

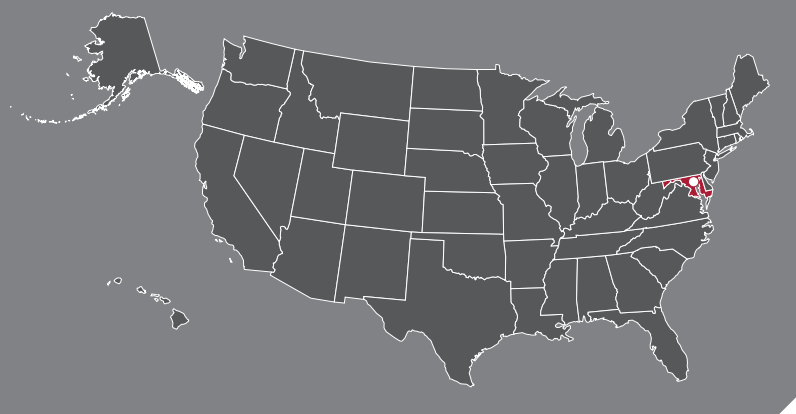
HUD PD&R Housing Market Profiles

Baltimore City, Maryland



Quick Facts About Baltimore City

- Current sales market conditions: slightly soft
- Current apartment market conditions: balanced
- The education and health services sector has a strong impact in Baltimore City with the presence of Johns Hopkins University and The Johns Hopkins Health System Corporation. In 2022, the combined economic impact of the university and health system totaled \$7.3 billion in the city (Johns Hopkins University and Medicine Economic Impact Report, 2022).



By Diana Villavicencio | As of September 1, 2023

Overview

Baltimore is the largest city in Maryland, accounting for 9 percent of the statewide population, and is part of the Baltimore-Columbia-Towson (hereafter, Baltimore) metropolitan area. Economic conditions in Baltimore City are relatively strong, and during the 3 months ending August 2023, average payrolls were nearly 1 percent above the prepandemic high level during the same 3-month period in 2018. By comparison, national payrolls during the 3 months ending August 2023 were nearly 5 percent higher than the comparable period in 2018, and the prepandemic high for the nation was in 2019. The sales market in the city has eased from a year ago, but conditions remain slightly soft, partly because continued net out-migration and rising mortgage interest rates have slowed the pace of home sales and led to a rise in the for-sale inventory. Apartment market conditions have transitioned to balanced from slightly tight conditions during the third quarter of 2021, partly because new apartment unit deliveries have increased and unit absorption has declined.

- As of September 1, 2023, the estimated population of the city is 562,000, representing an average decrease of 1.2 percent annually since April 2020 because net out-migration

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and net natural decline have averaged 6,950 and 75 people annually, respectively. Net out-migration from the city has been partly due to greater job opportunities outside the city, despite ongoing revitalization of downtown Baltimore and partly due to a greater desire to live in less urbanized areas, including the suburbs of the Baltimore metropolitan area.

- Net out-migration from Baltimore City has occurred since people began leaving during the 1950s. In 1950, the population peaked at 949,700, but it decreased an average of 0.8 percent annually to 585,700 in 2020.

- The reduction in the population from 2021 to 2022 was most notable among residents in the cohort aged 45 to 54, down 5 percent (American Community Survey 1-year data). The population also declined in the cohort aged 17 and younger and the cohort aged 18 to 44, which includes students and early- to mid-career residents, each down 1 percent, whereas the number of people at or above retirement age—generally defined as residents aged 65 and older—increased 5 percent from 2021 to 2022.

Economic Conditions

Nonfarm payrolls in Baltimore City increased year over year during the 3 months ending August 2023, a trend that has persisted since 2021. As of the 3 months ending August 2023, nonfarm payrolls rose by 6,900 jobs, or 1.9 percent, from a year earlier to an average of 377,500 jobs, compared with a gain of 2.2 percent during the 3 months ending August 2022 and a 4.2-percent gain during the 3 months ending August 2021. Although the rate of growth has decelerated, the number of jobs is nearly 1 percent higher than the previous high of 374,700 jobs during the same 3-month period in 2018. By comparison, nonfarm payrolls in the nation rose at a 2.2-percent rate during the 3 months ending August 2023, and jobs were nearly 5 percent above the comparable 2018 level.

