



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
2012

Insight & Outlook

Banking...representatives reported it is still very tough industry wide in this sector. Good clients are doing well, but most are not willing to hire and discretionary spending is watched very closely. Any opportunity to automate is being acted upon to reduce costs and to stay current with technological advances. Capital equipment expenses are being maintained and are not expanding. Commercial development is virtually non-existent. Fixed rate deals for 5 & 7 year loans are available to qualified customers. Some consolidation of banks is occurring. On the residential side interest rates remain flat and continue to make loans attractive to qualified buyers. The appraisal process makes the whole process frustrating. Banks remain very adverse to risk.

Technology...representatives reported they feel federal spending cut backs locally will be less severe due to the DOD/Security nature of businesses here. Most contractors have been asked to reduce costs and contracts have been renewed thru January 2, 2013. The severity of cuts often depends on what agency is involved. Even within the same agency full fiscal year funding has been approved for some areas and only partially for another—it all depends on the function funded. Escalation costs have been reduced and will continue to be reduced. In some instances base cost levels from 2-3 years ago is now the starting point for new contracts. More small business set asides are being implemented to bring in lower cost contractors.

Residential Real Estate...representatives reported things are good in the residential resale market. October data for total units (all types of homes) was positive. Units sold were unchanged compared to October last year. The

active inventory compared to last year is 35% lower and 10% lower than the previous month. Median sale prices have increased by 7% compared to a year ago. Homes are selling more quickly as the days-on-market is now 63 days compared to 75 days last year. The sale price to list price on average is now 97%. Multiple offers and escalation clauses are helping bring the sale to list price closer together. Condo sales are tough. Many condo communities are not FHA approved due to home owner association fee delinquencies. Foreclosures and short sales remain a fact of life in the real estate market and will probably continue to do so for the foreseeable future. Processing times for short sales has improved to 60-90 days as opposed to several months. Rentals have cooled off as the cost often exceeds a mortgage payment. Sales in N. Virginia are strong and this in turn has spurred BRAC renters to purchase. Low interest rates coupled with the realization of buyers that rates are not going to get lower are moving the market. Homes priced in the \$350k to \$650k range remain the best sellers. Appraisals are still an issue. The market seems to be indicating values are increasing, but appraisers appear to be behind this curve. When there are multiple buyers willing to pay over the asking price and the appraisers pricing is below the asking price it leads to frustration for all parties involved.

Service Industries...representatives reported small businesses are still struggling. Contractual work from federal contractors has been slow to materialize as many are keeping work in house until funding stabilizes. Sub-contractors are not seeing a lot of business. Providers of transportation services reported the recent holiday business was good, but not as large as past years. Most travelers did not appear to extend the holiday. Student customers have become a welcome addition to this market. Conference head counts are usually

slow during the last quarter of the year and it appears to be even lower this year. High gas prices and looming health care cost will present a challenge.

Agricultural...representatives reported farm production in Howard County during the year 2012 has proved to be a relatively prosperous year. Small grains, wheat, barley and soybeans have remained steady. Corn has brought the best prices on record. Fruits and vegetables experienced less insect damage and prices have remained steady. Beef and hogs are somewhat higher with milk prices very unsteady. The Farm Bill being worked on in Washington could make a huge impact on milk. This being a healthy year for growth of products, farmers are still seeing very high fuel, fertilizer, and machinery parts costs soar. The American consumer should also be grateful that, due to proper and more than adequate storage facilities, the regional droughts and other regional disasters can be compensated for by the rest of the nation. Hope for another good year with adequate rain and no severe winter storms should bring our local agricultural industry success for 2013.

Professional Service...representatives reported most business owners are optimistic but are uncertain about the near term. Investors are selling off securities to minimize what they perceive as negative effects on the stock market and to take advantage of low capital gains rates now in effect. An increase in mergers and acquisitions has been noticed for the same reason. There have been some business closings and sale of businesses. Business owners do not like uncertainty present currently. They have drawn back, are not hiring and are waiting to see what happens. It will take them a while to figure

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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.....	September 2012	159,866	152,847	159,928	153,066	4.5%
Unemployment Rate.....	September 2012	4.9%	5.4%	5.2%	5.5%	
At Place						
At Place Employment.....	March 2012	155,457	147,895	153,164	147,650	3.7%
Total Wages.....	March 2012	\$2,420,031,721	\$2,182,550,488	\$2,315,991,296	\$2,154,101,036	7.5%
Average Weekly Wage.....	March 2012	\$1,205	\$1,139	\$1,163	\$1,122	3.7%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income.....	October 2012	\$5,865,260	\$6,695,346	\$17,510,080	\$23,100,327	-24.20%
Planning and Zoning Fees.....	September 2012	\$47,460	\$63,491	\$165,318	\$139,183	18.8%
Transfer Tax.....	October 2012	\$2,115,187	\$1,797,372	\$6,608,600	\$5,088,256	29.9%
REAL ESTATE (Source: Maryland Property View; and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price.....	October 2012	\$413,426	\$396,834	\$443,185	\$439,655	0.8%
Number of Units Sold.....	October 2012	172	175	238	209	13.7%
Condominiums						
Average Selling Price.....	October 2012	\$244,388	\$229,694	\$238,619	\$255,294	-6.5%
Number of Units Sold.....	October 2012	40	33	43	35	24.6%
Office Market						
Total Square Footage.....	September 2012	11,646,094	11,183,854	11,565,241	11,081,521	4.37%
Absorption.....	September 2012	26,649	67,470	17,447	64,613	-73.0%
Vacancy Rate Class A & B.....	September 2012	13.70%	15.90%	13.47%	14.63%	-8.0%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel.....	October 2012	\$1,012,307	\$1,079,536	\$3,514,873	\$3,284,498	7.0%
Furniture and Appliance.....	October 2012	\$712,623	\$730,666	\$3,379,903	\$3,438,339	-1.7%
General Merchandise.....	October 2012	\$2,609,339	\$2,523,980	\$10,070,238	\$9,865,490	2.1%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued.....	October 2012	337	342	1,217	1,291	-5.7%
Residential Issuances						
Single-family Detached.....	October 2012	41	43	174	171	1.8%
Single-family Attached.....	October 2012	42	54	91	164	-44.5%
Multi-family Living Units.....	October 2012	0	0	16	0	100.0%
Nonresidential						
New & AAI Issuances.....	October 2012	66	58	215	202	6.4%
Reported Square Footage.....	October 2012	105,268	37,613	602,934	60,579	895.3%
Estimated Construction Cost.....	October 2012	\$14,270,000	\$1,122,488	\$43,824,695	\$7,818,458	460.5%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index.....	September 2012	95.9	INA	95.6	INA	INA
Washington MSA						
Leading Economic Index.....	September 2012	105.3	100.5	104.5	101.5	3.0%
Coincident Economic Index.....	September 2012	116.8	114.2	116.5	113.5	2.7%

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

“Business owners are more optimistic than one year ago but have tempered their enthusiasm for expanding and investing in equipment, inventories, and new employees because of the uncertainty of how the “Fiscal Cliff” will affect them.”

out how to proceed and then begin to invest again. The first quarter of calendar 2013 may be slow but after the resolution of the fiscal cliff problem the remainder of the year is expected to do well. There is a lot of optimism in the business community. It is the elephant in the room that is holding them back.

Retail...representatives reported that many small businesses have learned to do more with less and there is some concern that this could be the new norm. This is not to imply that efficiency is bad, just that it is more difficult to make a decent profit on investment in the current climate. Health care cost and what the impact will be on small businesses is a huge issue. Big box retailers reported the most recent fiscal period of sales leading into the Thanksgiving Holiday were overall positive with a few weak categories relative to last years' comp sales. Positive results were noted across the board especially in the categories of women's apparel, jewelry, small appliances, hardware, and health & beauty. Those categories that lagged comp sales against last year were office supplies, toys/seasonal and media. Fresh foods departments continued to show positive increases despite the additional competitor presence in the immediate market. Fresh turkeys and pumpkin pies sales led the increase in Fresh Foods. Gasoline price average for the period was \$3.32/gallon vs. \$3.27/gallon last year same period, an increase of 1.53%. Volume sales were up 7%.

Residential and Commercial

Construction...representatives echoed much of the same good news reported by the resale market. Traffic has been steady and better than it was a year ago. The local Howard County market is one of the strongest in the region. Homes priced \$500-\$700k have been selling well. Inventories have tightened and some new communities have been sold out, prompting some builders to initiate the gearing up process to start new projects. The market remains strong and the number of opportunities in the region is improving. The commercial real estate market remains relatively stable. Compared to last year vacancy rates have declined from 15.9% to 13.7%, helped by the fact that there has been very little new construction. With very little job growth there is no demand for new office construction. There is a very small backlog of new commercial construction as even government sponsored work has declined.

Overall...most local business owners seem to be more optimistic than a year ago about the outlook for the future. Most have weathered the storm and are hopeful the resolution of the impending “Fiscal Cliff” dilemma will provide them with the stability that has been missing. Hiring, expansion and investment will remain on hold until the uncertainty related to the “Fiscal Cliff” is resolved. Employment gains in health care, technology and cyber security are expected once a plan is in place to deal with the federal budget deficit. The level of unemployment may be destined for a new norm. Business have been doing more and achieving more with less. They are expecting government to do the same. There are some that feel the new norm will be that businesses will continue and government will learn to operate with less to do more. Until the resolution of the current situation in Washington no one will know for sure what the future holds.

Summary

Employment...Resident employment in September 2012 reached 159,866 persons. The unemployment rate for September 2012 was 4.9%, tied for the lowest in the State of Maryland. This rate remains significantly below the State rate of 6.9%. The FY12 average unemployment rate for the county is now 5.2% compared to the FY11 average of 5.5% thru September.

At Place Employment is reported for March 2012 and was 155,457, an increase of 5.1% compared to the March 2011 level of 147,895. Total wages reported for March 2012 rose by 10.9% from the March 2011 level, rising from \$2,182,550,488 to \$2,420,031,721. The average weekly wage reported for March 2012 was \$1,205 up \$66 or 5.8% from the \$1,139 reported for March 2011.

County Revenues...Personal income tax receipts as reported for October 2012 were 12.3% lower than income tax revenues collected for October 2011. Fiscal year to date FY13 income tax revenues are 24% below FY12 levels through the same period. Planning & Zoning fees are reported for September 2012 and are 25% lower than the September 2011 level. Fiscal year-to-date collections for these fees are 19% higher than the FY12 levels. Transfer tax is reported for October 2012. Compared to October 2011 current collections are up 18% in October 2012. Average fiscal year-to-date collections for FY13 are up 30% when compared to FY12 levels thru the same period.

Construction... Building permits issued in October 2012 declined by 1.5% compared to the October 2011 level. Fiscal year 2013 to date permit activity reflects a decrease of 74 permits or a 5.7% decrease from the FY12 levels thru October. Single-family detached issuances for October reached 42 units compared to the October 2011 level of 43 units. FY13 to date SFD permits are 1.7% above (3 units) when compared to FY12 year to date levels. Attached single-family issuances decreased by 9 units in October 2012 compared to the prior year. Fiscal year to date the number of single family attached units is down 73 units or 44.5% from FY12 to FY13. Multi-family permits posted 0 units in October 2012, the same level as reported for October 2011. Non-residential new and additions, alterations, interior completions (AAI) permits were up by 8 units in October 2012 compared to October 2011. Non-residential reported square footage fiscal year to date is reported thru October 2012. FY13 s.f. to date totals 602,934 compared to 60,579 s.f. reported for FY12 thru the same period. The estimated non-residential construction cost reported for October 2012 was \$14,270,000 compared to \$1,122,488 in October 2011. YTD FY13 estimated construction costs are \$43.8 million compared to \$7.8 million in FY12.

Economic Indices...National Leading Economic Index (LEI) as reported for September 2012 was 95.6. Due to revisions by the Conference Board a comparison with 2011 is not available. The LEI for the Washington MSA was 105.3 in September 2012, up from the 100.5 reported for September 2011. The Coincident Index for the Washington MSA was 116.8 in September 2012, up from the September 2011 level of 114.2. Fiscal year to date averages for the Washington indices were up. The leading index was up 3% at 104.5 for FY13 compared to 101.5 for FY12. The coincident was up 2.7% at 116.5 for FY13 compared to 113.5 for FY12.

Real Estate...Average sale prices for single-family homes (includes single family detached and town homes) in October 2012 increased 4.2% from the October 2011 average of \$396,834 to \$413,426. Fiscal year-to-date the average price has increased by .8%. A total of 172 single-family homes were sold during October 2012, a decrease of 1.7% or 2 fewer units than the 175 units sold in October 2011. Average units sold fiscal year to date were 238 compared to 209 units thru October 2012, an increase of 14%. Condominium prices in FY13 for October averaged \$244,388, an increase of 6.4% from the average price of \$229,694 in October 2011. Sales of condo units in October 2012 were up 21% or 7 units higher than the numbers reported for October 2011 when 33 units were sold.

The commercial office vacancy rate for September 2012 was 13.7%, down from 15.9% in September 2011. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of September 2012 was 11,646,094 s.f. compared to 11,183,854 s.f. for September 2011. Net absorption for the third quarter of calendar 2012 was 26,649 s.f. compared to net absorption of 67,470 s.f. through the third quarter of calendar 2011.

Sales Tax...October 2012 collections for Apparels decreased by 6.2% compared to the level collected in the same month last year. The FY13 average receipts to date have increased by 7% when compared to the prior year. Collections reported for October 2012 Furniture and Appliance sales decreased by 2.5% compared to October 2011. Fiscal year-to-date, average revenues thru October 2012 decreased by 1.7% from the previous fiscal year. General Merchandise collections increased by 3.4% in October 2012 compared to October 2011. Fiscal year-to-date average levels increased by 2% 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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Howard County Quick Facts

Population as of July 2012.....294,477
Median household income.....\$101,771
US rank median household income...3rd
Per capita income (US Census) \$66,300
K-12 Education enrollment.....50,418