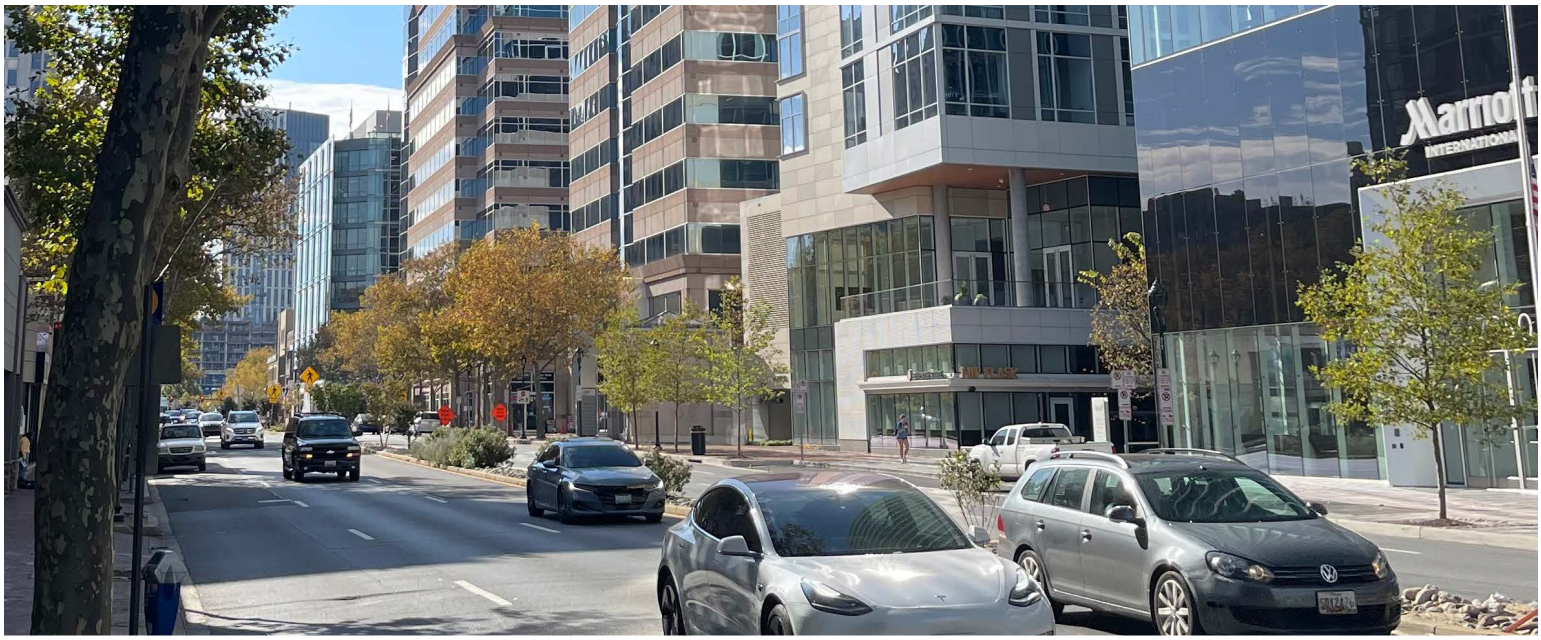

MONTGOMERY COUNTY
ECONOMIC INDICATORS BRIEFING

2024 | Q1

Montgomery Planning

MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT
CORPORATION MARYLAND

ECONOMIC INDICATORS BRIEFING 2024 Q1

This is the 19th edition of the quarterly joint publication between the Montgomery County Economic Development Corporation and Montgomery Planning. Each edition explores a range of indicators, including resident labor force, employment, commercial real estate, and venture capital information. This briefing explores trends observed in Q1 2024.

EMPLOYMENT OVERVIEW

This section focuses on Montgomery County labor force participation regardless of job location.

The County's 2.6% unemployment rate in March was a 0.8 percentage point above March last year, but remains 0.4% below the March 2019 rate. Total employment is 7,400 above last March and total unemployment rose by about 4,600. The total labor force is about 21,000 below March 2019.

Additionally, the ten highest growing occupations come from across the wage continuum. Elementary school teachers added the most jobs. Three higher-paying occupations — general and operations managers, all other managers, software developers, and project management specialists — were in the top ten for growth. Jobs in education — elementary school teachers and teaching assistants (except post-secondary) — showed the highest percentage growth among the ten highest growing occupations, followed by restaurant cooks.

