



# Northern Virginia forecast

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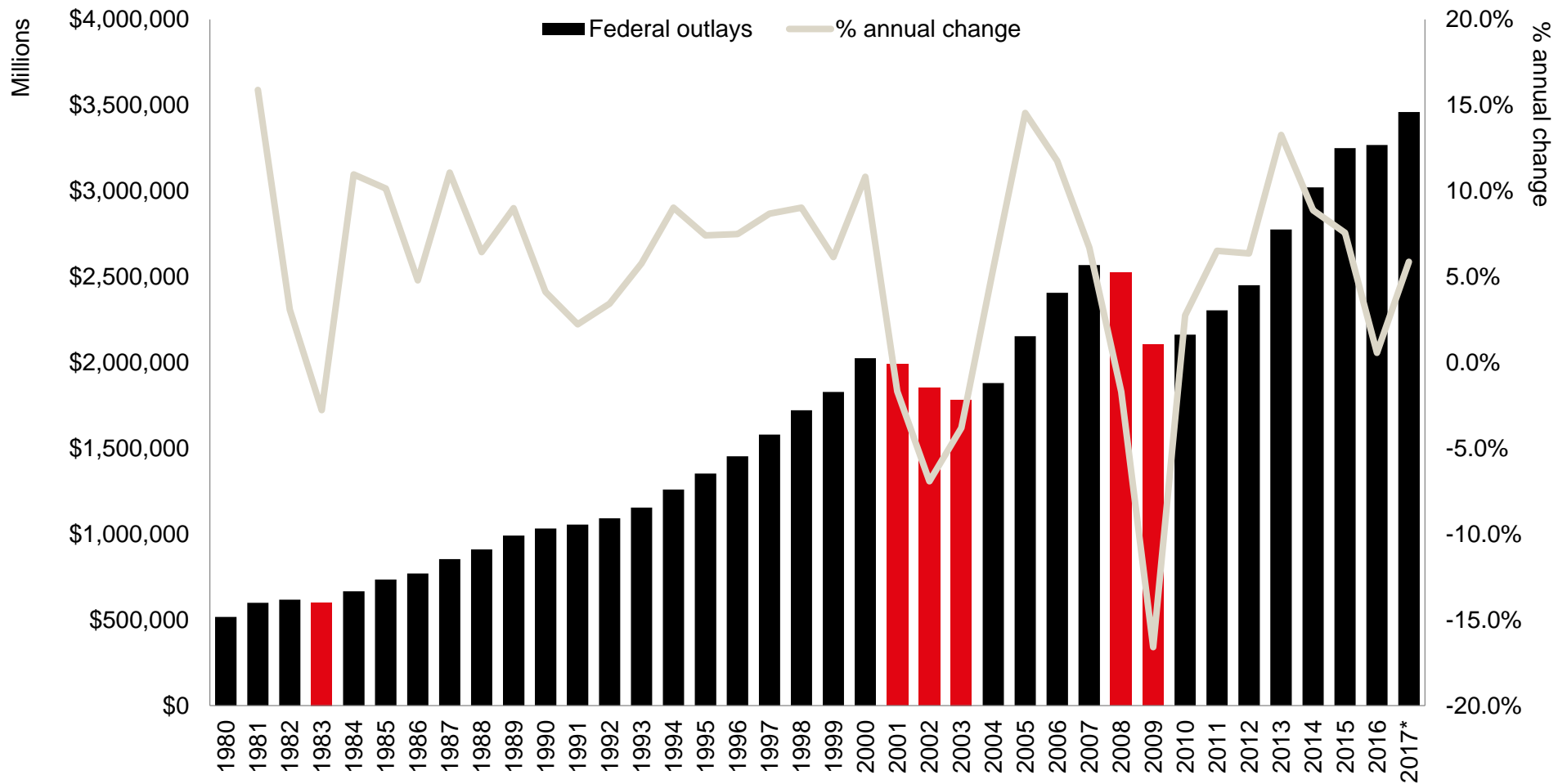
February 1, 2018

# Metro DC Employment and Federal Leasing

# Federal receipts



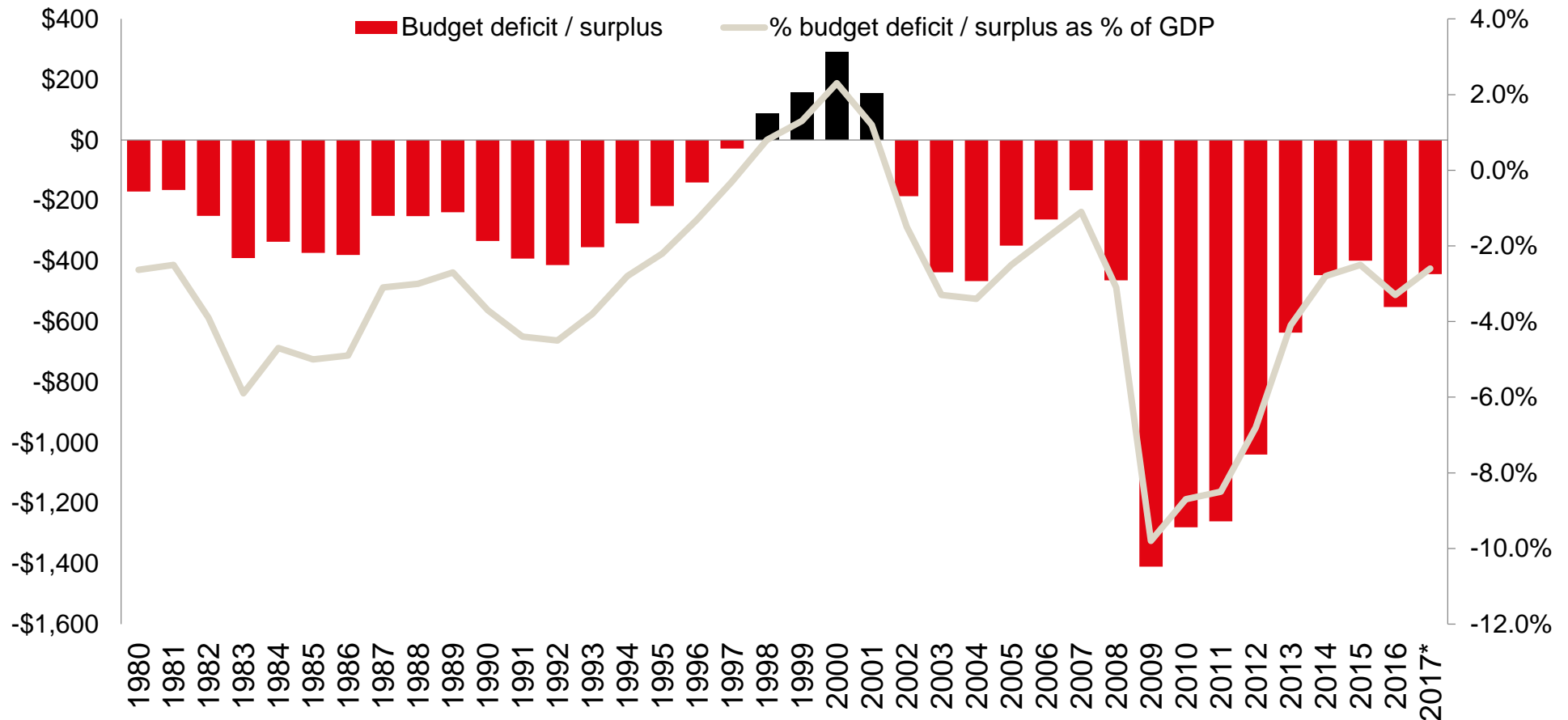
*Receipts hit an all-time high, eclipsing prior record by 4.4%*



