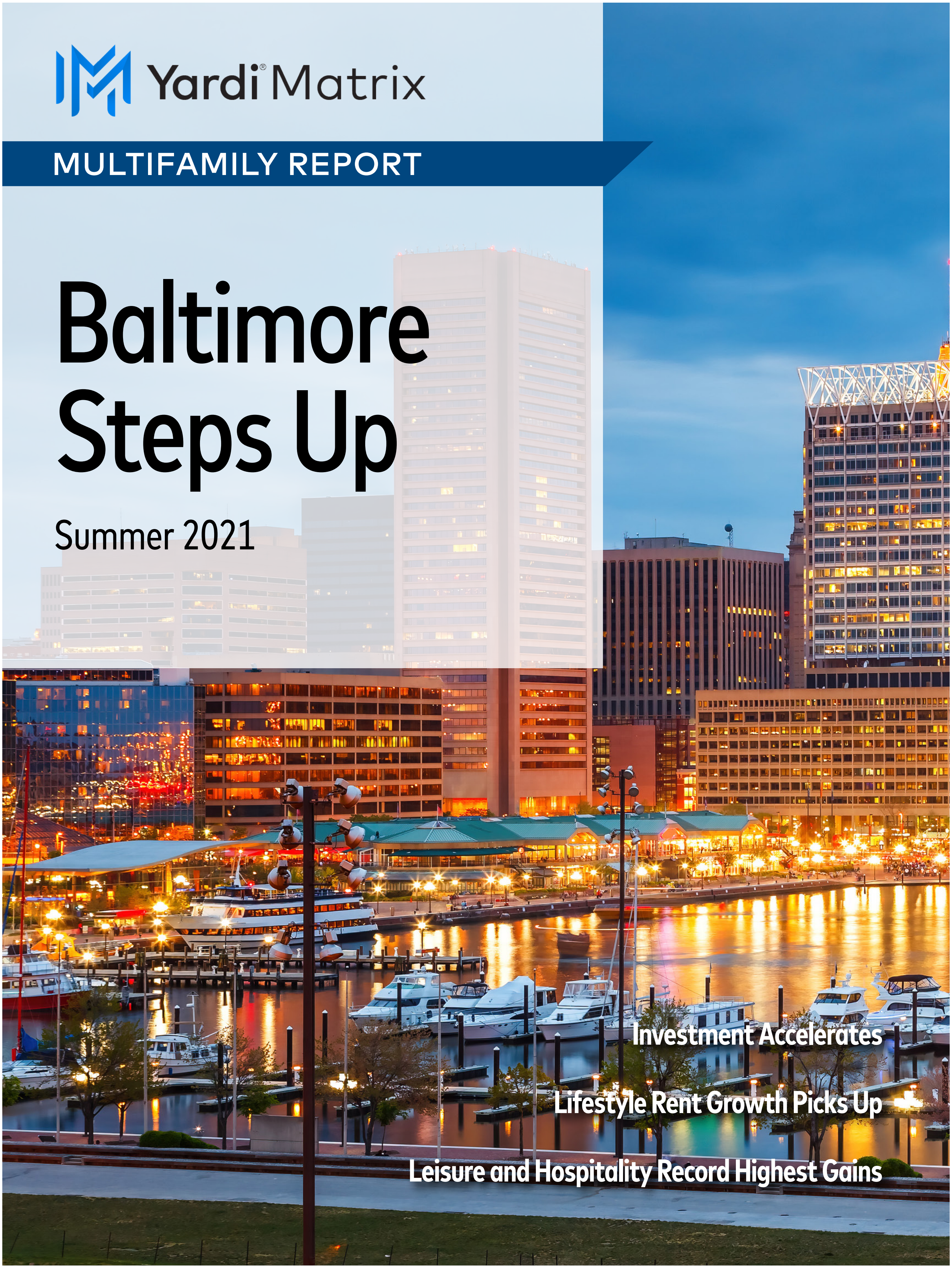
Yardi® Matrix

MULTIFAMILY REPORT

Baltimore Steps Up

Summer 2021



Investment Accelerates

Lifestyle Rent Growth Picks Up

Leisure and Hospitality Record Highest Gains

BALTIMORE MULTIFAMILY

Yardi Matrix

Rounding the Corner

Baltimore's multifamily market had a difficult last year, but recovery is incoming. In June, rents averaged $1,506, a 1.3% increase on a trailing three-month (T3) basis. The metro's occupancy rate of 95.9% in May—a 115 basis-point year-over-year increase and 90 basis points higher than the national average—underscores increased demand for rental housing, despite slow population growth. Lifestyle rents grew 1.5%, outperforming the working-class Renter-by-Necessity increase of 1.1%.

