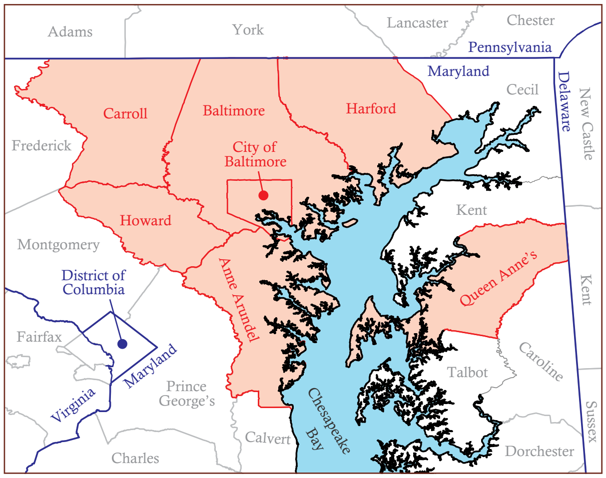
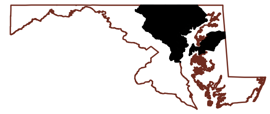
COMPREHENSIVE HOUSING MARKET ANALYSIS

Baltimore-Columbia-Towson, Maryland

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2016





Housing Market Area

The Baltimore-Columbia-Towson Housing Market Area (hereafter, the Baltimore HMA) consists of the independent city of Baltimore and six counties in Maryland. The HMA, which is coterminous with the Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA), is located along the Interstate-95 corridor between Washington, D.C., and Philadelphia. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Baltimore City submarket, which is coterminous with the city of Baltimore; (2) the Northern Suburbs submarket, which contains Baltimore County (a separate entity from the city of Baltimore) and Carroll and Harford Counties; and (3) the Southern Suburbs submarket, which contains Anne Arundel, Howard, and Queen Anne's Counties.

Summary

Economy

Economic conditions in the Baltimore HMA began to improve during 2011 and, by 2013, the number of nonfarm payroll jobs eclipsed the prerecession peak. During the 12 months ending March 2016, nonfarm payrolls increased by 21,000 jobs, or 1.6 percent, to 1.37 million jobs. The government and the education and health services sectors, which contain the eight largest employers in the HMA, largely drive the economy of the HMA. During the 3-year forecast period, nonfarm payrolls are projected to grow at an average annual rate of 1.7 percent, with relatively steady growth expected throughout the period.

Sales Market

The sales housing market in the HMA is currently slightly soft. The estimated vacancy rate is 1.9 percent, down slightly from 2.1 percent in 2010 (Table DP-1 at the end of this report). During the next 3 years, demand is estimated for nearly 11,085 new homes (Table 1). The 950 homes under construction in the HMA and some of the estimated 47,700 other vacant units that may reenter the market will satisfy a portion of this demand.

Rental Market

The rental housing market in the HMA is currently balanced, an improvement from slightly soft conditions in 2010. The estimated overall rental vacancy rate is 7.0 percent, down from 8.4 percent in 2010. During the forecast period, demand is estimated for 8,650 new market-rate rental units (Table 1). The 2,750 units under construction will satisfy a portion of this demand.

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Table 1. Housing Demand in the Baltimore HMA* During the Forecast Period

	Baltimore HMA*		Baltimore City Submarket		Northern Suburbs Submarket		Southern Suburbs Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	11,085	8,650	260	2,150	3,450	2,500	7,375	4,000
Under construction	950	2,750	50	550	300	800	600	1,400

** Baltimore-Columbia-Towson HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2016. A portion of the estimated 47,700 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

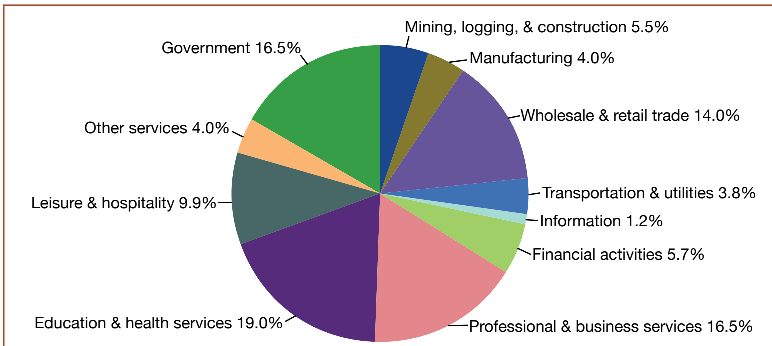
Economic Conditions

The economy of the Baltimore HMA has two main foundations: the education and health services sector and the government sector. The main driver, especially in recent years, is the education and health services sector, which currently is the largest nonfarm payroll sector in the HMA, with 19 percent of all nonfarm payrolls (Figure 1). Payrolls in the sector have increased every year since 1990 (the most recent data available) and have increased 38 percent since 2000, which is the largest increase of any nonfarm payroll sector in the HMA during that period (Figure 2). Within the sector, growth in the health care and social assistance industry has been especially strong. Nonfarm payrolls in this sector increased an average of 2.8 percent annually from 2000 through 2015; similar to gains in the rest of the country, those gains were attributed to increasing demand for healthcare services.

In the educational services industry, nonfarm payrolls increased in all but 1 year since 2000, and those gains are partially attributed to growth in higher education. The HMA has more than 20 private and public universities. Between 2000 and 2014, total enrollment at private colleges and universities in the HMA increased by more than 10,500 students, or more than 20 percent (2000 Decennial Census and 2014 American Community Survey [ACS]).

The government sector is also a large contributor to the economy of the HMA. Fort George G. Meade and Aberdeen Proving Ground military bases are currently the largest and fourth largest employers in the HMA, with approximately 55,000 and 16,800 employees, respectively (Table 2). (Although these specific figures include

Figure 1. Current Nonfarm Payroll Jobs in the Baltimore HMA,* by Sector

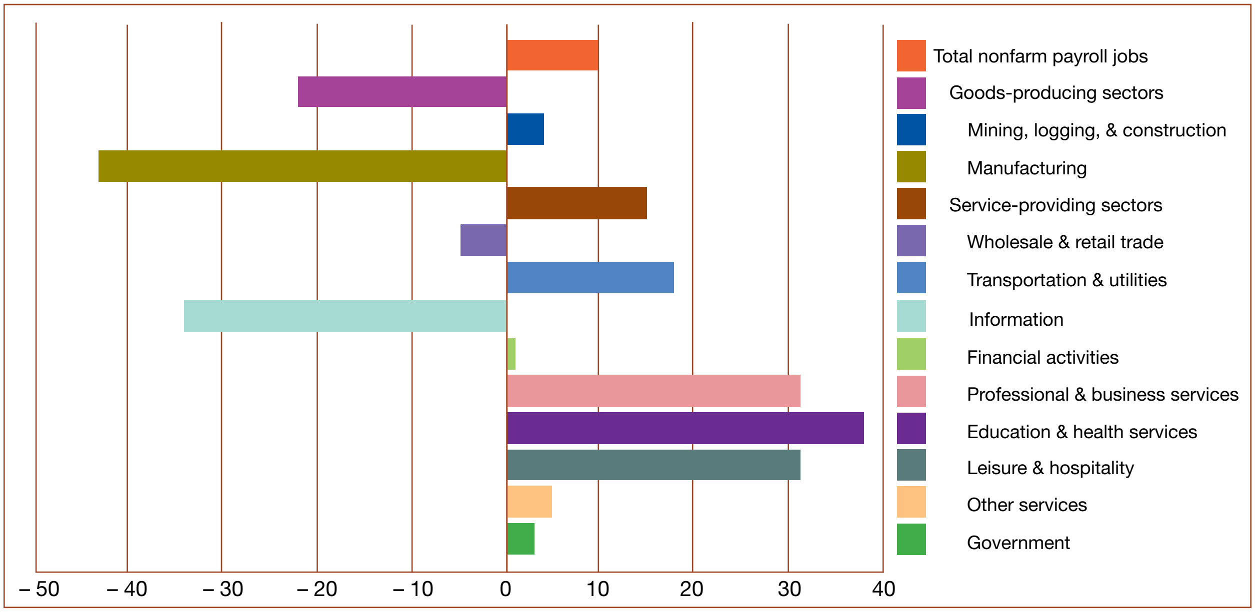


** Baltimore-Columbia-Towson HMA.*

Note: Based on 12-month averages through March 2016.

Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Baltimore HMA,* Percentage Change, 2000 to Current



** Baltimore-Columbia-Towson HMA.*
Note: Current is based on 12-month averages through March 2016.
Source: U.S. Bureau of Labor Statistics

active-duty military personnel, federal employees, and private contractors, active-duty military personnel are not included in general nonfarm payroll data.) Employment at those 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 Defense Base Closure and Realignment Commission (BRAC). Those gains were partially the reason why, from 2008 through 2012, nonfarm payrolls in the government sector increased an average of 0.9 percent annually compared with a nationwide decline in the sector of 0.3 percent annually.

The tourism industry also is a big contributor to the economy of the HMA, partially because of the city of Baltimore's Inner Harbor. During 2014, the city had 24.5 million domestic visitors, up nearly 3 percent compared with 2013 (Visit Baltimore 2015 Annual Report). In addition, visitor spending totaled $5.2 billion, which resulted in nearly 82,400 created or sustained jobs, accounting for more than 6 percent of all employment in the HMA. The growth of the tourism industry also has contributed to job gains in the leisure and hospitality sector. Within the sector, Maryland Live! Casino opened in 2012 and has since expanded, and the Horseshoe Baltimore casino opened in 2014; the two casinos currently employ nearly 5,500 workers.

Table 2. Major Employers in the Baltimore HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort George G. Meade	Government	55,000
Johns Hopkins University	Education & health services	25,000
Johns Hopkins Health System	Education & health services	18,600
Aberdeen Proving Ground	Government	16,800
University System of Maryland	Education & health services	15,800
U.S. Social Security Administration	Government	14,350
MedStar Health	Education & health services	13,000
University of Maryland Medical System	Education & health services	9,850
Northrop Grumman Corp.	Manufacturing	7,850
Wal-Mart Stores, Inc.	Wholesale & retail trade	7,500

** Baltimore-Columbia-Towson HMA.*
Notes: Excludes local school districts. Data include military personnel, who generally are not included in nonfarm payroll survey data. Payroll data at Fort George G. Meade and Aberdeen Proving Ground include private contractors.
Sources: economy.com; local sources

Similar to the state of the economy in other parts of the country, economic growth in the HMA since 2000 was hampered by declines in the manufacturing sector, which has declined every year since 1990 and was down approximately 43 percent since 2000. Included in those losses was the steady decline of the Sparrows Point steel mill (formerly Bethlehem Steel) because of obsolete facilities and difficulty competing as a result of the high costs of production. The mill, which employed 30,000 workers at its peak during the 1950s, steadily declined in employment after 2000, including 3,500 jobs eliminated in 2002, until it closed completely in 2012, when the remaining 2,200 employees were laid off.

Since 2002, the economy of the HMA has gone through periods of recession and expansion. During 2002 and 2003, nonfarm payroll levels in the HMA decreased by an average of 4,300 jobs, or 0.3 percent, annually. The largest declines during that period were in the manufacturing and the professional and business services sectors, which declined by 6,100 and 2,200 jobs, or 6.9 and 1.2 percent, respectively. Partially offsetting those losses were gains in the education and health services and the leisure and hospitality sectors, which increased by averages of 3,600 and 2,600 jobs, or 1.8 and 2.5 percent, annually, respectively. Economic conditions recovered from those losses and expanded from 2004 through 2007. During the 4-year period, nonfarm payrolls increased by an average of 17,100 jobs, or 1.3 percent, annually. The largest gains were in the education and health services and the professional and business services sectors, which increased by averages of 6,000 and 4,500 jobs, or 2.9 and 2.5 percent, annually, respectively. The mining, logging, and construction sector increased by an average of 2,700 jobs, or 3.5 percent, in response to active residential construction activity.

Similar to the nation as a whole, the HMA experienced a decline in the number of nonfarm payrolls from 2008 through 2010, decreasing by an average of 14,800 jobs, or 1.1 percent, annually. Job losses in the HMA, however, were less severe than the nationwide decline of 1.9 percent annually during that period, mainly because of growth in the government sector. Within the HMA, losses were largest in the wholesale and retail trade and the mining, logging, and construction sectors, which were down by averages of 6,100 and 5,900 jobs, or 3.1 and 7.4 percent, respectively. The retail and the wholesale trade subsectors both suffered losses, declining by averages of 4,300 and 1,700 jobs, or 3.1 and 3.2 percent, respectively, in response to elevated unemployment rates in the HMA and decreased tourism into the area because of the nationwide recession. In the mining, logging, and construction sector, losses were mainly attributed to decreased residential construction activity. Partially offsetting losses in those sectors were gains in the education and health services and the government sectors, which increased by 5,300 and 3,500 jobs, or 2.3 and 1.5 percent, respectively. Within the government sector, more than 70 percent of the gains were in the federal government subsector.

The economy of the HMA recovered from 2011 through 2013, and jobs continued to be added during 2014 and 2015. During the 5-year period, nonfarm payrolls increased by an average of 18,500 jobs, or 1.4 percent, annually compared with a nationwide growth rate of 1.7 percent annually. Gains in the HMA were largest in the professional and business services, leisure and hospitality, and education and health services sectors, which increased by 7,900, 4,400, and 4,300 jobs, or 3.9, 3.6, and 1.8 percent, respectively. In the professional and business services sector, AiNet, a data storage company, opened a new data center in Anne Arundel County in 2012, resulting in 1,000 new jobs.

Nonfarm payrolls continued to increase during the past year, and the rate of job growth slightly increased. During the 12 months ending March 2016, nonfarm payrolls averaged 1.37 million jobs, an increase of 21,000 jobs, or 1.6 percent, compared with a year ago (Table 3). By comparison, during the 12 months ending March 2015, nonfarm payrolls increased 1.4 percent compared with the same period a year earlier. During the past year, gains were largest in the professional and business services, leisure and hospitality, and education and health services sectors, which increased by 4,800, 4,400, and 4,300 jobs, or 2.2, 3.3, and 1.7 percent, respectively.

During the 12 months ending March 2016, the unemployment rate in the HMA averaged 5.2 percent. The current rate is down from an average rate of 5.9 percent during the 12 months ending March 2015 and from the 7.6-percent average rate from 2009 through 2012. The current unemployment rate is similar to the rates in Maryland and the nation of 5.0 and 5.1 percent, respectively, but the rates vary within the HMA. The current unemployment rates in the Baltimore City, Northern Suburbs, and Southern Suburbs submarkets are 7.4, 5.0, and 4.1 percent, respectively. Figure 3 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2015.

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 23,300 jobs, or 1.7 percent, annually, and growth is expected to be relatively steady during all 3 years. Similar to trends during the past 5 years, job growth is expected to be concentrated in the service-providing sectors, especially in the professional and business services and the education and health services

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Baltimore HMA,* by Sector

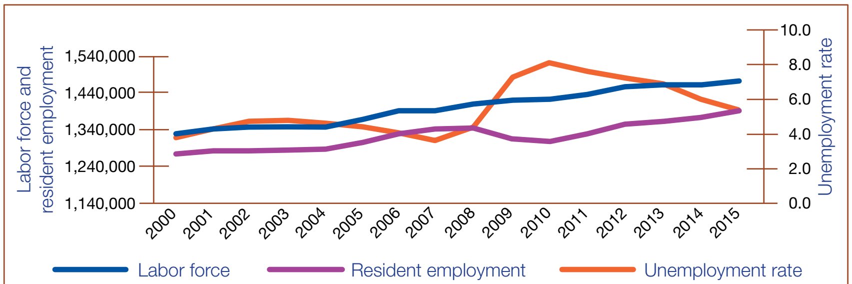
	12 Months Ending		Absolute Change	Percent Change
	March 2015	March 2016		
Total nonfarm payroll jobs	1,350,500	1,371,500	21,000	1.6
Goods-producing sectors	126,900	130,700	3,800	3.0
Mining, logging, & construction	72,700	76,000	3,300	4.5
Manufacturing	54,200	54,700	500	0.9
Service-providing sectors	1,223,600	1,240,900	17,300	1.4
Wholesale & retail trade	190,600	191,800	1,200	0.6
Transportation & utilities	47,500	51,500	4,000	8.4
Information	16,300	16,400	100	0.6
Financial activities	77,600	78,700	1,100	1.4
Professional & business services	221,600	226,400	4,800	2.2
Education & health services	255,900	260,200	4,300	1.7
Leisure & hospitality	131,400	135,800	4,400	3.3
Other services	53,700	54,200	500	0.9
Government	229,000	225,900	– 3,100	– 1.4

** Baltimore-Columbia-Towson HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2015 and March 2016.

Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Baltimore HMA,* 2000 Through 2015



** Baltimore-Columbia-Towson HMA.*

Source: U.S. Bureau of Labor Statistics sectors. Exelon Corporation, an energy-providing company, is currently building a new headquarters in the city of Baltimore, as the company consolidates offices throughout the country. The office is expected to open during 2016 and create approximately 1,500 new jobs in the HMA. In addition, Coastal Sunbelt, a food distributor, is currently expanding operations and is expected to add 400 jobs by the end of 2018.

