecast date	% change from prior year			% change from prior year		
	2013.4	2014.4	2015.4	2013.4	2014.4	2015.4
	Global Insight: baseline			Global Insight: pessimistic		
May	24.8	8.3	4.3	24.8	-2.3	4.8
June	24.8	8.9	4.3	24.8	-1.7	4.8
July	24.8	8.5	4.3	24.8	7.9	-3.7
August	24.8	10.0	4.2	24.8	8.6	-3.0

Source: IHS Global Insight

Table 36. Moody's Economy.com forecast for S and P 500: 2013.4 to 2015.4

Forecast date	% change from prior year			% change from prior year		
	2013.4	2014.4	2015.4	2013.4	2014.4	2015.4
	Economy.com baseline			Economy.com pessimistic		
May	24.8	6.3	0.0	24.8	1.7	0.7
June	24.8	8.4	0.1	24.8	3.8	0.2
July	24.8	5.7	2.1	24.8	5.2	4.5
August	24.8	11.7	0.7			

Source: Moody's Economy.com.

August DC forecasts by Global Insight and Economy.com: more jobs and income.

●**Employment:** Baseline gains in wage and salary employment rise from the 5,000 range in FY 2014 to about 10,000 in FY 2015. Resident employment gains in FY 2015 are also double or triple FY 2014's 2,300 range. Baseline unemployment rates remain at 7.0% or higher through FY 2015.

●**Income.** Baseline forecasts for Personal Income are expected to rise to from a little more than 2% in 2014 to 4.2% or more in FY 2015 and 5% to 6% in FY 2016.

Table 37. Jobs in DC: forecasts for FY 2013 to FY 2015

(amount of change from prior year)

Date of estimate	Global Insight: baseline			Global Insight: pessimistic			Economy.com: baseline			Economy.com: pessimistic		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
May	12,892	2,990	7,175	12,892	2,401	2,889	12,892	2,766	9,748	12,892	2,368	3,348
Jun	12,892	2,868	6,984	12,892	2,533	4,758	12,892	2,442	7,735	12,892	1,239	475
Jul	12,892	4,432	8,489	12,892	4,119	5,241	12,892	4,173	9,514	12,892	4,070	2,655
Aug	12,892	5,150	9,626	12,892	4,929	6,826	12,892	4,678	9,915			

Source: IHS Global Insight and Moody's Economy.com.

Table 38. DC Personal Income: forecasts for FY 2013 to FY 2016

(percent change from prior year)

Date of estimate	Global Insight: baseline				Global Insight: pessimistic				Economy.com: baseline				Economy.com: pessimistic			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
May	2.5	1.8	4.1	5.2	2.5	1.2	1.3	2.4	2.5	1.5	4.2	6.0	2.5	1.3	2.6	6.3
Jun	2.5	1.8	3.7	5.0	2.5	1.2	1.2	2.6	2.5	1.2	3.9	6.0	2.5	1.1	2.3	5.6
Jul	2.5	2.1	4.0	4.9	2.5	1.8	1.9	2.5	2.5	2.1	4.5	6.1	2.5	2.0	3.1	6.1
Aug	2.5	2.4	4.2	5.1	2.5	2.2	2.1	2.6	2.5	2.2	4.7	6.3				

Source: IHS Global Insight and Moody's Economy.com.

Table 39. DC resident emp.: forecasts for FY 2013 to FY 2015

(amount of change from prior year)

Date of estimate	Global Insight: baseline			Economy.com: baseline		
	2013	2014	2015	2013	2014	2015
May	14,471	2,242	5,729	14,471	2,366	4,150
Jun	14,471	2,397	6,002	14,471	2,500	3,471
Jul	14,471	2,238	6,570	14,471	2,075	4,386
Aug	14,471	2,379	6,830	14,471	2,181	4,634

Source: IHS Global Insight and Moody's Economy.com.

