



Photo Credit: Mark Dennis

### Overall Analysis

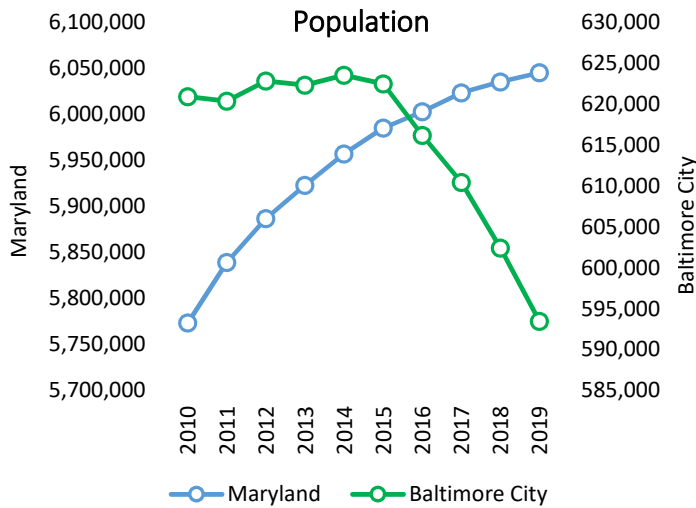
The COVID-19 emergency continued into the third quarter of 2020 and kept the economic landscape highly uncertain. The social and economic restrictions initially set in March 2020 remain in place at various levels of implementation, and continue affecting both the short and long-term economic recovery. After an initial slowdown in the number of cases, infections picked up during the summer requiring Federal and State health authorities to provide revised guidance on the restrictions. This revision drove much of the economic change throughout the third quarter.

The impact to the economy continues to be broad. During the third quarter, National Gross Domestic Product (GDP) and consumer confidence remain down from the previous year. Economic activity and employment in sectors specifically related to tourism, hospitality, and retail continue to be hardest hit. In general, retail sales activity explained by the level of the State's Sales tax revenue saw declines due to the closure and restricted operation of retail and restaurants; however, statewide sales experienced significant growth due to online sales and a shift from services to goods. Similarly, the City's commercial real estate market saw declines in retail and office occupancy rates. However, the one activity that appears to remain unaffected by COVID-19 is regional home sales. Prices in the City continued to increase and sales remained strong with residential 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.

# Baltimore City Quick Stats

Third Quarter | 2020



While the population in the State has experienced steady growth since 2010, Baltimore City's population has been reduced by 27,471 individuals during this time period. As of July 2019, it is estimated that there are 593,490 residents in the City.

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%

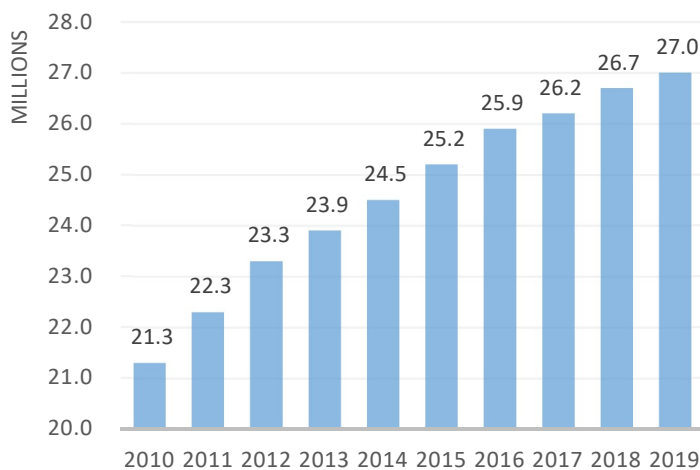
**Below Poverty Level**  
21.8%

**Households**  
238,436

(Source: US Census Bureau V2019)

