DOWNTOWN PARTNERSHIP

DOWNTOWN BALTIMORE
OUTLOOK 2027

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

Introduction

Every five years, the Downtown Partnership of Baltimore issues a housing study that examines the demand for new market-rate housing units. The original study conducted was published in 2001; the first update was published in November 2006, a second update was published in 2012, and a third in 2017. *Outlook 2027* 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. Not to discount the importance of having varied housing options, as we understand the importance of creating a Downtown that is inclusive and creates opportunities for all.

For the purposes of this study, the Downtown Baltimore Study Area is defined to include the Downtown Statistical Area (DSA), encompassing 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, Locust Point, Washington Village, Hollins Market, Poppleton, Heritage Crossing, Upton, Madison Park, Bolton Hill, Mid-Town Belvedere, Charles North, Greenmount West; Washington Hill, Fells Point, Canton, and Brewers Hill.

New market-rate housing units in the catchment area are 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 depth and breadth of the potential market have been updated using Zimmerman/Volk Associates' proprietary target market methodology. 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.

Between 2001 and 2006, more than 3,000 new market-rate housing units were built in the Downtown Study Area, 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 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 five years.

> FROM 2017 TO 2022,
> **4,634 NEW UNITS WERE BUILT,**
> COMPARED TO THE FORECAST ABSORPTION
> OF 6685 TO 7025 OVER FIVE YEARS.

Select Residential Properties in the Downtown Statistical Area (DSA)
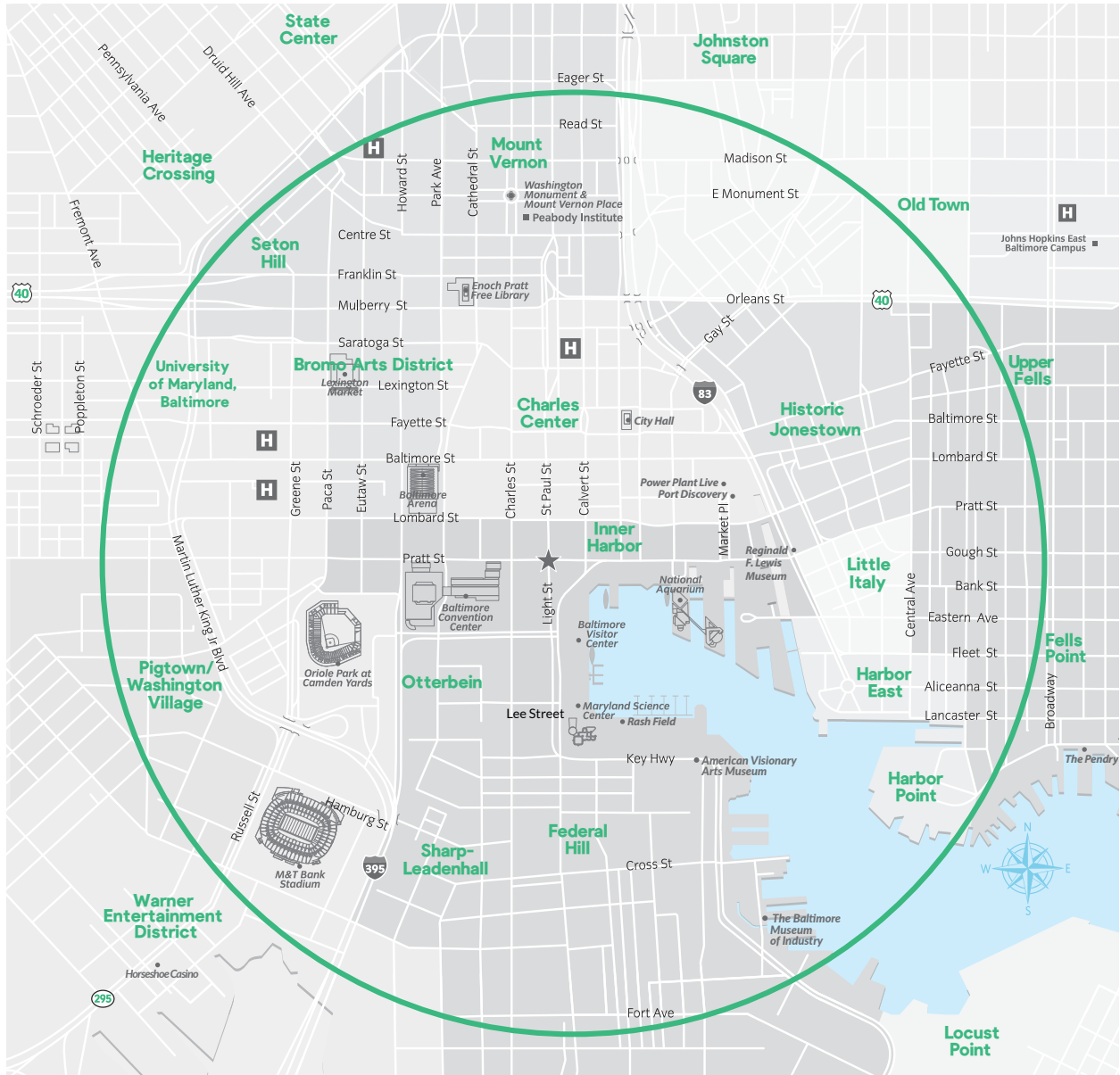
This updated report re-examines:

