



Photo Credit: David Dibert

## Overall Analysis

After a tumultuous past few years, Baltimore City's economy is reaching levels of stability following economic growth and recovery. The overall outlook reflects positive economic growth in labor markets, real estate, and sales activity.

During the first quarter of 2023, City unemployment rates reached record lows, signaling that the City is experiencing near full-employment—even as the labor force continues to grow. In addition to these positive highlights, the City's commercial real estate market saw declines in office vacancy rates while retail and industrial remained relatively flat. Meanwhile, the residential real estate market has begun to stabilize after the historic boom experienced in 2021 and 2022 due to low interest rates and high demand. Prices of residential City properties have reached a new floor while sales have trended downwards due to rising interest rates.

The cost of living for urban consumers, both nationally and regionally, has increased more rapidly in recent years due to record-low interest rates along with supply chain disruptions and shortages. Inflation has begun to decline in pace as indicated by the easing of energy and food prices, yet its impact remains persistent. Consumer confidence has begun to gradually trend upwards which indicates a more optimistic attitude towards the future of the economy.

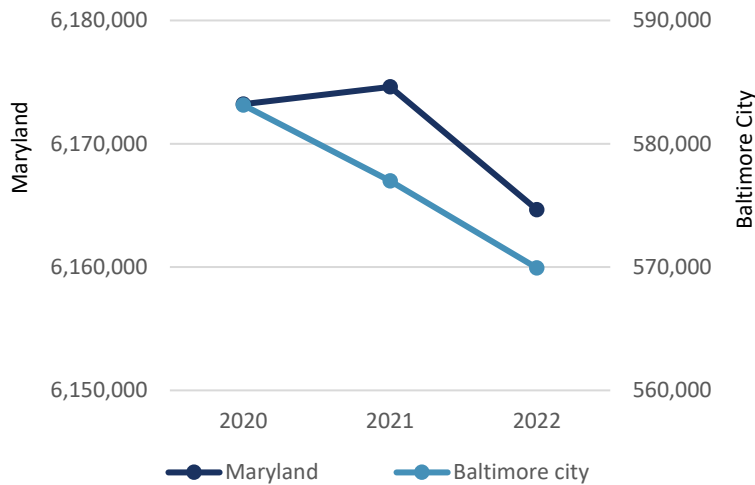
This report tracks and reports on 33 total indicators. These indicators represent a snapshot of the local economy and other market trends that can change quickly. Trend analysis reflects long term expectations and may depart from the short-term trend seen on a quarter over quarter basis.

The first quarter includes information during the period of January to March of 2023.

# Baltimore City Quick Stats

First Quarter | 2023

## Population



While the population in the State has experienced growth from 2020 to 2021, recent trends indicate a modest decline. Baltimore City's population has been declining at a rate of approximately 1% each year. In March 2023, the U.S. Census reported that there were 569,931 residents in the City as of July 2022.

Other quick stats for the City are below:

**Median Household Income**  
\$54,124



**Mean Commute Time**  
30.7 minutes



**Owner Occupied Housing Unit Rate**  
47.9%



**Persons in Poverty**  
20.3%



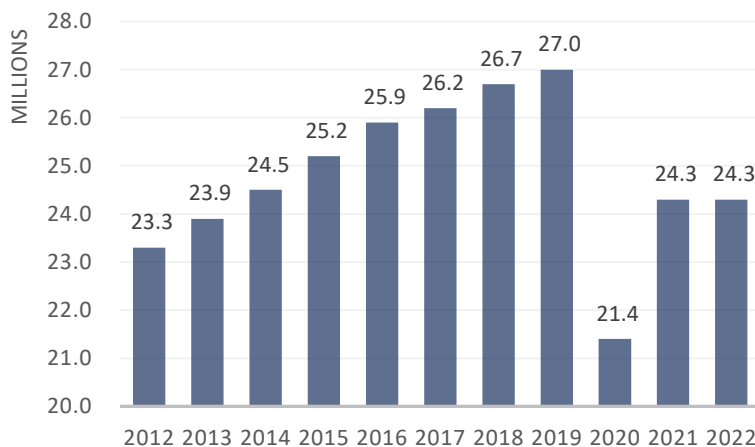
**Households**  
244,893

(Source: US Census Bureau V2022)

## Tourism

Annual visitors to Baltimore City showed steady growth since 2012, up to 27.0 million in Calendar Year 2019, but the onset of COVID-19 led to a drastic decline in 2020. Overnight and day-trip visitors have fallen back to those levels experienced in 2014.

