

**MEMORANDUM**

September 13, 2011

TO: Planning, Housing and Economic Development Committee

FROM: Justina J. Ferber  Legislative Analyst

SUBJECT: **Strategic Plan for Economic Development**

**Background**

At its July 25 meeting with DED Director Steve Silverman, the PHED Committee requested a briefing on the Department of Economic Development's Strategic Plan. Councilmembers requested the briefing include updated statistics on jobs lost, unemployment rates in various sectors, vacant office and commercial space and comparative analysis with Fairfax County.

**Materials**

DED Director Silverman will be present to brief the Committee. Attached from DED are:

- A Vision for Economic Development (Strategic Plan) ©1
  - Slides on Economic Conditions in the County ©5
    - Businesses – Industry sectors and employment numbers ©7
    - People – Employment and Unemployment ©14
    - Space – Office, Lab, Retail, Residential ©19
    - Feds – Leasing Activity, Procurement Spending, ©37
    - Retail Spending – Sales Tax Revenue, Retail Activity, Retail Vacancies ©41
- Additional materials will be distributed when received*

**Strategic Plan**

A Vision for Economic Development at ©4 (Strategic Plan) is an update of materials previously presented to the Committee. It outlines actions to –

1. retain, grow and attract businesses; support strategic housing projects
  - a) continue business visitation program
  - b) work with County agencies on key economic development projects
  - c) market to strategic U.S. cities
  - d) revamp DED's web site
  - e) increase communication with local businesses

2. adapt to a more competitive business climate by focusing on knowledge-based and small businesses;
  - a) cultivate industry clusters
  - b) identify small business impediments and strengthen partnerships
  - c) expand services of Innovation Network
  - d) institute “Buy Local” program
  - e) develop capital projects responsive to industry clusters
  - f) increase availability of knowledge-based workers
3. foster partnerships with academia, federal research community, private sector and various levels of government
4. establish global linkages to facilitate business opportunities.

Attachments: A Vision for Economic Development (Strategic Plan) ©1  
Slides on Economic Conditions in the County ©5

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**A Vision for Economic Development  
DED FY12 Major Goals & Action Items**

1. **Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities, while also supporting strategic housing projects to increase the tax base.**

Action Item 1-1

Execute an aggressive and sustained business visitation program for major accounts and companies that have high-wage jobs in the target market segments.

- Utilize the Major Accounts Program to retain the County's top 200 private sector employers (by jobs) and strategic/emerging industry leaders, activities to include:
  - ◆ 200 top employers and 130 plus strategic accounts assigned to each DED business development specialist so they can initiate the business call mission involving the County Executive and the DED Director. Based on the company needs such as expansion options, DED is involving other agencies.
  - ◆ Work with other key County agencies (i.e. M-NCPPC, Department of Permitting Services) to identify ways to fast track strategic County economic development projects.

Action Item 1-2

Develop and implement a targeted marketing strategy to help local businesses succeed in the local, regional, and global marketplace, and to attract new capital investment.

- Revamp the Department's web site to provide for a more interactive experience for visitors. Create additional links to topics of interest, such as procurement, tech transfer, business partnering, content downloading, and training opportunities. Recode the Department's web pages with keywords and Meta tags to optimize our position on major Web search engines – Google, in particular. Connect DED's newly created social media platforms to web users for communication improvement and quicker information dissemination.
- Maximize the use of \$350,000 in new allocated FY12 Marketing Budget to selectively engage in localized marketing in strategic cities in US, participation in key tradeshows, and leverage partnership with industry group.

Action Item 1-3

Develop and implement a targeted marketing strategy so that local businesses are aware of available public sector programs and services designed to assist them.

- Utilize the ES-202 database acquired in FY11 to maintain a comprehensive database of Montgomery County companies so that DED can communicate with the local business community and facilitate communication among companies using bi-weekly E-Newsletter and E-Blast.

2. **Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive.**

Action Item 2-1

Focus on developing industry-based clusters as a means of growing the local economic base.

- Cultivate existing and emerging industry clusters by conducting small focus groups in order to identify ways the County can grow and strengthen a particular cluster. Focus groups convened include healthcare industry, community banks, information technology, car dealerships, realtors, general contractors, residential and commercial builders, arts and not-for-profit organizations.
- The Inter-Agency Green Team, comprised of representatives from DED, DEP, DGS, DPS, and MCPS are meeting on a bi-monthly basis to prioritize and coordinate implementation of the Green Economic Task Force's recommendations. Some of the priorities are: discussing ways to amend the County land-use zoning code to create a friendlier environment for horticultural nursery, landscape contractor operations, and evaluating changes to the land-use zoning code to specifically define and establish standards for solar panels and other types of alternative energy technology.
- Create industry-focused teams within DED for business development purposes such as a "Life Sciences Team" to track the unique industry profiles and the needs to provide core services.

Action Item 2-2

Foster the ongoing growth and viability of the County's small business community.

- Hold focus groups with small business owners in order to identify local government impediments to establishing and expanding a business. Identify systematic changes to County policies and regulations, including streamlining permitting process, that are needed to retain and create small employers.
- Institute a "Buy Local" Program, whereby information about contracting opportunities available from large private County companies is disseminated to small firms, and large County companies are encouraged to buy from local small businesses, partnering with Gazette on Bagels & Business Program.
- Strengthen the partnership with, and develop joint outreach events with the Office of Procurement, MCPS, Montgomery College, and other partners to better promote available contracting opportunities, particularly those available through the Local Small Business Reserve Program (LSBRP). Promote local business participation in the LSBRP and MFD programs. Expand the EDF's Small Business Revolving Loan Program to provide adequate financing support to qualified small businesses.

Action Item 2-3

Enhance the development and availability of knowledge-based workers so that employers and workers can advance in today's economy.

- Organize and sponsor job fairs, recruitments, events and conferences that will meet the needs of County businesses.
- Work with Montgomery College, the Universities at Shady Grove, the Johns Hopkins University and the business community to align workforce services with targeted industry clusters and actively seek industry input in the development of training curricula and course offerings.

Action Item 2-4

Cultivate the climate for entrepreneurial growth and expansion within the County.

- Expand the services and values provided through the County’s Business Innovation Network, as identified and recommended by the Bio Taskforce, to a broader entrepreneurial community.
- Share information about entrepreneurs with prospective venture capitalists, angel investors and other backers, and facilitate new companies’ access to financial resources.

Action Item 2-5

Working with partners in the private sector, educational institutions, and government, develop capital projects that are responsive to the needs of key industry clusters:

- In partnership with the Johns Hopkins University and the Universities at Shady Grove, support the development of a global science center in the Gaithersburg West planning area where research can be translated into marketable products and processes within the context of a vibrant live/work community.
- Continue efforts to redevelop the 115-acre Site II property, which neighbors the consolidated FDA campus and the proposed Adventist Hospital in the eastern portion of the County, as a science and technology-focused office park. Actively engage in the inter-agency planning and design discussions.
- Partner with the College in planning of the science and technology park at the Germantown campus of Montgomery College that will harness the synergies of academia, government, health care and business in conjunction with the Holy Cross Hospital.

**3 Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion**

Action Item 3-1

Build on the Presence of Federal Agencies and Research and Development Facilities within the County.

- Using the main contact point within each federal installation established by the County Executive and the DED Director's meetings with the federal agencies in FY11, identify potential partnership opportunities and provide assistance in federal agencies' need.
- Continue working with the lobbyist on all federal leasing issues, including the GSA rent cap disparities for local jurisdictions and retention/attraction of Federal tenants.
- Maximize the presence of the Welcome Center for Federal and Academic Technology Transfer that DED established in FY11 to facilitate tech transfer and business partnering opportunities to County based high-tech businesses.

Action Item 3-2

Engage in public-private projects to revitalize the County's town centers and provide for strategic redevelopment opportunities.

- Work with County agencies (i.e. M-NCPPC, DPS, DOT and the like) to conduct a comprehensive review of the County's development review process.
- DED to actively engage in the inter-agency planning and design discussions for the B.F. Saul redevelopment project in Wheaton. Similar efforts to be made for Burtonsville and Glenmont.
- DED is coordinating with the Office of the County Executive to obtain expert consulting services during the first half of FY12 to help the County determine the best and highest use of the undeveloped portion of the 11.97 acre County-owned Conference Center site. The site is across the street from the White Flint Metro station and is zoned CR4 under the new White Flint Sector Plan.

4. **Establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses.**

Action Item 4-1

Facilitate international business opportunities for County companies seeking to partner or expand globally.

- Expand the International Export Assistance program that DED launched in FY11. Under the program, DED and the U.S. Export Assistance Center team up to offer targeted assistance to County companies engaged in selling their products and services in foreign markets.
- Proactively market Montgomery County to the State's 13 overseas offices/representatives and follow-up on leads generated from recent business development missions to Canada, Europe, Israel, India, China, and Korea.

PRESENTATION BEFORE:

**PLANNING, HOUSING AND  
ECONOMIC DEVELOPMENT COMMITTEE  
of the Montgomery County Council**

*September 15, 2011*

**ECONOMIC CONDITIONS  
IN THE COUNTY**

*by:*

Department of Economic Development

# Overview

- Businesses
- People - Employment/Unemployment
- Space
  - Office
  - Lab
  - Retail
  - Residential
- The Feds
- Retail Spending
- Conclusion/Next Steps

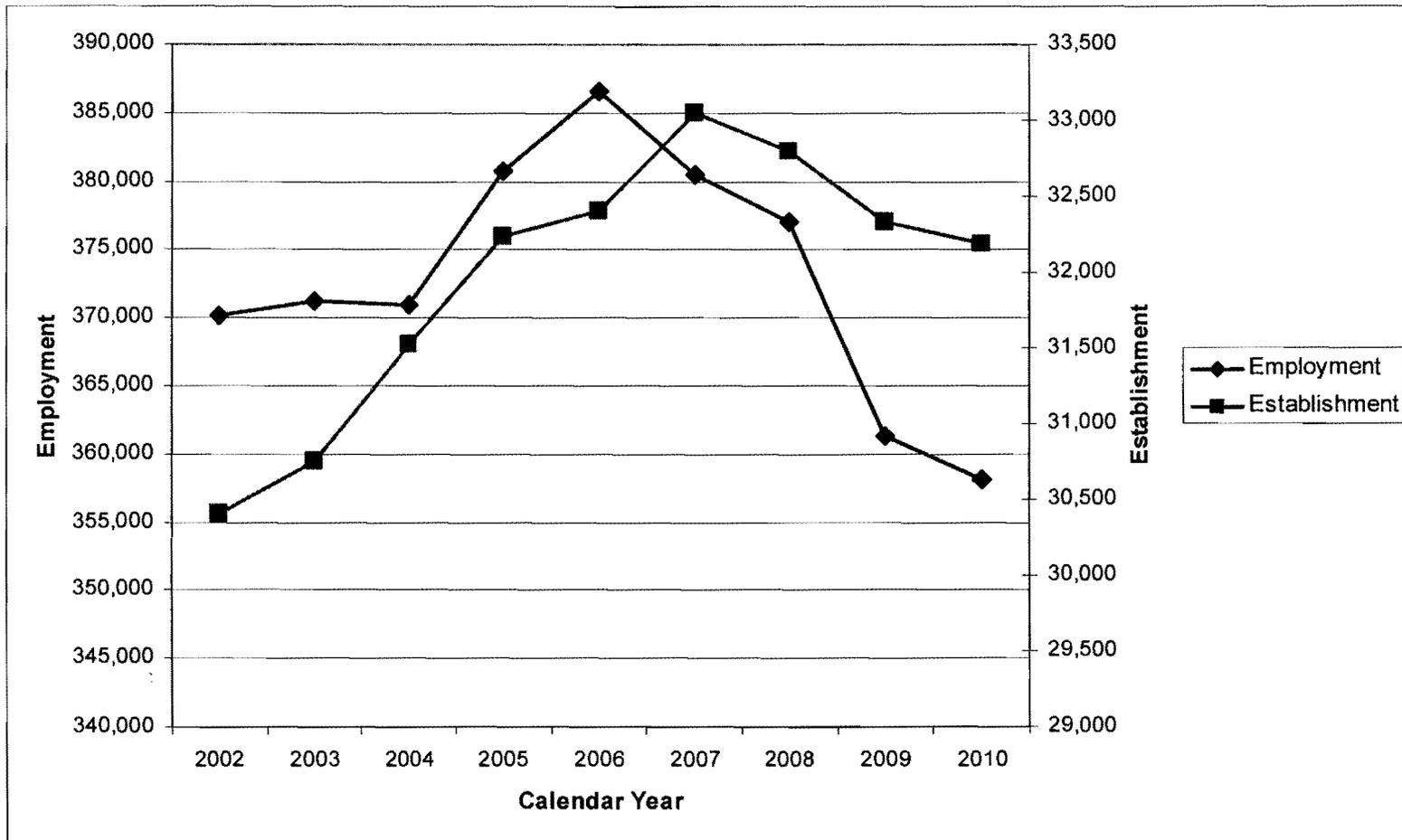
# BUSINESSES

## Montgomery County Employment and Establishments by Industry Sectors (Private Sector)

Industry	Number of Employees	Total Establishments
<b>GOODS - PRODUCING</b>	35,796	3,049
Natural Resources and Mining	711	43
Construction	22,847	2,558
Manufacturing	12,237	448
<b>SERVICE - PROVIDING</b>	327,731	29,656
Trade, Transportation and Utilities	58,974	4,157
Information	12,798	600
Financial Activities	30,851	2,915
Professional and Business Services	102,103	8,260
Education and Health Services	64,425	3,948
Leisure and Hospitality	36,874	2,172
Other Services	21,706	7,604
<b>Unclassified</b>	0	8
<b>TOTAL</b>	<b>363,527</b>	<b>32,713</b>

