

Howard County Economic Indicators Meeting

February 28, 2018

Data Review and Industry Members' Comments

Committee Meeting Agenda

Welcome 7:30am – 7:40am

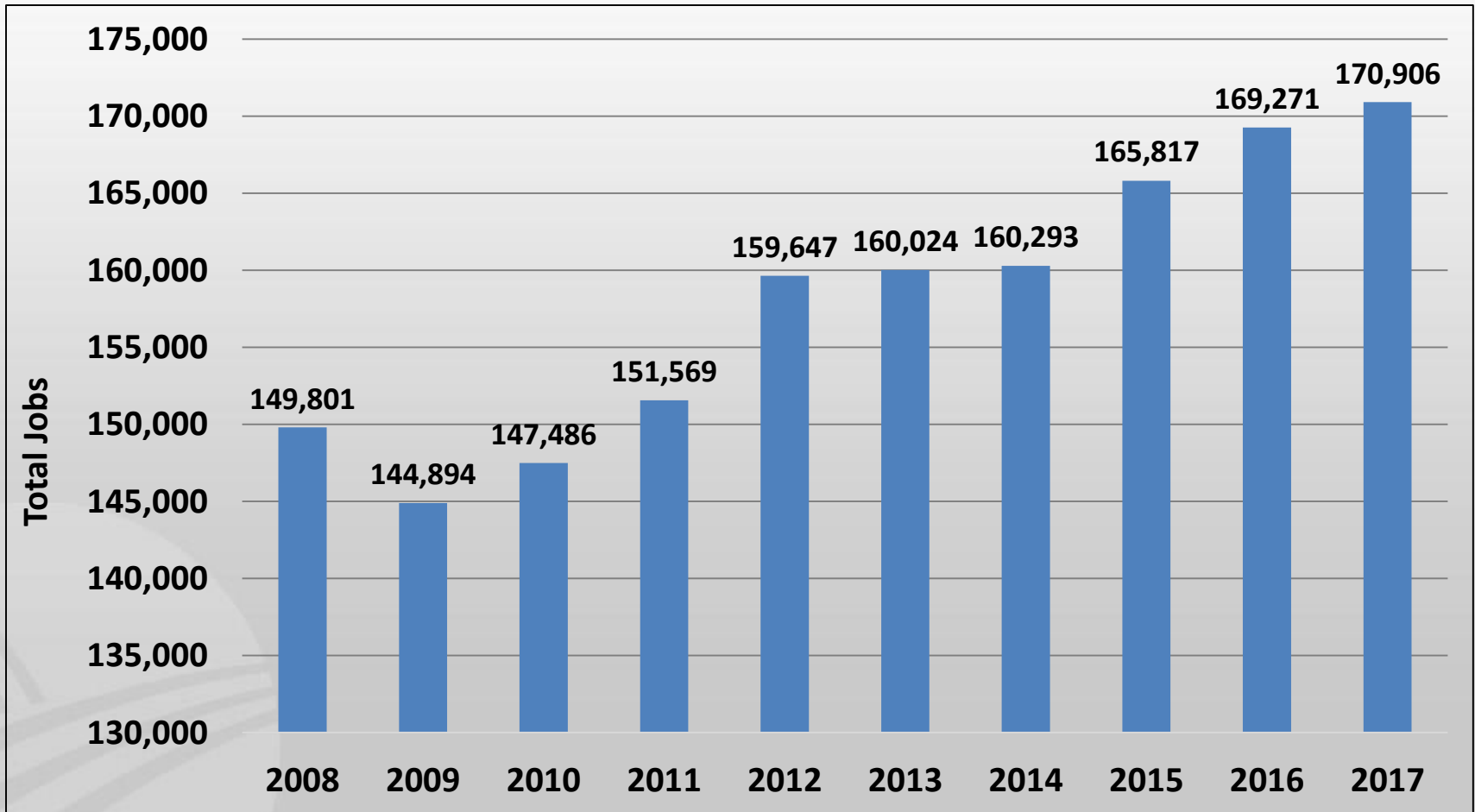
Economic Overview 7:45am – 8:00am

Industry Member Updates 8:00am – 9:30am (3 minutes each)

- **Richard Clinch, Ph.D., University of Baltimore, Jacob France Institute**
- **Holly Sun, Ph.D., Budget Administrator**
- **Barb Nicklas, The Mall in Columbia**
- **Chip Doetsch, Apple Ford Lincoln**
- **Donald Eames, The Airport Shuttle, Inc.**
- **Elizabeth Rendon-Sherman, LG-TEK**
- **Craig Wyatt, Williamsburg Homes**
- **Nancy Cummins, Long and Foster Real Estate**
- **David Graf, W.R. & Grace**
- **Bill Stone, Mobern Lighting**
- **Leonardo McClarty, Howard County Chamber of Commerce**

