



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: Receive briefing and discuss – no vote expected
Keywords: Economic Development

AGENDA ITEM #10
March 15, 2022
Discussion

SUBJECT

Economic trends in Metropolitan Washington by the Metropolitan Washington Council of Governments (COG)

EXPECTED ATTENDEES

Paul DesJardin, Director of Community Planning and Services, COG

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

Council President Albornozy invited COG to present on the region's economic trends as the Council begins its review of the FY23 Operating Budget. A similar presentation was provided by COG at the Executive's Business Advisory Panel on February 24, 2022.

SUMMARY OF KEY DISCUSSION POINTS

- A copy of the slides for today's presentation is available on ©1-27.

This report contains:

Presentation slides

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ECONOMIC TRENDS IN METROPOLITAN WASHINGTON

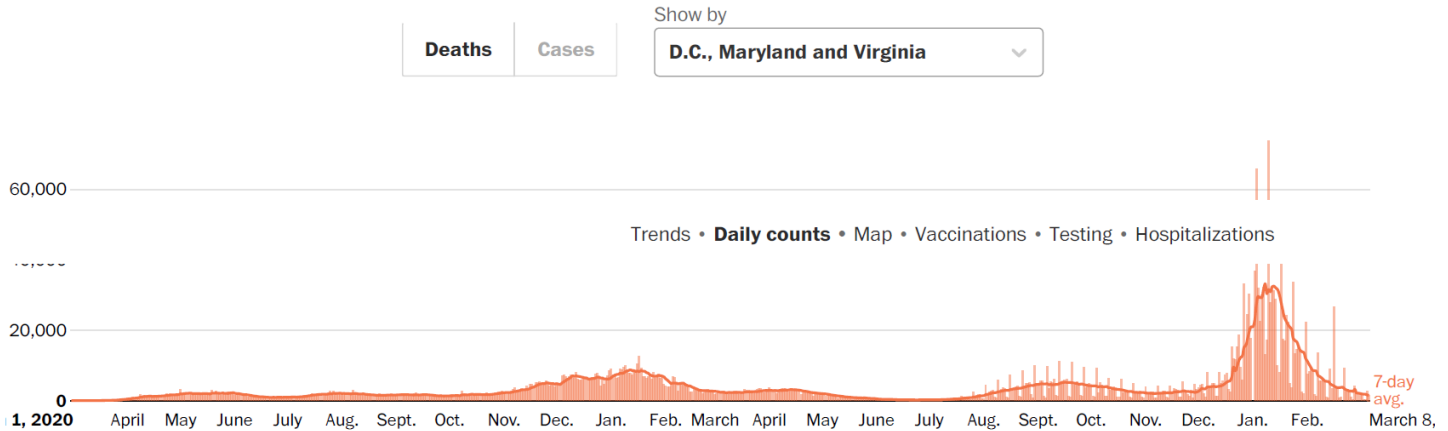
Montgomery County Council
March 15, 2022

Paul DesJardin
Director, Community Planning and Services
Metropolitan Washington Council of Governments

COVID Cases & Deaths in Metropolitan Washington

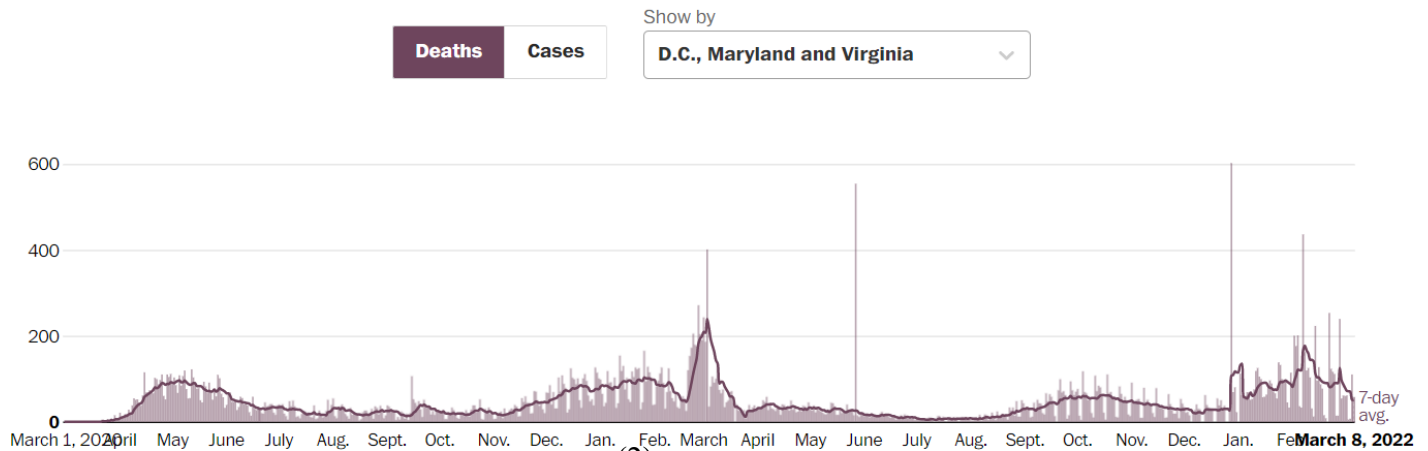
New daily reported cases in D.C., Maryland and Virginia

At least 2,789,000 have been reported since Feb. 29.



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

At least 34,625 have been reported since Feb. 29.

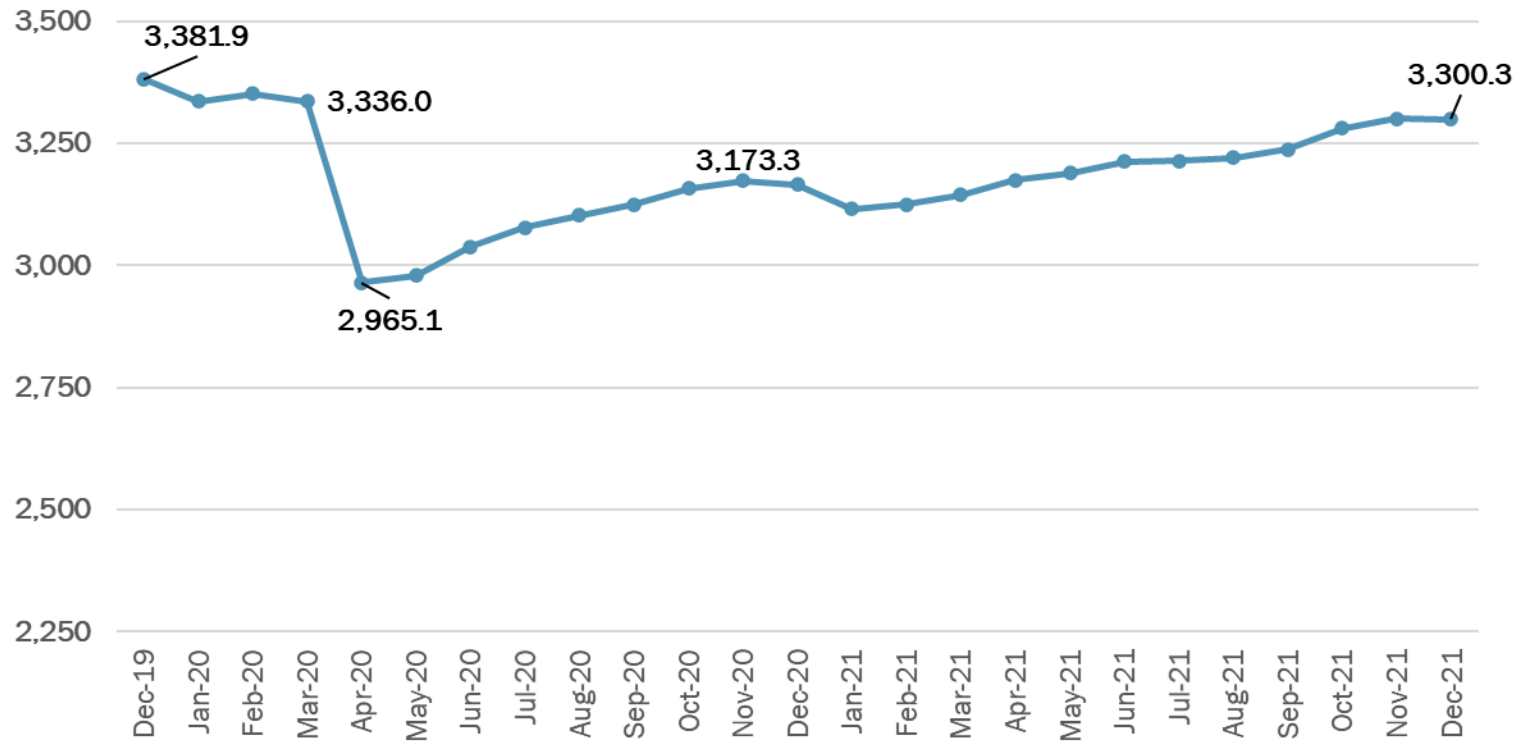


(2)

Non-Farm Jobs (000s) - Washington MSA

December 2019 to December 2021

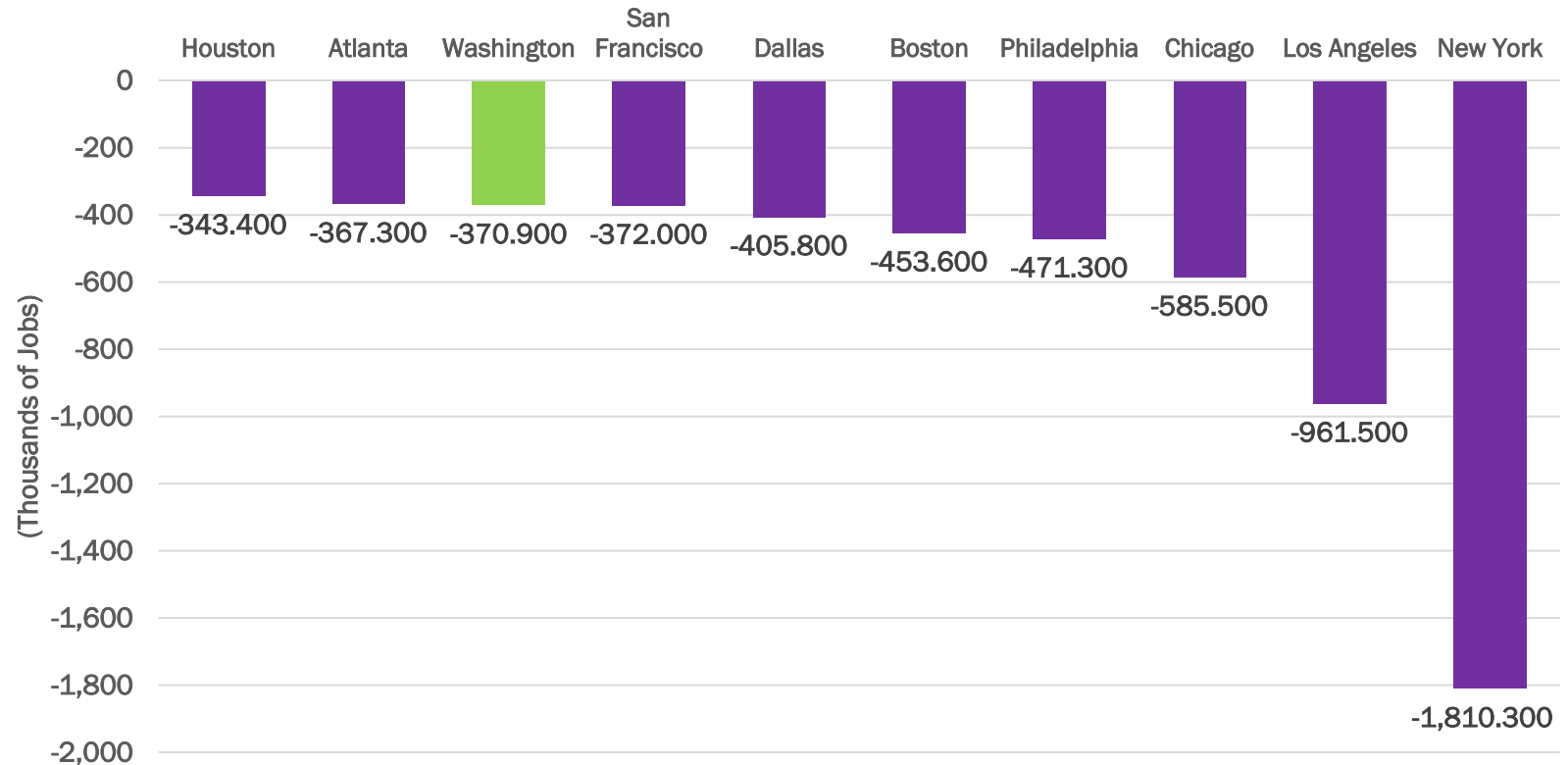
(Bureau of Labor Statistics, Not Seasonally-adjusted, Thousands)



