



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2019 | Q3



ECONOMIC INDICATORS BRIEFING 2019 Q3

This is the fifth 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 2019 Q3 edition features new information relating to job creation by new firms in Montgomery County's top industries and federal technology transfer in the County.

EMPLOYMENT

RESIDENT LABOR FORCE¹

	Sep 2019	Sep 2019 Year over Year Change (YOY)
Labor Force	566,858	+10,913
Unemployment Rate	2.8%	-0.2%

EMPLOYMENT IN MONTGOMERY COUNTY²

	Q2 2019*	Q2 YOY*
Employment	476,354	+1,593
Establishments	33,010	+18

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE³

	Q3 2019	Q3 Year over Year Change (YOY)
Gross rent per sq. ft.	\$29.70	+\$0.82
Vacancy	12.6%	+0.7%

RETAIL³

	Q3 2019	Q3 YOY Change
Triple Net Rent per sq. ft.	\$30.74	+\$0.08
Vacancy	3.3%	+0.0%

HOME SALES UPDATE⁴

	Sep 2019	Sep YOY Change
Median Sales Price	\$429,000	+\$9,000

MULTI-FAMILY RENTALS³

	Q3 2019	Q3 YOY Change
Effective Gross Rent per Unit	\$1,741	+\$63
Vacancy	4.8%	-0.7%

BUILDING PERMITS ISSUED FOR NEW CONSTRUCTION⁵

	Q3 2019	Q3 YOY Change
Residential Unit Permits Issued	291	-276
Commercial Bldg. Permits Issued	49	+34
Commercial Bldg. Permits sq. ft.	257,533	+223,728

Venture Capital in First Three Quarters of 2019

Xometry, a Gaithersburg-based advanced manufacturing company, raised \$55 million in venture capital. Xometry provides on-demand 3D printing services through its network of 3,000 manufacturers for clients including GE, BMW, and NASA. Other notable deals in Q3 include Terran Biosciences (Gaithersburg, BioHealth) raising \$9.4 million, InFuse Holdings (Bethesda, Healthcare) raising \$8.1 million, and Curbio (Potomac, Tech) raising \$7.1 million.

Montgomery County companies raised less money in the first three quarters of 2019 than in the first three quarters 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.

INVESTMENT

VENTURE CAPITAL ACTIVITY IN FIRST THREE QUARTERS OF 2019⁶

Primary Industry Code	Capital Invested (in Millions)	Deals
BioHealth	119.51	14
Cybersecurity	4.38	5
Health Tech	28.67	6
Other Healthcare	56.15	1
Hospitality Tech	4	1
Other Industries, Including Other Tech Companies	114.86	26
Total	327.57	53