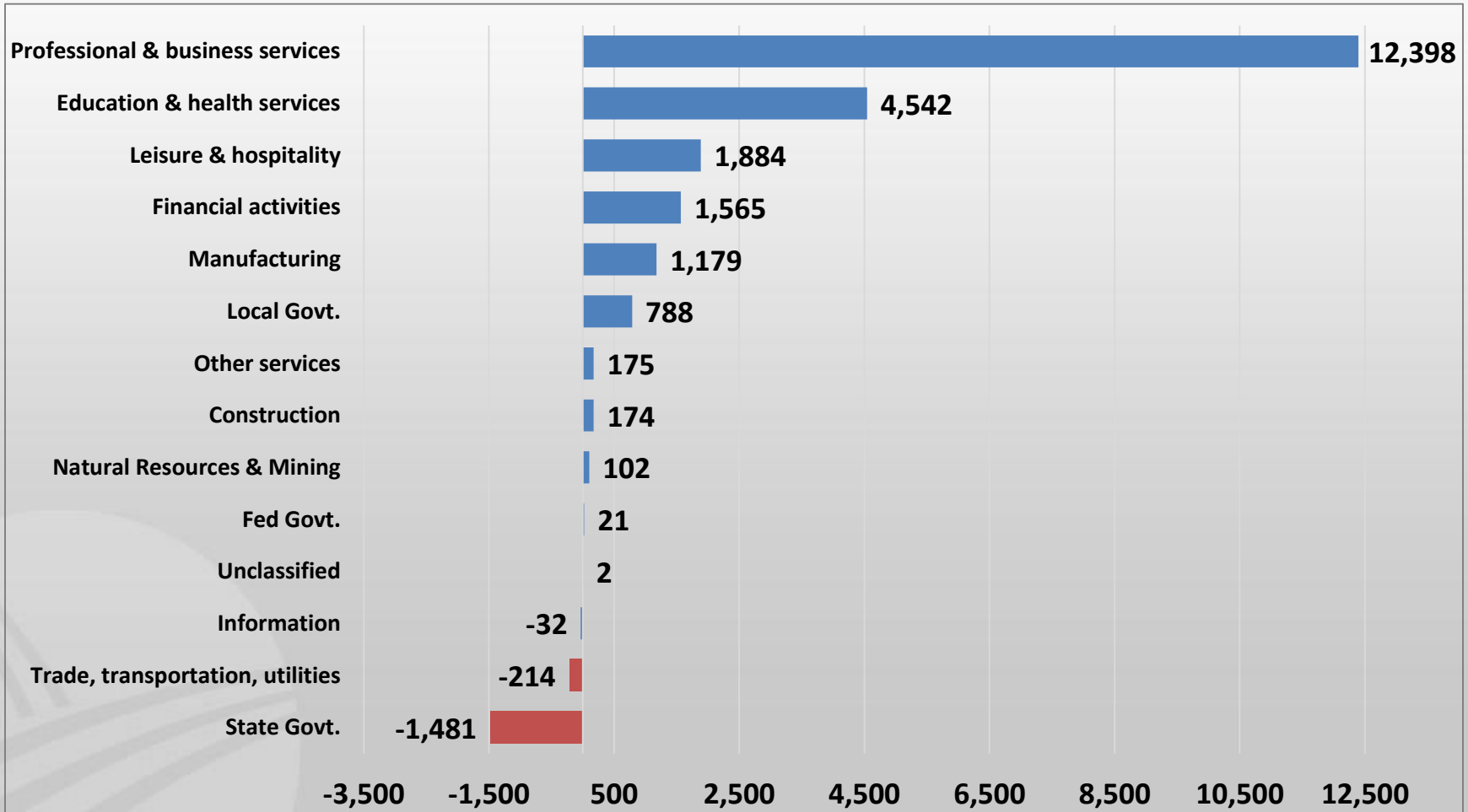
Howard County Total Employment

2nd Quarter 2008 to 2017



Howard County Employment by Industry Sector

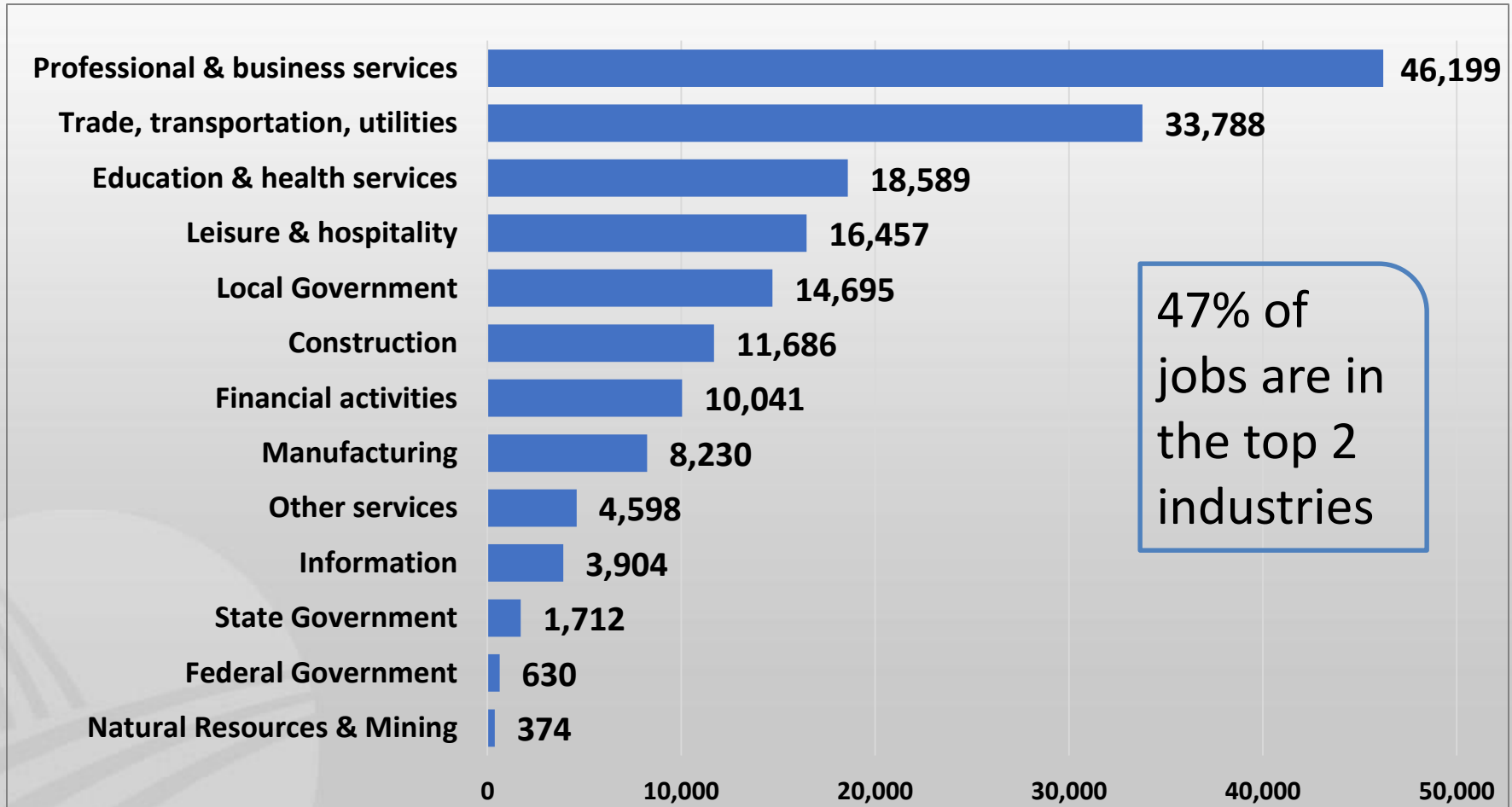
Change Q2-2008 to Q2-2017



Source: U.S. Bureau of Labor Statistics, QCEW