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

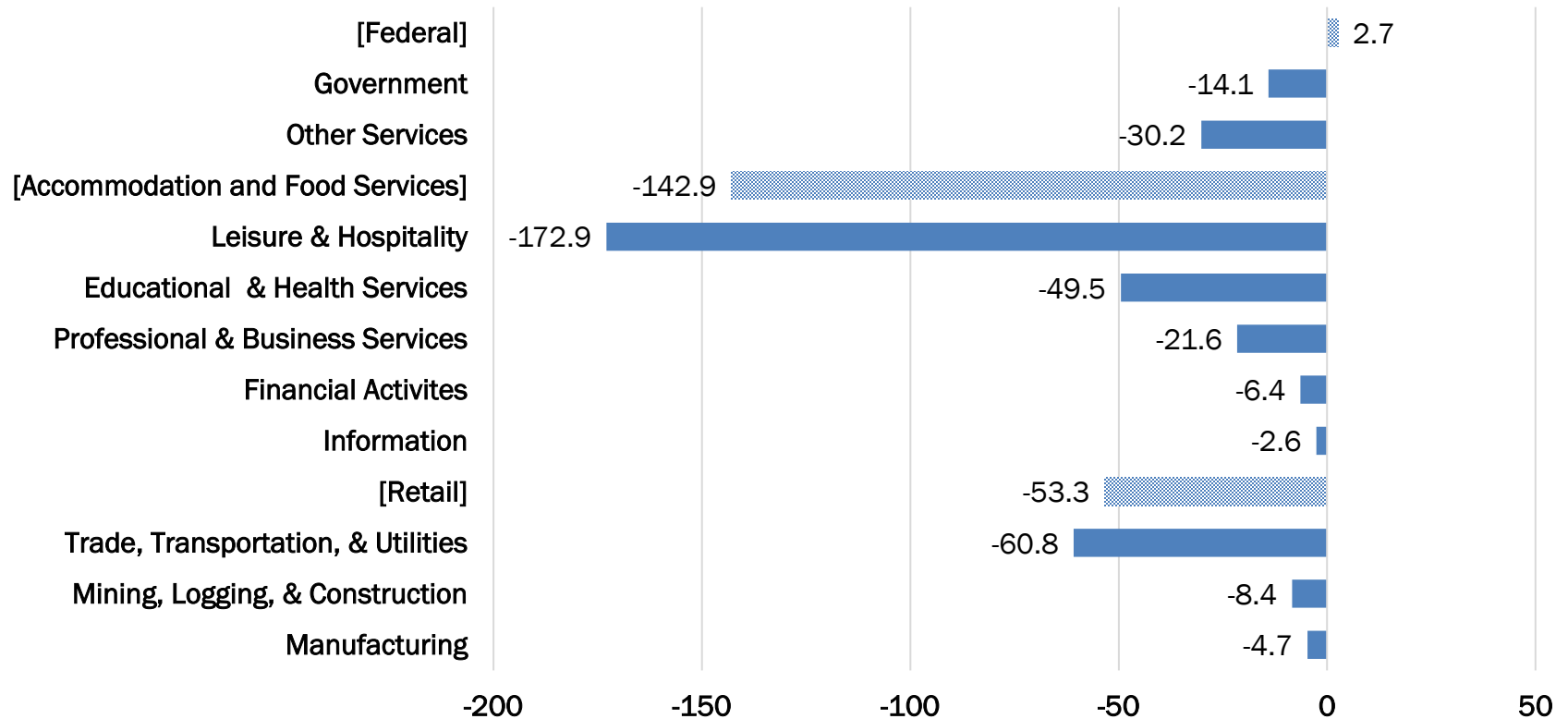
(Bureau of Labor Statistics, Revised Data 3/21)



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

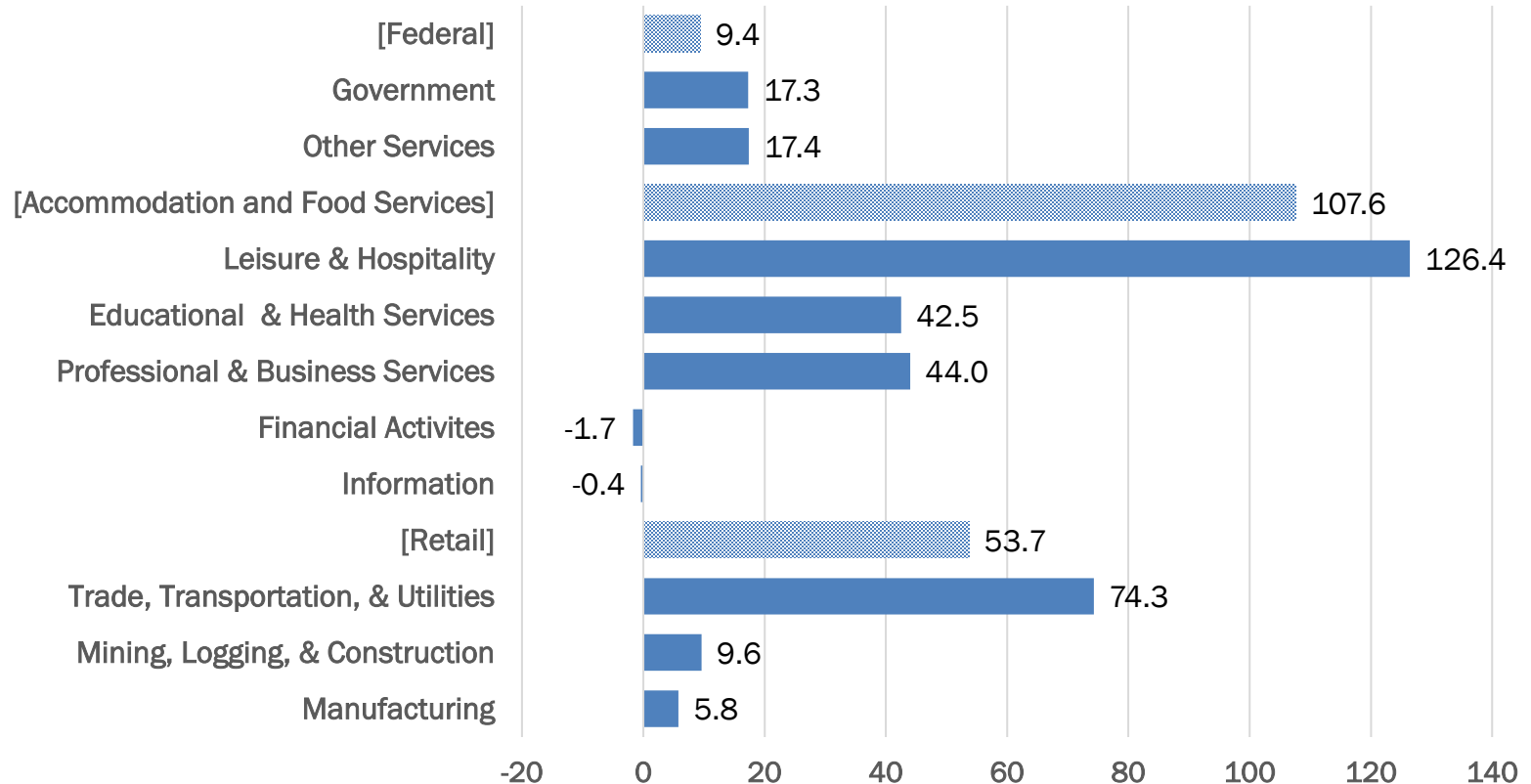
Washington MSA (Thousands)



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

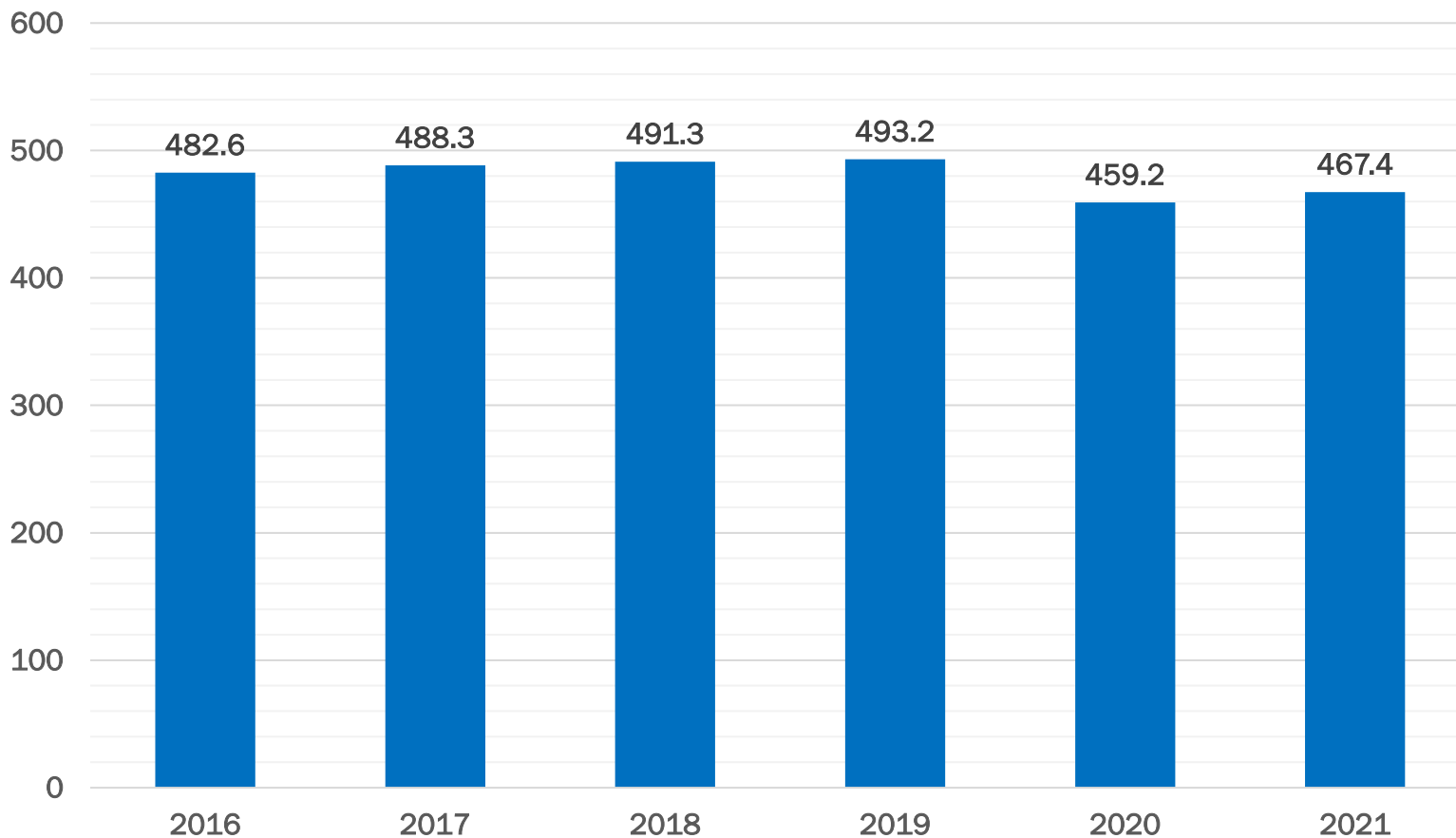
Washington MSA (Thousands)



