

prince george's

Pulse

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Welcome to *The Prince George's Pulse*, the first of a new series of business reports poised to provide quarterly updates on the economy, housing and commercial real estate markets, and current conditions and trends in the County.



Employment and Wages



QUARTERLY TOTAL EMPLOYMENT

Quarterly average employment in Prince George's County increased slightly, by less than 1 percent, between the second quarter of 2013 and the second quarter of 2014. Only the private sector recorded gains in employment.

QUARTERLY PRIVATE SECTOR EMPLOYMENT

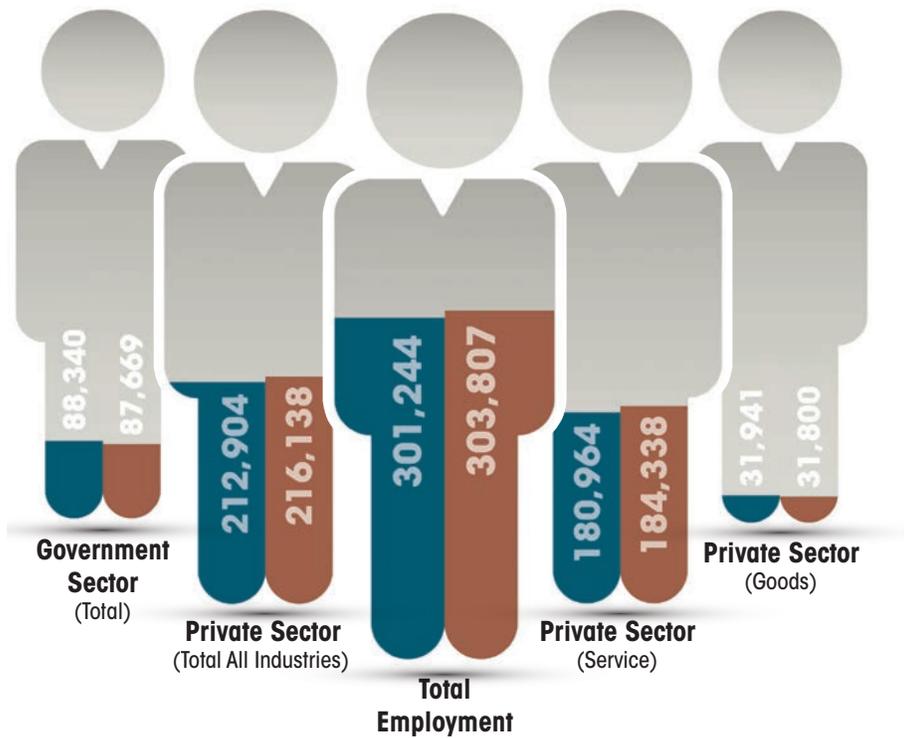
Goods Producing Industries

Total employment in goods producing industries declined slightly (by 141 jobs) between the second quarters of 2013 and 2014. The majority of the decline occurred in two minor activities—Manufacturing, which lost 157 jobs, and Natural Resources and Mining, which lost 41 jobs. Construction, a critical activity in the County, offset some of these losses with a gain of 57 jobs.

Quarterly Average Employment in Prince George's County

Comparing Second Quarters 2013 and 2014

■ 2nd Quarter 2013 ■ 2nd Quarter 2014



Source: Maryland Department of Labor, Licensing and Regulation, 2015, www.dllr.state.md.us



TOTAL GOODS PRODUCING

▼ | **31,800** in Second Quarter 2014
141 | **31,941** in Second Quarter 2013



MANUFACTURING

▼ | **6,649** in Second Quarter 2014
157 | **6,806** in Second Quarter 2013



NATURAL RESOURCES AND MINING

▼ | **155** in Second Quarter 2014
41 | **196** in Second Quarter 2013

Construction



24,996 in Second Quarter 2014

24,939 in Second Quarter 2013

Source: Maryland Department of Labor, Licensing and Regulation, 2015, www.dllr.state.md.us

