



DEPARTMENT OF FINANCE

Marc Elrich
County Executive

Michael J. Coveyou
Director

April 25, 2024

Honorable County Executive
Members of the Montgomery County Council

Ladies and Gentleman:

I am pleased to present the findings of the Twenty-Fifth Annual Business Advisory Panel that was convened on February 13, 2024. The enclosed report was prepared by the County's Department of Finance pursuant to Article XI, Section 20-61, of the Montgomery County Code.

The report consists of a summary of the panel's advice, a list of the panelists, the information package that the Department of Finance ("Department" or "Finance") sent to the panelists in advance of the meeting, and a presentation prepared for the panel by Dr. Terry L. Clower, Director of the George Mason University Center for Regional Analysis. The information packet includes the agenda for the meeting, concise statements by the Department on the County's economic outlook, and the framework for discussion.

The accompanying materials reflect the economic advice given by the Business Advisory Panel.

Sincerely

Michael J. Coveyou

Department of Finance

101 Monroe Street, 15th Floor · Rockville, Maryland 20850 · (240) 777-8860
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**FINDINGS OF THE TWENTY-FIFTH ANNUAL
BUSINESS ADVISORY PANEL
FEBRUARY 23, 2024**

Pursuant to Article XI, Section 20-61, of the Montgomery County Code, the Department of Finance (“Finance”) convened a meeting of the Business Advisory Panel (“BAP”) on February 23, 2024. The County Council of Montgomery County established the BAP in 1999 to seek the advice of industry experts in key sectors of the County’s business community concerning the current and future state of the County’s economy and the impact on revenues. The law requires that the Director of Finance convene the panel annually and relay the panel’s advice to the County Executive and County Council. The panel was convened in person on February 23, 2023 in the Montgomery County Executive Office Building at 101 Monroe Street, Rockville, MD. The following report summarizes the BAP panel’s discussion and advice.

The BAP members representing various sectors of Montgomery County’s economy were joined by County Executive Marc Elrich and Council President Andrew Friedson.

The meeting was structured to allow all participants to participate in a briefing on local, state, and regional economic trends and to share their insights about future economic prospects in the County. The participants also discussed Finance’s economic forecasts. For purposes of this report, the results of the discussions are presented in two parts. The first part presents the key economic trends (Finance’s economic assumptions and a presentation of key regional trends by Terry Clower, Ph.D., Director for Regional Analysis, Schar School of Public Policy and Government, George Mason University). The second section summarizes the participants’ view of their respective industry sectors.

The Director of Finance welcomed participants to the meeting and opened with a description of the purpose of the BAP and its use in the preparation of the County Executive’s recommended budget. The County Executive then delivered remarks on Montgomery County’s economy and recent achievements. He noted the strength of the life science and biotech sector in Montgomery County and highlighted various achievements and developments. These developments include the anticipated \$1.5 billion investment by Trammel Crow in a life science campus on the Belward Farms property, and the partnership with the University of Maryland to create the Center for Health Computing. The County Executive stated that he hopes that in the future the Center for Health Computing will occupy a signature building at the joint development the County is advancing with WMATA at their North Bethesda station. Additionally, the County is expecting large life-science investments around Shady Grove due to Montgomery County’s strong labor force and due to lower property costs as compared to the San Francisco and Boston markets. The County Executive revealed that the County is currently engaging with the National Institute of Standards and Technology (NIST), which has a large campus in Montgomery County, about creating a technology center around cyber security.

The County Executive stated that since revenues have come in strong the last several budget years reserves are also strong, positioning the County well to invest in economic development. One key element of this investment will be in affordable housing, with the County Executive

noting that in absence of investment Montgomery County is on pace to lose half of its dedicated affordable housing by 2030 as the affordability contracts on these units expire. Other investments include an expansion of the incubator system and improvements in technology training for the county workforce. Additionally, the County is working with the State of Maryland to improve incentive programs for manufacturing.

The County Executive highlighted recent successes, including an agreement with United Therapeutics in Silver Spring to transfer an aging parking garage to the business for their expansion in exchange for a new garage on nearby County owned land. The County Executive stated that the County is looking at similar deals and trying to market other properties the County owns in Silver Spring.

I. Key Regional Economic Trends

Dr. Terry Clower, Ph.D., Director for Regional Analysis, Schar School of Public Policy and Government, George Mason University presented a summary of key regional economic trends. A copy of Dr. Clower's presentation is included in the appendix of this report. Dr. Clower focused on the Montgomery County and DMV regional economy and challenges, that if not addressed, will limit the potential for future growth.

National Indicators:

In a brief discussion of the national economy Dr. Clower stated that he is not concerned about the risk of a recession, though there may be some slowdown in 2024 to the pace of growth. While there is some weakness in regional banks, they are not systemic risks to the economy and according to Dr. Clower the greater risk is of regulators overreacting to adverse economic developments and imposing requirements that in turn lead banks to cut off lending to small and medium firms, which may tip the economy into a recession. Additionally at the national level data indicates that rising personal debt levels may eventually slow growth rates.

The Washington D.C. MSA economy:

Dr. Clower presented numerous evidence demonstrating that the Washington metropolitan area ("National Capital Region") is economically falling behind most other major and mid-size regions. The evidence presented included:

- While federal spending continues to increase, it is no-longer generating an increase in the number of contractor and professional jobs that have traditionally been a major strength of the National Capital Region's economy;
- Since the COVID recession in 2020 the professional, science, and technology jobs sector in the Washington region has grown at a notably slower pace than in the rest of the USA;
- The Federal workforce has declined since 2021 and the Federal workforce is growing faster nationwide than it is in the National Capital Region. Anecdotally, Federal hiring managers report that they have difficulty attracting the necessary talent to the region due to high housing costs relative to Federal wages;
- Unemployment in the National Capital Region is at levels associated with full employment, indicating that a key challenge to economic growth is associated with an inability to attract workers to move to the region to grow the workforce;

- Since 2013 the National Capital Region workforce increased by 8%, far less than the 20% to 30% growth experienced in a cohort of mid-size southern regions like Raleigh, Nashville, and Charlotte;
- The National Capital Region continues to see net outmigration of 30- to 50-year-olds, the core of the workforce;
- Migration patterns indicate a movement outwards away from the more expensive center of the region to outer suburbs that offer lower housing costs, or away from the region entirely to less expensive cities that are growing rapidly.

Dr. Clower then presented evidence that Montgomery County is falling behind other jurisdictions within the National Capital Region:

- Since 2020 the share of the regional workforce that is in Northern Virginia has increased from 48% to 50%, an indicator that regional growth is shifting towards the west;
- Between 2017 and 2022 the percentage change of real GDP of Maryland suburban counties including Montgomery County was generally flat or negative, while suburban Virginia counties such as Fairfax and Loudoun increased by 20%.

Dr. Clower concluded with an outlook for the National Capital Region, forecasting for the coming year that;

- Federal spending is past its peak but will remain robust and will continue to support considerable economic activity;
- Consumer spending on retail will decline, a headwind to economic growth;
- Housing rents will stabilize but home ownership is out of reach for many employees due to high costs;
- The biggest impediment to attracting the needed workforce will remain the high cost of housing;
- The National Capital Region will continue to grow, but at a modest pace of 0.9% annually;
- Regional job growth in calendar year 2024 will be between 20,000 and 30,000 and Montgomery County employment will increase by 3,000 to 4,000 positions.

II. Current Montgomery County Economic Conditions and Future Economic Assumptions

Economic Conditions

Finance staff provided panel participants with a paper prepared by staff that analyzed the County's economy and provided assumptions about the economic outlook. The paper analyzed a number of economic indicators including employment, personal income, real estate, inflation, construction, and interest rates. The report on the County's economy and economic assumptions is included in the appendix. Summary of those assumptions are:

- Resident employment¹: Resident employment in calendar year (CY) 2023 grew by 10,416 from CY2022 (↑1.96%). This followed an increase of 12,043 from CY2021 to

¹ Resident employment includes those who live here but may be employed inside or outside of the County.

CY2022 (↑2.32%). However, resident employment has not yet returned to its pre-pandemic level.

- **Unemployment:** The County’s labor force increased by 4,699 (↑0.9%), 5,717 people less than the 10,416 increase employed residents. As a result, the County’s unemployment rate came down from 2.9 percent in CY2022 to 1.8 percent in CY2023. The unemployment rate is now lower than the pre-pandemic rate of 2.8 percent in CY2019.
- **Residential Real Estate:** The Federal Reserve raised the federal funds rate 7 times in CY2022 and 4 times in CY2023 by a total of 5.25 percentage points which caused a sharp increase in mortgage rates. This increase in mortgage rates continues to depress the supply of available homes for sale as well as the demand for new homes, with total sales declining by 23.4 percent in CY2023 after a decline of 23.0 percent in CY2022. Despite reduced activity, median sales price for existing homes climbed another 4.5 percent in CY 2023 after increasing by 4.5 percent in CY2022 and 4.7 percent in CY2021.
- **Construction Activity:** Despite the increase in interest rates depressing housing demand, the construction of new residential units increased in CY2023 as compared to CY2022, from 3,492 units to 4,072 units. Total value added from new residential units increased as well from \$613.0 million in CY2022 to \$822.6 million in CY2023 (↑34.2 percent). Non-residential project value went from \$1,772.5 million in CY2022, a peak exceeding all years since CY2013, back down to \$672.8 million (↓62.0%) in CY2023.

The national economy appears to have a healthier outlook today compared to CY2023 and there has been improvement to many of Montgomery County economic indicators. However, there remains much uncertainty about whether the trajectory of the economy can be sustained for CY2024 and CY2025, in particular whether it can continue strong job and wage growth in light of very low unemployment rates.

Economic Assumptions

The Department of Finance (‘Finance’) forecasts that Montgomery County will experience only modest employment growth from CY2023 to CY2027 but will continue to see healthy growth in total personal income. The sluggish labor market reflects the challenges the National Capital Region is facing regarding increasing employment levels due to the shortage of labor.²

Finance assumes the following:

- payroll employment will increase from CY2022 to CY2027 at an average annual rate of 0.4 percent;
- resident employment will increase at an average annual rate of 0.3 percent from CY2022 to CY2027. Finance estimates that resident employment will not attain its pre-pandemic levels by CY2027;

² Finance’s future estimates are preliminary and subject to change.

- total personal income in Montgomery County will increase at an average annual rate of 3.6 percent from CY2022 to CY2027 compared to an average annual growth rate of 2.7 percent from CY2018 to CY2022. The forecast indicates that personal income will continue growing despite a projected decrease in both payroll and resident employment from CY2023 to CY2024;
- wage and salary income will continue growing as it has in the recent past, increasing at an average annual rate of 4.0 percent from CY2022 to CY2027. Finance assumes that non-wage income in Montgomery County will increase at an average annual rate of 3.2 percent from CY2022 to CY2027;
- the overall regional inflation index for the Washington–Arlington–Alexandria, DC–VA–MD–WV metropolitan statistical area will continue to moderate from the 3.1 percent inflation experienced in CY2023 to an average annual inflation trend from CY2023 to CY2027 of 2.3 percent; and
- the yield on the County’s short-term investments is highly correlated with the federal funds rate. As a result, the County earned an average of 3.4 percent in investment income on its short-term portfolio for FY2023. Yields are anticipated to be 5.3 percent in FY2024 before declining toward 3.0 percent as the targeted federal funds rate is forecast to gradually decline through FY24 to FY27.

III. Discussion Topics in Specific Industry Sectors

Real Estate

The real estate industry faces reduced prospects in the short- to medium-term due to the high cost of construction, high interest rates, and limited demand. A panelist stated that the only sectors experiencing speculative construction (construction without space already leased to tenants) is the affordable housing sector and the self-storage sector. Panelists believe that there is opportunity to repurpose obsolete office properties, so long as the zoning is conducive to new uses. One panelist opined that the commercial property base is likely to decline in assessed value due to the limited demand for space coming out of the pandemic.

Life Sciences

Real estate developers are seeing limited demand from the Life Science industry for additional space due to uncertainty about additional funding to sustain expansion in this high-interest rate environment. A panelist involved in the life science industry confirmed that the region has limited venture capital activity, and that North Carolina and Massachusetts are more attractive from the perspective of availability of capital. In response a panelist noted that they pivoted a recently constructed property from targeting life science to attracting tenants in the technology and high-tech manufacturing sectors due to limited prospects for near-term life science growth.

Local Business & the Hospitality Industry

Panel participants stated that the hospitality industry continues to fight inflation challenges. While revenue is up because prices are up, other legislative requirements such as the ban on polystyrene foam and trans-unsaturated fatty acids) has hurt the restaurant industry. A panelist noted that other

jurisdictions put out more grants for small businesses to support the phase-out of such products, and that the cost to secure a business license in Montgomery County is expensive.

Labor Force

Panelists discussed the need to support women in returning to the workforce as there was a steep decline in the female workforce participation rate during the pandemic. Several panelists noted that childcare services are critical to enabling parents to focus on work activities. WorkSource Montgomery will in CY2024 release a strategic plan which will for the first time include engagement around pathways to careers with teachers and students at the public school system. In a discussion of how to address underemployment Dr. Clower recommended encouraging the Federal Government to get rid of numerous education requirements that are unnecessary and that limit available workers, as well as the need to focus on growing the talent here in the region in light of the challenges attracting talent to move here.

**Business Advisory Panel
February 23, 2024**

Honorable Marc Elrich
County Executive

Mr. Andrew Friedson
County Council President

Mr. Richard Madaleno
Chief Administrative Officer
Office of the County Executive

Mr. Michael Coveyou
Director
Department of Finance

PANELISTS

Dr. David Buonora
Program Director for Business Engagement
The Universities at Shady Grove

Mr. Jeffrey Chod
Partner
Minkoff Development

Dr. Terry L. Clower
Director
Center for Regional Analysis, George Mason University

Mr. Anthony Featherstone
Executive Director
WorkSource Montgomery

Mr. Douglas Firstenberg
Principal
Stonebridge

Ms. Janice Freeman
President/CEO
African-American Chamber of Commerce

Ms. Kelly Groff
President/CEO
Visit Montgomery

Mr. Avi Halpert
Vice President, Corporate Real Estate
United Therapeutics

Ms. Irene Kang
Vice President for Government Affairs
Greater Capital Area Association of Realtors

Mr. Ed Krause
CEO
Greater Capital Area Association of Realtors

Mr. Omar Lazo
Member of the Board of Trustees, Montgomery College
Vice President, Wheaton & Kensington Chamber of Commerce
Owner, Los Chorros Restaurant

Ms. Liz Price
Vice President of Real Estate and Parking
Washington Metropolitan Area Transfer Authority

Ms. Cindy Stewart Rivarde
Chief Executive Officer
Rockville Economic Development, Inc.

