



Photo Credit: Mark Dennis

Overall Analysis

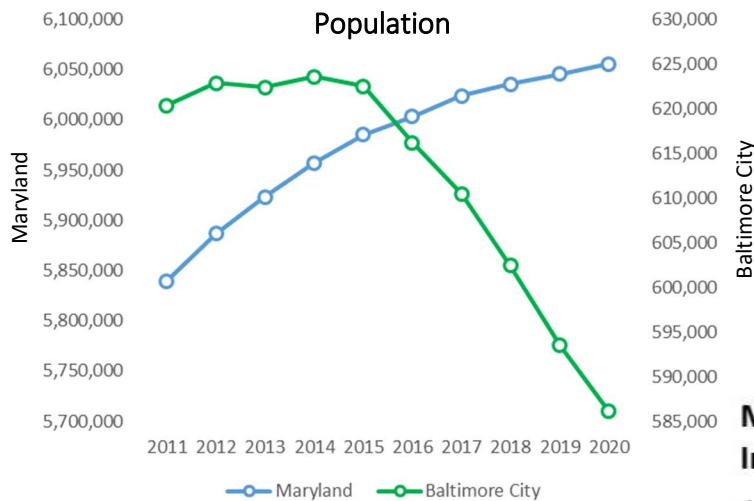
The COVID-19 pandemic continued into the second quarter of 2021, but signs of recovery were palpable as COVID-19 vaccinations increased throughout the quarter. Simultaneously, infections, hospitalizations and deaths declined, reaching the lowest levels since the pandemic began by the end of the quarter. Given these improvements, most of the social and economic restrictions initially set in March 2020 continued to be eased with the Mayor announcing the lifting of all restrictions on July 1. The passage of the American Rescue Plan Act of 2021 in March 2021 led to the infusion of additional Federal Aid which helped the economy to regain momentum. The overall recovery outlook for the national economic is optimistic, with the International Monetary Fund projecting that the U.S. will expand 6.5% this year.

During the second quarter both National Gross Domestic Product (GDP) and Consumer Confidence grew over the prior year and quarter. Economic activity and employment in sectors specifically related to tourism, hospitality, and retail continue to be modest. Throughout the pandemic, retail sales activity saw overall declines due to the closure or restricted operations of retail and restaurant establishments alongside a shift in consumer shopping preferences. Statewide sales however experienced significant growth due to the increase in online sales and a shift in demand from services to durable and other goods. The City's commercial real estate market saw declines in office occupancy rates while retail and industrial remained relatively flat. The one activity that continued to remain unaffected by COVID-19 is regional home sales. Prices of residential City properties reached record highs, and sales 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.

Baltimore City Quick Stats

Second Quarter | 2021



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
\$48,840

Mean Commute Time
31 minutes

Owner Occupied Housing Unit Rate: 47.3%

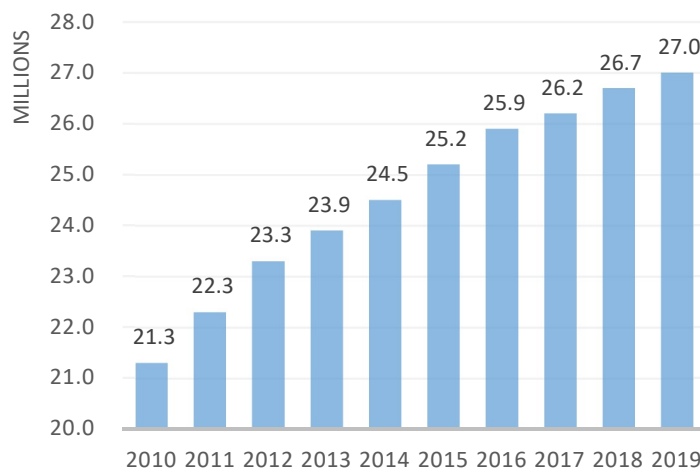
Below Poverty Level
21.8%

Households
238,436

(Source: US Census Bureau V2019)

