



MONTGOMERY COUNTY ECONOMIC INDICATORS BRIEFING

2023 | Q1



ECONOMIC INDICATORS BRIEFING 2023 Q1

This is the 15th edition of the quarterly joint publication between the Montgomery County 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 2023.

EMPLOYMENT OVERVIEW

This section focuses on Montgomery County labor force participation regardless of where the job is located.

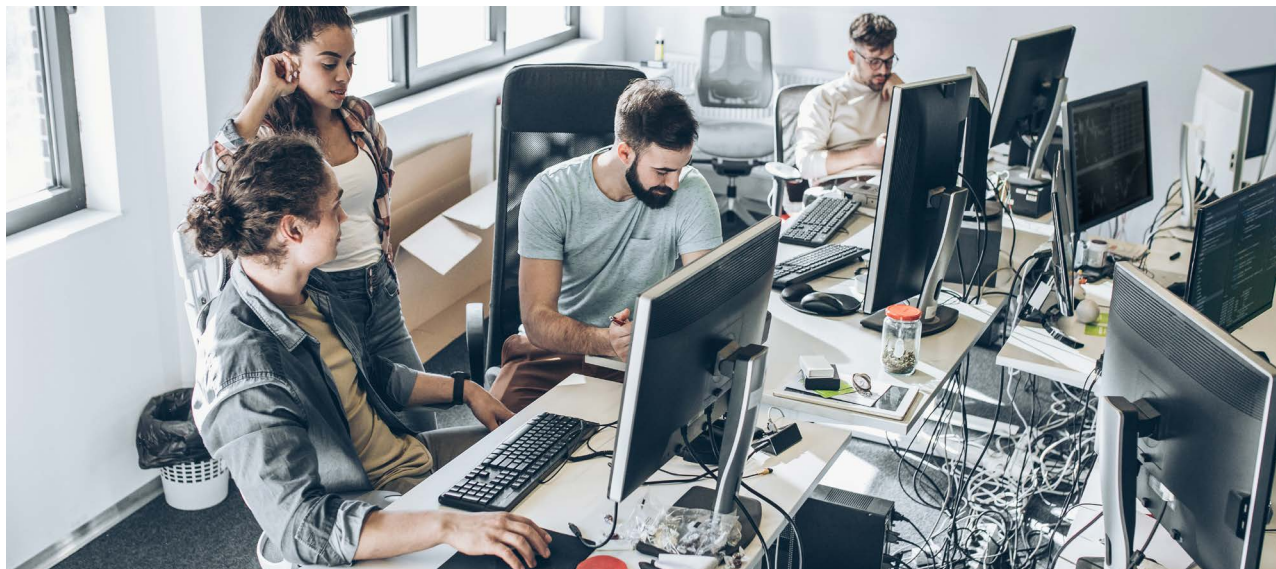
RESIDENT LABOR FORCE

	Mar. 2023	Mar. 2022	Change from Mar. 2022	Change from Mar. 2019 (before pandemic)
Labor Force	555,375	546,541	8,834	-17,642
Employment	544,408	529,941	14,467	-11,583
Unemployment	10,969	16,600	-5,631	-6,057
Unemployment Rate	2.0%	3.0%	-1.0%	-1.0%

US Bureau of Labor Statistics, Local Area Employment and Unemployment (Dec. 2022 preliminary)
 Note: Figures subject to revision April 2023. Figures are non-seasonally adjusted.

The County's 2.0% unemployment rate in March was a percentage point below March last year and also March 2019. Unemployment is currently lower than in any month in at least the last ten years. Total employment has continued to make strides since March 2022. Total employment grew by more than 14,000 jobs and total unemployment is 5,600 lower, and is also more than 6,000 below March 2019.

This report also looks at the twenty fastest growing occupations in Montgomery County. These come from across the wage continuum. **Software developers and project management specialists added the most jobs.** Four higher-paying occupations—software developers, project management specialists, general and operations managers, and business operations specialists—were in the top ten for growth. Hotel and resort desk clerks, while a small occupational base, increased by a very high rate in Q4 2022 (44.0%). Bartenders, cooks, and servers continued to increase at high rates in Q4.



