Multifamily Metro Outlook: Baltimore Spring 2019

Overview

Although development remains active in the Baltimore metro, apartment development for this cycle appears to have peaked in 2017. Only 3,100 units were delivered in 2018 compared to over 5,000 in 2017. Slowing deliveries and steady job growth have allowed vacancies to tighten to about 5.4 percent as of Q1 2019, leaving the Baltimore apartment market largely in balance.

Baltimore's well-educated workforce attracts well-paying knowledge-based industries. Almost 40 percent of the population over 25 has a college degree or higher. As a result, Baltimore has 6.0 percent of its jobs in technology which is above the 4.9 percent national average. With the National Security Agency (NSA) in nearby Anne Arundel County, the metro area has become a hub for the growing cybersecurity field. In addition, with John Hopkins and University of Maryland Bio Parks, medical technology is also prevalent. As a result, the Baltimore area's per capita income is $60,000 compared to the U.S per capita income of just $52,000.

However, Baltimore has recently experienced an unexpected headwind. The recent hacking of city servers has slowed the recording of real estate transactions because many things have to be done manually. This will likely take months to resolve and may be a drag on Baltimore's real estate market.

Development

Almost 18,000 rental units have been added since the beginning of 2014, consisting primary of Class A delivered in neighborhoods downtown. Development has slowed, with about 3,300 units expected to be delivered in 2019. About a third of development will still be in downtown Baltimore, a quarter will be in well-heeled Towson, and just over 15 percent will be in Howard County. However, development in the many other submarkets is sparse.

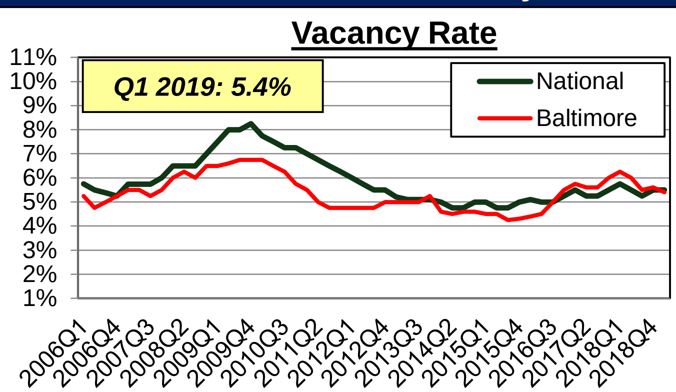
Both Columbia and Towson are undergoing transformative development. In Columbia, the Howard Hughes Corporation is spearheading the development of the Merriweather district, a walkable, mixed-use, urban core with a large park, office space, 2,300 residences, a 250-room hotel geared to lure tech companies. In, fact cybersecurity firm Tenable will anchor one of the new office buildings. Concurrently, the 1.2 million square foot Towson Row development is in the process of transforming downtown Towson.

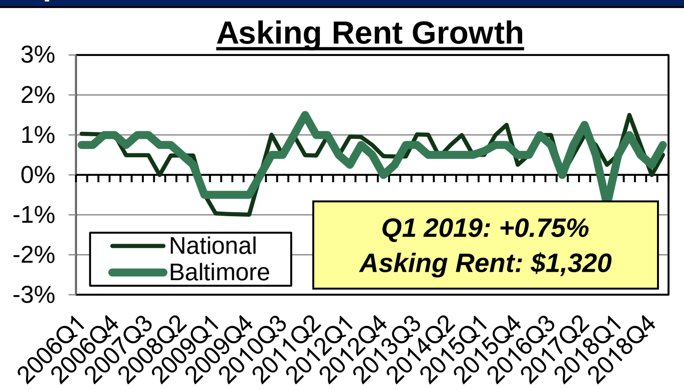
In addition, Baltimore City contains about 30 percent of Maryland's 149 tax-advantaged Opportunity Zones and will use the $50 million Neighborhood Impact Investment Fund to attract funds to the zones. The Yard 56 brownfields redevelopment in East Baltimore is already underway and will ultimately include apartments in the second phase.

Outlook

Due to elevated development in Baltimore City, the vacancy rate in the Class A segment is about twice as high as the market average vacancy. By contrast, affordable rentals remain in short supply. Moody's Analytics projects that Baltimore will add approximately 27,000 jobs through the end of 2020, most in well-paying professional fields, creating demand for just over 5,000 units. As a result, barring a recession, Baltimore's multifamily market will likely remain steady for the next 18 months with rent growth in the 2-2.5 percent range.