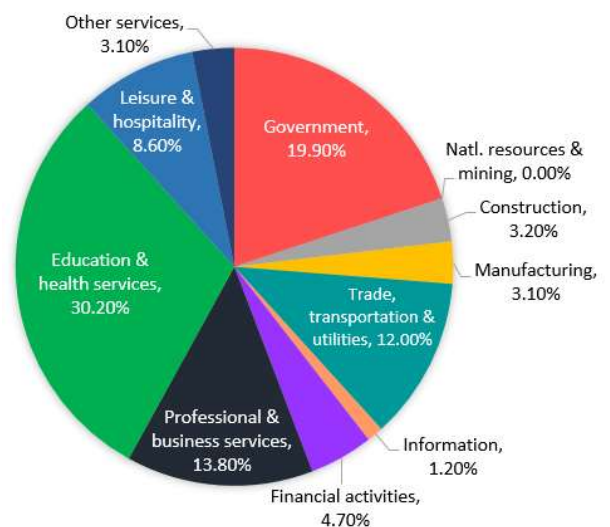
Tourism

Annual visitors to Baltimore City showed steady growth since 2010, up to 27.0 million in Calendar Year 2019. Comparative statistics assessing the impact of COVID-19 in 2020 activity will be available by the end of calendar year 2021. (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.)



Employment

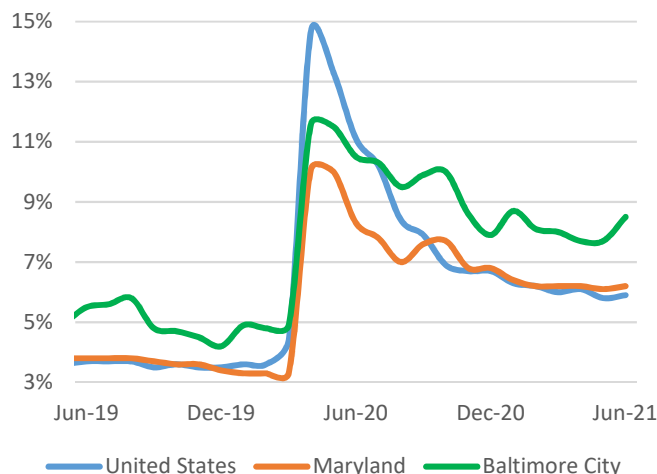
Second Quarter | 2021

Unemployment Rate

	Jun-20	Mar-21	Jun-21	Trend
Baltimore City (City)	10.5%	8.0%	8.5%	▼
Maryland (MD)	8.3%	6.2%	6.2%	▼
United States (US)	11.1%	6.0%	5.9%	▼

Unemployment levels decreased slightly in the second quarter of 2021, but remained above pre COVID-19 levels by 2.3%, 2.4% and 2.8% in the US, MD, and City respectively when compared against the second quarter of 2019. The slight decrease in the quarterly unemployment rate comes from both the labor force and employment growing from the first to second quarter of 2021 with the average number of employed City residents up 3,295 or 1.3% while the City's labor force was up 2,715 individuals or 1.0%. While the second quarter saw an overall decrease, the City experienced an increase in the unemployment rate in June as the labor force outpaced employment that month.

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

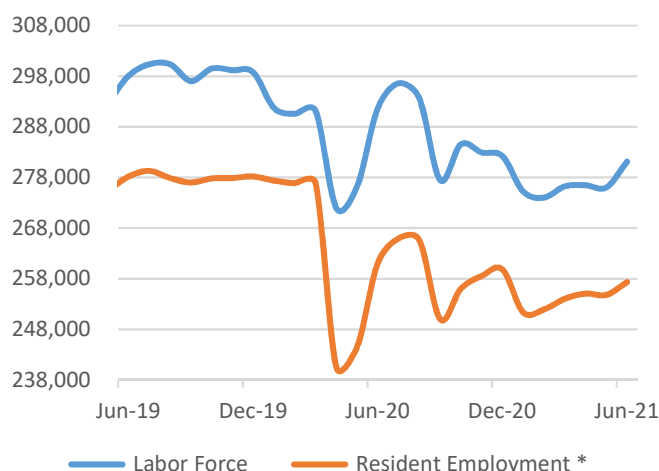


City Labor Force & Employment

	Jun-20	Mar-21	Jun-21	Trend
Labor Force	291,678	276,238	281,131	▲
Resident Employment	261,071	254,037	257,339	▲