Dr. Keith Waters
Assistant Director
Center for Regional Analysis, George Mason University

COUNTY STAFF

Ms. Jennifer Bryant
Director
Montgomery County Office of Management and Budget

Mr. Todd Fawley-King
Fiscal and Policy Analyst
Montgomery County Department of Finance

Ms. Nancy Feldman
Chief, Fiscal Management
Montgomery County Department of Finance

Mr. Dennis Hetman
Fiscal and Policy Manager
Montgomery County Department of Finance

Ms. Marlene Michaelson
Executive Director
Montgomery County Council Staff

Mr. David Platt
Chief Economist
Montgomery County Department of Finance

Mr. Gene Smith
Program Manager
Montgomery County Department of Economic Development

Dale Tibbitts
Special Assistant
Montgomery County Office of the Chief Executive

MONTGOMERY COUNTY
25th ANNUAL
BUSINESS ADVISORY PANEL



FEBRUARY 23, 2024

MEETING

WHERE: EOB Lobby Auditorium

WHEN: FRIDAY, FEBRUARY 23, 2024

AGENDA

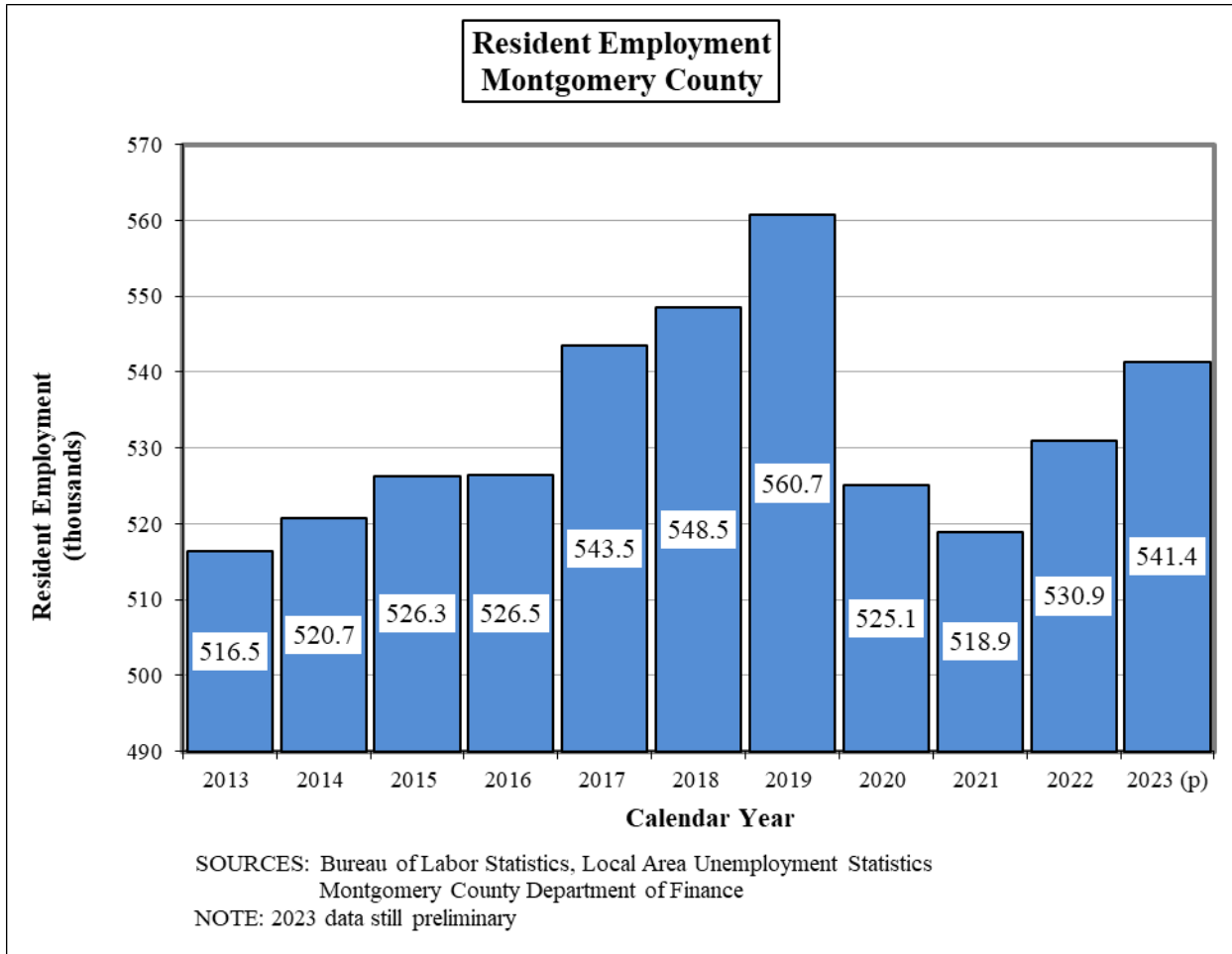
- 9:30 A.M. Introduction, Michael Coveyou, Director,
Montgomery Department of Finance
- 9:35 A.M. Opening Remarks by Marc Elrich, County Executive
- 10:00 A.M. Dr. Terry Clower, Director, Center for Regional Analysis, Schar School of
Policy and Government, George Mason University
- 10:15 A.M. Presentation of Department of Finance: Montgomery County economic
update and outlook
- 10:30 A.M. Roundtable discussion by participants
- 12:00 P.M. Adjournment

ECONOMIC CONDITIONS AND OUTLOOK

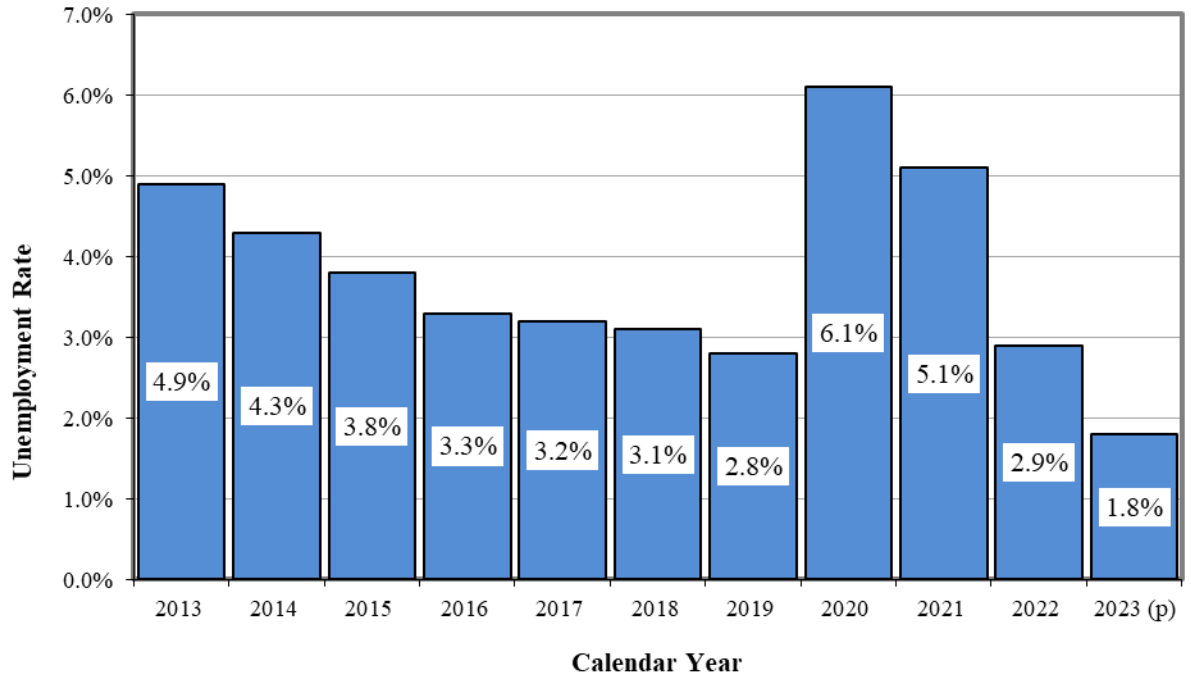
Montgomery County’s economy experienced improving economic performance during calendar (CY) 2023, with strong employment and income growth along with an increase in new residential construction, but depressed home sales and reduced non-residential construction. Home values continued to increase despite the sharp drop in sales volume, indicating continued demand to live in Montgomery County.

Resident Employment

Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, resident employment (labor force series and not seasonally adjusted) in CY2023 grew, increasing by 10,416 from CY2022 (↑1.96%). This followed an increase of 12,043 from CY2021 to CY2022 (↑2.32%). However, resident employment has not yet returned to its pre-pandemic level. The County’s unemployment rate declined again from 2.9 percent to 1.8 percent despite an increase in the labor force by 4,699 people. The unemployment rate in CY2023 is now lower than the pre-pandemic rate in CY2019.



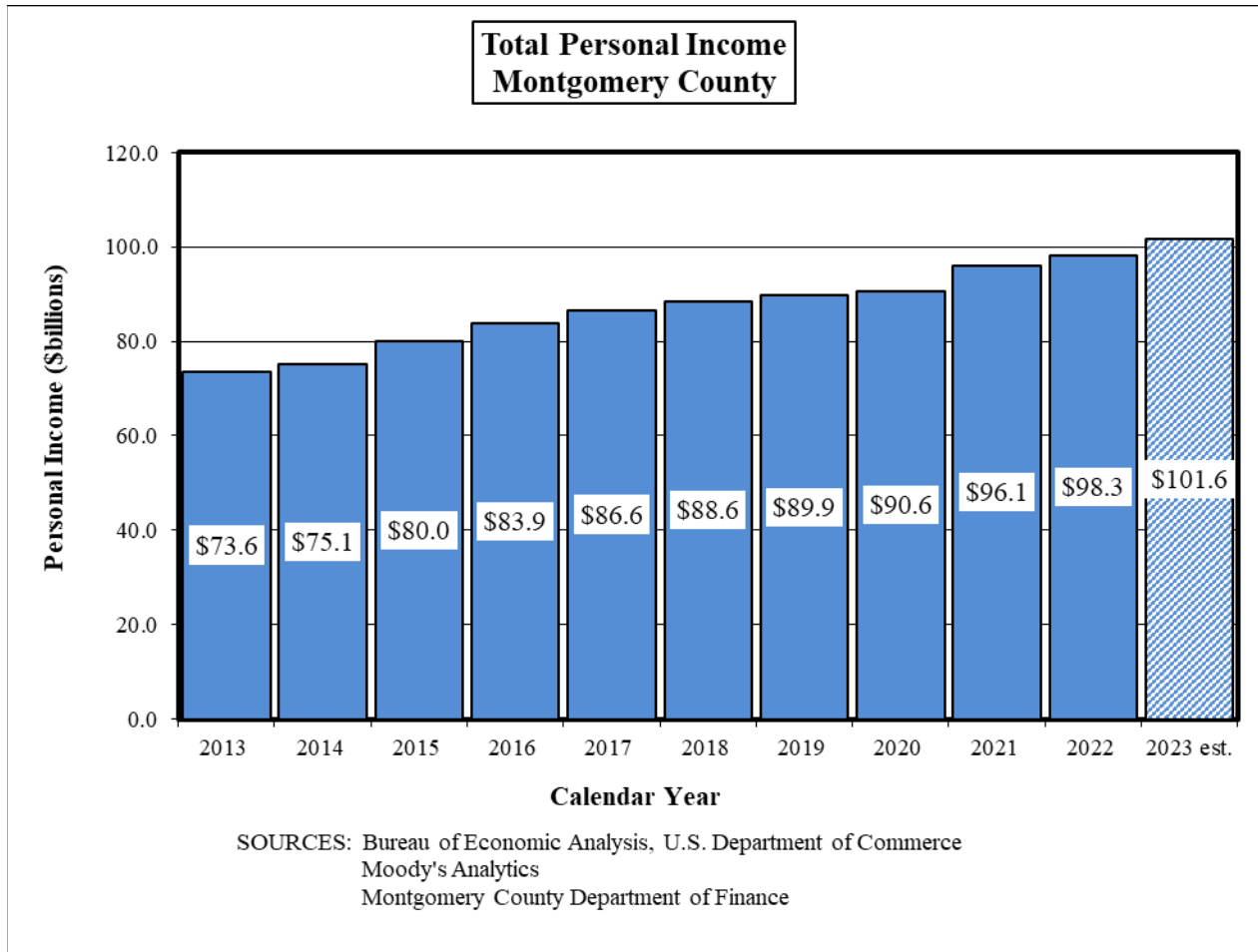
**Unemployment Rate
Montgomery County**



SOURCES: Bureau of Labor Statistics, Local Area Unemployment Statistics
Montgomery County Department of Finance
(p) = 2023 data still preliminary

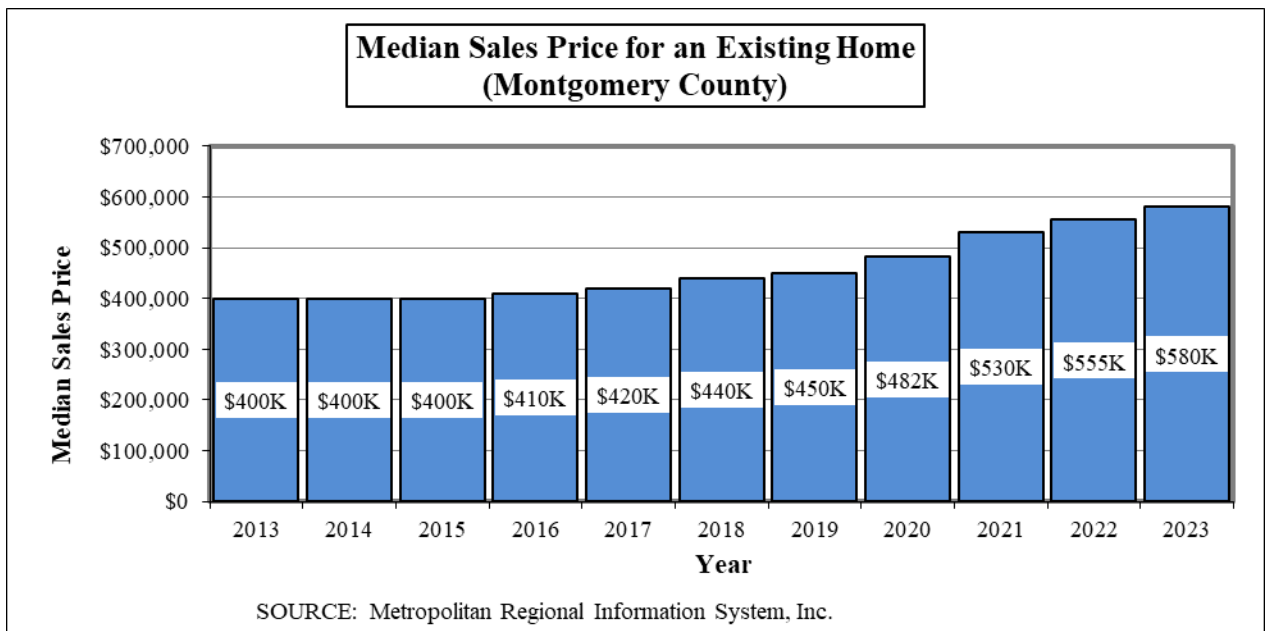
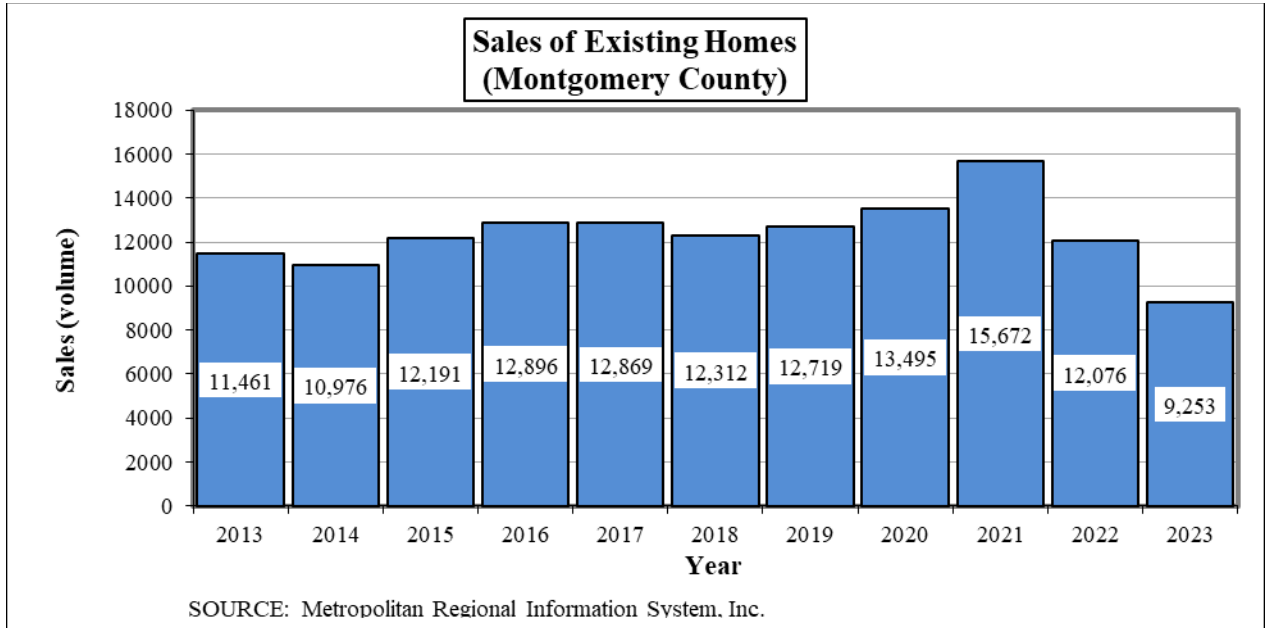
Personal Income

Based on data from the Bureau of Economic Analysis and Moody’s Analytics, total personal income has grown steadily over the past 10 years, at an annualized 3.3% pace from 2013 to 2023. This includes an acceleration in growth during the pandemic when personal income increased by 6.2% between 2020 and 2021. The ability to sustain continued growth in income through the past decade points to the strengths that underpin the Montgomery County economy.