# Budget deficit / surplus



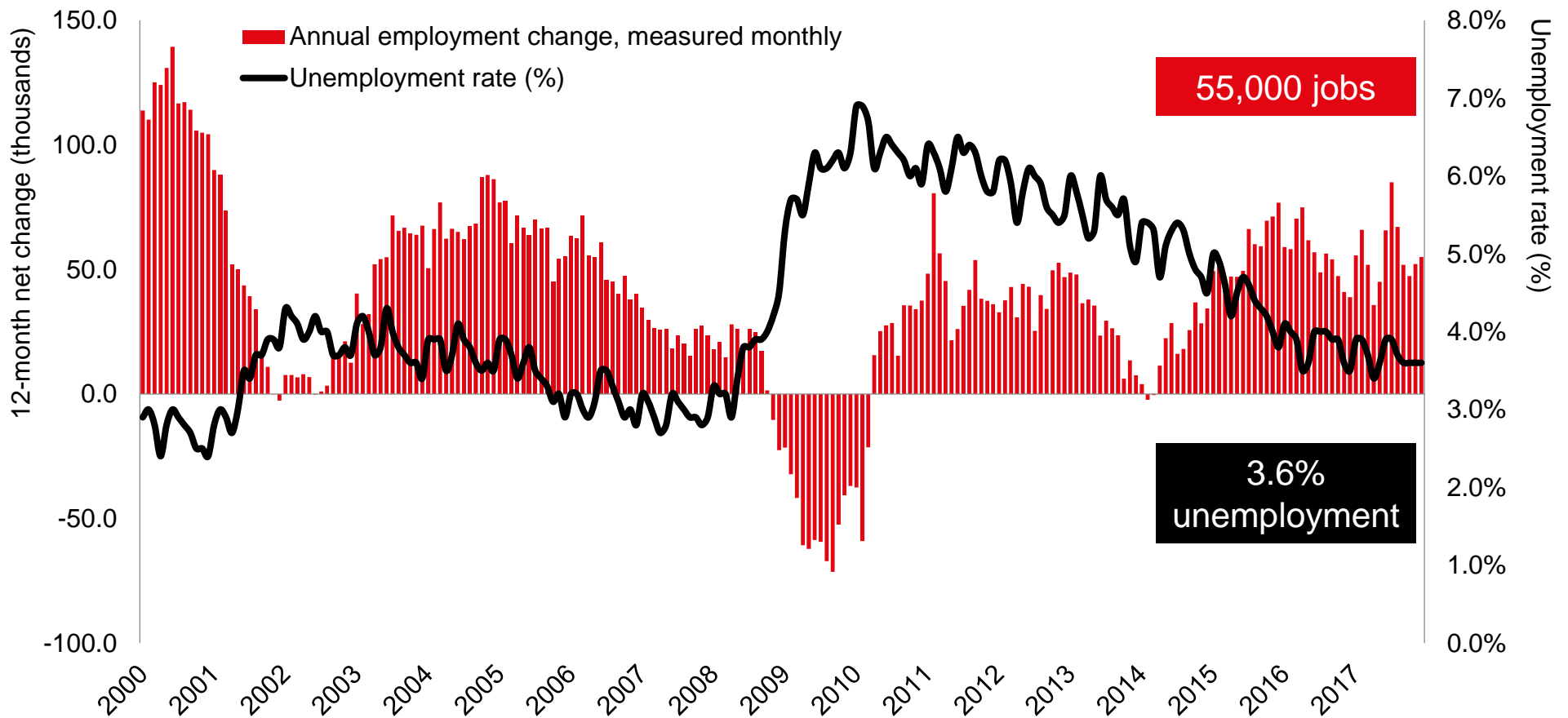
*While annual budget deficits are declining, no sign of a surplus is in sight and tax reform likely solidifies that for the next decade*



