



MetroDCMonitor

Tracking Economic Recession and Recovery in the Greater Washington Region

September 2009

The *MetroMonitor*, a product of the Brookings Metropolitan Policy Program, tracks quarterly indicators of economic recession and recovery in the nation’s 100 largest metropolitan areas, which collectively contain two-thirds of the nation’s jobs and generate three-quarters of the gross domestic product. Greater Washington Research at Brookings is partnering with the Metropolitan Policy Program to highlight the status of the Washington metropolitan area.

The *MetroMonitor* tracks five key indicators of economic health: employment, unemployment, gross metropolitan product, housing prices, and real-estate owned properties (REO). Definitions and sources for each indicator are located in the methodology section at the end of this paper.

Overall

The recession is having varying effects on the top 100 metropolitan areas in the United States. Compared to many other areas, the Washington region is weathering the recession well. The region has a steady base of federal and associated jobs in professional/technical services and many high-wage, high-skill occupations. The labor market is relatively healthy, and gross metropolitan product continues to grow. However, the metropolitan housing market is relatively weak, with falling prices and a high percentage of bank owned properties. Additionally, regional averages mask varying levels of economic distress in different parts of the area. *Overall rank of the Washington region: top 20 out of 100.*

The 20 strongest-performing metro areas	
Austin-Round Rock, TX	Little Rock-North Little Rock-Conway, AR
Baton Rouge, LA	McAllen-Edinburg-Mission, TX
Columbia, SC	Oklahoma City, OK
Dallas-Fort Worth-Arlington, TX	Omaha-Council Bluffs, NE-IA
Des Moines-West Des Moines, IA	Pittsburgh, PA
El Paso, TX	Rochester, NY
Harrisburg-Carlisle, PA	San Antonio, TX
Honolulu, HI	Tulsa, OK
Houston-Sugar Land-Baytown, TX	Virginia Beach-Norfolk-Newport News, VA-NC
Jackson, MS	Washington-Arlington-Alexandria, DC-VA-MD-WV

Employment

Almost all of the nation's 100 largest metros lost jobs during the twelve months leading up to the second quarter of 2009, though the magnitude of job loss varied significantly. The Washington region fared better than most due to its relatively strong labor market.

- Employment in the DC region only fell 1.3 percent from its peak in the third quarter of 2008 through the second quarter of 2009, compared to the national drop of 4.1 percent from its peak in the fourth quarter of 2007. *Rank of the Washington region for this indicator: 6 out of 100.*
- Employment in the DC region fell 0.6 percent from the first to the second quarters of 2009, compared to the national rate of 1.2 percent. *Rank of the Washington region for this indicator: 23 out of 100.*
- According to recent analysis by George Mason University's Center for Regional Analysis (CRA), from June 2008 to June 2009 four sectors in the Washington region added jobs: the federal government (11,000), state and local government (4,000), professional and business services (4,000), and education and health services (5,000). All other sectors lost jobs over the same time period for a net loss of 31,700 positions, emphasizing the major role of government spending in the health of the regional economy.¹
- How those job losses are distributed varies across the region. CRA projects that DC will actually gain 3,000 jobs in 2009, while suburban Maryland and northern Virginia will lose a combined 24,000 jobs.

Unemployment (not seasonally adjusted)

Metropolitan unemployment rates for June 2009 ranged from 5.4 percent in Omaha to 17.1 percent in Detroit. The national unemployment rate was 9.7 percent.

- Unemployment in the Washington region in June 2009 was 6.5 percent. *Rank of the Washington region for this indicator: 7 out of 100.*
- From June 2008 to June 2009, the unemployment rate in the D.C. region rose 2.7 percentage points, compared to the national increase of four percentage points. *Rank of the Washington region for this indicator: 18 out of 100.*
- However, unemployment varied significantly across the region. In the District of Columbia, June 2009 unemployment was 11.3 percent, ranging from 3.1 percent in Ward 3 to 27.5 percent in Ward 8.² Unemployment was just 4.7 percent in Arlington and 5.7 percent in Montgomery County.
- How the unemployment rate changed also varied across the D.C. region. The unemployment rate in thirteen of twenty one jurisdictions rose by no more than the metro average. Of the eight jurisdictions where the unemployment rate rose by more than the metro average, two (Jefferson County, WV and the District of Columbia) increased by more than national average.

