

Baltimore Slows Down

August 2022



Unemployment on Par With Nation
Construction Activity Decelerates
Rent Growth Behind Most Metros

BALTIMORE MULTIFAMILY



Rental Segment Shifts Down a Gear

Baltimore's multifamily market posted moderate performance amid rising interest rates and a declining population. The average rent reached \$1,664, up 0.8% on a trailing three-month basis through June, picking up after two quarters of sluggish increases. The rate remains just below the \$1,706 U.S. figure.

Baltimore's economy is still lagging pre-pandemic levels of employment, but is making strides nonetheless. Job growth was at 4.1%—60 basis points behind the U.S. average—with 71,700 positions added in the 12 months ending in May. The unemployment rate clocked in at 3.6% as of May, on par with the national figure, according to preliminary Bureau of Labor Statistics data. July is the start of a new budget year for Baltimore, which saw another \$100 million ARPA infusion to address housing issues through the creation of new affordable units and support for low-income renters. In another effort to bolster economic growth, the Maryland Chamber of Commerce redesignated and expanded the Baltimore Enterprise Zone, increasing the number of potential businesses that can receive economic support as new jobs are added.

Development slowed further this year in Baltimore, with 5,151 units under construction as of June. Completions during the first half of the year represented just 0.3% of existing stock, 60 basis points behind the national rate.

Market Analysis | August 2022

Contacts

Jeff Adler

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

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

Tudor Scolca

Associate Editor

Recent Baltimore Transactions

Renaissance Hills at Ellicott



City: Ellicott City, Md.
Buyer: Renaissance Management Group
Purchase Price: \$210 MM
Price per Unit: \$244,965

Ellicott Grove



City: Ellicott City, Md.
Buyer: Marble Partners
Purchase Price: \$81 MM
Price per Unit: \$270,000

Ashbury Courts



City: Laurel, Md.
Buyer: Corner Lot Development
Purchase Price: \$35 MM
Price per Unit: \$224,358

The Reserve at West Hills

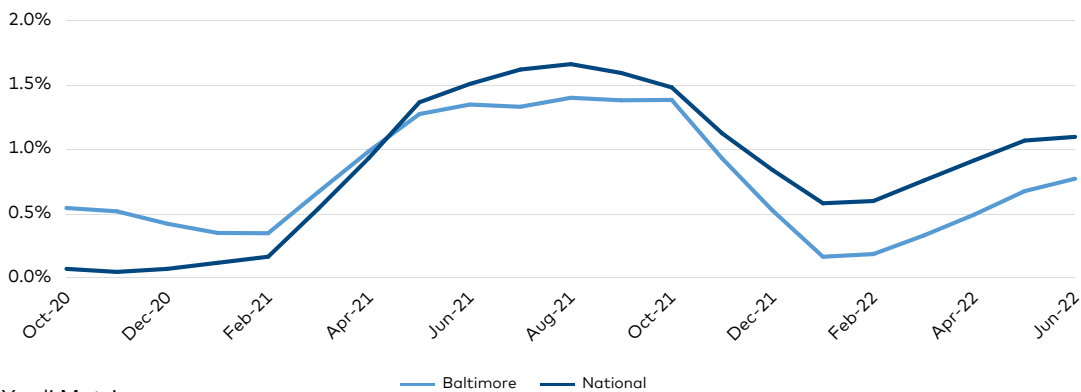


City: Baltimore
Buyer: Concordia Properties
Purchase Price: \$22 MM
Price per Unit: \$151,724

