

# Multifamily Metro Outlook:

## Baltimore - Q4 2022

### Overview:

- Although the Baltimore metro area faces challenges in staffing healthcare and hiring in the logistics sector is slowing as consumer demand for goods cools, the Baltimore economy continues to recover from the pandemic induced recession. The Leisure and Hospitality sector continues to add jobs and the new state budget calls for more staffing at the state level. In addition, the tech sector is primarily comprised of jobs in the stable national security and public health sectors. Overall, Baltimore should return to its pre-pandemic job level in early 2023.
- Multifamily demand appears to be slowing and the average vacancy jumped by 0.75% in Q4 to end 2022 at 4.65% closer to the historic average. While job growth is likely to slow somewhat in 2023, apartment supply is also slowing down so the apartment market is likely to remain in healthy shape.

### 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 7.0% of jobs here are in technology which is well above the 5.4% national rate.
- The Port of Baltimore, which is a deep-water port, benefited from the 2021 log-jams in ports at Los Angeles picking up additional trade routes. In addition, the expansion of the Howard Street Tunnel to allow for increased cargo flow at the Port of Baltimore broke ground recently which bodes well for continued expansion of economic activity at the Port.

### 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 aged 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.
- Urban revitalization, driven by tax breaks for developers converting more than 2 million square feet of unused office space into apartments, has led to vacancies that are still twice as high downtown as the metro-wide average. However, as the vacancy rate declined over the past 21 months to just the mid single digits, rent growth has resumed.
- Crime and an above average poverty rate present ongoing headwinds in the city. However, this is only one segment in the larger Baltimore multifamily market which includes Towson, Columbia and even stretches to Annapolis.

### Development:

- Although 5,500 units are underway, this is about 20% lower than the number of units underway just two years ago and represents just a 2.5% increase in current inventory. About 38% of all new development is in the Downtown and East Baltimore submarkets, but this is down from half in 2022. In addition, most suburbs are getting at least one new property.

### Outlook:

- With development slowing, Baltimore's apartment market is already seeing fundamentals start to temper from the strong growth seen over the past couple of years. In addition, continued elevated inflation and rising interest rates are increasing the likelihood of recession which may dampen demand for rentals somewhat in 2023. Nevertheless, the multifamily market is expected to remain steady in 2023 as fundamentals return to more normal levels.
- Baltimore has a mature diversified economy. It is a center for federal employment through the Social Security Administration and Medicare which also attract jobs through private contractors. Logistics and world class healthcare also contribute to Baltimore's stability while cyber security helps bring in younger workers. These factors which should keep Baltimore stable for the foreseeable future.

