BALTIMORE COUNTY FISCAL DIGEST

GENERAL FUND REVENUES & THE ECONOMY

Baltimore County, Maryland

September 1, 2022

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December 22, 2022

Honorable Members of the Baltimore County Council:

I hereby submit the Baltimore County Fiscal Digest of General Fund Revenues and The Economy as of September 1, 2022. This report provides unaudited FY 2022 General Fund revenue totals and an early FY 2023 revenue projection, as well as a summary of economic conditions affecting the County. Encouragingly, FY 2022 revenues again vastly outperformed expectations; however, revenue growth is primed to moderate, or even reverse, during FY 2023. As of this writing, the Federal Reserve further increased its benchmark interest rate range, to 4.25% - 4.50%, in an effort to slow economic growth and stamp high inflation out of the U.S. economy. While considered necessary, the Federal Reserve hikes increase the chances of a recession in the short- to medium-term, and locally, have already directly affected the County's revenue outlook. The housing market is in a slowdown as rising interest rates and inflation inhibit buying power. Encouragingly, inflation has been moderating, bringing hope that cost of living pressures may begin to ease, and that the Federal Reserve may be able to slow the pace of interest rate adjustments. However, County revenues preliminarily appear to be slightly lagging our initial expectation in FY 2023.

Unaudited FY 2022 General Fund revenues totaled approximately $2,481.5 million, an increase of approximately $112.8 million, or 4.8%, over FY 2021 revenues, and an over-attainment of $224.1 million above budgeted revenues. The robust growth was primarily attributable to continued strong income tax collections, sustained strength in property-related transaction (recordation and title transfer) tax revenues, and steady growth in property tax collections. The estimated (unaudited) Unassigned General Fund Balance (Surplus) as of June 30, 2022 totaled $455.5 million, not including an additional $225.7 million in the Revenue Stabilization Reserve Account (Rainy Day account); audited figures will be available in the County's FY 2022 annual comprehensive financial report (due at the end of the calendar year).

Based on unaudited FY 2022 collections, our early FY 2023 revenue projection totaled $2,446.0 million, a decrease of approximately $35.5 million, or 1.4%, from the unaudited FY 2022 total. The projected decrease reflected our expectation for a sharp downturn in property-related transaction tax revenues, as well as conservative assumptions about the County's income tax distributions from the State. Continued anticipated growth in property tax revenues, by $26.4 million, or 2.4%, over FY 2022 collections, lessens the magnitude of the overall drop. Additionally, it may be noteworthy that the County is expected to receive a modest increase in State aid to the General Fund, primarily in police aid, with other minor revenue categories also expected to increase modestly.

At its July and October meetings, the Baltimore County Economic Advisory Committee provided mixed but increasingly pessimistic updates concerning the present and near-term state of the local economy. Committee members reported that inflation has stymied further economic growth and is likely to continue to do so, but they noted that certain indicators, particularly employment, have made gains despite the drag of inflation. The housing market, which remained strong through the early summer, has begun to slow. Members expect it to continue to deteriorate, as mortgage interest rates keep rising. Further, business loan volume has increased, and ongoing local development projects point to continued investment in the County's economy; however, interest rates and rising construction costs also could put a damper on further growth in the commercial and residential real estate markets. Overall, members expressed concern with ongoing underlying issues in the economy (e.g., supply chain issues, inflation, rising interest rates), and they agreed that many signs point toward a forthcoming recession – likely in 2023.

Of note, this report does not include permit data for residential or commercial construction. Our Office typically receives these data from the Baltimore Metropolitan Council (BMC), which previously generated its dataset using weekly reports from the County. In November 2021, the County began the process of replacing its permit reporting system, and in June 2022, the County again began publishing its data. Due to the gap in County reporting, the BMC took a "hiatus year" in aggregating Baltimore County data. We remain hopeful that we will have access to a complete and comparable dataset in the coming months.

We will continue to monitor economic activity, revenue collections, and State and federal developments, and we will provide our next update in January.

