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.

June 2014

Insight & Outlook

Residential Real Estate…representatives reported the local market is busier now than it ever has been. It is just crazy. All of the numbers are steady and slow. Inventory is the one area that poses a problem; there simply are not enough homes on the market. Compared to March 2013 the current year has seen inventory grow by just 27 units or 3%. First time home buyers make up the largest group of buyers. Millennials make up a large share of all buyers, estimated at 30% of all sales locally. They have good credit and often lots of cash. Most buyers in this segment have well-paying jobs that have resulted from the excellent schools and the location of the county relative to well-paying jobs. Condominiums are the most popular choice for millennials, as they prefer homes with little grounds maintenance requirements. Sales related to downsizing and upsizing continue to be a significant part of the market. Single family homes in the $300-$400k range are the best sellers. Sellers are starting to get asking prices and multiple bids are popular. Buyers are still trying to get buyer assistance, but most sellers are not willing to go beyond 1-2% on closing costs. Good credit is still required. There has been some return to the 80-10-10 program to avoid mortgage insurance. Closings typically take between 30 to 60 days, even with VA loans. The issue with appraisals has been much better. The rental market continues to be very strong even though many renters could purchase a home and be making payments on that home that are less than what they are paying in rent. For some they just prefer to rent and do not want to risk the drop in equity that can come from a downturn in the market.

Service Industries…representatives reported government contractors have now experienced the effects of federal cutbacks in excess of a year now. Suspensions and terminations of existing contracts have begun to slow or stop. Pricing pressures are strong as more contractors are bidding on fewer opportunities. While government cutbacks are impacting levels of spending which might be minimal is any one year, it is likely the cutbacks will accumulate to substantial amounts over the next several years.

Banking…representatives reported business owners are feeling more optimistic about 2014 compared to this time a year ago. The first quarter operating performance of most companies was negatively impacted by the hard winter, although a strong second quarter is expected to make up for delayed projects. Consumers continue to work to reduce debt and the recent uptick in interest rates of residential mortgages, coupled with tight underwriting standards, have resulted in a reduction in mortgage loan requests/approvals. Financial institutions seem to have somewhat relaxed commercial credit underwriting in the past five months, and have become very aggressive on the pricing of loans.

Professional Service…representatives reported most local business owners continue to feel increased optimism about the remainder of 2014 and the start of 2015. All signs point to a general economic pickup locally and nationally. Increases in capital spending, including inventory should be triggered by this optimism. Staff additions are expected to occur, particularly for those under the 50 worker threshold for the Affordable Care Act. Additional borrowing is expected and pay increases to staff are starting to materialize. Finding workers with the right skills is becoming more of a challenge. Since many business owners reduced debt and conserved cash during the recession some capital expenditures are expected to be made without borrowing.

Technology…representatives reported while the sequestration has passed there still remains a lot of concern in this sector about contracts with the government. Requisition rates are being looked at closely and in many instances a re-compete process for contracts is being considered. Decreases in salaries and more competitive rates are already in place in most contracts. New hires are accepting lower salaries for most positions, including those in cyber security. Contractors are still dialing back and there have been some concerns related to the pool of employees with security clearances, which have leveled off as it becomes more difficult to fill positions. Security clearances are taking longer to process in light of the security leaks that have made the headlines. Legacy defense systems have felt the greatest impact, but even cyber security is not totally immune. There is still a big push for cyber security and massive construction projects are taking place on and off of government campuses. Most contractors doubt they will ever get back to pre-sequestration levels and a new norm is now in place. More public/private partnerships are forming across the government contracting spectrum. Looking forward, the next BRAC is scheduled for calendar 2017.

