DOWNTOWN BALTIMORE

OUTLOOK 2022

Analysis of Market Rate Housing Demand in Downtown Baltimore Neighborhoods and Adjacent Areas

A Report commissioned by Downtown Partnership of Baltimore, data compilation and analysis by Zimmerman/Volk Associates, with funding generously provided by Goldseker Foundation

DOWNTOWN PARTNERSHIP

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INTRODUCTION

Since launching an initiative to promote housing development in the heart of Baltimore City, Downtown Partnership of Baltimore has regularly issued reports examining the demand for new market-rate housing units—created through both adaptive reuse of existing non-residential buildings and new construction—that could be leased or sold within Downtown Baltimore and adjacent neighborhoods (the Downtown Baltimore Study Area). The original housing study was published in 2001. The first update was published in November 2006 and a second update was published in 2012. Like the earlier reports, this update focuses solely on new market-rate rental and for-sale development in the Downtown Study Area, and does not cover the market potential for workforce, low-income, senior, or other demographic-specific housing.[1]

The amount of new housing in Downtown neighborhoods has been steadily rising, leading to concerns about over-saturating the market. However, this study repeatedly finds that the new units fall below the lower end of predicted absorption rates. Between 2001 and 2006, more than 3,000 new market-rate housing units were built throughout Downtown Baltimore neighborhoods, approximately 1,300 units fewer than the lower end of the forecast absorption. Between 2006 and 2012, another 4,350 new units were added to the Downtown inventory, 900 fewer units than the lower end of the forecast absorption. Between 2012 and 2017, 3,500 new units were built, with an additional 1,690 rental and for-sale units scheduled to come online in 2017 for a total of just under 5,200 new units, compared to the forecast absorption of 5,570 to 6,135 units over that same five-year period.

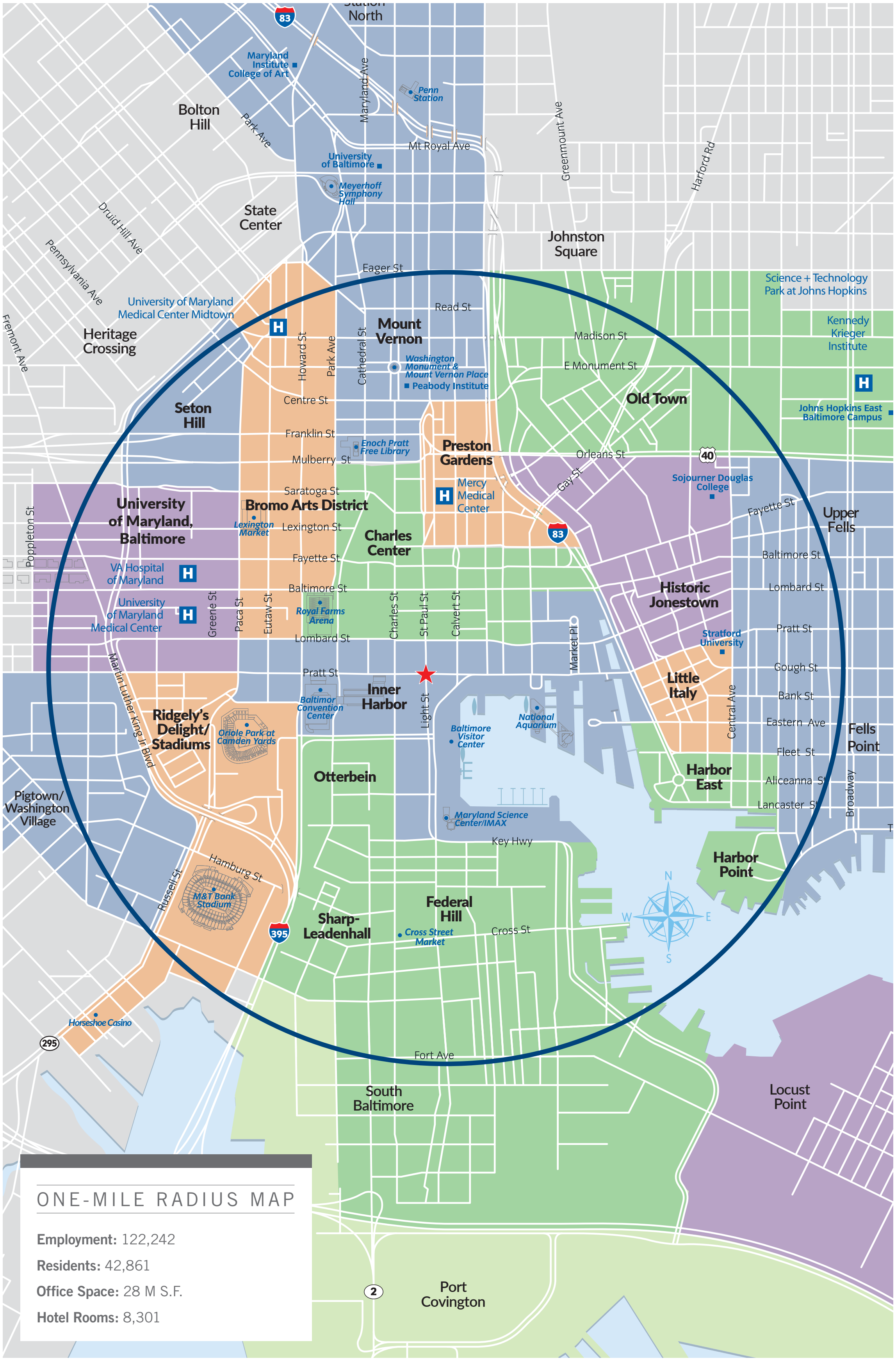
For the purposes of this study, the Downtown Baltimore Study Area is as a one-mile radius from the intersection of Pratt and Light Streets *(see map)*. The Study Area also encompasses the neighborhoods of South Baltimore, Riverside, and Locust Point to the south; Washington Village, Hollins Market, Poppleton, and Heritage Crossing to the west; Upton, Madison Park, and Bolton Hill to the northwest; Mid-Town Belvedere, Charles North, and Greenmount West to the north and northeast; and Washington Hill, Fells Point, Canton, Brewers Hill to the east, and along the harbor extending southeast of the Downtown core.

