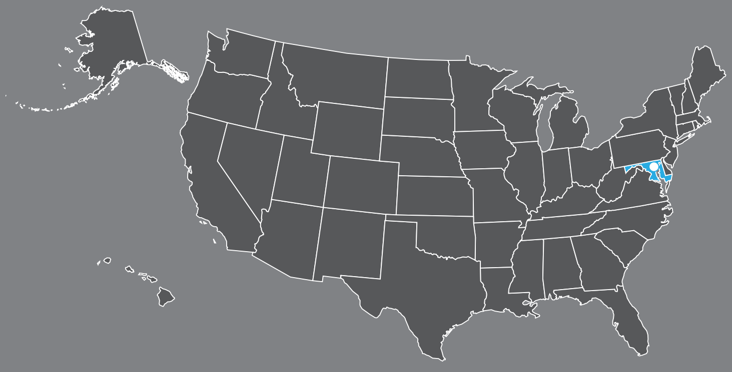
HUD PD&R **Housing Market Profiles**

City of Baltimore, Maryland

Quick Facts About the City of Baltimore

- **Current sales market conditions: slightly soft, but improving**
- **Current apartment market conditions: slightly soft**
- **In 2019, the Port of Baltimore handled nearly $58.41 million worth of foreign cargo, the ninth most in the nation (Maryland Port Commission). The top commodities handled by the port were automobiles and light trucks, which accounted for more than one-third of the total value of all cargo that came through the port.**



By Joseph Shinn | As of January 1, 2021

Overview

The city of Baltimore is an independent city in Maryland that is located along the I-95 corridor, between the Washington, D.C., and Philadelphia metropolitan areas. Baltimore is the largest city in Maryland, accounting for 10 percent of the statewide population, and is part of the Baltimore-Columbia-Towson (hereafter, Baltimore) metropolitan area. During the fourth quarter of 2020, nonfarm payrolls declined significantly from a year earlier in the city of Baltimore, led by a 32.5-percent decrease in the leisure and hospitality sector. Because of severe job losses during the past year, the unemployment rate in the city rose during the fourth quarter of 2020 compared with the same quarter a year ago.

- As of January 1, 2021, the estimated population of the city of Baltimore was 585,800, representing an average decline of 6,675, or 1.1 percent, annually since 2015. By comparison, from 2010 to 2015, the population increased by an average of 300, or less than 0.1 percent, annually (Census Bureau decennial census count and population estimate as of July 1).
- The population decline in recent years was due to strong net out-migration that has averaged 7,600 people annually

continued on page 2

continued from page 1

since 2015, compared with an average net out-migration of 2,400 people annually from 2010 to 2015. The increased net out-migration since 2015 was largely attributed to job losses during the past 2 years and slow job growth from 2015 through 2018.

- Since 2015, the reduction in the population was notable among young professionals who were moving into the city before that year, especially into the downtown and Inner Harbor portions of the city (hereafter, Downtown/Inner Harbor area). From 2015 to 2019, the population aged 20 to 34 declined by an average of 3,550, or 2.2 percent, annually, compared with an average increase of 940, or 0.6 percent, annually from 2010 to 2015 (American Community Survey 1-year data).

Economic Conditions

Because of the statewide restrictions put in place in early March 2020 to slow the spread of COVID-19, nonfarm payrolls in the city of Baltimore declined significantly during the past year, compared with a slight decrease a year earlier. As of December 2020, the level of payrolls in the city of Baltimore was approximately 26,300 jobs, or 7.1 percent, below the February 2020 level before the impact of the COVID-19 global pandemic (not seasonally adjusted). The nonfarm payroll sectors that were most impacted were those supporting jobs that were heavily reliant on tourism as well as those that are dependent on in-person interactions that precluded adherence to social distancing guidelines.