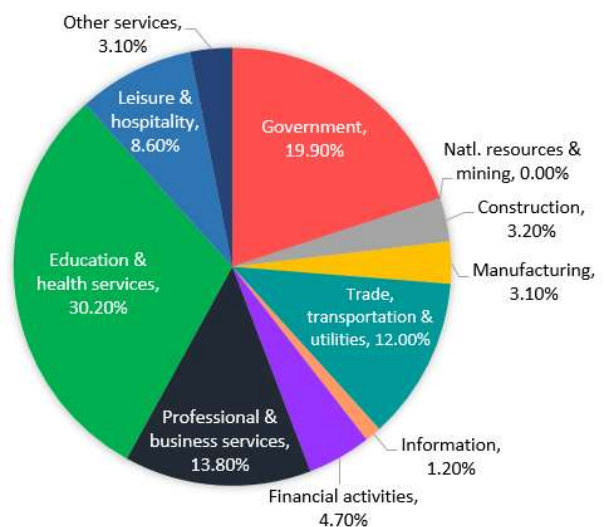
## Tourism

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 mid 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

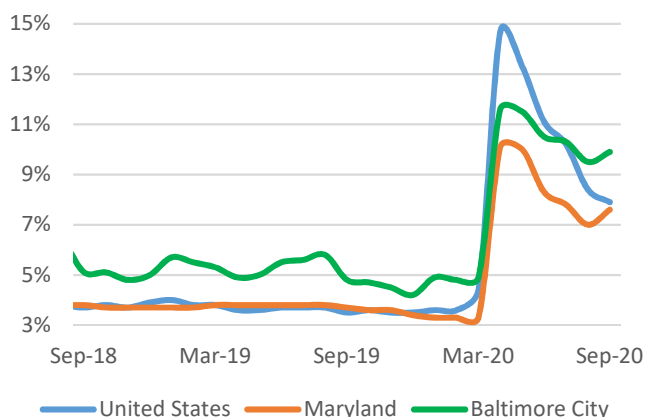
Third Quarter | 2020

## Unemployment Rate

	Sep-19	Mar-20	Sep-20	Trend
Baltimore City	4.8%	4.9%	9.9%	▲
Maryland	3.7%	3.3%	7.6%	▲
United States	3.5%	4.4%	7.9%	▲

The increased number of COVID-19 cases and hospitalizations during the summer led to revised restrictions at the state and local levels, affecting the labor market on a broad scale. Even though the unemployment rate remains at historical highs, the job market showed signs of improvement during the third quarter. After peaking in April 2020 at 14.7% the national unemployment rate declined to 7.9% in September. State and local rates experienced continuous months of decline after April's peaks of 10.1% and 11.6% respectively, but slightly rose again in September to 7.6% and 9.9% respectively.

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

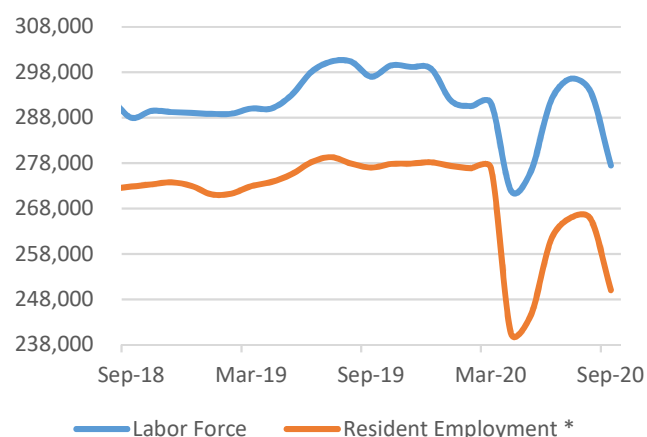


## City Labor Force & Employment

	Sep-19	Mar-20	Sep-20	Trend
Labor Force	297,038	291,181	277,469	▼
Resident Employment	277,012	276,898	250,011	▼

As of September 2020, resident employment experienced a 9.7% year-over-year decline while the labor force declined 6.6%. These figures reflect the labor market disruptions as a result of the emergency response and resulting restrictions to confront the COVID-19 pandemic. While both the labor force and employment were rebounding into the third quarter of 2020, additional restrictions to control the increase in COVID-19 cases reversed this trend in September. The City averaged 261K employed residents during the third quarter of 2020, a decline of 6.3% from the previous year's average of 278k.