- 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 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 their 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 will they rent or purchase the new units (market capture/absorption forecasts over the next five years).

Key Findings

- This update has established that an annual average of 7,962 households represents the 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, a slight drop of 373 households per year.

- Over 56 percent of these households are currently living outside the Baltimore city limits, up from 53 percent in 2017.

- Approximately 63 percent of the potential market are younger singles and couples, 25 percent are empty nesters and retirees, and 12 percent are traditional and non-traditional families. Although the market is still predominantly younger singles and couples, the share of empty nesters and families has increased slightly since 2017.

- As derived from the aggregated housing preferences of the target households, 65.7 percent of the new units should be rental apartments, 12.9 percent should be condominiums (for-sale apartments), and 21.4 percent for-sale townhouses, continuing the trend toward rental in the Downtown Study Area.

- Based on a 17.5 to 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 1,120 new market-rate housing units per year over the short term (next two to three years) and up to 1,319 units per year over the longer term (three to five years), for a total of between 5,600 and 6,595 new rental and for-sale units over the next five years.

Overview

According to Claritas, Inc., the respected national vendor of demographic and geo-demographic data, over the past five years, the City of Baltimore is estimated to have lost both population and households. The Downtown Study Area also lost population, but gained households over the same timeframe. Median incomes and median home values have increased in both the city and the study area, but particularly in the downtown.

TOTAL POPULATION AND HOUSEHOLDS

According to Claritas, the population of the City of Baltimore has fallen to an estimated 589,908 persons in 2022, down from 621,204 persons in 2017, a loss of five percent. Over the same study period, the number of households in the city is estimated to have dropped to 239,353 from 251,390 in 2017, a decline of 4.8 percent.

According to 2022 estimates, 41,998 residents live in the Downtown Statistical Area (DSA), approximately 787 residents less than the 2017 population of 42,785 — an estimated drop of 1.8 percent over five years. However, the number of households in the DSA increased from 19,140 in 2017 to 19,388 in 2022, a gain of 1.3 percent.

COMPOSITION OF HOUSEHOLDS

The number of persons per household has a direct impact on the type of housing needed, with smaller households requiring fewer bedrooms and less square footage than larger households.

- Currently, just under two-thirds of Baltimore's households contain just one or two persons (compared to just under 60 percent nationally); over 15 percent contain three persons; and the remaining 19 percent contain four or more persons (compared to 24 percent nationally).

- Single-person households in the DSA continue to be the majority of households at 52.7 percent, an increase from 51.6 percent in 2017; there has been a drop in the number of two person households to 29.9 percent, from 30.2 percent in 2017; only 17.4 percent of households in the DSA contain three or more persons, down 0.8 percent from 2017.

The composition of those households can also influence housing decisions, affecting the type of housing required. Households with children will often prefer single-family detached units located in a good school district; whereas the older and younger households without children that represent the bulk of the potential market for downtown and urban neighborhoods are more likely to select smaller units, typically in multi-family buildings.