Table 40. Unemployment rate in DC FY 2013 to FY 2015

Date of estimate	Global Insight: baseline			Economy.com: baseline		
	2013	2014	2015	2013	2014	2015
May	8.5	7.5	7.1	8.5	7.5	7.5
Jun	8.5	7.5	7.1	8.5	7.4	7.6
Jul	8.5	7.5	7.1	8.5	7.6	7.5
Aug	8.5	7.5	7.0	8.5	7.5	7.2

Source: IHS Global Insight and Moody's Economy.com.

Table 41. Wages earned in DC FY 2013 to FY 2015

(percent change from prior year)

Date of estimate	Global Insight: baseline			Economy.com: baseline		
	2013	2014	2015	2013	2014	2015
May	2.2	1.3	3.8	2.2	0.9	5.4
Jun	2.2	1.2	3.7	2.2	0.7	5.0
Jul	2.4	0.7	3.9	2.4	0.9	5.6
Aug	2.4	0.9	4.0	2.4	0.9	5.5

Source: IHS Global Insight and Moody's Economy.com.

Table 42. DC resident wages FY 2013 to FY 2015

(percent change from prior year)

Date of estimate	Global Insight: baseline			Economy.com: baseline		
	2013	2014	2015	2013	2014	2015
May	2.8	0.7	3.3	2.8	0.9	4.1
Jun	2.8	0.5	3.1	2.8	0.4	3.6
Jul	2.9	0.8	3.7	2.9	1.0	4.6
Aug	2.9	1.2	4.0	2.9	1.2	5.3

Note: Estimated by ORA; assumes wage and salary supplements are the same % for DC resident wages as for wages earned in DC.

Source: IHS Global Insight and Moody's Economy.com.

DC revenue estimate

The February revenue estimate adds to revenue growth in FY 2015 and FY 2016

• Anticipated tax revenue growth (before earmarks) is \$234.6 million in FY 2014, \$278.5 million in FY 2015, and \$223.5 million in FY 2016. The percentage gains of 3.8%, 4.4%, and 3.4%, respectively, are close to what occurred in FY 2013 (a 4.2% increase of \$247.2 million). The estimate reflects continued growth in the DC economy as well as cutbacks in federal spending.

• The real property tax accounts for 42% of the growth in FY 2014, 59% of growth in FY 2015, and 35.4% in FY 2016. Individual income, sales, and business income taxes increase in each year.

• As a share of DC Personal Income, tax collections in FY 2014 and FY 2015 are the same as FY 2013—12.7%—falling slightly to 12.5% in FY 2016.

Table 43. DC Tax Revenue (before earmarks) for FY 2013 through FY 2016: February 2014 revenue estimate

Tax	FY level (\$ million)				Change from prior year (\$ M)				% change from prior year			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
Real property	1,914.8	2,014.2	2,178.5	2,257.6	92.8	99.3	164.3	79.1	5.1	5.2	8.2	3.6
Deed taxes	367.3	317.7	326.5	338.2	60.6	-49.6	8.9	11.6	19.8	-13.5	2.8	3.6
General sales	1,137.9	1,189.6	1,237.1	1,282.1	26.8	51.7	47.5	45.0	2.4	4.5	4.0	3.6
Individual income	1,640.9	1,721.2	1,780.2	1,843.8	150.2	80.3	59.0	63.6	10.1	4.9	3.4	3.6
Withholding	1,391.2	1,446.7	1,491.5	1,540.9	69.6	55.5	44.8	49.4	5.3	4.0	3.1	3.3
non-withholding	249.6	274.5	288.7	302.9	80.6	24.8	14.2	14.3	47.7	9.9	5.2	4.9
Business income	453.3	474.9	494.8	508.7	-12.6	21.6	19.9	13.9	-2.7	4.8	4.2	2.8
Other	586.3	617.6	596.6	606.8	-70.7	31.3	-21.0	10.2	-10.8	5.3	-3.4	1.7
Total	6,100.5	6,335.1	6,613.6	6,837.2	247.2	234.6	278.5	223.5	4.2	3.8	4.4	3.4