Source: Bureau of Labor Statistics

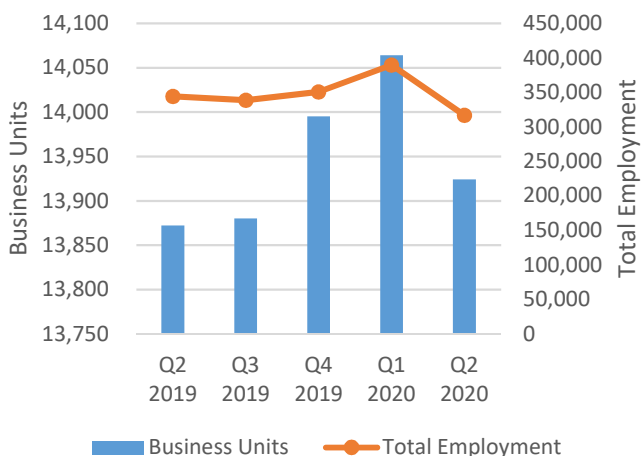


## City Business Establishments and Employment

	Q2 2019	Q4 2019	Q2 2020	Trend
# of Business Units	13,872	13,995	13,924	▼
Total Employment	344,160	350,575	316,719	▼

In the second quarter of 2020, the number of business establishments in Baltimore City declined 1.0%, while total employment fell 18.7% on a quarter over quarter basis. All service related industries were negatively affected experiencing a decline of 9.5%, but subsectors such as leisure & hospitality and other services including retail and restaurants were disproportionately more affected by COVID-19 restrictions, falling 49.2% and 21.8% respectively.

Source: Quarterly Census of Employment and Wage





# Residential Real Estate

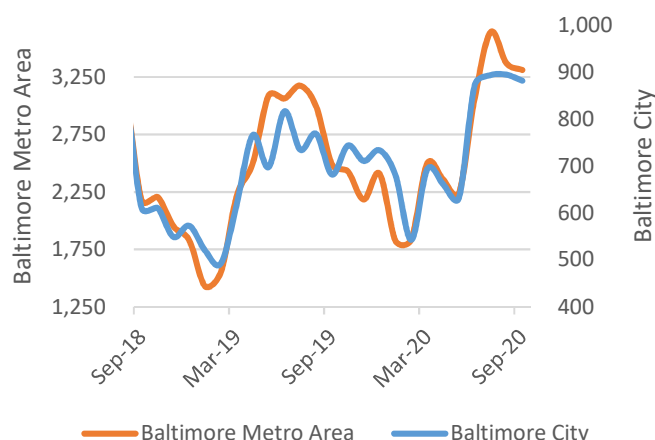
Third Quarter | 2020

## Total Units Sold

	Q3 2019	Q1 2020	Q3 2020	Trend
Baltimore Metro*	8,661	6,161	10,325	▲
Baltimore City	2,186	1,917	2,671	▲

Year-over-year, residential real estate activity in both the City and Metro area grew during the third quarter, increasing 22.2% and 19.2% respectively. The strong growth is a reflection of the very active market that first ramped up in June and continues to remain robust at the end of the third quarter. This market strength is a product of historically low interest rates, high demand from buyers already in the market, new buyers looking for more space, and most importantly, the continued low real estate inventory supply, down 51% and 40% from last year in the Metro and City areas, respectively.

