



MULTIFAMILY REPORT

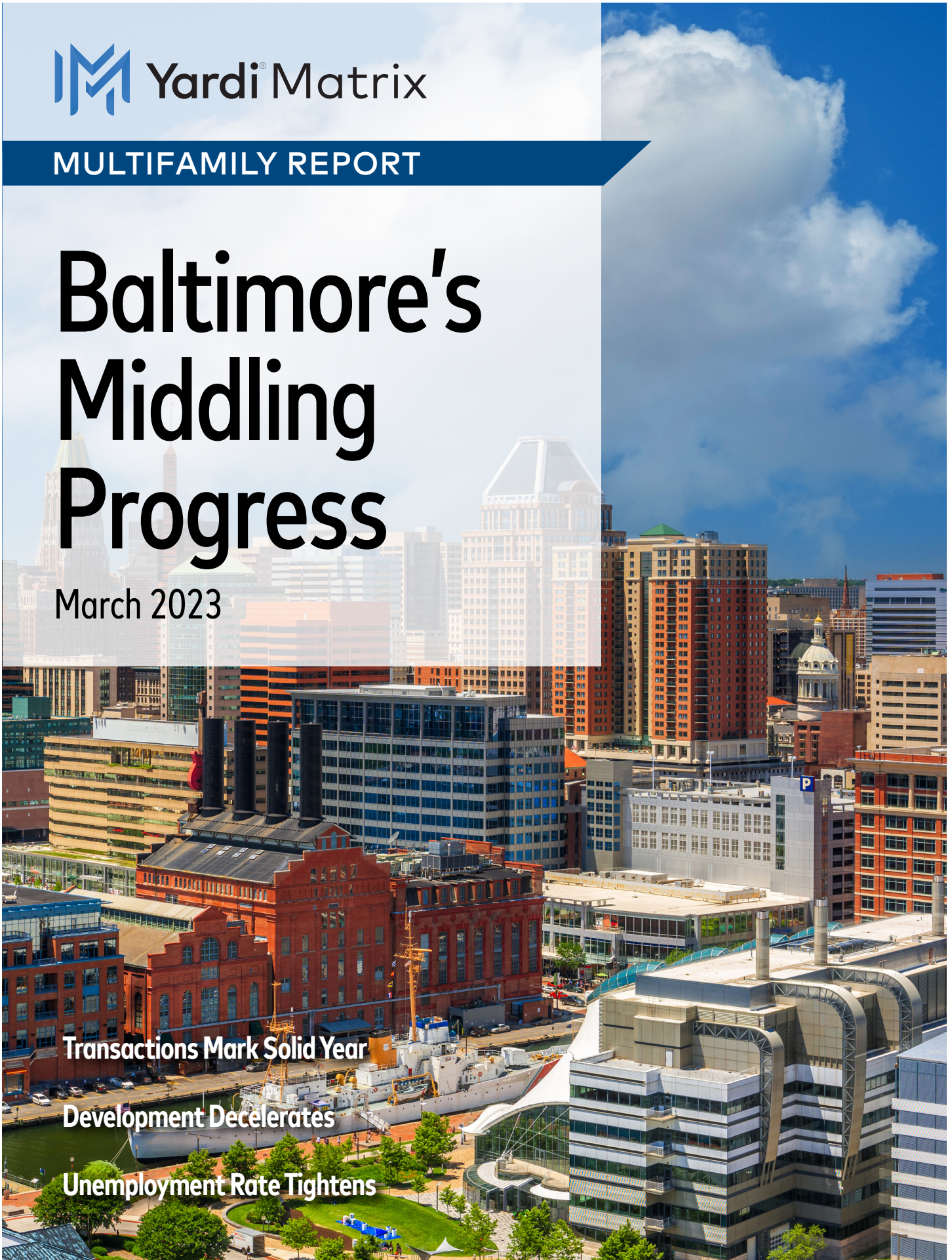
Baltimore's Middling Progress

March 2023

Transactions Mark Solid Year

Development Decelerates

Unemployment Rate Tightens



BALTIMORE MULTIFAMILY



Rents Slip, Deal Volume Endures

After a strong run, in line with nationwide performance, Baltimore multifamily is recalibrating and returning to historic figures, with both rents and occupancy contracting. The average rate was down 50 basis points on a trailing three-month basis as of January, while the occupancy rate in stabilized assets slid 1.2% in 2022.

