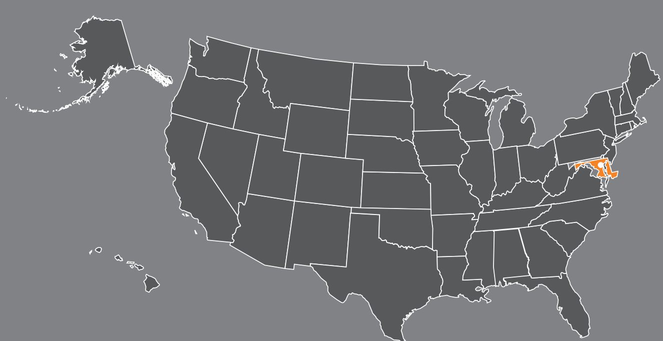
HUD PD&R Housing Market Profiles

Baltimore-Columbia-Towson, Maryland

Quick Facts About Baltimore-Columbia-Towson

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: balanced.**
- **The government and the education and health services sectors contain the eight largest employers in the metropolitan area; the five largest employers include two military bases and two universities.**



By Joseph Shinn | As of June 1, 2016

Overview

The Baltimore-Columbia-Towson (hereafter, Baltimore) metropolitan area consists of Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's Counties and the independent city of Baltimore (separate from the county) in Maryland. The metropolitan area is along the Interstate-95 corridor between Philadelphia and the District of Columbia. Economic growth in the metropolitan area during the past year has been driven by multiple sectors, with no job losses in any private sector.

- As of June 1, 2016, the estimated population of the Baltimore metropolitan area is 2.81 million, an increase of 11,500, or 0.4 percent, annually since 2013 (Census Bureau population estimates as of July 1). Population growth was driven by both net natural increase (resident births minus resident deaths) and net in-migration, which averaged 9,000 and 2,500 a year, respectively.
- By comparison, from 2008 to 2013, the population increased by an average of 18,750, or 0.7 percent, annually. The faster growth was driven by higher levels of net in-migration, which averaged 7,150 people a year, that was partially attributed to job growth at Fort George G. Meade and Aberdeen Proving Grounds from activities related to the 2005 Defense Base Closure and Realignment Commission (BRAC).

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- The population of Baltimore City recently stabilized after decades of decline from 1950 through the mid-2000s; the steadying is attributed to the national trend of millennials and young professionals choosing to reside in city centers as opposed to suburban areas. Since 2005, the population of the city has declined by an average of 50 a year, remaining relatively unchanged, compared with an average decline of 5,625, or 0.9 percent, annually from 2000 to 2005.

Economic Conditions

Economic conditions in the Baltimore metropolitan area improved during the past 6 years; the economy recovered from the most recent recession during 2011 and 2012 and has since expanded. Additionally, nonfarm payroll growth accelerated during the past year and the rate of growth is the fastest since 2000.

During the 3 months ending May 2016—

- Nonfarm payrolls averaged 1.39 million jobs, an increase of 32,100 jobs, or 2.4 percent, from the 3 months ending May 2015, and payrolls increased or were unchanged in all private sectors for the first time since 1990 (the earliest data available). By comparison, during corresponding periods from 2011 through 2015, nonfarm payrolls increased an average of 1.3 percent annually.
- The largest gains were in the professional and business services, leisure and hospitality, and education and health services sectors, which were up by 12,600, 5,900, and 5,200 jobs, or 5.7, 4.4, and 2.0 percent, respectively. In the leisure and hospitality sector, more than 130 total jobs were added when new Ruth's Chris Steak House and Glory Days Grill restaurants opened in the area. Gains are anticipated to continue to be strongest in the professional and business services sector, including an expected 1,500 new jobs added when Exelon Corporation, an energy provider, opens a new headquarters in Baltimore City during 2016.
- The manufacturing sector added 1,700 jobs, representing a 3.2-percent increase. The sector made gains for the first time in 5 years and for only the second time since 1990 (the earliest data available). Coastal Sunbelt Produce expanded its food processing and distribution facility in Howard County, resulting in 400 new jobs. Additionally, Frito-Lay, Inc., recently announced plans to expand its food manufacturing facility in Aberdeen, Harford County, which is expected to add 140 new jobs when completed by early 2017.
- The unemployment rate averaged 4.6 percent, down from 5.4 percent during the same period a year earlier and from an average of 7.4 percent during corresponding periods from 2009 through 2013.