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

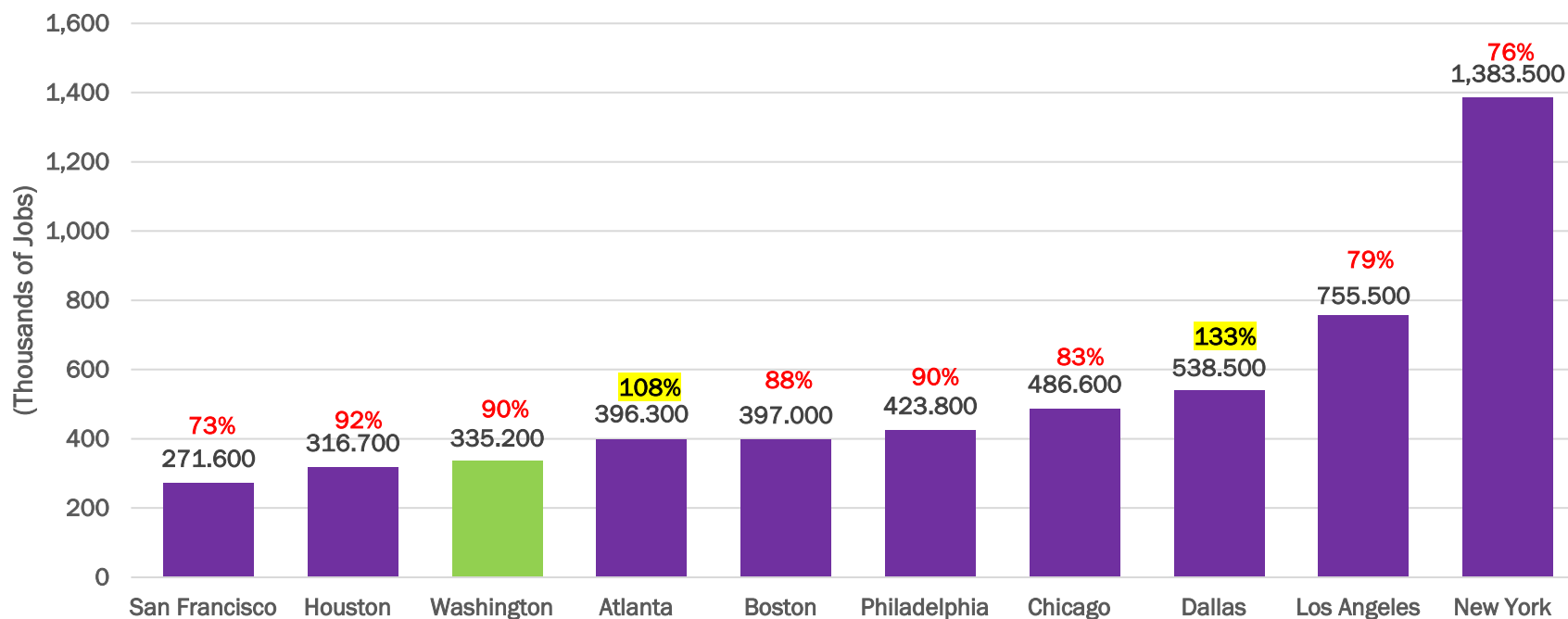
Payroll Employment in Montgomery County

(Thousands of Public & Private Sector Jobs)



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

(Bureau of Labor Statistics)

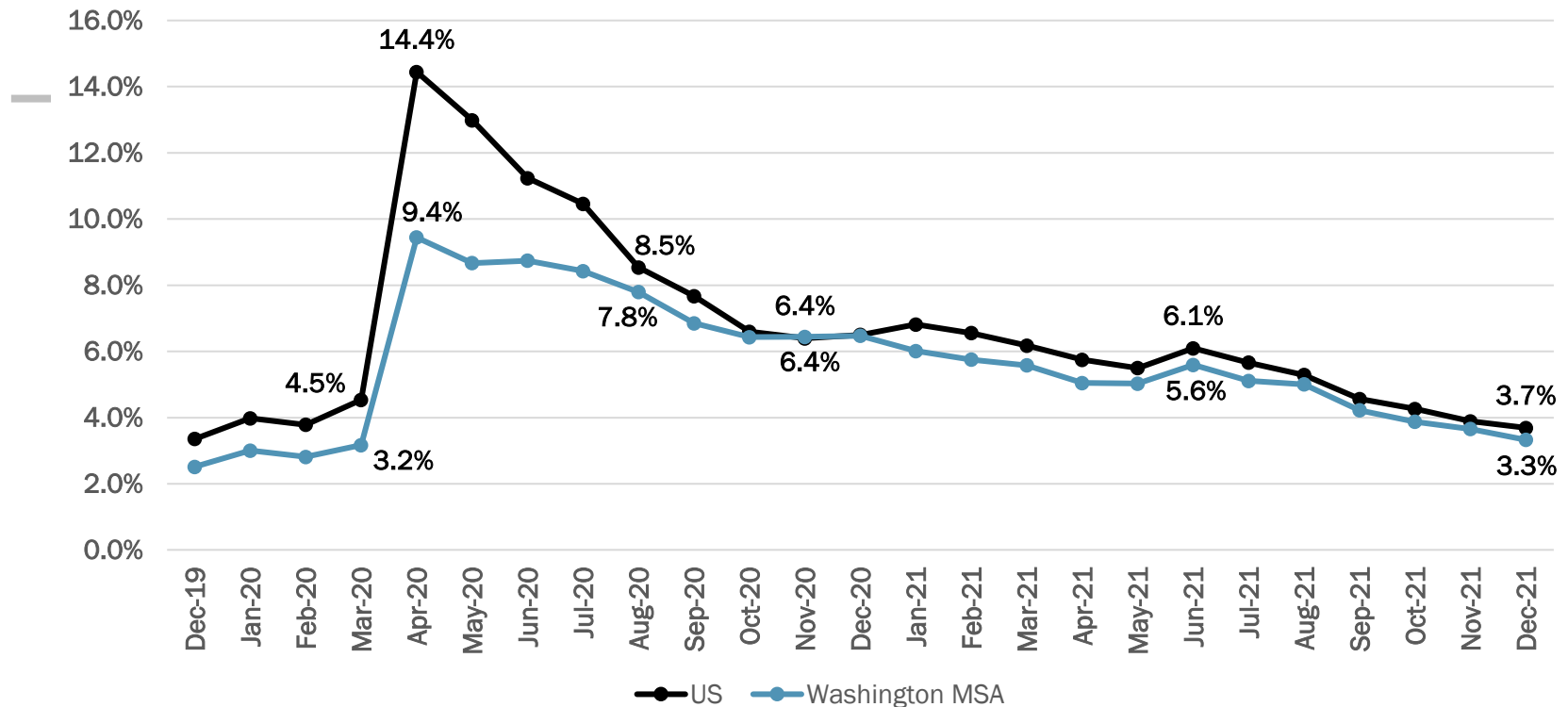


Most of our peer regions have experienced larger job growth since April 2020, but only Atlanta and Dallas have more jobs now than in April 2020



Unemployment Rate Washington MSA and US

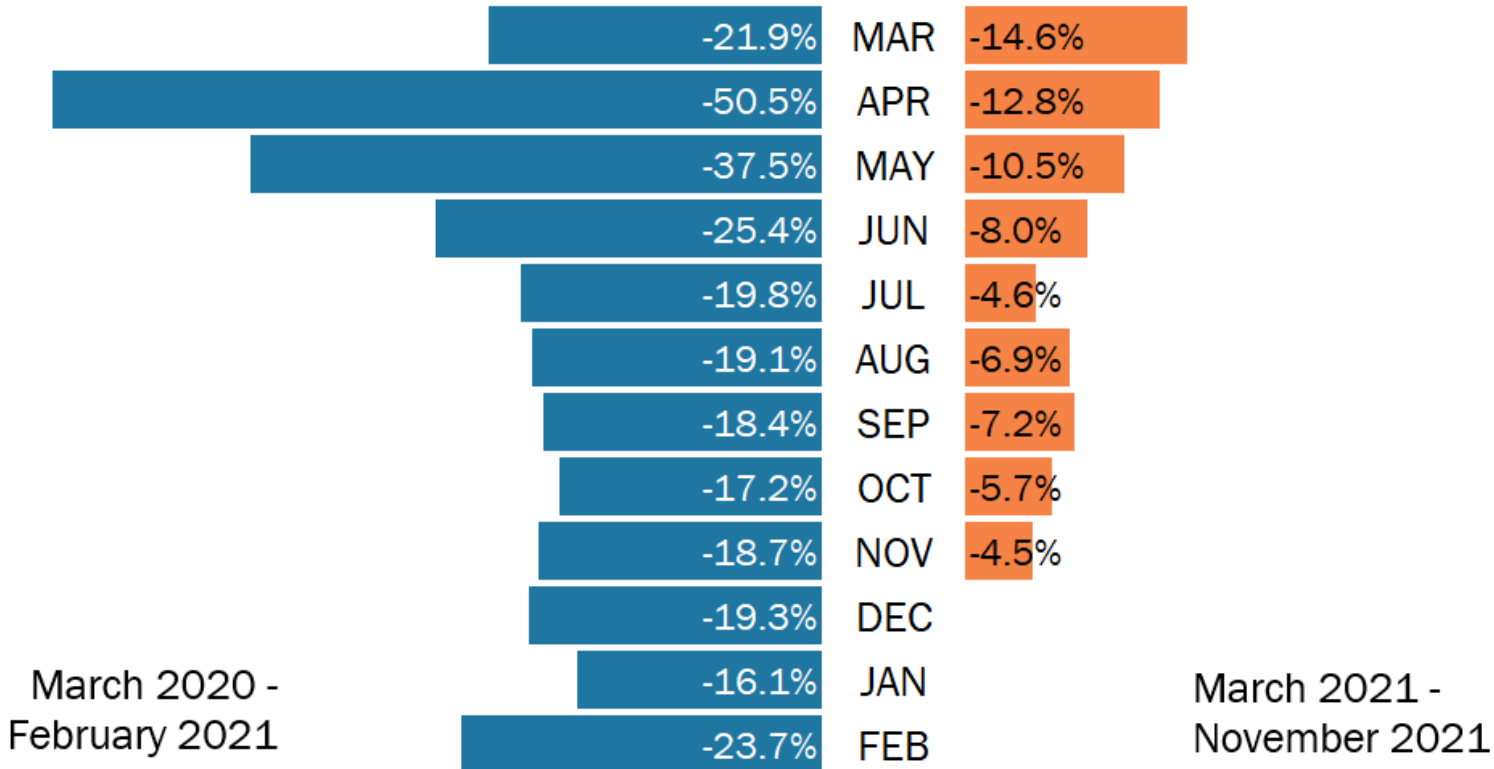
(Bureau of Labor Statistics)



