

Baltimore Keeps Its Balance

Fall 2021

Investment Reaches Record Volume

Rent Growth Hits Double Digits

Employment Market Expands

BALTIMORE MULTIFAMILY



Charm City Presses On

The Baltimore market is moving forward and registering record gains, on par with nationwide trends. Rents averaged \$1,601 in October, a 1.4% gain on a trailing three-month (T3) basis and up 13.0% year-over-year. Lifestyle rates increased by 1.6% on a T3 basis, outpacing the working-class Renter-by-Necessity uptick of 1.3%. On a year-over-year basis, all submarkets registered growth, but the largest increases occurred in the metro's suburbs.

The metro's economy is making gains, with 93,300 jobs added during the 12 months ending in August, a 5.0% uptick over the year. The largest number of new jobs was added to the professional and business sector (24,300 positions, or 6.8% year-over-year). Baltimore is positioned to benefit from its diversified economy, particularly in the rapidly growing trade and transportation and life sciences industries.

Multifamily investment reached nearly \$2.2 billion in the first 10 months of 2021, already 48.3% higher than the 2020 total and above any other year on record. Investors targeted both Lifestyle and RBN assets, and sales prices averaged \$182,241 per unit, very close to the U.S. figure. Development has slowed, with 4,300 units under construction as of October, though deliveries totaled only 953 units, with the year's deliveries likely to remain at the lowest level since the late 1990s.

Market Analysis | Fall 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

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Jeff Hamann

Senior Associate Editor

Recent Baltimore Transactions

Nautilus Point



City: Annapolis, Md.
Buyer: Bainbridge Cos.
Purchase Price: \$154 MM
Price per Unit: \$252,046

Highland Village Townhomes



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

Avana Red Run



City: Owings Mills, Md.
Buyer: Greystar
Purchase Price: \$134 MM
Price per Unit: \$257,692

The Point at Crofton

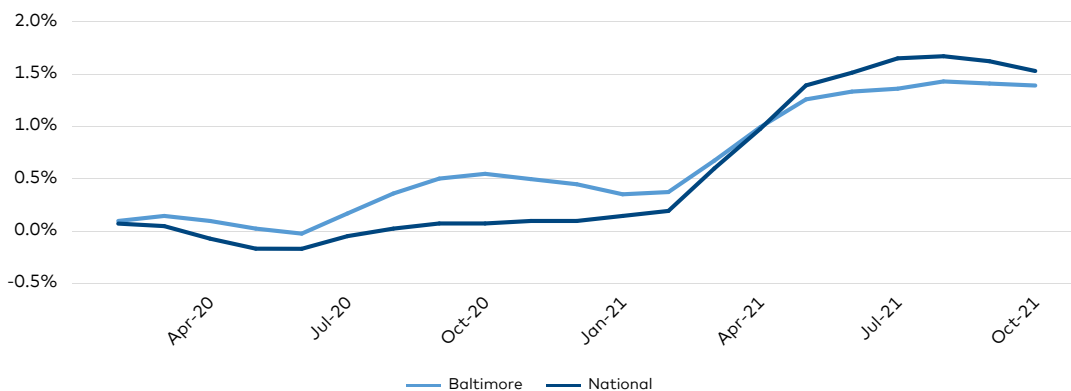


City: Crofton, Md.
Buyer: Trinity Property Consultants
Purchase Price: \$113 MM
Price per Unit: \$277,094

RENT TRENDS

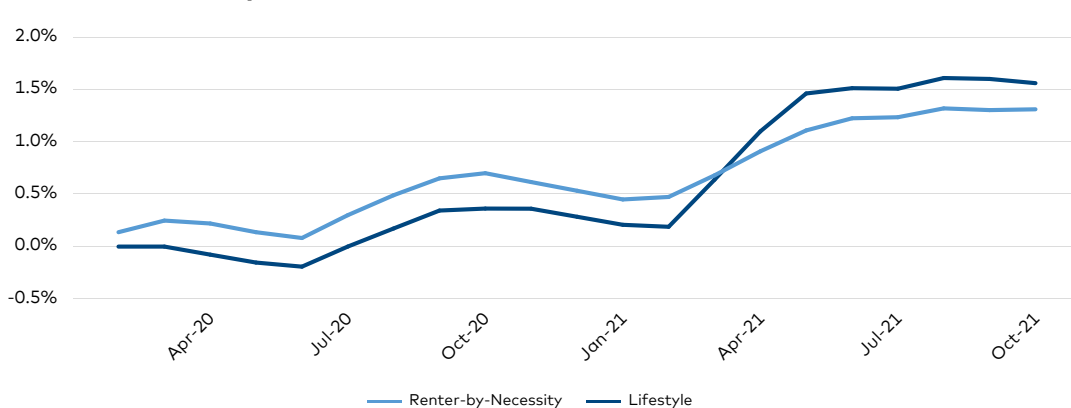
- ▶ Baltimore rents averaged \$1,601 in October, a 1.4% gain on a T3 basis. Rates were slightly higher (1.8%) than the U.S. average of \$1,572, but growth trailed the national rate by 10 basis points. On a year-over-year basis, the average Baltimore price was up by 13.0%.
- ▶ Lifestyle rents increased the fastest, up 1.6% on a T3 basis through October to \$2,004, 3.4% higher than the national average of \$1,938. RBN rates grew by a slightly more modest 1.3% to \$1,409. Occupancy across both asset types has risen: RBN occupancy increases slightly outpaced Lifestyle growth, up a respective 1.9% and 1.8% over the year through September.
- ▶ Middle River had one of the highest rates of expansion in the market, up 18.8% year-over-year through October to \$1,509. The northeastern suburban submarket predominantly houses RBN units. Approximately 80% of the inventory is more than 25 years old, but population growth within the submarket has placed upward pressure on rent gains.
- ▶ Baltimore's single-family rental properties reported rapid rent development, up 17.2% year-over-year through October. This exceeded the national growth rate by 250 basis points.
- ▶ Though rent development was 13.0% year-over-year through October, increases are expected to moderate by the end of the year. We project rates will increase 11.9% for the calendar year.

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 93,300 jobs during the 12 months ending in August, for a 5.0% gain. The metro's unemployment rate stood at 5.3% in September, according to preliminary data from the Bureau of Labor Statistics. Although this was 50 basis points higher than the national unemployment rate for that month, Baltimore has made significant employment headway from the 9.2% peak in May 2020.
- ▶ A large majority of Baltimore's job sectors showed growth during the 12 months ending in August. The professional and business services sector had the largest gains, up 24,300 jobs, or 6.8% year-over-year. Other sectors with strong growth included leisure and hospitality (up 21,000 jobs, or 14.7%) and trade, transportation and utilities (up 15,300 jobs, or 5.0%). The sole sector that shed jobs was mining, logging and construction (down 600 jobs, or 0.5%).
- ▶ Baltimore's diversified economy appears set for sustained growth. The metro's health and life sciences industries had been growing even before the pandemic and are on track to expand further along with several other sectors. The expanded Port of Baltimore also is positioned to drive future gains as container traffic continues to climb.

Baltimore Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	384	19.7%
70	Leisure and Hospitality	164	8.4%
40	Trade, Transportation and Utilities	321	16.5%
90	Government	325	16.7%
65	Education and Health Services	356	18.2%
80	Other Services	70	3.6%
30	Manufacturing	77	3.9%
55	Financial Activities	113	5.8%
50	Information	27	1.4%
15	Mining, Logging and Construction	113	5.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Baltimore's population stagnated in 2020, with the metro adding only 136 residents.
- ▶ The metro's gains have lagged the national growth rate every year since 2012. In 2019, the metro lost more than 2,700 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

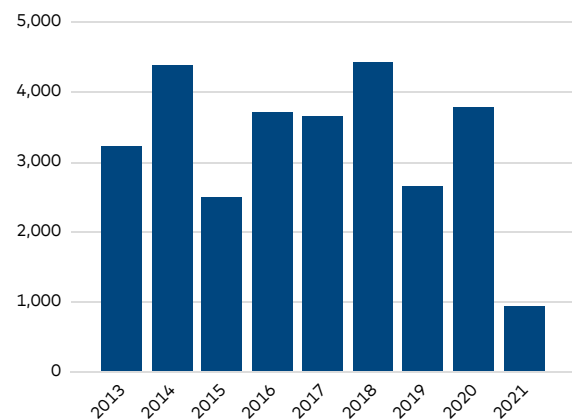
SUPPLY

- ▶ There were 4,291 units under construction in Baltimore at the end of October, accounting for 1.9% of total inventory, and an additional 30,000 units in the planning and permitting stages.
- ▶ Seven projects totaling more than 1,700 units broke ground between January and October, a 16.7% uptick compared to construction starts during the same period in 2020.
- ▶ Multifamily deliveries during the first 10 months of the year totaled just 953 units, or 0.4% of total stock. Although only slightly more than 1,000 units are expected to deliver this year—the lowest level of new inventory since the late 1990s—construction is expected to accelerate in 2022.
- ▶ Baltimore–South had the highest level of construction activity as of October, with 1,035 units under construction, equal to 27.3% of the submarket’s inventory. The largest development was Alta Federal Hill, a 525-unit luxury community that began construction in late 2020, backed by \$42.5 million in financing from Santander Bank. Owner-developers Wood Partners and Caves Valley Partners

plan to complete the two-building community in late 2022.

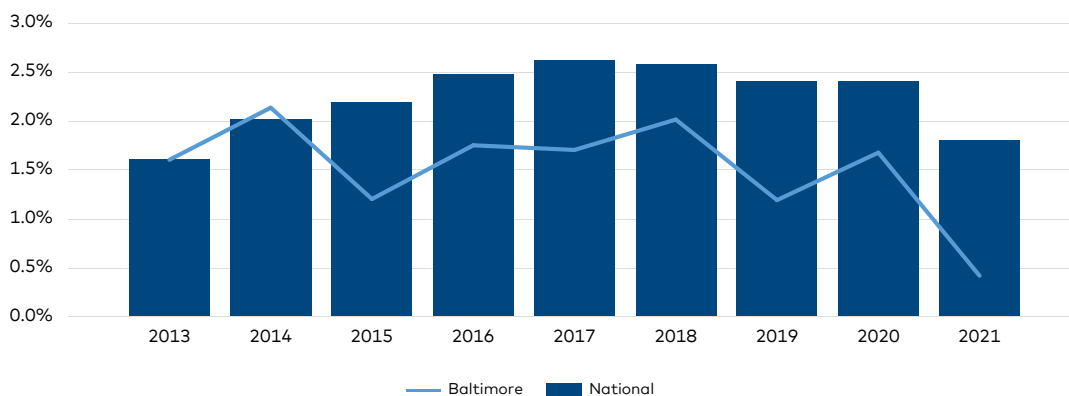
- ▶ The largest delivery year-to-date through October was The Wexley at 100, a 394-unit luxury property in the Ellicott City submarket. Wood Partners broke ground on the nine-building community in early 2019.

Baltimore Completions (as of October 2021)



Source: Yardi Matrix

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

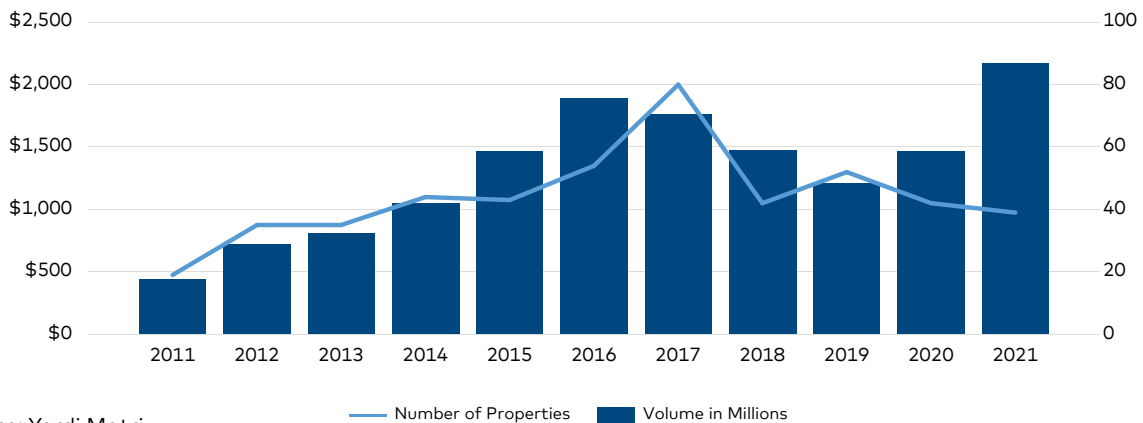


Source: Yardi Matrix

TRANSACTIONS

- ▶ Baltimore's multifamily investment volume was \$2.2 billion year-to-date through October, already 48.3% higher than the total figure for 2020 and above any year on record. Sales averaged \$182,241 per unit, a 15.2% gain compared to last year and almost on par with the \$184,007 national average.
- ▶ Lifestyle and RBN assets were both targeted by investors, with a nearly even split of \$1.1 billion in transactions each. This was a notable change from last year, when RBN assets comprised 67.5% of investment volume. Lifestyle sale prices increased by 21.7% compared to 2020, more than double the 9.5% gain in RBN pricing.
- ▶ In the largest single-asset transaction through October, Bainbridge Cos. and TPG Real Estate paid \$154 million for the 611-unit Nautilus Point in Annapolis. Castle Lanterra sold the community, and Newmark provided Fannie Mae acquisition financing.

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



Source: Yardi Matrix

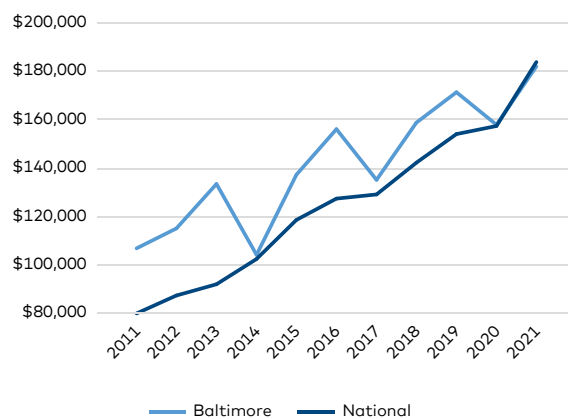
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Owings Mills	414
Frederick-South	192
Odenton	191
Pikesville	180
Ellicott City	169
Aberdeen	155
Annapolis	154

Source: Yardi Matrix

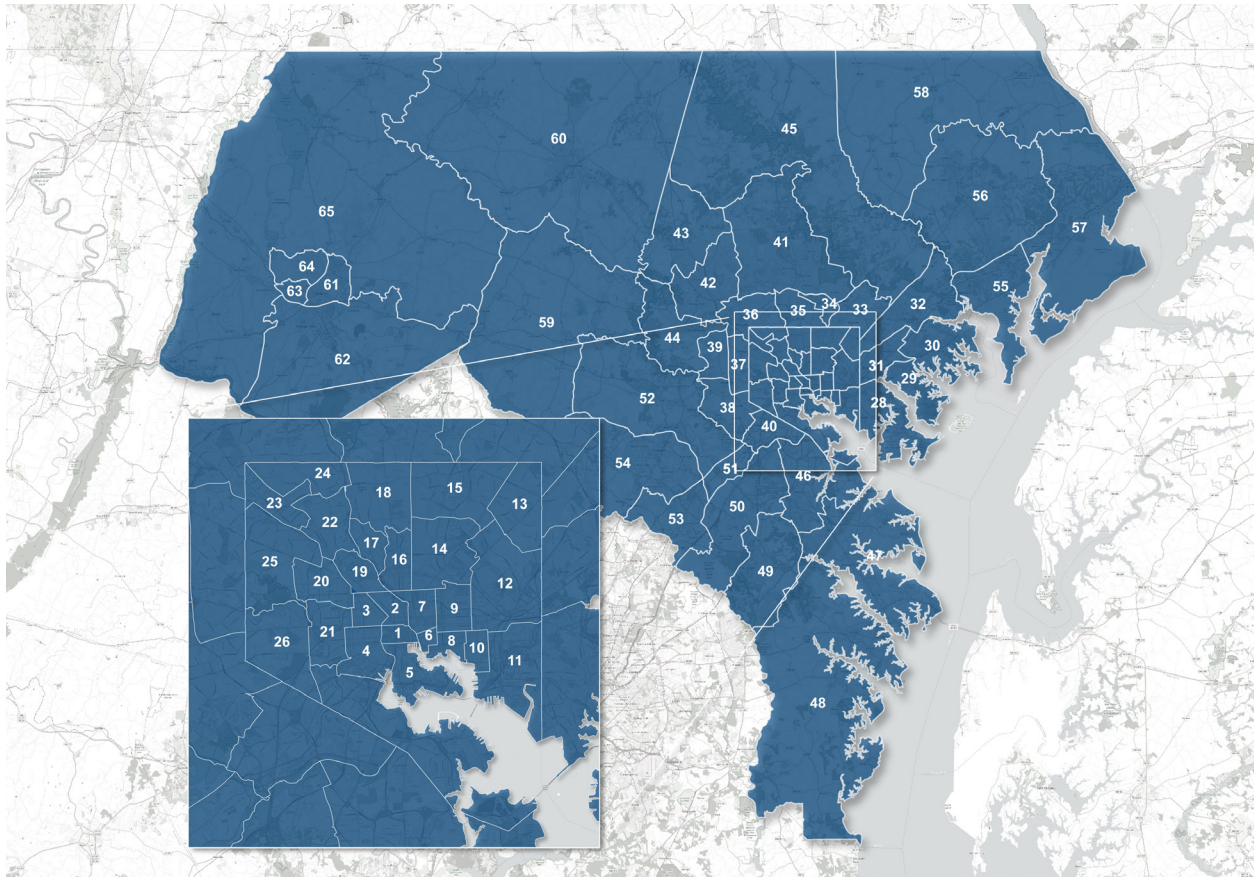
¹ From November 2020 to October 2021

Baltimore vs. National Sales Price per Unit



Source: Yardi Matrix

BALTIMORE SUBMARKETS



Area No.	Submarket
1	Baltimore-Downtown
2	Baltimore-Midtown
3	Baltimore-Upton
4	Baltimore-Poppleton
5	Baltimore-South
6	Baltimore-Little Italy
7	Baltimore-Oldtown
8	Baltimore-Fells Point
9	Baltimore-Middle East-Washington Hill
10	Baltimore-Brewers Hill
11	Baltimore-Southeast
12	Baltimore-Herring Run Park
13	Baltimore-Hamilton
14	Baltimore-Waverly
15	Baltimore-Northeast
16	Baltimore-Johns Hopkins
17	Baltimore-Hampden
18	Baltimore-Roland Park
19	Baltimore-Reservoir Hill
20	Baltimore-Mondawmin
21	Baltimore-Edmondson
22	Baltimore-Pimlico

Area No.	Submarket
23	Baltimore-Glen-Fallstaff
24	Baltimore-Cheswolde
25	Baltimore-Northwest
26	Baltimore-West
27	Baltimore-Morrell Park-Cherry Hill
28	Dundalk
29	Essex
30	Middle River
31	Rosedale
32	Nottingham
33	Parkville
34	Towson-Northeast
35	Towson-Southwest
36	Pikesville
37	Gwynn Oak
38	Catonsville
39	Windsor Mill
40	Halethorpe
41	Cockeysville
42	Owings Mills
43	Reisterstown
44	Randallstown

Area No.	Submarket
45	Northern Baltimore County
46	Glen Burnie
47	Pasadena-Arnold
48	Annapolis
49	Odenton
50	Hanover-Severn
51	Elkridge
52	Ellicott City
53	Laurel
54	Columbia
55	Edgewood
56	Bel-Air
57	Aberdeen
58	Northern Harford County
59	Sykesville-Mount Airy
60	Westminster
61	Frederick-East
62	Frederick-South
63	Frederick-West
64	Frederick-North
65	Outlying Frederick County

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.

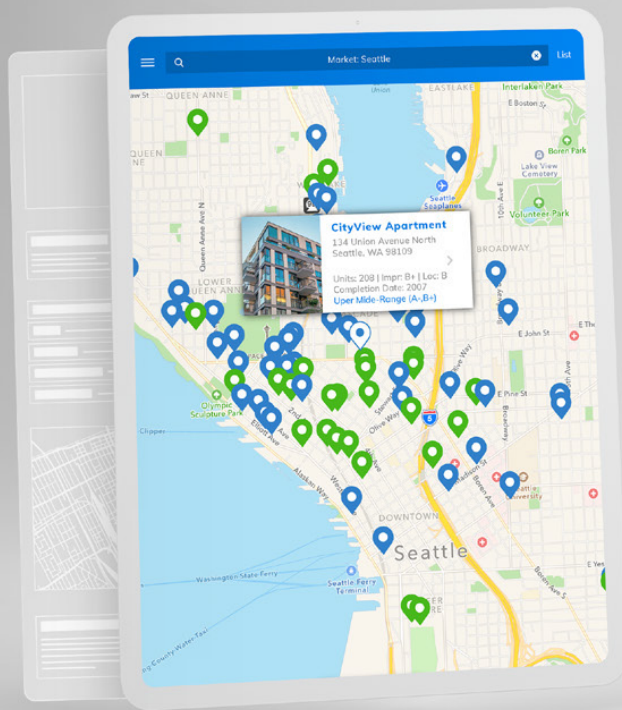
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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