1 US Bureau of Labor Statistics, Local Area Unemployment Statistics

2 US Bureau of Labor Statistics, Quarterly Census of Employment and Wages

3 CoStar

4 Greater Capital Area Association of Realtors

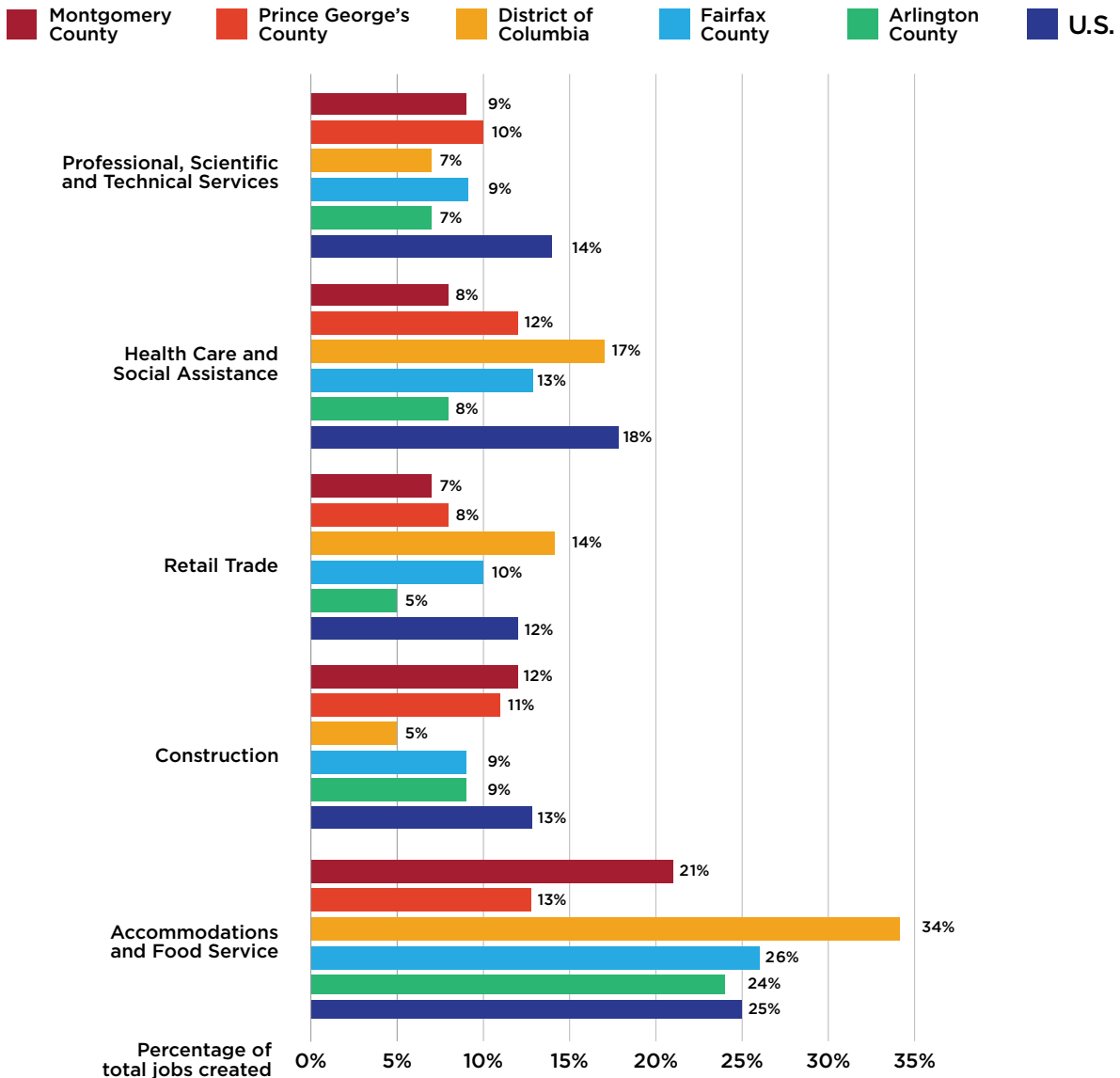
5 Dept. of Permitting Services, as obtained by Montgomery Planning

6 Pitchbook Data, Inc, November 14, 2019

* indicates preliminary data

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JOB CREATION BY NEW FIRMS IN 2017



New firms are defined as firms that are less than 2 years old
 Source: Quarterly Workforce Indicators (2017), U.S. Census Bureau

INNOVATION FUELS ECONOMIC GROWTH

Economic research puts innovation at the core of most economic growth models. New firms generate innovation and in turn economic growth through job creation. Using data from the U.S. Census Bureau’s Quarterly Workforce Indicators (QWI), **we examine the share of jobs created by new firms in Montgomery County’s Top 5 sectors in terms of the number of county jobs provided**—including Professional, Scientific and Technical Services; Healthcare and Social Assistance; Retail Trade; Construction; and Accommodation and

Food Services. Taken together, these sectors account for roughly 50 percent of all county jobs.

We define new firms as private sector firms that are less than 2 years old, which engage in the production of goods and/or services, regardless of firm size. Using QWI data for 2017, we calculate the share of jobs created by new firms for the selected NAICS sectors, comparing Montgomery County to neighboring Prince George’s County, the District of Columbia, Arlington County, Fairfax County, and the U.S. national Average (See above chart).

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Professional, Scientific and Technical Services (NAICS 54)

Firms within this sector engage in activities that require a high degree of expertise and training, such as biotechnology, life sciences research, computer systems design, engineering, and other professional, scientific, and technical services. **In Montgomery County and the Greater Washington Metropolitan region, this sector has consistently accounted for a greater share of local area employment than nationwide.**

In 2017, Montgomery County's Professional, Scientific & Technical Services sector **gained a total of 10,474 jobs**, 9% of which were created by new firms less than 2 years old, on par with Fairfax County's new firms and outperforming their counterparts in the District (7%) and in Arlington County (7%). Prince George's County's new firms created slightly higher shares of jobs at 10%.

Despite a large labor market in this sector, the region's new firms (including those in Montgomery County and neighboring jurisdictions) created a smaller share of jobs than the national average (14%). This signals a high degree of labor market concentration in the region, with a few dominant employers holding significant market power. For instance, between 2014–2015, job postings for the **Professional, Scientific and Technical sector grew at a faster rate than any other industry sector in the region**, but nearly 30% of the growth in job postings was driven by 10 employers—such as Accenture, Booz Allen Hamilton, Deloitte, and other well-known federal contractors. Having few large players dominate the labor market could make it more challenging for new businesses to form and grow.