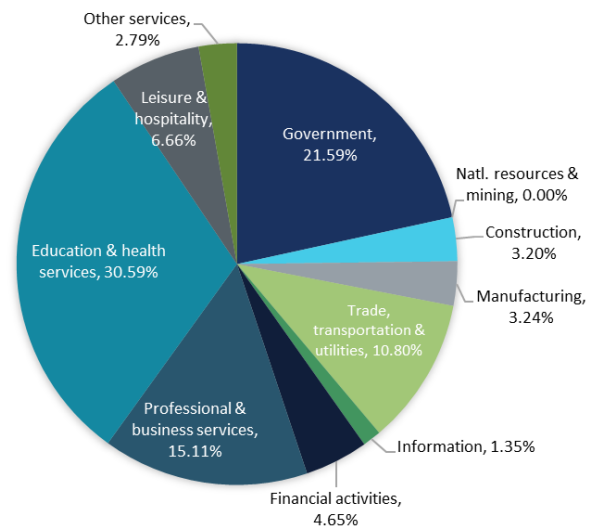
(Source: Visit Baltimore)



## Employment by Industry

Government along with Education and Health Services make up approximately 50% of Baltimore City employment. The largest employer in the City is John Hopkins Hospital & Health System.

(Source: Maryland Department of Commerce)



# Employment

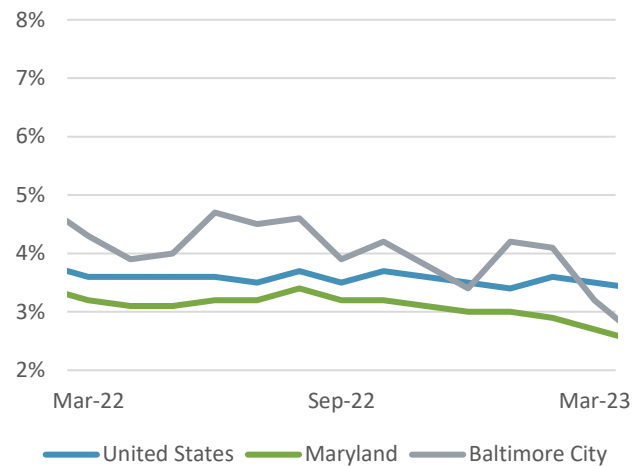
First Quarter | 2023

## Unemployment Rate

	Mar-22	Dec-22	Mar-23	Trend
Baltimore City (City)	4.3%	3.4%	3.2%	▼
Maryland (MD)	3.2%	3.0%	2.7%	▼
United States (US)	3.6%	3.5%	3.5%	■

Unemployment levels decreased in the first quarter of 2023, down 0.2% and 0.3% in the City and State respectively when compared to the last quarter of 2022. This is the lowest unemployment rate that the City has experienced since the U.S. Bureau of Labor Statistics began tracking this indicator in 1990. These historically low rates signal that the City is experiencing full or near-full employment, meaning that the majority of City residents willing to work are employed and those seeking opportunities may have more competitive offers.

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

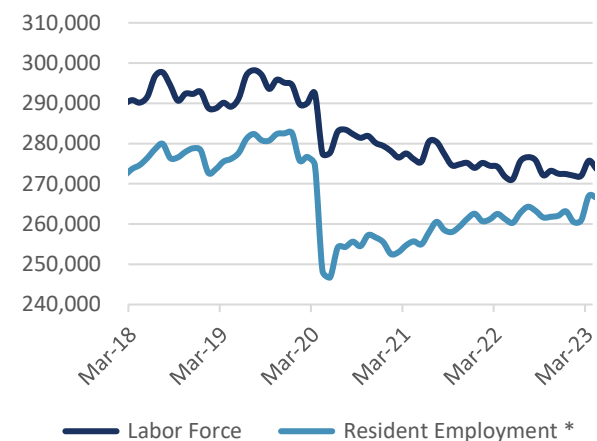


## City Labor Force & Employment

	Mar-22	Dec-22	Mar-23	Trend
Labor Force	274,230	272,426	275,721	▲
Resident Employment	262,511	263,157	266,982	▲

As of March 2023, resident employment experienced a 1.7% year-over-year increase while the labor force increased 0.5% during the same period. These figures reflect the labor market's gradual recovery given the disruption caused by the COVID-19 pandemic. While March 2023 saw growth, employed City residents actually declined by 2.8% from the March 2020. In addition to the shrinkage experienced in employed City residents, the labor force has faced similar trends, declining by 5.7% over the same period. These latest levels of labor force participation and resident employment appear to be the new normal levels for the City.