RENT TRENDS

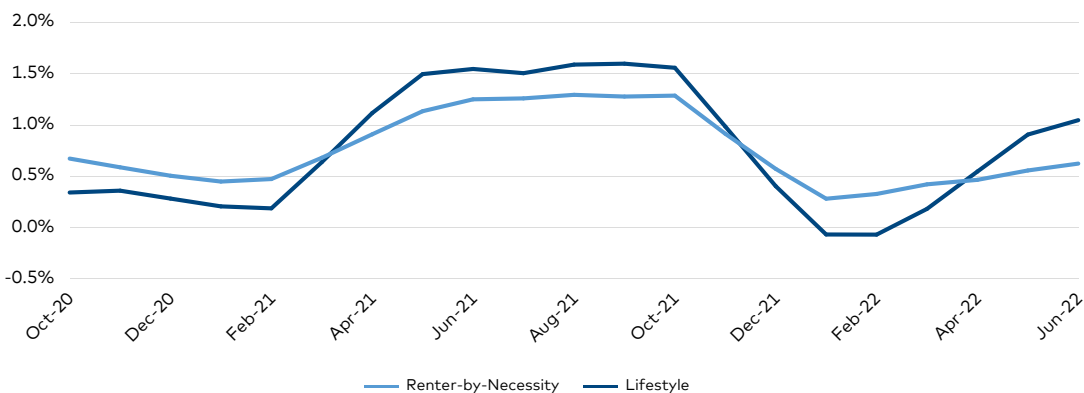
- ▶ Baltimore rates were up 0.8% on a trailing three-month (T3) basis through June, to \$1,664, just below the \$1,706 national figure. Rent development picked up after seasonal deceleration between November 2021 (0.9%) and March 2022 (0.3%). But despite the recent uptick, the Baltimore rate is still lagging the 1.1% U.S. average.
- ▶ Year-over-year, Baltimore rents were up 9.4%, behind the 13.7% national rate. Although slower than most major metros, growth continues to outperform pre-pandemic levels.
- ▶ After recording contractions during the first two months of the year, Lifestyle rents rebounded and were up 1.0% on a T3 basis through June, to \$2,081. Rates for working-class Renter-by-Necessity apartments were up 0.6%, to an average of \$1,461.
- ▶ Occupancy in stabilized properties was down 20 basis points year-over-year, to 96.2% as of May. Although it recorded a drop, Baltimore's occupancy is above the national 96.0% rate and above pre-pandemic levels. Occupancy in Lifestyle properties dropped 30 basis points year-over-year, to 96.1%, while Renter-by-Necessity occupancy declined by 20 basis points, to 96.3%.
- ▶ Almost all submarkets recorded rent development, with areas close to the urban core leading growth. The largest gains were in Baltimore-Pimlico (up 35.4% year-over-year, to \$1,294), Baltimore-Roland Park (up 26.4%, to \$2,013) and Baltimore-Southeast (up 18.7%, to \$1,103).

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 71,700 jobs in the 12 months ending in May, for a 4.1% increase. Employment growth was constant from the start of the year but remained 60 basis points behind the 4.7% national rate as of May.
- ▶ The metro's unemployment rate was 3.6% as of May, below Maryland's 4.0%, according to preliminary BLS data. The rate was on par with the national figure and down 210 basis points year-over-year. Despite solid improvement since last year, Baltimore employment remains below levels registered in early 2020.
- ▶ Almost all sectors recorded gains, with leisure and hospitality marking the largest increase of 26,900 jobs, for a 17.4% year-over-year expansion. Trade, transportation and utilities gained 15,700 jobs (4.9%), followed by professional and business services with 11,100 jobs (3.0%). Financial activities was the only sector to lose jobs, contracting by 2.8%, or 3,200 positions.
- ▶ The Maryland Department of Commerce approved the redesignation and expansion of the Baltimore Enterprise Zone by 3,271 acres, aiming to spur growth in underutilized areas. Businesses located in this zone are expected to receive \$46.2 million in property tax credits, based on more than \$3.7 billion in investments during 2021.

Baltimore Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	182	9.1%
40	Trade, Transportation and Utilities	333	16.6%
60	Professional and Business Services	386	19.2%
90	Government	342	17.0%
30	Manufacturing	81	4.0%
15	Mining, Logging and Construction	117	5.8%
65	Education and Health Services	356	17.7%
80	Other Services	72	3.6%
50	Information	29	1.4%
55	Financial Activities	111	5.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Baltimore's population declined in 2021, with migration trends continuing to develop post-pandemic. The metro lost 3,364 residents, for a 0.1% decline, while the U.S. population grew by 0.1%.