Source: SmartCharts BrightMLS, \*Excludes Baltimore City

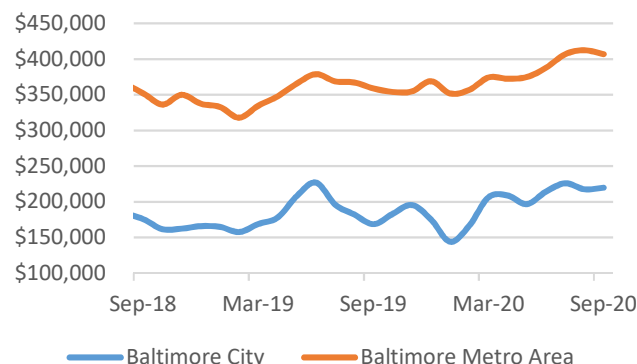


## Average Home (Sales) Price

	Q3 2019	Q1 2020	Q3 2020	Trend
Baltimore Metro*	\$364,930	\$360,941	\$408,613	▲
Baltimore City	\$182,286	\$172,377	\$221,045	▲

Average home sales prices in both the Metro Area and City increased by 12.9% and 21.3% respectively on a year-over-year basis – a response to high buyer demand that outpaces available supply. Home sale units and prices are at 10-year highs, and these increased prices are indicative of continued optimism in the local real estate market. Additionally, historically low interest rates continue to bolster real estate activity with no indications that the Federal Reserve will raise them in the near term.

Source: SmartCharts BrightMLS, \*Excludes Baltimore City

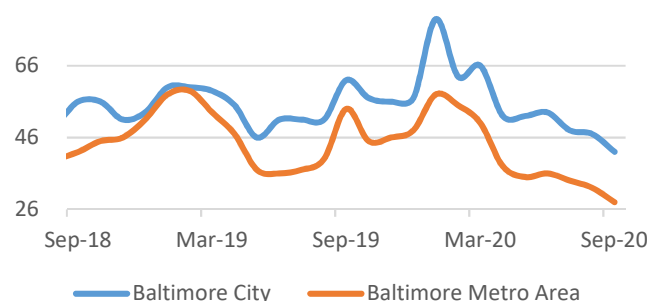


## Average Days on Market

	Q3 2019	Q1 2020	Q3 2020	Trend
Baltimore Metro*	44	54	31	▼
Baltimore City	55	69	46	▼

Competition has not only increased average prices, but also reduced the average days on the market to historical lows. On a year over year basis, the Metro region's average declined 13 days to 31 days, while the City saw a decline of 9 days to 46 days at the end of the third quarter. The same factors driving the number of units sold and raising sale prices are impacting the average days on the market – high demand, low supply and historically low interest rates.

Source: SmartCharts BrightMLS, \*Excludes Baltimore City

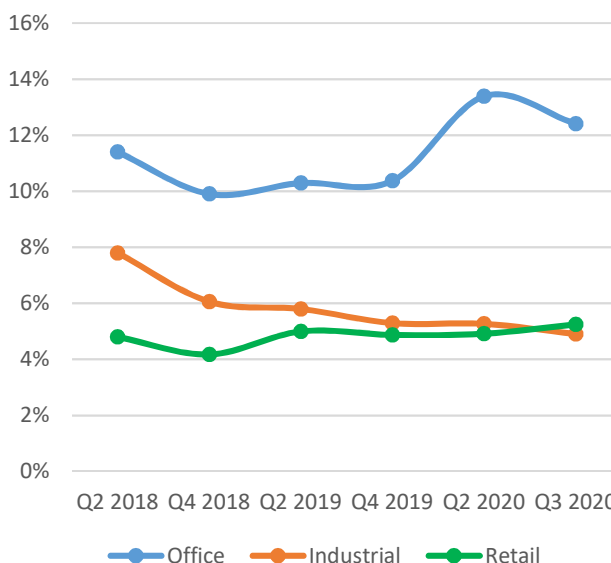


While the Baltimore City commercial real estate market has displayed strong demand and continued strength, there are signs suggesting that the market is starting to cool down with dips in retail occupancy and spending – both of which continue to be impacted by the COVID-19 emergency. Given the known projects in development and planning, investment levels are expected to rise slightly closer to \$472 million in 2020 and fall closer to \$210 million in 2021. Projects 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), and the third phase of Canton Crossing called Collective at Canton set on a 12-acre land area and is to include 7 buildings comprised of mixed-use housing, retail and restaurants. Other noteworthy development includes a mixed-use renovation of the Super Block downtown by The Compass group, Old Town Mall redevelopment and conversion of former retail and restaurant establishments into apartment hubs with street-level retail in historic Fells Point. T. Rowe Price Group Inc. announced that they plan to move their headquarters out of the downtown business district and to Harbor Point in 2024.