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: COG Region

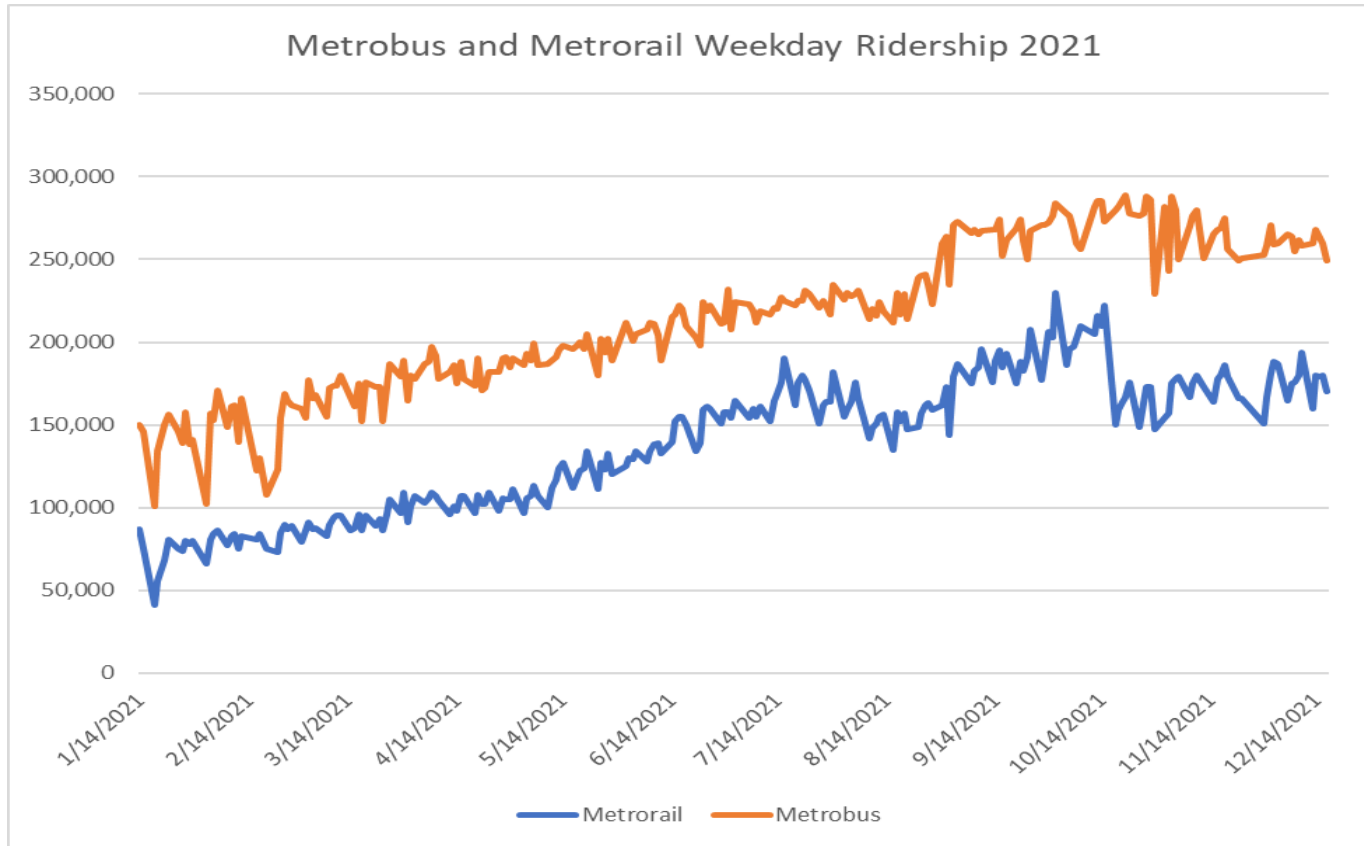
TPB Region - Average Percent Change from Equivalent 2019 Month



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:

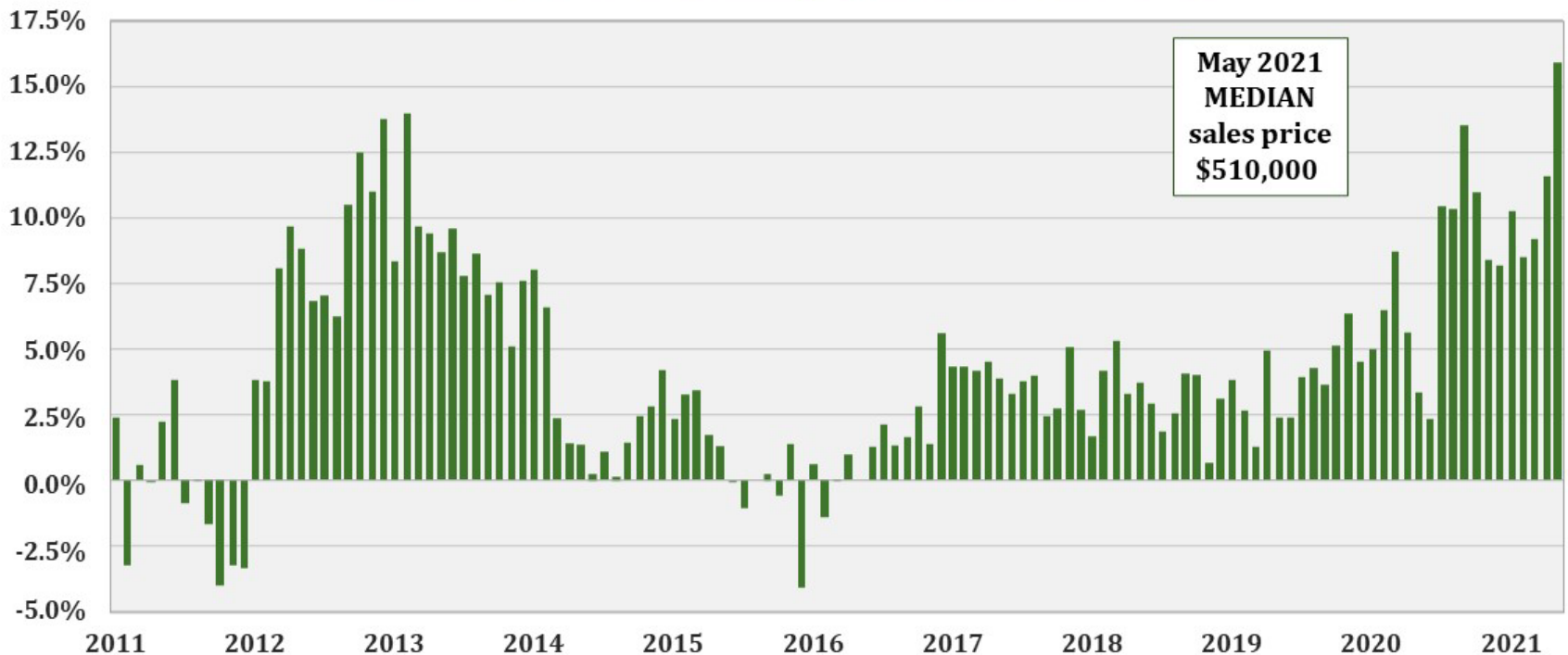
Metrorail ~32%,
Metrobus ~83%
of 2019 levels

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

Home Sales: High Demand and Low Inventories



Median Sales Price Washington MSA Month-Over-Year % Change | Jan 2011 – May 2021

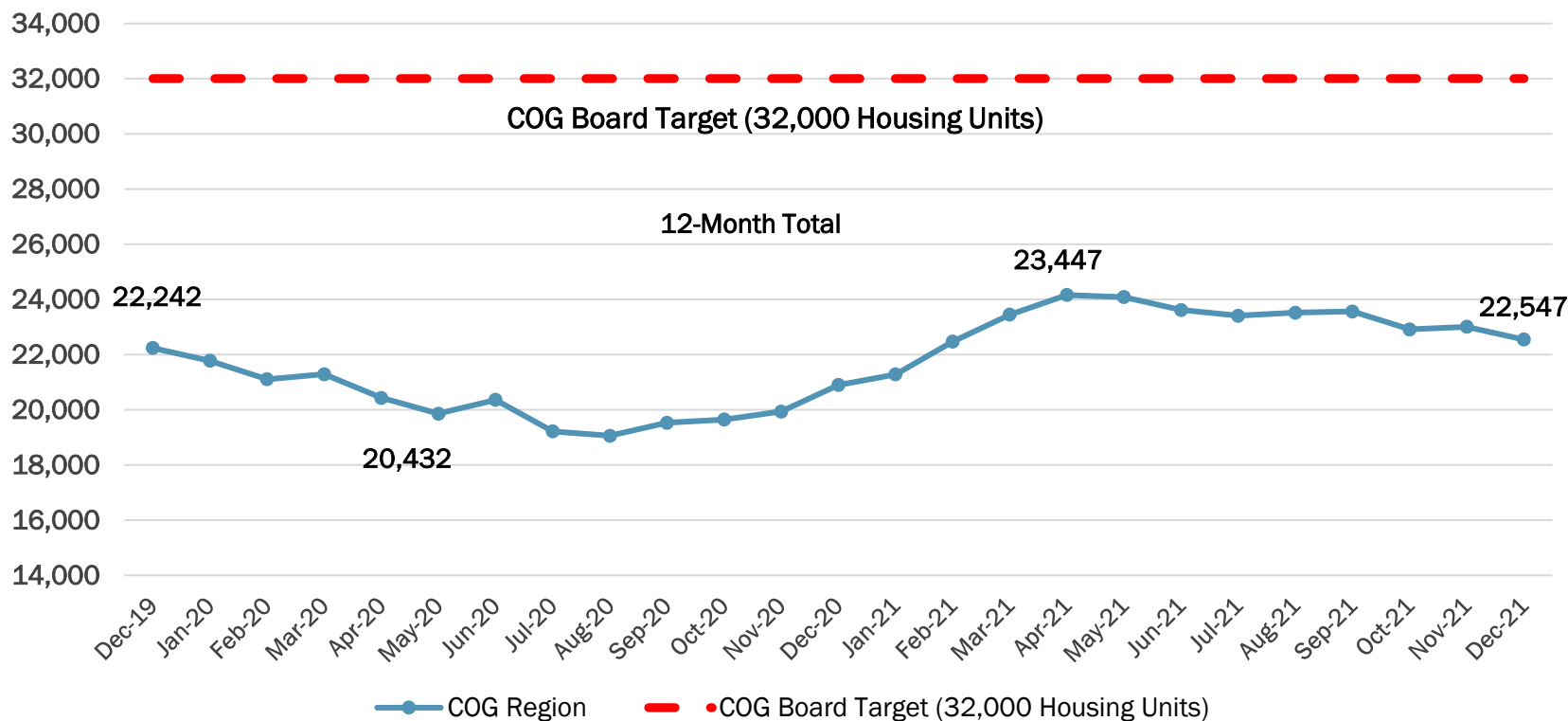


Source: GMU Center for Regional Analysis (CRA); RealEstate Business Intelligence (RBI) SmartCharts (using Bright MLS data)



