



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 2013

Insight & Outlook

Residential Real Estate...representatives reported the local resale is steadily growing and business has generally been good. The number of homes sold in October 2013 compared to October last year is up 31%. Sale prices have continued to creep up. Appraisals seem to have finally come into line with the market. The average number of days on the market in Howard County is now 38 days. A home in good shape, priced right and in a good location can sell in a week. There is lots of competition for good homes. Multiple contracts with escalation clauses are becoming routine. The sold price v list price now stands at 98.5%. Price escalations are expected due to the lack of supply. Active inventory is very tight as indicated by the 3.7 months' supply of homes available in Howard County. Sequestration and furloughs did have an impact on sales. There were lots of delays and cancellations of settlements as consumers & lenders alike were uncertain about income. Short sales locally have virtually disappeared. Changes in financing guidelines in January 2014 (max. debt to income will be held at 43% instead of 45%) are expected to make loans tougher to obtain. Constant credit checks during the settlement period are commonplace now. Buyers are coming from all over. Many young buyers are moving out of rentals, as owning often has a lower monthly payment compared to rent, which tends to be high.

Service Industries...representatives reported small businesses on the government subcontracting side continue to hope things will soon get better. Until federal budget issues are resolved little improvement is expected.

Transportation providers noted individual and convention traffic seems to be increasing. Bookings for service for future events have been positive as well. Locating qualified workers has not been a problem, with some walk in applicants meeting the needs.

Banking...representatives reported residential mortgage appraisals seem to have stabilized compared to a year ago. This is attributed to an overall stabilization of the real estate market over time. Appraisals on the commercial side have also improved as well. On the consumer side there is no market for auto loans as most buyers use dealer product to finance new or used autos. Those with blemishes on their credit may have to finance thru a secondary market. Credit remains tight on personal/consumer loans. Credit scores are watched closely and play greater role in the loan approval process. Many banks are no longer willing to take short sales due to the increased stabilization in the real estate market.

Professional Service...representatives reported businesses are very concerned about the future. They are not investing, borrowing, hiring, purchasing capital goods or moving forward all because of the government dis-function. As a result the local economy is bumping along with little or no growth. Inflation and unemployment remain low. Companies fortunate enough to have niche products or services continue to perform at high profit levels. Banks have liquidity and are aggressively seeking companies to lend to, but businesses are keeping borrowing and expansion of credit to a minimum. Government contractors, both large and small, are experiencing impacts from the Federal cut

backs. Suspensions and terminations of contracts have been reported, as well as staffing cutbacks. The real question may be what will be the long term cumulative effect of the next 5-10 years. The effects may be somewhat minimal in a single year, but could be substantial over a longer period of time. Most businesses are not expecting 2014 to improve much over 2013 unless there is a resolution of national budget issues in Washington. If and when there is a resolution confidence will return quickly, sparking investment in capital items and hiring. Until then, economic growth will be spotty.

Technology...representatives reported government contractors continue to prepare for the next round of budget reductions. Most are stretching existing resources by reducing billable rates, salaries and even layoffs. Trickle down to subcontractors is often more harsh than the reductions made to contractors. Originally a 10% cut to the fiscal 2014 budget was expected. The current plan for the next round of cuts will be 10% to the fiscal 2013 budget level. Quarterly incremental funding will continue to be implemented in 2014. The government has been supportive and all parties are trying to implement economic efficiencies in every area. The second rounds of cuts are expected to be larger and have a greater impact on the "traditional" defense contractors. Re-competes of contracts is very common. Cyber support and programs related to cyber security continue to be priorities and may be insulated somewhat from reductions. Reductions are expected to be much more targeted this go round. Large defense

