



# MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2022 | Q1



## ECONOMIC INDICATORS BRIEFING 2022 Q1

This is the eleventh edition of the quarterly joint publication between the Montgomery Economic Development Corporation and Montgomery Planning. Each edition explores a range of indicators, including resident labor force, employment, commercial real estate, and venture capital information. This briefing explores trends observed in Q1 2022.

### LABOR FORCE AND RESIDENT EMPLOYMENT

This section focuses on Montgomery County residents' labor force participation and employment status, regardless of where their job is located.

#### RESIDENT LABOR FORCE<sup>1</sup>

	March 2022	March 2021	Change from March 2021	Change from Feb. 2020 (before pandemic)
Labor Force	552,383	543,223	9,160	-30,073
Employment	530,987	512,398	18,589	-31,681
Unemployment	21,396	30,825	-9,429	1,608
Unemployment Rate	3.9%	5.7%	-1.8%	0.5%

Note: BLS county figures were statistically adjusted in April 2022 and should not be compared to prior releases of this report.

Total employment has made significant strides since March 2021, when the COVID-19 vaccine first became available. Total employment grew by more than 18,000 and unemployment fell to under four percent. Still, the county's total labor force remains more than 30,000 workers smaller than it was prior to the pandemic.

This edition also looks at the ten fastest and slowest growing occupations. The occupations with the highest growth come from across the wage continuum. Retail sales and personal care aides added the most of jobs. Four higher-paying occupations—project management and business operations specialists, software developers, general and operating managers, and registered nurses—were in the top ten for growth.

Executive assistants and administrative assistants saw the largest decline in jobs, followed by computer programmers and nursing assistants.

#### TEN HIGHEST GROWTH OCCUPATIONS IN MONTGOMERY COUNTY IN 2021 Q4<sup>2</sup>

Occupation Group	Employment Q4 2021	1-Year Change	% Change	Annual Mean 2020 Wage
Retail Salespersons	10,337	649	6.7%	\$32,300
Personal Care Aides	7,086	495	7.5%	\$29,500
Project Management & Business Operations Specialists	10,395	459	4.6%	\$101,300
Fast Food/Counter Workers	9,037	423	4.9%	\$28,900
Software Developers & Quality Assurance Specialists	9,808	396	4.2%	\$118,400
Waiters/Waitresses	4,947	275	5.9%	\$33,400
General and Operations Managers	8,498	232	2.8%	\$152,600
Hairdressers, Hairstylists	2,023	211	11.6%	\$40,900
Registered Nurses	9,750	197	2.1%	\$83,200
Exercise Trainers, Group Fitness Instructors	1,508	194	14.7%	\$48,800

Note: Q1 2022 occupations and 2021 mean wages not available at publication.

<sup>1</sup> US Bureau of Labor Statistics, Local Area Employment and Unemployment

<sup>2</sup> JobsEQ; Q4 2021 (Q1 2022 NA at publication)

ECONOMIC INDICATORS BRIEFING 2022 Q1

TEN LARGEST DECLINE OCCUPATIONS IN MONTGOMERY COUNTY IN 2021 Q4<sup>2</sup>

Occupation Group	Employment Q4 2021	1-Year Change	% Change	Annual Mean 2020 Wage
Executive Secretaries & Administrative Assistants	1,692	-283	-14.3%	\$73,400
Computer Programmers	1,140	-196	-14.4%	\$103,900
Nursing Assistants	4,674	-117	-2.4%	\$34,000
Maids and Housekeeping Cleaners	2,463	-93	-3.6%	\$33,800
Pers. Service, Enter. & Rec. Managers	3,646	-77	-2.1%	\$145,700
Counter and Rental Clerks	1,419	-68	-4.5%	\$40,300
Bill and Account Collectors	530	-67	-11.2%	\$55,800
Network & Computer Systems Administrators	2,365	-62	-2.5%	\$101,900
Security Guards	3,662	-59	-1.6%	\$45,300
Police & Sheriff Patrol Officers	1,977	-55	-2.7%	\$76,100

EMPLOYMENT BY MAJOR INDUSTRY SECTOR

This section focuses on employment in significant industry sectors within the county, regardless of employees' county of residence.

Montgomery and Frederick Counties have gained nearly 24,000 jobs since March of last year when the vaccine became available, but remains about two percent below the pre-pandemic level. Nonetheless, the county's important professional, scientific and technical services sector has seen robust gains from both YOY last year (about 3,300 jobs, or 3.8%) and February 2020 (up 5.4%). An important area of gain has been scientific research and development, which has gained 4.6% YOY and 12.6% since February 2020.

