



# MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2018 | Q4



## ECONOMIC INDICATORS BRIEFING 2018 Q4

This is the second edition of a new quarterly joint publication between Montgomery Planning and the Montgomery County Economic Development Corporation. Each edition will report certain indicators every quarter like resident labor force, employment, and commercial real estate information. Additionally, each edition will examine different indicators associated with specific industries. This 2018 Q4 edition features new information relating to the County's BioHealth industry and a closer look at the County's office market.

## EMPLOYMENT

RESIDENT LABOR FORCE<sup>1</sup>

	Dec. 2018	Dec. Year over Year Change (YOY)
Labor Force	557,856	+3,124
Unemployment Rate	2.6%	-0.3%

EMPLOYMENT IN MONTGOMERY COUNTY<sup>2</sup>

	Q2 2018	Q2 YOY*
Employment	474,579	+1,669
Establishments	32,921	-228

## What is BioHealth?

BioHealth refers to a cluster of industries focused on life sciences research and manufacturing. Though there is not a universal definition for the term "BioHealth," Montgomery Planning and MCEDC use four specific North American Industry Classification System (NAICS) Codes to analyze BioHealth.<sup>3</sup> The industry locally is anchored by public federal institutions including NIH in Bethesda, FDA in Silver Spring, and NIST in Gaithersburg.<sup>4</sup>

PRIVATE SECTOR BIOHEALTH EMPLOYMENT BY INDUSTRY<sup>2</sup>

	Employment 2017
Research & Development in Physical, Engineering, and Life Sciences (NAICS 54171)	8,455
Pharmaceutical and Medicine Manufacturing (NAICS 3254)	4,397
Medical Equipment Merchant Wholesalers (NAICS 42345)	392
Medical Equipment and Supplies Manufacturing (NAICS 3391)	254

Home to 37% of the Washington MSA's private sector BioHealth jobs, Montgomery County is key to the region's standing as the 4th largest BioHealth cluster in the nation. The County has about three times as many workers employed in private BioHealth companies than nationwide trends would predict.<sup>5</sup>

## What are the industries within BioHealth?

The largest employer of the four codes used is NAICS 54171: Research and Development (R&D) in the Physical, Engineering, and Life Sciences. MacroGenics, a Rockville company that researches and develops antibody-based treatments, is an example of a R&D company. R&D companies provide 62.5% of local BioHealth jobs.

The second largest employer of the four NAICS codes is NAICS 3254: Pharmaceutical and Medicine Manufacturing. AstraZeneca is an example of a Pharmaceutical and Medicine Manufacturing company that has a major presence in the County. This sector employs 32.5% of the local BioHealth industry.

The remaining 4% of the local BioHealth workforce is employed in NAICS 3391: Medical Equipment and Supplies Manufacturing and NAICS 42345: Medical Equipment Merchant Wholesalers. These sub-industries are smaller than R&D and Pharmaceuticals.

## Company Spotlight: Autolus

Autolus is a London-based, clinical-stage biopharmaceutical company developing next-generation programmed T-cell therapies. In 2018, Autolus selected Montgomery County as the location for its new US headquarters and manufacturing site. In January 2019, Autolus signed a full building lease for 85,000 SF of new construction that is being developed by Alexandria Real Estate Equities, Inc and is expected to deliver in 2021 in the Shady Grove Life Sciences Center in Rockville. Autolus plans to add up to 170 full time jobs over the next three years.

<sup>1</sup> US Bureau of Labor Statistics, Local Area Unemployment Statistics  
\* Preliminary numbers as of Feb. 26, 2019

<sup>2</sup> US Bureau of Labor Statistics, Quarterly Census of Employment and Wages 2017

<sup>3</sup> The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies for classifying businesses

<sup>4</sup> Genetic Engineering & Biotechnology News Top 10 US Biopharma Clusters 2018

<sup>5</sup> Location quotient (LQ) calculated for 2017 private sector biohealth employment was 3.1. The location quotient is a ratio of the percentage of workers in an industry or occupation in a certain area to the percentage of workers in that industry or occupation nationally. A location quotient greater than 1.0 indicates a higher-than-average concentration for an industry or occupation (bls.gov).