The depth and breadth of the potential market have been updated using Zimmerman/Volk Associates' proprietary target market methodology *(See Methodology provided in a separate document.)* The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues.

1 *In March 2017, Downtown Partnership conducted an inventory of existing affordable housing units within the one-mile radius of the Pratt & Light intersection. Within this area, 38% of the rental units were "affordable" under HUD guidelines (3,996 out of 10,545 total rental units). In 2018, Downtown Partnership will issue a report identifying existing affordable housing units in Downtown as well as those in the planning stages.*

This updated report re-examines:

- Where the potential renters and buyers for newly-created and existing housing units in the City of Baltimore and the Downtown Study Area are moving from (the draw areas);
- How many people have the potential to move to the Downtown Study Area if appropriate housing units were to be made available (depth and breadth of the market);
- What are the housing preferences in aggregate (rental or ownership, multi-family or single-family);
- Who is the potential market for new housing in the Downtown Study Area (the target markets);
- What are their alternatives (new construction or adaptive reuse of existing buildings in the Downtown Baltimore market area);
- How quickly people will rent or purchase the new units (market capture/absorption forecasts over the next five years).



ONE-MILE RADIUS MAP

Employment: 122,242

Residents: 42,861

Office Space: 28 M S.F.

Hotel Rooms: 8,301

KEY FINDINGS

Downtown Baltimore can support between 6,700 and just over 7,000 new rental and for-sale housing units over the next five years.

- On average, there are 8,335 households of potential renters and buyers of new multi-family and single-family attached residential units in the Downtown Baltimore Study Area each year over the next five years, an increase of 350 households per year (a growth rate of 4.4 percent per year).
- More than 53 percent of these households currently live outside the Baltimore city limits, up from 51 percent in 2012.
- More than 69 percent of the potential market consists of younger singles and couples, 20.5 percent are empty nesters and retirees, and 10.3 percent are traditional and non-traditional families. This reflects the increasing number of young people who are moving to the Downtown Study Area.
- As derived from the aggregated housing preferences of the target households, 68.5 percent of the new units should be rental apartments, 15.4 percent should be condominiums (for-sale apartments), and 16.1 percent for-sale townhouses, continuing the trend toward rental in the Downtown Study Area.
- **Based on a 20 percent capture of the annual potential market for new rental housing units, and a 7.5 to 10 percent capture of the annual potential market for new for-sale housing units, the Downtown Study Area should be able to support up to 1,339 new market-rate housing units per year over the short term (next two to three years) and up to 1,405 units per year over the longer term (three to five years), for a total of between 6,685 and 7,025 new rental and for-sale units over the next five years.**

OVERVIEW

The number of households in the DSA rose significantly from 17,456 in 2012 to 19,140 in 2017, an increase of 9.6 percent.

Over the past five years, both the City of Baltimore and the Downtown Study Area have grown in terms of both population and number of households. Median incomes and median home values have also increased significantly.

