



R&SP Briefing: Quarterly Economic Indicators

 Corinne Blackford, Planner Coordinator, Research & Special Projects,
corinne.blackford@montgomeryplanning.org, 301-650-5618

 Caroline McCarthy, Chief, Research & Special Projects,
caroline.mccarthy@montgomeryplanning.org, 301-495-4506

Completed: 10/09/2019

The Research and Special Projects (R&SP) has partnered with the Montgomery County Economic Development Corporation (MCEDC) to publish a quarterly report, the "Economic Indicators Briefing." The purpose of the report is to provide regular updates on key economic indicators, including labor force, employment, real estate, and capital investment data. Each edition also examines industry-specific information and trends of interest. To date, four editions of the report have been published, the most recent two of which are attached.

R&SP and MCEDC staff will discuss key findings from the most recent reports and solicit feedback from the Planning Board on potential future topics to cover in the report.

Attachments

1. Issue #3: "2019 Q1 Montgomery County Economic Indicators Briefing," released June 2019
2. Issue #4: "2019 Q2 Montgomery County Economic Indicators Briefing" released September 2019

CM/CB



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2019 | Q1



ECONOMIC INDICATORS BRIEFING 2019 Q1

This is the third edition of the quarterly joint publication between Montgomery Planning and the Montgomery County Economic Development Corporation. Each edition will report certain indicators like resident labor force, employment, and commercial real estate information. Additionally, each edition will examine indicators associated with specific industries. This 2019 Q1 edition features new information relating to the County's tech industry and a quick look at Opportunity Zones.

EMPLOYMENT

RESIDENT LABOR FORCE¹

	Mar 2019	Mar Year over Year Change (YOY)
Labor Force	554,773	-1,105
Unemployment Rate	3.2%	-0.1%

EMPLOYMENT IN MONTGOMERY COUNTY²

	Q4 2018*	Q4 YOY*
Employment	475,351	+1,645
Establishments	32,882	-196

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE³

	Q1 2019	Q1 Year over Year Change (YOY)
Gross rent per sq. ft.	\$29.43	+\$0.62
Vacancy	11.9%	-0.5%

RETAIL³

	Q1 2019	Q1 YOY Change
Triple Net Rent per sq. ft.	\$31.21	+\$0.36
Vacancy	3.6%	-0.1%

HOME SALES UPDATE⁴

	Mar 2019	Mar YOY Change
Median Sales Price	\$435,000	-\$2,000

MULTI-FAMILY RENTALS⁵

	Q1 2019	Q1 YOY Change
Effective Gross Rent per Unit	\$1,758	+\$43
Vacancy	5.6%	-0.6%

BUILDING PERMITS ISSUED⁵

	Q1 2019	Q1 YOY Change
Residential Unit Permits Issued	1,190	+543
Commercial Bldg. Permits Issued	9	-10
Commercial Bldg. Permits sq. ft.	3,723	-34,292

Venture Capital Deals in Q1 2019

Montgomery County companies raised less in the first quarter of 2019 than 2018. This is partially a result of Viela Bio's venture capital (VC) deal, one of the County's largest deals in recent history, which happened in Q1 of 2018. In 2019, BioHealth has not been the leading industry in amount of VC capital raised. The 4 deals in BioHealth cumulatively raised less than \$2 M in VC, placing it outside of the top 3 industries for amount of capital raised.

INVESTMENT

VENTURE CAPITAL ACTIVITY IN Q1 OF 2019⁶

Primary Industry Code	Capital Invested in Millions	Deals
Other Healthcare	\$56.15	1
Health Tech	\$9.99	1
E-Commerce	\$8.28	1
Cybersecurity	\$4.30	2
Other	\$3.38	5
BioHealth	\$1.87	4
All Industries	\$83.97	14

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 MRIS

5 Dept. of Permitting Services, as obtained by Montgomery Planning

6 Pitchbook Data, Inc, May 13, 2019

ECONOMIC INDICATORS BRIEFING 2019 Q1

TECH IN MONTGOMERY COUNTY

What is Tech?