RESIDENT LABOR FORCE

	Mar. 2024	Mar. 2023	Change from Mar. 2023	Change from Mar. 2019 (before pandemic)
Labor Force	552,953	546,102	6,851	-20,998
Employment	543,663	536,244	7,419	-13,282
Unemployment	14,451	9,858	4,593	-2,555
Unemployment Rate	2.6%	1.8%	0.8%	-0.4%

US Bureau of Labor Statistics, Local Area Employment and Unemployment (Mar. 2024) Note: Figures are non-seasonally adjusted.

TEN HIGHEST GROWTH OCCUPATIONS IN MONTGOMERY COUNTY IN Q1 2024

Occupation Group	Employment Q1 2024	1-Year Change	% Change	Annual Mean Wage
Personal Care Aides	7,275	421	6.1%	$36,600
General and Operations Managers	13,645	417	3.2%	$159,300
Managers, All Other	7,924	303	4.0%	$161,200
Elementary School Teachers, Except Special Education	5,495	283	5.4%	$86,600
Teaching Assistants, Except Postsecondary	4,258	235	5.8%	$46,400
Cooks, Restaurant	3,146	233	8.0%	$40,200
Waiters and Waitresses	5,096	229	4.7%	$46,000
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	9,833	219	2.3%	$38,900
Registered Nurses	8,968	207	2.4%	$101,500
Project Management Specialists	5,382	201	3.9%	$125,700

JobsEQ; exported on: Friday, Augugst 2, 2024
Note: Figures may not sum due to rounding. Employment data as of Q1 2024.
Demand data reflect place-of-work employment; retirements reflect place-of-residence data. Employment and unemployment data represent a four-quarter moving average.
1. Wage data are as of Q1 2024 and represent the average for all Covered Employment.

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EMPLOYMENT BY MAJOR INDUSTRY SECTOR

This section focuses on employment in significant industry sectors, regardless of employees' county of residence.

Montgomery and Frederick Counties have lost slightly less than 1,000 employed since March of last year, a 0.2% decline. The important professional, scientific and technical services sector also decreased very slightly compared to YOY last year, but has increased 8.1% since March 2019. Systems Design and Services is 0.7% below March 2023, but up 8.7% since March 2019. Scientific Research and Development is up 1.4% YOY and 18.6% since March 2019.

Additionally, the Health Care and Social Assistance sector gained 4.9% YOY and is above March 2019. Leisure and Hospitality declined overall since March 2023 (-2.0%), with the loss concentrated in Accommodation and Food Services (-3.8, or 1.600 employed).

Retail sector jobs decreased slightly YOY (-0.9%).

JOBS BY INDUSTRY IN MONTGOMERY & FREDERICK COUNTIES

Employment in Select Industries	Mar. 2024	Mar. 2023	Mar. 2019	% Change Mar. 2023	% Change Mar. 2019
Total Employees	591,200	592,100	597,700	-0.2%	-1.1%
Professional/Scientific/Tech Services	91,600	91,900	84,700	-0.3%	8.1%
Systems Design & Services	27,600	27,800	25,400	-0.7%	8.7%
Scientific R&D	21,700	21,400	18,300	1.4%	18.6%
Health Care & Social Assistance	83,600	79,700	80,500	4.9%	3.9%
Retail	54,000	54,500	56,300	-0.9%	-4.1%
Leisure & Hospitality	49,100	50,100	54,700	-2.0%	-10.2%
Accommodation and Food Services	40,600	42,200	46,200	-3.8%	-12.1%

U.S. Bureau of Labor Statistics, CES (State and Metro)

Note: Figures are non-seasonally adjusted.

REAL ESTATE AND DEVELOPMENT

REAL ESTATE INDICATORS

		Q1 2024	Q1 2023	YOY
Office Real Estate	Gross Rent per sq. ft.	$31.56	$30.82	$0.74
	Vacancy	18.2%	16.8%	1.4%
	Availability Rate	21.5%	20.2%	1.3%
Retail	Gross Rent per sq. ft.	$33.50	$32.49	$1.01
	Vacancy	6.0%	5.8%	0.2%
	Availability Rate	5.0%	6.1%	-1.1%
Multi-Family Rentals	Effective Gross Rent per Unit	$2,055	$2,000	$55
	Vacancy	6.1%	5.2%	0.9%

CoStar reports pulled by MCEDC

At 18.2%, **office** vacancy rates in Q1 were 1.4 percentage points above last year (16.8%).