TOTAL POPULATION & HOUSEHOLDS

According to the Nielsen Company, the population of the City of Baltimore has risen to an estimated 621,204 persons in 2017 from 620,961 persons as of the 2010 Census, a gain of four-tenths of one percent. Over the same time frame, the number of households in the City of Baltimore is estimated to have risen to 251,390 households from 249,903 households in 2010, an increase of 0.6 percent.

According to 2017 estimates, 42,785 residents live in the Downtown Statistical Area (DSA), approximately 775 residents higher than the 2012 population of 42,011—an estimated increase of just under two percent over five years. The number of households in the DSA rose significantly during the same period from 17,456 in 2012 to 19,140 in 2017, according to Nielsen, an increase of 9.6 percent.

COMPOSITON OF HOUSEHOLDS

Currently, more than 65 percent of the City of Baltimore's households contain just one or two persons (compared to just under 60 percent nationally); 15 percent contain three persons; and the remaining 20 percent contain four or more persons (compared to 24 percent nationally). Households in the DSA continue to be majority one-person at 51.6 percent, with an increase in two-person households to 30.2 percent; only 18.2 percent of households in the DSA contain three or more persons.

For the DSA, the percentage of traditional families grew to 12.2 percent (up from 10.8 percent in 2012).

Just 9.7 percent of Baltimore City's households could be characterized as traditional families (married couples with children under the age of 18), compared to 20.4 percent of all U.S. households. Non-traditional family households (headed by single persons with children under age 18) represent 18.4 percent of the City's households. The remaining 71.9 percent of Baltimore City households do not have children under 18 and include married couples (14.4 percent), other non-traditional family households (11.1 percent), and 46.5 percent non-family households (primarily single-person households).

For the DSA, the percentage of traditional families is somewhat higher than the City, at 4.7 percent. Non-traditional family households (headed by single persons with children under age 18) represent 8.5 percent of the DSA's households. The remaining 86.8 percent of DSA households include married couples (12.2 percent), other non-traditional family households (4.6 percent), and 69.9 percent non-family households (primarily single-person households).

MEDIAN INCOME

Median household income in Baltimore City is currently estimated at $44,800, an increase of $7,600 (more than 20 percent) over the estimated median of $37,200 in 2012. Nearly 46 percent of households in the city have annual incomes of $50,000 or more, up from 37 percent in 2012. Comparatively, in the DSA the median income has risen in the past five years to $53,100 from $36,900 in 2012, an increase of nearly 44 percent, and now 52 percent of households have annual incomes of $50,000 or more.

Nearly 46 percent of households in the city have annual incomes of $50,000 or more, up from 37 percent in 2012. Comparatively, in the DSA, the median income has risen in the past five years to $53,100 from $36,900 in 2012, an increase of nearly 44 percent, and now 52 percent of households have annual incomes of $50,000 or more.

RENTALS & HOME OWNERSHIP

Approximately 53 percent of Baltimore City's households are renters, and 47 percent own their units, an ownership share that is now typical of most American cities. However, in the DSA, 73.5 percent of households are renters and only 26.5 percent own their homes.

Median home value for households who own their units in the City of Baltimore is estimated in 2017 at $159,700, compared to the estimated median home value in the DSA of $294,700.

AUTOMOBILE OWNERSHIP

City-wide, 29.6 percent of households do not own an automobile, 41.5 percent own one vehicle, and the remaining 28.9 percent own two or more vehicles. Similarly, in the DSA, under 32 percent of households do not own an automobile, and 44 percent own only one vehicle. Less than 24 percent of Downtown households own two or more vehicles.

COMMUTING TRENDS

Over 19.6 percent of employed DSA residents over age 16 walk to work (compared to approximately 7 percent in Baltimore City and 2.8 percent nationally). More than 15 percent of Downtown residents take public transportation (compared to 18.7 percent in Baltimore City and 5.1 percent nationally), 5.4 percent car-pool (compared to 9.2 percent in Baltimore City and 9.4 percent nationally), and just over 53.6 percent drive alone (compared to 60.4 percent in Baltimore City and 76.4 percent nationally). The remaining 6 percent in the DSA work at home (4 percent), ride bicycles (1.1 percent), or have other means of getting to work (0.9 percent).

Over 19.6 percent of employed DSA residents over age 16 walk to work (compared to approximately seven percent in Baltimore City and 2.8 percent nationally).

EDUCATION LEVELS

More than 49 percent of all residents in the DSA aged 25 or older have a college or advanced degree, which is considerably higher than the national share of 29.6 percent. Eighty percent of Downtown's residents older than 16 are employed in white-collar occupations, 6.3 percent work blue-collar jobs, and 14.8 percent are in service occupations. The rate of white-collar employment in the DSA has remained stable, blue-collar employment has declined somewhat, and service occupations have increased from 12.4 percent to 14.8 percent.

