



# Howard County, Maryland *economic* INDICATORS

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

## June Meeting 2015

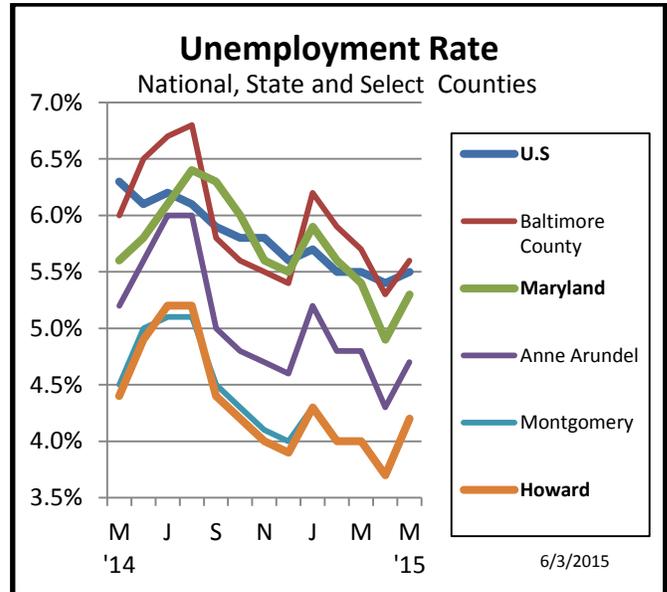
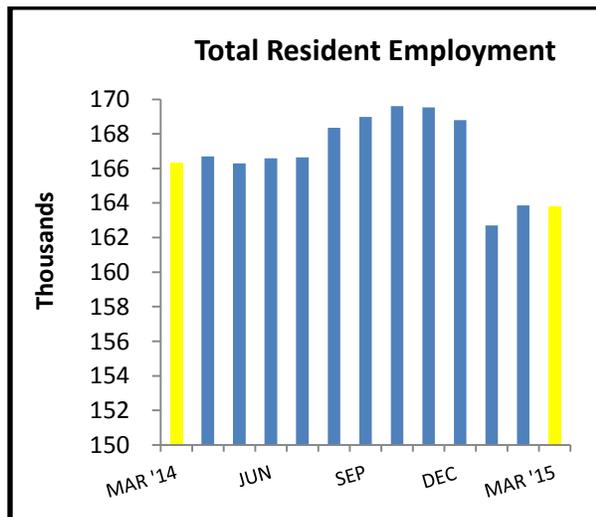
### Our Mission...

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.

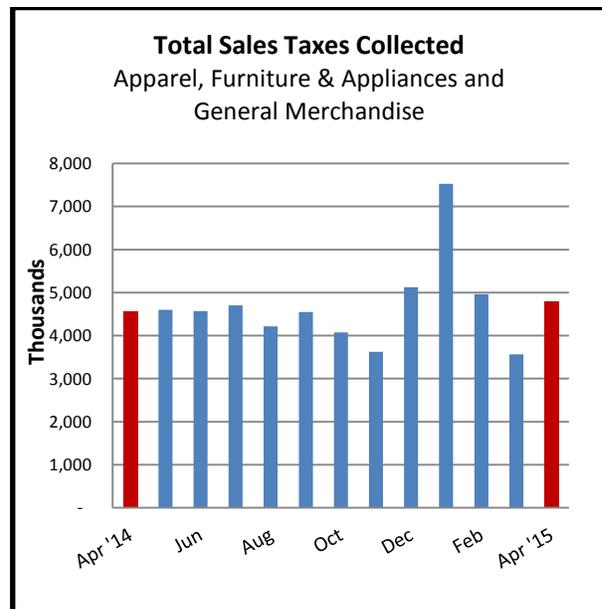
### Economic Development

The HCEDA reports major activity in the manufacturing sector along the Route 1 corridor. The variety of companies in the corridor is also impressive. Analysts say the companies range from laser chip manufacturers to high end mill work. Food distribution also continues to be a key driver in the Route 1 corridor. Cyber security continues to be a major driver for Howard County. Real Estate brokers in Gateway are updating buildings there to be more attractive to cyber companies. Maple Lawn is also a hotbed of activity. IronNet is an example of one company planning a major expansion in Maple Lawn over the next two years. Much of the growth is being driven by our proximity to I-95, Northern Virginia, Fort Meade and APL.

