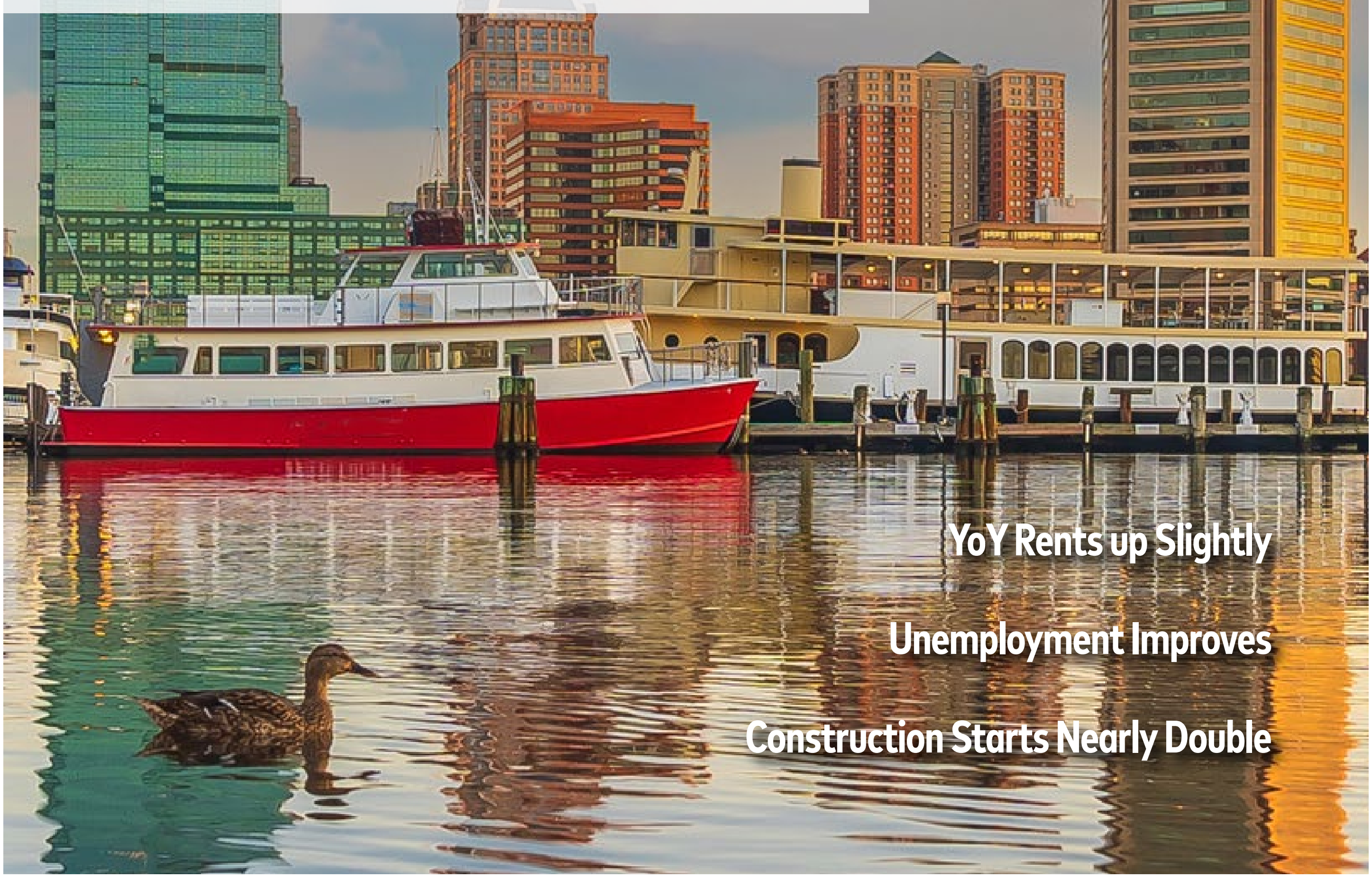
Yardi Matrix

MULTIFAMILY REPORT

Baltimore's Supply Jump

March 2024



YoY Rents up Slightly

Unemployment Improves

Construction Starts Nearly Double

BALTIMORE MULTIFAMILY

Yardi Matrix

Stable Performance Keeps Market Afloat

The Baltimore multifamily market started 2024 on a sluggish note. Rents were in line with U.S. figures, down 0.2% on a trailing three-month basis through January—the fifth consecutive month of contractions. Year-over-year figures followed a similar path, with the metro's rate up 0.6% as of January, to $1,673, just 10 basis points ahead of the U.S. average. Meanwhile, supply rose in 2023, putting some pressure on occupancy in stabilized assets, which slid 60 basis points in 12 months, to 94.5% in January.

