



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2020 | Q3 & Q4



ECONOMIC INDICATORS BRIEFING 2020 Q3 & Q4

This is the eighth 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 briefing recaps trends observed in 2020, a year of unprecedented economic changes.

EMPLOYMENT

The employment section focuses on Montgomery County residents' labor force participation and their unemployment rates by occupation regardless of where their job is located.

RESIDENT LABOR FORCE¹

	Q3		Q4	
	Sept. 2020	Sept. 2020 Year over Year Change (YOY)	Dec. 2020*	Dec. 2020 Year over Year Change (YOY)
Labor Force	544,759	-23,878	546,409	-17,678
Employment	506,716	-46,568	515,259	-35,289
Unemployment	22,690	+22,690	31,150	+17,611
Unemployment Rate	7.0%	+4.4%	5.7%	+3.3%

*Preliminary data

Montgomery County, like most communities around the nation, experienced record high unemployment in the last three quarters of 2020. Montgomery County's highest unemployment was in May 2020 at 9.0%, which is lower than the highest unemployment in most counties regionally and nationally. Unemployment in the county was higher than ever before from April to November 2020. In December 2020, the unemployment rate dropped below 6%. The highest unemployment rate on record prior to 2020 was 6% in January 2010.

Unemployment in 2020 was higher and more persistent in occupations dependent on interpersonal interaction. These occupations tend to have lower than average wages, indicating that already vulnerable households are experiencing the highest unemployment. Below are the occupation groups in Montgomery County with the highest and lowest unemployment rates in October 2020 from JobsEQ, a labor analytics software. The average annual wage for all jobs in Montgomery County in 2019 was \$68,800. Four of the occupations with the highest unemployment rates had average wages that were less than half of the county average. Three of the occupations with the lowest unemployment rate had average annual wages at least 50% higher than the county's average.

OCCUPATIONS WITH THE HIGHEST UNEMPLOYMENT RATES IN MONTGOMERY COUNTY IN OCTOBER 2020²

Occupation Group	Standard Occupational Classification (SOC) Code	Unemployment in Oct. 2020	Unemployment Rate in Oct. 2020	Annual Mean Wage in 2019
Entertainment Attendants and Related Workers	39-3000	484	31%	\$26,400
Other Food Preparation and Serving Related Workers	35-9000	1,265	23%	\$27,700
Cooks and Food Preparation Workers	35-2000	2,055	20%	\$29,800
Food and Beverage Serving	35-3000	3,912	18%	\$29,000
Other Personal Care and Service Workers	39-9000	1,367	16%	\$33,100

¹ US Bureau of Labor Statistics, Local Area Unemployment Data

² JobsEQ; Note: Occupation groups with fewer than 1,000 workers in Montgomery County and occupation groups with low private sector employment (e.g., law enforcement) were excluded from these tabulations

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LOWEST UNEMPLOYMENT RATE OCCUPATIONS IN MONTGOMERY COUNTY IN OCTOBER 2020²

Occupation Group	Standard Occupational Classification (SOC) Code	Unemployment in Oct. 2020	Unemployment Rate in Oct. 2020	Annual Mean Wage in 2019
Healthcare Diagnosing or Treating Practitioners	29-1000	326	1%	\$113,600
Counselors, Social Workers, and Other Community and Social Service Specialists	21-1000	188	2%	\$60,500
Religious Workers	21-2000	27	2%	\$53,400
Lawyers, Judges, and Related Workers	23-1000	141	2%	\$168,000
Computer Occupations	15-1200	1,109	3%	\$105,300

This section focuses on jobs located in Montgomery and Frederick Counties regardless of where the jobholder lives.

JOBS IN MONTGOMERY & FREDERICK COUNTIES³

	Q3		Q4	
	Sept. 2020	Sept. 2020 YOY	Dec. 2020*	Dec. 2020 YOY*
Overall Wage and Salary Jobs	577,700	-24,400	586,900	-20,700
Private Sector Wage and Salary Jobs	491,300	-26,800	472,400	-21,700

*Preliminary data

Why is Frederick County included in this number? County-level jobs and establishments data have a lag time of six months or more. For this reason, the quarterly briefing uses Current Employment Statistics (CES) data from the US Bureau of Labor Statistics. 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 nine counties and six cities). County-level data for 2020 Q3 and Q4 will not be available until later this year.

