

New England

New York/New Jersey

Mid-Atlantic

Economic and Demographic Overview

PD&R/EMAD 03/2019



PD&R

Nonfarm Payroll Growth by HUD Region

Change 4th Quarter 2017 to 4th Quarter 2018

Rocky Mountain	2.6%
Northwest	2.5%
Southwest	2.5%
Southeast	2.1%
Pacific	2.1%
New England	1.5%
Mid-Atlantic	1.4%
New York/New Jersey	1.4%
Midwest	1.3%
Great Plains	1.3%



Source: U.S. Bureau of Labor Statistics

Nonfarm Payroll Growth by State

Change 4th Quarter 2017 to 4th Quarter 2018

<u>New England</u>	1.5%		
Connecticut	1.3%	New Hampshire	2.4%
Maine	0.8%	Rhode Island	1.3%
Massachusetts	1.8%	Vermont	-0.6%
<u>New York/New Jersey</u>	1.4%		
New Jersey	1.6%	New York	1.3%
<u>Mid-Atlantic</u>	1.4%		
Delaware	1.7%	Pennsylvania	1.4%
District of Columbia	0.1%	Virginia	1.8%
Maryland	1.5%	West Virginia	0.9%



PD&R

Source: U.S. Bureau of Labor Statistics

Population Growth by State 2017 - 2018

(U.S. Average 0.7%)

<u>New England</u>	0.3%		
Connecticut	0.0%	New Hampshire	0.5%
Maine	0.3%	Rhode Island	0.1%
Massachusetts	0.6%	Vermont	0.3%
<u>New York/New Jersey</u>	-0.1%		
New Jersey	0.2%	New York	-0.2%
<u>Mid-Atlantic</u>	0.3%		
Delaware	1.1%	Pennsylvania	0.1%
District of Columbia	1.0%	Virginia	0.6%
Maryland	0.3%	West Virginia	-0.6%



Source: U.S. Census Bureau Population Estimates (as of July 1)

PD&R/EMAD Publications 2018 – www.huduser.gov

- Quarterly Regional Narratives
 - Housing Market Profiles
 - Atlantic City
 - Baltimore
 - New York City
 - Philadelphia
 - Rhode Island
 - Richmond
 - Market-at-a-Glance
- Comprehensive Housing Market Analyses
- Allentown, PA-NJ
 - Baltimore, MD
 - District of Columbia
 - Harrisburg, PA
 - Hartford, CT
 - Manchester, NH
 - Montgomery-Frederick, MD
 - Orange-Rockland-Westchester, NY
 - Portland, ME
 - Salisbury, MD-DE
 - Springfield, MA
- Comprehensive Reports In Process:
- Albany, NY; Charlottesville, VA; Newark, NJ;
 - Prince George's-Charles-Calvert, MD; Rhode Island; Trenton, NJ



PD&R



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Rental Market Trends 2019

Eastern Lenders Association
Baltimore, MD
March 12, 2019

How's the Rental Market

It's a Good Market /

It's a Bad Market

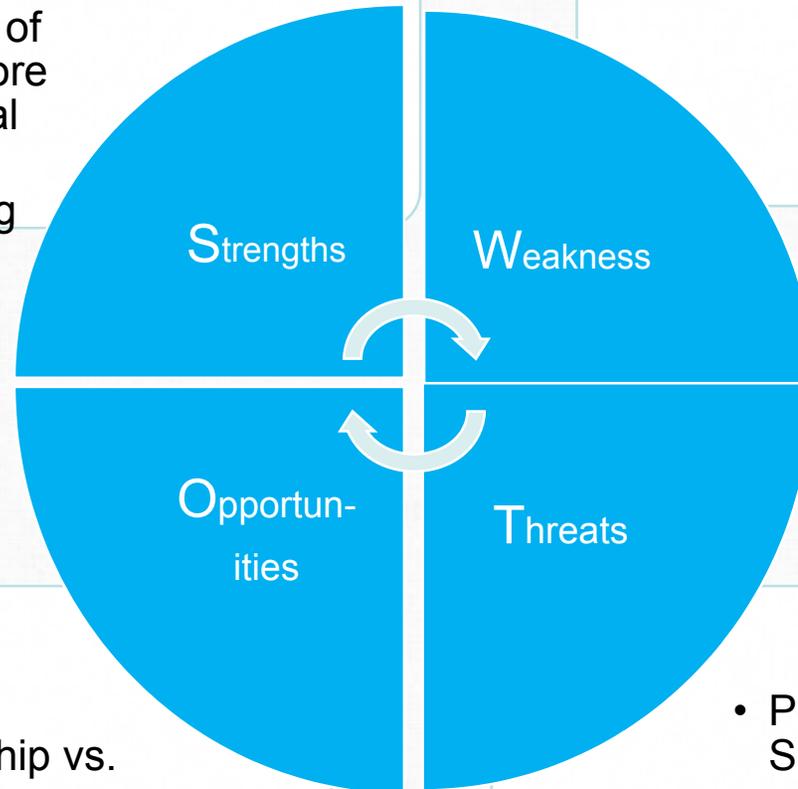
It's a Good Market /

It's a Bad Market



- Demographics; Millennials Generation still growing
- Increasing Appeal of Urban Lifestyle more affordable as rental
- Always need for Affordable Housing