SOURCE: Maryland Department of Labor, Licensing and Regulation, QCEW Data 2010 Q4

# Montgomery County Private Sector Employment and Establishment Pattern



SOURCE: Department of Economic Development's Analysis of ES-202 Data

# Montgomery County Establishments by Employment-Size Class

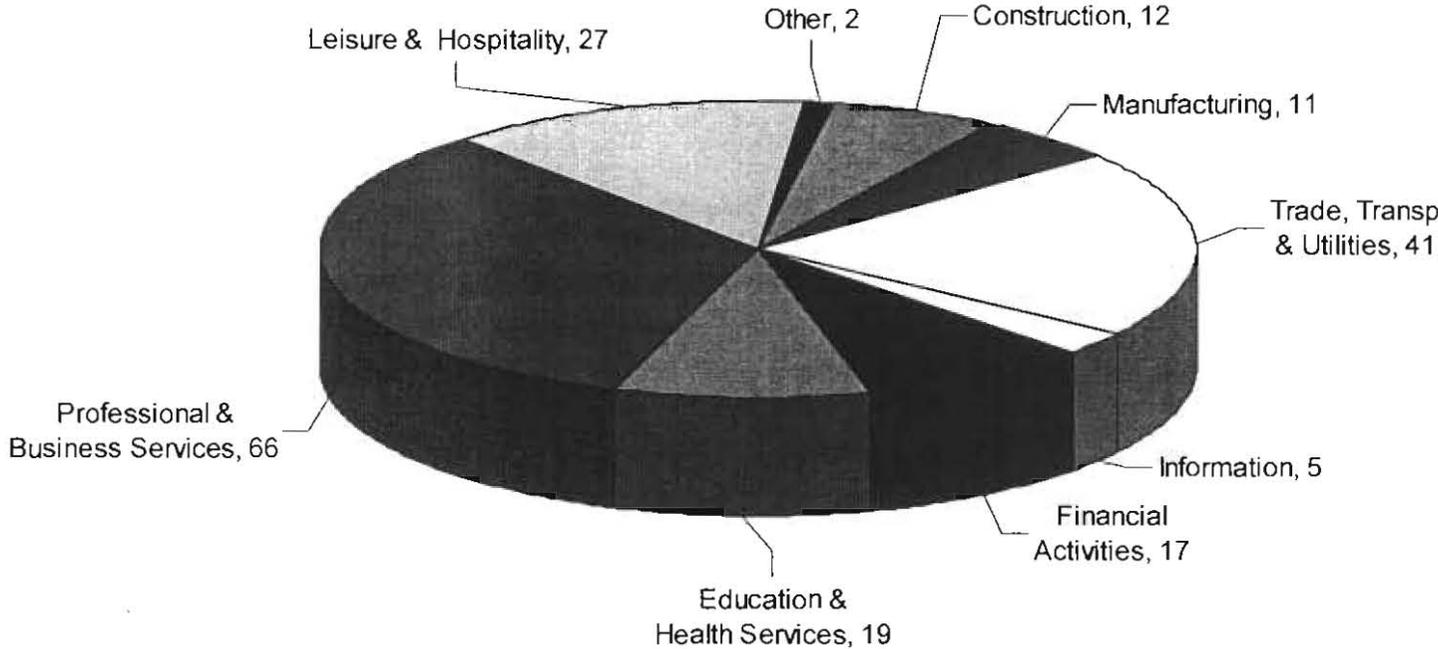
Industry	Total Establishments	'0-4'	'5-9'	'10-19'	'20-49'	'50-99'	'100- 249'	'250-499'	'500-999'	'1000 or more'
<b>GOODS - PRODUCING</b>	<b>3,049</b>	<b>1,959</b>	<b>434</b>	<b>326</b>	<b>196</b>	<b>80</b>	<b>39</b>	<b>10</b>	<b>D</b>	<b>D</b>
Natural Resources and Mining	43	19	12	5	4	D	D	0	D	D
Construction	2,558	1,711	338	262	151	62	28	5	D	D
Manufacturing	448	229	84	59	41	D	D	5	D	D
<b>SERVICE - PROVIDING</b>	<b>29,930</b>	<b>20,026</b>	<b>3,883</b>	<b>2,657</b>	<b>1,949</b>	<b>803</b>	<b>480</b>	<b>91</b>	<b>20</b>	<b>21</b>
Trade, Transportation and Utilities	4,204	2,268	759	561	331	150	112	19	3	D
Information	600	371	67	54	52	36	13	4	D	D
Financial Activities	2,915	1,758	559	325	171	52	44	4	D	D
Professional and Business Services	8,270	5,706	980	641	576	200	117	35	7	8
Education and Health Services	4,158	2,191	781	454	330	232	134	19	8	9
Leisure and Hospitality	2,175	924	349	380	358	107	51	6	0	0
Other Services	7,608	6,808	388	242	131	26	9	4	0	0
<b>TOTAL</b>	<b>32,979</b>	<b>21,985</b>	<b>4,317</b>	<b>2,983</b>	<b>2,145</b>	<b>883</b>	<b>519</b>	<b>101</b>	<b>22</b>	<b>24</b>

\* D indicates the data does not meet DLLR's disclosure standards

Prepared by: Maryland Department of Labor, Licensing and Regulation  
Division of Workforce Development and Adult Education  
Office of Workforce Information and Performance

Source: QCEW Data 2010 Q4

# Montgomery County Top 200 Private Employers by Industry and Number



SOURCE: Department of Economic Development's Analysis of ES-202 Data for 2010 Q2

## Montgomery County Top 200 Private Employers – Employment and Number

Industry	Number of Employers	Number of Employees
<b>GOODS - PRODUCING</b>	<b>23</b>	<b>11,943</b>
Natural Resources and Mining	0	0
Construction	12	3,881
Manufacturing	11	8,062
<b>SERVICE - PROVIDING</b>	<b>177</b>	<b>104,581</b>
Trade, Transportation and Utilities	41	22,925
Information	5	6,168
Financial Activities	17	8,530
Professional and Business Services	66	37,733
Education and Health Services	19	18,639
Leisure and Hospitality	27	9,754
Other Services	2	832
<b>TOTAL</b>	<b>200</b>	<b>116,524</b>

SOURCE: Department of Economic Development's Analysis of ES-202 Data for 2010 Q2

## Montgomery Top 200 Private Employers (Partial List)

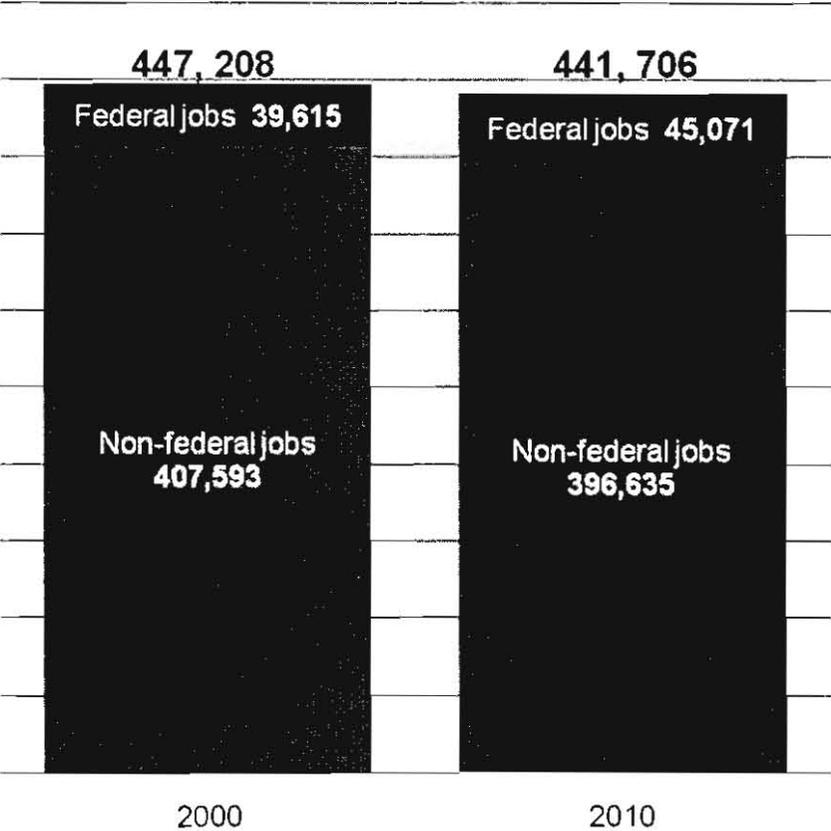
No	Employer Name	Description
1	Adventist Healthcare	General Medical and Surgical Hospitals
2	Marriott	Corporate/Sunsiary/Regional Managing Office
3	Lockheed Martin Corporation	Computer Systems Program Services
4	Verizon Maryland Inc	Wired Telecommunications
5	Giant Food Stores	Supermarkets and Other Grocery (except Convenience) Stores
6	Holy Cross Hospital Of Silver Spring Inc	General Medical and Surgical Hospitals
7	Kaiser Foundation Health Plan	HMO Medical Centers
8	Westat Research Inc	Research and Development in the Social Sciences and Humanities
9	Govt Employees Ins Co (Geico)	Direct Property and Casualty Insurance Carriers
10	Medimmune LLC	Biological Product (except Diagnostic) Manufacturing
11	Suburban Hospital Assn Inc	General Medical and Surgical Hospitals
12	Henry M Jackson Found For The	Research and Development in the Social Sciences and Humanities
13	IBM Corporation	Software Reproducing
14	Discovery Communications LLC	Cable and Other Subscription Programming
15	Target Corporation	Discount Department Stores
16	Safeway Inc	Supermarkets and Other Grocery (except Convenience) Stores
17	Red Coats Inc	Janitorial Services
18	Montgomery General Hospital Inc	General Medical and Surgical Hospitals
19	Hughes Communications	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing
20	Capital One/Chevy Chase Bank	Savings Institution

SOURCE: Department of Economic Development's Analysis of ES-202 Data for 2010 Q2

# PEOPLE

## Employment and Unemployment

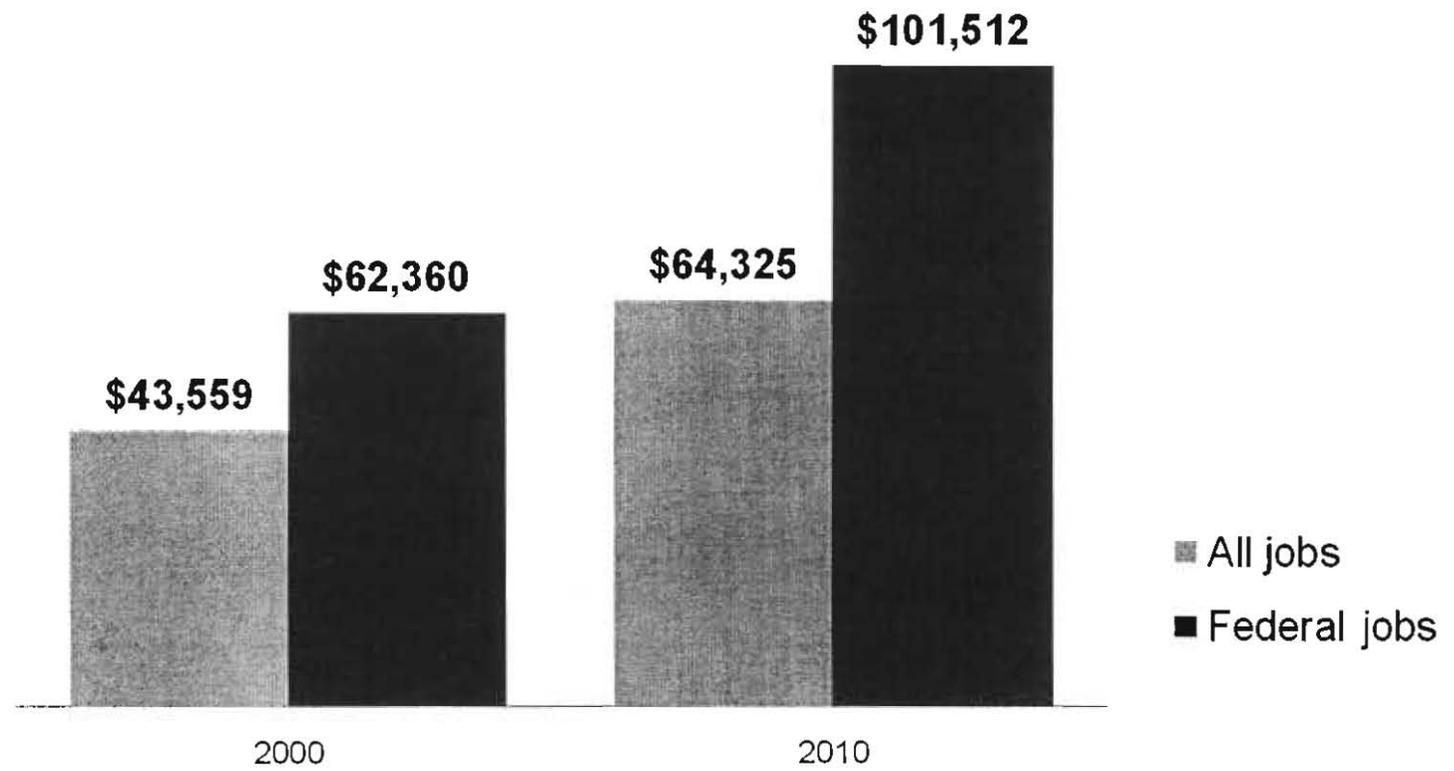
# Jobs in Montgomery County



EMPLOYMENT CHANGE 2000 to 2010	
Federal government jobs	+5,456
Non-federal jobs	- 10,958
<b>Net change</b>	<b>- 5,502</b>

