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 2011

Insight & Outlook

Retail…representatives reported business over the past quarter has been good. Some retailers are reporting increases of as much as15% across the board. Foods and soft lines are responsible for much of these increases. Price increases account for some of the rise but most commodity prices have stabilized. Discretionary spending and necessity spending have increased. Jewelry, apparel and major appliances are all selling well. Many retailers limited growth by having conservative inventory levels going into the season; most probably could have sold more. Seasonal inventory is expected to be sold out and markdowns will not be needed to move product in many areas. Internet retailers reported recent cyber Monday sales were three times last years' level. This sector is very optimistic. Market consolidation continues and margins remain very tight. Failure to manage margins means players are leaving the market, which account for some of the sales increases. Consumers are buying and buying more. Consumer confidence appears to be improving. The European debt crisis is making US goods more expensive overseas. Imported products are cheaper. Technology jobs continue to be difficult to fill. New car dealers reported the auto business is performing better in Howard County on average than elsewhere. Top line product sales are up year to year. The average holding period for cars is 42 months for a consumer, up by about 6 months. Supplies of new cars have been short so there is more demand and prices are up. Banks are clamoring to provide loans thru dealers for these shorter term loans. Used car prices are rising as well. This demand is driven by the increased holding period and the fact cars are lasting longer. Approximately 45 million used cars are sold each year. More cars are being repaired now instead of being totaled.

Residential Real Estate...representatives reported the number of existing home sales has been steady, but prices continue to be soft. The market continues to favor buyers. Low interest rates are exciting buyers, but credit remains difficult to obtain. Some sellers on the other hand are having difficulty accepting their home may not be priced at the value they think it deserves. In October 2011 the average sale price in Howard County was 96.8% of the average list price. This is slightly lower than the October 2011 ratio. The rental market continues to boom as BRAC related families are choosing to rent rather than buy at this time. High end homes are moving slowly but there has been some improvement over the last few months. Buyers willing to spend $1 million or more for a home usually prefer a new home over a resale. Nationally it has been reported existing home sales were up 17% compared to last year. Maryland sales were up 10% for the same period.

Banking...representatives reported continued weakness in small businesses, but it appears the overall operating environment for these companies is stabilizing. These businesses have reduced expenses wherever possible to maintain positive cash flow and are not actively seeking to add new employees until an uptick in demand occurs for an extended period of time. Existing employees are willing to work overtime to meet any increased demands given the weak job market. Those companies with weak cash flow are finding it a challenge to obtain financing, while strong companies are able to obtain very favorable financing terms from multiple financial institutions. Most financial institutions remain very risk adverse and continue to experience pressure on interest rate margins. Financing of investment properties (either purchase or construction) remains difficult to obtain. Most consumers remain reluctant to borrow and are still focused on retirement of debt, although activity for refinancing of residential mortgages remains brisk due to the extremely low interest rates available. Qualifying for residential mortgages remains a challenge, as the appraised value of homes are often insufficient to support the current mortgage balance.

Agricultural…representatives reported farmers in general have had a good year. Weather was a factor, going from drought to downpour. Prices are up for soybeans and corn. Corn exports are increasing as more of the world is using corn in food products. Grain prices were at all time highs during the summer. Consumers will probably notice increases in food prices. Stink bugs have been troublesome, but many farmers reported they seemed to be fewer in number. It is uncertain what this decline is attributable to, but it is a welcome change. Vegetable and fruit producers had a good year despite the challenges from the weather.