- Just 9.7 percent of Baltimore City's households could be characterized as traditional families (married couples with children under age 18) as compared to 22 percent of all U.S. households. For the DSA, the percentage of traditional families is considerably lower, at just 4.6 percent.

- Non-traditional family households, headed by single persons with children under age 18, represent 18.2 percent of the City's households and 8.3 percent of the DSA's households.

- The remaining 72.1 percent of Baltimore City households do not have children under 18 and include married couples (14.4 percent), other non-traditional family households (11 percent), and 46.7 percent non-family households (primarily single-person households).

- The remaining 87 percent of DSA households include married couples (12.4 percent), other non-traditional family households (4.5 percent), and 70.1 percent non-family households (primarily single-person households).

MEDIAN INCOME

- Median household income in Baltimore is currently estimated at $56,200, an increase of $11,400 (more than 25 percent) over the estimated median of $44,800 in 2017. Just over 54 percent of households in the city have annual incomes of $50,000 or more, up from 46 percent in 2017. Baltimore City households with annual incomes of $25,000 or less fell from 31.1 percent in 2017 to 24.4 percent in 2022, while households with annual incomes of $75,000 or more rose from 28.9 percent in 2017 to 39.1 percent in 2022.

- Comparatively, in the DSA the median income has risen over the past five years from $53,100 in 2017 to $71,500, an increase of nearly 35 percent; now 62 percent of households have annual incomes of $50,000 or more. The percentage of households with annual incomes of $25,000 or less has fallen from 30.6 percent to 23.6 percent, and the percentage with incomes of $75,000 or more rose to 48.2 percent, up from 36.4 percent.

DEMOGRAPHICS

- The black population in Baltimore are currently estimated at 61.8 percent, down from 62 percent in 2017; 29.8 percent are white, down from 30.1 percent in 2017. The Asian population has fallen from 2.8 percent to 2.7 percent, while all other races increased from 5.1 percent in 2017 to 5.7 percent in 2022. The Hispanic/Latino population also rose from 5.1 percent to 6.2 percent over the five years.

- The black population in the DSA are currently estimated at 38.1 percent, down from 38.9 percent in 2017; 50.5 percent are white, up from 50.1 percent in 2017. The Asian population fell slightly from 6.9 percent to 6.8 percent of the population, while all other races rose from 4.1 percent in 2017 to 4.6 percent in 2022. The Hispanic/Latino population also rose from 4.4 percent to 5.4 percent over the five years.

HOUSING INVENTORY

Just under three percent of the city's housing have been built since 2014; in contrast, more than 11 percent of the units in the DSA have been built since then. The city's housing stock is currently estimated at 295,986 dwelling units; single-family attached units (rowhouses) represent a majority of all dwelling units. The number of units in the DSA is estimated at 22,851, with a plurality of larger multi-family buildings.

- City-wide, 51.6 percent are single-family attached units (rowhouses), 14.1 percent are detached houses; 5.1 percent are duplexes (units in two-unit buildings); nearly 16 percent are located in buildings of three to 19 units; and 13.1 percent are located in buildings of 20 or more units.

- In the DSA, 34.1 percent are single-family attached units (rowhouses), 3.2 percent are detached houses; four percent are duplexes (units in two-unit buildings); 15.9 percent are located in buildings of three to 19 units; and 42.8 percent are located in buildings of 20 or more units.

RENTALS AND 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, 73.7 percent of households are renters and only 26.4 percent own their homes.

Based on Census and Claritas estimates, in 2022, just over 19 percent of the city's housing units are unoccupied, up from 16.7 percent in 2017; 15.2 percent are unoccupied in the DSA. Of the estimated 239,353 occupied units in the city, 52.7 percent are rented and 47.3 percent are owneroccupied, a considerably higher share of homeowners compared to the DSA's rate of 26.4 percent. The median value of owner-occupied dwelling units in the city is currently estimated at $203,700, an increase of 27.6 percent over 2017's median of $159,700. In the DSA, the median value rose from $294,700 in 2017 to $362,000 in 2022.

VEHICLE OWNERSHIP

City-wide, 29 percent of households do not own any vehicle, 39.7 percent own one vehicle, and the remaining 31.3 percent own two or more vehicles. In contrast, 32.5 percent of households in the DSA do not own a vehicle, and 42.2 percent own only one vehicle. Over 25 percent of Downtown households own two or more vehicles.