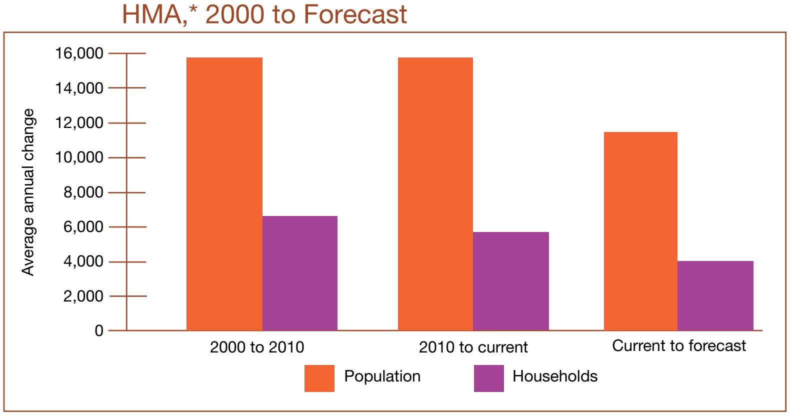
Population and Households

As of April 1, 2016, the estimated population of the Baltimore HMA is 2.81 million, which represents an average increase of 15,750, or 0.6 percent, annually since April 2010. From 2000 to 2004, the population increased by an average of 18,350, or 0.7 percent, annually (Census Bureau decennial census counts and population estimates as of July 1). Population growth was driven by both net natural increase (resident births minus resident deaths), which averaged 10,600 people annually, and net in-migration, which averaged 7,750 people annually. From 2004 to 2008, net migration zeroed out and population growth slowed to an average of 12,200 people, or 0.5 percent annually. The declining migration was attributed to continued job losses in the manufacturing sector and stronger job growth in the nearby Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (hereafter, Washington metropolitan area). From 2008 to 2013, population growth increased to an average of 18,750 people, or 0.7 percent, annually. The increased growth was driven by net in-migration, which averaged 7,150 people annually, that was partially driven by increased employment from the BRAC. Since 2013, net in-migration declined to an average of 2,475 people annually and population growth slowed to an average of 11,450, or 0.4 percent, annually, because BRAC-related activities were mostly complete.

The population of the HMA is expected to expand by an average of 11,350 (Figure 4), or 0.4 percent, annually to reach 2.84 million by the end of the 3-year forecast period. Continued job growth is estimated to cause net in-migration to increase slightly but remain below the average from 2008 through 2013, when the HMA experienced BRAC-related job growth. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

The population of the Baltimore City submarket recently stabilized after decades of decline since 1950. The population of the submarket is currently

Figure 4. Population and Household Growth in the Baltimore HMA,* 2000 to Forecast

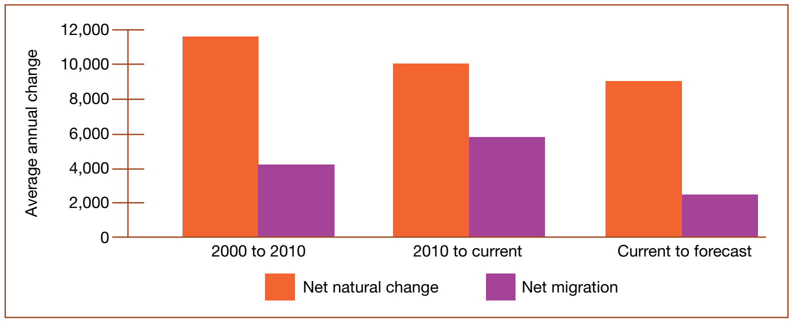


** Baltimore-Columbia-Towson HMA.*

Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Baltimore HMA,* 2000 to Forecast



** Baltimore-Columbia-Towson HMA.*
Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

estimated at 621,000, accounting for nearly 22 percent of the total population in the HMA. From 2000 to 2005, the population of the submarket declined by an average of 5,625, or 0.9 percent, annually, because of strong net out-migration—especially to other parts of the HMA—which averaged 7,000 annually (Census Bureau decennial census counts and population estimates as of July 1). Since 2005, however, net out-migration has declined to an average of 2,750 people annually and the population has remained relatively unchanged, declining by only 50 annually, primarily because of a national trend of millennials and young professionals choosing to reside in city centers as opposed to suburban areas. From 2000 through 2005, the population of nearly all age groups in the submarket decreased, including the population ages 20 to 39, which declined by an average of 6,475, or 3.5 percent, annually (2000 Census and 2005 ACS 1-year data). From 2005 to 2014, however, the population of that age group increased by an average of 4,375, or 2.4 percent, annually (2005 and 2014 ACS 1-year data). During the 3-year forecast period, the population of the Baltimore City submarket is expected to decrease by an average of 530, or 0.1 percent, annually. The influx of millennials and young professionals is expected to continue, but at a slower pace; therefore, net out-migration is expected to resume and average 2,750 people annually.

The population of the Northern Suburbs submarket, the largest of the three submarkets, is estimated at 1.25 million, accounting for nearly 45 percent of the total population in the HMA. Population growth in the submarket was strongest from 2000 to 2006, when the population increased by an average of 12,500, or 1.1 percent, annually (Census Bureau decennial census counts and population estimates as of July 1). More than 70 percent of the growth was because of net in-migration, which averaged 8,775 people annually. From 2006 to 2009, population growth slowed to an average of 0.3 percent, or 3,550 people, annually. The slower population growth was driven by net out-migration of 830 annually, which was partially attributed to an increase in people moving to the Baltimore City submarket. Net in-migration resumed from 2009 to 2013 and averaged 3,850 people annually; the in-migration was attributed to BRAC-related job growth, especially gains at Aberdeen Proving Ground, which is in the submarket. As a result of the net in-migration, population growth increased to an average of 7,075 people, or 0.6 percent, annually. Since 2013, population growth has slowed to an average of 3,700 people, or 0.3 percent, annually. The slower growth rate was driven by net in-migration slowing to an average of 1,450 people annually, partly because of the completion of BRAC activities at Aberdeen Proving Ground. During the next 3 years, the population in the submarket is estimated to increase by an average of 2,675, or 0.2 percent, annually to 1.26 million.

Population growth has been strongest in recent years in the Southern Suburbs submarket, primarily because of the submarket's proximity to the District of Columbia. The current estimated population of the submarket is 933,000, accounting for nearly one-third of the total population in the HMA. From 2000 to 2004, the population of the submarket increased by an average of 10,700, or 1.3 percent, annually and net in-migration averaged 4,975 people annually (Census Bureau decennial census counts and population estimates as of July 1). Population growth trends in the Southern Suburbs submarket have been similar to those in the Northern Suburbs submarket since 2004. From 2004 to 2008, population growth in the Southern Suburbs submarket slowed to an average of 6,800, or 0.8 percent, annually because net in-migration declined to an average of 1,350 people annually. Because of job growth from BRAC activities—especially at Fort George G. Meade, which is in the submarket—from 2008 to 2013, net in-migration increased to an average of 6,500 people annually, resulting in population growth increasing to an average of 11,750 people, or 1.3 percent, annually. Since 2013, net in-migration declined to an average of 4,000 people annually and population growth averaged 8,550 people, or 0.9 percent, respectively. Net in-migration in the submarket has remained stronger than in the other submarkets. During the next 3 years, net in-migration is estimated to increase slightly and the population is estimated to increase by an annual average of 9,225, or 1.0 percent, to 960,700.

