



Overview of Economy & Impact of Recent Government Restructuring for Rockville

Positioning Rockville for Sustainable Growth in a Restructured Federal Landscape

Rockville Economic Development, Inc.

April 2025

Economic Overview & Vulnerabilities



Key Economic Takeaways

Strong fundamentals persist, but exposure to federal employment creates pressure for strategic adaptation

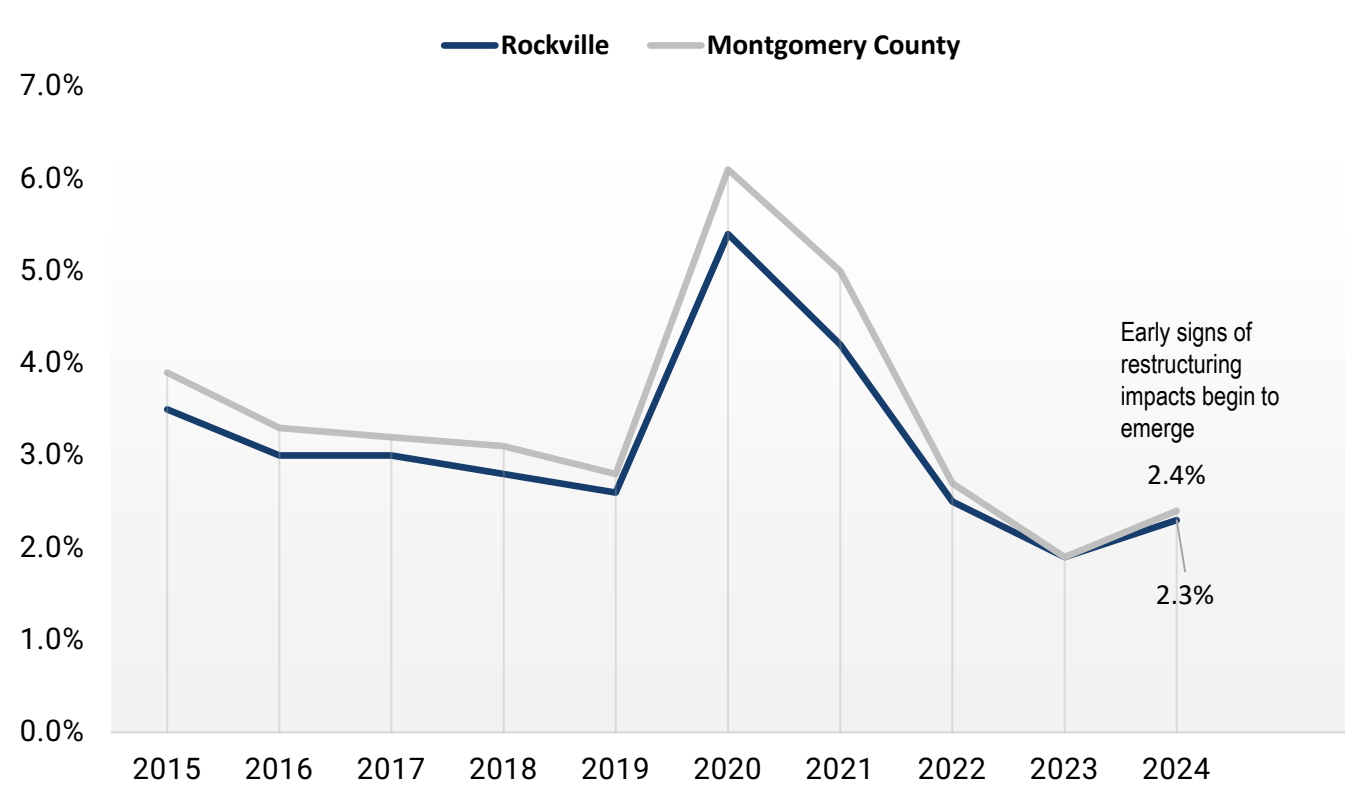
- **Unemployment Trends:** Due to federal and private sector layoffs, Rockville's unemployment rate rose from 2.4% in January to 3.1% in February 2025. However, it remains below the city's long-term average of 3.4%, reflecting underlying labor market resilience.
- **Population Growth:** Rockville grew by 9.7% between 2010 and 2020 – outpacing Montgomery County and signaling strong resident attraction and retention.
- **Workforce Composition & Risk Exposure:** 22% of Rockville's workforce is employed in federal government roles. While this adds income stability, it also increases vulnerability during restructuring periods.
- **Employment Trends:** Blue-collar sectors, especially construction and utilities, have led job growth in recent years, while office-based sectors have remained flat. Professional & technical services remain the city's largest employer.
- **Educational Attainment Average:** 64.6% of residents hold a bachelor's degree or higher, ranking Rockville among the most educated cities in the region – a competitive edge for attracting innovation-based industries.



Employment Activity in Rockville & Montgomery County

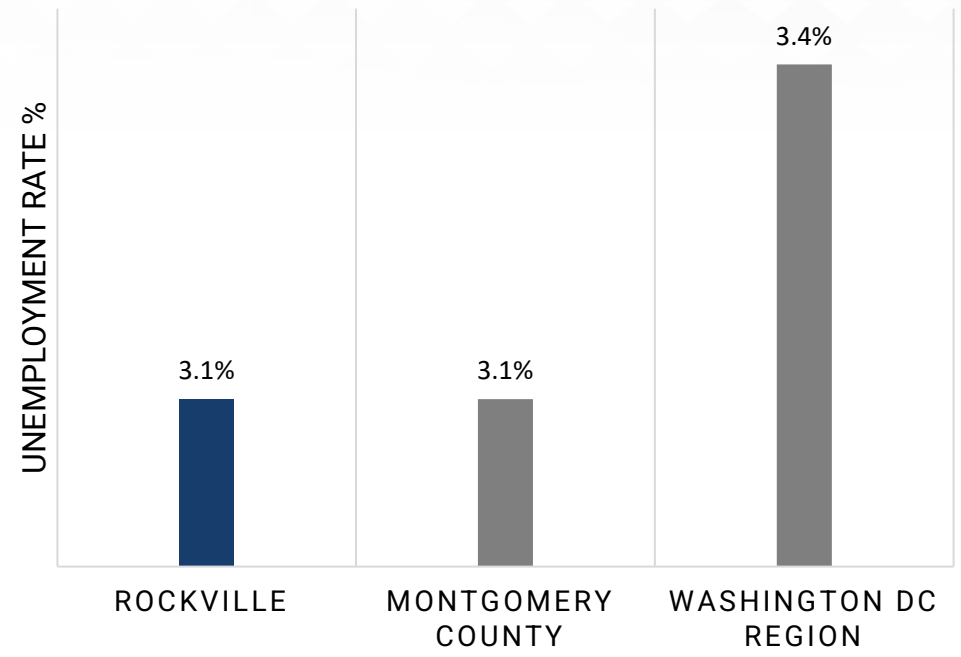
Rockville maintains low unemployment despite early signs of restructuring-related shifts

Historical Unemployment Rate Leading into Federal Restructuring (2015-2024)



Federal cutbacks begin to show early impact across the region

Unemployment Rate as of February 2025



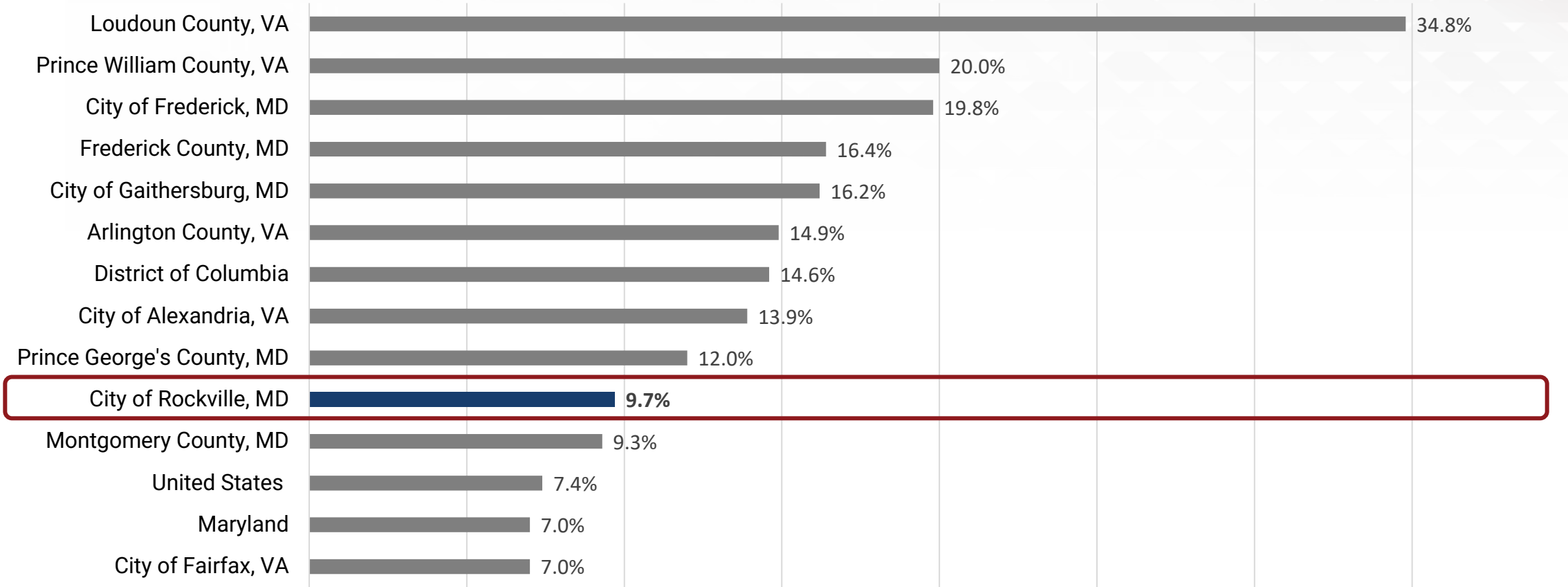
Source: 2020 Census Results for the City of Rockville Report



Population Growth in Rockville and Surrounding Jurisdictions (2010-2020)

Rockville's steady growth outpaces county, state, and national trends – reinforcing economic appeal

Rockville's healthy growth rate – above regional and national averages, but below explosive hotspots – suggests long-term economic appeal without overheating risk.



