Yardi Matrix

MULTIFAMILY REPORT

Baltimore's Rent Stability

August 2024

T3 Rents Ahead of US

Construction Starts Decline

Investment Returns to Normal Levels

BALTIMORE MULTIFAMILY

Yardi Matrix

Rents Recover, Completions Slow

Baltimore's multifamily market continued to navigate economic hurdles in the first half of the year. Average advertised asking rents were up 0.5% on a trailing three-month basis through June, to $1,717, 20 basis points higher than the U.S. rate. The metro's occupancy rate for stabilized properties was down 30 basis points, to 94.5%, as of May, on par with the national figure.

Employment in Baltimore stagnated in the 12 months ending in April, while the U.S. figure was up 1.4%. The area's unemployment rate stood at 2.4% as of May, 160 basis points lower than the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. Over this period, Baltimore recorded a net loss of 1,400 jobs, while education and health services was the only sector with significant gains. Despite these losses, new developments and projects promise to help revitalize the metro. Hellenic Cables Americas will develop a $300 million cable manufacturing facility in South Baltimore. Construction is slated to begin by the end of the year.

A total of 753 units came online in the first six months of 2024, representing 0.3% of existing stock and 80 basis points lower than the national rate of completions. Investments returned closer to historic averages, with $266 million in assets changing hands year-to-date through June, only about $20 million less than 2023's first half.

Market Analysis | August 2024

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On the cover: Photo by Briana Ingram/iStockphoto.com

Recent Baltimore Transactions

Alta Federal Hill

City: Baltimore
Buyer: Global Securitization Services
Purchase Price: $69 MM
Price per Unit: $249,091

Alister Town Center Columbia

City: Columbia, Md.
Buyer: Olive Tree Management
Purchase Price: $40 MM
Price per Unit: $225,000

Alister Columbia

City: Columbia, Md.
Buyer: Olive Tree Management
Purchase Price: $34 MM
Price per Unit: $201,786

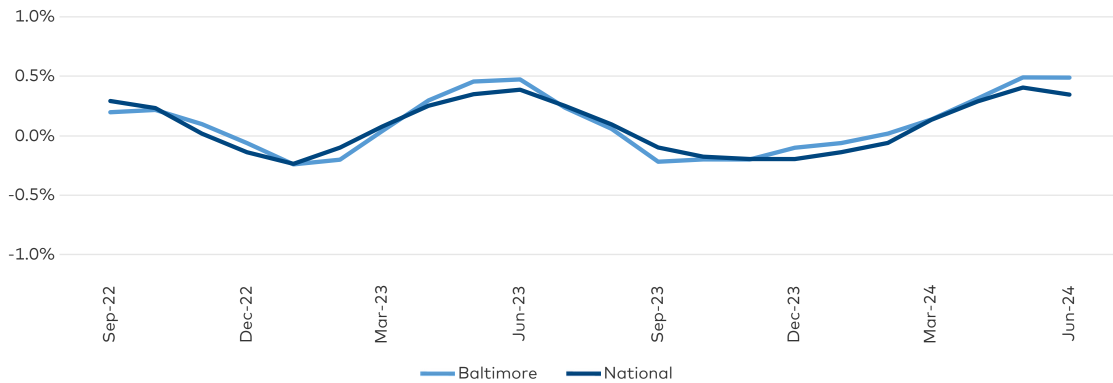
Middlebrooke

City: Westminster, Md.
Buyer: Corner Lot Advisors
Purchase Price: $22 MM
Price per Unit: $107,212