Respectfully submitted,

Lauren M. Smelkinson

Lauren M. Smelkinson, CPA
County Auditor

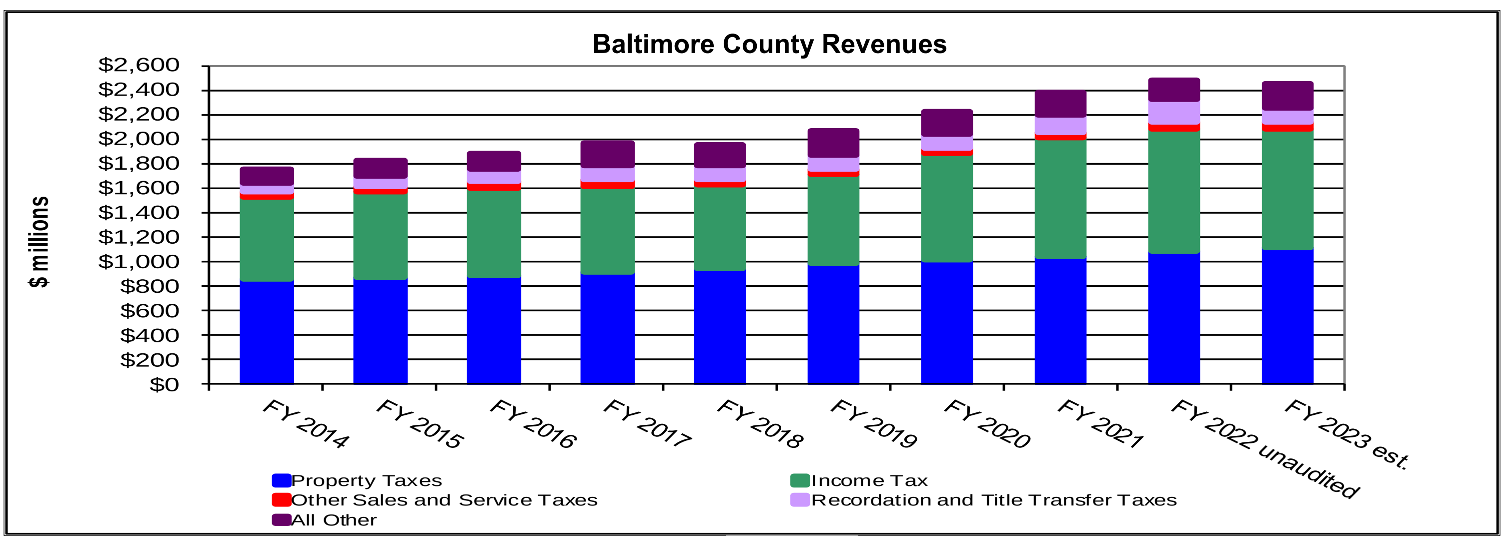
cc: Baltimore County Spending Affordability Committee
Baltimore County Economic Advisory Committee

REVENUE HIGHLIGHTS

The estimated (unaudited) Unassigned General Fund Balance (Surplus) as of June 30, 2022 totals $455.5 million, or 18.2% of FY 2023 budgeted General Fund revenues. In addition to the Surplus balance, the estimated Revenue Stabilization Reserve Account (Rainy Day account) totals $225.7 million as of June 30, 2022. The expected Surplus balance and Rainy Day amounts together total $681.2 million, or 27.3% of FY 2023 budgeted General Fund revenues. Audited figures will be available in the County's FY 2022 annual comprehensive financial report.

FY 2022 General Fund revenues (based on unaudited financial records as of August 31, 2022) totaled an estimated $2,481.5 million, up approximately $112.8 million, or 4.8%, from FY 2021 revenues. This total represents a surplus of approximately $224.1 million, or 9.9%, over FY 2022 budgeted revenues, and a modest upward revision of $10.8 million from our prior forecast. The increase in General Fund revenues continued to be driven by income tax collections, which grew by $36.1 million, or 3.8%, to $996.8 million in FY 2022. Income tax growth reflected various factors, including ongoing effects of the federal Tax Cuts and Jobs Act of 2017, expiration of pandemic-era exemptions of unemployment compensation, inflation-affected wage growth, and unpredictable employment growth (influenced by retired boomers re-entering the workforce), a County income tax rate change implemented in January 2020, and potentially, delayed beneficial timing elements related to the State's tax treatment of pass-through entities (PTEs). Further driving FY 2022 revenue growth were recordation and title transfer taxes as the housing market boomed, with historically low mortgage rates and a diminished inventory driving demand and rapid price growth. As a result, property-related transaction tax revenues increased by an estimated $32.5 million, or 22.2%, over FY 2021 collections. Total FY 2022 revenue growth also reflected the underlying steady performance of property taxes, which increased by $32.6 million, or 3.1%, due in part to the State's January 2021 reassessment of the County's eastern region. In addition, State legislation that allowed the County to seek reimbursement from Medicaid for EMS transportation also partially contributed to a $9.1 million increase in these collections.

