



District of Columbia Economic and Revenue Trends: July 2016

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An uncertain outlook for the federal government sector of DC's economy

Risks to the District from deficit reduction policies include the pending FY 2018 sequestration caps

In a July 2016 document (“The 2016 Long-Term Budget Outlook in 22 Slides”), the Congressional Budget Office described how major changes to tax policies, spending policies, or both were needed in the coming years to put the US budget on a sustainable path. With a quarter of all jobs and one third of earnings tied to the federal government, the District of Columbia’s economy could be significantly affected by such policy changes should they be undertaken, particularly those related to spending cuts.

To gain greater appreciation for the risks involved for DC’s economy, this analysis uses national income account data to look at federal spending that most affects the District’s economy: non defense spending on employees, on purchases of goods and services, and on investment. (This excludes grants, entitlements, interest on the debt, and depreciation of assets.) In the March quarter of 2016, this spending to operate the nondefense part of the government was \$420.8 billion, representing 10.3% of all federal spending, and 2.7% of all spending in the economy. Of the total, 42% was for personnel compensation.

Federal nondefense spending for employees, goods, and services: 2016.1

	\$ billion	% of total
Employee compensation	177.2	42
Purchases of goods and services	123.1	29
Investment	120.5	29
Total	420.8	100

Nondefense spending for employees, goods, and services that is important for DC’s economy has shown a good measure of stability over the years.

% of all government spending	10.3%
% of the US economy	2.7%

Source: BEA (see detailed tables on p. 21)

Over the past 25 years, for example, this spending grew at an average annual rate of 4.7%, just a shade over the 4.5% average for the US economy. Operating the nondefense part of the government was 2.6% of the national economy in 1990, almost the same as March 2016 (2.7%). At the same time, however, there have been important differences in the year-to-year growth rates of the national economy and federal spending for nondefense operations. In particular:

- In times of recession (1990, 2001 and the post 9/11 period, and 2007) there was a countercyclical aspect to nondefense operating activities: federal spending grew faster as the US economy slowed.
- Fiscal policy decisions taken to cut government spending (the early 1990’s and 2014) reduced nondefense spending below the average for (continued on p. 19)

Wage and salary employment

Private sector job growth has been slowing

- June wage and salary employment in DC was up by 10,333 (1.3%) from a year earlier as measured by the 3-month moving average.
- Federal government employment in DC for June was up by 2,667 (1.3%). The private sector gained 5,900 (1.1%).
- Total year-over-year DC metropolitan area employment increased by 70,867 (2.2%) in June as measured by the 3-month moving average.
- Suburban Washington employment in June increased by 2.5% from a year earlier.
- Seasonally adjusted DC jobs decreased in June by 5,500 from the prior month.

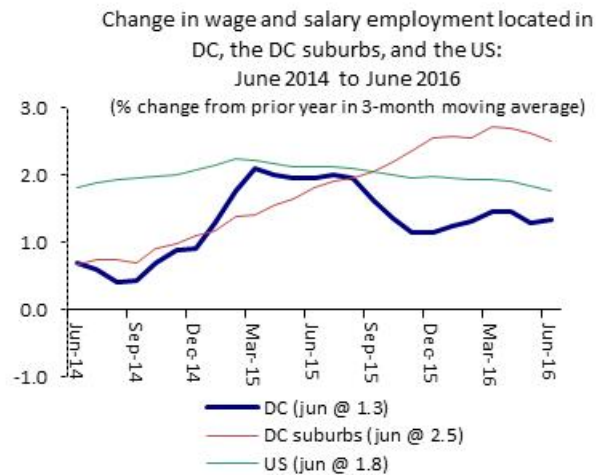


Table 1. Wage and salary employment in DC, Washington Metro area, and the US: June 2016

Jurisdiction	FY 2012	FY 2013	FY 2014	FY 2015	12-mo avg	3-mo average	This month
District of Columbia	730,950	745,375	751,842	764,250	771,792	777,533	775,800
1 year change	7,717	14,425	6,467	12,408	10,617	10,333	11,500
% change	1.1	2.0	0.9	1.7	1.4	1.3	1.5
Washington metro area	3,053,050	3,091,067	3,103,833	3,138,300	3,207,833	3,251,200	3,276,100
1 year change	36,617	38,017	12,767	36,000	69,192	70,867	81,100
% change	1.2	1.2	0.4	1.2	2.2	2.2	2.5
Washington suburbs (% ch)	1.3	1.0	0.3	1.6	2.5	2.5	2.9
US (% ch)	1.7	1.6	1.8	2.1	1.9	1.8	1.8

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

Source: BLS. June is preliminary.

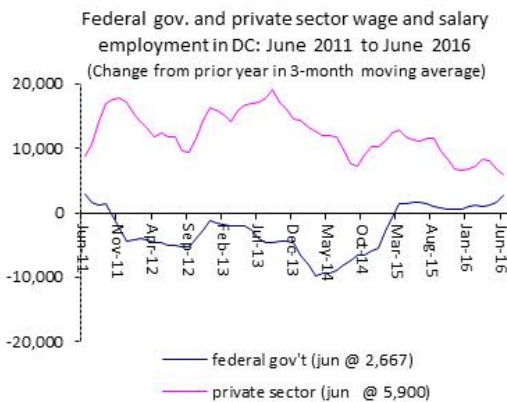


Table 2. Federal government and private sector wage and salary employment in DC: June 2016

Sector	FY 2013	FY 2014	FY 2015	12-mo avg	3-month average	This month
Federal government	205,900	198,367	197,950	199,000	200,633	202,300
1 year ch.	-2,675	-7,533	-417	1,233	2,667	3,600
% change	-1.3	-3.7	-0.2	0.6	1.3	1.8
Private sector	504,275	515,808	526,775	532,000	536,500	533,000
1 year ch.	16,633	11,533	10,967	7,625	5,900	5,900
% change	3.4	2.3	2.1	1.5	1.1	1.1

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

Table 3. Seasonally adjusted DC Employment: January 2016 to June 2016

Indicator	January	February	March	April	May	June
D.C. Wage and Salary employment	775,200	775,000	773,800	777,900	781,200	775,700
change from prior month	7,100	-200	-1,200	4,100	3,300	-5,500
% change from prior month	0.9	0.0	-0.2	0.5	0.4	-0.7

Source: BLS seasonally adjusted. June is preliminary

The federal government and retail topped job growth in June

- In June the federal government’s 2,667 increase in jobs over the prior year was more than in any other sector. Retail’s 1,933 gain was next. (3-month moving average.)
- In the private sector, legal services (1,667) and food services (1,100) also grew by more than 1,000 jobs in June.
- Private sector industries losing jobs included organizations, information, and business services (other than temporary employment).
- Local government rose by 1,767 (4.6%).
- The federal government accounted for 25.8% of all DC jobs in June. Over the past year, DC’s share of US federal employment increased in the metro area and the US.

Change in private sector wage and salary jobs located in DC, the DC suburbs, and the US: June 2014 to June 2016 (% change from prior year in 3-month moving average)

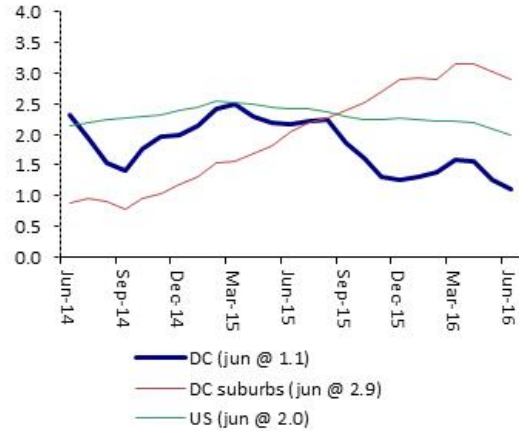


Table 4. Wage and salary employment located in DC: June 2016

Industry sector	3-month moving average				12-mo. moving avg: % change	Sector % of all DC jobs, Jun 2016	DC share (%) in Jun 2016 of all sector jobs in:		Change from Jun 2015 to Jun 2016 in DC share of sector jobs in:	
	Jun 2015	Jun 2016	Amount	% 1 year change			metro area	US	metro area	US
Federal government	197,967	200,633	2,667	1.3	0.6	25.8	54.4	7.21	0.1	0.03
Local government	38,633	40,400	1,767	4.6	4.5	5.2	12.0	0.21	0.4	0.01
Legal services	28,600	30,267	1,667	5.8	1.6	3.9		2.69		0.14
Other Professional and technical	83,700	84,367	667	0.8	3.1	10.8	22.9	1.09	-0.2	-0.03
Employment services	14,733	14,933	200	1.4	2.6	1.9	33.1	0.42	-1.1	0.00
Other Business services	35,000	34,867	-133	-0.4	-1.0	4.5	18.0	0.45	-0.1	-0.01
Information	17,167	16,900	-267	-1.6	-0.3	2.2	22.7	0.61	0.5	-0.02
Finance	30,133	30,433	300	1.0	0.3	3.9	19.7	0.37	0.1	0.00
Organizations	63,567	63,033	-533	-0.8	-0.3	8.1	35.3	2.12	-0.8	-0.03
Education	61,000	61,100	100	0.2	-0.4	7.9	51.8	1.73	-1.9	-0.03
Health	67,300	67,633	333	0.5	0.8	8.7	22.3	0.35	-0.2	-0.01
Food service	51,333	52,433	1,100	2.1	4.4	6.7	22.2	0.46	-0.4	0.00
Accommodations	15,300	15,600	300	2.0	0.8	2.0	37.8	0.80	2.2	0.01
Amusement and recreation	7,933	8,133	200	2.5	1.9	1.0	16.1	0.35	-1.6	0.00
Retail trade	21,933	23,867	1,933	8.8	7.5	3.1	8.3	0.15	0.4	0.01
Wholesale trade	4,867	4,767	-100	-2.1	-2.4	0.6	7.6	0.08	-0.3	0.00
Construction	14,367	14,333	-33	-0.2	0.8	1.8	9.0	0.21	-0.6	-0.01
Personal and miscellaneous ser.	7,767	7,600	-167	-2.1	-0.4	1.0		0.28		-0.01
Other private	5,900	6,233	333	5.6	8.3	0.8	5.3	0.04	0.2	0.00
Total	767,200	777,533	10,333	1.3	1.4	100.0	23.9	0.54	-0.2	0.00
Public sector	236,600	241,033	4,433	1.9	1.3	31.0	34.2	1.08	0.2	0.01
Private sector	530,600	536,500	5,900	1.1	1.5	69.0	21.1	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

DC unemployment rate the lowest since April 2008

- In June DC resident employment was up 13,340 (3.7%) from a year earlier (3-mo. moving average). The labor force grew by 9,594 (2.5%).
- The seasonally unadjusted unemployment rate was 6.1% in June, and the seasonally adjusted went down to 6.0%.
- June initial unemployment insurance claims were down 2.3% from last year (3-month moving average).

