MONTGOMERY COUNTY
ECONOMIC INDICATORS BRIEFING

2021 | Q1 & Q2

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ECONOMIC INDICATORS BRIEFING 2021 Q1 & Q2

This is the ninth 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. This briefing examines trends observed in Q1 and Q2 2021, the first two quarters after the most economically tumultuous year in a generation.

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 FORCE[1]

	Mar. 2021	Change from Mar. 2020	Change from Mar. 2019	Change from May 2020 (peak unemployment)
Labor Force	536,785	-30,267	-24,577	-4,947
Employment	505,978	-43,483	-38,691	+10,390
Unemployment	30,807	+13,216	+14,114	-15,877
Unemployment Rate	5.7%	+2.6%	+2.7%	-2.9%

	Jun. 2021*	Change from Jun. 2020	Change from Jun. 2019	Change from May 2020 (peak unemployment)
Labor Force	547,524	-12,753	-28,021	+5,792
Employment	512,339	-560	-44,934	+17,291
Unemployment	35,185	-12,193	+16,913	-11,499
Unemployment Rate	6.4%	-2.1%	+3.2%	-2.2%

*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, after BLS' revisions of 2020 data in April 2021, was in May 2020 at 8.7%. For the remainder of 2020, the unemployment rate remained above 6% according to BLS' revisions of 2020 data. Though 2021 is showing recovery with unemployment below 6%, this level of unemployment is still comparable to the worst of the recession in 2010. This slow recovery is comparable to national trends.

Labor force participation has declined both nationally and in Montgomery County. Though local labor force participation estimates can be prone to error[†], the decline aligns with national trends. The U.S. Bureau of Labor Statistics has found that nationally, women and women of color are disproportionately leaving the labor force. According to data from the Federal Reserve Bank of St Louis, women's labor force participation rate is currently the lowest it has been since 1988, as seen in the graph below. About 2.9 million women left the labor force from Q1 to Q2 in 2020. By Q1 2021, only 1 million women had returned to the labor force.

When examining this national trend by race, Black and Hispanic/Latina women are showing larger year over year declines in labor force participation than other race and gender groups. Though labor force participation for Black men declined significantly, 2021 Q1 data indicates some recovery. This trend is likely occurring because Black and Hispanic/Latina women are overrepresented in low wage occupations that experienced significant job losses in 2020 Q2. Since labor force participation data includes full-time and part-time jobs, some of these losses could be attributed to decreased participation in part-time work. Additionally, people who participate in the "gig" economy (e.g., Uber, DoorDash) but do not have a payroll job are not counted as part of the labor force. This phenomenon is part of the reason that labor force participation for women has declined so much since 2010.