As of the 3 months ending August 2023—

- The leisure and hospitality sector rose by 3,400 jobs, or 13.3 percent, the largest and fastest year-over-year job gain of any sector in the city, following an increase of 2,200 jobs, or 9.6 percent, as of the 3 months ending August 2022. Job growth in the sector is expected to continue because The Paramount Baltimore, a 4,000-seat music hall, is expected to open in 2024 at The Walk at Warner Street, an entertainment district in downtown Baltimore.
- Job growth accelerated in the government sector, the second largest payroll sector, with payrolls up 3.7 percent to an average of 72,800 jobs, or 19 percent of all jobs in the

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Jobs rose in 5 of the 11 nonfarm payroll sectors in Baltimore City during the past year.

	3 Months Ending		Year-Over-Year Change	
	August 2022 (Thousands)	August 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	370.6	377.5	6.9	1.9
Goods-Producing Sectors	21.3	21.0	-0.3	-1.4
Mining, Logging, & Construction	10.5	10.4	-0.1	-1.0
Manufacturing	10.9	10.6	-0.3	-2.8
Service-Providing Sectors	349.3	356.5	7.2	2.1
Wholesale & Retail Trade	21.6	22.0	0.4	1.9
Transportation & Utilities	28.2	27.3	-0.9	-3.2
Information	5.1	4.8	-0.3	-5.9
Financial Activities	17.1	17.0	-0.1	-0.6
Professional & Business Services	58.6	57.1	-1.5	-2.6
Education & Health Services	111.7	114.7	3.0	2.7
Leisure & Hospitality	25.5	28.9	3.4	13.3
Other Services	11.3	11.9	0.6	5.3
Government	70.2	72.8	2.6	3.7
Unemployment Rate	4.6%	2.4%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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city, compared with a 3.3-percent growth rate a year earlier. The recent rise in the sector was concentrated in the local government subsector, which increased by 1,300 jobs, or 5.5 percent, whereas the state and federal subsectors added 700 and 600 jobs, or 1.9 and 5.4 percent, respectively.

- The professional and business services sector is the third largest payroll sector in the city, accounting for an average of 57,100 jobs, or 15 percent of all jobs in the city. Jobs in the sector decreased by 1,500, or 2.6 percent, compared with a 5.8-percent rise during the previous year. Despite the decline, growth in the sector is expected to resume because a new T. Rowe Price headquarters building is under construction, which will accommodate 1,700 employees when complete in 2024.
- The unemployment rate declined to an average of 2.4 percent, the lowest rate for any 3 months ending in August since at least 1990, down from 4.6 percent a year earlier and 7.3 percent during the same 3-month period in 2021. The unemployment rate in the city was below the 3.8-percent national rate.

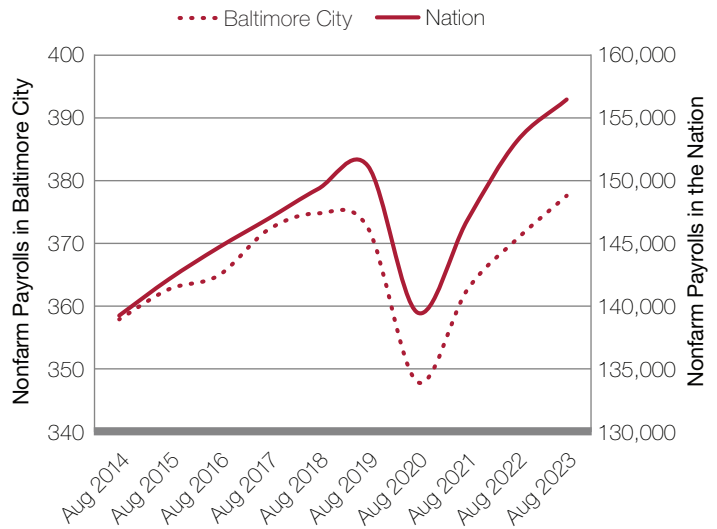
The education and health services sector is the largest nonfarm payroll sector in the city, accounting for an average of 114,700 jobs, or 30 percent of total jobs, during the 3 months ending August 2023. The sector grew by 3,000 jobs during the past year, the second largest gain of any sector. Growth in the sector is expected to continue because a \$516 million renovation and addition at The Johns Hopkins Hospital East Baltimore campus is expected to be complete in June 2026, adding 200,000 square feet of laboratories, conference rooms, and other spaces. Before the recent job gain, jobs in the sector declined an average of 1.7 percent during every 3-month period ending in August from 2019 through 2022. As a result, jobs in the sector are 4 percent below the 2018 level.