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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.....	August 2013	165,327	159,033	165,987	159,959	3.8%
Unemployment Rate.....	August 2013	5.2%	5.3%	5.4%	5.3%	
At Place						
At Place Employment.....	March 2013	157,043	155,457	159,537	153,164	4.2%
Total Wages.....	March 2013	\$2,416,423,874	\$2,420,031,721	\$2,427,862,660	\$2,315,991,296	4.8%
Average Weekly Wage.....	March 2013	\$1,188	\$1,205	\$1,170	\$1,163	0.6%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income.....	October 2013	\$9,370,076	\$5,865,260	\$23,257,635	\$17,510,080	32.82%
Planning and Zoning Fees.....	September 2013	\$52,715	\$47,460	\$147,244	\$165,318	-10.9%
Transfer Tax.....	October 2013	\$2,369,712	\$2,115,187	\$7,745,085	\$6,608,600	17.2%
REAL ESTATE (Source: Maryland Property View ; and Cushman & Wakefield, Inc.)						
Single-family Dw ellings						
Average Selling Price.....	October 2013	\$445,316	\$413,426	\$495,474	\$443,185	11.8%
Number of Units Sold.....	October 2013	215	172	219	221	-0.7%
Condominiums						
Average Selling Price.....	October 2013	\$279,924	\$244,388	\$276,413	\$241,217	14.6%
Number of Units Sold.....	October 2013	66	40	58	43	35.5%
Office Market						
Total Square Footage.....	September 2013	11,788,794	11,646,094	11,722,327	11,565,241	1.36%
Absorption.....	September 2013	345,848	26,649	323,187	17,447	1752.43%
Vacancy Rate Class A & B.....	September 2013	10.70%	13.70%	10.40%	13.47%	-22.8%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel.....	October 2013	\$1,124,402	\$1,012,307	\$3,611,452	\$3,514,873	2.7%
Furniture and Appliance.....	October 2013	\$756,706	\$712,623	\$3,101,963	\$3,379,903	-8.2%
General Merchandise.....	October 2013	\$2,863,213	\$2,609,339	\$10,991,998	\$10,070,238	9.2%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued.....	October 2013	310	337	1,469	1,217	20.7%
Residential Issuances						
Single-family Detached.....	October 2013	42	42	211	174	21.3%
Single-family Attached.....	October 2013	22	45	182	91	100.0%
Multi-family Living Units.....	October 2013	0	0	716	16	4375.0%
Nonresidential						
New & AAI Issuances.....	October 2013	66	66	268	215	24.7%
Reported Square Footage.....	October 2013	119,982	105,268	184,808	602,934	-69.3%
Estimated Construction Cost.....	October 2013	\$5,800,000	\$14,270,000	\$13,012,775	\$43,824,695	-70.3%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index.....	September 2013	97.1	95.7	96.4	95.6	0.9%
Washington MSA						
Leading Economic Index.....	August 2013	103.7	104.5	103.5	104.3	-0.8%
Coincident Economic Index.....	August 2013	118.1	117.6	119.0	116.7	1.9%

"If and when the national budget issues are resolved, business owners confidence will dramatically improve, sparking investment in capital items and hiring. Until then, economic growth will continue to be spotty."

contractors may be hit harder, as defense sets priorities for weapons platforms.

Retail...representatives reported locally the last quarter has been pretty good and foot traffic has been high. Locally comp sales for October were down and were attributed somewhat to the federal furlough. Consumers have become more conservative with discretionary spending due to the continuing uncertainty related to new federal cuts that will be coming. Soft line products have been selling well. Fresh foods, apparels and jewelry are all doing well. Inventories have been pulled back compared to last years. Sustainability is the big issue, as business figure out how to source produce and other goods in the world market on a continuing basis. Organic products are becoming a larger portion of food sourcing, creating a new challenge. Hot items for the upcoming holiday season are tablets and digital SRL cameras. New car dealers reported November sales were robust. Commercial buyers are taking advantage of the Section 179 accelerated depreciation rules that are slated to close at the end of 2013. Retail buyers are focused on durable goods as interest rates remain low. Some impact from sequestration and the federal budget have been felt locally, but it seems to have subsided. Service has been improving as the universe of vehicles sold within the last 10 years begins to expand in terms of maintenance needs for the first time since the recession. Overall the industry forecasts for 2013 stand at around 15.3 million new units sold and 42 million used units sold. Dealers are building inventories of several brands in anticipation of a continuing trend in 2014.

Residential and Commercial

Construction...representatives reported new home sales in Howard County continue to be strong. Traffic has been a little off of the normal pace, but this is somewhat expected during the Holiday Season. The market overall remains very competitive. Sales are good even in the million dollars and above price range. Appraisal issues appear to have subsided in Howard County, but other areas they remain a challenge. This could be related to the larger pool of comparable homes in Howard County. The commercial real estate representatives reported this market is beginning to show signs of improvement. Recently Howard County was ranked number one in the Baltimore Office submarkets based on total square footage of both new leases and renewals, as a percentage of inventory. Class A product is disappearing as fast as it comes online. In the current calendar year 5.1% of inventory has been leased due to demand from the professional business service sector. Regionally similar strong growth is being seen in Baltimore County, Baltimore City, Anne Arundel County and Harford County. The vacancy rate for Howard County thru September 2013 now stands at 10.70%, down from 13.70% in September 2012. Absorption is at levels not seen since 2009. It appears this segment of the economy is emerging from the recession and is poised to move forward.

Overall...things appear to be improving steadily in Howard County and the region. The pace of improvement might be a lot stronger if a resolution of issues takes place in Washington before the start of calendar 2014. Most businesses are still holding back on new hires, capital purchases and expansion of any type due to the uncertainty at the federal level. The local housing market is once again a bright spot as sales and prices are returning to pre-recession levels for new and resale homes. Revenues to local government have improved, although the full impact of the shutdown may still be outstanding. The bottom line seems to indicate that until Washington resolves budgetary issues there will remain a pessimistic attitude and weak confidence levels on the part of businesses. Despite this shadow hanging over the region progress is being made on many fronts as businesses continue to adapt.

