



DEPARTMENT OF MANAGEMENT AND BUDGET

FAIRFAX COUNTY ECONOMIC INDICATORS ©

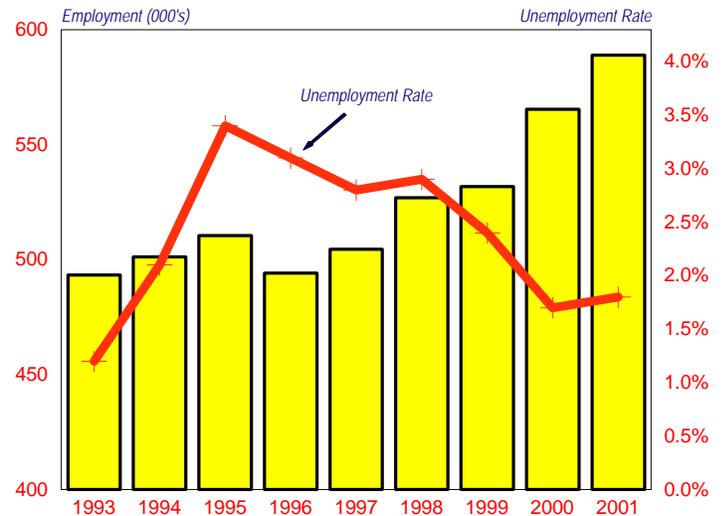
Publication 110

OCTOBER 2001

OCTOBER HIGHLIGHTS

- ❑ The August unemployment rate in Fairfax County rose 0.3 points to 2.1 percent.
- ❑ October Sales Tax receipts for Fairfax County were 3.6 percent lower than October 2000, and fiscal year-to-date growth is down 5.5 percent.
- ❑ Overall growth in new residential permits in September fell 2.7 percent year-to-date. Multifamily permits were up 10.7 percent, while single family permits were down 10 percent.
- ❑ According to the Economic Development Authority, the office vacancy rate as of mid-year 2001 is 4.86 percent. However, once sublease space is included, the rate jumps to 9.5 percent.
- ❑ According to homes sales data through August, sales volume was up for existing homes and down for new homes. Median sales prices showed moderate to strong growth for both categories.
- ❑ In August, both the Fairfax County Coincident and Leading Indices decreased signaling weaker economic conditions in the upcoming months. Stephen Fuller expects that federal contracting and other spending to combat terrorism will have a positive impact on the County's economy in 2002.
- ❑ The Metropolitan Washington Coincident Index increased and the Leading Index decreased in August. The expected decline of the national economy in the third quarter and possibly the fourth quarter could negatively impact the Washington economy. The economic slowdown may be exacerbated by the events of September 11. The area's underlying economic strength, however, may help cushion these negative impacts.

RESIDENTIAL EMPLOYMENT - AUGUST



Source: Virginia Employment Commission
Compiled by the Fairfax County Dept. of Management and Budget

According to the Virginia Employment Commission (VEC), the August unemployment rate in Fairfax County rose to 2.1 percent—a 0.3 point increase from July. The August 2001 rate was 0.9 points higher than the August 2000 rate of 1.2 percent.

Statewide, the unemployment rate increased in August by 0.2 points to 3.1 percent. Virginia's labor force fell from July as college students left summer jobs to return to classes. The seasonally smaller August labor force produced a higher jobless rate. Other factors contributing to the increase in unemployment include manufacturing inventory adjustment furloughs and low employment throughout Virginia public schools in August.



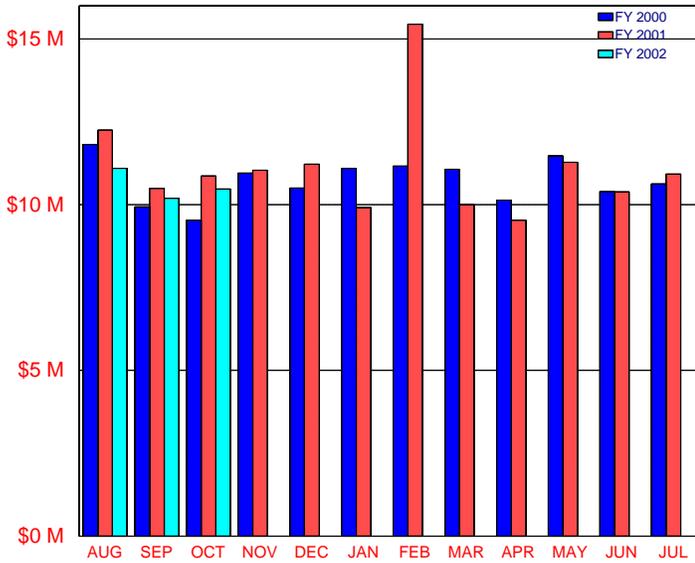
The *Fairfax County Economic Indicators* is on the Web and can be accessed at:

<http://www.co.fairfax.va.us/comm/economic/economic.htm>



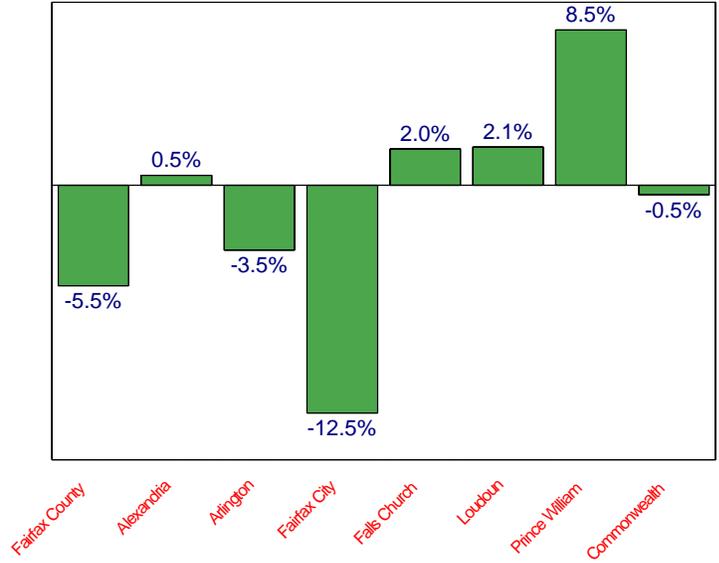
SALES TAX REVENUES

(revenues represent retail sales two months prior)



Source: Virginia Department of Taxation
Compiled by the Fairfax County Dept. of Management and Budget

FY 2002 SALES TAX RECEIPTS THROUGH OCTOBER



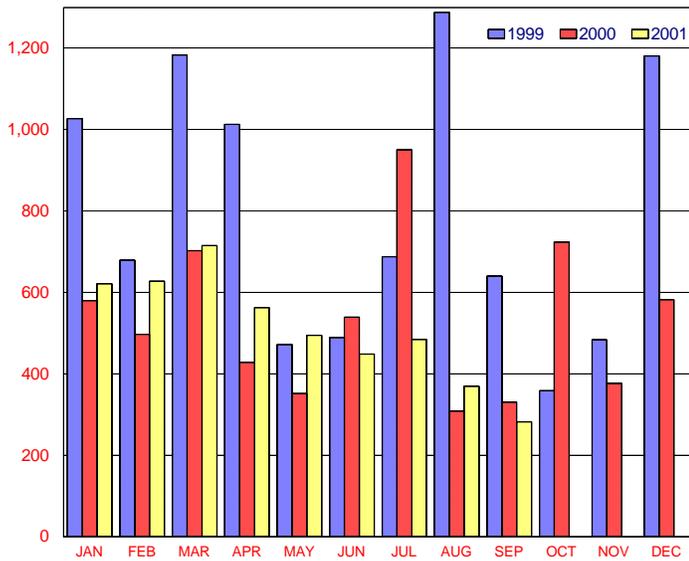
Source: Virginia Department of Taxation
Compiled by the Fairfax County Dept. of Management and Budget

October Sales Tax receipts for Fairfax County, representing retail purchases made in August, were \$10.5 million—3.6 percent lower than October 2000. Sales Tax receipts have now been down in 7 out of the last 8 months. Even before any impacts of September 11, fiscal year-to-date, Sales Tax receipts through August are 5.5 percent lower than the same period last year.

According to the Commerce Department, seasonally adjusted preliminary retail sales estimates for the U.S. in September decreased 2.4 percent from last month, and were up 0.2 percent from September 2000. Compared to last year, health and personal care store sales were up 8.0 percent, building materials and garden equipment sales were up 5.4 percent, gasoline station sales were up 3.0 percent, and motor vehicle and parts sales were down 1.7 percent.

