



# Howard County, Maryland *economic* **INDICATORS**

## Our Mission...

Review the most currently available economic indicators for Howard County and surrounding areas to assist in providing advance warning of possible shifts in the local economy that may be helpful in the evaluation of current and future government policies and private sector business decisions.

## March 2014

## Insight & Outlook

**Residential Real Estate...**representatives reported the local market is doing very well despite the wintry weather. Buyers braving the extreme temperatures were reported to be serious buyers and were out and about hoping to gain an advantage over those that were not so brave. Every indicator is moving in the right direction. Even appraisals are no longer a problem. If there is a problem area it is double ended buyers and sellers. These are persons ready to buy & sell but won't list the existing home until they have secured the next home purchase. Sellers are not open to contingent buying. It has become a sellers market as the inventory of homes on the market is very low. Many buyers have yet to realize the shift to a buyers market and it often takes several offers to be rejected before it becomes clear that prices really are on the rise. Active inventory in December 2013 compared to December 2012 is up about 1%, which translates to 3.7 months supply compared to 3.5 months respectively. Median sales prices have increased 4% December to December, rising from \$360k to \$375k. Days on market has declined dramatically in this same period, going from 76 days to 51 days. Low inventory is the result of a combination of factors, including less new construction and a strong rental market. The rental market remains very strong despite the fact that many monthly mortgage costs are lower than monthly rental costs. Resale homes on the high end continue to be difficult to move as most buyers able to spend large sums want new product.

**Service Industries...**representatives reported government contractors have now experienced the effects of federal cutbacks for a year now. Cutbacks have reduced contracting opportunities to smaller businesses that rely on larger contractors. Adjusting to this new climate will remain a challenge for small businesses in 2014 and beyond. Transportation providers noted that sales overall tend to be soft. Some of this could be related to the harsh weather. Spring travel bookings are showing a pickup. Business related to D.C. visitor traffic seems to be a strong point. Qualified labor has been readily available.

**Banking...**representatives reported their commercial client base is much more optimistic about 2014. More bid activity is taking place. Pricing pressures are still there but are less of an issue than in 2013. In 2013 everyone was optimistic about moving forward, but that optimism fizzled. Now that federal budget issues have been resolved, at least for the short term, businesses feel more comfortable making capital and equipment purchases. Overall there are fewer external forces at play and businesses are feeling better. Banks are seeing more inquiries about financing for fixed assets like trucks and other pieces of production equipment. Patching old equipment will no longer work, new equipment is required. This in turn will start the cycle of capital formation which will help drive the local economy.

**Professional Service...**representatives reported most local business owners are in the early phases of an uptick in their optimism

about 2014. Many are beginning to believe that Washington is on the cusp of a "make a deal" period. This optimism should trigger owners to increase capital spending, add staff, step-up borrowing and increase pay to retain staff. More competition for qualified staff will necessitate pay raises to keep existing staff. Growth has already started to occur and the second half of 2014 is anticipated to be better than the first 6 months of the calendar year.

**Technology...**representatives reported government contractors remain concerned about contracts because of the threat to the bottom line by the government. Many are looking to diversify their commercial applications and are seeking overseas customers. The failure of the Pentagon to finalize its downsizing plans only leads to instability amongst contractors. Lack of a longer term budget deal by Congress has not helped. The impact of sequestration and cuts have resulted in suspensions and terminations of existing contracts and cut backs of staff. Pricing pressures have built as more contractors are bidding on fewer opportunities. Cyber security operations are safe, but other areas seem susceptible to further reductions. Ecommerce continues to experience high growth and extremely tight margins. Savvy ecommerce companies have outsourced or moved warehousing and other lower paying jobs to more favorable areas to lower costs. It is becoming increasingly more difficult to find qualified technology workers locally as the competition is fierce for these persons.

A Joint Publication of Howard County Government, Howard County EDA & the Howard County Chamber of Commerce