FY 2023 General Fund revenues are projected to total $2,446.0 million, a decrease of approximately $35.5 million, or 1.4%, from unaudited FY 2022 revenues, largely due to a moderating of inflated performance in FY 2022. This projection is approximately $50.1 million below FY 2023 budgeted revenues. The decrease in FY 2023 General Fund revenues is primarily attributable to declines in property-related transaction tax revenues. Mortgage interest rates, which sustained historically low levels for an extended period through December 2021, increased purchasing power and drove sales, while low inventory levels drove substantial home sales price growth. However, sustained inflation has constrained household disposable income, while measures to reduce the pace of inflation by the Federal Reserve have increased mortgage interest rates. As a result, FY 2023 recordation and title transfer taxes are projected to decline by $62.5 million, or 35.0%, to $116.3 million. In addition, varying factors that drove FY 2022 income tax growth are expected to moderate and/or dissipate from underlying growth, resulting in an expected $26.7 million, or 2.7%, decline in FY 2023 income tax collections. Slightly offsetting the FY 2023 projected revenue decrease is continued growth in property tax revenues, which are expected to increase by $26.4 million, or 2.4%, due in part to the State's January 2022 reassessment of the County's western region. Growth is further supported by a budgeted infusion of an additional $27.9 million in miscellaneous receipts including an approximate $25 million reversion from BCPS's fund balance for school capital projects. State aid to the County's General Fund, along with other minor revenue categories, are expected to increase modestly.



REVENUE FORECAST & ECONOMIC OUTLOOK

The FY 2022 General Fund revenue increase resulted primarily from rising income tax collections, surging property-related transaction tax revenues, continued property tax growth, and a rebound in sales and service taxes.

The County's FY 2023 revenue outlook reflects an expected slowing of property-related transaction tax revenues, as well as conservative assumptions about the County's income tax distributions from the State. In FY 2023, property tax collections are forecast to increase by $26.4 million, or 2.4%, over FY 2022 levels, slightly offsetting some of the projected decrease.

Revenue Source ($ Millions)	Actual FY 2021	FY20-21 Change	Unaudited FY 2022	FY21-22 Change	Est. FY 2023	FY22-23 Change
Property Taxes	$ 1,048.3	3.5%	$ 1,080.9	3.1%	$ 1,107.3	2.4%
Income Tax	960.7	11.4%	996.8	3.8%	970.1	-2.7%
Title Transfer Tax	101.2	28.8%	124.1	22.6%	80.7	-35.0%
Recordation Tax	45.1	26.0%	54.7	21.3%	35.6	-34.9%
Intergovernmental	55.1	10.9%	49.8	-9.6%	58.4	17.3%
Sales & Service Taxes	57.1	12.8%	62.6	9.6%	62.6	0.0%
All Other	101.2	-21.6%	112.6	11.3%	131.3	16.6%
Total Revenue	$ 2,368.7	6.7%	$ 2,481.5	4.8%	$ 2,446.0	-1.4%

The Baltimore County Economic Advisory Committee (BCEAC) expressed mixed news concerning the present and near-term state of the local economy at its July 25, 2022 meeting, noting that while persistent elevated inflation has stymied economic growth and is likely to continue, many sectors of the economy have performed well or are positioned for continued growth in the coming months. The employment market has made accelerated gains as the pace of hiring has increased, and the number of total jobs in the national and local economies are finally nearing pre-pandemic levels. In addition, the County's home sales market remains strong, although rising mortgage interest rates have constrained the pace of recent growth. Further, business loan volume has increased, suggesting business optimism in the long-term state of the economy; however, rising interest rates will put pressure on sustained growth as the cost to expand grows. In addition, while certain sectors of the commercial real estate market continue to struggle with labor challenges and inflation, recently announced local redevelopment projects are an encouraging sign. Looking forward, the Committee noted that economic imbalances (e.g., supply chain issues, inflation, rising interest rates) could lead to a recession in 2023. Members' near-term outlook reflects the following factors.

- **The County's unemployment rate remains slightly elevated compared to pre-pandemic levels, but the County continues to post accelerated job gains**. The Committee's Chairman reported that the leisure and hospitality sector has taken the hardest hit in Maryland, but added that the Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA) has performed remarkably well compared to other similar northeast MSAs. The Committee's Chairman added that it does not appear that inflation is having an impact on the number of workers reentering the labor force, and added that an ongoing lack of available workers is continuing to stunt further labor market growth.

- **The County's housing market has slowed somewhat, as rising mortgage interest rates, which have nearly doubled since the beginning of the year, have impacted buyers' purchasing power.** The Committee's Chairman reported that the County's months of inventory (i.e., the number of months it would take for the current inventory of homes to sell) remains exceptionally low.

- **The Committee's commercial real estate representative reported that while the County's office, retail, and industrial real estate markets have performed well, challenges with supply availability, rental costs, and labor constraints remain.** These challenges have forced companies to adapt, leading to increases in self– and quick-service retail models; retailers who are unable to adapt may struggle. The Committee's commercial banking representative reported an uptick in loan demand, particularly for middle market space, suggesting larger companies with more resources are still looking to expand. He noted that while interest rates are rising, they are still not high by historical standards.