Retail vacancies in Q1 were 0.2 percentage points higher than they were the previous year. Retail rents were $33.50 in the first quarter, for a YOY percentage point increase of 3.1%.

Multi-family rent rose by 2.8% YOY, with the vacancy rate at 6.1%, 0.9% above Q1 2023.

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HOMES SALES

HOME SALES UPDATE

	Q1 2024	Q1 2023	YOY
Median Sold Price	$590,000	$535,300	10.2%
Closed Home Sales	720	758	-5.0%
Active Listings	792	703	12.7%
Average Sold Price to Listing Price Ratio	101.5%	100.6%	0.9%

GCAAR Monthly Market Reports
Note: Data are for all housing sale types, not inflation adjusted.

Active Listings: This indicator shows the number of homes on the market for sale in the month of March 2024, with the change from March 2023. March 2024 showed more active listings (up 13%) than March 2023.

Average Sales Price to List Price Ratio: This indicator shows the ratio of the sold price to the listing price. A ratio of 100% means that the price of the home sold for was the same as the listing price. This increased slightly (0.9%) from last March to 101.5%.

Closed Home Sales: This indicator shows the number of homes sold in the months of March 2024 and March 2023. There were 5% fewer closings in March 2024 than in March 2023.

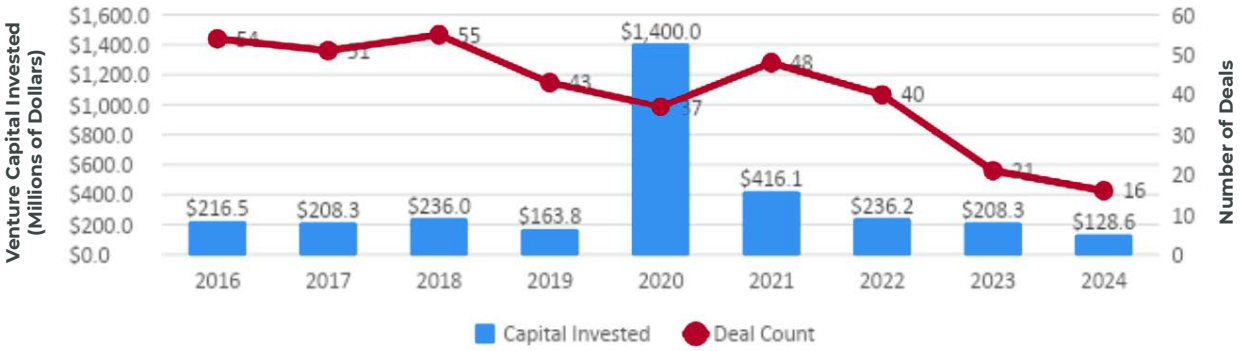
Median sold price increased about five percent YOY.

VENTURE CAPITAL

Investment

This reports first quarter venture capital trends from 2016-2024. 1Q 2024 venture capital investment was $128.6 million over 16 deals, both the lowest over the period, reflecting the impact of higher interest rates.

MONTGOMERY COUNTY VENTURE CAPITAL INVESTED AND DEALS: Q1 2016-2024



Pitchbook

The largest deals in 1Q 2024 were Accompany Health ($56.0 million), which is a health technology platform, and HiLabs ($39.0 million), a health care data mining platform. Together, these accounted for about three in four dollars invested in 1Q 2024.

LARGEST VENTURE CAPITAL DEALS IN MOCO IN Q1 2024

Company	Deal Date	Deal Size (Millions)	Industry
Accompany Health	1/30/2024	$56.0	Clinics/Outpatient Services
HiLabs	3/11/2024	$39.9	Ent. Systems (Health)
Limber Health	3/30/2024	$14.0	Other Healthcare Tech.
AgNovos Bioscience	3/11/2024	$13.4	Therapeutic Devices
Dwellwell Analytics	2/13/2024	$1.4	Bus. Prod. Software

Accompany Health is part of the Clinics/Outpatient Services sector, and HiLabs is part of Healthcare Enterprise Systems, which also were the top two industry sectors.

VENTURE CAPITAL ACTIVITY IN MOCO IN Q1 2024 BY INDUSTRY

Industry	Total Capital Invested (Millions)	Number of Deals
Clinics/Outpatient Services	$56.0	1
Ent. Systems (Health)	$39.0	1
Other Healthcare Tech.	$14.0	1
Therapeutic Devices	$13.4	1
Total Investment	**$122.4**	**4**

Pitchbook

MONTGOMERY COUNTY INDUSTRY COMPETITIVE ANALYSIS

This edition of the economic indicators reports Montgomery County's relative position and growth in industries which have a high concentration in the county compared to the national average.

If asked to name Montgomery County's most competitive industries, many Montgomery County economy-watchers would list industries like the life sciences, the Federal government, and the headquarters of many global corporations. These industries are large, prominent, and indeed competitive in Montgomery County. After all, industries would not grow in a place if they weren't successful, and a place wouldn't attract new businesses in an industry if the businesses didn't see it as conferring a competitive advantage.

But there is more to competitiveness than size and prominence. Many places in the industrial Midwest have large and prominent manufacturing industries but have struggled to translate these assets into robust economic growth for several decades. Competitive advantage can come from many sources, including but not limited to labor-matching, where large labor and employer pools allow for more options and better matching between works and firms, and knowledge spillovers as workers switch firms or trade ideas outside of work.

To add this context to Montgomery County's competitive industries, this report uses two quantitative assessments of competitiveness: the Location Quotient (LQ) metric and a shift-share analysis. The LQ measures relative industrial concentration, and shift-share analysis assesses the growth of a local industry relative to industry-specific and general growth trends that might influence it.

This report looks only at "traded" industries, which are those industries that export products and services to other places. This is in contrast to locally-serving industries, which mainly serve local demand, such as K-12 education, most healthcare services, and restaurants and dining. Traded industries are the main building blocks and sources of growth for local economies because they bring in wealth from other places. Often the same industry can have both locally-serving and traded aspects, but this report focuses on industries that are predominantly exporting.

The report also uses the North American Industry Classification System (NAICS), a system developed collaboratively by the United States Office of Management and Budget and Canadian and Mexican statistical agencies, to define industries. NAICS classifications at the four-digit level used here are broad and can obscure competitive sub-sectors within a major sector, but data for more detailed sub-sectors are not always available or reliable. Some businesses may span several classifications, but these categories reflect a businesses' primary one.

Location Quotients

Location Quotients (LQs) indicate the local competitiveness of an industry by comparing the local geographic concentration of an industry to the concentration in a larger area, such as a state or the country. To use a well-known example, Silicon Valley in California has a much higher concentration, and thus LQ, for the software development industry than most other places, which suggests that workers and firms in this industry gain a competitive advantage by locating there.

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This analysis uses the common convention of defining "concentration" as the number of employees in the industry and the larger reference area as the United States, although other measures of concentration and other reference areas are possible.

An LQ value of "1" means the local concentration is the same as the national concentration, reflecting an average concentration of that industry. The lowest a location quotient can go is "0" (no presence of the industry), but it has no upper limit. Traded industries can have very high LQs, while the LQs of locally-serving industries stay closer to "1" because local demand can only support a limited amount of these types of businesses.

For this report, we focus on our most competitive, large traded industries by limiting it to those industries with at least 1,000 jobs in Montgomery County in both 2013 and 2023, with a current LQ of at least 1.5, meaning they are at least one and a half times as concentrated in Montgomery County as they are nationally.

LOCATION QUOTIENTS AND EMPLOYMENT FOR MOCO'S LARGEST TRADED INDUSTRIES, 2023

NAICS*	Description	Number of Jobs	Location Quotient
3342	Communications Equipment Manufacturing	2,488	9.74
5417	Scientific Research and Development Services	17,078	6.21
3254	Pharmaceutical and Medicine Manufacturing	5,864	5.66
9011	Federal Government, Civilian	48,901	5.61
8132	Grantmaking and Giving Services	1,502	3.15
8139	Business, Professional, Labor, Political, and Similar Organizations	3,296	2.58
5415	Computer Systems Design and Related Services	19,049	2.57
5416	Management, Scientific, and Technical Consulting Services	11,912	2.15
8133	Social Advocacy Organizations	1,523	1.99

Lightcast
* North American Industrial Classification System Code

Scientific Research and Development Services and Pharmaceutical and Medicine Manufacturing make up the life sciences industry, which is the county's most high value industry. Computer Systems Design and Related Services (including programming, software development, and networks and information infrastructure) and Management, Scientific, and Technical Consulting Services are characteristic of knowledge-economies in coastal metro regions. Finally, the high concentration of the Federal Government and the associated civic infrastructure sector including Business, Professional, Labor, and Similar Organizations (e.g. trade associations and labor unions), Social Advocacy Organizations, and Grantmaking and Giving Services (philanthropy) set Montgomery County apart from other similar counties that are not as economically tied to the Federal Government.