1   US Bureau of Labor Statistics, Local Area Unemployment Data

†   Local labor force participation data is not captured in its own calculation. Rather, employment and unemployment at the local level are calculated through separate work streams (e.g., surveys, imputation). Workforce is then tabulated at the end by adding employment and unemployment. Recognizing the unprecedented job loss in April 2020, it is possible that unemployment was underestimated or job loss was underestimated. A decline in one number without an increase in the other or a drop in both numbers would result in a decline in labor force. Though economists agree labor force participation has dropped significantly, BLS analysts have acknowledged that April 2020 numbers at the county-level could be distorted due to such extreme change in a short amount of time.
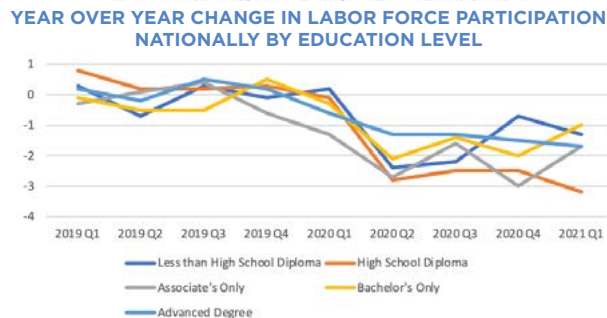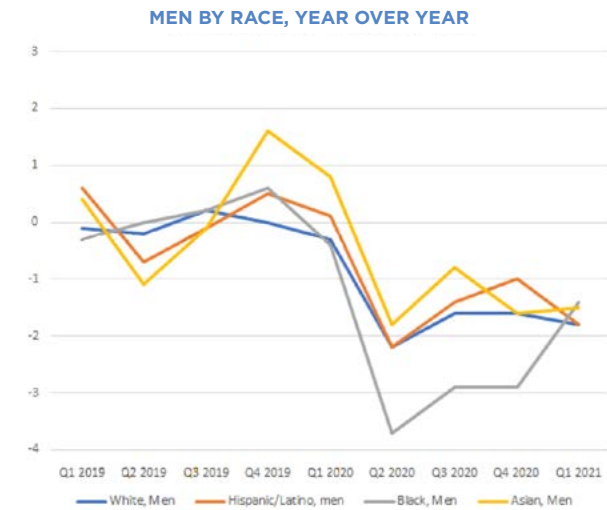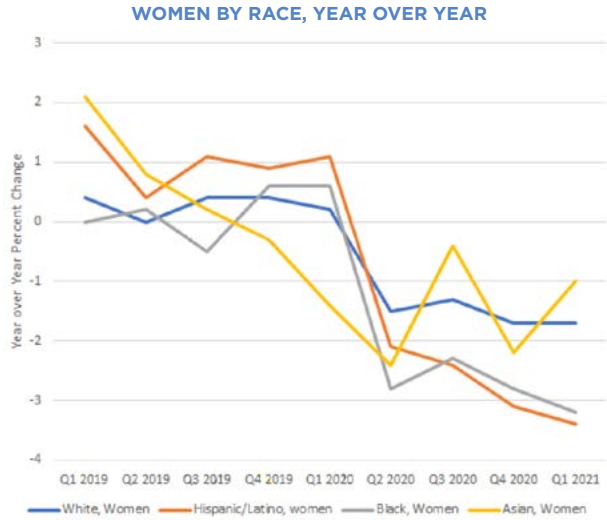
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Source: US Bureau of Labor Statistics   myf.red/g/E1gp

WOMEN BY RACE, YEAR OVER YEAR

National labor force participation rates by education further indicate that predominately lower wage workers are exiting the labor force. The graph of change in labor force participation by education level shows that while all groups saw declines in labor force participation, the decline in participation for workers with only a high school diploma was the most rapid. Rates for workers with Associate's degrees and less than a high school diploma appear to have rebounded by 2021 Q1 after steep initial declines.

In addition to declining labor force participation, unemployment continues to be more persistent in low wage industries and occupations. Below are charts showing the occupation groups in Montgomery County with the highest and lowest unemployment rates in 2021 Q2 from JobsEQ, a labor analytics software. The average annual wage for all jobs in Montgomery County in 2020 was $72,500. 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. Though government workers are excluded from the tables below, federal contract dollars help sustain many high-wage jobs in the county and our region.

MEN BY RACE, YEAR OVER YEAR

YEAR OVER YEAR CHANGE IN LABOR FORCE PARTICIPATION NATIONALLY BY EDUCATION LEVEL

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HIGHEST UNEMPLOYMENT RATE OCCUPATIONS IN MONTGOMERY COUNTY IN 2021 Q1[2]

Occupation Group	Standard Occupational Classification (SOC) Code	Unemployment in 2021 Q1	Unemployment Rate in 2021 Q1	Annual Mean Wage in 2020
Other Food Preparation and Serving Related Workers	39-9000	974	25.4%	$28,700
Food and Beverage Serving Workers	35-3000	2,913	18.0%	$30,700
Entertainment and Performers, Sports and Related Workers	27-2000	539	17.2%	$66,500
Other Personal Care and Service Workers	39-9000	1,197	15.5%	$34,900
Cooks and Food Preparation Workers	35-2000	1,315	15.3%	$30,900

LOWEST UNEMPLOYMENT RATE OCCUPATIONS IN MONTGOMERY COUNTY IN 2020 Q4[2]

Occupation Group	Standard Occupational Classification (SOC) Code	Unemployment in 2021 Q1	Unemployment Rate in 2021 Q1	Annual Mean Wage in 2020
Lawyers, Judges, and Related Workers	23-1000	90	1.0%	$174,300
Religious Workers	21-2000	29	1.6%	$57,600
Mathematical Science Occupations	15-2000	57	1.8%	$111,900
Architects, Surveyors, and Cartographers	17-1000	27	2.4%	$86,000
Engineers	17-2000	243	2.7%	$122,000

