

Baltimore Metro Area Multifamily Market

Baltimore Recovery Softens; Strong Top-of-Market Investment Activity

The Baltimore metro area's multifamily market softened slightly in the second quarter of 2022, though market conditions remain relatively tight. Occupancy decreased by 80 basis points this quarter, to 96.7%. Effective rents increased from the first quarter, to \$1,615/unit. The region's net absorption registered negative 1,907 multifamily units during the second quarter, down from 456 units during the first quarter of 2022. Baltimore City recorded absorption of negative 843 units in the second quarter, compared to negative 1,064 units in the suburbs. Although this marks a notably negative period of quarterly net absorption, forecasted growth in the suburbs during the second half of 2022, should support positive occupancy by year-end. There were limited deliveries in the second quarter, but the active construction pipeline is healthy at 5,560 units. An additional 688 units are planned to break ground in the near term, bringing the region's three-year development pipeline to 6,248 units.

Economic and Multifamily Market Outlook

Economic recovery continued gradually in the Baltimore metro area in the second quarter of 2022. The region's unemployment rate has fallen 210 basis points over the last year to 3.6%, identical to the national rate. Baltimore added 52,800 jobs in the 12 months ending in May 2022. Baltimore's office-using employment sectors, which often boast above-average wages, have grown notably over the last year. Professional Business Services employment has grown 3.3% since May 2021, adding 8,300 jobs to the market. The region benefits from the Port of Baltimore, which is an important asset for supporting the shipping and logistics needs of the e-commerce industry. This growing sector continues to provide opportunities for future multifamily demand in the Baltimore market, regardless of market conditions.

Market Summary

	Current Quarter	Year Ago Period	36-Month Forecast
Total Inventory (Units)	235,682	233,418	↑
Occupancy Rate	96.7%	96.3%	→
Quarterly Net Absorption (Units)	-1,907	1,574	→
12-Month Effective Rent Change	9.6%	7.0%	↓
Quarterly Deliveries (Units)	38	465	↑

NEWMARK

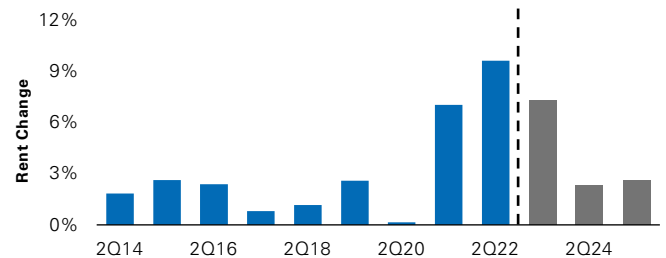
Economy

- **Payroll Employment:** 1,415,400 at May 2022.
- **Historical Job Change:** 52,800 jobs added in the 12 months ending May 2022.
- **Projected Job Change:** Newmark forecasts an average increase of 21,796 jobs per annum from 2022-2025.
- **Unemployment Rate:** 3.6% in May 2022, down 210 basis points from May 2021.
- **Average Household Income:** \$114,077 in 2021.

Source: Moody's, U.S. Bureau of Labor Statistics, Esri, Newmark Research; July 2022

Market Analysis

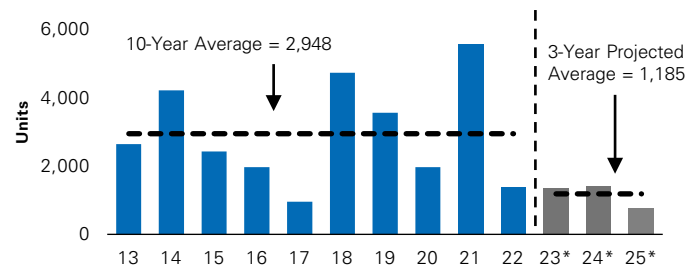
ANNUAL AVERAGE EFFECTIVE RENT CHANGE



Source: Real Capital Analytics, Newmark Research; July 2022

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

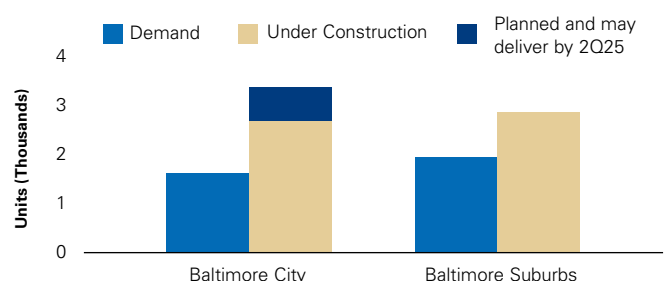
MULTIFAMILY ABSORPTION PROJECTION



*12 months ending in second quarter

Source: Real Capital Analytics, Newmark Research; July 2022

DEMAND AND DELIVERY PROJECTIONS 2Q22 -2Q25



Source: Real Capital Analytics, Newmark Research; July 2022

Economic and Multifamily Market Outlook (Continued)