Howard County Employment by Industry Sector

Q2-2017

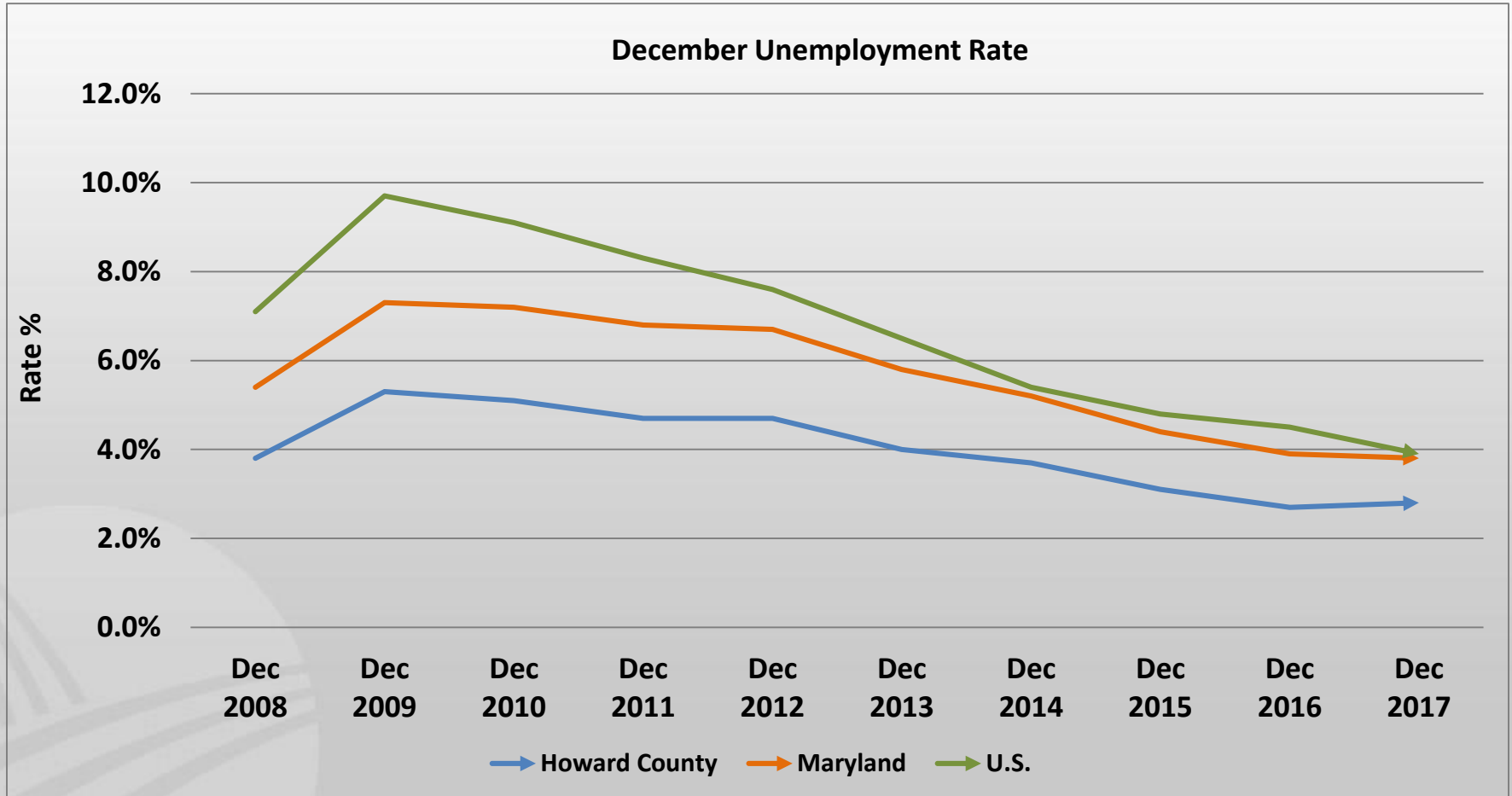


Note: Unclassified employment (3) is not displayed.

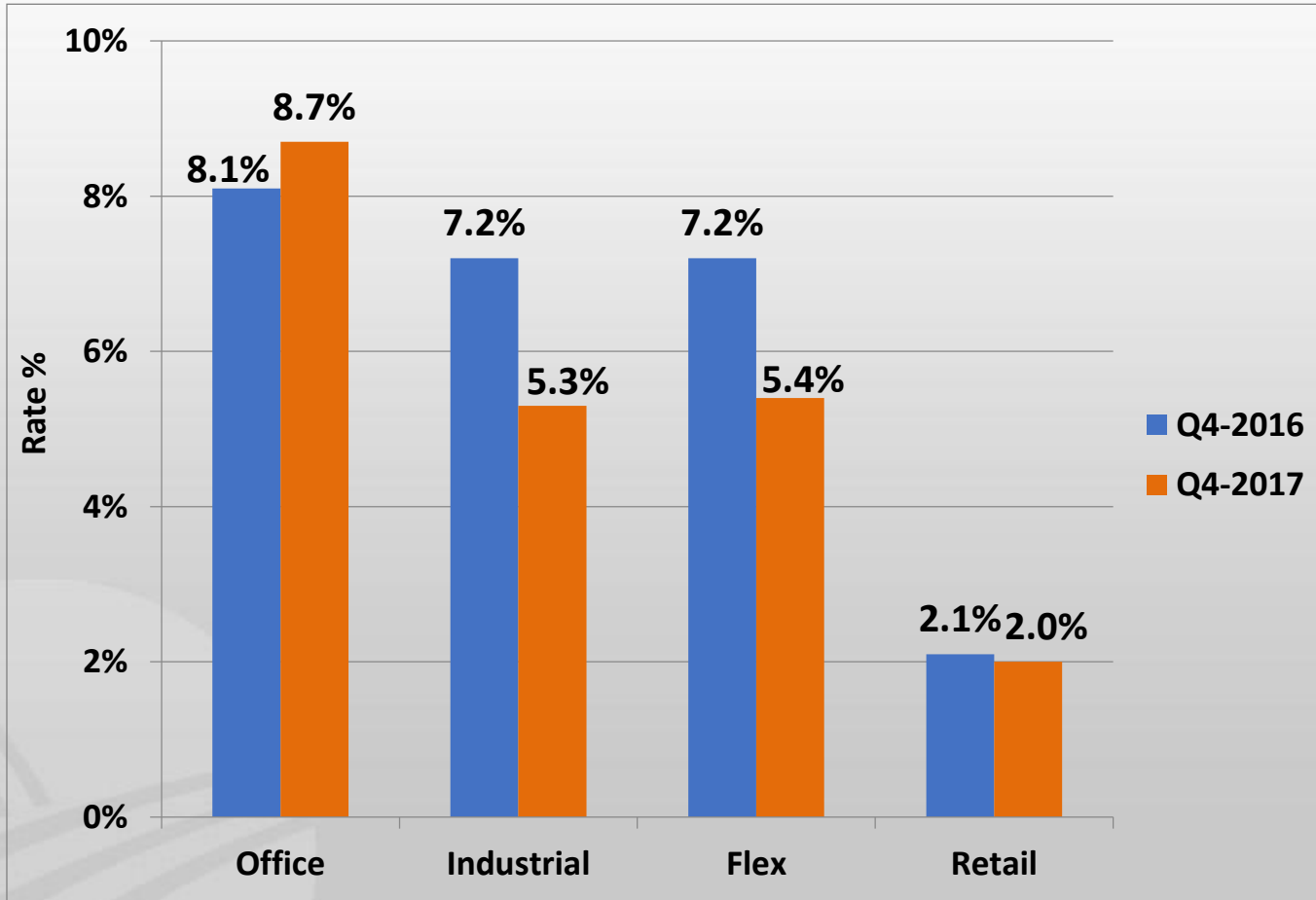
Source: U.S. Bureau of Labor Statistics, QCEW