The metro added 155,400 jobs in the year ending in May, an 8.7% year-over-year increase, signaling Baltimore's ongoing recovery is well underway. All but one employment sector expanded, with the leisure and hospitality sector—the hardest hit during the previous year—adding nearly 50,000 jobs. The unemployment rate was 5.5% in May, 30 basis points lower than the national figure.

Construction on more than 4,400 units was underway at the end of June, with projects encompassing nearly half of those units breaking ground earlier this year. Some 1,000 units are expected to deliver this year, significantly less than last year's deliveries of 3,708 units. Multifamily transaction volume hit $1.1 billion in the first half of the year, nearly double the investments closed during the same time frame in 2020. Sale prices averaged $152,401 per unit, down 6.7% from the 2020 average.

Market Analysis | Summer 2021

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author

Jeff Hamann
Senior Associate Editor

On the cover: Photo by sborisov/iStockphoto.com

Recent Baltimore Transactions

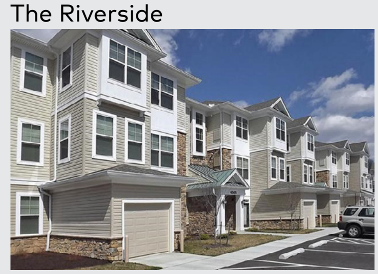
Highland Village Townhomes

City: Halethorpe, Md.
Buyer: OliveTree Group
Purchase Price: $140 MM
Price per Unit: $127,368

Harbor Point Estates

City: Essex, Md.
Buyer: BDMG
Purchase Price: $98 MM
Price per Unit: $151,154

The Riverside



City: Aberdeen, Md.
Buyer: Maryland Management
Purchase Price: $80 MM
Price per Unit: $200,000

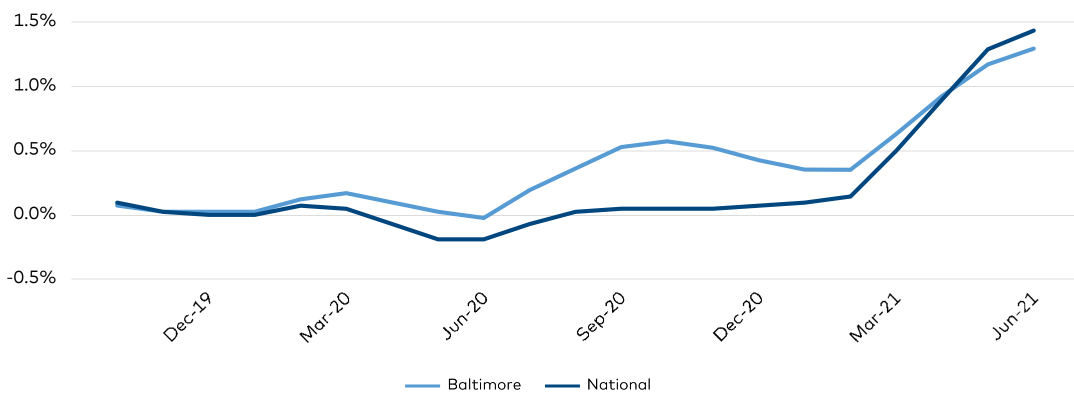
Hopkins Point

City: Baltimore
Buyer: OneWall Partners
Purchase Price: $66 MM
Price per Unit: $125,954