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Nonfarm payrolls increased or were unchanged in all private sectors in the Baltimore area, led by the professional and business services sector.

	3 Months Ending		Year-Over-Year Change	
	May 2015 (thousands)	May 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,360.5	1,392.6	32.1	2.4
Goods-producing sectors	126.3	131.7	5.4	4.3
Mining, logging, and construction	72.7	76.5	3.8	5.2
Manufacturing	53.6	55.3	1.7	3.2
Service-providing sectors	1,234.2	1,260.9	26.7	2.2
Wholesale and retail trade	189.7	191.3	1.6	0.8
Transportation and utilities	49.3	51.0	1.7	3.4
Information	16.3	16.3	0.0	0.0
Financial activities	78.0	78.1	0.1	0.1
Professional and business services	222.0	234.6	12.6	5.7
Education and health services	260.5	265.7	5.2	2.0
Leisure and hospitality	133.0	138.9	5.9	4.4
Other services	53.5	54.6	1.1	2.1
Government	231.8	230.3	– 1.5	– 0.6
	(percent)	(percent)		
Unemployment rate	5.4	4.6		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

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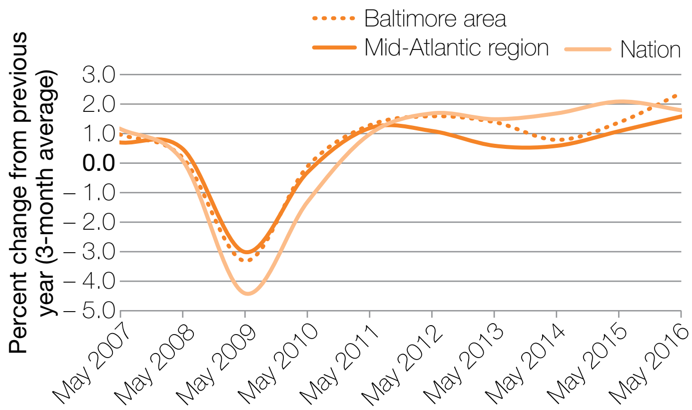
The government sector is a large contributor to the economy of the metropolitan area. Fort George G. Meade and Aberdeen Proving Ground military bases are currently the first and fourth largest employers in the HMA, with approximately 55,000 and 16,800 employees (including military personnel, federal employees, and private contractors; military personnel are not included in nonfarm payroll data), respectively. Employment at these facilities increased by more than 21,000 from 2008 through 2012 (2015 Maryland economic impact study of military facilities), mainly because of activities related to the 2005 BRAC. These gains were partially the reason why nonfarm payrolls in the government sector from 2008 through 2012 increased an average of 0.9 percent annually compared with a nationwide decline in the sector of 0.3 percent annually.

Largest employers in the Baltimore area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort George G. Meade	Government	55,000
Johns Hopkins University	Education and health services	25,000
Johns Hopkins Health System	Education and health services	18,600

Notes: Excludes local school districts. Data for Fort George G. Meade include military personnel, who generally are not included in nonfarm payroll survey data, and private contractors.
Sources: economy.com; local sources

Nonfarm payrolls in the Baltimore area increased during the past 6 years, and payroll growth accelerated recently.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the Baltimore metropolitan area is currently slightly soft, with an estimated sales vacancy rate of 1.9 percent, down from 2.1 percent in 2010. During the past year, sales of new and existing single-family homes and townhomes slightly decreased as the market stabilized after strong increases during the previous 3 years, which led to a level of sales that was not sustainable given current population growth. Average sales prices fluctuated during the previous 5 years, and the current sales price is up only slightly compared with the average sales price during the years when the sales market was weakest. Sales of new and existing condominium units slightly increased, but the average sales price was down; a drop in the number of new condominiums sold drove the declining sales price. In April 2016, 4.2 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 5.3 percent in April 2015 and a peak of 8.1 percent in January 2013 (CoreLogic, Inc.).

