

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 2012

Insight & Outlook

Retail...representatives reported business over the past quarter has been very good. Recent financial results have been encouraging with comp January sales this year versus last year +14% (+12.5% without gasoline sales). Food and soft line departments continue to show good increases, hard line departments have been fair with increased improvements anticipated as the move into the spring/summer season occurs. Buyers are very encouraged looking forward and are increasing inventory levels in anticipation of continued improvement in the economy. Gasoline prices continue to rise reaching an average of \$3.42/gal. in January 2012 versus \$3.00/gal. in January 2011. Food commodity pricing for coffee, sugar, flour & oil is stable. Pricing for butter & cheese is declining slightly. Bacon & beef pricing is trending upwards. Internet retailers reported business remains very strong. Revenue growth is strong and even in a margin cutting environment margins have gotten stronger. The future continues to look strong. Efforts by various states to implement taxes on internet sales continue to be problematic. Talented programmers, developers and business analysts remain hard to find in the labor market. New car dealers reported the auto business is performing well. Nationally the forecast is for 8% growth in 2012. Locally this increase is expected to be 12%. For every new car sold there are approximately 3 used cars sold. Projections for new car sales nationally in 2012 are around 14 million. Manufacturers are starting to rebuild what was lost during the downturn. Internet purchases of vehicles account for approximately 42% of sales. Many consumers are coming in to sign the papers and driving off, having researched the car online.

Residential Real Estate... representatives reported the resale market has been busy. Prices in Howard County have stabilized over the last year. Inventories are down and the market has shifted some in favor of sellers. The average days on market (DOM) is up compared to last year, increasing from 70 to 81 days. The increase in DOM is attributed to the attitude of buyer's. Many are sitting on the fence despite favorable interest rates. Buyers see no urgency to act as interest rates are expected to remain low for the foreseeable future and they are not sure home prices have reached the bottom. The market is active as buyers are arranging financing and watching product online, but they are not taking the plunge. Renovation of existing homes is taking place in many older neighborhoods. Rentals continue to be a popular option for those not ready to purchase or those having credit score issues. Schools in Howard County remain a selling point for many buyers. To date the impact of BRAC on housing prices has been minimal. The appraisal process has settled down somewhat, but a short sale or foreclosure in a neighborhood will establish the pricing. An increase in foreclosures locally is not expected.

Banking...representatives reported there remains a high level of concern and banks continue to be cautious about deploying assets. There has been modest growth and things do appear to be getting better. The

outlook for 2012 and 2013 is positive. On the commercial side there have been more requests for equipment financing. Most of these requests appear to be focused on replacing existing equipment, not purchasing new equipment related to expansion. There are few requests for increases to lines of credit. This implies revenues are relatively static or up very slightly. Most companies have deleveraged and are not planning on expanding lines of credit. Some banks continue to sit on lots of cash and do not see much incentive to loan under current conditions. Commercial rates remain phenomenal, particularly for owner occupied properties. Residential mortgages are primarily refinancing efforts. There is not much demand for consumer loans. Car loans are provided by dealers as banks cannot compete with zero financing and cash back offers from manufacturers.

Agricultural...representatives reported early spring is a crucial planning time for farmers. Considerations are the price of seed, lime, fertilizer, machinery and, the greatest of all, fuel. The cost of doing business will certainly affect the scope of planning and the prices of foods in the near future. Farm prices have been relatively stable for the past year of 2011. Cattle, hogs and fowl prices have held steady with grains and fruit prices very good. Milk prices are the most unstable. The good news is that we are in a market that offers a great choice and variety of foods with the large stores being very competitive. Weather permitting; agriculture is expecting 2012 to be a good year.

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		Current	Last Year's	Current Fiscal Year	Last Fiscal Year	Percent
	Reporting Period	Reporting Period	Reporting Period	Average-to-Date	Average-to-Date	Change
EMPLOYMENT (Source: Maryland	Department of Labor, Licensin	ng and Regulation)				
Resident						
Resident Employment			,	153,833	,	3.2%
Unemployment Rate	December 2011	4.7%	5.1%	5.2%	5.4%	
At Place						
At Place Employment	June 2011	153,829	149,672	148,686	143,816	3.4%
Total Wages	June 2011	\$2,129,735,594	\$1,965,342,010	\$2,148,009,676	\$1,983,278,787	8.3%
Average Weekly Wage	June 2011	\$1,079	\$1,027	\$1,111	\$1,061	4.7%
COUNTY REVENUES (Source: Ho	ow ard County Budget Office)					
Personal Income	January 2012	\$3,300,754	\$3,173,557	\$123,205,534	\$98,587,591	24.97%
Planning and Zoning Fees	December 2011	\$25,648	\$36,559	\$242,191	\$198,765	21.8%
Transfer Tax	January 2012	\$1,614,107	\$1,665,540	\$11,055,353	\$11,161,919	1.0%
REAL ESTATE (Source: Maryland I	Property View; and Cushman	& Wakefield, Inc.)				
Single-family Dw ellings						
Average Selling Price	December 2011	\$427,220	\$409,167	\$433,171	\$458,769	5.6%
Number of Units Sold	December 2011	168	154	175	169	3.3%
Condominiums						
Average Selling Price	December 2011	\$226,324	\$260,423	\$247,437	\$272,876	9.3%
Number of Units Sold	December 2011	25	3	34	6	466.7%
Office Market						
Total Square Footage	December 2011	11,183,854	11,188,334	11,107,104	11,113,782	0.06%
Absorption	December 2011	196,278	42,513	97,529	15,159	743.4%
Vacancy Rate Class A & B	December 2011	14.40%	15.6%	14.58%	14.08%	3.5%
SALES TAX (Source: Office of Con	nptroller of the Treasury, Reve	enue Administration Divisio	on)			
Apparel	December 2011	\$899,737	\$845,864	\$5,034,828	\$4,631,574	8.7%
Furniture and Appliance	December 2011	\$741,004	\$673,080	\$4,858,528	\$4,138,975	17.4%
General Merchandise	December 2011	\$3,025,944	\$2,968,369	\$15,313,392	\$14,755,783	3.8%
CONSTRUCTION (Source: How are	d County Department of Inspe	ctions, Licenses, and Peri	mits)			
All Building Permits Issued	December 2011	242	225	1,793	1,862	3.7%
Residential Issuances						
Single-family Detached				244		
Single-family Attached	December 2011	17	31	214	187	14.4%
Multi-family Living Units	December 2011	171	27	171	43	297.7%
Nonresidential						
New & AAI Issuances	December 2011			300		
Reported Square Footage	December 2011	82,298	0	143,277	17,827	703.7%
Estimated Construction Cost	December 2011	\$9,462,600	\$4,000,000	\$17,331,058	\$146,671,525	88.2%
ECONOMIC INDICES (Source: The National	ne Conference Board; George	Mason University Center	for Regional Analysis)			
Leading Economic Index	December 2011	93.9	INA	INA	INA	INA
Washington MSA						
Leading Economic Index	November 2011	111.0	107.9	109.6	107.9	1.6%
Coincident Economic Index		107.3	107.2	106.6	106.9	0.3%

"Business owners are managing their businesses smarter and in a much more prudent style." Service Industries...representatives reported contracts from government sources remain on hold in the federal deadlock. There are indications that relief may be coming, but that tale has been heard before. Providers of transportation services reported sales have been down compared to 2011 levels. This downturn appears to be in all classes of travelers. Future bookings are looking better. Rising gas prices have yet to change consumer behavior.

Technology... representatives reported there continues to be a move toward telecommuting and tele-conferencing. Recent cuts to the DOD budget are expected to result in a shift of funds from traditional activities to cyber security activities. Local agencies focused on these activities are seeing funding shift towards the cyber side. A strong push towards proposals for new capabilities in cyber security is anticipated.

Residential and Commercial

Construction...representatives reported traffic has improved and sales in the \$300-\$400k price range have been very strong. Most sales in this price range are townhomes. Single family detached homes in the \$500k range are also moving well. Homes in the \$600k and higher are still slow to move. Sales and traffic volumes in Howard County are stronger than in surrounding jurisdictions. Most buyers are renters already living in Howard County. There has been a marked improvement in the past four months. Builders are very encouraged by the change. News for the commercial real estate market is neither good nor bad. Vacancy rates have come down slowly. A vacancy rate of 10% is considered ideal so there is still room for improvement. There is very little new commercial development occurring, but developers are teed up for movement in the market. Land will be an issue in the future in Howard County. Conversion of older flex buildings into office space is anticipated to be an emerging trend. The government push to move contractors from federal space and into space of their own is expected to impact this market as many existing flex buildings are ideally situated and designed for these types of contractors.

Professional Service... reported businesses that have weathered the storm through the downturn are now better positioned. Established businesses remained stable throughout 2011 and ended the year with reasonable profits. Revenues are moving upward slowly. The focus over the past two years has been on the cost side, as business owners have looked everywhere to cut costs. Many are reducing office space requirements as leases expire. This does not mean businesses are not growing, they are just economizing. Businesses are willing to pay overtime rather than hire new workers. Workers are willing to work more overtime to help compensate for increases in health care insurance. Smaller businesses are more likely to add new positions as the economy improves. Businesses that suffered operating losses and lack liquidity are still finding financial institutions reluctant to extend credit. Suppliers seem to be willing to increase credit lines to customers which could be an indication that banks are extending suppliers more credit. Price increases are not on the horizon, as competition remains fierce. Optimism is greater now than over the last year.

Overall... the local economic outlook seems to be more optimistic in most sectors. As noted previously those businesses that have weathered the storm through the downturn are now much better positioned. Overtime continues to be used to meet demand and keep overhead costs down as employers are not willing to hire new personnel. Technology jobs remain difficult to fill. Housing sales in the resale and new home sectors appear to be improving and inventories are declining. The average price of a home in Howard County has been stable, an indication of the overall improvement in the economy. Unemployment locally

remains well below the state level. While there is lots of good news to report this does not mean things are back to normal. Normal is more likely to be redefined as we move forward.

Summary

Employment...Resident employment in December 2011 reached 154,164 persons. The unemployment rate for December 2011 was 4.7%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 6.7%. The FY12 average unemployment rate for the county is now 5.2% compared to the FY11 average of 5.4% thru December.

At Place Employment is reported for June 2011 and was 153,829, an increase of 2.8% compared to the June 2010 level of 149,672. Total wages reported for June 2011 rose by 8.3% from the June 2010 level, rising from \$1,983,278,787 to \$2,148,009,676. The average weekly wage reported for June 2011 was \$1,079 up \$52 or 5.1% from the \$1,027 reported for June 2010.

County Revenues... Personal income tax receipts as reported for January 2012 were 4% higher than income tax revenues collected for January 2011. Fiscal year to date FY12 income tax revenues are 25% above FY11 levels through the same period. Planning & Zoning fees are reported for December 2011 and are 30% lower than the December 2010 level. Fiscal year-to-date collections for these fees are 22% higher than the FY11 levels. Transfer tax is reported for January 2012. Compared to January 2011 current collections are down 3% in January 2012. Average fiscal year-to-date collections for FY12 are down 1% when compared to FY11 levels thru the same period.

Construction...Building permits issued in December 2011 increased by 7.6% compared to the December 2010 level. Fiscal year 2012 to date permit activity reflects a decrease of 69 permits or a 3.7% decrease below FY11 levels thru December. Singlefamily detached issuances for December reached 28 units compared to the December 2010 level of 37 units. FY12 to date SFD permits are 1.2% below (3 units) when compared to FY11 year to date levels. Attached single-family issuances decreased by 14 units in December 2011 compared to the prior year. Fiscal year to date the number of single family attached units is up 27 units or 14% from FY11to FY12. Multi-family permits posted 171 units in December 2011 compared to 27 units reported for December 2010. Nonresidential new and additions, alterations, interior completions (AAI) permits were up by 19 units in December 2011 compared to December 2010. Non-residential reported square footage fiscal year to date is reported thru December 2011. FY12 s.f. to date totals 143,277 compared to 17,827 s.f. reported for FY11 thru the same period. The estimated non-residential construction cost reported for December 2011 was \$9,462,600 compared to \$4,000,000 in December 2011. YTD FY12 estimated construction costs are \$17.3m compared to \$146.7m in FY11.

Economic Indices... National Leading Economic Index (LEI) as reported for December 2011 was 93.9. Due to revisions by the Conference Board a comparison with 2010 is not available. The LEI for the Washington MSA was 111.0 in November 2011, up from the 107.9 reported for November 2010. The Coincident Index for the Washington MSA was 107.3 in November 2011, up from the November 2010 level of 107.2. Fiscal year to date averages for the Washington indices were mixed. The leading index was up 1.6% at 109.6 for FY12 compared to 107.9 for FY11. The coincident was down 0.3% at 106.6 for FY12 compared to 106.9 for FY11.

Real Estate... Average sale prices for single-family homes (includes single family detached and town homes) in December 2011 increased 4.4%, from the December 2010 average of \$409,167 to \$427,220. Fiscal year-to-date the average price has decreased by 5.6%. A total of 168 singlefamily homes were sold during December 2011, an increase of 9% or 14 more units than the 154 units sold in December 2010. Average units sold fiscal year to date were 175 compared to 169 units thru December 2010, an increase of 3.3%. Condominium prices in FY12 thru December averaged \$226,324, a decrease of 13% from the average price of \$260,423 thru December 2010. Sales of condo units in December 2011 were up 733% or 22 units higher than the numbers reported for December 2010 when 3 units were sold. The commercial office vacancy rate for December 2011 was 14.4%, down from 15.6% in December 2010. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of December 2011 was 11,183,854 s.f. compared to 11,188,344 s.f. for December 2010. Net absorption for the fourth quarter of calendar 2011 was 196,278 s.f. compared to net absorption of -42,513 s.f. through the quarter of calendar 2010.

Sales Tax...December 2011 collections for Apparels increased by 6.4% compared to the level collected in the same month last year. The FY12 average receipts to date have increased by 8.7% when compared to the prior year. Collections reported for December 2011 Furniture and Appliance sales increased by 10% compared to December 2010. Fiscal yearto-date, average revenues thru December 2011 increased by 17% from the previous fiscal year. General Merchandise collections increased by 2% in December 2011 compared to December 2010. Fiscal yearto-date average levels increased by 3.8% 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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