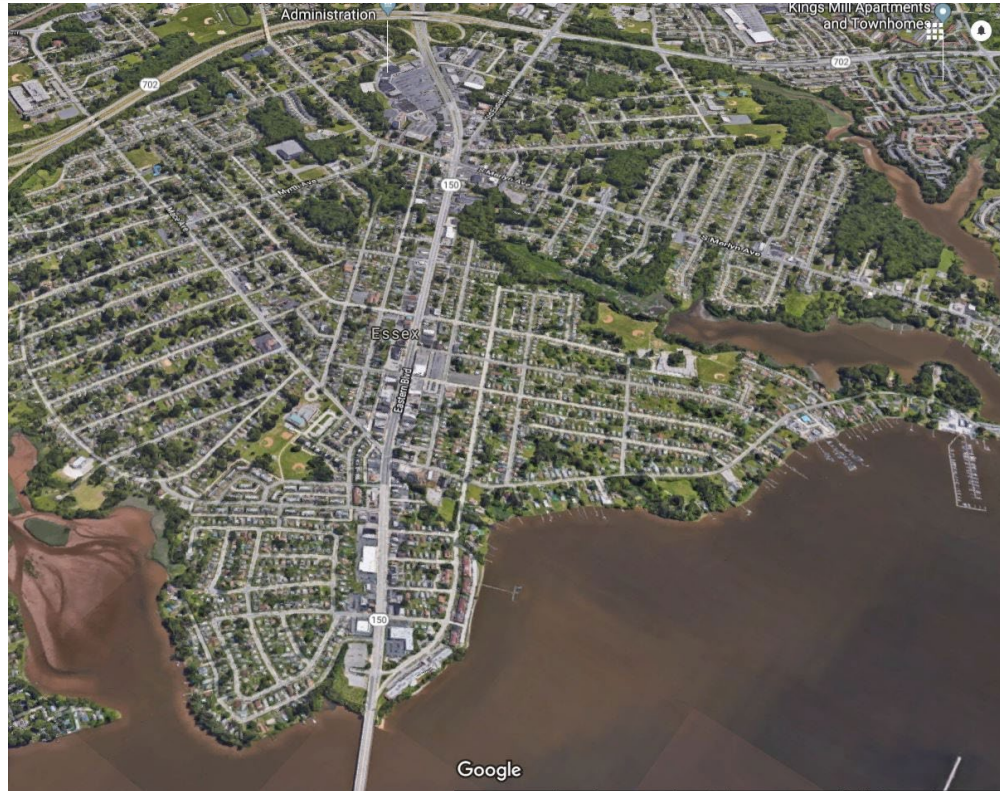


ESSEX MARKET STUDY CORRIDOR ONE

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RDEV 620: Market Analysis for Real Property Development
The University of Maryland – College Park
Fall 2018



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The Town of Essex and Baltimore County would like to determine the marketability of different land uses along the Eastern Boulevard and Back River Neck Road corridors. The Eastern Avenue corridor runs between Back River Neck Road on the west and Martin Boulevard on the east. The Back Neck Road corridor runs from Eastern Avenue to Middleborough Road.

Students divided into teams to work on a market study for various corridor segments. Corridor One runs along Eastern Avenue from Back River Road to S.E. Boulevard. Corridor Two runs from S.E. Boulevard to Martin Boulevard. Corridor Three runs along Back River Neck Road from Eastern Boulevard to Middleborough Road.

This report focuses on Corridor One, the first portion of the Eastern Boulevard corridor.

Study Area

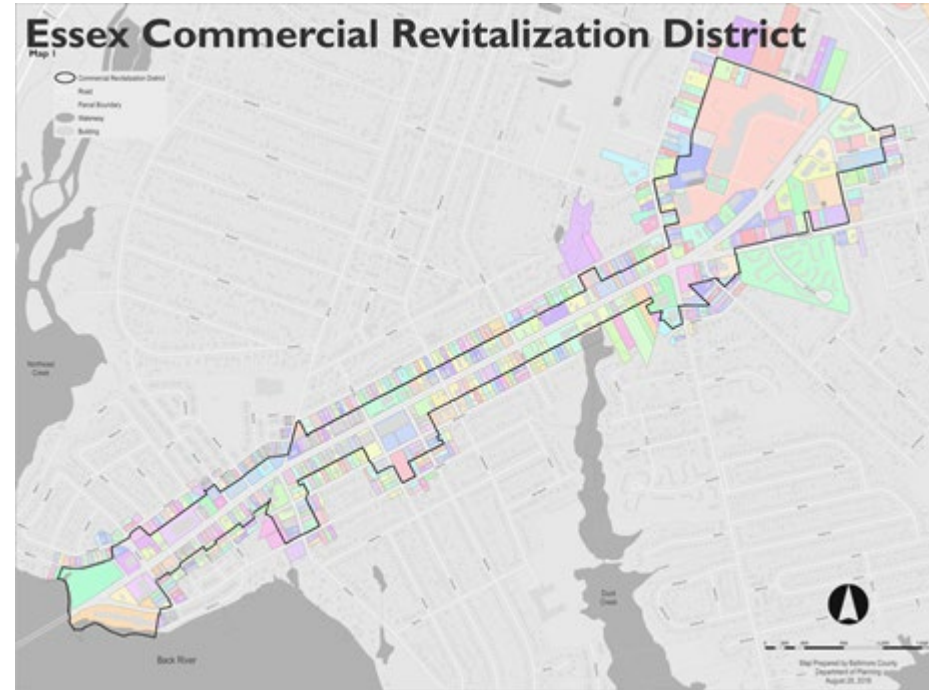


An important component of any land use planning, zoning, public investment prioritization, or design work is understanding the underlying market dynamics that shape an area's potential.

This market study will help determine what types of development can be supported in Essex. The focus is on creating recommendations that are realistic and implementable.

The study's objectives are to:

- determine the market opportunity and support for various land uses (retail, office, for-sale residential, and for-rent residential) in Essex
- understand the target market for each land use and determine the likely depth of demand for each.
- provide recommendations on pricing, timing, market, and absorption for each of the land uses.



The Master of Real Estate Development degree (MRED) at UMD takes a comprehensive and multi-disciplinary approach to real estate education, addressing all facets of the industry from planning to property management, finance to construction. The students are taught to develop for a Quadruple Bottom Line—not only for the financial bottom line, but more broadly for Economic Viability, Environmental Respect, Social Responsibility, and Beautiful Design.

Data for this project was collected between September and December 2018, and has not been updated since that time.

During the first phase of the class, students collected and analyzed background information including a site analysis, demographic and economic analysis, residential analysis, commercial analysis, to complete a statistical demand model.

During the last half of the class, students consolidated their information into one set of recommendations and a market report for each site or corridor.

Task 1:
Project Kick-
Off and
Site Visit

Task 2:
Area Analysis

Task 3:
Demographic
and Economic
Analysis

Task 4:
Residential
Market
Analysis

Task 5:
Retail and
Office Market
Analysis

Task 6:
Conclusions
and
Recommendati
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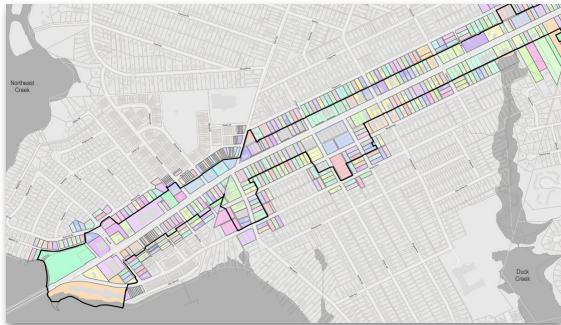


KEY CONCLUSIONS

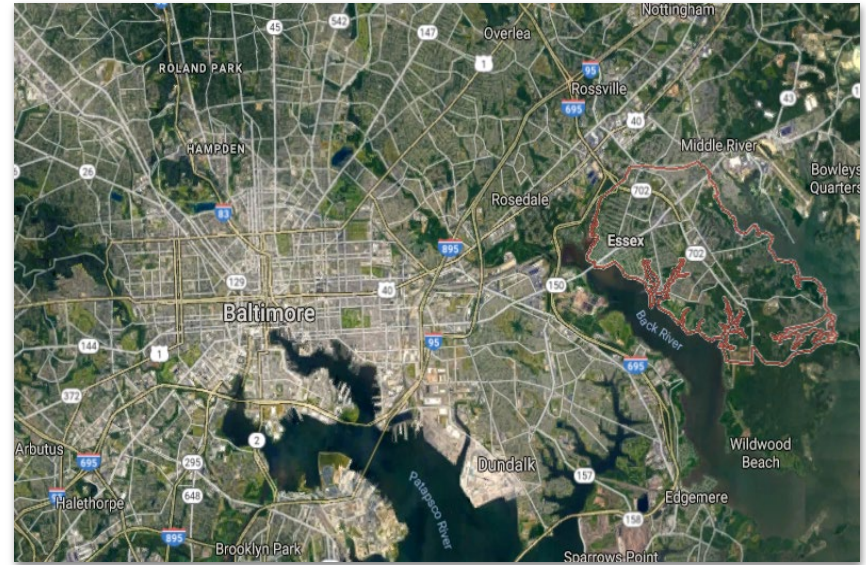
The study concentrates on Corridor One in Essex, Maryland, which runs along Eastern Boulevard and has a great location and visibility.

It has also excellent multi-modal transportation access with connections to Baltimore, I-695, and I-95. Martin State Airport and MARC regional transit are also nearby.

It is an infill location within the Baltimore metropolitan area. Essex is part of the *Baltimore County Master Plan 2020* designated as a Community Conservation Area and Community Enhancement Area. The city is also a Design Review Panel area which encourages design excellence along Eastern Boulevard and Back River Neck Road.



Baltimore is a growing economy with opportunities for new housing, retail, and commercial uses. With the right investment focused on revitalization, Essex could be positioned to capture the demand for some land uses.



source: Baltimore County Commercial Revitalization Program



SITE ANALYSIS SUMMARY

The area has an excellent interstate access and strong access to Baltimore City. It is also part of the Eastern Pedestrian and Bicycle Plan, which would provide sidewalks, crosswalks, and bus shelters.

Some areas have views of the waterfront—a potential asset for residential and commercial uses.

Major institutions include the Community College of Baltimore County and Medstar Franklin Hospital, both providing large number of jobs.

Light industrial and distribution employment centers draw thousands of workers daily from nearby neighborhoods and the region.

The proposed SCMAGLEV between DC, Baltimore, BWI Airport, and New York City is a high speed rail line traveling at 311 mph, enabling a 15-minute trip between DC and Baltimore with a stop at Penn Station, which is eight miles from the Corridor.

Baltimore is growing and the demand for all uses is strong. With new improvements and a sustainable plan, Essex is well-positioned to capture the demand for new products.



The streetscape along Eastern Boulevard, the area's main street, is in disrepair, with poor sidewalk and bus stop conditions, missing and dead trees, brick planters falling apart, broken benches, and damaged light poles. The area also lacks trails and bike lanes.

There is no direct public transportation from Essex to Tradepoint Atlantic. The high speed limit creates an unsafe pedestrian environment. The streets lack parallel parking which could buffer sidewalks. Unemployment in Essex is higher than in the County as a whole: 6.9 percent in Essex compared to 4 percent in the County. Educational attainment is low: 13.9 percent of residents have a bachelor's degree or higher, versus 37 percent of County residents. Crime is high in the area.

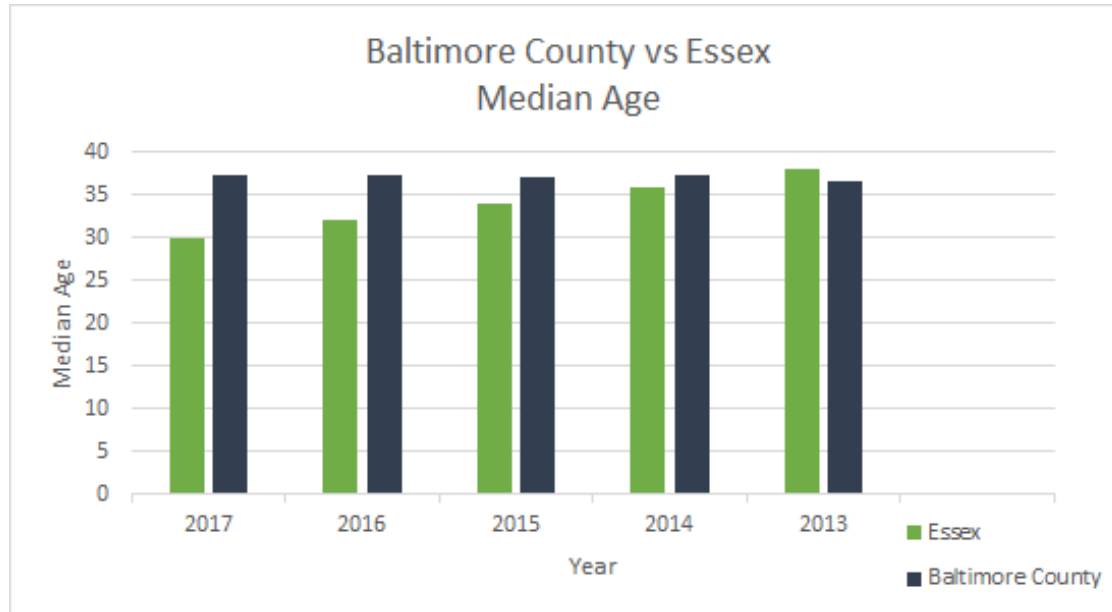
Commercial areas are run down, lack anchor tenants, and have high vacancy rates. They lack architectural character and are car-centric. There are limited services and retail in the immediate area, which is an opportunity to capture demand leaking out of the area. It is also a challenge; residents and workers would like to have available services and retail.

