



bae urban economics

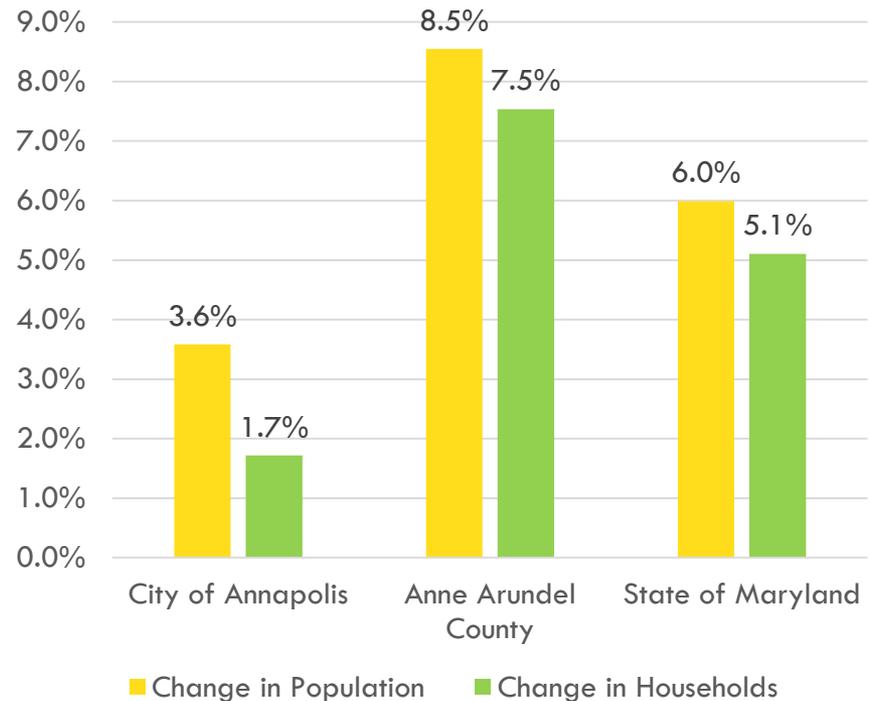
DEMOGRAPHIC AND ECONOMIC PROFILE AND REAL ESTATE MARKET ANALYSIS

Annapolis, MD

POPULATION AND HOUSEHOLDS, 2010 – 2018

- Population: **39,751** in 2018
- Households: **16,407** in 2018
- From 2010 to 2018 Annapolis population grew by **3.6%**
- In same period, Anne Arundel County grew by **8.5%** and the State of Maryland by **6.0%**

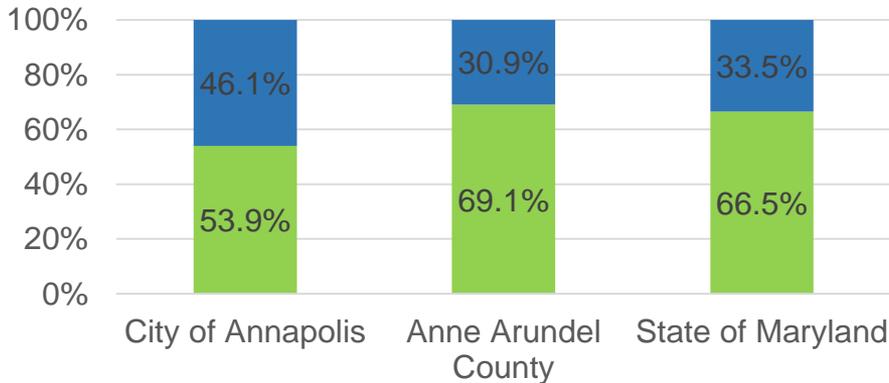
Growth in Population and Households, 2010 – 2018



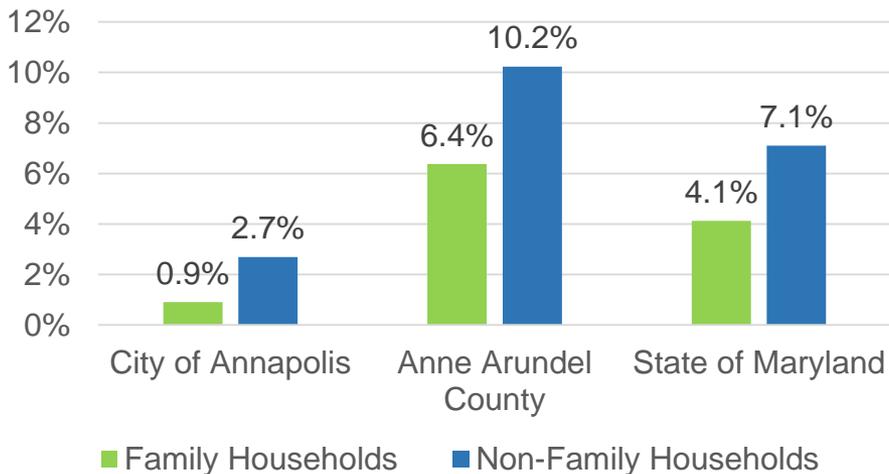
Sources: Esri Business Analyst; BAE, 2019.