COMMUTING TRENDS

More than 19 percent of employed DSA residents over age 16 walk to work (compared to 6.6 percent in Baltimore City and 2.7 percent nationally). Just under 15 percent of Downtown residents take public transportation (compared to 16.7 percent in Baltimore City and five percent nationally), 4.6 percent car-pool (compared to nine percent in Baltimore City and 8.9 percent nationally), and 53.4 percent drive alone (compared to 60.6 percent in Baltimore City and 76.1 percent nationally). The remaining eight percent in the DSA work at home (4.7 percent), ride bicycles (two percent), or have other means of getting to work (1.5 percent).

EDUCATION LEVELS

Approximately 54 percent of all residents in the DSA aged 25 or older have a college or advanced degree, considerably higher than the national share of 32.9 percent (comparable to the city's share of 32.8 percent), and up from 49.2 percent in 2017. Approximately 84 percent of Downtown's residents older than 16 are employed in white-collar occupations, six percent work blue-collar jobs, and 10 percent are in service occupations. The rate of white-collar employment in the DSA has increased by five percent, blue-collar employment has remained somewhat stable, and service occupations have decreased from 14.5 percent to 10 percent.

In contrast, an estimated 64 percent of city residents older than 16 are white-collar workers, 16.7 percent are employed in blue-collar jobs, and 19.3 percent in service occupations.

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.

The draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2020 American Community Survey for the City of Baltimore.

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 2015 through 2019—confirms that the draw areas for the City of Baltimore have remain unchanged as follows:

- The local (internal) draw area, covering households moving from one unit to another 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 table following this page:

MARKET POTENTIAL BY DRAW AREA
City of Baltimore, Maryland

City of Baltimore	56.6%
Baltimore County	15.5%
Anne Arundel, Howard, and Harford Counties	6.1%
Prince George's and Montgomery Counties; Washington, D.C.	4.4%
Balance of US (National Draw Area)	17.4%
Total	100.0%

Source: Zimmerman/Volk Associates, Inc., 2022.

An annual average of 45,155 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 Study Area are likely to move from?

As in 2017, 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:

MARKET POTENTIAL BY DRAW AREA
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

City of Baltimore	43.2%
Baltimore County	18.6%
Anne Arundel, Howard, and Harford Counties	8.5%
Prince George's and Montgomery Counties; Washington, D.C.	8.4%
Balance of US (National Draw Area)	21.3%
Total	100.0%

Source: Zimmerman/Volk Associates, Inc., 2022.

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 57 percent, compared to just 53 percent in 2017. Households moving to the Downtown Study Area from outside the region are likely to account for 21.2 percent of the Study Area's market potential over the next five years, compared to 18 percent in 2017.

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 7,962 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 18.)

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 (see also Table 1):

AVERAGE ANNUAL MARKET POTENTIAL
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	5,228	65.7%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	1,030	12.9%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	1,704	21.4%
Total	7,962	100.0%

Source: Zimmerman/Volk Associates, Inc., 2022.

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. However, in 2022, due in part to the drop in the city's population and the impact of the pandemic, the size of the potential downtown market fell to an average of 7,962 households.

There have also been considerable changes in the type of housing that best matches target household preferences. As a share of the market, multi-family for-rent has risen from 40.1 percent in 2006 to 68.5 percent in 2017; however, in 2022 that share is now 65.7 percent. Multi-family for-sale (condominium) units now represent just 12.9 percent of the market (down from 15.4 of the market in 2017); and single-family attached for-sale units (townhouses/rowhouses) comprise 21.4 percent of the market, considerably up from 16.1 percent in 2017.

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, by 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, predominantly trailing-edge Millennials and leading-edge iGen (also known as Generation Z) households;

- 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, predominantly Baby Boomers and the oldest Gen Xers; 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. These households include the youngest Gen Xers and the leading-edge Millennials who are now pairing up and having children.

The percentage of each market segment by general housing type in the Downtown Baltimore Study Area is shown on the table following this page (see also Table 3):

ANNUAL MARKET POTENTIAL BY LIFESTAGE AND HOUSEHOLD TYPE
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED
Empty-Nesters & Retirees	25%	17%	43%	40%
Traditional & Non-Traditional Families	12%	8%	13%	20%
Younger Singles & Couples	63%	75%	44%	40%
Total	100.0%	100.0%	100.0%	100.0%

Source: Zimmerman/Volk Associates, Inc., 2022.

