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Apartment developers say Baltimore is a stable market. Here's what they say has to happen to keep it that way.

A panel of six real estate professionals discuss the factors driving the boom of multifamily building in Baltimore and what has to happen to keep it up. Pictured from left to right is moderator Adam Kleeman, partner at CohnReznick; David Bookhout of AvalonBay Communities; Jeff Kayce of Bozzuto; Doug Copp with Kinsley Construction; Jim Mobley of Elm Street Development; Peter Garver of Garver Development; and Josh Fidler from Chesapeake Realty Partners.

By Carley Milligan – Digital Editor, Baltimore Business Journal
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Many of the developers behind the swarm of new multifamily projects and towers that have popped up across the city in recent years say Baltimore is ripe for those in the business of building.

Six local developers spoke about experiences with previous and current projects, their expectations for the future and why they're so bullish on Baltimore — even while acknowledging the significant challenges the city is facing — during a panel discussion Thursday morning hosted by Bisnow Media at the Four Seasons Hotel Baltimore.

The conversation was moderated by Adam Kleeman, partner at CohnReznick, and panelists were:

- Jeff Kayce, senior vice president, Bozzuto
- David Bookhout, senior director of development, AvalonBay Communities
- Josh Fidler, COO, Chesapeake Realty Partners
- Peter Garver, founder, Garver Development
- Jim Mobley, vice president, Elm Street Development
- Doug Copp, director of pre-construction services, Kinsley Construction

The developers touted Baltimore's steadily growing job market, which has been bolstered by the booming cybersecurity and intelligence industry at Fort Meade and the surrounding areas. Bookhout said that connection is something Baltimore has even more potential to leverage than it already is.

"The city is unknown," Bookhout said. "Publicizing that it is a great place to live is important because we need to get that message out there."

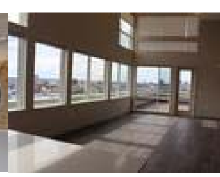
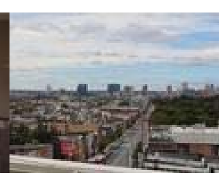
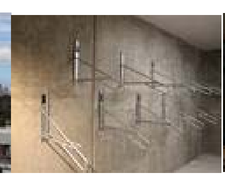
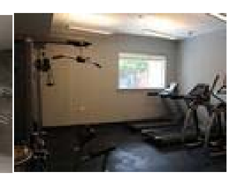
In some cases, developers said they're already seeing the message start spread. Garver has observed interest from young startups in big cities, as well as in national publications like the Wall Street Journal, which in May named Baltimore among the three best cities for recent college graduates.

"In spite of the serious structural problems we have, the Wall Street Journal and startups in New York City think Baltimore is a good place to be," said Garver, who developed Highland Haus in Highlandtown.

Inside Highland Haus

Highland Haus is located on the site of the former Haussner's German restaurant.



Transportation, public safety, building costs and the need for more tax incentives for developers were the three top challenges panelists said still plague Baltimore.

They agreed Baltimore's weak mass transit system needs to be addressed, especially since 40 percent of renters in the city do not own a car, Fidler said. He believes a combination of private sector ideas and Baltimore's "robust" philanthropic entities will provide the momentum necessary for change.

"We are already in a place where people need and will demand better transit options," Fidler said.

New urban transit options such as ride sharing and electric scooters and bikes were praised by most on the panel, while others like Fidler remain a "scooter skeptic." Regardless, the impact is already showing up on the construction side. Copp said just two years ago every project had to have parking, now it's seen as an alternate. It all comes down to who the renter will be in that project, he said.

Building for your target demographic is key, Fidler explained, as is engaging with the community. That's easier done in the city than in suburban counties where rezoning can be held up for years due to residents' concerns the panelists agreed. But in the city, being involved in the community can also lead to improvements in public safety, Kayce said.

"We all need to be very focused both in the short-term success of public safety and the long-term promotion of how we get there in an organic way," he said.

As for future plans, developers joked that an economic slowdown has appeared to be just around the corner for the past three to five years, even as the city has exhibited slow and steady growth. Overall, they are still cautious and planning carefully in the long-term.

High building costs driven by are also taking their toll on development, Copp said. Subcontractors in the region have been extremely busy, which is driving up the cost of construction.

Construction cost indexes show there was an 8 percent increase between 2017 and 2018, but Copp believes it was closer to five or six percent and expects the same escalation or a leveling off for the coming year.

Mobley and Kayce also noted that building has become especially difficult in markets where the average rent has flattened out. This makes multifamily projects just too costly to take on, even with the active lending market. It will be vital in the coming years for Baltimore to renew or provide more tax incentives for developers, Bookhout said, especially with city taxes at such a high point.

"Ten years feels like a long time, but then if you are a long-term holder it's not. Without tax incentives we would not be developing [a 23-story tower in Little Italy] or [Towson's Circle East]," he said. "It's important the city and county doesn't look at the development going on and say 'we can add fees and let incentives burn off.'"