Tech is a term widely used in a variety of contexts to describe a large swath of companies, industries, and professions. Montgomery Planning and MCEDC used Hecker's 2005⁷ definition of tech which includes a set of NAICS⁸ codes based on criteria including, but not limited to:

- A high proportion of scientists, engineers, and technicians,
- The production of high tech products and
- The use of high-tech production methods

TECH SECTORS WITH HIGHER THAN AVERAGE CONCENTRATIONS IN MONTGOMERY COUNTY

	Employment 2018 ²	Location Quotient ⁹
Computer Systems Design and Related Services (NAICS 5415)	19,082	2.72
Communications Equipment Manufacturing (NAICS 3342)	2,520	8.9
Satellite Telecommunications (NAICS 5174)	153	5.48

What are the some of the tech sectors in the County?

Arguably, the most well-known tech sectors in Montgomery County are those within BioHealth. But beyond BioHealth, there are several tech sectors with higher than average concentration of firms in the County.

One of the largest tech sectors in the County is Computer Systems Design and Related Services (NAICS 5414). These companies are engaged in many activities including writing, modifying, testing, and supporting software; planning and designing computer systems that integrate computer hardware, software, and communication technologies; and on-site management and

operation of clients' computer systems and/or data processing facilities. Leidos is an example of one of the largest firms in this industry in the County.

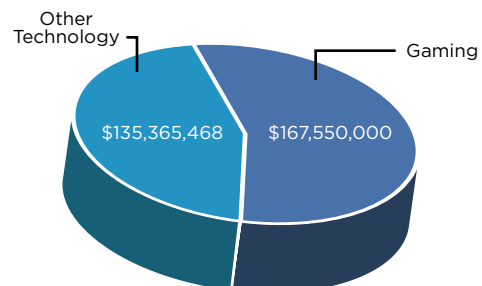
The tech sector with the highest location quotient in Montgomery County is Communications Equipment Manufacturing (NAICS 3342) which is in the County. Its location quotient of 8.9 means that this industry has 8.9 times more employment than national averages would predict. This industry is engaged in manufacturing wire telephone and data communications equipment, radio and television broadcast and wireless communications equipment, and all other communications equipment. The County's largest firm in this industry is Hughes Network Systems, headquartered in Germantown, with over 1,000 employees.

Satellite Telecommunications also has a strong location quotient in the County. This industry is primarily engaged in providing point-to-point telecommunications services to other establishments in the telecommunications and broadcasting industries by forwarding and receiving communications signals via a system of satellites or reselling satellite telecommunications. There are several smaller firms that operate in the County in this industry.

Spotlight: Gaming Venture Capital in Rockville

Within tech in Montgomery County, Rockville is emerging as the regional hub for gaming. Since 2010, more than 50% of venture capital raised by tech companies in Rockville has been by gaming companies. According to JLL, only 5 of the world's 30 largest gaming companies are headquartered on the east coast of the US—two in New York City (Rockstar Games and Take-Two Interactive Software), one in Cary, North Carolina (Epic Games), and two in Rockville, Maryland (Zenimax

TECHNOLOGY VC FUNDING IN ROCKVILLE SINCE 2010¹⁰



7 Daniel Hecker, a Bureau of Labor Statistics economist, wrote High-Technology Employment: a NAICS Based Update, which is often used when discussing how to define the tech sector
8 The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies for classifying businesses
9 US Bureau of Labor Statistics, Quarterly Census of Employment and Wages
10 JLL Research

ECONOMIC INDICATORS BRIEFING 2019 Q1

Media and Bethesda Game Studios).

OPPORTUNITY ZONES

What are Opportunity Zones?

Opportunity Zones (OZ) are designed to spur economic development by providing tax benefits to investors. OZs are part of a federal tax code that allow investors to roll capital gains into Opportunity Funds (OF) that invest in businesses, equipment, and real property in select census tracts.