One surprising high-LQ industry is the Communications Equipment Manufacturing industry, which is a relatively small sector in the county, but has the largest location quotient on the list. This sector is diverse, including Wabtec, a manufacturer of railroad communications and electronics devices, several firms that provide communications and satellite systems primarily for defense applications, and Hughes Network Systems, which manufactures and provides satellite internet equipment and services.

The satellite technology subsector of Communications Equipment Manufacturing is related to the industrial legacy of Montgomery County. Several engineers that worked at COMSAT Laboratories, the Clarksburg research headquarters of the Federally-established and funded satellite telecommunications corporation established in the 1960s, developed the technology that would become Hughes Network Systems in a Rockville garage. While this story sounds like it's out of Silicon Valley lore, it's a common way for technology sectors to become established. It could be worth exploring more about this sector, its roots, and its potential for growth in Montgomery County.

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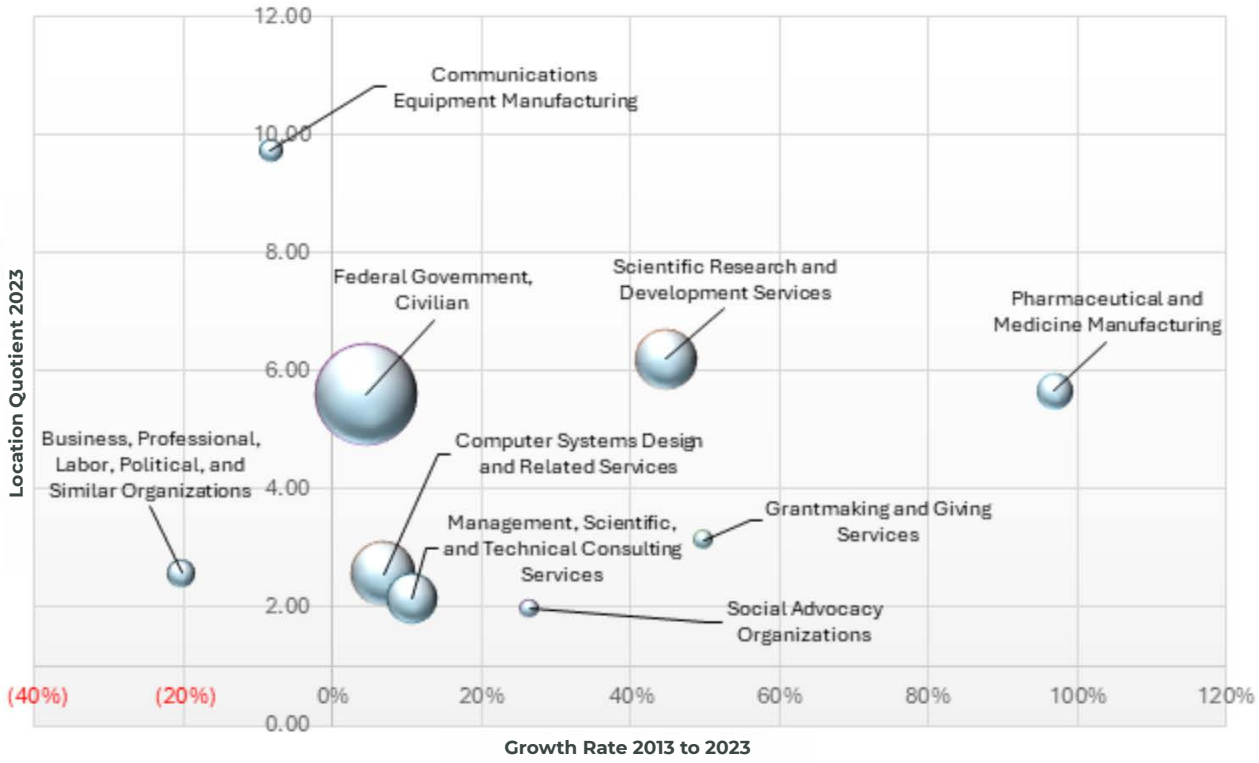
Location Quotients and Growth Trajectory

Location quotients are static metrics, so they do not tell us about continued prospects for competitiveness of highly concentrated industries. For example, the industrial Midwest has high LQs in many mature manufacturing industries that have been declining for several decades, which has limited opportunities for economic growth in this region during this time.