HOUSEHOLD COMPOSITION AND SIZE, 2018

Distribution of Households by Household Type, 2018



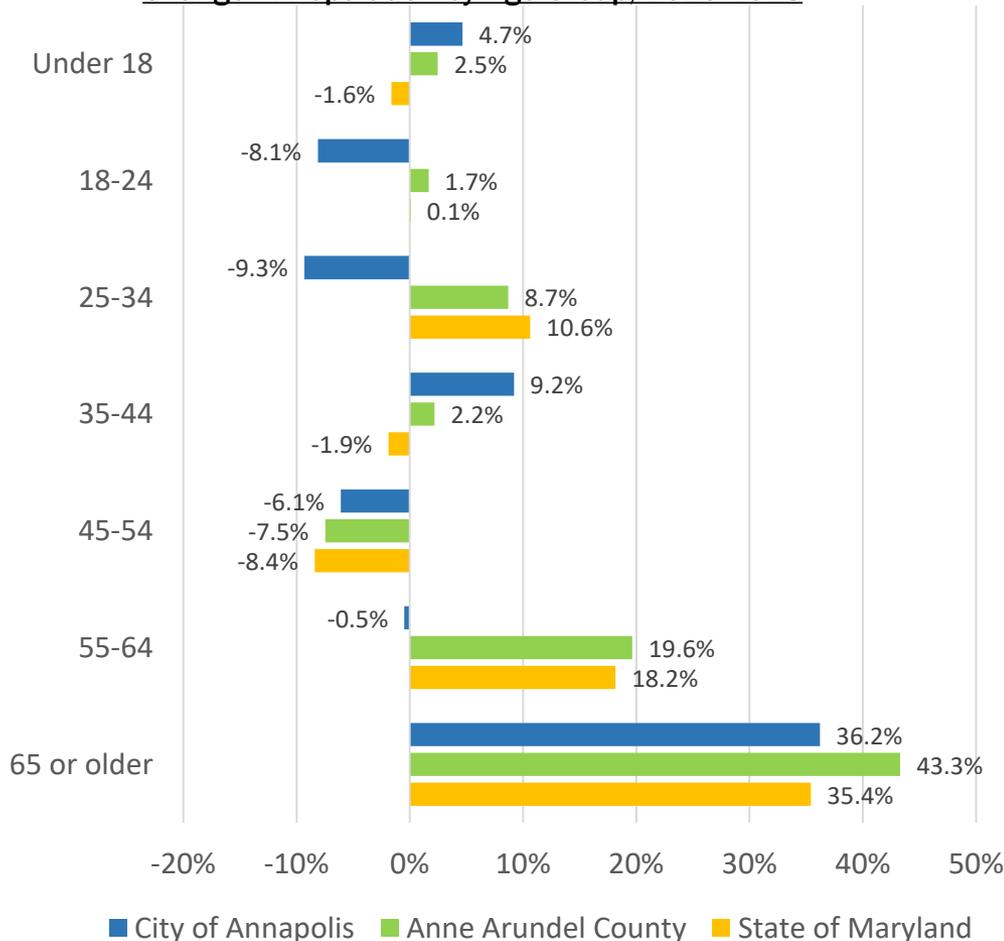
Growth in Households by Household Type, 2010-2018



- **46.1%** are non-family households compared to **30.9%** in the County and **33.5%** in the State
- Non-family households are increasing in each of the three areas, by **2.7%** in Annapolis, **10.2%** in the County, and **7.1%** in the State
- Average household size is **2.38** in Annapolis versus **2.65** in the County, and **2.64** in the State

AGE DISTRIBUTION, 2018

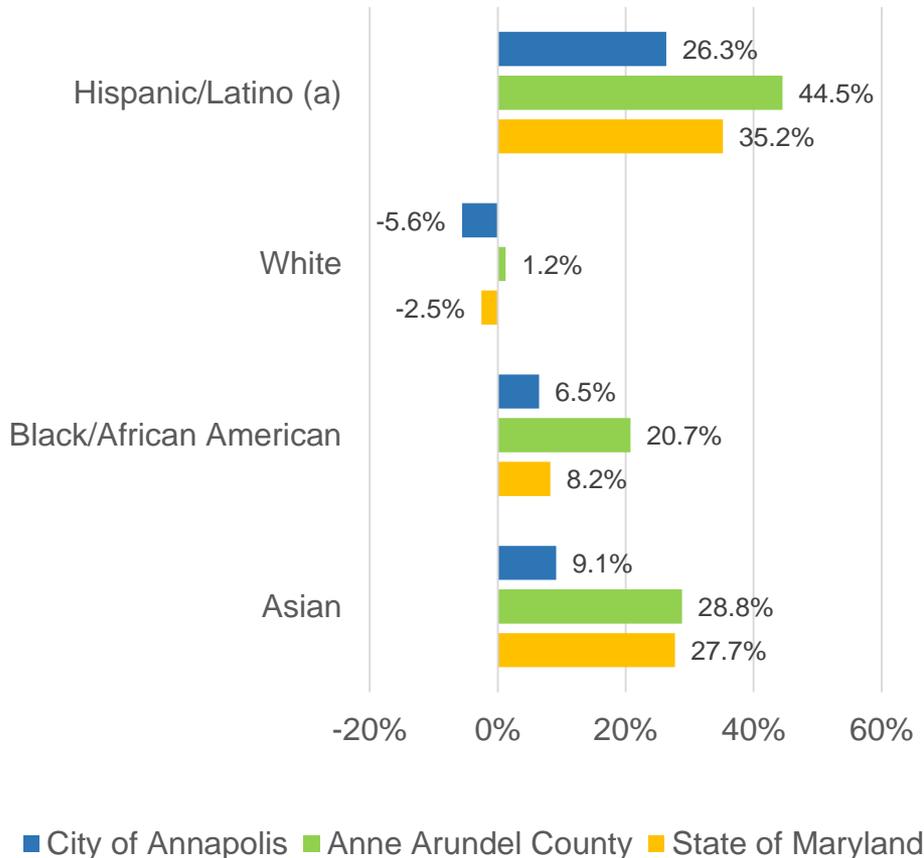
Change in Population by Age Group, 2010-2018