Source: Bureau of Labor Statistics

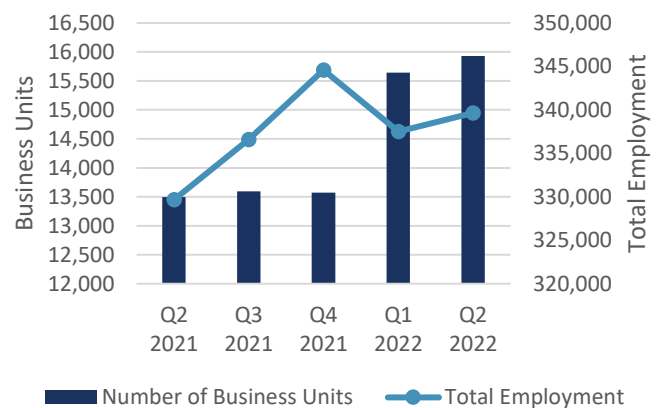


## City Business Establishments and Employment

	Q2 2021	Q1 2022	Q2 2022	Trend
# of Business Units	13,497	15,642	15,930	▲
Total Employment	329,661	337,527	339,662	▲

The last available data for this indicator is from the second quarter of 2022, in which the number of business establishments in the City increased 1.8% and 18.0% on the quarterly and annual basis respectively while total employment increased 0.6% and 3.0% over the same periods. Education and Health Services-related industries continue to be strong holds in the City's economy, with employment averaging 99,051 individuals in the second quarter of 2022.

Source: Quarterly Census of Employment and Wage



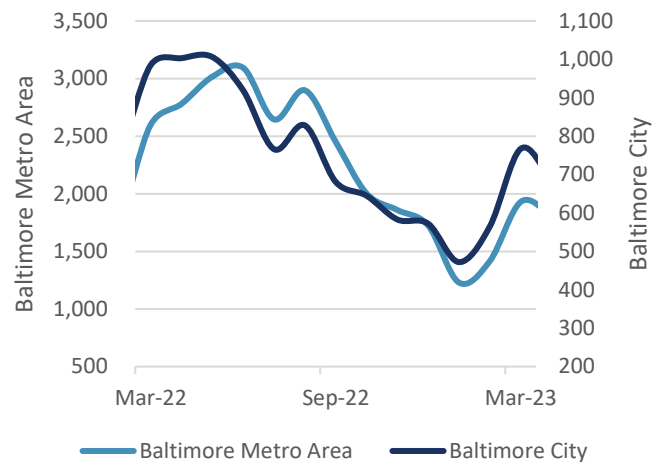
# Residential Real Estate

First Quarter | 2023

## Total Units Sold

	Q1 2022	Q4 2022	Q1 2023	Trend
Baltimore Metro*	6,319	5,586	4,574	▼
Baltimore City	2,464	1,800	1,804	▼

Residential real estate activity has slowed in both the Metro area and City, decreasing by 27.6% and 26.8% respectively in terms of units sold compared to the prior year. In recent years, the real estate market experienced high levels of activity as a result of historically low interest rates and strong demand. However, the real estate market activity has been thwarted due to the gradual increasing of interest rates by the Federal Reserve that started in March 2022. The neighborhoods with the most units sold in first quarter include Canton, Belair-Edison, Brooklyn, and Riverside.