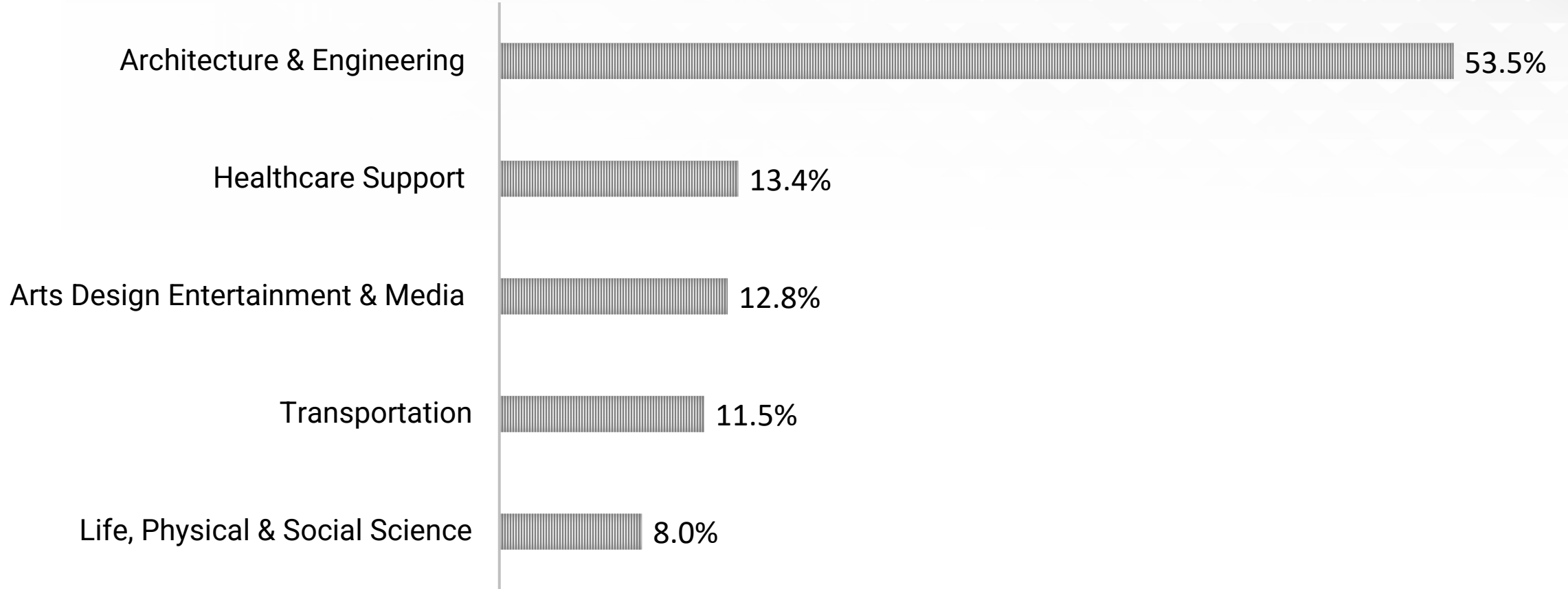
Source: 2020 Census Results for the City of Rockville Report



Top Growing Occupations in Rockville, 2022-2023

Growth Anchored by Engineering, Health, and Creative Sectors

Architecture & Engineering roles saw a 53% YoY increase—driven by federal investments and advanced manufacturing needs.



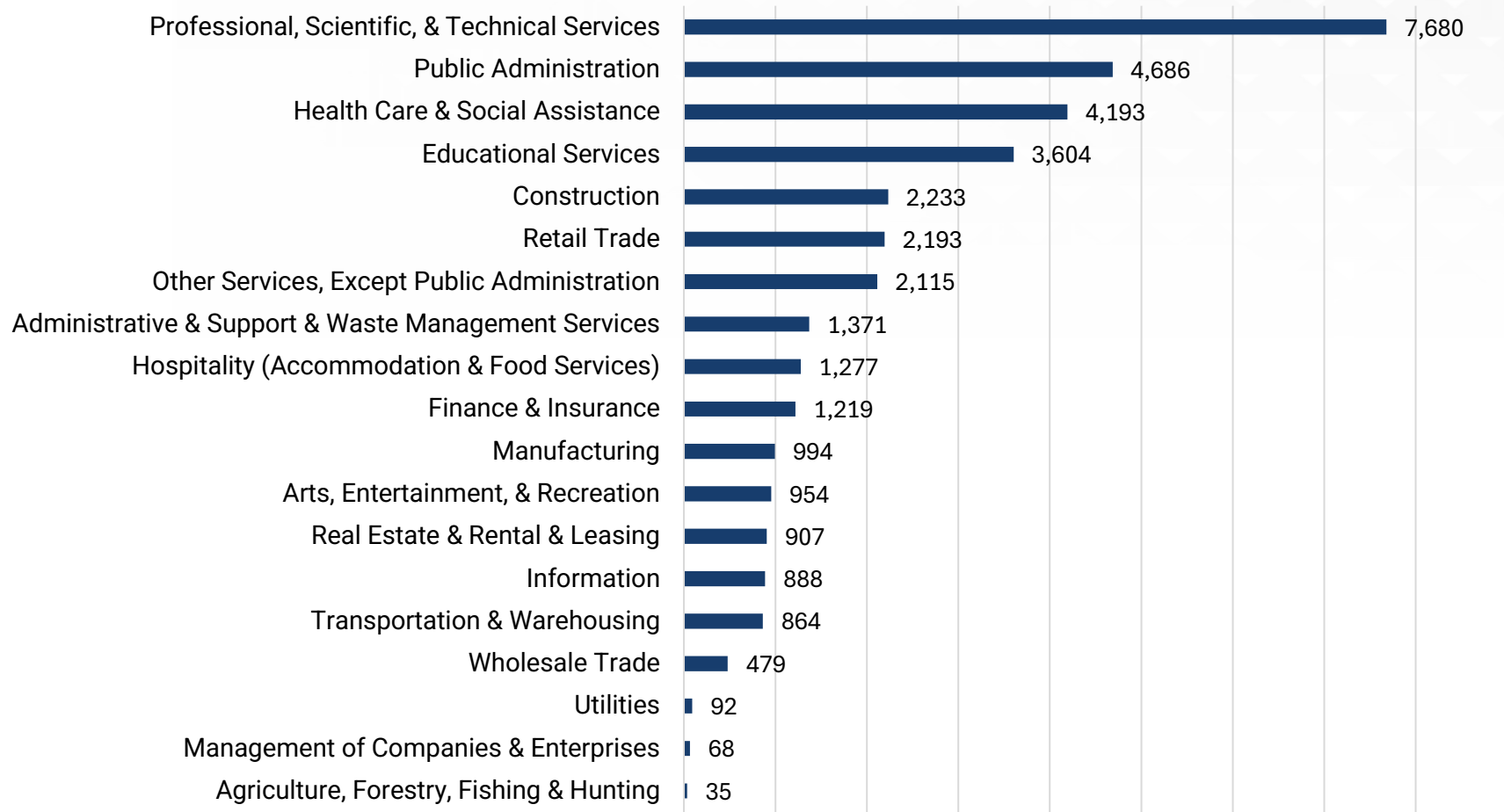
Source: Census Data; 2023 QCEW Numbers



Rockville's Employment Numbers by Industry

Heavy reliance on federal and office-based sectors; blue-collar and life sciences show recent momentum

EMPLOYEES BY INDUSTRY as of 2023



Source: Census Data; 2023 QCEW Numbers

- **Office-Producing Sectors:** Growth in professional services, finance, real estate, and public administration has remained modest over the past five years.
- **Blue-Collar Growth:** The "Blue Collar" sectors, particularly Construction, Transportation, and Utilities, have seen the most significant growth in the past five years.
- **Professional & Technical Services:** Rockville's largest employment sector, accounting for 21% of the city's workforce, includes high-growth areas like life sciences and tech.
- **Construction Sector Growth:** Rockville's fastest-growing industry over the past five years, with employment increasing at an average annual rate of 5.9%.
- **Education Sector:** Accounts for 10% of Rockville's workforce, with steady job growth averaging 1.5% annually.
- **Public Administration:** Federal and local government roles, categorized under Public Administration, represent 13% of the city's employment base.

