



Howard County, Maryland *economic* **INDICATORS**

Insight & Outlook

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.

Banking...representatives reported most business owners remain either pessimistic or cautious about the economy over the next 6 to 12 months. Nervousness continues as backlog levels continue to decline. Bidding activity and RFP's have increased over the past three months, although start dates for projects continue to be delayed due to hesitancy on the part of clients and the difficulty in obtaining financing. Some of the bid activity is from customers hoping to obtain prices lower than 6 to 9 months ago, leading to a level of inflated activity. While there is activity in the residential mortgage market at the lower end financing for mortgages falling into the non-conforming or jumbo category are difficult to obtain and carry a considerably higher interest rate. Commercial mortgages from banks for investment projects are very difficult to obtain due to a combination of tight underwriting criterion, the lack of new potential tenants, compression of lease rates, and the reduced appraised values of properties. The permanent conduit mortgage market is virtually non-existent as liquidity remains tight. Business owners are monitoring the cash flow position of the business on a monthly basis and seeking to contain expenses, with no hiring or expansion plans for the immediate future.

Residential Construction...representatives reported the new home market remains poor and builders continue to lose money to sell product. It remains a very challenging market. The reduction in resale inventory is good news to builders as this will help to open up the "move up" market. July 2009 was a

very positive month for local builders as sales were good. Margins however remain horrible. Home construction is now a cash flow business as builders struggle to compensate for high prices paid for lots during the period of upswing. Banks no longer lend as freely. In the past 90% of the cost of land & development could be borrowed. Now equity is required from investors or the builders' pocket, with banks providing 50% -60% of the total land & development costs. Media coverage of this market has been more positive than in the past, which hopefully is raising confidence levels of prospective buyers. The commercial real estate market in Howard County is seeing a decline in occupancy levels and rents have started to fall. Property values are falling due primarily to changes in capitalization rates. Reports of commercial real estate values declining by 30 to 40% from its peak are the result of increases in cap rates by similar levels. As loans become due, reappraisals are coming in lower and more equity is required from owners. The big fear in the commercial real estate sector is what happens to loans if they mature and are underwater. Atypically, midterm appraisals are appearing as some lenders are exercising this right, leading to calls for pay downs.

Retail...representatives reported sales without gas included are up significantly compared to last year, however when gas sales are included sales are flat. Lower gas prices have helped the stability of commodities prices. Major appliance sales are generally flat, but unit sales are up. This discrepancy is due in part to lower prices on big screen televisions. Commodities are showing good increases across the spectrum. Food sales are doing

well, as meat, deli and dairy prices are good. Tire sales are high; an indication owners may be keeping vehicles a little longer. Larger national chains are seeing lower numbers nationally, but local stores are performing better. Luxury items are not selling well compared to a year ago. Businesses with online sales are reporting strong sales. Some of this increase is related to the demise of competitors. Margins tend to be flat. Transportation costs are down, which helps with lowering costs and gaining market share. Local car dealers reported the cash for clunkers program was successful, but the challenge now may be getting the dollars from the Treasury. Used car sales and service have been steady, reflecting consumer decisions to keep existing vehicles.

Agricultural...representatives reported farmers have been reasonably satisfied with weather conditions which are a major factor in the success or failure of the growing season. Grains continue to hold their prices. Soybean and corn production in Howard County is expected to be good this year as timely rainfall was received. Milk and pork prices on the other hand have plunged to extremely low levels since September. Dairy farmers for example, are losing as much as 30-50 cents per gallon produced and are threatened with their existence. Fruit and vegetable growers have reported crops have been plentiful and most are doing well. Some farmers are afraid if pricing conditions persist they may be forced to make difficult decisions about their ability to remain in farming.