Baltimore vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Baltimore	2,802,908	2,803,903	2,841,691	2,838,327

Source: U.S. Census

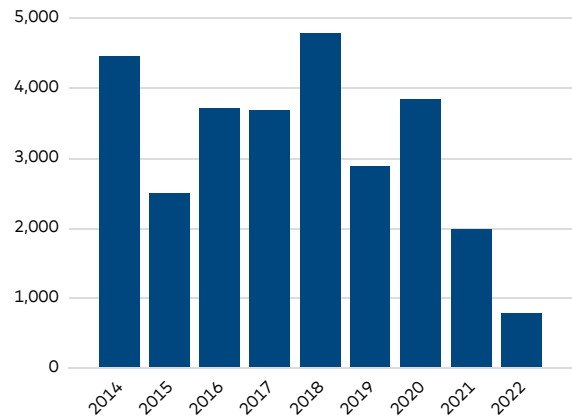
SUPPLY

- ▶ As of June, Baltimore had 5,151 multifamily units under construction, 78.3% (4,035 units) of which fell within the Lifestyle segment, while 16.8% (867) were fully affordable. An additional 30,900 apartments were in the planning and permitting stages.
- ▶ During the first half of the year, six projects broke ground, comprising 834 units. This marked a steep drop from 2021, when work began on 2,421 apartments during the same time frame.
- ▶ After 3,851 units came online in 2020 (representing 1.7% of stock), the rate of new deliveries steadily declined to 0.9% last year. During the first half of this year, 782 units were completed in Baltimore, below the 1,275 apartments brought online during 2021's first two quarters. Completions represented 0.3% of total stock, 60 basis points behind the national rate. Some 2,030 units are expected to come online in the second half of 2022, which would still place this year's total below the metro's five-year average (3,434 units).
- ▶ Urban submarkets comprised almost 80% of the pipeline, or 4,103 units. Baltimore-Brewers Hill led development, with 649 units underway, followed by Columbia (625), Baltimore-

South (510), Baltimore-Downtown (395) and Baltimore-Edmondson (379).

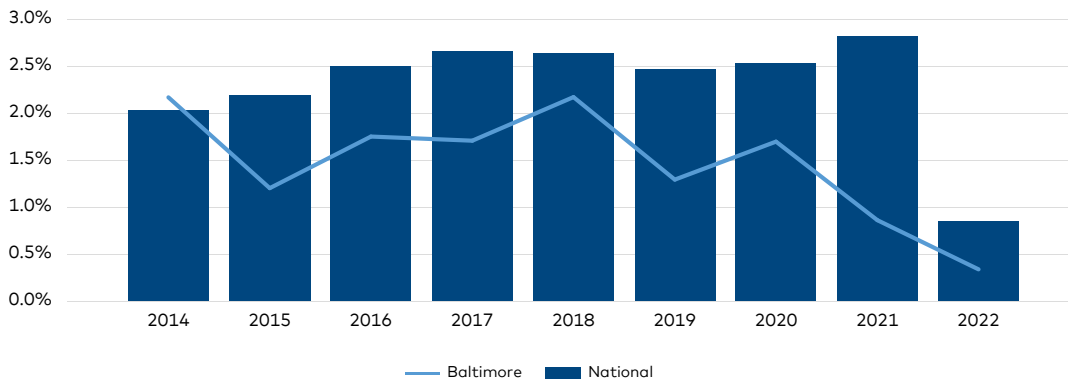
- ▶ Several revitalization projects continue across the metro's suburban and urban submarkets. The largest development to come online this year was the 437-unit Avalon Foundry Row, in Owings Mills. AvalonBay Communities completed the multifamily component within the larger Foundry Row project, comprising retail and office, constructed on the site of a former factory.