The Region Needs More Housing

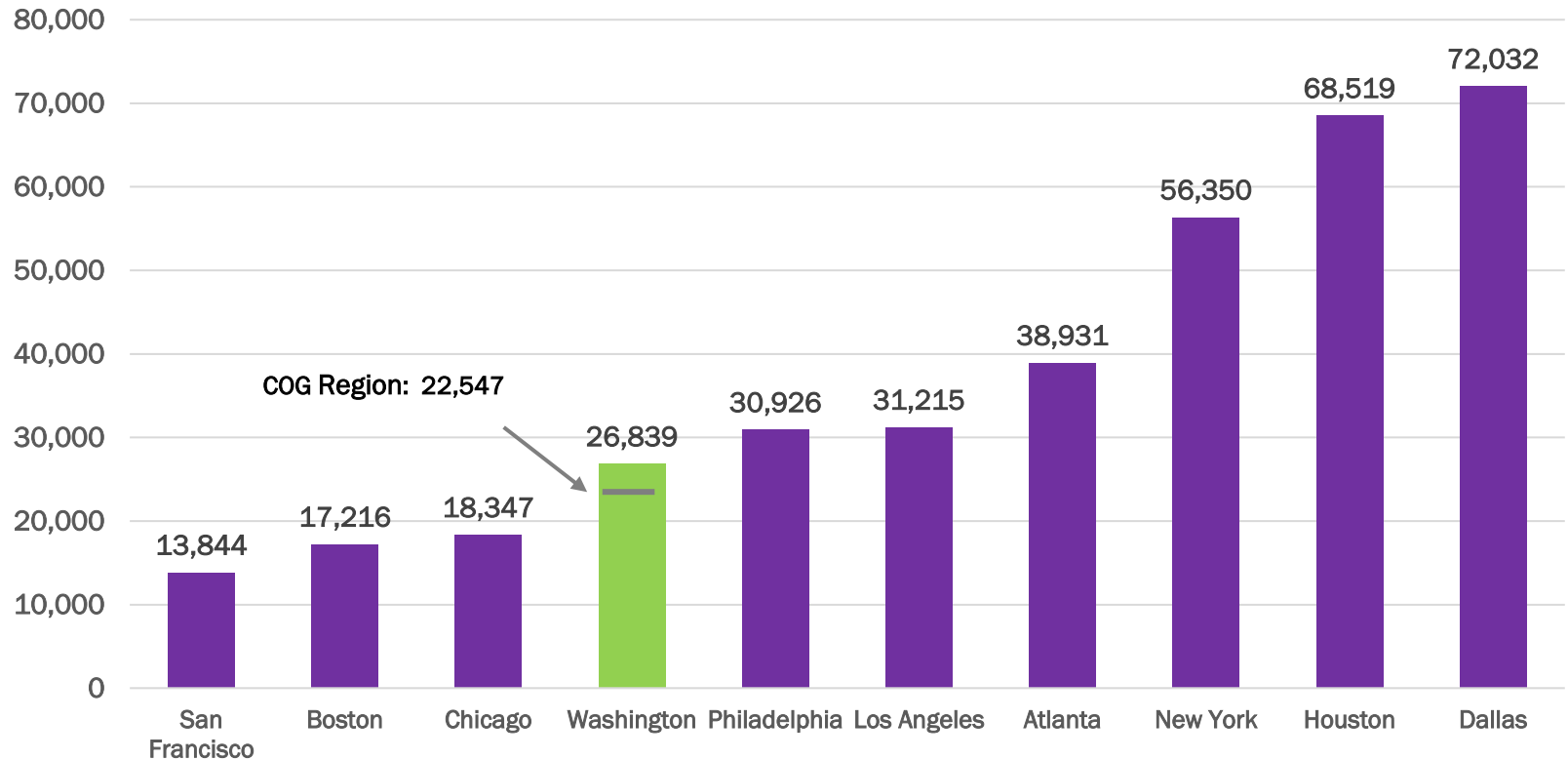
(Source: US Census C-40 data)



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 2021 through the fourth quarter of 2021.

New Housing Units Authorized Issued in 10 Largest MSAs January 2021 to December 2021

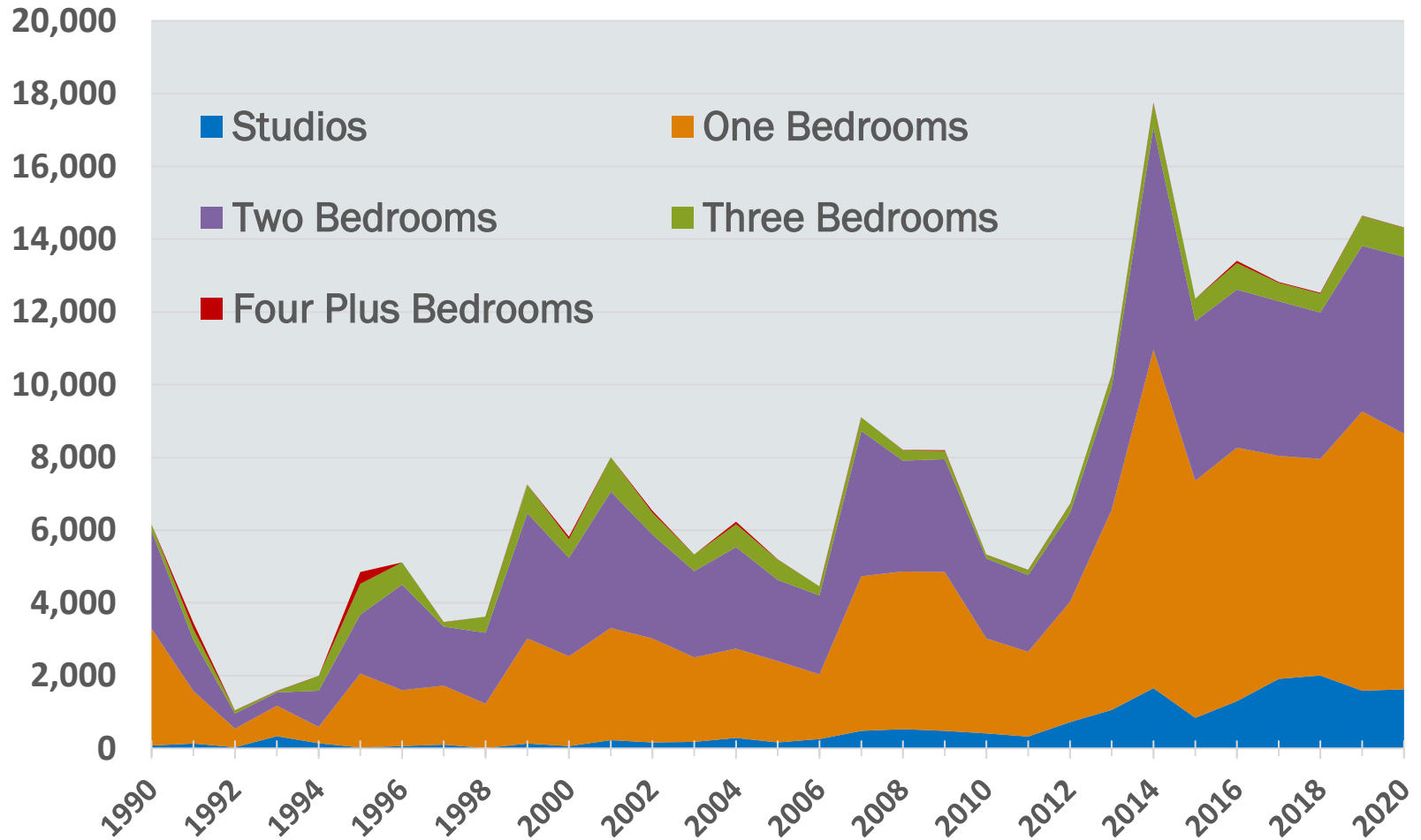
(Source: COG, Census Bureau)