As of June 2021, resident employment experienced a 1.4% year-over-year decline while the labor force declined 3.6%. These figures reflect the labor market disruptions brought on by the emergency response and restrictions to confront the COVID-19 pandemic, and the ongoing recovery. As the economy gradually adapts to changing labor requirements during recovery, both the labor force and resident employment are facing volatility. While June 2021 saw a decline from faster labor force growth, employed City residents actually increased by 2.8% in the second quarter from the previous year, averaging 256K in 2021 up from 249k in 2020.

Source: Bureau of Labor Statistics

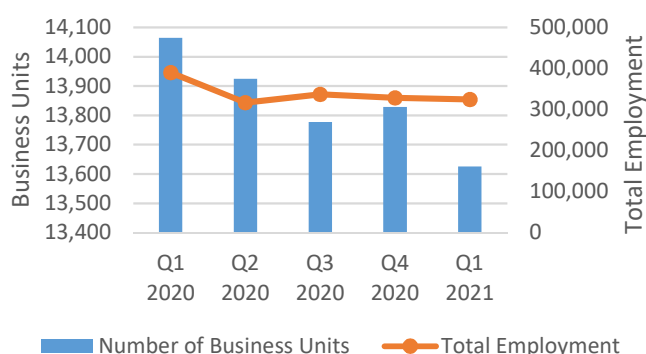


City Business Establishments and Employment

	Q1 2020	Q4 2020	Q1 2021	Trend
# of Business Units	14,064	13,828	13,625	▲
Total Employment	389,738	328,338	324,887	▲

The last available data on this indicator is from the first quarter of 2021, in which the number of business establishments in the City declined 1.5% and 3.1% on the quarterly and annual basis while total employment declined 1.1% and 16.6% over the same periods. Service-related industries continue to be disproportionately affected, with employment down 40.1% in Leisure & Hospitality and 84.2% in Other Services.

Source: Quarterly Census of Employment and Wage



Residential Real Estate

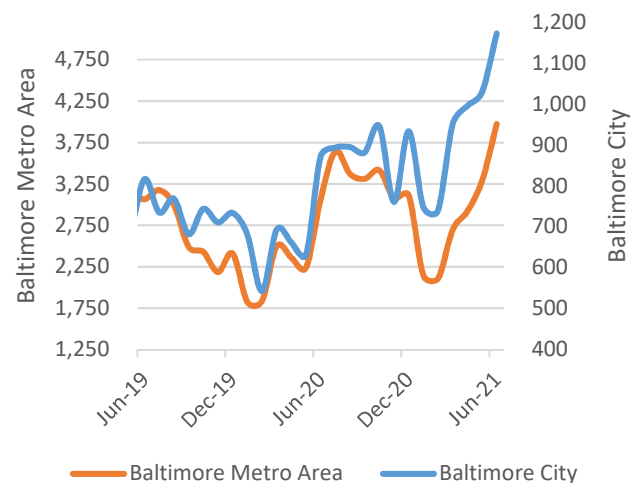
Second Quarter | 2021

Total Units Sold

	Q2 2020	Q1 2021	Q2 2021	Trend
Baltimore Metro*	7,669	6,950	10,182	▲
Baltimore City	2,167	2,439	3,199	▲

Year-over-year, residential real estate activity in both the Metro area and City continued to grow in the second quarter, increasing 32.8% and 47.6% respectively, reflecting a market that has remained exceptionally active since first ramping up in June 2020. This market strength is a product of historically low interest rates, maintained strong demand, and the continued low real estate inventory supply which is down 40.4% and 35.1% from last year in the Metro areas and City, respectively. The second quarter saw three straight months of increasing home sales, with 31.2% growth in units sold over the previous quarter.