Source: ORA. Feb 26, 2014 revenue estimate under existing legislation. The table includes tax revenue only, before all earmarks, and excludes all non-tax revenues, lottery, and "O-type" earmarked revenues. FY 2012 is from the FY 2013 CAFR

Table 44. DC labor market assumptions: FY 2013 to FY 2016

item	2013	2014	2015	2016
Wage and salary employment	733,584	736,983	744,490	752,796
1 year change	3,559	3,399	7,507	8,306
% change	0.5	0.5	1.0	1.1
DC resident employment	338,349	341,709	346,383	351,414
1 year change	14,837	3,360	4,674	5,031
% change	4.6	1.0	1.4	1.5
Unemployment rate	8.6	8.1	7.4	7.3

Source: ORA February 2014 revenue estimate

Table 45. DC Income and stock market assumptions: FY 2013 to FY 2016 (% change from prior year)

item	2013	2014	2015	2016
Wages and salaries earned in DC	2.4	2.2	4.0	4.0
Wages and salaries earned by DC residents	3.0	2.7	4.3	4.4
DC Personal income	2.7	3.7	4.7	4.8
S and P 500 stock index	24.7	2.4	3.0	2.5

Source: ORA February 2014 revenue estimate. Stock index, on a calendar year basis, represents the % change from the December quarter of the prior year.

Table 46. DC tax revenue (before earmarks) and DC Personal Income: FY 2007 to FY 2016

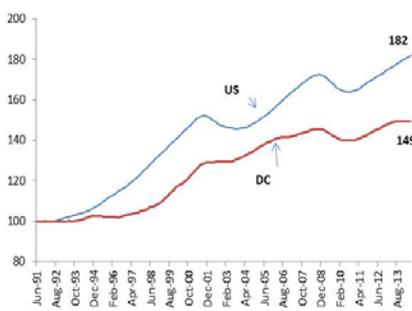
item	2007	2008	2009	2010	2011	2012	2013	2014 est	2015 est	2016 est
Tax revenue (\$ million)										
Level	5,155	5,325	5,052	5,005	5,325	5,853	6,100	6,335	6,614	6,837
Change from prior year	638	170	-273	-47	320	528	247	235	279	224
Percent change from prior year										
Tax revenue	14.1	3.3	-5.1	-0.9	6.4	9.9	4.2	3.8	4.4	3.4
Personal Income	7.4	9.4	1.2	2.7	9.1	3.5	2.7	3.7	4.7	4.8
Tax revenue as percent of Personal Income										
	14.1	13.3	12.5	12.1	11.8	12.5	12.7	12.7	12.7	12.5

Source: ORA. February 2014 revenue estimate under existing legislation. The table includes tax revenue only, before all earmarks, and excludes all non-tax revenues, lottery, and "O-type" earmarked revenues.

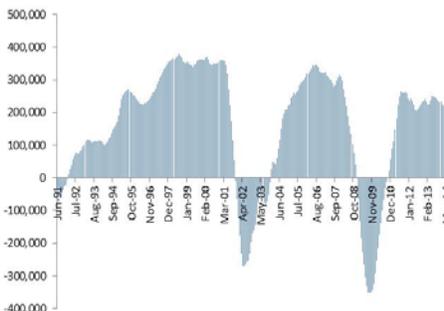
Three factors that have a bearing on the outlook for professional services in DC are: (1) the national economy, (2) legal services and the changing composition of professional services in DC, and (3) federal spending and professional services in the Washington metropolitan area.

1. The national economy. Over the past two decades, growth in professional services in the US economy has been even faster than in DC: 82% increase from 1991 to 2014 in the US versus 49% in DC. The sector's growth has also varied with the business cycle, but its rate of increase in each period following a recession has tended to be a little less than in the prior expansion period—the professional services growth rate reached 6% in the late 1990's, a little over 4% in the mid 2000's, and about 3 % in the current expansion period. The tendency for professional services to grow more slowly in the recent recovery seems principally to reflect slower GDP growth. If national economic growth were to pick up in the coming year or two, as many forecasts suggest, professional services should also grow faster in the US— and in DC as well if its share of US professional services were to hold steady.

