

Multifamily Metro Outlook:

Baltimore - Q1 2021

Overview:

- According to Moody's Analytics, while Baltimore still needs to regain about 40,000 jobs, this is far fewer than most other East Coast cities and Baltimore's recovery has already begun. In addition, the global economic recovery will be a tailwind for Baltimore's large logistics cluster and augurs well for the Port of Baltimore which should help support the economy in the second half of 2021.
- With a return to job growth, vacancy rates have declined in most submarkets, but urban core submarkets like Downtown Baltimore, Canton and Federal Hill which have had a lot of new apartments built over the past few years and lost residents due to the pandemic, are still struggling. Submarkets outside of downtown, have seen year over year rent growth of 1.5% or more as of Q1 2021. However, overall, the multifamily market remained steady metro-wide in Q1 2021, and third-party data vendor RealPage recorded concessions of about half a month across all property classes in line with pre-pandemic levels.

Market Strengths:

- Nine of Baltimore's top twenty employers are in the stable healthcare and education fields. Johns Hopkins and the University of Maryland drive healthcare and have well-funded medical research centers which provide both well paying jobs and a source for bio-tech startups. The share of jobs in the Professional and Business services sector and the Healthcare sector are +3.2% and +3.6% higher than the national average
- With the National Security Agency (NSA) in nearby Anne Arundel County, the metro area has become a hub for the growing cyber security field. About 6.7% of jobs in the Baltimore metro are in technology which is well above the 5.3% national rate.
- Logistics diversifies the economy and there has been a pickup in demand for goods since the end of May. Goods are delivered through the Port of Baltimore which is a deep-water port, and the Tradeport Atlantic industrial park continues to expand. According to the Baltimore Business Journal, the \$466 million to be invested in the expansion of the Howard Street Tunnel to allow for increased cargo flow at the Port of Baltimore has been preserved in the State of Maryland's 2021-2026 transportation program spending plan which bodes well for expansion of logistics here.
- Counties in the Baltimore metro will receive close to \$80 million for rental assistance for renters in arrears.

Market Weaknesses:

- Even before the pandemic, Baltimore had weak population and labor force growth with the population just barely growing. In addition, among the 25 largest economies, Baltimore has the sixth highest share of residents age 65 or older, behind retirement havens in Tampa, Miami and Phoenix. However, while retirees do not typically rent, they will require medical services so there is some upside for Baltimore's healthcare driven economy.
- The inventory of apartments in the central downtown Baltimore submarket has expanded by over 40% since the end of the recession. This urban revitalization has largely been driven by tax breaks for developers converting more than 2 million square feet of unused office space into apartments. As a result, vacancies in this submarket are about twice as high as the metro-wide average.

Development:

- Just over 21,500 rental units have been added over the past six years consisting primarily of Class A units delivered in the city of Baltimore. While there are still just over 4,300 units underway, most development appears to be concentrated in the city and areas south of Baltimore. There appears to be limited development in Towson and Northern submarkets.

Outlook:

- Despite weakness in certain submarkets, year over year as of Q1 2021, the average vacancy rate across the metro fell by 0.25% in Q1 2021 and the average asking rent grew about +1.0%. While rent growth of over 5% year over year as of Q1 2021 was strongest in the most affordable Class C segment, rents even grew by an estimated +1.1% in the most expensive Class A segment according to RealPage. Given a return to job growth, the apartment market in the metro area should remain steady in the second half of 2021, although new supply will continue to depress certain submarkets.
- The economic recovery should accelerate in the second half of 2021. In addition, the metro has a mature diversified economy keeping it stable beyond the pandemic. It is a center for logistics and world class healthcare. In addition, stable federal employers such as the Social Security Administration and Medicare and their contractors provide well-paying jobs despite slow growth. These jobs along with the extensive healthcare network should provide support to the economy until vaccines are fully implemented.