At approximately 63 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 and iGen generations in urban markets. This is a slight drop since 2017, when this lifestage represented 69 percent.

As noted above, leading-edge Millennials, those aged in their early 40s, are now in the full-nest lifestage, and, as in 2017, many are finding the downtown rentals in which they currently live are not large enough or designed to accommodate growing families. For them, the continuing issue is the availability of more appropriate, larger units at more affordable rents and prices than are currently available in Downtown;. some of these households are moving to suburban neighborhoods located outside Baltimore, or even elsewhere in the region or country. However, the great majority still prefer walkable neighborhoods inside the city limits, leading to the increasing market potential for rowhouses or townhouses.

Some trailing-edge Millennials and the leading-edge iGen returned to their parents' houses due to the pandemic, but are now returning to apartments in Downtown. However, because so many are still working from their homes, they are looking for apartments with room for workspaces. Since the work-from-home trend is likely to continue for some time to come, the market for micro-units and very small studios is likely to diminish significantly.

Older households (empty nesters and retirees) are the second largest potential market, 44 percent of whom are already living in Baltimore. These older households now represent approximately 25 percent of the potential market, up from 21 percent in 2017. The increase in the total number of empty-nest and retiree households between 2017 and 2022 is 287 households. Older couples are now as likely to rent as buy in a downtown, reflected in the decline in market preferences for condominiums. Since so many are still working, they, too, will be looking for units that can accommodate workspaces.

At just 12 percent, but up from 10 percent in 2017, the third general lifestage—family-oriented households (traditional and non-traditional families)—continues to be a small percentage of the potential market for the Downtown Baltimore Study Area. Nearly 69 percent of the traditional and non-traditional family households that represent the potential market for new housing units in the Downtown Study Area are likely to be moving from out of town, up from 62 percent in 2017. Many of these households are from larger cities where families are a significant component of downtown housing. They, too, are fueling the market for rowhouses and townhouses.

The principal market segments by lifestage, their range of median incomes and range of median home values in 2022, are shown as follows:

PRIMARY MARKET SEGMENTS BY LIFESTAGE
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees	$70,000 to $160,000	$170,000 to $620,000
Traditional and Non-Traditional Families	$70,000 to $165,000	$180,000 to $490,000
Younger Singles & Couples	$50,000 to $90,000	$85,000 to $460,000

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 5,228 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 5,228 households represent the target markets for newly-constructed market-rate rental housing units in the Downtown Study Area (as shown on Table 4). The distribution by rent range of the rents those 5,228 households could support are summarized as follows:

NEW MULTI-FAMILY FOR RENT DISTRIBUTION BY RENT RANGE
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$1,000–$1,250	632	12.1%
$1,250–$1,500	610	11.7%
$1,500–$1,750	556	10.6%
$1,750–$2,000	528	10.1%
$2,000–$2,250	457	8.7%
$2,250–$2,500	329	6.3%
$2,500–$2,750	314	6.0%
$2,750–$3,000	307	5.9%
$3,000 and up	694	13.3%
Total:	5,228	100.0%

Source: Zimmerman/Volk Associates, Inc., 2022.

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 10 percent an interest rate of five 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 rising interest rate and the inability of many younger households to become owners because they lack the funds for a down payment.

A total of 1,030 households represent the target markets for newly-constructed market-rate multi-family for-sale (condominium) housing units in the Downtown Study Area (as shown on Table 5). The distribution by price range of the prices those 1,030 households could support is summarized on the table following this page.

DISTRIBUTION BY PRICE RANGE
TARGET GROUPS FOR NEW MULTI-FAMILY FOR SALE
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$200,000–$250,000	76	7.0%
$250,000–$300,000	108	9.7%
$300,000–$350,000	96	11.7%
$350,000–$400,000	95	11.4%
$400,000–$450,000	82	9.3%
$450,000–$500,000	81	8.9%
$500,000–$550,000	60	9.3%
$550,000–$600,000	69	8.9%
$600,000–$650,000	47	9.7%
$650,000–$700,000	46	4.5%
$700,000–$750,000	47	4.6%
$750,000–$800,000	45	4.4%
$800,000–$850,000	38	3.7%
$850,000 and up	178	17.3%
Total:	1,030	100.0%

Source: Zimmerman/Volk Associates, Inc., 2022.

