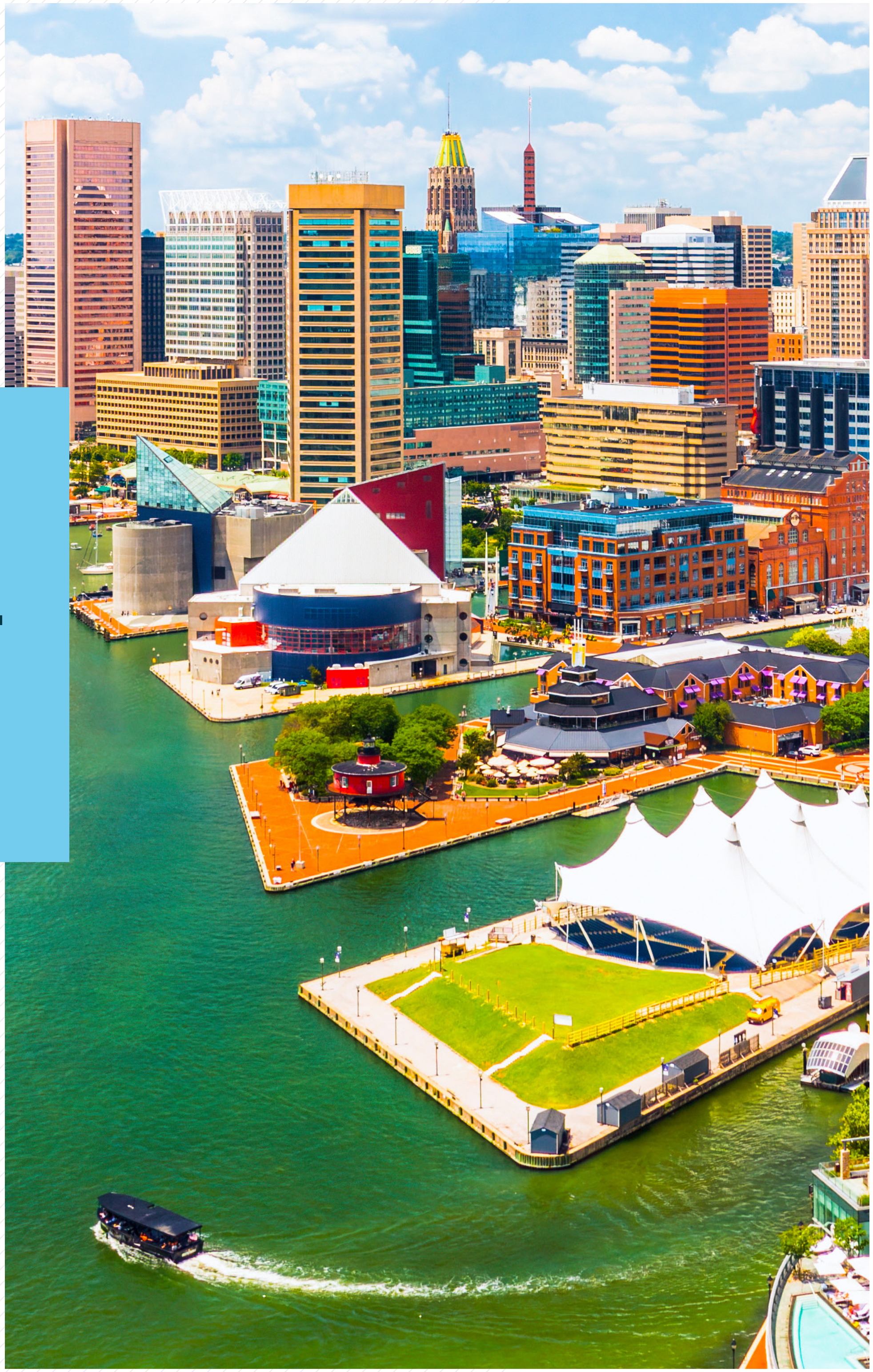
COMPREHENSIVE HOUSING MARKET ANALYSIS

Baltimore-Columbia-Towson, Maryland



U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of June 1, 2023

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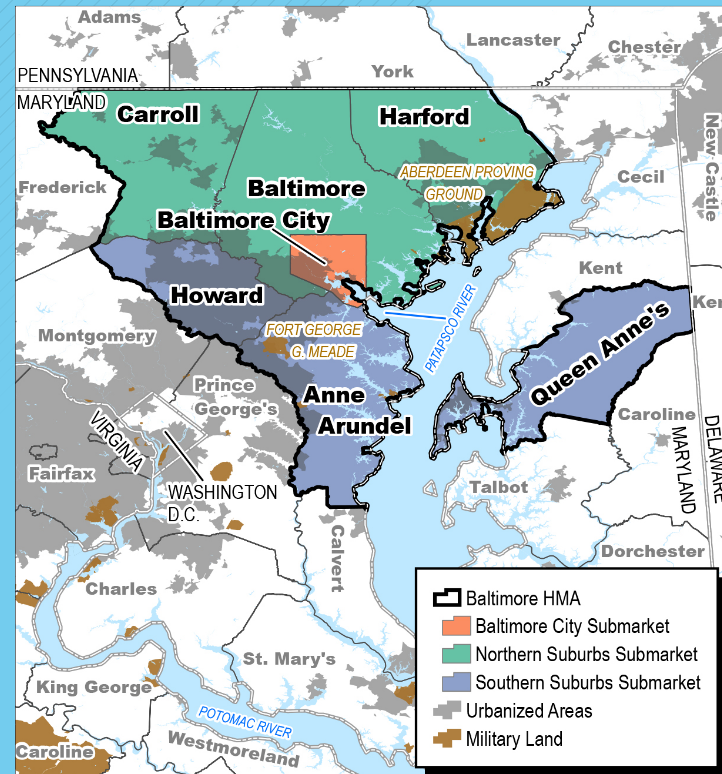
Executive Summary

Housing Market Area Description

The Baltimore-Columbia-Towson Housing Market Area (hereafter, Baltimore HMA), which includes six counties and one independent city, is coterminous with the Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA). For purposes of this report, the HMA is divided into three submarkets: (1) the Baltimore City submarket, which includes the independent city of Baltimore; (2) the Northern Suburbs submarket, which consists of Baltimore, Carroll, and Harford Counties; and (3) the Southern Suburbs submarket, which includes Anne Arundel, Howard, and Queen Anne's Counties.

The current population of the HMA is estimated at 2.83 million.

Situated in north-central Maryland along the Interstate 95 corridor, the HMA is adjacent to the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (hereafter, Washington, D.C. metropolitan area), and the city of Baltimore is only 40 miles northeast of Washington, D.C. Once a predominantly industrial area, the HMA economy has transitioned from goods producing to service providing, and education and health services has become the largest nonfarm payroll sector.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Recovering: Although nonfarm payrolls in the Baltimore HMA are 5.2 percent above the 2020 level (when the COVID-19 pandemic contributed to severe job loss), the current level is 2.0 percent below the prepandemic high, which occurred during 2019.

During the 12 months ending May 2023, nonfarm payrolls in the HMA rose 1.2 percent, or by 17,000 jobs, to nearly 1.40 million compared with a 4.1-percent increase during the same period a year earlier. During the recent 12-month period ending May 2023, 8 of 11 sectors added jobs, with the largest and fastest gains in the leisure and hospitality sector, which expanded by 6,200, or 5.3 percent. The unemployment rate in the HMA was 2.9 percent during the 12 months ending May 2023, down from 4.0 percent a year ago. During the next 3 years, job growth in the HMA is expected to moderate slightly at an average rate of 1.1 percent annually.

Sales Market

Tight but Easing: During May 2023, the HMA had 1.3 months of available for-sale inventory, up from 0.9 months a year earlier (Bright MLS, Inc.).

The sales vacancy rate is estimated at 1.5 percent, down from 1.6 percent in April 2020 and 2.1 percent in April 2010 when conditions were slightly soft. Rising mortgage interest rates contributed to a significant decline in sales activity in the HMA during the past year, and home sales price growth slowed markedly. During the 12 months ending May 2023, home sales declined 30 percent from a year ago (Zonda). The average home sales price rose 4 percent during the 12 months ending May 2023, following an 8-percent increase during the 12 months ending May 2022. During the 3-year forecast period, demand is expected for 11,950 new homes. The 1,640 homes under construction are expected to meet a portion of that demand.

Rental Market

Slightly Soft: The overall rental vacancy rate is currently estimated at 8.7 percent, up from 8.3 percent in April 2020 and 8.4 percent in April 2010.

Rental market conditions in the HMA are slightly soft. Apartment market conditions in the HMA are also slightly soft, with a vacancy rate of 7.0 percent during the second quarter of 2023, up from 4.6 percent a year earlier (CoStar Group). An increased level of new apartment completions contributed to increasing vacancy rates. At the same time, apartment rent growth moderated significantly during the past year. The average rent in the HMA increased 2 percent year over year to $1,634 as of the second quarter of 2023, following a 7-percent increase in the previous year. During the forecast period, demand is expected for 4,565 rental units. The 6,725 units under construction are expected to satisfy all the demand in the Baltimore City and Northern Suburbs submarkets and a portion of the demand in the Southern Suburbs submarket.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Baltimore HMA Total	Baltimore City Submarket	Northern Suburbs Submarket	Southern Suburbs Submarket	Baltimore HMA Total	Baltimore City Submarket	Northern Suburbs Submarket	Southern Suburbs Submarket
Total Demand	11,950	No Units	4,100	7,850	4,565	15	1,425	3,125
Under Construction	1,640	20	520	1,100	6,725	3,525	1,975	1,225

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2023. The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Economic Conditions

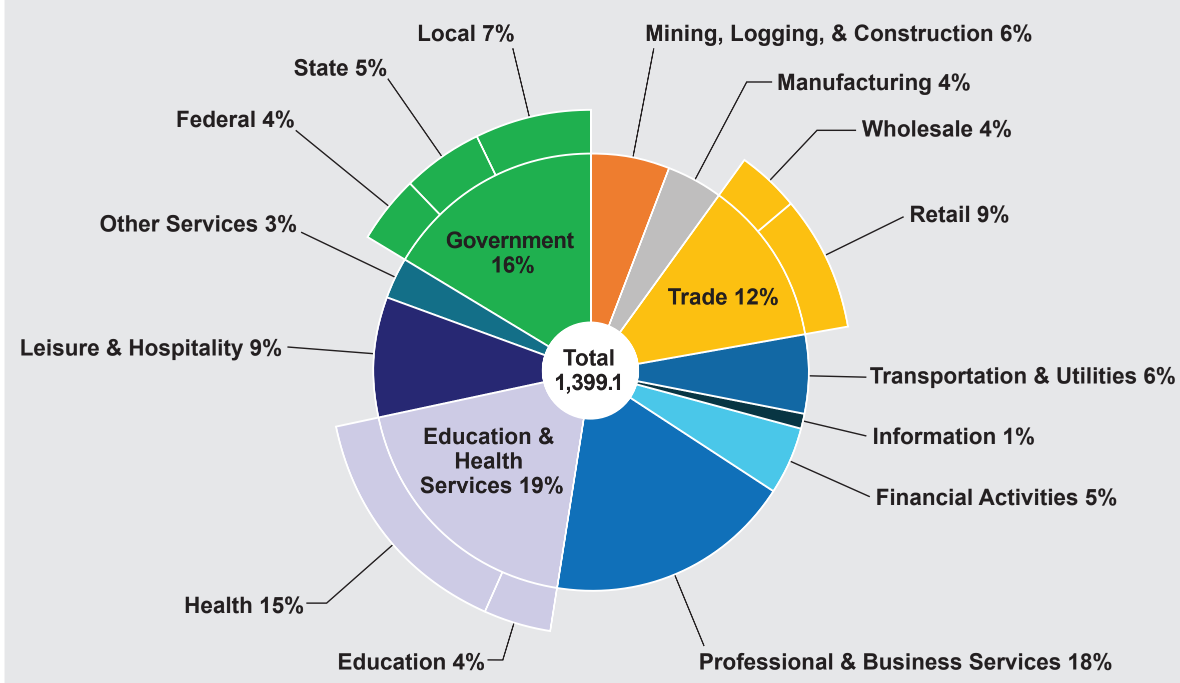
Largest Sector: Education and Health Services

More than three-quarters of education and health services sector jobs in the Baltimore HMA are in the healthcare and social assistance industry.

Primary Local Economic Factors

The education and health services, the professional and business services, and the government sectors are the three largest sectors in the HMA, accounting for 19, 18, and 16 percent of all nonfarm payrolls, respectively (Figure 1). Since 2001, the education and health services sector has added the most jobs of any sector despite losses during the COVID-19 pandemic. The sector includes Johns Hopkins University and The Johns Hopkins Health System Corporation—the second and fourth largest employers in the HMA (Table 1). In 2022, the combined economic impact of the university and health system totaled $15.1 billion throughout Maryland (Johns Hopkins University and Medicine Economic Impact Report, 2022). The impact was especially notable in the Baltimore City submarket, where the combined economic impact of the university and health system was $7.3 billion. In addition to Johns Hopkins University, the HMA is home to more than 20 public and private colleges and universities. Partly because the HMA has several institutions of higher education and its proximity to Washington, D.C., several companies have headquarters in

Figure 1. Share of Nonfarm Payroll Jobs in the Baltimore HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2023.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Baltimore HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort George G. Meade	Government	62,680
Johns Hopkins University	Education & Health Services	25,800
U.S. Army Aberdeen Proving Ground	Government	21,000
The Johns Hopkins Health System Corporation	Education & Health Services	20,985
Amazon.com, Inc.	Wholesale & Retail Trade	14,900
Social Security Administration/Centers of Medicare & Medicaid Services	Government	13,746
State of Maryland	Government	12,256
MedStar Health	Education & Health Services	10,974
Baltimore/Washington International Thurgood Marshall Airport	Transportation & Utilities	9,717
Northrop Grumman Corporation	Manufacturing	9,500

Notes: Excludes local school districts. Data include military personnel, who are generally not included in payroll survey data. Payroll data at Fort George G. Meade and U.S. Army Aberdeen Proving Ground include private contractors.
Source: Annual Comprehensive Financial Reports for the Year Ended June 30, 2022

the HMA, including four Fortune 1000 companies: Constellation Energy Corporation, ranked 162nd on the Fortune 1000 list; T. Rowe Price Group, Inc., ranked 537th; McCormick & Company, Inc., ranked 548th; and Under Armour, Inc., ranked 594th (2022 Fortune 1000). The concentration of corporate headquarters has the greatest effect on the professional and business services sector, which has been the second largest payroll sector since 2016. The HMA is also home to two military bases, Fort George G. Meade (hereafter, Fort Meade) and U.S. Army Aberdeen Proving Ground (APG), the first and third largest employers in the HMA, respectively. In 2016, the combined economic impact of the military bases on the state of Maryland was $26.78 billion, accounting for approximately 7 percent of all statewide economic output (Maryland Military Installation Economic Impact Study).

Current Conditions—Nonfarm Payrolls

Although the number of jobs in the HMA is higher than in 2020, when the COVID-19 pandemic caused significant job loss, economic conditions in the HMA are in recovery from 2019, when jobs reached the highest level on record. However, job growth is slowing. During the 12 months ending May 2023, nonfarm payrolls rose by 17,000 jobs, or 1.2 percent, from a year earlier to nearly 1.40 million jobs (Table 2) compared with a 4.1-percent gain during the 12 months ending May 2022. Even

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Baltimore HMA, by Sector

	12 Months Ending May 2022	12 Months Ending May 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,382.1**	**1,399.1**	**17.0**	**1.2**
Goods-Producing Sectors	138.6	141.2	2.6	1.9
Mining, Logging, & Construction	80.0	82.8	2.8	3.5
Manufacturing	58.7	58.4	-0.3	-0.5
Service-Providing Sectors	1,243.5	1,257.9	14.4	1.2
Wholesale & Retail Trade	173.9	174.8	0.9	0.5
Transportation & Utilities	77.5	78.5	1.0	1.3
Information	16.7	16.4	-0.3	-1.8
Financial Activities	76.7	76.7	0.0	0.0
Professional & Business Services	249.7	250.2	0.5	0.2
Education & Health Services	263.0	267.1	4.1	1.6
Leisure & Hospitality	117.2	123.4	6.2	5.3
Other Services	47.3	48.5	1.2	2.5
Government	221.6	222.4	0.8	0.4

Notes: Based on 12-month averages through May 2022 and May 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

with the recent job gains, nonfarm payrolls in the HMA were 2.0 percent below the 2019 level, and 8 of 11 sectors had fewer jobs than in 2019. By comparison, nonfarm payrolls in the nation rose at a 3.5-percent rate during the 12 months ending May 2023 and are 2.1 percent above the prepandemic high.