In the next three years, new supply is expected to outpace demand in both Baltimore City and Baltimore Suburbs. Overall, this will likely result in a decrease in the region's overall occupancy rate by 110 basis points to 95.6%. Regional occupancy rates have been tight, holding over 95.0% for the last two years. Baltimore's construction pipeline has been trending up, which will apply some downward pressure on occupancy rates. Rent growth remains elevated at 9.6%, but this elevated rate is partly attributed to a market correction to early 2021 pricing, which was suppressed by pandemic influences. Rent growth is anticipated to slow, with forecasted annual appreciation under 3% by 2024.

Investment Sales Activity Modestly Rises

The Baltimore area's multifamily market registered \$3.4 billion in sales volume for the 12 months ending in second-quarter 2022. Quarterly volume rebounded from the first quarter registering \$788.9 million. The largest single property transaction of the quarter was Echelon at Odenton, purchased by Hamilton Zanze & Co. from Crow Holdings for \$419,803 per unit. Priced well above-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 \$228,402 per unit. The average pro-forma cap rate measured 4.9% for the 12 months ending in the second quarter of 2022. This rate has been steadily declining as real estate investors target multifamily.

Multifamily Investment Sales Outlook

Baltimore's multifamily investment activity has decelerated in 2022, but transaction volume remains elevated relative to the five-year trend. Macroeconomic headwinds are providing some downward pressure on the market activity, which may be more evident in the second half of 2022. 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 since 2020 will continue attracting investors, albeit potentially below the exceptional pace set in 2021. Asset pricing on a per-unit basis rose to its highest level of the cycle, supporting greater optimism for high-quality assets in the region. Significant price compression is not expected, though rising interest rates and the increased cost of capital may temper some investment activity in the period ahead. Nonetheless, the inflation-resistant nature of real estate could act as a counterweight to Federal Reserve actions.

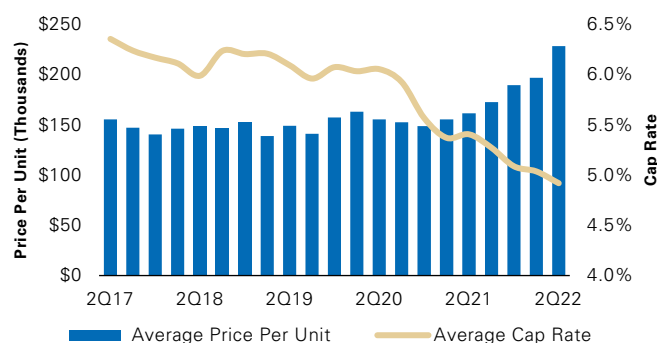
Metro Area Multifamily Investment Sales Market Summary

	Metro Region
12-Month Transaction Volume at 2Q 2022	\$3.4 B
12-Month Transaction Volume at 2Q 2021	\$2.9 B
2Q 2022 Average Price Per Unit	\$228,402
2Q 2022 Average Cap Rate	4.9%

Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; July 2022

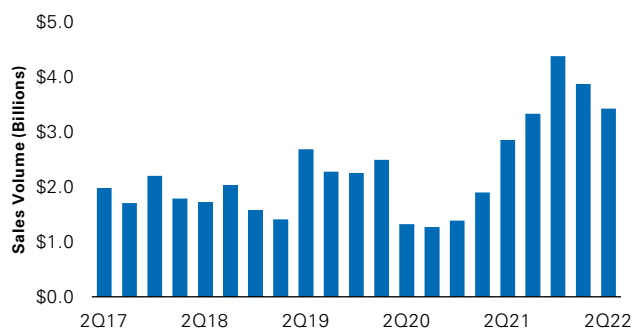
Investment Sales Analysis

AVERAGE MULTIFAMILY CAP RATE AND PRICE PER UNIT



Note: Values are trailing 12-month averages
Source: Real Capital Analytics, Newmark Research; July 2022