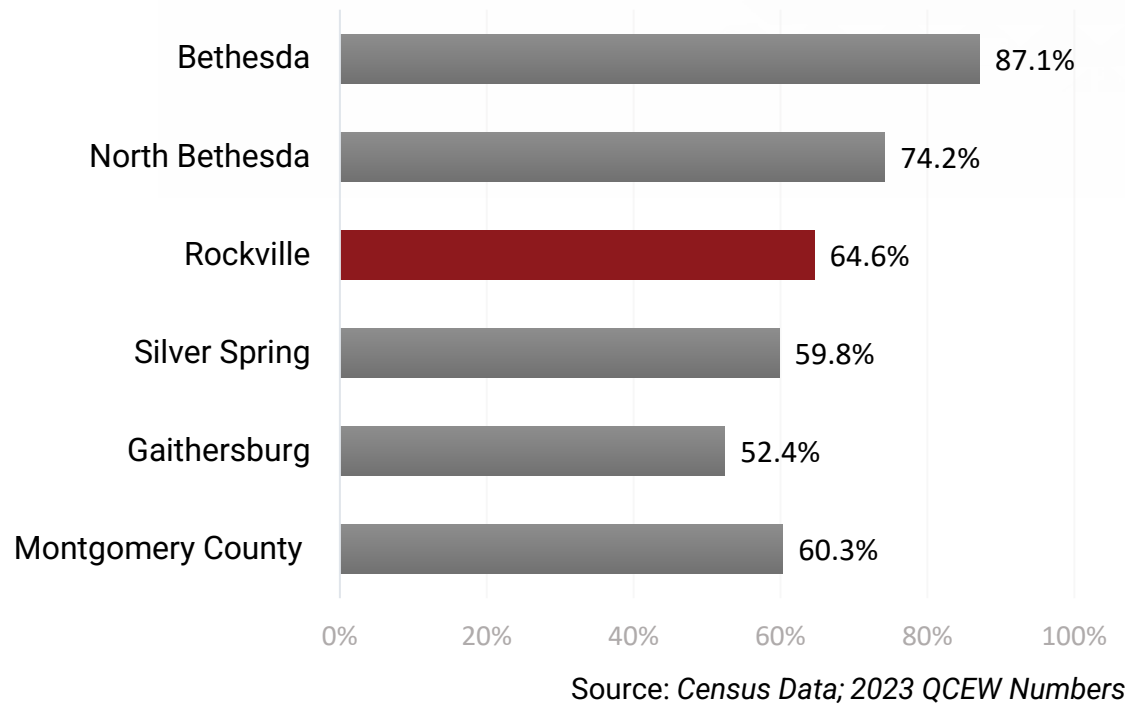


Workforce Educational Attainment

Rockville's highly educated talent pool positions it for tech, life sciences, and innovation-sector growth

Educational Attainment Among Residents Aged 25+ (2019–2023)

Percent of residents with a bachelor's degree or higher



- According to Census data, 64.6% of Rockville residents aged 25 and older hold a bachelor's degree or higher.
- This exceeds the countywide average and reflects a highly educated local workforce.
- As a result, Rockville ranks among the most educated cities in both Montgomery County and the broader Washington metropolitan region.

Source: City of Rockville Demographic Characteristics

Rockville outpaces countywide and national averages in educational attainment, ranking third among peer jurisdictions





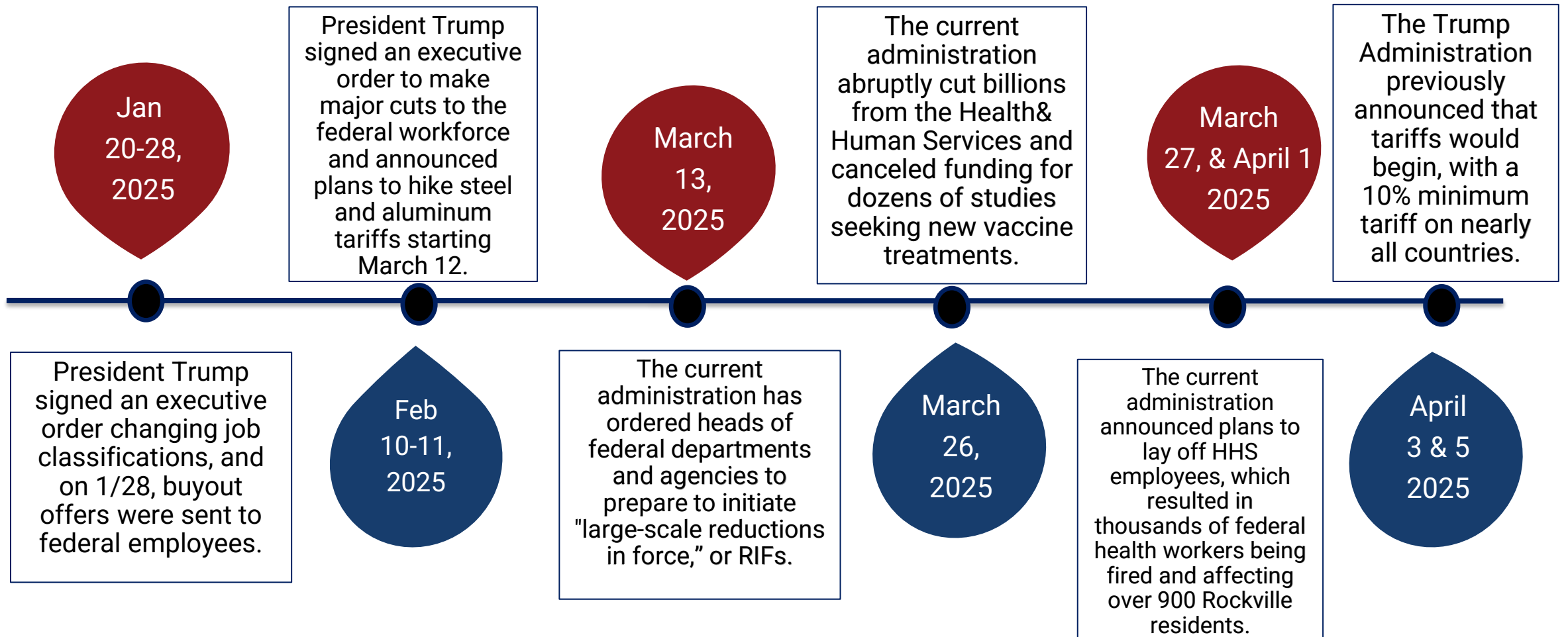
Impact of Federal Restructuring

Analyzing Early Disruptions And Long-term Risks From 2025 Federal Workforce Cuts



Timeline: Administration Changes & Reorganization Plans

Key Milestones In Workforce Reduction, Agency Funding Cuts, And Tariff Policy



Federal Workers: Probationary Activity

Over 24,000 federal jobs affected, including HHS, EPA, and Interior staff

More than 24,000 employees across 18 federal agencies were dismissed following the new administration's initiative to downsize government operations. The following highlights probationary employment actions taken since January 20, 2025.

- **Department of Health and Human Services:** 3,248 probationary employees were terminated. All received notices of reinstatement via email or formal letter.
- **Department of the Interior:** 1,712 employees were dismissed. According to the Deputy Assistant Secretary for Human Capital, 90% of the 1,710 impacted workers have since been rehired. Two individuals remain excluded under a judicial restraining order.
- **Department of Energy:** 555 employees were issued termination notices. Of those, 319 were rescinded and placed on retroactive administrative leave by 1:00 p.m. on March 17. All remaining terminations were processed by 1:35 p.m. the same day.
- **Environmental Protection Agency:** 419 probationary employees were terminated. All subsequently received notice of rescinded removals. According to EPA's Human Capital Operations, the majority were returned to paid administrative leave status.