RENT TRENDS

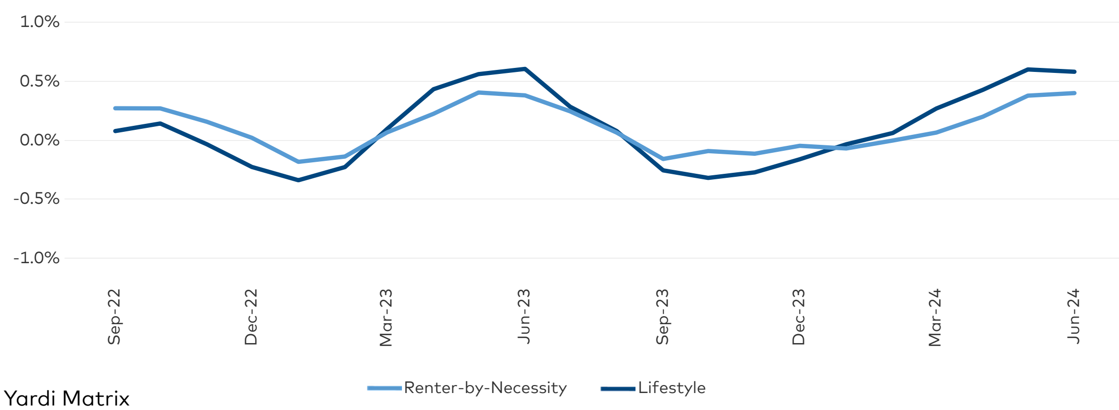
- Baltimore advertised asking rents were up 0.5% on a trailing three-month (T3) basis through June, to $1,717, slightly above the 0.3% national figure. The rate has been on an upward trend since March, following six months of negative performance. Year-over-year, rents were up 0.9%, with Baltimore behind Miami (1.0%) and ahead of Denver (0.7%). The latest Yardi Matrix forecast expects year-over-year performance to reach 0.7% in 2024, should market conditions hold.
- Lifestyle advertised asking rents were up 0.6% on a T3 basis, to $2,138. Meanwhile, working-class Renter-by-Necessity rates were up 0.4%, to $1,503. Performance for both quality segments turned positive in February, after four months of contractions.
- Overall occupancy in stabilized properties stood at 94.5% as of May, a 30-basis-point decrease year-over-year and on par with the national figure. The rate for RBN assets dropped 50 basis points, to 94.4%, while Lifestyle occupancy was down 20 basis points, to 94.6%.
- A quarter of Baltimore's submarkets recorded negative performance year-over-year as of June. Baltimore–West saw the biggest drop, as advertised asking rents were down 5.3%, to $1,218. Baltimore–Downtown continued its pattern of growth, up 1.6%, to $1,626.
- Baltimore's SFR sector took a downturn, with advertised asking rents down 4.1% year-over-year through June, while the U.S. figure was up 1.1%. Occupancy was down 2.6% in the metro.

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 employment growth came to a halt over the 12-month period ending in April, following five months of gradual declines. This represented a net loss of 1,400 jobs during this period. Meanwhile, the U.S. rate was 1.4%. Nevertheless, some sectors recorded gains. Education and health services added 12,200 positions, followed by government (4,600), leisure and hospitality (1,700) and other services (200). The metro lost 20,100 net jobs in six sectors, with construction shedding 5,700 positions, followed by professional and business services (-5,200).
- The metro's unemployment rate stood at 2.4% as of May, according to preliminary data from the BLS. This was 160 basis points lower than the U.S. figure. Over a 12-month period, the rate passed the 2.0% mark, oscillating throughout the year and reaching as high as 2.9% in February and March. Baltimore's unemployment rate was lower than Maryland's, which was 2.7% as of May.
- Hellenic Cables Americas, a subsidiary of Belgium-based Cenergy Holdings, has purchased a 38-acre vacant property in South Baltimore, where the company plans to construct a new cable manufacturing facility. Construction on the $300 million project is slated to begin by the end of the year and is expected to create 120 manufacturing jobs upon completion.

Baltimore Employment Share by Sector

Code	Employment Sector	Current Employment (000)	% Share
65	Education and Health Services	380.4	19.0%
90	Government	350.2	17.5%
70	Leisure and Hospitality	176.9	8.8%
30	Manufacturing	80.3	4.0%
80	Other Services	70.6	3.5%
50	Information	27.3	1.4%
55	Financial Activities	111.3	5.6%
40	Trade, Transportation and Utilities	316.4	15.8%
60	Professional and Business Services	384.5	19.2%
15	Mining, Logging and Construction	106.3	5.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Baltimore gained 2,768 residents between 2021 and 2022, a 0.1% increase and lower than the 0.4% U.S. rate of expansion.
- In the 10 years ending in 2022, the metro's population grew by almost 125,000 residents.