# Metro DC employment and unemployment



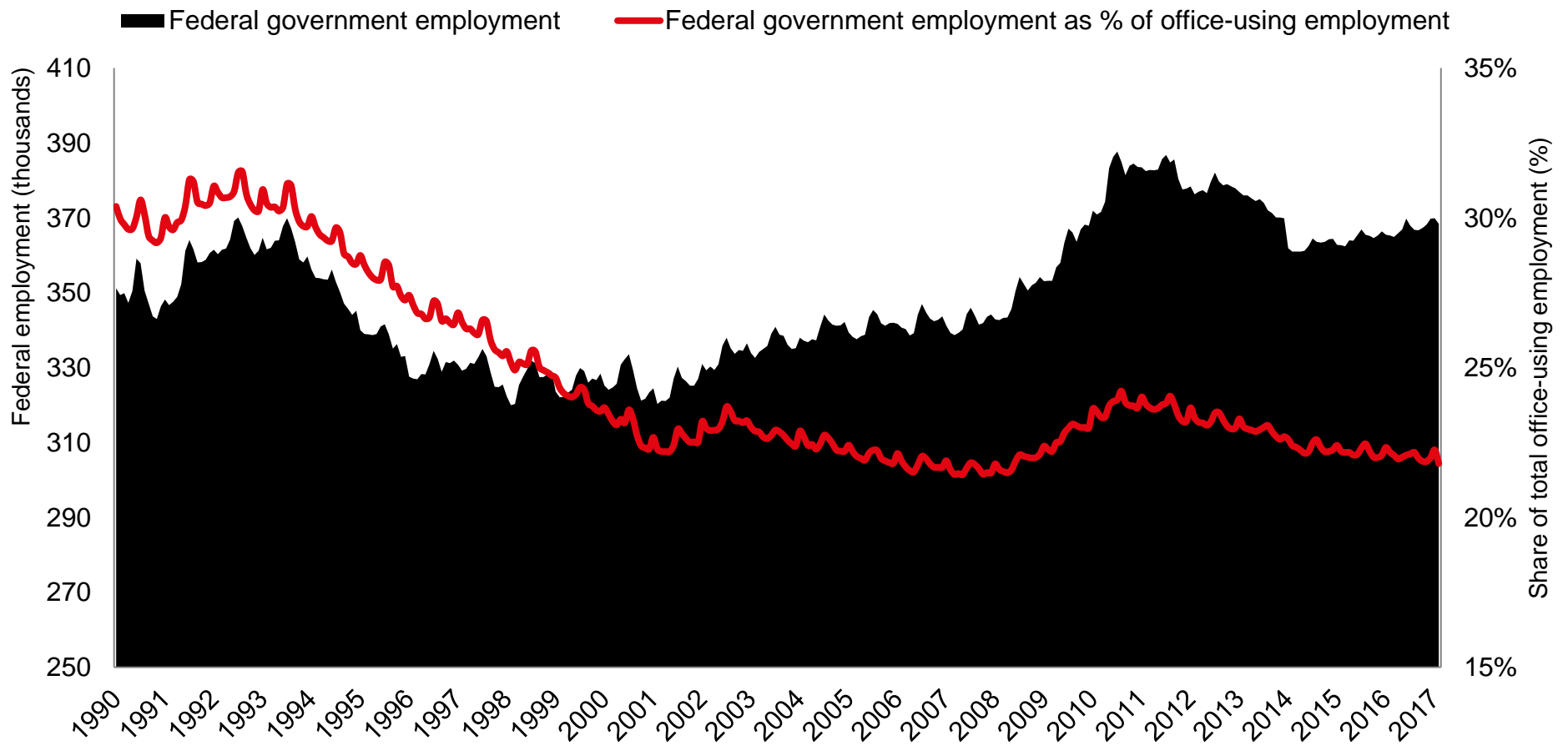
*The region added 55,000 jobs at the end of 2017, which was 41.4% higher than the rate of growth at the end of 2016 when the region added 38,900 jobs*



# Federal employment as % of office employment



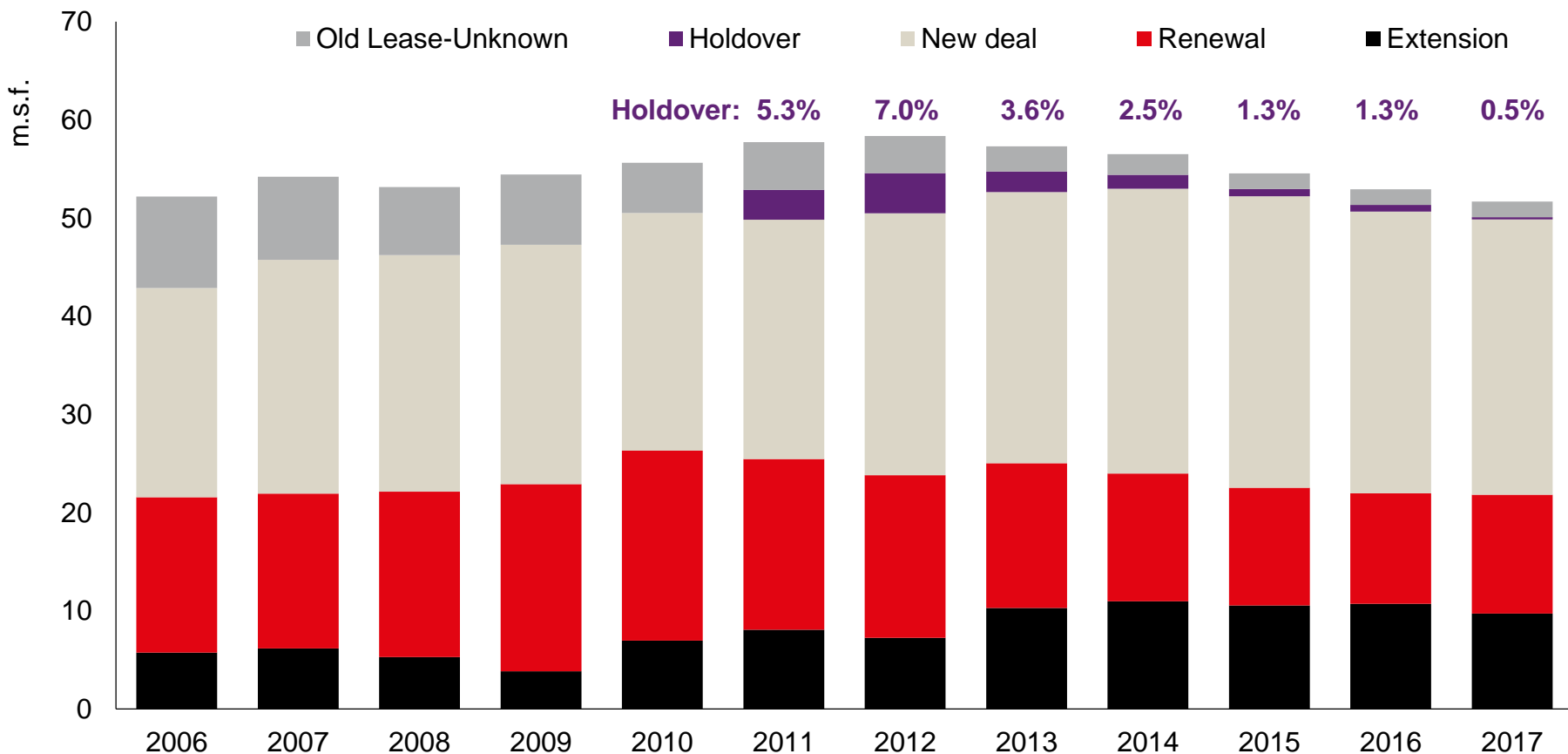
*Federal employment's share of regional jobs is decreasing and measured below 22% in June 2017, down from 30% in 1994*