¹ "The U.S. and Washington Area Economic Performance and Outlook," available at www.cra-gmu.org/current-indicators/USandWashingtonAreaEconomiesAug26.pdf (September 2009)

² D.C. Department of Employment Services, Office of Labor Market Research and Information. Available at analyzer.dcnetworks.org/analyzer/searchAnalyzer.asp?cat=LAB&session=LABFORCE&subsession=&time=&geo=&currsubsessavail=&incsource=&blnStart=True. (September 2009).

**Changes in Unemployment Rate within Washington Metro
June 2008 to June 2009**

County	June 2008	June 2009	Percentage point change in unemployment rate, June 2008 to June 2009
Fauquier County, VA	3.4	5.6	2.2
Arlington County, VA	2.5	4.7	2.2
Stafford County, VA	3.5	5.7	2.2
Loudoun County, VA	2.9	5.2	2.3
Fairfax County, VA	2.9	5.2	2.3
Montgomery County, MD	3.4	5.7	2.3
Spotsylvania County, VA	3.4	5.7	2.3
Charles County, MD	3.9	6.2	2.3
Alexandria City, VA	2.8	5.2	2.4
Manassas Park City, VA	4	6.5	2.5
Fairfax City, VA	3.3	5.9	2.6
Prince William County, VA	3.3	5.9	2.6
Calvert County, MD	3.7	6.4	2.7
Frederick County, MD	3.7	6.5	2.8
Prince George's County, MD	4.5	7.5	3.0
Clarke County, VA	3.5	6.9	3.4
Fredericksburg City, VA	5.9	9.7	3.8
Warren County, VA	3.9	7.7	3.8
Manassas City, VA	4	7.9	3.9
Jefferson County, WV	4	8.1	4.1
District of Columbia	6.8	11.3	4.5
Washington-Arlington-Alexandria, DC-VA-MD-WV	3.8	6.5	2.7
100 Largest Metros	5.7	9.7	4.0
United States	5.7	9.7	4.0

Gross Metropolitan Product (GMP)

Individual metropolitan areas are experiencing the national recession in different ways. GMP in most metropolitan areas has declined since the beginning of the national recession in the last quarter of 2007. However, six metropolitan areas including Washington have managed to achieve positive growth during that time period.

- GMP for three metropolitan areas peaked during the second quarter of 2008, including Washington. *Rank of the Washington region for this indicator: 1 out 100.*

**Percent change in GMP
Peak quarter to 2nd quarter 2009**

Metro	Peak quarter, GMP	Pct. change in GMP, peak to 2009Q2	Rank: Pct. change in GMP, peak to 2009Q2
Austin-Round Rock, TX	2009 Q2	NA	1
McAllen-Edinburg-Mission, TX	2009 Q2	NA	1
Washington-Arlington-Alexandria, DC-VA-MD-WV	2009 Q2	NA	1
Oklahoma City, OK	2008 Q4	-0.8%	4
San Antonio, TX	2008 Q3	-0.8%	5
Virginia Beach-Norfolk-Newport News, VA-NC	2008 Q3	-0.8%	6
100 Largest Metros	5	-3.7%	
United States	6	-2.8%	

