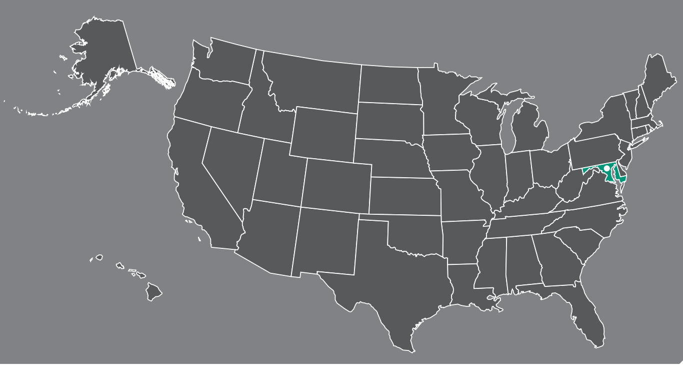
HUD PD&R **Housing Market Profiles**

Baltimore-Columbia-Towson, Maryland

Quick Facts About Baltimore-Columbia-Towson

- **Current sales market conditions: tight.**
- **Current apartment market conditions: balanced.**
- **Nearly 20 percent of jobs in the metropolitan area are in the education and health services sector because of top employers like Johns Hopkins University, University of Maryland Medical System, and Johns Hopkins Health System.**



By Michael T. Flannelly | As of February 1, 2018

Overview

The Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (hereafter, Baltimore metropolitan area) consists of Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's Counties and the independent city of Baltimore. The metropolitan area is between Philadelphia and Washington, D.C., along Interstate 95. The economy of the metropolitan area consists of predominantly services-oriented jobs, accounting for 90 percent of all employment in the area, including at the headquarters of several widely recognized companies. Under Armour, Inc., one of the most well-known manufacturers of sports apparel, is headquartered in the city of Baltimore, and McCormick & Company Inc., a manufacturer of spices, herbs, and flavorings, is headquartered in Sparks, a town slightly outside of the city of Baltimore.

- As of February 1, 2018, the population of the metropolitan area is estimated at 2.81 million, reflecting an average annual increase of 7,325, or 0.3 percent, since July 2014.
- The population grew at a faster rate of 0.6 percent, or 17,150, annually from 2010 to 2014 (U.S. Census Bureau population estimates as of July 1). During this period, net in-migration averaged 6,475, and net natural change (resident births minus resident deaths) averaged 10,650 annually. In contrast, since

continued on page 2

continued from page 1

2014, population growth has slowed, because net out-migration has averaged 1,300, and net natural change has averaged 8,625 annually.

- The population of the city of Baltimore, which currently accounts for 22 percent of the population of the metropolitan area, down from 23 percent in 2010, declined by an average of 4,350 annually from 2014 to 2016, in part, because millennial households have been moving to suburban areas as they form families. By comparison, from 2010 to 2014, population of the city rose by an average of 540 annually.

Economic Conditions

Economic conditions in the Baltimore metropolitan area have improved since 2010, following 2 years of job losses. The metropolitan area lost an average of 22,000 jobs, or 1.7 percent, during 2008 and 2009 because of the effects of the national recession. As the economy improved, these losses were recovered by 2013, and with continued growth, nonfarm payrolls are currently 6.2 percent higher than the previous peak that occurred in 2007. The metropolitan area has added an average of 15,700 jobs, or 1.2 percent, annually since 2010.

During the 3 months ending January 2018—

- Nonfarm payrolls averaged 1.40 million, an increase of 9,900, or 0.7 percent, from the same period in 2017. By comparison, nonfarm payrolls rose 1.5 percent nationally and were unchanged in Maryland during the period.
- The largest gains were in the education and health services and financial activities sectors, which were up by 11,200 and 2,400, or 4.1 and 3.0 percent, respectively. Jobs in the financial activities sector increased, in part, because of an ongoing expansion of operations at Morgan Stanley's Baltimore City office. The financial services firm is expected to add 800 jobs during the next 3 years.
- Nonfarm payroll increases were offset by job losses in the leisure and hospitality and professional and business services sectors, which declined by 2,900 and 1,000, or 2.2 and 0.4 percent, respectively. Job losses in the leisure and hospitality sector can partially be attributed to closures of restaurants and bars in the metropolitan area, a result of decreased restaurant traffic, which was down nationwide 2.2 percent year over year (TDn2K Restaurant Industry Snapshot). The food services and drinking

continued on page 3

Nonfarm payrolls increased in 4 of 11 sectors in the Baltimore area during the 3 months ending January 2018, led by the education and health services sector.