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TWENTY HIGHEST GROWTH OCCUPATIONS IN MONTGOMERY COUNTY IN 2022 Q4

Occupation Group	Employment Q4 2022	1-Year Change	% Change	Annual Mean Wage
Software Developers	8,676	918	11.8%	\$140,800
Project Management Specialists	5,712	564	11.0%	\$120,700
Waiters and Waitresses	5,277	559	19.3%	\$39,500
General and Operations Managers	10,772	526	5.1%	\$154,400
Business Operations Specialists	7,884	453	6.1%	\$103,400
Restaurant Cooks	3,122	434	16.2%	\$39,100
Personal Care Aides	7,205	386	5.7%	\$33,100
Fast Food/Counter Workers	8,672	372	4.5%	\$33,200
Retail Salespersons	10,610	347	3.4%	\$38,400
Food Prep. And Serving Supervisors	3,071	256	9.1%	\$49,200
Software Quality Assurance Analysts	2,379	255	12.0%	\$112,000
Preschool Teachers	2,126	254	13.5%	\$46,900
Managers (Other)	3,655	230	6.7%	\$151,200
Elementary School Teachers	5,124	215	4.4%	\$94,400
Teaching Assistants (except Post-Secondary)	3,780	210	5.9%	\$43,400
Bartenders	1,277	181	16.5%	\$43,500
Shuttle Drivers, Chauffeurs	1,303	157	13.7%	\$40,900
Hotel and Resort Desk Clerks	498	152	44.0%	\$35,900
Secondary School Teachers	3,653	151	4.3%	\$94,300
Heavy and Tractor Trailer Truck Drivers	2,276	141	6.6%	\$59,900

JobsEQ; Q4 2022 (Q1 2023 NA at time of publication)

EMPLOYMENT BY MAJOR INDUSTRY SECTOR

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

Montgomery and Frederick Counties have gained more than 16,000 jobs since March of last year, a 2.8% increase. The total employed is virtually where it was in March 2019. **The important professional, scientific and technical services sector has continued to see gains from both YOY last year (2,600 jobs, or 2.9%) and March 2019 (up 8.6%).** Systems design and services gained 8.0% over March 2022 and 11.8% from March 2019. Scientific research and development is up 1.0% YOY and 13.7% since March 2019.

Additionally, the health care and social assistance sector gained 3,900 jobs YOY and now matches March 2019. Leisure and hospitality continued recent YOY gains (9.7%).

Retail sector jobs are about even YOY (-0.5%) and are a projected 2,000 below March 2019.

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JOBS BY INDUSTRY IN MONTGOMERY & FREDERICK COUNTIES

Employment in Select Industries	Mar. 2019	Mar. 2022	Mar. 2023	% Change Mar. 2019	% Change Mar. 2022
Total Employees	597,300	580,500	596,800	-0.1%	2.8%
Professional/Scientific/Tech Services	84,700	89,400	92,000	8.6%	2.9%
Systems Design & Services	25,400	26,300	28,400	11.8%	8.0%
Scientific R&D	18,300	20,600	20,800	13.7%	1.0%
Health Care & Social Assistance	80,700	76,800	80,700	0.0%	5.1%
Retail	56,300	54,600	54,300	-3.6%	-0.5%
Leisure & Hospitality	55,300	47,600	52,200	-5.6%	9.7%
Food Services & Drinking Places	46,000	40,600	42,700	-7.2%	5.2%

U.S. Bureau of Labor Statistics, CES (State and Metro)
Note: Figures are non-seasonally adjusted.

REAL ESTATE AND DEVELOPMENT

OFFICE REAL ESTATE

	Q1 2022	Q1 2023	YOY
Gross Rent per sq. ft.	\$30.41	\$30.87	\$0.46
Vacancy	16.0%	16.3%	0.3%
Availability Rate	18.7%	20.8%	2.1%

CoStar reports pulled by MCEDC

Montgomery County continues to experience increasing office vacancy rates, reaching 16.3% in Q1, an increase of 0.3 percentage points YOY.



RETAIL

	Q1 2022	Q1 2023	YOY
Gross Rent per sq. ft.	\$30.67	\$32.50	\$1.83
Vacancy	6.2%	5.7%	-0.5%
Availability Rate	7.2%	6.0%	-1.2%

CoStar reports pulled by MCEDC

Retail vacancies were 0.5 percentage points lower than they were the previous year. Retail rents, after falling below \$30 per square foot in 2020 and 2021, were \$32.50 in the first quarter, for a YOY increase of about 6%.

MULTI-FAMILY RENTALS⁴

	Q1 2022	Q1 2023	YOY
Effective Gross Rent per Unit	\$1,916	\$1,982	\$66
Vacancy	4.8%	5.2%	0.4%

CoStar reports pulled by MCEDC

Multi-family rent rose by 3.4% YOY, with the retail vacancy rate at 5.2%, 0.4% above Q1 2022.