Howard County Unemployment Rate

Geographic Comparison & Trends



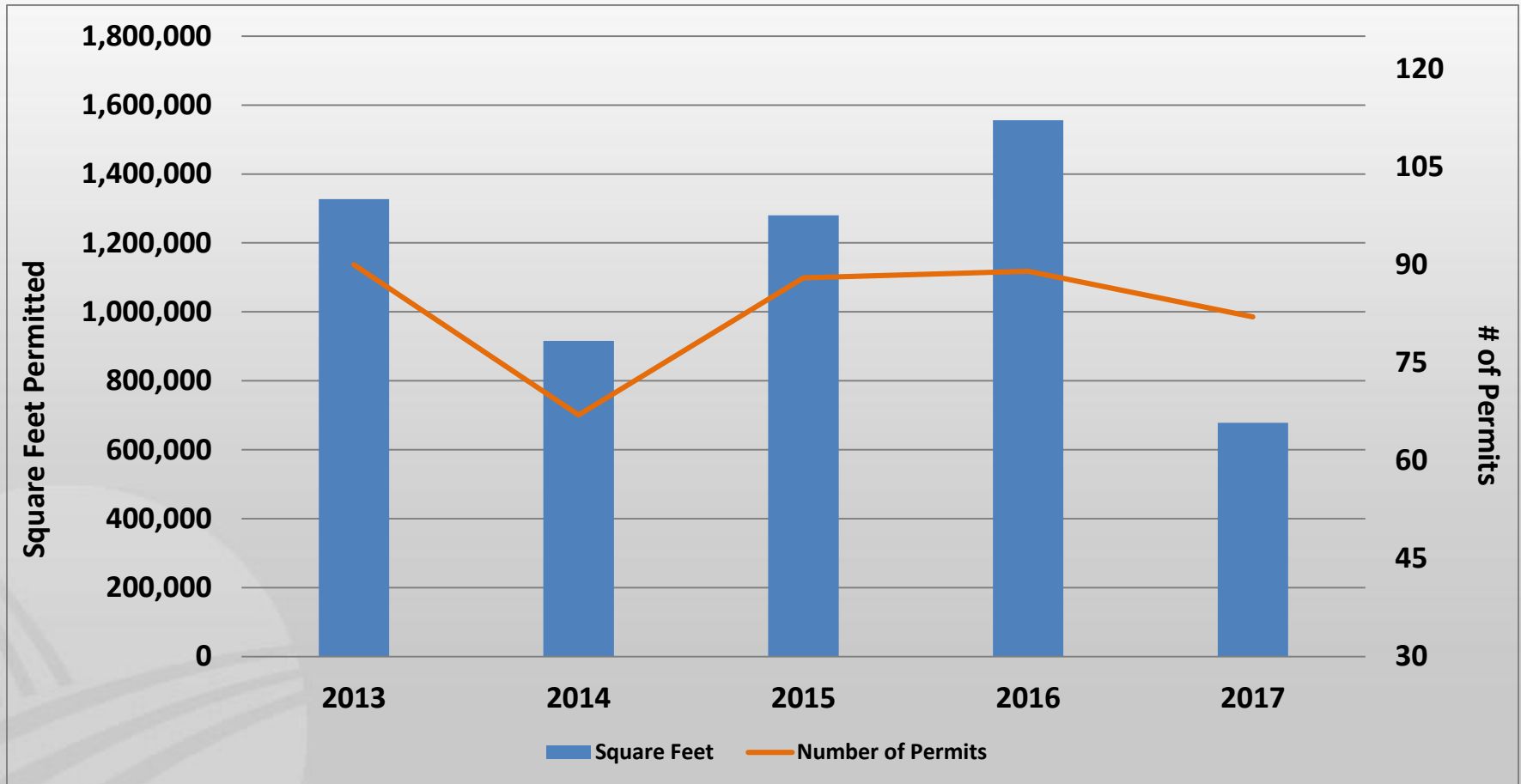
Howard County Commercial Vacancy Rates Q4-2016 vs. Q4-2017



Property markets across sectors are very strong with low vacancy rates both historically and compared to other markets in the region.

Howard County Commercial Construction

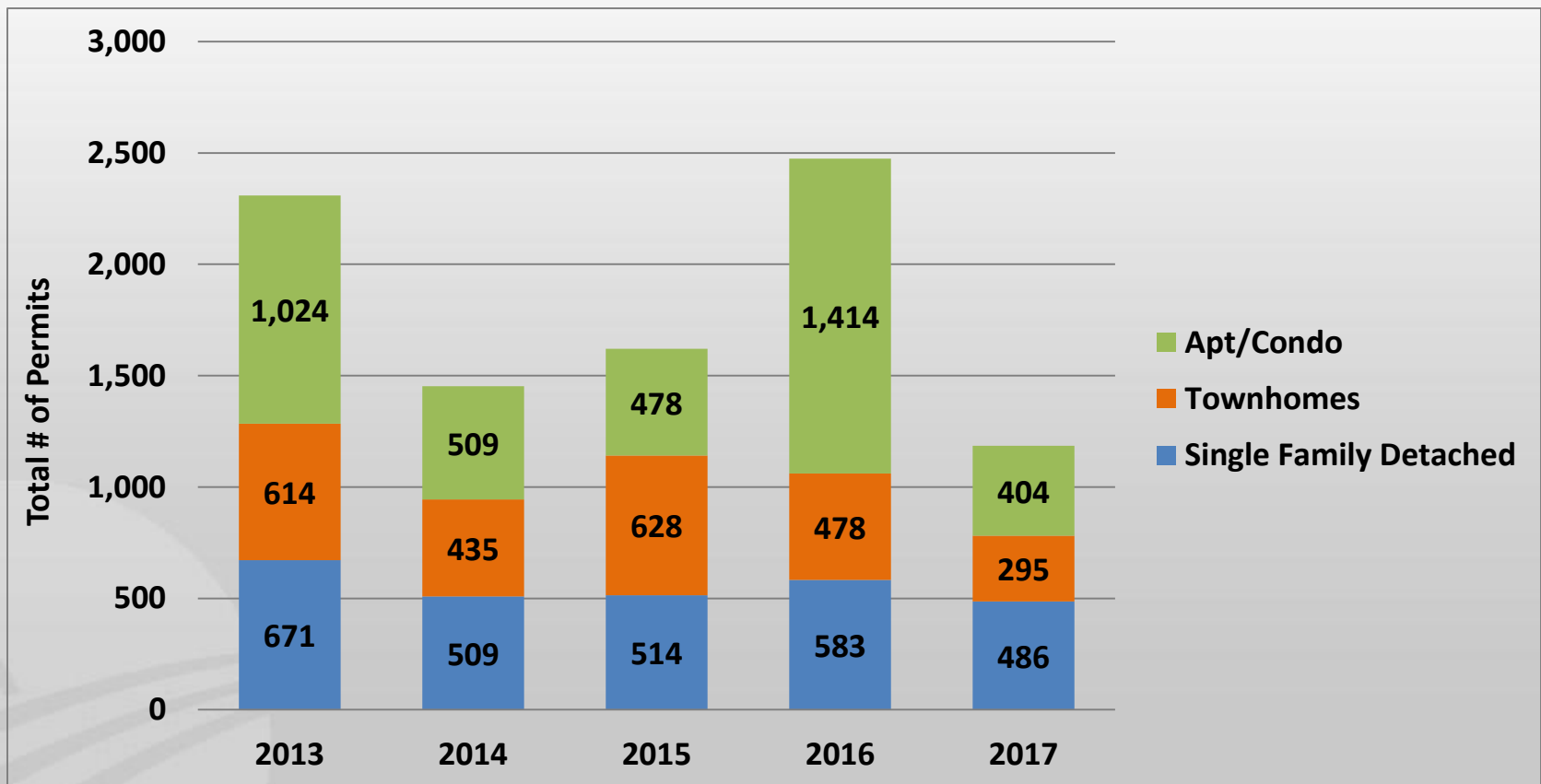
Total Square Feet and Number of Issued Commercial Building Permits
2013 - 2017