Source: SmartCharts BrightMLS, *Excludes Baltimore City

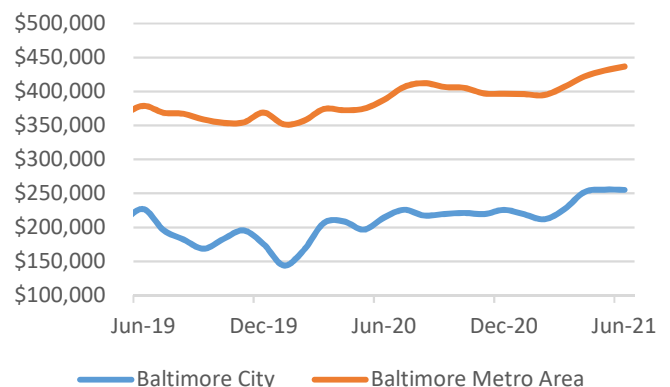


Average Home (Sales) Price

	Q2 2020	Q1 2021	Q2 2021	Trend
Baltimore Metro*	\$378,326	\$399,248	\$428,872	▲
Baltimore City	\$206,648	\$219,330	\$254,237	▲

Average home sales prices in both the Metro Area and City increased by 13.6% and 23.0% 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 optimism in the local real estate market. Additionally, historically low interest rates with only slight indications that the Federal Reserve will raise them in the near term, continue to sustain real estate activity.

Source: SmartCharts BrightMLS, *Excludes Baltimore City

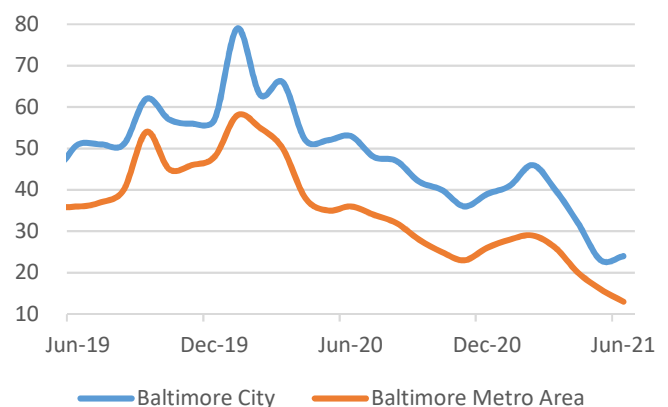


Average Days on Market (ADM)

	Q2 2020	Q1 2021	Q2 2021	Trend
Baltimore Metro*	36	28	16	▼
Baltimore City	52	42	26	▼

Competition has not only increased average prices, but also reduced the average days on the market to historical lows. High demand, low supply and historically low interest rates drove residential properties in the Metro area to sell in 16 days after listing and 26 days for those in the City. This represents an average decline of 20 and 16 ADM for properties listed for sale in the Metro region and City respectively on a year-over-year basis.

