

prince george's **Pulse**
ANNUAL REPORT • 2015



The Maryland-National Capital Park and Planning Commission
Prince George's County Planning Department
pgplanning.org

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Highlights

Welcome to the first annual report of Prince George's Pulse. In keeping with the quarterly editions, this annual edition will present information on employment and wages, business establishments, residential real estate, foreclosure events, commercial real estate, and County revenues. Unlike the quarterly reports, this annual report presents five-year data and narratives, utilizing the most current annual data available.

Employment, Wages, and Business Establishments

- Average annual employment in the County increased by almost 4,000 jobs during the period 2010 to 2014. Nearly all the gains in employment were in the private sector. The private sector lost only eight jobs between 2013 and 2014, indicating stability.
- The unemployment rate declined from 8.0 percent in December 2011 to only 4.5 percent in December 2015. Comparing January 2015 with January 2016, the rate declined from 5.6 percent to 4.9 percent.
- The largest increase in average weekly wage per worker (\$98) occurred for government sector workers.

Housing Market

- The average number of days that single family homes stayed on the market declined by more than 50 percent, from 102 days in 2011 to 49 days in 2015.
- Single family homes constituted more than 66 percent of homes sold.
- The average asking rental rate for multifamily housing increased steadily from \$1,197 in 2011 to \$1,308 in 2015.
- The vacancy rate for multifamily housing declined steadily from 5.1 percent in 2011 to 3.1 percent in 2015.
- The number of foreclosure events began to increase with expiration of the 2010 state-imposed moratorium on foreclosure proceedings. From 2012, the number of events increased from 5,090 to 10,164 in 2014.

Commercial Real Estate

- The rate of vacancies for Class A and Class B office spaces remained high during the period, averaging more than 20 percent for both classes.
- During the period, a significant amount (approximately 1.5 million square feet) of retail space was delivered.
- There was also marked improvement in the retail rental rate; it averaged \$17.76 per square foot in 2011 and \$19.36 in 2015.

Revenues

- Revenues for the County increased each fiscal year during the period, with the exception of FY 2013 and FY 2014. The declines during FY 2013 and FY 2014 resulted from reductions in major revenue sources, including personal property taxes, other local taxes, and grant program funds.

Near-Term Economic Development Forecast

Prince George's County is prosperous, with a median household income that is 36 percent above the nationwide average. However, when benchmarked against neighboring jurisdictions, the County lags in commercial tax base, jobs, educational attainment, income and wealth, and has higher commercial office vacancy and poverty rates.

The commercial real estate and housing markets have improved significantly since early 2011; however, growth remains small and sporadic. Consequently, County tax revenue growth remains weak.

Although the unemployment rate in the County has declined, a large number (24,000) of residents still remain unemployed, or lack the training for today's higher-wage, higher-skilled jobs. The softness will likely continue until the backlog of bankruptcies and foreclosures has ended. The lack of Class A Energy Star, LEED certified sustainable buildings has hindered efforts to attract certain types of businesses, especially Federal tenants.

On the positive side, the County's overall unemployment rate has fallen dramatically since the beginning of the current Administration—down from nearly 8.0 percent in December 2011 to only 4.9 percent in December 2015 (the rate was only 4.5 percent in December 2015, and the January increase is mostly seasonal). In addition, fewer people are unemployed, more are getting job training and placements, and more businesses



PRINCE GEORGE'S COUNTY
**ECONOMIC
DEVELOPMENT
CORPORATION**

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are moving into the County. Through its Ops535¹ initiative, the Prince George's County Economic Development Corporation (EDC) has aggressively pursued new businesses to come into the County, with tremendous success. Some of these successes include the influx of wholesalers and distributors, HUB-zone² companies and government information technologies contractors—all from outside the County. During the past three years, EDC has been instrumental in the attraction and expansion of businesses that have created over 5,000 net new jobs, adding over \$150 million to the County's annual payroll. This is due to: (1) EDC's focused retention and acquisition strategies; (2) a stronger "value proposition"³; (3) aggressive marketing and promotion efforts; (4) social media and print media campaigns; and (5) the leveraging of the EDI Fund with State dollars and private sector/bank funds.

EDC is also beginning to see a renewed interest from foreign investors, international companies, and international business delegations.

¹Ops535 is a targeted business acquisition strategy created by the Economic Development Corporation (EDC). EDC has identified 535 companies outside the State of Maryland whose leases are expiring within 24-48 months. The goal is to meet with the companies, share the County's value proposition, demonstrate the economic benefits of relocating to Prince George's County, and assist them as and when they are ready to move into the County. This will bring new businesses to the County and expand our employment and tax base.

²The Federal Small Business Administration (SBA) uses the Historically Underutilized Business Zones (HUBZone) program to help small businesses in urban and rural communities gain preferential access to federal procurement opportunities.

³The Prince George's County Economic Development Corporation's value proposition highlights the wide-ranging strengths and economic potential of the County. Targeted to businesses and investors, both local and international, the value proposition offers persuasive facts to guide their decisions to locate and invest in the County.

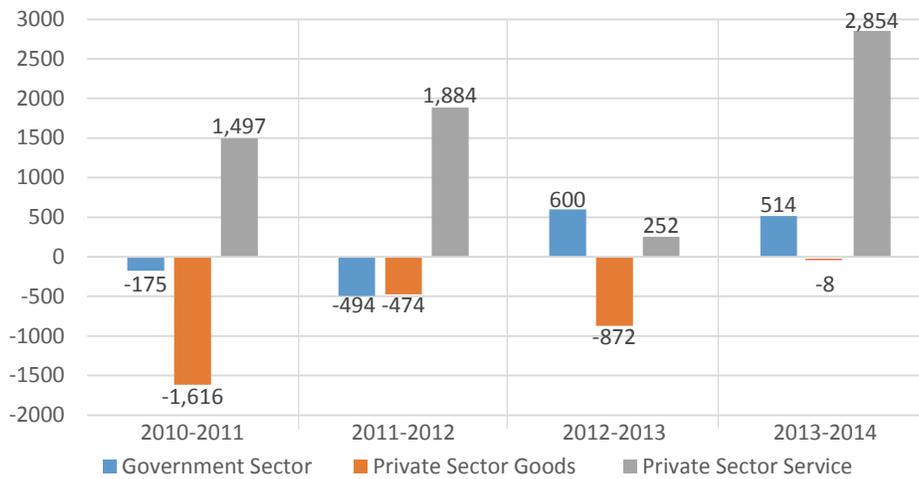
Five Year Trend Analysis

Employment and Wages by Sectors

Annual Employment

Average annual employment increased by almost 4,000 jobs from 2010 to 2014. Nearly all the employment gains were in the private sector. There were modest increases in average wages as well.

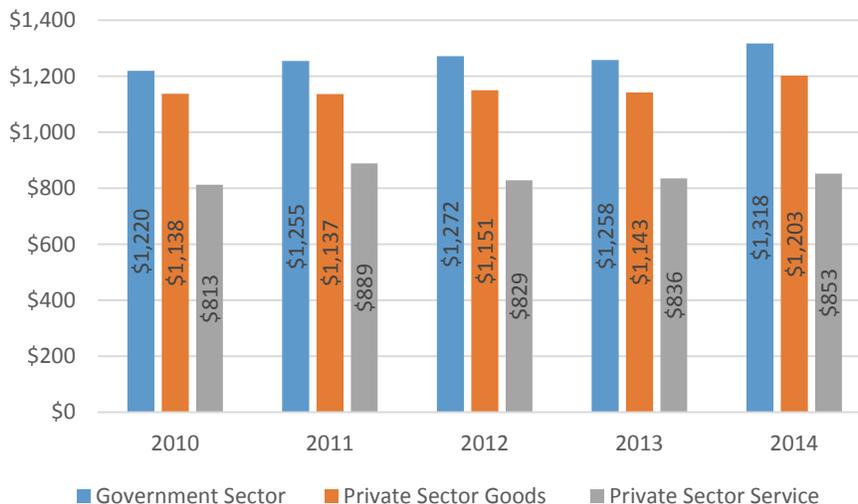
During 2010 to 2014, the majority of workers were employed in private sector service industries, and a modest number of them were employed in the public sector. Also during the period, the public sector added 445 jobs. In addition, there were 6,487 job gains in the private service sector and a loss of 2,970 in private sector goods-producing jobs. Still, over all, the private sector lost only eight jobs between 2013 and 2014 indicating stability.



Source: U.S. Bureau of Labor Statistics.