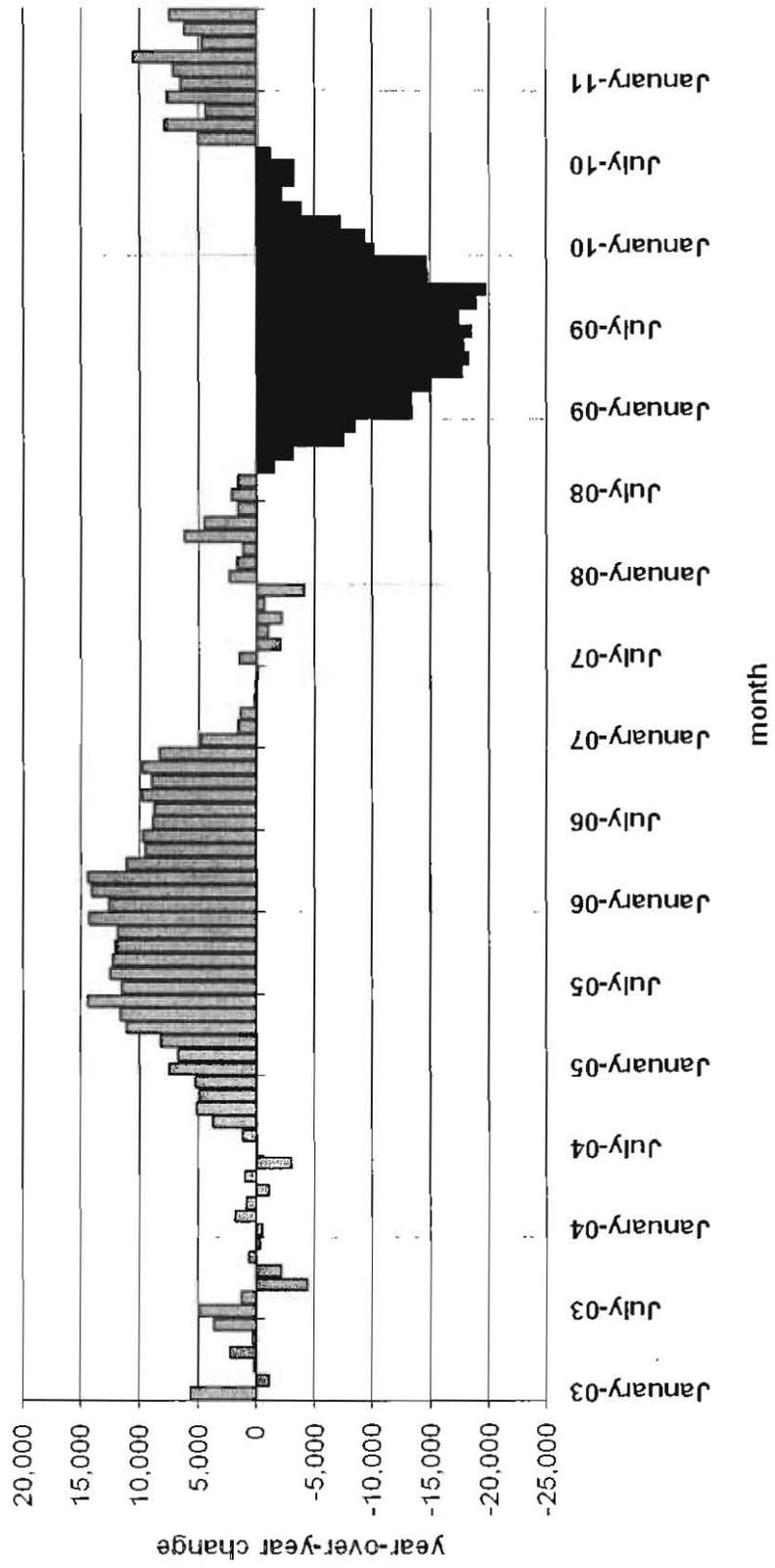
Source: U.S. Bureau of Labor Statistics, *Quarterly Census of Employment and Wages* (2000 and 2010 annual average employment).

## Average Salary for 2000 and 2009 (Jobs based in Montgomery County)



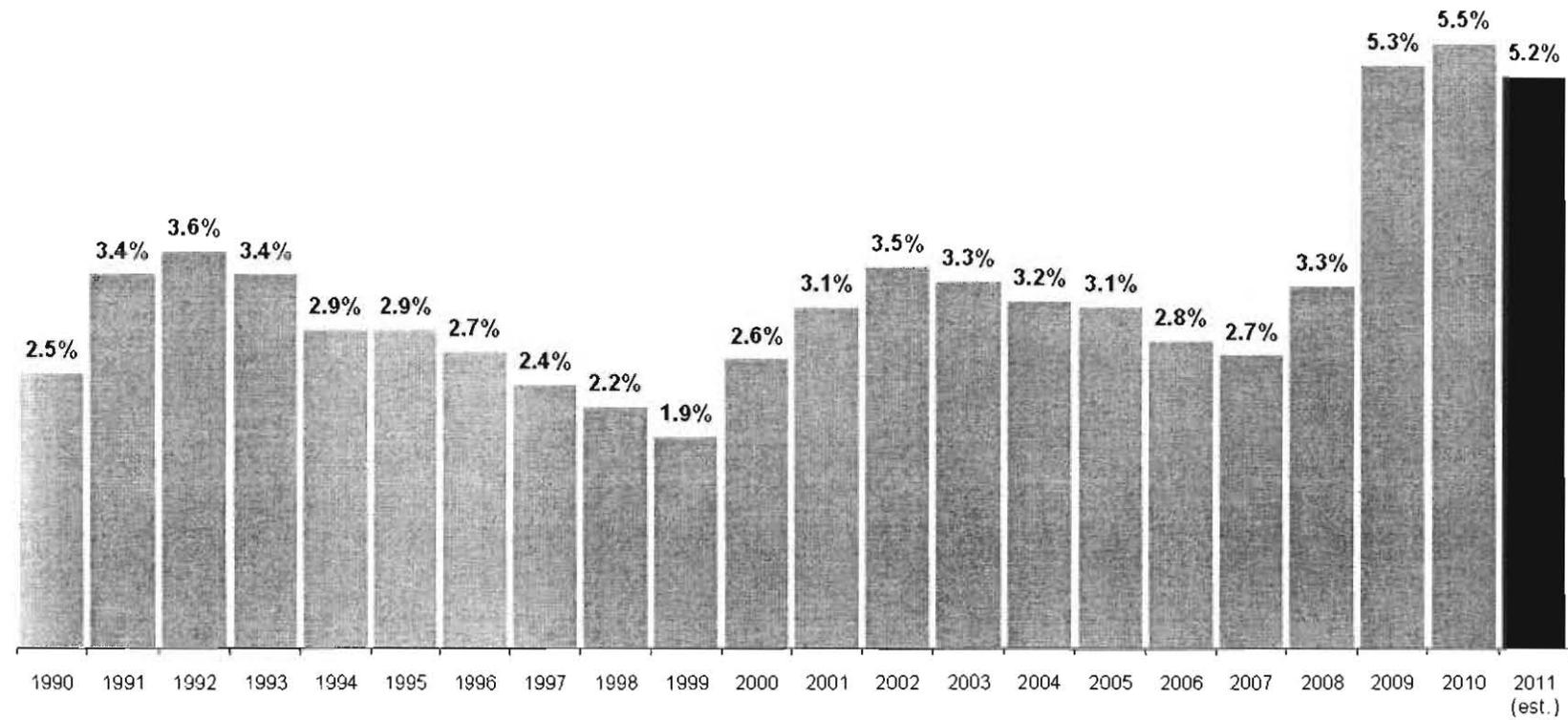
Source: U.S. Bureau of Labor Statistics, *Quarterly Census of Employment and Wages* (2000 and 2010 annual average salary).

# Year over Year Resident Employment Change



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics through May 2011.

# Montgomery County Unemployment Rate since 1990

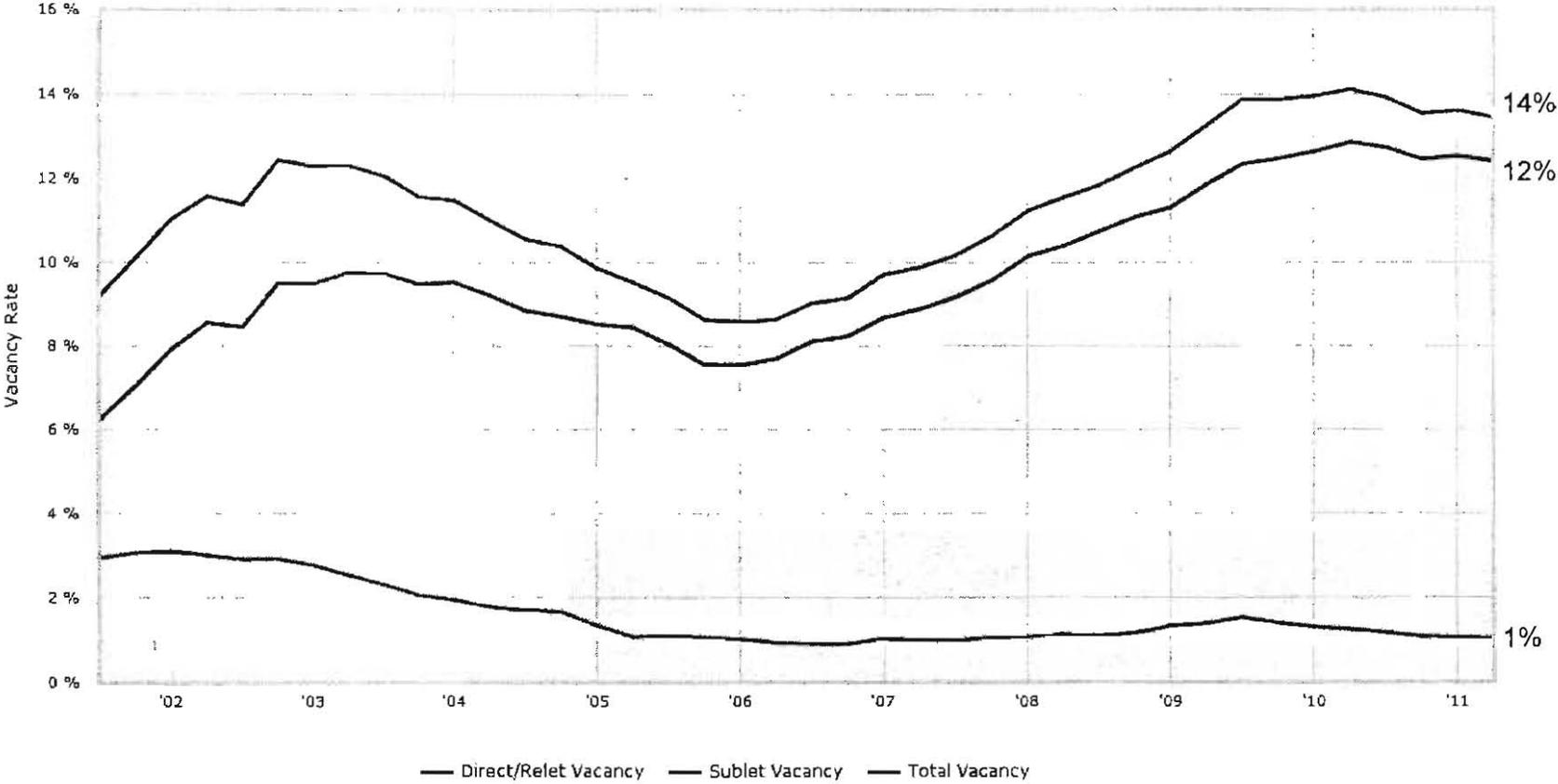


Source: U.S. Bureau of Labor Statistics, *Local Area Unemployment Statistics*; 2011 estimate based on average monthly employment through May 2011.