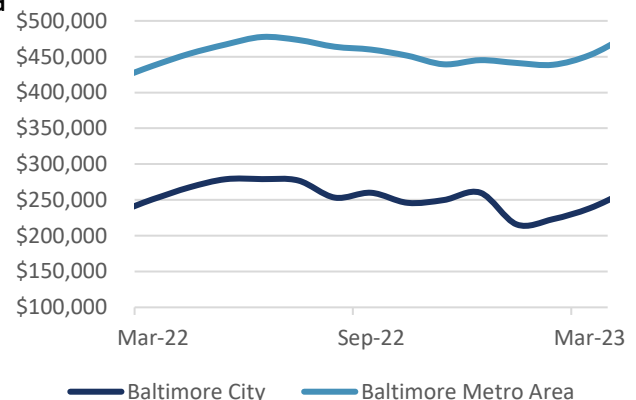


Source: SmartCharts BrightMLS, \*Excludes Baltimore City

## Average Home (Sales) Price

	Q1 2022	Q4 2022	Q1 2023	Trend
Baltimore Metro*	\$420,373	\$445,279	\$443,984	▲
Baltimore City	\$224,311	\$251,964	\$225,701	▲

Average home sales prices in both the Metro Area and City decreased by 0.3% and 10.4% respectively compared to the prior quarter, a response to available supply outpacing demand. It is anticipated that home values will increase slightly going into the second and third quarter as the market is seasonally impacted, benefiting from an increase in both activity and demand during the summer months.

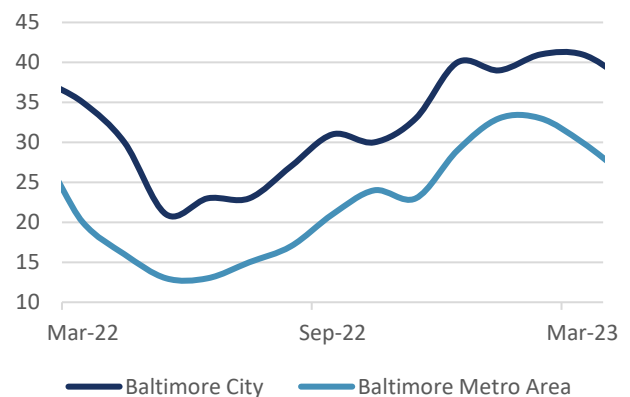


Source: SmartCharts BrightMLS, \*Excludes Baltimore City

## Average Days on Market (ADM)

	Q1 2022	Q4 2022	Q1 2023	Trend
Baltimore Metro*	25	25	32	▲
Baltimore City	38	34	40	▲

The impact of higher interest rates has led to lower demand levels across the Baltimore Metro Area, including the City. In May 2022, high demand, low supply and historically low interest rates drove residential properties in the Metro area to sell in 13 days after listing and 21 days for those in the City. Since then, the City and Metro Area experienced declines in the pace of residential home sales, which also correlates with an overall decline in the number of units sold.



Source: SmartCharts BrightMLS, \*Excludes Baltimore City



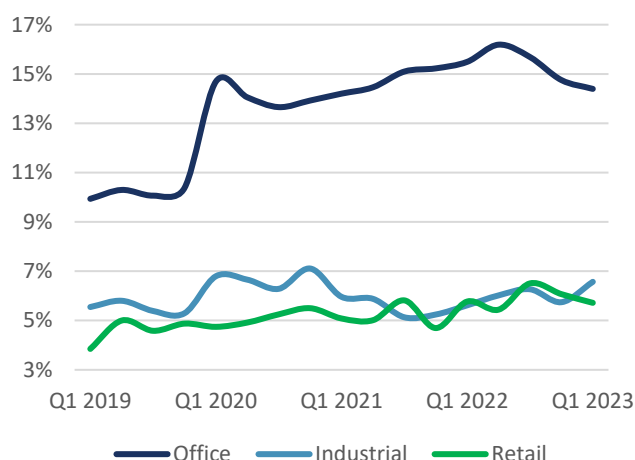
The Baltimore City commercial real estate market historically displayed strong demand and strength, but the COVID-19 pandemic disrupted demand to all commercial sectors. The office sector especially saw softening vacancy rates and extended teleworking. The industrial sector benefited from a shift to e-commerce as companies have expanded warehouses to accommodate growing demand. Pipeline projects in the City include ongoing work at Baltimore Peninsula (formerly known as Port Covington – a \$5.5 billion development project in South Baltimore), development of the CFG Bank arena (a 400,000 sq. ft entertainment venue with over \$250 million invested for renovations), and the expansion of the Shops at Canton (including the addition of three new national retailers that will occupy a total of 13,500 sq. ft). Other noteworthy developments include the renovated Lexington Market, renewal of notable restaurant leases, and new additions to the City's retail stock including Top Golf and NKV Skin among others. The Downtown Business District continues to experience volatility in the commercial sector with the exit of larger corporations such as Pandora relocating its headquarters to New York City and the conversion of four hotels into apartments that will add 1,034 new units to the housing supply.

