



Essex, Maryland Corridor Two

Final Report

Richard Bedrick, Greg Cerino, Scott Glickman, Gabe Katz

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Under the supervision of Professor Melina Duggal

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The University of Maryland – College Park

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

Student teams worked on market studies for each corridor segment. Corridor One runs along Eastern Avenue goes from Back River Neck Road to S.E. Boulevard. Corridor Two goes 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 Two, which is the section of Eastern Boulevard (Route 150) north of Route 702, extending north to the terminus of White Marsh Boulevard (Route 43 Bypass).

Study Area

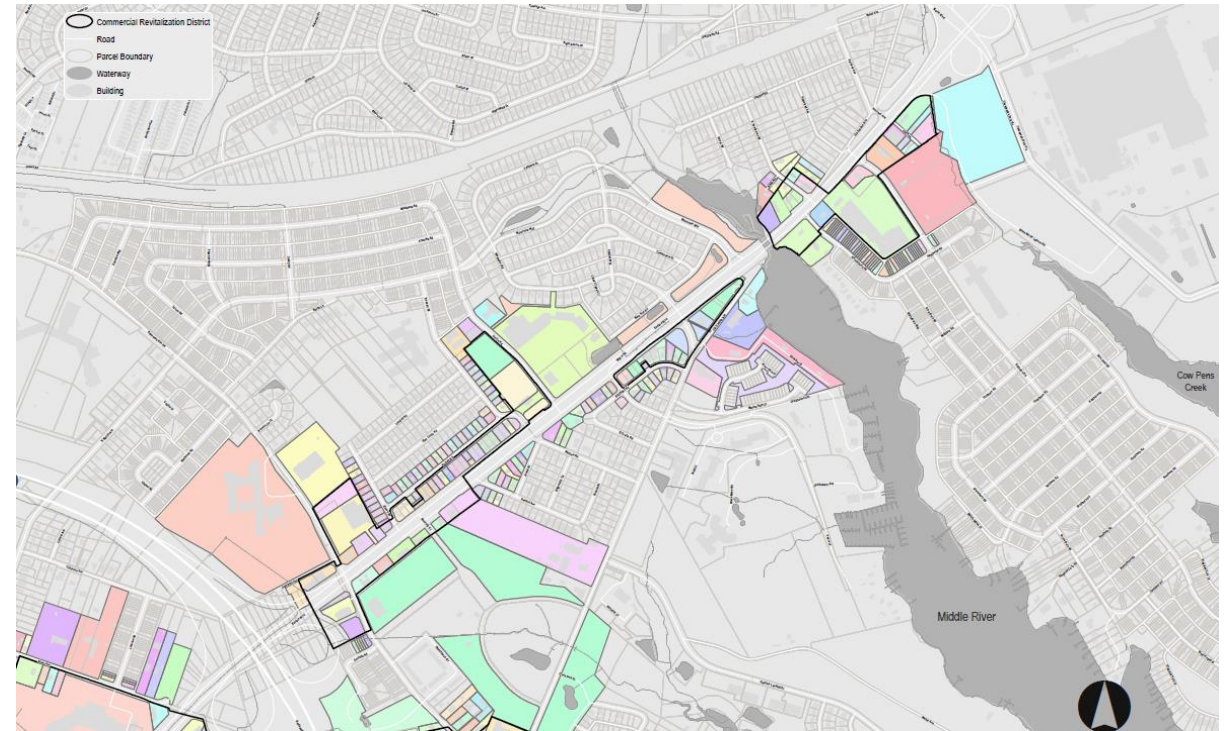


An important component of any land use planning, zoning, public investment prioritizing, or design work is understanding the market dynamics that shape an area's potential.

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

The objectives for completing this study are to:

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





Methodology and Qualifications



The Master of Real Estate Development degree (MRED) at the University of Maryland embraces 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, and 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 and 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
Recommendations



Conclusions and Recommendations



Conclusions and Recommendations

Land Use	Short Term Opportunity	Long Term Opportunity	Strengths	Challenges	Key Considerations	Potential Demand	Key Buyers
For-Sale Townhomes	Moderate	Strong	<ul style="list-style-type: none"> Commutes to downtown Baltimore range from 25-40 minutes by car and 55-65 minutes by bus Local community organizations are working to improve aesthetics of neighborhood Variety of private and charter schools available to residents along corridor 	<ul style="list-style-type: none"> Limited diversity of retail offerings All four public schools within boundary of the corridor are rated a 3 out of 10 according to GreatSchools.org Violent crimes, property crimes, and crimes per square mile in Essex are all greater than the Maryland average. 94% of communities in Maryland have a lower crime rate than Essex 	Access to public transportation, access to high paying jobs in downtown Baltimore, and availability of private and public charter schools are factors that would successfully support the development of for-sale townhome communities along the corridor.	Between 2018 and 2035, projections show annual demand of for-sale townhomes in Essex, MD as 19 new townhomes per year. The majority of townhomes will likely be priced between \$180,000 and \$525,000 (2018 \$).	Projected purchasers of new townhomes in Essex, MD are likely to be single residents, young professionals, or young families with household incomes between \$50,000 and \$150,000 annually. Empty nesters are another potential category of buyer profile.
For-Rent Multifamily	Weak	Moderate	<ul style="list-style-type: none"> Excellent access to public transportation There are three recreational parks under .5 miles from center of corridor There are a variety of grocery stores, banks, coffee shops and other services within walking distance 	<ul style="list-style-type: none"> Area Median Income (AMI) will not support Class A apartments Limited supply of appropriately sized land tracts for multifamily housing Unemployment rate in Essex is higher than county average 	The vacancy rate for multifamily housing in Essex, MD is over 2% lower than the Baltimore County multifamily vacancy rate. This lower vacancy rate is encouraging for the development of workforce housing.	Every 10 years, projections indicate the corridor could support the development of an 80 to 280 unit multifamily housing project.	Young working professionals will be the key tenants for studios and 1 bedroom apartments for rent. Families will make up the key tenants for 2 and 3 bedroom apartments.
Retail	Weak	Moderate	<ul style="list-style-type: none"> Significant population within short distance to corridor Large supply of convenience retail already in place Retail visibility and signage opportunities are abundant 	<ul style="list-style-type: none"> Limited supply of high-wage employment in immediate area Significant retail competition exists within submarket (i.e. White Marsh, Greenleigh) Current demographics (income & education) are not attractive to new retail investments within corridor 	Current retail environment is fractured and disjointed between strip centers and repurposed homes as commercial space. This issue means there is no single focused retail node, hurting the overall retail environment.	Currently the retail market is over-supplied by retail. Thus, new retail demand created by projected new household growth over the next 10 years estimates that Essex can support approximately 20,000 SF of new retail space.	Based on household spending projections by category, key tenants for retail include smaller footprint or discount grocery/market food offerings, sit-down restaurants, household needs and furnishings, and personal needs items
Office	Weak	Weak	<ul style="list-style-type: none"> Declining vacancy Relatively low competition for new office space Within commercial revitalization zone 	<ul style="list-style-type: none"> Low demand for office space along corridor Absence of major employer in the area Corridor in direct competition with downtown Baltimore 	Growing residential population increases demand for service-based neighborhood serving office space.	There is currently 25,450 SF of vacant office space. From 2019 to 2035, Essex is forecasted to demand up to 20,000 SF.	Smaller neighborhood serving office tenants such as doctors, dentists, and veterinarians. As well as personal accountants and insurance agents who do not require large amounts of office space



Conclusions and Recommendations: For-Sale Townhomes

Demand for for-sale townhomes in Corridor Two of the Essex Commercial Revitalization District is moderate to strong, with projections showing annual demand at approximately 19 new townhomes per year. The majority of these townhomes will be priced between \$180,000 and \$525,000 per unit. Based on the corridor's strengths, including key considerations such as access to public transportation and high paying jobs, we recommend building for-sale town home communities along the corridor if land is available.

With commutes to downtown Baltimore ranging from 25-40 minutes by car and 55-65 minutes by bus, Corridor Two allows a reasonable average commuting time to the Baltimore city center and excellent access to high paying jobs. Along with the availability of numerous private and charter schools, the presence of local community organizations and their efforts to improve neighborhood aesthetics make Corridor 2 an attractive community for young families, single residents, and empty nesters looking to downsize at an affordable price point.

Although the area poses challenges, including limited retail offerings, a lack of quality public schools, and a high rate of violent and property crimes, we recommend developing for-sale townhome communities based on potential demand and trending revitalization in the area.



The analysis indicates that AMI (area median income) will not support the luxury Class A multifamily housing. A demand analysis projects that the corridor could support an 80- to 280-unit multifamily housing project every 10 years, with the appropriate rent levels. This equates to one new apartment development in Essex every ten years. If land were available, Corridor Two would be an appropriate location for new apartments.

Vacancy rates in Essex are more than 2% lower than the county average, which strongly supports the development of some types of for-rent multifamily housing projects.

New rental apartments in the corridor would likely be rented at \$1,000 to \$2400 per month depending on their size. The target market audience would be those earning \$50,000 or more annually.



Demand for additional retail space in Essex long-term is low to moderate. Current household growth projections indicate demand for an additional 20,000 s.f. of retail space over the next 10 years. This demand would be for the entire Essex market and could be spread among a variety of retail environments and spending categories. Given the current oversupply of retail space in Essex, the challenges of disjointed locations and building typologies, and vacancies and below sub-market rents, we recommend that Essex pursue a strategy of addition by subtraction, improving retail performance overall through space consolidation.

Given competition from successful surrounding retail in the immediate southeastern Baltimore sub-market (White Marsh and Greenliegh), and struggling locations nearby (Eastpoint Mall), Essex should seek to improve the overall retail environment by cannibalizing isolated and vacant retail assets, repositioning them to other highest and best land uses. Consolidating stronger tenants into vacancies in existing centers, Essex can begin to create popular retail nodes that build on tenants' shared success. Retail merchants benefit from being around other strong merchants, sharing their traffic.

We recommend that Essex support consolidating and expanding existing retail locations to create a robust locally-owned retail sector that serves local needs. Given the challenge of attracting national brands to Essex with its low area median income, supporting the growth of local retail vendors and businesses expands and diversifies economic opportunities for residents. Local ownership also provides an economic multiplier effect—local owners, including worker-owners, spend and invest more of what they earn in the local economy, compounding the positive impact for retail within Essex.



While the corridor has attractive retail attributes, including easy access, high vehicle traffic, visibility, and signage opportunities, it struggles due to a lack of a large and active daytime population or workforce, and lower than desired levels of income and education that merchants look for when planning new locations.

Existing retail in the corridor is largely convenience or service based, with no one shopping center or street location capturing the majority of retail shopping traffic. Retail is fractured, as a variety of older retail environments are spread throughout the corridor, with merchant types and spending categories spread out in disjointed locations. There is no single dominant successful retail destination in Essex, but rather a collection of under-performing, dated retail locations.

Additionally, Essex faces competition from successful retail in the immediate southeastern Baltimore sub-market (White Marsh and Greenleigh) to the north, and struggling locations nearby (Eastpoint Mall) to the south.

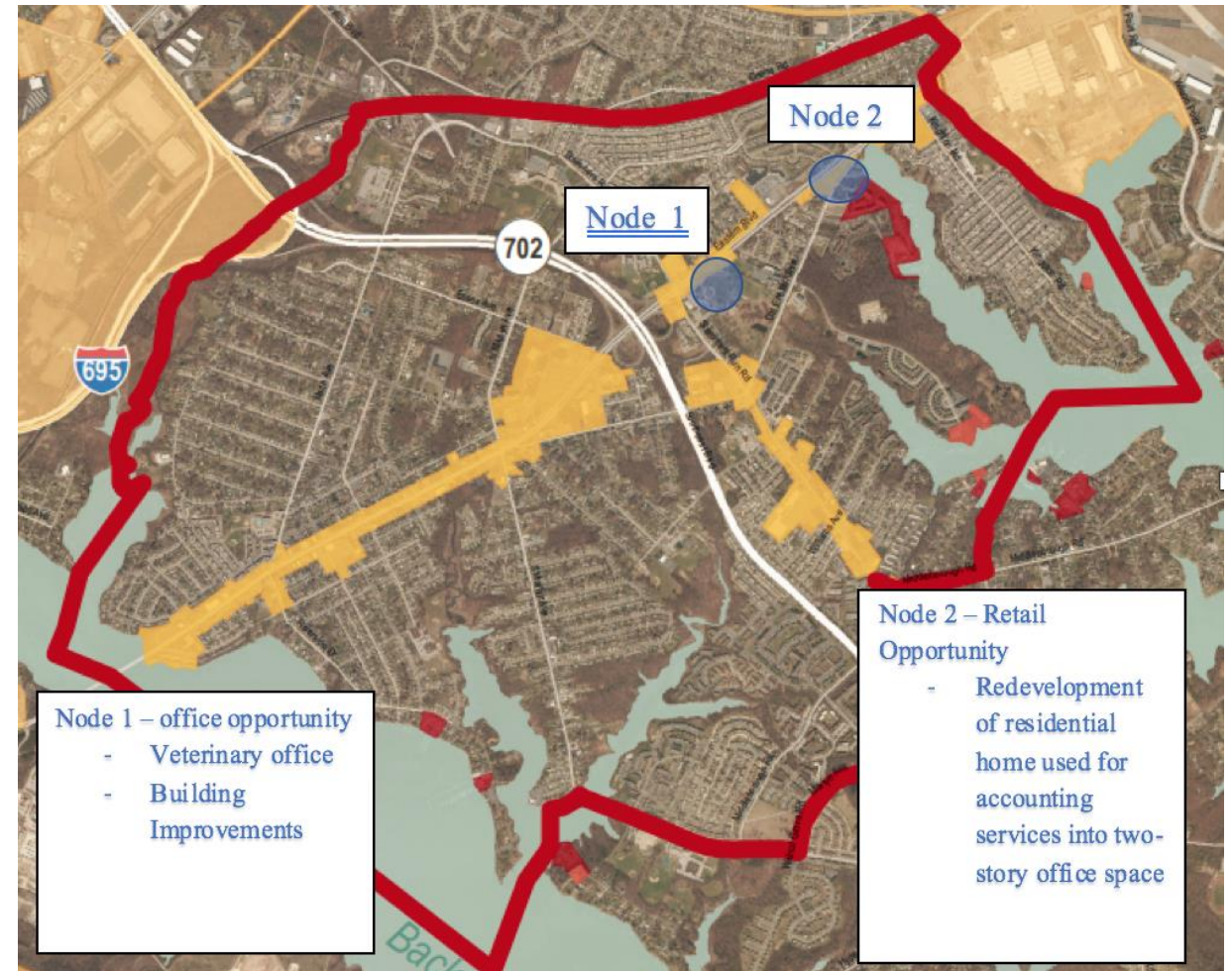


The Essex commercial office space market hasn't had any new deliveries since 1997. Office space in Essex is mostly made up of converted residential homes, accounting for 85% of the market. The remaining 15% are traditional commercial offices, which are experiencing a 50% vacancy rate, much higher than the residential office vacancy rate of 7.5%. There is currently 25,450 s.f. of vacant office space.

By 2035 Essex office space demand will increase by up to 20,000 s.f. at a .04 % capture rate in the Baltimore county market. This projected increase could be absorbed by the area's existing vacant office space with no new deliveries necessary.

In addition, there is no major employer in the area. Due to the vacancy rates for traditional office space, it is likely that Essex will not develop any new office space in the corridor.

Improving the existing office buildings could fill the area's lack of class A or B space. The corridor is located in Baltimore County's commercial revitalization zone, and loans and tax credits are available to help landlords to improve existing office buildings.





Subject Area Assessment

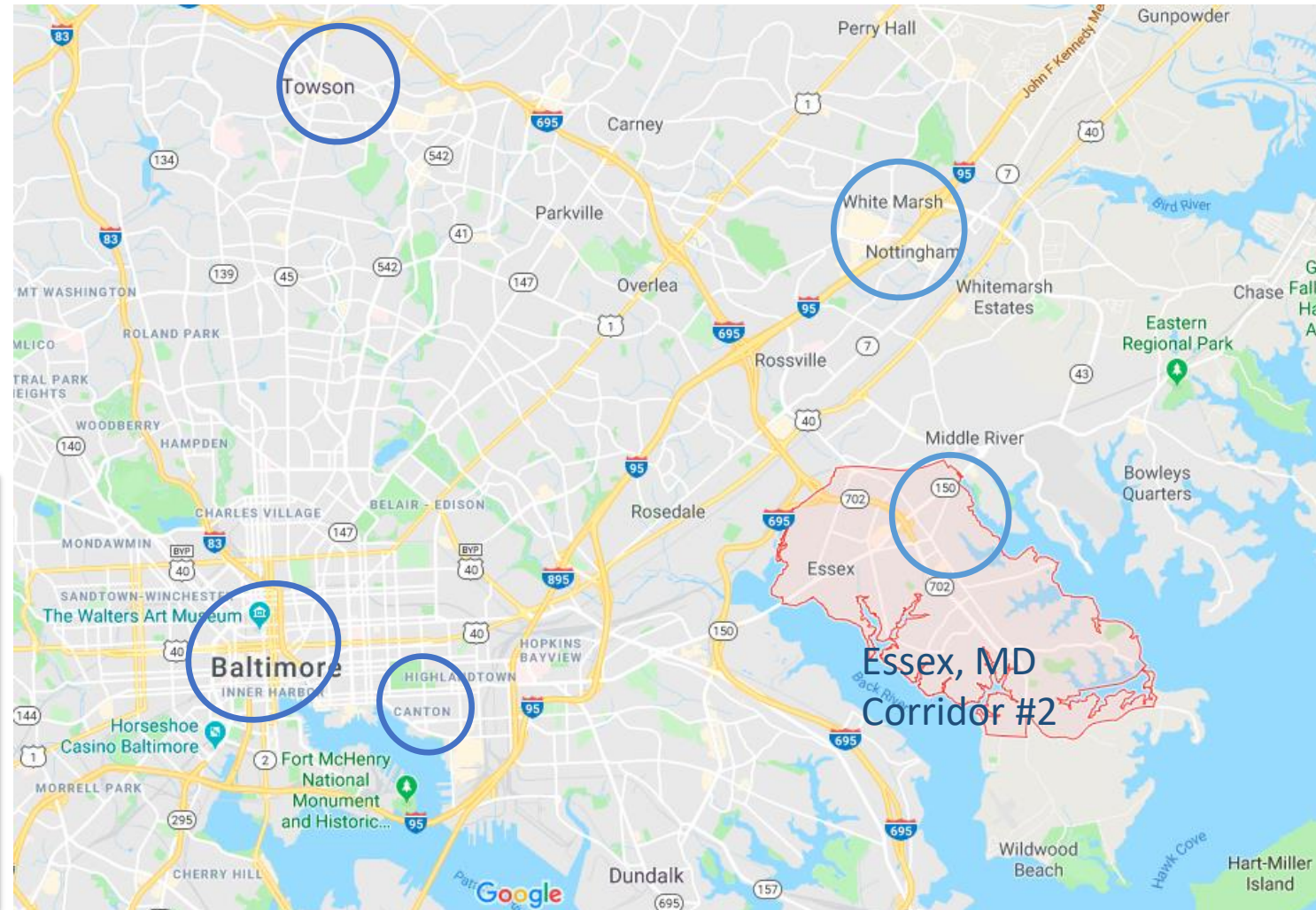
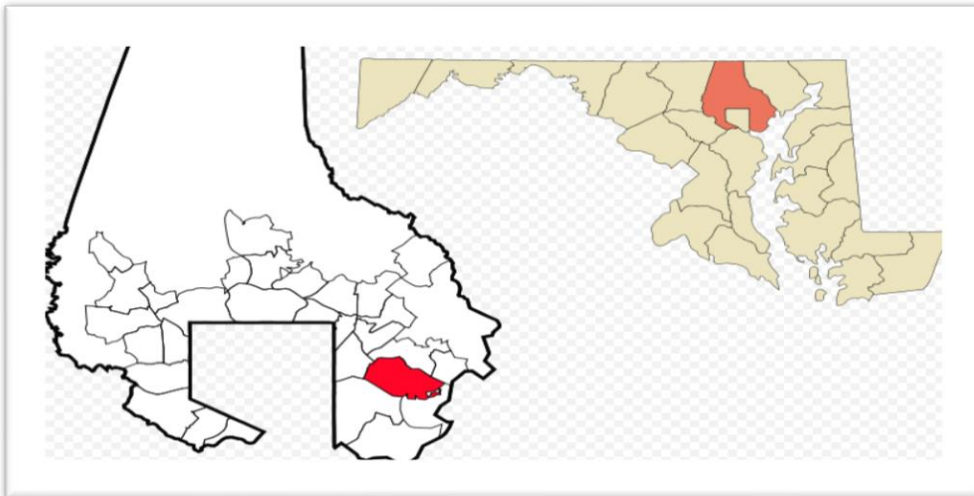


Subject Area Assessment: Essex, Maryland - Regional Location

Essex is an unincorporated and census designated place in Baltimore County. It was established in 1909 by the Taylor Land Company for Baltimore residents who wanted to live outside the city limits.

