



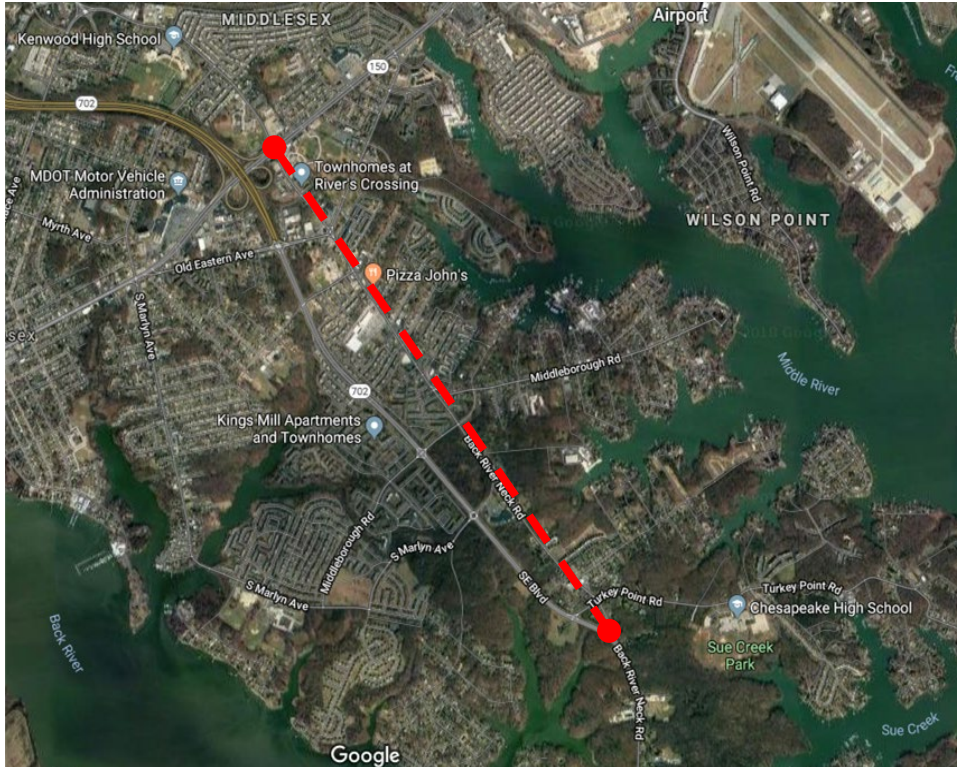
Essex Market Study Corridor Three

Back River Neck Road

Karynne Campbell, Cassandra Huntington, Akiel Pyant, Brad Robertson

RDEV 620: Market Analysis for Real Property Development

Fall 2018



| | |
|---------------------------------|----|
| Background and Objectives | 3 |
| Site Analysis | 7 |
| Economics and Demographics | 11 |
| Townhome Analysis | 21 |
| Apartment Analysis | 31 |
| Retail Analysis | 41 |
| Hotel Analysis | 49 |
| Conclusions and Recommendations | 55 |

BACKGROUND AND OBJECTIVES

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 corridor study along Eastern Avenue runs from Back River Neck Road on the west to Martin Boulevard in the east. The Back River Neck Road corridor goes from Eastern Avenue to Middleborough Road.

Students were divided into teams to work on the market study for the various corridor segments. Corridor One runs along Eastern Avenue from Back River Neck 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 Three, the Back River Neck Road portion of the 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.





Methodology and Qualifications

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
& 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
Recommendations

SITE ANALYSIS



OVERALL SITE STRENGTHS

Proximity to both private and commercial airports and to downtown Baltimore puts Essex in a convenient location for development. It is also easily accessible by highways I-95 and I-695 as well as by the City Link Orange bus.

The area is adjacent to existing job centers and new developments that are contributing to the area's economic growth. Existing job centers include large institutions such as Johns Hopkins Bayview, MedStar Franklin Hospital, and Community College of Baltimore County Essex. Two new developments also contribute to the potential in Essex—Tradepoint Atlantic to the south and Greenleigh at Crossroads to the northwest.

Back River Neck Road is well positioned for various land uses based on its visibility and traffic counts. There is enough activity to support retail and restaurants, while it's also private and quiet enough to accommodate residential developments at multiple scales.

The Fields at Renaissance Park, a new outdoor public space along Back River Neck Road, includes a baseball field, picnic tables, and park space. This green space is adjacent to a new residential development, which is also thriving.

These improvements show the potential for new developments to be successful along the corridor.





OVERALL SITE CHALLENGES

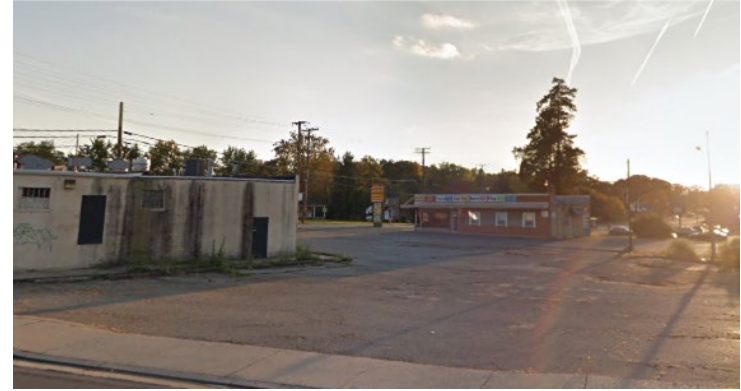
The lack of walkability along Back River Neck Road is a major challenge for the area. The urban fabric and streetscape create a car-dependent environment, a negative for many land uses. However, downtown Essex is trying to improve its streetscapes. Improvements have been funded over the past year and further changes will be aided by the Neighborhood Design Commission.

The corridor doesn't have a lot of mixed-use development. Although there are multiple land uses, they are generally in separate developments, which negatively impacts the area's walkability.

The aging building stock contributes to a poor aesthetic quality that hinders all types of development. Many buildings need improvements, renovations, and repairs. There are also vacant buildings and absentee property owners. Establishing incentive programs would encourage property owners to invest in much needed improvements.

Negative perceptions of Essex make it difficult to draw new people to the area. There are currently few reasons for people to visit, drive through, or move to Essex. High crime rates also contribute to negative perceptions.

Overall school ratings are low, especially for the elementary schools.



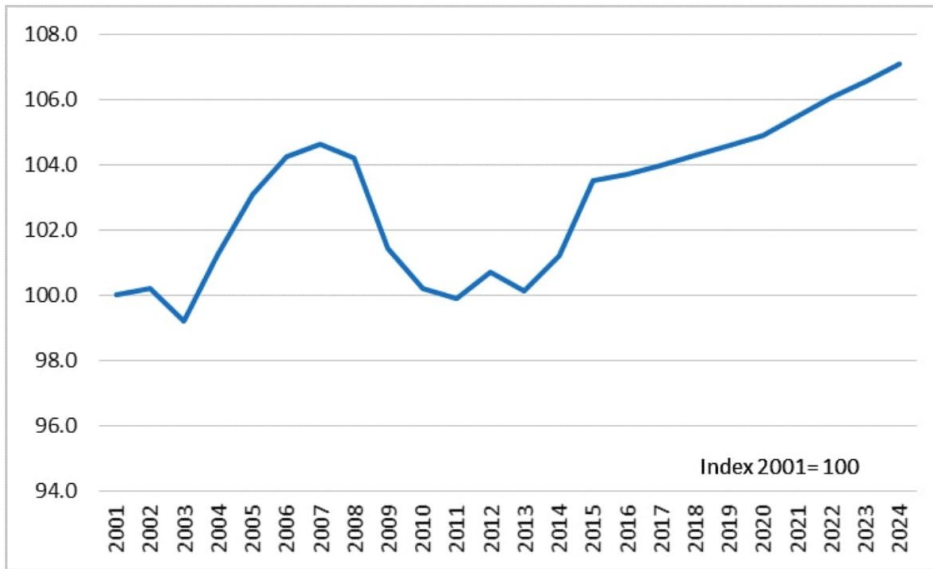


LAND USE ANALYSIS STRENGTHS AND CHALLENGES

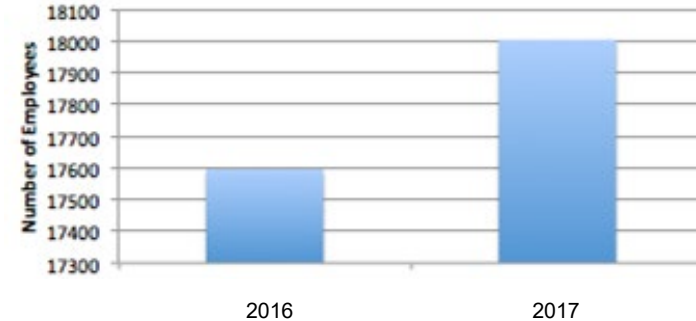
| Land Use | Strengths | Challenges |
|---------------------------|--|---|
| For-Sale Townhomes | <ul style="list-style-type: none"> ● Proximity to job cores and new developments ● Appropriate traffic counts, private and quiet ● The Fields at Renaissance Park ● Highly rated technical high school | <ul style="list-style-type: none"> ● Not very walkable, car-dependent ● Poor aesthetic quality, old buildings need improvements, work with absentee property owners ● Negative perceptions, high crime, bad schools |
| Rental Apartments | <ul style="list-style-type: none"> ● Easy access to multiple employment concentrations ● Comparable apartment supply in the immediate area is dated and lower quality ● Well served by convenient retail and food | <ul style="list-style-type: none"> ● Lack of new developments in the area ● Overall vacancy rates have been increasing since 2014 ● Area is only served by bus system and not connected to a rail line ● No higher quality dining options |
| Retail | <ul style="list-style-type: none"> ● Retailers are very visible along the corridor ● Near waterfront, making it an attractive place for retailers, also increases the chances that people will visit these retailers ● Multiple fast food restaurants, as well as small business restaurants along the corridor | <ul style="list-style-type: none"> ● Walkability is extremely limited, affecting access to retailers ● Small retailers don't have an appealing aesthetic quality in outdated buildings that need improvements ● Abundance of outdated buildings need renovation. This may create an unfavorable perception of the town overall, which could influence people moving to Essex, resulting in fewer shoppers for area retailers |
| Hotel | <ul style="list-style-type: none"> ● Quick commute to Baltimore Inner Harbor, BWI, and Martin State Airport. Sufficient bus stops along corridor ● Several bar and lounge options, convenience stores, fast food retailers and pizza parlors in potentially walkable proximity. ● Attractive Renaissance Park and waterfront marinas on either side of the peninsula. | <ul style="list-style-type: none"> ● Few large scale employers in the immediate area ● No walkable access to high speed rail transit ● Growth for a family-oriented target audience may not encompass a need for additional hotel rooms ● Limited walkability to shopping centers and nice restaurants ● Crime rate in Essex is nearly two times the average for Maryland |

ECONOMICS AND DEMOGRAPHICS

Baltimore County Employment



Growth of Employees in Essex, MD



Historical job growth of Baltimore County and Baltimore City show an increase in the amount of employment in these areas. Baltimore County is projected to have a 3.5 percent increase in jobs by 2024.

Baltimore County jobs have the HIGHEST number of Baltimore County residents, indicating that most employees are working close to their residences.

Source: Data USA, 2018. https://datausa.io/profile/geo/essex-md/?compare=baltimore-county-md#category_industries

Source: Baltimore County Government, 2017. <https://www.baltimorecountymd.gov/News/BaltimoreCountyNow/where-will-the-2024-jobs-be-in-baltimore-county>

Educational Services is the largest job type suggesting a focus on education, which is important to families looking to raise children in the area.

With Retail Trade and Accommodation and Food Services Essex’s second and third largest industry types, there may be an opportunity to find qualified hotel employees in Essex.

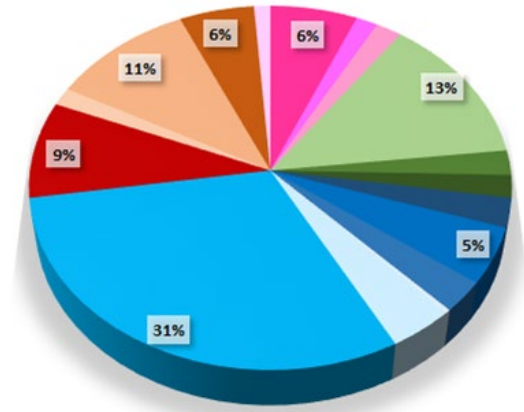
For the retail industry, the large City population focused on retail jobs implies an abundant supply of employees for new retailers.

With the region’s and the City’s focus on healthcare and education, retail centers could consider these industries when selecting tenants.

The County’s major employers are primarily large institutions such as the federal government, hospitals, and universities thus providing stable job opportunities.