- The two largest age cohorts in Annapolis are Under 18 (**21.0%**) and 65 and older (**17.1%**)
- The fastest growing age cohort in the City, County, and State is the 65+ group
- From 2010-2018, the 65+ group increased by **36.2%** in Annapolis, **43.3%** in Anne Arundel County, and **35.4%** in Maryland
- In Annapolis, residents aged 18 to 24, 25 to 34, and 45 to 54 all decreased between 2010 – 2018.

RACE AND ETHNICITY

Change in Population by Race and Ethnicity, 2010-2018

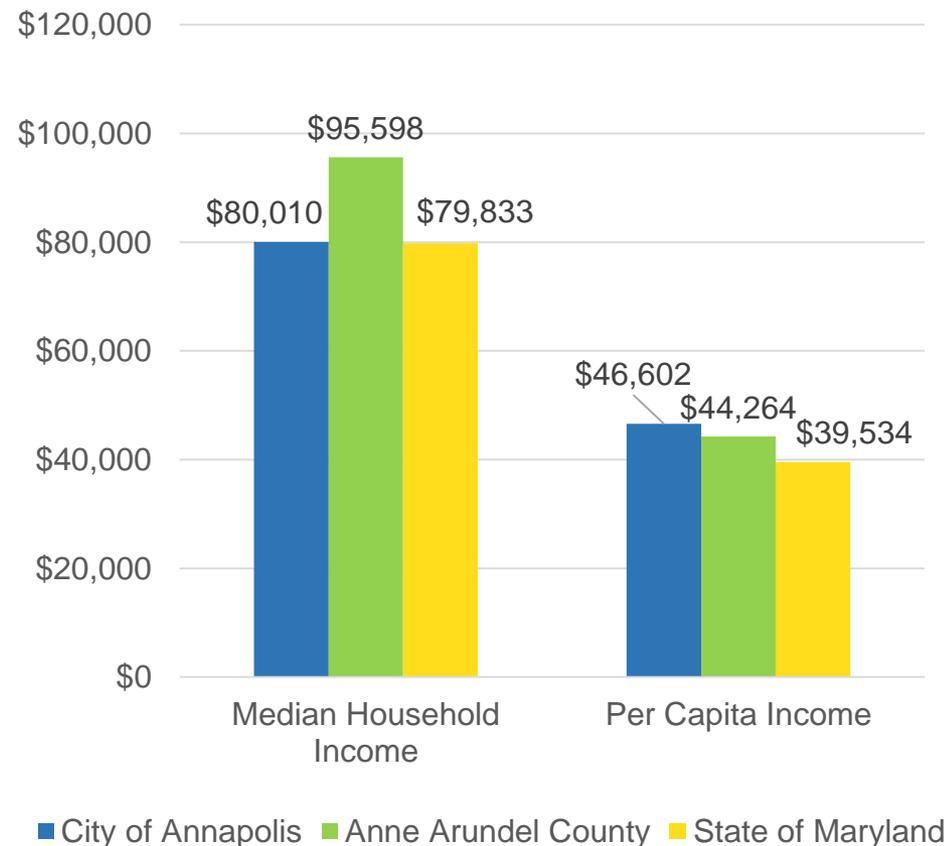


- **48.7%** of Annapolis residents are white, **26.4%** are black/African American, **20.5%** are Hispanic/Latino, and **2.2%** are Asian
- Between 2010 and 2018, Hispanic/Latino population increased by **26.3%**, Asian residents increased by **9.1%**, and black/African American residents by **6.5%**
- In Anne Arundel County **67.5%** of residents are white, **16.9%** are black/African American, and **8.1%** are Hispanic/Latino

