



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.

**June
2012**

Insight & Outlook

Service Industries... representatives reported government solicitations are being released. There is a high demand for niche companies. Providers of transportation services reported sales for January and February were unusually low, but April and May sales have rebounded and future bookings are very strong. Fuel costs have been burdensome and have put pressure on margins.

Technology... representatives reported there is a flurry of activity related to cyber security. Over the next several years hires related to cyber security are expected to occur. To meet this demand colleges are developing curriculum in a variety of fields related to cyber security. Retraining of current personnel is also taking place. Solicitations related to cyber security are beginning to be released and will continue to be released over the next several years. A shift from traditional defense to cyber security is taking place. Contractors at Ft. Meade are being moved offsite to allow the facility to house employees on site. Cyber Command at Ft. Meade is a definite growth area for years to come.

Retail... representatives reported retail business in Howard County has exceeded expectations. Sale of food items is driving this surge. The big monkey on the backs of consumers is fuel, although prices have declined recently to an average of \$3.59/gal locally. Fuel sales have been down, attributed to more efficient vehicles and driver economizing. Commodity

prices have remained stable. Small retailers are seeing margins squeezed. There has been a shift in merchandise noted that is leaning towards the tastes of Millennial's (ages 19-37). By 2015 this cohort is expected to outnumber baby boomers by about 12%. Examples of this shift are the move to more organic foods, smart phones and laptops. Internet retailers reported recruitment of tech personnel remains a concern. The region is one of the largest consumers of high tech personnel in the country (including Silicon Valley). Many firms can hire off site personnel, but government security requirements make this impossible for cyber security needs. The hope is as the Cyber Command grows the area will attract more tech personnel that will sustain the needs of all. New car dealers reported the auto business is pretty robust. Industry wide the forecast for 2013 is a return to pre-recession sales levels of 17 million cars. Different sectors of the business are performing at different levels. Used car sales are white hot, prices are strong. Service is declining as the frequency of service needed is longer, vehicles are better made and there are fewer quality issues. Collision repair is down as well due mainly to a mild winter and fewer weather related incidents.

Residential Real Estate... representatives reported they were very happy with the current residential resale market. Days on market and the inventory of active listings are about the only areas that are not increasing. Agents have been very busy, even crazy busy. Multiple offers and escalation clauses are starting to appear again. As reported so many times good homes in good locations are sell-

ing best. It is still a buyers' market, but there is a shift towards the seller taking place as the inventory shrinks. Higher priced homes (over \$650k) remain slow to move. Challenges involve condos and the delinquency rates related to condo fees and the impact this is having on FHA loan approvals. Although there is a strong demand for condos there is less activity in this part of the market due to this situation. Investors are finding the condo market attractive. The rental market is "nuts." It is not uncommon to have ten rental inquiries every day. Due to this high demand the cost of renting is higher than buying. A single bedroom rental now rents for over \$1000/mo.

Professional Service... representatives reported the effect of the economic recovery locally is neither robust nor dramatic, but it is real. Business owners are beginning to consider price increases as pressures mount to hire additional staff. Productivity is maxed out so hiring is the only alternative if growth is to occur. Construction activity has been boosted by the mild winter. Debt limits continue to be down. Business owners expect 2012 to be as good as or better than 2011, with growth continuing at a modest rate. Startup businesses are on the upswing, which historically contributes to increased employment.