NATIONAL ECONOMIC INDICATORS

In 2022:Q2, the U.S. economy contracted at an annualized rate of 0.6%, marking a second consecutive contraction.

GDP is projected to grow by 1.6% in CY 2022 followed by similar modest growth of 1.3% in CY 2023.

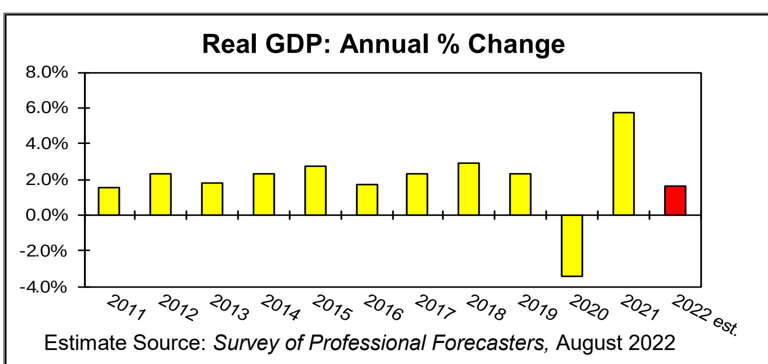
Following robust growth during CY 2021, the U.S. economy contracted for two consecutive quarters, a commonly accepted benchmark of a recession. Most recently, U.S. Gross Domestic Product (GDP) decreased at an annualized rate of 0.6% in 2022:Q2, following a 1.6% decrease in the prior quarter. The slowdown in the economy was broad-based but was driven primarily by a deceleration in private domestic investment, which decreased by 13.2% in 2022:Q2, as businesses pulled back on investments and rising interest rates constrained housing sales and construction activity. This decline was driven by 16.2% and 13.2% decreases in residential fixed investment and nonresidential structures fixed investment, respectively, in addition to a decrease in private inventories. Further driving the GDP contraction in 2022:Q2 was a 1.8% decrease in government consumption expenditures, driven by a 10.4% decrease in federal government nondefense spending. Slightly offsetting the GDP decrease were net exports of goods and services, which posted an increase in 2022:Q2, with a 17.6% increase in exports, offset slightly by a 2.8% increase in imports. In addition, personal consumption expenditures, which after driving robust economic growth during CY 2021, have decelerated (see detailed discussion below). The August 2022 release of the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* projects annual real GDP to rebound somewhat, and grow by 1.6% for CY 2022, followed by similar modest growth of 1.3% in CY 2023.

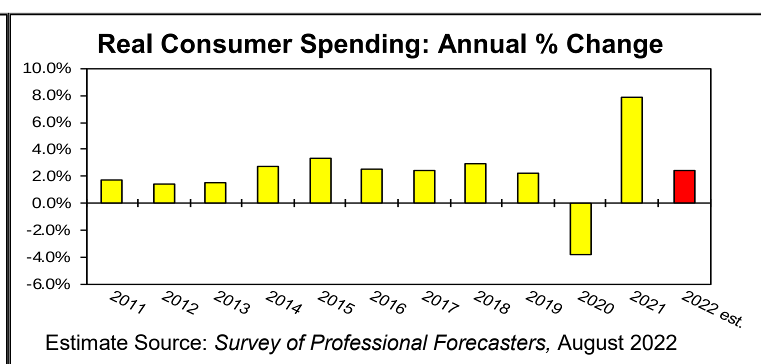
Real consumer spending increased at an annualized rate of 1.5% in 2022:Q2.

Real consumer spending, which accounts for roughly two-thirds of all U.S. economic activity, posted modest growth during 2022:Q2, increasing at an annualized rate of 1.5%, following an increase of 1.8% in 2022:Q1. Growth in consumer spending on services made up the entirety of the increase in 2022:Q2, increasing by 3.6%, a slight acceleration from the 3.0% increase in 2022:Q1. Consumer spending on nondurable goods primarily offset this growth, posting an annualized decrease of 3.7%, following a similar decrease in 2022:Q1, while durable goods posted an annualized decrease of 0.1%, following an increase of 5.9% in 2022:Q1. The *Survey of Professional Forecasters* projects that consumer spending will grow by 2.4% for all of 2022.

Consumer confidence increased in August following decreases in the prior three months.

Consumer confidence, based on a survey of 5,000 U.S. households by The Conference Board (a well-known economic research organization), increased in August, after three consecutive monthly decreases. The "Expectations Index" was primarily responsible for the increase, while the "Present Situation Index" also experienced an improvement. The Conference Board noted that "[t]he Present Situation Index recorded a gain for the first time since March. The Expectations Index likewise improved from July's 9-year low, but remains below a reading of 80, suggesting recession risks continue. Concerns about inflation continued their retreat but remain elevated. Meanwhile, purchasing intentions increased after a July pullback, and vacation intentions reached an 8-month high. Looking ahead, August's improvement in confidence may help support spending, but inflation and additional rate hikes still post risks to economic growth in the short term."





At its July 27, 2022 meeting, the Federal Reserve's Federal Open Market Committee (FOMC) decided to raise the target range for the federal funds rate to 2.25 to 2.50 percent. The FOMC advised that it "anticipates that ongoing increases in the target range will be appropriate" but that "[t]he Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals."

Interest rate targets were raised to the 2.25% to 2.50% target range at the July 27, 2022 meeting of the Federal Reserve's Federal Open Market Committee (FOMC), its second consecutive 75 basis point increase and its fourth monthly increase since March 2022 when the Federal Reserve started raising interest rates to tame inflation. The FOMC stated that "[r]ecent indicators of spending and production have softened. Nonetheless, job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures." Further, the FOMC advised that "[t]he war [in Ukraine] and related events are creating additional upward pressure on inflation and are weighing on global economic activity. The Committee is highly attentive to inflation risks…and anticipates that ongoing increases in the target range will be appropriate." The FOMC also advised that "[t]he Committee is strongly committed to returning inflation to its 2 percent objective," and that it "would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals" of maximum employment and 2 percent inflation over the longer term.

INTEREST RATE CHANGE FROM JULY 2021 TO JULY 2022

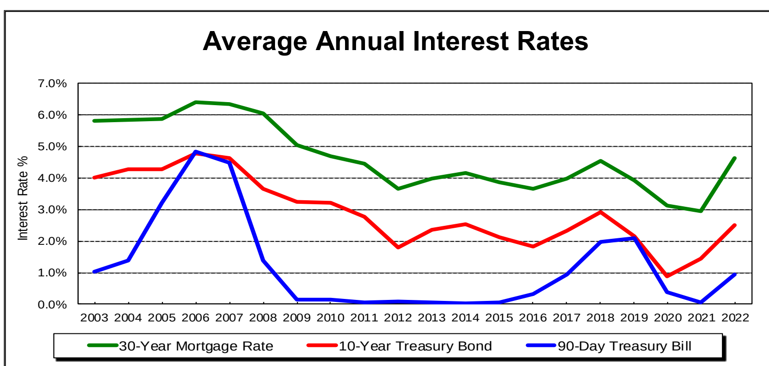
	Basis Points*
90-Day Treasury Bills	225
10-Year Treasury Bonds	158
30-Year Conventional Mortgage	254

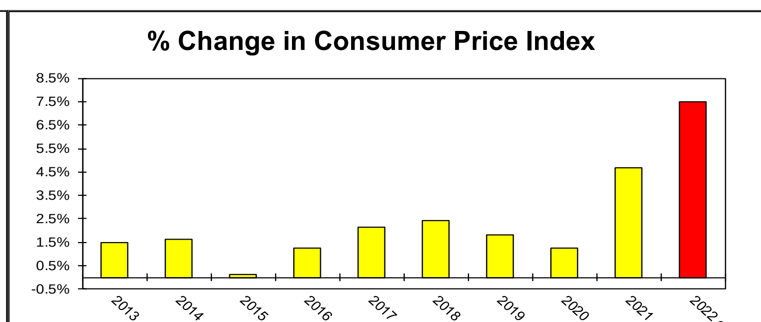
* A basis point is equal to .01 percentage point.

Short-term interest rates are likely to increase by a half to three-quarters of a point at each of the FOMC's remaining CY 2022 meetings. It is anticipated that the FOMC will combat inflation by continuing to increase the target range through the end of CY 2022.

From July 2021 to July 2022, consumer inflation increased by 8.5% and is forecast at 7.5% and 3.2% for CY 2022 and CY 2023, respectively.

Inflation, as measured by the Consumer Price Index-All Urban Consumers (CPI-U), accelerated rapidly beginning in Spring 2021, and has sustained an annual rate of at least 7.5% during each month of CY 2022. Most recently, inflation, although essentially flat from June 2022 on a month-to-month basis, posted an annualized increase of 8.5% in July 2022; however, it did mark a deceleration from an annualized increase of 9.1% in June 2022. The annualized price growth from July 2021 to July 2022 was driven primarily by gasoline and energy, which increased by 44.0% and 32.9%, respectively, and also by food, which increased by 10.9%. Core inflation (which excludes food and energy inflation) increased by 5.9% from July 2021 to July 2022. Growth in the CPI-U is expected to average 7.5% in CY 2022 before declining to 3.2% in CY 2023, according to the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters*, August 2022. The *Survey* projects that annual inflation will average 2.8% over the 2022 to 2031 period, compared to an average actual increase of 1.9% over the 2012 to 2021 period.





Estimate Source: *Survey of Professional Forecasters*, August 2022

LOCAL ECONOMIC PERSPECTIVE

EMPLOYMENT

Continuing a trend of strong performance in CY 2022, County year-over-year employment grew 3.2% in July 2022.

Employment, as measured by place of residence, has performed remarkably well during CY 2022 and is nearing a return to pre-pandemic levels. In spite of inflation challenges and a slowing economy, County employment has grown on a year-over-year basis for 13 consecutive months, including growth greater than 3.0% during each month of CY 2022. Most recently, Baltimore County residential employment increased by 13,616 individuals, or 3.2%, over the July 2021 to July 2022 period, and by 624 individuals from June 2022 to July 2022. Maryland residential employment experienced a similar pattern, increasing by 73,800 individuals, or 2.4%, from July 2021 to July 2022, and by 7,856 individuals from June 2022 to July 2022. The gap in County employment to pre-pandemic levels has narrowed to 7,375 individuals, or 1.7%, below February 2020 employment; however, the State is pacing slightly further behind, with 132,746 persons, or 4.1%, below February 2020 employment.

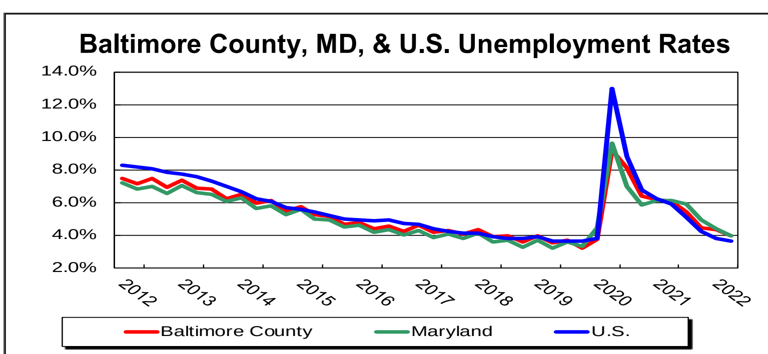
The County's July 2022 unemployment rate was 4.2%, down from 5.5% a year earlier.

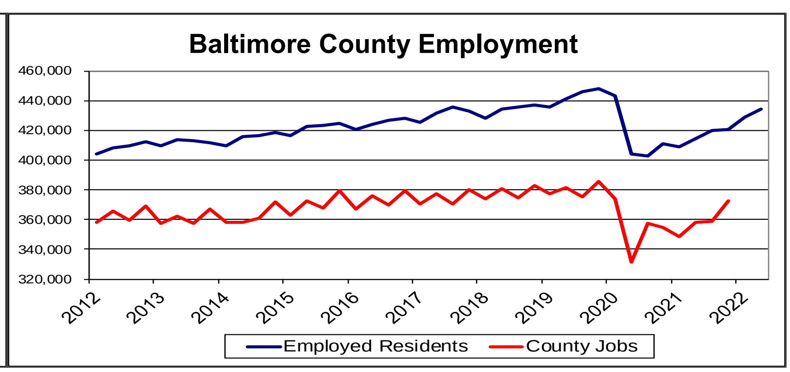
Employment growth that outpaces labor force expansion drives down the **unemployment rate**. The County's unemployment rate has fluctuated in recent months but remains at a healthy level. The unemployment rate among County residents was 4.2% in July 2022, at an even level with the State rate, and down from 5.5% a year earlier. Encouragingly, the falling unemployment rate coincides with strong growth in the labor force, which is also nearing a return to pre-pandemic levels. In July 2022, the County's labor force increased by 7,964 workers from a year prior and is 4,609 workers, or 1.0%, below its peak in February 2020. As of July 2022, 9 of the 24 local jurisdictions in Maryland had a lower unemployment rate than Baltimore County had. Nationally, the seasonally adjusted unemployment rate was 3.5% in July 2022, down from the July 2021 rate of 5.4% and level with the pre-pandemic February 2020 rate.

The number of County jobs increased by 5.0% from the 2020:Q4 to 2021:Q4 period.

Sage Policy Group has predicted job growth of 4.1% in Baltimore County during CY 2022.

Jobs data, as measured by place of work, greatly lag resident employment data and do not yet provide information on the County's current pace of economic recovery. The most recent data show that from 2020:Q4 to 2021:Q4, the number of jobs in the County and Maryland increased by 5.0% and 5.7%, respectively, as Baltimore County and Maryland employers added an estimated 17,691 and 144,153 positions, respectively. County job gains in 2021:Q4 were driven by the private sector, which saw an increase of 15,190 jobs, or 5.0%, over the 2020:Q4 level, primarily in the construction and leisure and hospitality industries. Nationally, non-farm payrolls increased by approximately 6.4 million jobs, or 4.4%, from 2021:Q2 to 2022:Q2. In its July 2022 report, Sage Policy Group, Inc. (the Spending Affordability Committee's economic consultant) has predicted CY 2022 job growth of 4.1% and 2.9% in the County and Maryland, respectively, compared to anticipated national job growth of 3.8%. The County and State forecasts exceed anticipated population growth of 1.1% and 0.7%, respectively.





PERSONAL INCOME

The Spending Affordability Committee's economic consultant recently forecasted that County personal income will increase by 2.34% in FY 2022, followed by an acceleration to 4.17% in FY 2023.

Sage Policy Group, Inc. (Sage), the Spending Affordability Committee's economic consultant, forecasts in its July 2022 report that Baltimore County's personal income (PI) will increase by 4.17% in FY 2023, down from predicted growth of 4.40% in its April 2022 report. The FY 2023 forecast follows estimated increases of 2.34% in FY 2022 (unchanged from predicted growth in Sage's April 2022 forecast) and 6.79% in FY 2021. Looking forward, Sage forecasts a recession within the next 12-18 months, the impact of which the Federal Reserve will try to soften through policymaking efforts; Sage predicts that the County's PI growth will slow to 3.08% in FY 2024. Sage's Maryland outlook is for a similar contraction (4.27% in FY 2023 and 3.17% in FY 2024). For FY 2025, Sage predicts PI growth of 3.54% in Baltimore County and 3.66% in Maryland.

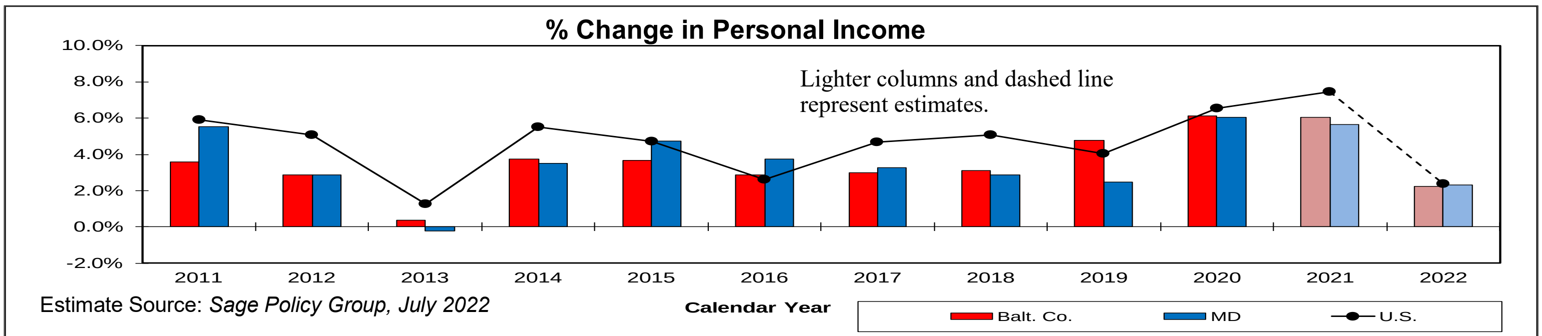
Over the last decade, personal income growth in the County exceeded growth at State level but lagged growth at the national level.

The nation's nominal household wealth decreased by 0.4% from 2021:Q4 to 2022:Q1, following a 3.4% increase during the previous quarter.

Over the 2011 to 2020 10-year period, national PI advanced 47.1%, exceeding both Maryland and Baltimore County PI growth of 33.3% and 34.9%, respectively. National and local PI growth accelerated from 45.6% and 34.1%, respectively, during the 2002 to 2011 decade, whereas State PI growth has slowed after posting an increase of 46.7% over the same period. However, the most recent quarterly reading for Maryland shows that seasonally-adjusted PI increased by 5.2% from 2021:Q4 to 2022:Q1, which exceeds the national PI increase of just 1.2% over the same period. (County data are reported annually.) Nationally, in 2022:Q2, wages and salaries comprised 52.3% of PI, above their share in 2021:Q2 of 49.3%, while the composition of unemployment benefits fell impressively to 0.1% of PI from 2.3% over the same period, reflecting the persistently tight labor market that has developed during the pandemic economic recovery period and an expiration of enhanced federal benefits. "Other" government social benefits, which include economic impact payments, comprised 3.5% of PI in 2022:Q2, relatively on par with compositions of 3.6% and 4.7% in 2022:Q1 and 2021:Q2, respectively, approaching the percentages seen in the periods before the infusion of direct federal stimulus to households during the COVID-19 pandemic. Nationally, wage rates continue to rise modestly, with private average hourly wages most recently increasing to $32.27, or 5.2%, in July 2022 from a year earlier. During 2021:Q4, Baltimore County's average weekly wages totaled $1,351, up 2.6% from 2020:Q4, but remained below both the national and the State averages of $1,435 and $1,462, respectively. The Federal Reserve reported that nominal total household wealth decreased marginally by 0.4% from 2021:Q4 to 2022:Q1, following a 3.4% increase during the previous quarter.

For FY 2023, the County's Spending Affordability Committee recommended a maximum spending growth rate of 4.70%.

For FY 2023, the County's Spending Affordability Committee, which convened in January and February 2022, recommended a maximum spending growth rate of 4.70% based on a 4-year average of Sage's January 2022 estimates/forecasts of annual County PI growth for FY 2020 to FY 2023. Based on Sage's July 2022 forecasts of annual County PI growth for FY 2024 and FY 2025, and the estimated growth in prior years, the projected maximum spending growth recommendation is 4.10% for FY 2024 and 3.28% for FY 2025.



Estimate Source: *Sage Policy Group, July 2022*

EXISTING HOME SALES

In FY 2022, the number of existing home sales totaled 12,126 units, a decrease of 3.6% from a year earlier.

Existing home sales in Baltimore County totaled 12,126 units in FY 2022, representing a 3.6% decline from FY 2021 home sales. The housing market had surged through nearly the entirety of the pandemic, but with year-to-year inflation at its highest rates since the early 1980s – 8.5% according to the U.S. Bureau of Labor Statistics' July 2022 report – the Federal Reserve has taken extraordinary monetary policy measures to cool the economy. As outlined below, raising interest rates has been a primary tool used to address soaring costs for consumers, with an unfortunate consequence of increasing the borrowing costs for those seeking home mortgages. The time for prospective buyers to enjoy historically low interest rates has ended, and we are seeing the broader effects of these federal policy changes ripple across Maryland and Baltimore County, even as the inventory of available homes continues to shrink. The interest rate environment has led to declining home sales and reduced pressure on home sale values. Most recently, in July 2022, 862 homes were sold in the County, a sharp decrease of 433 units, or 33.4%, from July 2021, while the median price of an existing home sold increased 6.6%, to $325,000. Additionally, the normally more volatile average sales price rose 4.4%, to $384,483, over the same period. The active inventory in Baltimore County in July 2022 fell by 322, or 23.6%, from July 2021. As the BCEAC members discussed in their July meeting, the limited availability of housing stock and high inflation will continue to constrain the purchasing power of residents looking to address high rents through home ownership.

The median price of existing homes sold in Baltimore County in July 2022 was $325,000, an increase of 6.6% over July 2021.

The number of pending home sales in July 2022 totaled 986 units, a decrease of 18.0% from a year earlier.

Pending existing home sales in July 2022 totaled 986 units, a decrease of 217, or 18.0%, from July 2021, following a similar 17.7% year-over-year decrease in June 2022. The County's months of inventory (i.e., the time needed to sell the entire inventory of homes at the current sales pace) was 1.0 in July 2022. This data series, paired with broader economic indicators, suggests that home sales will likely continue to decline in the coming months.

Reflecting higher median sales prices and interest rates, the monthly mortgage payment for a median-priced County home increased 44.4% in July 2022 compared to July 2021.

Mortgage interest rates for a 30-year conventional mortgage were 5.41% in July 2022, up 254 basis points from July 2021 when rates were 2.87%. The monthly payment for a median-priced Baltimore County home ($325,000) financed with a 30-year conventional mortgage loan was $1,827 in July 2022, a 44.4% increase over the July 2021 level of $1,265 (principal and interest only), reflecting a significant increase in in mortgage interest rates compounded by an increase in sales prices. Rates likely will continue to increase as the Federal Reserve continues to address elevated inflation.

Property-related transaction tax revenues totaled $178.8 million in FY 2022, a 22.2% increase over FY 2021.

Property-related transaction tax revenues (recordation and title transfer tax revenues) totaled $178.8 million in FY 2022, an increase of 22.2% over FY 2021 collections of $146.3 million. These revenues are expected to decrease sharply in FY 2023 as rapidly rising interest rates constrain prospective buyers' spending power, leading to both reduced homes sales and homes sales prices as well as a sharp downturn in mortgage refinancing.

Baltimore County Existing Home Sales Volume and Recordation and Title Transfer Tax Revenues: Fiscal Years 2012—2022