### Employment...



### Sales Tax

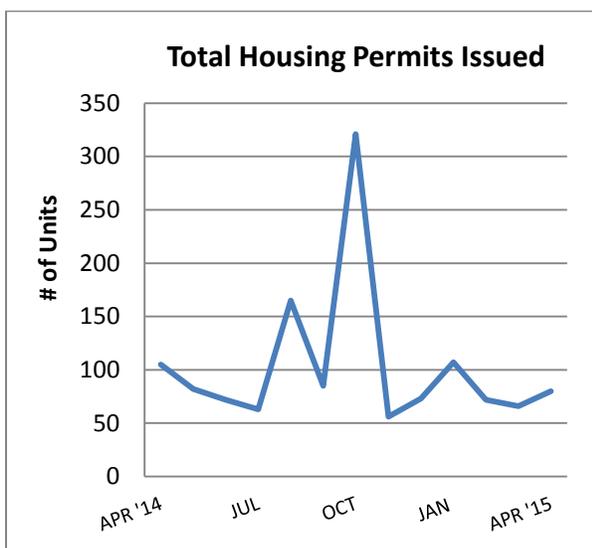


# Insight & Outlook

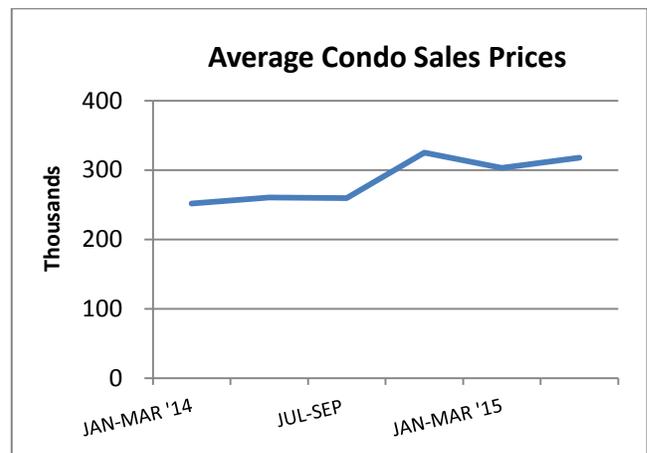
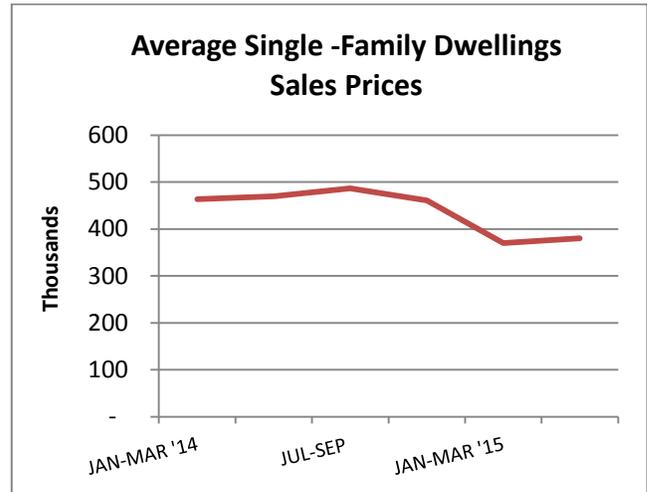
## Residential Real Estate...

Residential homes sales continue to show improvement. New listings are up along with current contracts. Industry experts report a 4 month supply of homes. The market has benefitted from low interest rates, however there are signs the rates are beginning to rise. At the time of our last meeting the 30 year rate stood at 4.25%. Homes in the million dollar plus category take about a year to sell.

The rental market continues to be strong with people willing to pay as much as \$2,500 per month. Condominiums are trending, but the fees remain a huge drawback for many. The community remains attractive to both renters and buyers because of the excellent school system and our proximity to Baltimore, Washington and Fort Meade. Realtors are still struggling with their ability to attract millennials due to transportation challenges and a lack of the nightlife and other amenities this age group prefers.



