



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2019 | Q4



ECONOMIC INDICATORS BRIEFING 2019 Q4

This is the sixth edition of the quarterly joint publication between Montgomery Planning and the Montgomery County Economic Development Corporation. Each edition reports a range of indicators, including resident labor force, employment, and commercial real estate information. Additionally, each edition examines indicators associated with specific industries and other economic topics. This 2019 Q4 edition features an overview of the industries to keep an eye on in 2020 for COVID-19-related impacts.

Standard economic data sets at the local level lag by up to nine months. For this reason, detailed data about COVID-19's impact on Montgomery County's economy will not be available for several more weeks.

EMPLOYMENT

RESIDENT LABOR FORCE¹

	Dec. 2019	Dec. 2019 Year over Year Change (YOY)
Labor Force	564,540	+14,801
Unemployment Rate	2.4%	-0.3%

EMPLOYMENT IN MONTGOMERY COUNTY²

	Q3 2019*	Q3 YOY*
Employment	466,532	-1,006
Establishments	32,815	-163

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE³

	Q4 2019	Q4 Year over Year Change (YOY)
Gross rent per sq. ft.	\$30.96	+0.56
Vacancy	12.4%	+0.8%

RETAIL³

	Q4 2019	Q4 YOY Change
Triple Net Rent per sq. ft.	\$31.33	+0.56
Vacancy	3.1%	-0.2%

HOME SALES UPDATE⁴

	Dec. 2019	Dec. YOY Change
Median Sales Price	\$449,747	+\$28,747

MULTI-FAMILY RENTALS³

	Q4 2019	Q4 YOY Change
Effective Gross Rent per Unit	\$1,730	+\$54
Vacancy	5.6%	-0.3%

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 Greater Capital Area Association of Realtors

BUILDING PERMITS ISSUED⁵

	Q4 2019	Q4 YOY Change
Residential Unit Permits Issued	606	+18
Commercial Bldg. Permits Issued	35	+12
Commercial Bldg. Permits sq. ft.	293,465	-161,446

VENTURE CAPITAL IN 2019 TOTAL

Investment

Venture Capital (VC) in 2019 was one of the strongest years in recent memory in Montgomery County with a total of \$464 million invested across 71 deals. The two largest venture deals of the year in Gaithersburg-based BioHealth companies Arcellx (\$85 million) and Viela Bio (\$75 million).

More than half of deal flow and a quarter of capital invested were in deals outside of BioHealth, Healthcare, and Cybersecurity. These deals include Xometry's \$55 million (Gaithersburg, advanced manufacturing), Motionsoft's \$24 million (Rockville, fintech), and Play Octopus' \$13 million (Bethesda, entertainment tech).

Looking into 2020, analysts at Pitchbook do not anticipate COVID-19's impact on VC markets will be as severe as it has been on public trading markets. VC is a lagging indicator so the impact will not be understood until 2020 Q2 data becomes available. MCEDC is tracking this in real-time.

VENTURE CAPITAL ACTIVITY IN 2019 YEAR END TOTALS⁶

Primary Industry	Capital Invested (in Millions)	Deals
BioHealth	\$228.95	17
Cybersecurity	\$10.88	6
Health Tech, Managed Care, and Other Healthcare	\$84.87	11
Other Industries, Including Other Tech Companies	\$139.17	37
Total	\$463.87	71

5 Dept. of Permitting Services as obtained by Montgomery Planning

6 Pitchbook Data, Inc, February 2020

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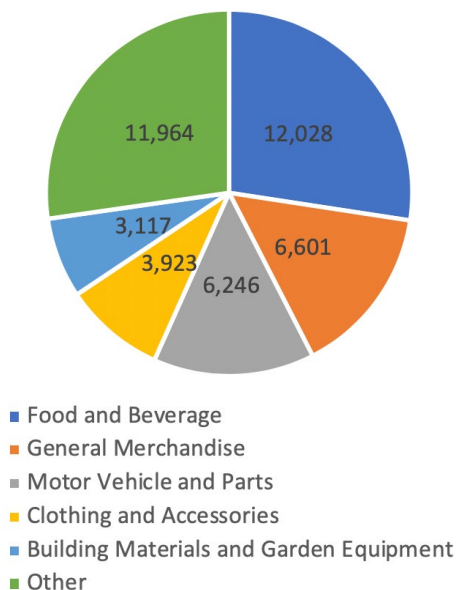
SNAPSHOT OF INDUSTRIES LIKELY HARDEST HIT BY COVID-19

