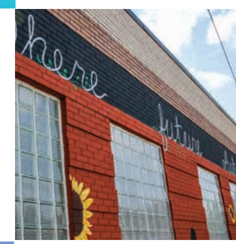
An Analysis of Baltimore City's Residential Market Potential

DECEMBER 2020



LIVE Baltimore

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> **The long-term market prospects for housing in Baltimore established in this analysis are positive.**

INTRODUCTION

A strong and growing housing market is critical to Baltimore's economy and to the many families and individuals who have invested in homes in the City. Recognizing that, Live Baltimore commissioned this analysis of the City's overall residential market potential. The report answers a series of critical questions about the size and make-up of households that might choose Baltimore each year and provides information about their housing preferences and budgets.

Conducted by nationally recognized experts, Zimmerman/Volk Associates, this study is the first-ever analysis of residential market potential for the entire City of Baltimore. It intentionally considers potential housing growth in both affordable and market-rate units—both rehabbed and newly constructed—among residents of all incomes.

Live Baltimore is confident this study will help underscore strengths in Baltimore's residential market—with both homeowners and renters—identifying where there is the opportunity for growth and detailing the demographics and preferences of people likely to seek homes in the City.

This analysis will be useful to a range of people and institutions by:

- **Enabling smarter, more targeted marketing** to prospective City residents
- **Serving as a development prospectus** for the entire City of Baltimore
- **Contributing to the planning** of City-sponsored housing developments, limiting, for example, market cannibalization between neighborhoods, and encouraging citywide growth
- **Benefitting the work** of the Baltimore Department of Housing and Community Development and Department of Planning, as well as Baltimore Development Corporation, neighborhood-based community development corporations, and others

A note on timing: This study was completed in June 2020, four months into the coronavirus pandemic. While the overall economy slowed significantly, the housing market in Baltimore has shown resiliency. After a contraction in April and May of 2020, Baltimore City's housing market recovered and began showing growth in June. The months of July, August, and September of 2020 were the strongest three months for home sales since at least 2010, with improvements in year-over-year volume, price, and transaction speed. At the end of the third quarter of 2020, Baltimore City home sales had increased 9 pecent in volume and 6 percent in average price, compared to the same nine-month period in 2019. These results suggest the residential housing market in Baltimore is among the economic segments best able to withstand COVID-19 impacts, as of the publication of this report.

EXECUTIVE SUMMARY

While Baltimore City's population has declined since 1950, the City continues to attract new residents. Tens of thousands of individuals and families of all backgrounds move into Baltimore—or within the City—to live in apartments, rowhouses, condominiums, and detached houses each year.

This study, conducted by Zimmerman/Volk Associates, examines rich data about people who currently live in Baltimore and people who could potentially move into the City, including information from the Internal Revenue Service and the U.S. Census American Community Survey. Its conclusions about the extent and characteristics of Baltimore's residential consumer market will be useful to Baltimore's elected officials, planners, developers, community leaders, and others interested in the City's ability to attract residents into housing of all types.

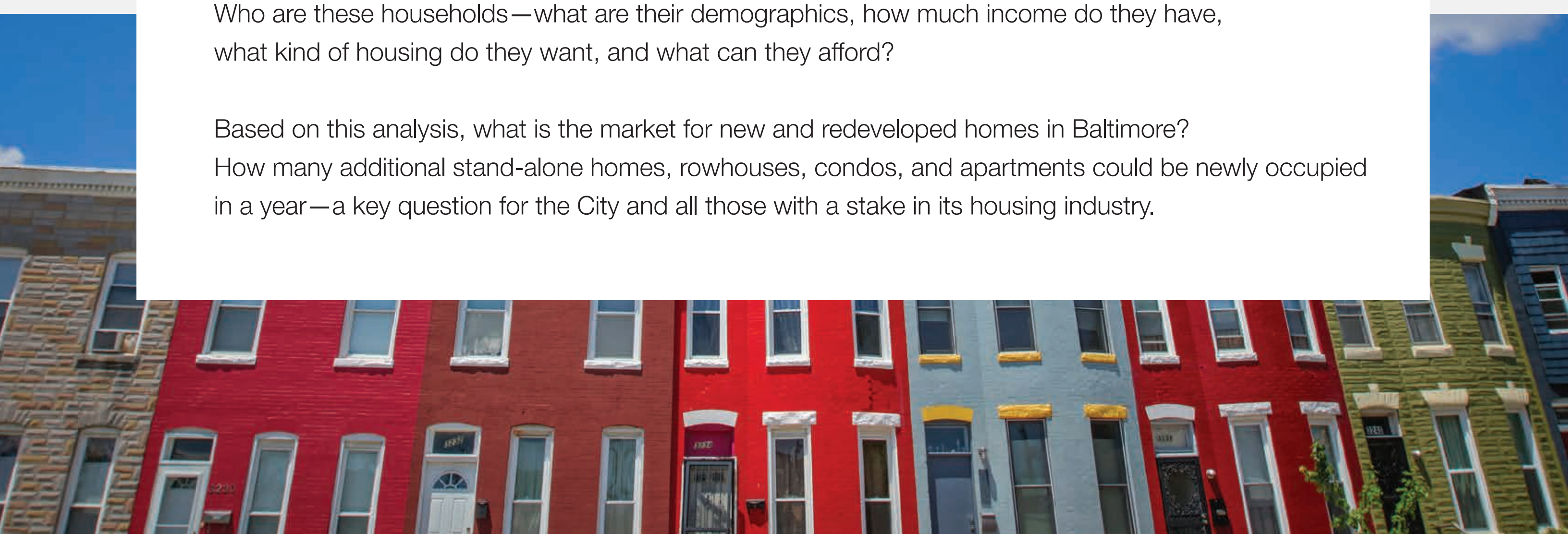
In brief, this study considered these questions:

How many households could potentially move within and to the City each year?