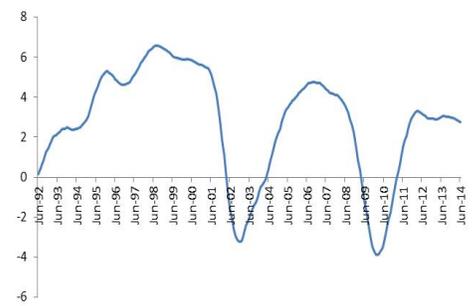
Professional services in DC and the US: June 1991 to June 2014
(Index of 12-mo moving avg: June 1991=100)



Professional services in the US: June 1991 to June 2014
(change from prior year in 3-mo. moving average)

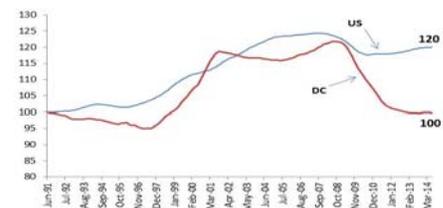


Professional services in the US: June 1992 to June 2014
(% change from prior year in 12-mo moving avg.)



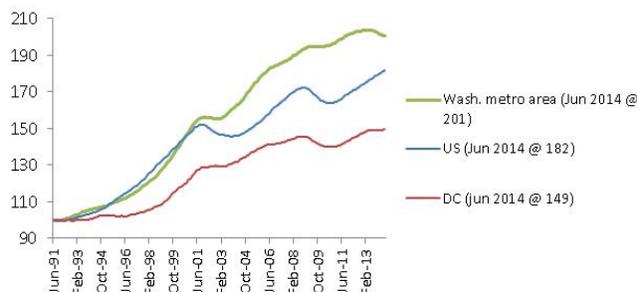
2. Legal services and the composition of DC professional services. In June 2014 29,700—27.4%—of the professional services jobs in the District were in legal services. DC legal services employment peaked with the onset of the Great Recession, and it has declined since to the point it is now about the same as it was in 1991, 23 years ago, when legal services constituted 41.4% of all professional services. Legal services industry developments seem to be as much about the structure of the economy as the business cycle, and appear likely for some time to remain another element of uncertainty affecting the outlook for DC's professional services sector.

Legal services in DC and the US: 1991 to 2014
(Index of 12-month moving avg.: Jun 1991=100)

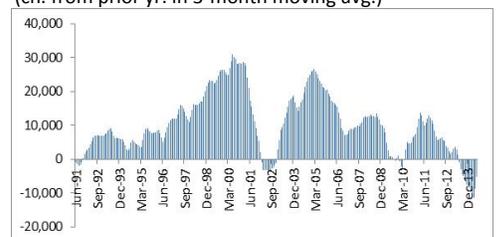


3. Federal spending and professional services in the Washington metropolitan area. Over the past two decades the growth rate of professional services in the Washington metropolitan area has been greater than that in the US as a whole, particularly beginning with the period following the 2001 recession and 9/11 (a time of increased federal spending due to the Iraq war and anti-terrorism activities). Regional professional services employment reflects a cyclical pattern similar to that in the US, but with two striking differences since the onset of the Great Recession: much less regional decline in the recession (a time of federal stimulus spending) and sharp regional decline beginning in 2013 (the start of the implementation of special cutbacks in federal spending known sequestration). It seems fair to conclude that the pattern of professional services growth in the Washington metropolitan area has been strongly influenced by federal spending patterns with its associated contracting activity. (Continued on p. 20)

Professional services in the Washington metro area, the US, and DC: June 1991 to June 2014
(Index of 12-mo. moving avg.; Jun 1991=100)



Professional services in the Washington metropolitan area: June 1991 to June 2014
(ch. from prior yr. in 3-month moving avg.)