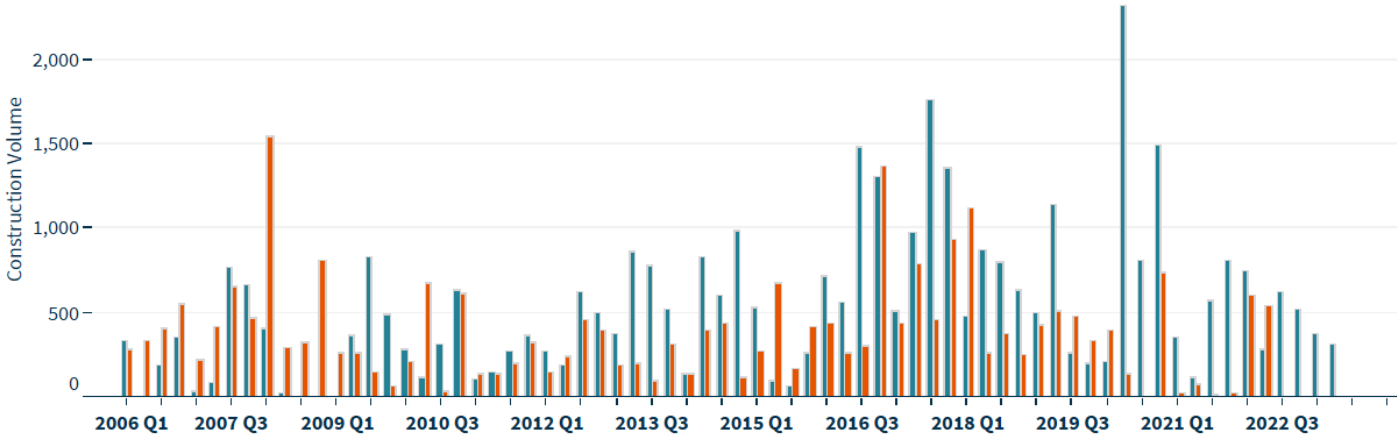
Five Year Metro Area Growth Forecast

Source: Moody's	Q4 2020	Q4 2025	Baltimore-Towson Metro (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,805	2,829	0.17%	0.52%
Households (000s)	1,094	1,144	0.90%	1.41%
Renting Cohort (Ages 20-34) (000s)	572	543	-1.04%	-0.26%
Total Employment (000s)	1,359	1,464	1.50%	1.71%
Median Household Income	\$85,104	\$97,941	2.85%	2.83%
Median SF Home Price	\$344,419	\$425,531	4.32%	4.30%
Net Migration	-893	-811		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



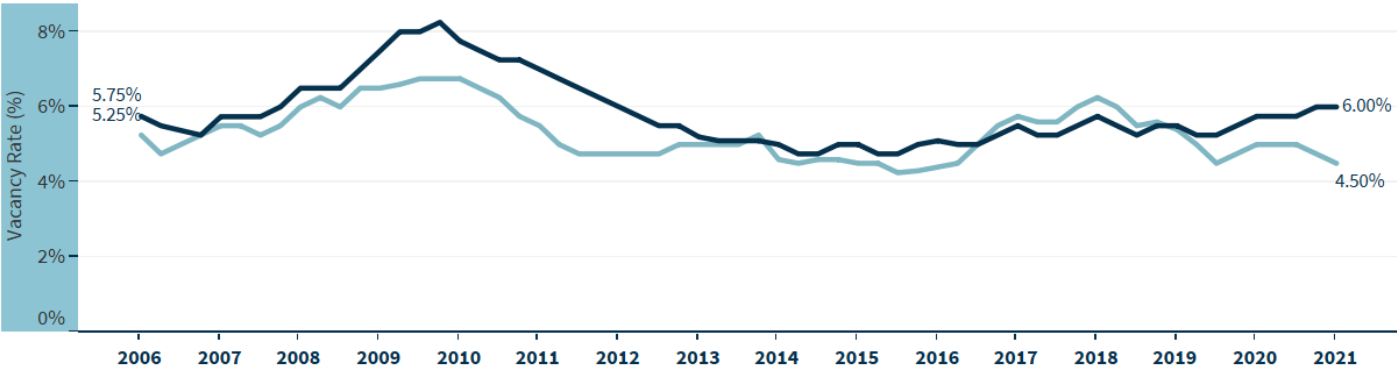
Vacancy & Rent Composite Estimates

Vacancy Rates

Baltimore | National

Q1 2021 Vacancy Rate:

4.50%

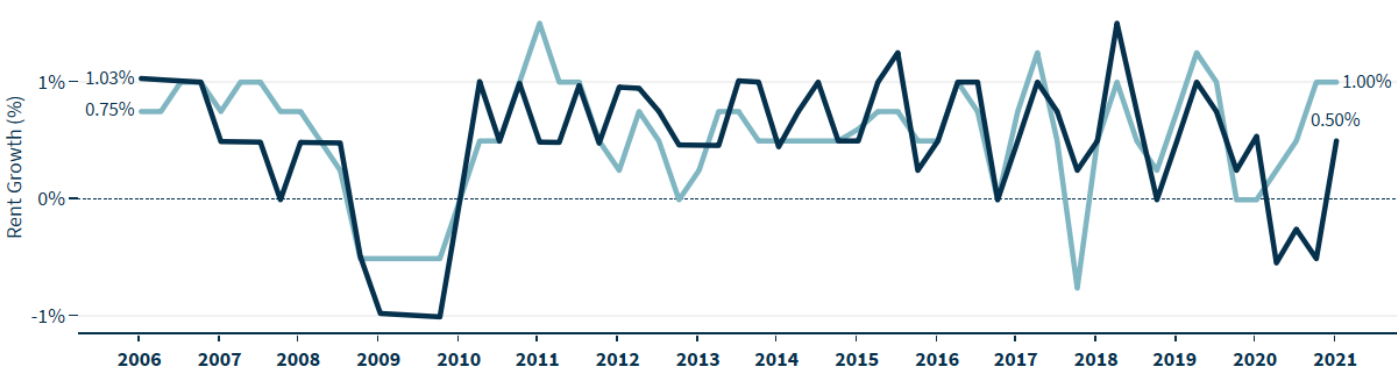


Asking Rent Growth

Baltimore | National

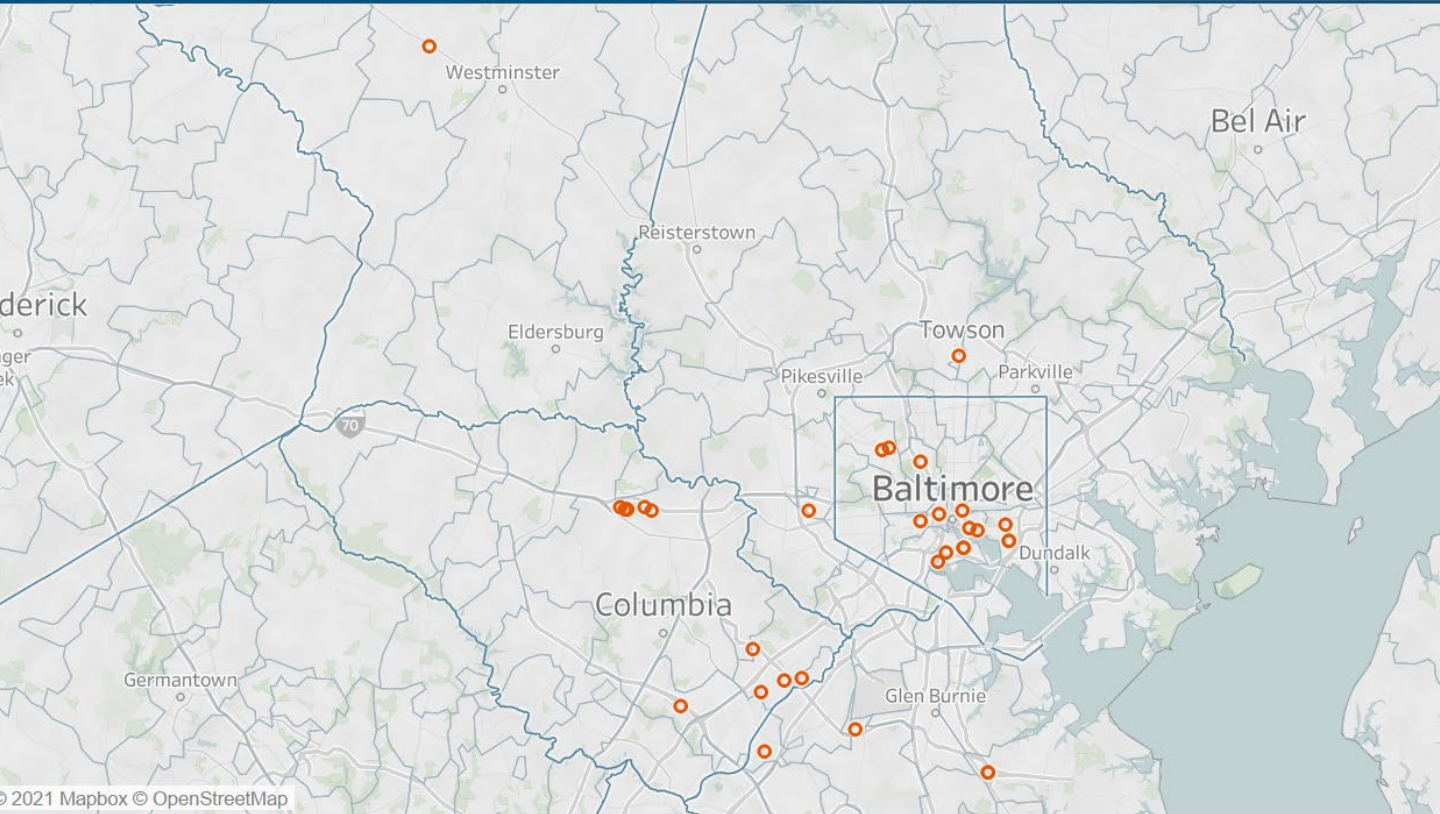
Q1 2021 Asking Rent:

\$1,390



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Baltimore City East	8	1,223	1.50M
Baltimore City West	3	583	0.63M
Columbia/North Laurel	2	38	0.07M
Downtown Baltimore	4	464	0.49M
Ellicott City/Elkridge	9	706	1.06M
Far North Baltimore Suburbs	1	35	0.05M
Northeast Anne Arundel County	2	112	0.21M
Northwest Anne Arundel County	2	611	0.67M
Southwest Baltimore County	1	228	0.41M
Towson/Hunt Valley	1	300	0.60M
Grand Total	33	4,300	5.69M

Multifamily: ESR Team

Multifamily Metro Outlook: Baltimore Q1 2021

Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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