During the 12 months ending May 2016—

- Approximately 42,700 new and existing single-family homes and townhomes sold, a decrease of 1,225 homes, or 3 percent, from the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, home sales increased an average of 17 percent annually during the previous 3 years because continued improvements to the economy allowed more residents to purchase a home. The current level is up 38 percent compared with the average of 30,900 homes sold annually from 2008 through 2012, when the housing crisis hit the area the hardest.
- The number of new and existing condominium sales totaled 4,750, representing 10 percent of the total sales market. The number of condominium units sold increased by 100 units, or 2 percent, during the past year despite the number of new units sold declining by 110 units, or 38 percent, in response to lower levels of condominium construction activity. The current level of sales is also up 33 percent compared with the 3,475 condominiums sold from 2010 through 2012.
- The average sales price of new and existing single-family homes and townhomes was relatively unchanged at $304,000. The average sales price is up only 3 percent compared with the average of $293,700 from 2009 through 2011 because of a high number of low-priced REO sales and a low number of high-priced new construction sales during the past 3 years.
- The average sales price of new and existing condominium units sold decreased 3 percent, to $201,400. The average sales price declined an average of 3 percent annually during the past 5 years because sales of new condominiums, which sell for higher prices, declined an average of 20 percent annually over the same period.

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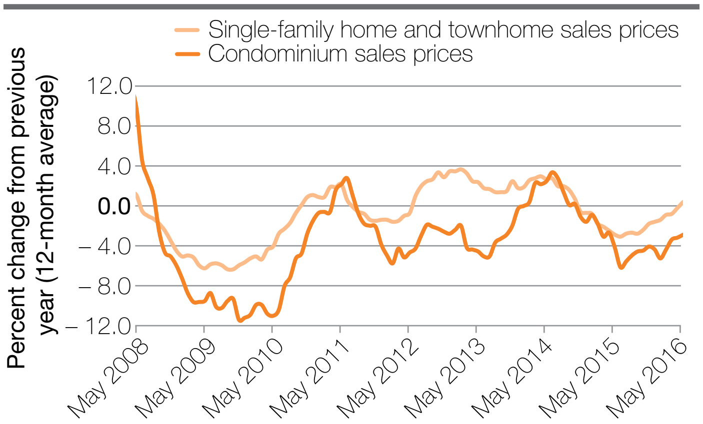
Builders have responded to increased sales activity with higher levels of single-family construction activity during the past 3 years. Levels, however, remain well below those from 2000 through 2005, when the housing market was stronger.

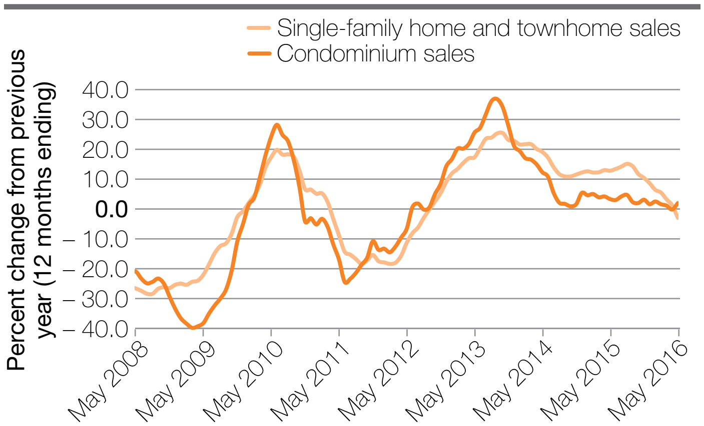
- During the 12 months ending May 2016, single-family construction activity, as measured by the number of homes permitted, totaled approximately 4,625 homes, a decrease of 80 homes, or 2 percent, from the previous 12-month period (preliminary data).
- Homebuilding activity averaged 4,625 homes permitted annually from 2013 through 2015, which was up from an average of 3,400 homes permitted annually from 2008 through 2012. Construction activity, however, remains 47 percent below the average of 8,700 homes permitted annually from 2000 through 2005.
- Construction continues at Two Rivers, a planned community in Odenton, Anne Arundel County. Construction began during 2015, and the community will include 800 age-restricted (age 55 and older) and 1,200 general-occupancy single-family and townhome units. Prices for the two- and three-bedroom single-family homes start at $369,900 and $470,000, respectively. Within the city of Baltimore, the 185-unit O'Donnell Square townhome development was completed in mid-2015; prices for the two- and three-bedroom townhomes start at $300,000 and $330,000, respectively.

