



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.

December 2014

Insight & Outlook

Residential Real Estate... Representatives from the real estate sector report strong activity, but admit some challenges remain. 2014 is being called the best year ever for some residential brokers. While the average sales price is down more units are being sold. Among the hurdles facing realtors, the growing difficulty buyer's face in securing mortgages. Realtors say interest rates remain favorable and good FHA and conventional mortgage products are available, but qualifying for mortgages is getting harder. Banks are demanding more documentation for loans and lenders are hitting credit reports with greater frequency. The condition of homes is also an issue in older neighborhoods where properties are 30-40 years old. One in five properties are under appraised because the homes have not been updated or well maintained. Short sales and foreclosures are declining. Investor activity has slowed somewhat because most feel the market has bottomed. Townhomes and condo's remain the most popular among investors. Experts cite high condo fees and low valuations on some of the older properties as reasons for slowing activity. Realtors say the market is seeing a surge of millennial buyers.

Service Industries... Representatives reported that talented people are getting harder to find and those who are qualified are demanding higher salaries. The level of work available depends largely on the agency. While opportunities at the Department of Labor were described as stagnant, experts say agencies like Social Security and Commerce are issuing contracts. Some concerns exist over the incoming Congress and its ability to work with the ad-

ministration, but generally there seemed to be a feeling of optimism from contractors. Health IT appears to be a growing field. Some expect the Department of Defense and the Veteran's Administration to provide great opportunities once those agencies decide how they will handle medical records going forward. Contractors in Howard County are reportedly well positioned to take advantage of these potential opportunities. Experts also say we're seeing more large companies moving into international markets.

Banking... Representatives report that credit remains tough especially for residential mortgages. The marketplace is now very strong with 3-5 banks actively competing for deals. The marketplace is so competitive that Life Insurance companies are even competing with banks for deals as low as \$3 million, well below the \$10 million threshold they normally require. Flat interest rates with little expectation of the rates creeping up are fueling this sector. Representatives from the Federal Reserve provide even more reasons for optimism. According to the Fed the economy is clearly turning. The Fed is now predicting a GDP growth rate of 2.5-3.0% this year. That growth is expected to put pressure on the housing market here. According to the Fed, millennial's are delaying household formation because of heavy student loan debt. More young people are staying with parents longer to try and dig out of debt. High rents and stagnant wages are also forcing some millennials to delay housing purchases. Fed representatives expect to see a one percent increase in fund rates next year. That's expected to be the largest increase for the next five years. With no threat of rate shocks the

Fed expects the country to see a 3% GDP growth rate next year. Expect to see a lot of consolidation in the banking market. In 2008 Maryland had 95 banks headquartered here. Today that number is down to 67 or a 30 percent decline. Some have been failures but most were acquisitions. Cost of doing business has gone up for banks and that is driving consolidation among smaller banks and acquisitions by regional banks.

Professional Service... Government contractors have now experienced the effects of federal government cutbacks for at least 18 months. Suspensions, terminations and re-competes of existing contracts continue.

The possibility of not winning re-competed contracts has jeopardized the existence of some contractors. Pricing pressures continue as more contractors are bidding on fewer opportunities. Many government contractors are attempting to expand into the commercial markets because of government cutbacks that are creating risks not previously experienced. A growing number of contractors are going out of state for work. Local business owners continue to feel optimistic about 2015. There is less worry about a fiscal management crisis in Washington and the ramifications of Obamacare are coming into better focus.

Expect to see continued capital investments in 2015, hiring, and higher salaries. Expect an uptick in Maryland's estimated income tax payments in December 2014.