During the fourth quarter of 2020—

- Nonfarm payrolls in the city of Baltimore averaged 343,400, representing a decline of 31,700 jobs, or 8.5 percent, compared with the fourth quarter of 2019. By comparison, during the fourth quarter of 2019, nonfarm payrolls were down 0.8 percent compared with the same period a year earlier.
- Approximately 29 percent of the net job losses were in the leisure and hospitality sector, which decreased by 9,200 jobs, or 32.5 percent, from a year earlier. To help slow the spread of COVID-19, Horseshoe Casino Baltimore briefly closed in mid-March 2020, resulting in the temporary layoffs of approximately 1,225 employees; the casino reopened in mid-June, but only a portion of those laid off was estimated to return because the casino is restricted to operate at only 50-percent capacity.
- Additional decreases occurred in the professional and business services, the government, and the education and health services sectors, which declined by 5,800, 4,700, and 4,600 jobs, or 10.2, 6.6, and 3.8 percent, respectively, from a year ago. In the professional and business services sector, net losses were concentrated in the administrative and support and waste management and remediation services industry, which decreased by 7,500 jobs, or 27.7 percent; in the government sector, Baltimore City Public Schools laid off

continued on page 3

Nonfarm payrolls declined in 10 of 11 sectors in the city of Baltimore during the fourth quarter of 2020.

	3 Months Ending		Year-Over-Year Change	
	December 2019 (Thousands)	December 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	375.1	343.4	-31.7	-8.5
Goods-Producing Sectors	22.4	20.5	-1.9	-8.5
Mining, Logging, & Construction	11.3	10.8	-0.5	-4.4
Manufacturing	11.1	9.7	-1.4	-12.6
Service-Providing Sectors	352.7	323.0	-29.7	-8.4
Wholesale & Retail Trade	21.4	18.9	-2.5	-11.7
Transportation & Utilities	19.9	19.7	-0.2	-1.0
Information	5.0	4.4	-0.6	-12.0
Financial Activities	17.3	17.4	0.1	0.6
Professional & Business Services	57.1	51.3	-5.8	-10.2
Education & Health Services	120.5	115.9	-4.6	-3.8
Leisure & Hospitality	28.3	19.1	-9.2	-32.5
Other Services	12.4	10.2	-2.2	-17.7
Government	70.8	66.1	-4.7	-6.6
Unemployment Rate	4.6%	8.9%		

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

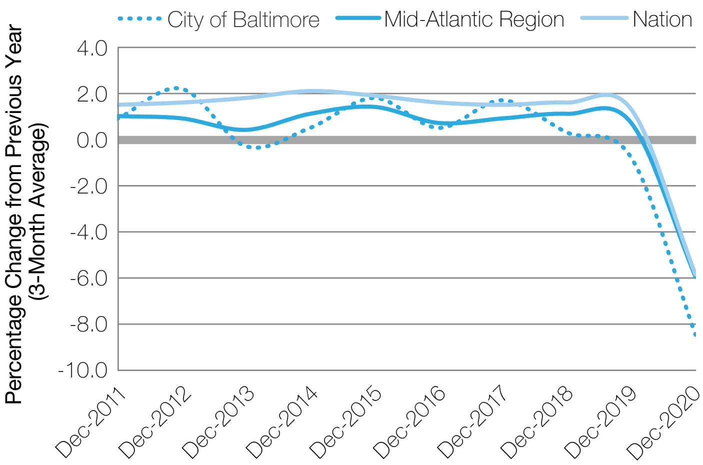
continued from page 2

more than 400 employees in late 2020 in response to a budget shortfall.

- The only nonfarm payroll sector to add jobs was the financial activities sector, which increased by 100 jobs, or 0.6 percent, compared with a 0.4-percent decrease during the same period a year earlier. Approximately 200 new jobs were added in early 2020 when JPMorgan Chase & Co. opened a new bank in the Harbor East neighborhood.
- The unemployment rate in the city of Baltimore averaged 8.9 percent, up from 4.6 percent during the same period a year earlier but lower than the 10.9-percent rate during the fourth quarter of 2010. The current unemployment rate in the city is higher than the 6.3-percent rate in the Baltimore metropolitan area overall.

Despite recent job losses, the education and health services sector is the largest sector in the city of Baltimore, accounting for more than one-third of all nonfarm payroll jobs in the city. Included in this sector are Johns Hopkins University and The Johns Hopkins Health System Corporation, which are the two largest employers in the city, with 27,300 and 13,250 employees, respectively. In 2019, the combined economic impact of the university and health system totaled $6.2 billion in the city (Johns Hopkins University and Medicine Economic Impact Report—2019). Through acquisitions and expansions, combined employment at the university and health system increased by an average of 900 employees a year from 2014 through 2019. The combined economic impact rose an average of 6 percent annually during the same period.