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

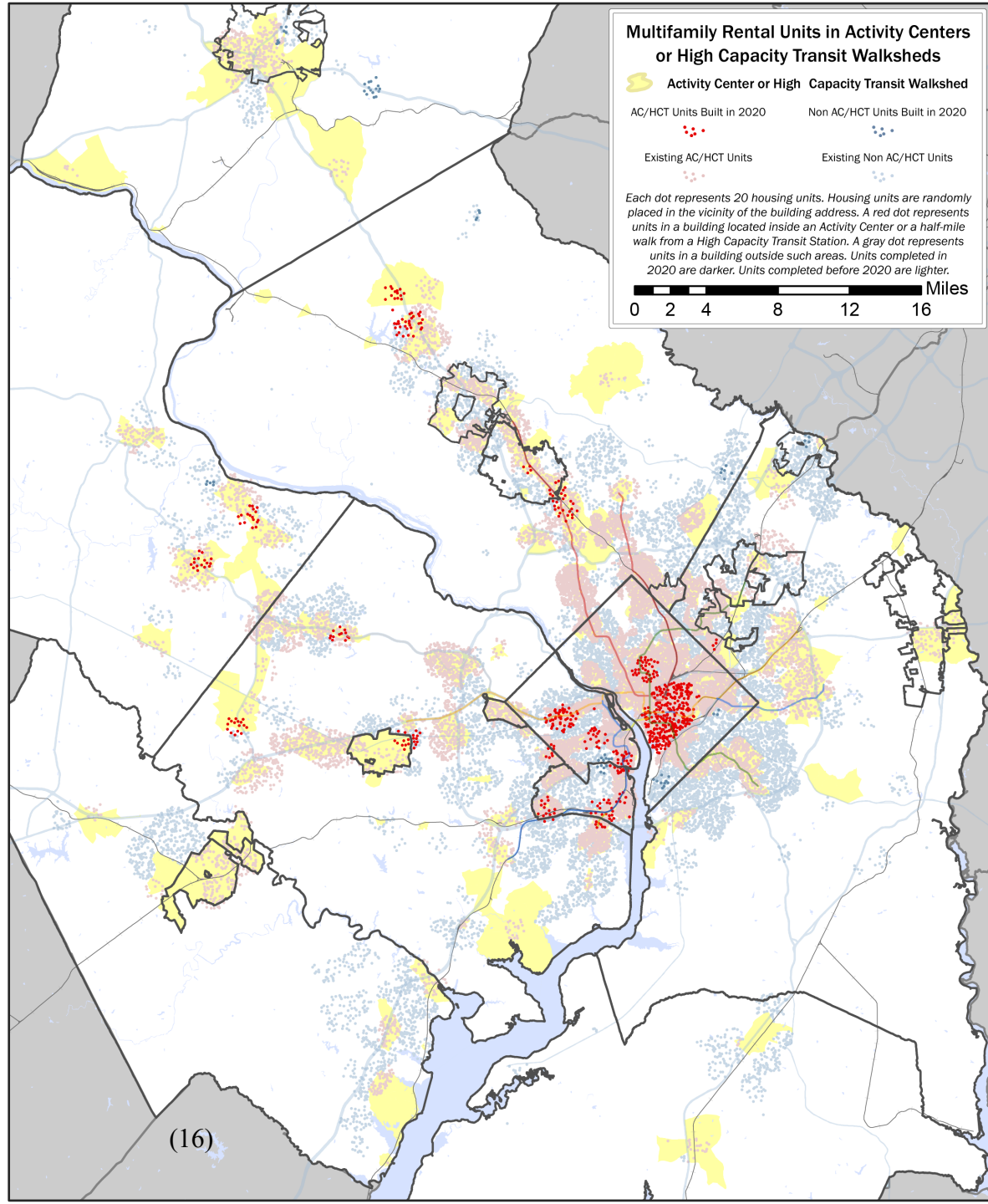


Source: CoStar, [COG multifamily rental construction report](#)

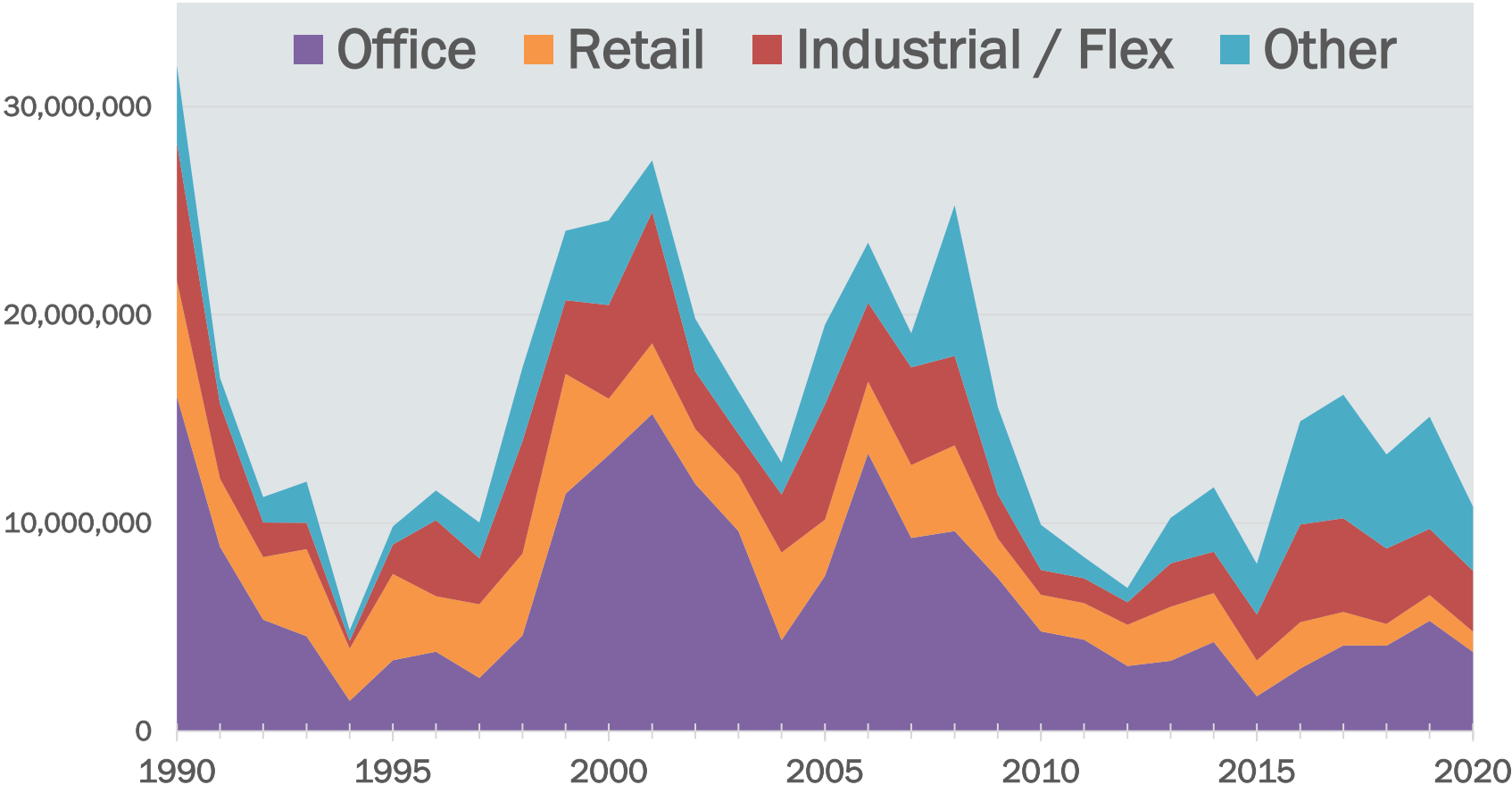


- In 2020, 90% of new multifamily rental units were within an Activity Center or within a half-mile walk of a High-Capacity Transit Station.
- This exceeds the target set by the COG Board.
- For existing units built before 2020, 60% are within an Activity Center or High-Capacity Transit Station Area.

Source: CoStar, [COG multifamily rental construction report](#)



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

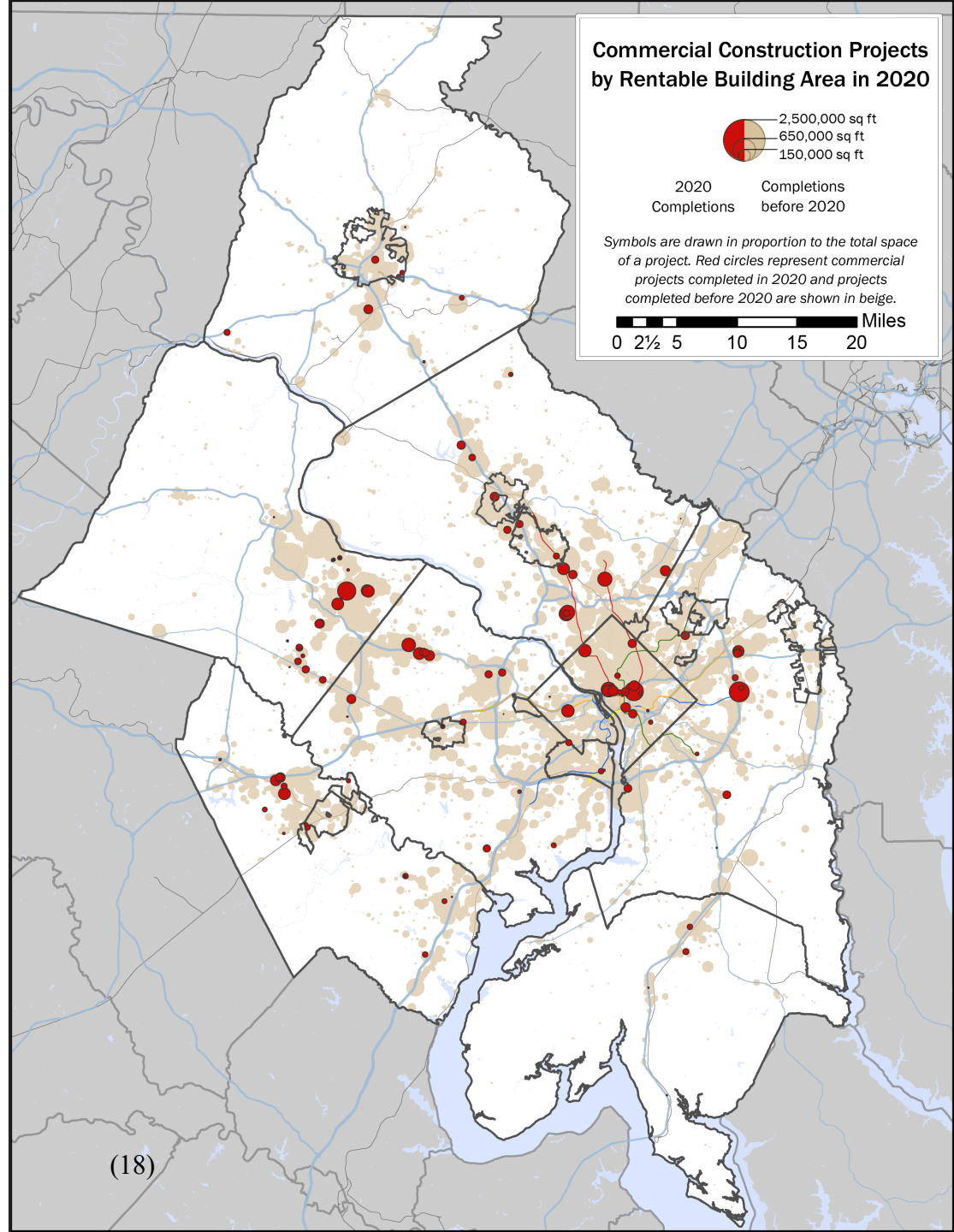


Source: CoStar, [COG commercial construction indicators report](#)