Where do potential renters and buyers of existing and new Baltimore homes live now?

Who are these households—what are their demographics, how much income do they have, what kind of housing do they want, and what can they afford?

Based on this analysis, what is the market for new and redeveloped homes in Baltimore?
How many additional stand-alone homes, rowhouses, condos, and apartments could be newly occupied in a year—a key question for the City and all those with a stake in its housing industry.



KEY FINDINGS

SIZE OF THE POTENTIAL MARKET

In examining the potential residential market for Baltimore City, the analysis finds that 44,335 households could potentially move into existing and new housing units in Baltimore each year.

GEOGRAPHIC DISTRIBUTION

Based on historic migration data, Baltimore City draws residents from four areas:

- Baltimore City, covering people who relocate within the City to a new apartment, to a first owned home, or to a larger owned home
- Baltimore County
- Anne Arundel and Howard Counties
- Other areas in Maryland and other states

The vast majority of households that could potentially move into homes in the City are local—residents of Baltimore or three nearby counties. Importantly, a full 58 percent of the households comprising the potential residential market already live in the City.

Baltimore Annual Average Market Potential by Draw Area

City of Baltimore **58%**

Baltimore County **15%**

Anne Arundel and Howard Counties **5%**

Balance of the U.S. **22%**

MARKET PREFERENCES: RENTAL VS. OWNERSHIP

Based on their predicted preferences, households from Baltimore's draw areas include 26,252 households (59 percent) that are potential renters and 18,083 households (41 percent) that are potential homebuyers each year. This rate of homeownership preference is six percentage points below the current estimated homeownership rate of 47 percent in Baltimore City—signaling a shift in the market toward renting.

59% **Renters: 26,252** 41% **Homeowners: 18,083**

Breaking down the homeownership market, the analysis found:

46 percent of the annual potential ownership market (8,282 households) would likely prefer single-family attached units—rowhouses or townhouses. This type of home represents an estimated 52 percent of the existing housing stock in the City.

37 percent of the ownership market (6,761 households) would likely choose to buy single-family detached houses (currently just 14 percent of Baltimore's housing units).

17 percent (3,040 households) would opt for multi-family units—condominiums or co-operative apartments.

It's important to note that there is significant market potential for the purchase of detached houses in the City, while these kinds of homes represent a small fraction of the City's current housing stock.

THE POTENTIAL MARKET

The analysis identified general demographic groups, broken down by households' stage of life and type, that represent the potential residential market for Baltimore: younger singles and childless couples; traditional and non-traditional families; and empty nesters and retirees.

63% **Younger singles and childless couples**

21% **Traditional and non-traditional families**

16% **Empty nesters and retirees**

The analysis determined the annual incomes of households that form the residential consumer market—and compared those to area median income (AMI) for the Census Bureau's Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA), which is $104,000 for a family of four in 2020.

In all, 58 percent of households in the residential market have incomes above 60 percent of the AMI, meaning they have incomes above $62,400. Of those, 34 percent have household incomes exceeding $104,000.

FUTURE MARKET FOR NEW AND RENOVATED HOMES

Based on the market preferences of households who make up Baltimore's potential residential market, there is continuing potential for both rental and ownership housing in Baltimore—at all price ranges. New or renovated homes are needed to meet the demands of a significant share of the potential market.

Overall, the analysis projects that between 5,300 and 7,100 households would rent or buy new or significantly renovated homes each year over the next five years, if added—in addition to those households renting or buying currently existing units. Filling this number of additional housing units would be a major step forward for the City as it would generate extensive economic activity while expanding Baltimore's tax base.

New and/or renovated multi-family **rental development** in Baltimore City should be able to capture 15 percent to 20 percent of the City's potential renters annually over the next five years. Based on the estimate of 26,252 households potentially seeking multi-family rentals annually, between 3,938 and 5,250 of them would move into new or renovated rental properties if available. In other words, Baltimore City could absorb these apartments annually while other new renters would move into currently existing apartments.

In the **homeownership market**, new and/or renovated homes should be able to capture 7.5 percent to 10 percent of the City's potential homeowners annually over the next five years. Based on the estimate of 18,083 households potentially seeking homes to purchase annually, between 1,353 and 1,808 of them would move into new or renovated for-sale properties if available. In other words, Baltimore City could absorb these units while other new homebuyers would move into currently existing homes.

Overall, the long-term market prospects for housing in Baltimore established in this analysis are positive, and new development and redevelopment projects should continue, to the extent possible, to be pursued and readied for market introduction.

"Between 5,300 and 7,100 households would rent or buy new or significantly renovated homes each year over the next five years, if added—in addition to those households renting or buying currently existing units.

DEFINING BALTIMORE'S POTENTIAL RESIDENTIAL MARKET

In the arena of housing and community development, policymakers, planners, developers, financial institutions, and community leaders in Baltimore City all share the need to understand the residential market. We know a lot about who lives in Baltimore City now, but projections about the residential market's future are equally vital. This section presents findings of a series of analyses to answer key questions.

How many households could potentially move within and to the City? Where are those households now? What kind of homes are they looking for? And what can they afford for housing?

The extent and characteristics of the potential market for existing and new homes in Baltimore were identified using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional supply and demand analysis—which is limited to supply-side dynamics and baseline demographic projections—target market analysis establishes the market potential for existing and new homes based on the preferences and socio-economic characteristics of households in the areas where residents currently live, known as the "draw areas."