INCOME

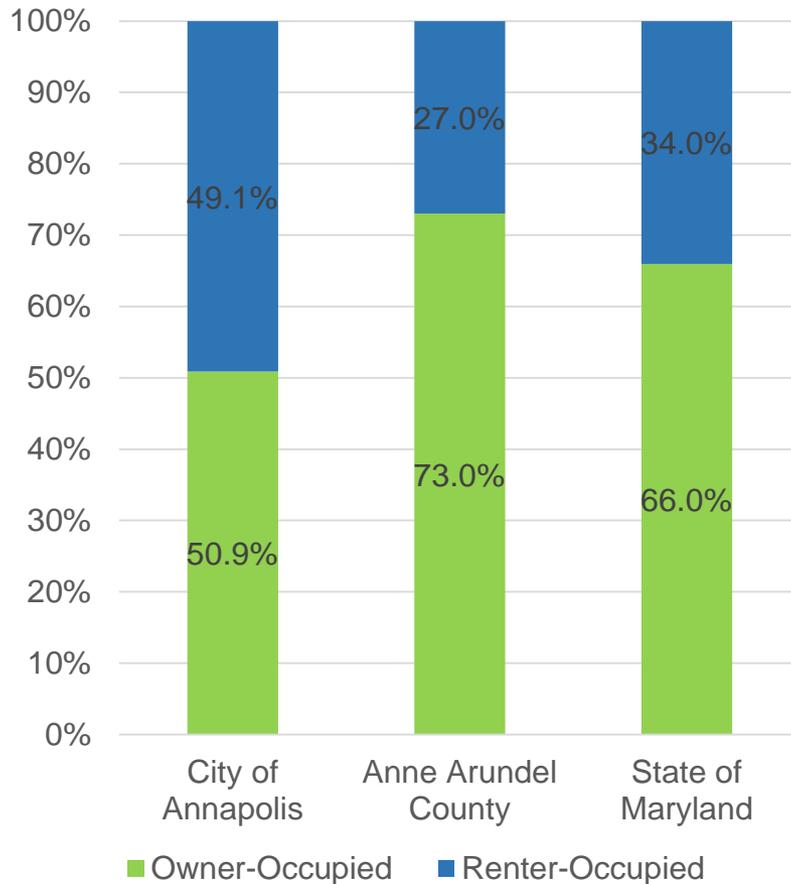
- Median household income in Annapolis is **\$80,010**
- Anne Arundel County's median household income is **\$95,598**
- Annapolis' per capita income (**\$46,602**) is higher than the same figure for the County and State; a significant portion of Annapolis' household have just one person and are high income
- While **13.0%** of Annapolis household earn \$200,000 or more, **15.4%** earn less than \$25,000

Per Capita Income and Median Household Income, 2018



HOUSING TENURE

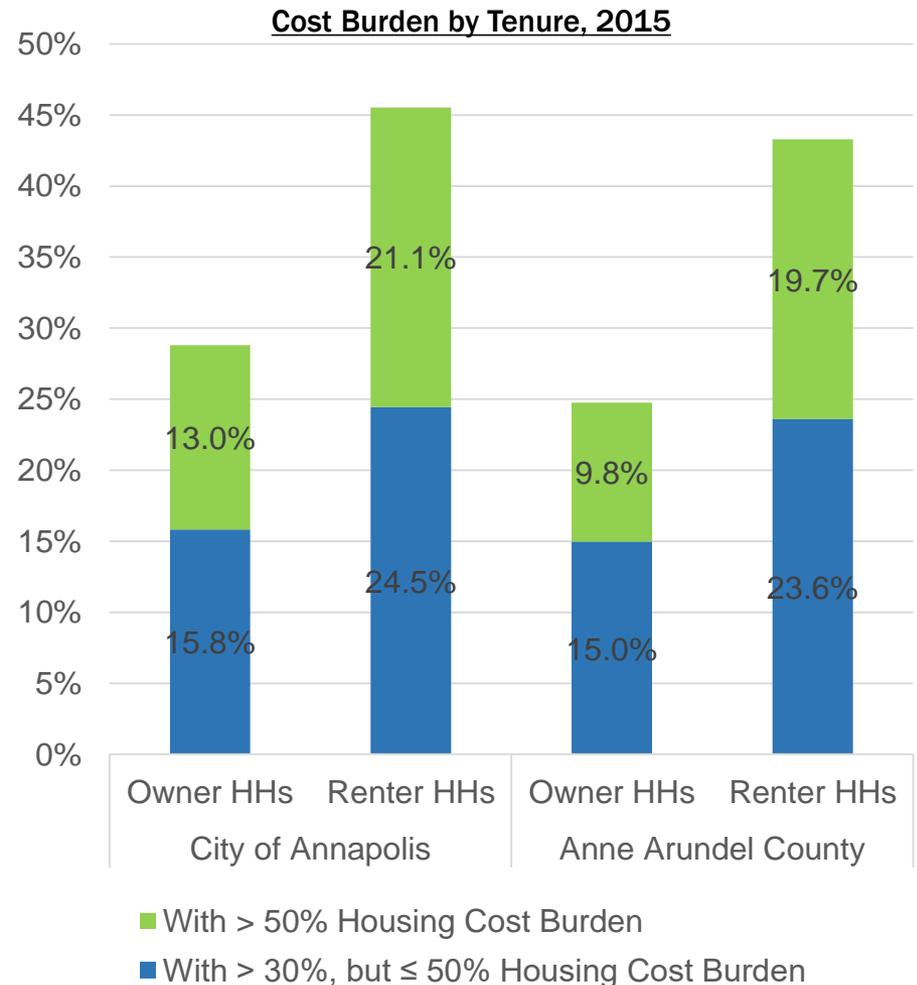
Distribution of Households by Tenure, 2018



- Nearly one-half (**49.1%**) of all occupied housing units in Annapolis are renter-occupied compared to just **27.0%** of occupied units in Anne Arundel County
- From 2010 to 2018, Annapolis experienced a **2.2%** increase in the number of owner-occupied units

HOUSING COST BURDENS

- Households spending more than **30%** of gross monthly income are “cost-burdened;” households spending more than **50%** of gross monthly income are “severely cost burdened”
- 28.8%** of Annapolis homeowner households are cost-burdened; **13.0%** of Annapolis homeowner households are severely cost-burdened
- 45.6%** of Annapolis renter households are cost-burdened; **21.1%** of renter households are severely cost-burdened
- 45.6%** of Annapolis renter households are cost-burdened; **21.1%** of renter households are severely cost-burdened
- 21.1%** of Annapolis renter households are severely cost-burdened
- 19.7%** of Anne Arundel County renter households are severely cost-burdened



Sources: U.S. Department of Housing and Urban Development, CHAS, 2011-2015; BAE, 2019.