Additionally, the leisure and hospitality sector saw a robust YOY gain (24%), although total jobs remain well below February 2020. Much of this sector is comprised of food services and drinking places, which gained more than 6,000 jobs YOY (18%) but remains nearly 5,000 below February 2020.

Retail sector jobs are now nearing their pre-pandemic levels, with a bit more than 1,000 jobs to be added before they reach it.

JOBS BY INDUSTRY IN MONTGOMERY & FREDERICK COUNTIES<sup>3</sup>

Employment in Select Industries	March 2022	March 2021	% Change March 2021	February 2020	% Change from February 2020
Total Employment	586,400	563,100	4.1%	597,600	-1.9%
Professional/Scientific/Tech Services	89,100	85,800	3.8%	84,500	5.4%
Systems Design & Services	25,700	25,600	.3%	25,600	2.0%
Scientific R&D	20,600	19,700	4.6%	18,300	12.6%
Health Care & Social Assistance	79,200	77,400	2.3%	82,800	-4.3%
Retail	54,600	53,600	1.9%	55,900	-2.1%
Leisure & Hospitality	48,300	38,800	24.4%	54,400	-11.2%
Food Services & Drinking Places	37,600	31,800	18.2%	42,200	-10.9%

Note: Current employment by industry for both Montgomery and Frederick Counties.

<sup>2</sup> JobsEQ; Q4 2021 (Q1 2022 NA at publication)

<sup>3</sup> US Bureau of Labor Statistics, Current Employment Statistics

## ECONOMIC INDICATORS BRIEFING 2022 Q1

### REAL ESTATE AND DEVELOPMENT<sup>4</sup>

#### REAL ESTATE

Office Real Estate	Q1 2022	Q1 2021	YOY Q1 2021
Gross Rent per sq. ft.	\$30.33	\$29.87	\$0.46
Vacancy	15.7%	14.0%	1.7%
Availability Rate	19.6%	17.8%	1.8%

Montgomery County, in line with the continuing national work-at-home trends, continues to experience increasing office vacancy rates, reaching 15.7% in Q1, an increase of 1.7 percentage points YOY.

#### RETAIL

	Q1 2022	Q1 2021	YOY Q1 2021
Gross Rent per sq. ft.	\$30.67	\$29.66	\$1.01
Vacancy	5.0%	4.8%	0.2%
Availability Rate	6.1%	6.6%	-0.5%

Retail vacancies were slightly higher than they were the previous year. Retail rents, after falling below \$30 per square foot during the pandemic, rose above that level in the first quarter to \$30.67.

### BUILDING PERMIT TRENDS

For this edition of the Quarterly Indicators report, single-family permits are disaggregated from multi-family permits because there was a significant increase in single-family permits in the first quarters of 2020 and 2021 relative to 2019 and 2022. This uptick is likely due to the heightened demand for single-family and generally larger living spaces during the pandemic. For now, permits for new single-family construction activity appears to have returned to pre-pandemic levels.

Multi-family permits are less consistent than single family permits because a few very large products can inflate the tally of units for a quarter. Still, overall permitted units were quite low (17) in the first quarter of 2020 going into the pandemic.

The first quarter of 2020 saw by far the most permitted commercial space out of the last four Q1s. However, one project, the Avocet Tower in Bethesda, accounts for over 90% of the quarter's almost 785,000 permitted square feet.

#### FIRST QUARTER BUILDING PERMITS, 2019-2022<sup>5</sup>

Permit Type	Q1 2022	Q1 2021	Q1 2020	Q1 2019
Single-Family Permits Issued	279	380	311	269
Duplex Permits Issued	0	2	0	14
Multi-Family Permits Issued (numbers represent units)	102	338	17	918
Commercial Building Permits Issued	9	35	27	9
Commercial Building Permits Sq. Feet	41,553	94,783	784,929	3,723

