



## District of Columbia Economic and Revenue Trends: October 2014

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### Highlights:

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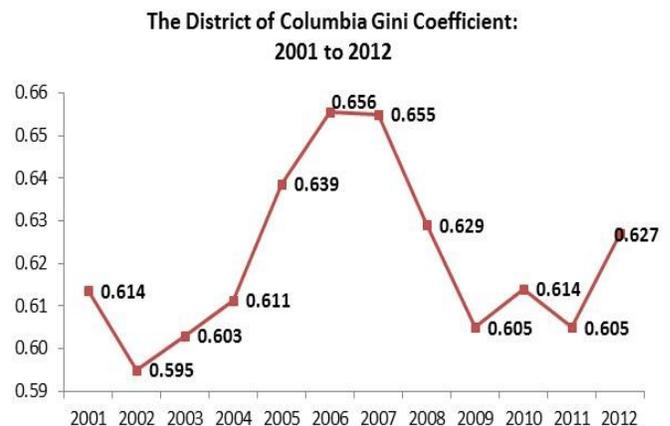
## Income inequality in DC from 2001 to 2012: tax data show an upward trend and significant business cycle effects

### *Inequality was highest right before the Great Recession*

In recent years, income inequality has risen to the top of most economic policy discussions. Many studies have concluded that the income differences between the wealthiest and poorest households in the nation are growing. For example, the OECD concluded that from between the mid-1980s to the late-2000s, U.S. income inequality increased by 24.8 percent.\* Annual District of Columbia individual income tax data for years 2001 to 2012 also finds income inequality for the city has trended slightly upwards. But, it also finds the business cycle exerts a stronger year-to-year effect on the city's income inequality than other underlying economic trends. In addition, the neighborhoods with the highest income inequality within the city are the neighborhoods that tend to have the households with city's greatest income and wealth.

This analysis is based on one of the most commonly used measures of income inequality, called the Gini coefficient. The coefficient varies from 0, complete equality (everyone has the same income), to 1, complete inequality (one person with all the income). The coefficient is explained in the Appendix.

Using federal adjusted gross income data for all individual income tax taxpayers in the District of Columbia for years 2001 to 2012, this analysis finds that the troughs in the Gini coefficient time series for years 2002 and 2009 correspond with the last two national recessions (2002 and 2009). And, the peak of the time series corresponds with the peak of the economy just prior to the most recent recession that began in December 2007. Over the last business cycle the District's



Gini coefficient went from 0.595 in 2002 to 0.655 in 2007 and back to 0.605 in 2009. While the time series is cyclical in recent years, there also appears to be a slight upward trend. The 2009 trough in the Gini coefficient series (0.605) is slightly higher (1.7 percent) than the 2002 trough (0.595) in the time series.

\*Citation on p. 20.

(Continued on p. 19.)

## Wage and salary employment

### DC's job growth continues

●September wage and salary employment in DC was up by 7,967 (1.1%) from a year earlier as measured by the 3-month moving average.

●Federal government employment in DC for September was down by 3,833 (-1.9%). The private sector more than offset this loss with a gain of 10,000 (2.0%).

●Total year -over-year DC metropolitan area employment increased by 12,800 (0.4%) in September as measured by the 3-month moving average.

●Suburban Washington employment in September increased by 0.2% from a year earlier, less than 1/5 of DC's rate.

●Seasonally adjusted wage and salary employment in DC rose 8,200 in September from August.



Table 1. Wage and salary employment in DC, Washington Metro area, and the US: September 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	749,367	755,600	754,400
1 year change	14,158	7,717	12,942	5,475	7,967	6,500
% change	2.0	1.1	1.8	0.7	1.1	0.9
Washington metro area	3,000,142	3,036,558	3,075,142	3,088,008	3,093,567	3,091,100
1 year change	42,375	36,417	38,583	12,867	12,800	10,700
% change	1.4	1.2	1.3	0.4	0.4	0.3
Washington suburbs (% ch)	1.3	1.3	1.1	0.3	0.2	0.2
US (% ch)	1.2	1.7	1.7	1.8	1.9	2.0

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

Source: BLS. September is preliminary.

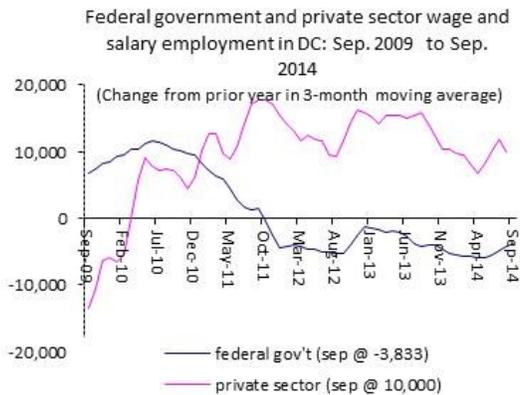


Table 2. Federal government and private sector wage and salary employment in DC: September 2014

Sector	FY 2011	FY 2012	FY 2013	12-mo avg	3-month average	This month
Federal government	213,258	208,575	206,042	200,958	201,000	200,900
1 year ch.	5,025	-4,683	-2,533	-5,083	-3,833	-3,600
% change	2.4	-2.2	-1.2	-2.5	-1.9	-1.8
Private sector	474,833	487,642	502,992	512,550	515,633	517,300
1 year ch.	10,733	12,808	15,350	9,558	10,000	8,200
% change	2.3	2.7	3.1	1.9	2.0	1.6

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

Table 3. Seasonally adjusted DC Employment: March 2014 to September 2014

	Mar	Apr	May	June	July	August	September
D.C. Wage and Salary employment	745,300	747,600	749,700	753,300	754,000	749,700	757,900
change from prior month	-400	2,300	2,100	3,600	700	-4,300	8,200
% change from prior month	-0.1	0.3	0.3	0.5	0.1	-0.6	1.1

Source: BLS seasonally adjusted. September is preliminary

## Jobs by sectors of the economy

### Education, food service, and retail trade lead DC's increase in private sector employment

- In September, the education gain of 3,000 jobs over last year was more than that of any other sector. (*3-month moving average.*)
- Four other sectors grew by more than 1,000 jobs: food service (2,367), retail (1,967), other professional and technical services (1,633), and other business services (1,400).
- Private sector industries losing jobs included organizations and accommodations.
- Local government rose by 1,800 (4.8%).
- The federal government accounted for 26.6% of all DC jobs in September. 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: September 2012 to September 2014 (% change from prior year in 3-month moving average)