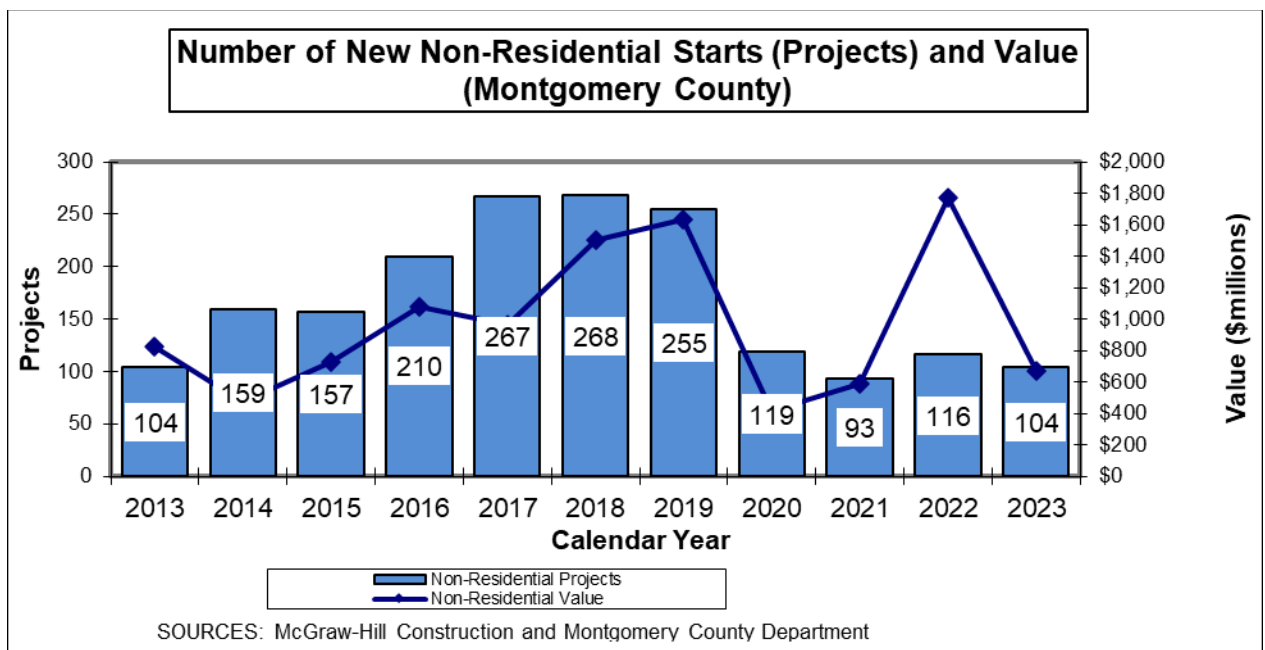
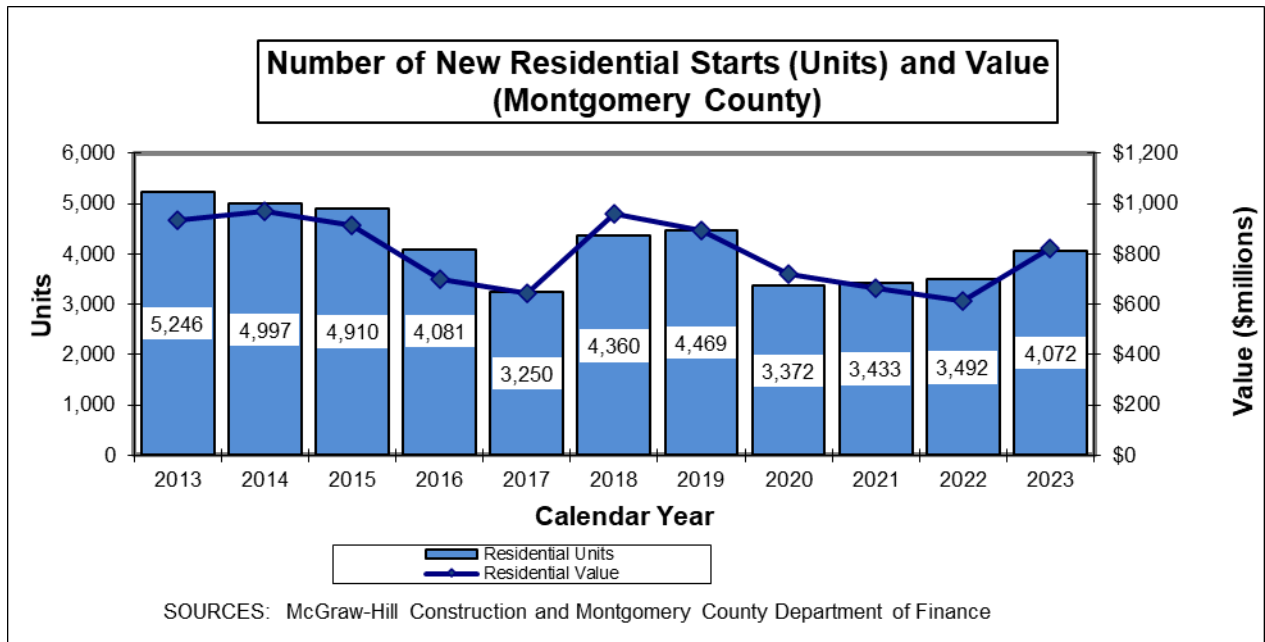
Residential Real Estate

The Federal Reserve raised the federal funds rate 7 times in 2022 and 4 times in 2023 increasing the rate by 5.25 percentage points which caused a sharp increase in mortgage rates. Recent expectations for future federal funds rate cuts at some time in 2024 have resulted in some moderation of mortgage rates. This increase in mortgage rates continues to depress demand for existing homes, with total sales declining by 23.4 percent in CY2023 after declining 23.0 percent in CY2022. Despite reduced activity, median sales price for existing homes climbed another 4.5 percent in CY 2023 after increasing by 4.7 percent in CY2022 and 10.0 percent in CY2021.



Construction Activity

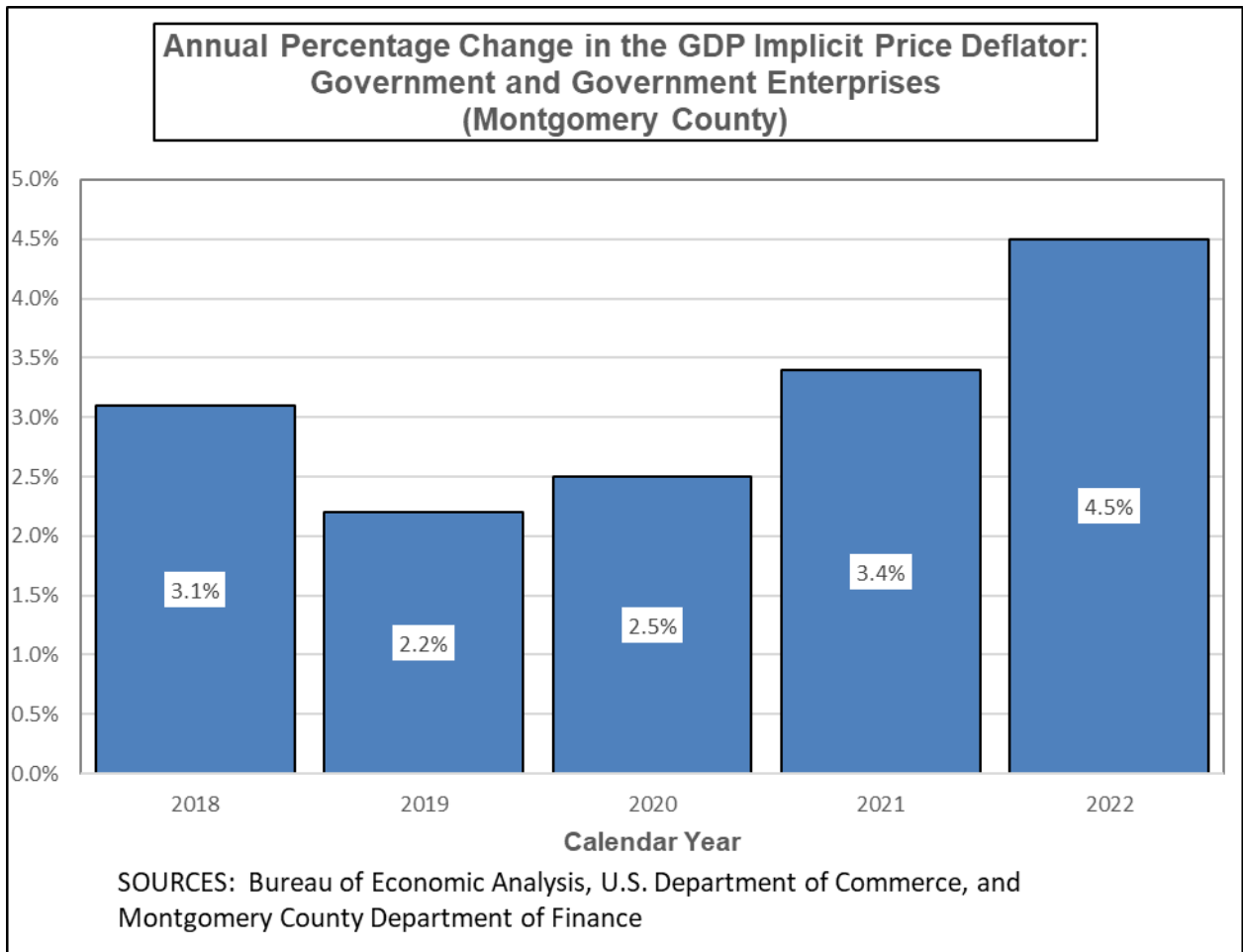
Despite the increase in interest rates depressing housing demand, the construction of new residential units increased in CY2023 as compared to CY2022. Total value added from new residential units increased as well from \$613.0 million in CY2022 to \$822.6 million in CY2023 (↑34.2 percent). Non-residential project value went from \$1,772.5 million in CY2022, a peak exceeding all years since CY2013, back down to \$672.8 million (↓62.0%) in CY2023.



GDP Implicit Price Deflator – Government consumption expenditures and gross investment: State and local (implicit price deflator): Montgomery County

Government consumption expenditures and gross investment measures the portion of gross domestic product (GDP), or final expenditures, that is accounted for by the government sector. Government consumption expenditures consist of spending by government to produce services to the public such as public school expenditures. Gross investment consists of spending by government for fixed assets that directly benefit the public such as highway construction, or that assist government agencies in their production activities such as purchasing vehicles and equipment.

The GDP implicit price deflator for state and local government consumption expenditures and gross investment was 4.5 percent for Montgomery County in CY2022 (the latest year of available data). This increase in inflation was consistent with the nationwide spike in inflation that inspired the Federal Reserve to increase interest rates throughout CY2022.



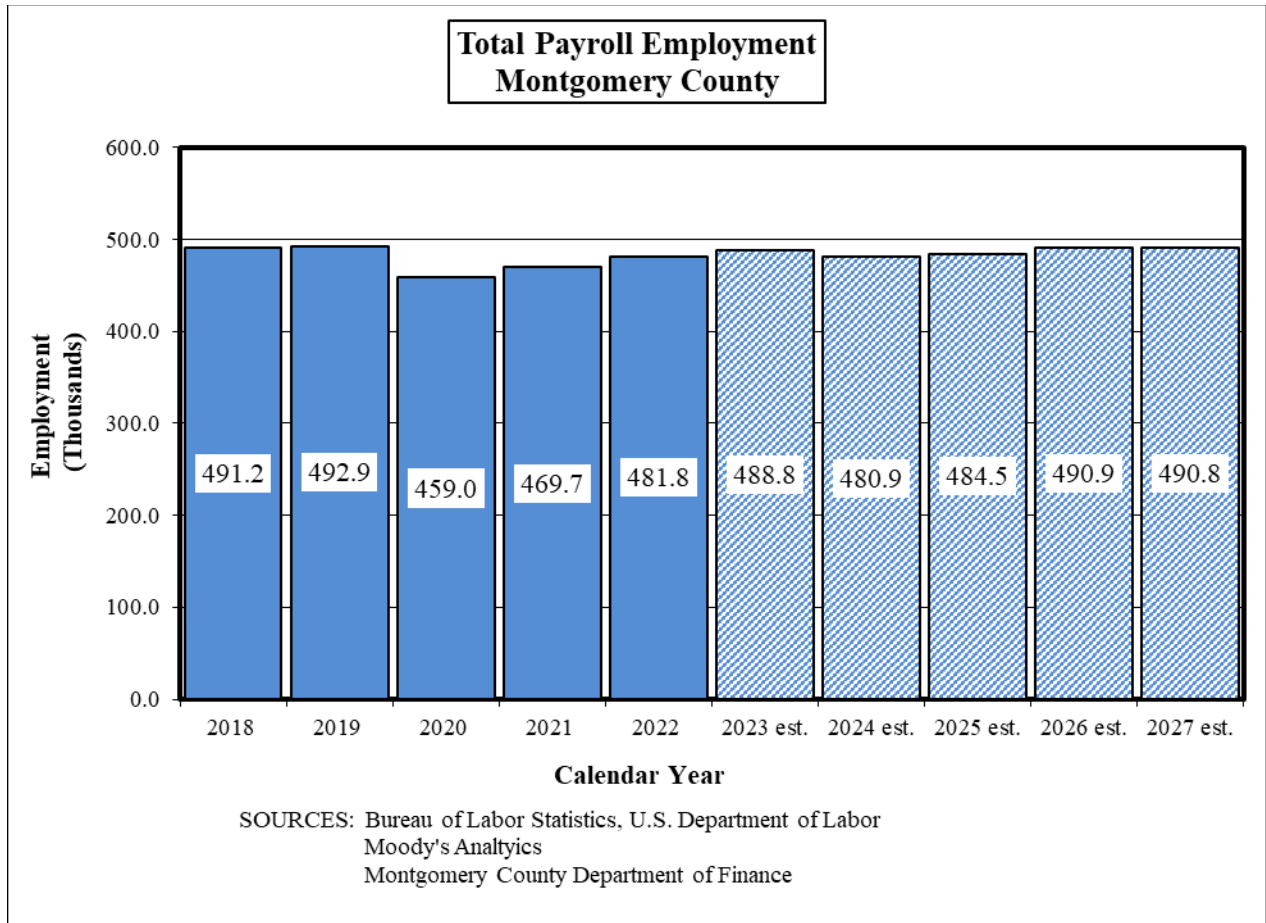
CONCLUSION

The national economy appears to have a healthier outlook compared to CY2022 and there has been improvement to many of Montgomery County employment, personal income, and government inflation economic indicators. However, there remains much uncertainty about whether the trajectory of the economy can be sustained for CY2024 and CY2025, in particular continue strong job and wage growth in light of very low unemployment rates.