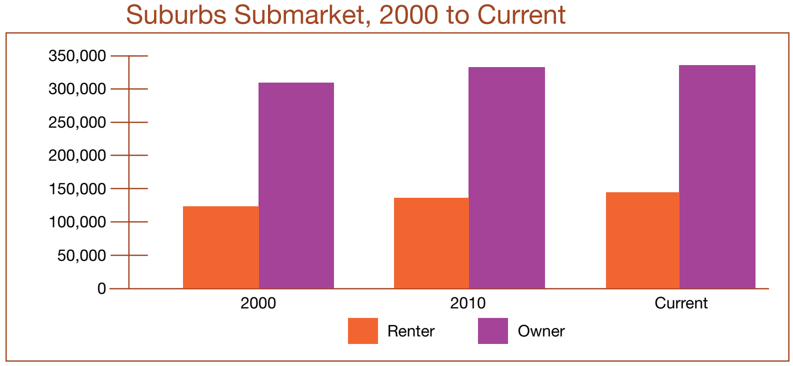
Household trends in the HMA and submarkets have been similar to population trends. Since 2010, the number of households in the HMA has increased by an average of 5,600, or 0.5 percent, annually. Household growth slowed slightly compared with the pace from 2000 to 2010 of 6,475 households, or 0.6 percent, annually. The number of households in the Baltimore City submarket increased by an average of 280 households, or 0.1 percent, since 2010 after an annual decline of 810 households, or 0.3 percent, annually from 2000 to 2010, when net out-migration was stronger. Household growth slowed since 2010 in both the Northern Suburbs and Southern Suburbs submarkets because of slower population growth. Since 2010, the number of households in the Northern Suburbs and Southern Suburbs submarkets increased by average annual amounts of 1,725 and 3,600, or 0.4 and 1.1 percent, respectively. The rates of growth are down from averages of 0.8 and 1.3 percent, or 3,475 and 3,800, annually, respectively, from 2000 to 2010. An estimated 1.07 million households currently reside in the HMA, with 251,600 households in the Baltimore City submarket, 477,100 in the Northern Suburbs submarket, and 343,750 in the Southern Suburbs submarket. Figures 6, 7, and 8 show the number of households by tenure in each submarket from 2000 to the current date.

During the 3-year forecast period, household growth is expected to slow in all three submarkets because of expected slower population growth. During the next 3 years, the number of households in the HMA is expected to increase by an average of 3,875, or 0.4 percent, annually. That growth is expected to average 130 households, or 0.1 percent, in the Baltimore City submarket; 430 households, or 0.1 percent, in the Northern Suburbs submarket; and 3,225 households, or 0.9 percent, in the Southern Suburbs submarket.

Figure 6. Number of Households by Tenure in the Baltimore City Submarket, 2000 to Current

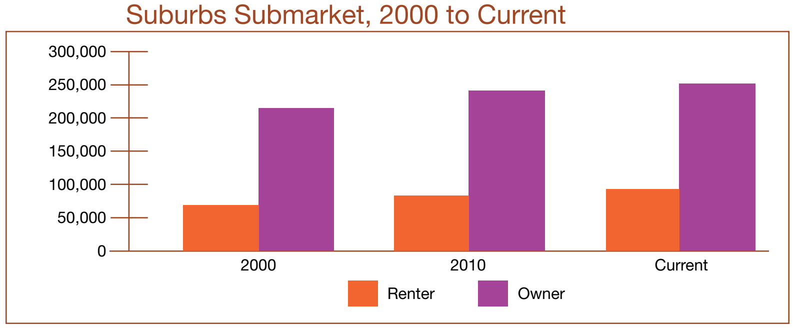
Note: The current date is April 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Northern Suburbs Submarket, 2000 to Current



Note: The current date is April 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Southern Suburbs Submarket, 2000 to Current



Note: The current date is April 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Baltimore City Submarket

The sales housing market in the Baltimore City submarket is currently soft. The current vacancy rate is estimated at 4.1 percent, down slightly compared with 4.2 percent in April 2010 (Table DP-2 at the end of this report). During the 12 months ending March 2016, the submarket had 5.2 months of available housing inventory, down from 5.6 months of inventory during the previous 12-month period (Metropolitan Regional Information Systems, Inc.). Sales market conditions in the submarket have remained soft since 2000 because of net out-migration every year and a high percentage of new residents in the city choosing to rent instead of own.

During the 12 months ending March 2016, approximately 10,450 new and existing homes (including single-family homes, townhomes, and condominiums) sold, representing an increase of 390 homes, or 4 percent, from the 12 months ending March 2015 (CoreLogic, Inc., with adjustments by the analyst). Home sales activity increased during the past 4 years, and current activity is up 35 percent compared with the average of 7,725 homes sold annually from 2009 through 2012, when home sales reached their lowest levels since 2000. Current sales activity, however, is still down nearly 50 percent compared with the average of 20,800 homes sold annually during the peak period of sales activity from 2004 through 2006, when access to home loans was easier. During the 12 months ending March 2016, the average home sales price increased 1 percent from a year ago, to $140,100. The average sales price increased in 3 of the past 4 years because of increasing sales activity and a declining percentage of real estate owned (REO) sales as a portion of all existing home sales. After the recent increases, the average sales price is now only 4 percent below the average sales price of $146,000 from 2006 through 2008.

Conditions in the condominium market, which comprises approximately 7 percent of the total sales market, have been similar to conditions in the overall sales market. During the 12 months ending March 2016, approximately 730 new and existing condominium units sold, a decrease of 75 units, or 9 percent, compared with a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Despite the recent decline, current activity is up 39 percent compared with 530 units sold from 2009 through 2011 because of steady increases from 2012 through 2014. Current sales activity, however, remains down 39 percent compared with the average of 1,200 units sold annually during 2005 and 2006. During the 12 months ending March 2016, the average sales price of new and existing condominium units sold decreased 14 percent, to $214,000, in part because of a smaller portion of new condominium sales, which have higher prices. Average sales prices of condominiums have typically exceeded those for single-family homes and townhomes in the Baltimore City submarket because the condominium units are mostly concentrated in the downtown and Inner Harbor areas, where sales prices tend to be higher than outside those areas.

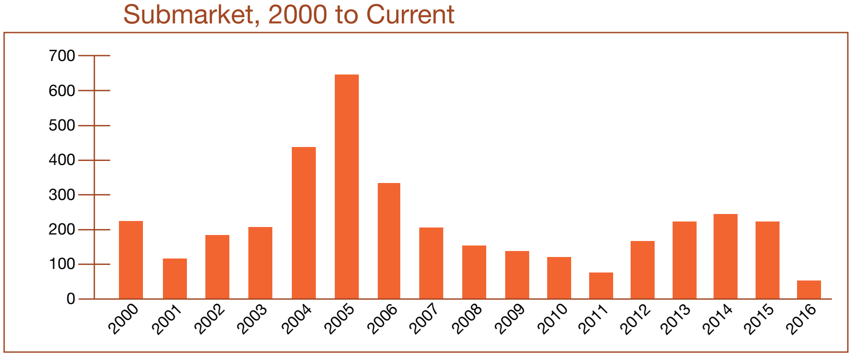
The rate of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and REO properties in the submarket has been high, especially in recent years, mostly because of high unemployment rates. In March 2016, 7.7 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 9.6 percent in March 2015 and a peak of 13.5 percent in January 2013 (CoreLogic, Inc.). The current rate in the submarket is significantly higher than the overall rates in the HMA, the state of Maryland, and the nation of 4.4, 4.3, and 3.0 percent, respectively.

Single-family homebuilding activity, as measured by the number of homes permitted, has typically been very limited in the submarket because of soft housing market conditions and a lack of available land on which to build in the parts of the submarket where population growth was occurring. Homebuilding activity in the submarket, however, was strongest from 2000 through 2006, when an average of 300 homes were permitted annually (Figure 9). Homebuilding activity declined to an average of 140 homes permitted annually from 2007 through 2012 in response to decreased home sales activity. Driven by higher levels of home sales activity, construction activity from 2013 through 2015 increased slightly to an average of 230 annually. During the 12 months ending March 2016, approximately 220 homes were permitted, down 4 percent compared with the previous 12-month period (preliminary data).

Developable land is limited in the Baltimore City submarket; therefore, new construction of owner housing units is mostly limited to replacement units or units in small subdivisions. A recent sizable development, however, is the 185-unit O'Donnell Square townhome development. All units were completed by mid-2015; prices for the two- and three-bedroom homes start at $300,000 and $330,000, respectively. Construction continues at the 62-unit Four Seasons Residences, which is expected to be complete by mid-2016. The building, which is on the waterfront, has prices ranging from $1.5 million for one-bedroom units to $12.5 million for five-bedroom units.

During the 3-year forecast period, demand is estimated for 260 new single-family homes, townhomes, and condominiums in the submarket (Table 1). The 50 homes currently under construction and some of the estimated 24,500 other vacant units in the submarket that may reenter the market will satisfy some of the demand. Demand is expected to increase steadily during the 3 years of the forecast period because of estimated continued job growth. New units, however, will not be needed until the third year of the forecast period, after the current excess supply is absorbed. New home prices in the HMA are expected to start at $150,000, and approximately 65 percent of the demand is estimated to be for homes priced from $200,000 to $499,999 (Table 4).