<sup>4</sup> CoStar reports pulled by MCEDC

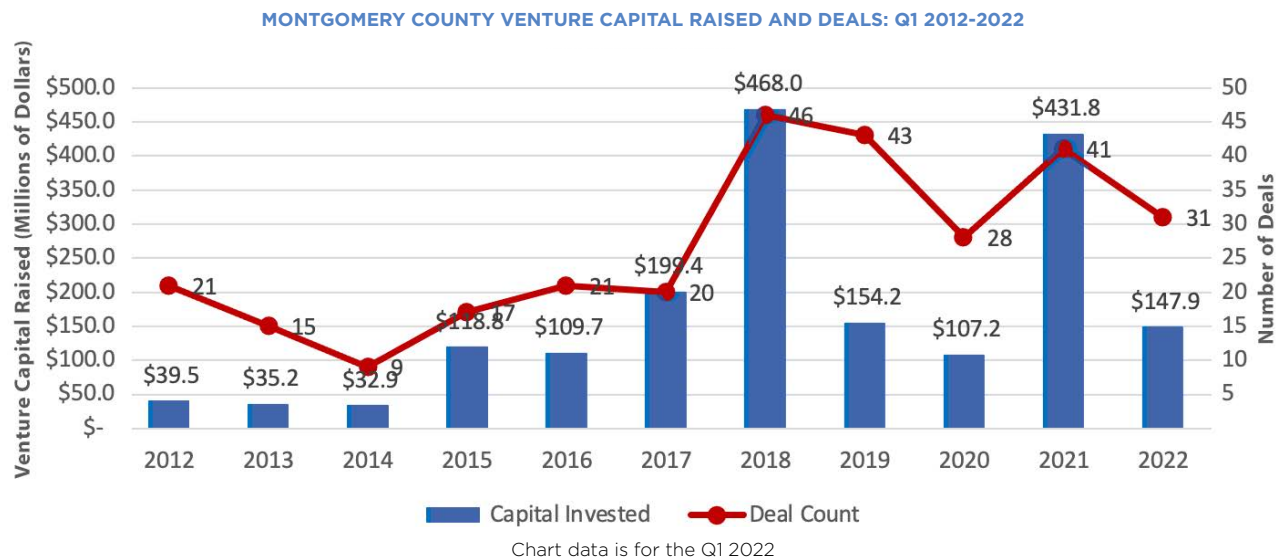
<sup>5</sup> Data from Montgomery County Department of Permitting Services

## ECONOMIC INDICATORS BRIEFING 2022 Q1

### VENTURE CAPITAL

#### Investment<sup>6</sup>

2021 was the second strongest in the past decade for venture capital investment, approaching the record year of 2018. 2022 has started strong; the first quarter alone has surpassed the annual totals for five of the last ten years.



The first quarter was dominated by Curbio, a tech-enabled home improvement solution oriented to real estate agents, home sellers, and subcontractors.

#### LARGEST VENTURE CAPITAL DEALS IN MOCO IN Q1 2022<sup>7</sup>

Company	Deal Date	Deal Size (Millions)	Industry
Curbio	1/18/2022	\$65.0	B2B Media & Info Services
RNAImmune	3/29/2022	\$27.0	Drug Discovery
Picnic.	2/24/2022	\$14.0	Network Management Software
SYNAPS Dx	3/2/2022	\$10.0	Drug Discovery
Ex Parte	2/25/2022	\$7.5	Applications

#### VENTURE CAPITAL ACTIVITY IN MOCO IN Q1 2022 BY INDUSTRY<sup>7</sup>

Industry	Total Capital Invested (Millions)	Number of Deals
B2B Media Info and Services	\$65.0	1
Drug Discovery	\$37.9	3
Network Management Software	\$14.0	1
Other Industries	\$30.9	25
<b>Grand Total</b>	<b>\$147.7</b>	<b>30</b>

The Curbio deal represented all of the B2B Media and Information Services category in Q1 2022, and accounted for 44% of the 30 deals in Q1.

<sup>6</sup> Pitchbook



ECONOMIC INDICATORS BRIEFING 2022 Q1

HOUSING TRENDS

This edition of the indicators expands to a further examination of housing, looking at key indicators for for-sale and multifamily rental housing types from a variety of sources, including the Greater Capital Area Association of Realtors (GCAAR) and CoStar. The main takeaway regarding housing in Montgomery County is that the pandemic intensified the prolonged underlying trend of decreasing relative housing supply.

HOME SALES INDICATORS, 2016-2022<sup>7</sup>

Indicators	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022
Median Sold Price	\$385,000	\$410,000	\$437,000	\$435,000	\$465,000	\$502,300	\$538,500
Closed Home Sales	841	1,013	949	786	980	1,103	1,032
Active Listings	2,519	2,147	1,800	1,748	1,424	867	652
Average Sold to List Price Ratio	96.4	97.4	98.1	97.6	99.0	102.2	104.2

The median sold price has risen steadily for several years, but notably, has risen more in the two years after the onset of the pandemic (16%) than in the 2016-2019 period prior. This increase coincides with a sharp drop in active listings in the pandemic period, which are currently less than a quarter of their level in 2016. The reduced inventory caused sales prices to steadily rise and the average sold-to-list ratio to climb 7.8%, from 3.6% below list to 4.2% above.

ANNUAL MULTI-FAMILY INDICATORS<sup>8</sup>

Effective Gross Rent Per Unit

Rent increases have also been accelerating in recent years. Annual effective gross rents per unit increased 1.3% annually from 2013-2017, and 2.3% annually from 2018 to 2021—a period which includes the 0.9% pandemic-related decline. In 2021, rents rebounded quickly, increasing by 4.8%.



Source: CoStar (not inflation adjusted; 2022 is Q1 only)

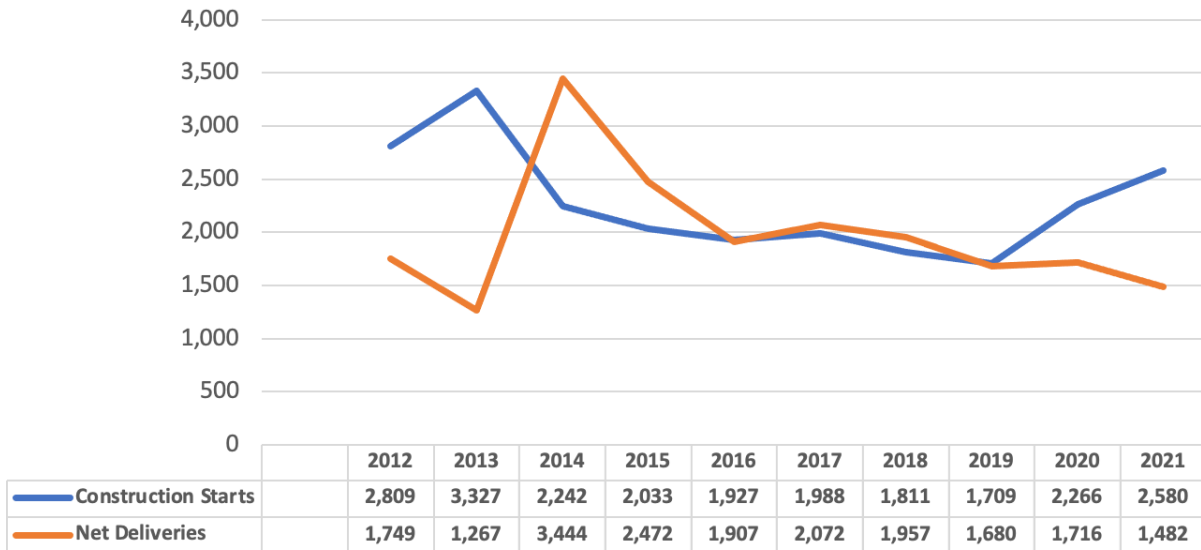
7 Pitchbook  
 7 GCAAR (March)  
 8 CoStar

## ECONOMIC INDICATORS BRIEFING 2022 Q1

### Net Deliveries and Construction Starts

Multi-family unit deliveries have also been on a seven-year decline following a peak of 3,444 units in 2014. Since 2012, the County has averaged fewer than 2,000 units per year. This declining rate of new deliveries is likely contributing to the rising rents described in the preceding section. However, in 2021 multi-family construction starts reached their highest level since 2013. It remains unclear whether this uptick marks the start of a sustained period of increased multi-family construction activity or whether it will be a one-time phenomenon.

MONTGOMERY COUNTY UNIT STARTS AND NET DELIVERIES

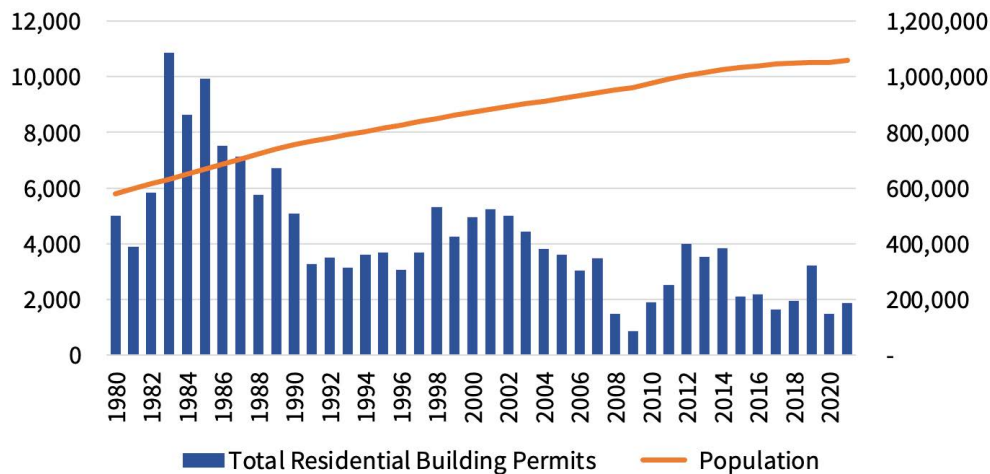


Source: CoStar Multi-Family

### Montgomery County's Ongoing Housing Shortage

While rents and house prices can rise and fall in the short-term due to temporary or cyclical factors like interest rates and the condition of the overall economy, a long-term, steady rise in housing costs underlies these periodic fluctuations in Montgomery County. This rise has been caused mainly by the failure of housing supply to keep up with demand for over 30 years. The chart below shows that since about 1990, a persistent decline in residential building permits has accompanied a steady increase in county population

MONTGOMERY COUNTY BUILDING PERMITS AND POPULATION GROWTH

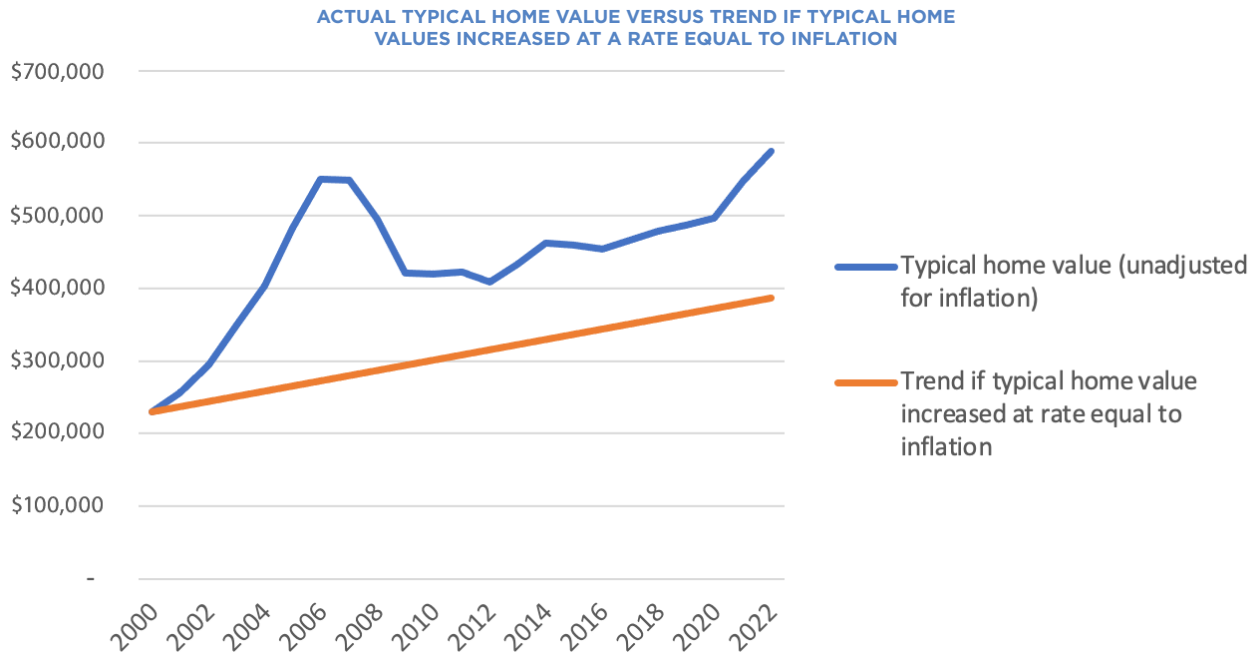


Population data: US Census and American Community Survey

Residential building permit data: [US Census Bureau Building Permits Survey](#)

ECONOMIC INDICATORS BRIEFING 2022 Q1

With these two countervailing trends in place, rising housing costs due to inadequate supply are inevitable. Indeed, from April 2000 to April 2022, the “typical home value” according to Zillow’s Home Value Index rose to \$588,974, which is 52% higher than the \$386,991 the typical Montgomery County home would have cost if its value had risen at the same rate of inflation. Even the sharp decline in home values following the Great Recession, which began in 2007, did not return home values to where they would have been if they had followed the inflationary trend.