ECONOMIC OUTLOOK

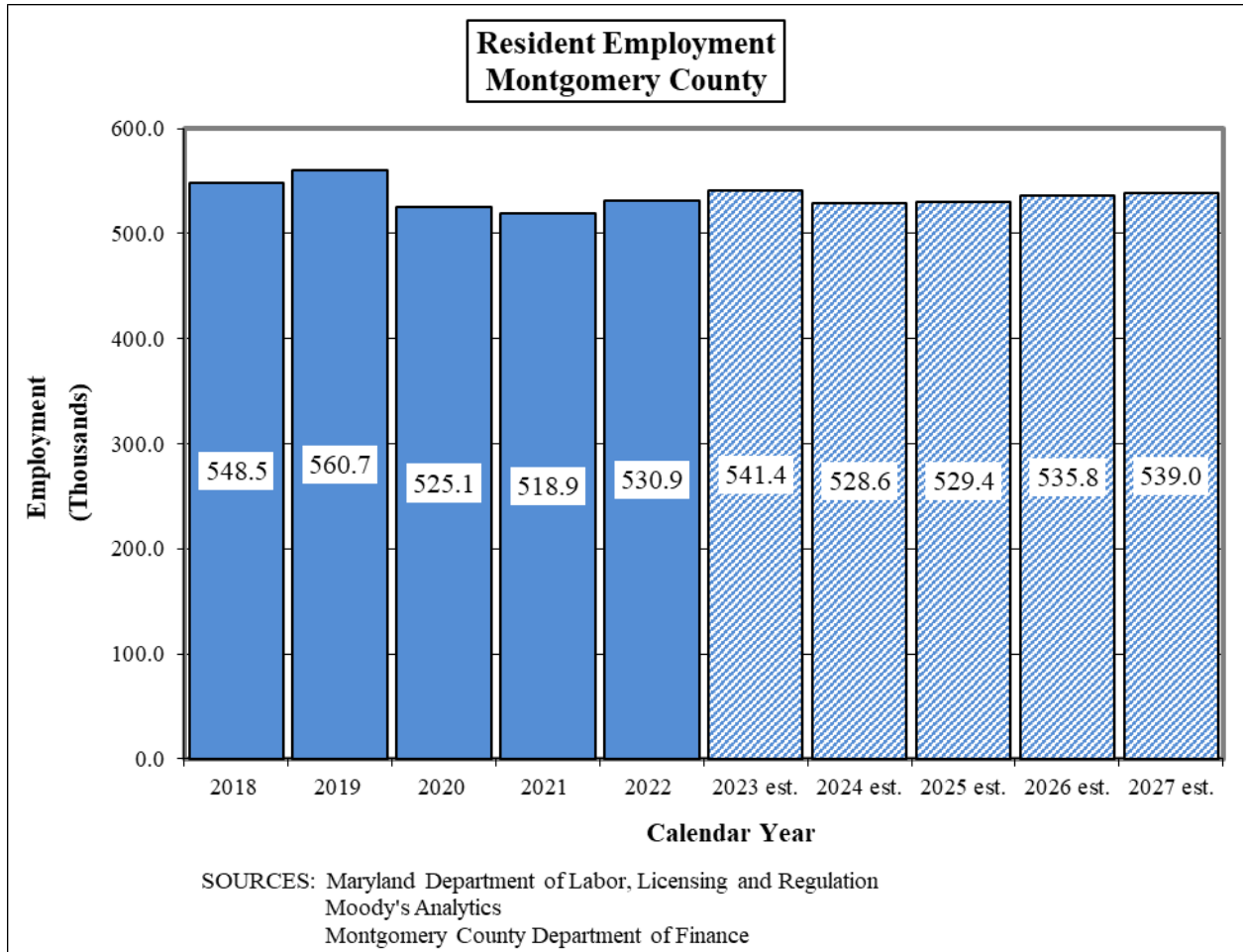
The Department of Finance ('Finance') forecasts that Montgomery County will experience modest employment growth from CY2023 to CY2027 but will continue to see growth in total personal income. The sluggish labor market reflects the challenges the Washington DC region is facing regarding increasing employment levels due to the shortage of labor.¹

Employment. Based on payroll employment from Current Employment Statistics (CES) series from the Bureau of Labor Statistics (BLS) for the Silver Spring – Frederick – Rockville: MD metropolitan division and Moody's Analytics, Finance assumes that payroll employment will increase from CY2022 to CY2027 at an average annual rate of 0.4 percent. This is greater than the average annual rate of -0.5 percent experienced between CY2018 and CY2022 largely attributed to the impacts of COVID. Finance assumes payroll employment will not yet return to pre-pandemic levels by CY2027.

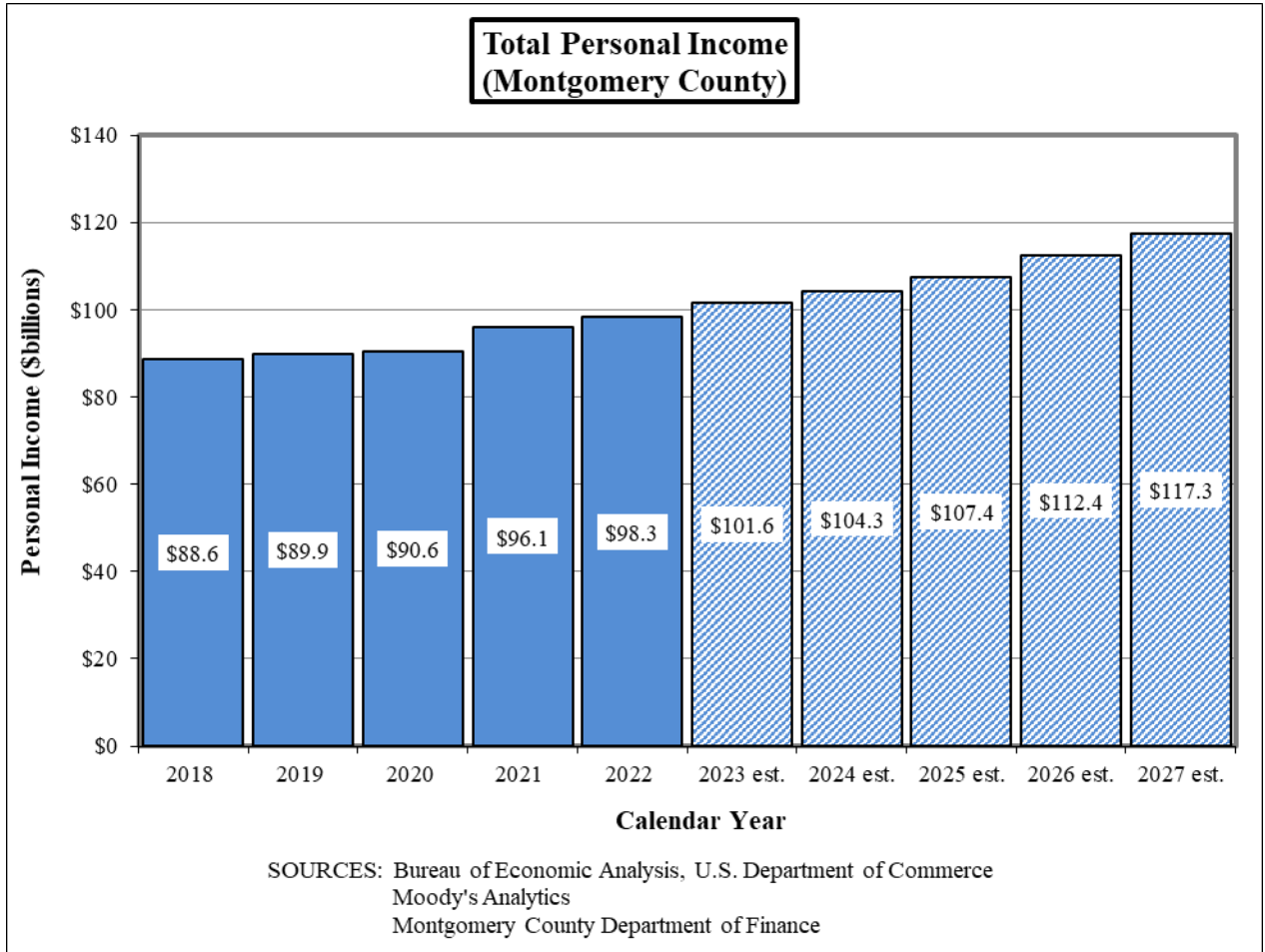


¹ Finance's future estimates are preliminary and subject to change.

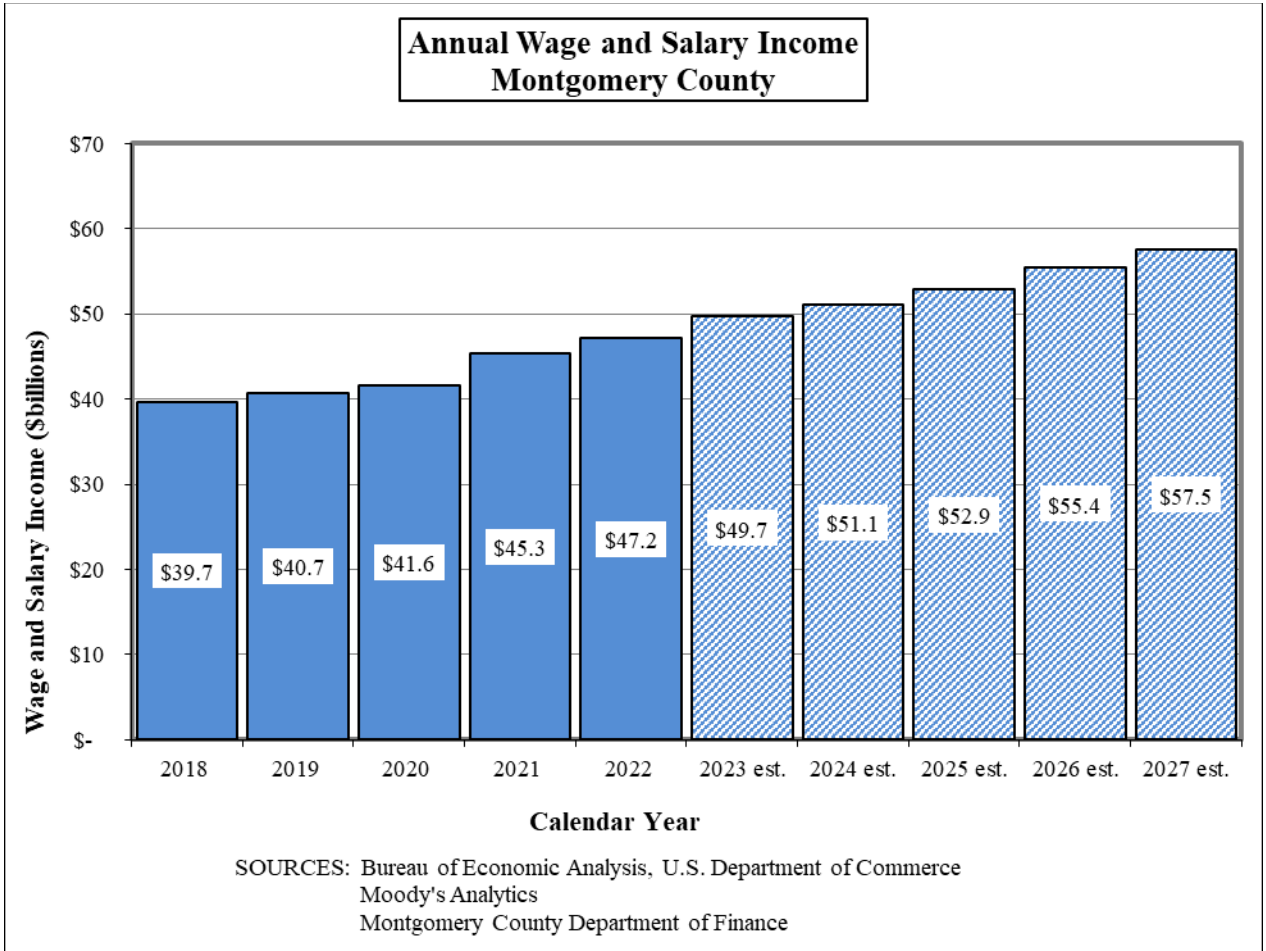
Finance assumes that resident employment will increase at an average annual rate of 0.3 percent from CY2022 to CY2027. That growth rate reverses the average annual rate of -0.8 percent between CY2018 and CY2022 which is primarily attributed to COVID-19 in CY2020 and CY2021. Finance estimates that resident employment will not attain its pre-pandemic levels by CY2027.



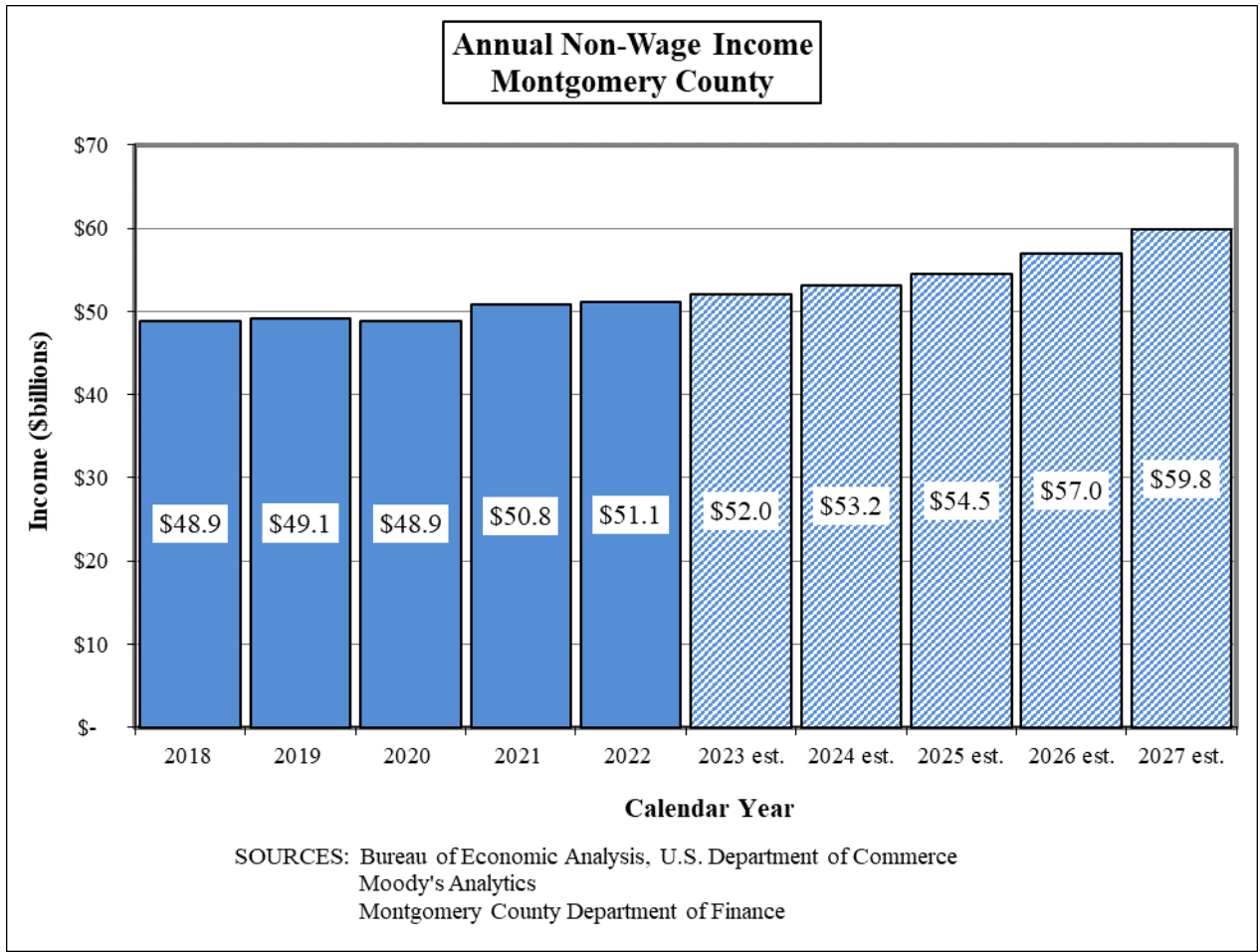
Personal Income. Finance assumes that total personal income in Montgomery County will increase at an average annual rate of 3.6 percent from CY2022 to CY2027 compared to an average annual growth rate of 2.7 percent from CY2018 to CY2022. The forecast indicates that personal income will continue growing despite a projected decrease in both payroll and resident employment from CY2023 to CY2024.



Wage and Salary Income. Finance assumes wage and salary income will continue growing as it has in the recent past, increasing at an average annual rate of 4.0 percent from CY2022 to CY2027. This compares to the average annual growth rate of 4.4 percent from CY2018 to CY2022.