JOBS BY INDUSTRY IN MONTGOMERY & FREDERICK COUNTIES³

Employment in Select Industries	Q3			Q4		
	Sept. 2020	Sept. 2020 YOY	Percent Change Sept. 2020 YOY	Dec. 2020	Dec. 2020 YOY	Percent Change Dec. 2020 YOY
Professional, Scientific, and Technical Services	87,100	2,200	2.6%	91,200	4,600	5.3%
Healthcare and Social Assistance	77,000	-3,900	-4.8%	78,000	-4,000	-4.9%
Retail	52,300	-4,000	-7.1%	56,600	-2,400	-4.1%
Accommodation and Food Services	39,500	-6,800	-14.7%	37,900	-7,400	-16.3%
Business Services	36,300	-4,300	-10.6%	36,300	-3,200	-8.1%

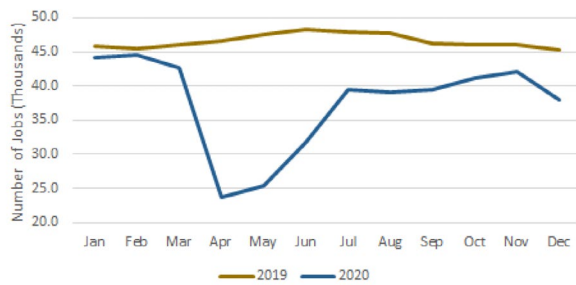
2 JobsEQ; Note: Occupation groups with fewer than 1,000 workers in Montgomery County and occupation groups with low private sector employment (e.g., law enforcement) were excluded from these tabulations

3 US Bureau of Labor Statistics, Current Employment Statistics

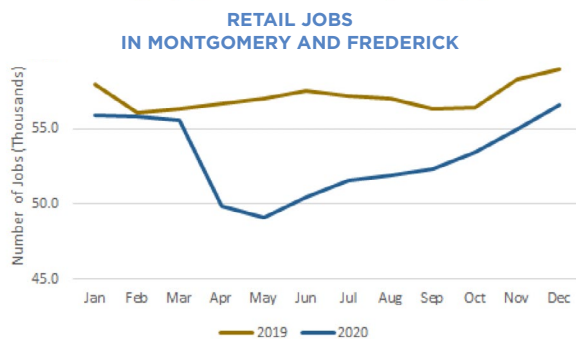
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Locally and nationally, low- and moderate-income jobs have been slow to recover from record-breaking job losses in Q2 2020. Some estimates indicate national employment may not reach pre-COVID levels until 2022 or beyond. By contrast, higher income jobs have largely recovered from much smaller losses. In some cases, higher income jobs have had growth past pre-COVID levels. This exacerbates already existing disparities.

ACCOMMODATION AND FOOD SERVICES JOBS IN MONTGOMERY AND FREDERICK

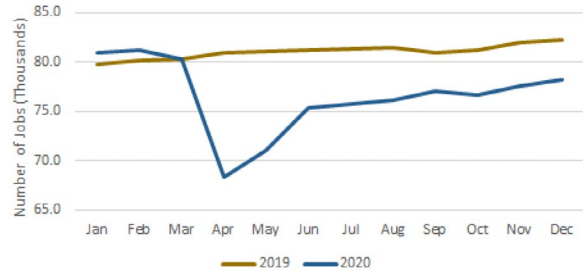


Accommodation and Food Services (restaurants, coffee shops, bars, hotels) was the industry most impacted. The industry has gained over 14,000 jobs since April 2020. However, it still had over 7,000 fewer jobs in December 2020 than in December 2019. Considering average wages locally in this sector were around \$29,000 in 2019, this means thousands of lower income people have been without employment for several months.



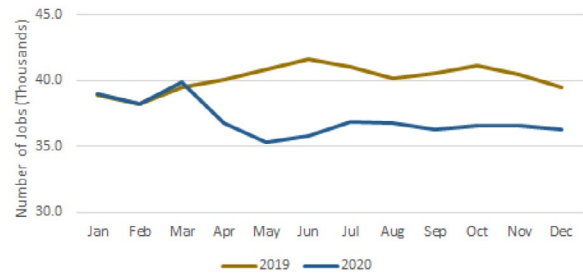
The Retail Industry has gained over 2,000 jobs in Montgomery & Frederick Counties since April 2020. Despite this recovery, there were still 2,400 fewer retail jobs in December 2020 than December 2019.

HEALTHCARE AND SOCIAL JOBS IN MONTGOMERY AND FREDERICK



Healthcare and Social Assistance overall continues to have lower employment than in 2019. Specific sub-sectors have seen growth, like general hospitals and residential facilities for mental health & substance abuse. Major sustained job losses in sub-sectors like child day care services and dentist offices offset these gains.

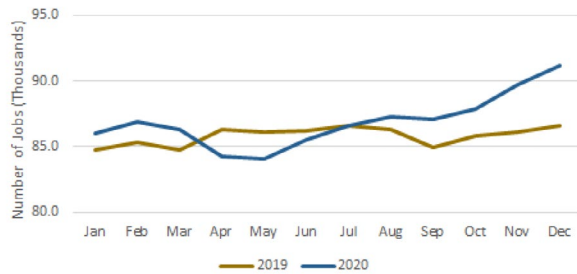
BUSINESS SERVICES JOBS IN MONTGOMERY AND FREDERICK



Business Services jobs remain below pre-COVID levels and overall have not experienced notable gains since April 2020. Sub-sectors relating to waste management and janitorial services have seen significant increases since April 2020, likely due to increased demand for sanitation and cleaning. These gains, however, are offset by sustained losses in sub-sectors like employment agencies and business support services companies.