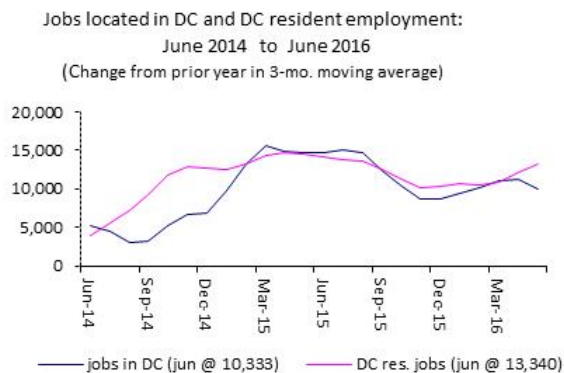
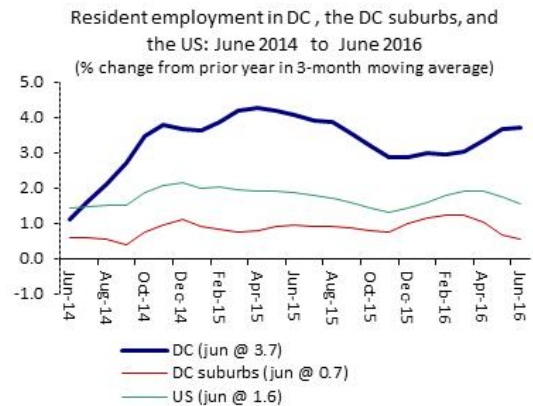


Table 5. Unemployment rates for DC, metro area, and US: June 2016

Jurisdiction	Not seasonally adj.		Seasonally adj.	
	June 2015	June 2016	June 2015	June 2016
US	5.5	5.1	5.3	4.9
DC	7.1	6.1	6.9	6.0
DC metro area	4.7	3.9	na	na
DC suburbs	4.2	3.4	na	na

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

Table 6. Resident employment and unemployment: June 2016

Indicator	FY 2012	FY 2013	FY 2014	FY 2015	12-mo avg	3-mo. avg.	This month
DC Labor force summary							
Resident employment	325,712	341,727	345,573	358,984	367,605	373,808	374,985
1 year change	11,026	16,015	3,846	13,410	11,757	13,340	12,025
% change	3.5	4.9	1.1	3.9	3.3	3.7	3.3
Labor Force	359,327	374,045	375,222	386,668	392,823	396,007	399,446
1 year change	9,639	14,718	1,177	11,447	8,404	9,594	8,950
% change	2.8	4.1	0.3	3.1	2.2	2.5	2.3
Unemployed	33,615	32,317	29,648	27,685	25,218	22,199	24,461
1 year change	-1,387	-1,298	-2,669	-1,963	-3,353	-3,746	-3,075
% change	-4.0	-3.9	-8.3	-6.6	-11.7	-14.4	-11.2
Unemployment rate	9.4	8.7	7.9	7.2	6.4	5.6	6.1
DC Unemployment insurance (state program)							
Initial claims (monthly avg.)	1,784	1,915	1,851	1,596	1,492	1,591	1,997
1 year change	-317	131	-64	-255	-139	-38	12
% change	-15.1	7.3	-3.3	-13.8	-8.5	-2.3	0.6
Weeks compensated (mo. avg.)	45,170	42,862	42,133	32,811	30,763	27,202	31,772
1 year change	-1,253	-2,308	-729	-9,322	-4,176	-1,761	-679
% change	-2.7	-5.1	-1.7	-22.1	-12.0	-6.1	-2.1

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

Table 7. Seasonally adjusted DC Resident employment and unemployment: Jan. 2016 to June 2016

Indicator	January	February	March	April	May	June
DC Resident employment	366,350	367,082	368,554	371,361	373,304	374,360
change from prior month	1,373	732	1,472	2,807	1,943	1,056
% change from prior month	0.4	0.2	0.4	0.8	0.5	0.3
DC Unemployment rate (%)	6.5	6.5	6.5	6.4	6.1	6.0

Source: BLS seasonally adjusted. June is preliminary.

Wage growth in DC and for DC residents fell below the US average in the March quarter

●Wages and salaries earned in the District of Columbia were 4.4% higher in the March quarter compared to the same quarter of 2015.

●Wages earned by DC residents grew by 4.7% in the March quarter compared to last year.

●In the March quarter, DC Personal Income grew 4.3%, just below the US increase (4.4%).

●Federal civilian wages and salaries were \$1.07 billion (4.8%) higher in March than a year earlier.

●In the March quarter, private sector wages and salaries earned in DC grew by \$2.10 billion over the prior year, a 5.0% gain.

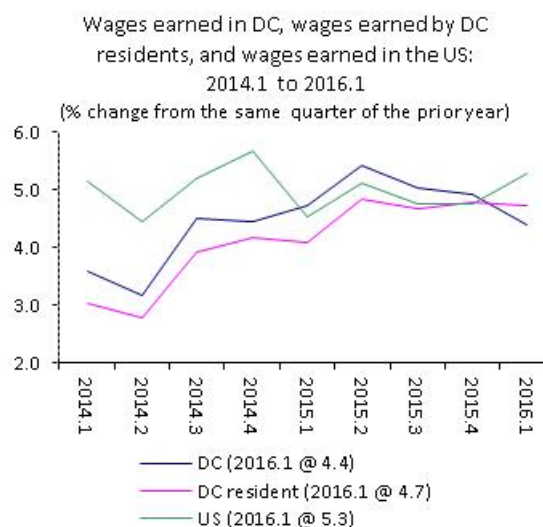


Table 8. DC Wages and Personal Income: March 2016

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

Indicator	FY 2012	FY 2013	FY 2014	FY 2015	4-qr. moving avg.	Latest qtr. (Mar.)
Wages and salaries earned in DC	60.65	62.07	63.97	67.17	68.65	69.85
1 year change	1.13	1.41	1.90	3.20	3.23	2.94
% change	1.9	2.3	3.1	5.0	4.9	4.4
Supplements to wages & salaries	16.50	16.44	17.24	18.12	18.44	18.73
% change	0.9	-0.4	4.8	5.1	4.3	3.3
Proprietors' income earned by DC residents*	5.87	5.85	5.98	6.37	6.54	6.66
% change	5.9	-0.3	2.2	6.4	5.9	5.5
Wages and salaries of DC residents***	20.77	21.69	22.34	23.35	23.89	24.32
change from one year ago	0.91	0.92	0.65	1.01	1.08	1.10
% change	4.6	4.4	3.0	4.5	4.8	4.7
Income earned by DC residents	29.7	30.3	31.1	32.7	33.4	34.1
% change	4.9	2.0	2.8	5.0	4.9	4.8
Property income of DC residents	7.78	8.26	8.48	8.77	8.98	9.04
% change	11.0	6.2	2.6	3.5	4.7	4.7
Pensions and other transfer of DC residents	5.73	5.90	6.01	6.03	6.12	6.18
% change	-0.3	2.8	1.9	0.4	1.6	1.2
DC Personal Income**	43.21	44.44	45.63	47.50	48.55	49.28
1 year change	2.14	1.23	1.18	1.87	2.08	2.04
% change	5.2	2.8	2.7	4.1	4.5	4.3
US Personal income (% change from prior year)	4.6	3.0	2.9	4.7	4.4	4.4
US Wages and salaries(% change from prior year)	3.4	3.9	4.1	5.0	5.0	5.3
<i>Addendum: Change from prior year in wages earned in DC by sector</i>						
Private sector (1 yr ch, \$B)	1.35	1.79	1.33	2.15	2.20	2.10
Federal government (1 yr ch, \$B)	-0.37	-0.43	0.48	0.85	0.97	1.07
DC res. wages as % of wages earned in DC	34.2	34.9	34.9	34.8	34.8	34.8

* 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 December were released June 22, 2016

Single family and condominium housing

Compared to last year, percentage sales increases for both single family and condominium units continue to outpace price gains

- The 3-month moving total of single family home sales in June was up 10.8% from a year earlier, and the average selling price was 0.2% lower. The year-to-date median sales price (\$670,000) was up 3.1% from the prior year.
- June condominium sales were up 7.1% from last year as measured by the 3-month moving total, and the average selling price was 3.7% higher. The year-to-date median sales price (\$440,000) was up 1.2% from last year.
- The total value of all home sales in May rose to 10.8% above last year as measured by the 3-month moving total.
- The increase in DC home prices slowed in the March quarter, according to the Federal Housing Finance Agency Index of single-family same-property transactions. DC's gain over the prior year was 2.8%. The US index was up 5.6%. The Washington metropolitan area gain was only 0.8%.



Table 9. D.C. Residential Real Estate Indicators: June 2016

Indicator	FY 2012	FY 2013	FY 2014	FY 2015	12-mo moving total or average	3-mo moving total or average	This month
Number of sales (settled contracts)							
Single family	3,563	3,979	4,024	4,097	4,291	1,299	479
1 year change	-237	416	45	73	235	127	34
% change	-6.2	11.7	1.1	1.8	5.8	10.8	7.6
Condo	2,784	3,487	3,592	3,832	3,960	1,239	428
1 year change	315	703	105	240	254	82	10
% change	12.8	25.3	3.0	6.7	6.9	7.1	2.4
Total	6,347	7,466	7,616	7,929	8,251	2,538	907
1 year change	78	1,119	150	313	489	209	44
% change	1.2	17.6	2.0	4.1	6.3	9.0	5.1
Average prices of units that sold							
Single family (\$)	630,109	712,799	736,362	767,870	789,738	824,966	840,988
1 year change	29,083	82,690	23,563	31,508	37,322	-1,678	12,464
% change	4.8	13.1	3.3	4.3	5.0	-0.2	1.5
Condo (\$)	429,611	447,827	472,419	499,650	496,244	508,142	523,438
1 year change	6,245	18,216	24,592	27,232	2,969	18,333	31,840
% change	1.5	4.2	5.5	5.8	0.6	3.7	6.5
Total value of all sales (\$ million)							
	3,441.1	4,397.8	4,660.0	5,060.6	5,353.9	1,701.2	626.9
1 year change	111.9	956.7	262.2	400.6	474.0	165.7	52.7
% change	3.4	27.8	6.0	8.6	9.7	10.8	9.2
Ratio: active inventory to sales							
Single family	2.3	1.6	1.6	1.5	1.4	1.3	1.3
Condo	2.9	1.7	1.9	1.7	1.7	1.5	1.5

Median contract prices, CY to date in June 2016 : single family \$670,000 (3.1% 1 yr ch); condo \$440,000 (1.2% 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 accessed through Greater Capital Area Assn. of Realtors.