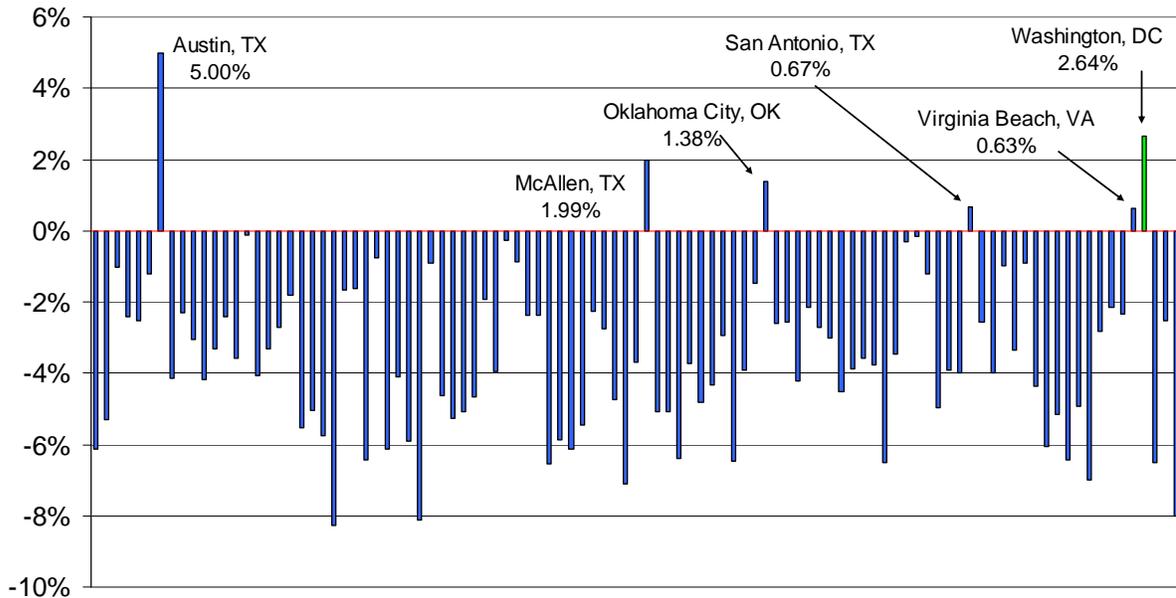
- GMP in the Washington region rose 0.6 percent from the first to the second quarter of 2009. In comparison, the gross product for the United States declined 0.2 percent over the same time period. *Rank of the Washington region for this indicator: 2 out of 100.*

**Percent change in GMP
1st quarter 2009 to 2nd quarter 2009**

Metro	Pct. change in GMP, 2009Q1 to 2009Q2	Rank: Pct. change in GMP, 2009Q1 to 2009Q2
Austin-Round Rock, TX	1.0%	1
Washington-Arlington-Alexandria, DC-VA-MD-WV	0.6%	2
McAllen-Edinburg-Mission, TX	0.5%	3
Albuquerque, NM	0.4%	4
Raleigh-Cary, NC	0.3%	5
San Jose-Sunnyvale-Santa Clara, CA	0.3%	6
100 Largest Metros	-0.3%	
United States	-0.2%	

