

**URBAN LAND MAGAZINE - OCTOBER 2007****REGIONAL SPOTLIGHT - MARYLAND**

By Mike Sheridan

One of the most impressive waterfront developments in the world is taking shape along a panoramic 1.25-mile (2-km) stretch of the Potomac River in Prince George's County, Maryland. At buildout, the 300-acre (121.4-ha) National Harbor, a project of Fairfax, Virginia-based Peterson Development LLC, will include 7.3 million square feet (678,192 sq m) of mixed-use space along with 4,000 hotel rooms; two marinas; 1 million square feet (92,903 sq m) of retail, dining, and entertainment space; 2,500 residential units; and 500,000 square feet (46,451 sq m) of Class A office space.

"National Harbor has all the components of a new city—office, retail, residential—and is located across the river from Alexandria, Virginia," says Steven B. Peterson, president of Peterson Development Company. "Its location on the Potomac in Prince George's County is the perfect place for businesses looking to relocate; people craving dynamic shopping, events, and nightlife; and those looking for a great home with a water view."

Peterson is not the only developer buoyant about prospects in the Old Line State. Real estate entrepreneurs are attracted to Maryland's robust economy, extraordinary job growth, highly educated workforce, impressive entrepreneurial streak, and potential for the future. The state receives national recognition for adding jobs and having low unemployment. Its economy continues to outperform the national economy, with information technology, telecommunications, aerospace, and defense spurring the Free State's growth. A leader in biotechnology, Maryland is at the center in the mapping of the human genome and commercial applications that result from its research.

The state is also benefiting from the reorganization of the country's military. Base Realignment and Closure (BRAC) moves are expected to bring more than 45,000 new jobs to Maryland by 2011. "BRAC brings us both tremendous opportunities and tremendous challenges," says Lieutenant Governor Anthony G. Brown. "Maryland will play a critical role in our nation's defense. At the same time, the state must prepare to absorb more than 28,000 new households over time."

The expansion of two military bases in Maryland is expected to spur additional development, adds George M. Carbonell, managing senior vice president of the Columbia, Maryland, office of Transwestern, a full-service commercial brokerage company that owns and develops real estate in the area. "The expansion of Fort Meade, between the Baltimore and Washington beltways, will help fuel more growth opportunities within Howard, Anne Arundel, and Prince George's counties," Carbonell continues. "The other expansion is the Aberdeen Proving Grounds north of Baltimore. Development and plans for development

are strong near both bases. In addition to commercial office development around these bases, we are also seeing an increase in the number of mixed-use projects planned and under development. The surrounding Maryland counties appear to be welcoming the ‘live, work, play’ ideas behind these mixed-use projects.”

In anticipation of this growth, large-scale mixed-use projects financed primarily through the private sector will continue to be developed in urban cores throughout the state, adds Richard T. Burns, principal at Baltimore-based Design Collective, Inc.

“This trend is fueled by the demand for housing as a result of 28,000 new households expected to relocate to Maryland due to the BRAC program and a retail sector that is underserving the state, which has the highest average household income in the country,” Burns says.

Maryland is in a good position for continued growth and development, agrees Roy Higgs, chief executive officer and managing principal of Development Design Group (DDG), a Baltimore-based international design firm. The state has an excellent infrastructure network, Higgs adds, and is expected to benefit from improvements to the network in the future. More mixed-use projects with retail, residential, and office space are appearing throughout the state, he says. The DDG-designed National Harbor continues to generate excitement, he adds. “Good products always have a market in spite of the economy,” Higgs says, “and National Harbor has done very well with residential sales and retail leasing.”

The cornerstone of National Harbor will be the new 2,000-room, 18-story Gaylord National Resort and Convention Center, the largest nongaming hotel and convention center on the Eastern Seaboard, expected to be completed by the end of next year, says Peterson. Geared as a destination resort, the development will ultimately comprise five hotels and a 250-unit Wyndham Vacation Resorts timeshare that, combined, will provide an additional 1,092 rooms.