LABOR FORCE AND COMMUTE PATTERNS



- Five-year (2013-2017) unemployment rate in Annapolis was **3.2%** compared to **3.5%** in Anne Arundel County, and **4.1%** in Maryland
- Over half of Annapolis' employed residents work in Anne Arundel County; **13.1%** work in Annapolis
- A significant number of City residents commute to Prince George's County (**9.8%**) or Washington, DC (**6.7%**)
- **52%** of Annapolis workers live in Anne Arundel County and the City has approximately **8,621** more workers than residents

RESIDENT EMPLOYMENT

- Annapolis residents are mostly employed in these sectors:
 - Professional, Technical, and Scientific Services **13.6%**
 - Health Care and Social Assistance **11.1%**
 - Public Administration **10.6%**
 - Educational Services **10.2%**
 - Retail Trade **9.9%**
 - Accommodation and Food Services **9.0%**



JOBS BY INDUSTRY

- Largest proportion of jobs in Annapolis are in public administration (**19.6%**)
- Also large shares of jobs in accommodation and food service (**13.9%**) and retail trade (**12.5%**)



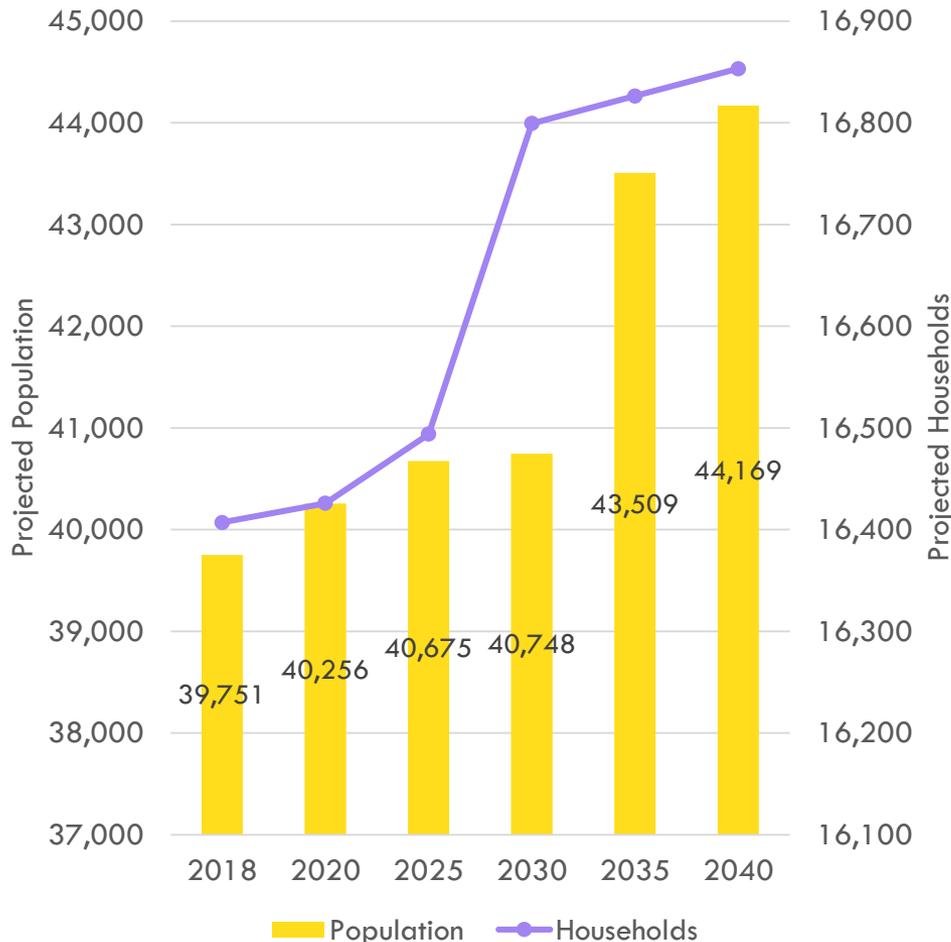
LARGEST EMPLOYERS IN ANNAPOLIS, FEBRUARY 2019

Company	Business Description	Number of Employees
State of Maryland	State Government	12,132
Anne Arundel County Government	County Government	5,190
U.S. Naval Academy	Federal Naval Education	2,340
City of Annapolis Government	City Government	550
ARC of the Central Chesapeake Region	Nonprofit	450
Tow ne Parke, Ltd.	Parking Services	250
St. John's College	Education	220
Rams Head Tavern	Restaurant	188
Comtech Telecommunications Corp	Telecommunications Contractor	175
Annapolis Waterfront Hotel	Hotel and Restaurant	170
Westin Annapolis	Hotel and Meeting Space	170

Sources: City of Annapolis via Anne Arundel Economic Development Corporation, February 2019; BAE, 2019.