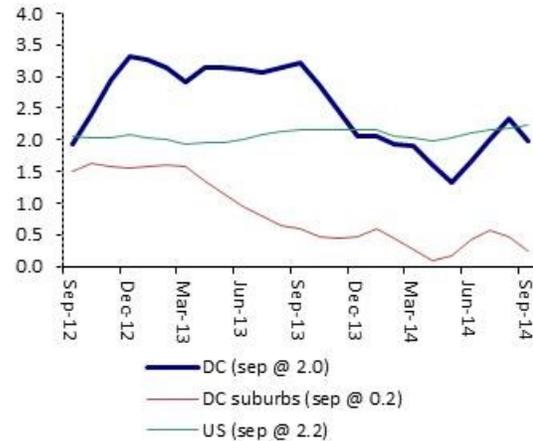


Table 4. Wage and salary employment located in DC: September 2014

Industry sector	3-month moving average				12-mo. moving avg: % change	Sector % of all DC jobs, Sep 2014	DC share (%) in Sep 2014 of all sector jobs in:		Change from Sep 2013 to Sep 2014 in DC share of sector jobs in:	
	Sep 2013	Sep 2014	1 year change				metro area	US	metro area	US
			Amount	%						
Federal government	204,833	201,000	-3,833	-1.9	-2.5	26.6	54.9	7.38	0.1	-0.04
Local government	37,167	38,967	1,800	4.8	2.9	5.2	12.7	0.21	0.4	0.01
Legal services	29,600	29,433	-167	-0.6	0.0	3.9		2.59		-0.02
Other Professional and technical	77,767	79,400	1,633	2.1	0.7	10.5	23.0	1.10	0.5	-0.02
Employment services	15,100	14,967	-133	-0.9	-1.0	2.0	34.9	0.41	-0.7	-0.04
Other Business services	33,833	35,233	1,400	4.1	2.6	4.7	18.3	0.48	0.6	0.01
Information	17,267	17,200	-67	-0.4	-1.0	2.3	23.4	0.64	0.9	0.00
Finance	28,767	28,967	200	0.7	1.0	3.8	18.5	0.36	-0.4	0.00
Organizations	61,800	60,933	-867	-1.4	-1.1	8.1	36.1	2.07	-0.4	-0.04
Education	54,967	57,967	3,000	5.5	6.9	7.7	54.4	1.82	1.2	0.07
Health	66,100	66,500	400	0.6	2.0	8.8	23.5	0.37	0.4	-0.01
Food service	46,100	48,467	2,367	5.1	4.2	6.4	22.0	0.45	0.3	0.01
Accommodations	15,333	14,967	-367	-2.4	0.1	2.0	35.3	0.75	-0.5	-0.02
Amusement and recreation	7,100	7,033	-67	-0.9	0.2	0.9	15.4	0.30	-0.2	-0.01
Retail trade	19,733	21,700	1,967	10.0	8.5	2.9	8.0	0.14	0.6	0.01
Wholesale trade	4,900	4,933	33	0.7	-0.2	0.7	7.7	0.08	-0.1	0.00
Construction	14,467	14,433	-33	-0.2	-1.3	1.9	9.6	0.23	-0.1	-0.01
Personal and miscellaneous ser.	7,633	8,467	833	10.9	6.6	1.1		0.33		0.03
Other private	5,167	5,033	-133	-2.6	-4.5	0.7	4.7	0.03	-0.1	0.00
<b>Total</b>	<b>747,633</b>	<b>755,600</b>	<b>7,967</b>	<b>1.1</b>	<b>0.7</b>	<b>100.0</b>	<b>24.4</b>	<b>0.54</b>	<b>0.2</b>	<b>0.00</b>
Public sector	242,000	239,967	-2,033	-0.8	-1.7	31.8	35.6	1.14	-0.2	-0.01
Private sector	505,633	515,633	10,000	2.0	1.9	68.2	21.3	0.44	0.3	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 showed strong gains in Sep.

- In September DC resident employment was up 7,198 (2.1%) from a year earlier (3-mo. moving average). The labor force also grew by 6,512 (1.8%).
- Seasonally adjusted DC resident employment rose by 2,847 in September from August
- In September the unemployment rate (seasonally adjusted) remained at 7.7%.
- August initial unemployment insurance claims were down 10.8% (3-month moving average).

Resident employment in DC, the DC suburbs, and the US: September 2012 to September 2014 (% change from prior year in 3-month moving average)

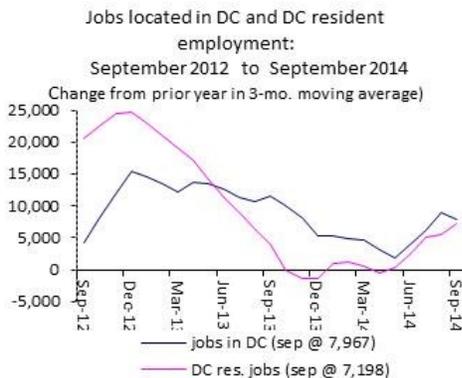
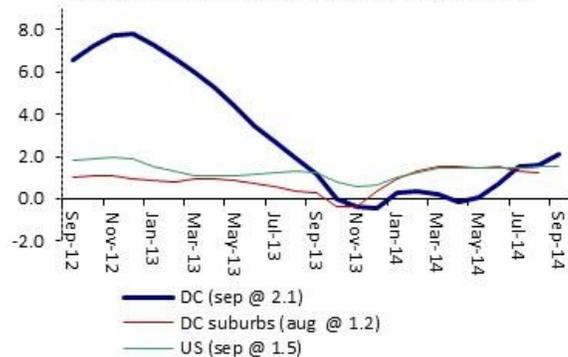


Table 5. Unemployment rates for DC, metro area, and US: September 2014

(percent of labor force)

Jurisdiction	Not seasonally adj.		Seasonally adj.	
	Sep. 2013	Sep. 2014	Sep. 2013	Sep. 2014
US	7.0	5.7	7.2	5.9
DC	8.1	7.8	8.2	7.7
DC metro area*	5.5	5.6	na	na
DC suburbs*	5.1	5.3	na	na

Source: U.S. BLS. na= data not available \*August

Table 6. Resident employment and unemployment: September 2014

Indicator	FY 2010	FY 2011	FY 2012	FY 2013	12-mo avg	3-mo. avg.	This month
<b>DC Labor force summary</b>							
Resident employment	308,814	313,267	325,322	340,055	342,298	347,030	349,290
1 year change	4,557	4,453	12,055	14,734	2,243	7,198	10,904
% change	1.5	1.4	3.8	4.5	0.7	2.1	3.2
Labor Force	343,870	348,877	358,972	371,745	370,684	377,567	378,964
1 year change	9,706	5,007	10,095	12,773	-1,061	6,512	10,704
% change	2.9	1.5	2.9	3.6	-0.3	1.8	2.9
Unemployed	35,056	35,611	33,651	31,690	28,386	30,537	29,674
1 year change	5,149	554	-1,960	-1,961	-3,304	-685	-200
% change	17.2	1.6	-5.5	-5.8	-10.4	-2.2	-0.7
Unemployment rate	10.2	10.2	9.4	8.5	7.7	8.1	7.8
<b>DC Unemployment insurance (state program) (August 2014)</b>							
Initial claims (monthly avg.)	1,799	2,101	1,784	1,915	1,880	1,959	1,673
1 year change	-404	302	-317	131	-8	-236	-208
% change	-18.3	16.8	-15.1	7.3	-0.4	-10.8	-11.1
Weeks compensated (mo. avg.)	53,592	46,423	45,170	42,862	42,031	39,768	38,484
1 year change	-881	-7,169	-1,253	-2,308	-776	-3,281	-4,206
% change	-1.6	-13.4	-2.7	-5.1	-1.8	-7.6	-9.9

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

Table 7. Seasonally adjusted DC Resident employment and unemployment: March 2014 to September 2014

Indicator	Mar	Apr	May	June	July	August	September
DC Resident employment	342,778	341,811	342,423	343,556	343,723	342,195	345,042
change from prior month	-618	-967	612	1,133	167	-1,528	2,847
% change from prior month	-0.2	-0.3	0.2	0.3	0.0	-0.4	0.8
DC Unemployment rate (%)	7.5	7.5	7.5	7.4	7.4	7.7	7.7

Source: BLS seasonally adjusted. September is preliminary

### *The growth rate of DC wages and salaries has increased but remains below the US average*

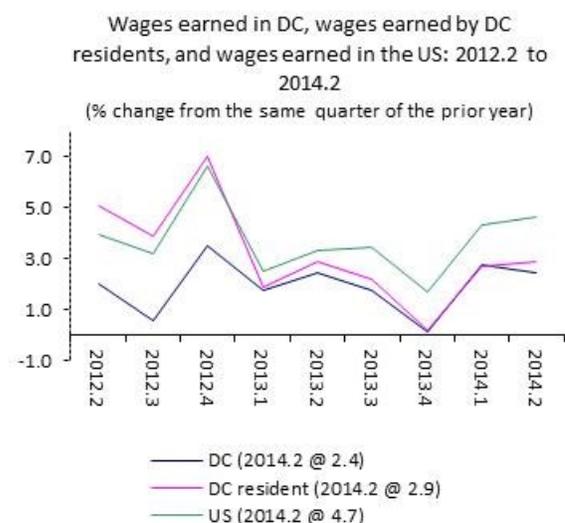
●Wages and salaries earned in the District of Columbia were 2.4% higher in the June quarter compared to the same quarter of 2013. The growth rate is now comparable to the period before the federal sequester began.