While demand for many land uses is strong in Baltimore, there is strong competition for high-tech and other office-related jobs in all areas of the metro region and in surrounding states, which could limit future household growth in Essex.





DEMOGRAPHIC AND ECONOMIC ANALYSIS

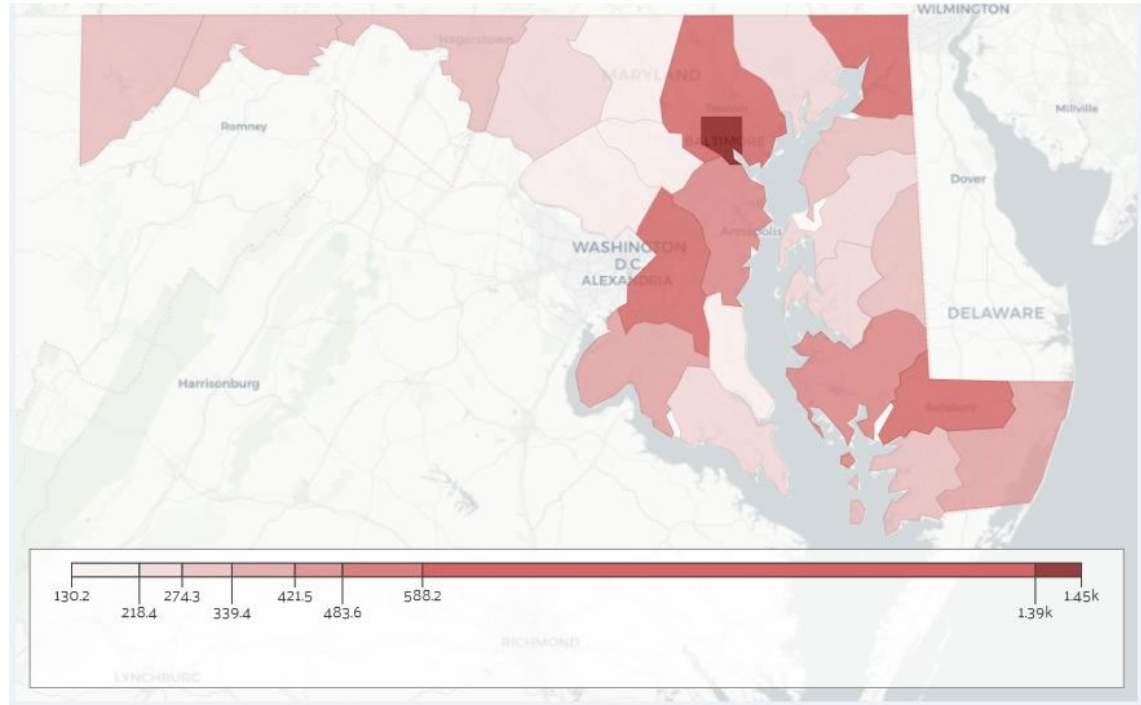


source: American FactFinder; Census Bureau

As of 2007, Baltimore County was home to 831,026 people of which 38,995 live in Essex. The age distribution across Baltimore County and Essex is relatively similar. Essex has fewer households between the ages of 30-35 compared to Baltimore County.

According to the the Census Bureau, in 2016, the median age in Essex was 37, in Baltimore County 39. In 2017, the median age in Essex changed to 30 years, showing that younger people are relocating to Essex.

People in their late 30s are staying in the area and most likely have families and will be looking for a residential units with more space and amenities.



source : datausa.io

A comparison of violent crimes per 100,000 people in Baltimore County and other Maryland Counties shows that in 2017, Baltimore County ranked a third higher for violent crimes after Prince George's County.

According to the 2017 County Health Rankings, Baltimore City had the highest rate of homicide deaths per 100,000 people in Maryland. This represents a 7.79 percent increase over the previous year.

In this map, Maryland counties are shaded according to the number of homicide deaths per 100,000 people; a darker shade represents a higher rate.

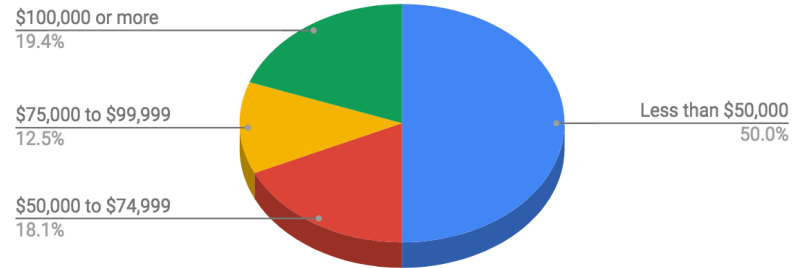
Compared to Baltimore County, median household income in Essex is considerably lower.

Of Essex households, 50 percent earn less than \$50,000 and only 19.4 percent of households earn over \$100,000.

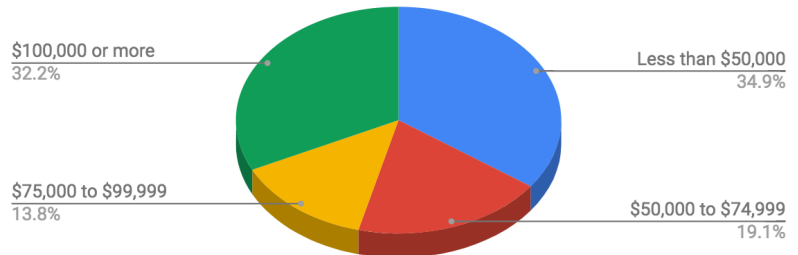
In Baltimore County approximately one-third of the households earn over \$100,000.

The area's median income is \$52,210, lower than the Baltimore County median income of \$71,702.

Essex Median Household Income



Baltimore County Median Household Income



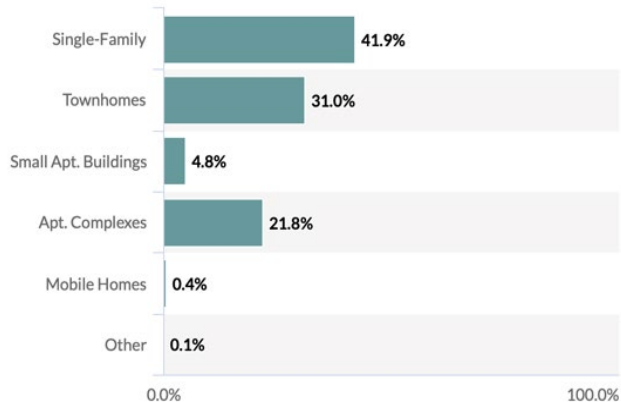
source: U.S. Census

Population	40,607
Households	15,796
Median Age	37.8
Median Income	\$49,986
Renters	45%
Owners	55%

Essex has a population of 40,607 people, in 15,796 total housing units with a median house value of \$181,200.

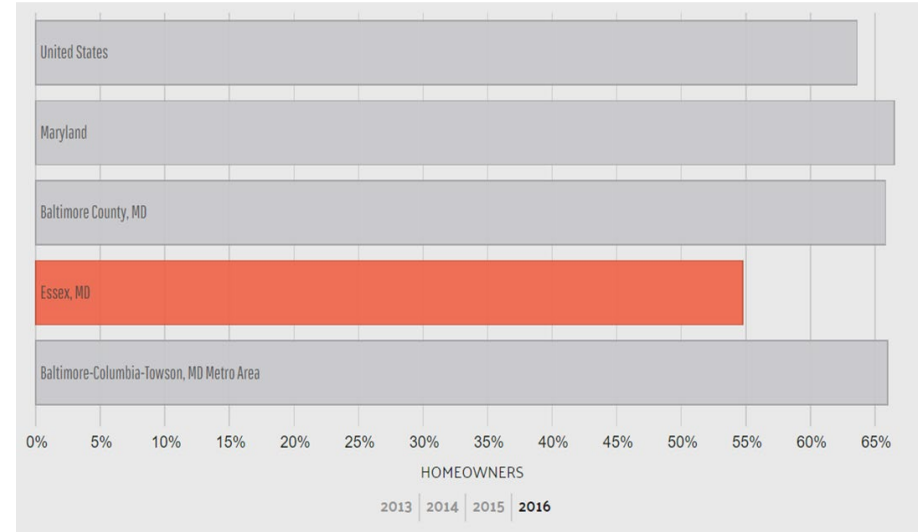
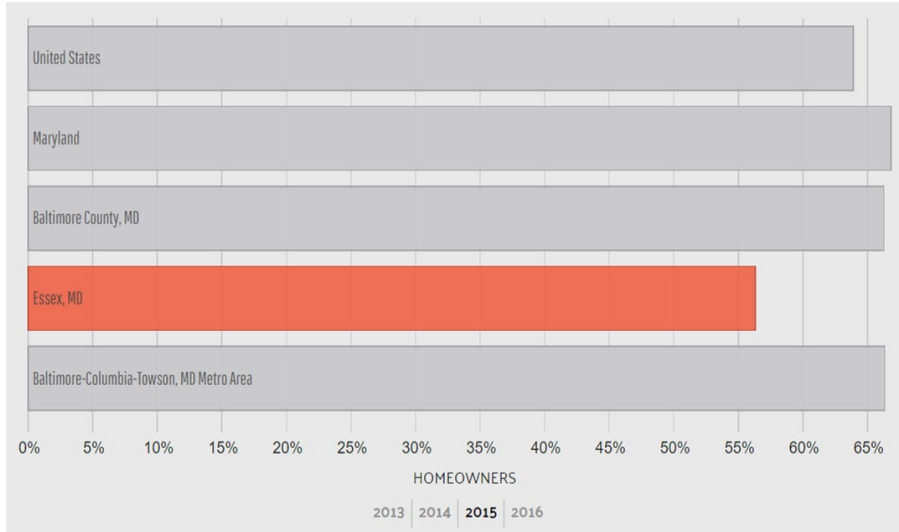
Single-family detached homes are the area's most common housing type, accounting for 41.94 percent of the town's housing units. Other housing types prevalent in the area include row houses and attached homes (31.04 percent), large apartment complexes or high rise apartments (21.81 percent), a few duplexes, and homes converted to apartments or other small apartment buildings (4.78 percent).

People in the area primarily live in small single-family detached homes. The community is a mix of owner-occupied and renter-occupied housing.



source: NeighborhoodScout.com



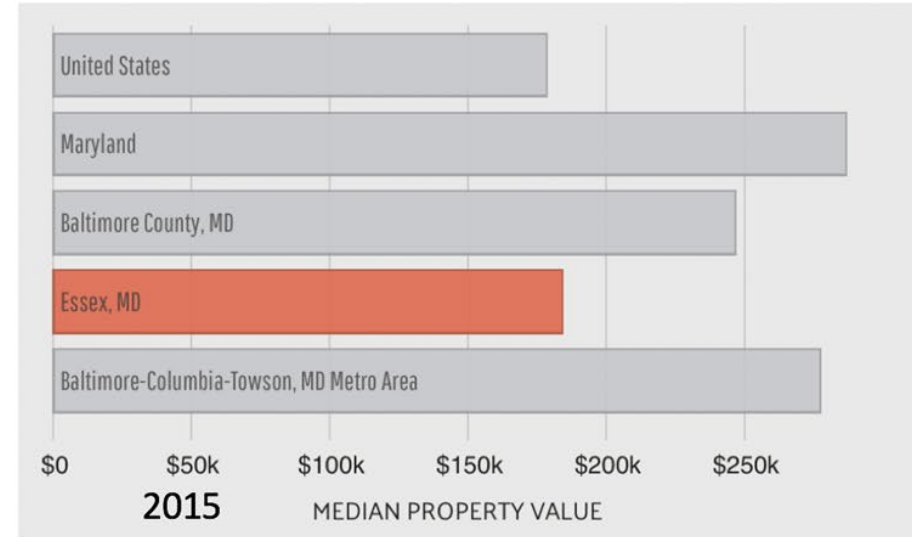
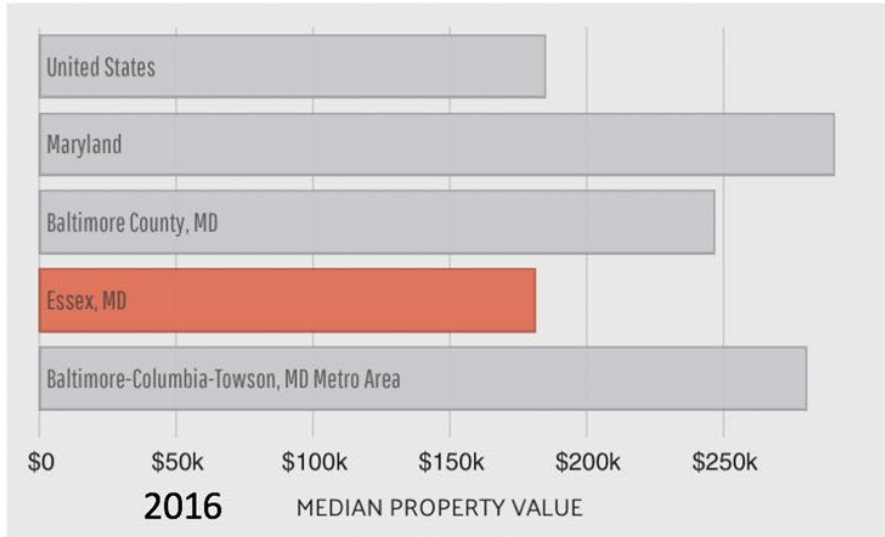


source : datausa.io

The rate of homeownership in Essex declined from 56 percent in 2015 to under 55 percent in 2016.