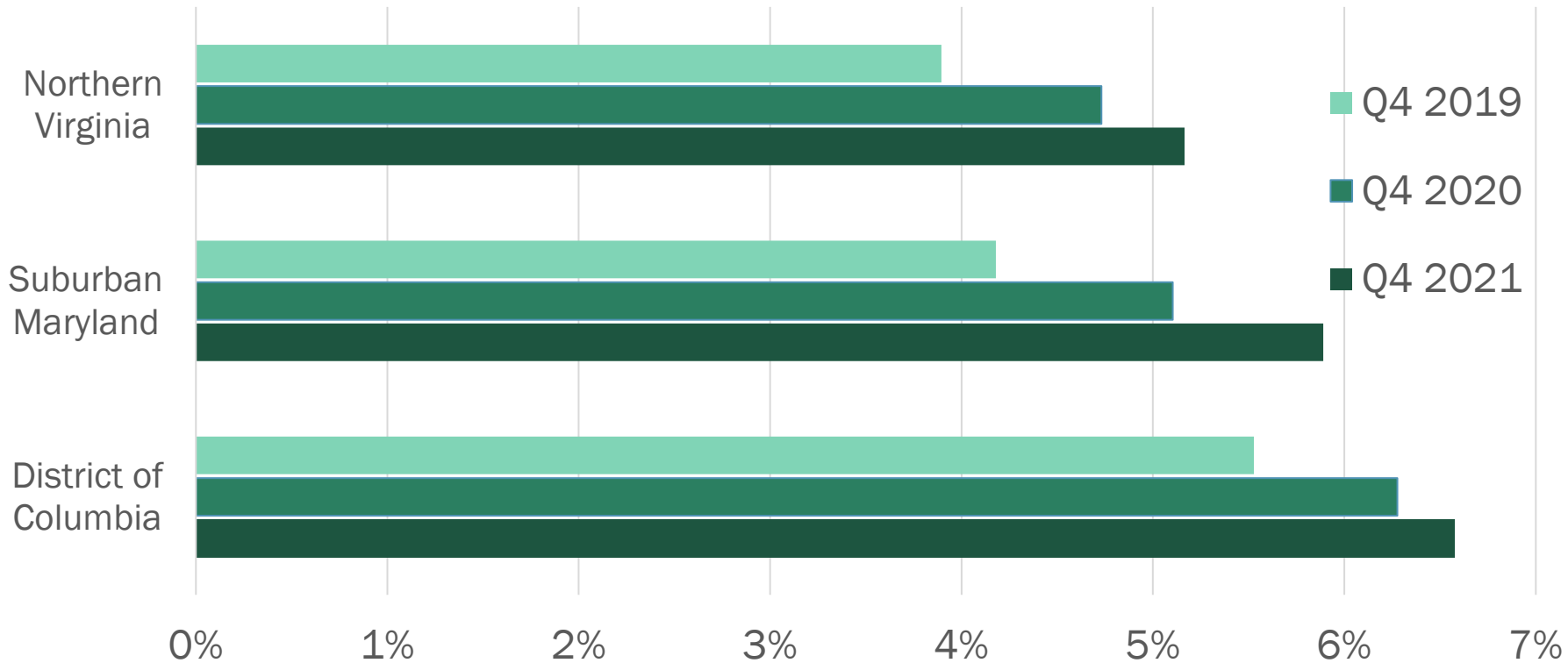
- All major COG counties added commercial space in 2020.
- Office construction was the largest source of new space and was mostly built near Metrorail stations.
- Loudoun County had significant construction in industrial/flex space, mostly from data centers.

Source: CoStar, [COG commercial construction indicators report](#)



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

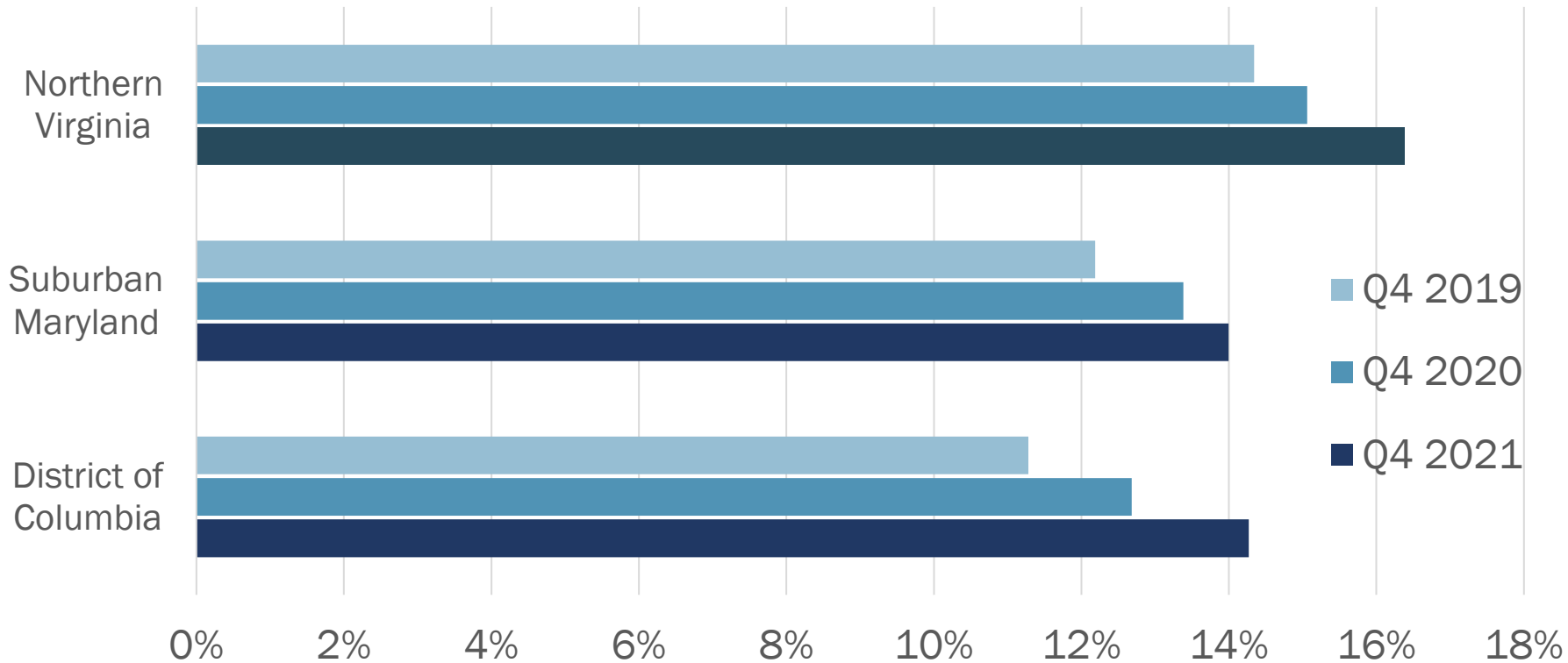
(Source: CoStar, COG)



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

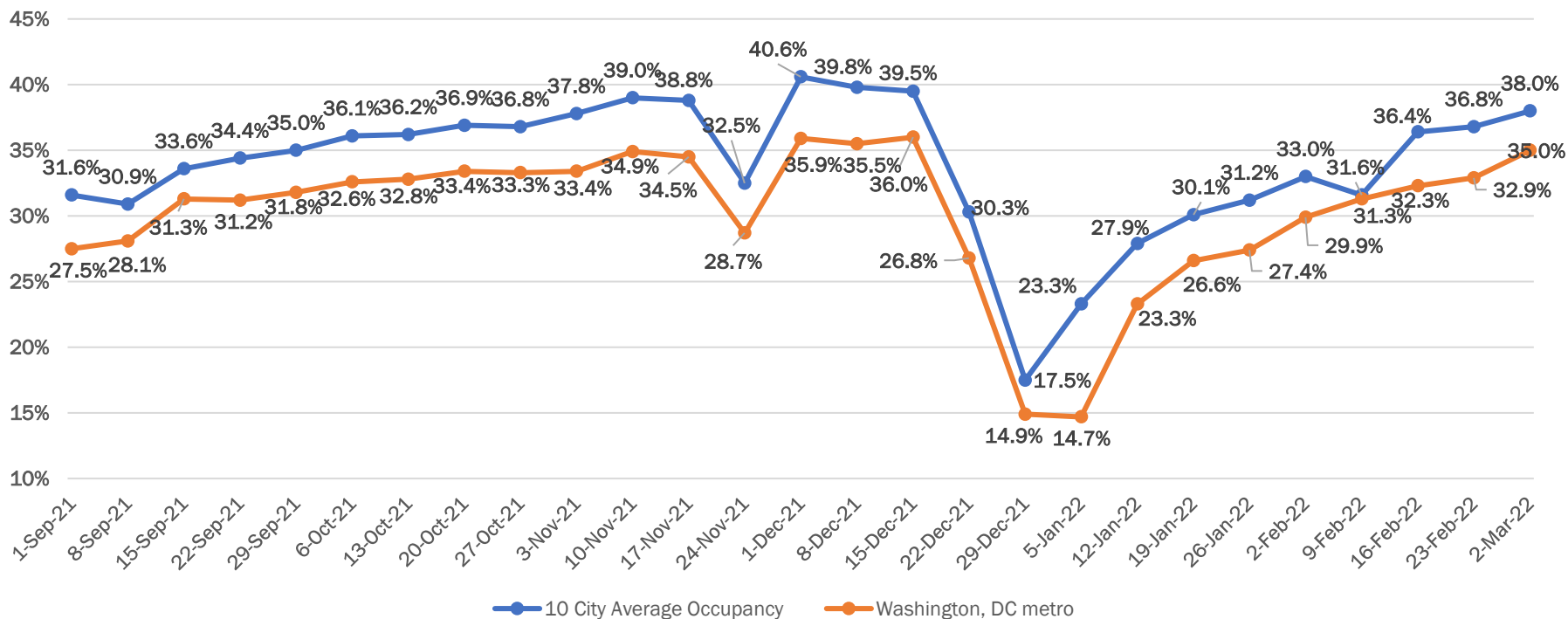
Change in Office Vacancy Rates Q4 2019 vs Q4 2020 vs Q4 2021

(Source: CoStar, COG)



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

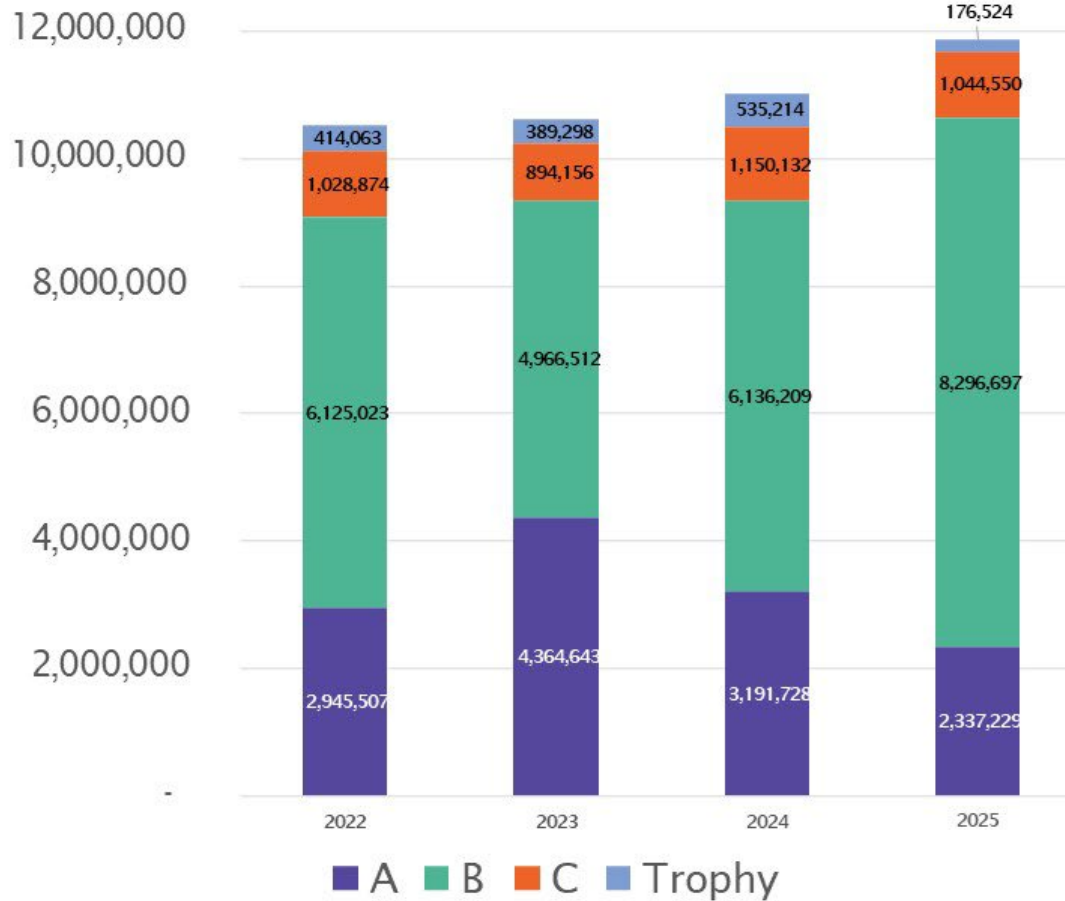


Source: COG tabulation of [Kastle Systems "Back to Work Barometer"](#)