The average sales price of single-family homes and townhomes in the Baltimore area was relatively unchanged during the past year, but the average sales price of condominium homes decreased.



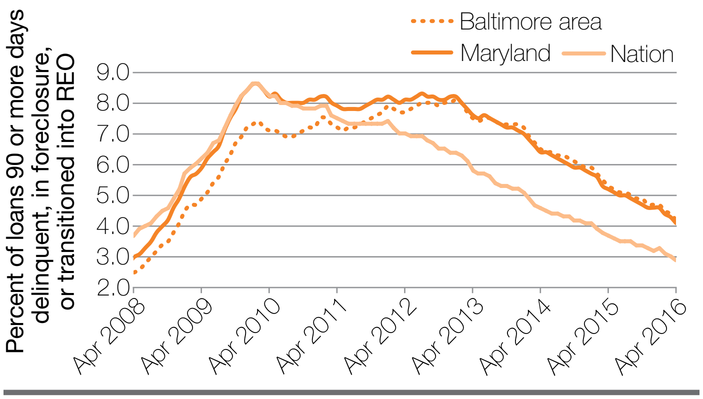
Note: Sales prices are for new and existing units.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Sales of single-family homes and townhomes declined slightly while sales of condominium units increased slightly during the past year in the Baltimore area.



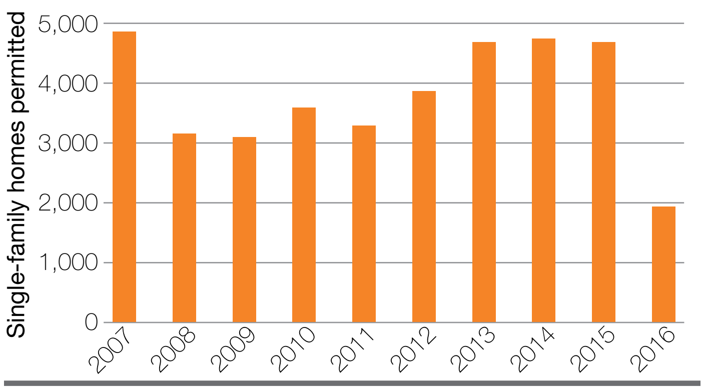
Note: Sales activity is for new and existing units.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rates of seriously delinquent mortgages and REO properties in the Baltimore area and the state of Maryland have remained higher than the national rate since late 2009.



REO = real estate owned.
Source: CoreLogic, Inc.

The number of single-family homes permitted in the Baltimore area since 2013 was up compared with levels from 2008 through 2012.



Note: Includes preliminary data from January 2016 through May 2016.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

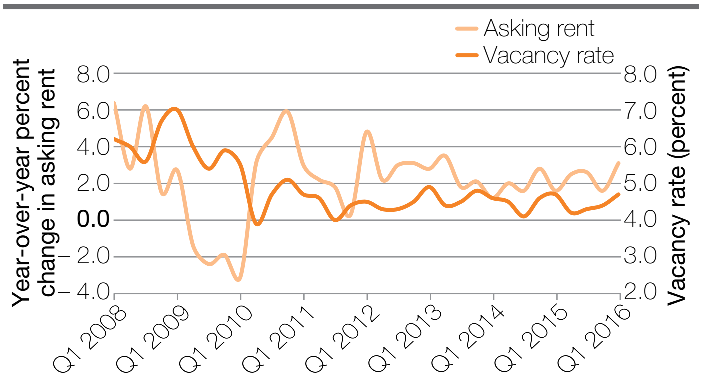
Apartment market conditions in the Baltimore metropolitan area are currently balanced. Conditions have remained in balance since 2010 because of strong demand for renter units resulting from a higher preference to rent as opposed to own.