Sales Market Conditions

The home sales market in Baltimore City is currently slightly soft, with an estimated vacancy rate of 3.4 percent as of September 1, 2023—down from 3.5 percent in April 2020. Despite the decline in the vacancy rate, the pace of home sales has slowed sharply, and the for-sale inventory rose to 2.5 months of supply during August 2023, up from 2.0 months a year earlier (Bright MLS, Inc.), partly because of continued net out-migration and rising mortgage interest rates. For context, the average interest rate of a 30-year fixed-rate mortgage was 7.2 percent during August 2023, up from 5.6 percent in August 2022 and 2.9 percent during August 2020 and 2021 (Freddie Mac).

The rate of seriously delinquent mortgages and real estate owned (REO) properties in the city has generally declined since

Nonfarm payrolls in Baltimore City have surpassed the average during the 3 months ending August 2018.



Note: 3-month average nonfarm payrolls, in thousands.
Source: U.S. Bureau of Labor Statistics

Largest Employers in Baltimore City

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Johns Hopkins Health System Corporation	Education & Health Services	20,845
Johns Hopkins University	Education & Health Services	18,600
University of Maryland Medical System	Education & Health Services	11,450

Note: Excludes local school districts.
Source: Baltimore City Annual Comprehensive Financial Report: Year Ended June 30, 2022

September 2020 after temporarily rising from April to August 2020 because of weak economic conditions caused by the pandemic. As of August 2023, 1.7 percent of home loans were seriously delinquent or in REO status, down from 2.3 and 4.4 percent in August 2022 and 2021, respectively, and from the 6.7-percent rate in August 2020 (CoreLogic, Inc.). Although citywide rates have generally trended with statewide and nationwide rates, the city rates have historically been higher.

During the 12 months ending August 2023—

- A total of 8,475 homes were sold in the city, representing a decrease of 3,675 homes, or 30 percent, from 1 year earlier and compared with a 3-percent decrease during the 12 months

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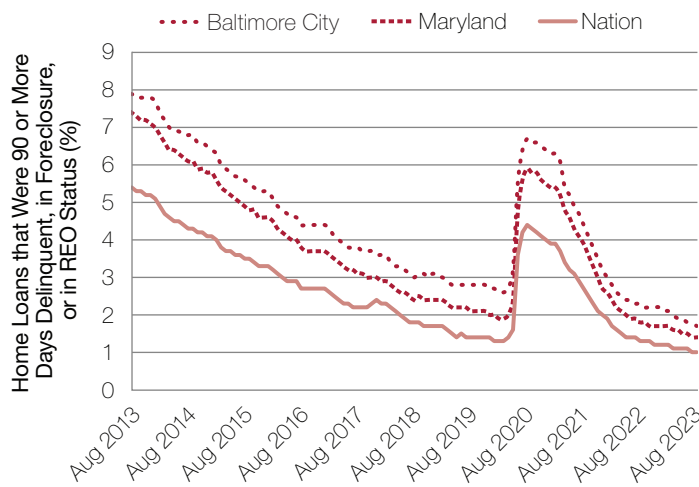
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ending August 2022 (Zonda). By comparison, during the 12 months ending August 2021, when mortgage interest rates were at record low levels, new and existing home sales rose 26 percent, the fastest rate of increase in nearly 20 years.