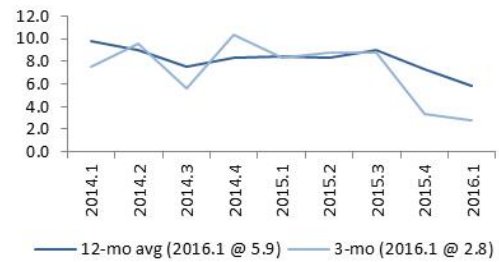
Single family and condominium housing

Table 10. Federal Housing Finance Agency Price Index for single family property in DC, DC metro area, and US: March 2016 (2016.1)

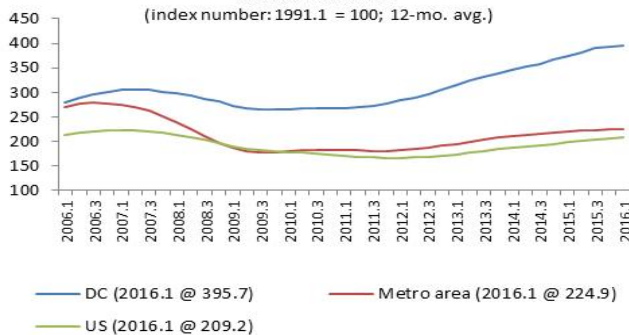
Indicator	Fiscal year average				Last 2 Q's	
	FY 2012	FY 2013	FY 2014	FY 2015	2015.4	2016.1
% change from prior year in value of index						
DC	8.2	12.8	7.5	9.0	3.4	2.8
DC metro area	3.4	8.7	6.0	3.7	2.2	0.8
US	0.8	6.9	6.5	6.0	5.6	5.6

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 price, measuring the average price changes in repeat sales or refinancings of the same properties. This information is estimated using Enterprise, FHA, and Real Property County Recorder data licensed from DataQuick.

FHFA Expanded-data housing price index for DC:
2014.1 to 2016.1
(% change from prior year in 3-mo and 12-mo avg)



FHFA expanded-data housing price index for DC, the Washington Metropolitan Area, and the US:
2006.1 to 2016.1
(index number: 1991.1 = 100; 12-mo. avg.)



FHFA expanded-data housing price index for DC, the Washington Metropolitan area, and the US:
2013.1 to 2016.1
(% change from prior yr. in the 12-mo. moving avg.)

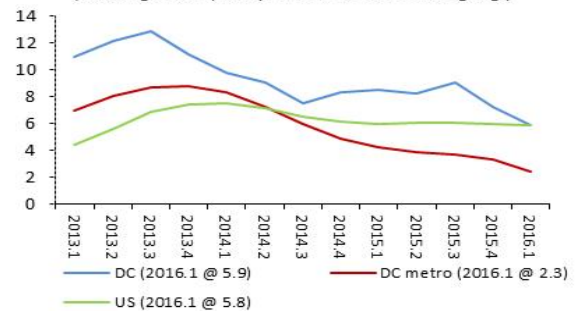


Table 11. D.C. Single family and condominium home sales at prices of \$1 million or more: June 2016

Category	FY 2013	FY 2014	FY 2015	12-mo	3-mo	This month
				moving total	moving total	
Single family homes	689	734	765	894	322	120
1 year change	231	45	31	137	71	21
% change	50.4	6.5	4.2	18.1	28.3	21.2
percent of all single family sales	17.3	18.2	18.7	20.8	24.8	25.1
Condominiums	112	128	160	153	59	26
1 year change	40	16	32	-5	8	7
% change	55.6	14.3	25.0	-3.2	15.7	36.8
percent of all condominium sales	3.2	3.6	4.2	3.9	4.8	6.1

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

Table 12. Single family housing permits in DC and sales of new DC condominium units: FY 2012 to 2016.2

	Single family housing permits	Sales of new condo units
FY 2012	236	479
FY 2013	368	442
FY 2014	267	516
FY 2015	293	483
12-mo. ending:		
2016.2	283	569
1 yr ch	17	49
% ch.	6.4	9.4

Source: Census Bureau (permits), and Delta Associates (condo sales)

Table 13. Condominium units (1) currently being marketed or under construction, or (2) planned: June 2016

item	Avg. units per project	
	projects	units
Unsold units in projects currently marketing or under construction	48	1,293
Planned with probable sales within 36 months	20	1,566
subtotal	68	2,859
Proposed/rumored with long term delivery	17	1,256

Note: an additional 12,589 units in 24 projects are planned as either condominium or rental

Source: Delta Associates. See p.11 For definition of planned and proposed.

Population and apartments

In the June quarter of 2016 the apartment sector continued to add inventory and renters at much the same pace. The vacancy rate decreased and construction increased

- In June occupied apartment units increased 3,856 (2.3%) from a year earlier; inventory was up 3,599 (2.9%).
- The vacancy rate was 2.9%, down from 3.1% in March; rents rose 4.4% over the prior year.
- 11,709 apartment units were under construction in June, up from 11,149 in the prior quarter.

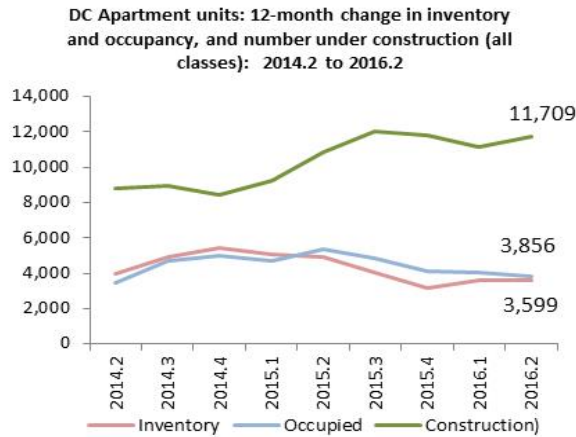


Table 17. Market rate apartment units in DC: 2010 to 2015 (2016.2)

CY	Inventory				Occupied units			Effective monthly rent		Under Construction	
	Buildings	Number	1 yr ch	% vacant	Number	1 yr ch	% ch	per unit	1 yr % ch	Buildings	Units
2010	3,195	161,513	1,104	2.8	157,063	2,098	1.4	\$1,410	1.4	18	2,430
2011	3,204	163,052	1,539	2.7	158,588	1,525	1.0	\$1,486	5.4	21	4,868
2012	3,212	165,121	2,069	2.8	160,482	1,894	1.2	\$1,521	2.4	35	8,026
2013	3,227	168,918	3,797	3.4	163,255	2,773	1.7	\$1,550	1.9	51	7,819
2014	3,255	174,341	5,423	3.5	168,230	4,975	3.0	\$1,604	3.5	80	8,417
2015	3,303	177,479	3,138	2.9	172,337	4,107	2.4	\$1,672	4.2	97	11,788
2016.1	3,318	178,274	3,578	3.1	172,660	4,027	2.4	\$1,685	4.7	93	11,149
2016.2	3,321	179,317	3,599	2.9	174,179	3,856	2.3	\$1,720	4.4	106	11,709
1 Q change	3	1,043	21	-0.3	1,519	-171		35		13	560

Source: CoStar. Includes units in private buildings with 5 or more units. CY amounts are last quarter of the year. Includes some affordable units in market rate buildings. Vacancy rate is unoccupied units as % of inventory

Table 15. DC Population and Households: 2005 to 2015

Calendar year	Population			Households (estimated)			
	Number	Change from prior yr. number	%	Number	Change from prior yr. number	% pop/hh ratio	
2005	567,136	-618	-0.1	253,232	763	0.3	2.24
2006	570,681	3,545	0.6	254,435	1,204	0.5	2.24
2007	574,404	3,723	0.7	255,715	1,279	0.5	2.25
2008	580,236	5,832	1.0	257,928	2,213	0.9	2.25
2009	592,228	11,992	2.1	262,868	4,941	1.9	2.25
2010	605,126	12,898	2.2	268,196	5,327	2.0	2.26
2011	620,472	15,346	2.5	274,519	6,324	2.4	2.26
2012	635,342	14,870	2.4	280,611	6,092	2.2	2.26
2013	649,540	14,198	2.2	286,385	5,774	2.1	2.27
2014	659,836	10,296	1.6	290,422	4,037	1.4	2.27
2015	672,228	12,392	1.9	295,362	4,940	1.7	2.28
Change from 10 to 15	67,102	11.1		27,166	10.1	2.47	

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

Although fewer than a year earlier, 4,518 housing permits were issued in the past 12 months

- For the the 12-month period ending June, 4,518 housing permits were issued, down 13.6% from a year ago; the 3-month total was 21.8% lower than last year.
- Class A units account for 23% of all apartment units, 22% of the occupied units, and 94% of new construction.
- Class A vacancy rate of 6.7% in June was down from 7.4% a year earlier. Average rent per unit was up 3.6% from the prior year.