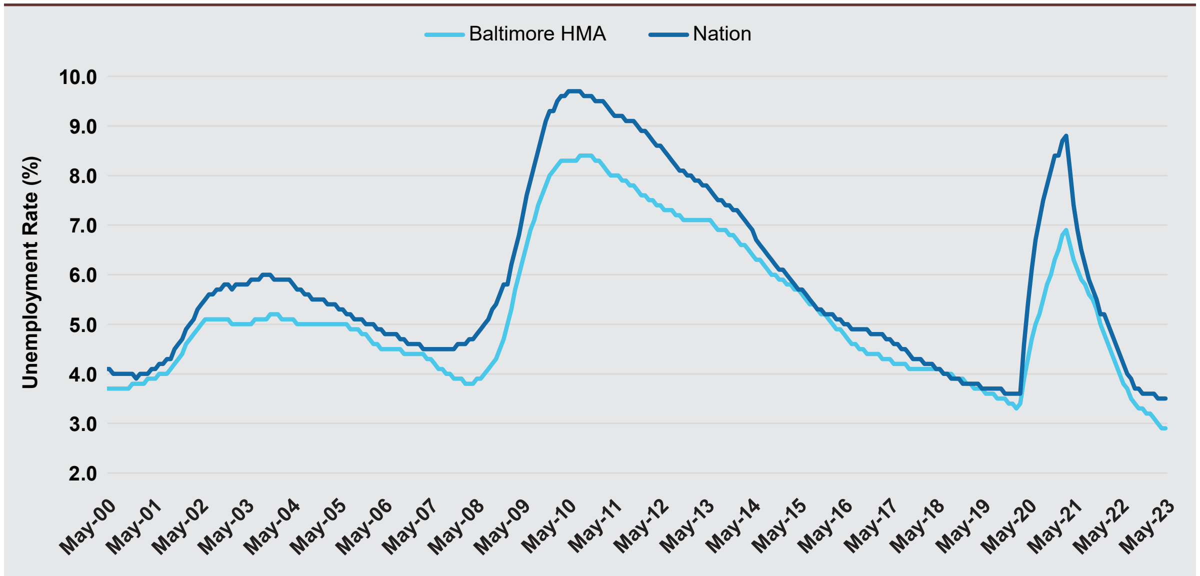
Job growth in the HMA occurred in 8 of the 11 payroll sectors during the 12 months ending May 2023. The largest and fastest gains occurred in the leisure and hospitality sector, which accounted for nearly 36 percent of net job gains, up by 6,200 jobs, or 5.3 percent, compared with a 17.3-percent growth rate during the 12 months ending May 2022. The new Topgolf Baltimore, which opened in October 2022 and hired approximately 500 employees, partly contributed to sector growth during the past 12 months. The facility is part of The Walk at Warner Street in the entertainment district of downtown Baltimore, which is near Horseshoe Casino Baltimore and slightly south of Camden Yards, where the Major League Baseball Baltimore Orioles play, and M&T Bank Stadium, home of the National Football League Baltimore Ravens. During the 12 months ending May 2023, the education and health services sector grew by 4,100 jobs, or 1.6 percent, compared with a 1.2-percent gain the previous year. The expected October 2023 completion of the three-story, 117,000-square-foot building at Greater Baltimore Medical Center, affiliated with The

Johns Hopkins Health System Corporation, partly contributed to job growth during the most recent 24 months. A future phase is expected to be complete in the fall of 2024, including a two-story, 70,000-square-foot pavilion to house the Sandra and Malcolm Berman Cancer Institute. Additional job growth occurred in the mining, logging, and construction; the transportation and utilities; and the professional and business services sectors, which added 2,800, 1,000, and 500 jobs, or 3.5, 1.3, and 0.2 percent, respectively. Gains in the three sectors resulted in each sector surpassing 2019 job levels. During the 12 months ending May 2023, jobs in the financial activities sector were unchanged from 1 year earlier, whereas the manufacturing and the information sectors each lost 300 jobs from a year earlier.

Current Conditions—Unemployment

The labor market in the HMA is currently tight, with an unemployment rate at its lowest level since 2019, when the rate was 3.4 percent—which, at the time, was the lowest unemployment rate in the HMA since 2000. During the 12 months ending May 2023, the unemployment rate averaged 2.9 percent, down from 4.0 percent during the previous 12 months (Figure 2). The decline in the unemployment rate during the past year is due to employment growth combined with a decline in the labor force. The current resident employment level is 4 percent below the 2019 level, whereas the labor force level is 5 percent below the 2019 level. The unemployment rate in the HMA has been historically below the national average.

Figure 2. 12-Month Average Unemployment Rate in the Baltimore HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

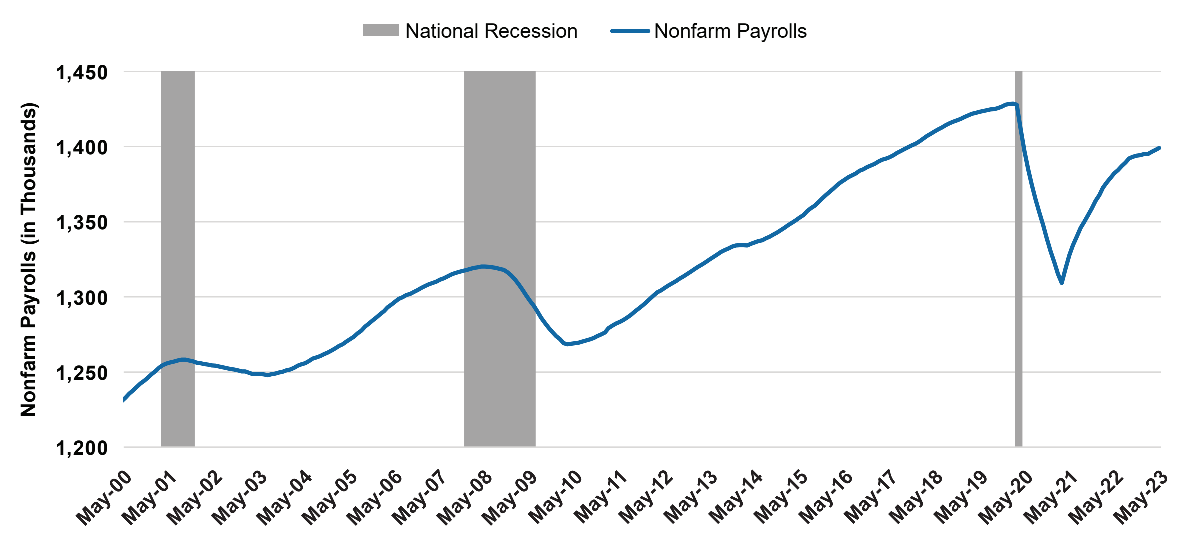
2001 Through 2007—Contraction and Expansion

After peaking at 1.26 million jobs in 2001, the economy in the HMA contracted slightly in 2002 (Figure 3), with nonfarm payrolls down by 5,800 jobs, or 0.5 percent. By comparison, jobs declined 1.1 percent nationally during the same period. During 2002, 6 of 11 sectors in the HMA lost jobs, and the manufacturing sector led declines, down by 6,800, or 7.3 percent. Following the decline, nonfarm payrolls in the HMA increased each year from 2003 through 2007, up an average of 13,500 jobs, or 1.1 percent, a year, matching the national average annual pace. The education and health services and the professional and business services sectors led growth, adding an average of 4,900 and 3,400 jobs, respectively, or 2.4 and 1.9 percent, each year. The manufacturing sector declined by an average of 2,700 jobs, or 3.4 percent, a year, partially offsetting payroll gains.

2008 and 2009—Impact of the Great Recession

The Great Recession affected the HMA with 2 years of job losses. Nonfarm payrolls decreased by an average of 21,900 jobs, or 1.7 percent, a year during 2008 and 2009. By comparison, the nation averaged an annual decline of 2.4 percent during the same period. Job losses were widespread in the HMA, but the wholesale and retail trade; the mining, logging, and construction; and the professional and business services sectors led declines, with average annual losses accounting for a combined 19,000 jobs. Declines in the manufacturing sector accelerated from the previous period, down an average of 3,600 jobs, or 5.0 percent, each year. Partially offsetting losses in the HMA, the education and health services and the government sectors added jobs, averaging 6,000 and 3,000 jobs, respectively, or 2.7 and 1.4 percent, annually. Significant job gains at Fort Meade and APG because of ongoing U.S. Department of Defense Base Realignment and Closure (BRAC) Commission activities from 2005 through 2011 largely contributed to job growth in the government sector.

Figure 3. 12-Month Average Nonfarm Payrolls in the Baltimore HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2010 Through 2019—Recovery and Expansion

Following the local economic contraction from the Great Recession, jobs increased every year in the HMA from 2010 through 2019, and the HMA surpassed 2007 nonfarm payroll levels in 2013. From 2010 through 2019, payroll growth averaged 15,400 jobs, or 1.1 percent, annually, slower than the average annual growth rate of 1.5 percent for the nation. Within the HMA, 6 of the 11 sectors added jobs during the 10-year period. The professional and business services and the education and health services sectors—which increased by averages of 6,200 and 4,700 jobs, or 2.9 and 1.9 percent, annually, respectively—led job growth during this period. An average of 2,500 jobs, or 2.0 percent, were added annually in the leisure and hospitality sector, partly because the Horseshoe Casino Baltimore, a 260,000-square-foot gaming facility, opened in 2014. During this period, the manufacturing sector declined an average of 600 jobs, or 0.9 percent, a year, because an average gain of 1,000 jobs annually from 2016 through 2019 did not offset an average annual loss of 1,600 jobs a year from 2010 through 2015.

2020—Job Losses During the Onset of the COVID-19 Pandemic

Nonfarm payroll loss in the HMA during 2020 was more severe compared with the nation. Nonfarm payrolls in the HMA decreased by 97,400 jobs, or 6.8 percent, during 2020 compared with a 5.8-percent decline nationally. Measures implemented to limit the pandemic contributed to job losses in 10 of 11 nonfarm payroll sectors in the HMA, with the largest and fastest decline in the leisure and hospitality sector, which fell by 37,700 jobs, or 27.1 percent. Job losses in the sector were largely due to significant limitations on travel and in-person contact during the year. Approximately 78 percent of the decline in the sector was in the accommodation and food services industry, which was down by 29,300 jobs, or 25.5 percent. The only sector that added jobs in 2020 was the transportation and utilities sector, which increased by 4,600 jobs, or 7.3 percent, partly because of a shift to online spending and the transportation of e-commerce goods.

2021 and 2022—Economic Recovery

The subsequent easing of restrictions to slow the spread of COVID-19 contributed to job growth in the HMA during 2021 and 2022. However, job growth was slower than in the nation. During the 2-year period, nonfarm payrolls in the HMA increased by an average of 32,000 jobs, or 2.4 percent, annually compared with an average annual 3.6-percent rise nationwide. Within the HMA, gains were largest in the leisure and hospitality, the professional and business services, and the transportation and utilities sectors, which increased by averages of 9,700, 9,500, and 5,300 jobs, or 9.1, 4.0, and 7.5 percent, annually, respectively. In the leisure and hospitality sector, increased tourism to the HMA partially contributed to gains. During 2022, the average occupancy rate at hotels was 63.0 percent, up from the average rate of 43.7 percent during 2020 (CoStar Group). The resumption of in-person work contributed to significant gains in the professional and business services sector. All transportation and utilities sector job gains were in the transportation and warehousing subsector. Additional job gains occurred in the manufacturing sector, which was up by 200 jobs, or 0.3 percent, annually. Losses in the financial activities sector—which declined annually by an average of 400 jobs, or 0.5 percent, when increasing interest rates reduced the demand for purchase and refinance mortgages—partially offset these gains.

Commuting Patterns

During 2020, more than 77 percent of the people who worked in the HMA also resided in the HMA (U.S. Census Bureau, OnTheMap 2020). The rest of the workers commuted from outside the HMA, including from the Washington, D.C. metropolitan area, where approximately 13 percent of all workers in the HMA resided. Among the working residents of the HMA, 79 percent were employed in the HMA, whereas more than 16 percent of the working residents of the HMA commuted into the Washington, D.C. metropolitan area for their jobs.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.1 percent annually, with the strongest growth expected during the second year. Nonfarm payrolls are projected to exceed 2019 levels during the third year of the forecast period. Job growth is expected to continue in the education and health services and the professional and business services sectors. 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 laboratory space, conference rooms, and other spaces. In addition, a new T. Rowe Price headquarters building is currently under construction in the Canton market area in the city of Baltimore, which will accommodate 1,700 employees when complete in 2024. Job growth in the manufacturing sector is expected to continue during the next 3 years. This growth is expected partly because United Safety Technology, a personal protective equipment manufacturer, plans to open a 735,000-square-foot facility in Baltimore County. When construction is complete in 2023, the facility is projected to manufacture more than 9 billion gloves annually, creating up to 2,000 new jobs. Leisure and hospitality sector jobs also are expected to continue rising, because Paramount Baltimore, a 4,000-seat music hall, is expected to open in the next year at The Walk at Warner Street. Additional plans for the entertainment district include a hotel, retail buildings, and a 30,000-square-foot bar.

Population and Households

Current Population: 2.83 Million

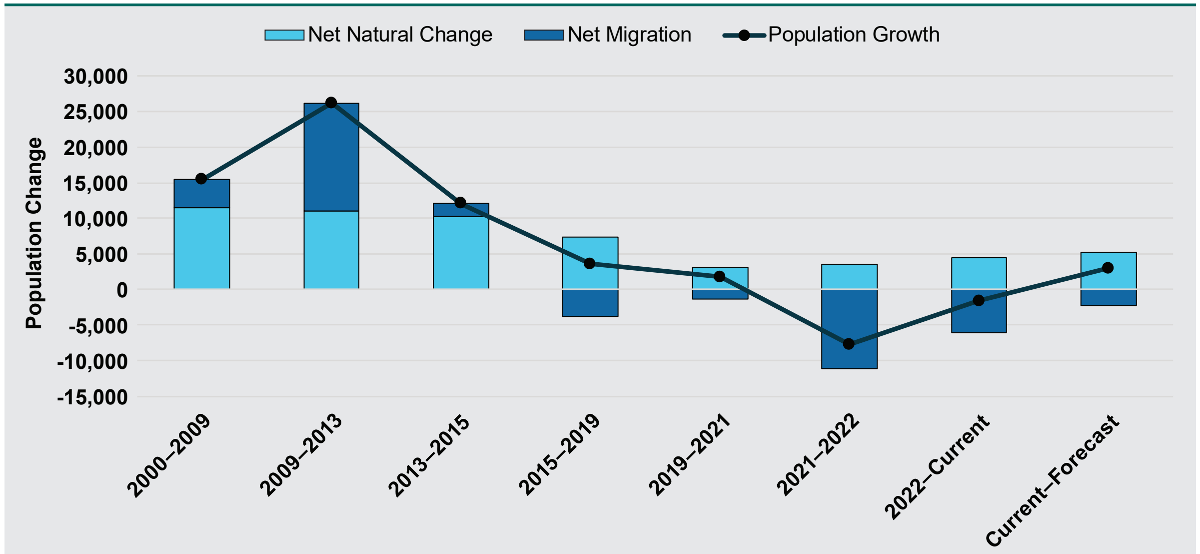
Following a relatively high population decline from 2021 to 2022, population loss has slowed since 2022 because of rising net natural increase and lower net out-migration.

Population Trends

Baltimore HMA

Population growth was relatively high from 2000 to 2015 but has subsequently slowed and declined because of a transition to net out-migration and lower net natural increase. From 2000 to 2009, a period of fluctuating economic conditions, the population rose an average of 0.6 percent annually (Census Bureau decennial census counts and population estimates as of July 1). During the period, net natural increase averaged 11,500 people annually, and net in-migration averaged 3,950 people a year (Figure 4). Population growth accelerated to an average of 1.0 percent annually from 2009 to 2013 in response to economic recovery during much of the period and job gains at Fort Meade and APG due to BRAC activities. From 2009 to 2013, net natural increase and net in-migration averaged 11,150 and 15,100 people annually, respectively. Net in-migration slowed to an average of 1,750 people a year from 2013 to 2015, partly because of the completion of BRAC-related expansions at the bases in 2011. At the same time, net natural increase averaged 10,350 people a year, contributing to an average population growth of 0.4 percent annually. When economic conditions lagged in the Baltimore HMA, relative to the nation, a shift to net out-migration occurred from 2015 to 2019, averaging 3,750 people a year because of greater job opportunities elsewhere. Combined with an average net natural increase of 7,400 people annually, the population rose an average of 0.1 percent a year.