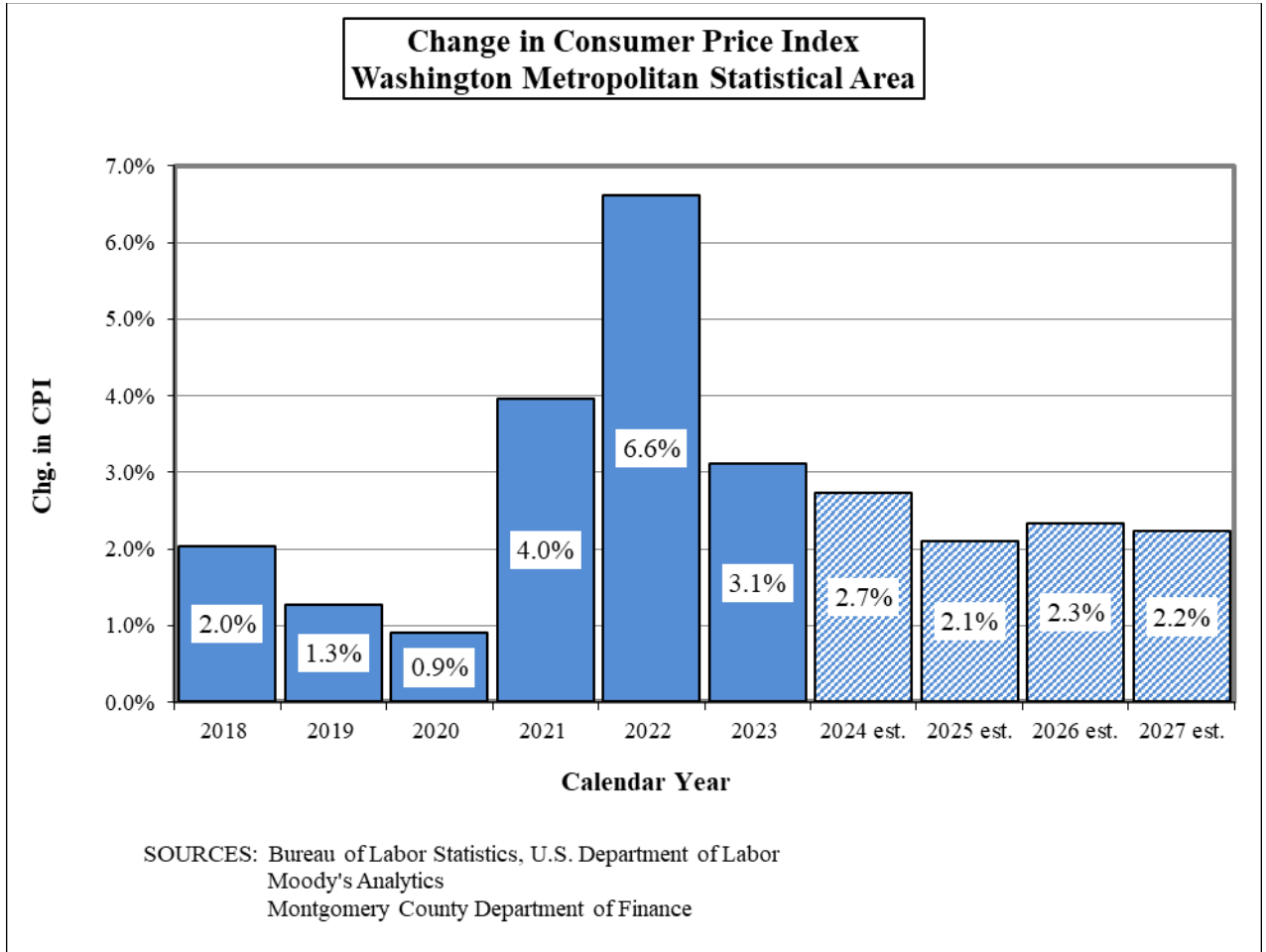


Non-Wage Income². Finance assumes that non-wage income in Montgomery County will increase at an average annual rate of 3.2 percent from CY2022 to CY2027. This compares to the average annual growth rate of 1.1 percent from CY2018 to CY2022.

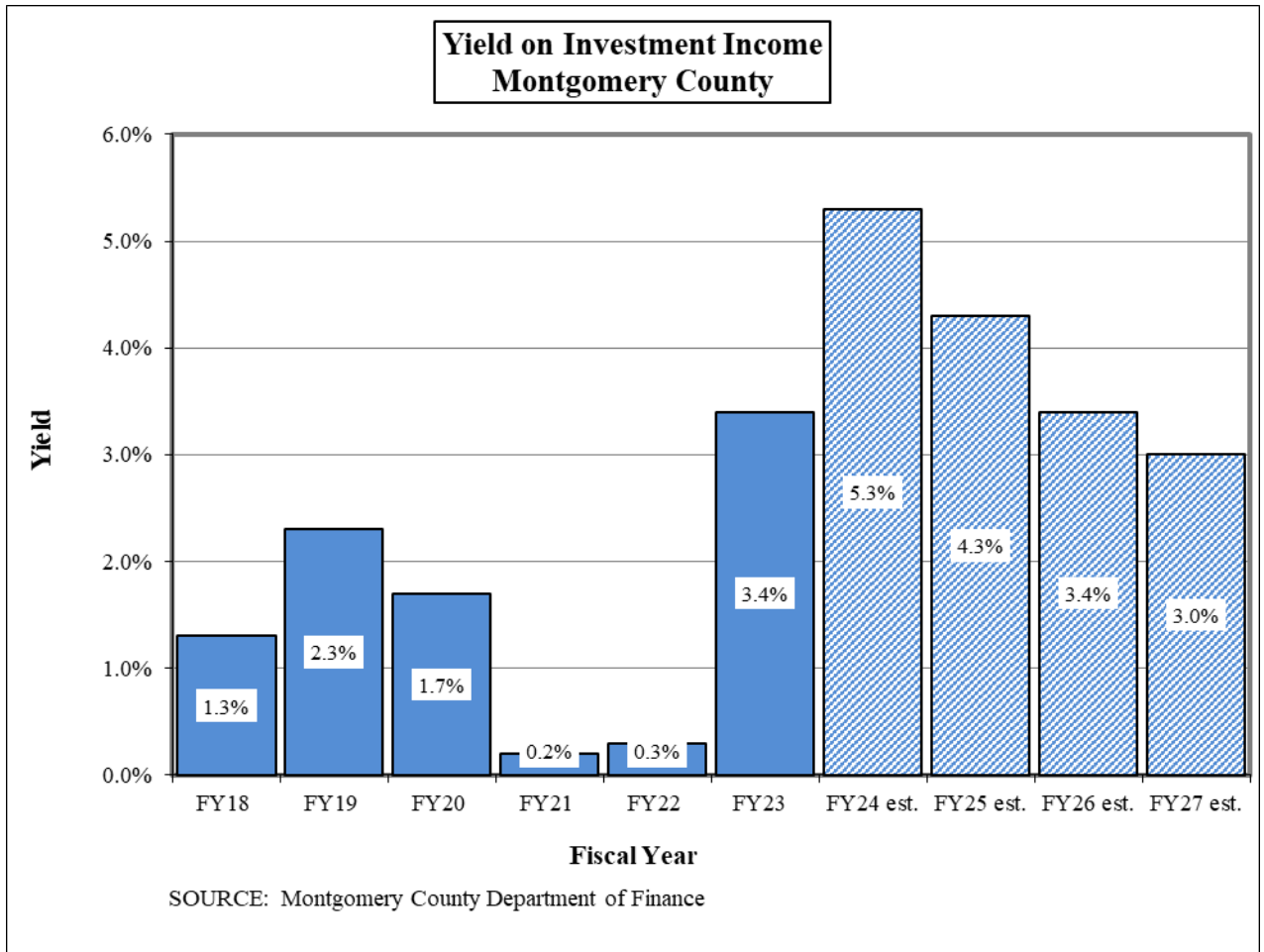


² Non-wage income is the sum of proprietors income, supplements to wages and salaries, transfer receipts, dividends/interest/rents, adjustment for residence, less contributions for government social insurance.

Inflation (annual average). Finance assumes that the overall regional inflation index for the Washington–Arlington–Alexandria, DC–VA–MD–WV metropolitan statistical area will continue to moderate from the 3.1 percent inflation in CY2023 to an average annual inflation trend from CY2023 to CY2027 of 2.3 percent.



Interest Rates. Since the yield on the County’s short-term investments is highly correlated with the federal funds rate, the County earned an average of 3.4 percent in investment income on its short-term portfolio for fiscal year (FY) 2023. The increases in the targeted federal funds rate by the Federal Open Market Committee of the Board of Governors of the Federal Reserve System in response to inflation pressures in FY22 and FY23 increased investment yields, which are anticipated to peak at 5.3 percent in FY24 before declining towards 3.0 percent as the targeted federal funds rate is forecast to gradually decline through FY24 to FY27.



DISCUSSION FRAMEWORK

The economic assumptions provide a framework for the Department of Finance's revenue projections for FY25 through FY27. The following issues create the framework for the discussion that is the focus of the Business Advisory Panel. To gain a better understanding of the direction of the major economic drivers in our county and region, it would be helpful if the participants of the Business Advisory Panel comment on our assumptions and discuss the major economic trends in the next several years that affect their industry sectors. The following list of items, if applicable to your sector, may be used to focus your discussion:

Risk to the Forecasts (Assumptions)

- Future interest rate policy by the FOMC
- Likelihood of a recession in 2024 or 2025
- Impact of national debt limit political brinkmanship
- Inflation outlook
- Private sector investment and employment
- Domestic stock market and its impact on capital gains and non-wage income
- Residential and non-residential construction

Income

- Federal debt ceiling
- Capital gains
- Estimated payments and pass-through entities
- Rising wages and salaries
- Tax Policy Changes: federal and state

Real Estate

- Impact of interest rates on demand for residential property
- Impact of increased work-from-home on long-term commercial property demand
- Residential construction
- Commercial construction
- Availability of buildable real estate for new residential construction
- Loan conditions – residential and commercial sectors and refinancing
- Construction costs – materials and labor

Economic Challenges: Montgomery County and Greater Washington

*Presentation to
Montgomery County 25th Annual Business Advisory Panel*

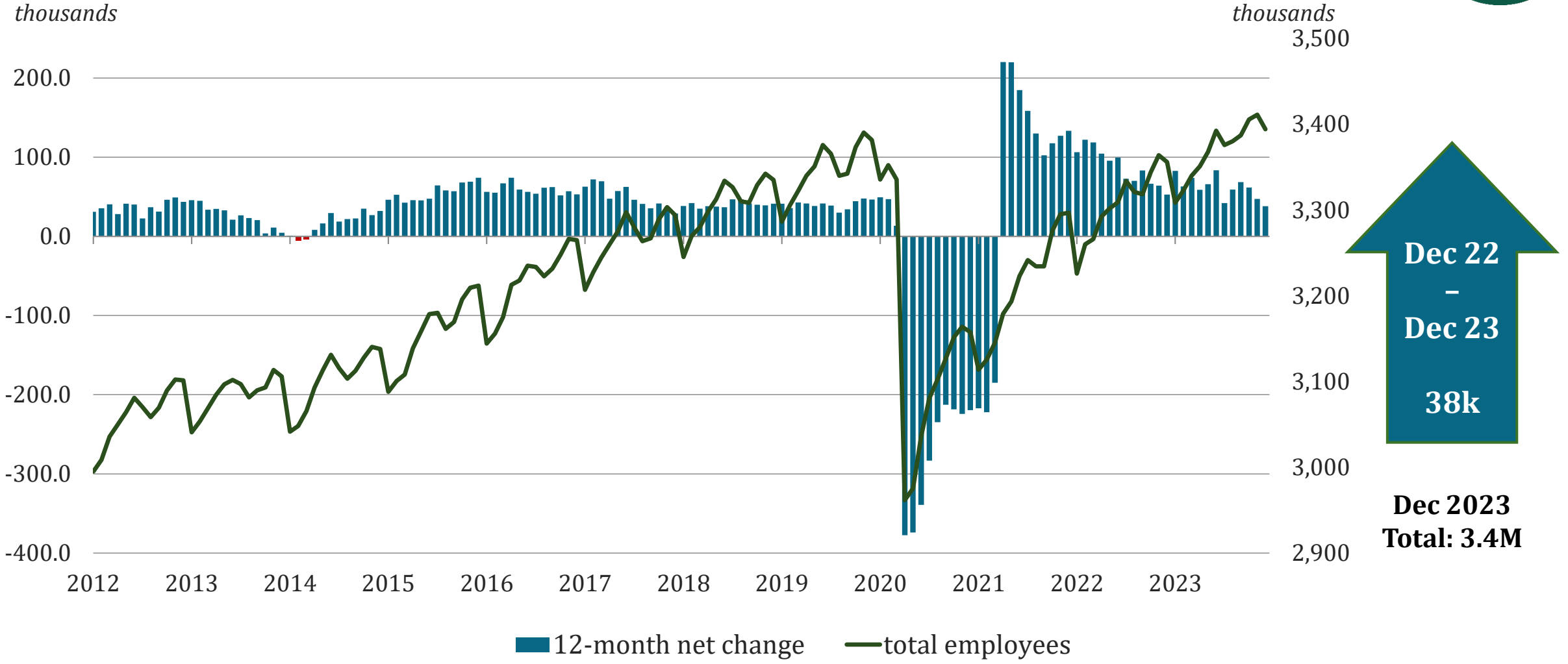
Terry L. Clower, Ph.D.

Keith Waters, Ph.D.

Center for Regional Analysis / Stephen S. Fuller Institute
Schar School of Policy and Government
George Mason University

February 23, 2024

Annual Job Change Washington MSA (2012-2023)

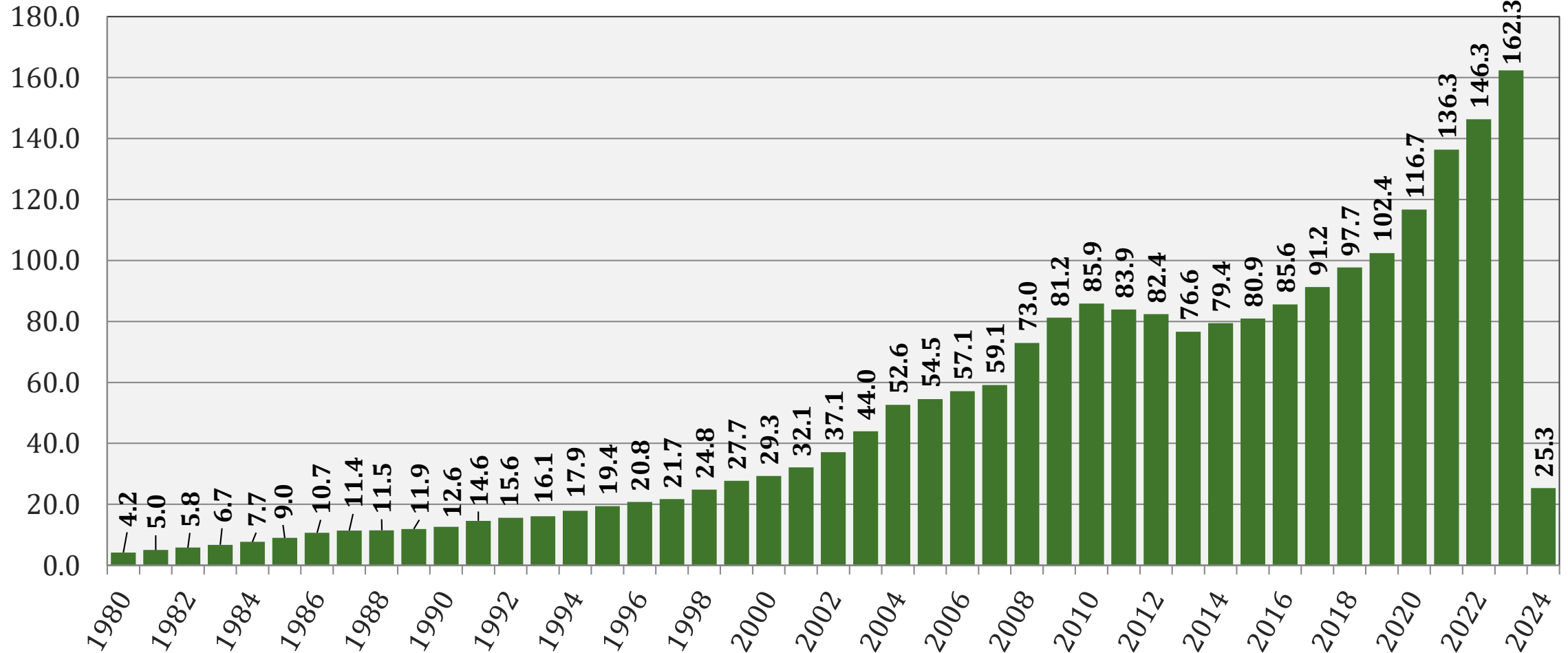


Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Federal Procurement Spending in the Washington MSA