Unemployment clocked in at a tight 2.0% as of December, according to preliminary data from the Bureau of Labor Statistics. This was a full percentage point lower than the figure recorded at the beginning of 2023, bucking the national trend of slow but steady deceleration. Meanwhile, the U.S. rate climbed 30 basis points in the same interval, to 3.7%. Over the 12 months ending in November 2023, Baltimore's labor pool expanded 1.4%—80 basis points below the nation—for a total of 26,800 net jobs gained.

While Baltimore is generally a low-supply market, completions rose in 2023, with 3,058 units coming online, more than double the 2022 figure. Bucking national trends, the metro recorded a large jump in building starts last year, to 4,244 units. That's almost double the number of starts in 2022.

Market Analysis | March 2024

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Recent Baltimore Transactions

Waters Tower

City: Baltimore
Buyer: CSI Support & Development
Purchase Price: $38 MM
Price per Unit: $184,729

Wyman Court

City: Baltimore
Buyer: Chasen Cos.
Purchase Price: $10 MM
Price per Unit: $131,579

Hilltop Gardens

City: Baltimore
Buyer: Meridian Capital Group
Purchase Price: $10 MM
Price per Unit: $190,000

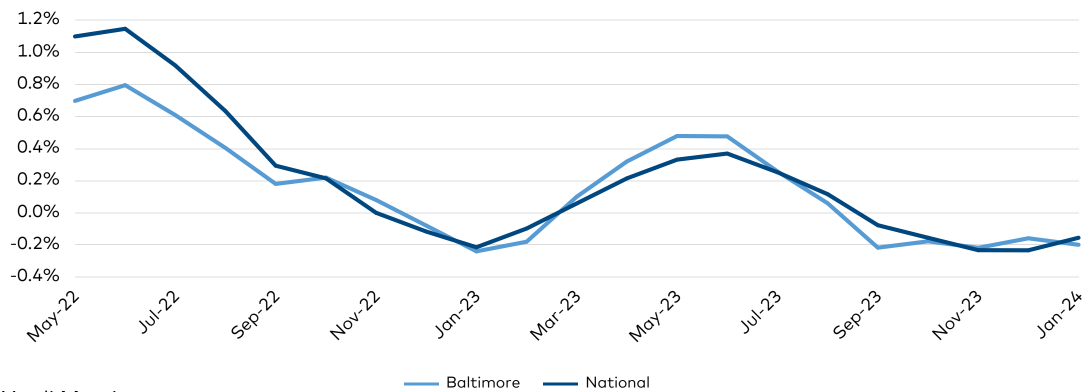
Kendale

City: Baltimore
Buyer: GL Capital
Purchase Price: $8 MM
Price per Unit: $72,727

RENT TRENDS

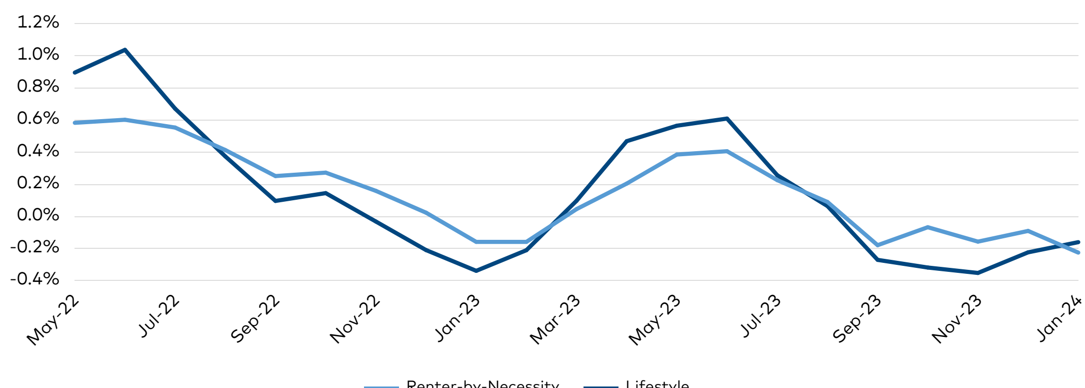
- Baltimore rents were down 0.2% on a trailing three-month (T3) basis through January 2023, marking the fifth consecutive month of contractions. This was on par with the nation and concluded a year of modest gains. The high point for this period—0.5%—was recorded in May and June. On a year-over-year basis, the average metro Baltimore rate was up 0.6%, 10 basis points ahead of the U.S. figure.
- The average rent stood at $1,673 as of January, close to the $1,710 U.S. figure. On a T3 basis, rates in the two quality segments were in lockstep, down 0.2% for four consecutive months. The average Lifestyle rate was $2,072, while the working-class Renter-by-Necessity figure reached $1,474.
- Also pressured by accelerated deliveries in 2023, Baltimore's overall occupancy rate in stabilized assets dropped 60 basis points in 12 months, to 94.5% as of January. The rate was virtually on par with the U.S. figure, which fell to 94.6%. RBN assets took a stronger hit, with occupancy dropping 80 basis points, to 94.4%. Lifestyle assets recorded a milder, 20-basis-point dip, to 94.5%.
