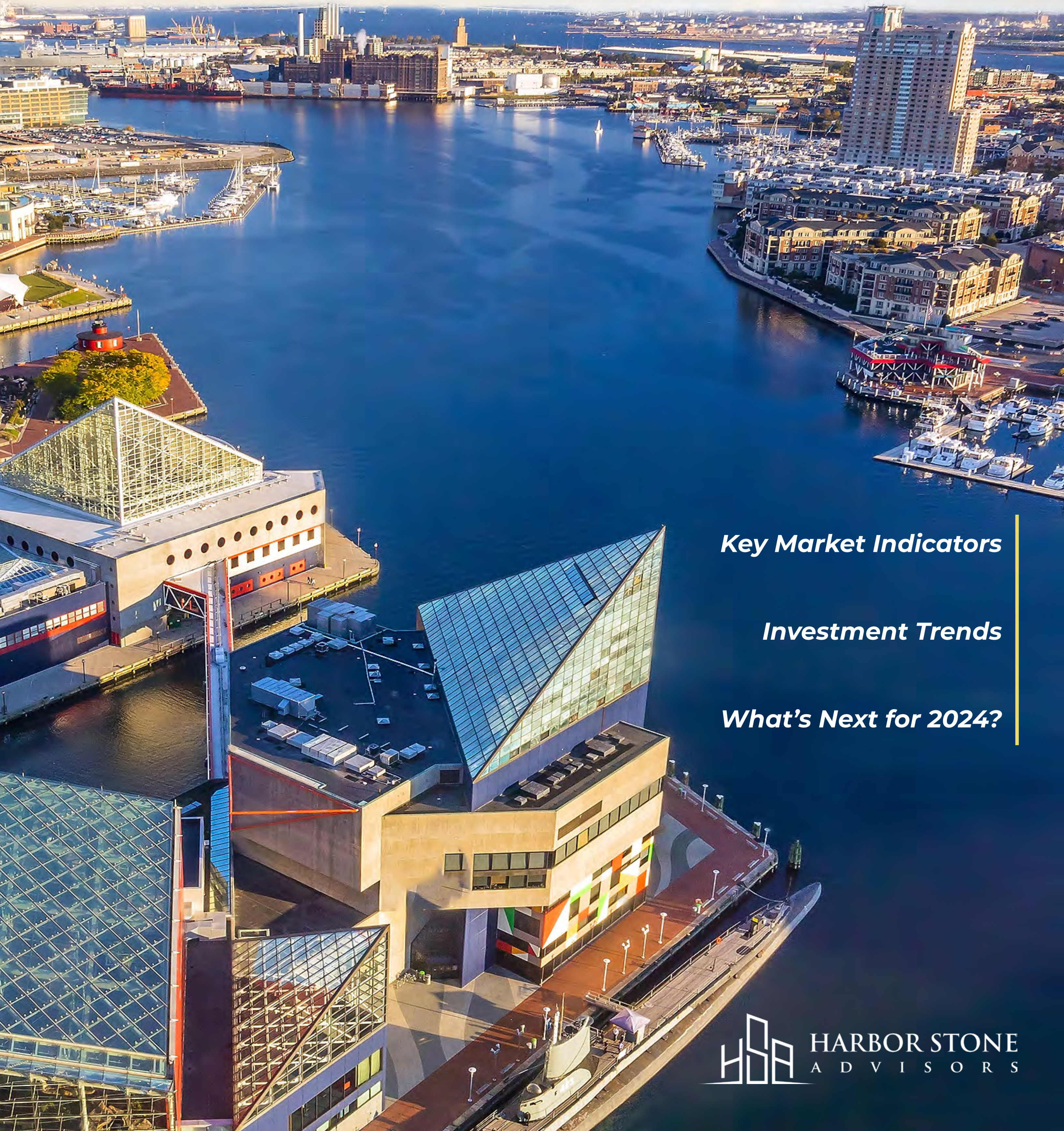
BALTIMORE METRO

2023 YEAR IN REVIEW & 2024 OUTLOOK



Key Market Indicators

Investment Trends

What's Next for 2024?

HARBOR STONE ADVISORS

BALTIMORE METRO MULTIFAMILY SUMMARY

In 2023, the U.S. witnessed a historic surge in multifamily deliveries, with over 570,000 units completed, marking the highest annual total on record, according to CoStar data. This influx represents a notable inventory increase of over 3%, whereas Baltimore's inventory expanded just 1.4% during that time. This lack of supply-side pressure has allowed Charm City landlords to push rents greater than many major metros nationwide.