It is east of downtown Baltimore, north of Dundalk, and south of Middle River and White Marsh. It is about 10 miles and 25 minutes by car to the Baltimore central business district.

Essex is surrounded by competitive markets— Baltimore City, Canton, Towson, and White Marsh.





Subject Area Assessment: Essex, Maryland - Strengths

Essex is within a convenient 25-minute drive to downtown Baltimore, with access to public transportation.

It has a unique location along the Middle River, offering waterfront access and entertainment opportunities.

Essex's main commercial corridor, Eastern Avenue (Route 150), is an auto-focused thoroughfare, and provides visibility and frontage opportunities for commercial businesses and business signage.

Essex has a significant amount of park space along Eastern Avenue.

It is an affordable bedroom community option for Baltimore City's workforce, with a short commute downtown.

Essex is conveniently near the commercial hubs of Trade Point Atlantic, Lockheed Martin, Martin Airport, and the Johns Hopkins Bayview Campus.





Subject Area Assessment: Essex, Maryland - Challenges

Essex is auto-dominated, with transit limited to bus service.

Downtown Essex is easy to reach, but offers a limited choice of commercial uses and amenities.

Essex doesn't use its waterfront locations to significant community benefit.

The main Eastern Avenue corridor is auto-centric with a disjointed sequence of land uses; while it can be walkable, the environment is not pedestrian friendly, but designed for car convenience.

A number of corridor land uses would be considered transitioning, and need redevelopment or repositioning.

There are some vacant storefronts in the main commercial corridor, but not enough to make the downtown feel desolate. However, too many vacant businesses hurt overall market viability.

Essex struggles to deliver a high quality of life to residents and to capture commercial and retail business investment. With the evolution and decline of Baltimore's aerospace defense (Martin Company – Lockheed Martin) manufacturing, steel (Sparrow's Point), and maritime logistics industries, Essex has faced challenges in demographics, lack of investment, and stagnant growth.





Subject Area Assessment: Essex, MD - Strengths and Challenges by Characteristic

For-Sale Townhomes

Characteristics	Strengths	Challenges
Access to Jobs	Commutes to downtown Baltimore range from 25-40 minutes by car and 55-65 minutes by bus, allowing for a relatively average commuting time for residents working in the closest major central business district.	There is a limited supply of higher wage employment opportunities in the walkable area nearby.
Transit Proximity/Quality	There are numerous bus stops within walking distance of multiple points along the corridor.	There is no rail access along this corridor and bus routes only service the immediate Baltimore area.
Retail: Restaurants	There are numerous restaurants within .5 miles, allowing for walkability to dining establishments.	A majority of restaurants in the immediate area are pizza and sub shops. There is a lack of diversity in terms of cuisines available within walking distance.
Open Space/Recreation	There are three recreational parks under .5 miles from the center or the corridor.	The majority of parks in the immediate area are not accessible by foot, requiring access to a car or the use of public bus service.
Schools	There are a variety of private and charter schools available to residents along the corridor. This would allow parents the ability to choose the schools that are right for their children.	All four public schools within the boundary of the corridor are rated a 3 out of 10 according to GreatSchools.org. This may be a serious deterrent for parents looking to purchase homes with the intention of sending their children to public school.
Safety/Crime Data	There is plenty of activity along this corridor with a noticeable police presence.	Violent crimes, property crimes, and crimes per square mile in Essex are all greater than the Maryland average. Chances of becoming a victim of either violent or property crime is 1 in 23. 94% of communities in Maryland have a lower crime rate than Essex.
Aesthetic Quality of Neighboring Uses	Local community organizations are working to improve aesthetics of neighborhood by replacing park benches and improving landscaping.	Overall condition of neighborhood structures is poor. Significant work needs to be done to improve exteriors of buildings and public areas within corridor.

For-Rent Multifamily

Characteristics	Strengths	Challenges
Visibility	Highly visible areas along the corridor	Higher quality areas along the corridor contain more tall standing trees and greenery, thus diminishing visibility
Walkability	According to WalkScore.com, walk scores (71) along this corridor range from “Somewhat Walkable” to “Very Walkable.” This means that some to most errands can be accomplished on foot.	Although homes along this corridor are “Somewhat” to “Very Walkable” in terms of groceries, shopping, errands, parks and schools, there is a lack of walkability to culture and entertainment resources.
Retail: Convenience & Services	There are a variety of grocery stores within walking distance of the corridor, including five within .5 miles. Other services such as banks, coffee shops, and clothing stores are also within walking distance.	A majority of the larger, chain and big box stores require a car or bus in order to access them. Quality of stores within walking distance is also in question.
Transit Proximity/Quality	There are numerous bus stops within walking distance of multiple points along the corridor.	There is no rail access along this corridor and bus routes only service the immediate Baltimore area.
Open Space/Recreation	There are open spaces from the center or the corridor.	The majority of parks in the immediate area are not accessible by foot, requiring access to a car or the use of public bus service.
Employment	Higher paying jobs coming back to east side of county due to Tradepoint Atlantic and Greenleigh. New higher end office spaces could provide a catalyst for increasing employment in the area. Also extends into the Chesapeake Enterprise Zone, which offers incentives for major industrial investment and creation of jobs.	Unemployment is high in the county as whole and has a 6.69% unemployment rate which is about 3% more than the rest of the county. This also could be due to the low education attainment level with only 14% of residents having a bachelor’s degree in comparison to 37% from the county as a whole.



Subject Area Assessment: Essex, MD - Strengths & Challenges by Characteristic

Office

Characteristics	Strengths	Challenges
Access to Jobs	Has excellent transportation availability for those who commute with direct access to I-95 and I-695. Can access downtown Baltimore by bus or car.	Most of the resident's work outside the area. This is due to the lack of higher paying jobs in the direct area.
Employment	Higher paying jobs coming back to east side of county due to Tradepoint Atlantic and Greenleigh. New higher end office spaces could provide a catalyst for increasing employment in the area. Also extends into the Chesapeake Enterprise Zone, which offers incentives for major industrial investment and creation of jobs.	Unemployment is high in the county as whole and has a 6.69% unemployment rate which is about 3% more than the rest of the county. This also could be due to the low education attainment level with only 14% of residents having a bachelor's degree in comparison to 37% from the county as a whole.
Transit Proximity/Quality	There are many bus stops along the corridor making it easy to travel from one end to another for residents and those employed in the area.	There is no rail access along our corridor therefore commuters must walk or take a bus from their rail stop. No direct bus routes from Essex to Tradepoint Atlantic. Eastern Boulevard is in a state of despair, sidewalk conditions, bust stop conditions, along with broken light poles, and planter boxes.
Quality of existing Office Spaces	Is located in the Commercial revitalization district to promote new commercial investment. Besides Lockheed Martin complex there is a major lack of class A and B office spaces on the corridor with most offices being repurposed single family homes. The commercial buildings lack architectural integrity could be an opportunity.	Achieving the approval of the existing residents in the area for such construction along with acquiring the amount of land necessary to create effects offices. Narrow depth of properties along major corridor would make large enough office buildings difficult.
Retail: Convenience & Services	There is a Weis on the corridor along with some smaller sub and pizza shops. Realistically an employee in an office on the corridor could access these shops with relative ease.	Lack of higher end retail and chain restaurants in shopping centers, the appearance of the commercial areas are in poor condition and could be revamped.
Walkability	The area scored relatively well (71) on WalkScore.com promoting access to the amenities on the corridor for residents living in the direct area.	The area lacks trails and bike lanes. The traffic speed is too high to make one feel completely safe from the automobile dominated roadway. The sidewalks are deteriorating throughout the corridor.
Planned Developments	The lack of newly planned office spaces could mean that there is an opening in the market for higher end office spaces.	The area on the corridor has no future planned office building construction, showing lack in confidence for the market. Newer infrastructure located outside the area is problematic to the corridor.
Aesthetic Quality of Neighboring Uses	The community is aware of the current poor state of the sidewalks and street greenery. They are making an active effort at improving benches and planer boxes.	The area has a negative perception due to crime and high volume of affordable housing. Quality of infrastructure is aged and needs over hall. Currently is not in an appealing state and may need even more improvements than city officials have planned.

Retail

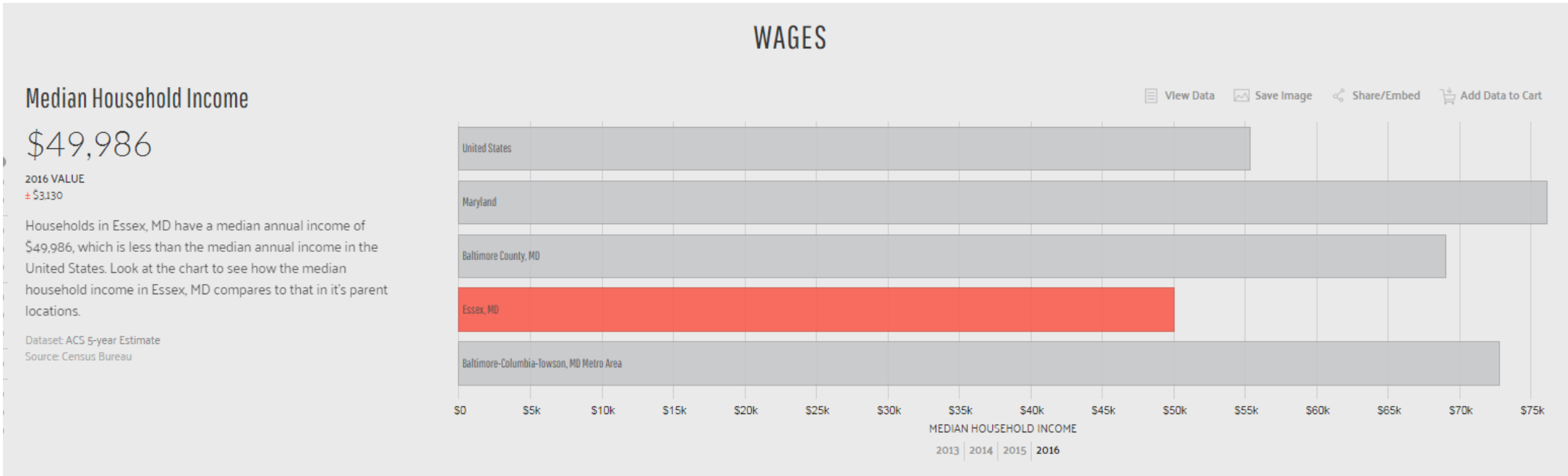
Characteristics	Strengths	Challenges
Visibility	The corridor provides for high visibility for commercial business frontage and signage along the corridor	Commercial businesses are fragmented and disjointed, along with their being no design standard or consistency for signage, making visibility very cluttered along the corridor
Transit & Walkability	According to WalkScore.com, walk scores (71) along this corridor range from "Somewhat Walkable" to "Very Walkable." This means that some to most errands can be accomplished on foot.	Although the corridor is "Somewhat" to "Very Walkable" in terms of groceries, shopping, errands, parks and schools, the environment is not pedestrian friendly, and there is a lack of walkability to culture and entertainment resources.
Retail: Convenience & Services	There are a variety of grocery stores within walking distance of the corridor, including five within .5 miles. Other services such as banks, coffee shops, and clothing stores are also within walking distance.	A majority of the larger, chain and big box stores require a car or bus in order to access them. Quality of stores within walking distance is also in question.
Transit Proximity/Quality	There are numerous bus stops within walking distance of multiple points along the corridor.	There is no rail access along this corridor and bus routes only service the immediate Baltimore area and certain parts of Essex's corridor, so walking is required for access to bus stops.
Population & Demographics	There is a significantly sized local population within the immediate walkable and drivable distance to the main corridor	Essex suffers from worse demographics when compared to the overall Baltimore submarket, with lower levels of income and education within the area (which are important factors for merchants & retailers)
Employment	Higher paying jobs coming back to east side of county due to Tradepoint Atlantic and Greenleigh. New higher end office spaces could provide a catalyst for increasing employment in the area. Also extends into the Chesapeake Enterprise Zone, which offers incentives for major industrial investment and creation of jobs.	Unemployment is high in the county as whole and has a 6.69% unemployment rate which is about 3% more than the rest of the county. This also could be due to the low education attainment level with only 14% of residents having a bachelor's degree in comparison to 37% from the county as a whole.



Economic and Demographic Analysis



Economic Analysis: Income Data



Essex household area median income (AMI) is \$49,986 (annually), below the US, Maryland, and metro-area and Baltimore County averages, signifying it as a lower-income area.

source <https://datausa.io/profile/geo/essex-md/>

The Essex poverty rate is 13.1%, near the national average. The chart shows that 57.8% of the population earns \$3,333 or less per month (below the area median income), highlighting the affordability needs in Essex.



Economic Analysis: Income & Job Data

Households – 17,080

Population – 39,262

Income Analysis –

Baltimore County Median Income - \$94,900 (includes Balt. City)

- family of four household – HUD 50% area median income limit: \$47,450 (\$3,954 per month)
- single person household – HUD 50% area median income limit: \$33,250 (\$2,770 per month)

Essex, MD CDP – Income Assessment

- 57.8% of Essex residents earn less than 50% of Baltimore County area median income
- Essex CDP median income is below national average and poverty level is at national average
- The Maryland poverty level for family of four is \$25,100; 2015 Census data suggests that nearly 13% of Essex residents live below the poverty line

Source: AMI (Maryland DHCD), poverty level (US Dept. HHS), Essex income (Census)

Total Primary Jobs

	2015	
	Count	Share
Total Primary Jobs	17,080	100.0%

Jobs by Worker Age

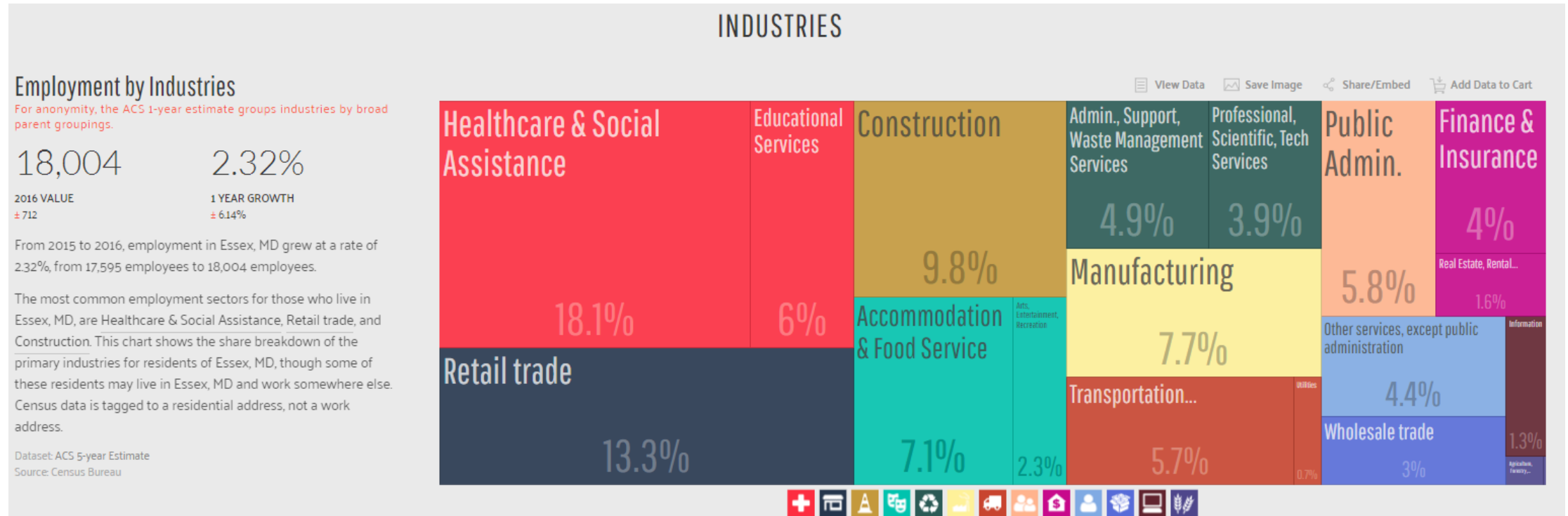
	2015	
	Count	Share
Age 29 or younger	4,250	24.9%
Age 30 to 54	9,106	53.3%
Age 55 or older	3,724	21.8%

Jobs by Earnings

	2015	
	Count	Share
\$1,250 per month or less	3,402	19.9%
\$1,251 to \$3,333 per month	6,475	37.9%
More than \$3,333 per month	7,203	42.2%



Economic Analysis: Job Data by Industry



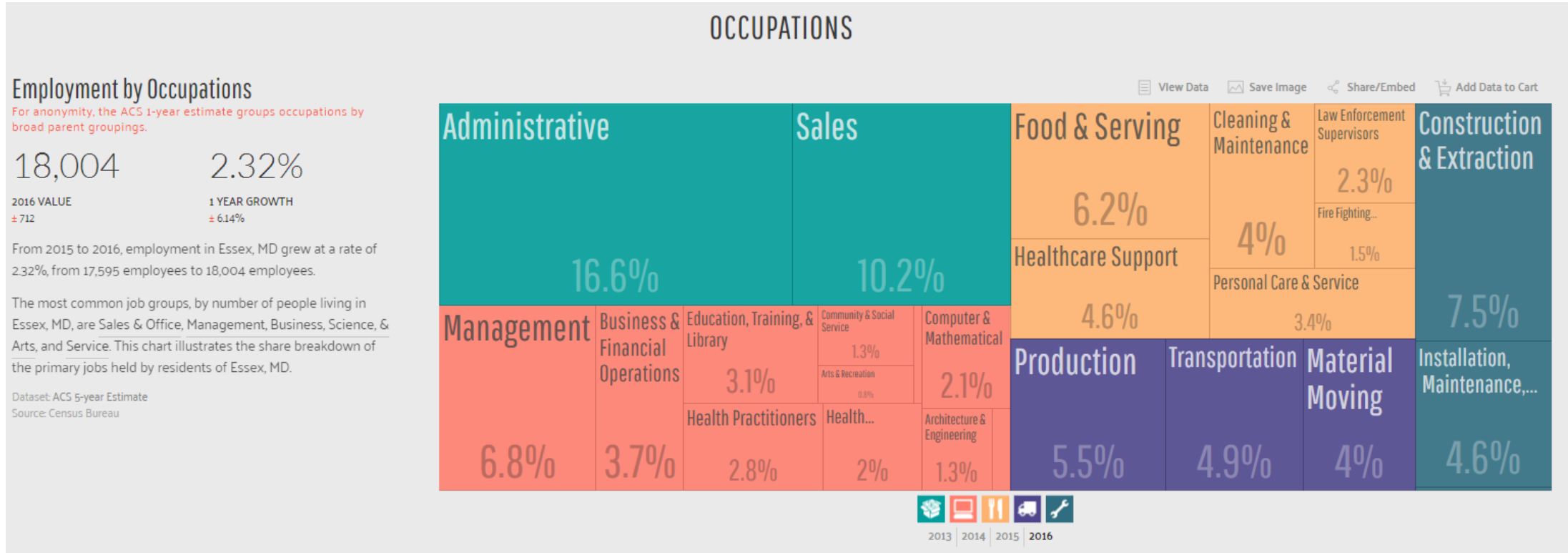
Jobs within Essex are in five main industries – Educational, Healthcare and Social Services, Retail, Construction, and Accommodation & Food Service