Average Weekly Wage

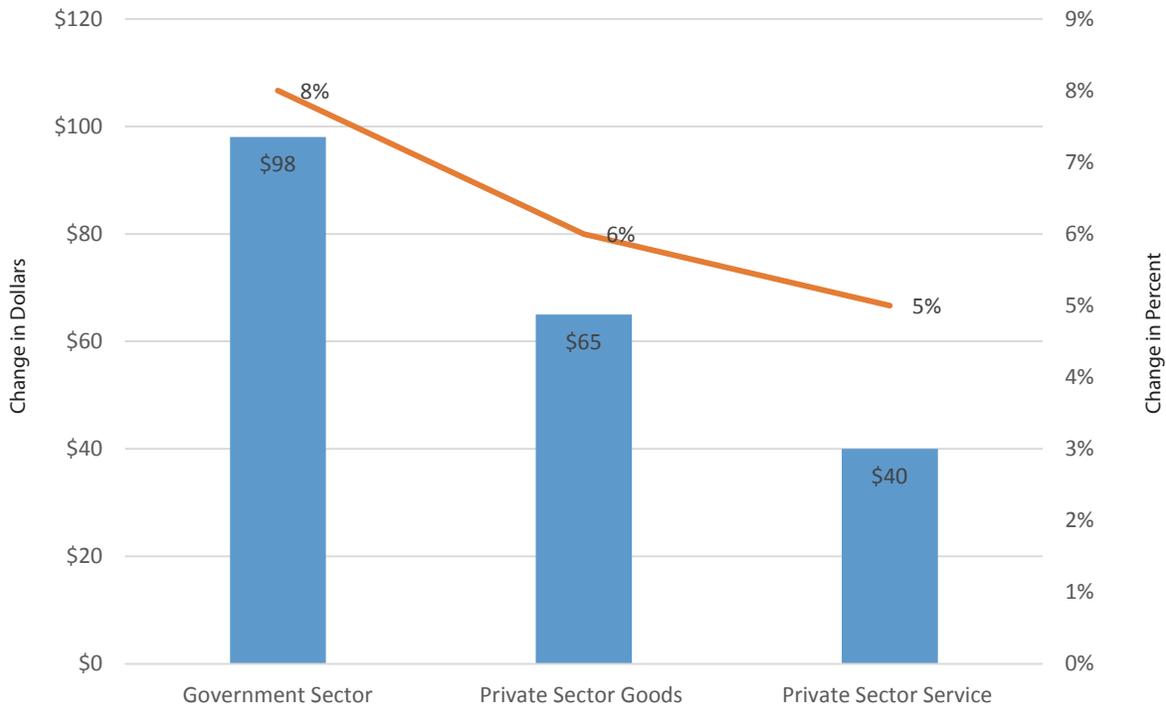
Overall, the average weekly wage per worker in the County increased from 2010 to 2014. The largest increase of \$98 occurred for workers in the government sector, representing an eight percent increase.



Source: U.S. Bureau of Labor Statistics.

Change in Average Weekly Wages

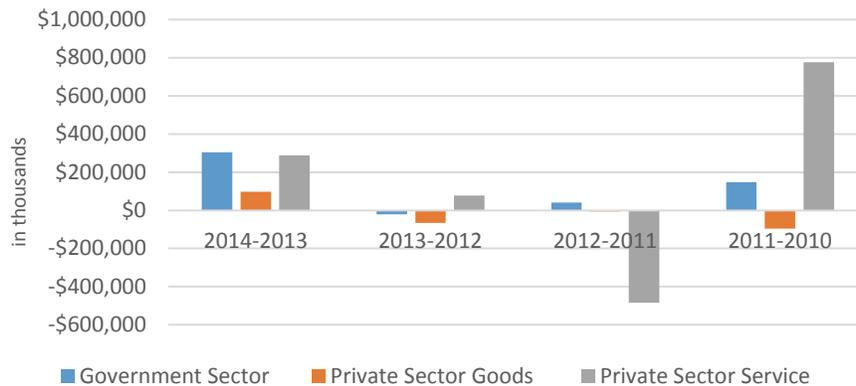
From 2010 to 2014, there were modest increases in average private sector weekly wages for employees, \$65 (six percent) for goods producing workers, and \$40 (five percent) for service producing workers.



Source: State of Maryland, Department of Labor, Licensing and Regulation.

Total Wages

The changes in total wages from year to year between 2010 and 2014 differed from sector to sector. During this period, the largest increase in total wages (\$30.4 million) occurred in the public sector, representing 3.7 percent; followed by \$28.7 million in private sector service, representing 5.1 percent; and \$9.8 million in private sector goods, representing 1.2 percent.

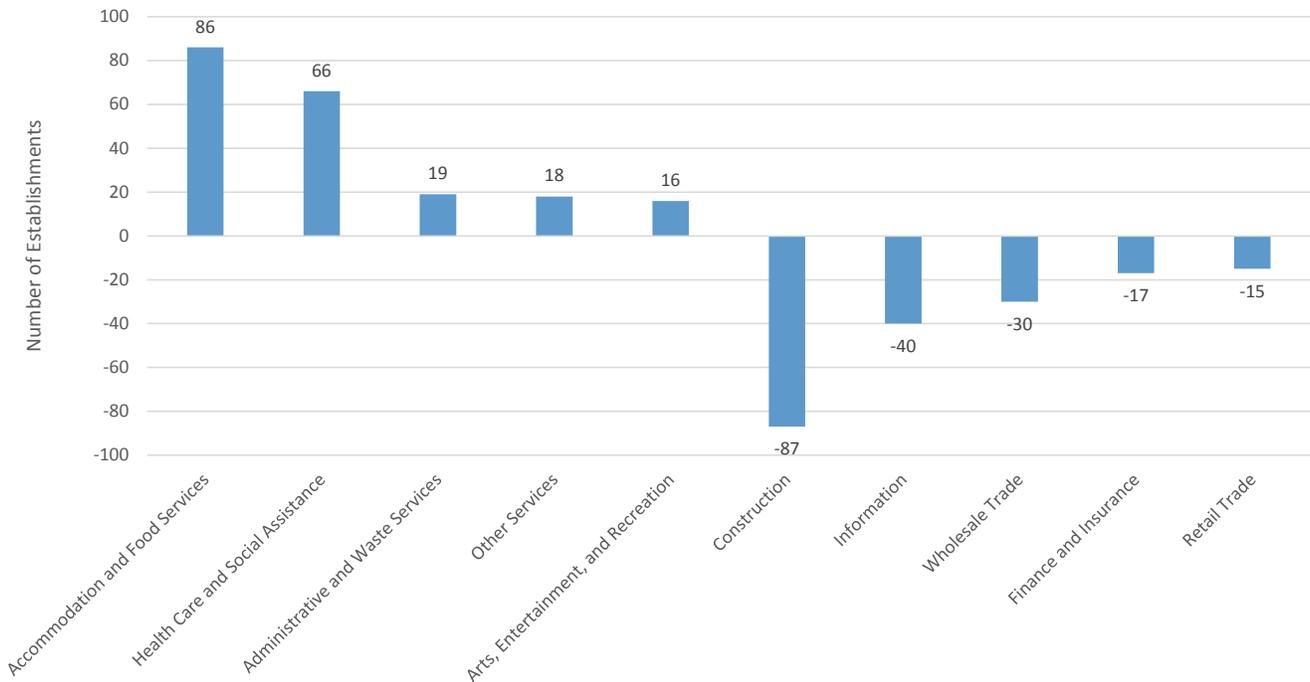


Source: State of Maryland, Department of Labor, Licensing and Regulation.

New Business Establishments by Industry

Top Ten Changes in Business Establishments by Industry

Between 2011 and 2014, the highest gains in new business establishments (86) occurred in the Accommodations and Food Services sector. The Health Care and Social Assistance sector also saw significant growth with 66 new establishments. Three other sectors recorded modest gains in establishments—Administrative and Waste Services (19); Other Services (18); and Arts, Entertainment, and Recreation (16). The most losses of establishments occurred in Construction (-87), Information (-40), Wholesale Trade (-30), Finance and Insurance (-17), and Educational Services (-15).

