Multifamily Metro Outlook:

Baltimore – Q3 2023

Overview:

- Ongoing elevated interest rates are having an impact reflected in slowing job growth. Moody's Analytics projects that just over 10,000 jobs will be added in 2023 compared to 32,000 in 2022.
- As a result, multifamily demand appears to be slowing with the average vacancy rate jumping by just under 2.0% over the past seven quarters to 5.5% as of Q3 2023. Nevertheless, this is still only an estimated 50 basis points above the historic average. After briefly turning negative in Q4 2022, rent growth has been positive in 2023. While job growth has slowed this year, new supply is also slowing 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.
- Baltimore has a well-educated population which attracts employers. About 44% of residents over age 24 have a bachelor's degree or higher compared to 35% for the U.S.
- 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 5.5% national rate.
- The Port of Baltimore, which is a deep-water port, will benefit from the expansion of the Howard Street Tunnel to allow for increased cargo flow. While Port activity may be slowing near term because of slowing car sales due to elevated interest rates, the construction bodes well for continued long-term expansion of economic activity at the Port.

Market Weaknesses:

- Baltimore continues to lose population, about 7,000 residents in 2022, primarily in Baltimore city and county. 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. This area has fewer walkable amenities than some of the surrounding submarkets, making some would be renters rent in other nearby submarkets.
- 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.

Multifamily Development:

- Development is slowing. Although 4,000 units are underway, this represents 38% fewer units than were underway in Q1 2020 and represents just a 1.8% increase in inventory. About half of all new development is in the Downtown and East Baltimore submarkets. However, development beyond the city is also continuing with most suburbs getting at least one new property.

Multifamily Outlook:

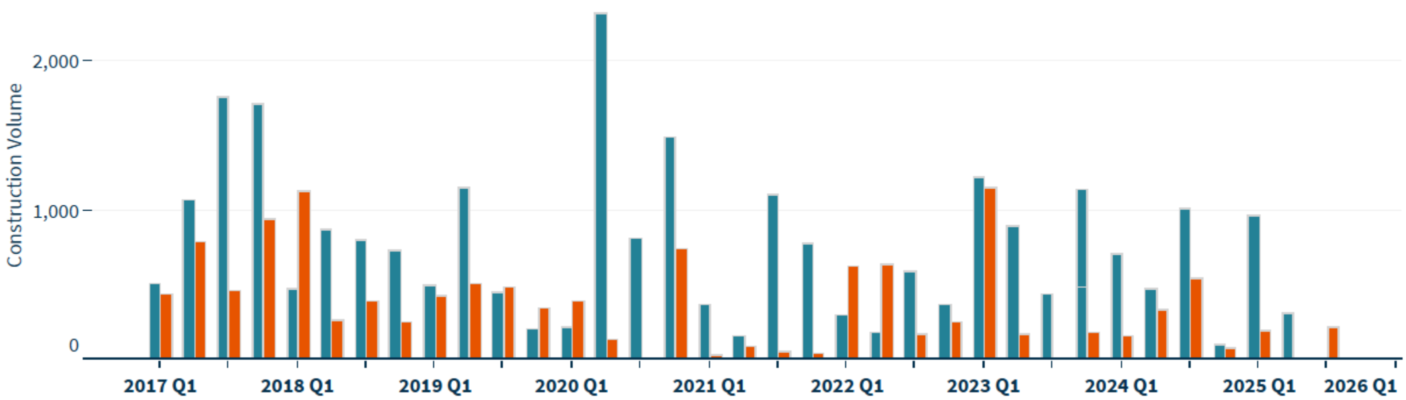
- Multifamily Outlook: Steady – With ongoing high interest rates and slowing job growth, Baltimore's apartment market is already seeing fundamentals start to temper from the strong growth seen during the pandemic to more normal levels. In addition, continued elevated inflation and high interest rates are increasing the likelihood of recession which may dampen demand for rentals in 2024. Nevertheless, while the multifamily market is expected to continue to soften over the next six months, slowing supply should keep the market steady.