RENT TRENDS

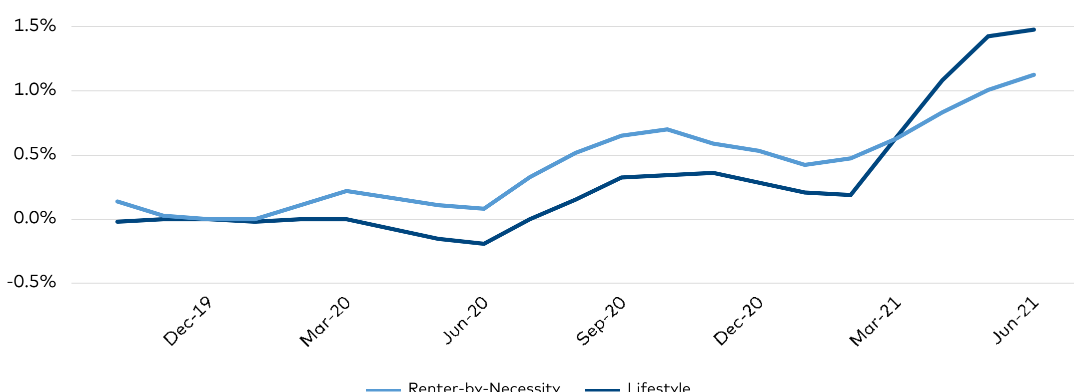
- Baltimore rents averaged $1,506 in June, a 1.3% increase on a T3 basis. This slightly lagged the national rate of 1.4%. The market's rents were 1.6% higher than the U.S. average of $1,482.
- Lifestyle figures grew the most, up 1.5% on a T3 basis to $1,881 in June. RBN rents increased by 1.1% during the same period, averaging $1,332. While occupancy grew across the quality spectrum by 115 basis points year-over-year as of May, Lifestyle occupancy saw the biggest increase, up 1.6%, underpinning faster growth in rents.
- The Frederick–South submarket had the highest rent growth marketwide, increasing 16.7% year-over-year through June to $1,720. The submarket benefits from a location within 60 miles of both downtown Baltimore and central Washington, D.C. Other submarkets experiencing rapid rent growth included Bel Air (up 16.5% to $1,522), Edgewood (up 16.2% to $1,294) and Frederick–West (up 14% to $1,486).
- Single-family rental assets in Baltimore registered strong rent growth, up 19.2% year-over-year through June. This far exceeds the national growth rate of 11.1% during the same period.
- Though Baltimore's multifamily rents have grown 9% year-over-year, growth is expected to moderate through the rest of the year. We expect the market's rent for 2021 to grow at a rate of 2.9%.

Baltimore vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Baltimore Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Baltimore added 155,400 jobs during the 12 months ending in May, up 8.7% year-over-year, though the extent of job gains reflects a broader economic recovery following the initial shock of the pandemic last spring. The metro's May unemployment rate stood at 5.5%, according to preliminary data from the Bureau of Labor Statistics, 30 basis points less than the national figure. Unemployment peaked at 9.2% in May 2020, steadily trending downward since.

- Nearly all employment sectors registered net gains in employment for the year ending in May. The leisure and hospitality sector had the most rapid growth, up 49,100 jobs, or 48.7% year-over-year, followed by other services (up 11,200 jobs, or 19.2% year-over-year) and trade, transportation and utilities (up 34,000 jobs, or 12.1% year-over-year). The lone sector with a net decline in jobs was financial services, which shed 400 jobs for a loss of 0.4%.

- Baltimore's economy has clearly shown signs of recovery, though job gains will moderate once the initial shock of the pandemic is outside the data set. The metro is home to a sizeable number of employers in the health-care and education fields, and these resilient industries could help the metro recover more sustainably over the long term.

Baltimore Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	150	7.7%
40	Trade, Transportation and Utilities	315	16.3%
60	Professional and Business Services	378	19.5%
65	Education and Health Services	363	18.7%
80	Other Services	69	3.6%
30	Manufacturing	78	4.0%
90	Government	335	17.3%
15	Mining, Logging and Construction	112	5.8%
50	Information	27	1.4%
55	Financial Activities	111	5.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Baltimore's population remained flat in 2020, growing by only 136 residents during the year, far less than the 0.4% growth at the national level.

- The metro's population increased by 2.4% in the past decade, or by 66,642 residents.