The target market methodology is particularly effective in defining residential market 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, life-stage, and lifestyle patterns.

HOW MANY HOUSEHOLDS COULD POTENTIALLY MOVE WITHIN AND TO THE CITY EACH YEAR?

The analysis estimates there are 44,335 households, on average, that represent the potential market for existing and new homes in Baltimore each year over the next five years. This figure was developed through the target market methodology, which accounts for household mobility within Baltimore City, as well as migration and mobility patterns for households currently living outside the City, both regionally and nationally.

44,335 households comprise the potential market to move into existing and new homes in Baltimore annually.

WHERE ARE BALTIMORE'S POTENTIAL RENTERS AND BUYERS?

The people who may decide to become renters or buyers in Baltimore are found in four primary draw areas. These were determined through an analysis of migration and mobility data obtained from the Internal Revenue Service, with additional supporting data about Baltimore from the U.S. Census American Community Survey.

Based on the migration and mobility data, the Baltimore residential market is broken into these four draw areas:

- **58 percent would come from within Baltimore City**. People often relocate within the City—to a new apartment, to a first owned home, or to a larger owned home—and this is an important component of projecting Baltimore's potential residential market.
- **15 percent would relocate from Baltimore County into the City.**
- **5 percent would relocate from Anne Arundel and Howard Counties.**
- **22 percent would relocate from all other cities and counties,** including other Maryland jurisdictions.

The vast majority of households that could potentially move into homes in the City are local—residents of Baltimore or three nearby counties. Importantly, a full 58 percent of the households comprising the potential residential market already live in Baltimore.

WHAT ARE THEIR OVERALL HOUSING PREFERENCES?

Based on a range of factors, including demographics, life-stage, and housing history, the analysis projects that 26,252 (59 percent) of these households are potential renters each year and the remaining 41 percent—18,083 households—are potential home buyers. This rate of homeownership preference is six percentage points below the current estimated homeownership rate of 47 percent in Baltimore City.

POTENTIAL MARKET: RENTERS VS. HOMEOWNERS

59% Renters: 26,252

41% Homeowners: 18,083

Breaking down the homeownership market, the analysis found:

46 percent of the annual potential ownership market (8,282 households) would likely prefer single-family attached units—rowhouses or townhouses. This type of home represents an estimated 52 percent of the existing housing stock in the City.

37 percent of the ownership market (6,761 households) would likely choose to buy single-family detached houses (currently just 14 percent of Baltimore's housing units).

17 percent (3,040 households) would opt for multi-family units—condominiums or co-operative apartments.

WHAT CAN THESE HOUSEHOLDS AFFORD FOR HOUSING?

The analysis looked at the 44,335 households that comprise the City's potential market and grouped them by income—based on the area median income (AMI) for the Census Bureau's Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA), which is $104,000 for a family of four for 2020.

Those 44,335 households fall into the following income brackets:

- 23% (10,255 households): 30% or less of AMI
- 19% (8,568 households): 30-60% of AMI
- 11% (5,041 households): 60-80% of AMI
- 12% (5,408 households): 80-100% of AMI
- 34% (15,063 households): Higher than 100% of AMI

In all, 58 percent of Baltimore's potential residential market has a household income that exceeds $62,400, which is 60 percent of the area median income.

It is instructive to show the income ranges of potential renters and homeowners (see the chart on page 11). Notably, the market includes a significant number of upper-income households (above 100 percent of AMI) who are potential renters and homeowners.

Nationally, a market preference for higher-density urban housing continues to grow. An increasing percentage of households are renters by choice. Many, however, would prefer to own but cannot afford the type of housing they want in neighborhoods where they would consider living. Younger people are particularly challenged by the difficulties of finding work that pays well, some have the additional burden of significant education debt, and most lack the money for a down payment.

-Zimmerman/Volk Associates

ANNUAL AVERAGE MARKET POTENTIAL FOR NEW AND EXISTING HOUSING UNITS BY HOUSEHOLD INCOME

Multi-family rentals (59% of market)	Number	Percent of market
< 30% AMI	6,586	14.9%
30% to 60% AMI	5,206	11.7%
60% to 80% AMI	2,976	6.7%
80% to 100% AMI	3,143	7.1%
> 100% AMI	8,341	18.8%
	26,252	**59.2%**

For-Sale (41% of market)	Number	Percent of market
< 30% AMI	3,669	8.3%
30% to 60% AMI	3,362	7.6%
60% to 80% AMI	2,065	4.6%
80% to 100% AMI	2,265	5.1%
> 100% AMI	6,722	15.2%
	18,083	**40.7%**

See Appendix for a detailed breakdown of the rental and homeownership preferences by income group.

BALTIMORE'S PRIMARY RESIDENTIAL MARKET SEGMENTS

Baltimore's target market analysis includes a breakdown of general residential market segments, delineated by households' stage of life and housing type, that represent the potential market for existing and new housing units: younger singles and childless couples; traditional and non-traditional families; and empty nesters and retirees.

BALTIMORE'S TARGET HOUSING MARKET DEMOGRAPHIC GROUPS

63%
Younger singles and childless couples

21%
Traditional and non-traditional families

16%
Empty nesters and retirees

In recent years, there has been a shift in market preferences away from single-use subdivisions and toward more walkable, mixed-use neighborhoods, particularly downtowns and in-town neighborhoods that are served by transit. The preference for urban living evidenced by both younger and older one- and two-person households has been a primary force in urban redevelopment across the country.