What are the benefits of Opportunity Zones?

For investors, the three main benefits are **deferral, relief, and exclusion on their capital gains taxes**. When an investor puts capital gains into an OF, federal capital gains taxes are deferred until the funds are removed from the OF. If the gains stay in the fund for 5 years, 10% of their original basis can be excluded from taxation. After 2 more years, an additional 5% of the original basis can be excluded. Once the gains have been in a fund for 10 years, new earnings in the OF beyond the original basis could be excluded from taxation as well.

OFs can be a vehicle to help support businesses and property investment in select communities. Though this new tax code is in its infancy, there is immense potential for OFs to support development of transit-oriented low- and moderate-income housing and other real estate development. Additionally, OFs can promote diversity by investing in a variety of startups and small businesses.

Where are Montgomery County's Opportunity Zones?

Montgomery County has **14 census tracts designated** as Opportunity Zones. These tracts are located in downtown Silver Spring, Long Branch, Takoma Park, White Oak, Wheaton, Rockville, Gaithersburg, Montgomery Village and Germantown.

What has happened in Montgomery County's Opportunity Zones?

In the first quarter of 2019, CoStar reported over \$140 Million in real estate sales in Montgomery County, which are detailed by community and asset class in the tables in the next column.

Currently, there is no comprehensive resource that has a list of OFs or OZ deals. Databases like CoStar and Pitchbook can provide information on investments that happen in geographies, though there is no information on whether OFs were involved in these deals. There is currently movement at

the federal and state level to implement reporting requirements, though it is unclear what this could look like in the future.

Where can I learn more?

Visit MCEDC's Opportunity Zone resource page at thinkmoco.com/opportunityzones for more information about communities. This page is dynamic and updated on an ongoing basis. For tax or legal advice relating to Opportunity Zones, please speak with a licensed accountant or tax attorney.

REAL ESTATE SALES INSIDE OPPORTUNITY ZONES BY COMMUNITY¹¹

	Q1 2019
Gaithersburg	\$1,539,000
Rockville	\$9,415,000
Silver Spring/Long Branch/Takoma Park	\$30,781,846
Wheaton	\$12,700,000
White Oak	\$86,750,000

REAL ESTATE SALES INSIDE OPPORTUNITY ZONES BY ASSET CLASS¹¹

	Q1 2019
General Retail	\$10,377,761
Land	\$1,122,239
Multi-Family	\$87,944,000
Office	\$34,991,846
Other	\$6,750,000

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.

¹¹ CoStar



Montgomery
Planning

montgomeryplanning.org



MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT
CORPORATION MARYLAND

thinkmoco.com

Questions? Email Brandon Bedford (brandon@thinkmoco.com) or
Corinne Blackford (corinne.blackford@montgomeryplanning.org)



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2019 | Q2



ECONOMIC INDICATORS BRIEFING 2019 Q2

This is the fourth 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. This 2019 Q2 edition features new information relating to Montgomery County's hospitality industry with a focus on the emerging hospitality tech sector and Thrive 2050, the county's General Plan update.

EMPLOYMENT

RESIDENT LABOR FORCE¹

	June 2019	June 2019 Year over Year Change (YOY)
Labor Force	567,296	+7,774
Unemployment Rate	3.3%	-0.3%

EMPLOYMENT IN MONTGOMERY COUNTY²

	Q1 2019*	Q1 YOY Change
Employment	467,603	+668
Establishments	32,913	-54

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE³

	Q2 2019	Q2 Year over Year Change (YOY)
Gross rent per sq. ft.	\$30.44	+0.45
Vacancy	12.3%	+0.3%

RETAIL³

	Q2 2019	Q2 YOY Change
Triple Net Rent per sq. ft.	\$30.84	+0.15
Vacancy	3.8%	+0.2%

