



DEPARTMENT OF FINANCE

Marc Elrich
County Executive

Michael Coveyou
Director

April 19, 2022

Honorable County Executive
Members of the Montgomery County Council

I am pleased to present the findings of the Twenty-Third Annual Business Advisory Panel that was convened on February 24, 2022. 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 Paul DesJardin, Director of Community Planning and Services of the Metropolitan Washington Council of Governments. 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

**FINDINGS OF THE TWENTY-THIRD ANNUAL
BUSINESS ADVISORY PANEL
FEBRUARY 24, 2022**

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 24, 2022. 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 and conducted in a virtual format due to the COVID-19 pandemic. 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.

The meeting was structured to allow all participants to provide 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 the Metropolitan Washington Council of Governments). The second section discusses the participant's view of their respective industry sector.

The County Executive opened the meeting by stating that he is pleased that the County has recovered faster from the COVID Pandemic than original projections. Despite that recovery, the last two years have been difficult, and the County has not been immune to the "Great Resignation" with employees retiring, moving away, or switching positions at an elevated rate. The biotech/life science industry remains a primary engine for the County's economic growth and conditions are ripe for further expansion of this sector; Montgomery County is home to the highest number of PhD's in science in the country, there is more lab space under development here than any other market except Boston, and notable biotech companies like United Therapeutics, RegenXBio, and Quality Biologics are expanding. The County Executive detailed steps Montgomery County is taking to increase economic development, such as the collaboration between his administration and Councilmember Andrew Friedson to reduce the planning and permitting time of biotech/life science projects within Opportunity Zones. To support economic development, the County Executive is prioritizing investments in bus rapid transit (BRT), fully funding within the CIP BRT infrastructure from Wheaton to Rockville and from Rockville to Montgomery College in Germantown. Additionally, the County Executive highlighted the ongoing collaboration with the Washington Metropolitan Area Transit Authority (WMATA) to attract development to WMATA properties along the Red Line.

I. Current Economic Conditions and Future Economic Assumptions

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. A detailed report on the County's economy and economic assumptions follows these findings. Summary of those assumptions are:

- **Resident Employment:** Resident employment includes those who live here but may be employed inside and outside the County. The County experienced decreases in 2020 of 6.8% and 2021 of 0.25%.
- **Unemployment Rates:** The unemployment rates increased in 2020 to 6.3% and were at 5.30% in 2021. The employment numbers may be impacted by reduced labor force participation as well as job elimination.
- **Construction Activity – Residential:** The number of new residential construction starts and the value of the starts are down in 2020 and 2021 from 2019. There was a drop in multifamily construction. These starts are a leading indicator for future real estate tax revenue.
- **Construction Activity – Non-Residential:** New non-residential projects dropped in number and value in 2020 and 2021 from 2019.
- **Residential Real Estate – Sales:** Residential sales of existing homes are up from 2019 in 2020 and 2021. The increase in demand coupled with limited supply has created an imbalance driving up home sale prices.
- **Residential Real Estate – Median Sales Price:** The median price of homes rose from \$450,00 in 2019 to \$482,000 and again to \$530,000 in 2021. Home prices are expected to continue to rise but not at past rates of increase.
- **Payroll Employment:** Payroll employment is expected to exceed pre-Pandemic levels by 2024.
- **Resident Employment:** Resident Employment is expected to exceed pre-Pandemic levels by 2025.
- **Personal Income:** Personal income is estimated to dramatically increase by 11.8 percent in 2021 due to stimulus transfer payments. A slower rate of growth at an average annual rate of 5.7 percent is estimated for CY21-CY24.

- **Wage and Salary Income:** Wage and Salary Income is expected to increase at an average annual rate of 6.7 % from CY21 to CY24. This is due to employers increasing wages beyond pre-pandemic levels to attract employees.
- **Non-Wage Income:** This category represents income from dividends, interests, and rents; sole proprietors, S-corporations, partnerships, and pass-through entities; and transfer payments. The County has seen and expects continued growth in this category.
- **Consumer Price Index:** The Federal Reserve is expected to implement several interest rate increases this year to decelerate the rate of inflation. Inflation is forecasted to be lower in 2023-2025 than in 2022 by over 100 basis points (1.00%).
- **Yield on Investment Income:** As interest rates are expected to be higher, a higher yield on investments is anticipated in FY23 – FY25. However, this will present higher rates for bonds sold by the County as well.

Key Regional Economic Trends

Paul DesJardin, the Director of Community Planning and Services of the Metropolitan Washington Council of Governments (MWCOC), presented a summary of key regional economic trends to the County Executive and the panel participants. A copy of MWCOC's presentation is included in this report.

The COVID Pandemic significantly impacted the regional economy over the past two years and the D.C. region has not completely recovered. The region lost 370,900 jobs and as of December 2021 had only recovered about 90% of that loss (335,200 jobs). Compared to the 10 largest Metropolitan Statistical Areas (MSAs), the D.C. region lost among the lowest number of jobs and has performed middling in terms of job recovery. While unemployment is down (3.3% compared to the national average of 3.7%), metrics reflecting economic vitality such as Metrorail and Metrobus ridership remain down and office vacancy is higher than it was pre-Pandemic in all areas of the region (D.C., northern Virginia, suburban Maryland). Home values and sales both increased markedly during the Pandemic due to high demand and low inventories. While the region needs 32,000 new housing units per year, it is producing only 22,000 annually indicating home affordability will continue to worsen. In 2020, 90% of multifamily units were in high-capacity transit walksheds versus only 60% in such walksheds prior to 2020, highlighting the importance of transit access for economic development. Also, the vast majority of office space built in 2020 was Metrorail adjacent. There are indications that the demand for office space will remain depressed following the Pandemic as significant amounts of leased office square footage (45 million sq. ft.) is scheduled for lease expiration from 2022-2025. Additionally, MWCOC presented survey findings that many employees

prefer some degree of telework and the D.C. region's workforce has one of the highest capacities for telework, which could affect the willingness of firms to renew leases.

MWCOG concluded their presentation noting that there are numerous factors that may impact the 2022 outlook for the region specifically inflation, interest rates, conflicts, Federal spending, attraction and retention of employees, availability of housing, and quality of life issues.

II. Specific Industry Sectors

Real Estate Market and Affordability of Housing

The panel discussed the challenge that the lack of affordable housing, particularly for first-time home buyers, presents to the ongoing economic growth of Montgomery County and the region. While there has been significant development of 1- and 2-bedroom apartment units in the past decade, these do not suit the needs of larger families who suffer from a lack of lower-cost/entry-level homes. Additionally, a majority of new units built have high rents that are not affordable to most existing residents of the county. The County Executive suggested that Montgomery County would be unable to rely on the private sector to build new units at the level of affordability needed. County Executive Elrich suggested that the County should zone for lower-rise buildings instead of high-rise structures as low-rise structures are less costly to build, and that the County should require developers provide more affordable units than is currently demanded. Mr. Elrich stated that the County should require more dedicated affordable units within three bands of affordability, for households earning less than 50% of area median income (AMI), for households earning between 50% and 75% of AMI, and for households earning between 75% and 100% of AMI. County Executive Elrich cited a study that currently Montgomery County has approximately 24,000 families that cannot afford a housing unit renting for \$750 monthly. These households spend approximately 50% to 60% of their income on rent. Of the households the County expects to gain between 2030 and 2040, between 2/3rds and 3/4ths are expected to have income below \$75,000 and would likely need a subsidy to afford housing. The panel observed that a continuing lack of affordable housing will have negative implications for the County's workforce and economy.

Strength in Life Science/Biotech, but Start-Ups Need Additional Supports

The panel agreed that the life science/biotech cluster is a strong engine for Montgomery County's economic growth. Representatives from biotechnology companies participating in the panel highlighted recent or upcoming expansion plans. The participants complimented the County Executive's efforts to speed the permitting and review process for new life science/biotech projects, noting that this speed would make Montgomery County more competitive with other noted life science/biotech clusters.

Panelists expressed hope that the Montgomery County Economic Development Corporation (MCEDC) is broadly advertising this speedy review process. Despite the strength, the panel stated that access to a talented workforce is a challenge for the entire industry. Additionally, challenges with the supply chain of raw materials and inputs life science/biotech firms need is unlikely to alleviate in 2022 and will continue to be an issue in 2023.

The panel stated that the pipeline of new life science/biotech start-ups necessary to maintain and grow the Montgomery County cluster needs additional support. Start-up life science/biotech firms have insufficient access to affordable laboratory space due to the high rents regionwide. The panel also opined that attracting additional life science/biotech companies to East County near the Food and Drug Administration could support more equitable development objectives. The County Executive responded that the county's incubator space will expand with additional private sector projects in Rockville. The County Executive described some of the challenges attracting new development to the East County area despite having funds in the budget to support this growth with new infrastructure in the area. He stated that a new Montgomery Community College Campus in East County that is being planned could support life science/biotech firms in that area by providing specialized courses and training.

Hotel-Motel Industry

The visitor industry has seen some indications of recovery from the Pandemic with 55% hotel/motel weekend occupancy in 2021, a sizeable recovery from 2020. However, weekday occupancy, which is driven by business travelers, has not much improved from the depths of the Pandemic and the outlook for in-person conferences is still unclear. The panel noted that the meeting/conference industry is still frustrated by the technology challenges of doing hybrid meetings, potentially indicating a future improvement in demand for in-person conferences and the accompanying need for hotel rooms. One bright spot for the visitor economy is that Montgomery County has two hotels that will open soon along with the new headquarters for the Marriott Corporation.

Minority-Owned Businesses

The panel informed the County Executive that minority business enterprises (MBEs) need additional support. Panelists opined that the County too often considers all minority businesses to be micro-enterprises (1 to 3 people) and the support and training available do not address the needs of mid-sized companies with more extensive experience and business acumen. In addition, a participant informed the panel that the County does not acknowledge the minority business designation from the State of Maryland and greater education is needed about the range of MBEs. One source of support could be greater access to County procurement contracts for MBEs. County Executive Elrich responded that the County has exceeded its target for the number of procurement contracts won by MBEs but has not met its target in terms of value of those

contracts. In addition, there has not been equal benefit in terms of specific categories of businesses or races/ethnicities of the owners. County Executive Elrich stated that his administration is looking into how the County can better achieve the targets for the various component categories of MBEs in addition to the overall target for number of contracts.

III. Conclusion

The representatives expressed cautious optimism regarding the County's economy. The three major issues discussed by the representatives are the challenge presented by the lack of entry-level housing, the need for more support for minority-owned businesses, and the need to support start-up life science/biotech firms.

**Business Advisory Panel
February 24, 2022**

Honorable Marc Elrich
County Executive

Mr. Gabe Albornoz
County Council President

Mr. Michael Coveyou
Director
Department of Finance

PANELISTS

Mr. Brian Barkley
Board of Directors
Rockville Chamber of Commerce

Mr. Paul Chod
President
Minkoff Development

Mr. Paul Desjardin
Director of Community Development
Metropolitan Washington Council of Governments

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

Ms. Georgette Godwin
President/CEO
Montgomery County Chamber of Commerce

Ms. Katherine Gordon
Chief Operating Officer
Greater Capital Area Association of Realtors

Ms. Angela Graham
CEO
Quality Biological

Ms. Kelly Groff
President/CEO

Visit Montgomery

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

Mr. Mike Knapp
Chair of the Board
Montgomery County College

Mr. Ed Krause
CEO
Greater Capital Area Association of Realtors

Ms. Carmen Larsen
President
Hispanic Chamber of Commerce

Mr. John Lin
Vice Chair
Asian American Chamber of Commerce

Mr. Ken O'Connell
President
Montgomery County Small Business Association

Mr. Scott Royal
President/CEO
Westat

Mr. Andrew Scott
Senior Real Estate Advisory
Washington Metropolitan Area Transfer Authority

Ms. Richelle Wilson
Deputy Director
Rockville Economic Development

Mr. Benjamin Wu
CEO
Montgomery County Economic Development Corporation

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Montgomery County Council

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Legislative Analyst
Montgomery County Council

Mr. Jake Weissmann
Assistant Chief Administrative Officer
Office of the County Executive

MONTGOMERY COUNTY

23rd ANNUAL

BUSINESS ADVISORY PANEL



FEBRUARY 24, 2022

MEETING

WHERE: VIRTUAL MEETING VIA ZOOM

WHEN: THURSDAY, FEBRUARY 24, 2022

AGENDA

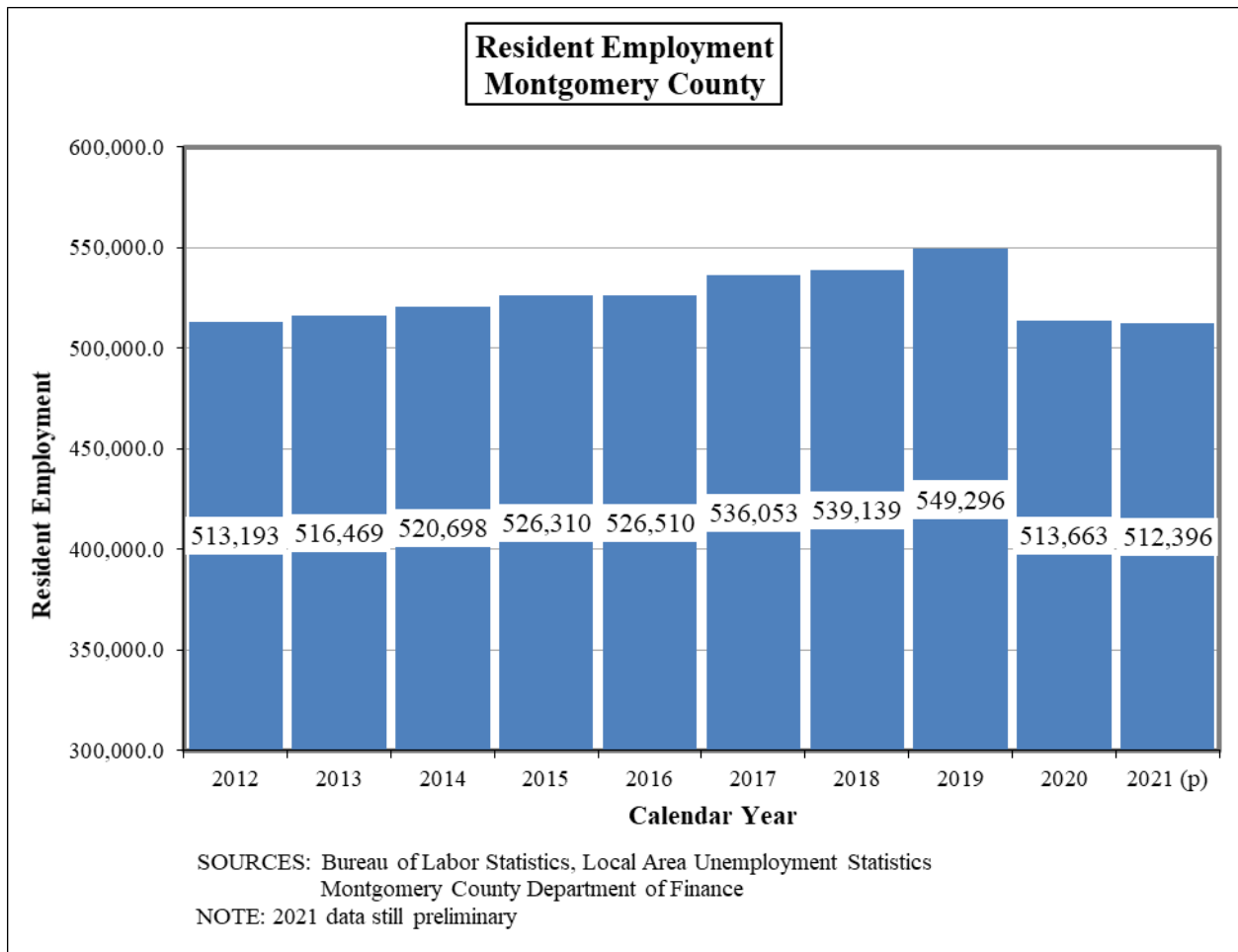
10:00 A.M.	Introduction, Michael Coveyou, Director, Montgomery Department of Finance
10:05 A.M.	Opening Remarks by Marc Elrich, County Executive
10:30 A.M.	Metropolitan Washington Council of Governments
10:45 A.M.	Presentation of Department of Finance economic assumptions
11:00 A.M.	Roundtable discussion by participants
12:30 P.M.	Adjournment

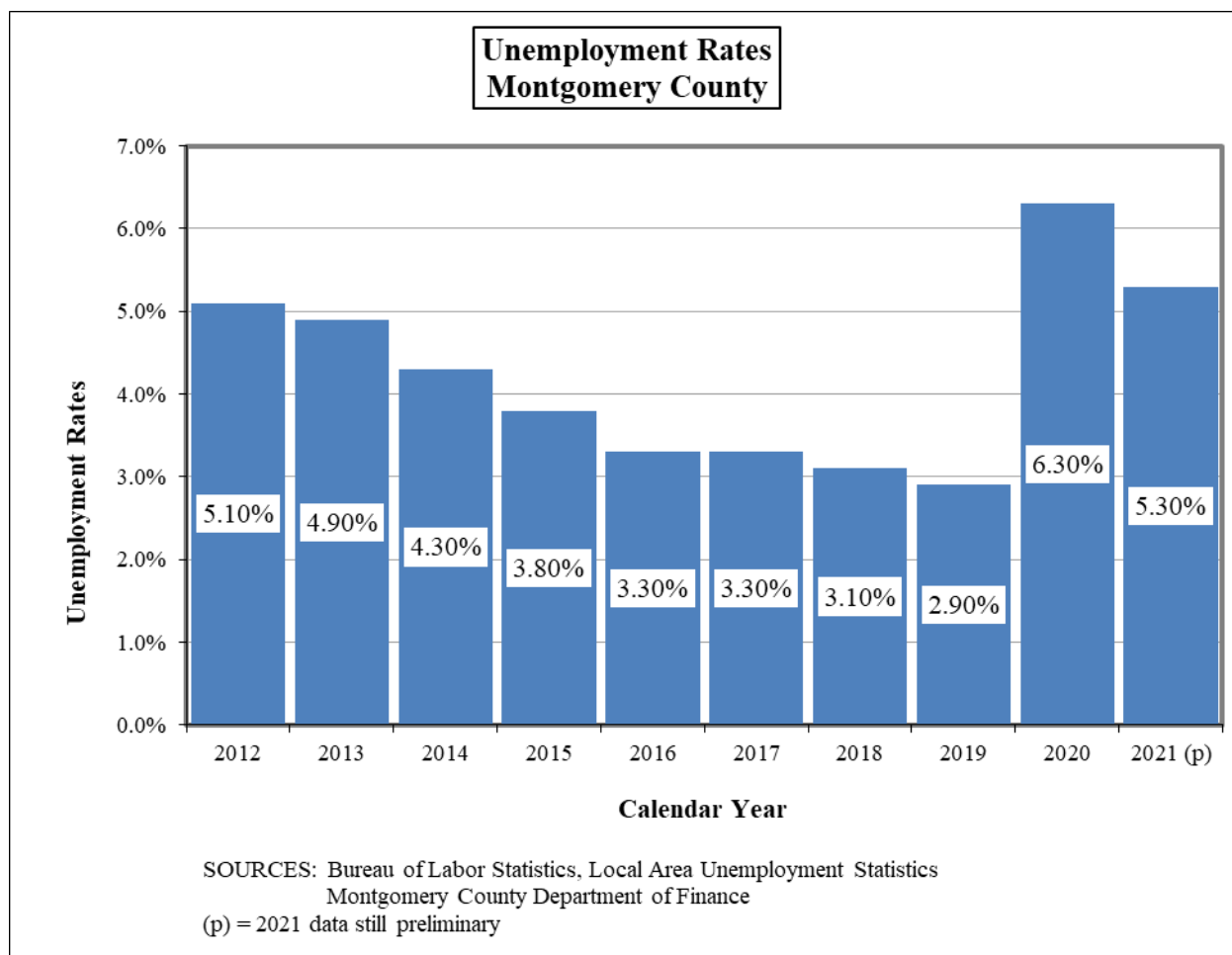
ECONOMIC CONDITIONS AND OUTLOOK

Montgomery County's economy continued to experience mixed economic performance during calendar (CY) 2021, again attributed to COVID-19. The areas of weakness included another, albeit small, decrease in resident employment along with a decline in the resident labor force, high unemployment, and reduced construction of residential housing and non-residential projects. However, demand to live in Montgomery County continued to increase with higher sales of existing homes and another sharp increase in the median sales price for existing homes.