Metro Baltimore added 41,000 positions in the 12 months ending in November 2022, marking a 3.0% expansion. Like neighboring Washington, D.C., the city benefited from the gentler economic shakeup that coastal markets felt when COVID-19 hit, and this helped it recover more quickly. The area's unemployment clocked in at a tight 3.1% as of December, down 140 basis points in 12 months. Meanwhile, high-profile projects such as Baltimore Peninsula, Tradepoint Atlantic and the \$200 million renovation of CFG Bank Arena moved forward.

A total of \$2.9 billion in assets traded in 2022 in Baltimore, marking the second-best volume of the decade, on the heels of the record-breaking \$3.3 billion registered in 2021. Meanwhile, completions decelerated sharply, with 996 units coming online last year and an additional 4,524 apartments underway at the beginning of 2023. With many markets returning to pre-pandemic dynamics and considering the supply and demand balance, Yardi Matrix expects Baltimore rents to grow 2.1% this year.

Market Analysis | March 2023

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

Bogdan Odagescu

Senior Editor

Recent Baltimore Transactions

Columbia Pointe



City: Columbia, Md.
Buyer: Excelsa Holding
Purchase Price: \$78 MM
Price per Unit: \$240,000

Annapolis Bay



City: Annapolis, Md.
Buyer: Dweck Properties
Purchase Price: \$69 MM
Price per Unit: \$319,444

Lakeside Mill



City: Owings Mills, Md.
Buyer: TruAmerica Multifamily
Purchase Price: \$48 MM
Price per Unit: \$250,000

Flats at 703

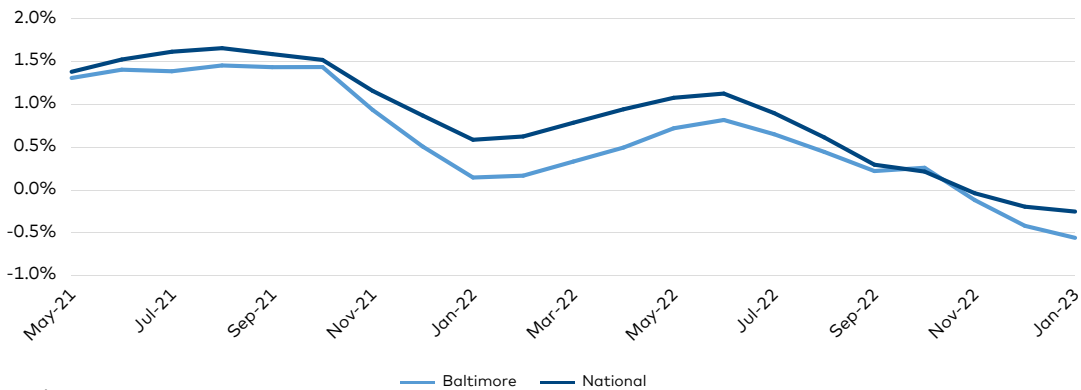


City: Towson, Md.
Buyer: Kaplan Cos.
Purchase Price: \$34 MM
Price per Unit: \$321,905