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HOMES SALES

HOME SALES UPDATE

	Mar. 2022	Mar. 2023	YOY
Median Sold Price	\$538,210	\$535,277	-0.5%
Closed Home Sales	1,032	758	-26.6%
Active Listings	652	703	7.8%
Average Sold Price to Listing Price Ratio	104.2%	100.6%	-3.5%

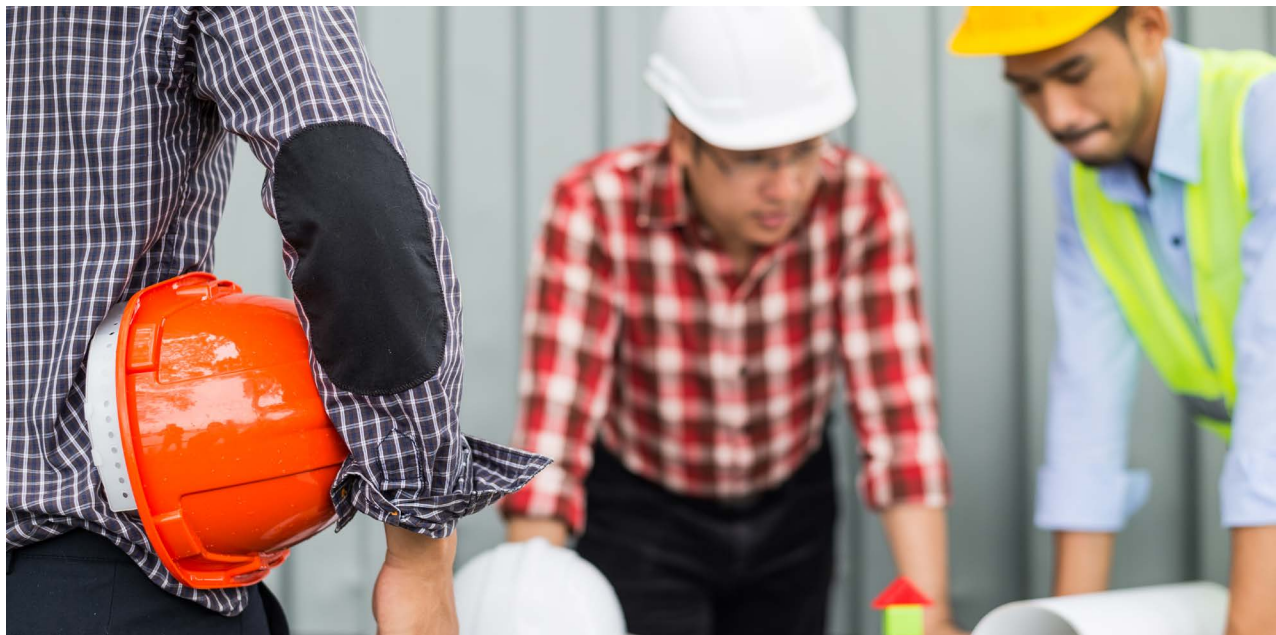
GCAAR Monthly Market Reports
 Note: Data are for all housing sale types, not inflation adjusted.

- **Active Listings:** This indicator shows the number of homes on the market for sale in the month of March 2023, with the change from March 2022. March 2023 showed more active listings (+7.8%) than March 2022.
- **Average Sales Price to List Price Ratio:** This indicator shows the ratio of the sold price to the listing price. A ratio of 100% means that the price of the home sold for was the same as the listing price. This fell (-3.5%) from last March to 100.6% of list.
- **Closed Home Sales:** This indicator shows the number of homes sold in the months of March 2023 and March 2022. There were 26.6% fewer closings in March 2023 than in March 2022..

BUILDING PERMITS

Quarterly building permit data are usually reported in this section, but it is being withheld this quarter as Montgomery Planning and Department of Permitting staff are reviewing data systems to ensure permit data is reported correctly.

One notable project permitted in the first quarter of 2023 was the redevelopment of the Burtonsville Crossing Shopping Center. The redevelopment will replace 7,600 square feet of the existing shopping center with a centralized gathering space with outdoor seating and a stage for arts and community events, and it will also construct two new free-standing buildings for restaurant or bank uses. In addition, the project will also provide extensive pedestrian and bicycle improvements along Old Columbia Pike.

