



# 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.

## September 2014

## Insight & Outlook

**Residential Real Estate...** Representatives from the Real Estate sector report a dip in activity during June and July, but had better news for August when sales were up approximately 10% over year ago levels. Overall the Howard County housing market continues to be one of the strongest in the state, driven largely by the quality of the school system. There is more housing stock available which is good news for buyers, and the days of short sales are all but over. Representatives say they still see some short sales, but very few. Housing prices have yet to fully recover according to industry representatives and vary depending on location. River Hill continues to be a growth area. Low interest rates continue to present opportunities for buyers, but also serve as evidence the economy has not fully recovered. A spike in interest rates could stall the economy as we saw last year. \$400,000 homes are beyond the reach of some of the military personnel in the area and young couples. Housing prices haven't stopped Millennial's from dreaming, but affordability is an issue. Homes in the \$1,000,000 range continue to do well especially in communities like Maple Lawn. Industry analysts are seeing lots of transitioning from River Hill to Maple Lawn. Buyers want smaller homes sites with less maintenance. Of course these are not first time home buyers. Industry representatives are generally optimistic housing sales will trend in a positive direction this fall. Building permits were up last year, but this year we are seeing about half as much activity. Much of the decline is at-

tributed to fewer large apartment developments, which we saw last year. Construction of single family homes is also being impacted by the lack of land. Homeowners will see an increase in assessments, but the assessment values will not necessarily reflect housing prices. The areas being assessed are in the far west and south into Savage. Last year the assessments were approximately eight percent, and this year will be slightly higher. The assessments are phased in over a three year period and are expected to average about 3.5% per year. Last year the county saw a 25% decline in assessments.

**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. The demand for qualified workers is affecting the margins on contracts. 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...** Industry analysts report a very competitive marketplace. Banks are reportedly aggressively making deals. The lease turnover rate is at 75%. Revenues are growing between 2-5% based on actual growth and not through reductions in staffing or other cutbacks. The stock market has provided no real impact on the current environment, while 2013 was described as moderately successful.

**Professional Service ...** representatives reported most local business owners continue to feel increased optimism about the remainder of 2014 and into 2015. All signs point to a general economic pickup locally and nationally. There is less worry about fiscal management crises in D.C., the ramifications of the Affordable Health Care Act (AHCA) are coming into better focus. Projections indicate that increases in capital spending will occur not only for equipment and vehicles, but for inventories as well. Staff increases for business below the 50 worker threshold for AHCA is occurring. Finding workers with the right skills is becoming a challenge. Part-time instead of full time workers are becoming more popular

**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. 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. Defense industry budgets are expected to continue to shrink in 2015 and 2016, perhaps as much as 10% per year, but analysts are not expecting another round of sequestration. Congress is at work on a continuing resolution to fund the budget.

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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
<b>EMPLOYMENT</b> (Source: Maryland Department of Labor, Licensing and Regulation)					
Resident					
Resident Employment.....June 2014	169,497	166,581	167,489	163,555	2.4%
Unemployment Rate.....June 2014	4.9%	5.8%	4.6%	5.0%	
At Place					
At Place Employment.....December 2013	160,237	162,133	160,548	161,105	-0.3%
Total Wages.....December 2013	\$2,489,442,543	\$2,541,592,556	\$2,406,232,929	\$2,433,582,053	-1.1%
Average Weekly Wage.....December 2013	\$1,194	\$1,210	\$1,153	\$1,162	-0.8%
<b>COUNTY REVENUES</b> (Source: Howard County Budget Office)					
Personal Income.....June 2014	\$80,155,767	\$79,605,389	\$392,660,792	\$374,358,093	4.89%
Planning and Zoning Fees.....July 2014	\$32,930	\$52,750	\$32,930	\$52,750	-37.6%
Transfer Tax.....June 2014	\$5,261,555	\$5,887,059	\$26,900,782	\$17,292,576	55.6%
<b>REAL ESTATE</b> (Source: MRIS and Cushman & Wakefield, Inc.)					
Single-family Dwellings					
Average Selling Price.....July 2014	\$498,485	\$485,973	\$498,485	\$485,973	2.6%
Number of Units Sold.....July 2014	298	333	298	333	-10.5%
Condominiums					
Average Selling Price.....July 2014	\$288,264	\$274,721	\$288,264	\$274,721	4.9%
Number of Units Sold.....July 2014	57	63	57	63	-9.5%
Office Market					
Total Square Footage.....June 2014	12,163,494	11,732,094	12,163,494	11,689,094	4.06%
Absorption.....June 2014	121,243	334,311	124,982	311,857	-59.92%
Vacancy Rate Class A & B.....June 2014	12.00%	10.40%	11.80%	10.25%	15.1%
<b>SALES TAX</b> (Source: Office of Comptroller of the Treasury, Revenue Administration Division)					
Apparel.....June 2014	\$934,630	\$926,954	\$11,215,558	\$11,123,447	0.8%
Furniture and Appliance.....June 2014	\$776,945	\$735,060	\$9,323,338	\$8,438,427	10.5%
General Merchandise.....June 2014	\$2,866,377	\$2,726,628	\$34,396,528	\$32,719,541	5.1%
<b>CONSTRUCTION</b> (Source: Howard County Department of Inspections, Licenses, and Permits)					
All Building Permits Issued.....July 2014	344	379	344	379	-9.2%
Residential Issuances					
Single-family Detached.....July 2014	37	52	37	52	-28.8%
Single-family Attached.....July 2014	26	55	26	55	-52.7%
Multi-family Living Units.....July 2014	40	0	40	0	100.0%
Nonresidential					
New & AAI Issuances.....July 2014	49	86	49	86	-43.0%
Reported Square Footage.....July 2014	0	35,693	0	35,693	-100.0%
Estimated Construction Cost.....July 2014	\$4,000,000	\$2,501,000	\$4,000,000	\$2,501,000	-59.9%
<b>ECONOMIC INDICES</b> (Source: The Conference Board; George Mason University Center for Regional Analysis)					
National					
Leading Economic Index.....June 2014	102.2	95.4	99.3	95.2	4.3%
Washington MSA					
Leading Economic Index.....May 2014	106.7	106.1	105.3	104.7	0.6%
Coincident Economic Index.....May 2014	122.7	120.0	120.4	119.9	0.4%

“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 that comparative sales versus last year continue to improve to mid-single-digit increase across the board. Higher increases are being realized in foods, particularly the organics and frozen; women’s and men’s apparel; small appliances; housewares; domestics; optical; and office supply categories. Categories with flat to negative comps have been in the hardlines area i.e.: sporting goods; lawn & garden; and toys/seasonal. We are projecting continued higher overall comps through the holiday period.

**Commercial Real Estate...** Representatives report the vacancy rate rose last year 1.6%. Meanwhile, the county is closely following developments at Fort Meade. The DoD is building for the future and their plans include consolidation of some operations that will free up space in the county. Industry representatives say there is demand for commercial space in the market and that space should be absorbed driven largely by growth in the cyber sector. These companies are looking for spaces that can handle newer technology which makes the ICBN a real advantage for the county. There could also be demand for newer spaces creating potential opportunities for areas like downtown Columbia

**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. Unemployment locally remains low and has been low for several months. As things improve the labor market has tightened some and finding qualified workers is becoming more of a challenge.

## Summary

**Employment...**Resident employment in June 2014 reached 169,497 individuals. The unemployment rate for June 2014 was 4.9%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 5.8%. The FY14 average unemployment rate for the county is now 4.6% compared to the FY13 average of 5.0% thru June. At Place Employment as reported for December 2013 was 160,237 a decrease of 1.17% compared to the December 2012 level of 162,133. Total wages reported for December 2013 were 2.05% lower than the December 2012 level, decreasing from \$2,541,592,556 to \$2,489,442,543. The average weekly wage reported for December 2013 was \$1,194 down \$16 or 1.3% from the \$1,210 reported for December 2012.

**County Revenues...** Personal income tax receipts as reported for June 2014 were \$80,155,767. This is an increase of .69% or \$550,378 greater than the June 2013 level. Fiscal year to date FY14 income tax revenues were 5% above FY13 levels through the same period. Planning & Zoning fees are reported for July 2014 and are 37.6% lower than the July 2013 level. Fiscal year-to-date collections for these fees are 37.6% lower than the FY13 levels. Transfer tax is reported for June 2014. Compared to June 2013 current collections are down 10.6% in June 2014. Average fiscal year-to-date collections for FY14 are up 56% when compared to FY13 levels thru the same period.

**Construction...**Building permits issued in July 2014 declined by 9.23% compared to the July 2013 level. Fiscal year 2015 to date permit activity reflects a decline of 35 permits or a 9.23% decline from fiscal year 2014 level of 379 units. FY15 to date SFD permits are down 15 units in July 2014 compared to the prior year. Fiscal year to date the number of single family attached units is down 29 units or 53% from FY14 to FY15. Multi-family permits posted 40 units in July 2014, up 40 units from July 2013. Non-residential new and additions, alterations, interior completions (AAI) permits were at 49 in July 2014 and 86 in July 2013, a decline of 43% or 37 units. Non-residential reported square footage fiscal year to date is reported thru July 2014. FY15 s.f. to date totals 0 compared to 35,693 s.f. reported for FY14 thru the same period. The estimated non-residential construction cost reported for July 2014 was \$4,000,000 compared to \$2,501,000 in July 2013. YTD FY15 estimated construction costs were also \$4m compared to \$2.5m or 60% above estimated construction costs reported YTD FY14 thru the month of July.

**Economic Indices...** National Leading Economic Index (LEI) as reported for June 2014 was 102.2. Compared to the 95.4 reported for June 2013 this represents an increase of 7.13%. The LEI for the Washington MSA was 106.7 in May 2014, up from the 106.1 reported for May 2013. The Coincident Index for the Washington MSA was 122.7 in May 2014, up from the May 2013 level of 120.0. Fiscal year to date averages for the Washington indices were both up. The leading index was up 4.3% at 9.3 for FY14 compared to 95.2 for FY13. The coincident was up 0.4% at 120.4 for FY14 compared to 119.9 for FY13.

**Real Estate...** Average sale prices for single-family homes (includes single family detached and town homes) in July 2014 increased by 2.58% from the July 2013 average of \$485,973 to \$498,485. Fiscal year-to-date the average price has increased by 2.6%. A total of 298 single-family homes were sold during July 2014, a decrease of 10.5% or 35 fewer units than the 333 units sold in July 2013. Average units sold fiscal year to date were 298 compared to 333 units thru July 2013, a decrease of 10.5%. Condominium prices in FY15 for July averaged \$288,264, an increase of 5% from the average price of \$274,721 in July 2013. Sales of condo units in July 2014 totaled 57 units compared to the 63 units sold in July 2103. The commercial office vacancy rate for June 2014 was 12%, up from 10.40% in June 2013. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of June 2014 was 12,163,494 s.f. compared to 11,732,094 s.f. for June 2013. Net absorption for the second quarter of calendar 2014 was 121,243 s.f. compared to net absorption of 334,311 s.f. through the second quarter of calendar 2013.

**Sales Tax...**June 2014 collections for Apparels increased by .82% compared to the level collected in the same month last year. The FY14 average receipts to date increased by 0.8% when compared to the prior year. Collections reported for June 2014 Furniture and Appliance sales increased by 5.7% compared to June 2013. Fiscal year-to-date, average revenues thru June 2014 increased by 10.5% from the previous fiscal year. General Merchandise collections increased by 5.1% in June 2014 compared to June 2013. Fiscal year-to-date average levels increased by 5.1% 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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