Typical home value data: [Zillow Home Value Index, series: "ZVHI All Homes \(SFR, Condo/Co-op\) Time Series, Smoothed, Seasonally Adjusted \(\\$\)"](#)  
 Inflation calculated with [US Bureau of Labor Statistics CPI Inflation Calculator](#)

Housing prices will eventually go through periods of moderation as overall economic conditions change. However, these data suggest that housing prices will continue to outpace inflation significantly in the long term if housing supply continues to stagnate.

**Housing and Neighborhood Change in the Washington Metropolitan Area**

Although Montgomery County and the Washington metropolitan region urgently need new housing, the construction of new housing is often met with opposition. Many rationales have been used for opposing new housing, but one of the most prominent is that it will lead to the displacement of people of color and families with low incomes. However, this line of thinking has not been subject to empirical scrutiny. Montgomery County’s [Neighborhood Change in the Washington Area](#) study tests this assumption and finds that it is not true. In fact, neighborhoods where the most housing has been built have also seen the most inclusive economic growth. In other words, these neighborhoods got wealthier and maintained or grew their low-income populations.

To determine which neighborhoods have been experiencing displacement and how new housing is associated with neighborhood change, Montgomery Planning used a [methodology developed by the University of Minnesota’s Institute on Metropolitan Opportunity](#) to track this type of neighborhood change over time. This methodology classifies neighborhoods based on the percent change, change in neighborhood share, and net change in people above and below 200% of the federal poverty level over time.



ECONOMIC INDICATORS BRIEFING 2022 Q1

In the Washington, DC region, there are three categories of neighborhood change. They are the following:

1. Inclusive growth, where a neighborhood gets wealthier and maintains or grows its number of low-income people,
2. Displacement, where a neighborhood gets wealthier and loses low-income people, and
3. Low-income concentration, where a neighborhood gets poorer overall by adding mainly low-income people.

Inclusive growth is generally the most desirable type of neighborhood change because it means that a neighborhood is becoming more economically prosperous while adding low-income residents. Displacement and low-income concentration are two sides of the same neighborhood change “coin,” and neither are generally desirable. They indicate either that low-income people are getting pushed out while wealthier residents move in (displacement) or that a neighborhood is becoming more uniformly poor and economically segregated (low-income concentration).

Category	Description	New Housing Units 2000-2019	Number of Neighborhoods	Net New Housing Units Per Neighborhood
Inclusive Growth	Neighborhood gets wealthier and maintains or increases its number of low-income people	10,658	6	1,776
Displacement	Neighborhood gets wealthier and loses low-income people	1,603	16	100
Low-income Concentration	Neighborhood gets poorer as it gains low-income people but loses middle and higher income people	494	19	26

The six neighborhoods<sup>9</sup> in Montgomery County that experienced inclusive growth added 18 times more housing per neighborhood than those experiencing displacement and 68 times more housing than neighborhoods experiencing low-income concentration.<sup>10</sup> This stark difference in housing development among these different types of neighborhoods strongly suggests that housing development is associated with inclusive growth—that is, growth that includes people at all income levels. It also proves that the opposite supposition—that housing development leads to displacement—is false. In fact, it suggests that restricting housing development leads instead to either displacement or poverty concentration, likely hinging on the status and trajectory of the neighborhood prior to the period under examination. For more information, please refer to the full [Neighborhood Change in the Washington Metropolitan Area study](#) on Montgomery Planning’s website.

<sup>9</sup> Census tracts represent neighborhoods in the study.

<sup>10</sup> Most neighborhoods do not fit into any of the three categories because their changes have not been significant enough to meet the thresholds. While not shown on the chart, these neighborhoods added 240 housing units per neighborhood.



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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](mailto:bill@thinkmoco.com) (bill@thinkmoco.com)  
or [Ben Kraft](mailto:benjamin.kraft@montgomeryplanning.org) (benjamin.kraft@montgomeryplanning.org)