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), the number of households by price range was determined by assuming a down payment of 10 percent, an interest rate of five 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 1,704 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 6). The distribution by price range of the prices those 1,704 households could support is summarized on the following table:

DISTRIBUTION BY PRICE RANGE
TARGET GROUPS FOR NEW
SINGLE-FAMILY ATTACHED FOR SALE
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$200,000–$250,000	144	8.5%
$250,000–$300,000	173	10.2%
$300,000–$350,000	147	8.6%
$350,000–$400,000	146	8.6%
$400,000–$450,000	134	7.9%
$450,000–$500,000	133	7.8%
$500,000–$550,000	104	6.1%
$550,000–$600,000	115	6.7%
$600,000–$650,000	83	4.9%
$650,000–$700,000	81	4.8%
$700,000–$750,000	85	5.0%
$750,000–$800,000	83	4.9%
$800,000–$850,000	64	3.8%
$850,000 and up	212	12.4%
Total:	1,704	100.0

Source: Zimmerman/Volk Associates, Inc., 2022.

The Current Context

What are the alternatives?

Redfin's Walk Score, a number between 0 and 100 denoting the walkability of a specific address or neighborhood, continues to grow in importance as a value criterion for all households. Walk Score measures distance and metrics such as intersection density and block lengths to grade the walkability of a specific address or neighborhood. Walk Scores above 90 indicate a "Walker's Paradise," where daily errands do not require a car. Walk Scores between 70 and 90 are considered to be very walkable, where most errands can be accomplished on foot, and Walk Scores between 50 and 69 are regarded as somewhat walkable, where some errands can be accomplished on foot. Walk Scores below 50 indicate that most or almost all errands would typically require a vehicle. Walk Scores have now been supplemented by Transit Scores and Bike Scores, of nearly equal importance as walkability to the potential downtown housing market.

The Walk Score of Downtown Baltimore is 98, and has been designated the most walkable neighborhood in the city. Its Transit Score is 90, a "Rider's Paradise", and representing excellent transit that is convenient for most trips. The downtown's Bike Score is 76, described as very bikeable, with biking convenient for most trips (90 and above is a "Biker's Paradise," where daily errands can be accomplished on a bicycle). Downtowns with these high scores continue to be sought after by the potential market, and indicate the importance of these scores to the continuing growth of Downtown Baltimore.

Multi-Family Rental Properties

The following information covers 39 new rental properties, providing 4,857 new units, built in the Downtown Study Area between 2017 and 2022, from data provided by the Downtown Partnership of Baltimore. In addition to those properties, another 20 are under construction, with the potential for delivery of another 5,945 new units over the next five years.

The five-year data covering 2017 to 2022 has been sorted by neighborhood, and includes, per neighborhood, 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- or four-bedroom unit, as follows:

Charles Center:
- 11 Properties
- 1,100+ Units
- 422 to 3,000 square feet
- $921 to $4,968 per month
- $1.00 to $4.70 per square foot

Bromo Arts District:
- 10 Properties
- 877+ Units
- 497 to 1,160 square feet
- $528 to $2,225 per month
- $0.53 to $3.11 per square foot

Mount Vernon:
- 3 Properties
- 90+ Units
- 402 to 1,007 square feet
- $1,193 to $2,033 per month
- $2.02 to $2.97 per square foot

Federal Hill/Sharp Leadenhall:
- 5 Properties
- 900+ Units
- 550 to 1,173 square feet
- $1,201 to $3,195 per month
- $1.98 to $3.04 per square foot

Fells Point/Old Town/Little Italy:
- 4 Properties
- 560+ Units
- 505 to 1,580 square feet
- $1,354 to $5,388 per month
- $1.72 to $4.14 per square foot

Inner Harbor/Harbor East/Harbor Point:
- 6 Properties
- 1,295 Units
- 485 to 1,538 square feet
- $1,200 to $5,844 per month
- $2.18 to $4.27 per square foot