	Reporting Period	Current Reporting Period	Last Year's Reporting Period	Current Fiscal Year Average-to-Date	Last Fiscal Year Average-to-Date	Percent Change
<b>EMPLOYMENT</b> (Source: Maryland Department of Labor, Licensing and Regulation)						
Resident						
Resident Employment	December 2013	166,458	161,789	166,517	161,018	3.4%
Unemployment Rate	December 2013	4.0%	4.7%	4.9%	4.9%	
At Place						
At Place Employment	June 2013	162,677	161,460	159,685	154,668	3.2%
Total Wages	June 2013	\$2,317,974,537	\$2,278,648,178	\$2,400,390,629	\$2,306,655,516	4.1%
Average Weekly Wage	June 2013	\$1,113	\$1,101	\$1,156	\$1,148	0.7%
<b>COUNTY REVENUES</b> (Source: Howard County Budget Office)						
Personal Income	January 2014	\$2,854,511	\$2,938,654	\$142,101,283	\$125,498,722	13.23%
Planning and Zoning Fees	December 2013	\$60,878	\$53,080	\$336,865	\$354,658	-5.0%
Transfer Tax	December 2013	\$1,887,364	\$1,636,673	\$11,940,235	\$9,758,070	22.4%
<b>REAL ESTATE</b> (Source: MRIS; and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price	December 2013	\$457,997	\$422,454	\$483,578	\$441,266	9.6%
Number of Units Sold	December 2013	191	182	208	210	-0.7%
Condominiums						
Average Selling Price	December 2013	\$235,987	\$241,377	\$270,141	\$240,373	12.4%
Number of Units Sold	December 2013	41	25	53	41	29.6%
Office Market						
Total Square Footage	December 2013	12,133,494	11,646,094	11,825,119	11,585,455	2.07%
Absorption	December 2013	333,327	81,290	325,722	33,408	875.00%
Vacancy Rate Class A & B	December 2013	13.40%	13.30%	11.15%	13.43%	-16.9%
<b>SALES TAX</b> (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel	December 2013	\$959,573	\$949,195	\$5,479,954	\$5,337,498	2.7%
Furniture and Appliance	December 2013	\$713,423	\$637,510	\$4,538,338	\$4,719,841	-3.8%
General Merchandise	December 2013	\$2,226,993	\$3,008,785	\$15,799,483	\$15,403,341	2.6%
<b>CONSTRUCTION</b> (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued	January 2014	263	282	2,259	1,854	21.8%
Residential Issuances						
Single-family Detached	January 2014	40	45	332	276	20.3%
Single-family Attached	January 2014	32	34	298	142	109.9%
Multi-family Living Units	January 2014	0	0	797	16	4881.3%
Nonresidential						
New & AAI Issuances	January 2014	51	58	417	349	19.5%
Reported Square Footage	January 2014	14,349	90,582	629,375	917,790	-31.4%
Estimated Construction Cost	January 2014	\$2,350,000	\$15,000,000	\$39,341,057	\$63,288,495	-37.8%
<b>ECONOMIC INDICES</b> (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index	December 2013	99.4	93.8	97.8	94.6	3.4%
Washington MSA						
Leading Economic Index	November 2013	103.6	106.5	103.5	105.2	-1.6%
Coincident Economic Index	November 2013	119.3	122.4	119.5	118.7	0.6%

“The confidence level of business owners is trending upward as they become more optimistic about 2014. There is strong pressure for wage increases. Businesses will have to increase wages to compete for new staff and to retain existing workers.”

**Retail...**representatives reported locally the year to year comps for big box businesses are trending up by high single digits. The federal shutdown in 2013 led to a dramatic slowdown in consumer spending and an uptick in returns. One emerging trend is more frequent visits/shops, from every 3 week to 2 weeks with transactions becoming smaller. This in turn applies pressure to assets like parking spots, shopping carts & more staff needed to operate. Hard lines and fresh foods are doing well and carrying other areas. Commodity prices have been stable except for coffee and sugar which have risen. Beef prices are expected to drop in the near term as there is a glut on the market due to weather issues in the production states. Organics continue to grow in popularity and are expected to continue to do so. Luxury items such as 35 mm SLR digital cameras and tablets are all holding their own. Gas prices are up and while sales are up 1% volumes are down 7% due to better mileage vehicles. New car dealers reported January was relatively flat with regard to sales volumes in new and used vehicles. Due to a high day's supply of new vehicle inventory, margins are under pressure as oversupplied dealers compete for buyers in the market. Interest rates remain low and dealers are seeing more buyers wanting to replace later model vehicles than need buyers replacing older vehicles. Collision repair volume was up significantly for the month of January and the fourth quarter of 2013 primarily due to weather. Dealers see 2014 as marginally better than 2013.

### Residential and Commercial

**Construction...**representatives reported new home sales in Howard County are very, very good despite the weather. Traffic has been average and has been impacted by the weather as well. Winter weather has construction schedules facing delays as it has been too cold to pour foundations. Margins continue to be very thin and escalating land costs and pricing pressures on various commodities are only compounding this situation. Many builders are looking at different materials such as veneers to help offset price increases in some woods. Buyers are typically “move ups” but the attraction of a quality education system and well paying jobs in the county remain strong incentives to relocate. Many renters are converting to buying as it is often cheaper. Contingent contracts are available provided the pricing, location of the home and the existing property has been listed. High end homes (\$1m and up) are doing much better. On the commercial real estate side the vacancy rate has stabilized. There has been new space on the market, but most of it has been leased. This is a requirement from lenders that must be met to secure financing. There is little spec building for this reason. The general feeling is that activity has increased and more people are looking for space. Investment interest in the commercial real estate market is stronger.