RENT TRENDS

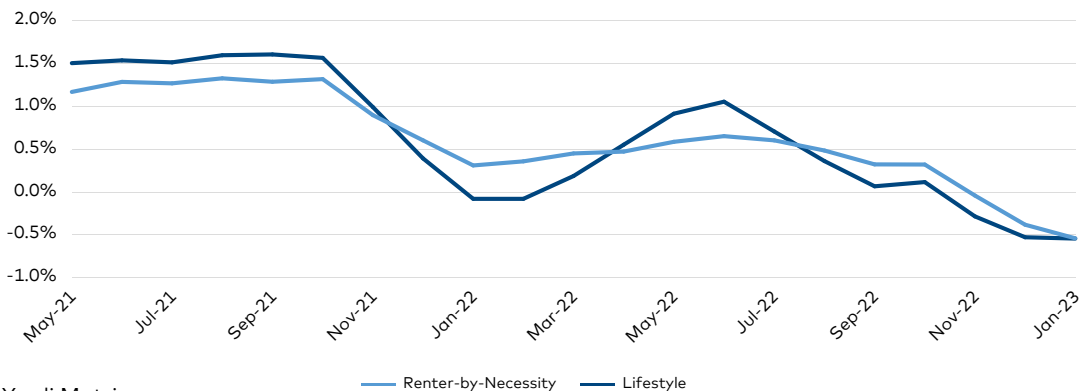
- ▶ The average Baltimore rent was down 0.6% on a trailing three-month (T3) basis as of January, to \$1,648, while the national figure dropped 0.3%, to \$1,701. Rates continue to contract, as the entire industry faces crosswinds and recalibration. The factors putting pressure on rents include overall economic uncertainty, dampening demand, decelerating household formation, seasonal trends and a rebound from historic growth just one year ago.
- ▶ Metro Baltimore rates were up 2.6% in 2022, making it one of the lowest performers among the country's top 30 markets tracked by Yardi Matrix and above only Phoenix (0.6%) and Las Vegas (0.3%). The fact that all three were top performers in 2021 indicates that although the timing may differ, most U.S. markets have largely experienced similar dynamics. In 2023, Yardi Matrix expects the average Baltimore rent to advance 2.1%.
- ▶ There was no difference across quality segments in Baltimore on a T3 basis as of January: Both Lifestyle (\$2,045) and working-class Renter-by-Necessity (\$1,453) rates were down 50 basis points. Mirroring rent evolution, there was little difference when it came to occupancy in stabilized assets: Both RBN and Lifestyle occupancy dropped 120 basis points, to 95.3% and 95.2%, respectively, last year.
- ▶ Single-family rentals, however, just closed a stellar year in Baltimore: The average rent climbed 13.6%, to \$2,782, while SFR occupancy inched up 140 basis points, to 94.1%.

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 41,000 jobs in the 12 months ending in November. That marked a 3.0% expansion, below the 3.9% U.S. average. Despite lagging the nation in job creation, the metro continued to make relatively slow but steady progress toward a full recovery.
- ▶ The area's unemployment dropped to 3.1% as of December, according to preliminary data from the Bureau of Labor Statistics, marking significant progress from the 4.5% rate registered 12 months prior. As with the neighboring Washington, D.C., area, metro Baltimore benefited from a relatively shallow economic trough two-and-a-half years ago.
- ▶ The previously hard-hit leisure and hospitality sector led job gains, with the addition of 12,400 positions in the 12 months ending in November. Professional and business services (6,900), trade, transportation and utilities (5,700) and education and health services (5,600) followed. Government (-200) was the only sector to shed jobs.
- ▶ The city's educated workforce, together with big developments, are pushing the local economy forward. Large-scale projects include the \$650 million mixed-use Baltimore Peninsula—previously called Port Covington—as well as the 3,300-acre Tradepoint Atlantic and the \$200 million renovation of CFG Bank Arena.

Baltimore Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	178	8.8%
60	Professional and Business Services	388	19.1%
40	Trade, Transportation and Utilities	341	16.8%
65	Education and Health Services	362	17.9%
30	Manufacturing	83	4.1%
15	Mining, Logging and Construction	118	5.8%
80	Other Services	72	3.6%
55	Financial Activities	113	5.6%
50	Information	29	1.4%
90	Government	342	16.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Baltimore lost a marginal 3,364 residents in 2021, at the height of the work-from-home trend. That represented a 10-basis-point drop, while the U.S. population grew by 10 basis points.
- ▶ Between 2012 and 2021, Baltimore gained 83,175 people, a 3.0% rise.