Nonfarm payrolls in the city of Baltimore declined significantly during the past year, compared with a slight decrease a year earlier.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the City of Baltimore

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Johns Hopkins University	Education & Health Services	27,300
The Johns Hopkins Health System Corporation	Education & Health Services	13,250
University of Maryland Medical System	Education & Health Services	9,825

Note: Excludes local school districts.
Sources: Moody's Analytics, Johns Hopkins University, and Maryland Department of Commerce

Sales Market Conditions

The sales housing market in the city of Baltimore is currently slightly soft, but improving, with an estimated sales vacancy rate of 3.9 percent, down from 4.2 percent in April 2010. Because of a strong population decline, sales market conditions softened from 2015 through 2019. Conditions tightened, however, during the past year partially due to a 43-percent decrease in the number of homes listed for sale (Bright MLS, Inc.). The decline in available inventory was primarily attributed to a surge in homebuying in the past year and the reluctance of homeowners to list their homes for sale during the COVID-19 pandemic. Despite significant job losses, sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased rapidly during the past year compared with declines during the previous 2 years. The strong rise in home sales during 2020 was largely attributed to mortgage interest rates reaching their lowest levels in more than 50 years. In December 2020, the average interest rate of a 30-year fixed rate mortgage was 2.7 percent, down from 3.7 percent in December 2019 and from the recent peak rate of 4.9 percent in November 2018 (Federal Home Loan Mortgage Corporation). During 2020, new and existing home sales increased 13 percent, to 9,400 homes sold, compared with an average 4-percent annual decrease during 2018 and 2019 (Bright MLS, Inc). In response to tightening sales market conditions in 2020, the average sales price of new and existing homes increased 12 percent to $208,500, which was an all-time peak.

In December 2020, 8.4 percent of home loans in the city of Baltimore were seriously delinquent or had transitioned into real estate owned (REO) status, up from 4.1 percent in December 2019 (CoreLogic, Inc.); that significant increase was because the number of home loans that were 90 or more days delinquent nearly tripled during the past year. By comparison,

continued on page 4

continued from page 3

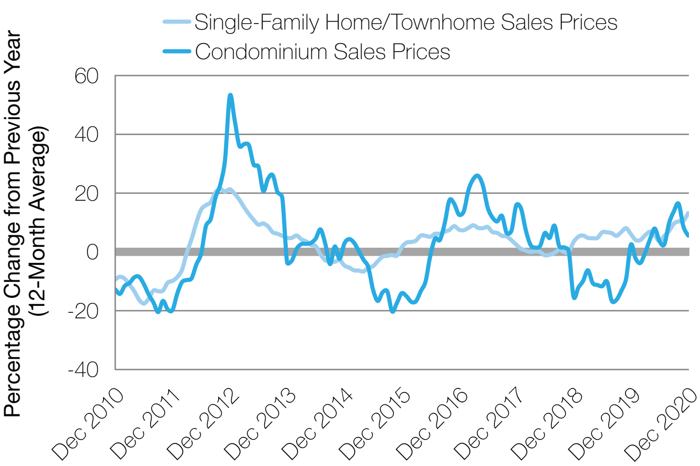
the number of home loans that were in foreclosure or had transitioned into REO status was down 38 percent compared with December 2019. The current rate of seriously delinquent loans and REO properties in the city is higher than the 4.0-percent national rate.