Data Sources: Claritas, Inc.; The Nielsen Company; U.S. Census Bureau; Zimmerman/Volk Associates, Inc.

CITY-WIDE MARKET POTENTIAL

As noted above, the extent and characteristics of the potential market for new market-rate residential units within the City of Baltimore and the Downtown Baltimore Study Area have been re-examined through detailed analysis of households living within the appropriate draw areas. To remain consistent with the previous update, this analysis has focused only on households in target market groups that have median incomes of $50,000 or more.

The draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2015 American Community Survey for the City of Baltimore.

More than 49 percent of all residents in the DSA aged 25 or older have a college or advanced degree, which is considerably higher than the national share of 29.6 percent.

Where are the potential renters and buyers of new and existing housing units in the City of Baltimore moving from? The most recent City of Baltimore migration and mobility data available from the Internal Revenue Service—from 2010 through 2014—shows that the city continued to experience net migration losses overall throughout the study period. Net out-migration ranged from a loss of 1,845 households in 2011 to a loss of just 670 households in 2014. These losses are somewhat greater than those experienced in the second half of the previous decade, when the city was losing a net of between 15 and 900 households per year during the recession, when household mobility was lower than it is in 2017.

Based on the most recent migration and mobility data, then, the draw areas for the City of Baltimore have been confirmed as follows:

- The local (internal) draw area, covering households currently living within the City of Baltimore.
- The Baltimore County draw area, covering households with the potential to move to the City of Baltimore from Baltimore County.
- The Baltimore regional draw area, covering households with the potential to move to the City of Baltimore from Anne Arundel, Howard, and Harford Counties.
- The D.C. draw area, covering households with the potential to move to the City of Baltimore from Prince George's and Montgomery Counties and Washington, D.C.
- The national draw area, covering households with the potential to move to the City of Baltimore from all other U.S. counties.

As derived from the updated migration, mobility and target market analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Baltimore each year over the next five years) is shown on the following table:

TABLE 1

Market Potential by Draw Area
CITY OF BALTIMORE, MARYLAND

City of Baltimore	**54.1%**
Baltimore County	**12.3%**
Anne Arundel, Howard, and Harford Counties	**14.9%**
Prince George's and Montgomery Counties; Washington, D.C.	**4.6%**
Balance of US (National Draw Area)	**14.1%**
Total:	**100.0%**

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

An annual average of 52,475 households of all incomes have the potential to move within or to the City of Baltimore each year over the next five years.

MARKET POTENTIAL FOR THE DOWNTOWN BALTIMORE STUDY AREA

Where the potential renters and buyers of new and existing housing units in the Downtown Study Area are likely to move from? As in 2012, the target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban, exurban and/or rural locations, and targeting households with incomes at or above $50,000 per year, the distribution of draw area market potential for newly-created housing units within the Downtown Baltimore Study Area is as follows:

TABLE 2

Market Potential by Draw Area
THE DOWNTOWN BALTIMORE STUDY AREA

City of Baltimore	**47.0%**
Baltimore County	**13.6%**
Anne Arundel, Howard, and Harford Counties	**14.3%**
Prince George's and Montgomery Counties; Washington, D.C.	**7.1%**
Balance of US (National Draw Area)	**18.0%**
Total:	**100.0%**

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Over the next five years, households living outside the city limits continue to account for an increasing share of market potential for the Downtown Study Area, at 53 percent, higher than 51.2 percent in 2012. Households moving to the Downtown Study Area from outside the region are likely to account for 18 percent of the Study Area's market potential over the next five years, compared to 17.4 percent in 2012.

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How many households have the potential to move to the Downtown Study Area each year over the next five years? Based on the updated target market analysis, an average of 8,335 younger singles and couples, empty nesters and retirees, and small families represent the annual potential market for new market-rate rental apartments, condominiums, and rowhouses in the Downtown Study Area. However, since there are other neighborhoods in Baltimore that could also attract these households, only a certain percentage of this annual market will likely lease or purchase new units in Downtown. *(See Annual Capture of Market Potential in the Downtown Study Area Absorption section on page 15.)*

What are their housing preferences in aggregate? The housing preferences of these draw area households —according to tenure (rental or ownership) and housing type—are outlined below.