Essex is at a crossroads with each of the top 10 major employers for the Baltimore County area, with a 10- to 35-minute drive.

Job Counts by NAICS Industry Sector, 2015



Educational Services - 29.1%

Retail Trade - 13.3%

Accommodation and Food Services - 11.2%

Health Care and Social Assistance - 8.9%

Construction - 6.1%

Source: OnTheMap Census; Accessed 10/19/2018; <https://onthemap.ces.census.gov/>

Baltimore's hotel industry creates jobs and generates revenue, additional hotels in Essex have a similar impact.

Baltimore is an attractive destination for history and cultural attractions. Attractive locales, such as marinas or interactive retail centers, in the city of Essex could draw some of these visitors.



15.6 MILLION DAY TRIPS

23% children/77% adults



*special events constitute 14%



10.6 MILLION OVERNIGHT TRIPS

21% children/79% adults



*special events constitute 10%

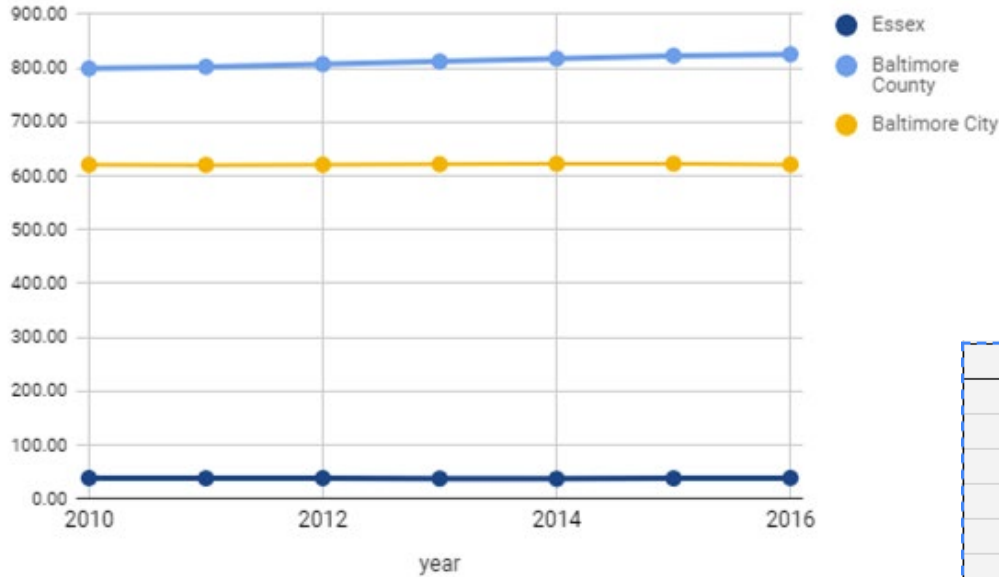
Top activities of special interest (day & overnight)



Source: Baltimore.Org; <https://baltimore.org/info/visit-baltimore-annual-reports-and-business-plans>

Source: United States Census Bureau; December 12, 2016; <https://www.census.gov/library/visualizations/2016/comm/marinas.html>

Population Growth (in thousands)



In 2015 and 2016 Essex saw the highest level of population growth.

This signals a trend that the area is attracting more people relative to the overall market.

Strong population growth may facilitate the overall demand for for-sale/rental housing and retail.

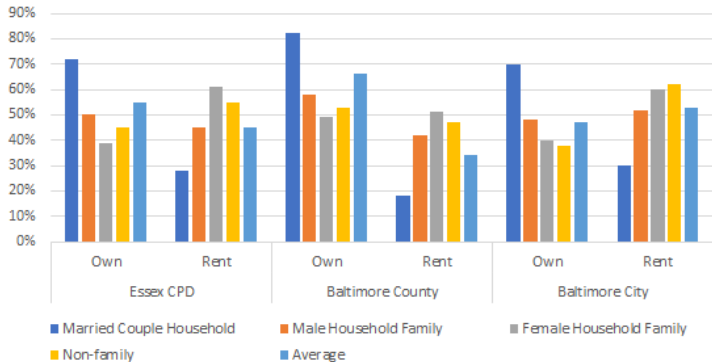
% change of population

| | Essex | Baltimore County | Baltimore City |
|------|--------|------------------|----------------|
| 2011 | -1.20% | 0.40% | -0.10% |
| 2012 | 0.90% | 0.60% | 0.10% |
| 2013 | -2.00% | 0.60% | 0.10% |
| 2014 | -1.30% | 0.70% | 0.10% |
| 2015 | 2.30% | 0.60% | 0.00% |
| 2016 | 1.80% | 0.30% | -0.20% |

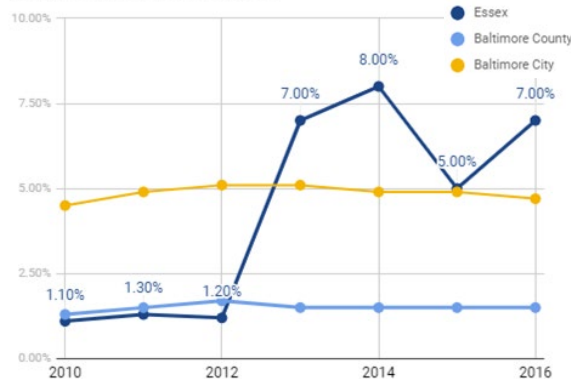
Source: American Fact Finder, U.S. Census Bureau
<https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

- The homeowner vacancy rate in Essex has more than doubled since 2012.
- Essex could develop rental apartments and for-sale residential based on age, income, and household type preferences.
- Married couples choose to own in all three geographies, while the other categories are more evenly split.
- Essex has only 29 percent married households, further supporting the development of both rental apartments and for-sale residential units.
- The average household size in Essex is 2.5 and the average married couple household size is 3.5.
- Household size is almost identical across Essex, Baltimore County, and Baltimore City. However, Essex has the highest household sizes.

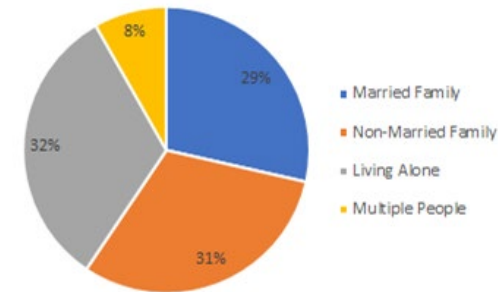
Tenure by Household



Homeowner Vacancy Rates

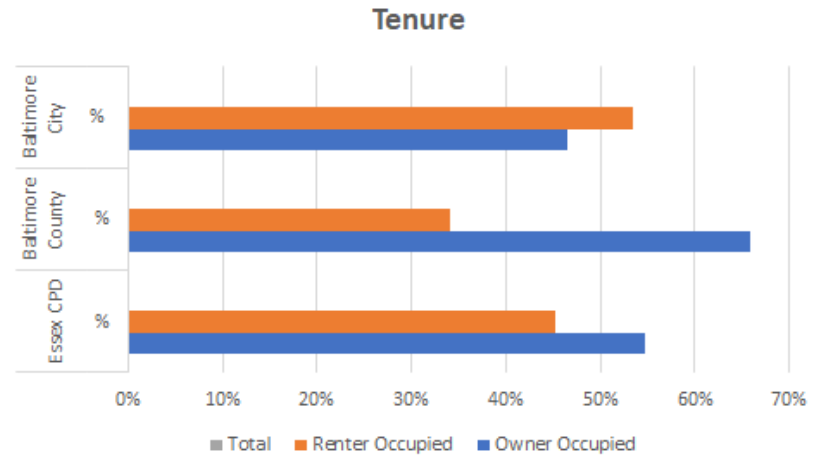
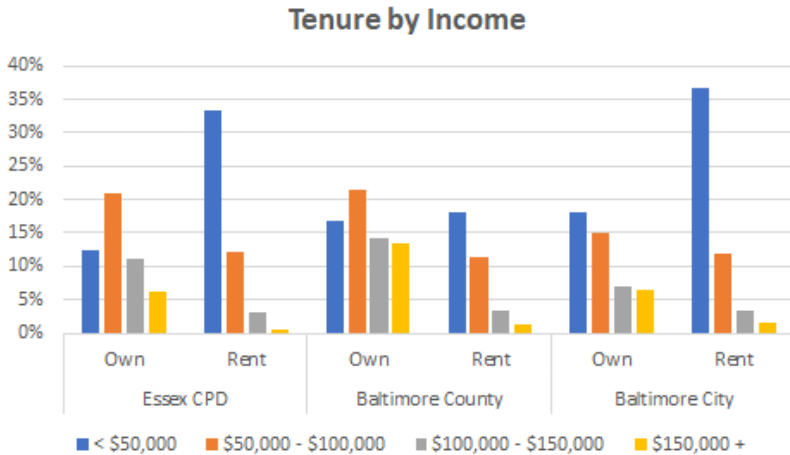


Household Marital Status



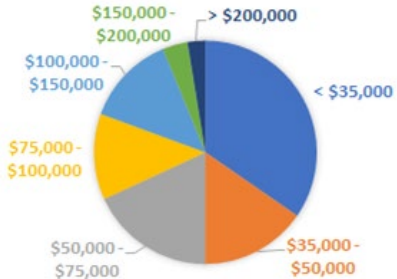
Source: S1101, 2012-2016 American Community Survey 5-Year Estimates, U.S. Census Bureau, American Fact Finder
 Source: American Fact Finder, U.S. Census Bureau <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

- Among households earning <\$50,000, in Essex and Baltimore City, 2/3 are renters; in Baltimore County it is evenly split.
- Baltimore City has a higher percentage of high income households renting, not the case in Essex and Baltimore County. Baltimore County has the largest disparity between owners and renters. Baltimore County has almost double the amount of owners than renters.
- Both Baltimore City and Essex have similar numbers of renters and owners. However, Baltimore City has more renters, while Essex has more owners.
- Essex is in Baltimore County and near Baltimore City, which may contribute to its distribution of renters versus owners.
- Essex has the potential for both rental and for-sale residential units, varied development that appeals to different residents.



Source: S1101, 2012-2016 American Community Survey 5-Year Estimates, U.S. Census Bureau, American Fact Finder

Essex Income



Median Household Income:

\$52,141 - Essex
\$46,641 - Baltimore
\$71,810 - County
\$78,916 - Maryland

- Essex has a high number of low-income households and a lower median income than Baltimore County, the surrounding counties, the State, and the US. However, it is located within Baltimore County, which is above the US median income level and close to the Maryland median. This location has the potential for rising income levels and redevelopment.
- Development should not favor those making making over \$100,000; this is less than 25 percent of Essex residents.
- Essex needs low-income housing development in both the for-sale and rental markets. Essex income levels can't support luxury retail or expensive department stores.

| INCOME | Essex CPD, Maryland | | Baltimore County | | Baltimore City | |
|-----------------------|---------------------|------------|------------------|------------|----------------|------------|
| | # of Jobs | % of Total | # of Jobs | % of Total | # of Jobs | % of Total |
| under \$35,000 | 5,105 | 35% | 71,819 | 23% | 101,034 | 42% |
| \$35,000 - \$50,000 | 2,271 | 15% | 37,417 | 12% | 31,571 | 13% |
| \$50,000 - \$75,000 | 2,672 | 18% | 59,601 | 19% | 40,842 | 17% |
| \$75,000 - \$100,000 | 1,838 | 12% | 43,225 | 14% | 24,441 | 10% |
| \$100,000 - \$150,000 | 1,946 | 13% | 54,971 | 18% | 25,062 | 10% |
| \$150,000 - \$200,000 | 536 | 4% | 23,451 | 7% | 9,508 | 4% |
| over \$200,000 | 380 | 3% | 22,342 | 7% | 9,958 | 4% |
| | 14,748 | 100% | 312,826 | 100% | 242,416 | 100% |



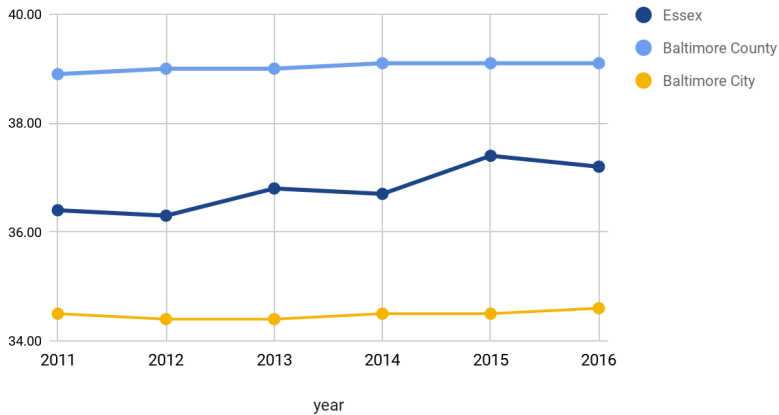
Source: B19001, 2012-2016 American Community Survey 5-Year Estimates, U.S. Census Bureau, American Fact Finder