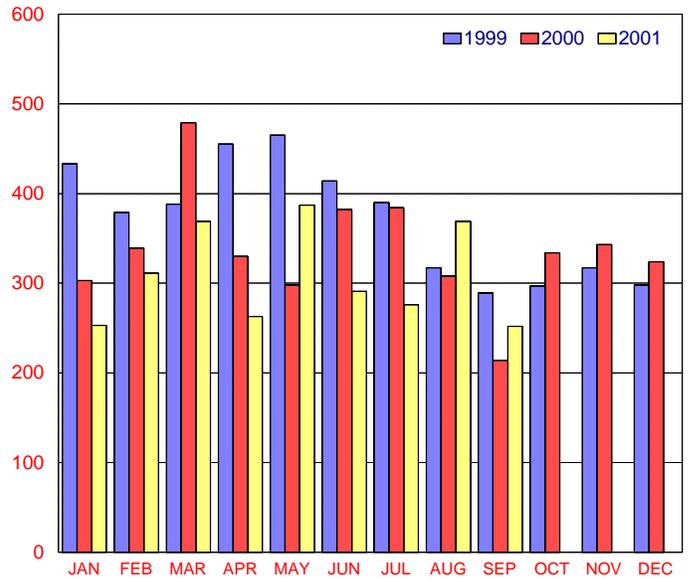
Sales Tax receipt growth from August through October has varied among the Northern Virginia localities. These receipts represent the first three months of FY 2002 and correspond to retail purchases from June through August. Through October, Fairfax City receipts are down 12.5 percent, while receipts in Arlington County and Fairfax County have declined 3.5 percent and 5.5 percent, respectively. Sales Tax receipts in Alexandria are up a slight 0.5 percent year-to-date. Other Northern Virginia jurisdictions are experiencing somewhat larger increases including Loudoun County which is up 2.1 percent and Falls Church which is up 2.0 percent. Prince William County has experienced the highest growth to-date at 8.5 percent. During this same period, Sales Tax receipts Statewide are down 0.5 percent.

**NUMBER OF RESIDENTIAL BUILDING PERMITS
NEW DWELLINGS**



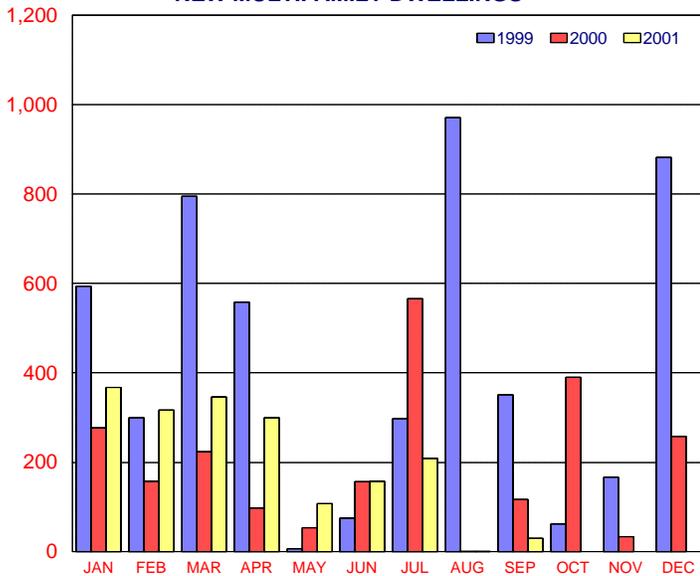
Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

**NUMBER OF RESIDENTIAL BUILDING PERMITS
NEW SINGLE FAMILY DWELLINGS**



Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

**NUMBER OF RESIDENTIAL BUILDING PERMITS
NEW MULTIFAMILY DWELLINGS**



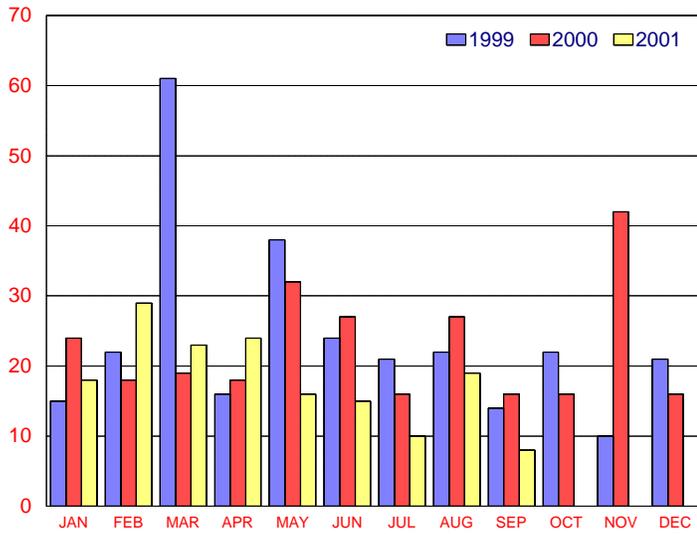
Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

Note: In both August 2000 and August 2001, only one multifamily permit was issued; therefore, bars are too small to discern.