Baltimore vs. National Population

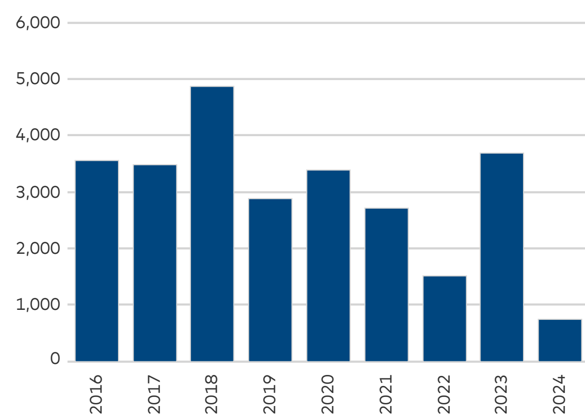
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Baltimore	2,796,733	2,800,427	2,837,237	2,840,005

Source: U.S. Census

SUPPLY

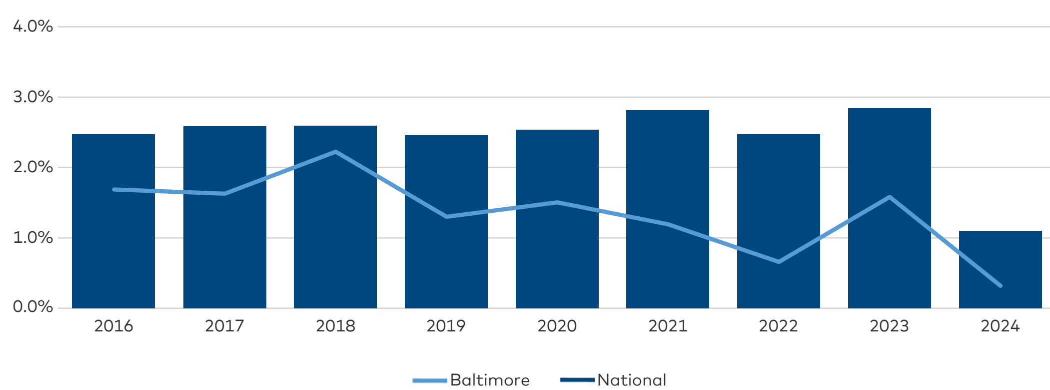
- Baltimore added 753 units in the first six months of 2024. That accounted for 0.3% of existing stock, 80 basis points lower than the national figure. All but two properties that came online were in the Lifestyle segment. After the surge in completions and starts over the past two years, activity is leveling out closer to historical averages. From 2016 to 2023, developers completed an average of 3,262 units each year.
- Baltimore had 6,694 units under construction and an additional 40,000 units in the planning and permitting stages. More than three-quarters of units under construction were in Lifestyle projects, while the rest were split between RBN and fully affordable projects.
- Moderating activity was noticeable in construction starts, as well. Developers broke ground on 800 units across six projects in the first six months of 2024. This was a drop from the surge recorded in 2023's first half, when 3,025 apartments broke ground across 13 projects. The risk of oversupply and tougher lending conditions led to a tempering of activity across the metro.
- Baltimore–Downtown was the only submarket with more than 1,000 units under construction as of June, followed by other central areas, such as Baltimore–Oldtown (801 units) and Baltimore–Fells Point (707 units) rounding out the top three.
- Most of the units underway in Baltimore's Oldtown submarket were in a single project. Mission First Housing Group and Henson Development partnered for a multiphase project to redevelop Somerset Homes, with some 737 units currently under construction.