Rent growth in Baltimore outpaced fast-growing markets like Miami, Nashville, Phoenix, and Raleigh. Renter demand saw a noticeable uptick during the 2023 leasing season, and that momentum carried over into the winter months as well.

As a result of this increased demand, occupancies in Baltimore only saw a slight decrease of roughly 50 basis points, while the national average was nearly double. Construction is anticipated to slow in the coming years, primarily driven by elevated financing costs, suggesting that overall supply might plateau after 2024.

The correlation between supply and rent growth is evident, and Baltimore stands out in this landscape. Multifamily construction in Baltimore peaked between 2017 and 2020, delivering nearly 14,500 units. Over the past three years, just over 6,000 units entered the market, reflecting a decrease of approximately 40% in total units delivered annually.

This trend is expected to persist in 2024, with an estimated 2,200 units projected to complete. As construction costs remain high, further decreases in construction activity are anticipated in the subsequent years. This shift will likely favor landlords and investors, as rent growth is expected to increase in the coming years.

MARKET INDICATORS

6.8%

VACANCY RATE

2.1%

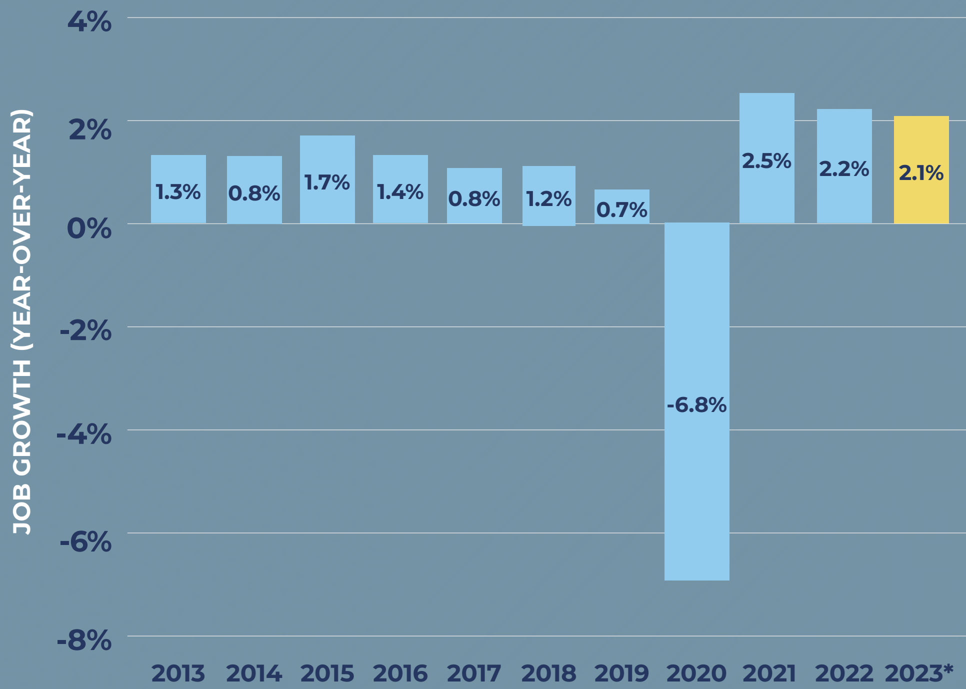
INVENTORY UNDER CONSTRUCTION

$1,620

AVG. ASKING RENT

BALTIMORE METRO ECONOMY

BALTIMORE'S JOB GROWTH EXCEEDS PRE-PANDEMIC AVERAGES



BALTIMORE'S UNEMPLOYMENT RATE CONTINUES TO FALL TO HISTORIC LOWS

MARKET INDICATORS

2.1%

JOB GROWTH

1.8%

UNEMPLOYMENT RATE

4.134%

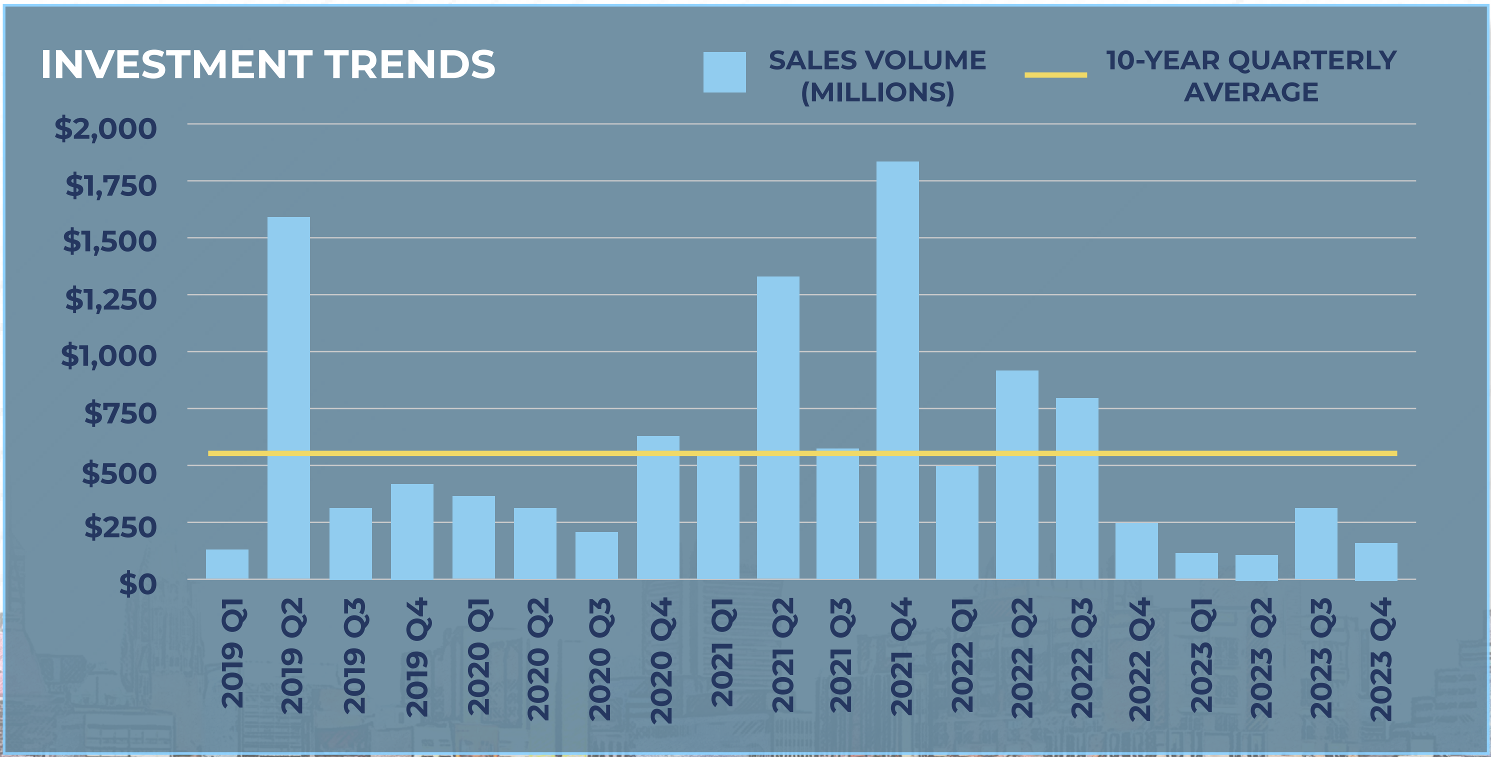
U.S. 10-YEAR TREASURY NOTE

*Per BLS's latest December 2023 release

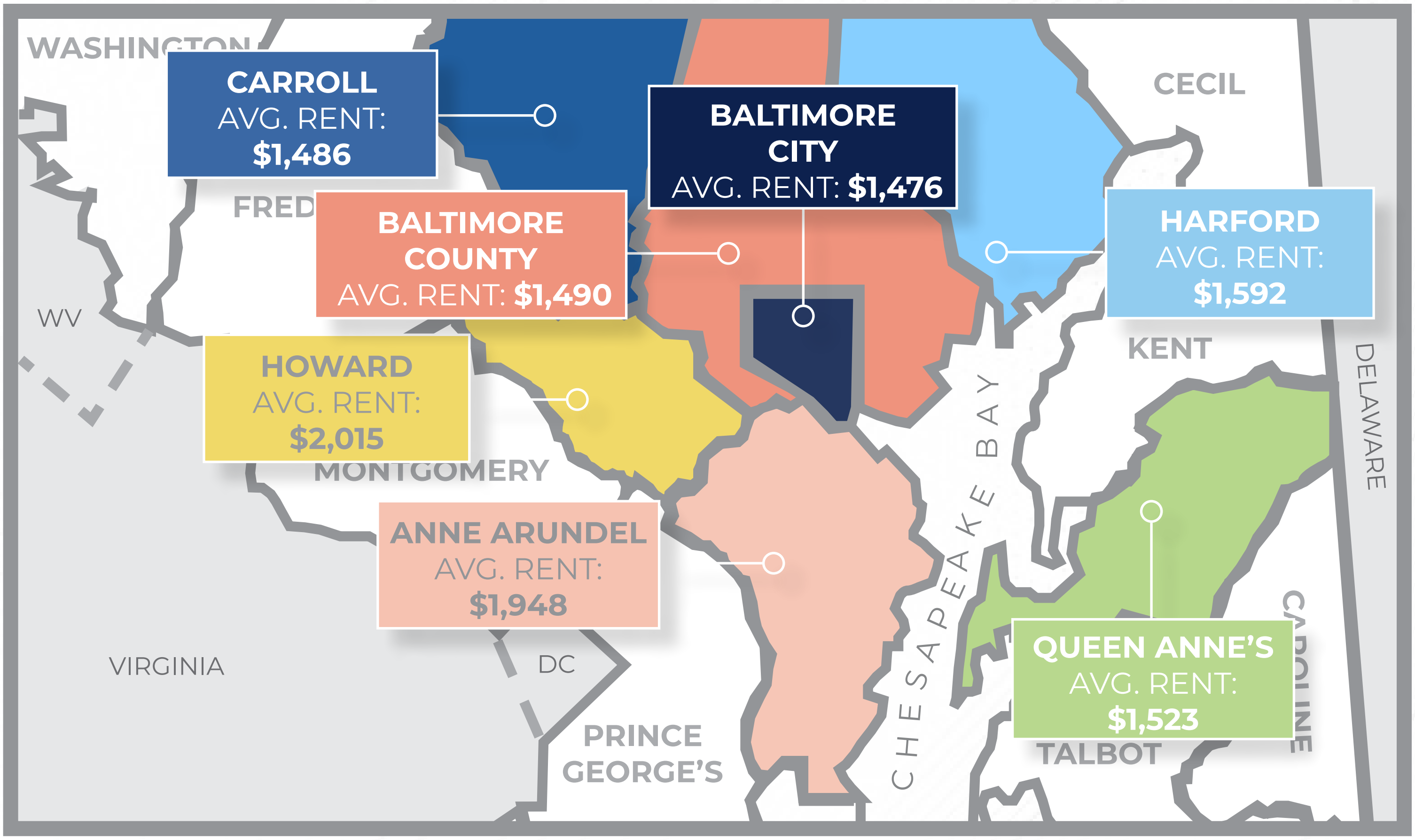
NOTABLE RECENT SALES TRANSACTIONS

Property Name	Units	Sale Date	Sale Price	Price/Unit
Perry Hall & Oakleigh Apartments	895	Jul 2023	$138,550,000	$154,804
Concord Park At Russett	335	Jul 2023	$105,500,000	$314,925
The Harriet at The Equitable Building	190	Jan 2023	$25,600,000	$134,737
*Forrest Street Apartments	96	May 2023	$8,800,000	$91,667
*Ingleside Gardens	40	May 2023	$4,400,000	$110,000
*Astor Court	36	Feb 2023	$4,976,200	$138,228
*Liberty Square Apartments	32	Dec 2023	Not Disclosed	-
*Hampton Court	29	Jun 2023	$3,325,000	$114,655
2311-2315 Whittier Ave	28	Feb 2023	$2,380,000	$85,000
*Central Savings Bank Apartments	28	Oct 2023	Not Disclosed	-