Baltimore Completions (as of June 2022)



Source: Yardi Matrix

Baltimore vs. National Completions as a Percentage of Total Stock (as of June 2022)

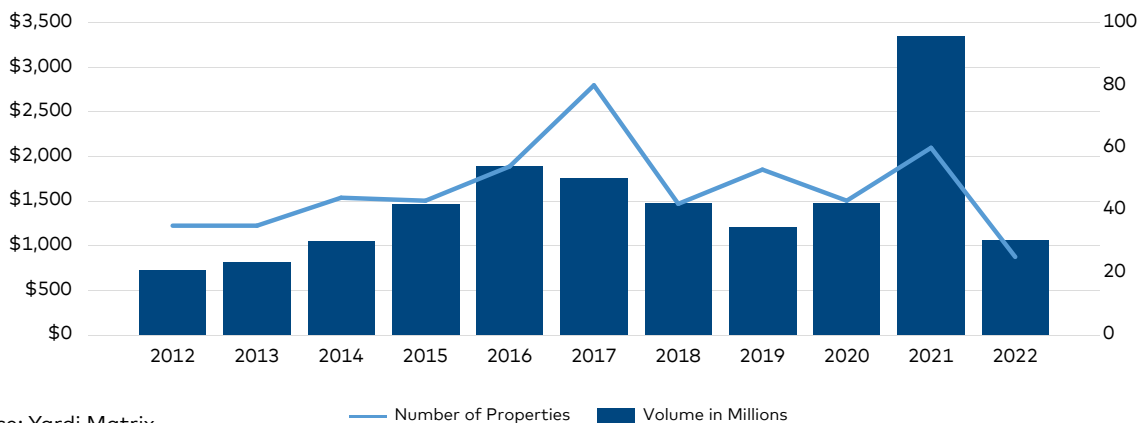


Source: Yardi Matrix

TRANSACTIONS

- ▶ Some \$1.1 billion in multifamily assets traded in metro Baltimore during the first two quarters. Investment volume was 26.9% lower year-over-year. Overall, last year's volume totaled \$3.3 billion. Renter-by-Necessity assets took the lion's share in the first half of 2022, with 18 sales totaling \$793.6 million. Seven Lifestyle assets traded for \$270 million.
- ▶ The average price per unit rose to \$197,288 in the first two quarters, a 2.9% uptick from last year, but still below the \$217,310 U.S. figure.
- ▶ During the 12 months ending in June, investors mainly targeted urban submarkets, with some activity in suburban areas. The largest transaction occurred in Ellicott City, Md., where Renaissance Management Group acquired the 858-unit Renaissance Hills at Ellicott for \$210.2 million—or \$244,965 per unit—from Morgan Properties.

Baltimore Sales Volume and Number of Properties Sold (as of June 2022)



Source: Yardi Matrix

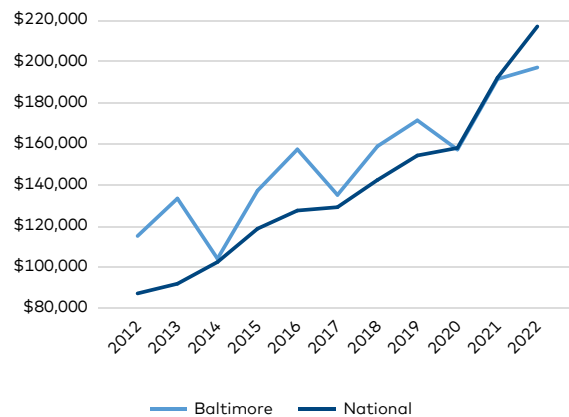
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Towson-Northeast	\$295
Ellicott City	\$291
Baltimore-South	\$275
Odenton	\$212
Owings Mills	\$206
Middle River	\$190
Laurel	\$180