The increased preference for urban living has been driven by the convergence of the preferences of the two largest generations in the history of America: the Baby Boomers, an estimated group of 72.5 million people born between 1946 and 1964, and the estimated 89.7 million Millennials born from 1977 to 1996. The country is seeing an unprecedented convergence of two generations of this size simultaneously reaching a point when urban housing matches their life stage. In addition to their shared preference for walkable urban living, the Boomers and Millennials are changing residential markets in multiple ways.

In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are households of predominantly singles and couples. As a result, nationally, the home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are equally likely to be non-traditional as traditional families. One consequence of this evolution is that mixed-income development is now more likely to succeed than when suburban preferences dominated the market.

-Zimmerman/Volk Associates

YOUNGER SINGLES AND CHILDLESS COUPLES

Younger singles and childless couples represent 63 percent of the potential market for existing and new homes in the City. This group includes young professionals; office, government, and retail workers; knowledge workers; health care-related employees; as well as students and other young people.

A few key factors in this segment are:

- **Their higher mobility rates**—young people tend to move much more frequently than older people;
- **Their strong preference for rental apartments**, in part because they have not saved sufficient funds for a down payment, often due to heavy student debt burdens, and in part because the collapse of the housing market during the Great Recession has made many of them skeptical about the value of owning versus renting; and
- **Their preference for the convenience** and social amenities of walkable urban neighborhoods.

Approximately 46 percent of the younger singles and couples that comprise Baltimore's target market have incomes that fall below 60 percent of the area median income ($43,700 for a single person or $50,000 for a two-person household). If they are employed, people in these households work in part-time or lower-paying jobs, including entry-level retail, such as store clerks, and service occupations, including waiters and waitresses. Many are students.

Another 11 percent of the households in this market segment have incomes that fall within the 60 percent to 80 percent AMI income band (approximately $43,700 to $54,950 for a single-person household and $50,000 to $62,800 for a two-person household). These include young artists and artisans, recent college graduates at the beginning of their white-collar careers, lower-level medical personnel, and general office workers who have full-time employment.

The remaining 43 percent of the younger singles and couples have incomes that are above 80 percent of the median income figure (earning more than $54,950 for a single person and more than $83,200 for a two-person household). These younger households include mid- and upper-level office workers; college and hospital affiliates; freelancers and entrepreneurs; as well as more established artists and artisans.

YOUNG SINGLES AND COUPLES: INCOME STATUS

46% below 60% of median income
11% between 60% and 80% of median income
43% above 80% of median income

Baltimore's analysis highlights three sub-groups within this category of younger singles and childless couples who make up a significant portion of the potential market:

People under the age of 55
Lower-income, ethnically diverse singles and single parents.

People ages 25 to 44
Mobile urbanites who are a progressive mix of tech-savvy, young singles and couples, ranging from students to professionals.

Middle-class singles & couples
Living in ethnically diverse neighborhoods in or near the city center.

Nearly 72 percent of the younger singles and couples would be moving from one dwelling unit to another in Baltimore. Just under 11 percent would be moving from Baltimore County, while 3 percent would come from Anne Arundel or Howard Counties. Another 15 percent would be moving from elsewhere in the U.S.

TRADITIONAL AND NON-TRADITIONAL FAMILIES

Traditional and non-traditional family households represent 21 percent of the potential market for existing and new homes in Baltimore. These households include single parents with one or two children, as well as traditional households with two parents. Many are affiliated with one of the hospitals or educational/cultural institutions located in Baltimore, government employees, service workers, and other private-sector employees.

Baltimore's analysis highlights two sub-groups within this category of families who make up a significant portion of the potential market:

Families headed by people under 55—a diverse group of Black, Hispanic, and Asian households. This segment includes first-generation Americans who have midscale paychecks but are striving to improve their economic status.

Families headed by people under 55—upscale, suburban married couples with children. This segment includes college-educated, white-collar professionals with management jobs and upscale incomes.

Households with children in Baltimore and across the country are increasingly diverse, and only 10 percent of households in the City are traditional two-parent family households. By comparison, non-traditional families represent over 18 percent of all Baltimore households.

THE CHANGING SHAPE OF AMERICAN FAMILIES

In the 1960s, the "traditional family household" comprised more than 48 percent of all American households. That demographic now accounts for less than 22 percent of all American households, as non-traditional families have become an increasingly larger proportion of U.S. households. They include a wide range of family groupings, from a single mother or father with one or more children, an adult taking care of younger siblings, a grandparent responsible for grandchildren, and an unrelated couple of the same gender with children.

-Zimmerman/Volk Associates

Approximately 40 percent of the family households that comprise the annual potential market for the City have incomes below 60 percent of the area median income and are generally spending more than 40 percent of their incomes on housing costs. Many of these households are single-parent families struggling to make ends meet.

Another 12 percent of the family-oriented households have incomes that fall within the 60 percent to 80 percent income band. A significant number of the heads of household in these family groups are production and blue-collar workers; the remainder have lower-level office jobs.

The remaining 34 percent of these families have incomes above 80 percent of the median income. These households are, in large part, dual-income households, with medical careers; academic positions; middle- to upper-middle management jobs; and professionals in the financial and legal sectors.

TRADITIONAL AND NON-TRADITIONAL FAMILIES: INCOME STATUS

40% below 60% of median income

12.5% between 60% and 80% of median income

34.5% above 80 percent of median income

Just over 26 percent of these households would be moving from one unit to another in Baltimore, and 26 percent would be moving from Baltimore County. Just 10 percent would be moving from Anne Arundel and Howard Counties, and the remaining 38 percent from elsewhere in the U.S.