Figure 4. Components of Population Change in the Baltimore HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2023) to June 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

After these relatively long periods of change, the pandemic caused periods of change to shorten and vary. When economic conditions deteriorated nationwide in 2020, net out-migration from the HMA slowed to an average of 1,350 people a year from 2019 to 2021 because of a lack of job opportunities elsewhere. However, population growth was relatively unchanged at an average annual 0.1 percent, because net natural increase slowed to an average of 3,150 people a year. Subsequently, from 2021 to 2022, when job growth accelerated nationwide, net out-migration from the HMA hastened to an average of 11,150 people, more than offsetting net natural increase, which averaged 3,475 people and caused the population to decline 0.3 percent. Since 2022, job growth has slowed nationwide, and net out-migration from the HMA has averaged 6,000 people annually, whereas net natural increase has averaged 4,400 people, resulting in an average population loss of 0.1 percent to an estimated 2.83 million as of June 1, 2023. In addition, the number of births has increased, and the number of deaths has declined, following a period of opposite trends at the start of the pandemic.

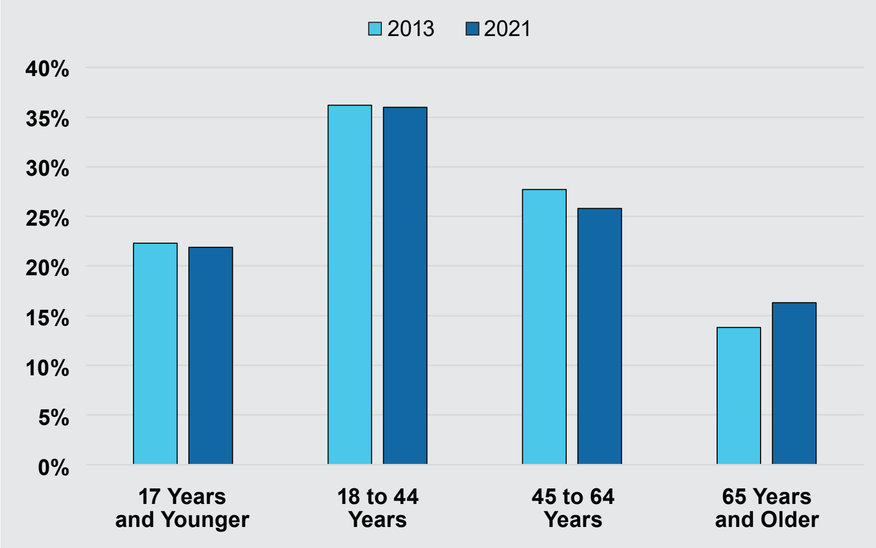
Age Cohort Trends in the HMA

Slowing net natural increase since 2013 is partly due to an aging population. The number of people at or above retirement age—generally defined as residents aged 65 and older—increased an average of 2.4 percent annually from 2013 to 2021, and it was the fastest growing age cohort (2013 and 2021 American Community Survey [ACS] 1-year data). At the same time, the number of residents aged 18 to 44, which includes students, military personnel, and early- to mid-career residents, increased an average of 0.2 percent annually, accounting for 36 percent of the population—nearly unchanged from 2013 (Figure 5). Residents in the cohort aged 17 and younger rose an average annual 0.1 percent, and the cohort aged 45 to 64 decreased an average of 0.6 percent annually and respectively accounted for 22 and 26 percent of the population in 2021.

Baltimore City Submarket

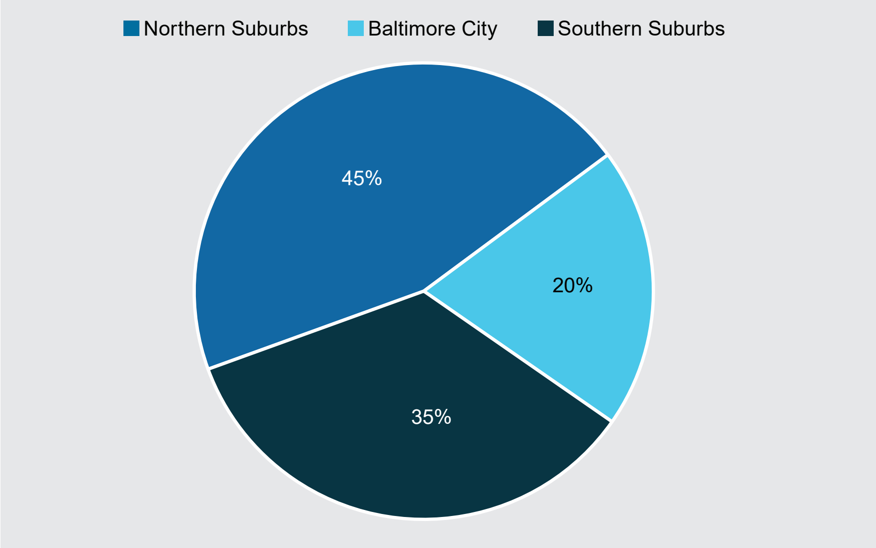
Ongoing net out-migration and slowing net natural increase have caused population loss in the submarket since 2000. Higher levels of net out-migration have resulted since 2015 despite the revitalization of downtown Baltimore, which boosted economic growth and the popularity of urban living. From 2000 to 2015, the population of the submarket decreased each year, down an average of 0.3 percent annually. Population loss during the period was because net out-migration averaged 4,225 people annually, whereas net natural increase averaged 2,300 people a year. From 2015 to 2019, net out-migration accelerated to an average of 9,075 people annually, and net natural increase slowed to an average of 1,325 people a year, causing the population to decline an average of 1.3 percent annually. Since 2019, net out-migration and net natural increase have slowed, averaging 7,075 and 125 people a year, respectively, resulting in an average population loss of 1.2 percent annually. At an estimated population of 563,700 as of June 1, 2023, the submarket accounts for 20 percent of the population (Figure 6) and 3 percent of the land in the HMA.

Figure 5. Population by Age Range in the Baltimore HMA



Source: 2013 and 2021 American Community Survey 1-year data

Figure 6. Current Population in the Baltimore HMA, by Submarket



Source: Estimates by the analyst

Northern Suburbs Submarket

The population has generally grown every year since 2000, except for the most recent period starting in 2021. From 2000 to 2013, the population increased an average of 0.9 percent annually. Net in-migration, attributed to BRAC-related job growth at APG, averaged 7,150 people annually, while net natural increase averaged 3,700 people a year. From 2013 to 2021, when net in-migration and net natural increase slowed to averages of 925 and 1,650 people annually, respectively, population growth averaged 0.2 percent annually. As of June 1, 2023, the population is estimated at nearly 1.29 million, reflecting an average loss of 0.1 percent annually since 2021, because net out-migration averaged 1,500 people a year, more than offsetting net natural increase, which averaged 250 people annually. However, the submarket is the most populous and covers the largest land area in the HMA, accounting for 45 percent of the population and 57 percent of the land area.

Southern Suburbs Submarket

Population growth in the Southern Suburbs submarket has been the strongest among the submarkets in the HMA. From 2000 to 2013, population growth averaged 1.2 percent annually, because net in-migration averaged 4,625, and net natural increase averaged 5,425 people annually. Job growth at Fort Meade, which is in the submarket, largely contributed to net in-migration during the period. From 2013 to 2021, population growth averaged 0.9 percent a year, because net in-migration and net natural increase slowed to averages of 4,250 and 4,100 people a year, respectively. Population growth slowed further from 2021 to 2022, because net out-migration averaged 1,175 people and net natural increase averaged 3,350 people. As of June 1, 2023, the population of the submarket is estimated at 984,800, reflecting an average annual 0.5 percent growth rate since 2022, with net in-migration and net natural increase averaging 1,200 and 3,600 people, respectively.

Household Trends

The rate of household formation in the HMA since 2010 has decelerated compared with 2000 to 2010 because of slower population growth. The number of households in the HMA is currently estimated at 1.11 million, representing an average annual increase of 0.5 percent since 2010 compared with an average annual 0.6 percent rise from 2000 to 2010 (Table 3). Household growth, like population growth, has been strongest in the Southern Suburbs submarket. In the 2000s, household growth averaged 1.3 percent annually in the Southern Suburbs submarket and 0.8 percent annually in the Northern Suburbs submarket, and household growth has averaged 1.0 and 0.4 percent, respectively, annually in each submarket since 2010. In the Baltimore City submarket, households declined averages of 0.3 and less than 0.1 percent from 2000 to 2010 and from 2010 to the current date, respectively.

Table 3. Baltimore HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	2,710,489	2,834,500	2,842,900
	Average Annual Change	15,750	9,400	3,000
	Percentage Change	0.6	0.3	0.1
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	1,038,765	1,107,250	1,114,000
	Average Annual Change	6,465	5,210	2,250
	Percentage Change	0.6	0.5	0.2

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (June 1, 2023) to June 1, 2026.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Military and Student Households

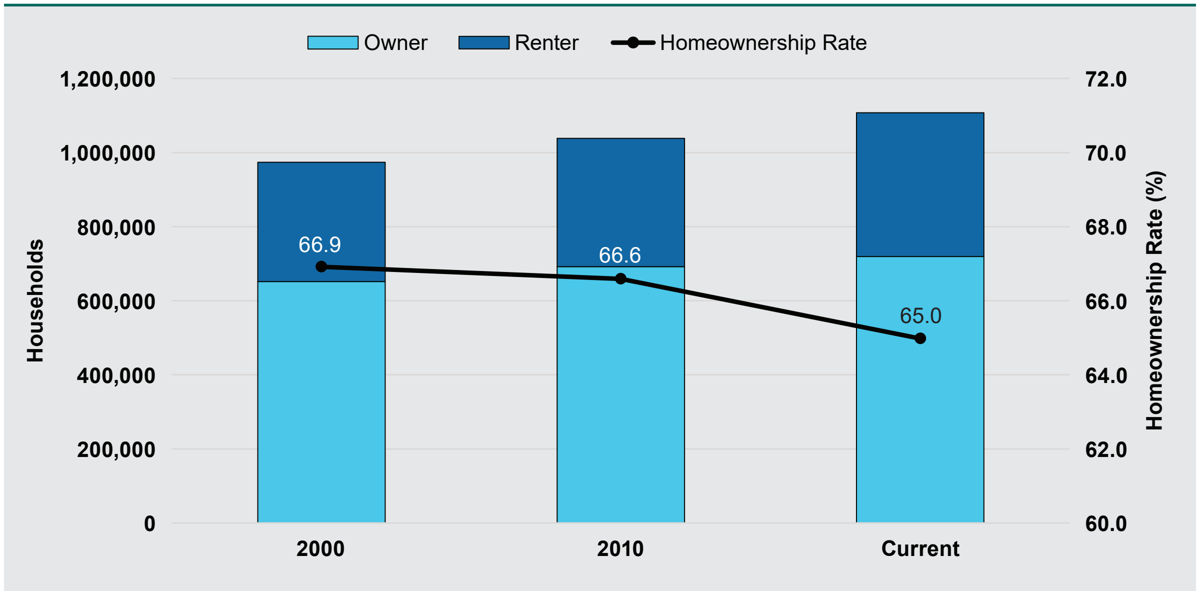
Of the nearly 83,700 active-duty military and civilian personnel at Fort Meade and APG, approximately 39,350 lived in the HMA in 2021, increasing an average of 3 percent a year since 2010 (Defense Manpower Data Center), and the remainder live outside the HMA. In the HMA, approximately 34,200 active-duty military personnel, civilians, and their families live off base. The military provides a monthly basic allowance for housing, ranging from $2,040 to $3,696, and military personnel may use it for rent or to purchase a home off base.

Student enrollment in the HMA rose an average of 2 percent a year from 2010 to 2012 but decreased an average of 1 percent annually from 2013 to 2021 (2010, 2012, and 2021 ACS 1-year data). Of the combined 217,400 students enrolled in higher education institutions in the HMA in 2021, approximately 24,500 were housed in dormitories (Census Bureau, with estimates by the analyst). Of the remaining 192,900 students who live off campus, an estimated 90 percent reside in the HMA. A 600-bed dormitory is under construction in the Baltimore City submarket at Morgan State University. It is expected to be complete in August 2024.

Households by Tenure

Among the households in the HMA, the proportion of homeowners has decreased since 2010 (Figure 7). However, homeownership rates vary by submarket. Like most urban areas, the Baltimore City submarket has a relatively low homeownership rate at 44.3 percent, down from 47.7 percent in 2010. In the Northern Suburbs submarket, the estimated homeownership rate is 69.3 percent, down from 71.2 percent in 2010. Homeownership in the Southern Suburbs submarket is estimated to be the highest in the HMA at 73.2 percent, down from 74.5 percent in 2010.

Figure 7. Households by Tenure and Homeownership Rate in the Baltimore HMA



Note: The current date is June 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 3,000, or 0.1 percent, annually—the same average annual rate of growth from 2015 to 2021. The estimated population in the Baltimore City submarket is expected to decrease an average of 1.3 percent a year, with the total population making up 19 percent of the population in the HMA. Population in the Northern Suburbs and Southern Suburbs submarkets is expected to increase at averages of 0.2 and 0.8 percent annually, respectively.

Household growth in the HMA is expected to average 0.2 percent annually, reaching 1.11 million households by June 1, 2026. Households are expected to decline an average of 0.7 percent annually in the Baltimore City submarket and to rise averages of 0.2 and 0.8 percent annually in the Northern Suburbs and Southern Suburbs submarkets, respectively. The homeownership rate in the HMA is expected to decrease slightly to 64.5 percent, with declines in all three submarkets.

Home Sales Market

Sales Market—Baltimore HMA

Market Conditions: Tight but Easing

During May 2023, the Baltimore HMA had 1.3 months of available for-sale inventory, up from 0.9 months a year earlier (Bright MLS, Inc.).

Current Conditions

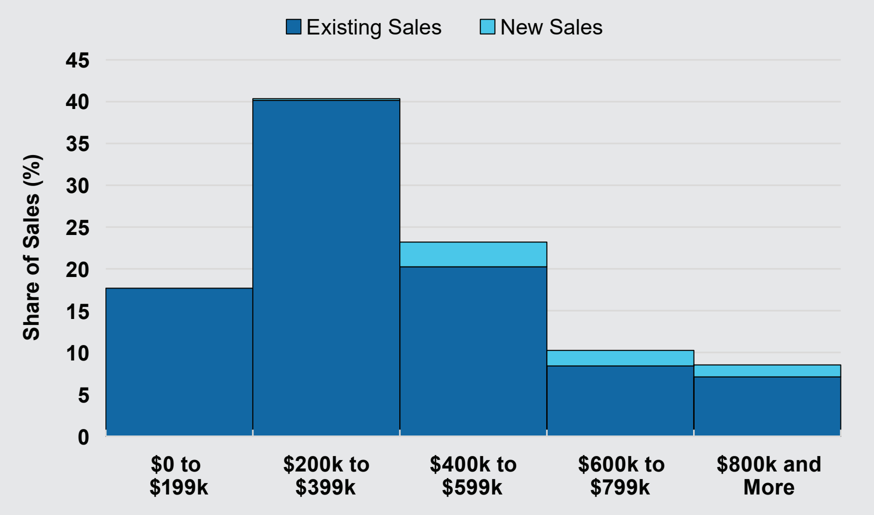
The home sales market in the HMA is currently tight but easing, with an estimated vacancy rate of 1.5 percent (Table 4), down from 1.6 percent in April 2020 and 2.1 percent in April 2010 when conditions were slightly soft. The vacancy rate declined from 2010 through 2019 due to a combination of lower levels of homebuilding activity compared with the early to mid-2000s, declining 30-year fixed-rate mortgage interest rates, and economic growth, which generated increased home sales. In 2020, despite significant job losses from the onset of the pandemic, steady homebuilding activity, and slowing population growth, the sales market tightened further, partially because of declining numbers of homes listed for sale and mortgage interest rates reaching their lowest levels in more than 50 years. Although interest rates have been rising since 2021, conditions have remained tight, but the home sales market has eased from a year ago. During the 12 months ending May 2023, the pace of home sales slowed sharply, although average sales prices continued to increase at slower rates. Record-high sales prices and comparatively elevated mortgage interest rates contributed to slowing sales, exacerbated by continued low levels of available inventory. During May 2023, the HMA had 1.3 months of available for-sale inventory, up from 0.9 months a year earlier (Bright MLS, Inc.). In May 2023, the average interest rate for a 30-year fixed-rate mortgage was 6.6 percent, up from 5.1 and 3.2 percent a year earlier and in May 2020, respectively (Freddie Mac). Home sales declined 30 percent to 41,950 homes during the 12 months ending May 2023 compared with a 1-percent decrease during the 12 months ending May 2022 (Zonda). During the 12 months ending May 2023, the average home sales price rose 4 percent to $411,300, slowing from the 8-percent increase during the same period 1 year earlier. During the most recent 12 months, 81 percent of the homes sold in the HMA were priced at $599,999 and lower (Figure 8).