- The decline in home sales during the past 12 months reflected decreases of 30, 31, and 27 percent in single-family home, townhome, and condominium sales, respectively. Sales of townhomes accounted for 73 percent of total sales, a proportion that has increased since 2012, whereas single-family homes and condominiums accounted for 19 and 8 percent of total home sales, respectively.
- The average home sales price was \$250,400, the highest recorded level, reflecting a 1-percent year-over-year rise, compared with a 9-percent increase during the same period a year earlier (Zonda). By comparison, during the 12 months ending August 2021, prices rose 15 percent, which was the fastest rate in a decade.
- The sales price for single-family homes averaged \$333,900, the highest in the city because of the limited availability of these homes, and the sales price for townhomes averaged \$223,100, the lowest average home sales price of all sale types. By comparison, condominium sales prices averaged \$304,700 during the 12 months ending August 2023.

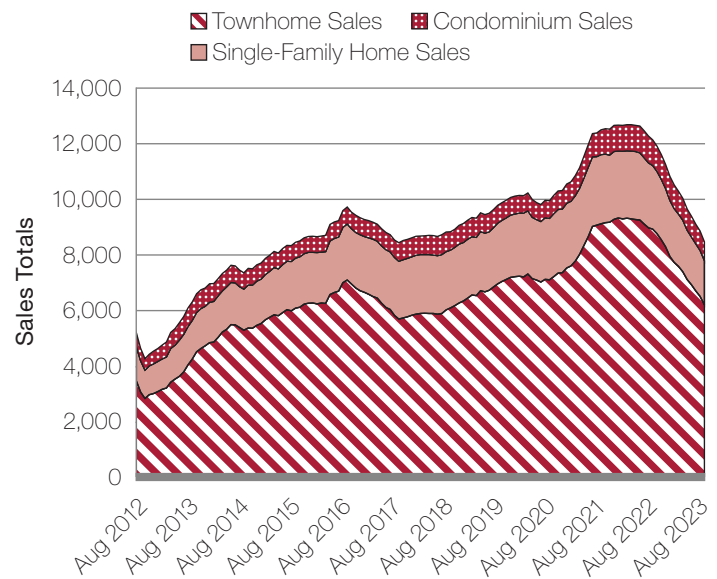
Homebuilding activity, as measured by the number of single-family homes permitted, has been relatively low since 2017 compared with the 2014-through-2016 period, despite an increase in 2021, when interest rates were at the lowest level and home sales surged.

The rate of seriously delinquent mortgages and REO properties in Baltimore City is below the prepandemic rate, following significant increases from April 2020 to August 2020.



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

Townhome sales accounted for 73 percent of total home sales in Baltimore City during the past year, a proportion that has increased since 2012.

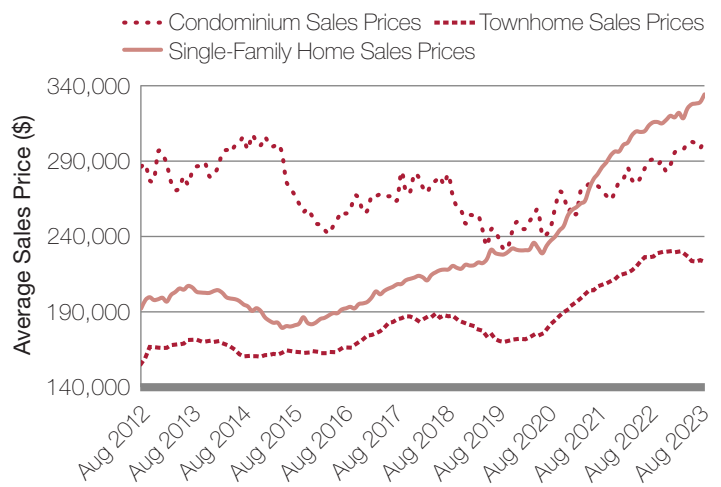


Note: Sales are for new and existing homes. Source: Zonda

- The number of single-family homes permitted decreased 24 percent to 130 homes during the 12 months ending August 2023, compared with the 170 homes permitted a year earlier (preliminary data). By comparison, homebuilding activity in the state and the nation declined 5 and 17 percent, respectively, during the recent 12-month period.

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Single-family home sales prices have been higher than condominium sales prices since the 12 months ending June 2021, whereas townhome sales prices have consistently been lower.