During 2020—

- Approximately 8,850 new and existing single-family homes and townhomes were sold in the city, representing an increase of 1,025 homes, or 13 percent, compared with 2019 (Bright MLS, Inc.). Home sales have increased in 7 of the past 9 years, up an average of 7 percent annually; the current level of home sales is 90 percent higher than the 4,650 homes sold during 2011, which was a 20-year low.
- The average sales price of new and existing single-family homes and townhomes reached an all-time peak of $204,200, up 13 percent compared with the average price during 2019. The average sales price has increased an average of 6 percent annually since 2012; the current price is 65 percent higher than the 15-year low of $124,100 during 2011.
- Sales of new and existing condominiums increased by 80, or 18 percent, to 540 units sold, compared with an average 14-percent annual decline during 2018 and 2019. During 2020, the average sales price of new and existing condominiums rose 5 percent, to $280,000; the average sales price of condominiums increased 2 percent during 2019, compared with an average 2-percent annual decline from 2009 through 2018.
- The average sales price of condominiums has typically been higher than the average price of single-family homes and townhomes in the city; this is largely because condominiums are primarily located in the Downtown/Inner Harbor area, where housing prices are 51 percent higher. Since 2010, approximately one-half of all condominium sales were in the Downtown/Inner Harbor area, compared with less than 32 percent of all single-family home and townhome sales (Zonda).

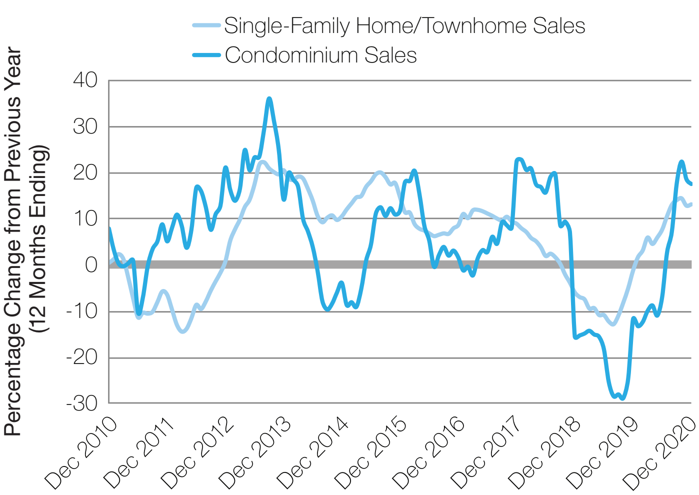
continued on page 5

Sales prices of single-family homes, townhomes, and condominiums increased during the past year in the city of Baltimore.



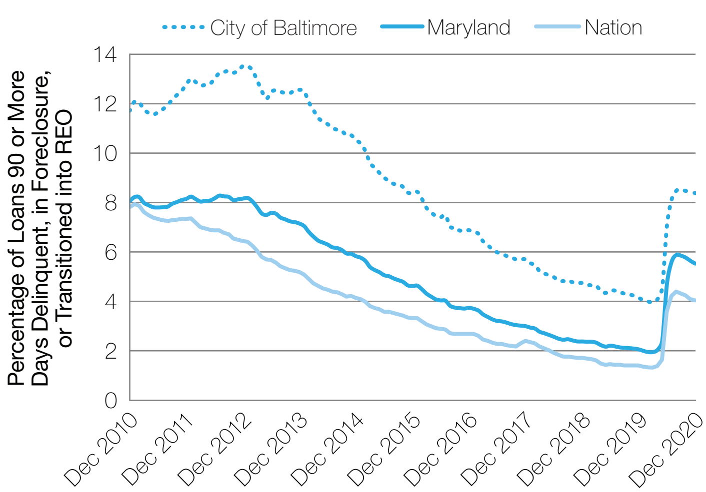
Note: Includes new and existing homes.
Source: Bright MLS, Inc.

Sales of single-family homes, townhomes, and condominiums increased significantly during the past year, compared with declines during 2018 and 2019.



Note: Includes new and existing homes.
Source: Bright MLS, Inc.

The rate of seriously delinquent mortgages and REO properties in the city of Baltimore increased significantly from April 2020 through September 2020 but has slowly declined since October 2020.