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	Reporting Period	Current Reporting Period	Last Year's Reporting Period	Current Fiscal Year Average-to-Date	Last Fiscal Year Average-to-Date	Percent Change
EMPLOYMENT (Source: Maryland Department of Labor, Licensing and Regulation)						
Resident						
Resident Employment	March 2014	168,233	166,309	166,851	162,564	2.6%
Unemployment Rate	March 2014	4.2%	4.9%	4.7%	4.9%	
At Place						
At Place Employment	September 2013	160,712	160,797	160,772	160,441	0.2%
Total Wages	September 2013	$2,323,023,314	$2,325,571,549	$2,323,023,314	$2,325,571,549	-0.1%
Average Weekly Wage	September 2013	$1,111	$1,113	$1,111	$1,113	-0.2%
COUNTY REVENUES (Source: How ard County Budget Office)						
Personal Income	April 2014	$0	$0	$235,790,893	$220,290,298	7.04%
Planning and Zoning Fees	March 2014	$42,233	$43,673	$466,237	$512,393	-9.0%
Transfer Tax	April 2014	$1,691,487	$1,359,940	$19,022,474	$17,292,576	10.0%
REAL ESTATE (Source: MRIS; and Cushman & Wakefield, Inc.)						
Single-family Dw ellings						
Average Selling Price	March 2014	$468,948	$423,154	$473,602	$434,279	9.1%
Number of Units Sold	March 2014	187	185	188	191	-1.3%
Condominiums						
Average Selling Price	March 2014	$272,726	$234,176	$248,964	$235,180	5.9%
Number of Units Sold	March 2014	38	38	48	37	28.2%
Office Market						
Total Square Footage	March 2014	12,163,494	11,646,094	12,163,494	11,646,094	4.44%
Absorption	March 2014	128,721	289,402	128,721	289,4028	-55.52%
Vacancy Rate Class A & B	March 2014	11.80%	10.10%	11.80%	10.10%	16.8%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel	March 2014	$730,570	$759,171	$8,323,388	$8,341,284	-0.2%
Furniture and Appliance	March 2014	$610,444	$585,438	$6,676,178	$6,615,538	0.9%
General Merchandise	March 2014	$2,264,311	$2,208,684	$26,206,483	$24,551,568	6.7%
CONSTRUCTION (Source: How ard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued	March 2014	305	383	2,753	2,525	9.0%
Residential Issuances						
Single-family Detached	March 2014	50	74	417	406	2.7%
Single-family Attached	March 2014	34	62	346	247	40.1%
Multi-family Living Units	March 2014	0	16	797	32	2390.6%
Nonresidential						
New & AAI Issuances	March 2014	66	78	517	479	7.9%
Reported Square Footage	March 2014	23,566	88,034	653,612	1,006,724	-35.1%
Estimated Construction Cost	March 2014	$12,144,000	$16,600,000	$51,485,057	$80,504,193	-36.0%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index	March 2014	100.9	94.3	98.5	94.5	4.3%
Washington MSA						
Leading Economic Index	February 2014	109.1	104.4	104.9	104.5	0.2%
Coincident Economic Index	February 2014	119.1	120.9	119.9	119.7	0.2%

The fiscal year for Howard County runs from July 1 to June 30.

"When business owners begin to feel optimistic, their decisions about borrowing, hiring, & capital expenditures tend to fuel the economy even more. The process is a self-reinforcing cycle."

Retail...representatives reported the harsh winter weather had an impact on their comparative sales. It was noted that once the sales were lost because of weather it is lost forever. Putting is another way, once breakfast has been missed you don't go back to eat it. Food continues to be a big driver in the retail market. Fresh foods, particularly ethnic and organic, are huge movers. It is just not the ethnic groups buying these items; the general public has found new tastes. Small retailers noted there has been little growth in many regions. Growth locally has been in the 1-4% range. Coffee prices have increased due to drought conditions in coffee producing regions of the world. It has been very difficult to pass these costs to consumers.

Residential and Commercial Construction…representatives reported the new home market continues to be strong. The town home market is proving to be a very strong market. First time homes are also selling well. Active adult communities are strong as well. Traffic has been average and buyers are ready to purchase and often quickly. Sales have been good overall. Material price increases have not been as bad as some years. There have been some challenges with labor, concrete and drywall costs, but they have not been significant. One factor that is keeping margins very thin is the price of land. Land is often near 30% of the cost and has kept pressure on margins. On the commercial real estate side there has been a marked interest from Health and Cyber Security contractors seeking to locate in Columbia. These contractors are attempting to tap into the talent available in the local area. Smaller company expansion is occurring whereas with larger companies it is a mixed bag. West Coast companies have expressed interest in Howard County and some are purchasing local firms to get a local presence and to utilize the local talent pool. Little spec building is taking place. There has been some interest from internet retailers in the region as they seek large industrial warehouse space to provide 24 hour delivery service on purchases.

Overall… the economic climate of Howard County is sunny. Most business leaders are much more confident about federal fiscal management now that deals have been put into place. Optimism that 2014 will finish strong and that the trend will carry into 2015 is strong. This process is a self-reinforcing cycle, which will continue to fuel the economy even more. Unemployment locally remains low and has been low for several months. The local economy would have been even better in the last quarter if not for the severe winter weather. The loss of business resulting from weather is gone forever, it won't be recouped. As things improve the labor market has tightened some and finding qualified workers is becoming more of a challenge. Optimism is contagious and as the year moves forward this optimism is sure to help drive the economy forward.

Summary

Employment…Resident employment in March 2014 reached 168,233 individuals. The unemployment rate for March 2014 was 4.2%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 5.9%. The FY14 average unemployment rate for the county is now 4.7% compared to the FY13 average of 4.9% thru March.

At Place Employment as reported for September 2013 was 160,712 a decrease of .053% compared to the September 2012 level of 160,797. Total wages reported for September 2013 were .11% lower than the September 2012 level, decreasing from $2,325,571,549 to $2,323,023,314. The average weekly wage reported for September 2013 was $1,111 down $2 or 0.2% from the $1,113 reported for September 2012.