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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	September 2011	152,900	148,611	153,084	148,943	2.8%
Unemployment Rate	September 2011	5.4%	5.4%	5.5%	5.6%	
At Place						
At Place Employment	March 2011	147,895	142,752	147,650	142,679	3.5%
Total Wages	March 2011	$2,182,550,488	$1,956,901,721	$2,154,101,036	$1,989,257,712	8.3%
Average Weekly Wage	March 2011	$1,139	$1,066	$1,122	$1,072	4.6%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income	October 2011	$6,695,346	$5,332,177	$23,100,327	$8,808,412	162.25%
Planning and Zoning Fees	September 2011	$63,491	$29,788	$139,183	$88,301	57.6%
Transfer Tax	October 2011	$1,797,372	$1,749,554	$5,088,256	$5,625,304	-9.5%
REAL ESTATE (Source: Maryland Property View; and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price	October 2011	$396,834	$424,025	$439,655	$478,156	-8.1%
Number of Units Sold	October 2011	175	170	193	182	-5.8%
Condominiums						
Average Selling Price	October 2011	$229,694	$291,741	$255,294	$275,559	-7.4%
Number of Units Sold	October 2011	33	15	35	7	392.9%
Office Market						
Total Square Footage	September 2011	11,183,854	10,874,844	11,081,521	11,088,928	-0.07%
Absorption	September 2011	67,470	-94,034	64,613	-6,041	1169.6%
Vacancy Rate Class A & B	September 2011	15.90%	14.13%	14.63%	13.58%	7.8%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel	September 2011	$720,264	$603,499	$2,204,962	$2,115,896	4.2%
Furniture and Appliance	September 2011	$728,905	$675,606	$2,707,673	$2,067,438	31.0%
General Merchandise	September 2011	$2,098,941	$2,113,050	$7,341,510	$7,159,917	2.5%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued	October 2011	342	323	1,291	1,328	-2.8%
Residential Issuances						
Single-family Detached	October 2011	43	41	171	171	0.0%
Single-family Attached	October 2011	54	31	164	125	31.2%
Multi-family Living Units	October 2011	0	0	0	16	-100.0%
Nonresidential						
New & AAI Issuances	October 2011	58	63	202	197	2.5%
Reported Square Footage	October 2011	37,613	5,842	60,579	12,378	389.4%
Estimated Construction Cost	October 2011	$1,122,488	$139,111,525	$7,818,458	$142,611,525	-94.5%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index	September 2011	116.4	110.8	116.2	110.1	5.6%
Washington MSA						
Leading Economic Index	September 2011	109.1	107.4	109.6	108.2	1.3%
Coincident Economic Index	September 2011	106.9	106.0	106.6	106.8	-0.2%

The fiscal year for Howard County runs from July 1 to June 30.

"We have not seen anyone hitting a home run. Things are not bad, but things are not great."

Service Industries…representatives noted contracts from government sources are at a standstill. The uncertainty with regard to the federal budget has many anxious about the future. Transportation service providers reported the recent holiday business was busy, but not the normal "blowout." Student travel was up during the holiday. Business travel is still down. The portion related to the cruise market remains good. Convention business is better than the last quarter. Routine day-to-day travel has been weak. Aggressive programs by airport parking are proving formidable. Conversion to propane or CNG (compressed natural gas) is becoming a popular alternative fuel to gasoline. A conversion to propane is paid for in about 1 year. Labor is relatively easy to find.

Residential and Commercial Construction…representatives reported new home prices remained relatively stable over the past year. Most buyers are first time buyers moving up from rentals. Townhomes are the popular product. Homes in the $600k and below range are selling best. Few buyers are relocations, most are local. Low interest rates do not seem to be encouraging buyers to "get off the fence;" most feel rates are not going to move up any time soon. Like the resale market the new home market is a buyer's market. Many buyers attempt to negotiate deals depending on the location of the product. There is less negotiation on homes located in Howard County and in the Balt/Wash commuter path. Traffic numbers had been down over the past quarter, but the last thirty days has seen some improvement in traffic. Loan approvals are still slow, even for well qualified buyers. There is very little new development in the commercial real estate market nor are there many prospects on the horizon. No new spec office building is happening. Financing and demand are both simply not there. Investors are active and sales have been strong for well leased, well located, well maintained property. Low cap rates are helping this part of the market and prices remain strong. Until business parks are leased the current situation is not expected to improve. Government related activity is on hold, as contractors wait for Washington to act.

Professional Service…representatives reported compared to last year there has been very moderate growth. Stable businesses have paid down debt and most continue to enjoy good profit levels. Business owners will continue to wait for sustained increase in demand for products and services before hiring new employees or spending on capital assets. Paying overtime is preferred over hiring a new employee. More attention is being paid to national and international economic conditions than ever before. Businesses are wary that these issues will begin to have an impact on any local and US economic recovery. No one has a lot of optimism, so no one is willing to take on risk.

Overall… the local economic outlook seems to be more stable, but not ready to bust loose. Most businesses that weathered the storm through the downturn are now better positioned. Many businesses are enjoying good profit levels and increased sales year to year. Businesses are still waiting for a sustained increase in demand for products and services and will continue to hold off on new hires until that time arrives. Technology jobs are difficult to fill, whereas lesser skilled labor is available. Consumer spending on discretionary items appears to be returning. It is not clear why consumers are spending/buying at such a pace or if it is sustainable in the long term. As we prepare to enter a new year there are subtle signs of improvement, there just needs to be a confirmation that the signs are more than just a release of pent up demand that will not survive long term.