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## REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE<sup>6</sup>

	Q4 2018	Q4 YOY Change
Gross Rent per sq. ft.	\$28.72	+\$0.12
Vacancy	12.0%	-0.8%

RETAIL<sup>6</sup>

	Q4 2018	Q4 YOY Change
Triple Net Rent per sq. ft.	\$30.87	+\$0.42
Vacancy	3.5%	+0.2%

HOME SALES UPDATE<sup>7</sup>

	Dec. 2018	Dec. YOY Change
Median Sales Price	\$421,000	+\$10,944
Average Days on Market	60	-9

MULTI-FAMILY RENTALS<sup>6</sup>

	Q4 2018	Q4 YOY Change
Effective Gross Rent per Unit	\$1,738	+\$71
Vacancy	6.1%	-0.5%

BUILDING PERMITS ISSUED<sup>8</sup>

	Q4 2018	Q4 YOY Change
Residential Unit Permits Issued	780	+340
Commercial Bldg. Permits Issued	51	+29
Commercial Bldg. Permits sq. ft.	448,719	-142,036

## REAL ESTATE AND DEVELOPMENT HIGHLIGHTS OF 2018

## Top Office Leasing Activity of 2018

- Lentigen Technology Inc., a lentiviral vector manufacturer, signed a new lease for 147,000 square feet of office at 1201 Clopper Road in Gaithersburg.
- Regenxbio, a genetic therapy R&D company, signed a new lease for 132,487 square feet of office at 9800 Medical Center Drive in Rockville.

- The Henry M. Jackson Foundation for the Advancement of Military Medicine renewed its lease for 125,000 square feet of office space at 6720 Rockledge Drive in North Bethesda.
- Supernus, a pharmaceutical company focused on central nervous system disorders, signed a new lease for 119,000 square feet at 700 Quince Orchard Road in Gaithersburg.

## Top Office Investment Activity of 2018

- Marriott's headquarters on Fernwood Road in Bethesda was sold for \$104 Million to Erickson Living. Once Marriott relocates to its new office on Wisconsin Ave, Erickson Living is looking to redevelop the property as senior housing.
- Discovery Communications' headquarters at 1 Discovery Place in Silver Spring was sold to Foulger-Pratt for \$70 Million. Foulger-Pratt is actively working to lease the space.

## Top Office Groundbreaking in 2018

- Marriott International broke ground for its new 1 million square foot, \$600 Million state-of-the-art headquarters on Wisconsin Ave in Bethesda in June 2018. This project is being developed by Boston Properties and the Bernstein Companies.
- Clark Construction and Carr Properties broke ground on 7272 Wisconsin Ave in Bethesda, a mixed-use development with over 900,000 square feet.

## Office Trends by Submarket

Montgomery County has over 71 million square feet of office space. Examining rent and vacancy trends by office submarket helps create a more nuanced understanding of the unique successes and opportunities in each. The following page examines the changes in inventory, rent, and vacancy in Moco's 10 submarkets as defined by CoStar Group.

<sup>6</sup> Costar

<sup>7</sup> MRIS

<sup>8</sup> Dept. of Permitting Services, as obtained by Montgomery Planning

## ECONOMIC INDICATORS BRIEFING 2018 Q4

### OFFICE REAL ESTATE BY SUB-MARKET<sup>6</sup>

#### NORTH ROCKVILLE OFFICE

	Q4 2018	Q4 YOY Change
Inventory	13,572,684	-27,316
Gross Rent per sq. ft.	\$26.60	-\$1.21
Vacancy	16.4%	+0.2%

#### NORTH BETHESDA/POTOMAC OFFICE

	Q4 2018	Q4 YOY Change
Inventory	11,272,130	+72,130
Gross Rent per sq. ft.	\$29.62	-\$0.73
Vacancy	17.8%	-1.8%

#### SILVER SPRING OFFICE

	Q4 2018	Q4 YOY Change
Inventory	7,211,832	+111,832
Gross Rent per sq. ft.	\$29.59	+\$0.39
Vacancy	8.2%	-1.6%

#### NORTH SILVER SPRING OFFICE

	Q4 2018	Q4 YOY Change
Inventory	3,625,526	-74,474
Gross Rent per sq. ft.	\$24.76	+\$0.33
Vacancy	7.6%	-2.4%

#### KENSINGTON/WHEATON OFFICE

	Q4 2018	Q4 YOY Change
Inventory	1,934,426	+34,426
Gross Rent per sq. ft.	\$26.63	-\$0.70
Vacancy	7.6%	-15.2%

#### BETHESDA/CHEVY CHASE OFFICE

	Q4 2018	Q4 YOY Change
Inventory	12,060,696	+60,696
Gross Rent per sq. ft.	\$38.62	-\$0.26
Vacancy	10.9%	+1.1%

#### ROCKVILLE OFFICE

	Q4 2018	Q4 YOY Change
Inventory	10,842,747	+42,747
Gross Rent per sq. ft.	\$29.02	-\$0.62
Vacancy	11.9%	+0.8%

