

Howard County Economic Indicators Meeting

November 30, 2017

Data Review and Industry Members' Comments

Committee Meeting Agenda

Welcome 7:30am – 7:40am

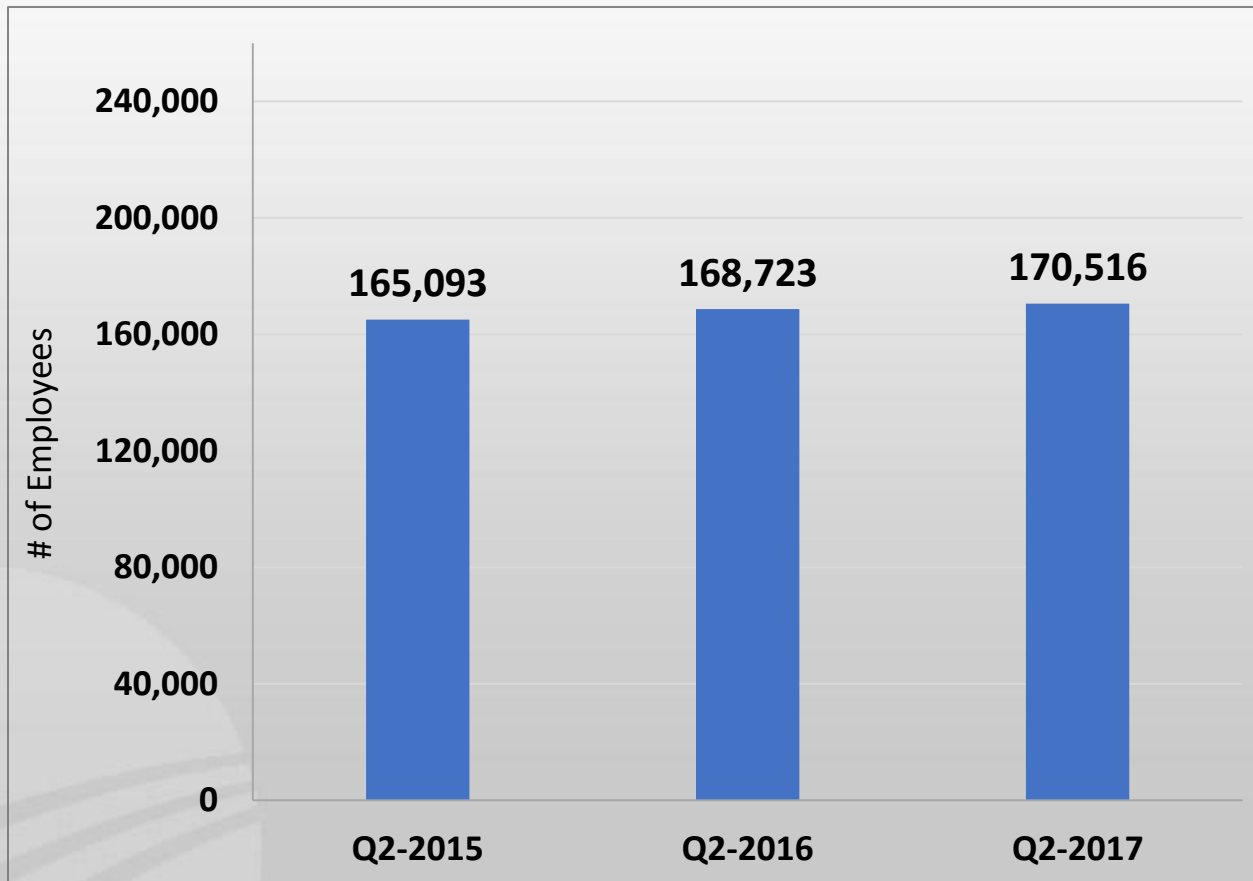
Economic Overview 7:45am – 8:00am

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

- **David Graf, W.R. & Grace**
- **Bill Stone, Mobern Lighting**
- **Nayab Siddiqui, Scientific Software Systems International**
- **Elizabeth Rendon-Sherman, LG-TEK**
- **Steve Poynot, Howard Bank**
- **Cole Schnorf, Jr., Manekin**
- **Craig Wyatt, Williamsburg Homes**
- **Nancy Cummins, Long and Foster Real Estate**
- **Chip Doetsch, Apple Ford Lincoln**
- **Barb Nicklas, The Mall in Columbia**
- **Kirit Parmar, Dunkin Donuts**
- **Donald Eames, The Airport Shuttle, Inc.**
- **Richard Clinch, University of Baltimore, Jacob France Institute**