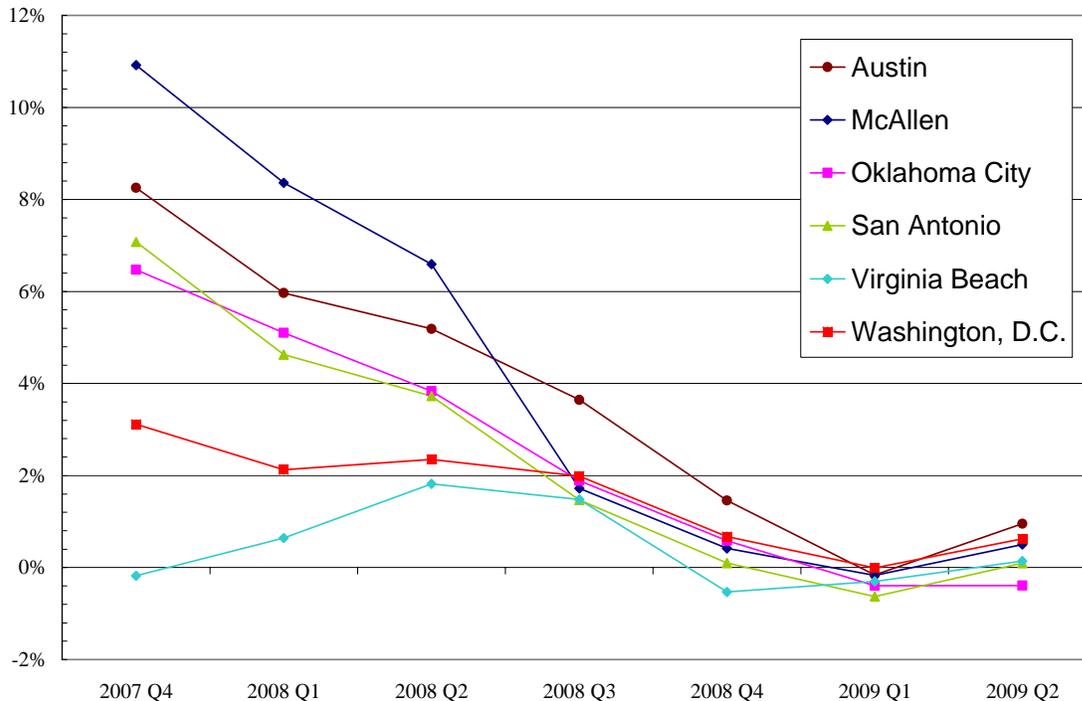
- Six metropolitan areas have managed positive GMP growth since the start of the national recession in the fourth quarter of 2007; including the Washington region, where GMP increased by 2.6 percent over the last six quarters. The other five metropolitan areas with positive GMP growth during this time period were Austin; McAllen, TX; Oklahoma City; San Antonio; Virginia Beach, and Washington, D.C.
- Three of those six metros peaked last year: Oklahoma City's GMP peaked in the fourth quarter, while GMP for San Antonio and Virginia Beach peaked during the third quarter. Yet, their subsequent decline has not been substantial enough to lower them below their 2007 Q4 level.

**Percent Change in Quarterly Gross Metropolitan Product,
Top 100 Metros (2007 Q4 - 2009 Q2)**



- However, the rate of growth for all six metros has been falling. In fact, GMP growth was essentially flat in the D.C. region during the last quarter of 2008 and the first quarter of 2009, before returning to positive growth in the second quarter of 2009.

Quarterly Growth in Gross Metropolitan Product 2007 Q4 to 2009 Q2



- GMP for the D.C. region is so robust in large part because its economy depends to an unusual extent on government—the percentage of all employed persons in the region working in public administration is almost three times the national average. In fact, the percentage of all employed persons working in this sector is above the national average in five of the six metros with positive GMP growth over the last six quarters. (McAllen being the one exception).
- In the private sector the dominant industry clusters in the National Capital Region are professional and business services (often in support of government activity), and other services (including repair and maintenance, personal care and laundry, membership associations and organizations, and household employment); the share of local employment in both is almost twice the national average.

Housing Prices

The crash in housing prices has been severe in many metropolitan areas, yet modest in others. Those regions which overbuilt in the years leading up to current recession, or which carried unusual levels of subprime mortgages, have been most affected. Metros which did not experience dramatic price increases over the past decade have better weathered the housing crisis. Some have even made price gains over the last four quarters.