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.....	March 2012	159,956	152,078	155,532	149,606	4.0%
Unemployment Rate.....	March 2012	4.9%	5.0%	5.1%	5.3%	
At Place						
At Place Employment.....	September 2011	152,553	147,318	152,331	148,686	2.5%
Total Wages.....	September 2011	\$2,227,808,943	\$2,001,654,698	\$2,227,808,943	\$2,001,654,698	11.3%
Average Weekly Wage.....	September 2011	\$1,125	\$1,045	\$1,125	\$1,045	7.7%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income.....	March 2012	\$3,951,930	\$3,622,943	\$207,797,212	\$179,399,560	15.83%
Planning and Zoning Fees.....	March 2012	\$80,718	\$55,279	\$381,751	\$326,769	16.8%
Transfer Tax.....	April 2012	\$1,499,336	\$1,563,164	\$16,137,301	\$15,369,868	5.0%
REAL ESTATE (Source: Maryland Property View; and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price.....	March 2012	\$407,264	\$390,210	\$425,602	\$438,849	-3.0%
Number of Units Sold.....	March 2012	156	160	163	156	4.4%
Condominiums						
Average Selling Price.....	March 2012	\$232,092	\$230,438	\$245,361	\$253,542	-3.2%
Number of Units Sold.....	March 2012	32	44	32	11	190.9%
Office Market						
Total Square Footage.....	March 2012	11,472,315	11,030,354	11,472,315	11,030,354	4.01%
Absorption.....	March 2012	20,354	50,105	20,354	97,529	79.1%
Vacancy Rate Class A & B.....	March 2012	12.90%	14.10%	12.90%	14.10%	-8.5%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel.....	March 2012	\$645,131	\$678,405	\$7,799,513	\$7,120,744	8.7%
Furniture and Appliance.....	March 2012	\$663,428	\$589,194	\$7,118,782	\$6,191,686	15.0%
General Merchandise.....	March 2012	\$2,264,505	\$2,177,027	\$24,288,987	\$23,727,064	2.4%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued.....	April 2011	345	84	3,070	2,672	14.9%
Residential Issuances						
Single-family Detached.....	April 2011	35	26	401	426	-5.9%
Single-family Attached.....	April 2011	37	33	394	356	10.7%
Multi-family Living Units.....	April 2011	0	0	342	43	695.3%
Nonresidential						
New & AAI Issuances.....	April 2011	56	12	514	416	23.6%
Reported Square Footage.....	April 2011	3,066	146,391	549,345	164,218	234.5%
Estimated Construction Cost.....	April 2011	\$2,084,600	\$9,638,000	\$30,211,330	\$156,322,525	-80.7%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index.....	March 2012	95.7	INA	101.8	INA	INA
Washington MSA						
Leading Economic Index.....	February 2012	112.8	111.6	110.6	108.6	1.8%
Coincident Economic Index.....	February 2012	106.0	105.1	106.6	106.0	0.6%

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

“Is the New Normal: more moderate growth; more moderate profit levels and greater cost consciousness?”

Agricultural... highlights the opening of the Farmer's Markets for the summer season:

Ellicott City
St. John's Episcopal Church
9120 Frederick Road
Wednesday 2pm-6pm
May 9 thru October 31

Columbia
Howard County General Hospital
5575 Cedar Lane
Friday 2pm-6pm
May 11 thru October 26

East Columbia Library
6600 Cradlerock Way
Thursday 2pm-6pm
May 10 thru November 15

Glenwood Library
2350 Route 97
Sunday 9 am – 12:30 pm
May 12 thru November 17

Oakland Mills Village Center
5851 Robert Oliver Place
Sunday 9am- 1 pm
May 13 thru November 18

Residential and Commercial

Construction... representatives reported location, location, location remains important. Traffic and sales in Howard County have been very strong particularly for homes in the \$350-\$600k range. Many buyers are first time buyers that were renting after moving into the area for BRAC related employment. Renters have moved off the fence due to high rental costs. Higher priced homes are slow to sell, but these sales are being made in some locations. Homebuilders are cautiously optimistic the market is recovering. Margins remain thin and it is difficult to increase margins in the current market. The commercial real estate market is slowly improving. Vacancy rates have come down and are not bad at 12.9%. Demand for new commercial development simply does not exist at this time. There are efforts underway by commercial developers to rezone properties to allow commercial residential development to meet the demands of the multi-family housing market. Financing remains challenging, many banks are practicing relationship lending. Greater equity is required than in the past, making securing loans more difficult. Regionally BRAC related commercial activity simply was not as great as anticipated.

Banking... representatives report some stabilization of revenues of small businesses and even some modest growth. Companies are looking at selective hiring when a candidate with the correct qualifications is identified and existing employees are still willing to work overtime due to ongoing concerns about employment. The recent easing of gas prices has seemed to help improve the optimism of both employers and employees. Consumers remain reluctant to borrow and are focused on debt repayment, although activity for refinancing of residential mortgages remains brisk due to the extremely low interest rates available in the market. Qualifying for residential mortgages remains a challenge, with the primary problem involving the appraised value of the home being insufficient to support the current mortgage balance, followed by credit issues of the borrowers. Most financial institutions remain very risk adverse and continue to experience pressure on interest rate margins.

Overall... locally business owners appear to be bullish about the economy. Every sector reported an uptick in traffic, volume or sales. There are issues to be sure. Highly skilled tech personnel are in strong demand and short supply, fuel prices are crimping margins and productivity is maxed out in many cases. However there is a higher level of optimism that the recovery is indeed real. Many feel

employers will begin to hire as the desire for growth increases. The somewhat overhyped wave of jobs and housing sales related to BRAC activities has instead turned out to be more of a controlled trickle; a level that is manageable. There is talk about the new normal and what that means. Technology has continued to alter how production and routine work is performed. Positions are being redefined and the new economy will rely increasingly on high skilled workers that are currently hard to find. Only time will tell what the new normal will look like, but whatever the future brings we will be prepared to meet the challenge.