### Baltimore City Vacancy Rates

	Q1 2022	Q4 2022	Q1 2023	Trend
Office (Downtown*)	15.5%	14.8%	14.4%	▼
Industrial	5.6%	5.7%	6.6%	▲
Retail (Downtown*)	5.8%	6.1%	5.7%	■

Vacancy rates for office spaces in the downtown business district have begun to decrease on a year-over-year basis as a result of many companies adopting return to office policies, yet the rate remains high due to some continued teleworking arrangements and reductions in physical office footprints or relocations. Demand for City industrial and retail space remains relatively stable, indicating steady demand in the industrial sector and a surprisingly minimal impact of COVID-19 on demand in the retail sector even as this rate rose slightly in the fourth quarter.

Source: CoStar, \*Downtown Business District

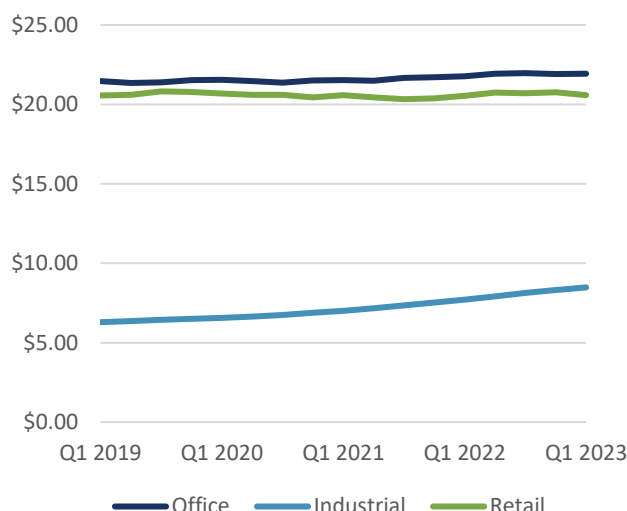


### Real Estate Market Rent per Square Foot

	Q1 2022	Q4 2022	Q1 2023	Trend
Office (Downtown*)	\$21.77	\$21.92	\$21.94	■
Industrial	\$7.71	\$8.31	\$8.48	▲
Retail (Downtown*)	\$20.55	\$20.77	\$20.58	■

Industrial properties have experienced significant growth in market rent paid per sq. ft since the on-set of COVID-19, while both office and retail spaces market rent paid per sq. ft have remained relatively stable. In terms of net absorption, industrial properties declined by 346,544 sq. ft in the first quarter while retail properties in the downtown area grew by 26,411 sq. ft. Office space properties experienced growth starting in the third quarter of 2022 after seven consecutive months of negative net absorption. Office properties in particular face unique challenges as companies reevaluate teleworking policies and navigate returning to the office.

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 rates was due to COVID-19.

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

	Mar-22	Dec-22	Mar-23	Trend
Room Inventory	9,611	9,688	9,528	■
Occupancy Rate	52.6%	44.1%	55.6%	▲
ADR	\$146.57	\$136.59	\$152.14	▲

The hotel and tourism-related industries are continuing to gradually recover after the on-set of COVID-19. The summer months of last year saw the highest ADR rates since the pandemic began, and it is anticipated that this trend will continue into this upcoming summer.

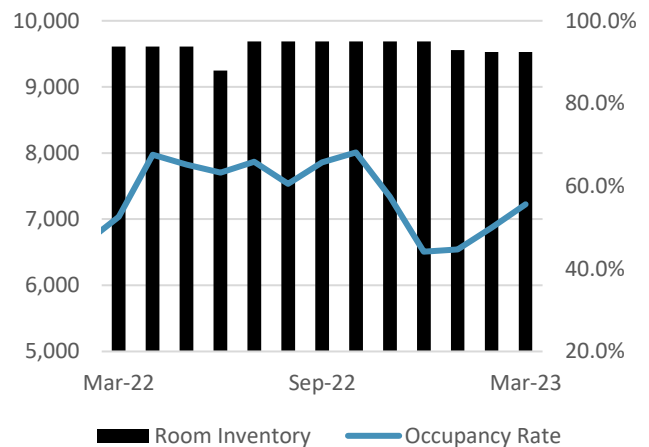
Year over year, occupancy rates in the City increased 5.7%, from an average of 52.6% last March to 55.6% this year and ADR increased 3.8%, from an average of \$146.6 last March to \$152.1 this year. The increase in average daily room rates is the result of not only an increase in demand, nearing levels experience before the pandemic, but also a reflection of the impact of inflation in the economy.

