Economics Group

Special Commentary

Maryland vs. Temple
The Terrapins Take On the Owls in a Matchup of Historic Proportions
The Philadelphia-based Temple Owls will take on the University of Maryland Terps in this week’s game, in a matchup between cities that have both served as the nation’s capital. Maryland’s campus is located in College Park—just a few miles north of the District of Columbia in Prince George’s County, Maryland, the third largest county in the D.C. metro area. In 1800, the nation’s capital was officially moved from Philadelphia to the newly created federal district. Aside from a number of historical monuments that grace their respective landscapes, the Philadelphia and Washington regional economies have both developed rapidly growing tech and life sciences clusters.

Proximity to the capital has in many ways defined the suburban Maryland economy, and the area is home to a wide array of federal agencies and military installations, such as Joint Base Andrews, the U.S. Census Bureau and the National Archives. In contrast to the University of Maryland’s suburban setup, Temple’s campus is an urban oasis located in the heart of North Philadelphia. The university and its associated hospital system are a major economic driver for the area.

Maryland travels north to take on Temple in Philadelphia this week.

Figure 1
Maryland Nonfarm Employment 3-Month Moving Averages

![Maryland Nonfarm Employment Graph]

Source: U.S. Department of Labor and Wells Fargo Securities

Temple Driving Philadelphia Forward
Temple’s football program has not been immune to an ever-tightening labor market over the past decade—since 2009, five different head coaches have left for larger and more nationally renowned programs. This revolving door of coaches has overshadowed what has arguably been the Owls’ most successful decade in program history. In 2009, they earned their first winning record since 1990 under the leadership of Al Golden, who soon departed for the University of Miami. Steve Addazio took the helm for the next two seasons before leaving for Boston College, replaced by Matt Rhule, who led the team to their first conference championship since 1967 before leaving for Baylor in 2016. Geoff Collings had an even shorter stint and in 2018 left after two seasons for Georgia Tech. Collins’ successor, however, holds the school record for shortest coaching tenure. After being named head coach on December 13, 2018, Manny Diaz had a change of heart and announced on December 30 of the same year that he would instead return to the University of Miami.

This report is available on wellsfargo.com/economics and on Bloomberg WFRE.
The Owl’s 2019 season kicks off with Rod Carey as the newly minted head coach. In order to fill the void left by star running back Ryquell Armstead (now playing in the NFL), Carey is expected to supplement the Owl’s traditionally run-heavy offense with an up-tempo pace, with more run-pass option plays. The defense will also miss NFL second round draft pick and cornerback Rock Ya-Sin and defensive end Michael Dogbe. In recent years, the Owls have increasingly sent more players to the NFL, which is a testament to the program’s diligent recruiting efforts. In 2017, linebacker Hassan Reddick was selected #13 overall by former Temple head coach Bruce Arians (1983-1988) and the Arizona Cardinals, becoming the Owls’ second highest draft pick in history. Recruiting should blossom further with the addition of new running backs coach Gabe Infante, who built neighboring St. Joe’s Prep into one of the nation’s top-ranked high school football programs.

The “Temple Tough” philosophy fits well with the greater Philadelphia area’s resilient economy, which appears to be holding up well amid the closings of several long-standing city institutions. The “Temple Tough” philosophy fits well with the greater Philadelphia area’s resilient economy, which appears to be holding up well amid the closings of several long-standing city institutions. Philadelphia Energy Solutions declared bankruptcy after a massive fire and explosion in June, while financially troubled Hahnemann University Hospital will close its doors for good this month. Adding to the bad news, the U.S. Army recently canceled its commitment to upgrade hundreds of Chinook 47 helicopters, which may lead to layoffs at Boeing’s Delaware County assembly plant.

Even with those losses, the Philadelphia economy continues to rack up wins. Total payrolls rose a solid 1.5% over the year as of July, more than twice as fast as nearly every other major metro area in Pennsylvania. Employing roughly 17,000 throughout the region, Temple University is a textbook example of the massive impact of the region’s numerous universities and health systems on the local economy. Furthermore, with a total enrollment of roughly 40,000 students, Temple provides a robust talent pipeline for many industries in the region. Aside from a number of undergraduate programs geared toward health & wellness such as nursing, public health and health information management, the Temple University School of Medicine was recently listed as one of the top-10 most applied-to medical schools in the United States. But Temple’s influence extends well beyond healthcare. Given that Philadelphia was the birthplace of the Declaration of Independence and the U.S. Constitution it is also not surprising to find that many attorneys in the area’s legal community are graduates of Temple’s Beasley School of Law.