TRAILING 12-MONTH MULTIFAMILY TRANSACTION VOLUME



Source: Real Capital Analytics, Newmark Research; July 2022

Notable Recent Multifamily Sales Transactions

Multifamily Asset Name	Sale Price (Millions)	Price/Unit	Buyer	Seller	City
Renaissance Hills at Ellicott City	\$210.2	\$244,965	Fieldstone Properties	Morgan Properties	Ellicott City
Echelon at Odenton	\$102.4	\$419,803	Hamilton Zanze & Co.	Crow Holdings	Odenton
The Residence at Waterstone	\$101.0	\$396,078	Hamilton Zanze & Co., DCA Partners	Elite Street Capital	Pikesville
Riverstone at Owings Mills	\$93.0	\$287,037	Carter Multifamily	Continental Realty Corp	Owings Mills
Versailles	\$62.8	\$298,810	Livingston Street Capital	ROSS Investment Management	Towson

Source: Real Capital Analytics, Newmark Research; July 2022

Market Statistics – Occupancy and Absorption

	Total Inventory (Units)	Overall Occupancy Rate	2019 Absorption (Units)	2020 Absorption (Units)	2021 Absorption (Units)	2Q 2022 Absorption (Units)	YTD 2022 Absorption (Units)
Baltimore Metro Area	235,682	96.7%	1,642	5,042	5,060	-1,907	-1,451
Baltimore City	72,786	95.7%	623	1,144	2,263	-843	-661
Baltimore Metro Suburbs	162,896	97.1%	1,019	3,898	2,797	-1,064	-790

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 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore Metro Area	235,682	\$1,615	\$1.81	9.6%	4.7%	295	5,560	6,248
Baltimore City	72,786	\$1,487	\$1.87	9.4%	3.5%	199	2,690	3,378
Baltimore Metro Suburbs	162,896	\$1,672	\$1.78	9.7%	5.3%	96	2,870	2,870

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 2022 Deliveries (Units)	Under Construction (Units)	Pipeline* (Units)
Baltimore City	72,786	95.7%	\$1,487	\$1.87	9.4%	3.5%	199	2,690	3,378
Baltimore City East	17,520	95.9%	\$1,679	\$2.16	10.2%	3.7%	161	1,645	1,774
Baltimore City North	18,135	94.5%	\$1,306	\$1.57	9.5%	4.2%	0	0	0
Baltimore City West	18,026	96.8%	\$1,183	\$1.58	8.8%	4.6%	0	0	287
Downtown Baltimore	19,105	95.5%	\$1,771	\$2.17	9.1%	1.5%	38	1,045	1,317
Baltimore Suburbs	162,896	97.1%	\$1,672	\$1.78	9.7%	5.3%	96	2,870	2,870
Annapolis	10,032	97.0%	\$2,100	\$2.38	12.3%	5.2%	0	818	818
Columbia/North Laurel	16,793	97.2%	\$1,932	\$2.00	9.6%	5.1%	0	625	625
Ellicott City/Elkridge	9,493	96.9%	\$1,972	\$2.05	7.4%	5.1%	0	190	190
Far North Baltimore Suburbs	13,752	98.0%	\$1,578	\$1.65	11.3%	6.0%	0	272	272
Northeast Anne Arundel County	12,740	97.7%	\$1,680	\$1.92	11.6%	5.2%	0	0	0
Northwest Anne Arundel County	13,891	96.1%	\$2,018	\$2.00	10.6%	4.8%	0	300	300
Owings Mills/Pikesville/Randallstown	19,516	97.0%	\$1,609	\$1.55	8.0%	4.7%	96	229	229
Parkville/Carney/Perry Hall	12,484	97.4%	\$1,440	\$1.66	9.3%	6.1%	0	0	0
Southeast Baltimore County	19,686	96.4%	\$1,351	\$1.61	9.8%	5.7%	0	340	340
Southwest Baltimore County	18,535	96.9%	\$1,417	\$1.59	7.8%	5.3%	0	0	0
Towson/Hunt Valley	15,974	97.9%	\$1,672	\$1.65	10.8%	4.7%	0	96	96

*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; July 2022

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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.

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 nrmk.com/research.

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