



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2019 | Q1



ECONOMIC INDICATORS BRIEFING 2019 Q1

This is the third edition of the quarterly joint publication between Montgomery Planning and the Montgomery County Economic Development Corporation. Each edition will report certain indicators like resident labor force, employment, and commercial real estate information. Additionally, each edition will examine indicators associated with specific industries. This 2019 Q1 edition features new information relating to the County's tech industry and a quick look at Opportunity Zones.

EMPLOYMENT

RESIDENT LABOR FORCE¹

	Mar 2019	Mar Year over Year Change (YOY)
Labor Force	554,773	-1,105
Unemployment Rate	3.2%	-0.1%

EMPLOYMENT IN MONTGOMERY COUNTY²

	Q4 2018*	Q4 YOY*
Employment	475,351	+1,645
Establishments	32,882	-196

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE³

	Q1 2019	Q1 Year over Year Change (YOY)
Gross rent per sq. ft.	\$29.43	+\$0.62
Vacancy	11.9%	-0.5%

RETAIL³

	Q1 2019	Q1 YOY Change
Triple Net Rent per sq. ft.	\$31.21	+\$0.36
Vacancy	3.6%	-0.1%

HOME SALES UPDATE⁴

	Mar 2019	Mar YOY Change
Median Sales Price	\$435,000	-\$2,000

MULTI-FAMILY RENTALS³

	Q1 2019	Q1 YOY Change
Effective Gross Rent per Unit	\$1,758	+\$43
Vacancy	5.6%	-0.6%

BUILDING PERMITS ISSUED⁵

	Q1 2019	Q1 YOY Change
Residential Unit Permits Issued	1,190	+543
Commercial Bldg. Permits Issued	9	-10
Commercial Bldg. Permits sq. ft.	3,723	-34,292

Venture Capital Deals in Q1 2019

Montgomery County companies raised less in the first quarter of 2019 than 2018. This is partially a result of Viela Bio's venture capital (VC) deal, one of the County's largest deals in recent history, which happened in Q1 of 2018. In 2019, BioHealth has not been the leading industry in amount of VC capital raised. The 4 deals in BioHealth cumulatively raised less than \$2 M in VC, placing it outside of the top 3 industries for amount of capital raised.

INVESTMENT

VENTURE CAPITAL ACTIVITY IN Q1 OF 2019⁶

Primary Industry Code	Capital Invested in Millions	Deals
Other Healthcare	\$56.15	1
Health Tech	\$9.99	1
E-Commerce	\$8.28	1
Cybersecurity	\$4.30	2
Other	\$3.38	5
BioHealth	\$1.87	4
All Industries	\$83.97	14

1 US Bureau of Labor Statistics, Local Area Unemployment Statistics

2 US Bureau of Labor Statistics, Quarterly Census of Employment and Wages

* indicates preliminary data

3 CoStar

4 MRIS

5 Dept. of Permitting Services, as obtained by Montgomery Planning

6 Pitchbook Data, Inc, May 13, 2019

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TECH IN MONTGOMERY COUNTY

What is Tech?

Tech is a term widely used in a variety of contexts to describe a large swath of companies, industries, and professions. Montgomery Planning and MCEDC used Hecker’s 2005⁷ definition of tech which includes a set of NAICS⁸ codes based on criteria including, but not limited to:

- A high proportion of scientists, engineers, and technicians,
- The production of high tech products and
- The use of high-tech production methods

TECH SECTORS WITH HIGHER THAN AVERAGE CONCENTRATIONS IN MONTGOMERY COUNTY

	Employment 2018 ²	Location Quotient ⁹
Computer Systems Design and Related Services (NAICS 5415)	19,082	2.72
Communications Equipment Manufacturing (NAICS 3342)	2,520	8.9
Satellite Telecommunications (NAICS 5174)	153	5.48

What are the some of the tech sectors in the County?

Arguably, the most well-known tech sectors in Montgomery County are those within BioHealth. But beyond BioHealth, there are several tech sectors with higher than average concentration of firms in the County.

One of the largest tech sectors in the County is Computer Systems Design and Related Services (NAICS 5414). These companies are engaged in many activities including writing, modifying, testing, and supporting software; planning and designing computer systems that integrate computer hardware, software, and communication technologies; and on-site management and

operation of clients’ computer systems and/or data processing facilities. Leidos is an example of one of the largest firms in this industry in the County.