# GSA's Metro DC office lease inventory



*The federal footprint in Metro DC continues to shrink, and the backlog of space in holdover is on the decline*

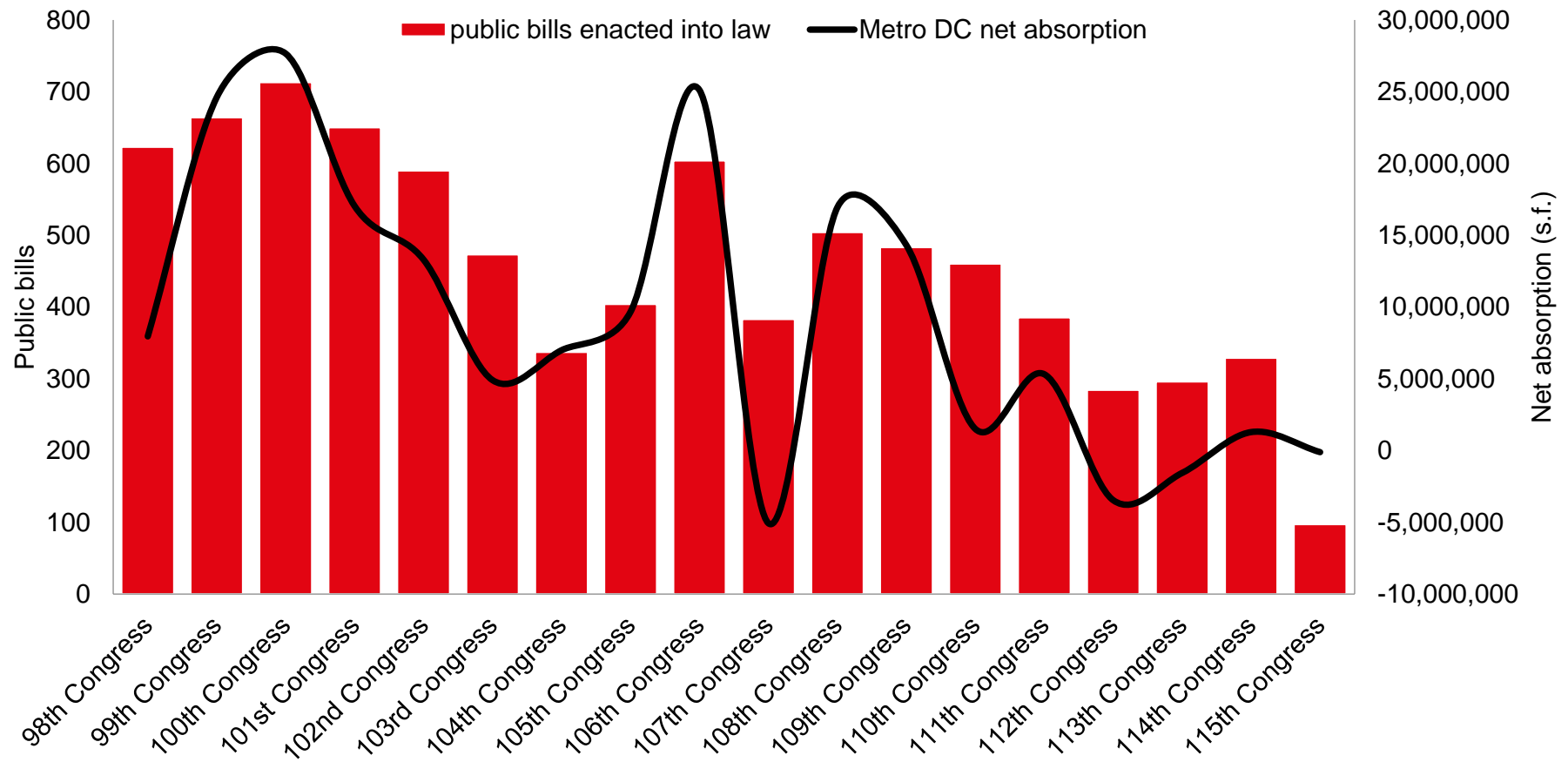


Source: JLL Research, GSA Lease Inventory (GSA.gov). Holdover data only available back to 2011

# Legislation & office net absorption



*The 115<sup>th</sup> Congress is on historical pace to be the least effective in modern history, meaning this Congress is on track to pass the least legislation. Through the end of 2017, the 115<sup>th</sup> Congress has only enacted 97 bills into law*