Federal Employment in Rockville

13% of Maryland's workforce is federal – Rockville plays a key role



District of Columbia (DC)

Number of Federal Workers (DC)

63,072

Total Workers* (DC)

289,685

Share of Federal Workers (DC)

21.8%



Maryland (MD)

Number of Federal Workers (MD)

302,663

Total Workers* (MD)

2,334,808

Share of Federal Workers (MD)

13%



Virginia (VA)

Number of Federal Workers (VA)

321,516

Total Workers* (VA)

3,147,719

Share of Federal Workers (VA)

10.2%



COG Region (COG)

Number of Federal Workers (COG)

399,389

Total Workers* (COG)

2,312,123

Share of Federal Workers (COG)

17.3%

Source: Metropolitan Washington Council of Governments

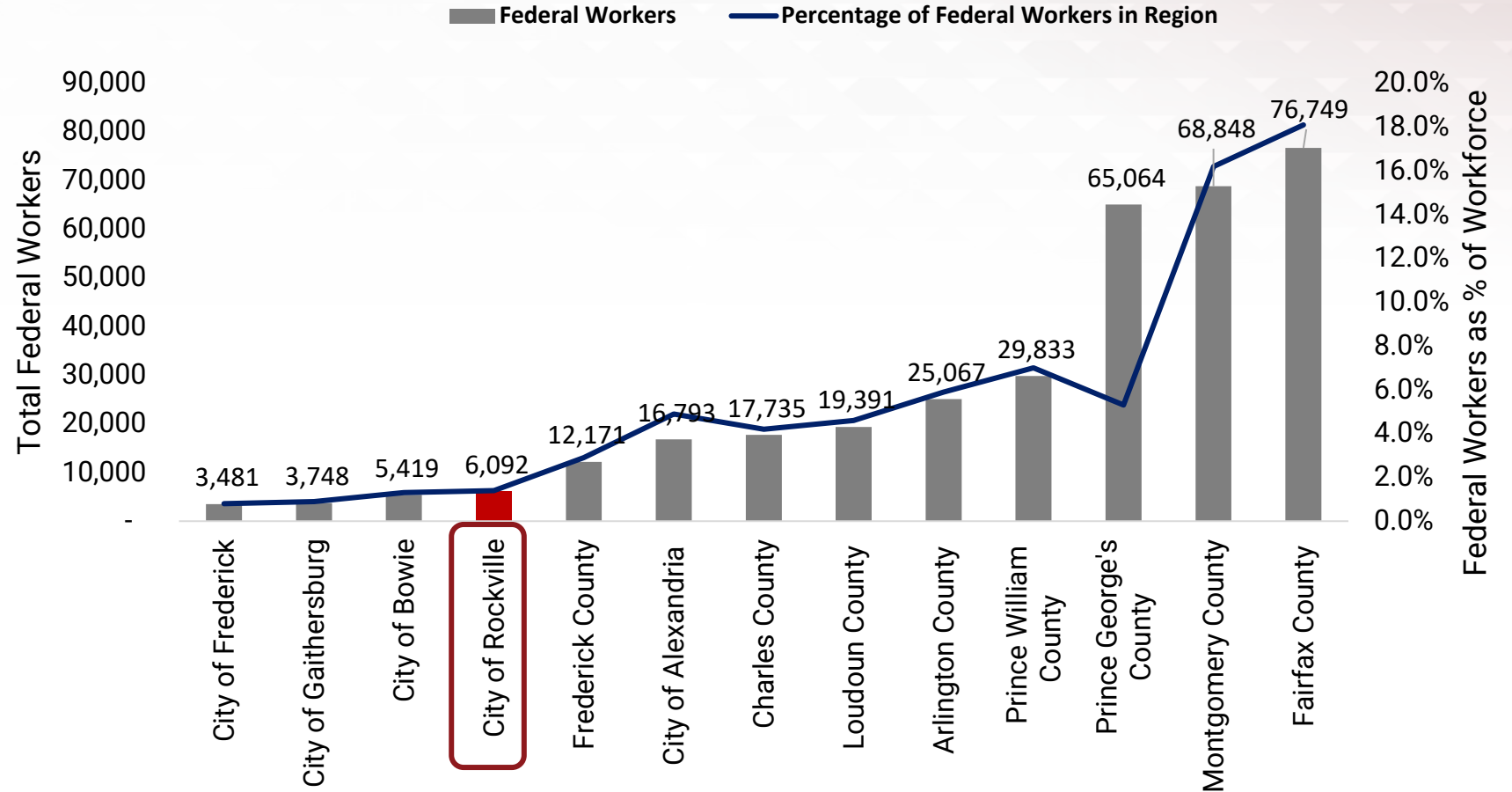


A Look at Federal Workers in the Region

Rockville's Federal Footprint Is Outsized—With Economic Exposure Tied to Shifting Federal Priorities

- Federal Workforce in the Region:**
 Federal employees comprise 16% of the Washington, D.C. region's workforce—roughly 399,000 workers.
- Unemployment Peak:**
 At the peak of the pandemic (April 2020), the region's unemployment rate hit 9.4%, with 309,000 workers out of work. Further federal cuts could risk returning to those levels.
- Rockville's Federal Footprint:**
 Federal workers make up 22% of Rockville's workforce, despite accounting for just 1.4% of the region's federal workforce—highlighting Rockville's heightened exposure.
- Comparison to Alexandria:**
 Only Alexandria has a higher share of federal workers, underscoring Rockville's unique sensitivity to federal shifts.
- Vulnerable Innovation Sectors:**
 Professional, scientific, and technical industries—key to Rockville's economy—are especially exposed to workforce adjustments through federal contracts and funding reductions.

Rockville's Federal Footprint in Regional Context
 Rockville has fewer federal workers than many peers—but a higher proportional impact on its workforce



Source: Metropolitan Washington Council of Governments

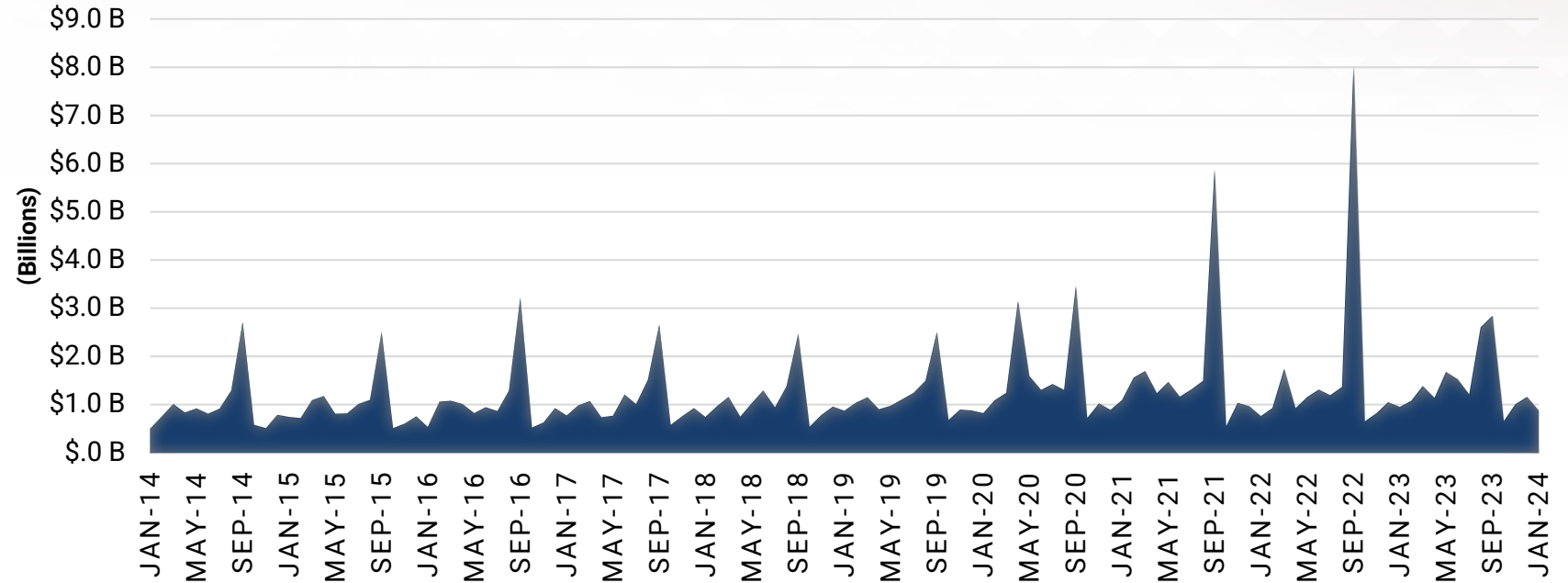


Federal Awards Activity for Montgomery County

\$151B in Federal awards since 2014 – HHS leads the way

- Over the past decade, Montgomery County received approximately \$151 billion in federal funding—an average of over \$15 billion annually.
- Nearly two-thirds of that total came from just three departments:
 - Health & Human Services (\$46.5B)
 - Social Security (\$29.3B)
 - Defense (\$26.7B)

**MONTGOMERY COUNTY'S FEDERAL AWARDS (2014-2024)
AWARD VOLUME IS SEASONAL BUT SPIKES IN RECENT YEARS
SUGGEST INCREASED DEPENDENCE**