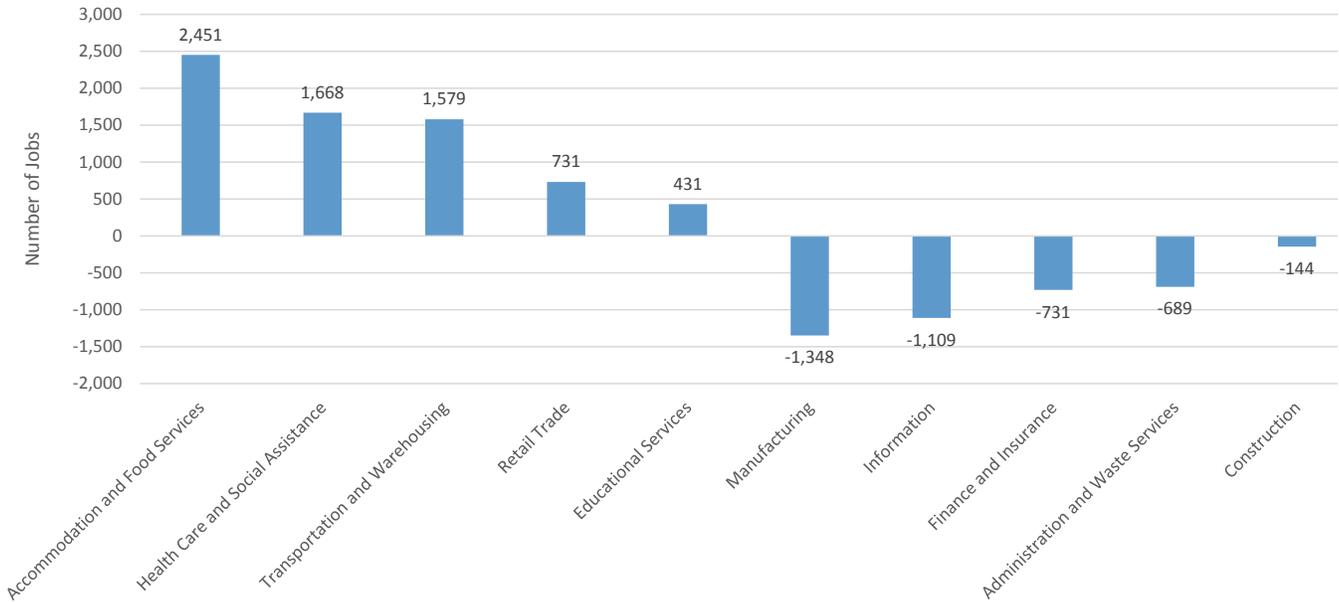


Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Top Ten Changes in Employment by Industry

Between 2011 and 2014, the highest increase in employment occurred in Accommodation and Food Services (2,451), Health Care and Social Assistance (1,668), Transportation and Warehousing (1,579), Retail Trade (731), and Educational Services (431). The highest losses of employment were in Manufacturing (-1,348), Information (-1,109), Finance and Insurance (-731), Administrative and Waste Services (-689), and Construction (-144). It is important to note that there is not always a direct correlation between the change in the number of establishments and the change in employment. As noted above, the net number of retail establishments declined by 15 over the four-year period while the net number of employees increased by 731. This can occur when a number of small retailers with few employees close and a few large retailers open that have a relatively large number of employees.

Top Ten Changes In Employment 2011 to 2014



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Industry Subsets Losing the Most Jobs between 2012 and 2014

The highest losses in each sector shown above occurred in the following industry subsets shown below.

Sectors	Subsets
Manufacturing	Food, especially Beverages; Printing and Related Support Activities; Nonmetallic Mineral Products; Furniture and Related Products; and Electronic Instruments
Information Sector	Newspaper Publishing, and Wireless Communications Carriers
Finance and Insurance	Commercial Banking and Credit Intermediation and Related Activities
Administrative and Waste Services	Office Administration, Facilities Support, and Temporary Help Services

Changes Occurring for Food Establishments between 2012 and 2014

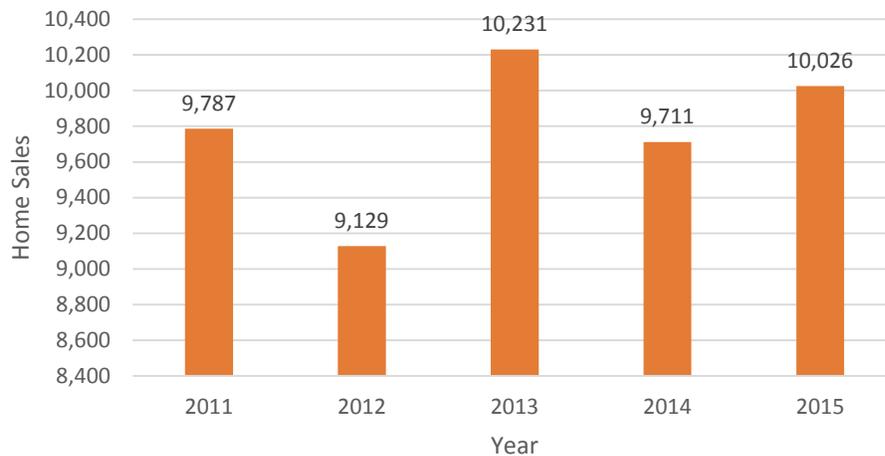
The number of food services establishments declined by 70 (5.8 percent) during the two year period. Concurrently, employment declined by 1,745 (8.3 percent). The number of food manufacturing establishments increased by 4 (12.9 percent), yet there were 191 (22.8 percent) fewer jobs. The food manufacturing job losses were not confined to one or a few establishments; but affected a wide range of them. There were 10 (3.3 percent) more grocery stores creating 352 (4.8 percent) additional jobs. The number of restaurants increased by 72 (6.5 percent), creating 2,044 (10.7 percent) more jobs over the two years. The majority of the new restaurant employment (962) was created in limited-service restaurants.

THE HOUSING MARKET

Single Family Housing

Total Home Sales

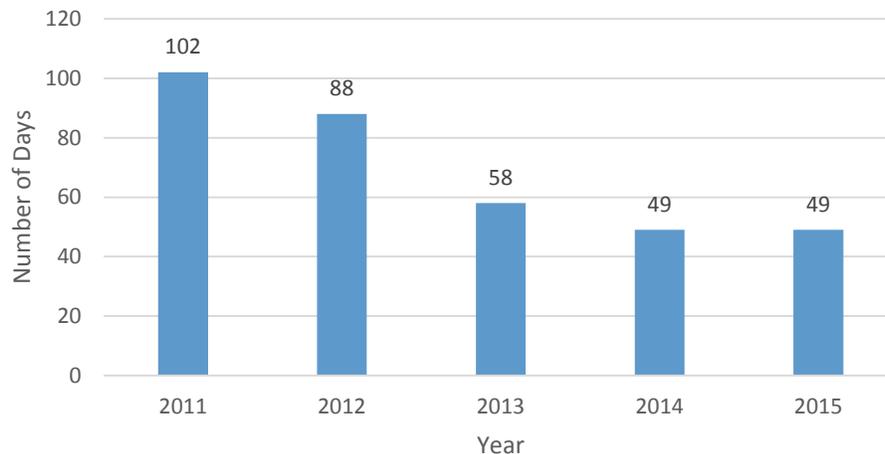
The total number of homes sold per year over the five-year period remained relatively consistent. The lowest number of transactions occurred in 2012 when 9,129 homes were sold, and the highest number occurred in 2013 when 10,231 homes were sold. In 2015, 10,026 homes were sold.



Source: Metrostudy, 2016.

Average Days on the Market

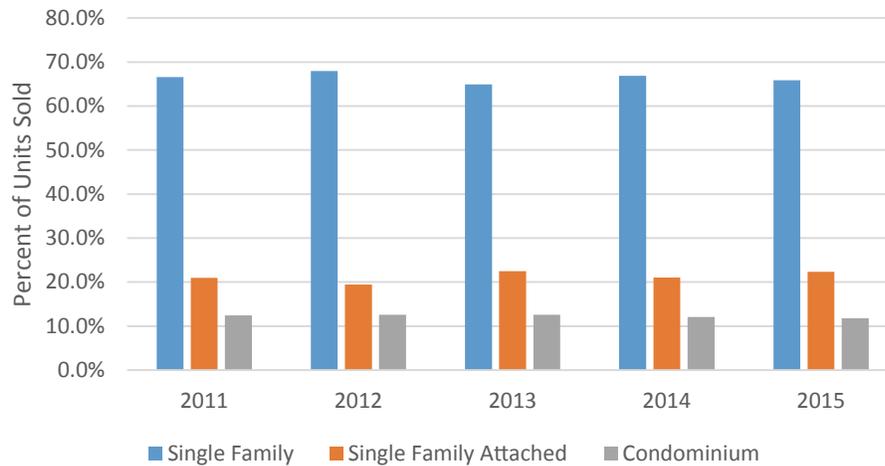
The average number of days for sale homes stayed on the market declined over the five-year period. In 2011 the average days on the market was 102 days, and by 2015 it had declined by more than 50 percent to an average of 49 days.



Source: Metrostudy, 2016.