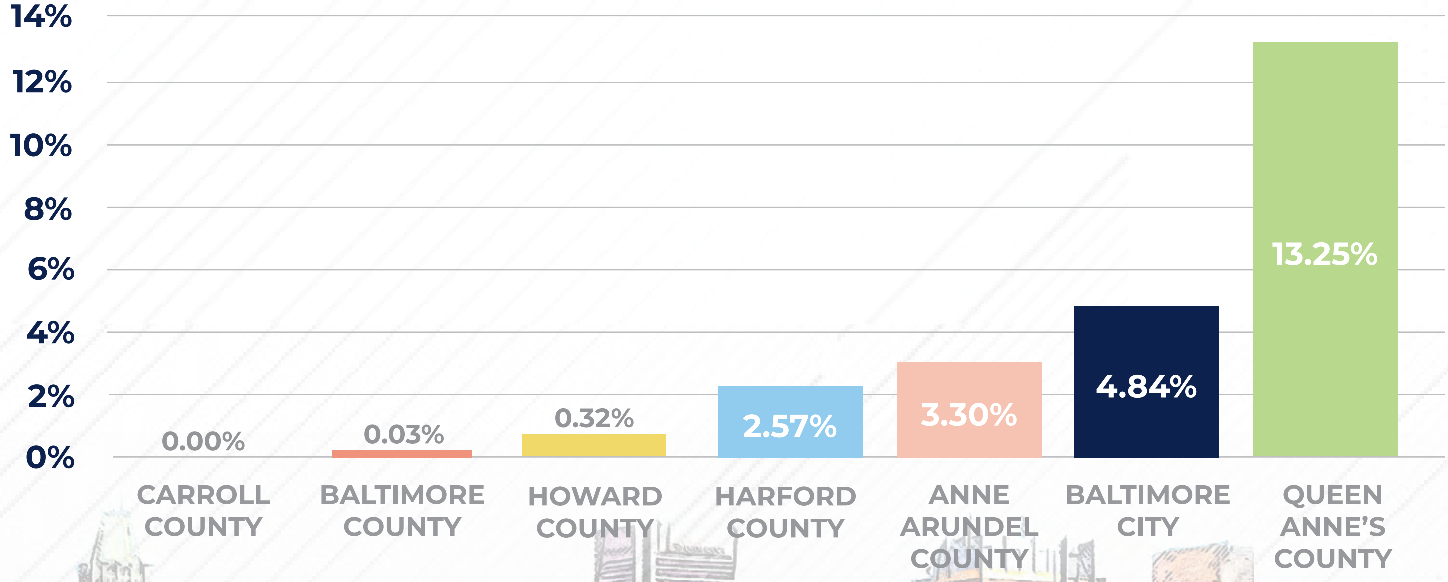
**Denotes HSA Transaction*



BALTIMORE METRO AVERAGE RENTS



% OF INVENTORY UNDER CONSTRUCTION



2024 OUTLOOK

Multifamily investment in Baltimore is expected to increase in 2024, as a stable interest rate environment should push more deals to the finish line. The Federal Reserve has indicated multiple rate cuts are on the docket for this year and even more in 2025, thanks to easing inflation. Multifamily properties also saw a **noticeable uptick in leasing in 2023**, a trend expected to continue due to a myriad of struggles in the single-family for-sale market.

Loan maturities will remain the focus as many short-term loans acquired during the pandemic featured ultra-low interest rates. These owners are now faced with a higher cost of capital, making refinancing more difficult and resulting in more sales. The bid-ask spread will likely narrow, and **more buyers can return to the market** as the interest rate volatility in previous years lessens.

While performance among metro markets is bifurcated, those with less supply-side pressure will likely continue to see **rent increases**. Baltimore has far less construction underway than the national average, and rents are growing faster than in many fast-growing markets like Miami, Nashville, Phoenix, and Raleigh. Multifamily construction is mainly concentrated in southern areas, and landlords in the Mid-Atlantic and Northeast markets have reaped the benefit of pushing rents with the **uptick in rental demand**.

Baltimore will likely continue to see more adaptive reuse of older, low-performing properties, especially within the downtown. Over 40% of the current inventory under construction includes conversions from a previous use of an office, hotel, or warehouse. Continued woes in the office market could result in **more conversion opportunities** for developers and investors in the next several years.

Despite many recessionary concerns, **the economy continued to grow in 2023**. Baltimore's overall job growth grew by 1.8%, and the unemployment rate is near an all-time low of 1.8%. Economic leaders will continue to eye consumer spending and real gross domestic product (GDP) in 2024, as these figures exceeded expectations last year.

**Unless otherwise noted, apartment market data is from CoStar. The data set includes rental properties with at least five units and excludes afffordable communities as well as senior, student, and other specialized multifamily subtypes*

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