RESEARCH Q1 2023

Baltimore Metro Area Multifamily Market

Occupancy Losses Focused in the City; Investment Market Softens

The Baltimore metro area's multifamily market softened slightly in the first quarter of 2023, though market conditions remain tight. Occupancy decreased by 40 basis points this quarter, to 94.7%. The region's net absorption registered negative 242 units during the first quarter of 2023. The Baltimore Suburbs outperformed the city, recording 134 units of positive absorption compared to the negative 376 units in the city. Although this was a notably negative quarter, market moderation was expected entering 2023 due to a variety of factors including socio-economic conditions and seasonality. There were 913 units that delivered this quarter, just over double the amount in the fourth quarter of 2022. The construction pipeline remains healthy, with 4,805 units under construction. An additional 665 units are expected to break ground in the near term, bringing the region's three-year development pipeline to 5,470 units.

Economic and Multifamily Market Outlook

Economic recovery continued gradually in the Baltimore metro area in the first quarter of 2023. The region's unemployment rate has fallen 60 basis points over the last year to 3.0%, which is also 60 basis points lower than the national rate. Baltimore added 17,800 jobs in the 12 months ending in February 2023. Out of all office-using sectors, the Other Services sector has grown 5.1% over the last 12 months, adding 2,400 jobs to the market. The Other Services sector comprises various employment types such as personal, religious and civic services. The region continues to benefit from the Port of Baltimore, which is an important asset for supporting the shipping and logistics needs of the ecommerce industry. The growing employment sector continues to provide opportunities for future multifamily demand throughout the entire Baltimore market. Recessionary pressures have begun curbing consumer demand, which may impact overall demand and downstream employment growth among logistics-based employers.

Market Summary

	Current Quarter	Year-Ago Period	36-Month Forecast
Total Inventory (Units)	237,405	235,673	↑
Occupancy Rate	94.7%	97.5%	→
Quarterly Net Absorption (Units)	-242	456	↑
12-Month Effective Rent Change	2.9%	11.1%	→
Quarterly Deliveries (Units)	913	257	↑

NEWMARK

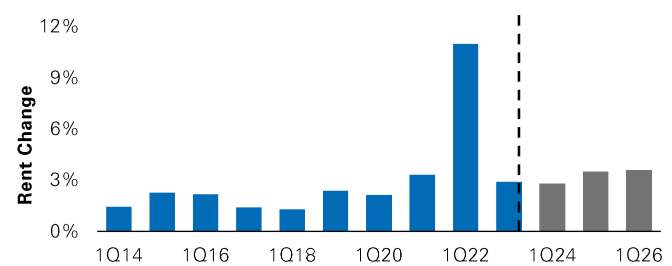
Economy

- **Payroll Employment:** 1,394,400 in March 2023.
- **Historical Job Change:** 17,800 jobs added in the 12 months ending March 2023.
- **Projected Job Change:** Newmark forecasts an average increase of 10,806 jobs per annum from 2023-2026.
- **Unemployment Rate:** 3.0% in February 2023, down 60 basis points from February 2022.
- **Average Household Income:** $114,077 in 2021.

Source: Moody's, U.S. Bureau of Labor Statistics, ESRI, Newmark Research.

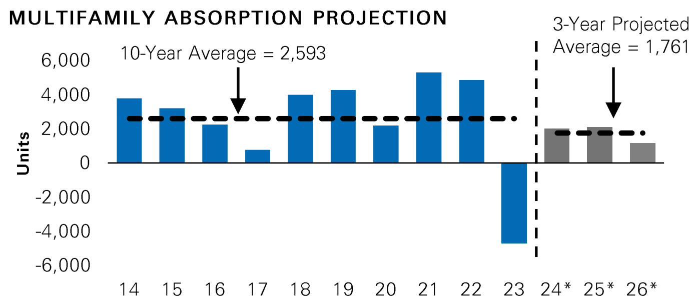
Market Analysis

ANNUAL AVERAGE EFFECTIVE RENT CHANGE



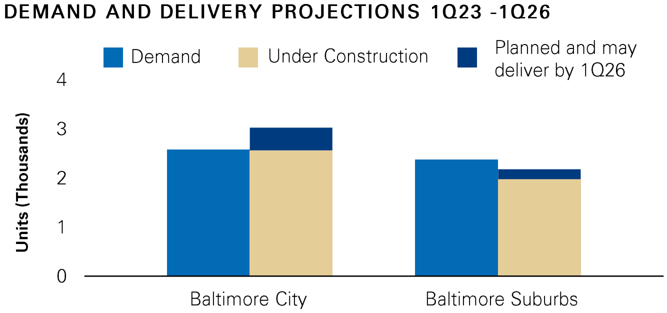
Source: Real Capital Analytics, Newmark Research
Note: Effective rent change is calculated using same-store method for the trailing 12 months

MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in first quarter
Source: Real Capital Analytics, Newmark Research

DEMAND AND DELIVERY PROJECTIONS 1Q23 -1Q26



Source: Real Capital Analytics, Newmark Research;

In the next three years, supply and demand will be relatively stable, with demand slightly out-pacing supply in Baltimore City, while the suburbs will see a slight increase in supply compared to demand. Still, the metro area will remain relatively healthy, and the region's overall occupancy rate is expected to hold at 94.7% by the end of the first quarter of 2026. Rent growth remains elevated, at 2.9%, despite decreasing 100 basis points from the prior quarter. Quarter-over-quarter rent growth slowed in the first quarter of 2023 as multifamily demand generally softened nationwide due to seasonality and economic uncertainty.