30% of Essex jobs are held by those with a high-school education or less

Source: Census Bureau – ACS 5-year estimate



Economic Analysis: Job Data by Occupation

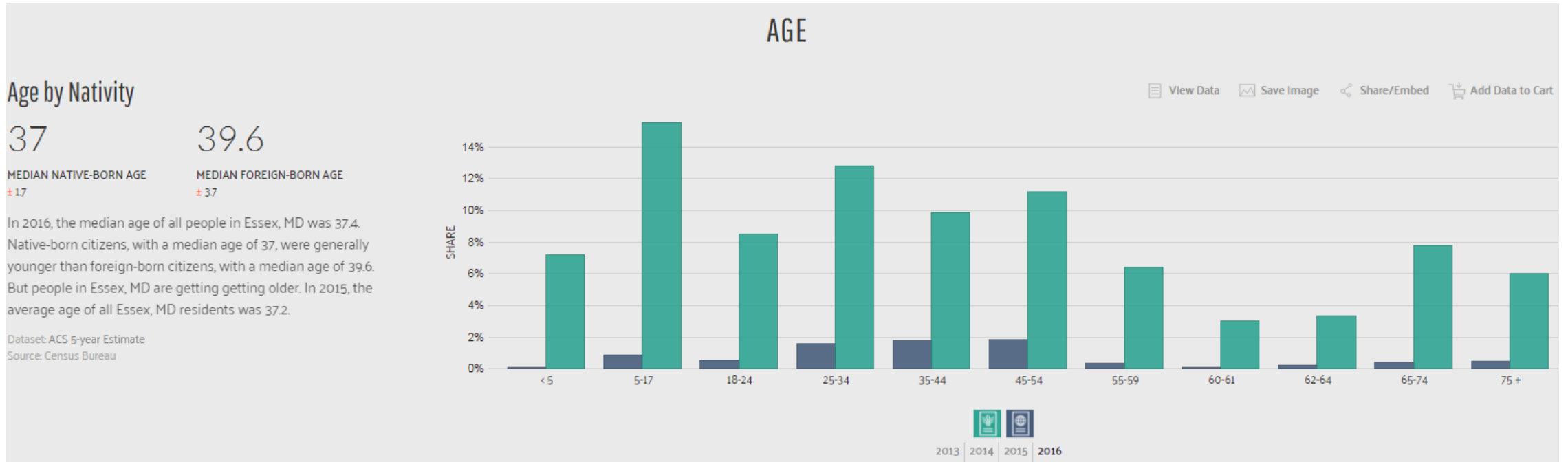


Occupations in Essex are largely Administrative; Sales, Food & Service and Construction; or Manufacturing production

In Essex, only 20.7% of jobs require a Bachelors or more advanced degree, reflecting the prevalence of service and non-skilled labor jobs

Source: Census Bureau – ACS 5 year estimate

Demographic Analysis: Age

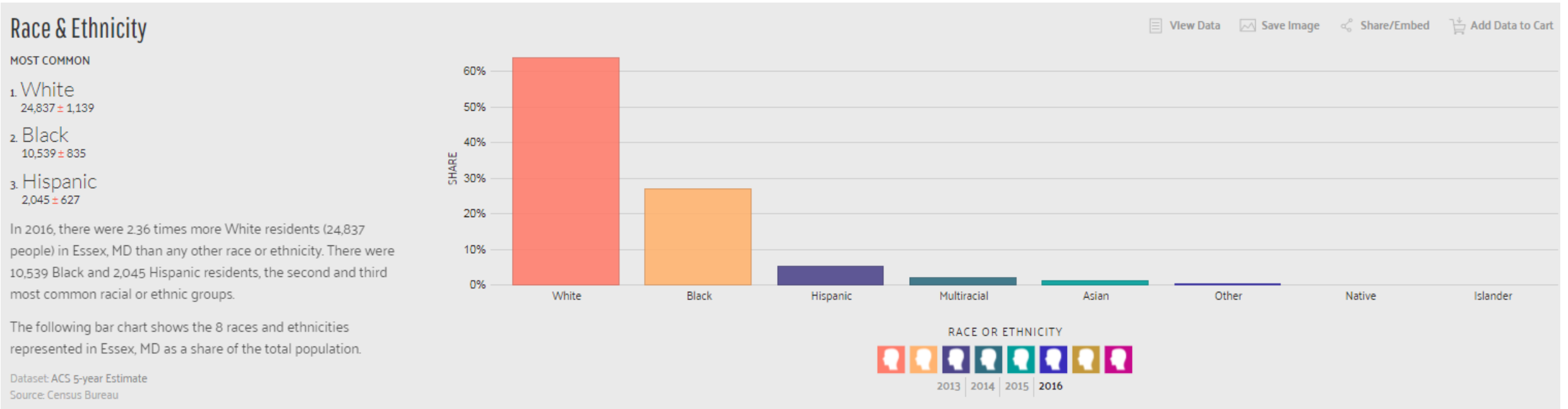


The average age in Essex is 37.4 years (in line with the national average of 38 years)

Age dispersion in the Essex CDP matches the national bell-curve, showing no evidence of Essex drawing a young work-force (which supports a strong professional, business or technical services job environment)

Source: Census Bureau – ACS 5-year estimate

Demographic Analysis: Race



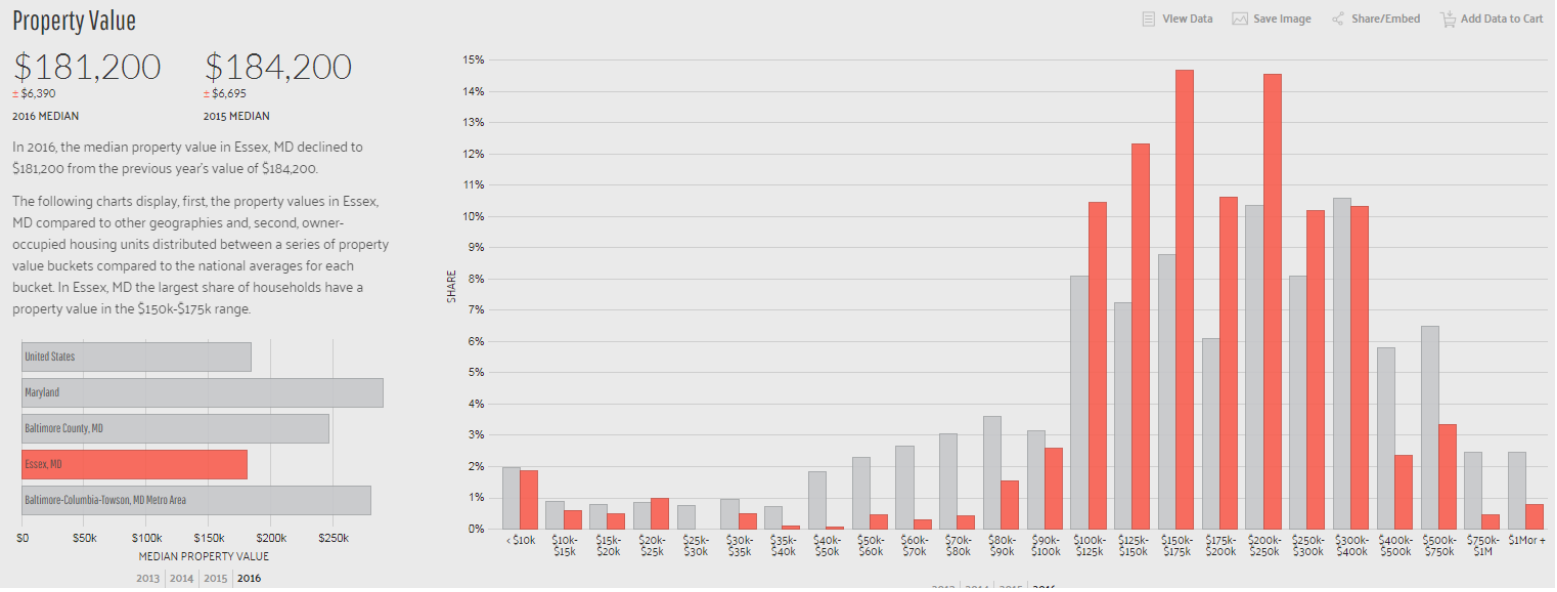
The majority of the Essex population is either White (non-Hispanic) or African American (93.8% when combined)

The Essex CDP is slightly less diverse than the national racial make-up.

Source: Census Bureau – ACS 5 yr. estimate

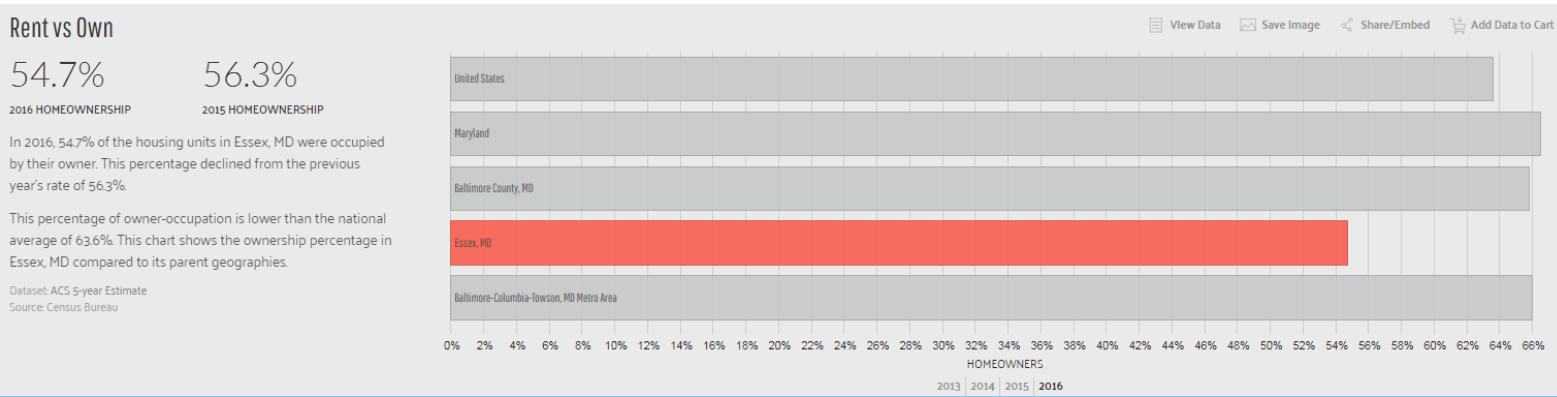


Demographic Analysis: Rent vs. Own



In 2016, 54.7% of Essex housing units were owner-occupied. This declined from the previous year's rate of 56.3%.

This rate of home ownership is lower than the national average of 63.6%. The chart shows ownership percentage in Essex is lower when compared to other areas.



The median home property value in Essex is close the national average (\$181,200) but lower than all comparable geographies.

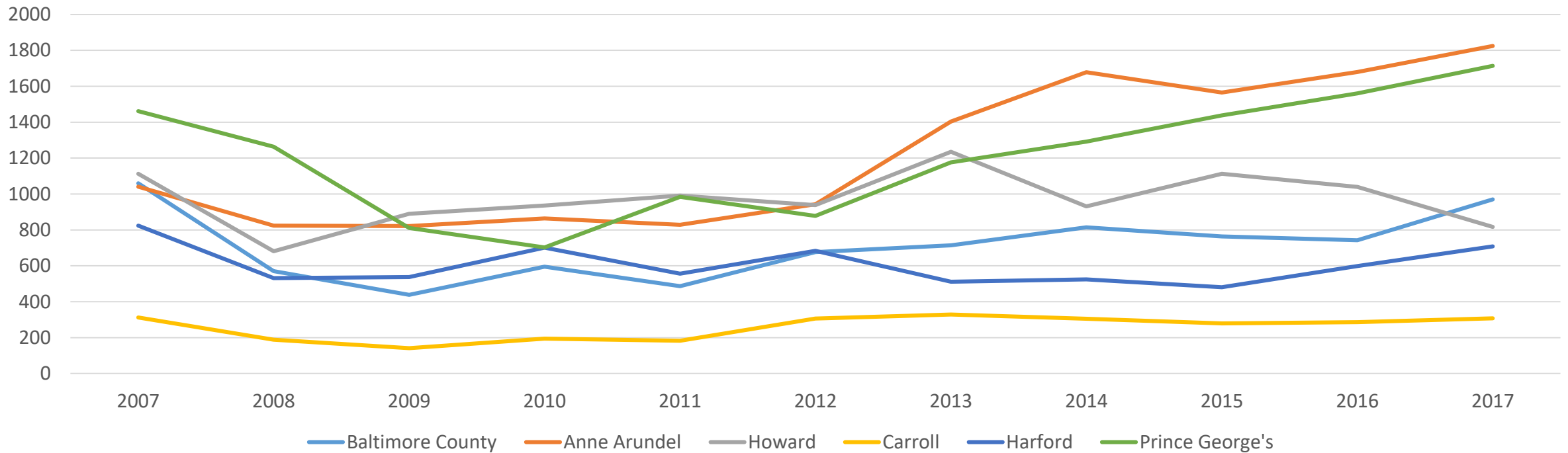


For-Sale Townhome Market Analysis



Single-Family Building Permits

Source: SOCDS Building Permits Database

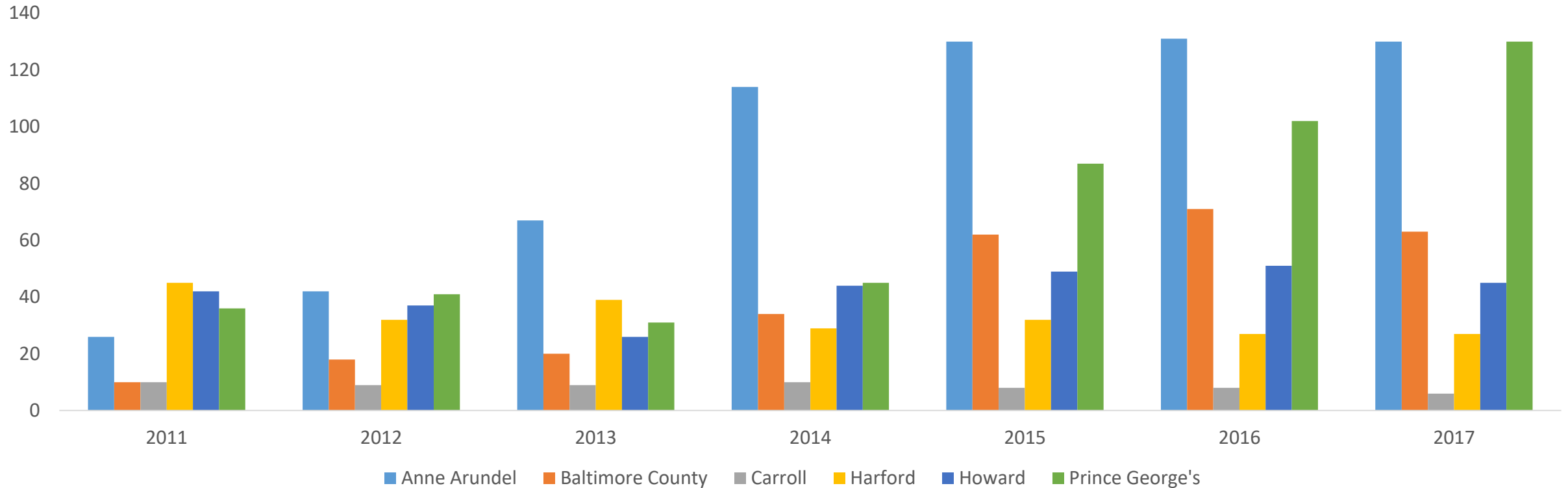


Since 2009, applications for single-family building permits in Baltimore County have risen steadily, with annual permits reaching 1,000 in 2017. In comparison, only Anne Arundel and Prince George's Counties received more single-family building permits in 2017. Only Howard County has seen an overall decline in single-family building permits since 2009.



Average Monthly Inventory: New Construction Townhomes

Source: Redfin Data Center



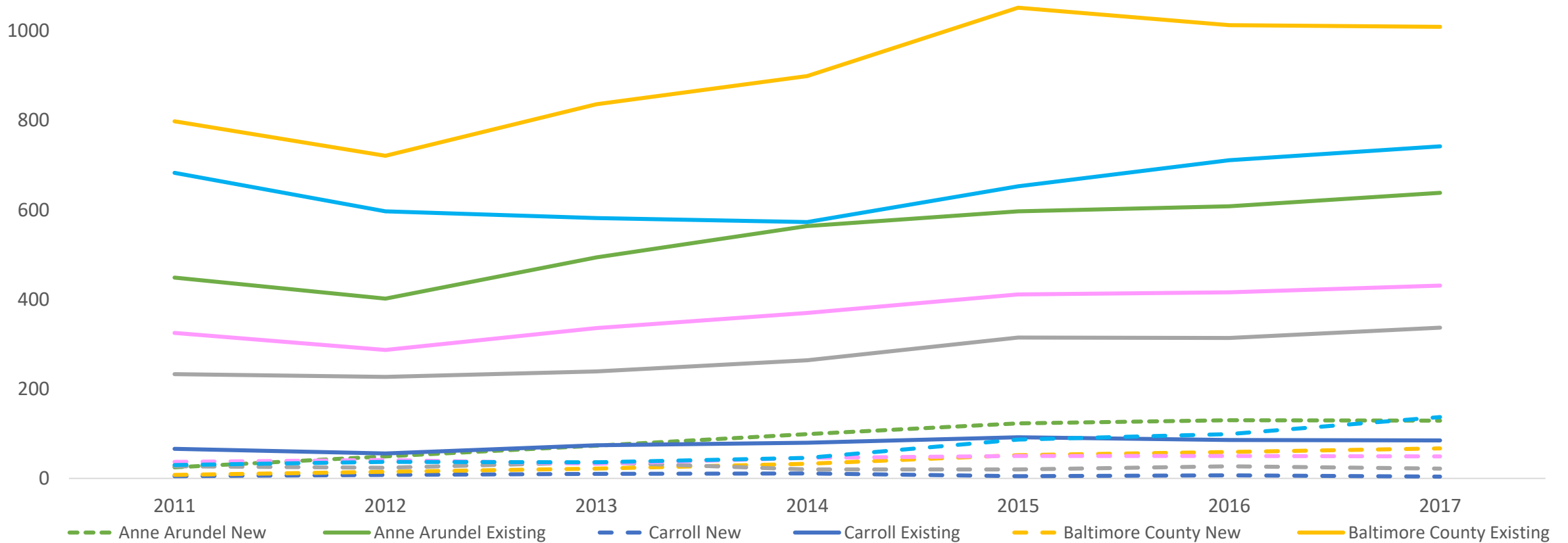
Although average monthly inventory of new construction townhomes in Baltimore County saw a steady rise between 2011 and 2016, 2017 saw a decline. This decline is promising for Baltimore County, showing a potential for increasing absorption of newly constructed units. Howard and Anne Arundel Counties have shown similar trends of declining average monthly inventory.