Financial services remain an important industry throughout the region, a trend many Maryland and Temple fans can attest to. When you enter Lincoln Financial Field, you catch a glimpse of the neighboring Wells Fargo Arena and Citizens Bank Park. Home to all of the city’s professional sports teams, the South Philadelphia stadium complex will also soon add the nation’s first “esports” arena. The entire stadium complex is not just a mecca for Philadelphia sports. In addition to the Xfinity Live! dining and entertainment compound, the long-planned Live! Hotel and Casino recently broke ground and should open in 2020.
The ongoing development of the stadium area has been a boon for South Philadelphia, which is undergoing an economic resurgence thanks to relatively affordable housing and a mushrooming restaurant scene, which includes a broad spectrum of fine dining, gastropubs, neighborhood cafes and cheesesteak joints. Further south, the Navy Yard is a shining example of how a former industrial site can be successfully redeveloped into a thriving commercial campus. The Navy Yard is home to the corporate headquarters for Urban Outfitters, one of GlaxoSmithKline’s largest North American hubs, and roughly 150 industrial, manufacturing, R&D and retail organizations.

Much of Philadelphia’s recent success is also due to its burgeoning tech and life sciences industries. Comcast, the area’s second largest private employer, has constructed two towering skyscrapers in Center City over the past decade and continues to invest heavily in the area. Just across the Schuylkill River, University City has also seen its share of development, becoming a significant catalyst of economic growth for the entire region. Behind the area’s success are several high caliber research institutions such as the University of Pennsylvania and Drexel University, which have nurtured a now-flourishing life sciences and tech ecosystem. The area has been dubbed “Cellicon Valley” in large part due to ground-breaking biotech research centered on cell and gene therapy emanating from the globally renowned Penn Medicine.

**Maryland on the Rise**

The Terps are coming off arguably the bleakest season in the program’s history, though few will recall the unremarkable 5-7 record. Instead, the season will be remembered for the tragic death of freshman offensive lineman Jordan McNair. Understandably, the entire athletic department was subsequently submerged in investigations and head coach D.J. Durkin was placed on leave, reinstated and then ultimately let go. The program is now led by new coach Mike Locksley, who most recently was offensive coordinator at Alabama, a position he had also previously held at Maryland under head coach Randy Edsall. The 2019 season is off to an extremely strong start, with the Terps surprising many and surging into the AP Top 25 after thrashing #21 Syracuse 63-20 this past weekend. Their offense has been unstoppable—in week one they drove the Howard University Bison close to extinction with a 79-0 blowout.

Maryland is also home to a burgeoning life sciences industry propelled by high caliber research universities, as the University of Maryland and John Hopkins University in Baltimore are the driving force behind the state’s influential biopharma cluster. The University of Maryland’s proximity to the nation’s capital has resulted in a wellspring of funding as well as research partnerships with the nearby National Institute of Health and the Food and Drug Administration, to name just a few. The university produces a highly educated workforce which has attracted over 400 biopharma, therapeutics & diagnostics and medical technology companies, not to mention a bevy of suppliers and investors to Bethesda, Silver Spring, Rockville and Gaithersburg.

**Figure 5**

Washington, D.C. MSA Nonfarm Employment

**Figure 6**

Washington, D.C. MSA Employment Growth By Industry

Source: U.S. Department of Labor and Wells Fargo Securities
Growth in the D.C. economy lags the nation slightly.

While there is quite a bit of economic development underway in greater Philadelphia and Washington, D.C.’s. Maryland suburbs, overall economic growth has been relatively sluggish of late. Employment growth in the Greater Washington, D.C. area has struggled to gain traction, following the deleterious impacts of the mid-decade budget sequestration. Total payrolls in the greater Washington metro area have risen just 0.9% over the past year, slower than the rest of the nation. Suburban Maryland’s heavy reliance on the government sector often presents a challenge for growth. This dynamic is most clearly evident in Rockville, where a stubbornly high office vacancy rate can be partially explained by the fact that roughly 40% of occupied office space is driven directly or indirectly by government-related business. Last year’s budget agreement offered a reprieve from austerity measures imposed by sequestration, but there remains an intense focus on efficiency and cost controls.

