



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 2013

Insight & Outlook

Residential Real Estate...representatives reported the local resale market was very busy. All of the right indicators are up and all of the bad are down. Multiple offers on homes are common as the market turns towards a seller's market. Many homes in the market are under priced. This is generating the increase in multiple offers as buyers find they have to be competitive or lose out. Inventory remains low and in January 2013 there is about a 4.3 month supply of homes available. This is 41% lower than the January 2012 supply of 7.3 months. Average days on the market is now down to 56 days compared to 82 in January 2012. Sale prices to list prices remains stable at 97.5% for both years. Many buyers are buying to remodel as some sellers have not kept up with the latest appliances and other upgrades over the years. One solution to this problem is the 203k renovation loans that include borrowing for the purchase of the home plus additional funds for renovations and improvements. These are proving very popular with those buyers willing to buy to remodel. Buyers are from all over, first time buyers, renters and move ups. The typical buyer has to lose a few offers before they succeed. Investors (cash buyers) are in the market but are finding it more difficult to find good deals now that inventory is short and multiple contracts are becoming common. Appraisals are getting better and there are fewer homes under appraised.

Service Industries...representatives noted the impending sequestration and overall budget woes continue to plague small service providers. Until these issues are resolved little improvement is expected. Transportation service providers reported business has been en-

joying a good stretch. Future sales (a few weeks out) look promising and are ahead of 2 year averages. Residential traffic has been flat, but the international travel pipeline is doing well. Convention and small group business has been strong as well. The small group market is a relatively new niche market that has emerged. Couponing on the web has been helpful. Fuel prices continue to be challenging and this sector is not optimistic prices will decline significantly anytime soon. Conversions to propane are becoming increasingly popular in this industry. Savings per gallon can be significant.

Banking...representatives reported calendar 2012 was a pretty good year. Most businesses managed to weather the storm as they have been monitoring expenses & revenues closely for the past several years. Businesses expect 2013 will be at least as good as 2012 and possibly better if federal budget and spending issues are resolved. Long term rates have ticked up over the past 45 days which is the first uptick in some time. Floating rates remain low and are expected to stay low for the near term. Some relief from pricing pressures was noted by commercial construction contractors. Apparently as the residential housing market has improved there have been fewer bidders on commercial jobs as residential construction firms return to that activity. Niche companies continue to do well. Banks remain risk adverse and conservative. Activity related to lines of credit has been slow as few businesses are purchasing new equipment using lines of credit.

Professional Service... representatives reported most business owners do not view the economy as being bad. GDP continues to climb, jobs are being created, there is little if

any inflation and unemployment is slowly declining. That said the economy is just not good either. Owners are keeping tight reins on spending. Wages are not rising and efficiencies captured from technological gains will limit new hires. A wait and see attitude prevails with regard to fiscal cliff issues and long term solutions. Those associated with government contracts are bracing for the effects of impending cut backs. Most agencies are planning for cutbacks in hours & contract pricing pressures have increased on new bids and extended contracts. No significant change is expected until later in 2013, with gradual improvement going into 2014. Confidence levels will need to be built up before businesses spend cash reserves or begin to utilize lines of credit for equipment and other expansion efforts.

Technology...representatives reported activity involving federal contracts is on hold as agencies and contractors prepare for change that is expected. Government agencies have sent notices to contractors to be prepared for furloughs & reductions or stoppages of non-essential activities. Contractors have been advised to keep moving forward and awards are still taking place. Rates are being held low and competition is tight. Funding committed by March 1, 2013 will move forward. Slowdowns in contractor clearances related to cyber security are occurring due in part to the fact the government is hiring in this sector. The government has been "plusing up" in the cyber sector since last March. Identification of what is essential and non-essential and how to support those needs has been paramount. The need is out there, but there are no guarantees the sequestra-