National Harbor’s first phase is expected to include 325,000 square feet (30,193 sq m) of retail, dining, and entertainment space and will initially offer approximately 450 condominiums in three buildings: One National Harbor with 250 units, and the one-building 163-unit Fleet Street condominiums now under construction. National Harbor also will feature 120,000 square feet (11,148 sq m) of Class A office space in the development’s first two structures.

“National Harbor will be unique in every way, from its main thoroughfare down the center of the property honoring the American experience to our \$10 million in art, including J. Seward Johnson’s sculpture *The Awakening*, which we’re relocating from Hains Point to the shores of the Potomac River at National Harbor,” Peterson says. “*The Awakening* is a five-piece, cast aluminum sculpture more than 70 feet [21.3 m] in length and 15 feet [4.5



The Zenith

m] at its highest point. It will help set the tone of National Harbor, which truly cannot be compared to any other development in the country.”

Waterfront development continues to be a major force in Maryland real estate, particularly in the state’s largest city. “We have 30 miles [48.2 km] of harbor frontage in Baltimore, creating one of the most exciting urban waterfronts,” says Bill Struever, president of Baltimore-based Struever Bros. Eccles & Rouse (SBER), a local real estate development firm. “We’re part of a broad, global movement of transforming the traditional maritime economy to a new, vibrant economy where people live, work, and play in this environment,” he adds.

Baltimore has seen the completion of numerous waterfront condominium projects and the continuing expansion of Harbor development moving into the Canton and Middle Branch areas, notes Paul Marks, founding principal of Baltimore-based Marks, Thomas Architects. “City buyers and renters are younger; they are seeking more creative and interesting dwellings with amenities and convenience as well as access to local restaurants, fitness centers, shopping, and entertainment for social interaction,” he continues. “There is also a decrease in single-family houses and condos and an increase in rental and government projects, including BRAC infrastructure and planning.”

Marks, Thomas Architects has been involved in a number of developments in the area, including the 174-unit Ritz-Carlton Residences luxury condominium on one of the last remaining waterfront sites for development along the Inner Harbor. The first phase of the project is expected to be completed later this year.

“In addition, Harborview Pier Homes on Inner Harbor, a project of Harborview Development Corporation, includes 88 four-story residences featuring large windows, balconies, and roof decks to enhance the waterfront site,” Marks says. “Marina slips along the piers provide water access to residential units and the promenade. The first phase of the development opened earlier this year.”

MEPT Zenith LLC is building the Zenith, a 21-story mixed-use building with a curved curtain wall at Pratt and Paca streets that is part of the west side development, Marks points out. “The former long-vacant parking lot has been transformed into the site of a world-class structure,” he says. “The design includes 191 studio, one-bedroom, and two-bedroom apartments; parking for 250; a restaurant; a business center; a fitness center; and a community room adjacent to a roof terrace overlooking Camden Yards.”

The Baltimore waterfront is definitely the state’s “gold coast,” boasting new mid-rise and high-rise residential and mixed-use developments, with Washington-area developers such as Bozzutto Development and Elm Street Development discovering the long-neglected Baltimore market to be a natural extension of the nation’s capital, says Bryce A Turner, president and CEO of Baltimore-based Brown Craig Turner (BCT), a nationally recognized architecture firm heavily involved in urban design and mixed-use developments.

“We also expect to see continued strength in the commercial and retail sectors in the region,” Turner says. “Multifamily residential will also continue to be strong in some districts such as downtown and on the waterfront. After years of neglect, retail in downtown Baltimore is very strong. There are many new retail and mixed-use buildings on the drawing boards, and some downtown office buildings are now adding pedestrian-friendly ground levels in buildings with excellent visibility. Retail adds to the list of amenities that Class A office buildings need to have.”

