



Photo Credit: Mark Dennis

Overall Analysis

At the end of the first quarter of 2018, Baltimore City's economy remains in a period of sustained economic growth.

City unemployment rates have increased by less than one percentage point since December, with the main factor for this increase being an overall growth in the labor force.

The residential real estate market continues to grow as more units are being sold at a faster rate than the same period in 2017. As for commercial real estate, vacancy rates continue their decline with positive absorption in each sector of the market. After the fourth quarter of 2017, where the hotel industry's activity was down, there are signals that the market maybe be poised for a rebound. However, year-over-year data shows that occupancy and revenues are down from the prior year. Sales tax revenue, an indicator of total consumer spending, has increased both in the City and entire State.

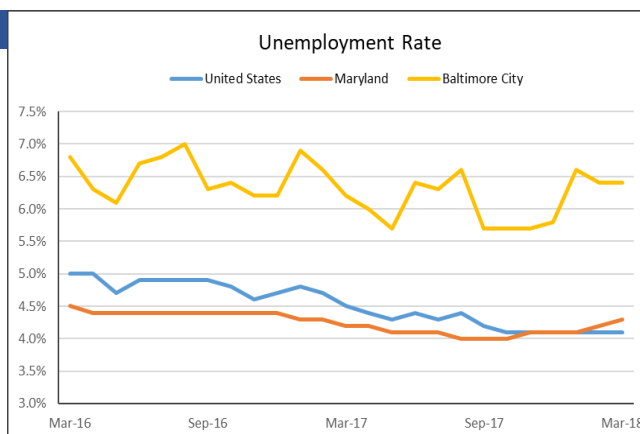
Despite these signs of positive economic growth, the local economy maintains a level of moderate growth with some indications that growth may begin to slow down in the coming months. The City's economy is indirectly tied to the State's economic growth, federal government spending, and the ability to translate the increase in persons seeking employment to persons working.

Unemployment Rate

	Mar-17	Dec-17	Mar-18	Trend
United States	4.5%	4.1%	4.1%	▲
Maryland	4.2%	4.1%	4.3%	■
Baltimore City	6.2%	5.8%	6.4%	■

National unemployment rates have decreased compared to last year and has remained at 4.1% for the past six months. State and local unemployment rates are both up compared to December 2017 and prior-year rates, signaling further tightening of the labor market. In the long run, this may put pressure on wages and inflation.

Source: Bureau of Labor Statistics

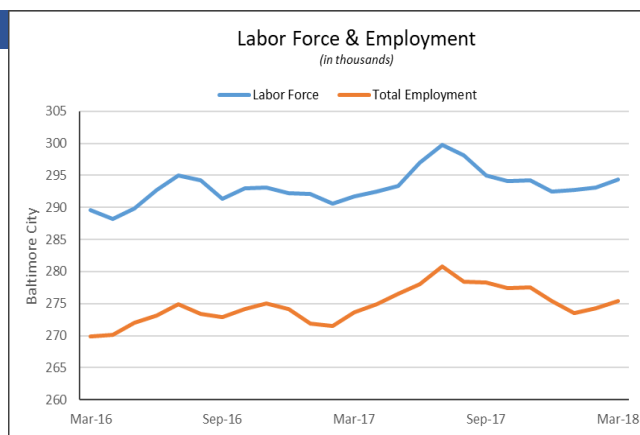


City Labor Force & Employment

	Mar-17	Dec-17	Mar-18	Trend
Labor Force	291,737	292,410	294,323	▲
Resident Employment	273,588	275,415	275,410	■

In Baltimore City, both Labor Force and Employment figures are up on a year-over-year basis. Between December and March, almost 2,000 more City residents were actively looking for jobs; however, total employment stayed almost the same. Since March 2017, the labor force and employment have increased by less than a percentage point each.