HOME SALES UPDATE⁴

	Jun. 2019	Jun. YOY Change
Median Sales Price	488,000	+\$10,000

MULTI-FAMILY RENTALS³

	Q2 2019	Q2 YOY Change
Effective Gross Rent per Unit	\$1,752	+\$54
Vacancy	5.2%	-0.6%

BUILDING PERMITS ISSUED⁵

	Q2 2019	Q2 YOY Change
Residential Unit Permits Issued	962	+510
Commercial Bldg. Permits Issued	41	20
Commercial Bldg. Permits sq. ft.	2,146,026	+1,556,755

Venture Capital Deals in First Two Quarters of 2019

Montgomery County companies raised less money in the first half of 2019 than in the first half of 2018. This decrease is largely due to the Viela Bio venture capital (VC) deal in March 2018, one of the county's largest deals in recent history. In 2019, BioHealth picked up the pace in Q2, especially with Sirnaomic's \$22 million deal in April. Other industries are gaining momentum as well, including hospitality tech, of which one company raised nearly as much as the entire worth of the cybersecurity sector.

INVESTMENT

VENTURE CAPITAL ACTIVITY IN Q1 OF 2019⁶

Primary Industry Code	Capital Invested (in Millions)	Deals
BioHealth	101.04	9
Cybersecurity	4.3	4
Health Tech	25.83	8
Other Healthcare	56.3	2
Hospitality Tech	4	1
Other Industries, Including Other Tech Companies	44.3	9
Total	235.79	34

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

5 Dept. of Permitting Services as obtained by Montgomery Planning

6 Pitchbook Data, Inc, August 15, 2019

ECONOMIC INDICATORS BRIEFING 2019 Q2

HOSPITALITY INDUSTRY IN MONTGOMERY COUNTY

Montgomery County's hospitality industry is distinctive from many other communities. While the county has hotels, caterers, and restaurants like most communities, there is a big differentiator: it is home to some of the world's largest hospitality headquarters, hotel managers, real estate investment trusts and an emerging hospitality tech sector.

Hospitality Headquarters

Marriott International, the world's largest hotel company, has been headquartered in the Montgomery County for more than 60 years and is constructing a new \$600 million headquarters in downtown Bethesda. Choice Hotels, one of the world's largest hotel franchisers, has also been headquartered in the county for more than 70 years. Sodexo, a French food services and facilities management company, has its North American headquarters in Gaithersburg.

Hospitality Tech

Hospitality tech refers to companies focused on industry-specific digital solutions in the hospitality industry, an emerging field that takes different forms. Some companies, like WeddingWire, a subsidiary of The Knot Worldwide, are consumer based. Others, like Kalibri Labs, Qu, StayNTouch, and myDigitalOffice, are focused on internal business solutions and they **raised more than \$40 million in venture capital since 2016.**

Hospitality Management

Hospitality management companies often oversee the day-to-day operations at individual hotels. Several of the largest in the industry are headquartered in Montgomery County including PM Hotels, Capitol Hotel Group, BF Saul Company's Hospitality Group, and Hospitality Partners.

REITs

Real estate investment trusts (REITs) are companies that own, operate, or finance income producing real estate. REITs are a key component of the hospitality industry, especially to finance the development of hotels. Host Hotels & Resorts, the world's largest REIT, is headquartered in Bethesda. Other major REITs headquartered in the county include RLJ Lodging Trust, Diamond Rock, and Pebblebrook Trust.

Tracking the County's Hospitality Industry

Montgomery County's hospitality industry is not easy to track. The set of NAICS codes for "Accommodation and Food Services" (NAICS 72) typically captures hotels and restaurants rather than the types of companies discussed in this briefing. While there is not a comprehensive set of NAICS codes to capture the county's hospitality industry, the table below highlights a few examples of NAICS codes that are common. Hospitality tech, like the tech sector generally, is captured across a wide range of NAICS codes. We are investigating ways to track the industry more formally.

