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BALTIMORE COUNTY FISCAL DIGEST

GENERAL FUND REVENUES & THE ECONOMY

Baltimore County, Maryland

December 7, 2015

BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

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December 18, 2015

Honorable Members of the Baltimore County Council

Ladies and Gentlemen:

I hereby submit the Baltimore County Fiscal Digest of General Fund Revenues and the Economy as of December 7, 2015. This report summarizes current economic conditions affecting the County and includes updated final (unaudited) FY 2015 General Fund revenues and a revised FY 2016 General Fund revenue projection.

FY 2015 (unaudited) General Fund revenues totaled approximately $1,820.7 million, an increase of $70.2 million, or 4.0%, over FY 2014 revenues. These collections represent an over-attainment of $36.5 million, or 2.0%, from the original FY 2015 budget estimate. The FY 2015 increase was largely due to continued gains in income taxes and property-related transaction taxes, which increased by $29.1 million, or 4.4%, and $11.4 million, or 14.3%, respectively. FY 2015 collections were also buoyed by a $6.5 million reversion from the Baltimore County Public Library's fund balance and $2.8 million in new revenues generated by the County's single-stream recycling facility in its first full year of operation.

The revised FY 2016 revenue forecast of $1,847.8 million is $14.3 million, or 0.8%, below budgeted revenues and is $27.1 million, or 1.5%, above FY 2015 revenues. The revised FY 2016 forecast is $19.2 million less than our August forecast largely as a result of a lower-than-expected November income tax distribution; specifically, the increase in withholdings was less-than-expected and the reconciling distribution for TY 2014 was $25.1 million, or 34.5%, less than the November reconciling distribution for TY 2013. The reconciling distribution is volatile and is not indicative of a worsening economy. The revised forecast yields a healthy projected General Fund Balance (Surplus) as of June 30, 2016 of approximately $215.5 million, including $93.1 million in the Revenue Stabilization Reserve Account (Rainy Day account). Year-to-date collections for other minor revenue sources (e.g., recordation tax, service charges) that have come in ahead of expectations, along with unbudgeted EMS billing revenues, helped to lessen the magnitude of the downward revision.

The Baltimore County Economic Advisory Committee (BCEAC) expressed guarded optimism at its October 5, 2015 meeting. The housing market has shown the strongest growth, with continued low interest rates and minimal increases in home values spurring strong sales. In addition, falling unemployment and stable commercial and retail vacancy rates are positive indicators. However, members expressed some concern regarding stagnant wage growth and noted that the manufacturing sector continues to struggle. The BCEAC's economist expects personal income in the County to grow by 4.33% and 4.90% in FY 2016 and FY 2017, respectively. These observations point to continued revenue growth for the County.

The longer-term economic outlook contains some areas of concern. While the County adds jobs and home sales accelerate, wages and home price growth stubbornly remain tepid. In addition, given historical, cyclical economic trends, it would not surprise most economists if a recession occurs sometime in the next few years. Further, it should be noted that the Federal Reserve increased its interest rate target range at its December 16, 2015 meeting for the first time since December 2008. County revenues are not immediately affected by these economic concerns.

We will continue to monitor economic activity and revenue collections, as well as State and federal developments. The next meeting of the BCEAC is January 12, 2016.

Respectfully submitted,

Lauren M. Smelkinson

Lauren M. Smelkinson, CPA
County Auditor

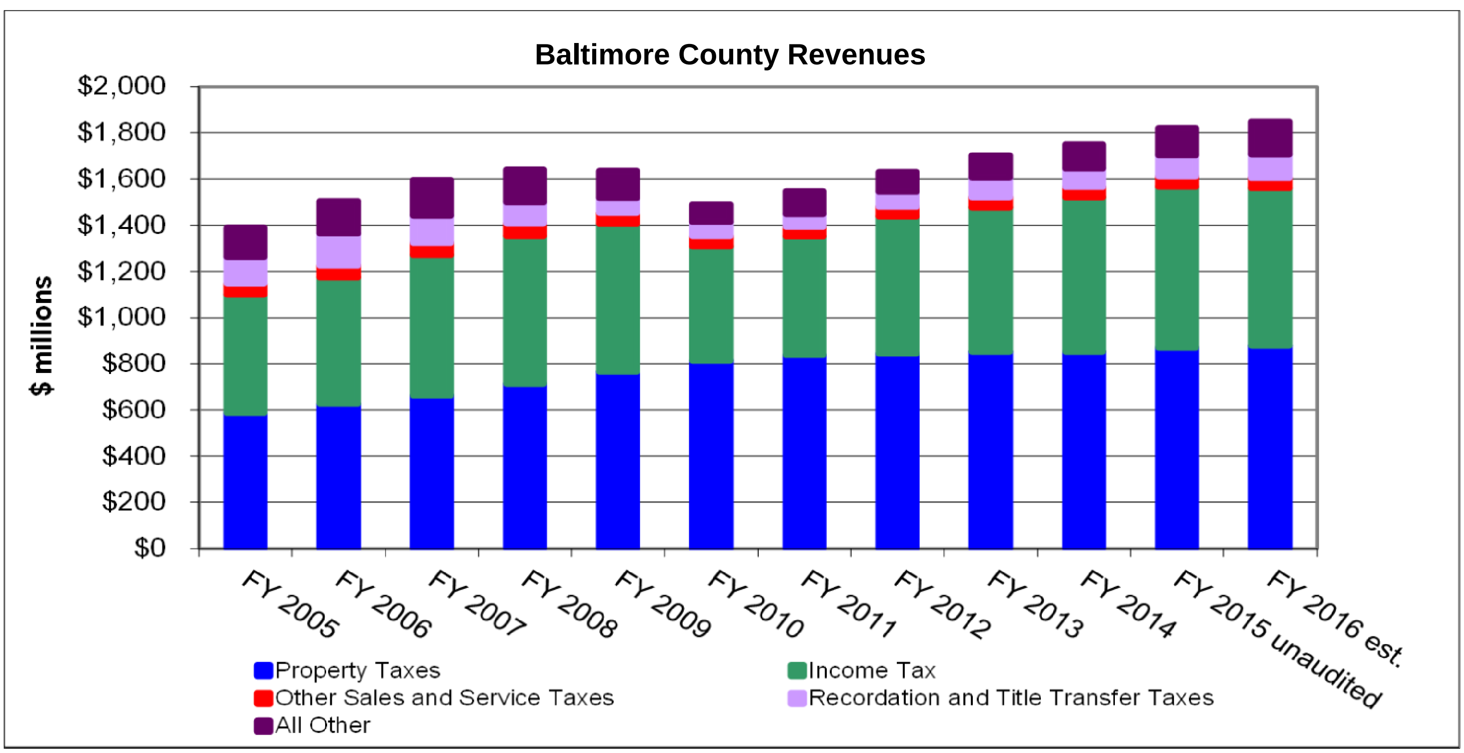
cc: Baltimore County Spending Affordability Committee; Baltimore County Economic Advisory Committee