The Baltimore area's multifamily investment market registered $1.5 billion in sales volume for the 12 months ending in the first quarter of 2023. Quarterly volume decreased from the fourth quarter of 2022 by $171.2 million. The largest single transaction this quarter was Beech's Farm Apartments, purchased by Howard County Housing Commission from StoneBridge Investments B.C. for $218,519 per unit. Priced just below average, this sale is representative of recent investor preference for quality assets and has contributed to the increase in per-unit pricing in 2022. Overall pricing in the Baltimore metro area has been steadily rising since mid-2020 and currently registers $232,098 per unit. The average cap rate measured 4.9% for the 12 months ending in the first quarter. This rate has been consistent over the last two quarters as real estate investors target multifamily assets. Despite this, cap rates are anticipated to rise in the period ahead due to recessionary pressures, increased interest rates, and limited access to debt.

Multifamily Investment Sales Outlook

Baltimore's multifamily investment activity has decelerated throughout 2022 and into 2023, with the first quarter posting the lowest sales volume since the second quarter of 2020. Macroeconomic headwinds are applying increasing downward pressure on market activity, which may become more evident in the upcoming quarters. Still, multifamily generally holds a competitive demand and pricing edge over alternative asset classes in the current real estate investment environment. The stability of multifamily and its reputation for steady occupancy gains since 2020 will continue attracting investors, albeit below the exceptional pace set in 2021. Asset pricing on a per-unit basis decreased in the first quarter of 2023 due to relatively few recorded sales. However, the four-quarter trailing average price per square-foot was supported by stronger gains in 2022. Significant price compression is not expected, though buyers and sellers are exploring repricing strategies due to rising interest rates and increased cost of capital that continue to temper investment activity. Nonetheless, the inflation-resistant nature of real estate could act as a counterweight to Federal Reserve actions.

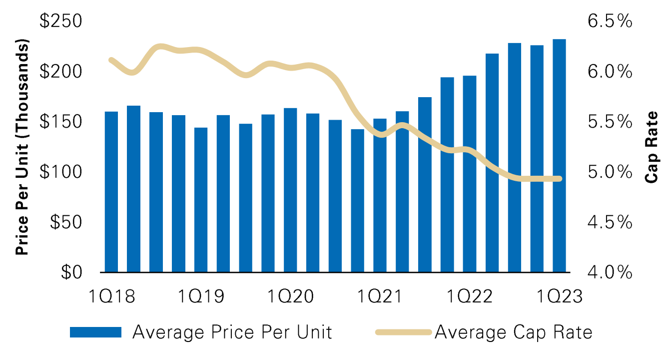
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 1Q 2023	$1.5 B
12-Month Transaction Volume at 1Q 2022	$3.6 B
1Q 2023 Average Price Per Unit	$232,098
1Q 2023 Average Cap Rate	4.9%

Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research

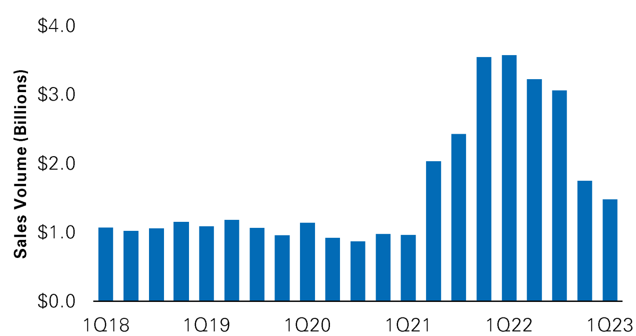
Investment Sales Analysis

AVERAGE MULTIFAMILY CAP RATE AND PRICE PER UNIT



Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research

TRAILING 12-MONTH MULTIFAMILY TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research

Notable Recent Multifamily Sales Transactions

Multifamily Asset Name	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Residences at Annapolis Junction	$150.0	$360,577	RST Development	Armada Hoffler	Annapolis Junction
Echelon at Odenton	$102.4	$419,803	Hamilton Zane & Co.	Crow Holdings	Odenton
Riverstone at Owings Mills	$92.9	$286,574	Carter Multifamily	Continental Realty Corp	Owings Mills
Columbia Pointe	$78.0	$240,000	Excelsa	Morgan Properties	Columbia
Beech's Farm Apartments	$29.5	$218,519	Howard Co Housing Comm	StoneBridge Investments	Columbia

Source: Real Capital Analytics, Newmark Research

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2020 Absorption (Units)	2021 Absorption (Units)	2022 Absorption (Units)	1Q 2023 Absorption (Units)	YTD 2023 Absorption (Units)
Baltimore Metro Area	**237,405**	**94.7%**	**5,042**	**5,060**	**-4,350**	**-242**	**-242**
Baltimore City	73,925	93.5%	1,144	2,263	-972	-376	-376
Baltimore Metro Suburbs	163,480	95.2%	3,898	2,797	-3,378	134	134