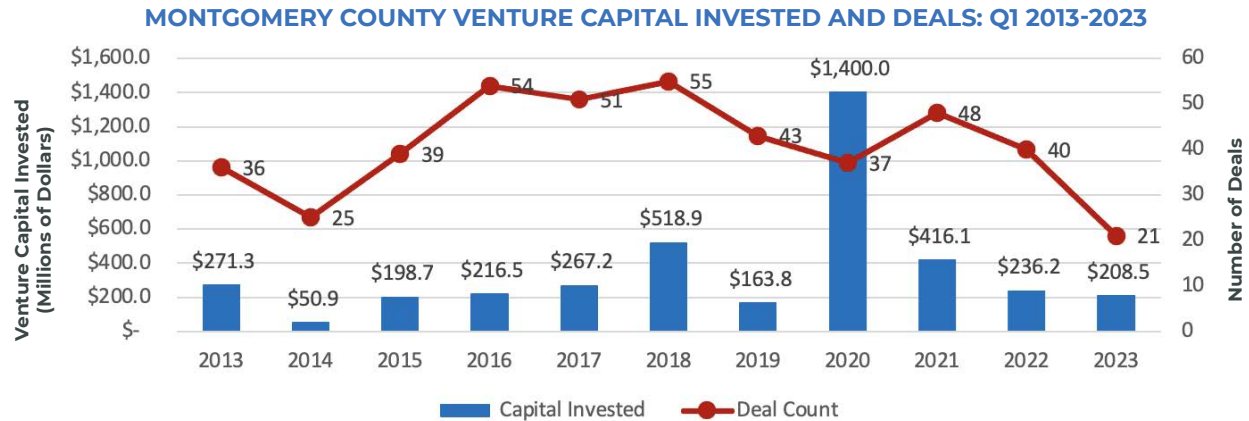


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VENTURE CAPITAL

Investment

This reports first quarter venture capital investment trends from 2013-2023. First quarter 2023 venture capital investment was \$208.5 million. The number of deals (21) was the lowest over the time periods.



Pitchbook

The largest deal in Q1 2023 was Axle Informatics, a biotech company, which accounted for 60% of the total.

LARGEST VENTURE CAPITAL DEALS IN MOCO IN Q1 2023

Company	Deal Date	Deal Size (Millions)	Industry
Axle Informatics	1/1/2023	\$125.8	Biotechnology
Picnic	3/27/2023	\$20.0	Network Mgt. Software
Aembit	2/3/2023	\$16.6	Business Prod. Software
Vector Biomed	1/31/2023	\$15.0	Biotechnology
Caracol	3/3/2023	\$11.3	Other Comm. Services

Pitchbook

With the Axle Informatics investment, biotechnology was by far the largest sector in the first quarter 2023.

VENTURE CAPITAL ACTIVITY IN MOCO IN Q1 2023 BY INDUSTRY

Industry	Total Capital Invested (Millions)	Number of Deals
Biotechnology	\$140.8	2
Network Mgt. Software	\$26.0	2
Business Prod. Software	\$18.1	2
Other Comm. Services	\$11.3	2
Educational Software	\$4.5	2
Other Industries	\$8.1	11
Total Investment	\$208.5	21

Pitchbook

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COMMUTING AND REMOTE WORK PATTERNS

Last quarter we analyzed five-year trends in commercial real estate in the context of the Covid recession and recovery. The analysis showed that the retail and industrial markets had been recovering steadily since the pandemic, but office space faced strong headwinds and an uncertain future.

One of the main reasons for this uncertain future is the widespread adoption of remote work, so this issue of quarterly indicators examines trends in commuting with a special focus on remote work. We look first at Montgomery County's remote work trends in relation to other large counties nationwide by examining work-from-home trends since 2010 for the 47 counties with at least 1 million people (and Washington, D.C.¹) in 2021.

Montgomery County, like most places, has seen a surge in remote work since the Covid pandemic, and the increase in work-from-home rates in large D.C. jurisdictions were higher than in other comparable places. While remote work is here to stay, it remains unclear whether and at what rate remote work will stabilize, as well as how hybrid in-person/remote arrangements will affect office real estate, data collection, and commuting patterns.

As far back as 2010, Montgomery County already had a relatively high percentage of people working from home, ranking 10th out of these 48 large jurisdictions. However, at that point only 5.9% of workers in the county were working remotely. **Washington D.C. and Fairfax County both had work-from-home rates of 5% ranking them 19th and 20th.** The county with the largest share of remote workers at the time, Collin County, Texas, registered 7.8% of its residents working remotely.