Source: USASpending.gov



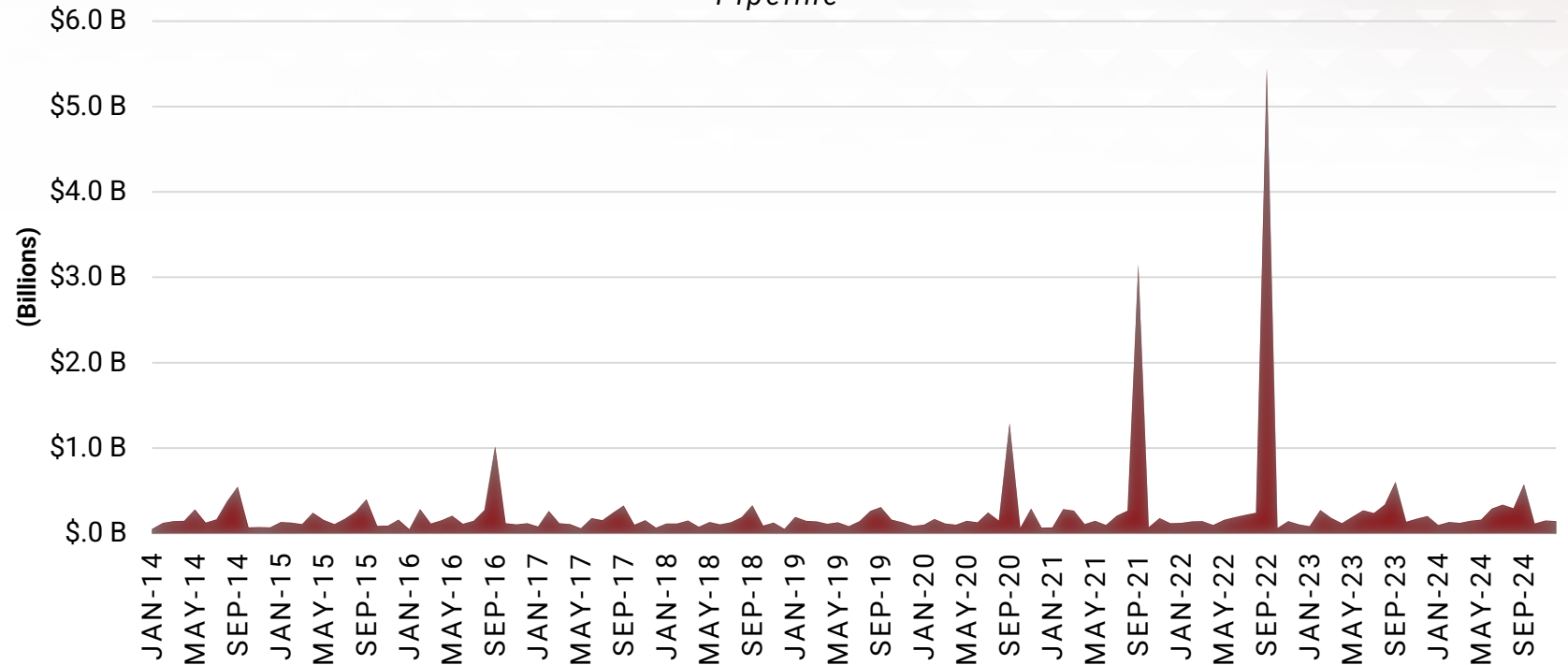
Federal Awards Activity for Rockville

\$32B in awards over 10 years – Cybersecurity & Life Sciences lead the charge

- Rockville has received \$32 billion in federal awards over the past decade, peaking in 2016 and experiencing a decline in 2024.
- A notable example: In 2014, NIST selected the MITRE Corporation to operate the National Cybersecurity FFRDC headquartered in Rockville—cementing the city’s role in federal research and innovation.
- Other major awardees include Westat, Optum Public Sector, General Dynamics IT, and BAE Systems, which have secured some of the region’s largest cybersecurity and IT services contracts.

Rockville’s Federal Awards (2014-2024)

Spikes Highlight Contract Dependency; Recent Declines May Signal Slowing Pipeline



Source: USASpending.gov



Potential Impact if Federal Spending Decreases

Cybersecurity, life sciences, and subcontractor networks at high exposure

Impact on Federal Contractors and Private Sector Jobs

- **Cybersecurity and IT Companies:** Companies like General Dynamics, BAE Systems, and other contractors that provide cybersecurity and IT services to federal agencies in Rockville could face a reduction in contracts. This could lead to layoffs, reduced hiring, and decreased revenues for these firms. Given Rockville's proximity to federal agencies like the National Institute of Standards and Technology (NIST), any cuts in federal IT, security, or research-related projects could impact employment in the private sector.
- **Subcontractors and Suppliers:** Firms that act as subcontractors or suppliers to federal contractors could experience a ripple effect if major contracts are scaled back. These companies often depend on federal funding to maintain a steady revenue stream, and reductions could lead to business closures or downsizing.

Impact on Research and Innovation

- **NIST and Research Funding:** Rockville is proximate to the National Institute of Standards and Technology (NIST), which is crucial in advancing innovation, especially in technology and cybersecurity. Reduced federal spending could lead to decreased research grants and funding for scientific initiatives. This could stall progress in key areas like cybersecurity, manufacturing, and environmental technologies, which are critical to the region's economic growth.
- **Life Sciences and Tech Industry:** Federal funding often supports Rockville's smaller biotech firms and life sciences research. Key areas likely affected include R&D funding, regulatory oversight, and international collaborations. These shifts could influence research activity, slow innovation, and alter the overall business environment for life science companies in the region. Decreased federal funding for research and development could impact the growth potential of life science & technology companies, especially smaller ones reliant on public support.



Market Vulnerabilities



Office Fundamentals as of Q2 2025

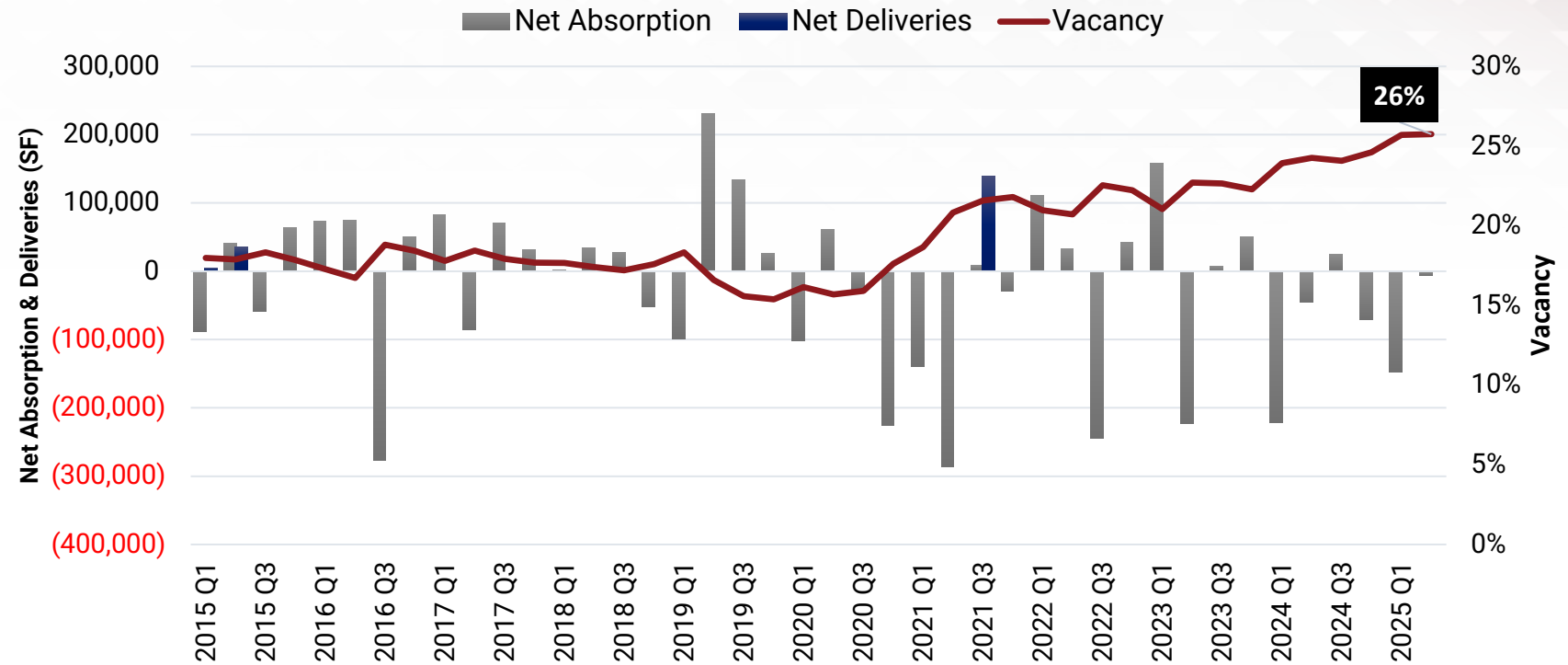
High Vacancy and Weak Absorption Signal Market Instability

These slides provide a brief overview of the City of Rockville's office market fundamentals as of Q2 2025.

Please note that the data includes only buildings located within the City's boundaries. This narrower scope explains why the reported vacancy rate differs from the broader JLL regional figures presented in February.

- As of year-end 2024 and continuing into Q2 2025, Rockville's office vacancy rate stood at 26%.
- Net absorption—which measures the net change in occupied space—was negative 5,812 square feet in Q2 2025. This follows a deeper contraction of negative 70,000 square feet in Q4 2024, indicating some stabilization at the start of this year.