Table 4. Home Sales Quick Facts in the Baltimore HMA

		Baltimore HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.5%	NA
	Months of Inventory	1.3	2.3
	Total Home Sales	41,950	5,586,000
	1-Year Change	-30%	-28%
	New Home Sales Price	$636,100	$506,600
	1-Year Change	7%	10%
	Existing Home Sales Price	$395,300	$423,800
	1-Year Change	4%	3%
	Mortgage Delinquency Rate	1.6%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2023; and months of inventory and mortgage delinquency data are as of May 2023. The current date is June 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Bright MLS, Inc., and CoreLogic, Inc.; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending May 2023 in the Baltimore HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

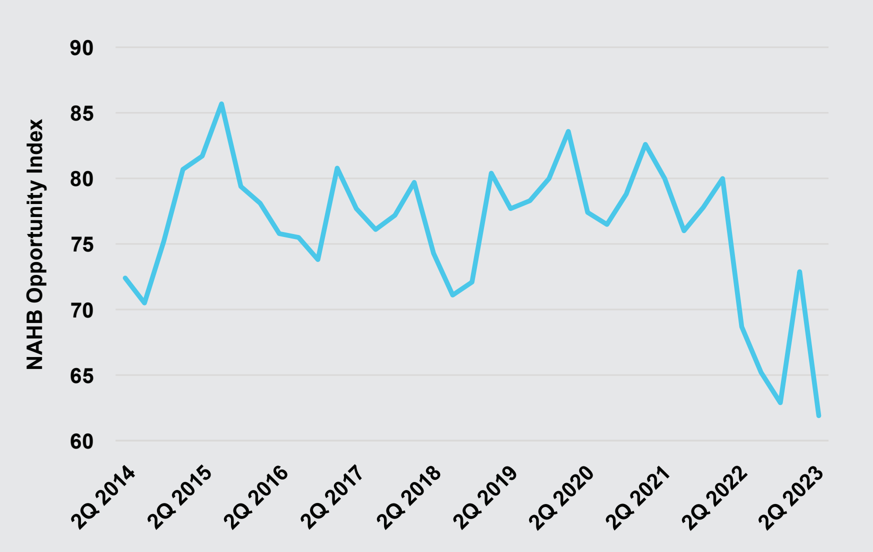
Delinquent Mortgages and Real Estate Owned Properties

The rates of delinquent loans and real estate owned (REO) properties in the HMA declined in 2022 and 2023 after temporarily rising in 2021 because of weak economic conditions related to the pandemic. As of May 2023, 1.6 percent of home loans in the HMA were seriously delinquent (90 days or more delinquent) or in REO status, down from 2.0 percent in May 2022 and the 4.4-percent rate in May 2021, which was the highest rate for May since 2015 (CoreLogic, Inc.). However, that recent peak is lower than during the late-2000s and early-2010s housing crises. In May 2012, the rate of seriously delinquent and REO properties reached a high of 7.8 percent in the HMA. By comparison, the nationwide rate peaked at 8.2 percent in May 2010, was 3.2 percent in May 2021, and declined to 1.1 percent as of May 2023. REO sales were a more significant factor in the HMA from the late 2000s to the late 2010s but have had less effect on the sales market since 2019. As a share of all existing home sales in the HMA, REO sales averaged 11 percent from 2009 through 2018. However, that figure has subsequently declined from 6 percent in 2019 to an average of 2 percent since 2022.

Housing Affordability—Sales

The affordability of buying a home in the HMA has declined significantly since the start of the pandemic, because median home prices have increased at a faster pace than median incomes. The National Association of Home Builders/Wells Fargo Housing Opportunity Index—which represents the share of homes affordable to a family earning the median income—declined to 61.9 as of the second quarter of 2023 from 68.7 during the second quarter of 2022 and 77.4 during the same quarter in 2020 (Figure 9). The decrease in affordability during the past 2 years resulted from a 17-percent increase in the median income and a 32-percent increase in the median sales price. Nevertheless, homeownership in the HMA is more attainable relative to the Washington, D.C. metropolitan area and the nation, where the indexes were 45.7 and 40.5, respectively, during the second quarter of 2023.

Figure 9. Baltimore HMA Housing Opportunity Index



2Q = second quarter. NAHB = National Association of Home Builders.
Source: NAHB/Wells Fargo

Forecast

During the next 3 years, demand is expected for an estimated 11,950 new homes in the HMA (Table 5). The 1,640 homes under construction in the HMA are expected to satisfy a portion of the demand during the 3-year forecast period. Despite rising interest rates, demand is expected to increase during the forecast period because of reduced net out-migration and economic expansion. Nearly two-thirds of the demand in the HMA is estimated to be in the Southern Suburbs submarket.

Table 5. Demand for New Sales Units in the Baltimore HMA During the Forecast Period

Sales Units	
Demand	11,950 Units
Under Construction	1,640 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Sales Market—Baltimore City Submarket

Market Conditions: Slightly Soft

Home sales declined because mortgage rates trended upward, and home financing became more expensive during the 12 months ending May 2023.

Current Conditions

The sales market in the Baltimore City submarket is slightly soft. The estimated sales vacancy rate as of June 1, 2023, is 3.4 percent (Table 6), down from 3.5 percent in April 2020 and 4.2 percent in April 2010. Despite the decline since 2020, the inventory of homes for sale has increased in the past year to a 2.0-month supply in May 2023 from 1.6 months a year ago (Bright MLS, Inc.). Although the submarket is the most urbanized, with downtown amenities such as restaurants and entertainment, and has the lowest average home sales prices of the submarkets, conditions have generally ranged from soft to slightly soft because of continued net out-migration to more suburban areas with detached single-family housing.

Table 6. Home Sales Quick Facts in the Baltimore City Submarket

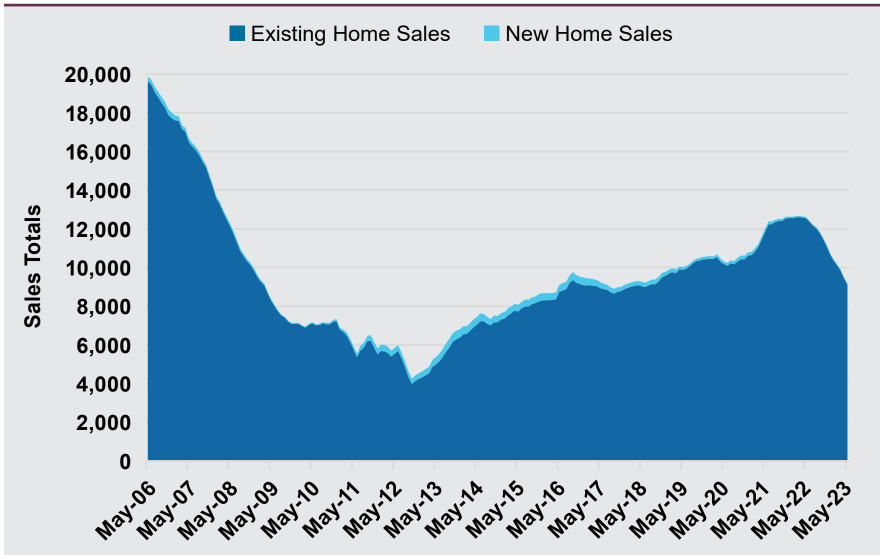
		Baltimore City Submarket	Baltimore HMA
Home Sales Quick Facts	Vacancy Rate	3.4%	1.5%
	Months of Inventory	2.0	1.3
	Total Home Sales	9,175	41,950
	1-Year Change	-27%	-30%
	New Home Sales Price	$699,100	$636,100
	1-Year Change	9%	7%
	Existing Home Sales Price	$245,800	$395,300
	1-Year Change	2%	4%
	Mortgage Delinquency Rate	2.8%	1.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2023; and months of inventory and mortgage delinquency data are as of May 2023. The current date is June 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Bright MLS, Inc.; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Home Sales Trends

After 9 years of increases, home sales have declined since 2022 due to increasing interest rates and limited for-sale inventory. Home sales in 2005 totaled 19,850 but declined an average of 19 percent annually for 7 consecutive years to 4,525 homes sold in 2012. During those 7 years, tightening mortgage lending standards and the local economic downturn put downward pressure on home sales. Home sales rose at an average annual rate of 13 percent from 2013 through 2019 to 10,550 homes sold during 2019 in response to economic growth and declining interest rates. When the pandemic started in 2020, stay-at-home orders and pandemic-related precautions limited the number of homes listed for sale, and home sales rose at a slower rate, up 2 percent to 10,800 from the previous year. Subsequently, home sales increased 17 percent to 12,650 homes in 2021 before declining 15 percent to 10,750 in 2022. With increasing interest rates and relatively low for-sale inventory, home sales in the submarket declined 27 percent during the 12 months ending May 2023 to 9,175 homes sold (Figure 10).

Figure 10. 12-Month Sales Totals by Type in the Baltimore City Submarket



Source: Zonda

Most home sales from 2005 through June 1, 2023, were existing home sales. From 2005 through 2012, existing home sales accounted for an average of 98 percent of total sales and declined to an average of 96 percent from 2013 through 2019. Since then, existing home sales have accounted for an average of 99 percent of all sales, with new home sales making up the balance.

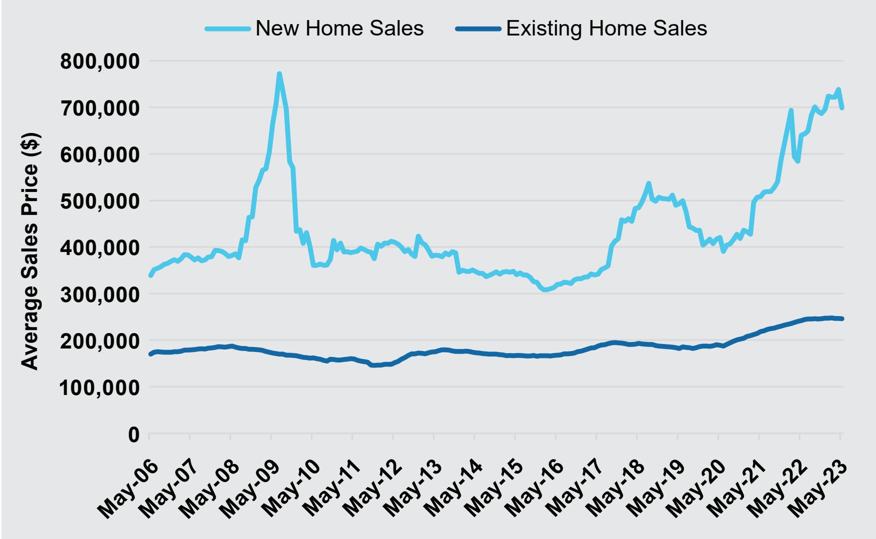
Home Sales Price Trends

The average home sales price in the submarket has increased every year since 2012, peaking in 2022. The average home sales price rose an average of 8 percent a year during 2006 and 2007 and declined an average of 4 percent annually from 2008 through 2011—a period that included an elevated number of REO home sales—before generally rising each of the following 9 years at an average rate of 3 percent to $208,000 in 2020. Average home sales price growth accelerated to 13 percent in 2021 and rose at a slower rate, 7 percent, in 2022 and reached a peak of $250,600. During the 12 months ending May 2023, the average sales price was $248,700 (Figure 11), up 2 percent from the 12 months ending May 2022. Since 2005, the average sales price for existing homes has been more stable than for new homes, because the small number of new homes sold in the submarket allows outliers to skew the average price. This explains the volatility of new home prices in Figure 11, particularly from late 2008 through 2009 when new home sales were at very low levels. The submarket has historically had the lowest home sales prices in the HMA, including during the most recent 12-month period, when 86 percent of the homes sold in the submarket were priced at $399,999 and lower (Zonda; Figure 12).

Sales Construction Activity

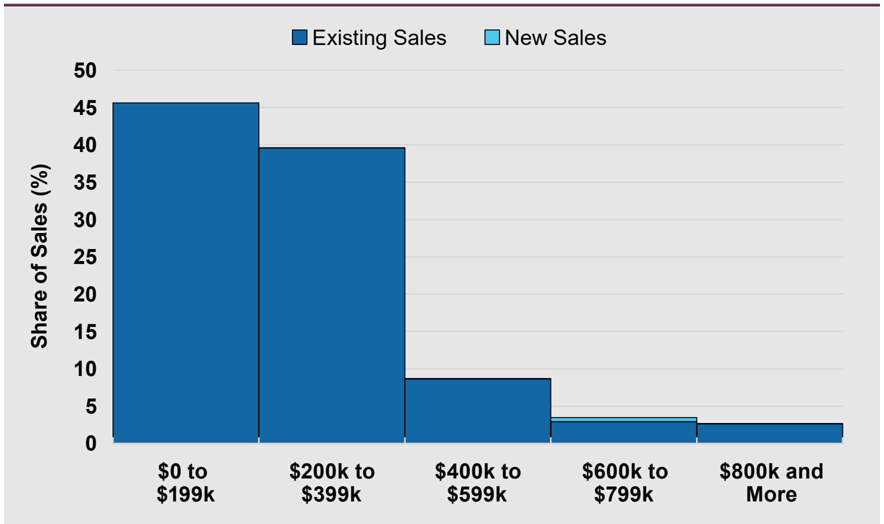
Homebuilding activity (building permits) generally has been subdued in the submarket, except from 2004 through 2006, when condominium construction rose substantially (Figure 13). From 2000 through 2003, new home construction averaged 190 homes a year with about 3 percent of units being condominiums, before increasing to an average annual 870 homes from 2004 through 2006

Figure 11. 12-Month Average Sales Price by Type of Sale in the Baltimore City Submarket



Source: Zonda

Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending May 2023 in the Baltimore City Submarket



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

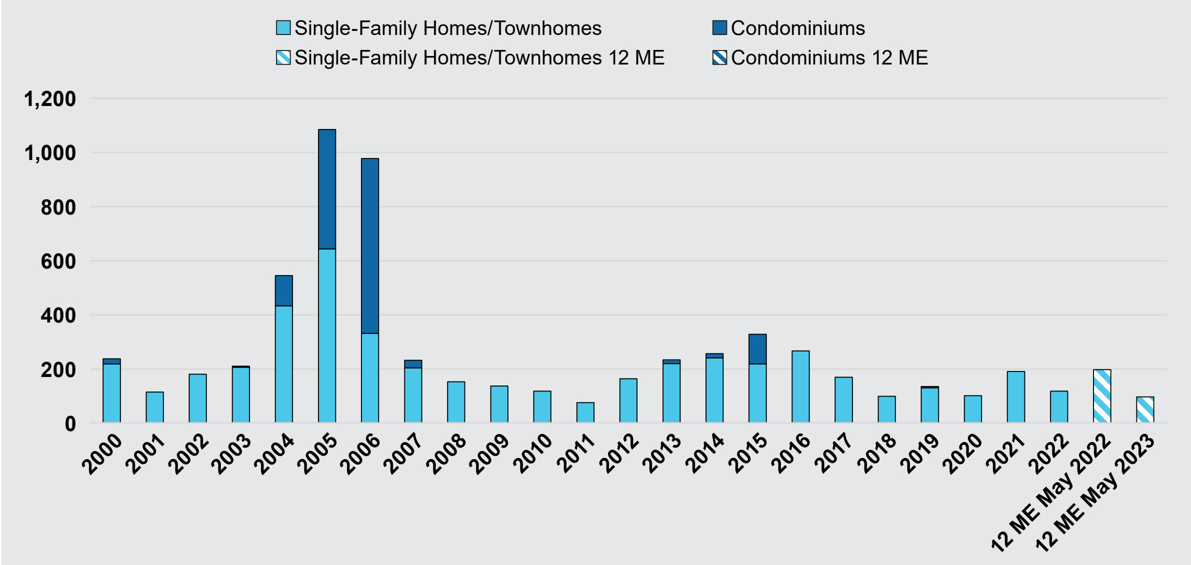
when 46 percent of units were condominiums. The number of homes permitted decreased to an average of 170 annually from 2007 through 2022. During the 12 months ending May 2023, approximately 95 new homes were permitted, down 51 percent from the previous 12 months (preliminary data, with estimates by the analyst). From 2007 through 2015, condominium construction accounted for an average of 10 percent of total home sales construction, a proportion that has averaged less than 1 percent since 2016.

The relatively limited supply of developable land in the submarket has led to the redevelopment of land and townhome construction. Banner Row is a townhome community currently under construction in the southern portion of the submarket on the site of a former manufacturing plant. Construction began in 2020, and 108 townhomes are expected at buildout. As of May 2023, 64 townhomes have been built and sold, and prices range from $592,300 to $698,000. Each townhome is 2,500 to 2,600 square feet, with three to five bedrooms, a two-car garage, and a parking pad.

Forecast

During the next 3 years, no overall net demand is expected for homes in the submarket (Table 7).

Figure 13. Annual Sales Permitting Activity in the Baltimore City Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 7. Demand for New Sales Units in the Baltimore City Submarket During the Forecast Period

	Sales Units
Demand	No Units
Under Construction	20 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Despite the level of vacancies in the submarket, developers sold a modest number of homes in the southern portion of the submarket. Currently, 20 new homes are under construction in the submarket, but demand is not expected to support substantial additions to the inventory until the present surplus of sales vacancies is absorbed.

Sales Market—Northern Suburbs Submarket

Market Conditions: Tight

The inventory of for-sale housing is low despite recent increases in the months of available supply in the submarket.

