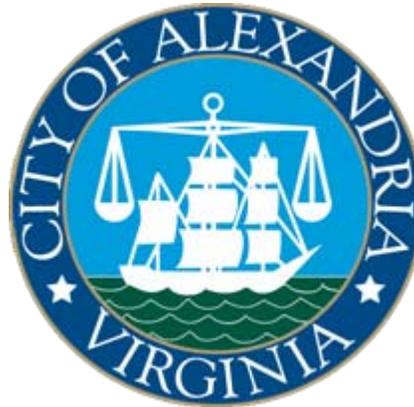


Economic Outlook

National, Regional, and Local

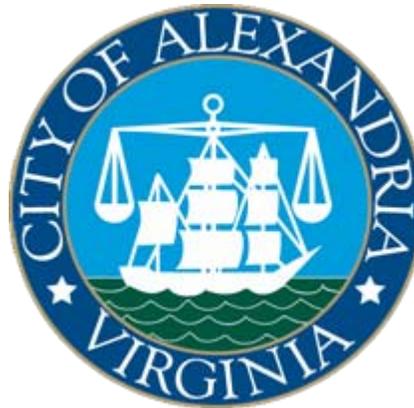


Data Sources

- **GMU Center for Regional Analysis**
- **Delta Associates**
- **Prudential, S&P**
- **Travel Economics**
- **Bureau of Economic Analysis**
- **calculatedrisk.blogspot.com**
- **Federal Reserve Board**
- **Jones Lang LaSalle**



National Economic Outlook



Data Sources

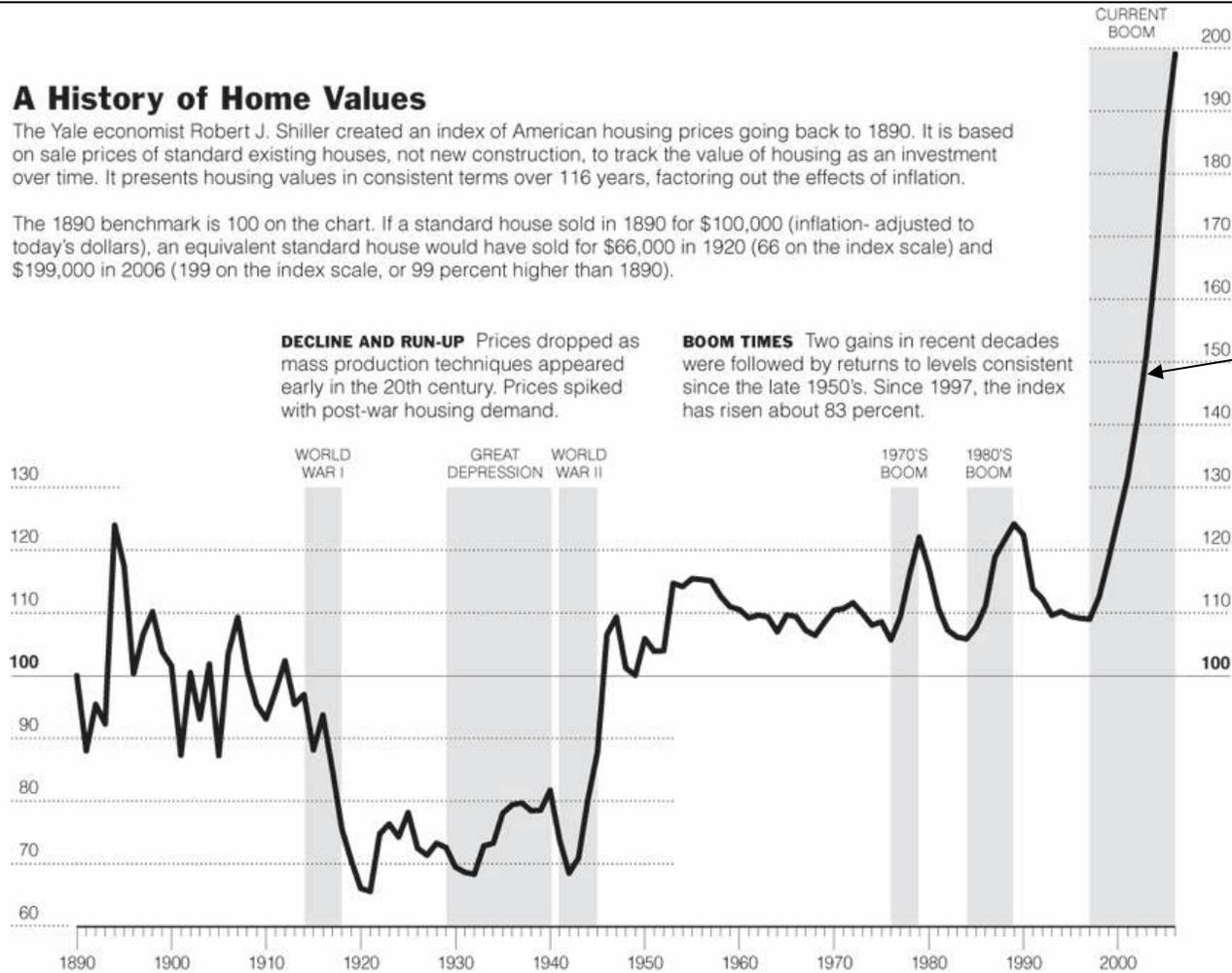
A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

DECLINE AND RUN-UP Prices dropped as mass production techniques appeared early in the 20th century. Prices spiked with post-war housing demand.

BOOM TIMES Two gains in recent decades were followed by returns to levels consistent since the late 1950's. Since 1997, the index has risen about 83 percent.

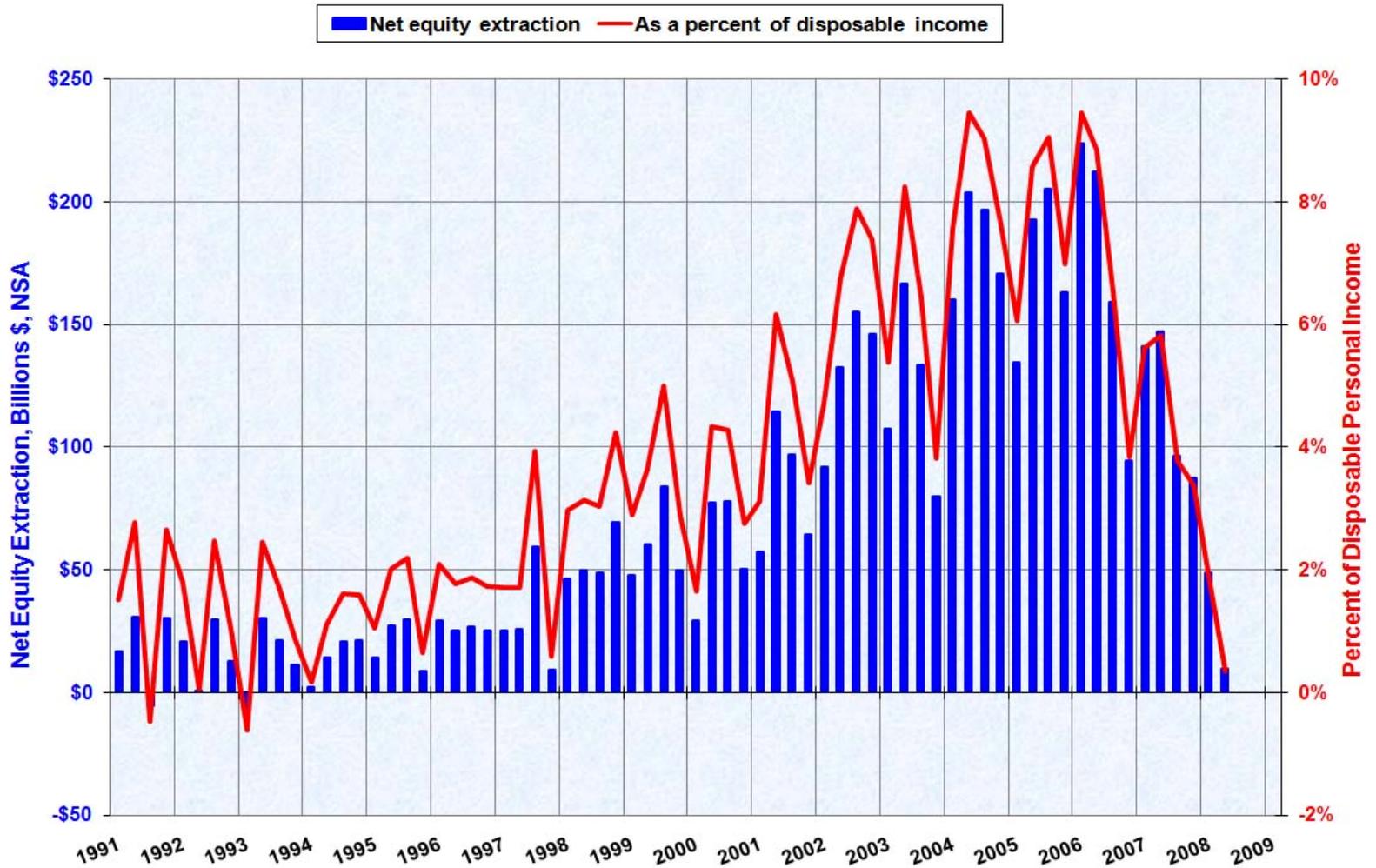


Source: "Irrational Exuberance," 2nd Edition, 2006, by Robert J. Shiller

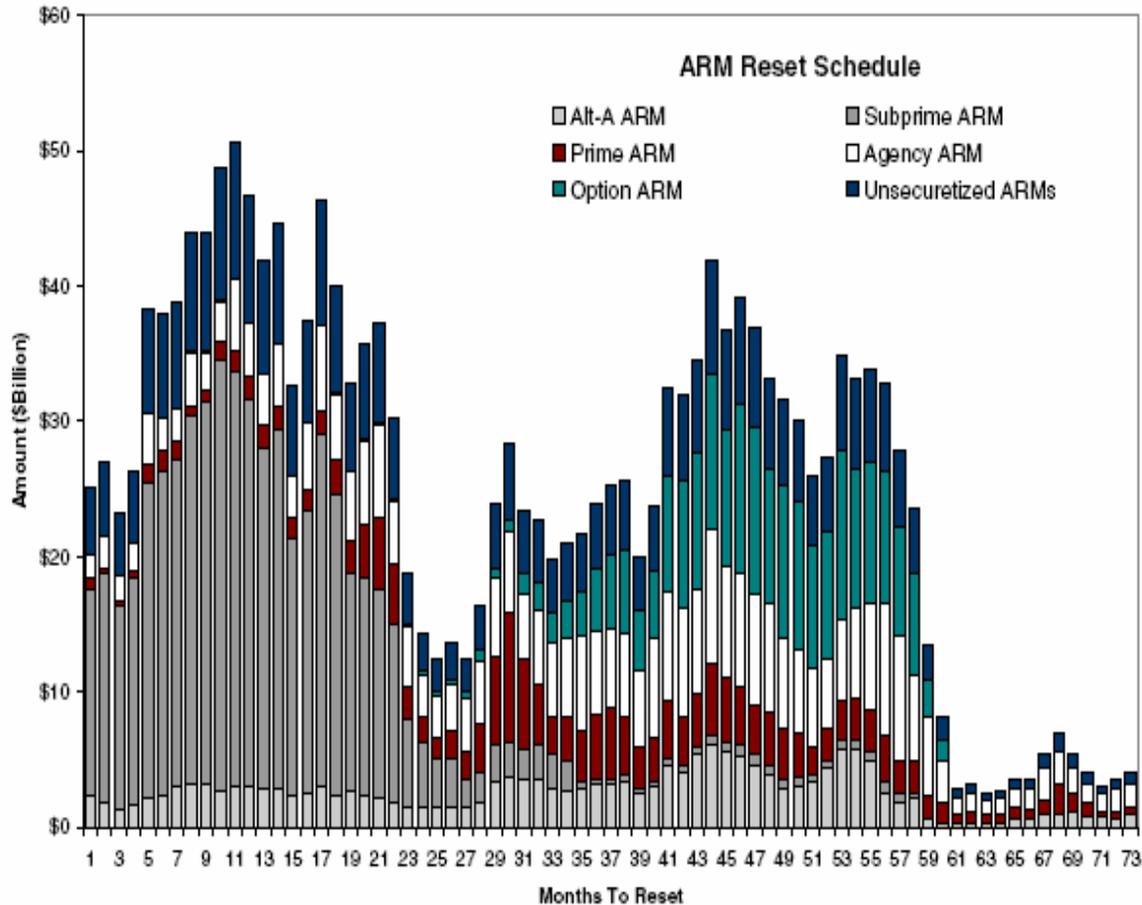
Bill Marsh/The New York Times



MEW, Billions of Dollars, Quarterly, Kennedy-Greenspan



Adjustable Rate Mortgage Reset Schedule



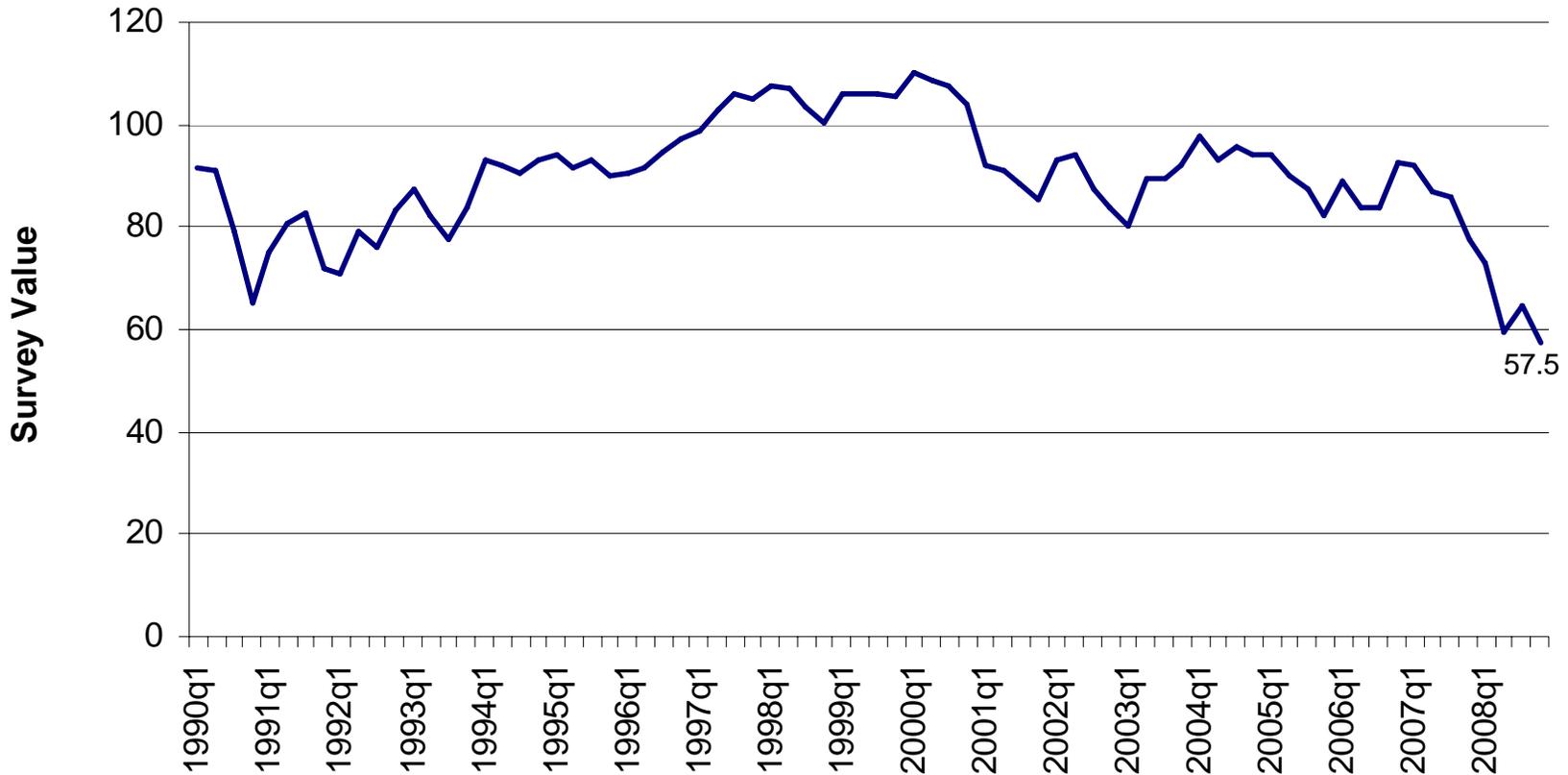
Note: Data as of January 2007.

Source: Credit Suisse Fixed Income U.S. Mortgage Strategy.

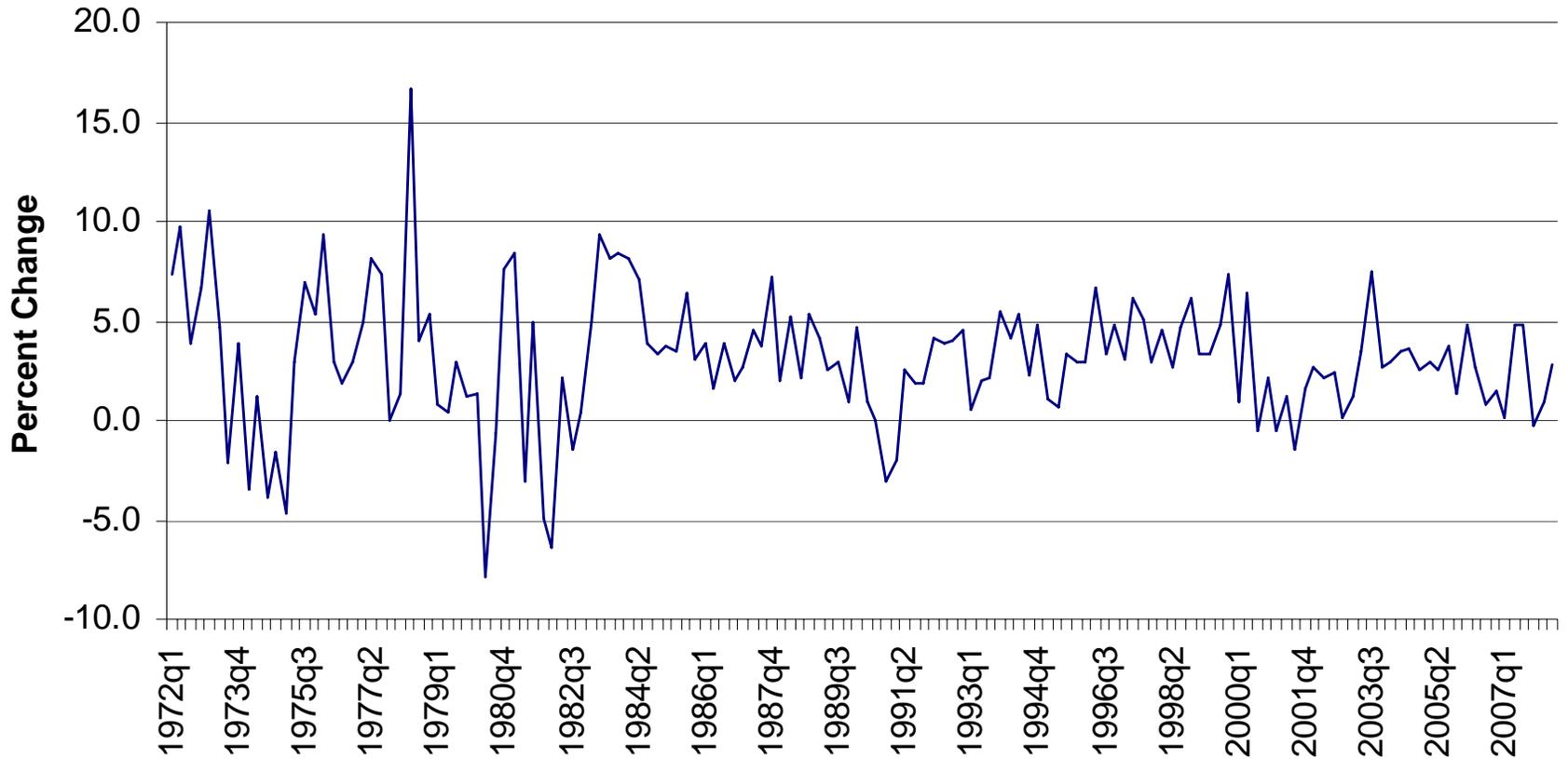


Consumer Confidence Survey

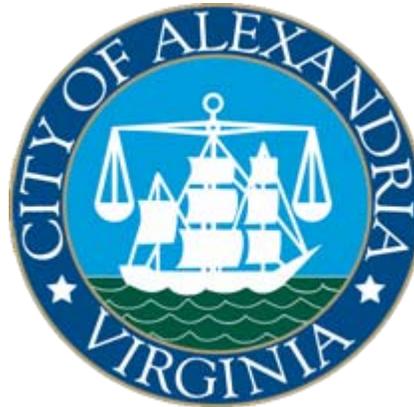
University of Michigan 1990-2008



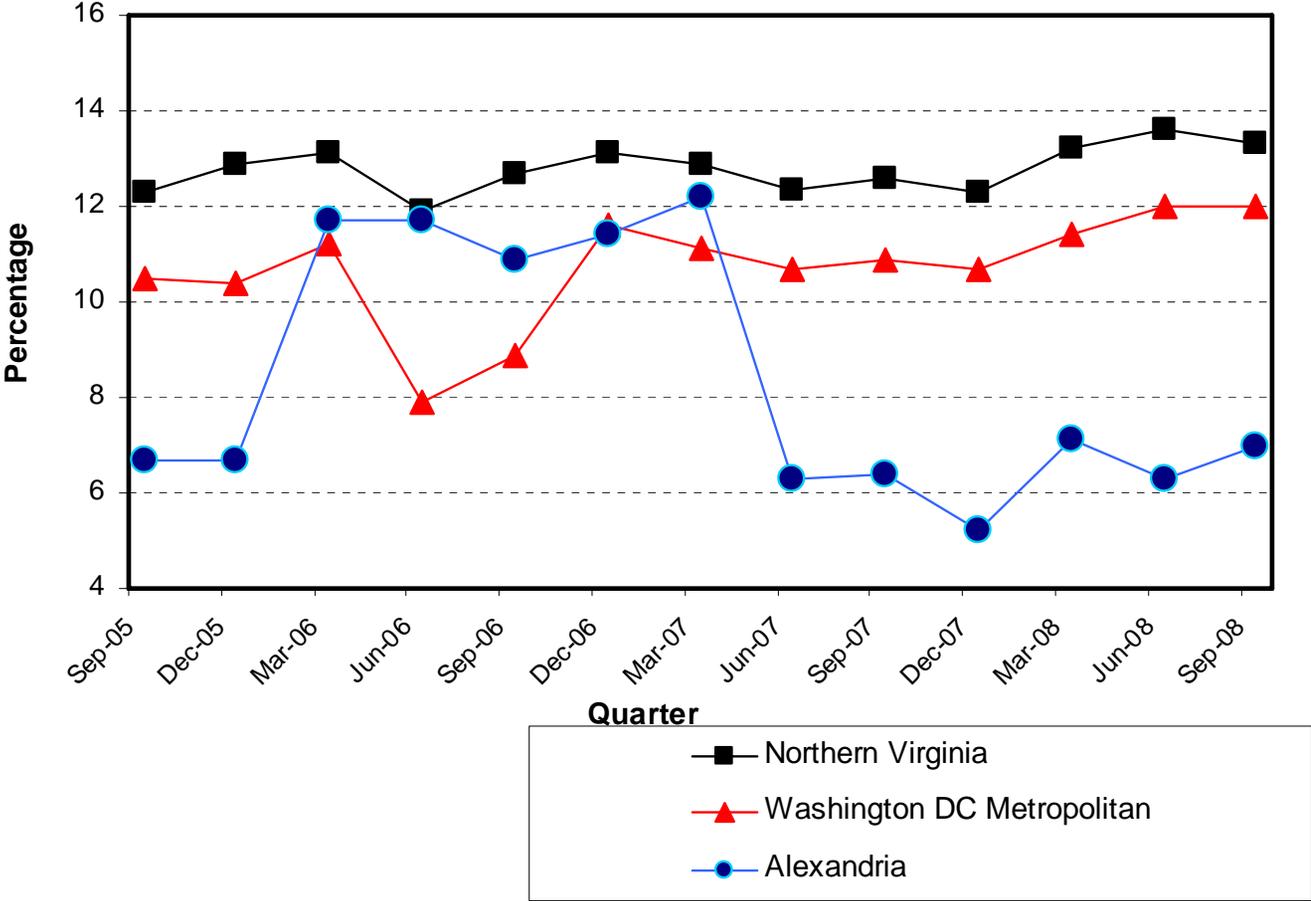
GDP Change by Quarter



Regional Economic Outlook

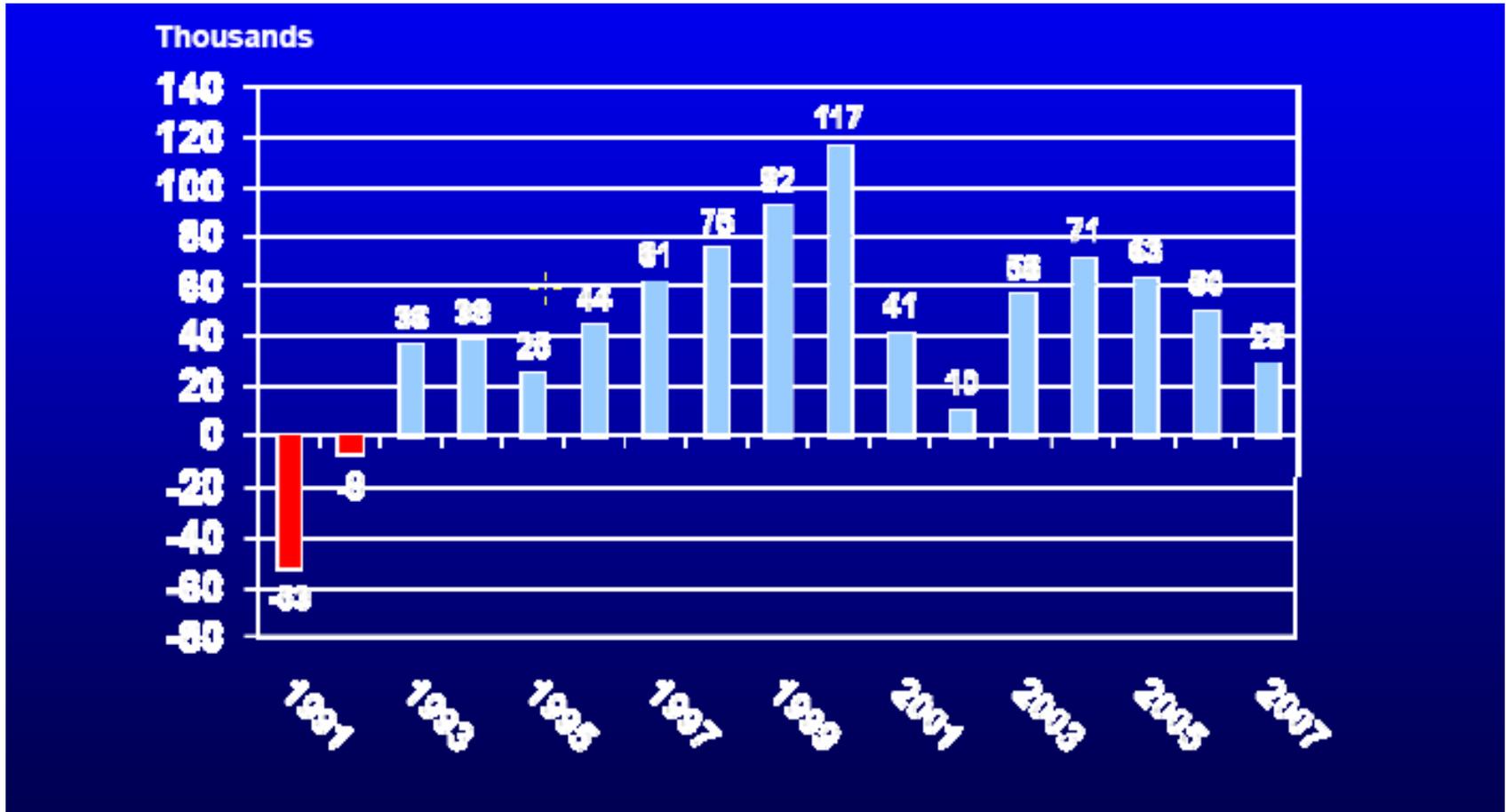


Office Vacancy Rates



Annual Changes in Jobs 1991-2007