The office market in Baltimore continues to strengthen. “There has been a huge volume of lease transactions in the past year, with deals involving a large number and great diversity of office dwellers,” Struever says. “For decades, there was no new office space being developed in the city. In the last seven years, there has been a 50 percent increase in Class A space and there is a lower vacancy rate than there has been in years. There is strength in a number of areas, including existing Baltimore-based businesses that choose to stay in the city, such as the asset management firm of Legg Mason, which looked at moving to New York or consolidating its operations outside the city, but ultimately decided to remain in Baltimore. With its corporate headquarters and its related entities, Legg Mason has doubled its space requirements.”

New businesses are also selecting the city as their base of operations, Struever adds, including leading-edge enterprises such as Advertising.com, one of AOL’s most profitable units; Elderhealth, which is involved in baby boomer health care; and Laureate, a global educational enterprise. In addition, he says, businesses are relocating to the city. MetLife, for example, is consolidating its Anne Arundel County and Baltimore County operations in about 20,000 square feet (1,858 sq m) of office space in the Canton neighborhood at the redeveloped Brewer’s Hill development, Struever says, and Morgan Stanley is relocating to offices at the Bond Street Wharf in Fells Point.

“Downtown Baltimore has some 7.5 million square feet [696,772 sq m] of new hospitals, life sciences, and biotech buildings under development or on the drawing boards,” says Bob Aydukovic, vice president of the Downtown Partnership of Baltimore. “This represents \$3.5 billion in new investment that will create 12,000 to 15,000 jobs between now and 2012. Regional totals push the numbers even higher. Baltimore has two biotech parks under construction, each offering over 1.1 million square feet [102,193 sq m] of laboratory and office space to attract biotech companies to the city.”

It goes without saying that the region’s economy is strongly tied to the federal government, notes Transwestern’s Carbonell. Greater Baltimore is home to not only Fort Meade and the Aberdeen Proving Ground, but also the U.S. Social Security Administration, the U.S. Center for Medicare and Medicaid Services, and the National Security Agency. With one of the nation’s strongest emerging downtowns, Baltimore is among the country’s top ten municipalities for residential population density thanks to a

number of developments, including Inner Harbor; the Camden Yards baseball stadium; the revitalization of historic buildings and neighborhoods; and numerous condominium, hotel, and office projects.

Much of this development has been handled through public/private partnerships (PPPs) formed to transform some of the urban renewal projects of the 1960s, says Turner of BCT. “Barren concrete plazas and stark walls are making way for green lawns and lively retail storefronts,” he says. “Center Plaza in the central business district has become a green ‘oasis’ in the city, bringing new life to the adjacent Mies Van de Rohe–designed One Charles Center office building, which is undergoing a historic restoration. Other examples of public/private transformations include the State Center redevelopment on the northern edge of downtown near the cultural arts district. A development team led by Baltimore-based Struever Bros. Eccles & Rouse has been granted the development rights from the state and is creating a vibrant mixed-use district that uses existing structures, but brings new life to the ground level with retail, office, and residential, and a strong link to existing neighborhoods.”

One of the largest retail structures erected in downtown Baltimore in recent years is the 90,000-square-foot (8,361-sq-m) Brown Craig Turner–designed Lockwood retail building. Located across the street from the National Aquarium, Lockwood was quickly leased to a number of tenants, including Best Buy, Panera Bread, Filene’s Basement, and others. “New retail and mixed-use buildings are flourishing at Harbor East near Fells Point and construction is everywhere,” Turner adds. “The Four Seasons Hotel and new Legg Mason tower will soon be coming out of the ground along Harbor East’s waterfront.”

The redevelopment of the historic and underused Rotunda building in north Baltimore is another example of the revitalizing trend occurring in the city, adds Burns of Design Collective. Developed by Hackensack, New Jersey–based Hekemian & Company and planned by Design Collective, the urban infill, mixed-use project comprises 200,000 square feet (18,580 sq m) of neighborhood retail, 302 apartment rentals in a 22-story high rise, 100 condominiums, 12 townhouses, 148,000 square feet (13,749 sq m) of office space, and a boutique hotel.