Source: SmartCharts BrightMLS, *Excludes Baltimore City



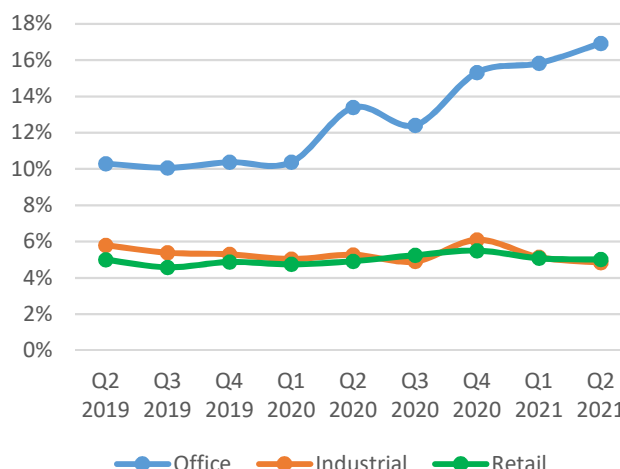
The Baltimore City commercial real estate market historically displayed strong demand and strength, but the COVID-19 pandemic disrupted demand to all commercial sectors. The office sector especially saw softening vacancy rates as a consequence of health mandated government restrictions and extended teleworking. The industrial sector has benefited from a shift to e-commerce as companies have expanded warehouses to accommodate growing demand. Pipeline projects in the City include ongoing work at Wills Wharf in Fells Point (a mixed-use development with 236,000 sq. feet of office space, 3,000 sq. feet of retail space and 156 hotel rooms), 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 and restaurants, and the kick off of a \$5.5 billion development project at Port Covington. Other noteworthy developments include a mixed-use renovation of the Super Block downtown by The Compass group, the Old Town Mall redevelopment, conversion of former retail and restaurant establishments into apartment hubs with street-level retail in historic Fells Point, and Chasen Cos development of 55k sq. feet of retail and 272 apartments in Harbor East. 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, and Gordon Feinblatt moving to 1001 Fleet Street and the closure of The Gallery Mall at the end of the year.

Baltimore City Vacancy Rates

	Q2 2020	Q1 2021	Q2 2021	Trend
Office (Downtown*)	13.4%	15.8%	16.9%	▲
Industrial	5.3%	5.1%	4.8%	▼
Retail (Downtown*)	4.9%	5.1%	5.0%	■

Vacancy rates increased for office properties, representative of the uncertainty of the economic environment especially in the Downtown Central Business District. The pronounced 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. Demand for City Industrial and retail space remains stable, indicating continued strong demand in the industrial sector, and a surprisingly minimal impact of COVID-19 has been seen for demand in the retail sector.

Source: CoStar, *Downtown Business District

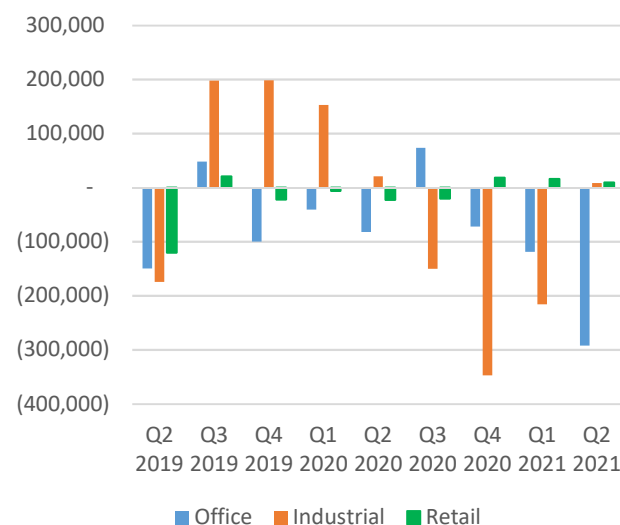


Real Estate Market Net Absorption

	Q2 2020	Q1 2021	Q2 2021	Trend
Office (Downtown*)	(40,716)	(72,293)	(119,075)	▼
Industrial	152,999	(347,487)	(215,646)	▲
Retail (Downtown*)	(6,012)	18,556	16,312	■

Retail properties saw back-to-back months of positive net absorption continuing the trend from the first quarter, while the office sector continues to face challenges in the current economic climate that's driving lower net absorption. Industrial space saw another quarter of negative net absorption because of the increased space delivered during the fourth quarter of 2020. Continued recovery factors for retail will depend on future consumer preferences, speed of economic recovery and the residual impact of COVID-19 on the retail sector. 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



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; however, the most recent decline in occupancy rate is due to COVID-19.