Source: datausa.io, 2016 & B19001, 2012-2016 American Community Survey 5-Year Estimates, U.S. Census Bureau, American Fact Finder

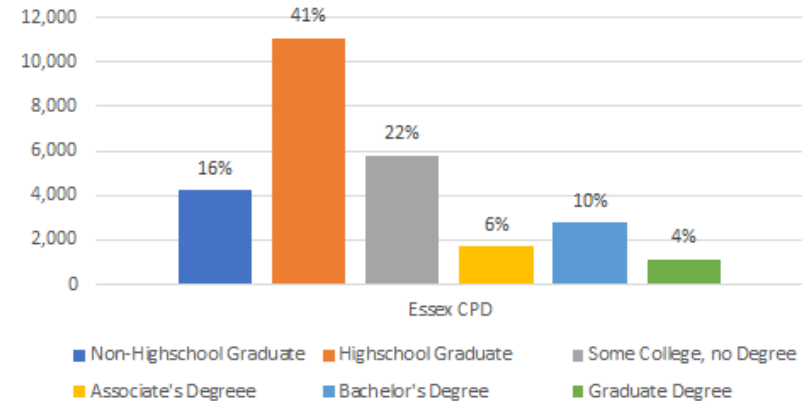
Source: <https://www.census.gov/quickfacts/fact/table/md,baltimorecountymaryland,essexcdpmaryland,baltimorecitymaryland,US/INC110217>

- Only 20 percent of Essex residents are college educated.
- Baltimore County has a higher level of college graduates than both Baltimore City and Essex.
- Higher incomes are linked to higher education levels. Essex should focus public investment on improving the public school system, which would likely draw more residents to the area.
- Between 2010 and 2016, the Essex median age increased by one year to 37.4.
- Essex is relatively younger than Baltimore County, which could help attract young professionals who commute into the city.

Median Age



Educational Attainment, Essex (25+)



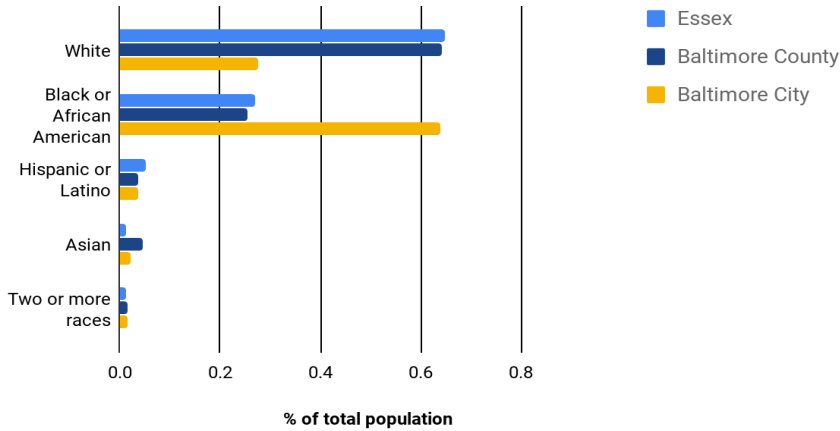
Source: K201501, 2012-2016 American Community Survey 5-Year Estimates, U.S. Census Bureau, American Fact Finder
Source: American Fact Finder, U.S. Census Bureau <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>



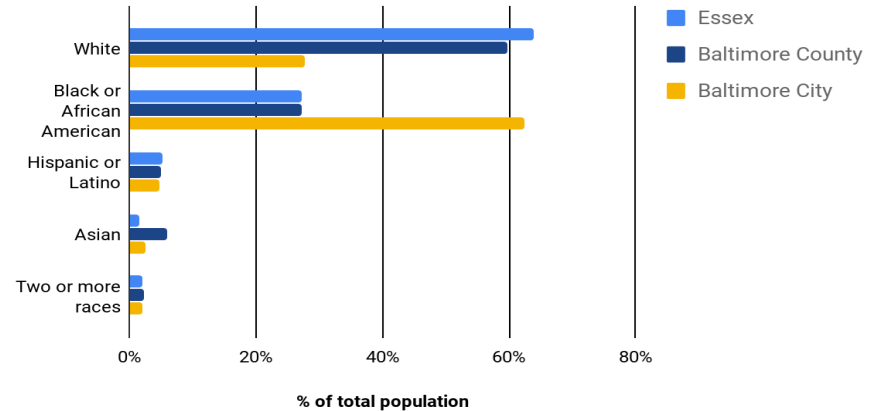
DEMOGRAPHICS: RACE

- Essex experienced only small changes in its racial demographics from 2010 to 2016. The largest change came from a one percent drop in the white population
- The largest change was Baltimore County's decrease in white population, which dropped 4.7 percent between 2010 and 2016.
- Baltimore city stayed relatively the same during this period. The black population decreased by 1.6 percent from 2010 to 2016 while the Hispanic population increased 1.1 percent.

2010



2016



Source: American Fact Finder, U.S. Census Bureau <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

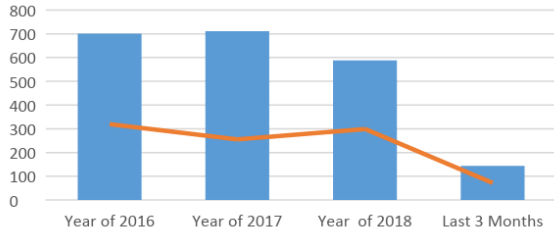
TOWNHOUSE ANALYSIS



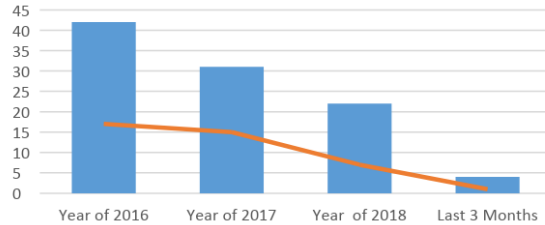
MARKET CONDITIONS: SALES

- These graphs illustrate that overall home sales vastly outpaced new home sales for the County, Essex, and Back River Neck Road. This trend is also visible in the demand analysis.
- While overall home sales and new home sales have been relatively consistent in Baltimore County over the last three years, sales fluctuate for both in Essex and along Back River Neck Road.

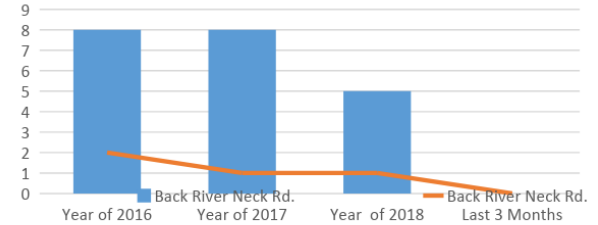
New Home Sales: Baltimore County
(Built 2015+)



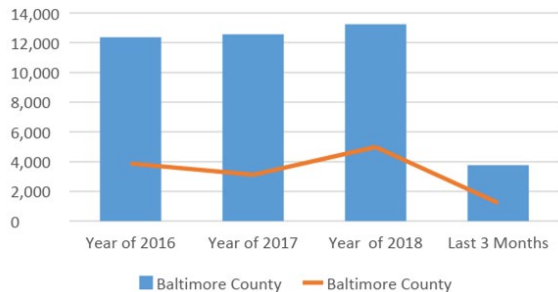
New Homes Sales: Essex, Maryland
(Built 2015+)



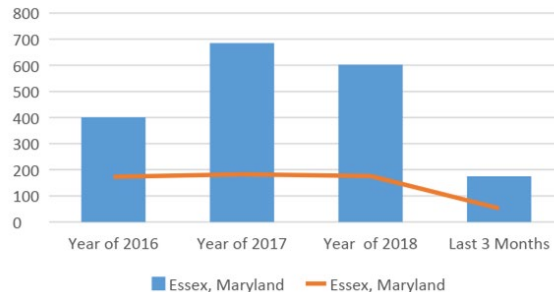
New Home Sales: Back River Neck Rd.
(Built 2015+)



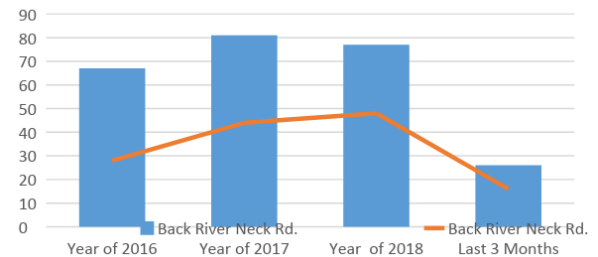
Overall Homes Sales: Baltimore County



Overall Home Sales: Essex, Maryland



Overall Home Sales: Back River Neck Rd.



Source: Redfin, October 2018



Baltimore County:

Median List \$ - \$275K
 Median List PSF - \$160
 Avg. Number of Offers - 1
Median Sale \$ - \$273 K
Median Sale PSF - \$153
 Avg. Down Payment - 10.2%

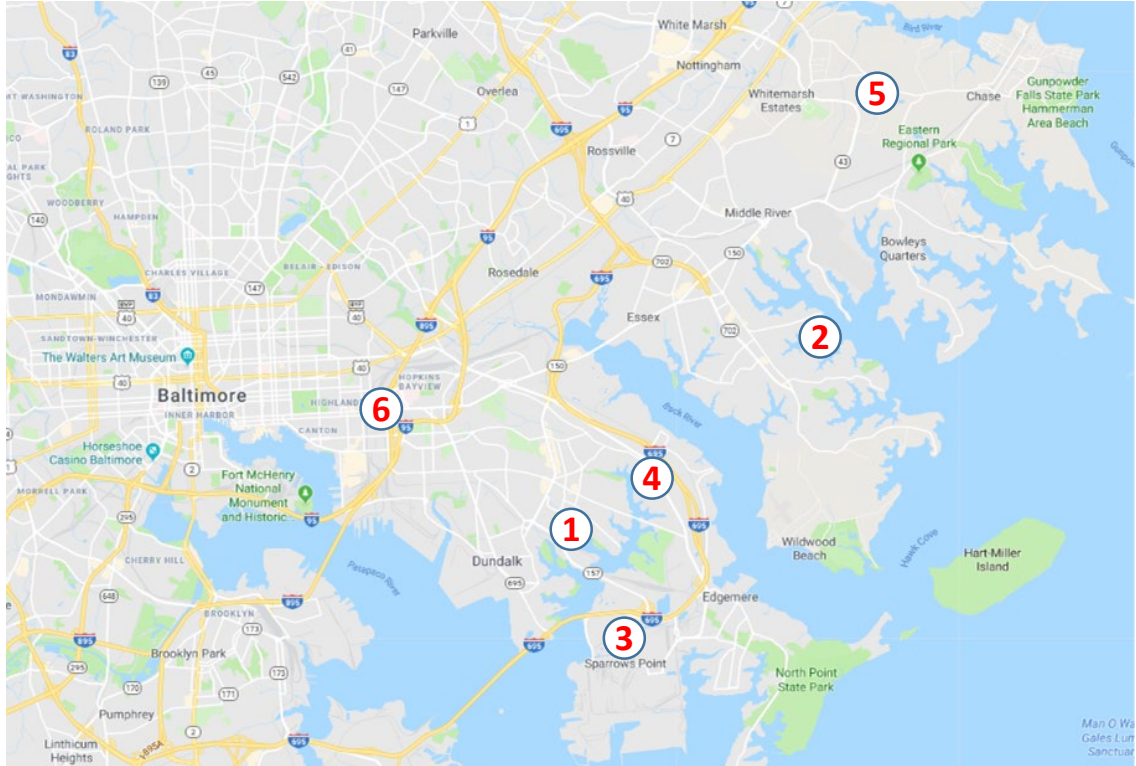
Essex, Maryland:

Median List \$ - \$222K
 Median List PSF - \$144
 Avg. Number of Offers - 1
Median Sale \$ - \$178K
Median Sale PSF - \$127
 Avg. Down Payment - 20%

“The asking price of homes for sale in Baltimore County has **increased 4.2%** since September last year, while the number of homes for sale has **decreased 5.3%**.”

- 1** The Waterfront at Sheltered Harbor
- 2** Quiet Waters
- 3** Shaw’s Discovery Townhomes

- 4** Admiral’s Landing
- 5** Greenleigh
- 6** O’Donnell Square



Source: Redfin, October 2018



1 - The Waterfront at Sheltered Harbor

Address: 8233 Secluded Cove Lane, Dundalk, MD 21222
Builder: Ryan Homes Builder
List Price: \$275K - \$375K
Unit Features: Up to 4 beds, 3.5 baths, 1 car garage
Amenities: green community, boat slips, 1917 – 2324 SF
Selling Pace: Opened summer 2016, sold out!



