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BALTIMORE COUNTY FISCAL DIGEST

GENERAL FUND REVENUES & THE ECONOMY

Baltimore County, Maryland

August 31, 2020

BALTIMORE COUNTY, MARYLAND

OFFICE OF THE COUNTY AUDITOR

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September 30, 2020

Honorable Members of the Baltimore County Council:

I hereby submit the Baltimore County Fiscal Digest of General Fund Revenues and The Economy as of August 31, 2020. This report summarizes current economic conditions affecting the County and includes unaudited FY 2020 General Fund revenue totals. Because of the high level of uncertainty surrounding the course of the COVID-19 pandemic and the unknown nature of any future federal response that might occur when existing pandemic funding expires, an updated outlook for FY 2021 is not yet available.

FY 2020 General Fund revenues (unaudited) total approximately $2,216.5 million, up approximately $148.5 million, or 7.2%, from FY 2019 revenues. This total represents substantially better collections than projected during the FY 2021 budget development process due to the effectiveness of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which began pumping trillions of dollars into the national economy during the last quarter of FY 2020. Most notably, the CARES Act provided untaxable stimulus checks to taxpayers, delivered $600 per week in unemployment transfer payments to each unemployed worker, including traditionally ineligible applicants, and enabled many employers to keep workers on payroll throughout the period of business closures. The unemployment transfer payments and sustained wages translated directly into taxable income, distributed to the County via the usual income tax withholdings process. Additionally, the CARES Act brought roughly $150 million to County Government coffers, covering hazard pay and overtime for first responders and other essential employees, mass food distribution to households in need, small business and organizational assistance, eviction prevention grants, COVID testing, and personal protective equipment for front-line County and nursing home workers and other high-risk communities. The stream of County expenditures began flowing directly into the local economy in the Spring, continued through the end of FY 2020, and will cease at the end of the calendar year in the absence of additional federal action. This federal aid certainly has played an enormous role in keeping income tax and other revenue streams to the County's General Fund flowing, and the budget balance for FY 2020 would look entirely different in its absence.

Specifically, FY 2020 income tax collections totaled $862.7 million, increasing by $127.8 million, or 17.4% over FY 2019. Enhanced federal unemployment benefits replaced and in some cases exceeded the wages of lower-income workers who were hit hardest by the COVID-19 pandemic; these benefits, combined with the increase in the County's income tax rate, contributed to the FY 2020 income tax growth. Property-related transaction taxes also performed better than expected as home sales remained relatively stable, and a low housing inventory and record-low interest rates contributed to rising home sales prices, as buyers were able to stretch the upper limit on their purchase point. The somewhat sooner-than-anticipated "reopening" of the State and County economies also buoyed collections in several other revenue categories. The Unassigned General Fund Balance (Surplus) as of June 30, 2020 is expected to total at least $130.0 million, not including at least $215.6 million in the Revenue Stabilization Reserve Account (Rainy Day account).

While FY 2020 revenue collections were much better than expected, the FY 2021 outlook remains highly uncertain. In the absence of a COVID-19 vaccine, virus spread, particularly during flu season, could lead to renewed "stay at home" orders and business re-closures. In addition, Congress remains in grid-lock, and enhanced unemployment benefits totaling $600 per week were reduced to $300 (plus $100 in additional State benefits) and will expire without further federal action. If the many current displaced workers continue to struggle to find employment, the loss of income could affect both County revenues and local economic activity, which would in turn have further ripple effects. On the other hand, the course of the virus could remain unchanged, spread could decrease as testing efforts are enhanced, or a vaccine or highly effective treatment could be discovered; in such scenarios, the County's economy could sustain growth, eventually leading to the re-emergence of the pre-COVID-19 economy. Due to the current extreme uncertainty, and the new information that is likely to emerge in the next several months from the federal and State aid fronts (including the expectation of mid-year State budget cuts despite an improved revenue forecast adopted yesterday by the State Board of Revenue Estimates), as well as an end-of-November income tax distribution that represents the County's first important bench-mark for the current fiscal year, our Office is not yet presenting a revised FY 2021 forecast.

At its July meeting, the Baltimore County Economic Advisory Committee provided mixed and mostly pessimistic reports about the state of the local economy, with the brightest news simply being that some sectors had not fared as poorly as expected. Members reported that the job market took a massive hit, but supplemental unemployment benefits (which are taxable) and fiscal stimulus checks (which are not taxable) provided a short-term infusion of income. The housing market dipped early in the pandemic, but quickly began to recover. Conversely, the commercial real estate market is expected to struggle for a prolonged period as many businesses, particularly restaurants, have closed and the rise of remote work is expected to lead to persistently vacant office space. Overall, members predicted that regional economic growth will be erratic going forward, with the potential for a "full recovery" to be at least several years away. This Committee will reconvene on October 5, 2020 to provide an updated outlook for the local economy.

We will continue to monitor economic activity, revenue collections, and State and federal developments. Our next report is scheduled to be issued following the County's first major income tax distribution for FY 2021, to be received in late November.