Howard County Employment Trends

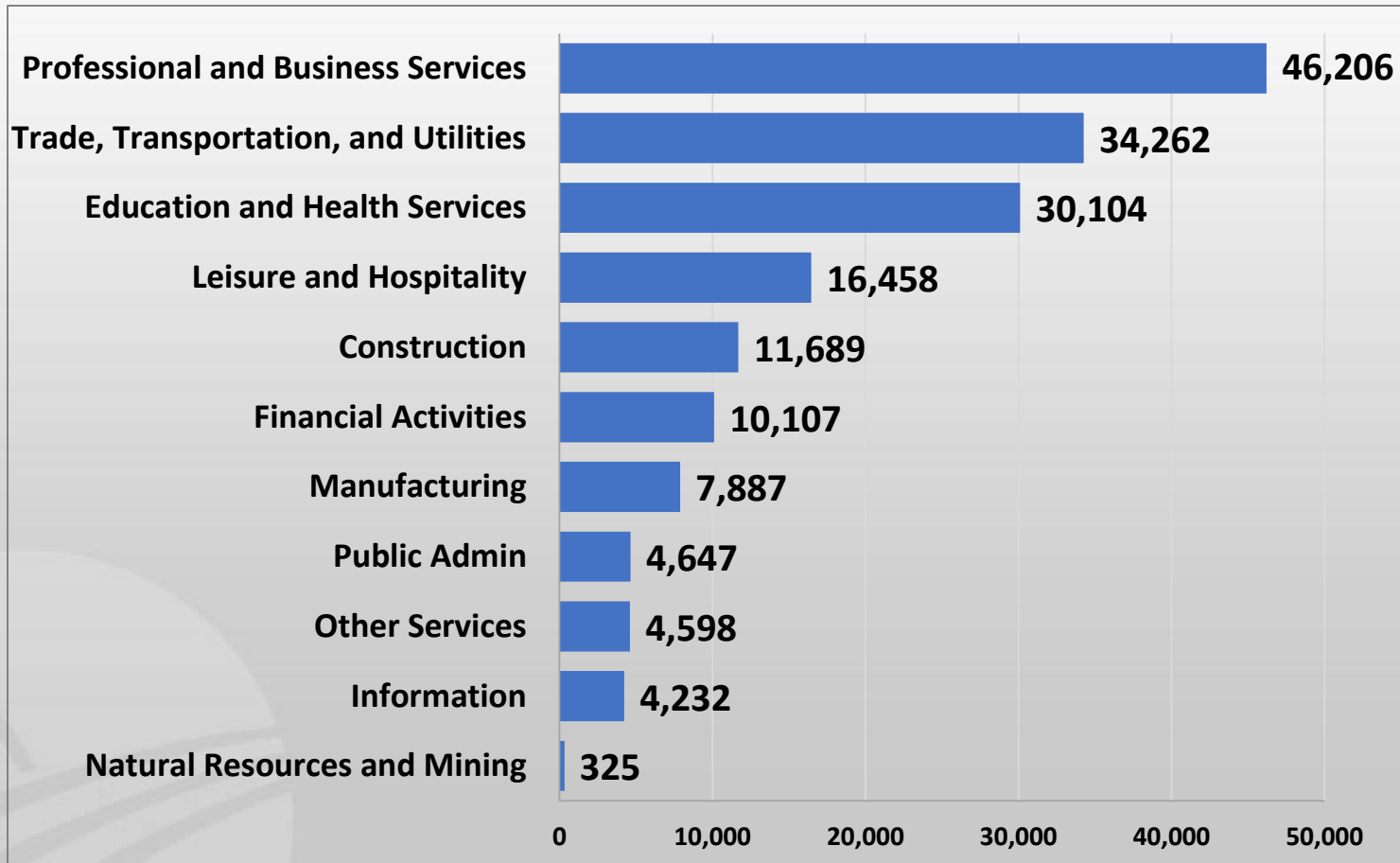
Q2-2015 through Q2-2017



From Q2-2016 to Q2-2017, our workforce added 1,793 new jobs.