EMPTY NESTERS AND RETIREES

Empty nesters and retirees make up 16 percent of the potential residential market in Baltimore. Many are still working; others have retired with significant pensions, savings, and investments; and others have limited incomes. A significant number of these target households have grown children who no longer live at home; many have recently retired or are considering retirement.

In this group, just under a third have incomes below 60 percent of the median income; these are older singles and couples struggling on limited incomes, mostly from Social Security, and many are living in substandard housing.

Another 10 percent of the older target households have incomes between 60 and 80 percent of the area median. Most of these households are retired and a significant percentage move out of neighborhoods in which they have lived many years because they can no longer afford the upkeep and maintenance expense. If given appropriate housing options, most would choose to remain in their current neighborhoods.

Older households with incomes above 80 percent of the median income comprise over 57 percent of the target empty nester and retiree market segment. These older singles and couples tend to be enthusiastic participants in community life, and most are still actively involved in well-paying careers in the academic, medical, legal, and financial professions.

EMPTY NESTERS AND RETIREES: INCOME STATUS

33% below 60% of median income
10% between 60% and 80% of median income
57% above 80% of median income

Market analysis highlights two sub-groups within this category of empty nesters and retirees who make up a significant portion of the potential market:

People over the age of 55, mostly without children—typically urban renters who are socially active.

People under the age of 55, mostly without children—middle-aged, ethnically diverse families that tend to work in entry-level service jobs and rely on public transportation.

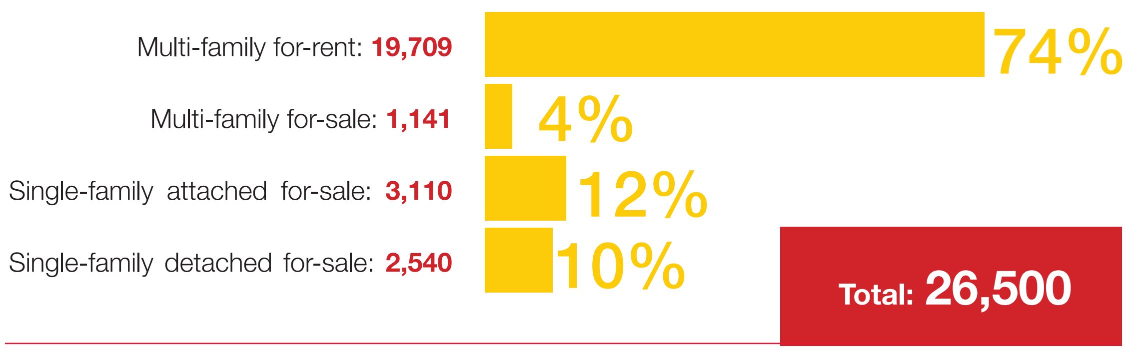
Just under 44 percent of the empty nesters and retirees would be moving from one unit to another within Baltimore; almost 21 percent would be moving from Baltimore County; just six percent from Anne Arundel and Howard Counties; and the remaining 29 percent would be moving from elsewhere in the U.S.

See the Appendix for a detailed analysis of the rental and homeownership market by price range—based on the financial capabilities of the City's target population.

POTENTIAL GROWTH IN THE BALTIMORE RESIDENTIAL MARKET

Previous sections of this report looked at the households that could potentially move into homes in Baltimore and the type of homes they would want. **This section takes that analysis one step further to consider a key question: How many new or renovated homes are needed to help capture this potential market?** Based on the market analysis, Baltimore City can attract annually between 5,300 and 7,100 households to lease or buy new or renovated homes. At the low end of the estimate, that equals 26,500 households occupying new or renovated homes, if made available, over the next five years.

NEW OR RENOVATED HOMES: PROJECTED 5-YEAR ABSORPTION IN BALTIMORE BY HOUSING TYPE



It's important to note that the potential residential market is made up of households of all incomes, resulting in wide rent and purchase price ranges. For some households, varying degrees of financial support or subsidies for housing would be required to support their rental or purchase.

> **"Based on the market analysis, 26,500 households could occupy new or renovated homes, if they are made available, over the next five years.**

> **There will be strong market potential for new or renovated apartments at a range of rent levels as well as for all types of new and renovated for-sale homes.**

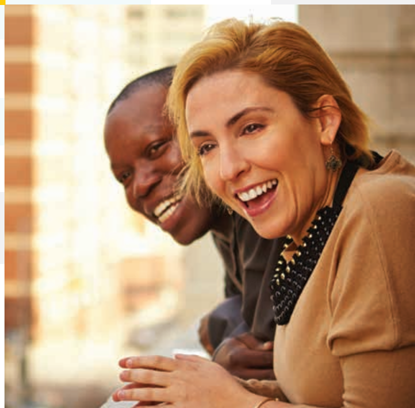
RENTAL PROPERTIES

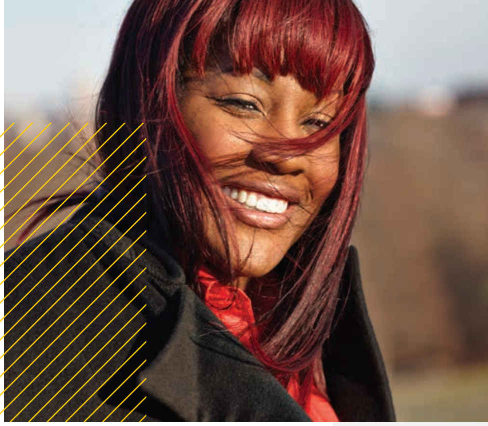
New and/or renovated **multi-family rental development** in Baltimore City should be able to capture 15 to 20 percent of the average number of potential renters each year over the next five years. Based on the estimate of 26,252 households that could potentially seek multi-family rentals each year, between 3,938 and 5,250 of them could fill new or renovated rental properties in the City. In other words, Baltimore City has the potential to lease between 3,938 and 5,250 new or renovated apartments annually. Other new renters would move into currently existing apartments.

The next chart shows the number of new or renovated apartments that could be rented—and at what rent range, based on what potential occupants could afford. In the rental market, there is likely to be a market for new and renovated, lower-priced units as well as a market at varying levels for all rental price ranges.

ANNUAL POTENTIAL FOR NEW OR RENOVATED APARTMENTS BY RENT RANGE — MULTI-FAMILY PROPERTIES

Monthly rent range	Number of units to be rented
Less than $500	1,228 to 1,639
$500–$750	679 to 905
$750–$1,000	431 to 574
$1,000–$1,250	353 to 470
$1,250–$1,500	261 to 349
$1,500–$1,750	200 to 266
$1,750–$2,000	277 to 369
$2,000–$2,250	210 to 280
$2,250–$2,500	134 to 179
$2,500–$2,750	73 to 97
$2,750 and up	92 to 122
	Total: 3,938 to 5,250



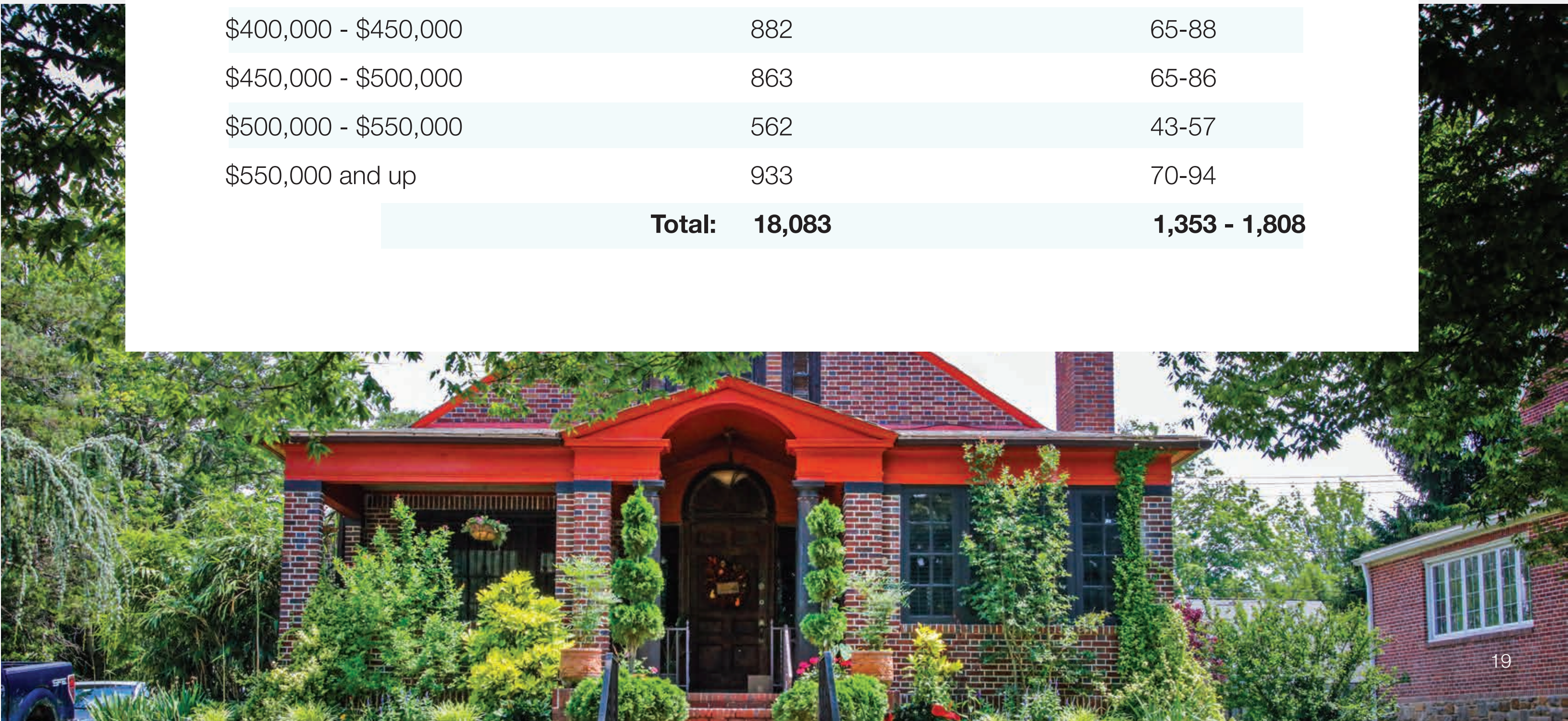


HOMEOWNERSHIP

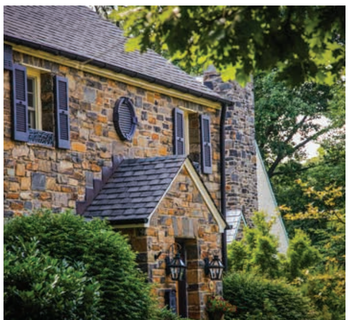
In the homeownership market, new and renovated homes of all kinds should be able to capture 7.5 percent to 10 percent of the potential homeownership market each year over the next five years. That suggests that between 1,353 and 1,808 new or renovated homes could attract buyers each year. Other new buyers would move into currently existing homes. The analysis makes clear that there will be strong market potential for all types of new and renovated for-sale homes, particularly more affordable rowhouses and townhouses and single-family detached homes.

ANNUAL POTENTIAL FOR NEW OR RENOVATED HOMES FOR SALE

Price Range	Potential Households per Year	New/Renovated For-Sale Market Capture
Under $100,000	3,424	255-342
$100,000 - $150,000	2,628	197-263
$150,000 - $200,000	2,628	195-262
$200,000 - $250,000	1,994	150-199
$250,000 - $300,000	1,524	114-152
$300,000 - $350,000	1,443	108-145
$350,000 - $400,000	1,202	91-120
$400,000 - $450,000	882	65-88
$450,000 - $500,000	863	65-86
$500,000 - $550,000	562	43-57
$550,000 and up	933	70-94
Total:	**18,083**	**1,353 - 1,808**



CONCLUSION



Baltimore's housing market has demonstrated resiliency by remaining strong as the COVID-19 pandemic slowed economic activity significantly. Looking ahead, this study by national experts has determined the size and characteristics of the residential consumer market over the next five years. For example, the analysis indicates a growing market for rentals overall, but also for detached homes among potential homebuyers. There is also the potential to sell or rent a range of property types at a range of prices. And looking at demographics, younger single people and couples are a key target to become residents of Baltimore, followed by families of all kinds, and empty nesters and retirees.

This analysis concludes that if enough housing could be constructed or renovated, at least 5,300 households could be added to Baltimore City each year over the next five years—or 26,500 households in total within a five-year period. This kind of growth would generate significant economic impact and would help strengthen communities and the entire City.

This report and its underlying analsyis provide important information about who makes up Baltimore's potential residential market. This analysis should inform the efforts of Baltimore City agencies and private organizations working to strengthen the City's communities, bolster its economy, and improve the lives of existing residents. Private developers can also use this report to guide their plans for rebuilding or creating new homes.

With its wide range of assets, Baltimore City is ready for residential growth.

> **“If enough housing could be constructed or renovated, at least 5,300 households could be added to Baltimore City each year over the next five years.**

APPENDIX

HOUSING PREFERENCES BY INCOME

Annual Average Market Potential for New and Existing Homes

	HOUSEHOLDS	
Housing type	Number	Percent
Multi-family for-rent	26,252	59%
(lofts/apartments, leaseholder)		
< 30% AMI	6,586	15%
30% to 60% AMI	5,206	12%
60% to 80% AMI	2,976	7%
80% to 100% AMI	3,143	7%
> 100% AMI	8,341	19%
Multi-family for-sale	3,040	7%
(lofts/apartments, condo/co-op ownership)		
< 30% AMI	647	2%
30% to 60% AMI	566	1%
60% to 80% AMI	343	1%
80% to 100% AMI	377	1%
> 100% AMI	1,107	2%
Single-family attached for-sale	8,282	19%
(townhouses, rowhouses, fee-simple ownership)		
< 30% AMI	1,911	4%
30% to 60% AMI	1,642	4%
60% to 80% AMI	958	2%
80% to 100% AMI	1,024	2%
> 100% AMI	2,747	6%
Single-family detached for-sale	6,761	15%
(houses, fee-simple ownership)		
< 30% AMI	1,111	3%
30% to 60% AMI	1,154	3%
60% to 80% AMI	764	2%
80% to 100% AMI	864	2%
> 100% AMI	2,868	7%
Total:	**44,335**	**100%**

Note: For 2020, the Baltimore-Columbia-Towson, MD MSA Median Family Income for a family of four is $104,000.

BREAKDOWN OF THE FOR-SALE MARKET

The three charts in this section are based on projections of the potential market for new or renovated for-sale homes. Each projection is built on the assumption that new or renovated for-sale homes will attract between 7.5 percent and 10 percent of the annual number of potential households seeking those kinds of housing each year. The three charts depict the average price range the market could generate and the number of new and renovated homes that the market could fill, within the three categories of for-sale homes: condominiums, rowhouses and townhouses, and single-family detached.

CONDOMINIUMS AND OTHER MULTI-FAMILY HOMES

Market Capture: Target Groups for Multi-Family For-Sale

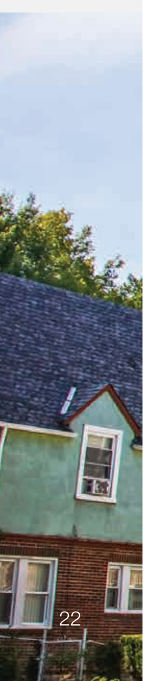
Price Range	Households per year	New/renovated Market capture
Under $100,000	543	40 to 54
$100,000–$150,000	438	33 to 44
$150,000–$200,000	435	33 to 43
$200,000–$250,000	477	35 to 48
$250,000–$300,000	334	25 to 33
$300,000–$350,000	279	21 to 28
$350,000–$400,000	169	13 to 17
$400,000–$450,000	113	8 to 11
$450,000–$500,000	100	8 to 10
$500,000–$550,000	76	6 to 8
$550,000 and up	76	6 to 8
Total:	**3,040**	**228 to 304**

Note: This chart and the next two exclude households with no or minimal local or regional mobility and households in target groups of 10 or fewer households.