Source: Bureau of Labor Statistics

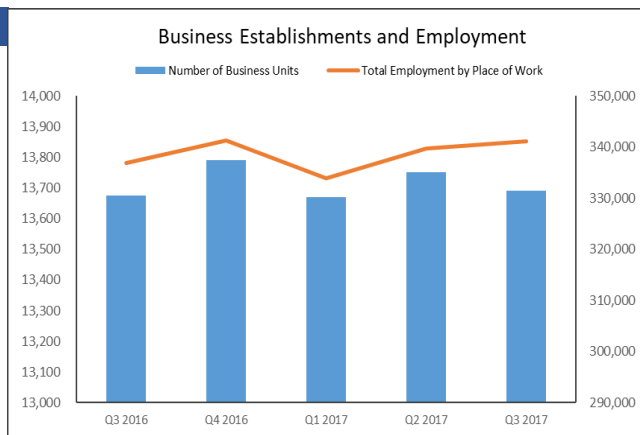


City Business Establishments and Employment

	Q3 2016	Q2 2017	Q3 2017	Trend
# of Business Units	13,674	13,752	13,690	■
Total Employment	336,920	339,768	341,166	▲

In the third quarter of 2017, the number of business establishments in Baltimore City decreased slightly from the previous quarter, but increased from the same time a year prior. This year-over-year change is a positive indicator of overall economic growth. From the third quarter of 2016 to the third quarter of 2017, there was a slight increase in the number of both construction and manufacturing establishments. Additionally, total employment in the third quarter of 2017 is above both the previous quarter and the third quarter in 2016. Overall, these indicators point to stronger economic growth and those businesses within the City continue to expand in both their number and their employment.

Source: Quarterly Census of Employment and Wages



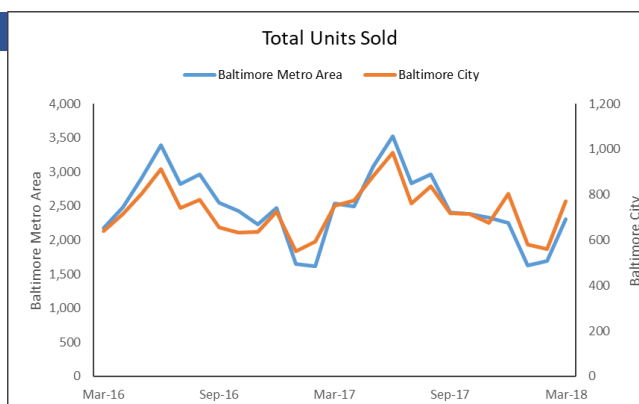
Total Units Sold

	Q1 2017	Q4 2017	Q1 2018	Trend
Baltimore Metro Area*	5,797	6,965	5,634	■
Baltimore City	1,898	2,197	1,910	▲

On a year-over-year basis, the City's residential housing market continues to improve despite declining sales in the surrounding metro areas. Year-over-year, home sales in the metro region are down 2.8%, but sales in the City have increased 0.6%. The lack of extreme fluctuation may be an indicator of a steady demand within the City.

*Does not include Baltimore City

Source: Metropolitan Regional Information Systems, Inc. (MRIS)



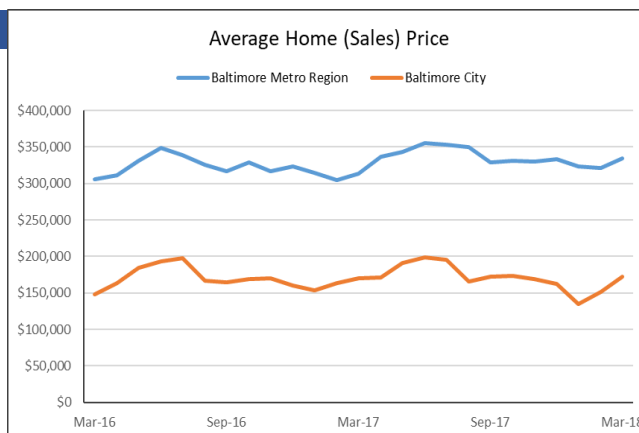
Average Home (Sales) Price

	Q1 2017	Q4 2017	Q1 2018	Trend
Baltimore Metro Area*	\$311,371	\$331,444	\$327,263	▲
Baltimore City	\$163,568	\$167,956	\$154,989	■

Average sales prices in the greater Baltimore Metro have increased 5.1% compared to Q1 2017, but down 1.3% compared to the most recent quarter. The average sales price for Baltimore City homes decreased more dramatically in the most recent quarter and are down 7.7% compared to Q4 2017.