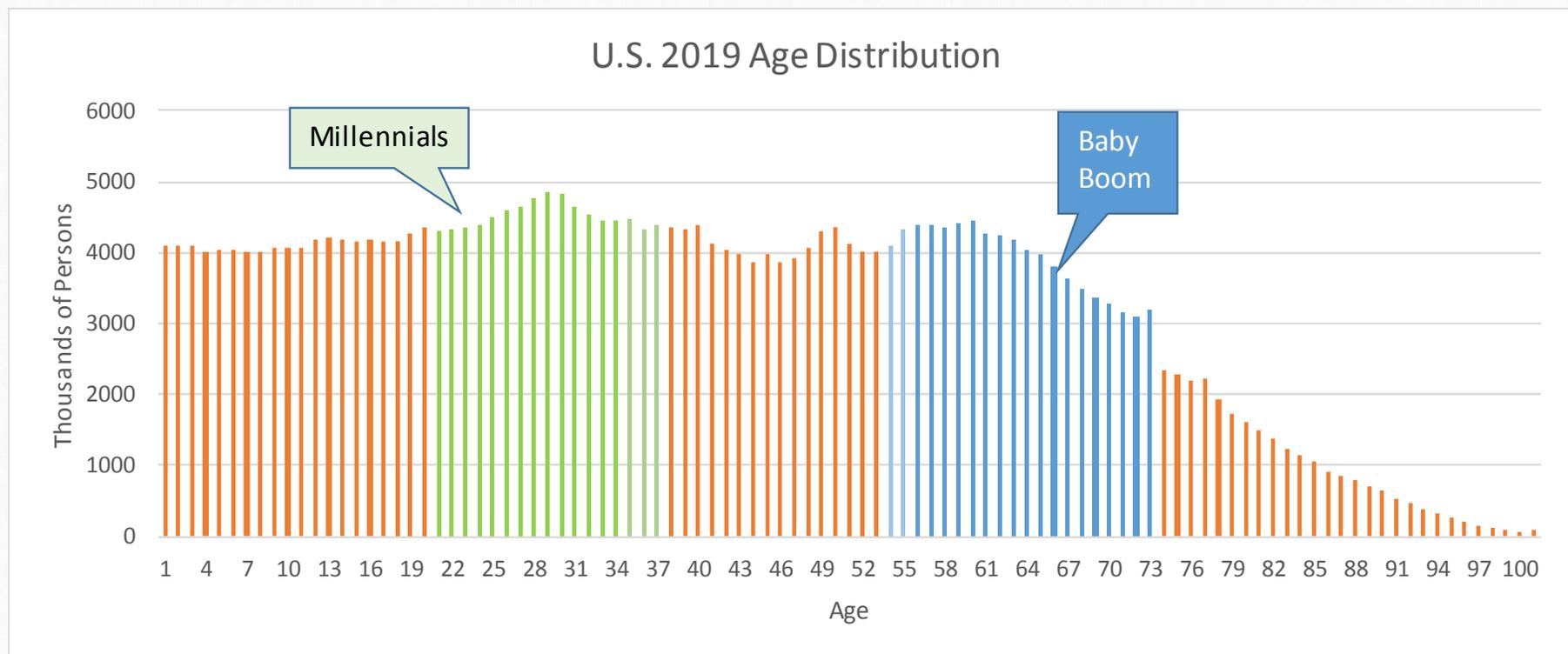
- Overbuilding
- Increased Homeownership



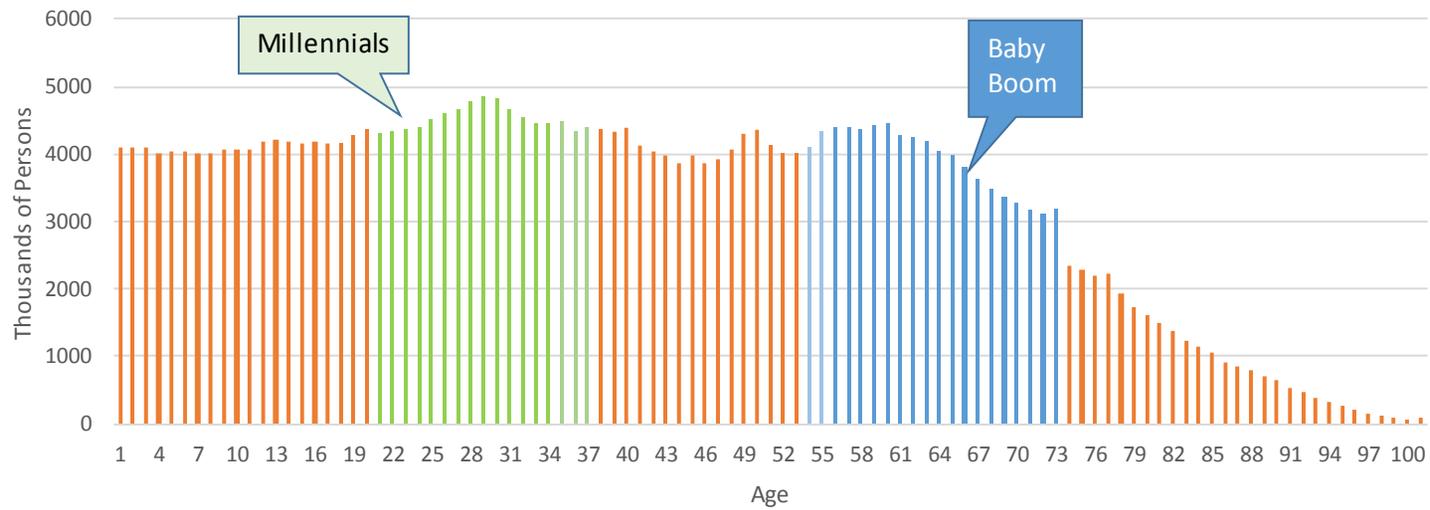
- Expense of Homeownership vs. Rental
- Persistent Student Debt

- Potential Economic Slowdown
- Rising Interest Rates
- Federal Dysfunction
- Aging of Millennials into Homeownership