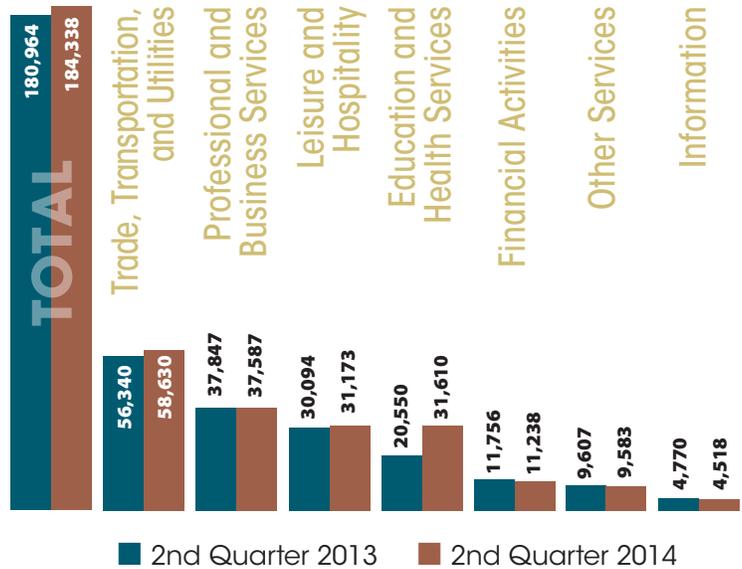
Service Producing Industries

There was an increase of approximately two percent in the quarterly average employment in service producing industries between the second quarters of 2013 and 2014. The bulk of the increase occurred in Education and Health Services industries followed by Trade, Transportation and Utilities, and Leisure and Hospitality. There were declines for Financial Activities, Professional and Business Services, Information, and Other Services categories.



Quarterly Average Private Sector Employment in Service Producing Industries

Comparing Second Quarters 2013 and 2014

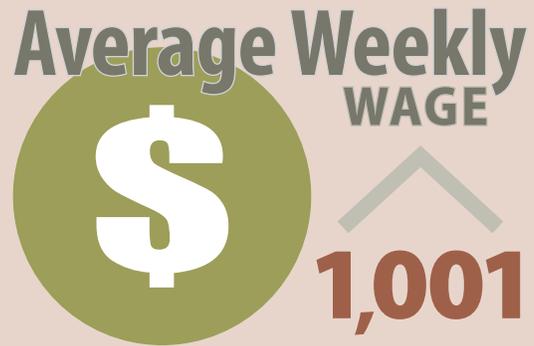


Source: Maryland Department of Labor, Licensing and Regulation, 2015, www.dllr.state.md.us

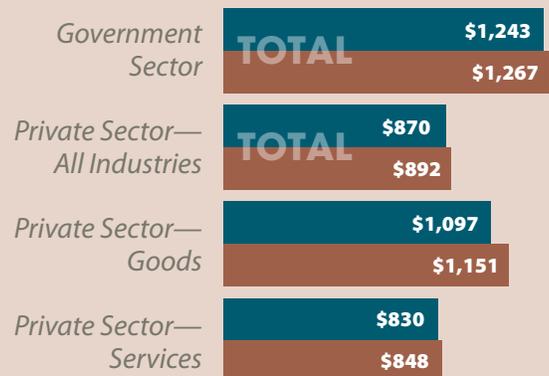
WAGES

During the second quarter of 2014, the average weekly wage per worker in the County—\$1,001, up \$22 from the second quarter of 2013—was slightly lower than the State of Maryland and the Washington metropolitan region, but higher than Charles and Calvert Counties.

A comparison between the average wage in the government and private sectors during the same period shows that, while overall wages increased, government sector wages were higher than private sector wages—wages for the private sector goods industry being closer to government sector wages.



■ 2nd Quarter 2013 ■ 2nd Quarter 2014



Source: Maryland Department of Labor, Licensing and Regulation, 2015, www.dllr.state.md.us



Real Estate

HOUSING MARKET

Median Home Sales Price

The median sales price for all homes sold during the third quarter of 2014 in Prince George's County was \$242,250, reflecting a 10.1 percent increase over the median sales price of \$220,000 during the third quarter of 2013. The largest percentage increase in price was for single-family attached units at 18.9 percent.