*Does not include Baltimore City

Source: Metropolitan Regional Information Systems, Inc. (MRIS)



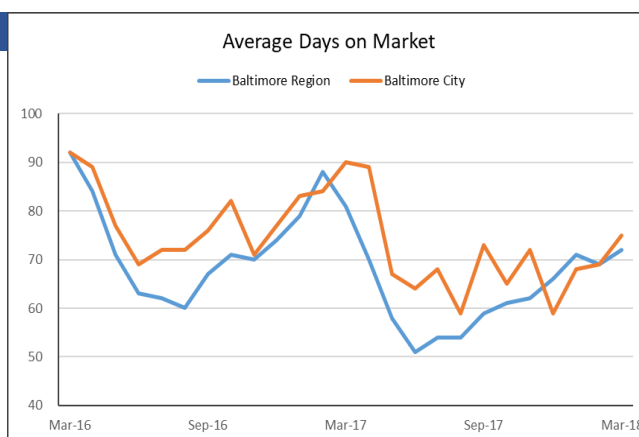
Average Days on Market

	Mar-17	Dec-17	Mar-18	Trend
Baltimore Region*	81	66	72	▲
Baltimore City	90	59	75	▲

Average Days on Market represents the average length of time it takes for a property to get sold once listed. A lower average indicates a stronger housing market. Compared to March 2017, both the Region and the City saw a reduction in the Average Days on Market. In Baltimore City particularly, Average Days on Market in March 2018 is down 17% compared to prior year housing activity.

*Includes Baltimore City

Source: Metropolitan Regional Information Systems, Inc. (MRIS)



Commercial Real Estate Outlook

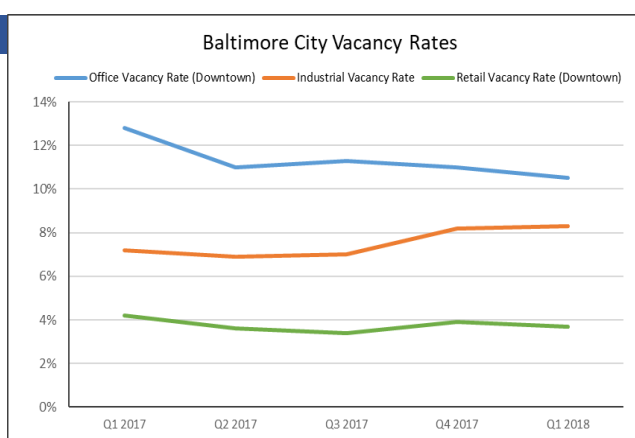
The Baltimore City commercial real estate market continues to show strong signals of continued demand. There are multiple projects underway with buildings being preleased, significant leases signed, and buildings being sold. The low and relatively stable vacancy rates and positive absorption figures continue to indicate a demand for space with little new supply becoming available. Multiple key office properties, such as 1 East Pratt Street, 500 East Pratt Street, 700 East Pratt Street, and 120 East Baltimore Street have all been sold within the last year. Multiple other office projects across the City are currently under construction. Already in 2018, multiple retail space leases have been signed for 200 East Pratt Street, 318-326 West Baltimore Street, 236 South High Street (lease renewal), and 223 North Howard Street.

Baltimore City Vacancy Rates

	Q1 2017	Q4 2017	Q1 2018	Trend
Office (Downtown)	12.8%	11.0%	10.5%	▲
Industrial	7.2%	8.2%	8.3%	■
Retail (Downtown)	4.2%	3.9%	3.7%	▲

Baltimore City's commercial real estate market continues to show demand for available space. Vacancy rates for both office and retail space continue to decline from both the previous quarter and the same quarter a year prior. While the vacancy rate for industrial space has increased slightly, there have been several new industrial properties added to the available inventory over the past year. Most recently, Chesapeake Real Estate Group opened up a property on 5350 Holabird Avenue. There is continued demand for space across the City including strong demand for space in the Downtown area, with multiple projects in progress and planned within the Central Business District. Until new projects and space are available, there may be continued upwards pressure on rental rates to lease space.