Howard County Employment by Industry Sector

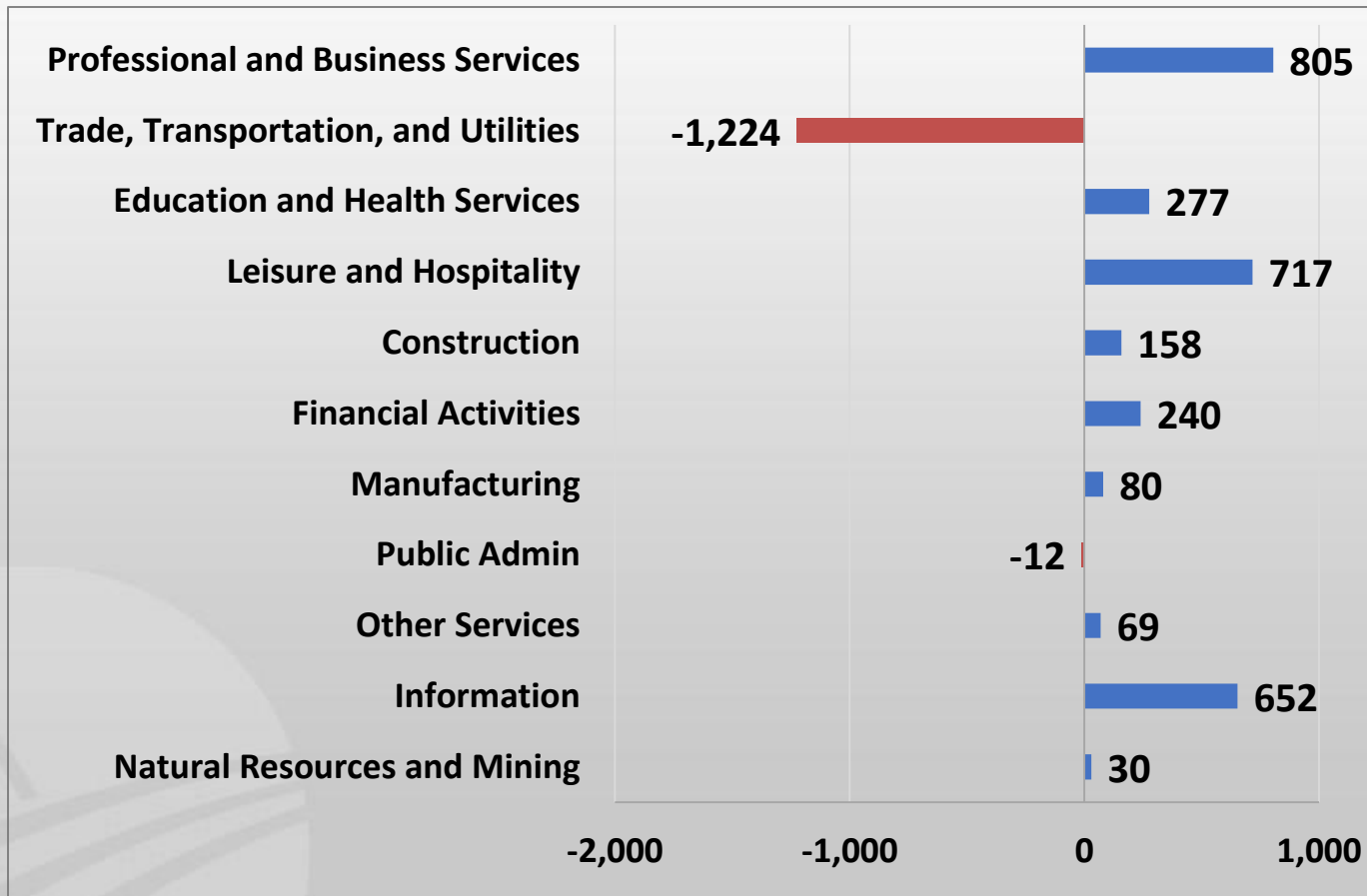
Q2-2017



47% of jobs are in the top 2 industries

Howard County Employment by Industry Sector

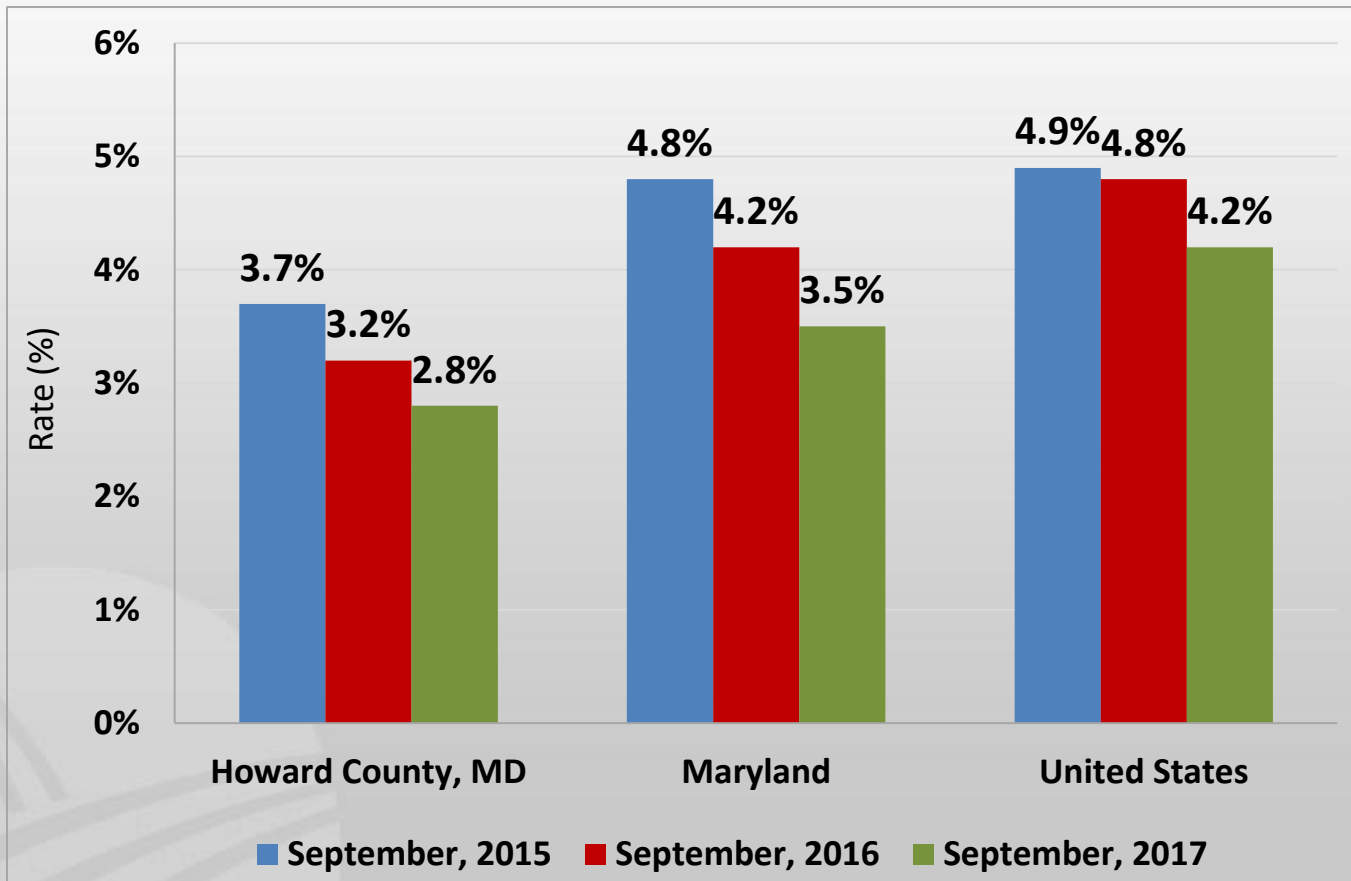
Change Q2-2016 to Q2-2017



A decline in Trade, Transportation and Utilities employment was offset by gains in every sector except Public Administration. Q2-2017 saw net job growth (1,793) compared to Q2-2016.

