

Economic Forces That
Shape Montgomery County
Update 2000



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Conclusions



**2000 Annual Update
Conclusions**

- Economy is very healthy.
- Current pace of growth is rapid but manageable.
- No evidence of next downturn.
- This recovery is broad based and it appears most County residents have benefited.



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Introduction
Job Growth
Federal Impact
Commercial Space



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Role of Economy Study

- Supports Council's economic indicators, federal procurement initiatives.
- Collaborative effort with Departments of Finance and Economic Development.
- Assists in evaluating regulatory initiatives (e.g., Annual Growth Policy, zoning, etc.)
- Strengthens planners' understanding of market role in planning issues.



2000 Focus

- Monitor economic vital signs.
- Labor force profile: statistics from the 1997 Census Update Survey
- How are current economic trends affecting Montgomery County residents?



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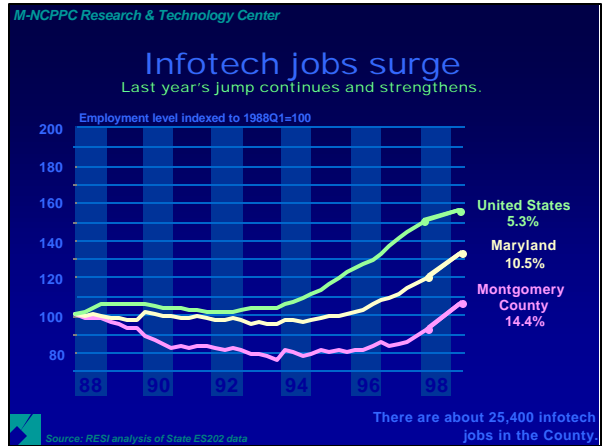
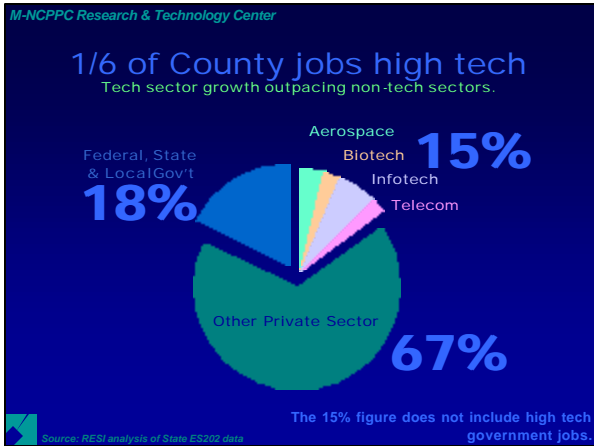
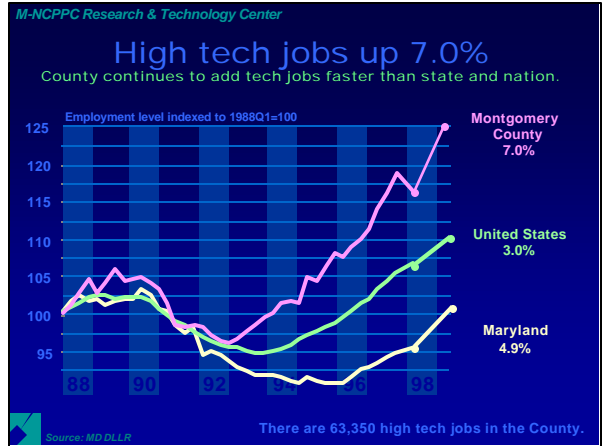
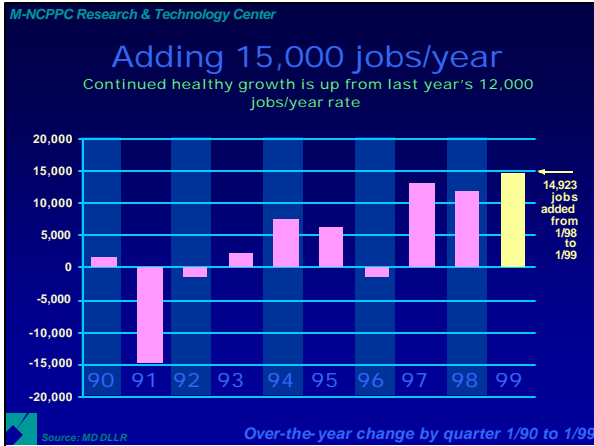
Introduction