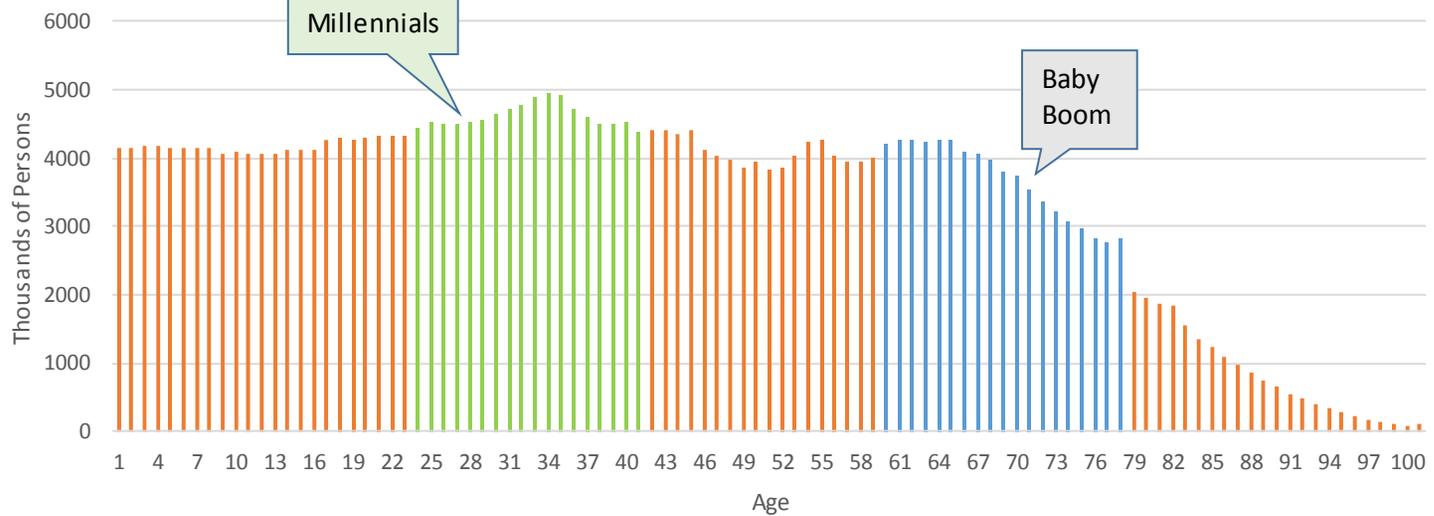
Age Distribution



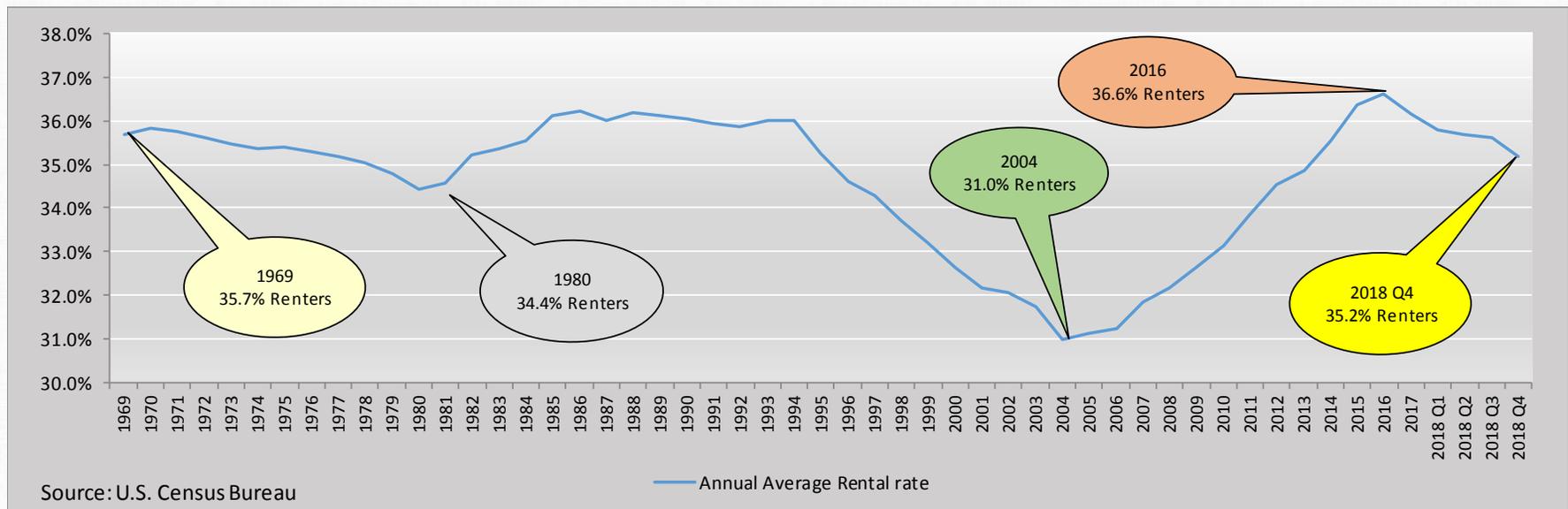
U.S. 2019 Age Distribution



2024 Age Distribution



Rentership Rates





Evaluation of short term tenure trends

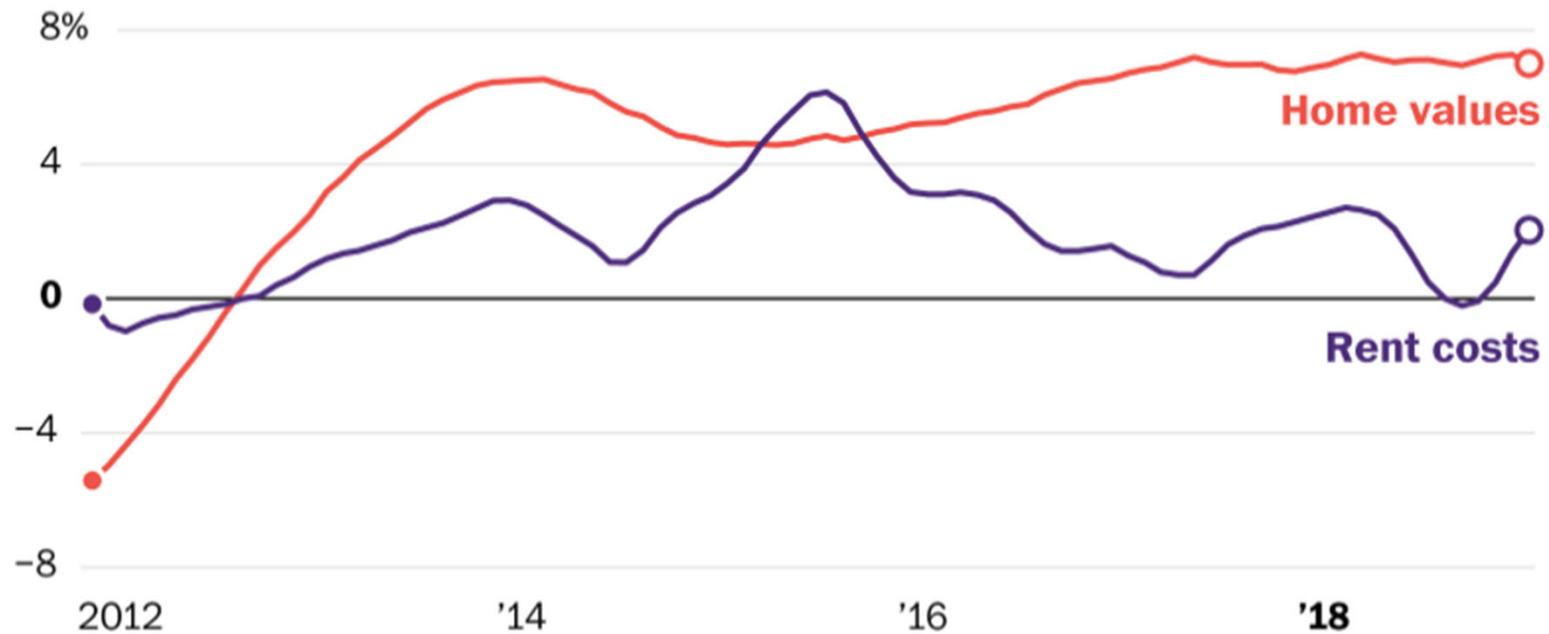
	2000		2010		2019		% of Change 2000 - 2019	% of Change 2010 - 2019
Housing Units	#	%	#	%	#	%		
Owner Occupied	15,913	60.7%	15,292	57.0%	14,989	52.6%	-40.6%	-18.3%
Renter Occupied	10,291	39.3%	11,534	43.0%	13,487	47.4%	140.6%	118.3%
Total Occupied	26,204	100%	26,826	100%	28,477	100%	100%	100%
Total Vacant	3,804		5,892		6,324			
TOTAL UNITS	30,008		32,718		34,800			