Through September, overall growth decelerated in new residential permit categories, year-to-date. In total, new residential dwelling permits were down 2.7 percent, or 127 permits. Multifamily permits were up 10.7 percent or 177 permits, while single family permits were down 10 percent, or 304 permits, over the same period. It should be noted that multifamily permits are issued for each unit in a complex; therefore, changes may be related to the size of projects from one year to the next and may not necessarily be an indicator of the construction market.

Residential repair and alteration permits were also down year-to-date. Through September, issues of residential repair and alteration permits decreased sharply by 42.1 percent, or 6,131 permits, from the same period last year.

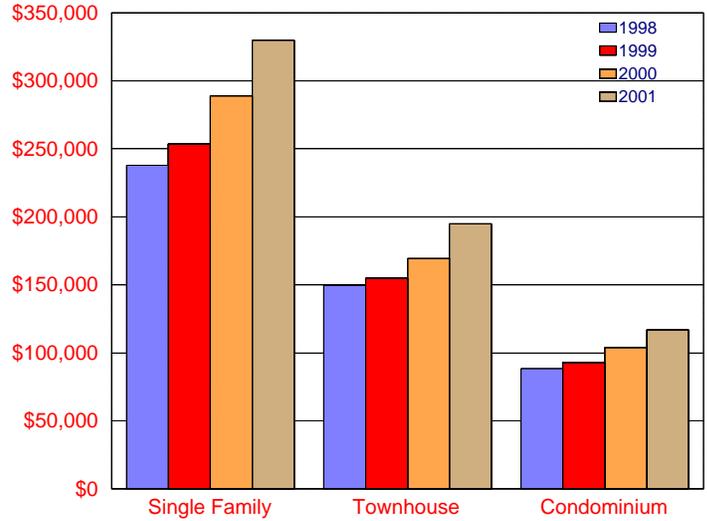
**NUMBER OF NONRESIDENTIAL BUILDING PERMITS
NEW STRUCTURES**



Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

HOME SALES IN FAIRFAX COUNTY

**MEDIAN PRICE OF EXISTING HOMES SOLD
REVISED AUGUST 2001 COMPARED TO
ANNUAL MEDIAN PRICES 1998 - 2000**



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

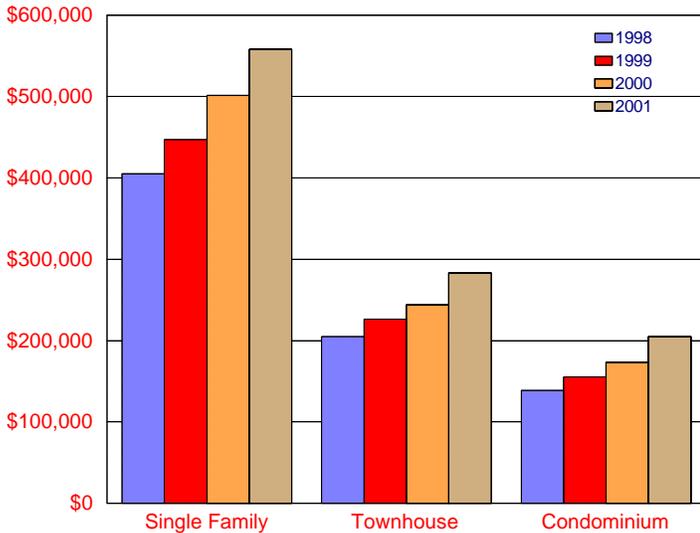
Nonresidential building permits issued through September were down 17.8 percent, or 35 permits, from the same period in 2000. Nonresidential repair and alterations permits were down 17.4 percent, or 624 permits, year-to-date.