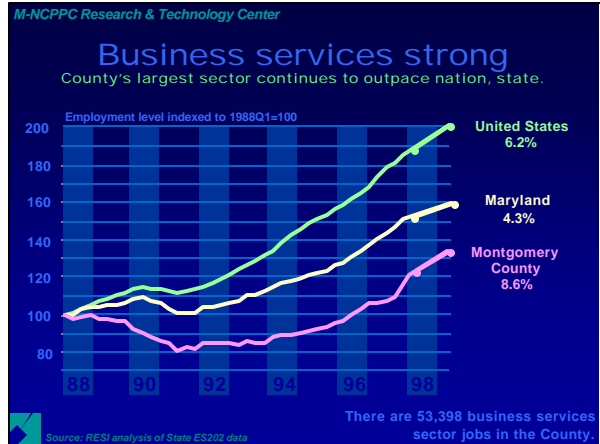
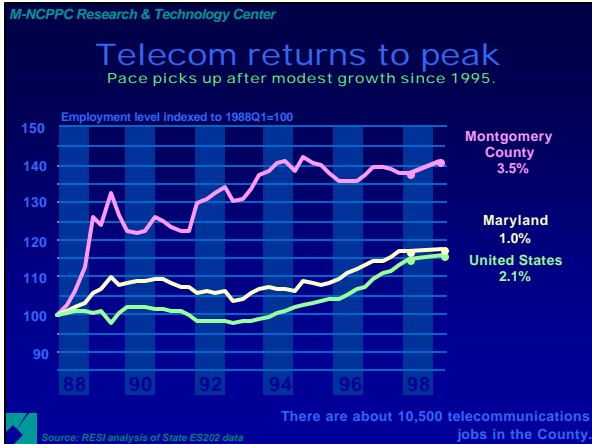
Job Growth

Federal Impact

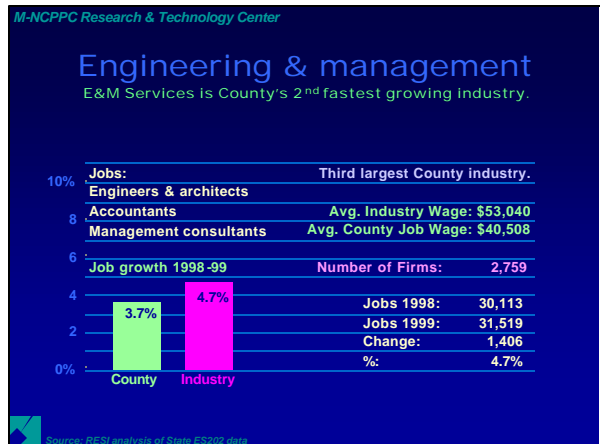
Commercial Space





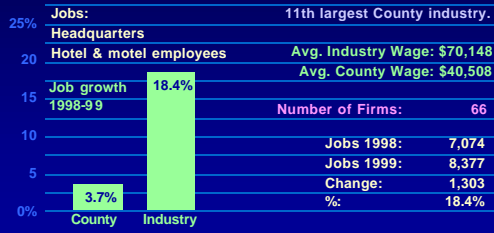


- M-NCPPC Research & Technology Center
- ### Other top performing sectors
- Engineering & Management Services
 - Hotels & Lodging
 - Contractors
 - Nondepository Institutions
 - Amusement & Recreation Services
 - Social Services
 - Securities & Commodities Brokers and
 - Trucking/Warehousing & Wholesale Trade
- Source: RESI analysis of State ES202 data



Hotels & lodging

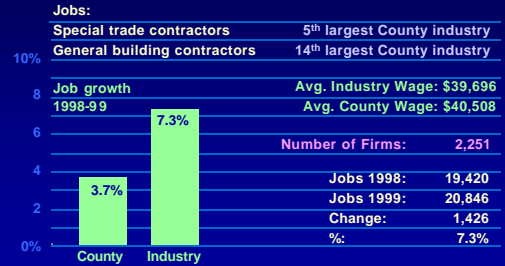
Lodging added over 1,300 well-paying jobs.



Source: RESI analysis of State ES202 data

Building contractors

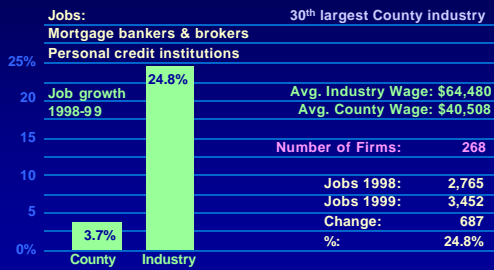
Construction pace reflected in increase in contractors.



Source: RESI analysis of State ES202 data

Nondepository institutions

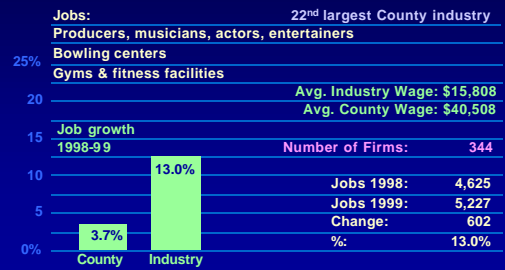
Jobs grew by almost 25%.



Source: RESI analysis of State ES202 data

Amusement & recreation

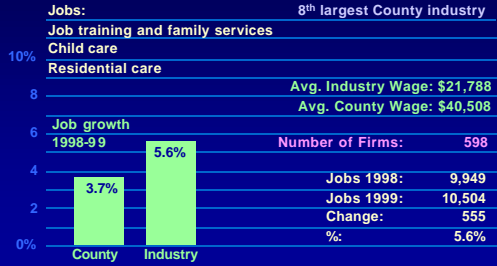
A&R Services continues strong growth.



Source: RESI analysis of State ES202 data

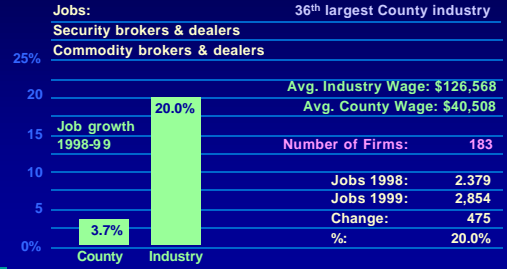
Social services

Jobs continue to climb - now past 10,000.



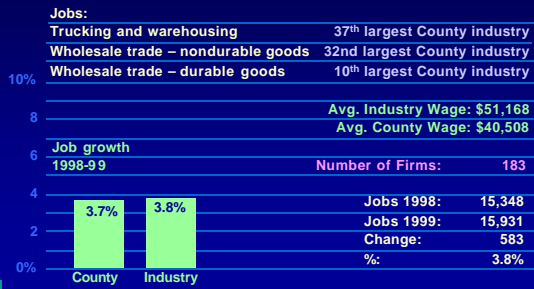
Stock brokers

The number of securities & commodities brokers has been climbing sharply for several years.



Wholesale trade & related

Growth in Trucking/Warehousing/Wholesale Trade jobs is healthy despite decline in wholesale trade - durable goods.