Source: Yardi Matrix

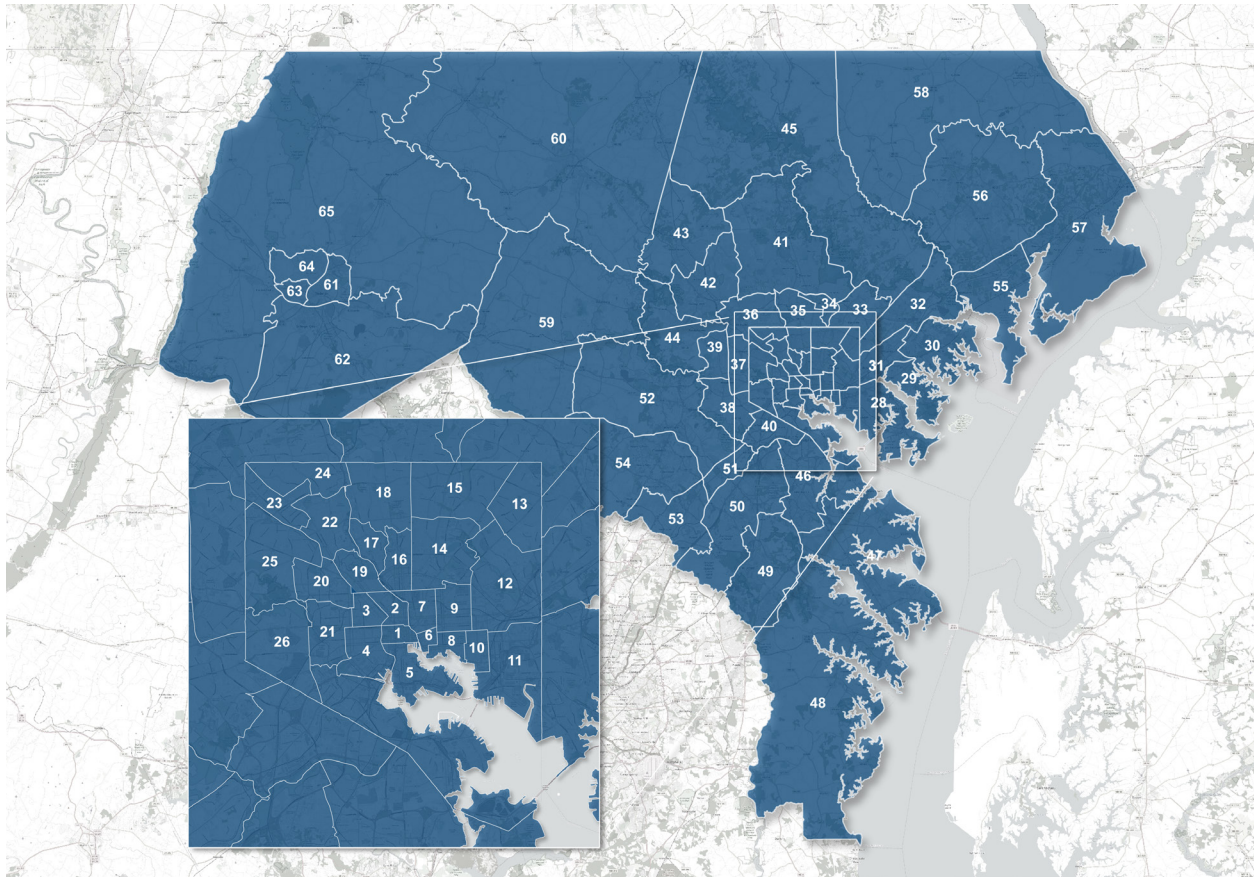
¹ From July 2021 to June 2022

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 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 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, 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.



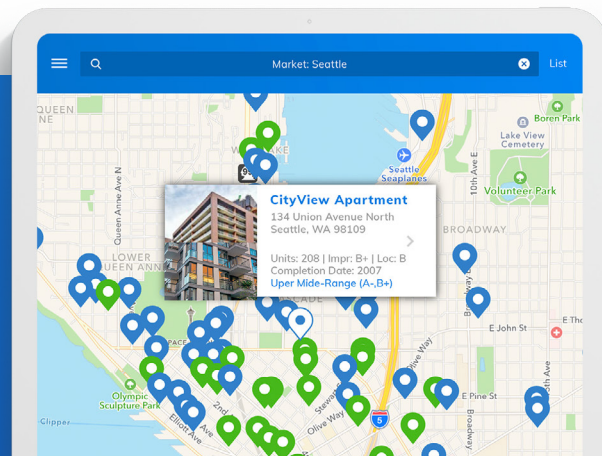
Yardi Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2022 Yardi Systems, Inc. All Rights Reserved.