



Baltimore Metro Area Economy and Multifamily Market

Baltimore Sees Strong Metrics in Second Quarter

The Baltimore metro area’s multifamily metrics remained strong in the second quarter as COVID-19 restrictions lifted and vaccines were rapidly deployed. The region absorbed 1,717 multifamily units, up from 1,403 during the second quarter of 2020. Absorption was likely buoyed by the region’s expanding logistics and healthcare industries, which have thrived during the pandemic and will continue to thrive after. The metro area’s occupancy rate registered 96.3%, up 130 basis points from one year ago. At the end of the second quarter, 3,742 units were under construction and 414 units delivered in the region during the second quarter. Approximately 571 units are planned and likely to deliver within the next three years, bringing the region’s development pipeline to 4,313 units. Of those planned units, 86.7% are in Baltimore City.

Economic and Multifamily Market Outlook

The Baltimore metro area’s economic recovery continued into the second quarter of 2021. The region’s unemployment rate stands at 5.5%, which compares favorably to the national rate of 5.8%. Baltimore added back 79,700 jobs in the 12 months ending in June 2021. Baltimore can rely on its core job sectors such as logistics and healthcare to bolster apartment demand in the future. Consistent demand in the e-commerce industry is likely to continue after the pandemic, as the convenience of online shopping will remain a fixture of consumer behavior. The vaccine rollout advanced rapidly during the second quarter with Maryland having over 70% of its residents 18+ fully vaccinated. This high vaccination rate will likely keep COVID-19 variants at bay and allow the return to normal.

Multifamily Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	233,418	230,606	↑
Occupancy Rate	96.3%	95.0%	↓
Quarterly Net Absorption (Units)	1,717	1,403	↓
12-Month Effective Rent Change	6.7%	0.1%	↓
Quarterly Deliveries (Units)	1,109	1,046	↓

Economy

Payroll Employment: 1,369,900 at June 2021.

Historical Job Change: 79,700 jobs added in the 12 months ending June 2021.

Projected Job Change: Newmark forecasts an average increase of 27,098 jobs per annum from 2021-2024.

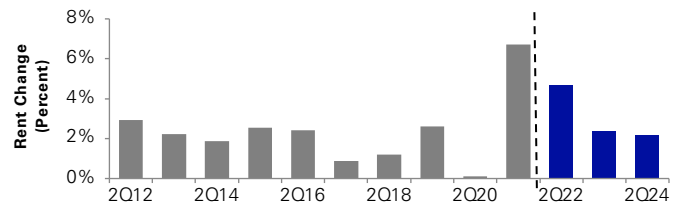
Unemployment Rate: 5.5% in May 2021, down 370 basis points from May 2021.

Average Household Income: \$111,847 in 2020.

Source: Moody’s, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2021

Market Analysis

Annual Average Effective Rent Change

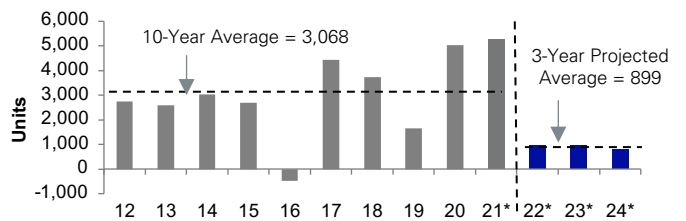


Source: RealPage, Newmark Research; July 2021

Note: Effective rent change is calculated using same-store method for the trailing 12 months

Market Outlook

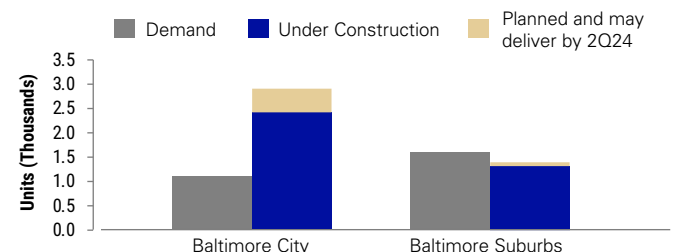
Multifamily Absorption Projection



*12 months ending in second quarter

Source: RealPage, Newmark Research; July 2021

Multifamily Demand and Delivery Projections: 3Q21–2Q24



Source: RealPage, Newmark Research; July 2021

Economic and Multifamily Market Outlook (Continued)