GROWTH PROJECTIONS

Projected Population and Households, 2018-2040



- From 2018 to 2040, Annapolis expected to gain about **4,400** residents, an **11.1%** increase in population
- Projections are for a net gain of **450** households which means most of the population growth is due to increased household size

REAL ESTATE MARKET CONDITIONS AND TRENDS

HOUSING CHARACTERISTICS

- Only **37.1%** of Annapolis housing units are single family detached units
- **22.6%** of Annapolis housing units are townhouses, more than **40%** are in multifamily buildings
- **19.9%** of Annapolis units were built before 1950, a much higher proportion than in the County (**9.4%**)
- Just **12.4%** of housing units in Annapolis were built in 2000 or later



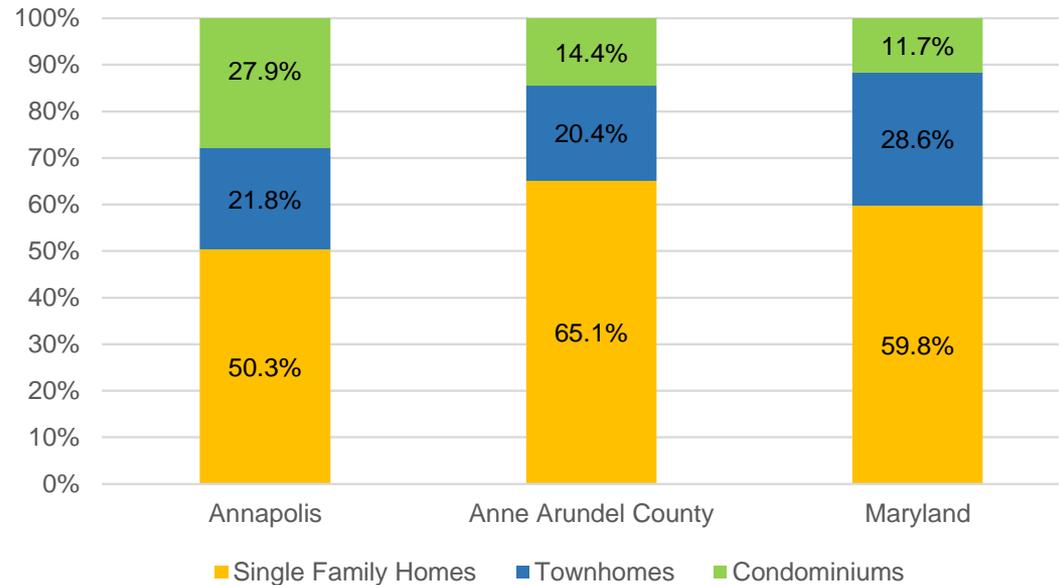
MULTIFAMILY HOUSING MARKET

- There are **2,822** market rate multifamily units in Annapolis, according to CoStar
- Annapolis housing units are relatively small vs. region, more than **90%** are 1- or 2-bedroom units
- Average rents are higher in Annapolis vs. region, e.g., 1-bedroom average rent is **\$1,677** in City, **\$1,599** in Anne Arundel County
- Generally strong market in all area geographies for apartments; current vacancy rates about **6%**

FOR-SALE HOUSING MARKET

- About **half** of homes sold in Annapolis in the past year were single family detached homes, **21.8%** were townhouses, and **27.9%** were condominiums
- The proportion of condos sold was much higher in the City vs. Anne Arundel County (just **14.4%**)