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

	Jun-20	Mar-21	Jun-21	Trend
Room Inventory	7,159	9,054	9,936	▲
Occupancy Rate	29.2%	38.4%	46.9%	▲
ADR	\$92.57	\$98.71	\$130.82	▲

The spread of COVID-19 in March 2020 and the implementation of travel, social and economic restrictions heavily affected the tourism and hotel industries. These industries are continuing to recover, with the second quarter seeing the highest occupancy and ADR rates since the pandemic began. While both metrics have improved, they continue to remain below pre-pandemic levels with ADR rates down 22.1% and occupancy rates down 39.1% from the second quarter of 2019.

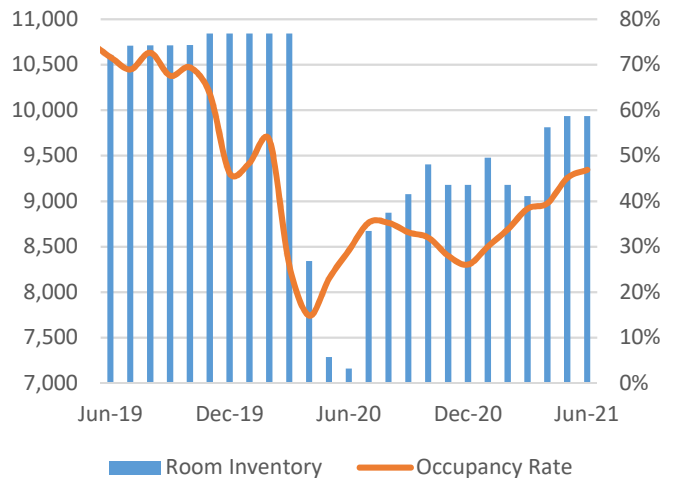
Year over year, occupancy rates in the City increased 96.2%, from an average of 22.4% last year to 43.9% this year and ADR increased 39.8%, from an average of \$88.6 last year to \$123.8 this year. Three hotels are being used to house homeless individuals, and one hotel will remain as a COVID-19 patient care center into the first quarter of 2022. The Convention Center has been used as a field hospital, COVID-19 testing site and COVID-19 vaccination site since March 2020, but has resumed normal operations since September 30, 2021, hosting the first large event the week of October 18, 2021.

With the easing and lifting of restrictions on attendance policies and large gatherings, conventions, meetings, sporting, and other events have resumed in the City with full or mostly full capacity helping boost both occupancy rates and ADR.

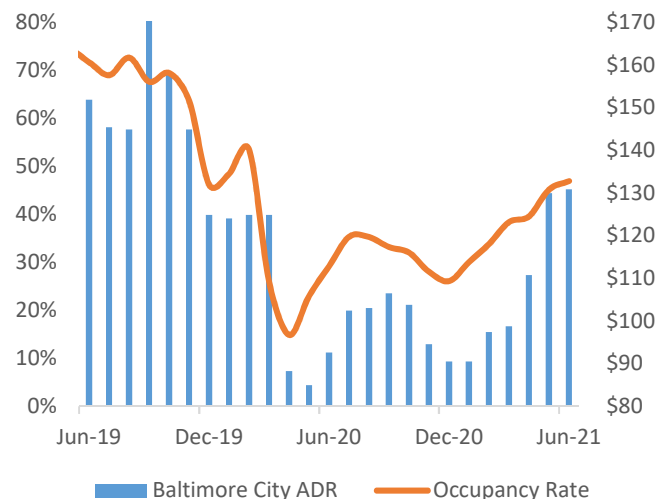
The latest travel forecast from Tourism Economics expects a slow recovery for the hotel and tourism sector with room demand expected to reach around 80% of 2019 levels by the third quarter of 2021, with a full rebound not expected until the third quarter of 2023. Leisure and business travel are expected to recover at different rates, with leisure rebounding before business.

Source: Smith Travel Accommodations Report (STR)

Hotel Room Inventory & Occupancy Rate



Average Daily Room Rate



Sales Tax

Second Quarter | 2021

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.