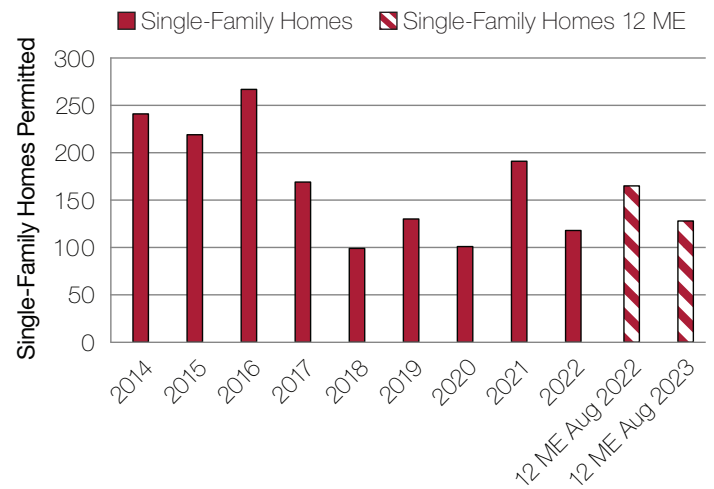
Note: Prices are for new and existing homes. Source: Zonda



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- From 2014 through 2016, an average of 240 homes were permitted annually in the city—a figure that declined to an average of 130 homes annually from 2017 through 2020, rose to 190 homes in 2021, and declined to 120 homes in 2022.
- A relatively limited supply of developable land in the city has led to higher density housing development, such as townhomes, including the 108-townhome Banner Row community in the southern portion of the city. Construction at the community began in 2020, and the second phase of the remaining 54 townhomes is underway, with sales prices for these townhomes starting at \$589,900.

Single-family permitting in Baltimore City has been at relatively low levels since 2017.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

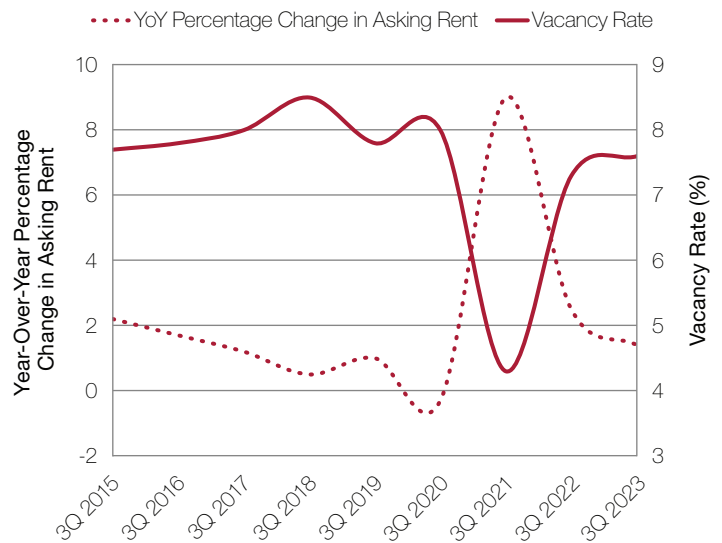
Apartment Market Conditions

Apartment market conditions in Baltimore City have been balanced since the third quarter of 2020, with the exception of slightly tight conditions as of the third quarter of 2021. Conditions remained balanced but eased during the recent quarter because deliveries of new rental units more than doubled from the third quarter of 2021, and unit absorption declined 71 percent (CoStar Group). The recent vacancy rate is lower than the 8.0-percent rate as of the third quarter of 2020, however, when COVID-19-related social distancing restrictions led some households with the means and expected long-term work-from-home options to transition to homeownership in and outside the city.

As of the third quarter of 2023—

- The apartment vacancy rate was 7.6 percent, up from 7.3 percent as of the third quarter of 2022 and the 4.3-percent rate as of the third quarter of 2021—the lowest third quarter rate in more than 20 years (CoStar Group). Nationally, the apartment vacancy rate was 7.0 percent as of the third quarter of 2023, up from 5.9 percent a year earlier.
- The average rent in the city rose 1 percent year over year to \$1,477, compared with a 3-percent increase 1 year earlier and a 9-percent increase from the third quarter of 2020 to the third quarter of 2021. In the nation, the average rent rose 1 percent from a year ago to \$1,668 as of the third quarter of 2023.
- The apartment vacancy rate rose in 5 of the 9 CoStar Group-defined market areas that make up the city, ranging

The apartment vacancy rate increased slightly as of the third quarter of 2023 from a year earlier, and the average rent increased at a slower rate.