Market Analysis: For-Sale Townhome Supply

New vs. Existing Townhome Sales: Annual Average

Source: Redfin Data Center

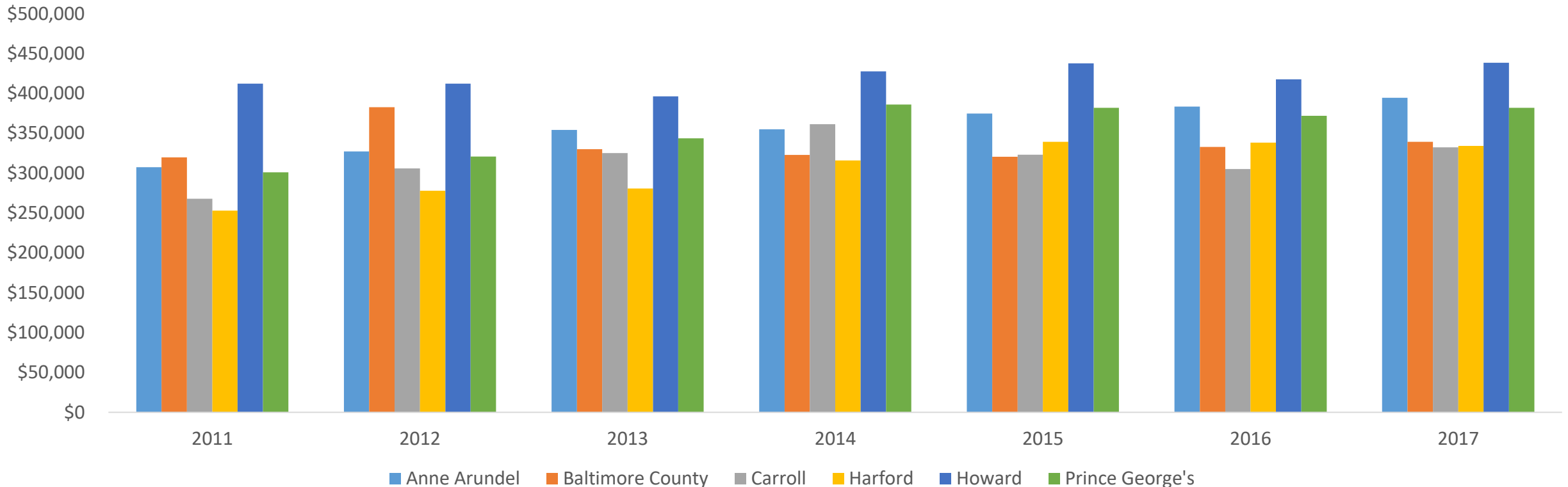


Between 2011 and 2017, annual sales of existing townhomes in Baltimore County outpaced Anne Arundel, Harford, Carroll, Howard, and Prince George's Counties. During the same time, however, Prince George's County saw the greatest annual average of new townhome sales, followed by Anne Arundel and Baltimore Counties.



Average Median Sales Price: New Construction Townhomes

Source: Redfin Data Center



Between 2011 and 2017, Howard County had the highest average median sales price of new construction townhomes, consistently reaching or exceeding \$400,000/unit. Baltimore County saw a steep rise in median sales price from 2011 to 2012, with prices leveling out between 2013 and 2017.



Market Analysis: For-Sale Townhome Supply

MAP KEY	NAME ADDRESS	BUILDER	SALES START	TOTAL UNITS	UNITS SOLD	ANNUAL SALES PACE	UNIT SIZE RANGE	PRICE RANGE	\$/SF RANGE	ANNUAL HOA FEE
1	The Preserve at Windlass Run 10550 Braddock Run Rd, Baltimore, MD 21220	Beazer Homes	Fall 2014	700	685	171	1,900 – 2,300 SF	\$300,000 - \$375,000	\$158 - \$163	\$720
2	Shaw's Discovery Townhomes 2821 Shaws Road Sparrows Point, MD 21219	Ryan Homes	Fall 2018	125	N/A	N/A	1,900 – 2,400 SF	\$269,000 – \$399,000	\$142 - \$166	\$1,200
3	The Waterfront at Sheltered Harbor 8004 Stansbury Road Dundalk, MD 21222	Ryan Homes	Summer 2016	Unavailable	Sold Out	Unavailable	1,917 – 2,324 SF	Unavailable	Unavailable	Unavailable
4	Quiet Waters 1812 Cape May Road Essex, MD 21221	Ryan Homes	Early 2018	45	12	16	1,782 – 3,000 SF	\$299,000 – \$450,000	\$150 - \$168	\$1,800
5	Admirals Landing 7734 Village Park Drive Baltimore, MD 21222	K. Hovnanian	July 2015	108	102	34	1,623 – 1,835 SF	\$250,000 - \$300,000	\$154 - \$163	\$468
6	Greenleigh at Crossroads 6306 Greenleigh Avenue Baltimore, MD 21220	Ryan Homes NV Homes	May 2017	692	105	157	1,741 – 4,100 SF	\$319,000 - \$580,000	\$141 - \$183	\$720 - \$1,020
7	Ravenhurst Glen 9962 Ravenhurst Road Middle River, MD 21220	Lennar	Early 2018	83	61	76	1,712 – 2,032 SF	\$259,000 - \$292,000	\$144 - \$151	\$1,140
8	Strawbridge Commons 5005 East Joppa Road Perry Hall, MD 21128	Lennar	August 2018	58	3	12	1,930 – 2,326 SF	\$399,000 – \$429,000	\$184 - \$207	\$1,176



Competitive Townhome Communities

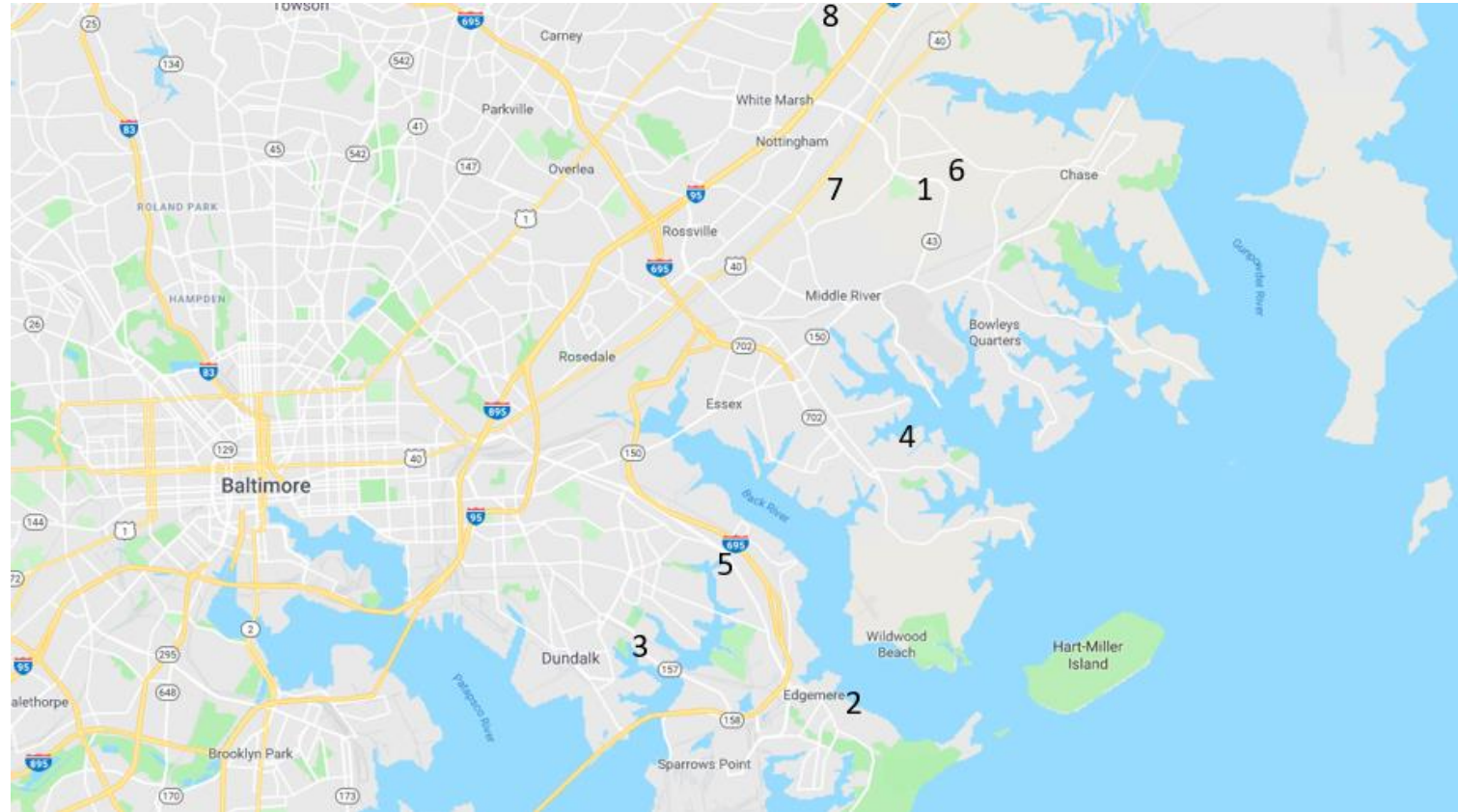
Eight competitive townhome communities in Essex and the surrounding area were selected for this comparison. Only one of the eight communities are in Essex, while the others are spread throughout Baltimore, Dundalk, Middle River, Sparrows Point, and Perry Hall.

Unit sizes range from 1,600 to 3,000 s.f. with prices from \$250,000 to \$580,000. Annual HOA fees start at \$468 and max out at \$1,800.

Four of the eight communities are Ryan/NV Homes, with K. Hovnanian, Beazer, and Lennar building homes in the others.

All the communities appear to be selling well, with annual sales paces ranging from 12 to 171 per year. The Waterfront at Sheltered Harbor sold out after opening in summer 2016.

The oldest community began selling in fall 2014 and 685 of the 700 units were sold by October 29, 2018.





Market Analysis: For-Sale Townhome Demand

Income:	Below \$25,000	\$25,000 - \$50,000	\$50,000 - \$75,000	\$75,000 - \$100,000	\$100,000 - \$150,000	\$150,000 And Above	TOTAL
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							
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 Units	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 Turnover	1,002	1,642	2,158	1,872	2,645	2,508	11,827
Annual For-Sale Demand By Home Price	1,034	1,714	2,248	1,961	2,780	2,644	12,380
Preference for New ⁴							
Annual Demand for New	0	34	45	137	222	212	650
Preference for SFD ⁵							
Annual Demand for New SFD	0	2	9	48	122	159	340
Preference for Townhome ⁵							
Annual Demand for New TH	0	5	18	82	96	49	250
Preference for Condo ⁵							
Annual Demand for New Condo	0	27	18	7	4	4	61
Essex Capture of SFD ⁶							
Annual Demand for New SFD	0	0	1	4	10	3	18
Essex Capture of Townhome ⁶							
Annual Demand for New Townhome	0	1	4	8	5	1	19
Essex Capture of Condo ⁶							
Annual Demand for New Condo	0	3	1	0	0	0	4

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

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

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

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

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

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

A demand model using data highlighting demographic trends and market projections was used to estimate the annual for-sale demand potential for Essex. According to the model, between 2018 and 2035 there will be 1,058 total annual new households; 554 of these households will seek for-sale units.

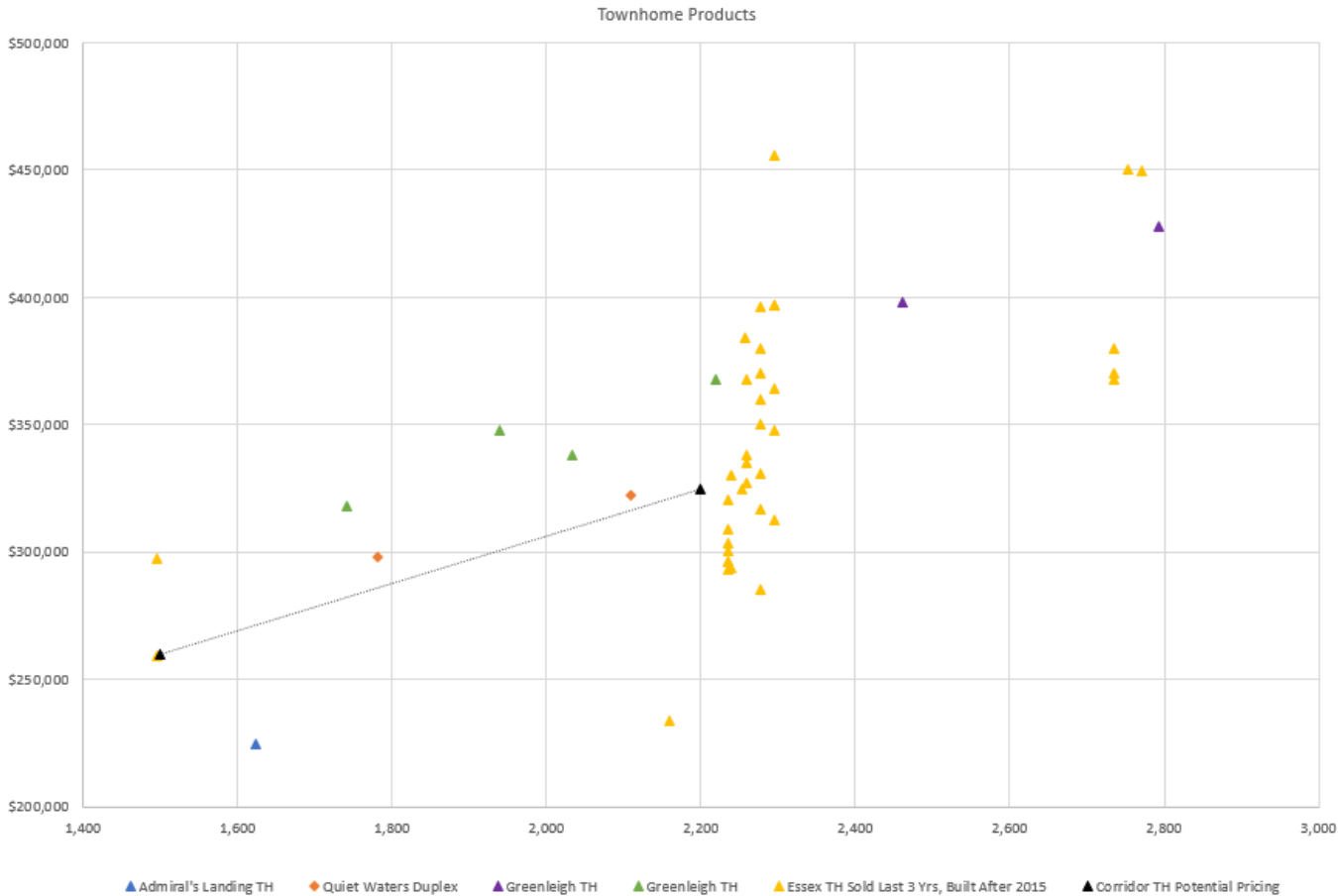
Using the expected total new households, income distribution, households that are income qualified, and owner propensity, we estimated the number of new households seeking for-sale units in six income brackets. Households with annual incomes over \$150,000 are expected to demand the most for-sale units at 136, while households with annual incomes below \$25,000 are only expected to demand 32 units during the same time period. Given the preference for townhomes over single-family and condo units, the annual demand for new in Baltimore County between 2018 and 2035 is 250 units, while the annual demand for new townhomes in Essex is 19 total units.

Using the total households in Essex between 2018 and 2035, the distribution of income, owner propensity, and an annual turnover rate of 5-6% based on annual household incomes and home prices, the model estimated demand from existing household turnover. In 2018, in Baltimore County the total household turnover is estimated to be 312,826. By factoring in annual turnover rates of 5-6% based on the 2016 ACS, demand from existing household turnover is expected to be the greatest for households with incomes between \$100,000 and \$150,000. Unsurprisingly the demand from existing household turnover is expected to be the lowest in households with annual incomes below \$25,000. Total demand from existing households in turnover between 2018 and 2035 is estimated at 11,827 households.

By combining new households seeking for-sale units and demand from existing household turnover, total annual for-sale demand between 2018 and 2035 is estimated at 12,380 housing units.



Market Analysis: For-Sale Townhome Positioning



To position townhomes in the Essex sub-market, we analyzed four comparable townhome communities under construction, as well as townhomes built and sold in Essex after 2015.

The comparable communities are Admiral's Landing, Quiet Waters (duplexes), and NV Homes and Ryan Homes products in the Greenleigh at Crossroads community.

For-sale townhomes currently under construction comprise 3 bedrooms, 2.5 bathrooms, and range from 1,600 to 2,800 s.f. Prices start at \$224,900 and reach upwards of \$420,000.

Although pricing and square footage varies, most townhomes sold in Essex in the last three years are between 2,200 and 2,400 sf., with prices ranging from \$260,000 to \$400,000.

In addition to pricing and square footage, it is important to consider amenities. All of the comparable townhome communities offered some type of amenity in a planned community setting.

Based on Essex townhome units sold in the last three years, as well as the townhome products currently on the market, we recommend positioning units in the corridor at 1,500 to 2,200 s.f. with prices ranging from \$260,000 to \$325,000.

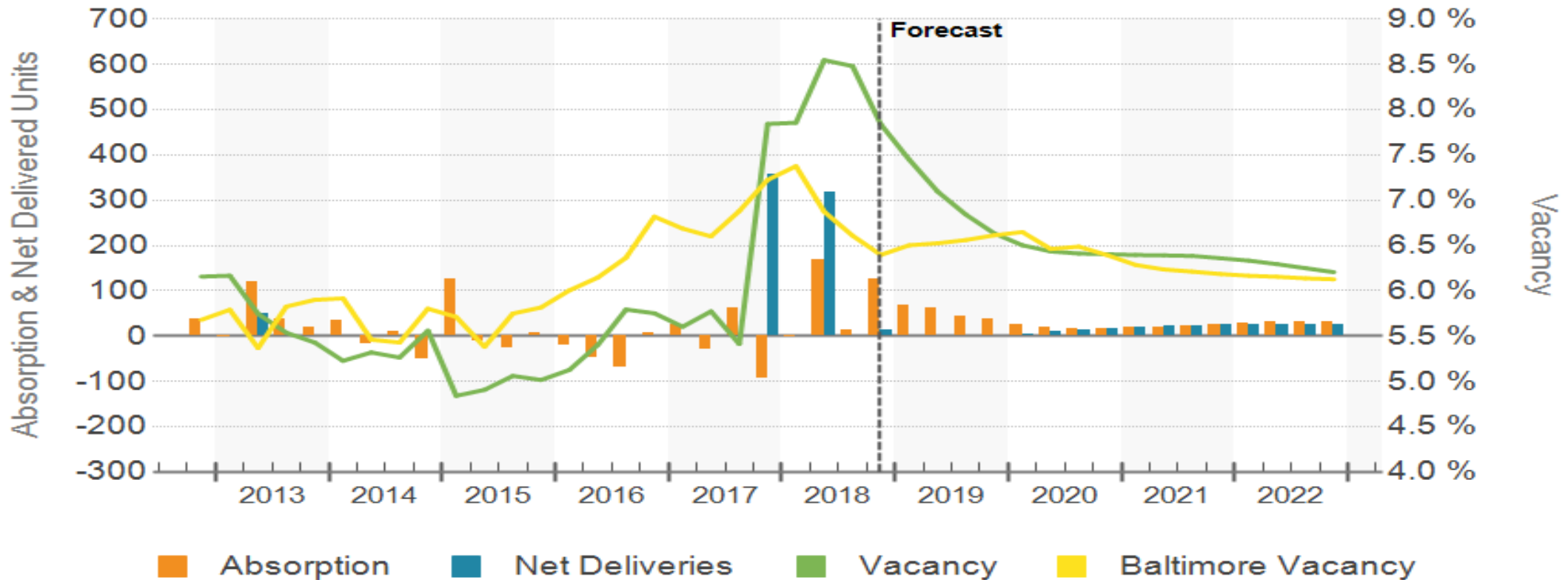
With this townhome product, Essex can capture the market looking for affordable, generously-sized units in a walkable community with access to basic amenities and services.