According to revised home sales data through the end of August 2001, existing homes in Fairfax County continued to experience strong growth in median sales prices. For existing single family homes, the median was \$329,900 compared to the 2000 median of \$289,000—growth of 14.2 percent. The median sales price for townhomes grew 15.0 percent from \$169,500 in 2000 to \$195,000 through August 2001. The median for condominiums increased from \$103,945 to \$117,000 representing growth of 12.6 percent.

OFFICE VACANCY RATES

The Economic Development Authority (EDA) reported that the overall office vacancy rate in Fairfax County increased to 4.86 percent as of mid-year 2001. When sublet space is considered, the office vacancy rate jumps to 9.5 percent. EDA notes that an “unprecedented glut of sublease space has been returned to market within the last year.” Since the local economy has slowed, companies that once expected to expand have now begun to put extra space back on the market. EDA expects that in the next six to 12 months, vacancies will most likely continue to rise as additional space is brought online. Since over two-thirds of this new space has been pre-leased, the impact on the market is expected to be softened to some extent.

**MEDIAN PRICE OF NEW HOMES SOLD
REVISED AUGUST 2001 COMPARED TO
ANNUAL MEDIAN PRICES 1998 - 2000**

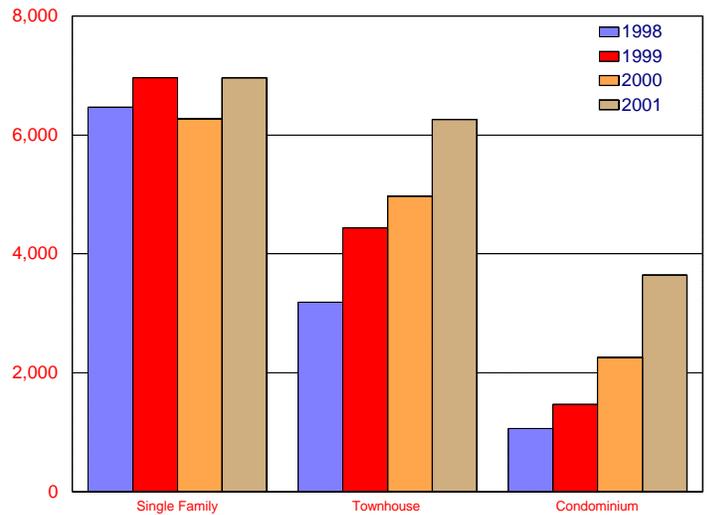


Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Growth in median sales prices for new homes remains strong according to sales data through August 2001. The median sales price for a new single family home was \$558,070, an increase of 11.3 percent, or \$56,650, over the 2000 median. New townhomes have increased 16.2 percent, from \$244,067 to \$283,703, while the median for condominiums grew from \$173,226 to \$204,390, or 18.0 percent, over the same period.

Changes in selling prices, coupled with the volume of sales, are generally considered to be reasonable indicators of the County's real estate market. Median selling price increases do not translate directly into assessment adjustments, however, since the mix of homes sold is not necessarily reflective of the County's entire housing stock. Changes in median selling prices are comparisons to the prices of homes sold during the prior year, and the type of homes sold (i.e., model, size, age, location, etc.) varies from one year to the next. The key factor in real estate assessments is not the change in the median sale price, but the relationship of assessments to the selling prices within neighborhoods.

**NUMBER OF EXISTING HOMES SOLD
REVISED AUGUST 1998-2001**



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

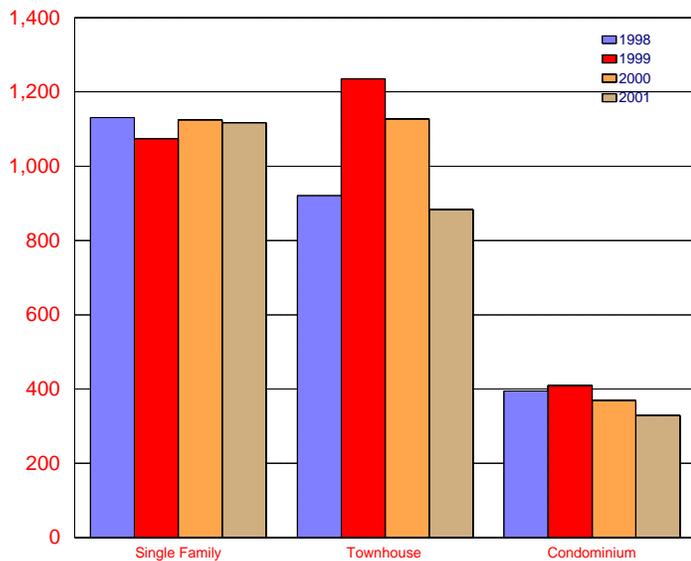
Existing home sales volume was up slightly for single family homes, up moderately for townhomes and up sharply for condominiums according to revised sales data through August 2001. Existing single family home sales increased by 37 units, or 0.6 percent, from 6,274 to 6,311. Sales of existing townhome sales increased 31.9 percent from 4,971 to 5,660 while condominium sales were up 43.7 percent from 2,258 to 3,244 year-to-date.