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PROFESSIONAL, TECHNICAL, AND SCIENTIFIC SERVICES JOBS IN MONTGOMERY AND FREDERICK



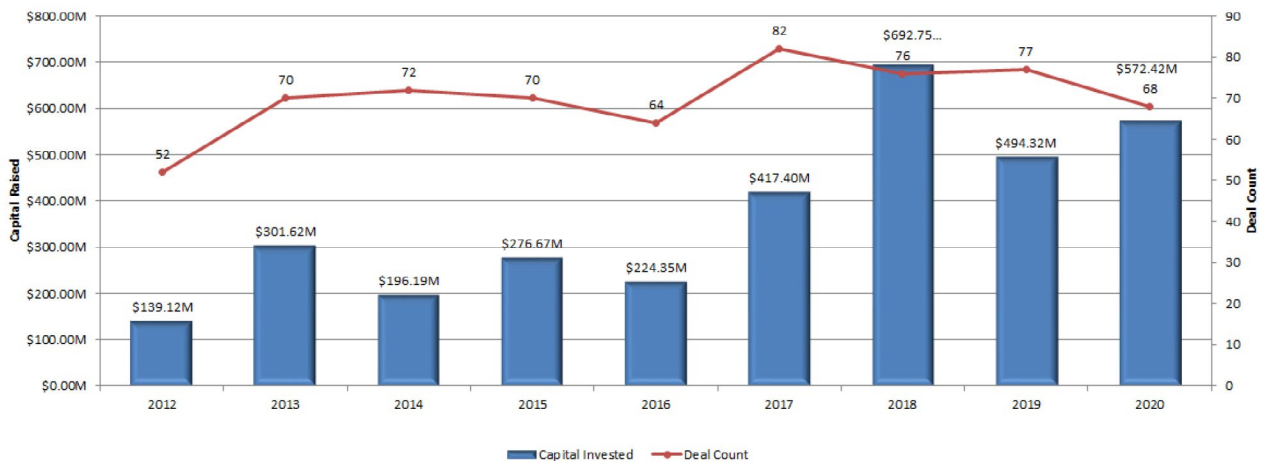
Professional, Technical, and Scientific Services, which includes many federal contractors, life science companies, and other high-income white collar employment, were not impacted nearly as severely. Jobs numbers in this sector exceeded pre-COVID levels by August 2020 and continue to grow. In December 2020, jobs in this sector exceeded 90,000 in Montgomery & Frederick Counties for the first time ever.

VENTURE CAPITAL IN SECOND HALF OF 2020

Investment

Private equity markets, like venture capital, experienced minimal disruption in 2020, keeping investment levels similar to 2019 and 2018, two record breaking years for VC. Though activity was similar to 2018 and 2019, investor preferences nationally shifted. Larger, later stage VC deals saw increased growth as investors put more money into their existing portfolio companies. This scenario presented fundraising challenging for new companies. Life Sciences and HealthTech companies saw record-breaking VC investment while B2C and other types of companies saw fewer deals in 2020.

MONTGOMERY COUNTY VENTURE CAPITAL RAISED AND DEALS SINCE 2012



Montgomery County's VC activity in 2020 reflects national trends overall. Amount of capital invested in 2020 is at its highest except for 2018 despite one of the lowest years for deal counts in recent memory. Life Sciences deals tend to be significantly larger than in other industries due to much higher costs than other tech sectors. Median deal size in Montgomery County rose from \$1.5 million in 2018 to \$2.4 million in 2020 mainly due to increasingly larger deals in the County's Life Sciences industry. As seen in the table below, the 5 largest deals in Montgomery County accounted for nearly two third of capital invested in 2020. Four of these companies were in Life Sciences or a sector adjacent to BioTech (e.g., HealthTech, Managed Care).

