

Multifamily Metro Outlook:

Baltimore - Q1 2022

Overview:

- Baltimore jobs in higher paying sectors such as healthcare, the federal government and professional/technical services are near or above pre-pandemic levels. In addition, the Leisure and Hospitality sector is finally recovering adding about 17,000 jobs between February and May. Overall, Baltimore should return to its pre-pandemic job level early next year.
- While demand appears to be slowing somewhat, the average vacancy rate remained at just 3.6% as of Q1 2021 and the average asking rent rose by an additional 1% in Q1 2022. A slowdown in apartment supply is likely to support tempered but above average fundamentals in 2022.

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, has benefited from the 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.
- Counties in the Baltimore metro area received close to \$80 million for rental assistance for renters in arrears. In addition, Baltimore City covers the cost of security deposits up to \$2,000 per unit for eligible lower income residents.

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 over twice as high downtown as the metro-wide average. However, as the vacancy rate declined over the past 18 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 subsection in the larger Baltimore multifamily market which includes Towson, Columbia and even stretches to Annapolis.

Development:

- The pace of new supply delivered is slowing. While there are still just over 4,600 units underway, this is about 30% lower than the number of units underway just two years ago. Further, while about a third of ongoing development is in the city, most development is in the suburbs with the Ellicott City, Anne Arundel and Howard County submarkets recording the highest levels of new units underway.

Outlook:

- Baltimore is experiencing slow but steady improvement in jobs. With development slowing, Baltimore's apartment market will likely see fundamentals start to temper but remain healthy for the remainder of 2022. However, should a recession materialize, fundamentals could deteriorate.
- 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 kept Baltimore stable during the pandemic, should keep it stable even beyond the pandemic.

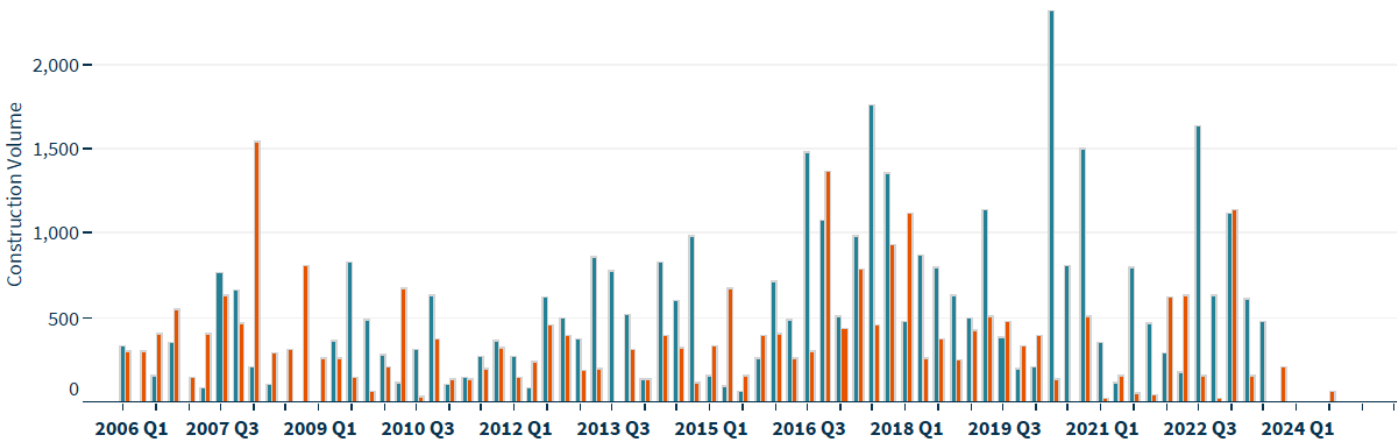
Five Year Metro Area Growth Forecast

| Source: Moody's | Q4 2021 | Q4 2026 | Baltimore (5-Year Annual Average Change) | National (5-Year Annual Average Change) |
|------------------------------------|-----------|-----------|---|--|
| Population (000s) | 2,802 | 2,821 | 0.14% | 0.47% |
| Households (000s) | 1,110 | 1,134 | 0.43% | 0.90% |
| Renting Cohort (Ages 20-34) (000s) | 566 | 534 | -1.17% | -0.30% |
| Total Employment (000s) | 1,382 | 1,451 | 0.99% | 1.08% |
| Median Household Income | \$84,481 | \$100,046 | 3.44% | 3.30% |
| Median SF Home Price | \$362,689 | \$400,556 | 2.01% | 1.93% |
| Net Migration | -1,103 | -170 | | |