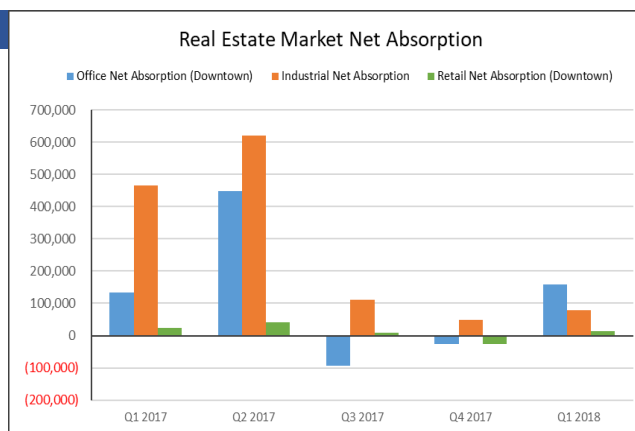
Source: CoStar



Real Estate Market Net Absorption

The first quarter of 2018 started with strong amounts of positive absorption across all real estate segments in Baltimore. In the first quarter of 2018, a total of 158,311 square feet of office space, 14,511 square feet of retail space in the Downtown, and a total of 78,962 square feet of industrial space in Baltimore City was leased.

Source: CoStar



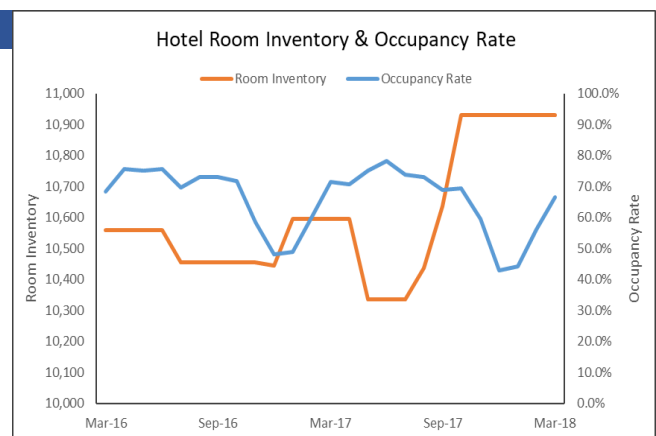
The Smith Travel Accommodations Report tracks data on a variety of indicators for the Hotel Industry in the City. Data collected by Smith Travel does not include information for every hotel in Baltimore City; however, data is reported for approximately 95% of the City's hotels. For the first quarter of 2018, activity is down compared to the first quarter of 2017; however, the occupancy and Average Daily Room rates are up from the fourth quarter of 2017. December 2017 occupancy rates were down more than 10% compared to December 2016; this was partially due to the Army/Navy college football game not happening in the City again.

Hotel Room Inventory & Occupancy Rate

	Mar-17	Dec-17	Mar-18	Trend
Room Inventory	10,594	10,929	10,929	■
Occupancy Rate	71.5%	42.9%	66.4%	■

Total room inventory has remained consistent for the past six months, indicating that during this period, no additional hotels have opened in the City. Occupancy fluctuates significantly based on the City's tourism seasons. In March 2017, the 71.5% occupancy rate on 10,594 rooms calculates to approximately 7,575 rooms being booked on average. In March 2018, 66.4% of the 10,929 available rooms only calculates to 7,257 rooms booked, signaling a net reduction of 220 rooms booked.

Source: Smith Travel Accommodations Report (STAR)

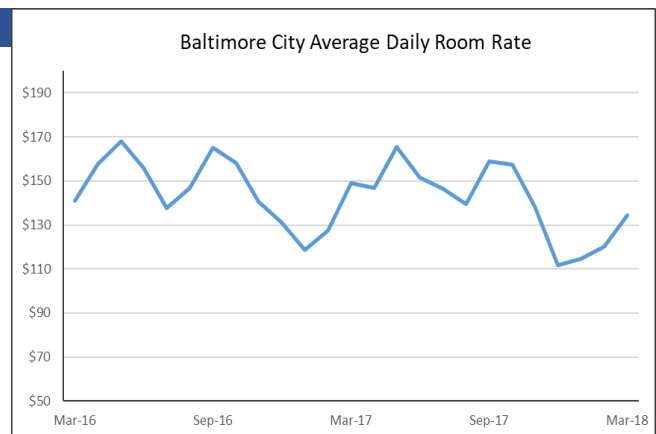


Average Daily Room Rate (ADR)

	Mar-17	Dec-17	Mar-18	Trend
Baltimore City	\$148.92	\$111.81	\$134.51	■

Average Daily Rate (ADR) is influenced by seasonality because hotels will decrease prices in an effort to increase occupancy in the off-season months; however, drastic changes can also point to an imbalance between hotel room availability and the demand for those rooms. Conventions and events in the City both impact the ADR as well. The year-over-year decrease in ADR reflects hotels charging less to try and cope with greater room inventory and declining demand.