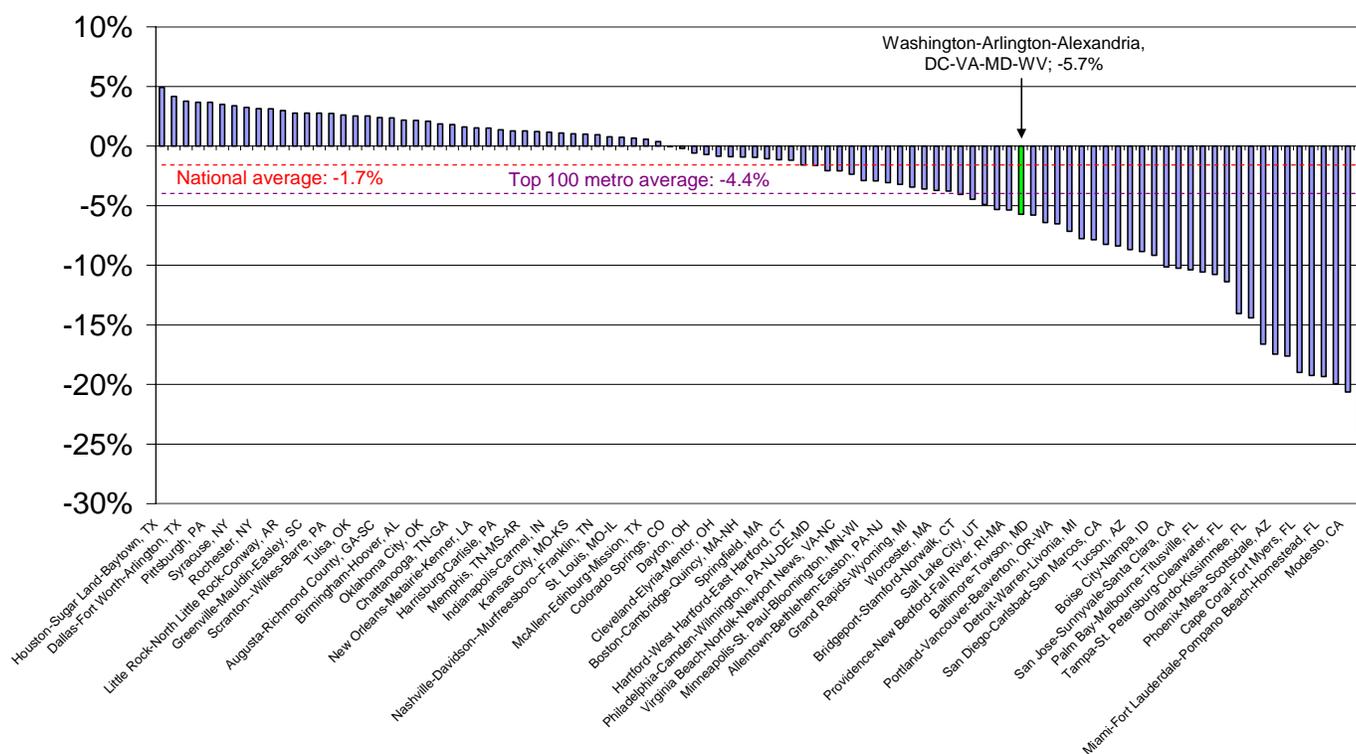
- In the Washington region, housing prices fell by 5.7 percent during the twelve months from the second quarter of 2008 to the second quarter of 2009, compared to a national average of 1.7 percent. *Rank of the Washington region for this indicator: 72 out of 100.*

**Change in House Price Index
2nd quarter 2008 to 2nd quarter 2009**

Metro	Pct. change in real house price index, 2008Q1 to 2009Q1	Pct. change in real house price index, 2008Q2 to 2009Q2	Rank: Pct. change in real house price index, 2008Q2 to 2009Q2
Houston-Sugar Land-Baytown, TX	4.5%	4.9%	1
Birmingham-Hoover, AL	2.0%	2.2%	21
Colorado Springs, CO	-0.6%	0.0%	43
Washington-Arlington-Alexandria, DC-VA-MD-WV	-8.6%	-5.7%	72
Fresno, CA	-19.8%	-16.6%	92
Phoenix-Mesa-Scottsdale, AZ	-16.7%	-17.5%	93
Bakersfield, CA	-22.6%	-17.6%	94
Cape Coral-Fort Myers, FL	-25.1%	-19.0%	95
Stockton, CA	-30.2%	-19.2%	96
Miami-Fort Lauderdale-Pompano Beach-Homestead, FL	-22.9%	-19.3%	97
Riverside-San Bernardino-Ontario, CA	-27.7%	-19.9%	98
Modesto, CA	-29.3%	-20.6%	99
Las Vegas-Paradise, NV	-29.2%	-24.4%	100
100 Largest Metros	-5.7%	-4.4%	
United States	-2.5%	-1.7%	