REVENUE HIGHLIGHTS

Unassigned General Fund Balance (Surplus) as of June 30, 2015 totaled approximately $140.5 million, or 7.9% of FY 2015 budgeted General Fund revenues, based on the most recent unaudited financial records. This amount excludes $89.6 million that was assigned as a source of funding for the FY 2016 budget as well as $25.4 million reserved for income tax refunds related to the Wynne case. In addition to the Surplus balance, the Revenue Stabilization Reserve Account (Rainy Day account) balance is expected to total $89.3 million as of June 30, 2015. The expected Surplus balance and Rainy Day amounts together total $229.8 million, or 12.9% of FY 2015 budgeted General Fund revenues. Audited Surplus figures as of June 30, 2015 should be available by the end of the year.

FY 2015 General Fund revenues totaled approximately $1,820.7 million, an increase of $70.2 million, or 4.0%, over FY 2014 collections. These collections represent an over-attainment of $36.5 million, or 2.0%, above FY 2015 budgeted revenues. The 4.0% revenue increase in FY 2015 is primarily due to continued gains in income tax and property-related transaction tax (i.e., recordation and title transfer tax) revenues, totaling $29.1 million and $11.4 million, respectively. In addition, this increase is buoyed by new revenues collected from the County's single-stream recycling facility as well as a $6.5 million reversion from the Baltimore County Public Library's fund balance. The most prominent year-over-year gain is the increase in property-related transaction tax revenues, which represents growth of 14.3% and is attributable to increased home sales, moderately rising prices, and a one-time $2 million receipt related to the transfer of the former RG Steel property in Sparrows Point. State and federal aid is expected to essentially equal budgeted levels, coming in at $43.7 million, a slight $0.2 million increase from FY 2014 collections.

FY 2016 General Fund revenues are projected to reach $1,847.8 million, up approximately $27.1 million, or 1.5%, from FY 2015 revenue totals and up $63.6 million, or 3.6%, over budgeted FY 2015 revenues. The modest increase in FY 2016 General Fund revenues is due to the impact of a moderately expanding economy combined with new revenue collected from County emergency medical services ambulatory transports, which is estimated to total $21 million in FY 2016, according to the Office of Budget and Finance. FY 2016 income tax collections are forecast to be 2.2% lower than FY 2015 collections due primarily to the receipt of a tax year 2014 reconciling distribution in November 2015 that was $25.1 million lower than the reconciling distribution received in November 2014. Property tax revenues are expected to increase slightly, by 1.0%, due to the State's reassessment of the County's eastern region, which showed modest growth that was partially offset by an increase in Homestead Property Tax credits. Property-related transaction tax revenues are expected to show modest gains from continued growth in both sales volume and prices, and are anticipated to total $102.0 million. The State aid reductions implemented in recent years are not expected to be compounded in FY 2016; however, the County is not expected to receive any notable increases aside from an increase of approximately $2.1 million in direct funding to Police Aid.



REVENUE FORECAST & ECONOMIC OUTLOOK

FY 2015 General Fund revenue growth, primarily attributable to gains in income tax and property-related transaction tax revenues, represents a continuation of the modest growth seen in recent years. FY 2016 revenues are expected to continue to grow, albeit more slowly, with modest growth in property and property-related transaction tax revenues combined with new revenue collected from County emergency medical services ambulatory transports.