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%	▼

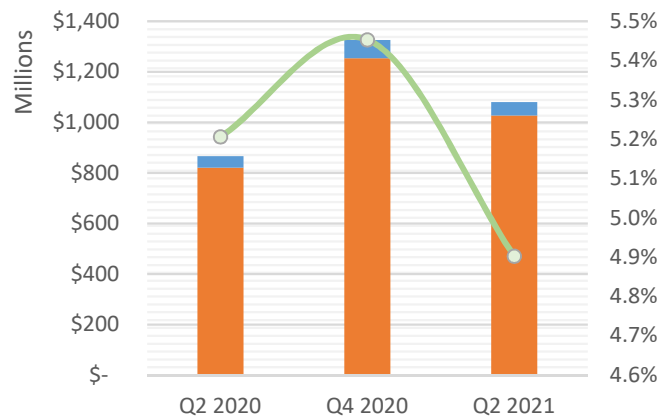
Sales Tax revenue generated in the City during the second quarter was up 17.4% while the State (less City) was up 25.1% from the prior year. There was a 0.3% decrease in the City:State Ratio from the prior year, as activity continued to shift from Baltimore City to other parts of the State and online. 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.

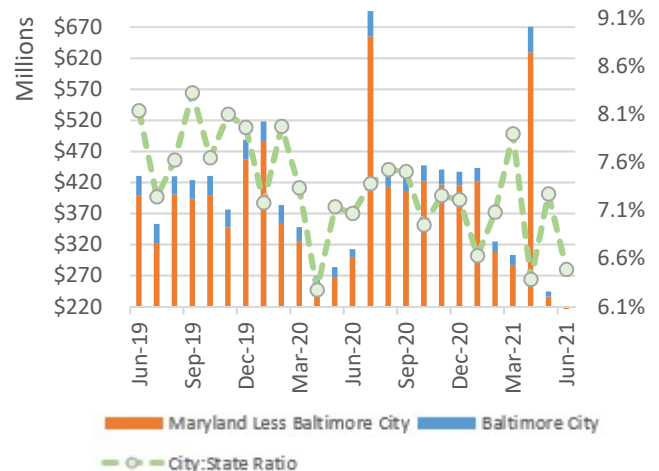
The modifications in spending habits during the pandemic, including moving to online shopping, may lead to long-term changes in consumer buying preferences, including permanent increases in online methods of shopping.

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

Sales Tax Revenue Year-to-Date



Sales Tax Revenue



National Indicators

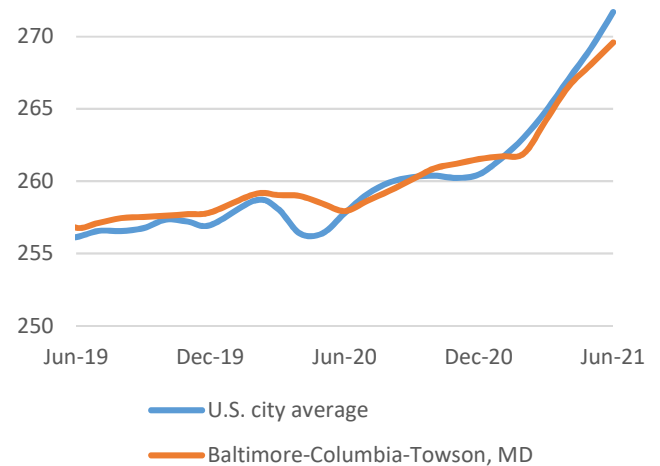
Second Quarter | 2021

Consumer Price Index (CPI)

	Jun-20	Mar-21	Jun-21	Trend
United States	257.8	264.9	271.7	▲
Baltimore-Columbia-Towson*	257.9	264.2	269.6	▲

The CPI for urban consumers in the United States showed year-over-year growth increasing 5.4%, while the Baltimore-Columbia-Towson Region saw an increase of 4.5%. Since June 2019, the national index has increased 6.1% while the regional index has increased 5.0%. The cost of living for urban consumers, both nationally and regionally, has increased more rapidly in the recent year due to record-low interest rates, continuing supply chain disruptions and shortages, and the remaining measures 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