3Q = third quarter. YoY = year-over-year.
Source: CoStar Group

from a 0.1-percentage point increase to 4.3 percent in the North Baltimore City market area to an increase of 7.0 percentage points to 15.4 percent in the Federal Hill market area, the area with the highest vacancy rate in the city. The

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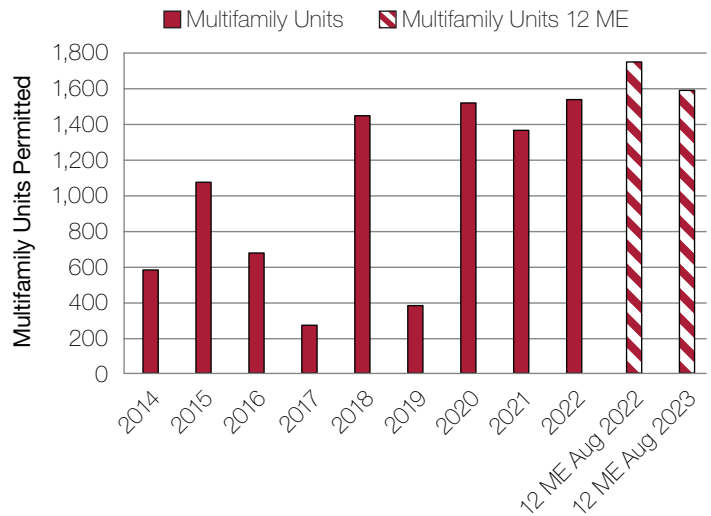
large increase in the latter area was partly due to nearly 460 units being delivered in the past 12 months, compared with 280 units delivered 1 year earlier.

- Apartment rents rose in six of the nine market areas in the city, ranging from a nearly 1-percent increase in the Federal Hill market area, where the average rent rose to \$2,130—the highest rent in the city—to a 5-percent increase to \$1,415 in the East Baltimore market area.

Multifamily building activity, as measured by the number of units permitted, decreased during the past 12 months in response to easing apartment market conditions in the city, but permitting has been at a relatively elevated level since 2020 compared with the 2014-through-2019 period. Condominium construction accounted for 3 and 10 percent of multifamily construction during 2014 and 2015, respectively, but no new condominium construction has occurred since 2016.

- During the 12 months ending August 2023, nearly 1,600 multifamily units were permitted, down 9 percent from the 1,750 units permitted during the same period a year earlier (preliminary data). By comparison, multifamily building activity in the state and the nation declined 15 and 11 percent, respectively, during the recent 12-month period.
- Multifamily building activity in Baltimore City averaged 650 units annually from 2014 through 2017 and rose to 1,450 units during 2018 before declining to 380 units in 2019. Permitting increased to an average of 1,475 units a year from 2020 through 2022.
- Nearly 20 apartment properties, with 3,050 units, are under construction in the city. Approximately 89 percent of the units under construction are in the Downtown Baltimore and the Canton market areas, highly urbanized areas with access to amenities such as restaurants and entertainment.

Multifamily building activity in Baltimore City decreased during the 12 months ending August 2023 but has been at a relatively elevated level since 2020.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

- In the Downtown Baltimore market area, Vivo Living Baltimore, with 551 market-rate apartment units, is expected to be complete by December 2024. The property is a conversion of two hotel towers and will include studio, one-bedroom, and two-bedroom units, with rents averaging \$988, \$1,346, and \$1,596, respectively.
- Construction in the Canton market area includes Yard 56, a mixed-used market-rate property with 225 units, medical office space, 100,000 square feet of retail space, and a 600-car parking garage. The first move-ins at the property start in September 2023, but construction is expected to be complete in November 2023.



Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes regular resales and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Lease Up	Refers to apartments that have been recently completed and have yet to reach an occupancy level deemed stabilized.
Net Natural Decline	Resident deaths are greater than resident births.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Stabilized	An apartment property is stabilized once a 90-percent or above occupancy rate is reached or at least 18 months have passed since the property was completed.

B. Notes on Geography

1. The metropolitan area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.