**September
2009**

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

	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.....	June 2009	149,058	157,113	151,366	155,438	-2.6%
Unemployment Rate.....	June 2009	5.8%	3.2%	4.3%	2.7%	
At Place						
At Place Employment.....	December 2008	146,927	148,189	147,968	147,523	0.3%
Total Wages.....	December 2008	\$2,054,535,021	\$1,982,204,832	\$1,974,247,052	\$1,895,039,814	4.2%
Average Weekly Wage.....	December 2008	\$1,074	\$1,031	\$1,027	\$988	3.9%
COUNTY REVENUES (Source: Howard County Budget Office)						
Personal Income.....	June 2009	\$49,482,153	\$50,229,638	\$299,055,653	\$298,576,227	0.16%
Planning and Zoning Fees.....	June 2009	\$49,365	\$68,482	\$656,055	\$1,045,448	-37.2%
Transfer Tax.....	June 2009	\$3,453,252	\$4,393,255	\$18,370,976	\$24,006,139	-23.5%
REAL ESTATE (Source: Maryland Property View; and Cushman & Wakefield, Inc.)						
Single-family Dwellings						
Average Selling Price.....	April 2009	\$435,394	\$430,888	\$447,300	\$475,801	-6.0%
Number of Units Sold.....	April 2009	133	166	158	208	-24.1%
Condominiums						
Average Selling Price.....	April 2009	\$233,000	\$347,137	\$324,186	\$322,888	0.4%
Number of Units Sold.....	April 2009	3	11	6	7	-7.7%
Office Market						
Total Square Footage.....	June 2009	11,649,067	10,940,468	11,579,854	10,876,905	6.46%
Absorption.....	June 2009	220,521	-57,158	99,650	-35,581	-380.1%
Vacancy Rate Class A & B.....	June 2009	15.40%	13.90%	16.00%	13.20%	21.2%
SALES TAX (Source: Office of Comptroller of the Treasury, Revenue Administration Division)						
Apparel.....	July 2009	\$892,628	\$991,933	\$892,628	\$991,933	-10.0%
Furniture and Appliance.....	July 2009	\$1,331,885	\$1,237,355	\$1,331,885	\$1,237,355	7.6%
General Merchandise.....	July 2009	\$2,699,476	\$3,125,918	\$2,699,476	\$3,125,918	-13.6%
CONSTRUCTION (Source: Howard County Department of Inspections, Licenses, and Permits)						
All Building Permits Issued.....	July 2009	301	321	301	321	-6.2%
Residential Issuances						
Single-family Detached.....	July 2009	27	32	27	32	-15.6%
Single-family Attached.....	July 2009	31	18	31	18	72.2%
Multi-family Living Units.....	July 2009	0	0	0	0	0.0%
Nonresidential						
New & AAI Issuances.....	July 2009	42	46	42	46	-8.7%
Reported Square Footage.....	July 2009	42,600	35,558	42,600	35,558	19.8%
Estimated Construction Cost.....	July 2009	\$16,250,000	\$560,000	\$16,250,000	\$560,000	2801.8%
ECONOMIC INDICES (Source: The Conference Board; George Mason University Center for Regional Analysis)						
National						
Leading Economic Index.....	June 2009	100.9	101.9	99.6	INA	INA
Washington MSA						
Leading Economic Index.....	May 2009	106.8	106.4	105.7	108.0	-2.1%
Coincident Economic Index.....	May 2009	107.3	115.7	107.8	117.8	-8.5%

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

“This type of environment can be a hot bed for opportunity.”

Residential Real Estate...representatives reported activity in local offices has definitely picked up. Inventories are starting to go down as sales of single-family homes and condos have increased over last year. Average prices have declined so although more units are sold less money is being made by agents & sellers. The average time a home is on the market is declining as well. Homes priced in the high \$300-\$400k range are selling the best. Townhomes in the \$250k range are also moving well. Product priced over \$800k moves extremely slow. Multiple offers are being seen, primarily on homes in very good shape and in a good location. Buyers tend to be first time buyers that qualify for the first time buyer stimulus. There is some concern about what the impact of the November 2009 expiration of the stimulus will be on this market. Most loans are FHA generated as these loans require substantially lower down payments than conventional loans. The rental market continues to do well, with 10-20 calls per day the norm. Short sales are occurring, but the length of time involved make these difficult and tedious.

Service Industries...representatives reported businesses with government contracts are doing well. There are economic stimulus funds available for a wide variety of initiatives. Rental space rates are reported to be down; partially attributable to the move to telecommuting and efforts of businesses to lower overhead costs. Transportation services reported labor is plentiful and lower fuel prices have been helpful. Discretionary spending is very dependent upon gas prices, as the price of a gallon rises, consumer spending contracts. Convention business has been good & bookings are at high levels. This part of the business is very erratic and depends on how well conventions are attended. Business travel has been weak. Leisure travel was doing well through June, but has since tailed off. Small businesses with government sub-contracts are awaiting the release of contract funds. Some cancelations have been noted.

Professional Service...industry representatives reported most local business owners are pessimistic about current economic conditions. Most are experiencing either flat or lower revenues. Confidence is low and there does not appear to be anything on the horizon that will change this in the short term. The banking system has ratcheted lending down so tight that there is reduced capacity for borrowing. Under this climate even if businesses want to borrow it is difficult to do

so. Many underwriting decisions for banks are now being made out of the area, with prior relationships with local business owners playing no role. It is uncertain that a recovery can be sustained without credit creation. Most businesses have burned through any excess cash. Few businesses have added employees and most have trimmed in order to reach levels needed to service reduced volumes. Businesses in the federal sector tend to be more optimistic about future opportunities.