EMPLOYMENT IN SELECT HOSPITALITY NAICS CODES

NAICS Code	Definition	Employment (2018)	Example Companies
5511	Management of Companies and Enterprises	7,400	Marriott International, Choice Hotels, Sodexo
53112	Lessors of Nonresidential Property	1,166	Host Hotels & Resorts, RLJ Lodging Trust
5611	Office Administrative Services	2,555	PM Hotels, Capitol Hotel Group

Company Spotlight: myDigitalOffice

myDigitalOffice is a Bethesda-based hospitality tech company that closed on a \$4 million Series A VC deal this summer. Its products collect hotel data scattered across multiple systems into a central, interactive dashboard that helps clients improve productivity and save thousands on paper. Ali Moloo, the company's current CEO, founded myDigitalOffice in 2015 in Toronto. He relocated to Seattle shortly afterward and knew the location wasn't quite right either. After conducting a nationwide search, he moved the business to Bethesda in 2018. Home to some of the world's largest hotel brands, hoteliers, and REITs, Bethesda offered immense opportunities for growth, a high quality of life and excellent schools for his family. When asked if moving to Bethesda was the right decision, Moloo points out how much easier meeting Marriott International and signing them as a client were than if he had remained in Toronto or Seattle. Visit mydigitaloffice.com to learn more about their products for the hospitality industry.

ECONOMIC INDICATORS BRIEFING 2019 Q2



THRIVE MONTGOMERY 2050

Thrive Montgomery 2050 is Montgomery Planning's initiative to update Montgomery County's General Plan. The General Plan is the long-term policy document that informs the shape and character of every neighborhood, the types of community facilities and amenities that serve residents and businesses, and the ways we travel throughout the county. It is continually revised with amendments and smaller subject or geographically specific plans. An overall update to the General Plan like Thrive 2050, however, only happens once every few decades.

Montgomery Planning is collaborating with the public to create Thrive Montgomery 2050 and determine what's going to be different about the world in 30 years. In addition, the Thrive initiative offers the chance to question assumptions addressing:

- The evolving nature and impacts of technology on the economy and society.
- Societal shifts and changing lifestyle and demographic influences on employment, retail, transportation, education, housing, health, infrastructure, culture and recreation.
- Social equity and environmental resilience.



Thrive Week



Thrive Week: The Future Imagined

Visit ThriveMontgomery.com to learn more and find ways to participate in the process. Your insight will inform the plan that goes to the Planning Board in October 2020 and eventually to the County Council in spring 2021.

Events to Share Your Input on Thrive 2050

- **Sunday, September 15**—FutureFest noon to 5 p.m. at the Silver Spring Civic Building
- **Friday, September 20**—Park(ing) Day at Fenton Street and Ellsworth Drive in downtown Silver Spring from 9 a.m. to 3:30 p.m.
- **Friday, September 20 through Friday, September 27**—[Long Branch Festival Week](#), at Flower Avenue Urban Park and the shopping center across the street
- **Saturday, September 21**—Poolesville Day Festival, from 10 a.m. to 4 p.m. in Whalen Commons Park
- **Saturday, September 21**—Montgomery Hills Street Festival, from 3 p.m. to 7 p.m. on Georgia Avenue from Columbia Boulevard to Seminary Road
- **Sunday, September 22**—Wheaton Arts Parade and Festival, from 10 a.m. to 5 p.m. in Wheaton Veterans Urban Park
- **Saturday, October 5**—Taste of Bethesda, 11 a.m. to 4 p.m.
- **Saturday, October 5 and Sunday, October 6**—The Burtonsville Placemaking Festival, 4 p.m. to 9 p.m. on October 5 and 10 a.m. to 3 p.m. on October 6 at the Burtonsville Crossing Shopping Center

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.



Montgomery
Planning

montgomeryplanning.org



MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT
CORPORATION MARYLAND

thinkmoco.com

Questions? Email [Brandon Bedford](mailto:brandon@thinkmoco.com) (brandon@thinkmoco.com) or
[Corinne Blackford](mailto:corinne.blackford@montgomeryplanning.org) (corinne.blackford@montgomeryplanning.org)