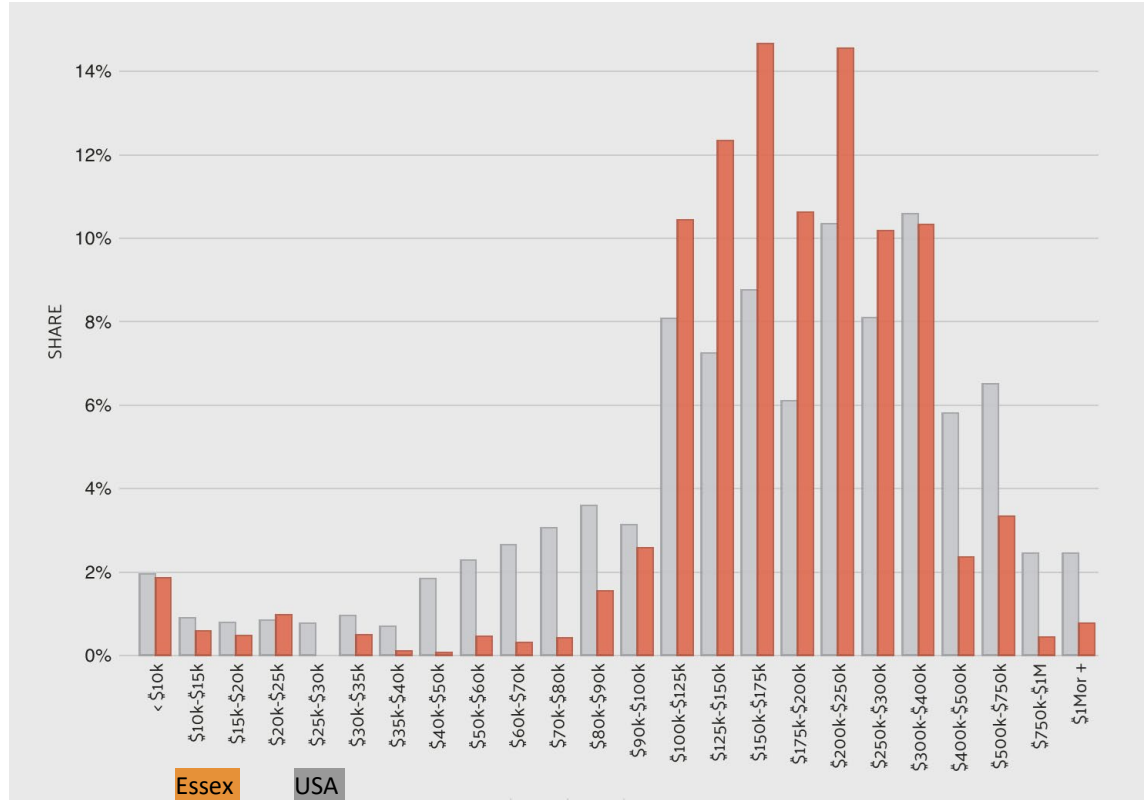
Homeownership in Essex is considerably lower compared to the homeownership in Maryland and nationwide.

MEDIAN PROPERTY VALUE



Property values in Essex declined slightly compared to the U.S., Maryland, Baltimore County, and the Baltimore Metro Area, where values increased slightly.

The median property value in Essex declined to \$181,200 in 2016, compared to \$184,200 in 2015.

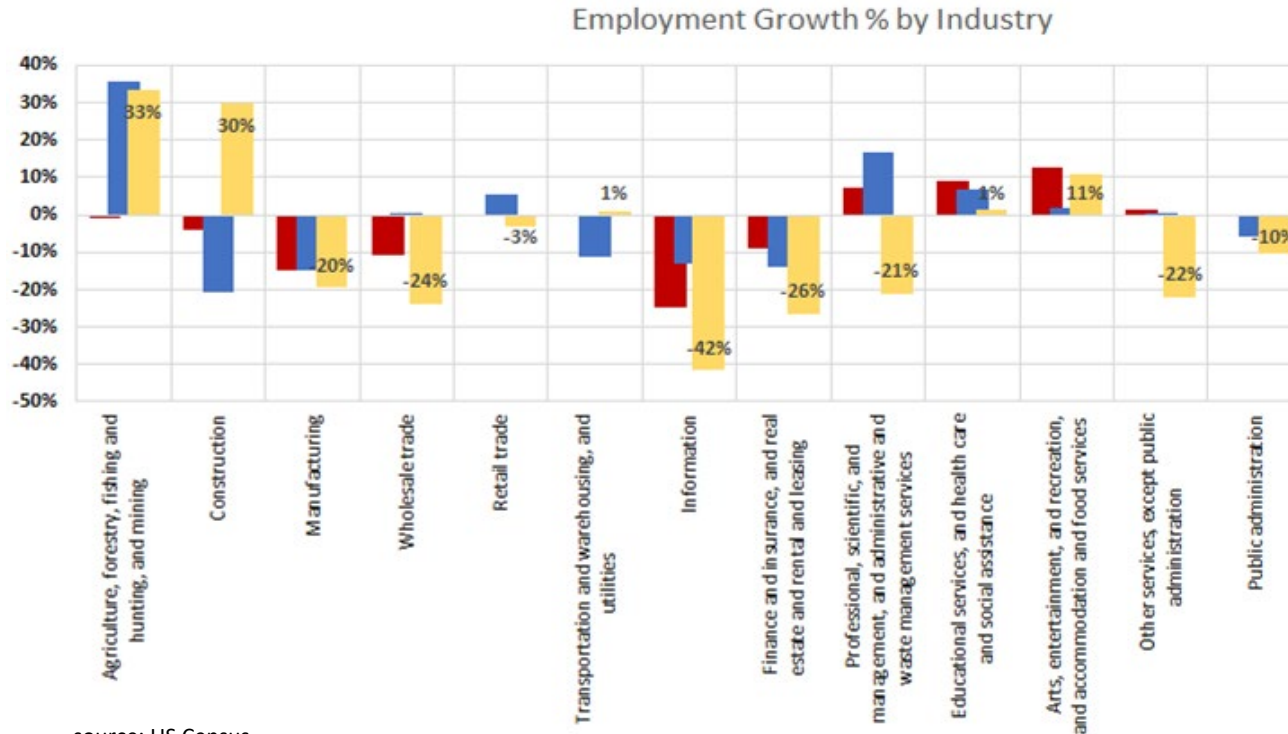


This 2016 comparison of the share of owner-occupied housing units shows that 14.7 percent of properties are valued between \$150K-175K in Essex and 14.6 percent of properties in the U.S. are valued \$200K-\$250K.

These property values represent the largest share of housing prices.

source: Datausa.io

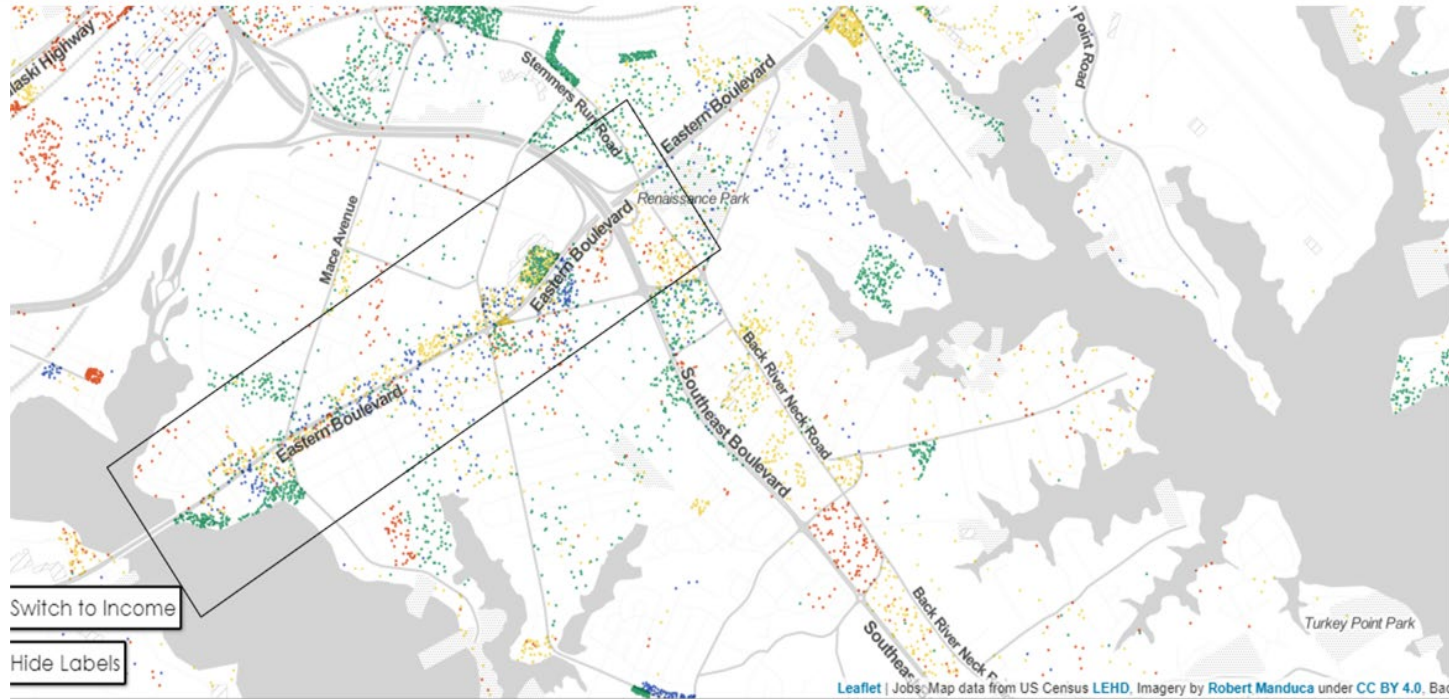
EMPLOYMENT GROWTH WITHIN INDUSTRIES (ESSEX VS. BALTIMORE COUNTY)



source: US Census

Between 2010-2016 many Essex industries were in decline, particularly high paying ones, such as information, FIRE, professional and business services, and wholesale trade.

Employment growth was highest in low paying industries, such as agriculture, fishing and hunting, and construction.



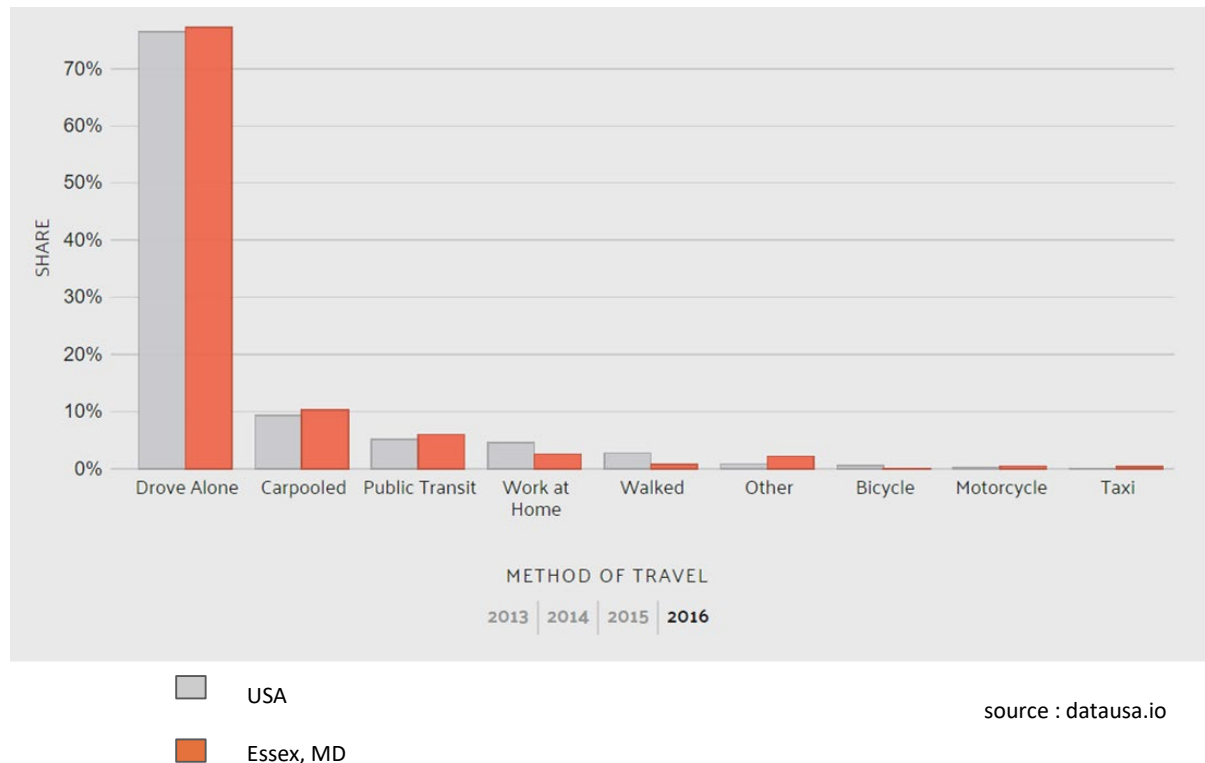
Jobs in Corridor One are mainly lower paying jobs including retail, hospitality, and other service work.