Over the next 36 months, new supply is anticipated to outpace demand in Baltimore City, but demand is expected to outpace new supply in the Baltimore Suburbs. Overall, this will likely decrease the region’s overall occupancy rate by 60 basis points to 95.7%. Rent growth is anticipated to slow, with 3.1% annual average effective rent growth over the next 36 months—higher than the 10-year average of 2.4% but lower than the robust 6.7% increase seen in the past 12 months. Demand is expected to moderate during the balance of 2021 notwithstanding the likely job growth ahead, as the market saw little attrition last year.

Sales Volume Skyrockets During Second Quarter

The Baltimore area’s multifamily market registered \$2.6 billion in sales volume for the 12 months ending in the second quarter of 2021, measuring an increase of \$1.5 billion from the prior 12 months. The largest transaction of the quarter was the \$154.0 million sale of Nautilus Point, purchased by Bainbridge Companies and TPG Realty. During the 12 months ending in the second quarter of 2021, the Baltimore metro area recorded an average sale price of \$176,262 per unit—an increase of 2.5% from a year earlier. The average pro-forma cap rate measured 5.3% for the 12 months ending in second quarter of 2021, steady from the second quarter of 2020.

Multifamily Investment Sales Outlook

Sales volume in the Baltimore area on a trailing 12-month basis recovered nicely in the second quarter. The second quarter recorded the highest quarterly sales volume since the fourth quarter of 2015. Investment volume will likely remain elevated during the remainder of 2021 as the economy continues to recover and multifamily investment remains a safe bet. Cap rates remain low; they are down 90 basis points since the most recent peak in 2016. There was a flight to quality this quarter with the top five sales transacting for over \$100,000 more per unit than the average. Baltimore is continuing to recover jobs in the first half of 2021 and is still around 200 basis points away from pre-pandemic unemployment numbers. Job recovery is forecasted to be stout in the second half of 2021 and into 2022 due to the rapid roll out of vaccines in the area and the strength of Baltimore’s large healthcare, logistics and cybersecurity sectors. These factors will bolster demand for multifamily units in the years ahead.

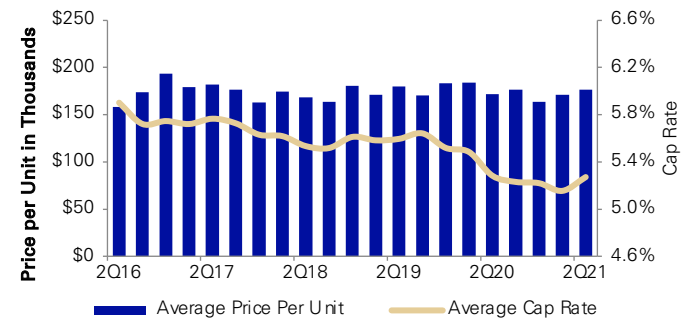
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2021	\$2.6 B
12-Month Transaction Volume at 2Q 2020	\$1.1 B
2Q 2021 Average Price Per Unit	\$176,262
2Q 2021 Average Cap Rate	5.3%

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

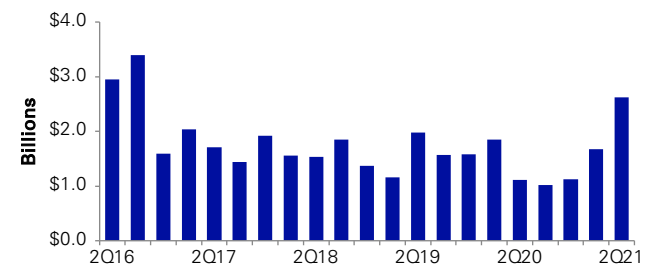
Market Analysis

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

Project	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Nautilus Point	\$154.0	\$253,289	Bainbridge Companies/TPG Realty	Castle Lanterra Properties	Annapolis, MD
Avalon Arundel Crossing East	\$119.0	\$309,896	AvalonBay Communities	JLB Partners	Linthicum Heights, MD
Arrive Crofton	\$112.5	\$277,094	FPA Multifamily	Pantzer Properties	Crofton, MD
The Gramercy at Town Center	\$67.0	\$319,048	Stonebridge Group	PGIM/Bozzuto	Columbia, MD

