Baltimore City Economic Indicator Report

First Quarter | 2022

Photo Credit: Mark Dennis

Overall Analysis

As the acute component of the pandemic phase was declared over in March 2022 by Dr. Anthony Fauci and restrictions have mostly been eased, a return to pre-pandemic activity began in earnest across the first quarter of 2022. The economy is regaining momentum across those sectors most hurt by the pandemic including tourism, hospitality and professional services, and employment has reached full capacity at least on the national level. The Federal Open Market Committee (FOMC) predicts a 2.8% increase in GDP in 2022 followed by a 2.2% increase in 2023. While the economic outlook is promising, current inflation, other COVID-19 variants and the Russian invasion of Ukraine in February 2022 create new economic uncertainties for the remainder of 2022. Additionally, the recent actions taken by the Federal Reserve to raise interest rates throughout the year will also play a role in the full recovery of the economy.

During the first quarter Consumer Confidence declined over the prior year and quarter reflecting continued uncertainty over persistent supply chain shortages and rapidly rising inflation. Economic activity and employment in sectors specifically related to tourism, hospitality, and retail continue to be improved. The City's commercial real estate market saw declines in office occupancy rates for the sixth quarter in a row while the retail and industrial sectors remained relatively flat. Hotels are seeing improvements both on average daily room rates and occupancy rates compared to both last year and quarter. Prices of residential City properties continue to reach record highs, and sales have remained strong with units taking fewer days on the market.

This report tracks and reports on 33 total indicators. During this time of uncertainty, these indicators represent a snapshot of the local economy and other market trends that can change quickly. Trend analysis reflects long term expectations and may depart from the short-term trend seen on a quarter over quarter basis.

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Baltimore City Quick Stats

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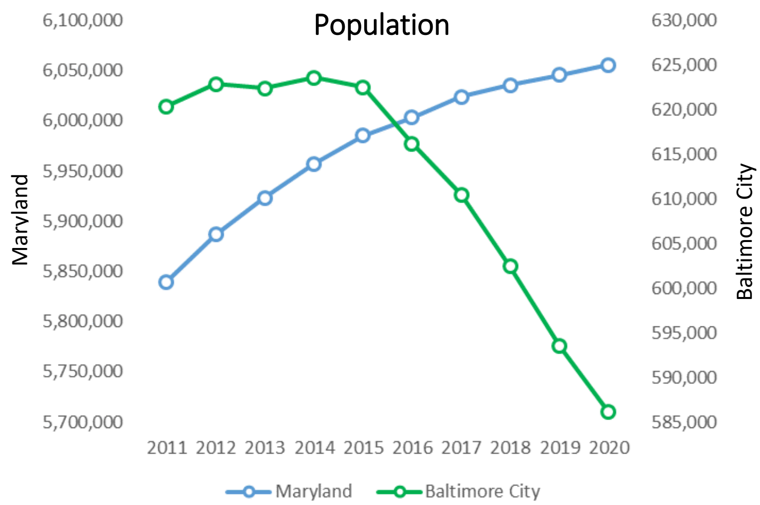


While the population in the State has experienced steady growth since 2011, Baltimore City's population has been reduced by 34,830 individuals during this time period. The 2020 Census results show that there are 585,708 residents in the City as of July 2020.

Other quick stats for the City are below.

Median Household Income

$52,164

Mean Commute Time*

31 minutes

Owner Occupied Housing Unit Rate

47.7%

Below Poverty Level

20.0%

Households

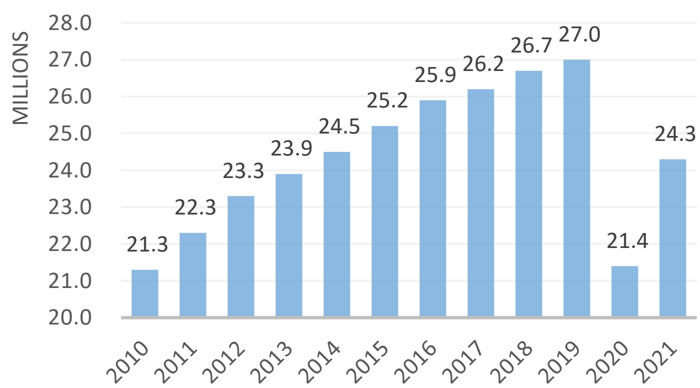
242,499

(Source: US Census Bureau V2020)