Rockville Office Market Trends (Q1 2015 – Q2 2025) Tracking Vacancy, Net Absorption, and Deliveries Across a Decade of Change



Vacancy rates have steadily climbed since 2020 and now exceed 25%, despite relatively low new deliveries. Negative net absorption continues, signaling weak tenant demand and persistent churn.

Source: CoStar



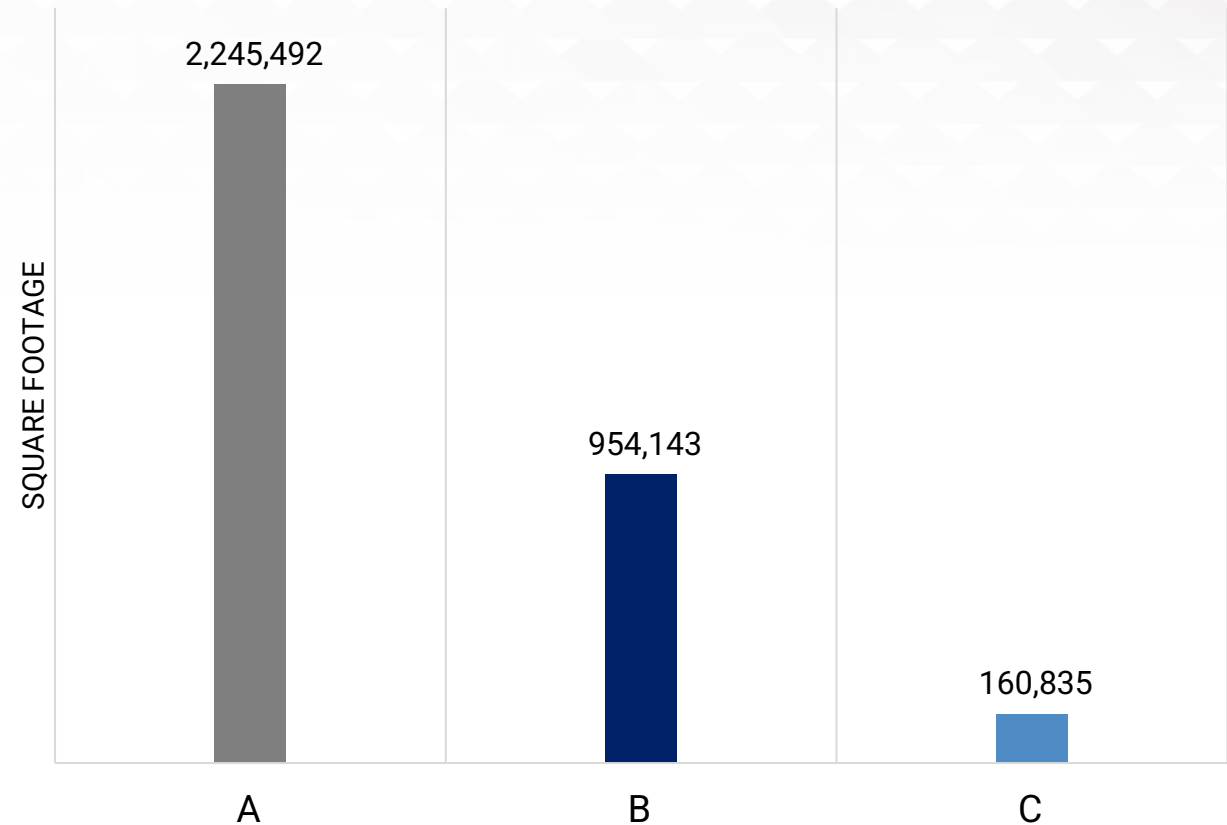
Availability of Office Space in the City of Rockville

Class A Dominates Vacancy—Newer Isn't Always Better

We're looking closer at the office space contributing to Rockville's elevated vacancy.

- *Available space* includes both current vacancies and known future vacancies.
- This analysis covers all buildings in the City's inventory with 10,000 SF or more of available space, totaling 51 buildings.
- The largest share (61%) of available space is in **Class A properties**, primarily built or renovated after 2003.
- **Class B buildings** (26%), mostly constructed between 1973 and 1987, represent the second largest share of vacant space.

OFFICE AVAILABILITY BY CLASS

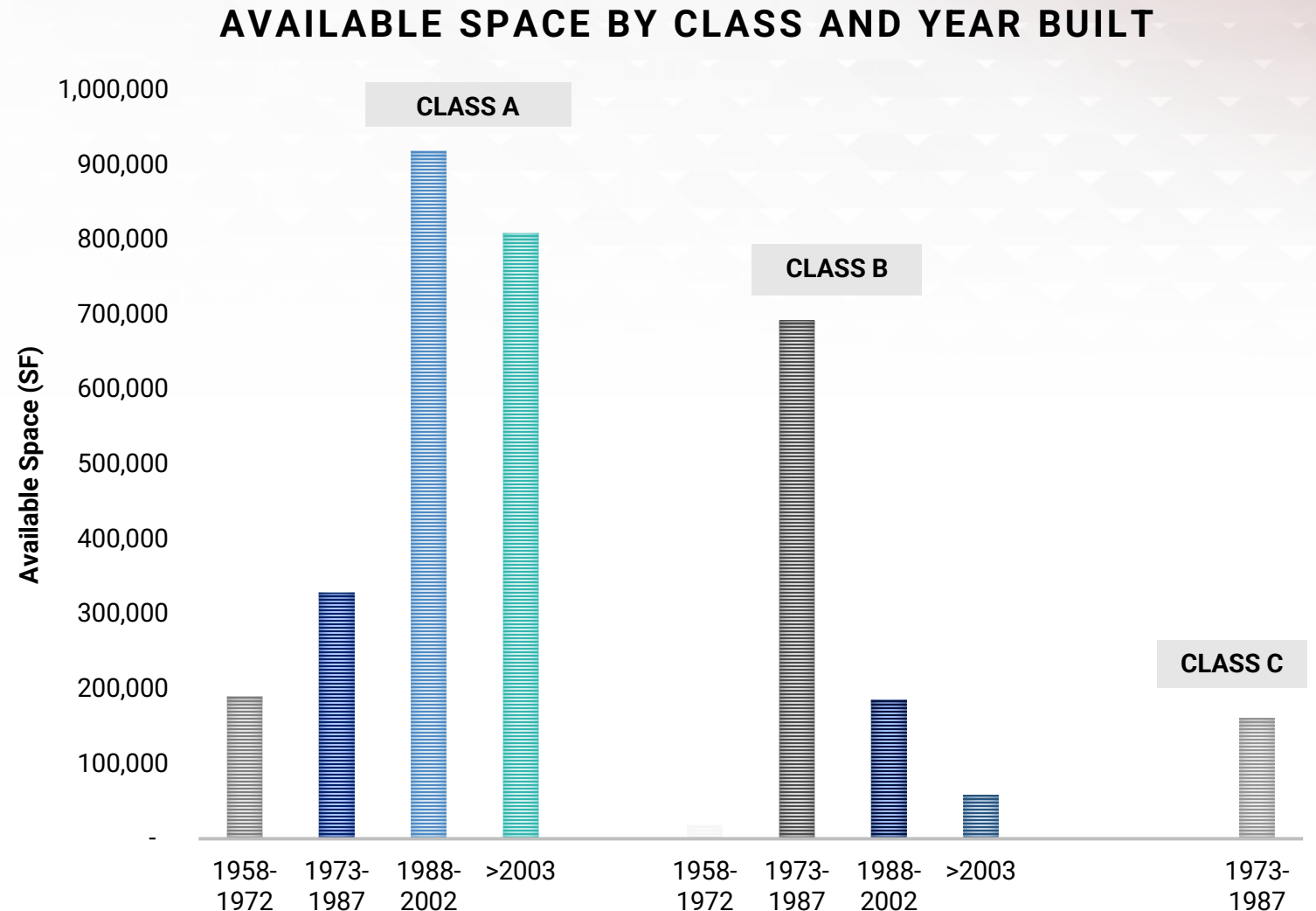


Availability of Office Space in the City of Rockville

Most Vacancy Concentrated in Newer Class A and Aging Class B Assets

- **Vacancies Concentrated in Class A and B Assets:** Most vacant office space in Rockville is found in newer Class A buildings and older Class B properties, indicating these asset classes are struggling the most in the current market.
- **Potential Mismatch Between Supply and Demand:** Despite being newer or higher-quality buildings, Class A properties face elevated vacancy rates, possibly due to market fluctuations, location preferences, or shifts toward hybrid and remote work models.
- **Aging Class B Buildings May Need Reinvestment:** Persistent vacancies in Class B assets may reflect the need for renovations or repositioning to meet modern tenant expectations.
- **Opportunity for Strategic Repositioning:** These trends highlight a potential opportunity for redevelopment, adaptive reuse, or incentive-driven leasing strategies to reduce vacancies and attract tenants

Source: CoStar



Federal Leases in Rockville

Federal Downsizing Adds Risk to Already Soft Market

- The General Services Administration (GSA) was directed to terminate leases at approximately **7,500 federal offices nationwide**, part of a federal effort to reduce office footprint by up to **50%**. This shift could release **over 200 million SF** into the private market.
- According to Barclays Plc, this move puts an estimated **\$12 billion** in commercial mortgage-backed securities (CMBS) at risk.
- Montgomery County has **6.7 million SF** of leased federal space. In Rockville alone, **172,000 SF** is leased to federal tenants.
- While Rockville's **exposure is smaller relative to other submarkets**, the city is still **recovering from prior federal move-outs**, which left significant vacancies in key assets.