2 - Quiet Waters

Address: 523 Turnstone Court, Essex, MD, 21221
Builder: Ryan Home Builders
Unit Count & List Price: 38 units, \$300K - \$360K
Unit Features: luxury villas, 1-2 car garages, duplex home style, 3 beds, 2.5 baths, 1782 – 2480 SF
Amenities: water view, lawn & snow maintenance
Selling Pace: Opened in March 2018, 18 units sold to date, avg. 3 units / month



3 - Shaw's Discovery Townhomes

Address: 2821 Shaws Rd, Sparrows Point, MD 21219
Builder: Ryan Home Builders
Unit Count & List Price: 142 units, \$260K +
Unit Features: garage
Amenities: Water access, gated community, walking trails, community pier for fishing
Selling Pace: Coming Soon, Dec. 2018. Future waterfront section, Shaw's Landing, start selling in mid-2019 for \$390+



Source: buzzbuzzhome.com, ryanhomes.com, neighborhoods.com, newhomesguide.com, October 2018

4 - Admiral's Landing

Address: 7734 Village Park Drive, Baltimore, MD 21222
Builder: Khovnanian Homes
List Price: \$225K - \$280K
Unit Features: three-story townhomes, up to 3 beds, 2.5 baths, 1 car garage, 1,623 – 1,866 SF
Amenities: neighboring park, close to Baltimore
Selling Pace: On the market an average of 107 days, purchased above or at asking price



5 - Greenleigh

Address: 6306 Greenleigh Ave. Baltimore, MD 21220
Builder: NV Homes & Ryan Homes
List Price: \$400K+
Unit Features: 3-5 beds, up to 4.5 baths, 2 car garage, 3-4 floors, high-end finishes, 2462 – 2794 SF
Amenities: clubhouse, outdoor pool, fitness center, yoga studio, dog park, walking trails



6 - O'Donnell Square

Address: 755 S Macon Street, Baltimore, MD 21224
Builder: Ryan Home Builders
Unit Count & List Price: 297 units, \$323K +
Unit Features: three-story townhomes, one car garage, brick façade, 2-4 beds, 2.5 baths, 1,682 SF – 1,917 SF
Amenities: one of the newest and largest HOA communities in Baltimore City, professionally manicured private greenspaces



Source: buzzbuzzhome.com, ryanhomes.com, neighborhoods.com, newhomesguide.com, October 2018



1 - Hyde Park Overlook

Single family houses and townhomes; vacant greenfield, 24 acres



2 - Water's Landing

Middle River PUD; vacant greenfield site



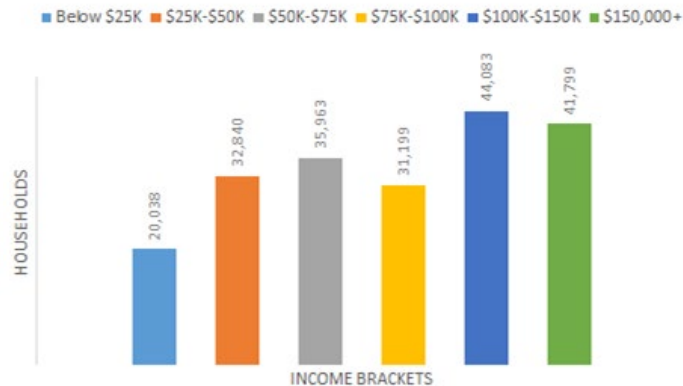
Source: Baltimore County Contact, Info uploaded on Elms



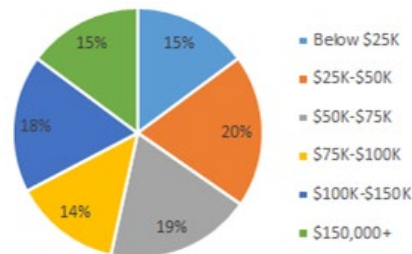
FUTURE HOUSING DEMAND

- Projections indicate 1,058 new households on average each year between 2018 and 2035 in Baltimore County.
- Baltimore County income distribution is fairly even across each income bracket.
- The annual turnover rate (5-6 percent) is consistent across all income brackets, and shows a relatively small number of owner households moving each year.
- There are 312,826 total households in Baltimore County. There are 20,038 making under \$25,000, while in the highest income bracket, \$150,000+, is slightly more than double that at 41,799.
- Demand from those seeking for-sale units from existing owner turnover is about 17 times greater than from new households coming into the county.

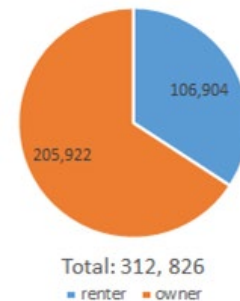
Owner Household Distribution



Income Distribution



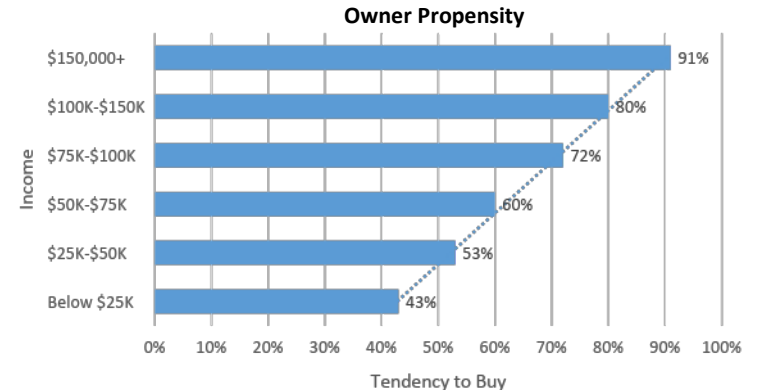
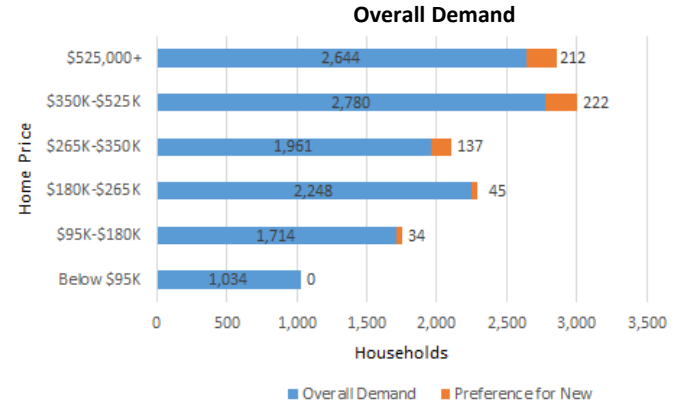
Owner/Renter Tenure





FUTURE HOUSING DEMAND

- Demand is highest in the \$350,000-\$525,000 price range. This comparison is important to understand to supply product in the right categories.
- There is also a stark difference between overall demand and the need for new units to be developed. The overall annual demand in Baltimore County totals approximately **12,380**. However, due to new household growth, the demand for new units in Baltimore County is approximately **650**, while the annual demand for **new units in Essex is 19**.
- The owner propensity in Baltimore County is above 50 percent in all income brackets except households making less than \$25,000. However, even in this lowest income bracket, 43 percent of households own homes.
- It is evident from the owner propensity percentages that five of the six income brackets prefer to own rather than rent. Generally, Baltimore County as a whole has a greater number of households interested in buying than renting.





FOR-SALE DEMAND MODEL

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

² Based on bankrate.com mortgage calculator, utilizing a 30 year fixed loan with a 4.5% interest rate.

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

⁴ Based on new home sales as a percentage of total home sales in Baltimore County from Redfin for the last three years.

⁵ Based on re-sale home data from Redfin for the last three years.

⁶ Based on Essex capture of Baltimore County sales based upon Redfin data for three years.

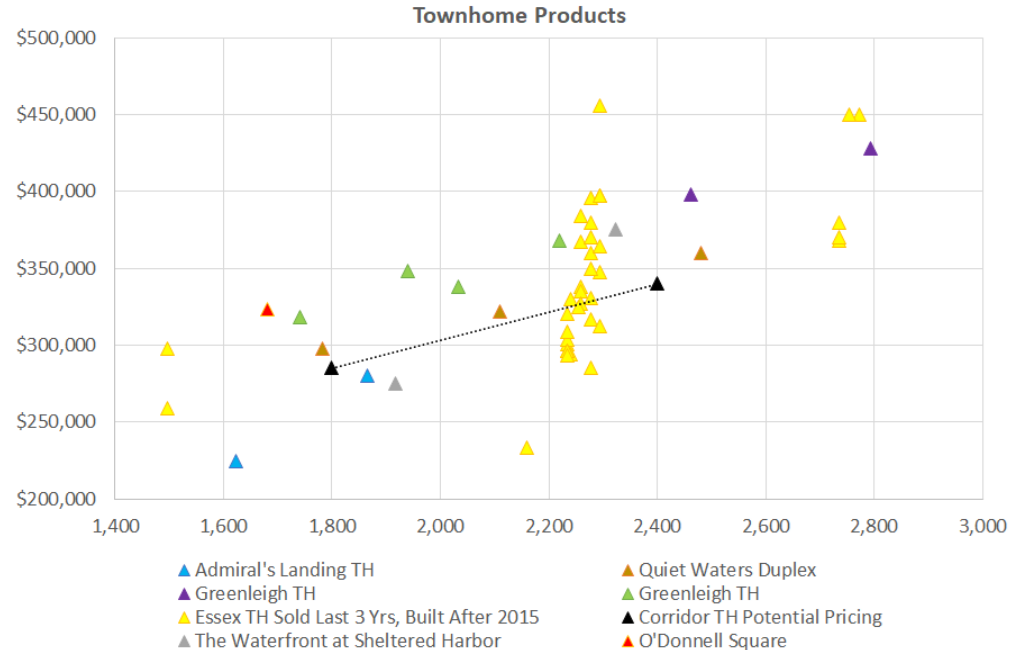
The demand model is described on the preceding two pages.

| | 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 |
| <i>New Household Growth, 2018-2035</i> | | | | | | | | |
| 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 Units | | 32 | 72 | 90 | 89 | 135 | 136 | 554 |
| <i>Existing Owner Household Annual Turnover</i> | | | | | | | | |
| 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 Turnover | | 1,002 | 1,642 | 2,158 | 1,872 | 2,645 | 2,508 | 11,827 |
| Annual For-Sale Demand By Home Price Range | | 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 |
| Essex Capture of Townhome ⁶ | | 0% | 20% | 20% | 10% | 5% | 2% | 7% |
| Annual Demand for New Townhome | | 0 | 1 | 4 | 8 | 5 | 1 | 19 |



POTENTIAL PRICING

- This price-to-size chart represents competitive for-sale townhome products on the market.
- Corridor 3, Back River Neck Road, could be a good location for developing for-sale townhomes between 1800 SF and 2400 SF, ranging between \$285,000 to \$340,000.
- Most of the comparable products follow similar trend lines, except Admiral's Landing and the Waterfront at Sheltered Harbor.
- Recently constructed townhomes in Essex have been roughly the same size, about 2,300 square feet. Nevertheless, their prices differ, ranging from \$250,000 to \$400,000, with some outliers. This range may be explained by location (waterfront properties) or by the finish quality.
- Any new townhomes along Back River Neck Road should have similar finish levels to the competitive set and similar access to downtown Baltimore. However, they should be priced lower because they aren't in developing areas such as Tradepoint Atlantic and Greenleigh.
- Although many of the competitive properties don't have units as big as 2,600 square feet, there seems to be a market for larger townhomes in Essex based on newer townhomes built and sold within the last three years.



