

Following one of the most dramatic disruptions to the economy in its modern history, the region remains a leading economic engine for the country. But lingering federal cutbacks, slowing private-sector job growth, and stubborn affordability challenges will continue to play outsized roles in the region's fortunes this year.

KEY FINDINGS

Federal cutbacks hit the foundations of the region's economy, with spillovers into the private sector.

- Nearly 64K federal jobs have been lost since the start of 2025, with 54K in metro Washington alone—a roughly 14% reduction. Baltimore saw a similar decline, while Richmond recorded a 9% drop.
- Metro Washington employment declined by 1.6% last year. Metro Baltimore also struggled to add jobs, while metro Richmond grew at the same pace as the U.S. overall (0.4%).
- Professional & business services jobs, the region's largest private-sector employer and the most common destination for former federal workers, declined 2.8% in metro Washington and posted 11% fewer job openings region-wide in 2025.

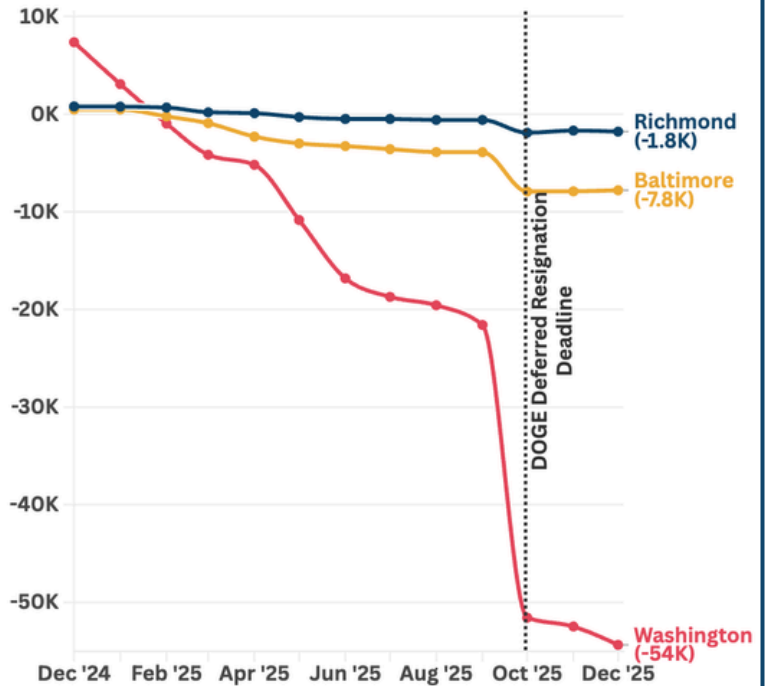
Lackluster GDP growth reflects an underlying competitiveness gap that will require diversification away from public-sector-adjacent employment.

- Real GDP growth has underperformed in MD and DC since 2020, and VA has only kept pace with the U.S.
- While traditionally viewed as recession-resistant, metro Washington ranks among the least economically diversified economies, leaving it exposed to sector-specific shocks.
- VA was the only regional jurisdiction to attract more people from other states than move away in 2025.

Real estate and housing markets reflect tepid demand and affordability constraints. A challenging residential market will continue to limit the region's ability to retain and attract talent.

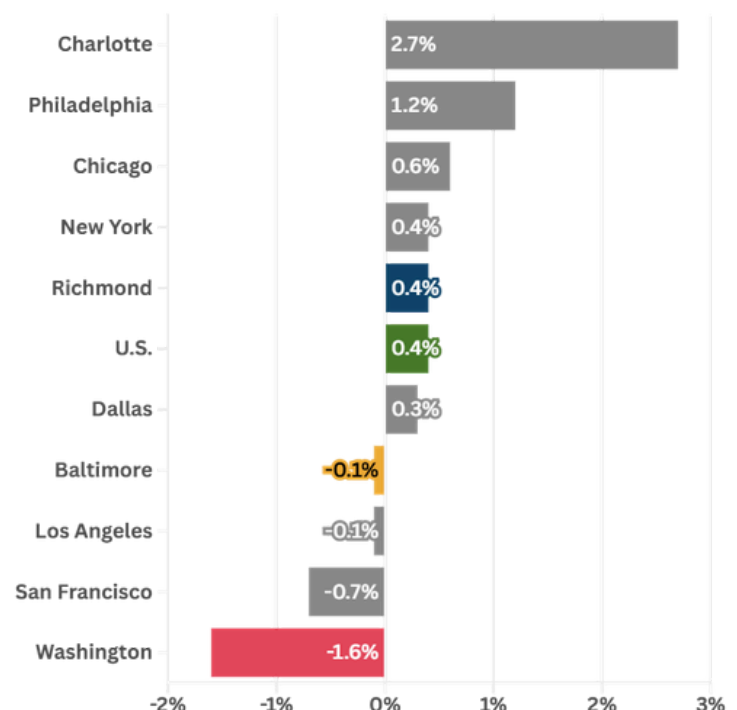
- Office vacancy remains elevated in Baltimore and Washington's primary business districts, reflecting sustained remote work and federal contraction.
- New housing permits in metro Washington are down roughly 14K units from their 2022 peak, while Baltimore and Richmond remain stable.
- Homes for sale in metro Washington were up 33% year-over-year in December 2025—nearly triple the national rate—indicating softening demand tied to job losses and household downsizing.