¹ Washington D.C. had a population of 670,050 people according to the 2021 one-year American Community Survey but is included because it is the economic center of the region and a key jurisdiction for intra-regional comparison.

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LARGE COUNTY WORK-FROM-HOME RATES 2010

Rank	County	Work From Home % 2010
1	Collin County, Texas	7.8%
2	Travis County, Texas	7.4%
3	Fulton County, Georgia	7.1%
4	New York County, New York	6.6%
5	King County, Washington	6.5%
6	Wake County, North Carolina	6.3%
7	Contra Costa County, California	6.2%
8	Maricopa County, Arizona	5.9%
9	Alameda County, California	5.9%
10	Montgomery County, Maryland	5.9%
19	District of Columbia	5.0%
20	Fairfax County, Virginia	5.0%

Note: Data is from the American Community Survey (ACS) 1-year estimates.

Throughout the following decade, remote work in large employment centers rose steadily but slowly, with different regions progressing at different rates. While Montgomery County and its neighbors increased their uptake of remote work, they were doing so more slowly than other places across the country. In 2019, Fairfax and Montgomery had increased their shares to 6.9% and 6.7% respectively, but fell to 18th and 19th in the rankings, while D.C. increased its share to 7.4% and increasing its rank to twelfth. During this period, the largest increases in remote work shares went to rapidly growing sunbelt counties with relatively low costs of living, including Travis and Collin Counties, TX (Austin and North Dallas suburbs), Wake and Mecklenburg Counties, NC (Raleigh, Chapel Hill, and Charlotte), Fulton County, GA (Atlanta), Hillsborough and Palm Beach Counties (Tampa and West Palm Beach), FL, and Maricopa County (Phoenix), AZ.

LARGE COUNTY WORK-FROM-HOME RATES 2019

Rank	Name	Work From Home % 2019
1	Travis County, Texas	11.1%
2	Wake County, North Carolina	11.0%
3	Fulton County, Georgia	10.5%
4	Mecklenburg County, North Carolina	10.4%
5	Collin County, Texas	9.5%
6	Hillsborough County, Florida	8.2%
7	Palm Beach County, Florida	8.2%
8	Maricopa County, Arizona	7.9%
9	New York County, New York	7.6%
10	Orange County, California	7.6%
12	District of Columbia	7.4%
18	Fairfax County, Virginia	6.9%
19	Montgomery County, Maryland	6.7%

Note: Data is from the American Community Survey (ACS) 1-year estimates.

However, after the Covid pandemic, D.C., Fairfax, and Montgomery County saw some of the most extreme increases in working from home. All three jumped to the top 5 in remote work rates with D.C. taking the top spot at 48.3% remote. Fairfax and Montgomery were nearly tied for the third highest remote work rate in the nation with 37.2% and 37.1% respectively.

LARGE COUNTY WORK-FROM-HOME RATES 2021

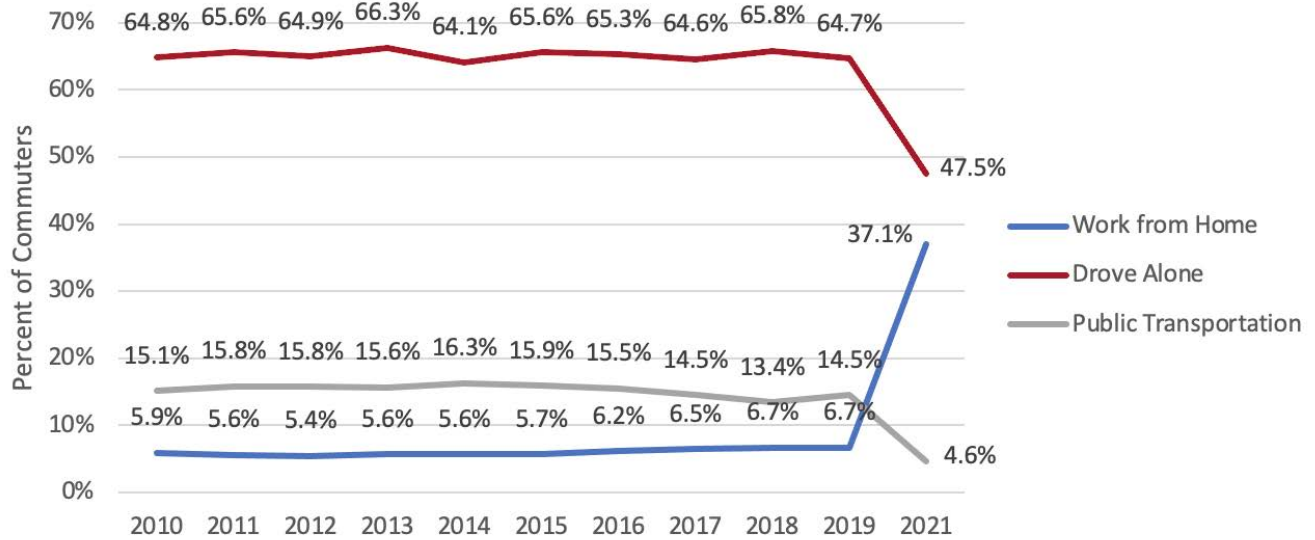
Rank	Name	Work From Home % 2021
1	District of Columbia	48.3%
2	King County, Washington	38.3%
3	Fairfax County, Virginia	37.2%
4	Montgomery County, Maryland	37.1%
5	New York County, New York	36.5%
6	Fulton County, Georgia	36.3%
7	Travis County, Texas	36.2%
8	Santa Clara County, California	35.5%
9	Wake County, North Carolina	35.1%
10	Alameda County, California	35.0%