The supply of hotel room inventory has held relatively constant over the last year. Two hotels were used to provide housing to individuals experiencing homelessness, and at least one of these hotels will continue to do beyond the scope of COVID-19. Within the last year, Baltimore City welcomed new hotels including Hotel Ulysses in the Mount Vernon neighborhood and Spring Hill Suites by Marriott in the Downtown neighborhood.

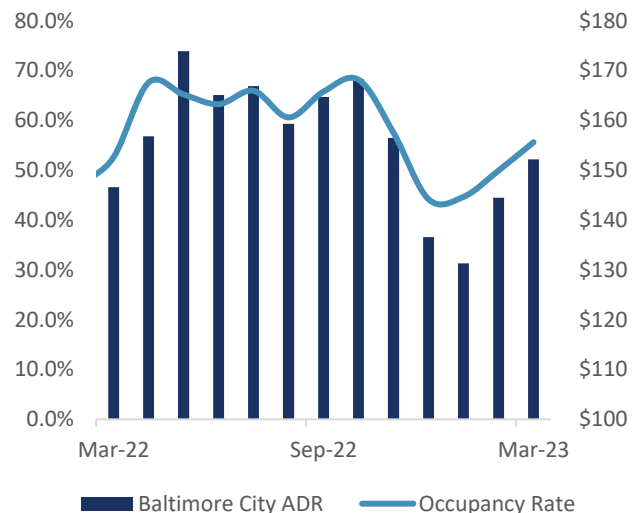
Tourism related travel and business events in the City have begun to rebound. By the end of Fiscal 2023, the Convention Center anticipates hosting 99 events – up from the prior fiscal year when 81 events were held.

Source: Smith Travel Accommodations Report (STR)

#### Hotel Room Inventory & Occupancy Rate



#### Average Daily Room Rate



# Sales Tax

First Quarter | 2023

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. The State releases reports on sales activity defined by nine categories: Food & Beverage, Apparel, General Merchandise, Automotive, Furniture & Appliances, Building and Industrial Supplies, Utilities & Transportation, Hardware, Machinery & Equipment, and Miscellaneous. In the first quarter of 2023, spending activity in the State as a whole increased from the prior quarter. Generally, there is a one to two-month delay between Sales Tax activity and reporting on revenue.

## Sales Tax Revenue (Millions)

	Q1 2021	Q4 2022	Q1 2023	Trend
Maryland*	\$1,015.6	\$1,476.2	\$1,685.3	▲
Baltimore City	\$55.6	\$102.1	\$104.9	▲
City:State Ratio	5.2%	6.5%	5.9%	■

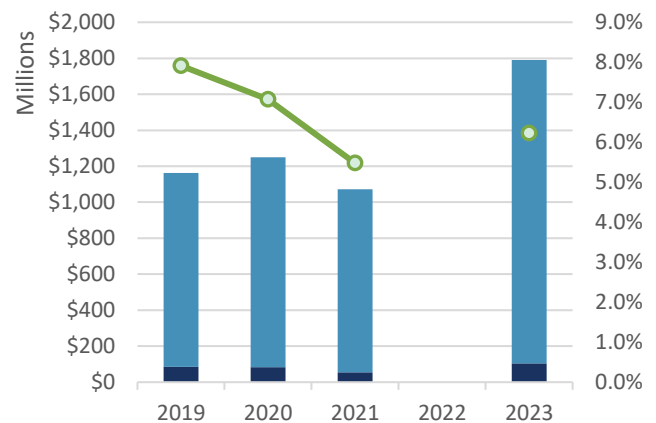
The most recent available data for Sales Tax is as of the first quarter of 2023. The State did not produce monthly reports for Sales Tax during Fiscal 2022, thus information was not available for year-to-date and some quarterly analysis.