**PERCENTAGE CHANGE IN MEDIAN PRICE OF HOMES SOLD
YEAR-END 2000 COMPARED TO 2001 THROUGH AUGUST**

	Existing Sales	New Sales
Single Family	14.2	11.3
Townhouse	15.0	16.2
Condominium	12.6	18.0

Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

**NUMBER OF NEW HOMES SOLD
REVISED AUGUST 1998-2001**

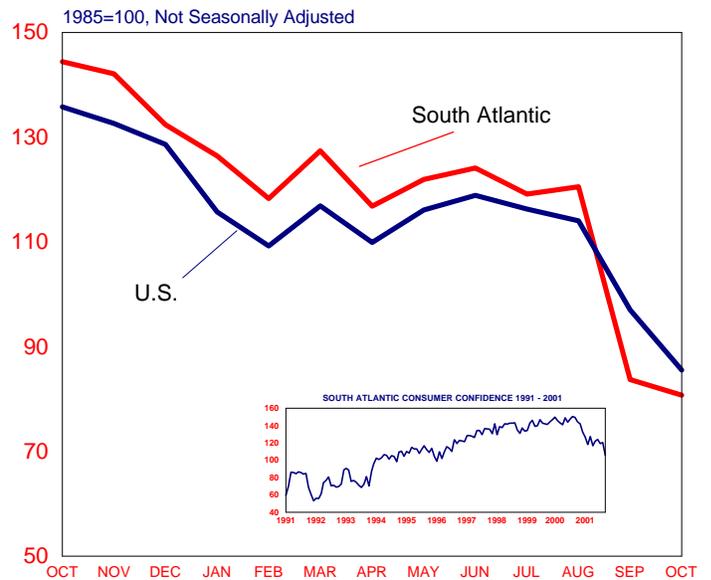


Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

New home sales volume was down across all housing categories according to revised sales data through August 2001. New condominium sales fell from 369 in 2000 to 314 in 2001—a decline of 14.9 percent. New townhome sales decreased 26.4 percent, from 1,127 to 830, while single family home sales fell 6.4 percent, from 1,125 to 1,053 year-to-date.

ADDITIONAL INDICATORS

CONSUMER CONFIDENCE INDEX



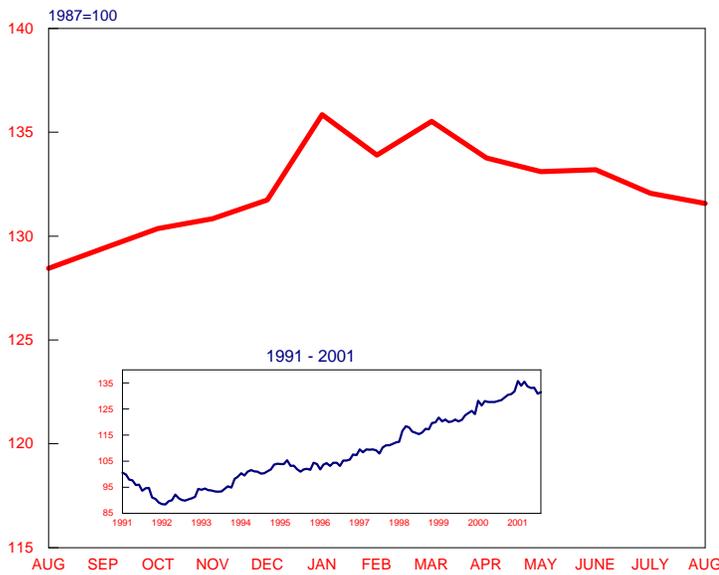
Source: Conference Board
Compiled by the Fairfax County Dept. of Management and Budget

The Conference Board reported that the Consumer Confidence Index plummeted to 85.5 in October, its lowest level in seven years. This was the Index's fourth consecutive monthly decline. The Consumer Confidence Index figures heavily in consumer spending patterns. Because consumer spending accounts for two-thirds of the nation's economic output, many economists believe that a big drop in consumer spending could make the economic downturn longer. The Consumer Confidence Index is composed of two separate indices: the Present Situation Index and the Expectations Index. The Present Situation Index measures consumers' confidence in current business and employment conditions, while the Expectations Index measures consumers' confidence in business, employment, and family income prospects six months hence. The two indices are averaged to form the composite Consumer Confidence Index.