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 CY2021 decreased by another 1,270 from CY2020 (↓0.25%) after a decline of 35,600 between 2019 and 2020 (↓6.8%). The County's unemployment rate came down from 6.3 percent to 5.3 percent due to the labor force dropping by 17,000 people. Unemployment in CY2020 remained twice the pre-pandemic rate in CY2019.

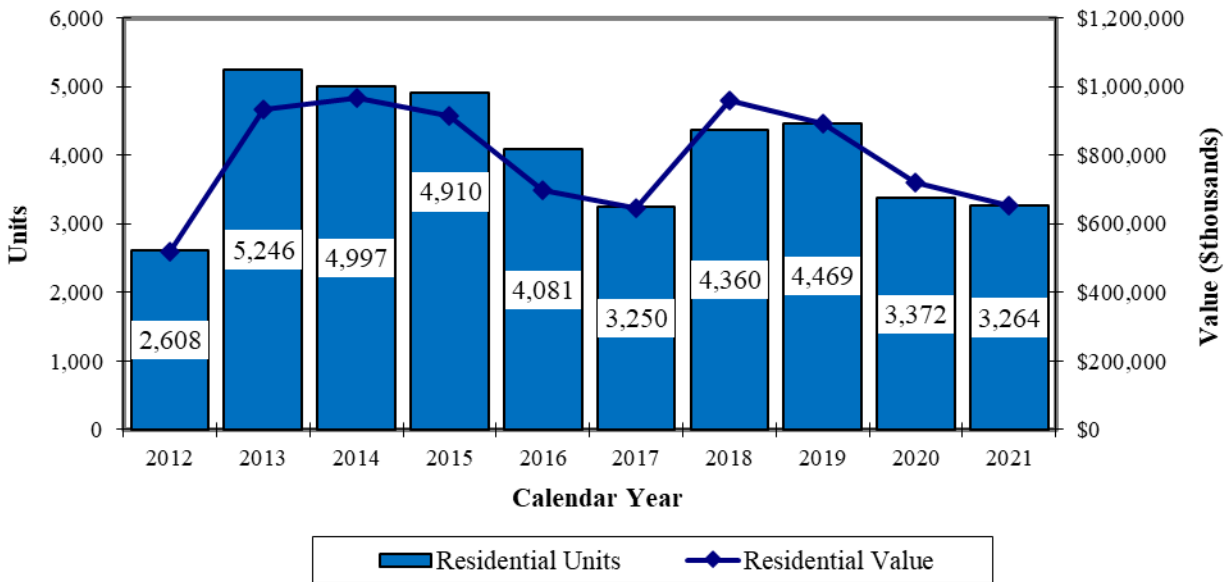




Construction Activity

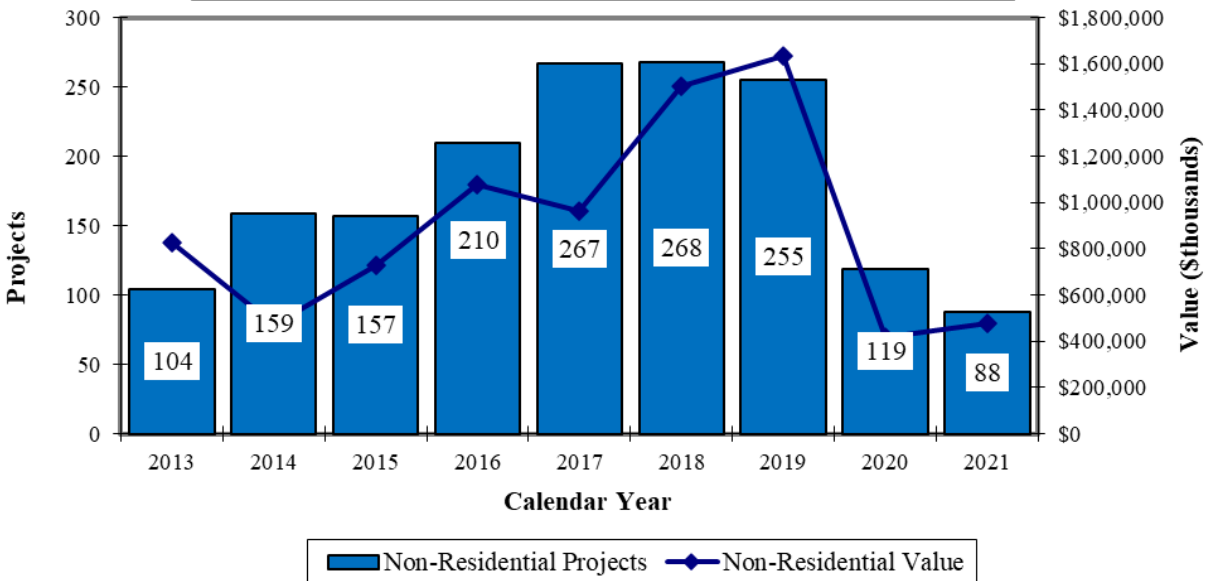
The construction of new residential units decreased another 3.2 percent in CY2021, following a 24.5 percent decrease from CY2019 to CY2020. Total value added from new residential units decreased from \$720.1 million in CY2020 to \$654.3 million in CY2021 (↓9.1%). The total value added from non-residential projects increased but remained below recent highs attained between 2017 and 2019. Non-residential project value went from \$417.0 million in CY2020 to \$476.0 million (↑14.2%) in CY2021.

Number of New Residential Starts (Units) and Value (Montgomery County)



SOURCES: McGraw-Hill Construction and Montgomery County Department of Finance

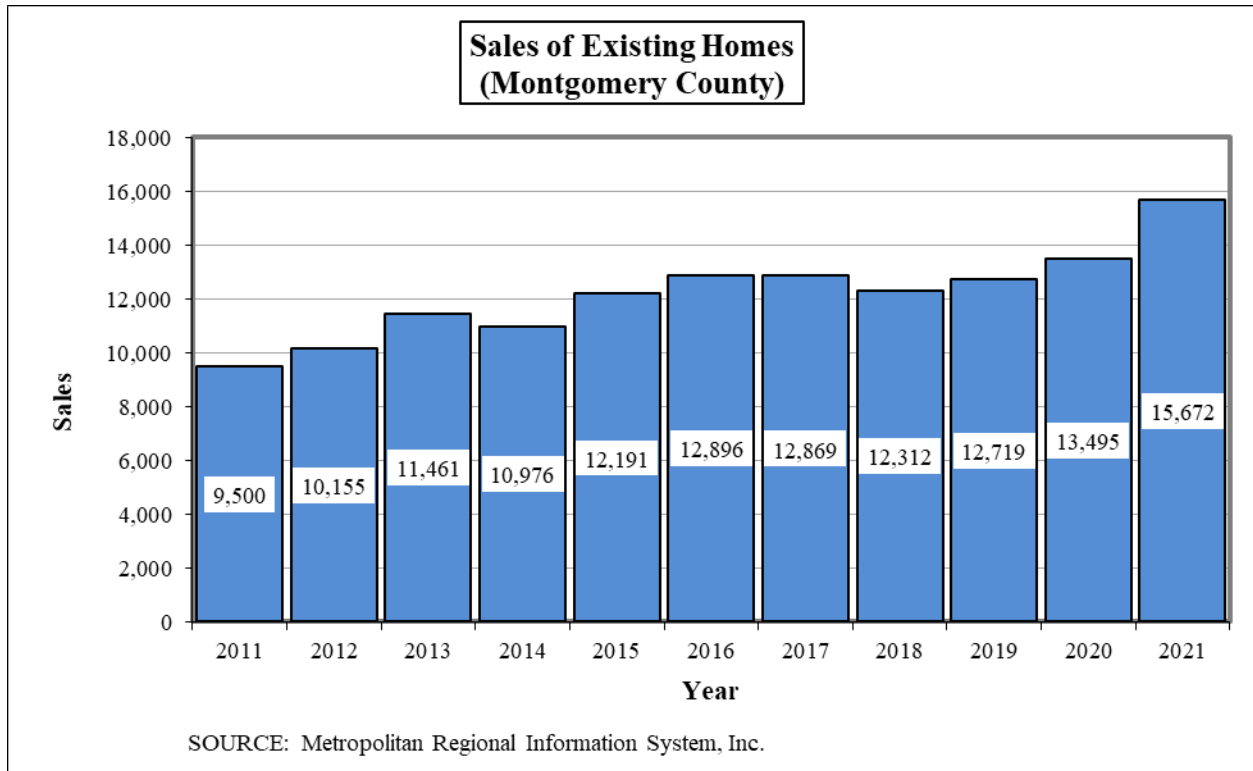
Number of New Non-Residential Starts (Projects) and Value (Montgomery County)

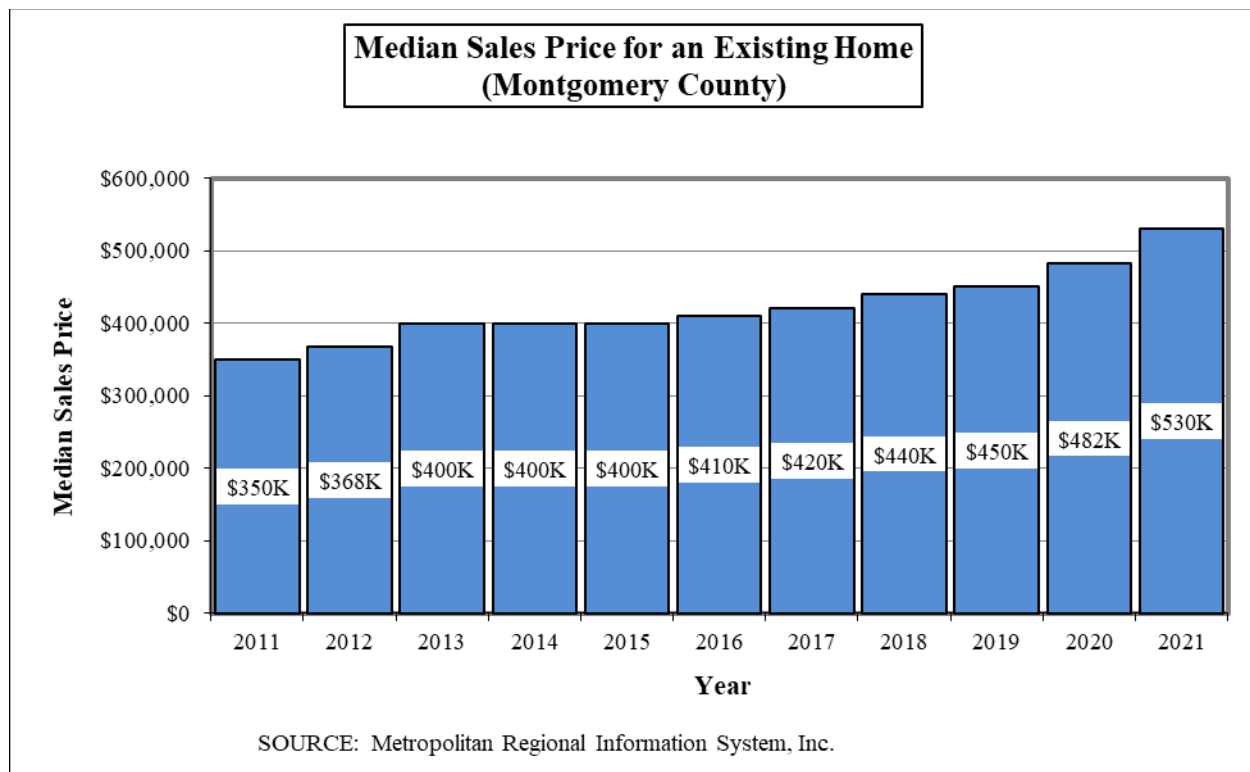


SOURCES: McGraw-Hill Construction and Montgomery County Department of Finance

Residential Real Estate

Demand for existing homes remains strong, with total sales increasing by 16.1 percent in CY2021, following a 6.1 percent increase in 2020. The median sales price for existing homes increased another 9.9 percent in CY 2021 after increasing by 7.1 percent in CY2020.





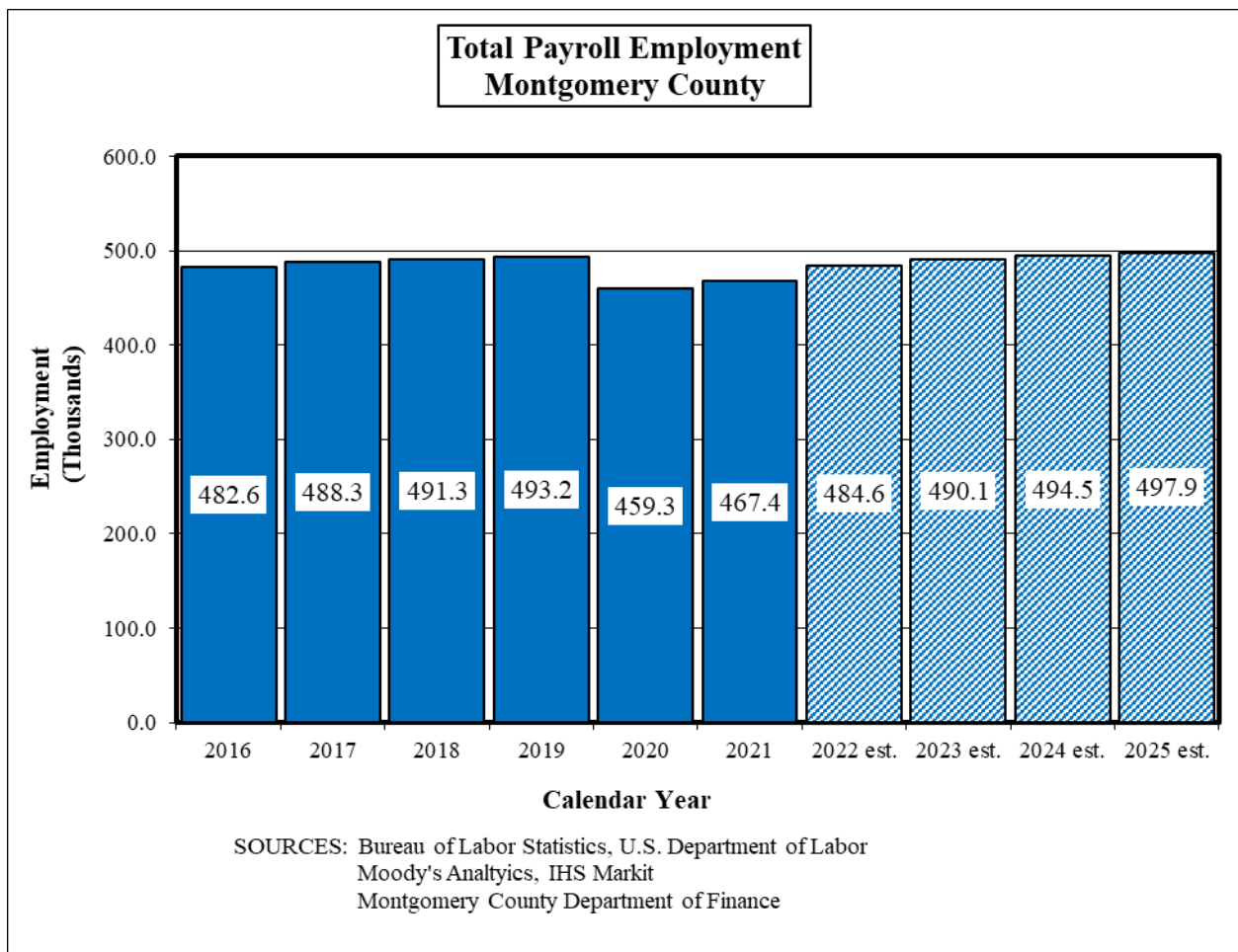
CONCLUSION

The economic indicators, employment and construction, confirm that the County's economy remains weakened due to COVID-19 during CY2021. That performance included a decrease in residential employment, an elevated unemployment rate, and a decrease in residential and non-residential construction. However, the residential real estate market experienced positive performance during COVID-19.