Sales Tax revenue generated in the City during the first quarter was up 88.7% while the State (less City) was up 65.9% compared to the first quarter of 2021. There was a 13.7% increase in the City:State Ratio from 2021, indicating that activity in Baltimore City is recovering from the decreased activity experienced after the onset of COVID-19. Sales activity in 2023 is stronger than levels experienced in 2019 for both the City and the State through the first quarter.

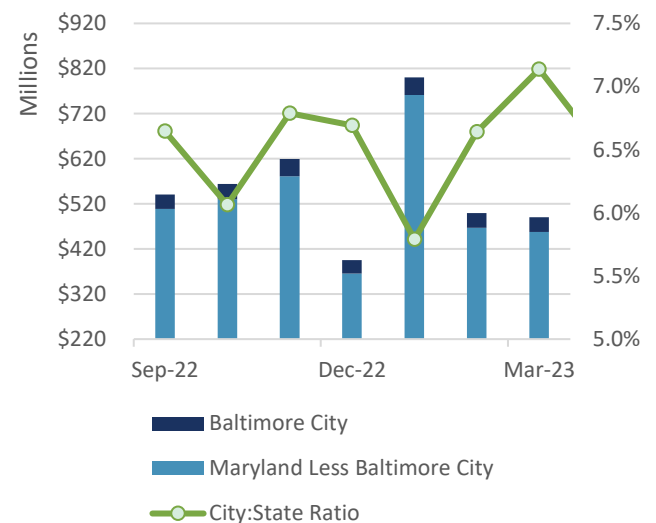
The largest quarter-over-quarter increase came from Utilities & Transportation (37.5%) and General Merchandise (17.5%) within the City. With the exception of Utilities & Transportation, General Merchandise, and Miscellaneous items in the City, all other industries across the City reported quarter-over-quarter decreases. Overall, the City experienced a net increase of 2.7% in activity when compared to the prior quarter.

The modification of spending habits during the pandemic may lead to long-term changes in consumer buying preferences, including increases in online methods of shopping. Of total sales, purchasing habits increased by 3.4% for Utilities and Transportation and Miscellaneous categories comparing year-to-date spending between 2019 and 2023. The largest declining shift for the same period, can be attributed to Food & Beverages with a drop of 3.5%.

## Sales Tax Revenues, Year-to-Date



## Sales Tax Revenue (Monthly)



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

# National Indicators

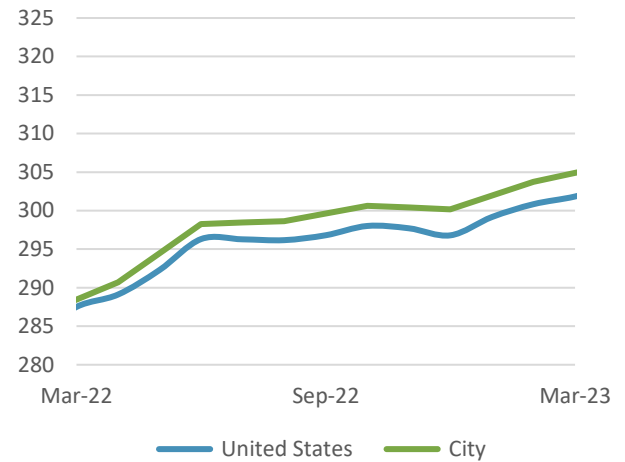
First Quarter | 2023

## Consumer Price Index (CPI)

	Mar-22	Dec-22	Mar-23	Trend
United States	287.5	296.8	301.8	▲
Baltimore-Columbia-Towson*	288.5	300.2	304.9	▲

The CPI for urban consumers in both the United States and the Baltimore-Columbia-Towson Region showed year-over-year growth increasing 5.7%. Since March 2020, the national index has increased 16.9% while the regional index has increased 17.7%. The cost of living for urban consumers, both nationally and regionally, has increased more rapidly in recent years due to record-low interest rates along with supply chain disruptions and shortages. While the impact of inflation remains persistent, it has begun to ease some as indicated by lower prices of energy and food.