Note (below): Current quarter averages may not include all necessary months because of lag in data availability



## Residential and Commercial Construction....

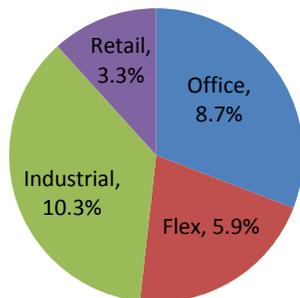
Builders report a strong first quarter with a drop off in sales and traffic afterwards. Sales of high end homes in the \$1m plus range continue to be consistent and strong. Industry experts say the in

between market (\$500k range) is where they have seen a decline in sales and traffic. Overall analysts call the sales of high end homes a good indicator on the strength of the market.

The industrial real estate market is reported to be extremely hot both locally and nationally. There is a tremendous need for warehouse space. The new Amazon facility in Baltimore is cited as a prime example. Rent for industrial space is topping \$7 up from the previous high of \$5. Many investors are now reported to be looking at industrial space or urban office space rather than suburban office space.

Office is down and not likely to return to the highs seen in previous years even with the activity projected for downtown Columbia. Developers like COPT have backed off the market. They're investing more in downtown Baltimore. They're waiting to see how space will be absorbed after the shift of NSA employees back to the base. Companies are still reluctant to branch out because many are sitting on spec buildings in communities with a 40% vacancy rate.

**Commercial Space Vacancy Rate**



## Contracting

Cyber security continues to be a major driver in the government contracting space. End of year funds are being poured into areas where there are shortages. The importance of the sector was recently highlighted with a major hacking case involving the records of federal employees. Cyber is also reported to be playing a major role in the health care sector as well as banking. Contractors are now going after more private sector work because of the growing opportunities. Industry analyst say the sector will continue to provide substantial employment growth. Clearance remains a big challenge for filling jobs. In some cases it is taking 12-18 months for people to complete the clearance process.

## Service Industries...

### Finance

Analysts continue to keep a watchful eye on the county's tax receipts after an FY 2015 shortfall. \$15.8m million in income was a surprise in November. Latest tax receipts are about \$2m million off the project, but analyst will have a better grasp after capital gains are reported in November.

### Planning

Experts say single family detached housing will be less of a product type for Howard County moving forward due to the declining availability of land. Two thirds of future development is expected to be apartments, townhomes, and condos. That represents a complete reversal of trends 30 years ago. The county remains a highly transient community. Despite the large numbers that move annually, population growth continues at about one percent per year. The good news is

that revenue from new construction offsets the impact of the population growth.

## Technology

Analysts report difficulty in finding qualified candidates for open positions. Most candidates are either on H1 or EAD visa. Qualified candidates are asking a lot of money and most of the time they want to work as consultants on 1099 rather than full time employment. The government is hiring qualified candidates employed by companies. Competition has increased for all opportunities. Companies are offering competitive pricing in most cases but the government is selecting lowest bidder. Analysts attribute the recent increase in opportunities due to third quarter projections.

## Retail...

Overall sales for the most recent fiscal period reflected a slight increase from the same period last year. Groceries, Sundries, Fresh Foods, Tires, Hardware, Housewares, and Domestic categories led the positive comps. Gasoline pricing this year \$2.58 versus last year \$3.56 was the big negative drag on comp sales. Gas sales volume is up in gallons by +25%, gas sales in dollars are down -10% due to the lower pricing. Other business impacts currently are: Avian Influenza or Bird Flu is having a major impact on the egg industry. Currently, upwards of 40% of the hen laying population has either been infected or destroyed. Pricing on our 3 dozen count package is currently \$6.09 and increasing versus \$3.99 last year. Other commodity item pricing appear stable or decreasing with the exception of beef which has been increasing steadily. In addition, we opened a new Hearing Aid Department which has realized better than anticipated sales we feel due to the shift in the aging demographics of Howard County.

## Chamber of Commerce

Analysts say large primes are laying people off. Northern Virginia is expected to be hit harder than Maryland because we are less reliant on big systems that employ large numbers of people. Experts say Health IT will be a major opportunity for the county.