### Baltimore City Vacancy Rates

	Q3 2019	Q1 2020	Q3 2020	Trend
Office (Downtown*)	10.1%	10.4%	12.4%	▲
Industrial	5.4%	5.0%	4.9%	▼
Retail (Downtown*)	4.6%	4.7%	5.2%	▲

Vacancy rates decreased for industrial space, but increased for retail and office properties. The low vacancy rate for industrial space continues to indicate strong demand within the City for this sector; however, the office and retail markets' volatility are indicative of the uncertainty of the current economic environment, especially in the downtown area. The vacancy rate for office space grew year over year in the third quarter of 2020 as many companies continue to telework, but was down slightly from the prior quarters high of 13.4%. This is still the largest quarterly increase in the office vacancy rate experienced by the City in the last five calendar years, and the underlying drivers, including COVID-19 and exodus from the Downtown Business District, may trigger changes in the commercial real estate market in the future.

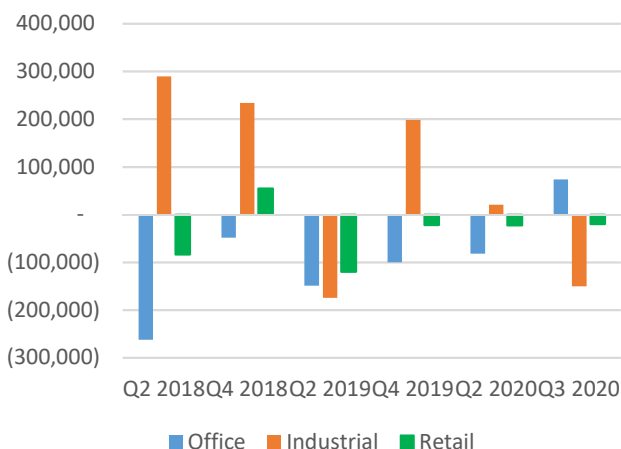


Source: CoStar, \*Downtown Business District

### Real Estate Market Net Absorption

	Q3 2019	Q1 2020	Q3 2020	Trend
Office (Downtown*)	48,192	(40,716)	73,299	▲
Industrial	198,023	152,999	(150,432)	▼
Retail (Downtown*)	21,001	(6,012)	(19,773)	▼

Demand for retail and industrial space declined during the third quarter of 2020, while office properties had positive net absorption. The retail sector continues facing challenges amidst the current economic climate that is driving lower net absorption. Recovery factors for retail will depend on future consumer preferences, the economic recovery and the residual impact of COVID-19 on the retail sector. While office properties had positive net absorption this quarter, uncertainty is abundant for the future as workers continue teleworking and companies reevaluate their physical locations.



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)

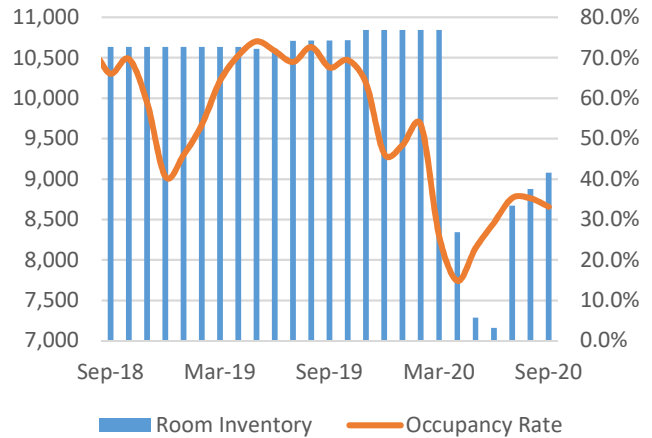
	Sep-19	Mar-20	Sep-20	Trend
Room Inventory	10,710	10,841	9,077	▼
Occupancy Rate	67.6%	25.9%	33.2%	▼
ADR	\$171.91	\$124.82	\$106.46	▼