Note: Data is from the American Community Survey (ACS) 1-year estimates.

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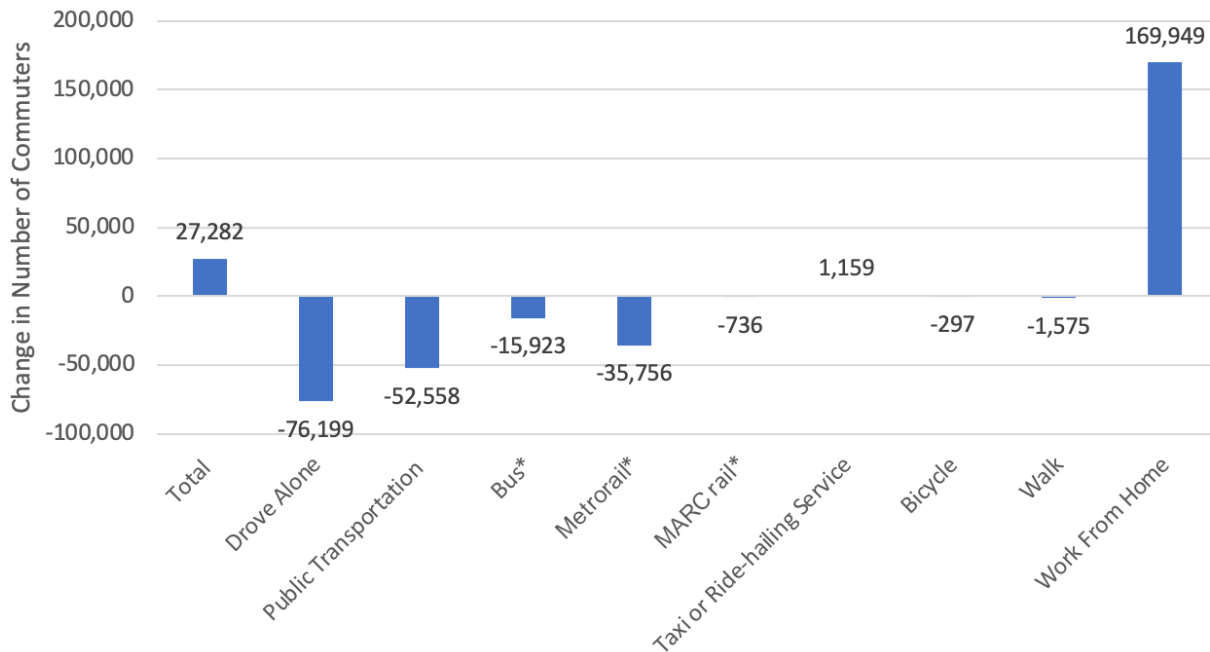
As Montgomery County's work-from-home rate climbed sharply, all modes except for taxis and ride-hailing services declined. The decline in driving alone and public transportation together was equivalent to just over 75% of the increase in working from home.

COMMUTE MODE RATES IN MONTGOMERY COUNTY, 2010-2021



Note: Data is from the American Community Survey (ACS) 1-year estimates; 2020 data is not available. ACS data are not available for 2020 due to inaccuracies.