Overall...it seems the Howard County economy is still in the grips of the downturn. Improvement has been noted in the local residential resale market. Most business leaders are not optimistic about a return to any sense of normalcy in the near future. Margins remain flat although sales increases have been reported. There is some fear that if conditions persist additional layoffs could be required. Growth related to DSIA, BRAC and Ft. Meade in general are expected to continue to insulate Howard County from major downturns. One area that is also hard hit is the non-profit sector. Many of these organizations have seen donations decline by large percentages at a time when their services are most in need. Businesses & government have hunkered down and are prepared to weather the storm. How long the storm lasts will ultimately determine how successful those preparations have been.

Summary

Employment...Resident employment in June 2009 reached 149,058 persons. The June 2009 unemployment rate of 5.8% was second lowest in the State of Maryland and significantly below the State rate of 7.3%. The unemployment rate for June 2008 was 3.2%. The FY09 average unemployment rate is now 4.3% compared to the FY08 average of 2.7% thru June.

At Place Employment is reported for December 2008 and was 146,927 a decrease of .85% compared to the December 2007 level. Total wages reported for December 2008 grew 3.6% over the December 2007 level, rising from \$1,982,204,832 to \$2,054,535,021. The average weekly wage reported for December 2008 was \$1,074 up \$43 or 4.2% from the \$1,031 reported for December 2007.

County Revenues...Personal income tax receipts as reported for June 2009 were 1.5% lower than income tax revenues collected for June 2008. Fiscal year to date FY09 income tax revenues are .16% above FY08 levels. Planning & Zoning fees are reported for June 2009 and are 28% lower than the June 2008 level. Fiscal year-to-date collections for these fees are 37% lower than the FY08 levels. Transfer tax is reported for June 2009. Compared to June 2008 current collections are down 21.4% in June 2009. Average fiscal year-to-date collections for FY09 are down 23.5% when compared to FY08.

Construction...Building permits issued in July 2009 decreased by 6.2% compared to the July 2008 level. Fiscal year '10 to date permit activity reflects a decline of 6.2%, or 20 fewer permits than the FY09 level of 321 permits. Single-family detached issuances for July 2009 reached 27 units compared to the July 2008 level of 32 units. FY10 to date SFD permits are down 15.6% when compared to FY09 year to date levels. Attached single-family issuances increased by 13 units in July 2009 compared to the prior year. Fiscal year to date the number of single family attached units is up 72.2% from FY09 to FY10. Multi-family permits posted 0 units in July 2009, the same level as reported for July 2008. Non-residential new and additions, alterations, interior completions (AAI) permits were down by 4 units in July 2009 compared to July 2008. Non-residential reported square footage fiscal year to date is reported thru July 2009. FY10 s.f. to date totals 42,600 compared to 35,558 reported for FY09 thru the same period. Estimated non-residential construction cost reported for July 2009 was 16.25 million compared to \$560,000 in 2008.

Economic Indices...National Leading Economic Index (LEI) as reported for July 2009 was 101.6, up .02% from the July 2008 level of 101.4. The LEI for the Washington MSA was 106.8 in May 2009, up from the 106.4 reported in May 2008. The Coincident Index for the Washington MSA was 107.3 in May 2009, down from the May 2008 level of 115.7. Fiscal year to date averages for the Washington indices were both down. The leading index was down 2.1% at 105.7 for FY09 compared to 108.0 for FY08. The coincident was down 8.5% at 107.8 for FY09 compared to 117.8 for FY08.

Real Estate...The average sale price for a single-family home (includes single family detached and town homes) in April 2009 increased by 1.04% from the April 2008 average of \$430,888, to \$435,394. Fiscal year-to-date average prices declined by 6.0% thru this same period. A total of 133 single-family homes were sold during April 2009, a decrease of 19.8% or 33 fewer units than the 166 units sold in April 2008. Average units sold fiscal year to date were 158 compared to 208 units thru April 2008, a decrease of 24%. Condominium prices in FY09 thru April averaged \$324,186 up a fraction from the average price of \$322,888 thru April 2008. Sales of condo units in April 2009 decreased by 8 units compared to the numbers reported for April 2008 when 11 units were sold. The commercial office vacancy rate for June 2009 was 15.4%, up from 13.9% in June 2008. The vacancy rate does not reflect pre-leased new construction. Square footage available increased by 708,599 s.f. when comparing June 2009 to June 2008. Net absorption for the second quarter of calendar 2009 was 220,521 s.f. compared to net absorption of -57,158 s.f. through the second quarter of calendar 2008.

Sales Tax...July 2009 collections for Apparels declined by 10% compared to the level collected in the same month last year. FY10 average receipts to date decreased by 10% when compared to the prior year. Collections reported for July 2009 Furniture and Appliance sales increased by 7.6% compared to July 2008. Fiscal year-to-date, average revenues thru July 2009 increased by 7.6% from the previous fiscal year. General Merchandise collections decreased by 13.6% in July 2009 compared to July 2008. Fiscal year-to-date average levels increased by 13.6% compared to the prior year.

