Economic Outlook

October 25, 2019

David Ryan, Executive Director
Salisbury-Wicomico Economic Development, Inc.
### Key Economic Indicators

<table>
<thead>
<tr>
<th>Metric</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth Rate (1)</td>
<td>1.6%</td>
<td>2.2%</td>
<td>2.9%</td>
<td>2.0%</td>
</tr>
<tr>
<td>CPI (2)</td>
<td>1.3%</td>
<td>2.1%</td>
<td>2.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Job Growth (3)</td>
<td>+ 193,000</td>
<td>+ 179,000</td>
<td>+ 223,000</td>
<td>+ 161,000</td>
</tr>
<tr>
<td>Job Openings (4)</td>
<td>6,088</td>
<td>6,349</td>
<td>7,442</td>
<td>7,051</td>
</tr>
<tr>
<td>Unemployment Rate (5)</td>
<td>5.0</td>
<td>4.2</td>
<td>3.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Employment Cost Index (6)</td>
<td>2.0%</td>
<td>2.3%</td>
<td>2.4%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

## Change in Employment & Labor Force; Unemployment Rates

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Wicomico</td>
<td>1.8%</td>
<td>.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Worcester</td>
<td>1.8%</td>
<td>.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Sussex</td>
<td>3.7%</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Somerset</td>
<td>.6%</td>
<td>-.6%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Maryland</td>
<td>.5%</td>
<td>.07%</td>
<td>3.7%*</td>
</tr>
<tr>
<td>U.S.</td>
<td>1.0%</td>
<td>.8%</td>
<td>3.5%*</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics; * = 09/2019
Lower Shore Job Trends

Source: Maryland Quarterly Census of Employment and Wages (QCEW), Change in Annual Average; Annual Average indexed to 100 Beginning in 2002
Lower Shore Job Trends

Source: Maryland Quarterly Census of Employment and Wages (QCEW), Annual Averages; Annual Average indexed to 100 Beginning in 2002
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Source: Maryland Quarterly Census of Employment and Wages (QCEW), Annual Averages; Annual Average indexed to 100 Beginning in 2002.
Lower Shore Job Trends

Source: Maryland Quarterly Census of Employment and Wages (QCEW); Delaware Department of Labor, Quarterly Census for Employment and Wages; Annual Averages; Annual Average indexed to 100 Beginning in 2002
## Sector Growth by County

<table>
<thead>
<tr>
<th>Wicomico</th>
<th>Worcester</th>
<th>Somerset</th>
<th>Sussex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Health Care</td>
<td>Leisure &amp; Hospitality</td>
<td>Professional Business Services</td>
<td>Food Preparation &amp; Serving</td>
</tr>
<tr>
<td>Construction</td>
<td>Education &amp; Health Care</td>
<td>Other Services</td>
<td>Sales &amp; Related</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>Financial Activities</td>
<td>Financial Activities</td>
<td>Production</td>
</tr>
</tbody>
</table>

*Source: Maryland Department of Labor, Licensing & Regulation; Delaware Department of Labor; Selected Sectors, Average Annual Data, 2017 – 2018;*
Lower Shore Job Trends

Source: Maryland Quarterly Census of Employment and Wages (QCEW), Annual Averages; Annual Average indexed to 100 Beginning in 2002; U.S. Data = Bureau of Labor Statistics
Continued Tight Labor Market for the Foreseeable Future

• Workforce development continues to be a major issue
  • Reaching kids at an early age
  • Higher turnover rates as millennials will have a multitude of jobs over career
• Planning now for future minimum wage increases (Maryland)
  • Flex time becoming more of the norm
  • New compensation strategies (bonuses, incentive)
  • Enhanced technology
Inventory & Pricing - Wicomico

Source: Maryland Association of Realtors; Data for existing single family homes in Wicomico County, YTD through September; Absorption rate is for September, 2019

YTD Avg. Price: $183,925, +10.2% (U.S. +6.6%)
YTD Med. Price: $168,128, +11.3% (U.S. +4.2%)
Absorption Rate = 3.5 mo.