	2019		2024 Esri HH by Tenure		Esri Change by Tenure	
Housing Units	#	%	#	%	#	%
Owner Occupied	14,989	52.6%	16,225	54.7%	1,236	104.0%
Renter Occupied	13,487	47.4%	13,439	45.3%	-48	-4.0%
Total Occupied	28,477	100%	29,665	100%	1,188	100%
Total Vacant	6,332		6,628			
TOTAL UNITS	34,808		36,293			

	2019		2024 RPRG HH by Tenure		RPRG Change by Tenure	
Housing Units	#	%	#	%	#	%
Owner Occupied	14,989	52.6%	15,386	51.9%	397	33.4%
Renter Occupied	13,487	47.4%	14,279	48.1%	791	66.6%
Total Occupied	28,477	100%	29,665	100%	1,188	100%
Total Vacant	6,332		6,628			
TOTAL UNITS	34,808		36,293			

Renter and Homeowner Costs

Home-value and rent indexes, change from a year earlier



Source: Zillow Research

THE WASHINGTON POST



RPRG Market Snapshots

- Based on RPRG studies conducted over the last year of SO.
- Specific to a distinct market area rather than the overall jurisdiction.
- Data relevant to the specific effective date of the market (markets change daily).
- Bias for positive markets. Sample excludes some markets where deals just didn't work (Yes, we do kill some deals).



Excess Supply Markets

Market	St	Stab. Vac.	Upper Tier \$/SF		Demand	Supply	Net Demand	Market Type
			1BR	2BR				
Dtn DC	DC	3.00%	\$3.13	\$2.96	1560	4745	↓ -3185	urban
Hudson	NJ	3.70%	\$2.43	\$2.19	1164	2129	↓ -965	urban
Elkridge	MD	3.10%	\$1.99	\$1.59	496	1320	↓ -824	suburb
Dtn Baltimore	MD	4.10%	\$2.50	\$1.82	216	925	↓ -709	urban
Central AA	MD	3.40%	\$2.03	\$1.72	946	1502	↓ -556	suburb
Chesterfield	VA	4.30%	\$1.40	\$1.22	646	1153	↓ -507	suburb
Dtn Richmond	VA	4.30%	\$1.59	\$1.38	1239	1633	↓ -394	urban
Dtn Buffalo	NY	5.80%	\$1.50	\$1.41	667	1001	↓ -334	urban
Dtn Phila	PA	4.60%	\$2.94	\$2.80	1337	1522	↓ -185	urban
Montgomery	MD	2.10%	\$2.53	\$2.21	1039	1211	↓ -172	suburb
New Haven	CT	4.30%	\$2.64	\$2.43	866	1025	↓ -159	urban
Central PG	MD	2.10%	\$2.29	\$1.78	833	990	↓ -157	suburb

Source: 2018-19 Surveys, Real Property Research Group, Inc.



Balanced Markets

Market	St	Stab. Vac.	Upper Tier \$/SF		Demand	Supply	Net Demand	Market Type
			1BR	2BR				
Frederick	MD	3.30%	\$1.57	\$1.45	1283	1371	⇒ -88	suburb
Fairfax	VA	3.40%	\$2.09	\$1.76	1209	1246	⇒ -37	suburb
Hampton	VA	2.80%	\$1.37	\$1.20	787	824	⇒ -37	suburb
No Balt City	MD	3.20%	\$2.07	\$2.05	654	688	⇒ -34	urban
Sussex	DE	0.80%	\$1.35	\$1.19	774	807	⇒ -33	exurban
Alexandria	VA	3.00%	\$2.30	\$2.10	687	699	⇒ -12	Inner sub
NW Balt Co	MD	3.70%	\$1.62	\$1.34	599	611	⇒ -12	suburb
W. Norfolk	VA	3.20%	\$1.86	\$1.60	677	684	⇒ -7	suburb
Columbia- How.	MD	2.90%	\$2.25	\$2.04	597	602	⇒ -5	suburb
Arlington	VA	1.70%	\$3.15	\$2.94	1174	1173	⇒ 1	Inner sub
Subr Boston	MA	3.10%	\$2.90	\$2.70	1127	1125	⇒ 2	Inner sub
Boston(non dtn)	MA	1.50%	\$4.17	\$3.96	815	732	⇒ 83	urban
Hagerstown	MD	0.80%	\$1.15	\$1.00	474	382	⇒ 92	exurban

Source: 2018-19 Surveys, Real Property Research Group, Inc.