Health Care and Social Assistance (NAICS 62)

This sector comprises firms providing health care and social assistance for individuals, including ambulatory services, hospitals, nursing and residential care facilities and social assistance services. This excluded biotech or life sciences. **In Montgomery County and across the country, the Health Care and Social Assistance Services is among the fastest growing sectors.** Between 1990–2016, it expanded by 111% in Montgomery County, making up 16% of the county's jobs.

In 2017, Montgomery County's new firms within this sector created about 8% of all jobs gained in the sector (6,853), on par with Arlington County but trailing the national average (18%) and their peers in the District (17%), Fairfax County (13%) and Prince George's County (12%).

Retail Trade (NAICS 44-45)

This sector comprises store and non-store retailers. In Montgomery County, the retail industry has had a steady recovery since the 2008 recession and accounts for around 12% of all private sector jobs.

In 2017, new retailers in Montgomery County created 7% of the 5,406 jobs gained in the sector, a similar share to their counterparts in Prince George's County (8%) and slightly higher than those in Arlington County (5%). New retailers in the District created the highest share of jobs at 14%, followed by Fairfax County at 10%. Across the U.S., new retailers created on average about 12% of new jobs in 2017.

Construction (NAICS 23)

This sector comprises firms engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). In Montgomery County, the construction industry has been declining, from accounting for 9% of all private sector jobs in 1990 to 6% in 2016.

In 2017, new construction firms in the county created 12% of the 4,680 jobs gained in the sector, outshining their counterparts in the District (5%), Prince George's County (11%), Arlington County (9%), and Fairfax County (9%).

Accommodation and Food Services (NAICS 72)

This sector serves customers with lodging and/or meals, snacks, and beverages for immediate consumption. This excludes the County's major corporate headquarters' employment (e.g., Marriott, Choice). These jobs in **Montgomery County have kept pace with overall employment growth and make up roughly 9% of all private-sector employment in the county.**

In 2017, 6,540 jobs were created in this sector in Montgomery County, 21% by new firms. DC new firms created the highest share of jobs at 34%, followed by those in Fairfax County (26%) and Arlington County (24%).

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FEDERAL TECHNOLOGY TRANSFER IN MONTGOMERY COUNTY

What is Technology Transfer?

Technology transfer is the process by which existing knowledge, facilities, or capabilities developed under federal R&D funding are utilized to fulfill public and private needs. Every year, billions of American taxpayer dollars go into funding research and development (R&D) at federal laboratories. The intent of this R&D is to ensure that those innovations return their investment and move from the laboratory to the marketplace, thereby boosting the national economy.

To ensure the best use of taxpayers' contributions to R&D conducted at federal labs, Congress enacted the Stevenson-Wydler Technology Innovation Act of 1980 and the Federal Technology Transfer Act of 1986, which mandated that **federal labs accelerate the results of their hard work into the market through collaborative partnerships** with any nonfederal organization such as private business, academia, and state and local governments.

Laboratory Technology Transfer in Maryland
 Maryland has 78 federal labs, **38 of which are in Montgomery County.** This is by far the greatest density of federal labs in any State or County in the U.S.

According to the Federal Labs Consortium, in 2017, Maryland-based federal agencies and laboratories received a federal R&D investment of \$15.4 billion. They leveraged that investment via their technology transfer efforts to address societal needs, promote economic development and growth, and enhance U.S. competitiveness. From defense to life sciences to energy to agriculture, Maryland-based federal agencies and labs are meeting the technology transfer mission envisioned by Congress.

Benefits to the Economy

- Opportunity to leverage R&D costs by building on the relevant R&D that has already been done in or through new collaborations with the federal laboratories
- Ability to use government facilities (e.g., for product testing) rather than building new facilities, while making use of the expertise of federal scientists and engineers during testing

- Awareness of exclusive licenses to government technology that may provide a private sector firm the needed edge in entering the marketplace
- Potential reduction of the time in the product development cycle due to government collaboration



FEDERAL LABS IN DAILY LIFE

Many of the technologies and household items you use in your daily life were originally developed inside a federal laboratory. Our nation's labs conduct important science and technology research that improves all aspects of our daily lives. Below are a few examples:

- **THE INTERNET:** Formerly known as ARPANET, the Internet originated in 1969 as a Department of Defense (DoD) project to share digital resources across geographically separated computers
- **MEMORY FOAM:** The memory foam mattress many of us sleep on at night was originally developed to absorb shocks for National Aeronautics and Space Administration (NASA) astronauts being launched into space
- **LOW FAT CHEESE:** Initially developed to provide a healthier option for school lunches, the United States Department of Agriculture (USDA)—Agricultural Research Service (ARS) naturally developed low fat cheddar cheese in their lab
- **CELL PHONE CAMERAS:** The National Aeronautics and Space Administration's (NASA) image sensor technology is the reason we can now use our phones as cameras



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