Percent of Homes Sold by Unit Type

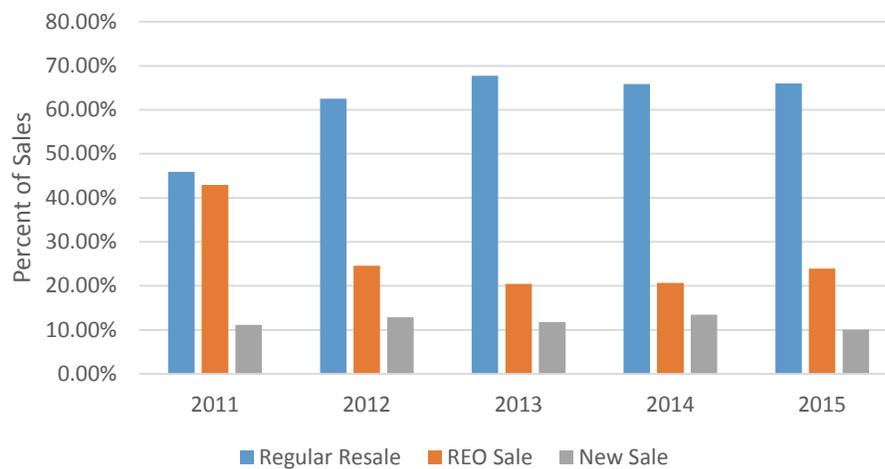
As is usually the case for the County, the percent of homes sold remained fairly consistent throughout the time period, for all unit types. Over the five-year period, single family homes, on average, constituted 66.4 percent of sales; single family attached, 21.2 percent; and condominium, 12.3 percent of sales.



Source: Metrostudy, 2016.

Percent of Homes Sold by Transaction Type

There were significant changes in the percent of homes sold by transaction type beginning in 2011. In 2011 REO (real estate owned) sales, which are bank-owned properties, made up 42.9 percent of all sales, and by 2012 this percent had dropped to 24.6 percent. REO sales reached a low of 20.5 percent in 2013, but since then have climbed slightly to 23.9 percent in 2015. Regular resale transactions accounted for 45.9 percent of all sales in 2011 but by 2012 such sales had increased to 62.5 percent, reaching 66.0 percent in 2015. The percentage of new home sales remained relatively constant, fluctuating from a high of 13.5 percent in 2014 to a low of 10.1 percent in 2015.

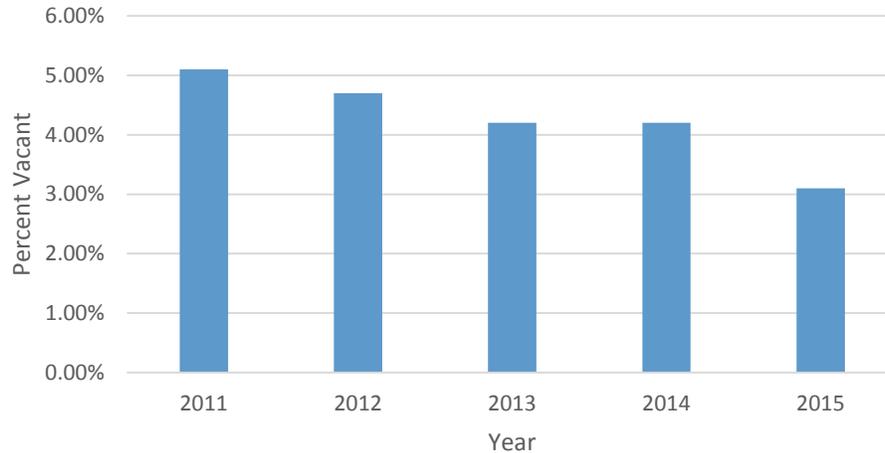


Source: Metrostudy, 2016.

Multifamily Housing

Multifamily Vacancy Rate

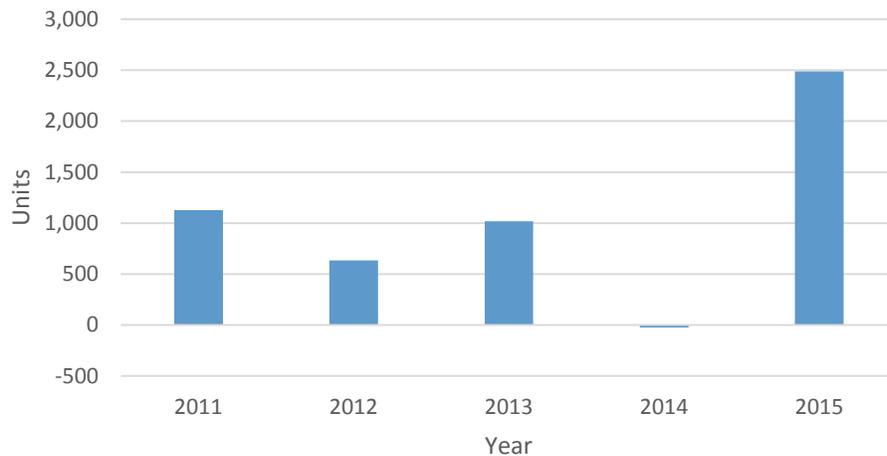
Over the five-year period, the vacancy rate for multifamily units declined steadily. In 2011, the rate was 5.1 percent, and by 2015 it had declined 2.0 percent to 3.10 percent.



Source: CoStar.

Multifamily Net Absorption

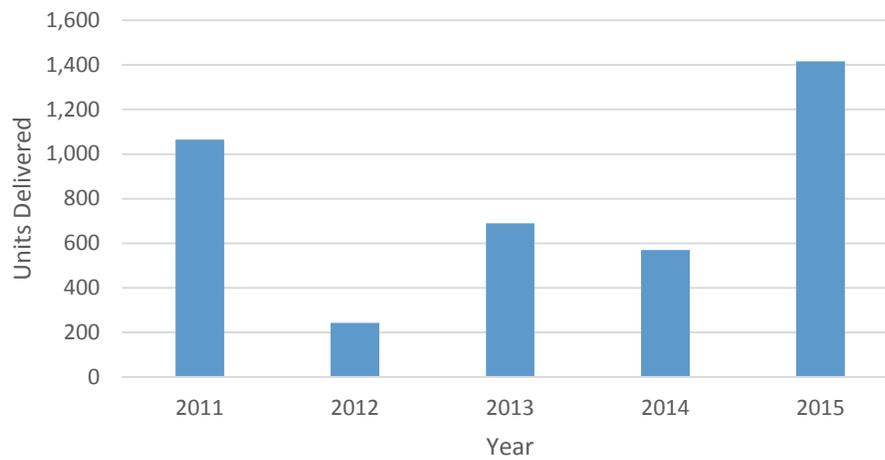
With the steady decline in the vacancy rate, the net absorption of units, which is the number of units leased during the period taking into account the number vacated, was positive for four out of the five years. The highest number of units absorbed was 2,489 in 2015.



Source: Costar.

Multifamily Units Delivered

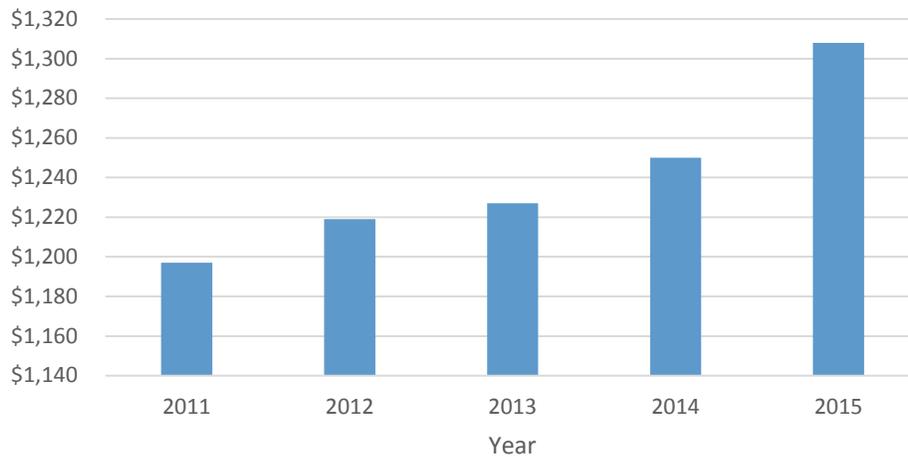
The number of new units delivered to the market varied widely over the five-year period. As an example, in 2012, 243 units were delivered, but in 2015 almost six times that amount (1,416 units) were delivered.



Source: CoStar.