ECONOMIC OUTLOOK

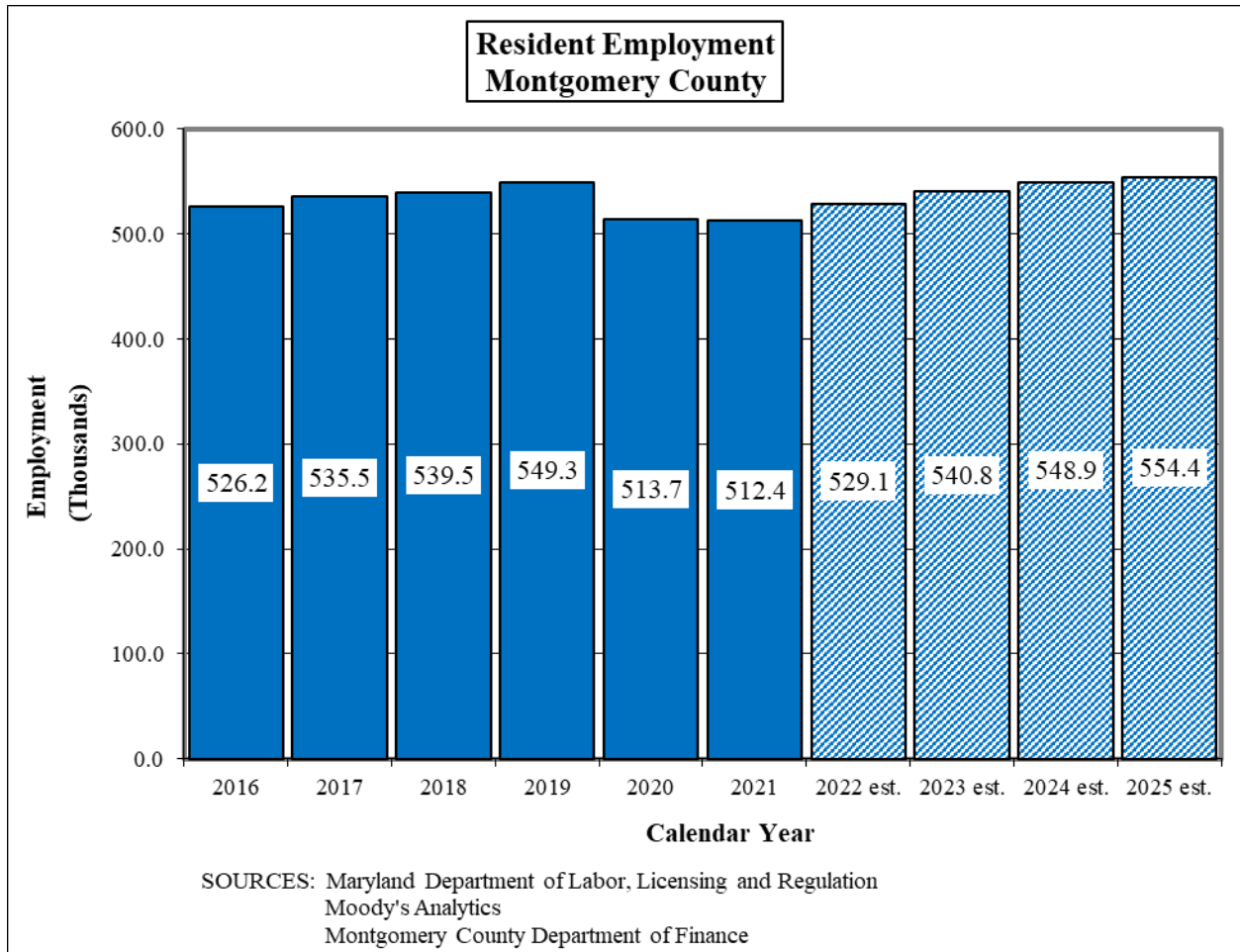
The Department of Finance (Finance) forecasts that despite notable declines in the size of the labor force and the number of employed residents between CY2019 and CY2020, the County will have strong income growth through CY2021 and CY2022. This rising income growth is due to a strong labor market marked by rising wages and the assumption that the prospect of higher wages will draw more people into the labor pool.

Employment. Finance assumes that payroll employment will increase from CY2020 to CY2024 at an average annual rate of 1.9 percent. This is above the average annual growth rate of 0.7 percent experienced between CY2015 and CY2019 before the COVID induced drop in employment. Finance assumes payroll employment will exceed pre-pandemic level by CY2024.

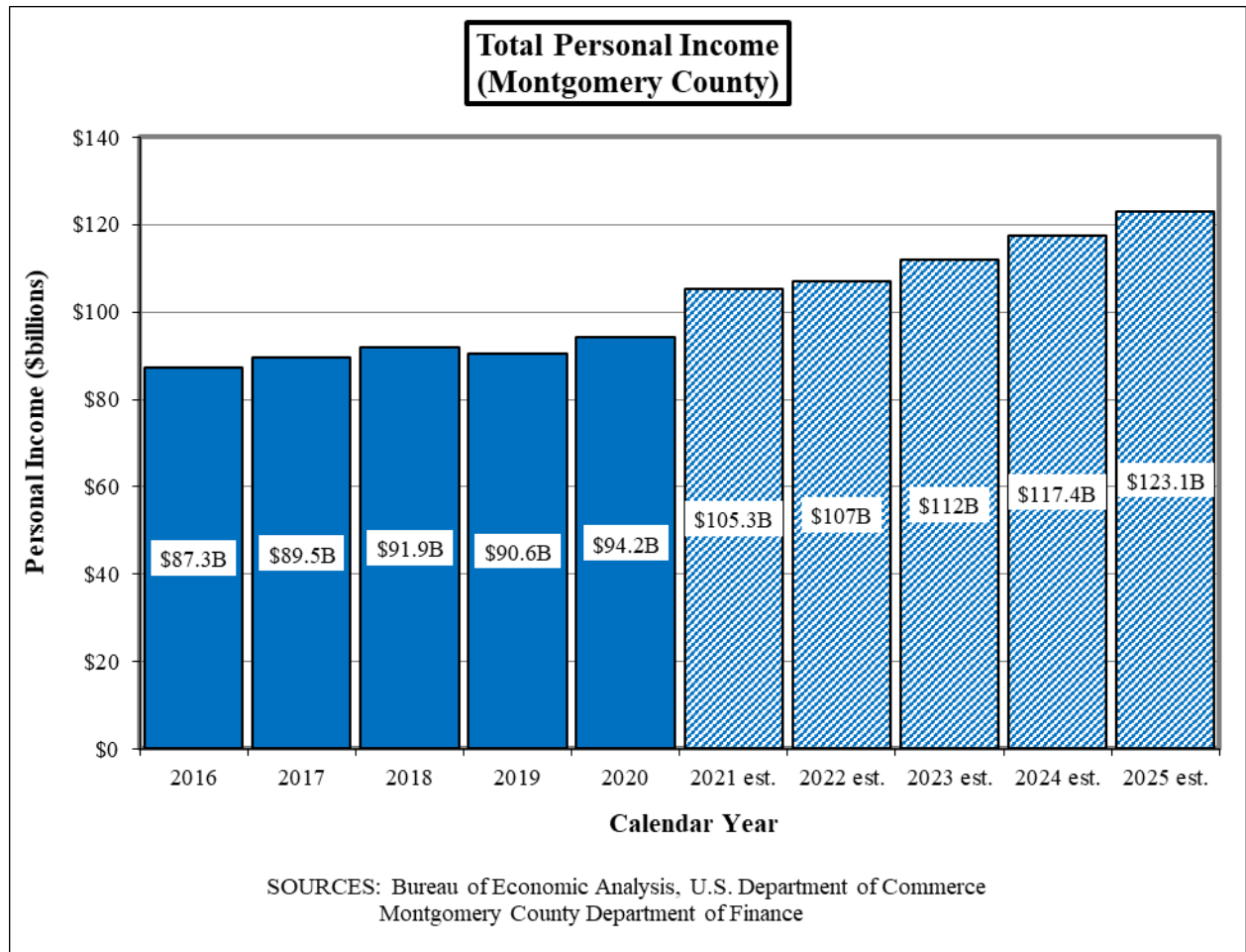


Finance assumes that resident employment will increase at an average annual rate of 1.1 percent from CY2020 to CY2024. That rate is similar to the average annual growth rate of 1.0 percent between CY2015 and CY2019 before the COVID induced drop in employment.

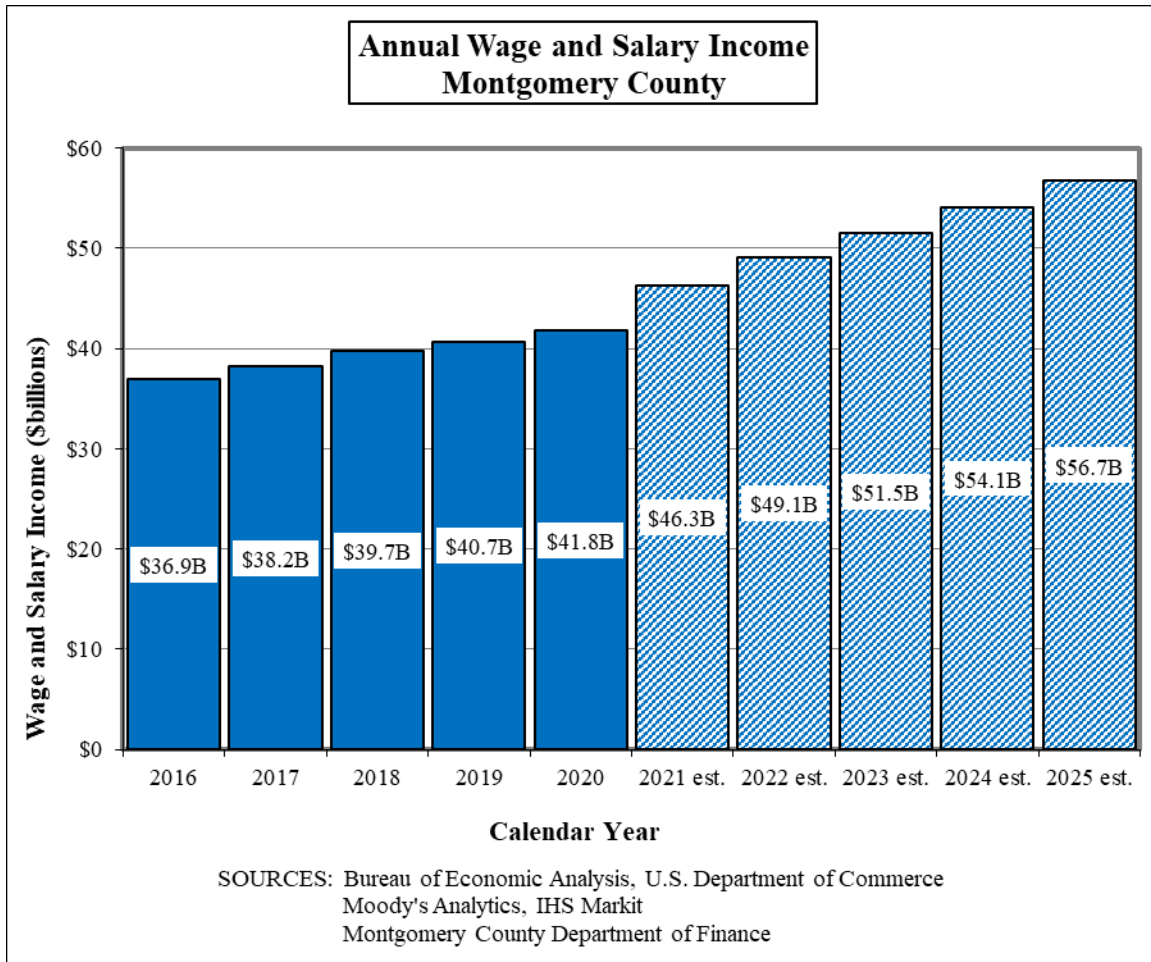
Finance estimates the resident employment will not reach its pre-pandemic level in CY2019 until CY2024.



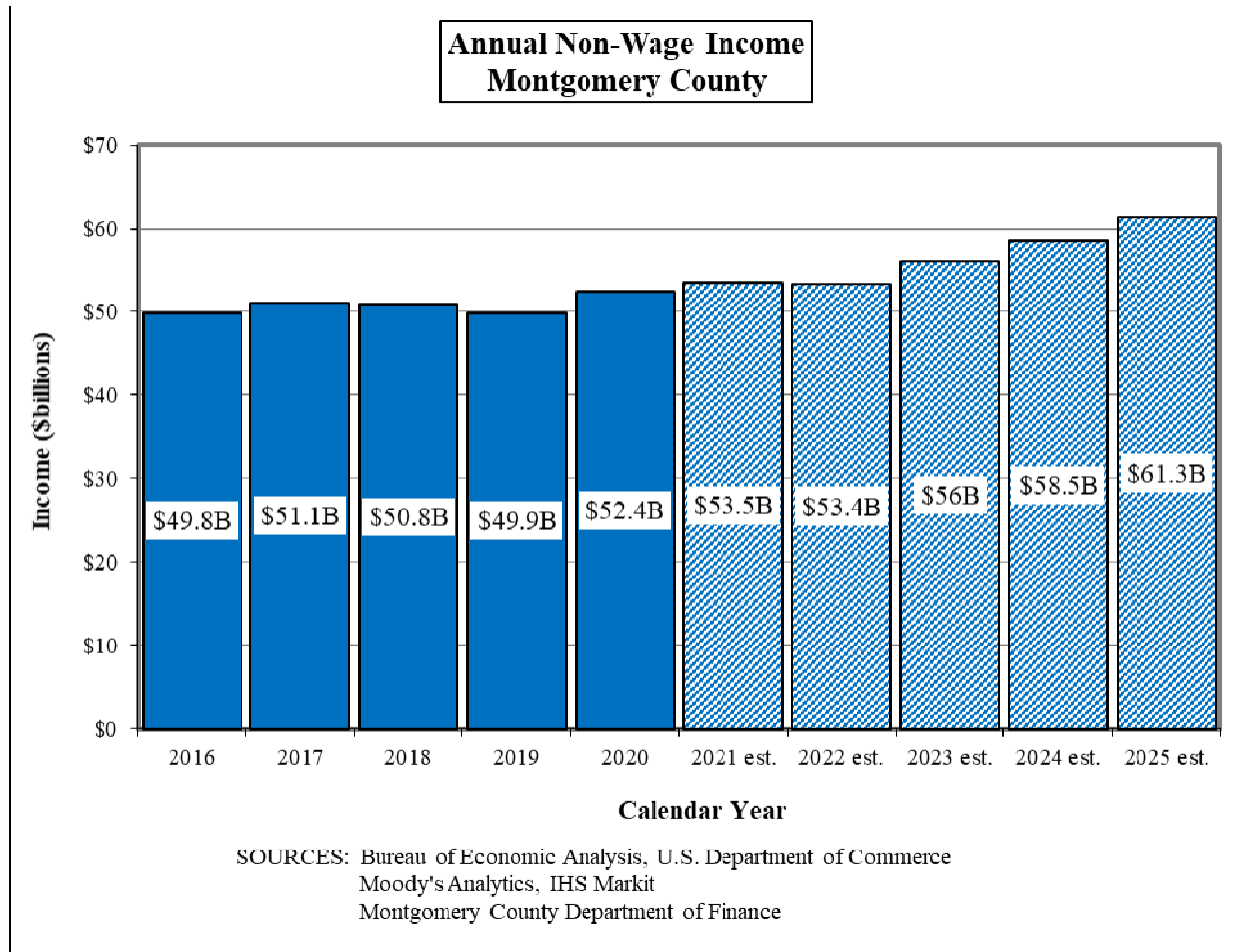
Personal Income. Finance assumes that total personal income in Montgomery County will increase at an average annual rate of 5.7 percent from CY2021 to CY2024 compared to an average annual growth rate of 1.9 percent from CY2016 to CY2020. Despite declines in employment, total personal income was not significantly affected by the COVID pandemic due to the limited employment loss among office workers, and due to federal and state fiscal stimulus payments to individuals and corporations.



Wage and Salary Income. Finance assumes wage and salary income will increase at an average annual rate of 6.7 percent from CY2021 to CY2024 compared to the average annual growth rate of 3.2 percent from CY2016 to CY2020. Total wage and salary income was not substantially affected by the COVID pandemic despite increased unemployment.

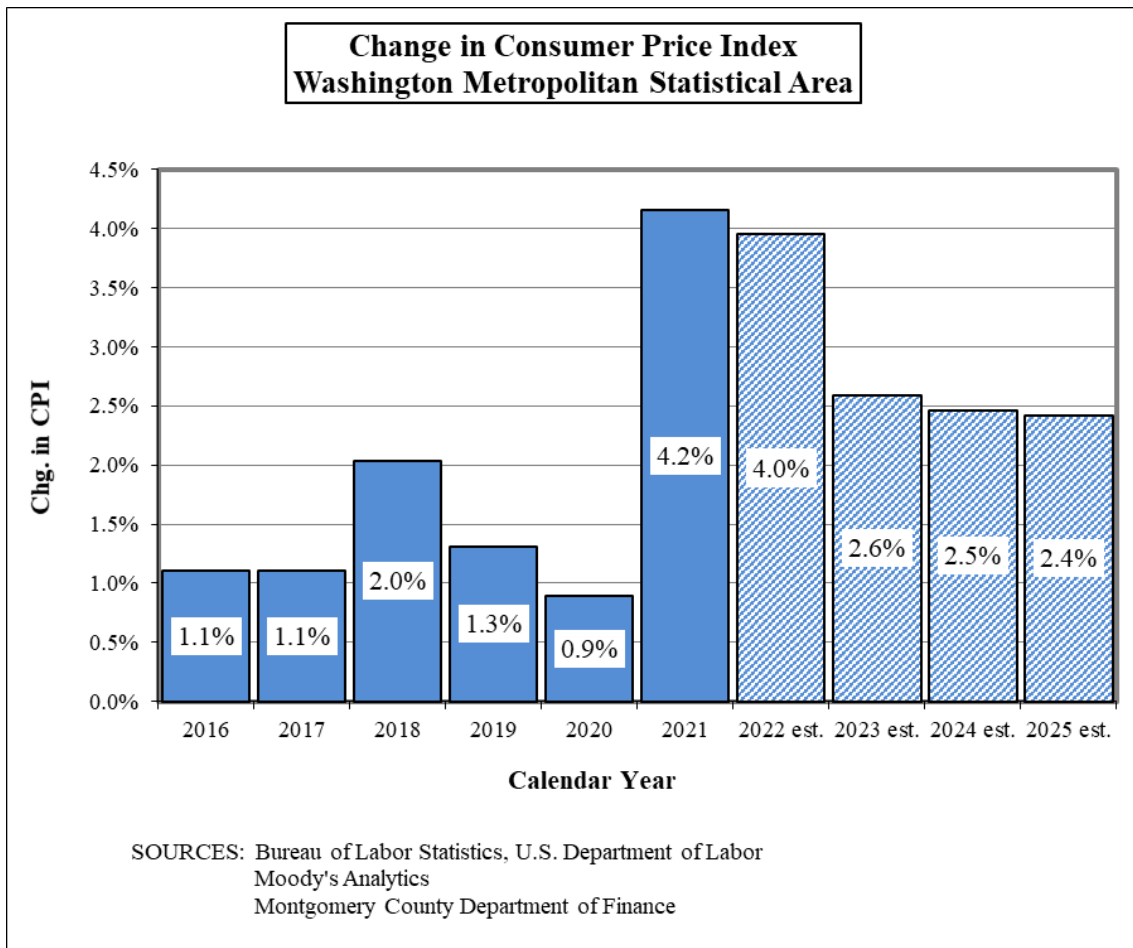


Non-Wage Income¹. Finance assumes that non-wage income in Montgomery County will increase at an average annual rate of 2.8 percent from CY2020 to CY2024 compared to the average annual growth rate of 1.3 percent from CY2016 to CY2020. Non-wage income appears to have experienced little impact from the COVID pandemic.

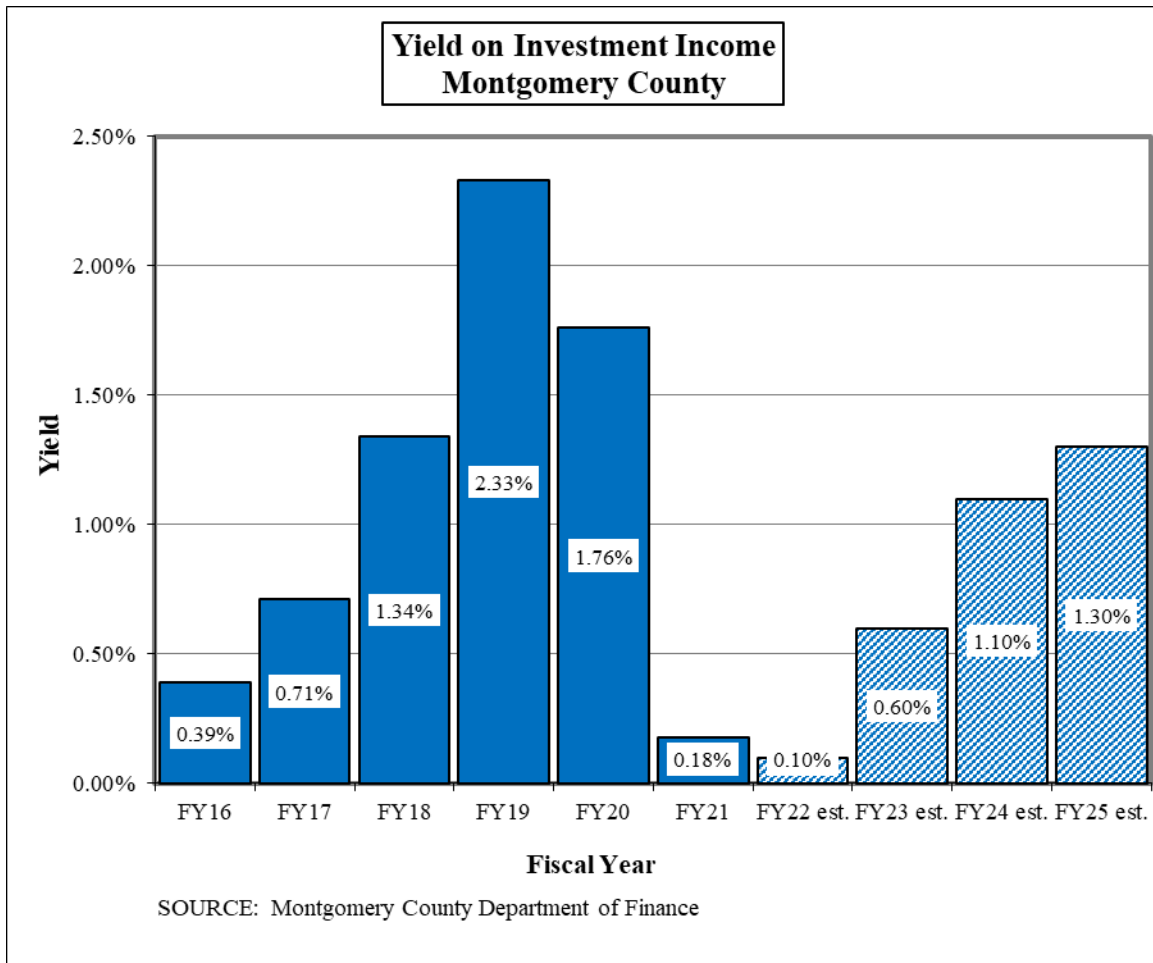


¹ Non-wage income is the sum of proprietors income, supplements to wages and salaries, transfer receipts, dividends/interest/rents, adjustment for residence, less contributions for government social insurance.

Inflation (annual average). Finance assumes that the overall regional inflation index will moderate from 4.2 percent in CY2021 to 4.0 percent in CY2022 and then to 2.4 percent by CY2025



Interest Rates. Since the yield on the County’s short-term investments are highly correlated with the federal funds rate, the County earned an average of 0.18 percent in investment income on its short-term portfolio for fiscal year (FY) 2021 and is estimated to earn an average of 0.10 percent in FY2022. Anticipated rate increases to 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 would result in yields rising to 0.60 percent in FY2023 and then to 1.30 percent by FY2025.



DISCUSSION FRAMEWORK

The economic assumptions provide a framework for the Department of Finance's revenue projections for FY22 through FY25. 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 four 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)

- COVID-19 cases, vaccine distribution, and status of business re-openings
- Impact of reducing federal and state government fiscal stimulus
- Private sector employment particularly those sectors impacted by COVID-19
- Future interest rate policy by the FOMC
- Inflation outlook
- Continued supply-chain disruptions
- Domestic stock market and its impact on capital gains and non-wage income
- Residential and non-residential construction

Income

- Declining federal and state fiscal stimulus
- Capital gains
- Estimated payments and pass-through entities
- Rising wages and salaries
- Tax Policy Changes: federal and state

Real Estate

- Residential construction
- Commercial construction
- Home sales and median prices
- Demand for new commercial property
- Availability of buildable real estate for new residential construction
- Loan conditions – residential and commercial sectors and refinancing
- Construction costs – materials and labor

ECONOMIC TRENDS IN METROPOLITAN WASHINGTON

Montgomery Business Advisory Panel
February 24, 2022

Paul DesJardin
Director, Community Planning and Services

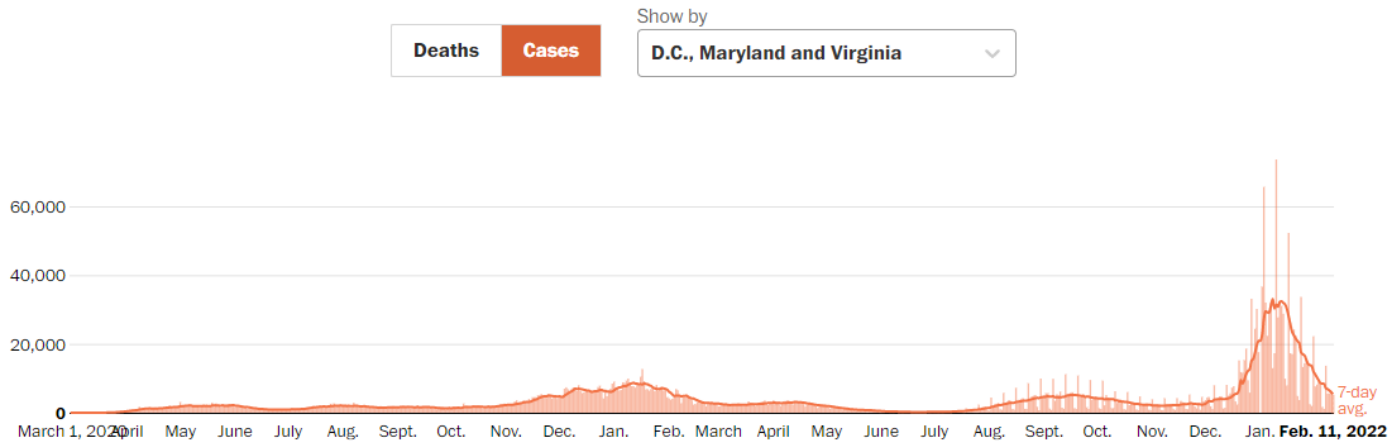


Metropolitan Washington
Council of Governments

COVID Cases & Deaths in Washington, DC Metro Area

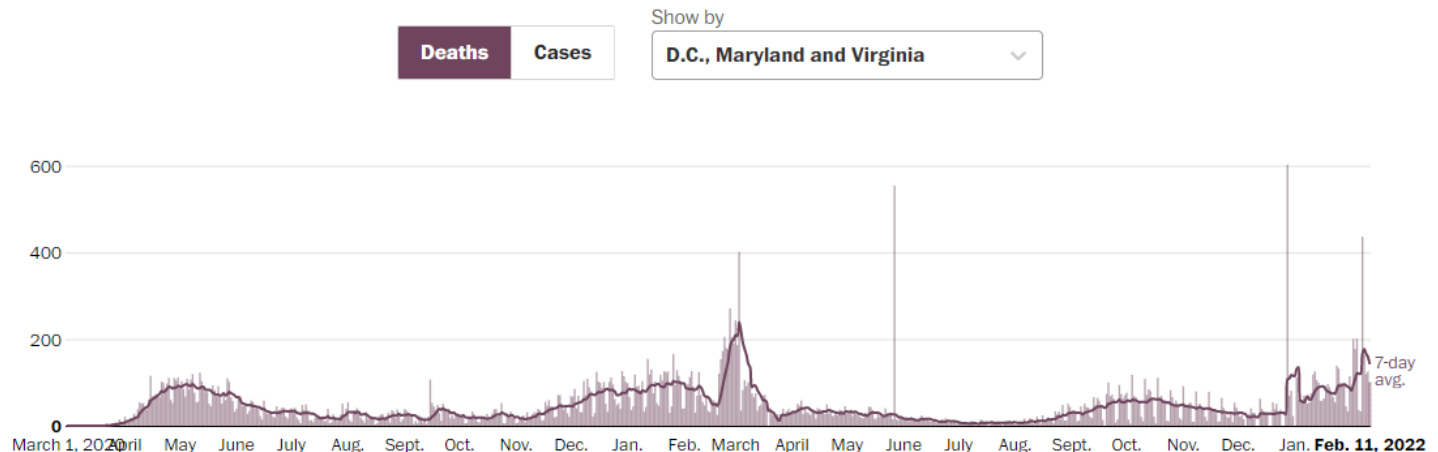
New daily reported cases in D.C., Maryland and Virginia

At least 2,703,953 have been reported since Feb. 29.



New daily deaths reported in D.C., Maryland and Virginia

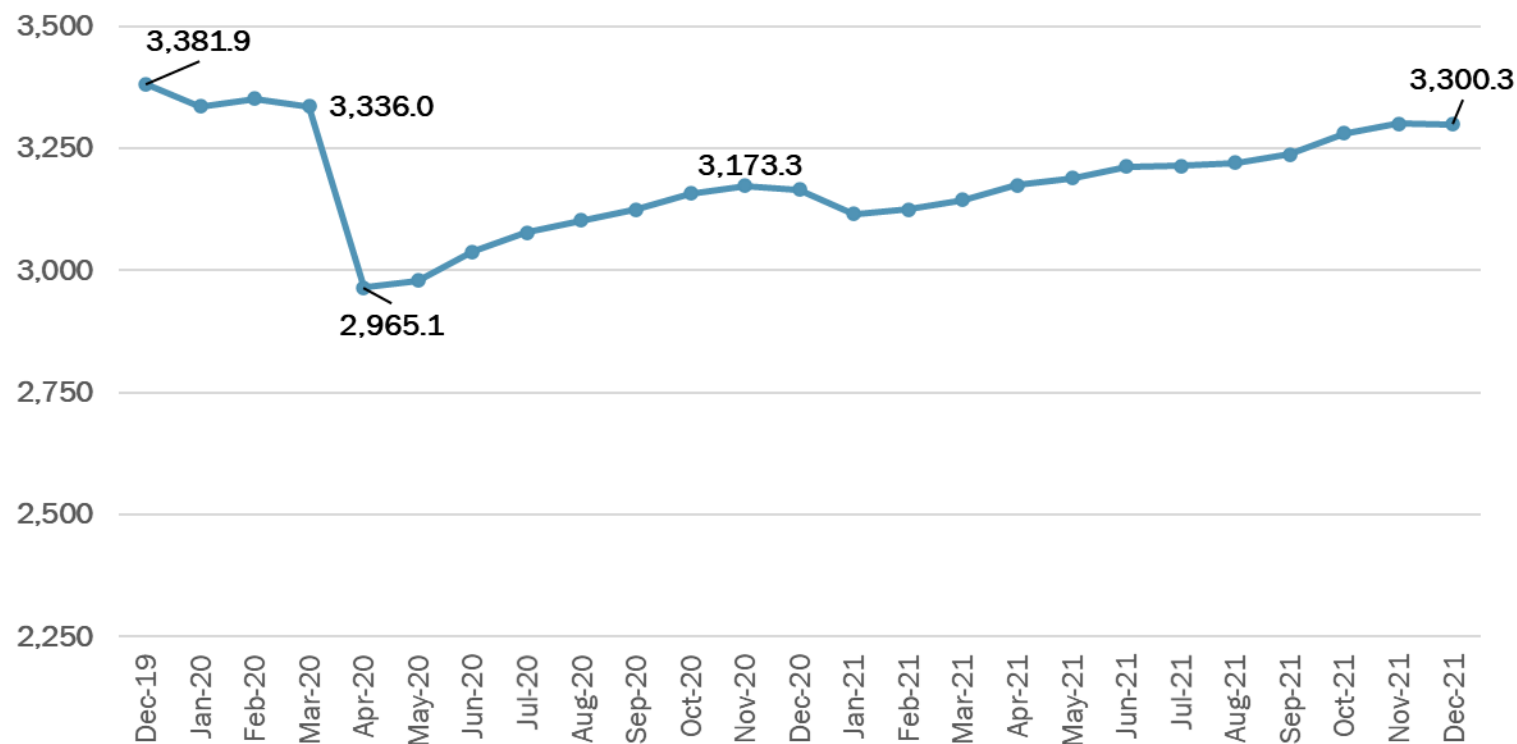
At least 32,661 have been reported since Feb. 29.



Non-Farm Jobs (000s) - Washington MSA

December 2019 to December 2021

(Bureau of Labor Statistics, Not Seasonally-adjusted, Thousands)

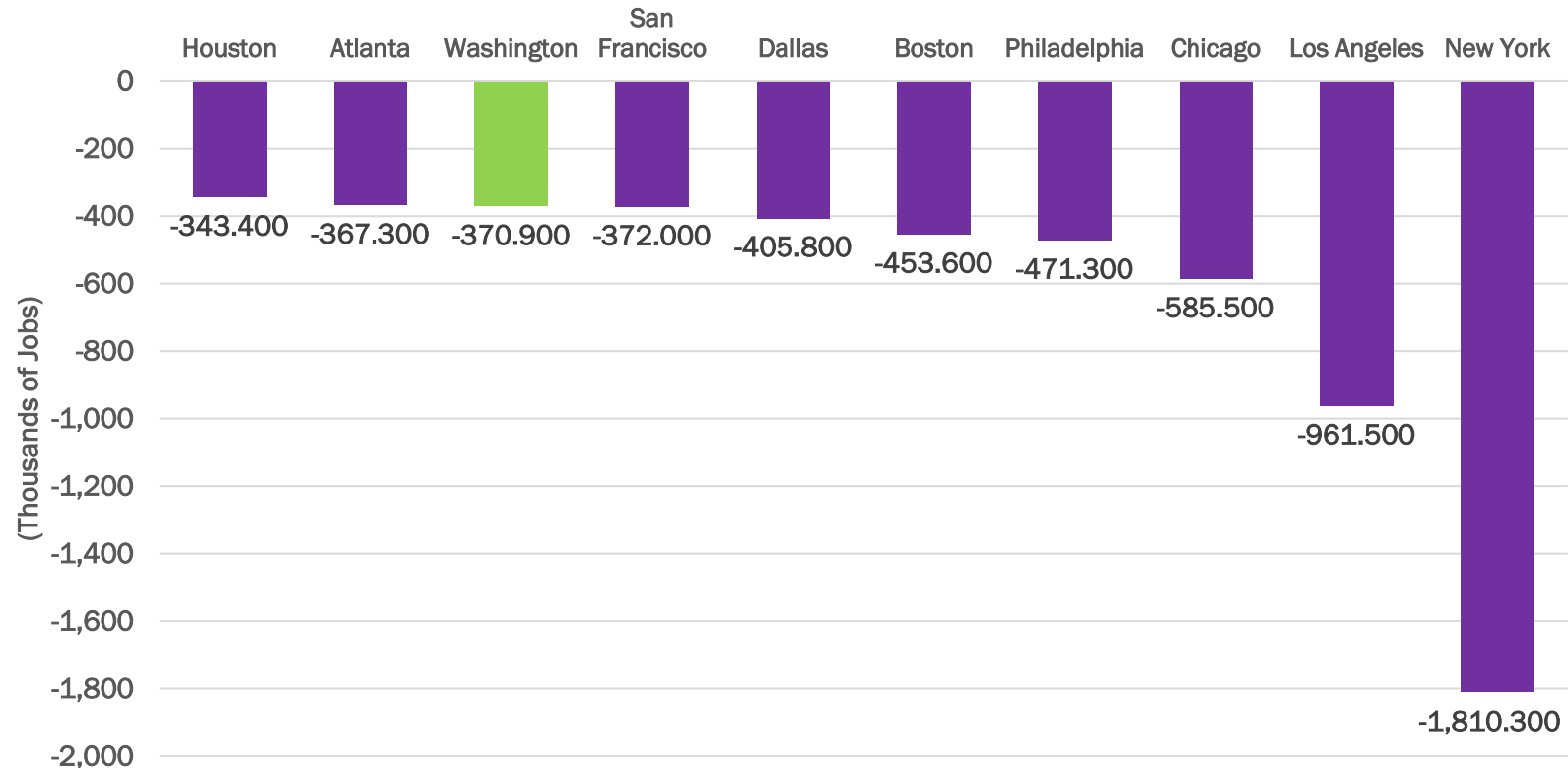


Revised BLS data show the region lost 370,900 jobs between March and April of 2020. As of December 2021, 335,200 jobs have been added during our reopening, or about a 90% recovery of jobs lost to the pandemic.



Non-Farm Job Loss March to April 2020 In 10 Largest MSAs

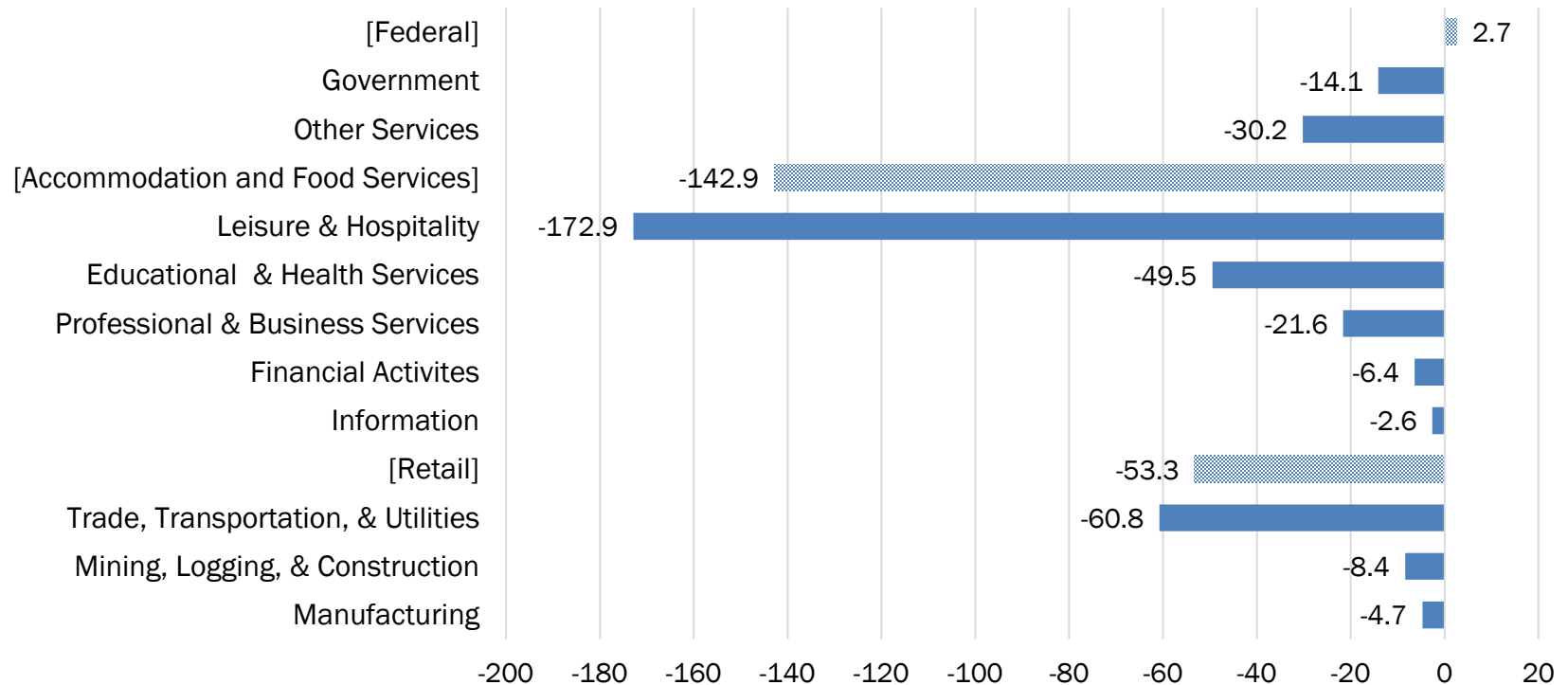
(Source: Bureau of Labor Statistics, Revised Data 3/21)



Our initial job losses were among the lowest when compared to many of our peer regions. New York and Los Angeles experienced the most severe losses.

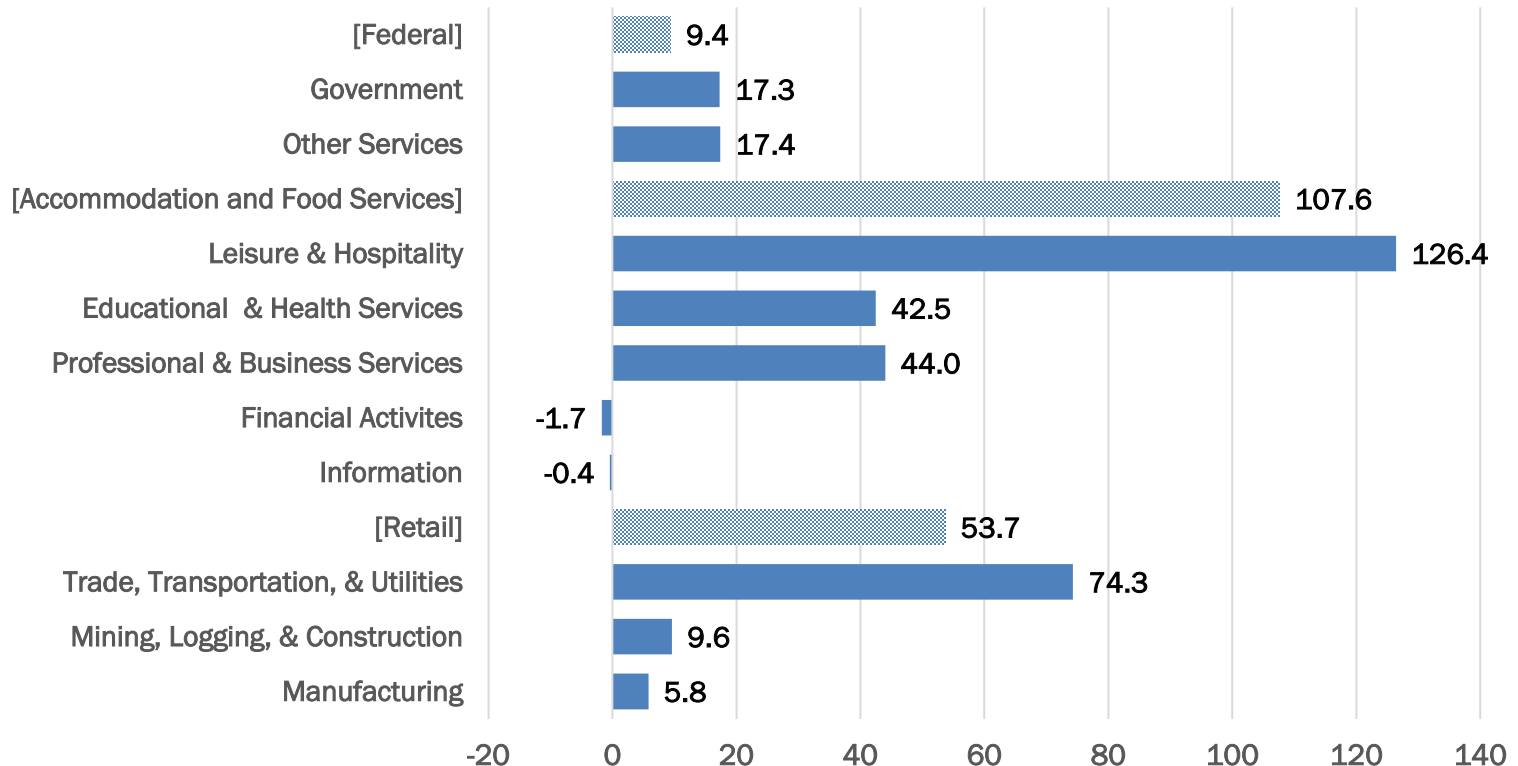


Over-the-year Job Change By Sector May 2020 vs May 2019 Washington MSA (Thousands)



May 2020 employment data (May 2020 – May 2019) shows job losses in nearly every sector especially in hospitality, retail, and several service industry sectors.

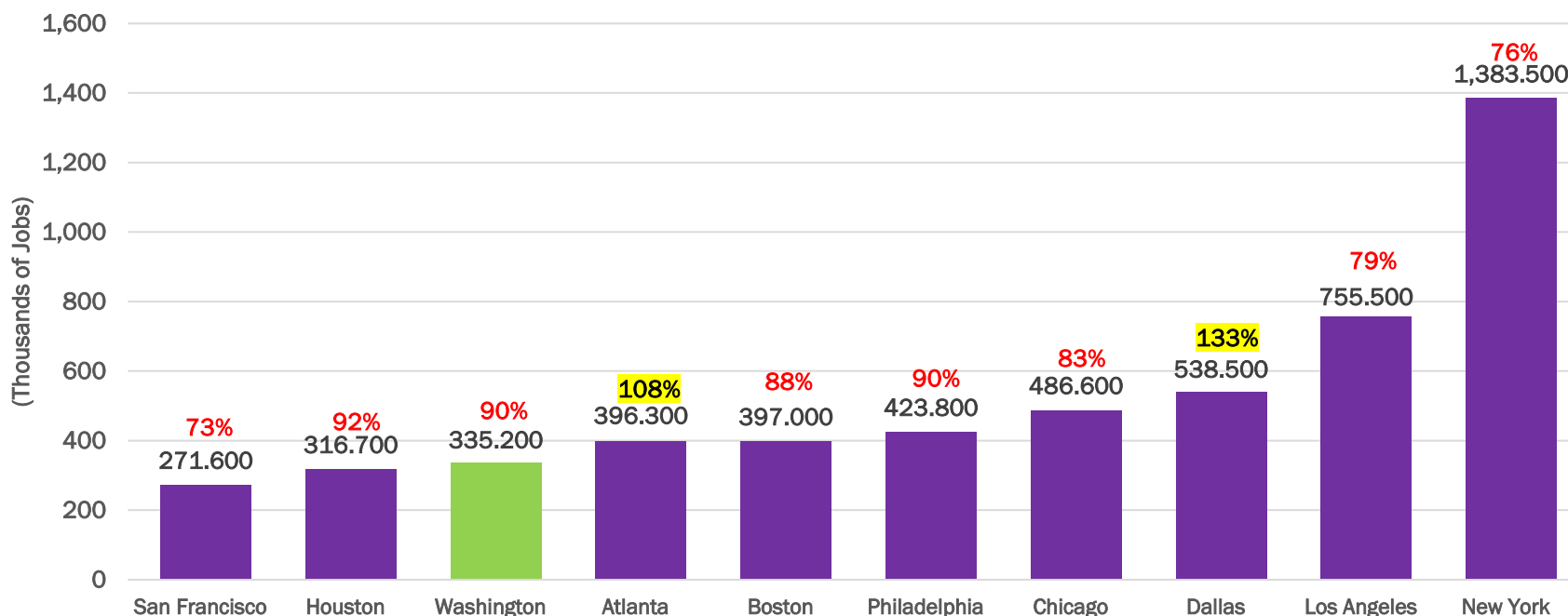
Job Change By Sector April 2020 to December 2021 Washington MSA (Thousands)



The region has recovered approximately 90 percent of the jobs lost between March 2020 and April 2020, with growth in nearly every sector.

Non-Farm Job Change In 10 Largest MSAs April 2020 to December 2021 And Share of Jobs Recovered Since April 2020

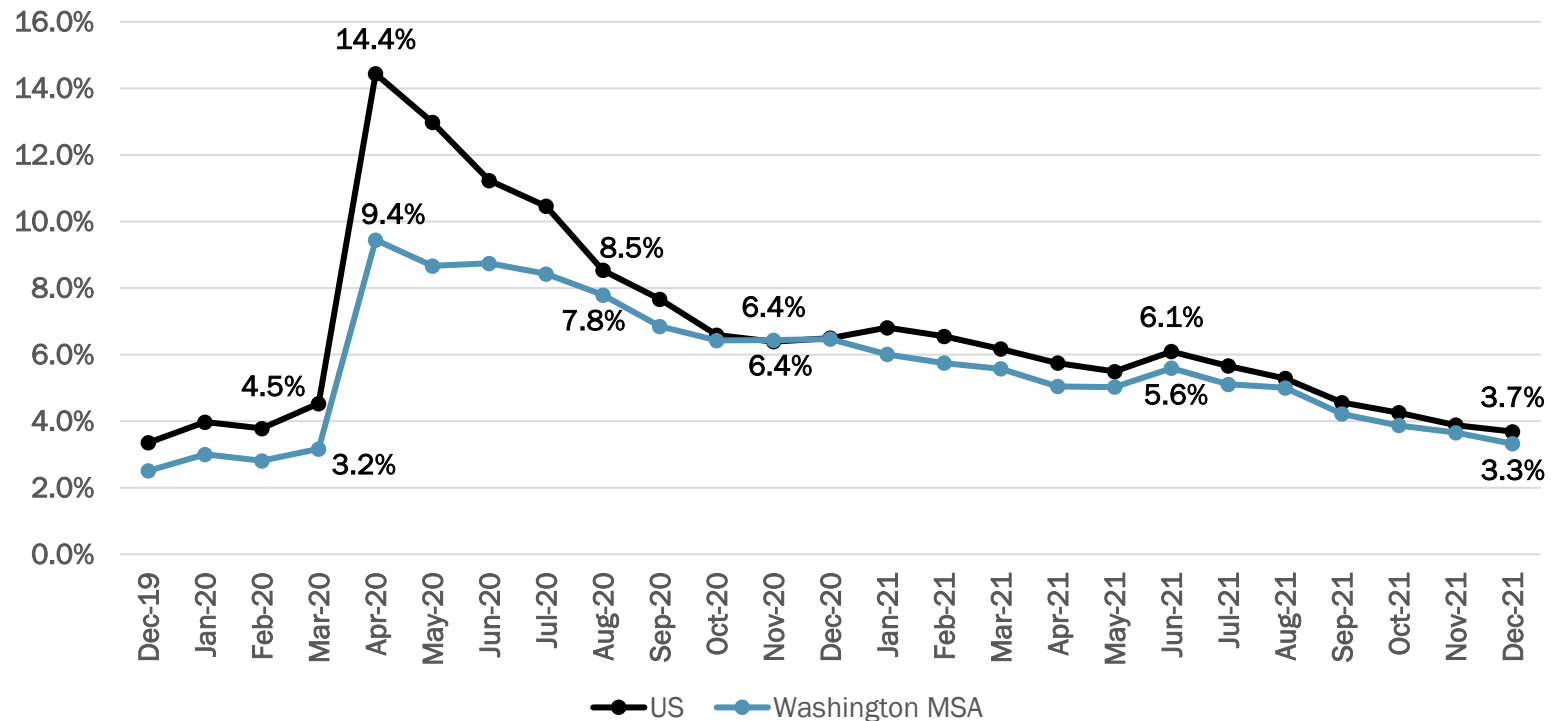
(Source: Bureau of Labor Statistics, Revised Data 3/21)



Most of our peer regions have experienced larger job growth since April 2020, but only Atlanta and Dallas have more jobs now than in April 2020



Unemployment Rate Washington MSA and US

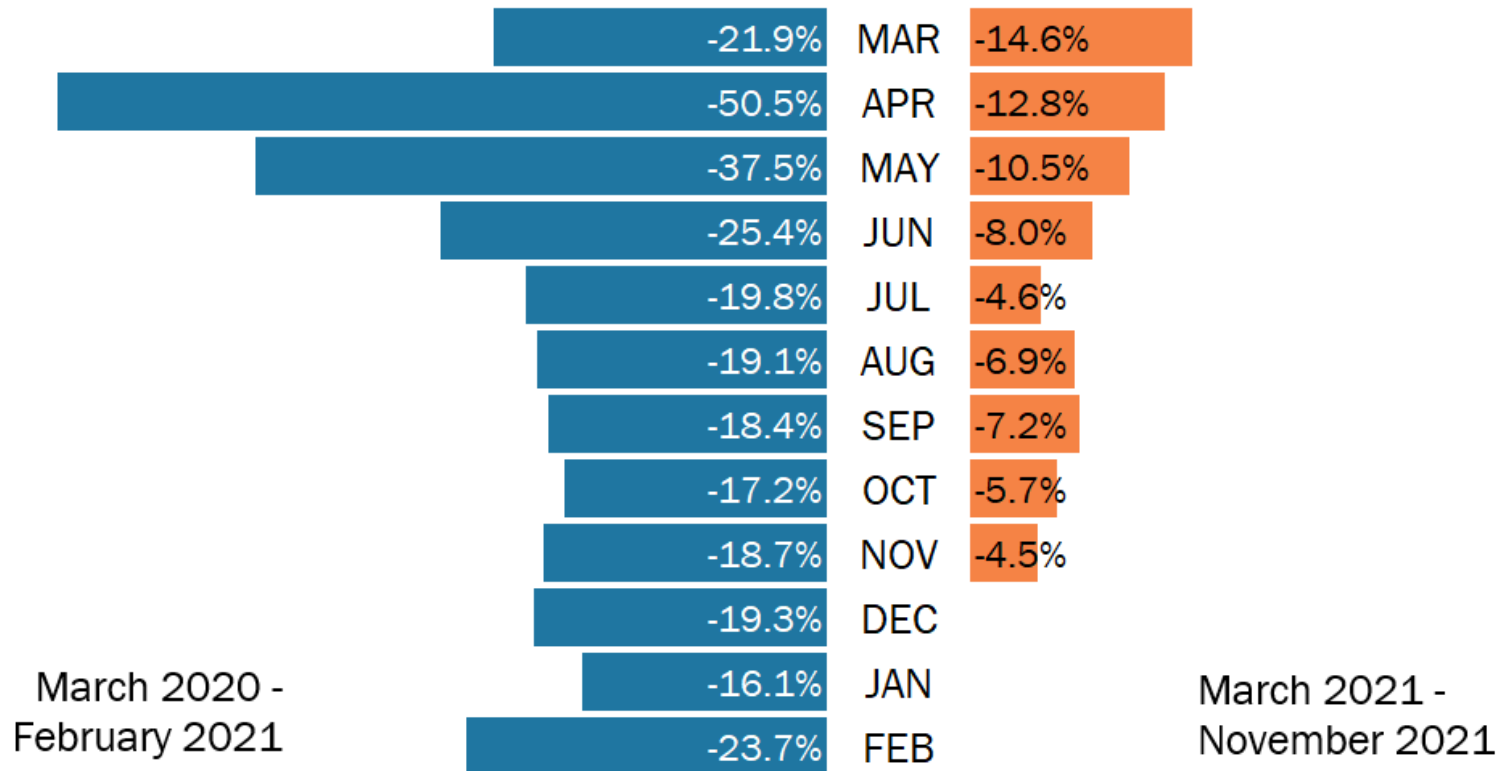


Our unemployment rate nearly tripled with the onset of the pandemic but was still nearly 5 points below the nation. With partial reopening, the national and local rates converged in late 2020. Rates have recently returned to near pre-pandemic levels.



Roadway Traffic Volumes: Region

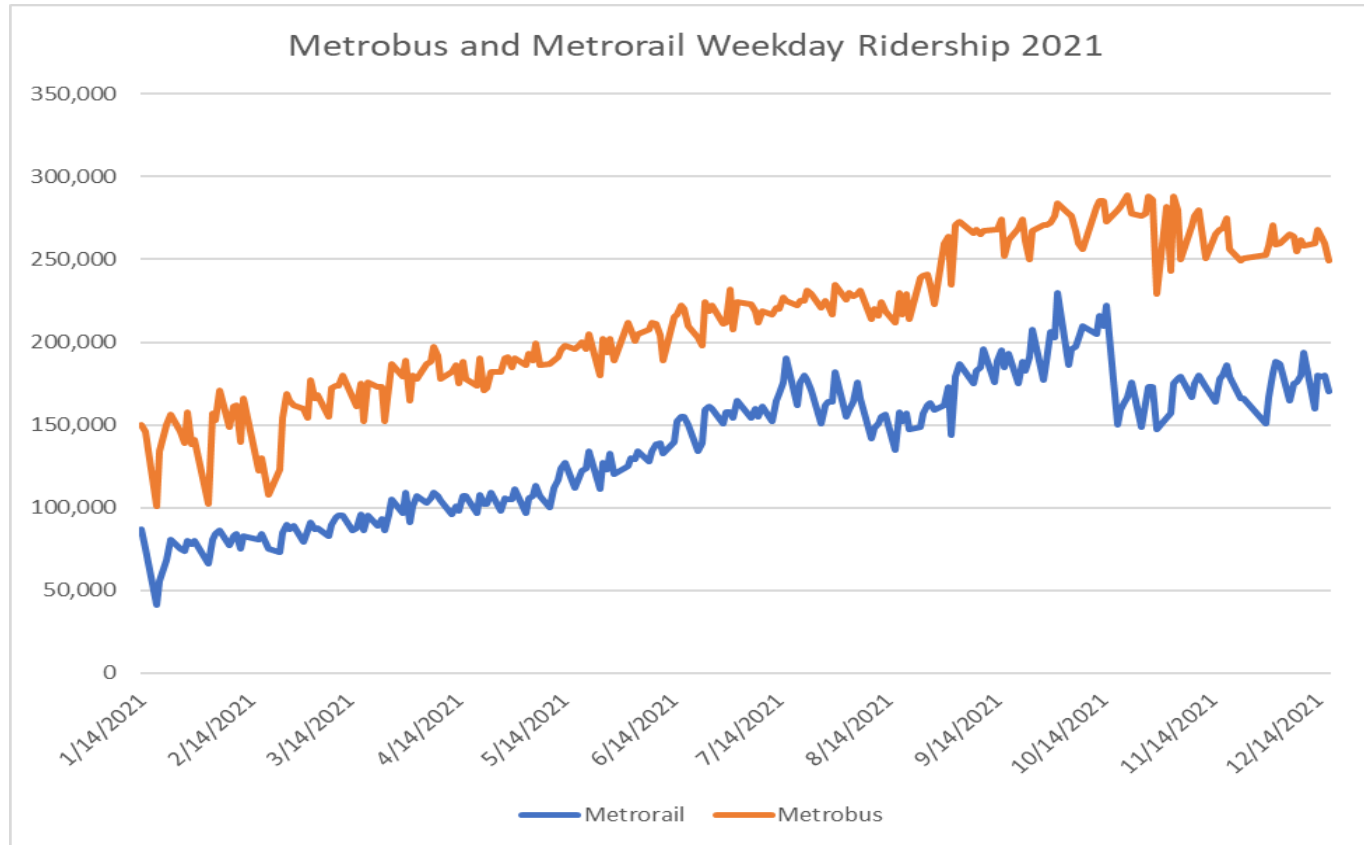
TPB Region - Average Percent Change from Equivalent 2019 Month



Source: COG/TPB

Regional traffic volumes, which in April 2020 had dipped below 50% of 2019 volumes, have recovered to over 95% of 2019 volumes by the end of 2021.

Metrorail and Metrobus Ridership



Ridership up throughout year, but as of December 17:

Metrorail ~32%,
Metrobus ~83%
of 2019 levels

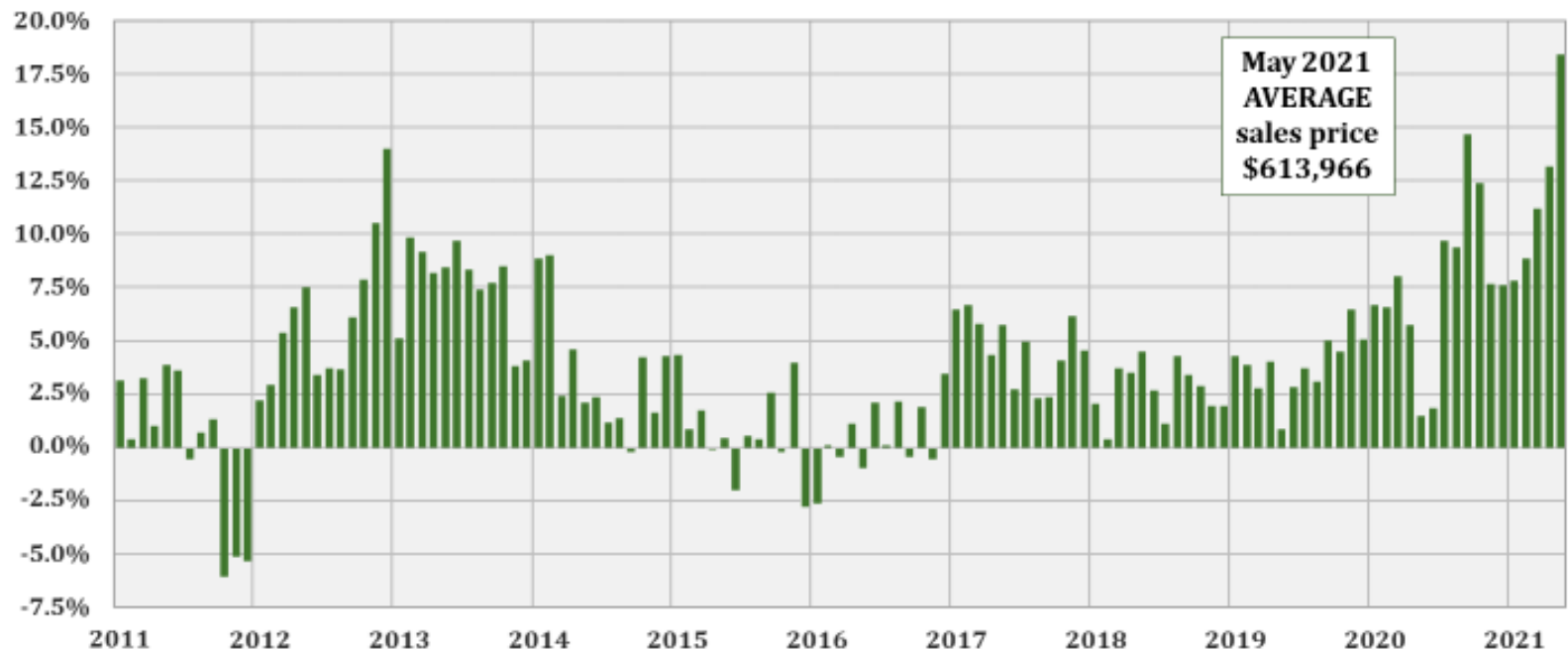
Source: WMATA Covid-19 Public Information Website 1/08/22: <https://www.wmata.com/service/covid19/Covid-19-Public-Information.cfm>.



Home Sales Prices Increasing Due to High Demand and Low Inventories



Average Sales Price Month-Over-Year % Change Washington MSA

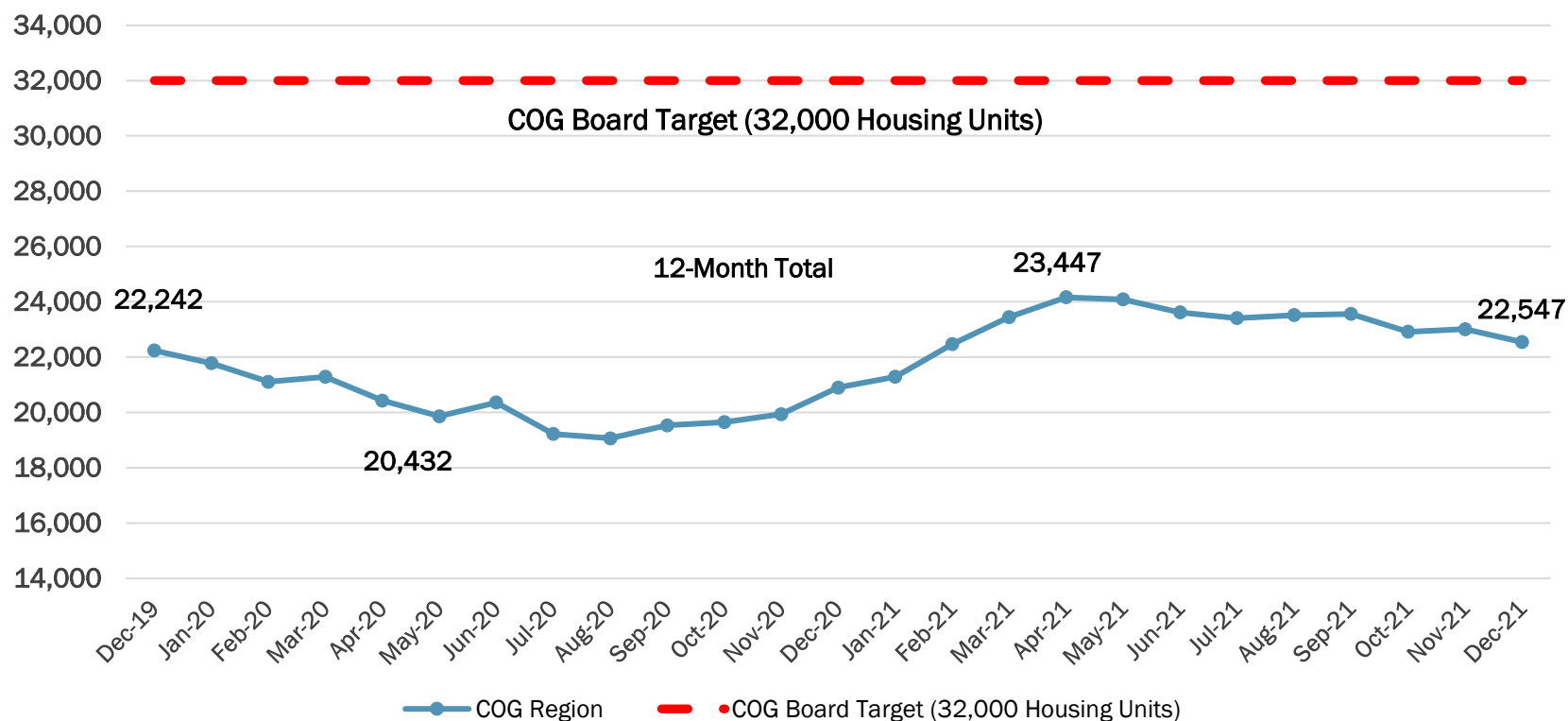


Source: GMU Center for Regional Analysis (CRA); RealEstate Business Intelligence (RBI) SmartCharts (using Bright MLS data)



The Region Needs More Housing

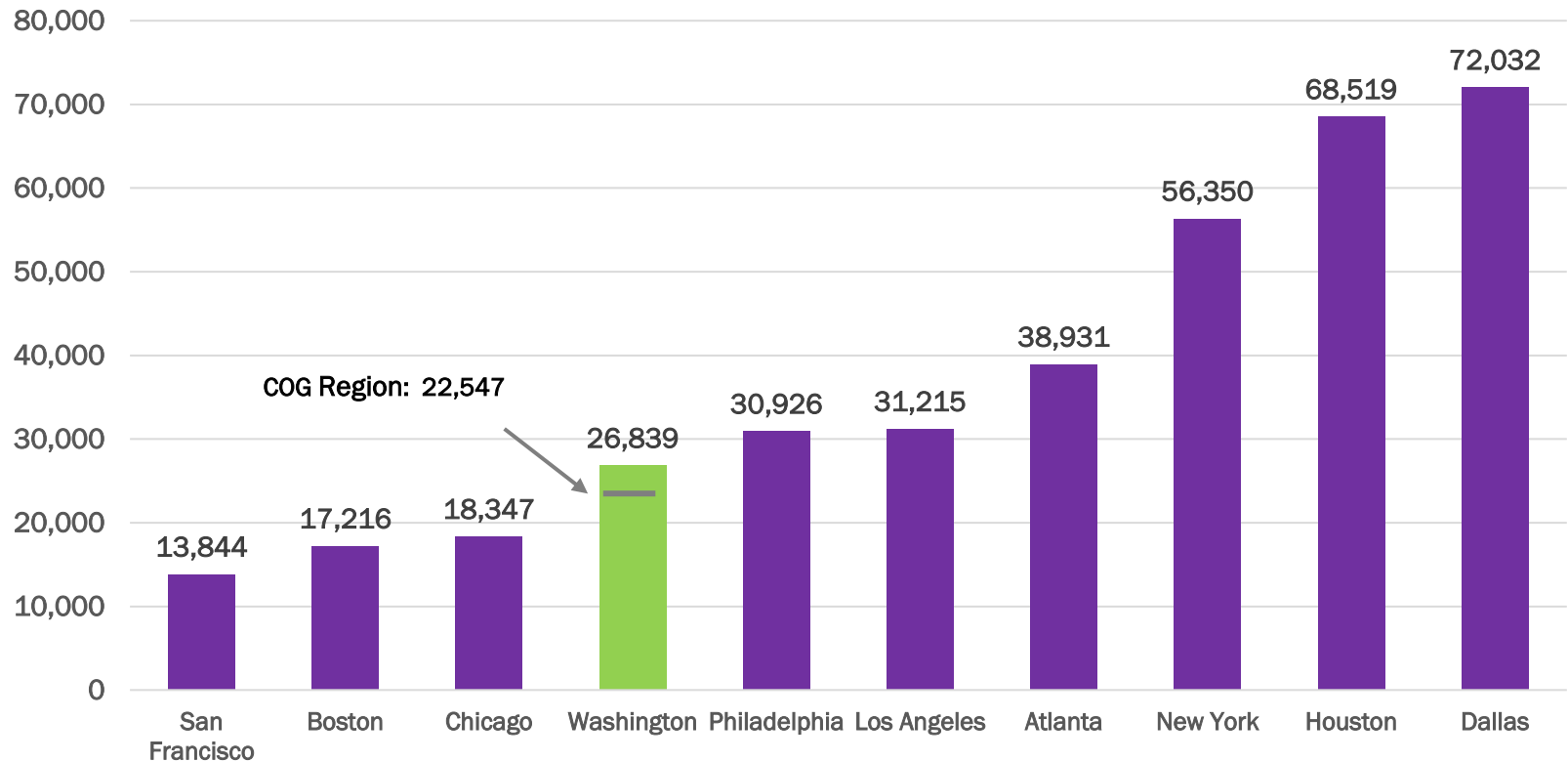
(Source: US Census C-40 data)



The number of new housing permits declined monthly from December 2019 through mid-2020. This was followed by an upward trend from late 2020 through spring of 2021, but again registered declines in the second quarter of 2020 through the fourth quarter of 2021.



New Housing Units Authorized Issued in 10 Largest MSAs January 2021 to December 2021, (12-Month Total) (Source: MWCOCG, Census Bureau)

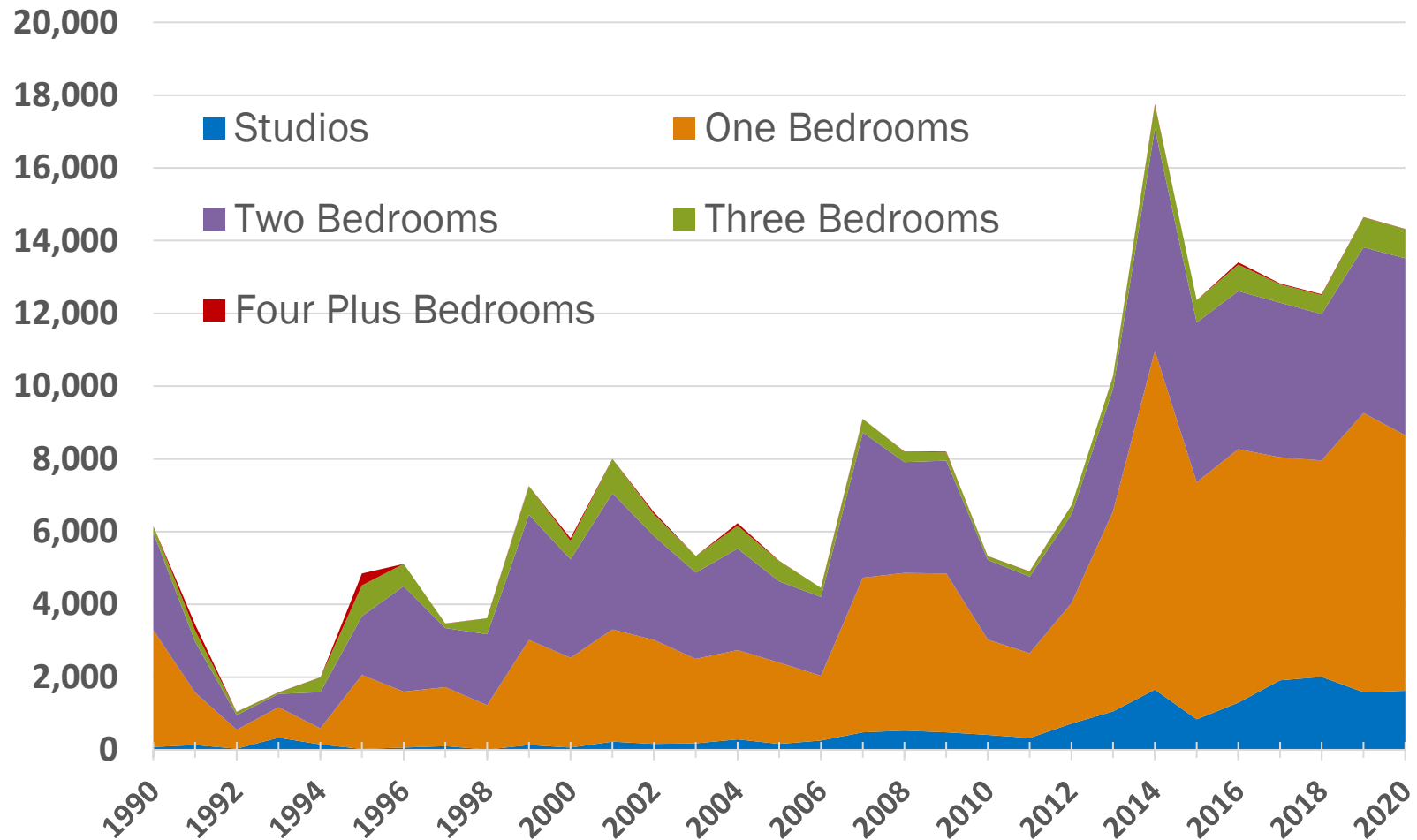


Our region lags behind several large peer MSAs in current permitting activity, most notably Houston, Dallas and New York.

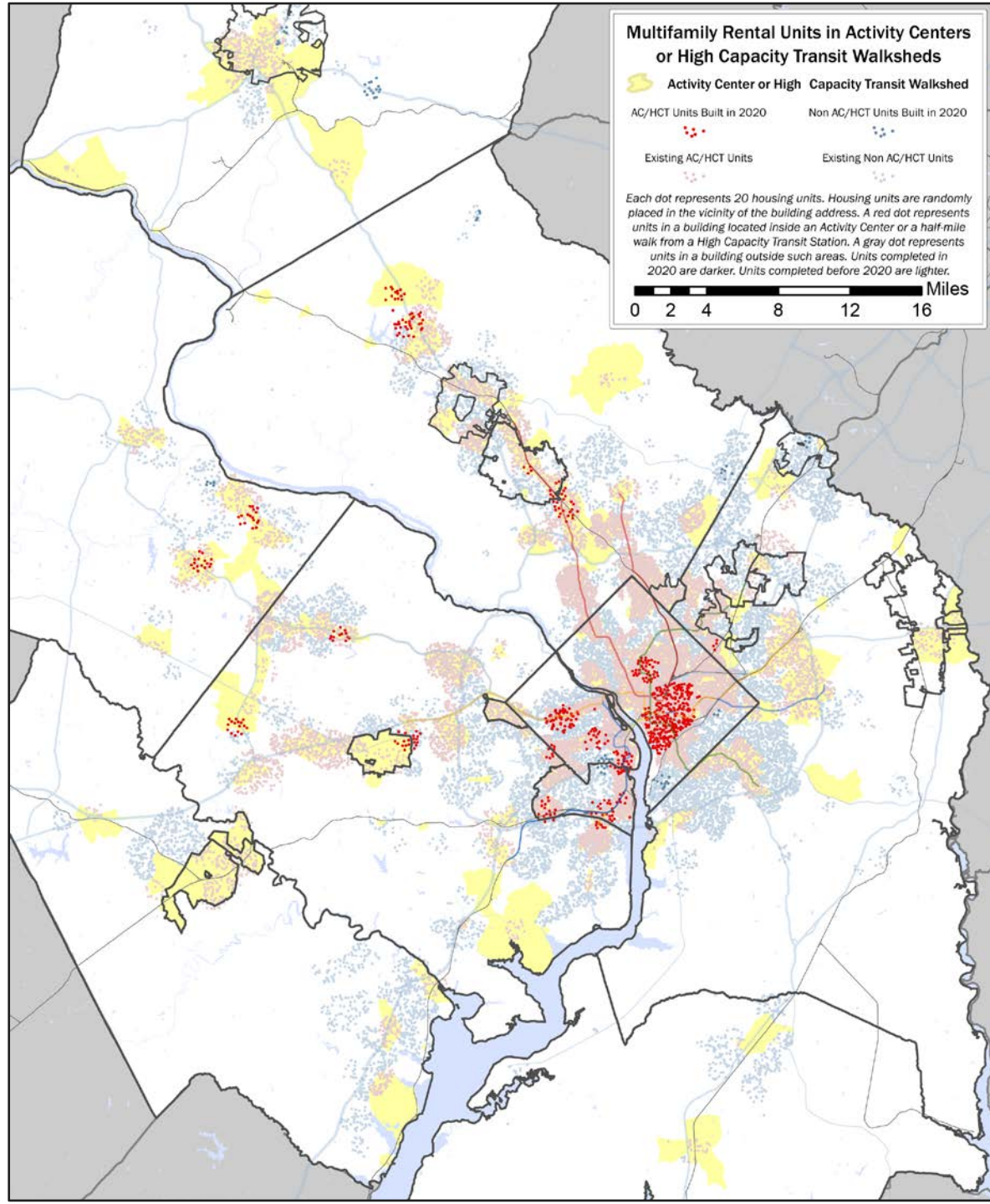
New Multifamily Rental Housing by Unit Type

Metropolitan Washington, 1990 to 2020

(MWCOC, CoStar)

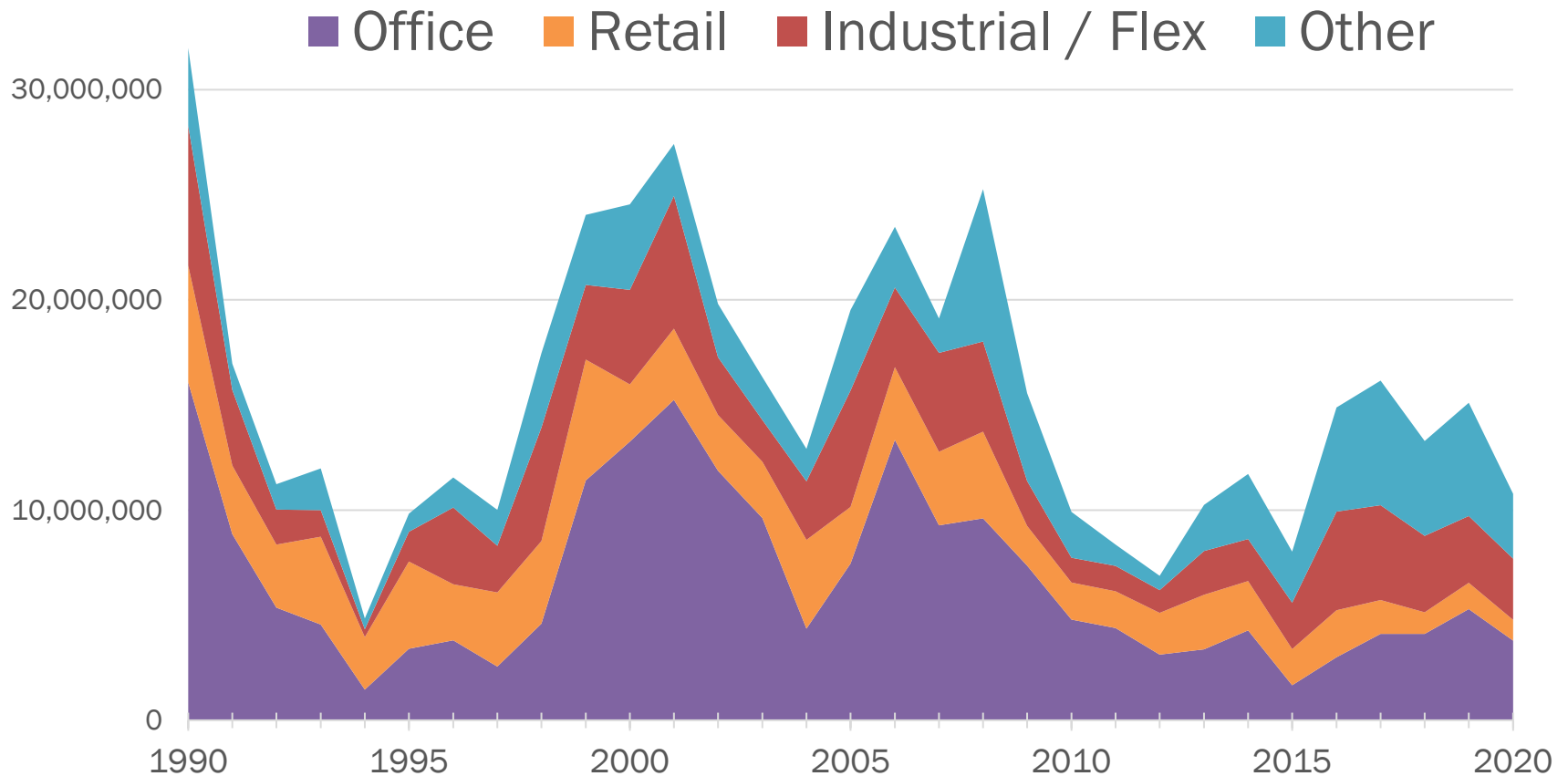


- In 2020, 90% of new multifamily rental units were within an Activity Center or within a half-mile walk of a High-Capacity Transit Station.
- This exceeds the target set by the COG Board.
- For existing units built before 2020, 60% are within an Activity Center or High-Capacity Transit Station Area.

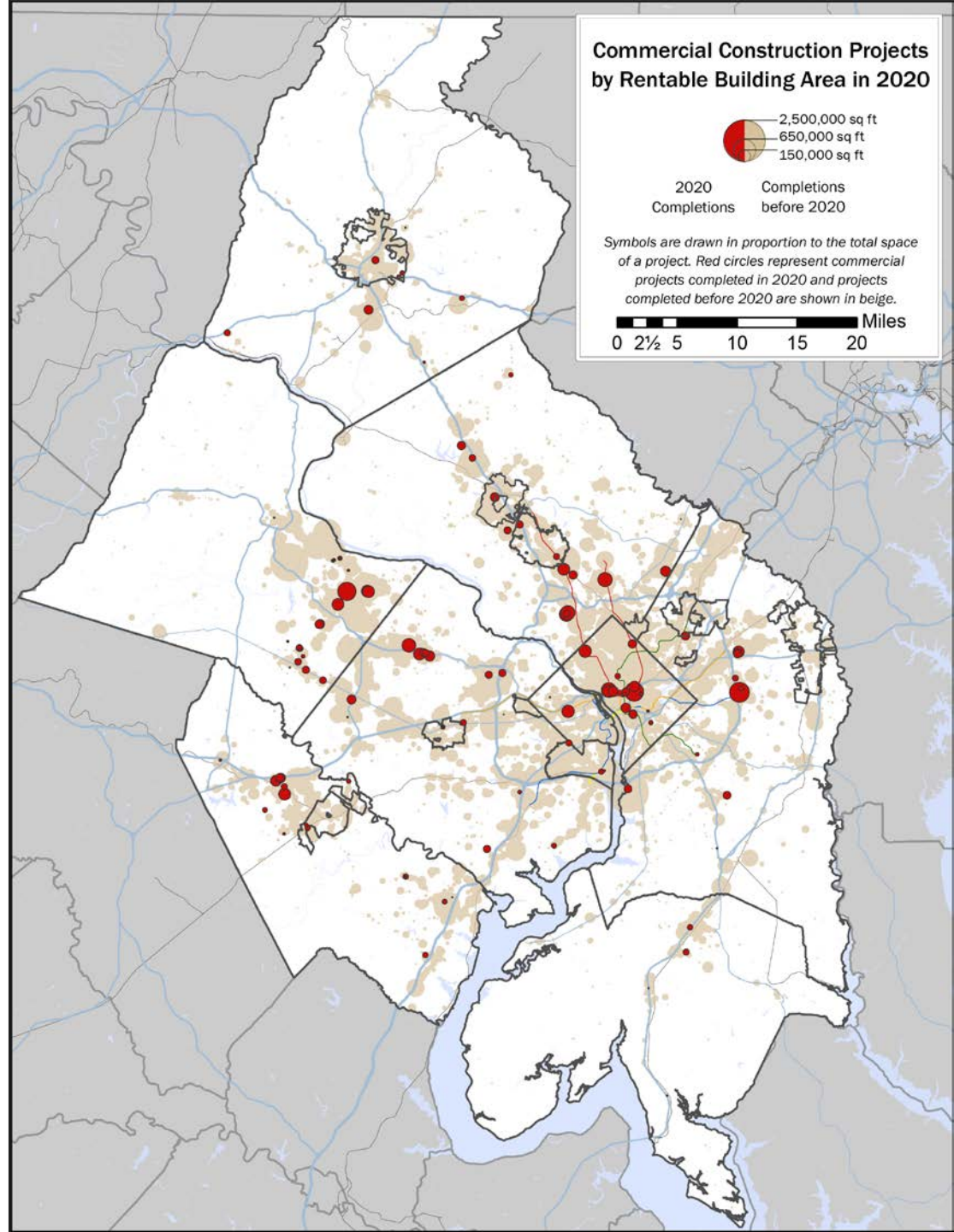


Square Footage of Completed Commercial Construction by Structure Type, 1990 - 2020

(Source: MWCOCG, CoStar)

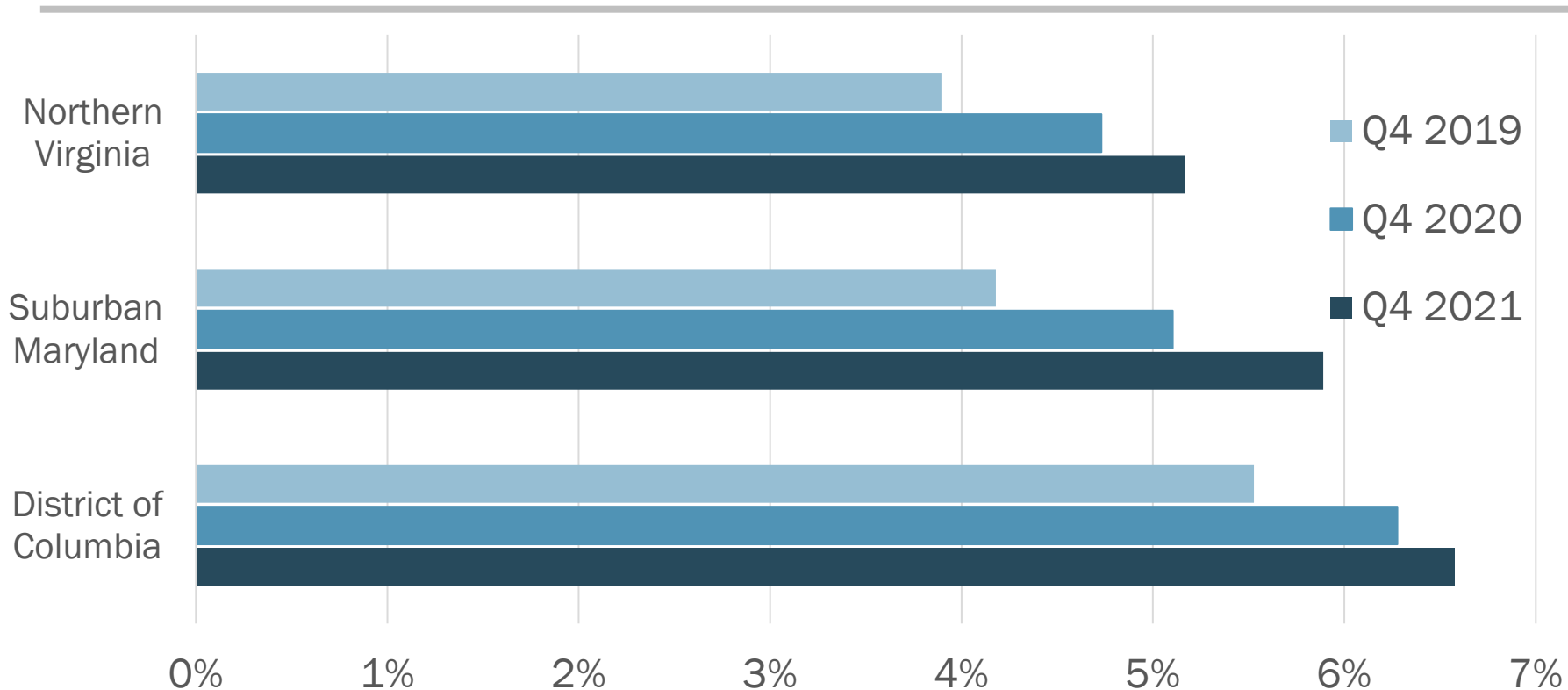


- All major COG counties added commercial space in 2020.
- Office construction was the largest source of new space and was mostly built near Metrorail stations.
- Loudoun County had significant construction in industrial/flex space, mostly from data centers.