Economic Outlook:

- 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 growing slowly but steadily for the foreseeable future.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

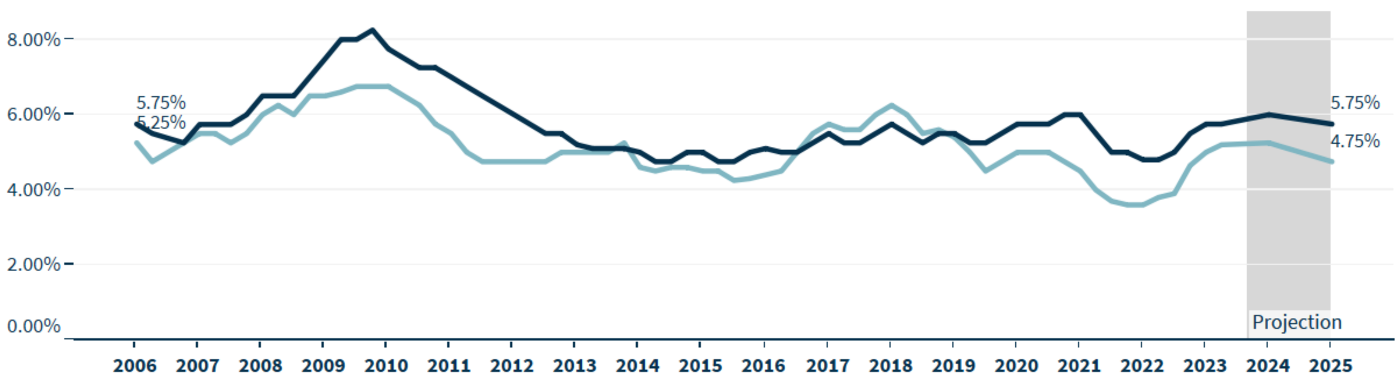


Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

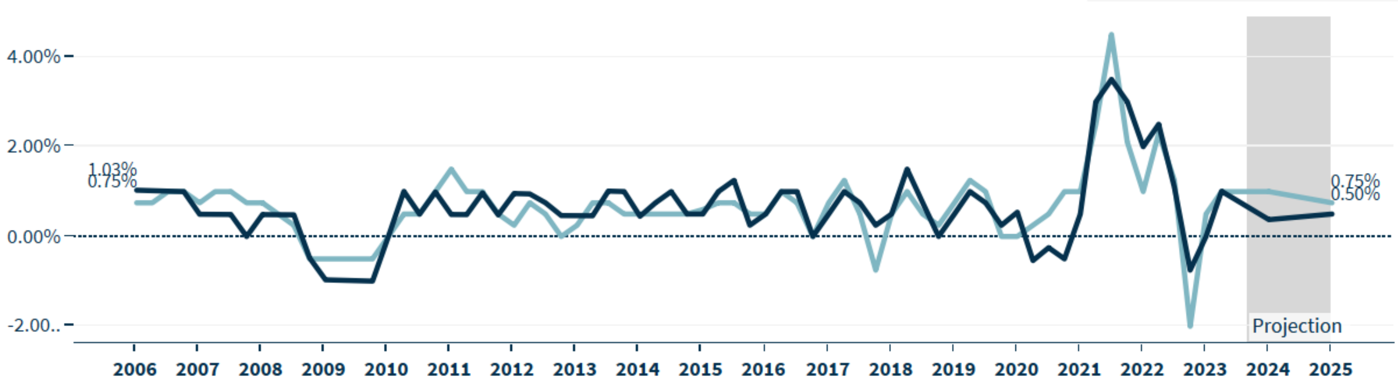
Vacancy Rates

Q3 2023 Vacancy Rate: *5.50%*



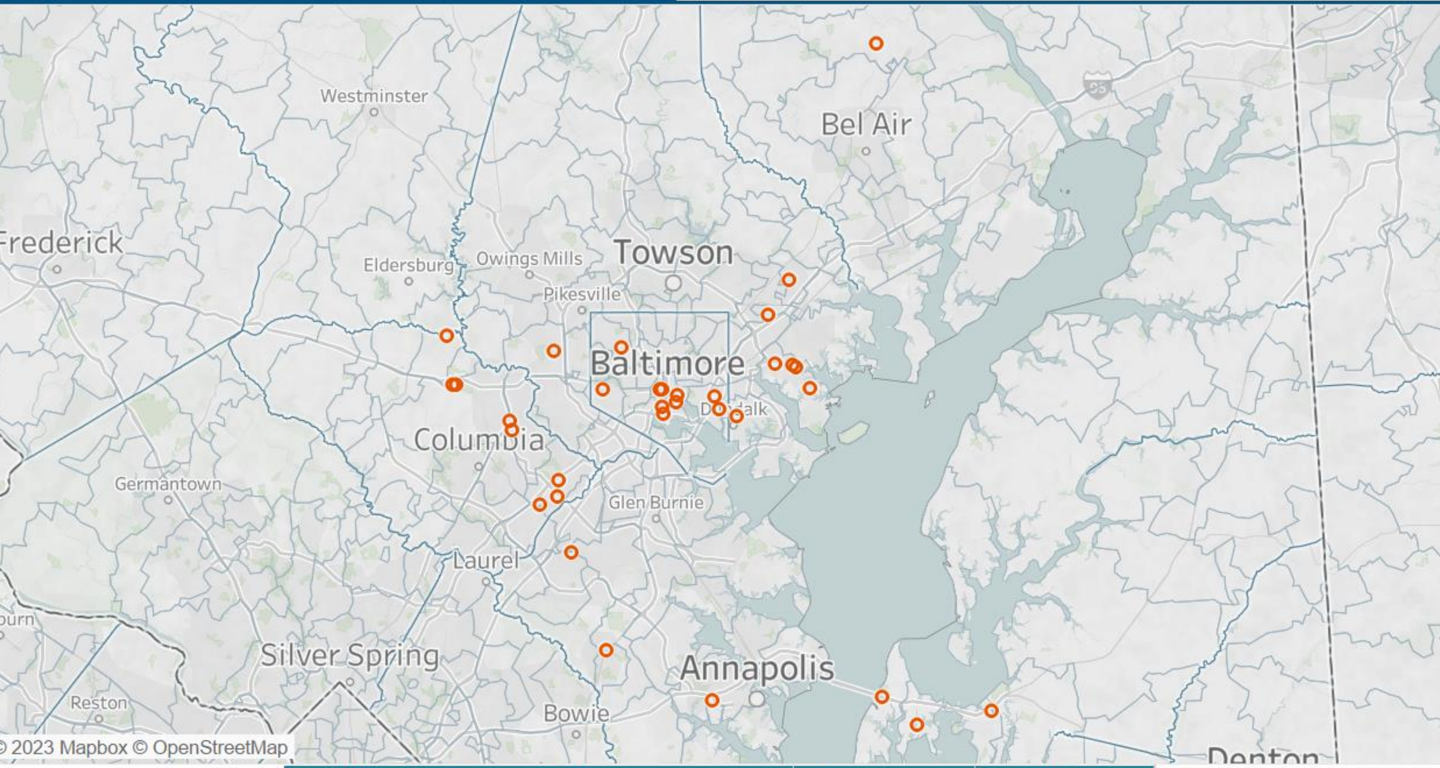
Asking Rent Growth

Q3 2023 Asking Rent: *$1,620*



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Annapolis	4	420
Baltimore City East	4	962
Baltimore City West	2	241
Downtown Baltimore	4	1,003
Ellicott City/Elkridge	7	288
Far North Baltimore Suburbs	2	323
Northwest Anne Arundel County	2	378
Parkville/Carney/Perry Hall	1	3
Southeast Baltimore County	6	379
Southwest Baltimore County	1	3
Grand Total	**33**	**4,000**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Baltimore Q3 2023

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