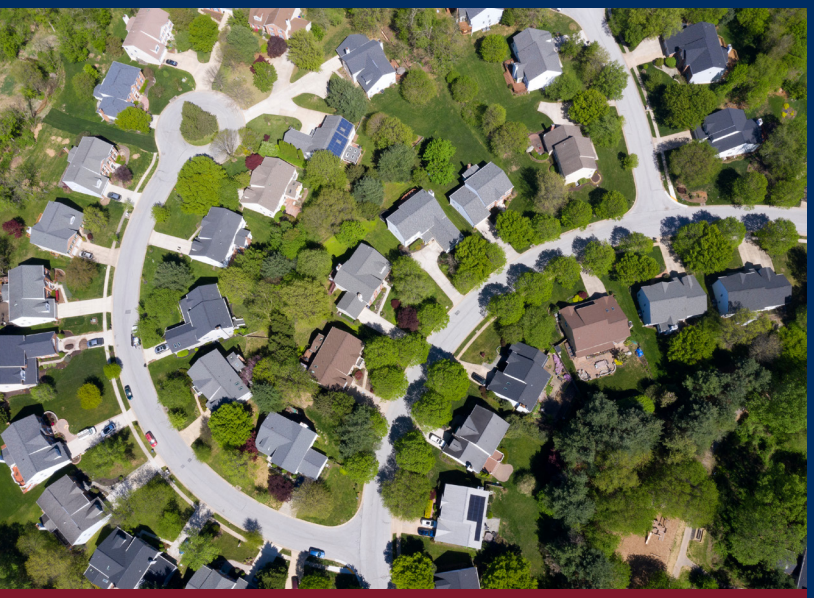
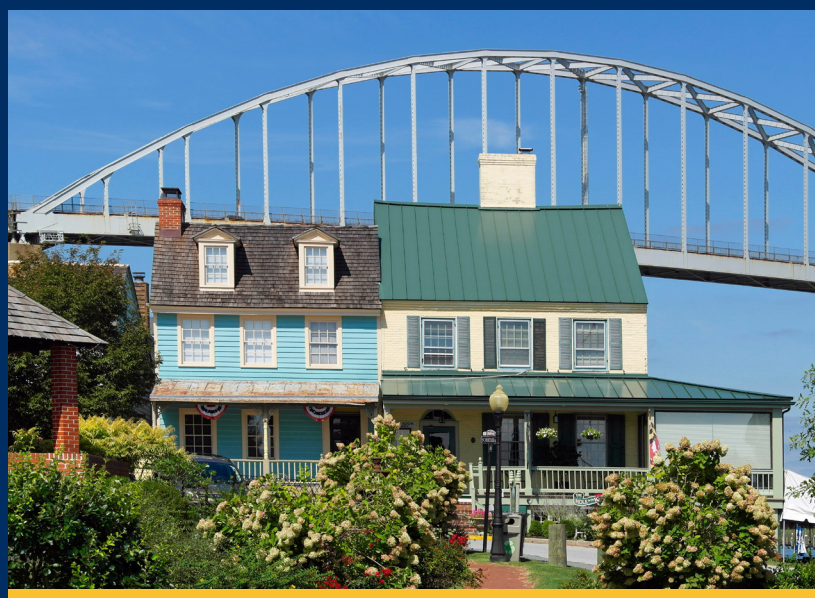
COMPTROLLER OF MARYLAND

STATE OF THE ECONOMY SERIES: HOUSING & THE ECONOMY

OCTOBER 2025





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LETTER FROM THE COMPTROLLER

As Comptroller, I am dedicated to sharing relevant, timely, and essential data to empower Marylanders to understand the forces shaping our economy and equip policymakers to make informed decisions for our state's future. We launched our economic analysis series in January 2024 with the agency's inaugural State of the Economy Report. Since then, we have published reports examining immigration's impact on our economy and the critical importance of affordable, accessible child care to labor force participation. To view these and other research reports, please visit www.MarylandComptroller.gov/Reports. This latest report addresses one of the most pressing challenges facing Maryland families: the cost and supply of housing.

Housing costs have been increasing at alarming rates dating back to the Great Recession, and even more so since the pandemic. In the last six years alone, home sale prices across the country have jumped by over 60%, and here in Maryland only half of our residents earn enough money to afford the median-priced home. That figure was 75% in the early 2000s. A big part of the affordability problem is that we do not have enough housing to meet demand. The Department of Housing and Community Development recently reported a current shortage of 100,000 housing units in Maryland. These numbers are unacceptable.

A troubling consequence of high housing costs is that working-aged, middle-income households are moving to more affordable states. In recent years, we've been losing a net average of about 40,000 people per year to states with lower housing costs and more housing options. This outmigration is a downward drag on our labor market, economic output, and state and local revenues. It could also result in Maryland losing federal representation after the 2030 census.

This report offers an analysis of some of the factors contributing to this housing crisis. We didn't get ourselves into this problem overnight and it won't be solved overnight. It will take a sustained, collaborative effort of leaders from government, the private sector, and advocacy communities making tough decisions that balance our collective priorities and values around environmental sustainability, quality of life, and accessible communities with the need for significantly more housing units across the state.

My team and I hope this report is part of the solution. By providing rigorous analysis and data-driven insights, complemented by conversations with over 200 stakeholders across the state, including developers, planning and housing officials, advocates, homeowners, and renters, this report aims to support evidence-based solutions that increase affordability and strengthen economic opportunity for all Marylanders. I am grateful to our team for its efforts in writing this report and all those individuals who contributed their expertise. We look forward to continuing the conversation around how to build a more affordable Maryland.

My best,

Executive Summary

In January 2024, the Comptroller of Maryland released the agency's inaugural State of the Economy report that examined economic trends in Maryland compared to the U.S. and neighboring states. A key finding from the report was that Maryland has been experiencing net domestic outmigration – that is more people moving out of Maryland to other states than moving into Maryland from other states – for each of the past 12 years. In 2022, 2023 and 2024, Maryland ranked in the top 10 of all U.S. states for the largest net loss of residents to domestic migration. The report found that domestic migration nationally is tied to affordability and that the top driver of cost of living is housing. Maryland sits at the crossroads of this national trend; Maryland has gained residents from some states that are less affordable but is losing far more residents to a number of states with lower housing costs.

This report further explores the relationship between domestic migration and housing. It presents data on migration trends, housing costs, and the supply and demand of housing in Maryland compared to states that Maryland loses residents to and gains residents from. The report also details key regulatory, policy, and administrative factors that both constrain supply and drive up the cost of housing, eroding the state's affordability and competitiveness.

Below is a summary of key findings from each of the four main sections of the report:

Key Findings:

Domestic Outmigration

- Maryland experienced net domestic outmigration every year between 2011 and 2023. Overall, the state's population still grew during this period due to the combination of international migration to Maryland and natural net population growth (birth minus deaths), but outmigration creates a strain on the state's finances in the form of lost tax revenue.
- Between 2010 and 2023, Maryland lost a total of 2.3 million residents to other states, while approximately 2 million residents from other states moved into Maryland.
- During this time period, Maryland lost the most residents to Florida, Pennsylvania, North Carolina, Texas, Virginia, South Carolina, West Virginia, and Delaware on a net basis; and gained the most residents from Washington, D.C., New York, and New Jersey on a net basis.
- The most severe net domestic outmigration occurred post-pandemic (2022 – 2024). In each of these years, Maryland ranked in the top 10 of all U.S. states for the largest net loss of residents to domestic migration.
- Prior to the pandemic, on a net basis, Maryland primarily lost older, higher-income residents (i.e. retirees). Since the pandemic, the net share of younger and lower- and middle-income residents leaving the state has increased. This finding suggests that pre-pandemic, factors like taxes and weather may have been more prominent drivers of migration decisions, while more recently, housing affordability and overall cost of living are having a greater effect.

Housing Costs

- Migration trends align closely with housing costs. The states Maryland has lost residents to are generally more affordable for both homeowners and renters, and the states that Maryland has gained residents from generally have more expensive housing.
- Between 2000 and 2022, the share of households in Maryland earning enough income to

afford the median-price home has fallen by over 25 percentage points, from 75% to less than 50% of households.

- The disparity between the average wage and the wage needed to rent a 2-bedroom apartment is greater in Maryland than all the states in the cohort that Maryland loses residents to on a net basis, with the exception of Florida.

Housing Demand & Supply

- In addition to high prices, several indicators suggest that there is a mismatch between supply and demand in Maryland: (1) the ratio of new jobs to new homes (1:6 in the Baltimore metro region; 1:2 in metros across Texas and North Carolina); (2) low homeowner and rental vacancy rates and limited inventory; and (3) comparatively lower housing permitting rates.
- Maryland has a current shortage of about 100,000 housing units and needs to build 590,000 new housing units to meet demand and growth projections by 2045. In order to achieve this, Maryland will need to permit nearly 30,000 units per year over the next 20 years. Since 2014, Maryland has only permitted an average of 18,000 units annually.
- Maryland's housing stock has grown substantially slower than most of the states it loses residents to. Since 2000, these states have grown their housing stock by twice the level of Maryland (44-50% compared to 21%). Last year, the Carolinas, Texas, and Florida, permitted around three times more housing units per 1,000 households than Maryland.
- Deteriorating and vacant homes, the interest rate lock in effect, and seasonal, second homes, and/or investment properties also restrict the existing housing stock.

Factors Impacting Housing Supply and Prices

- Nationally, the cost to build housing is at historic highs. The cost of materials and labor increased significantly since the start of the pandemic and is currently higher in Maryland than in all of the states to which Maryland loses residents. Costly infrastructure upgrades or expansions required to support new development (i.e., wastewater treatment plants, bridges, public sewer, roads, and schools) limit new housing development.
- Nationally, regulation accounts for nearly 25% of the total cost of a new home. In Maryland, which is the 6th most highly regulated state for residential development, the volume and inconsistency of land use regulations can make projects complex, lengthy, and expensive for developers, while local governments struggle to administer and oversee these regulations.
- Some of the most obstructive land use regulations and administrative burdens in Maryland (which can vary across counties and localities) compared to other states are density restrictions, parking requirements, Adequate Public Facility Ordinances, forest conservation, drawn-out public input periods with extensive appeals rights, and development impact fees.
- Across the state, the cost of capital is high, and the regulatory environment around residential development in Maryland is increasingly viewed as risky by investors, which impacts access to capital needed to finance residential development.

In recent years, policymakers have taken action to address housing affordability nationally and in Maryland through zoning reform, increased density allowances, expanded redevelopment authority, and more. These are promising steps, but moving the needle on housing affordability at the necessary scale to reverse net domestic outmigration will not occur as the result of piecemeal change. This report is intended to inform and spark constructive discussion among policymakers, industry stakeholders, advocates, and the public who are committed to expanding housing options in Maryland and making housing more affordable for current and future Marylanders.

Housing Fast Facts

Washington, D.C.
$660,000 home price
$3,181 monthly homeowner cost
$1,931 monthly renter cost
+34% new housing units

New York
$581,600 home price
$2,554 monthly homeowner cost
$1,634 monthly renter cost
+13% new housing units
21st most regulated state

New Jersey
$585,500 home price
$2,797 monthly homeowner cost
$1,800 monthly renter cost
+15% new housing units
5th most regulated state

net inmigrants to Maryland

net outmigrants from Maryland

Maryland

$446,400 home price
$2,389 monthly homeowner costs
$1,721 median renter cost
+21% new housing units since 2000
6th most regulated state for residential development

Florida
$403,000 home price
$2,168 monthly homeowner cost
$1,812 monthly renter cost
+46% new housing units
15th most regulated state

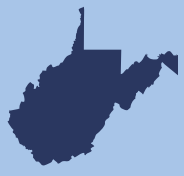
Pennslyvania
$324,800 home price
$1,775 monthly homeowner cost
$1,252 monthly renter cost
+12% new housing units
14th most regulated state

North Carolina
$390,600 home price
$1,747 monthly homeowner costs
$1,338 monthly renter cost
+44% new housing units
27th most regulated state

Texas
$346,300 home price
$2,211 monthly homeowner cost
$1,475 monthly renter cost
+55% housing units
30th most regulated state

Virginia
$465,900 home price
$2,149 monthly homeowner cost
$1,646 monthly renter cost
+29% new housing units
25th most regulated state

South Carolina
$390,400 home price
$1,627 monthly homeowner cost
$1,272 monthly renter cost
+44% new housing units
39th most regulated state



West Virginia
$247,900 home price
$1,272 monthly homeowner cost
$883 monthly renter cost
+3% new housing units
42nd most regulated state

Delaware
$364,600 home price
$1,821 monthly homeowner cost
$1,530 monthly renter cost
+39% new housing units
12th most regulated state

1 - Home price is median home sale price from Redfin in August 2025
2 - Monthly homeowner cost is ACS 2024 data for median monthly owner costs.
3 - Monthly renter cost is ACS 2024 data for median gross rent
4 - Percent increase in new housing units is since 2000, based on U.S. Census Data for 2000 and 2024
5 - State regulations for residential development based on Wharton Residential Land Use Regulation Index

Introduction

The United States is mired in a monumental housing crisis. A growing number of Americans are priced out of the market and there is a scarcity in housing production. Since 2019, home sale prices in the U.S. have jumped by more than 60%.[1] The national housing inventory, as defined by the number of active listings, remains below 2019 levels.[2, 3] Americans have been responding to the housing crisis with their feet by moving to states where housing is more affordable and plentiful. As a result, higher cost states with limited housing supply are losing residents, economic opportunities, and revenue bases.

The Maryland Comptroller's State of the Economy report found that Maryland, as one of the higher cost states in the country, is at the crossroads of the national housing crisis. While Maryland is gaining residents from the few higher-cost states, including Washington, D.C., New York, and New Jersey, it is losing far more residents to a larger number of lower-cost states, including Florida, Texas, Pennsylvania, Virginia, and the Carolinas. These migration patterns are in near-perfect alignment with housing affordability and availability. The states Maryland is gaining residents from have higher housing costs and less inventory, and the states Maryland is losing residents to generally have lower housing costs and more inventory.

This report explores the relationship between Maryland's domestic migration patterns and its housing market. The report first analyzes domestic migration in and out of Maryland, with a focus on the most recent data in the years following the Covid-19 pandemic, which has seen an uptick in younger and middle-income residents leaving the state.

Next, the report compares housing costs, demand, and supply across the core cohort of states that Maryland loses residents to and gains residents from. It analyzes the state's current shortage of about 100,000 housing units and the 590,000 new housing units needed to meet demand and growth projections by 2045, as reported in the Maryland Department of Housing and Community Development's (DHCD) 2025 Housing Needs Assessment Update conducted by the National Center for Smart Growth (NCSG). To meet projected demand, Maryland needs to produce about 30,000 units per year; over the past 10 years the state has permitted 18,000 new units on average annually.[4]

The report then reviews factors that contribute to high housing costs and impede the production of new housing in Maryland. The analysis focuses on policy, regulatory, and administrative barriers to responsible growth. There is an urgent need for state and local governments to have a balanced approach to regulation and development that includes honest conversations about often competing needs for, on the one hand, laws and regulations that have proven successful in protecting the environment and safeguarding against the negative impacts of sprawl, and, on the other hand, more housing that can meet demand across a range of price points.

Findings from this report are intended to inform policymakers, industry stakeholders, and the public who are serious about increasing housing supply in Maryland and making it more affordable to all Marylanders, and especially middle-income and lower-income households, so the state can reach its potential and truly thrive by growing its population, economy, and revenue base.

1. Domestic Outmigration

Key findings

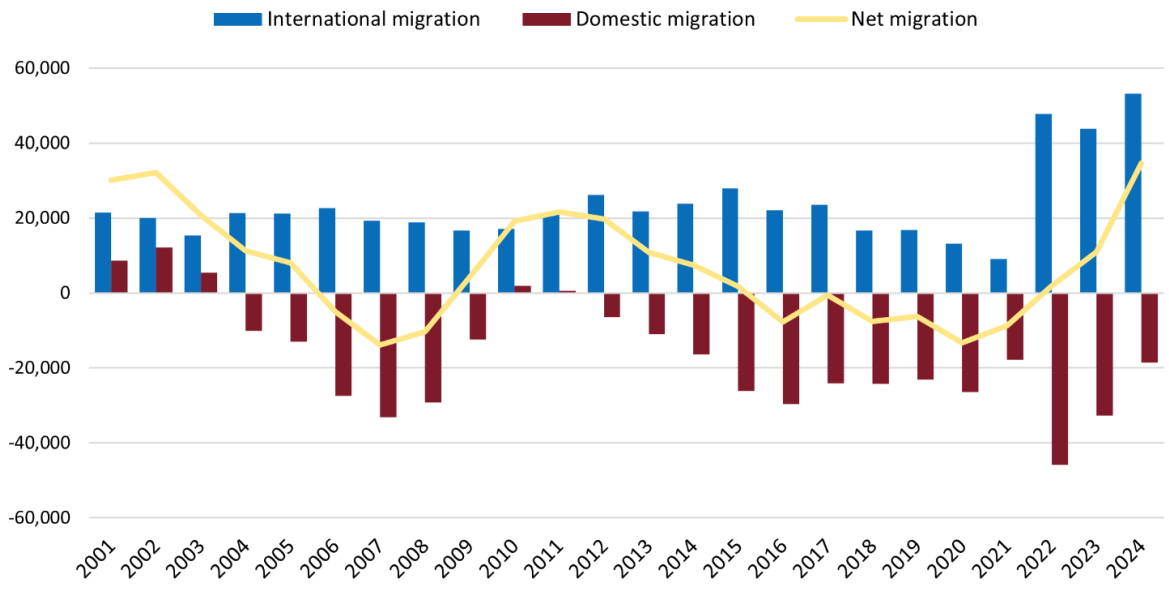
- Since 2011, Maryland has consistently lost more residents to other states than it has gained, with the most severe losses occurring post-pandemic. International migration to Maryland helps offset domestic declines and drives positive population growth in the state.
- Prior to the pandemic, on a net basis, Maryland primarily lost older, higher-income residents (i.e. retirees). Since the pandemic, the net share of younger and lower- and middle-income residents leaving the state has increased.
- Outmigration creates a strain on the state's finances and results in a significant loss of tax revenue.

Introduction

Migration trends reflect the movement of domestic and international residents in and out of Maryland. Total net migration (the difference between domestic and international migration) has been negative for seven of the past 10 years, driven by large numbers of people leaving Maryland for other states (Figure 1). This section examines: (A) migration by state, (B) migration by age and income, and (C) the effect of migration on adjusted gross income.

Maryland has experienced negative net domestic outmigration consistently over the past two decades. According to Census population estimates, more Marylanders moved to other states than residents of other states moved to Maryland every year but two since 2004 (see red bars in Figure 1). During this period, domestic outmigration trends align with economic downturns. The two largest three-year stretches of domestic outmigration were the periods around the Great Recession and the pandemic.

Figure 1: Components of Population Change from Migration in Maryland (2001 to 2024)



Source: U.S. Census Bureau Population Estimates

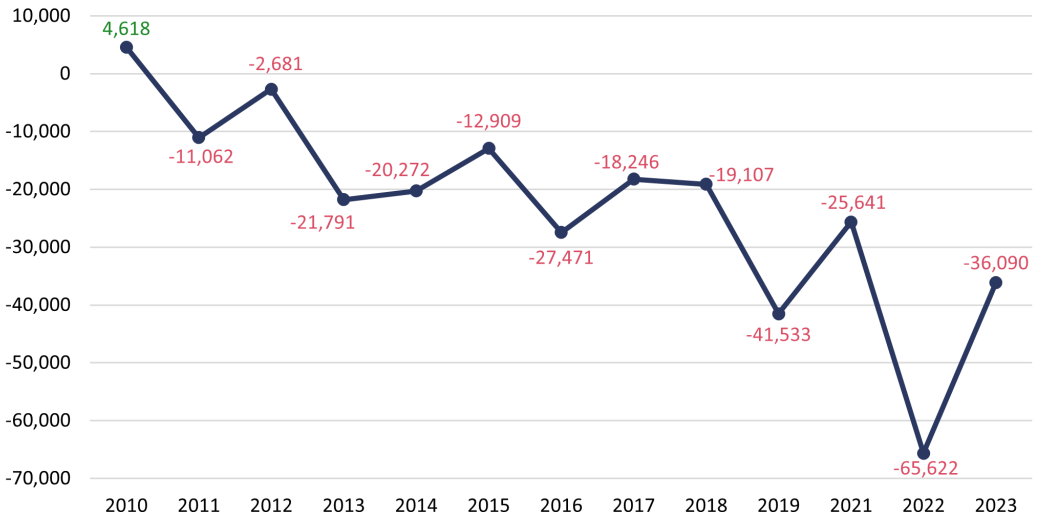
Total population in Maryland has still been increasing naturally over the past two decades as births have exceeded deaths and steady international immigration has helped to offset domestic outmigration. Analysis of the Census population estimates from the past three years demonstrates the significant impact of international immigration in Maryland: Despite substantial domestic outmigration between 2022 and 2024, total net migration was positive because of the high levels of international migration.[i] In each of these years, Maryland ranked in the top 10 of all U.S. states for the largest net loss of residents to domestic migration: 46,000 in 2022 (rank 7th); 33,000 in 2023 (rank 6th); 18,500 in 2024 (rank 6th).[5]

A. Migration by State

Between 2010 and 2023, Maryland lost a total of 2.3 million residents to other states, while approximately 2 million residents from other states moved into Maryland, resulting in a net loss of around 300,000 (Figure 2).[ii] Maryland has had net negative domestic out-migration every year since 2012. Domestic outmigration has increased since the pandemic, with the biggest loss in 2022: **almost half (43%) of the net domestic outmigration from 2010 to 2023 occurred in the most recent three years (2021 to 2023).**

Between 2010 and 2023, Maryland lost residents to 36 states and gained residents from 14 states (including Washington, D.C.) on a net basis (see **Appendix B** for data). The following analysis focuses on a cohort of 12 states: Maryland, the top eight states where Maryland residents are moving to, and the top three states (including Washington, D.C.) where new Maryland residents are coming from on a net basis. These 11 comparison states are referred to as the "state cohort."

Figure 2: Total Net Domestic Migration by Year in Maryland (2010 to 2023)

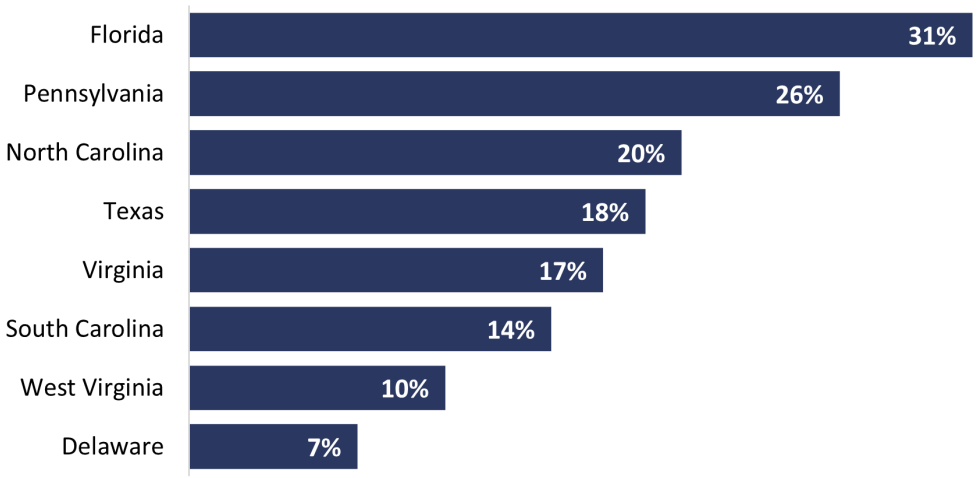


Source: U.S. Census Bureau, American Community Survey (ACS) state-to-state migration flows 2010-2023, excluding 2020 (*Census Bureau did not release its standard 2020 ACS 1-year estimates because of the impacts of the pandemic). Note: ACS migration data is estimated differently than the U.S. Census population estimates so the state-to-state migration numbers do not match with those in figure 1. See methodology section for more information.*

i The first report in the "State of the Economy Series" examined the impact of international immigration on Maryland's population and job growth.
ii Note that this section uses the Census Bureau's American Community Survey (ACS) state-to-state migration flow data to see which states residents are moving to. Due to differences in methodology, the numbers do not match exactly with the Census's population estimates discussed in Figure 1. See more detail in methodology section.

Between 2010 and 2023, almost a third (31%) of total net domestic outmigration (100,000) was a net loss to Florida. This is not a new trend: Florida has been a top destination for outmigrants from Maryland since at least 2005, the earliest available data. About a quarter (26%), or around 75,000, was a net loss to Pennsylvania (Figure 3). North Carolina, Texas, Virginia, South Carolina, West Virginia, and Delaware are the other top states to which Maryland is losing residents on a net basis. On the other hand, Maryland gained nearly 200,000 residents from Washington D.C., New York, and New Jersey combined on a net basis during this period (Figure 4).

Figure 3: Share of Maryland Net Domestic Migration (Outflows) by State (2010 to 2023)

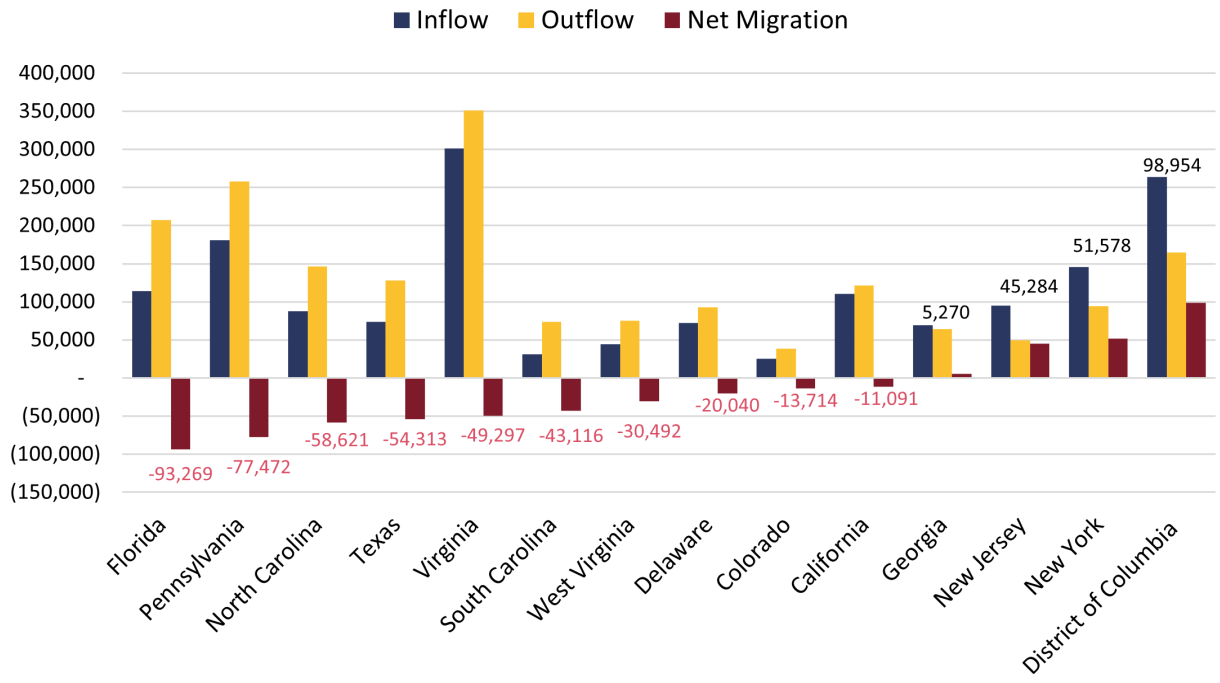


Source: U.S. Census Bureau, American Community Survey (ACS) state-to-state migration flows 2010-2023, excluding 2020 (*Census Bureau did not release its standard 2020 ACS 1-year estimates because of impacts of the pandemic)*

Examining outflows and inflows reveals that Maryland "trades" the most residents with Virginia: 350,000 Marylanders moved to Virginia and 300,000 Virginians moved to Maryland from 2010 to 2023 (resulting in a net loss of 50,000 residents to Virginia in this time period). (Figure 4). Maryland's relationship with Virginia and Pennsylvania is unique as people can live in these states and conveniently still work in Maryland and vice versa.

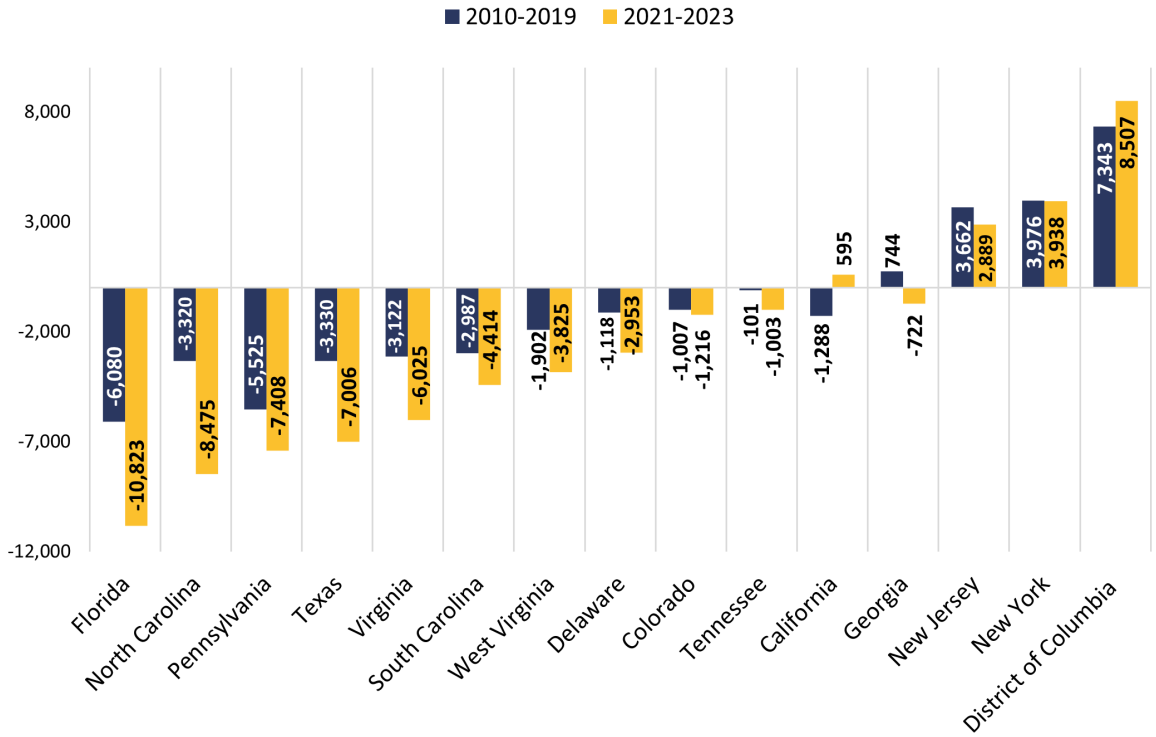
Since the pandemic, net domestic outmigration has increased, and the trend of moving to lower cost states has also increased. (Housing cost data by state is discussed in section 2.) Between 2021 and 2023, Maryland lost a net of 127,000 residents (590,000 moved out while 463,000 moved in). This is an average loss of more than 40,000 residents each year. While the top destination states were mostly the same in comparison to the 2010 to 2019 period, the volume of outmigration to southern states with a lower cost of living, including North Carolina and Texas, increased. In addition, between 2021 and 2023, Maryland started losing a meaningful number of residents to Tennessee and Georgia, a new trend. Comparing the two time periods, migration trends between Maryland and Georgia actually reversed. From 2010 to 2019, Maryland gained residents annually from Georgia, but between 2021 and 2023, Maryland lost residents annually to Georgia on a net basis. In another reversal, pre-pandemic, Maryland experienced a net loss of residents to California, but post-pandemic has gained residents from the state on a net basis. Finally, the average annual net gain from Washington D.C. has increased over the past three years (Figure 5). These shifts each represent increased movement from more expensive to more affordable states, suggesting that the cost of living has become a more important factor in migration.

Figure 4: Sum of Maryland Domestic Migration by State (2010 to 2023)



Source: U.S. Census Bureau, American Community Survey (ACS) state-to-state migration flows 2010-2023, excluding 2020

Figure 5: Average Annual Net Domestic Migration for Maryland (Before 2020 and After 2020)

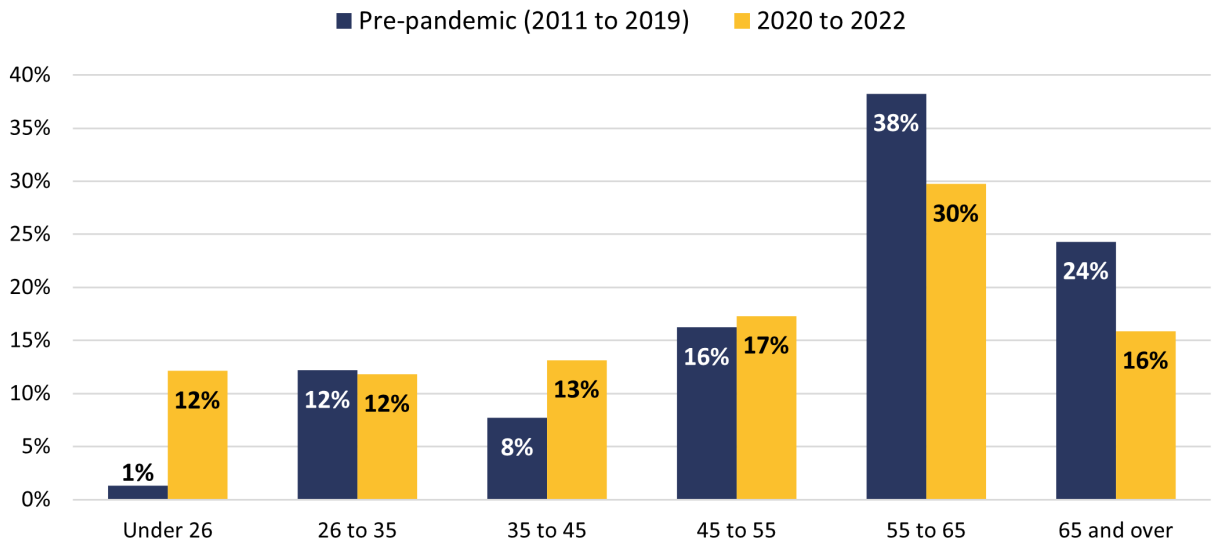


Source: U.S. Census Bureau, American Community Survey (ACS) state-to-state migration flows 2010-2023

B. Migration by Age and Income

There has also been a shift in the ages of those leaving Maryland. According to IRS tax data, before the pandemic (2011 to 2019), net domestic outmigration was driven by older residents: 63% were age 55 and over. Between 2020 and 2022, that percentage dropped to 46% and the share of younger people leaving the state grew (Figure 6).[iii] Between 2020 and 2022, 12% of net domestic outmigrants were under 26, and 37% of net domestic outmigrants were under 45, compared to just 1% and 21% respectively between 2011 and 2019.

Figure 6: Share of Net Domestic Migration Loss in Maryland by Age Group



Source: Internal Revenue Service (IRS) Statistics of Income (SOI) Migration Data

Older residents leaving the state tend to have higher incomes. Since 2011, in the 55-plus age group, 69% (74% 2011-2019; 67% 2020-2022) report adjusted gross income (AGI)[iv] over $100,000. The median AGI in Maryland in 2022 was $60,000.[6]

This is unsurprising, as **older, wealthier residents tend to be more tax sensitive**.[7] Many residents age 55 and older leaving the state are likely retirees or people nearing retirement, who may also be deterred by the fact that Maryland has relatively more taxes on inheritance and retirement income compared to other states.[v] Further, older adults benefit less from Maryland's public schools and high-wage jobs, a draw for the working-age population and households with school-aged children.[8]

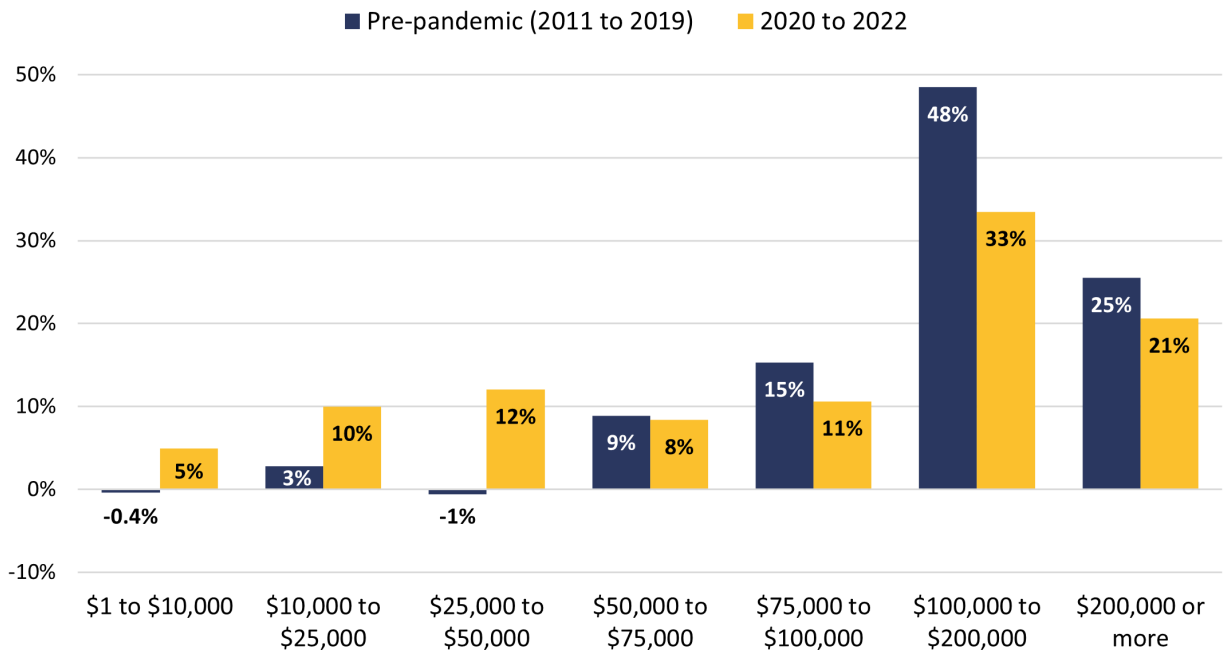
Across **all age groups**, two-thirds (67%) of the net domestic outmigration group in Maryland since 2011 has been individuals with AGI over $100,000, and about one-quarter (24%) has been individuals with AGI over $200,000. Nationally, in 2022, Florida, Texas, North Carolina, South Carolina, and Arizona were the most popular destinations for taxpayers with $200,000 or more in AGI, while California, New York, Illinois, Massachusetts, and New Jersey were the least popular.[9]

iii Note IRS migration data is only available through 2022 and 2020 to 2022 period is a smaller sample than the 2011 to 2019 sample, which should be considered when making comparisons in these groups. Also note IRS migration data is different than the ACS migration data. See methodology section for more on these differences.
iv AGI is total (gross) income from all sources (including wages, interest, capital gains, and retirement distributions), minus certain deductions. It reflects the amount used to calculate tax liability; so, it is income *before* taxes.
v Maryland is the only state with both an estate tax *and* an inheritance tax (12 states have an estate tax and five state have an inheritance tax, but only Maryland has both). In addition, Maryland taxes 401-K and IRA distributions and some pension income, while 13 states (including Florida and Pennsylvania) do not levy these taxes.

National data suggests that Florida and Texas in particular are increasingly attracting younger, wealthy residents.[10] According to an analysis of IRS data from 2021 to 2022, "Florida and Texas attract[ed] more than double the young and rich households as any other state," defined as households with $200,000 or more in AGI between the ages of 26 and 35.[11] The tax structure and climate in the states that wealthier residents tend to move to may further demonstrate that they are more tax sensitive and motivated by weather (versus housing costs).[12]

However, in Maryland, **the share of individuals with AGI over $100,000 leaving the state decreased substantially from the pre-pandemic period** (2011-2019) **to the pandemic / post-pandemic period** (2020-2022) – **74% versus 54%.** In the more recent period, outmigration was distributed more proportionately across the other income groups because more middle- and lower-income residents (and more younger residents) left the state. Between 2020 and 2022, **27%** of the net outmigration group were residents making less than $50,000. In the pre-pandemic period, only around **2%** of net migration loss was from these lower income groups (Figure 7).

Figure 7: Share of Net Domestic Migration Loss in Maryland by Adjusted Gross Income (AGI)



Source: Internal Revenue Service (IRS) Statistics of Income (SOI) Migration
Note: See more detailed inflows and outflows by age and income groups in Appendix B.

This finding suggests that pre-pandemic, taxes and other factors may have been more prominent drivers of migration decisions, while more recently, housing affordability and overall cost of living are having a greater effect. Other factors are also likely at play in driving the recent trends, such as the growth of remote work, which enables more people to move to more affordable locations. Remote workers have had higher rates of domestic migration before and after the pandemic, and because the share of remote workers has increased since the pandemic, there are even more remote workers moving in recent years.[13] Researchers from the Federal Reserve Bank of St. Louis calculated that remote workers account for 57% of the increase in domestic migration between 2019 and 2022. Their research found that the primary reason remote workers move is for housing. Housing was cited as the main reason for moving by 44% of remote workers compared to 23% of commuters (workers who go into an office) who had moved.

The relative 50/50 split of those in the net outmigration group with AGI above and below $100,000 likely represents two groups: (1) those who **cannot afford** to stay in Maryland (i.e., so cost-burdened or "house poor" that they must relocate), (2) and those **who elect to move** because their money will go further in another state (i.e., they can afford a bigger house, pay less in taxes, etc.).

As noted in the data and methodology section (Appendix A), lower income residents are underrepresented in this data because many are not required to file federal income tax returns.[vi] This means the number of lower-income people leaving Maryland could be even greater than this data suggests. However, moving expenses are also high and lower-income people have less mobility and fewer options to move away to more affordable locations.

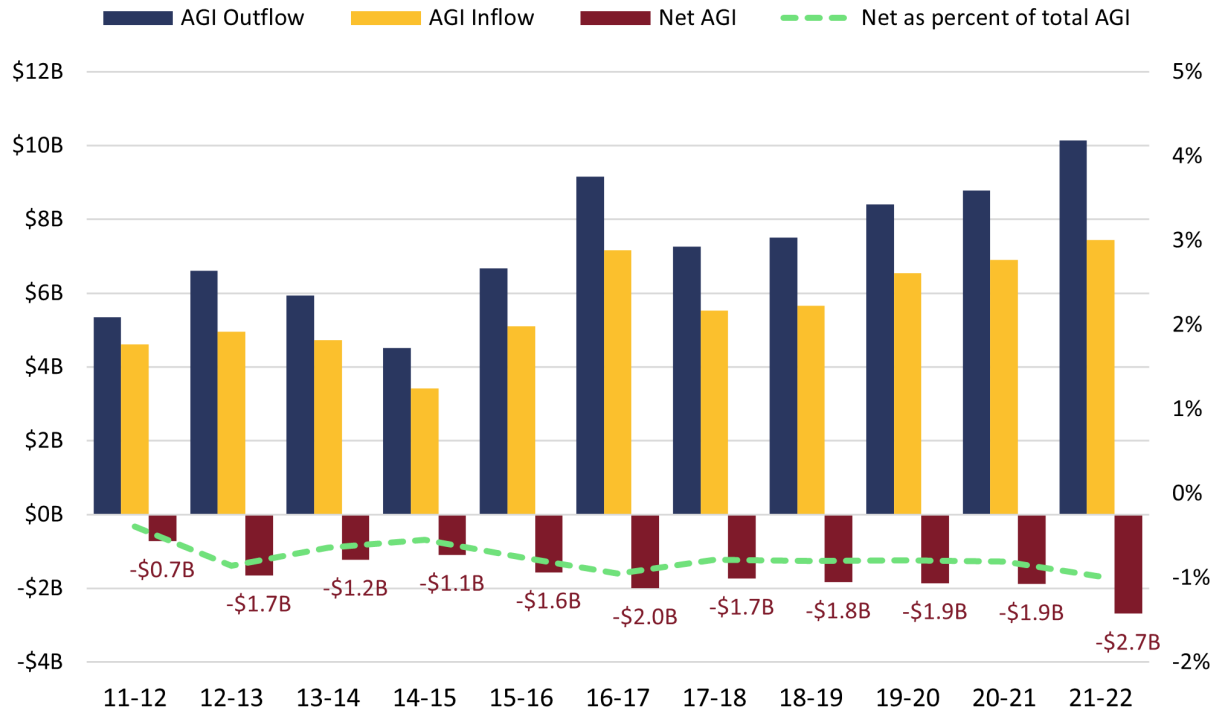
C. The Effect of Migration on Adjusted Gross Income

The loss of residents on a net basis also results in a reduction in state revenue derived from income taxes. Over the past decade, there has been a net loss in the state's adjusted gross income (AGI) from residents who left the state because not enough new residents are moving into the state to make up for the lost income – or not enough residents with higher incomes to replace the incomes that left. In 2022, the AGI for the 164,000 individual Marylanders who moved to other states was $10.2 billion, while the AGI for the 138,000 people who moved to Maryland from other states was around $7.5 billion.[vii]

This resulted in a net loss of $2.7 billion, or 1% of the total AGI for Maryland in 2022 (Figure 8). However, the total AGI for Maryland has increased overall during the past decade due to population growth from other sources (international migration) as well as income growth from the residents who continue to live in Maryland. **Out of all states, Maryland had the 7th highest net AGI loss in the country between 2021 and 2022**, following behind California, New York, Illinois, New Jersey, Massachusetts, and Pennsylvania.[14] The states with the highest net AGI gains were Florida, Texas, South Carolina, Tennessee, and North Carolina. (South Carolina, which has a population similar in size to Maryland, had a net AGI gain of $4.8 billion in 2022, compared to Maryland's net loss of $2.7 billion.) (Figure 9). These states tend to have lower tax rates – the Tax Foundation found that "of the 10 states that experienced the largest gains in income taxpayers, four do not levy individual income taxes on wage or salary income at all, so they likely attract Maryland's more tax-sensitive outmigrants.[15]

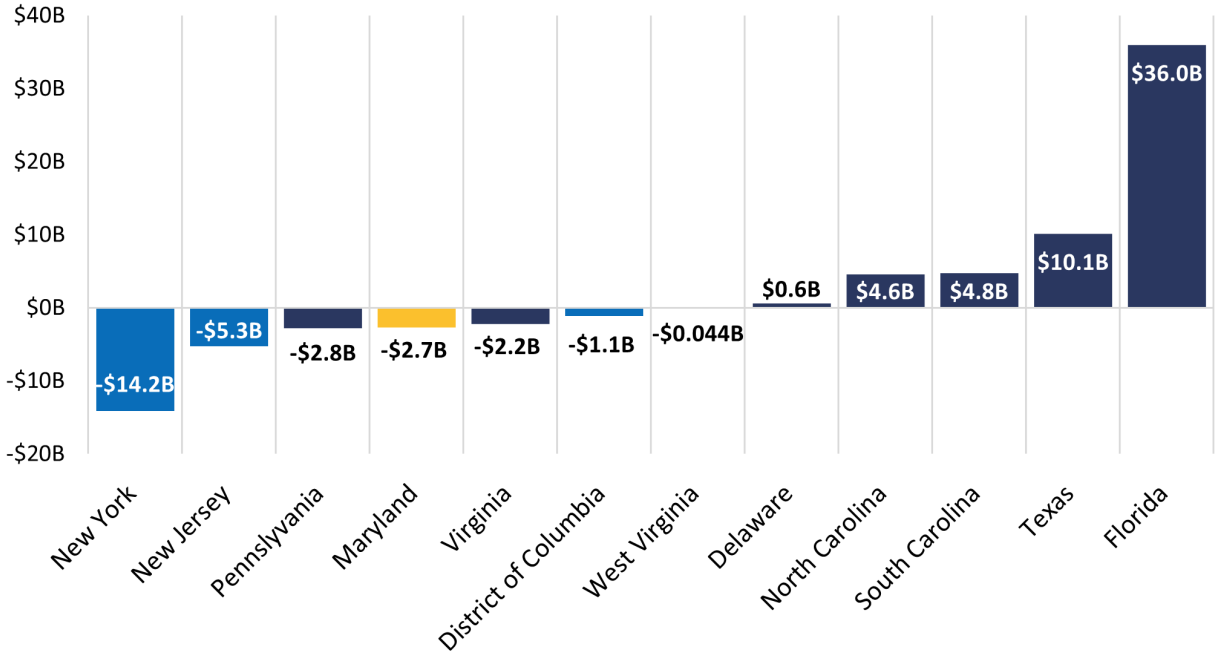
vi Individuals under 65 with a gross income of less than $14,600 or people 65 and older with a gross income of less than $16,550 are not required to file a tax return (as of 2024).
vii Numbers based on IRS migration data that includes only residents who filed federal income taxes in 2021 and 2022. Note that migration inflow and outflow counts are different than in ACS migration data due to differences in methodology.

Figure 8: Maryland Adjusted Gross Income (AGI) from Domestic Migration (2012-2022)



Source: Internal Revenue Service (IRS) Statistics of Income (SOI) Migration Data

Figure 9: Net change in Adjusted Gross Income (AGI) by State (2021 to 2022)



Source: Tax Foundation analysis of IRS migration data for 2021-2022

2. Housing Costs

Key findings

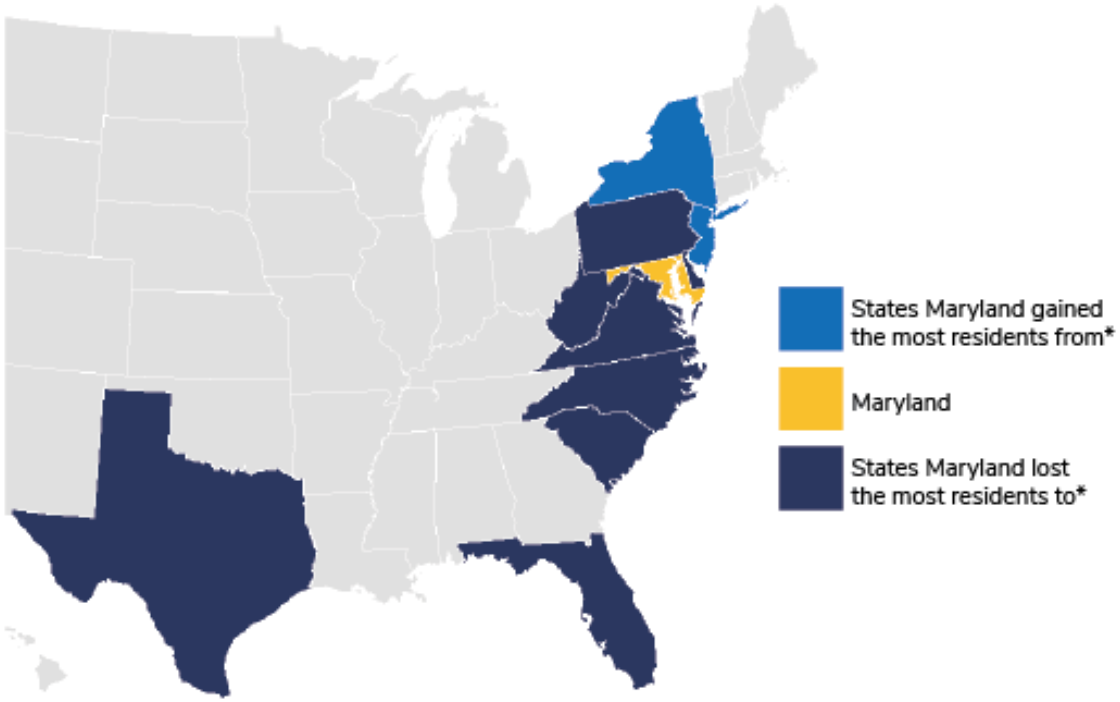
- Statewide housing costs in Maryland are generally more expensive than in all the states Maryland loses residents to, while housing costs are generally lower in Maryland than in the states Maryland gains residents from. Costs vary significantly by metro area within each state in the cohort.
- Between 2000 and 2022, the share of households in Maryland earning enough income to afford the median-price home has fallen by over 25 percentage points, from 75% to less than 50% of households.
- The disparity between the average wage and the wage needed to rent a 2-bedroom apartment is greater in Maryland than all the states in the cohort that Marylander is losing residents to on a net basis, with the exception of Florida.

Introduction

Rent and for-sale prices for homes across the state cohort align closely with migration trends in and out of Maryland. State-level data suggest that the states Maryland gains residents from have more expensive housing, while the cost of housing is higher in Maryland than in most of the states where Marylanders are moving. However, there is more variation at the Metropolitan Statistical Area (MSA) level.

This section examines several measures of housing affordability: (A) statewide median sale price, median monthly owner housing costs, and median gross rent, (B) metropolitan area owner and rent costs, and (C) increases in housing costs and costs compared to wages.

Maryland Domestic Migration: 2010 to 2023



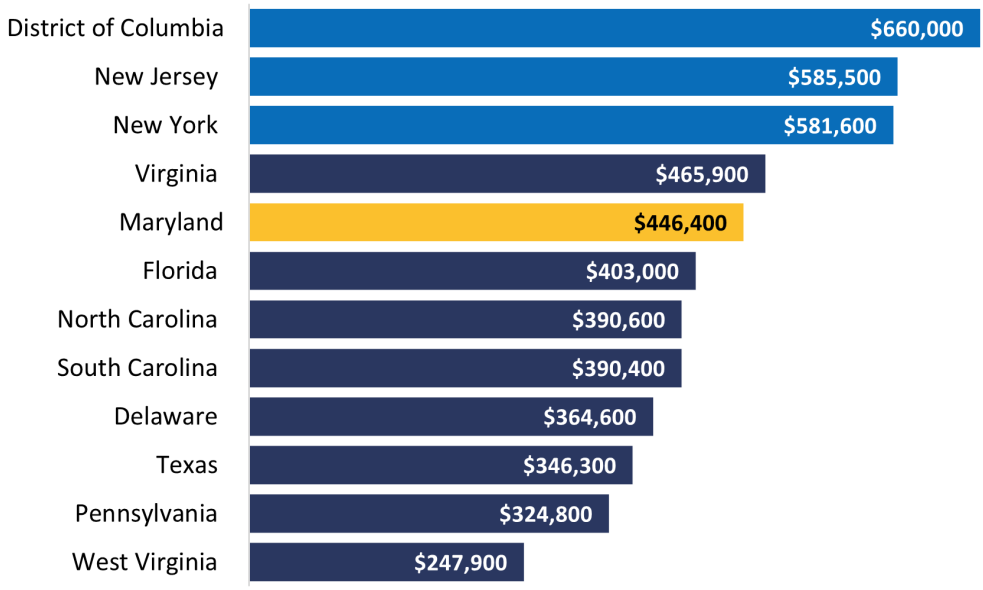
**Based on the net number of residents who moved to or from Maryland between 2010 to 2023. Only shows states with a net loss or gain of 20,000 residents or more in that time period.*

A. Statewide Housing Costs

Homeowners

Home prices in Maryland are among the highest in the state cohort with a median sale price of just under $450,000 as of August 2025 (Figure 10). Washington, D.C., New Jersey, and New York – the three states where Maryland is gaining the most residents from – have the most expensive home sale prices in the state cohort. Virginia had a slightly higher median sale price, but otherwise, Maryland is more expensive than the states it loses residents to.

Figure 10: Median House Sale Price by State (August 2025)



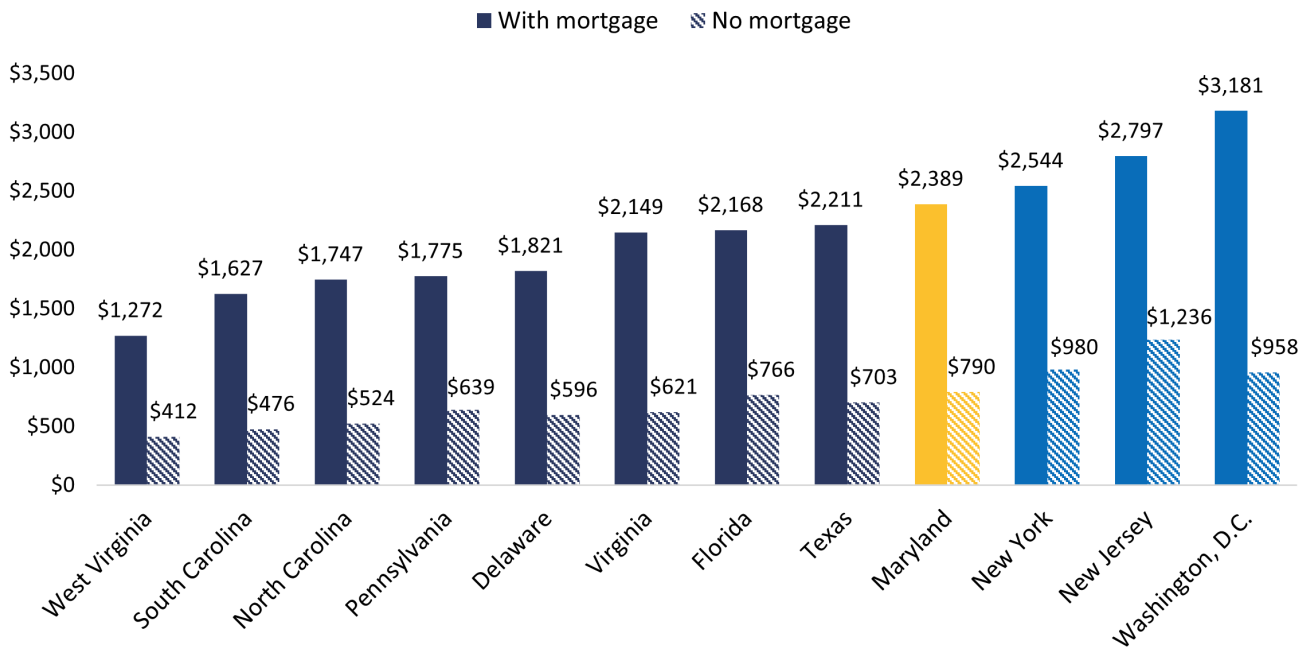
Source: Redfin housing market data, includes all home types (single-family, townhouse, condo)

In addition to high sales costs associated with buying a home, the cost of financially maintaining a home is also expensive in Maryland and on the rise. Maryland has the fourth highest median monthly homeowner costs in the state cohort. This Census metric includes the cost of mortgages, real estate taxes, insurance, utilities, condominium fees, and more. (See Appendix C for a discussion of these rising costs, especially insurance costs.) These are the costs residents have to put their income toward each month and help determine affordability over a longer term. By this measure, all of the states that Maryland loses residents to are more affordable for homeowners, with or without a mortgage (Figure 11).

Renters

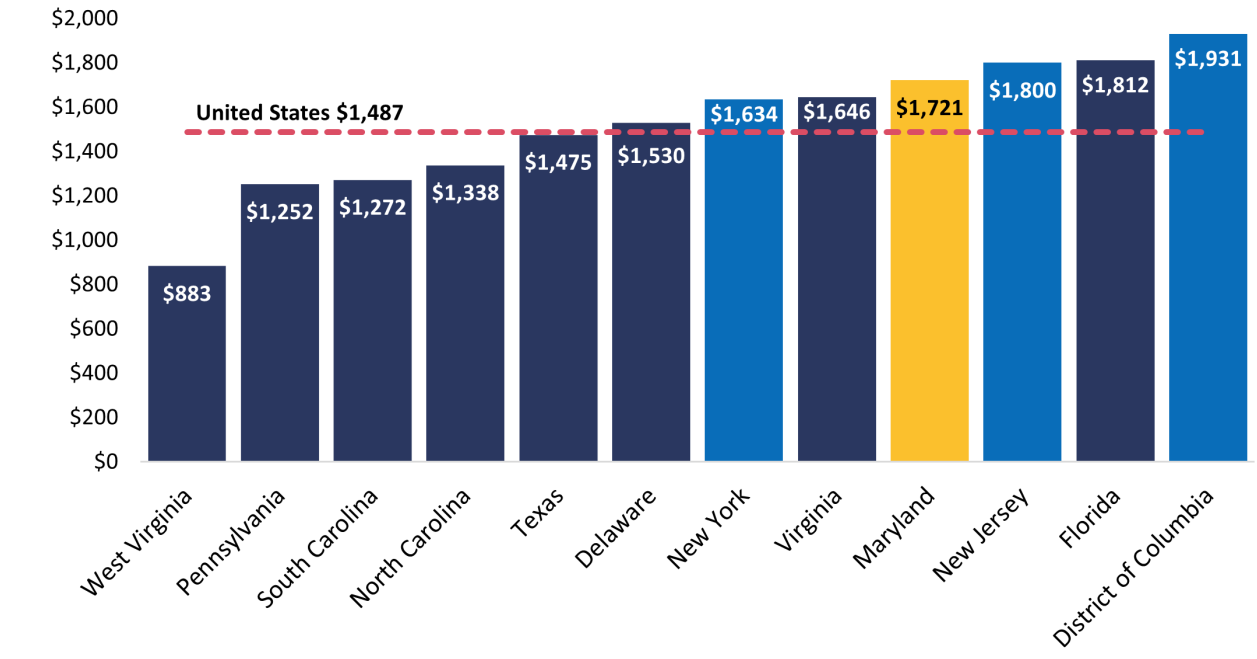
Maryland's median gross rent ranks fourth highest among the state cohort, behind Washington, D.C., Florida, and New Jersey (Figure 12). Median rent in Maryland is above the national median; five of the states in the cohort are below, including bordering Pennsylvania and West Virginia. (These states can offer less expensive homes for sale or rent for people who are willing to commute to jobs in Maryland.) Other states that fall below Maryland's median and the national median include the Carolinas and Texas – states that Marylanders have been moving to.

Figure 11: Median Monthly Homeowner Costs by State (2024)



Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B25088

Figure 12: Median Gross Rent by State (2024)



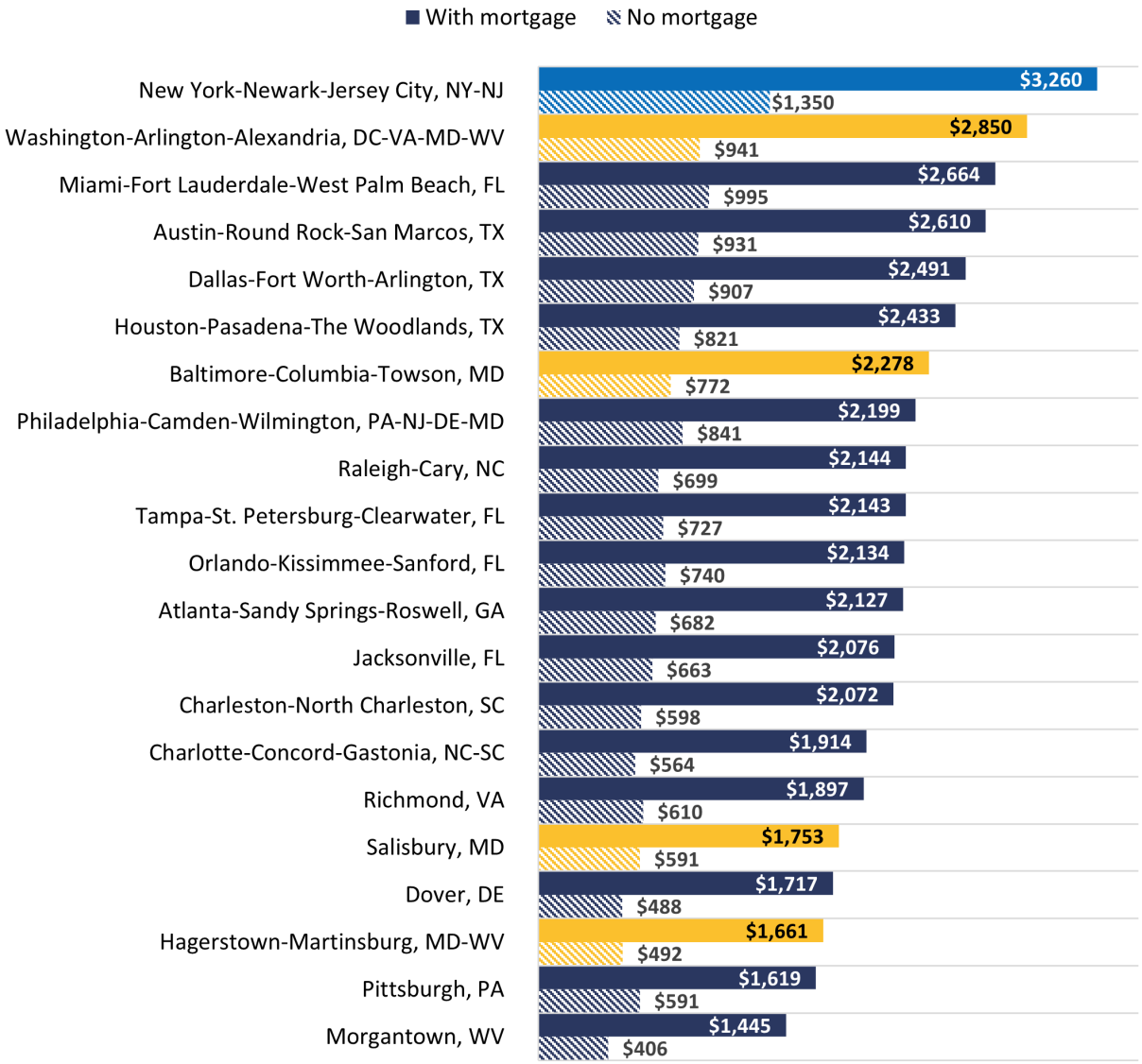
Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B25064

B. Metro-Area Housing Costs

The MSAs analyzed for this report included major metros in each of the 12 states in the cohort and other relevant metro areas (see methodology in Appendix A for more detail).

Washington, D.C. and Baltimore – Maryland's largest MSAs – have higher monthly homeowner costs than most metro areas in the states that Maryland is losing residents to, especially those in the South (Figure 13). However, within the states that are more affordable for homeowners (i.e., Texas and Florida) there are certain metro areas that are relatively expensive – i.e., Austin. Dallas, and Miami; just as there are parts of Maryland that are more affordable than parts of North Carolina, for example.[viii]

Figure 13: Median Monthly Owner Costs by MSA (2024)



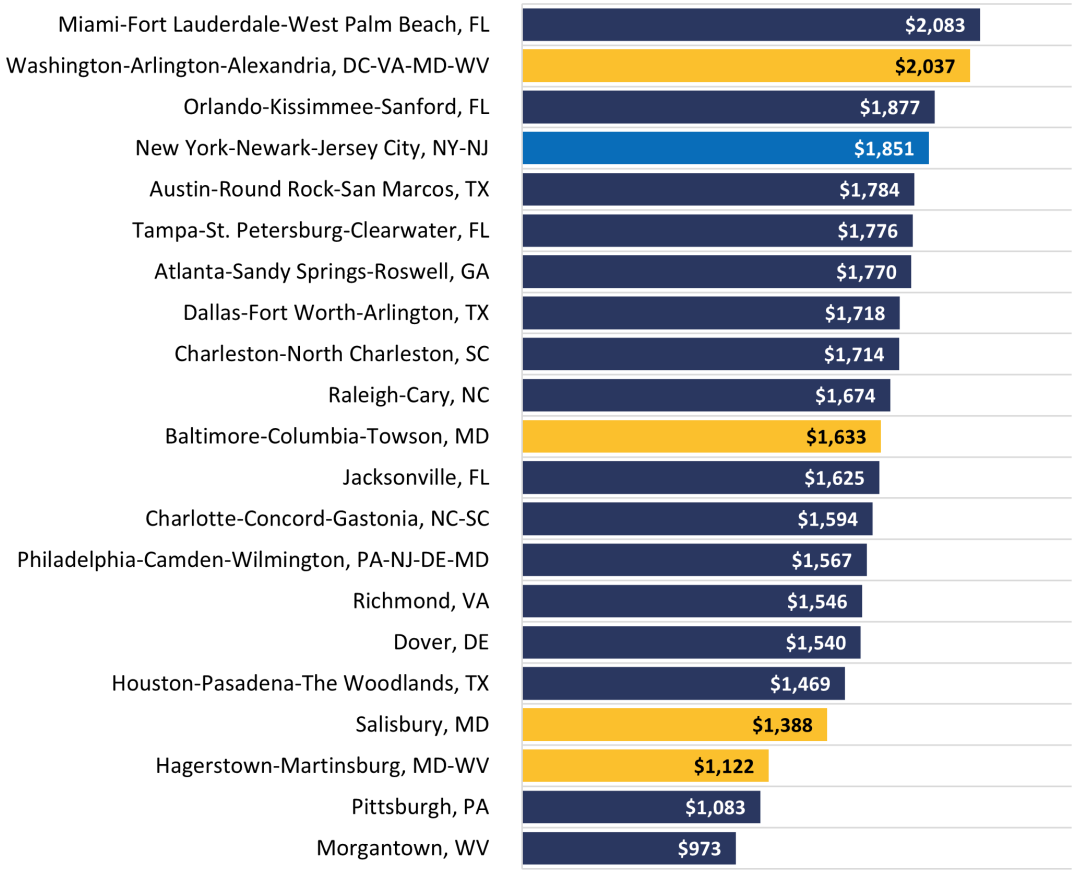
Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B25088
Note: Washington DC metro area is shown in yellow because it includes parts of Maryland

viii Within Maryland, Howard and Montgomery counties have the highest owner costs, and Allegany and Somerset have the lowest.

Rent prices also vary significantly by MSA within states. Rents in the Washington, D.C. area are second highest across metro areas analyzed, while rents in the Baltimore – Towson – Columbia MSA are in the middle of the pack.[ix] Within Maryland, Salisbury and Hagerstown are more affordable, though jobs are more limited in these MSAs compared to Houston and Pittsburgh,[x] which are comparable in price (Figure 14).

The more expensive metro areas in the generally more affordable states (i.e., Austin, Texas and Miami, Florida) have seen some of the greatest population growth in the nation.[16] This has increased demand for housing and driven up housing prices, which were previously more affordable. From 2019 to 2024, the population in the Austin metro area grew by 15%, by 10% in both the Dallas and Houston metro areas, and by 13% in the Orlando and Jacksonville. (By comparison, during this period the population grew by 2% in the Baltimore metro and by 3% in the Washington, D.C. metro area.)

Figure 14: ACS Median Rent by MSA (2024)



Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B25064

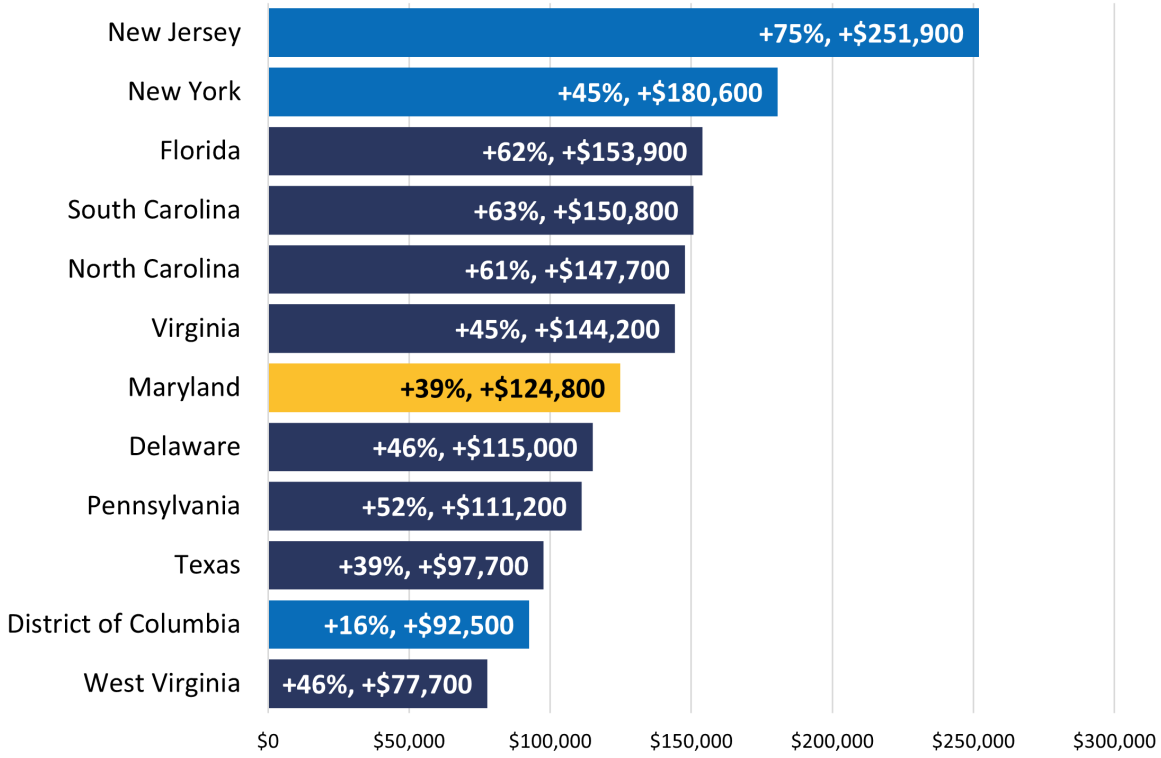
Considering that around 50% of Marylanders in the "net outmigration" group since 2020 have an AGI over $100,000, and that Florida and Texas gained more young, wealthy residents than any other state by a wide margin during this time period, it is likely that Marylanders who are moving to these pricier metro areas are in the upper income bracket and are motivated more by taxes and weather than housing affordability.[17]

ix The most recently available rent data from Zillow for June 2025 shows rentals listing significantly higher than the self-reported ACS data from current renters (Washington, D.C. is just over $2,500; just shy of $2,000/ month for Baltimore; $1,900 in Salisbury, about $1,600 in Hagerstown, and an average of just over $2,000 across the U.S.)
x According to employment data from the Bureau of Labor Statistics (BLS) for June 2025, Hagerstown has 112,000 nonfarm jobs, Salisbury has 57,000, and Pittsburgh has 1.2 million.

C. Home price escalation versus wages

All states have experienced ballooning housing costs over the past five years. According to the Joint Housing Center for Housing Studies of Harvard, as of early 2025, home sale prices are up 60% nationwide since 2019 (and still rising at a rate of 3.9% year over year) and average monthly rents are up 32%.[18] As of August 2025, the median sale price for a home in Maryland was $446,360, which is a 39% or $125,000 increase from the median sale price in August 2019 ($320,600).[19] Becoming a homeowner in Maryland has become more expensive and less attainable for many households.

Figure 15: Change in Median Sale Price (August 2019 to August 2025)

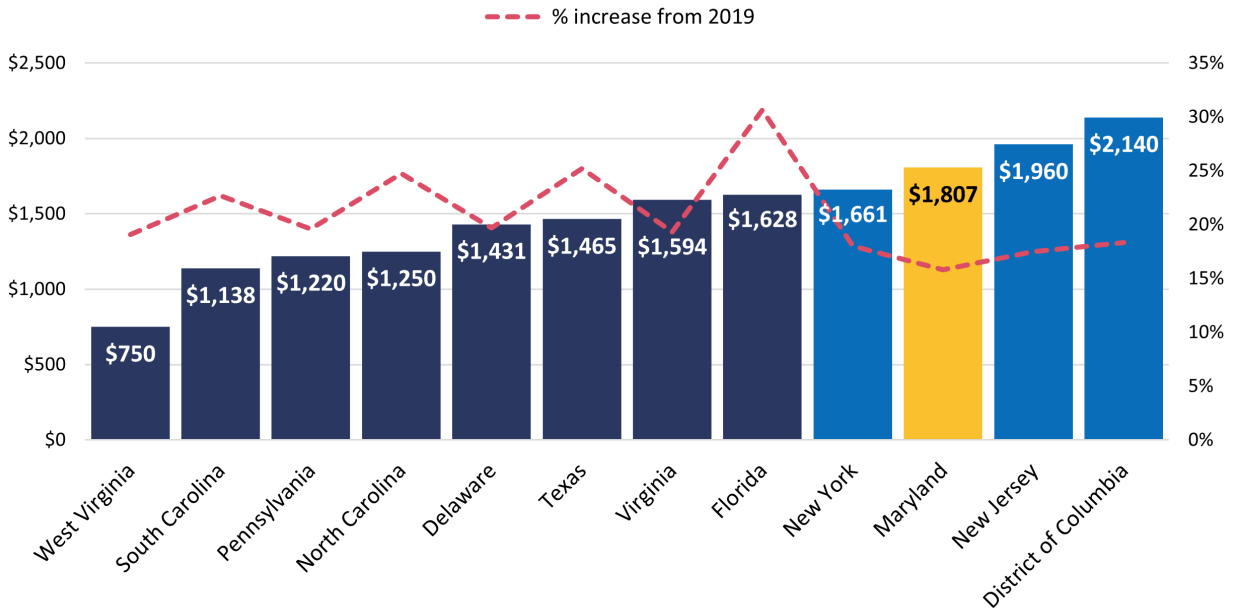


Source: Redfin housing market data

The "median monthly housing cost" metric from the U.S. Census includes both owner and renter costs.[xi] According to this metric, Maryland saw less housing inflation since 2019 than most states in the cohort, which is positive. However, the starting point or baseline was high, so Maryland remains among the most expensive states for owners and renters. For example, North Carolina has had a 25% increase in median monthly housing cost since 2019, compared to a 16% increase in Maryland, but Maryland still has higher median housing costs (Figure 16). As of 2024, the median monthly housing cost for homeowners and renters in Maryland was just over $1,800, which is behind only Washington, D.C. and New Jersey in the state cohort. The U.S. median was $1,435.

xi Median monthly housing costs include mortgages, rent, real estate taxes, property insurance, utilities, and fuels. It can also include mobile home costs or condominium fees. In Maryland, 68% of households are homeowners and 32% are renters, although it varies by county and region

Figure 16: Median Monthly Housing Costs by State (2024)



Source: U.S. Census Bureau, American Community Survey (ACS) 2019 and 2024 1-year estimates, B25105
Note: Median monthly housing costs vary significantly across the state. The most expensive counties by this metric are Howard and Montgomery, and the least expensive are Allegany and Garrett.

Nationally, growth in home prices and rents has significantly outpaced household incomes, driving affordability issues for renters and (prospective) homeowners across the country.[20] Since 2000, real home prices have increased by over $130,000 in Maryland, but median household income has increased by less than $10,000 in real terms, making it hard for prospective buyers to afford a home.[21] **From 2000 to 2022, the share of households in Maryland earning enough income to afford the median-price home fell by over 25 percentage points - from 75% to just under 50% of households.**[22] Prospective buyers who are unable to purchase homes are putting additional pressure on the rental market.

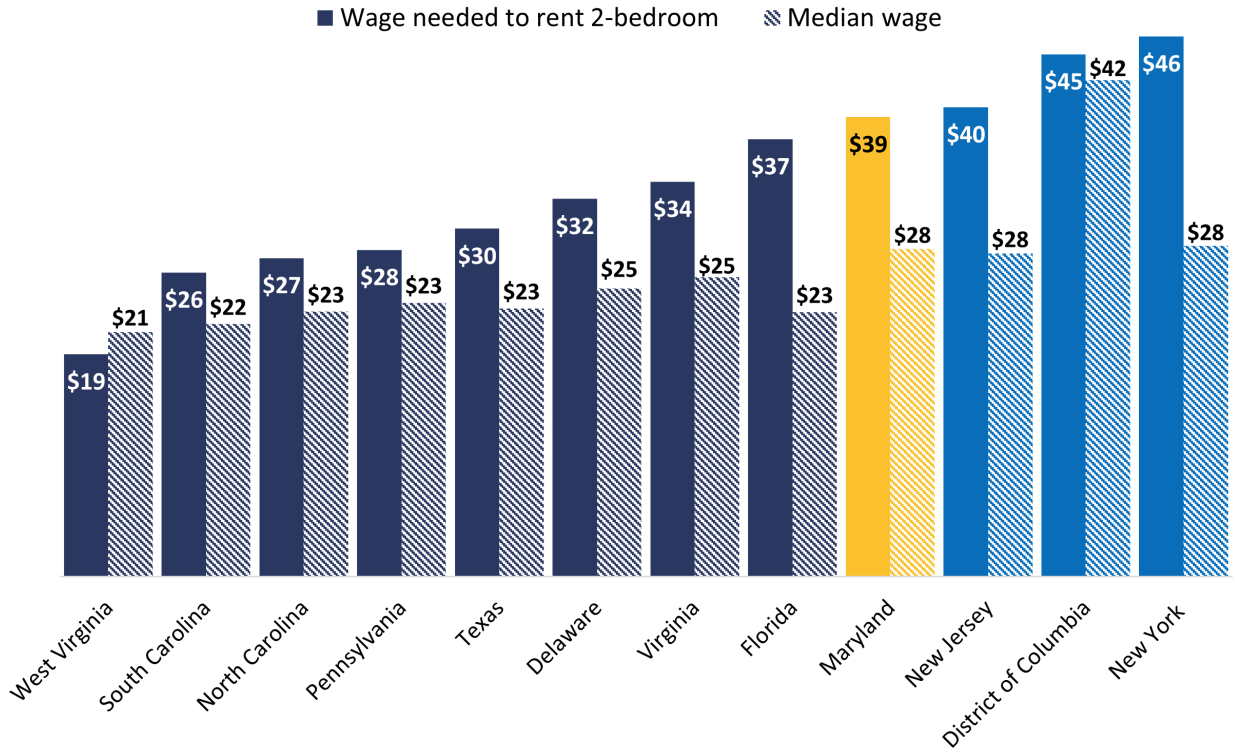
In Maryland, median renter household income is about $60,000, which is less than half of median owner household income (about $126,000). Over half of renters in Maryland are cost burdened, meaning they spend 30% or more of their income on housing.[23] **Rents are increasing at faster rates than incomes across the state.** According to rent data from Zillow, within Maryland, the greatest disparity exists in Washington County where rent increased by nearly 50% while income (as per the ACS) only increased by 24% in the same period. Only in Montgomery County did rent grow at about the same rate as income (see Appendix B Figure 37). The Housing Needs Assessment Update found that "older adults, and low and moderate-income renters…with rising rents, are most impacted" by increasing housing costs. They also found that Black and Hispanic residents are disproportionately impacted, worsening racial wealth gaps.[24]

A report from the National Low Income Housing Coalition calculated the wages needed to afford rentals in each state and found that Maryland has the 8th highest "housing wage" in the nation.[25] This is defined as the wage needed to afford a rental at Fair Market Rent (FMR) while not spending 30% or more of income on rent and utilities.[xii] Figure 17 compares the 2-bedroom housing wage to the median wage for all occupations in each state.

xii FMR is based on HUD's FY 2025 Fair Market Rents

The data demonstrates that in every state in the cohort except West Virginia, housing is too expensive for renters. In Maryland, the disparity between the median wage ($28/hr) and the wage needed to rent a 2-bedroom apartment/unit ($39/hr) is greater than in all of the states to which Marylanders are relocating with the exception of Florida. Meanwhile, in more expensive states like New Jersey and New York – states losing residents to Maryland – there is an even larger gap between the median wage and housing wage.

Figure 17: Wage Needed to Afford 2-bedroom Rental Compared to Median Wage by State



Source: National Low Income Housing Coalition; Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS) May 2024

3. Demand & Supply

Key findings

- Several indicators suggest that demand for housing in Maryland exceeds the supply. The supply and demand mismatch contributes to increased prices. For example, in 2024, Maryland's homeowner and rental vacancy rates were below the national average (while states with more affordable housing like Florida and Texas have vacancy rates above the national average).
- Maryland has a current shortage of nearly 100,000 housing units and underproduces housing annually. To meet projected demand by 2045, Maryland will need to produce nearly 30,000 housing units per year; since 2013, Maryland has permitted between 16,000 and 19,000 units annually.
- Maryland is growing its housing stock at a much slower rate than the states it is losing residents to. In 2024, The Carolinas, Texas, and Florida permitted around ***three times*** more housing units per 1,000 households than Maryland in 2024.

Introduction

Demand for housing is high in Maryland due to its strong employment with relatively high wages anchored by world-class institutions, its proximity to Washington, D.C., as well as natural amenities including ocean coastline and mountains. However, supply is not keeping pace with demand.

The estimated shortage of housing units in Maryland to meet **current** demand is 96,000.[26, 27] To meet **projected** demand (accommodate future growth) through 2045, DHCD estimates that the state will need an additional 590,000 units. According to its 2025 Housing Needs Assessment Update, the housing shortage is most acute for low-income renter households earning 80% or less of median household income, and is most severe in the Washington, D.C. suburbs, Baltimore City, and Baltimore County.[28] The report also highlights the large gap in affordable and accessible rental homes for the population with disabilities, which is growing in Maryland.[29]

Housing shortages indicate that the market has not provided a sufficient supply of housing to meet demand. According to economist and housing expert Jenny Schuetz, in a well-functioning housing system, "housing supply should be reasonably responsive to demand…national and regional housing markets should produce enough additional housing to meet increases in demand, driven by population and job growth."[30]

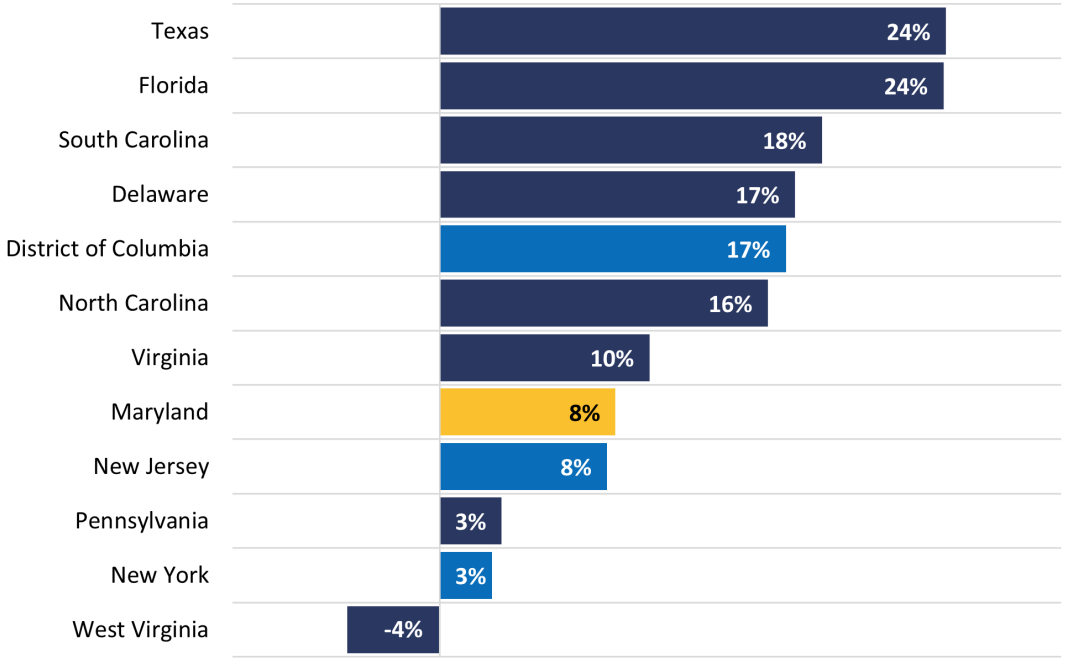
Section 2 covered Maryland's high housing prices, which is one indicator that demand is greater than supply. This section reviews additional indicators of the supply and demand mismatch by analyzing, across the state cohort, (A) the ratio of new jobs to new homes; (B) vacancy and inventory rates; (C) the pace of permitting new houses; and (D) challenges with the existing housing stock.

A. Demand from Population & Job Growth

Population growth and job creation drive demand for housing. As regions add jobs, new employees seek out nearby housing at affordable price points. In a functioning housing market, the market should respond to demand by increasing the supply of housing to ensure that new employees can live near their jobs.

Since 2010, Texas and Florida have had the most population growth of the state cohort – both increased by 24% – while the population in Maryland only increased by 8%. Texas and Florida have permitted the most housing units per capita since 2010 (discussed in part C).

Figure 18: Percent Change in Population by State (2010 to 2024)



Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B11001 and Decennial Census 2010

The National Association of Realtors (NAR) examines demand generated by jobs using the ratio of new single-family building permits to the number of new jobs created. Historically, metro areas across the U.S. have issued one single-family home permit for every two new jobs. In the past three years, Austin, Dallas, Houston, Tampa, Charlotte, and Raleigh, among other metro areas, have met this threshold of one permit for every two jobs. However, the Baltimore metro area only has one permit for every six new jobs, indicating a housing shortage according to this measure.[31, xiii] Note that this measure does not consider multifamily permits, but is just one indicator of the difference between permitting and demand (permitting is discussed further in part C).

When there is not enough housing to accommodate job growth, housing prices often increase, pushing out current residents and/or deterring prospective residents, which slows economic growth. A study by Chang-Tai Hsieh and Enrico Moretti in the American Economics Journal found that across the U.S., workers are increasingly being priced out of high-wage, highly productive job markets because housing is constrained.[32] This constriction leads to lower labor productivity nationally due to the "spatial misallocation of labor."[33] Employment is growing the least in places where productivity has grown the most because residents can no longer afford housing in the country's economic centers, indicating a dysfunctional market.[34] This phenomenon helps explain why regions of the country with the highest productivity and highest income (like Maryland) are experiencing the most significant outmigration. While remote work allows more flexibility for some workers to live further from jobs, many essential workers, like those in health care and emergency services, plus those in industries like construction, have to report in-person.

xiii The Washington D.C. MSA has a 1 to 4 permit job ratio. In the New York City metro area, the shortage is even more severe with 1 permit issued for every 13 jobs.

Another NAR study found that households making $75,000 a year in Maryland could only afford **20%** of for-sale listings in the state as of March 2025. Before the pandemic, **49%** of listings were affordable to this income group.[xiv] As noted in this study, "it becomes harder for teachers, nurses, police officers, and essential workers to live anywhere near where they work." Marylanders shared similar concerns during roundtable discussions facilitated as part of the research for this report. Participants shared stories about how commute times have become increasingly untenable for residents making lower/ mid-level wages, who are being priced out of job centers and having to "drive until they qualify" [for a mortgage].[35] This often results in Maryland workers living in a neighboring state or in a region of Maryland that is over an hour away from their job site. Related to this challenge, the Maryland Chamber of Commerce shared examples of prospective businesses choosing not to locate in Maryland due to insufficient workforce housing.[36]

Restricted supply has harmful economic impacts and limits Maryland's economic potential overall. Additional supply at all income ranges is needed to improve affordability and quality of life for all residents, making them more likely to stay in Maryland.

B. Vacancy & Inventory Rates

In addition to the ratio of new jobs to new homes, vacancy rates – the share of housing units available for sale or rent[xv] – are another way to measure demand. **Low vacancy rates indicate there is not enough housing to meet the demand**, and if it persists, can lead to increasing prices; high vacancy rates indicate decreasing demand or increasing supply and can lead to a decrease in prices.[37] Vacancy rates have been declining across the country over the past two decades as supply has not kept up with demand from population and job growth.[38]

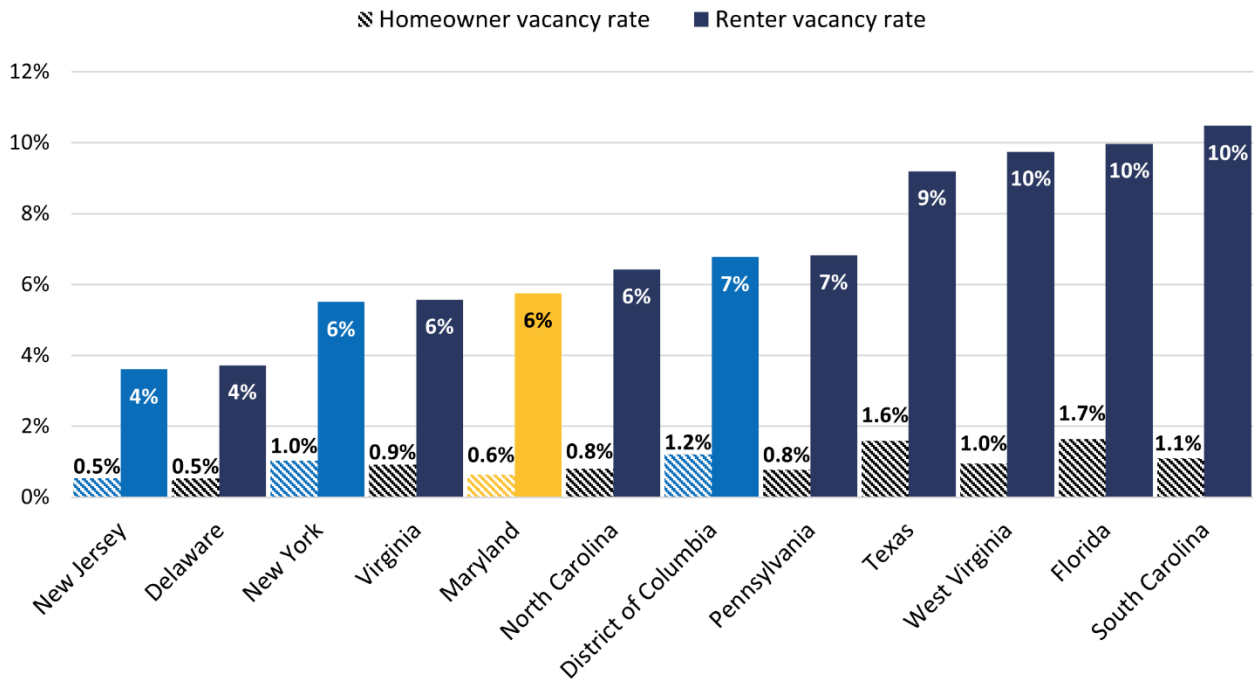
A healthy homeowner vacancy rate is generally between 1% and 2% and a healthy rental vacancy rate is usually between 5% and 10%. As of 2024, the national **homeowner** vacancy rate was 1% (down from 2.5% in 2008 and 1.5% in 2018).[39] The national **rental** vacancy rate was 6.8% in 2024 (down from a high of 10.6% in 2009).[40] According to the Census Bureau's Housing Vacancy Survey, in 2024, Maryland had a homeowner vacancy rate of 0.6% and an average rental vacancy rate of around 6%.

While all states in the cohort had an average homeowner vacancy rate at or below 2% in 2024, Florida and Texas are again at the top of the list for having the most available supply (at 2% and 1.6%, respectively). Maryland's rental vacancy rate is healthier (at 6%), but again states like South Carolina and Florida have the highest rental vacancy rates (10.5% in South Carolina and 10% in Florida), indicating ample supply which helps keep their housing costs lower (Figure 19).

A related measure of the supply and demand mismatch is inventory. Research suggests that when there is a healthy balance between supply and demand, **a real estate market should have about 6 months inventory; Maryland has 2.6 months of inventory** as of July 2025, meaning that demand exceeds supply.[41, 42, 43] See Figure 20 for regional inventory data.

xiv In a healthy market, this income group should be able to afford nearly 40% of listings (which was the case pre-pandemic).
xv Vacancy data is published by the U.S. Census Bureau. Vacancy, in this instance, refers to **units for rent or for sale**, not units that are abandoned or blighted. It also does not refer to seasonal vacancy, where housing units are second homes and are unoccupied for part of the year.

Figure 19: Homeowner and Renter Vacancy Rate by State (2024)



Source: U.S. Census Bureau, Housing Vacancy Survey (HVS)

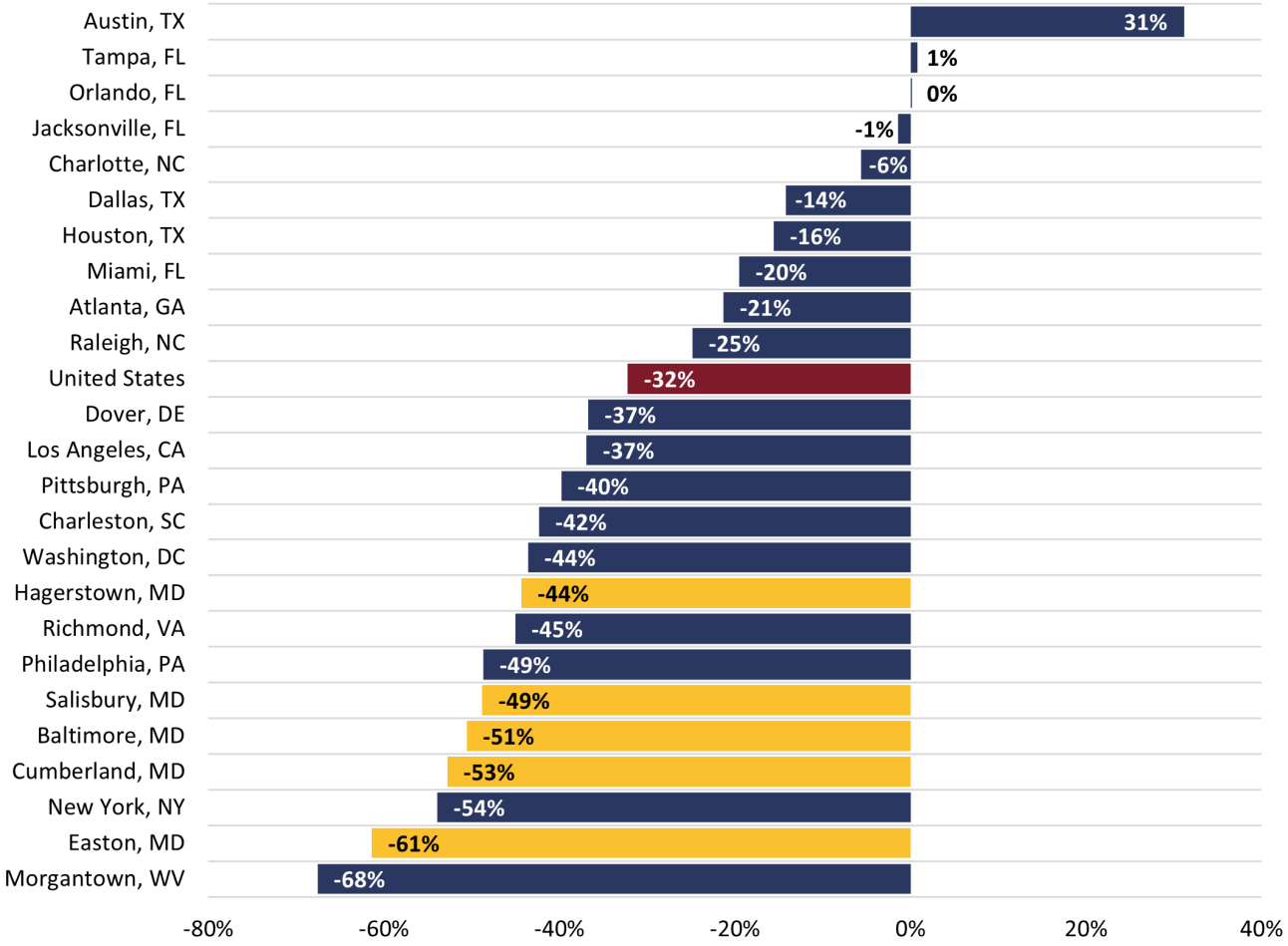
Figure 20: Months of Housing Inventory in Maryland, July 2025

Area	Months of inventory
Maryland	2.6
Baltimore metro	2.3
MD Eastern Shore	3.8
MD-WV Panhandle	3.1
Southern Maryland	2.6
Washington D.C. metro	2.5

Source: Bright MLS Research, Maryland Realtors

For-sale inventory decreased by one-third nationally between 2019 and 2024 and by over 40% in several Maryland metros including Easton, Cumberland, Baltimore, Salisbury, and Hagerstown (Figure 21). This means that there are fewer homes for sale in those areas. Of the cities analyzed for this report, only Austin saw an increase in for-sale listings since 2019. Tampa, Orlando, and Jacksonville, Florida have maintained around the same number of listings. While home prices have still increased in those cities, having a larger inventory helps offset upward pressure on prices (from demand and other forces) and maintain more stable housing markets.

Figure 21: Change in Average Monthly For-Sale Listings by Metro Area (2019 to 2024)



Source: Zillow For-Sale Inventory

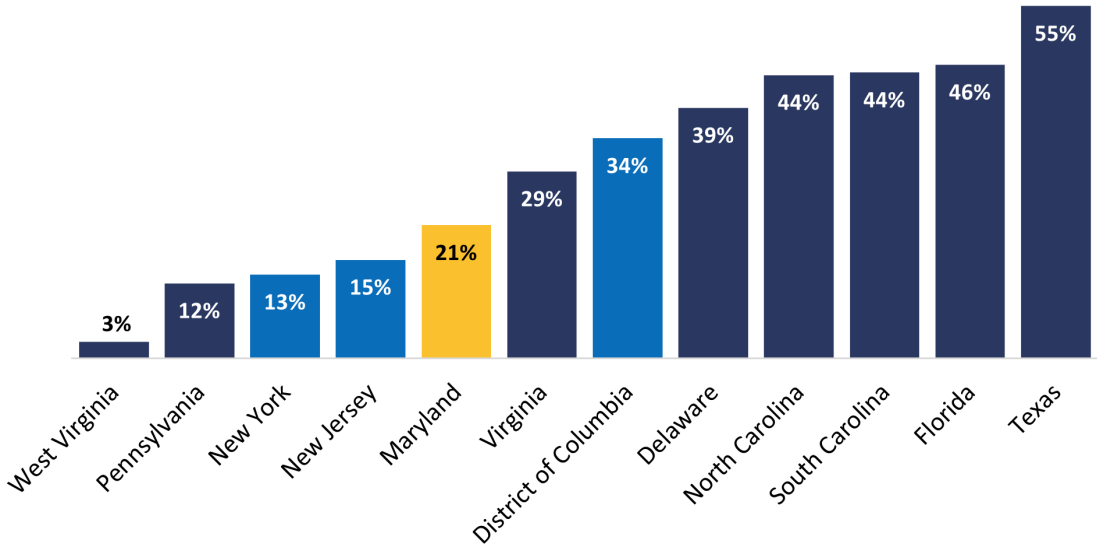
For-rent and for-sale housing inventory is limited and vacancy is low in Maryland due to years of underbuilding (discussed in part C), and, to a smaller extent, the condition of the existing housing stock, the lock in effect, and second homes (discussed in part D).

C. New development

Between 2000 and 2024, Maryland increased its total number of housing units by 21% - a much lower rate than Texas (55%), Florida (46%), the Carolinas (44%), and Delaware (39%), all states that tend to have more affordable housing than Maryland.[xvi] (Figure 22). On the other hand, Maryland has increased its housing stock more than New York and New Jersey since 2000 and is relatively more affordable than these states. Enhanced housing supply contributes to affordability.[44]

xvi Note that while West Virginia has had the smallest increase in housing units, population decreased by 1% in this same period so demand is likely putting less pressure on supply and therefore prices. Similarly, population growth has been slower in Pennsylvania than most states in the cohort, with only a 6% increase in this time period.

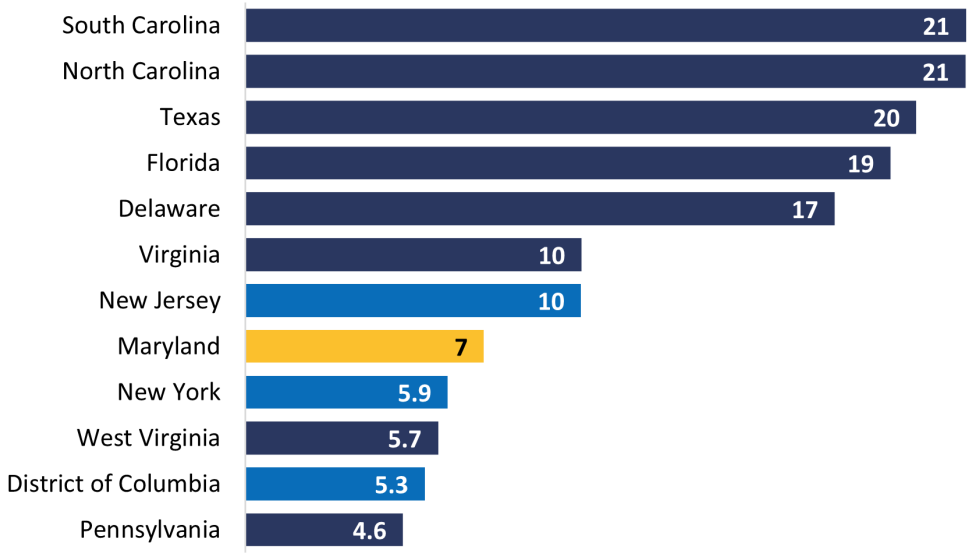
Figure 22: Percent Increase in the Number of Housing Units by State from 2000 to 2024



Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B11001 and Decennial Census 2000

Maryland's housing stock is growing slower than other states in the cohort because it is permitting and producing housing units at a slower rate. Building permit data is provided by the U.S. Census and is considered a reliable, leading indicator for future residential construction activity and the health of the housing industry.[xvii, 45, 46] In 2024, Maryland authorized just under 17,000 building permits, or **seven permits per 1,000 households** (Figure 23). The Carolinas and Texas permitted nearly three times as many permits per 1,000 households (21 and 20, respectively); and Florida and Delaware permitted more than double (19 and 17, respectively).

Figure 23: Building Permits per 1,000 Households by State in 2024



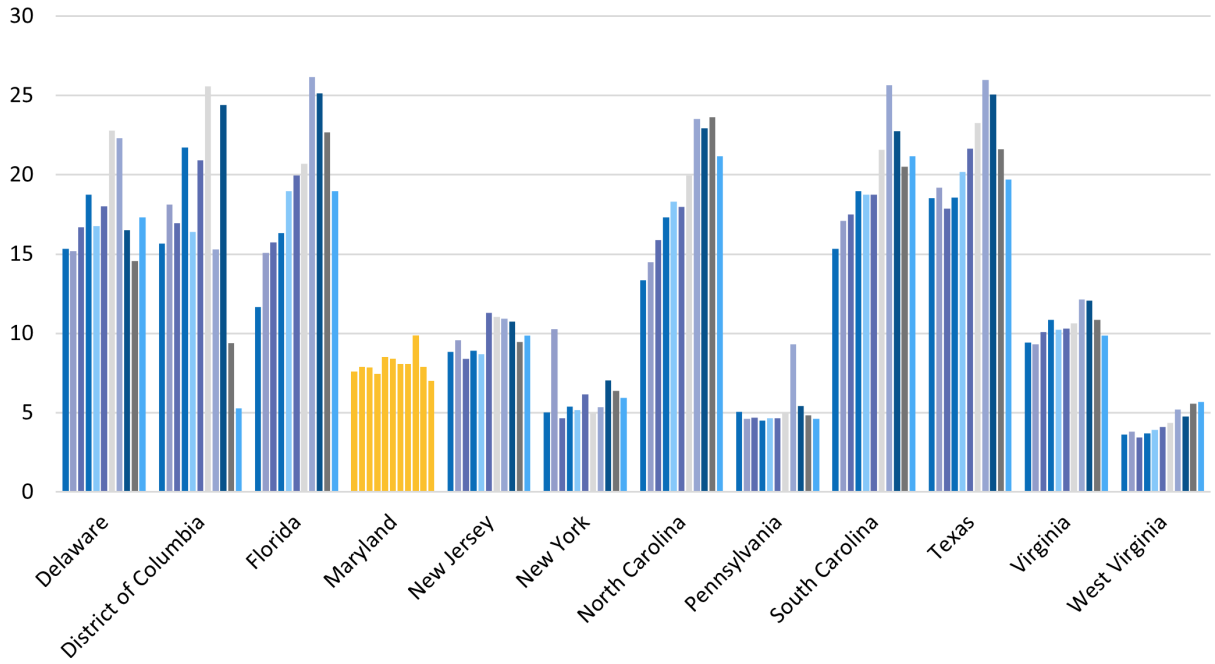
Source: U.S. Census Building Permit Survey; American Community Survey (ACS) 2024 1-year estimates, B11001

xvii Construction activity is not available at the state or local level through the U.S. Census. An analysis by Indiana University comparing data on housing permits, starts, and completions in the Midwest Census region found that 99% of permitted units were started within seven months.

In order to build 590,000 new housing units by 2045 (to meet projected demand), Maryland will need to approve nearly 30,000 permits per year. Since 2014, Maryland has permitted an average of 18,000 units annually. Most of the states that Maryland has been losing residents to have been permitting more new housing units per household *and* increasing the pace of permitting year over year, while Maryland has remained relatively stagnant (Figure 24). Over the past decade, Maryland has permitted between 7 and 10 units each year per 1,000 households while North Carolina, South Carolina, Texas, and Florida, among others, have been increasing the rate of units permitted and have permitted more than 20 units per 1,000 households in recent years (Figure 24).

South Carolina and Maryland have similar population size (5 million and 6 million, respectively), so they provide an interesting comparison. In 2010, Maryland and South Carolina permitted a similar number of housing units – 12,000 and 14,000, respectively. In 2024, that gap had widened to 17,000 and 47,000. This represents a 236% increase in the number of units permitted in South Carolina from 2010 to 2024, compared to a 41% increase in Maryland.[xviii] From 2010 to 2024, the population grew by 18% in South Carolina and grew by 8% in Maryland.

Figure 24: New Units Permitted per 1,000 Households by State (2014 to 2024)



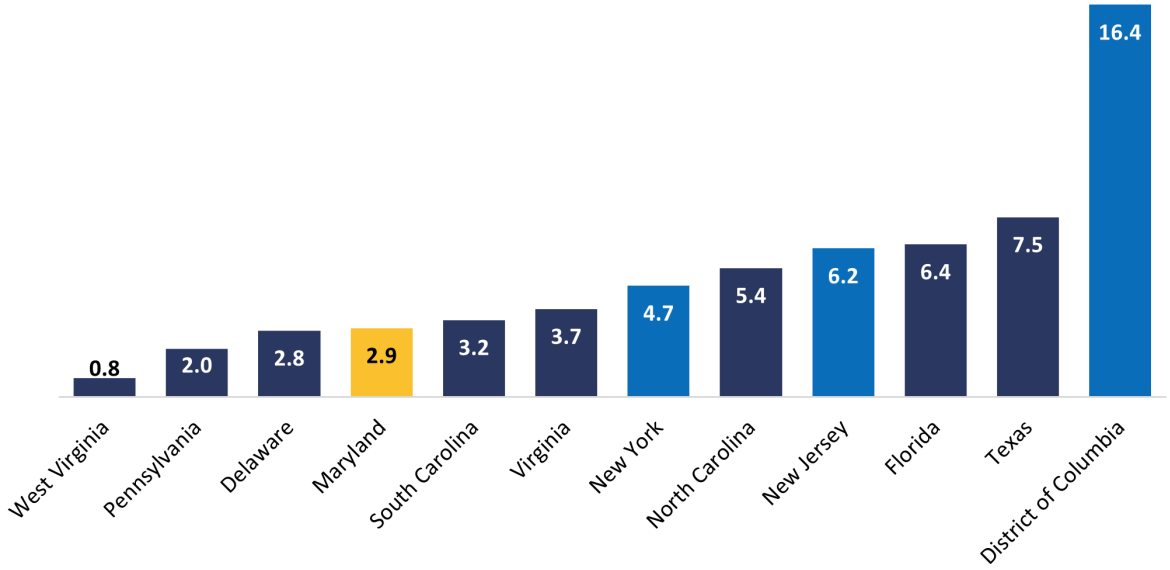
Source: U.S. Census Building Permit Survey; American Community Survey (ACS) 5-year estimates and 2024 1-year estimates, B11001 Note: Each bar represents a year, years 2013 to 2024

Generally, states with more affordable housing have permitted more multifamily units than Maryland (Figure 25). Washington, D.C. is unique in that it's an area with very limited land mass that must build at greater density, so it often appears as an outlier in this data set. After Washington, D.C., the states that have permitted more multifamily units per 1,000 households over the past 10 years are Texas, New Jersey, Florida, and North Carolina.

xviii Note that South Carolina is a larger state than Maryland in terms of land area (about three times the size), which can make building and zoning easier, but would not account for the total gap in supply. Self-imposed scarcity is a major factor, discussed in section 4.

Examining the multifamily building permits further shows that between 2014 and 2024, **Maryland permitted the fewest 2-unit buildings (duplexes) among the state cohort** at an annual average of 0.05 duplex units per 1,000 households. Notably, Delaware has permitted the most 2-unit buildings in the state cohort at an annual average of 0.5 duplex units per 1,000 households, and housing costs in Delaware have generally remained lower than housing costs in Maryland.

Figure 25: Average Annual Multifamily Units Permitted per 1,000 Households (2014 to 2024)



Source: U.S. Census Building Permit Survey; American Community Survey (ACS) 5-year estimates and 2024 1-year estimates

Permits for smaller multifamily buildings are particularly important because "gentle density" or "missing middle" units like duplexes can serve as a bridge between single-family homes (SFH) and large multifamily buildings. Duplexes, triplexes, townhomes, and small multifamily buildings can be easier for residents who oppose large-scale development to accept since they can have the appearance of SFH while allowing for more density and increasing supply.[47] Compared to SFH, gentle density provides more homes using less land which increases affordability.[48]

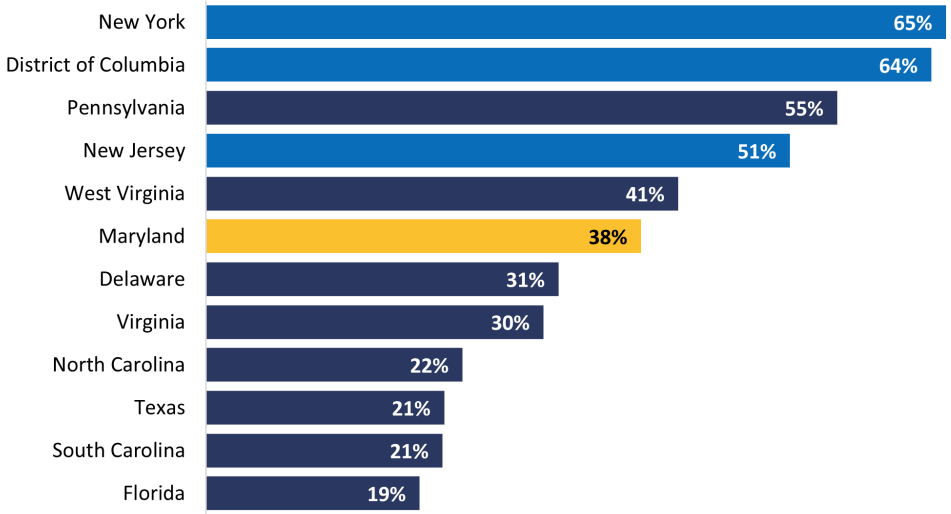
Factors that limit new housing production (cost of construction, restricted land use, etc.) are discussed in section 4.

D. Existing homes

Condition

In addition to building new units, it's important to keep up with **renovations and repairs of existing buildings and housing units to avoid losing housing stock**. Maryland has an older housing stock than many other states, especially the southern states: 38% of Maryland's housing stock was built before 1970, a greater share of older homes than Florida, Texas, and the Carolinas, which have closer to 20% of housing built before 1970 (Figure 26). Conversely, New York, Washington, D.C., and New Jersey have an even older housing stock than Maryland.

Figure 26: Share of Housing Stock Built Before 1970



Source: U.S. Census Bureau, American Community Survey (ACS) 5-year estimates 2019-2023, B25034

In roundtable discussions facilitated for this report, stakeholders in Western Maryland specifically cited deferred maintenance and the resulting deterioration of housing as a key challenge to maintaining and growing supply. On paper, it may look like there are plenty of available units in Allegany County, for example, but many are unappealing to prospective buyers given the degree of renovations required. In the Baltimore area, stakeholders cited vacant housing – housing that has deteriorated and become unlivable – as a key challenge.[49] Maintaining homes – especially old homes – is expensive; deferred maintenance and deterioration of the existing housing stock was cited as an issue more frequently in lower-income parts of the state.

The Lock-in Effect

The "lock-in effect" describes homeowners with low mortgage rates who cannot or do not want to move because they would forfeit their low interest rate. A study published by the U.S. Federal Housing Finance Agency (FHFA) found that "every percentage point that market mortgage rates exceed the origination interest rate, the probability of sale is decreased by 18.1%.[50]

This effect is currently prevalent because many homeowners bought when interest rates were at historic lows in 2020 and 2021 (around 3% for 30-year fixed mortgage).[51] Current higher interest rates (6% to 7% for 30-year fixed mortgage[52]) are keeping existing owners in their homes longer than they would be in a healthy market.[53] A 2023 national survey of homeowners found that more than three-quarters of potential sellers feel 'locked in' to their current home due to a low mortgage rate.[54] In 2021, when interest rates were lower, there were nearly 107,000 housing units sold in Maryland. In 2024, only about 69,000 units were sold, a 35% decrease in the number of housing units sold statewide.[55] Similarly, according to an analysis by the FHFA, the Washington, D.C. MSA lost an estimated 50,000+ sales between Q2 of 2022 and Q2 of 2024, specifically due to lock-in.[56]

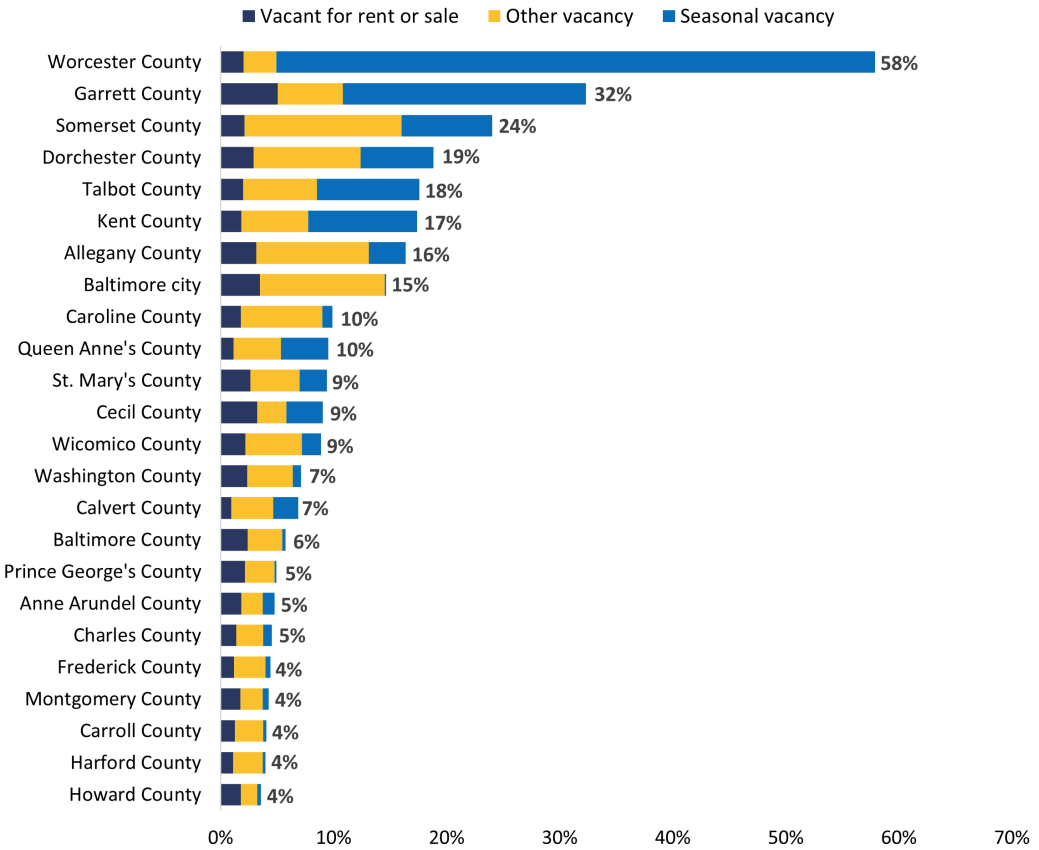
Limited inventory leads to a more competitive market with bidding wars, especially for "starter homes," that are more affordable for more residents. Recently, in the Baltimore area, this has led to offers more than $50,000 above the asking price.[57] The lock-in effect further restricts supply, reduces housing options for prospective homeowners, and puts more pressure on the rental market. These events have the effect of inflating prices and reducing affordability.[58]

Second Homes & Vacant Homes

The presence – and in some areas, concentration – of abandoned properties, investment properties, or seasonal homes in Maryland further strains the housing supply. The U.S. Census categorizes "vacancy" into several different types. Figure 27 depicts three primary components of vacancy: (1) housing units that are vacant because they're available for rent or for sale (discussed earlier in this section); (2) seasonal vacancy, which indicates a second home; and (3) "other vacancy," which represents a catch-all for all other types of vacancies, commonly homes that have been foreclosed upon.[xix]

As Figure 27 demonstrates, three counties in Maryland – Baltimore City, Allegany County, and Somerset County – have an "other vacancy" rate of 10% or higher, indicating higher shares of blighted homes. The figure also illustrates the share of units in each county categorized as "seasonal" which primarily captures second homes, such as vacation homes or investment properties. In Worcester County, over half (53%) of all housing units are seasonal (Ocean City), and in Garrett County almost a quarter (22%) of units are seasonal (Deep Creek Lake). This restricts the housing supply for local residents and puts upward pressure on prices for everyone. The average seasonal vacancy for the entire state is only 2%, so this is a supply issue that affects certain regions of Maryland more than others. Among the other states in the cohort, Delaware and Florida have the highest shares of statewide seasonal vacancy at 9% and 8% respectively.

Figure 27: Detailed Vacancy in Maryland Counties as a Share of Total Housing Units (2023)



Source: U.S. Census Bureau, American Community Survey (ACS) 5-year estimates 2019-2023, B25004
Data labels in figure show the total vacancy share for all three types of vacancy.

xix Other vacancy includes units that are defined by the Census as for migrant workers, rented, not occupied, sold, not occupied, and other vacant. Other vacant are units not classified as another type of vacancy. The Census Bureau reports that common reasons a housing unit is labeled "other vacant" is that no one lives in the unit and the owner is making repairs or renovations, does not want to rent or sell, is using the unit for storage, or is elderly and living in a nursing home or with family members.

4. Factors impacting housing costs & supply

Key Findings

- Nationally, the cost to build housing is at historic highs. The cost of materials and labor increased significantly since the start of the pandemic and are currently higher in Maryland than in all of the states to which Maryland loses residents. Costly infrastructure upgrades or expansions required to support new development (i.e., wastewater treatment plants, bridges, public sewer) significantly impedes new housing development.
- Nationally, regulation accounts for nearly 25% of the total cost of a new home. Certain regulations can meaningfully restrict supply, such as Adequate Public Facilities Ordinances. In Maryland, the volume and complexity of state and local land use regulations make projects lengthy and expensive for developers and challenging for local governments to administer.
- Extensive opportunities for public input and generous appeal rights combined with late vesting can draw out timelines even more, threatening the financial viability of projects.
- Local development impact fees and/or building excise taxes and the cost of capital add another layer of expenses and further elevate home prices. Complying with myriad land use regulations, taxes, and fees sets a price floor for housing in Maryland that is not affordable to many residents.

Introduction

There is a complex web of factors that drive up the cost and complexity of building new housing in Maryland, resulting in a chronic undersupply of homes. On their own, each factor limits production and taken together they have the effect of creating a significant imbalance between demand and supply.

This section organizes, quantifies, and provides project-specific examples of these factors across four categories to help identify the greatest pain points to development and inform potential solutions. The categories are: A) construction and infrastructure costs; B) zoning and land use regulations; C) public input, appeals, and vesting procedures; and D) development impact fees and building excise taxes. While these factors are not unique to Maryland, in many cases they are designed and implemented in a way that is costlier and more burdensome in Maryland than other states.

A. Construction and Infrastructure Costs

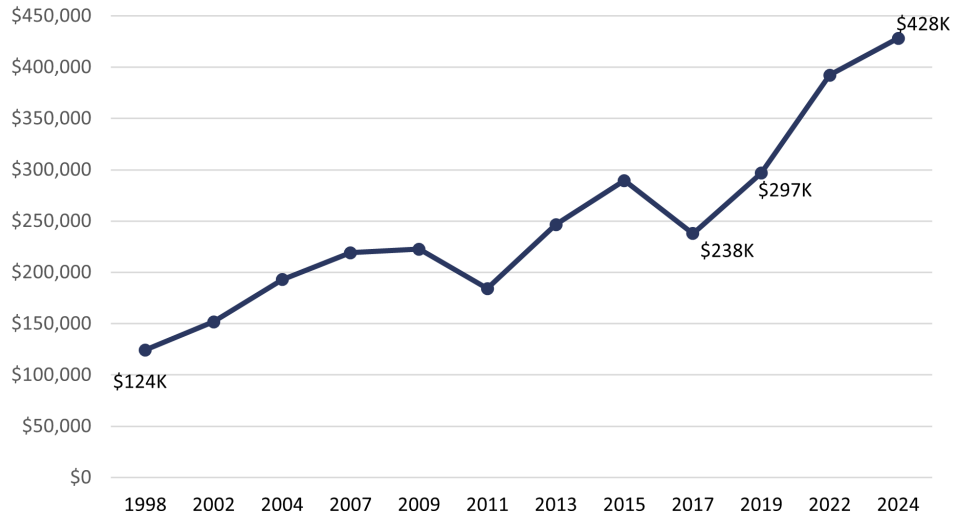
Nationwide, construction costs increased steadily throughout the 2000s due to: (1) rising cost of construction inputs associated with periodic inflation, material and labor shortages, and tariffs, and (2) expanding policy, regulations, and fees. This, in turn, contributed to restricted supply and higher housing prices.

In 2024, the National Association of Home Builders (NAHB) reported that the national average construction cost of a typical SFH was $428,215 – the highest in the history of its construction cost surveys (Figure 28). There has been an 80% increase in construction costs for a SFH since 2017. During the pandemic, increased demand for **building materials and labor** (as people invested in home repairs and renovations) coupled with supply chain disruptions led to higher material prices.[59] The cost of residential construction materials was 38% higher in 2024 than in 2019, exceeding the rate of inflation (22%) during that time period (2019-2024), and is expected to keep climbing due to tariffs.[xx, 60, 61]

xx BLS industry input indexes include domestic inputs (goods and services) consumed by industries, excludes capital investment, labor, and imports.

Home builders surveyed by NAHB in April 2025 estimated that recent tariffs will have a cost effect of $10,900 per home.[62] A recent analysis by the Tax Policy Center found that current tariffs will add $30 billion to the cost of residential construction.[63]

Figure 28: National Cost of Construction for Single-family Home (1998 to 2024)

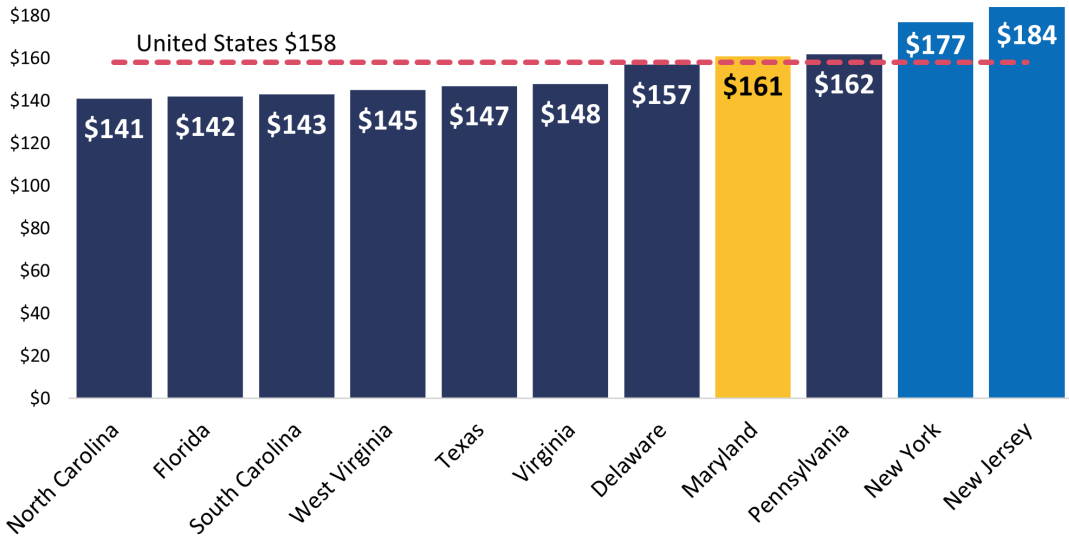


Source: National Association of Home Builders (NAHB) Construction Cost Surveys 1998-2024
Note: This takes into account the actual cost of construction and materials, architecture and engineering services, and various types of fees (i.e., building permit, impact, sewer & water).

On the labor side, average hourly wages in the construction industry have increased 22% since pre-pandemic (2019) nationally, and 23% in Maryland, reflecting a shortage of workers,[64] which is also likely to increase with mass deportations and reduced international migration. In Maryland, 12% of foreign-born workers are employed in the construction industry, more than double the percent of U.S. born workers in the industry.[65]

An analysis by *Today's Homeowner* of current construction prices per square foot (which, in this case, **includes materials and labor, but not land or fees**) by state shows that it is more expensive to build a 2,100 square foot SFH in Maryland ($161 per square foot) than in each of the states that Maryland loses residents to other than Pennsylvania, which is nearly the same (Figure 29) of $184 in New Jersey.[66]

Figure 29: Cost of Construction (Materials and Labor) of 2,100 SF home, Price per Square Foot by State



Source: Today's Homeowner, "How Much Does it Cost Burden Build a Home in Each State?"

Total construction costs vary by state based on differences in the availability of labor and cost of materials (depicted in Figure 29), and the regulatory environment. Take, for example, a comparison of Maryland and Texas provided by a contractor who builds multi-family housing for private and non-profit developers.[67]

(1) Labor costs are lower in Texas: the average wage for construction occupations is $25.81 in Texas and $30.52 in Maryland.[68] (2) Material costs are lower in Texas because commercial rental space and warehousing labor are cheaper. (3) Residential development is less regulated in Texas, so regulatory costs are lower, both as an amount and as a share of project costs. **In Texas, the cost of construction (materials and labor) represents about two thirds of total project costs, while construction costs represent closer to one third of project costs in Maryland.** The variance is largely attributable to policy and regulations and the costs associated with permits, appeals, and fees. Maryland has implemented laws and regulations over the years that have protected workers and the environment. In Texas, on the other hand, there are virtually no requirements regarding sediment and erosion control, storm water management, dust mitigation, and worker safety. There are also far fewer restrictions on density in land use and zoning, which enables high volumes of larger scale projects thereby lowering costs.

A related factor impacting construction costs is the need for new infrastructure to accommodate new housing development. In roundtable discussions for this report, representatives from nearly every county in Southern Maryland and on the Eastern Shore referenced the extent to which **a lack of infrastructure limits development but is also cost prohibitive for counties and/or municipalities to replace or build.**[xxi] For example, one county on the Eastern Shore has reached the capacity of its wastewater treatment plant (as per guidance from Maryland Department of the Environment), creating a moratorium on new development.

In jurisdictions in Maryland and across other states in the cohort, it is common for developers to contribute to the funding or construction of major infrastructure, like regional wastewater treatment plants and sewers, water distribution systems, highway interchanges, and schools, when local governments are unwilling or unable to. Maryland state law gives local governments the authority, through a series of land use regulations, to negotiate with, incentivize, or require developers to expand public infrastructure. These regulations include Development Rights and Responsibilities Agreements, Adequate Public Facilities Ordinances (APFOs), and development impact fees and building excise taxes, which are all discussed in detail below. In Maryland, these regulations reflect a policy decision by local governments to place the financial burden of expanding infrastructure on developers and new residents, rather than the entire tax base. Other states, like Virginia, rely more on the latter (i.e., dedicate some property and sales tax and commercial revenue to bond and fund infrastructure).

xxi Local governments have limited tools to generate revenue, which makes keeping up with rising costs particularly challenging. Counties can impose property or income taxes but only up to a state-set cap, municipalities cannot levy income taxes, and local governments cannot impose local excise or impact taxes without state-enabling legislation. One local government representative stated: "As a result, they depend heavily on state-shared revenues (e.g., Highway User Revenues, Program Open Space, Police Aid) and competitive grant programs to fund capital projects. These sources are often formula-driven, fluctuating year to year, and do not scale with local development pressure." The state tries to direct more resource to areas that local governments designate for planned future growth, by certifying them as "Priority Funding Areas" (PFAs) and prioritizing PFAs over other areas when allocating funding ["growth related capital investments"] for the development of highways, sewer, water, etc. through several state grant and loan programs. Overall, though, demand for state resources exceeds supply.

B. Zoning and Land Use Regulations

Zoning and land use regulations are often well-intentioned policies designed to protect communities, the environment, and manage growth. Too much regulation, however, can stifle growth altogether. According to several measures, Maryland appears to have reached the tipping point of too much regulation. For example, **the Wharton Residential Land Use Regulation Index ranks Maryland as the 6th most regulated state in the U.S. for residential development.**[69] The Housing Needs Assessment Update found that Maryland's municipalities (cities and towns) have the most restrictive regulatory tools and land use practices in the Washington, D.C., Maryland, Virginia region.[70] Today's state and local regulatory framework stems from 1970s federal environmental reforms like the National Environmental Policy Act (NEPA) and the Clean Air and Clean Water Acts. Many states and local government followed. These reforms contributed to a sharp decline in new housing production across the U.S. over the last 50 years. In the 2010s, the U.S. built 43% fewer housing units than in the 1970s, despite the 2010s seeing more population growth than the 1970s.[71]

Zoning

Zoning is a land use policy that dictates where and what type of housing can be built and includes elements such as density restrictions, minimum lot sizes, building height restrictions, and parking requirements. Economists Edward Glaeser and Joseph Gyourko have demonstrated how zoning impacts housing supply and cost by studying housing values relative to construction costs across the country. Areas where home values significantly exceed the cost of construction suggest that land is in short supply because it is expensive. While land supply can be limited **intrinsically** (less actual land mass), it is more often limited "**artificially**" by zoning. Through several tests analyzing the difference between home prices, construction costs, and the price of land, Glaeser and Gyourko have demonstrated that **"measures of zoning strictness are highly correlated with high prices."**[72]

In Maryland, state law authorizes local government to implement planning and zoning controls including the location, size, and use of structures.[73] Two types of zoning ordinances are commonly cited as pain points across Maryland: density restrictions and parking requirements.

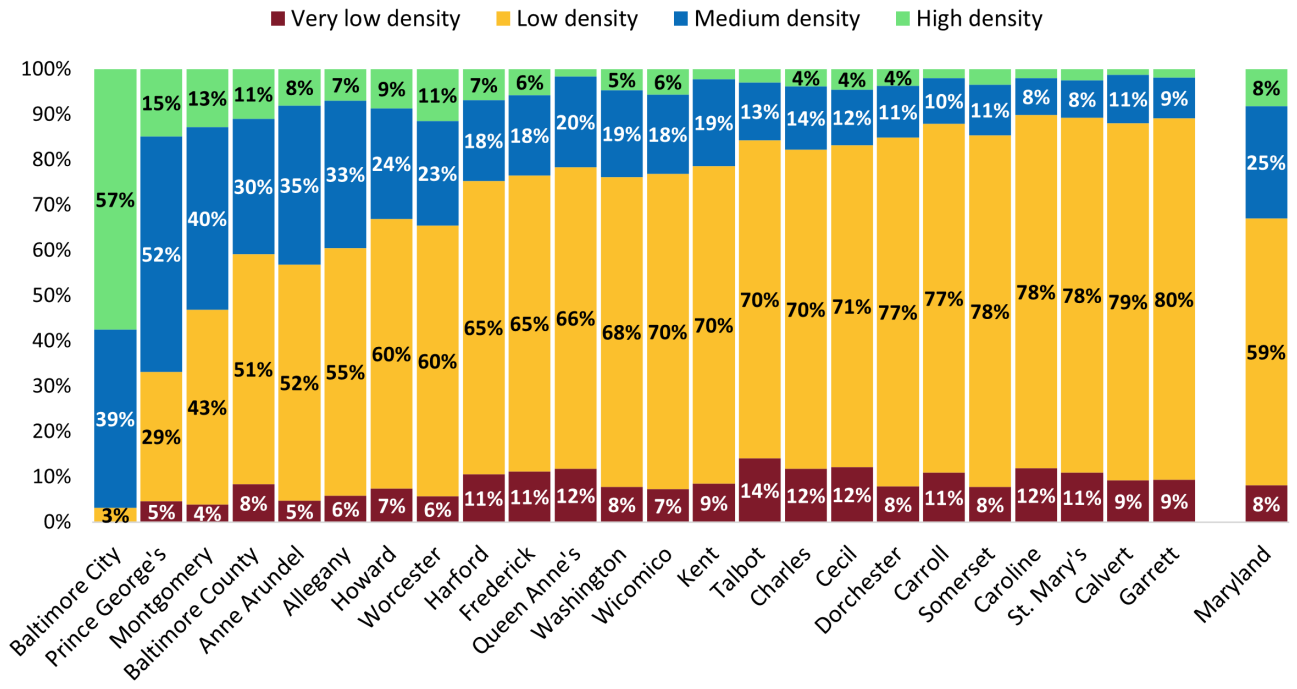
Density Restrictions

Maryland currently has an oversupply of land zoned for low-density development and an undersupply of land zoned for higher-density development, according to DHCD's 2025 Housing Needs Assessment Update. An estimated 1,970 acres needs to be upzoned from low density to high density to accommodate population growth through 2045. Figure 30 shows that **the majority (59%) of residential land in Maryland is zoned as low-density**, which is defined as SFHs or duplexes with minimum lot sizes of 0.5 acres and no more than two dwelling units per acre. A quarter (25%) of residential land is zoned for medium-density, or less than 8 dwelling units per acre. Only 8% of residential land is zoned for high-density, which includes attached row homes, garden apartments, and multi-family apartments, with at least 8 dwelling units per acre.[xxii]

Medium-density units, such as duplexes, are an important part of "missing middle" housing that is affordable to households earning at or below median incomes. In the Baltimore-Columbia-Towson metro area, only 30% of residential land allows duplexes by-right, according to the National Zoning Atlas.[74] By comparison, three high growth metro areas in North Carolina have embraced duplex development: in Durham-Chapel Hill, 86% of residential land allows duplexes by-right, 57% in Raleigh-Cary, and 44% in Charlotte-Concord-Gastonia.

xxii See methodology section for definitions of all density levels.

Figure 30: Maryland Residential Land Use Zoning Density by County (2024)



Source: Analysis of data from Maryland Department of Planning 2018 Statewide Land Use Map (2024 Edition)
Note: Figure is sorted by low density share, from lowest to highest

In some areas of the state, upzoning is not possible due to geographic or topographic constraints (i.e., floodplains and mountains). These challenges exist in every state, although Maryland does have less land mass than all the states it loses residents to, with the exception of Delaware. This makes it even more important for Maryland to upzone where technically feasible, and for infrastructure constraints to be remedied to enable more density.

Density makes projects more financially viable and environmentally sustainable. The Terner Center for Housing Innovation at the University of California, Berkeley recently reported that both building infill housing in existing communities and building denser housing, such as apartments and fourplexes, tends to reduce climate pollution.[75] These types of housing use energy, land, and materials more efficiently, systemically reducing climate pollution throughout the lifecycle of a building. They can also create communities that are less car-dependent, reducing travel and associated emissions or electricity, and help preserve natural carbon sinks, such as forest, which would be lost to sprawl. The Rocky Mountain Institute – an independent, nonpartisan organization focused on clean energy – recommends several land use policies that can help mitigate carbon emissions: ending exclusionary zoning; deregulating and pricing parking; eliminating minimum lot sizes, unit sizes, and setback requirements; legalizing accessory dwelling units (ADUs); and building permitting reform.[76]

Parking Requirements

Parking requirements significantly affect residential development size and cost-effectiveness. Local governments use them to manage traffic and preserve "neighborhood character," but mandating off-street parking reduces the number of housing units that can be built, driving up costs and limiting supply. These requirements also undermine walkability and pedestrian-friendly spaces. Parking regulations vary widely across and within counties. For example, a senior living facility is being

developed in a municipality in Western Maryland. The town zoning code requires that multifamily and townhome units have minimum of 2.5 parking spaces. For this project, 250 parking spaces are required to accompany the 100 one-bedroom apartments.[77, xxiii]

To comply with this regulation, a large amount of the parcel must be set aside for a paved surface lot. (A parking garage would be prohibitively expensive: according a U.S. Government Accountability Office study, above or below ground parking structures add an average additional cost of about $40,000 per housing unit.[78]) The result is more impervious surface area (asphalt), which results in less developable land for housing and contradicts the state's climate goals to better mitigate runoff and manage stormwater.

Parking requirements impact project feasibility: when developers are forced to build fewer units, it affects their financial returns and the overall economic value of the project. These regulations alter the market – there is very likely demand for senior living apartments with only one parking spot each, which would cost less to build and yield more units, but that isn't an option.

In comparison, a town in the neighboring county, less than 10 miles away, has a specific designation for senior housing units, requiring only one parking spot per unit for these developments. While this is a more sensible regulation for senior housing (as fewer seniors drive and the housing shorting for seniors is particularly severe), this same town has a separate, restrictive parking regulation for single family homes and townhomes where they require at least two parking spaces per townhome, but parking spaces located in attached garages do not count towards the two-space minimum.[79]

This issue is not unique to Maryland. The National Zoning Atlas tracks minimum parking requirements across the country. They report that 99% of residential land in the Baltimore-Columbia-Towson metro area has a minimum parking requirement. By contrast, this share is 60% for the Raleigh-Cary, NC metro area.[80] Across the country, municipalities are starting to roll back parking restrictions: Over the past four years, Minneapolis and St. Paul (Minnesota), Raleigh (North Carolina), and Salisbury (Maryland) all eliminated minimum parking requirements completely and some places have instead implemented parking maximums.[81, 82, 83, 84] Baltimore City is currently considering similar legislation.[85] Montgomery County recently eliminated parking requirements for residential development near transit hubs (metro, the purple line, or bus rapid transit).[86]

Additional Land Use Regulations

In DHCD's Housing Needs Assessment Update, NCSG found that strict zoning is central to constrained housing production and that **local governments in Maryland tend to supplement zoning "with a variety of additional regulatory tools that negatively impact housing supply."**[87] The combination of additional land use regulations on top of density restrictions and parking requirements adds more complexity and costs and can further artificially limit the availability of developable land. Specifically, this layering of land use policies creates a chasm between "**by-right density**" – the maximum number of units allowed on a parcel of land under current zoning – and "**actual density**," or what is actually buildable based on other land use rules.

At the state level, developers cite as pain points a range of land use rules that are intended to protect the environment, including forest conservation, wetlands preservation, soil conservation, and stormwater management. Another frequently-cited cost driver is Maryland's sprinkler law which mandates fire sprinklers in all new one- and two-family homes. California is the only other state in the U.S. with this law.[88] Most of these state laws are enabling – they set the floor for localities that

xxiii Developers can seek adjustments to the parking requirement during their development plan review, but it was not granted in this case.

can either adopt the state minimum or create more stringent ordinances. This means that some jurisdictions are simply implementing and enforcing state regulations, while others have made a policy their own. This creates inconsistency across the state: different localities often end up regulating the same features in different ways. Regarding policies that are purely local, developers identified other land use regulations intended to control growth as pain points, including APFOs and urban growth boundaries.

In roundtable discussions facilitated for this report, developers cited APFOs and Forest Conservation Act "updates" as particularly onerous in terms of restricting development and increasing project costs. These policies are discussed in more detail below.

APFOs

APFOs are a commonly used planning tool in Maryland: 14 counties and 25 municipalities in Maryland have enacted an APFO.[xxiv] [89] The Maryland Department of Legislative Services defines an APFO as "a growth management tool that attempts to link the timing of new development to the availability of public facilities capacity needed to serve the development."[90] APFOs tie development project approvals to specifically defined standards for public facilities, including: (1) fire and/or emergency services, (2) roads transportation, (3) schools, (4) sewer, (5) stormwater, (6) water, (7) open space / parks, and (8) solid waste. APFOs are intended to slow the pace of development or delay projects when there are existing or anticipated constraints in these areas.

The Maryland Department of Planning offers an explanation of how APFOs work in practice: "In plain English, an APFO says that if the roads are too congested, if the school classrooms are too crowded, if the water system cannot provide enough water, or if the sewer pipes or treatment plant are full, then development cannot be approved until the problem is corrected."[91] Correcting the problem looks different across jurisdictions. Projects may be put on a waitlist for an extended period of time, until the infrastructure needed to support the development is in place or until funding for improvements has been (completely or partially) secured. In some cases, developers are permitted to provide an in-lieu payment (on top of impact fees, discussed in part D) to cover needed improvements and allow the project to move forward.[92, 93]

These ordinances are well-intentioned: local governments want to ensure they can provide a high level of service and good quality of life for their residents. However, APFOs can also restrict housing growth and inflate housing prices. A 2006 study by NCSG on APFOs in Maryland found that, in the 1990s, APFOs in Harford, Howard, and Montgomery counties were responsible for "deflect[ing] as much as 10 percent of the new home development that otherwise would have been built within the PFAs [Priority Funding Areas][xxv] of those counties."[xxvi] [94] NCSG found that while there were some positives associated with APFOs across Maryland counties, many were using APFOs as the **primary** tool to manage growth (an "inappropriate use" from their perspective), creating unintended consequences, such as shifting development away from areas designated by local governments for growth.[95] An example of another legislative tool to manage growth is Development Rights and Responsibility Agreements (DRRA).

NCSG's recent analysis of APFOs in the DHCD Housing Needs Assessment Update found that when public infrastructure is **not** provided concurrently with new growth, APFOs can be a "building moratorium that limits growth and constrains housing supply." (For example, between 2016 and

xxiv In 1973 Montgomery County became the first Maryland county to implement APFO policy.
xxv Areas that local governments designate for planned future growth.
xxvi Montgomery and Howard Counties have since made reforms to their APFO policies (in 2021 and 2018, respectively).

2021, seven counties in Maryland implemented housing moratoria because of school capacity constraints.) On the other hand, "if public infrastructure is made available concurrently with new growth, APFOs can actually improve housing development outcomes."[96] Across Maryland, county APFO policies are structured differently: to address public facility concerns, some have moratoriums while others offer cost-sharing or fee options (i.e., require developers to pay and allow projects to move forward).

APFOs can also be political and complex to administer. Even when a developer is able and willing to pay for infrastructure (i.e., a sewer or water system), the improvement of infrastructure is sometimes not welcomed (because it growth is not always wanted) or allowed (i.e., it is not permitted "by right"); especially in smaller towns, infrastructure investments can be contentious and APFOs can be used as a tool to stymie growth. As the Department of Planning states: "The premise that adequate public facilities should be available for new growth seems obvious. But the experience in Maryland (as well as other States) has been that implementing an effective, consistent, and fair set of regulations is not as easy as it might seem."[97]

It's difficult to compare the design and impact of APFOs in Maryland with other states as most other states do not use them. APFOs are common (and known as "concurrency" policies) in Florida and Washington state and have been implemented by some municipalities in New York and California.[98] Most states, including the neighboring states of Virginia, Delaware, Pennsylvania, and West Virginia, do not use or do not commonly use APFOs. Meanwhile, more than half of Maryland counties use them. Anne Arundel, Baltimore, Prince George's, St. Mary's, and Calvert counties' APFO policies cover six facility types. Caroline, Carroll, Montgomery and Washington Counties' policies cover five facility types. Charles, Frederick, Harford, and Queen Anne's cover four and Howard County cover three (see Appendix Figure 40 for types of APFOs by county). Each presents an additional potential barrier in the pursuit of enhanced housing supply.

Forest Conservation

Forests serve as critical natural infrastructure that protect communities, preserve water quality, and sequester carbon. Maryland has been a national leader in this space.[99] Maryland's Forest Conservation Act (FCA), enacted in 1991, was created to minimize forest loss associated with development. In 2023, a bipartisan law – the Forest Preservation and Retention Act – enhanced the 1991 state standards. Its purpose is to integrate forest protection into the earliest stages of land planning and development by requiring most projects involving about an acre or more to submit a Forest Conservation Plan.[xxvii] [100] According to the Maryland Department of Legislative Services, at its core the new law shifted the standard from "no net loss of forest" to increasing the acreage of forest land and tree canopy in the state.[xxviii] Practically, the new law brings more uniformity to mitigation requirements and – for several project types and locations – increases mitigation requirements.

The law increases "replanting ratios" (the amount of forest area that must be replanted to offset acres of forest removed for development). Transit-oriented development and multifamily projects continue to follow the previous rule of replanting one-quarter acre or permanently protecting one-half acre for each acre cleared. For projects in Priority Funding Areas, one-half acre must be reforested for every acre removed, and for projects outside those areas, the requirement is now one-to-one replacement.

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xxvii There are at least 13 exemptions in state law, and exemptions vary at the local level

xxviii From an implementation perspective, the definition of "forest land" is complex: a contiguous patch of trees that is at least 1 acre in size exhibiting at least one transect of at least 120 feet in width.

The law clarifies the hierarchy of mitigation, and what counts as replanting, which was previously ambiguous and subject to local interpretation. (1) Retain and protect existing forest on-site (always preferred); (2) Replant forest (also known as reforest or afforest) on-site; (3) Mitigate (conserve or afforest) off-site; and (4) Pay a fee-in-lieu.

Off-site mitigation is typically done through qualified forest conservation or afforestation banks. Under the new law, no more than 50 percent of a project's total mitigation (or 60% with justification) may be satisfied with conservation bank credits; the rest must be afforestation (replanting). The fee-in-lieu option does come into play regularly because there are limited options for establishing new forests in Maryland, which is the 9th smallest state in the U.S. by land mass.[101, 102, 103 104]

For many projects, the enhanced state replanting ratios and the limit on conservation credits will reduce developable land and project density and/or increase costs associated with replanting. This adds another barrier to financial viability of a project and housing affordability.

As is typical in Maryland, this state law sets the minimum standard; local governments can implement it as-is – in which case they are simply reviewing project plans to ensure that they comply with state law – or they can go above and beyond, requiring a higher level of replacement or a higher fee in lieu. According to the Department of Natural Resources, some local governments require over 10 times the state fee. Consider the following example from a municipality in the national capital region (with a particularly expensive and restrictive forest conservation policy). According to a developer who works in this area, fees in lieu of replanting total about $250,000 per acre. To develop 10 townhomes (gentle, "missing middle" housing) on a 1-acre forested site would add about $25,000 per dwelling unit.

"Smith Island Cake Effect"

Some developers working in Maryland have dubbed the excessive layering of regulations as the Smith Island Cake Effect, the official state dessert of Maryland, known for its thin layers of yellow cake interspersed with a fudge-like frosting. Few developers consulted for this report took issue with the **substance** of any individual land use policy; rather they are frustrated by the **volume of regulations which make the process for obtaining permits and approvals time consuming, costly, and complex.** Part of the challenge is that developers must coordinate with dozens of local, state, and federal government entities (each of which can have their own version of or interpretation of a land use regulation on the same topic). As an example, Calvert County published a list of all of the government entities that review residential development projects. See Figure 30.[xxix]

xxix This list is typically even longer for transit-oriented development projects – even though that is a type of development that the state is trying to prioritize and incentivize – because regional and state public transit entities must be involved, private landowners, and/or operators of rail, etc.

Figure 30: Calvert County Residential Development Review Agencies

Department of Planning & Zoning (P&Z) ○ Development Review (TEG/SEG) ○ Development Review Coordinator ○ County Critical Area ○ Rural Review ○ Cultural Resources ○ Environmental Planning, Policy/Programs ○ Environmental Planning, Plan Review ○ Long Range Planning ○ P&Z Transportation Review ○ Architectural Review ○ Major Subdivisions and Site Plans (Cat. I) in Town Centers ○ Site Plans (Cat. II, Redlines), Subdivisions and Road Names ○ Subdivision Review (Minors) and Replattings ○ Board of Appeals **Department of Public Works** ○ Engineering and Transportation ○ Capital Projects ○ Enterprise Funds Operations, Water and Sewer	**Soil Conservation District** **Department of Public Safety** ○ Emergency Communications and Microwave Path Reviews ○ Emergency Communications, Addressing Review ○ Fire, Rescue & EMS, Fire/Rescue **Public Transportation** ○ County Transportation Review **Maryland State Highway Administration** **Maryland Department of Natural Resources** ○ Critical Area, Coastal, Wildlife Heritage ○ Maryland Department of the Environment **Environmental Health** **Utilities** ○ SMECO/BGE **Department of Parks & Recreation** **Calvert County Sheriff's Office** ○ Adequate Public Facilities Review **Department of Technology Services** ○ Geographic Information Systems (GIS)

Source: Lusby Villas | Calvert County, MD - Official Website

Each of these government agencies has its own goals and interests – ranging from climate resilience and land preservation to traffic mitigation and housing affordability. Naturally, their goals don't always align, and some local, state, and federal policies directly conflict (i.e., forest conservation and growth plans that don't allow for dense development; APFOs and designated growth areas/ priority funding areas). **At a minimum, this can create confusion and add to administrative burden for developers. At worst, it can completely stymie development.** A recent example from Prince George's County illustrates the challenges that can arise when agencies have differing objectives and policies.

A 500-unit, 160-acre residential development (with associated utilities, roads, and stormwater management facilities) in Upper Marlboro was **indefinitely put on hold** in June of this year due to a stalemate over wetlands protections. In order for the project to receive approval from the Maryland Department of the Environment (MDE), 3.6 acres of wetlands must be mitigated. MDE recommends the purchase of credits from one of the state's mitigation banks rather than having the developer perform mitigation directly. The mitigation bank (Patuxent Wetland and Stream Mitigation bank) recommended that the developer purchase credits from a 65-acre easement in Howard County, which is part of the same wetlands zone as the site in Upper Marlboro. The developer was on board with this plan, but the sale requires approval from the Maryland Agricultural Land Preservation Foundation (MALPF) board, a separate entity administered by the Maryland Department of Agriculture, which administers the Howard County wetland easement.

The MALPF board denied the sale of wetlands mitigation credits because the development is not located within a designated Priority Funding Area (PFA) in Prince George's County. MALPF policy requires that the sale of wetlands credits generated on a MALPF administered property must be used for development in a PFA to avoid sprawl or development in unplanned areas. (In addition to affecting resource allocation, the PFA designation impacts certain development approvals and regulations, like this one and the Forest Conservation Act replanting rules cited above). The MALPF board, however, is allowed to make exceptions to this policy. In this case, the board approved by near-unanimous vote to not use its exception authority, even though the project has been approved by Prince George's County, is located in a county-designated growth area (though not technically a PFA), meets all other state and county zoning and infrastructure requirements, and most critically helps to address the county's need for new housing.

For the project to move forward, the developer will have to go through a lengthy, expensive, and arduous process to perform direct mitigation, which is **not** recommended by MDE; or Prince George's County will have to revise its PFA to include the development site, which could take months and even years. These obstacles will make it extremely difficult for this project to move forward and for the county and state to meet housing production goals.

Local government representatives consulted for this report reveal that the Smith Island Cake Effect – the volume of regulations and the fact that they are sometimes in conflict – is not only a burden for developers but also a logistical and financial nightmare for their staff and the regulators working with limited budgets and human resources. (Research from the Mercatus Center at George Mason University confirms this sentiment.[105]) In one Western Maryland county, for example, one person handles all zoning and forest conservation, and another oversees all state land preservation programs. As one local government official put it: "*The new regulations don't stop—each adds more time, cost, and complexity. The more complex the regs, the harder they are to implement. This will make it impossible to dig out of the housing shortage.*"

Time and Money

The bottom line is that cumbersome policies and regulations, and associated government approvals add increasingly more time and money to projects. In a recent analysis of multifamily development timelines across the U.S. between 2003 and 2022, researchers from the Atlanta Federal Reserve found that the average pre-development or "planning period"[xxx] was 15.3 months and the construction period was 12.3 months.[106] Planning documents from a developer in Prince George's County reveal a standard[xxxi] planning and permitting period of 42 months and just 12 months for construction.

The Federal Reserve analysis states: **"[l]onger planning periods matter, not only because they delay a project's development, but they may also affect investment levels and projects' ability to be successfully completed"** and that "regulations, such as different zoning ordinances, building codes, and government approval processes" are the most common cause of development delays.[107]

Private investors, who are essential to residential development, especially large market-rate projects, have taken notice of these issues. Nationally, financing is currently challenging due to broad economic and capital market forces (interest rates, construction cost inflation, etc.). On top of that, according to

xxx The planning period includes architectural and engineer design, market analysis and community engagement, and zoning approval.
xxxi The schedule provided is based on average review timeframes. It is based on submittal of nearly code compliant plans, and is based on the assumption that the permit applicant (engineer, architect, etc.) will resubmit each case within 2 weeks from receiving agency comments.

Newmark Multifamily Capital Markets, there are new local headwinds: investors view the number and evolving nature of policies governing residential development in Maryland as a risk, leading them to seek higher rates of returns.[xxxii] Investment risks are incorporated into project budgets in the form of higher interest rates or greater collateral requirements, increasing overall capital costs.

To generate a higher rate of return, developers have to either cut costs or increase profit. The latter is achieved by raising the price of housing, which is passed on to homebuyers and renters in Maryland. Investors have had a particularly strong response to rent stabilization policies recently enacted in Montgomery and Prince George's Counties; some indicate that they are no longer interested in investing in multifamily real estate in the area as a result.[108, 109] Data from Newmark suggests that sales of multifamily market rate communities have decreased since rent stabilization was introduced in Prince George's. Montgomery County's rent control law went into effect in June 2024. Data from the Montgomery County Economic Development Corporation and the Montgomery County Planning Department reveal that only seven multifamily units were permitted in Q1 of 2025, while over 500 units were permitted in Q1 of 2024, 2023, and 2022, respectively.[xxxiii] [110] While investors cite rent stabilization as a key deterrent, there could be other factors at play (especially given that rent stabilization does not apply to new construction), including concerns about the region's growth and demand for new housing in the wake of federal government cuts.

As of 2024, 305 municipalities in the country across eight states, including Washington, D.C., have rent control or stabilization policies.[111] Within the cohort for this report, only three other states have rent stabilization: New Jersey, New York, and Washington, D.C. In several of the states that Maryland loses residents to, including North Carolina, Florida, and Texas, rent control is prohibited (unless there is a housing emergency per Florida and Texas laws).[112, 113, 114] Rent control or stabilization restrictions generally apply to older buildings, not new construction. Montgomery County exempts new buildings from rent stabilization for 23 years. As with all rent stabilization policy, the intention is keeping housing costs lower for residents (using a demand lever), but may also have the effect of limiting supply as developers perceive there will be fewer interested buyers of a building that will become rent controlled (and thereby would have a lower profit potential).

Another example of **the relationship between the volume of regulations and project costs** is the need for developers to hire a number of consultants, engineers, lawyers, and others to get through the residential development process in Maryland. A real estate and land use attorney (who has represented both government and developers) consulted for this report shared the following:

> *Depending on the location of the development, a project may have over a dozen different environmental reviews including, but not limited to, critical area, wetlands, floodplains, forest buffers, forest conservation, soil conservation, grading and sediment control, septic tiers, stormwater control, air quality (if applicable), dams, Army Corps of Engineers when limits of disturbance involve streams, green construction standards and some other things on a case-by-case basis. Some of these happen at both a local and state level. It is a significant time burden.*
>
> *Developer consultant fees are going through the ceiling on these reviews, for engineers and design experts and legal counsel. And don't be mistaken that consultants are a luxury that you can choose to do without. A project cannot get through the review, approval and permitting process anywhere without multiple design consultants and legal counsel. And this is not just for*

xxxii Fairfax County, Virginia and Prince George's County, Maryland are in the same metro region and are similar in size with a comparable number of multifamily communities. According to Newmark Multifamily Capital, investors expect a 4.75% return in Fairfax, and require at least a 6.25% return in Prince George's.
xxxiii During the same time period, permitting of multifamily residential units rose nationally and permitting of townhomes and duplexes in Montgomery County were relatively stable.

big projects. Even a single lot single family dwelling can get jammed up in these reviews with exploding consultant fees. All government reviewing agencies are understaffed. All reviewers are overloaded. It's not a few dollars here and there that a business can absorb. It is real money, and it has to be passed through to the consumer when there are unanticipated changes or lengthy reviews.

National estimates by the NAHB indicate that regulation accounts for nearly a quarter of the average new home price in the U.S., or about $93,000.[xxxiv, 115, 116] Given that Maryland ranks as the 6th most regulated state for land use, the financial burden of regulations is likely significantly higher than the national averages. In most cases, with some local and state exceptions,[xxxv] these costs and regulations are the same for affordable (income restricted) housing. The lengthy public input processes, parking minimums, APFOs, etc. drive up the cost to build affordable units, making it harder to finance and supply affordable housing, which in turn drives up the need for federal, state and local subsidies to keep costs low for residents.

Maryland provides "gap financing" through state grants to support affordable housing projects because they are challenging to finance privately. According to an affordable housing developer in Maryland, gap financing ends up covering carrying costs associated with project delays, which can be substantial in jurisdictions with longer project review/approval timelines (up to $1.5 million in interest accrued during delayed pre-development periods in his experience). He states: "Delay is a hidden tax on housing; what begins in the six figures can grow into millions, so taxpayers end up subsidizing process, not homes. Requiring quicker timelines would flip that script and the state's scarce resources would leverage more housing." [117] Given federal funding cuts and strains on state and county budgets, subsidies will not keep up with costs. The state must focus on bringing down costs in order to supply both affordable and market rate housing.

Land use policies and regulations can impede the state's ability to grow its tax base and meet broader climate goals. Lengthy project timelines reduce potential tax revenue from new properties and residents, while complex environmental regulations make it difficult to build dense, multifamily housing at scale, which is, ironically, the most environmentally friendly housing type. Better coordination among agencies and streamlining processes could help projects move through the process more quickly.

C. Public Input, Appeals, and Vesting Procedures

Accompanying land use policy is an extensive set of procedures related to public input, appeals, and vesting rights. How these processes are implemented, such as whether input and appeals are allowed at the individual project level or the policy-setting / planning level, impact the pace and volume of development. Maryland state and local laws have long and expansive public input periods, greater appeal authorities, and later vesting rights than other states, creating a more litigious environment for opponents of development, which negatively impacts housing supply and affordability.

Public Input

In Maryland, developers are required to publicize and (if requested) host public meetings related to most permits and approvals obtained over the course of the project, even for "by-right" developments

xxxiv This estimate is based on the average of $394,300 for a new home and regulation that accounted for $93,870 of the final house price. The cost of regulation in the price of an average new home has hovered around 25% since at least 2011.

xxxv For example, some counties in Maryland have recently revised APFO policy to exempt affordable housing projects from APFO requirements, and some jurisdictions have lower impact fees for affordable housing developments.

– projects that comply with local zoning and are not subject to administrative approval.[118] Each public meeting opens the door to delays and legal challenges. According to developers consulted for this report, each public hearing adds a minimum of six weeks to the project and a legal challenge typically adds a minimum of one year. In Delaware, public comment is common during state-level review of residential development, but "is largely removed in the permitting process, except for major pieces of the puzzle such as water interconnection."[119]

A developer interviewed for this report initiated two very similar active adult retirement projects in 2003: a 2,000-unit community in an annexed growth area in Delaware; and a 2,500-unit community on the Eastern Shore in Maryland. Today, 1,800 lots and 1,500 homes associated with this project have been developed in Delaware while only 300 lots and 200 homes have been developed in Maryland. The developer attributes this to differences in the public input process and appeal rights.

According to research by Yale Law School legal scholar Anika Singh Lemar **"no other local government function, whether budgeting, policing, or education, features or prioritizes public participation to the degree seen in land use law."**[120] Arguments in favor of public participation in housing development include accountability to existing residents to ensure that development is not a top-down process that ignores community perspectives, as has been the case in the past (i.e., urban renewal from the 1960s).

Singh Lemar concludes that, "Public participation is important to planning processes, but we should be deeply skeptical of public participation's role in approving any individual development proposal. Introducing public participation requirements at the stage of individual development approvals encourages communities to be reactive rather than proactive. It detracts from the planning and zoning process by giving angry neighbors an opportunity to kill a project even if the project is consistent with state and local law, including laws concerning planning and zoning. The planning process is undermined by inconsistent application of law (the plan and the zoning) to fact (a specific development proposal)."[121] Allowing public input at the project level also undermines the technical and subject matter expertise of local planning and permitting staff who are trained to review and respond to permits and plans submitted by developers to ensure that they are complying with each regulation.

In response, **some states are moving to prioritize public engagement during the planning phase.** For example, Montana's 2023 Land Use Planning Act shifts public input to the creation and revision of citywide land use plans and codes, rather than during the review of individual developments.[122] Developers must still comply with all regulations, but the process becomes more streamlined and less vulnerable to frivolous obstruction.

Appeals

In most jurisdictions in Maryland, any person "aggrieved" by the approval, denial, renewal, or revocation of a development permit may appeal to their local board of [administrative or zoning] appeals within 30 days. Many states (including neighboring states) follow a similar process. However, in Maryland, it is easier for a resident to establish legal standing (to qualify as "aggrieved"), which is required to appeal a project.[123] In Maryland, proximity to the project is enough to grant standing and broad quality of life concerns (i.e., changes to the neighborhood's character, traffic, or reduced property values) are typically sufficient evidence for standing. By contrast, in Delaware and Virginia, for example, standing must be proven through specific harm, even for immediate neighbors. Because it is easier to establish standing, it is easier to appeal and hold up developments in Maryland.

A 276-unit multifamily project began the pre-development phase in Southern Maryland in 2020. For four years, the developer worked to complete environmental studies and engineering design work, and received required approvals for the concept subdivision, forest stand delineation, forest conservation, a detailed site development plan, and a preliminary subdivision plan (May 2024). A final subdivision certificate was obtained in August 2024.[124]

The next month, with the support of local elected officials, a group of concerned citizens appealed the Planning Commission's subdivision approval, initiating a legal battle over concerns with (1) the approval process itself, (2) increased traffic and school seats, (3) availability of public water and sewer capacity, (4) stormwater management and (5) not properly addressing Forest Conservation requirements.[125, 126]

This appeal halted progress on the project for one year**.** When the case got its day in court (August 2025), the judge swiftly denied the citizens' appeal upon observing that the developers had already obtained adequate public facilities including an approved traffic study and school seat availability, purchase of water and sewer allocations, transfer development rights, stormwater management approval, and dedication of the required forest conservation area. Nonetheless, the same group just appealed the judge's decision (September 2025), so the project remains on hold until its next assigned court date in Q1 of 2027.[127]

These types of delays cost developers money – consultants and staff still need to be paid to stay engaged on a project, and carrying costs (interest payments to lenders) add up. According to the owner of the above project, they have already invested $2.5 million in the project and 5.5 years later they have yet to break ground. Now they face another 14 months of delay and are still subject to further appeal and possible cancellation of the project altogether. The Mercatus Center cautions that currently, "appealing a land-use decision is a no-risk proposition for appellants, with a clear upside of delaying the project."[128]

When projects are substantially delayed (in court or in the administrative review process), a new series of concerns emerge, including (1) permits and approvals expiring, and (2) new policy and regulation being enacted in the jurisdiction of the planned project. In the above example, there have been at least two meaningful policy changes since the project began in 2020, including a decrease in the number of allowable units per acre (from nine units to four). If the project is delayed long enough that the site plan expires (which is slated to happen in 2027) it could be denied under these new, lower density land use and zoning regulations. Subject to these new policy changes, the project density would be cut by more than half and, according to the owner, no longer financially viable.

Vesting Rights

Vesting rights[xxxvi] protect property owners against changes in [zoning / land use] law while projects are under development. Vesting rights are granted **late** in the process in Maryland relative to other states. In Maryland, vesting is granted when a developer: (1) secures all building and construction permits, and (2) commences "visual" construction "in good faith."[129] Delaware and Virginia, on the other hand, are examples of "**early vesting**" states. The Delaware Supreme Court determined that "a property owner need not have obtained a building permit in order to be protected from changes to a zoning or subdivision code made after the property owner ***started*** the [permitting] approval process."[130]

xxxvi Vesting rights are typically determined by case law/ common law, but statute can be enacted pertaining to vesting.

Vesting rights were cited as a meaningful pain point by developers interviewed for this report. They provided examples of being deep in the pre-development phase of a project[xxxvii] and having to **backtrack** and make substantial revisions because of a change in law or regulation, or a change in the way that a review agency interpreted an existing policy. With late vesting, there is limited "grandfathering" or protection against subsequent changes to land use and zoning regulations once a project begins, which creates substantial uncertainty and financial risk for developers. Last year, the Maryland General Assembly considered a bill that would have created earlier vesting statewide, and once granted, protected the vested status for a minimum of five years.[131] The bill failed, in part due to local concerns that developers could lock in a project with no intention of building for years or even decades while local needs change.[132] (Instituting an expiration date could potentially address this concern, according to supporters of the bill.)

D. Development Impact Fees and Building Excise Taxes

Development impact fees and excise taxes charged by local governments have become an additional cost burden that alters the economics of building homes and inflates housing prices. They are borne by developers and typically passed on to homebuyers and renters.

Nationally, impact fees (also known as impact taxes in some areas) became a popular local government tool in the 1970s and 1980s to pay for costs related to population growth.[133] Fifteen of Maryland's 24 counties[xxxviii] and several municipalities levy these one-time charges on new housing developments. **Facing restrained resources and the need to develop additional capacity, county governments have turned to development impact fees and excise taxes to fund the public facilities and services needed to accommodate new growth** – like roads, schools, libraries, water and sewer utilities, parks, and public safety – without imposing additional taxes on the existing tax base. For example, Baltimore County adopted impact fees in 2019 to help cover a reported gap in school construction funding needed to expand school capacity and improve facility conditions.[134] Similarly, in 2023 Carroll County re-instated a school impact fee on SFHs that can only be used to support "new schools or additions to existing schools to increase capacity."[135] In 2024, Harford County increased its impact fees on new home development to "address the growing cost of expanding school capacity."[136] In FY25, impact fee and excise tax revenues across Maryland counties totaled $186 million.[137]

In Maryland, the fee must "bear a demonstrable relationship to the actual costs triggered by the building and development."[138] To justify the impact fee amount, county governments are required to conduct studies to estimate the effect that new development, and the population growth it brings into the county or municipality, will have on local public facilities. (Harford County conducted this type of study prior to increasing their school impact fees in 2024, linked here.) [xxxix, 139, 140]

The structure of development impact fees and excise taxes varies by county. Some counties levy a single amount per unit regardless of unit size (i.e., Carroll; Charles), while others utilize a range based on square footage (i.e., Anne Arundel; Baltimore). In most counties, fees range by unit type, i.e., fees are lower for multifamily units because they tend to result in fewer new students in local schools compared to SFH. Some counties consider factors like unit location. For example, in Prince George's County, fees are lower for units near mass transit. Impact fees can also be lowered for "desired" development like affordable housing or transit-oriented development.[141] A table of development impact fees and excise taxes across Maryland is included in Figure 31. They are presented per housing unit or per square foot.

xxxvii The design phase represents the period after the developer purchases land but before they've received final building approvals and broken ground. It can come after years of planning and permitting, and substantial investment.
xxxviii Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Frederick, Harford, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, and Washington Counties.
xxxix The impact fee amount is subject to judicial review.

Figure 31: Maryland per Unit or Square Foot (SF) Impact Fees/Excise Taxes by County FY2025

County	Single-family unit	Townhouse/ duplex (attached unit)	Multifamily unit
Fees per unit			
Anne Arundel County	$5,424 - $22,950	$5,424 - $22,950	$5,424 - $22,950
Calvert County	$12,950	$10,325	$7,750
Caroline County	$5,000	$5,000	$5,000
Carroll County	$3,533	$3,944	$1,600
Charles County	$21,351	$21,398	$18,868
Frederick County	$18,851	$21,452	$9,368
Harford County	$10,000	$10,000	$7,989
Montgomery County*	$34,667 - $56,274	$29,569 - $54,158	$8,129 - $32,833
Prince George's County	$15,179 - $30,180	$15,179 - $30,180	$15,179 - $30,180
St. Mary's County	$6,697	$6,697	$3,218
Talbot County	$7,852 - $9,091	$5,616 - $6,608	$5,616 - $6,608
Fees by square foot (sf)			
Baltimore County	$6 per sf	$6 per sf	$6 per sf for for-sale condos / $1.50 per sf for rental
Howard County	$10.05 per sf	$10.05 per sf	$10.05 per sf
Queen Anne's County	$5.85 per sf	$5.85 per sf	$5.85 per sf
Washington County	$1 per sf	$1 per sf	$1 per sf

Source: Maryland Department of Legislative Services 2025, a more detailed table of Impact Fee and Excise Tax Rates can be found by clicking here.

Note: If jurisdiction has multiple types of impact fees (transportation, water, school, etc.), they are combined here as one total.

**Montgomery County also levies school surcharge fees for units in areas where schools are over capacity ($449 - $17,674 per unit).*

Counties consulted for this report express that development impact fees and excise taxes are intended to address good faith concerns about a jurisdiction's capacity to serve an expanded population. They have become an important source of revenue for counties, especially as inflation erodes their purchasing power. The downside is that development impact fees and excise taxes increase development costs and therefore may impede efforts to increase housing availability and affordability.

The following example illustrates the extent to which impact fees / impact taxes drive up home prices. A 38-unit, infill townhome project is being developed in the middle of a municipality in the Washington, D.C. suburbs. The development will be walking distance to everything in town (i.e., coffee shops, a dog park, a convenience store, the elementary school) – such development is the very definition of the "smart growth" that Maryland has tried to advance for decades. The impact fees owed for **each** 2,230 square foot townhome in this community are almost $60,000 ($23,362 in transportation impact tax and $35,347 in school impact taxes). These fees are passed on to the buyer; they will be factored into the projected sales price (currently $750,000 - $800,000).[xl] Impact fees are contributing to 7-8% of the cost of the home in this case, working against any efforts to keep prices down.

Because they are locally mandated by county or municipal government, development impact fees and excise taxes vary widely within states and across states. Looking at the state cohort, Florida and Texas use impact fees widely, whereas Washington, D.C., New York, and North Carolina do not. Impact fees are not as common in the neighboring states. Just two counties in Delaware (New Castle and Kent) and two counties in West Virginia (Berkley and Jefferson) have impact fees.[142, 143, 144, 145] In Virginia, only one county (Stafford) currently imposes development impact fees.[146] (Virginia has a unique system of "proffers" – contributions from developers to "improve site conditions" – which share some similarities to impact fees but are voluntary and can only be used for certain discretionary projects.)[147]

The U.S. Department of Transportation's Office of Performance and Innovative Finance finds that impact fees **"are most prevalent in places with resistance to using general revenue sources to pay for growth related costs."**[148] Florida and Texas have no personal income tax, so it makes sense they would need to rely on other revenue sources to fund infrastructure improvements as their population grows. Meanwhile, Maryland is a relatively high tax state **and** levies impact fees. Development impact fees in *most* Maryland counties (Figure 31) are higher than those in competitor states (Figure 32).

Aside from the policy decision on implementation and scope of development impact fees and excise taxes, developers expressed two concerns regarding their **administration:** (1) In many parts of Maryland (in addition to other states), these fees and taxes are required to be paid **before** a project is complete or – in some cases – before a building permit is issued. This adds to the level of up-front investment required for a project. Earlier this year (February 2025) the Montgomery County Council unanimously modified county law so that impact fees are no longer due until building projects are complete, in hopes of reducing the cost of initial loans and interest payments for developers (and therefore the price of homes for their residents).[149] (2) In some counties, there is limited transparency in how development impact fees and excise taxes are utilized once paid to local governments. They are not always set aside (i.e., held in a special fund), where the revenue would be guaranteed to support the local infrastructure and services as intended.[150] To address this accounting and enforcement concern, the Maryland General Assembly passed a law last year that requires local governments to submit annual reports on the collection and use of development impact fees, surcharges, and excise taxes.[151]

xl This pencils out to roughly $350 per square foot – more than double the average cost of construction per square foot in Maryland, attributable in part to impact fees and regulations in this region (plus, profit margins).

Figure 32: Development Impact Fee Examples from Other States

State	Impact fee per single-family unit *detached or attached townhome/duplex*	Impact fee per multifamily unit
Delaware		
New Castle County, DE	$1,566 - $1,736	$1,143
Kent County, DE	$6,188	$6,188
Florida		
Orange County, FL	$19,360 - $31,969	$6,333 to $18,049
South Carolina		
Mount Pleasant, SC	$5,705 - $6,509	$3,660 - $4,453
Texas		
Houston, TX	$3,837	$3,837
Virginia		
Stafford County, VA	$2,999	$2,999
West Virginia		
Berkley County, WV	$5,500 $4,122 (mobile home)	$3,857
Jefferson County, WV	$1,944	$1,392

Note: If jurisdiction has multiple types of impact fees (transportation, water, school, etc.), they are combined here as one total. Florida, South Carolina, and Texas have multiple jurisdictions with impact fees, these are just examples of some of those.

In addition to development impact fees and excise taxes, local governments in Maryland can impose other charges on development that "may also be directed partly or wholly towards new or expanded facilities,"[152] such as water and sewer hookup charges.[153] There are also permit fees, which are charged when a developer files a permit or receives a permit approval.

These various development fees and taxes have been relatively high in Maryland for decades, but **they represent a more significant obstacle now that construction input costs have grown considerably and regulations have expanded;** builders and developers now have fewer ways to make the math work. Figure 33 provides another direct comparison of fees associated with building a 2,554 square foot unit with the same specifications across three jurisdictions in the DMV region. In all three cases, the jurisdiction had approved the model permit for this unit type. The chart below details the permitting process and fees for the unit specific to the lot it is to be built on. Data is from June 2024 - April 2025.

Figure 33: Comparison of Development Fees in Three DMV Counties for a 2,554 housing unit

	Fairfax County, VA	Montgomery County, MD	Washington, D.C.
Filing fees[xli]	$203.92	$1,626.75	$430.47
Final Fees	$203.92	$1,780.99	$435.82
Occupancy Fees	$ -	$383.93	$ -
Total Permit Fees	**$407.84**	**$3,791.67**	**$ 866.29**

	Fairfax County, VA	Montgomery County, MD	Washington, D.C.
School Impact Fee	**N/A**	**$29,456.00**	**N/A**
Transportation Impact Fee	**N/A**	**$19,761.00**	**N/A**
Total Impact Fees	**N/A**	**$ 49,217**	**N/A**

Maryland's current development environment makes it extremely difficult to build housing that is within financial reach of most residents due to the combination of fees, regulations, and prolonged project timelines that create a de facto price floor. Developers report, and data confirms, that it is not financially viable to build a new home in Maryland for less than $300,000 – $500,000. These costs are not solely driven by the market, but also by the structural burden of the permitting and regulatory landscape. As a result, the private market is effectively locked out of producing housing that is affordable to low- and moderate-income residents.

This problem is even more acute in lower-income areas of the state. In counties like Garrett, where median household incomes are significantly below the state average ($69,000 in Garrett, $100,000+ in the state), the economics of residential development simply don't work. Although zoning restrictions are relatively minimal, local government representatives attest that developers largely avoid the county because the cost of building far exceeds what most local residents can afford. If the average home costs over $300,000 to build, but the typical household can only afford significantly less, there is no viable market. This disconnect between development costs and local purchasing power leaves entire regions without new housing investment—deepening disparities and worsening the state's affordable housing crisis.

xli Filing fees paid at time of application in order to be reviewed by the jurisdiction. These fees are typically 50% of the total permit fee. Final fees are assessed after the permit application has been reviewed by the various disciplines. Final fees must be paid in order to receive the permit.

Conclusion & Recent Progress

Demand for housing is high in Maryland. However, the market alone will not naturally supply homes affordable for low- and middle-income residents in Maryland *because of* the extent to which housing is regulated.

There is demand for housing that is denser, does not have parking, is located on someone else's property (i.e., accessory dwelling units), etc. but in many cases, regulation outright prohibits this type of housing (minimum lot size requirements, density restrictions, parking requirements, etc.). In addition, many developments that *are permitted* under law are not financially viable for developers because the allowed (low) density inhibits the economies of scale required to make the math work. When projects *are executed*, the final product is typically more expensive in Maryland because of the complexity of regulatory and administrative processes, and fees, that are in part passed on to consumers. According to economists Glaeser and Gyourko: "In the nation's tightest housing markets, land-use regulation contributes heavily to high housing costs."

Land use policy and regulations that apply to residential development reflect the vision that state and local leaders (and ideally, their constituents) have for the character of their communities, their values regarding the environment, historic preservation, etc., and the need to raise local revenue. Many were enacted to address good faith concerns, and each policy or regulation is sensible when viewed individually. But when taken together, they have contributed to a serious housing shortage in Maryland. The state and local governments must determine which policy goals (often in competition) to prioritize. The consequences of continuing under the status quo are far reaching.

Growth gets cut off when people can't afford the quality of life that they want and leave the state, and when companies won't locate here because they are not confident that their employees will be able to find housing they can afford. The public sector can relax regulations and/or provide subsidies to spur development.

There is a growing consensus nationwide that limiting the availability of homes undermines affordability. This movement is captured in books like *Abundance* and reports from think tanks like Pew Charitable Trusts. Pew recently reported on the increasing number of states that have enacted legislation recently to remove regulatory barriers to residential development, including the below examples.

- Allow residential development in commercial zones,
- Expand zoning for townhomes,
- Increasing the places where manufactured homes are allowed,
- Legalize accessory dwelling units (ADUs), applying state caps to minimum lot sizes and parking mandates, enhancing opportunities for residents to subdivide their properties,
- Modify building codes to enable more cost-effective apartment design, and
- Incentivize transit-oriented development, affordable housing, and the development of condominiums.

Further, 14 states have recently enacted zoning reforms that expand housing options near jobs or transit, which is considered one of the most effective strategies to increase housing supply.

Pew also reports that process improvements to advance residential development across the U.S. States have focused on (1) allowing third-party professionals to aid local government staff in permit

reviews and approvals, (2) streamlining and improving online permitting, (3) modifying rules around public input, and (4) creating pre-approved housing designs.[154]

On the local government side, Minneapolis has been a stand-out area: In addition to eliminating all parking requirements, they made history in 2020 by becoming the first large city in the country to eliminate single-family zoning and allow duplexes and triplexes in every residential zone in the city.[155] Minneapolis has become a prime example for advancing "missing middle" housing. Pew's analysis found that Minneapolis had rent increases well **below** state and national averages between 2017 and 2023 and a 12.7% increase in the number of households in that same period.[156]

Maryland state and local governments have started to address zoning and density restrictions.

- The State of Maryland enacted the 2024 Housing Expansion & Affordability Act that requires local jurisdictions to increase densities for certain "qualified" residential projects, including those slated for development on property formerly owned by the state or federal government, property located near transit, or land owned by a nonprofit organization that also produce a certain share of affordable units. The law also limits the number of public hearings that local governments can require for these qualified projects. Finally, the law requires local jurisdictions to allow manufactured homes and modular dwellings in areas zoned for single family.[157]
- In September 2025, Governor Moore signed the "Housing Starts Here" executive order to "improve the use of state-owned land to create more efficient [i.e., dense, transit-oriented] development, reduce state permitting timelines, and bring more homes to market faster in an effort to tackle housing affordability." Chiefly, it directs DHCD to establish statewide housing targets and requires all state departments that issue housing permits to (1) start utilizing third-party reviewers, (2) review development plans simultaneously rather than sequentially, and (3) digitize permit applications and fee payments to speed up permitting processes. It also creates a State Housing Ombudsman to help shepherd residential development projects through complex local, state, and federal permitting processes and liaise between these different entities. [158, 159]
- In conversation with homeowners for this report, ADU reform was cited as a meaningful way to: (1) gently enhance density and thereby generally increase housing supply, and (2) meet the needs of seniors who want to age in place, as ADUs make it easier for relatives and caregivers to live on site.[160] State legislation in 2025 (HB1466/SB891) requires local jurisdictions (by October 1, 2026) to establish policies to "promote and encourage the creation of ADUs." It specifically requires local governments to exclude ADUs from density calculations and prohibits setback requirements from property lines. However, the law did include a few loopholes, such as allowing localities to create parking minimums for ADUs, which may affect the intended outcome.[161]
- Montgomery County, which has about 40% of residential land zoned for medium density (Figure 30), is currently engaged in a multi-year effort to revise its zoning categories to allow for a wider range of "missing middle" housing options. (This includes duplexes, triplexes, and townhouses to be constructed in areas currently zoned exclusively for single-family detached housing units.[162])
- Anne Arundel County enacted policy in 2023 that expands access to ADUs by allowing them to be a detached, separate structure on the same lot (where they were previously only permitted if located ***within*** the principal single-family detached dwelling – i.e., a basement apartment). It also exempts ADUs from impact fees and parking requirements.[163]

These are promising steps, but moving the needle on housing affordability at the necessary scale will not occur as the result of one bill or one tweak in law. Making changes around the margins will not be enough to meet the current gap of 100,000 units (let alone the 590,186 new units needed to accommodate growth through 2045). It will take years of concerted effort and coordination between state and local governments. Prices will not come down immediately (or in lock step) with expedited supply because the housing shortage is so significant and regulation and fees are steep. If inventory does increase over time – as it has started to for the first time since the pandemic – the *majority* of homes are still out of reach for low- and middle-income households. NAR researchers estimate a national shortage of 416,000 homes[xlii] for households making $75,000 or less.[164] In Maryland, this income bracket can only afford 20% of listings on the market. There is a long way to go before low- and middle-income households see any benefit from increased supply and until the state addresses these problems, Maryland risks losing more of its residents and tax base to states with more affordable and plentiful housing options.

xlii Priced at $225,000 or below

Appendix A: Data Sources and Methodology

Geographies

In addition to the analysis of 12 states (the "state cohort"), the report analyzed 20+ Metropolitan Statistical Areas (MSAs) or metro areas (as defined by the U.S. Census) based on relevance to migration trends in Maryland. The MSA list included major metros in each of the 12 states and other relevant metro areas that were deemed competitive (like the Atlanta MSA). The metro areas that were chosen are focused more on the eight states where Maryland residents are moving to rather than focusing on the states where Maryland is gaining residents from (other than New York City MSA).

Some of these metro areas are smaller but were chosen based on relevance. Morgantown, West Virginia, for example, is a smaller metro area, but is close in proximity to Western Maryland and could attract those residents to move there. Additionally, the MSA list includes smaller Maryland metros like Salisbury and Hagerstown but does not include small metros from every state of the cohort.

The state migration data was supplemented with census job-to-job flow data to see the top metro destinations for employed Marylanders who moved to a new job. The Atlanta metro area was one of the top metro destinations for Marylanders who left the state for a job elsewhere, so it was deemed relevant even though the report doesn't look at Georgia as a state.

Metro Area or MSA	Reason for including in MSA group for report
Atlanta-Sandy Springs-Roswell, GA	A top destination metro from job-to-job flow census data
Austin-Round Rock-San Marcos, TX	Major metro in a state cohort state
Baltimore-Columbia-Towson, MD	Maryland metro
Charleston-North Charleston, SC	Metro in state cohort state, top SC metro area in job-to-job flow census data
Charlotte-Concord-Gastonia, NC-SC	Major metro in state cohort state
Dallas-Fort Worth-Arlington, TX	Major metro in state cohort state, also a top destination metro in job-to-job flow census data
Dover, DE	Metro in state cohort state, top DE metro in job-to-job flow census data
Hagerstown-Martinsburg, MD-WV	Maryland metro
Houston-Pasadena-The Woodlands, TX	Major metro in state cohort state
Jacksonville, FL	Metro in state cohort state, a top FL metro in job-to-job flow census data
Miami-Fort Lauderdale-West Palm Beach, FL	Major metro in state cohort state, the top FL metro in job-to-job census data
Morgantown, WV	Metro in state cohort state with close proximity to Maryland

Metro Area or MSA	Reason for including in MSA group for report
New York-Newark-Jersey City, NY-NJ	Major metro in state cohort state
Orlando-Kissimmee-Sanford, FL	Major metro in state cohort state, also a top FL metro in job-to-job flow census data
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Maryland included in metro area and includes state in state cohort
Pittsburgh, PA	Metro in state cohort state, also a top metro destination in job-to-job flow census data
Raleigh-Cary, NC	Major metro in state cohort state
Richmond, VA	Metro in state cohort state, top VA metro in job-to-job flow census data (not including DC area)
Salisbury, MD	Maryland metro
Tampa-St. Petersburg-Clearwater, FL	Major metro in state cohort state
Washington-Arlington-Alexandria, DC-VA-MD-WV	Maryland included in metro area

Note: J2J census data used was for Q2 2023 to Q1 2024

Methodology for individual data sources are below:

Internal Revenue Service (IRS)

Statistics of Income (SOI) Migration Data

The IRS Statistics of Income (SOI) data is migration data for the United States based on year-to-year address changes reported on individual income tax returns filed with the IRS. They present migration patterns by state or by county for the entire United States and are available for inflows—the number of new residents who moved to a state or county and where they migrated from, and outflows—the number of residents leaving a state or county and where they went. The data sets include:

- Number of returns filed, which approximates the number of households that migrated
- Number of personal exemptions claimed, which approximates the number of individuals
- Total adjusted gross income
- Aggregate migration flows at the State level, by the size of adjusted gross income (AGI) and age of the primary taxpayer (starting with Filing Year 2011).

Limitations:

The IRS lists some limitations of its data set including the following:

- The data only include taxpayers, and some people are not required to file US Federal income tax returns and thus they are not included in the data. This means the data under-represent the poor and the elderly (who do not have to file federal tax returns).
- The data excludes the small percentage of tax returns filed after late September of the filing year. Most taxpayers whose returns are filed after this date have been granted an

extension to file by the IRS and are likely to have complex returns that report relatively high income, and so the migration data set may under-represent the very wealthy.

- The matching process (from year-to-year) also causes some returns to be excluded from the counts including changes in filing status (married and filing jointly versus married and filing separately or divorced and now filing separately).
- See more on the methodology at this link.

Other limitations to note include the income groupings – the IRS only breaks out incomes up to $200k or more, and because Maryland has high incomes overall, there is not greater detail on the high-income populations.

Maryland Department of Planning

2018 Statewide Land Use Classification Definitions (2024 Edition)

- **Very Low Density Residential:** Clustered residential parcels that have lot sizes less than 20 acres but at least five acres (0.2 to 0.05 dwelling units/acre).
- **Low-density residential:** Detached single-family/duplex dwelling units, yards, and associated areas. Includes generalized areas with lot sizes of less than five acres but at least one-half acre (0.2 to 2 dwelling units/acre).
- **Medium-density residential:** Detached single-family/duplex, attached single-unit row housing, yards, and associated areas Includes generalized areas with lot sizes of less than one-half acre but at least one-eighth acre (2 to 8 dwelling units/acre).
- **High-density residential:** Attached single-unit row housing, garden apartments, high-rise apartments/condominiums, mobile home and trailer parks, yards, and associated areas. Includes generalized areas with more than eight dwelling units per acre. This may include subsidized housing.

U.S. Census Bureau

American Community Survey (ACS)

The American Community Survey (ACS) is an ongoing survey conducted by the U.S. Census Bureau since 2005 that collects detailed social, economic, housing, and demographic information from a sample of households across the 50 states, D.C., and Puerto Rico. The ACS 1-year estimates represent 12 months of data collected between January 1st and December 31st of each year and are only available for areas with populations of 65,000 or more. The ACS 5-year estimates represent 60 months of collected data, have a larger sample size, and are available for all geographies.

State-to-State Migration Flows

The ACS asks respondents whether they lived in the same residence 1 year ago. If they lived in a different residence, the location of their previous residence is collected. The state-to-state migration flows are created from tabulations of the state of current residence crossed by state of residence 1 year ago.

Building Permit Survey

The Census Bureau Building Permits Survey (BPS) provides national, state, and local statistics on new privately-owned residential construction. Building permits data are collected from individual permit offices, which are mostly municipalities.

Population Estimates Program

Each year, the Census Bureau's Population Estimates Program uses data on births, deaths, and migration to calculate population change since the most recent decennial census and produces a time series of estimates of population, demographic components of change, and housing units. The annual time series of estimates begins with the most recent decennial census data and extends to the vintage year. Estimates are based on the period of July 1st of the first year to June 30th of the second year. For example, the population change from 2023 to 2024 is from 7/1/2023 to 6/30/2024.

Zillow

Zillow Observed Rent Index (ZORI) is defined as a "smoothed measure of the typical observed market rate rent across a given region. ZORI is a repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent. The index is dollar-denominated by computing the mean of listed rents that fall into the 35th to 65th percentile range for all homes and apartments in a given region, which is weighted to reflect the rental housing stock." Additional Zillow data methodology for other measures can be found at this link.

Appendix B: Figures & Tables

Additional figures and tables referenced in the report.

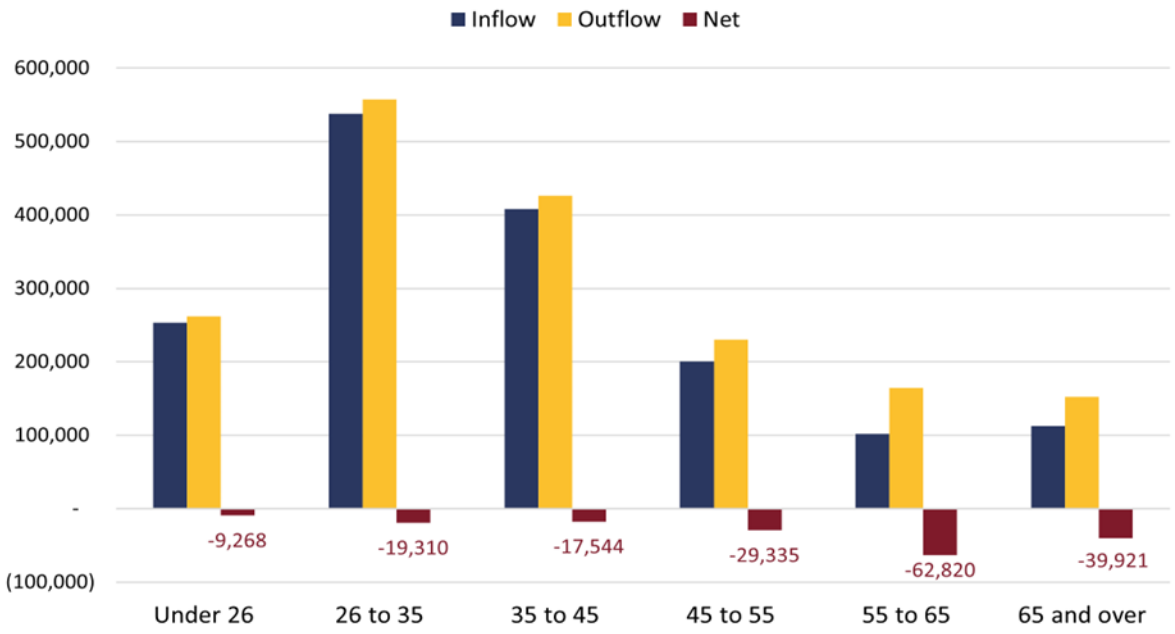
Figure 34: Total Migration to and from Maryland by State (2010 to 2023)

State	Inflow (2010-2023)	Outflow (2010-2023)	Net Migration (2010-2023)	Share of total net migration
Total	2,052,409	2,350,216	-297,807	100%
Florida	113,731	207,000	-93,269	31%
Pennsylvania	180,490	257,962	-77,472	26%
North Carolina	87,780	146,401	-58,621	20%
Texas	73,359	127,672	-54,313	18%
Virginia	301,501	350,798	-49,297	17%
South Carolina	30,874	73,990	-43,116	14%
West Virginia	44,378	74,870	-30,492	10%
Delaware	72,597	92,637	-20,040	7%
Colorado	25,005	38,719	-13,714	5%
California	110,615	121,706	-11,091	4%
Kentucky	7,938	17,989	-10,051	3%
Washington	21,681	30,866	-9,185	3%
Massachusetts	38,010	44,870	-6,860	2%
Ohio	40,635	46,334	-5,699	2%
Arizona	21,035	25,157	-4,122	1%
Missouri	11,820	15,877	-4,057	1%
Tennessee	19,122	23,143	-4,021	1%
Vermont	3,651	7,011	-3,360	1%
Nevada	8,361	11,716	-3,355	1%
Minnesota	10,971	13,578	-2,607	1%
Arkansas	3,805	6,223	-2,418	1%
Indiana	15,371	17,653	-2,282	1%
Nebraska	3,114	5,304	-2,190	1%
Oregon	6,488	8,509	-2,021	1%
Oklahoma	7,749	9,674	-1,925	1%
Louisiana	10,098	11,723	-1,625	1%
Kansas	8,927	10,326	-1,399	0%

State	Inflow (2010-2023)	Outflow (2010-2023)	Net Migration (2010-2023)	Share of total net migration
Iowa	4,901	6,282	-1,381	0%
Idaho	2,894	3,754	-860	0%
South Dakota	1,110	1,943	-833	0%
Montana	1,028	1,861	-833	0%
New Mexico	10,372	11,138	-766	0%
Illinois	32,217	32,967	-750	0%
Rhode Island	7,812	8,194	-382	0%
North Dakota	1,619	1,796	-177	0%
Maine	5,589	5,736	-147	0%
Alabama	14,066	13,995	71	0%
New Hampshire	7,329	7,035	294	0%
Connecticut	20,262	19,421	841	0%
Wisconsin	10,344	9,241	1,103	0%
Wyoming	2,779	1,034	1,745	-1%
Utah	12,111	9,607	2,504	-1%
Mississippi	9,201	6,099	3,102	-1%
Michigan	23,685	19,776	3,909	-1%
Georgia	69,662	64,392	5,270	-2%
Hawaii	20,881	14,842	6,039	-2%
Alaska	11,103	5,027	6,076	-2%
New Jersey	94,889	49,605	45,284	-15%
New York	145,679	94,101	51,578	-17%
District of Columbia	263,616	164,662	98,954	-33%

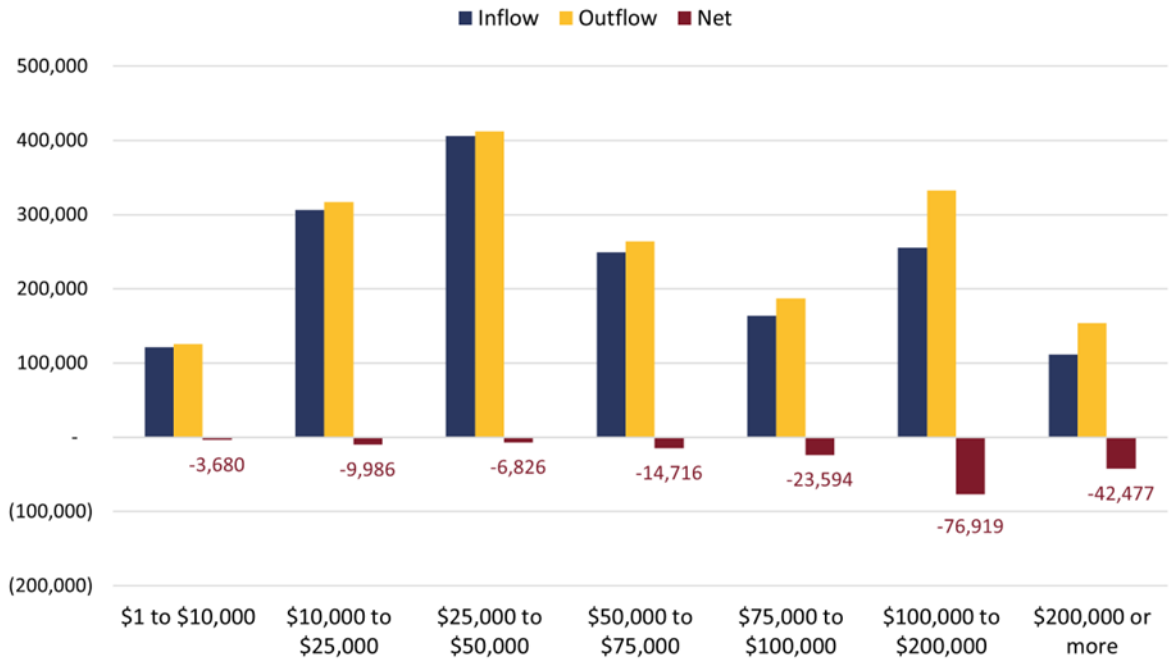
Source: U.S. Census Bureau, American Community Survey (ACS) state-to-state migration flows 2010-2023, excluding 2020 (*Census Bureau did not release its standard 2020 ACS 1-year estimates for 2020 because of the impacts of the pandemic)*

Figure 35: Maryland Domestic Migration Inflows and Outflows by Age (2011 to 2022)



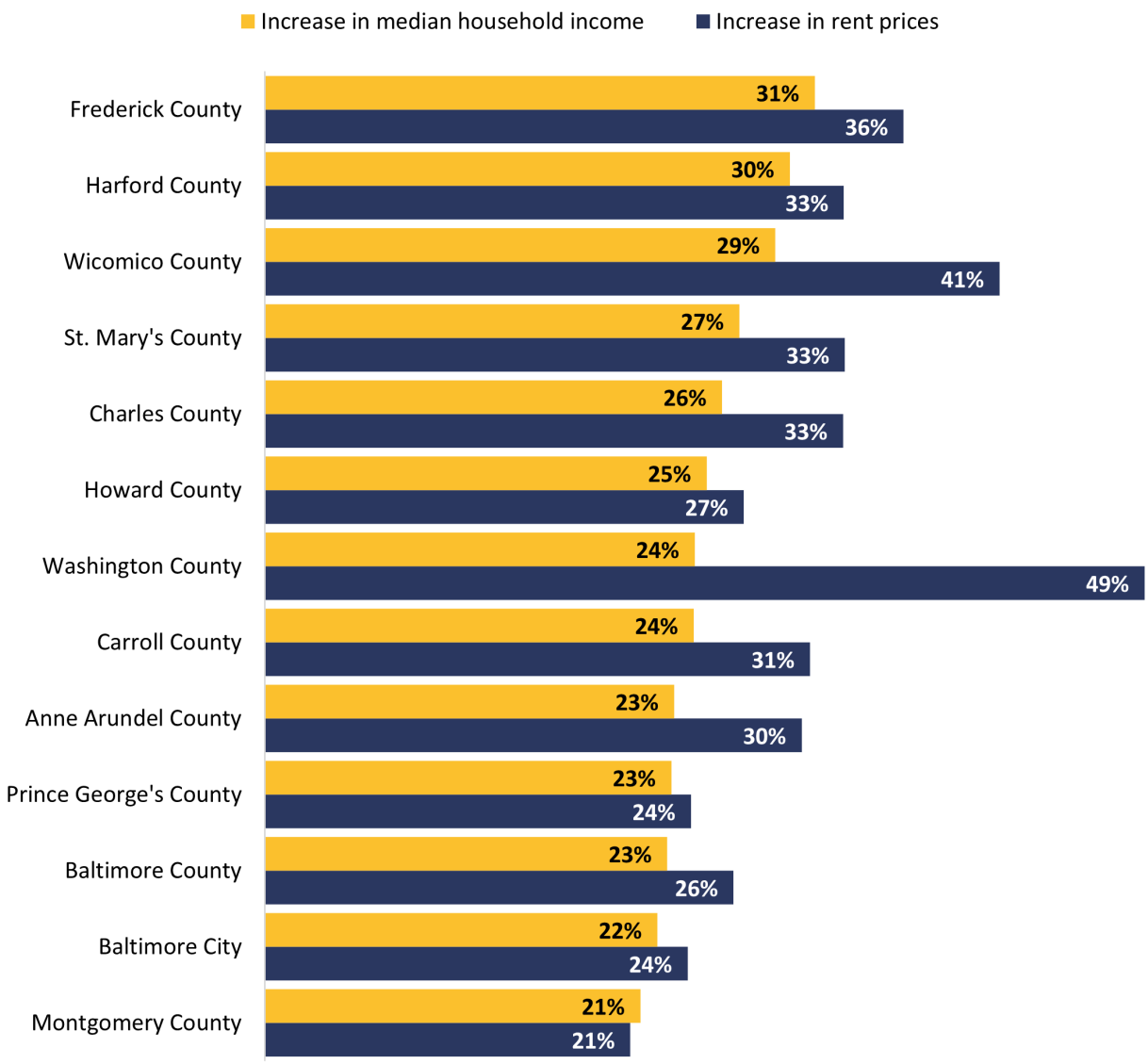
Source: Internal Revenue Service (IRS) Statistics of Income (SOI) Migration Data

Figure 36: Maryland Domestic Migration Inflows and Outflows by Adjusted Gross Income (AGI) (2011 to 2022)



Source: Internal Revenue Service (IRS) Statistics of Income (SOI) Migration Data

Figure 37: Increase in Rent and Incomes by County in Maryland (2018 to 2023)



Source: Zillow Observed Rent Index (ZORI) May 2018 and May 2023; U.S. Census Bureau, American Community Survey (ACS) 5-year estimates for 2014-2018 and 2019-2023, B19013
Note: Only shows counties with Zillow rent data available.

Figure 38: Types of Adequate Public Facilities Ordinances (APFOs) by County in Maryland

County	Fire and/ or emer-gency services	Roads / Trans-porta-tion	Schools	Sewer	Storm-water	Water	Open Space / Parks	Solid Waste	Total # of APFO facilities covered
Anne Arundel	X	X	X	X	X	X			6
Baltimore		X	X	X	X	X	X		6
Calvert*	X	X	X	X	X	X		X	6
Caroline	X	X	X		X			X	5
Carroll*	X	X	X	X		X			5
Charles	X	X	X			X			4
Frederick		X	X	X		X			4
Harford		X	X	X		X			4
Howard*		X	X	X	X	X		X	3
Montgomery*	X	X	X	X		X			5
Prince George's*	X	X	X				X		6
Queen Anne's		X	X	X		X			4
St. Mary's	X	X	X	X	X	X			6
Washington	X	X	X	X		X			5

Source: Maryland Department of Legislative Services, APFOs for Maryland Counties
"X" indicates the county has an APFO for that type of public facility or service.
**Some counties have one ordinance for two categories (i.e.: water & sewer) and some have multiple ordinances for 1 category (i.e.: two types of transportation ordinances). Because of this, total # may not align with number of X's seen in the columns.*

Appendix C: Utility & Insurance Costs

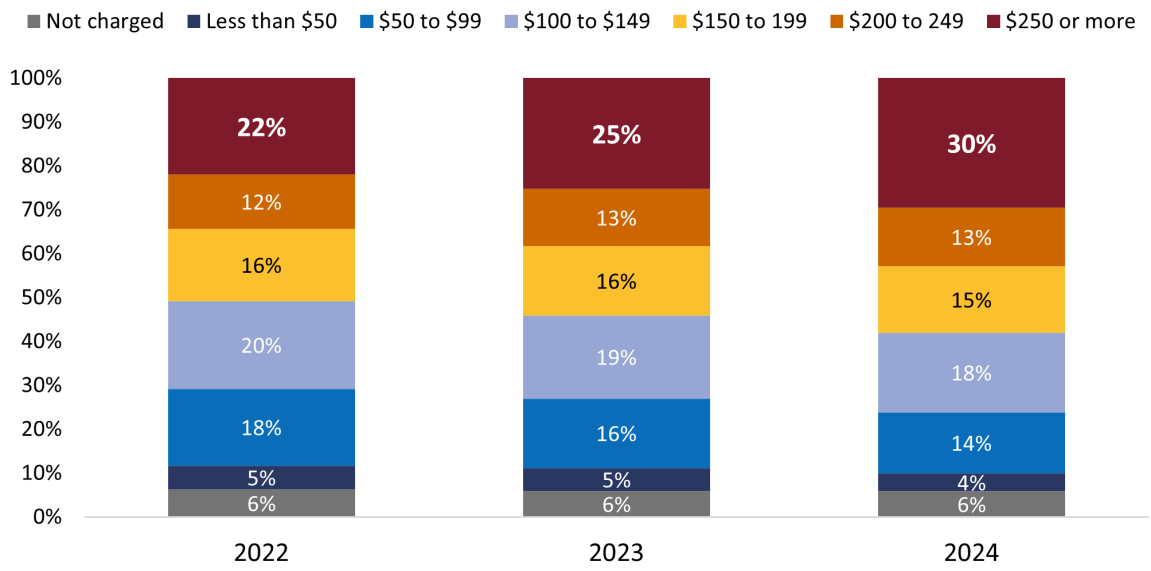
Census data on monthly housing costs includes a range of home-related costs beyond rent or mortgage payments, which are the most prominent cost. Two specific costs included in the Census data – utilities and insurance – warrant further discussion given recent increases in these costs, as well as expected increases going forward due to climate change, increased demand, and other factors. This appendix further examines these costs.

Utilities

Maryland has the 10th highest utility costs in the country; on average utility costs are 10% higher than the national average, according to a 2024 cost of living index of all states.[165] According to this index, Maryland has the highest **utility cost** out of the state cohort examined for this report, with costs even higher than in New York, New Jersey, and Washington, D.C. (the states that are more expensive in other housing cost measures).

Maryland has one of the highest electric costs in the country with an average monthly bill of $165 to $200.[166] As of 2024, 30% of Maryland households (more than 700,000 households) have a monthly electric payment of $250 or more (Figure 39), which is the second highest of the state cohort in this measure (Figure 40). Compared to the other states in the cohort, Maryland's gas costs are the fifth highest, behind New Jersey, New York, Pennsylvania, and Delaware.[xliii]

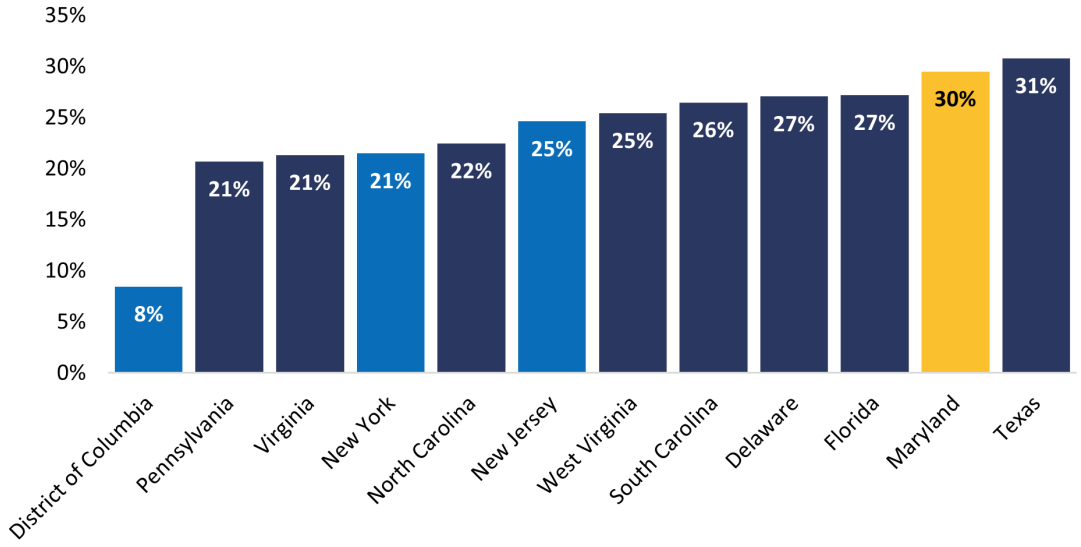
Figure 39: Monthly Cost of Electricity for Maryland Households, 2022 to 2024



Source: U.S. Census Bureau, American Community Survey (ACS) 2022, 2023, and 2024 1-year estimates, B25132
Note: Not charged means that electricity is either not charged, not used, or the payment is included in other fees.

xliii Just under 60% of households in Maryland are in the category for "not charged, not used, or the payment included in other fees." This indicates not as many households have gas or if they do the bill is included in another payment like rent.

Figure 40: Share of Households with Monthly Electric Costs of $250 or more, 2024



Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B25132

Maryland's energy rates are increasing due to a combination of **rising demand** and **declining energy supply** from retiring power plants and delays from the Regional Transmission Organization (also known as the PJM) interconnection queue to bring new energy resources online, like solar. Demand is increasing due to climate change – overall the Earth is warming, causing more frequent heat waves and greater need for air conditioning. Climate change impacts winter weather too by affecting the polar vortex, leading to longer cold snaps in winter.

Data centers (mostly located outside of Maryland) are also increasing demand for energy, affecting available supply and costs for all users, residential and commercial alike. Further, they require massive transmission expansion projects, including a $5 billion expansion approved by federal regulators in 2024, and another $6 billion plan approved in September 2025 – both of which the Office of People's Counsel[xliv] argued impose unfair costs on Maryland customers.[167]

Investments in aging infrastructure, including poles, wires, and substations, also contribute to higher utility delivery charges and overall rate increases.

Insurance

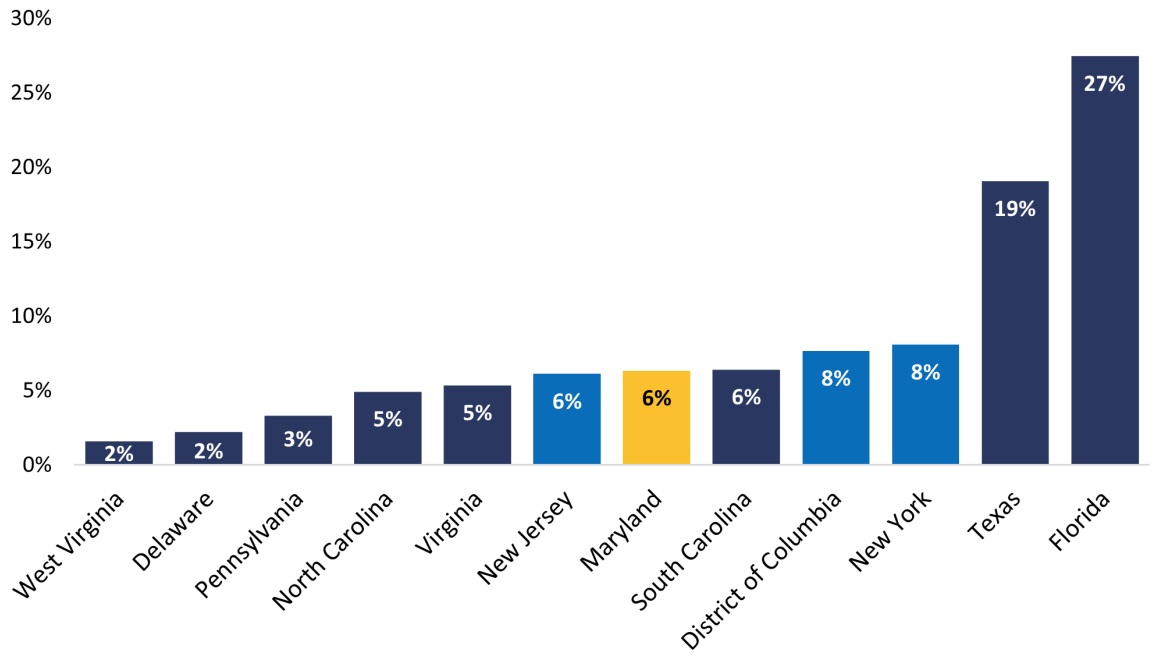
Homeowner insurance costs are also relatively high in Maryland and have risen materially over the past five years, adding to overall rising housing costs. Regulators and consumer groups describe a "hardening" market: premiums have risen, availability has tightened (more non-renewals/ cancellations), and underwriting has become stricter.[168]

- As of 2024, 44% of Maryland homeowners with a mortgage have yearly insurance costs of $1,500 or more. In 2023, this share was 38%.
- In 2024, 6%, or 72,000, of Maryland homeowners with a mortgage had a yearly payment of $4,000 or more. In 2023, 4%, or 47,000, had a yearly payment of $4,000 or more.

xliv Office of People's Counsel is an independent Maryland State agency that advocates for Maryland's residential utility consumers.

- In Florida, 27% of homeowners with a mortgage have a yearly insurance payment of $4,000 or more and in Texas this share is 19%. These states are more susceptible to hurricanes and other severe weather events that impact insurance rates. As climate change and severe weather increases, these rates have increased as well.[169] Despite having the highest insurance costs across the state cohort by a wide margin, it still costs less to own a home in Texas and Florida than it does in Maryland.

Figure 41: Homeowners with a Mortgage with Annual Insurance Costs of $4,000 or more (2024)



Source: U.S. Census Bureau, American Community Survey (ACS) 2024 1-year estimates, B25141

Climate change is a key driver to increasing insurance costs. More frequent and severe storms/floods/wind events generate more frequent claims and larger catastrophe losses for insurers. Rising construction and materials costs increase the price tag for repair work and therefore claims to be paid out. Maryland's vulnerability to sea-level rise and coastal flooding is perceived as risk by insurers and puts upward pressure on premiums in the state. Further, after years of big losses – in large part due to climate change – many global reinsurers raised prices or tightened capacity.[170] Insurers pass much of these cost increases to policyholders.

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