Respectfully submitted,

Lauren M. Smelkinson

Lauren M. Smelkinson, CPA
County Auditor

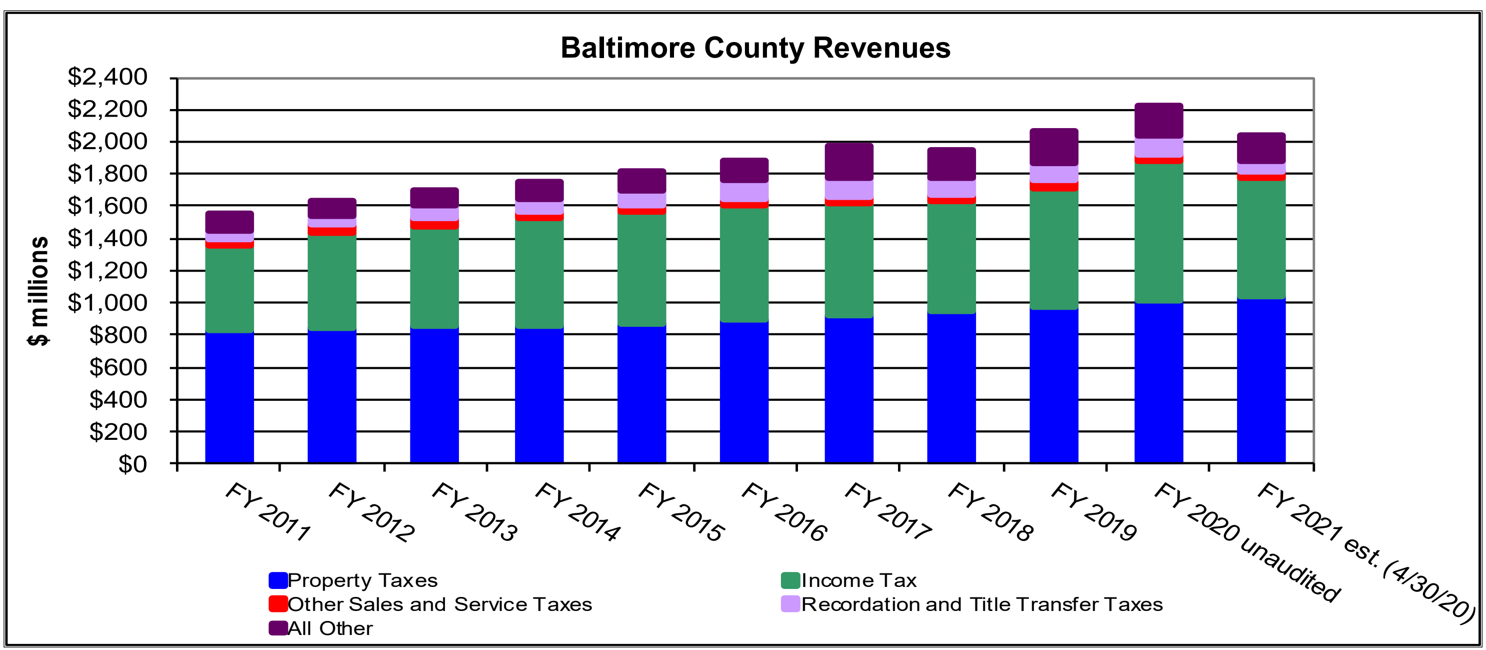
cc: Baltimore County Spending Affordability Committee
Baltimore County Economic Advisory Committee

REVENUE HIGHLIGHTS

Unassigned General Fund Balance (Surplus) as of June 30, 2020 is expected to total at least $130.0 million, or 6.0% of FY 2021 budgeted revenues, based on the most recent unaudited financial records. In addition to the Surplus Balance, the Revenue Stabilization Reserve Account (Rainy Day account) is expected to total at least $215.6 million as of June 30, 2020. The expected Surplus balance and Rainy Day amounts together total at least $345.6 million, or 16.0% of FY 2021 budgeted General Fund revenues.

FY 2020 General Fund revenues (based on the most recent unaudited financial records) are expected to total approximately $2,216.5 million, up approximately $148.5 million, or 7.2%, from FY 2019 revenues. This total represents a surplus of approximately $60.0 million, or 2.8%, over FY 2020 budgeted revenues, and an upward revision of $93.2 million from our prior forecast. The primary driver of this revision was significantly better-than-anticipated income tax revenue (which increased by $127.8 million, or 17.4%); such income tax collections are not yet reflective of the pandemic economy due to inflowing federal fiscal stimulus. Notably, while COVID-19 job losses were profound, many of the lost jobs were in lower-paying sectors, and unemployment transfer payments more than replaced lost wages through the end of the fiscal year. Additionally, an increased income tax rate (from 2.83% to 3.2%) was effective for the second half of FY 2020. Also, property-related transaction taxes were largely unaffected as low mortgage rates and a diminished inventory drove demand and rapid price growth. A sooner-than-anticipated business reopening lessened declines in other categories, such as sales and service taxes and charges, and licenses and permits. Total FY 2020 revenue growth also reflects the underlying strong performance of property taxes (which increased by $32.9 million, or 3.4%, due in part to the State's January 2019 reassessment of the County's western region), and the solid pre-pandemic performance of various revenue streams. Further, FY 2020 General Fund revenues are supported by a one-time liquidation of $10.9 million in PAYGO Capital Projects Fund appropriations.