# SPACE

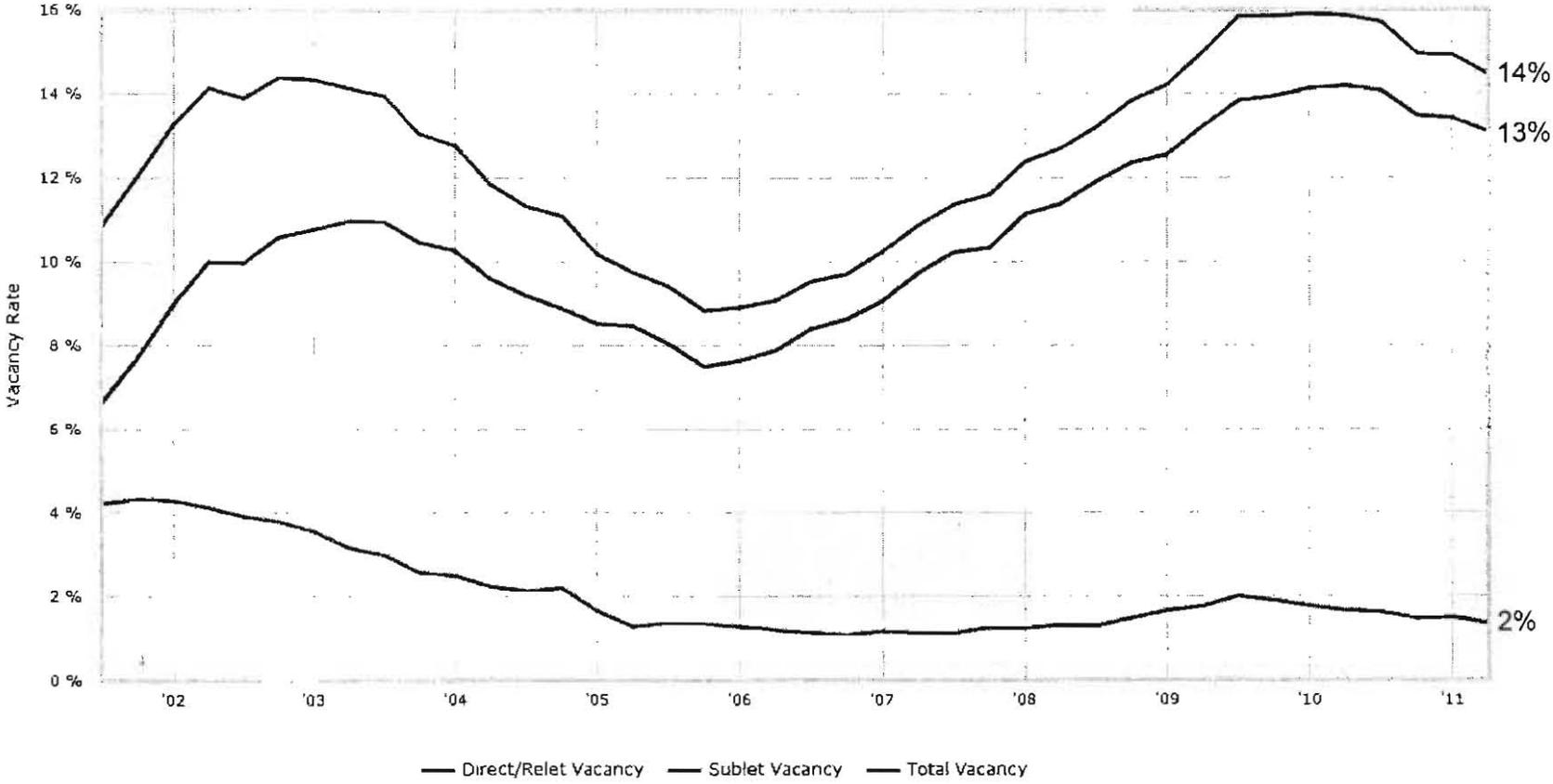
- **Office**
- **Lab**
- **Retail**
- **Residential**

# Montgomery County Office Vacancy – All Space



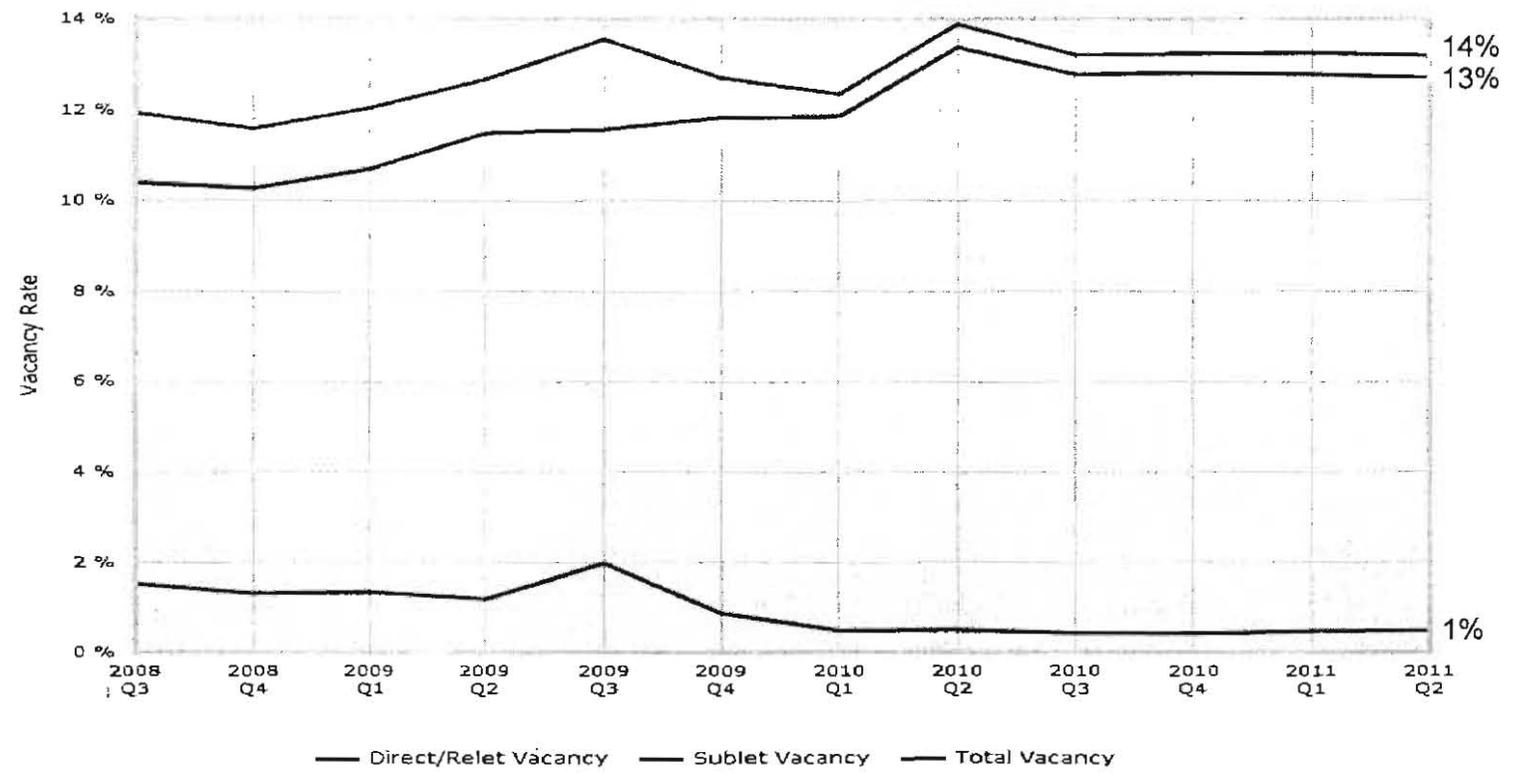
SOURCE: CoStar® Property

# Montgomery County Office Vacancy – Class A Space



SOURCE: CoStar® Property

## Montgomery County Office Vacancy – Class B Space



SOURCE: CoStar® Property

# Montgomery County Class A & B Office Vacancy Report (50K SQ FT +)

	Building Address	City	Building Name	Building Park	Class	Rentable Building Area	Total Vacant Available
1	8403 Colesville Rd	Silver Spring	Silver Spring Metro Plaza 2	Silver Spring Metro Plaza	A	470,045	221,358
2	6560 Rock Spring Dr	Bethesda	Phase II	Rock Spring Park	A	180,394	180,393
3	6710 Rockledge Dr	Bethesda	Capital Gateway Bldg II	Rock Spring Park	A	293,551	176,131
4	6720-B Rockledge Dr	Bethesda	Piedmont Pointe II	Rock Spring Park	A	239,499	149,363
5	2000 Tower Oaks Blvd	Rockville	2000 Tower Oaks Boulevard	Tower Oaks	A	200,405	129,140
6	7361 Calhoun Pl	Rockville	Phase 5	Metro Park North	A	221,518	116,891
7	9711 Washingtonian Blvd	Gaithersburg	The Summit at Washingtonian I	Milestone Business Park	A	193,199	107,094
8	20250 Century Blvd	Germantown	270 Corporate Center 4	270 Corporate Center	A	106,794	106,794
9	4800 Montgomery Ln	Bethesda	Hampden Square	Tower Oaks	A	141,860	106,634
10	6600 Rockledge Dr	Bethesda	Rockledge Executive Plaza 1	Rockledge Executive Plaza	A	160,173	105,165
11	702 King Farm Blvd	Rockville	Two Irvington Centre	King Farm	A	164,891	102,660
12	820 W Diamond Ave	Gaithersburg	Quince Tree Executive Building	Quince Tree Executive Ctr	A	131,084	102,611
13	8661 Colesville Rd	Silver Spring	City Place	City Place	A	87,340	87,340
14	9713 Key West Ave	Rockville	Phase I, Bldg 1	Danac Stiles	A	130,777	82,082
15	9715 Key West Ave	Rockville	Phase I, Bldg 2	Danac Stiles	A	79,407	79,407
16	530 Gaither Rd	Rockville	Phase II	Redland Corporate Center	A	208,515	74,809
17	6550 Rock Spring Dr	Bethesda	One Rock Spring Plaza	Rock Spring Park	A	219,291	72,792
18	9601 Blackwell Rd	Rockville	Blackwell One		A	121,011	72,607
19	9717 Key West Ave	Rockville	Phase I, Bldg 3	Danac Stiles	A	79,407	72,597
20	111 Rockville Pike	Rockville	Rockville Metro Plaza I	Rockville Town Square	A	225,720	71,509
21	9600 Blackwell Rd	Rockville	Blackwell Two	Park Plaza at Shady Grove	A	102,647	71,056

SOURCE: CoStar® Property

## Montgomery County Class A & B Office Vacancy Report (50K SQ FT +) (Continued)

	Building Address	City	Building Name	Building Park	Class	Rentable Building Area	Total Vacant Available
22	400 Professional Dr	Gaithersburg	Crown Point Corporate Center	Crown Pointe Office Park	A	129,355	58,895
23	11921 Rockville Pike	Rockville	Montrose Metro I	One Montrose Metro	A	119,968	58,743
24	6710 Rockledge Dr	Bethesda	Capital Gateway Bldg II	Rock Spring Park	A	293,551	58,260
25	7501 Wisconsin Ave	Bethesda	7501 Wisconsin Avenue		A	696,500	57,718
26	800 King Farm Blvd	Rockville	Three Irvington Centre	King Farm	A	217,134	54,611
27	1700 Rockville Pike	Rockville	Twinbrook Office Center		A	163,479	54,403
28	7700 Wisconsin Ave	Bethesda	Bethesda Place I		A	314,355	52,374
29	9201 Corporate Blvd	Rockville	Shady Grove Executive Ctr 2	Shady Grove Executive Ctr	A	105,318	51,148
30	1100 Wayne Ave	Silver Spring	Colonnade @ Station Square	Station Square	A	160,407	50,832
31	1700 Rockville Pike	Rockville	Twinbrook Office Center		A	163,479	56,429
32	6701 Democracy Blvd	Bethesda	Democracy Plaza 1	Democracy Plaza	A	214,304	55,808
33	11921 Rockville Pike	Rockville	Montrose Metro I	One Montrose Metro	A	119,968	52,402
34	12420 Milestone Center Dr	Germantown	Bldg 3	Milestone Business Park	A	156,508	51,346
35	2301 Research Blvd	Rockville	Research Bldg		A	93,746	50,867
36	3 Bethesda Metro Ctr	Bethesda		Bethesda Metro Ctr	A	368,400	50,637
37	800 King Farm Blvd	Rockville	Three Irvington Centre	King Farm	A	217,134	50,587
				<b>Total Vacant Class A 50Ksf+</b>			<b>3,254,304</b>
				<b>Total Vacant Class A in MoCo</b>			<b>4,092,156</b>
				<b>Total Inventory Class A</b>			<b>31,498,537</b>

SOURCE: CoStar® Property

## Montgomery County Class A & B Office Vacancy Report (50K SQ FT +) (Continued)

38	22300 Comsat Dr	Clarksburg	Comsat Bldg	COMSAT Corporate Campus	B	537,785	537,784
39	13900 Connecticut Ave	Silver Spring			B	262,923	262,923
40	8630 Fenton St	Silver Spring	Montgomery Center		B	255,600	82,767
41	7315 Wisconsin Ave	Bethesda	Air Rights West Tower	Air Rights Center	B	215,240	80,987
42	6001 Montrose Rd	Rockville	Montrose Office Center		B	148,378	70,371
43	910 Clopper Rd	Gaithersburg		Tech Park 270	B	180,650	68,000
44	6003 Executive Blvd	Rockville	#6	Washington Science Center	B	109,841	67,765
45	1803 Research Blvd	Rockville	Research Center	Research Center	B	139,463	67,726
46	6010 Executive Blvd	Rockville	Montgomery Center	Washington Science Center	B	134,450	66,375
47	656 Quince Orchard Rd	Gaithersburg	Montgomery Office Bldg	Quince Orchard Plaza	B	107,284	61,664
48	1390 Piccard Dr	Rockville			B	108,039	61,197
49	1375 Piccard Dr	Rockville	WEST*X	Tech Park 270	B	112,500	58,066
50	6110 Executive Blvd	Rockville		Oak Grove Corporate Park	B	198,000	57,729
51	1700 Research Blvd	Rockville	Research Boulevard 1700		B	104,079	53,398
52	6 Taft Ct	Rockville			B	55,350	50,525
							<b>Total Vacant Class B 50Ksf+</b>
							<b>1,647,277</b>
							<b>Total Vacant Class B in MoCo</b>
							<b>3,930,135</b>
							<b>Total Inventory Class B</b>
							<b>29,668,374</b>