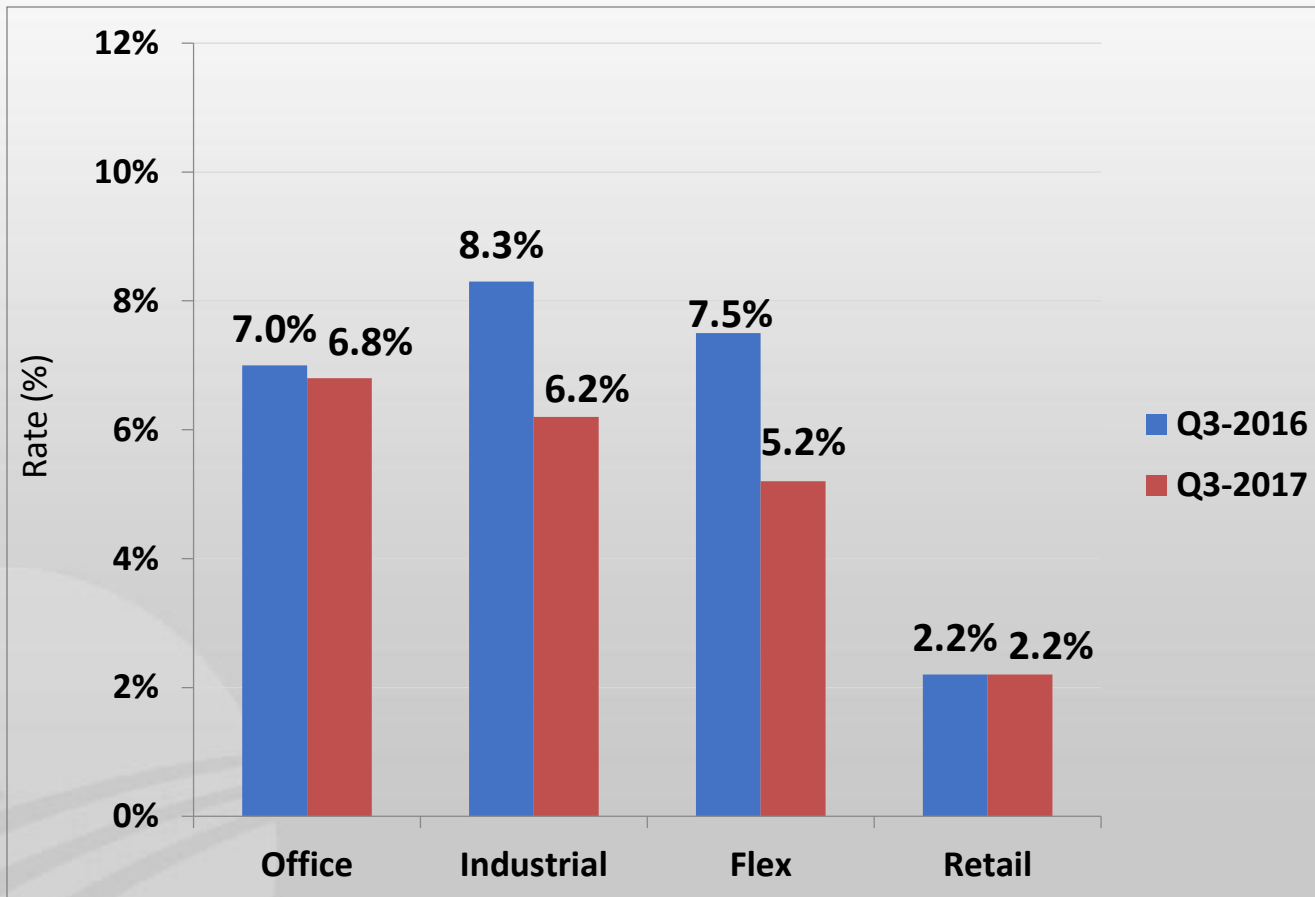
Howard County Unemployment Rate

Geographic Comparison & Trends



Howard County along with Montgomery County, has the lowest unemployment rate in the State.

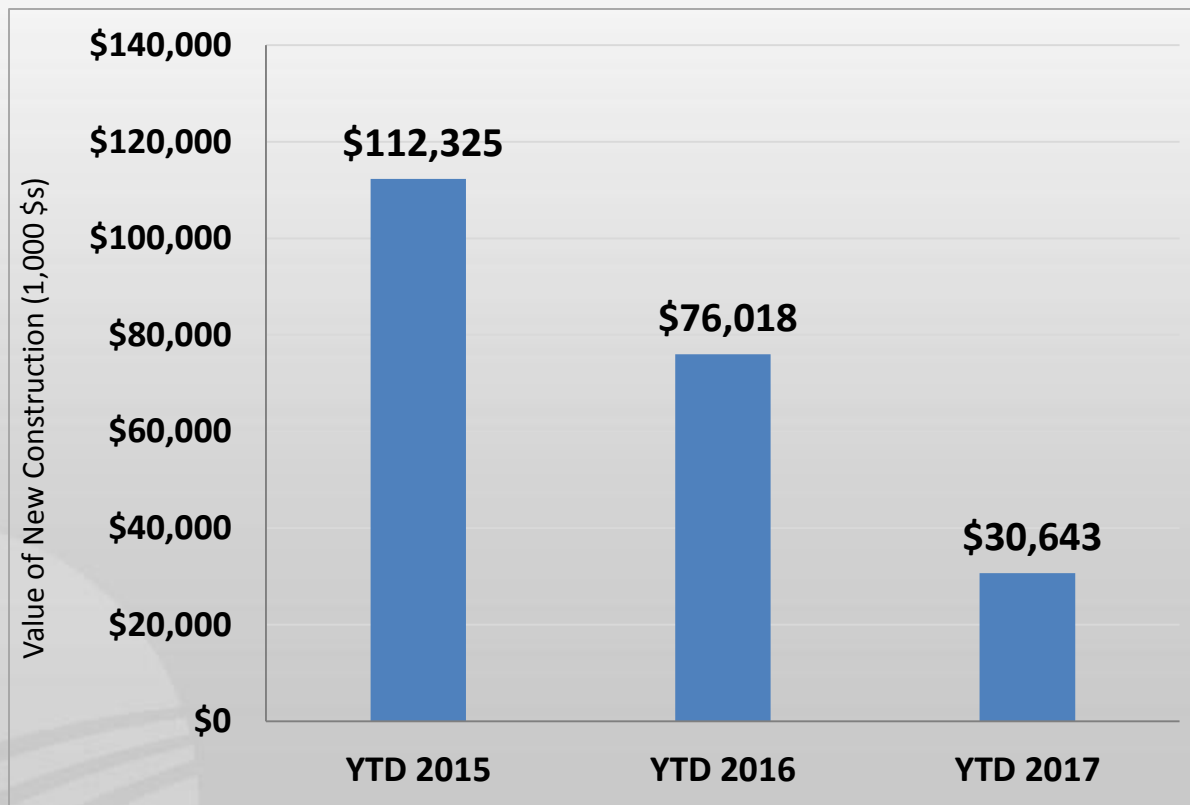
Howard County Commercial Vacancy Rates Q3-2016 vs. Q3-2017