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

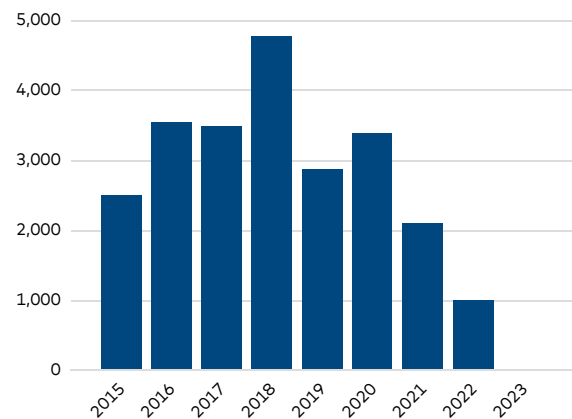
SUPPLY

- ▶ Baltimore had 4,524 apartments under construction as of January, a figure that's remained relatively stable for the past two quarters. The metro had another 28,000 units in the planning and permitting stages at the beginning of 2023, some of which may face delays or even cancellations until economic volatility dissipates.
- ▶ Just 996 units came online in metro Baltimore in 2022—the slowest year for deliveries in a decade—continuing a slowdown that began with the COVID-19 pandemic. Construction starts reflect this, as well. Last year, work was started on only 1,190 apartments, significantly less than half of the 2,903 units that developers began construction on in 2021.
- ▶ Of the 4,524 units underway as of January 2023, roughly 1,150 were in fully affordable projects, with the rest concentrated in the upscale Lifestyle segment. This is in line with the delivery volume for the past three years, as 86% of apartments coming online were upscale. This nationwide mismatch is closely tied to the affordability crisis: While the economy creates jobs across the board, developers continue to overwhelmingly focus on

luxury product, as homeownership remains out of reach for many households.

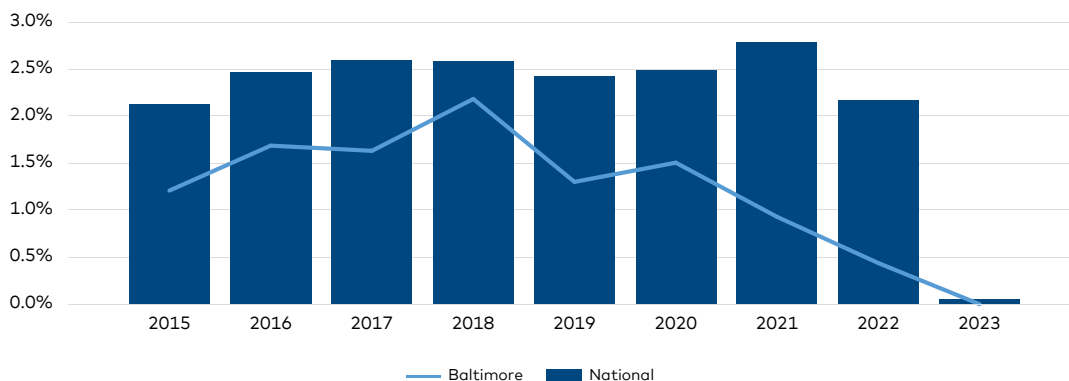
- ▶ While transactions remained concentrated in the suburbs, the city core continued to display a significant development cluster, with 55% of apartments under construction as of January 2023 located within 5 miles of downtown Baltimore, Yardi Matrix data shows.

