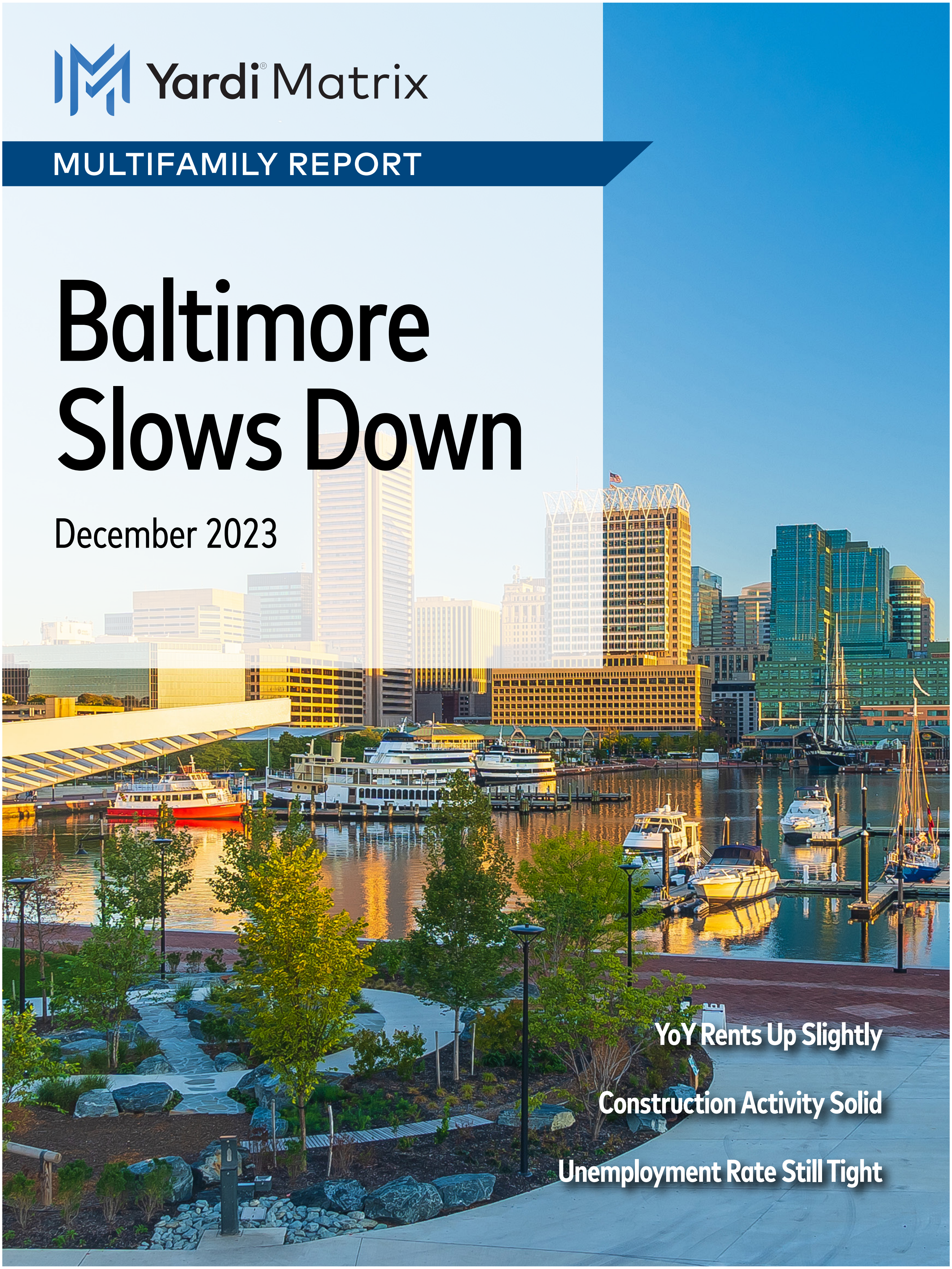

Yardi Matrix

MULTIFAMILY REPORT

Baltimore Slows Down

December 2023

YoY Rents Up Slightly

Construction Activity Solid

Unemployment Rate Still Tight

BALTIMORE MULTIFAMILY

Yardi Matrix

Rent Growth Slows, Development Pushes On

Baltimore fundamentals continued to soften, closing a year of moderate performance. Year-over-year, rents grew 0.6% as of October, to $1,685, 20 basis points above the U.S. rate and marking a sharp deceleration from just 12 months earlier. Overall occupancy was down 60 basis points, to 94.9% as of September.

The metro's unemployment rate was a very tight 1.9% as of September, according to data from the Bureau of Labor Statistics, with economic growth slow but steady throughout the year. Baltimore's workforce expanded by 1.4% through August, amounting to 30,900 net jobs gained on a 12-month basis. Growth by sector was a mixed bag, with the largest gains in education and health services (up 13,600 positions), while trade, transportation and utilities recorded the biggest decline (4,100 jobs). Baltimore's long-term economic growth received a boost after the city was designated a federal tech hub earlier in 2023. This allows the city to compete for a portion of $10 billion of federal economic development funds.

Construction activity remained in line with historic averages, as the metro recorded 5,277 units under construction as of October, along with an additional 41,000 units in the planning and permitting stages. Baltimore developers completed 2,725 units through the first 10 months of 2023, nearly triple the 996 apartments delivered in 2022, a year that stood out as an outlier in the past decade because of its negative development growth.

Recent Baltimore Transactions

ReNew Nottingham

City: Perry Hall, Md.
Buyer: FPA Multifamily
Purchase Price: $111 MM
Price per Unit: $157,074

Concord Park at Russett

City: Laurel, Md.
Buyer: Excelsa Holdings
Purchase Price: $106 MM
Price per Unit: $314,925

Heath Street Lofts

City: Baltimore
Buyer: MCB Real Estate
Purchase Price: $12 MM
Price per Unit: $204,167

Market Analysis | December 2023

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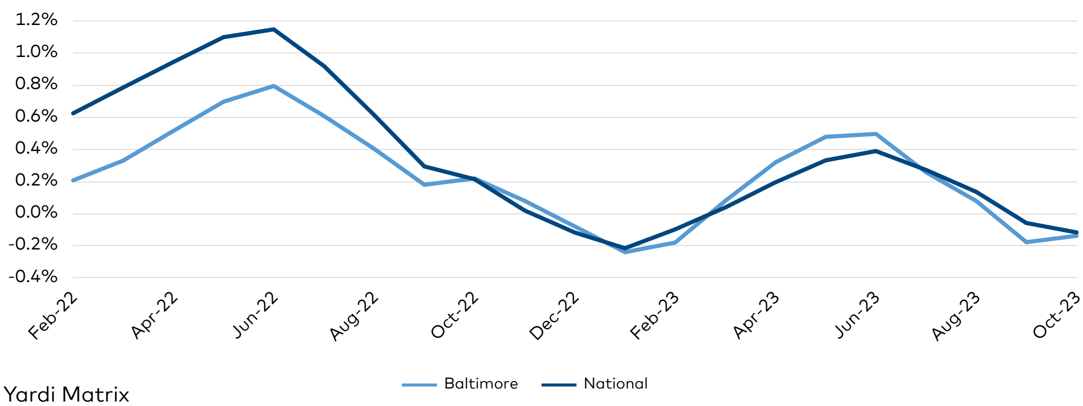
On the cover: Photo by f11photo/iStockphoto.com

RENT TRENDS

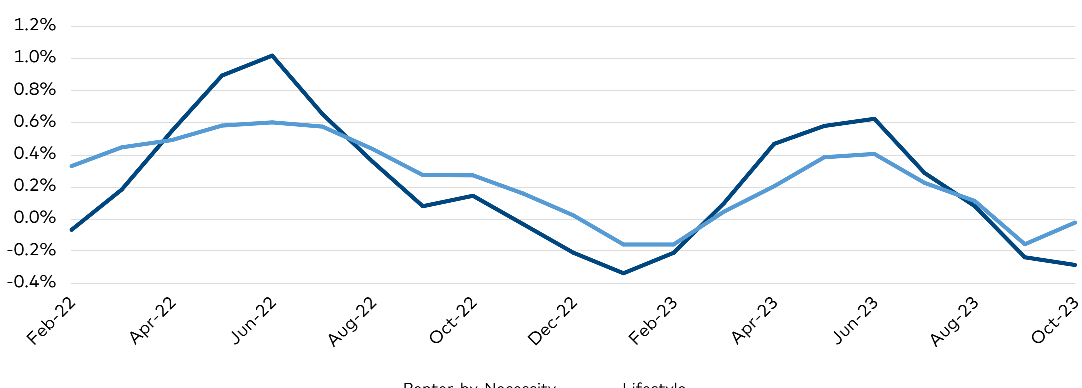
- Baltimore rent development reverted to a negative 0.1% on a trailing three-month (T3) basis through October, on par with the national rate. The metro saw only moderate gains throughout the year, with a peak of 0.5% in May and June on a T3 basis, only slightly above the U.S. average. Still, on a year-over-year basis, rents were up 0.6%, 20 basis points above the nation.
- The average rent was $1,685, lagging the national $1,718 figure as of October. Baltimore Lifestyle rates were down 0.3% on a T3 basis, to $2,087. Meanwhile, rates for working-class Renter-by-Necessity assets were flat over three months, at $1,486. The latter recorded steadier growth, with only minor contractions in 2023, while Lifestyle rates fluctuated more.
- Overall occupancy in stabilized assets dropped 60 basis points over 12 months, getting just 10 basis points below the national average. Both quality segments saw declines in Baltimore—Lifestyle occupancy slid 30 basis points, to 94.8%, while the RBN segment saw a steeper, 80-basis-point drop, to 94.9%.
- Most of the submarkets recording stronger year-over-year growth were suburban areas relatively far from the city core, including Westminster (up 8.9% to 1,677), Pasadena – Arnold (6.1% to $2,160) and Laurel (5.1% to $2,037). That said, a few core submarkets showed resilience, including Baltimore – Downtown (up 0.5% to $1,613) and Baltimore – Oldtown (2.3% to $1,150).

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

- In the 12 months ending in August, Baltimore's workforce grew by 30,900 jobs, representing a 1.4% expansion, slightly up from previous months, but still 110 basis points behind the national rate. In fact, the metro's job expansion rate hasn't exceeded the U.S. figure for more than a year, fluctuating in 2023 between 1.1% and 1.5%.
- Unemployment stood at a very tight 1.9% as of September, according to BLS data, as the city's economy continued to improve. The rate was 110 basis points lower than the January figure and below national growth (3.8%), but above Maryland (1.6%).
- Education and health services led gains, with 13,600 jobs added, or a 3.8% expansion. Construction also saw a healthy, 9,000-job increase (7.8%), followed by leisure and hospitality (up 6,600 jobs or 3.8%). Losses were recorded in several sectors, including trade, transportation and utilities (-4,100 jobs, 1.2%) and professional and business services (-1,500, 0.4%).
- In 2023, the government designated Baltimore a federal tech hub. The metro will compete with 31 others across the U.S. for a slice of $10 billion in federal funds set aside for economic development. A local consortium co-lead by the University of Maryland plans to research artificial intelligence and nanotechnology applications in health care.

Baltimore Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	373	18.4%
15	Mining, Logging and Construction	124	6.1%
70	Leisure and Hospitality	181	8.9%
90	Government	344	17.0%
80	Other Services	75	3.7%
55	Financial Activities	111	5.5%
30	Manufacturing	78	3.8%
50	Information	28	1.4%
60	Professional and Business Services	389	19.2%
40	Trade, Transportation and Utilities	325	16.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Baltimore lost 3,364 residents between 2020 and 2021, when remote and hybrid work trends were first unfolding. However, long-term trends indicate that Baltimore's population is increasing—between 2012 and 2021, it gained 83,175 residents.

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

- Year-to-date through October, Baltimore developers completed 2,725 units, which was nearly triple the 996 units delivered in 2022. This represented a 1.2% expansion of existing stock, with Baltimore still lagging the national rate of 1.8%. After a dip in performance last year, completions are inching closer to the average of 2,988 units added annually since 2015.

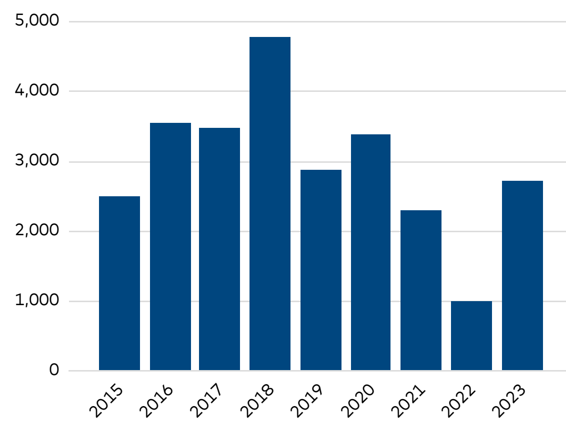
- The metro's pipeline remained healthy, with 5,277 units under construction, while an additional 41,000 units were in the planning and permitting stages. In line with national trends, developers focused heavily on the upscale segment, with 78% of units underway in Lifestyle projects. The remaining units were split between fully affordable (16%) and RBN (6%) developments.

- Construction momentum improved in 2023, with 3,218 units breaking ground year-to-date through October, more than double the 1,288 units recorded during the same period the previous year.

- Development is significant in several hotspots—both core and suburban—with Annapolis recording the most units under construction (758 apartments). It was followed by Frederick – East (733 units), Baltimore – Downtown (558), Aberdeen (525) and Bel-Air (488).

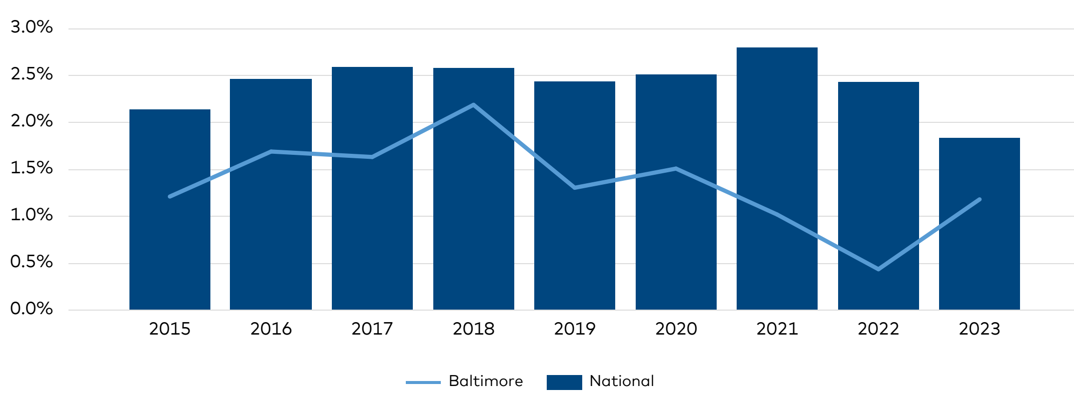
- Annapolis and Downtown Baltimore had the two biggest properties underway as of October. The largest was the 558-unit Vivo Living, located downtown and being developed by Vivo Investment Group. The second largest was in Annapolis, where AvalonBay Communities is constructing Beacon Square, a 508-unit, age-restricted community.

Baltimore Completions (as of October 2023)



Source: Yardi Matrix

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

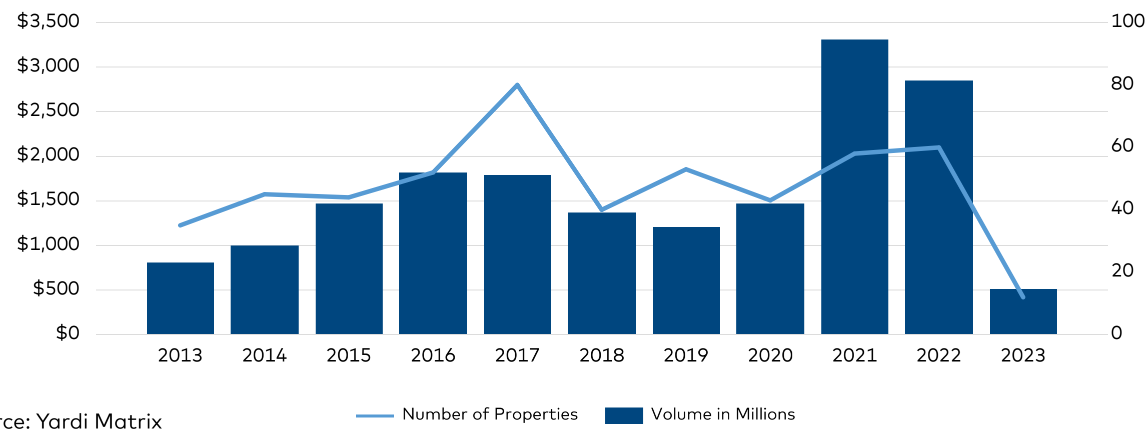


Source: Yardi Matrix

TRANSACTIONS

- In line with nationwide trends, Baltimore's investment activity for the first 10 months of 2023 amounted to just $506 million, a steep decline from the $2.7 billion recorded during the same period last year. The previous two years' outsize performance—$2.9 billion in 2022 and $3.3 billion in 2021—represented a peak for the market. Current conditions, however, are not only keeping investors cautious but also making financing scarcer.
- After exceeding the $200,000 mark in 2022, the average price per unit dropped to $184,008 in 2023 as of October. This was most likely also influenced by the smaller sample size, as only 12 sales involving properties of more than 50 units were recorded. Baltimore's average was behind the U.S. figure for the first time this decade.
- The largest transaction through October closed in August, when FPA Multifamily acquired the 704-unit ReNew Nottingham in Perry Hall for $110.6 million, or $157,074 per unit.

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



Source: Yardi Matrix

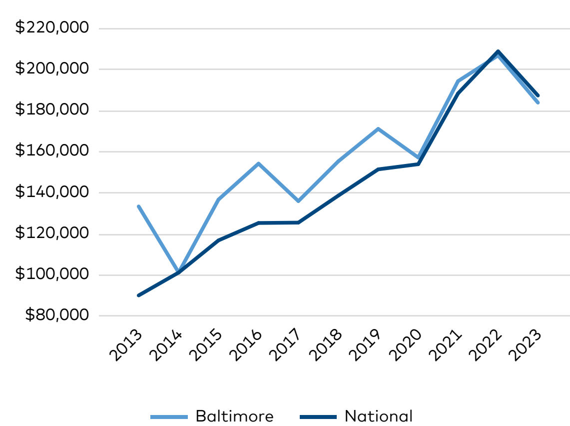
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Parkville	$139
Baltimore – Northeast	$115
Columbia	$108
Laurel	$106
Bel-Air	$91
Baltimore – Cheswolde	$52
Towson – Southwest	$37

Source: Yardi Matrix

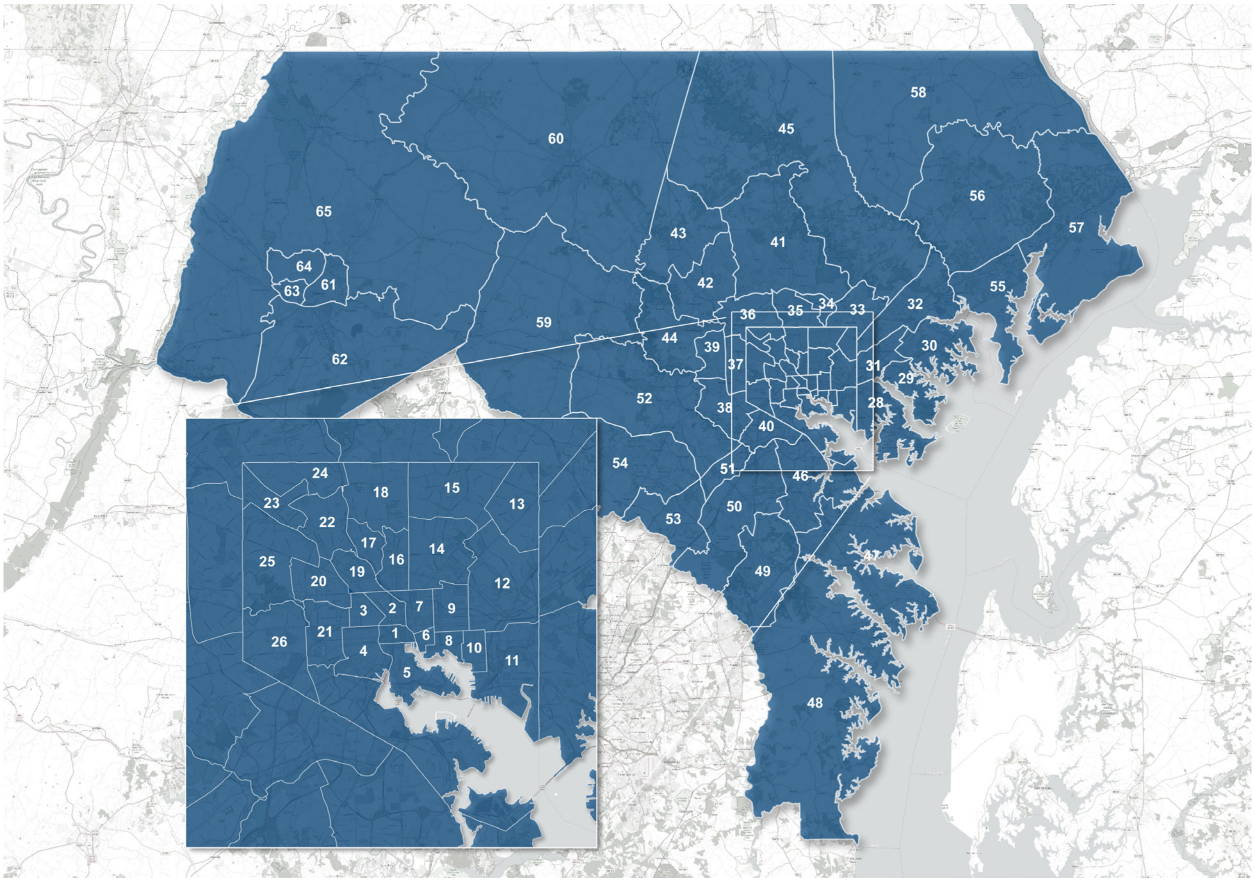
[1] From November 2022 to Octomber 2023

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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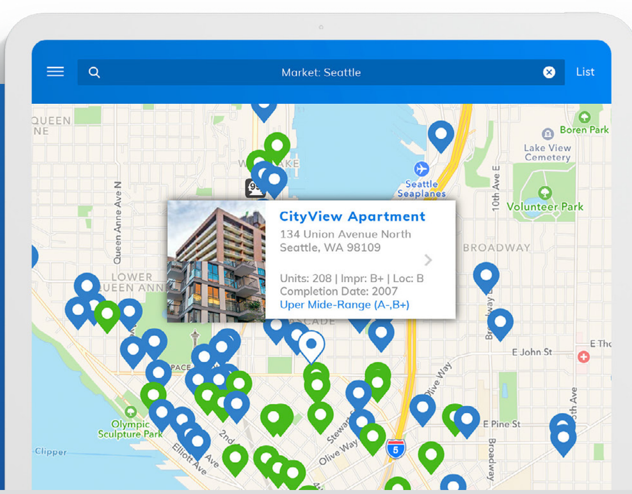
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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