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

Howard County Non-Residential Construction

**\$ Value of New Building Permits Issued
Calendar YTD through June**



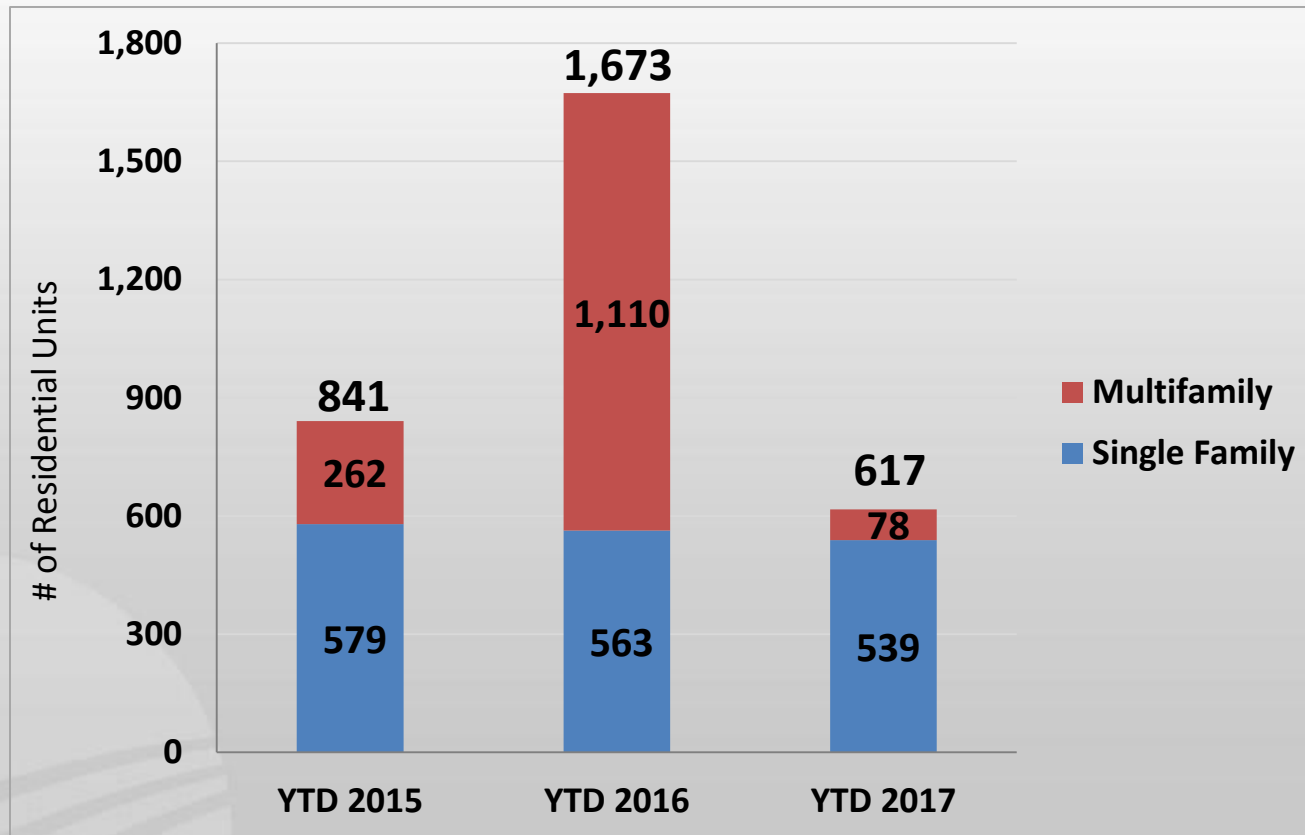
The value of new non-residential permits has declined despite strong market conditions. Some of the decline is due to the timing of specific large projects.

Note: Figures are measured in thousands of dollars.

Source: Baltimore Metropolitan Council

Howard County Residential Construction

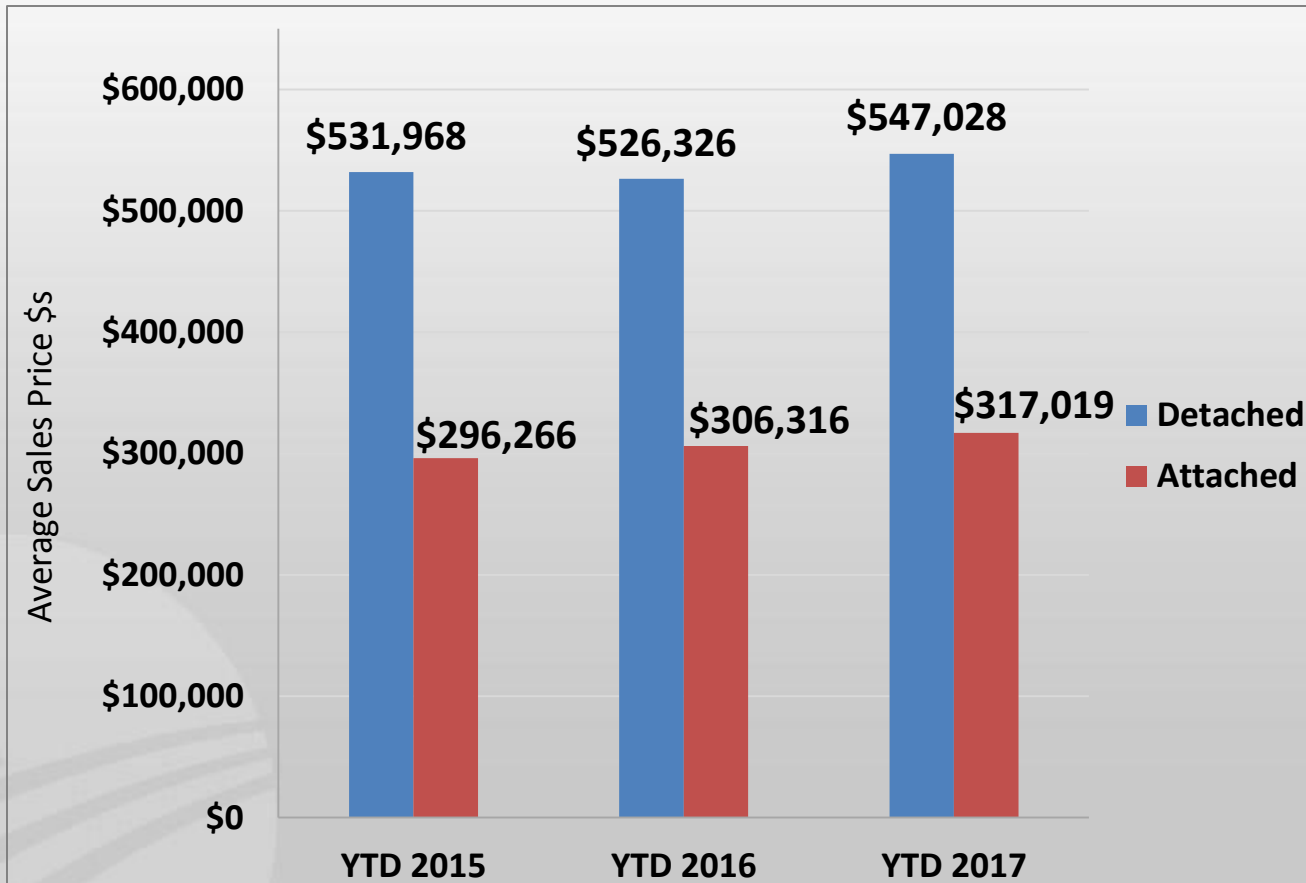
Building Permits Calendar YTD through June