- During the first quarter of 2016, the apartment vacancy rate was 4.7 percent, unchanged from the first quarter of 2015. Vacancy rates have ranged from 3.9 to 5.1 percent in every quarter since the second quarter of 2010 (MPF Research). By comparison, from the first quarter of 2008 through the first quarter of 2010, vacancy rates ranged from 5.4 to 7.0 percent.
- During the first quarter of 2016, the average effective rent increased 3 percent, to $1,249, compared with the average during the first quarter of 2015; average rents for efficiency, one-bedroom, two-bedroom, and three-bedroom units were $1,071, $1,121, $1,273, and $1,574, respectively.
- During the first quarter of 2016, the average rent in the Downtown Baltimore MPF Research-defined market area (hereafter, area) was $1,642, which was the highest of any area in the metropolitan area. Rents have been highest in the Downtown Baltimore area because of its desirable location on or near the Inner Harbor and because of strong demand for living in central Baltimore City in recent years.
- During the 12 months ending March 2016, approximately 2,050 market-rate Class A apartment units were absorbed in the metropolitan area (Delta Associates). The number of units absorbed was down 10 percent in the entire metropolitan area from absorption during the previous 12 months but up 2 percent in the city of Baltimore because of a continued preference to reside in the city.

Driven by strong development in and around the waterfront in the city of Baltimore, multifamily construction activity in the Baltimore metropolitan area during the past 3 years has been the highest since the early 1990s.

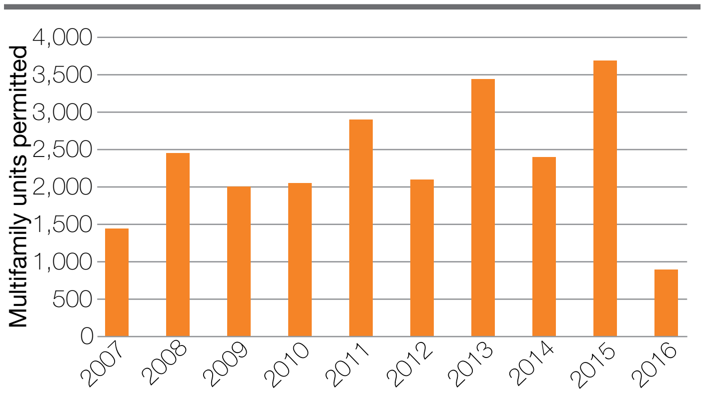
- During the 12 months ending May 2016, multifamily building activity, as measured by the number of units permitted, totaled 2,775 units, down by 180 units, or 6 percent, from the previous 12-month period (preliminary data).
- From 2013 through 2015, an average of 3,200 multifamily units were permitted annually, up 52 percent compared with the 2,100 units permitted annually from 2006 through 2012.
- In the city of Baltimore, an average of 900 units were permitted annually from 2013 through 2015, accounting for 28 percent of all units permitted in the metropolitan area. By comparison, from 2006 through 2012, an average of 470 units were permitted annually, which accounted for approximately 22 percent of all units permitted in the metropolitan area.
- Recent activity includes the 212-unit West 32 Apartments in Odenton. Construction was completed in late 2015, and rents for the one- and two-bedroom apartment units start at $1,450 and $1,675, respectively. The Metropolitan Downtown Columbia, a 364-unit apartment community in Columbia, Howard County, was completed in early 2015. Rents for the one-, two-, and three-bedroom apartment units start at $1,525, $2,250, and $2,925, respectively.
- Within Baltimore City, construction of the 10 Light apartment community, which is a converted office building in downtown Baltimore, was completed in late 2015. Rents range from $1,450 to $1,550 for studio units, from $1,325 to $4,550 for one-bedroom units, from $3,250 to $5,400 for two-bedroom units (plus one two-bedroom penthouse unit for $10,000), and from $6,050 for a regular three-bedroom unit to $12,000 for a three-bedroom penthouse unit.

The vacancy rate in the Baltimore area has ranged from 4.0 to 4.8 percent since the first quarter of 2011.



Source: MPF Research

Multifamily permitting in the Baltimore area since 2013 has been the strongest since the early 1990s.



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Source: U.S. Census Bureau, Building Permits Survey