Change in Federal Government Employment from a Year Ago, Thousands of persons, by metro area



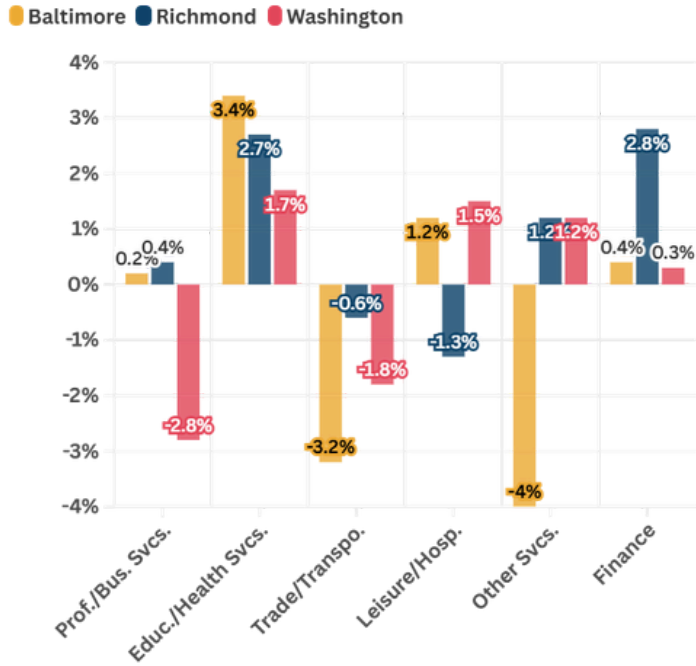
Source: Bureau of Labor Statistics

Change in Total Employment, Dec. 2024 to Dec. 2025



Source: Bureau of Labor Statistics

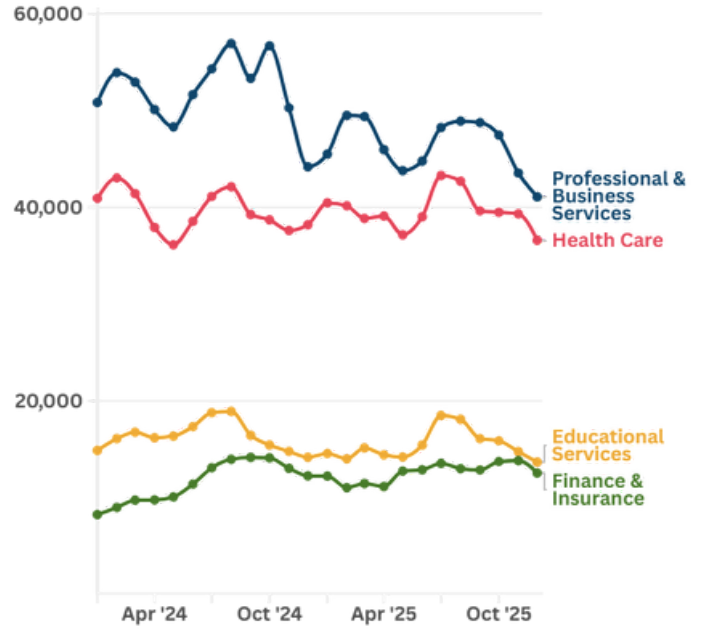
Change in Private Employment by Industry, Dec. 2024 to Dec. 2025, By metro area, major industries ordered by total employment size



Source: Bureau of Labor Statistics

Education & health services along with finance are the only two major sectors to record net job growth region-wide last year. Professional services declined by 2.8% over the year in metro Washington with only marginal gains elsewhere.