Summary

Employment... Resident employment in March 2012 reached 159,956 persons. The unemployment rate for March 2012 was 4.9%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 6.6%. The FY12 average unemployment rate for the county is now 5.1% compared to the FY11 average of 5.3% thru March.

At Place Employment is reported for September 2011 and was 152,553, an increase of 3.6% compared to the September 2010 level of 147,318. Total wages reported for September 2011 rose by 11.3% from the September 2010 level, rising from \$2,001,654,698 to \$2,227,808,943. The average weekly wage reported for September 2011 was \$1,125 up \$80 or 7.7% from the \$1,045 reported for September 2010.

County Revenues... Personal income tax receipts as reported for March 2012 were 9% higher than income tax revenues collected for March 2011. Fiscal year to date FY12 income tax revenues are 16% above FY11 levels through the same period. Planning & Zoning fees are reported for March 2012 and are 46% higher than the March 2011 level. Fiscal year-to-date collections for these fees are 17% higher than the FY11 levels. Transfer tax is reported for April 2012. Compared to April 2011 current collections are down 4.1% in April 2012. Average fiscal year-to-date collections for FY12 are up 5% when compared to FY11 levels thru the same period.

Construction... Building permits issued in April 2012 increased by 310% compared to the April 2011 level. Fiscal year 2012 to date permit activity reflects an increase of 388 permits or a 14.9% increase over the FY11 levels thru April. Single-family detached issuances for April reached 35 units compared to the April 2010 level of 26 units. FY12 to date SFD permits are 5.9% below (25 units) when compared to FY11 year to date levels. Attached single-family issuances increased by 4 units in April 2012 compared to the prior year. Fiscal year to date the number of single family attached units is up 38 units or 10.7% from FY11 to FY12. Multi-family permits posted 0 units in April 2012, the same number posted in April 2011. Non-residential new and additions, alterations, interior completions (AAI) permits were up by 44 units in April 2012 compared to April 2011. Non-residential reported square footage fiscal year to date is reported thru April 2012. FY12 s.f. to date totals 549,345 compared to 164,218 s.f. reported for FY11 thru the same period. The estimated non-residential construction cost reported for April 2012 was \$2,084,600 compared to \$9,638,000 in April 2011. YTD FY12 estimated construction costs are \$30.2M compared to \$156.3M in FY11.

Economic Indices... National Leading Economic Index (LEI) as reported for March 2012 was 95.7. Due to revisions by the Conference Board a comparison with 2011 is not available. The LEI for the Washington MSA

was 112.8 in February 2012, up from the 111.6 reported for February 2011. The Coincident Index for the Washington MSA was 106.0 in February 2012, up from the February 2011 level of 105.1. Fiscal year to date averages for the Washington indices were up. The leading index was up 1.8% at 110.6 for FY12 compared to 108.6 for FY11. The coincident was up 0.6% at 106.6 for FY12 compared to 106.0 for FY11.

Real Estate... Average sale prices for single-family homes (includes single family detached and town homes) in March 2012 increased 4.4%, from the March 2011 average of \$390,210 to \$407,264. Fiscal year-to-date the average price has decreased by 3%. A total of 156 single-family homes were sold during March 2012, a decline of 2.5% or 4 fewer units than the 160 units sold in March 2011. Average units sold fiscal year to date were 163 compared to 156 units thru March 2011, an increase of 4.4%. Condominium prices in FY12 thru March averaged \$232,092, an increase of .72% from the average price of \$230,438 thru March 2011. Sales of condo units in March 2012 were down 27.3% or 12 units lower than the numbers reported for March 2011 when 44 units were sold. The commercial office vacancy rate for March 2012 was 12.9%, down from 14.1% in March 2011. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of March 2012 was 11,472,315 s.f. compared to 11,030,354 s.f. for March 2011. Net absorption for the first quarter of calendar 2012 was 20,354 s.f. compared to net absorption of 50,105 s.f. through the first quarter of calendar 2011.

Sales Tax... March 2012 collections for Apparels decreased by 4.9% compared to the level collected in the same month last year. The FY12 average receipts to date have increased by 9.5% when compared to the prior year. Collections reported for March 2012 Furniture and Appliance sales increased by 12.6% compared to March 2011. Fiscal year-to-date, average revenues thru March 2012 increased by 15% from the previous fiscal year. General Merchandise collections increased by 4% in March 2012 compared to March 2011. Fiscal year-to-date average levels increased by 2.4% compared to the prior year.

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