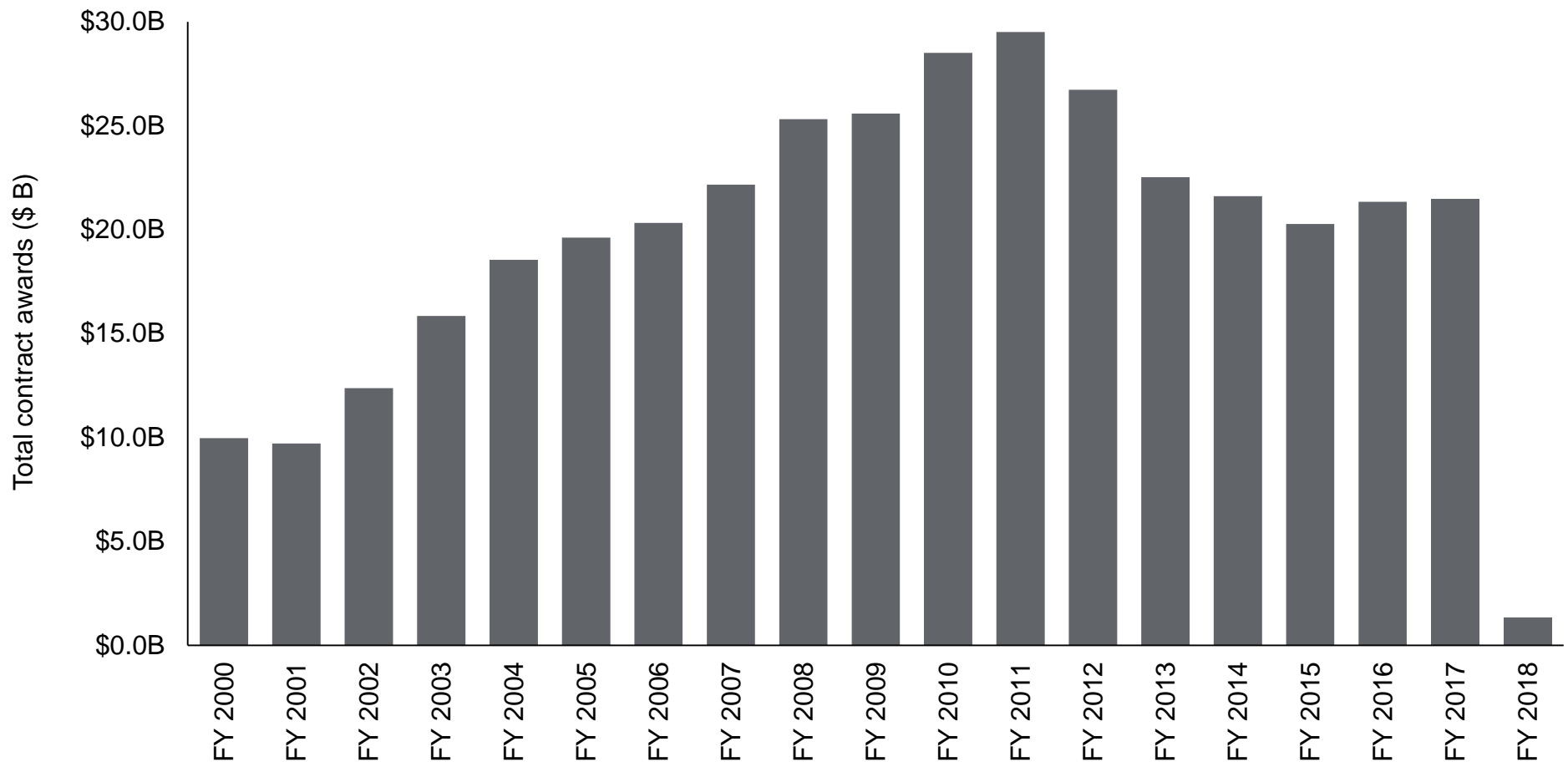


*Contractors*

# Defense contracts in Northern Virginia



*FY 2017 Defense contract awards were 28% below the 2011 peak; as Congress nears a vote on a Defense spending increase for the current fiscal year, President Trump is preparing to release his FY 2019 budget with Defense increasing 7% over his 2018 proposal*



# FY 2018 National Defense Authorization Act



*The FY 2018 NDAA approved by Congress with overwhelming bipartisan support called for an increase of \$113 B to the Defense budget from FY 2017 levels but has yet to translate to appropriation*