Figure 9. Single-Family Homes Permitted in the Baltimore City Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Baltimore City Submarket During the Forecast Period

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
150,000	199,999	25	10.0
200,000	299,999	40	15.0
300,000	399,999	90	35.0
400,000	499,999	40	15.0
500,000	599,999	25	10.0
600,000	699,999	25	10.0
700,000	and higher	15	5.0

Notes: The 50 homes currently under construction and a portion of the estimated 24,500 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

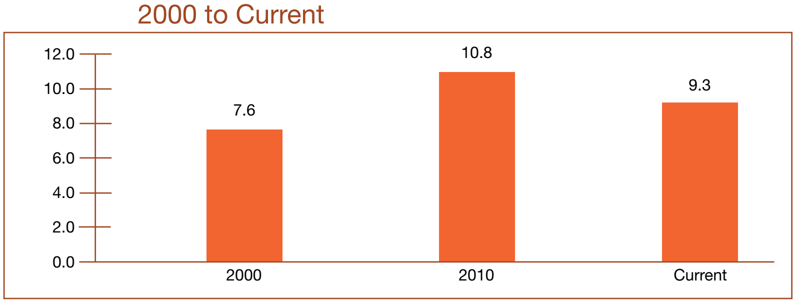
Source: Estimates by analyst

Rental Market—Baltimore City Submarket

The rental housing market, including apartment units and single-family rental homes, in the Baltimore City submarket is currently slightly soft, but conditions are improving. The overall rental vacancy rate is estimated at 9.3 percent, down from 10.8 percent in 2010 but up from the 7.6-percent rate in 2000 (Figure 10). The submarket contains approximately 24 percent of the total households in the HMA but nearly 38 percent of the total renter households because of a low homeownership rate in the city, especially in the downtown and Inner Harbor areas, where most of the growth is occurring. Rental market conditions were balanced in 2000 but transitioned to soft by 2005 because of strong net out-migration. Since 2005, conditions have slowly improved because more people, especially millennials and young professionals, have been moving into the city. In addition, many of the new residents preferred to rent rather than own because of a limited number of owner units available in the Inner Harbor and downtown areas.

Conditions in the apartment market are currently balanced. During the first quarter of 2016, the apartment vacancy rate was 4.5 percent, which was down slightly compared with 4.6 percent during the same period a year earlier and 5.4 percent during the first quarter of 2010 (MPF Research). During the first quarter of 2016, the average asking rent was $1,236, representing an increase of 3 percent compared with a year ago. Rents were highest in the Downtown Baltimore MPF Research-defined market area, at $1,642, because a majority of the newly constructed units are being built in that area. During the first quarter of 2016, rent concessions for Class A units in the submarket were 2.9 percent of face rents (rents before any incentives are factored in), compared with 3.8 percent during the same period a year earlier and 8.0 percent during the first quarter of 2010 (Delta Associates).

Figure 10. Rental Vacancy Rates in the Baltimore City Submarket, 2000 to Current



Note: The current date is April 1, 2016.

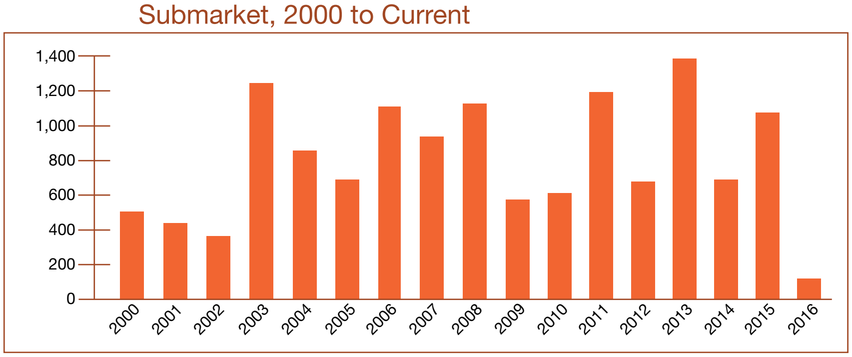
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Multifamily building activity, as measured by the number of units permitted, has remained strong since 2006. From 2000 through 2005, construction activity averaged 680 units annually (Figure 11). From 2006 through 2015, construction activity increased to an average of 930 units annually in response to increased demand from more people moving into the submarket. During the 12 months ending March 2016, approximately 670 units were permitted, up 15 percent compared with the previous 12-month period (preliminary data). Because space to build in the submarket is limited, especially in the growth areas, a notable portion of new apartment units are in buildings converted from commercial use. Since 2010, approximately 30 percent of the completed market-rate general-occupancy apartment units were located in buildings with a previous nonresidential use, up from 15 percent from 2000 to 2010 (CBRE Economic Advisors; analyst's estimate). Driven by a heavier preference for homes to rent as opposed to own, less than 3 percent of all multifamily units permitted since 2011 have been for condominiums, down significantly from 23 percent from 2000 through 2010 (analyst's estimate).

Recent construction activity in the submarket has been mainly either directly in the Inner Harbor area or the downtown area because of higher demand for units in those sections of the city. Recent activity includes the newly constructed 404-unit Jefferson Square at Washington Hill, in the Washington Hill portion of the city of Baltimore. Construction in that community was completed in 2014, and rents for the studio, one-bedroom, and two-bedroom units start at $1,375, $1,550, and $1,975, respectively. 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. New construction recently began at 414 Light Street, which will be a 44-story apartment complex with nearly 400 units in the Inner Harbor area of the city. Construction is expected to be complete by the end of 2018, with rents averaging $2,800 per month.

During the 3-year forecast period, demand is expected for 2,150 new market-rate rental units (Table 1). The 550 units under construction will satisfy a portion of this demand. Demand is expected to be relatively steady during all 3 years, but new supply should be targeted to become available during the second and third years of the forecast period because the units currently under construction will satisfy a majority of demand during the first year. Table 5 shows the estimated demand, by rent level and number of bedrooms, for new market-rate rental housing in the Baltimore City submarket.

Figure 11. Multifamily Units Permitted in the Baltimore City Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Baltimore City Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,300 to 1,499	20	1,300 to 1,499	50	1,900 to 2,099	85	2,600 to 2,799	20
1,500 to 1,699	25	1,500 to 1,699	190	2,100 to 2,299	130	2,800 to 2,999	45
1,700 to 1,899	25	1,700 to 1,899	290	2,300 to 2,499	220	3,000 to 3,199	65
1,900 to 2,099	20	1,900 to 2,099	190	2,500 to 2,699	220	3,200 to 3,399	45
2,100 or more	10	2,100 to 2,299	150	2,700 to 2,899	130	3,400 to 3,599	30
		2,300 or more	95	2,900 or more	85	3,600 or more	10
Total	110	Total	970	Total	860	Total	220

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 550 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

Sales Market—Northern Suburbs Submarket

The sales housing market in the Northern Suburbs submarket is currently slightly soft but is improving because of limited single-family construction activity. The current vacancy rate is estimated at 1.5 percent, down from 1.7 percent in April 2010 (Table DP-3 at the end of this report). During the 12 months ending March 2016, the submarket had 4.1 months of available housing inventory, down from 5.0 months of inventory during the previous 12-month period (Metropolitan Regional Information Systems, Inc.). Sales market conditions in the submarket were balanced from 2000 through 2006. Conditions transitioned to soft from 2006 through 2009, however, because of net out-migration. The sales market improved to slightly soft from 2010 through 2013 because of net in-migration and limited construction activity, and conditions have remained slightly soft since 2014.

During the 12 months ending March 2016, approximately 18,950 new and existing homes (including single-family homes, townhomes, and condominiums) sold in the submarket, representing an increase of 2,575 homes, or 16 percent, from the 12 months ending March 2015 (CoreLogic, Inc., with adjustments by the analyst). Home sales activity increased during the past 4 years, and current sales are up 46 percent compared with the average of 13,000 homes sold annually from 2008 through 2012, when home sales reached their lowest levels since 2000. Current sales activity, however, remains down 34 percent compared with the average of 28,800 homes sold annually during the peak period of sales activity from 2002 through 2006, when population growth in the submarket was strong. During the 12 months ending March 2016, the average home sales price decreased 1 percent, to $258,100, from a year ago; the slight decline was attributed to new home sales constituting a smaller portion of total sales during the past year. Despite the recent decline, the average sales price is up 3 percent compared with the average sales price of $249,700 during 2011 and 2012 but down 14 percent compared with the average price of $299,500 from 2005 through 2008.