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LARGEST VENTURE CAPITAL DEALS IN 2020 IN MOCO⁴

Company	Deal Date	Deal Size (Millions)	Industry
Sirnaomics	12/31/2020	\$113.00	Life Sciences
Xometry	9/9/2020	\$75.00	Other
Aledade	4/20/2020	\$64.00	HealthTech, Manage Care, and Other Health
Oncolmmune	9/9/2020	\$56.00	Life Sciences
Sensei Biotherapeutics (NAS: SNE)	10/7/2020	\$28.50	Life Sciences
CIVI Biopharma	12/15/2020	\$27.46	Life Sciences

Investment outside of Life Sciences has not lagged substantially, a 2020 VC trend observed in Montgomery County that defies national trends. As seen in the table below, Life Sciences raises far more money than other industries. However, capital raised by companies outside of Life Sciences and the County’s key industries has reached an all time high. These deals outside key industries also account for nearly half of deal flow. The largest deals outside of the County’s key industries include:

- Xometry in Gaithersburg, platform to connect companies to niche advanced manufacturers, \$75 million
- Curbio in Potomac, real estate tech app, \$25 million
- Cloudbolt Software in Rockville, cloud management software, \$19.91 million
- Truebill in Silver Spring, B2C budgeting app, \$17 million

VENTURE CAPITAL ACTIVITY IN MOCO IN 2020 BY INDUSTRY⁴

Industry	Total Capital Invested (Millions)	Number of Deals
Life Sciences	\$317.81	31
Other Industries	\$179.78	32
HealthTech, Manage Care, and Other Health	\$70.00	2
Cybersecurity	\$4.83	3
Grand Total	\$572.42	68

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE⁵

	Q3		Q4	
	Sept. 2020	Sept. 2020 YOY	Dec. 2020	Dec. 2020 YOY
Gross Rent per sq. ft.	\$30.04	+\$0.83	\$30.08	+\$0.90
Vacancy	13.7%	+1.5%	14.0%	+1.8%

Neither Montgomery County nor the Washington region have experienced increases in office vacancies like those observed in the San Francisco Bay Area since COVID began. The county’s increasing office vacancy rate is due more to the 850,000 square feet in new inventory delivered since Q3 2019. The vacancy rate is projected to increase into 2021 as more new inventory is delivered and only return below 14% in 2023.

⁴ Pitchbook

⁵ CoStar reports pulled by MCEDC

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RETAIL⁵

	Q3		Q4	
	Sept. 2020	Sept. 2020 YOY	Dec. 2020	Dec. 2020 YOY
Triple Net Rent per sq. ft.	\$30.52	-\$0.40	\$30.32	-\$1.01
Vacancy	4.3%	+0.3%	4.3%	+0.5%

Retail vacancies have not yet increased significantly. However, vacancies are projected to increase above 5% into 2022 and remain above 5% into the foreseeable future. This is reflected in average triple net rents in the county dropping below \$30.50 for the first time since 2017.

MULTI-FAMILY RENTALS⁵

	Q3		Q4	
	Sept. 2020	Sept. 2020 YOY	Dec. 2020	Dec. 2020 YOY
Effective Gross Rent per sq. ft.	\$1,709	-\$41	\$1,686	-\$54
Vacancy	5.5%	+0.6%	6.5%	+0.7%

Multifamily rents have been decreasing to 2018 rates while vacancies are the highest they have been since 2016. The near-term future of the multifamily market will be influenced by government rent relief spending, eviction moratoria, and stimulus spending to recover the thousands of low- and moderate-income jobs lost in 2020.

REAL ESTATE AND DEVELOPMENT

HOME SALES UPDATE⁶

	Q3		Q4	
	Sept. 2020	Sept. 2020 YOY	Dec. 2020	Dec. 2020 YOY
Single Family Detached Median Sales Price	\$665,000	+\$85,000	\$653,000	+\$78,000
Single Family Attached Median Sales Price	\$394,000	+\$39,000	\$375,000	+\$7,000
Condos and Co-ops	\$280,000	+\$27,500	\$252,000	-\$12,000

Detached single family home prices reflect unusually active fall and winter home sales activity. This aligns with increasing national preference for suburban markets and more square footage since the pandemic began. As a result, single family, detached sales prices in Montgomery County were higher in 2020 than 2019. Prices are likely to continue increasing into 2021. Single family attached homes (i.e., townhouses) were also higher in price in 2020 than 2019. The condo market, by contrast, had strong first and third quarter and slow second and fourth quarter in 2020.

⁵ CoStar reports pulled by MCEDC

⁶ Greater Capital Area Association of Realtors

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BUILDING PERMITS ISSUED⁷

	Q3		Q4	
	Sept. 2020	Sept. 2020 YOY	Dec. 2020	Dec. 2020 YOY
Residential Unit Permits Issued	234	-57	349	-257
Commercial Building Permits Issued	15	-34	23	-12
Commercial Building Permits sq. ft.	203,196	-54,337	191,693	-101,772

Building permits in the third and fourth quarters of 2020 reflect overall market trends. The number of residential unit permits has declined as nearly all the permits were dispensed for single family detached homes. Historically, the county's residential permit numbers quarterly are higher due to approvals of large multi-family developments. Commercial permits have also reduced, which complements commercial real estate trends. Most permits were for projects smaller than 10,000 square feet. In Q4, over half of the square footage approved was at Montgomery College, indicating less than 100,000 square feet of commercial permits were issued in Q4.

⁷ 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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