Summary

Employment...Resident employment in August 2013 reached 165,327 individuals. The unemployment rate for August 2013 was 5.2%, the second lowest in the State of Maryland. This rate remains significantly below the State rate of 7.0%. The FY14 average unemployment rate for the county is now 5.4% compared to the FY13 average of 5.3% thru August.

At Place Employment as reported for March 2013 was 157,043 an increase of 1% compared to the March 2012 level of 155,457. Total wages reported for March 2013 dipped fractionally from the March 2012 level, dropping from \$2,420,031,721 to \$2,416,423,874. The average weekly wage reported for March 2013 was \$1,188 down \$17 or 1.4% from the \$1,205 reported for March 2012.

County Revenues...Personal income tax receipts as reported for October 2013 were \$9,370,076, an increase of 59.8% over the October 2012 level. Fiscal year to date FY14 income tax revenues are 33% above FY13 levels through the same period. Planning & Zoning fees are reported for September 2013 and are 11% higher than the September 2012 level. Fiscal year-to-date collections for these fees are 11% lower than the FY13 levels. Transfer tax is reported for October 2013. Compared to October 2012 current collections are up 12% in October 2013. Average fiscal year-to-date collections for FY14 are up 17% when compared to FY13 levels thru the same period.

Construction...Building permits issued in October 2013 declined by 8% compared to the October 2012 level. Fiscal year 2014 to date permit activity reflects an increase of 252 permits or a 21% increase from the FY13 levels thru October. Single-family detached issuances for October reached 42 units compared to the October 2012 level of 42 units. FY14 to date SFD permits are 21% higher (37 units) when compared to FY13 year to date levels. Attached single-family issuances decreased by 23 units in October 2013 compared to the prior year. Fiscal year to date the number of single family attached units is up 91 units or 100% from FY13 to FY14. Multi-family permits posted 0 units in October 2013, the same number of units reported for October 2012. Non-residential new and additions, alterations, interior completions (AAI) permits were level at 66 in October 2013 and October 2012. Non-residential reported square footage fiscal year to date is reported thru October 2013. FY14 s.f. to date totals 184,808 compared to 602,934 s.f. reported for FY13 thru the same period. The estimated non-residential construction cost reported for October 2013 was \$5,800,000 compared to \$14,270,000 in October 2012. YTD FY14 estimated construction costs were \$13m compared to \$43.8m or 70% below those reported YTD FY13 thru the October period.

Economic Indices...National Leading Economic Index (LEI) as reported for September 2013 was 97.1. Compared to the 95.7 reported for September 2012 this represents an increase of 1.5%. The LEI for the Washington MSA was 103.7 in August 2013, down from the 104.5 reported for August 2012. The Coincident Index for the Washington MSA was 118.1 in August 2013, up from the August 2012 level of 117.6. Fiscal year to date averages for the Washington indices were mixed. The leading index was down 0.8% at 103.5 for FY14 compared to 104.3 for FY13. The coincident was up 1.9% at 119.0 for FY14 compared to 116.7 for FY13.

Real Estate...Average sale prices for single-family homes (single family detached and town homes) in October 2013 increased by 7.7% from the October 2012 average of \$413,426 to \$445,316. Fiscal year-to-date the

average price has increased by 11.8%. A total of 215 single-family homes were sold during October 2013, an increase of 25% or 43 more units than the 172 units sold in October 2012. Average units sold fiscal year to date were 219 compared to 221 units thru October 2012, a decrease of 0.7%. Condominium prices in FY14 for October averaged \$279,924, an increase of 14.5% over the average price of \$244,388 in October 2012. Sales of condo units in October 2013 were up 65% or 26 units over the numbers reported for October 2012 when 40 units were sold. The commercial office vacancy rate for September 2013 was 10.70%, down from 13.70% in October 2012. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of September 2013 was 11,788,794 s.f. compared to 11,646,094 s.f. for October 2012. Net absorption for the third quarter of calendar 2013 was 345,848 s.f. compared to net absorption of 26,649 s.f. through the third quarter of calendar 2012.

Sales Tax...October 2013 collections for Apparels increased by 11% compared to the level collected in the same month last year. The FY14 average receipts to date increased by 2.7% when compared to the prior year. Collections reported for October 2013 Furniture and Appliance sales increased by 6.2% compared to October 2012. Fiscal year-to-date, average revenues thru October 2013 declined by 8.2% from the previous fiscal year. General Merchandise collections increased by 9.7% in October 2013 compared to October 2012. Fiscal year-to-date average levels increased by 9.2% compared to the prior year.

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