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Washington Area Trends

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Issue No. 4
January 1999

Area Property Values Recover Slowly

Taxable residential and commercial property values in the Washington metropolitan area totaled $333 billion in 1998. The average per capita value was $79,360, but there were wide variations in values ranging from $121,101 in Arlington County to $50,550 in Prince George's County. The District's per capita value of $78,579 was slightly below the area average. Some of the differences in per capita values are attributable to differences in what is taxed and how properties are assessed.[1]

The Washington area recession of the early 1990s dealt a major setback to taxable property values. From 1991 to 1995, the District and all Virginia suburbs, except Stafford County, had a decrease in taxable values. The District's 6.6 percent decline exceeded only slightly the 4.2 percent decline in the Virginia suburbs over that four-year period. The effects of the recession on Maryland jurisdictions is less clear because of the three-year phase-in of assessments. However, changes in Maryland values from 1993 to 1997 should reflect the delayed effects. During that four-year period, taxable values increased only 5.8 percent in Montgomery County and only 5.7 percent in Prince George's County and each had one year during the period when values declined.

As a result of the effects of the recession, Washington area taxable values over the eight years from 1990 to 1998 increased at an annual average rate that barely kept pace with inflation. For the District and some Virginia governments, the average annual increase was below the inflation rate. While most governments were finally experiencing solid growth in tax bases in 1998, the total area base increased only 2.7 percent from 1997 to 1998, and both the District and Prince George's County taxable

Washington Metropolitan Area Taxable Property Values, Major Jurisdictions, 1998
(in thousands)

	Total	Per Capita[1]
District	**$42,399,892**	**$78,579**
Arlington County	21,289,818	121,101
Alexandria	12,761,356	110,244
Fairfax County	83,444,182	92,122
Loudoun County	14,192,360	114,141
Prince William Co.	15,331,807	51,818
Stafford County	4,899,181	53,982
Total Virginia	**$151,918,704**	**$88,928**
Montgomery County	74,029,426	90,173
Prince George's Co.	38,859,650	50,550
Frederick County	10,978,077	60,747
Charles County	7,997,255	68,982
Calvert County	7,268,015	107,738
Total Maryland [2]	**$139,132,423**	**$71,210**
Washington Area	**$333,451,019**	**$79,360**

[1] 1996 population estimates used.

[2] Maryland jurisdictions' assessed values adjusted from 40 percent to 100 percent.

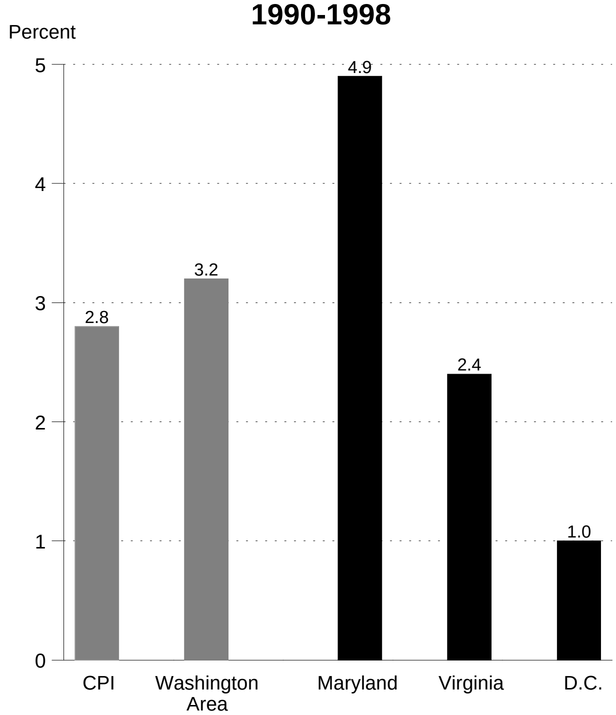
[1] The Virginia jurisdictions include about $11 billion of personally owned motor vehicles in the base; the District and Maryland jurisdictions do not include motor vehicles. Virginia jurisdictions value properties at full market value annually. Maryland jurisdictions value one-third of their properties each year and phase in the values over the three years following the valuation year. For 1997 and prior years, the District followed the Virginia practice, but because of difficulties in keeping annual assessments accurate the District changed to the Maryland system starting in 1998. Because of the three-year phase-in, Maryland values are not fully comparable to Virginia and District values for any specific year.

values grew less than 1 percent from 1997 to 1998. The District government's small increase reflects mainly the change to a three year cycle, while Prince George's County appears to be still experiencing delayed effects from the recession.

In some of the fastest growing outer suburban areas, the rapid increase in values from new construction overcame the negative effects of the recession. For example, the Maryland suburbs of Frederick and Calvert Counties had increases of 100 and 84 percent respectively from 1990 to 1998. Stafford County was the only Virginia government to experience continuous annual growth throughout the 1990s and it had an overall increase of 64 percent from 1990 to 1998.

The effect of decreased or sluggish increases in property values on government finances has varied across the metropolitan area. A major cause of the fiscal crisis in the District was a severe decline in property tax revenues at a time when costs were rapidly increasing for Medicaid, retirement, and debt service. In the Virginia suburbs, increasing school enrollments continued to require increases in school spending at a time when the governments were receiving less revenue from property taxes—their principal local revenue source. This squeeze resulted in property tax rate increases and severely strained budgets. The Maryland suburbs were less severely affected because of the delayed effects of the property tax revenue decline and because they have the piggy back income tax as a second major revenue source.

Average Annual Changes in Washington Area Taxable Property Values 1990-1998



Effects of 1990s Recession on Taxable Property Values in the Washington Metropolitan Area

	Four Year Period Affected	Percent Change Four Years
District of Columbia	**1991-1995**	**-6.6**
Arlington	1991-1995	-4.1
Alexandria	1991-1995	-4.6
Fairfax County	1991-1995	-4.4
Loudoun County	1991-1995	-13.0
Prince William Co.	1991-1995	-0.8
Stafford County	1991-1995	26.2
Total Virginia	**1991-1995**	**-4.2**
Montgomery County	1993-1997	5.8
Prince George's Co.	1993-1997	5.7
Calvert County	1993-1997	23.2
Charles County	1993-1997	21.5
Frederick County	1993-1997	28.5
Total Maryland	**1993-1997**	**8.9**