In October, the Present Situation Index fell from 125.4 to 107.6 indicating that consumers' assessment of current conditions is much less positive than in September. The Expectations Index dropped from 78.1 to 70.8. According to Lynn Franco, Director of the Conference Board's Consumer Research Center, "the economic outlook is becoming increasingly pessimistic, with consumer sentiment continuing to fall." Due to rising unemployment, a rebound in confidence is not expected anytime soon. The South Atlantic Consumer Confidence Index also took a hit in October, falling to 86.5, a 17.8 percent decrease from September.

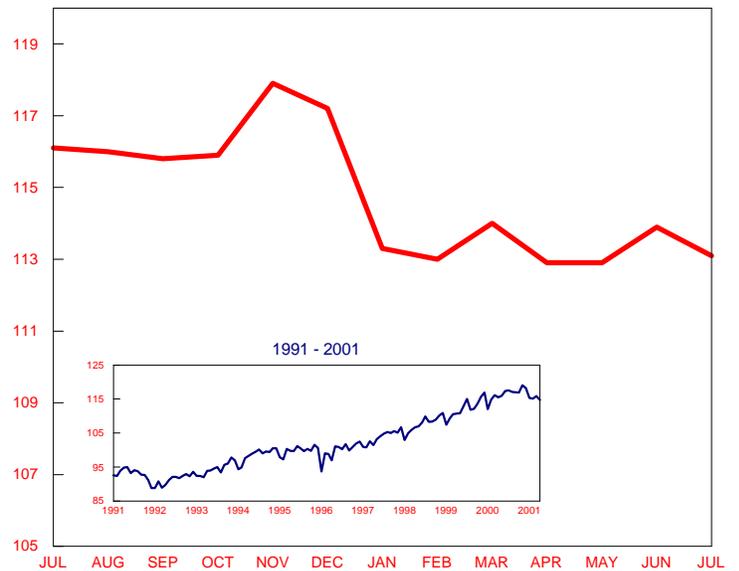
The following section includes a discussion of economic indices for two different geographic entities. The coincident indices assess current economic performance, while the leading indices signal what economic conditions will be in 9 to 12 months for the respective economies. Fairfax County's Indices are discussed first, followed by the Metropolitan Indices, which consider the Washington Metropolitan economy. Together, these indices are intended to provide a broad assessment of the economic climate confronting, and likely to impact, County residents and businesses.

FAIRFAX COUNTY COINCIDENT INDEX



Sources: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

METROPOLITAN COINCIDENT INDEX

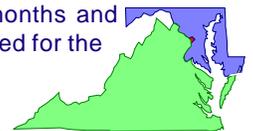


Source: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

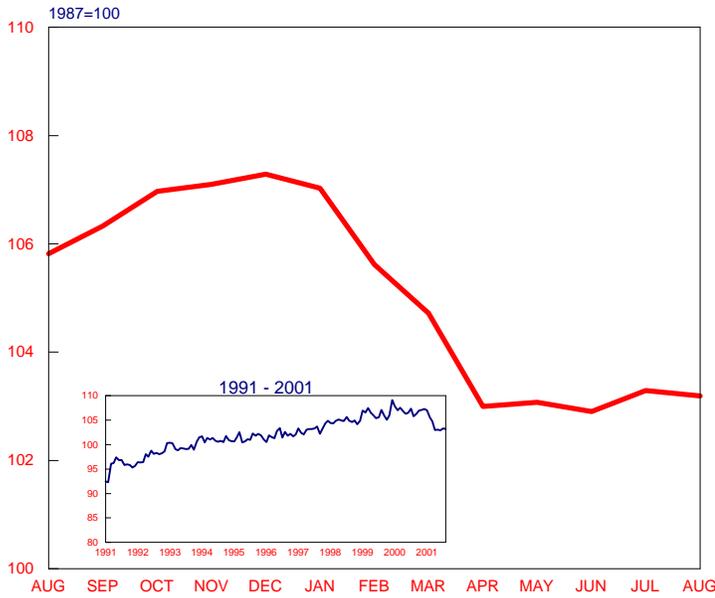
The Fairfax County Coincident Index, which represents the current state of the County's economy, declined to 131.6 in August—a 0.4 percent decrease from July. The Index has decreased for five consecutive months and for six of the past seven months. It is now tracking below its historic trend line. The Index shows the Fairfax County economy slowing down even before the events of September 11. In August, two of the Index's four components were negative. Transient Occupancy Tax collections, adjusted for inflation and seasonal variation, declined for the seventh month in a row and Consumer Confidence was down for the eighth time in nine months. Total employment in August increased from its July level and Sales Tax collections, adjusted for inflation and seasonal variation, increased for the third time in four months.