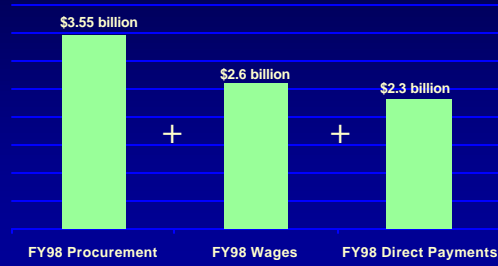


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Worth over \$9 billion

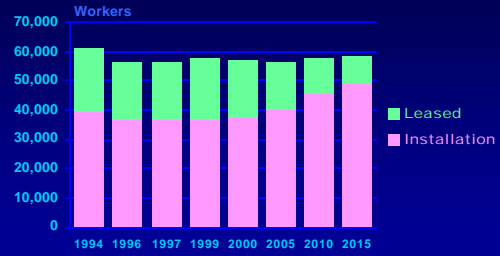
The federal government pumps billions of dollars into the County's economy every year



Source: M-NCPPC analysis of US government data

Federal jobs hold steady

Growth expected in coming decades.

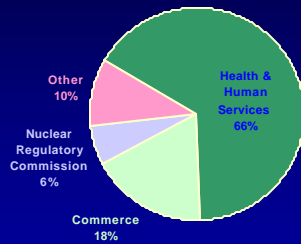


The number of federal jobs continues progress toward recovery of 1994 levels. By 2015, jobs at installations are expected to grow by 33 percent above current levels.

Source: M-NCPPC analysis of US government data

Federal leased space

Health & Human Services leases more space than all other agencies combined

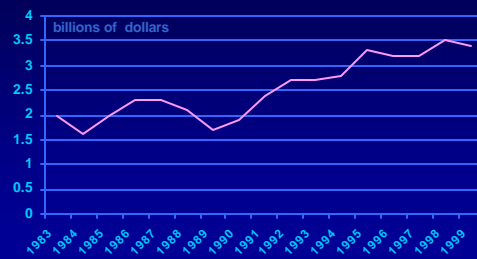


HHS & Commerce account for 84 percent of the County's federal leased space, 5.6 million sq. ft. out of a total of 6.6 million sq. ft.

Source: General Services Administration

Federal procurement high

FY99 federal procurement is at its second highest level.

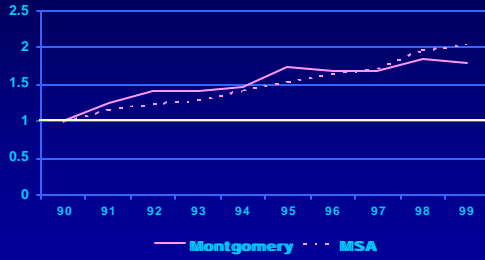


FY99's \$3.44 billion procurement is just below last year's all time high of \$3.55 billion.

Source: M-NCPPC analysis of Federal Procurement Data Center data

Index of procurement shows lag

In the 1990s, Montgomery County and the MSA had comparable growth in federal procurement, but County has lagged in 1998-99.



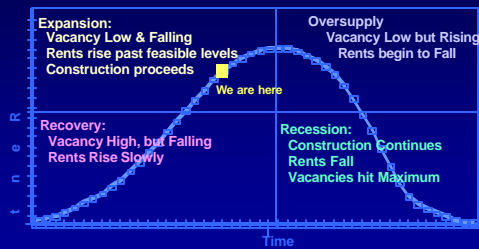
Compound growth rate: Montgomery=6.0% Washington MSA=7.4%