Excess Demand Markets

Market	St	Stab. Vac.	Upper Tier \$/SF		Demand	Supply	Net Demand	Market Type
			1BR	2BR				
Western Buck	PA	2.90%	\$1.31	\$1.30	473	364	↑ 109	exurban
NW Richmond	VA	1.00%	\$1.62	\$1.50	687	576	↑ 111	suburb
Calvert	MD	1.10%	\$1.73	\$1.42	440	328	↑ 112	exurban
Annapolis	MD	2.80%	\$2.16	\$1.90	466	342	↑ 124	suburb
Essex	NJ	2.30%	\$2.29	\$2.54	413	286	↑ 127	urban
Gloucester	NJ	0.80%	\$1.31	\$1.21	129	0	↑ 129	exurban
Wilmington	DE	2.30%	\$1.71	\$1.52	655	521	↑ 134	urban
Charles	MD	2.70%	\$1.82	\$1.53	661	505	↑ 156	exurban
Fredericksburg	VA	2.10%	\$1.66	\$1.28	1437	1247	↑ 190	exurban
Middletown	DE	0.80%	\$1.18	\$1.05	764	560	↑ 204	exurban
Cumberland	PA	1.50%	\$1.49	\$1.29	760	467	↑ 293	suburb
Charlottesville	VA	2.10%	\$1.80	\$1.59	1197	865	↑ 332	suburb
Kent	DE	2.10%	\$1.33	\$1.15	663	171	↑ 492	exurban
Chester	PA	2.70%	\$2.14	\$1.90	1244	732	↑ 512	suburb

Source: 2018-19 Surveys, Real Property Research Group, Inc.



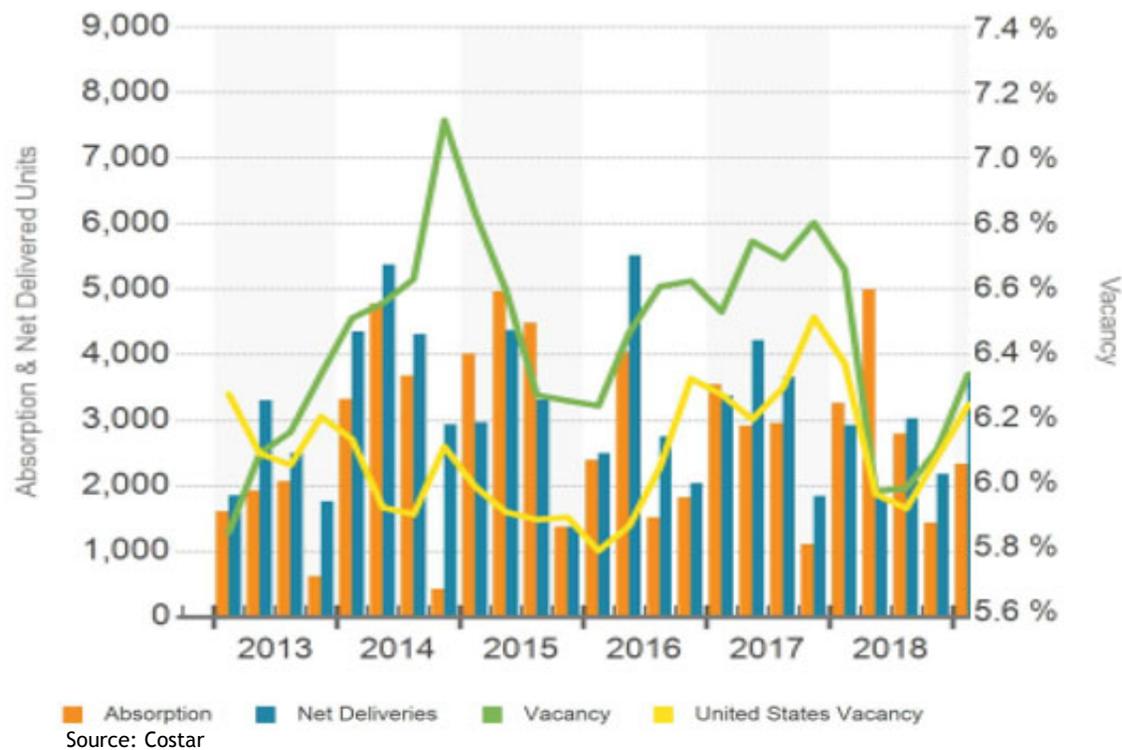
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Market Update

ELA 2019

Washington, DC Metro Vacancy Rates & Absorption



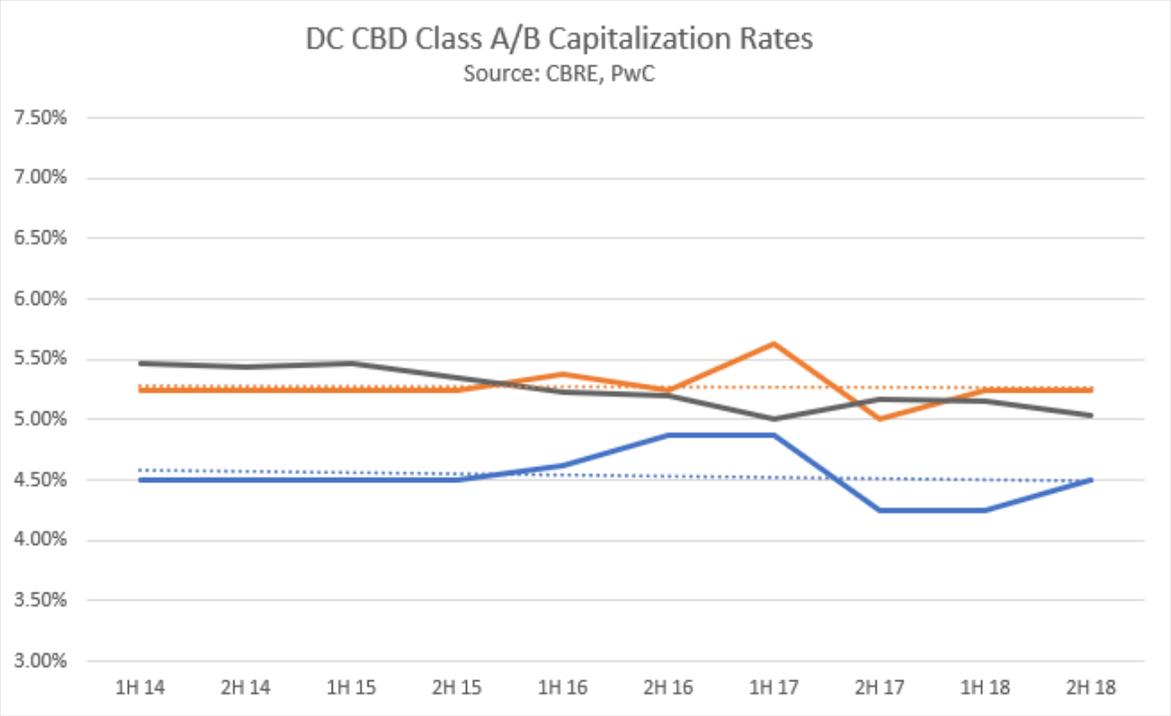
- ▶ Current Vacancy at 5.8%
- ▶ Elevated vacancy in upper tier
- ▶ Elevated vacancy in H Street/Noma & SW Navy Yard