($ Millions) Revenue Source	Actual FY 2014	FY13-14 Change	Unaudited FY 2015	FY14-15 Change	Est. FY 2016	FY15-16 Change
Property Taxes	$ 853.3	-0.1%	$ 870.1	2.0%	$ 878.8	1.0%
Income Tax	667.9	7.0%	697.0	4.4%	681.6	-2.2%
Sales & Service Taxes	44.4	-0.2%	45.5	2.5%	45.5	0.0%
Recordation Tax	26.4	-13.7%	28.4	7.6%	35.0	23.2%
Title Transfer Tax	53.6	1.1%	63.0	17.5%	67.0	6.3%
Intergovernmental	43.5	15.4%	43.7	0.5%	45.5	4.1%
All Other	61.4	5.9%	73.0	18.9%	94.4	29.3%
Total Revenue	$1,750.5	2.9%	$1,820.7	4.0%	$ 1,847.8	1.5%

The Baltimore County Economic Advisory Committee (BCEAC) expressed guarded optimism with respect to the local economy at its October 2015 meeting, noting that while the economy continues to expand, aspects of the region's economic performance remain lackluster. Members reported that companies are experiencing continued growth in 2015, allowing for facilities expansion as well as hiring. Further, members reported that commercial and retail vacancy rates are holding steady throughout the County, and that the number of home sales in the County is up considerably over last year. However, members noted that regionally, the manufacturing sector is underperforming and job growth continues to lag much of the nation. Looking forward, the Committee expressed some optimism for growth in 2016. Members' near-term outlook reflects the following factors:

- **Recent reports indicate that consumers' short-term outlook for business conditions and employment has become more pessimistic,** which is not a positive sign for the upcoming holiday season. Consumer confidence is critical to the economy because the consumer accounts for approximately two-thirds of total economic activity, and it is widely understood that in the present economic climate the consumer must be the driving force behind national economic growth. Some members expressed concern that slow year-over-year wage growth is hindering the nation's recovery; however, it was noted that despite declines in the purchase of certain luxury goods, the County's retail market is performing well. The current development projects in Towson, Owings Mills, and White Marsh were cited as evidence of the strength of the County's retail sector.

- **The County's unemployment rate is falling but remains higher than the State average.** The County's workforce development representative reported seeing positive employment trends in the County, and expects a solid year in terms of hiring. It was noted that many analysts believe that the nation is at or near full employment.

- **The Committee's residential real estate representative reported that the County's residential real estate market has performed well in recent months, with significant growth in sales on the east and west sides.** During September, home sales were up 24% and total sales volume increased by $30 million, though average prices were down 5.5% because the majority of sales growth was in less valuable properties. The number of contracts also showed strong growth of 25% in September. It was noted that distressed properties continue to impact appraisals in some parts of the County, particularly in areas where their percentage of total sales remains above 25%. A high volume of distressed properties hinders median sales prices, especially now that short sales have largely been replaced by foreclosures, which on average sell for a much lower price. County property-related transaction tax revenues showed strong growth in FY 2015 due to high sales volume, and this growth is expected to continue, though at a slightly slower pace, in FY 2016.

NATIONAL ECONOMIC INDICATORS

In 2015:Q3, the U.S. economy grew at an annualized rate of 2.1%.

Real U.S. Gross Domestic Product (GDP) in 2015:Q3 increased at an annualized rate of 2.1%. 2015:Q3's performance is a deceleration from an increase of 3.9% in 2015:Q2 but was a slight improvement from the advanced estimate of 1.5% and falls in line with most expectations. The major factor contributing to the deceleration in 2015:Q3 was gross private domestic investment, which decreased at an annualized rate of 0.3%. Nonresidential investment slowed from a 5.2% growth rate in 2015:Q2 to 3.4% in 2015:Q3, and residential investment decelerated from 9.3% to 7.3% over the same period. In addition, the national trade deficit slightly grew, with imports of goods and services growing by 2.1%, offsetting lesser growth in exports of 0.9% during the same period. Meanwhile, government consumption expenditures grew, posting an annualized increase of 1.7% in 2015:Q3, and personal consumption expenditures also increased (see detailed discussion to follow). For all of 2014, real GDP grew by 2.4%, an acceleration from the 1.5% growth experienced in 2013 and exceeding the 10-year average growth of 1.5%. The November 2015 release of the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* projects real GDP growth of 2.4% for all of 2015, followed by a slight acceleration to 2.6% in 2016. The *Survey of Professional Forecasters* projects GDP growth to remain below 3.0% for the foreseeable future; despite holding steady, the GDP growth rate remains below pre-recession levels of 3.8% and 3.3% in 2004 and 2005, respectively.

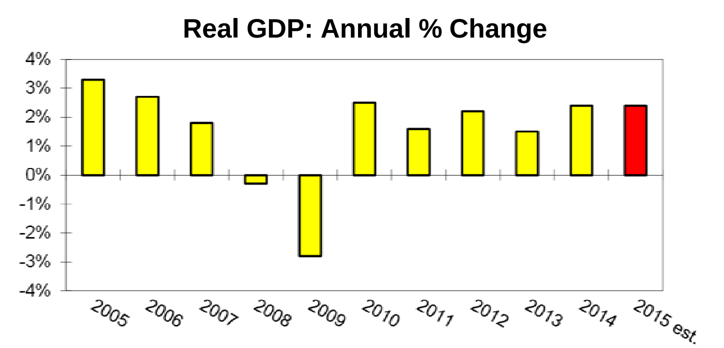
After growing by 2.4% in 2014, real GDP growth is projected to remain flat in 2015, followed by a slight acceleration to 2.6% in 2016.