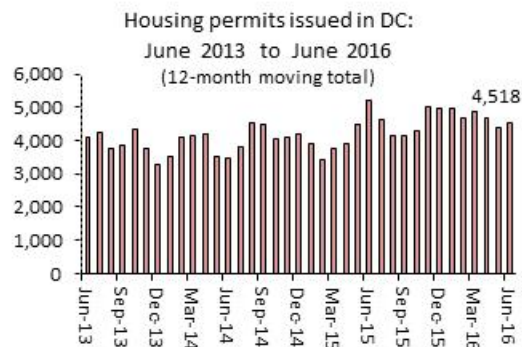


Table 16. Delta Associates outlook for Class A apartment units: June 2016

item	projects	units	Avg. units per project
Under construction/and or marketing	50	9,341	217*
Planned with probable sales within 36 months	41	8,891	217
Proposed/rumored with long term delivery	54	14,108	261
Addendum: estimated supply and demand for the next 3 years			
supply**		11,501	
demand		8,410	

Table 14. Housing unit building permits issued in DC: June 2016

	FY 2013	FY 2014	FY 2015	12-mo. moving total	3-month moving total	This month
Total units	3,855	4,467	4,131	4,518	1,315	927
change from 1 yr ago	-236	612	-336	-710	-367	138
% change from 1 year	-5.8	15.9	-7.5	-13.6	-21.8	17.5
Multi-family projects with 5 or more units						
number	36	32	37	37	7	6
average size	107	140	112	122	188	151

*Average based on all units, including 1,527 already rented.

**Supply available by June 2019 represents vacant units, units under construction and marketing, and 25% (2,160) of planned units.

Source: Delta Associates, except for under construction (CoStar). For definitions of planned and proposed, see p. 11.

Vacancy rate and 1 year % change in rent for Class A, Class B, and Class C Apartment units: 2014.2 to 2016.2

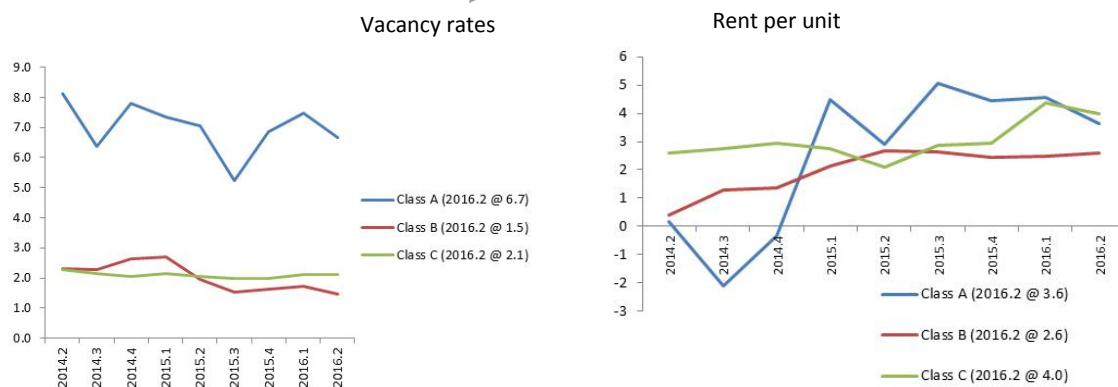


Table 18. Market rate apartment units in DC, Classes A, B, and C: 2016.2

Class	Inventory				Occupied units			Effective monthly rent		Under construction		
	Buildings	Number	1 yr ch	% vacant	Number	1 yr ch	% ch	\$ per month	1 yr % ch	Buildings	Units	Avg. size
Class A	254	40,735	3,337	6.7	38,022	3,260	9.4	\$2,452	3.6	74	11,127	150
Class B	1,019	77,651	281	1.5	76,516	650	0.9	\$1,612	2.6	32	582	18
Class C	2,034	60,683	-19	2.1	59,405	-54	-0.1	\$1,171	4.0	0	-	-

Source: CoStar. Includes units in private sector buildings with 5 or more units. CY amounts are last quarter of the year. Includes some affordable units in market rate buildings. Vacancy rate is unoccupied units as % of inventory.

Commercial office space

Last quarter, occupied commercial office space increased, the vacancy rate decreased slightly, and new construction increased

- According to CoStar, for the the 12-month period ending June occupied office space increased by 0.27 million sq. ft. from the prior quarter but was 0.1% below a year earlier. Occupied space still remains below the levels of 2012, 2013, and 2014. Base rent rose 3.2%.

- Class A office space accounted for 15% of all office buildings, 62% of office space, 61% of occupied space, and 99% of new construction. The vacancy rate for class A space was 12.2%, down from 12.5% in the last quarter, but up from 11.7% a year earlier. Class A rent rose 3.8% over the past year.

DC Commercial office space: 1 year change in inventory and occupancy, and under construction: 2014.2 to 2016.2 (all classes, msf):

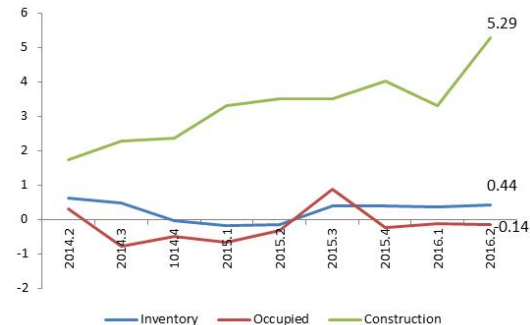


Table 19. DC commercial office space: 2010 to 2016.2

CY (year end)	Buildings	Inventory		Occupied space			Vacancy %		Base rent (direct)		Under constr.	
		Level (msf)	1 yr ch (msf)	Level (msf)	1 yr ch (msf)	% ch	Direct	Total	\$ per sq ft.	1 yr % ch	buildings	msf
2010	2,364	151.58	2.56	134.87	3.16	2.4	10.0	11.0	\$45.61	1.6	6	1.56
2011	2,359	152.48	0.90	135.78	0.91	0.7	10.2	11.0	\$46.15	1.2	9	2.05
2012	2,349	152.22	-0.26	137.25	1.47	1.1	9.2	9.8	\$45.18	-2.1	8	2.23
2013	2,346	152.99	0.78	137.59	0.34	0.2	9.5	10.1	\$46.08	2.0	12	2.14
2014	2,339	152.96	-0.03	137.09	-0.49	-0.4	9.9	10.4	\$47.24	2.5	13	2.38
2015	2,332	153.35	0.40	136.87	-0.22	-0.2	10.3	10.7	\$47.94	1.5	19	4.03
2016.1	2,331	153.44	0.38	136.63	-0.11	-0.1	10.3	11.0	\$48.14	2.3	13	3.30
2016.2	2,330	153.44	0.44	136.90	-0.14	-0.1	10.2	10.8	\$48.94	3.2	17	5.29
1 Q ch	-1	0.00		0.27			-0.1	-0.2	\$0.80		4	1.98

Source: CoStar. All classes, all sizes.

Vacancy rate and 1 year % change in rent for all commercial office space and for Class A office space: 2014.2 to 2016.2

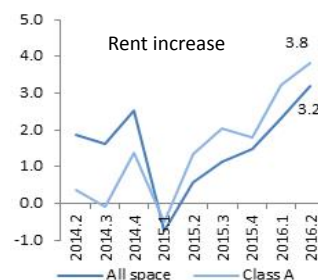
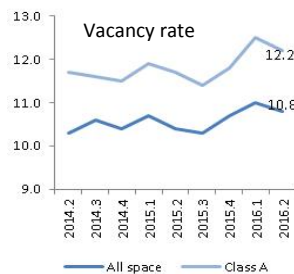


Table 20. DC Class A, B, and C commercial office space: 2016.2

CY (year end)	Buildings	Inventory		Occupied space			Vacancy %		Base rent (direct)		Under constr.	
		Level (msf)	1 yr ch (msf)	Level (msf)	1 yr ch (msf)	% ch	Direct	Total	\$ per sq ft.	1 yr % ch	buildings	msf
Class A	351	95.00	1.05	83.38	0.38	0.5	11.5	12.2	\$53.09	3.8	14	5.26
Class B	861	47.96	-0.54	43.40	-0.57	-1.3	8.9	9.5	\$42.49	2.4	3	0.03
Class C	1,114	10.44	-0.08	10.12	0.05	0.5	3.1	3.1	\$32.82	3.0	0	0.00

Source: CoStar.

Office outlook and value of all property transfers

The value of property transfers over the past 12 months is slightly below the prior year total

•Delta Associates expects the demand for new office space in DC to exceed the new supply over the next two years. DC's share of regional office new supply is estimated at 67.2% and the share of demand at 52.9%.

•The value of June property transfers was up 11.7% from last year as measured by the 3-month moving total. The 12-month moving total (\$13.13billion) was 4.4% lower than last year.

Table 21. Delta Associates outlook for commercial office space: June 2016 (million square feet)

item	2016.1	2016.2
Vacant	9.70	9.60
New supply, next 2 years:*		
Under construction	1.60	4.32
Part of planned for delivery in 2 yr.		
Total	1.60	4.32
Demand, next 2 years	2.80	4.60
Planned for possible delivery in 2 years	8.09	6.39
Proposed/rumored with long term delivery	14.03	14.87

*Supply for next two years represents office buildings currently under construction and a portion of those planned that could deliver by 2018.

For definitions of planned and proposed, see box.

Source: Delta Associates.

Table 22. Delta Associates outlook for commercial office space in DC and the surrounding metro area: June 2016 to June 2018

Indicator	DC	No VA	Sub MD	Total	DC % of total
Inventory June 2016					
Inventory (msf)	141.9	179.9	86.1	407.9	34.8
Estimated net activity to June 2018					
new supply (msf)	4.3	1.9	0.2	6.4	67.2
new demand (msf)	4.6	3.1	0.9	8.7	52.9

Source: Delta Associates msf = million square feet

Note: Planned and proposed projects

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.

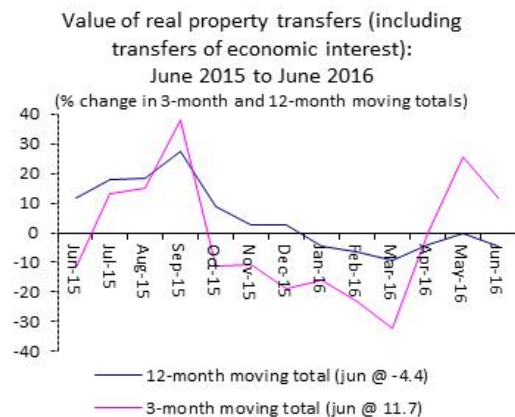
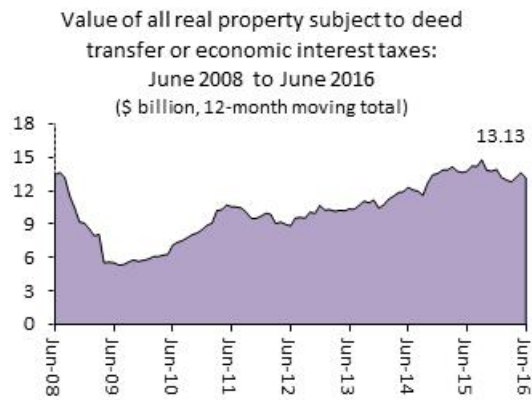


Table 23. Market Value of Real Property transfers subject to the Deed Transfer or Economic Interest tax: June 2016

	FY 2012	FY 2013	FY 2014	FY 2015	12-mo moving total	3-month moving total	This month
All property transfers (\$ million)	9,533.3	11,063.9	11,569.8	14,766.3	13,134.8	3,300.3	1,175.2
change from one year ago (\$M)	-526.2	1,530.6	505.8	3,196.5	-601.5	346.8	-467.8
% change from 1 year ago	-5.2	16.1	4.6	27.6	-4.4	11.7	-28.5

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).

Hospitality

More guests and higher room rates keep hotel room revenue rising at 4.4% over the prior year

● In June the 3-month moving total for hotel room-days sold was 1.6% above a year earlier. The average room rate was 2.8% higher, and revenue was up 4.4%. For the past 12 months, hotel revenue was up 2.0%.

● Employment in food services was 2.1% more in June than a year earlier as measured by the 3-month moving average. Hotel employment was up 2.0%.

● March airline traffic into the DC area was up 5.4% compared to a year earlier as measured by the 3-month moving total. Reagan National was up 6.5%. For the past 12-months, total traffic into the DC area was 6.6% higher.

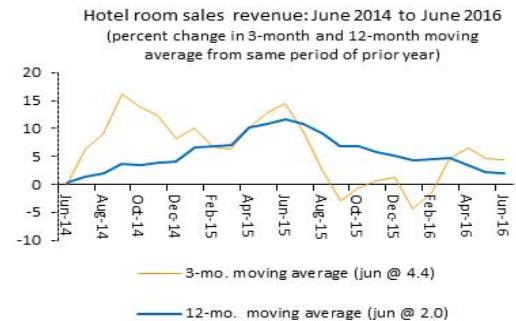
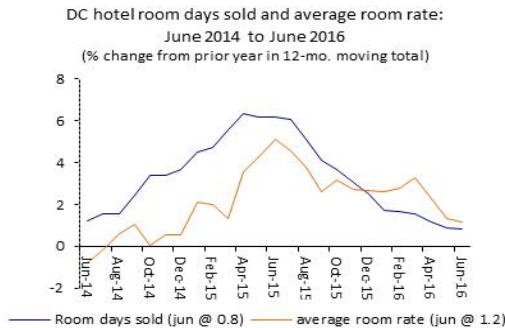


Table 24. Hospitality Industry: June 2016

Indicator	Units	date	FY 2013	FY 2014	FY 2015	12-month moving total or average*	3-month moving total or average*	This month
Hotel stays								
Hotel room-days sold	('M)	jun	7.680	7.869	8.196	8.270	2.341	0.779
			0.062	0.189	0.327	0.066	0.036	0.024
			0.8	2.5	4.2	0.8	1.6	3.2
Average room rate	\$	jun	207.31	209.87	215.33	219.16	253.88	240.98
			3.74	2.56	5.46	2.56	7.02	12.37
			1.8	1.2	2.6	1.2	2.8	5.4
Occupancy rate	%	jun	75.8	76.6	77.5	77.9	87.4	87.8
(average)			0.5	0.8	0.9	0.4	0.3	1.3
			0.6	1.0	1.2	0.5	0.3	1.5
Room revenue	(\$M)	jun	1,592.1	1,651.4	1,764.8	1,812.5	594.3	187.8
			41.4	59.4	113.4	35.5	25.3	15.2
			2.7	3.7	6.9	2.0	4.4	8.8
Airline passengers								
DCA	1 yr % ch	mar	5.5	0.0	10.3	10.2	6.5	8.1
IAD	1 yr % ch	mar	-4.0	-1.9	0.3	1.1	-0.5	2.3
BWI	1 yr % ch	mar	-1.5	-0.5	4.1	8.3	9.7	9.0
Total	1 yr % ch	mar	-0.3	-0.8	4.8	6.6	5.4	6.6
Employment								
Accommodations	level ('000)	jun	15.2	15.2	15.1	15.3	15.6	15.8
			-0.2	0.0	-0.1	0.1	0.3	0.4
			-1.2	-0.2	-0.3	0.8	2.0	2.6
Food and bev	level ('000)	jun	45.1	47.1	49.7	51.2	52.4	52.2
			2.5	2.0	2.6	2.2	1.1	0.7
			5.7	4.3	5.5	4.4	2.1	1.4

* Total for hotel rooms sold and room revenue.

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

US economy and the federal government sector

Second quarter annualized growth rate for US real GDP—1.2%—was a little faster than in the first quarter

- US real GDP growth in the June quarter was estimated at 1.2%; nominal growth was 3.5% (seasonally adjusted, annual rates).
- Federal government consumption and investment for all activities was 1.4% higher in the 2016.2 quarter than a year earlier.
- US employment (seas. adj.) increased by 287,000 in June from the month before.
- The US unemployment rate (seas. adj.) rose to 4.9% in June.
- In June the average S&P 500 index for the month rose 1.0% from May, and was 0.7% below a year earlier.

Quarterly change in US Real and Nominal GDP: 2014.2 to 2016.2

(% change from the previous quarter at annual rates)

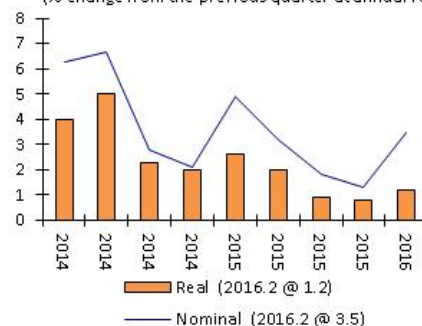


Table 27. Federal government sector, US GDP accounts: 2016.2

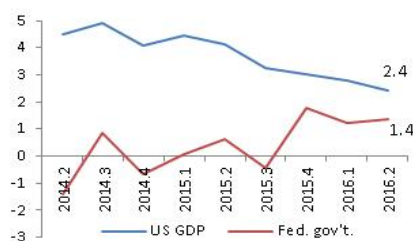
(percent change from same period of prior year)

Indicator	FY 2013	FY 2014	FY 2015	12-mo avg	2016.2
Non-defense					
Compensation of employees	-0.4	1.7	4.1	4.6	3.8
Purchases of goods and services	-4.9	-1.7	8.0	9.8	8.6
Gross investment	-3.7	-0.4	3.0	2.6	0.8
Defense					
Compensation of employees	-3.5	-0.6	-0.8	-0.3	1.5
Purchases of goods and services	-9.0	-7.2	-5.2	-3.6	-3.2
Gross investment	-8.2	-4.2	-4.5	-2.2	2.1
All federal consumption and investment	-4.1	-1.8	-0.1	0.8	1.4

Source: BEA (July 29, 2016). Nominal values.

Federal government consumption and investment and US GDP: 2014.2 to 2016.2

(Nominal.; % change from same Q of the prior year)



Federal government consumption and investment, by defense and non-defense: 2014.2 to 2016.2

(Nominal.; % change from same Q of the prior



Table 26. Qtr. to Qtr. ch. in US GDP: 2015.2 to 2016.2

(% ch. from previous quarter at seasonally adj. annual rates)

Indicator	2015.2	2015.3	2015.4	2016.1	2016.2
US GDP real	2.6	2.0	0.9	0.8	1.2
US GDP nominal	4.9	3.2	1.8	1.3	3.5
Wages and salaries	6.1	4.4	6.6	-0.5	2.4
Personal income	5.7	4.0	3.4	1.3	2.8

Note: GDP=Gross Domestic Product Source: BEA, updated July 29, 2016.

Table 25. US GDP, income, and inflation: 2016.2

(percent change from same period of prior year)

Indicator	FY 2013	FY 2014	FY 2015	12-mo avg	2016.2
US GDP real	1.3	2.4	2.8	1.7	1.2
US GDP nominal	3.0	4.3	4.0	2.9	2.4
US Personal income	3.0	3.5	4.9	3.7	2.9
US wages	3.9	4.0	5.2	4.4	3.3
Corporate profits*	2.6	5.4	-1.6	na	na
S and P stock index	16.7	20.3	9.7	-0.6	-1.3
US CPI	1.6	1.6	0.3	0.7	1.0
Balt/Wash. area CPI	1.6	1.7	0.4	0.8	na

Source: BEA (July 29, 2016), BLS, Yahoo.

na= not available. *Before tax, w/o IVV and CCAAdj.

Table 28. Monthly selected US Indicators: March 2016 to June 2016

Indicator	March	April	May	June
S and P stock index (level)	2022	2076	2066	2086
% change from prior month	6.2	2.6	-0.5	1.0
% change from 1 year ago	-2.8	-0.9	-2.2	-0.7
10 yr. Treasury Interest rate (level)	1.89	1.80	1.80	1.64
CPI % ch from prior month (seasonally adjusted)	0.09	0.41	0.22	0.22
CPI % ch from prior year (seasonally adjusted)	0.87	1.14	1.07	1.05
Jobs (seasonally adjusted level, in millions)	143.73	143.88	143.89	144.18
change from prior month (thousands)	186	144	11	287
% change from prior month	0.13	0.10	0.01	0.20
Resident employment (season. adj. level, in mil.)	151.32	151.00	151.03	151.097
change from prior month (thousands)	246	-316	26	67
% change from prior month	0.16	-0.21	0.02	0.04
Unemployment rate (seasonally adj.)	5.0	5.0	4.7	4.9

Source: BLS and Yahoo! Finance.

DC tax collections

**Total DC tax collections (before earmarking):
June 2011 to June 2016**
(12-month moving total in June 2016 is \$6,989 million)

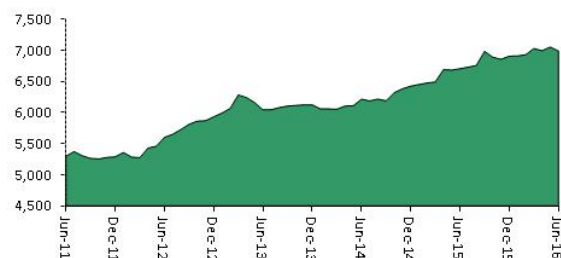


Table 29. Tax Collections (before earmarking): June 2016 (Preliminary)

Tax	Revenue (from CAFR)				Tax collections			
	FY 2012	FY 2013	FY 2014	FY 2015	12-month moving total	FY 2016 to date	3-month moving total	This month
Total taxes	5,853.3	6,100.5	6,290.0	6,916.8	6,988.7	4,728.3	1,843.7	465.6
1 year change	528.0	247.2	189.5	656.9	285.1	5.8	-40.1	-63.5
% change	9.9	4.2	3.1	10.0	4.3	0.1	-2.1	-12.0
Real property	1,822.0	1,914.8	2,015.6	2,194.5	2,304.6	1,187.7	443.4	-0.3
1 year change	106.9	92.8	100.7	178.9	214.0	-10.0	-40.4	-4.7
% change	6.2	5.1	5.3	8.9	10.2	-0.8	-8.3	na
General sales	1,111.0	1,137.9	1,172.1	1,315.3	1,311.2	987.9	366.2	118.1
1 year change	67.6	26.8	34.2	143.2	85.1	57.0	25.6	6.8
% change	9.5	2.4	3.0	12.2	6.9	6.1	7.5	6.1
Individual income	1,490.7	1,640.9	1,679.2	1,868.0	1,857.7	1,405.4	568.6	168.8
1 year change	194.1	150.2	38.3	188.9	13.5	-16.0	-29.1	-18.5
% change	15.0	10.1	2.3	11.2	0.7	-1.1	-4.9	-9.9
withholding	1,321.6	1,391.2	1,472.9	1,553.2	1,607.8	1,228.1	400.3	115.4
1 year change	129.5	69.6	81.7	80.3	45.1	27.9	16.7	-3.6
% change	10.9	5.3	5.9	5.4	2.9	2.3	4.4	-3.0
non-withholding	169.1	249.6	206.2	314.8	249.9	177.3	168.3	53.3
1 year change	64.6	80.6	-43.4	108.6	-31.5	-44.0	-45.8	-14.9
% change	61.9	47.7	-17.4	52.6	-11.2	-19.9	-21.4	-21.9
Corporate income	302.9	299.0	280.2	308.0	336.1	277.0	88.2	50.9
1 year change	86.6	-3.9	-18.8	27.8	13.0	19.1	-15.8	-10.9
% change	40.1	-1.3	-6.3	9.9	4.0	7.4	-15.2	-17.6
Unincorporated Bus.	163.0	154.3	135.4	139.8	150.9	130.2	83.7	23.1
1 year change	19.6	-8.7	-18.9	4.4	-7.0	2.4	5.9	-1.9
% change	13.6	-5.3	-12.3	3.2	-4.4	1.8	7.5	-7.5
Deed taxes*	312.5	372.8	391.2	480.6	444.7	317.4	124.0	45.8
1 year change	1.3	60.3	18.4	89.4	-7.7	-35.9	31.6	-5.9
% change	0.4	19.3	4.9	22.8	-1.7	-10.2	34.2	-11.3
Other taxes	651.1	580.8	616.4	610.6	583.5	422.6	169.7	59.1
1 year change	23.3	-70.4	35.6	-5.8	-26.0	-10.8	-17.9	-28.5
% change	3.7	-10.8	6.1	-0.9	-4.3	-2.5	-9.5	-32.5

*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.

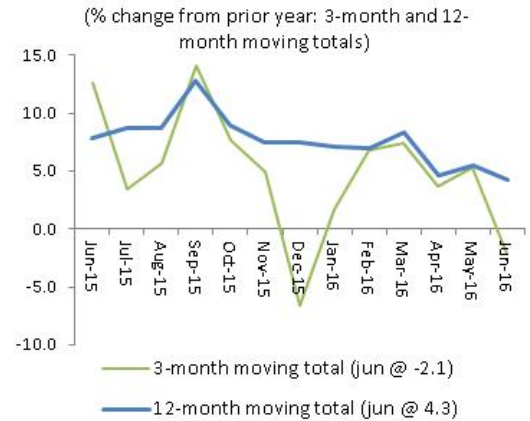
(2) Tax collections data subject to accounting adjustments.

(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.

Sales taxes continue to show strong gains over last year; income taxes do not

- For the 12 month period ending June total tax collections (before earmarking) were \$285.1 million (4.3%) more than in the prior year. For the last 3 months they were 2.1% below last year.
- Individual income tax collections were 0.7% above last year for the 12-months ending June and withholding was 2.9% higher. For the past 3 months, withholding was up 4.4% and all collections were down 4.9%.
- General sales tax collections were 6.9% above last year for the 12-months ending June. For the past 3 months, they were 7.5% above last year.
- Deed tax collections for the 12-months ending May were down 1.7% from last year; for the past 3 months they were up 34.2%.
- Corporate income taxes in June were up 4.0% and unincorporated business income taxes fell 4.4% from last year (12-mo. total).

**Total tax collections (before earmarks):
June 2015 to June 2016**



**General Sales tax collections (before earmarks):
June 2015 to June 2016**



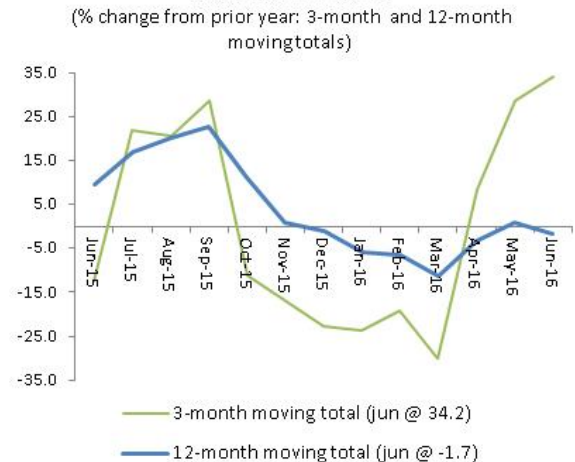
**Withholding for the Individual Income tax:
June 2015 to June 2016**



**General Sales tax and Withholding for the Individual
Income tax:
June 2015 to June 2016**



**Deed tax collections (before earmarks):
June 2015 to June 2016**



US economic forecasts

The July Blue Chip forecast for the US economy was little changed for FY 2016 and FY 2017

- The July Blue Chip Indicators kept its forecast for real GDP growth in FY 2016 at 1.9% and the FY 2017 estimate at 2.2%. Both years are lower than the actual for 2014 and 2015 (2.4% and 2.6%, respectively).
- The Blue Chip Indicators July forecast for inflation (CPI) : 1.0% for FY 2016 and 2.1% in FY 2017.
- S&P 500 July baseline forecasts are slightly higher. Global Insight's forecast: 5.2% annual gain in the 4th quarter of 2016 is up from 3.9% in June. Moody's Analytics expects a 3.2% 4th quarter increase in 2016, up from 1.0% in June.

Table 30. Forecasts for US nominal and real GDP:

Fiscal year and date of forecast	FY 2013 through FY 2017 (% change from prior fiscal year)					
	real			nominal		
	Blue Chip	Moody's Analytics	IHS Global Insight	Blue Chip	Moody's Analytics	IHS Global Insight
FY 2013 Actual	1.2	1.2	1.2	2.9	2.9	2.9
FY 2014 Actual	2.4	2.4	2.4	4.2	4.2	4.2
FY 2015 Actual	2.6	2.6	2.6	3.6	3.6	3.6
FY 2016						
April	1.9		2.0	3.3		4.2
May	1.8	1.8	1.7	3.0	3.1	3.1
June	1.9	1.9	1.9	3.1	2.9	3.2
July	1.9	2.0	1.9	3.1	2.9	3.2
FY 2017						
April	2.3		2.7	4.2		6.0
May	2.2	2.8	2.5	4.1	4.7	5.7
June	2.2	2.7	2.5	4.1	4.5	5.5
July	2.2	2.8	2.3	4.0	4.4	5.3

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

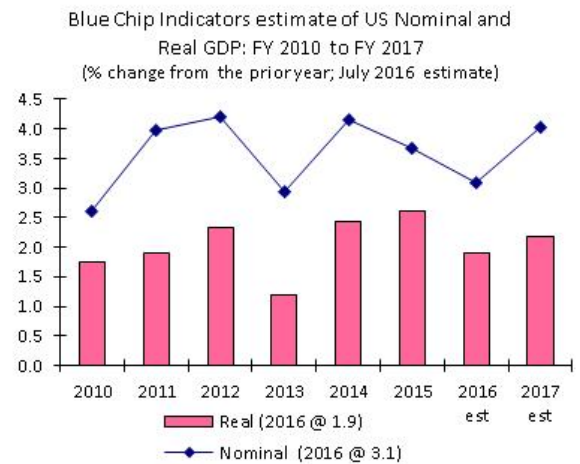


Table 31. CBO estimates of GDP and other indicators: FY 2015 to FY 2018

Indicator	FY 2015	FY 2016	FY 2017	FY 2018
Real GDP (% ch from prior yr.)	2.6	2.3	2.6	2.3
Nominal GDP (% ch from prior yr.)	3.6	3.8	4.3	4.3
CPI (% ch from prior yr.)	0.3	1.0	2.2	2.4
10 yr. Treasury bond rate	2.2	2.6	3.3	3.8
Unemployment rate	5.5	4.8	4.4	4.5

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026*, January 2016

Table 32. Blue Chip forecasts for CPI and 10 year Treasury interest rate: FY 2015 to FY 2017

Forecast date	(% change from prior fiscal year)					
	CPI			10 yr Treasury rate		
	2015	2016	2017	2015	2016	2017
Apr	0.3	1.0	2.1	2.2	2.1	2.6
May	0.3	0.9	2.1	2.2	2.0	2.5
Jun	0.3	1.0	2.1	2.2	2.1	2.4
Jul	0.3	1.0	2.1	2.2	1.9	2.1

Source: Blue Chip Indicators

Table 33. IHS Global Insight forecast for S and P 500: 2014.4 to 2016.4

Forecast date	% change from prior year			% change from prior year		
	2014.4	2015.4	2016.4	2014.4	2015.4	2016.4
	Global Insight: baseline			Global Insight: pessimistic		
March	13.6	2.0	-0.8	13.6	2.0	-30.8
April	13.6	2.0	2.4	13.6	2.0	-28.5
May	13.6	2.0	3.9	13.6	2.0	-3.3
June	13.6	2.0	3.9	13.6	2.0	-3.3
July	13.6	2.0	5.2	13.6	2.0	-2.0

Source: IHS Global Insight

Table 34. Moody's Analytics forecast for S and P 500: 2014.4 to 2016.4

Forecast date	% change from prior year			% change from prior year		
	2014.4	2015.4	2016.4	2014.4	2015.4	2016.4
	Economy.com baseline			Economy.com pessimistic		
March	13.6	2.0	-3.6	13.6	2.0	-7.9
April	13.6	2.0	-3.2	13.6	2.0	-6.6
May	13.6	2.0	1.0	13.6	2.0	-2.5
June	13.6	2.0	3.2	13.6	2.0	-0.4

Source: Moody's Analytics (Economy.com.)

July baseline forecasts for DC: continued growth in FY 2016 and FY 2017.

●**Employment:** Employment forecasts for FY 2016 are close to the FY 2015 actual of 12,500 with slower gains in FY 2017. The growth in the number of employed DC residents in FY 2016 is estimated to be less than FY 2015's 13,300 increase and also less than the number of new jobs located in DC. (Recently resident employment has been growing by more.) DC's unemployment rate is expected to stay above 6% in FY 2016 and FY 2017.

●**Income.** Although similar in their job outlooks, Global Insight and Moody's Analytics differ in their outlook for income. Global Insight estimates DC Personal Income will be higher in FY 2016 and FY 2017 than it was in FY 2015. Global Insight's Personal Income growth for DC is above the national average, whereas Moody's Analytics shows it below the US average.

Table 35. Jobs in DC: forecasts for FY 2014 to FY 2017

(amount of change from prior year, in thousands of jobs)

Date of estimate	Global Insight: baseline				Global Insight: pessimistic				Moody's Analytics: baseline				Moody's Analytics: pessimistic			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Apr	6.3	12.5	11.4	8.1	6.3	12.5	10.5	1.6								
May	6.3	12.5	10.8	7.5	6.3	12.5	10.4	3.4	6.3	12.5	9.8	7.5	6.3	12.5	9.4	1.4
June	6.3	12.5	10.7	7.5	6.3	12.5	10.5	4.2	6.3	12.5	9.3	6.7	6.3	12.5	8.9	0.7
July	6.3	12.5	12.1	8.3	6.3	12.5	12.0	5.2	6.3	12.5	13.9	11.3	6.3	12.5	13.5	5.2

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

Table 36. DC Resident employment: forecasts for FY 2014 to FY 2017

(amount of change from prior year, in thousands of jobs)

Date of estimate	Global Insight: baseline				Global Insight: pessimistic				Moody's Analytics: baseline				Moody's Analytics: pessimistic			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Apr	3.9	13.3	8.9	7.5	3.9	13.3	8.6	4.0								
May	3.9	13.3	9.1	7.3	3.9	13.3	8.9	5.0	3.9	13.3	9.0	6.4	3.9	13.3	8.8	3.7
June	3.9	13.3	8.1	6.5	3.9	13.3	7.9	4.8	3.9	13.3	8.5	6.1	3.9	13.3	8.3	3.4
July	3.9	13.3	10.9	8.3	3.9	13.3	10.8	6.7	3.9	13.3	11.3	8.5	3.9	13.3	11.0	5.8

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

Table 37. DC Personal Income: forecasts for FY 2014 to FY 2017

(percent change from prior year)

Date of estimate	Global Insight: baseline				Global Insight: pessimistic				Moody's Analytics: baseline				Moody's Analytics: pessimistic			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Apr	2.7	4.1	4.9	5.2	2.7	4.1	4.0	0.3								
May	2.7	4.1	5.0	4.9	2.7	4.1	5.1	5.3	2.7	4.1	3.7	1.5	2.7	4.1	3.6	-0.4
Jun	2.7	4.1	5.3	5.4	2.7	4.1	5.4	6.0	2.7	4.1	3.6	1.3	2.7	4.1	3.4	-0.6
Jul	2.7	4.1	4.9	5.2	2.7	4.1	4.9	5.9	2.7	4.1	4.3	1.4	2.7	4.1	4.1	-0.5

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

Table 38. July forecasts for employment and Personal Income for DC, the metro area, and the US: FY 2014 to FY 2017

(percent change from prior year)

Indicator	Global Insight				Moody's Analytics			
	2014	2015	2016	2017	2014	2015	2016	2017
Wage and salary jobs								
DC	0.8	1.7	1.6	1.1	0.8	1.7	1.8	1.4
Metro area					0.4	1.6	2.1	1.3
US	1.8	2.1	1.8	1.4	1.8	2.1	1.8	1.5
Personal Income								
DC	2.7	4.1	4.9	5.2	2.7	4.1	4.3	1.4
Metro area					2.2	4.3	4.5	6.3
US	3.0	4.7	4.2	4.3	3.0	4.7	4.1	4.8

Source: IHS Global Insight and Moody's Analytics. Baseline forecasts

Table 39. July DC forecasts for wages and unemployment: FY 2014 to FY 2017

(percent change from prior year)

	Global Insight				Moody's Analytics			
	2014	2015	2016	2017	2014	2015	2016	2017
Wages and salaries earned in DC								
	3.1	4.9	4.8	4.7	3.1	4.9	4.8	3.9
DC resident wages and salaries								
	3.0	4.4	5.6	6.5	3.0	4.4	4.9	-0.3
DC Unemployment rate (level)								
	7.9	7.2	6.4	6.1	7.9	7.2	6.3	6.3

Source: IHS Global Insight and Moody's Analytics (Economy.com). Baseline forecasts.

DC revenue estimate

The February revenue estimate: \$31 million less in FY 2016 than in FY 2015, followed by a \$244 million increase in FY 2017

● Anticipated tax revenue decline (before earmarks) is 0.4% in FY 2016, followed by a 3.5% increase in FY 2017. The estimates reflect growth in the DC economy, but the decline in FY 2016 results from a one-time revenue gain in FY 2015 from settlement payments for past due sales taxes from on-line hotel bookings, extraordinary gains from certain taxes, and the effects of scheduled tax cuts enacted in September 2015.

● Real property tax growth of \$163 million in FY 2016 is offset by decreases in other taxes in that year. Real property is also the leading source of revenue gain in FY 2017. Individual income tax revenue increased 11.2% in FY 2015, but is estimated to fall 0.6% in FY 2016 reflecting both tax cuts and extraordinary capital gains in FY 2015. Sales (due to the hotel booking settlement), deed taxes, and business income are projected to fall in FY 2016.

● As a share of DC Personal Income, tax revenue in FY 2016 is expected to fall to 13.9% from 14.6% in FY 2015.

Table 40. DC Tax Revenue (before earmarks) for FY 2014 through FY 2017: February 2016 revenue estimate

Tax	FY level (\$ million)				Change from prior year (\$ M)				% change from prior year			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Real property	2,015.6	2,194.5	2,357.2	2,456.7	100.7	178.9	162.7	99.5	5.3	8.9	7.4	4.2
Deed taxes	391.2	480.6	361.2	367.7	24.0	89.4	-119.4	6.5	6.5	22.8	-24.8	1.8
General sales	1,172.1	1,315.3	1,290.8	1,344.4	34.2	143.2	-24.4	53.5	3.0	12.2	-1.9	4.1
Individual income	1,679.2	1,868.0	1,857.0	1,930.4	38.3	188.9	-11.1	73.4	2.3	11.2	-0.6	4.0
Withholding	1,472.9	1,553.2	1,615.0	1,678.9	81.7	80.3	61.7	64.0	5.9	5.5	4.0	4.0
non-withholding	206.2	314.8	242.0	251.5	-43.4	108.6	-72.8	9.5	-17.4	52.7	-23.1	3.9
Business income	415.6	447.8	420.9	427.7	-37.7	32.2	-26.9	6.8	-8.3	7.8	-6.0	1.6
Other	616.4	610.6	599.0	603.5	30.1	-5.8	-11.7	4.6	5.1	-0.9	-1.9	0.8
Total	6,290.0	6,916.8	6,886.1	7,130.5	189.5	626.9	-30.8	244.4	3.1	10.0	-0.4	3.5

Source: ORA. February 26, 2016 revenue estimate under existing legislation. Deed taxes include economic interest. The table includes tax revenue only, before all earmarks, and excludes all non-tax revenues, lottery, and "O-type" earmarked revenues. FY 2014 and FY 2015 are from the CAFR.

Table 41. DC labor market assumptions: FY 2014 to FY 2017

item	2014	2015	2016	2017
Wage and salary employment	751,483	762,800	772,403	778,754
1 year change	6,000	11,317	9,603	6,351
% change	0.8	1.5	1.3	0.8
DC resident employment	344,826	356,540	365,433	370,564
1 year change	3,434	11,714	8,893	5,130
% change	1.0	3.4	2.5	1.4
Unemployment rate	7.9	7.4	6.5	6.4

Source: ORA February 2016 revenue estimate.

Table 42. DC Income and stock market assumptions: FY 2014 to FY 2017 (% change from prior year)

item	2014	2015	2016	2017
Wages and salaries earned in DC	3.1	5.1	4.2	3.9
Wages and salaries earned by DC residents	3.0	4.6	4.5	4.0
DC Personal income	2.7	4.2	4.0	4.2
S and P 500 stock index	13.6	2.0	0.5	3.5

Source: ORA February 2016 revenue estimate. Stock index, on a calendar year basis, represents the % change from the December quarter of the prior year.