For-Rent Multifamily Market Analysis



SE Baltimore County - Absorption, Net Deliveries & Vacancy



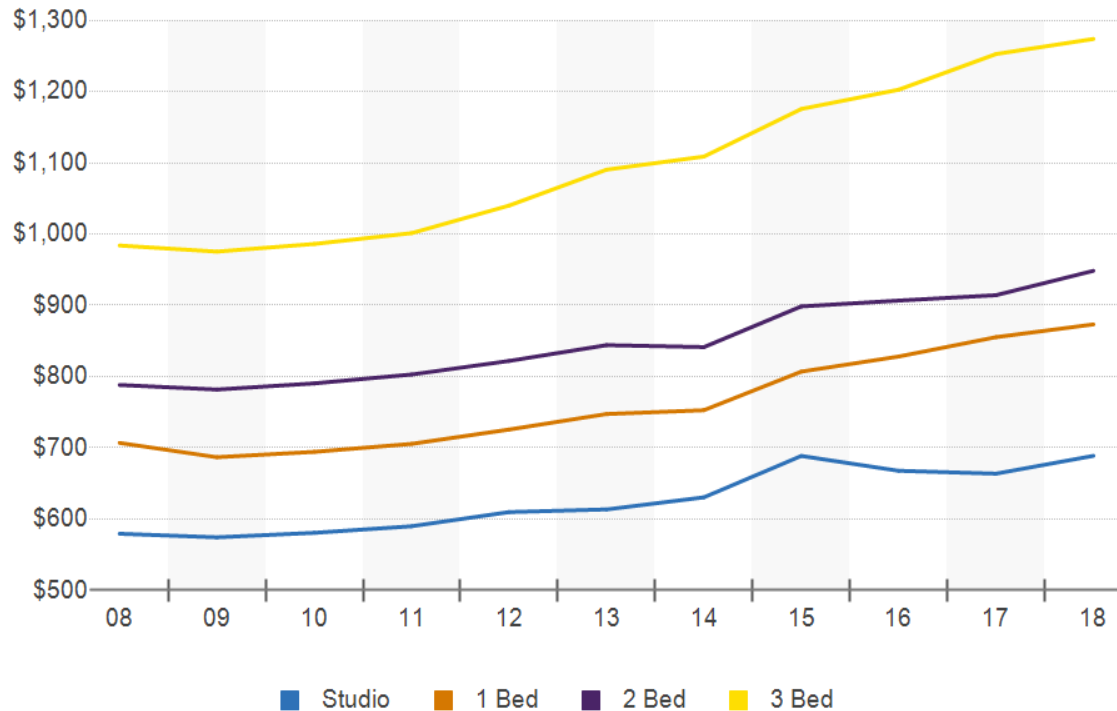
In southeast Baltimore County, vacancy rates average 8.1% however, with 95% of the multifamily housing structures more than 20 years old, that rate doesn't accurately reflect average vacancy rates for new apartments. The analysis above includes only "new multi-family housing developments" built or renovated in 2009 or later. In these, the vacancy rate is closer to 6%.

Source: <http://property.costar.com/Property/Results/PropertyResults.aspx/Analytics>

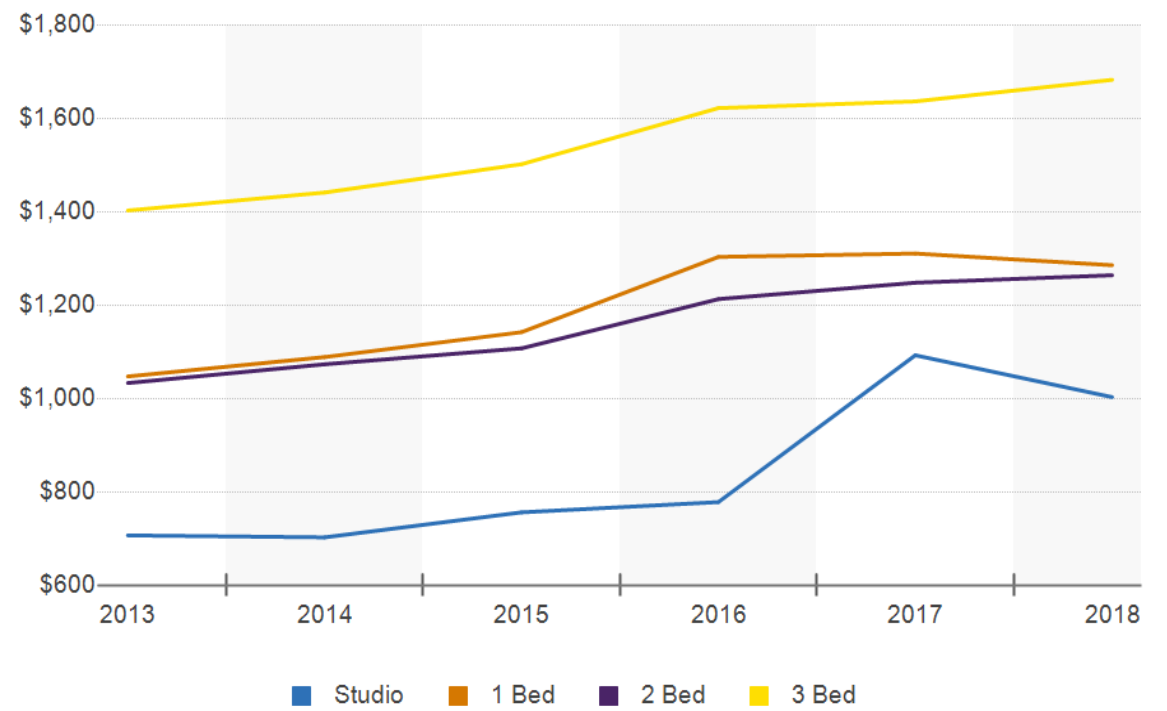


Baltimore County Submarket - Average Monthly Rent by Unit Type

Older Apartment Buildings



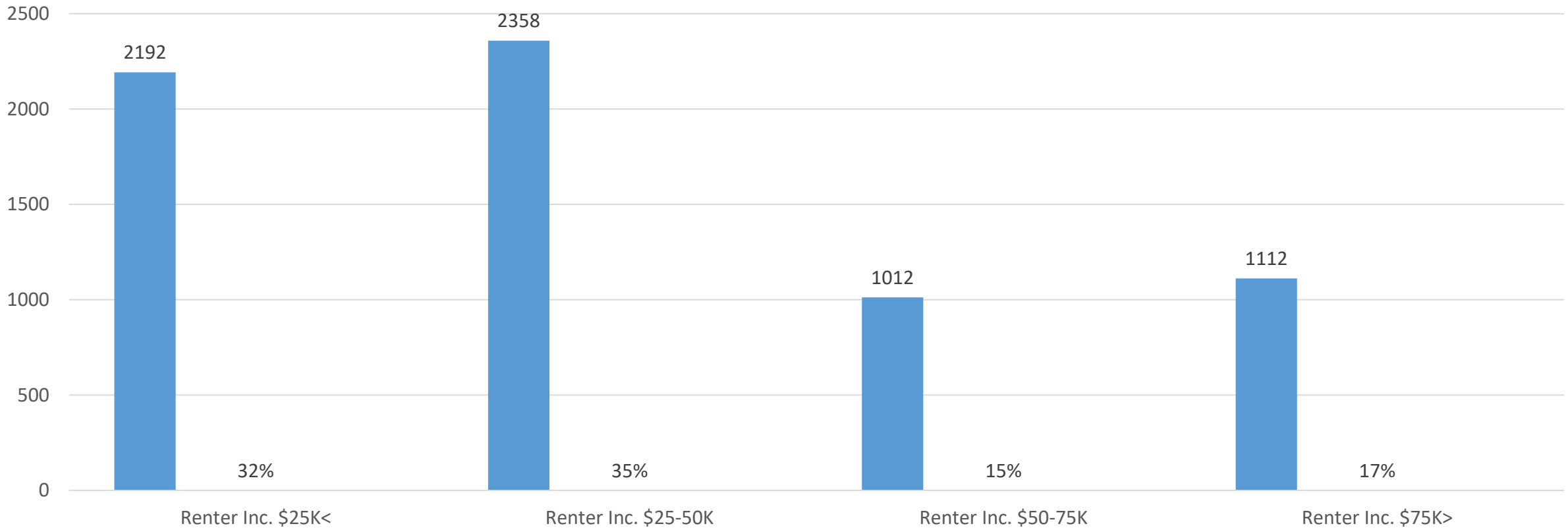
Newly Developed Apartments



In Baltimore County, market rents for newly developed apartments (2009 or later) are at a 35-45% premium compared to older apartment buildings. There are no new developments in Essex built in 2009 or later.



Rental Demand Based on Annual Income: Essex, MD

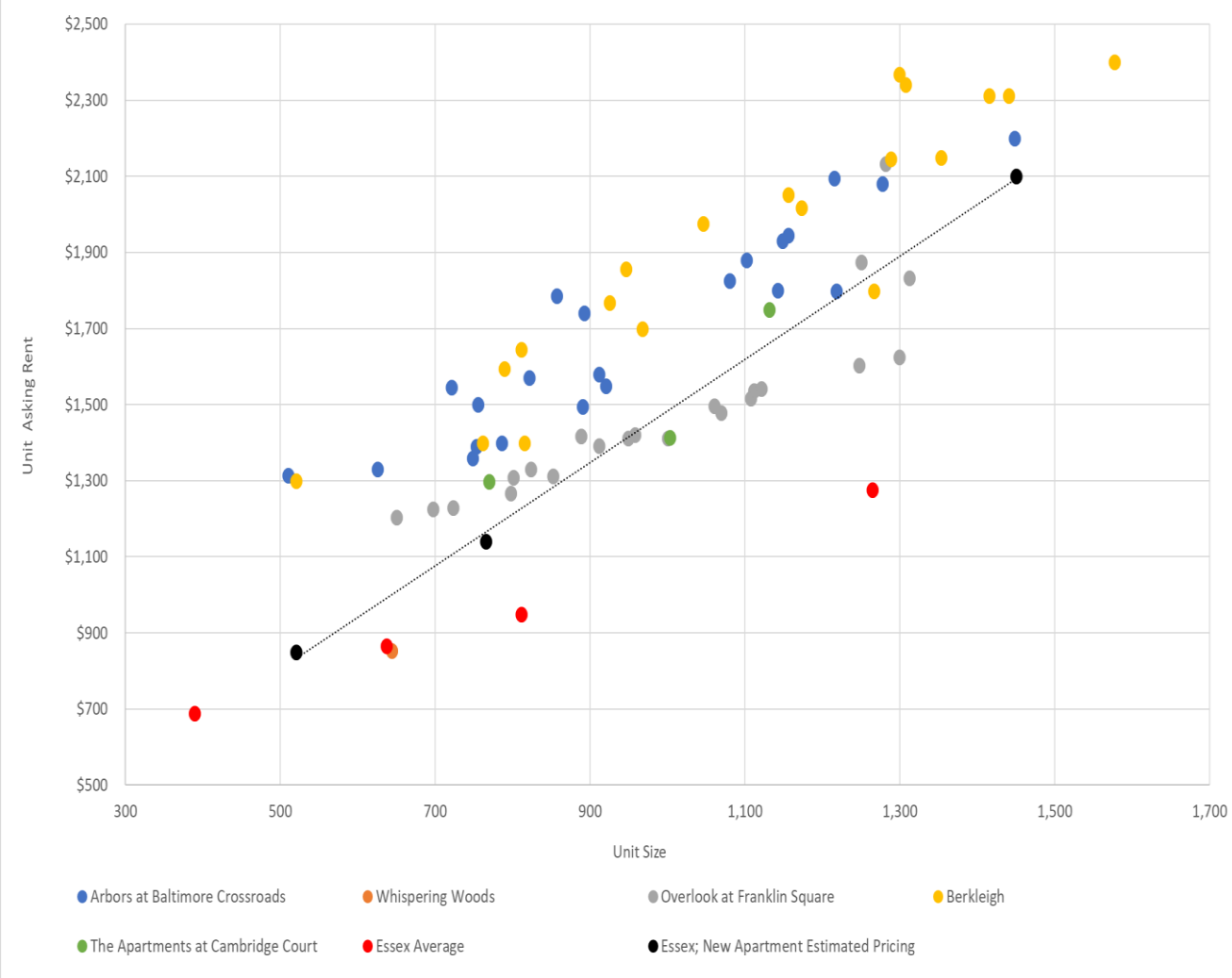


Rental demand is highest for residents making less than \$50K annually, accounting for two-thirds of the renter market. This explains why vacancy rates for newly developed rental units are higher than older apartment units; a comparison of 16.1% to 6.3%. Renters that make more than \$50K annually demand newly developed apartments units; which account for roughly one-third of the renter market in Essex, MD. The reason is that the 50% premium on rental rates for new apartments, which currently averages \$1,525 a month. Renters making \$50K or more annually can afford the premium. Meeting the occupancy expectations for the new units will be a challenge; it might be wise not to develop any more apartment units in Essex, at least until the market catches up.



Market Analysis: For-Rent Multifamily Positioning

Price to Size Chart, Essex Area Apartment Comparables



The positioning line represents the likely rental range for new 1, 2 and 3 bedroom rental apartments in Essex. This is the recommended positioning of new apartments in the Essex market.

The Essex average on the chart represents the average rent and size of 1, 2 and 3 bedroom units located in Essex. The recommended positioning line is higher than what is currently in Essex because the Essex average includes all apartments for rent in this market, including the older, smaller units and cheaper monthly rents. For example, over 90% of the apartments for rent in this market were built before 1967.

The Overlook at Franklin Square is most similar a new apartment in Essex. One-bedroom units average 771 s.f., \$1.67/s.f. with average rents of \$1,284. Two-bedroom units average 1,092 s.f., \$1.38/s.f. with \$1,505 monthly rents. Three-bedroom units average 1,281 square feet, \$1.52/s.f. with \$1,947 monthly rents. Built in 2017, the Overlook has been increasing occupancy and is currently at 68%, however they must lease-up quickly and decrease their concession average, which is 14.7%.

The Berkleigh in Greenleigh, is the highest priced. Its two-bedroom units are well above average rents, over \$2,000 a month (\$500 more than the average). In addition, it offers only a small, 1.5% concession. Although the units are new, built in 2018, it may be tough to lease-up since they are much more expensive than the market and without many concessions to entice renters.



Office Market Analysis



Market Analysis: Office Supply

Essex lacks high-end commercial office buildings. There are only three traditional office buildings within Essex, totaling 50,442 square feet. Two are class B buildings and one is class C. The Class C building at 621 Stemmers Run Road was built in 1984 and needs renovation.

Most of the area's office spaces are residential homes that have been converted. There is no planned office building construction in the area.

It is interesting to note that although 621 Stemmers Run Road is the oldest building it has the highest lease rate of the three at 84% while the other two office buildings are at 34% and 38%.

These buildings currently are experiencing a very high vacancy rate at 50%.

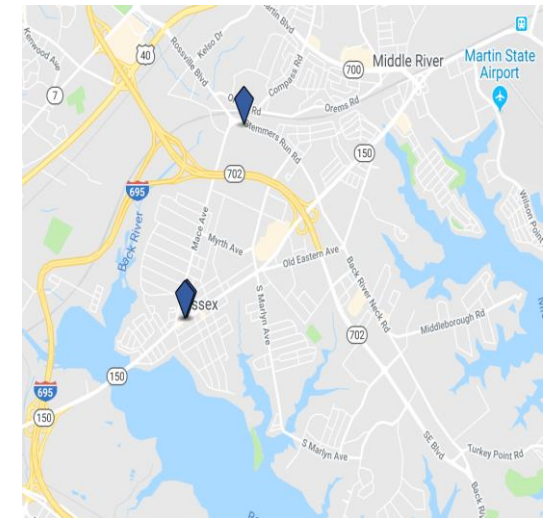
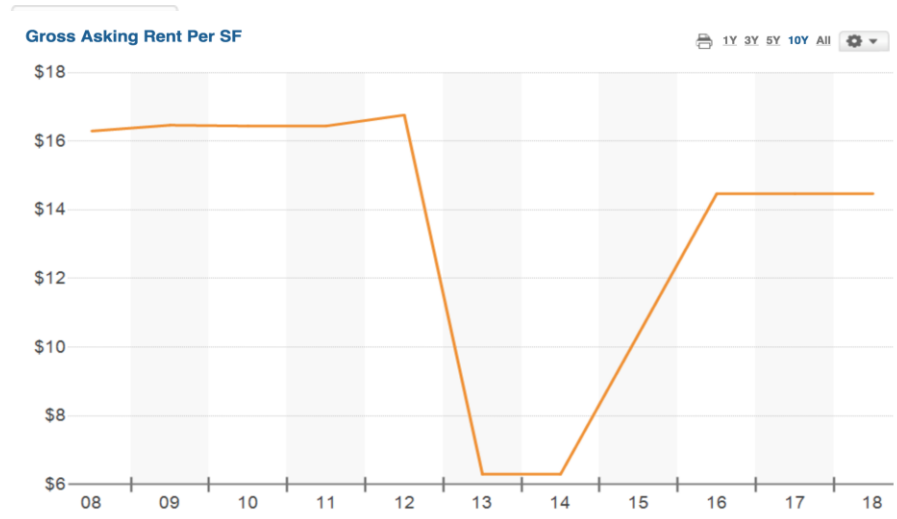
The asking rents for the mixed use office/retail building is between \$14-\$17 dollars with an average of \$15/s.f. The other two office buildings have rents of \$12/s.f. with utilities included.

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$14.47	\$6.77
Vacancy Rate	50.5%	43.7%
Vacant SF	25,450	22,060
Availability Rate	50.5%	45.2%
Available SF	25,450	22,810
Sublet SF	0	0
Months on Market	24.0	74.7

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-9,950	-279
12 Mo. Leasing SF	0	1,300

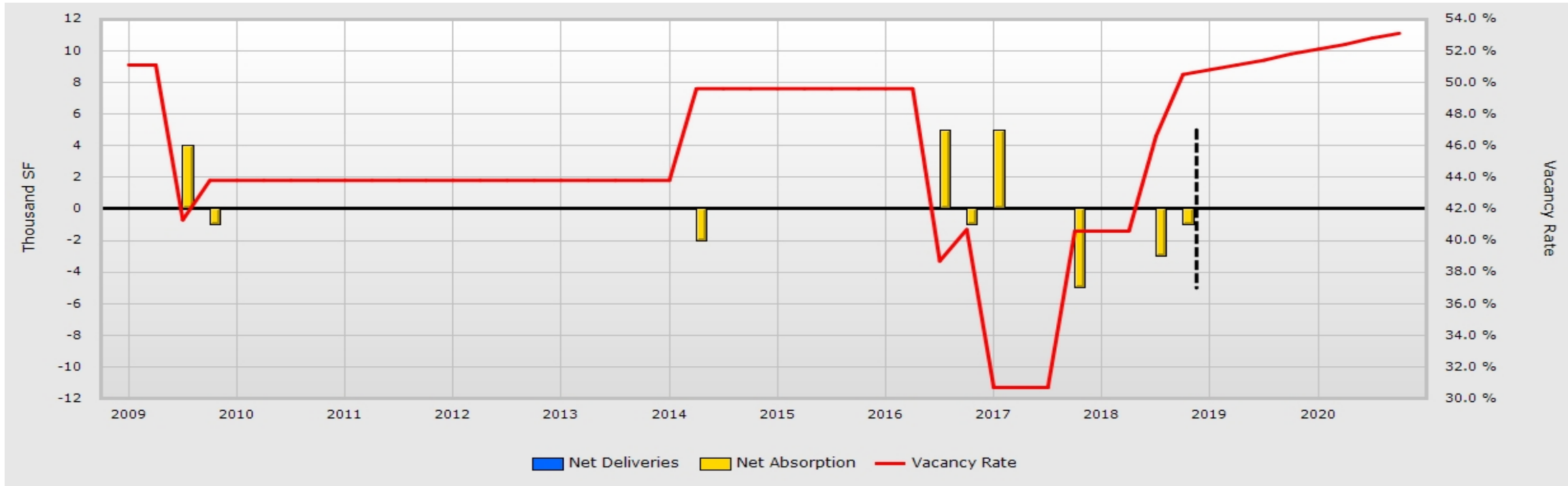
Inventory	Survey	5-Year Avg
Existing Buildings	3	3
Existing SF	50,442	50,442
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

Sales	Past Year	5-Year Avg
Sale Price Per SF	-	\$74
Asking Price Per SF	-	-
Sales Volume (Mil.)	\$0.0	\$0.0
Cap Rate	-	-





Market Analysis: Office Supply



Vacancy rates in these three office buildings is forecasted to climb.