**\$700 B**

*FY 2018 National Defense Authorization Act*

**344-81**

Approval vote by House of Representatives on July 14

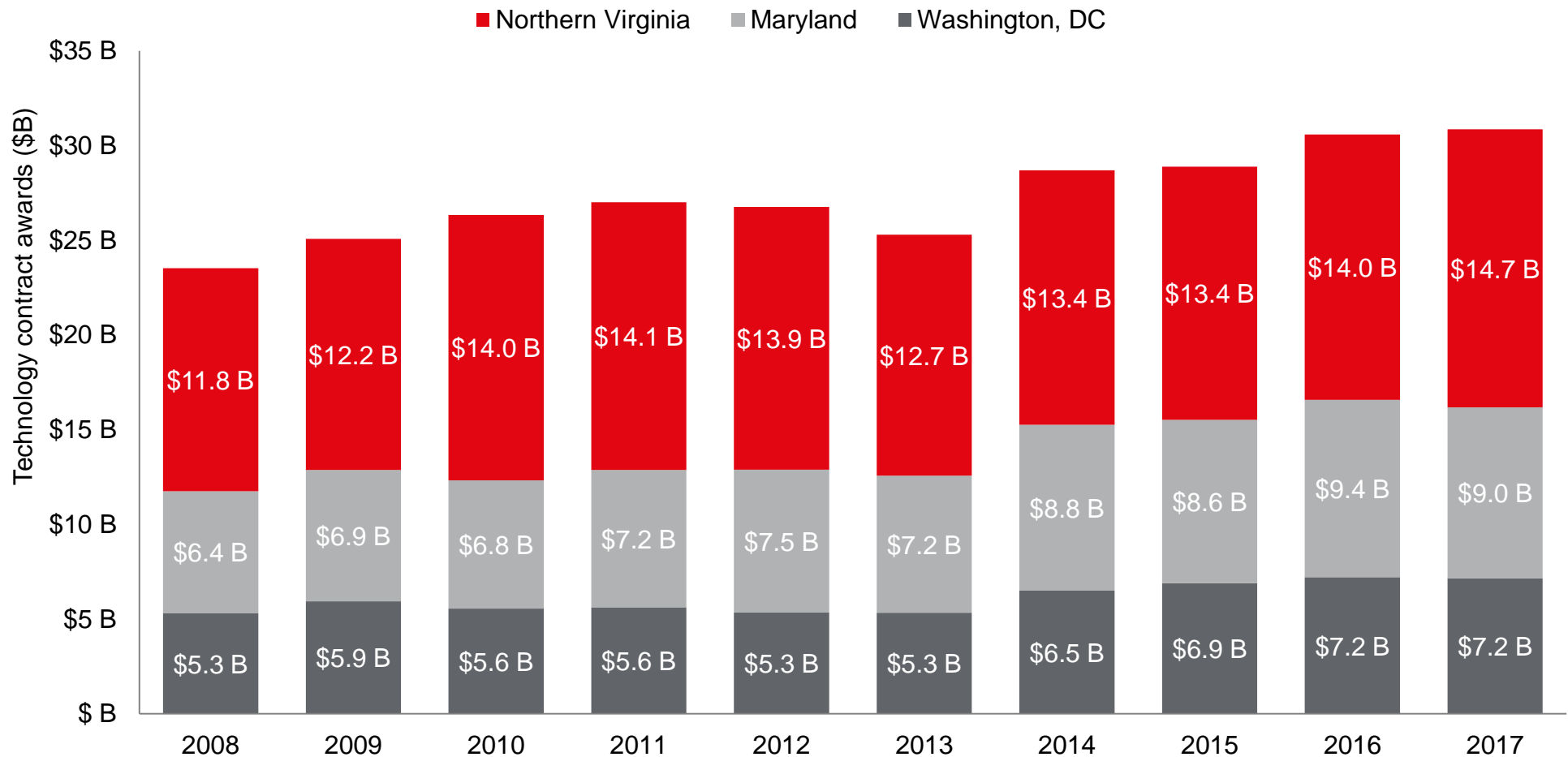
**89-8**

Approval vote by Senate on Sept 18

# Federal technology contracts in Metro DC



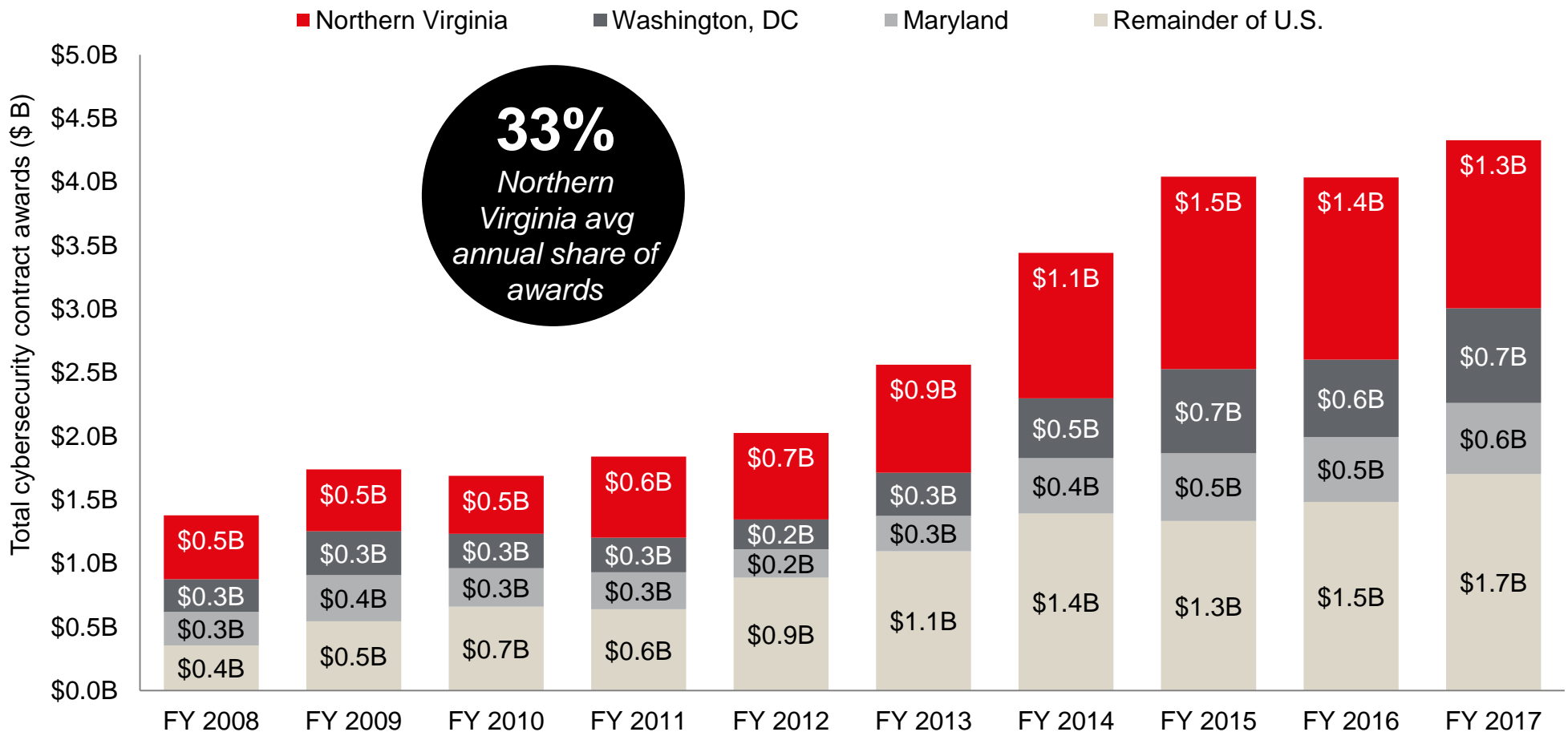
*A deep STEM talent base has helped Northern Virginia remain the local leader in technology contracts*



# Federal cybersecurity contracts in U.S.



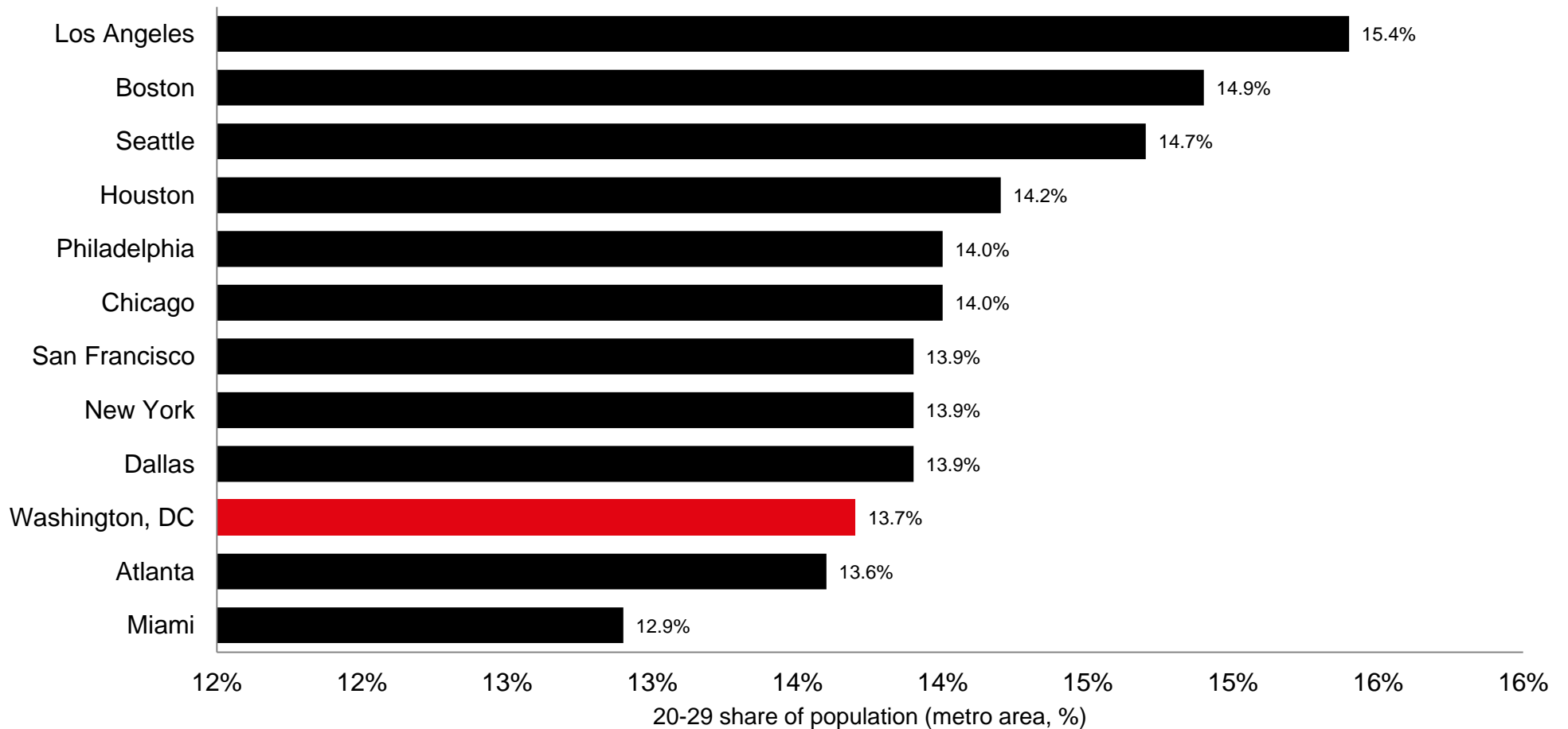
*The government's increased focus on cybersecurity will strongly benefit Northern Virginia, which already has more share of cybersecurity spending than nearly every other state combined*