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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	December 2012	161,789	154,164	161,018	153,833	4.7%
Unemployment Rate	December 2012	4.7%	4.7%	4.9%	5.2%	
At Place						
At Place Employment	June 2012	161,460	153,829	154,668	148,686	4.0%
Total Wages	June 2012	\$2,278,648,178	\$2,129,735,594	\$2,306,655,516	\$2,148,009,676	7.4%
Average Weekly Wage	June 2012	\$1,101	\$1,079	\$1,148	\$1,111	3.3%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income	February 2013	\$90,810,903	\$80,639,748	\$216,309,625	\$203,845,282	6.11%
Planning and Zoning Fees	January 2013	\$48,453	\$21,472	\$403,111	\$263,663	52.9%
Transfer Tax	February 2013	\$3,336,277	\$2,505,919	\$14,501,100	\$13,561,272	6.9%
REAL ESTATE (Source: Maryland Property View; and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price	January 2013	\$413,803	\$413,028	\$438,596	\$431,226	1.7%
Number of Units Sold	January 2013	143	125	210	185	13.6%
Condominiums						
Average Selling Price	January 2013	\$202,263	\$262,209	\$235,013	\$249,292	-5.7%
Number of Units Sold	January 2013	28	29	39	33	19.0%
Office Market						
Total Square Footage	December 2012	11,646,094	11,183,854	11,585,455	11,107,104	4.31%
Absorption	December 2012	81,290	196,278	33,408	97,529	-65.75%
Vacancy Rate Class A & B	December 2012	13.30%	14.40%	13.43%	14.58%	-7.9%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel	December 2012	\$949,195	\$1,079,536	\$3,514,873	\$3,284,498	7.0%
Furniture and Appliance	December 2012	\$637,510	\$741,004	\$4,719,841	\$4,858,528	-2.9%
General Merchandise	December 2012	\$3,008,785	\$3,025,944	\$15,403,341	\$15,313,392	0.6%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued	January 2013	282	236	1,854	2,029	-8.6%
Residential Issuances						
Single-family Detached	January 2013	45	38	276	282	-2.1%
Single-family Attached	January 2013	34	20	142	234	-39.3%
Multi-family Living Units	January 2013	0	27	16	198	-91.9%
Nonresidential						
New & AAI Issuances	January 2013	58	44	349	344	1.5%
Reported Square Footage	January 2013	90,582	4,557	917,790	147,834	520.8%
Estimated Construction Cost	January 2013	\$15,000,000	\$400,000	\$63,288,495	\$17,731,058	256.9%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index	December 2012	93.9	94.6	94.6	INA	INA
Washington MSA						
Leading Economic Index	November 2012	107.2	103.5	104.9	101.5	3.3%
Coincident Economic Index	November 2012	116.4	115.1	116.6	113.8	2.5%

“The economy is not bad; it’s just not good. Businesses are still in a wait and see mode as Washington gets its house in order.”

tion won’t impact this sector. How much it will impact this sector may be the more relevant question.

Retail...representatives reported moderate increases across the board. Some categories are stronger than others. Items related to home improvement and “do it yourself” are doing well. Strength in home furnishing, women’s apparel and jewelry have all been noted. Small appliances and hardware have improved, but tend to be item driven. One such example is the popularity of K-cup coffee products. Hardware items that are selling surprisingly well are light bulbs, as consumers adjust to new government regulations on this product. Pricing of commodities is stable at the present time with the exception being fuel. Fuel prices have simply gone wild, with daily increases being the new norm. At the present time there is no evidence that consumers are curbing spending out of fear related to the federal budget crisis.

Agricultural...representatives reported farmers have seen commodity prices remain steady for the past quarter. The recent federal sequestration is expected to have little or no effect on local agriculture. On March 21 at the HoCo Fairgrounds from 8:30 a.m. to 3p.m.the Howard County Economic Development Authority is sponsoring a Central MD Women in Agriculture Forum. The latest census shows of the 335 farms in HoCo women are the principal operators of 94, or 28%. The purpose of the forum is to explore the challenges and issues faced by women in the agricultural industry. For more information contact Kathy Zimmerman at 410-313-6500 or visit www.hceda.org.

Residential and Commercial

Construction...representatives reported they are happy with the current new home market. Traffic has been average but buyers are making much quicker buying decisions. Multiple offers are not uncommon, something which has not happened much recently. Sales have been very good. There have been a higher percentage of non-contingent buyers. High end townhomes, those in the \$550k range, are selling well. Many buyers are first time, move up buyers. Due to the high cost of rentals many of these families are now purchasers. Buyers have been a mix of local county residents and newcomers. Single family homes are in strong demand as well. Average selling price for single family homes is \$640k. The commercial real estate representatives reported this market has not worsened and remains stable. There has been little construction on the private sector side and there has been some slowing in public sector projects, even those under construction. Federal projects underway have been forewarned of possible reductions. The future does have high bright spots as there have been ground breakings in Howard County at various locations. Teardowns or repurposing of existing buildings may have an increased impact on this market going forward. Vacancy rates are down and continue to move in the right direction.

Overall... the current state of the local economy is not bad but it could be better. Spending of any kind is still very tightly controlled as there remains a lack of confidence about the future. Most of this lack of confidence involves the failure of Washington to act. Business and government leaders are not certain what the real impact of cutbacks and sequestration will mean locally or regionally. When this impediment is finally removed it is anticipated that businesses will gain the confidence to move forward and start to return to a state of normalcy. But until such time that this takes place, a wait and see mode is the one preferred by most.

Summary

Employment... Resident employment in December 2012 reached 161,789 persons. The unemployment rate for December 2012 was 4.7%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 6.6%. The FY13 average unemployment rate for the county is now 4.9% compared to the FY12 average of 5.2% thru December.

At Place Employment is reported for June 2012 and was 161,460, an increase of 5.0% compared to the June 2011 level of 153,829. Total wages reported for June 2012 rose by 7% from the June 2011 level, rising from \$2,129,735,594 to \$2,278,648,178. The average weekly wage reported for June 2012 was \$1,101 up \$22 or 2.0% from the \$1,079 reported for June 2011.

County Revenues... Personal income tax receipts as reported for February 2013 were 12.6% higher than income tax revenues collected for February 2012. Fiscal year to date FY13 income tax revenues are 6% above FY12 levels through the same period. Planning & Zoning fees are reported for January 2012 and are 126% higher than the January 2012 level. Fiscal year-to-date collections for these fees are 53% higher than the FY12 levels. Transfer tax is reported for February 2013. Compared to February 2012 current collections are up 33% in February 2013. Average fiscal year-to-date collections for FY13 are up 7% when compared to FY12 levels thru the same period.

Construction... Building permits issued in January 2013 increased by 19.5% compared to the January 2012 level. Fiscal year 2013 to date permit activity reflects a decrease of 175 permits or an 8.6% decrease from the FY12 levels thru January. Single-family detached issuances for January reached 45 units compared to the January 2012 level of 38 units. FY13 to date SFD permits are 2.1% below (6 units) when compared to FY12 year to date levels. Attached single-family issuances increased by 14 units in January 2013 compared to the prior year. Fiscal year to date the number of single family attached units is down 92 units or 39% from FY12 to FY13. Multi-family permits posted 0 units in January 2013, down 27 units from January 2012. Non-residential new and additions, alterations, interior completions (AAI) permits were up by 14 units in January 2013 compared to January 2012. Non-residential reported square footage fiscal year to date is reported thru January 2013. FY13 s.f. to date totals 917,790 compared to 147,834 s.f. reported for FY12 thru the same period. The estimated non-residential construction cost reported for January 2013 was \$15,000,000 compared to \$400,000 in January 2012. YTD FY13 estimated construction costs are \$63.3million compared to \$17.7 million in FY12.

Economic Indices...National Leading Economic Index (LEI) as reported for December 2012 was 93.9. Compared to December 2011 this represents a decline of less than 1% from the December 2011 level of 94.6. The LEI for the Washington MSA was 107.2 in November 2012, up from the 103.5 reported for November 2011. The Coincident Index for the Washington MSA was 116.4 in November 2012, up from the November 2011 level of 115.1. Fiscal year to date averages for the Washington indices were up. The leading index was up 3.3% at 104.9 for FY13 compared to 101.5 for FY12. The coincident was up 2.5% at 116.6 for FY13 compared to 113.8 for FY12.

Real Estate... Average sale prices for single-family homes (includes single family detached and town homes) in January 2013 increased by less than 1% from the January

2012 average of \$413,028 to \$413,803. Fiscal year-to-date the average price has increased by 1.7%. A total of 143 single-family homes were sold during January 2013, an increase of 14.4% or 18 more units than the 125 units sold in January 2012. Average units sold fiscal year to date were 210 compared to 185 units thru January 2012, an increase of 13.6%. Condominium prices in FY13 for January averaged \$202,263, a decline of 23% from the average price of \$262,209 in January 2012. Sales of condo units in January 2013 were down 3.4% or 1 unit fewer than the numbers reported for January 2012 when 29 units were sold. The commercial office vacancy rate for December 2012 was 13.3%, down from 14.4% in December 2011. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of December 2012 was 11,646,094 s.f. compared to 11,183,854 s.f. for December 2011. Net absorption for the fourth quarter of calendar 2012 was 81,290 s.f. compared to net absorption of 196,278 s.f. through the fourth quarter of calendar 2011.

Sales Tax...December 2012 collections for Apparels increased by 5.5% compared to the level collected in the same month last year. The FY13 average receipts to date have increased by 6% when compared to the prior year. Collections reported for December 2012 Furniture and Appliance sales decreased by 14% compared to December 2011. Fiscal year-to-date, average revenues thru December 2012 decreased by 2.9% from the previous fiscal year. General Merchandise collections decreased by less than 1% in December 2012 compared to December 2011. Fiscal year-to-date average levels increased by less than 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.

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