Residential Sales by Unit Type, May 2018-Apr 2019

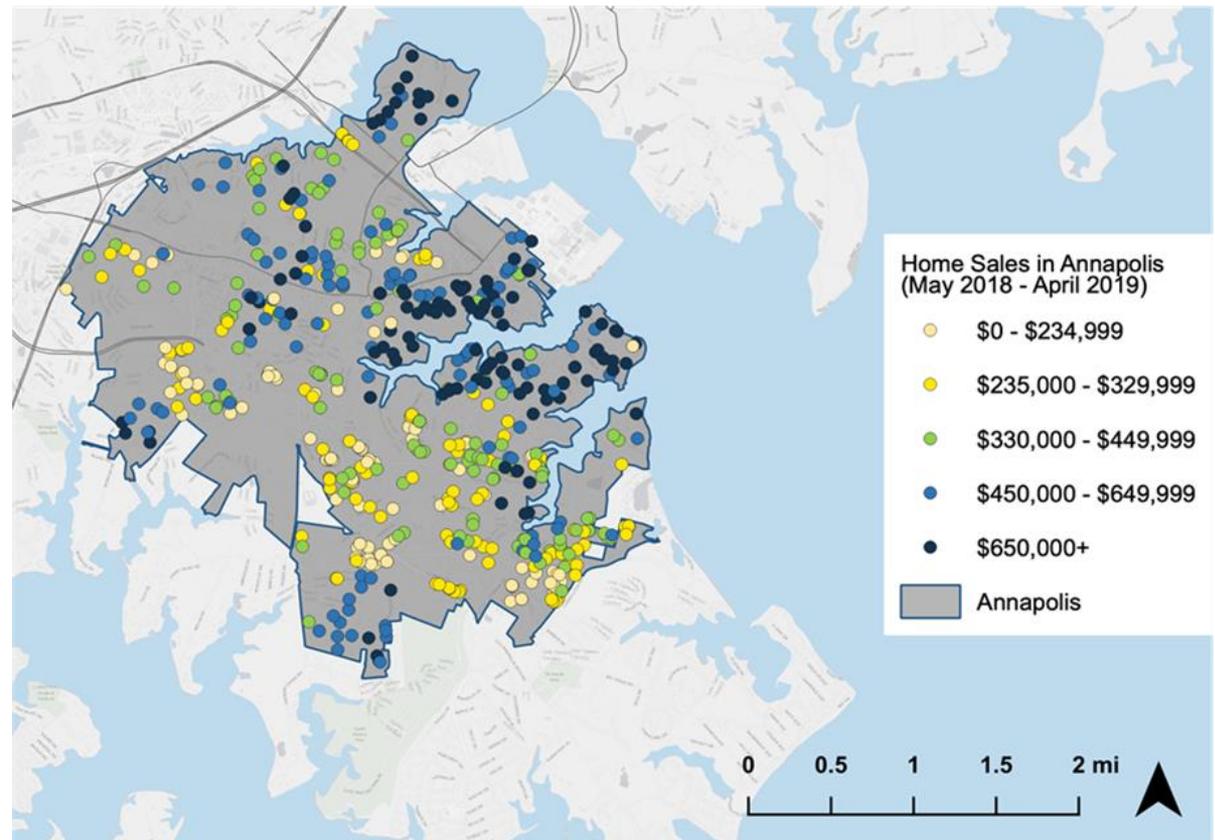


Note: Only Includes sales for which sale price and square footage data are available

Sources: ListSource/CoreLogic; DQNews/CoreLogic; BAE, 2019.

FOR-SALE HOUSING MARKET (CONT.)

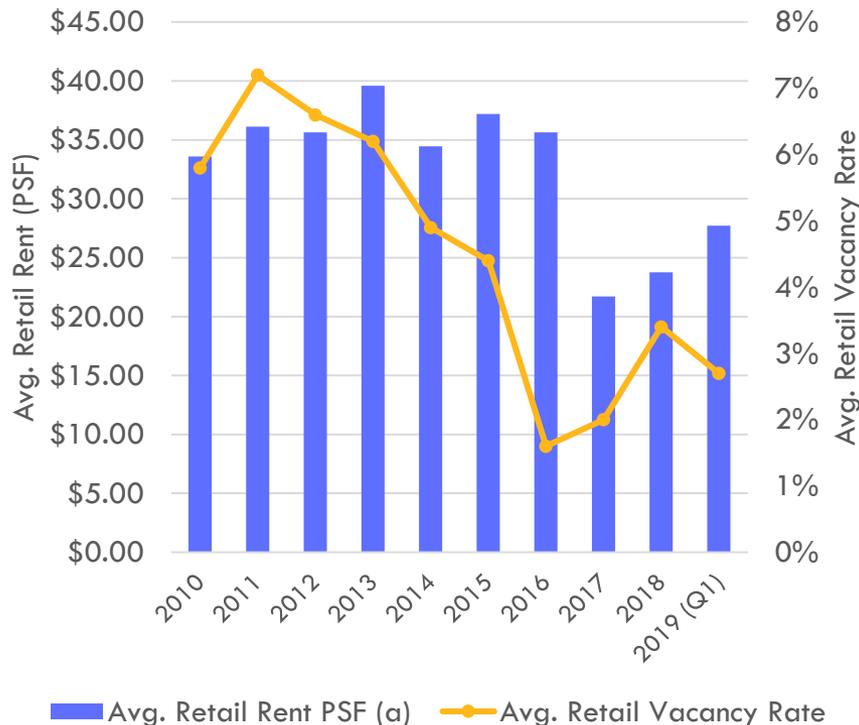
- Median sales price for a home in Annapolis in past year was **\$500,000** vs. **\$375,000** in County
- Average price per square foot in City was higher than the County, topping **\$300** for 2 of 3 types



Sources: Corelogic/ListSource via DQNews; ArcGIS Pro; U.S. Census Bureau; BAE, 2019..

RETAIL MARKET

Average Retail Rent PSF and Vacancy Rate, City of Annapolis, 2010-Q1 2019



Note:

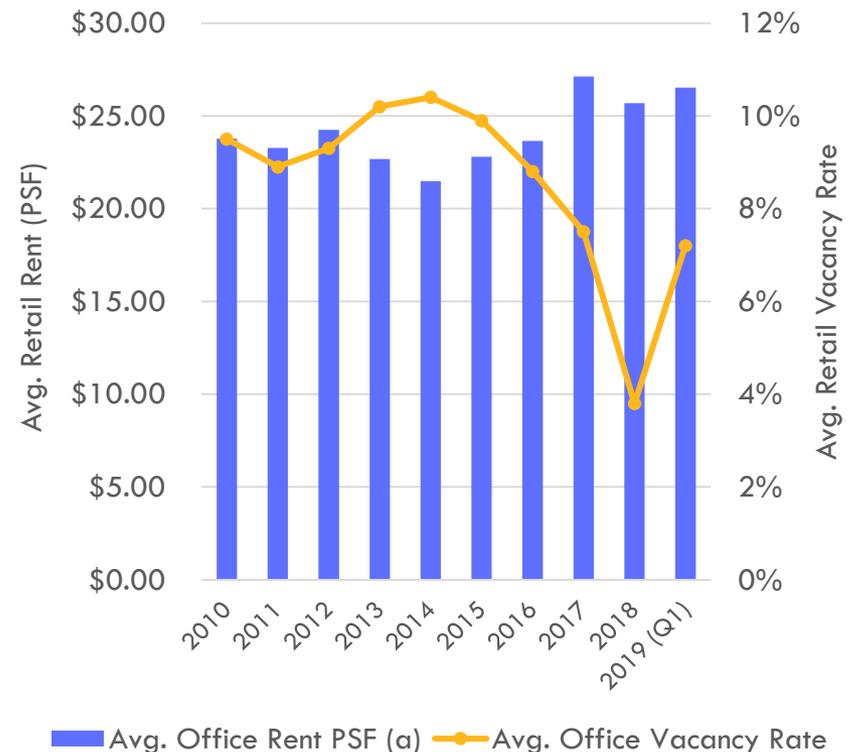
(a) Rents reflect direct triple-net leases.