#### GAITHERSBURG OFFICE

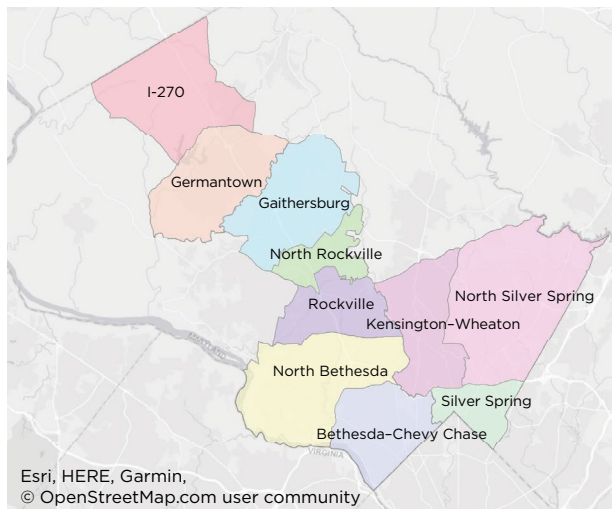
	Q4 2018	Q4 YOY Change
Inventory	7,088,127	+88,127
Gross Rent per sq. ft.	\$24.53	-\$0.70
Vacancy	7.4%	+0.6%

#### GERMANTOWN OFFICE

	Q4 2018	Q4 YOY Change
Inventory	3,385,959	-14,041
Gross Rent per sq. ft.	\$24.98	-\$0.41
Vacancy	15.3%	+1.2%

#### I-270 NORTH OFFICE

	Q4 2018	Q4 YOY Change
Inventory	504,165	+18,165
Gross Rent per sq. ft.	\$25.60	-\$0.84
Vacancy	1.5%	-1.6%



### OFFICE SUB-MARKET MAP

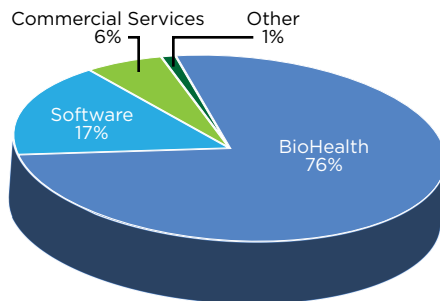
Please note that these boundaries do not correspond with municipal boundaries, master plans, census tracts, or other boundaries. These are defined by CoStar Group based on grouping together similar existing commercial real estate inventory.

## ECONOMIC INDICATORS BRIEFING 2018 Q4

### INVESTMENT

#### VENTURE CAPITAL<sup>9</sup>

TOP INDUSTRIES FOR VENTURE CAPITAL INVESTMENT IN 2018



#### Top Venture Capital Deals in 2018

Montgomery County companies raised more venture capital (VC) in 2018 than in recent years, especially in BioHealth. Investment in local BioHealth companies accounted for more than half of the VC invested in BioHealth in the entire state of Maryland, the entire state of Virginia, and the District of Columbia, combined, in 2018. Below are brief descriptions of the three largest BioHealth VC deals in the County in 2018, which are also the largest in the County for all industries.

**Viela Bio** raised \$282 Million in Series A VC in March 2018. Headquartered in Gaithersburg, the company spun out of MedImmune-AstraZeneca in February 2018. Viela Bio focuses on research and development treatments for severe autoimmune and inflammatory diseases by targeting critical pathways that are the root cause of the disease.

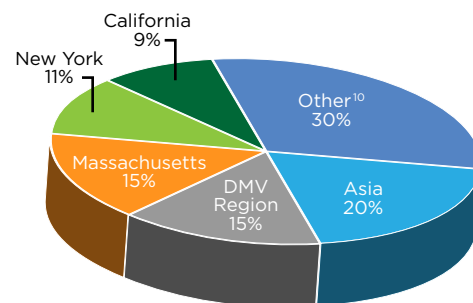
**Sirnaomics** raised \$85 Million in Series C VC across 2 deals in 2018. Headquartered in Gaithersburg, Sirnaomics a clinical stage biopharmaceutical company focused on discovering and developing therapeutics with proprietary nanobiotechnology.

**Neuraly** raised \$36 Million in Series A in July 2018. Headquartered in the Germantown Innovation Center, the company spun out of JJohns Hopkins University in July 2018. Neuraly focuses on research and development of pioneering treatments that slow progression of neurodegenerative diseases, including Alzheimer's and Parkinson's.

#### Origin of VC Investment Funds in 2018

Montgomery County companies raise venture capital from funding sources around the world. Though not all investors are disclosed in every deal, the majority of the disclosed investors in the County's three largest 2018 deals were based in China and South Korea. Conversely, funds investing in deals less than \$5 Million were almost exclusively from the United States. Of those funds, more than half were from the DMV Region.

FUNDS INVESTING IN MOCO COMPANIES BY REGION OF ORIGIN 2018



#### 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 decision makers 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.

<sup>9</sup> Pitchbook Data, Inc, March 5, 2019

<sup>10</sup> Other includes the US States of New Hampshire, Colorado, Georgia, Florida, Illinois, Oregon, Pennsylvania, Texas, Washington, and Kansas as well as the nation of Russia



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