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

●In the June quarter, estimated wages of DC residents grew 2.9%. DC Personal Income grew 3.5%.

●In the June quarter, private sector wages and salaries earned in DC grew by \$1.67 billion over the prior year.

●Federal wages and salaries were \$150 million lower in the June quarter than a year earlier.



**Table 8. DC Wages and Personal Income: June 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 (Jun.)
Wages and salaries earned in DC	57.24	59.53	60.62	62.05	62.88	63.95
1 year change	2.32	2.29	1.10	1.43	1.09	1.52
% change	4.2	4.0	1.8	2.4	1.8	2.4
Supplements to wages & salaries	15.05	16.31	16.42	16.31	16.39	16.51
% change	7.5	8.3	0.7	-0.7	0.4	0.5
Proprietors' income earned by DC residents*	5.35	5.54	5.88	5.98	6.16	6.32
% change	-8.2	3.6	6.1	1.7	3.3	5.7
Wages and salaries of DC residents***	21.98	23.43	24.59	25.44	25.80	26.29
change from one year ago	1.27	1.45	1.16	0.85	0.50	0.73
% change	6.1	6.6	5.0	3.4	2.0	2.9
Income earned by DC residents	30.1	32.4	34.1	34.6	35.0	35.7
% change	3.8	7.9	5.2	1.5	1.2	2.9
Property income of DC residents	6.06	6.96	7.69	8.29	8.45	8.58
% change	-9.1	14.8	10.5	7.8	3.7	4.0
Pensions and other transfer of DC residents	5.20	5.66	5.67	5.78	6.08	6.20
% change	13.1	8.9	0.2	2.0	6.7	6.6
DC Personal Income**	41.31	45.04	47.46	48.69	49.54	50.43
1 year change	1.08	3.73	2.42	1.23	1.11	1.71
% change	2.7	9.0	5.4	2.6	2.3	3.5
US Personal income (% change from prior year)	1.2	6.0	4.7	3.8	2.7	4.1
US Wages and salaries(% change from prior year)	0.2	4.2	3.5	4.0	3.5	4.7
<i>Addendum: Change from prior year in wages earned in DC by sector</i>						
Private sector (1 yr ch, \$B)	0.48	1.72	1.41	1.76	1.33	1.67
Federal government (1 yr ch, \$B)	1.77	0.69	-0.38	-0.35	-0.29	-0.15
DC res. wages as % of wages earned in DC	38.4	39.4	40.6	41.0	41.0	41.1

\* 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 June were released September 30, 2014

## Single family and condominium housing

### Sales and average selling price of single family units are down from last year

•The 3-month moving total of single family home sales in September was down 3.9% from a year earlier, while the average selling price was 3.1% lower. Sales over \$1 million accounted for about one in every five sales.

•September condominium sales were down 6.1% from last year as measured by the 3-month moving total; the average selling price was 3.5% higher.

•The total value of all home sales in September fell to 5.5% below last year as measured by the 3-month moving total.

•September year-to-date median prices were up 3.3% for single family units, and 1.0% for condominiums.

Number and average selling price of single family homes sold in DC: Sep. 2013 to Sep. 2014  
(% change from prior year in 3-month moving averages)



Table 9. D.C. Residential Real Estate Indicators: September 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
<b>Number of sales (settled contracts)</b>								
Single family	3,259	4,084	3,800	3,563	3,979	4,024	1,051	315
1 year change	237	825	-284	-237	416	45	-43	18
% change	7.8	25.3	-7.0	-6.2	11.7	1.1	-3.9	6.1
Condo	2,590	2,884	2,469	2,784	3,487	3,592	940	253
1 year change	-206	294	-415	315	703	105	-61	-14
% change	-7.4	11.4	-14.4	12.8	25.3	3.0	-6.1	-5.2
Total	5,849	6,968	6,269	6,347	7,466	7,616	1,991	568
1 year change	31	1,119	-699	78	1,119	150	-104	4
% change	0.5	19.1	-10.0	1.2	17.6	2.0	-5.0	0.7
<b>Average prices of units that sold</b>								
Single family (\$)	597,269	538,395	601,026	630,109	712,799	736,362	740,066	685,935
1 year change	-70,098	-58,874	62,631	29,083	82,690	23,563	-24,038	-123,908
% change	-10.5	-9.9	11.6	4.8	13.1	3.3	-3.1	-15.3
Condo (\$)	359,952	414,030	423,365	429,611	447,827	472,419	466,598	462,661
1 year change	-52,283	54,078	9,336	6,245	18,216	24,592	15,910	39,175
% change	-12.7	15.0	2.3	1.5	4.2	5.5	3.5	9.3
Total value of all sales (\$ million)	2,878.8	3,392.9	3,329.2	3,441.1	4,397.8	4,660.0	1,216.4	333.1
1 year change	-290.6	514.1	-63.7	111.9	956.7	262.2	-70.7	-20.5
% change	-9.2	17.9	-1.9	3.4	27.8	6.0	-5.5	-5.8
<b>Ratio: active inventory to sales</b>								
Single family	5.2	3.4	3.3	2.3	1.6	1.6	1.9	2.0
Condo	5.7	4.6	4.9	2.9	1.7	1.9	2.1	2.1

**Median contract prices, CY to date in September 2014** : single family \$620,000 (3.3% 1 yr ch); condo \$410,000 (1.0% 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: September 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	734	212	52
1 year change	-102	85	71	-31	231	45	3	-5
% change	-23.4	25.5	17.0	-6.3	50.4	6.5	1.4	-8.8
percent of all single family sales	10.2	10.2	12.9	12.9	17.3	18.2	20.2	16.5
Condominiums	62	89	87	72	112	128	31	9
1 year change	-15	27	-2	-15	40	16	1	3
% change	-19.5	43.5	-2.2	-17.2	55.6	14.3	3.3	50.0
percent of all condominium sales	2.4	3.1	3.5	2.6	3.2	3.6	3.3	3.6

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

## Single family and condominium housing

### Federal data shows DC home price increases moderating, but rising a little 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 that in June 2013 (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 Sep. totalled 516—16.7% more than a year earlier. Estimates for new condominium units to be delivered over the next 36 months have increased.