Real consumer spending grew at an annualized rate of 3.0% in 2015:Q3.

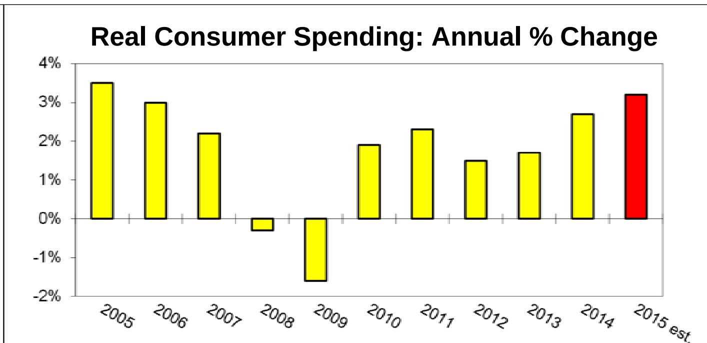
Real consumer spending, which accounts for roughly two-thirds of all U.S. economic activity, continues to show growth, increasing by 2.7% for all of 2014, the fifth consecutive yearly increase following two consecutive decreases. Consumer spending slightly decelerated during 2015:Q3, increasing at an annualized rate of 3.0% following an increase of 3.6% in 2015:Q2. During 2015:Q3, consumer spending on durable and non-durable goods saw strong increases of 6.5% and 4.0%, but slight decelerations from 8.0% and 4.3% increases during 2015:Q2, respectively. Over the same period, growth in consumer spending on services also decelerated slightly from 2.7% to 2.2%. The *Survey of Professional Forecasters* projects that consumer spending will increase by 3.2% and 3.0% for all of 2015 and 2016, respectively.

Consumer confidence decreased in November following a moderate decrease in October.

Consumer confidence, based on a survey of 5,000 U.S. households by The Conference Board (a well-known economic research organization)**,** fell further in November following a moderate decrease in October, with the "Expectations Index" responsible for a majority of the decrease and the "Present Situation Index" also falling. The Conference Board noted, "the decline was mainly due to a less favorable view of the job market. Consumers' appraisal of current business conditions, on the other hand, was mixed." The Board further reported that "heading into 2016, consumers are cautious about the labor market and expect little change in business conditions."



Estimate Source: *Survey of Professional Forecasters*, November 2015



Estimate Source: *Survey of Professional Forecasters*, November 2015

The Federal Reserve's Federal Open Market Committee (FOMC) held interest rate targets between 0% and 0.25% at its October 28, 2015 meeting.

The FOMC expects inflation to rise gradually over the medium term, and advises that "with appropriate policy accommodation" moderate economic growth is expected.

Interest rate targets were maintained between 0% and 0.25% at the October 28, 2015 meeting of the Federal Reserve's Federal Open Market Committee (FOMC). The current interest rate target range, which has been in place since the FOMC's December 2008 meeting, is the lowest since the FOMC's 1954 inception, and is expected to remain in place until the Committee sees "progress, both realized and expected, toward its objectives of maximum employment and 2.0 percent inflation." The FOMC stated that "economic activity has been expanding at a moderate pace" and added that "household spending and business fixed investment have been increasing at solid rates in recent months." Further, the FOMC noted that while the housing sector has improved further, the pace in job gains slowed and net exports remain down. The FOMC advised that "with appropriate policy accommodation, economic activity will expand at a moderate pace, with labor market indicators continuing to move toward levels the Committee judges consistent with its dual mandate." Short-term inflation is expected to remain low, but should rise toward 2.0% in the medium term, as falling energy and import prices stabilize. The FOMC stated that it "anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term."

INTEREST RATE CHANGE FROM OCTOBER 2014 TO OCTOBER 2015

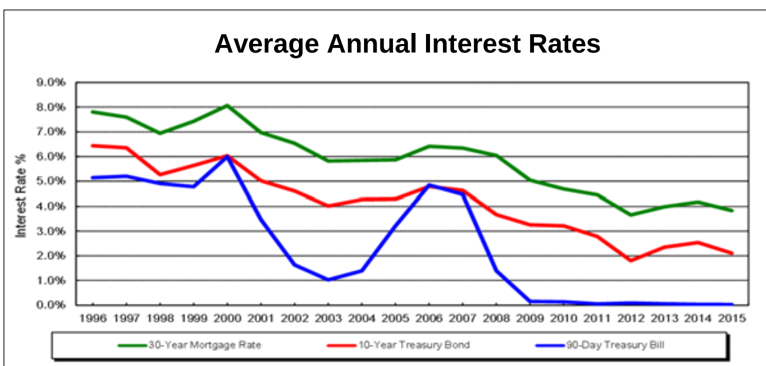
	Basis Points*
90-Day Treasury Bills	0
10-Year Treasury Bonds	-23
30-Year Conventional Mortgage	-24