FY 2021 General Fund revenues largely will be driven by the course of the COVID-19 pandemic and actions at the federal and state levels. Should the spread of the virus accelerate during the upcoming fall and winter months, the government again could issue "stay at home" orders or residents voluntarily could stay home, leading to sustained or further job losses and business closures. If further federal financial relief were not available in any scenario, County revenues could take a significant dive. Alternatively, the County's economy and revenue picture could remain on a course similar to what we have seen since the State's reopening commenced. Virus hotspots could appear and dissipate, minimal to no new shutdown actions could occur, and federal funds could continue to provide needed relief, sustaining revenues. Such a scenario could play out until a vaccine is developed or a treatment found, and the pre-COVID economy begins to re-emerge. On a positive note from a revenues perspective, property taxes are likely to remain largely unaffected for at least the upcoming fiscal year as the three-year phase in of assessments provides for a source of consistent growth. However, even property tax revenues may not be immune to a pandemic economy as most recently, the County recorded approximately $10.3 million in uncollectible revenue in FY 2020, which is more than three times the amount assumed by the budget. Due to this uncertainty, and the many paths the virus, and subsequently County revenues, could take, our Office is not revising its FY 2021 forecast at this time.



REVENUE FORECAST & ECONOMIC OUTLOOK

The FY 2020 General Fund revenue increase resulted primarily from rising income tax collections, due to the County's higher income tax rate, which was effective for the second half of the fiscal year, as well as a tremendous inflow of federal unemployment benefits, which appears to have more than offset wages lost during the first several months of the pandemic. Additionally, FY 2020 revenues reflect modest increases in both property and sales and service taxes.

The County's FY 2021 revenue outlook is hazy and concerning due to the uncertainty of the upcoming course of the pandemic and the potential end to the effective stream of federal financial relief that has continued to bolster County revenues during the first half of FY 2021.

Revenue Source ($ Millions)	Actual FY 2019	FY18-19 Change	Unaudited FY 2020	FY19-20 Change	Est. (4/30/20) FY 2021	FY20-21 Change
Property Taxes	$ 980.1	3.5%	$ 1,013.0	3.4%	$ 1,037.7	2.4%
Income Tax	734.9	8.0%	862.7	17.4%	738.7	-14.4%
Sales & Service Taxes	44.2	-3.7%	48.3	9.3%	34.2	-29.2%
Recordation Tax	35.8	4.7%	35.8	0.0%	25.0	-30.2%
Title Transfer Tax	78.5	4.1%	78.6	0.1%	50.0	-36.4%
Intergovernmental	52.5	6.7%	48.9	-6.9%	51.4	5.1%
All Other	142.0	17.8%	129.2	-9.0%	101.4	-21.5%
Total Revenue	$ 2,068.0	5.9%	$ 2,216.5	7.2%	$ 2,038.4	-8.0%

The Baltimore County Economic Advisory Committee (BCEAC) expressed mixed news concerning the present and near-term state of the local economy at its July 6, 2020 meeting, noting that while some sectors of the economy continue to struggle, many sectors have not fared as poorly during the COVID-19 pandemic as originally feared. Members reported that while the number of job losses is staggering, many losses are lower-paying jobs, and enhanced unemployment benefits frequently have replaced lost wages. In addition, the County's home sales market has held relatively steady, as virtual home tours have provided a substitute for many in-person visits. On the other hand, COVID-19 prevention efforts, and a reluctance by many consumers to resume normal pre-pandemic activities, have posed challenges for many small businesses, and Committee members stated that numerous business closures are to be expected. Looking forward, the Committee expressed pessimism as to the prospects for a quick full recovery, noting that the economy suffered drastic losses which could take years to fully recoup. Members' near-term outlook reflects the following factors:

- **The County's unemployment rate soared during the early stages of the pandemic, peaking at 10.5% during April 2020, as business restrictions designed to slow the spread of COVID-19 led to substantial layoffs**. The Committee's Chairman reported that the leisure and hospitality sector experienced the most job losses, but added that the presence of an abundance of federal jobs in Maryland lessened the severity of losses in the state and local job markets. While the unemployment rate has since recovered somewhat, it remains well above its recent low of 3.6% in March 2020, and many workers continue to file for unemployment benefits.

- **The County's housing market is holding steady as a low available inventory is driving accelerated price growth.** The Committee's residential real estate representative reported that compared to a year prior, contract activity was up 13% while inventory was down 52% in June 2020. He stated that this situation resulted in the "median days on the market" indicator falling below two weeks, and he reported many instances of sellers receiving multiple offers over the course of just a few days. In addition, mortgage interest rates have fallen to record lows, leading to increased buying power and adding an impetus for continued growth in the housing market in the County.

- **The Committee's commercial real estate representative reported on an uncertain future, noting that the sector may be among the last to recover.** Work-from-home arrangements, which were already on an upward trend in recent years, accelerated due to the pandemic, and many companies have signaled they have no plans to return workers to offices until after the end of the calendar year. The Committee's representative noted that companies will be reassessing their office space needs, which could lead to downsizing and increased office vacancies. In addition, restaurants and small retail shops, which already operate on thin profit margins, have struggled tremendously through the pandemic. All of these concerns point to the potential of longer-term consequences for the County's assessable base and General Fund property tax revenues.

NATIONAL ECONOMIC INDICATORS

In 2020:Q2, the U.S. economy contracted at an annualized rate of 31.7%, the worst quarterly performance in history.