Baltimore Completions (as of June 2024)



Source: Yardi Matrix

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



Source: Yardi Matrix

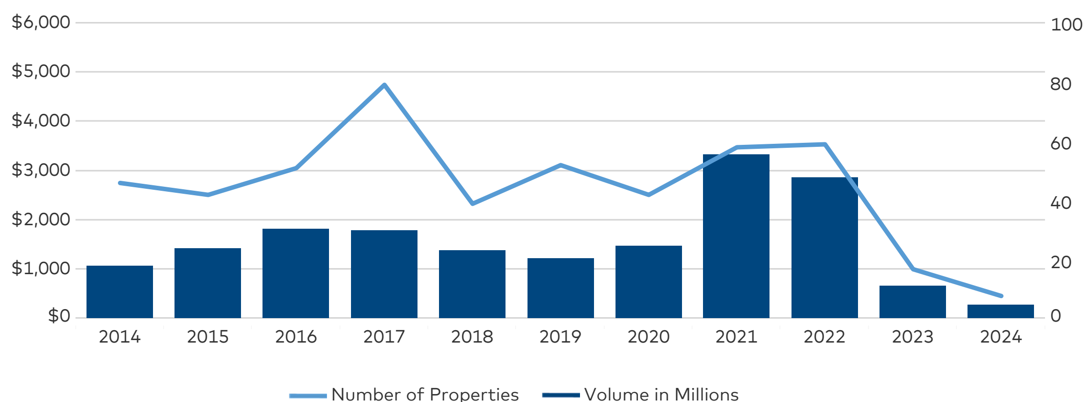
TRANSACTIONS

- Baltimore investors traded $266 million in single-asset multifamily transactions in the first half of the year. This was only about $20 million below the $285 million that traded in the first half of 2023. This showed activity was returning to historic levels. On average, investors traded $1.7 billion annually from 2014 to 2023.

- Investors favored value-add plays, with six out of nine total transactions during the first half of the year involving RBN assets. The two quality segments generated somewhat similar overall sales volumes, with RBN totaling $136 million and Lifestyle, $130 million. The average price per unit clocked in at $178,401, down $2,808 since last year and still lower than the $180,183 U.S. figure.

- Over a 12-month period ending in June, only two submarkets crossed the $100 million mark. Parkville led with $139 million in assets changing hands, followed by Laurel with $106 million in total transactions.

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



Source: Yardi Matrix

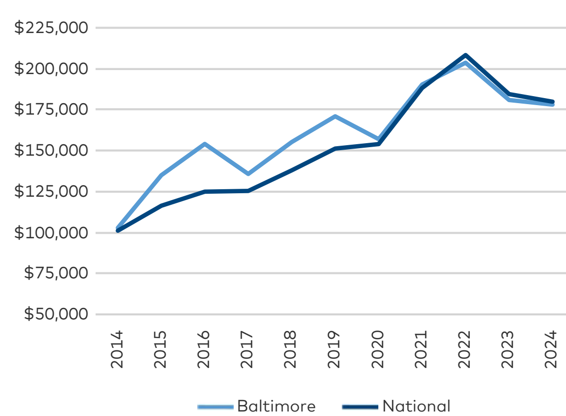
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Parkville	139
Laurel	106
Columbia	74
Baltimore–South	69
Ellicott City	62
Baltimore–Oldtown	56
Towson–Northeast	45

Source: Yardi Matrix

[1] From July 2023 to June 2024

Baltimore vs. National Sales Price per Unit



Source: Yardi Matrix

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MULTI-HOUSING NEWS

Why the Future in Senior Housing Is All About Health, Affordability

By Adina Rogoz

As older generations increasingly prioritize health in their living environments, there's a pressing need for housing that supports physical activity and social interactions, according to Joanna Frank, CEO of Center for Active Design. Paul Bernard, president & CEO of Affordable Homes & Communities, believes that health-optimized homes are critical for seniors, who tend to move to more affordable areas that are prone to extreme weather events and poor air quality.

To what extent can design contribute to integrating affordability and health in senior housing projects in the current high-cost environment?

Frank: There are three main demand drivers for senior housing: affordability, climate change and health. The good news is that there are several design strategies that meet all of these determinants—including adaptation of existing properties that include health-promoting features—and policies do not need to be capital intensive to be effective.

Some of the most effective strategies are policies that use best practices in maintenance, pest management, wayfinding and creating green spaces. These are low cost and contained in operational budgets.

What do you think will shape senior housing over the next decade?

Frank: Longevity. The life expectancy of Gen X is 85, taking this population beyond the 1.5°C

increase in global temperature by 2050, compared to Baby Boomers whose life expectancy is 70.

At the same time, we are going to see more of the population being affected by extreme weather and dealing with affordability issues.

How is AHC addressing seniors' financial constraints to ensure they have access to affordable housing options and services?

Bernard: One notable example of our efforts is the development of the Health & Wellness suite and additional health services at MonteVerde Apartments in Baltimore. This initiative was specifically designed to address the critical health-care needs of our senior residents, many of whom face significant financial challenges. With the support of the Enterprise Thome Aging Well grant, we have been able to cover expenses not covered by insurance.

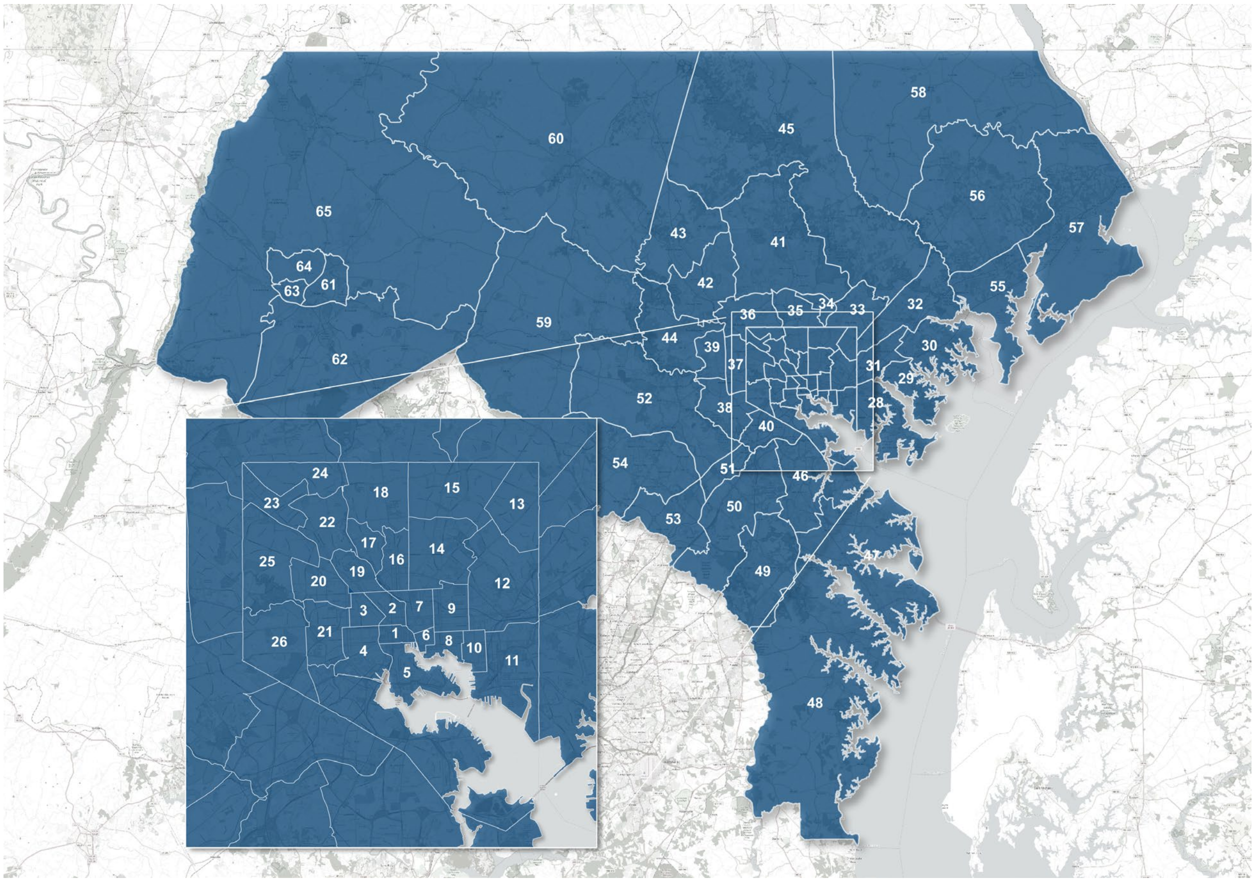
These services are crucial in preventing the financial strain associated with out-of-pocket health-care expenses.

What other types of health-related services are offered onsite at MonteVerde Apartments?

