MONTGOMERY COUNTY
ECONOMIC INDICATORS BRIEFING

2020 | Q1 & Q2

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MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT
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ECONOMIC INDICATORS BRIEFING 2020 Q1 &Q2

This is the seventh edition of the quarterly joint publication between Montgomery Planning and the Montgomery County Economic Development Corporation (MCEDC). 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.

Given the COVID-19 public health and economic crisis, MCEDC and Montgomery Planning delayed releasing this quarterly indicators report until data was available for Q2.

EMPLOYMENT

Q1 RESIDENT LABOR FORCE[1]

	Q1 Mar. '20	Q1 Mar. '20 Year over Year Change (YOY)
Labor Force	565,509	+3,733
Employment	549,604	+5,097
Unemployment	15,905	-1,364
Unemployment Rate	2.8%	-0.3%

Q2 RESIDENT LABOR FORCE

	Q2 June '20*	Q2 June '20 YOY Change
Labor Force	563,158	-5,786
Employment	517,562	-32,784
Unemployment	45,596	+26,998
Unemployment Rate	8.1%	+4.8%

Montgomery County's highest unemployment rate prior to COVID-19 was 6.0% in January 2010. The county's record high unemployment rate is now 9.0% in May 2020. Though much higher than normal, Montgomery County's unemployment rate did not exceed 10%. Fairfax County's unemployment reached 10.2% in April 2020, Washington DC reached 11.1% in April and Prince George's reached 10.9% in May. The region as a whole outperformed the national economy despite more stringent lock downs than many other states. National unemployment hit a record high of 14.7% in April 2020. The national unemployment rate was still above 11% in June 2020 while counties in the DC region had dropped below 10%.

Q1 EMPLOYMENT IN MONTGOMERY & FREDERICK COUNTIES[2]

	Q1 Mar. '20*	Q1 Mar. '20 Year over Year Change* (YOY)
Overall Wage and Salary Jobs	593,300	-4,500
Private Sector Wage and Salary Jobs	482,700	-4,900

Q2 EMPLOYMENT IN MONTGOMERY & FREDERICK COUNTIES

	Q2 June '20*	Q2 June YOY*
Overall Wage and Salary Jobs	558,300	-52,700
Private Sector Wage and Salary Jobs	448,600	-52,200

Why is Frederick County included in this number?
County-level jobs and establishments data has a lag time of 6 months or more. For this reason, numbers on this page are from Current Employment Statistics (CES), a forecast of employment data based on national and metropolitan current and past trends. CES is a reliable data set and its forecasts are revised annually based on QCEW data. CES data is available at the metropolitan and metropolitan subdivision level. In the DC region, there are four metropolitan subdivisions: Washington, DC; Montgomery/Frederick, MD; Prince George's/Charles/Calvert, MD; and Northern Virginia (includes 9 counties and 6 cities). County-level data for 2020 Q2 will not be available until later this year.

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* Preliminary data
1 US BLS Local Area Unemployment Data

2 US BLS Current Employment Statistics

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Q1 INDUSTRY JOBS IN MONTGOMERY & FREDERICK COUNTIES[2]

Employment in Select Industries	Q1 Mar. '20	Q1 Mar. Year over Year (YOY)
Professional, Scientific, and Technical Services	86,300	1,600
Healthcare and Social Assistance	80,300	0
Retail	55,600	-700
Accommodation and Food Services	42,700	-3,300
Business Services	39,900	400
Construction	34,400	-400

Q2 INDUSTRY JOBS IN MONTGOMERY & FREDERICK COUNTIES

Employment in Select Industries	Q2 June '20	Q2 June YOY	Q2 June YOY% Change
Professional, Scientific, and Technical Services	85,500	-700	-0.8%
Healthcare and Social Assistance	75,300	-5,900	-7.3%
Retail	50,500	-6,700	-11.7%
Accommodation and Food Services	31,800	-16,400	-34.0%
Business Services	35,800	-5,800	-13.9%
Construction	33,600	-2,200	-6.1%

Locally and nationally, lower-income jobs were those most adversely impacted by COVID-19. Research by the Federal Reserve Board of Governors and ADP shows job loss in March and April was highly concentrated among low wage workers across industries. Locally, unemployment filings data shows unemployment concentrated in lower-income neighborhoods in the county. This exacerbates already existing disparities.

Accommodation and Food Services (restaurants, coffee shops, bars, hotels) was the industry most impacted nationally and here in Montgomery County. At its worst, employment in Accommodation and Food Services declined by nearly 50% in April 2020 compared to April 2019. June 2020 employment indicates some recovery. However, employment is still over 15,000 jobs lower in June 2020 than June 2019.