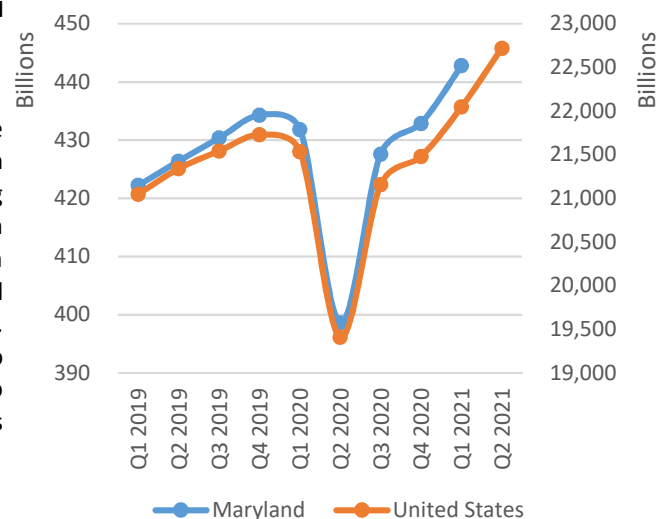


Gross Domestic Product (GDP)

	Q2 2020	Q1 2021	Q2 2021	Trend
United States	\$21,538	\$21,480	\$22,049	▲
Maryland	\$431.9	\$432.9	N/A	▲

National GDP is up 17.1% year-over-year, and up 3.1% from the prior quarter. This indicates both the impact COVID-19 had on the economy, and the economic recovery that is actively taking place. National GDP was experiencing the longest growth phase in history before COVID-19, but the short and long-term effects on the economy continue to remain unclear. National estimates project strong growth for the remainder of 2021. However, supply chain disruptions and shortages may lead to slower growth. State GDP data continues to trend similar to the national index and is not expected to depart from this trend in the short-term.

Source: Bureau of Economic Analysis



Consumer Confidence

	Jun-20	Mar-21	Jun-21	Trend
United States	98.6	99.5	99.9	▲

Consumer Confidence has been relatively volatile over the past 24 months, first peaking at 101.7 in May 2019 and subsequently reaching a new low of 98.2 in August 2020. 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, may be contributing to the volatility as well.

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



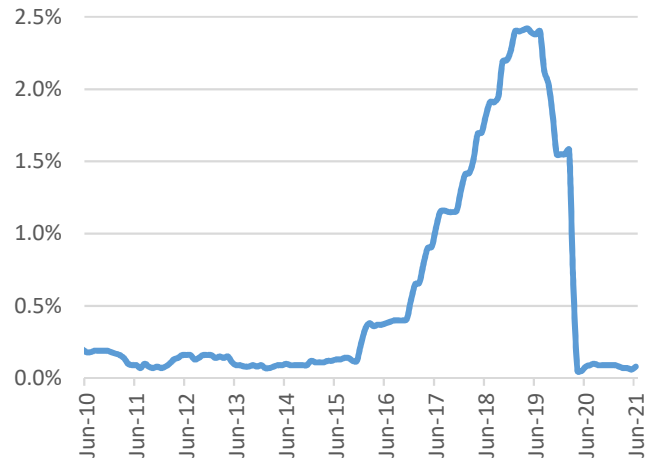
National Indicators Continued

Second Quarter | 2021

Federal Funds Rate

	Jun-20	Mar-21	Jun-21	Trend
Interest Rate	0.08%	0.07%	0.08%	■

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 most recent cuts in March and April 2020 were the result of the COVID-19 pandemic and the FOMC taking action to bolster the economy; mirroring the actions taken during the Great Recession. The rate continues to be maintained at the lower levels, but there are some indicators suggesting it may be moved higher earlier than expected to counter rising inflation concerns.



Source: Federal Reserve

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 (FOMC) meets eight times a year to set the federal funds rate. Led by Jerome Powell, the FOMC makes periodic adjustments to the rates based on open market operations and the supply of money required to meet target rates. (Source: Investopedia)