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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	October 2014	169,598	166,214	169,182	166,317	1.7%
Unemployment Rate	October 2014	4.2%	5.4%	4.8%	5.2%	
At Place						
At Place Employment	March 2014	156,295	157,043	159,127	159,537	-0.3%
Total Wages	March 2014	\$824,760,378	\$805,474,625	\$809,638,555	\$809,287,553	0.0%
Average Weekly Wage	March 2014	\$1,220	\$1,188	\$1,175	\$1,170	0.4%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income	August 2014	\$9,271,465	\$8,416,324	\$9,271,465	\$8,416,324	10.2%
Planning and Zoning Fees	September 2014	\$79,467	\$52,715	\$54,642	\$49,081	11.3%
Transfer Tax	September 2014	\$2,527,100	\$3,121,402	\$2,731,550	\$2,687,687	1.6%
REAL ESTATE (Source: MRIS and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price	September 2014	\$471,890	\$433,424	\$486,308	\$468,308	3.8%
Number of Units Sold	September 2014	231	226	265	272	-2.6%
Condominiums						
Average Selling Price	September 2014	\$244,937	\$298,405	\$259,336	\$275,026	-5.7%
Number of Units Sold	September 2014	56	47	58	56	3.6%
Office Market						
Total Square Footage	September 2014	12,065,494	11,788,794	12,130,827	11,722,327	3.5%
Absorption	September 2014	103,984	345,848	117,983	323,187	-63.5%
Vacancy Rate Class A & B	September 2014	13.00%	10.70%	12.27%	10.40%	18.0%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel	September 2014	\$756,737	\$805,252	\$847,995	\$829,017	2.3%
Furniture and Appliance	September 2014	\$1,297,804	\$840,339	\$914,016	\$781,752	16.9%
General Merchandise	September 2014	\$2,494,546	\$2,393,131	\$2,725,752	\$2,709,595	0.6%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued	September 2014	360	318	366	386	-5.2%
Residential Issuances						
Single-family Detached	September 2014	45	60	39	56	-30.4%
Single-family Attached	September 2014	40	37	51	53	-3.8%
Multi-family Living Units	September 2014	248	380	96	239	-59.8%
Nonresidential						
New & AAI Issuances	October 2014	56	43	51	48	6.3%
Estimated Construction Cost	October 2014	\$8,037,681	\$16,634,350	\$15,226,946	\$11,593,581	31.3%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index	September 2014	104.4	97.4	103.6	96.5	7.4%
Washington MSA						
Leading Economic Index	May 2014	106.7	106.1	105.3	104.7	0.6%

“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 say lower gasoline prices are driving consumer spending. Retailers are forecasting a 6-8% increase in holiday sales. While big screen televisions were the big sellers two years ago, this year ultra-high definition and curved screen T-V's are expected to be the hot items. Stores also report snow blowers are flying off the shelves along with shovels. Men's and women's apparel are up double digits compared to this time last year. While dairy prices are coming down, coffee and beef prices continue to rise. Internet sales are expected to be up 16% this holiday season. Small retailers are also seeing the rise in consumer spending. They expect growth in the low single digits. Experts also say the costs of goods will likely rise to offset the minimum wage increase and the cost of healthcare which continues to be a major concern.

Residential and Commercial

Construction... Developers expect sales to improve following a slow summer. While activity improved in September the traffic slowed again in October. Experts had no explanation for the uneven activity. When compared to other counties, Howard remains strong for large developers. Experts say the number of permits issued in 2014 will be well off the numbers for last year. With the pent up demand of 2013 addressed through several major apartment projects such as The Metropolitan, experts expect to see half the number of permits that were issued last year. Most of the future residential development is expected to occur in apartment units. Single family detached units will be steady but impacted by the shrinking space left to build. The largest remaining land masses are in western Howard County where most of the land is preserved, already developed or hampered by infrastructure challenges.

Overall... The economic development outlook is very positive. Representatives report positive absorption across all platforms with office occupancy doing really well. Expect a net absorption of 900,000 sq. ft. by the close of the calendar year. The county continues to see major growth in the cyber sector with a major player expected to consolidate operations in Maple Lawn in early 2015. It was also announced that General Keith Alexander, CEO of IronNet, is moving his cyber company from Washington D.C. to Howard County in 2015. The Gateway Business Park is at 91% occupancy. Countywide the vacancy rate is approximately 12%. Major players like COPT are updating older properties to accommodate new tenants.

Representatives report strong activity in the business development pipeline. ED officials are also excited about their new Volt fund that will support loans to small businesses. Six loans are already in the pipeline totaling \$600,000 for businesses that range from personal services to information technology and manufacturing.

Summary

Employment... Resident employment in October 2014 reached 169,598 individuals. The unemployment rate for October 2014 was 4.2%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 6.0%. The FY15 average unemployment rate for the county is now 4.8% compared to the FY14 average of 5.2% thru October.