Source: Howard County Department of Planning and Zoning

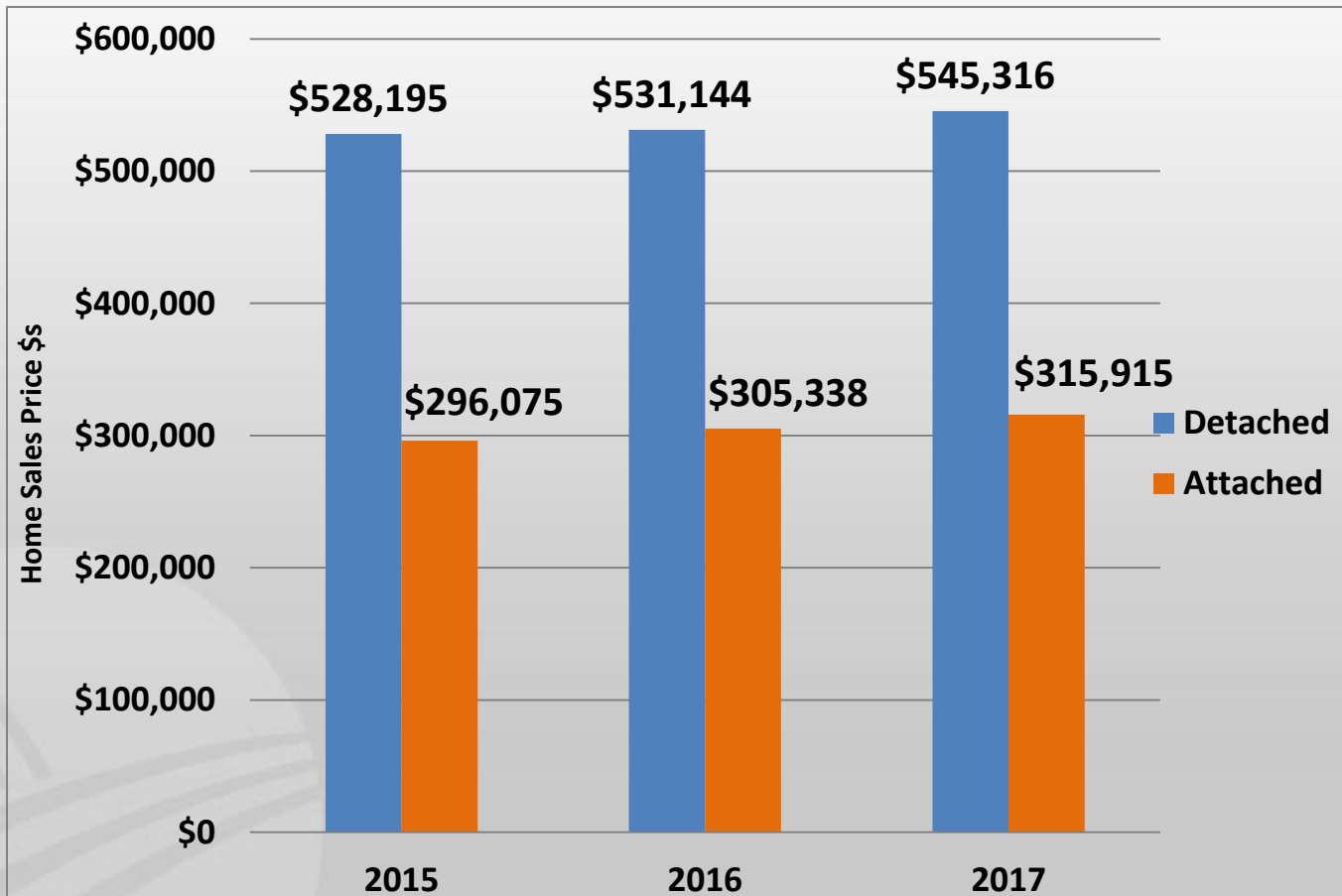
Howard County Residential Construction

Issued Residential Building Permits 2013 - 2017



Howard County Average Home Sales Price

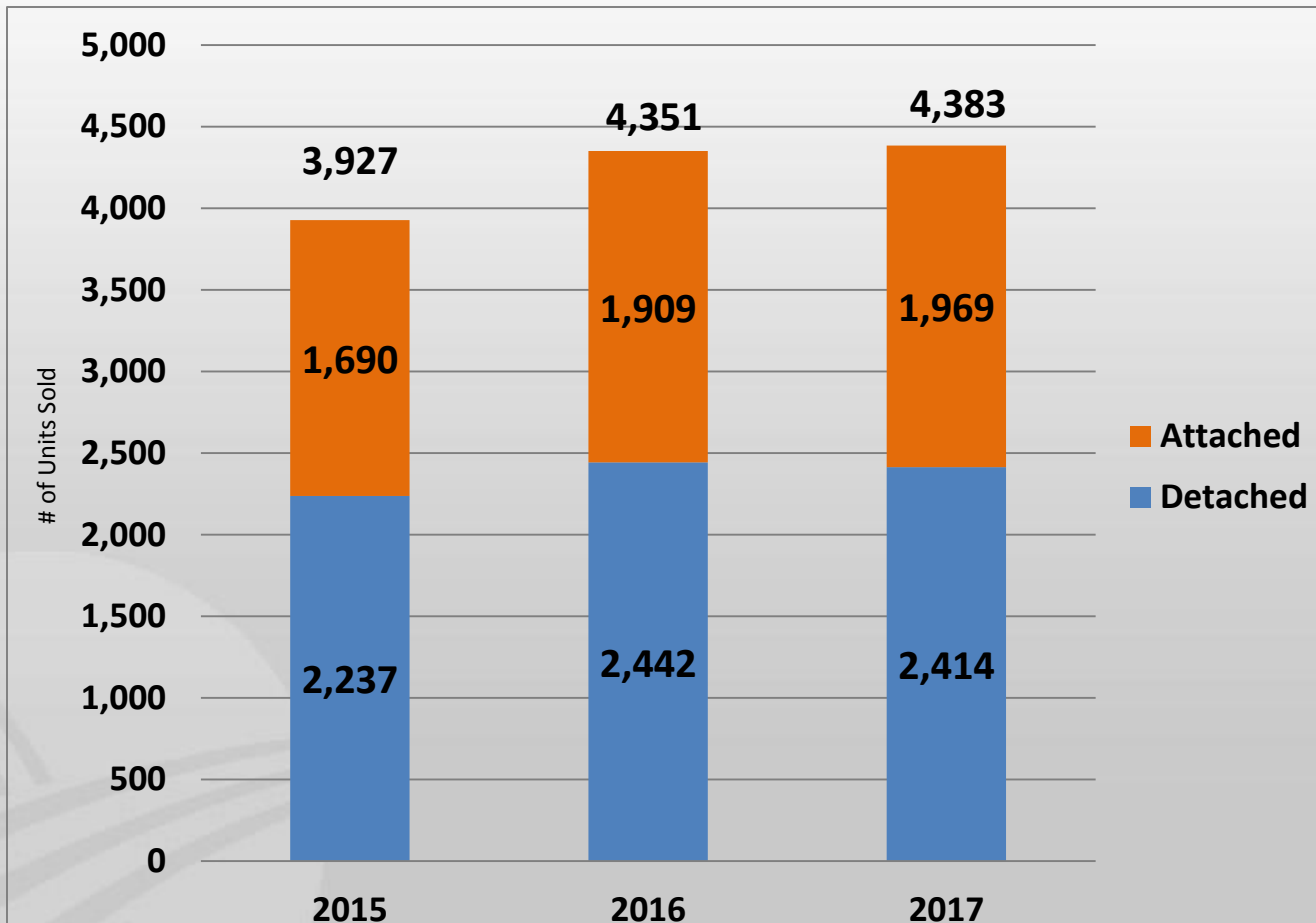
Attached and Detached Homes 2015 - 2017