Along the waterfront there are a number of healthcare, education, and government jobs, which could bring highly educated people to the area for the higher paying jobs.

One Dot = One Job. Manufacturing and Logistics - Professional Services - Healthcare, Education, and Government - Retail, Hospitality, and Other Services

source: Robert Manduca Map

METHOD OF TRAVEL (ESSEX VS. USA)



source : datausa.io

About 77.2 percent of area residents use cars as their method of transportation.

Compared to the U.S., car use is higher in the study area, further confirming that Essex is a car-centric area.

According to DataUsa.io, public transportation is the third most popular mode of transportation: in 2016, 6 percent of overall travel was by bus. Nationwide, the travel by transit share was 5.1 percent.

The amount of people who walk in Essex is very low (0.8 percent), which may result from the lack of infrastructure and poor sidewalks and crosswalks to support walkability.



LAND USE ANALYSIS

RESIDENTIAL AND COMMERCIAL LAND USE OPPORTUNITIES

LAND USE	ESSEX SHORT-TERM OPPORTUNITY	ESSEX LONG-TERM OPPORTUNITY	STRENGTHS	CHALLENGES	ABSORPTION POTENTIAL
Apartments	Moderate	Moderate	<ul style="list-style-type: none"> Existing infrastructure. Low vacancy rate: less than 6%. 	<ul style="list-style-type: none"> Low per capita incomes. Low rents on existing apartments. Housing is currently not dense in the area. 	<ul style="list-style-type: none"> There should be demand for 85 to 290 apartments every ten years in Essex (one complex).
Condos	Weak	Moderate	<ul style="list-style-type: none"> Condos offer small size residential units with lower prices than townhomes and single family detached housing. Residents can work and live in same area. 	<ul style="list-style-type: none"> Safety issues. Limited open spaces and parks. Low walking score and lack of bike lane and trails. 	<ul style="list-style-type: none"> The annual preference for new condos is estimated to be 4 per year, or 40 every 10 years. With pent-up demand, the community could support an approximate 40 unit building every 10 years.
Senior Housing	Moderate	Moderate	<ul style="list-style-type: none"> Access to primary care. Concrete pavements for mobility aids. Grocery stores located within 2 miles. 	<ul style="list-style-type: none"> No hospital options within 5 miles of area. Lack of senior friendly parks in the area. Limited land to build senior housing. 	<ul style="list-style-type: none"> Based upon the demand for senior apartments (age 55+), one senior apartment project could be supported in Essex in the next 15 years.

RESIDENTIAL AND COMMERCIAL LAND USE OPPORTUNITIES, cont'd.

LAND USE	ESSEX SHORT-TERM OPPORTUNITY	ESSEX LONG-TERM OPPORTUNITY	STRENGTHS	CHALLENGES	ABSORPTION POTENTIAL
Local Retail	Weak	Moderate	<ul style="list-style-type: none"> • Good access. • Good traffic counts. 	<ul style="list-style-type: none"> • Not a large concentration of households. • Incomes are lower than average. • Existing retail is old and outdated. • Demand will grow only as residential increases. 	<ul style="list-style-type: none"> • New household growth could support approximately 20,000 square feet of retail every 10 years.

The area's rental rates have been increasing since 2014, to an average of \$940 per/month.

At the same time, occupancy rates have dropped to approximately 94 percent.

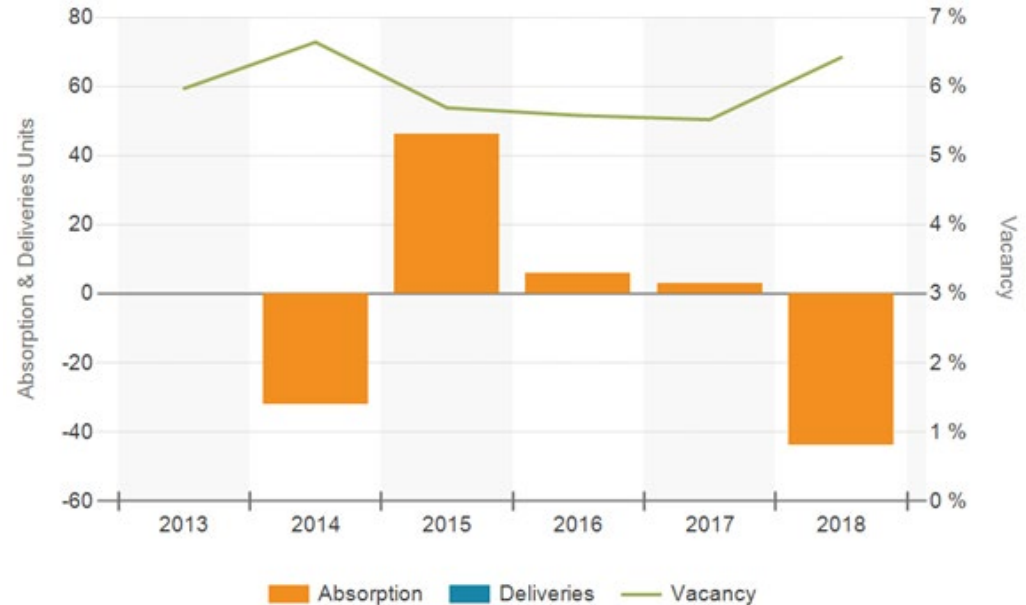


source: Costar

In 2018, absorption rates declined to negative 44 units

Between 2017 and 2018, vacancy rates grew one percent, to 6.4 percent.

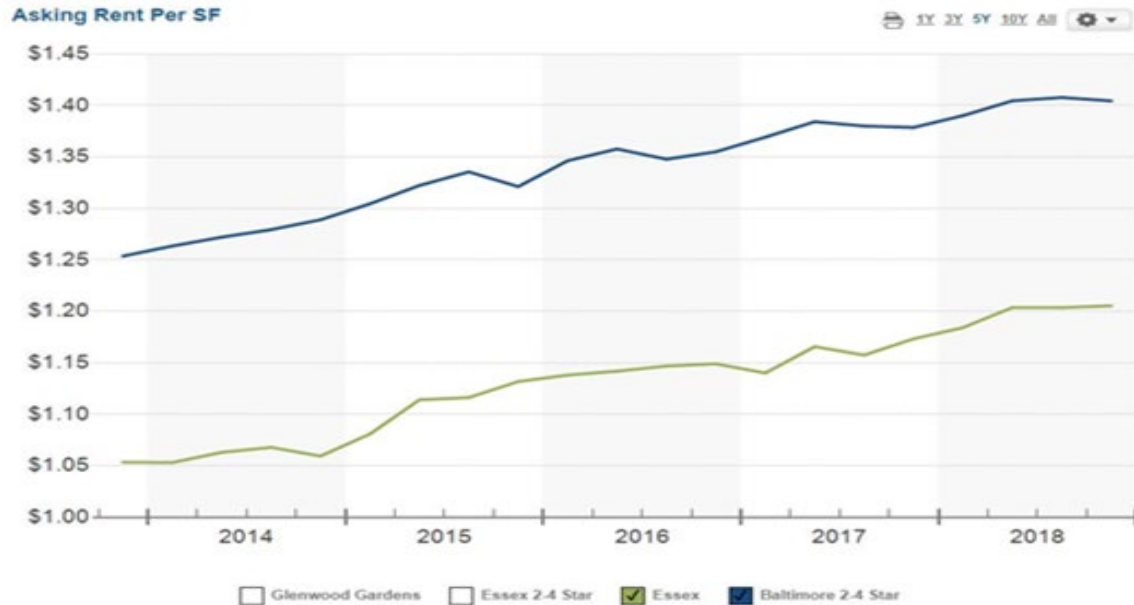
There have been no new properties delivered in Essex in the past 4 years.



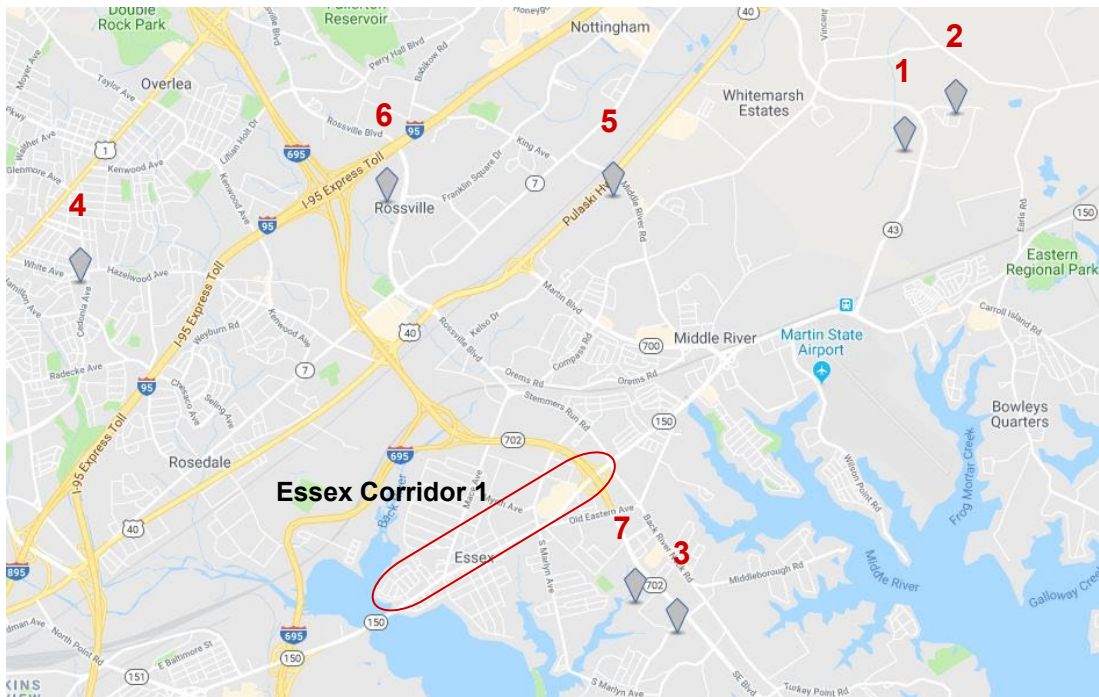
source: Costar

Since 2014, average rent per square foot has increased from \$1.05 per square foot to \$1.21 per square foot.

Rental rates are expected to climb in the coming years indicating a moderate long-term opportunity in the for-rent residential market.



Source: Costar



source: Costar

To determine rent ranges, a small group of rent comparables near Essex were analyzed, including old and new buildings with higher rents.

All the comparables have similar characteristics, such as building size, location, and unit size. T

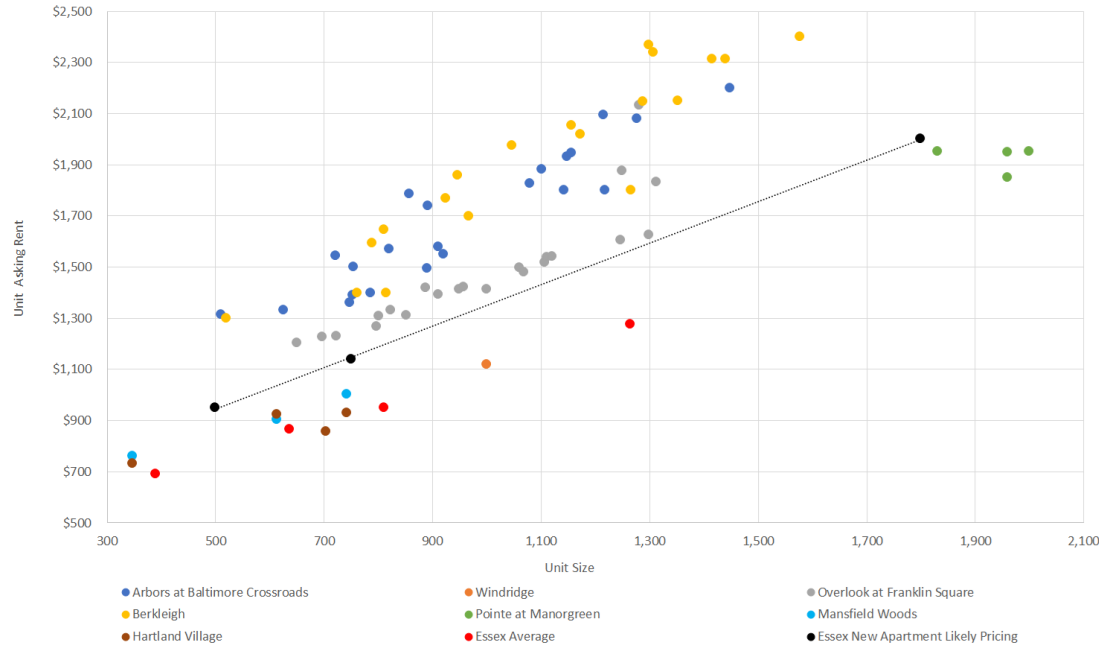
The potential rental rates for new apartments in Essex could reach \$2,000 per month for an 1,800-square foot apartment.