Recognizing the unprecedented economic change unfolding near the typical release date for this report, MCEDC and Montgomery Planning made the decision to write a narrative more focused on industries that could be most heavily impacted by COVID-19. Local economic data can have lag times as long as nine months or more so data to analyze local impact will not be available for several weeks.

Based on recent reports from the Fuller Institute, Brookings Institution, and other publications, MCEDC anticipates the hardest hit industries are those dependent on discretionary spending and interpersonal contact. Using the NAICS codes identified by the Fuller Institute⁷, nearly 27% of wage and salary jobs in Montgomery County could be impacted. This report examines the three largest employing industries of those likely impacted: Retail (9.3% of total jobs), Accommodation and Food Service (7.5%) and Administrative, Support & Waste Management (6.7%).

Retail

FIG. 1 RETAIL SUBSECTORS BY 2019 Q4 EMPLOYMENT



The retail sector in Montgomery County employed 43,617 people in Q4 2019⁸. Despite its stagnant

⁷ Retail; Administrative, Support & Waste Management; Leisure & Hospitality (including restaurants); and Personal, Maintenance, & In-Home Services

⁸ Source: JobsEQ report run on March 31, 2020. BLS QCEW data does not report quarterly on employment in specific industries at the County-level

growth over the past decade, it is the third largest private sector industry in Montgomery County. Below is a pie chart that segments retail workers by sub-sector and brief explanations for possible trends that could be observed in the larger subsectors.

Food and Beverage retailers employ roughly one quarter of retail workers (12,028). This includes supermarkets, convenience stores, and beer & wine stores. These establishments have mostly been able to continue operating under state and county policies at the time of this report’s publication. Some of these businesses are experiencing increasing sales and hiring more employees in response to COVID-19 (e.g., Costco Wholesale, Giant Food Stores, Walmart). Future quarterly indicator briefings will report on these trends as data becomes available.

The three largest subsectors after Food and Beverage—General Merchandise, Motor Vehicle and Parts, and Clothing—will likely be more heavily impacted. Many of these retailers likely did not meet the definition of essential businesses and could not remain open beyond March 23. Their revenue stream in the COVID-era will be dependent on online sales. National chains in these categories, including Macy’s, have announced mass furloughs and layoffs, which certainly have impacted workers in their Montgomery County locations.

Building material stores could fare better than some other retail categories. Maryland OLC Legal Guidance COVID19-04 (March 23, 2020) deems many of these businesses as essential. Though discretionary spending likely decreased, retailers focused primarily on construction supply may have little to no change in sales. Major construction projects in the region (e.g., Purple Line) are moving forward on schedule despite COVID-19.

The other subsectors of retail are largely businesses that did not meet the criteria to be an essential business (e.g., furniture, sporting goods) and could not remain open after March 23. These retail outlets are now only gaining revenue from online sales. Of the other subsectors, the Pharmacy subsector (1,636 workers) will likely not be adversely impacted given its essential status. Though Gas Stations (1,256 workers) have also been deemed essential, shelter-in-place orders have reduced demand for gasoline.