Baltimore vs. National Population

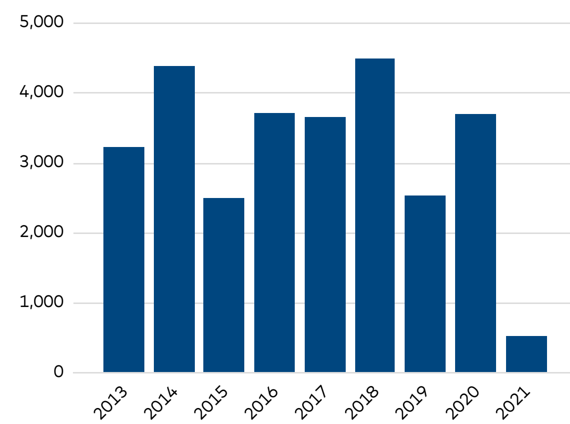
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Baltimore Metro	2,798,587	2,802,789	2,800,053	2,800,189

Sources: U.S. Census, Moody's Analytics

SUPPLY

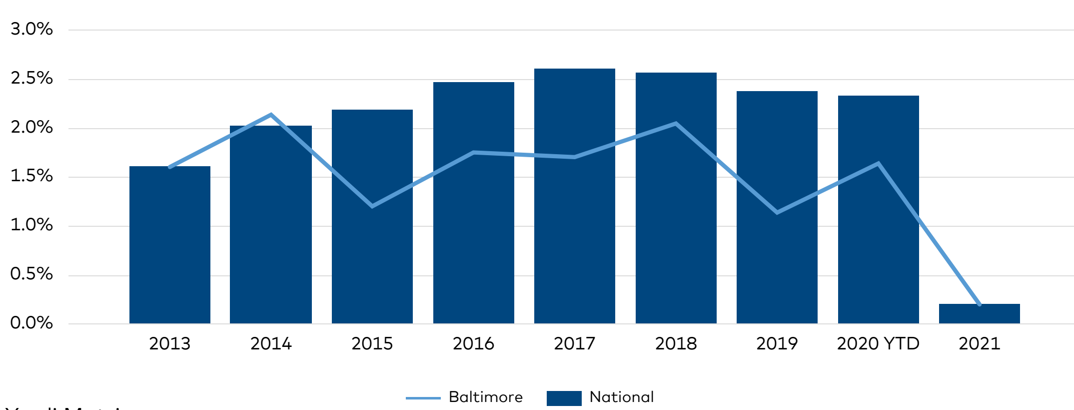
- There were 4,407 units under construction in Baltimore at the end of June, 1.9% of existing inventory. Activity began to increase in the first half of this year, with developments totaling nearly 2,000 units breaking ground, far higher than last year's project starts of 1,243 units. Some 10,000 units were in the planning and permitting stages.
- Multifamily deliveries totaled 533 units through June, or 0.2% of total stock. Completions in 2020 added up to 3,708 units—higher than the previous year, but still below the cycle high of 4,501 units delivered in 2018. We anticipate completions of approximately 1,000 units for the calendar year.
- The Baltimore–South submarket had the most construction activity in June, with three projects encompassing 1,035 units underway. The mixed-use redevelopment of Port Covington has drawn multifamily developers to the submarket. The 235-acre master-planned community includes 456 units underway through a joint venture between Sagamore Development, Weller Development and Goldman Sachs. The project broke ground this spring and is slated to deliver in early 2024.
- Wood Partners' The Wexley at 100 was the largest multifamily completion year-to-date through June. Work on the 394-unit luxury community in the Ellicott City submarket began in early 2019 and finished in June. The property was the first major delivery in the submarket since 2017.

Baltimore Completions (as of June 2021)



Source: Yardi Matrix

Baltimore vs. National Completions as a Percentage of Total Stock (as of June 2021)



Source: Yardi Matrix

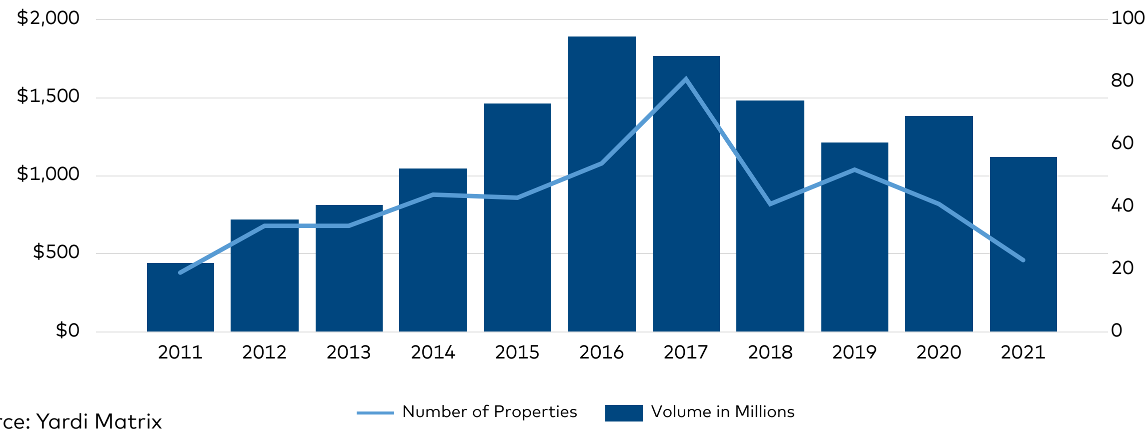
TRANSACTIONS

- Baltimore's multifamily transaction volume was $1.1 billion in 2021 through June, nearly double the $661 million closed in the first half of 2020. This year's transactions averaged $152,401 per unit, a 6.7% decrease compared to 2020 and 11.9% lower than the national average.

- Investors overwhelmingly targeted RBN assets, which comprised $814.8 million through June, or 72.9% of total volume. RBN assets sold at an average of $138,591, a 3.4% decline from 2020 and far less than the average for Lifestyle assets, at $208,048.

- Olive Tree Management's $139.9 million purchase of the 1,098-unit Highland Village Townhomes from Kushner Cos. was one of the largest multifamily transactions in the first half of the year. Arbor Realty Trust provided $123.8 million in acquisition financing for the property in the Halethorpe submarket.

Baltimore Sales Volume and Number of Properties Sold (as of June 2021)



Source: Yardi Matrix

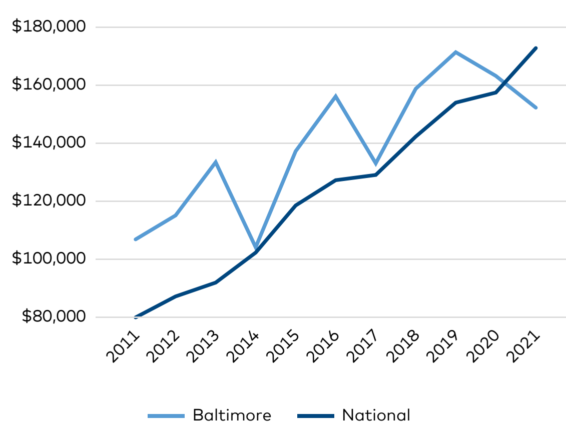
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Owings Mill	280
Ellicott City	211
Aberdeen	155
Halethorpe	140
Frederick–South	100
Middle River	99
Essex	98

Source: Yardi Matrix

[1] From July 2020 to June 2021

Baltimore vs. National Sales Price per Unit



Source: Yardi Matrix

EXECUTIVE INSIGHTS

Brought to you by: MULTI-HOUSING NEWS

Inside Baltimore's Solid Multifamily Market

By Evelyn Jozsa

Baltimore's multifamily market is also improving quickly, reaching healthy levels of occupancy and maintaining steady rent growth in recent quarters. Bozzuto's management arm oversees operations for more than 50 properties in the Baltimore area, so we asked Regional Vice Presidents Isabelle Mattioli and Patrick Butler to evaluate the metro's rental market and discuss what's ahead.

How would you describe Baltimore's multifamily landscape more than one year into the pandemic?

Mattioli: Baltimore started to see a rebound in occupancy in the fourth quarter of 2020, which enabled us to push rents at the beginning of 2021. In the past 90 days, occupancy has stabilized and we are seeing positive rent trade-outs on new leases. The majority of lease-ups that were projected to stabilize in 2020 are now stabilizing in mid-2021, resulting in a reduction of concessions offered.

For example, Liberty Harbor East—located in the center of the dynamic Harbor East neighborhood—reached stabilization in June 2021. Along with our partner Harbor East Management Group, we envisioned Liberty as a testament to Baltimore's history and local culture, and community response is indicative of the strength of this rental market.