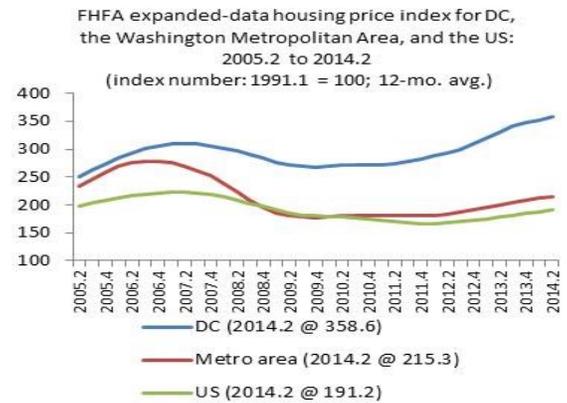


Table 11. Federal Housing Finance Agency Price Index for single family property in DC, DC metro area, and US: June 2014 (2014.2)

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
<b>% change from prior year in value of index</b>										
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
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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 sep. 2014

FY	#	FY	#	12-month moving total	
2005	134	2010	104	Sep. 2013	368
2006	77	2011	267	Sep. 2014	267
2007	605	2012	236	ch	-101
2008	223	2013	368	% ch	-27.4
2009	135				

Source: Census Bureau

Table 13. New condominium unit sales: FY 2005 to September 2014 (2014.3)

FY	#	FY	#	12-month moving total	
2005	2,755	2010	677	Sep. 2013	442
2006	1,955	2011	335	Sep. 2014	516
2007	1,288	2012	479	ch	74
2008	217	2013	442	% ch	16.7
2009	470				

Source: Delta Associates

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

Area of DC	Remaining units		Planned with probable sales within 36 mo		Total 36-month pipeline		Proposed/rumored w long term delivery*	
	projects	units	projects	units	projects	units	projects	units
Central	7	197	8	684	15	881	3	202
Mideast	21	667	9	338	30	1,015	3	105
Upper NW	2	40	0	0	2	40	3	152
Capitol East	11	158	11	953	22	1,111	6	584
Total	41	1,072	28	1,975	69	3,047	15	1,043

Source: Delta Associates \*Does not include 12,131 units planned either as condo or rental

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

Date of report	2014.2	2014.3
Unsold units	964	1,072
New units	1,856	1,975
total	2,820	3,047

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.

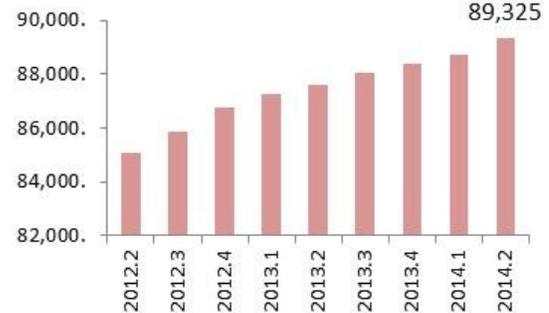
## Apartments and population

**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 market rate apartment units increased by a total of 5,962, about 30% of the estimated 20,303 increase in 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
<b>latest quarter: 2014.2</b>								
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
<b>Change from 08 to 13</b>		<b>66,213</b>	<b>11.4</b>		<b>25,244</b>	<b>2.62</b>

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

### FY 2014 housing permits top prior years

●For FY 2014, the the 12-month period ending September, 4,467 housing permits were issued, up 15.9% from a year ago; the 3-month increase was 98.4%.

●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.

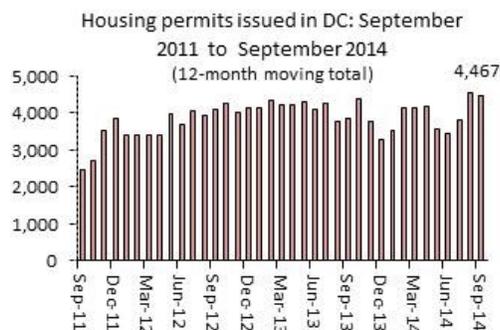


Table 19. Delta Associates apartment summary and forecast: September 2014

Date of report	2014.2	2014.3
<b>Class A</b>		
Net absorption, last 12 months	2,223	2,731
Rent increase, last 12 months (%)	1.8	2.6
Supply of units, next 3 years		
vacant units	649	529
new supply	11,303	11,073
total pipeline	11,953	11,602
New demand for units, next 3 years	6,630	6,875
Stabilized vacancy rate this quarter (%)	4.1	3.5
Stabilized vacancy rate in 3 years (%)	5.0	4.6
<b>Class B</b>		
net absorption, last 12 mo.	-197	-122
Rent increase, last 12 mo. (%)	-1.2	3.0

Source: Delta Associates, investment grade, Class A and Class B.

Table 17. Housing unit building permits issued in DC: September 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	4,467	2,095	394
change from 1 yr ago	487	1,473	1,632	-236	612	1,012	-84
% change from 1 year	97.6	149.4	66.4	-5.8	15.9	93.4	-17.6
Multi-family projects with 5 or more units	6	13	21	36	32	12	2

Source: Census Bureau (permits issued during period).

Table 18. Reis apartment summary and forecast: June 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 20. Apartment units under construction, planned, or contemplated by area of DC: September 2014 (2014.3)

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	934	1	140	2	90
Columbia Heights/Shaw	12	1,281	4	617	4	893
Central	10	1,513	5	362	5	1,333
NoMa/H Street	8	1,793	9	2,443	8	1,340
Capitol Hill/Riverfront	11	2,339	13	2,943	15	3,902
Upper GA	2	330	0	0	2	290
Northeast	3	813	7	1,744	3	902
River east	0	0	0	0	5	754
total	51	9,003	39	8,249	44	9,504

Addendum : Pipeline of units currently vacant or likely to deliver by Sep. 2017: **11,602**.

Approximately 23% of the planned units are expected to materialize by Sep. 2017.

Demand for new apartments by Sep. 2017: **6,875** (2,292 per year)

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 leasing has gained over the past year

For the quarter ending September, the vacancy rate in Delta Associates' broader office market measure was 7.0%, and the Cushman and Wakefield measure was 12.9% (both without sublet).

DC's vacancy rates in September were 24% to 57% lower than the metropolitan area average. Rents were 37% to 47% higher than the region.

In September occupied space rose 0.2% from the prior quarter in Cushman and Wakefield's market summary; the average asking rent rose 2.0%.

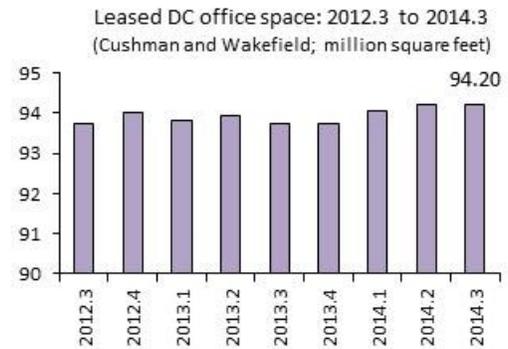


Table 21. Delta Associates summary of DC commercial office space: 2005 to September 2014 (2014.3)

Time period	Inventory		Occupied (leased) 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		
<b>Calendar Year (year end)</b>										
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	
<b>Last Quarter: 2014.3</b>										
DC	140.50		130.65			7.0	42.69		9.85	1.27
Metro area	405.37		360.79			11.0	29.02		44.58	3.28
DC share/ difference %	34.7		36.2			-57.1	+47.1		22.1	38.7

Source: 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. Direct vacancy rate excludes space for sublet; occupied space is the same as leased space. msf = million square feet.

Table 22. Cushman and Wakefield summary of commercial office space in DC: 2011 to 2014.3

	Inventory		Direct vacancy rate	Occupied (msf)	Overall vacancy rate	Asking face rent (\$/sf)	Under construction (msf)
	(msf)	Leased (msf)					
<b>Calendar year (end of year)</b>							
2011	104.95	93.66	10.8	92.5	11.9	50.63	1.60
2012	106.61	94.02	11.8	92.7	13.0	51.58	0.82
2013	107.95	93.72	13.2	92.4	14.2	50.96	1.78
<b>Last quarter: 2014.3</b>							
DC	108.09	94.20	12.9	93.2	12.9	50.73	1.59
Metro area total	296.69	246.57	16.9	243.01	18.1	37.02	4.47
DC share/DC difference	36.4	38.2	-23.7	38.4	-28.7	+37.0	35.6
<b>DC year-over-year change</b>							
Amount	0.90	0.45	0.4	0.756	0.0	-0.27	0.57
%	0.8	0.5		0.8		-0.5	55.1
<b>DC change from prior quarter</b>							
Amount	0.17	-0.01	0.2	0.144	0.0	1.00	0.49
% ch	0.2	0.0		0.2		2.0	44.5

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 fell in the last quarter

- The value of September property transfers was down by 21.2% from last year as measured by the 3-month moving total. The 12-month moving total (\$11.57 billion) was 4.6% higher than last year.
- In September Delta Associates increased slightly its 2-year estimate of increased demand for office space to 2.4 million square feet. The vacancy rate is also expected fall as only 1.5 million square feet are added.
- The amount of office space in the planning phase (10.34 msf) is currently 8 times the amount (1.27 msf) under construction.



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

August	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	12-mo moving total (FY 2014)	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	11,569.8	2,735.2	588.6
change from one year ago (\$M)	-5,936.1	2,197.9	2,270.4	-526.2	1,530.6	505.8	-734.4	-394.2
% change from 1 year ago	-51.5	39.3	29.1	-5.2	16.1	4.6	-21.2	-40.1

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: Sep. 2014 to Sep. 2016**

Indicator	DC	No VA	Sub MD	Total	DC % of total
<b>Inventory September 2014</b>					
Inventory (msf)	140.5	179.1	85.7	405.5	34.6
vacancy rate (%)	7.0	13.3	12.4	11.0	
<b>Estimated net activity to September 2016</b>					
new supply (msf)	1.5	2.0	0.4	4.0	37.5
new demand (msf)	2.4	3.2	1.2	6.8	35.3
<b>Estimated vacancy rate on September 2016</b>					
vacancy rate (%)	6.3	12.5	11.7	10.2	

Source: Delta Associates msf = million square feet

**Table 25 Delta two year forecasts for office outlook: September 2014**

Date of forecast	2014.2	2014.3
2 year pipeline (msf)	1.1	1.5
2 year demand (msf)	2.3	2.4

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

**Table 26. DC Office market, existing and future space, by area of DC: September 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	44.51	18.92	11.85	4.55	1.85	11.43
Vacant	9.85	2.23	3.03	2.50	1.02	0.26	0.25	0.56
Under Construction	1.27	0.17	0.52	0.47				0.11
Planned	10.34	0.21	1.75	3.95	4.48			
Proposed	10.54	0.60	0.26	8.59	0.41			0.68

Note: pipeline of projects under construction and planned expected to deliver by September 2016 is **1.5 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 stays and revenue up sharply over the past 3 months

• In September, the 3-month moving total for hotel room-days sold was 7.1% above a year earlier. The average room rate was up 8.5%, and revenue rose 16.2%.

• Employment in food services was 5.1% more in September than a year earlier as measured by the 3-month moving average. Hotel employment was down 2.4%, and retail was 10.0% higher.

• In August airline traffic into the DC area was down 1.4% compared to a year earlier as measured by the 3-month moving total. Reagan National was down 0.8%.

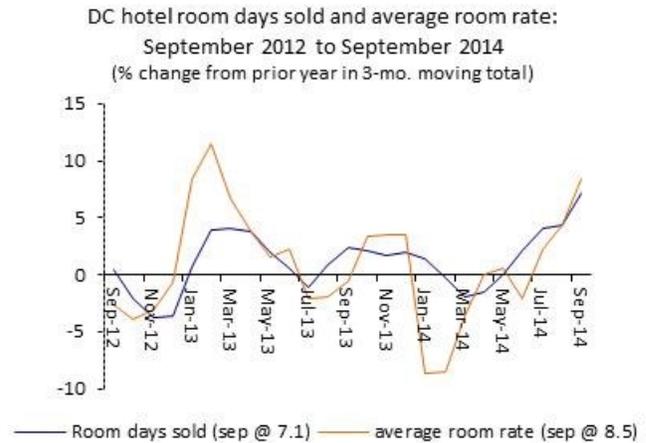


Table 27. Hospitality Industry: September 2014

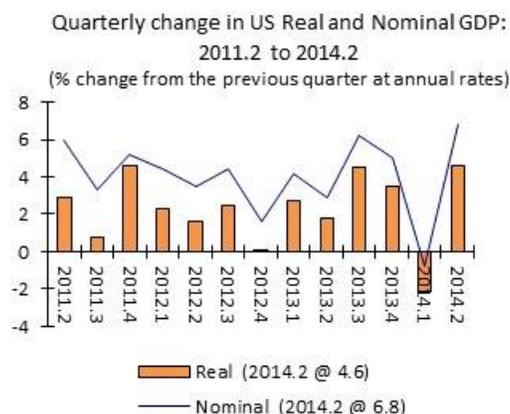
Indicator	Units	date	FY 2011	FY 2012	FY 2013	12-mo total	3-month	This month
						or average*	moving total	
<b>Hotel stays</b>								
Hotel room-days sold	('M)	sep	7.465	7.617	7.680	7.870	2.177	0.705
	1 yr ch		0.095	0.152	0.062	0.191	0.145	0.078
	1 yr % ch		1.3	2.0	0.8	2.5	7.1	12.4
Average room rate	\$	sep	206.60	203.57	207.31	209.72	197.05	229.40
	1 yr ch		7.49	-3.03	3.74	2.41	15.37	17.81
	1 yr % ch		3.8	-1.5	1.8	1.2	8.5	8.4
Occupancy rate (average)	%	sep	74.2	75.4	75.8	76.6	81.2	80.7
	1 yr ch		0.5	1.2	0.5	0.8	2.1	5.6
	1 yr % ch		0.6	1.6	0.6	1.1	2.6	7.5
Room revenue	(\$M)	sep	1,542.3	1,550.7	1,592.1	1,650.5	428.9	161.8
	1 yr ch		74.8	8.4	41.4	58.5	59.7	29.1
	1 yr % ch		5.1	0.5	2.7	3.7	16.2	21.9
<b>Airline passengers</b>								
DCA	1 yr % ch	aug	6.2	2.8	5.5	-0.6	-0.8	-0.8
IAD	1 yr % ch	aug	0.6	-2.9	-4.0	-2.2	-2.5	-1.6
BWI	1 yr % ch	aug	4.2	1.0	-1.5	-0.9	-0.9	-0.4
Total	1 yr % ch	aug	3.4	0.1	-0.3	-1.2	-1.4	-0.9
<b>Employment</b>								
Accommodations	level ('000)	sep	15.3	15.4	15.2	15.2	15.0	14.8
	1 yr ch		0.0	0.1	-0.2	0.0	-0.4	-0.5
	1 yr % ch		0.1	0.7	-1.1	0.1	-2.4	-3.3
Food and bev	level ('000)	sep	39.3	42.7	44.9	46.8	48.5	48.6
	1 yr ch		2.3	3.4	2.2	1.9	2.4	2.3
	1 yr % ch		6.2	8.5	5.2	4.2	5.1	5.0
Arts and entertain.	level ('000)	sep	6.8	6.9	6.9	7.0	7.0	7.1
	1 yr ch		-0.2	0.1	0.0	0.0	-0.1	0.0
	1 yr % ch		-2.5	1.3	0.6	0.2	-0.9	0.0
Retail	level ('000)	sep	18.6	18.8	19.7	21.3	21.7	21.4
	1 yr ch		0.2	0.3	0.8	1.7	2.0	1.4
	1 yr % ch		1.3	1.4	4.5	8.5	10.0	7.0

\* Total for hotel rooms sold and room revenue

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

**US 2nd Quarter economic growth revised upward; stock market falls slightly in August**

- US real GDP growth in the June quarter was revised up to 4.6%, nominal growth was 6.8%.
- US employment (seas. adj.) increased by 248,000 in September.
- The US unemployment rate (seas. adj.) fell to 5.9% in September.
- In September the S & P 500 index increased 0.1% from August, and was 16.3% above last year.
- Compared to a year earlier, the rate of inflation held steady at 1.7% in September. (seas. adj.).