	3 Months Ending		Year-Over-Year Change	
	January 2017 (thousands)	January 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,392.9	1,402.8	9.9	0.7
Goods-producing sectors	132.3	133.6	1.3	1.0
Mining, logging, and construction	76.8	78.2	1.4	1.8
Manufacturing	55.5	55.4	– 0.1	– 0.2
Service-providing sectors	1,260.5	1,269.2	8.7	0.7
Wholesale and retail trade	194.5	194.8	0.3	0.2
Transportation and utilities	56.4	56.0	– 0.4	– 0.7
Information	17.4	17.1	– 0.3	– 1.7
Financial activities	79.6	82.0	2.4	3.0
Professional and business services	231.2	230.2	– 1.0	– 0.4
Education and health services	270.2	281.4	11.2	4.1
Leisure and hospitality	132.6	129.7	– 2.9	– 2.2
Other services	50.6	50.3	– 0.3	– 0.6
Government	228.0	227.7	– 0.3	– 0.1
	(percent)	(percent)		
Unemployment rate	4.2	4.2		

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

continued from page 2

places industry in the metropolitan area decreased by 600 jobs, or 0.6 percent, from a year earlier, after increasing every year by an average of 2,600, or 2.9 percent, annually from the 3 months ending January 2010 through the 3 months ending January 2017.

- The unemployment rate was 4.2 percent, unchanged from a year ago but down from a recent high of 7.9 percent during the 3 months ending January 2011.

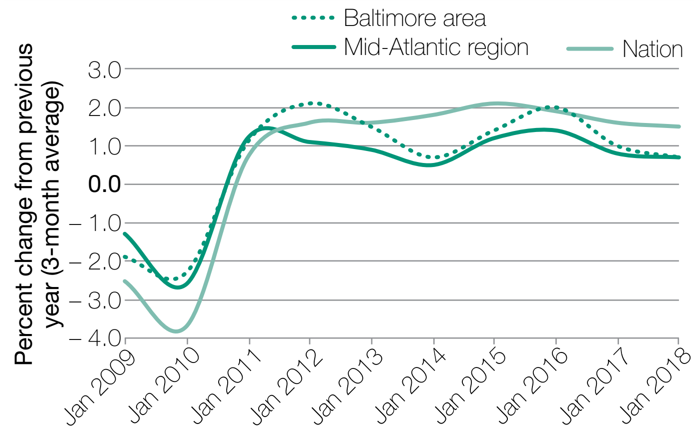
Jobs in the transportation and utilities sector decreased by 400, or 0.7 percent, during the 3 months ending January 2018 despite record levels of shipping activity at the Port of Baltimore. The Port of Baltimore handled 10.7 million tons of general cargo during 2017, an increase of 7 percent from 2016 (Maryland Port Administration). This accelerated activity can largely be attributed to a recent expansion of the Panama Canal, which has led to larger ships from Asia arriving to the port. It is anticipated that nearly 2,000 new jobs will be added in the transportation and utilities sector during the next few years because of a planned expansion to increase capacity at Seagirt Marine Terminal at the Port of Baltimore.

Largest employers in the Baltimore area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort George G. Meade	Government	53,750
Johns Hopkins University	Education and health services	27,100
Aberdeen Proving Grounds	Government	22,800

Note: Excludes local school districts.
Source: Moody's Analytics

Nonfarm payroll growth in the Baltimore area and Mid-Atlantic region was lower than the national growth rate during the past 12 months.



