



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 2013

Insight & Outlook

Residential Real Estate...representatives reported the local resale market continues a slow and steady trend upward. Offices tend to be very busy. Once again there are good and bad aspects to the local residential real estate market. Days on the market are down to just 33 days compared to July 2012 as homes are moving very quickly. New listings and contracts are both up and multiple offers and escalator clauses continue to occur on the "right" properties. Units sold are up. Sold v. list price is up over 1% compared to last year and is now at 99% of the list price. On the down side there are several important indicators. Current inventory of resale homes is very low and is down over 20% from last years' level. At the present level there is sufficient inventory for only 2.4 months. Demand is simply outpacing the supply, which has declined by 36% during the past year. Loans are still difficult to obtain. Appraisals remain some of the problem. Changes in FHA credit guidelines in May have complicated some loans. Private mortgage insurance rules changed in August 2013. Now there must be PMI on the loan for the entire life of the loan no matter the amount of equity the homeowner has in the home. Small increases in interest rates have not had a serious impact. The rental market continues to be strong and very competitive. Pristine credit is a requirement for most rental properties. High end homes are still slow to move in the resale market but there are good deals available. Buyers at this level tend to want new construction.

Service Industries...representatives reported small businesses on the government subcontracting side continue to suffer. Many contractors are simply holding funds close and subbing very little out. Transportation providers on the other hand reported a pretty good summer. Sales have been up and tourist/convention activity has been good. Labor supplies have been sufficient.

Banking...representatives reported the stabilization in commercial real estate values which appears to have occurred about 6 months ago is still holding, and in some cases increased values are occurring despite increases in long term financing rates. Short term, LIBOR-based floating rates remain very low and competition among banks for higher-quality borrowers continues to drive interest rate margins down. The recent increase in long term rates has had a dramatic impact on the level of residential refinance opportunities, ending a large part of the refinance activity. Business owners remain cautious and expect FY' 14 will be little changed from FY' 13 and they remain focused on controlling expenses. New hiring remains low because of these concerns for the future coupled with concerns about health care costs.

Professional Service...representatives reported a mixed view of the economy depending on whether a business is a government contractor or non-government contractor. Government contractors are experiencing the effects of the federal cutbacks. Cyber security is the one area that does not appear to have these restrictions. There are increased pressures on contract pricing, new and rebids

alike. Non-government contractors on the other hand are seeing low unemployment, little inflation and low interest rates. Business is not bad, but it is simply just not good. Business owners are keeping a tight rein on spending. Wages are not increasing and some government contractors are reducing salaries in reaction to government contract pricing pressures. Businesses are once again in a wait and see mode.

Technology...representatives reported they are preparing for Sequestration Part II. Depending on their niche some tech companies have received new contract awards and are hiring. Finding qualified applicants remains a challenge. Others are preparing for reductions (some believe up to 10%) in fiscal 2014. Programs are expected to be reduced or cut entirely. In cyber support and programs related to cyber there continues to be growth. There is more of a push to use commercial off the shelf products instead of custom products. Many contractors are also being pushed from government space into contractor facilities. On the ecommerce side it was noted that the concept of purchasing goods online continues to grow. The next big push will be same day or next day delivery as companies try to get customers goods as quickly and as cheaply as possible. Ecommerce changes everything it touches; the nature of the distribution of goods will be the next change. An underlying force that is being used for economic gain is the information gathered from all of these transactions. Margins continue to be punned, but to survive a business must learn to deal with this reality.

A Joint Publication of Howard County Government, Howard County EDA & 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 2013	166,484	159,586	163,547	156,497	4.5%
Unemployment Rate.....	June 2013	5.8%	5.5%	5.0%	5.1%	
At Place						
At Place Employment.....	December 2012	162,133	153,126	161,105	152,495	5.6%
Total Wages.....	December 2012	\$2,541,592,556	\$2,300,133,223	\$2,433,582,053	\$2,263,971,083	7.5%
Average Weekly Wage.....	December 2012	\$1,210	\$1,159	\$1,162	\$1,142	1.7%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income.....	July 2013	\$79,605,389	\$77,783,782	\$374,358,093	\$357,346,674	4.76%
Planning and Zoning Fees.....	June 2013	\$74,174	\$32,850	\$716,342	\$480,885	49.0%
Transfer Tax.....	July 2013	\$5,887,059	\$4,242,616	\$25,250,304	\$22,527,776	12.1%
REAL ESTATE (Source: Maryland Property View ; and Cushman & Wakefield, Inc.)						
Single-family Dw ellings						
Average Selling Price.....	July 2013	\$485,973	\$464,795	\$485,973	\$464,795	4.6%
Number of Units Sold.....	July 2013	333	277	333	277	20.2%
Condominiums						
Average Selling Price.....	July 2013	\$274,721	\$258,601	\$274,721	\$258,601	6.2%
Number of Units Sold.....	July 2013	63	39	63	39	61.5%
Office Market						
Total Square Footage.....	June 2013	11,732,094	11,577,315	11,689,094	11,524,815	1.43%
Absorption.....	June 2013	334,311	5,337	311,857	12,846	2327.75%
Vacancy Rate Class A & B.....	June 2013	10.40%	13.80%	10.25%	13.35%	-23.2%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel.....	July 2013	\$999,961	\$1,021,338	\$999,961	\$1,021,338	-2.1%
Furniture and Appliance.....	July 2013	\$732,976	\$732,004	\$732,976	\$732,004	0.1%
General Merchandise.....	July 2013	\$3,008,132	\$2,811,137	\$3,008,132	\$2,811,137	7.0%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued.....	July 2013	379	281	379	281	34.9%
Residential Issuances						
Single-family Detached.....	July 2013	52	41	52	41	26.8%
Single-family Attached.....	July 2013	55	4	55	4	1275.0%
Multi-family Living Units.....	July 2013	0	16	0	16	-100.0%
Nonresidential						
New & AAI Issuances.....	July 2013	86	68	86	68	26.5%
Reported Square Footage.....	July 2013	35,693	12,800	35,693	12,800	178.9%
Estimated Construction Cost.....	July 2013	\$2,501,000	\$1,507,920	\$2,501,000	\$1,507,920	65.9%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index.....	June 2013	95.3	95.3	94.7	INA	INA
Washington MSA						
Leading Economic Index.....	May 2013	106.1	105.8	104.7	103.1	1.6%
Coincident Economic Index.....	May 2013	119.9	117.7	119.2	114.9	3.8%