Patrick Butler *(left)* and Isabelle Mattioli *(right)*

Which Baltimore areas fared better over the past 12 months?

Butler: Occupancy-wise, the properties close to the University of Maryland and Johns Hopkins Medical institutions fared better than other neighborhoods that did not have a strong medical presence. As far as rents were concerned, all neighborhoods felt financial impacts as demand decreased and concessions increased to maintain occupancy.

What can you tell us about the supply/demand dynamics?

Butler: Currently, demand is outpacing supply and concessions are decreasing, enabling sites to push rents. The current pipeline is below the historic highs of 2017 and 2019.

Mattioli: Baltimore is in line with the rest of the major metro areas. Rising construction costs are impacting all new construction.

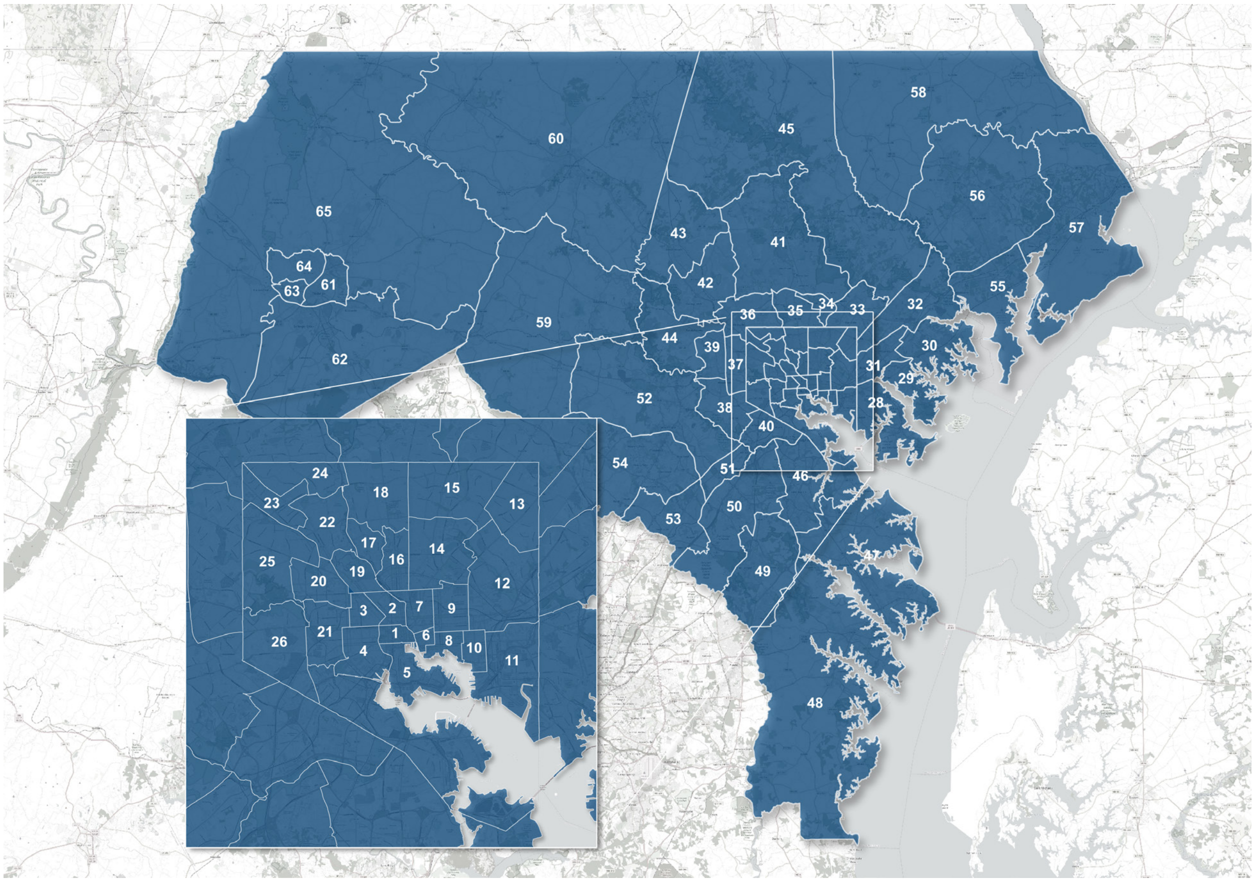
How have your business and management strategies changed over the past year? Tell us about rent collection across your portfolio since April 2020.