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

Sales Market Conditions

The sales housing market in the Baltimore metropolitan area is tight, with an estimated sales vacancy rate of 1.5 percent, down from 2.1 in April 2010. The decline in the vacancy rate reflects an improvement in the sales market, because the economy has strengthened since 2010, and the excess inventory has been absorbed. During January 2018, the metropolitan area averaged 3.6 months of supply of homes available for sale, down from 4.2 months during January 2017 and 12.6 months during January 2010 (Maryland Association of Realtors®). During December 2017, 3.1 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.8 percent a year earlier (CoreLogic, Inc.). By comparison, nearly 3.0 percent of home loans in Maryland and 2.4 percent of home loans nationally were seriously delinquent or had transitioned into REO status during December 2017. The percentage of seriously delinquent home loans and REO properties in the metropolitan area reached a high of 8.1 percent during January 2013 compared with a peak of 8.6 percent each in Maryland and the nation during February 2010.

During 2017—

- New home sales (including single-family homes, townhomes, and condominiums) totaled 3,700, down 6 percent from 3,950 during 2016 (CoreLogic, Inc.). New home sales have increased an average of 1 percent annually since bottoming out at 2,950 in 2011.
- The average sales price for a new home was $441,000, up 2 percent from a year ago. The average sales price for a new home has increased an average of 2 percent a year since 2010 when the average sales price for a new home was $374,800.
- Existing home sales totaled 47,550, up 2 percent from 2016. Since reaching a recent low of 27,100 during 2011, existing home sales increased an average of 11 percent annually from 2011 through 2016.
- The average sales price for existing homes was $269,100, a 3-percent increase from a year earlier. The average price of an existing home has risen an average of 2 percent annually since 2011 when the average price for an existing home was $243,500.

Single-family home construction, as measured by the number of single-family homes permitted, has increased an average of 6 percent annually since reaching a recent low in 2009, when 3,100 homes were permitted largely because of a lack of demand for new homes

continued on page 4

continued from page 3

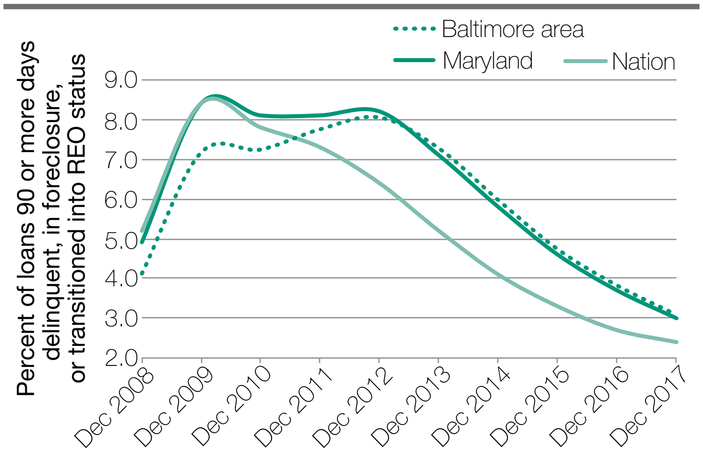
stemming from job losses during the recession. From 2008 through 2012, an average of 3,400 single-family homes were permitted annually. By comparison from 2013 through 2015, because of higher demand for new homes due to an expanding economy, an average of 4,625 single-family homes were permitted each year.

- During the 12 months ending January 2018, 5,075 single-family homes were permitted, an increase of 8 percent from 4,725 homes permitted during the same period in 2017 (preliminary data).

The average sales price of new homes increased during the past year in the Baltimore area, and the average sales price of exisiting homes increased during the past 2 years.

Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

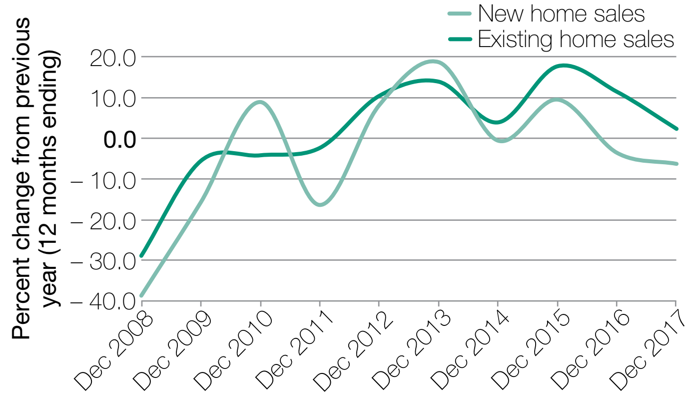
Since 2010, the rates of seriously delinquent home loans and REO properities in both the Baltimore area and Maryland have been higher than the national rate.



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

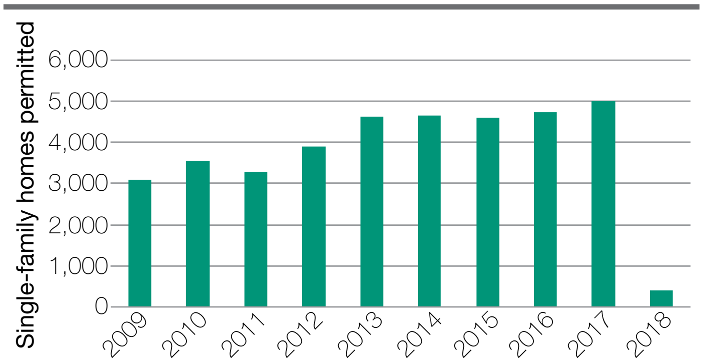
- Since 2013, nearly one-third of single-family home construction has been concentrated in Anne Arundel County, which accounts for 20 percent of the population in the metropolitan area, because it is relatively close to job centers in the city of Baltimore, Annapolis, and Washington, D.C. By comparison, from 2010 through 2012, approximately one-fourth of single-family home construction in the metropolitan area was in Anne Arundel County.
- Recent construction activity includes age-restricted single-family homes at The Watershed subdivision in the town of Odenton. In the 12 months ending January 2018, 17 two-, three-, and four-bedroom homes sold in the subdivision, ranging in price from $375,000 to $653,000. About 70 homes have been built and sold in The Watershed since the summer of 2015. The Watershed subdivision is part of the larger Two Rivers master-planned community, of which nearly 300 of the 2,060 homes have been built and sold.

Sales of exisiting homes decelerated during the past 2 years in the Baltimore area, in part, because of a lack of supply of exisiting homes for sale.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

The number of single-family homes permitted has averaged 4,725 annually in the Baltimore area since 2013, up from 2009-through-2012 levels.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey

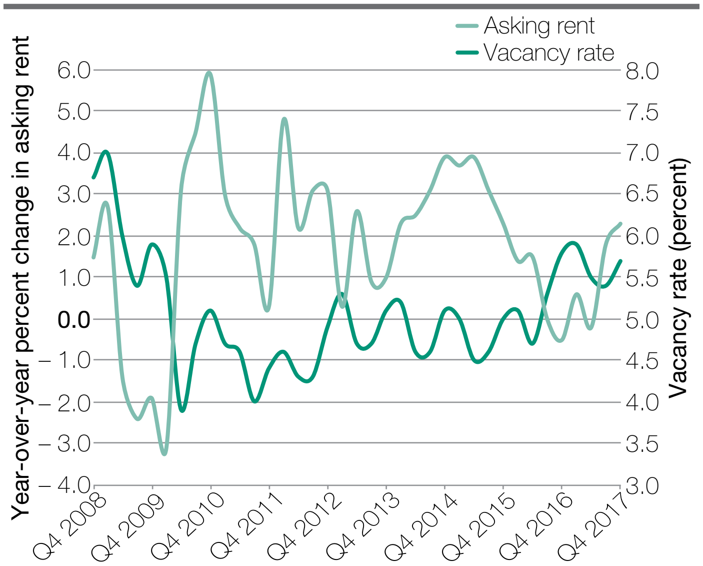
Apartment Market Conditions

Apartment market conditions in the Baltimore metropolitan area are currently balanced. Conditions have stabilized from previously slightly tight conditions during the past 2 years because of high levels of apartment construction, particularly in downtown Baltimore City and Howard County.