Economic Forces That Shape Montgomery County Update 2000

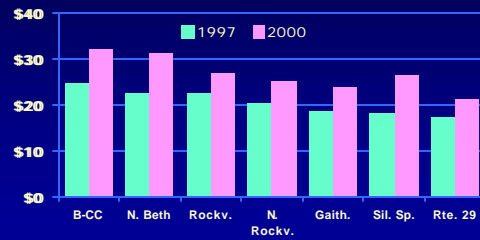
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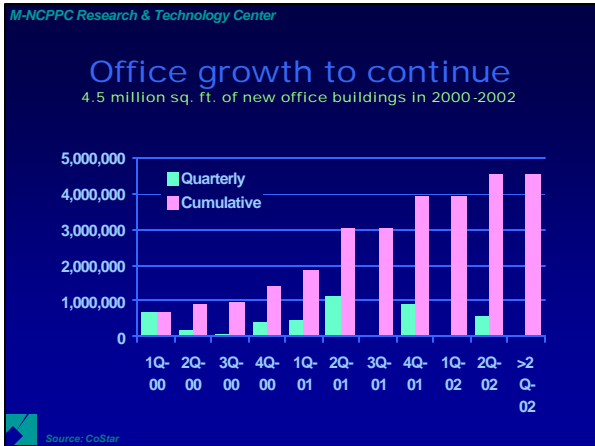
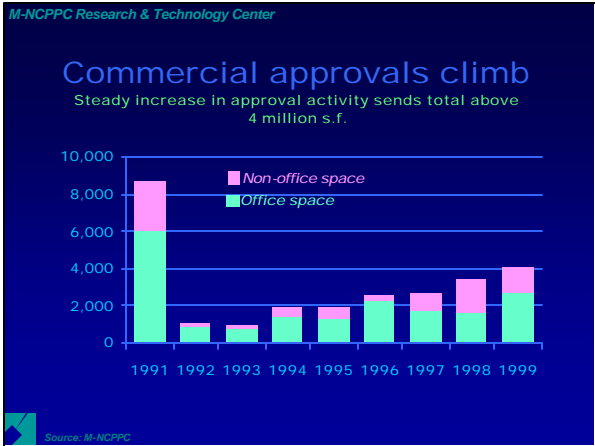
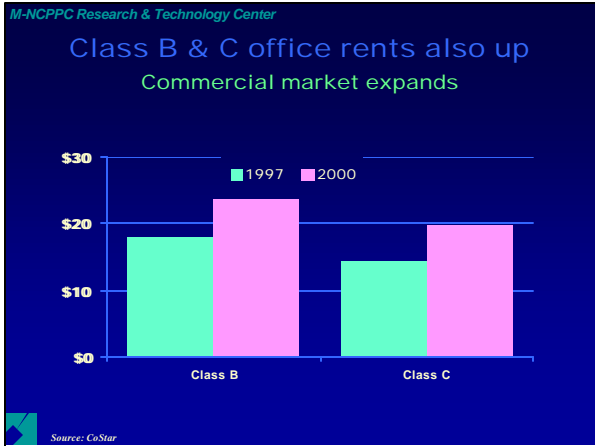
The real estate market cycle

Montgomery County's previous cycle was 17 years long



Class A office rents up in all markets Commercial market expands





M-NCPPC Research & Technology Center

Economic Forces That Shape Montgomery County Labor Force Profile

Economic Forces That Shape Montgomery County

Labor Force Profile

Jobs/labor gap continues

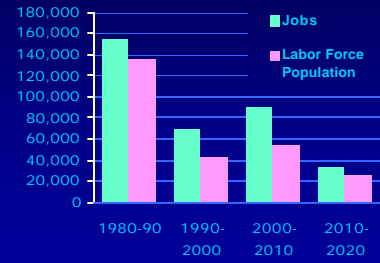
Mature workers increase

Gap mitigated by immigrants



Jobs/labor gap continues

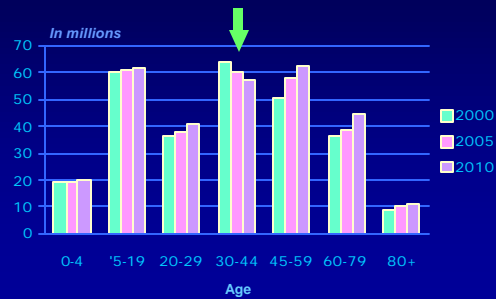
Labor force gains will likely fall short of job gains in the County



Source: M-NCPPC

Mature workers increase

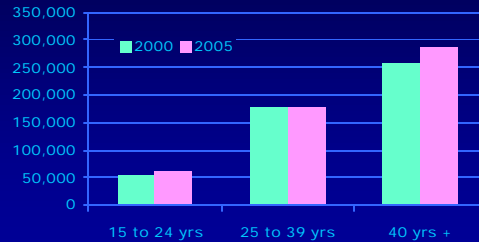
United States to lose population age 30-44



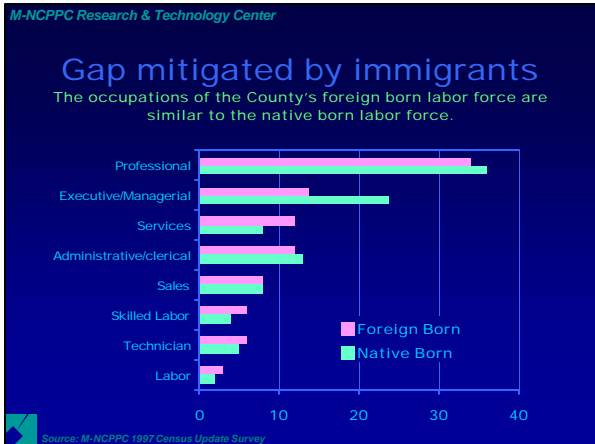
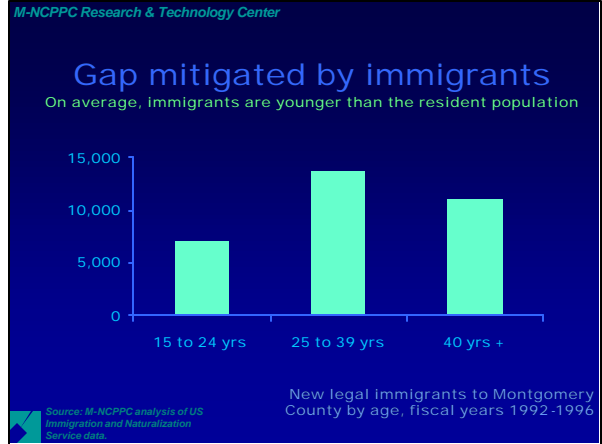
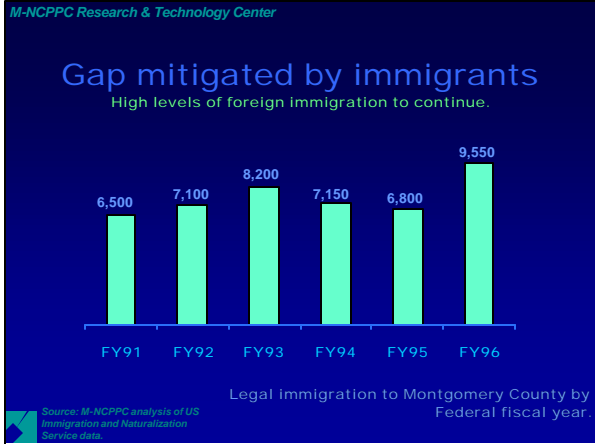
Source: US Bureau of the Census

Mature workers increase

Almost all of the increase in the County's labor force in the next 5 years will be in the group aged 40+.



Source: M-NCPPC



M-NCPPC Research & Technology Center

Economic Forces That Shape Montgomery County

Measuring Economic Well-Being

Economic Forces That Shape Montgomery County Measuring Economic Well-Being

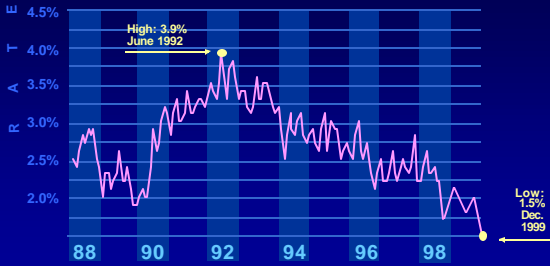
How are current trends affecting the economic well-being of County residents?

Economic Forces That Shape Montgomery County Measuring Well-Being

- Job-related
- Income-related
- Expenditure-related
- Economy-related

Jobless rate declines

Latest figure of 1.5% is new record low for decade.

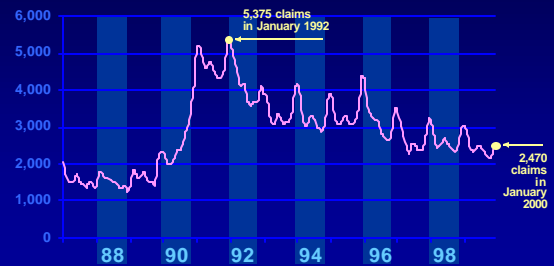


Source: MD DLR

There were 7,012 unemployed persons in the Montgomery County labor force in December 1999

Fewer unemployment claims

Total claims at Wheaton office now less than half of 1992 peak.



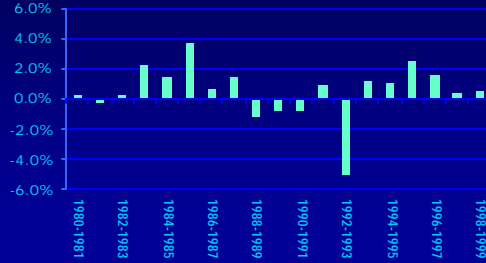
Source: Wheaton office DLR

Economic Forces That Shape Montgomery County Measuring Well-Being

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Real income growth

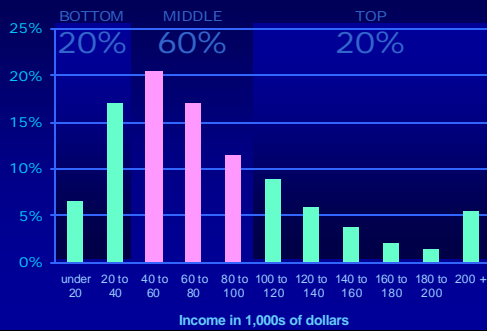
Real incomes have been growing since 1994, but growth has been slowing.



Source: Bureau of Labor Statistics, M-NCPPC

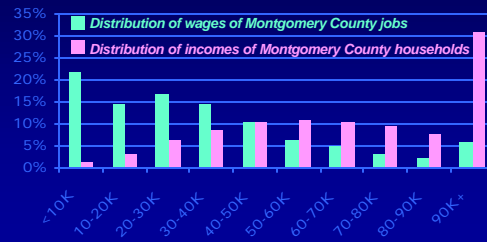
Most households earn \$40-100K

But 20 percent are struggling.



Wages & household income

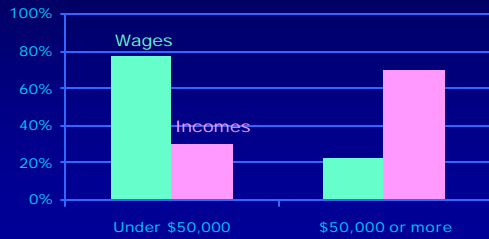
Household incomes higher than wages suggest.



Source: REBI and M-NCPPC. Estimates of 1997 wages and incomes.

Wages & household income

While 77% of jobs pay \$50K or less, just 30% of household incomes are \$50K or less.



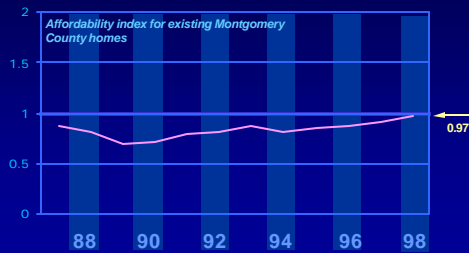
Source: BLS and M-NCPPC, Estimates of 1997 wages and incomes.

Economic Forces That Shape Montgomery County Measuring Well-Being

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Housing affordability improved

But higher interest rates and demand will reverse trend.

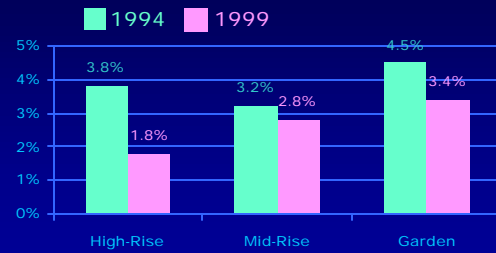


Source: M-NCPPC

The higher the score, the more affordable the housing is. A score of 1 means the monthly cost of buying a home equals 30% of gross income.

Vacancy rates declining

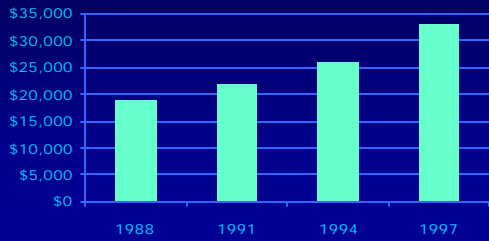
Improved economy makes finding an apartment a challenge.



Source: Office of Landlord-Tenant Affairs

Basic costs rise above \$30K

Income needed for four person household to met minimum standard of need in Montgomery County above \$33,000 in 1997.



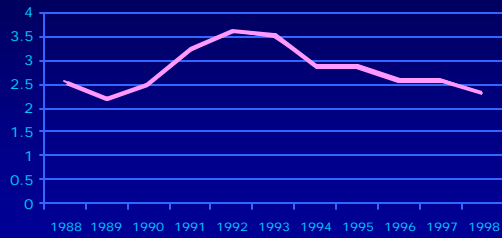
Source: Dept. of Health and Human Services; M-NCPPC.

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Unemployment Rate

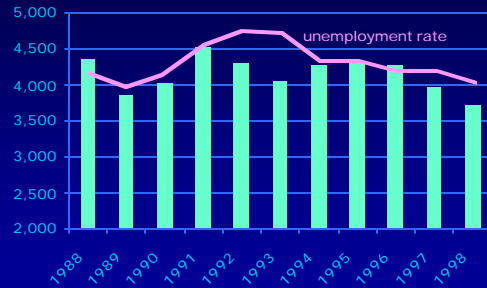
Used as a proxy for economic performance.



Annual average. Source: BLS.

Crime rate - all types

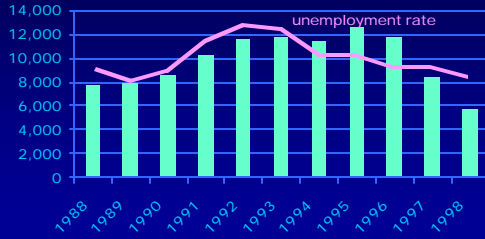
The property crime rate decline began in 1997.



Source: Maryland State Police Central Records, Uniform Crime Reports.

Temporary cash assistance

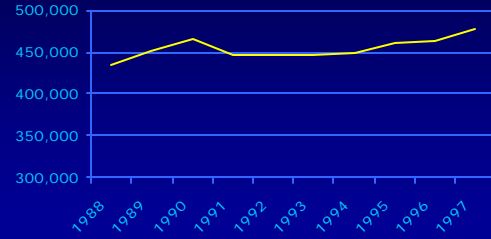
The number of temporary cash assistance cases is roughly correlated to the unemployment rate.



Source: Maryland Dept. of Human Resources

Jobs

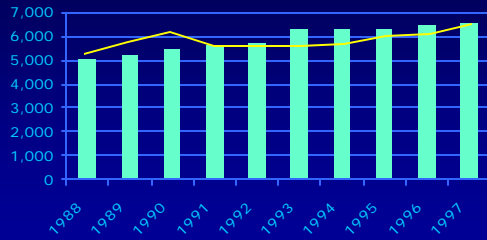
Used as a proxy for economic performance.



Source: Maryland Dept. of Human Resources

Vehicle Miles of Travel

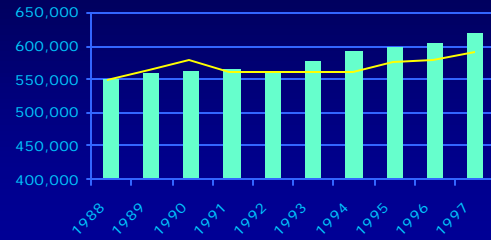
Use of the County's roadways increases as economic conditions improve.



Source: Maryland Dept. of Motor Vehicles, in millions.

Motor vehicle registrations

The number of vehicles registered in Montgomery County is correlated to economic conditions.



Source: Maryland Dept. of Motor Vehicles