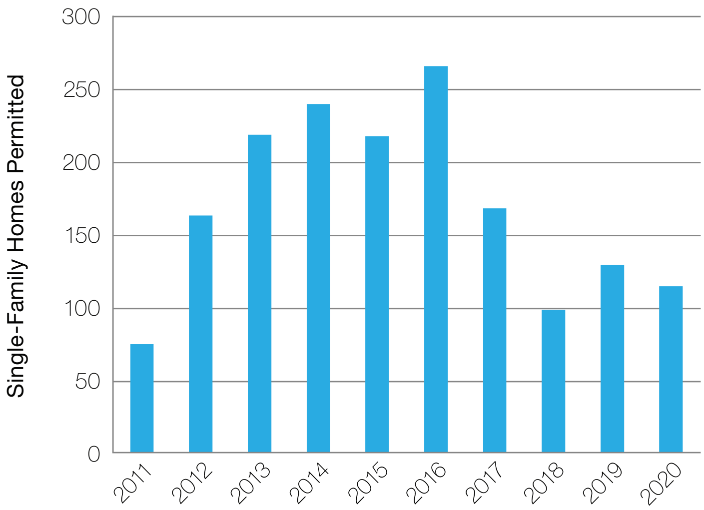
REO = real estate owned.
Source: CoreLogic, Inc.

continued from page 4

Single-family homebuilding activity, as measured by the number of homes permitted, was relatively limited since 2017, although construction activity has accelerated during the fourth quarter of 2020 in response to tightening sales market conditions. Construction of condominiums in the city, however, has been extremely limited since 2009, largely because of greater demand for apartments in the Downtown/Inner Harbor area—where most multifamily construction activity in the city was occurring.

- During 2020, nearly 120 single-family homes were permitted in the city of Baltimore, representing a decrease of 15 homes, or 12 percent, compared with 2019 (preliminary data). Single-family homebuilding activity during the fourth quarter of 2020, however, was up nearly five-fold, to approximately 65 homes permitted, compared with the number of homes permitted during the fourth quarter of 2019; by comparison, a total of approximately 50 homes were permitted during the first three quarters of 2020, down 58 percent compared with the same period a year earlier.
- From 2017 through 2019, an average of approximately 130 homes were permitted annually. Homebuilding activity during this period was down 46 percent compared with the average of 240 homes permitted annually from 2013 through 2016 but was relatively unchanged compared with the number of homes permitted from 2008 through 2012.
- Since 2009, an average of approximately 10 condominium units were permitted annually, down 97 percent compared with the average of 330 units permitted annually from 2004 through 2008. The 62-unit Four Seasons Private Residences, located along the Inner Harbor, was completed in 2017; prices for these one-, two-, and three-bedroom condominiums start at $699,000, $1.69 million, and $2.65 million, respectively.

Single-family homebuilding activity in the city of Baltimore was relatively limited since 2017.



Note: Includes preliminary data from January 2020 through December 2020.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the city of Baltimore are currently slightly soft, compared with balanced conditions in 2010. From 2010 through 2015, conditions in the apartment market fluctuated between slightly soft and slightly tight, as new apartment communities were completed and subsequently absorbed at a steady pace. Since 2016, however, conditions in the market have softened because of high levels of apartment construction activity and strong net out-migration.

During the fourth quarter of 2020—

- The apartment vacancy rate in the city was 6.0 percent, unchanged compared with the fourth quarter of 2019 (RealPage, Inc.). The fourth-quarter vacancy rate in the city has equaled or exceeded 5.9 percent since 2016; by comparison, from 2010 through 2015, the fourth-quarter vacancy rate ranged from a low of 3.9 percent in 2012 to a high of 5.2 percent in 2015.
- The apartment vacancy rate rose in three of the four RealPage, Inc.-defined market areas (hereafter, market areas) that make up the city of Baltimore, led by a 0.9 percentage-point increase, to 7.9 percent, in the Downtown Baltimore market area. The vacancy rate in the Downtown Baltimore market area increased in each of the past 3 years largely because of strong apartment construction activity; since 2018, approximately 52 percent of all completed apartment units in the city of Baltimore were in the Downtown Baltimore market area, up from 41 percent of all apartment units completed from 2010 through 2017 (RealPage, Inc.).
- In response to elevated vacancy rates, the average apartment rent in the city of Baltimore declined 3 percent, to $1,262, compared with the fourth quarter of 2019. By comparison, during the fourth quarter of 2019, the average apartment rent increased 3 percent compared with the same period a year earlier.
- Rising vacancy rates in the Downtown Baltimore market area contributed to a 7-percent decline, year-over-year, in the average apartment rent to $1,498—the largest decrease