- This was an improvement over the first quarter of 2009, when housing prices in the D.C. region fell by 8.6 percent over the previous twelve months.
- The fall in housing prices in the Washington region was a bit worse than the average of -4.4% for the top 100 metros. On the other hand, as the above table shows, the region fared much better than those metros at the bottom of the ranking—the bottom eight metros all experienced drops in housing prices at least three times as severe the drop in the D.C. metro. Housing prices in the Las Vegas metro (most affected among the top 100 metros) fell more than four times as much as prices in the D.C. metro. Given the extreme drops in housing prices found elsewhere, and the relatively smaller price changes among the top four quintiles, the D.C. region’s housing situation is probably not as dire as its rank of 72 would suggest. However, this is small consolation to those areas within the region that were overbuilt and are now experiencing larger price drops than the metro average.

Percent Change in Real House Price Index 2008 Q2 to 2009 Q2



- Using somewhat different data, CRA found that, after falling continuously since October 2007, housing prices in northern Virginia are beginning to stabilize, declining by single digits in June 2009 for the first time since January 2008. The housing crisis started earlier in northern Virginia than it did in suburban Maryland, which continues to struggle. Housing prices in suburban Maryland fell another 15 percent in June 2009, having fallen by double digits every month since September 2008. In the D.C. housing market prices have been more variable, but have been falling continuously since November 2008—alternating between single and double digit declines. In June 2009, D.C. housing prices fell six percent.

Real Estate Owned Properties (REOs)

Most of the metropolitan areas with the largest concentrations of bank-owned homes also experienced the steepest house price declines.

- There were 6.93 REOs per 1,000 properties in the National Capital Region in June 2009, compared to a national rate of 3.34 REOs per 1,000 properties. However, this was far below Las Vegas' rate, which was the weakest among the top 100 metros at 17.97 per 1,000 properties. As with housing price changes, the difference in rates increases dramatically toward the lower end of the scale. *Rank of the Washington region for this indicator: 88 out of 100.*
- The REO ratio for the D.C. region increased by 0.45 since March 2009, compared to a national increase of .28. *Rank of the Washington region for this indicator: 74 out of 100.*

REOs per 1,000 mortgageable properties

Metro	REOs per 1,000 mortgageable properties, Mar 2009	REOs per 1,000 mortgageable properties, June 2009	Rank: REOs per 1,000 mortgageable properties, June 2009
Syracuse, NY	0.58	0.60	1
Little Rock-North Little Rock-Conway, AR	1.54	1.63	25
Houston-Sugar Land-Baytown, TX	2.05	2.30	49
Birmingham-Hoover, AL	3.14	3.39	70
Colorado Springs, CO	3.06	3.46	71
Miami-Fort Lauderdale-Pompano Beach-Homestead, FL	6.22	6.35	86
Washington-Arlington-Alexandria, DC-VA-MD-WV	6.49	6.93	88
Fresno, CA	6.55	7.42	90
Bakersfield, CA	9.84	11.64	94
Phoenix-Mesa-Scottsdale, AZ	10.91	12.27	95
Riverside-San Bernardino-Ontario, CA	14.14	15.12	96
Cape Coral-Fort Myers, FL	12.62	15.50	97
Modesto, CA	13.84	15.60	98
Stockton, CA	14.73	16.30	99
Las Vegas-Paradise, NV	15.43	17.97	100
100 Largest Metros	3.87	4.20	
United States	3.06	3.34	

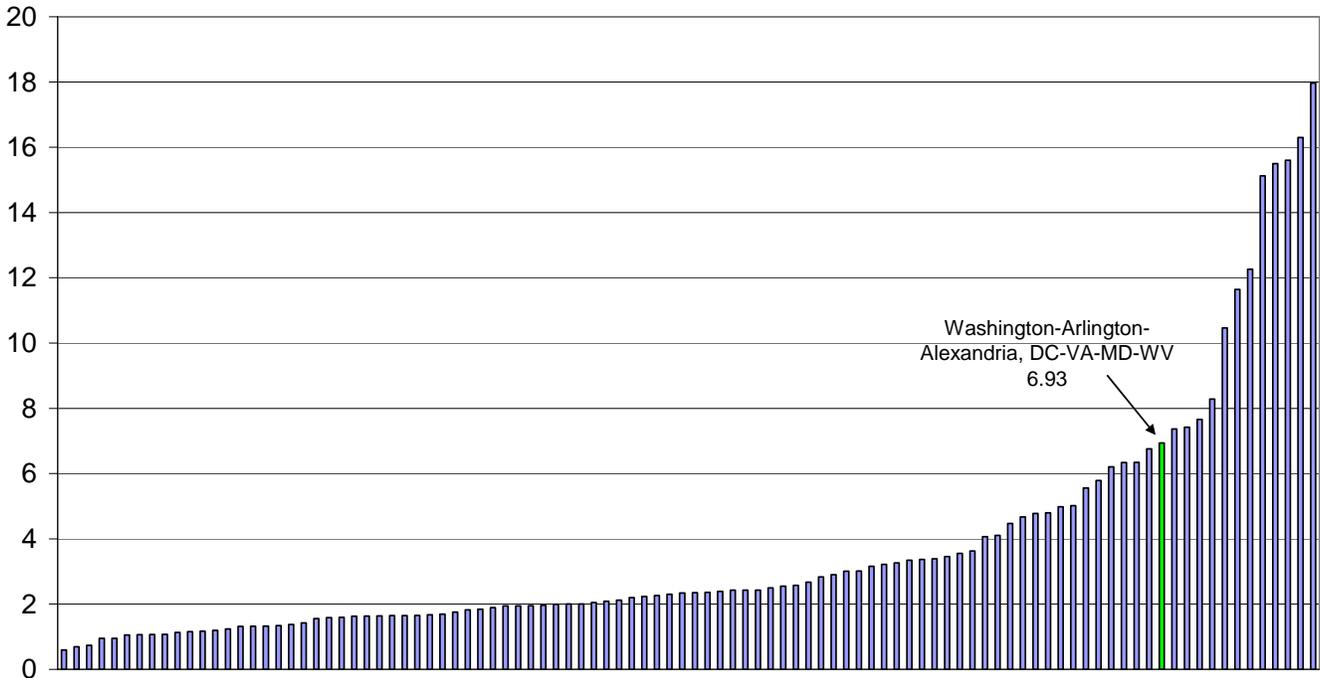
**Change in REOs per 1,000 mortgageable properties
March 2009 to June 2009**

Metro	Change in REO rate, Mar 2009 to June 2009	Rank: Change in REO rate, Mar 2009 to June 2009
Bradenton-Sarasota-Venice, FL	-0.43	1
Dallas-Fort Worth-Arlington, TX	0.00	21
Miami-Fort Lauderdale-Pompano Beach-Homestead, FL	0.12	39
Birmingham-Hoover, AL	0.24	62
Houston-Sugar Land-Baytown, TX	0.25	65
Colorado Springs, CO	0.39	73
Washington-Arlington-Alexandria, DC-VA-MD-WV	0.45	74
Fresno, CA	0.87	91
Riverside-San Bernardino-Ontario, CA	0.98	93
Phoenix-Mesa-Scottsdale, AZ	1.36	95
Stockton, CA	1.57	96
Modesto, CA	1.76	97
Bakersfield, CA	1.80	98
Las Vegas-Paradise, NV	2.54	99
Cape Coral-Fort Myers, FL	2.88	100
100 Largest Metros	0.33	
United States	0.28	

- REOs followed a similar pattern to housing prices, at least among the most affected metros. Thirteen of the twenty metros with the weakest declines in housing prices over the last year were also among the twenty weakest metros by REO ratio. Bradenton-Sarasota-Venice, FL rose the furthest, from 90th to 64th.
- On the other hand, only six of the twenty metros with the greatest increases in housing prices over the last year were also in the top quintile of best performing metros by REO ratio. Dallas-Fort Worth dropped the furthest, from third to 62nd.

- The Washington region was more consistent, ranked 74th in terms of its housing price adjustment and 88th in terms of its REO ratio. The region was also more comparable to those metros most affected by the REO ratio than those most affected by housing prices; the REO ratio for Las Vegas metro (highest among the top 100 metros) was only 2.6 times that of the D.C. metro, compared to a decline in housing prices in the Las Vegas metro that was more than four times as severe as that in the D.C. metro.

REOs per 1,000 Mortgageable Properties by Metro



Prospects for Near-Term Recovery

The Washington metropolitan area continues to be a relative bright spot on the map of the national recession. The region is in a strong position with regard to gross economic activity and the labor market, though it is weaker in the housing market. The housing market would be much weaker if not for the relative strength of the other indicators. One bright spot in particular is that the federal government is projected to need to hire another 41,000 local employees over the next three years, though these positions may take some time to fill and unemployment is likely to continue to rise. REOs may also continue to rise as job-loss related foreclosures increase. Sustaining the economic recovery will also become increasingly difficult as local and state governments struggle to balance their budgets in the face of significant revenue shortfalls. Different areas and individuals within the region are experiencing the recession differently, and will continue to do so. Policymakers should continue to focus attention on those most affected by the current economic downturn.

Methodology

The *MetroDCMonitor* acts as a supplement to and draws on the research contained within the *MetroMonitor*, which tracks quarterly indicators of economic recession and recovery in the top 100 metros across the United States. These indicators include:

- **Employment:** Total wage and salary jobs, seasonally adjusted. Percentage change in employment is shown from each metro area's peak employment quarter (since the first quarter of 2004) to the most recent quarter, measuring the extent to which employment has recovered from the recession's impact. It is also shown from the previous quarter to the most recent quarter, measuring the extent to which employment is moving toward recovery. Source: Moody's Economy.com
- **Unemployment rate:** Percentage of the labor force that is currently employed, not seasonally adjusted, last month of quarter. Because the data are not seasonally adjusted, change in the unemployment rate is shown from the same month in previous year. Source: Bureau of Labor Statistics.
- **Gross metropolitan product (GMP):** Total value of goods and services produced within a metro area. The percentage change in GMP is shown from each metro area's peak GMP quarter (since the first quarter of 2004) to the most recent quarter, and from the previous quarter to the most recent quarter. Source: Moody's Economy.com.
- **Housing prices:** Prices of single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac, not seasonally adjusted. Because the data are not seasonally adjusted, the percentage change in housing prices is shown from the same quarter in the previous year to the most recent quarter. Source: Federal Housing Finance Agency House Price Index.
- **Real estate-owned (REO) properties:** Foreclosed properties that fail to sell at auction and thus become owned by the lending institution. Shown as the share of all mortgageable properties in each metro area in the last month of the most recent quarter, and change in share from last month in previous quarter. Source: McDash Analytics.

The Overall Performance index combines metropolitan rankings on four key indicators:

- Percent employment change from peak quarter to 2nd quarter 2009
- Percentage point change in unemployment rate from June 2008 to June 2009
- Percent GMP change from peak quarter to 2nd quarter 2009
- Percent change in House Price Index from 2nd quarter 2008 to 2nd quarter 2009

Metropolitan areas are then grouped into quintiles (groups of 20) based on their average ranking across all four indicators, among the 100 largest metro areas.

Further information about metropolitan Washington and the larger *MetroMonitor*, including maps, underlying indicator data, and one-page profiles of each of the 100 largest metro areas are also available at www.brookings.edu/metromonitor

About the Metropolitan Policy Program at the Brookings Institution

Created in 1996, the Brookings Institution's Metropolitan Policy Program provides decision makers with cutting-edge research and policy ideas for improving the health and prosperity of cities and metropolitan areas including their component cities, suburbs, and rural areas. To learn more visit: www.brookings.edu/metro

Greater Washington Research at Brookings

Greater Washington Research at Brookings is devoted to helping policymakers in the Washington metropolitan area understand the issues facing the region and make better decisions. We conduct research and analysis and bring together policymakers, the press and the public to discuss alternative policies. Our emphasis is on helping the region become more prosperous and inclusive. Learn more at www.brookings.edu/washington

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