Current Conditions

The sales market in the Northern Suburbs submarket is currently tight, with an estimated sales vacancy rate of 1.2 percent (Table 8), down from 1.7 and 1.3 percent in April 2010 and April 2020, respectively. As of May 2023, the supply of homes available for sale increased in the three counties of the submarket but remained relatively low. The supply of for-sale inventory rose to 1.1 from 0.8 month in Baltimore County and to 0.9 in both Carroll and Harford Counties from 0.6-month a year earlier (Bright MLS, Inc.).

Home Sales Trends

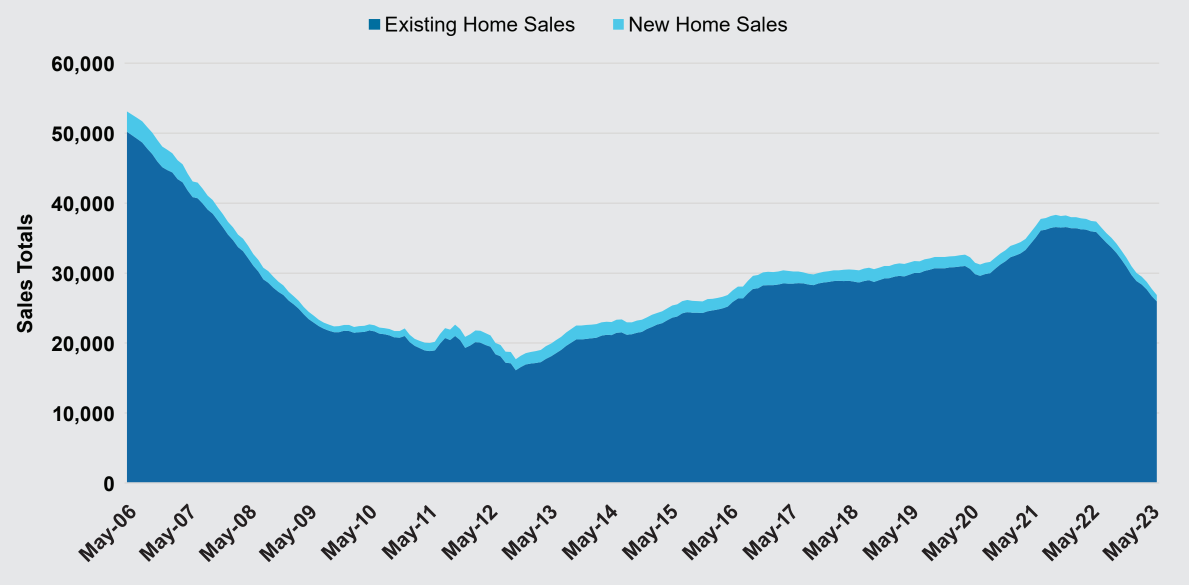
Following 7 years of declining home sales, home sales rose from 2013 through 2021 but have declined since 2022. In 2005, home sales totaled 53,250 but declined an average of 14 percent annually to 18,550 homes in 2012 (Zonda; Figure 14). Subsequently, home sales rose an average of 8 percent a year from 2013 through 2020 before increasing at a faster rate of 12 percent in 2021, with 38,000 homes sold.

Table 8. Home Sales Quick Facts in the Northern Suburbs Submarket

		Northern Suburbs Submarket	Baltimore HMA
Home Sales Quick Facts	**Vacancy Rate**	1.2%	1.5%
	Months of Inventory	1.0	1.3
	Total Home Sales	26,900	41,950
	1-Year Change	-28%	-30%
	New Home Sales Price	$523,400	$636,100
	1-Year Change	7%	7%
	Existing Home Sales Price	$368,400	$395,300
	1-Year Change	4%	4%
	Mortgage Delinquency Rate	1.6%	1.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2023; and months of inventory and mortgage delinquency data are as of May 2023. The current date is June 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Bright MLS, Inc.; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Figure 14. 12-Month Sales Totals by Type in the Northern Suburbs Submarket



Source: Zonda

During 2021, home sales rose by 4,100, the highest number of any submarket in the HMA, partly because of a greater availability of remote work and a desire to live in less urbanized areas with more space for social distancing during the onset of the pandemic. During 2022, home sales slowed dramatically, declining 19 percent. Due to a low supply of for-sale inventory and increasing interest rates, home sales in the submarket declined 28 percent during the 12 months ending May 2023 to 26,900 homes. During the recent 12 months, new homes accounted for 4 percent of total home sales, down from the 6-percent average from 2005 through 2022.

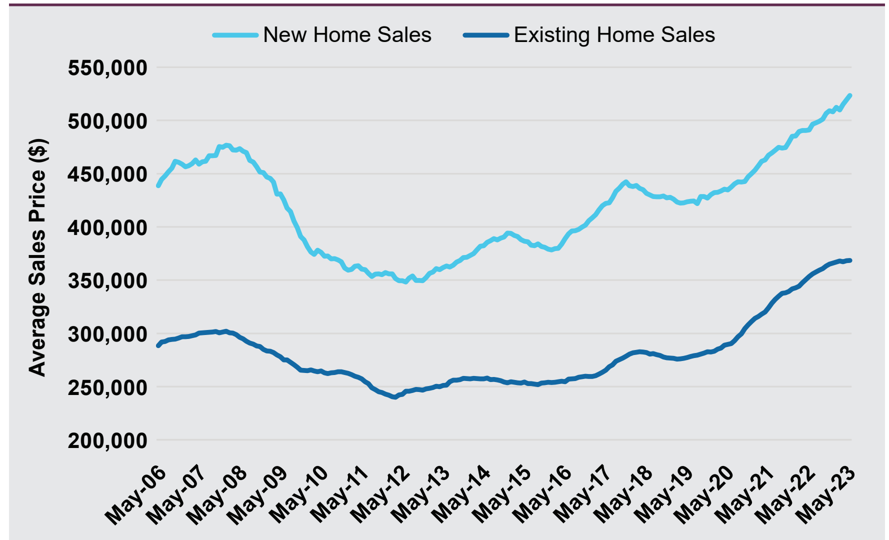
Home Sale Price Trends

The average home sales price in the submarket has increased since 2016, reaching the highest price during the most recent 12-month period. The average home sales price was $284,700 in 2005, then rose an average of 5 percent a year during 2006 and 2007 before declining an average annual 2 percent from 2008 through 2015. By comparison, with an expanding economy and population growth contributing to increased demand from 2016 through 2019, the home sales price increased an average of 3 percent a year. That rate accelerated to an average of 9 percent annually during 2020 and 2021 in response to tightening market conditions and slowed slightly to a 7-percent rise in 2022. With small increases in the supply of for-sale inventory throughout the submarket, home sales prices increased only 4 percent during the 12 months ending May 2023 to $376,400, the highest recorded level (Figure 15). The submarket is the mid-priced submarket in the HMA, with 66 percent of the homes sold during the 12 months ending May 2023 priced at $399,999 and below (Figure 16). Since 2005, new home sales prices have generally trended with existing home sales, averaging 48 percent higher than existing home sales prices.

Current Home Sales Prices by County

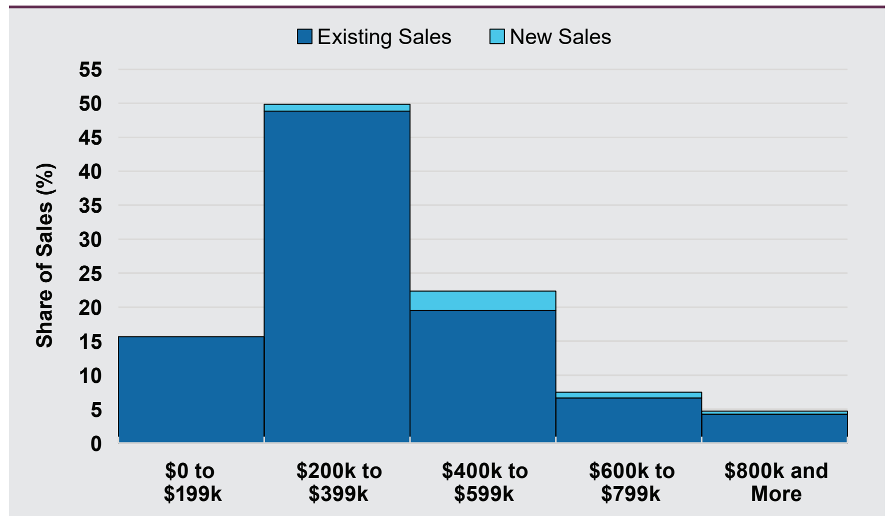
Home sales prices in the submarket varied by county during the 12 months ending May 2023. The highest average sales price in the submarket during the 12 months ending May 2023, $448,000, was in Carroll County, where the price

Figure 15. 12-Month Average Sales Price by Type of Sale in the Northern Suburbs Submarket



Source: Zonda

Figure 16. Share of Overall Sales by Price Range During the 12 Months Ending May 2023 in the Northern Suburbs Submarket



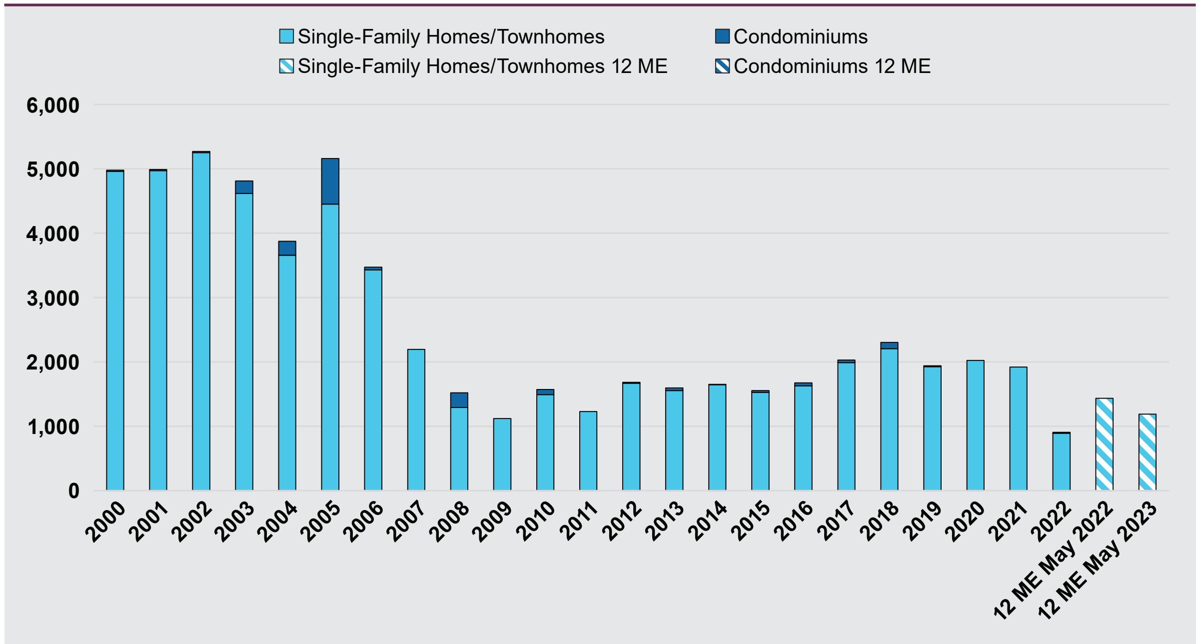
Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

rose the fastest in the submarket, up 5 percent from 1 year ago. Carroll County has the tightest sales market among the counties in the submarket, and demand is currently high in anticipation of a recently approved school impact fee on new single-family homes, set to take effect on September 1, 2023. Home sales prices in Harford and Baltimore Counties averaged $374,400 and $362,000, respectively, up 4 percent each from the 12 months ending May 2022.

Sales Construction Activity

Homebuilding activity increased from 2010 through 2021 but has been at lower levels since 2022 (Figure 17). After an average of 4,850 homes were permitted annually from 2000 through 2005, permitting declined each year from 2006 through 2009 to reach 1,125 homes in 2009, a period that included relatively stringent mortgage lending standards. Homebuilding activity rose to an average of 1,550 homes a year from 2010 through 2016, when economic conditions improved, and rose further to an average of 2,050 homes annually from 2017 through 2021 before declining to a low of 890 homes in 2022. During the 12 months ending May 2023, approximately 1,175 homes were permitted, down 18 percent from the 1,425 homes permitted during the same period the previous year (preliminary data, with estimates by the analyst). From 2000 through 2009, nearly

Figure 17. Annual Sales Permitting Activity in the Northern Suburbs Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

4 percent of homes permitted were condominiums, but that proportion has dropped to 1 percent since 2010, partly because of a preference for single-family homes in suburban areas.

Since 2017, home construction has occurred throughout much of the submarket, but 45 percent of new homes built in the submarket are in Baltimore County. Greenleigh at Crossroads is a mixed-use community under construction in the unincorporated community and census-designated place of Middle River, approximately 13 miles northwest of downtown Baltimore. Construction began in 2016 in an area that switched from manufacturing to offices and light industrial buildings. When complete, the community will include 700 single-family homes, 300 townhomes, 1,100 apartment units, and 1.8 million square feet of commercial space. The second phase of the community is currently under way and includes single-family homes and townhomes ranging from 1,820 to 4,757 square feet. Sales prices start at $455,800.

Forecast

During the next 3 years, demand is estimated for 4,100 new homes in the Northern Suburban submarket (Table 9). Demand is expected to increase each year during the 3-year forecast period when economic expansion and net in-migration resume. The 520 homes under construction are expected to meet a portion of the demand during the first year of the forecast period.

Table 9. Demand for New Sales Units in the Northern Suburbs Submarket During the Forecast Period

	Sales Units
Demand	4,100 Units
Under Construction	520 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Sales Market—Southern Suburbs Submarket

Market Conditions: Tight

Although record-high sales prices and comparatively elevated mortgage interest rates contributed to a lower level of home sales, continued low levels of available inventory exacerbated tight market conditions.

Current Conditions

With an estimated sales vacancy rate of 1.0 percent as of June 1, 2023 (Table 10), the sales market in the Southern Suburbs submarket is tight. The rate is down from 1.7 percent in April 2010, when conditions were balanced, and 1.1 percent in April 2020, when conditions were tight. Although the supply of homes available for sale increased in the three counties, conditions have been tight since 2020, because the supply has remained relatively low. In

Table 10. Home Sales Quick Facts in the Southern Suburbs Submarket

		Southern Suburbs Submarket	Baltimore HMA
Home Sales Quick Facts	**Vacancy Rate**	1.0%	1.5%
	Months of Inventory	1.0	1.3
	Total Home Sales	15,100	41,950
	1-Year Change	-32%	-30%
	New Home Sales Price	$693,000	$636,100
	1-Year Change	5%	7%
	Existing Home Sales Price	$531,100	$395,300
	1-Year Change	6%	4%
	Mortgage Delinquency Rate	0.9%	1.6%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2023; and months of inventory and mortgage delinquency data are as of May 2023. The current date is June 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Bright MLS, Inc.; mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Howard County, the supply of for-sale inventory was 0.8 month in May 2023, up from 0.5 month in May 2022, whereas in Anne Arundel and Queen Anne's Counties, the supply rose to 1.0 and 1.8 months, respectively, from 0.7 and 1.7 months (Bright MLS, Inc.).

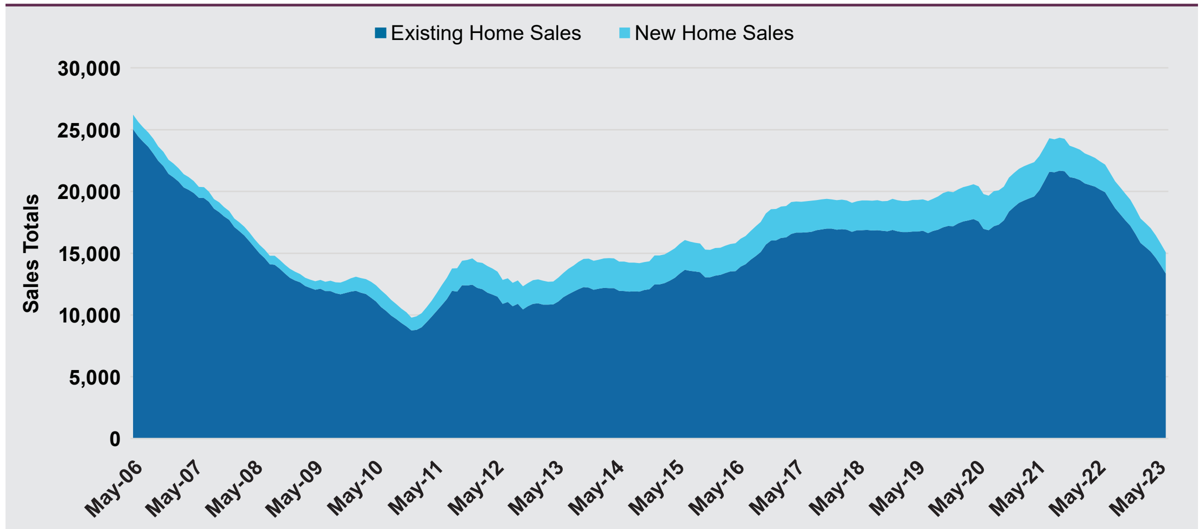
Home Sales Trends

In 2005, home sales in the submarket peaked at 26,700 but declined an average of 10 percent annually to 12,800 homes in 2012 before increasing an average annual 10 percent from 2013 through 2016 to 18,600 homes (Zonda; Figure 18). Home sales rose an average of 3 percent annually during each of the following 3 years to 20,150 homes in 2019. Home sales gained momentum in 2020 and 2021, rising an average of 8 percent a year but declining 24 percent 1 year later to 17,800 homes sold in 2022. During the 12 months ending May 2023, home sales in the submarket totaled 15,100, down 32 percent from the previous year. During the 12 months ending May 2023, new home sales accounted for 11 percent of all home sales, unchanged from the average proportion from 2005 through 2022.

Home Sale Price Trends

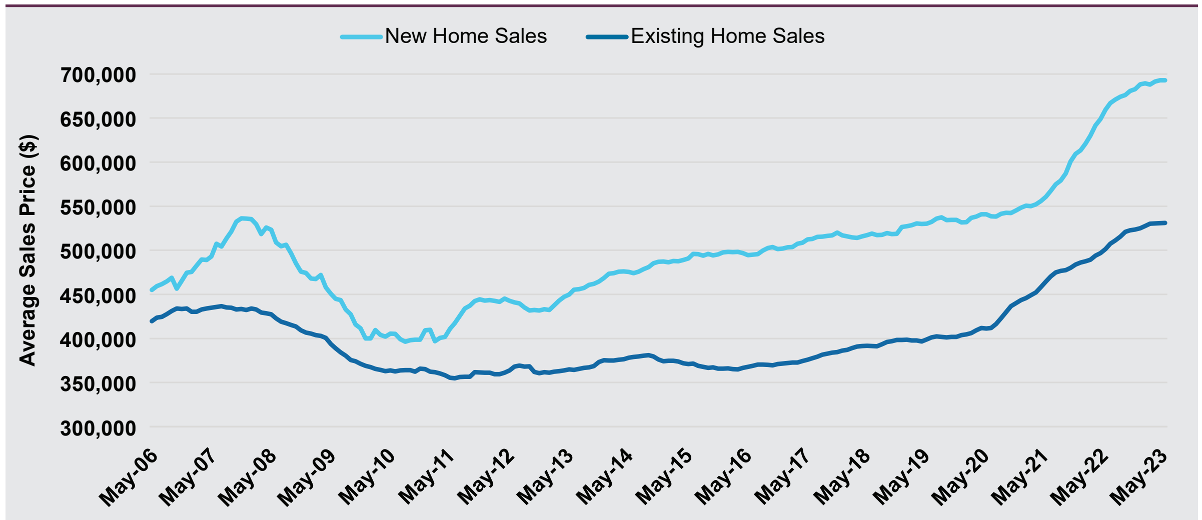
Average sales prices of homes in the submarket have historically been the highest in the HMA, partly because the proximity and relative affordability in relation to the Washington, D.C. metropolitan area make it a desirable place to live for commuters. During 2005, the average home sales price in the submarket was $400,300 before declining an average of 2 percent each year to reach $370,200 in 2010, when rising REO sales put downward pressure on sales prices. From 2011 through 2019, home sales prices rose modestly each year, up an average of 1 percent to $422,400. Price growth accelerated in 2020, up 8 percent. The same year, home sales began to rise at a faster rate. During 2021 and 2022, prices rose by an average of 9 percent each year when market conditions tightened. During the 12 months ending May 2023, the home sales price increased 6 percent to $550,600 (Figure 19). During the most recent 12-month period, 65 percent of the homes sold were priced at $400,000 and higher (Figure 20), and new home sales prices were 24 percent higher than existing home sales prices on average, a proportion that has persisted since 2005.

Figure 18. 12-Month Sales Totals by Type in the Southern Suburbs Submarket



Source: Zonda

Figure 19. 12-Month Average Sales Price by Type of Sale in the Southern Suburbs Submarket



Source: Zonda

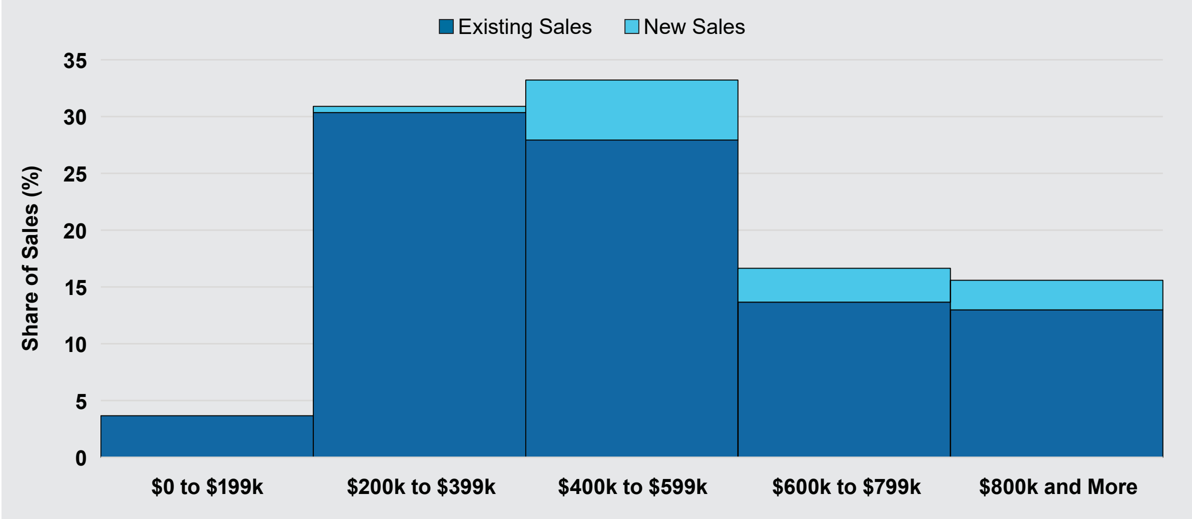
Current Home Sales Prices by County

Home sales prices in the submarket varied by county, and like in the Northern Suburbs submarket, the westernmost county along the Washington, D.C. metropolitan area boundary had the highest home price during the 12 months ending May 2023. The average sales price in Howard County was $567,100, representing a 5-percent increase from 1 year earlier. The rates of price growth were faster in Anne Arundel and Queen Anne's Counties, up 6 and 7 percent to $515,100 and $528,000, respectively.

Sales Construction Activity

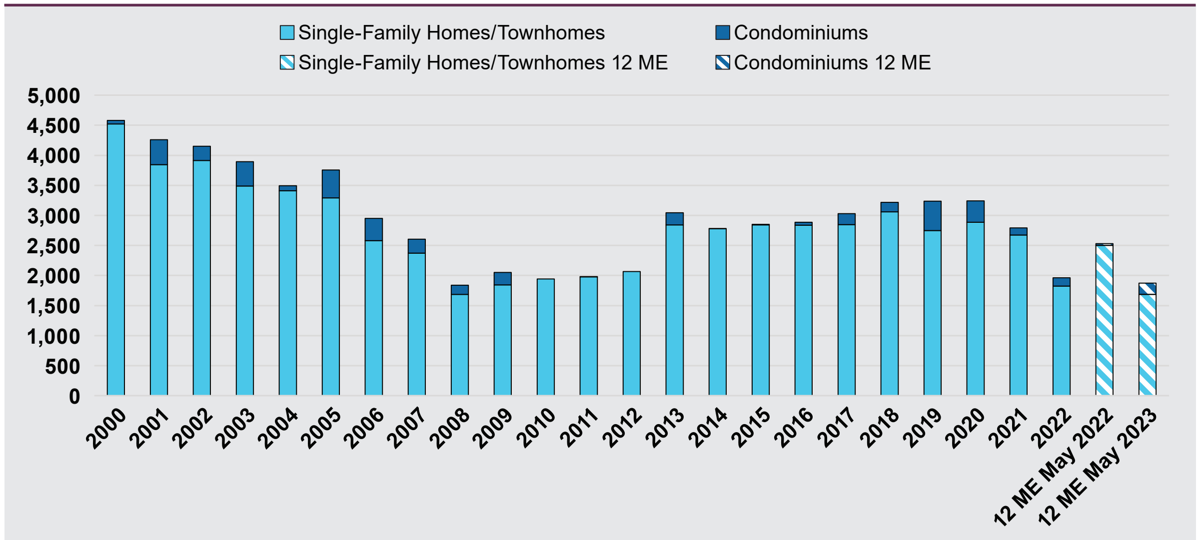
Homebuilding activity has been generally higher since 2013 but has been subdued compared with the early to mid-2000s (Figure 21). During 2000, approximately 4,575 homes were permitted, and permitting declined an average of 7 percent annually to 3,500 homes in 2004 before declining an additional 15 percent a year to 1,850 homes in 2008. During the next 4 years, homebuilding activity rose only slightly to an average of 2,000 homes because of the local housing market downturn and economic contraction, despite rising net in-migration. When net in-migration slowed but economic conditions improved, homebuilding activity rose, averaging 3,025 homes a year from 2013 through 2020. During 2021 and 2022, a period of net out-migration, homebuilding activity declined to 2,800 and 1,975 homes, respectively. During the 12 months ending May 2023, 1,875

Figure 20. Share of Overall Sales by Price Range During the 12 Months Ending May 2023 in the Southern Suburbs Submarket



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 21. Annual Sales Permitting Activity in the Southern Suburbs Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

homes were permitted, down 26 percent from the 2,525 homes permitted 1 year ago. From 2000 through 2008, nearly 8 percent of all homes permitted were condominiums—a proportion that declined to 2 percent from 2009 to 2016 but has risen to 8 percent since 2017—partly as a lower-priced alternative, because the cost of building a single-family home has increased.

Although home construction occurs throughout the submarket, 59 percent of home construction in the submarket has been concentrated in Anne Arundel County since 2013. Tanyard Shores is under construction in the unincorporated town and census-designated place of Glen Burnie. Construction of the first phase of the community began in 2019. When complete, the community will feature more than 1,000 single-family homes, townhomes, and age-restricted villas for residents aged 55 and older, fulfilling demand from the aging population in the HMA. Four-bedroom single-family homes start at $500,000, three-bedroom townhomes start at $300,000, and three-bedroom villas start at $400,000.

Forecast

During the next 3 years, demand is estimated for 7,850 new homes in the submarket (Table 11). Demand is expected to increase each year during the 3-year forecast period when economic recovery shifts to economic expansion and net in-migration accelerates. The 1,100 homes currently under construction are expected to meet a portion of the demand during the first year of the forecast period.

Table 11. Demand for New Sales Units in the Southern Suburbs Submarket During the Forecast Period

Sales Units	
Demand	7,850 Units
Under Construction	1,100 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Rental Market

Rental Market—Baltimore HMA

Market Conditions: Slightly Soft

The average apartment rent in the Baltimore HMA increased 2 percent during the past year, slower than the 7 percent annual increase in the HMA as of the second quarter of 2022 (CoStar Group).

Current Conditions and Recent Trends

The overall rental market in the HMA is slightly soft, with an estimated 8.7-percent vacancy rate, up from 8.4 percent in April 2010 and 8.3 percent in April 2020 (Table 12). Apartment market conditions in the HMA are slightly soft. As of the second quarter of 2023, the apartment vacancy rate was 7.0 percent, up from 4.6 percent during the second quarter of 2022 and 3.9 percent during the same quarter in 2021 (CoStar Group). Relatively low levels of new apartment completions contributed to lower vacancy rates during 2021 and 2022. However, increased new apartment completions have since contributed to an increasing vacancy rate. The recent vacancy rate is higher than the 6.5 percent rate recorded as of the second quarter of 2020, when public health concerns and social distancing restrictions led some households, especially young adults, to temporarily return to or delay moving out of family homes. At the same time, those households with the means and expected long-term work-from-home option transitioned to homeownership, both in and outside the HMA. As measured in the second quarter of 2023, the average apartment rent rose 2 percent year over year to $1,634 compared with a 7-percent increase as of the second quarter of 2022 and a 9-percent increase as of the same quarter in 2021.

Housing Affordability: Rental

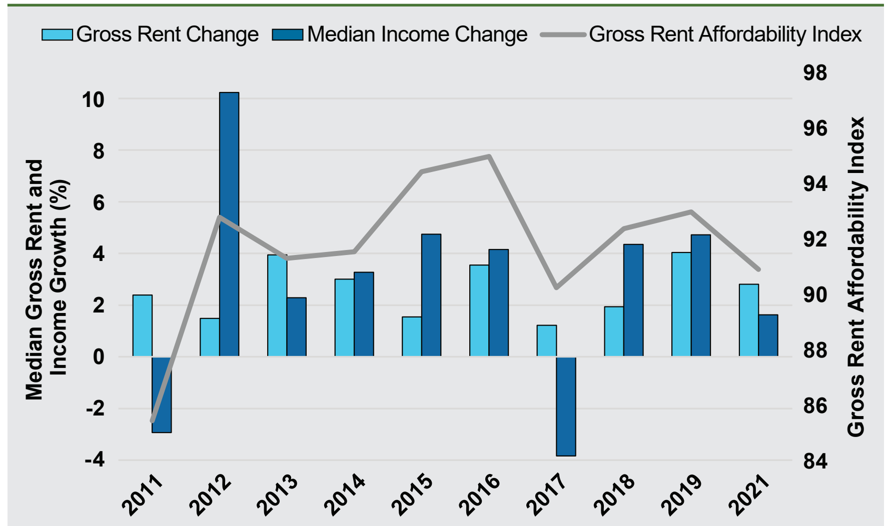
Rental housing affordability in the HMA increased from 2011 to 2019, but affordability recently moderated. From 2011 to 2019, the median gross rent rose an average of 3 percent annually, and the median income for renter households rose 4 percent annually. As a result, the HUD Gross Rent Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 85.4 in 2011 to 93.0 in 2019 (Figure 22).

Table 12. Rental and Apartment Market Quick Facts in the Baltimore HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	8.4	8.7
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	39	36
	Multifamily (2–4 Units)	11	10
	Multifamily (5+ Units)	49	54
	Other (Including Mobile Homes)	1	0
		2Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	7.0%	2.4
	Average Rent	$1,634	2%
	Studio	$1,292	1%
	One-Bedroom	$1,505	2%
	Two-Bedroom	$1,687	2%
	Three-Bedroom	$1,977	2%

2Q = second quarter. YoY = year-over-year.
Notes: The current date is June 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

Figure 22. Baltimore HMA Gross Rent Affordability Index



Notes: The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website, because it is based on combined rent and utilities expenditure. Data for 2020 are not available.
Source: American Community Survey 1-year data

The index declined to 90.9 in 2021, because the median gross rent increased 3 percent annually, and the median income rose 2 percent a year from 2019 to 2021. In 2021, the rental market in the HMA was less affordable than in the nation, where the index was 94.3.

Forecast

During the 3-year forecast period, demand in the HMA is expected for 4,565 new rental units (Table 13). Rental demand is expected to increase in the second and third years of the forecast period as job growth accelerates. The 6,725 units under construction in the HMA are expected to satisfy all the demand for new rental units in the Baltimore City and the Northern Suburbs submarkets and a portion of the demand in the Southern Suburbs submarket.

Table 13. Demand for New Rental Units in the Baltimore HMA During the Forecast Period

Rental Units	
Demand	4,565 Units
Under Construction	6,725 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Rental Market—Baltimore City Submarket

Market Conditions: Soft

A 75-percent increase in new apartment completions and a 44-percent decrease in absorption contributed to soft conditions in the past year.

Current Conditions and Recent Trends

As of June 1, 2023, rental housing market conditions in the Baltimore City submarket are soft and have been softening since April 2010 because of continued net out-migration and increased rental unit construction. The overall rental vacancy rate is estimated at 11.8 percent (Table 14), up from 10.8 and 11.0 percent, respectively, in 2010 and 2020. Rental housing consists largely of apartment complexes because of the limited amount of developable land

Table 14. Rental and Apartment Market Quick Facts in the Baltimore City Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	10.8	11.8
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	43	39
	Multifamily (2–4 Units)	17	15
	Multifamily (5+ Units)	40	46
	Other (Including Mobile Homes)	0	0
		2Q 2023	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	8.7%	2.7
	Average Rent	$1,488	2%
	Studio	$1,277	0%
	One-Bedroom	$1,448	1%
	Two-Bedroom	$1,536	2%
	Three-Bedroom	$1,800	6%

2Q = second quarter. YoY = year-over-year.
Notes: The current date is June 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

in the submarket. In 2021, approximately 46 percent of all renter households resided in buildings with five or more units, up from 40 percent during 2010 (2010 and 2021 ACS 1-year data). Approximately 15 percent of renter households resided in buildings with two to four units in 2021, down from 17 percent in 2010. A substantial portion of the renter-occupied housing, 34 percent, consisted of attached single-family homes and townhomes, down from 38 percent in 2010, whereas detached single-family homes made up only 5 percent of renter-occupied units during both 2010 and 2021.

Single-Family Rental Market Current Conditions and Recent Trends

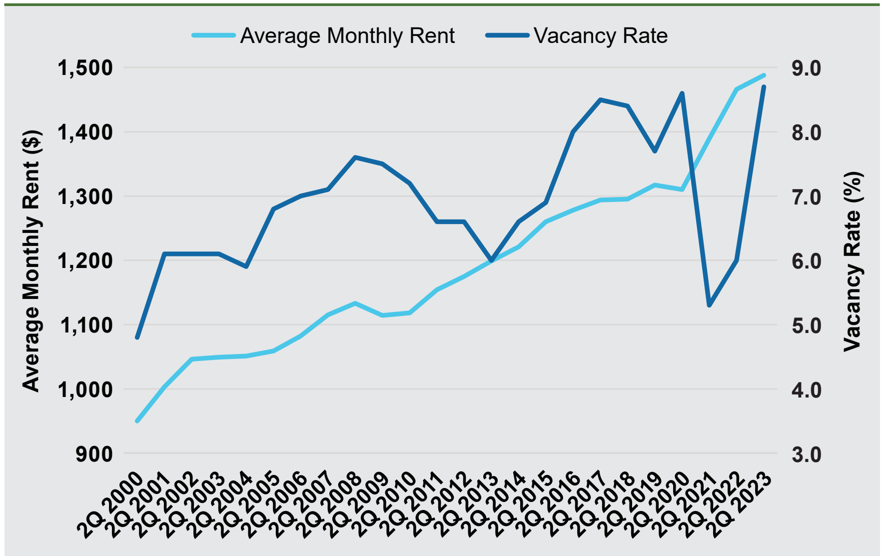
Rental market conditions for professionally managed detached and attached single-family homes in the submarket are soft and have generally been softening since 2014. The single-family rental vacancy rate was 9.4 percent during May 2023, up from 9.0 percent in May 2022 and 8.6 percent in

May 2014 (CoreLogic, Inc.). Rents for homes averaged $1,681, $1,924, $1,892, and $2,233 for one-, two-, three-, and four-bedroom homes, respectively, during May 2023. Rents for two-bedroom homes have been higher than for three-bedroom homes since 2021 despite having slightly higher vacancy rates at 9.4 and 8.6 percent, respectively, including during May 2023.

Apartment Market Current Conditions and Recent Trends

As of the second quarter of 2000, the apartment vacancy rate was 4.8 percent. It rose to 7.6 percent in 2008 and declined to 6.0 percent during 2013 before rising nearly every year to 8.4 percent in 2018 then declining to 7.7 percent in 2019 (CoStar Group; Figure 23). As of the second quarter of 2020, the vacancy rate rose to 8.6 percent when the pandemic led many renters to search for housing in less dense areas, and most students returned home to live with their parents. The vacancy rate declined to 5.3 and 6.0 percent as of the second quarters of 2021 and 2022, respectively, which were some of the lowest recorded rates in the submarket since 2000. The low vacancy rates in 2021 and 2022 were partly because absorption was nearly double new unit completions. As of the second quarter of 2023, the apartment vacancy rate was 8.7 percent, the highest second quarter rate since 2000. An average annual 44-percent reduction in unit absorption and an average annual 75-percent rise in new apartment unit completions contributed to a sharp increase in the apartment vacancy rate in 2023.

Figure 23. Apartment Rents and Vacancy Rates in the Baltimore City Submarket



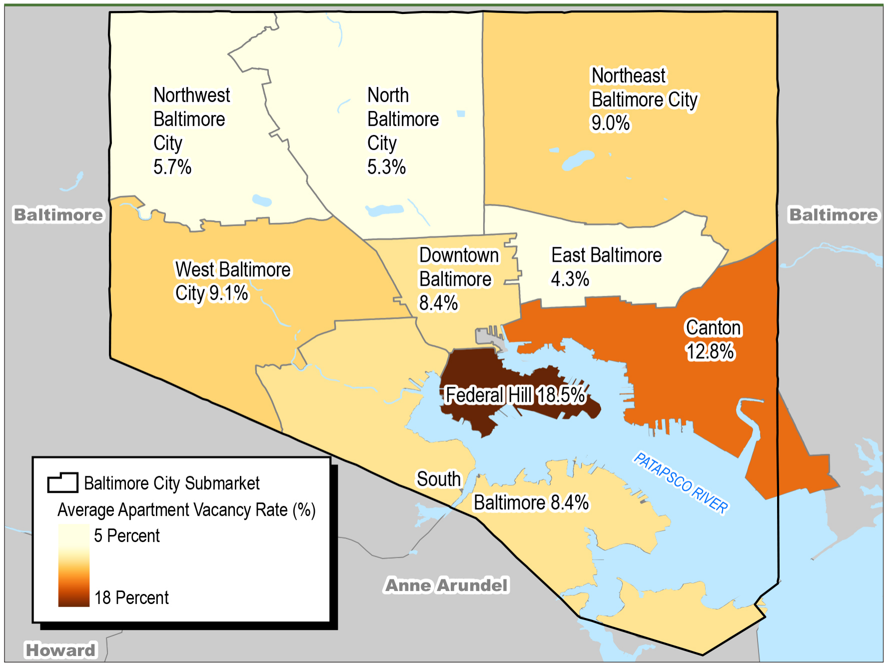
2Q = second quarter.
Source: CoStar Group

Between the second quarters of 2022 and 2023, the average apartment rent rose 2 percent to $1,488, more slowly than the average annual increase of 6 percent between the second quarters of 2021 and 2022, when conditions were tightening. The average rent declined 1 percent from the second quarter of 2019 to the second quarter of 2020, largely because of the COVID-19 pandemic. By comparison, from 2000 to 2019, the second quarter rent rose an average of 2 percent annually from $950 to $1,317.

Current Apartment Market Conditions by Market Area

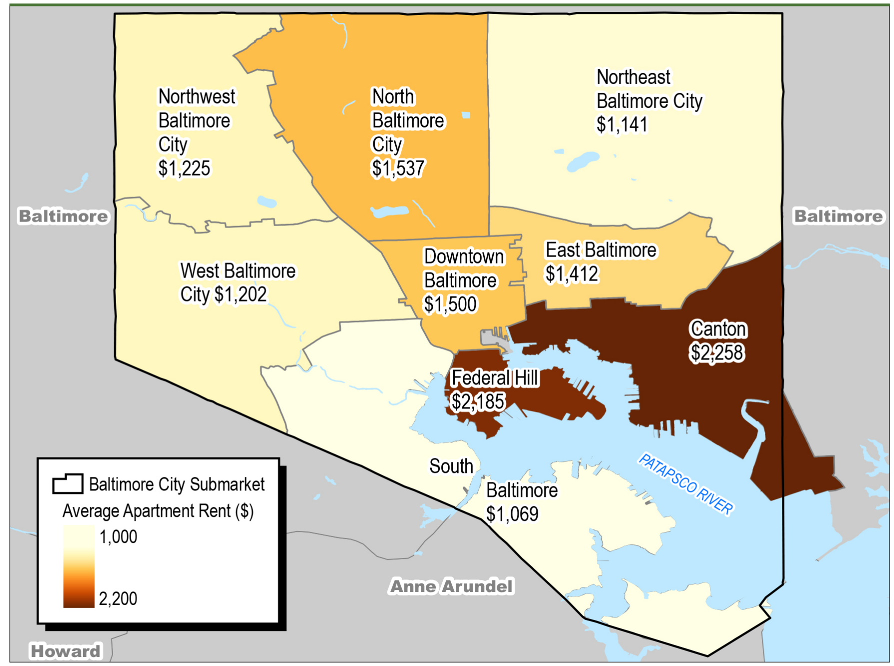
The apartment market in the submarket is divided into nine CoStar Group-defined market areas, and vacancy rates rose in eight of those market areas from the second quarter of 2022 to the second quarter of 2023. Increases ranged from 0.5 percentage point in the Downtown Baltimore market area to 9.0 percentage points in the Federal Hill market area where vacancy rates were 8.4 percent and 18.5 percent, respectively. The vacancy rate rose slightly in the Downtown Baltimore market area, because unit absorption declined. The vacancy rate increased substantially in the Federal Hill market area, because apartment deliveries rose from 0 to approximately 460 units, whereas unit absorption declined 28 percent. The vacancy rate fell 0.5 percentage point in the East Baltimore market area to 4.3 percent, the lowest vacancy rate in the submarket. The drop occurred because only 20 new units were delivered in the past year, and absorption increased. Maps 1 and 2 show the average apartment vacancy rates and rents, respectively for each market area in the submarket.

Map 1. Average Apartment Vacancy Rates by Market Area in the Baltimore City Submarket



Source: CoStar Group

Map 2. Average Apartment Rents by Market Area in the Baltimore City Submarket



Source: CoStar Group

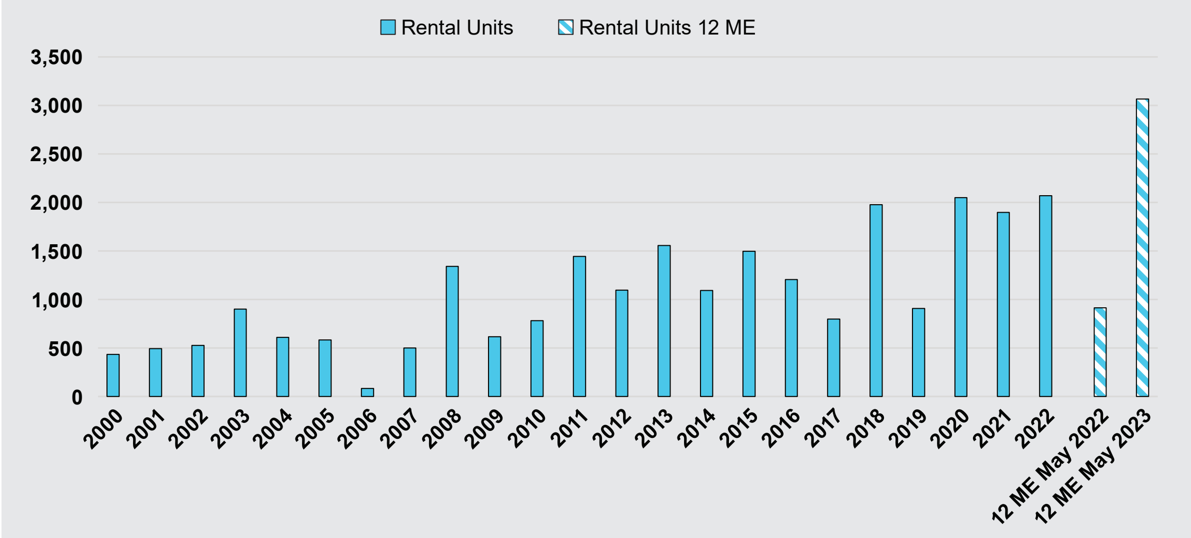
Rents were highest in the Canton and Federal Hill market areas at $2,258 and $2,185, respectively, and lowest in the Northeast Baltimore City and South Baltimore market areas at $1,141 and $1,069, respectively, during the second quarter of 2023. The North Baltimore City market area, home to most of the Johns Hopkins University campus, and the Downtown Baltimore market area each had rents averaging $1,537 and $1,500, respectively.

Rental Construction

Rental construction activity, as measured by the number of rental units permitted, has been elevated in the submarket since 2018 and increased to the highest levels during the most recent 12 months (Figure 24). From 2000 through 2007, a period with a higher propensity for homeownership and relatively high net out-migration, an average of 520 units were permitted annually. From 2008 through 2017, when the Great Recession affected the submarket, subsequent periods of economic recovery and expansion, lower levels of net out-migration, and declining homeownership rates contributed to rental construction activity rising to an average of 1,150 units a year. Despite a rise in net out-migration, rental permitting rose further to an average of 1,775 units annually from 2018 through 2022, partly because market conditions tightened. During the 12 months ending May 2023, nearly 3,075 rental units were permitted, up more than threefold from the 920 units permitted during the previous 12-month period (preliminary data, with adjustments by the analyst).

Since 2018, more than one-third of rental construction has been concentrated in the Downtown Baltimore market area. The market-rate general occupancy Vivo Living Baltimore is currently under construction in the market area. The community is a conversion of two hotel towers—one is currently closed, and the other has 6 of the 40 completed units occupied. Construction in the latter tower is ongoing, with units coming online as soon as entire floors are complete. At completion, the property will feature 551 studio, one-, and two-bedroom units, with rents averaging $1,155, $1,390, and $1,785, respectively. Construction in the Canton market area includes Yard 56, a mixed-use property with 225 market-rate general occupancy units, medical office space, 100,000 square feet of retail space, and a 600-car parking garage near Johns Hopkins Bayview Medical Center. The first move-ins at the apartment property start September 2023, but construction is expected to be complete in November 2023.

Figure 24. Annual Rental Permitting Activity in the Baltimore City Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 15 new rental units in the submarket (Table 15). Despite recent increasing vacancy rates and expected low levels of demand in the submarket overall, demand is likely to continue concentrating in and near the Downtown Baltimore and the Canton market areas. The 3,525 rental units under construction are expected to more than satisfy demand during the forecast period. Major additions to the inventory should be timed to allow for the absorption of surplus of rental units.

Table 15. Demand for New Rental Units in the Baltimore City Submarket During the Forecast Period

	Rental Units
Demand	15 Units
Under Construction	3,525 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Rental Market—Northern Suburbs Submarket

Market Conditions: Slightly Soft

Apartment market conditions are also slightly soft, with a 6.4 percent vacancy rate, the highest second quarter rate since 2000 (CoStar Group).

Current Conditions and Recent Trends

The rental market in the Northern Suburbs submarket is slightly soft, with an estimated 7.5-percent vacancy rate (Table 16), up from 7.2 and 7.0 percent during 2010 and 2020, respectively. Conditions have softened slightly, partly because of increased levels of rental construction and a transition to net out-migration since 2021. The proportion of rental households living in apartments increased in the past decade, with approximately 61 percent of all renter households in 2021 residing in buildings with five or more units, up from 55 percent in 2010 (2010 and 2021 ACS 1-year data). As a result, the submarket had a lower proportion of renter households in buildings with two to four units in 2021 at 7 percent—down from 9 percent in 2010—and a lower percentage of renter-occupied single-family homes at 31 percent, down from 35 percent in 2010.

Table 16. Rental and Apartment Market Quick Facts in the Northern Suburbs Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	7.2	7.5
		2010 (%)	**2021 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	35	31
	Multifamily (2–4 Units)	9	7
	Multifamily (5+ Units)	55	61
	Other (Including Mobile Homes)	1	1

		2Q 2023	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	6.4%	2.2
	Average Rent	$1,508	1%
	Studio	$1,140	-1%
	One-Bedroom	$1,347	2%
	Two-Bedroom	$1,541	1%
	Three-Bedroom	$1,828	1%

2Q = second quarter. YoY = year-over-year.
Notes: The current date is June 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

Single-Family Rental Market Current Conditions and Recent Trends

Rental market conditions for professionally managed detached and attached single-family homes are tight. During May 2023, the vacancy rates were 2.1, 1.1, and 1.6 percent, respectively, in Baltimore, Carroll, and Harford Counties and have generally trended downward since May 2013 (CoreLogic, Inc.). During May 2023, average rents in the submarket ranged from $1,758 to $1,835 for one-bedroom homes, $2,042 to $2,275 for two-bedroom homes, $2,315 to $3,538 for three-bedroom homes, and $2,821 to $3,064 for four-bedroom homes. Rents have consistently been lowest in Baltimore County and highest in Carroll County.

Apartment Market Current Conditions and Recent Trends

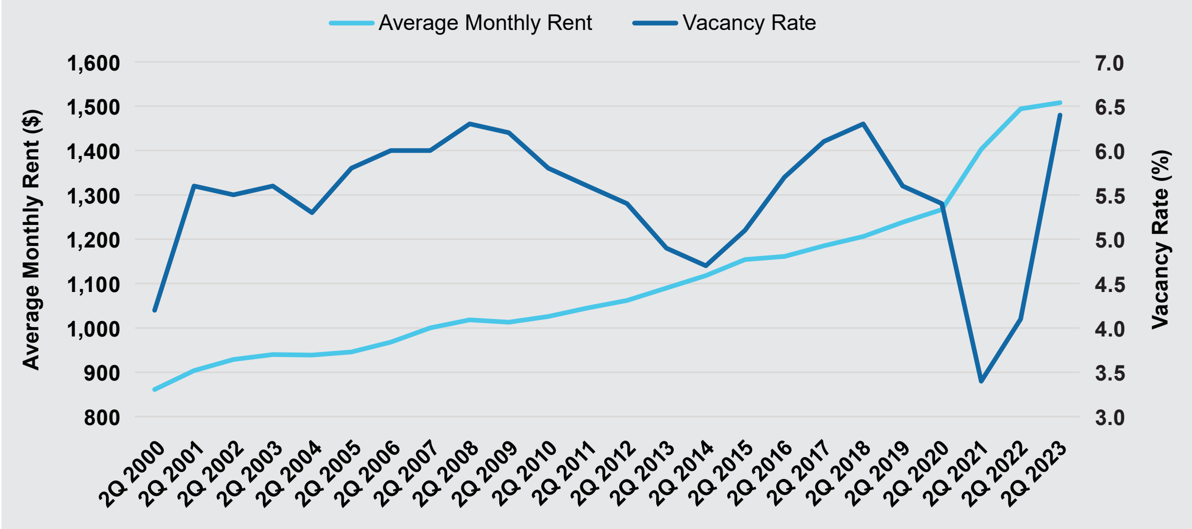
Apartment market conditions in the submarket transitioned from tight conditions during the previous 2 second quarters to slightly soft as of the second quarter of 2023. During the second quarter of 2023, the apartment vacancy rate was 6.4 percent, the highest second quarter rate since 2000, up from

4.1 percent a year earlier and 3.4 percent as of the second quarter of 2021, the two lowest rates on record since 2000, when the vacancy rate was 4.2 percent (CoStar Group; Figure 25). The recent increase in the vacancy rate is a result of net out-migration, which caused a significant reduction in the absorption of new units. The recent record-low apartment vacancy rates were partly because of increased demand from residents who moved into the submarket from more urban areas, such as the Baltimore City submarket. From the second quarter of 2022 to the second quarter of 2023, the average rent rose 1 percent to $1,508 compared with a 6-percent increase from the second quarter of 2021 to the second quarter of 2022 and an 11-percent rise from the second quarter of 2020 to the second quarter of 2021. By comparison, from the second quarter of 2001 to the second quarter of 2020, the vacancy rate oscillated between 4.7 percent in 2014 and 6.3 percent in 2008 and 2018, and the rent rose an average of 2 percent annually.

Current Apartment Market Conditions by County

As of the second quarter of 2023, apartment vacancy rates and average rents were up in the three counties in the submarket compared with the previous year (CoStar Group). The largest increase in vacancy rates occurred in Harford County, where the vacancy rate rose 2.5 percentage points to 5.6 percent. The average

Figure 25. Apartment Rents and Vacancy Rates in the Northern Suburbs Submarket



2Q = second quarter.
Source: CoStar Group

rent in the county increased 2 percent to $1,563, the highest rent in the submarket. In Baltimore County, the vacancy rate increased 2.2 percentage points to 6.5 percent, and the average rent rose 1 percent to $1,503. The apartment vacancy rate rose 1.4 percentage points to 3.3 percent in Carroll County, and the average rent rose 5 percent to $1,444.

Rental Construction

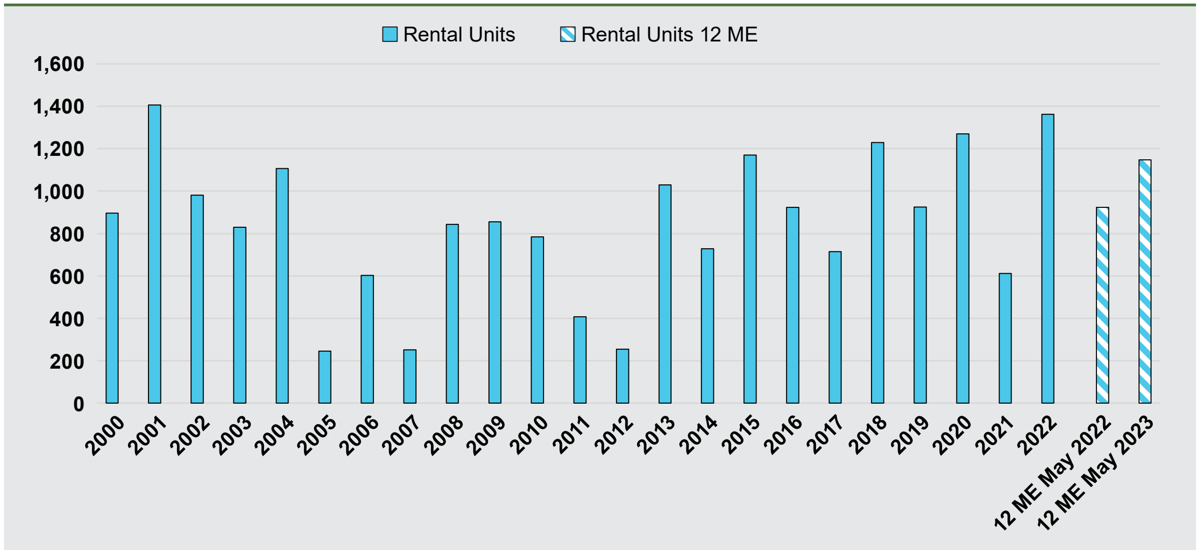
Builders increased the magnitude of rental construction in 2022 but scaled back in 2023 (Figure 26), partly because of softening market conditions. From 2000 through 2004, an average of 1,050 units were permitted before declining to an average of 530 units from 2005 through 2012, although this period included strong net in-migration. Subsequently, permitting rose to an average of 960 units from 2013 through 2021 and to 1,350 units in 2022. During the 12 months ending May 2023, approximately 1,150 units were permitted, up 24 percent from the number permitted a year earlier (preliminary data, with adjustments by the analyst).

From 2013 through 2022, more than one-half of new rental construction in the submarket was in Baltimore County, but during the most recent 12 months, nearly two-thirds of new rental construction was in Harford County. The largest apartment property under construction in Harford County is the 304-unit market-rate general occupancy James Run Apartments. The property is expected to be complete in 2023. The property is part of the James Run mixed-use planned community, which will include 191 for-sale townhomes, 79 rental townhomes, a 160-bed assisted-living facility, and commercial space on completion, in addition to the apartments under construction.

Forecast

During the 3-year forecast period, demand is estimated for 1,425 new rental units (Table 17). Demand is expected to increase each year of the forecast period in response to the recovering economy, and demand is expected to be strongest in Baltimore and Harford Counties. The 1,975 units under construction in the submarket are anticipated to satisfy all the demand during the forecast period. Further additions to the inventory should be timed to allow for the absorption of units.

Figure 26. Annual Rental Permitting Activity in the Northern Suburbs Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 17. Demand for New Rental Units in the Northern Suburbs Submarket During the Forecast Period

	Rental Units
Demand	1,425 Units
Under Construction	1,975 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Rental Market—Southern Suburbs Submarket

Market Conditions: Balanced

With a 6.1-percent vacancy rate (CoStar Group), apartment market conditions are also balanced, following tight conditions in the 2 previous years.

Current Conditions and Recent Trends

The rental market in the submarket is balanced, with an estimated 5.8-percent vacancy rate, down from 6.4 percent in April 2010 (Table 18) and 6.3 percent in April 2020. Moderate levels of rental construction since 2017 have contributed to decreasing vacancy rates. Although the share of renter households has increased since 2010, the submarket has the lowest proportion of renters in the HMA at 26.8 percent. Compared with the other two submarkets, the Southern Suburbs submarket had the highest proportion of renters living in single-family homes in 2021 at 40 percent, up slightly from 39 percent in 2010. The percentage of renter households in buildings with two to four units held steady at 6 percent, whereas 53 percent of all renter households resided in buildings with five or more units in 2021, down from 54 percent in 2010.

Table 18. Rental and Apartment Market Quick Facts in the Southern Suburbs Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	6.4	5.8
		2010 (%)	**2021 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	39	40
	Multifamily (2–4 Units)	6	6
	Multifamily (5+ Units)	54	53
	Other (Including Mobile Homes)	1	0

		2Q 2023	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	6.1%	2.2
	Average Rent	$2,003	2.7%
	Studio	$1,758	5.5%
	One-Bedroom	$1,796	2.5%
	Two-Bedroom	$2,086	2.8%
	Three-Bedroom	$2,403	2.5%

2Q = second quarter. YoY = year-over-year.
Notes: The current date is June 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

Single-Family Rental Market Current Conditions and Recent Trends

Rental market conditions for professionally managed detached and attached single-family homes are tight in the submarket. During May 2023, the vacancy rates were 1.5, 1.3, and 1.0 percent, respectively, in Anne Arundel, Howard, and Queen Anne's Counties, unchanged from 1 year ago, trending downward from 1.8, 1.6, and 1.1 percent since May 2013 (CoreLogic, Inc.). During May 2023, average rents in the submarket ranged from $1,997 to $2,487 for one-bedroom homes, $2,380 to $2,790 for two-bedroom homes, $2,642 to $2,879 for three-bedroom homes, and $3,298 to $3,440 for four-bedroom homes. Rents have consistently been the highest in Anne Arundel County, the location of Fort Meade.

Apartment Market Current Conditions and Recent Trends

Balanced apartment market conditions reemerged during the most recent second quarter, following tight conditions for 2 consecutive second quarters. As of the second quarter of 2023, the apartment vacancy rate was 6.1 percent, up from 3.3 and 3.9 percent, respectively, as of the second quarters of 2021 and 2022 (CoStar Group; Figure 27). The average rent rose 3 percent to $2,003 compared with an average 9-percent increase from the second quarter of 2021 to the second quarter of 2022. By comparison, as of the second quarter of 2020, at the start of the pandemic, the vacancy rate rose to 6.2 percent from 5.3 percent 1 year earlier. During this period, the average rent rose less than 1 percent. The apartment vacancy rate fluctuated during the second quarters of 2000 through 2018 but ultimately rose from 4.2 to

6.9 percent, the highest rate since 2000. At the same time, the average rent rose an average of 2 percent annually from $1,060 to $1,572.

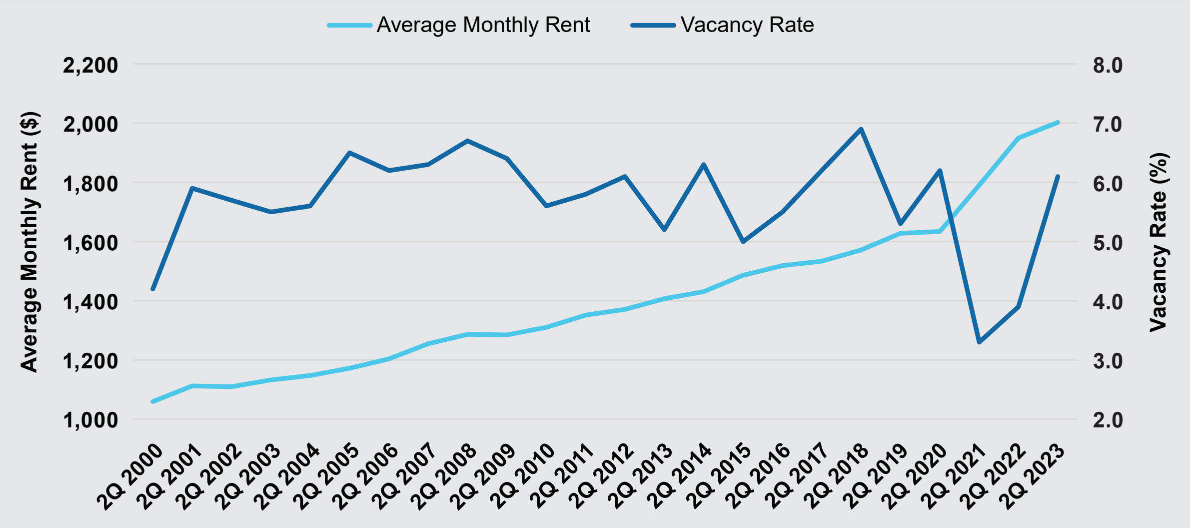
Current Apartment Market Conditions by County

Apartment vacancy rates and rents rose in each of the three counties in the submarket during the second quarter of 2023 compared with the second quarter of 2022. The largest increase in the vacancy rate occurred in Queen Anne's County, where the vacancy rate rose 8.0 percentage points to 8.7 percent, and the rent is the lowest in the submarket at $1,360. The sharp increase in the apartment vacancy rate was due to a rise in new apartment unit completions but a less significant rise in absorption. The vacancy rate increased 2.2 percentage points to 6.2 percent in Anne Arundel County, and the rent averaged $1,963, an increase of 3 percent. The rent also increased 3 percent to $2,066 in Howard County, and the vacancy rate rose 2.0 percentage points to 6.0 percent.

Rental Construction

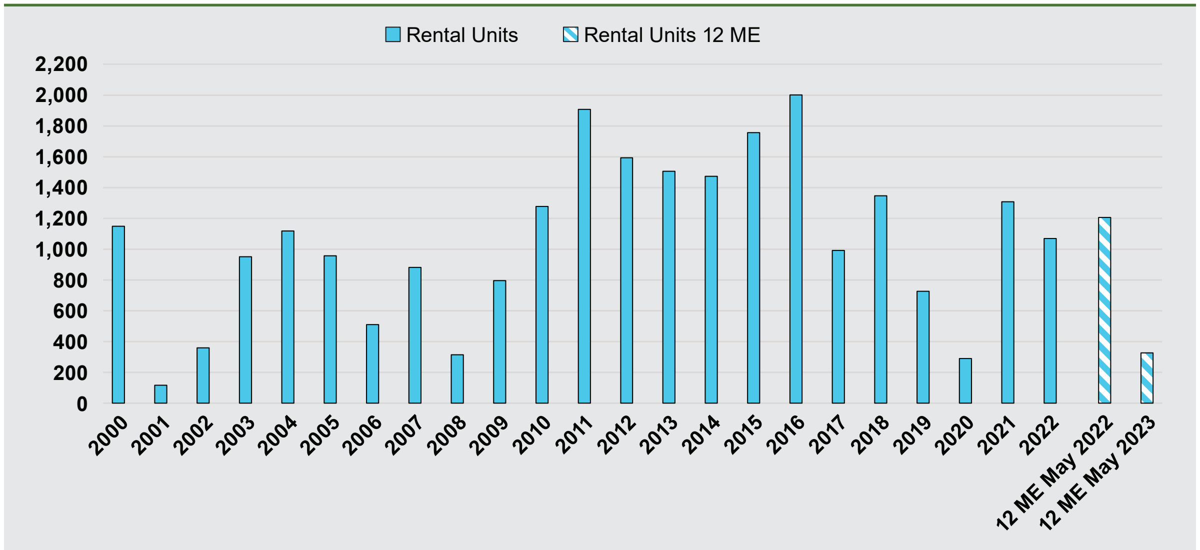
Rental unit building activity has generally been subdued since 2017, relative to the previous 6 years, but elevated compared with 2000 through 2010 (Figure 28). After an average of 770 units were permitted annually from 2000 through 2010, an average of 1,700 units were permitted annually from 2011 through 2016. Builders decreased rental construction to an average of 1,025 units a year

Figure 27. Apartment Rents and Vacancy Rates in the Southern Suburbs Submarket



2Q = second quarter.
Source: CoStar Group

Figure 28. Annual Rental Permitting Activity in the Southern Suburbs Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

from 2017 through 2019, allowing for the absorption of recently completed units before 290 units were permitted during 2020 at the onset of the COVID-19 pandemic. An average of 1,200 units a year were permitted during 2021 and 2022 when vacancy rates reached their lowest levels. During the 12 months ending May 2023, nearly 330 units were permitted, down 73 percent from a year earlier (preliminary data, with adjustments by the analyst).

Since 2017, Anne Arundel and Howard Counties have accounted for 91 percent of new apartment construction in the submarket. Currently, three market-rate general occupancy apartment properties, with a total of 760 units, are under construction in the two counties, including the 300-unit The Residences at Sandy Farms in Severn, a census-designated place in Anne Arundel County near Fort Meade. Construction is expected to be complete in June 2023. Rents for one-, two-, and three-bedroom units average $2,415, $2,827, and $3,489, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 3,125 new rental units (Table 19). Economic recovery, followed by expansion and household growth, is expected to result in rental demand increasing slightly every year. Significant rental demand is likely to continue in Anne Arundel and Howard Counties. The 1,225 units currently under construction are expected to satisfy a portion of the demand.

Table 19. Demand for New Rental Units in the Southern Suburbs Submarket During the Forecast Period

Rental Units	
Demand	3,125 Units
Under Construction	1,225 Units

Note: The forecast period is June 1, 2023, to June 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area (HMA). Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales	Include regular resales and real estate owned sales.
Forecast Period	6/1/2023–6/1/2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births minus resident deaths.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the U.S. Census Bureau.

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.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
Seriously Delinquent Mortgages	**Mortgages 90 or more days delinquent or in foreclosure.**

B. Notes on Geography

1.	**The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.**

C. Additional Notes

1.	**The National Association of Home Builders Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.**
2.	**This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.**

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

D. Photo/Map Credits

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