That is not to say Maryland’s D.C. suburbs do not have a number of things going right. After braving an intense period of widespread consolidation and cost cutting, the biopharma industry appears to have the wind at its back. Firms such REGENXBIO and Supernus Pharmaceuticals have recently announced intentions to build new headquarters in Rockville. Construction is set to begin on the “Bethesda Bio” center, which will bring 175,000 square feet of lab and office space to downtown Bethesda, where Marriott’s new corporate headquarters is also currently under construction. Bethesda has seen a wave of new residential and commercial development lately and continues to solidify its reputation as a desirable place to live and work. Adding to the area’s already abundant mass transit options, the 16-mile Purple Line light rail project, which will link New Carrollton, College Park, Silver Spring and Bethesda, is finally under construction after significant delays.

Suburban Maryland will also likely benefit from the recent economic development wins across the Potomac in Northern Virginia. Amazon’s long-awaited decision to locate part of its ‘second headquarters’ in Crystal City validates the Commonwealth’s strong attributes in attracting leading edge technology firms. Northern Virginia is one of the primary hubs of the Internet and is home to numerous data centers and corporate headquarters, including General Dynamics, Northrop Grumman, DXC Technology and Verisign. With its highly acclaimed universities, intensive internet infrastructure and massive pipeline of government contracts, Northern Virginia is home to one of the richest tech ecosystems outside of Silicon Valley.

Southern Maryland should benefit from spillovers from Northern Virginia.

Outlook
Pennsylvania’s strong base of education, technology and life sciences should provide the state’s economy some downside protection from slowing global growth. The state’s technology and life sciences sectors appear to have solid momentum that should hold up as long as the national economy avoids a recession, and education & healthcare typically continue to grow even in a recession. The state’s manufacturing, transportation & warehousing and energy industries are less likely to avoid the headwinds from slower global growth, although structural shifts to online shopping and towards burning natural gas rather than coal to generate electricity will insulate these industries.

On the other side of the Mason-Dixon Line, Maryland should continue to grow modestly, bolstered by tech and medical growth in the Washington suburbs. Higher federal spending should continue to feed through to the state economy. Baltimore has seen improvement of late, but remains a bit of a laggard. The Baltimore-Towson MSA unemployment rate remains slightly above the U.S. rate, at 4.1%, which is in line with many other large urban metros.

As for football, Maryland’s strong start will certainly be put to the test, with matchups against Penn State, Michigan, Ohio State and Michigan State. Transfer quarterback Josh Jackson has the Terps firing on all cylinders, with 42 plays of 10 yards or more after just the first two games. Temple is coming off an early bye week, but also began the season dramatically, with a 44-point victory over Bucknell. Maryland is a 6.5-point favorite, and needs to take care of business against Temple before hosting #13 Penn State in a nationally televised Friday night game the following week. The Owls will likely put up a good fight and should keep this game competitive into the fourth quarter.
<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>435,144</td>
<td>481,600</td>
</tr>
<tr>
<td>2013</td>
<td>431,875</td>
<td>493,500</td>
</tr>
<tr>
<td>2014</td>
<td>434,035</td>
<td>475,800</td>
</tr>
<tr>
<td>2015</td>
<td>442,788</td>
<td>497,200</td>
</tr>
<tr>
<td>2016</td>
<td>450,726</td>
<td>453,580</td>
</tr>
<tr>
<td>2017</td>
<td>460,026</td>
<td>453,580</td>
</tr>
<tr>
<td>2018</td>
<td>469,227</td>
<td>453,580</td>
</tr>
<tr>
<td>2019</td>
<td>481,600</td>
<td>493,500</td>
</tr>
<tr>
<td>2020</td>
<td>493,500</td>
<td>493,500</td>
</tr>
</tbody>
</table>

**Sources:** National Association of Realtors, Federal Housing Finance Authority, U.S. Department of Commerce, U.S. Department of Labor, Moody's Analytics & Wells Fargo Securities

**Forecast as of:** September 10, 2019