The bubble chart graphs LQ (vertical axis) against growth rate (horizontal axis) to show the trajectory of Montgomery County's high-LQ industries.

LOCATION QUOTIENTS AND GROWTH RATES OF MONTGOMERY COUNTY'S LARGE TRADED INDUSTRIES, 2013 TO 2023



Lightcast
Bubbles reflect size of industry based on employment.

Most of Montgomery County's high-LQ traded industries have grown over the last ten years, with the two life science sectors — Scientific Research and Development Services and Pharmaceutical and Medicine Manufacturing — seeing 45% and 97% growth respectively. Federal Government employment has grown slowly, and the need to diversify Montgomery County's economy away from a reliance on Federal jobs has been documented. The two high-LQ industries that are shrinking are small compared to Montgomery County's other competitive industries.

Shift-Share: Growth and Competitiveness in Context

A shift-share analysis adds further context to the growth of these industries by showing whether an industry is keeping up with national and industry specific trends. The ***national growth effect*** estimates how much a local industry would have grown if it followed overall national employment growth trends. The ***industrial mix effect*** estimates how much a local industry would have grown if it followed the trend of that industry nationwide.

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Combining the industrial mix effect and national growth effect yields the ***expected change*** in local employment, or what we would expect the local employment change to be based on these larger trends. The ***competitive effect*** is the difference between the actual change in employment in the local industry and the expected change. A negative competitive effect means a local industry is underperforming national trends while a positive competitive effect signals overperformance and a local competitive advantage for that industry.

SHIFT-SHARE ANALYSIS FOR MOCO'S LARGE TRADED INDUSTRIES

NAICS*	Description	2023 Jobs	2013 Jobs	2013-2023 Change	2013-2023 Change %	Ind. Mix Effect	Nat. Growth Effect	Expected Change	Competitive Effect
3342	Communications Equipment Manufacturing	2,488	2,715	(227)	(8%)	(818)	375	(443)	216
5417	Scientific Research and Development Services	17,078	11,803	5,275	45%	3,714	1,630	5,344	(69)
3254	Pharmaceutical and Medicine Manufacturing	5,864	2,979	2,886	97%	329	411	740	2,145
9011	Federal Government, Civilian	48,901	46,854	2,047	4%	(4,164)	6,472	2,308	(261)
8132	Grantmaking and Giving Services	1,502	1,003	499	50%	77	139	216	283
8139	Business, Professional, Labor, Political, and Similar Organizations	3,296	4,139	(843)	(20%)	(516)	572	55	(899)
5415	Computer Systems Design and Related Services	19,049	17,842	1,207	7%	5,641	2,465	8,106	(6,899)
5416	Management, Scientific, and Technical Consulting Services	11,912	10,769	1,143	11%	4,518	1,488	6,006	(4,863)
8133	Social Advocacy Organizations	1,523	1,205	318	26%	178	166	345	(27)

Data: Lightcast
* North American Industry Classification System Code

Ideally, a county strives to register positive competitive effects for growing industries (those with positive industrial mix effects). Montgomery County has one of these sectors — Pharmaceutical and Medicine Manufacturing.

However, Montgomery County has a negative competitive effect in most of its other large traded industries, meaning these industries are growing slower in Montgomery County than what would be expected given industry and national employment trends. The largest negative competitive effects are in the Computer Systems Design and Consulting Systems industries, suggesting that Montgomery County is facing headwinds in these two important knowledge-economy industries. This effect is also not surprising given the rapid economic growth of other metro regions in the United States South and West, as documented in the Q3 2023 Economic Indicators report.

The shift-share for Communications Equipment Manufacturing is difficult to interpret because it is a broad industry that includes traditional cable television equipment manufacturers and services — a declining subsector — likely accounting for much of the negative industrial mix effect of this industry nationwide. However, the firms in the Montgomery County cluster appear to be focused on emerging satellite and wireless technologies for a variety of applications in addition to television broadcasting. More detailed firm-by-firm research would be necessary to identify the nature and potential of this cluster in Montgomery County.

Montgomery County Competitiveness in Perspective

This report is a high-level look at Montgomery County's competitive industries, focusing on the largest traded industries at a broad level of industrial classification. These industries are mostly competitive, but may need continued attention to reach their potential. The report also identifies additional industries, such as satellite and communications technologies, that could help the county diversify its portfolio of competitive sectors.

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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.

Questions? Email Michael Mitchell (michael@thinkmoco.com)
or Ben Kraft (benjamin.kraft@montgomeryplanning.org)

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