



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
2012**

Insight & Outlook

Agricultural...representatives reported the farm community has had a very good year. Early spring frosts impacted fruit production by up to 25%, but fruit quality was good. Wheat and barley crops were pretty good. Soybean and corn could produce record crops. Hog & chicken prices may rise short term, but will moderate because of faster turnaround of these products. Beef, milk and bread prices are expected to increase in the long term due to the increases in feed prices resulting from the mid-western drought.

Professional Service... representatives reported most businesses appear to be doing well in Howard County. The uncertainty in Washington is stifling growth, many businesses want to hire and invest but they have little confidence in the near term future. So many businesses are in a wait and see mode. Many owners have tempered their enthusiasm for expanding and investing in equipment, inventory and new hires due to uncertainties about future tax rates, interest rates, health care costs, federal debt, federal deficit and related issues. Many of these issues may not be resolved until spring 2013. The impact of the possible sequestration is expected to be less severe locally due to the nature of the federal jobs here. Owners are still keeping tight control on expenses. New hires typically are hired at lower salaries than previous occupants of the same

position. Formation of new businesses has been noted, which traditionally are a source of new jobs and innovation.

Banking...representatives reported there is a lot of activity on the commercial banking side. Most businesses are making money because they have managed expenses well. Hiring is on hold due to the uncertainty of the near term. In many situations business are extending contract times rather than hire new employees to complete jobs faster. Inflation is not viewed as a problem at this time. Local banks have funds available to lend to businesses that are deemed credit worthy.

Retail...representatives reported they this sector has seen good growth over the last quarter. Most of this growth was attributed to soft line goods, including clothing and apparel, which have performed very well. Hard line items and major appliance sales have both increased over the last year. Most large brick & mortar retailers have invested in ecommerce outlets. These sites often offer greater diversity of products and pricing. Efforts to reduce fuel transport costs by some retailers include redesigning packaging to get more cubic space of product per truck. Internet retailers reported there is a constant pressure in ecommerce to lower prices. This in turn leads to a constant effort to maintain margins. E-tailing is very tough on margins, the key to success is volume. This intense focus on margins is also driving innovation.

Customer service has improved for online purchasers, with 2 day delivery available. New car dealers reported the auto business has been stable. Manufacturers are in peak production mode and the latest industry wide forecast is 14.3m vehicles for 2012, increasing to 15m by 2015. Used car prices have stabilized, up about 25% over 1990 prices. Quality of new vehicles is much better today than in the past and as a result the service side is flat. There is strong competition for customers needing service and repairs on vehicles.

Technology...representatives reported they have been seeing the release of quite a few solicitations in the past few months. Awards have been slower to materialize and are often delayed. Contractors are expecting cuts to be put in place in FY13 and FY14 and an overall belt tightening to occur. This general concern about the upcoming budget cuts (and sequestration) scheduled for January 2013 has many companies holding back on hiring. However, there has been continued growth on the cyber security side. The impact of the impending changes will depend on which "side" of the technology sector one belongs.

A Joint Publication of Howard County Government & the Howard County Chamber of Commerce

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.....June 2012	159,503	153,395	156,490	150,089	4.3%
Unemployment Rate.....June 2012	5.5%	5.6%	5.1%	5.3%	
At Place					
At Place Employment.....December 2011	153,126	148,640	152,495	147,797	3.2%
Total Wages.....December 2011	\$2,300,133,223	\$2,278,097,922	\$2,263,971,083	\$2,139,876,310	5.8%
Average Weekly Wage.....December 2011	\$1,159	\$1,182	\$1,142	\$1,114	2.6%
COUNTY REVENUES (Source: Howard County Budget Office)					
Personal Income.....July 2012	\$77,783,782	\$72,353,961	\$357,346,674	\$315,353,674	13.3%
Planning and Zoning Fees.....July 2012	\$60,510	\$31,225	\$60,510	\$31,225	93.7%
Transfer Tax.....June 2012	\$4,242,616	\$4,041,524	\$22,527,776	\$21,319,656	5.7%
REAL ESTATE (Source: Maryland Property View; and Cushman & Wakefield, Inc.)					
Single-family Dwellings					
Average Selling Price.....July 2012	\$464,795	\$460,170	\$464,795	\$460,170	1.0%
Number of Units Sold.....July 2012	277	233	277	233	18.9%
Condominiums					
Average Selling Price.....July 2012	\$258,601	\$271,871	\$258,601	\$271,871	-4.9%
Number of Units Sold.....July 2012	39	43	39	43	-9.3%
Office Market					
Total Square Footage.....June 2012	11,577,315	11,030,354	23,049,630	11,030,354	108.9%
Absorption.....June 2012	5,337	76,264	12,846	63,185	-79.7%
Vacancy Rate Class A & B.....June 2012	13.80%	13.90%	13.35%	14.00%	-4.6%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)					
Apparel.....July 2012	\$1,021,338	\$741,374	\$1,021,338	\$741,374	37.8%
Furniture and Appliance.....July 2012	\$732,004	\$1,256,222	\$732,004	\$1,256,222	-41.7%
General Merchandise.....July 2012	\$2,811,137	\$2,753,001	\$2,811,137	\$2,753,001	2.1%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)					
All Building Permits Issued.....July 2012	281	338	281	338	-16.9%
Residential Issuances					
Single-family Detached.....July 2012	41	53	41	53	-22.6%
Single-family Attached.....July 2012	4	36	4	36	-88.9%
Multi-family Living Units.....July 2012	16	0	16	0	100.0%
Nonresidential					
New & AAI Issuances.....July 2012	68	44	68	44	54.5%
Reported Square Footage.....July 2012	12,800	15,524	12,800	15,524	-17.5%
Estimated Construction Cost.....July 2012	\$1,507,920	\$1,710,970	\$1,507,920	\$1,710,970	-11.9%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)					
National					
Leading Economic Index.....June 2012	95.6	INA	100.3	INA	INA
Washington MSA					
Leading Economic Index.....May 2012	113.6	110.7	111.1	109.2	1.8%
Coincident Economic Index.....May 2012	109.3	107.9	107.1	106.3	0.7%