TABLE 3

Average Annual Market Potential

THE DOWNTOWN BALTIMORE STUDY AREA

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	**5,710**	**68.5%**
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	**1,285**	**15.4%**
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	**1,340**	**16.1%**
Total	**8,335**	**100.0%**

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Since the first update was conducted in 2006, there have been steady increases in the size of the potential downtown market–from approximately 7,430 households in 2006, to an average of 7,985 households in 2012, to an average of 8,335 households in 2017.

Since the first update was conducted in 2006, there have been steady increases in the size of the potential downtown market—from approximately 7,430 households in 2006, to an average of 7,985 households in 2012, to an average of 8,335 households in 2017—and considerable changes in the type of housing that best matches target household preferences. Based on the updated target market analysis, as a share of the market, multi-family for-rent has risen from 40.1 percent in 2006 and 59.7 percent in 2012 to 68.5 percent in 2017; multi-family for-sale (condominium) units now represent just 15.4 percent of the market (down from 29.6 percent in 2006 and 19 percent in 2012); and single-family attached for-sale units (townhouses/rowhouses) comprise 16.1 percent of the market, down significantly from 30.3 percent in 2006 and 21.3 percent in 2012.

TARGET MARKET ANALYSIS

Who is the potential market for new housing in the Study Area?
As updated by the target market analysis, the general market segments (according to lifestage and household type) that represent the potential market for new and existing housing units in the Downtown Study Area include:

- Younger singles and childless couples—including young professionals, office, government and retail workers, knowledge workers, as well as students and other young college, university and hospital-related employees;
- Empty nesters and retirees, some with incomes from social security alone, others who also have pensions, savings and investments, and the remainder who are still working; and
- Traditional and non-traditional family households, of which a significant number are single parents with one or two children, as well as traditional family household heads who are government employees, including small business owners and private-sector employees, or affiliated with one of the hospitals or educational/cultural institutions located in the city.

The percentage of each market segment by general housing type in the Downtown Baltimore Study Area is shown on the table following this page.

TABLE 4

Annual Market Potential By Lifestage and Household Type

THE DOWNTOWN BALTIMORE STUDY AREA

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED
Empty-Nesters & Retirees	**20.5%**	**14.8%**	**33.1%**	**32.5%**
Traditional & Non-Traditional Families	**10.3%**	**7.5%**	**9.3%**	**23.1%**
Younger Singles & Couples	**69.2%**	**77.7%**	**57.6%**	**44.4%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

At just under 70 percent, younger singles and couples continue to comprise the largest share of the market for all housing types in the Downtown Study Area, illustrating the dominance of the Millennial generation in urban markets. This is an increase since 2012, when this segment represented 66 percent of the market, and a significant increase since 2006, when this segment represented 45 percent of the market. The principal factors for the larger share of the market held by younger singles and couples have not changed and include:

- Their higher mobility rates—young people tend to move much more frequently than older people;
- Their strong preference for urban apartments, particularly lofts;
- Their high rental propensity, reflecting not only their lifestage but also their current skepticism about the value of home ownership after the housing crash; and
- The reduced mobility of older singles and couples because of their inability, or reluctance, to sell their existing units.

At just under 70 percent, younger singles and couples continue to comprise the largest share of the market for all housing types in the Downtown Study Area, illustrating the dominance of the Millennial generation in urban markets.

From a national perspective, leading-edge Millennials (those in their mid- to late-30s) are now beginning to have children and many are finding that the downtown apartments in which they currently live are not large enough or designed to accommodate growing families. As a result, many of them are looking for larger yet more affordable units than are currently available in downtown areas. Some of these households are relocating to the suburbs despite their preference for walkable neighborhoods inside city limits.

Many of the trailing-edge Millennials (those in their early 20s) are still living with their parents. It is Millennials in their mid-20s to mid-30s who are driving the current market for downtown housing across the country, and they will continue to do so over the next five years.

Older households (empty nesters and retirees) are the second largest potential market, 49 percent of whom are already living in Baltimore. These older households now represent approximately 20.5 percent of the potential market, down from 22 percent in 2012 and 38 percent in 2006.

Older households in Baltimore appear to be facing similar challenges as their national counterparts in terms of selling their homes since the 2008 recession

At just 10 percent, down from 12 percent in 2012 and 17 percent in 2006, the third general market segment—family-oriented households (traditional and non-traditional families)—is a small percentage of the potential market for the Downtown Baltimore Study Area.

Nearly 62 percent of the traditional and non-traditional family households that represent the potential market for new housing units in the Downtown Study Area will be moving from out of town, up from 40 percent in 2012.