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

JOBS IN MONTGOMERY & FREDERICK COUNTIES[3]

	Q1		Q2	
	Mar. 2021	Mar. 2021 YOY	Jun. 2021	Jun. 2021 YOY
Overall Wage and Salary Jobs	560,300	-32,300	572,000	+34,400
Private Sector Wage and Salary Jobs	449,700	-31,700	462,300	+31,800

*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 D.C. region, there are four metropolitan subdivisions: Washington, D.C.; Montgomery/Frederick, MD; Prince George's/Charles/Calvert, MD; and Northern Virginia (includes nine counties and six cities). County-level data for 2021 Q1 will not be available until later this year.

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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   U.S. Bureau of Labor Statistics, Current Employment Statistics

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JOBS BY INDUSTRY IN MONTGOMERY & FREDERICK COUNTIES[4]

Employment in Select Industries	Q1			Q2		
	Mar. 2021	Mar. 2021 YOY	Percent Change Mar. 2021 YOY	Jun. 2021	Jun. 2021 YOY	Percent Change Jun. 2021 YOY
Professional, Scientific, and Technical Services	88,400	+5,100	+6.1%	87,700	+5,200	+5.9%
Healthcare and Social Assistance	74,500	-7,000	-8.6%	76,100	+3,900	+5.1%
Retail	54,500	-1,100	-2.0%	56,100	+8,400	+15.0%
Accommodation and Food Services	31,800	-12,300	-27.9%	36,200	+6,600	+18.2%
Business Services	37,400	-2,000	-5.1%	38,100	+2,100	+5.5%

VENTURE CAPITAL
Investment

Venture capital investment in Montgomery County companies in the first two quarters of 2021 has surpassed venture capital investment in any year prior—already at more than $725M. As investor preferences are shifting toward larger deals in existing portfolio companies and increasing openness to investing in regulated industries (e.g., life sciences), companies have raised more money in the first half of 2021 than the annual total in the past nine or more years. Though these preferences have been trending up since 2019, it is unclear how long they will last given how quickly markets can change.

MONTGOMERY COUNTY VENTURE CAPITAL RAISED AND DEALS SINCE 2012

Source: PitchBook Data, Inc.
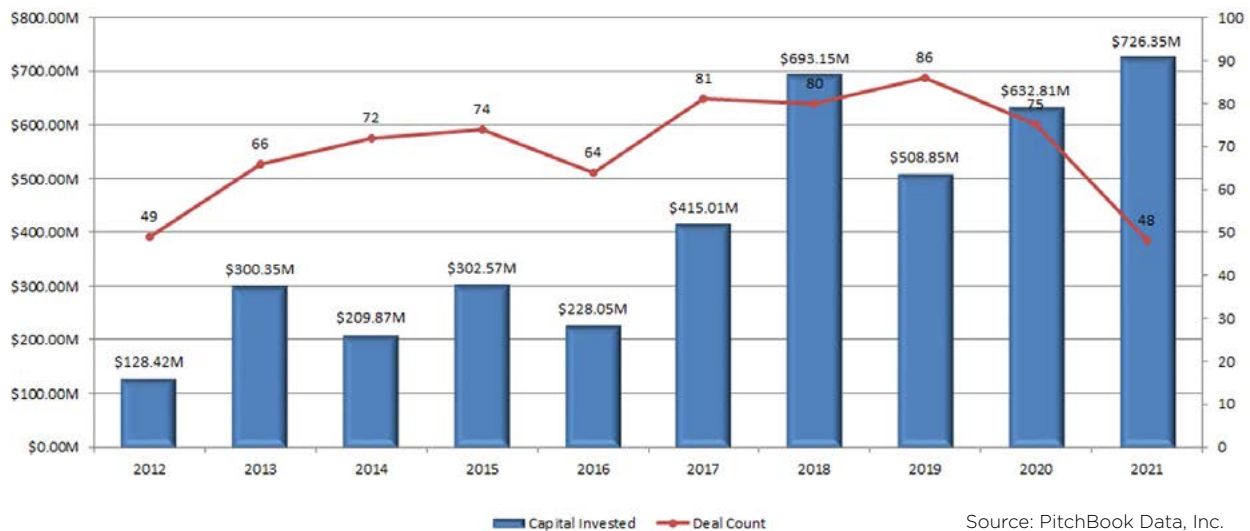
The unprecedented capital invested is largely driven by the life science industry and adjacent sectors (e.g., health tech, managed care). The five largest deals in the county account for about 56% of capital invested.