1. Arbors at Baltimore Crossroads
2. Berkleigh
3. Hartland Village
4. Windridge
5. Pointe at Manorgreen
6. Overlook at Franklin Square
7. Mansfield Woods



FOR-RENT RESIDENTIAL - POSITIONING

Price to Size Chart, Essex Area Apartment Comparables



source: Costar

The positioning hypothesis is that new product would rent for a much higher price than existing buildings.

For a new building to be competitive with existing nearby buildings, it must have an attractive amenity package including a pool, patio, fitness center, club room, and more.

With these amenities, the building complex would be unique in Corridor One.



FOR-RENT RESIDENTIAL - DEMAND

To compute the maximum \$/sf for a potential apartment complex, rental data from comparable buildings in the area was adjusted based on amenities, the current \$/sf, and location. With these adjustments, the maximum \$/sf in Essex for a potential new building would be \$1.52 \$/sf. This shows that the market is still very affordable compared to other metropolitan areas.

However, to achieve \$1.52 \$/sf in monthly rents, the subject site will need to offer a robust amenity package and innovative unit finishes to compete with existing buildings and to overcome project challenges.

	Rent (\$)	Comparable (\$/SF)	Adjusted (SF)	Adj. Rent (\$)	Adj. \$/SF 60%	Age 1.00%	Unit Finish	Amenities	Location	Total Adjustment	Suggested Rent	% Different	Suggested \$/SF
1 Bedroom			750										
Arbors	\$1,402	\$1.86	750	\$1,400	\$1.87	6.0%	-5.0%	0.0%	-20.0%	81.0%	\$1,134	-1%	\$1.51
Windridge	\$1,119	\$1.12	750	\$951	\$1.27	6.0%	0.0%	0.0%	0.0%	106.0%	\$1,008	-12%	\$1.34
Overlook	\$1,229	\$1.70	750	\$1,257	\$1.68	1.0%	-3.0%	0.0%	-10.0%	88.0%	\$1,106	-3%	\$1.47
Berkleigh	\$1,594	\$2.02	750	\$1,547	\$2.06	0.0%	-5.0%	0.0%	-20.0%	75.0%	\$1,160	2%	\$1.55
Pointe	\$1,950	\$1.06	750	\$1,259	\$1.68	5.0%	0.0%	0.0%	-10.0%	95.0%	\$1,196	5%	\$1.60
Mansfield	\$1,002	\$1.35	750	\$1,008	\$1.34	9.3%	5.0%	5.0%	0.0%	119.3%	\$1,203	6%	\$1.60
Hartland	\$928	\$1.25	750	\$934	\$1.25	9.7%	5.0%	5.0%	0.0%	119.7%	\$1,118	-2%	\$1.49
Essex Avg.	\$866	\$1.36	750	\$958	\$1.28	14.6%	5.0%	5.0%	0.0%	124.6%	\$1,194	5%	\$1.59
Essex New Apt	\$900		750								\$1,140		\$1.52

- The demand model uses new and existing households in Baltimore County. Existing households include those that move each year (turnover).
- The demand model is stratified by income to determine affordable rent. Households are further defined as renter households.
- The number of new renter households is further refined by likelihood to choose the new product.
- Based on a 1.7 to 5.8 percent capture of Baltimore County demand, Essex could have demand for 8 to 29 units per year.
- This roughly translates to one new apartment project every ten years in Essex.
- Given the lack of land in Corridor One, it is not a likely location for new apartments.

Income:	Below \$25,000	\$25,000 - \$50,000	\$50,000 - \$75,000	\$75,000 - \$100,000	\$100,000 - \$150,000	\$150,000 and above	
% Spent on Rent ² :	50%	38%	27%	22%	16%		
Rent ² :	Below \$1,000	\$1,000 - \$1,600	\$1,600 - \$1,700	\$1,700 - \$1,800	\$1,800 - \$2,000	\$2,000 and above	
SOURCES OF DEMAND							TOTAL
New Household Growth, 2018-2035							
Total Annual New Households ¹	1,058	1,058	1,058	1,058	1,058	1,058	1,058
x Distribution of Income ³	15%	20%	19%	14%	18%	15%	100%
= Income Qualified	158	211	202	146	186	155	1,058
x Renter Propensity ³	80%	66%	55%	39%	28%	12%	48%
=New Households Seeking Rental Units	127	139	111	57	51	19	504
Existing Renter Household Annual Turnover							
Total Households	312,826	312,826	312,826	312,826	312,826	312,826	312,826
x Distribution of Income ³	15%	20%	19%	14%	18%	15%	100.0%
x Renter Propensity ³	57%	47%	40%	28%	20%	9%	34%
Total Renter Households	26,833	29,525	23,638	12,026	10,888	3,994	106,904
x Annual Turnover Rate ³	18%	25%	28%	28%	28%	18%	24%
=Demand From Existing Households in Turnover	4,830	7,381	6,619	3,367	3,049	719	25,965
Annual Rental Demand By Rent Range	4,956	7,520	6,730	3,424	3,100	738	26,469
Preference for New ⁴							
Annual Rental Demand for New Apartments	0.5%	0.5%	3.0%	3.0%	3.5%	3.0%	1.9%
	25	38	202	103	108	22	498
Preference for Essex Low ⁵							
Annual Rental Demand in Essex	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
	0	1	3	2	2	0	8
Preference for Essex High ⁵							
Annual Rental Demand in Essex	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
	1	2	12	6	6	1	29

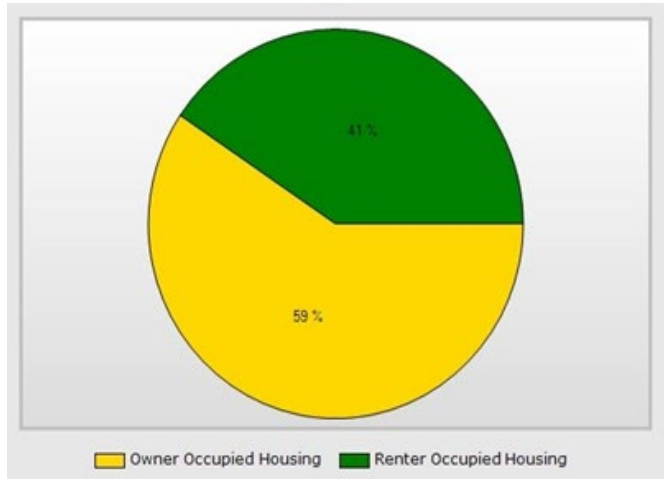
¹ Based upon Baltimore Metropolitan Council Round 90 projections for Baltimore County annualized between 2020 and 2035.

² Based on rents as a percent of household income demonstrated in market assuming that renters spend 15% to 50% of household income on rent, the higher the income the lower the percentage spent on rent annually.

³ American Community Survey, 2016, 5 year estimates for Baltimore County, Maryland.

⁴ Based on new apartment absorption in Baltimore County compared to total units and starting rents of new apartment buildings.

⁵ Low based on the communities' number of new units compared to the county. High based upon current percentage of units in community compared to county.



Source: Costar

In 2017, 59 percent of Essex residents were buyers and 41 percent were renters.

The strength of the Essex for-rent market is projected to stay flat-to-moderate in the next 10+ years. Existing for-rent product in the area is old and lacks indoor and outdoor amenities. Based on the supply analysis, renters are demanding fitness centers, courtyards, pools, concierge, among other amenities.

Essex isn't a strong for rent-apartment location. Rents for existing apartments are between \$800 and \$900 per month. Even though the percent of renters versus owners is growing, forecasted household growth will stay stagnant. Therefore, for-rent housing will also grow at a low-to-moderate pace.

Key tenants are residents with an income between \$50K - \$70K who work or live in Essex.

Apartments can be developed, but there is a high vacancy risk due the area's low incomes and low household growth compared to for-rent buildings in Baltimore City and the Greenleigh area.

Based on annual rental demand and positioning analysis, there is a need for apartments in Essex but not likely in this corridor.



FOR-SALE RESIDENTIAL DEMAND (ESSEX VS. BALTIMORE COUNTY)

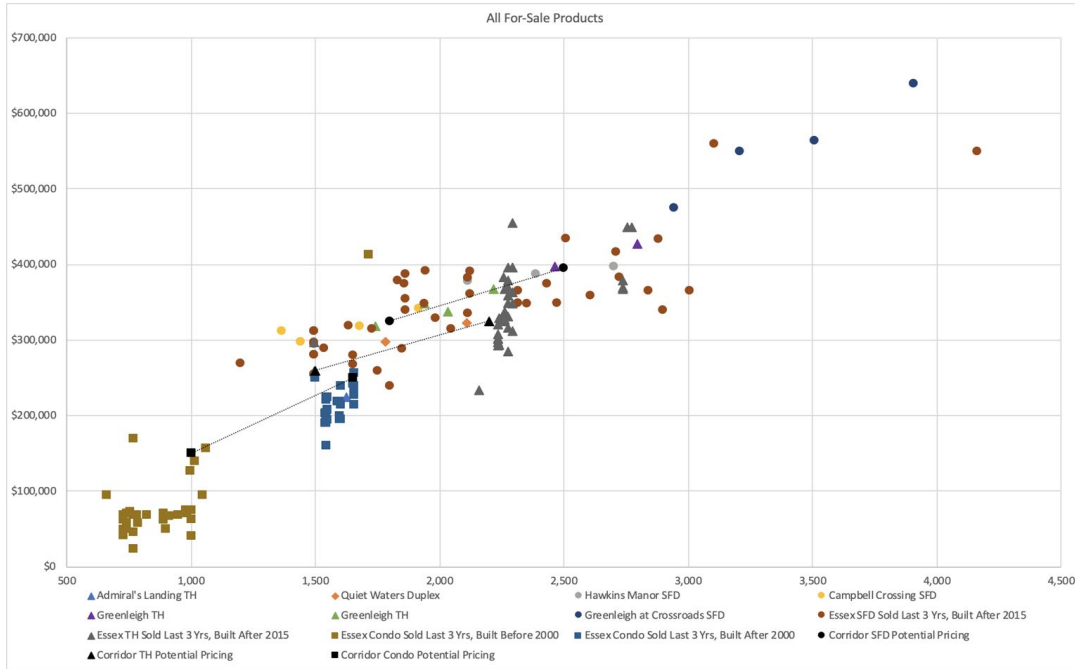
For-sale housing demand was based on the estimated potential demographic trends and projections for 2018-2030.

Estimated annual for-sale demand potential is based on new household growth, annual household turnover, and income per household.

The study projects an annual new household growth of 1,058 units per year. The highest distribution of income is in the range of \$25,000 to \$50,000 representing 20 percent of new household growth.

However, income effects home occupancy rate. Households earning between \$100,000 and \$150,000 are more likely to be owners, representing 80 percent in that category. This year, households with an income of \$150,000 and above are most likely seeking for-sale units in Baltimore County.

Income:	Below \$25,000	\$25,000 \$50,000	\$50,000 \$75,000	\$75,000 \$100,000	\$100,000 \$150,000	\$150,000 And Above	
Home Price ² :	Below \$95,000	\$95,000 \$180,000	\$180,000 \$265,000	\$265,000 \$350,000	\$350,000 \$525,000	\$525,000 And Above	
SOURCES OF DEMAND							TOTAL
New Household Growth, 2018-2035							
Total Annual New Households ¹	1,058	1,058	1,058	1,058	1,058	1,058	1,058
x Distribution of Income ³	15%	20%	19%	14%	18%	15%	100%
= Income Qualified	158	211	202	146	186	155	1,058
x Owner Propensity ³	20%	34%	45%	61%	72%	88%	52%
=New Households Seeking For-Sale Uni	32	72	90	89	135	136	554
Existing Owner Household Annual Turnover							
Total Households ³	312,826	312,826	312,826	312,826	312,826	312,826	312,826
x Distribution of Income ³	15%	20%	19%	14%	18%	15%	100.0%
x Owner Propensity ³	43%	53%	60%	72%	80%	91%	66%
Total Owner Households	20,038	32,840	35,963	31,199	44,083	41,799	205,922
x Annual Turnover Rate ³	5%	5%	6%	6%	6%	6%	6%
=Demand From Existing Households in	1,002	1,642	2,158	1,872	2,645	2,508	11,827
Annual For-Sale Demand By Home Pri	1,034	1,714	2,248	1,961	2,780	2,644	12,380
Preference for New ⁴	0%	2%	2%	7%	8%	8%	5%
Annual Demand for New	0	34	45	137	222	212	650
Preference for SFD ⁵	0%	5%	20%	35%	55%	75%	52%
Annual Demand for New SFD	0	2	9	48	122	159	340
Preference for Townhome ⁵	0%	15%	40%	60%	43%	23%	38%
Annual Demand for New TH	0	5	18	82	96	49	250
Preference for Condo ⁵	0%	80%	40%	5%	2%	2%	9%
Annual Demand for New Condo	0	27	18	7	4	4	61
Essex Capture of SFD ⁶	0%	20%	10%	8%	8%	2%	5%
Annual Demand for New SFD	0	0	1	4	10	3	18
Essex Capture of Townhome ⁶	0%	20%	20%	10%	5%	2%	7%
Annual Demand for New Townhome	0	1	4	8	5	1	19
Essex Capture of Condo ⁶	0%	10%	5%	5%	0%	0%	7%
Annual Demand for New Condo	0	3	1	0	0	0	4



source: CoStar

This comparison of for-sale products shows:

- Condominiums offer the lowest price per unit compared to townhomes and single-family detached units. Selling price ranges from \$150,000 to \$250,000. Additionally, at \$150/sf, condos also offer the cheapest price/square feet of for-sale property types.
- The opportunity for condos in Essex is relatively low; people prefer single-family housing and townhomes.
- The demand for condos is also low because they have limited space and less variety. Buyers prefer single family and townhomes because they are newer homes with more space at a similar price.
- Developing condos is a long-term opportunity in Corridor One. They are an opportunity for young single people or couples who want to own their living space, but have limited budgets.