The total number of building permits is impacted by variability in the level of multifamily permits. The issuance of single family permits has remained steady.

Howard County Average Home Sales Price

Attached and Detached Homes
Calendar YTD through October

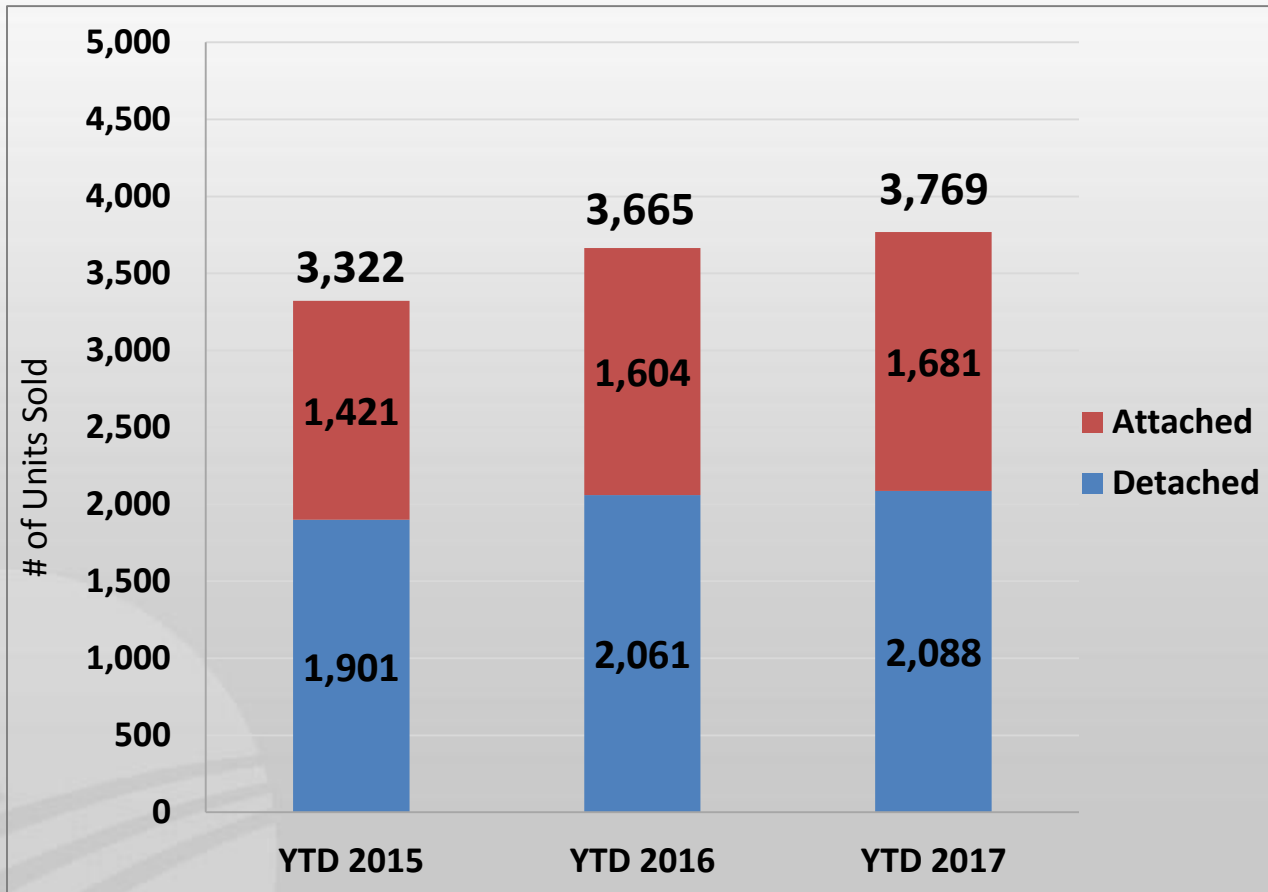


Home sale prices remain steady for both attached and detached homes. Detached home sales increased by 3.9% while attached homes increased by 3.5% calendar YTD 2017 compared to the same period in 2016.