The spread of COVID-19 in March 2020 and the implementation of travel, social and economic restrictions heavily affected the tourism and hotel industries, impact that has extended into the third quarter of 2020. Low occupancy rates and ADR are often correlated and this holds true in the most recent data. While both metrics improved over the second quarter, they are still down from last year. Occupancy rates in the City declined 50.4%, from an average of 69.7% last year to 34.6% this year. ADR declined 32.5%, from an average of \$154.0 last year to \$103.9 this year. Seven hotels that were temporarily closed reopened during the quarter while two hotels remain converted to COVID-19 patient recovery centers. The Convention Center has been used as a field hospital and COVID-19 testing site since March 2020, and it is expected to continue operating in this capacity until April 1, 2021.

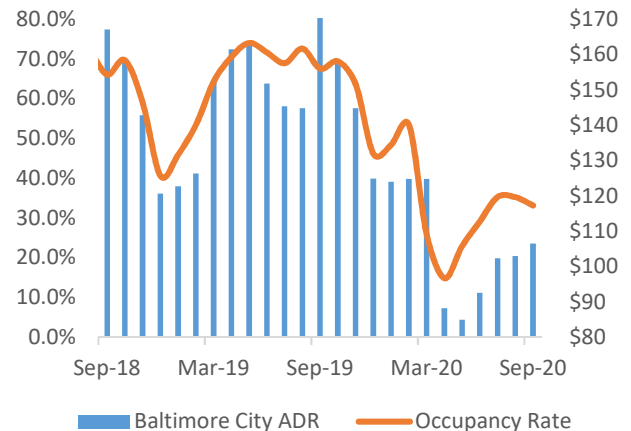
Following health guidelines and governmental regulations conventions, meetings, sporting and other events continue to be cancelled, postponed or are being held with restricted attendance policies since the onset of COVID-19, further eroding both occupancy rates and ADR.

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.

#### Hotel Room Inventory & Occupancy Rate



#### Average Daily Room Rate



Source: Smith Travel Accommodations Report (STR)

# Sales Tax

Third Quarter | 2020

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 third quarter of 2020 spending activity in the State as a whole decreased year-over-year and from the prior quarter. Changes to consumer behavior due to COVID-19 are observable in the data. Generally, there is about a one- or two-month delay between Sales Tax activity and reporting on revenue.

## Sales Tax Revenue (Millions)

	Q3 2019	Q1 2020	Q3 2020	Trend
Maryland*	\$1,116.5	\$1,166.9	\$1,474.1	▲
Baltimore City	\$90.1	\$82.5	\$88.2	▼
City:State Ratio	6.9%	6.6%	5.6%	▼

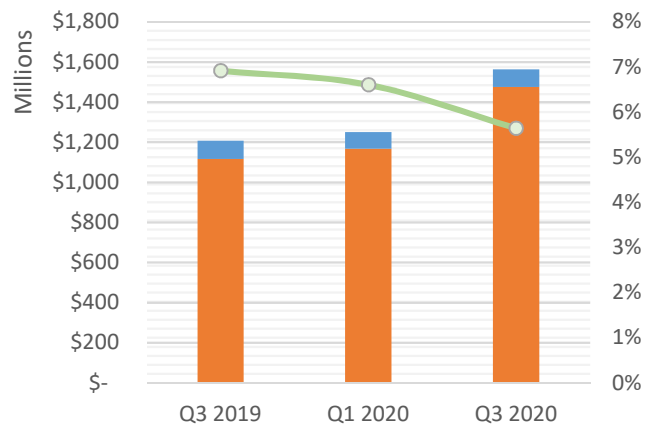
Sales Tax revenue generated in the City during the third quarter was down 2.3% while the State (less City) was up 24.3% from the prior year. This comparison is misleading because the third quarter includes July, a month that is artificially inflated due to a sales tax filing extension that allowed businesses to file returns through July 15<sup>th</sup> of 2020, thereby capturing activity from prior months. Excluding July, activity was down 19% in the City and up 1% in the State (less City). Overall, there was a 1.3% decrease in the City:State Ratio from the prior year, as activity shifted from Baltimore City to other parts of the State and online.