DC Metro Deliveries & Construction

- ▶ More than 9,000 units delivered last year. (9,400 AVG)
- ▶ More than 31,000 units expected during 2019/2020.
 - ▶ Tysons Corner - 1,970
 - ▶ Alexandria - 1,637
 - ▶ Rosslyn - 1,175
 - ▶ Ballston - 1,866
 - ▶ Crystal City - 1,408

 - ▶ H Street/Noma - 2,380
 - ▶ Hyattsville - 1,922
 - ▶ SW Navy Yard - 4,507
 - ▶ *Brightwood / Fort Totten - 2,676*

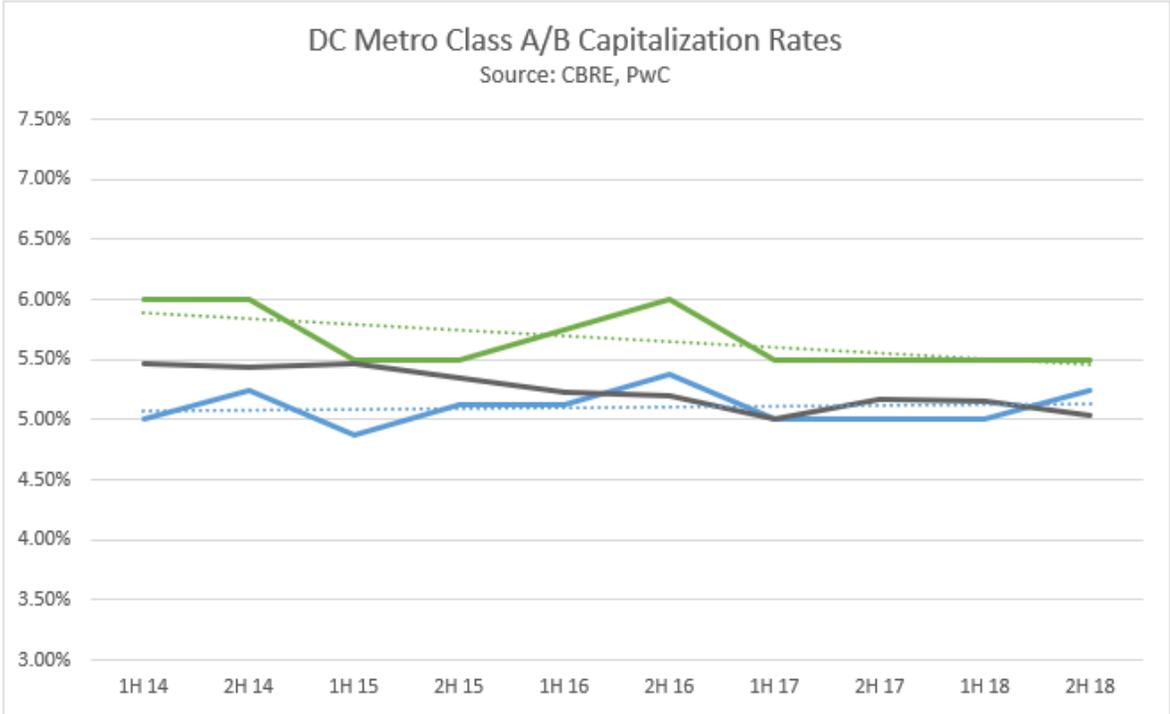
DC Metro Cap Rates - CBD



- ▶ Spread to Class C: 125± BPS (over B)
- ▶ Current Class C Average 6.375%

DC Metro

Cap Rates - Suburban



- ▶ Spread to Class C: 85± BPS (over B)
- ▶ Current Class C Average 6.375%

DC Metro

Key Sales

<u>Property</u>	<u>Submarket</u>	<u>Built</u>	<u>Units</u>	<u>PPU</u>	<u>CAP</u>
The Ellington	U Street	2004	190	\$624,342	4.0±%
672 Flats	Ballston	2018	173	\$520,231	4.7±%
Ballston Place	Ballston	1999	386	\$441,253	4.4±%
Onyx	Capitol Riverfront	2008	266	\$359,022	4.9±%
Takoma Central	Tacoma Park	2014	150	\$337,446	4.8±%
Point at Herndon	Herndon/Reston	2016	244	\$270,901	4.9±%
Arrive 2801	Alexandria	1974	575	\$267,826	4.9±%
Pinnacle Town Center	Germantown	2001	328	\$248,780	5.6±%
Tapestry Largo	Largo	2015	318	\$232,704	5.0±%
Alta Liberty Mill	Germantown	2015	304	\$215,460	5.8±%
Bainbridge Jefferson	Frederick County	2017	228	\$247,185	5.0±%
Dulles Green	Herndon/Reston	1998	806	\$239,454	5.3±%
Lincoln at Old Town	Alexandria	2001	403	\$367,246	4.8±%
Arbors on Duke	Alexandria	1991	400	\$250,000	4.7±%
Station 650	Alexandria	2015	183	\$365,301	4.5±%

DC Metro Hot Markets

- ▶ SW Navy Yard
 - ▶ Average Asking Rent: \$2,493 / \$3.25/sf (2nd)
 - ▶ Annual Rent Growth: 1.6%
 - ▶ Vacancy: 11.6% (1,131 units)
 - ▶ 12 Month Absorption: 1,230 units (1st)
 - ▶ 12 Month Deliveries: 1,041 (1st)
 - ▶ Under Construction: 4,507 (1st)