Source: MRIS

Howard County Home Sales

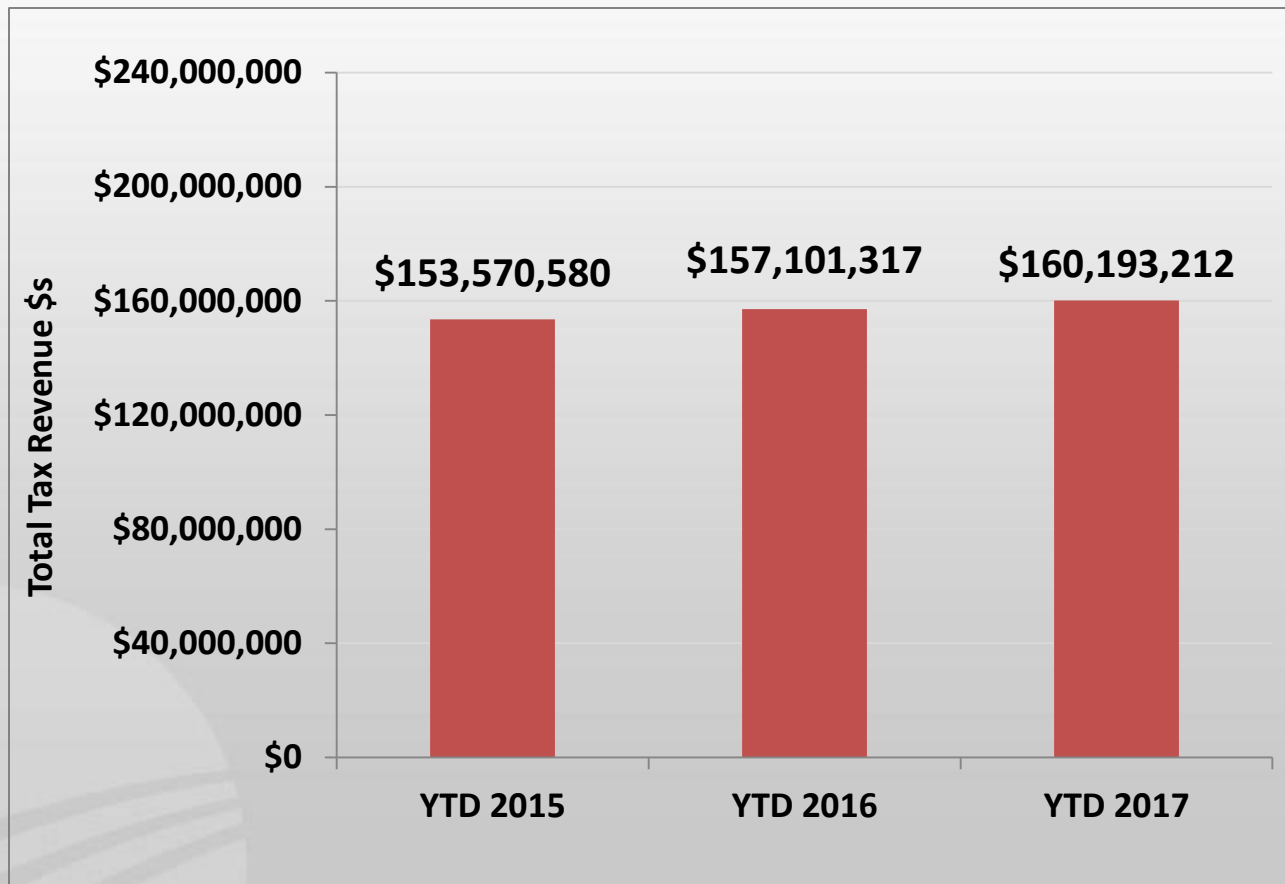
Attached and Detached Homes
Calendar YTD through October



The total number of homes sold is up 2.8% YTD 2017 compared to YTD 2016.