Vacancy and Rent Composite Estimates





Source: Fannie Mae Multifamily and Economics Research

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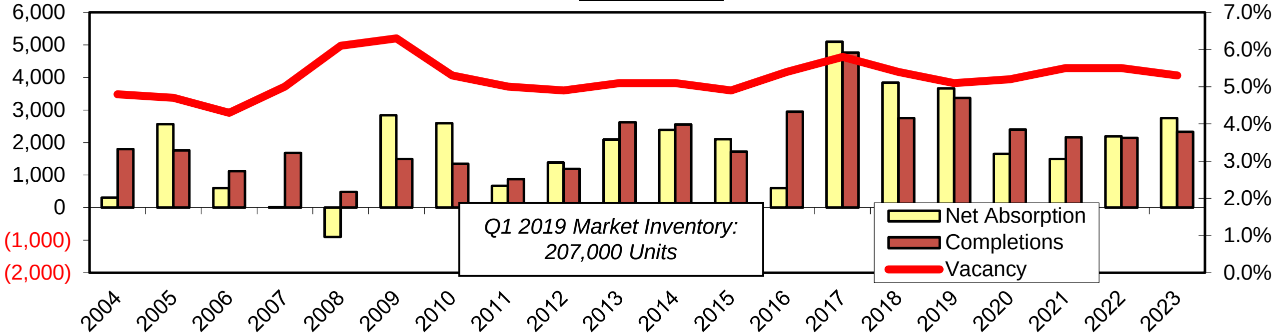
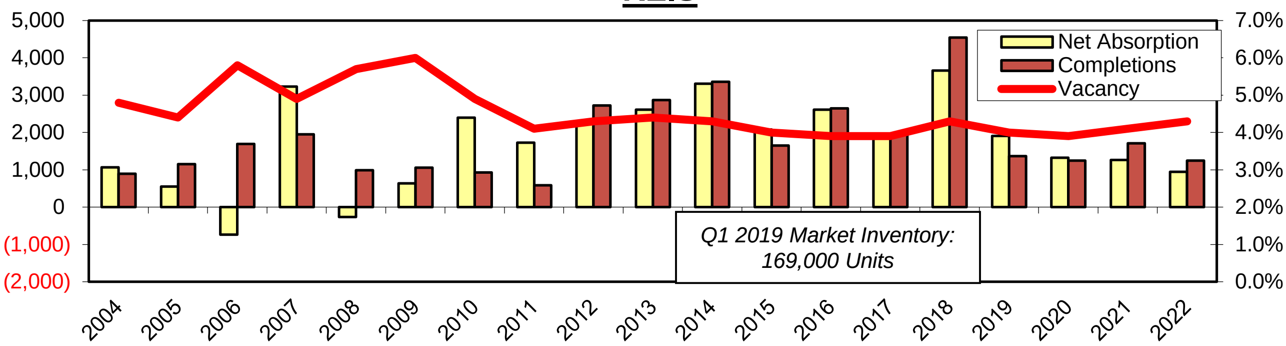
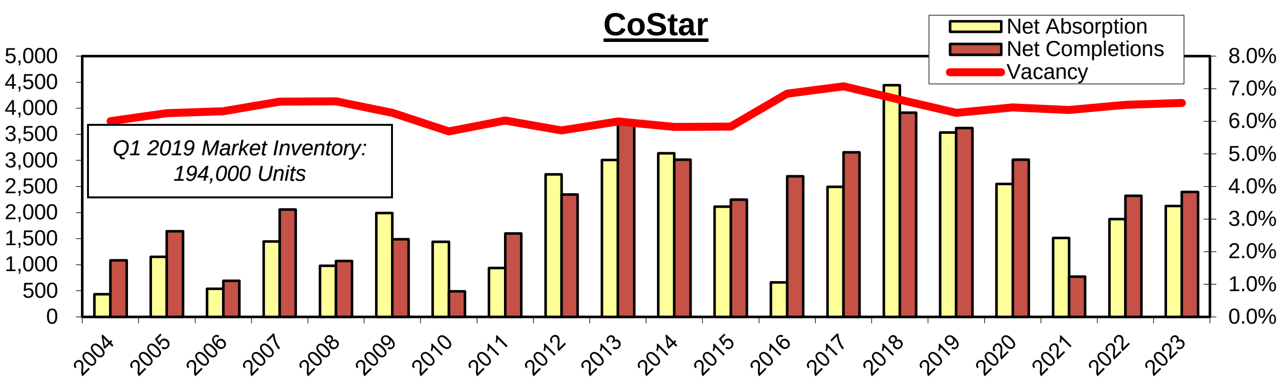
CBRE-EA



