
Report: City condo market looking more like D.C.'s

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As demonstrated by the number of cranes towering across the city skyline and the number of sales, Baltimore-area condominiums became a popular investment for developers, homebuyers and speculators last year.

Some industry watchers expect the market to cool off. But others were so impressed by the surge in interest that they think it merits a closer look.

Delta Associates, a Virginia-based real estate research firm, issued its first-ever analysis of Baltimore's condominium market last month. The company has been studying the Washington condominium market for years.

"Baltimore has had increased condominium activity, and we think now is the time to include it in our report," said William Rich, an analyst with Delta Associates. "It's like a snapshot, pretty much, of what's going on."

The company last month issued its first-quarter 2006 mid-Atlantic condominium and apartment report, with a section dedicated to the Baltimore-area condominium market. For the report's purposes, the Baltimore area includes the city, as well as Anne Arundel, Baltimore, Harford and Howard counties.

Of the 484 new-condominium sales in the Baltimore area last year, 45 percent were sold in the city, according to the report.

Condominium re-sales were garnering huge price inflation during the first half of last year, with the median resold condominium rising in value by nearly 26 percent in the city. That number dropped during the second half of last year to 6 percent — a telling sign of a leveling market, according to the report.

In Baltimore and Harford counties, the price increase for re-sales during the first half of 2005 was about 24 percent. That number dropped to about 3 percent during the second half of the year.

In Anne Arundel and Howard, re-sales brought 18 percent more during the first half of 2005 but only 6 percent by the second half of the year.

Baltimore City's price increases surpassed Washington's, which saw only a 12 percent re-sale return during the first half of 2005, and only 3 percent during the second half of the year.

That can be attributed to the relatively small supply of condominiums in Baltimore compared to Washington, and the relatively new demand, Rich said.

Prices in Baltimore "are going to taper off in the years ahead," he said.

There are also some emerging parallels between the Baltimore and Washington condominium markets.

“They’re so near each other in geography that you are starting to see some similarities in how they’re acting in the condominium market,” Rich said.

“The relationship between the number of units in the [Baltimore] market that are currently available and sales velocity mirrors Washington,” he said.

With its current supply and demand curve, Baltimore has about 2.3 years of condominium supply, while Washington has about 2.7 years. That is considered relatively tight supply, Rich said.

That means that prices in both markets will likely “inch up.” Both markets are also somewhat insulated from dramatic downturns in value, he said.

In Baltimore, condominium developers have begun offering incentives more frequently than in the past, according to residential brokers interviewed earlier this month by The Daily Record. Such incentives range from freebees, such as free electronic equipment, to closing-cost assistance.

“There’s no urgency to buy,” said Joe Craig, a broker in the Federal Hill office of Long & Foster Real Estate. “It’s not like a year ago.”

“Sales are just going to be slower,” he said. “I mean, that had to happen.”