APARTMENT ANALYSIS

Essex:

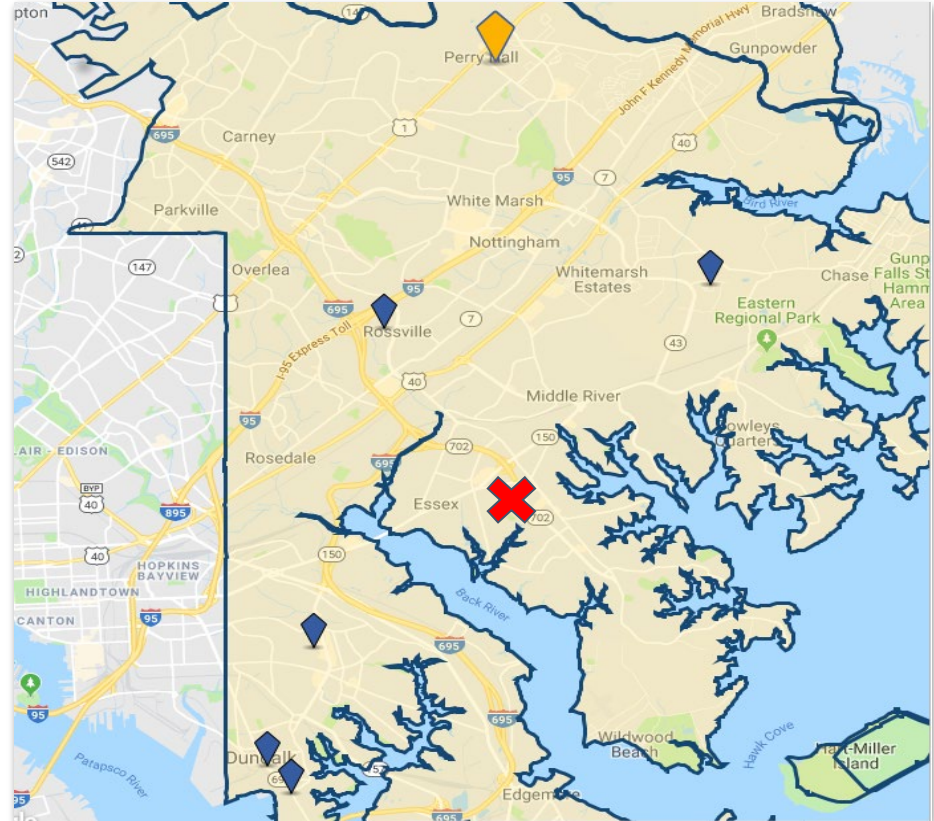
- Vacancy rates for multi-family properties have been decreasing steadily. The current year is two percentage points lower than in 2008.
 - Three-bedroom units have had the worst performing vacancy rates in recent years increasing from 2.8 percent in 2013 to almost 6.0 percent in 2018.
 - Studio apartments were the best performing, recovering from a high of 7.6 percent in 2014 to a low of 2.2 percent in 2018.
- Little absorption activity. A combined total of -1 unit absorbed since 2008.
- Current year concession rate of 2.2 percent compared to .75 percent in 2008.
- Rent has increased from \$.97/sf in 2008 to \$1.19/sf in the current year.

Baltimore County:

- Baltimore County has seen a slight increase from 4.9 percent in 2013 to 5.9 percent in the current year.
- Concession rates have increased 2.1 percent since 2008 to their current level of 2.8 percent.
- Rent/sf has also been increasing for all unit types:
 - 2008: \$1.09/sf
 - 2018: \$1.31/sf



- The figure on the right shows the location of comparable properties. The subject corridor is marked by the red X.
- All of these sites are in Baltimore County.
- There are no recent multi-family properties delivered in the immediate Essex area to use as a comparables.



● The Berkleigh in Whitemarsh (June 2018)

- Units: 316
- Class: A
- Avg unit size: 1,003 SF
- Rent
 - Studio: \$1,299 (\$2.50/SF)
 - 1 Bedroom: \$1,504 (\$1.79/SF)
 - 2 Bedroom: \$2,049 (\$1.68/SF)
 - 3 Bedroom: \$2,401 (\$1.52/SF)
- Vacancy: 78.2%
- Absorption: only 71 units so far
- Total Concession: 7.8%
- Amenities:
 - Grill
 - Fitness center
 - Pool
 - Gameroom



● Brightview Perry Hall (Mar 2017)

- Units: 211
- Class: B
- Avg unit size: 991 SF
- Rent
 - 1 Bedroom: \$3,864 (\$5.01/SF)
 - 2 Bedroom: \$5,370 (\$4.95/SF)
- Vacancy: 15.2%
- Absorption
 - 2017: 127 units
 - 2018: 52 units
- Total Concession: 0.0%
- Amenities:
 - Washer/Dryer
 - Dishwasher
 - Gym



● The Greens at Logan Field (Jan 2014)

- Units: 102
- Class: B
- Avg unit size: 728SF
- Rent
 - 1 Bedroom: \$702(\$1.02/SF)
 - 2 Bedroom: \$941 (\$1.03/SF)
- Vacancy: 20.6%
- Absorption: 89 units absorbed first year
- Total Concession: 1.0%
- Amenities:
 - Business center
 - Lounge
 - 24 hr maintenance
 - Washer/Dryer hookup



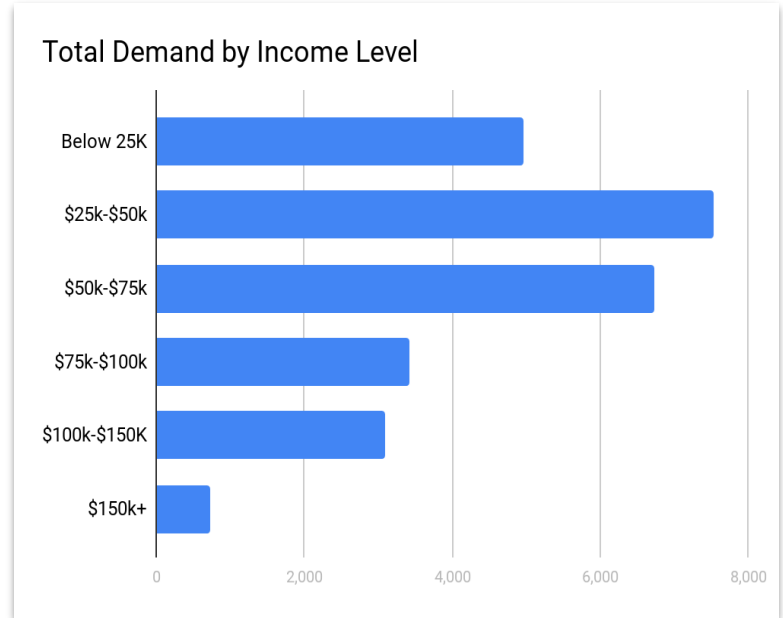
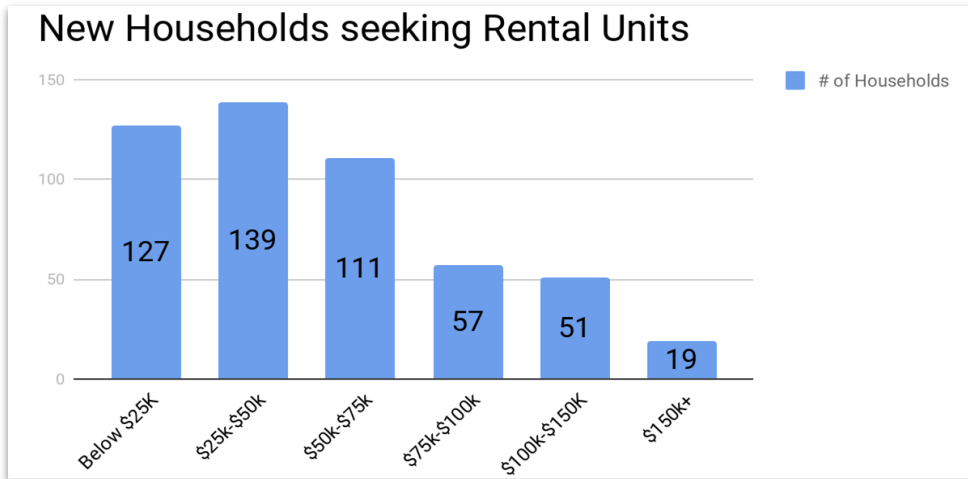
● Overlook at Franklin Square (Nov 2017)

- Units: 356
- Class: A
- Avg unit size: 838 SF
- Rent
 - 1 Bedroom: \$1,325(\$1.72/SF)
 - 2 Bedroom: \$1,657 (\$1.52/SF)
 - 3 Bedroom: \$1,947 (\$1.52/SF)
- Vacancy: 39.0%
- Absorption:
 - 2017: 71 units
 - 2018: 147 Units
- Total Concession: 13.2%
- Amenities:
 - Business center
 - Fitness center
 - Pool

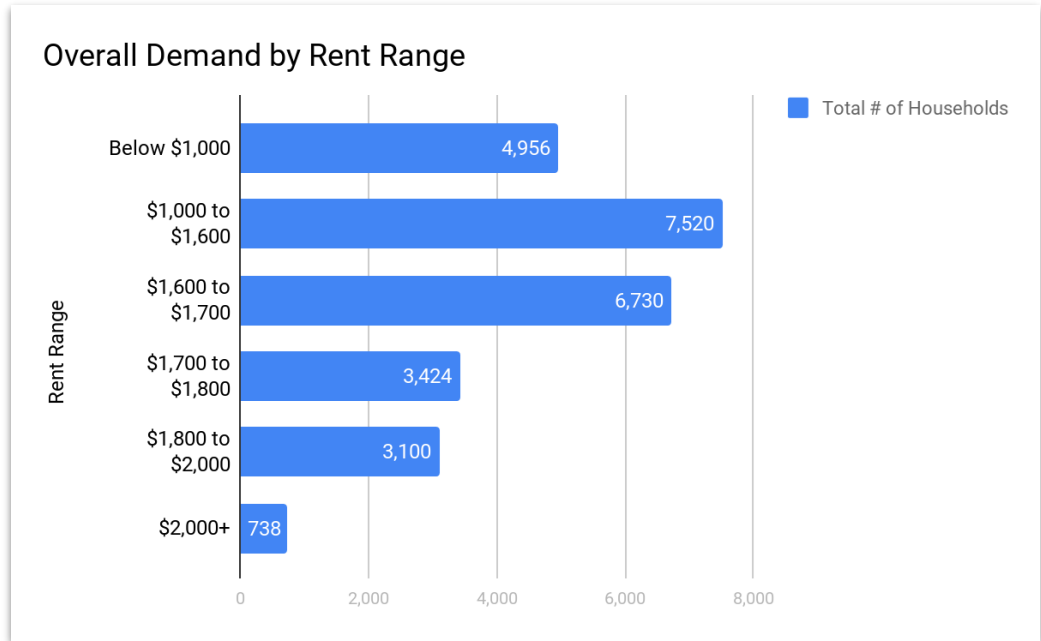


FUTURE RENTAL DEMAND

- The number of households in Baltimore County is forecasted to grow by 1,058 annually from 2018 to 2035.
- Rental households make up 34 percent, while owner-occupied households are 65 percent of the existing population.
- Turnover rate varies across income levels. Annual turnover rate by income levels is: \$25K, 18 percent; \$50k-\$150k, 28 percent; \$150k+ 18 percent.
- Demand for rental units in Baltimore County renters in the \$25k-\$75k income range. This group makes up 53 percent of total rental demand.
- Renters make up 34 percent of the Baltimore County market. However, that number increases to 38 percent for Essex.



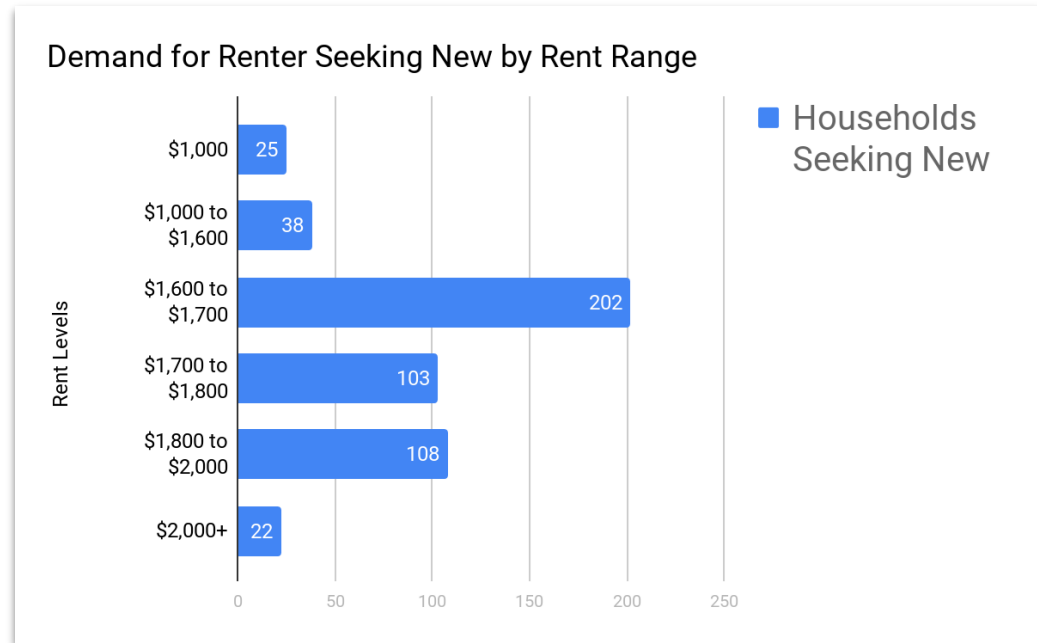
- This overall demand chart shows the need for most product to be delivered in the \$1,000 to \$1,700 monthly rental range. In economics, equilibrium is a state where economic forces are balanced. Equilibrium occurs when the quantity demanded equals quantity supplied.
- The demand for renters seeking new apartments indicates a significant consumer preference for units in the upper end of this range. The chart shows 202 units demanded annually in the rent range \$1,600 to \$1,700 versus just 38 units for rents \$1,000 to \$1,600.