- A few submarkets stood out when it came to year-over-year rent growth, including Westminster, where rents grew 9.7%, to $1,680, as of January. Other hotspots included Frederick–East (up 6.1% to $1,899), Pasadena–Arnold (up 5.8% to $2,159) and Laurel (up 4.4% to $2,033).

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's unemployment rate stood at 2.0% as of December, according to preliminary data from the BLS. The metro bucked national trends, as this rate was 100 basis points lower than the January 2023 figure. Meanwhile, U.S. unemployment stood at 3.7%, up 30 basis points since the start of the year.
- During the 12 months ending in November 2023, metro Baltimore added 26,800 net jobs, which represented a 1.4% expansion. This was 80 basis points below the U.S. figure, but in line with Baltimore's historical pace of expansion. The rate was only 10 basis points lower than the January 2023 figure, while the U.S. rate dropped a more significant 140 basis points during the same time frame.
- Education and health services led growth, with 13,600 jobs added, or a 3.7% expansion. Construction gained 7,700 jobs, followed by government, with 5,700 new jobs, or a 1.7% expansion. Professional and business services lost 2,600 jobs, down 0.7%.
- M&T Bank Stadium will undergo major renovations starting in April. The Baltimore Ravens plan to finish the $430 million project by 2026, with upgrades including a concert venue and retail space, along with improvements to seating, infrastructure and amenities.

Baltimore Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	378	18.6%
15	Mining, Logging and Construction	124	6.1%
90	Government	346	17.0%
80	Other Services	73	3.6%
70	Leisure and Hospitality	175	8.6%
40	Trade, Transportation and Utilities	336	16.5%
50	Information	28	1.4%
55	Financial Activities	110	5.4%
30	Manufacturing	78	3.8%
60	Professional and Business Services	386	19.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Baltimore's population grew by 0.1% from 2021 to 2022, or 2,768 residents, while the U.S. expanded by 0.4%. Since 2019, the metro's population has grown by 1.5%.

Baltimore vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Baltimore	2,796,733	2,800,427	2,837,237	2,840,005

Source: U.S. Census

SUPPLY

- Baltimore had 6,219 units under construction as of January. Of these, more than three-quarters were in the Lifestyle segment, while only 17% were in fully affordable assets. The remaining 6% were in RBN properties. An additional 41,000 units were in the planning and permitting stages.

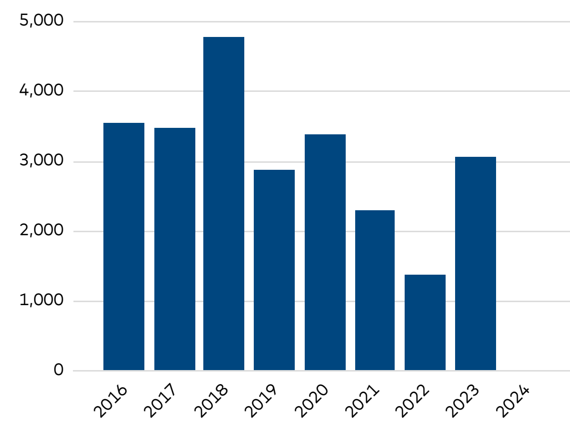
- In 2023, developers completed 3,058 units in Baltimore, a 1.3% expansion. This was 130 basis points below the national average, but more than double the figure for the previous year. In 2018, Baltimore recorded a decade peak of 4,778 units completed. Should market conditions hold, Yardi Matrix expects 2024 completions to reach only 2,122 units, which would fall below the current annual five-year average of 2,607 units.

- A total of 21 properties broke ground in 2023, encompassing 4,244 units. Bucking the nationwide trend, Baltimore nearly doubled the number of apartments starting construction in previous year. This was a surprising turn, as most metros have seen a slowdown in construction starts.

- Two submarkets outside Baltimore proper had the most units under development: Frederick –East (797 units) and Annapolis (758 units). Within the city, central submarkets led activity. Baltimore – South had 695 units under construction, followed by Baltimore–Fells Point (600 units) and Baltimore–Downtown (558 units).

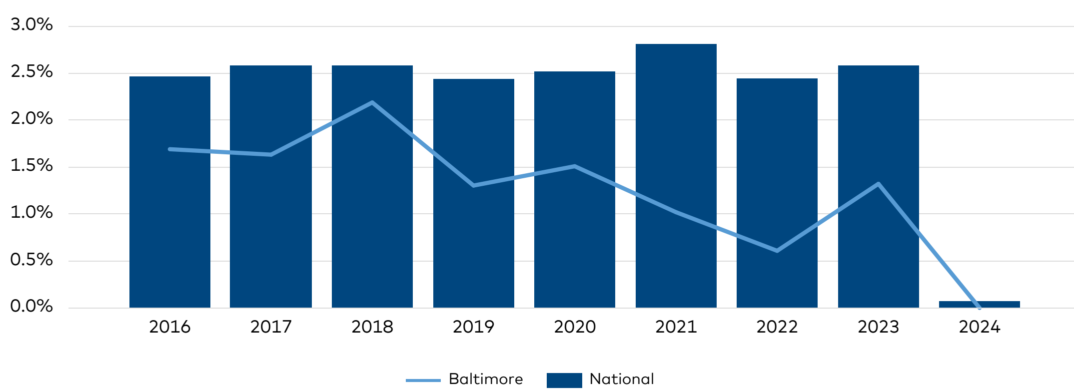
- Greystar developed the largest property that came online in 2023, The Lucie, located in the Baltimore–Brewers Hill submarket. The 500-unit project broke ground in 2020 and was financed with a $92.5 million construction loan from Northwestern Mutual.

Baltimore Completions (as of January 2024)



Source: Yardi Matrix

Baltimore vs. National Completions as a Percentage of Total Stock (as of January 2024)

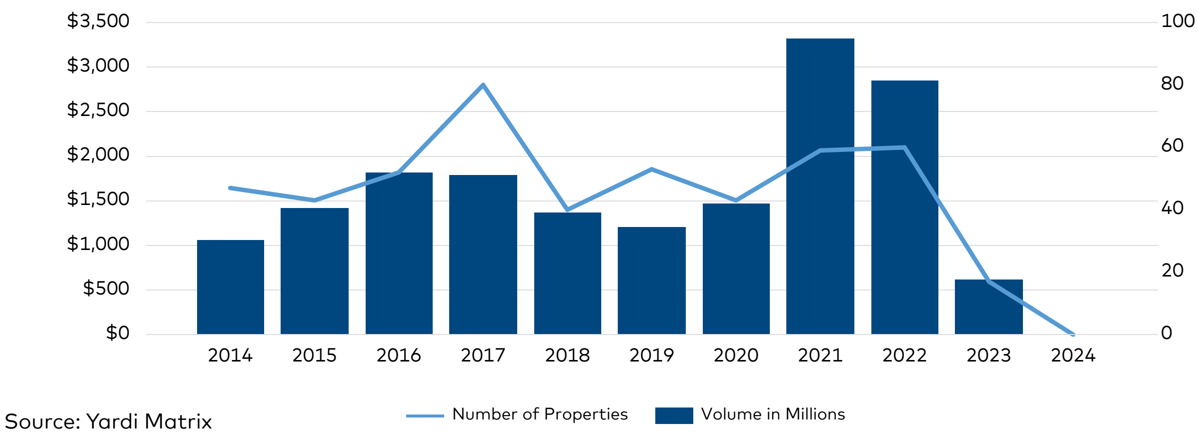


Source: Yardi Matrix

TRANSACTIONS

- Mirroring national trends, multifamily investment volume dropped to $615.5 million in 2023, a 78% year-over-year slide. The previous two years were outliers in terms of property sales, with 2021 recording $3.3 billion—the decade peak—while 2022 clocked in at $2.8 billion, as pandemic whiplash influenced markets and migration patterns. Between 2014 and 2020, Baltimore recorded an annual average of $1.4 billion in sales.
- Of the total 17 transactions recorded last year, 14 were for RBN properties, while the other three were Lifestyle. The average price per unit reached $181,400, down 12.4% year-over-year and 2.2% behind the national figure.
- The largest sale of 2023 closed in August, when FPA Multifamily acquired the 704-unit ReNew Nottingham for $110.6 million. The buyer assumed the $78.9 million outstanding balance of a Fannie Mae loan on the property.

Baltimore Sales Volume and Number of Properties Sold (as of January 2024)



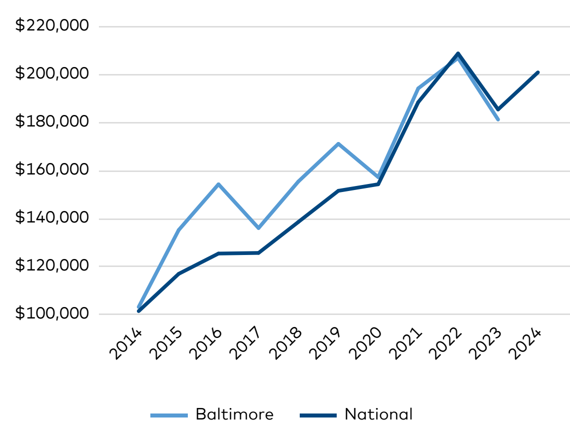
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Parkville	$139
Laurel	$106
Bel-Air	$91
Baltimore–Cheswolde	$52
Baltimore–Oldtown	$46
Towson–Northeast	$45
Towson–Southwest	$37