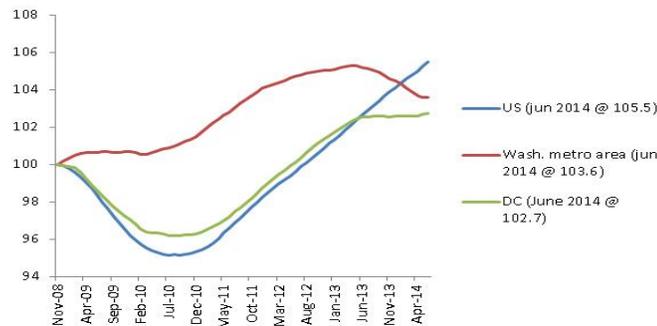


As professional services weakened in the Washington metropolitan area over the last year, there has been a sharp reversal of the status of the metropolitan area compared to the US. Taken as a whole for the period from November 2008 to June 2014, the percentage growth in US professional services has outpaced that of the Washington metropolitan region despite the lack of decline in the metro area during the recession and the region's strong growth in the early recovery period (see graph below).

Federal spending appears as well to have contributed to the recent slowdown in the growth of DC's professional services sector, just as it did in the increase after the 2008 recession. Thus far, however, the negative impact on DC appears to have been less than for the region as a whole, and for the first time in two decades DC's share of regional professional services has started to rise. Federal spending is, of course, not the only factor affecting either the level of professional services in DC and the region or the preferred location of those services within the region. But the factors associated with federal spending and the level of professional services in the region are major influences contributing to the uncertain outlook for professional services in DC.

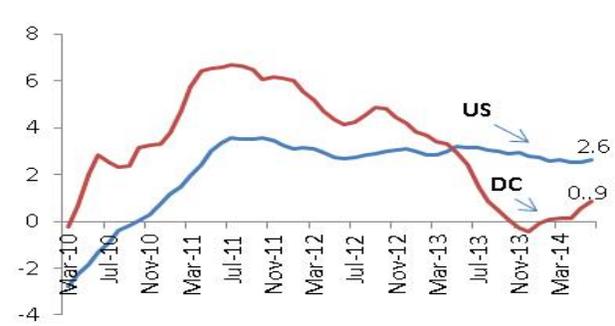
Professional services in DC, the Washington metropolitan area, and the US: November 2008 to June 2014

(Index of 12-month moving average: November 2008 = 100)



Professional services (not including legal services) in DC and the US: March 2010 to June 2014

(% change from the prior year in the 3-month moving average)



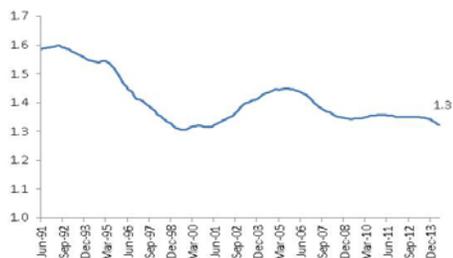
Summing up, the recent slowdown in the growth of the professional services sector in DC, at a time when they have been growing quite steadily nationally, suggests there is a considerable amount of uncertainty in the outlook for this sector in the District of Columbia. Change in the legal services industry, slowdown in federal spending, changes in the relationship between the DC economy and the metropolitan region, and perhaps other factors as well all point to an element of uncertainty. In assessing the overall strength of the DC economy in the coming years, the uncertainties associated with professional services underscores the need to think about the District's entire economy, not just those of the old stalwarts of the federal government and professional services. Along these lines, it is worth noting that the professional services share of DC's private employment peaked about 2005, and its share of private sector wages peaked in 2009.

—Stephen Swaim, Office of Revenue Analysis

Addendum: Additional charts

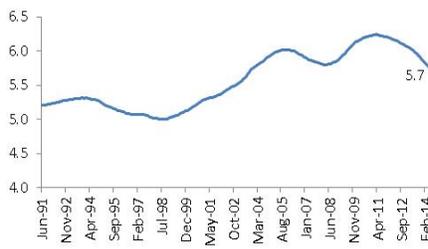
DC share of professional services employment in the US: June 1991 to June 2014

(calculated from 12-month moving averages)



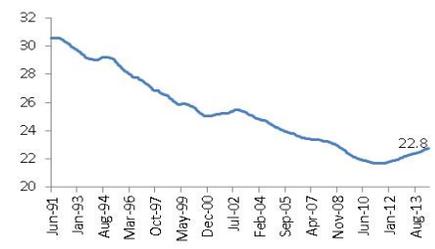
Washington metropolitan area share of professional services employment in the US: June 1991 to June 2014

(calculated from 12-month moving averages)



DC share of professional services employment in the Washington metropolitan area: June 1991 to June 2014

(calculated from 12-month moving averages)



Note: all employment data is from the US Bureau of Labor Statistics. Income data is from the US Bureau of Economic Analysis.