The principal market segments by lifestage, their range of median incomes, and range of median home values in 2017, are shown as follows:

TABLE 5

Primary Market Segments by Lifestage

THE DOWNTOWN BALTIMORE STUDY AREA

HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees	**$54,200 to $128,500**	**$165,100 to $484,900**
Traditional & Non-Traditional Families	**$56,300 to $134,500**	**$127,100 to $350,100**
Younger Singles & Couples	**$52,000 to $67,600**	**$76,300 to $341,400**

What is the market currently able to pay to rent or purchase new dwelling units in the Downtown Baltimore Study Area?

MULTI-FAMILY FOR-RENT DISTRIBUTION BY RENT RANGE

The rents and price points for new market-rate housing units that could be developed in the Downtown Baltimore Study Area are derived from the income and financial capabilities of those target households with incomes at or above $50,000 per year.

The number of households falling within the specified rent ranges detailed on the table below was determined by calculating a monthly rental payment—excluding utilities and not exceeding 25 percent of annual gross income—for each of the 5,710 households with incomes above $50,000 per year that represent the annual potential market for new rental units. Although it has not been included in these calculations, it is likely that many younger households will pay up to 40 percent of annual gross incomes in rent.

As noted above, an annual average of 5,710 households represent the target markets for newly-constructed market-rate rental housing units in the Downtown Study Area (as shown on Table 3). The distribution by rent range of the rents those 5,710 households could support are summarized as follows:

TABLE 6

New Multi-Family For Rent—Distribution by Rent Range

THE DOWNTOWN BALTIMORE STUDY AREA

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$1,000–$1,250	**875**	**15.2%**
$1,250–$1,500	**920**	**16.1%**
$1,500–$1,750	**935**	**16.4%**
$1,750–$2,000	**890**	**15.6%**
$2,000–$2,250	**655**	**11.5%**
$2,250–$2,500	**610**	**10.7%**
$2,500–$2,750	**450**	**7.9%**
$2,750–$3,000	**205**	**3.6%**
$3,000 and up	**170**	**3.0%**
Total:	**5,710**	**100.0%**

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

MULTI-FAMILY FOR-SALE DISTRIBUTION BY PRICE RANGE

For the for-sale distribution of multi-family units (condominiums), the number of households by price range was determined by assuming a down payment of 20 percent and then calculating monthly mortgage payments, including taxes and utilities, that would not exceed 30 percent of the annual gross income of the target households.

The realization of the full market potential for new for-sale multi-family units is still challenging over the short term, given the unwillingness of many younger households to become owners; the fact that some otherwise-qualified households, particularly current renters, lack the funds for a down payment; and the reluctance of many older owner households to sell their existing homes at what they consider to be reduced prices.
A total of 1,285 households represent the target market for newly-constructed market-rate multi-family for-sale (condominium) housing units in the Downtown Study Area *(as shown on Table 3).* The distribution by price range of the prices those 1,285 households could support is summarized as follows:

TABLE 7

Distribution by Price Range—Target Groups for New Multi-Family For Sale

THE DOWNTOWN BALTIMORE STUDY AREA

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$150,000–$200,000	70	5.4%
$200,000–$250,000	90	7.0%
$250,000–$300,000	125	9.7%
$300,000–$350,000	150	11.7%
$350,000–$400,000	145	11.4%
$400,000–$450,000	120	9.3%
$450,000–$500,000	115	8.9%
$500,000–$550,000	120	9.3%
$550,000–$600,000	115	8.9%
$600,000–$650,000	125	9.7%
$650,000 and up	110	8.7%
Total:	1,285	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

SINGLE-FAMILY ATTACHED FOR-SALE DISTRIBUTION BY PRICE RANGE

As with the multi-family for-sale units, the for-sale distribution of single-family attached units (rowhouses/townhouses) and the number of households by price range were determined by assuming a down payment of 20 percent and then calculating monthly mortgage payments, including taxes and utilities, that would not exceed 30 percent of the annual gross income of the target households.

A total of 1,340 households represent the target markets for newly-constructed market-rate single-family attached for-sale (rowhouses/townhouses) housing units in the Downtown Study Area (as shown on Table 3). The distribution by price range of the prices those 1,340 households could support is summarized on the following table:

TABLE 8

Distribution by Price Range—Target Groups for New Single-Family Attached For Sale

THE DOWNTOWN BALTIMORE STUDY AREA

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$150,000–$200,000	85	6.3%
$200,000–$250,000	155	11.6%
$250,000–$300,000	160	11.9%
$300,000–$350,000	160	11.9%
$350,000–$400,000	130	9.7%
$400,000–$450,000	135	10.1%
$450,000–$500,000	100	7.5%
$500,000–$550,000	95	7.1%
$550,000–$600,000	95	7.1%
$600,000–$650,000	90	6.7%
$650,000 and up	135	10.1%
Total:	1,340	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