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4 U.S. Bureau of Labor Statistics, Current Employment Statistics

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LARGEST VENTURE CAPITAL DEALS IN 2021 Q1 & Q2 IN MOCO[5]

Company	Deal Date	Deal Size (Millions)	Industry
Arcellx	04/09/2021	$115.00	Life Sciences
Aledade	01/19/2021	$100.00	HealthTech, Manage Care, and Other Health
Valenzabio	04/09/2021	$79.37	Life Sciences
Immunomic Therapeutics	01/14/2021	$77.73	Life Sciences
Truebill	06/01/2021	$45.00	Tech

Though life sciences and adjacent industries account for the bulk of capital invested, half of deals in the county were in other industries, as seen in the table below.

VENTURE CAPITAL ACTIVITY IN MOCO IN 2021 Q1 & Q2 BY INDUSTRY[5]

Industry	Total Capital Invested (Millions)	Number of Deals
Life Sciences	$464.52	19
HealthTech, Manage Care, and Other Health	$125.36	5
Educational Software	$27.00	1
Quantum & Cybersecurity	$36.13	3
Other Industries	$68.66	17
Hospitality, Food, and Restaurants	$4.86	3
Grand Total	$726.35	48

VC investment outside of life sciences and adjacent industries reached an all-time high in 2020. Though it is too early to tell if 2021 will be a record breaking year for companies beyond life sciences and adjacent industries, there are several large deals of note, including:

- **Truebill** in Silver Spring, finance tech platform to manage personal finances, $45 million
- **Amplio Technologies** in Rockville, education software for speech therapy, $27 million
- **Quantum Xchange** in Bethesda, quantum encryption developer, $23.5 million
- **Picnic Score** in Bethesda, cyber security company focused on social engineering attacks, $12.5 million

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE[6]

	2021 Q1	2021 Q1 YOY	2021 Q2	2021 Q2 YOY
Gross Rent per sq. ft.	$30.28	+$0.26	$30.25	+$0.24
Vacancy	14.8%	+2.4%	15.3%	+2.8%
Availabillity Rate	18.1%	+2.6%	18.6%	+2.5%

Montgomery County and the Washington region continue to experience increasing office vacancy rates. Though not as high as observed in other parts of the country, CoStar indicates that vacancy rates in Montgomery County have surpassed 14.0%, making this the highest vacancy rate since CoStar started keeping records in 1993. The availability rate, the vacancy rate plus occupied space available to lease, has reached an all-time high as well. In addition to high availability rate, increasing vacancy could also be worsened by increasing office inventory in the county. Over 1.2 million square feet of office space was delivered to the market between 2020 Q1 and 2021 Q1.

5 Pitchbook
6 CoStar reports pulled by MCEDC

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Additionally, there was over 1.4 million square feet of additional office space under construction or proposed in 2021 Q1. Since these new offices are mostly Class A in Bethesda, average office rent in the county has increased slightly year over year despite lower demand.

RETAIL[7]

	2021 Q1	2021 Q1 YOY	2021 Q2	2021 Q2 YOY
Triple Net Rent per sq. ft.	$30.33	-$0.38	$30.39	-$0.72
Vacancy	4.9%	+1.1%	5.1%	+1.1%
Availabillity Rate	6.7%	+1.2%	5.9%	+0.1%

Retail vacancies have begun to increase more in 2021 than in 2020. CoStar projects vacancy rates will continue to rise through 2022 and remain above 5% for the foreseeable future. In contrast to office, only 18,000 square feet of retail was added to the county between 2020 Q1 and 2021 Q1. With nearly 37 million square feet of retail in the county, the new space doesn't significantly contribute to the vacancy rate. As a result of increasing vacancy, prices remain below $30.50, similar to triple net rents in 2017.