Most of the area's office space is located in converted single-family residential homes. These residential office spaces should be included in any analysis to find the most accurate representation of the market.

The converted residential home offices are included in the following analysis, recalculating the data to see if there are any improvements to commercial office space.



Market Analysis: Office Supply

67 converted houses, heavily concentrated along Eastern Boulevard, are being leased as office space in Essex.

The total office square footage in converted houses is 340,063 compared to only 50,422 in traditional office buildings.

Per square foot rent increases to \$17.75 from the traditional office building rent per square foot of \$14.47.



Gross Asking Rent Per SF





Market Analysis: Office Supply

The vacancy rate has dropped significantly to 7.5%; including the converted houses in any analysis is crucial to finding the most accurate market analysis data for Essex office space.

The gross rental rates followed the same systematic trend as before when the residential office spaces were not included.

It should be noted that the decline in gross rent per square foot from 2012 to 2014 can be seen as an anomaly due to the market recovering to an even higher rent per square foot in 2015 than before the decline.

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$17.75	\$11.35
Vacancy Rate	7.5%	8.5%
Vacant SF	25,450	28,742
Availability Rate	8.2%	9.8%
Available SF	27,720	33,195
Sublet SF	0	0
Months on Market	24.0	46.8

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-4,589	1,080
12 Mo. Leasing SF	0	3,800

Inventory	Survey	5-Year Avg
Existing Buildings	70	70
Existing SF	340,063	340,063
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	\$119	\$101
Asking Price Per SF	\$121	\$111
Sales Volume (Mil.)	\$0.6	\$0.4
Cap Rate	-	-

# Buildings:	70	% Vacant:	7.5 %	YTD Net Absorption:	411
RBA:	340,063	% Leased:	91.8 %	YTD Leasing Activity:	0
Avg Age (yrs):	74.9	% Available:	8.2 %	YTD Deliveries:	0

Absorption	YTD	2017	QTD	2017 4Q
Net Absorption	411	(3,059)	1,250	(5,000)
Gross Absorption	8,005	6,302	3,200	0
Leasing Activity	0	0	0	0
Deliveries	0	0	0	0

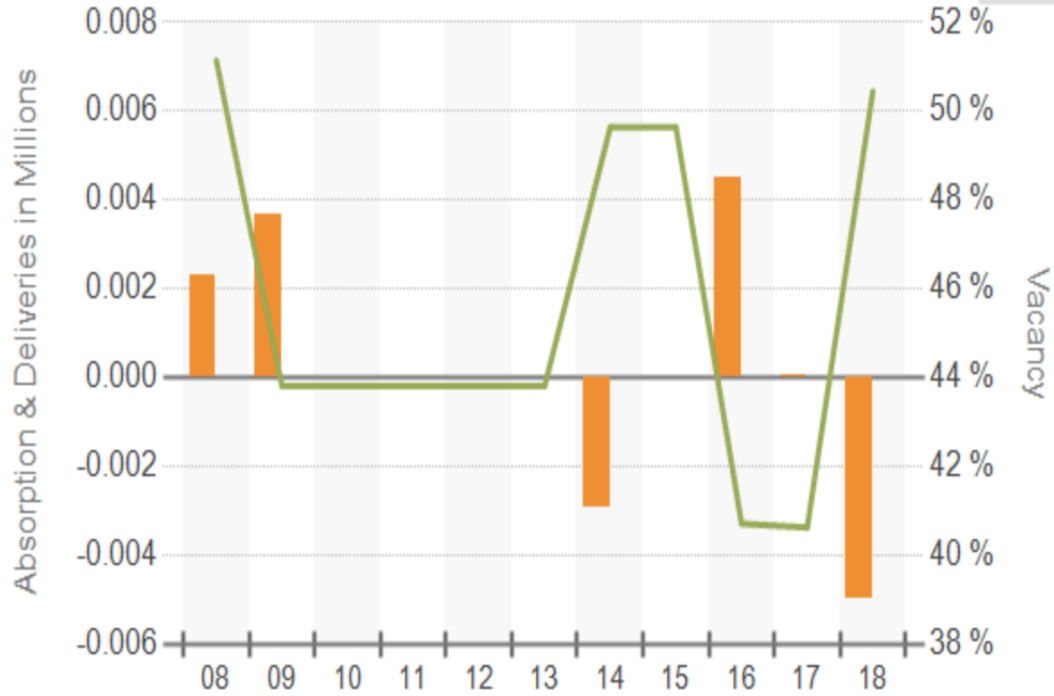
Vacancy	Direct		Sublet		Total	
	SF	%	SF	%	SF	%
Vacant	25,450	7.5 %	0	0.0 %	25,450	7.5 %
Vacant Available	27,720	8.2 %	0	0.0 %	27,720	8.2 %
Available	27,720	8.2 %	0	0.0 %	27,720	8.2 %

Asking Rent	Direct			Sublet			Total		
	# Spcs	Avg	Range	# Spcs	Avg	Range	# Spcs	Avg	Range
Modified Gross	1	\$15.50	\$14.00-\$17.00	0	-	-	1	\$15.50	\$14.00-\$17.00
Negotiable	3	-	-	0	-	-	3	-	-
Plus All Utilities	1	\$12.00	\$12.00	0	-	-	1	\$12.00	\$12.00

Only Traditional Office Buildings

Absorption, Deliveries, Vacancy

1Y 3Y 5Y 10Y All



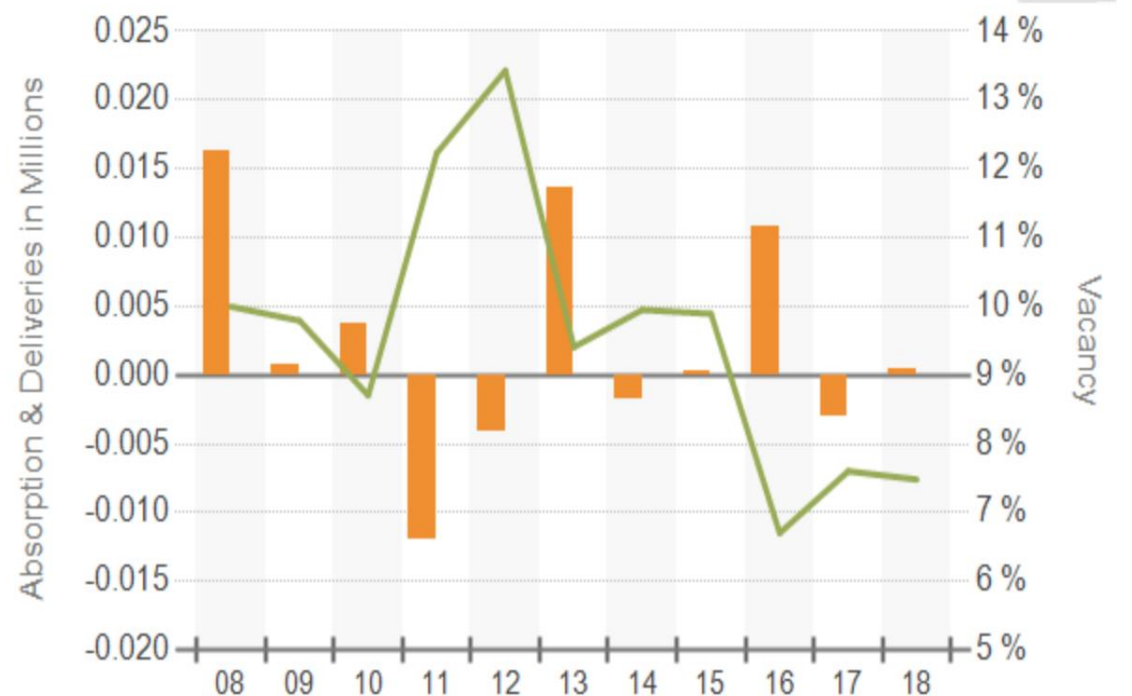
Absorption Deliveries Vacancy



New Data with Residential Office Spaces

Absorption, Deliveries, Vacancy

1Y 3Y 5Y 10Y All



Absorption Deliveries Vacancy



Market Analysis: Office Supply

Using the new data that includes the 67 residential office spaces provided a much more promising forecast.

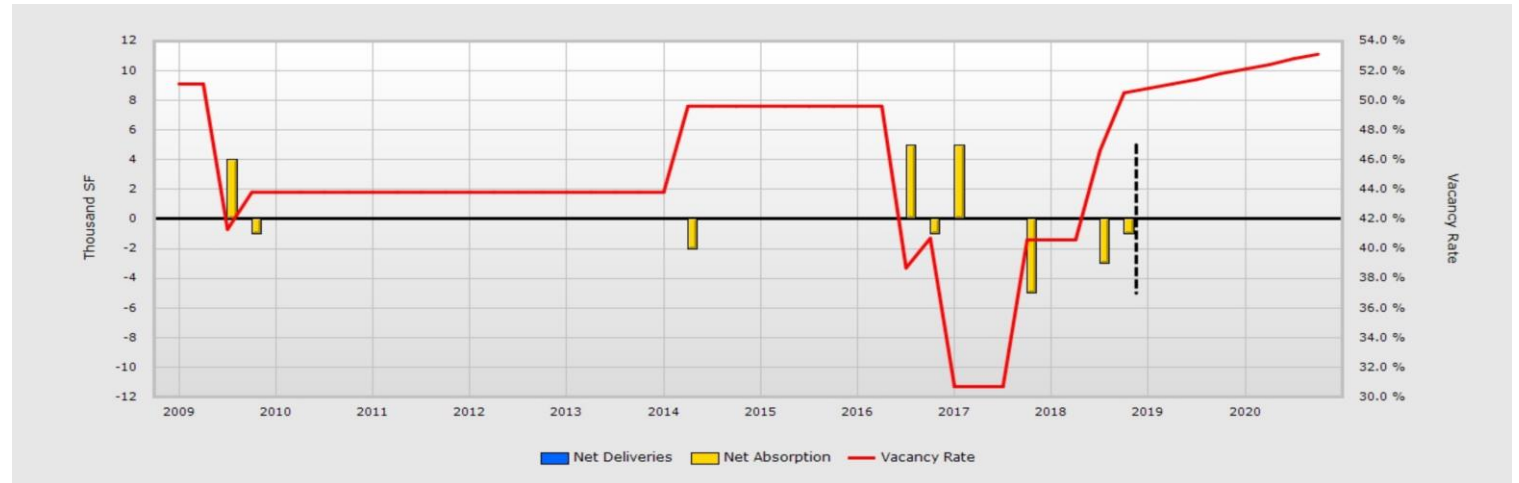
Using just traditional office buildings in Essex vacancy rates were forecasted to increase upward of 54%.

New calculations indicate a vacancy rate forecasted to decline below 7% during 2020.

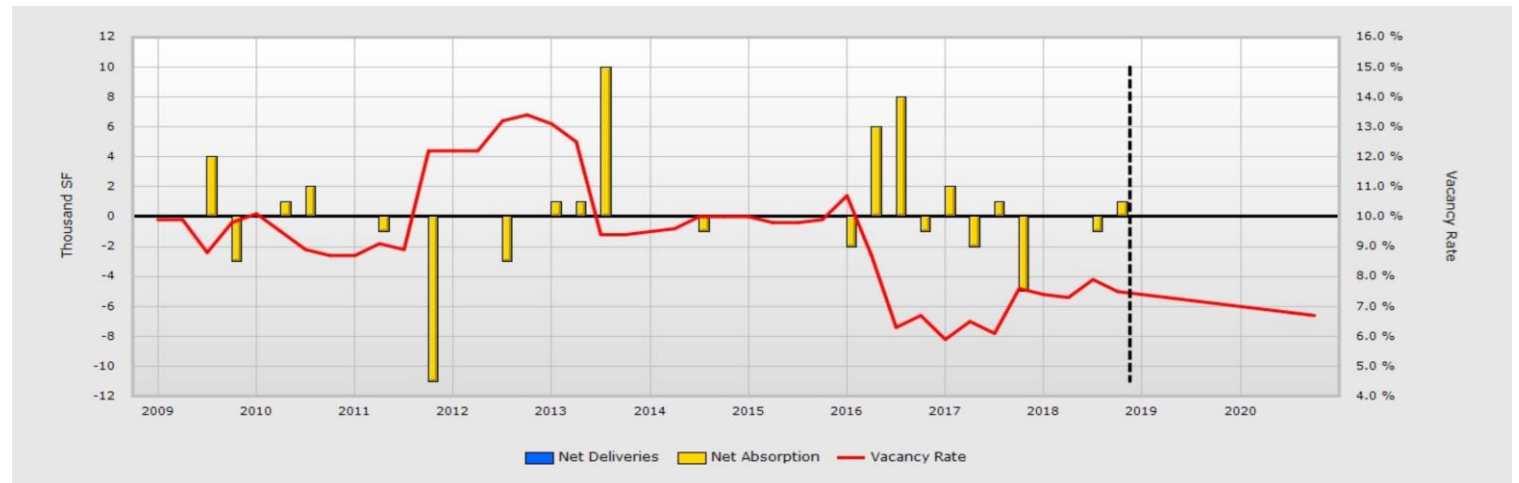
This shows a potential opportunity for new office space in the area although none is planned.

It also worth noting that even with the residential offices included there are still no class A office buildings in the area, they remain predominantly class C.

Old Forecast



New Forecast





Market Analysis: Office Supply

To determine how well Essex office space is performing compared to the surrounding area, eastern Baltimore County was used as a comparison.

The gross rent per square foot is up \$3.81 to \$21.56 in Baltimore County East, likely due to the abundant supply of class B and some class A office buildings in this area.

Even with the higher rent per square foot, the vacancy rate for Baltimore County East office space is almost 20% higher at 26% versus 8.2%.

Eastern Baltimore County has some office space under construction. Although it is only 100,000 square feet, it does show that office space in the area is growing.

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$21.56	\$20.37
Vacancy Rate	26.0%	21.9%
Vacant SF	440,250	351,194
Availability Rate	37.5%	27.0%
Available SF	673,393	438,761
Sublet SF	47,543	19,688
Months on Market	15.7	19.1

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-23,157	10,485
12 Mo. Leasing SF	73,615	93,067

Inventory	Survey	5-Year Avg
Existing Buildings	68	65
Existing SF	1,694,134	1,602,097
12 Mo. Const. Starts	0	34,534
Under Construction	100,000	36,504
12 Mo. Deliveries	72,080	43,953

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$72	\$105
Asking Price Per SF	\$150	\$145
Sales Volume (Mil.)	\$6.5	\$15
Cap Rate	-	8.0%

# Buildings:	68	% Vacant:	26.0 %	YTD Net Absorption:	(9,589)
RBA:	1,694,134	% Leased:	74.5 %	YTD Leasing Activity:	48,158
Avg Age (yrs):	29.6	% Available:	34.1 %	YTD Deliveries:	2

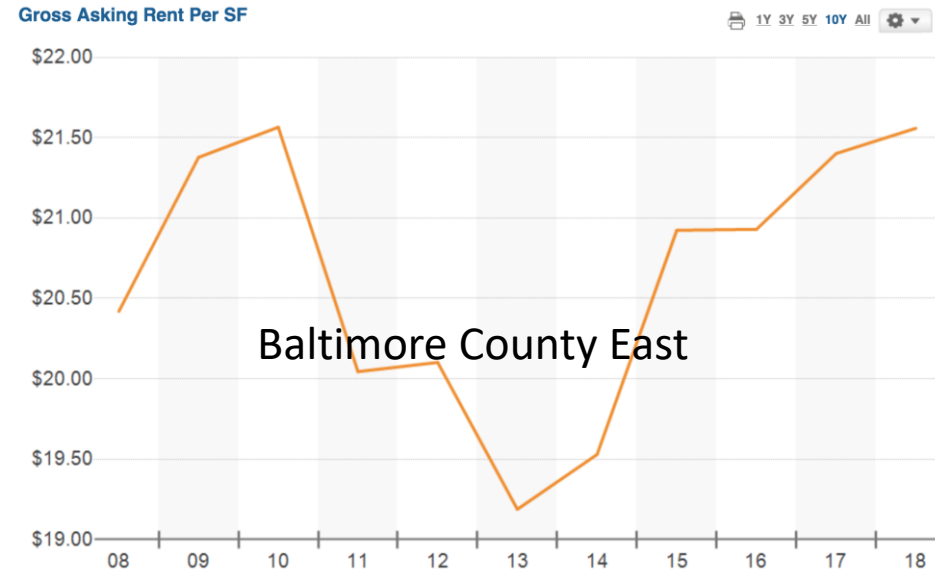
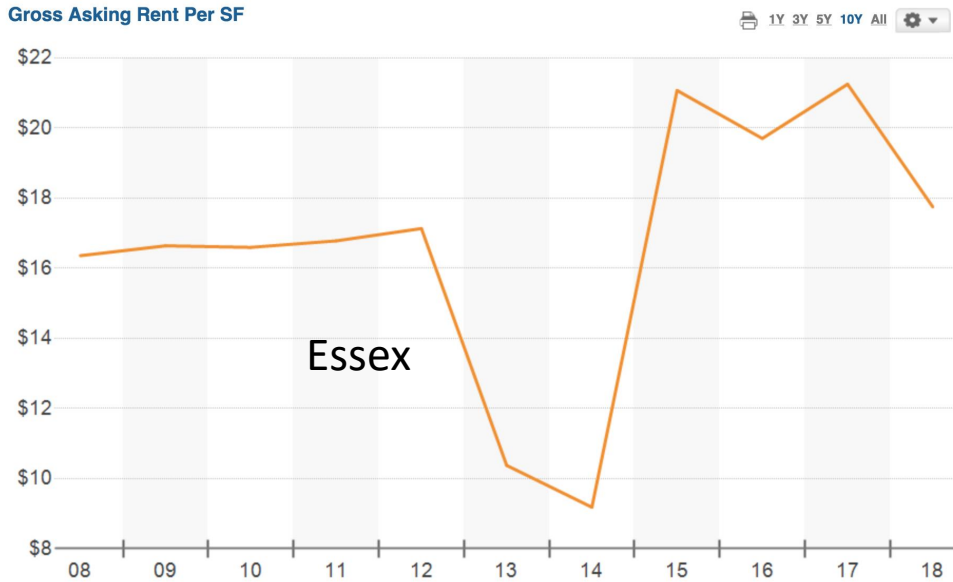
Absorption	YTD	2017	QTD	2017 4Q
Net Absorption	(9,589)	(38,443)	(12,123)	(13,568)
Gross Absorption	83,019	112,051	13,391	32,728
Leasing Activity	48,158	107,519	14,097	25,457
Deliveries	2	0	0	0

Vacancy	Direct		Sublet		Total	
	SF	%	SF	%	SF	%
Vacant	433,330	25.6 %	6,920	0.4 %	440,250	26.0 %
Vacant Available	432,395	25.5 %	6,920	0.4 %	439,315	25.9 %
Available	529,920	31.3 %	47,543	2.8 %	577,463	34.1 %

Asking Rent	Direct			Sublet			Total		
	# Spcs	Avg	Range	# Spcs	Avg	Range	# Spcs	Avg	Range
+ Elec & Clean	1	\$22.00	\$22.00	0	-	-	1	\$22.00	\$22.00
Full Service Gross	11	\$24.56	\$23.50-\$25.50	0	-	-	11	\$24.56	\$23.50-\$25.50
Modified Gross	47	\$16.93	\$10.95-\$19.50	0	-	-	47	\$16.93	\$10.95-\$19.50
Negotiable	69	-	-	3	-	-	72	-	-
Plus All Utilities	6	\$19.70	\$10.00-\$25.00	0	-	-	6	\$19.70	\$10.00-\$25.00
Triple Net	12	\$16.20	\$10.95-\$20.00	1	\$14.50	\$14.50	13	\$16.10	\$10.95-\$20.00



Essex vs. Baltimore County East



The gross asking rent for eastern Baltimore County office spaces is higher than in Essex and may keep increasing regardless of the high office vacancy levels the area is experiencing.