Mattioli: We adjusted to the COVID-19 landscape, but our overall business strategy has stayed consistent with a focus on resident and employee satisfaction. At Bozzuto, our mission is to create a sanctuary.

Butler: The majority of our demographics were not in industries affected by COVID-19 and average delinquency ran around 2 percent to 3 percent.

(Read the full interview on multi-housingnews.com.)

BALTIMORE SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Baltimore–Downtown	23	Baltimore–Glen-Fallstaff	45	Northern Baltimore County
2	Baltimore–Midtown	24	Baltimore–Cheswolde	46	Glen Burnie
3	Baltimore–Upton	25	Baltimore–Northwest	47	Pasadena–Arnold
4	Baltimore–Poppleton	26	Baltimore–West	48	Annapolis
5	Baltimore–South	27	Baltimore–Morrell Park-Cherry Hill	49	Odenton
6	Baltimore–Little Italy	28	Dundalk	50	Hanover–Severn
7	Baltimore–Oldtown	29	Essex	51	Elkridge
8	Baltimore–Fells Point	30	Middle River	52	Ellicott City
9	Baltimore–Middle East-Washington Hill	31	Rosedale	53	Laurel
10	Baltimore–Brewers Hill	32	Nottingham	54	Columbia
11	Baltimore–Southeast	33	Parkville	55	Edgewood
12	Baltimore–Herring Run Park	34	Towson–Northeast	56	Bel-Air
13	Baltimore–Hamilton	35	Towson–Southwest	57	Aberdeen
14	Baltimore–Waverly	36	Pikesville	58	Northern Harford County
15	Baltimore–Northeast	37	Gwynn Oak	59	Sykesville–Mount Airy
16	Baltimore–Johns Hopkins	38	Catonsville	60	Westminster
17	Baltimore–Hampden	39	Windsor Mill	61	Frederick–East
18	Baltimore–Roland Park	40	Halethorpe	62	Frederick–South
19	Baltimore–Reservoir Hill	41	Cockeysville	63	Frederick–West
20	Baltimore–Mondawmin	42	Owings Mills	64	Frederick–North
21	Baltimore–Edmondson	43	Reisterstown	65	Outlying Frederick County
22	Baltimore–Pimlico	44	Randallstown		

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

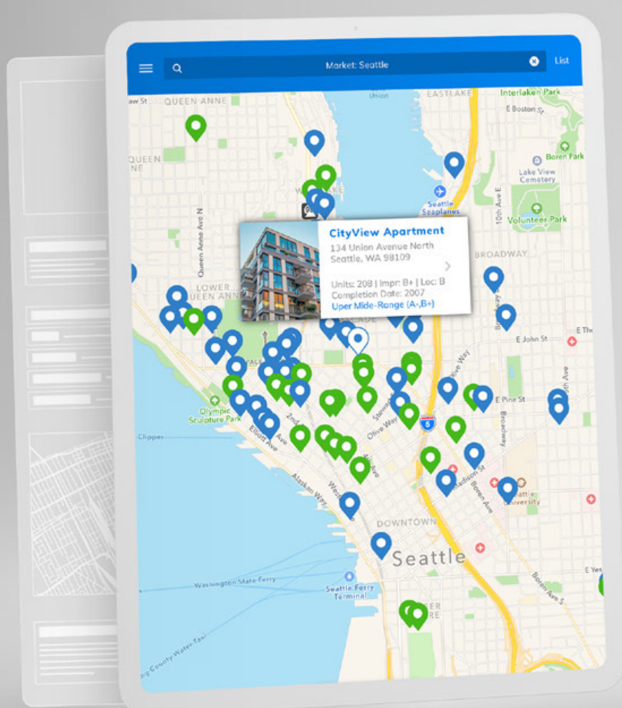
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi® Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on **19+ million units,** covering over **90% of the U.S. population.**

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

See how we can help you achieve your investment goals.
Request a personalized demo at yardimatrix.com/**contact-us**

(800) 866-1144 | yardimatrix.com/multifamily

YARDI