THE CURRENT CONTEXT

Statistical Snapshot of Housing in Key Downtown Neighborhoods

MULTI-FAMILY RENTAL PROPERTIES

The following is a break-down of information on key Downtown neighborhoods based on available information including the number of properties covered, the approximate number of units, the average unit sizes and rent ranges, and the average rents per square foot from the least expensive studio or efficiency apartment to the most-expensive three-bedroom unit:

Charles Center:
- 8 Properties
- 1,900+ Units
- 483 to 1,650 square feet
- $1,200 to $2,650 per month
- $1.46 to $2.68 per square foot

Mount Vernon:
- 5 Properties
- 700+ Units
- 437 to 1,365 square feet
- $901 to $2,450 per month
- $1.53 to $2.69 per square foot

Univ. of Maryland, Baltimore:
- 3 Properties
- 400 Units
- 552 to 1,485 square feet
- $1,055 to $1,608 per month
- $1.02 to $1.91 per square foot

Federal Hill:
- 2 Properties
- 165+ Units
- 706 to 2,063 square feet
- $1,975 to $3,475 per month
- $1.68 to $2.87 per square foot

Preston Gardens:
- 4 Properties
- 450 Units
- 400 to 1,400 square feet
- $1,100 to $2,400 per month
- $1.51 to $3.13 per square foot

Bromo Arts District:
- 4 Properties
- 800+ Units
- 395 to 1,950 square feet
- $1,075 to $2,500 per month
- $1.28 to $2.72 per square foot

Ridgely's Delight/Stadiums:
- 2 Properties
- 270+ Units
- 585 to 1,843 square feet
- $1,075 to $4,750 per month
- $1.51 to $2.69 per square foot

Harbor East:
- 3 Properties
- 850+ Units
- 405 to 1,674 square feet
- $1,545 to $4,196 per month
- $2.31 to $3.81 per square foot

MULTI-FAMILY AND SINGLE-FAMILY ATTACHED FOR-SALE PROPERTIES

The following is a break-down of information on key Downtown neighborhoods (based on available information, the number and type of sold units, the general unit sizes and closing price ranges, and closing prices per square foot):

Historic Jonestown:
- 3 Townhouses
- 1,765 to 2,360 square feet
- $245,000 to $275,000
- $121 to $156 per square foot

Inner Harbor/Harbor East:
- 7 Townhouses, 32 Condominiums
- 596 to 9,069 square feet
- $148,000 to $6,250,000
- $131 to $2,011 per square foot

Mount Vernon:
- 5 Townhouses, 3 Condominiums
- 733 to 5,339 square feet
- $132,000 to $930,000
- $119 to $330 per square foot

Federal Hill:
- 78 Townhouses/Rowhouses, 3 Condominiums
- 637 to 3,048 square feet
- $70,000 to $925,000
- $110 to $394 per square foot

Little Italy:
- 3 Townhouses, 2 Condominiums
- 2,112 to 2,910 square feet
- $315,000 to $676,500
- $149 to $232 per square foot

Charles Center:
- 17 Condominiums
- 655 to 1,460 square feet
- $175,625 to $345,000
- $217 to $286 per square foot

Otterbein:
- 12 Townhouses/Duplexes, 5 Condominiums
- 895 to 2,719 square feet
- $180,000 to $551,000
- $182 to $263 per square foot

DOWNTOWN BALTIMORE STUDY AREA ABSORPTION

How fast will units lease or sell?

After nearly three decades of experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that those households that prefer newly-created units, rather than previously-occupied units, continue to comprise at least 20 percent of the potential rental market, and between 7.5 and 10 percent of the potential for-sale market, assuming the production of appropriately-positioned new housing. On the for-sale side, longer-term absorption projections (market capture) will be higher than the short-term projections given the sluggish revival of the for-sale housing market.

Based on a 20 percent capture of the potential market for new rental housing units, and a 7.5 to 10 percent capture of the potential market for new for-sale housing units, the Downtown Baltimore Study Area should be able to support up to 1,339 new market-rate housing units per year over the short term (next two to three years) and up to 1,405 units per year in the longer term (three to five years), as shown on the following table:

TABLE 9

Annual Capture of Market Potential

THE DOWNTOWN BALTIMORE STUDY AREA

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	ANNUAL NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	**5,710**	**20%**	**1,142**
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	**1,285**	**7.5% to 10%**	**96 to 129**
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	**1,340**	**7.5% to 10%**	**101 to 134**
Total	**8,335**		**1,339 to 1,405**