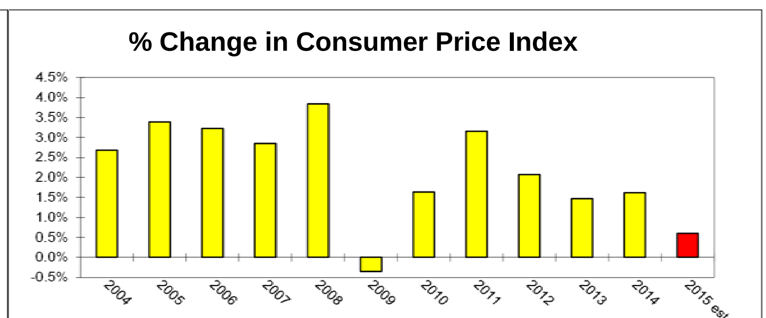
* A basis point is equal to .01 percentage point.

Short-term interest rates are likely to stay near 0%. While the FOMC has not given an exact timeframe, it is widely anticipated that a rate increase will come in December, as recent economic data released after the latest FOMC meeting appears to address most of the Committee's remaining concerns.

From October 2014 to October 2015, consumer inflation slightly increased by 0.2% and is forecast at 0.6% and 2.0% for CY 2015 and CY 2016, respectively.

Inflation, as measured by the Consumer Price Index-All Urban Consumers (CPI-U), has essentially been non-existent during CY 2015, most recently posting an increase of 0.2% from October 2014 to October 2015. The low inflation is largely being driven by consistently low fuel prices, which have posted year-over-year decreases in each of the last fifteen months. These decreases are primarily offset by increases in medical care and medical care services. Core inflation (which excludes food and energy inflation) was 1.9% from October 2014 to October 2015. During CY 2014 the CPI-U increased by 1.6%. The current year-over-year inflation CPI-U forecast for CY 2015 is 0.6%, followed by 2.0% for CY 2016, according to the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters*, November 2015. The *Survey* projects that annual inflation will average 2.2% over the 2015 to 2024 period, after an average actual increase of 2.3% over the 2005 to 2014 period.





Estimate Source: *Survey of Professional Forecasters*, November 2015

LOCAL ECONOMIC PERSPECTIVE

EMPLOYMENT

Continuing the trend of impressive employment gains during CY 2015, County year-over-year employment rose in October 2015.

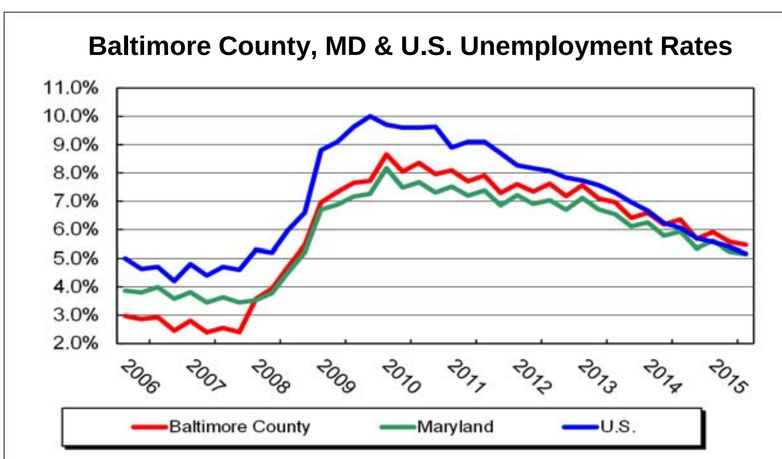
Employment, as measured by place of residence, rose in Baltimore County in October 2015 compared to a year earlier, continuing solid year-over-year growth during CY 2015. Over the October 2014 to October 2015 period, Baltimore County residential employment increased by 9,719 persons, or 2.3%, while Maryland residential employment grew by 63,313 persons, or 2.2%. After a relatively slow year of employment growth in the County during CY 2014, growth has strengthened in CY 2015, with all but one month posting year-over-year employment increases greater than 4,700 persons, or 1.1%. Additionally, employment growth in the County has slightly outpaced growth at the State level on a year-over-year basis during 2015. The current rate of employment growth is a positive sign; such growth is needed to support the County's economy and to continue to keep pace with population growth.

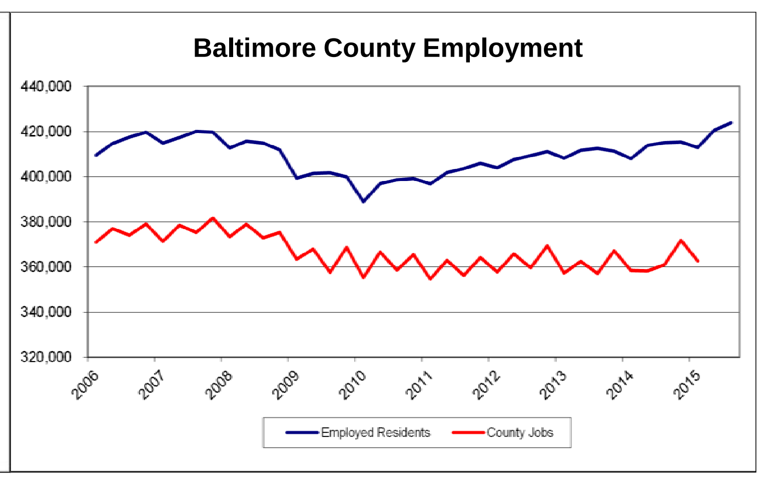
The number of County jobs increased by 1.2% over the 2014:Q1 to 2015:Q1 period, while County employer payrolls rose 2.7%. Further jobs growth is anticipated heading into 2016.

Jobs data, as measured by place of work, show that from 2014:Q1 to 2015:Q1, the number of jobs in both Maryland and Baltimore County increased by 1.2%, as Maryland and Baltimore County employers added an estimated 30,593 and 4,280 positions, respectively. Payrolls rose 3.8% at the State level and 2.7% in Baltimore County. Nationally, non-farm payrolls increased by approximately 2.9 million jobs, or 2.1%, from 2014:Q3 to 2015:Q3. The pace of national job growth has accelerated slightly in recent months, with the nation adding an average of 207,800 jobs per month in 2015:Q3, up from an average of 203,300 jobs per month in 2015:Q2. Sage Policy Group, Inc. (the Spending Affordability Committee's economic consultant) predicts job growth of 2.1% and 1.2% in the County and Maryland, respectively, in CY 2016, with the County's forecast exceeding anticipated national job growth of 1.5%. The County-level and State forecasts exceed anticipated CY 2016 County and State population growth of 0.6% and 0.8%, respectively.

The County's October 2015 unemployment rate was 5.5%, down from 5.8% a year earlier, due exclusively to an increase in the number of residents employed.

The unemployment rate among County residents was 5.5% in October 2015, down from 5.8% a year earlier, but above the State rate of 5.2%. In addition to the year-over-year increase in employed residents, the County labor force has grown in recent months, adding 8,724 workers from October 2014 to October 2015. The falling County unemployment rate, which considers both an expanding labor force and number of employed residents, is a positive sign for the local economy. As of October 2015, 16 of the 24 local jurisdictions in Maryland had a lower unemployment rate than Baltimore County. Nationally, the seasonally adjusted unemployment rate was 5.0% in November 2015, down from the November 2014 rate of 5.8% and the lowest national unemployment rate since February 2008.





PERSONAL INCOME

The Spending Affordability Committee's economic consultant recently estimated that County personal income growth was 4.26% in FY 2015 and predicted it will be 4.33% and 4.90% in FY 2016 and FY 2017, respectively.

Sage Policy Group, Inc. (Sage), the Spending Affordability Committee's economic consultant, estimates in its October 2015 report that Baltimore County's personal income (PI) increased by 4.26% in FY 2015 and by 2.65% in FY 2014, following an actual increase of 2.24% in FY 2013. Sage estimates that Maryland's PI increased by 4.31% in FY 2015, an acceleration from its actual growth of 1.20% in FY 2014. Longer term, Sage expects FY 2016 PI growth in Baltimore County to be 4.33%, which, while reflecting anticipated continued improvement, is 153 basis points below the County's 10-year high growth of 5.86%, which occurred in FY 2006. Sage forecasts FY 2016 PI growth in Maryland to be 4.46%. For FY 2017, Sage forecasts growth of 4.90% in Baltimore County and 5.10% in Maryland.

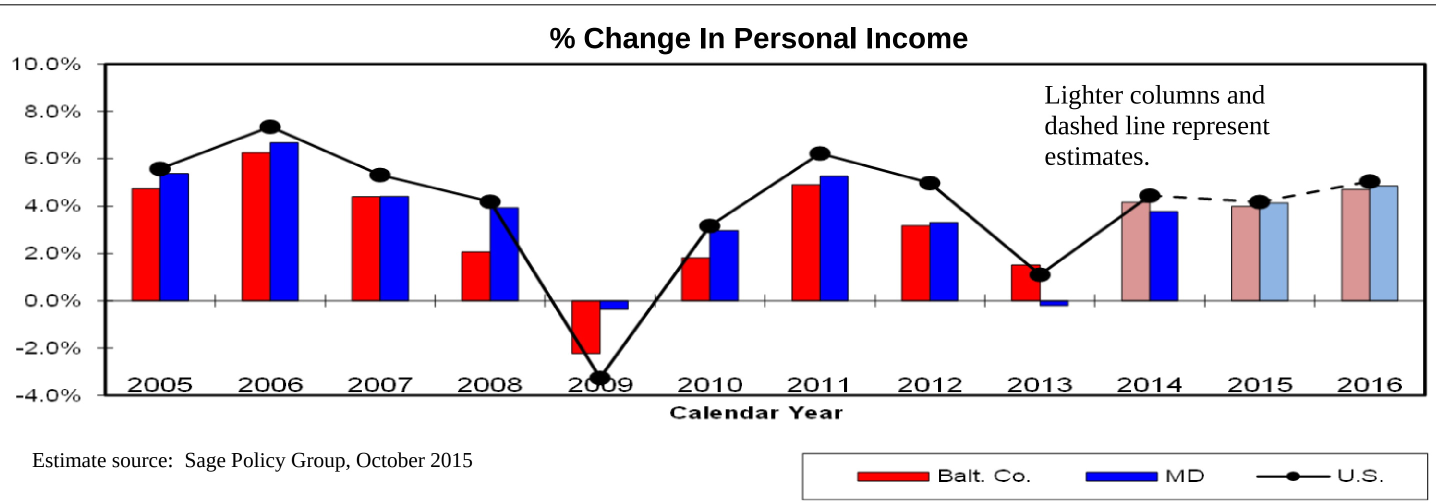
Over the last decade, personal income growth in the County has lagged growth at both the state and national levels.

The nation's nominal household wealth grew by 0.8% from 2015:Q1 to 2015:Q2, after increasing 5.1% during CY 2014.

Over the 2003 to 2012 period, national PI increased 46.6%, a similar pace to Maryland PI growth of 45.9% and faster than Baltimore County PI growth of 36.5%. The most recent quarterly reading for Maryland shows that PI increased by 0.9% from 2015:Q1 to 2015:Q2, less than the national PI increase of 1.3% over the same period. (County data are reported annually.) Nationally, in 2015:Q3, wages and salaries comprised 51.0% of PI, slightly above their composition in 2014:Q3. Old-age/disability/health insurance benefits, which now make up 13.2% of PI, have seen an increase of 4.8% since 2014:Q3. Meanwhile, unemployment benefits decreased 4.9% over the same period, representing only 0.2% of PI, and reflecting continued gains in employment and the overall economy. In October 2015, national average hourly wages ticked up $0.09 from the previous month and increased by 2.5% from October 2014. In Baltimore County, average weekly wages totaled $999 during 2015:Q1, up 4.7% from 2014:Q1, but slightly below State and national averages of $1,113 and $1,048, respectively. The Federal Reserve reported that nominal household wealth increased 5.1% during CY 2014, although a majority of this increase is due to gains in the stock market. Most recently, nominal household wealth grew by 0.8% from 2015:Q1 to 2015:Q2, a deceleration from growth of 1.9% during the previous quarter.

The County's Spending Affordability Committee recommended a spending growth limit of 3.50% for FY 2016.

For FY 2016, the County's Spending Affordability Committee recommended a maximum spending growth rate of 3.50% based on a 5-year average of Sage's January 2015 estimates/forecasts of annual County PI growth for FY 2012 to FY 2016. Sage's October 2015 forecasts of annual County PI growth for FY 2017 and FY 2018 are 4.90% and 5.16%, respectively. Based solely on these forecasted rates and the estimated growth in prior years, the projected maximum spending growth recommendation is 3.68% for FY 2017 and 4.26% for FY 2018.



Estimate source: Sage Policy Group, October 2015

EXISTING HOME SALES

In October 2015, the number of existing home sales totaled 847, an increase of 16.2% from a year earlier.

The median price of existing homes sold in Baltimore County in October 2015 was $214,900, slightly above the price a year ago.

Existing home sales in Baltimore County totaled 8,822 units in FY 2015, 15.7% above FY 2014 sales. Year-over-year home sales showed exceptional growth during FY 2015, and that trend has continued into FY 2016. However, price growth has lagged well behind sales growth. In October 2015, 847 homes were sold, an increase of 118, or 16.2%, from October 2014. The median price of an existing home sold in October 2015 was $214,900, up 1.4% from October 2014, compared to a 0.5% increase state-wide over the same period. At the same time, the active inventory in October 2015 was down 1.1% from October 2014. In October 2015, the BCEAC residential real estate representative reported predominantly positive news for the local housing market, noting September was the "best September in a decade." He noted that sales volume continues to rise, primarily in the east and west sides of the County. He reported that the absorption rate (i.e., "months of inventory") for September 2015 remains strong at 4.1 months. He further reported an uptick in first-time homebuyer activity throughout the metropolitan area, a positive sign for the medium and long-term health of the economy.

The number of pending home sales in October 2015 increased by 16.0% from a year earlier.

Pending existing home sales in October 2015 totaled 1,013, an increase of 140, or 16.0%, over the total in October 2014, following a 26.7% year-over-year increase in September 2015. The BCEAC residential real estate representative reported that distressed sales continue to make up a significant share of the market. He noted that sales under $200,000 made up 68% of the growth in homes sold in September, adding that many of those were distressed sales, which drag down price growth.

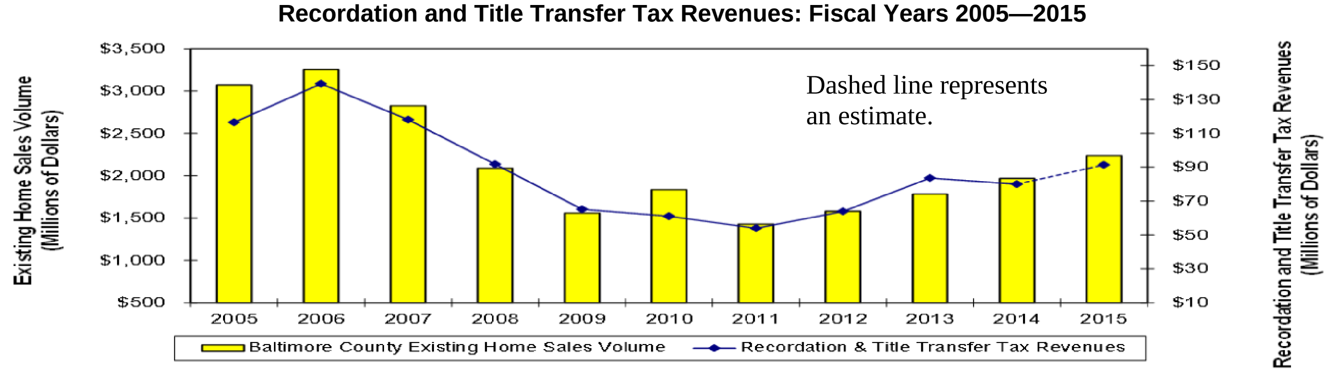
Primarily reflecting lower mortgage interest rates, the monthly mortgage payment for a median-priced County home decreased 1.6% in October 2015 compared to October 2014.

Mortgage interest rates (for 30-year conventional mortgages) in October 2015 were 3.80%, down 24 basis points from October 2014 when rates were 4.04%. The monthly payment for a median-priced Baltimore County home (financed with a 30-year conventional mortgage loan) was $1,001 in October 2015, a 1.6% decrease from the October 2014 level of $1,017 (principal and interest only), reflecting a decrease in mortgage interest rates slightly offset by a modest increase in median home prices. Mortgage rates are anticipated to increase slightly over the remainder of CY 2015 and into CY 2016.

Property-related transaction tax revenues grew by 14.3% in FY 2015 and are expected to grow by 11.6% in FY 2016.

Property-related transaction tax revenues (recordation and title transfer tax revenues) totaled $80.0 million in FY 2014, a decrease of 4.3% from FY 2013 collections, and 42.6% lower than peak collection levels experienced in FY 2006. Based on unaudited data, FY 2015 property-related transaction tax revenues totaled $91.4 million, up 14.3% from FY 2014 levels. These revenues are expected to continue to grow during FY 2016 to $102.0 million, or by 11.6%, largely due to continued demand in the housing market coupled with modest home prices and mortgage interest rates.

Baltimore County Existing Home Sales Volume and Recordation and Title Transfer Tax Revenues: Fiscal Years 2005—2015



CONSTRUCTION

The total value of construction permits issued in 2015:Q2 was $193.5 million, 17.8% above 2014:Q2.

Construction is among the most volatile components of the County's economy. The value of construction permits issued in Baltimore County in CY 2014 totaled $605.8 million, $48.4 million, or 7.4%, below CY 2013. The value of permits issued in 2015:Q2 totaled $193.5 million, $29.2 million, or 17.8%, above 2014:Q2. This permit valuation is 11.3% above the 7-year average of 2nd quarter activity. New non-residential construction permits were valued at $43.2 million in 2015:Q2, an increase of $21.8 million, or 102.4%, from 2014:Q2, and were 69.5% above the 7-year average of 2nd quarter activity. Four new non-residential construction permits valued above $3.5 million were issued in the County in 2015:Q2, including permits for an office/warehouse building in Arbutus-Lansdowne valued at $13.3 million, a County-owned waste transfer station in White Marsh valued at $7.3 million, a self-storage facility in Reisterstown-Owings Mills valued at $4.8 million, and strip mall building in Greenspring Valley-Pikesville valued at $3.6 million.

In 2015:Q2, the total number of new residential building permits increased 131.0%, but the dollar value decreased 7.6% compared to a year earlier.

Residential building permit data show that the total value of permits issued in CY 2014 was $176.5 million, $6.6 million, or 3.6%, below CY 2013. The number of permits issued in 2015:Q2 increased 131.0% from the number issued in 2014:Q2. 332 multi-family unit permits were issued in 2015:Q2, compared to 0 during 2014:Q2, while single-family unit permits decreased from 232 to 204 over the same period. The total dollar value of the new residential building permits issued in 2015:Q2 decreased $3.2 million, or 7.6%, from 2014:Q2 values, following a 31.9% year-over-year increase in 2015:Q2. The value of new residential building permits in 2015:Q2 is 3.4% above the 7-year average of 2nd quarter activity.

The value of additions, alterations, and repairs activity in 2015:Q2 rose 10.4% from a year earlier to $112.0 million.

Additions, alterations, and repairs (AAR) permit values in CY 2014 totaled $333.0 million, $53.8 million, or 13.9%, below CY 2013. AAR permit values in 2015:Q2 totaled $112.0 million, up $10.6 million, or 10.4%, from 2014:Q2 and 9.0% above the 7-year average of 2nd quarter activity. The total value of residential AAR permits increased 18.1% from 2014:Q2 to 2015:Q2, and the value of non-residential AAR permits increased 8.3% over the same period.

Construction employment represented 5.9% of County jobs in 2015:Q1.

Construction employment increased on an annualized basis by 486 jobs, or 2.3%, and represented 5.9% of County jobs during 2015:Q1 (the most recent data available). Over the same period, average weekly wages in the construction sector fell slightly by $63, or 5.5%, and had an average wage rate 8.1% above the County average in 2015:Q1.