“Sequestration and budget cutbacks, particularly in the Department of Defense, are now a major concern.”

Service Industries...representatives reported small businesses reliant on federal contractors are having a difficult time. Most contractors are not subbing out work. There is some hope consolidation of federal agencies may provide some relief locally as some federal contractors may need to relocate to Maryland. Providers of transportation services reported this sector continues to confront fuel cost increases. Compared to last year fuel prices have increased by .40/ gallon. Price increases have been put into place, but margins remain slim as fuel costs have offset price increases. The residential sector remains weak while the tourism/convention market has been strong. The upcoming Baltimore Grand Prix is expected to provide a bump.

Residential Real Estate... representatives reported the current residential resale market is doing very well. There has been an upward price movement in recent months. Inventories are smaller and multiple offers are becoming more common. It is a really good time to sell. Rentals continue to be very popular, however it was noted that it is now more expensive to rent than buy in many situations. Many renters are being qualified to purchase. Homes priced between \$350k and \$650k sell the best. Homes above this range remain difficult to move in this market. Interest rates remain fantastic in the 3% range. The number of cash deals has been on the rise indicating that investors are returning to the real estate market. Residential REITS have not played a role in this increase in cash purchases locally to date. Appraisals are less a problem than in previous months. Loans are still tough to obtain as lenders are more careful about credit lines. The forecasted foreclosure explosion has not materialized, although there are a lot of short sales available. The resale market has stabilized and continues to be moving in a positive direction.

Residential and Commercial

Construction...representatives report the second quarter was very strong locally. Strong traffic and sales were reported. There also appear to be more qualified buyers in the market. Lower interest rates are helping this market as well. As noted in the resale market the most popular price range for new homes is also between \$350k and \$650k. Higher priced homes continue to be slow to sell. Margins remain very tight and price increases are non-existent in the current market. The commercial real estate market is relatively stable. Compared to last year vacancy rates have declined slightly and are not terrible at 13.8%. Absorption is positive by a small amount, but is moving in the right direction. Demand for new commercial development is frozen by the threat of sequestration of the federal budget in 2013. Businesses are hesitant to expand even if the desire to do so is present given the uncertainty of any contracts involving federal dollars.

Overall... local business owners are very concerned about possible sequestration activity that is dampening the economic climate locally and nationally. Most do not feel it is prudent to hire new employees or expand in other ways when so many issues remain up in the air regardless of what happens in November. Generally the consensus locally is that any cuts to defense will not impact the cyber security sector which is a major factor in the local economy. It is possible we will be insulated from the worst of the reductions should they occur. Businesses have weathered the storm thru the downturn and are now better positioned and ready to go forward.

Summary

Employment...Resident employment in June 2012 reached 159,503 persons. The unemployment rate for June 2012 was 5.5%, the second lowest in the State of Maryland. This rate remains significantly below the State rate of 7.2%. The FY12 average unemployment rate for the county remains 5.1% compared to the FY11 average of 5.3% thru June.

At Place Employment is reported for December 2011 and was 153,126, an increase of 3.0% compared to the December 2010 level of 148,640. Total wages reported for December 2011 rose by .97% from the December 2010 level, rising from \$2,278,097,922 to \$2,300,133,223. The average weekly wage reported for December 2011 was \$1,159 down \$23 or 2.0% from the \$1,182 reported for December 2010.