Multi-Family and Single-Family Attached For-Sale Properties

The following information includes, per Downtown neighborhood and 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:
- 2 Townhouses
- 2,049 to 2,210 square feet
- $359,000 to $395,000
- $175 to $179 per square foot

Inner Harbor:
- 3 Townhouses, 65 Condominiums
- 660 to 6,631 square feet
- $175,000 to $5,950,770
- $265 to $897 per square foot

Mount Vernon:
- 4 Townhouses, 4 Condominiums
- 588 to 3,234 square feet
- $179,000 to $329,900
- $102 to $304 per square foot

Federal Hill:
- 26 Townhouses, 4 Condominiums
- 659 to 4,610 square feet
- $169,900 to $989,000
- $215 to $258 per square foot

Little Italy:
- 6 Townhouses, 3 Condominiums
- 1,452 to 5,100 square feet
- $199,995 to $1,275,000
- $138 to $250 per square foot

Charles Center:
- 5 Townhouses, 6 Condominiums
- 534 to 3,125 square feet
- $79,900 to $496,000
- $150 to $159 per square foot

Otterbein:
- 7 Townhouses, 4 Condominiums
- 948 to 4,024 square feet
- $179,900 to $895,000
- $190 to $222 per square foot

Downtown Baltimore Study Area Absorption

How fast will the units lease or sell?

Based on 34 years' experience employing the target market methodology in 47 states, Zimmerman/Volk Associates has established capture rates of annual market potential appropriate for developments and study areas of every size and scale.

In the current context of downtowns, Zimmerman/Volk Associates has determined that an annual capture of between 17.5 and 20 percent of the annual potential rental market, and between 7.5 and 10 percent of the annual potential for-sale market is achievable, assuming the production of appropriately-positioned new housing. Using these capture rates, absorption forecasts are shown on the following table:

ANNUAL CAPTURE OF MARKET POTENTIAL
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	ANNUAL NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	5,228	17.5 to 20%	915 to 1,046
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,030	7.5% to 10%	77 to 103
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	1,704	7.5% to 10%	128 to 170
Total	7,962		1,120 to 1,319

Source: Zimmerman/Volk Associates, Inc., 2022

Using these capture rates, Zimmerman/Volk Associates has projected that the Downtown Baltimore Study Area could support an average of between 1,120 to 1,319 units per year over the next five years, or 5,600 to 6,595 new rental and for-sale market-rate dwelling units.

- The forecast for 2012 and 2017 was an average of between 1,114 and 1,227 units per year, or 5,570 to 6,135 units per year over five years. According to the Downtown Partnership, over that time frame, over 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, or close to the forecast.

- The forecast for 2006 to 2012, was an average of between 1,041 to 2,082 units per year, or 5,205 to 10,410 units per year over five years. According to the Downtown Partnership, over that time frame, another 4,350 new units were added to the Downtown inventory new units, 900 fewer units than the lower end of the forecast absorption. (At that time, capture rates of 20 to 40 percent of the annual potential were used, and for the previous study as well.)

- The forecast for 2001 and 2006 was an average of between 870 to 1,700 units per year, or 4,350 to 8,500 units per year over five years. According to the Downtown Partnership, over that time frame, more than 3,000 new market-rate housing units were built throughout the Downtown, approximately 1,300 units fewer than the lower end of the forecast absorption.

As noted previously in this study, based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, approximately 56 percent of the forecast annual market capture of 1,120 to 1,319 new dwelling units in the Downtown Study Area, or an estimated 635 to 740 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 3,175 and 3,700 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.

Methodology

Zimmerman Volk uses 2020 Census American Community Survey and IRS data.

The neighborhoods chosen are based on migration data.

Based on the migration data, then, the draw areas for the City of Baltimore and the Downtown Study Area have been confirmed as follows:

- The primary draw area, covering households moving from one unit to another within the City of Baltimore.

- The local draw area, covering households with the potential to move to the City of Baltimore from Baltimore County.

- The Baltimore 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 the District of Columbia.

- The national draw area, covering households with the potential to move to the City of Baltimore from all other U.S. counties.

Every effort has been made to ensure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the proprietary residential target market methodology™ employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.

For more information, contact *econdev@dpob.org*.

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