*Millennials*

# Metro DC share of population 20-29 years old

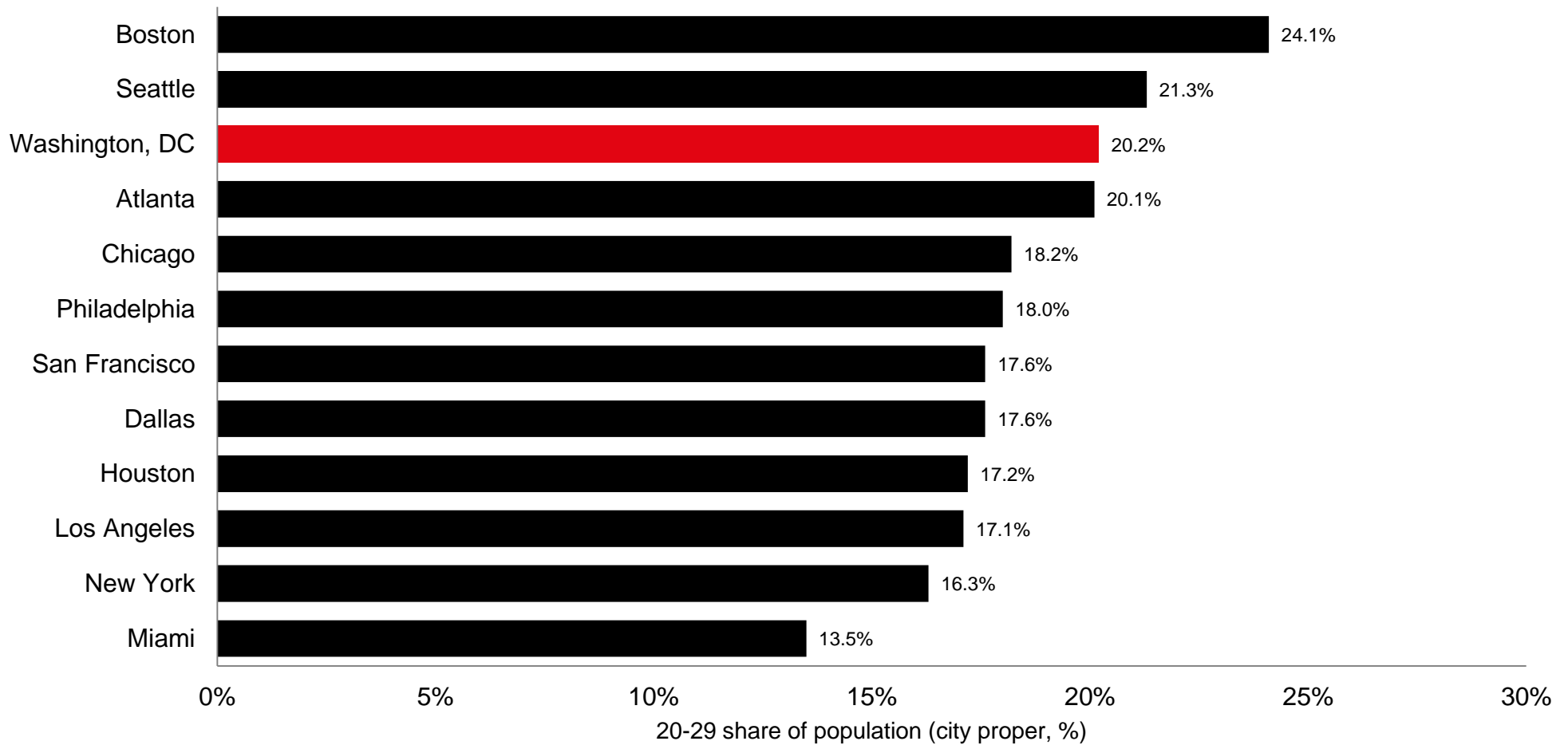
*Among major metro areas, Metro DC's Millennial concentration is relatively low*



# DC share of population 20-29 years old



*At the urban core level, DC's share of Millennial residents is one of the highest nationally*