All groups except “General Merchandise” experienced year-over-year declines in the third quarter (excluding July) as the COVID-19 pandemic and the efforts put in place to curb it have resulted in changes to consumer-spending habits. The largest declines for the State, including the City, came from Utilities & Transportation (-36.7%), Food & Beverage (-10.0%), Automotive (-8.4%) and Apparel (-2.3%).

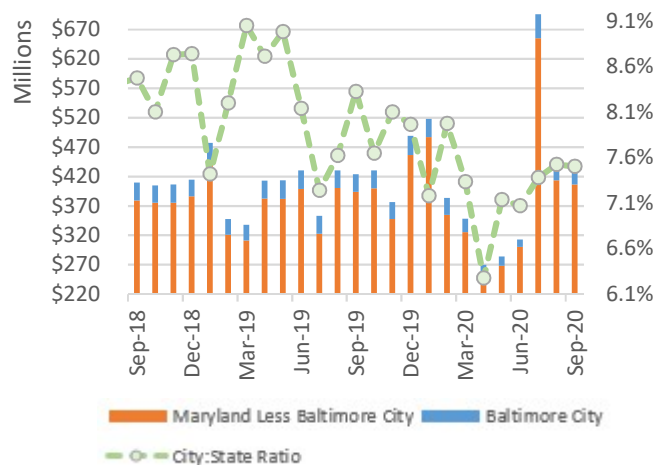
The closures or limited operations of restaurants, retail establishments and entertainment venues led to less consumer spending as evidenced by these declines, and promoted a shift to online spending. The exception is on activities from essential businesses such as supermarkets and wholesale grocery that continue to operate without disruptions. The changes in spending habits during the pandemic may lead to long-term changes in consumer spending behaviors, 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

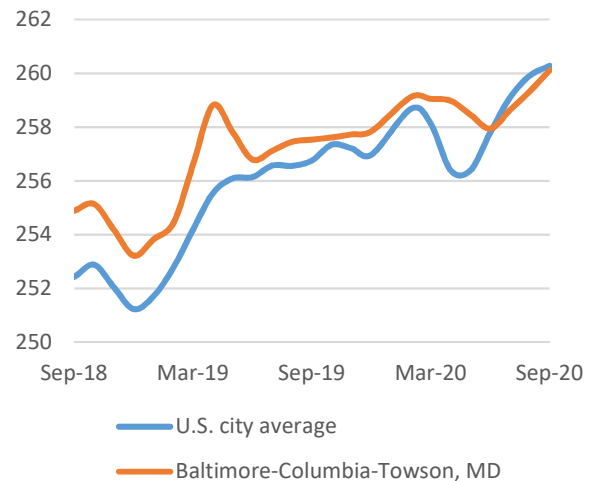
Third Quarter | 2020

### Consumer Price Index (CPI)

	Sep-19	Mar-20	Sep-20	Trend
United States	256.8	258.1	260.3	▲
Baltimore-Columbia-Towson*	257.5	259.0	259.3	▲

The CPI for urban consumers in the United States and the Baltimore-Columbia-Towson Region showed year-over-year growth, increasing 1.4% and 1.0%, respectively. Since September 2018, the national index has increased 3.1% while the regional index has increased 2.0%. The cost of living for urban consumers, both nationally and regionally, continues to increase at a manageable pace and is up from the second quarter, which experienced volatility because of the onset of COVID-19. It is still uncertain how record-low interest rates and measures in place to protect against COVID-19 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