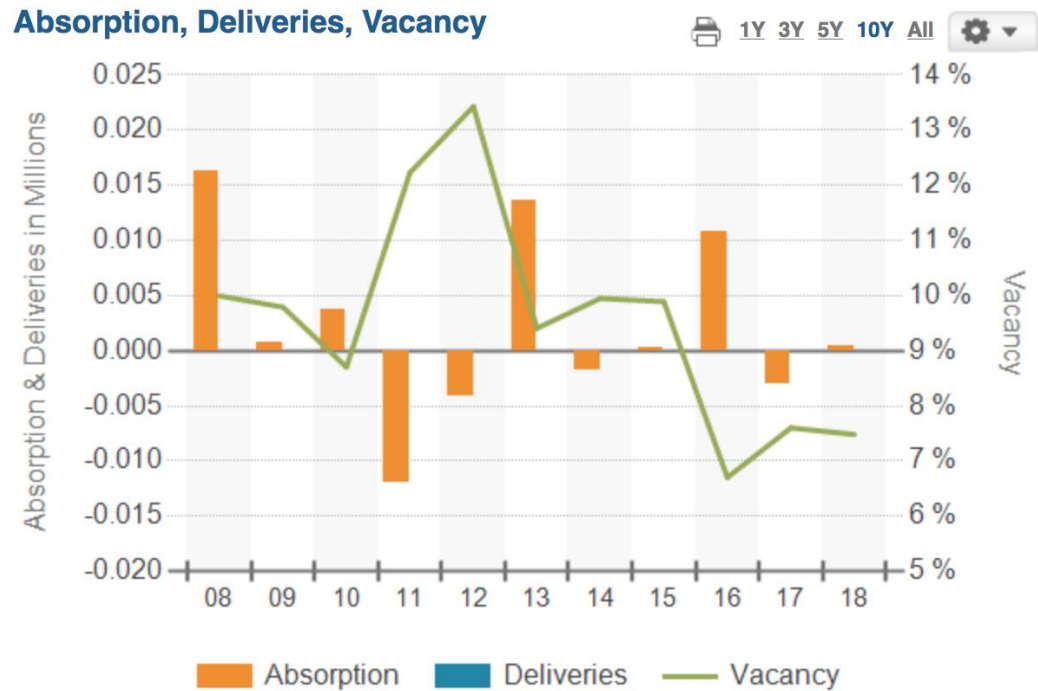
In 2015, when both markets were recovering from a downturn in previous years, Essex had about the same asking rental rate per square foot of \$20.00.

While this may not seem significant given how both markets have evolved since 2015, it could indicate that the Essex commercial office market can be competitive with the rest of the county.

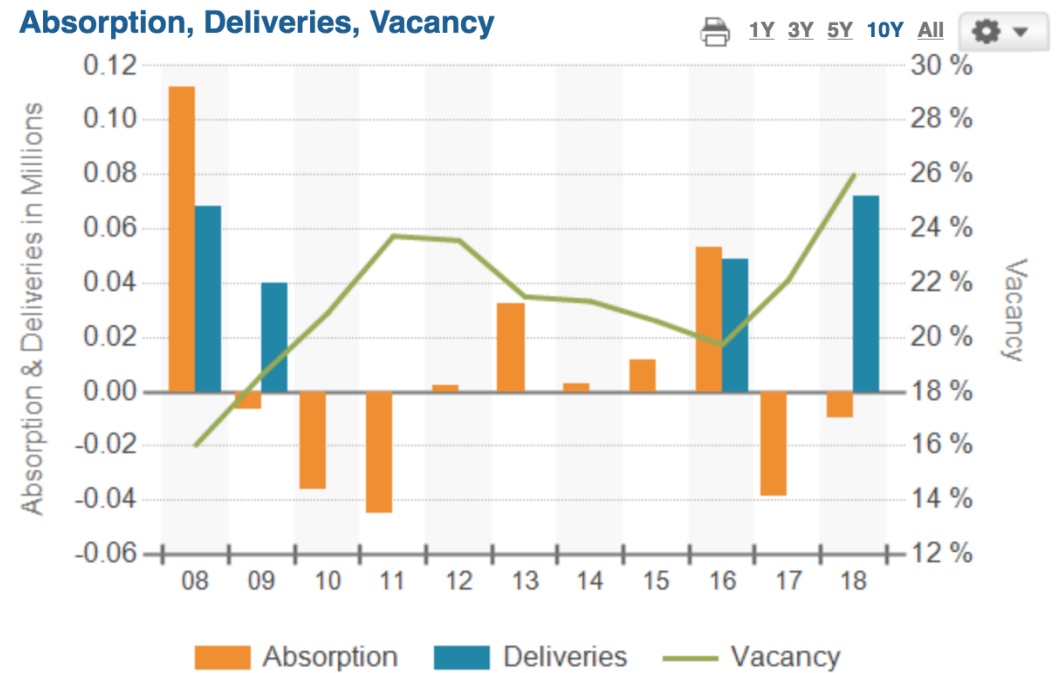


Essex vs. Baltimore County East

Essex



Baltimore County East

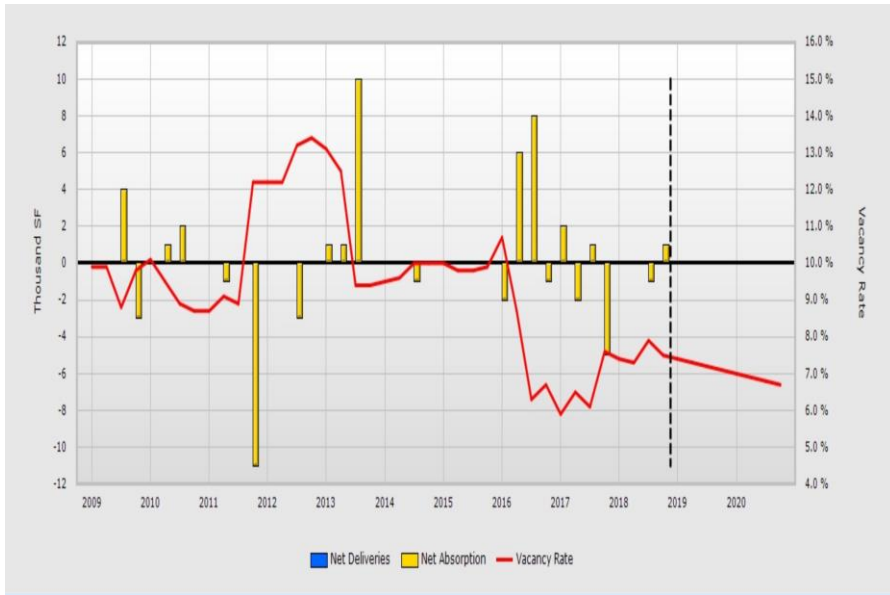


Essex mirrors the County’s absorptions trends but to a lesser degree. In 2016 both markets had a period of absorption which was then followed by a downturn in 2017. In 2018, both had their absorption levels flatten out for the most part.

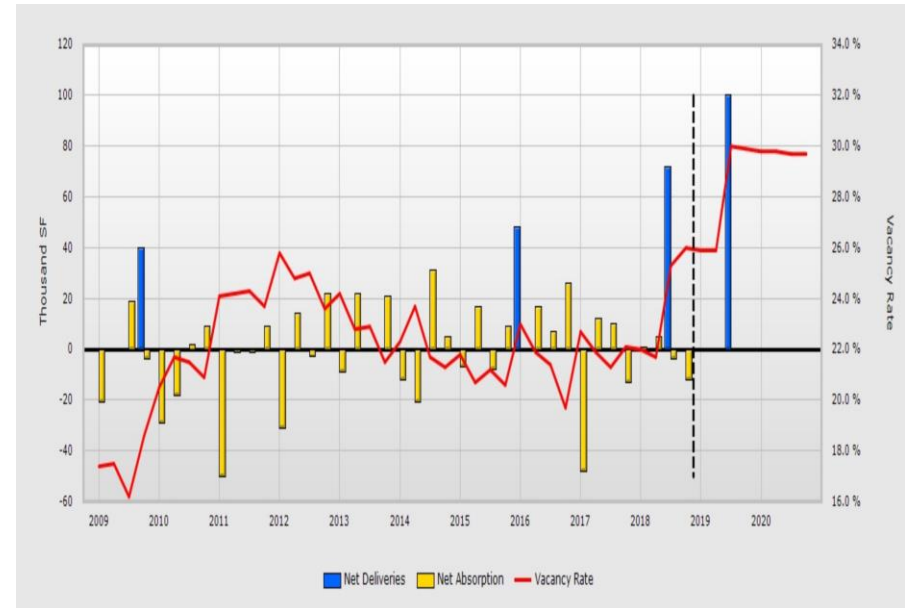
Though similar trends during those three years, the vacancy only rose in eastern Baltimore County, as it did momentarily in Essex and then began to decline once more.



Essex



Baltimore County East



Vacancy rates in Essex are projected to drop.

In 2018, Baltimore County East had a delivery of 70,000 square feet, which caused the vacancy rate to jump 2%.

An project expected to be completed in 2019 will add 100,000 square feet and is forecasted to cause the vacancy rate to increase 2% in 2020.

These deliveries are causing a 4% percent increase in office space vacancy since 2018.



Market Analysis: Office Demand

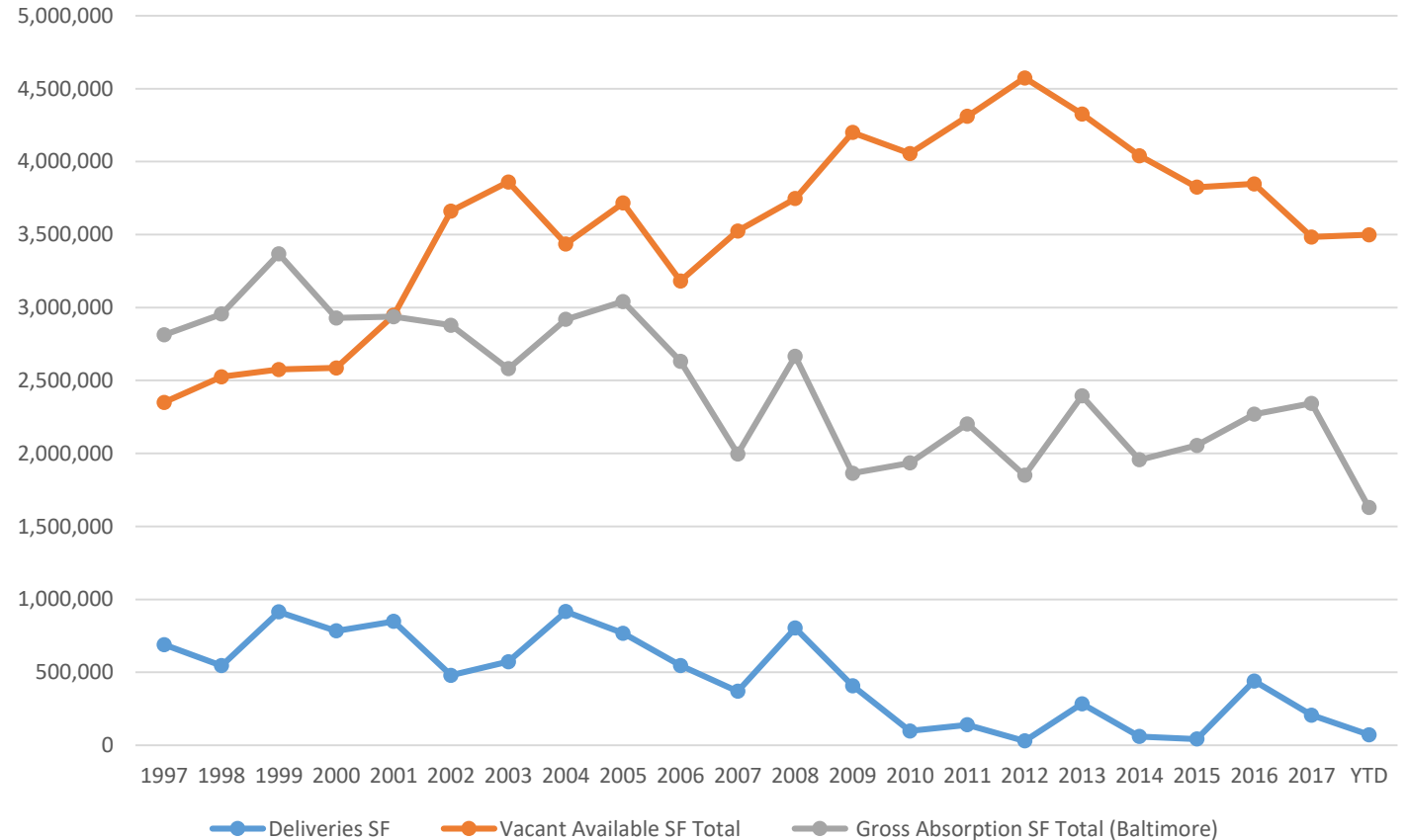
The absorption of class A and B office space in Baltimore County has been declining since 1997. Although the gross absorption in Baltimore County has leveled out and been more stable from 2010 to 2017

The Baltimore County market has been recovering from over deliveries of office space between 1997 and 2007.

- On average 700,360 s.f. of office space was delivered each year from 1997 to 2007.
- In comparison 178,276 s.f. of office space has been delivered each year from 2007 to 2017,
- Office deliveries each year from 2007 to 2017 is a quarter of what it was for the previous ten years.

Average deliveries/sf (1997-2007)	700,360
Average deliveries/sf (2007-2017)	178,276
Average deliveries/sf (2012-2017)	177,312

Baltimore County Office - Historical Trends





Market Analysis: Office Demand

The chart below reflects change in area employment and it shows how the 2008 recession made the 2007-2017 numbers negative.

	Total 1997-2017	Total 2007-2017	Total 2012-2017
Baltimore County Total Absorption¹	8,600,551	2,382,629	1,761,610
SF/Employment Change²	249	-1,177	147
Est. Office Emp.³ Change	16,588	-971	5,764
SF/Office Emp.³ Change	518	-2,453	306

With the market still recovering from the recession, market data from 2012-2017 yields the most accurate results of current market demand.

	Baltimore Avg. Yearly Gross Absorption SF ¹	Essex Avg. Yearly Gross Absorption SF ¹	Essex Absorption Capture Rate ¹
1997-2017	2,464,361	8,522	0.35%
2007-2017	2,096,811	8,328	0.40%
2012-2017	2,070,993	8,782	0.42%

¹ Costar

² BLS data series

³ Estimated based on Percentage of office workers by industry type

Year	Deliveries SF (Baltimore County) ¹	Vacant Available SF Total (Baltimore County) ¹	Gross Absorption SF Total (Baltimore) ¹	Gross Absorption SF Total (Essex) ¹
1997	689,447	2,349,395	2,812,821	7,790
1998	545,672	2,524,981	2,956,052	900
1999	913,922	2,575,343	3,367,822	7,900
2000	784,072	2,586,524	2,928,445	3,650
2001	849,193	2,947,235	2,937,421	2,100
2002	479,226	3,661,266	2,878,483	10,800
2003	573,160	3,860,360	2,580,663	8,800
2004	916,468	3,436,010	2,919,152	9,960
2005	768,147	3,716,783	3,041,247	17,354
2006	546,248	3,182,388	2,632,102	18,300
2007	370,084	3,524,623	1,996,240	3,500
2008	803,075	3,746,614	2,666,793	16,900
2009	408,454	4,199,861	1,864,035	7,656
2010	97,726	4,055,973	1,935,144	8,598
2011	140,625	4,310,618	2,202,577	1,805
2012	30,018	4,573,417	1,850,455	300
2013	284,680	4,326,447	2,394,719	18,169
2014	60,000	4,040,400	1,956,273	2,896
2015	42,704	3,824,390	2,055,422	1,800
2016	439,890	3,848,001	2,268,277	24,000
2017	206,579	3,483,094	2,342,885	6,302
YTD	72,080	3,498,223	1,628,917	8,005



Market Analysis: Office Demand

Baltimore County Future Office Demand		2019-2020	2020-2025	2025-2030	2030-2035	2019-2035
Projected Employment Change ⁴		5,538	16,928	12,324	10,441	45,230
SF/Emp. Change ⁵		110	110	110	110	110
Total SF in Demand (Entire Time Period)		606,743	1,854,730	1,350,304	1,144,010	4,955,788
Essex Capture of Demand Low ⁶	0%	0	0	0	0	0
Essex Capture of Demand Medium	0.4%	2,427	7,419	5,401	4,576	19,823
Essex Capture of Demand High ⁷	0.8%	4,973	15,201	11,067	9,376	40,617
¹ CoStar.						
² BLS.						
³ Estimated based upon percentage of office workers by industry type.						
⁴ Baltimore County Round 9.0 Forecasts						

Future office demand in Essex is based on a 0.4% capture rate of Baltimore County forecasted office demand.

Even a 0.4% capture rate is based on 2012-2017 absorption of gross square feet.

- The Essex capture of demand low of 0% is based upon capture of net absorption
- The capture of demand medium 0.4% is based upon capture of gross absorption
- The capture of demand high 0.8% is based on percent of space in Essex

The current office vacancy in Essex for traditional office buildings and converted houses is 25,450 square feet.

The projected increase in demand of up to 40,000 s.f. of office space by year 2035 could be partially absorbed by current vacant office space in the Essex.