Summary

Employment…Resident employment in September 2011 reached 152,900 persons. The unemployment rate for September 2011 was 5.4%, the lowest in the State of Maryland and remaining significantly below the State rate of 7.4%. In September 2010 the unemployment rate was also 5.4%. The FY12 average unemployment rate for the county is now 5.5% compared to the FY11 average of 5.6% thru September.

At Place Employment is reported for March 2011 and was 147,895, an increase of 3.6% compared to the March 2010 level of 142,752. Total wages reported for March 2011 rose by 11.5% from the March 2010 level, rising from $1,956,901,721 to $2,182,550,488. The average weekly wage reported for March 2011 was $1,139 up $73 or 6.8% from the $1,066 reported for March 2010.

County Revenues…Personal income tax receipts as reported for November 2011 were 11.8% higher than income tax revenues collected for November 2010. Fiscal year to date FY12 income tax revenues are 26% above FY11 levels through the same period. Planning & Zoning fees are reported for October 2011 and are 45% higher than the October 2010 level. Fiscal year-to-date collections for these fees are 54% higher than the FY11 levels**.** Transfer tax is reported for November 2011. Compared to November 2010 current collections are up 21% in November 2011. Average fiscal year-to-date collections for FY12 are up 40% when compared to FY11 levels thru the same period.

Construction…Building permits issued in October 2011 increased by 5.9% compared to the October 2010 level. Fiscal year 2012 to date permit activity reflects a decrease of 37 permits or a 2.8% decrease below FY11 levels thru October. Single-family detached issuances for October 2011 reached 43 units compared to the October 2010 level of 41 units. FY12 to date SFD permits are even when compared to FY11 year to date levels, but reporting 171 permits. Attached single-family issuances increased by 23 units in October 2011 compared to the prior year. Fiscal year to date the number of single family attached units is up 39 units or 31% from FY11to FY12. Multi-family permits posted 0 units in October 2011 compared to 0 units reported for October 2010. Non-residential new and additions, alterations, interior completions (AAI) permits were down by 5 units in October 2011compared to October 2010. Non-residential reported square footage fiscal year to date is reported thru October 2011. FY12 s.f. to date totals 37,613 compared to 5,842 s.f. reported for FY11 thru the same period. The estimated non-residential construction cost reported for October 2011 was $1,122,488 compared to $139,111,525 in October 2011.

Economic Indices…National Leading Economic Index (LEI) as reported for September 2011 was 116.4 up 5.1% from the September 2010 level of 110.8. The LEI for the Washington MSA was 109.1 in September 2011, up from the 107.4 reported for September 2010. The Coincident Index for the Washington MSA was 106.9 in September 2011, up from the September 2010 level of 106.0. Fiscal year to date averages for the Washington indices were mixed. The leading index was up 1.3 % at 109.6 for FY12 compared to 108.2 for FY11. The coincident was down 0.2% at 106.6 for FY12 compared to 106.8 for FY11.

Real Estate… Average sale prices for single-family homes (includes single family detached and town homes) in October 2011 decreased 6.4%, from the October 2010 average of $424,025 to $396,834. Fiscal year-to-date the average price has decreased by 8.1%. A total of 175 single-family homes were sold during October 2011, an increase of 3% or 5 more units than the 170 units sold in October 2010. Average units sold fiscal year to date were 193 compared to 182 units thru October 2010, an increase of 5.8%. Condominium prices in FY12 thru October averaged $229,694, a decrease of 21% from the average price of $291,741 thru October 2010. Sales of condo units in October 2011 were up 120% or 18 units higher than the numbers reported for October 2010 when 15 units were sold. The commercial office vacancy rate for September 2011 was 15.9%, up from 14.13% in September 2010. The vacancy rate does not reflect pre-leased new construction. Square footage available in the county as of September 2011 was 11,183,854 s.f. compared to 10,874,844 s.f. for September 2010. Net absorption for the third quarter of calendar 2011 was 67,470 s.f. compared to net absorption of -94,043 s.f. through the third quarter of calendar 2010.

Sales Tax…October 2011 collections for Apparels increased by 24% compared to the level collected in the same month last year. The FY12 average receipts to date have increased by 9.9% when compared to the prior year. Collections reported for October 2011 Furniture and Appliance sales increased by 5% compared to October 2010. Fiscal year-to-date, average revenues thru October 2011 increased by 24% from the previous fiscal year. General Merchandise collections increased by 7.5% in October 2011 compared to October 2010. Fiscal year-to-date average levels increased by 3.8% 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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Howard County MARYLAND

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