## Government

People who are retiring from government are staying in the workforce longer. Government employees will typically work another 5 years after 35-40 years of government service. Companies like Google are reportedly recruiting former government employees with cyber expertise.

## Summary

### EMPLOYMENT:

- Working Howard County residents: 163,770 (March 2015)
  - This figure represents a decrease of .03% since our last report in November
- Unemployment Rate: 4.0% (March 2015)
  - We have observed a steady decline in unemployment this year to date, in addition to the County's rate remaining lower than both Maryland (5.4%) and the United States (5.5%)
  - Based on the April 2014 figure (3.9%), we anticipate that unemployment will continue to drop

## **COUNTY REVENUES:**

- Personal Income : 78,221,236 (May 2015)
  - Total in FY15: 307,177,194
  - Increase of 1.9% compared to May 2014 amount of 76,714,132
- Planning and Zoning: 31,663 (April 2015)
  - Total in FY15: 498,175
  - Decrease of 53% compared to April 2014 amount of 68,184
- Transfer Tax: \$2,216,456 (April 2015)
  - Total in FY15: 23,070,388
  - Increase of 31% compared to April 2014 amount of 1,691,487

## **CONSTRUCTION:**

- Total Estimated Construction Cost: \$86,478,174 (April 2015)
- Total Building Permits: 453 (April 2015)
  - A significant 20% increase, compared to 377 reported in April 2014
  - A total of 383 permits have been issued in the current FY to date

## **LEADING ECONOMIC INDICATOR:**

- The National Leading Economic Index (LEI) as reported for April 2015 is 122.3
- Compared to March 2015, this is a 0.8 or 0.6% increase

## **COMMERCIAL REAL ESTATE:**

- Since December 2014 the commercial office vacancy rate has remained at 12.1% since December 2014 was 12.1%\*
- Square footage available in the county as of Q1 2015 was 12,026,291 s.f. compared to 12,163,494 s.f. for Q1 2014
- Net absorption for the Q1 2015 was

27,964 s.f. compared to 161,954 s.f. in Q4 2014

\*The vacancy rate does not reflect pre-leased new construction

## **RESIDENTIAL REAL ESTATE:**

- Average sale prices for single-family homes (includes single family detached and town homes) in April 2015: \$379,955
  - Decreased by .02% compared to April 2014: \$388,110
  - Increase of 3% since March 2015: \$367,940
- Single-family units sold April 2015: 8,961
  - Increase of 14.3% or 1,118 more units than April 2014: 7,843
  - Increase of 12% or 961 more units than March 2015: 8,000
- Condominium prices in Q1 2015: \$303,262
  - Increase of 20% compared to Q1 2014 or \$51,542 more than January thru March 2014: \$251,810
- Sales of condo units in Q1 2015 totaled 1,551 units compared to the 123 units sold in Q1 2014

## **SALES TAX: \*\***

- April 2015 collections for Apparels: \$1,019,603
  - Increased by 1.5% compared to April 2014 (\$1,003,819)
  - The FY15 average receipts to date decreased by 2.3% when compared to the prior year
- April 2015 collections for Furniture and Appliances: \$867,524
  - Fiscal year-to-date, average

revenues thru April 2015 increased by 7.1% from the previous fiscal year

- April 2015 collections for General Merchandise: \$2,918,658
  - Fiscal year-to-date average levels increased by 3.6% 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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### **Economic Indicators Review Committee**

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William N. Chalfant, Jr., TD Bank	<b>Banking</b>
Nancy Cummins, Long & Foster	<b>Residential Real Estate</b>
Chip Doetsch, Apple Ford	<b>Auto Sales</b>
David Liby, Costco	<b>Retail</b>
Tim Morris, Williamsburg Builders	<b>Residential Builder</b>
Chris Myers, Super Book Deals	<b>Internet Sales</b>
Anita Gentile Newcomb, AGNewcomb	<b>Federal Reserve</b>
Kirit Parmar, Dunkin Donuts	<b>Retail</b>
Elizabeth Rendon-Sherman, LG-TEK	<b>Government Contracting</b>
Cole Schnorf, Manekin Corporation	<b>Commercial Development</b>
A. Nayab Siddiqui, Scientific Systems Software	<b>Technology</b>

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