SOURCE: CoStar® Property

## Class A & B Office Space Montgomery, Fairfax and Prince George's Counties

	Total Vacant Class A 50K+ sf	Total Vacant Class A	Total Inventory Class A
Montgomery County	3,254,304	4,092,156	31,498,537
Fairfax County, Virginia	6,320,051	10,022,094	69,156,231
Prince George's County, Maryland	1,168,225	1,867,743	8,557,129

	Total Vacant Class B 50K+ sf	Total Vacant Class B	Total Inventory Class B
Montgomery County	1,647,277	3,930,135	29,668,374
Fairfax County, Virginia	2,441,551	6,126,743	37,554,587
Prince George's County, Maryland	666,966	53,963	13,043,358

## Montgomery County Top Office Leasing Transactions (1st & 2nd Qtr 2011)

	Tenant	Building Address	City	Class	Space Use	Square Footage
1	Digital Receiver Technology	12409 Milestone Center	Germantown	A	Office	134,000
2	ICF Marco	530 Gaither Rd	Rockville	A	Office	97,495
3	Giant Food	15707-15791 Columbia Pike	Burtonsville	Retail	Retail	58,000
4	MacroGenics	9640 Medical Center Dr	Rockville	B	Office	46,267
5	FINRA	15200 Omega Dr	Rockville	A	Office	36,149
6	Automatic Data Processing, Inc	401 N Washington St	Rockville	A	Office	33,926
7	Intelsat General Corporation	6550 Rock Spring Dr	Bethesda	A	Office	29,699
8	Capital Financial Group	6600 Rockledge Dr	Bethesda	A	Office	28,496
9	Source Office Suites	1700 Rockville Pike	Rockville	A	Office	25,384
10	Radio One	1010 Wayne Ave	Silver Spring	A	Office	23,982
11	Comcast SportsNet	7700 Wisconsin Ave	Bethesda	A	Office	23,000
12	Amplimmune INC	45 W Watkins Mill Rd	Gaithersburg	B	Flex	21,000
13	Preston Gymnastics Academy	16780-16796 Oakmont Ave	Gaithersburg	B	Warehse	14,500
14	Mini of Montgomery County	1190 Rockville Pike	Rockville	Retail	Retail	12,500
15	Huaxia, LLC	8001-8019 Cessna Ave	Gaithersburg	B	Warehse	11,400
16	GetWellNetwork, Inc	7900-7920 Norfolk Ave	Bethesda	B	Office	11,000
17	Comcast	50 W Gude Dr	Rockville	B	Office	11,000
18	Karp Frosch, Lapidus, Wigodsky & Norwind	2273 Research Blvd	Rockville	A	Office	10,792
19	A Wider Circle	9153-0159 Brookville Rd	Silver Spring	C	Warehse	10,300
20	Power Max Inc	8500-8533 Muscatello Ct	Gaithersburg	C	Warehse	9,482
21	BAE Systems	1801 Research Blvd	Rockville	B	Office	9,135
22	Atlantech Online	1201 Seven Locks Rd	Rockville	B	Office	8,943
23	Quality Air Services	12288-12290 Wilkins Ave	Rockville	C	Office	8,789
24	Piano Craft	209 Perry Pkwy	Gaithersburg	B	Office	8,648
25	Rockville Internal Medicine Group	1201 Seven Locks Rd	Rockville	B	Office	8,478

SOURCE: CoStar® Property

# Trends in Real Estate

REGIONAL REAL ESTATE REPORT PROVIDED BY



## With federal cuts, region could shift to smaller leases

By NOAM KLEINMAN

While news headlines often focus on the handful of 200,000 square-foot-plus leases signed in the market's newest trophy tower, building owners and asset managers fighting to gain occupancy in a slow-moving economic environment know the smart leasing strategy is one that targets smaller firms as much if not more than the big ones.

The District, unlike most of the country, has benefited from large leases to a greater extent because of the federal government's demand for space in the commercial market. In anticipation of federal budget cuts, it is likely the District's demand for large leases will diminish and D.C.'s leasing picture could look more like the national average.

According to the Bureau of Labor Statistics' Business Employment Dynamics (BED), as of the first quarter of 2010, some 95 percent of the nearly 4.8 million firms in the U.S. private sector have fewer than 50 employees.

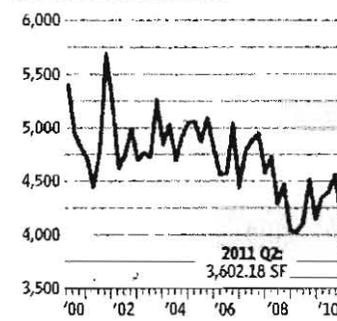
As seen in the first graph, over the past 11 years, the average U.S. office lease size has declined 33 percent over the period from an average of 5,400 square feet in the second quarter of 2000 to today's average of 3,602 square feet; or 37 percent from the peak of 5,690 square feet in the fourth quarter 2001 to the current average.

As seen in the second graph, leases

### Smaller business, smaller leases

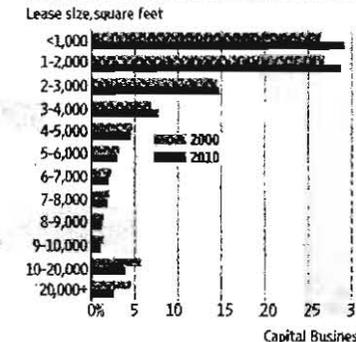
Nationally, as the number of businesses employing fewer than 50 people has grown, the average lease has shrunk. From the second quarter of 2000 to last quarter:

AVERAGE LEASE, square feet



SOURCE: CoStar

DISTRIBUTION OF LEASE SIZES, percent share



below 2,000 square feet represent more than 50 percent of those signed this year. This is not a new trend. As that graph also shows, while more pronounced today, the trend was similar 10 years ago.

Large leases certainly have their benefits, and most building owners would be very happy to fill their buildings in one fell swoop. But the odds of signing a mega-sized tenant are extremely long. And while they may offer stability for property values in a declin-

ing market, an over-reliance on larger leases may cause owners to lose out on the upside in an environment when lease rates are expected to increase.

The bottom line is that chasing large leases may not be the best strategy for leasing. Owners and managers should carefully consider the best leasing mix for their buildings and investment goals. To appeal to smaller sized firms, owners should consider offering amenities such as common meeting rooms and other shared facilities.

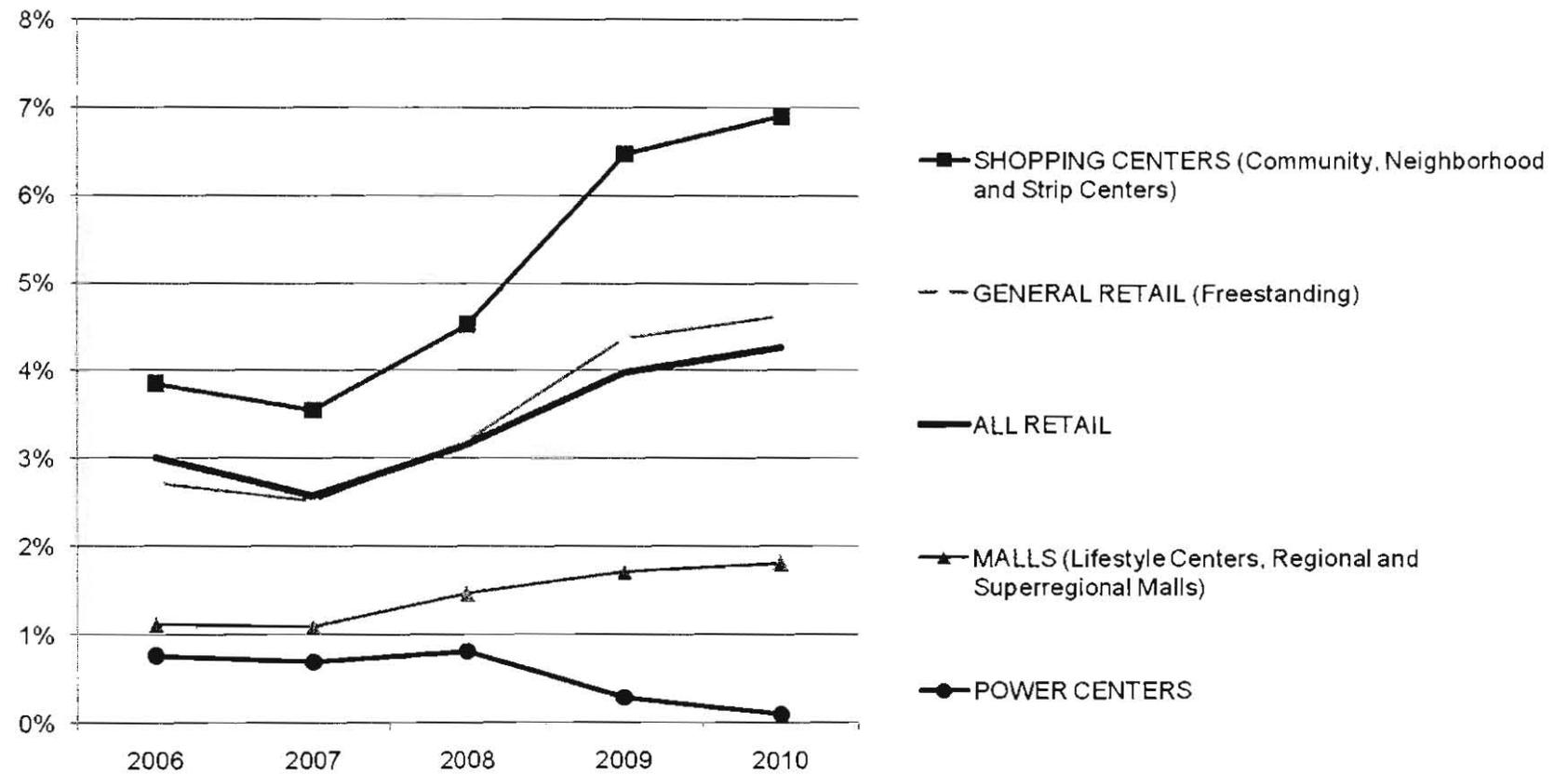
SOURCE: Capital Business, September 5, 2011

# Montgomery County Lab Space

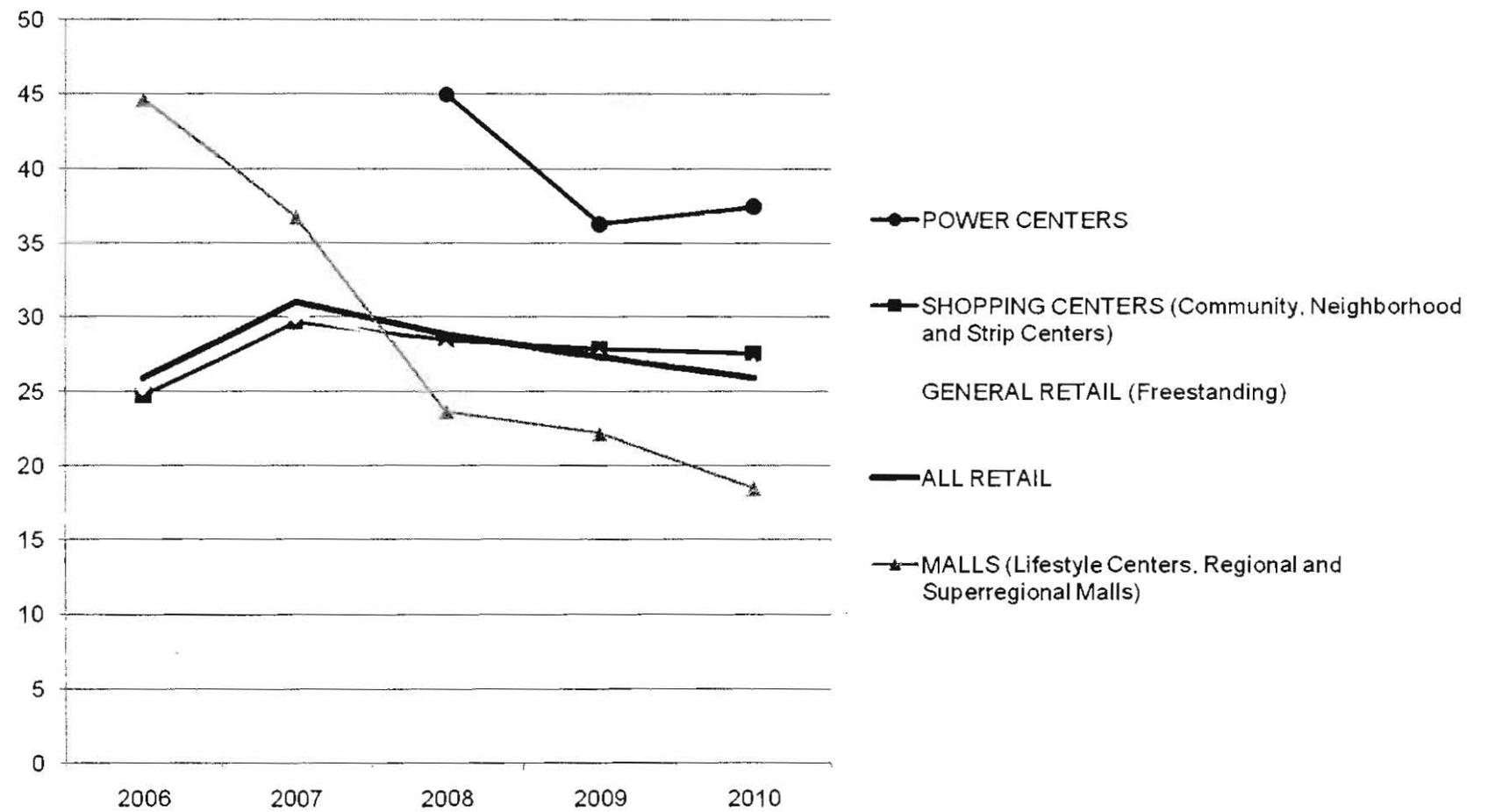
- Vacancy Rate: 5.95% (6.12% in 2010 Q1)
- Total Inventory: 7.3M square feet
- Major Transactions
  - OpGen, Inc.: 14,336 SF in Gaithersburg
  - Amplimmune: 21,000 SF in Gaithersburg
  - Canon Life Sciences: 29,827 SF in Rockville
  - Wellstat: 59,838 SF in Gaithersburg
  - Henry M. Jackson: 36,535 SF in Germantown
  - Neogenix: 10,882 SF in Rockville
  - Macrogenics: 40,000 SF in Rockville
- Vacant Buildings: Seneca Meadows (41,000 SF)

SOURCE: I-270 Lab Space Update, Scheer Partners

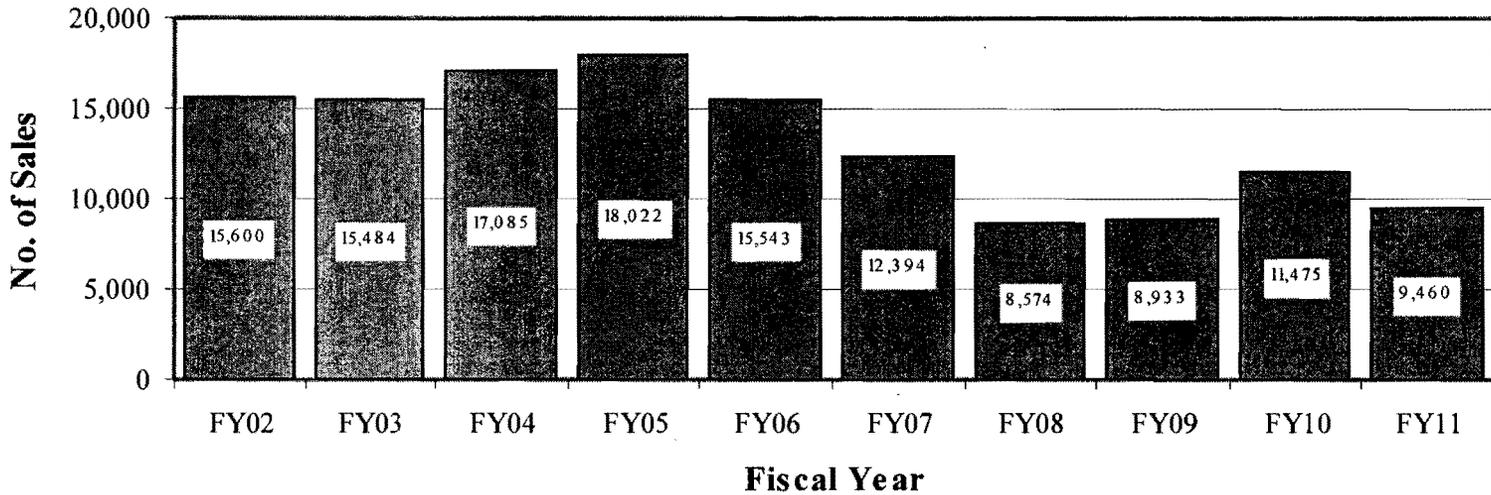
# Retail Vacancies by Type



# Average Retail Lease Rates

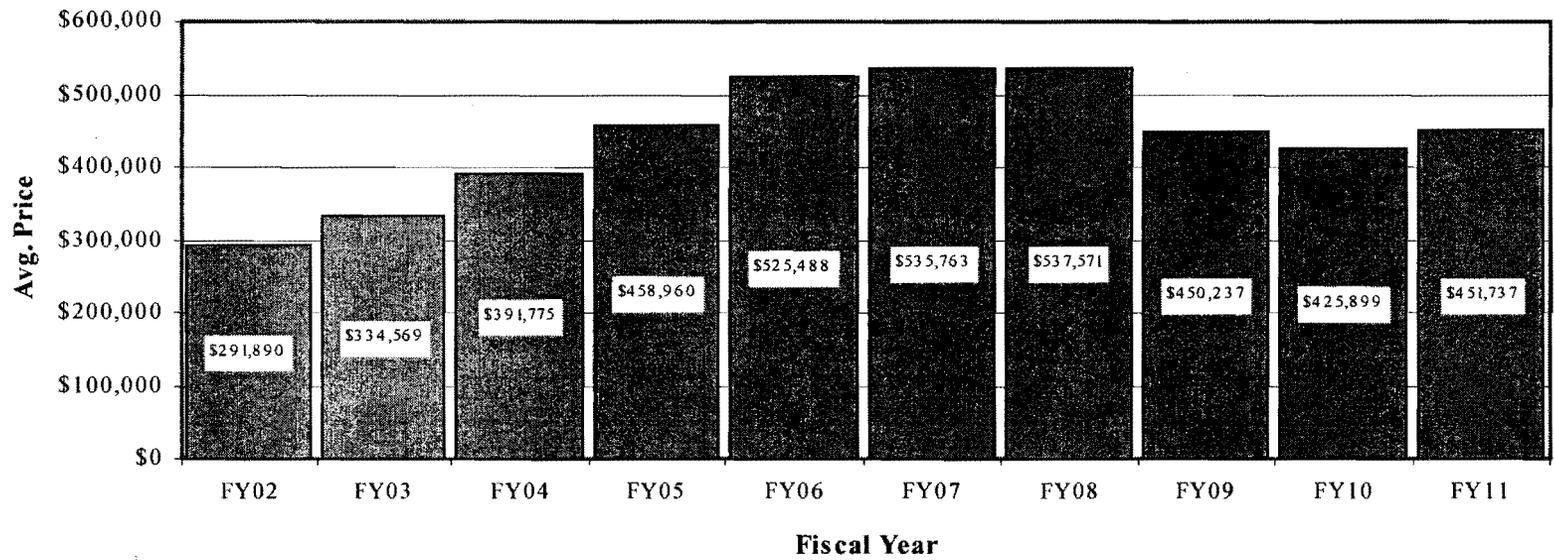


**Total Sales of Existing Homes  
Montgomery County**



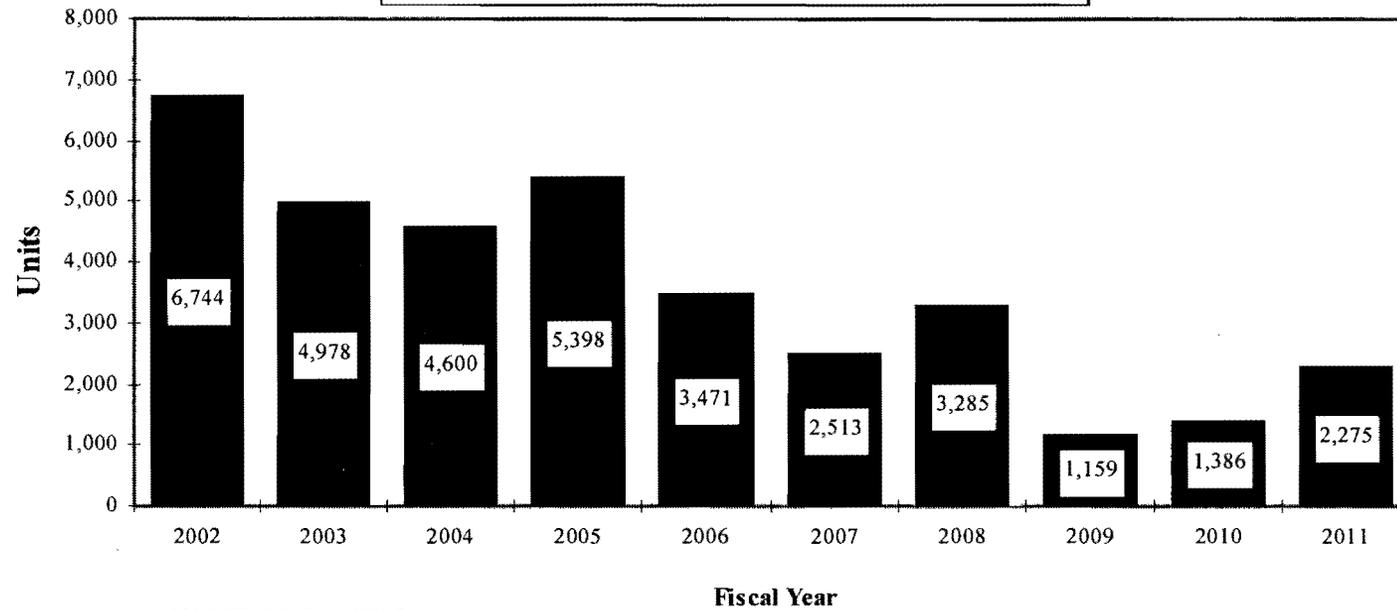
SOURCES: Metropolitan Regional Information System, Inc.  
Montgomery County Department of Finance

**Average Sales Price for Existing Homes  
Montgomery County**



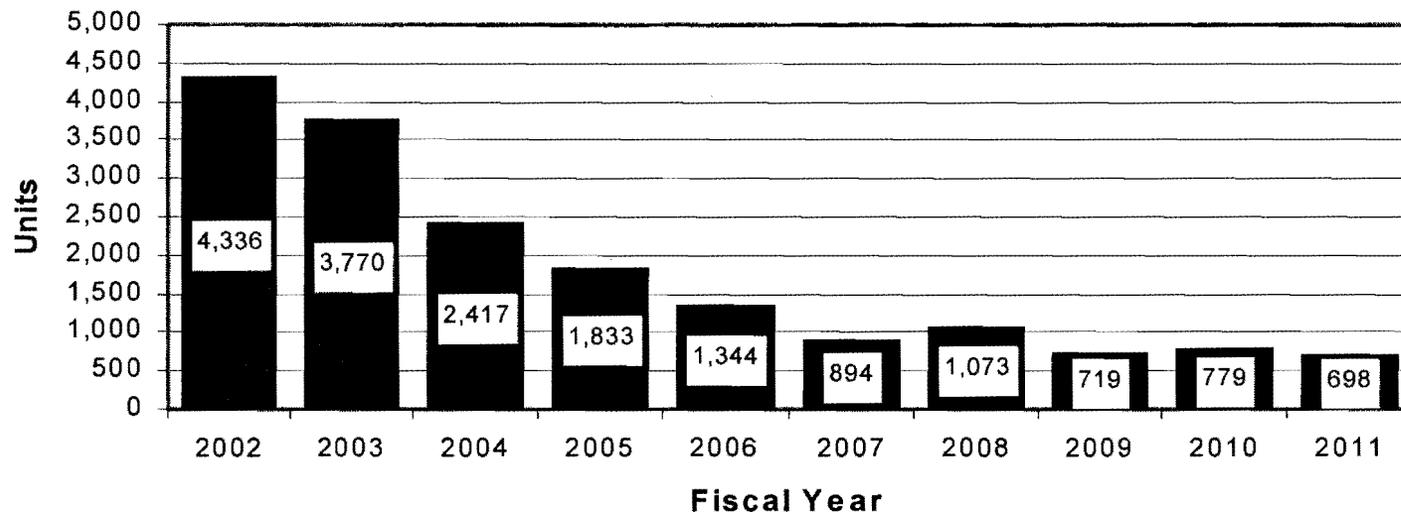
SOURCES: Metropolitan Regional Information System, Inc.  
Montgomery County Department of Finance