Economic Indicators Committee

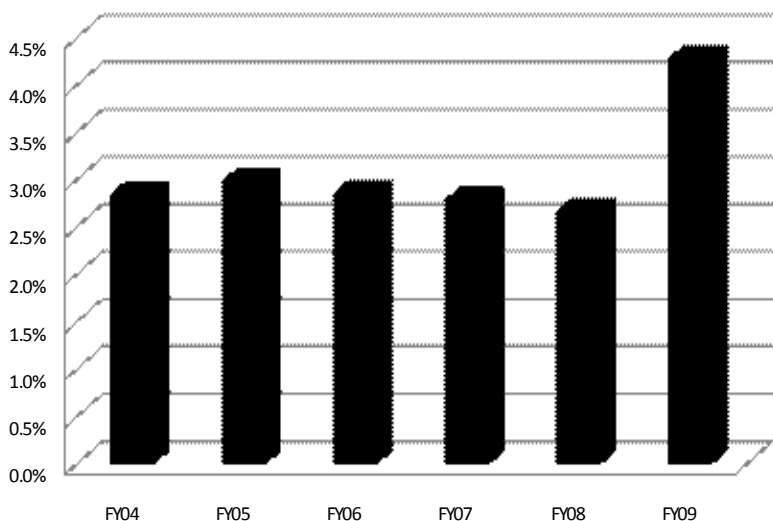
MEMBERS

Janice Bauman, J.M. Bauman Associates
 Jeffrey Bronow, Ho. Co Dept. of Planning & Zoning
 Guy Caiazzo (Moderator), Int'l Trading & Investment, Inc.
 William N. Chalfant, Jr., PNC Bank
 Nancy Cummins, Long & Foster Real Estate
 Donald W. Eames, The Airport Shuttle, Inc.
 Charles Feaga, Howard County Farm Bureau
 Jack Gunther, Economic Development Authority
 Sharon Greisz, Howard County Dept. of Finance
 Pamela Klahr, Chamber of Commerce
 David Liby, Costco
 Chip Lundy, Williamsburg Builders
 Marsha McLaughlin, Howard County Dept. of Planning & Zoning
 John Miller, Miller Brothers Chevrolet
 Chris Myers, Super Book Deals
 James Peacock, UHY Advisors Mid-Atlantic MD, Inc.
 Kirit Parmar, Dunkin Donuts
 A. Nayab Siddiqui, Scientific Systems Software Int'l
 Cole Schnorf, Manekin Corporation
 Ronald S. Shimel, Miles & Stockbridge
 Raymond S. Wacks, Ho.Co. Budget Office
 Donald Stitely (Editor), Ho.Co. Budget Office

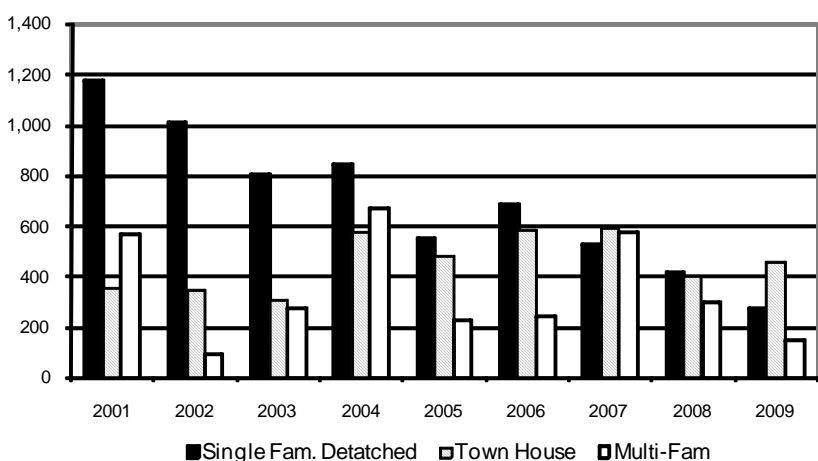
Questions or suggestions? Contact:

Donald Stitely, Howard County Budget Office
 3430 Courthouse Dr., Ellicott City, MD 21043
 Telephone: 410-313-2077 / TTY 410-313-4665
 FAX: 410-313-3390
 Email dstitely@howardcountymd.gov
 The Indicators is online at <http://www.co.ho.md.us/DOA/DOApdfs/PrintReadyEcoIndSept09.pdf>

Average Unemployment Rates FY04-FY09
Howard County, Maryland



Residential Building Permits Issued
Howard County, MD FY 2001 thru FY 2009



Howard County
M A R Y L A N D