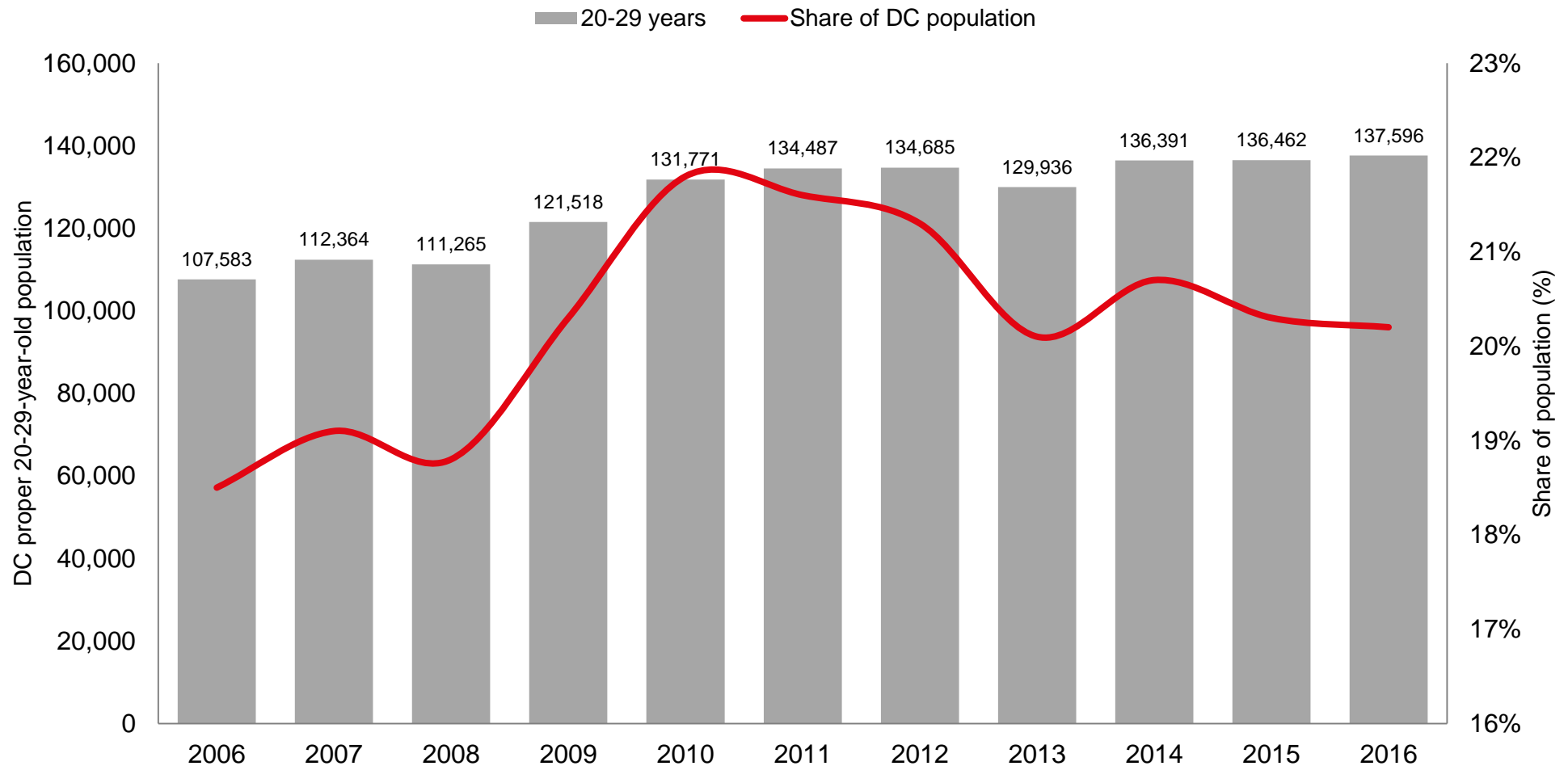




# DC share of population 20-29 years old



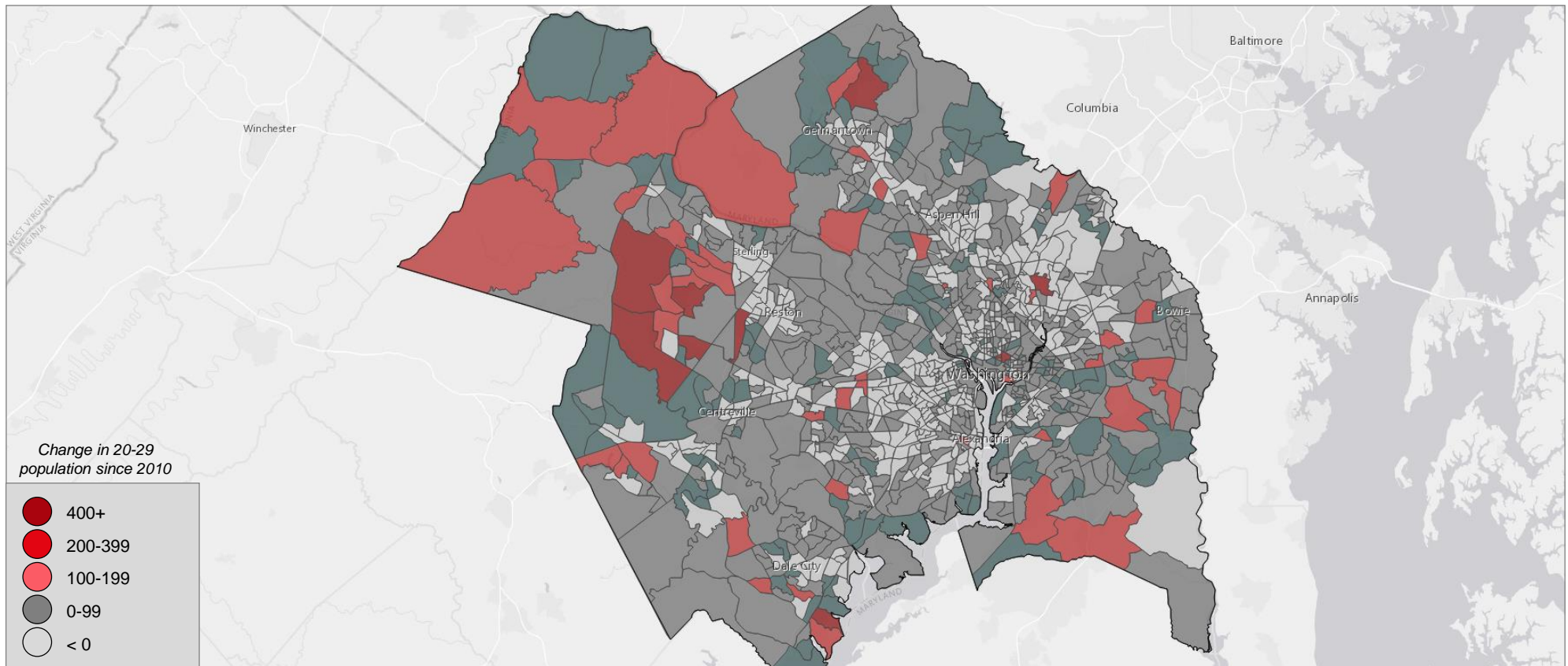
*The District's 20-29 population has plateaued due to rising housing costs and growth from other age groups*



# Change in 20-29 population since 2010



*Growth in younger talent has not been uniform: Millennials hollowing in inner suburban areas*



# Loudoun share of population 30-39 years old

*Rapid growth, particularly from 30- to 39-year-olds, has reduced Millennials' share of Loudoun population*