County Revenues… Personal income tax receipts as reported for April 2014 were zero, the same as the April 2013 level. Fiscal year to date FY14 income tax revenues are 7.04% above FY13 levels through the same period. Planning & Zoning fees are reported for March 2014 and are 2.3% lower than the March 2013 level. Fiscal year-to-date collections for these fees are 9% lower than the FY13 levels**.** Transfer tax is reported for April 2014. Compared to April 2013 current collections are up 24.3% in April 2014. Average fiscal year-to-date collections for FY14 are up 10% when compared to FY13 levels thru the same period.

Construction…Building permits issued in March 2014 declined by 20% compared to the March 2013 level. Fiscal year 2014 to date permit activity reflects an increase of 228 permits or a 9% increase from fiscal year 2013 level of 2,525 units. FY14 to date SFD permits are up 11 units in March 2014 compared to the prior year. Fiscal year to date the number of single family attached units is down 28 units or 45% from FY13 to FY14. Multi-family permits posted 0 units in March2014, down 16 units from March 2013. Non-residential new and additions, alterations, interior completions (AAI) permits were at 66 in March 2014 and 78 in March 2013, a decline of 15% or 12 units. Non-residential reported square footage fiscal year to date is reported thru March 2014. FY14 s.f. to date totals 653,612 compared to 1,006,724 s.f. reported for FY13 thru the same period. The estimated non-residential construction cost reported for March 2014 was $12,144,000 compared to $16,600,000 in March 2013. YTD FY14 estimated construction costs were $51.485m compared to $80.5m or 36% below those reported YTD FY13 thru the month of March.

Economic Indices…National Leading Economic Index (LEI) as reported for March 2014 was 100.9. Compared to the 94.3 reported for March 2013 this represents an increase of 7%. The LEI for the Washington MSA was 109.1 in February 2014, up from the 104.4 reported for February 2013. The Coincident Index for the Washington MSA was 119.1 in February 2014, down from the February 2013 level of 120.9. Fiscal year to date averages for the Washington indices were both up. The leading index was up 0.2% at 98.5 for FY14 compared to 94.5 for FY13. The coincident was up 0.2% at 119.9 for FY14 compared to 119.7 for FY13.

Real Estate… Average sale prices for single-family homes (includes single family detached and town homes) in March 2014 increased by 11% from the March 2013 average of $423,154 to $468,948. Fiscal year-to-date the average price has increased by 9.1%. A total of 187 single-family homes were sold during March 2014, an increase of 1% or 2 more units than the 185 units sold in March 2013. Average units sold fiscal year to date were 188 compared to 191 units thru March 2013, a decrease of 1.3%. Condominium prices in FY14 for March averaged $272,726, an increase of 16.5% from the average price of $234,176 in March 2013. Sales of condo units in March 2014 were the same as those sold in March 2013, 38 units. The commercial office vacancy rate for March 2014 was 11.8%, up from 10.10% in March 2013. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of March 2014 was 12,163,494 s.f. compared to 11,646,094 s.f. for March 2013. Net absorption for the first quarter of calendar 2014 was 128,721 s.f. compared to net absorption of 289,402 s.f. through the first quarter of calendar 2013.

Sales Tax…March 2014 collections for Apparels decreased by 3.8% compared to the level collected in the same month last year. The FY14 average receipts to date decreased by 0.2% when compared to the prior year. Collections reported for March 2014 Furniture and Appliance sales increased by 4.3% compared to March 2013. Fiscal year-to-date, average revenues thru March 2014 increased by 0.9% from the previous fiscal year. General Merchandise collections increased by 2.5% in March 2014 compared to March 2013. Fiscal year-to-date average levels increased by 6.7% 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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Questions or suggestions?
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2014 Farmer's Markets Locations and Dates:

Wednesday
Howard County Library – Miller Branch
9421 Frederick Road, Ellicott City
May 7 to November 19
2:00 p.m. to 6:00 p.m.

Thursday
Howard County Library – East Columbia Branch
6600 Cradlerock Way, Columbia
May 1 to November 7
2:00 p.m. to 6:00 p.m.

Friday
Howard County General Hospital
5755 Cedar Lane, Columbia
May 9 to October 31
2:00 p.m. to 6:00 p.m.

Saturday
Historic Ellicott City Old Town Market
Courtyards of Tonge Row & Parking Lot D
3731-3741 Hamilton Street
May 10 to November 8
9:00 a.m. to 1:00 p.m.

Sunday
Oakland Mills Village Center
5851 Robert Oliver Place, Columbia
May 11 to November 23
9:00 a.m. to 1:00 p.m.

For more information go to:

http://www.hceda.org/farms-agriculture/buy-locally-grown/farmers-markets.aspx

http://Howardcountyfarmersmarkets.com

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