Even with lower total exposure, Rockville remains vulnerable to future GSA lease terminations—especially after recent federal departures weakened occupancy.

Department	Address	SF	Lease Expiration
Health & Human Services	1101 WOOTTON PKWY	85,970 SF	1/13/2030
US Consumer Product Safety Commission	5 RESEARCH PL	63,852 SF	11/30/2035
Social Security Administration	315 N WASHINGTON ST	12,370 SF	12/10/2024
Dept of Justice	30 W GUDE DR	10,646 SF	9/28/2028
Undisclosed	1029 E GUDE DR	9,000	6/29/2027

Source: GSA Federal Leasing Database



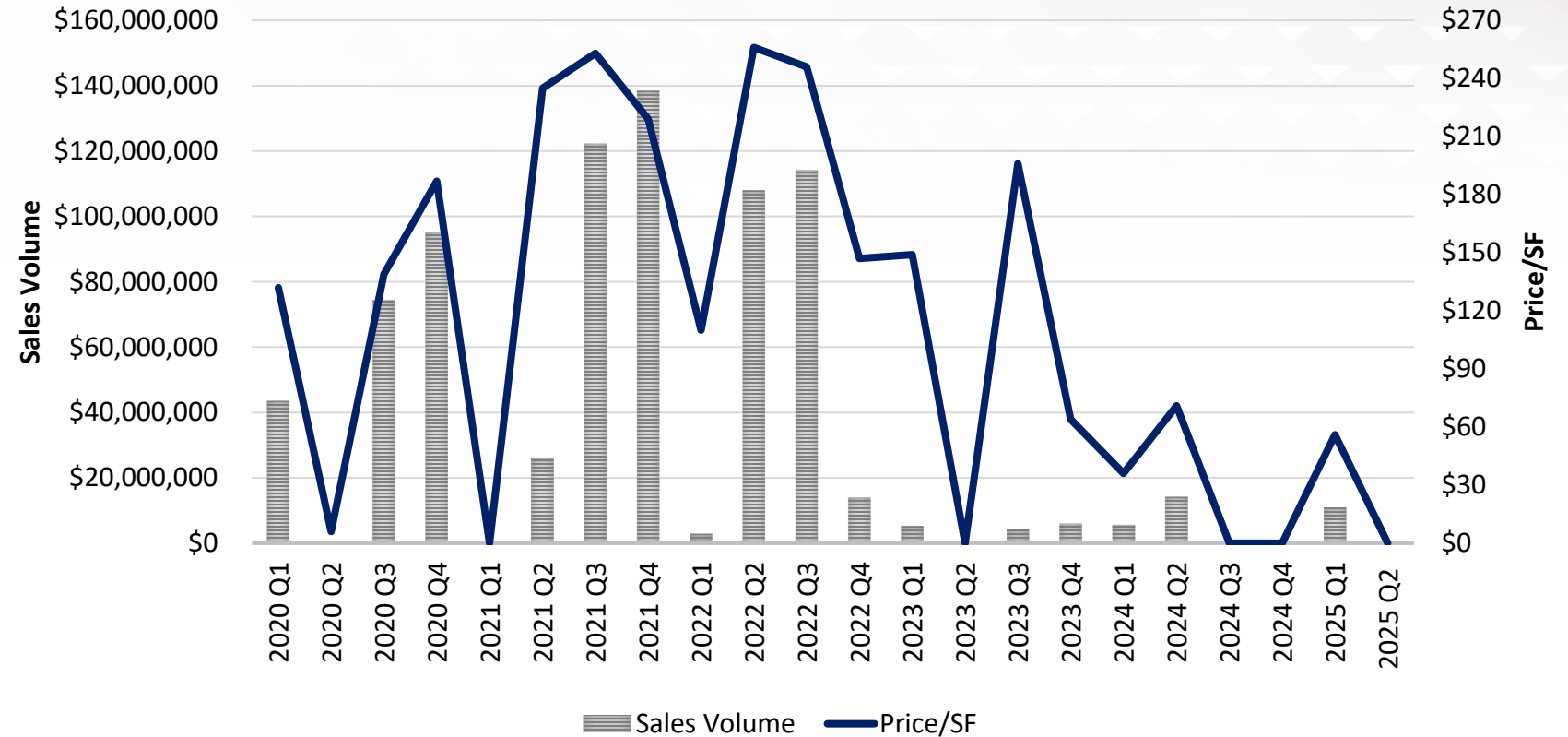
Office Sales 2022-2025

Sales Volume Flatlines as Price/SF Erodes

- **\$666M** in office assets traded between 2020–2025, though recent years saw a sharp drop in pricing.
- **Three of the sales** during this period were foreclosure transactions, signaling stress in the asset class.
- **JLL reports** that landlords continue to struggle with leasing, pressuring both pricing and competitive viability.
- **Prolonged vacancies** have eroded property values, forcing some buildings back to lenders.
- **Three assets** have been returned to lenders; at least three others are pending transfer, further straining the market.

Source: CoStar

Transaction Trends Reveal Distress Signals



Recent Closed Foreclosed Deals- 2020-2025

Foreclosures Underscore Ongoing Distress



Address: 121 Rockville Pike
RBA: 197,377 SF
Sale Date: 2/10/25
Sale Notes: The property was owned by Foulger Pratt and was the former headquarters of Choice Hotels. After Choice vacated the property, vacancy increased to about 83%, and it sold at auction for \$10.9 million.

Source: CoStar



Address: 255 Rockville Pike
RBA: 160,835 SF
Sale Date: 3/18/24
Sale Notes: The property was previously foreclosed on in August 2023. LNR Partners sold this property again in a foreclosure auction sale for \$5.7 million.



Address: 2301 Research Blvd.
RBA: 94,491 SF
Sale Date: 2/21/20
Sale Price: \$12 million
Sale Notes: The property was a “reo” sale or a Real Estate Owned sale due to the previous owner defaulting on the mortgage and the property being sold by the lender for \$12 million.



Buildings Currently In Foreclosure

Wave of Distress May Not Be Over



Address: 51 Monroe St. Rockville Pike

RBA: 227,000 SF

Owner: Brookfield

Year Built/Renov: 1975/2003

Notes: The loan was transferred to Special Servicing on 3/14/2023 due to a monetary default on the mezzanine loans. A Receiver was appointed in October 2024 and for all Maryland properties in January 2025.

Source: CoStar



Address: 600 Jefferson Plaza

RBA: 113,035 SF

Owner: Brookfield

Year Built/Renov: 1985

Notes: The loan entered Special Servicing on March 14, 2023, following a monetary default on the mezzanine loans. A Receiver was appointed for all Maryland properties in October 2024, effective January 2025.



Address: 30 W Gude Drive

RBA: 124,321 SF

Owner: Thor Equities

Year Built/Renov: 1987

Notes: The loan was moved to Special Servicing on March 14, 2023, after a default on the mezzanine loans. A receiver was appointed to the University Corporate Center III in October 2024 and all Maryland properties in January 2025.



Bright Spots - Business Highlights

Major Employers Reinforce Rockville's Innovation Economy

- **Amazon** invested \$500M in 2024 to support X-Energy's advanced modular nuclear reactor R&D and expand clean power infrastructure.
- **AstraZeneca** committed \$3.5B toward a major U.S. R&D and manufacturing facility.
- **MilliporeSigma** opened a \$317 million biosafety testing facility in Rockville, strengthening the city's biotech footprint.
- **Seventeen Rockville-based firms** earned a spot on the 2024 *Inc. 5000* list, highlighting sustained small-business growth.
- **BioHub Maryland** launched a biopharma workforce training center, advancing talent development in life sciences, especially Biomanufacturing.



Investment Activity in 2024

Private Investment Surges as Public Sector Retrenchment Looms

Clean tech and life sciences captured more than 80% of disclosed deal volume

- Rockville captured nearly **\$1 billion in investment activity** in 2024—representing close to 30% of all deals countywide.
- The **technology sector led the surge**, raising \$769 million and outpacing life sciences.
- Among the standout deals, **Rockville-based X-Energy secured the county's largest tech investment** and second-largest overall, landing **\$500 million** in later-stage funding deal.
- Despite tech's dominance, **life sciences remained strong**, accounting for **54% of Montgomery County's \$535 million** in funding.
- Notably, **Avalo Therapeutics raised \$185 million** in a post-IPO round, while **MaximBio received a \$49 million federal manufacturing award** from the U.S. Department of Health and Human Services.