At Place Employment as reported for March 2014 was 156,295 a decrease of 0.5% compared to the March 2013 level of 157,043. Total wages reported for March 2014 were 2.4% higher than the March 2013 level, increasing from \$805,474,625 to \$824,760,378. The average weekly wage reported for March 2014 was \$1,220 up \$32 or 2.7% from the \$1,188 reported for March 2013.

County Revenues... Personal income tax receipts as reported for August 2014 were \$9,271,465. This is an increase of 10.2% or \$8,416,324 greater than the August 2013 level. Fiscal year to date FY15 income tax revenues were 10.2% above FY14 levels through the same period. Planning & Zoning fees are reported for September 2014 and are 50.7% higher than the September 2013 level. Fiscal year-to-date collections for these fees are 11.3% higher than the FY14 levels. Transfer tax is reported for September 2014. Compared to September 2013 current collections are down 19% in September 2014. Average fiscal year-to-date collections for FY15 are up 1.6% when compared to FY14 levels thru the same period.

Construction... Building permits issued in September 2014 increased by 13.2% compared to the September 2013 level. Fiscal year 2015 to date permit activity reflects a decline of 20 permits or a 5.2% decline from fiscal year 2014 level of 386 units. FY15 to date SFD permits are down 17 units in September 2014 compared to the prior year. Fiscal year to date the number of single family attached units is down 2 units or -3.8% from FY14 to FY15. Multi-family permits posted 248 units in September 2014, down 132 units from September 2013. Non-residential new and additions, alterations, interior completions (AAI) permits were at 66 in September 2014 and 59 in September 2013, an increase of 11.9% or 7 units. Non-residential reported square footage fiscal year to date is reported thru October 2014. FY15 s.f. to date totals 72,837,406 compared to 71,132,101 s.f. reported for FY14 thru the same period. The estimated non-residential construction cost reported for September 2014 was \$12,335,000 compared to \$3,820,000 in September 2013. YTD FY15 estimated construction costs were also \$5,445,000m compared to \$2,404,250m or 226% above estimated construction costs reported YTD FY14 thru the month of September.

Economic Indices... National Leading Economic Index (LEI) as reported for September 2014 was 104.4. Compared to the 97.4 reported for June 2013 this represents an increase of 7.2%. The LEI for the Washington MSA was 107.1 in September 2014, up from the 105.9 reported for September 2013. The Coincident Index for the Washington MSA was 123.2 in September 2014, up from the September 2013 level of 120.2. Fiscal year to date averages for the Washington indices were both up. The leading index was up 1.1% at 107.1 for FY15 compared to 105.9 for FY14. The coincident was up 2.5% at 123.2 for FY15 compared to 120.2 for FY14.

Real Estate... Average sale prices for single-family homes (includes single family detached and town homes) in September 2014 increased by 8.87% from the September 2013 average of \$471,890 to \$433,424. Fiscal year-to-date the average price has increased by 3.8%. A total of 231 single-family homes were sold during September 2014, an increase of 2.2% or 5 more units than the 226 units sold in September 2013. Average units sold fiscal year to date were 265 compared to 272 units thru September 2013, a decrease of 2.57%. Condominium prices in FY15 for September 2014 averaged \$259,336, a decrease of 5.7% from the average price of \$275,026 in September 2013. Sales of condo units in September 2014 totaled 56 units compared to the 47 units sold in September 2013. The commercial office vacancy rate for September 2014 was 13%, up from 10.70% in September 2013. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of September 2014 was 12,065,494 s.f. compared to 11,788,794 s.f. for September 2013. Net absorption for the second quarter of calendar 2014 was 103,984 s.f. compared to net absorption of 345,848 s.f. through the second quarter of calendar 2013.

Sales Tax... September 2014 collections for Apparels increased by -6.0% compared to the level collected in the same month last year. The FY15 average receipts to date increased by 2.28% when compared to the prior year. Collections reported for September 2014 Furniture and Appliance sales increased by 5.4% compared to September 2013. Fiscal year-to-date, average revenues thru September 2014 increased by 1.69% from the previous fiscal year. General Merchandise collections increased by 4.2% in September 2014 compared to September 2013. Fiscal year-to-date average levels increased by 0.59% 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.

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