Multifamily Metro Outlook:

Baltimore – Q3 2024

Overview:

- Even strong job growth in the health care sector could not overcome ongoing elevated inflation and the collapse of the Key Bridge in 2024. On net, Moody's Analytics estimates that Baltimore will only add an estimated 1,000 jobs in 2024 but will fare slightly better in 2025, with an estimated 12,000 jobs added.
- Even with lackluster job growth and ongoing apartment deliveries in 2024, the vacancy rate held steady at 5.75% as of Q3 2024. This is still only an estimated 75 basis points above the historical average, and deliveries of new apartments are slowing.

Market Strengths:

- Nine of Baltimore's top 20 employers are in the stable health care and education fields. Johns Hopkins and the University of Maryland drive health care and have well-funded medical research centers, which provide both well-paying jobs and a source for biotech startups. The share of jobs in the professional and business services sector and the health care 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 cybersecurity field. About 7.0% of jobs in the metro 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 has been towed to a nearby marine terminal, unblocking the port's deepest shipping lane, consumer demand for goods remains down due to elevated inflation. In the 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 health care-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 million-$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 3,500 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 around the waterfront in Downtown and East Baltimore. 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.
- Development at the Baltimore Peninsula, rebranded from the Port Covington project, continues. Most residential development currently underway there is at Locke Landing and consists primarily of single-family homes and condos across from the new Under Armour headquarters.

Multifamily Outlook:

- With ongoing high inflation rates and lackluster job growth, Baltimore's apartment market fundamentals have returned 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.

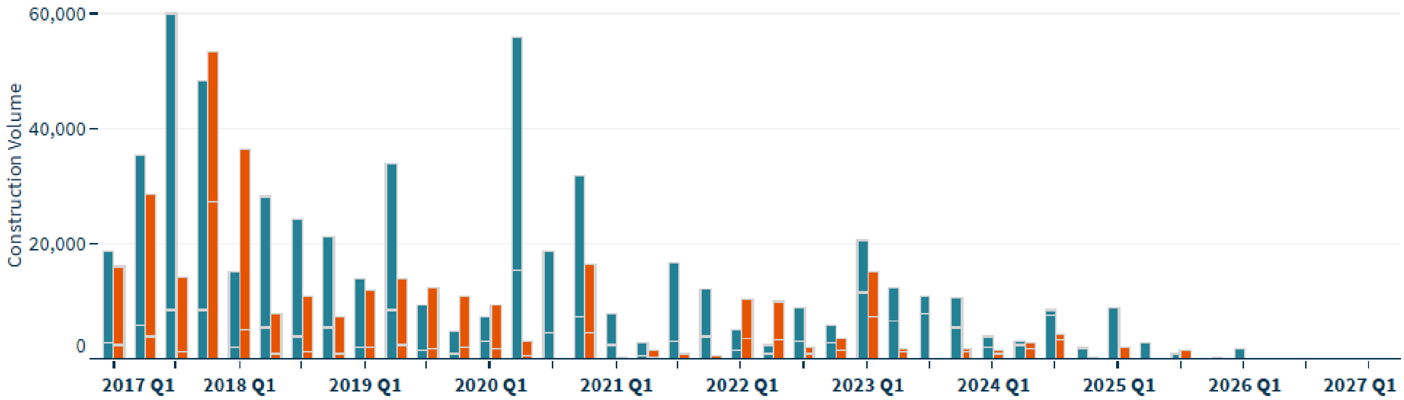
Economic Outlook:

- Baltimore has a mature, diversified economy. It is a center for federal employment through the stable Social Security Administration and Medicare, which also attract jobs through private contractors. Logistics and world-class health care also contribute to Baltimore's stability, while cybersecurity helps bring in younger workers. These factors 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