ORA Reports and Documents

From time to time the Office of Revenue Analysis prepares revenue estimates, fiscal impact statements on pending legislation, reports, and other documents on subjects related to DC 's economy and taxes. These documents are posted on the OCFO web site (www.cfo.dc.gov) under subcategories of "Reports and Publications" and "Budget and Revenue."

Recent ORA reports:

Revised revenue estimate, July 1, 2014. No change from February 2014.

Tax expenditure report, May 2014. Comprehensive description of all DC tax expenditures.

Briefing documents. A series with information related to DC's economy and taxes.

DC Tax Facts, 2014. Details on all DC taxes.

Tax Rates and Tax Burdens 2012 Nationwide. This annual publication compares DC tax rates and estimated DC tax burdens for households of different income levels with the rates and burdens of state and local taxes in the principal cities in all 50 states.

Tax Rates and Tax Burdens 2012 Washington Metropolitan Area. This annual publication compares DC tax rates and estimated DC tax burdens for households of different income levels with the rates and burdens of the surrounding jurisdictions in the DC metropolitan area.

About this report.

District of Columbia Economic and Revenue Trends is generally issued toward the end of every month. Employment and most other DC information reported on a monthly basis is from one to two months prior to the *Trends* date. Lags can be greater with quarterly data such as Personal Income and commercial real estate. Data in the tables are believed to be reliable, but original sources are definitive. All data are subject to revision by the information source. The *Trends* report is available at the DC Chief Financial Officer web-site: www.cfo.dc.gov (click on *Budget and Revenue/Economy/ Economic and Revenue Trends*).

Table 47. Information sources			
Indicator	Source	Period covered in this report	Next release
D.C. Jobs and Labor Force information	BLS	July	September 19
D.C. Personal Income	BEA	2014.1	September 30
D.C. Tax Collections	OTR/ORA	July	c. September 15
D.C. Housing Sales	MRIS*	July	c. September 10
D.C. Commercial Office Building data	Delta / Cushman and Wakefield	2014.2	c October 15
DC Apartment data	Reis, inc	2014.2	c October 20
D.C. Hotel stay information	Smith Travel Research	July	c. September 20
Consumer Price Index	BLS	July	September 17
U.S. Jobs and Labor Force	BLS	July	September 5
U.S. GDP and Personal Income	BEA	2014.2	September 26
S and P 500 Stock Index	Financial press	July	September 1
Interest rate on 10-Year Treasury Securities	Financial press	July	September 1
IHS Global Insight D.C. forecast	Global Insight	August	c. September 25
Moody's Economy.com D.C. forecast	Economy.com	August	c. September 25
Blue Chip Economic Indicators for the U.S.	Aspen Publishers	August	September 10

*Metropolitan Regional Information Systems; listings and contract data accessed through the Greater Capital Area Association of Realtors.

For further information or to comment on this report, contact: Stephen Swaim (202-727-7775) or stephen.swaim@dc.gov. See also the *Economic Indicators* and *Cash Reports* issued monthly by the D.C. Office of the Chief Financial Officer (www.cfo.dc.gov).

District of Columbia Economic and Revenue Trends is prepared by the Office of Revenue Analysis, which is part of the Office of the Chief Financial Officer of the District of Columbia government.

*Fitzroy Lee, Deputy Chief Financial Officer and Chief Economist
Office of Revenue Analysis
1101 4th St., SW, Suite W770
Washington D.C. 20024
202-727-7775*