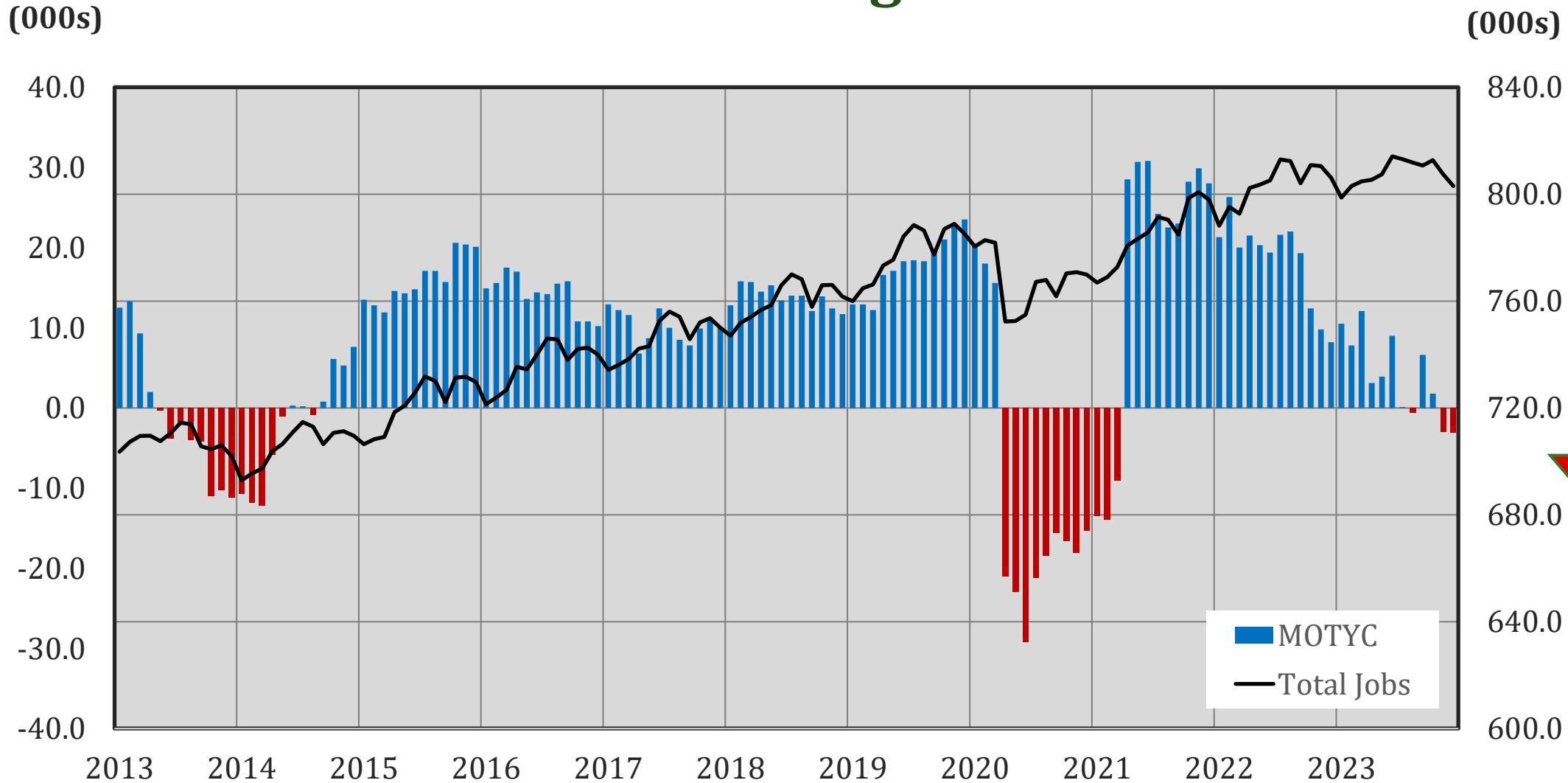
Fiscal Years 2008-2023

(\$ Billions)



Source: USAspending.gov

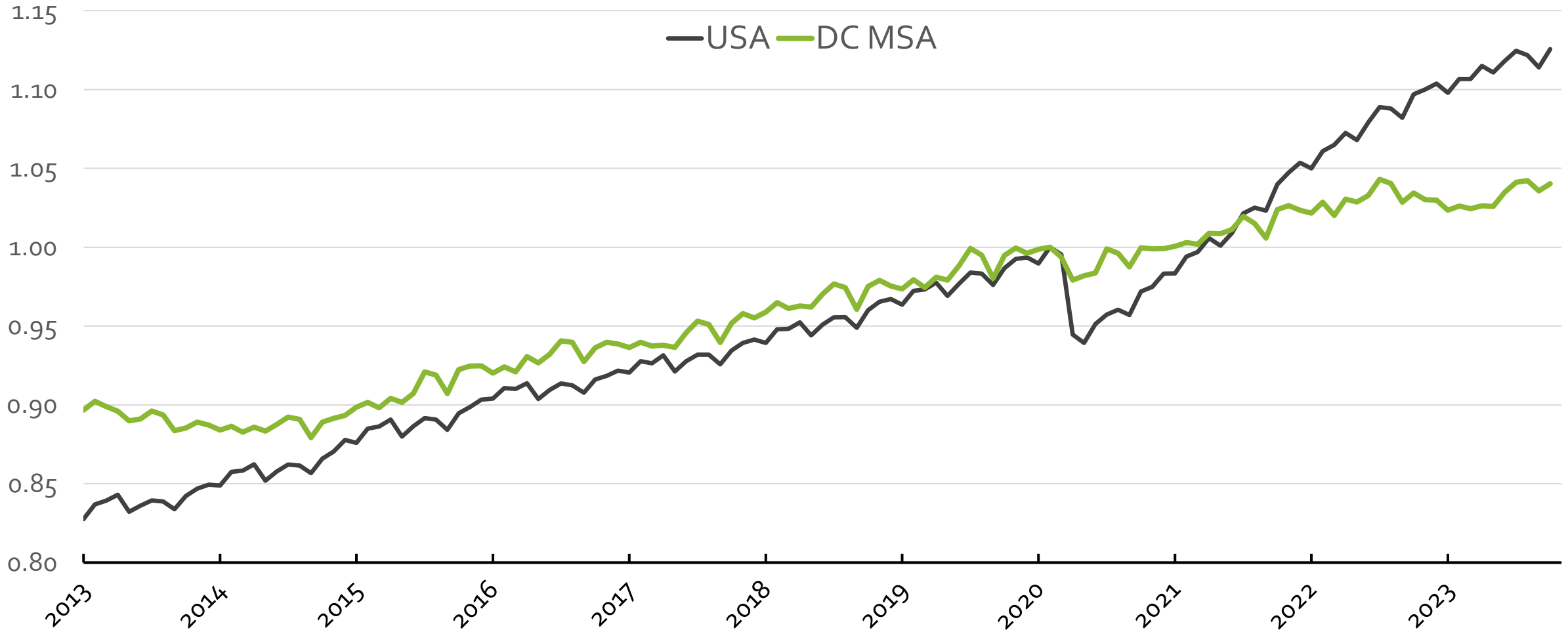
Professional & Business Services Washington MSA



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

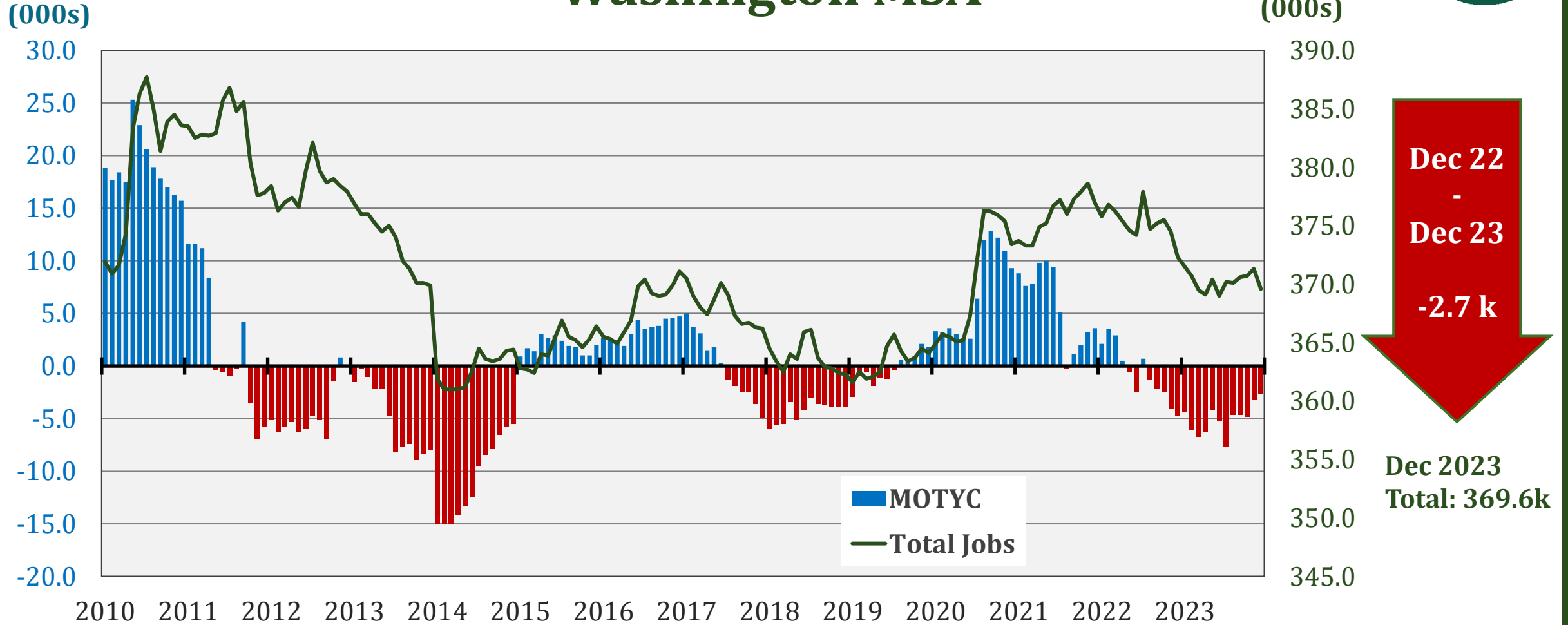
Professional, Scientific and Tech. Services Washington MSA and USA Index (February 2020)

(000s)

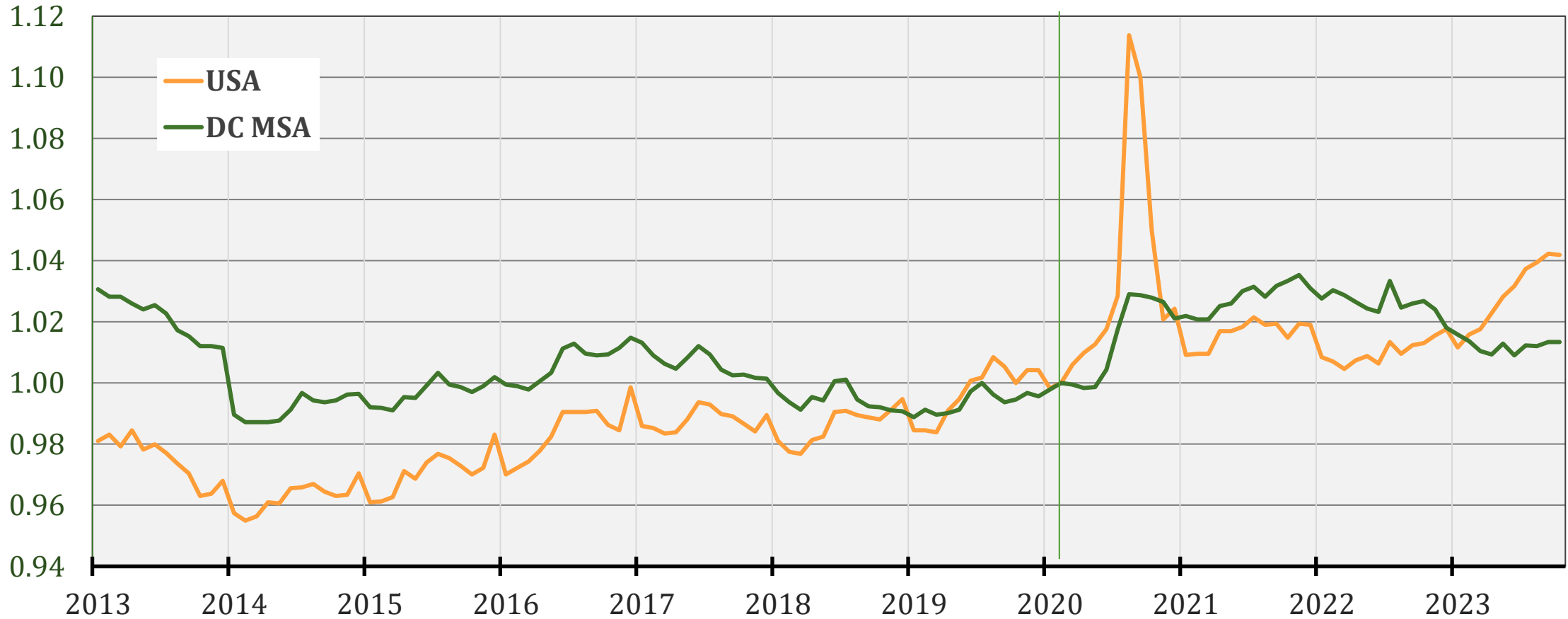


Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

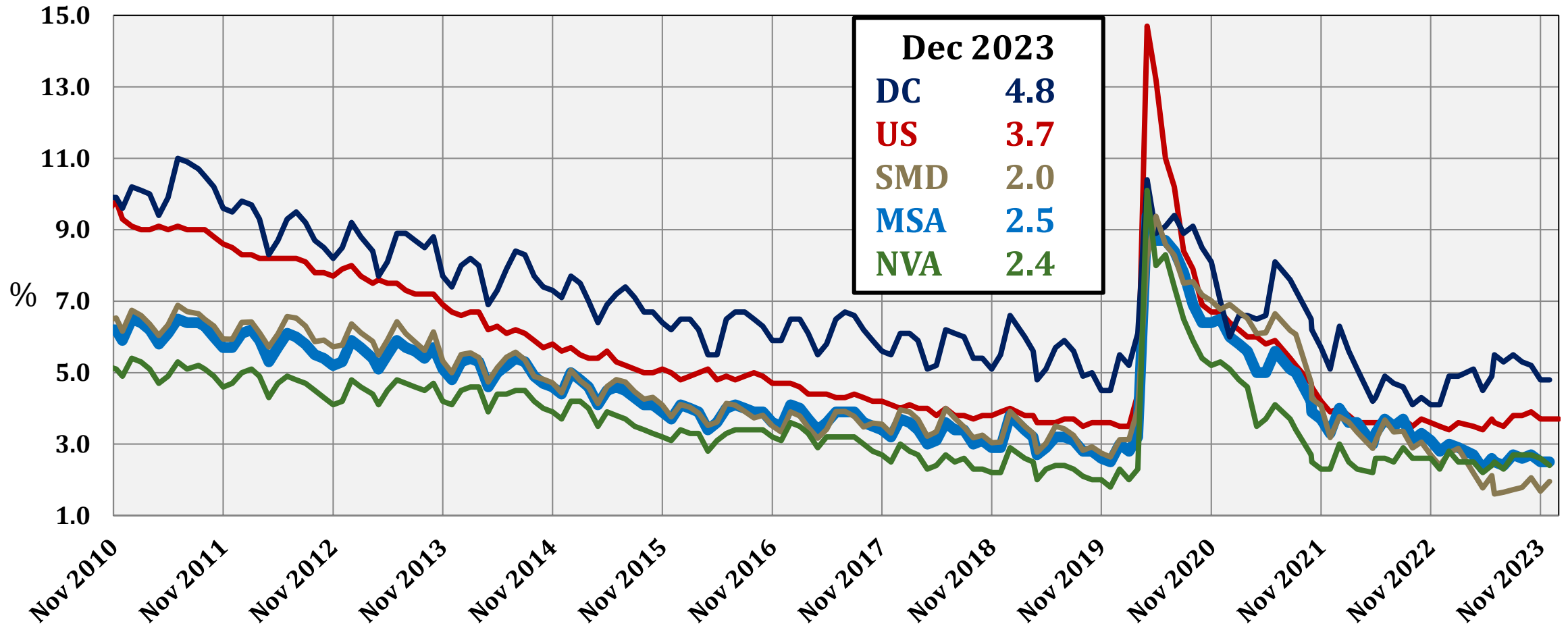
Federal Government Washington MSA



Federal Employment Index (Feb. 2020) Washington MSA and USA



Unemployment Rates in the WMSA By Sub-State Area



Source: Bureau of Labor Statistics (Region - Not Seasonally Adjusted, US – Seasonally Adjusted)