Bernard: National Capital Treatment & Recovery uses the space to support residents who are dealing with substance abuse issues. et quasi architecto beatae vitae dicta sunt explicabo. These services and programs were designed with the Baltimore senior community in mind. The MonteVerde community is proof that affordable housing can be more than a place to live, it can create pathways to better health outcomes.

(Read the complete interview on multihousingnews.com.)

BALTIMORE SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Baltimore–Downtown	23	Baltimore–Glen–Fallstaff	45	Northern Baltimore County
2	Baltimore–Midtown	24	Baltimore–Cheswolde	46	Glen Burnie
3	Baltimore–Upton	25	Baltimore–Northwest	47	Pasadena–Arnold
4	Baltimore–Poppleton	26	Baltimore–West	48	Annapolis
5	Baltimore–South	27	Baltimore–Morrell Park–Cherry Hill	49	Odenton
6	Baltimore–Little Italy	28	Dundalk	50	Hanover–Severn
7	Baltimore–Oldtown	29	Essex	51	Elkridge
8	Baltimore–Fells Point	30	Middle River	52	Ellicott City
9	Baltimore–Middle East–Washington Hill	31	Rosedale	53	Laurel
10	Baltimore–Brewers Hill	32	Nottingham	54	Columbia
11	Baltimore–Southeast	33	Parkville	55	Edgewood
12	Baltimore–Herring Run Park	34	Towson–Northeast	56	Bel-Air
13	Baltimore–Hamilton	35	Towson–Southwest	57	Aberdeen
14	Baltimore–Waverly	36	Pikesville	58	Northern Harford County
15	Baltimore–Northeast	37	Gwynn Oak	59	Sykesville–Mount Airy
16	Baltimore–Johns Hopkins	38	Catonsville	60	Westminster
17	Baltimore–Hampden	39	Windsor Mill	61	Frederick–East
18	Baltimore–Roland Park	40	Halethorpe	62	Frederick–South
19	Baltimore–Reservoir Hill	41	Cockeysville	63	Frederick–West
20	Baltimore–Mondawmin	42	Owings Mills	64	Frederick–North
21	Baltimore–Edmondson	43	Reisterstown	65	Outlying Frederick County
22	Baltimore–Pimlico	44	Randallstown		

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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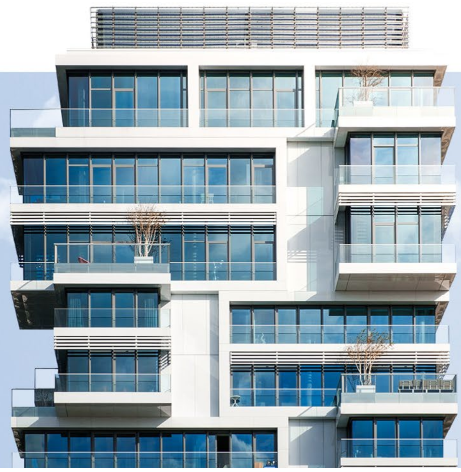
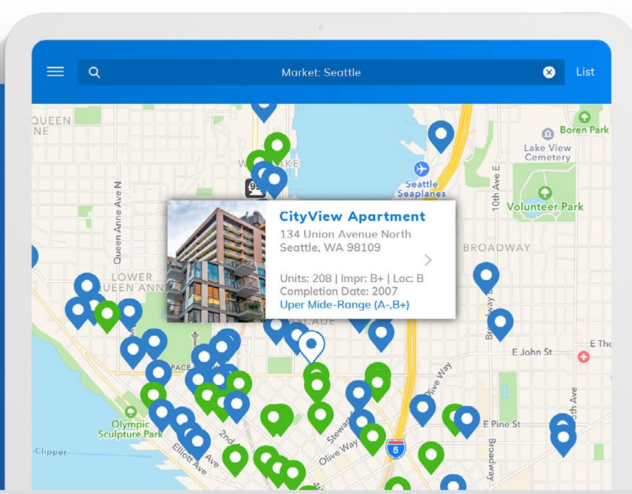


MULTIFAMILY KEY FEATURES

- 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 **22.3+ million units**, covering over **92% of the U.S. population.**

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