*This is before COVID-19

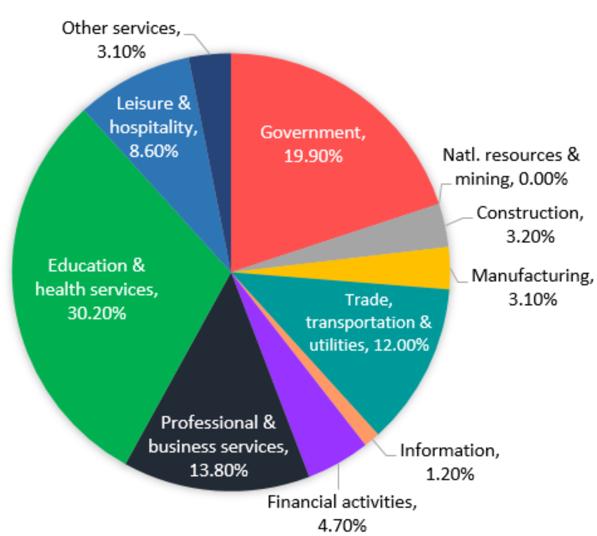
Tourism

Annual visitors to Baltimore City showed steady growth since 2010, reaching 27.0 million in Calendar Year 2019, but the onset of COVID-19 and government imposed social and economic restrictions led to a drastic decline in 2020 with visitor levels falling back to those seen in 2010. Visitors rebounded in 2021, as COVID-19 vaccines became available and restrictions were loosened. *(Source: Visit Baltimore)*



Employment by Industry

Government, Education and Health Services make up 50% of Baltimore City employment. Leisure & Hospitality, directly impacted by COVID-19, makes up almost 9%. *(Source: Maryland Department of Commerce.)*



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Employment

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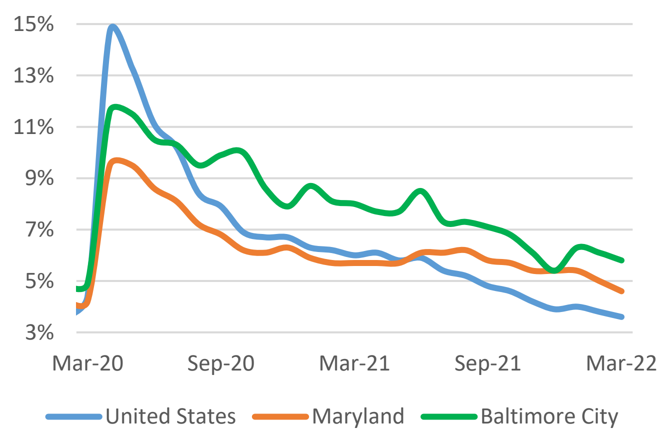
Unemployment Rate

	Mar-21	Dec-21	Mar-22	Trend
Baltimore City (City)	8.0%	5.4%	5.8%	▼
Maryland (MD)	5.7%	5.4%	4.6%	▼
United States (US)	6.0%	3.9%	3.6%	▼

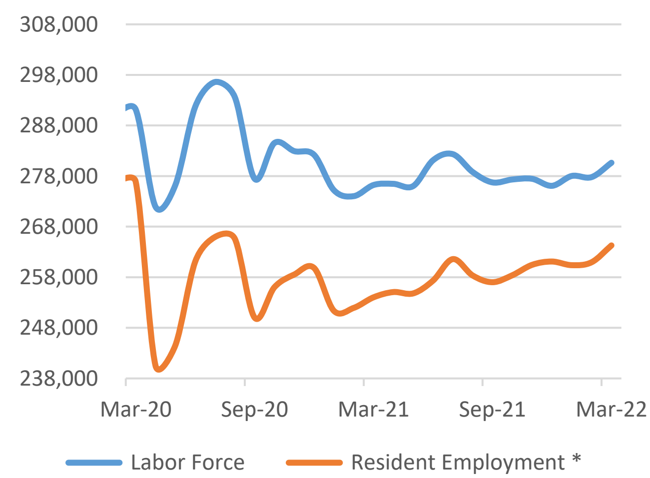


Unemployment levels continued to decrease in the first quarter of 2022. National rates have reached pre-pandemic levels at 3.6%, while State and local levels continue improving. The decrease in the City's quarterly unemployment rate is a result of both the labor force and employment increasing slightly from the fourth quarter of 2021 to the first quarter of 2022 with the average number of employed City residents up 1,896 while the labor force increased by 1,867 individuals, or just a slightly larger increase in employed City residents than in the labor force.

Source: Bureau of Labor Statistics, U.S. Department of Labor

City Labor Force & Employment

	Mar-21	Dec-21	Mar-22	Trend
Labor Force	276,238	276,076	280,640	▲
Resident Employment	254,037	261,111	264,298	▲

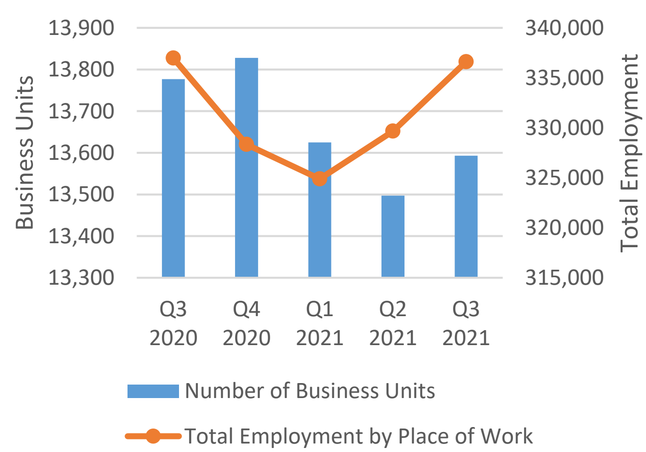


As of March 2022, resident employment experienced a 4.0% year-over-year increase while the labor force increased 1.6%. These figures reflect the continued recovery from the labor market disruptions that were elicited by the emergency response and restrictions issued to confront the COVID-19 pandemic back in March 2020. As the economy gradually adapts to changing labor requirements during recovery, both the labor force and resident employment are recalibrating and becoming less volatile.

Source: Bureau of Labor Statistics

City Business Establishments and Employment

	Q3 2020	Q2 2021	Q3 2021	Trend
# of Business Units	13,777	13,497	13,593	▲
Total Employment	336,966	329,661	336,611	▲



The latest available data on this indicator is from the third quarter of 2021, in which the number of business establishments in the City increased 0.7% on the quarterly basis but declined 1.3% from the prior year. Total employment in the City increased 2.1% over the prior quarter, but was down 0.1% since last year. Service-related, government and professional services made the most employment gains, up 35.4%, 8.1% and 5.4% respectively.

Source: Quarterly Census of Employment and Wage

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Residential Real Estate

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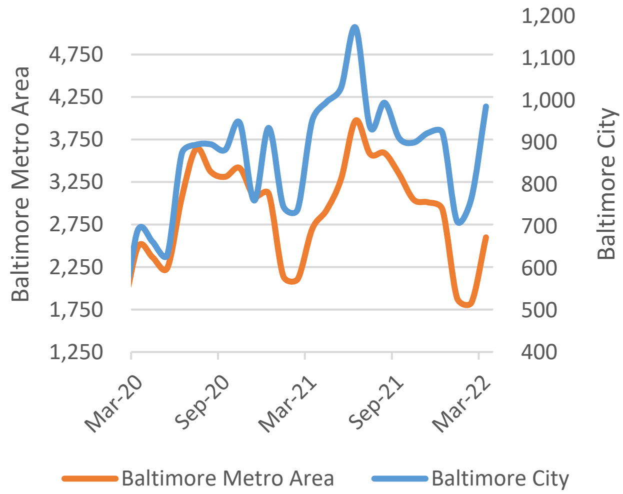
Total Units Sold

	Q1 2021	Q4 2021	Q1 2022	Trend
Baltimore Metro*	6,950	8,979	6,319	■
Baltimore City	2,439	2,743	2,464	■

Year-over-year, residential real estate activity in both the Metro area and City continues to remain strong in the first quarter, reflecting a market that is still exceptionally active since first ramping up in June 2020. This market strength is a product of maintained strong demand and the continued low real estate inventory supply which is down 9.3% in the Metro area, and up only 1.9% in the City year over year. Cheap borrowing conditions helped grow and maintain this high level of activity, but interest rates have increased since their historical lows to approximately 4.50% at the end of March 2022 and it remains to be seen how this increase will affect housing demand.

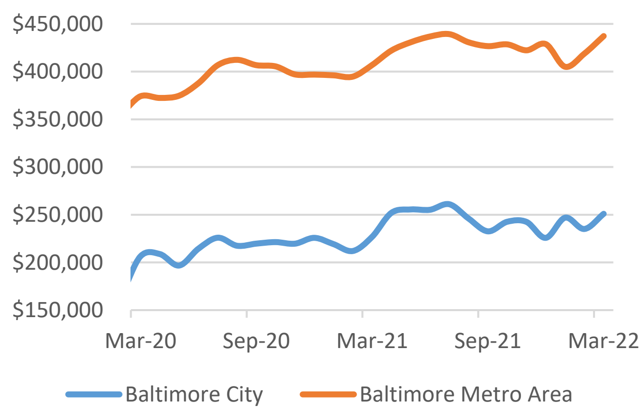


Source: SmartCharts BrightMLS, *Excludes Baltimore City

Average Home (Sales) Price

	Q1 2021	Q4 2021	Q1 2022	Trend
Baltimore Metro*	$399,248	$426,567	$420,373	▲
Baltimore City	$219,330	$236,963	$244,311	▲

Average home sales prices in both the Metro Area and City increased by 5.3% and 11.4% respectively on a year-over-year basis, a response to demand outpacing available supply. Home sale units and prices remain at historical highs, and these increased prices are indicative of continued enthusiasm in the local real estate market. While rising interest rates have so far shown no impact to real estate activity this will be important to monitor for any changes it brings if the rate continues to rise.

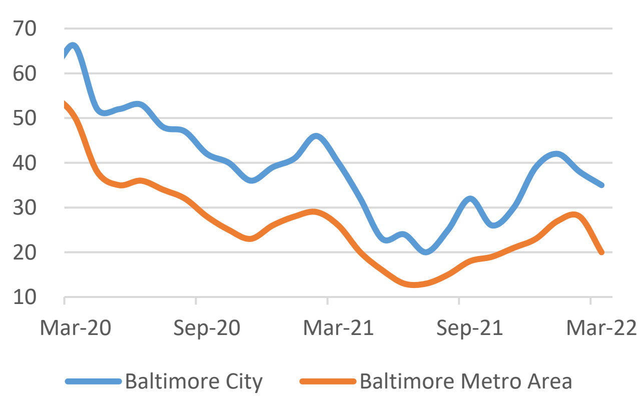


Source: SmartCharts BrightMLS, *Excludes Baltimore City

Average Days on Market (ADM)

	Q1 2021	Q4 2021	Q1 2022	Trend
Baltimore Metro*	28	21	25	■
Baltimore City	42	32	38	■

Competition has not only increased average prices, but also reduced the average days on the market to historical lows. High demand, low supply and lower interest rates drove residential properties in the Metro area to sell in 25 days after listing and 38 days for those in the City. This represents an average decline of 3 and 5 days for properties listed for sale in the Metro region and City respectively on a year-over-year basis.



Source: SmartCharts BrightMLS, *Excludes Baltimore City

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Commercial Real Estate

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The Baltimore City commercial real estate market exhibited strong demand and strength until the COVID-19 pandemic disrupted demand to all commercial sectors in March 2020. Health mandated government restrictions and extended teleworking hit the office sector hardest, and this sector continues to struggle. The industrial sector benefited from a shift to e-commerce as companies expanded warehouses to accommodate growing demand. The retail sector has seen minimal impact in the reported figures, but has experienced instability at the ground level. Pipeline projects in the City include the third phase of Canton Crossing called Collective at Canton, set on a 12-acre land area to include seven buildings comprised of mixed-use housing, retail, dog park and restaurants, the development of a $5.5 billion development project at Port Covington, the redevelopment of the historic Fidelity & Deposit Building located at 210 N Charles St. into apartments, and two hotels, the Radisson Hotel Baltimore Downtown-Inner Harbor and the Holiday Inn Baltimore Inner Harbor, are planned for a hotel-to-residential conversion. The Downtown Business District continues to experience the exit of larger corporations, with T Rowe Price moving to Harbor Point, Transamerica vacating 100 Light St. for Harbor Point, Gordon Feinblatt moving to 1001 Fleet Street and the closure of The Gallery Mall at the end of the year. While some companies have set dates for employees to return to the office, Laureate Education Inc. transitioned to remote work, leaving 103,333 sf at 650 Exeter St. available. CareFirst BlueCross BlueShield signed a 15-year renewal at 1501 S. Clinton St., but is phasing in a hybrid office model for employees.

Baltimore City Vacancy Rates

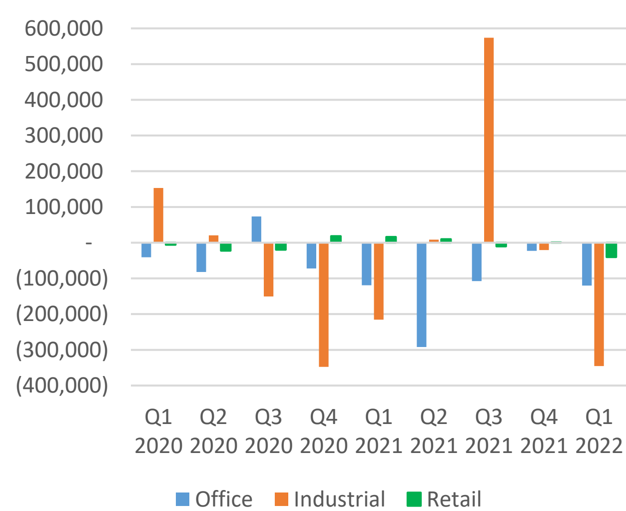
	Q1 2021	Q4 2021	Q1 2022	Trend
Office (Downtown*)	15.8%	18.6%	19.1%	▲
Industrial	5.1%	5.0%	5.6%	■
Retail (Downtown*)	5.1%	4.7%	5.7%	■

Vacancy rates continued to increase for office spaces, representative of the uncertainty that remains about the economic environment especially in the Downtown Central Business District (CBD). The year over year increase in vacancy rates for these properties is the result of many companies continued teleworking arrangements, reductions in physical office footprints or relocations outside the CBD. Demand for City industrial and retail space remains stable, indicating continued strong demand in the industrial sector, and a surprising resiliency in the retail sector that experienced minimal to no COVID-19 impacts on vacancy rates.

Source: CoStar, *Downtown Business District

Real Estate Market Net Absorption

	Q1 2021	Q4 2021	Q1 2022	Trend
Office (Downtown*)	(119,075)	(22,961)	(120,051)	▼
Industrial	(215,646)	(20,508)	(345,343)	■
Retail (Downtown*)	16,312	975	(40,349)	■



The office sector continues to face challenges in the current economic climate hitting a sixth quarter of negative net absorption. Industrial space saw absorption of industrial space paused in the first quarter and this prompted the appearance of negative net absorption. Retail continues to adapt to new consumer preferences, but activity in this sector remains strong. For office properties, the future remains uncertain as teleworking continues and companies reevaluate their physical presence and approaches to the office environment.

Source: CoStar *Downtown Business District

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Tourism

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The City relies on the market expertise of Visit Baltimore and the Smith Travel Accommodations Report (STR), which tracks data on a variety of indicators for the Hotel Industry in the City. Data collected by STR does not include information for every hotel in Baltimore City, but reports on approximately 95.8% of the total inventory. The fluctuations in occupancy rate tend to vary due to seasonal behavior, summer months correlate with higher levels of spending and travel relative to winter months. Two years after the spread of COVID-19 led to the implementation of travel, social and economic restrictions in March 2020 that heavily affected the tourism and hotel industries, these industries are now showing considerable recovery. With restrictions continuing to be lifted on attendance policies and large gatherings, conventions, meetings, sporting, and other events have resumed in the City at full or mostly full capacity. Consequently, Average Daily Rates which have exceeded pre-pandemic rates while occupancy rates continue to recover, albeit more slowly.

Hotel Room Inventory, Occupancy Rate and Average Daily Room Rate (ADR)

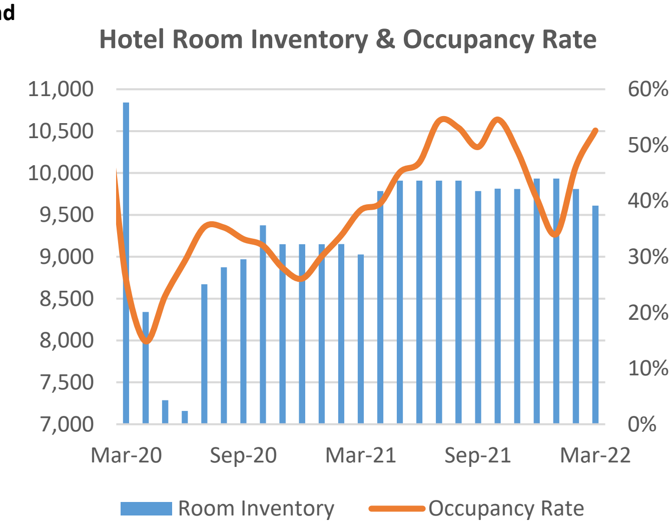
	Mar-21	Dec-21	Mar-22	Trend
Room Inventory	9,027	9,934	9,611	▲
Occupancy Rate	38.4%	40.4%	52.6%	▲
ADR	$98.71	$123.75	$146.57	▲

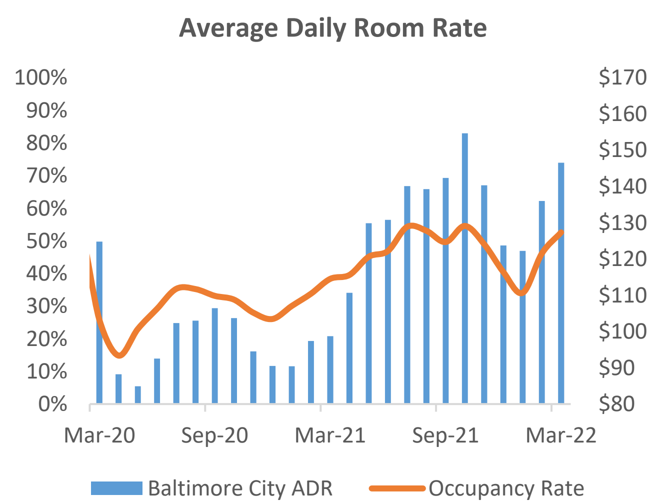
ADR rates are up 8.3% while occupancy rates are up 4.0% from the first quarter of 2020, which included the first month of severe pandemic restrictions introduced in March 2020.

Year over year, occupancy rates in the City increased 29.9%, from an average of 34.1% last year to 44.3% this year and ADR increased 41.3%, from an average of $95.51 last year to $134.93 this year. Two hotels are continuing to be used to house homeless individuals, and one hotel will remain as a COVID-19 patient care center into the second quarter of 2022. The Convention Center resumed normal operations in September 30, 2021 and has approximately 14 events booked through the end of May 2022.

Leisure travel continues to lead the hotel industry recovery, and forecasters remain unsure when business transient and group travel will pick up more meaningfully but remain optimistic. Other predictions theorize that "bleisure," the trend of mixing business and leisure travel is what will drive the business transient recovery in 2022.

Source: Smith Travel Accommodations Report (STR), CoStar





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Sales Tax

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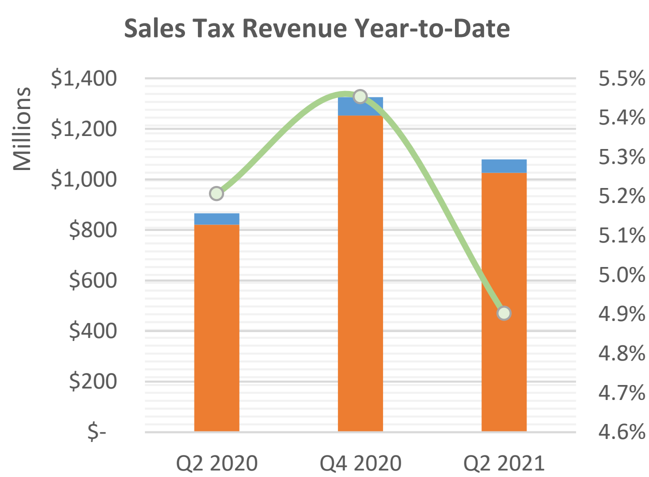
Sales Tax revenue is collected by and for the sole benefit of the State. Although Baltimore City does not collect or benefit from this revenue – with the exception of a small percentage that constitutes the City's Highway User Revenue, sales tax information can serve as an indicator of the overall economic environment. In the first quarter of 2021 spending activity in the State as a whole decreased year-over-year and from the prior quarter, primarily due to filing deadline extensions and not necessarily a reflection of actual economic activity. Changes to consumer behavior due to COVID-19 continue to be observable in the data. Generally, there is a one to two-month delay between Sales Tax activity and reporting on revenue. ***(Note: The Maryland State Comptroller's Office, entity responsible for collecting and reporting Sale and Use Tax (SUT) information, has indicated operational issues impeding the production of SUT data since the second quarter of 2021.)***

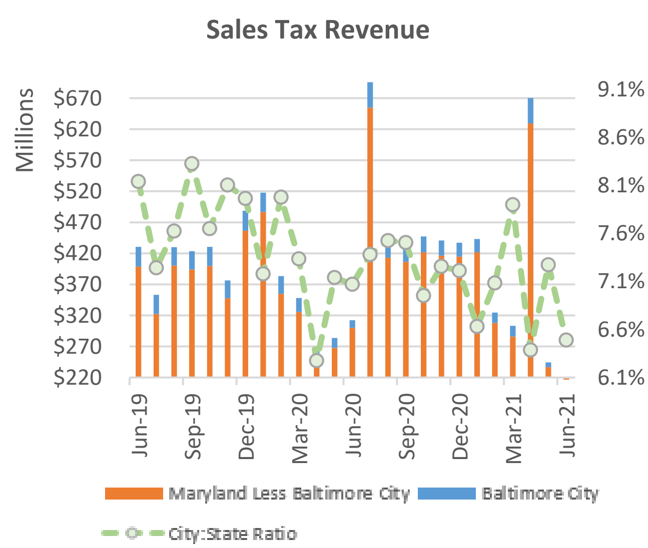
Sales Tax Revenue (Millions)

	Q2 2020	Q1 2021	Q2 2021	Trend
Maryland*	$1,166.9	$1,252.9	$1,015.6	▲
Baltimore City	$82.5	$72.3	$55.6	▲
City:State Ratio	6.6%	5.5%	5.2%	▼

Sales Tax revenue generated in the City during the second quarter was up 17.4% while the State (less City) was up 25.1% from the prior year. There was a 0.3% decrease in the City:State Ratio from the prior year, as activity continued to shift from Baltimore City to other parts of the State and online. The increase in the Sales Tax revenue experienced during the second quarter is not a direct representation of economic activity. Many companies took advantage of the sales tax return filing extension deadlines offered by the State, skewing the reported sales tax figures in previous months lower and inflating the figures in the current quarter as returns were filed.



With the exception of Utilities & Transportation in the City and Hardware, Machinery & Equipment in the City and State, all other industries across the City and the State reported year-over-year increases in the second quarter resulting from delayed filings due to the State's filing deadline extension and residual impacts of changing consumer habits from the COVID-19 pandemic. The largest increase year-over-year came from the Apparel group indicating a shift in consumer shopping habits, and Food & Beverage, Furniture & Appliances and General Merchandise were also up. These increases are a result of the reopening of sectors of the economy that were previously closed or limited in operations including restaurants, retail establishments and entertainment venues.



The modifications in spending habits during the pandemic, including moving to online shopping, may lead to long-term changes in consumer buying preferences, including permanent increases in online methods of shopping.

Source: Maryland State Comptroller's Office, *Excludes Baltimore City

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National Indicators

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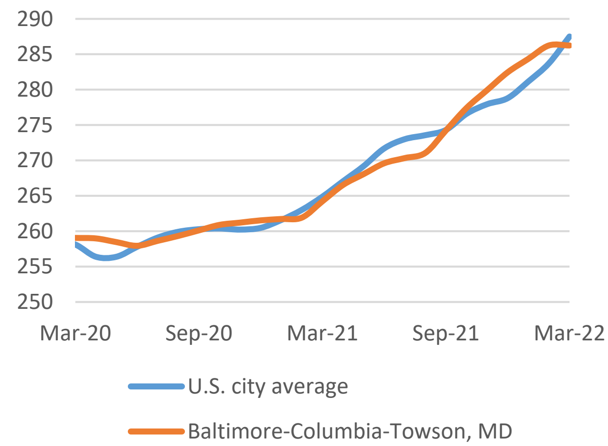
Consumer Price Index (CPI)

	Mar-21	Dec-21	Mar-22	Trend
United States	264.9	278.8	287.5	▲
Baltimore-Columbia-Towson*	264.2	282.5	286.2	▲

The CPI for urban consumers in both the United States and the Baltimore-Columbia-Towson Region showed year-over-year growth increasing 8.5% and 8.3% respectively. Since March 2020, the national index has increased 11.4% while the regional index has increased 10.5%. The cost of living for urban consumers, both nationally and regionally, has increased rapidly this year due to record-low interest rates, continuing supply chain disruptions and shortages, the Russia-Ukraine conflict and the residual impacts from measures that were in place to protect against COVID-19. It remains to be seen how these same factors will affect CPI moving forward.

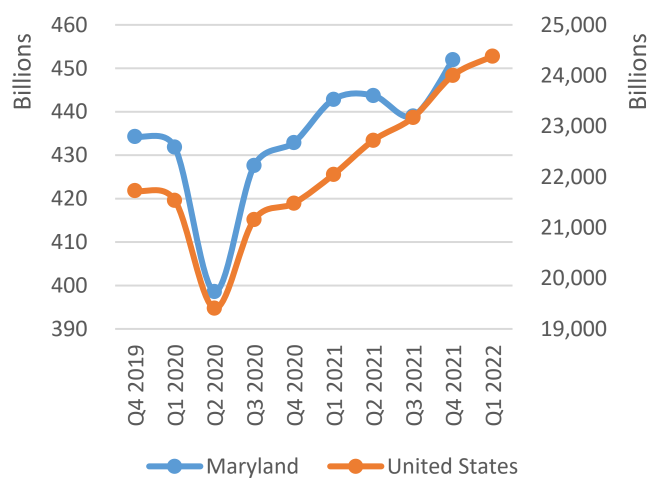


***Regional data released bi-monthly; values shown represent averages of months before and after the listed month Source: Bureau of Labor Statistics**

Gross Domestic Product (GDP)

	Q1 2021	Q4 2021	Q1 2022	Trend
United States	$22,049	$24,003	$24,383	▲
Maryland	$442.9	$452.0	N/A	▲

National GDP is up 10.6% year-over-year, and up 1.6% from the prior quarter. This indicates both the impact COVID-19 had on the economy, and the economic recovery that continues to take place. National GDP was experiencing the longest growth phase in history before COVID-19 and has resumed this growth reaching a new peak in the first quarter of 2022. Inflationary risks and supply chain disruptions and shortages may lead to slower growth in the future. State GDP data continues to trend similar to the national index, but with more volatility, and is not expected to depart from this trend in the short-term.

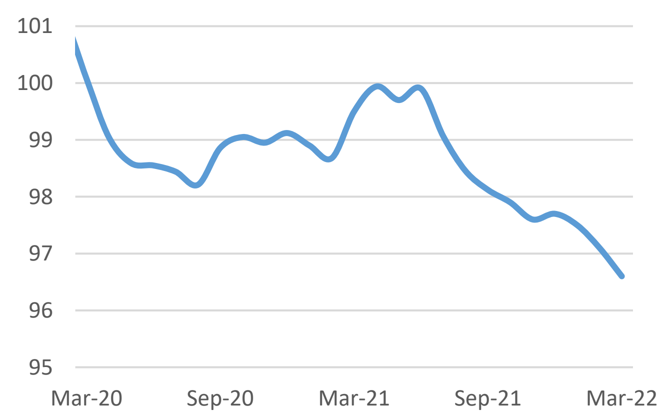


Source: Bureau of Economic Analysis

Consumer Confidence

	Mar-21	Dec-21	Mar-22	Trend
United States	99.5	97.7	96.6	▼

Consumer Confidence has been volatile over the past 36 months, first peaking at 101.7 in May 2019 and subsequently reaching a new low of 96.6 this quarter in March 2022. Data indicates a steady decrease in consumer confidence since 2019 which was further exacerbated by the onset of COVID-19 and continues to remain unstable. Along with COVID-19, other factors like the global and national political climate, inflationary risks and the Russia-Ukraine conflict may be contributing to the volatility as well.



Source: Organization for Economic Co-operation and Development (OECD)

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National Indicators Continued

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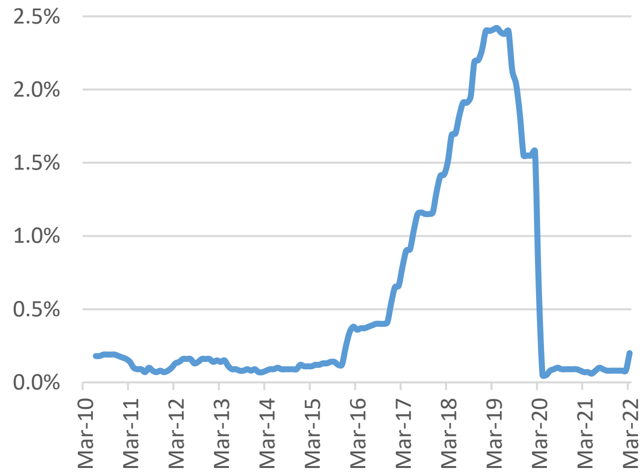
Federal Funds Rate

	Mar-21	Dec-21	Mar-22	Trend
Interest Rate	0.07%	0.08%	0.20%	▲



Set by the Federal Open Market Operations Committee (FOMC), this rate is an instrument of monetary policy used to control both economic growth and a target inflation rate of 2%. To help stabilize the economy after the Great Recession, this rate was brought to zero. As the economy began to recover, the FOMC started to raise this rate until its first cut in July 2019, when the rate was adjusted down to support the economy and boost inflation. The cuts in March and April 2020 were the result of the COVID-19 pandemic and the FOMC acting to bolster the economy; mirroring the actions taken during the Great Recession. The rate was being maintained at the lower levels until March 2022 when the Federal Reserve acted against rising inflation and raised this to .20% with future increases imminent.

Source: Federal Reserve

Glossary

Trend Methodology

Green Arrow (▲▼) – Indicates a positive trend vs the prior periods against which an indicator is being compared. For instance, when an indicator for the comparison period has improved vs both the prior quarter and year-over-year, a green arrow is assigned.

Yellow Square (■) – Indicates no distinguishable trend vs the prior periods against which an indicator is being compared. For instance, when an indicator for the comparison period has improved vs either the prior quarter or year-over-year, a yellow square is assigned.

Red Arrow (▼▲) – Indicates a negative trend vs the prior periods against which an indicator is being compared. For instance, when an indicator for the comparison period has deteriorated vs both the prior quarter and year-over-year, a red triangle is assigned.

Employment Indicators

Unemployment Rate – The unemployment rate is calculated by taking the total number of unemployed workers (who are willing and able to work) divided by the total number of people in the labor force. The unemployment rate is affected by both changes in employment as well as people entering or leaving the labor force.

Resident Employment – Represents total employment by specifically City residents.

Total Employment – Total employment represents the total number of jobs that are available and have been filled by both City residents and workers who live outside of the City.

Labor Force – The labor force is the sum of all employed and unemployed people. The labor force includes anyone over the age of 16 that is either employed or actively looking for a job.

Real Estate

Total Units Sold – Total number of housing sales that have been completed for the selected time period.

Average Home (Sales) Price – Calculated by taking the total Sold Dollar Volume (sum of all sales) divided by the number of units sold.

Average Days on Market – Days on market is defined as the total number of days the listing is on the active market before either an offer is accepted or the agreement between real estate broker and seller ends. Average days on market represents the average for all of the units in the selected region.

Commercial Vacancy Rates – A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space is generally not included in vacancy calculations.

Net Absorption – The net change in occupied space over a given period of time. Includes direct and sublease space.

Tourism Indicators

Hotel Occupancy Rate – Total number of rooms sold divided by the number of rooms available, multiplied by 100. Occupancy is always expressed as a percentage of rooms occupied.

Average Daily Room Rate – The Average Daily Room Rate is calculated by taking the total room revenue divided by the number of rooms sold, displayed as the average rental rate for a single room.

Hotel Room Inventory – The total number of rooms that exist across all hotels in the area.

National Indicators

Consumer Price Index – The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living; the CPI is one of the most frequently used statistics for identifying periods of inflation or deflation. (Source: Investopedia)

Gross Domestic Product – Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, the United States releases an annualized

GDP estimate for each quarter in addition to the annual calculation. GDP includes all private and public consumption, government outlays, investments, private inventories, paid-in construction costs and the foreign balance of trade (exports are added, imports are subtracted). Put simply, GDP is a broad measurement of a nation's overall economic activity. (Source: Investopedia)

Consumer Confidence – An index developed by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future. The idea behind the Consumer Confidence Index (CCI) is that if consumers are optimistic, they tend to purchase more goods and services. This increase in spending inevitably stimulates the whole economy. (Source: Investopedia)

Federal Funds Rate - The federal funds rate is the interest rate that depository institutions, or banks, lend money to one another. The funds come from excess balances the bank owns which are held at the Federal Reserve and are used to meet Reserve requirements. Another term for the federal funds rate is the overnight rate. The Federal Open Market Committee (FMOC) meets eight times a year to set the federal funds rate. Led by Jerome Powell, the FMOC makes periodic adjustments to the rates based on open market operations and the supply of money required to meet target rates. (Source: Investopedia)