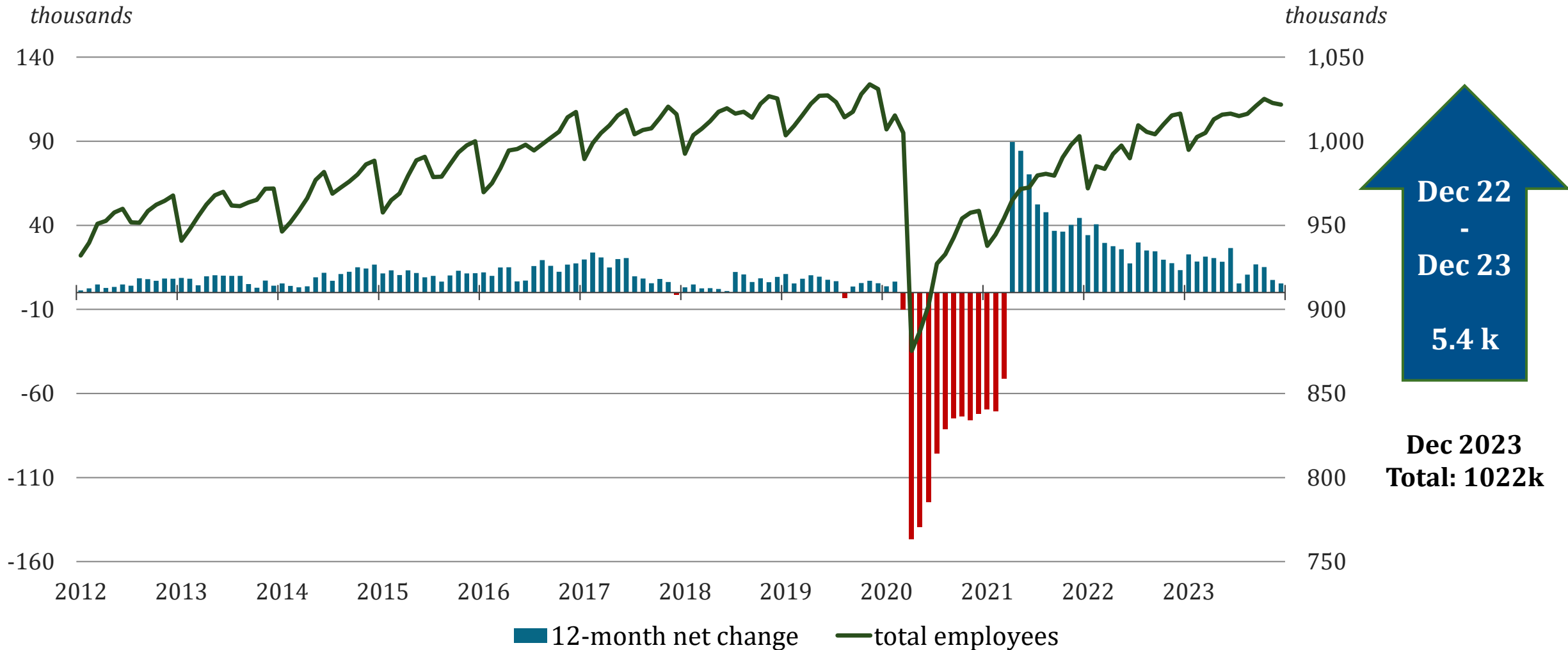
Labor Force Index

Jan 2013/Oct 2023

Metro	LFI	Metro	LFI	Metro	LFI
Austin	1.46	Charleston	1.27	Boston	1.08
Dallas	1.31	Charlotte	1.23	DC	1.08
Raleigh	1.30	Denver	1.19	Minneapolis	1.07
Orlando	1.30	Atlanta	1.17	SF	1.06
Phoenix	1.29	Houston	1.15	NYC	1.04
Nashville	1.28	Miami	1.13	Baltimore	1.03
Jacksonville	1.28	Detroit	1.09	Chicago	1.01

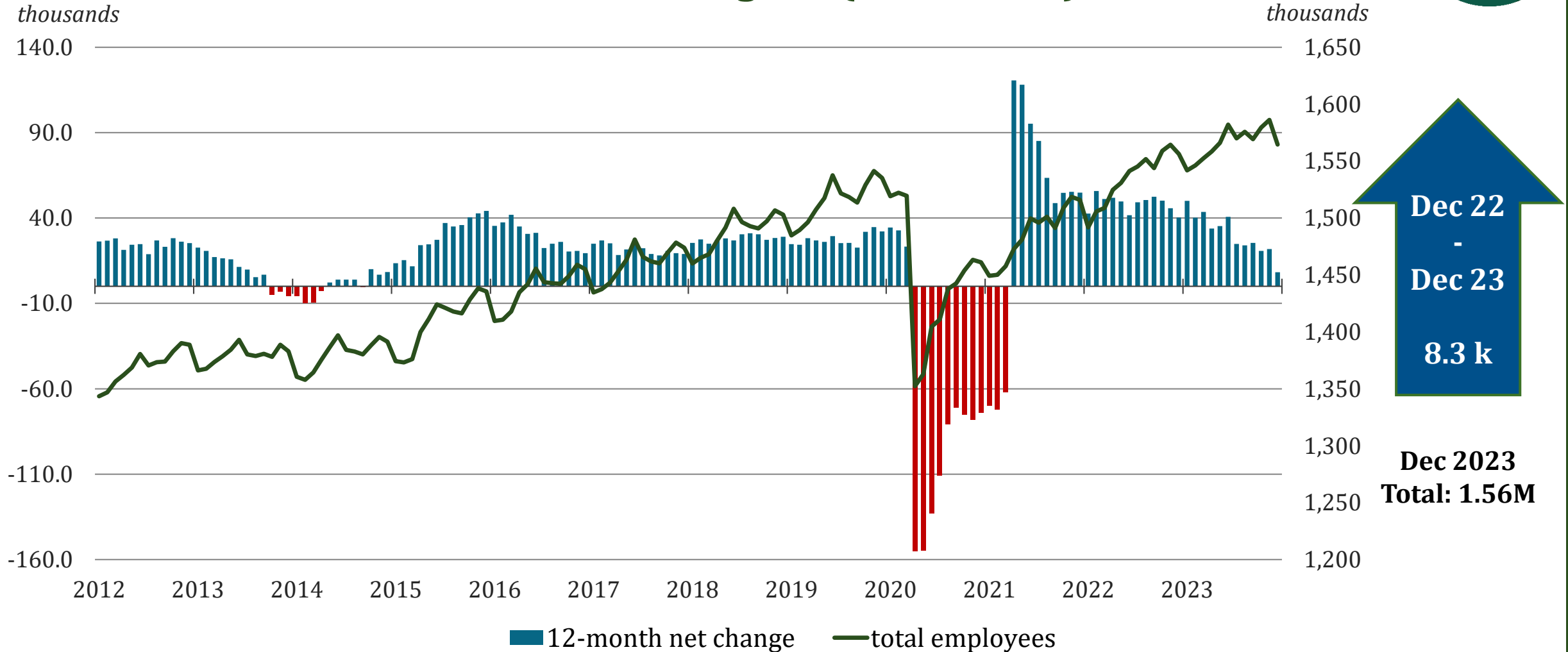
Source: BLS, CRA

Annual Job Change Suburban Maryland (2012-2023)



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

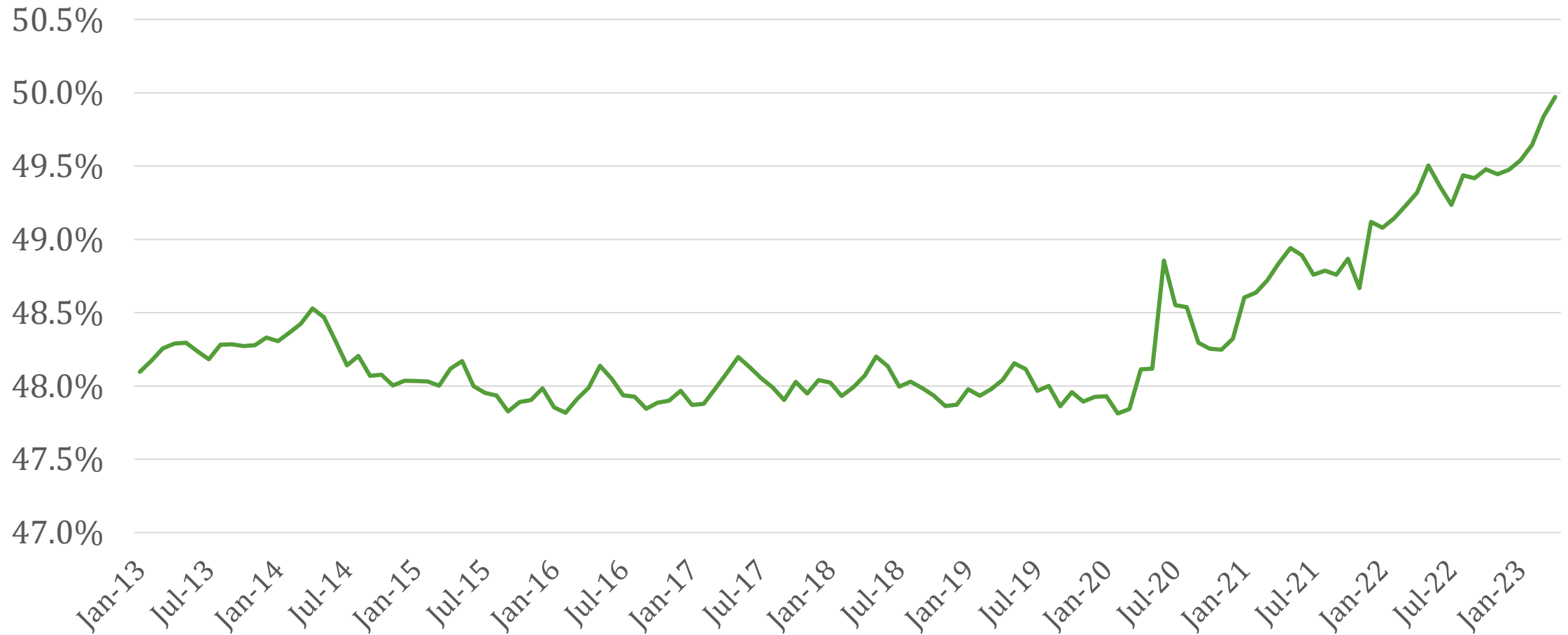
Annual Job Change Northern Virginia (2012-2023)



Source: Bureau of Labor Statistics (Not Seasonally Adjusted), GMU Center for Regional Analysis

Share of Regional Labor Force in NOVA

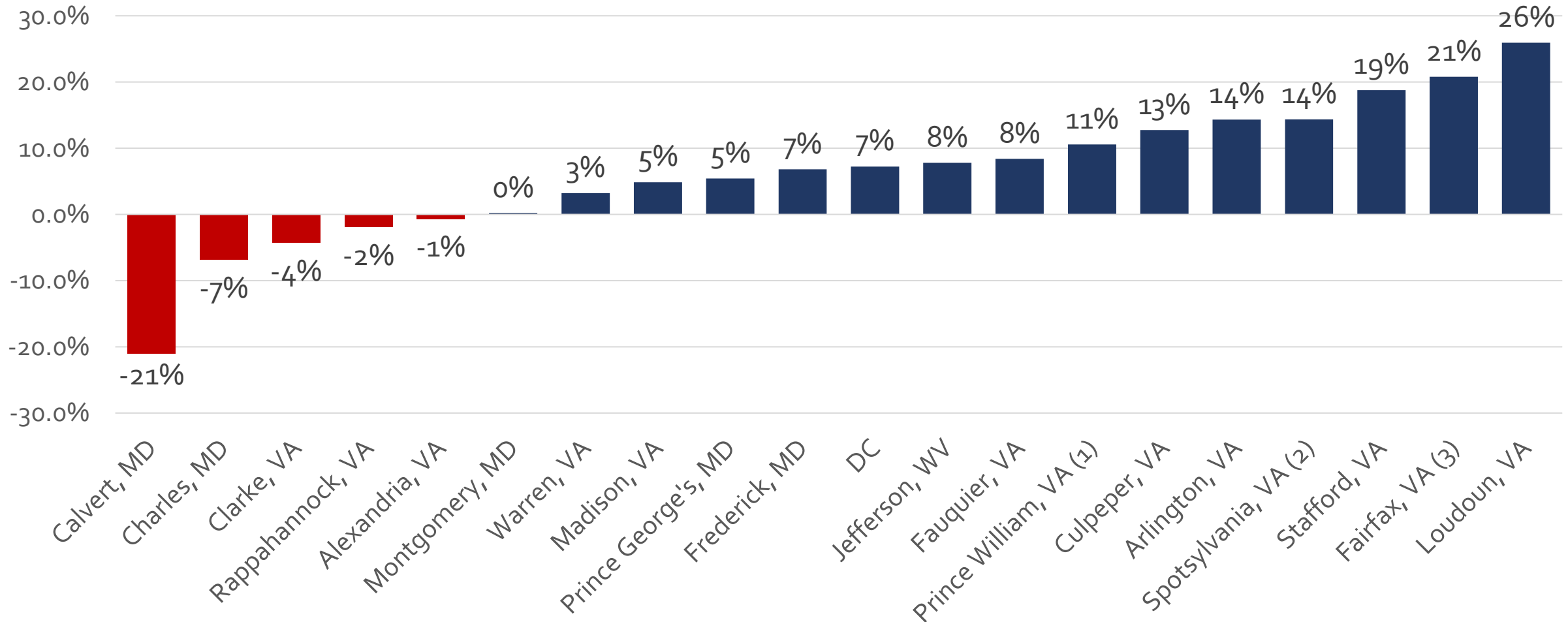
January 2013 to May 2023



Source: Bureau of Labor Statistics

Real GRP Change by Jurisdiction

2017-2022

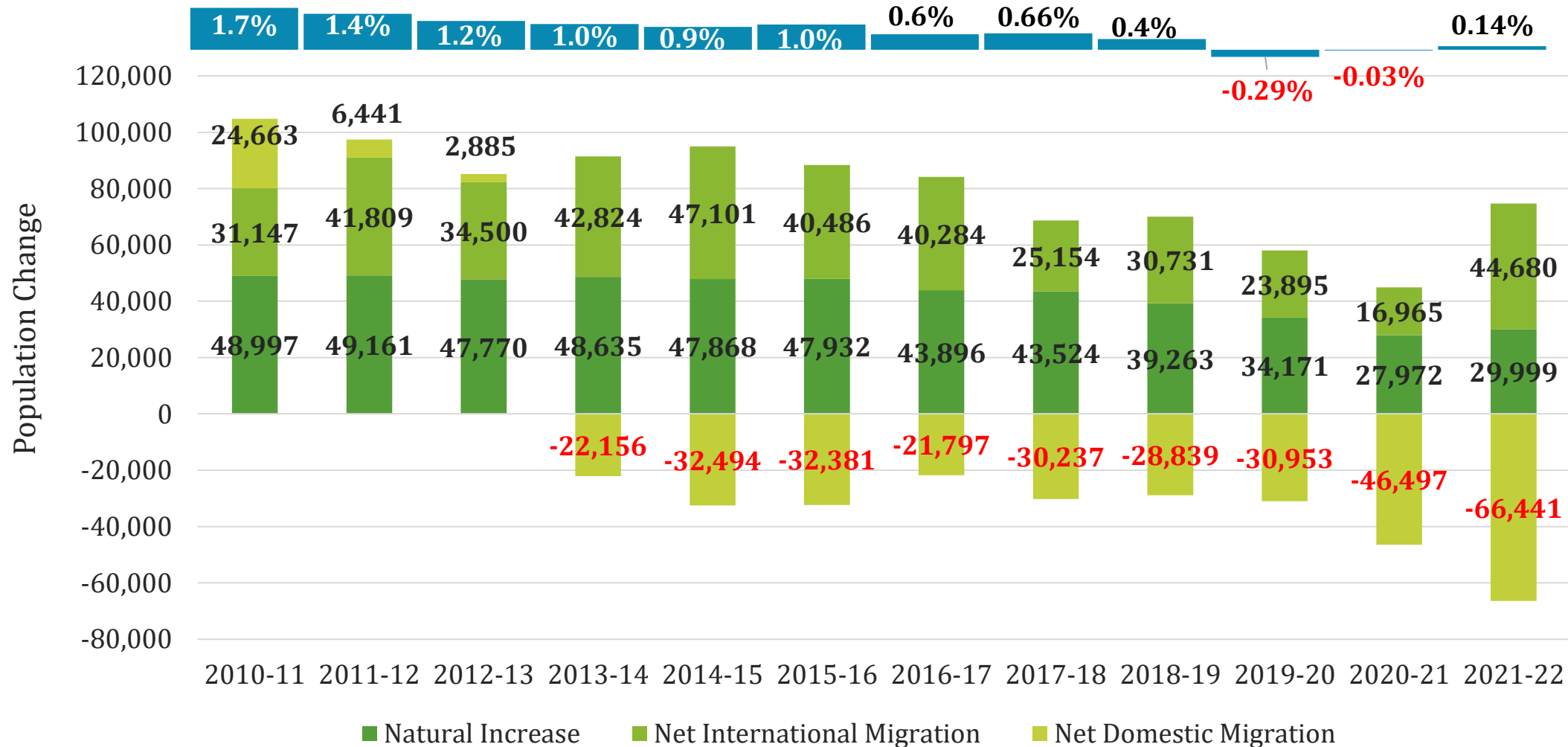


Source: BEA, Stephen S. Fuller Institute. 2017 Chained Dollars. (1) Prince William, Manassas + Manassas Park, VA*; (2) Spotsylvania + Fredericksburg, VA*; (3) Fairfax, Fairfax City + Falls Church, VA*