**Table 28. US GDP, income, corporate profits, and inflation: 2014.2 and September 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	Sept.
US GDP real	2014.2	1 yr % ch	-3.4	1.7	1.9	2.3	1.8	2.5	2.6	
US GDP nominal	2014.2	1 yr % ch	-2.3	2.6	4.0	4.2	3.5	4.0	4.3	
US Personal income	2014.2	1 yr % ch	-1.9	1.3	5.9	4.7	3.8	2.7	4.1	
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	4.6	
S and P stock index	September	1 yr % ch	-34.3	23.7	13.8	5.4	16.7	20.2	18.1	16.3
US CPI	September	1 yr % ch	-0.3	1.7	2.7	2.4	1.6	1.6	2.0	1.7
Balt./Wash. area CPI	September	1 yr % ch	0.3	1.7	3.0	2.4	1.6	1.7	na	1.3

Source: BEA (data revised as of September 26, 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	4.6
US GDP nominal	1.6	4.2	2.9	6.2	5.0	-0.8	6.8
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	6.2

Note: GDP=Gross Domestic Product Source: BEA, updated on September 26, 2014.

**Table 30. Monthly selected US Indicators: March 2014 to September 2014**

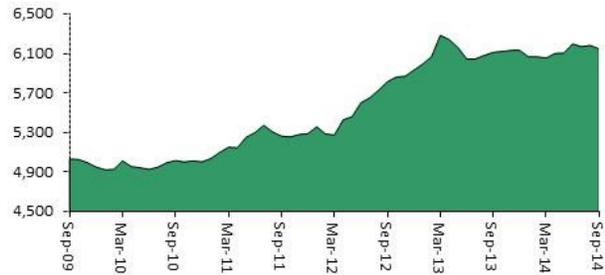
Indicator	March	April	May	June	July	August	September
S and P stock index (level)	1864	1864	1890	1947	1973	1962	1963
% change from prior month	2.6	0.0	1.4	3.0	1.3	-0.6	0.1
% change from 1 year ago	20.2	18.7	15.2	20.3	18.3	17.5	16.3
10 yr. Treasury Interest rate (level)	2.72	2.69	2.56	2.59	2.53	2.41	2.53
CPI % ch from prior month (seasonally adjusted)	0.20	0.26	0.35	0.26	0.09	-0.20	0.09
CPI % ch from prior year (seasonally adjusted)	1.54	1.96	2.14	2.08	2.00	1.71	1.66
Jobs (seasonally adjusted level, in millions)	137.96	138.27	138.50	138.764	139.01	139.19	139.44
change from prior month (thousands)	203	304	229	267	243	180	248
% change from prior month	0.15	0.22	0.17	0.19	0.18	0.13	0.18
Resident employment (season. adj. level, in mil.)	145.74	145.67	145.81	146.22	146.35	146.37	146.60
change from prior month (thousands)	476	-73	145	407	131	16	232
% change from prior month	0.33	-0.05	0.10	0.28	0.09	0.01	0.16
Unemployment rate (seasonally adj.)	6.7	6.3	6.3	6.1	6.2	6.1	5.9

Source: BLS and Yahoo! Finance.

## DC tax collections

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

September 2014 @ \$6,146M



\*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.

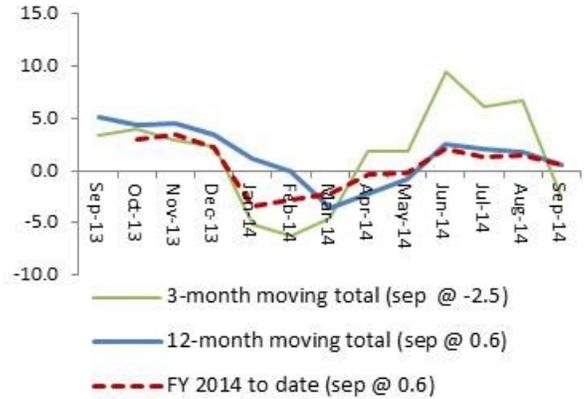
(3) This table and the graphs on the next page may include adjustments to the timing and consistency of collection reporting intended to make comparisons with prior year periods more meaningful. The data may therefore vary from other OCFO reports.

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

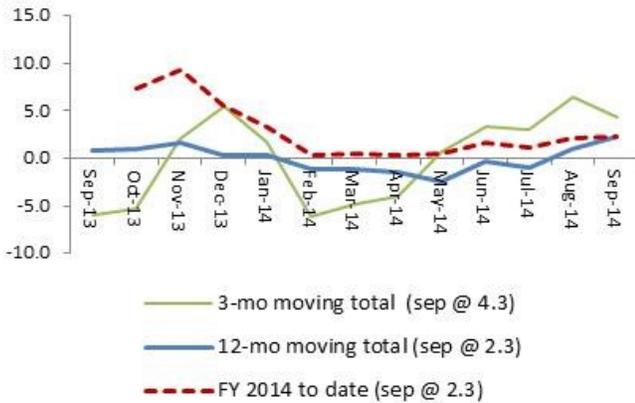
**Tax collections (before end-of-fiscal year accounting adjustments) slowed in September**

- For the 12 month period ending September, total tax collections (before earmarking) were \$34.6 million (0.6%) more than in the prior year. For the last 3 months they were 2.5% below last year.
- Individual income tax collections were 1.7% above last year for the 12-months ending September with withholding was 5.4% higher, while the non-withholding portion was 18.2% lower.
- General sales tax collections were 2.3% above last year for the 12-months ending September. For the past 3 months, they were 4.3% above last year.
- Deed tax collections in September (12-mo. avg.) were up 6.8% from last year; for the past 3 months they were down 18.0%.
- Corporate income taxes in September were down 4.4% and unincorporated business income taxes were also down 13.2% from last year (12-mo. avg.).

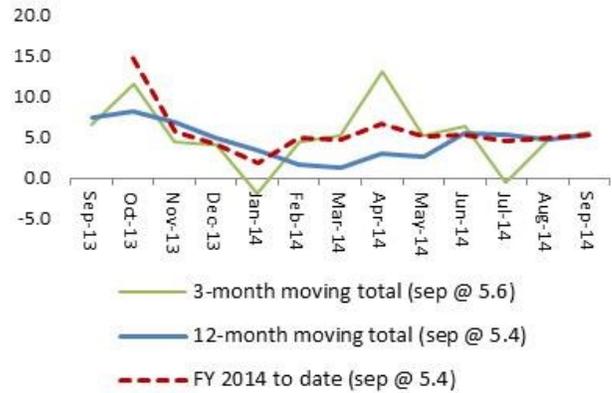
**Total tax collections (before earmarks):  
September 2013 to September 2014**  
(% change from prior year: 3-month and 12-month moving totals)



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



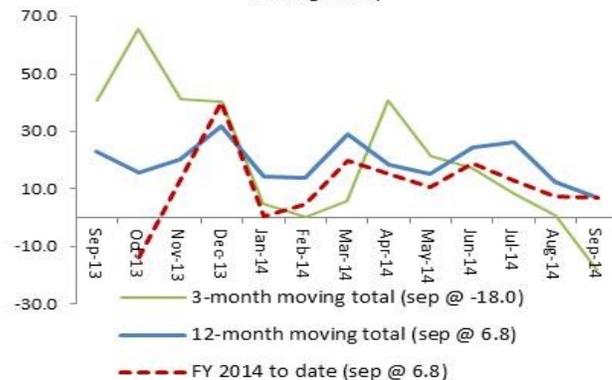
**Withholding for the Individual Income tax:  
September 2013 to September 2014**  
(% change from prior year: 3-month and 12-month moving totals)



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



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



## US economic forecasts

### Little change in October forecasts for the US economy: economic growth picks up in FY 2015 to the fastest rate in 10 years

- The Blue Chip Indicator October forecast for real GDP growth rises from 2.3% in FY 2014 to 2.9% in FY 2015. The FY 2015 rate would be most rapid one-year growth in the economy since FY 2005.
- For FY 2016, Economy.com and Global insight both lowered their forecasts for real and nominal GDP growth.
- The Blue Chip Indicator October forecast lowered its inflation estimate (CPI) to 1.6% for FY 2014 and 1.9% for FY 2015.
- S & P 500: Forecasts for year-over-year growth in the 4th quarter of 2014 were lowered in the October estimate. Baseline forecasts expect much slower growth for the 4th quarter of 2015, and Global Insight's pessimistic forecast shows a decline.

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
Jul	2014	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
Sep		2.2	2.4	2.4	3.9	3.9	4.0
Oct		2.3	2.5	2.5	3.9	4.0	4.1
Jul	2015	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
Sep		2.8	3.1	2.8	4.7	5.4	5.4
Oct		2.9	3.2	2.7	4.8	5.4	5.2
Jul	2016		3.4	3.2		5.5	6.0
Aug			3.4	3.2		5.9	6.1
Sep			3.6	2.9		6.0	6.2
Oct			3.5	2.7		5.9	5.6

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

Blue Chip Indicators estimate of US Nominal and Real GDP: FY 2008 to FY 2015  
(% change from the prior year; Oct. 2014 estimate)

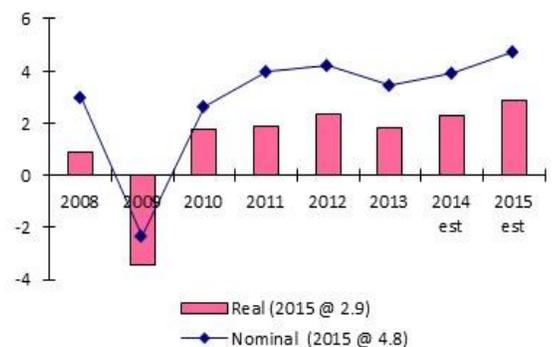


Table 33. CBO estimates of GDP and other indicators:  
FY 2013 to FY 2016

Indicator	FY 2013	FY 2014	FY 2015	FY 2016
Real GDP (% ch from prior yr.)	1.7	1.8	2.7	3.5
Nominal GDP (% ch from prior yr.)	3.3	3.4	4.5	5.3
CPI (% ch from prior yr.)	1.6	1.7	2.3	2.0
10 yr. Treasury bond rate	2.1	2.7	3.1	3.7
Unemployment rate	7.6	6.5	5.9	5.8

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024*, August 2014

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

Forecast date	CPI			10 yr Treasury rate		
	2013	2014	2015	2013	2014	2015
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
Sep	1.6	1.7	2.2	2.1	2.7	3.1
Oct	1.6	1.6	1.9	2.1	2.7	3.0

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		
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
September	24.8	14.9	4.1	24.8	13.4	-3.1
October	24.8	12.5	4.1	24.8	11.1	-3.1

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		
July	24.8	5.7	2.1	24.8	5.2	4.5
August	24.8	11.7	0.7	24.8	11.1	-0.2
September	24.8	13.5	0.1	24.8	12.9	-1.4
October	24.8	11.4	4.1			

Source: Moody's Economy.com.

**October baseline DC forecasts: Personal Income growth rises in FY 2015 and again in FY 2016**

●**Employment:** The baseline employment forecasts for Global Insight and Economy.com show significantly more job growth in FY 2015 than in FY 2014. Baseline resident employment gains in FY 2015 are also more than double those in FY 2014. Unemployment stays at 7% or more through FY 2015.

●**Income.** Baseline forecasts for Personal Income are expected to rise from 2.6% or 2.7% growth in 2014 to over 4% in FY 2015 and almost 5% or more 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
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	12,892	4,592	3,565
Sep	12,892	5,048	9,491	12,892	4,937	6,926	12,892	4,329	8,951	12,892	4,328	2,642
Oct	12,892	4,311	7,607	12,892	4,311	4,632	12,892	4,092	8,668			

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
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	2.5	2.2	3.4	6.3
Sep	2.5	2.3	4.1	5.0	2.5	2.1	2.1	2.4	2.5	2.1	4.2	6.2	2.5	2.1	3.0	5.9
Oct	2.6	2.6	4.2	4.8	2.6	2.6	2.4	1.7	2.6	2.7	4.4	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
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
Sep	14,471	2,374	6,934	14,471	2,116	4,417
Oct	14,471	1,851	5,827	14,471	1,781	4,040

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
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
Sep	8.5	7.5	6.9	7.5	7.3	7.1
Oct	8.5	7.6	7.0	7.6	7.4	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
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
Sep	2.4	0.8	4.1	2.4	0.7	4.7
Oct	2.4	2.3	4.1	2.4	2.1	4.4

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
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
Sep	2.9	1.0	4.3	2.9	1.1	4.6
Oct	3.4	2.2	4.2	3.4	2.4	4.5

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
<b>Tax revenue (\$ million)</b>										
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
<b>Percent change from prior year</b>										
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
<b>Tax revenue as percent of Personal Income</b>										
	14.1	13.3	12.5	12.1	11.8	12.5	12.7	12.7	12.7	12.5

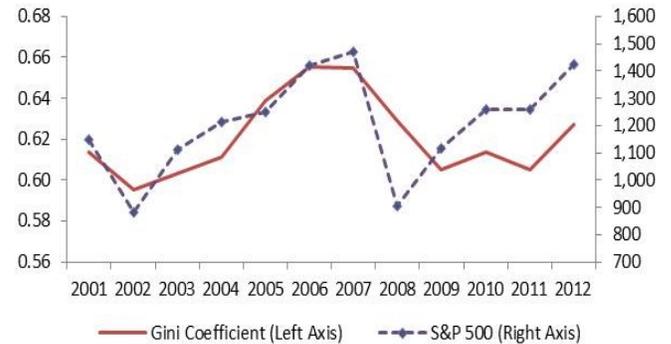
Source: ORA. February 2014 revenue estimate under existing legislation. The table includes tax revenue only, before all earmarks, and excludes all non-tax revenues, lottery, and "O-type" earmarked revenues.

The following two charts show how the cyclical pattern of the Gini coefficient correlates with real estate and capital markets. The first chart shows that income inequality in the city peaked in 2006 and 2007, about the same time the local housing bubble peaked. In the chart real estate activity is measured by the value of real property transfers in the District of Columbia (calculated from Deed transfer and economic interest taxes on all taxable residential and commercial property sales). The second chart shows that the Gini coefficient also peaks and bottoms out around the time when the S&P 500 Index peaks and bottoms out. It should be noted that the income measure used from DC income tax data, federal adjusted gross income, includes capital gains as well as income from earnings, pensions, and other sources.