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



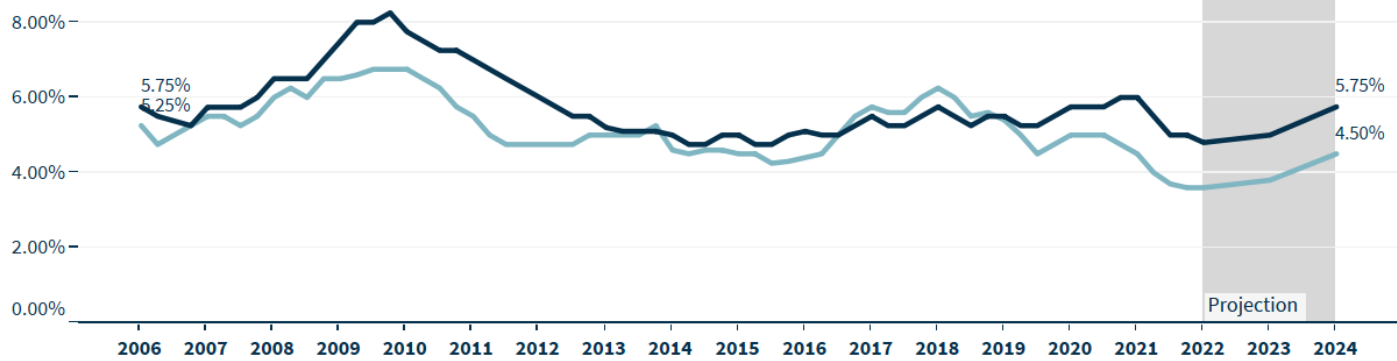
Vacancy & Rent Composite Estimates

Vacancy Rates

Baltimore | National

Q1 2022 Vacancy Rate:

3.60%

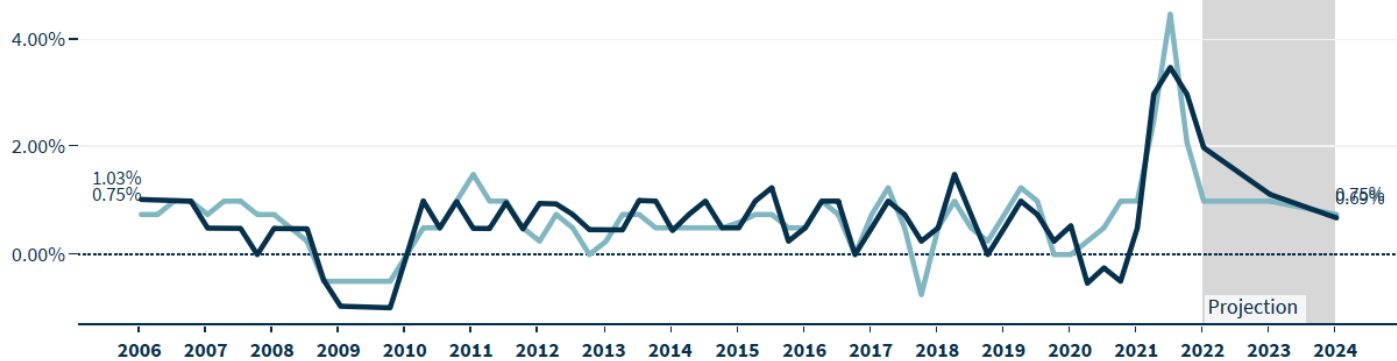


Asking Rent Growth

Baltimore | National

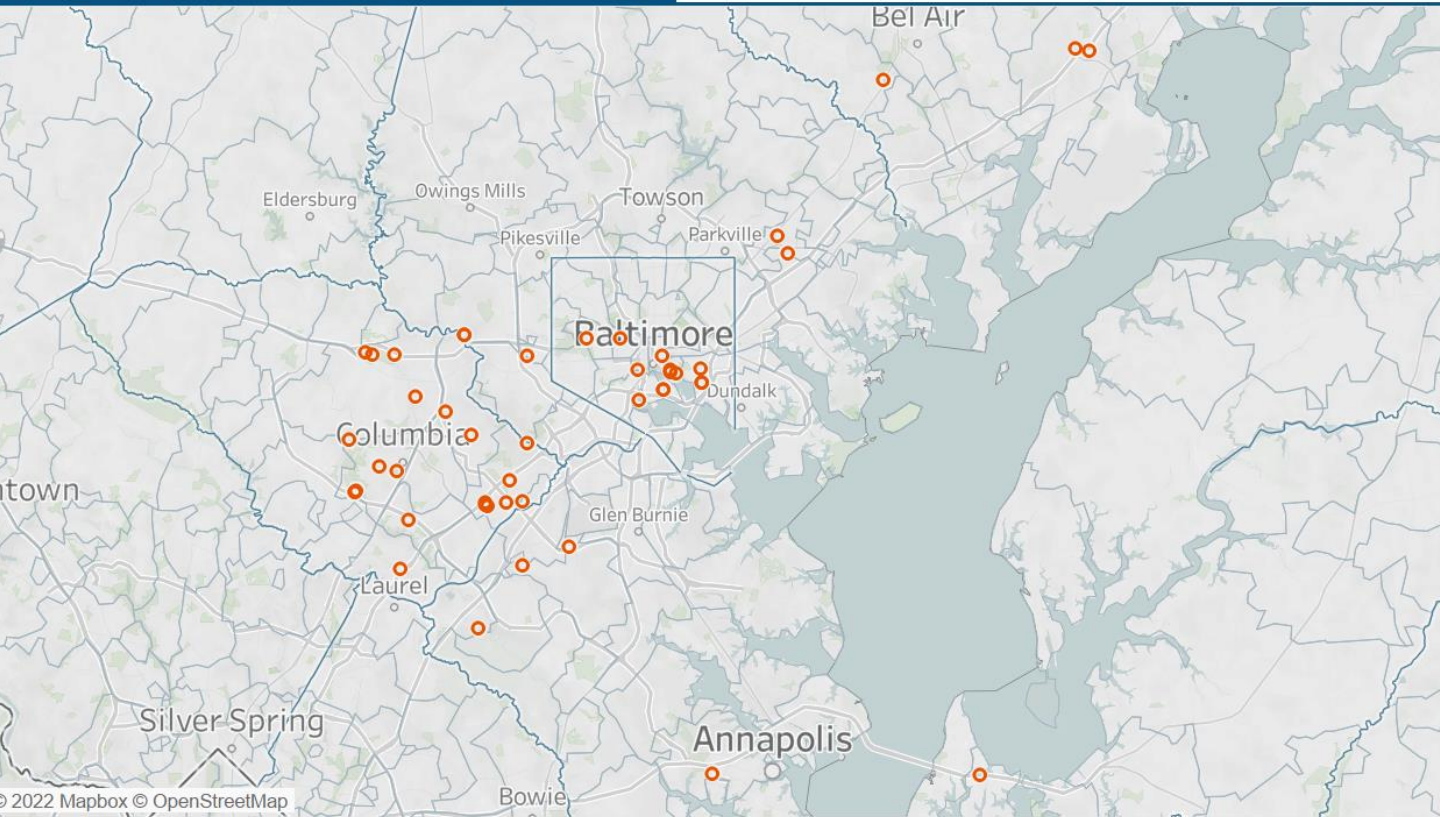
Q1 2022 Asking Rent:

\$1,540



Source: Multifamily Economics and Research

Construction: Bidding & Underway



| <i>TWR Submarket Name</i> | <i>Apartments</i> | <i>Building Units</i> | <i>Building Area SF</i> |
|-------------------------------|-------------------|-----------------------|-------------------------|
| Annapolis | 2 | 310 | 0.35M |
| Baltimore City East | 7 | 875 | 1.11M |
| Baltimore City West | 2 | 50 | 0.07M |
| Columbia/North Laurel | 7 | 524 | 0.61M |
| Downtown Baltimore | 4 | 414 | 0.47M |
| Ellicott City/Elkridge | 16 | 411 | 0.69M |
| Far North Baltimore Suburbs | 3 | 518 | 0.65M |
| Northwest Anne Arundel County | 4 | 621 | 0.69M |
| Parkville/Carney/Perry Hall | 1 | 340 | 0.45M |
| Southeast Baltimore County | 1 | 340 | 0.35M |
| Southwest Baltimore County | 1 | 228 | 0.41M |
| Grand Total | 48 | 4,631 | 5.84M |

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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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