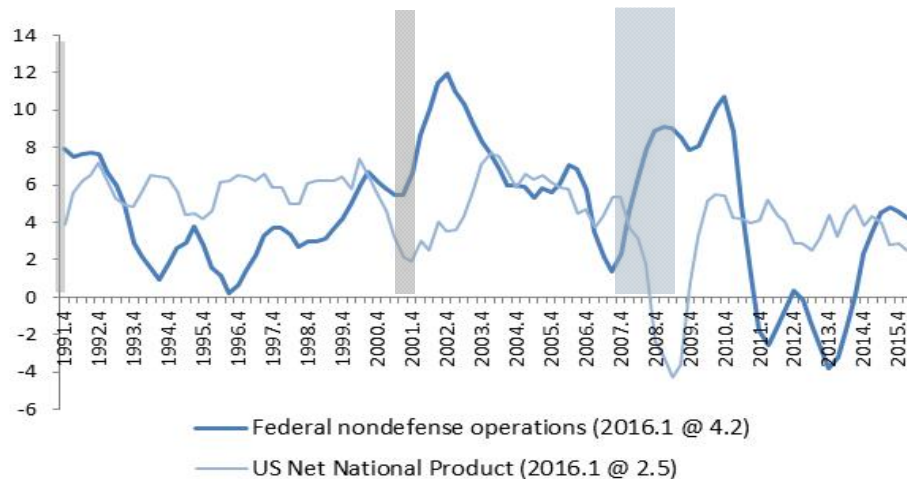
Table 43. DC tax revenue (before earmarks) and DC Personal Income: FY 2009 to FY 2018

item	2009	2010	2011	2012	2013	2014	2015	2016 est	2017 est	2018 est
Tax revenue (\$ million)										
Level	5,052	5,005	5,325	5,853	6,100	6,290	6,917	6,886	7,130	7,381
Change from prior year	-273	-47	320	528	247	189	627	-31	244	251
Percent change from prior year										
Tax revenue	-5.1	-0.9	6.4	9.9	4.2	3.1	10.0	-0.4	3.5	3.5
Personal Income	-0.7	1.5	8.0	5.2	2.8	2.7	4.2	4.0	4.2	4.7
Tax revenue as percent of Personal Income										
	13.5	13.2	13.0	13.5	13.7	13.8	14.6	13.9	13.8	13.7

Source: ORA. February 26, 2016 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 national economy, and nondefense spending growth was actually negative on several occasions.

Federal nondefense spending for operations and US Net National Product:
1991.4 to 2016.1
(% change from the prior year in the 12-month moving average)



Source: BEA (US recessions marked by shaded area.)

Risks for DC. The risks to DC from federal efforts to reduce the deficit by spending cuts depend on what would be cut. Clearly, substantial changes in the trajectory of federal spending will have to come from areas other than nondefense operations which only represent 10% of all spending. However, these nondefense expenses, which are considered discretionary spending for budget purposes (as opposed to things like mandated entitlement programs or interest on the debt), have been a focus of the recent deficit reduction measures taken by Congress.

The Budget Control Act of 2011 specified that, in the absence of other measures to reduce spending during the 2013 to 2021 period, equal cuts would automatically be made to defense and nondefense discretionary spending. These cuts (the sequester) went into effect in FY 2014 and FY 2015. The Bipartisan Budget Act of 2015 canceled the sequester for FY 2016 and FY 2017, replacing them with higher spending limits, but the sequester caps are still effective for FY 2018 (which begins October 2017). If the caps are allowed to take place, federal nondefense discretionary outlays will be lower in FY 2018 and FY 2019 than they were in FY 2017.

As shown in the chart above, over the course of the last year, with the sequester caps lifted, federal spending for nondefense operations increased, most recently to a rate just above that for the US economy. It is surely no coincidence that over the past year the federal sector once again became a source of growth for DC's economy. From June 2015 to June 2016, the federal civilian sector added 2,667 more jobs in DC (25% of all net new jobs) and from 2015.1 to 2016.1 \$1.1 billion more wages and salaries in DC (36% of all net wage increases).

The potential for a FY 2018 sequester is the most obvious, but not the only, fiscal policy risk the District faces. Whether or not the sequester takes place, CBO anticipates that under current policies discretionary spending will likely decline relative to the economy over the coming years. This would make it less likely that the federal sector would be a significant source of growth to the District's economy. Furthermore, if constraints on federal nondefense spending remain in place when the US economy slows or goes into recession, the countercyclical boost from federal spending that has helped carry DC through many past recessions will be less likely to occur.

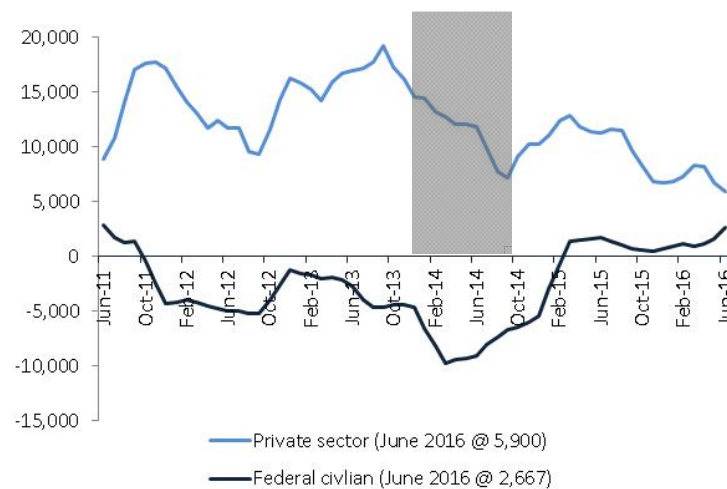
Finally, the actual effects on DC of any policy efforts to reduce federal deficits by cutting spending will depend on the specific nature of those cuts. Will their primary effects be on employment or on purchases of goods and services? Will DC's share of federal spending rise or fall? (DC's share of all federal civilian employment has been quite steady over the past 25 years—it was 7.2% in June 1991 and again in March 2016.)

Currently, slowing private sector growth in DC heightens the risk from fiscal policy changes. The significance of the risk to DC’s economy from changes in federal fiscal policy depends on what else is going on in DC’s economy.

- In the early 1990’s, reduced federal spending coincided with a US recession, falling DC jobs and population, and continuing DC governance issues. The reduction became a contributing factor to the establishment of the Control Board in 1995.
- The FY 2014 and FY 2015 sequester period occurred at a time when DC’s population was growing and the private sector was showing strong growth. Consequently, the economy continued to do fairly well during those years. (The effects were much more severe in the suburban areas of the Washington Metropolitan area where defense spending was more important than in DC.)
- Currently, growth in DC’s private sector has been slowing over the past few months. If this continues, the impact of changes in federal fiscal policy could be more noticeable than they were in the FY 2014 to FY 2015 period.

**DC private sector and federal civilian employment:
June 2011 to June 2016**

(change in number of jobs from the prior year, calculated from 3-month moving averages)



Source: BLS. Shaded area is first sequester year.

—Stephen Swaim, DC Office of Revenue Analysis

Note: Additional tables and charts on the next page.

Federal nondefense spending for employees, goods, and services: 2016.1

	\$ billion	% of total
Employee compensation	177.2	42.1
Intermediate purchase of goods and services		
Durable	3.9	0.9
Non durable	23.9	5.7
Services	95.2	22.6
Investment		
Structures	13.0	3.1
Equipment	20.4	4.8
Intellectual property		
Software	18.5	4.4
Research and development	68.7	16.3
Total	420.8	100.0

Source: BEA, National Income and Product Accounts. Excludes \$104.1 billion in allowance for consumption of fixed capital.

Nondefense operating expenses as percent of federal spending for all purposes: 2016.1
(\$ billion)

Nondefense operations spending	420.8
All federal spending	4,104.9

Non federal operations as % of total 10.3%

Source: BEA National Income and Product Accounts. Excludes all allowances for consumption of fixed capital.

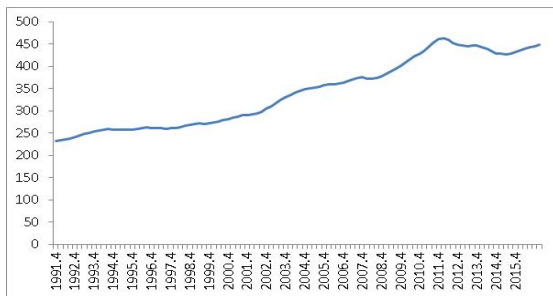
Nondefense operating expenses as percent of US Net National Product: 2016.1
(\$ billion)

Federal expenditure	420.8
Net National Product	15,580.6

Non federal operations as % of total 2.7%

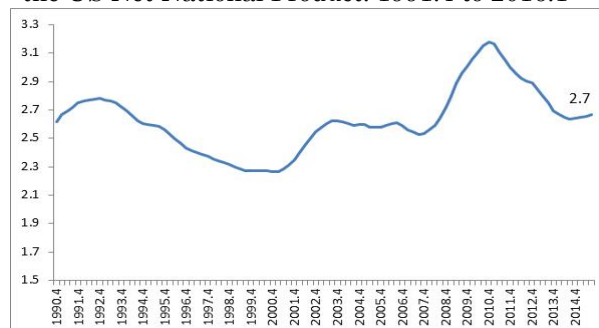
Source: BEA National Income and Product Accounts. Excludes all allowances for consumption of fixed capital. Net National Product is used to exclude consumption of fixed capital from GDP.

Inflation-adjusted federal nondefense operations expenses: 1991.4 to 2016.1



Source: BEA National Income Accounts. Calculated using the GDP deflator and the 12-mo. moving avg.

Federal nondefense operations expenses as % of the US Net National Product: 1991.4 to 2016.1



Source: BEA National Income Accounts. Calculated using 12-month moving averages.

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."

District, Measured. Information on the economic and demographic trends taking shape in the city can be found on the ORA Blog, District, Measured (districtmeasured.com). You can sign up at the blog page to receive updates as new articles are posted.

Recent ORA reports:

Revised revenue estimate, June 30, 2016.

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, 2015. Details on all DC taxes.

Tax Rates and Tax Burdens 2014 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 2014 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 44. Information sources

Indicator	Source	Period covered in this report	Next release
D.C. Jobs and Labor Force information	BLS	June	August 19
D.C. Personal Income	BEA	2016.1	September 28
D.C. Tax Collections	OTR/ORA	June	c. July 15
D.C. Housing Sales	MRIS*	June	c. August 10
D.C. Commercial Office Building data	CoStar and Delta	2016.2	c. September 10
DC Apartment data	CoStar and Delta	2016.2	c. September 10
D.C. Hotel stay information	Smith Travel Research	June	c. August 20
Consumer Price Index	BLS	June	August 16
U.S. Jobs and Labor Force	BLS	June	August 5
U.S. GDP and Personal Income	BEA	2016.2	August 26
S and P 500 Stock Index	Financial press	June	August 1
Interest rate on 10-Year Treasury Securities	Financial press	June	August 1
IHS Global Insight D.C. forecast	Global Insight	July	c. August 15
Moody's Analytics D.C. forecast	Moody's Analytics	July	c. August 25
Blue Chip Economic Indicators for the U.S.	Aspen Publishers	July	c. August 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* 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.

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