Conditions in the condominium market, which constitutes more than 10 percent of the total sales market, have steadily improved during the past 4 years. During the 12 months ending March 2016, approximately 1,950 new and existing condominium units sold, an increase of 170 units, or 10 percent, compared with the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Current sales activity remains down 30 percent compared with the 2,775 units sold during 2005 and 2006. Activity, however, is up more than 50 percent compared with the 1,300 units sold from 2009 through 2011 because the number of condominium units sold increased an average of 12 percent annually during the past 4 years. During the 12 months ending March 2016, the average sales price of new and existing condominium units sold increased 10 percent, to $190,400.

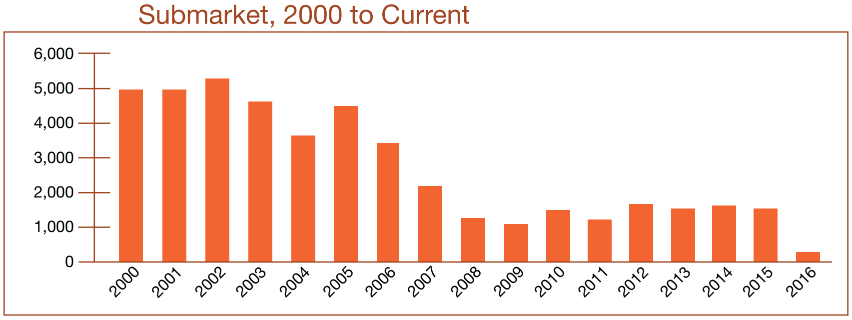
The rate of seriously delinquent loans and REO properties in the submarket has been similar to the rate for the state as a whole. In March 2016, 4.4 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 5.4 percent in March 2015 and a peak of 7.8 percent in January 2013 (CoreLogic, Inc.).

Single-family homebuilding activity, as measured by the number of homes permitted, has increased during the past 4 years, but levels remain below those from early in the 2000s, when net in-migration was strong. Construction activity was strongest from 2000 through 2006, when an average of 4,475 homes were permitted annually. Decreased home sales activity caused new home construction to decrease to 2,200 homes permitted during 2007 and an average of 1,275 homes permitted annually from 2008 through 2011 (Figure 12). From 2012 through 2015, homebuilding activity increased slightly to an average of 1,600 homes permitted annually in response to slowly improving conditions in the sales market. During the 12 months ending March 2016, approximately 1,550 homes were permitted, down 5 percent compared with the previous 12-month period (preliminary data).

Recent construction activity includes an 80-unit single-family development in Aberdeen, Harford County. Approximately 80 percent of the planned units have been completed since 2011, and the remaining units will be built as they are sold. Prices for those three- and four-bedroom homes start at $300,000 and $310,000, respectively. Construction continues at Tinder Run, a single-family development in Reisterstown, Baltimore County. Approximately 20 of the 32 planned four-bedroom single-family homes have been constructed since 2013, and the remaining units are expected to be built as they sell. Prices of those newly constructed homes range from $583,500 to $625,000. Prospect Green is a 96-unit townhome development located in Bel Air, Harford County, which was completed in early 2016. Sales prices of these three-bedroom, three-bathroom units start at $300,000.

During the 3-year forecast period, demand is estimated for 3,450 new single-family homes, townhomes, and

Figure 12. Single-Family Homes Permitted in the Northern Suburbs Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

condominiums (Table 1). The 300 homes currently under construction and some of the estimated 11,600 other vacant units in the submarket that may reenter the market will satisfy some of that demand. Demand is expected to steadily increase during the 3 years of the forecast period because of estimated continued job growth. New home prices in the HMA are expected to start at $200,000, and approximately one-half of the demand is estimated to be for homes priced from $200,000 to $399,999 (Table 6).

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Northern Suburbs Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
200,000	299,999	690	20.0
300,000	399,999	1,025	30.0
400,000	499,999	860	25.0
500,000	599,999	520	15.0
600,000	and higher	340	10.0

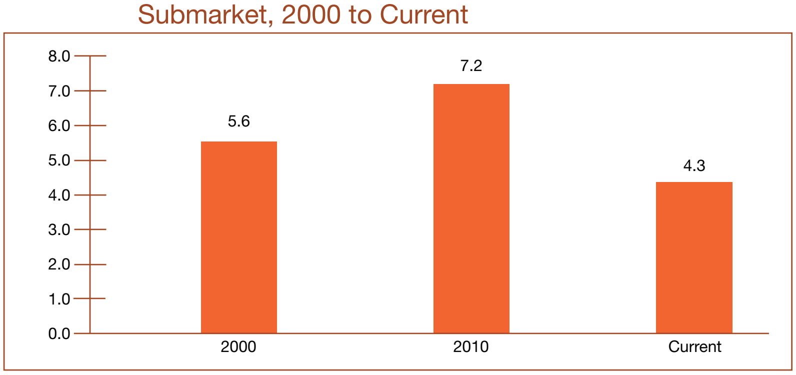
Notes: The 300 homes currently under construction and a portion of the estimated 11,600 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

Rental Market—Northern Suburbs Submarket

The rental housing market, including apartment units and single-family homes for rent, in the Northern Suburbs submarket is currently balanced, an improvement from slightly soft conditions in 2010. The overall rental vacancy rate is estimated at 4.3 percent, down from 7.2 percent in 2010 (Figure 13). Rental market conditions were balanced from 2000 through 2005, but they transitioned to slightly soft from 2006 through 2009 because of net out-migration. From 2010 through 2013, vacancy rates declined and conditions returned to balanced because of decreased construction activity despite increased net in-migration. Since 2014, conditions have remained balanced because of increased apartment construction activity, which kept up with new demand.

Figure 13. Rental Vacancy Rates in the Northern Suburbs Submarket, 2000 to Current



Note: The current date is April 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

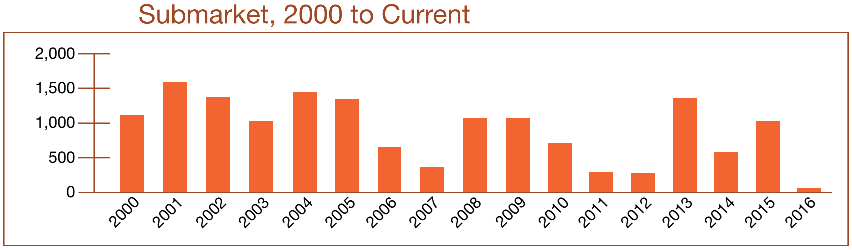
Conditions in the apartment market also are currently balanced. During the first quarter of 2016, the apartment vacancy rate was 4.6 percent (MPF Research), relatively unchanged compared with 4.7 percent during the first quarter of 2015 but down from the most recent peak rate of 7.4 percent during the first quarter of 2009. During the first quarter of 2016, the average asking rent was $1,130, up 3 percent compared with the first quarter of 2015. The average asking rent increased an average of 3 percent annually from 2012 through 2015 compared with an average of 1 percent annually from 2008 through 2011. During the first quarter of 2016, rents in the submarket were highest in the Towson/Hunt Valley MPF Research-defined market area, at $1,367. During the first quarter of 2016, rent concessions of Class A units in the submarket were 1.6 percent of face rents (rents before any incentives are factored in), unchanged compared with the first quarter of 2015 but down from 4.9 percent during the first quarter of 2010 (Delta Associates).

Multifamily building activity, as measured by the number of units permitted, has fluctuated since 2006 in the submarket, but overall levels remain below those from early in the 2000s, when net in-migration was strong. From 2000 through 2005, construction activity was the strongest, averaging 1,300 units permitted annually (Figure 14). Net out-migration from 2006 through 2009 caused construction activity to decline to an average of 500 units annually during 2006 and 2007 and an average of 420 units annually from 2010 through 2012. Construction activity averaged the higher level of 1,075 units permitted annually during 2008 and 2009, but that increase was attributed to growth in the Towson area, especially near the Towson Town Center, because of its desirable location near the mall, train station, and two universities. After low levels of construction from 2010 through 2012, activity picked up from 2013 through 2015 in response to a return to balanced rental market conditions. During the 3-year period, an average of 990 units were permitted annually. During the 12 months ending March 2016, approximately 760 units were permitted, up 17 percent compared with the previous 12-month period (preliminary data). As in the Baltimore City submarket, condominium construction activity has been limited in recent years in the Northern Suburbs submarket. Since 2011, approximately 4 percent of all multifamily units permitted have been for condominiums, down from 14 percent from 2000 through 2010 (analyst's estimate).