FUTURE RENTAL DEMAND

- There is demand for an additional 111 new units from rents between \$1,700 and \$2,000. It is apparent that the rent ranges for new units demanded in Baltimore County skew toward higher levels, as this is the rental level that developers can build product.
- In a new development it's more important to look at the demand for new units versus overall demand. There could be high total demand but if there's no consumer preference for new units a rental development might not be a viable investment.
- The demand for new unit in Essex is 85-289 every ten years (equals one complex).





RENTAL DEMAND DATA

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

2: Based on rents as a percent of household income assuming that renters spend 15 to 50 percent of household income on rent. The higher the income the lower the percentage spent on rent.

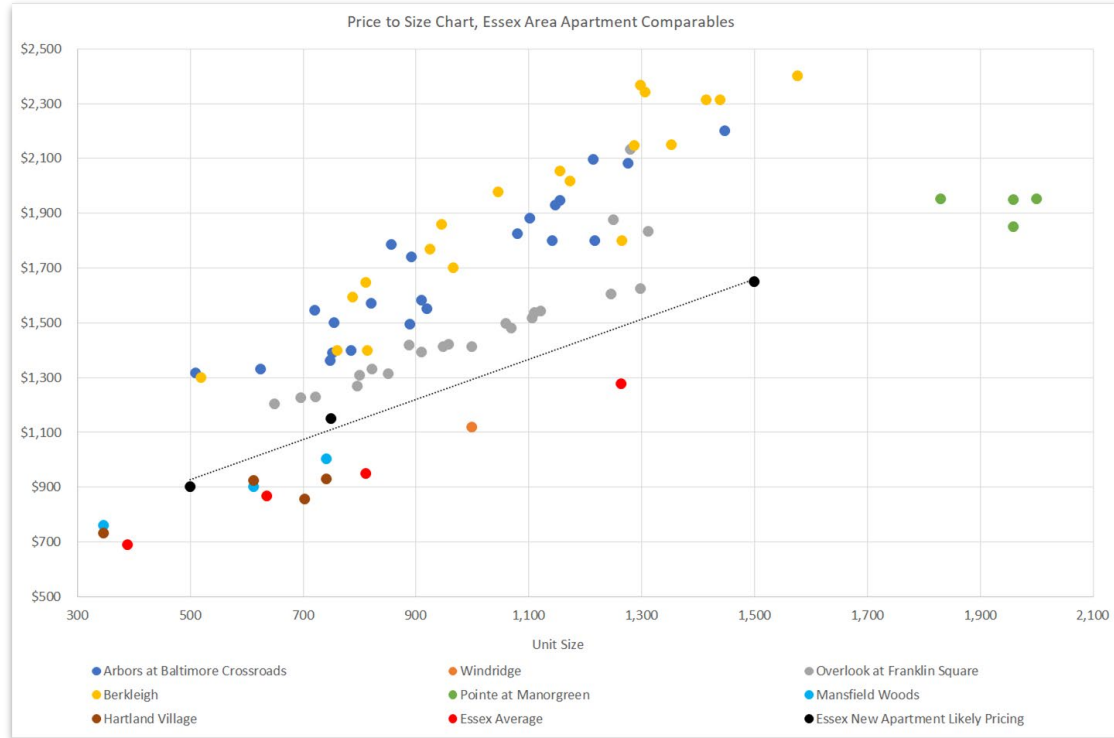
3: American Community Survey, 2016, five-year estimates for Baltimore County.

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 on the current percentage of units in the community compared to the 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 | |
|--|--------------------------------|----------------|---------------------|---------------------|----------------------|-----------------------|---------------------|---------------|
| | % 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 | | | | | | | | |
| <i>New Household Growth, 2018-2035</i> | | | | | | | | |
| 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 |
| <i>Existing Renter Household Annual Turnover</i> | | | | | | | | |
| 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 New⁴ | | 0.5% | 0.5% | 3.0% | 3.0% | 3.5% | 3.0% | 1.9% |
| Annual Rental Demand for New Apartments | | 25 | 38 | 202 | 103 | 108 | 22 | 498 |
| Preference for Essex Low⁵ | | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% |
| Annual Rental Demand in Essex | | 0 | 1 | 3 | 2 | 2 | 0 | 8 |
| Preference for Essex High⁵ | | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% |
| Annual Rental Demand in Essex | | 1 | 2 | 12 | 6 | 6 | 1 | 29 |

- According to the price-to-size chart, a new 500-square foot apartment in Essex could yield roughly \$1.80/sf in rent. This positions the property slightly lower than similar sized studio apartments at The Berkleigh (\$2.50/sf).
- A 750-square foot apartment could yield \$1,150 in rent. Offering a 2-bedroom unit at this size would bring the rents closer toward the comparables. At \$1.53/sf this apartment more is expensive than similarly sized 2-bedroom units at Mansfield (\$1.35/sf) but cheaper than similarly sized 1-bedroom units at Franklin Square (\$1.70/sf).
- Based on products already on the market, a 1,500-square foot apartment is positioned at \$1.10/sf. This puts the project between the price levels for 3-bedroom units at the Pointe at Manorgreen and The Berkleigh (\$.99/sf and \$1.52/sf respectively).



RETAIL ANALYSIS



RENTAL RATES, DIRECT VACANCY (ESSEX)

Vacancy Rate



NNN Asking Rent Per SF



| Availability | Survey | 5-Year Avg |
|-------------------|--------|------------|
| NNN Rent Per SF | - | \$23.29 |
| Vacancy Rate | 4.7% | 5.8% |
| Vacant SF | 6,473 | 8,048 |
| Availability Rate | 5.3% | 9.2% |
| Available SF | 7,373 | 12,644 |
| Sublet SF | 0 | 0 |
| Months on Market | 23.2 | 11.6 |

| Demand | Survey | 5-Year Avg |
|----------------------|--------|------------|
| 12 Mo. Absorption SF | -400 | -515 |
| 12 Mo. Leasing SF | 1,600 | 1,620 |

| Inventory | Survey | 5-Year Avg |
|----------------------|---------|------------|
| Existing Buildings | 27 | 27 |
| Existing SF | 138,176 | 138,176 |
| 12 Mo. Const. Starts | 0 | 0 |
| Under Construction | 0 | 0 |
| 12 Mo. Deliveries | 0 | 0 |

| Sales | Past Year | 5-Year Avg |
|---------------------|-----------|------------|
| Sale Price Per SF | \$62 | \$90 |
| Asking Price Per SF | \$112 | \$140 |
| Sales Volume (Mil.) | \$0.8 | \$0.7 |
| Cap Rate | - | - |

- Retail vacancy rates in Essex have fluctuated over the past five years, which could foreshadow continued fluctuations in the next five years.
- In 2018, the overall NNN rent for Q1-Q3 was \$14.95, while the five-year average amount of rent is almost \$10 higher.
- NNN rent/sf in Essex also plateaued in three of the last five years, before experiencing a drop in 2017. Developers/investors could use this as a reason to pursue rents \$15.50-\$17, but not much higher.

Source- CoStar



RENTAL RATES, DIRECT VACANCY (BALTIMORE COUNTY)

Vacancy Rate



Asking Rent Per SF



| Availability | Survey | 5-Year Avg |
|-------------------|-----------|------------|
| Rent Per SF | \$5.56 | \$6.41 |
| Vacancy Rate | 11.3% | 11.0% |
| Vacant SF | 6,341,692 | 6,574,946 |
| Availability Rate | 15.1% | 14.3% |
| Available SF | 8,534,168 | 8,698,215 |
| Sublet SF | 840,602 | 182,657 |
| Months on Market | 15.1 | 17.9 |

| Demand | Survey | 5-Year Avg |
|----------------------|-----------|------------|
| 12 Mo. Absorption SF | 2,636,409 | 1,171,307 |
| 12 Mo. Leasing SF | 1,538,034 | 3,020,415 |

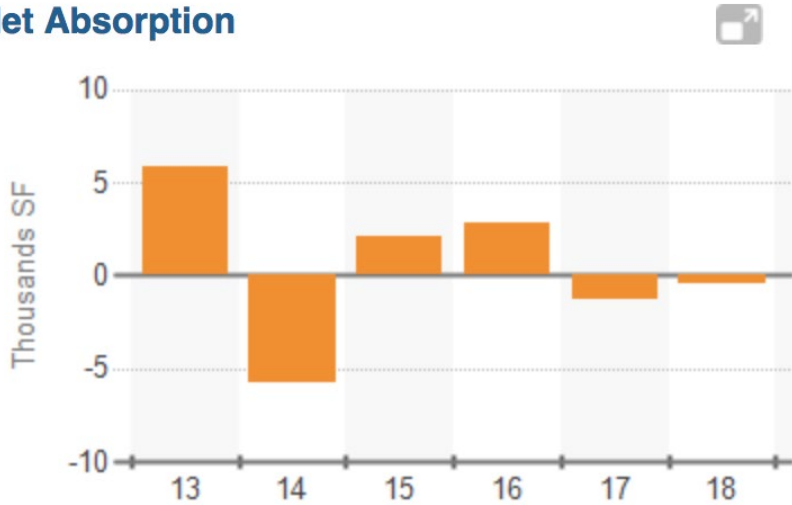
| Inventory | Survey | 5-Year Avg |
|----------------------|------------|------------|
| Existing Buildings | 2,910 | 2,873 |
| Existing SF | 92,376,369 | 88,206,105 |
| 12 Mo. Const. Starts | 352,876 | 1,369,604 |
| Under Construction | 305,922 | 1,578,746 |
| 12 Mo. Deliveries | 4,298,078 | 1,469,451 |

| Sales | Past Year | 5-Year Avg |
|---------------------|-----------|------------|
| Sale Price Per SF | \$81 | \$106 |
| Asking Price Per SF | \$115 | \$69 |
| Sales Volume (Mil.) | \$384 | \$499 |
| Cap Rate | 7.8% | 8.0% |

- Unlike Essex, Baltimore County experienced a steady decrease in vacancy rates in the past five years with a slight increase after 2017.
- Rent/sf has decreased dramatically in Baltimore County.
- both Baltimore County and Essex experienced decreased retail rental rates, which could indicate the need to change retail marketing in both areas, especially in Essex.

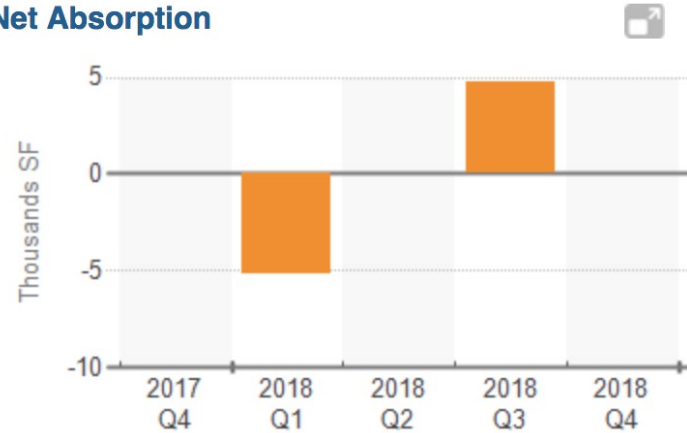
Source- CoStar

Net Absorption



Net Absorption in Essex for 5 Years

Net Absorption



Net Absorption in Essex (2018)

- The graphs shows net absorption in Essex, indicating that retail net absorption rates have changed through the years. This directly correlates to vacancy rates in Essex; the consistent change in vacancy rates could be due to change in supply over a period of time, which impacts whether Essex maintains positive or negative retail absorption.