Source: Maryland Association of Realtors; Data for existing single family homes in Wicomico County, YTD through September; Absorption rate is for September, 2019
- Trend is smaller (< 50,000 sf) in the industrial real estate market, more niche oriented especially in the manufacturing arena

- Ready-to-build sites becoming the norm

- Strong commercial (new and retrofits) in City of Salisbury (+70% vs. year ago) \(^{(1)}\)

- Strong commercial real estate transactions (Wicomico) \(^{(2)}\)
  - Volume + 13.5% over ‘18  \((98\%\;\text{over}\;‘17)\)
  - Transactions + 17% over ‘18

Source: (1) City of Salisbury Department of Infrastructure and Development, through 8/19; (2) Maryland Department of Assessments and Taxation, through August 2019, Arms length transactions only
Residential Construction

- Residential growth in Sussex expected to continue fueled by immigration from Northeast (DC, NY, NJ)
- Ample sites already plotted or planned
- New sewer extension along U.S. Rt. 13 (Bridgeville – Seaford)

Source: www.socds.huduser.gov
Residential Construction

- Moderate growth for Maryland counties in new home construction with concentration inside municipal limits
- Anecdotal but sensing younger families purchasing older homes (Wicomico)
- Price appreciation, stability due in large part to low inventory levels
- Impact on recruiting talent

Commercial Construction - Transactions

- Time to completion continues to be challenging due to coordination of projects with sub-contractors
- Potential new industrial construction given current low inventory levels
Wicomico Top County in Ag

Market value of agriculture products sold ($000)

Source: U.S. Census of Agriculture, 2017
Commodity Pricing and Ag

Corn / Bushel Price

China Tariffs Announced

Soybeans / Bushel Price

China Tariffs Announced

Source: www.macrotrends.net
Outlook

Overall, fairly steady the rest of this year and into the next; awaiting spring planting season. Seeking pricing opportunities.

- Trade policy depressed market for corn and soybeans; Lot of protein on the market, corn futures seem promising due to lower yield projections by USDA coupled with renewable energy goals for ethanol; soybeans are a different story due to excess supply, dry weather locally and loss of export market

- Farmers seeking to diversify product line toward higher margin crops (*higher input costs*)

- Continue to see advances in use of technology to improve yields and lower costs
Infrastructure - Port
Infrastructure - Airport

Economic impact: 1,371 Jobs; $65.4 million in personal income; $6.9 million in State and local taxes; $84.3 million in business revenue

Source: Maryland Aviation Administration
Entrepreneurship

• Poultry
• Life Science
• Wireless Components

SHORE HATCHERY
TODAY at SU!
Market driven metrics will help drive key clusters in foreseeable future; Life sciences, Cable and wire harnesses and Wireless components

- Life science - aging population; animal health
- Cabling and wire harnesses – existing workforce; funded programs
- Microwave – existing cluster of companies & workforce, 5G technology
Generations of Mobile Networks

- 1G = Analog Voice
- 2G = Digital Voice
- 3G = Mobile Data
- 4G = (LTE) Mobile Internet Era (faster upload, download speeds)
- 5G = Faster speeds, network operators (AT&T, Verizon, etc.) using higher frequencies; higher frequencies weaken with distance yielding to need for smaller cell sizes that are spaced closer together
WELCOME! APEX RF CONDITIONING

- New microwave company
- 100 + new jobs over next 3-5 years
- Engineers, Technicians, Assemblers
- $8.5 million payroll
Outlook Summary

Tight labor market for the foreseeable future; Education & Health sector leading the way in job growth

Moderate residential growth in Maryland & continued growth in Sussex

New construction opportunities in commercial, industrial sector

Steady, stable in Ag

Niche opportunities in manufacturing, distribution & logistics