The U.S. economy suffered through its worst quarter on record in 2020:Q2 as real U.S. Gross Domestic Product (GDP) decreased at an annualized rate of 31.7%. This decrease followed a 5.0% decrease in 2020:Q1 as the U.S. economy officially entered a recession. Gross private domestic investment was the primary driver of the decrease, falling by 46.2%; this decline was driven by a 37.9% decrease in residential fixed investment. In addition, nonresidential investment dropped sharply, with equipment, structures, and intellectual property products investment reflecting decreases of 35.9%, 33.4%, and 7.7%, respectively. GDP contraction was further driven by a 34.1% decrease in personal consumption expenditures (see detailed discussion to follow). In addition, a 63.2% annualized decrease in exports of goods and services which, combined with a lesser 54.0% decrease in imports, resulted in an increased national trade deficit in 2020:Q2. Slightly buoying the GDP contraction in 2020:Q2 was a 2.8% increase in government consumption expenditures, driven by a 17.6% increase in federal government spending related to stimulus efforts to boost the U.S. economy; this growth was slightly tampered by a 5.5% decrease in state and local government spending. The August 2020 release of the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* projects annual real GDP to contract by 5.2% for CY 2020 and to grow by 3.2% in CY 2021.

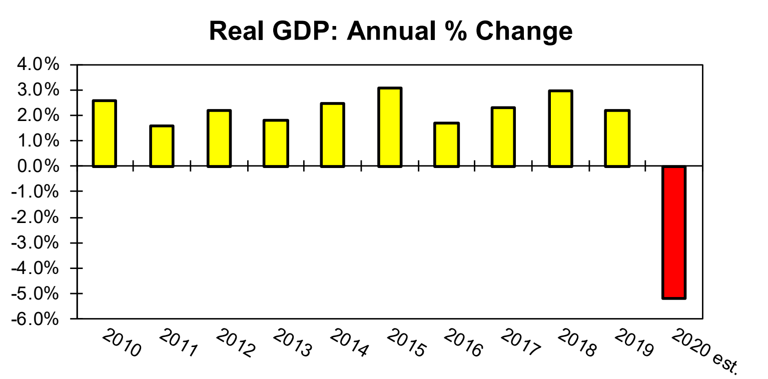
GDP growth is projected to contract by 5.2% in CY 2020 followed by an increase of 3.2% during CY 2021.

Real consumer spending decreased at an annualized rate of 34.1% in 2020:Q2.

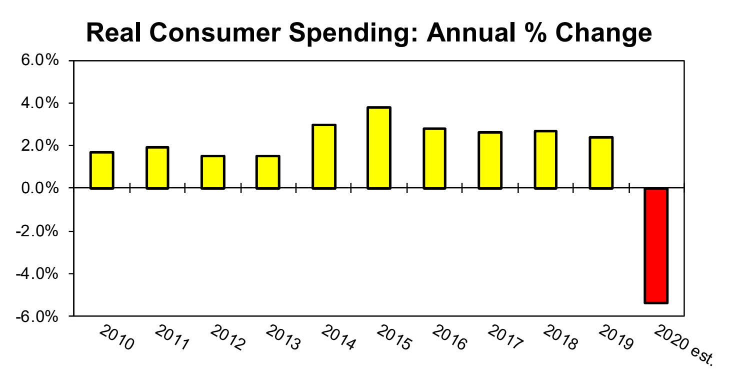
Real consumer spending, which accounts for roughly two-thirds of all U.S. economic activity, fell drastically during 2020:Q2, decreasing at an annualized rate of 34.1%, following a decrease of 6.9% in 2020:Q1, as consumers responded to both financial uncertainty and various lockdown measures brought about by the COVID-19 pandemic. During 2020:Q2, consumer spending on goods slowed, with nondurable goods posting an annualized decrease of 14.9% following an increase of 7.1% in 2020:Q1, and durable goods posting an annualized decrease of 1.3%, following a decrease of 12.5% in 2020:Q1. Growth in consumer spending on services dropped sharply, declining by 43.1% in 2020:Q2, following a decrease of 9.8% in 2020:Q1. The *Survey of Professional Forecasters* projects that consumer spending will shrink by 5.4% for all of 2020.

Consumer confidence decreased again in August following a decrease in July.

Consumer confidence, based on a survey of 5,000 U.S. households by The Conference Board (a well-known economic research organization), decreased again in August following a decrease in July. The "Present Situation Index" was primarily responsible for the decrease, while the "Expectations Index" experienced a modest decline. The Conference Board noted that "[c]onsumers' optimism about the short-term outlook, and their financial prospects, also declined and continues on a downward path. Consumer spending has rebounded in recent months but increasing concerns amongst consumers about the economic outlook and their financial well-being will likely cause spending to cool in the months ahead."



Estimate Source: *Survey of Professional Forecasters*, August 2020



Estimate Source: *Survey of Professional Forecasters*, August 2020

The Federal Reserve's Federal Open Market Committee (FOMC) advised at its July 29, 2020 meeting that "[t]he ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 percent."

Interest rate targets were maintained at the 0.0% to 0.25% target range at the July 29, 2020 meeting of the Federal Reserve's Federal Open Market Committee (FOMC). The FOMC stated that "[t]he coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. Following sharp declines, economic activity and employment have picked up somewhat in recent months but remain well below their levels at the beginning of the year." In addition, the FOMC noted that "[w]eaker demand and significantly lower oil prices are holding down consumer price inflation." The FOMC further stated that "[o]verall financial conditions have improved in recent months, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses." The FOMC advised that "[t]he ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 percent." The FOMC further advised, "[i]n determining the timing and size of future adjustments to the stance of monetary policy, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective."