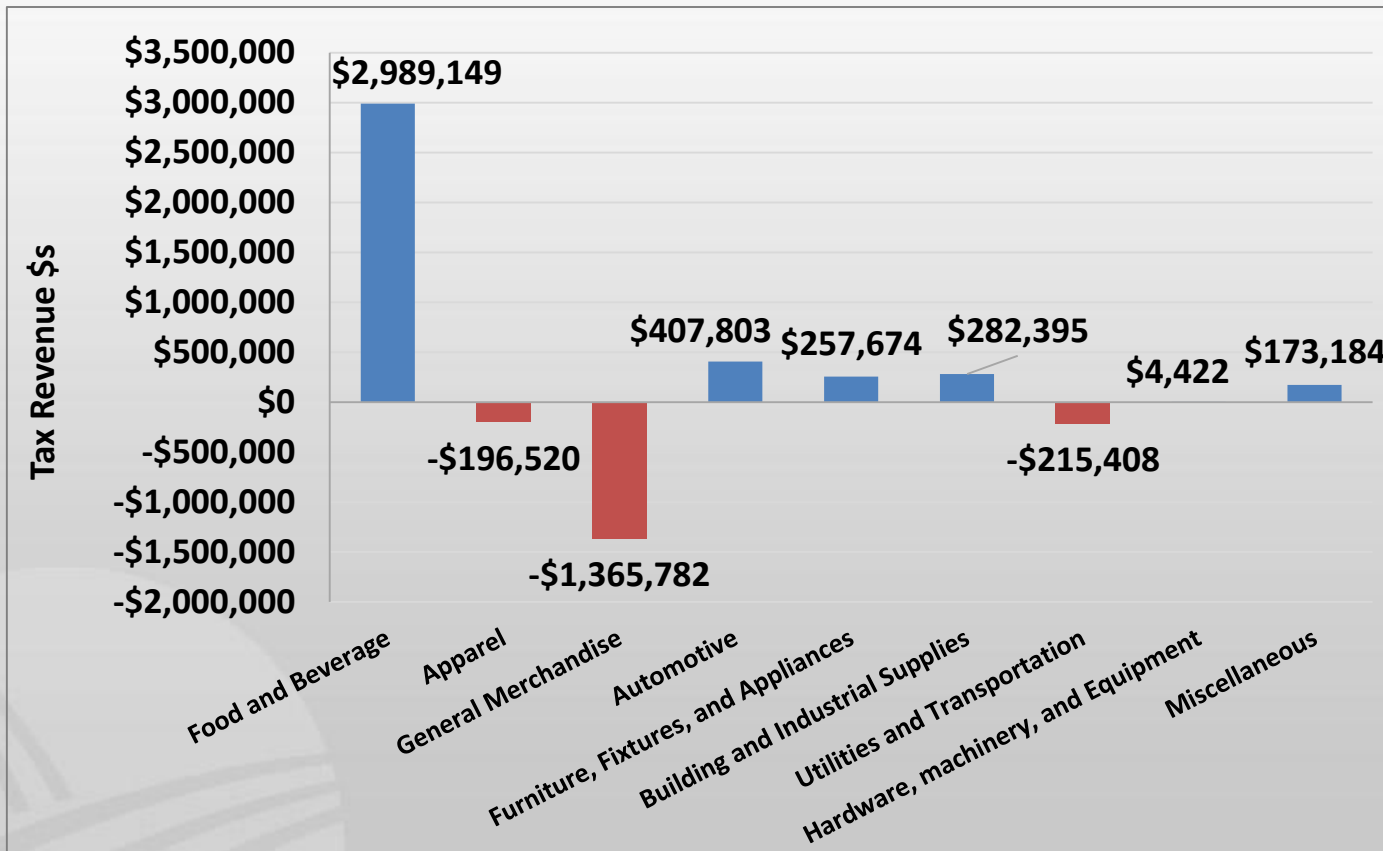
Howard County Sales and Use Tax Revenue

Calendar YTD through October



Sales and Use Tax Revenue increased 2.0% calendar YTD 2017 compared to the same period in 2016.

Howard County Sales and Use Tax Revenue by Revenue Group Change Calendar YTD 2016 to Calendar YTD 2017



County sales and use revenue increased 2.0% change calendar YTD 2016 compared to calendar YTD 2017.

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Industry Member Updates

- **Talent Acquisition and Retention**

- Hiring mostly at higher wage levels—MBAs, PhDs and BS degreed professionals. Howard County's quality of life assists with hiring. Projecting continued local employment growth.
- Given high wage rates and challenging talent acquisition environment for production workers, Company has moved 10-15% of production to Texas. Wages in Maryland will be 40% higher than Texas when the minimum wage is increased to \$10.10/hour in July of 2018.
- It is very difficult to find good employees in the trades. Company is importing workers from neighboring counties and Pennsylvania as local training programs are not meeting skill needs.
- Federal contracting remains strong but talent acquisition is challenging.
- Other industries and companies (Google, LinkedIn) are competing for government cyber talent.

- **Sales and profits**

- YTD sales gains are up.
- While sales are down, profits are up due to service business.
- Margins are very thin as price appreciation has exceeded wage growth. New technology has pushed prices and financing is becoming more creative to enable sales.

Industry Member Updates

- **Banking**

- Banking has been growing through acquisitions and increased activity from current customers.
- Lending in real estate investments has been strong. Growth in government contracting has also occurred but margin compression has resulted from wage competition.

- **Government Contracting**

- Federal contracting remains strong but talent acquisition is challenging.
- Despite Federal Government budget uncertainty, contracts with work related to cyber security remain very strong.
- Challenges in finding talent that can get government clearances. Need to start early—ie. high school.

- **Commercial Real Estate**

- Investment capital is plentiful but land opportunities are scarce—redevelopment is the focus. Industrial is the strongest sector.
- Office market is not as healthy especially outside of Howard County. Retail is fine in prime sites, but otherwise very challenged.

Industry Member Updates

- **Residential Real Estate**

- The \$1M plus new home market is doing well, but has long construction periods. High land costs make the \$500K to \$600K market (“Buyers’ Sweet Spot”) hard to reach.
- Company is looking at other land options outside Howard County.
- Large homebuilders are bidding up land prices due to limited opportunities. The residential resale market is strong and steady. Inventory is low and if a home is priced right, it often receives multiple offers.
- Buyers in the \$1M plus range prefer new construction while millennials are buying smaller, efficient homes oftentimes with a yard for their dogs.

Industry Member Updates

- **Retail**

- Retail parent company is looking at automated services to reduce labor costs and store sizes.
- Employee turnover is high. It is very difficult to attract entry level retail talent and retain them for small retailers.
- The Mall in Columbia is doing well with approximately 140,000 SF of new leasing coming on line between June 2017 and mid-2018. Uncle Julio's, the Main Event and a Barnes & Noble (which includes a restaurant) will occupy the former upper level of the Sears store. Three other new restaurants will open in the Outdoor Plaza: Shake Shack (December 2017), Walrus Oyster & Ale House and Urban Plates.
- Access and parking continue to be issues at The Mall in Columbia. Retail and security labor force recruitment is also difficult given the County's low unemployment.
- The Mall's store sales are reflective of national performances. JCPenney has changed its mix to include a full line of goods.

Industry Member Updates

- **Hospitality**

- The turmoil in Baltimore City has impacted convention business. Uber has also posed a competitive challenge. Finding qualified drivers is difficult.
- Business has shifted to DC market. Howard County market has become more attractive for convention attendees and weddings.
- Howard County and State economies are strong in wage & job growth. Labor force participation is up and unemployment is down.

- **State Legislative Issues**

- Chamber's focus will be on labor issues: Paid Leave, Fair Scheduling and Minimum Wage.

- **County Legislative Issues**

- Proposed APFO legislation may have a serious impact on the longer term ability to build in Howard County.
- Proposed APFO legislation could influence retailers who are making a long term investment in the community.
- APFO legislation could hurt the housing and employment market.

Industry Member Updates

- **Howard County Upcoming Budget Issues**
 - Howard Initial projections are showing that County revenue growth will be lower than last year.
 - Income tax growth will be limited but property tax growth will be stronger. The result will likely be a very stable county budget.
- **County Planning & Zoning Issues**
 - DPZ has retained a consultant to analyze the County's development review process. Final report should be complete by spring of 2018.
 - DPZ will begin the process of developing a new plan for Route 1 in early 2018. A consultant team will be retained to create the plan.