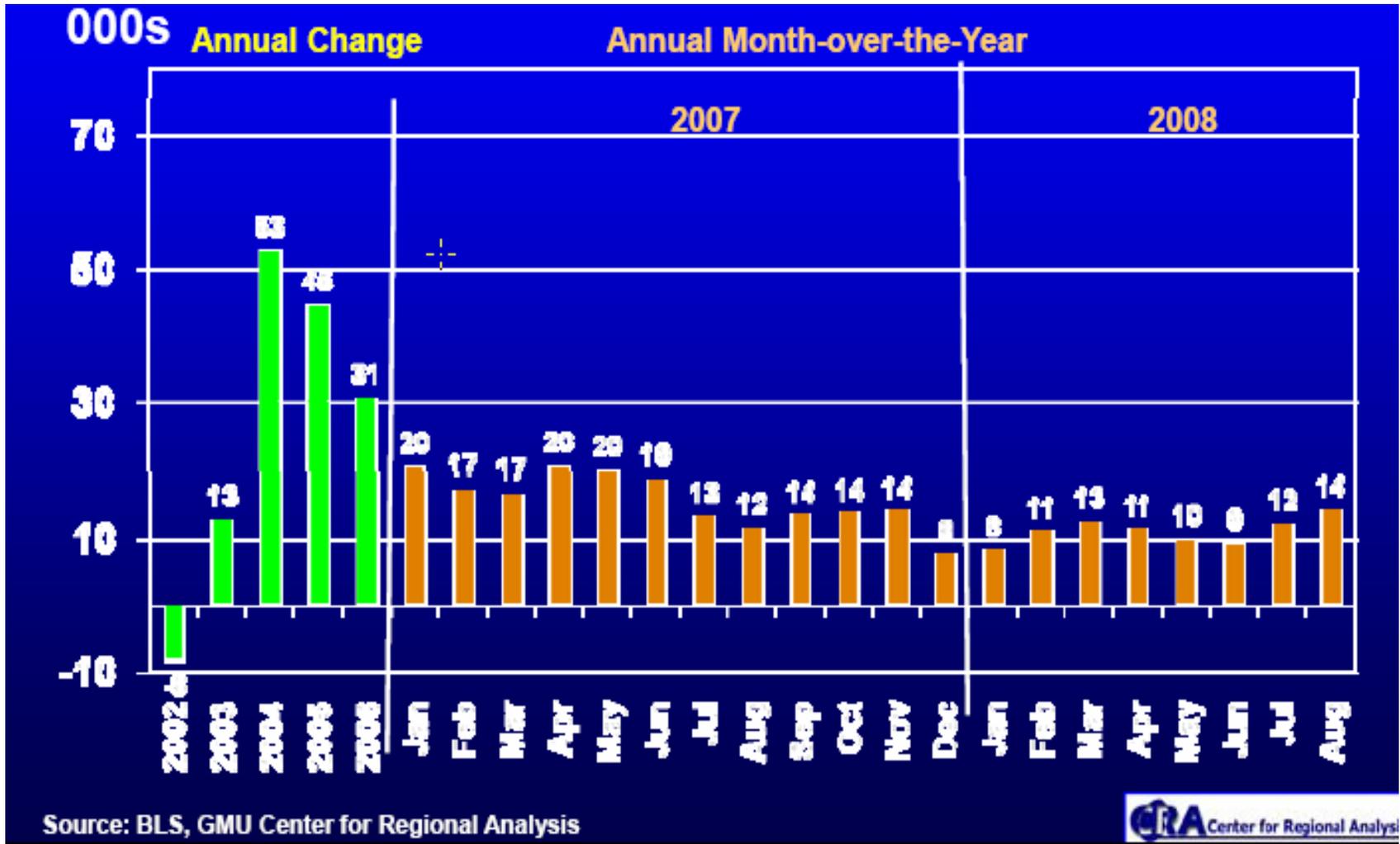
Washington Metro



Source: BLS, GMU Center for Regional Analysis



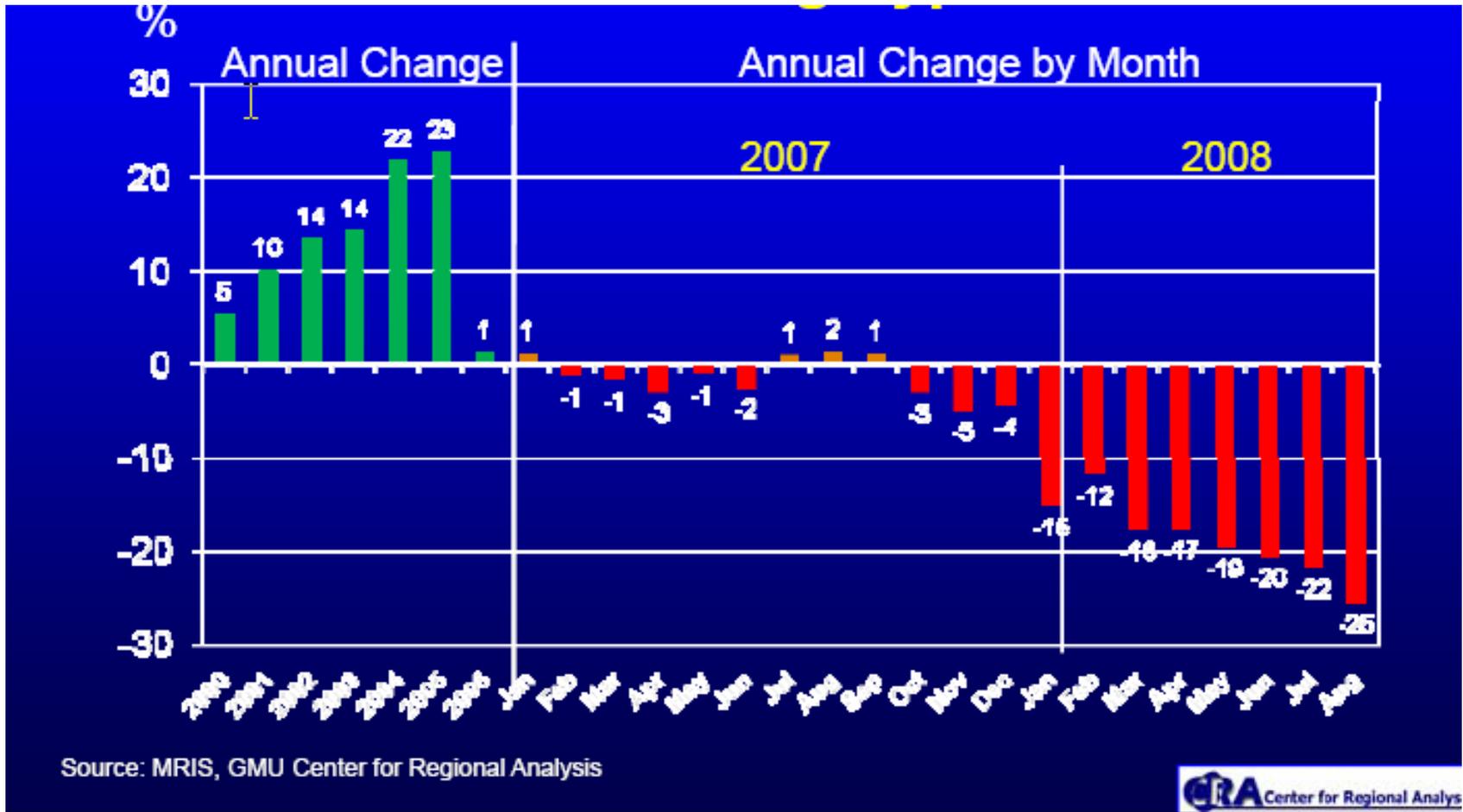
Annual Job Change Northern Virginia



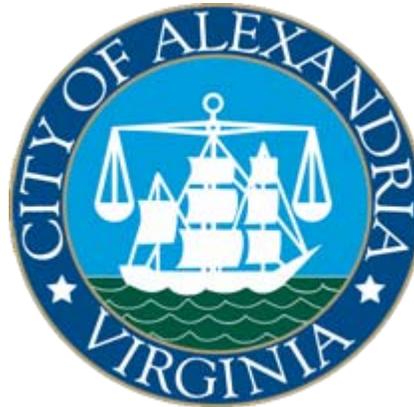
Federal Spending by Type 1983-2007



Average Sales Price Percent Change Northern Virginia All Housing Types



Alexandria Economic Outlook



Alexandria Economic Positives

- **Location, Location, Location**
- **Creative Class Economy**
- **Quality of Life**
- **Low Unemployment**
- **High Avg. Incomes**
- **Economic Sustainability Implementation**
- **National Harbor, tourism**
- **BRAC jobs**



Forecast

- National recession for most of 2009
- Recovery “L” shaped
- Regional job growth slower
- Re-engineering of credit system causes:
 - Tempering of housing demand
 - Lower vehicle and retail sales
 - More equity required by all
 - Credit market limits
 - Multi-quarter recession



Two Tales of One City

- No recession economy in City likely
- Employment stable; federal contracting will grow
- Tourism, business travel stable
- Declining tax revenues, largely due to negative real and personal property values
- Discretionary consumer spending decreasing

Conclusion: The economy of the City will be less negatively impacted than the finances of the City Government.