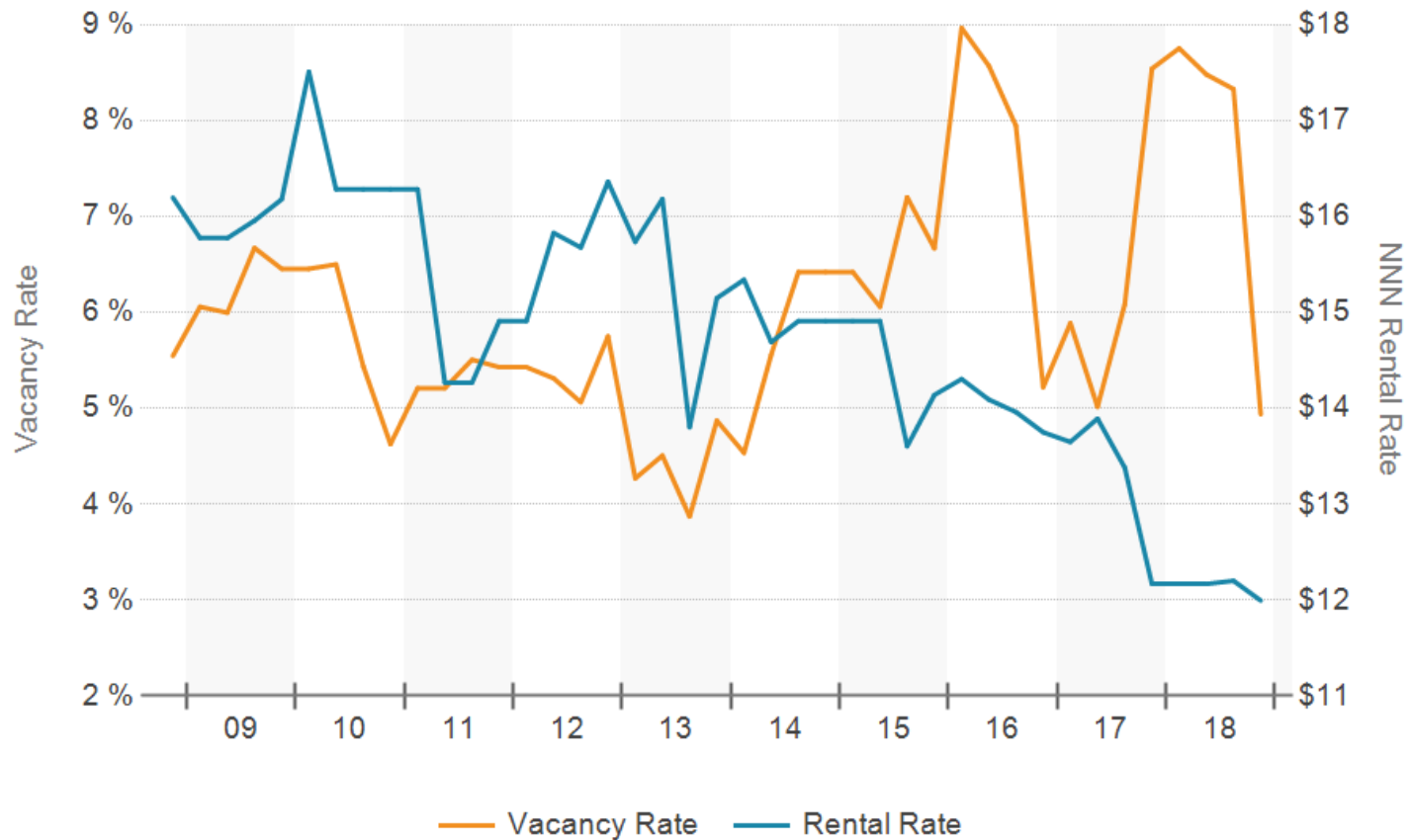
Retail Market Analysis



Essex Retail Market Analysis: Vacancy

Vacancy & Rental Rates

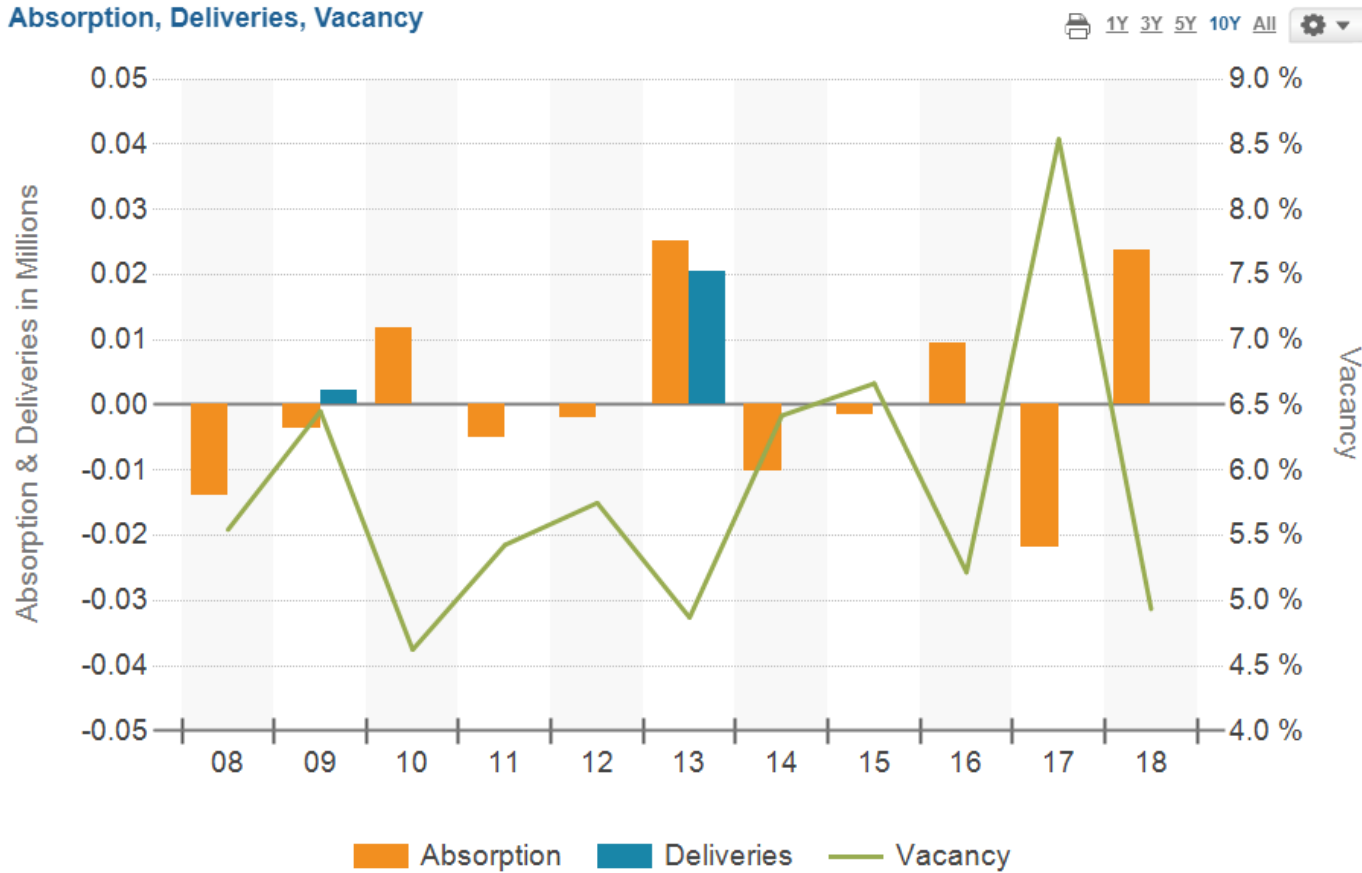
1Y 3Y 5Y 10Y All



- 26 properties totaling approximately 660k square feet
- 5 year average vacancy rate: 6.8%
- 5 year average rental rate: \$14.02
- 5 year average absorption: -5,800 square feet
- The Essex retail market is split between small, fragmented and isolated triple net (NNN) single building users in repurposed space and neighborhood commercial retail centers that are dated and have vacant storefronts.



Essex Retail Market Analysis: Absorption



There have been only two deliveries of new retail space in the last ten years and in seven out of the ten years experiencing negative retail space absorption. Additionally, the Essex market has a 5 year average (6k/year) annual negative absorption.

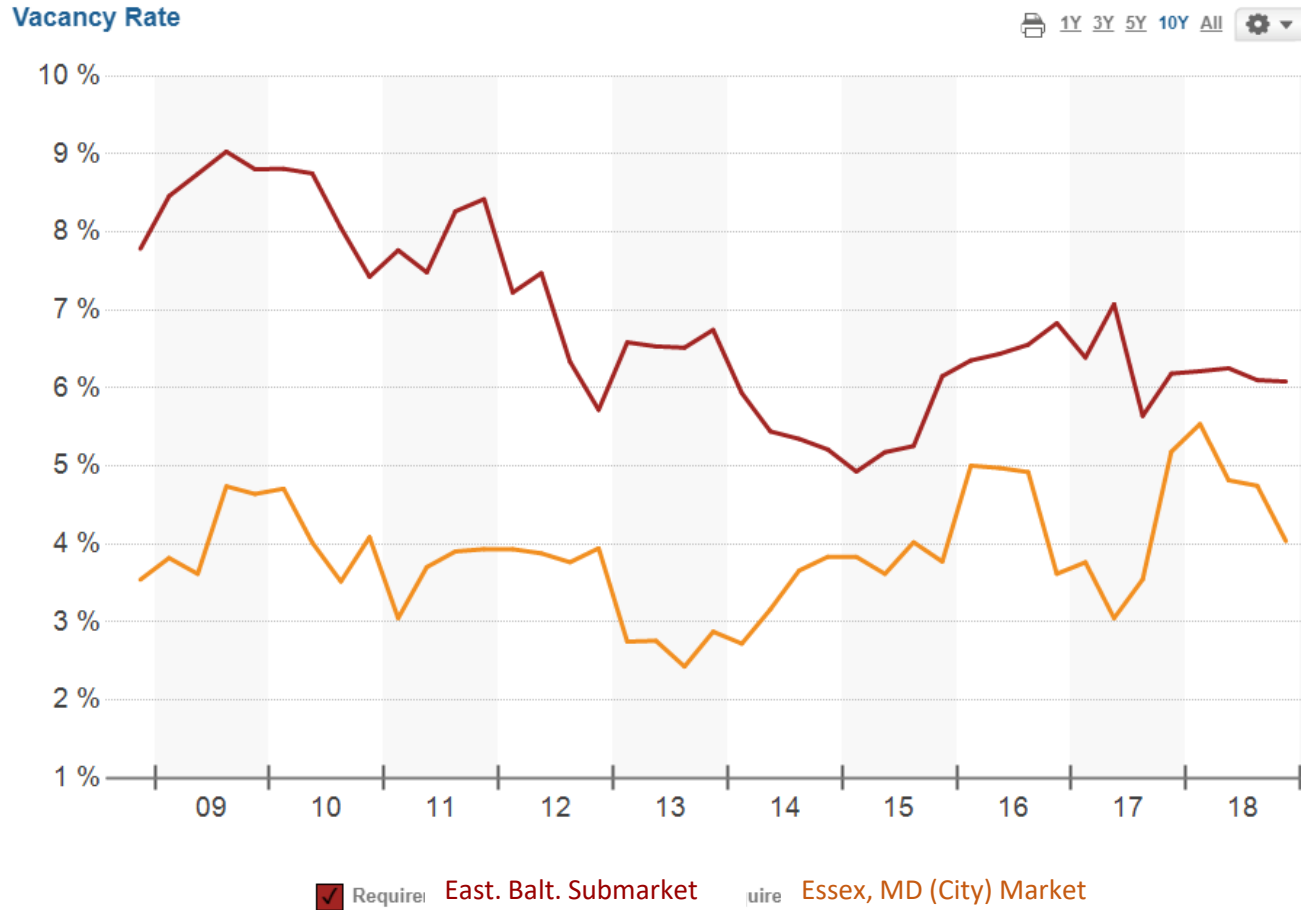
The chart below shows approximately 12,000 s.f. of newly leased retail space over the last year, a significant improvement in performance when compared to annual trend.

Timeframe: Last 365 Days

sign date	sf leased
9/13/2018	8,000
8/22/2018	1,002
5/1/2018	1,800
12/20/2017	1,600



Essex Retail Market Analysis: Vacancy (Essex vs. East Baltimore Submarket)

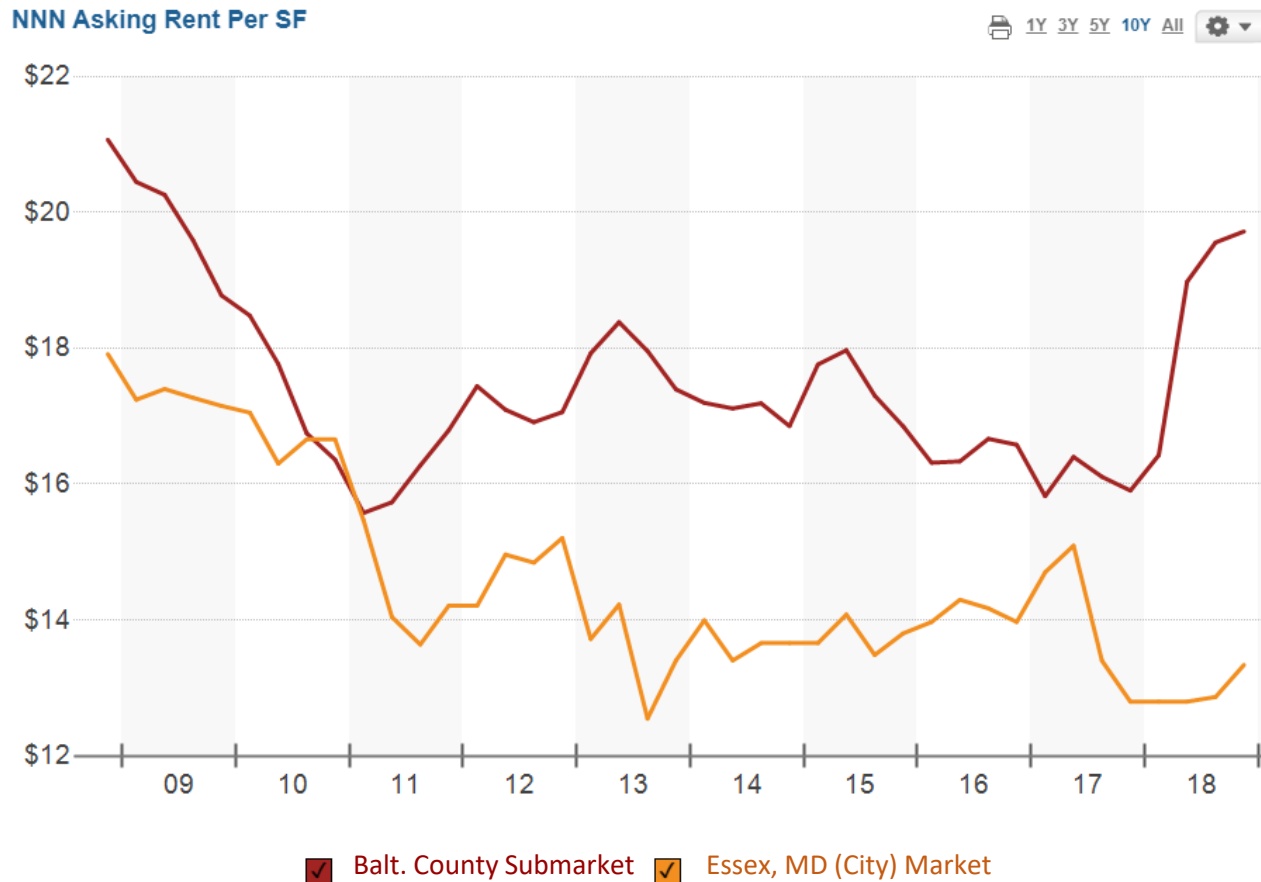


300 properties totaling approximately 1 million square feet.

The eastern submarket has a greater overall vacancy, yet the vacancy its vacancy rate is decreasing compared to the Essex market, which is more volatile and increasing, trending upward in vacancy level.



Essex Retail Market Analysis: Rental Rates (Essex vs. Baltimore County)



Baltimore County Retail:

Baltimore County enjoys an average \$4/sf premium in rental rates compared to the smaller Essex market.

Over the last ten years, and in particular the last two years, Essex is experiencing significant downward pressure on rents, compared to the county overall, which is improving in their asking rental rates.

(This data recognizes only retail located in a shopping center.)



Essex Retail Market Analysis: Competitive Environment



Essex – Current Retail Environment

There are six major chain grocers within the Essex market area, including Weis, Shoppers, Food Lion, and Aldi, as well as a local store, Geresbeck's Food Market.

None of the grocery stores are new.

In addition to the grocers shown there is also a supply of smaller convenience or bodega-style, culturally- focused market spaces spread throughout the Essex area.

Essex Retail Market Analysis: Competitive Environment



Essex – Competitive Market

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

Potomac Crossroads (Greenleigh) is delivering some of the only new retail space in the eastern Baltimore submarket.

Corridor 2 doesn't have the land area for an additional new neighborhood retail center without demolishing existing fragmented retail and or cannibalizing existing disjointed retail space



Market Analysis: Retail Demand

RETAIL DEMAND ANALYSIS ESSEX, MD

	2018	Annual HH Growth										
Households in Essex ¹	15,796	60										
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	Avg. Store Size	Min. Store Size	Max. Store Size	Store Size Supported
Women's Apparel	\$580	\$9,161,680			\$34,993	\$369	95	949	6,409	1,000	22,200	1,000
Men's Apparel	\$308	\$4,865,168			\$18,583	\$369	50	504	6,409	1,000	22,200	500
Girl's Apparel	\$116	\$1,832,336			\$6,999	\$301	23	232	3,860	2,100	4,700	
Boy's Apparel	\$79	\$1,247,884			\$4,766	\$301	16	158	3,860	2,100	4,700	
Infant Apparel	\$70	\$1,105,720			\$4,223	\$301	14	140	3,860	2,100	4,700	
Footwear	\$312	\$4,928,352			\$18,824	\$357	53	528	6,690	1,700	17,000	600
Entertainment	\$287	\$4,533,452			\$17,316	\$107	162	1,615	46,440	22,400	56,000	
Audio & Visual Equipment/Service	\$971	\$15,337,916			\$58,584	\$450	130	1,302	3,000	1,000	5,000	1,300
Reading Materials	\$72	\$1,137,312			\$4,344	\$251	17	173	18,450	10,500	26,400	
Pets, Toys, Hobbies	\$577	\$9,114,292			\$34,812	\$238	147	1,465	34,514	2,200	100,000	1,500
Personal Items	\$1,871	\$29,554,316			\$112,884	\$482	234	2,344	4,867	1,000	13,600	2,500
Food at Home	\$3,569	\$56,375,924			\$215,330	\$501	430	4,296	42,429	16,200	65,100	
Food Away From Home	\$2,450	\$38,700,200			\$147,817	\$551	268	2,684	6,387	1,000	41,600	3,000
Alcoholic Beverages	\$379	\$5,986,684			\$22,866	\$551	42	415	6,387	1,000	41,600	500
Household Equipment & Furnishings	\$1,319	\$20,834,924			\$79,580	\$337	236	2,364	4,867	1,000	13,600	2,500
Automotive Repair & Maintenance	\$697	\$11,009,812			\$42,052	\$257	164	1,635	10,420	6,600	19,800	2,000
Total	\$13,657	\$215,725,972	\$165	1,310,752	\$823,972	\$396	2,081	20,805				15,400

New retail demand is based on new household growth and annual spending projections over the next 10 years. Essex is projected to be able to support approximately 20,000 square feet of new retail space, spread across the market in 10 years time.



Retail Demand

The current retail market in Essex is over-supplied as signified by vacancy across the market area's retail environments.

As retail demand is measured only through new household growth, or specifically, the spending of the new households added to Essex, current vacant square footage and slow retail absorption doesn't impact demand projections for new retail space.

Essex is only projected to have additional retail demand of about 2,000 square feet annually, or 20,000 square feet every 10 years, spread among a variety of spending categories and retail environments.

Given that as of 2017, the 3-mile ring around the Essex market (as mapped) had approximately 75,000 vacant square feet, one must consider this space that requires absorption and the competitive market prior to new investment.

While the Essex vacancy rate is not exceedingly high, the square footage of vacancy is large for such a small market, and requires that a significant amount of dated retail space be absorbed or re-purposed before additional retail demand from new household growth and their subsequent spending would generate additional retail assets.

