DOWNTOWN BALTIMORE

OUTLOOK 2017

ANALYSIS OF MARKET RATE HOUSING DEMAND IN DOWNTOWN BALTIMORE AND ADJACENT NEIGHBORHOODS

A report commissioned by Downtown Partnership of Baltimore
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Goldseker FOUNDATION

Data compilation and analysis by Zimmerman/Volk Associates, Inc.

INTRODUCTION

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

This report was funded by a generous grant from the Goldseker Foundation. Research and analysis for each housing demand study was conducted by Zimmerman/Volk Associates on behalf of Downtown Partnership of Baltimore.

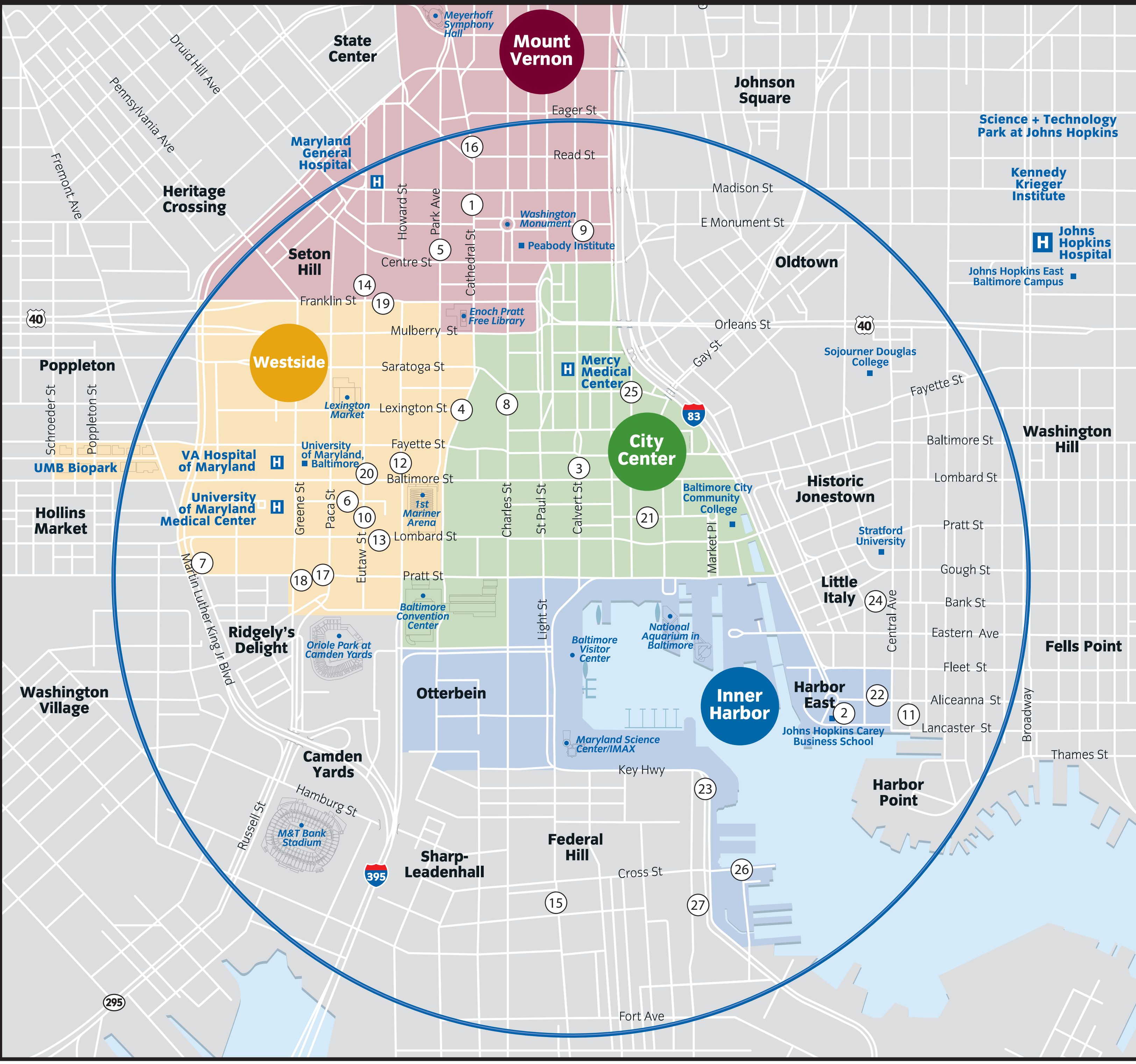
In each study, the Downtown Baltimore Study Area is defined to include the area within a one-mile radius from the intersection of Pratt and Light Streets (*See* MAP *on page 3*) and also encompasses the neighborhoods of South Baltimore, Riverside, and Locust Point to the south; Washington Village, Hollins Market, Poppleton, and Heritage Crossing to the west; Upton, Madison Park, and Bolton Hill to the northwest; Mid-Town Belvedere, Charles North, and Greenmount West to the north and northeast; and Washington Hill, Fells Point, Canton, and Brewers Hill to the east and along the harbor extending southeast of Downtown.

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

This report examines the following:

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

Select Residential Properties in the Downtown Statistical Area (DSA)



Multifamily For-Rent

1. The Severn
2. Spinnaker Bay
3. The Munsey
4. 39 West Lexington
5. 611 Park Avenue
6. Marlboro Classic & Redwood Square
7. Sail Cloth Factory
8. Charles Towers
9. Waterloo Place
10. The Redwood
11. The Eden
12. Avalon Centerpoint
13. Camden Court
14. Chesapeake Commons
15. 1111 Light Street
16. Professional Arts Building
17. The Zenith
18. The Greenehouse
19. St. James Place
20. The Abell

Multifamily Attached For-Sale

21. 414 Water Street
22. The Vue Condominiums
23. Ritz Carlton Residences
24. Canal Street Malt House
25. The Breco Condominiums

Single Family Attached For-Sale

26. Pier Homes at Harborview
27. Federal Place

KEY FINDINGS

- This update has established that an annual average of 7,985 households represents the potential renters and buyers of new residential units in Downtown Baltimore each year over the next five years.
- More than half of these households are currently living outside the limits of Baltimore City.
- Two-thirds of the potential market are younger singles and couples, 22 percent are empty nesters and retirees, and 12 percent are traditional and non-traditional families.
- Based on the aggregated housing preferences of the target market households, almost 60 percent of the new units should be rental apartments, 19 percent should be condominiums (for-sale apartments), and 21 percent for-sale townhouses.
- Based on a 20 percent capture of the annual potential market for new rental housing, and a 5 to 8.5 percent capture of the annual potential market for new for-sale housing units, the Downtown Baltimore Study Area should be able to support more than 1,100 new market-rate housing units per year over the short term (next two to three years) and up to 1,227 units per year in the longer term (three to five years), for a total of approximately 5,800 units over the next five years.

OVERVIEW

The remarkable transformation of American households (particularly the emerging predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and rising gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density, auto-oriented suburbs to a diverse mix of detached houses, attached houses and higher-density apartments in downtowns and walkable, transit-served, mixed-use traditional neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can rebuild their downtowns and in-town neighborhoods.

However, the current constrained market—characterized throughout most of the United States by weak or falling housing prices; higher than typical levels of unsold units, both building inventory units as well as foreclosed and/or abandoned houses; and high levels of mortgage delinquencies by speculators and investors as well as homeowners—has resulted not only in restrictive development financing and mortgage underwriting, but also in uncertainty concerning housing values, taking a significant percentage of potential homebuyers out of the market and preventing numerous developments, both rental and for-sale, from going forward.

These market constraints do not reduce the size of the potential market; however, full realization of the ownership market potential will be delayed until housing finance is readily available and sustained consumer confidence returns; until then, the initial percentage of the potential market able to overcome the lingering impact of the deep recession and restrictive mortgage underwriting is likely to be reduced.

According to the 2010 Census, the population of the City of Baltimore had fallen to just under 621,000 from 651,150 persons in 2000, a decline of 4.6 percent. Over the same time frame, the number of households in the City of Baltimore had fallen from 257,996 households as of Census 2000 to 249,903 households in 2010, a decline of just 3.1 percent. The Nielsen Company, now a national purveyor of demographic and survey data through its acquisition of Claritas, Inc., estimates that in 2012 the number of households in the City continued to decline to 248,435. Comparatively, the one-mile radius is currently home to 42,011 residents as of January 2012, which is about 5,700 residents higher than the Census 2000 count - a nearly 16 percent increase over 12 years. The number of households in the one-mile radius also increased during the same period from 14,715 in 2000 to 17,456 in 2012, according to The Nielsen Company.

Currently, over 64 percent of Baltimore City's households contain just one or two persons (compared to 59 percent nationally); 15.9 percent contain three persons; and the remaining 19.9 percent contain four or more persons (compared to 25.2 percent nationally). Households in the one-mile radius are majority one-person at 53.4 percent. Two-person households make up an additional 28.6 percent, and only 18 percent of households in the one-mile radius contain three or more persons.

Just 9.7 percent of Baltimore City's households could be characterized as traditional families (married couples with children under age 18) as compared to 21.6 percent of all U.S. households. For the one-mile radius, this percentage of traditional families is slightly higher at 10.8 percent. Non-traditional family households, headed by single persons with children under age 18, represent 18.6 percent of the City's households and 26.7 percent of Downtown's households. The remaining 71.7 percent of Baltimore City households do not have children under 18 and include married couples (14.8 percent), other non-traditional family households (9 percent), and 47.8 percent non-family households (primarily single-person households).

Median household income in Baltimore City is currently estimated at $37,200, compared to the national median of $49,600. However, nearly 37 percent of the households in the city have annual incomes of $50,000 or more. Comparatively, in the one-mile radius the median income is $36,900 and 38 percent of households have annual incomes of $50,000 or more.

More than 38.5 percent of Downtown's estimated 21,256 housing units are single-family attached units (rowhouses); 2.1 percent are single-family detached; 3.6 percent are in two-unit buildings; approximately 17.6 percent are located in buildings of three to 19 units; and just over 38 percent are in buildings of 20 or more units. Approximately 49.3 percent of Baltimore City's households are renters, and 50.7 percent own their units, a share that is higher than in most American cities. However, within the one-mile radius 71.9 percent of households are renters and only 28.1 percent own their homes.

Just over 32 percent of households in the one-mile radius do not own an automobile, and 45 percent own only one vehicle. Just under 24 percent of households in this area own two or more vehicles. Over 24 percent of employed Downtown residents over age 16 walk to work (compared to approximately 7 percent in Baltimore City and 2.8 percent nationally). 12.4 percent of Downtown residents take public transportation (compared to 18.5 percent in Baltimore City and 4.8 percent nationally), 5.6 percent car-pool (compared to 10.1 percent in Baltimore City and 10.7 percent nationally), and just over 52 percent drive alone (compared to 59 percent in Baltimore City and 75.8 percent nationally). The remaining 6 percent work at home (4.3 percent), ride bicycles (1.3 percent), or have other means of getting to work (0.5 percent).

Nearly 52 percent of all residents in the one-mile radius aged 25 or older have a college or advanced degree, which is nearly twice the national share of 27.5 percent. Over 80 percent of Downtown's residents older than 16 are employed in white-collar occupations, 6.8 percent work blue-collar jobs, and 12.4 percent are in service occupations. The rate of white-collar employment in the one-mile radius is significantly higher than that of the nation, where approximately 60 percent are white-collar workers.

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

City-Wide Market Potential

As noted above, the extent and characteristics of the potential market for new market-rate residential units within the City of Baltimore and the Downtown Baltimore Study Area have been re-examined through detailed analysis of households living within the appropriate draw areas. Because the median rent in the Downtown Study Area is estimated to be $1,232 in 2012, and the annual household income required to rent at this level is estimated to be $49,283, this analysis has focused only on households in target market groups that have median incomes of $50,000 or more.

The draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2010 American Community Survey for the City of Baltimore. The 2012 median Downtown rent is adjusted from the median rent cited in the 2010 American Community Survey based on the regional consumer price index for housing, and the annual household income was derived from the affordability standard of the U.S. Department of Housing and Urban Development, which states that rental costs should not exceed 30 percent of annual income.

From where are the potential renters and buyers of new and existing housing units in the City of Baltimore likely to move?

The most recent City of Baltimore migration and mobility data available from the Internal Revenue Service—from 2005 through 2009—shows that the city continued to experience net migration losses overall throughout the study period. Net out-migration ranged from a loss of nearly 900 households in 2007 to a loss of just 15 households in 2008. (*See* Appendix One, Table 1.) However, these losses are considerably smaller than those experienced in the first half of the decade, when the city was losing a net of between 1,600 and 3,600 households per year.

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

- The <u>local</u> (internal) draw area, covering households currently living within the City of Baltimore.
- The <u>Baltimore County</u> draw area, covering households with the potential to move to the City of Baltimore from Baltimore County.

- The Baltimore regional draw area, covering households with the potential to move to the City of Baltimore from Anne Arundel, Howard, and Harford Counties.

- The D.C. draw area, covering households with the potential to move to the City of Baltimore from Prince George's and Montgomery Counties and Washington, D.C.

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

As derived from the updated migration, mobility and target market analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Baltimore each year over the next five years) would be as follows (*see also* Appendix One, Table 8):

Market Potential by Draw Area
City of Baltimore, Maryland

City of Baltimore:	55.3%
Baltimore County:	18.1%
Anne Arundel, Howard, and Harford Counties:	7.8%
Prince George's and Montgomery Counties; Washington, D.C.:	4.3%
Balance of US (National Draw Area):	14.5%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2012.

MARKET POTENTIAL FOR THE DOWNTOWN BALTIMORE STUDY AREA

From where are the potential renters and buyers of new and existing housing units in the Study Area likely to move?

As in 2006, the target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the City's potential market that typically choose suburban, exurban and/or rural locations, the distribution of draw area market potential for newly-created housing units within the Downtown Baltimore Study Area would be as follows (*see also* Appendix One, Table 11):

Market Potential by Draw Area
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

City of Baltimore:	48.8%
Baltimore County:	18.3%
Anne Arundel, Howard, and Harford Counties:	8.9%
Prince George's and Montgomery Counties; Washington, D.C.:	6.6%
Balance of US (National Draw Area):	17.4%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2012.

Over the next five years, households living outside the City limits are likely to account for a considerably higher share of market potential for the Downtown Study Area, at 51.2 percent, than in 2006, at just 32.9 percent. Households moving to the Downtown Study Area from outside the region are likely to account for more than 17 percent of the Study Area's market potential over the next five years, compared to just 15.6 percent in 2006.

How many households have the potential to move to the Downtown Study Area each year over the next five years?

Based on the updated target market analysis, an average of 7,985 younger singles and couples, empty nesters and retirees, and small families represent the annual potential market for new market-rate rental apartments, condominiums, and rowhouses in Downtown Baltimore. However, since there are other neighborhoods in Baltimore that might attract these households, only a certain percentage of this annual market will likely lease or purchase new units in Downtown. (*See* Annual Capture of Market Potential in the DOWNTOWN STUDY AREA ABSORPTION section.)

What are their housing preferences in aggregate?

The housing preferences of these draw area households—according to tenure (rental or ownership) and housing type—are outlined below (*see also* Table 1):

Average Annual Market Potential
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	4,765	59.7%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	1,520	19.0%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	1,700	21.3%
Total	7,985	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2012.

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

These changes in tenure and housing preferences are a result of the continuing demographic changes in American households (*see* TARGET MARKET ANALYSIS *below*), the broad lingering impact of the Great Recession on incomes, investments and ownership housing values, and by the higher gasoline and energy prices in 2012 over 2006, spurring renewed interest in living closer to employment, in downtowns and in-town neighborhoods.

In the current constrained housing market, however, the realization of the for-sale (ownership) market potential could be quite challenging, given the restrictive development financing and mortgage underwriting by financial institutions, the fact that many otherwise-qualified households, particularly current renters, lack the funds for a down payment, and the inability of many owner households to sell their existing single-family units even at reduced prices, or their reluctance to sell at a perceived loss of value.

TARGET MARKET ANALYSIS

Who is the potential market for new housing in the Study Area?

The increasing interest in traditional American neighborhoods—walkable, with a mix of uses and a variety of housing types—is the result of dramatic changes in American households, the growing cost of commuting by private automobile, and the profound impact of the Great Recession—which began in 2007—on both households and home-builders, particularly in exurban locations. The changing composition of American households may have the most lasting influence, however, because of the changing housing preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996.

In addition to their shared preference for downtowns and walkable traditional neighborhoods, particularly those served by transit, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (a married couple with children) that comprised the typical post-war American household, Boomers and Millennials are predominantly singles and couples. As a result of the dominance of the Boomers and Millennials, the 21st Century home-buying market in the United States now contains more than 63 percent one- and two-person households, and the 37 percent of homebuyers that could be categorized as family households are as likely to be non-traditional families (single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, or grandparents with custody of grandchildren) as traditional families.

As updated by the target market analysis, and reflecting national trends, the annual potential market—represented by lifestage—for new housing units in Downtown Baltimore is now characterized by general household type as shown in the following table (*see also* Table 2):

Downtown Average Annual Market Potential By Household Types
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED
Empty-Nesters & Retirees	22%	10%	40%	39%
Traditional & Non-Traditional Families	12%	12%	4%	22%
Younger Singles & Couples	66%	78%	56%	39%
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2012.

At 66 percent, younger singles and couples make up by far the largest share of the market for all housing types in Downtown Baltimore. This is a significant increase since 2006, when this segment represented 45 percent of the market. Among the principal factors for the larger share of the market held by younger singles and couples are:

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

Older households (empty nesters and retirees) are the second largest potential market, half of whom are already living in Baltimore. These older households now represent approximately 22 percent of the potential market, down from 38 percent in 2006, in part because of their inability to sell—or reluctance to sell at a perceived loss—their existing housing units. However, as the national, regional and local housing markets continue to stabilize, and with the continuing introduction of a wide variety of units in a broad range of rents and prices, older households will again become a larger share of the potential market.

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

Nearly 40 percent of the traditional and non-traditional family households that represent the potential market for new housing units in Downtown Baltimore will be moving from out of town, down from 69 percent in 2006.

The primary target groups, their estimated median incomes and estimated median home values in 2012, are shown as follows:

Primary Target Groups
(In Order of Median Income)
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees	$64,500 to $181,700	$100,100 to $381,400
Traditional and Non-Traditional Families	$55,400 to $132,600	$82,500 to $172,200
Younger Singles & Couples	$55,800 to $163,900	$121,300 to $269,100

(*Reference* APPENDIX THREE, TARGET MARKET DESCRIPTIONS, *for detail on the target groups*.)

THE CURRENT CONTEXT

What are the alternatives?

—Multi-Family For-Rent—

Since the 2006 update, several new rental properties, both new construction and adaptive reuse of existing buildings, have been successfully developed within the one-mile radius area. (*See* Table 3 *in the* APPENDIX and MAP *on page 3*.) Rents have risen from five to 40 percent on individual units in existing properties over the same time frame, and occupancies are at or above functional full occupancy (95 percent) at nearly all of the properties included in the survey.

As of April 2012, rents for studios in apartment buildings located within the one-mile radius start at $625 per month for 295 square feet of living space at The Severn and reach $1,970 per month for 524 square feet of living space at Spinnaker Bay. Some buildings, including The Munsey and 39 West Lexington, include studios that are significantly larger at around 800 square feet. Rents per square foot for studios range between $1.56 and $3.85.

Rents for one-bedroom flats range from $825 per month at 611 Park Avenue to $3,080 per month at 39 West Lexington, an adaptive reuse of a former office building. Sizes run from approximately 449 square feet at The Severn to nearly 1,790 square feet at 39 West Lexington ($0.95 to $3.17 per square foot). 39 West Lexington, Marlboro Classic & Redwood Square, Sail Cloth Factory, Charles Towers, Waterloo Place, The Redwood, The Eden and Spinnaker Bay also include dens with selected one-bedroom models.

Two-bedroom apartments within the one-mile radius start at $1,000 per month for 784 square feet at The Severn and go as high as $3,875 per month for a two-bedroom duplex penthouse containing 2,471 square feet at Avalon Centerpoint. Rents per square foot for two-bedroom units fall between $1.02 and $2.98.

Most of the buildings included in the survey do not have three-bedroom units, and among those that do, most have a limited number of them. Several buildings also include dens with selected two-bedroom models. Monthly rents at the three-bedroom units within the one-mile radius start at $1,375 per month at The Severn, with the most expensive unit leasing for more than $4,835 per month at Spinnaker Bay. Three-bedroom unit sizes range between 1,178 square feet at Camden Court and 2,400 square feet at Chesapeake Commons. Rents per square foot for three-bedroom units fall between $0.86 and $3.40.

The following are some examples of recently built or renovated market-rate rental properties within the one-mile radius:

A total of 183 studio, one-bedroom, and two-bedroom flats and duplexes are fully leased at 39 West Lexington, which was converted from an office building and opened in 2008. The units range in rent from $1,225 to $3,300 per month for just over 500 square feet to just under 1,800 square feet of living space ($1.27 to $3.17 per square foot).

Located south of the Inner Harbor, 1111 Light Street is recently completed and is LEED-Silver certified. The 93 units are a mix of one- to three-bedroom apartments, ranging in size from 623 to 1,280 square feet and in rent from $1,800 to $3,300 per month ($2.19 to $2.89 per square foot).

The Professional Arts Building, which opened in 2006, is an adaptive reuse of the historic Medical Arts Building on West Read Street, with a mix of studios and one- and two-bedroom apartments. Rents range from $975 for an approximately 500-square-foot studio ($2.23 per square foot) to $1,900 per month for a two-bedroom, 1,344-square-foot apartment ($1.41 per square foot).

The Zenith is a new high-rise building completed in 2008 near Camden Yards on West Pratt Street. The building contains 191 units in a mix of studios, and one- to three-bedroom flats and duplexes, with rents starting at $1,185 per month for a 587-square-foot studio ($2.48 per square foot) and reaching $3,875 per month for an 1,843-square-foot three-bedroom duplex ($2.10 per square foot). A majority of the units have extensive views of Camden Yards and the City.

The 88-unit Greenehouse, a former garment manufacturing building just a block west of the Zenith, underwent a major renovation in 2009 and is leasing only one- and two-bedroom units. Asking rents fall between $1,225 and $1,850 for 700 to 1,300 square feet of living space ($1.42 to $1.75 per square foot).

Two new rental properties—St. James Place on West Franklin Street and The Abell on North Eutaw Street—are smaller properties, with just 25 and 30 units respectively. One-bedrooms at St. James Place range in rent from $920 to $1,230 per month for approximately 600 to 875 square feet of living space, and two-bedrooms, containing 975 square feet, lease for $1,400 per month. Rents are slightly higher at The Abell, ranging from $1,190 to $1,885 per month for one- and two-bedroom units containing between 700 and 1,300 square feet.

The Eden, a rental property completed in 2007, is situated east of the Inner Harbor at the western edge of Fells Point. The 270-unit complex features studios, one-bedroom units, one-bedroom units with sunrooms, and two-bedroom units, and includes on-site parking (for an additional fee), roof-top pool and lounge area, fitness center, business center, and a courtyard area. Rents start at $1,700 for a 585 square-foot studio, and reach $3,130 for a 1,259 square foot two-bedroom/two-bath. Rents per square foot at the Eden range from $2.17 to $3.08.

Nearly all of the new rental properties, whether adaptive reuse or new construction, provide extensive community amenities ranging from club rooms or game rooms, fitness centers, business centers, pools, and lounges to movie theaters, rooftop terraces, and internet cafés.

—Multi-Family Attached For-Sale—

The following are some examples of recently built or renovated market-rate condominium properties within the one-mile radius:

Because of the collapse of the housing market in 2008, there are still a number of for-sale properties with unsold units that began sales prior to 2006· (*See* Table *4 in the Appendix*). Just north of the Inner Harbor, the 414 Water Street property was completed in 2008 and had 212 reservations as of April 2006, and has sold 180 of the 312 units. Current pricing of unsold units starts at $219,000 for a 654-square-foot one-bedroom unit to just under $400,000 for a two-bedroom unit with two and a half baths and a den with 1,460 square feet. Current prices per square foot run from $250 to $364. There are also numerous resales available, with asking prices ranging between $169,000 and $369,900 ($244 to $454 per square foot). A limited number of units are currently being marketed as rentals as well. The standard unit finishes include granite countertops, GE stainless steel appliances, ceramic tile in foyer and kitchen, and carpeting throughout the living areas. The Platinum upgrade provides hardwood flooring in the living/dining room and den. Community amenities include an outdoor swimming pool and terrace, fitness center, party room, business center, and individual storage areas.

The 123-unit Vue Condominiums on President Street opened for sales in 2007. Current listings are priced between $272,900 for a 590-square-foot one-bedroom apartment ($463 per square foot) and $799,000 for a 1,901-square-foot three-bedroom/three-bath unit ($420 per square foot). The property features an on-site concierge and parking is provided for all unit owners.

The Ritz Carlton Residences, located on the Inner Harbor and completed in 2008, has sold 94 units out of 190. The remaining units are priced between $499,000 for a 1,300-square-foot one-bedroom unit ($382 per square foot) and $2,249,000 for a 3,834-square-foot three-bedroom penthouse ($587 per square foot). Hardwood floors, high ceilings, and upgraded appliances are among the unit features. The property features several luxury amenities, including a spa/salon, fitness center, indoor pool, screening room, game and billiards room, a board room, and a residents lounge.

On Central Avenue, four of the 38 loft condominiums in the Canal Street Malt House, which opened in 2006, remain unsold. Prices for the four units range between $499,900 for a two-bedroom/two-bath apartment containing just under 1,500 square feet ($334 per square foot) and $850,000 for a two-bedroom/three-bath unit containing approximately 2,500 square feet ($343 per square foot). Each loft in the property has floor-to-ceiling windows, exposed brick walls, and 18- to 20-foot ceilings.

Some for-sale properties have seen success despite the collapse of the housing market. The Breco Condominiums, which was renovated and opened for sales in 2006, has sold all of the 32 units in the building, with prices at time of sale ranging between $166,000 and $269,500 for approximately 850-square-foot one-bedroom lofts ($192 to

$319 per square foot), and between $245,000 and $412,000 for two-bedroom units ranging between approximately 1,100 to almost 1,500 square feet ($215 to $374 per square foot). Many of the units sold in the building since 2010 have been resales. The building is located six blocks from the Inner Harbor and features high ceilings, hardwood floors, and sliding partition walls. The property also provides a rooftop pool and terrace, fitness club, clubroom, conference room, and professional concierge services.

—Single-Family Attached For-Sale—

The following are some examples of recently built or renovated market-rate townhouses within the one-mile radius:

Pier Homes at Harborview, located immediately south of the Ritz Carlton, opened in 2008 and has sold 84 of 88 units. The prices of the remaining units range from $1,250,000 for a 3,732-square-foot townhouse ($335 per square foot) to $8,500,000 for a 9,069-square-foot double townhouse ($937 per square foot). The townhouses are built on two piers and each unit has its own sun deck and two-car garage.

Federal Place off Key Highway is comprised of 26 3,000-square-foot five-story townhouses containing three bedrooms and three and a half baths. Base prices for the private-elevator townhouses range between $895,000 and $1,250,990 ($298 to $417 per square foot). The units have two-car garages plus two-car parking pads, gourmet kitchens, nine- and 10-foot ceiling heights, and the master bedroom suites have private rooftop terraces.

DOWNTOWN STUDY AREA ABSORPTION

How fast will the units lease or sell?

As noted previously in this study, the current constrained market is characterized in many locations by reduced housing prices, high levels of unsold units, and restrictive mortgage underwriting and development finance. As also noted previously, these market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they reduce the initial percentage of the potential buyer market able to overcome those constraints.

After more than two decades of experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that those households that prefer newly-created units, rather than previously-occupied units, continue to represent at least 20 percent of the potential rental market, and between 5 and 8.5 percent of the potential for-sale market, assuming the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation; as of the first quarter of 2012, that percentage had dropped to just 8.5 percent of all units sold.) On the for-sale side, short-term absorption projections (market capture) are likely to be lower than the longer-term projections due to the uncertain timing of a housing market recovery.

Based on a 20 percent capture of the potential market for new rental housing, and a 5 to 8.5 percent capture of the potential market for new for-sale housing units, the Downtown Baltimore Study Area should be able to support more than 1,100 new market-rate housing units per year over the short term (next two to three years) and up to 1,227 units per year in the longer term (three to five years), as shown on the following page:

Annual Capture of Market Potential
THE DOWNTOWN BALTIMORE STUDY AREA
City of Baltimore, Maryland

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	ANNUAL NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	4,765	20%	953
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,520	5% to 8.5%	76 to 129
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	1,700	5% to 8.5%	85 to 145
Total	7,985		1,114 to 1,227

SOURCE: Zimmerman/Volk Associates, Inc., 2012.

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

According to the Downtown Partnership, between 2001 and 2006, more than 3,000 new market-rate housing units were built throughout the Downtown, and between 2006 and 2012, another 4,350 new units were added to the Downtown inventory.

Based on the 2012 update, it is clear that Downtown Baltimore has still not captured its full annual market potential, particularly for new rental units, where demand even now is far exceeding supply. Specifically, the 2006 report predicted total potential demand would support 7,430 market-rate units over five years, but only 4,350 units were actually delivered during this period.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, approximately 52 percent of the annual market potential of 1,114 to 1,227 new dwelling units in Downtown Baltimore and adjacent neighborhoods, or approximately 580 to 638 units per year, could be from households moving from outside the Baltimore city limits. Over five years, the realization of that market potential could lead to an increase of between 2,900 and 3,200 households living in Downtown Baltimore that moved from a location outside the city.

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

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

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

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

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