DC Metro Hot Markets

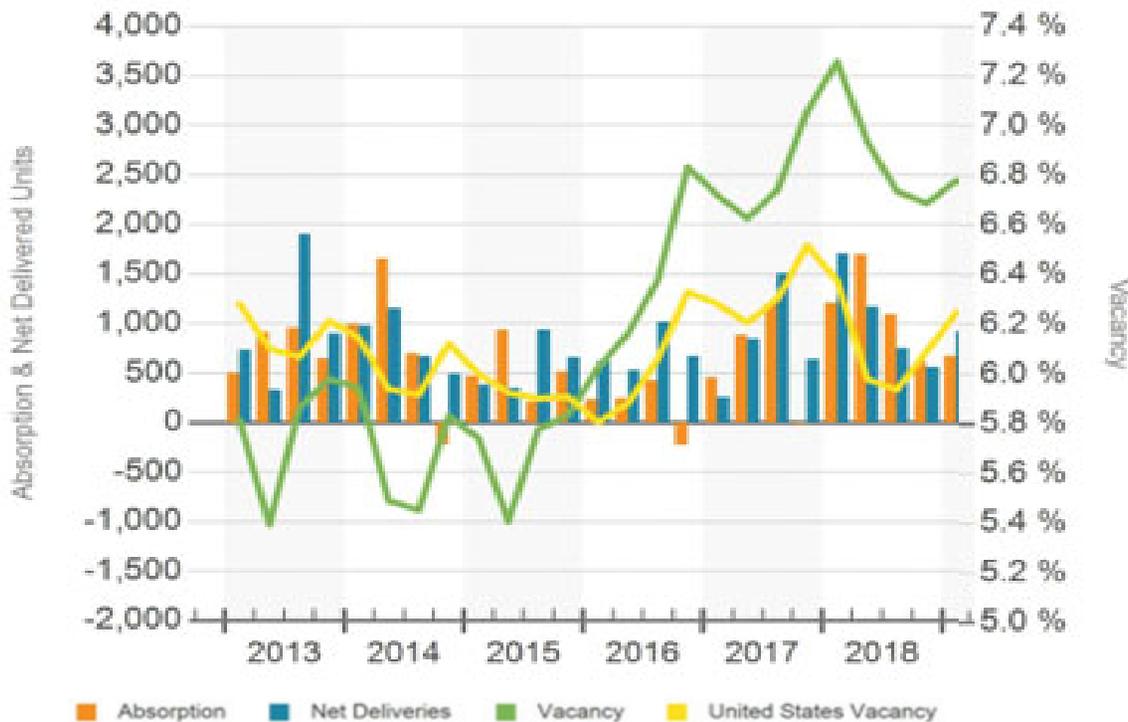
- ▶ H Street/Noma
 - ▶ Average Asking Rent: \$2,578 / \$3.18/sf (3rd)
 - ▶ Annual Rent Growth: 3.3%
 - ▶ Vacancy: 10.2% (745 units)
 - ▶ 12 Month Absorption: 588 units (6th)
 - ▶ 12 Month Deliveries: 680 (4th)
 - ▶ Under Construction: 2,380 (3rd)

DC Metro Hot Markets

- ▶ Hyattsville
 - ▶ Average Asking Rent: \$1,477 / \$1.77
 - ▶ Annual Rent Growth: 2.6%
 - ▶ Vacancy: 6.3% (1,352 units)
 - ▶ 12 Month Absorption: 392 units (10th)
 - ▶ 12 Month Deliveries: 509 (8th)
 - ▶ Under Construction: 1,922 (5th)

Baltimore Metro

Vacancy Rates & Absorption



- ▶ Current Vacancy at 6.5%
- ▶ Elevated vacancy in upper tier
- ▶ Elevated vacancy in Downtown

Baltimore Metro Deliveries & Construction

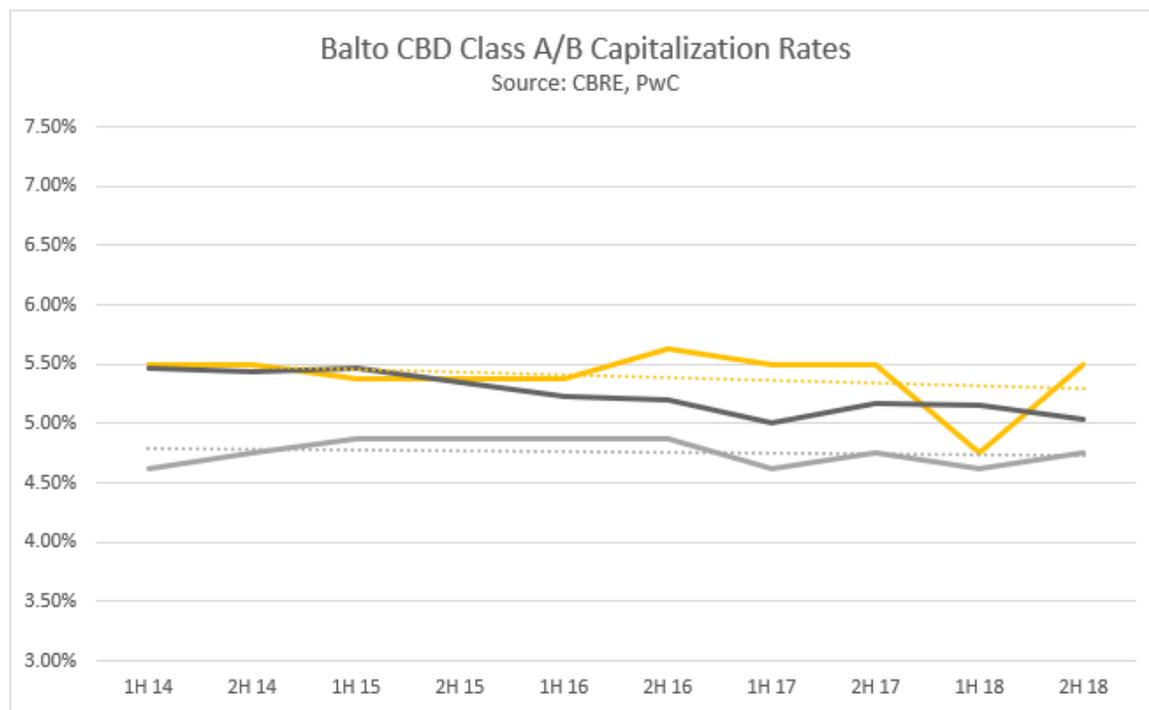
- ▶ More than 3,100 units delivered last year. (2,500 AVG)
- ▶ Roughly 4,800 units expected during 2019/2020.

▶ Downtown -	1,135
▶ Canton -	653
▶ Federal Hill -	314
▶ North City -	283

Approximately 50% of units under construction are in Baltimore City.