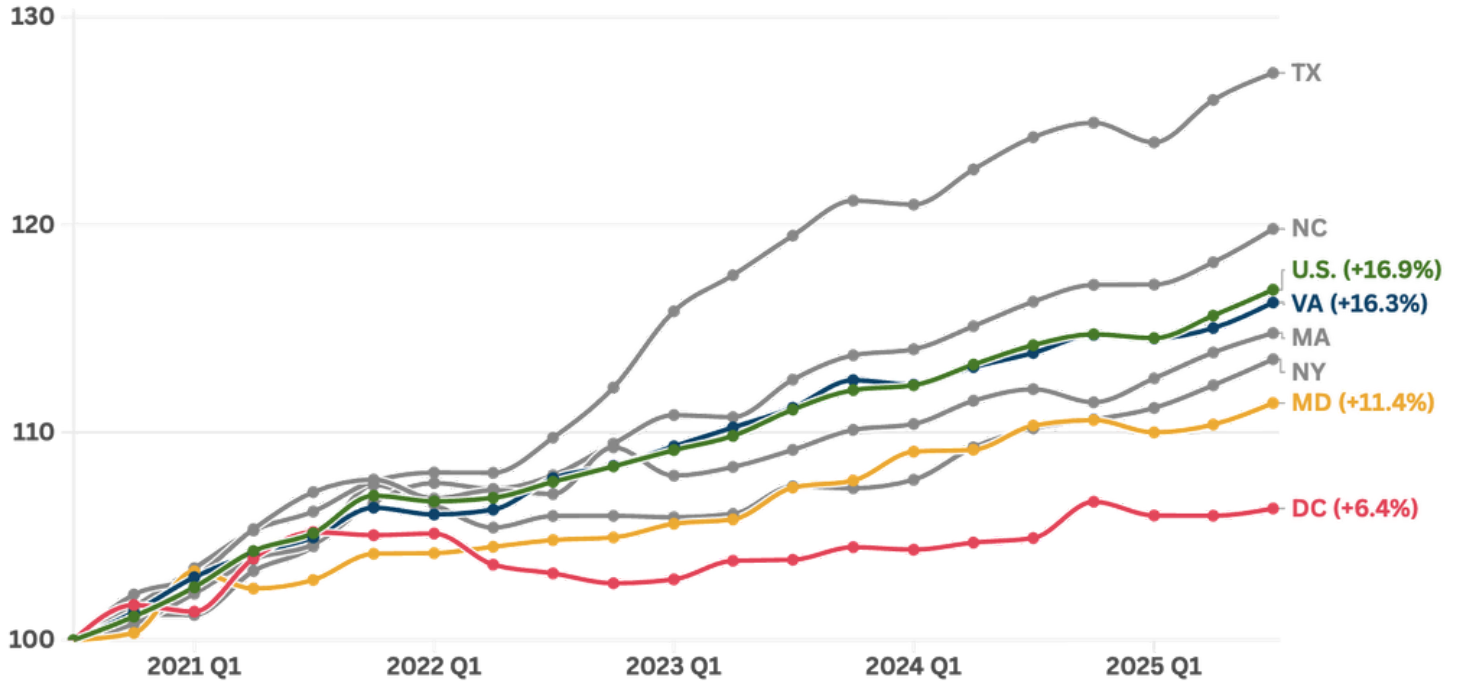
Total Job Postings by Major Industry Sector, Combined monthly total for Baltimore, Richmond, and Washington metro areas



Source: Lightcast

There were 11% fewer professional services job postings region-wide in 2025 than in the prior year, challenging entry-level jobseekers and former federal workers looking to transfer their skills to the private sector.