Recent construction activity in the submarket has been especially strong in Towson and Owings Mills, which are areas with an abundance of available transportation and shopping options. Recent activity includes the 295-unit Winthrop in Towson, Baltimore County, which was completed in 2014. Rents for one- and two-bedroom apartment units start at $1,600 and $2,025, respectively. Metro Crossing, a 250-unit apartment community in Owings Mills, Baltimore County, was completed in 2014. Rents for those units range from $1,275 to $1,825 for one-bedroom units and from $1,475 to $1,900 for two-bedroom units. Construction continues at The Park at Winters Run, which is located in Bel Air, Harford County. The community will have 288 units, and construction is expected to be complete by the end of 2016. Rents for one-, two-, and three-bedroom units start at $1,250, $1,500, and $1,800, respectively.

During the 3-year forecast period, demand is expected for 2,500 new market-rate rental units (Table 1).

Figure 14. Multifamily Units Permitted in the Northern Suburbs Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The 800 units under construction will satisfy a portion of that demand. Demand is expected to be relatively steady during all 3 years, but new supply should be targeted to become available during the second and third years of the forecast period because the units currently under construction will satisfy all of the demand during the first year. Table 7 shows the estimated demand, by rent level and number of bedrooms, for new market-rate rental housing in the Northern Suburbs submarket.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Northern Suburbs Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,000 to 1,199	220	1,300 to 1,499	190	1,500 to 1,699	95
1,200 to 1,399	260	1,500 to 1,699	370	1,700 to 1,899	190
1,400 to 1,599	220	1,700 to 1,899	370	1,900 to 2,099	75
1,600 to 1,799	130	1,900 to 2,099	190	2,100 or more	20
1,800 or more	45	2,100 or more	120		
Total	870	Total	1,250	Total	370

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 800 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

Sales Market—Southern Suburbs Submarket

The sales housing market in the Southern Suburbs submarket is currently balanced, an improvement from slightly soft conditions in 2010. The current vacancy rate is estimated at 1.5 percent, down from 1.7 percent in April 2010 (Table DP-4 at the end of this report). During the 12 months ending March 2016, the submarket had 4.4 months of available housing inventory, down from 5.3 months of inventory during the previous 12-month period (Metropolitan Regional Information Systems, Inc.). The submarket borders the northeastern portion of the Washington metropolitan area, which typically has allowed the sales market to perform better than those of the other two Baltimore submarkets. Sales market conditions were slightly tight from 2000 through 2004 because of strong net in-migration. From 2004 through 2008, however, conditions transitioned to slightly soft because of continued strong single-family construction activity despite reduced net in-migration. Stronger net in-migration from job growth at Fort George G. Meade caused conditions to improve to balanced by 2013 and remain in balance since.

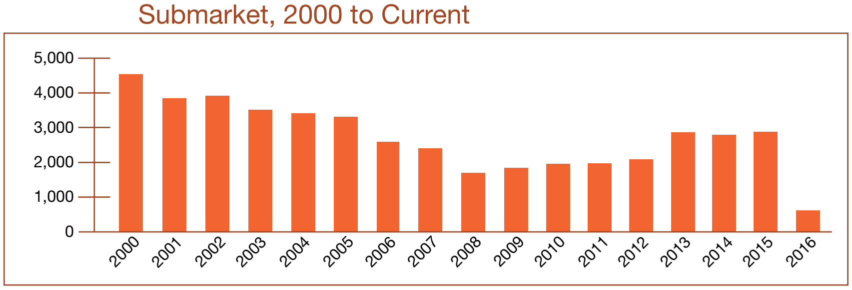
During the 12 months ending March 2016, approximately 15,950 new and existing homes (including single-family homes, townhomes, and condominiums) sold, representing an increase of 1,500 homes, or 10 percent, compared with the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Home sales activity increased during the past 4 years and currently is up 45 percent compared with the average of 11,000 homes sold annually from 2008 through 2011, when home sales reached their lowest levels since 2000. Current sales activity, however, remains down 27 percent compared with the average of 21,900 homes sold annually during the peak period of sales activity from 2000 through 2006, when population growth in the submarket was the strongest. During the 12 months ending March 2016, the average home sales price decreased 1 percent, to $385,600, from a year ago; the slight decline was attributed to new home sales constituting a smaller portion of total sales during the past year. Despite the recent decline, the average sales price is up 6 percent compared with the average sales price from 2009 through 2012 of $363,500 and is now only 7 percent lower than the average sales price of $414,200 from 2005 through 2008. Average sales prices in the Southern Suburbs submarket have been consistently higher than those in the other two submarkets, and the gap has grown since 2000 because more people are commuting from the Southern Suburbs submarket, especially Anne Arundel and Howard Counties, to the Washington metropolitan area, where average incomes are higher than in the Baltimore HMA.

Conditions in the condominium market, which makes up 13 percent of the total sales market, have improved in 3 of the past 4 years. During the 12 months ending March 2016, approximately 2,050 new and existing condominium units sold, an increase of 30 units, or 1 percent, compared with the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Current sales activity remains down 42 percent compared with the 3,575 units sold during 2005 and 2006. Sales are up 28 percent, however, compared with the 1,600 units sold from 2009 through 2011. During the 12 months ending March 2016, the average sales price of new and existing condominium units sold was relatively unchanged, at $227,900.

The rate of seriously delinquent loans and REO properties in the submarket has been lower than in the other two submarkets. That situation is attributed to the economic condition of residents in the submarket being generally better than that of residents in the other two submarkets, partially because of stronger job growth in the Washington metropolitan area. In March 2016, 2.8 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 3.5 percent in March 2015 and a peak of 5.6 percent in September 2012 (CoreLogic, Inc.). The current rate in the submarket is lower than the statewide rate of 4.3 percent and similar to the 3.0-percent rate nationwide.

Similar to trends in the Northern Suburbs submarket, single-family homebuilding activity, as measured by the number of homes permitted, increased during the past 3 years. Recent construction levels, however, are closer to those from early in the 2000s relative to the Northern Suburbs submarket because the Southern Suburbs submarket did not have the same decrease during low-volume years. From 2000 through 2005, an average of 3,750 homes were permitted annually (Figure 15). Driven by decreased home sales, homebuilding declined to an average of 2,475 annually during 2006 and 2007 and an average of 1,900 from 2008 through

Figure 15. Single-Family Homes Permitted in the Southern Suburbs Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

2012. Homebuilding increased to an average of 2,825 annually from 2013 through 2015 in response to increased sales activity. During the 12 months ending March 2016, approximately 2,950 homes were permitted, up 7 percent compared with the previous 12-month period (preliminary data).

Planned construction activity includes 820 single-family and townhome units at Creekside Village in Glen Burnie, Anne Arundel County. Approximately one-half of the planned units have been constructed since 2012, and the remaining units will be built as they are sold. Prices for those new homes start at $281,900 for a two-bedroom townhome and $350,000 for a three-bedroom single-family home. Construction began during 2015 at Two Rivers, a planned community in Odenton, Anne Arundel County. When complete, the community will include 800 age-restricted (age 55 and older) and 1,200 general-occupancy single-family home and townhome units. Less than 10 percent of the planned units have been completed, and the remaining homes are expected to be constructed during the next 5 to 10 years. Prices for the two- and three-bedroom single-family homes start at $369,900 and $470,000, respectively. The Villages at Turf Valley, in Ellicott City, Howard County, has been under construction since 2013. More than 80 percent of the planned 91 single-family home and townhome units have been completed, and the remaining units are expected to become available within the next year. Prices for the three-bedroom, three-bathroom townhomes start at $500,000, and prices for the four-bedroom, three-bathroom single-family homes start at $610,000.

During the 3-year forecast period, demand is estimated for 7,375 new single-family homes, townhomes, and condominiums in the submarket (Table 1). The 600 homes currently under construction and some of the estimated 11,600 other vacant units that may reenter the market will satisfy some of that demand. Demand is expected to steadily increase during the 3 years of the forecast period because of estimated continued job growth and net in-migration. New home prices in the HMA are expected to start at $300,000, and 55 percent of the demand is estimated to be for homes priced from $300,000 to $499,999 (Table 8).