Baltimore Completions (as of January 2023)



Source: Yardi Matrix

Baltimore vs. National Completions as a Percentage of Total Stock (as of January 2023)



Source: Yardi Matrix

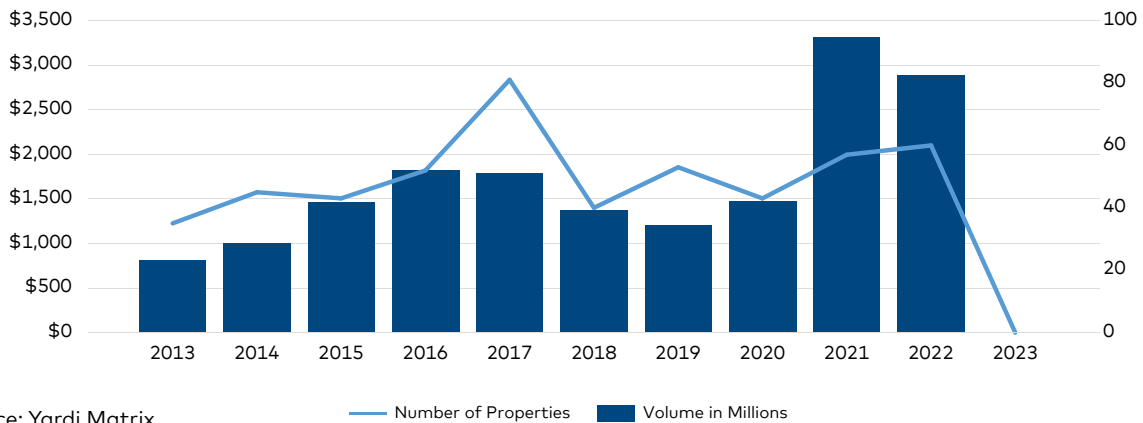
TRANSACTIONS

- Roughly \$2.9 billion in multifamily assets traded across metro Baltimore last year, the second-best year of the past decade. Only 2021 surpassed that, with a \$3.3 billion total during a period when many U.S. cities saw record amounts of capital flowing into the sector. Overall market conditions have dampened deal flow, with future activity likely to resemble the slowdown displayed in the fourth quarter of 2022.
- Per unit prices rose in Baltimore, with 2022 marking the first time the average surpassed

the \$200,000 threshold. At \$208,095, the figure was close to the \$211,873 national average.

- Suburban areas continued to take the lion's share of incoming capital. In the 12 months ending in January, of the top 10 submarkets for transactions volume, only the last two were within the city core—Midtown (\$128 million) and Northeast (\$115 million).

Baltimore Sales Volume and Number of Properties Sold (as of January 2023)



Source: Yardi Matrix

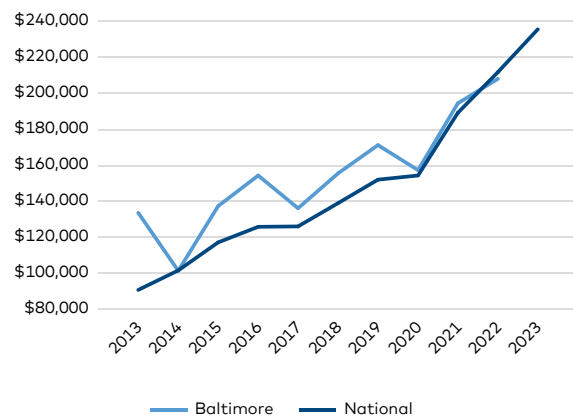
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Ellicott City	291
Parkville	290
Odenton	261
Laurel	234
Owings Mills	212
Glen Burnie	186
Columbia	180