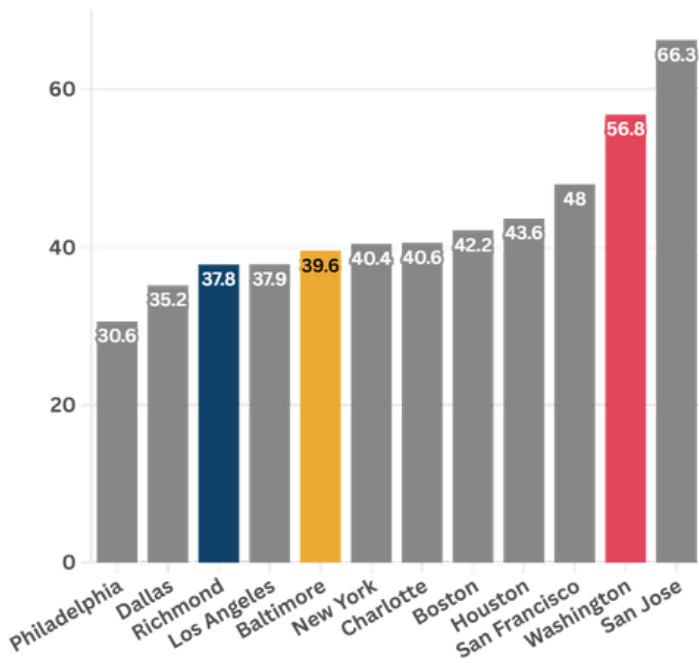
Cumulative Real GDP Growth by State, 2020 Q3 to 2025 Q3, Indexed, 2020 Q3 = 100



Source: U.S. Bureau of Economic Analysis, Total Real Gross Domestic Product

Real GDP growth in Maryland and Washington, DC, has trailed behind the U.S. and peers over the past five years, while Virginia's economic output has generally grown at the same pace as the country overall. Economic growth in Washington, DC, has largely stalled over the past year amid federal cutbacks.

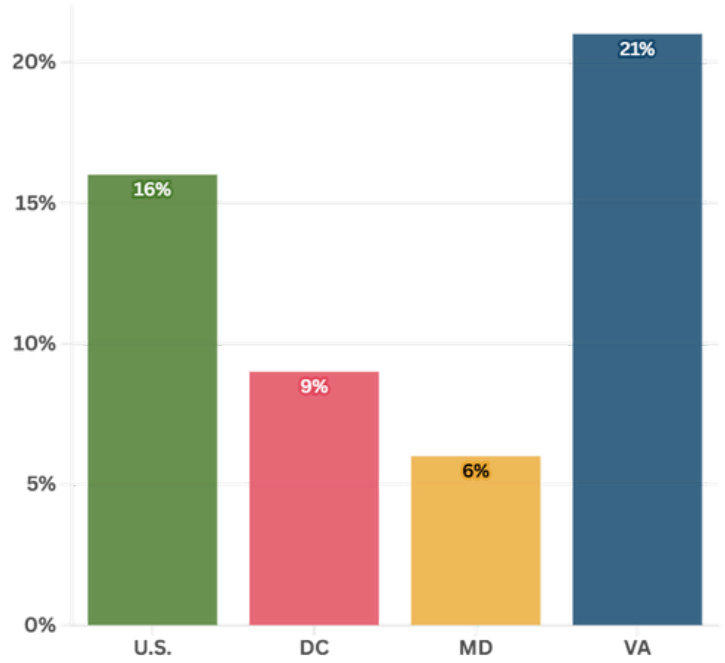
Economic Diversity Index, Lower values indicate greater economic diversification



Source: JobsEQ

Metro Washington is one of the least diversified metros in the country – second only to tech-reliant San Jose. The more economically diverse a region is, the better insulated it is against economic shocks.

Annual % Change in New Business Applications, Among businesses likely to hire employees, 2025