“Many businesses are now in survival mode. They are controlling expenses, curtailing borrowing and are not expanding. There is little confidence about where the economy is going. Long term there is great concern that if the sequestration and spending cuts continue the economy is going to suffer.”

Retail...representatives reported the past quarter has experienced a small increase in overall sales compared to the same period last year. Categories driving the increase in comp sales have been domestics, housewares and jewelry. Positive results have also been realized in optical and fresh food categories such as meat, produce perishables and deli. Sales of men and women's apparel as well as major and small appliances have been slightly lower than last year's numbers. Gasoline prices are up 6.5% comp to last year. Volume sales of gasoline have been relatively flat. Smaller retailers noted business has been steady. Profitability has been lower (by as much as half), but has now stabilized. New car dealers reported they are experiencing more purchasing of new vehicles thru online channels than by other traditional methods. Consumers shop online and buy from the dealership. New companies are now forming to represent groups with broad membership bases to act as a buyer agent for cars. Dealers enroll with this service and information is provided to the buying agent who distributes it to the membership with comparisons, rankings and other information on participating dealers that allows the consumer/member to get the best price on the vehicle. Sales of new trucks are up significantly as the construction and real estate markets have started to recover.

Agricultural...representatives reported with 12' corn and 5' soybeans many would think commodity crops were in great shape in this region. A closer inspection reveals the cobs of corn are not fully developed and there may be only one bean or small beans in soybean pods. Crop prices have been steadily dropping. This is great for those who have animals to feed as corn prices have dropped below \$5.00 and it will be cheaper to feed cattle, hogs and chickens. Milk prices are close to \$19 per hundred weight for the quarter. This, along with lower feed costs will help dairy farmers. Dairy farmers must make \$16.60 per hundred weight to break even in today's economy. If fuel prices do not increase they should be able to manage. There was a loss of tomatoes, peppers, peaches, and other fruits and vegetables due to hard summer rains. The apple crop is reportedly looking good at this point.

Residential and Commercial

Construction...representatives reported there was a sharp decline in July in new home sales, but a big rebound in August. There was no obvious explanation for this blip. Overall sales have continued to be very good, particularly in Howard County which significantly outperforms other local jurisdictions. There is a lot of movement in Howard County as many "locals" are finally able to sell their existing home and move into a new home. In the short term rising interest rates may be helpful in getting those procrastinating off of the fence. New lending products will help buyers readjust to changes in rates. Labor pressures are starting to appear. Some material price increases and decreases have been noted. Tight margins continue to make this a competitive market, although the recession did winnow out some of the competition. Pricing has remained steady. Credit from banks is available to builders if sufficient equity is present. The commercial real estate representatives reported this market is not as good as the numbers might be showing. There has been some increase in the retail/industrial market, but this is not widespread. Very little activity is occurring in the suburban office market. Cost conscious companies are putting more people into smaller spaces by "hoteling" or turning to telecommuting. Downward pressure on pricing, rental rates and margins is a noticeable impact of the sequestration. Federal construction contractors are facing extremely thin margins and this is pushing some out of the business. Others are turning away federal contracts because margins are so thin it is not profitable to perform the work. Significant improvement is not expected any time soon.

Overall...Overall the local economy appears to be doing well in most sectors despite the shadow hanging over the area from the sequestration and federal cutbacks. Business confidence remains dampened and will probably remain that way until the situation in Washington stabilizes. The local resale and new home markets seem to be feeling the effects of recovery. Any increase in interest rates may result in hesitant buyers getting off the fence in the short term. September may prove an interesting month for businesses dependent upon federal contracts. As the federal fiscal year ends there will be a scramble to see what if any year end funds are available and how to get them. Howard County has been somewhat insulated from sequestration and budget reductions because of the focus on cyber security in the region. Other areas rely more upon federal funding related to large defense platforms, these are the ones hit hardest by reductions. The Howard County consumer economy seems to be booming. The old adage of location, location, location remains valid.