Change in Retail Vacancy Rates Q4 2019 vs Q4 2020 vs Q4 2021

(Source: CoStar)

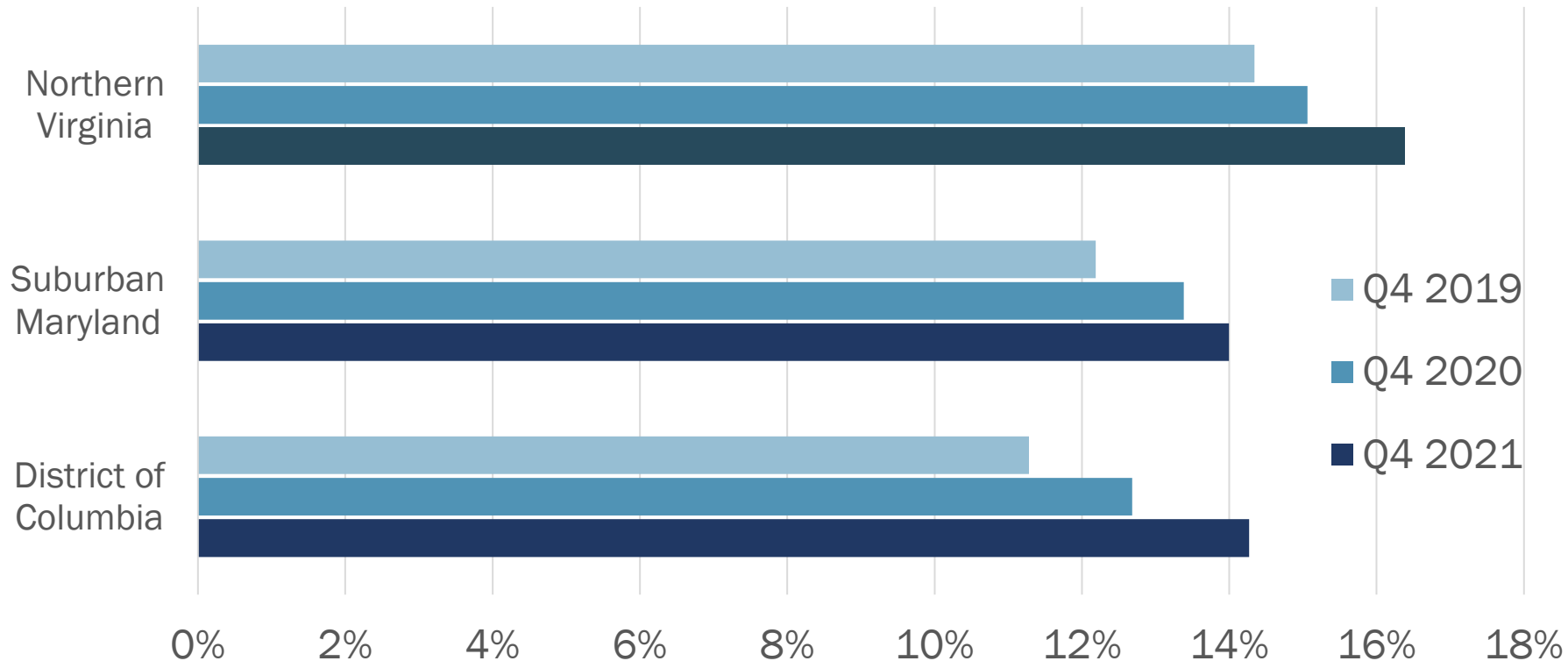


Retail vacancy rates have also increased throughout the region. The retail vacancy rate grew the most during the first year of the pandemic.



Change in Office Vacancy Rates Q4 2019 vs Q4 2020 vs Q4 2021

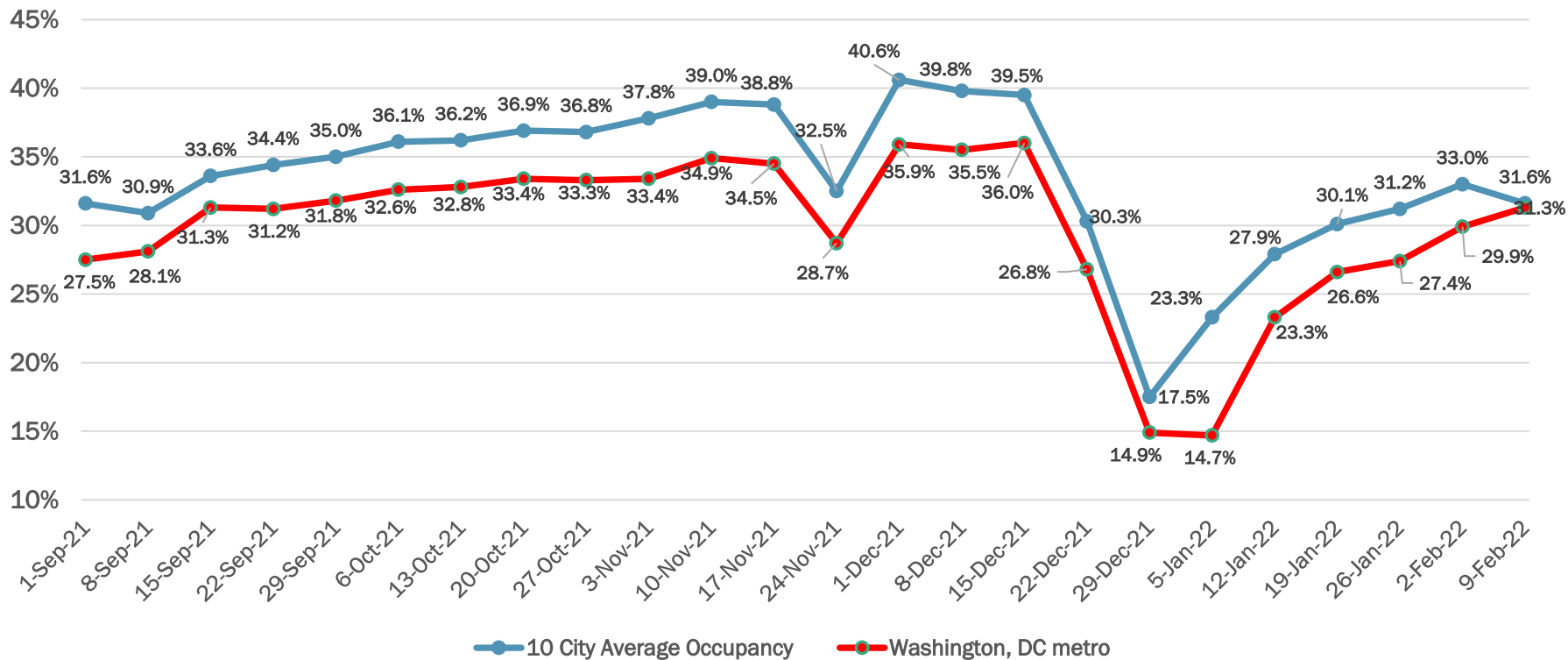
(Source: CoStar)



Office vacancy rates have increased throughout the region, accelerating in the second year of the pandemic.



Office Occupancy Average for 10 MSAs vs. Washington MSA



Source: MWCOG tabulation of [Kastle Systems "Back to Work Barometer"](#)

As measured by [Kastle Systems](#) building security card 'swipes', our office occupancy rate was several points below the average for the 10 largest regions until recently.



Lease Expiration by Class DC Metro



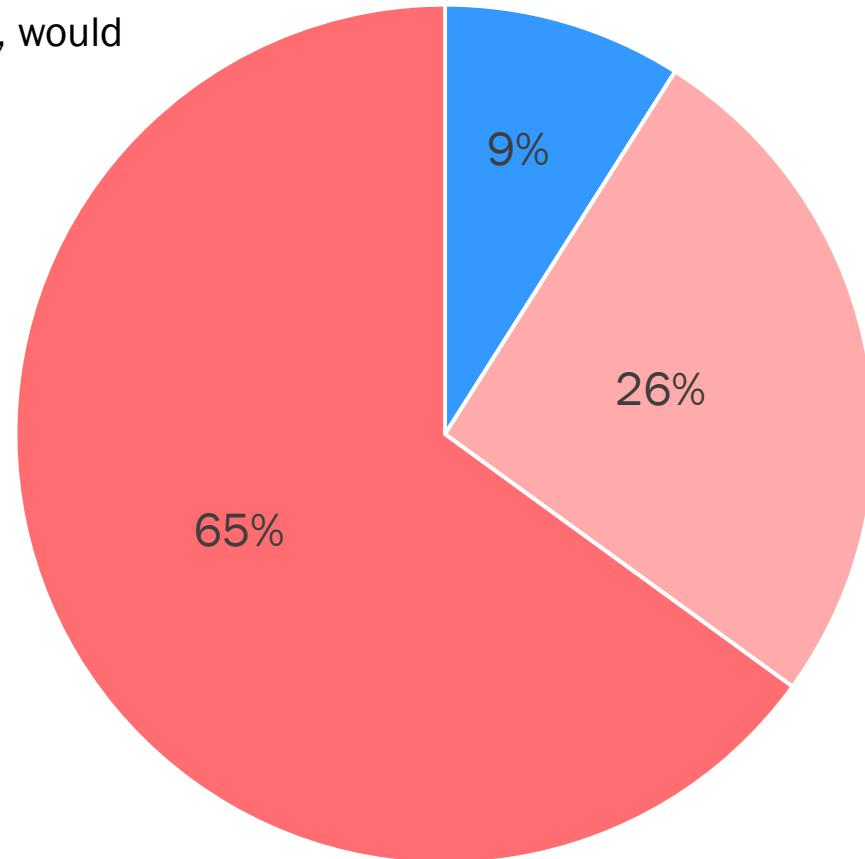
2022-2025 Lease Expirations

Class	FT²
Trophy	1,515,099
A	12,839,107
B	25,524,441
C	4,117,712

Preferences of Current Teleworkers

If given the choice to return to a work location once the COVID-19 pandemic is over, would you prefer to...?

- Return to work location full-time
- Telework full-time
- Telework some days and commute to work location some days

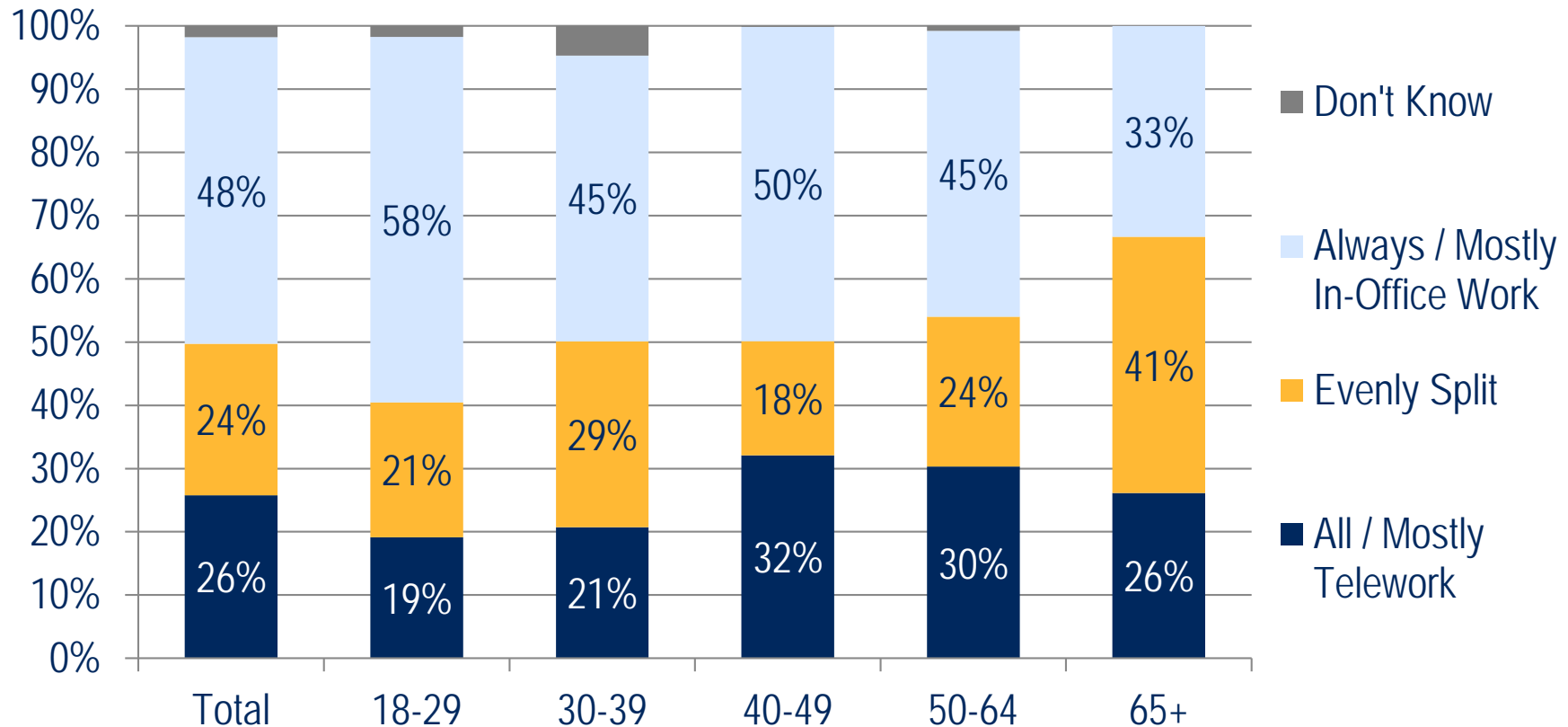


Source: COG/TPB "2020 Voices of the Region Survey," 2021.



Post-Pandemic Telework Preference by Age

Workers in the Washington Region (July '21)

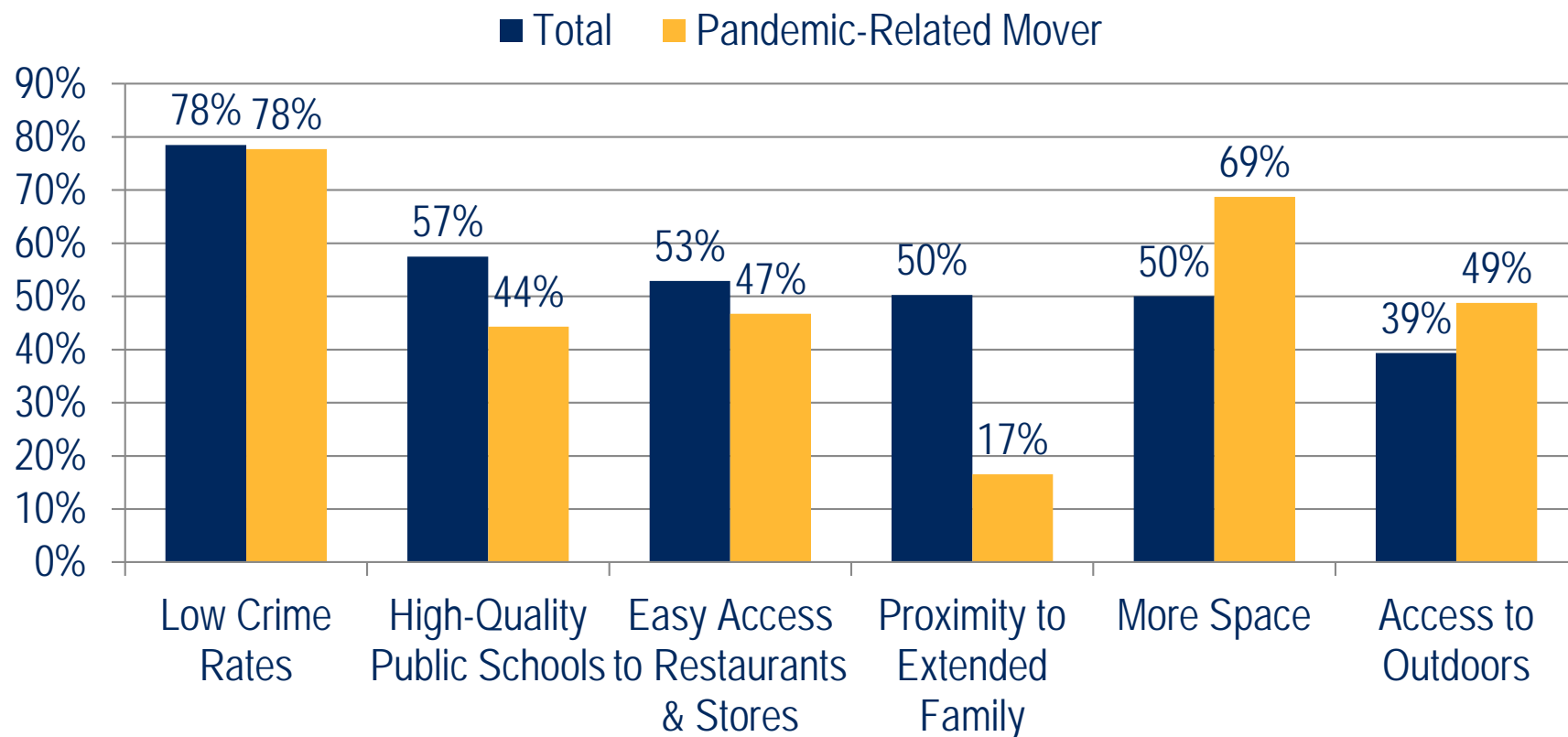


Sources: Washington Post / Schar School Survey; The Stephen S. Fuller Institute at the Schar School, GMU



% Stating that Factor is Extremely or Moderately Important in Deciding where to Live

Washington Region by Move Status, July 2021 Survey



Sources: Washington Post / Schar School Survey; The Stephen S. Fuller Institute at the Schar School, GMU

NOTE: The margin of error for the pandemic-related movers is large due to a small sample size



“Stories” of 2022

- Inflation
- Interest Rates
- Pandemic
- Stock Market
- Conflicts
- Federal Spending
 - *Infrastructure*
- Mid-Term Elections
- Talent
 - Attraction & Retention
 - *Workforce housing*
 - Work-From-Home/Remote Work
 - *Competitive advantage gained/lost*
 - *Key to success– management*
 - *OPM (?)*
 - Grow our own (and keep them)
- Travel
- Business adaptation to new market conditions
 - *Entrepreneurial eco-system?*
 - *Innovation indigestion*

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