INTEREST RATE CHANGE FROM JULY 2019 TO JULY 2020

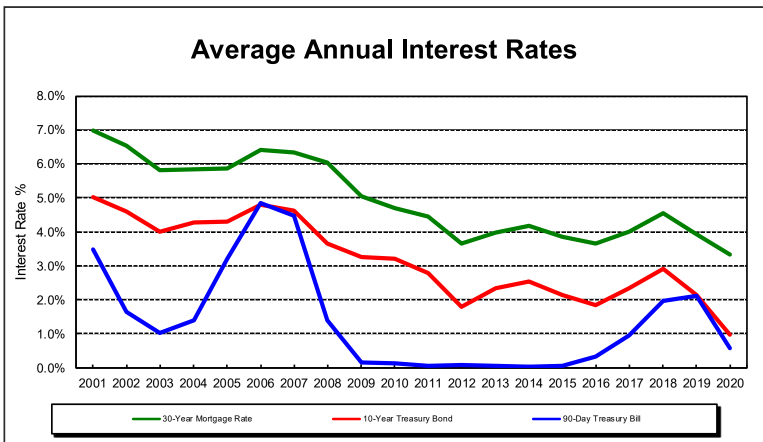
	Basis Points*
90-Day Treasury Bills	-202
10-Year Treasury Bonds	-144
30-Year Conventional Mortgage	-75

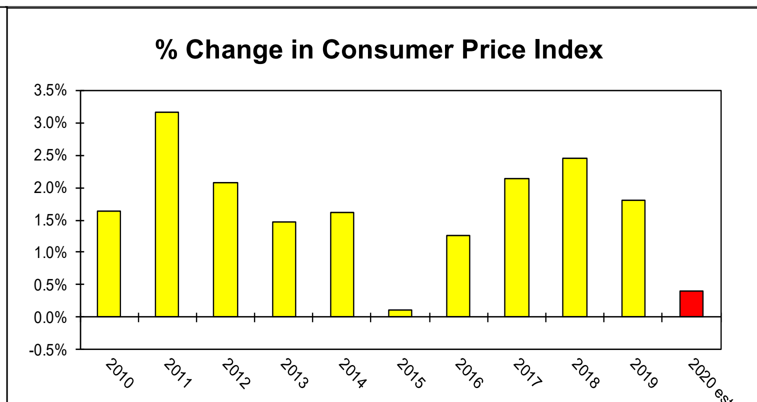
* A basis point is equal to .01 percentage point.

Short-term interest rates are likely to remain between the 0.0% to 0.25% target range for the foreseeable future as the COVID-19 pandemic continues to destabilize and hinder economic growth in the U.S. economy.

From July 2019 to July 2020, consumer inflation increased by 1.0%, and is forecast at 0.4% and 1.8% for CY 2020 and CY 2021, respectively.

Inflation, as measured by the Consumer Price Index-All Urban Consumers (CPI-U), has continued to remain very low since the widespread onset of COVID-19 in the U.S., but most recently accelerated slightly, posting an annualized increase of 1.0% in July 2020. This price growth was driven primarily by medical care and hospital services, which each increased by 5.0%, and food, which increased by 4.1%, on an annualized basis. Core inflation (which excludes food and energy inflation) increased by 1.6% from July 2019 to July 2020. Growth in the CPI-U is expected to average 0.4% in CY 2020 and 1.8% in CY 2021, according to the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters*, August 2020. The *Survey* projects that annual inflation will average 2.0% over the 2020 to 2029 period, compared to an average actual increase of 1.8% over the 2010 to 2019 period.





Estimate Source: *Survey of Professional Forecasters*, August 2020

LOCAL ECONOMIC PERSPECTIVE

EMPLOYMENT

Decelerating slightly compared to steep employment loses in recent months, County year-over-year employment fell 5.0% in July 2020.

Employment, as measured by place of residence, started to rebound in Baltimore County in July 2020, following three months of year-over-year losses greater than 6.0%. The COVID-19 pandemic resulted in significant employment declines in both the state and County, with losses peaking in April, when more than 10% of employed Maryland residents and 12% of employed Baltimore County residents became unemployed. Over the July 2019 to July 2020 period, Baltimore County residential employment decreased by 22,216 persons, or 5.0%; however, employment recovered by 6,846 jobs from June 2020 to July 2020. Maryland residential employment experienced a similar pattern, declining by 159,873 persons, or 5.0% from July 2019 to July 2020, but recovering by 58,797 jobs from June 2020 to July 2020.

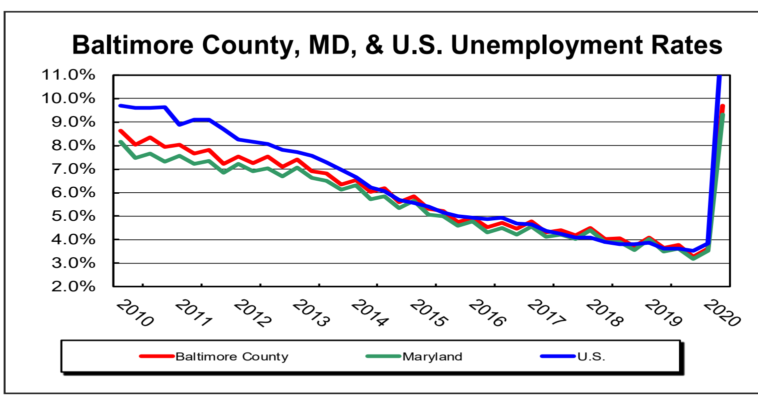
The County's July 2020 unemployment rate was 7.8%, up from 4.0% a year earlier, but down from its recent peak of 10.5% in April 2020.