Summary

Employment...Resident employment in June 2013 reached 166,484 individuals. The unemployment rate for June 2013 was 5.8%, the lowest in the State of Maryland. This rate remains significantly below the State rate of 7.0%. The FY13 average unemployment rate for the county is now 5.0% compared to the FY12 average of 5.1% thru June. At Place Employment is reported for December 2012 and was 162,133, an increase of 5.9% compared to the December 2011 level of 153,126. Total wages reported for December 2012 rose by 10.5% from the December 2011 level, rising from \$2,300,133,223 to \$2,541,592,556. The average weekly wage reported for December 2012 was \$1,210 up \$51 or 4.4% from the \$1,159 reported for December 2011.

County Revenues... Personal income tax receipts as reported for July 2013 were \$79,605,389, an increase of 2.34% over the July 2012 level. Fiscal year to date FY13 income tax revenues are 4.7% above FY12 levels through the same period. Planning & Zoning fees are reported for June 2013 and are 126% higher than the June 2012 level. Fiscal year-to-date collections for these fees are 49% higher than the FY12 levels. Transfer tax is reported for July 2013. Compared to July 2012 current collections are up 38.7% in July 2013. Average fiscal year-to-date collections for FY13 are up 12.1% when compared to FY12 levels thru the same period.

Construction...Building permits issued in July 2013 increased by 35% compared to the July 2012 level. Fiscal year 2014 to date permit activity reflects an increase of 98 permits or a 35% increase from the FY13 levels thru July. Single-family detached issuances for July reached 52 units compared to the July 2012 level of 41 units. FY14 to date SFD permits are 27% higher (11 units) when compared to FY13 year to date levels. Attached single-family issuances increased by 51 units in July 2013 compared to the prior year. Fiscal year to date the number of single family attached units is up 51 units or 1275% from FY13 to FY14. Multi-family permits posted 0 units in July 2013, down 16 units from July 2012. Non-residential new and additions, alterations, interior completions (AAI) permits were up by 18 units in July 2013 compared to July 2012. Non-residential reported square footage fiscal year to date is reported thru July 2013. FY14 s.f. to date totals 35,963 compared to 12,800 s.f. reported for FY13 thru the same period. The estimated non-residential construction cost reported for July 2013 was \$2,501,000 compared to \$1,507,920 in July 2012. YTD FY14 and FY13 estimated construction costs are the same as those reported thru the July period.

Economic Indices...National Leading Economic Index (LEI) as reported for June 2013 was 95.3. Compared to June 2012 this represents no change from the June 2012 level of 95.3. The LEI for the Washington MSA was 106.1 in May 2013, up from the 105.8 reported for May 2012. The Coincident Index for the Washington MSA was 119.9 in May 2013, up from the May 2012 level of 117.7. Fiscal year to date averages for the Washington indices were up. The leading index was up 1.6% at 104.7 for FY13 compared to 103.1 for FY12. The coincident was up 3.8% at 119.2 for FY13 compared to 114.9 for FY12

Real Estate... Average sale prices for single-family homes (includes single family detached and town homes) in July 2013 increased by 4.6% from the July 2012 average of \$464,795 to \$485,973. Fiscal year-to-date the average price has increased by a similar 4.6%. A total of 333 single-family homes were sold during July 2013, an increase of 20.2% or 56 more units than the 277 units sold in July 2012. Average units sold fiscal year to date were 333 compared to 277 units thru July 2012, an increase of 20.2%. Condominium prices in FY14 for July averaged \$274,721, an increase of 6.2% over the average price of \$258,601 in July 2012. Sales of condo units in July 2013 were up 62% or 24 units over the numbers reported for July 2012 when 39 units were sold. The commercial office vacancy rate for June 2013 was 10.40%, down from 13.80% in June 2012. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of June 2013 was 11,732,094 s.f. compared to 11,577,315 s.f. for June 2012. Net absorption for the second quarter of calendar 2013 was 334,311 s.f. compared to net absorption of 5,337 s.f. through the second quarter of calendar 2012.

Sales Tax...July 2013 collections for Apparels declined by 2.1% compared to the level collected in the same month last year. The FY14 average receipts to date declined a similar 2.1% when compared to the prior year. Collections reported for July 2013 Furniture and Appliance sales increased by 0.1% compared to July 2012. Fiscal year-to-date, average revenues thru July 2013 also increased by 0.1% from the previous fiscal year. General Merchandise collections increased by 7.0% in July 2013 compared to July 2012. Fiscal year-to-date average levels also increased by 7.0% compared to the prior year. It should be noted sales tax revenues are not returned to the county as direct revenue.

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.
Timothy Harwood, HCEDA
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
Maureen Thomas, GovConnects
Lawrence F. Twele, HCEDA
Raymond S. Wacks, Ho.Co. Budget Office