▶ Howard County -	1,344
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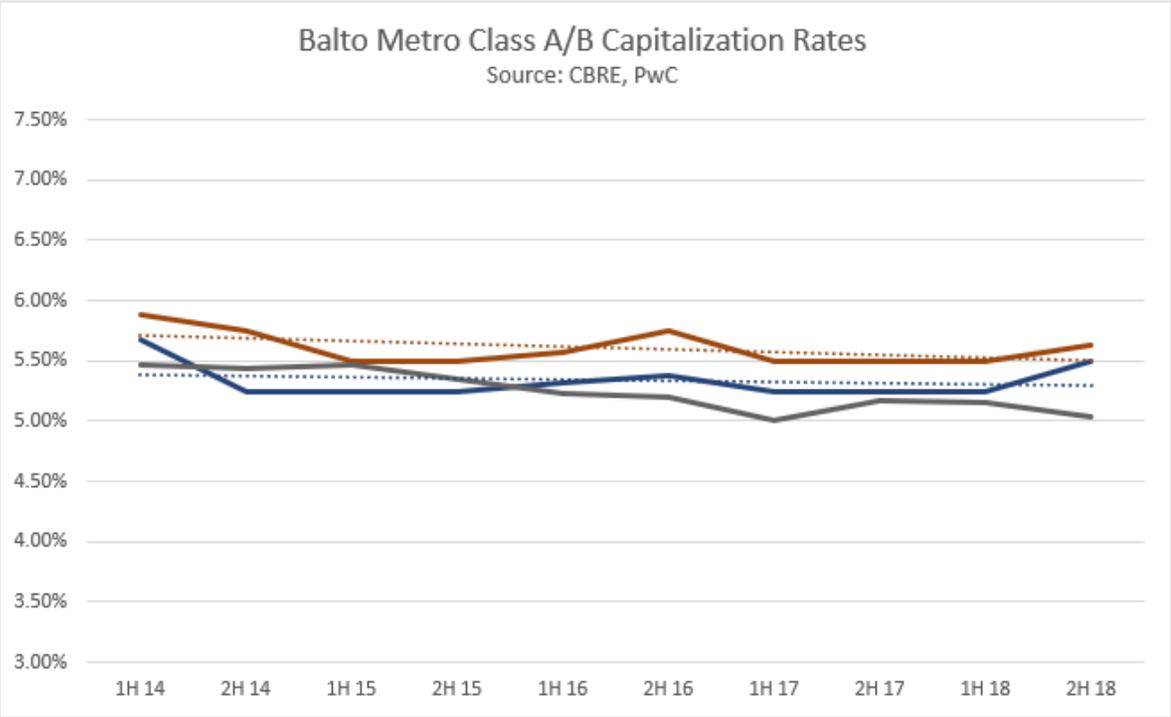
Baltimore Metro Cap Rates - CBD



- ▶ Spread to Class C: 125± BPS (over B)
- ▶ Current Class C Average 6.50%
- ▶ Cautious for Class A+ - no recent transactions and declining rent growth.

Baltimore Metro

Cap Rates - Suburban



- ▶ Spread to Class C: 100± BPS (over B)
- ▶ Current Class C Average 6.50%

Baltimore Metro

Key Sales

<u>Property</u>	<u>Submarket</u>	<u>Built</u>	<u>Units</u>	<u>PPU</u>	<u>CAP</u>
Quarters at Towson	Towson Circle	2009	430	\$235,294	5.8±%
TGM Odenton	Severn	2007	396	\$236,111	5.2±%
Greenwich Place	Owings Mills/Pikesville	2007	332	\$266,566	4.9±%
Avalon Arundel Crossing	Linthicum	2016	310	\$267,742	5.1±%
The James	Parole/Annapolis	2016	235	\$321,702	5.3±%
Reserve at Quiet Waters	Annapolis	1965	390	\$363,199	6.3±%
Orchard Meadows	Ellicott City	2012	240	\$207,813	5.6±%
Columbia Glade	Fairway Hills/Columbia	1987	192	\$205,729	6.1±%
Estates of Pikesville	Owings Mills/Pikesville	1989	208	\$165,865	5.7±%
Point at Winterset	Owings Mills/Pikesville	1999	176	\$190,341	6.0±%
Windsor Commons	Milford Mill	2000	185	\$156,384	6.5±%
Beacon Pointe	Edgemere	1975	201	\$140,547	6.2±%

Baltimore Metro Hot Markets

▶ Downtown

- ▶ Average Asking Rent: \$1,495 / \$1.87 (4th)
- ▶ Annual Rent Growth: **-1.1%**
- ▶ Vacancy: 11.4% (1,577 units)
- ▶ 12 Month Absorption: 812 units (2nd)
- ▶ 12 Month Deliveries: 1,086 (1st)
- ▶ Under Construction: 1,135 (2nd)

414 Light Street

A 44-story, 394-unit tower delivered August 2018.

Reportedly 20% pre-leased,
currently 30% leased.

Average rent \$3,400 (\$3.50/sq.ft.).
Offering significant concessions.

Baltimore Metro Hot Markets

▶ Howard County

- ▶ Average Asking Rent: \$1,625 / \$1.66
- ▶ Annual Rent Growth: 3.9%
- ▶ Vacancy: 5.8% (1,221 units)
- ▶ 12 Month Absorption: 1,096 units (1st)
- ▶ 12 Month Deliveries: 579 (2nd)
- ▶ Under Construction: 1,344 (1st)

Columbia Town Center

Howard Hughes overhaul of Columbia Town Center/Downtown Columbia to include mixed-use apartments, office, & retail.

Baltimore Metro Hot Markets

▶ Federal Hill

- ▶ Average Asking Rent: \$2,021 / \$2.27 (1st)
- ▶ Annual Rent Growth: 2.5%
- ▶ Vacancy: 8.7% (167 units)
- ▶ 12 Month Absorption: 526 (3rd)
- ▶ 12 Month Deliveries: 54
- ▶ Under Construction: 314 (5th)

Anthem House

New Construction delivered 2017.

Average rent \$2,500.



Washington, DC/Baltimore Outlook

- ▶ Potential for oversupply in downtown Baltimore, followed by a period of slow expansion.
 - ▶ Developers expanding into secondary DC markets such as Fort Totten/Brightwood.
 - ▶ Significant new construction associated with Amazon Headquarters in Northern Virginia.
 - ▶ Rent growth in outer Baltimore Metro counties & tertiary markets.
 - ▶ Stable cap rates going forward*. Potential increases in saturated submarkets such as Baltimore CBD.
 - ▶ Continued monetization of ancillary services.
 - ▶ Continued increased in real estate taxes.
- 

Thank You!

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Data compiled from: Costar, PwC, CBRE, NAA, appraisal files, and market participant interviews.

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