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

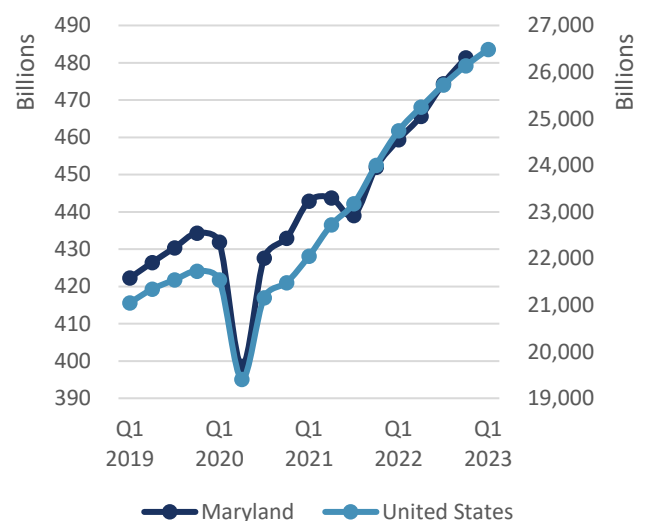


## Gross Domestic Product (GDP)

	Q1 2022	Q4 2022	Q1 2023	Trend
United States	\$24,382	\$26,138	\$26,486	▲
Maryland	\$459.4	\$481.3	N/A	▲

National GDP is up 8.6% year-over-year, and up 1.3% from the prior quarter. This reflects both the economic recovery following the impact that COVID-19 had on the economy, and the impact of inflation in recent years. National GDP was experiencing the longest growth phase in history before COVID-19. National estimates project modest growth for the remainder of 2023. State GDP data continues to trend similar to the national index and is not expected to depart from this trend in the short-term. State data for the first quarter of 2023 was not available at the time of production.

Source: Bureau of Economic Analysis

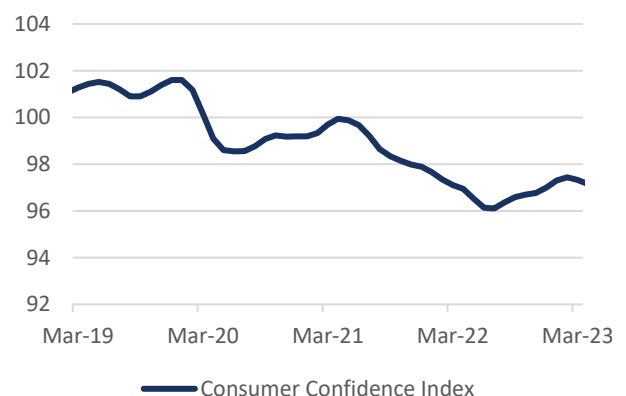


## Consumer Confidence

	Mar-22	Dec-22	Mar-23	Trend
United States	97.1	97.0	97.3	▲

Consumer Confidence has been relatively volatile over the past few years, first peaking at 101.7 in January 2020 and subsequently reaching a new low of 96.1 in July 2022. Data indicates a steady decrease in consumer confidence since 2019, which was further exacerbated by the onset of COVID-19. In recent months, consumer confidence has begun to gradually trend upwards which indicates a more optimistic attitude towards the future of the economy.

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



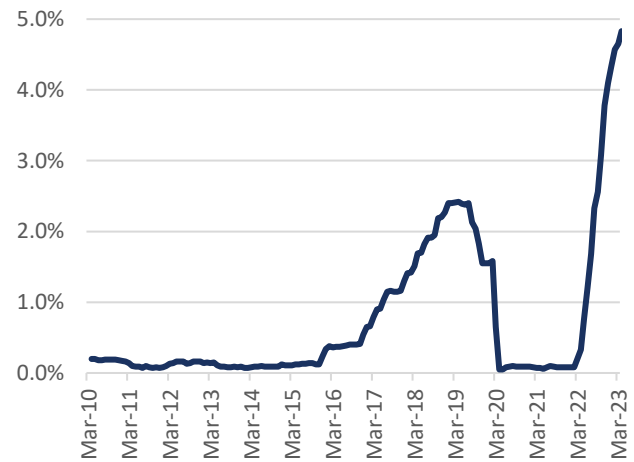


### Federal Funds Rate

	Mar-22	Dec-22	Mar-23	Trend
Interest Rate	0.20%	2.56%	4.65%	▲

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 taking action to bolster the economy; mirroring the actions taken during the Great Recession. In March 2022, the FOMC began raising the rate in an effort to deter inflation and its impact on the economy.

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.

**Gray 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.

**Market Rent/Sq. Ft** – The amount paid for rent for a property divided by the total square footage of the property.

**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)