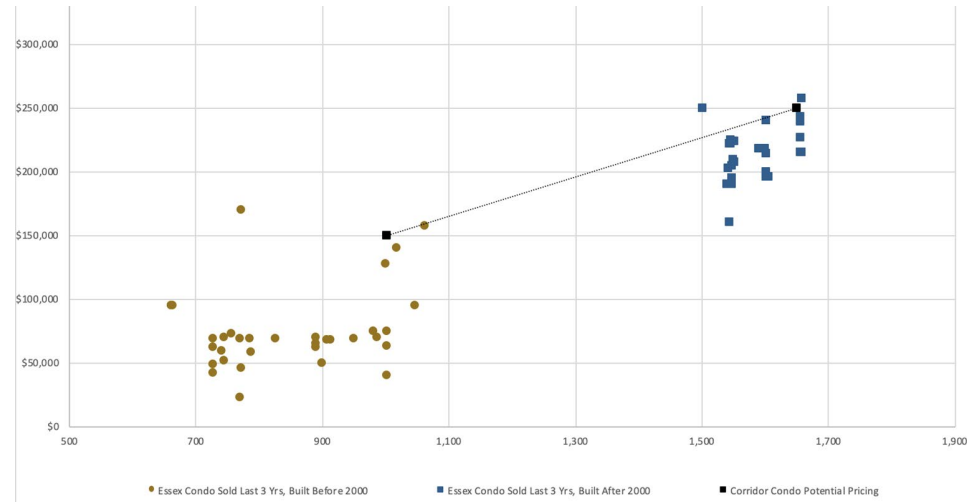
Corridor One is a strong location for condominiums with great water views and accessible to schools.

However, the area has a negative reputation due to a high crime rate, low-rated schools, and factors such as low walking score and lack of open spaces and parks—necessary amenities for most condominium developments.

The newest condominiums in Essex were built in 2008. Since then, there have been no new condos built in the area, indicating that condos are not the most popular housing products in Essex.

Based on the data, Corridor One isn't suited for short-term condominium development. The corridor's atmosphere and potential owners' low incomes are critical factors.

As a long-term opportunity, condominiums have potential, but infrastructure should be improved. The product might be a good option for single tenants or young couples looking to own, but have a limited budget.



source: CoStar

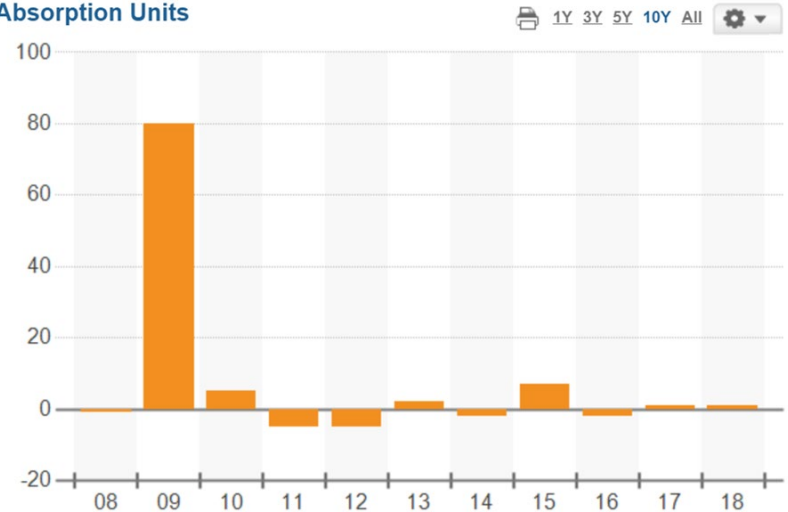
The current available senior apartments include various amenities that require more land. With almost no empty land in Corridor One, the potential for new senior apartments in the near future is unlikely.

All the apartments close to Essex are affordable senior apartments.

Only one senior apartment was constructed in the last ten years: 80 units added at Evergreen Senior Apartments.

The projected growth for senior housing between 2018-2023 is only 1.4 percent. Moreover, in the next ten years the absorption rate of senior apartments in Corridor ONE is forecasted to stay consistently low.

Absorption Units



source: CoStar

A. Evergreen Senior Apartment

Number of Units	81 (56 one bedroom, 25 two bedrooms)
Year Built	2009
Vacancy	3,7%
Avg Unit Size	780 SF
Rent	\$412 for one bedroom, \$861 for two bedrooms
Amenities	Fitness Center, Business Center, Club House, Gameroom, Laundry

B. Hopkins Village

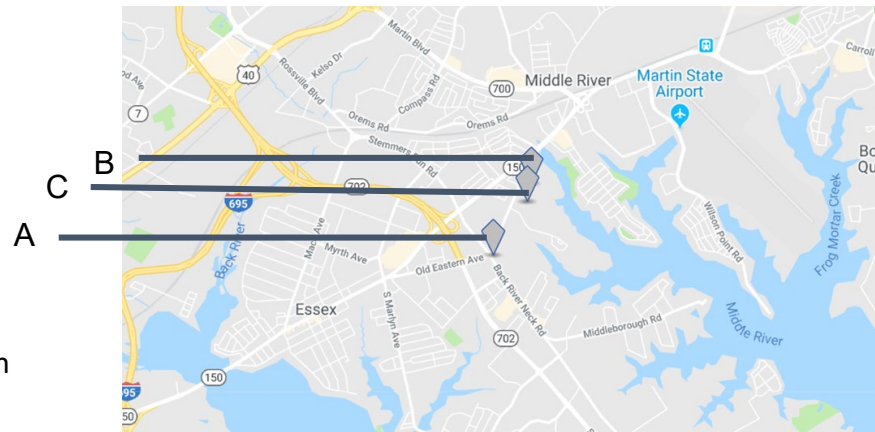
Number of Units	165 one bedroom units
Year Built	1979
Vacancy	6,1%
Avg Unit Size	518 SF
Rent	\$1106

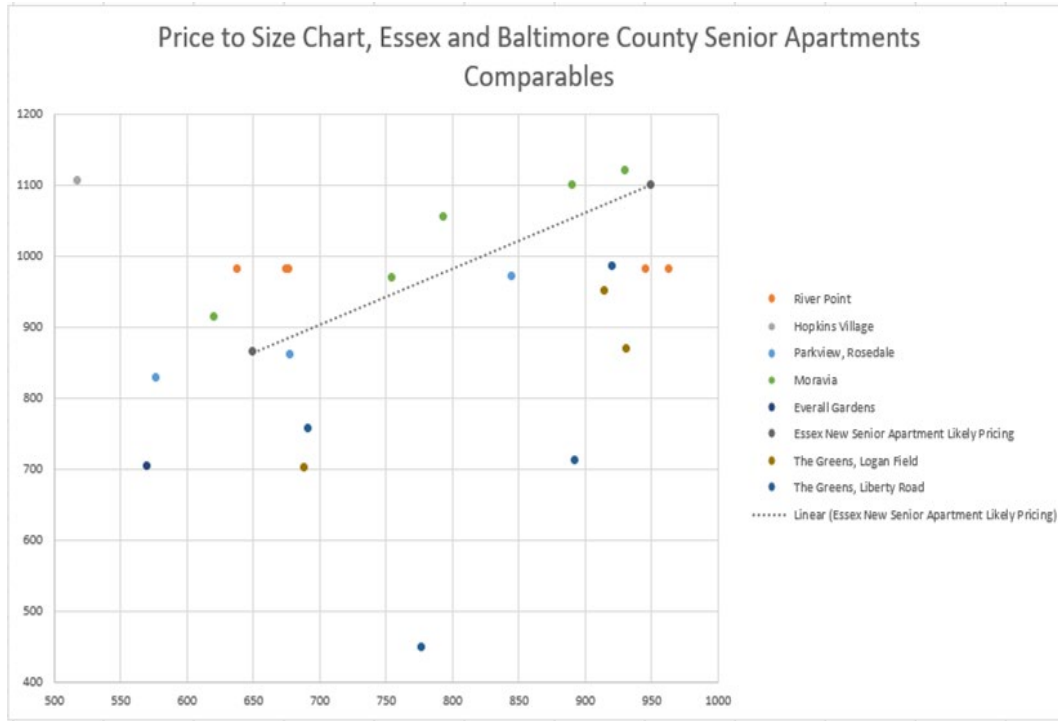
source: CoStar

C. River Point

Number of Units	120 (14 one bedroom, 106 two bedrooms)
Year Built	2004
Vacancy	6,7%
Avg Unit Size	924 SF
Rent	\$809 for one bedroom, \$982 for two bedrooms
Amenities	Fitness Center, Gameroom, Gated, Trails, Laundry, Tanning Salon

Three comparable senior apartments are located close to Corridor One. According to CoStar, their vacancy rates have remained relatively stable, around 5 percent, in the last few years even though rents have increased. The units are mostly one-bedroom with the exception of River Point, which has more two-bedroom units.





source: CoStar

Price-to-Size Senior Apartments

CoStar data indicates that senior living units in the study area are between 600 to 1,000 square feet and they vary in price. Projections estimate that senior apartment sizes in Essex will stay the same and rental rates for one-bedroom units would be around \$883. Two-bedroom units would be \$1,200.

The positioning hypotheses is that senior apartments in Corridor One are not feasible. To attract senior tenants, the rents should be similar to existing senior apartments in Essex (River Point and Hopkins Village). This price point is higher than the newest senior living units in Baltimore County (The Greens, Logan Reid, and Liberty Road).



FOR-RENT SENIOR HOUSING DEMOGRAPHIC POTENTIAL

The percent of Baltimore County households headed by someone over the age of 55 is 44.9 percent; a number expected to grow to 46.3 percent by 2023.

Projections indicate 489 new households over the age of 55 annually in Baltimore County. Out of those 489 new households, almost 40 percent earn between \$25,000 and \$75,000 a year.

Approximately 145,000 households are currently headed by someone over the age of 55 in Baltimore County.

Applying turnover rates, preference for new housing, and preference for Essex, there is demand for approximately 12 to 15 new senior apartments annually in Essex. This suggests 120 to 150 apartments every ten years.

ESTIMATED ANNUAL RENTAL DEMAND POTENTIAL FOR SENIOR LIVING DEMOGRAPHIC TRENDS AND PROJECTIONS: ESSEX, MD 2018-2035

Income:	Below \$25,000	\$25,000 - \$50,000	\$50,000 - \$75,000	\$75,000 - \$100,000	\$100,000 - \$150,000	\$150,000 and above	
% Spent on Rent ³ :	50%	38%	27%	22%	16%		
Rent ² :	Below \$1,000	\$1,000 - \$1,600	\$1,600 - \$1,700	\$1,700 - \$1,800	\$1,800 - \$2,000	\$2,000 and above	
SOURCES OF DEMAND							TOTAL
New Household Growth, 2018-2035							
Total Annual New Households ¹	489	489	489	489	489	489	489
x Distribution of Income ³	15%	20%	19%	14%	18%	15%	100%
= Income Qualified	73	98	93	68	86	72	489
x Renter Propensity ³	80%	66%	55%	39%	28%	12%	48%
=New Households Seeking Rental Units	59	64	52	26	24	9	233
Existing Renter Household Annual Turnover							
Total Households	144,717	144,717	144,717	144,717	144,717	144,717	144,717
x Distribution of Income ³	15%	20%	19%	14%	18%	15%	100,0%
x Renter Propensity ³	57%	47%	40%	28%	20%	9%	34%
Total Renter Households	12,413	13,659	10,935	5,563	5,037	1,848	49,455
x Annual Turnover Rate ³	18%	25%	28%	28%	28%	18%	24%
=Demand From Existing Households in Turnov	2,234	3,415	3,062	1,558	1,410	333	12,012
Annual Rental Demand By Rent Range	2,293	3,479	3,113	1,584	1,434	341	12,245
Preference for New ⁴	0,5%	0,5%	2,5%	2,5%	3,0%	3,0%	1,6%
Annual Rental Demand for New Apartments	11	17	78	40	43	10	200
Preference for Essex Low ⁵	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%
Annual Rental Demand in Essex	1	1	5	2	3	1	12
Preference for Essex High ⁵	7,3%	7,3%	7,3%	7,3%	7,3%	7,3%	7,3%
Annual Rental Demand in Essex	1	1	6	3	3	1	15



ANALYSIS BASED ON ANNUAL RETAIL DEMAND POTENTIAL CHART

The retail demand analysis for Essex illustrates the capture of future demand needed to analyze retail growth potential. The results are based on the Annual Retail Demand.