SINGLE-FAMILY (Detached) ^ 9.2%

\$264,900 in Third Quarter 2014

\$242,000 in Third Quarter 2013

SINGLE-FAMILY (Attached) ^ 18.9%

\$220,000 in Third Quarter 2014

\$185,000 in Third Quarter 2013

CONDOMINIUM ^ 9.4%

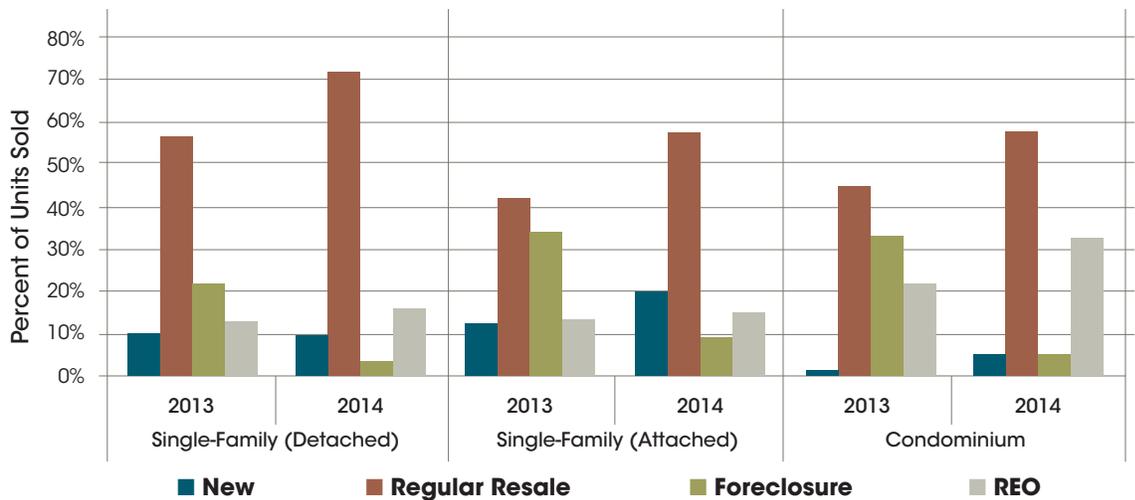
\$96,850 in Third Quarter 2014

\$88,550 in Third Quarter 2013

Housing Market Transactions

The total number of all units sold dropped from 3,521 units in the third quarter of 2013 to 2,711 units in the third quarter of 2014. The decline was mostly due to a reduced number of foreclosure sales. For single-family detached units, foreclosure sales made up 21.4 percent of all sales in the third quarter of 2013, but only 3.7 percent in the third quarter of 2014. Similarly, foreclosure sales for single-family attached units declined from 33.8 percent of all sales to 8.8 percent, while foreclosure sales of condominiums dropped from 32.9 percent to 5.0 percent.

Percent of Transaction by Unit Types
Comparison of Third Quarters in 2013 and 2014



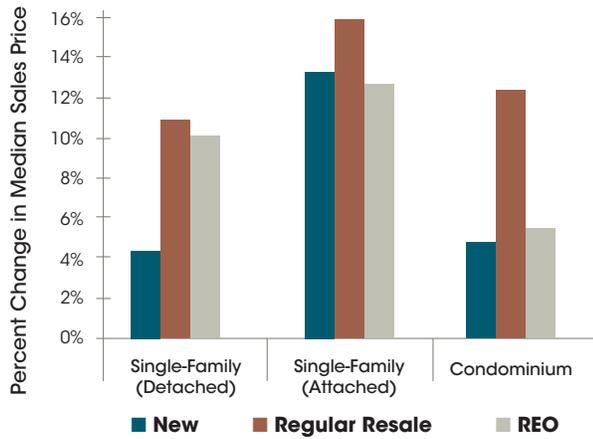
Source: Metrostudy, 2015

REO properties are properties that have gone through the foreclosure process and failed to sell at auction and are therefore owned by the bank or lender.

During 2011 and 2012, there was a significant decline in foreclosure sales that likely resulted from the drop in foreclosure events, especially notices of default and notices of sale. However, data from RealtyTrac show a reversal beginning in 2013¹. Between the first quarter of 2013 and the third quarter of 2014, the number of foreclosure events increased by 3,222 (63 percent), 2,367 (73 percent) of them being notices of default. This change suggests that the foreclosures may temporarily increase in upcoming months or years.