Design Collective is the master planner and architect for the Brewer’s Hill redevelopment in east Baltimore, a collaboration of Struever Bros. Eccles & Rouse and Obrecht Commercial Real Estate, Inc., with the Houston-based Hanover Company. Brewer’s Hill includes the adaptive use of a historic brewing complex for office, retail, and hotel uses and new residential components. Hanover will develop over 400 market-rate residential rental units, Burns says.

More revitalization is expected. The Baltimore Development Corporation has awarded the redevelopment rights to 701 East Baltimore Street to the Baltimore-based Cordish Company. Cordish plans a mixed-use development with 50,000 square feet (4,645 sq m) of retail/entertainment space, 250 residential condominium/apartment units, and 400



Rotunda Square



Brewer's Hill

parking spaces. Total project costs are estimated to exceed \$70 million, with more than 200 permanent and 500 construction jobs expected to be created.

“This project will create a new gateway into the city,” states David Cordish, chairman of Cordish. “Working with our architect, Michael Graves & Associates, we’re going to bring a truly world-class retail and residential project to downtown that will continue the revitalization of the central business district.”

Jon Cordish, vice president of the Cordish Company, adds that the residential inflow into Baltimore’s urban core is expected to continue. “It is a natural continuation of what our developments in the Inner Harbor helped initiate,” says Cordish. “Our projects—the Power Plant, Power Plant Live, and the Pier IV Building—changed the perception of downtown into a place not just to work, but to be entertained. Our willingness to reinvest in our properties has been critical in further shifting perceptions of downtown as a place to live as well. With our evolution of Power Plant Live and the Pier VI Concert Pavilion into upscale, live performance and dining experiences, what was once seen as primarily a tourist destination is now increasingly viewed as a vibrant place for people to reside.”

Redevelopment of Class B office space into housing and hotel space is also a strong trend. “These are old buildings that had no future as office space that are finding new life as residential and hospitality space,” Struever says. “One example is the Kimpton Boutique hotel project, which makes the downtown a healthier, livelier place with 24/7 activities creating a more robust street life. Downtown used to be essentially dead after 5 p.m., but that’s no longer the case. We’ve gone from no residential space to 10,000 units. This trend is also occurring in the expanded downtown areas, including Harbor East and Fells Point. We’re working on the largest of this type of development at 800 Aliceanna Street in Fells Point. It is 1.25 million square feet [116,129 sq m] with two hotels, office space, 22 condo units, a cinema, retail, and live/work lofts. There’s also the \$650 million Four Seasons project, which includes the new Legg Mason headquarters plus a hotel and condos.”

M.J. “Jay” Brodie, president of the Baltimore Development Corporation (BDC), predicts stable to steady continued growth in the city’s commercial sectors, with retail seeing increased development activity based on continued residential, hotel, and employment expansion. “Hotels are doing quite well,” Brodie continues. “In the third quarter of 2007, downtown Baltimore had an inventory of 6,000 rooms, with 1,600 under construction for delivery in late 2007 or 2008. Among the developments is the conversion of downtown Class B and Class C office to hotel and residential projects as well as hospital, life sciences, and biotech expansions including UMMS [University of Maryland Medical System], Mercy, Johns Hopkins Hospital, UMB BioPark, and Science + Technology Park at Johns Hopkins.”

Outside the downtown area, the BDC has been working with General Growth Properties on a \$70 million expansion of Mondawmin Mall in northwest Baltimore that is expected to provide job opportunities and renewed stability for the surrounding communities, officials say. On the east side of the city, Duke Realty, an office and industrial real estate investment

trust, is developing the Chesapeake Commerce Center on nearly 200 acres (81 ha) at a former GM plant. Plans call for a 2.8 million-square-foot (260,128-sq-m) industrial park that will encompass 16 distribution buildings focused primarily on port-related businesses. The park is forecast to generate nearly 3,000 new jobs over the next decade.