SOURCE: Zimmerman/Volk Associates, Inc., 2017

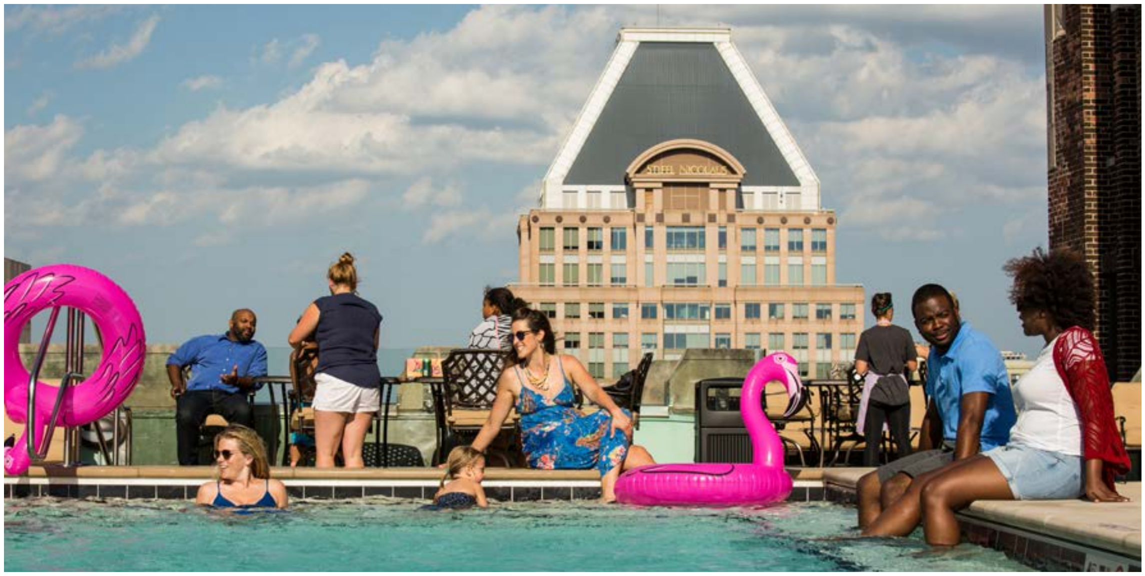
In 2001 and 2006, based on capture rates of 20 to 40 percent of the rental multi-family market and 10 to 20 percent of the for-sale multi-family and single-family attached market, Zimmerman/Volk Associates projected that the Downtown Baltimore Study Area could support between 870 to 1,700 new market-rate dwelling units per year from 2001 to 2006, between 1,041 to 2,082 units per year from 2006 to 2012, and between 1,114 and 1,227 units per year from 2012 to 2017.

According to Downtown Partnership, between 2001 and 2006, more than 3,000 new market-rate housing units were built throughout Downtown, approximately 1,300 units fewer than the lower end of the forecast absorption. Between 2006 and 2012, another 4,350 new units were added to the Downtown inventory, 900 fewer units than the lower end of the forecast absorption. Between 2012 and 2017, 3,500 new units were built, with an additional 1,690 rental and for-sale units scheduled to come online in 2017 for a total of just under 5,200 new units, compared to the forecast absorption of 5,570 to 6,135 units over the same five years.

The Downtown Baltimore Study Area should be able to support up to 1,339 new market-rate housing units per year over the short term (next two to three years) and up to 1,405 units per year in the longer term (three to five years).

Between 2012 and 2017, 3,500 new units were built, with an additional 1,690 rental and for-sale units scheduled to come online in 2017 for a total of just under 5,200 new units, compared to the forecast absorption of 5,570 to 6,135 units over the same five years.

53 percent of the annual market potential of 1,339 to 1,405 new dwelling units in the Downtown Study Area, or approximately 710 to 745 units per year, could be from households moving to the Downtown from outside the Baltimore City limits. Over five years, the realization of that market potential could lead to an increase of between 3,550 and 3,725 households living in Downtown Baltimore that moved from a location outside the city.



As noted previously in this study, based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, approximately 53 percent of the annual market potential of 1,339 to 1,405 new dwelling units in the Downtown Study Area, or approximately 710 to 745 units per year, could be from households moving to the Downtown from outside the Baltimore City limits. Over five years, the realization of that market potential could lead to an increase of between 3,550 and 3,725 households living in Downtown Baltimore that moved from a location outside the city.

NOTE:

Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are not equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The target market capture rate is derived by dividing the annual forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area in a given year.

The penetration rate is derived by dividing the total number of dwelling units planned for a property by the total number of draw area households, sometimes qualified by income.

The traffic conversion rate is derived by dividing the total number of buyers or renters by the total number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.