County Revenues... Personal income tax receipts as reported for July 2012 were 7.5% higher than income tax revenues collected for July 2011. Fiscal year to date FY12 income tax revenues are 13.3% above FY11 levels through the same period. Planning & Zoning fees are reported for July 2012 and are 93.7% higher than the July 2011 level. Fiscal year-to-date collections for these fees are 93.7% higher than the FY12 levels. Transfer tax is reported for June 2012. Compared to June 2011 current collections are up 5% in June 2012. Average fiscal year-to-date collections for FY12 are up 5.7% when compared to FY11 levels thru the same period.

Construction...Building permits issued in July 2012 declined by 16.9% compared to the July 2011 level. Fiscal year 2013 to date permit activity reflects a decrease of 57 permits or a 16.9% decrease from the FY12 levels thru July. Single-family detached issuances for July reached 41 units compared to the July 2011 level of 53 units. FY13 to date SFD permits are 22.6% below (12 units) when compared to FY12 year to date levels. Attached single-family issuances decreased by 32 units in July 2012 compared to the prior year. Fiscal year to date the number of single family attached units is down 32 units or 89% from FY12 to FY13. Multi-family permits posted 16 units in July 2012, an increase of 16 units over the July 2011 level. Non-residential new and additions, alterations, interior completions (AAI) permits were up by 24 units in July 2012 compared to July 2011. Non-residential reported square footage fiscal year to date is reported thru July 2012. FY13 s.f. to date totals 12,800 compared to 15,524 s.f. reported for FY12 thru the same period. The estimated non-residential construction cost reported for July 2012 was \$1,507,920 compared to \$1,710,970 in July 2011. YTD FY13 estimated construction costs are \$1.5 m compared to \$1.7 m in FY12.

Economic Indices...National Leading Economic Index (LEI) as reported for June 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 113.6 in May 2012, up from the 110.7 reported for May 2011. The Coincident Index for the Washington MSA was 109.3 in May 2012, up from the May 2011 level of 107.9. Fiscal year to date averages for the Washington indices were up. The leading index was up 1.8% at 111.1 for FY12 compared to 109.2 for FY11. The coincident was up 0.7% at 107.1 for FY12 compared to 106.3 for FY11.

Real Estate... Average sale prices for single-family homes (includes single family detached and town homes) in July 2012 increased 1.0% from the July 2011 average of \$460,170 to \$464,795. Fiscal year-to-date the average price has increased by 1%. A total of 277 single-family homes were sold during

July 2012, an increase of 18.9% or 44 more units than the 233 units sold in July 2011. Average units sold fiscal year to date were 277 compared to 233 units thru July 2011, an increase of 18.9%. Condominium prices in FY13 thru July averaged \$258,601, a decline of 4.9% from the average price of \$271,871 thru July 2011. Sales of condo units in July 2012 were down 9.3% or 4 units lower than the numbers reported for July 2011 when 43 units were sold. The commercial office vacancy rate for June 2012 was 13.8%, down from 13.9% in June 2011. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of June 2012 was 11,577,315 s.f. compared to 11,030,354 s.f. for June 2011. Net absorption for the second quarter of calendar 2012 was 5,337 s.f. compared to net absorption of 76,264 s.f. through the second quarter of calendar 2011.

Sales Tax...July 2012 collections for Apparels increased by 38% compared to the level collected in the same month last year. The FY13 average receipts to date have increased by 38% when compared to the prior year. Collections reported for July 2012 Furniture and Appliance sales decreased by 41.7% compared to July 2011. Fiscal year-to-date, average revenues thru July 2012 decreased by 41.7% from the previous fiscal year. General Merchandise collections increased by 2.1% in July 2012 compared to July 2011. Fiscal year-to-date average levels increased by 2.1% 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

Janice Bauman, J.M. Bauman Associates
Jeffrey Bronow, Ho. Co Dept. of Planning & Zoning
William N. Chalfant, Jr., TD Bank
Nancy Cummins, Long & Foster Real Estate
Chip Doetsch, Apple Ford
Donald W. Eames, The Airport Shuttle, Inc.
Charles Feaga, Howard County Farm Bureau
Timothy Harwood, Economic Development Authority
Pamela Klahr, Chamber of Commerce
David Liby, Costco
Marsha McLaughlin, Ho. Co. Dept. of Plan. & Zoning
Stanley Milesky, Howard County Dept. of Finance
Tim Morris, Williamsburg Builders
Chris Myers, Super Book Deals
James Peacock, UHY Advisors Mid-Atlantic MD, Inc.
Kirit Parmar, Dunkin Donuts
Elizabeth Rendon-Sherman, LG-TEK
A. Nayab Siddiqui, Scientific Systems Software Int'l
Cole Schnorf, Manekin Corporation
Raymond S. Wacks, Ho.Co. Budget Office

Questions or suggestions? Contact:

Donald Stitely, Editor
Howard County Budget Office
3430 Courthouse Dr., Ellicott City, MD 21043
Telephone: 410-313-2077 / TTY 410-313-4665
Email dstitely@howardcountymd.gov