**The District of Columbia Gini Coefficient and Value of Real Property Sales and Transfers: 2001 to 2012**



**The District of Columbia Gini Coefficient and S&P 500 Index: 2001 to 2012**



When a correlation coefficient is calculated for the city’s Gini coefficient and time, the coefficient is 0.157. But when calculated against selected local and national economic variables, the S&P 500 and the local property sales market, respectively, there are significantly stronger correlations as shown in the following table.

The Correlation Coefficient for The District of Columbia Gini Coefficient and Selected Variables: Years 2001 to 2012	
Time	0.157
S&P 500	0.641
Value of real property sales and transfers	0.879

**Note:** Positive values for the correlation coefficient denote a positive linear correlation, and negative values denote negative linear correlation, and a value of 0 denotes no linear correlation. The closer the value is to 1, the stronger the positive linear correlation.

Thus, over the period 2001 to 2012, DC income tax data shows that while income inequality has trended slightly upward over the period, the effect of the business cycles appears to have exerted a greater influence on the year-to-year fluctuations in the Gini coefficient in the District of Columbia.

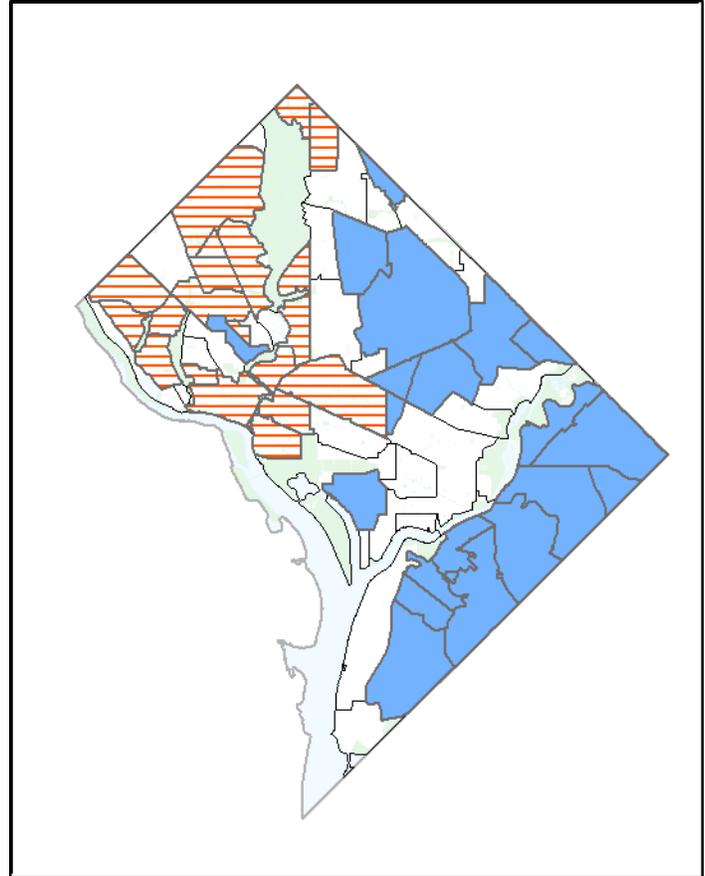
**Neighborhood inequality**

The map on the next page shows the 20 neighborhoods with the highest Gini coefficient in 2011 and the 20 with the lowest. The 20 neighborhoods highlighted by red stripes, mostly in the western half of the city, are the neighborhoods with the city’s highest income inequality; they are also among the city’s wealthiest neighborhoods. The blue-shaded neighborhoods, mostly in the eastern half of the city, are the 20 neighborhoods with the city’s lowest income inequality. Whereas the city wide Gini coefficient was 0.605 in 2011, the average Gini coefficient in the 20 neighborhoods with the highest inequality was 0.644. (The coefficients for these 20 neighborhoods ranged from 0.557 to 0.769.) In contrast, the average Gini coefficient in the 20 neighborhoods with the lowest inequality was 0.434. (The coefficients for these 20 neighborhoods ranged from 0.370 to 0.460.)

—Henry Liu, Candidate for Master of Public Policy, The University of Chicago Harris School of Public Policy, and Daniel Muhammad, Office of Revenue Analysis.

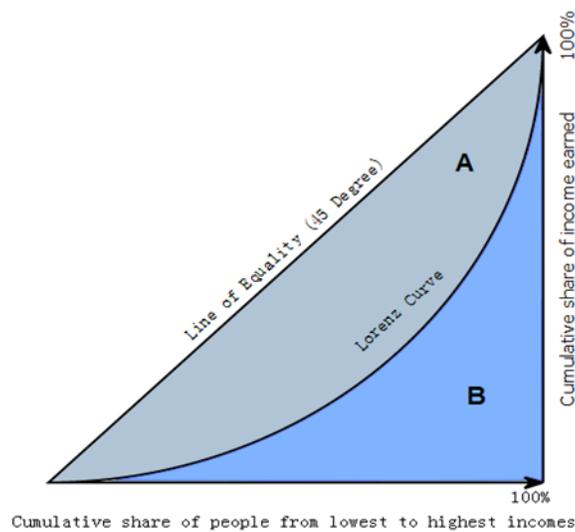
**DC income inequality by neighborhood in 2011.**

Of the 70 assessment neighborhoods used by the Office of Tax and Revenue- Real Property Tax Administration (OTR-RPTA), 59 neighborhoods have income tax records for the study period. This map shows the 20 that have the highest and the 20 that have the lowest Gini-coefficients in 2011. The highest, shown in red stripes, have the most income inequality, and the lowest, shown in solid blue, have the lowest.



**Appendix**

The Gini coefficient, a commonly used measure of income distribution, is defined as a ratio of areas on what is known as the Lorenz Curve diagram. If the area between the line of perfect equality and the Lorenz Curve is A, and the area under the Lorenz curve is B, the Gini coefficient is  $A/(A+B)$ . The more unequal the income distribution, the larger the area A.



OECD citation from p. 1: OECD (2013), *OECD Factbook 2013: Economic, Environmental and Social Statistics*, OECD Publishing.

## 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](http://www.cfo.dc.gov)) under subcategories of "Reports and Publications" and "Budget and Revenue."

### Recent ORA reports:

**Revised revenue estimate, September 29, 2014.** No change from February 2014 except for policy changes in FY 2015 budget.

**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](http://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	September	November 21
D.C. Personal Income	BEA	2014.2	December 19
D.C. Tax Collections	OTR/ORA	September	c. November 15
D.C. Housing Sales	MRIS*	September	c. November 10
D.C. Commercial Office Building data	Delta / Cushman and Wakefield	2014.3	c. January 15
DC Apartment data	Reis, inc	2014.2	c October 20
D.C. Hotel stay information	Smith Travel Research	September	c. November 20
Consumer Price Index	BLS	September	November 20
U.S. Jobs and Labor Force	BLS	September	November 7
U.S. GDP and Personal Income	BEA	2014.2	October 30
S and P 500 Stock Index	Financial press	September	November 1
Interest rate on 10-Year Treasury Securities	Financial press	September	November 1
IHS Global Insight D.C. forecast	Global Insight	October	c. November 25
Moody's Economy.com D.C. forecast	Economy.com	October	c. November 25
Blue Chip Economic Indicators for the U.S.	Aspen Publishers	October	November 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](mailto: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](http://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.

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