Percent of Change in Median Sales Price by Transaction and Unit Type

Third Quarter 2013 to Third Quarter 2014



Source: Metrostudy, 2015

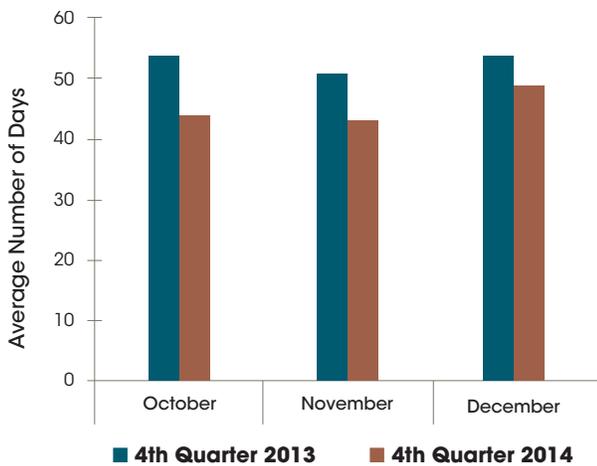
Increase in Median Sale Prices

The median sale prices for regular resale and Real Estate Owned (REO) of single-family units increased more than 10 percent with new median sale prices gaining 4.3 percent. The largest increases in median sale prices were for single-family attached units, with all three types of sales gaining above 12 percent. For condominiums, the largest increase in median sale prices of 12.4 percent occurred for regular resale.

Days on the Market

The average number of days on the market for all types of units declined in every month of the fourth quarter of 2014 compared to the fourth quarter of 2013. The reduced days on the market was most likely due to a decrease in supply.

Days on Market Comparison

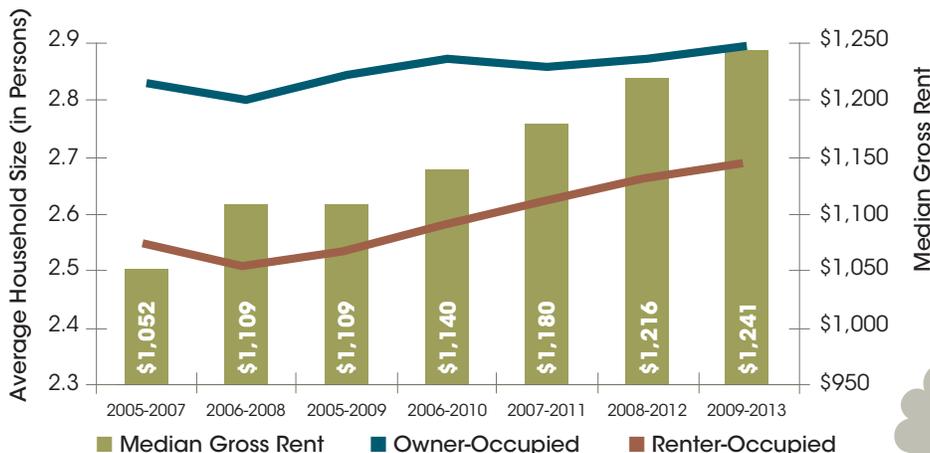


Source: Metrostudy, 2015

Rent and Household Size

There was a consistent increase in Median Gross Rent in Prince George's County in recent years. The Median Gross Rent increased by \$189 (18 percent) from \$1,052 in 2005 to \$1,241 in 2013. Concurrently, the average household size increased during the period. The average household size of renter households increased by 0.14 from 2.55 to 2.69, while the average household size of owner households also increased by a smaller margin of 0.06, from 2.83 to 2.89.

Recent Changes in Average Household Size and Rental Rates Prince George's County



Source: U.S. Census Bureau, American Community Survey, 3-Year and 5-Year Estimates



COMMERCIAL MARKET

Commercial Market Composition

The County is a regional leader in the volume of industrial space of all classes with more than twice as much industrial space (50,380,520 square feet) as its nearest competitor, Fairfax County, which has 21,796,842 square feet.