Retail also witnessed a decline in employment with the exception of Food and Beverage stores (grocery stores, beer & wine stores). Though June data is indicating year over year recovery since April, there is still a significant year over year drop in employment.

Healthcare and Social Assistance also saw significant losses in employment except for Hospitals. Ambulatory Health Care Services in particular accounted for a large share of employment decline due to the closure of many outpatient clinics, private doctors' offices and other types of health clinics for multiple weeks in March, April and May. From April to June, Ambulatory Health Care Services alone added over 5,800 jobs, indicating recovery now that most of these clinics can reopen.

Business Services saw significant losses. This industry includes a range of firms that do work to support businesses across industries (e.g., janitors, landscaping, temporary work, security detail). Since these firms are dependent on other businesses, it is understandable why employment at these firms would shrink in a recession.

Construction and Professional, Technical, and Scientific Services were not impacted nearly as severely. Most construction projects were permitted to continue through the public health emergency and many professional, technical and scientific services firms have work than can be done remotely.

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2 US BLS Current Employment Statistics

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VENTURE CAPITAL

Investment in first half of 2020

Public investment markets (e.g., stock markets) were severely impacted by COVID-19 across the globe. Private equity markets, like venture capital, were not impacted as adversely. Venture Capital (VC) investment in 2020 is projected by Pitchbook and other analysts to be lower than it was in 2018 or 2019—two record breaking years for VC. However, 2020 will still have relatively high numbers compared to the past decade overall. Investments in BioHealth and Health Tech continue to be strong nationally, which will benefit Montgomery County companies. Other industries that will continue to attract VC investment nationally include food service and delivery tech, childcare and education tech, health and wellness tech and productivity tech.

Montgomery County's businesses' VC activity appears to be following national trends of being less active than 2019 but still a strong year compared to the 2010s as a whole. Though robust trends analyses are difficult to perform in markets outside of the Big 3 (SF, NY, Boston), the descriptive tables indicate that the County's activity is similar to the national norms.

Venture Capital activity in first half of 2020[3]

CAPITAL INVESTED

	Capital Invested (in Millions)	Change from first half of '19 (in Millions)	Change from first half of '16 (in Millions)
All Industries	$190.29	-$88.44	+$46.63

DEALS

	Numbers of Deals	Change from first half of '19	Change from first half of '16
All Industries	33	-13	-1

BY INDUSTRY

Primary Industry	Capital Invested (in Millions)	Number of Deals
BioHealth	$89.49	11
Cybersecurity	$3.83	1
Health Tech, Managed Care, and Other Healthcare	$70.00	3
Other Industries, Including Other Tech Companies	$26.97	18
Total	**$190.29**	**33**

BioHealth continued to be Montgomery County's leading industry for VC investment. None of the VC was directly related to COVID-19 efforts. However, some Montgomery County companies have received billions in investments and federal grants to work on COVID-19 efforts. Novavax's enterprise value increased from $378 million in December 2019 to over $4.9 billion in June 2020 as a result of its COVID-19 vaccine development. Novavax also received over $2 billion in federal grants from Operation Warp Speed and the Coalition for Epidemic Preparedness Innovations (CEPI). Emergent BioSolutions also secured $628 million from Operation Warp Speed as well as manufacturing agreements totaling $615 million from Johnson & Johnson, AstraZeneca, Novavax and Vaxart.

Health Tech, Managed Care and Other Healthcare Industries were second for capital invested. Aledade's $64 million deal accounted for the bulk of the investment. There was one cybersecurity deal. Sepio Systems, a hardware cybersecurity company in Rockville, raised $3.83 million in VC. Though "Other Industries" accounted for a small percent of the dollars raised overall, it accounted for over half of VC deals in the county. This builds on a 2019's trend of growth beyond BioHealth, Healthcare, Health Tech and Cybersecurity. In "Other Industries," the median deal size is $420,000 in contrast to the county's overall median deal size of $2.5 million. Some of the "Other Industries" verticals emerging include Artificial Intelligence, Business/Productivity Software and Wellness Lifestyle. MCEDC is further exploring these verticals in the county.

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3 Pitchbook

ECONOMIC INDICATORS BRIEFING 2020 Q1 &Q2

LARGEST DEALS IN FIRST HALF OF 2020

Company	Capital Invested (in Millions)	Industry	City
Aledade	$64.00	Managed Care	Bethesda
Immunomic Therapeutics	$61.30	BioHealth	Rockville
ValenzaBio	$14.50	BioHealth	Bethesda
3CLogic	$9.00	Business/ Productivity Software	Rockville
HelpAround	$6.00	HealthTech	Bethesda

Aledade is a managed care company that has built a technology platform that helps independent physicians provide more personalized care at lower costs. Aledade has raised almost $200 million in VC since 2014.