Detached home sales increased by 2.7% while attached homes increased by 3.5% in 2017 compared to 2016.

Howard County Home Sales

Attached and Detached Homes 2015 - 2017

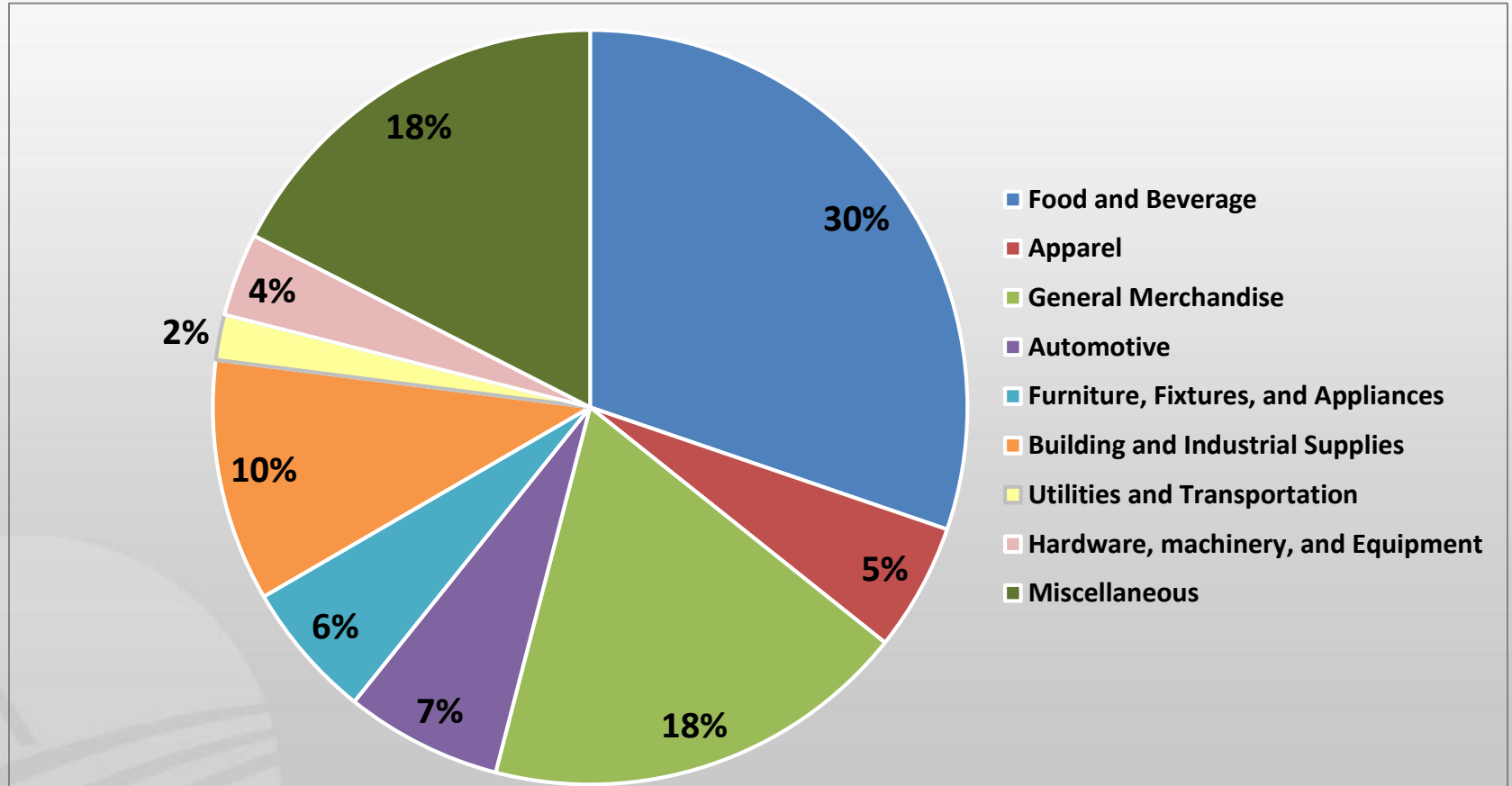


Source: MRIS

The total number of homes sold is up 0.7% 2017 compared to 2016.