continued on page 6

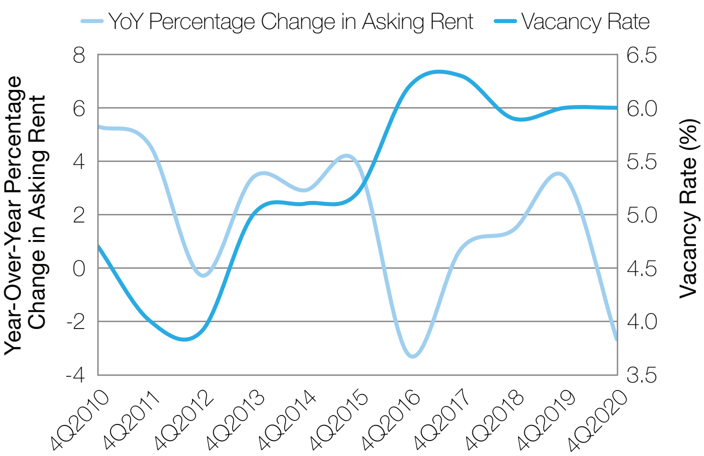
continued from page 5

in rent among the four market areas in the city. In the other three market areas, average rent changes ranged from a 1-percent decrease in the Baltimore City East market area to a 4-percent increase in the Baltimore City West market area.

Despite softening apartment market conditions, multifamily building activity, as measured by the number of units permitted, was strong from 2016 through 2018, largely because builders were taking advantage of a tax-credit program for market-rate apartments that was offered by the city. Since 2019, however, building activity has decelerated in response to slower absorption at newly constructed apartment communities.

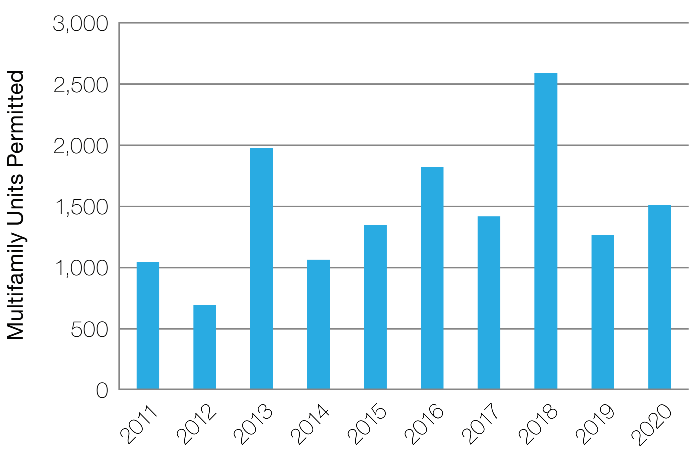
- During 2020, approximately 1,500 multifamily units were permitted, up 19 percent compared with the number of units permitted during 2019 (preliminary data, with adjustments by the analyst).
- From 2016 through 2018, an average of 1,950 multifamily units were permitted annually. Permitting activity during this period was up 59 percent compared with the average of 1,225 units permitted annually from 2011 through 2015 and was nearly four times the average of 520 units permitted annually from 2007 through 2010.
- Since 2009, less than 1 percent of all multifamily units permitted in the city were for condominiums, down from 37 percent of all multifamily units permitted from 2004 through 2008.
- Recent construction activity in the city has been largely concentrated in the downtown/Inner Harbor area, including the 371-unit Alta Brewers Hill, which was completed in mid-2020 in the Brewers Hill neighborhood. Rents for these one-, two-, and three-bedroom apartments start at $1,475, $2,225, and $3,550, respectively.
- Located one block from the Inner Harbor area, Bainbridge Federal Hill is a 224-unit apartment community that was completed in late 2019. Rents for the studio, one-bedroom, and two-bedroom units at this community start at $1,550, $1,775, and $2,550, respectively.

Since 2016, the fourth-quarter vacancy rate in the city of Baltimore was elevated, and the average rent has fluctuated.



4Q = fourth quarter. YoY = year-over-year.
Source: RealPage, Inc.

Multifamily building activity in the city of Baltimore has been down since 2019, compared with elevated building activity from 2016 through 2018.



Note: Includes preliminary data from January 2020 through December 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst