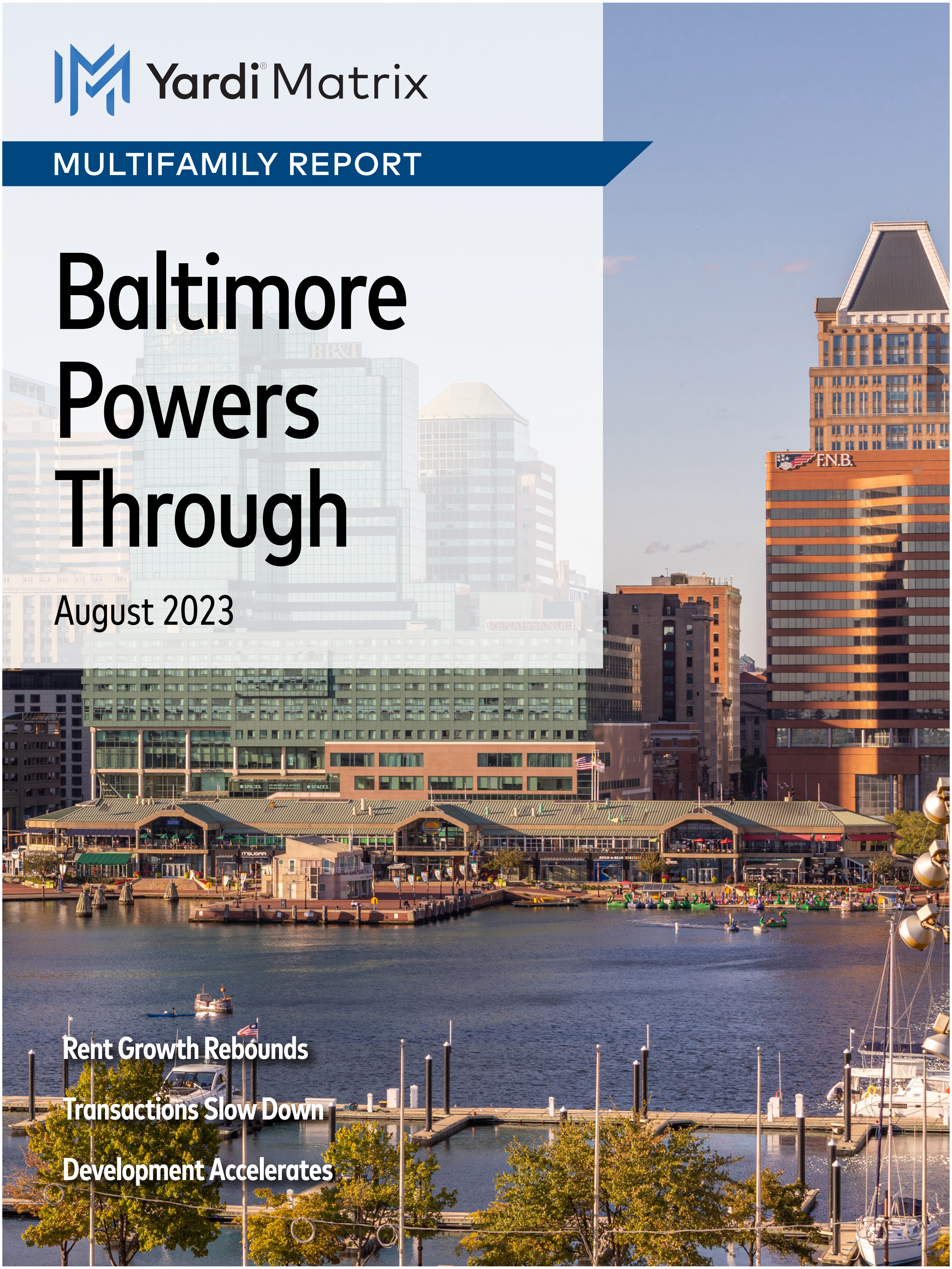
Yardi Matrix

MULTIFAMILY REPORT

Baltimore Powers Through

August 2023



Rent Growth Rebounds

Transactions Slow Down

Development Accelerates

BALTIMORE MULTIFAMILY

Yardi Matrix

Rental Market Shifts Up a Gear

After both rents and occupancy contracted last winter, the Baltimore multifamily market is recalibrating and returning to a healthier pace, with rates on an upswing and occupancy picking up slightly. The average rent was up 50 basis points on a trailing three-month basis through June, while occupancy in stabilized assets slid 1.0% over 12 months, improving from the 1.4% recorded in February.

The metro added 31,300 jobs in the 12 months ending in April, marking a 1.2% expansion. Like Washington, D.C., Baltimore benefited from a gentler economic shakeup at the height of the pandemic, compared to other coastal markets, which has helped the city's recovery. The area's unemployment clocked in at 2.2% as of May, down 150 basis points in 12 months. Large projects such as Baltimore Peninsula and Tradepoint Atlantic are moving forward, while the $200 million renovation of CFG Bank Arena was completed.

A total of $235 million in rental communities traded in the first half of 2023 in Baltimore, 78.6% less than the volume for the same period last year, when $1.1 billion worth of assets changed hands. Meanwhile, completions increased sharply, with 1,275 units delivered this year through June, 22% more than the 996 completed in 2022. A total of 12 projects broke ground, comprising 2,346 units. This marked a significant jump from 2022, when work began on only 630 apartments in the same time frame.

Market Analysis | August 2023

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Recent Baltimore Transactions

Belcove Place

City: Bel Air, Md.
Buyer: Sage Ventures
Purchase Price: $60 MM
Price per Unit: $174,419

Drumcastle

City: Columbia, Md.
Buyer: Signature Properties
Purchase Price: $37 MM
Price per Unit: $146,275

Beech's Farm

City: Columbia, Md.
Buyer: Howard County Housing Commission
Purchase Price: $30 MM
Price per Unit: $218,519

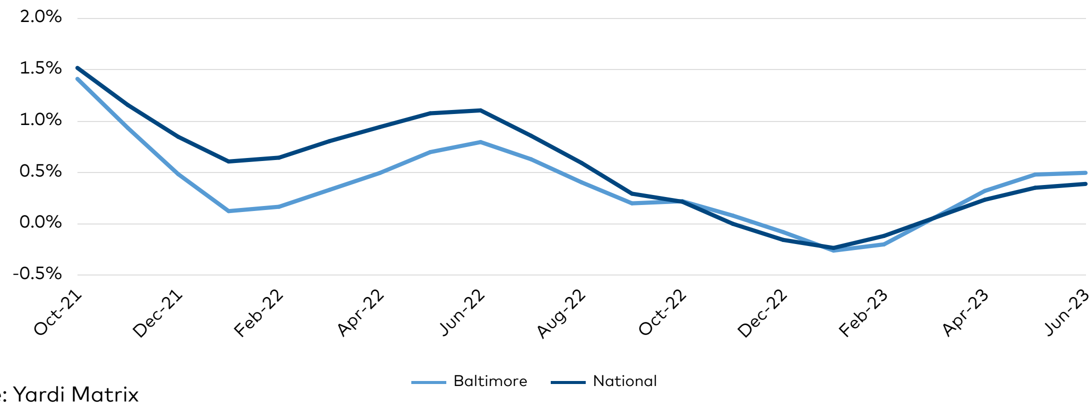
101 Ellwood

City: Baltimore
Buyer: XSITE Capital
Purchase Price: $25 MM
Price per Unit: $181,607

RENT TRENDS

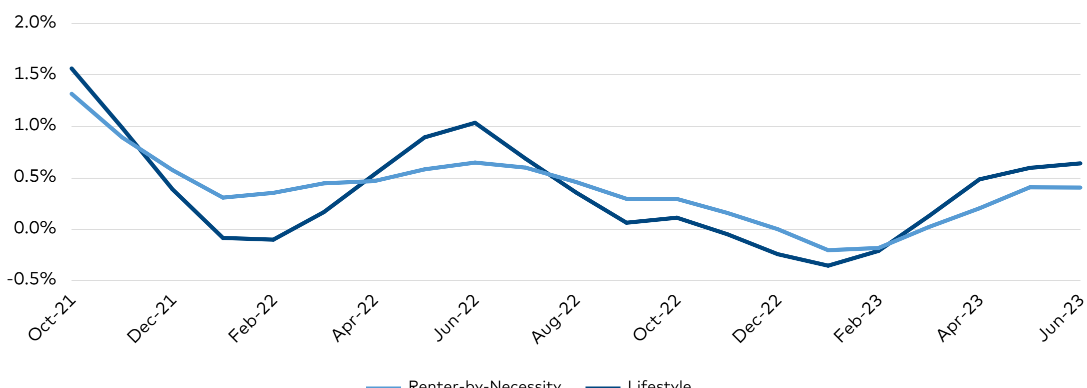
- Baltimore rates were up 0.5% on a trailing three-month (T3) basis through June, to $1,694. Gains picked up after facing hurdles, hitting negative territory between December 2022 (-0.1%) and February 2023 (-0.2%). The Baltimore rent growth rate was 10 basis points above the 0.4% U.S. average.
- Year-over-year, Baltimore rates were up 2.0%, slightly above the 1.8% national figure. This came on the heels of rates moving up just 2.6% in 2022, making the metro one of the lowest performers among the country's top 30 markets tracked by Yardi Matrix.
- After recording contractions during the first two months of the year, Lifestyle figures rebounded and were up 0.6% on a T3 basis through June, to $2,108. RBN rates followed the same pattern, improving 0.4% in June, to an average of $1,489.
- Occupancy in stabilized properties was down 100 basis points in 12 months, to 94.9% as of June, almost on par with the 95% U.S. average. Occupancy in both Lifestyle and RBN properties dropped 100 basis points, to 94.7% and 95%, respectively.
- The largest gains were recorded in Sykesville-Mount Airy (up 10.4% to $1,716), Aberdeen (9.2% to $1,739) and Frederick-West (8.8% to $1,772). The metro's most expensive submarket, Baltimore-Fells Point, recorded a 3.1% drop to $2,436.

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 31,300 jobs in the 12 months ending in April, for a 1.2% increase. Employment growth has been under the 2.0% mark since the beginning of 2023, less than half of the 2.9% U.S. rate of growth as of May.
- The metro's unemployment rate was 2.2% in May, 20 basis points below Maryland's 2.4% and 150 basis points below the 3.7% national figure, according to preliminary Bureau of Labor Statistics data. The rate was also down 150 basis points year-over-year.
- All but three sectors recorded gains over 12 months, with the previously hard-hit leisure and hospitality marking an increase of 8,800 jobs, or a 5.3% expansion. Education and health services added the most jobs (11,900 positions, up 3.3%). Meanwhile, the information sector contracted by 3.1%, losing 900 positions. Financial activities (-600 jobs) and professional and business services (-500 jobs) also contracted.
- The city's educated and diverse workforce, alongside its large-scale developments, are boosting the local economy. High-profile projects include the $650 million mixed-use Baltimore Peninsula, as well as the 3,300-acre Tradepoint Atlantic. In addition, the $200 million renovation of CFG Bank Arena wrapped up earlier this year.

Baltimore Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	367	18.3%
70	Leisure and Hospitality	175	8.7%
40	Trade, Transportation and Utilities	330	16.5%
15	Mining, Logging and Construction	115	5.7%
80	Other Services	73	3.6%
90	Government	341	17.0%
30	Manufacturing	78	3.9%
60	Professional and Business Services	387	19.3%
55	Financial Activities	110	5.5%
50	Information	29	1.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Metro Baltimore lost 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 added 83,322 people, for a 3.0% gain.

Baltimore vs. National Population

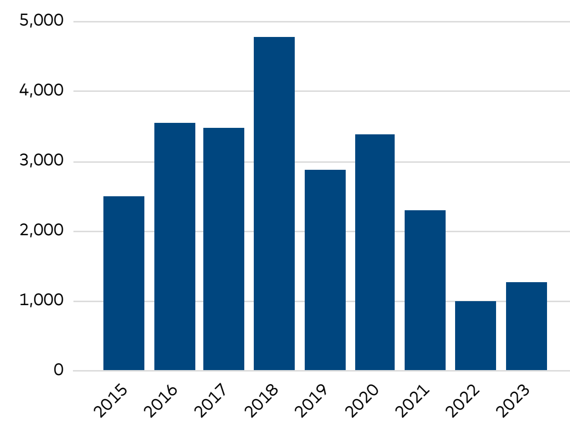
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Baltimore	2,802,908	2,803,903	2,841,691	2,838,327

Source: U.S. Census

SUPPLY

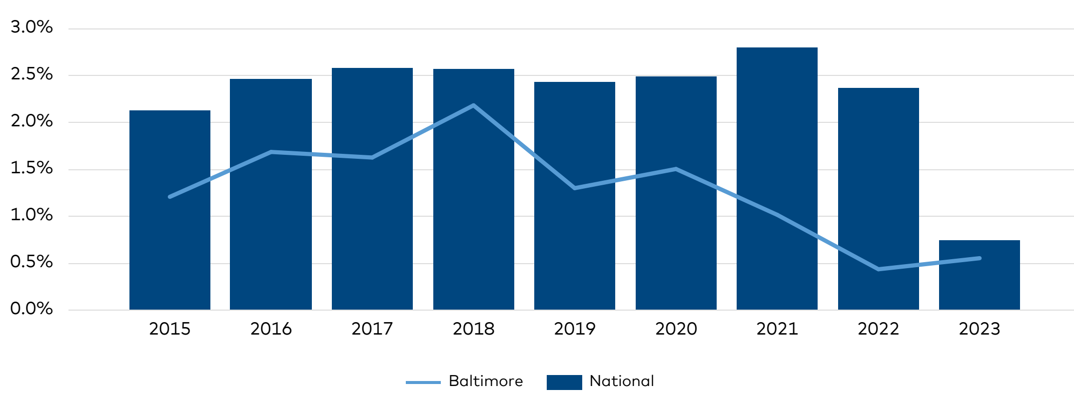
- As of June, Baltimore had 5,069 multifamily units under construction, 61.1% of which fell within the Lifestyle segment, while 20.6% were fully affordable. Meanwhile, almost 32,000 apartments were in the planning and permitting stages.
- During the first half of 2023, 12 projects comprising 2,346 units broke ground across metro Baltimore. This marked a strong increase from 2022, when work began on just 630 units during the same time frame.
- In the first two quarters, 1,275 units were completed in metro Baltimore, 22% more than the 996 apartments that came online last year. Completions represented 0.6% of total stock, 20 basis points behind the national rate. During the same period in 2022, the percentage of total stock delivered was 60 basis points behind the national rate, Yardi Matrix data shows.
- The city core continued to display a significant development cluster, with 1,383 units underway within 3 miles of downtown. Nonetheless, hotspots are present across the metro, with the Columbia submarket leading development, with 625 units underway, followed by Frederick-East (581 units), Aberdeen (576 units), Baltimore-Downtown (558 units) and Baltimore-South (432 units).
- The largest delivery of the first half of 2023 was The Lucie, a 500-unit asset in the Baltimore-Brewers Hill submarket, owned by Greystar. The property was built using a $92.5 million loan originated by Northwestern Mutual in 2020.

Baltimore Completions (as of June 2023)



Source: Yardi Matrix

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

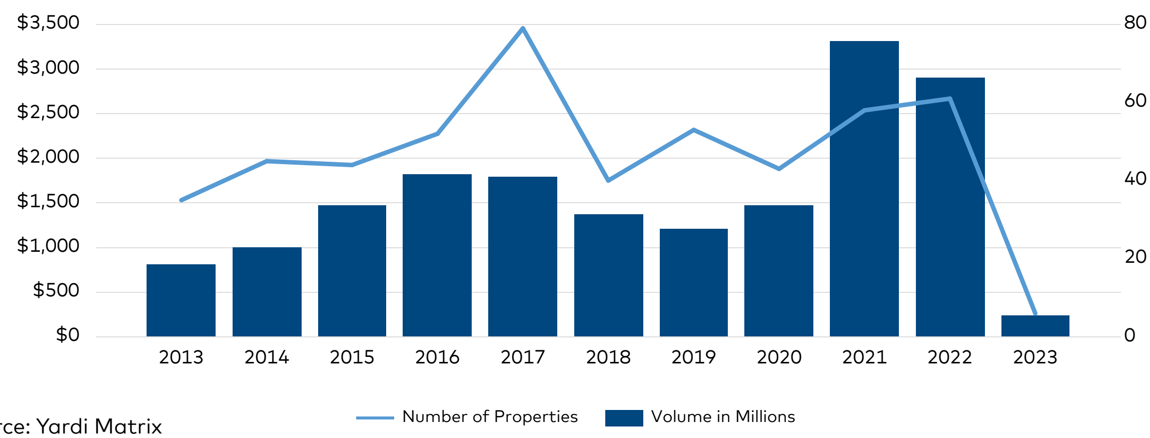


Source: Yardi Matrix

TRANSACTIONS

- In line with nationwide trends, Baltimore is facing a major slowdown in transactions, with only $235 million in multifamily assets changing hands in the first two quarters of 2023. Investment volume was 78.6% lower than in the first half of last year, when $1.1 billion in multifamily assets changed hands. Renter-by-Necessity assets took the lion's share, with five single-asset deals totaling $209.8 million. So far this year, only one Lifestyle community traded, for $25.4 million.
- The average price per unit dropped to $175,672 in the first two quarters, below the $182,694 U.S. figure and marking a 16% decrease from the same period of last year.
- During the 12 months ending in June, investors mainly targeted suburban submarkets. In the first half of 2023, the largest transaction was the $60 million sale of Country Village in Bel Air. Harbor Group International sold the 344-unit property to Sage Ventures. The property was rebranded as Belcove Place.

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



Source: Yardi Matrix

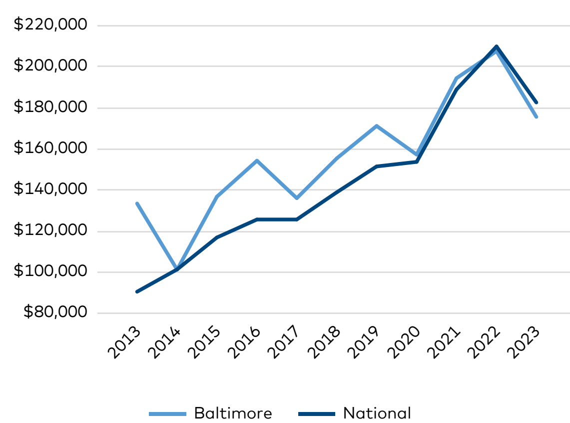
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Parkville	162
Annapolis	161
Owings Mills	141
Baltimore-Northeast	115
Columbia	108
Odenton	102
Towson-Southwest	100

Source: Yardi Matrix

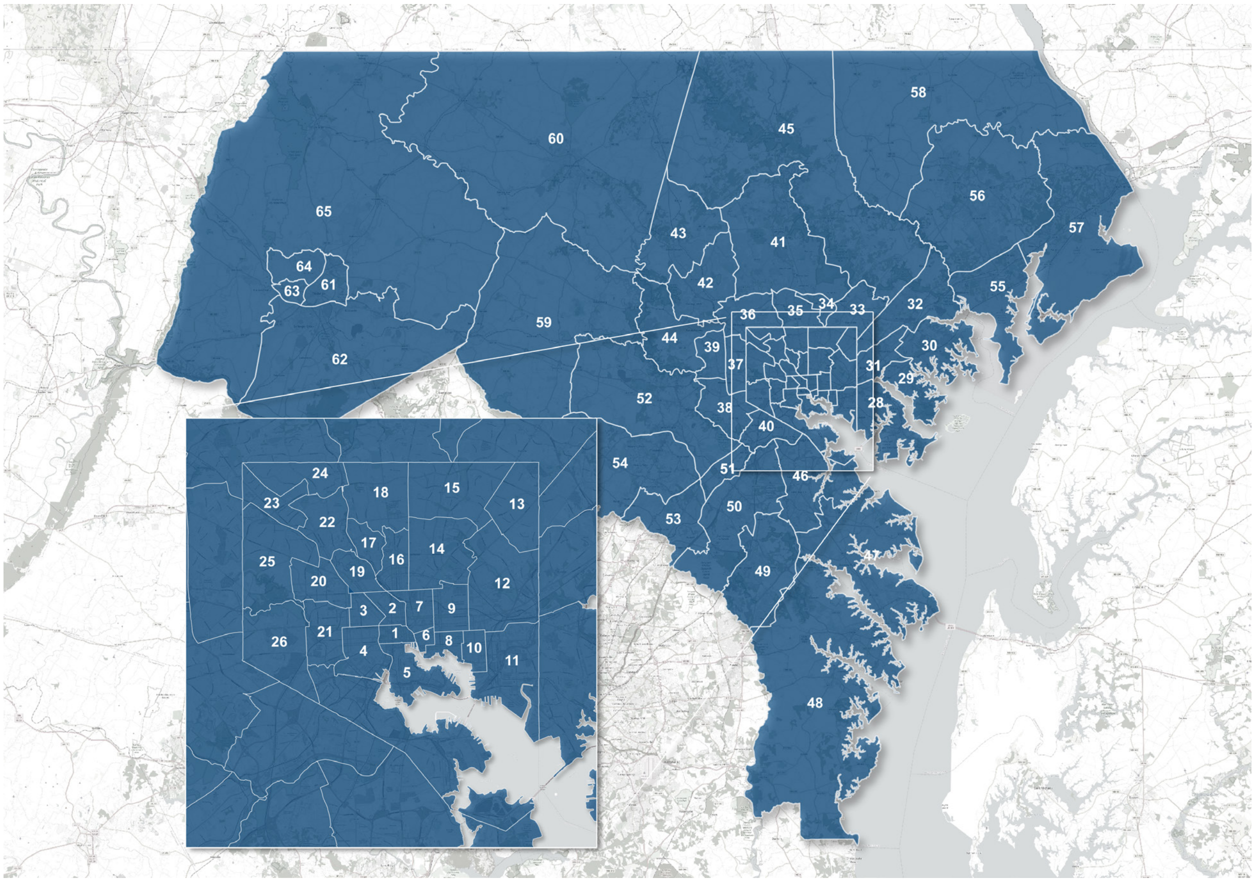
[1] From July 2022 to June 2023

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.

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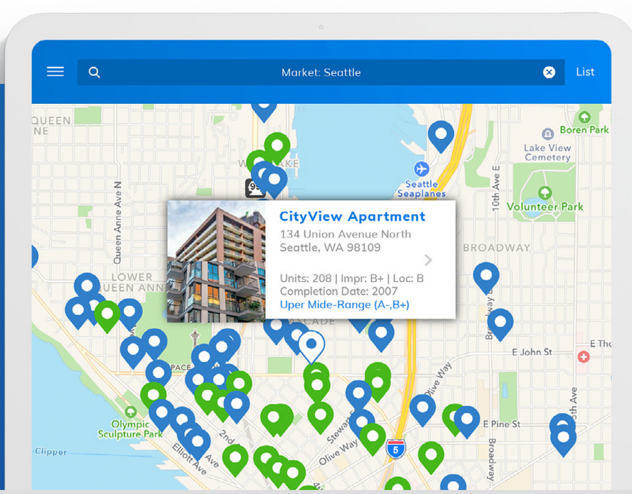

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