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Southern Suburbs Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
250,000	299,999	370	5.0
300,000	399,999	2,225	30.0
400,000	499,999	1,850	25.0
500,000	599,999	1,100	15.0
600,000	699,999	740	10.0
700,000	799,999	370	5.0
800,000	and higher	740	10.0

Notes: The 600 homes currently under construction and a portion of the estimated 11,600 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

Rental Market—Southern Suburbs Submarket

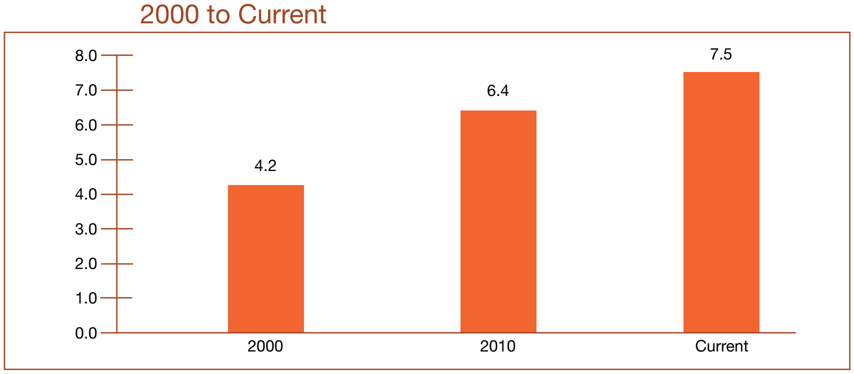
The rental housing market, including apartment units and single-family homes for rent, in the Southern Suburbs submarket is currently balanced. The overall rental vacancy rate is estimated at 7.5 percent, up from 6.4 percent in 2010 and 4.2 percent in 2000 (Figure 16). Rental market conditions were slightly tight from 2000 through 2004 but transitioned to slightly soft from 2004 through 2008 because of low levels of net in-migration. Conditions moved from slightly soft to slightly tight from 2008 through 2012 because of increased net in-migration. Since 2013, conditions balanced because of decreased net in-migration and increased apartment construction activity.

Conditions in the apartment market also are currently balanced. During the first quarter of 2016, the apartment vacancy rate was 4.9 percent, up slightly compared with 4.6 percent during the same period a year earlier and from 4.3 percent during the first quarter of 2010 (MPF Research). During the first quarter of 2016, the average asking rent was $1,452, representing an increase of 3 percent compared with a year ago. During the first quarter of 2016, rent concessions of Class A units in the submarket were 2.9 percent of face rents (rents before any incentives are factored in), compared with 3.8 percent during the first quarter of 2015 and 4.2 percent during the first quarter of 2010 (Delta Associates).

Multifamily building activity, as measured by the number of units permitted, generally has been strong in the submarket, but activity has increased since 2010. From 2000 through 2009, an average of 1,025 multifamily units were permitted annually (Figure 17). Since 2010, however, construction activity has increased to an average of 1,575 units annually in response to tightening conditions created by strong net in-migration, especially from 2008 through 2012. During the 12 months ending March 2016, approximately 1,350 units were permitted, down 11 percent compared with the previous 12-month period (preliminary data). As in the rest of the HMA, condominium construction activity has been limited in recent years in the Southern Suburbs submarket. Since 2011, approximately 3 percent of all multifamily units permitted have been for condominiums, down from 23 percent from 2000 through 2010 (analyst's estimate).

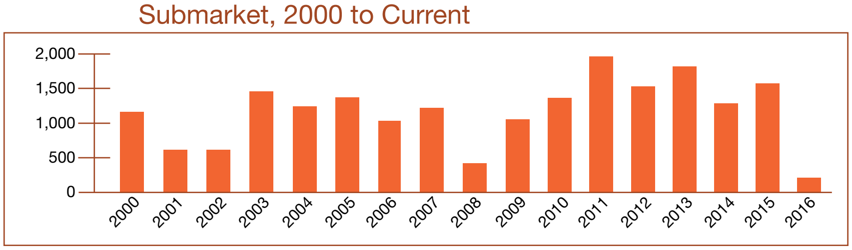
Recent construction activity has been mainly concentrated in areas throughout Anne Arundel and Howard

Figure 16. Rental Vacancy Rates in the Southern Suburbs Submarket, 2000 to Current



Note: The current date is April 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Units Permitted in the Southern Suburbs Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Counties, with limited construction in Queen Anne's County. Recent activity includes the 212-unit West 32 Apartments in Odenton, Anne Arundel County. 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. Construction also continues at The Elms at Shannon's Glen, in Jessup, Howard County. Construction is expected to be complete during 2016, with 364 one-, two-, and three-bedroom units. Rents for those units range from $1,525 to $1,700 for one-bedroom units, from $1,625 to $2,250 for two-bedroom units, and from $2,050 to $2,350 for three-bedroom units.

During the 3-year forecast period, demand is expected for 4,000 new market-rate rental units (Table 1). The 1,400 units under construction will satisfy a portion of this demand. Demand is expected to be relatively steady during all 3 years, but new supply should be targeted to become available during the second and third years of the forecast period because the units currently under construction will satisfy a majority of demand during the first year. Table 9 shows the estimated demand, by rent level and number of bedrooms, for new market-rate rental housing in the Southern Suburbs submarket.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Southern Suburbs Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,300 to 1,499	140	1,600 to 1,799	400	1,800 to 1,999	60
1,500 to 1,699	420	1,800 to 1,999	600	2,000 to 2,199	120
1,700 to 1,899	560	2,000 to 2,199	600	2,200 to 2,399	150
1,900 or more	280	2,200 or more	400	2,400 to 2,599	180
				2,600 to 2,799	60
				2,800 or more	30
Total	1,400	Total	2,000	Total	600

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,400 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analyst

Data Profiles

Table DP-1. Baltimore HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,276,152	1,309,165	1,398,000	0.3	1.3
Unemployment rate	3.8%	8.1%	5.2%		
Nonfarm payroll jobs	1,250,300	1,272,600	1,372,000	0.2	1.4
Total population	2,552,994	2,710,489	2,805,000	0.6	0.6
Total households	974,071	1,038,765	1,072,400	0.6	0.5
Owner households	651,816	691,720	700,600	0.6	0.2
Percent owner	66.9%	66.6%	65.3%		
Renter households	322,255	347,045	371,800	0.7	1.2
Percent renter	33.1%	33.4%	34.7%		
Total housing units	1,048,046	1,132,251	1,162,000	0.8	0.4
Owner vacancy rate	1.6%	2.1%	1.9%		
Rental vacancy rate	6.1%	8.4%	7.0%		
Median Family Income	$60,600	$82,100	$83,500	3.1	0.3

** Baltimore-Columbia-Towson HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Baltimore City Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	651,154	620,961	621,000	– 0.5	0.0
Total households	257,996	249,903	251,600	– 0.3	0.1
Owner households	129,869	119,163	114,400	– 0.9	– 0.7
Percent owner	50.3%	47.7%	45.5%		
Rental households	128,127	130,740	137,200	0.2	0.8
Percent renter	49.7%	52.3%	54.5%		
Total housing units	300,477	296,685	295,100	– 0.1	– 0.1
Owner vacancy rate	3.6%	4.2%	4.1%		
Rental vacancy rate	7.6%	10.8%	9.3%		
Median Family Income	$35,438	$47,160	$50,408	2.9	1.3

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 1999, 2009, and 2014. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Northern Suburbs Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	1,123,779	1,216,989	1,251,000	0.8	0.5
Total households	432,047	466,719	477,100	0.8	0.4
Owner households	307,775	332,430	334,000	0.8	0.1
Percent owner	71.2%	71.2%	70.0%		
Rental households	124,272	134,289	143,100	0.8	1.1
Percent renter	28.8%	28.8%	30.0%		
Total housing units	451,140	493,582	500,300	0.9	0.2
Owner vacancy rate	1.2%	1.7%	1.5%		
Rental vacancy rate	5.6%	7.2%	4.3%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Southern Suburbs Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	778,061	872,539	933,000	1.2	1.1
Total households	284,028	322,143	343,750	1.3	1.1
Owner households	214,172	240,127	252,200	1.2	0.8
Percent owner	75.4%	74.5%	73.4%		
Rental households	69,856	82,016	91,550	1.6	1.8
Percent renter	24.6%	25.5%	26.6%		
Total housing units	296,429	341,984	366,700	1.4	1.2
Owner vacancy rate	1.0%	1.7%	1.5%		
Rental vacancy rate	4.2%	6.4%	7.5%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2016—Analyst's estimates
Forecast period: 4/1/2016–4/1/2019—Analyst's estimates

The metropolitan statistical area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Baltimore_Columbia_TowsonMD_16.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.