ROWHOUSES AND TOWNHOUSES

Market Capture: Target Groups for Single-Family Attached For-Sale

Price Range	Households per year	New/renovated Market capture
Under $100,000	1,887	140 to 189
$100,000–$150,000	1,200	90 to 120
$150,000–$200,000	1,283	94 to 128
$200,000–$250,000	834	63 to 83
$250,000–$300,000	683	51 to 68
$300,000–$350,000	678	51 to 68
$350,000–$400,000	584	44 to 58
$400,000–$450,000	325	24 to 33
$450,000–$500,000	424	32 to 42
$500,000–$550,000	168	13 to 17
$550,000 and up	216	16 to 22
Total:	**8,282**	**618 to 828**




DETACHED SINGLE-FAMILY HOMES

Market Capture Target Groups for Single-Family Detached For-Sale

Price Range	Households per year	New/renovated Market capture
Under $100,000	994	75 to 99
$100,000–$150,000	990	74 to 99
$150,000–$200,000	910	68 to 91
$200,000–$250,000	683	52 to 68
$250,000–$300,000	507	38 to 51
$300,000–$350,000	486	36 to 49
$350,000–$400,000	449	34 to 45
$400,000–$450,000	444	33 to 44
$450,000–$500,000	339	25 to 34
$500,000–$550,000	318	24 to 32
$550,000 and up	641	48 to 64
Total:	**6,761**	**507 to 676**

About Target Market Capture Rates:
Target market capture rates summarized in this Appendix and in the body of this report are a unique and highly refined measure of feasibility. Target market capture rates are not equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

- The target market capture rate is derived by dividing the annual forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area in a given year.
- The penetration rate is derived by dividing the total number of dwelling units planned for a property by the total number of draw area households, sometimes qualified by income.
- The traffic conversion rate is derived by dividing the total number of buyers or renters by the total number of prospects that have visited a site.

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

METHODOLOGY

Zimmerman/Volk Associates (ZVA) is a nationally recognized firm with more than three decades of experience predicting residential growth potential in cities. ZVA has completed more than 600 studies nationwide, including similar citywide studies in Memphis, Albuquerque, Detroit, Minneapolis-Saint Paul, and many others. ZVA specializes in the potential of urban areas, where traditional supply/demand research methods typically (and incorrectly) predict decline.

This study sought to determine the depth and breadth of the potential market for new and renovated dwelling units within Baltimore, Maryland, including a determination of the target households that make up Baltimore's potential market; the optimum residential mix of housing types corresponding to the preferences of the target households; and the broad rent and price ranges—derived from the financial capabilities of the target households—of new and renovated rental and for-sale housing units in Baltimore.

ZVA also completed similar analyses for 15 smaller areas comprising the entire City, which were identified in consultation with Baltimore City planners. Those neighborhood reports are available by request through Live Baltimore.

The extent and characteristics of the potential market for new and existing housing units in Baltimore were identified using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional supply and demand analysis—which is limited to supply-side dynamics and baseline demographic projections—target market analysis establishes the market potential for new and existing housing based on the preferences and socio-economic characteristics of households in the areas where new residents are likely to move from (known as draw areas).

ZVA's 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, stage of life, and lifestyle patterns.

In brief, this study determined:

- **Where** the potential renters and buyers of new and existing housing units in Baltimore are likely to move from (the draw areas).
- **How many** households have the potential to move within and to the City each year if appropriate housing units became available (depth and breadth of the market).
- **Who** the households are that represent the potential market for new units in the City (the target markets).
- **Housing preferences** of those households—rental or ownership, multi-family, or single-family.
- **What** the target households can pay to rent or purchase new and/or renovated dwelling units in the City.
- **How quickly** the new/renovated units will lease or sell (absorption forecasts).

The extent and characteristics of the potential market for new or renovated residential units within Baltimore City have been examined through detailed analysis of households living within the relevant draw areas. These draw areas were determined through analysis of migration and mobility data obtained from the Internal Revenue Service, with additional data about Baltimore drawn from the most recent U.S. Census American Community Survey.

Zimmerman/Volk Associates, Inc. retains all rights, title, and interest in the ZVA residential target market methodology™ and target market descriptions used to prepare this report.

For a full summary of the methodology used in this Baltimore City analysis, contact Live Baltimore.

ABOUT LIVE BALTIMORE

Live Baltimore fights the persistent and devastating population loss that began in Baltimore City in the 1950s and which has destabilized neighborhoods and hindered families' abilities to build wealth through homeownership. Live Baltimore believes residents are our city's greatest assets. As a 501(c)(3) nonprofit, we work citywide to grow Baltimore's economy by attracting residents, retaining residents, and supporting healthy housing markets.

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ACKNOWLEDGEMENTS

This project was managed by Live Baltimore, with funding from Baltimore City and staff support from the Baltimore City Department of Planning and the Department of Housing and Community Development.

In addition to Zimmerman/Volk Associates, Live Baltimore offers special thanks to the following for making this report possible: Peter A. Hammen, former Baltimore Mayor's Office Deputy Chief of Staff; Baltimore City Council Budget & Appropriations Committee Chair, Councilman Eric Costello; Chris Ryer, Director, Baltimore City Department of Planning; Robert Pipik, Chief of Policy and Partnerships, Baltimore City Department of Housing and Community Development; Cheryl Casciani, Director of Community Planning and Revitalization, Baltimore City Department of Planning; Baltimore's talented Community Planning and Revitalization District Planners; Senator Bill Ferguson; Senator Cory V. McCray; Delegate Brooke Lierman; and Beth Harber, Senior Program Officer, Abell Foundation.

Editing and Graphic Design: Waldron Strategies

"Each year, Live Baltimore provides thousands of individuals with information on the City's 250-plus neighborhoods, rental living options, homebuying incentive programs, historic tax credits, and more.

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