Area Development 2023 Metro Rankings

Metro Area	Overall	Economic Strength	Core Econ Indicators	Job Growth	Prime Workforce	Wage Growth	Workforce Readiness
Salt Lake City	1	3	47	1	3	14	7
Olympia, WA	2	2	22	3	14	20	16
Decatur, AL	3	5	4	29	13	15	17
Miami	4	4	2	20	41	25	62
Austin	5	15	156	6	1	31	1
Missoula, MT	6	9	7	46	12	7	25
Palm Bay, FL	7	12	100	10	4	53	3
Tampa, FL	8	7	8	31	22	49	26
Tallahassee, FL	9	1	18	2	82	145	84
Ogden, UT	10	19	124	12	10	35	8
Washington DC	314	251	259	225	338	334	319

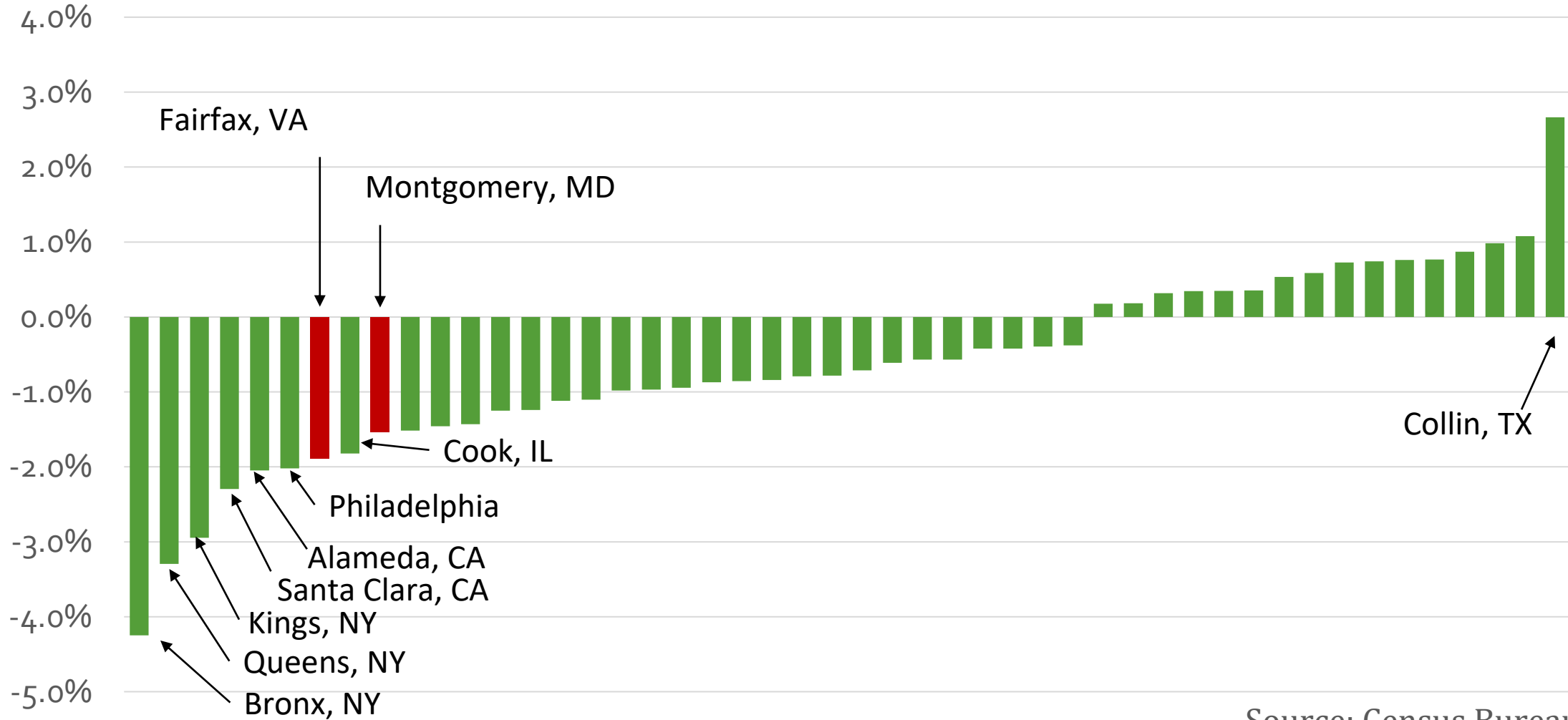
Elements of Population Change Washington MSA



Source: U. S. Census Bureau, Population Estimates Program

Domestic Migration % of Total Population

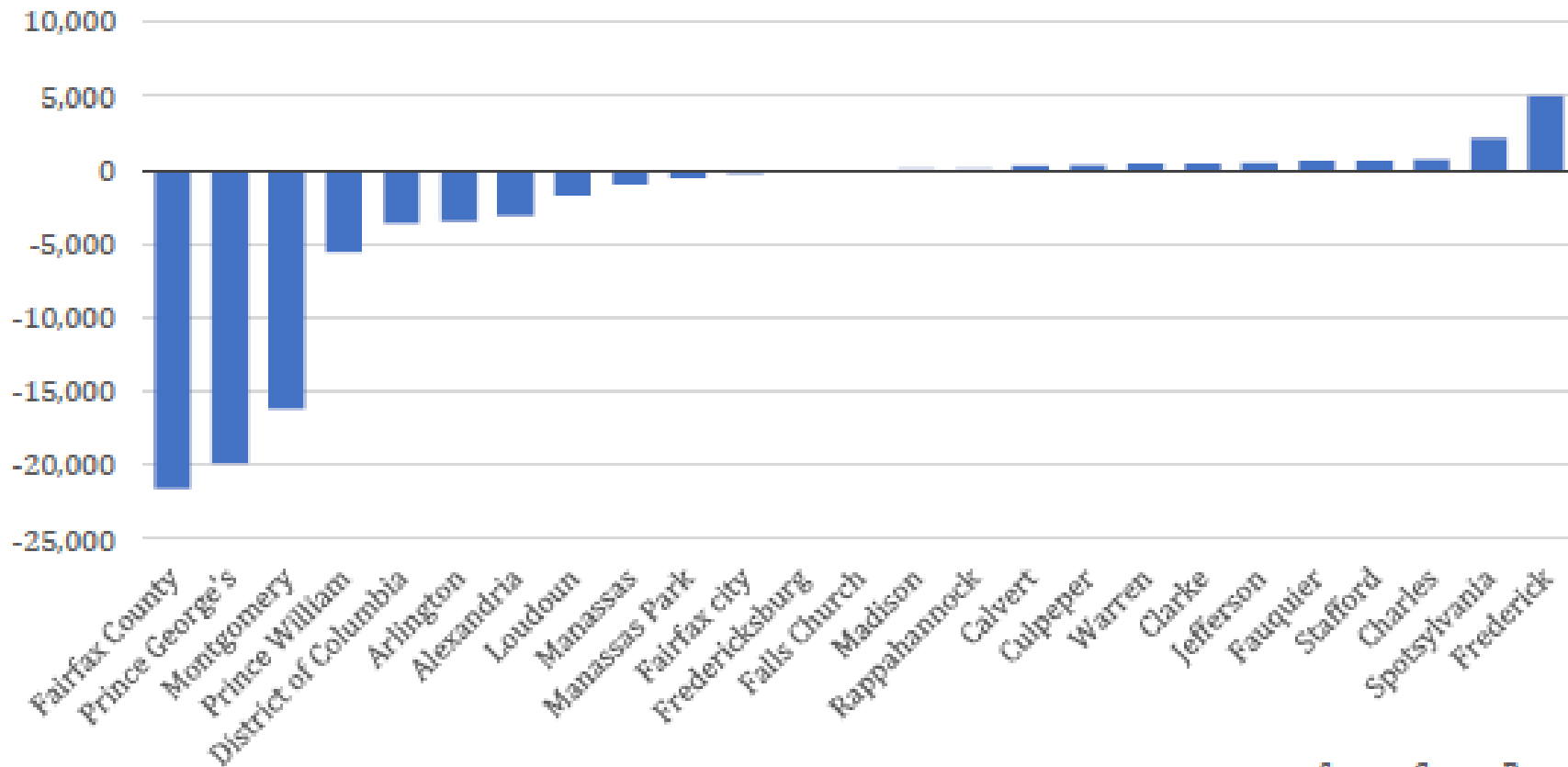
July 2021 – June 2022, Counties 1+ Million Population



Source: Census Bureau

Domestic Migration by Jurisdiction

Domestic Migration in the Washington Region July 2021 - June 2022

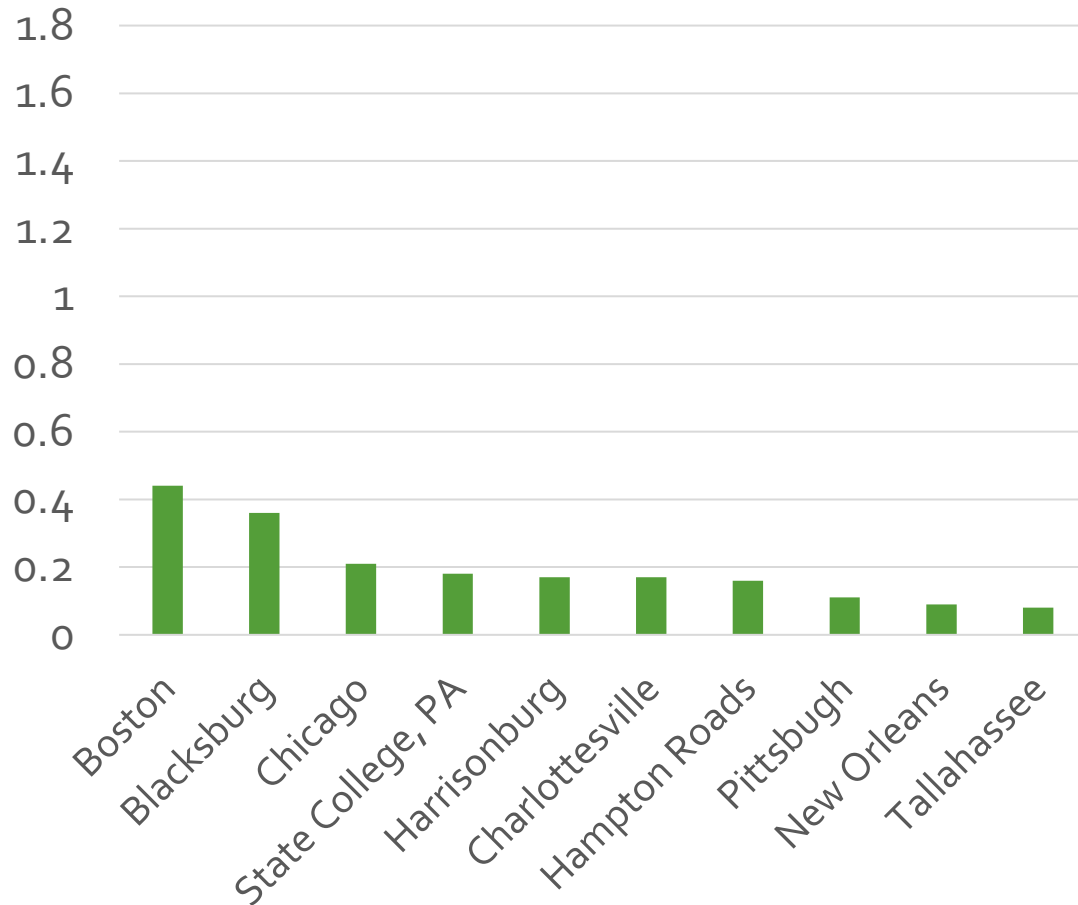


Source: Census Bureau

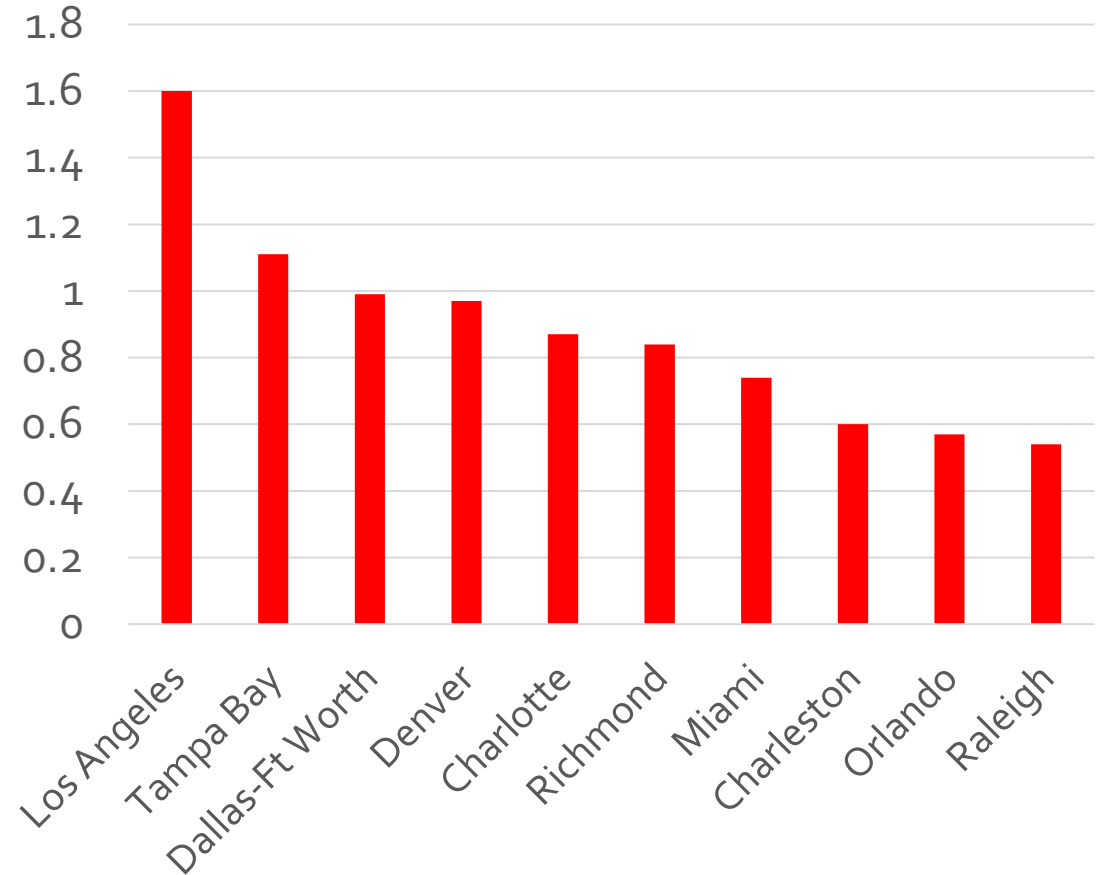
Migration of LinkedIn Members

(rate per 10,000 members)

Top 10 to DC Metro



Top 10 From DC Metro



Washington, DC Metro Montgomery County Outlook

- Federal Spending past peak
 - Still robust
- Consumer spending
 - Retail on downward trend
- Congress is functional (?)
 - Federal shutdown
 - Sub regional effects of spending priorities
 - A year of CRs?
- Housing rents stabilized
 - Home ownership out of reach for most

- Talented workforce
 - Many are moving out
 - Biggest impediment to growth is labor availability
- Local government finances
 - WMATA Fiscal Cliff
 - Office space/valuations
- Business lending
- Return to office has stalled
 - Homeownership in distant lands

DC Metro

- **GRP +0.9%**
- **Job Growth**
 - Net 20k-30k
- **The Path to Mediocrity?**

Montgomery

- **+3-4K jobs**
- **GRP almost flat**
- **Better than DC**

Thank You

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