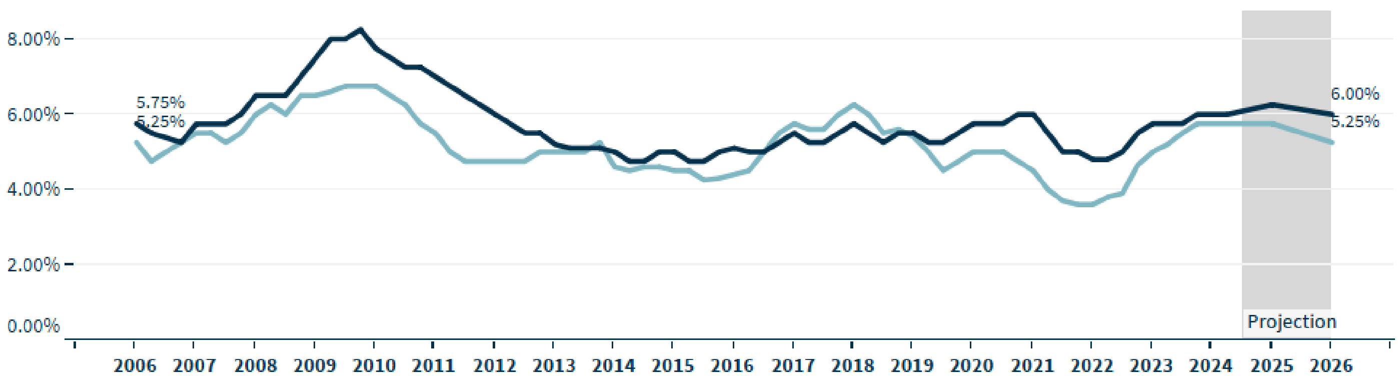
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Baltimore | *National*

Q3 2024 Vacancy Rate:

5.80%

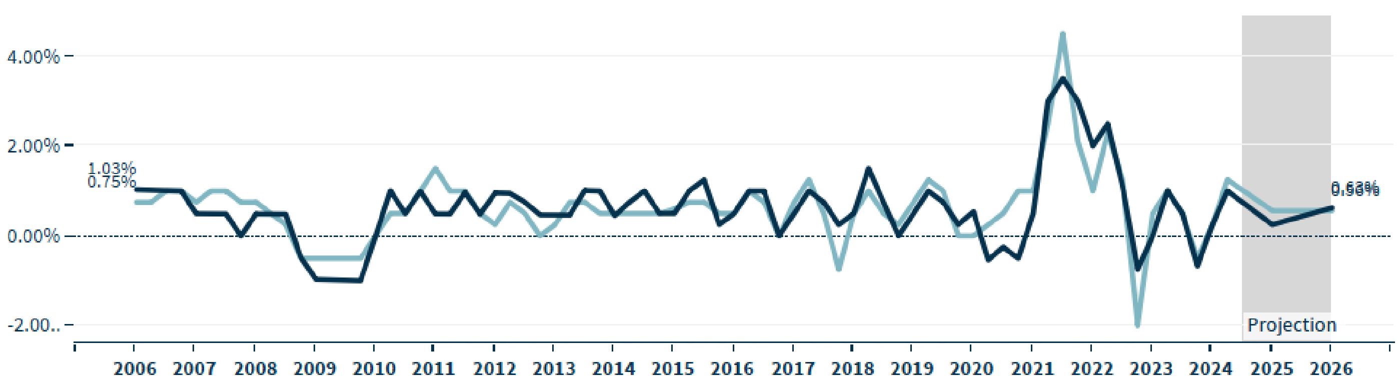


Asking Rent Growth

Baltimore | *National*

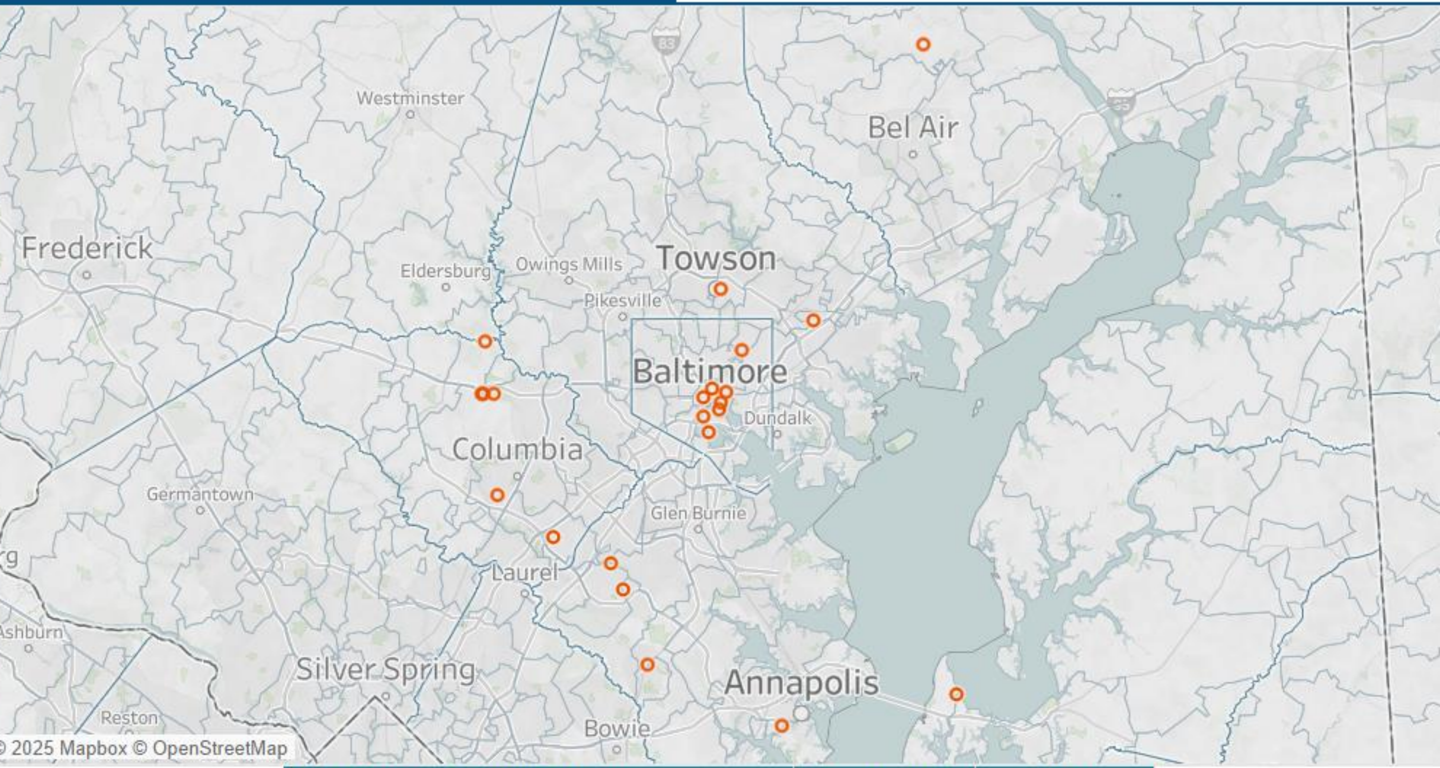
Q3 2024 Asking Rent:

$1,640



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Annapolis	2	95
Baltimore City East	3	862
Baltimore City North	1	146
Columbia/North Laurel	2	124
Downtown Baltimore	4	930
Ellicott City/Elkridge	1	120
Far North Baltimore Suburbs	4	330
Northwest Anne Arundel County	3	528
Southeast Baltimore County	1	340
Towson/Hunt Valley	1	4
Grand Total	**22**	**3,479**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Baltimore Q3 2024

Multifamily Economics and Market Research Team

Tanya Zahalak, Economic and Strategic Research

Sources Used

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