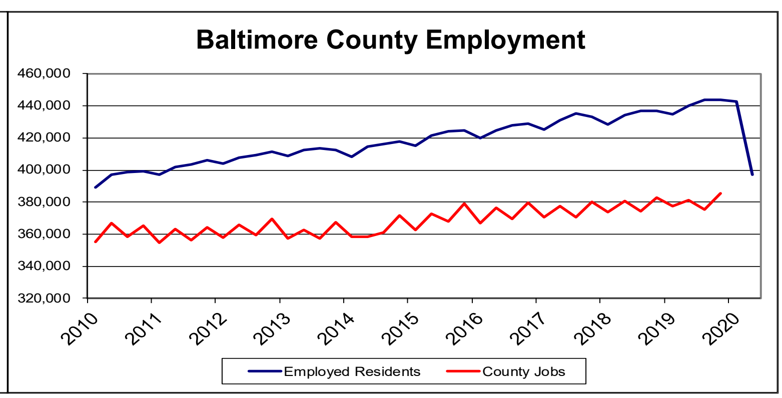
Labor force growth that is outpacing employment growth drives up the **unemployment rate**. The unemployment rate among County residents was 7.8% in July 2020, slightly above the State rate of 7.7%, and up significantly from 4.0% a year earlier. The County's unemployment rate has continued to drop each month after peaking at 10.5% in April 2020. In July 2020, the County's labor force was smaller than it was a year earlier by roughly 5,000 workers but had reached its March 2020 level for the first time since the pandemic struck. These data suggest that an influx of new entrants to the labor force only partially offset a higher-than-usual number of labor market separations (including pandemic-driven retirements). As of July 2020, 17 of the 24 local jurisdictions in Maryland had a lower unemployment rate than Baltimore County. Nationally, the seasonally adjusted unemployment rate was 8.4% in August 2020, dropping from its recent peak of 14.7% in April 2020, but up from the August 2019 rate of 3.7%.

The number of County jobs increased by 0.7% over the 2018:Q4 to 2019:Q4 period.

Jobs data, as measured by place of work, greatly lag resident employment data and do not yet provide information on the County's economic performance during the pandemic. The most recent jobs data show that from 2018:Q4 to 2019:Q4 (the most recent data available), the number of jobs in the County and Maryland increased by 0.7% and 0.9%, respectively, as Baltimore County and Maryland employers added an estimated 2,810 and 25,510 positions, respectively. County job growth in 2019:Q4 was driven by the private sector, which saw an increase of 2,076 jobs over 2018:Q4, primarily in the trade, transportation, and utilities industry. Nationally, non-farm payrolls decreased by approximately 16.9 million jobs, or 11.2%, from 2020:Q1 to 2020:Q2. In its July 2020 report, Sage Policy Group, Inc. (the Spending Affordability Committee's economic consultant) has predicted job growth of -4.7% and -4.8% in the County and Maryland, respectively, in CY 2020 compared to anticipated national job growth of -5.3%. The challenges associated with the negative job growth are intensified by projected population growth of approximately 0.6% in both the County and state for CY 2020.

Following numerous COVID-19 induced job losses, Sage Policy Group predicted (negative) job growth of -4.7% in Baltimore County during CY 2020.





PERSONAL INCOME

The Spending Affordability Committee's economic consultant recently forecasted that County personal income will increase by 1.98% in FY 2021, followed by an acceleration to 4.22% in FY 2022.

Sage Policy Group, Inc. (Sage), the Spending Affordability Committee's economic consultant, forecasts in its July 2020 report that Baltimore County's personal income (PI) will increase by 1.98% in FY 2021, up slightly from predicted growth of 1.91% in its April 2020 report, but a downgrade from predicted growth of 3.90% in its January 2020 forecast. The July 2020 forecast follows an estimated increase of 3.20% in FY 2020 (up from predicted -0.17% growth in the April 2020 forecast) and 4.38% in FY 2019. Looking forward, Sage predicts that the County's PI growth will accelerate to 4.22% in FY 2022. Sage's Maryland outlook is for similar growth (2.12% and 4.37% in FY 2021 and FY 2022, respectively). For FY 2023, Sage predicts PI growth of 3.68% in Baltimore County and 3.91% in Maryland.

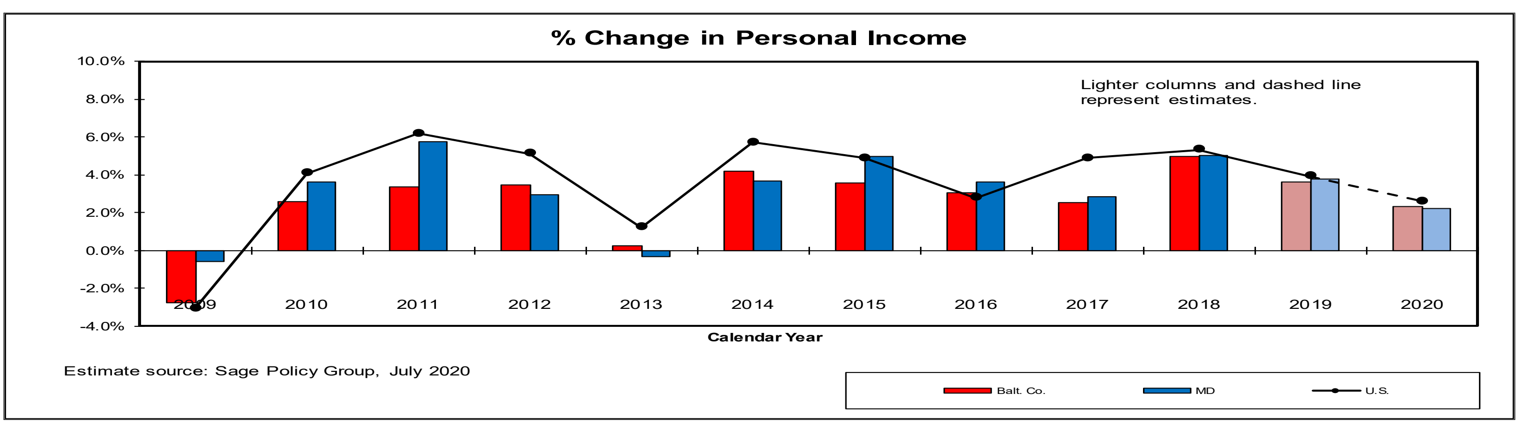
Over the last decade, personal income growth in the County has lagged growth at both the State and national levels.