Multifamily Average Rent

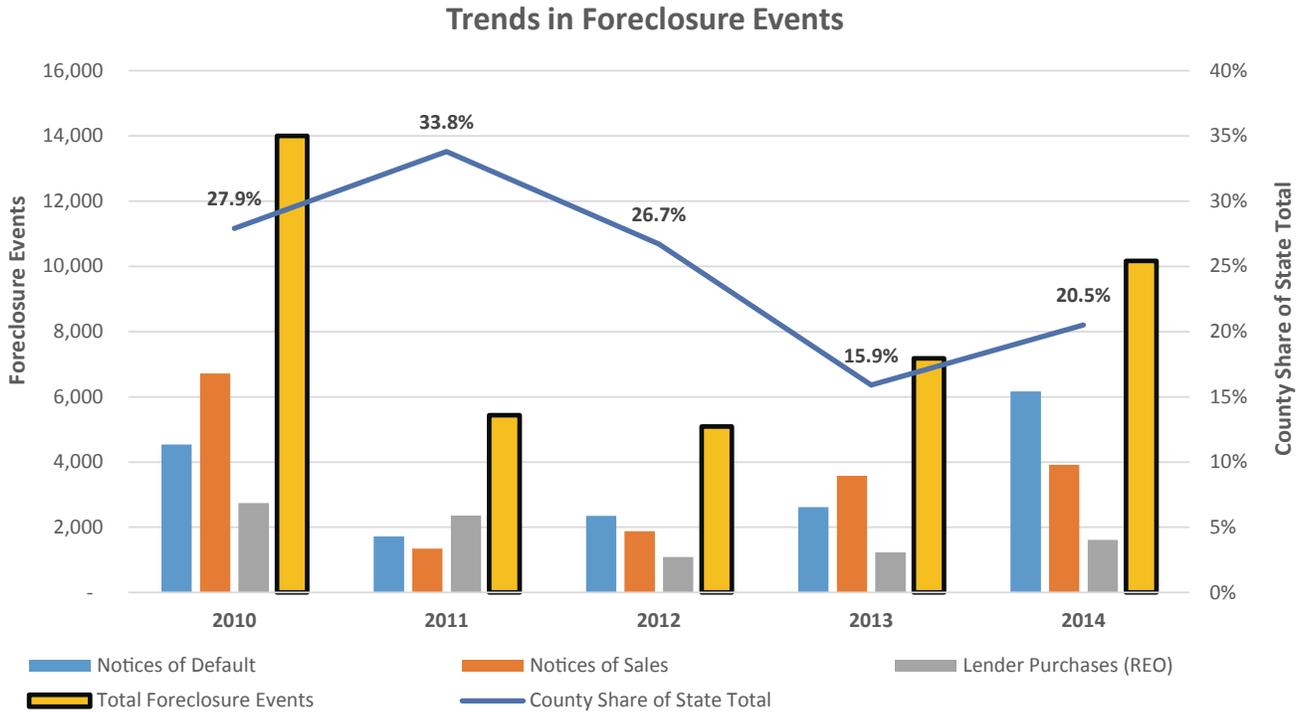
The average asking rental rate for multifamily housing increased steadily during the period. It was \$1,197 in 2011, and increased by 9.3 percent to \$1,308 by 2015.



Source: CoStar.

Foreclosure Events

Following the 2010 moratorium on foreclosure proceedings, the number of foreclosure events declined significantly (from 14,000 in 2010 to 5,090 in 2012). As a result of the decline, from 2010 until 2013, the County's share of the State's total of foreclosure events reduced noticeably.



Source: State of Maryland, Department of Housing and Community Development, The HOPE Initiative, RealtyTrac.

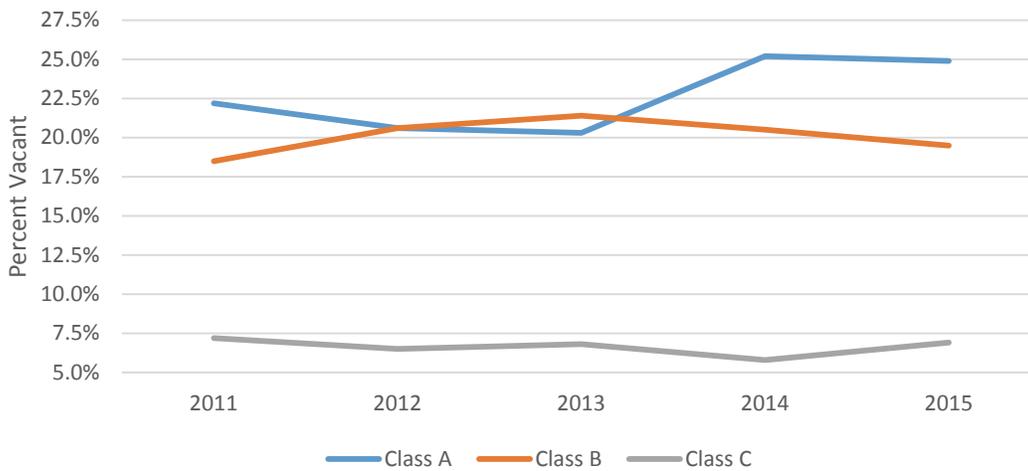
After the moratorium expired in 2012, the number of foreclosure events began to increase, from 5,090 to 10,164 in 2014. The increase also resulted in an upsurge in the County's share of the State's total. Even though the number of events during 2014 was lower than in 2010, the fact that Notices of Default more than doubled between 2013 and 2014 suggests that, other things remaining unchanged, there will likely be future increases in Notices of Sales, Lender Purchases, and ultimately, the total number of foreclosure events.

Commercial Real Estate Market

Office

Office Space Vacancy Rates

The vacancy rate for office space remained high over the five years for both Class A and Class B. During the period, the vacancy rate for Class A office space increased from 22.2 percent in 2011 to 24.9 percent in 2015. Although still relatively high, the vacancy rate for Class B space began to decrease beginning in 2013. After reaching a high of 21.4 percent in 2013, the rate reduced to 19.5 percent in 2015, a 1.9 percent decline. Class C office space continued its strong performance with vacancy rates remaining below 7.5 percent over the five years.

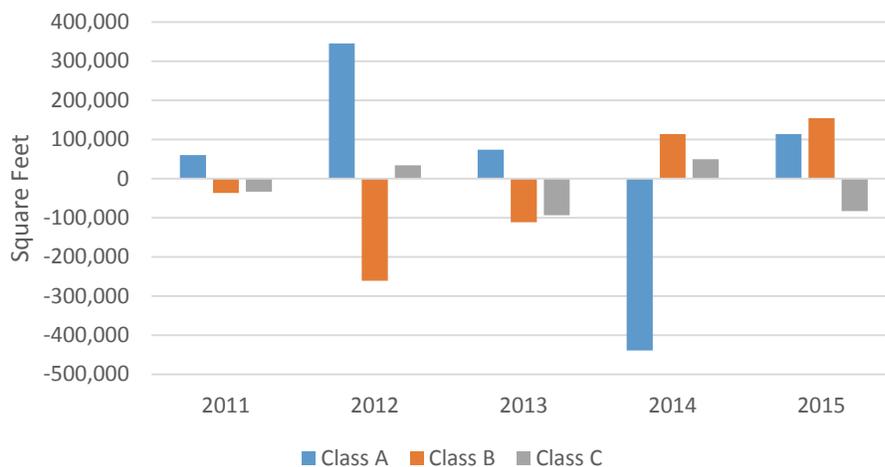


Source: CoStar.

Office Space Net Absorption

(Net absorption is the total new square footage leased minus the total square footage vacated in a property for a given period.)

Trends in the net absorption of office space, for the most part, did not show a significant change. For 2011, 2013, and 2015, net absorption, either positive or negative, was under 200,000 square feet across all classes. In 2012, there was a positive net absorption in Class A of 345,661 square feet. However, net absorption for Class B was negative (261,047 square feet). In 2014 Class A saw a negative net absorption of 439,027 square feet.



Source: CoStar.

Office Space Delivery

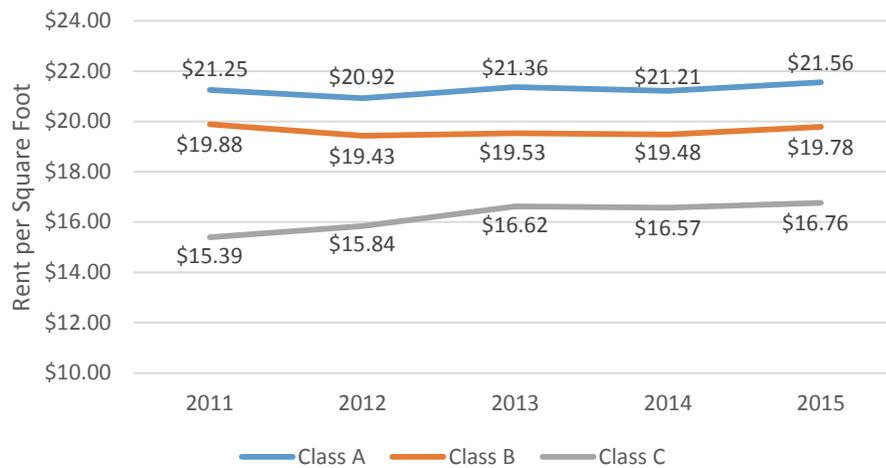
Over the five-year period, the largest delivery of office space was in 2012 when 268,762 square feet of Class A space was delivered to market. 2015 was also a positive year for deliveries with 110,000 square feet of Class A space and 50,000 square feet of Class B space delivered, respectively.



Source: CoStar.

Office Space Rental Rates

Office rental rates were mixed based on the class of space. Over the five-year period, Class A saw a 1.5 percent increase from \$21.25 in 2011 to \$21.56 in 2015. Meanwhile, Class B rates declined slightly from \$19.88 in 2011 to \$19.78 in 2015. The largest growth in rental rates occurred for Class C space, which saw an 8.9 percent increase from \$15.39 in 2011 to \$16.76 in 2015.

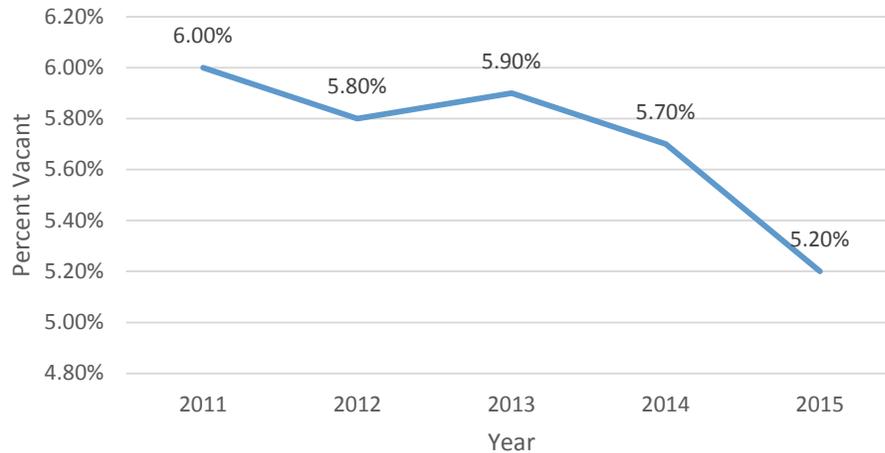


Source: CoStar.

Retail

Retail Space Vacancy Rates

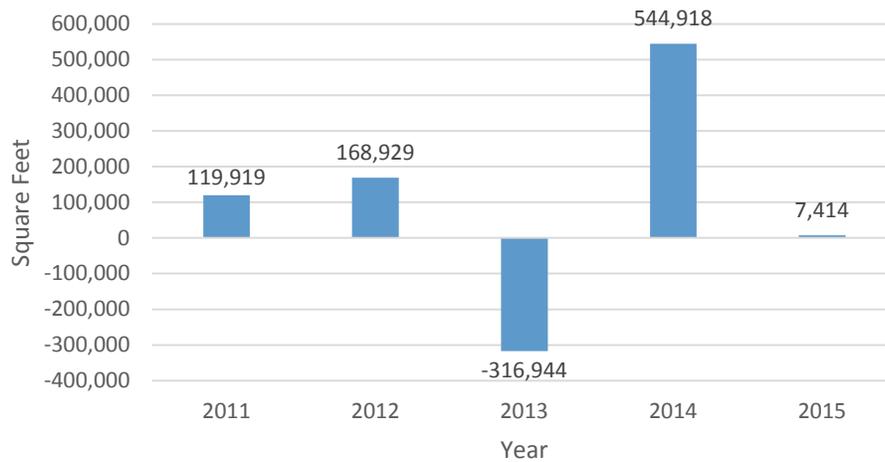
During the five years, vacancy rates for retail space improved overall. In 2011 the annual vacancy rate was 6.0 percent, and by 2015 had declined to 5.2 percent.



Source: CoStar.

Retail Space Net Absorption

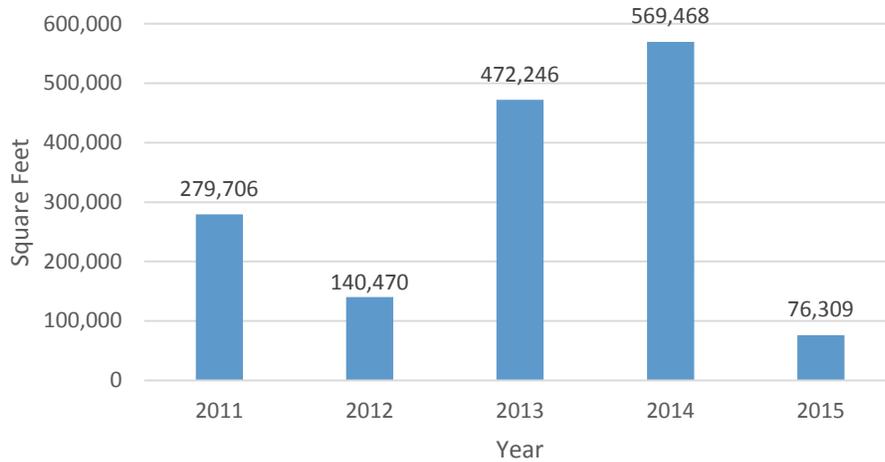
In general, the net absorption of retail space was positive. In four of the five years, there was a positive net absorption, with 2014 leading the way with just over a half million square feet absorbed. The only year when the County experienced negative net absorption was 2013, when 316,944 square feet of retail was vacated.



Source: CoStar.

Retail Space Deliveries

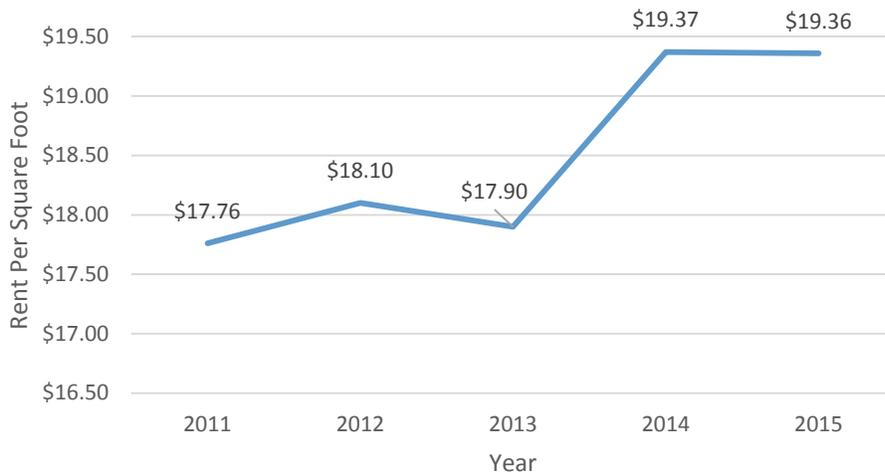
The delivery of new retail space remained robust in the County during the five-year period. Approximately 1.5 million square feet of retail space was delivered to the market. Both 2013 and 2014 saw significant deliveries, with 472,246 and 569,486 square feet delivered, respectively.



Source: CoStar.

Retail Space Rental Rates

Retail rental rates showed marked improvement over the five-year period. In 2011, the average retail rental rate in the County was \$17.76 per square foot, and by 2015, it had increased by 9 percent to \$19.36 per square foot.

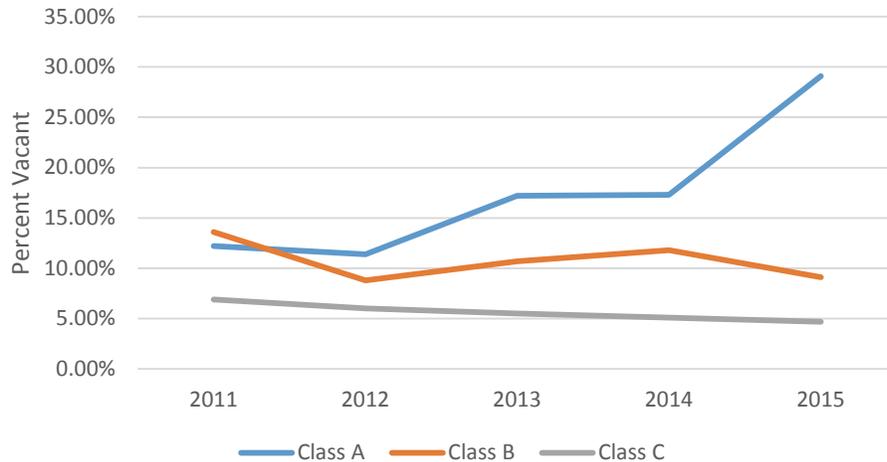


Source: CoStar.

Industrial

Industrial Space Vacancy Rates

The vacancy rates for industrial space varied based on the class of space during the period. The vacancy rate for Class A industrial space increased from 12.2 percent in 2011 to 29.1 percent in 2015. Some of the increase in the Class A vacancy rate for 2015 can be attributed to over one million square feet of space delivered in 2015 that had not leased yet. Both Class B and Class C space experienced declines in vacancy rates. The vacancy rate for Class B industrial space was 13.6 percent in 2011, and declined to 9.1 percent by 2015. Class C industrial space also performed strongly with vacancy rates remaining below 7.0 percent, and reaching a low in 2015 of 4.7 percent.



Source: CoStar.

Industrial Space Net Absorption

Trends in the net absorption of industrial space for the most part were positive over the five years. During the period, a total of 768,964 square feet of Class A space, 476,977 square feet of Class B space, and 99,264 square feet of Class C space was absorbed.



Source: CoStar.

Industrial Space Deliveries

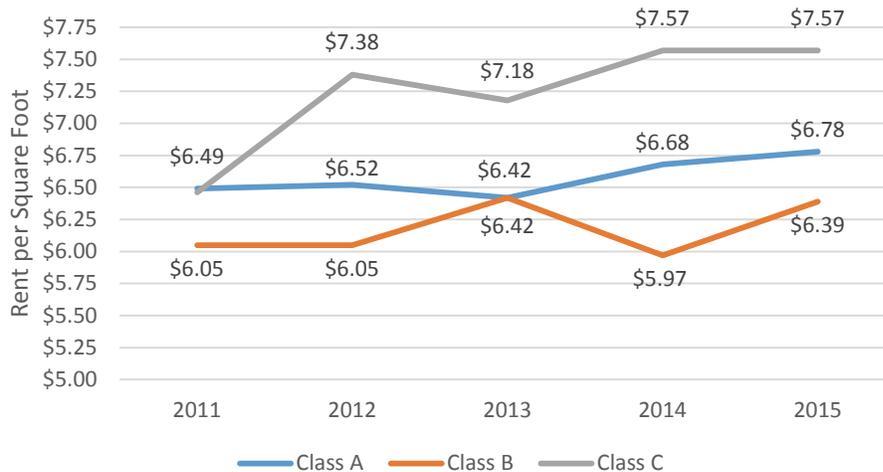
Over the five-year period the largest delivery of industrial space was in 2015 when 1,013,606 square feet of Class A space was delivered to market. 2013 was also another good year for deliveries with 501,260 square feet of Class A space and 138,206 square feet of Class B space delivered, respectively.



Source: CoStar.

Industrial Space Rental Rates

There was an increase in rental rates for all classes of industrial space over the five year period. Class A saw the smallest increase at 4.4 percent from \$6.49 in 2011 to \$6.78 in 2015. Meanwhile Class B rates moderately increased with a 5.5 percent increase from \$6.05 in 2011 to \$6.39 in 2015. The largest growth in rental rates occurred for Class C space which saw a 17.2 percent increase from \$6.46 in 2011 to \$7.57 in 2015.

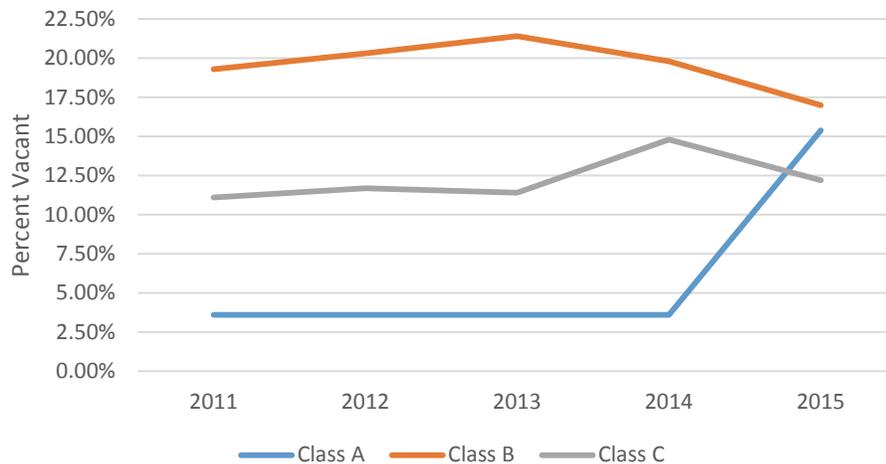


Source: CoStar.

Flex

Flex Space Vacancy Rates

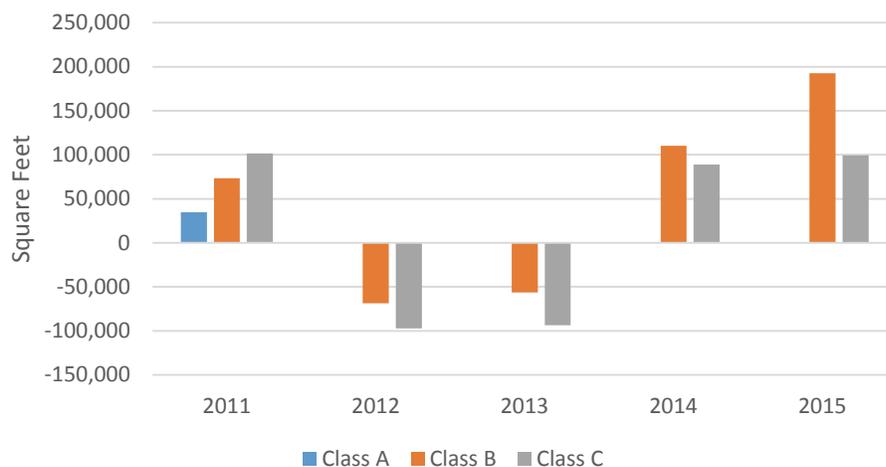
Trends in the vacancy rates for flex space were mixed based on the class of space. The vacancy rate for Class A flex space was consistently low at 3.6 percent from 2011 to 2014, but in 2015 the rate jumped to 15.4 percent. The significant increase in the vacancy rate was due to a new delivery in 2015 that was not leased until the first quarter of 2016. Class B space vacancy rates remained high over the five-year period but declined in 2015. Class C flex space vacancy rates remained relatively stable over the five-year period with rates slightly above 10.0 percent.



Source: CoStar.

Flex Space Net Absorption

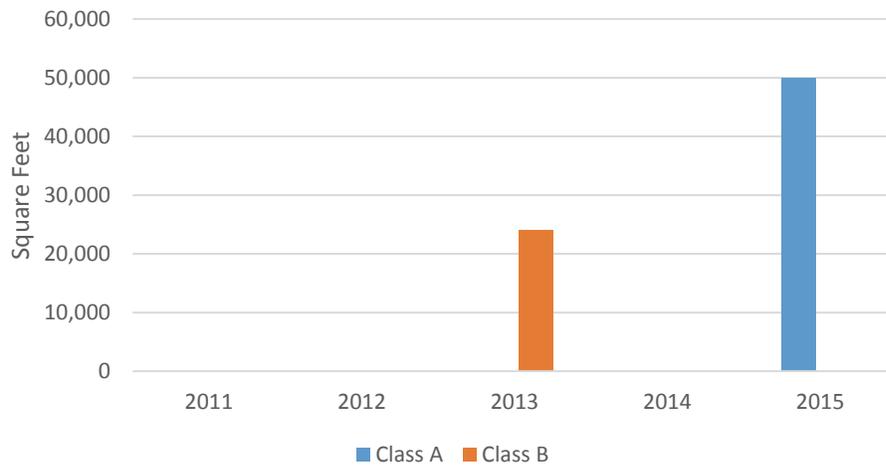
Net absorption of flex space was positive for three of the five years. In 2011 and 2015, the total of square feet leased minus that vacated was positive for all three classes. In 2014, Class B and Class C experienced positive net absorption, while net absorption of Class A space was zero. In 2012 and 2013, Class B and Class C saw negative net absorption while Class A was again zero.



Source: CoStar.

Flex Space Deliveries

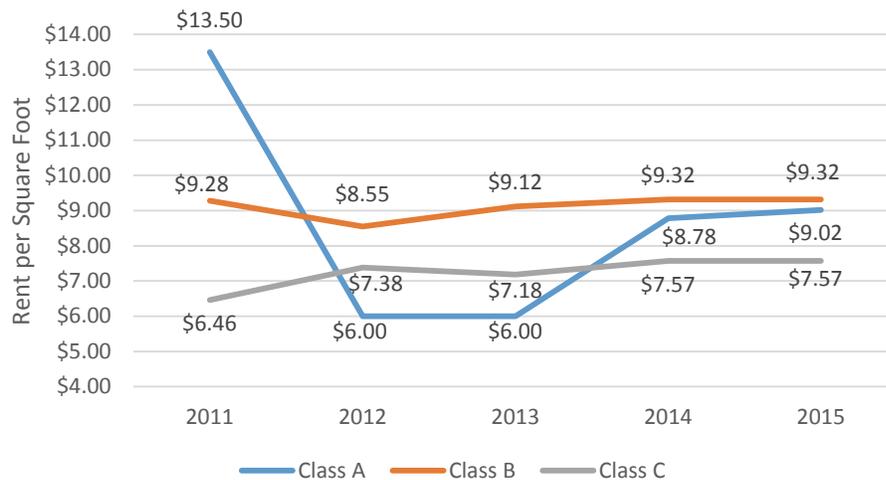
Over the five-year period deliveries (completion of new flex spaces) were relatively modest. In 2013 approximately 24,000 square feet of Class B space were delivered, while 2015 saw 49,494 square feet of Class A space delivered.