Source: Smith Travel Accommodations Report (STAR)



Sales Tax

First Quarter | 2018

Sales Tax Revenue (State collected)

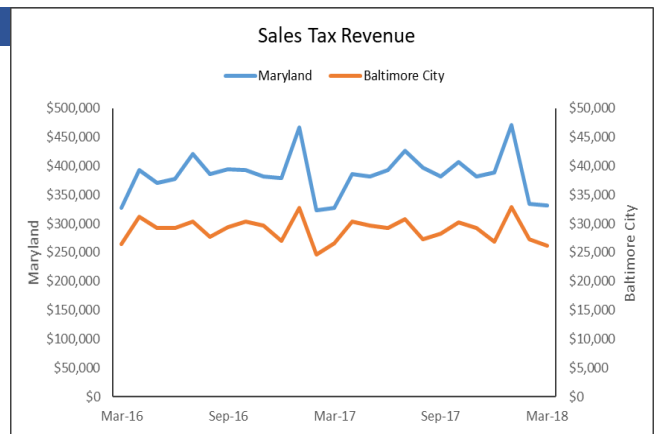
Although Baltimore City does not collect this revenue, Sales Tax activity can serve as an indicator of overall economic activity. In the first quarter of 2018, total State Sales Tax generated by Baltimore City increased on a year-over-year basis and was consistent with prior quarter activity. There is seasonality to this indicator, as some months (i.e. holidays, summer months) see more sales activity than others. Generally, there is about a 1-2 month delay between activity and Sales Tax revenue being reported.

Sales Tax Revenue (in millions)

	Q1 2017	Q4 2017	Q1 2018	Trend
Maryland	\$1,117.5	\$1,177.5	\$1,137.4	■
Baltimore City	\$83.9	\$86.4	\$86.4	▲
Ratio - City:State	7.5%	7.3%	7.6%	▲

Quarterly Sales Tax revenue in the City has been consistent for each of the past three quarters; total sales tax revenue generated in the City has been within a million dollars of the prior quarter. Although this indicates that spending in the City has not significantly grown during the last six months, year-over-year revenues reflect growth of 2.9%.

Source: Maryland State Comptroller's Office

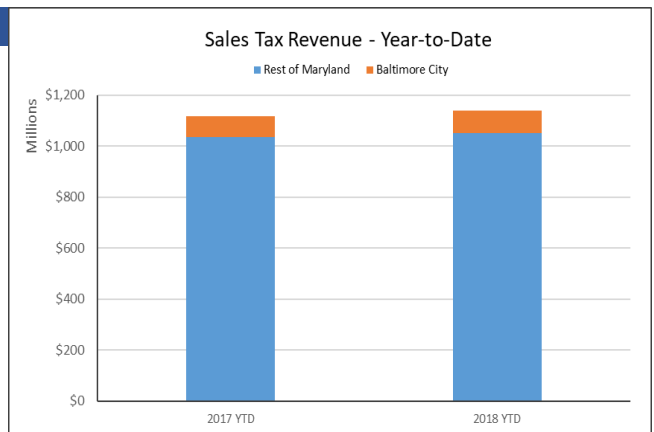


Sales Tax Revenue – Year-to-Date (in millions)

	2017 YTD	2018 YTD	Trend
Maryland	\$1,117.5	\$1,137.4	■
Baltimore City	\$83.9	\$86.4	▲
Ratio - City:State	7.5%	7.6%	▲

In comparison with the rest of the State, the City is generating a larger portion of total revenue than other jurisdictions compared to Q1 2017. Total State Sales tax revenue increased 1.8% compared to the first quarter of 2017, indicating that there are jurisdictions in the State with stagnant economic activity compared to 2017, while the City's economic activity is still strong.