CHANGE IN NUMBER OF COMMUTERS, 2010-2021



Note: Data is from the American Community Survey (ACS) 1-year estimates. *Included in Public Transportation. ACS data are not available for 2020 due to inaccuracies.

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These patterns suggest strong headwinds for office real estate, but they come with several caveats. First, the most recent year in this dataset is 2021, throughout which most federal, state, and local Covid restrictions were still in place. Many workplaces have transitioned from remote work to partial or full in-person work since then. Second, hybrid remote/in-person policies are now common. These trends suggest that the work-from-home rate could have declined since these 2021 estimates. Also, the survey question from which these data are derived asks, “How did this person usually get to work LAST WEEK?”² A worker with a two-day in person/ three-day remote working arrangement would likely choose “worked from home” as the “usual” method even though they would still be commuting two days. The 2023 American Community Survey questionnaire has left this question unchanged, so for the next several years it will be difficult to distinguish between full-time and hybrid remote work.

While it is too early to say exactly what percentage of workers will still be working from home or remotely in the future, they will clearly continue to be a significant portion of the workforce. However, while there will be fewer work-related trips, we still need to travel for entertainment, recreation, socialization, and daily errands. This trend highlights the need for mixed-use, transit-oriented development that has been called for in efforts such as the [Montgomery County Economic Development Strategic Plan](#), which lists building livable communities as a priority, and [Thrive Montgomery 2050](#), Montgomery County’s thirty-year general plan, which emphasizes the need to focus growth on existing transportation corridors and to create complete communities. Although the changing commuting patterns present numerous planning and economic challenges, they also create opportunities to prioritize the creation of vibrant mixed-use communities that can host a variety of social and economic activity throughout the day.

PUBLIC AND PRIVATE EMPLOYMENT IN MONTGOMERY COUNTY AND THE D.C. REGION

In the employment section of the Quarterly Indicators report, we typically do not differentiate between public and private employment. However, because the federal government is such a large part of Montgomery County’s employment base, it can be helpful to distinguish between public and private employment, which is what this section does. The main takeaway of the analysis is that Montgomery County’s increasing reliance on public employment coupled with its inability to grow its private sector leaves its growth outlook limited compared to its neighbors.

The D.C. region relies heavily on federal employment, and next to D.C., Montgomery County has the highest number and percentage of federal jobs in the region. Fairfax and Prince George’s Counties each have a little more than half the number of federal jobs that Montgomery County has.

PUBLIC AND PRIVATE EMPLOYMENT IN MONTGOMERY COUNTY AND THE D.C. REGION

Jurisdiction	Federal Employment in 2022	Federal Employment as % of Total Employment 2022
District of Columbia	195,892	26.1%
Montgomery County, Maryland	50,186	11.0%
Prince George’s County, Maryland	29,992	9.6%
Fairfax County (and cities), Virginia	28,472	4.4%

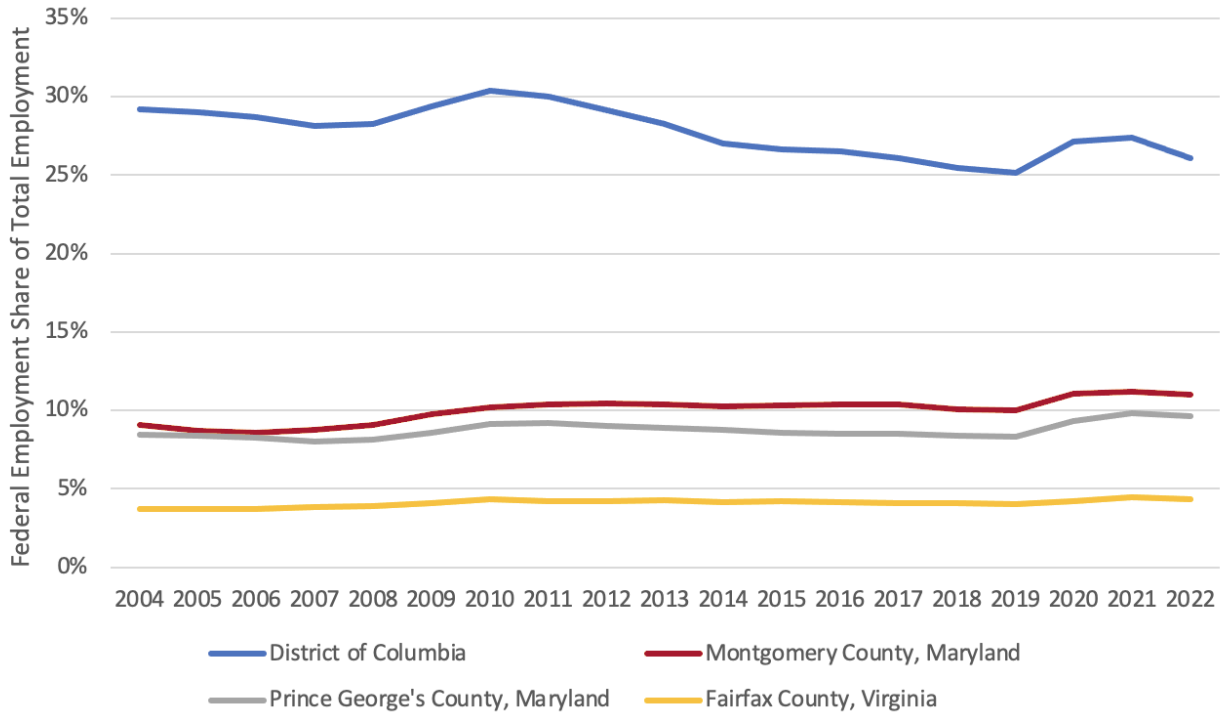
Note: Data is from the US Bureau of Labor Statistics Quarterly Census of Employment and Wages, Annual Averages..