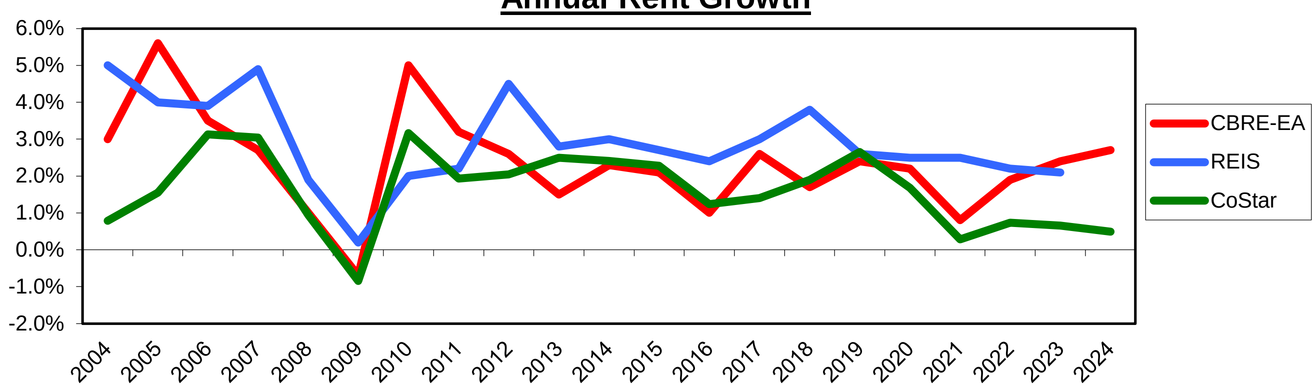
REIS



CoStar



Annual Rent Growth



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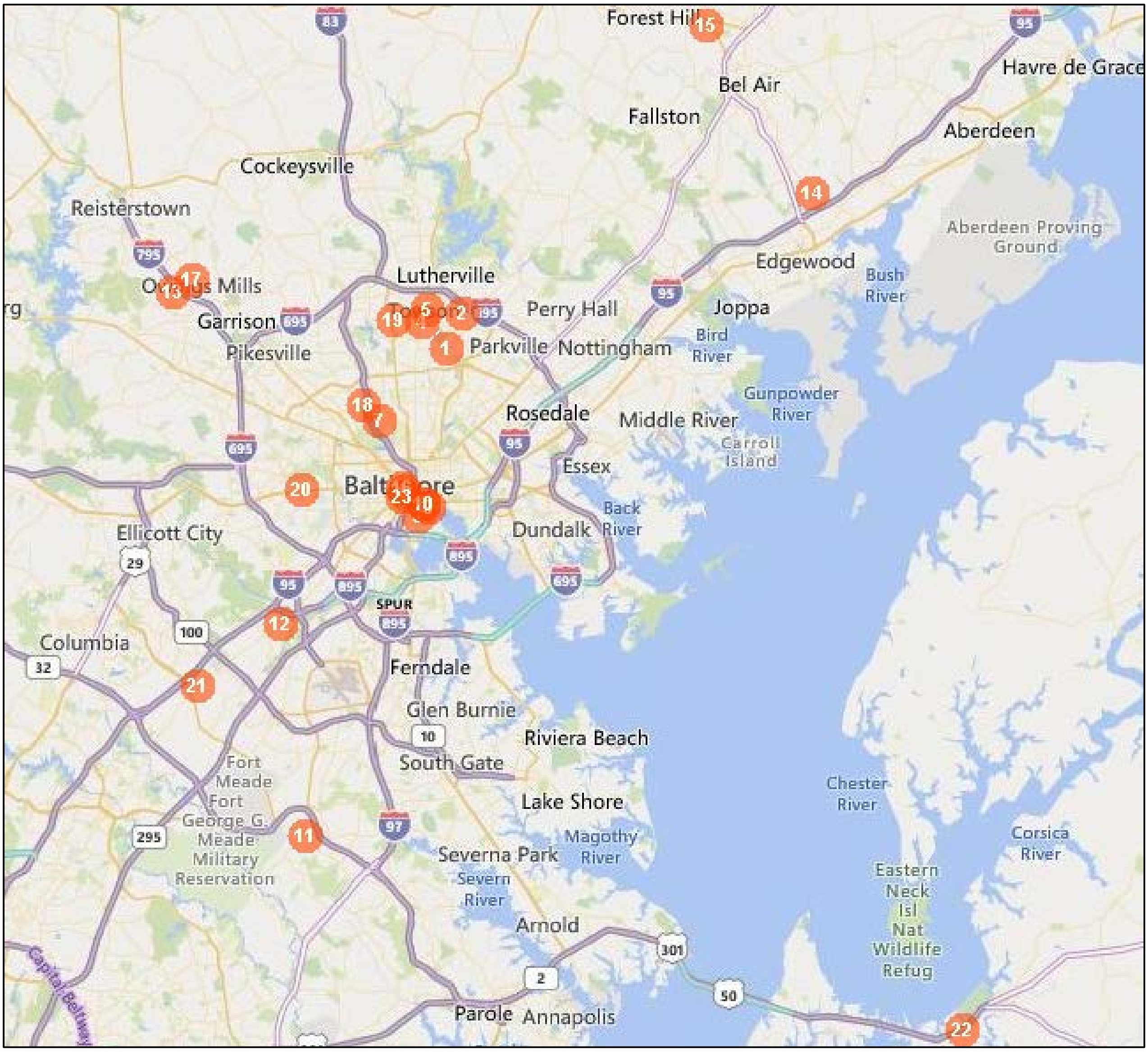
Construction Bidding/Underway
(23 projects/4,800 Units/6.1 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Central Baltimore City	8	2221	1780
Towson/Timonium/Hunt Valley	4	1426	1108
Columbia/Howard County	2	1083	738
Pikesville/Randallstown/Owings Mills	3	628	470
Glen Burnie/Harundale/Odenton	1	380	300
Harford County	2	139	111
Eastern Shore	1	108	108
Woodlawn/Cantonsville	1	132	104
Parkville/Carney/White Marsh	1	27	36

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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