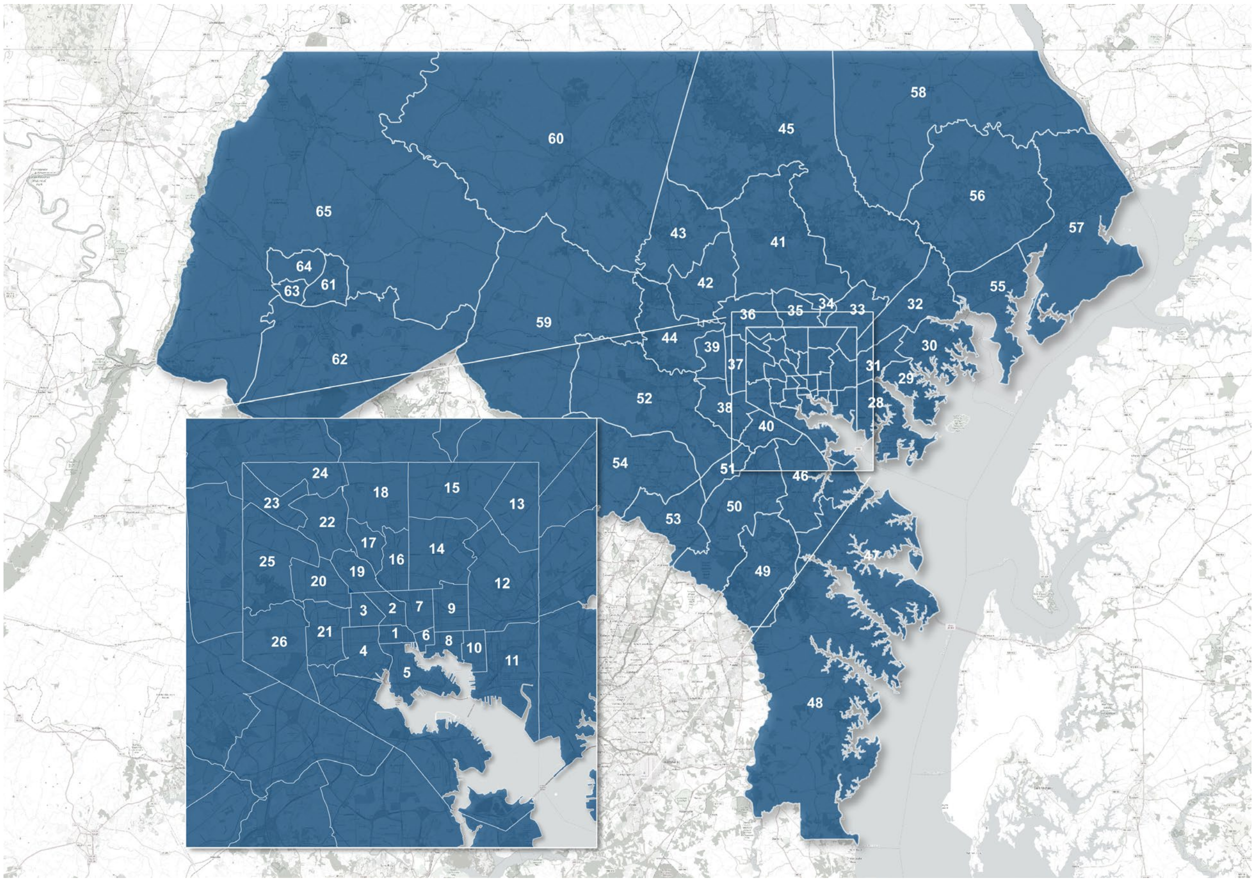
Source: Yardi Matrix
[1] From February 2023 to January 2024

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

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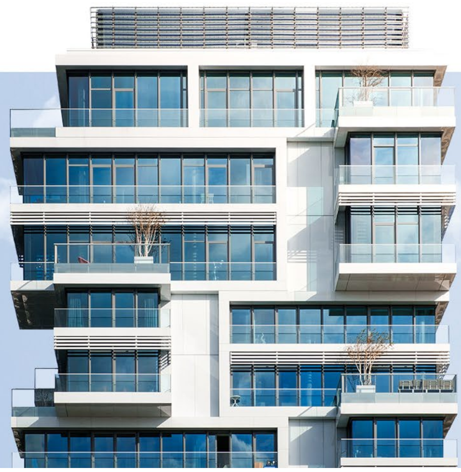
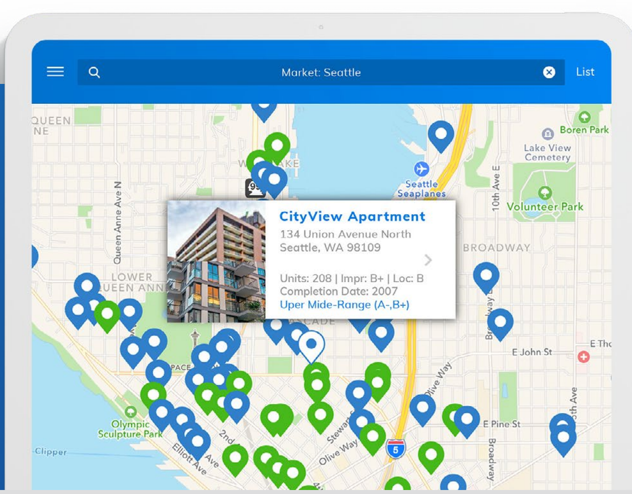


MULTIFAMILY KEY FEATURES

- 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.**

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