- The demand model is organized by retail industry segment, annual household growth, expenditure per household, annual future demand from new households, average store size, and store size in total square feet supported.
- Most new household expenditures go toward food at home (groceries) with an average of \$3,569, and food outside of home (restaurants) with an average of \$2,450. The demand analysis shows that the largest future household demand will also for grocery stores and restaurants. Given 60 households/year growth, there won't be any new demand in the next 10 years, unless another store closes.
- The demand analysis also indicates the area can't support a women's apparel store size up to 1,000 square feet. The average size of women's apparel stores is about 6,409 square feet. Pets, toys, and hobbies are another example of retail store sizes can't be supported by the household growth in Essex. Currently, pets, toys, and hobbies stores average 46,440 square feet. The future 10-year demand growth is only 1,615 square feet. These examples are oversupplied in Essex.
- According to aggregate retail data, the overall annual expenditure is \$13,657 per household and the sales per square footage is \$165. The current retail supply is 1.3 million square feet.
- The recommendation for a sustainable retail growth is that the future 10-year retail square footage should not exceed 20,805 square feet given the average 60 households/year growth. Oversupplying Essex with retail will hurt local businesses.



ESSEX, MD

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RETAIL MARKET STATISTICS

According to 2018 CoStar data, 112 properties represent 832,000 square feet of inventory along Eastern Boulevard with an average annual absorption of 6,300 square feet. The current vacancy rate is 2.7 percent, with average market rent per square foot at \$23.17. The Essex retail market is made up of small triple-net single buildings in repurposed spaces and dated commercial retail centers with vacant storefronts.

INVENTORY SF

832 K -0.3%

Prior Period 834 K

UNDER CONSTR SF

0 -

Prior Period 0

12 MO NET ABSORP SF

6.3 K +150.5%

Prior Period (12.6 K)

VACANCY RATE

2.7% +1.6%

Prior Period 4.3%

MARKET RENT/SF

\$23.17 +3.0%

Prior Period \$22.50

MARKET SALE PRICE/SF

\$186 +2.4%

Prior Period \$182

MARKET CAP RATE

7.0% 0%

Prior Period 7.0%

Availability

Vacant SF	22.1 K ↓
Sublet SF	0 ↓
Availability Rate	3.2% ↓
Available SF	26.2 K ↓
Available Asking Rent/SF	\$12.00 ↓
Occupancy Rate	97.3% ↑
Percent Leased Rate	97.3% ↑

Inventory

Existing Buildings	108 ↓
Under Construction Avg SF	-
12 Mo Demolished SF	2.1 K ↑
12 Mo Occupancy % at Delivery	-
12 Mo Construction Starts SF	0 ↓
12 Mo Delivered SF	0 ↓
12 Mo Avg Delivered SF	-

Sales Past Year

Asking Price Per SF	-
Sale to Asking Price Differential	-
Sales Volume	\$675 K ↓
Properties Sold	5 ↓
Months to Sale	10.7 ↓
For Sale Listings	2 ↓
Total For Sale SF	5.8 K ↓

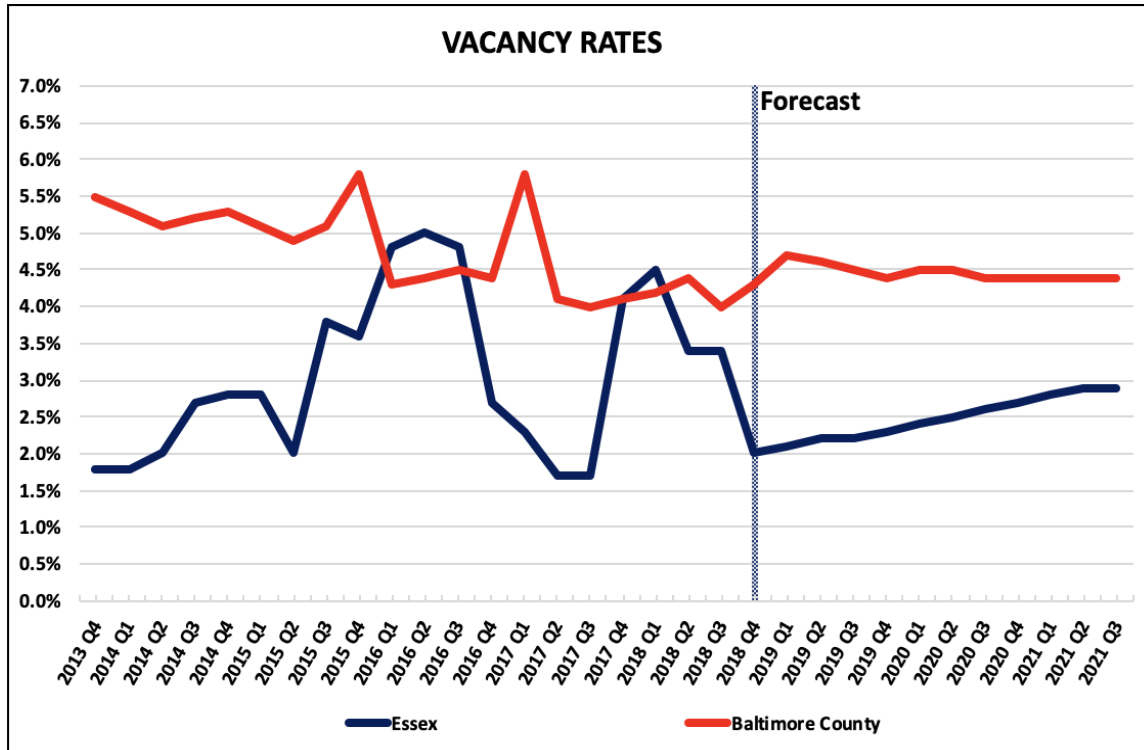
Demand

12 Mo Net Absorp % of Inventory	0.8%
12 Mo Leased SF	12.5 K
Months on Market	7.8
Months to Lease	60.4
Months Vacant	62.0
24 Mo Lease Renewal Rate	80.7%
Population Growth 5 Yrs	1.7%

- There is low-to-moderate demand for locally-serving retail demand in Essex over the next 5 to 10 years.
- Area retail is old and outdated. There is only one large-format chain grocery store.
- There is pent-up demand for locally serving retail, including sit-down restaurants, dry cleaners, and drug stores.
- Current urban streetscapes pose a challenge. A clean, safe, and appealing streetscape will attract new households to the area.
- Safety and low incomes are another issue that could be mitigated with the arrival of higher income households and infrastructure improvements.
- Large chain stores such as Target and Walmart are needed, however with convenient Amazon Prime, residents' needs are met through online shopping. In the short-term, the need for large chains is limited, although attracting a large chain store could be a positive impact on the growth in the area.
- Lease rates will be highly dependent on development location and quality. Lease rates are projected to increase to between \$22 and \$24 per square foot, triple-net.

RETAIL CATEGORY	2018-2028 DEMAND RANGE (\$F)	
	Future 5-Year Demand Potential	Future 10-Year Demand Potential
ESSEX		
Women's Apparel	474	949
Men's Apparel	252	504
Girl's Apparel	116	232
Boy's Apparel	79	158
Infant Apparel	70	140
Footwear	264	528
Entertainment	808	1,615
Audio & Visual Equipment/Service	651	1,302
Reading Materials	87	173
Pets, Toys, Hobbies	733	1,465
Personal Items	1,172	2,344
Food at Home	2,148	4,296
Food Away From Home	1,342	2,684
Alcoholic Beverages	208	415
Household Equipment & Furnishings	1,182	2,364
Automotive Repair & Maintenance	818	1,635
Sub Total	10,403	20,805

ESTIMATED QUARTERLY VACANCY TRENDS AND PROJECTIONS: ESSEX AND BALTIMORE COUNTY (Q3 2013-Q3 2021)

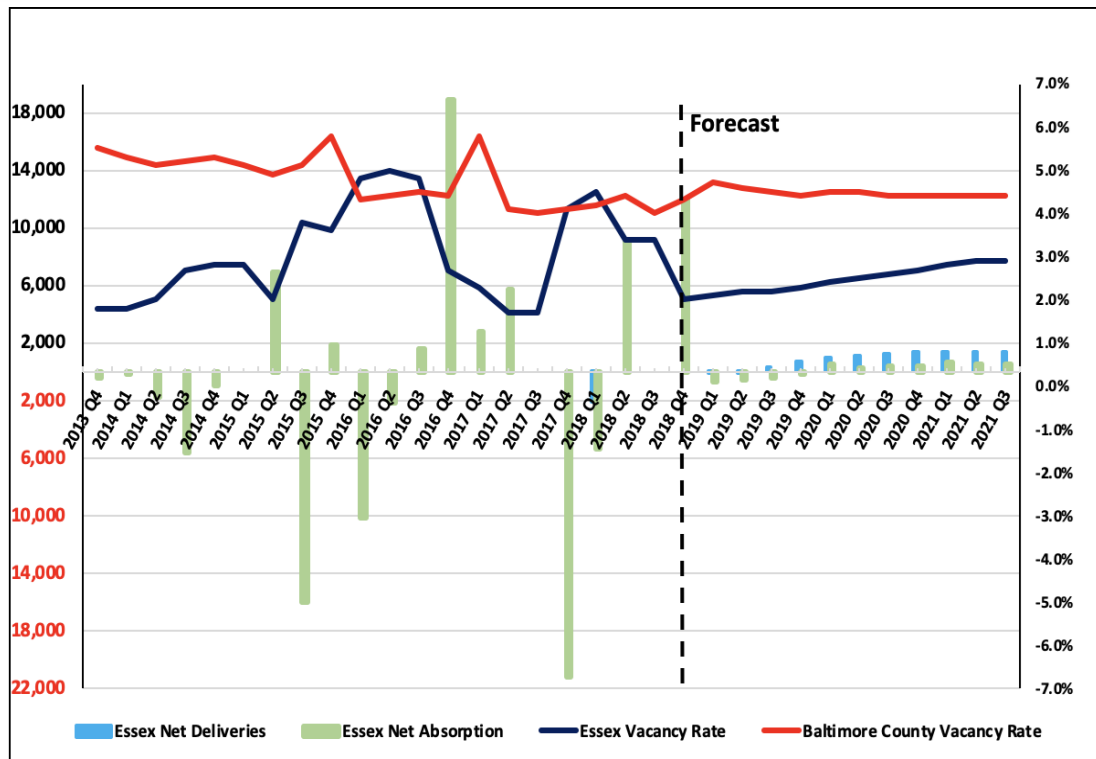


Historically, vacancy rates have been higher in Baltimore County than in Essex. In Q3 2018, retail in Essex had a 3.4 percent vacancy rate, which is projected to slightly decrease to 2.9 percent by the end of 2021.

Baltimore County has a higher retail vacancy rate. As of Q3 2018, the rate was 4 percent, which is projected to increase to 4.4 percent by 2021.

source: CoStar

NET ABSORPTION, NET DELIVERIES, AND VACANCY RATE TRENDS AND PROJECTIONS: ESSEX AND BALTIMORE COUNTY (2013-2021)

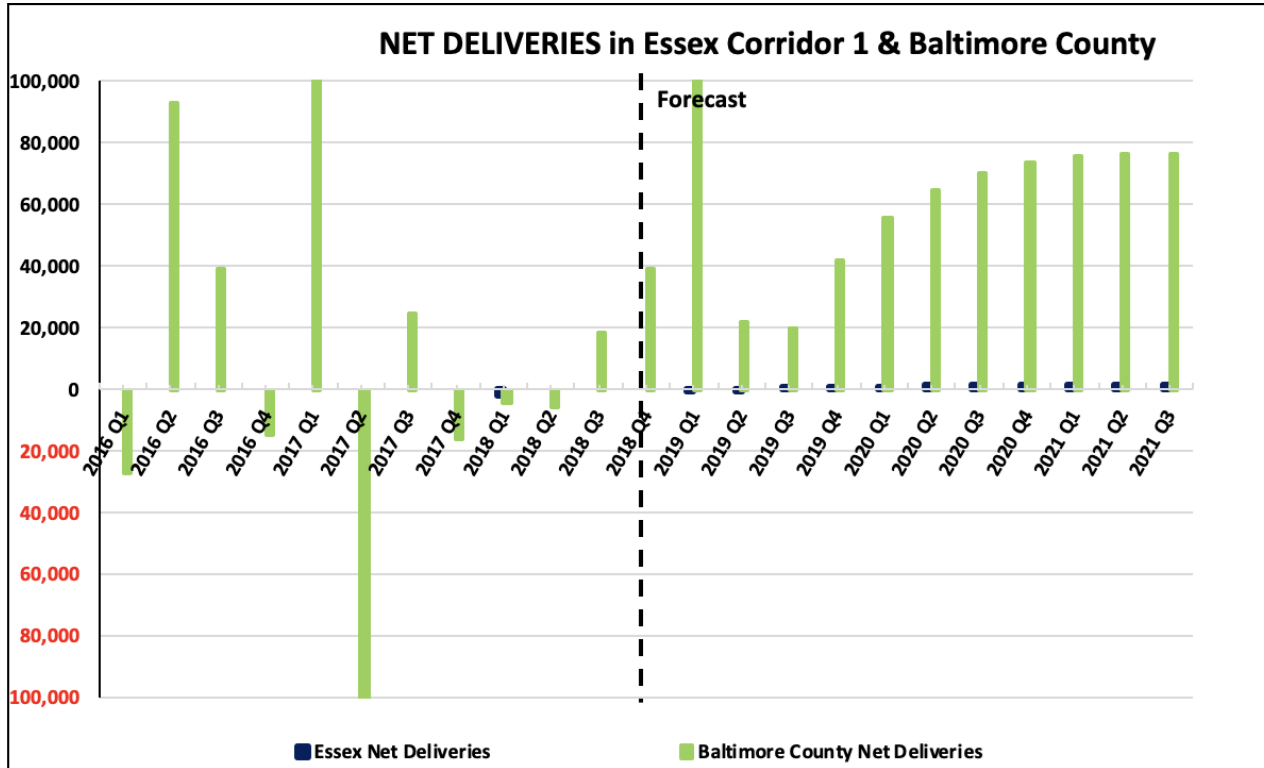


source: CoStar

As indicated, Essex vacancy rates are projected to slightly increase. Deliveries (new supply) are also projected to grow starting around Q3 2019 and steadily increasing by Q3 2021. By Q3 2021, net deliveries will grow to 1,416 square feet. With an exception of a building demolition in Q1 2018, in the last five years average net deliveries were essentially zero.