Source: Maryland State Comptroller's Office



National Indicators

First Quarter | 2018

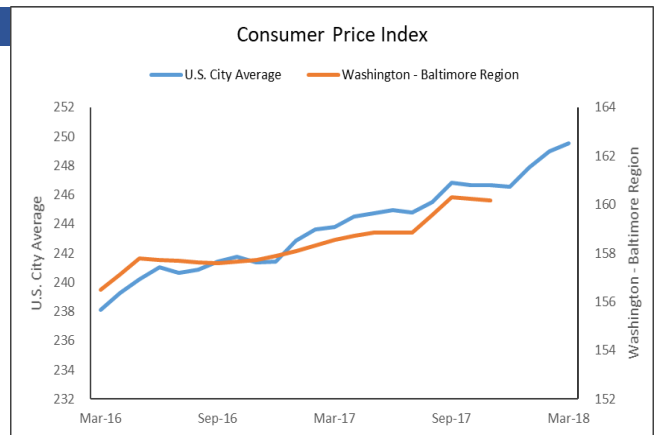
Consumer Price Index (CPI)

	Mar-17	Dec-17	Mar-18	Trend
United States	243.80	246.52	249.55	▲
Baltimore/DC Region	158.56	160.16*	n/a	▲

After several months of steady increases, the Consumer Price Index for the United States leveled off during the fourth quarter of 2017. The CPI for the United States increased 1.2% in the first quarter of 2018, which is half of the year-over-year growth of 2.4%. As of May 2018, March figures have not been updated for the Washington-Baltimore Region.

*Regional data released bi-monthly. Value shown was released in November 2017.

Source: Bureau of Labor Statistics

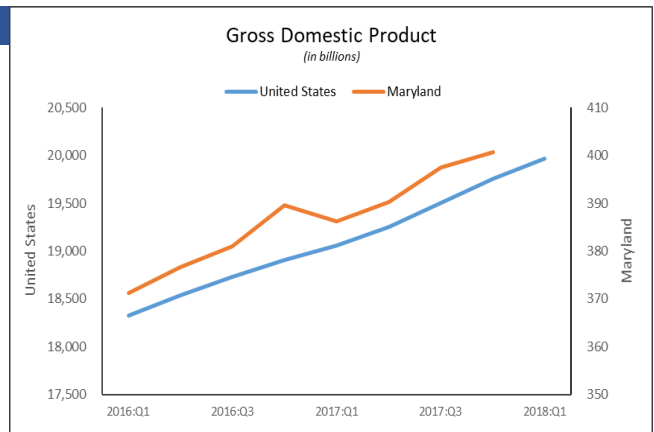


Gross Domestic Product (GDP)

	Q1 2017	Q4 2017	Q1 2018	Trend
United States	19,057.7	19,754.1	19,965.3	▲
Maryland	386.2	400.6	n/a	■

The U.S. GDP increased by 1.0% in the first quarter of the year, slightly less than the 1.2% growth through Q4 2017. As of May 2018, first quarter data for the State was not available. The State's GDP generally trends similarly to the national index; therefore, it is not expected a different behavior pattern at the State level in the short-term. Between Q3 and Q4 2017, State GDP increased 0.8%, down slightly from the national level.

Source: Bureau of Economic Analysis

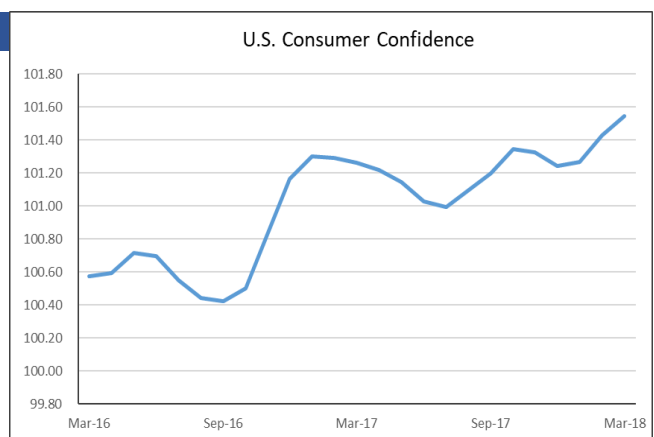


Consumer Confidence

	Mar-17	Dec-17	Mar-18	Trend
United States	101.26	101.24	101.54	▲

Consumer Confidence is often viewed as a leading indicator for the overall economy, as consumers' attitudes towards the market may indicate future trends. In 2016, Consumer Confidence increased sharply towards the end of the year. The first half of 2017 was more volatile, however Consumer Confidence has steadily climbed in the past 8 months.

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



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 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)