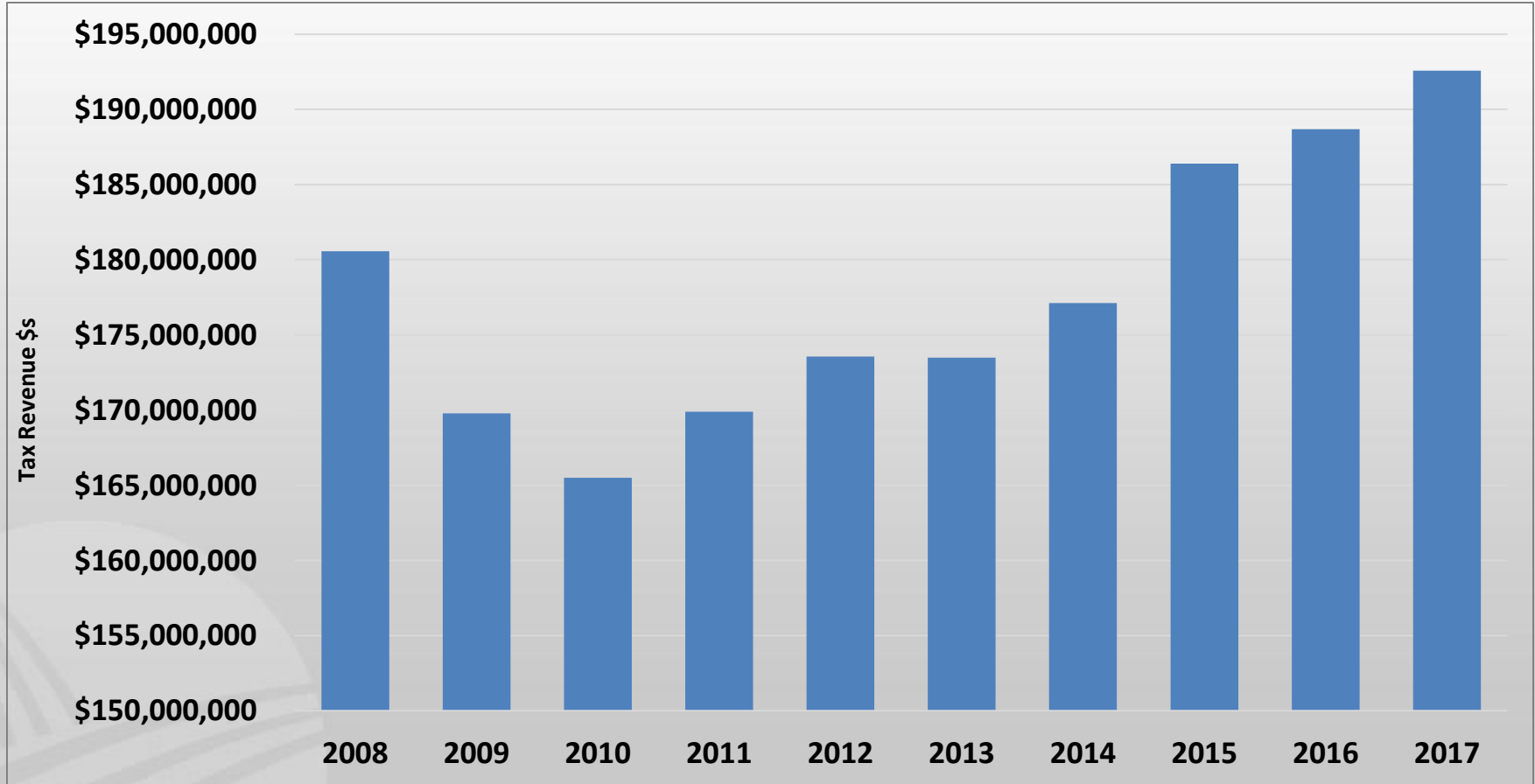
Howard County Sales and Use Tax Revenue by Revenue Group

