

# Multifamily Metro Outlook:

## Baltimore - Q2 2024

### Overview:

- Ongoing elevated interest rates and the collapse of the Key Bridge are having an impact reflected in slowing job growth. Moody's Analytics projects that just over 9,000 jobs will be added in 2024 compared to 32,000 in 2022.
- As a result, multifamily demand appears to be slowing with the average vacancy rate jumping by just over 2.0% over the past nine quarters to 5.75% as of Q2 2024. Nevertheless, this is still only an estimated 75 basis points above the historic average. Job growth is slowing but new supply is also slowing. While there may be some additional softening near-term, 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, helps diversify economic drivers. However, while the ship Dali was recently towed to a nearby marine terminal unblocking the Port's deepest shipping lane, consumer demand for goods remains down due to elevated interest rates. Long-term, the expansion of the Howard Street Tunnel will allow increased cargo flow.

### Market Weaknesses:

- Baltimore has weak population growth and the population remained flat in 2023. 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.
- The city of Baltimore currently has an estimated 13,600 vacant, blighted properties. In recent years, the city has only been able to spend \$7-\$8 million annually to demolish such buildings and it estimates it would take 300 years to solve the problem. While the city recently announced a \$3 billion initiative to remove vacant buildings en masse, the plan heavily relies on a share of state sales tax from Baltimore City being given to the city. This would be a new revenue stream requiring state government to give-up revenue so the initiative may not be able to move forward.
- 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 3,600 units are underway, this represents 40% fewer units than were underway in Q1 2020 and represents just a 1.6% 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.
- The Baltimore City Council passed a new inclusionary housing law requiring most new multifamily, market-rate projects to make at least 10% of their units available to households with limited incomes, at reduced rents. For a 30-year compliance period, covered projects will be required to provide at least 5% of their units to households at or below 50% of area median income (AMI) and 5% to households at or below 60% of AMI. The City will provide a property tax credit to offset lost rent. The law applies to properties with 20 or more units that receive City financial assistance or a significant land use authorization.

### Multifamily Outlook:

- 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. While the multifamily market is expected to continue to soften over the next six months, slowing supply should keep the market steady.

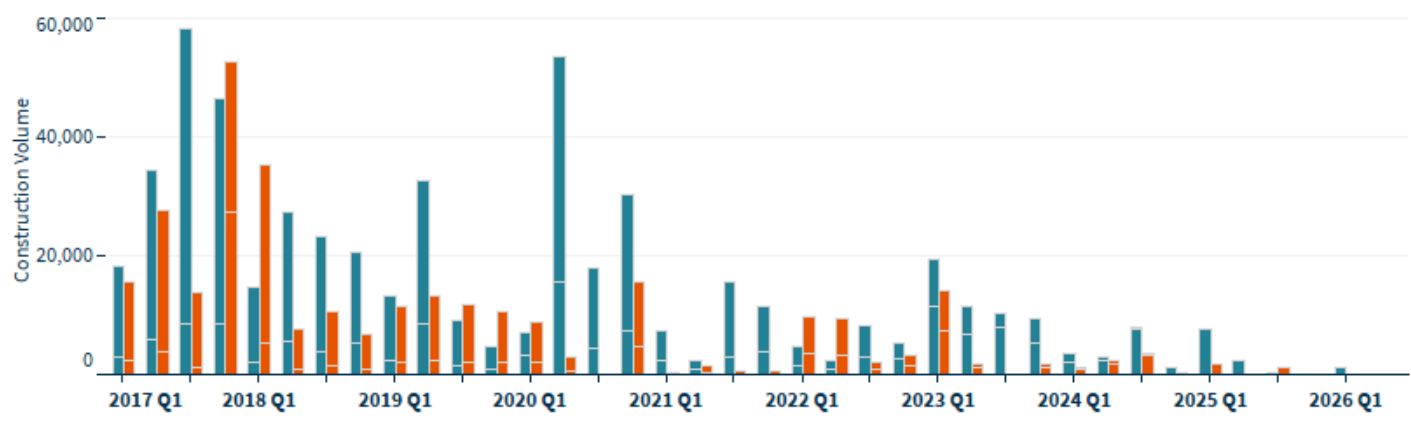
### Economic Outlook:

- 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

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

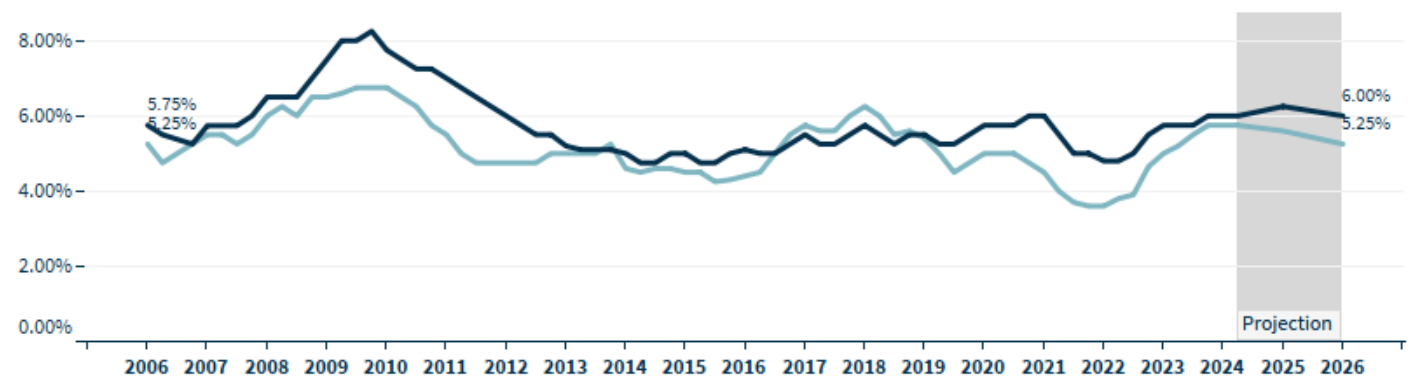
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Baltimore | National

Q2 2024 Vacancy Rate:

5.75%

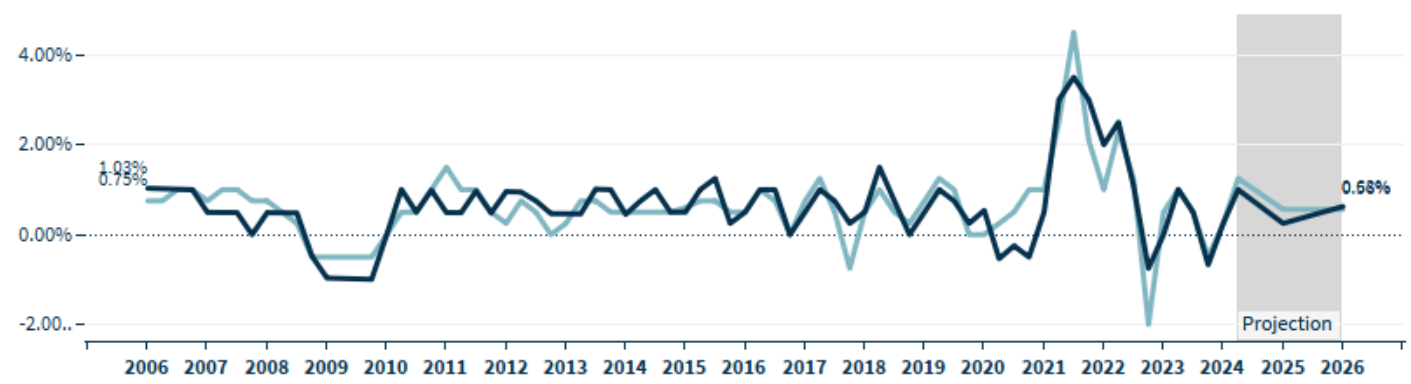


### Asking Rent Growth

Baltimore | National

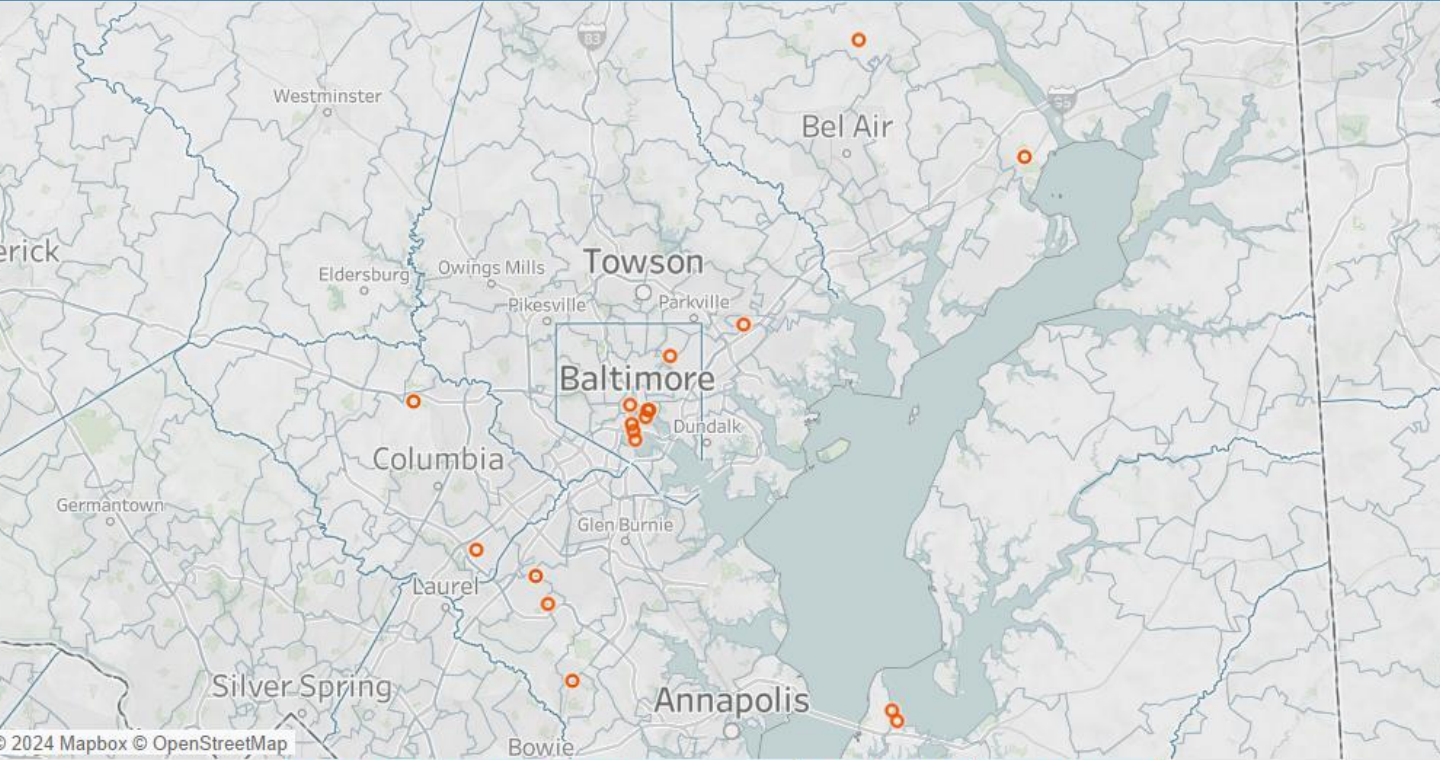
Q2 2024 Asking Rent:

\$1,640



Source: Fannie Mae Multifamily Economics and Research

## Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Annapolis	2	74
Baltimore City East	3	1,005
Baltimore City North	1	146
Columbia/North Laurel	1	48
Downtown Baltimore	4	977
Ellicott City/Elkridge	1	120
Far North Baltimore Suburbs	2	386
Northwest Anne Arundel County	3	528
Southeast Baltimore County	1	340
<b>Grand Total</b>	<b>18</b>	<b>3,624</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



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## Multifamily Economics and Market Research Team

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### Sources Used

- Axiometrics
- U.S. Bureau of Labor Statistics
- CBRE-Econometric Advisors
- CoStar
- Dodge Data and Analytics
- Fannie Mae
- John Burns Research & Consulting
- Moody's Analytics
- MSCI Real Assets
- RealPage
- Redfin
- REIS
- Yardi
- Zillow

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