RETAIL DEMAND

- The retail demand analysis indicates an oversupply of retail in Essex.
- The national store chains sales/sf threshold is greater than the sales/sf threshold of Essex.
- The average store size of most of these retail centers are much bigger than the store size supported.
- Other studies on Essex indicate a lack of walkability, which negatively impacts accessibility to retail stores. The urban fabric should be fixed before adding new retail.
- Other studies have shown a very low increase in sales as well as population growth within the county (1.83 percent population growth, 2 percent growth in sales).

| Industry Summary | Expenditure per Household ² | Estimate of Current Total Expenditures in Essex | Sales/SF Threshold ³ | Total Retail Supply in Essex Currently ⁴ | Annual Future Demand From New Households | National Store Chains Sales/SF Threshold ⁵ | Future Annual Supportable Square Feet ⁵ | Future 10 Year Demand Potential |
|-----------------------------------|--|---|---------------------------------|---|--|---|--|---------------------------------|
| Women's Apparel | \$580 | \$9,161,680 | | | \$34,993 | \$369 | 95 | 949 |
| Men's Apparel | \$308 | \$4,865,168 | | | \$18,583 | \$369 | 50 | 504 |
| Girl's Apparel | \$116 | \$1,832,336 | | | \$6,999 | \$301 | 23 | 232 |
| Boy's Apparel | \$79 | \$1,247,884 | | | \$4,766 | \$301 | 16 | 158 |
| Infant Apparel | \$70 | \$1,105,720 | | | \$4,223 | \$301 | 14 | 140 |
| Footwear | \$312 | \$4,928,352 | | | \$18,824 | \$357 | 53 | 528 |
| Entertainment | \$287 | \$4,533,452 | | | \$17,316 | \$107 | 162 | 1,615 |
| Audio & Visual Equipment/Service | \$971 | \$15,337,916 | | | \$58,584 | \$450 | 130 | 1,302 |
| Reading Materials | \$72 | \$1,137,312 | | | \$4,344 | \$251 | 17 | 173 |
| Pets, Toys, Hobbies | \$577 | \$9,114,292 | | | \$34,812 | \$238 | 147 | 1,465 |
| Personal Items | \$1,871 | \$29,554,316 | | | \$112,884 | \$482 | 234 | 2,344 |
| Food at Home | \$3,569 | \$56,375,924 | | | \$215,330 | \$501 | 430 | 4,296 |
| Food Away From Home | \$2,450 | \$38,700,200 | | | \$147,817 | \$551 | 268 | 2,684 |
| Alcoholic Beverages | \$379 | \$5,986,684 | | | \$22,866 | \$551 | 42 | 415 |
| Household Equipment & Furnishings | \$1,319 | \$20,834,924 | | | \$79,580 | \$337 | 236 | 2,364 |
| Automotive Repair & Maintenance | \$697 | \$11,009,812 | | | \$42,052 | \$257 | 164 | 1,635 |
| Total | \$13,657 | \$215,725,972 | \$165 | 1,310,752 | \$823,972 | \$396 | 2,081 | 20,805 |

1 From Esri. Estimates for Essex, Maryland. Future annual growth based upon Esri 2018-2023 estimate (50/year) and Essex household demands (49 to 70/year).

2 Annual per household spending by category within a three mile radius from 1415 Eastern Boulevard.

3 Based upon current square feet in Essex from CoStar divided by total retail expenditures.

4 CoStar.

5 Based on the average reported expenditures by square foot, by store type, as reported emarketer.com.



Retail in Essex along Back River Neck Road

Source- CoStar

- The map shows the amount of available retail in Essex along Corridor 3.
- This data shows a tremendous amount of retail along the corridor.
- Consistent fluctuation in vacancy rates and net absorption, along with the high amount of existing retail, could show that the need for new retail is low.
- Retail is more abundant in the parts of Essex closer to Baltimore Country.



- Research indicates that Shopping Centers are a majority of the retail space within Essex as a whole.
- Total GLA for Essex shopping centers is more than 615,000 square feet of gross leasable area, which encompasses much of the city's retail.

Shopping Centers in Essex

| | |
|---|---------|
| Essex Gateway Center | 20,500 |
| Essex Plaza | 29,000 |
| Shopping Center (1-7 Riverside Rd) | 1,414 |
| Shopping Center (438 Eastern Ave) | 7,949 |
| Chesapeake Square | 70,800 |
| Shopping Center (1009-1013 Old Eastern Ave) | 2,959 |
| Shopping Center (1201 Eastern Blvd) | 7,350 |
| Middlesex Shopping Center | 298,422 |
| Eastern Blvd Shopping Center | 19,750 |
| Country Ridge Shopping Center | 130,774 |
| Back River Plaza | 6,000 |
| Middleborough Plaza | 18,031 |

Source- CoStar



COMPARABLE RETAIL PROPERTIES

| Address/Name | GLA | Available SF | Rent/SF |
|---------------------------|-------|--------------|---------|
| Back River Plaza | 6000 | 900 | 17.06 |
| Al's Seafood | 8642 | 7432 | 16.95 |
| 1829 Eastern Blvd | 3949 | 3000 | 14.00 |
| 313 Back River Neck Rd | 4473 | 4473 | 16.5 |
| 1546 Eastern Blvd | 17556 | 5760 | 13.5 |
| 1601 Eastern Blvd | 2143 | 2143 | 16.5 |
| Hyde Park Station | 67860 | 13232 | 23 |
| Waterview Shopping Center | 67815 | 11982 | 21 |

As shown in the chart, rental rates for new retail in the Essex area would be around \$20-\$25/sf.

Older retail tends to have lower lease rates.

Source- CoStar

- According to CoStar, the Essex properties above have available retail space.
- In Q3 of 2018, the retail market of Baltimore County was 96 percent occupied, with \$19.52/sf average rental rate.
- The county experienced a -65,442 square foot net absorption in the third quarter of 2018.

HOTEL ANALYSIS



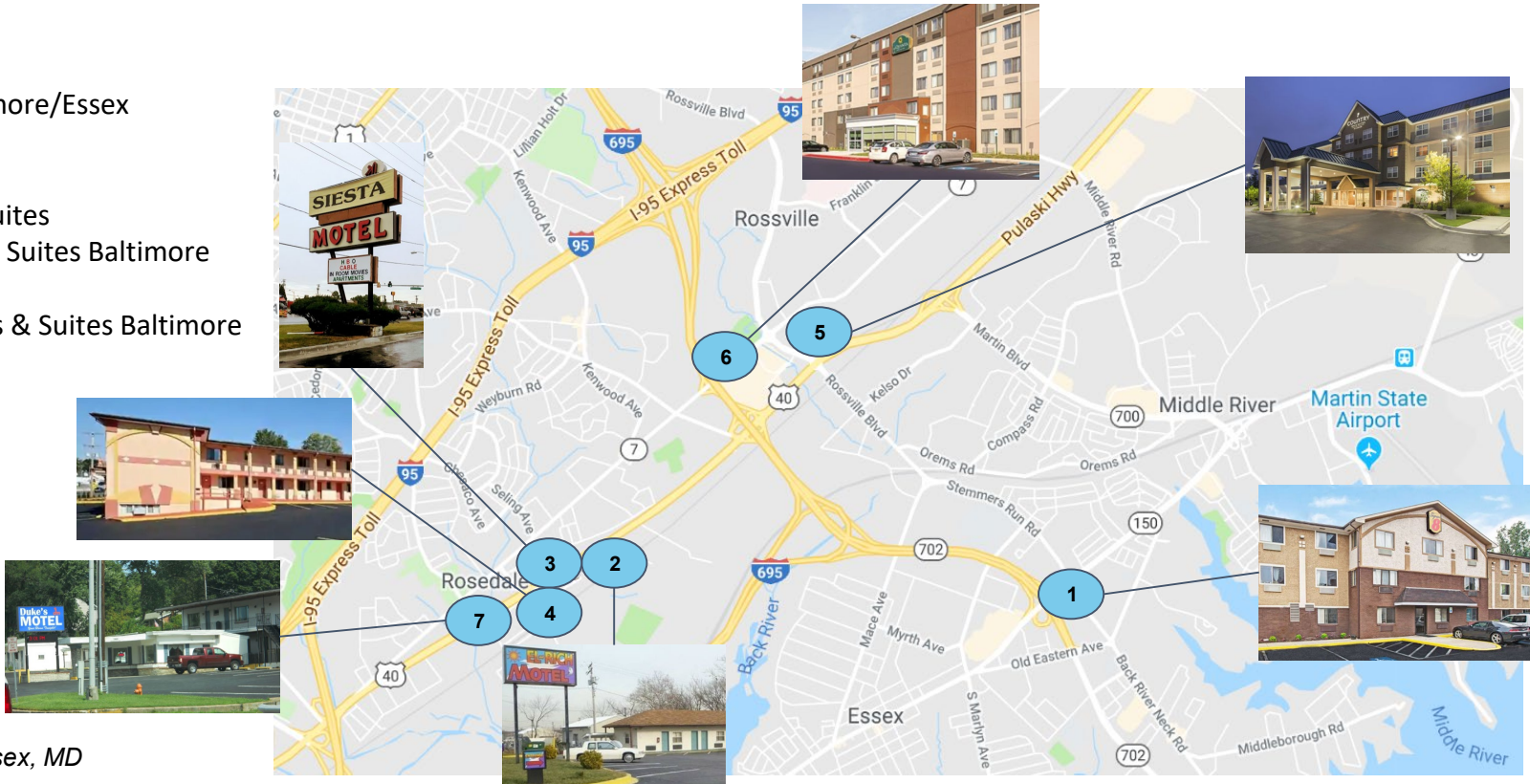
HOTEL DEMAND

- Essex hotels are limited to one 2-star hotel, the Super 8 Baltimore/ Essex, at the intersection of Eastern Boulevard. and Back River Neck Road.
- The remaining competition within a three-mile radius consists of three motels and three inns.
- Based on research, at the end of 2017, Baltimore experienced a decline in occupancy, an increase in average daily rate and a decline in revenue per available room. The city’s occupancy is above the national average while average daily rate and revenue per available room are significantly below the national average.
- As of Spring 2018, there was a pipeline of 1,066 hotel rooms under construction or in planning in Baltimore.
- Baltimore City collected \$34.5 million in hotel taxes for FY2018.
- Although the Essex area could use new attractive hotels due to the low quality of market product, demand for the hospitality industry in Baltimore as a whole is fragile compared to national average.

| HOTEL PERFORMANCE | BALTIMORE CITY | | | BALTIMORE COUNTY | | | NATIONAL AVERAGE | | |
|-------------------------------------|----------------|----------|----------|------------------|---------|---------|------------------|----------|----------|
| | CY15 | CY16 | CY17 | CY15 | CY16 | CY17 | CY15 | CY16 | CY17 |
| Calendar Year | | | | | | | | | |
| Occupancy | 67.1% | 67.8% | 67.1% | 63.6% | 65.5% | 62.7% | 65.4% | 65.4% | 65.9% |
| Average Daily Rate (ADR) | \$113.08 | \$115.73 | \$116.00 | \$94.76 | \$96.92 | \$96.44 | \$119.88 | \$124.13 | \$126.72 |
| Revenue per Available Room (RevPar) | \$76.63 | \$78.44 | \$77.87 | - | - | - | \$78.56 | \$81.15 | \$83.57 |

Source: VisitBaltimore- Annual Report & Business Plan FY 2018-2019, Maryland Lodging Monitor

1. Super 8 Baltimore/Essex
2. El Rich Motel
3. Siesta Motel
4. Regal Inn & Suites
5. Country Inn & Suites Baltimore North
6. La Quinta Inns & Suites Baltimore
7. Duke's Motel



*Within 3 miles of Essex, MD



INDUSTRY COMPETITION

| Property Name | Rooms | Chain Scale | Brand | Open Date | Rack Rate | Amenities |
|--------------------------------------|-------|----------------|----------------------|-----------|-----------|--|
| Super 8 Baltimore Essex Area | 49 | Economy | Wyndham Worldwide | Feb 1990 | \$ 65.25 | 24-Hour Reception Desk, Bus/Truck Parking, Coffee/Tea Maker, Cribs Available, Daily Housekeeping, Early Check-in Available, Elevators, Family/Oversized Rooms Available, Free Breakfast, Free Parking, Free WiFi, Hairdryer, Late Check-out Available, Laundry Facilities, RV Parking |
| El Rich Motel | 24 | Independant | Independant | Jun 1955 | \$ 70.00 | Unlisted |
| Siesta Motel | 35 | Independant | Independant | Jun 1950 | \$ 75.00 | Unlisted |
| Regal Inn & Suites | 62 | Independant | Independant | Jun 1985 | \$ 69.25 | Safe-deposit box at front desk, Express check-in, Free RV/bus/truck parking, ATM/banking, Designated smoking areas, 24-hour front desk, Laundry facilities, Television in common areas, One meeting room, Free self parking, Free WiFi |
| Country Inn & Suites Baltimore North | 81 | Upper Midscale | Radisson Hotel Group | Mar 2009 | \$ 96.00 | Express check-in, Library, Coffee/tea in common areas, Elevator, Indoor pool, 24-hour front desk, Free breakfast, Grocery/convenience store, Express check-out, Free self parking, Dry cleaning/laundry service, Free WiFi, Free wired Internet, Smoke-free property, Conference space, Safe-deposit box at front desk, 24-hour business center, Laundry facilities, Spa tub, 24-hour fitness facilities, Television in common areas, One meeting room, Fireplace in lobby, Free newspapers in lobby |
| La Quinta Inns & Suites Baltimore | 128 | Midscale | LQ Management LLC | Dec 1987 | \$ 112.00 | Express check-in, Coffee/tea in common areas, Elevator, Fitness facilities, 24-hour front desk, Business center, Free breakfast, Grocery/convenience store, Express check-out, Television in common areas, Free self parking, Free WiFi, Outdoor pool, Smoke-free property, Multilingual staff |
| Duke's Motel | 43 | Independant | Independant | Jun 1968 | \$ 69.00 | Unlisted |

Source: STR Global



HOTEL DEMAND, SUMMARY

- The average occupancy for the Baltimore County hotel industry has been about 63 percent since 2012, below the industry standard of 65 percent, making it a challenging market. However, according to growth projections, demand as well as occupancy are expected to increase next year and to continue increasing in the future. This data reflects the hospitality market of Baltimore County as a whole, and does not specify what may happen in Essex.
- Since 2012, ten hotels have been delivered in Baltimore County. Of these, eight are located in the downtown Baltimore Harbor area, one is in Woodlawn and one is located near Johns Hopkins. Of the new hotels in Baltimore County, none of the hospitality industry growth over the past six years was in Essex.
- In 2017, 54 percent trips to Baltimore were to visit friends and relatives, 46 percent were for leisure, and 12 percent for business trips. To capture any increase in demand for the county, Essex could increase leisure activities unique to the area such as waterfront attractions, breweries or locally-inspired restaurants.
- It is unlikely that any of the demand in Baltimore County would locate in Essex.