Market Statistics – Effective Rents and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore Metro Area	**237,405**	**$1,636**	**$1.84**	**2.9%**	**5.1%**	**913**	**4,805**	**5,470**
Baltimore City	73,925	$1,530	$1.92	2.8%	4.6%	499	2,018	2,483
Baltimore Metro Suburbs	163,480	$1,684	$1.80	3.0%	5.4%	414	2,787	2,987

Submarket Statistics – All Classes

	Total Inventory (Units)	Overall Occupancy Rate	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Effective Rent Change	YTD 2023 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore City	**73,925**	**93.5%**	**$1,530**	**$1.92**	**2.8%**	**4.6%**	**499**	**2,018**	**2,483**
Baltimore City East	18,399	94.0%	$1,728	$2.22	3.5%	5.3%	357	673	894
Baltimore City North	18,135	94.2%	$1,369	$1.64	4.3%	5.4%	0	0	0
Baltimore City West	18,026	92.8%	$1,235	$1.65	1.9%	5.5%	0	0	177
Downtown Baltimore	19,365	93.0%	$1,766	$2.16	1.4%	2.4%	142	1,345	1,412
Baltimore Suburbs	**163,480**	**95.2%**	**$1,684**	**$1.80**	**3.0%**	**5.4%**	**414**	**2,787**	**2,987**
Annapolis	10,032	95.3%	$2,088	$2.37	3.2%	4.9%	0	818	818
Columbia/North Laurel	17,147	95.3%	$1,965	$2.04	4.1%	5.4%	177	625	825
Ellicott City/Elkridge	9,493	94.4%	$1,952	$2.03	1.3%	4.8%	0	0	0
Far North Baltimore Suburbs	13,760	96.6%	$1,609	$1.69	5.4%	5.8%	8	608	608
Northeast Anne Arundel County	12,740	95.8%	$1,680	$1.92	2.8%	5.1%	0	0	0
Northwest Anne Arundel County	13,891	94.8%	$2,011	$1.99	3.0%	5.0%	0	300	300
Owings Mills/ Pikesville/Randallstown	19,642	94.9%	$1,654	$1.60	2.6%	5.4%	229	96	96
Parkville/Carney/Perry Hall	12,484	95.2%	$1,459	$1.68	3.7%	6.2%	0	0	0
Southeast Baltimore County	19,686	94.3%	$1,354	$1.62	2.6%	6.0%	0	340	340
Southwest Baltimore County	18,535	95.0%	$1,423	$1.59	1.5%	5.1%	0	0	0
Towson/Hunt Valley	16,070	95.9%	$1,679	$1.66	3.2%	5.1%	0	0	0

*Units under construction plus those planned and likely to deliver within the next 36 months.
Note: Column totals may not be exact due to rounding. Rent growth calculated using same-store method.
Source: Real Capital Analytics, Newmark Research

For more information:

District of Columbia
1899 Pennsylvania Avenue, NW
Suite 300
Washington, DC 20006
t 202-331-7000

Tysons
1420 Spring Hill Road
Suite 600
McLean, VA 22102
t 703-448-2000

RESEARCH

Carolyn Bates
Director, Research
612-408-7512
carolyn.bates@nmrk.com

Raymond Moussazadeh
Senior Research Analyst
202-664-5894
raymond.moussazadeh@nmrk.com

Adam Reiskin
Research Analyst
202-312-5763
adam.reiskin@nmrk.com

MULTIFAMILY

Christine Espenshade
Vice Chairman
202-312-5741
christine.espenshade@nmrk.com

Robert Garrish
Vice Chairman
202-312-5479
robert.garrish@nmrk.com

Greg Bury
Vice President
202-312-5765
gregory.bury@nmrk.com

Catherine Cheng
Vice President
202-312-5764
catherine.cheng@nmrk.com

Victoria Pickett
Executive Managing Director
757-376-2996
victoria.pickett@nmrk.com

Charles Wentworth
Executive Managing Director
804-283-3447
charles.wentworth@nmrk.com

Garrison Gore
Senior Managing Director
804-517-8978
garrison.gore@nmrk.com

FINANCE

Shawn McDonald
Vice Chairman
703-918-0229
shawn.mcdonald@nmrk.com

LAND SALES

Mark Anstine
Executive Managing Director
703-575-2101
mark.anstine@nmrk.com

Dan Lockard
Senior Managing Director
703-575-2103
dan.lockard@nmrk.com

Eugene Howard
Director
703-575-2108
eugene.howard@nmrk.com

GLOSSARY

Absorption: Net change in occupied units over a specific period.

Effective Rent: The price at which a unit leases after factoring in all concessions and discounts, calculated over the lease period.

Inventory: Professionally managed, investment-grade apartment buildings with 40 or more units.

Occupancy Rate: The number of physically occupied units, expressed as a percentage of total inventory.

Pipeline: Units under construction, plus those planned and likely to deliver within the next 36 months.

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.