Accommodation and Food Service

The Accommodation and Food Services sector in Montgomery County employed 35,494 people in

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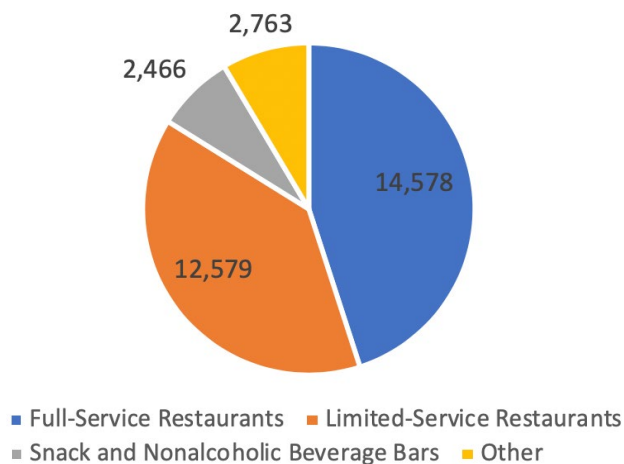
Q4 2019⁹, making it the fourth largest private sector industry. Nearly 92% of these workers are employed in Food Service, which includes restaurants and caterers. Headquarters operations like Marriott International, HMSHost, and Sodexo, are not included in this sector—those are included under Management of Companies (NAICS 55). Accommodation and Food Service covers hotels and restaurants rather than HQs.

Food Service

More than three quarters of food service jobs are at full- or limited-service restaurants in Montgomery County, as seen in the pie chart below. Restaurants, as of the time of this writing, have been required to close their dining rooms but can remain open for take-out, curb side service and delivery. Open Table, a restaurant reservation app, data shows that metro Washington started seeing significant declines in reservations starting on March 8, over a week before dining rooms were required to close in Maryland. Other variables, like the County’s decision to allow alcohol for delivery and carry-out and food delivery app surcharges, will play a large role in how individual restaurants will be impacted by COVID-19. MCEDC and Montgomery Planning will follow data as it becomes available in coming weeks and months.

Accommodation

FIG. 2 FOOD SERVICE SUBSECTORS BY 2019 Q4 EMPLOYMENT



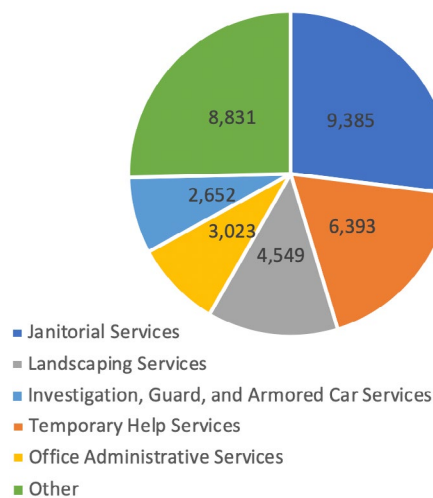
Nearly all 3,108 jobs in the Accommodation subsector are at Hotels and Motels, though do not include headquarters operations. Though local data is not yet available, data compiled by Visit

9 Source: JobsEQ report run on March 31, 2020. BLS QCEW data does not report quarterly on employment in specific industries at the County-level

Montgomery from Oxford Economics and the US Travel Association indicate the impact of COVID on tourism and hospitality will be 7 times worse than the impact of the September 11th terrorist attacks. Hotel bookings nationally started declining in February and have declined by over 80% toward the end of March. Given Maryland’s relatively early social distancing requirements and Montgomery County hotels’ dependence on work travel, these impacts are likely more acutely felt in local hotels. Additionally, massive furloughs by Marriott and Hilton hotels and headquarters have major implications locally in coming weeks and months.

ADMINISTRATIVE, SUPPORT & WASTE MANAGEMENT

FIG. 3 ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT SUBSECTORS BY EMPLOYMENT IN 2019 Q4



Administrative, Support & Waste Management (NAICS 56) includes a range of firms that do work to support businesses across industries (e.g., janitors, landscaping, temporary work, security detail). This sector had 34,835 jobs in Montgomery County in 2019 Q4. The largest subsectors in Montgomery County, as seen in the pie chart below, are Janitorial Services, Temporary Help Services, Landscaping Services, Office Administrative Services, and Investigation, Guard, and Armored Car Services.

The main challenges these firms will face is that they are dependent on serving the needs of other businesses. In the case of grocery stores and pharmacies, contracted janitorial services are certainly continuing if not expanding. As for office buildings, malls, and other buildings that could remain largely vacant for weeks, the demand for these services would most likely decline.



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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.

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