Net absorption (net change in occupied space) has been volatile; in 2018 alone net absorption has been around 16,000 square feet, unusual compared to the average five year trend of negative 230 square feet. In the next five years, net absorption is projected to grow slowly, given the low supply and demand.

ESTIMATED QUARTERLY RETAIL SUPPLY TRENDS AND PROJECTIONS: ESSEX AND BALTIMORE COUNTY (2013-2021)

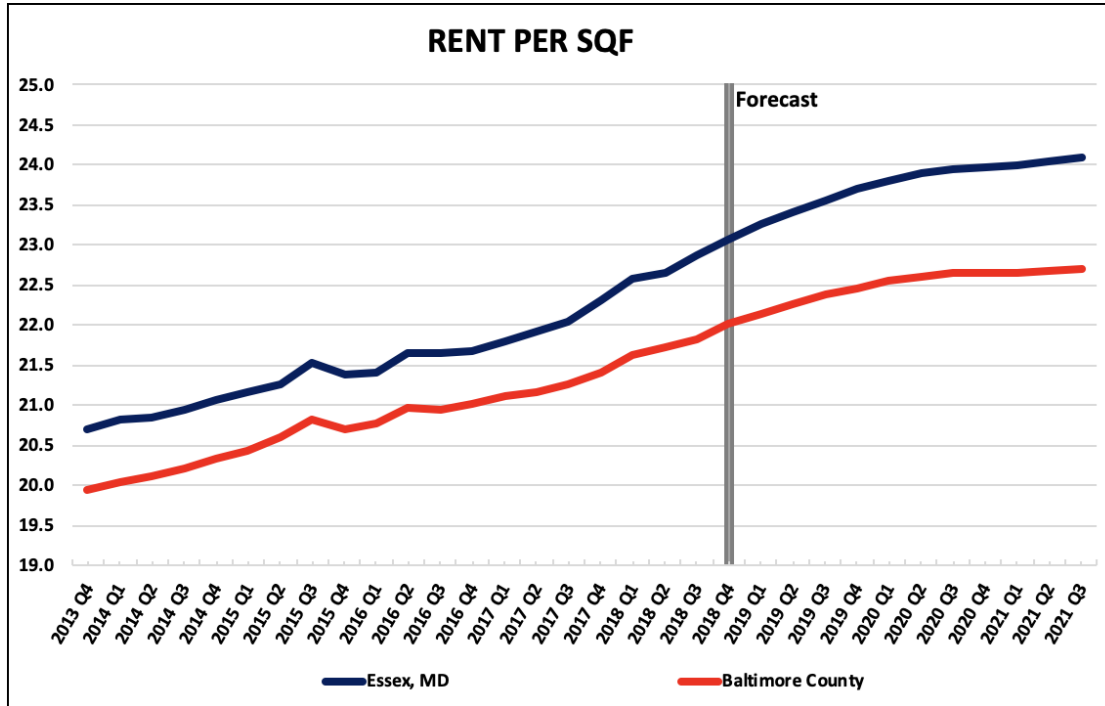


source: CoStar

Net deliveries in Baltimore County have fluctuating between 2016-2018. It is projected to deliver 366,000 retail square feet by Q1 in 2019 (a figure beyond the chart's parameters). By Q3 2021, Baltimore County is forecasted to deliver on average 58,000 retail square feet each quarter.

Essex, on the other hand is delivering at a much slower pace. On average it is projected to deliver about 910 retail square feet per quarter.

ESTIMATED QUARTERLY RETAIL RENTAL TRENDS AND PROJECTIONS: ESSEX AND BALTIMORE COUNTY (Q3 2013-Q3 2021)

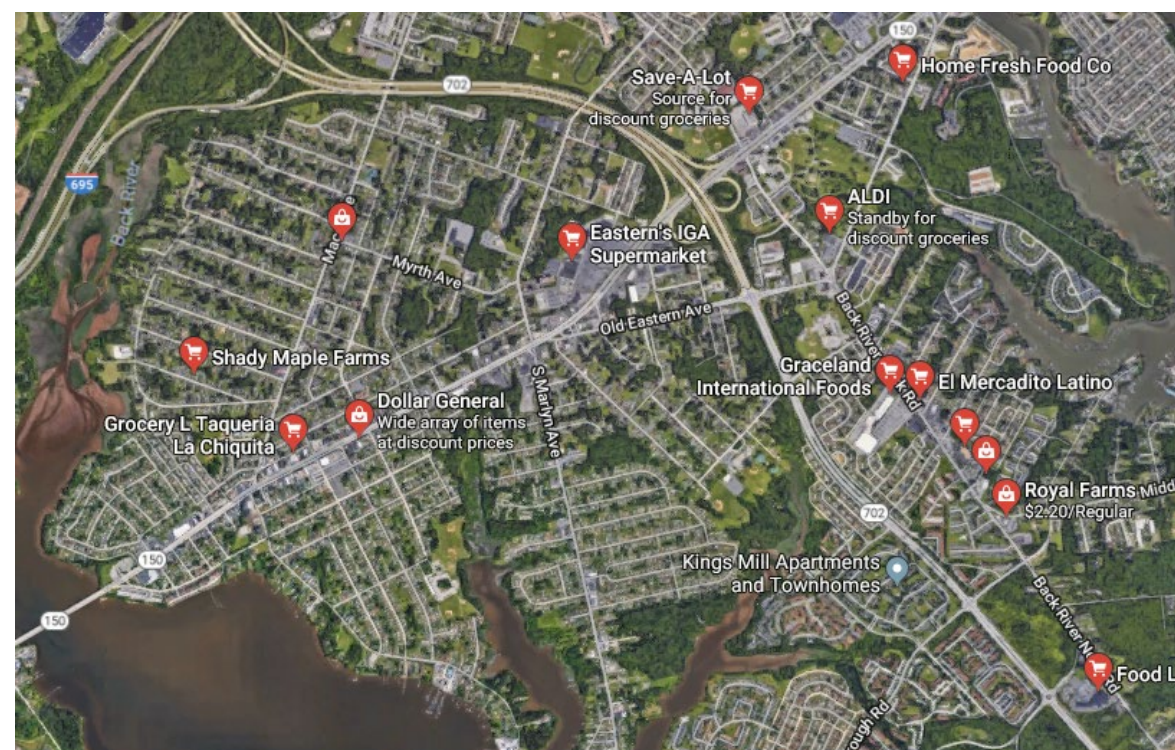


source: CoStar

Rent/square foot has been growing and is projected to grow during the 2013-2021 period in both areas.

As of Q3 2018, Baltimore County's retail space rents at average at \$22/sf. That rate is projected to grow steadily, reaching \$22.70/sf by Q3 2021. Given the large volume of new deliveries in the next 3 years, Baltimore County will see some retail growth on both the supply and demand sides.

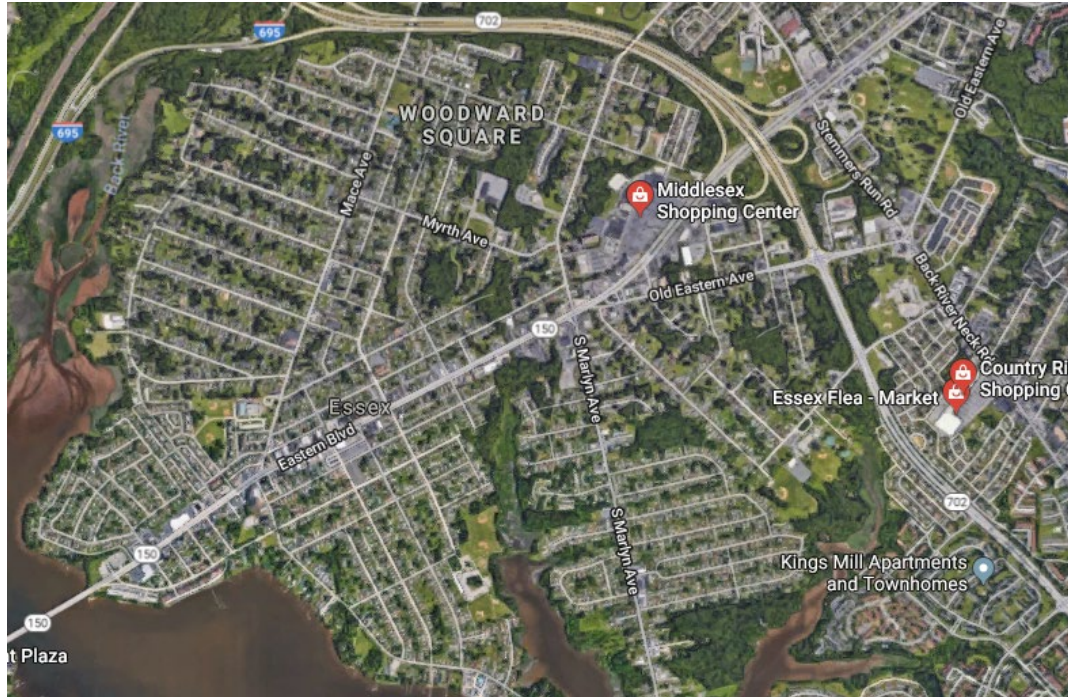
Corridor One has had an average rent of \$23/sf. This rate is projected to grow steadily, reaching \$24/sf by Q3 2021. The small number of future deliveries are an indicator of slow growth, even with a higher average rent/sf.



There are about fourteen grocery stores in the Essex area; three are located in Corridor One and six are major chains.

Store brands include Aldi, Food Lion, Shoppers, and La Taqueria all of which are dated.

In addition to larger grocery stores, local convenience stores serve international foods.



The retail stock in Essex is very poor: Middlesex Shopping Center, Country Ridge, and Essex Flea market are the only existing shopping centers.

The local retail market is dominated by White Marsh Mall, The Avenue at White Marsh, and Baltimore CrossRoads (Greenleigh).

Within the East Baltimore submarket, the only new retail being delivered is Potomac Crossroads, at Greenleigh.

Corridor One lacks the land area for an additional new local retail center without demolishing existing retail and/or re-using existing disjointed retail space.



CRITICAL SUCCESS FACTORS

Enhance the Pedestrian Experience

Improving the area's streetscape with pedestrian friendly sidewalks, attractive uniform signage, updated street lighting, improved landscape would increase the area's cohesion and establish it as a destination for visitors and new residents. The area should capitalize on the waterfront adjacent to Eastern Boulevard by connecting a pedestrian zone from the main boulevard to the marina.

Improve Transportation Access

New development would increase the demand for public transportation. Currently there are several bus routes that connect Essex to downtown Baltimore and White Marsh. However, with new development, current infrastructure should be rethought. Possible changes include parallel parking, lowered speeding limits, more frequent U-turns, and aesthetic improvements.

Rebranding of the area

Corridor One is among the oldest corridors in Essex. It is populated with old retail and unattractive architecture. This outdated retail doesn't appeal to potential tenants. To attract younger residents, several retail stores should be revamped to meet the needs of younger generations that move to the area.

ULI's 10 Principles for Reinventing America's Suburban Strips

1. Ignite Leadership and Nurture Partnership
2. Anticipate [Market] Evolution
3. Know the Market
4. Prune Back Retail-Zoned Land
5. Establish Pulse Nodes of Development
6. Tame the Traffic
7. Create the "Place"
8. Diversify the Character
9. Eradicate the Ugliness
10. Put Your Money (And Regulations) Where Your Policy Is

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