**Number of New Residential Starts (Units) and Value  
Montgomery County**



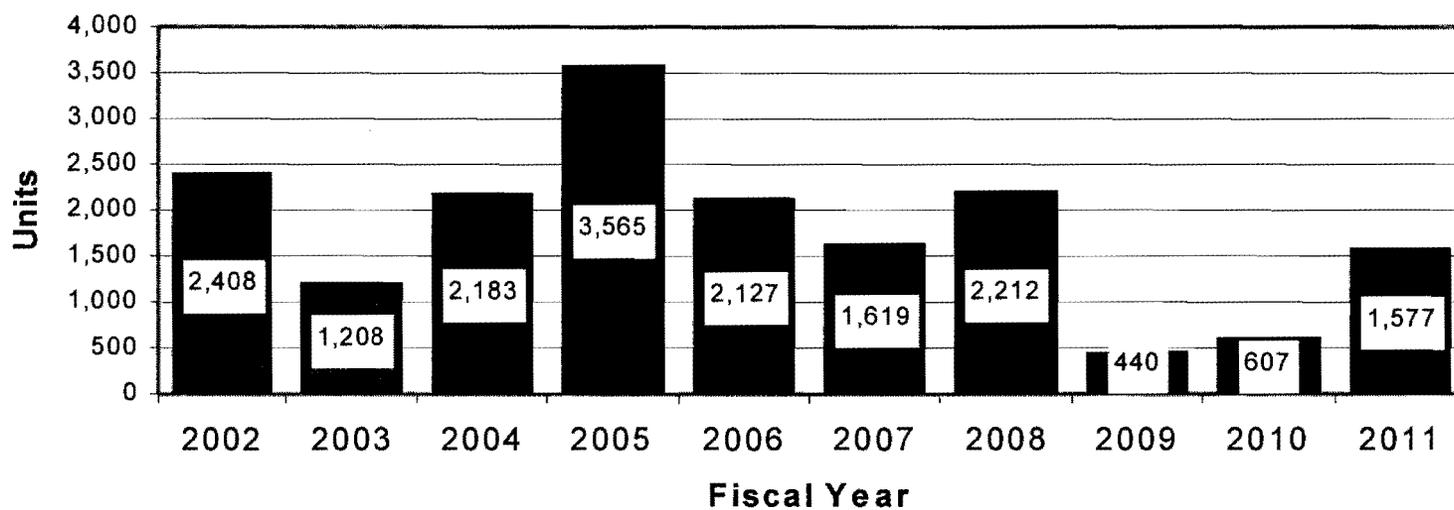
SOURCE: McGraw-Hill Construction

### Number of New Residential Starts for Single-Family Units



SOURCE: McGraw-Hill Construction

### Number of New Residential Start for Multi-Family Units



SOURCE: McGraw -Hill Construction

# THE FEDS

# Federal Leasing Activity in Montgomery County

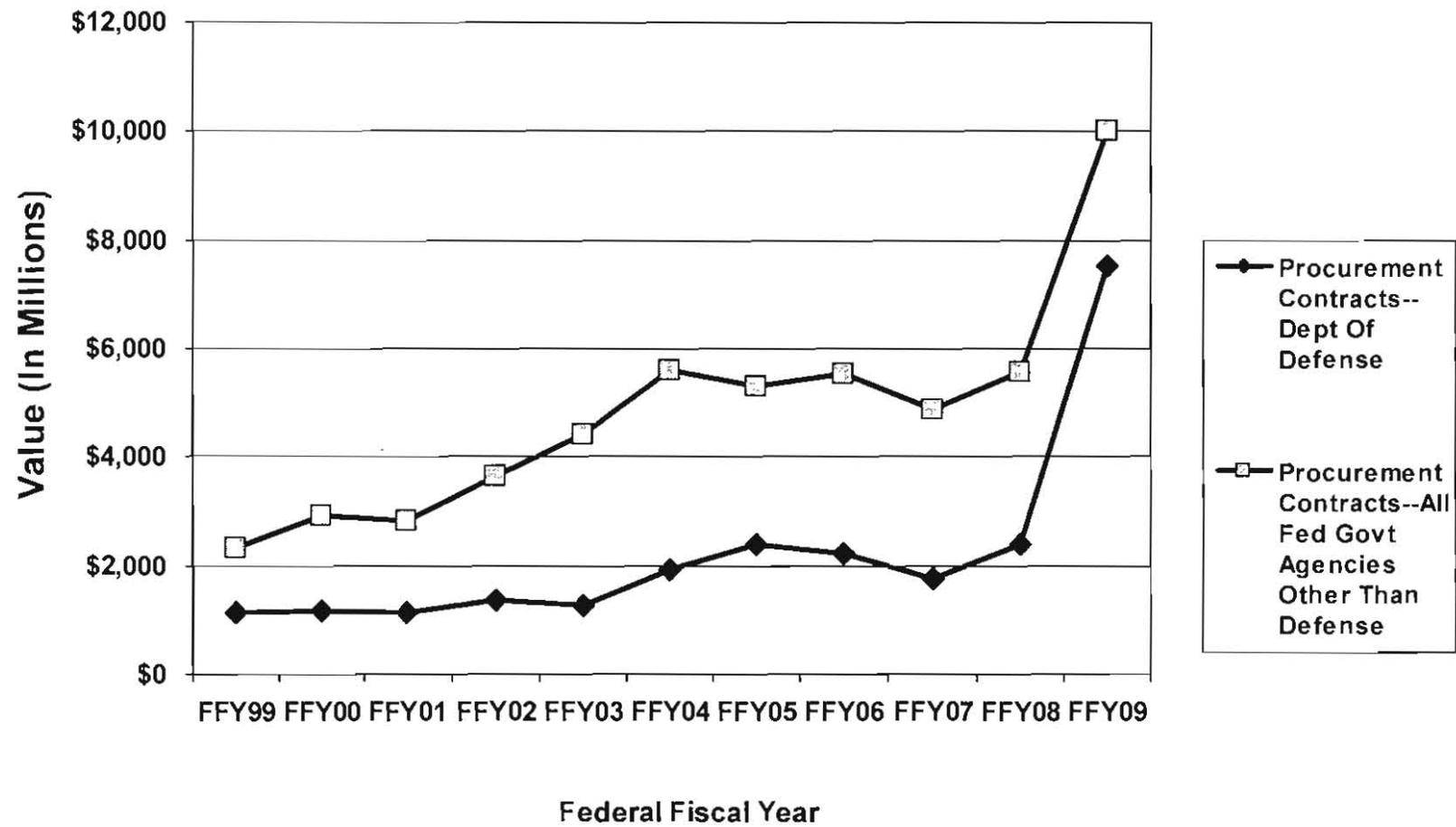
- **Leasing over 8 million square feet in the County**
- **Retention**
  - HHS: Lease renewal at Parklawn Lane of 940,000 SF in Rockville
  - NIAID: Expansion of 498,000 SF at Fishers Lane in Rockville
- **Recent Expansions**
  - HHS: 140,000 SF on Wisconsin Avenue in Bethesda
  - National Cancer Institute: Leasing a new 575,000 SF building on the JHU Montgomery County Campus
  - Nuclear Regulatory Commission: Expansion into a new 14-story 362,000 SF building in the White Flint area
  - FDA: Leasing all 51,000 SF in Silver Spring and all 93,000 SF at the Element building near the Twinbrook Metro in Rockville
- **Outlook and Response**
  - About 38% of GSA's leased space is up for renewal between 2013 and 2016
  - County Executive and DED meeting with agency directors of real estate property
  - DED marketing the County to GSA to attract federal tenants and assisting with GSA property disposal

## Federal Procurement Spending in Montgomery County

	Program Name		Total
	Procurement Contracts-- Dept Of Defense	Procurement Contracts--All Fed Govt Agencies Other Than Defense	
<b>FFY99</b>	\$1,126,055,000	\$2,317,853,486	<b>\$3,443,908,486</b>
<b>FFY00</b>	\$1,158,412,000	\$2,931,966,627	<b>\$4,090,378,627</b>
<b>FFY01</b>	\$1,134,437,000	\$2,807,176,900	<b>\$3,941,613,900</b>
<b>FFY02</b>	\$1,343,772,000	\$3,657,570,745	<b>\$5,001,342,745</b>
<b>FFY03</b>	\$1,263,328,925	\$4,410,670,546	<b>\$5,673,999,471</b>
<b>FFY04</b>	\$1,917,701,644	\$5,592,864,400	<b>\$7,510,566,044</b>
<b>FFY05</b>	\$2,384,362,464	\$5,291,354,390	<b>\$7,675,716,854</b>
<b>FFY06</b>	\$2,226,537,373	\$5,545,099,286	<b>\$7,771,636,659</b>
<b>FFY07</b>	\$1,742,783,360	\$4,873,676,236	<b>\$6,616,459,596</b>
<b>FFY08</b>	\$2,400,631,803	\$5,554,129,594	<b>\$7,954,761,397</b>
<b>FFY09</b>	\$7,529,894,333	\$9,998,742,561	<b>\$17,528,636,894</b>

SOURCE: U.S. Census Bureau, Governments Division, Federal Programs Branch

# Federal Procurement Spending in Montgomery County

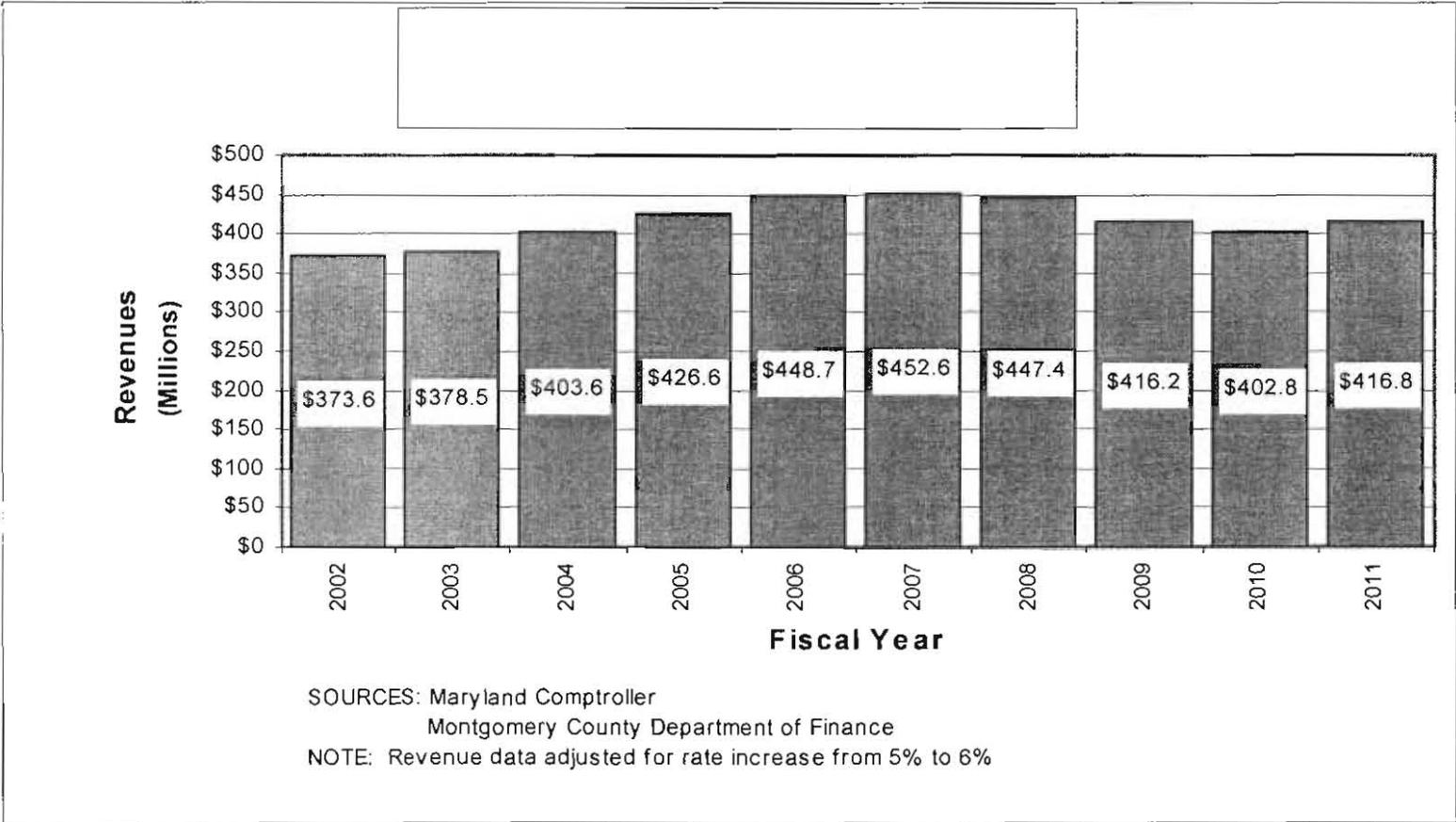


SOURCE: U.S. Census Bureau, Governments Division, Federal Programs Branch

47

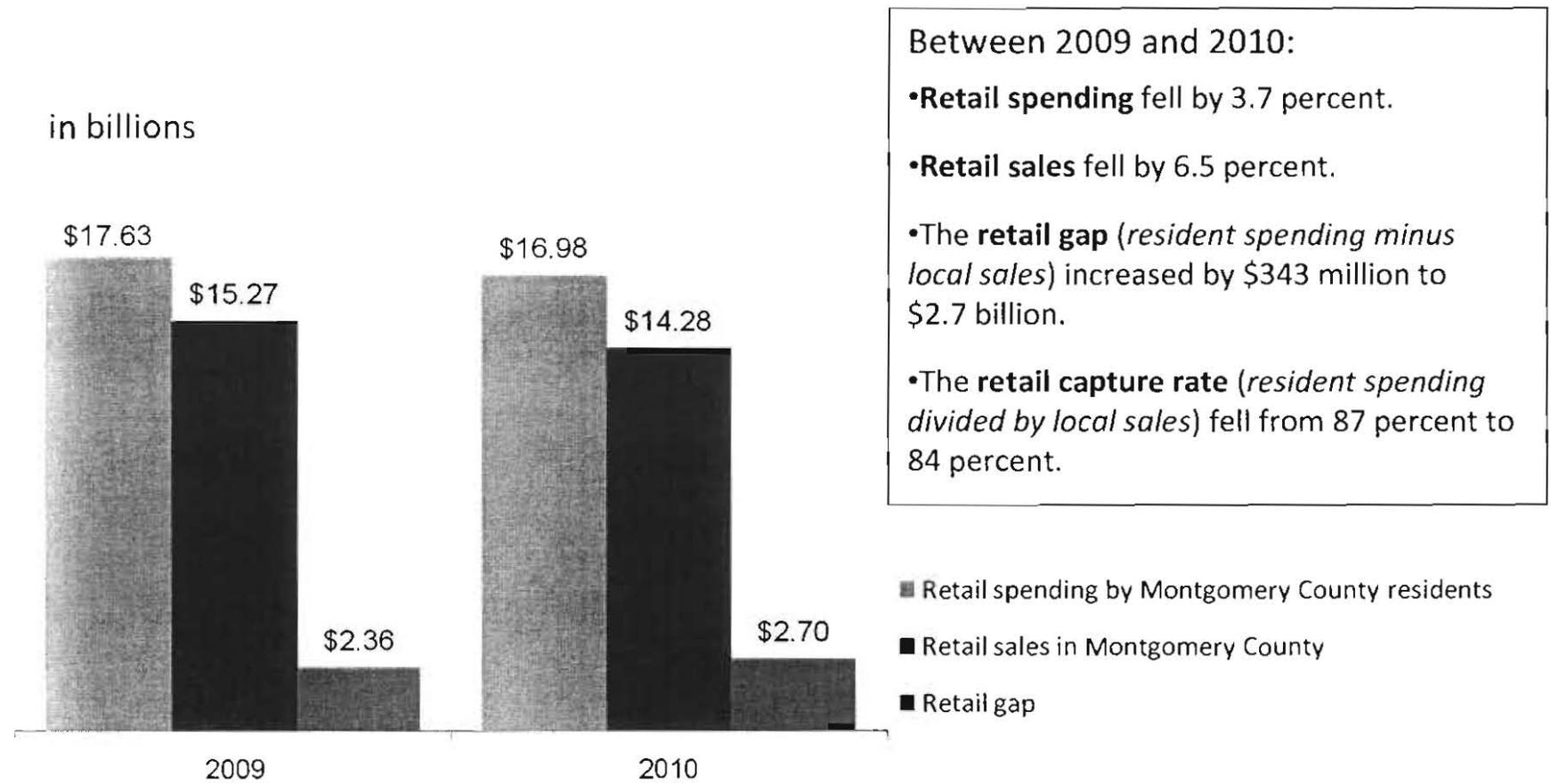
# RETAIL SPENDING

# Retail Sales Tax Revenue



# Retail Activity

Retail spending and sales in Montgomery County, 2009 and 2010

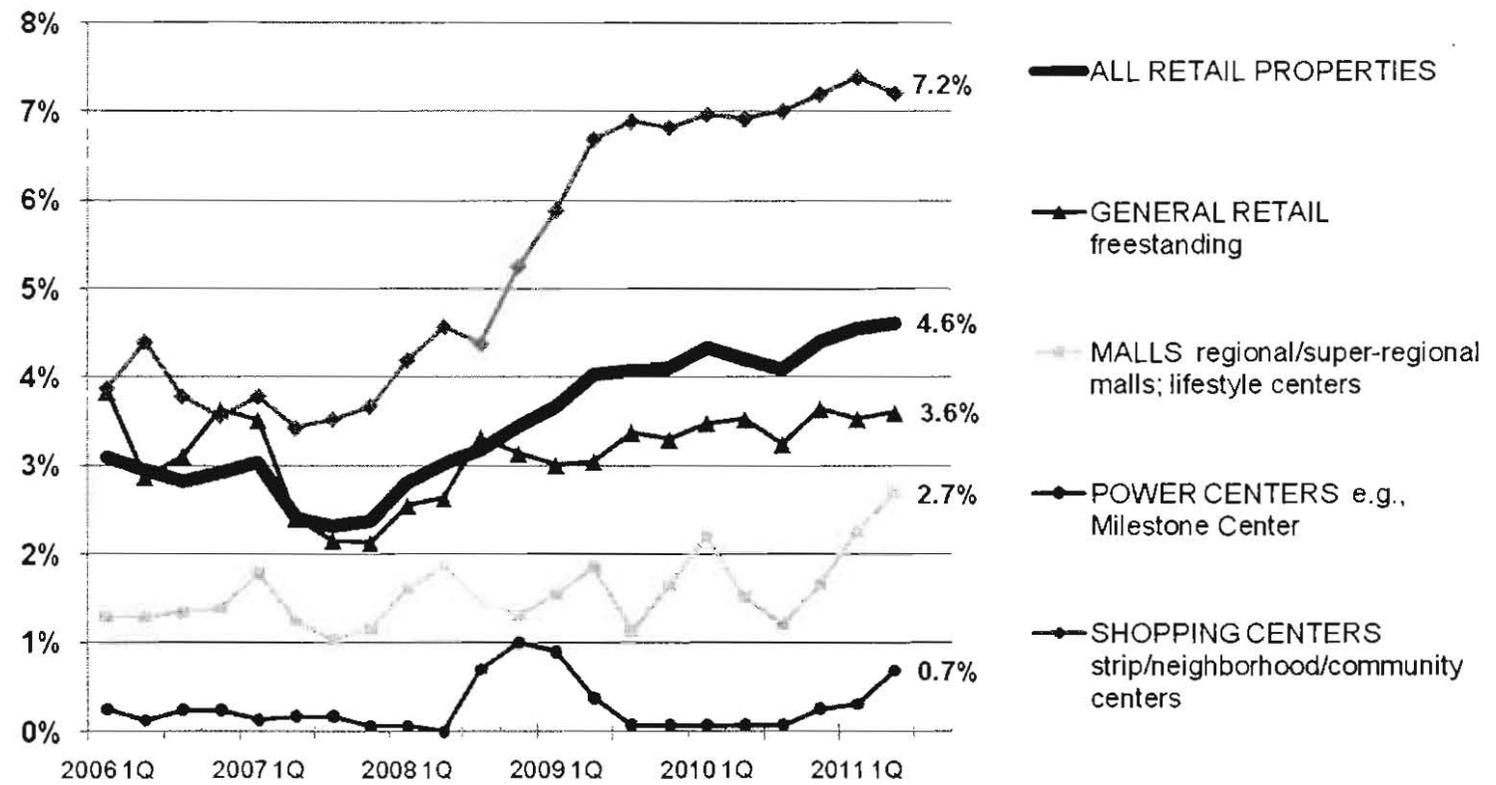


Source: Montgomery County Planning Department analysis of Claritas Site Reports data for 2009 and 2010.

5

# Retail Vacancies

Average quarterly vacancy rate in Montgomery County, by retail property type  
as of 2<sup>nd</sup> quarter 2011

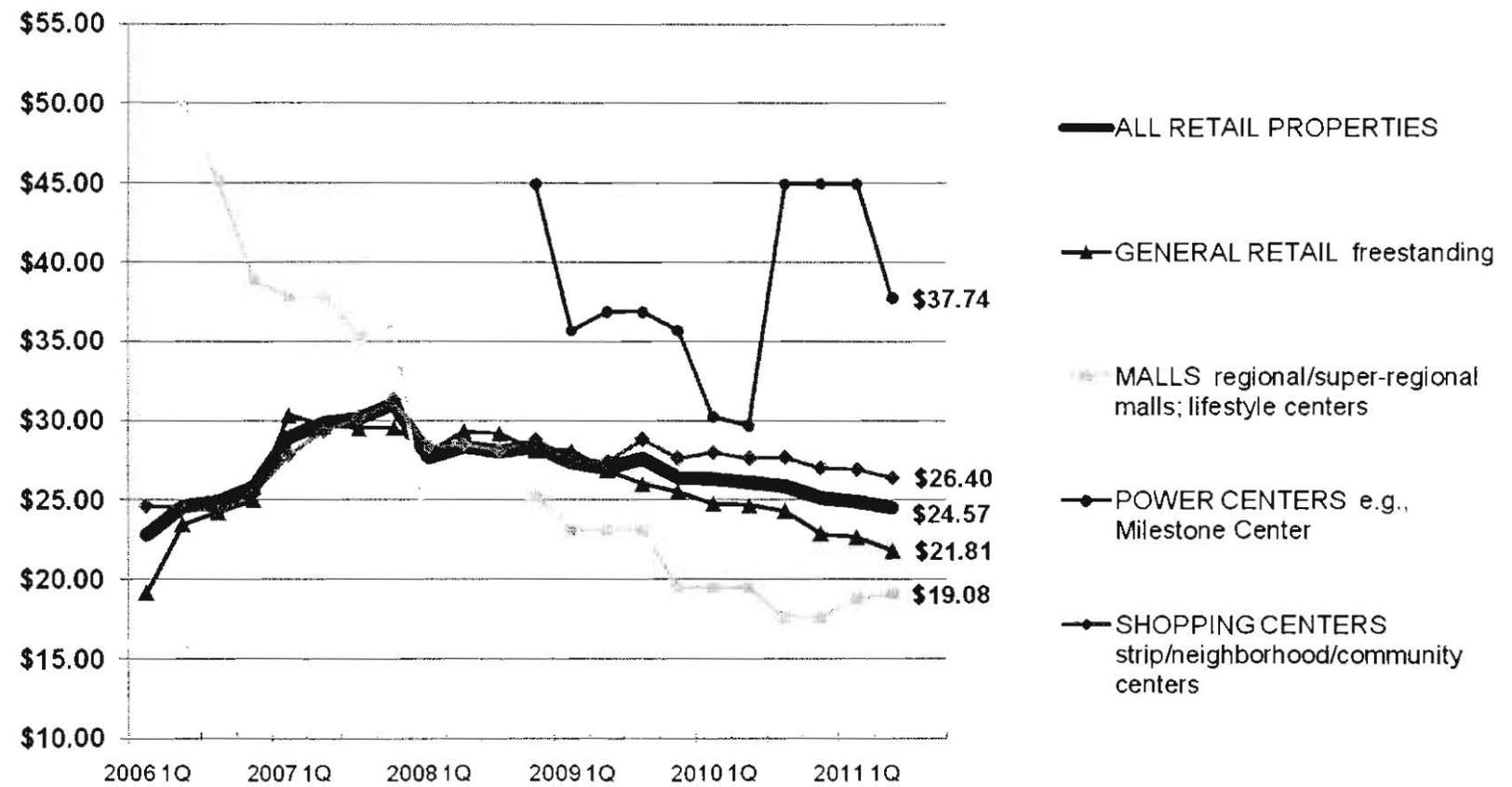


Source: Montgomery County Planning Department analysis of quarterly CoStar data for 2006 through 2Q 2011, retrieved 8/30/2011.

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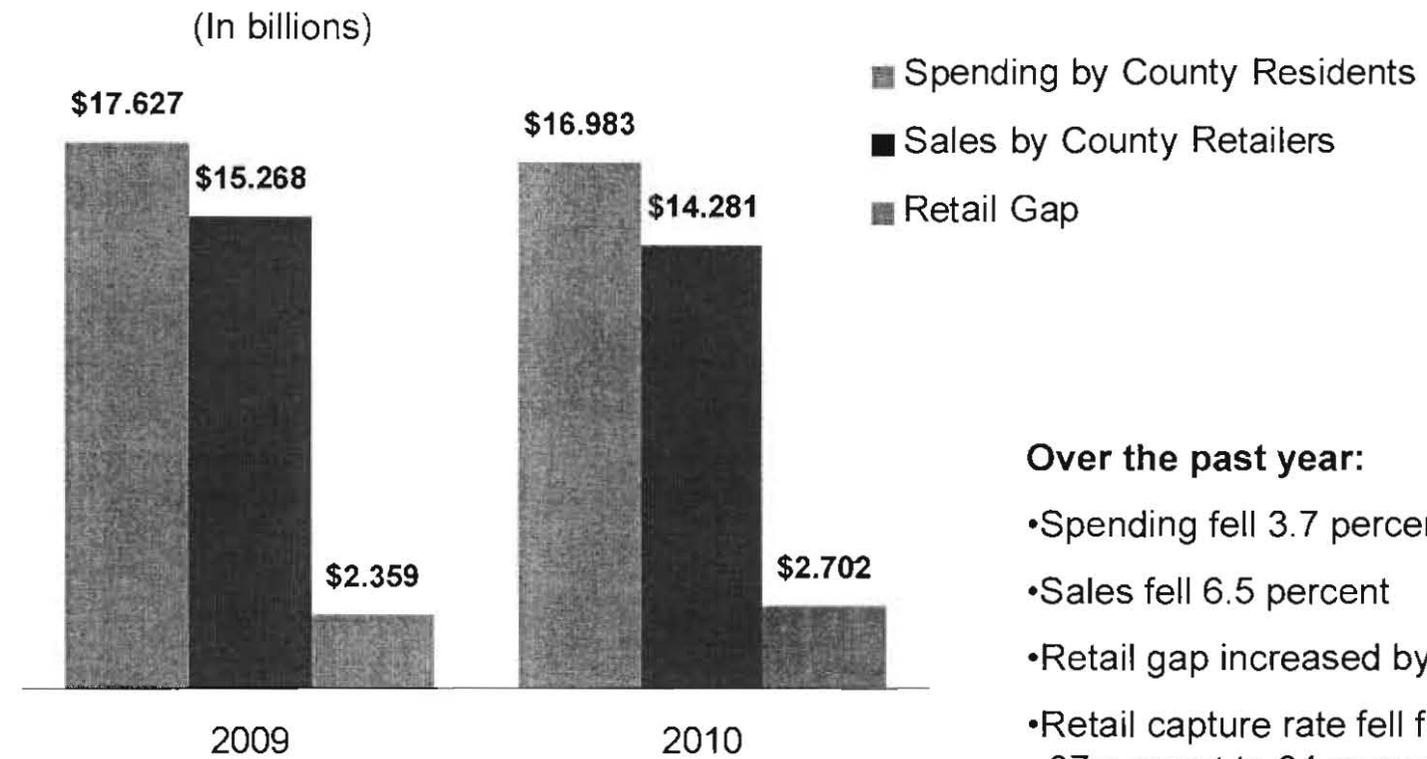
# Average Retail Rents

Average asking rent per square foot in Montgomery County, by property type  
as of 2nd quarter 2011



Source: Montgomery County Planning Department analysis of quarterly CoStar data for 2006 through 2Q 2011, retrieved 8/30/2011.

# Retail Activity



## Over the past year:

- Spending fell 3.7 percent
- Sales fell 6.5 percent
- Retail gap increased by \$343 million
- Retail capture rate fell from 87 percent to 84 percent