The Metropolitan Coincident Index, which reflects the current state of the Washington Metropolitan area economy, increased to 115.6 in August—a 2.4 percent gain over July. The Index's increase in August is attributed to seasonal increases in retail sales and airport passenger volume, both of which have since been negatively impacted by the events of September 11, 2001. In August, Domestic passenger volume at Dulles and Reagan Airports rose for the third consecutive month and nondurable goods retail sales enjoyed the largest month-to-month gain of the year. The other two economic indicators suggest a continued weakening of the area economy. Consumer Confidence decreased for the eighth time in nine months and total wage and salary employment declined for the second month in a row.

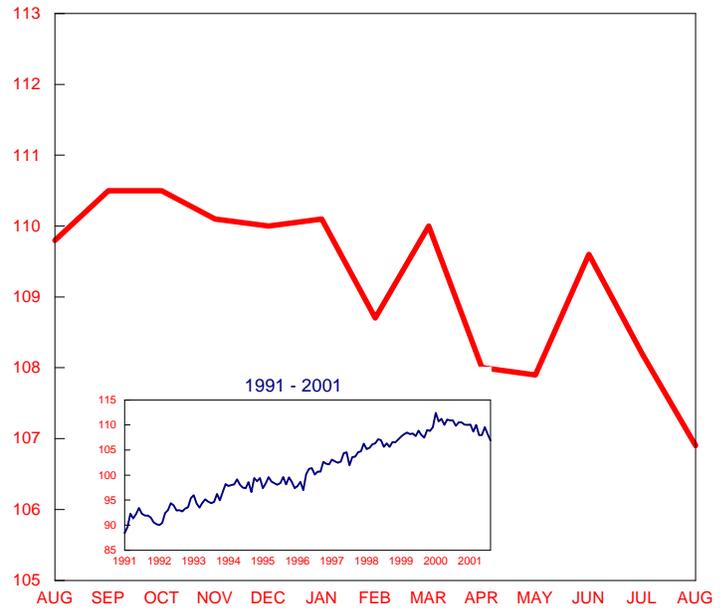


FAIRFAX COUNTY LEADING INDEX



Sources: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

METROPOLITAN LEADING INDEX



Source: Center Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

The Fairfax County Leading Index, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased to 103.2 in August—a 0.1 percent decrease from July. The Index has been negative for six of the last eight months and is well below its historic trend line. The events of September 11 may further slow the economy this year. Stephen Fuller, the author of the Index, indicates that federal contracting and other spending to combat terrorism will have a positive impact on the County's economy in 2002. In August, three of the Index's five components contributed to its decline. The total value of residential building permits was down for the fifth time in eight months, initial claims for unemployment insurance increased (worsened) after two monthly decreases, and residential building permits declined for the sixth time in seven months. New automobile registrations rose in August for the third time in four months and consumer expectations increased for the third time in four months.



The Metropolitan Leading Index, which is designed to forecast local economic performance in the Washington Metropolitan area 9 to 12 months in advance, decreased to 106.9 in August for a loss of 1.1 percent. The Index has been negative eight times in the past 12 months. In August, three of the index's five components contributed to its decline. Initial claims for unemployment insurance increased (worsened) for the fourth time in five months, durable goods retail sales decreased after increasing in the previous three months and the Help Wanted Index dropped sharply. Total residential building permits were up slightly in August and consumer expectations (consumer confidence six months hence) increased for the third time in four months.



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