Over the 2009 to 2018 10-year period, national PI advanced 48.0%, exceeding both Maryland and Baltimore County PI growth of 37.0% and 31.6%, respectively. National PI growth accelerated from 39.4% during the 2001-2010 decade, whereas regional PI growth has slowed after posting increases of 44.9% in Maryland and 34.3% in the County over the same period. The most recent quarterly reading for Maryland shows that seasonally-adjusted PI increased by 0.6% from 2019:Q4 to 2020:Q1, slightly above the national PI increase of 0.1% over the same period. (County data are reported annually.) Nationally, in 2020:Q2, wages and salaries comprised 43.4% of PI, below its share in 2019:Q2 of 50.2%. 2020:Q2 old-age/disability/health insurance benefits increased 5.6% over 2019:Q2 levels and comprise 12.5% of PI, slightly less than their share in 2019:Q2. Meanwhile, unemployment benefits made up 5.5% of PI in 2020:Q2 compared to only 0.1% in 2019:Q2, reflecting the recent historic unemployment levels largely driven by the COVID-19 pandemic. Nationally, wage rates are rising, with private average hourly wages most recently increasing by 4.7% in July 2020 from a year earlier. During 2020:Q1, Baltimore County's average weekly wages totaled $1,138, up 4.3% from 2019:Q1, but remained below both the national and the State averages of $1,237 and $1,249, respectively. The Federal Reserve reported that nominal total household wealth increased 11.0% during CY 2019. Most recently, nominal total household wealth decreased by 5.6% from 2019:Q4 to 2020:Q1, following a 2.7% increase during the previous quarter. However, such wealth statistics reflect more about the net worth of the wealthiest households than of a typical household.

The nation's nominal household wealth fell by 5.6% from 2019:Q4 to 2020:Q1, and increased 11.0% during all of CY 2019.

For FY 2021, the County's Spending Affordability Committee recommended a spending growth rate of 3.94%.

For FY 2021, the County's Spending Affordability Committee, which convened in January 2020, recommended a maximum spending growth rate of 3.94% based on a 4-year average of Sage's January 2020 estimates/forecasts of annual County PI growth for FY 2018 to FY 2021. Based on Sage's July 2020 forecasts of annual County PI growth for FY 2022 and FY 2023, and the estimated growth in prior years, the projected maximum spending growth recommendation is 3.45% for FY 2022 and 3.27% for FY 2023.



EXISTING HOME SALES

In FY 2020, the number of existing home sales totaled 10,126, a decrease of 5.8% from a year earlier.

Existing home sales in Baltimore County totaled 10,126 units in FY 2020, 5.8% below FY 2019 sales. Home sales growth slowed during the latter third of FY 2020 due to the ongoing COVID-19 pandemic, but not by as much as many initially expected. A dwindling inventory did nothing to help the slowdown; however, it did lead to substantial increases in both median and average sales prices. Most recently, in July 2020, 1,143 homes were sold, a slight increase of 30 over July 2019, while the median price of an existing Baltimore County home sold increased 2.6%, to $272,000. Additionally, the more volatile average sales price rose 5.8%, to $324,711, over the same period. The active inventory in Baltimore County in July 2020 fell by 1,573, or 59.2%, from July 2019. In July 2020, the BCEAC real estate representative reported that virtual home tours are helping to keep the market active for those buyers/sellers who are wary about the safety of in-person home tours. Most importantly, low interest rates have increased buying power and served as a strong stimulus, especially for first-time home buyers.

The median price of existing homes sold in Baltimore County in July 2020 was $272,000, an increase of 2.6% over July 2019.

The number of pending home sales in July 2020 totaled 1,284, an increase of 25.4% over a year earlier.

Pending existing home sales in July 2020 totaled 1,284, an increase of 260, or 25.4%, over July 2019, following a 26.4% year-over-year increase in June 2020; these increases suggest some realization of pent-up demand from the early stages of pandemic lockdown restrictions. The County's months of inventory (i.e., the time needed to sell the entire inventory of homes at the current sales pace) was 1.2 in July 2020, down from 2.9 in July 2019.

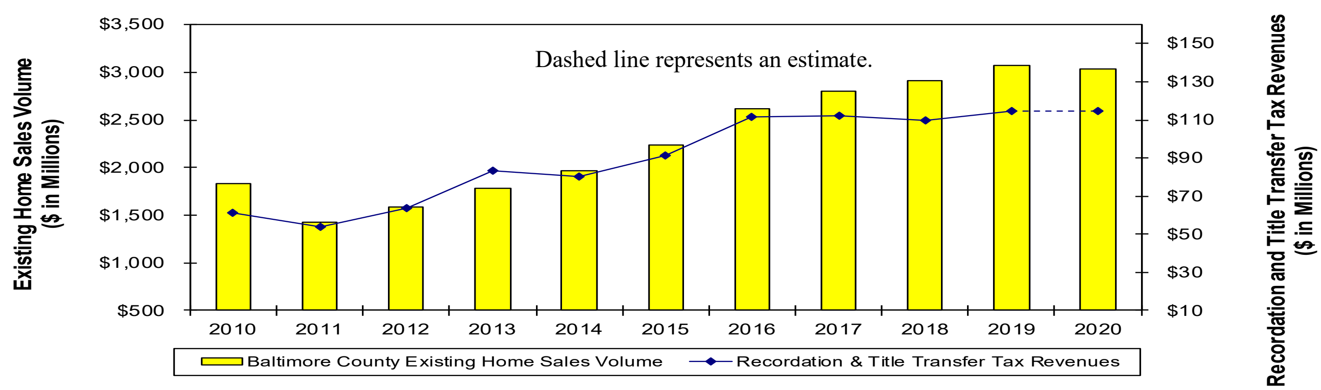
Reflecting lower mortgage interest rates, the monthly mortgage payment for a median-priced County home decreased 6.5% in July 2020 compared to July 2019.

Mortgage interest rates (for 30-year conventional mortgages) in July 2020 were at 3.02%, down 75 basis points from July 2019 when rates were at 3.77%. The monthly payment for a median-priced Baltimore County home (financed with a 30-year conventional mortgage loan) was $1,150 in July 2020, a 6.5% decrease from the July 2019 level of $1,230 (principal and interest only), reflecting a significant decrease in mortgage interest rates, partially offset by a higher median sales price. Mortgage rates have plummeted during the past couple of months and are near record low levels. Rates likely will remain low during the remainder of 2020 as the U.S. economy continues to combat disruptions caused by the coronavirus.

Property-related transaction tax revenues totaled $114.4 million in FY 2020, essentially equal to their total in FY 2019.

Property-related transaction tax revenues (recordation and title transfer tax revenues) totaled $114.4 million in FY 2020, essentially equal to the FY 2019 total. These revenues are expected to remain relatively flat during FY 2021, as home values continue to rise and mortgage rates remain low, but they could subside should COVID-19 cases surge during the upcoming fall and winter months. In July, the BCEAC real estate representative reported notable activity in the County's move-up market, which had been stagnant since the last recession.

Baltimore County Existing Home Sales Volume and Recordation and Title Transfer Tax Revenues: Fiscal Years 2010—2020



CONSTRUCTION

The total value of construction permits issued in 2020:Q1 was $275.0 million, 18.3% above the 7-year average of 1st quarter activity.

The construction industry, among the most volatile components of the County's economy, has continued to contribute positively to the County's economy. The value of construction permits issued in 2020:Q1 totaled $275.0 million. Although this valuation reflects a decrease of $32.8 million, or 10.7%, from 2019:Q1, it is 18.3% above the 7-year average of 1st quarter activity. Details of 2020:Q1 permit valuation/issuance by permit type are as follows:

In 2020:Q1, the total value of non-residential building permits increased by 2.9%, over 2019:Q1.

New non-residential construction permits were valued at $55.7 million, an increase of $1.6 million, or 2.9%, over 2019:Q1, and were 37.3% above the 7-year average of 1st quarter activity. Five new non-residential construction permits valued at or above $3.0 million were issued in the County in 2019:Q3 (the most recent reporting period available), including permits for a whiskey-aging barn in North Point/Edgemere valued at $9.0 million, two automobile processing buildings at Tradepoint Atlantic in Sparrows Point, each valued at $8.3 million, ground-mounted solar panels in Harrisonville/Randallstown valued at $3.4 million, and a two-story multi-use commercial building in Catonsville valued at $3.0 million.

In 2020:Q1, the total number of residential building permits increased by 1.8%, while the dollar value decreased by 42.6% compared to a year earlier.

New residential building permits issued totaled 446, an increase of 8, or 1.8%, over 2019:Q1 (267 multi-family unit permits compared to 192, and 179 single-family unit permits compared to 246). The value of new residential building permits issued totaled $43.9 million, a decrease of $32.6 million, or 42.6%, from 2019:Q1 values, following a 3.7% year-over-year decrease in 2019:Q4. The value of new residential building permits was 17.9% below the 7-year average of 1st quarter activity.

The value of additions, alterations, and repairs activity in 2020:Q1 decreased by 1.0% from a year earlier to $175.4 million.

Additions, alterations, and repairs (AAR) permit values totaled $175.4 million, a decrease of $1.8 million, or 1.0%, from 2019:Q1, and were 26.7% above the 7-year average of 1st quarter activity. From 2019:Q1 to 2020:Q1, the value of residential AAR permits increased by 18.5%, and the value of non-residential AAR permits decreased by 3.8%.

Construction employment, which represented 6.4% of County jobs in 2019:Q4, increased slightly from 2018:Q4.

Construction employment increased on an annualized basis by 179 jobs, or 0.7%, and represented 6.4% of County jobs during 2019:Q4. Over the same period, average weekly wages in the construction sector were $1,438, an increase of $64, or 4.7%, and 20.5% above the County average wage in 2019:Q4.