

THE ECONOMY

Protected to a significant extent by the large federal sector with its deep roots in the private economy, the Washington, D.C. area, including Suburban Maryland, was spared the worst effects of the national recession. While suburban Northern Virginia has enjoyed the stabilizing effects of a large defense-related employment sector, Suburban Maryland hosts major federal health-related agencies and bioscience businesses. The National Institutes for Health (NIH), and the recently expanding MedImmune are prime examples. Such agencies and businesses are concentrated along the I-270 corridor from Montgomery to Frederick County. Still, recession impacts were unavoidable. According to data provided by the U.S. Bureau of Labor Statistics (BLS), annual average non-farm payroll employment in Suburban Maryland declined by 2.7% (26,000 jobs) in 2009, a substantial rate of loss yet one moderate alongside what the nation as a whole endured that year. In 2010, however, stabilization arrived. The growth rate for the year was negative 0.5% representing a net loss of 4,700 jobs.

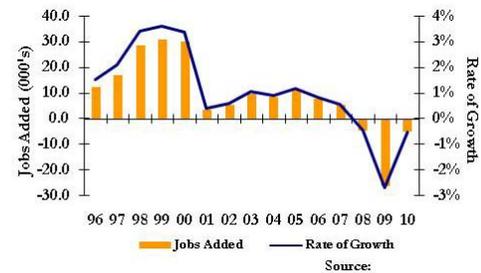
However, the performance, reflecting a divergence of economic factors by geography, was not uniform throughout the metro area. The heavily blue-collar Calvert-Charles-Prince-George's area suffered greater trials than did the heavily white-collar Bethesda-Rockville-Frederick Metropolitan Division (Montgomery and Frederick counties). In the former, annual average employment, shedding net 4,900 jobs, fell by 1.3% in 2010. The latter, on the other hand, saw a gain of 200 jobs. Recent month-to-month and year-over-year gains, moreover, are indicated for both. According to preliminary data for February 2011, non-farm employment was up 2.6% (23,800 jobs) from 12 months prior, a hefty gain by national norms for the period. The increase in the Bethesda area, moreover, was fully 3.3% (17,700 jobs) while the greater Prince George's County region saw a 1.7% (6,100-job) gain. Employment growth by Government, however, was positive even in 2010: gains on both sides of the metro area resulted in an overall increase of 1.2% representing 2,500 new jobs. As of February 2011 employment by Government in Suburban Maryland was up 1.4% (2,900 jobs) year-over-year.

Despite the relative resiliency of the local economy, substantial foreclosure problems surfaced as a result of the general collapse of the national housing market. According to RealtyTrac, which does not treat Suburban Maryland separately, the Washington area Metropolitan Statistical Area (MSA) ranked 78th among the nation's top 206 metro

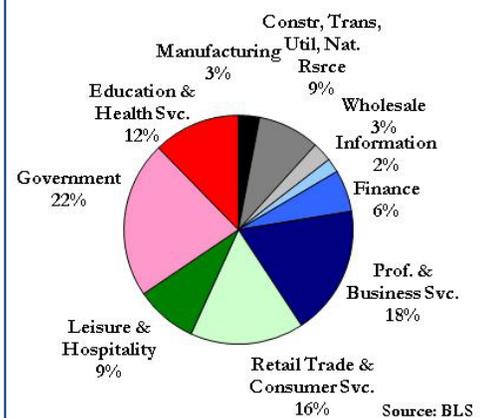
Employment:

- The BLS reports a seasonally unadjusted unemployment rate of 5.6% in January for the Bethesda-Rockville-Frederick Metropolitan Division, down from 6.4% one year earlier.
- Moody's Economy.com reports a fourth quarter 2010 average household income of \$151,084 for Suburban Maryland. Average household incomes of \$120,040 and \$110,763 are reported for the top metros in the nation and South Atlantic region, respectively.

Employment Growth:



Employment by Sector:



areas in rate of foreclosure for 2010. Improvement, however, is apparent: the MSA ranked 55th for all of 2009. At 2.04%, its 2010 rate of foreclosure (representing 43,962 notified residences) bested the 2.23% rate calculated for the nation for the year.

Note on the data: The area of coverage here with respect to BLS job growth data combines the previously noted Bethesda-Rockville-Frederick Metropolitan Division and the Calvert-Charles-Prince George's area.

OUTLOOK

The return of net job growth in 2010 and the strong year-over-year increases indicated for early 2011 are encouraging. Although uncertainty attends both at present, the government and bioscience sectors should remain assets for the long term.