Immunomic Therapeutics is an immunotherapy company researching innovative treatments for cancer, allergies and animal health. Since 2010, the company has raised nearly $100 million in funds.

ValenzaBio is a BioHealth company focused on developing treatments for patients with autoimmune and inflammatory diseases. This $14.5 million investment was their first major financing event.

3CLogic is a business software company focused on optimizing customer service management at call centers. The company has raised over $27 million since 2008.

HelpAround is a healthtech company that develops apps for personalized patient care. This company has raised nearly $6.75 million since 2013.

REAL ESTATE AND DEVELOPMENT

Q1 OFFICE REAL ESTATE[4]

	Q1 '20	Q1 Year over Year (YOY) Change
Gross rent per sq. ft.	$30.02	+0.98
Vacancy	12.7%	+0.8%

Q2 OFFICE REAL ESTATE[4]

	Q2 '20	Q2 YOY Change
Gross rent per sq. ft.	$30.01	+0.65
Vacancy	12.9%	+0.6%

Q1 RETAIL[4]

	Q1 '20	Q1 YOY Change
Triple Net Rent per sq. ft.	$30.73	-$0.23
Vacancy	3.5%	-0.1%

Q2 RETAIL[4]

	Q2 '20	Q2 YOY Change
Triple Net Rent per sq. ft.	$31.12	+$0.16
Vacancy	3.7%	0%

HOME SALES UPDATE[5]

	Mar. '20	Mar. YOY Change
Single Family Detached Median Sales Price	$634,000	+$34,000
Single Family Detached Median Sales Price	$378,000	+$5,000
Condos and Co-ops	$254,000	+$23,000

HOME SALES UPDATE[5]

	June '20	June YOY Change
Single Family Detached Median Sales Price	$630,000	+$20,000
Single Family Detached Median Sales Price	$388,000	+$5,500
Condos and Co-ops	$257,000	+$2,000

4 CoStar reports pulled by MCEDC
5 Greater Capital Area Association of Realtors

ECONOMIC INDICATORS BRIEFING 2020 Q1 &Q2

Q1 MULTI-FAMILY RENTALS[4]

	Q1 '20	Q1 Year over Year (YOY) Change
Effective Gross Rent per Unit	$1,725	+$36
Vacancy	5.4%	-0.2%

Q2 MULTI-FAMILY RENTALS[4]

	Q2 '20	Q2 YOY Change
Effective Gross Rent per Unit	$1,702	-$21
Vacancy	5.5%	+0.6%

Q1 BUILDING PERMITS ISSUED[6]

	Q1 '20	Q1 YOY Change
Residential Unit Permits Issued	323	-878
Commercial Bldg. Permits Issued	27	+18
Commercial Bldg. Permits sq. ft.	784,989	+781,226

Q2 BUILDING PERMITS ISSUED[6]

	Q2 '20	Q2 YOY Change
Residential Unit Permits Issue	337	-622
Commercial Bldg. Permits Issue	13	-28
Commercial Bldg. Permits sq. ft.	59,279	-2,086,748

Real estate market indicators tend to be lagging indicators. Because commercial leases typically cover multiple years, rising vacancies may not occur for several quarters. Based on CoStar's latest forecast, Montgomery County's office vacancies resulting from COVID will likely peak around 14.4% in 2022 Q1. For retail, the forecast anticipates vacancy reaching 5.5% in 2022 Q2 and hovering around that through 2025. This could be the result of e-commerce further disrupting brick and mortar retail during COVID.

Single family home prices, both detached and town homes, have increased as a result of COVID while condo and coop prices have decreased slightly. This aligns with national trends of home buyers in 2020 buying larger homes to accommodate working from home. It is unclear currently if this is a temporary or long term trend.

The multifamily rental market data is not yet showing adverse impacts from COVID locally or nationally. Although unemployment has hit record highs, expanded unemployment benefits from the CARES Act combined with protections from residential evictions at the federal, state and local level have prevented millions nationwide from being evicted. At the time of this writing, the scope of federal protections had been reduced with lower expanded unemployment and a more limited scope eviction moratorium from the Centers for Disease Control. As protections reduce or expire, analysts anticipate increasing evictions, resulting in higher vacancies and lower rents nationally.

4 CoStar reports pulled by MCEDC
6 Department of Permitting Services pulled
    by Montgomery Planning

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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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