Development of commercial and industrial properties is anticipated to continue at the pace it has been this year, says Transwestern's Carbonell. "Clearly, if the capital markets for financing dry up, my prediction will be wrong," he continues. "The hospitality sector is still very strong. I work with several hotel developers and they still have a very strong desire to grow, especially around the Washington Beltway and select markets like Baltimore-Washington International Airport and Columbia. Deals are still happening. But there may be some adjustment in the purchase/sales price and associated cap rates due to the affects of the changes occurring in the capital markets."

Struever Bros. Eccles & Rouse's Struever and others forecast an increasing emphasis on mixed-income and affordable housing throughout the state. "There's a huge need for this because of the strong job growth," he adds. "Baltimore, for instance, can capture a significant market share of this growth with high-quality workforce housing, which will be one of the strongest parts of the for-sale housing market. In addition, there will be continued growth in light of BRAC. The office market is the driver in our local market and that will continue to be very strong as thousands of high-quality jobs are created in the city. It's a dynamic based on density and diversity of people in action. We are building a more solid platform for future growth that will help Baltimore and Maryland continue to thrive."

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#### LIFE SCIENCES, HIGHER EDUCATION

Baltimore not only is experiencing downtown and waterfront redevelopment and revitalization, but it also is reporting an increase in higher education and life sciences offerings.

"There is also institutional growth in college areas: Johns Hopkins, the University of Maryland, and Loyola are all expanding," says Bill Struever, president of Baltimore-based Struever Bros. Eccles & Rouse. "Hopkins is essentially expanding its campus into Charles Village, bringing in new people, and new office and retail. On the west side, the University of Maryland's Technology Park is a vital part of the revitalization occurring there, and Hopkins's East Baltimore Campus and Technology Park are having a similar impact on that area. University presidents, mayors, and neighborhoods are realizing that together they can create a win-win situation with lively mixed-use developments that tap the ideas, talent, research, and buying power of those communities."

Added to this is the beginning of real traction for biotechnology, Struever continues. “There were no private labs in Baltimore previously,” he says. “Now we have the National Institutes of Health facility at Hopkins Bayview, the University of Maryland Technology Park, and other projects.”

New biotechnology and life sciences offerings underway in east Baltimore near Johns Hopkins Hospital and the University of Maryland are drawing national attention, adds Richard T. Burns, principal at locally based Design Collective, Inc. “These research parks, with enormous public and private sector investment, are the catalysts for surrounding neighborhood redevelopment,” he continues. “Near the University of Maryland Baltimore BioPark, the city and state together with a local developer are planning to redevelop the State Center complex, a cluster of obsolete office buildings,” he says. “As envisioned by developer Struever Bros. Eccles & Rouse and Design Collective, Inc., this transit-oriented development, located about one mile [1.61 km] from the University of Maryland Baltimore BioPark, could potentially contain up to 1,000 residential units, 250,000 square feet [23,225 sq m] of retail, approximately 1.35 million square feet [125,419 sq m] of office space, and 4,500 parking spaces.”

New residential projects near the urban campuses of higher education institutions are also continuing, Burns says. Design Collective is the architect for a number of such developments, including Charles Commons, a 300,000-square-foot [27,871-sq-m], 615-bed, mixed-use student housing project adjacent to Johns Hopkins University’s Homewood Campus, and the Zenith, adjoining the University of Maryland at Baltimore campus. “In addition, there is the Fitzgerald, a 280-unit mixed-use project with 14,000 square feet [1,300 sq m] of ground-level retail adjacent to the Maryland Institute College of Art campus, and 1209 North Charles Street, a mixed-use project with 88 condominium units next to the campus of the University of Baltimore. Several other campus-edge residential projects are planned adjacent to Towson University, the University of Maryland at College Park, and Goucher College, to name a few. Given these strong trends fueled by market demand, one can expect the economy and real estate development to continue to expand in Maryland.”—M.S.