- As of first quarter 2019, Annapolis had about **2.3 million** square feet of retail space, according to CoStar
- Average vacancy rates of this space was **2.7%**, a lower rate than the County (**4.1%**)
- Per square foot rents were higher in the City (**\$27.72**) vs. the County (**\$20.40**)
- Note that some Annapolis retail space is not listed on CoStar or counted in vacancy rate

OFFICE MARKET

- Annapolis has **3.5 million** square feet of office space, according to CoStar
- Average annual per square foot rate for Annapolis office space is **\$26.52** vs. **\$25.20** in County
- Average office vacancy rate in City is **7.2%** vs. **9.5%** in County
- Minimal new office inventory added in Annapolis since 2014, much new space added in County

Average Office Rent PSF and Vacancy Rate, City of Annapolis, 2010-Q1 2019

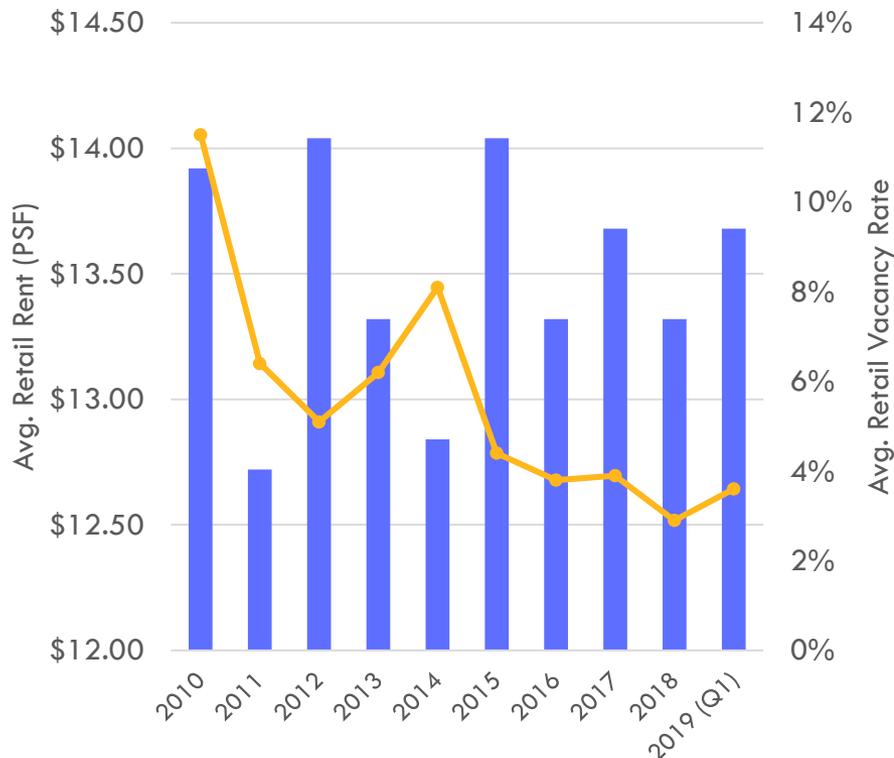


Note:
 (a) Rents reflect base rent on direct leases.

Sources: CoStar; BAE, 2019.

INDUSTRIAL MARKET

Average Industrial/Flex Rent PSF and Vacancy Rate, City of Annapolis, 2010-Q1 2019



■ Avg. Industrial Rent PSF (a) ● Avg. Industrial Vacancy Rate

Note:

(a) Rents reflect direct leases of all service types.

- Annapolis has **1.2 million** square feet of industrial and flex space, according to CoStar
- Per square foot rents for industrial space **\$13.68** in Annapolis vs. **\$9.24** in County
- Industrial space vacancy rates are low in City (**3.6%**) vs. County (**8.7%**)
- No new industrial/flex inventory added in the City since 2010, **1.8%** new space added in County

KEY FINDINGS

- Major demographic shift: increase in City's Hispanic population makes Annapolis majority minority
- 65+ age cohort growing the most, this is both natural aging of population and movement in of those near retirement or retired
- New residents moving in tend to be older and wealthier
- High housing cost burden and large percentage of households earning less than \$25,000 point to need for more affordable housing
- Both rental and for-sale housing markets are strong and developer interest in building housing is likely to continue

NEXT STEPS

- The demographic and economic data helps to inform the land use elements of Comprehensive Plan
- With data in mind, City has asked for high level community and fiscal benefits analysis of land use types—now underway
- Potential alternative development scenario feasibility analysis—specifics of what is to be tested to be determined
- Other economic analysis to be determined



QUESTIONS AND ANSWERS

BAE URBAN ECONOMICS, INC.

maryburkholder@bael.com

202.588.8945