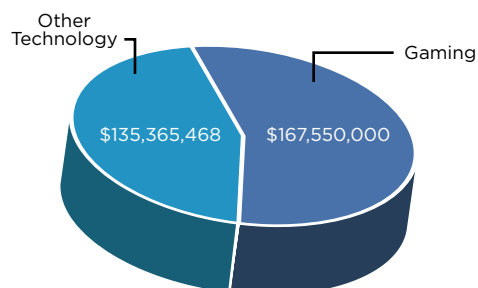
The tech sector with the highest location quotient in Montgomery County is Communications Equipment Manufacturing (NAICS 3342) which is in the County. Its location quotient of 8.9 means that this industry has 8.9 times more employment than national averages would predict. This industry is engaged in manufacturing wire telephone and data communications equipment, radio and television broadcast and wireless communications equipment, and all other communications equipment. The County’s largest firm in this industry is Hughes Network Systems, headquartered in Germantown, with over 1,000 employees.

Satellite Telecommunications also has a strong location quotient in the County. This industry is primarily engaged in providing point-to-point telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via a system of satellites or reselling satellite telecommunications. There are several smaller firms that operate in the County in this industry.

Spotlight: Gaming Venture Capital in Rockville

Within tech in Montgomery County, Rockville is emerging as the regional hub for gaming. Since 2010, more than 50% of venture capital raised by tech companies in Rockville has been by gaming companies. According to JLL, only 5 of the world’s 30 largest gaming companies are headquartered on the east coast of the US—two in New York City (Rockstar Games and Take-Two Interactive Software), one in Cary, North Carolina (Epic Games), and two in Rockville, Maryland (Zenimax

TECHNOLOGY VC FUNDING IN ROCKVILLE SINCE 2010¹⁰



7 Daniel Hecker, a Bureau of Labor Statistics economist, wrote High-Technology Employment: a NAICS Based Update, which is often used when discussing how to define the tech sector
 8 The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies for classifying businesses
 9 US Bureau of Labor Statistics, Quarterly Census of Employment and Wages
 10 JLL Research

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Media and Bethesda Game Studios).

OPPORTUNITY ZONES

What are Opportunity Zones?

Opportunity Zones (OZ) are designed to spur economic development by providing tax benefits to investors. OZs are part of a federal tax code that allow investors to roll capital gains into Opportunity Funds (OF) that invest in businesses, equipment, and real property in select census tracts.

What are the benefits of Opportunity Zones?

For investors, the three main benefits are **deferral, relief, and exclusion on their capital gains taxes**. When an investor puts capital gains into an OF, federal capital gains taxes are deferred until the funds are removed from the OF. If the gains stay in the fund for 5 years, 10% of their original basis can be excluded from taxation. After 2 more years, an additional 5% of the original basis can be excluded. Once the gains have been in a fund for 10 years, new earnings in the OF beyond the original basis could be excluded from taxation as well.

OFs can be a vehicle to help support businesses and property investment in select communities. Though this new tax code is in its infancy, there is immense potential for OFs to support development of transit-oriented low- and moderate-income housing and other real estate development. Additionally, OFs can promote diversity by investing in a variety of startups and small businesses.

Where are Montgomery County’s Opportunity Zones?

Montgomery County has **14 census tracts designated** as Opportunity Zones. These tracts are located in downtown Silver Spring, Long Branch, Takoma Park, White Oak, Wheaton, Rockville, Gaithersburg, Montgomery Village and Germantown.

What has happened in Montgomery County’s Opportunity Zones?

In the first quarter of 2019, CoStar reported over \$140 Million in real estate sales in Montgomery County, which are detailed by community and asset class in the tables in the next column.

Currently, there is no comprehensive resource that has a list of OFs or OZ deals. Databases like CoStar and Pitchbook can provide information on investments that happen in geographies, though there is no information on whether OFs were involved in these deals. There is currently movement at

the federal and state level to implement reporting requirements, though it is unclear what this could look like in the future.

Where can I learn more?

Visit MCEDC’s Opportunity Zone resource page at thinkmoco.com/opportunityzones for more information about communities. This page is dynamic and updated on an ongoing basis. For tax or legal advice relating to Opportunity Zones, please speak with a licensed accountant or tax attorney.

REAL ESTATE SALES INSIDE OPPORTUNITY ZONES BY COMMUNITY¹¹

	Q1 2019
Gaithersburg	\$1,539,000
Rockville	\$9,415,000
Silver Spring/Long Branch/Takoma Park	\$30,781,846
Wheaton	\$12,700,000
White Oak	\$86,750,000

REAL ESTATE SALES INSIDE OPPORTUNITY ZONES BY ASSET CLASS¹¹

	Q1 2019
General Retail	\$10,377,761
Land	\$1,122,239
Multi-Family	\$87,944,000
Office	\$34,991,846
Other	\$6,750,000

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.

¹¹ CoStar



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