While neighboring jurisdictions have become less reliant on federal jobs since 2004, Montgomery County has become more reliant. **Federal employment in Montgomery County increased from 9.1% of county employment in 2004 to 11% in 2022, the largest increase in the D.C. region.** Prince George’s and Fairfax Counties increased their shares of federal jobs also, but at a slower rate than Montgomery County. Fairfax County also began the period with a much lower proportion of federal jobs than Montgomery County, with only 4% of its jobs in the federal sector. D.C. added federal jobs over the period but *decreased* its share.

2 The American Community Survey (ACS); page 16, Capitals original.

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FEDERAL EMPLOYMENT AS A SHARE OF TOTAL EMPLOYMENT, 2004-2022



Note: Data is from the US Bureau of Labor Statistics Quarterly Census of Employment and Wages, Annual Averages.

Montgomery County nearly matched its federal job gains with private job losses from 2004 to 2022, and Prince George's County's private job losses outpaced its federal gains by over 10,000. In contrast, D.C. and Fairfax County saw positive private and federal job growth.

PRIVATE VERSUS FEDERAL JOB CHANGE, 2004 TO 2022

County	Private Jobs 2004-2022		Federal Jobs 2004-2022	
	Change	% Change	Change	% Change
District of Columbia	85,448	20%	3,240	2%
Fairfax County	58,618	12%	6,830	32%
Montgomery County	-9,442	-3%	9,530	23%
Prince George's County	-13,918	-6%	3,567	13%

Note: Data is from the US Bureau of Labor Statistics Quarterly Census of Employment and Wages, Annual Averages.

While all four of these jurisdictions gained federal jobs over this 18-year period, the increases have different implications across the region. Private employment growth in D.C. is outpacing federal employment growth as it shifts away from reliance on the public sector. Fairfax's federal sector is growing rapidly, but it remains a small proportion (under 5%) of its overall workforce. Only in Montgomery and Prince George's Counties is federal employment a significant part of the job base and growing.

Having a robust federal sector in the first place is not a liability—it helped Montgomery County become the dynamic place that it is today, and it tends to cushion the economy from severe economic downturns. But continuing to rely on the federal government as the primary economic driver of the county limits its growth potential and exposes it to excessive risk. Over-reliance on federal employment leaves jurisdictions' economies vulnerable to outcomes of political disputes about spending and the siting of federal facilities. Also trends from the last several decades indicate that the federal government is unlikely to significantly

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expand its workforce in the future. To be sure, much of the private sector employment growth in D.C. and Fairfax County is *related* to the federal government, but these private contractors and consultants can try to transition their competencies to private sector customers if federal work dries up.

While there is no magic bullet for diversifying away from the federal sector, Montgomery County has several vibrant private industries, such as life sciences and hospitality technology, that could serve as springboards for innovation and entrepreneurship, as envisioned by the [Economic Development Strategic Plan](#). Montgomery Planning's master plans also focus on this issue: the [Great Seneca Science Corridor master plan](#), which is underway, envisions one of the region's and nation's premier life science corridors as a vibrant urban center that will draw people not just for the research and innovative activity that goes on there, but also as a place to live and play.



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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.

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