During the fourth quarter of 2017—

- The apartment vacancy rate was 5.7, down from 5.8 percent a year earlier (MPF Research). The apartment vacancy rate averaged 5.0 percent from the fourth quarter of 2012 to the fourth quarter of 2015. The rise in the vacancy rate since 2015 has been largely because of an uptick in apartment construction in the metropolitan area.
- The average rent for apartments in the metropolitan area was $1,264, up 2 percent from an average of $1,236 in the fourth quarter of 2016.
- The apartment vacancy rate for the MPF Research-defined Far North Baltimore Suburbs market area, which encompasses Aberdeen Proving Grounds, was the lowest in the metropolitan area at 3.9 percent, down from 5.2 percent a year earlier. The average rent in the market area was $1,194, a 6-percent increase from a year earlier, which was the fastest growth in the metropolitan area.
- The average rent in the metropolitan area was highest in the MPF Research-defined market areas of Downtown Baltimore and Northwest Anne Arundel County because of a concentration of high-end development near the Inner Harbor and Fort Meade, respectively. The average rents in these market areas were $1,633 and $1,609, respectively, up 3 percent from the same period in 2016.

The vacancy rate in the Baltimore area has risen since 2015, as more multifamily rental units have been constructed.

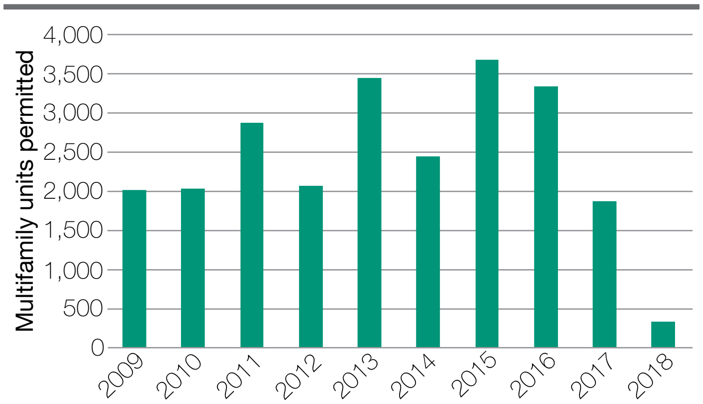


Q4 = fourth quarter.
Source: MPF Research

Multifamily construction activity, as measured by the number of units permitted, averaged 3,200 units annually from 2013 through 2015, with a recent peak of 3,675 in 2015, largely because of development along the Inner Harbor in the city of Baltimore. From 2008 through 2012, multifamily construction averaged 2,275 units annually.

- During the 12 months ending January 2018, approximately 1,775 multifamily units were permitted, down nearly 50 percent from 3,675 permitted during the same period a year earlier (preliminary data).
- Approximately 20 percent of the recent multifamily construction activity in the metropolitan area has been concentrated in the city of Baltimore, largely along the waterfront. From 2013 through 2017, an average of 500 multifamily units a year were permitted in the city of Baltimore.
- Recent construction activity in the city of Baltimore includes 1405 Point, a 289-unit development in the Harbor Point neighborhood. This property began lease up in January 2018 and consists of studios and one-, two-, and three-bedroom apartments with rents starting at $1,561, $1,635, $2,685, and $3,768, respectively.
- About 28 percent of multifamily construction since 2013 has been in Howard County, primarily in and around the 10 master-planned villages of Columbia. Recent construction activity includes Alta Wilde Lake, a 230-unit development in the Wilde Lake village of Columbia that was completed in December 2016. Rents for the one- and two-bedroom apartments start at $1,500 and $2,005, respectively.

Multifamily permitting in the Baltimore area was down in 2017, following high levels of permitting during the previous 2 years.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey