A group $G$ is capable if it is isomorphic to the central quotient of another group; that is, if $G \cong H/Z(H)$ for some group $H$. We characterize the capable $p$-groups which are two-generated and of nilpotency class at most two, for all primes $p$. For odd prime, the group is regular and the equality of the two largest type invariants is both necessary and sufficient. For $p = 2$, the situation is more complicated. (Received August 07, 2004)