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

Office Lease Expiration by Class

Washington Region



2022-2025
Lease Expirations

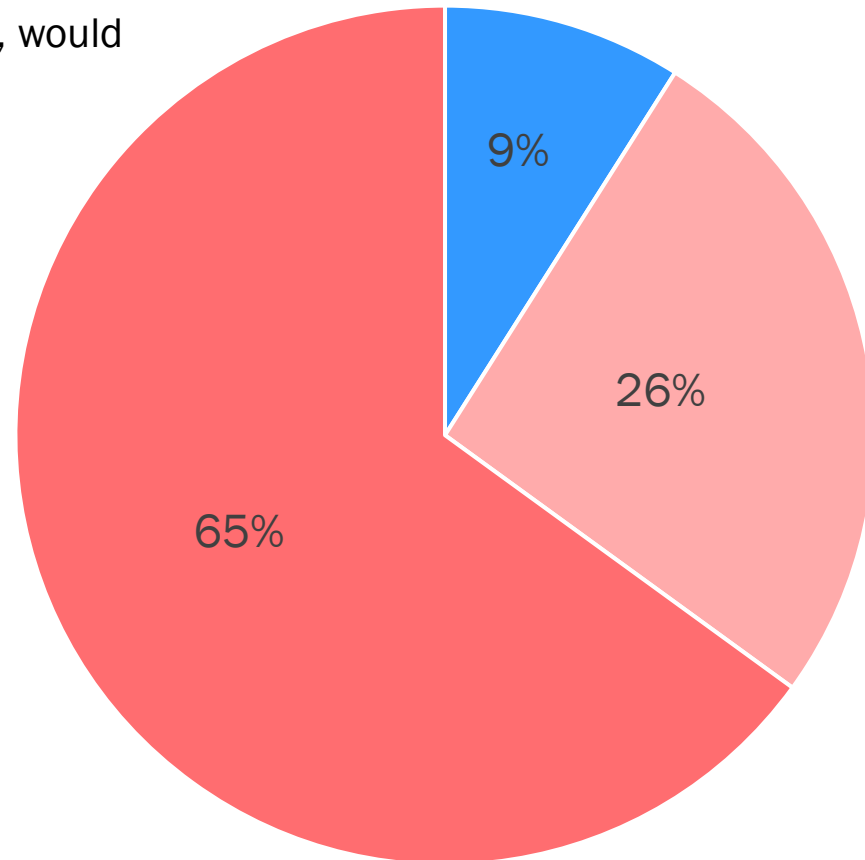
Class	FT²
Trophy	1,515,099
A	12,839,107
B	25,524,441
C	4,117,712



Preferences of Current Teleworkers

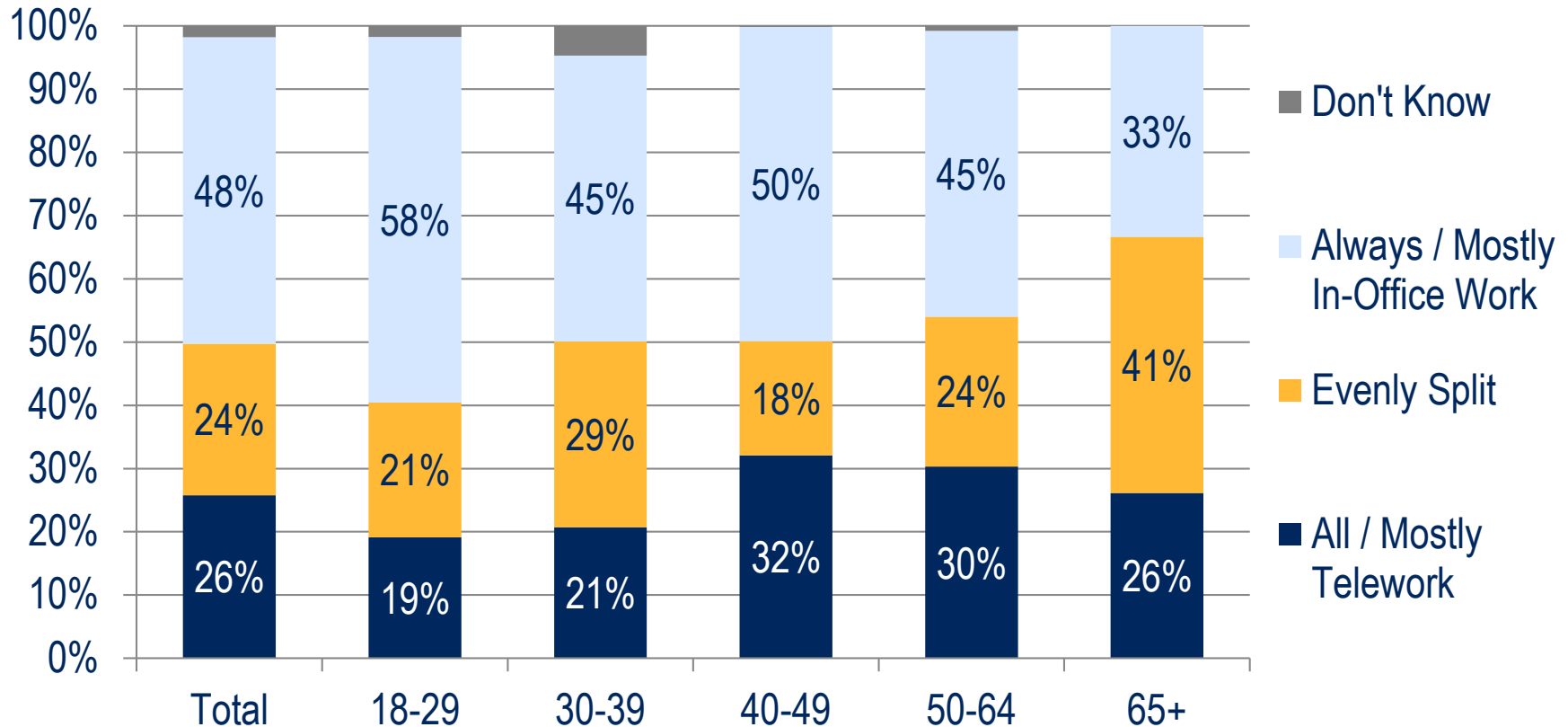
If given the choice to return to a work location once the COVID-19 pandemic is over, would you prefer to...?

- 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.

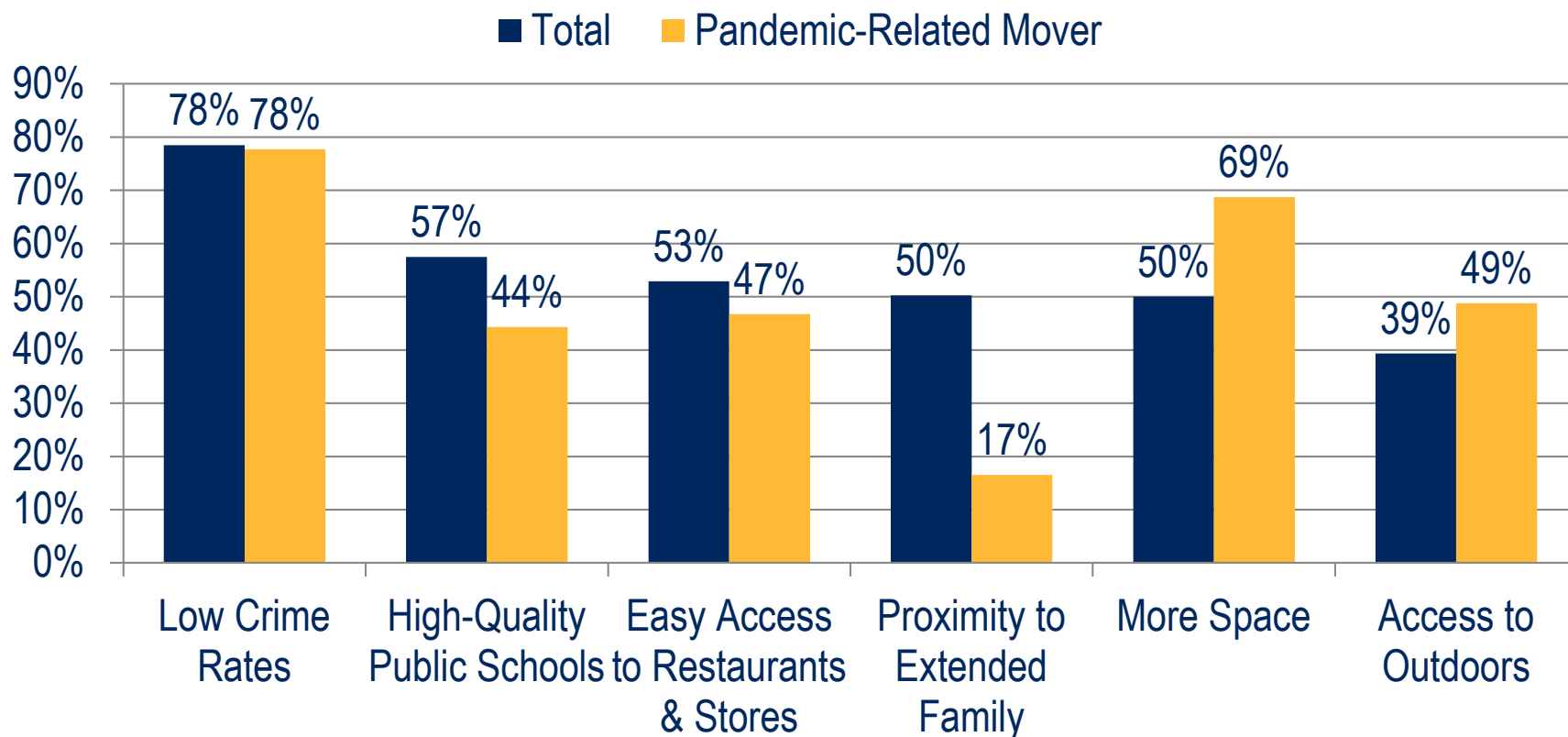
Post-Pandemic Telework Preference by Age Workers in the Washington Region (July '21)



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



Major Trends to Watch in 2022

(Terry Clower, GMU/CRA)

- 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)*
- Business adaptation to new market conditions



[COG Metropolitan Washington Planning Framework](#)



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