Source: Yardi Matrix

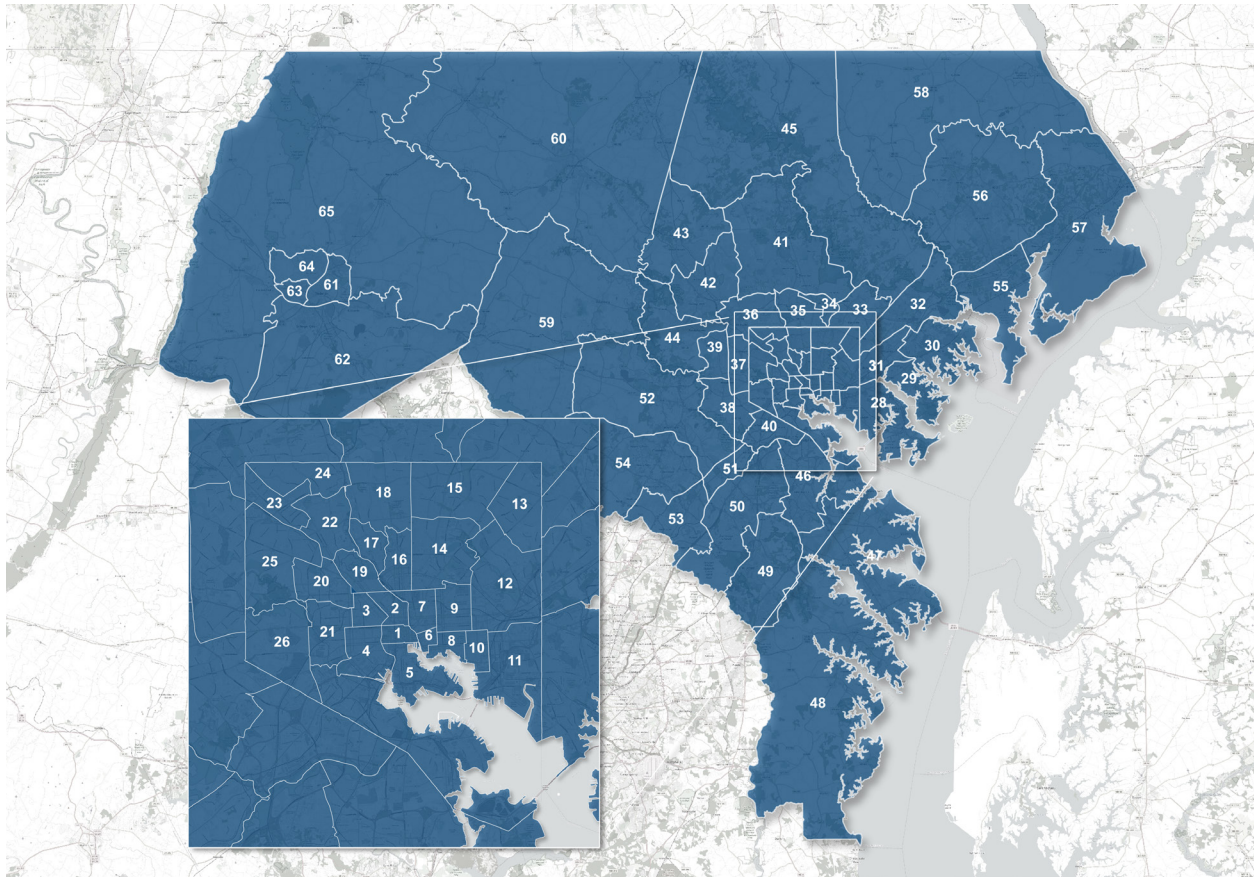
¹ From February 2022 to January 2023

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.



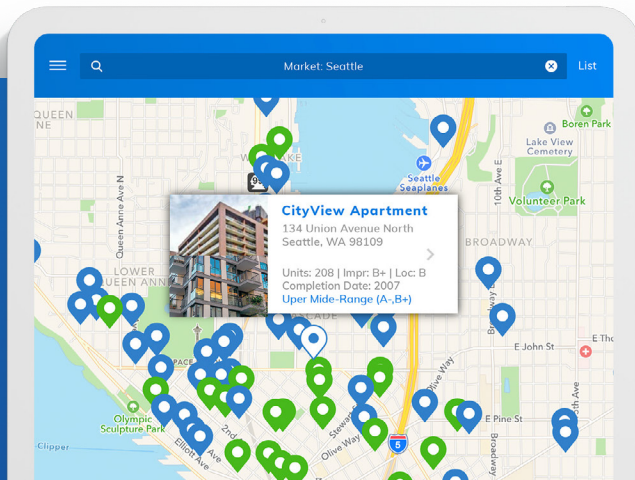
Yardi[®] Matrix

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.

© 2023 Yardi Systems, Inc. All Rights Reserved.