Source: CoStar.

Flex Space Rental Rates

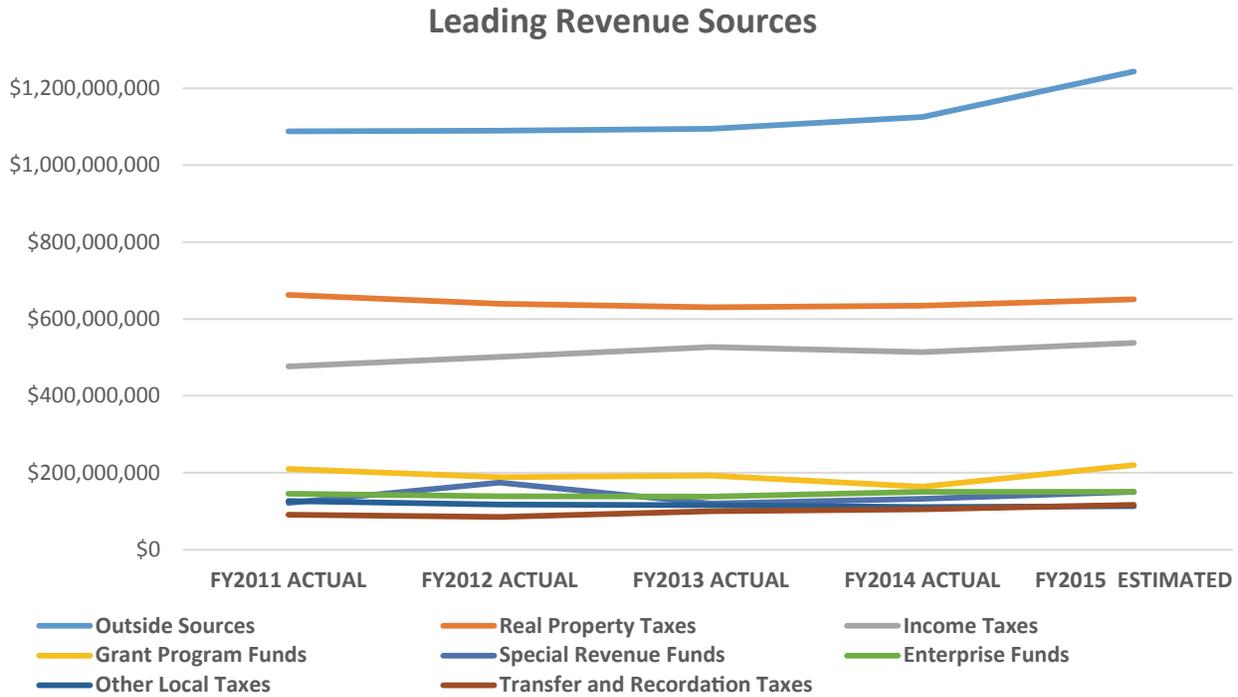
Class A flex space experienced a 33.2 percent decline in rental rates, from \$13.50 in 2011 to \$9.02 in 2015, likely as a result of increasing vacant square footage reflecting low demand. However, Class B and Class C flex space saw growth in rental rates over the five-year period. Class B saw the smallest increase at 0.4 percent from \$9.28 in 2011 to \$9.32 in 2015. Meanwhile Class C rates increased by 17.2 percent from \$6.46 in 2011 to \$7.57 in 2015.



Source: CoStar.

County Revenues

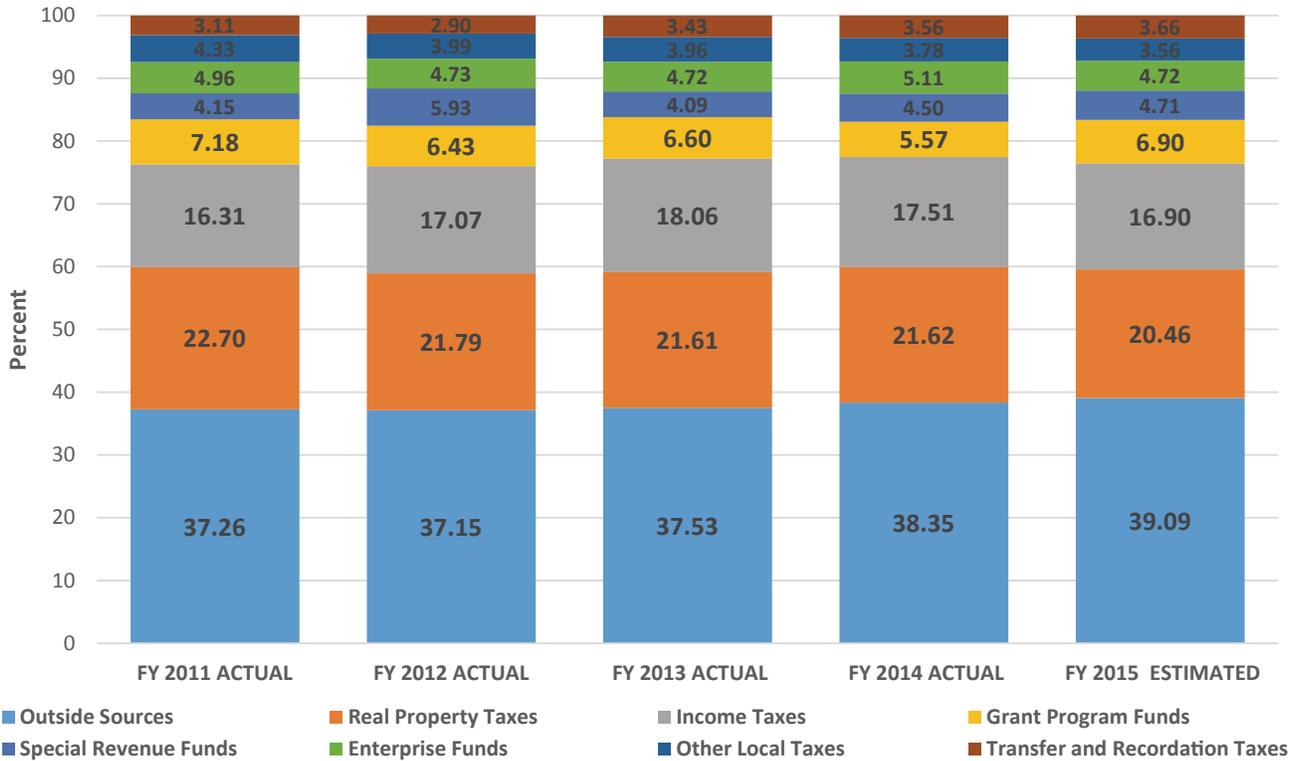
With the exception of FY 2013 and FY 2014, during which there were declines, revenues for Prince George’s County increased each fiscal year for the five-year period beginning in FY 2011. The declines during FY 2013 and FY 2014 resulted from drops in major revenue sources including personal property taxes, other local taxes, and grant program funds.



Source: Prince George’s County, Office of Management and Budget, January 2016.

The leading sources of revenue for the County during the past five years (FY 2011 to FY 2015) were Outside Sources, Real Property Taxes, and Income Taxes. During FY 2011, the County’s revenues totaled \$3.147 billion. Current (FY 2015) revenues are estimated at \$3.431 billion, representing an eight percent increase over FY 2014. This noticeable increase from FY 2014 to FY 2015 was mostly due to increases in all sources, particularly Outside Sources, which include Board of Education, Community College, and Library System. According to the County Office of Management and Budget, these three components are recipients of large state, federal, and other grant funding to meet certain education mandates. The revenues are included in the County budget, but are transferred to those entities.

Percentage Share Of Leading Revenue Sources (FY 2011 - FY 2015)



Source: Prince George's County, Office of Management and Budget, January 2016.

Outside Sources (including state and federal aid, mostly meant for Board of Education, Community College, and the Library System) consistently generated the largest share of revenue, representing approximately 35 percent of the total each year. The other leading revenue sources were Real Property Taxes (20 percent), Income Taxes (16 percent), and Grant Program Funds (6 percent).

Notably, during each of the five years, Board of Education always delivered more than 90 percent of the total revenues from Outside Sources.

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