



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2018 | Q3



ECONOMIC INDICATORS BRIEFING 2018 Q3

EMPLOYMENT

RESIDENT LABOR FORCE¹

	Sept. 2018	Sept. Year over Year Change (YOY)
Labor Force	561,546	-177
Unemployment Rate	3.2%	0.0%

EMPLOYMENT IN MONTGOMERY COUNTY²

	Q1 2018	Q1 YOY
Employment	467,029	+2,622
Establishments	32,750	-227

TOP 3 INDUSTRIES BY EMPLOYMENT Q1 2018²

	Employment	Avg. Annual Wage
Professional & Technical Services	66,187	\$119,652
Healthcare & Social Assistance	64,649	\$53,040
Retail Trade	43,630	\$34,528

TOP 3 PRIVATE EMPLOYERS²

Holy Cross Hospital
Marriott
GEICO

EMPLOYMENT FAQs

What is Resident Labor Force and Unemployment?

Resident Labor Force refers to County residents who are employed or actively seeking employment regardless of the location of their employment. This number differs from the County’s population, as children, retirees and other residents who are neither employed nor seeking employment are excluded from the labor force. The Unemployment Rate refers to the percentage of people in the labor force who do not have employment but are actively seeking it.

These numbers are important to understanding economic conditions for County residents. A growing labor force with consistent unemployment could indicate that more people are moving to the County and finding jobs, either in the County or elsewhere. Additional analysis can examine resident labor force trends within specific geographies and demographics, as well as employment trends in specific industries over time.

What is Employment?

Employment, often known as at-place employment, refers to the number of jobs located in Montgomery County, regardless of where the job holder lives. These numbers are important to understanding trends for employers. Increasing employment indicates that companies in the County are hiring new workers. Employment data is based on unemployment insurance reporting, and excludes some groups, such as people who are self employed.

What is an Establishment?

An establishment is a single economic unit, such as an office or a store. Businesses may consist of multiple establishments. Though establishment is often used as a proxy for business growth, this dataset has limitations in telling this story.

Establishment data is captured through unemployment insurance reporting to states. Changes in accounting practices can alter the number of establishments reported even if there was no change to the number of economic units. Additionally, businesses not covered by unemployment insurance are not captured, such as people who are self employed. MCEDC is working with state and County partners to determine how to use tax data to better understand business growth in the County.

What do the Top 3 Industries for Employment indicate?

The Top 3 Industries for employment make up more than 45 percent of private sector employment in the County in Q1 2018. Industry classifications reference the type of company rather than the type of job. For example, an accountant at a cybersecurity start-up would be counted under “Professional & Technical Services,” whereas an accountant at a hospital would be counted under “Healthcare & Social Assistance.” Industry analysis can reveal trends in the types of businesses expanding or contracting.

1 US Bureau of Labor Statistics, Local Area Unemployment Statistics

2 Maryland DLLR, Quarterly Census of Employment and Wages

ECONOMIC INDICATORS BRIEFING 2018 Q3

REAL ESTATE AND DEVELOPMENT

COMMERCIAL REAL ESTATE PRICES³

Office Gross	Q3 2018	Q3 YOY Change
Gross Rent per sq. ft.	\$28.86	+\$0.87
Vacancy	12.5%	-0.5%

RETAIL³

	Q3 2018	Q3 YOY Change
Triple Net Rent per sq. ft.	\$31.10	+\$0.60
Vacancy	5.0%	+0.3%

HOME SALES⁴

	Sept. 2018	Sept. YOY Change
Median Sales Price	\$420,000	+\$10,000
Average Days on Market	40	-6

MULTI-FAMILY RENTALS³

	Q3 2018	Q3 YOY Change
Effective Gross Rent per Unit	\$1,771	+\$48
Vacancy	5.7%	-0.8%

BUILDING PERMITS ISSUED⁵

	Q3 2018	Q3 YOY Change
Residential Unit Permits Issued	567	+83
Commercial Building Permits Issued	14	-7
Commercial Building Permits sq. ft.	33,805	-98,629

REAL ESTATE AND DEVELOPMENT FAQs

What is Vacancy?

Vacancy includes space directly for rent from landlords and space available for rent by sublease from tenants.

In recent years, there has been a national decline in utilization of office space. Montgomery County's office vacancy rate is comparable and, in some cases, lower than its neighbors' rates. Vacancy and rents

data can be analyzed at a sub-County level to better understand variations in office markets, which can inform land use policy. Vacancy rates tend to be lower and rents higher near Metro stations (e.g., Silver Spring, Bethesda) than areas farther from Metro.

What is triple net rent?

Triple net rent is the rental rate for leases in which the tenant is responsible for paying the building's property taxes, insurance, maintenance and other costs that might be included in a standard lease agreement. In full service rent, the landlord pays all costs.