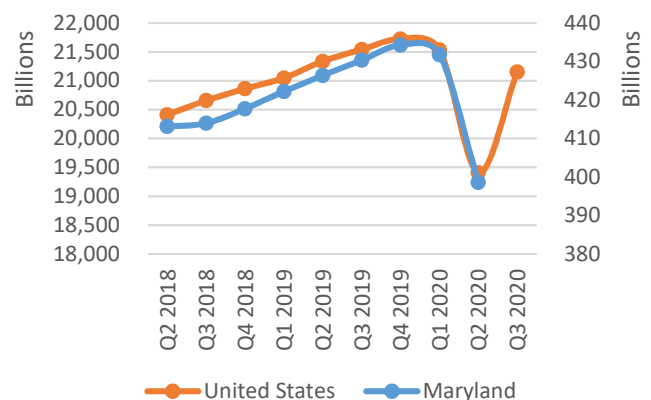


### Gross Domestic Product (GDP)

	Q3 2018	Q3 2019	Q3 2020	Trend
United States	\$20,660	\$21,543	\$21,158	▼
Maryland	\$414.0	\$430.4	N/A	▼

National GDP is down 1.8% year-over-year, but up 9.0% from the prior quarter. This is indicative of both the impact of COVID-19 on the economy, and the economic recovery that took place throughout the third quarter. National GDP was experiencing the longest growth phase in history before COVID-19, and short and long-term effects on the economy continue to remain unclear. State GDP data is not yet available for the third quarter, but it historically trends similar to the national index and is not expected to depart from this trend in the short-term.

Source: Bureau of Economic Analysis

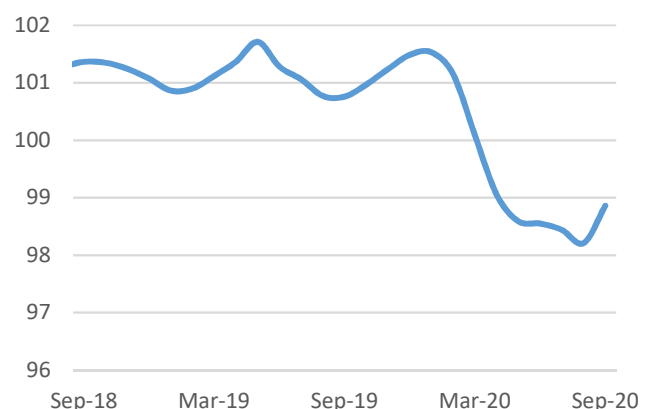


### Consumer Confidence

	Sep-19	Mar-20	Sep-20	Trend
United States	100.8	100.1	99.3	▼

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 - a consequence of COVID-19. The data indicates a steady decrease since last year, further exacerbated by the sudden onset of COVID-19. While COVID-19 is the most influential factor in the current volatility and decline in Consumer Confidence, other factors like the current global and national political climate, may be contributing as well.

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



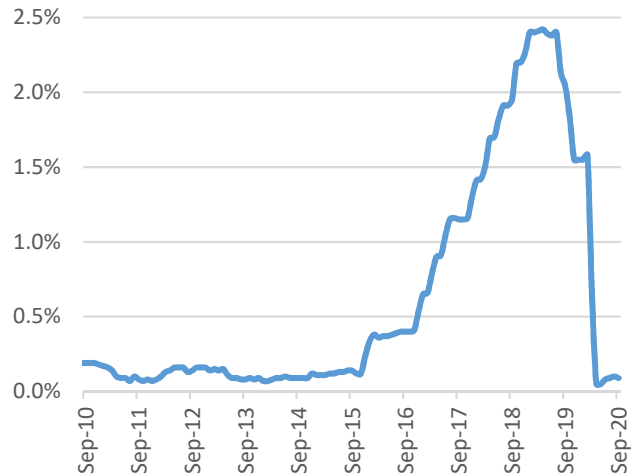


## Federal Funds Rate

	Sep-19	Mar-20	Sep-20	Trend
Interest Rate	2.04%	0.65%	0.09%	▼

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 the 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 are a result of the COVID-19 pandemic and FOMC taking actions to bolster the economy, mirroring the actions taken during the Great Recession. The rate is continuing to be maintained at the lower levels.

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)