Companies	Deal Size (\$ Millions)	Deal Type	Industries
X Energy	\$500.00	Later Stage VC	Technology/Clean Tech
Avalo Therapeutics (NAS: AVTX)	\$185.00	PIPE	Life Sciences
OCR Services	\$82.51	Merger/Acquisition	Technology
MaximBio	\$49.50	Grant	Life Sciences
Sepio	\$48.00	Later Stage VC	Technology
CASI Pharmaceuticals (NAS: CASI)	\$15.00	PIPE	Life Sciences
AgNovos Bioscience	\$13.38	Later Stage VC	Life Sciences
MultiplexDX	\$10.70	Later Stage VC	Life Sciences
The Freedonia Group	\$9.77	Later Stage VC	Professional Services
Sunstone Therapies	\$8.49	Seed Round	Life Sciences
MaximBio	\$4.40	Grant	Life Sciences
Immunomic Therapeutics	3.00	Later Stage VC	Life Sciences
Fina Biosolutions	0.30	Grant	Life Sciences
Pirl	0.01	Accelerator/Incubator	Technology
Behavioral Framework	Undisclosed	PE Growth/Expansion	Life Sciences
MasPanadas	Undisclosed	Later Stage VC	Manufacturing
MaximBio	Undisclosed	PE Growth/Expansion	Life Sciences
Pirl	Undisclosed	Accelerator/Incubator	Technology/Clean Tech
Quantum Space	Undisclosed	Early-Stage VC	Technology/Aerospace

Source: MCEDC Investment Report & Crunchbase



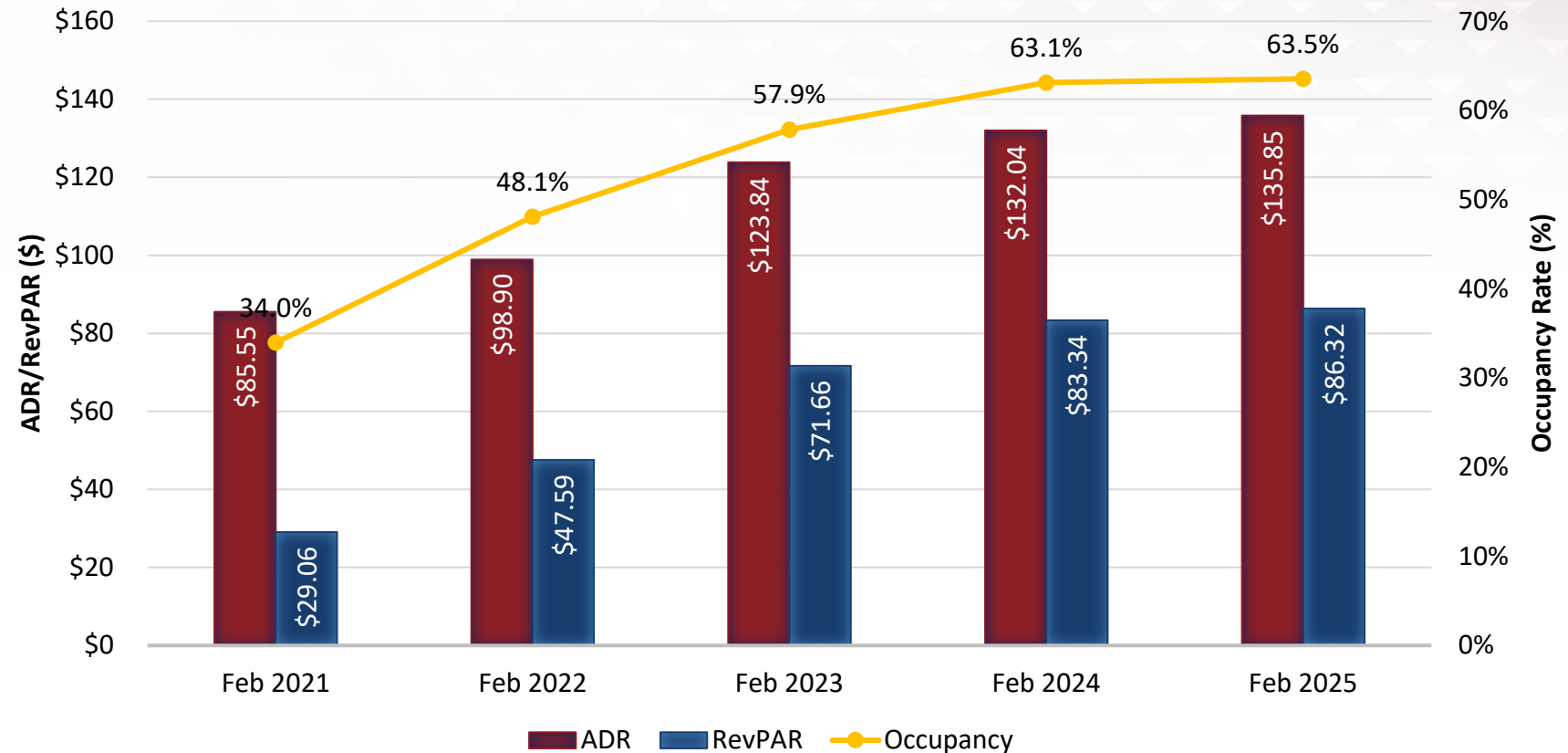
Rockville's Hospitality Activity

Sustained Recovery in Hospitality with Caution Flags Ahead

- The City of Rockville comprises **11 hotel properties totaling 1,732 rooms**.
- As of February 2025, **occupancy held steady at 63.5%**, nearly unchanged from 2024. **RevPAR increased to \$86.32**, up from \$83.24 the prior year.
- Given the market's **dependence on domestic travel**, potential economic headwinds—particularly inflation—could reduce demand in **lower-priced hotel segments**.
- **Post-pandemic relocators** returning to the region may cause **temporary occupancy spikes**, as they rely on hotels while seeking permanent housing across the metro area.

Rockville Hotel Performance: February Year-over-Year Trends

STRONG GROWTH IN ADR AND REVPAR, WITH OCCUPANCY PLATEAUING



Source: CoStar



REDI's Response to Current Federal Restructuring



REDI's Immediate Response to the Federal Changes

Supporting Employers and Workers Through Federal Shifts

- **Workforce Resource Update:** REDI has refreshed its workforce page to provide timely resources for Rockville businesses, residents, and job seekers impacted by federal changes.
- **Regional Coordination:** In partnership with the Montgomery County Government, Montgomery County Economic Development Corp., WorkSource Montgomery, the City of Rockville, the City of Gaithersburg, the Montgomery County Chamber of Commerce, the Greater Rockville Chamber of Commerce, and several regional economic development organizations, REDI helped launch Mobilize Montgomery, a coordinated effort providing real-time tools and support to mitigate economic disruption.
- **Mobilize Montgomery Platform:** This online hub offers tools and information for businesses, job seekers, and entrepreneurs navigating the evolving labor landscape. Resources will be continuously updated to meet emerging needs.



REDI's Business Development Strategy

Expanding the Biotech Corridor to Drive Economic Growth

Life Science Industry Sector

1. Launch the "Biotech Corridor" Brand

Promote Rockville to global life science firms by telling a compelling story of why it's the premier destination for innovation and business.

2. Grow the Life Sciences Footprint

Position Rockville as a national hub for research and development and attract more biomanufacturing companies, aiming to attract seven new life science companies by FY26.

3. Build a Collaborative Ecosystem

Foster networking, dialogue, and partnerships through events and shared innovation platforms to cross-pollinate ideas.

4. Strengthen Support Infrastructure

Expand ties with accelerators and incubators and actively promote local assets to attract and retain growing companies.



REDI's Business Development Strategy

REDI's Strategy to Attract and Retain Innovation-Driven Companies in AI, Tech, and Advanced Manufacturing

Emerging Industries

1. **Strengthen partnerships** with organizations like MEIA, the Maryland Tech Council, local educational institutions, incubators, and accelerator programs to support entrepreneurs and startups.
2. **Develop a targeted pipeline** to attract and retain small to mid-sized businesses seeking growth opportunities, leveraging platforms like CoStar and *GazelleAI*.
3. **Position Rockville** as a competitive hub for emerging sectors such as AI, quantum technologies, aerospace, and bio/health computing.
4. **Promote Rockville's innovation ecosystem** to the investment and development community as a top destination for emerging industry growth.
5. **Showcase advanced R&D activity** by highlighting material science and engineering breakthroughs driven by Rockville-based companies.



REDI's Business Development Strategy

Positioning Rockville as a Hub for Emerging Light Industrial and SSM Innovation

Small Scale Manufacturing Sector (SSM)

1. **Develop targeted programming** to raise awareness of technical support and location services—helping businesses close knowledge gaps and position themselves for success.
2. **Expand REDI's website** to highlight SSM as an emerging industry and centralize related business resources.
3. **Provide specialized technical assistance** to support business owners at all stages of growth and development.
4. **Promote Rock East and Twinbrook** as distinct zones for light industrial use and SSM investment.
5. **Share compelling stories** about Rockville's small-scale manufacturers to build trust, attract technical support and funding, and grow industry interest.