Retail vacancy rates in Montgomery County are relatively low, both nationally and regionally. Montgomery Planning's Retail Market Study (montgomeryplanning.org/tools/research/special-studies/retail-market-strategy-study/) details the retail market health and future trends at a sub-County level.

Why include residential information as an economic indicator?

Home sale, rental and other residential real estate data serve as an indicator of appetite for people relocating to and investing in the County. Overall, the County has had a steady, strong housing market for several years, especially relative to national trends.

Residential data can be further analyzed to understand how different housing needs are being served in different parts of the County. Montgomery Planning's recent Rental Housing Study (<http://montgomeryplanning.org/tools/research/special-studies/rental-housing-study/>), as an example, revealed a large, unmet demand for rental housing for both lower and higher income households.

³ Costar

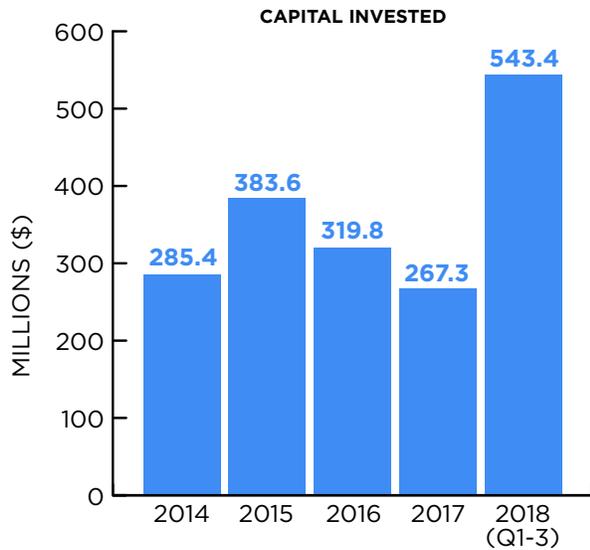
⁴ MRIS

⁵ Department of Permitting Services, as obtained by Montgomery Planning

ECONOMIC INDICATORS BRIEFING 2018 Q3

INVESTMENT

VENTURE CAPITAL⁶



TOP 3 VC DEALS IN 2018⁶

Viela Bio, \$282M in Series A, BioHealth
Sirnaomics, \$85M in Series C (2 deals), BioHealth
Neuraly, \$36M in Series A, Biohealth

TOP 3 INDUSTRIES FOR VC IN 2018⁶

BioHealth: \$414.8M
Application Software: \$48.3M
Advanced Manufacturing: \$25.0M

INVESTMENT FAQS

What is Venture Capital? Why track it?

Venture Capital (VC) is a category of equity investments that are made in new or expanding businesses. VC investments can be higher risk than other types of investment as they occur in the earliest stages of a business—often pre-revenue. Given the investor risk, however, raising VC can be challenging for new and expanding businesses, even for the most experienced serial entrepreneurs.

VC can be used as a proxy to explore start-up growth in the County and how it compares to other markets regionally and nationally. VC investments in BioHealth companies headquartered in the County, especially in 2018, significantly exceed those made in neighboring jurisdictions. VC data can also be dissected to examine trends, including where investments originate, pre- and post-investment company valuations, and gender disparities in fundraising.

What is BioHealth?

BioHealth refers to a cluster of industries focused on life sciences research, including biotechnology and pharmaceuticals. It is one of Montgomery County’s key growth industries. Local employment in the industry grew 27 percent between 2006 and 2015. Average annual wages grew to \$148,000 in 2015—a 32 percent increase since 2011. Industry growth has been linked to the presence of strong anchor institutions including NIH, FDA, Johns Hopkins University and University of Maryland.

ABOUT THIS DOCUMENT

This is the first edition of a new quarterly joint-publication between Montgomery Planning and the Montgomery County Economic Development Corporation. In addition to reporting economic indicators, this briefing document provides context to help readers better understand the data presented. Future reports will continue to track these metrics and explore new topics related to the County’s economy.

ABOUT MONTGOMERY PLANNING

Montgomery Planning helps to improve quality of life by conserving and enhancing the natural and built environments for current and future generations. The Planning Department creates great communities by developing master plans, reviewing applications for development and analyzing various types of information to help public officials plan for Montgomery County’s future. Each community within Montgomery County has a master plan that creates a comprehensive view of land use trends and future development.

ABOUT MCEDC

The Montgomery County Economic Development Corporation (MCEDC) is a nonprofit organization created in 2016 to help promote economic development in Montgomery County. A public/private partnership, MCEDC helps to accelerate business growth and retention in Montgomery County. The team connects business decisionmakers to market intelligence, promotes the County as a prime business location for companies of all sizes to thrive and identifies available incentives and top talent.

⁶ Pitchbook Data, Inc, January 7, 2019



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