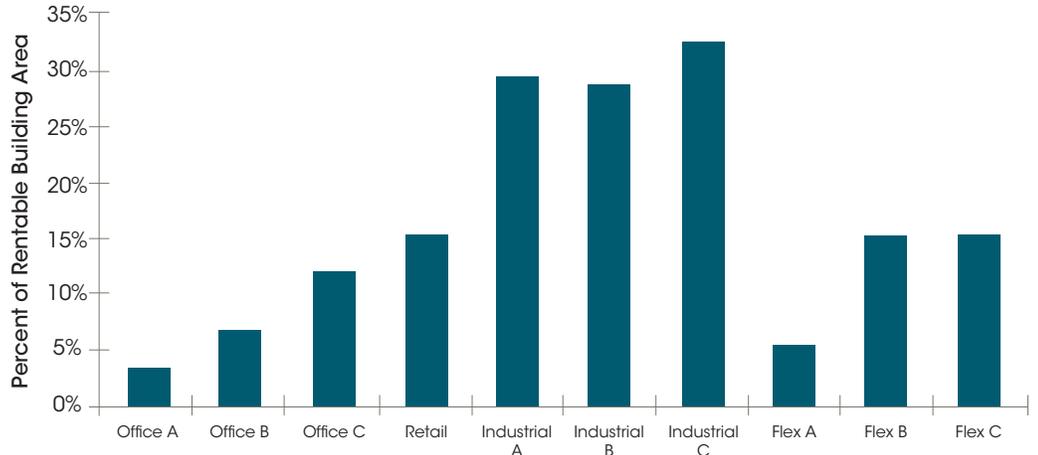
Vacancies

The County experienced a 5 percent increase in vacancy rate for Class A Office. For Flex C space, the region as a whole showed a decline in vacancy while the County showed an increase. Among the other categories of commercial space, Industrial A declined the most for the region, and Flex B space for the County. A negative percentage indicates a decline in the vacancy rate. (Office classification descriptions can be found under Endnotes.)

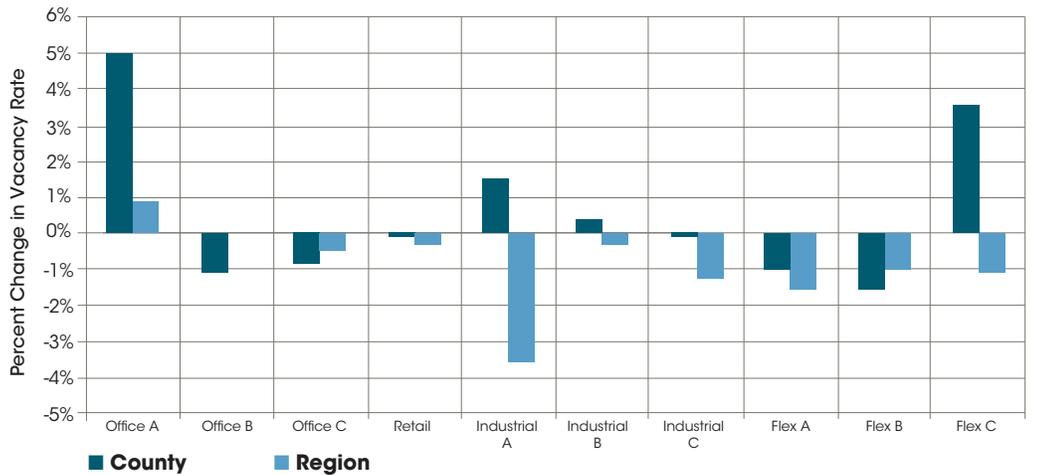
Net Absorption (Space Leased)

Leaders in total net absorption include retail, Class A, B, and C industrial space. All other categories of commercial space saw gains or losses at or under 50,000 square feet. Negative net absorption indicates that a larger volume of space was vacated than leased for the period.