2017 Share of \$192,573,893



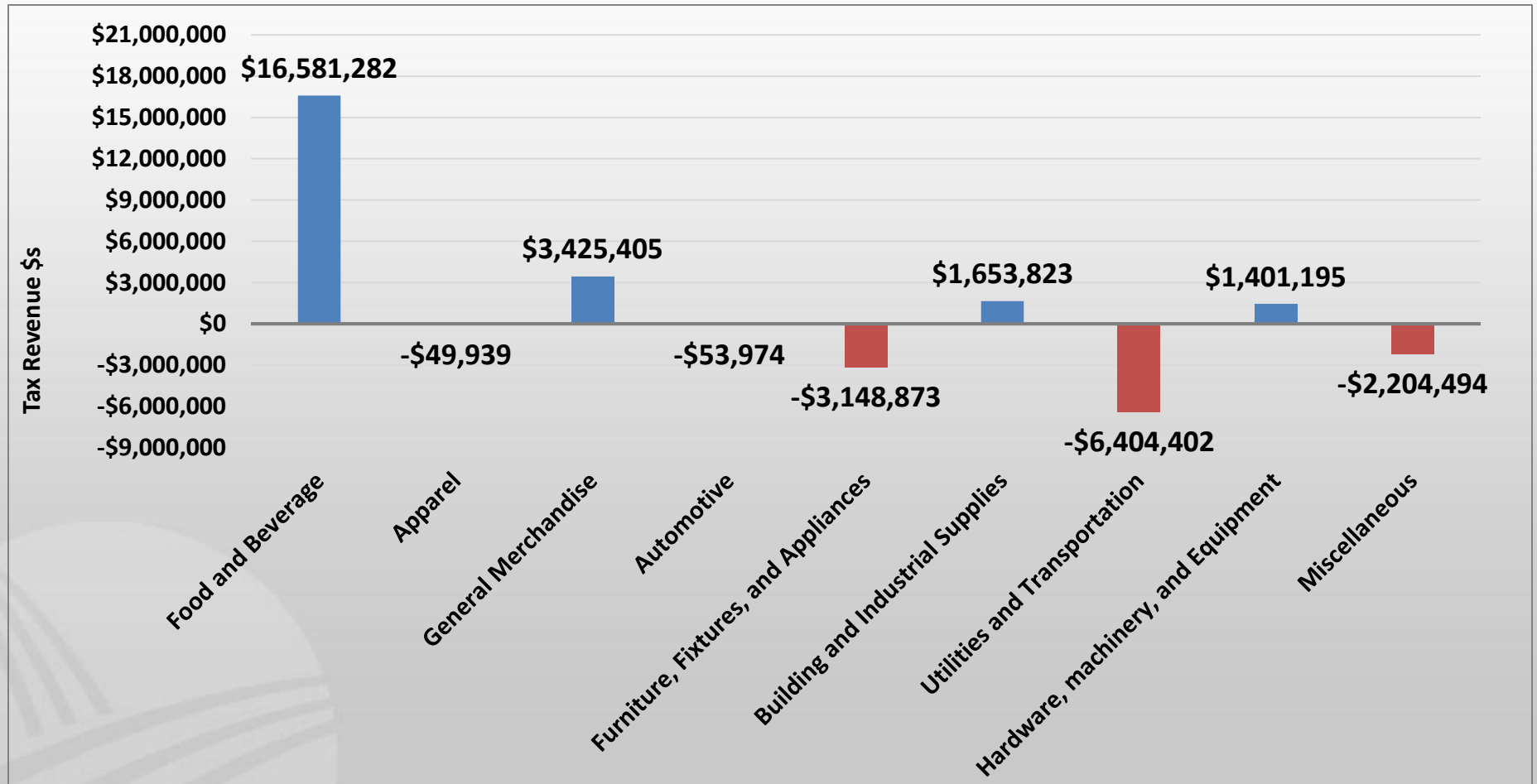
Source: MD Comptroller

Howard County Annual Sales and Use Tax Revenue 2008 - 2017



Source: MD Comptroller

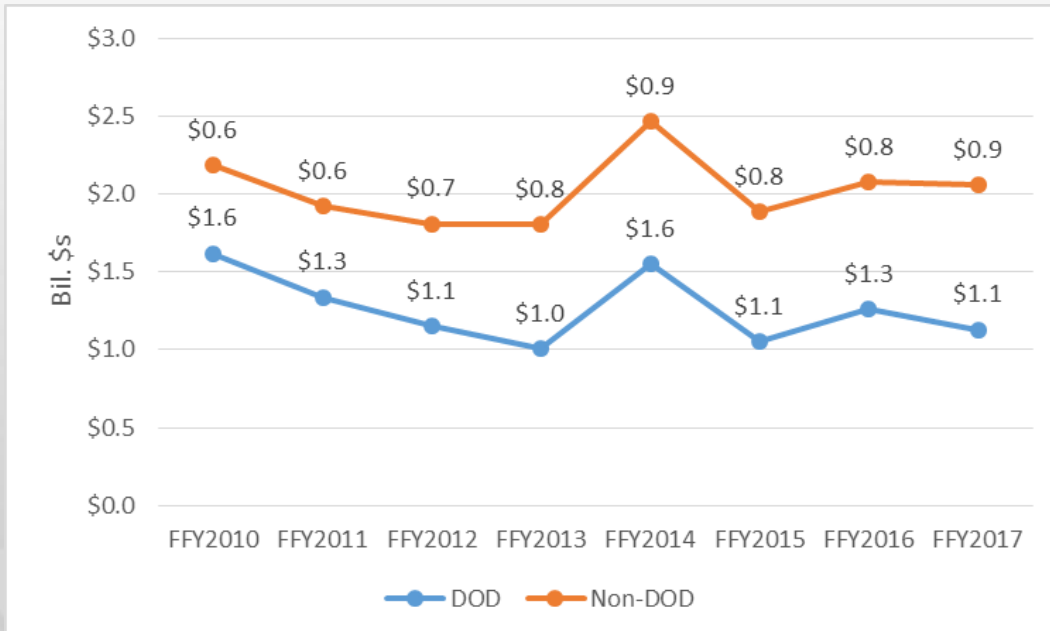
Howard County Sales and Use Tax Revenue by Revenue Group Change 2008 to 2017



Source: MD Comptroller

Federal Procurement in Howard County

Federal Procurement in Howard County



Top Federal Vendors in Howard County, FFY2017

Company/Organization	Mil. \$s	% of Total
John Hopkins University / APL	\$864.2	42%
Magellan Behavioral Health, Inc.	\$118.7	6%
SRA International, Inc.	\$80.0	4%
Life Science Logistics, LLC	\$78.8	4%
Agentase, LLC	\$73.1	4%
Nester Consulting LLC	\$44.2	2%
KBRWYLE Technology Solutions, LLC	\$41.5	2%
Motorola, Inc.	\$41.0	2%
AT&T Corporation	\$39.9	2%
L B & B Associates INC.	\$37.5	2%
Impaq International	\$37.1	2%
Office Depot Inc.	\$36.8	2%
NewWave/NewWave-GDIT, LLC	\$36.6	2%
FEi Systems	\$31.0	2%
DNT Solutions, LLC	\$24.4	1%
Presidio Networked Solutions LLC	\$23.2	1%
Newwave Telecom and Technologies, Inc.	\$19.2	1%
Norseman, Inc.	\$17.9	1%
Northrop Grumman	\$17.9	1%
Advanced Programs Inc.	\$17.5	1%
All Other	\$374.6	18%
Total	\$2,055.0	100%

Source: FPDS

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Industry Member Updates

- **Talent Acquisition and Retention**
 - Skilled trades remain difficult to recruit. Search for candidates has expanded to Pennsylvania and North Carolina.
 - An increase in wages has attracted base level talent.
 - Labor shortages and higher labor costs have caused production to shift to Texas.
 - Skilled trades are hard to find with fewer replacement workers for those that are retiring. This labor shortage could have a big impact in the coming years.
 - Howard County's attributes assist in hiring higher level talent.
- **Sales and profits**
 - 2017 was best year ever in sales (2 Committee Members).
 - Rising interest rates have had an impact on consumer based sales.
 - Technology is altering the product acquisition process and this requires great flexibility in operations. Future revenues will be driven more by product service rather than the upfront purchase.
 - 2017 sales were good, but expecting more conservative year for 2018. Profit margins are very tight.
 - Sales growth has been healthy with international expansion into China and India.
 - Pricing and margins in local markets have been impacted by foreign competition.

Industry Member Updates

- **Government Contracting**
 - Overall outlook is positive.
 - Federal procurement drives a large portion (70%-80%) of the jobs in the Professional and Business Services segment in Howard County.
 - Federal procurement amounts to around \$2B, but that does not include any figures from the NSA as that data is confidential.
 - Johns Hopkins APL is by far the largest recipient of federal procurement dollars in Howard County. The top 20 contractors account for over 80 percent of federal procurement in Howard County.
 - There are plenty of federal contracting jobs available. 2019 should be very strong in this sector as a current backlog of federal contracts are released.
 - A new Director of NSA/Cybercommand is expected in the coming year.

Industry Member Updates

- **Commercial Real Estate**

- Autonomous vehicles will have a major impact on land use and the commercial real estate sector, however, it is very unclear as to the timing of large scale shifts in autonomous vehicle usage.
- Industrial property remains the strongest industry sector in terms of tenant and investor demand.
- Howard County continues to outperform the region in suburban office and retail occupancy levels. Rising interest rates have had little impact on commercial retail thus far, in part because rates are still at historically low levels.

- **Residential Real Estate**

- Commercial financing remains tight even in better market conditions.
- The increase in mortgage rates to 4.5% has impacted some sales, however, rates remain historically low.
- The resale market is marked by a very low inventory level. Multiple offers and bidding wars are common.
- Price escalation has been strong but steady and not nearly as high as the 2004-05 period.
- Home appraisals have improved with use of local appraisers vs. out-of-county appraisers in past years.

Industry Member Updates

- **Retail**

- Traffic and sales at The Mall in Columbia were higher in December and January than the same period in the previous year.
- The food category has performed well at the Mall. New restaurants include Shake Shack and Uncle Julio's opening in April. In May, the Main Event will open along with the Walrus Oyster and Ale House. In August, Urban Plates is scheduled to open.
- GGP has focused marketing resources on The Mall in Columbia and will also be adding 4,200 solar panels to its existing array of solar panels.
- The County celebrated the Lunar New Year at the Mall, drawing the attention of visitors and celebrating the culture of the County's growing Asian population.

Industry Member Updates

- **Hospitality**
 - Baltimore tourism has improved with a national convention slated for June and an additional cruise line operating out of the City.
 - The area's three airports compete very strongly for travelers.
 - Local hotels/restaurants benefit from business travel to corporate headquarters.
- **State Legislative Issues**
 - State legislature continues to focus on labor regulation.
 - A number of key legislators will be retiring which may lead to more regulation on businesses.
- **County Budget Issues**
 - The County has a projected \$7M shortfall in this fiscal year's budget driven by a lower revenue base due to shortfalls in projected income tax receipts.
 - The County is actively addressing this shortfall with a hiring freeze and cutbacks in non-essential spending.
 - The County is projecting a 2.2% increase in revenues for FY19, lower than increases in past years.