**Overall...**the economic climate of Howard County and the region in general appears to be much brighter going into 2014. Optimism is on the uptick as there has been some easing of the stalemate in Washington. Increases in capital spending, additions to staff, commercial borrowing, and modest pay increases are all starting to happen or are expected during the next few months. Unemployment continues to move downward in Howard County and job creation continues to move forward. The shadow of the recession is fading faster with the passage of every month. Consumers have been moving the economy along in the recent past; they will now be joined by the commercial side. Revenues for businesses and government alike are anticipated to grow. Most businesses learned to deal with government spending reductions, sequestration and shutdown and are stronger as a result. This strength is what will drive us forward in 2014.

## Summary

**Employment...**Resident employment in December 2013 reached 166,458 individuals. The unemployment rate for December 2013 was 4.0%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 6.1%. The FY14 average unemployment rate for the county is now 4.9% compared to the FY13 average of 4.9% thru December.

At Place Employment as reported for June 2013 was 162,677 an increase of .75% compared to the June 2012 level of 161,460. Total wages reported for June 2013 were 1.72% higher than the June 2012 level, increasing from \$2,278,648,178 to \$2,317,974,537. The average weekly wage reported for June 2013 was \$1,113 up \$12 or 1.1% from the \$1,101 reported for June 2012.

**County Revenues...**Personal income tax receipts as reported for January 2014 were \$2,854,511, a decrease of 2.86% below the January 2013 level. Fiscal year to date FY14 income tax revenues are 13.2% above FY13 levels through the same period. Planning & Zoning fees are reported for December 2013 and are 15% higher than the December 2012 level. Fiscal year-to-date collections for these fees are 5% lower than the FY13 levels. Transfer tax is reported for December 2013. Compared to December 2012 current collections are up 15% in December 2013. Average fiscal year-to-date collections for FY14 are up 22% when compared to FY13 levels thru the same period.

**Construction...**Building permits issued in January 2014 declined by 7% compared to the January 2013 level. Fiscal year 2014 to date permit activity reflects an increase of 405 permits or a 22% increase from fiscal year 2013 level of 1,854 units. FY14 to date SFD permits are 2 units in January 2014 compared to the prior year. Fiscal year to date the number of single family attached units is up 156 units or 110% from FY13 to FY14. Multi-family permits posted 0 units in January 2014, the same number of units reported for January 2013. Non-residential new and additions, alterations, interior completions (AAI) permits were at 51 in January 2014 and 58 in January 2013, a decline of 12% or 7 units. Non-residential reported square footage fiscal year to date is reported thru January 2014. FY14 s.f. to date totals 629,375 compared to 917,790 s.f. reported for FY13 thru the same period. The estimated non-residential construction cost reported for January 2014 was \$2,350,000 compared to \$15,000,000 in January 2013. YTD FY14 estimated construction costs were \$39.3m compared to \$63.2m or 38% below those reported YTD FY13 thru the January period.

**Economic Indices...**National Leading Economic Index (LEI) as reported for December 2013 was 99.4. Compared to the 93.8 reported for December 2012 this represents an increase of 5.9%. The LEI for the Washington MSA was 103.6 in November 2013, down from the 106.5 reported for November 2012. The Coincident Index for the Washington MSA was 119.3 in November 2013, down from the November 2012 level of 122.4. Fiscal year to date averages for the Washington indices were mixed. The leading index was down 1.6% at 103.5 for FY14 compared to 105.2 for FY13. The coincident was up .6% at 119.5 for FY14 compared to 118.7 for FY13.

**Real Estate...**Average sale prices for single-family homes (includes single family detached and town homes) in December 2013 increased by 8.4% from the December 2012 average of \$422,454 to \$457,997. Fiscal year-to-date the average price has increased by 9.6%. A total of 191 single-family homes were sold during December 2013, an increase

of 5% or 9 more units than the 182 units sold in December 2012. Average units sold fiscal year to date were 208 compared to 210 units thru December 2012, a decrease of 0.7%. Condominium prices in FY14 for December averaged \$235,987, a decrease of 2.2% from the average price of \$241,377 in December 2012. Sales of condo units in December 2013 were up 64% or 16 units over the numbers reported for December 2012 when 25 units were sold. The commercial office vacancy rate for December 2013 was 13.4%, up from 13.3% in December 2012. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of December 2013 was 12,133,494 s.f. compared to 11,646,094 s.f. for December 2012. Net absorption for the fourth quarter of calendar 2013 was 333,327 s.f. compared to net absorption of 81,290 s.f. through the fourth quarter of calendar 2012.

**Sales Tax...**December 2013 collections for Apparels increased by 1.1% compared to the level collected in the same month last year. The FY14 average receipts to date increased by 2.7% when compared to the prior year. Collections reported for December 2013 Furniture and Appliance sales increased by 11.9% compared to December 2012. Fiscal year-to-date, average revenues thru December 2013 declined by 3.8% from the previous fiscal year. General Merchandise collections decreased by 26% in December 2013 compared to December 2012. Fiscal year-to-date average levels increased by 2.6% compared to the prior year. It should be noted sales tax revenues are not returned to the county as direct revenue. They are an indicator of discretionary spending in the county as reported by local businesses to the State of Maryland.

### Committee Membership

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