#### AFFORDABLE HOUSING DEVELOPMENT IN MARYLAND

Maryland’s affordable residential sector is experiencing steady—and innovative—activity. The state and city will remain in the forefront of building and rehabbing affordable housing for all demographics, says Bart Harvey, chairman of Enterprise, a provider of the development capital and expertise to create decent, affordable homes and rebuild communities. “Other parts of Maryland have very strong markets and will not be as affected by a change in the economy nor are as accepting of affordable housing,” he says. “With the projected increase in jobs by BRAC and strong growth in many local jurisdictions, we will see more need for affordable housing and inclusionary zoning may become more pronounced.”



Charles Commons  
Johns Hopkins University



The Fitzgerald



1209 North Charles Street



West Village  
Towson University

Over the next few years, the production of affordable housing in the area will remain steady and may even pick up somewhat, he continues, but it is insufficient to meet annual needs. “Affordable housing is easier in an overall stable market-rate environment,” he continues. “Land and property costs are not as expensive nor are the production costs as high. Over the past few years, the number of tax credit developments submitted to the state of Maryland has been reduced, reflecting the difficulty of doing deals and possible high land prices. Affordable homeownership has declined significantly, and without an infusion of funds at the federal level I do not see it picking up. Subsidies drive the amount of affordable housing produced and because subsidies are scarce, right now most developers are trying to produce workforce homeownership that requires less subsidy.”

Enterprise’s \$100 million Maryland Enterprise Fund—which includes \$2 million from Ron Terwilliger, chairman and CEO of Trammell Crow Residential—hopes to develop workforce housing with the goal of creating more than 2,000 affordable homes. “The Maryland Regional Workforce Housing Fund focuses on the ‘double bottom line’ investment, coupling the social mission of affordable housing with market-rate returns,” Harvey adds. “Enterprise’s \$100 million fund will provide financing to create workforce housing in Maryland, northern Virginia, and Washington, D.C., that includes transit-oriented housing developments, mixed-income developments, inclusionary developments, and mixed-use projects with a strong residential component.”

Adds Dan McGrain, director of fund management for Enterprise Community Investment: “The fund will be the first of its kind in the Mid-Atlantic region and will provide the critical liquidity needed to support nonprofit and for-profit developers who are looking to build workforce housing in their local markets.”

Enterprise also has invested \$15 million of new market tax credits in one of the largest inner-city redevelopments being undertaken along the East Coast: the east Baltimore redevelopment. “It is an 80-acre [32.3-ha] development in three phases to create a mixed-income, mixed-use community out of one of the most devastated parts of east Baltimore,” Harvey says. “It will be an over \$1 billion buildout and will include up to 2 million square feet [185,806 sq m] of life sciences buildings partially guaranteed by Johns Hopkins. Tax increment financing, primarily based upon the commercial development, will help finance large-scale, mixed-income land development. This development, which has extremely equitable relocation policies far exceeding federal policy, is designing a new K–12 school system, and also has the goal of new workforce connections between residents and entry-level jobs at Hopkins Hospital.”

While full of complexity and risk, the undertaking incorporates innovative thinking to benefit Hopkins Hospital, low-income residents, the economic base of the city, and sound planning for the future. “The East Baltimore Development model is a bold national example,” Harvey adds.

Among the developments Enterprise has recently completed is New Shiloh Village Senior Living, an 80-unit apartment house in west Baltimore representing a new kind of “green” building: one that is environmentally friendlier than a traditional structure, yet still affordable to older residents on fixed or low incomes. Completed this year, the development is part of the New Shiloh Baptist Community campus and is designed to blend in with surrounding residential, industrial, and commercial uses.

In the Sandtown-Winchester community, Enterprise brought together residents, local elected officials, churches, and nonprofit partners to transform the neighborhood from one of total devastation to one that has registered improvement on every indicator of community health. “Since 1990, Enterprise has instituted a comprehensive neighborhood revitalization effort, resulting in a dramatic decrease in unemployment and crime, an increase in homeownership—with over 600 homeowner units—and a documented improvement in reading and math scores of two local Enterprise-adopted public elementary schools,” Harvey says.

As rents and mortgages on inner-city properties rise, Harvey emphasizes, “Enterprise is committed to developing affordable housing for the middle-income workforce as well.”  
—M.S.