Sources: *Maryland Lodging Monitor*, *CoStar*, *Visit Baltimore Annual Report & Business Plan, 2018*



HOTEL DEMAND

| Hotel Demand Projection Based on Competitive Supply and Projected Occupancy | | | | | | | | Projected | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Jun-18 | 2019 | 2020 | 2021 | 2022 | Ann. Avg. |
| Total Existing Rooms ¹ | 4,815 | 4,883 | 5,553 | 5,668 | 5,767 | 5,863 | 5,917 | 5,917 | 5,917 | 5,917 | 5,917 | |
| Increase in No. of Rooms | | 68 | 670 | 115 | 99 | 96 | 54 | | | | | |
| Total Room Nights ² | 1,757,343 | 1,782,295 | 2,026,845 | 2,068,820 | 2,104,955 | 2,139,995 | 2,159,705 | 2,159,705 | 2,159,705 | 2,159,705 | 2,159,705 | |
| Demand ³ | 1,103,611 | 1,067,595 | 1,266,778 | 1,315,770 | 1,378,746 | 1,341,777 | 1,360,614 | 1,408,916 | 1,458,933 | 1,510,725 | 1,564,355 | |
| YOY Increase in Demand | | -3.3% | 18.7% | 3.9% | 4.8% | -2.7% | 1.4% | 3.6% | 3.6% | 3.6% | 3.6% | |
| Occupancy | 62.8% | 59.9% | 62.5% | 63.6% | 65.5% | 62.7% | 63.0% | 65.2% | 67.6% | 70.0% | 72.4% | |
| Baseline Occupancy for Healthy Hotel Mkt ⁴ | 65% | 65% | 65% | 65% | 65% | 65% | 65% | 65% | 65% | 65% | 65% | |
| Additional Supportable Hotel Room Nights | -38,662 | -90,897 | -50,671 | -28,963 | 10,525 | -49,220 | -43,194 | 5,108 | 50,017 | 51,792 | 53,631 | |
| Additional Rooms Supported in Baltimore County | | | | | | | | 14 | 137 | 142 | 147 | 110 |

| Hotel Demand Based on Employees | | | | | | | | Projected | | | | |
|--|-------|--------|-------|-------|-------|------|-------|------------|------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Ann. Avg. |
| Growth in Office Employees Within Baltimore County ⁵ | 1,413 | -1,030 | 1,959 | 2,887 | 1,368 | 580 | 1,313 | 1,323 | 1,333 | 1,596 | 1,610 | |
| Ratio of Employees Per New Hotel Room | | -15.1 | 2.9 | 25.1 | 13.8 | 6.0 | 24.3 | 9.5 | 9.5 | 9.5 | 9.5 | |
| Additional Rooms Supported Based upon Office Emp. | | | | | | | | 139 | 140 | 168 | 169 | 154 |

¹ Total room supply from Maryland Lodging Monitor

² Calculation of rooms nights available per year based on total rooms

³ Based on demonstrated room nights occupied (demand) within Baltimore County from Maryland Lodging Monitor data

⁴ The hotel industry standard of a "healthy" market is 65% occupancy

⁵ Employee count is based on office employees

CONCLUSIONS AND RECOMMENDATIONS

Development Opportunities 1 and 2:

These larger development areas currently house discount stores in outdated buildings. They have the highest potential for uses that require greater land areas such as townhomes, apartments, or a hotel.

Development Opportunities 3 and 4:

These smaller areas are currently used for retail. The buildings need redevelopment based on their age, condition, and aesthetic quality.





DEVELOPMENT OPPORTUNITIES

| Land Use | Short-Term Opportunity | Long-Term Opportunity | Strengths | Challenges | Critical Factors | Potential Demand | Key Buyers/Tenants |
|--------------------------|--|--|---|---|--|--|---|
| For-Sale Townhome | D1 - strong | D2 - strong | D1 - next to Aldi, new homes, school, park, and Eastern Blvd. D2 - near retail opportunities, less traffic | Not a very walkable street in its current condition. School ratings are low | Street improvements, establish HOAs | 19 annually | Those in the 75K-100K income bracket. Families or retirees |
| Rental Apartment | D1&D2: weak D3&D4: weak | D1&D2: strong D3&D4: moderate | Proximity for commuters. Increase in the number of renters in Essex in recent years | Comparable projects in the area have high vacancy rates | Developing a successful mixed-use retail center | 29: annual demand for new units Essex. | \$25k-\$75k income range. This group makes up 53% of the total rental demand. |
| Retail | Weak | Moderate | Located on Back River Neck Rd, which has a reasonable volume of traffic and visibility | Current retail is not extremely attractive | Renovations along the corridor | Up to 20,000 SF in Essex in 10 years | Locally serving businesses |
| Hotel | Weak | Weak | Steadily increasing ADR for Baltimore County | Limited demand drivers | Renovations along corridor, Success of nearby developments | Limited | Visitors to county: 54% Friends & Family, 46% Leisure, 12% Business |

The Opportunity:

There is a strong opportunity for new residential development along Back River Neck Road in Essex. Its access to job centers, specifically Tradepoint Atlantic and Greenleigh, offer an excellent opportunity to capitalize on nearby development success. These new jobs in the area are what Essex needs to bring in new residents, which could lead to further improvements and complementary development throughout the town.

Essex should also consider how it can benefit from its waterfront properties. They are an extremely valuable asset that is not fully utilized. Essex could bring more people in by promoting its waterfront restaurants, especially those that specialize in crab. This waterfront focus could potentially benefit and improve the entire community beyond the properties along the water.



<https://www.baltimoresun.com/entertainment/dining/bs-b-eats-river-watch-20130410-story.html>

Critical Success Factors:

Corridor improvements to should be made to support the new townhome communities. Street improvements should include street furniture, lamps, planters, trash cans, and speed limits. These changes can help improve the corridor's walkability, an important factor for new residential communities.

Other improvements would be walking and cycling trails, and promoting Renaissance Park, an outdoor public green space along the corridor.

The county should also invest in the underperforming school system in Essex; school quality greatly interests the target market.

It would also be helpful for the community to establish HOAs to care for and maintain these new assets, while the county should create more incentive programs for current owners to make needed property improvements.



<http://www.hauteresidence.com/lovely-townhouse-in-a-new-intimate-nj-community/>

Townhome Details:

- **Price & Size:** Based on recent townhome sales in Essex and comparable communities, new townhouses along the corridor would likely be priced between \$285,000 and \$340,000, and sized between 1,800 to 2,400 square feet. These townhomes should offer 3-4 bedrooms, 2.5-3.5 baths, 1-2 car garages, and possibly some sustainable features.
- **Demand & Pace:** The market demand calls for 19 new townhomes each year, predicted to sell at approximately 2-4 homes per month. Corridor 3 would be a good location for some of these townhomes.
- **Target Audience:** Likely to be families.
- **Amenities:** Based on comparable product on the market, new townhome communities should offer amenities such as walking and cycling trails, a dog park, and a fitness center.



<https://www.ryanhomes.com/find-your-home/our-homes/townhome>



The Opportunity:

Households in Baltimore County are forecasted to grow by 1,058 annually from 2018 to 2035 and the Essex market can capture some of this demand. The area's proximity to major highways and commuter roads could be a catalyst to attract new residents and spur overall redevelopment.

Major institutional employers, Johns Hopkins and Medstar Franklin Hospital, are both short commutes as are the central business district and the Inner Harbor.

Of the three sections of the corridor, Back River Neck Road has the most potential for rental apartments. It has a low traffic volume and an ample amount of successful residential already in place. Furthermore, the number of renters in Essex has been increasing steadily in recent years. This could be the result of an overall shift in consumer preferences toward renting in Essex.





RENTAL APARTMENT RECOMMENDATIONS

Critical Success Factors:

The feasibility of a new rental development in Essex depends on attracting new residents. Essex should revitalize and consolidate the already existing retail. Many of the current storefronts are dated and there are a number of vacant spaces.

Additionally, actual annual demand levels for rental units should be close to the projected future demand in Baltimore County. In the long term, the number of new households could fall short of what was projected, leaving the market over supplied.

Developing a main street in Essex could help support a more successful retail market, which in turn will increase the viability of new residential developments. The main street should be located at the intersection of two prominent streets with shops on both sides of the street and apartments or offices above. Establishing a vibrant main street would make Essex more competitive with other areas in Baltimore County.

Essex holds an advantage given its proximity to job centers and highways, making it convenient for commuters.



Apartment Details:

- **Price & Size:** Given what is already in the market, a 1,500-square foot apartment would be positioned at approximately \$1.10/sf. This puts the project between the price levels for 3-bedroom units at the Pointe at Manorgreen and The Berkleigh (\$.99/sf and \$1.52/Ssf respectively). A 500-square foot studio apartment could yield roughly \$1.80/sf in rent.
- **Demand & Pace:** According to forecasts, the annual demand for new rental units in Baltimore County is 498 units, and in Essex the annual demand is up to 29.
- **Target Audience:** Likely to be singles and couples of all ages. Affordable apartments would also appeal to families.
- **Amenities:** Based on comparable product on the market, new rental developments should offer amenities such as washer/dryer, dish washer, exercise studios, and business center.



The Opportunity:

While the demand for retail is low in this corridor, there is the potential for more attractive retail along Back River Neck Road. Given its proximity to Baltimore City, Essex is as an area where retail could potentially attract visitors.

Essex's retail could have a positive effect on other marketable factors if it was upgraded and revitalized; attractive retail would help bring residents and new businesses to the area.



<https://www.wsj.com/articles/mall-reits-are-on-many-investors-shopping-lists-1457456123>

Critical Success Factors:

- The overall demand for retail in Essex is very low, due to A large amount of existing retail already along the corridor.
- The existing retail is typically not attractive, which could be negatively affecting Essex’s retail market as a whole.
- Since there is already a lot of retail, Essex should focus on renovating the existing, outdated buildings in the retail centers, including façade upgrades, more sidewalks to increase in walkability and improve access to retail.
- Developers could also utilize residential areas (such as new apartments in Essex) as an opportunity to build more mixed-use retail. There is a lack of mixed-use retail. It could be both aesthetically pleasing and help the residential and retail market at the same time. Adding mixed-use developments could also help Essex become more walkable.



<http://teelconstruction.com/category/portfolio/facade-renovations/>

The Opportunity:

According to growth projections, demand as well as occupancy are expected to increase in Baltimore County. This data reflects the hospitality market of Baltimore County as a whole and does not specify what may happen in Essex.

The short term opportunity for additional hotels in Essex is minimal. Limited attractions for visitors, a lack of walkability, and few major employers in the immediate area all pose a challenge for hotels in Essex. In the long term however, should hotel demand in the county increase and certain factors improve in Essex, the Back Neck River Road portion of Essex could be a good location for a hotel.



Critical Success Factors:

In 2017, 54 percent of trips to the city of Baltimore were to visit friends and relatives, 46 percent were for leisure, and 12 percent were for business trips. To capture any increase in demand in the county, Essex would need to focus on these travelers.

If the following factors improve, any new hotels coming to the county could potentially be drawn to Essex.

- Placemaking-driven renovations along the corridor such as increased walkability, strengthened town center feel, and strategic marketing of community amenities may attract leisure visitors (water attractions, breweries or locally-inspired restaurants).
- Any increase in residential development along the corridor may help drive the need for a hotel to accommodate travelers visiting friends and family.
- The success of nearby developments such as Greenleigh and Tradeport Atlantic can also draw traffic to the area making Essex a convenient place to stay.