Percent of Region's Commercial Real Estate in Prince George's County

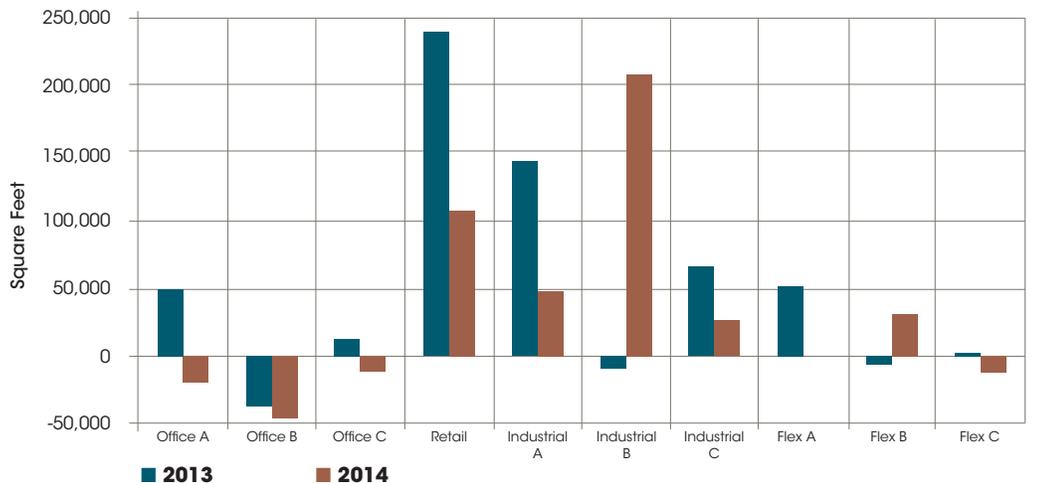


Change in Vacancy Rates: Comparing Prince George's County and Region
Fourth Quarter 2013 versus Fourth Quarter 2014



Total Net Absorption

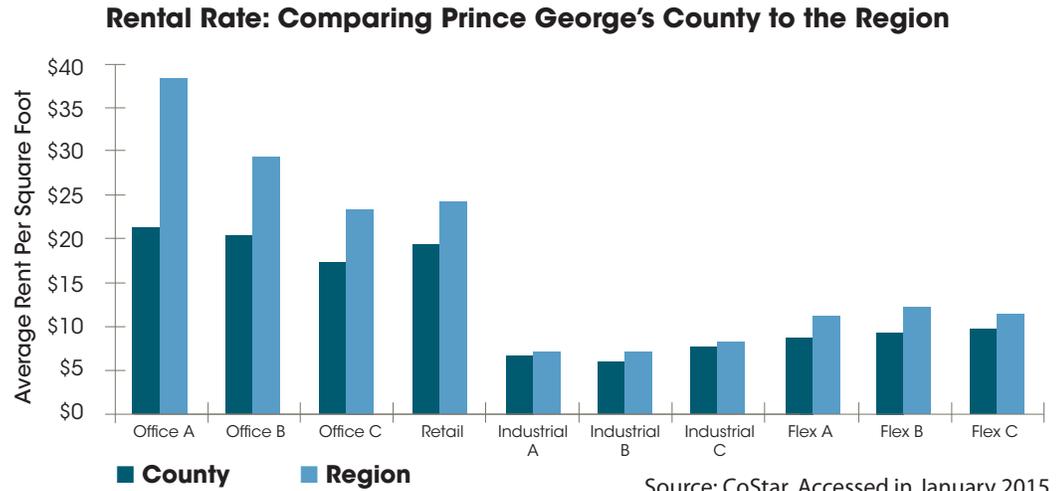
Fourth Quarter 2013 versus Fourth Quarter 2014



Source, all graphs this page: CoStar, Accessed in January 2015

Rental Rates

The overall average rent per square foot for all types of commercial space was lower in the County than the region due to the high vacancies, especially in all classes of office space. Office space was 40 percent lower, retail was 20 percent, industrial 13 percent, and flex 23 percent lower.



County Revenues

SALES AND USE TAXES²

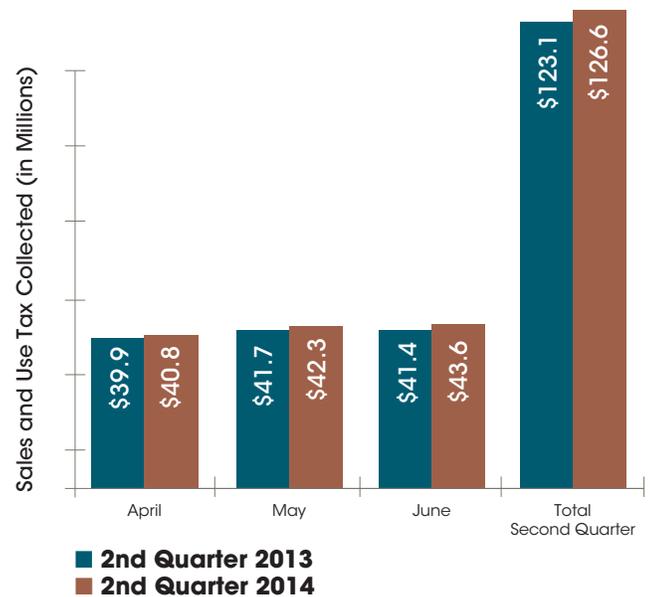
Sales and use taxes collected during the second quarter of 2014 was \$3,525,416 (2.9 percent) higher than the second quarter of 2013. The 2.9 percent increase in sales and use taxes collected in the County was slightly less than the overall 3.5 percent increase in the State of Maryland.

CHANGES IN REVENUES

During Fiscal Years 2012 and 2013, the declines in revenue from property taxes and other sources were offset by revenues from income and other taxes.

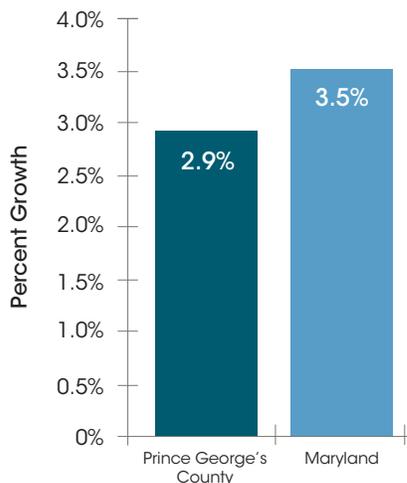
Sales and Use Tax Comparison

Second Quarters 2013 and 2014

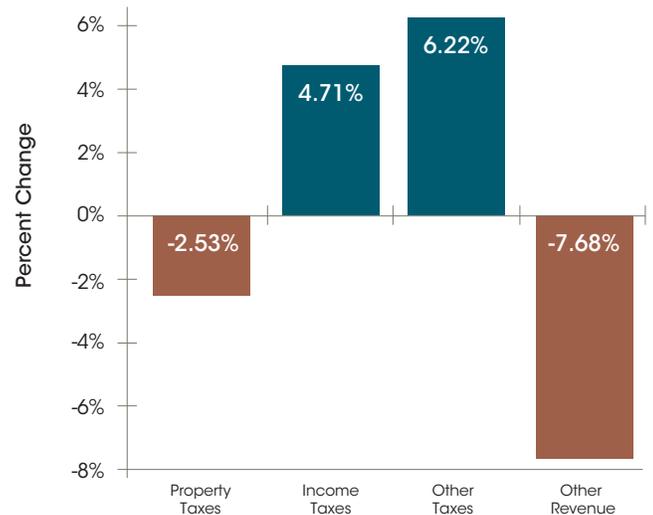


Second Quarter Sales and Use Tax Growth in Prince George's County

Compared to the State—2013/2014



Percent Change in County General Revenues, FY 2012 to FY 2013



Endnotes

¹ <http://mdhope.dhcd.maryland.gov>

² **Use Tax:** The use tax is imposed on consumers of tangible personal property that is used or consumed. Use taxes are also used to help defray the cost of public services associated with particular types of personal property. The purpose of a use tax is to help recoup the cost of public services directly related to the use of certain types of personal property. The most common use taxes are assessed on motor vehicle and boat licenses. User fees are also charged for docking privileges in airports and harbors.

Office Classifications

Class A Office: In general, a Class A building is an extremely desirable, investment-grade property with the highest quality construction and workmanship, materials and systems, significant architectural features, the highest quality finish and trim, abundant amenities, and first rate maintenance and management. It is normally occupied by prestigious tenants with above average rental rates and in an excellent location with exceptional accessibility.

Class B Office: A Class B building offers more utilitarian space without special attractions. It will typically have ordinary architectural design and structural features, with average interior finish, systems, and floor plans, and adequate systems and overall condition. It will typically not have the abundant amenities and location that a Class A building will have.

Class C Office: A functionally or economically obsolete building is one that does not offer a viable alternative for space and does not “compete” with others of similar type for occupancy by businesses seeking a location for operations. These buildings will usually have externally visible physical or structural features as well as internal ones that render it undesirable to be leased and therefore not competitive with any other properties in the market.



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