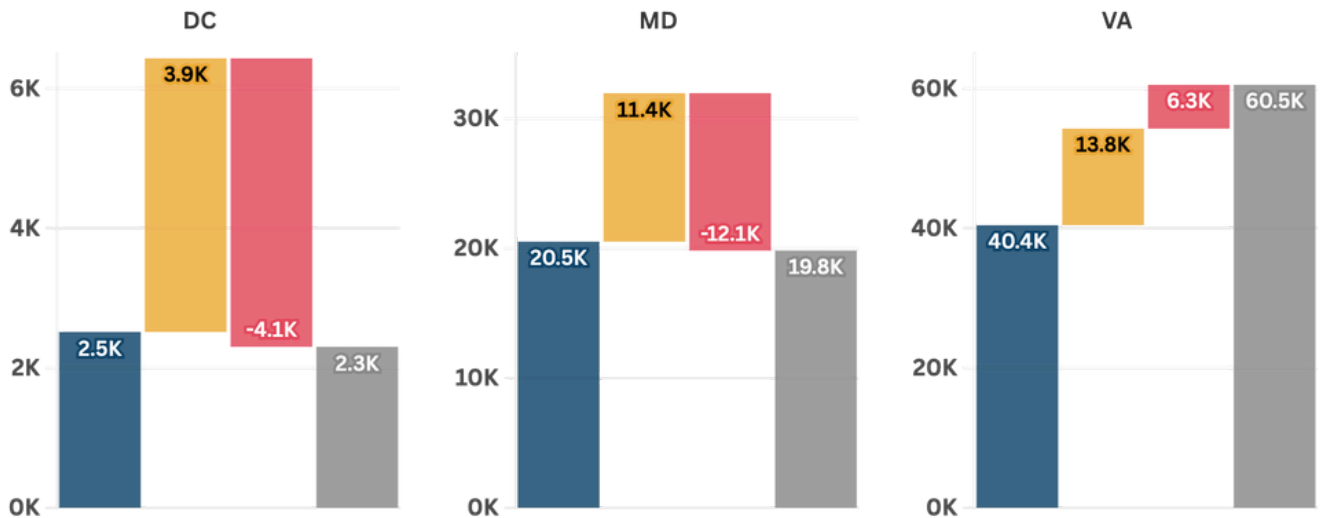


Source: Census Bureau, Business Formation Statistics

Applications to form a new business likely to hire employees grew by 21% in Virginia relative to the prior year – a larger increase than the country overall and the regional leader. Maryland and Washington, DC, lagged behind the U.S.

Population Growth, 2024 to 2025, Showing components of change

■ International migration ■ Natural change ■ Domestic migration ■ TOTAL



Source: U.S. Census Bureau

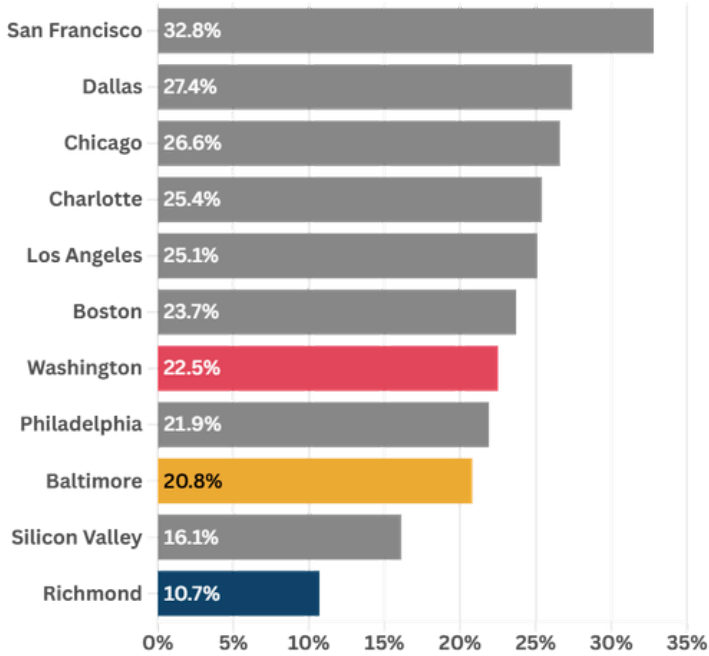
From July 2024 to July 2025, DC added 2.3K residents (+0.3%) – reaching a total population of 693.6K. DC’s attractiveness as a destination from other states stalled last year, with a net loss of 4.1K residents to other states.

MD added around 20K residents – reaching a total population of 6.3M. The state grew by 0.3%, the 35th highest among all states as its struggle with outmigration to other states slowed last year.

VA added 60.5K residents (+0.7%) – the 15th fastest among states, reaching a total population of 8.9M. The net number of people who moved from other states neared 6.3K – the most yet in this decade.