MULTI-FAMILY RENTALS[7]

	2021 Q1	2021 Q1 YOY	2021 Q2	2021 Q2 YOY
Effective Gross Rent per unit	$1,713	-$36	$1,802	+$75
Vacancy	6.4%	+0.9%	5.7%	+0.3%

In the first quarter of 2021, multifamily rents had decreased to 2018 rates and vacancies were the highest they have been since 2016. This changed in the second quarter when effective gross rent per unit jumped above $1,800 per month. This could reflect increased demand for suburban rentals as a large portion of the region's workforce has been working for over one year. Rent per square foot tends to be lower outside the beltway than in D.C. and other communities inside the beltway. The I-270 corridor in particular could be attractive to urban renters seeking more square footage, as it has several walkable communities with multifamily rentals. It is unclear at this time if this sudden increase in rent is temporary or a new normal.

HOME SALES UPDATE[8]

	Mar. 2021	Mar. 2021 YOY	Jun. 2021	Jun. 2021 YOY
Median Sold Price	$502,250	+$8.0%	$555,000	+13.5%
Closed Home Sales	1,103	+12.6%	1,706	+51.5%
Active Listings	867	-39.1%	1,218	-14.5%
Average Sold Price to Listing Price Ratio	102.2%	+3.2%	103.5%	+4.7%

Please note these numbers are for all housing types, as Greater Capital Area Association of Realtors (GCAAR) no longer reports data by structure type.

7 CoStar reports pulled by MCEDC
8 GCAAR Monthly Market Reports

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This edition of the quarterly indicators briefing introduces new home sales indicators in addition to median sold price. As consumer preferences nationally shifted toward having more square footage and space, suburban communities like Montgomery County became top destinations for people looking to purchase a home. Anecdotally, many residents have observed how homes near them have had ten or more offers, selling significantly over asking with cash, etc. For this reason, the quarterly indicators briefing introduces some new indicators to better understand these trends:

- **Closed home sales:** This indicator shows the number of home sales that closed in March 2021 and June 2021. There were 12.6% more closings in March 2021 than March 2020; 51.5% more in June 2021 than June 2020. This indicates more sales activity in the first half of 2021 than the first half of 2020. A home closing in March is likely reflective of an offer being accepted in February or earlier since home closing often happen 30 to 45 days after an offer is accepted. June's particularly sharp increase reflects the market activity of Spring 2021 described anecdotally locally and nationally as hyper competitive.

- **Active listings:** This indicator shows the number of homes on the market for sale in March 2021 and June 2021. March 2021 had 39% fewer listings than March 2020. This is significant, especially considering new listings slowed down in March 2020 when COVID restrictions first began. If there is significant demand for homes but fewer available, this will push buyers to offer prices higher than the listing price.

- **Average Sales Price to Listing Price Ratio:** This indicator shows the ratio of the sold price to the listing price. A ratio of 100% means that the price the home sold for was the same as the listing price. In June 2021, homes in Montgomery County sold for an average of 103.5% of the listing price—or 3.5% over the listing price. If a home was listed at $500,000, 3.5% over asking would be $17,500.

BUILDING PERMITS ISSUED[9]

	Q1 2021	Q1 2021 YOY	Q2 2021	Q2 2021 YOY
Residential Unit Permits Issued	720	+397	791	+453
Commercial Building Permits Issued	35	+8	38	+25
Commercial Building Permits sq. ft.	94,783	-690,205	54,826	-4,453

Building permits in the first two quarters show big gains in residential units, especially in multifamily. The largest multifamily projects approved were Harwood Flats in North Bethesda with 335 units and Westside at Shady Grove with 185 units. Both are within walking distance of metro. There was also a modest increase in single family home permits. The number of commercial permits issued increased, which could indicate some business investment and recovery. Though the square footage decreased significantly, over 700,000 of the square footage in 2020 Q1 was in one project: Avocet Tower at 7373 Wisconsin Ave in Bethesda.

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9 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.

Questions? Email Bill Tompkins (bill@thinkmoco.com)
or Ben Kraft (benjamin.kraft@montgomeryplanning.org)

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