Market Statistics—Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2018 Absorption (Units)	2019 Absorption (Units)	2020 Absorption (Units)	2Q 2021 Absorption (Units)	YTD 2021 Absorption (Units)
Baltimore Metro Area	233,418	96.3%	3,732	1,642	5,042	1,717	2,247
Baltimore City	72,215	94.7%	1,817	623	1,144	741	755
Baltimore Suburbs	161,203	97.0%	1,915	1,019	3,898	976	1,492

Market Statistics: Effective Rent and Deliveries

	Total Inventory (Units)	Effective Rent (Per Unit)	Effective Rent (Per SF)	1-Year Effective Rent Change	5-Year Average Effective Rent Change	2020 Deliveries (Units)	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore Metro Area	233,418	\$1,452	\$1.63	6.7%	2.3%	3,710	1,109	3,742	4,313
Baltimore City	72,215	\$1,327	\$1.67	2.8%	0.9%	1,148	296	2,419	2,914
Baltimore Suburbs	161,203	\$1,508	\$1.61	8.4%	2.9%	2,562	813	1,323	1,400

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 Average Effective Rent Change	YTD 2021 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore City	72,215	94.7%	\$1,327	\$1.67	2.8%	0.9%	296	2,419	2,914
Baltimore City East	17,635	95.9%	\$1,498	\$1.92	0.5%	0.1%	33	1,546	1,754
Baltimore City North	18,341	93.4%	\$1,153	\$1.38	5.4%	2.3%	0	0	0
Baltimore City West	18,026	95.6%	\$1,053	\$1.40	6.4%	2.4%	0	0	287
Downtown Baltimore	18,213	94.2%	\$1,607	\$1.96	-1.0%	-1.3%	263	873	873
Baltimore Suburbs	161,203	97.0%	\$1,508	\$1.61	8.4%	2.9%	813	1,323	1,400
Annapolis	9,911	97.1%	\$1,880	\$2.13	6.7%	2.6%	0	0	0
Columbia/North Laurel	16,743	97.0%	\$1,737	\$1.80	5.8%	2.1%	0	472	549
Ellicott City/Elkridge	9,307	95.9%	\$1,759	\$1.83	8.0%	2.3%	80	0	0
Far North Baltimore Suburbs	13,752	97.9%	\$1,414	\$1.48	9.7%	2.8%	0	184	184
Northeast Anne Arundel County	12,598	96.7%	\$1,453	\$1.66	6.1%	2.9%	236	0	0
Northwest Anne Arundel County	13,929	96.9%	\$1,837	\$1.82	6.9%	2.0%	334	0	0
Owings Mills/Pikesville/Randallstown	19,286	97.4%	\$1,484	\$1.43	8.8%	3.2%	163	667	667
Parkville/Carney/Perry Hall	12,470	97.7%	\$1,302	\$1.50	12.1%	4.5%	0	0	0
Southeast Baltimore County	18,719	96.9%	\$1,240	\$1.48	10.8%	3.7%	0	0	0
Southwest Baltimore County	18,535	97.1%	\$1,296	\$1.45	10.1%	3.3%	0	0	0
Towson/Hunt Valley	15,953	96.0%	\$1,482	\$1.46	6.4%	2.2%	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: RealPage, Newmark Research; July 2021

RESEARCH 2Q 2021

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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.

Note: *Submarkets were redistricted as of third quarter 2018. As a result, comparison to historical versions of this report is not advised. Please see the research contact information above should you need historical data.*

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/insights.

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