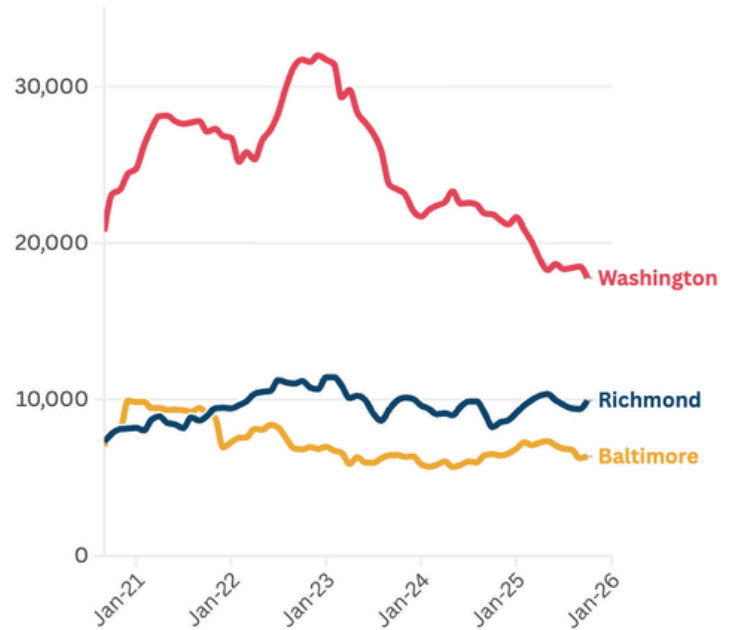
Office Vacancy Rates, 2025 Q4



Source: CBRE

Commercial vacancy rates remain elevated across Baltimore and Washington's core business districts relative to pre-pandemic averages, although not as high as many peers.

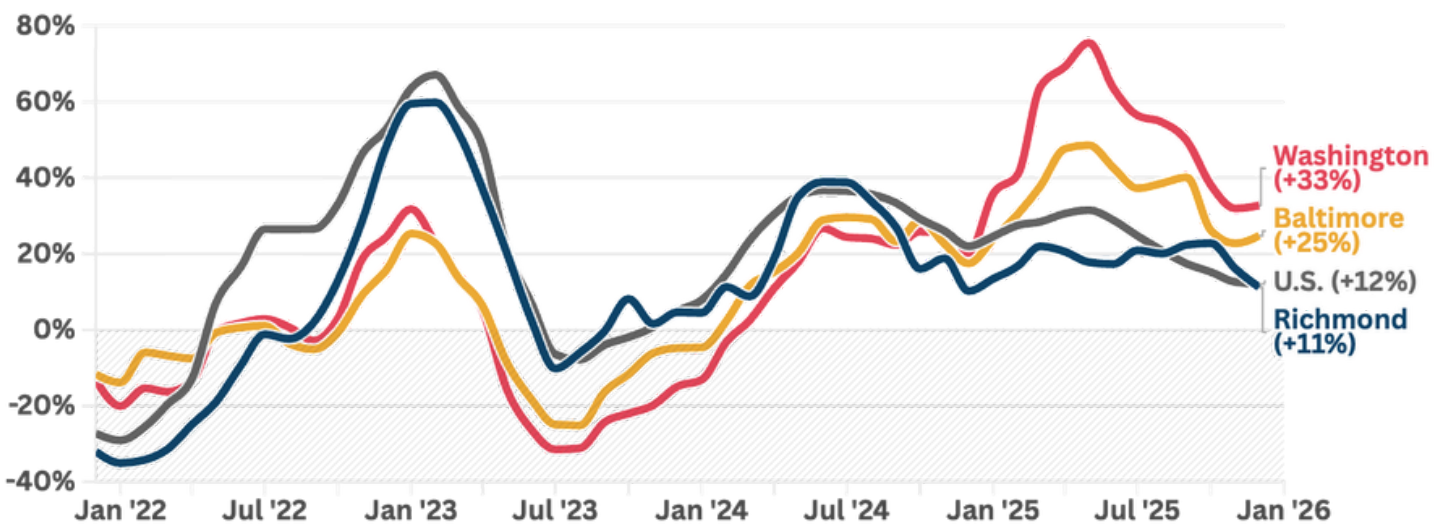
Housing Units Authorized by Building Permits, 12-month rolling total, by metro area



Source: U.S. Census Bureau, Building Permits Survey

Housing production continues to slow in metro Washington with roughly 14K fewer units authorized in the 12 months ending in October 2025 relative to its peak in late 2022.

Year-over-Year Percent Change in Homes for Sale, By metro area



Source: Realtor.com via FRED

The change in the number of homes for sale in metro Washington remains significantly elevated relative to a year earlier, +33% in December 2025 – nearly triple the U.S. change overall. This is down from last summer, however, when the weakening job market likely contributed to lower demand and a desire for owners to downsize or relocate.