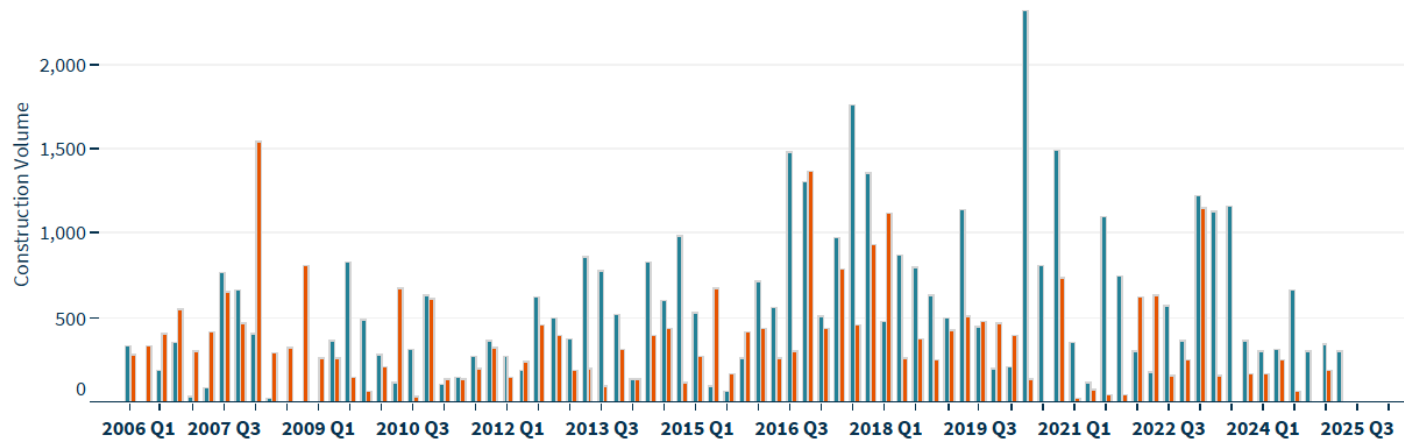
## Five Year Metro Area Growth Forecast

Source: Moody's	Q4 2022	Q4 2027	Baltimore (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,802	2,815	0.09%	0.41%
Households (000s)	1,099	1,117	0.32%	0.75%
Renting Cohort (Ages 20-34) (000s)	561	527	-1.21%	-0.40%
Total Employment (000s)	1,417	1,447	0.43%	0.52%
Median Household Income	\$92,773	\$110,192	3.50%	3.45%
Median SF Home Price	\$371,618	\$412,167	2.09%	-0.04%
Net Migration	975	-1,170		

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



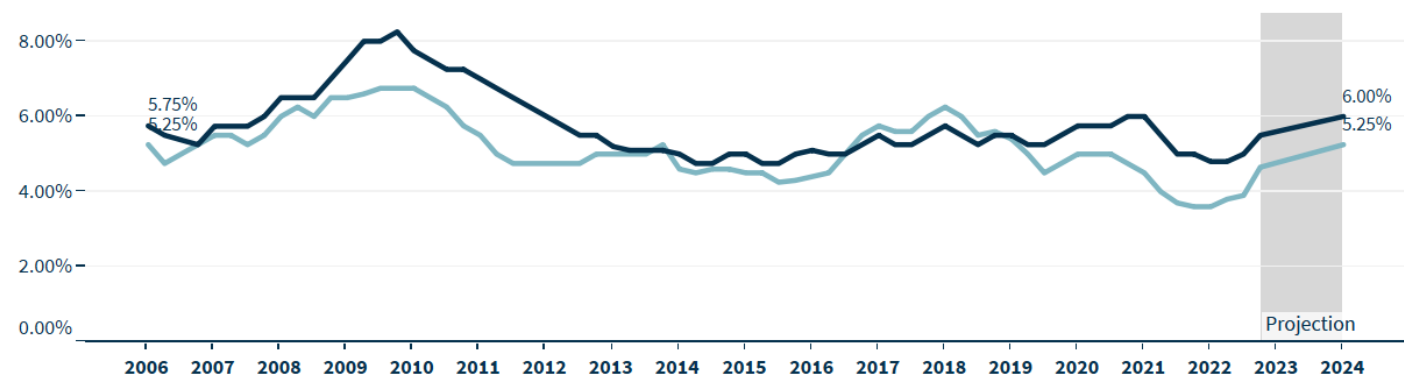
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Baltimore | National

Q4 2022 Vacancy Rate:

4.65%

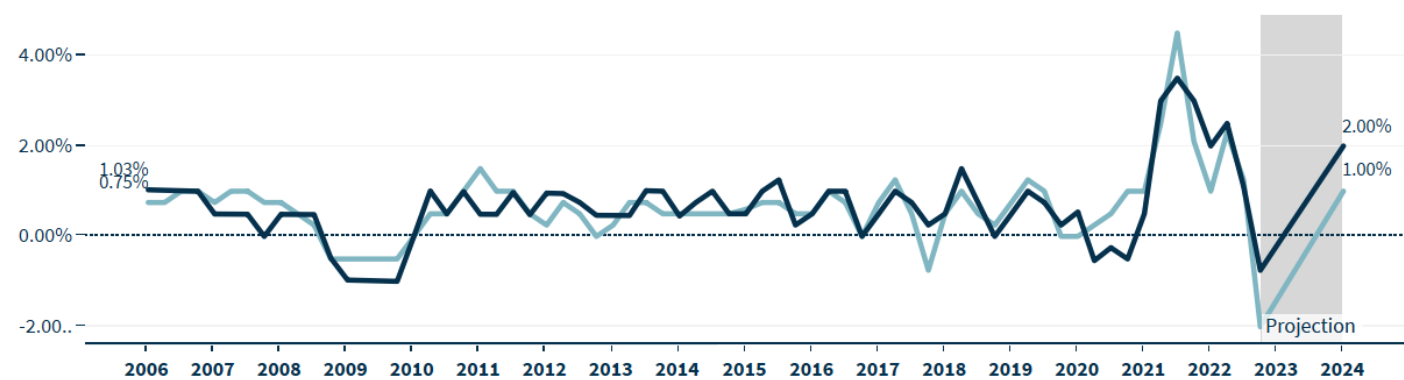


### Asking Rent Growth

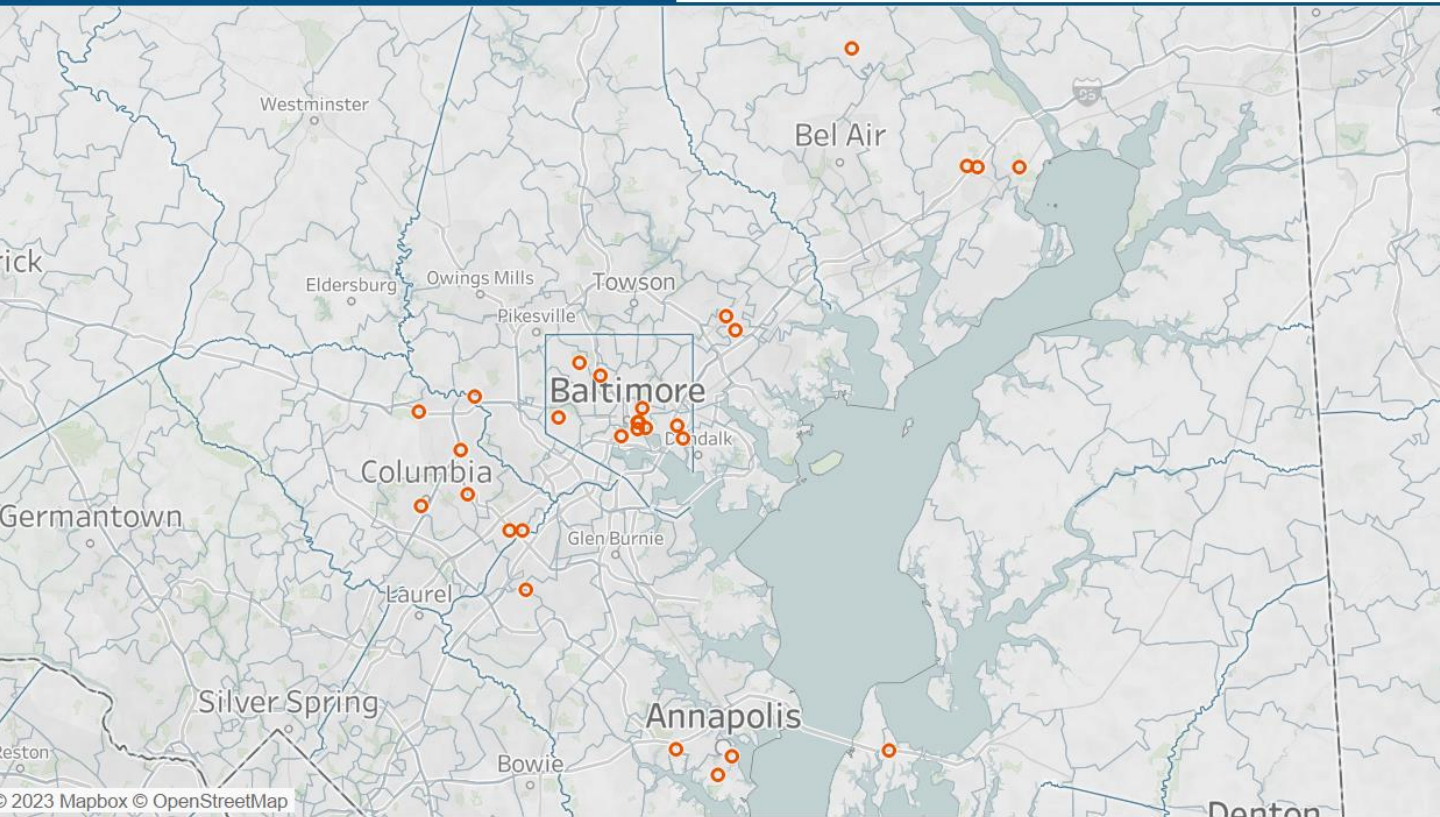
Baltimore | National

Q4 2022 Asking Rent:

\$1,580



**Construction: Bidding & Underway**



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>
Annapolis	4	320
Baltimore City East	5	938
Baltimore City West	2	153
Columbia/North Laurel	1	472
Downtown Baltimore	4	1,203
Ellicott City/Elkridge	5	316
Far North Baltimore Suburbs	4	807
Northwest Anne Arundel County	2	611
Parkville/Carney/Perry Hall	1	340
Southeast Baltimore County	1	340
<b>Grand Total</b>	<b>29</b>	<b>5,500</b>

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## 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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