KEY MARKET INDICATORS ◇ INVESTMENT TRENDS ◇ SUBMARKET ANALYSIS

BALTIMORE CITY

2024 MID-YEAR MULTIFAMILY MARKET REPORT

HARBOR STONE
ADVISORS

RENTER DEMAND OUTPERFORMS, SUPPLY REMAINS ELEVATED

In the first half of 2024, there was a significant increase in multifamily demand in Baltimore City. The labor market, demonstrating resilience, fueled this surge in renter demand at the beginning of the year. The city's unemployment rate is near record lows at 3.4%, and current year-over-year employment growth is 1.3%. Even in the face of a substantial supply influx, which included the delivery of more than 1,120 units, the overall vacancy rate decreased by 45 basis points in the first half of the year. Demand for multifamily housing is expected to remain steady, driven by a challenging single-family housing market that will compel many potential buyers to continue renting.

MARKET INDICATORS

2024 H1

- VACANCY RATE - 8.8%
- NET ABSORPTION (UNITS) - 1,292
- NET DELIVERIES (UNITS) - 1,120
- MARKET RENT (MONTHLY) - $1,541
- RENT GROWTH (YOY) - 3.0%

Supply will continue to be a factor in the short term, as roughly another 2,200 units are projected to enter the market by 2026. However, multifamily permits have experienced a rapid decline in today's high-rate economic environment, suggesting that supply will likely decrease in 2026 and 2027. Thanks to increased demand, multifamily vacancies have stabilized, remaining around 9% since last spring.

Sales activity in 2024 has exceeded expectations, with first-half sales volume already surpassing totals from 2023. Sales volume could likely see further growth in the second half of the year as the Federal Reserve has signaled that future cuts are on the horizon in 2024, providing a positive sentiment among investors. The Fed has kept interest rates at their highest levels in more than two decades, impacting sales volume for the past two years. Operating costs for multifamily properties have risen, partly due to steep increases in commercial property insurance prices. Although rents are still increasing, albeit slower than in previous years, investors are increasingly seeking properties that offer opportunities to boost cash flow through renovations, rebranding, and improved management.

ECONOMIC INDICATORS

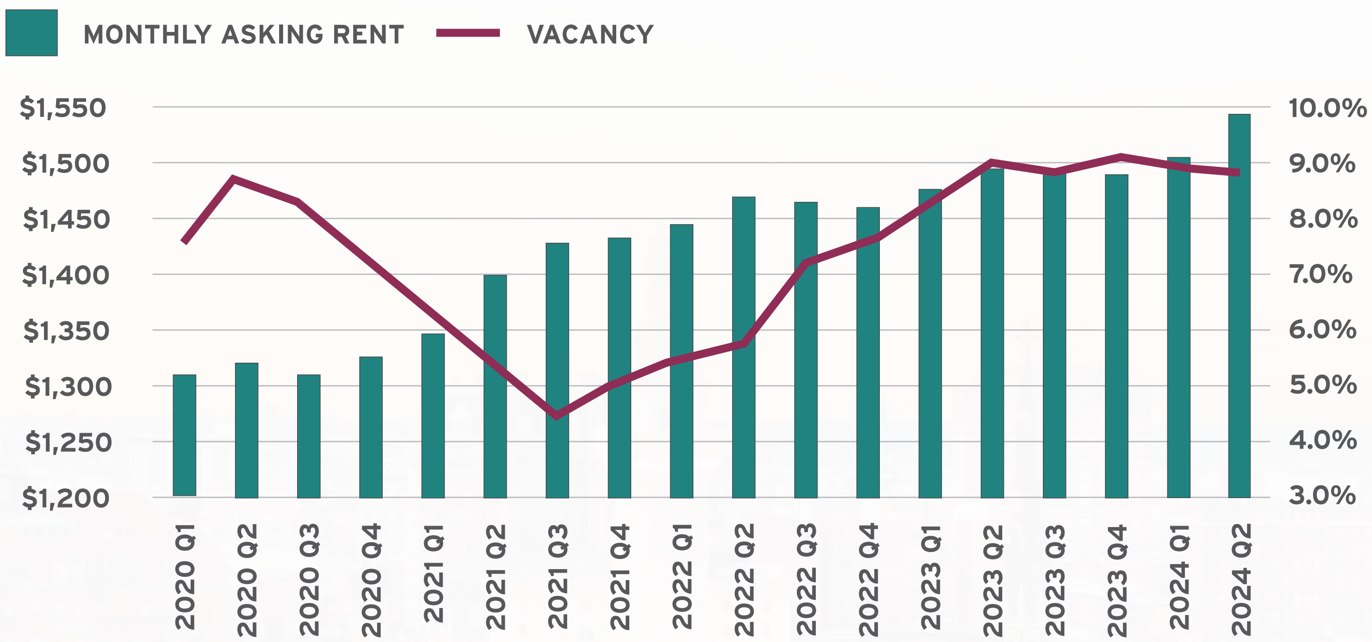
1.3%
JOB GROWTH

3.84%*
U.S. 10 YEAR TREASURY NOTE

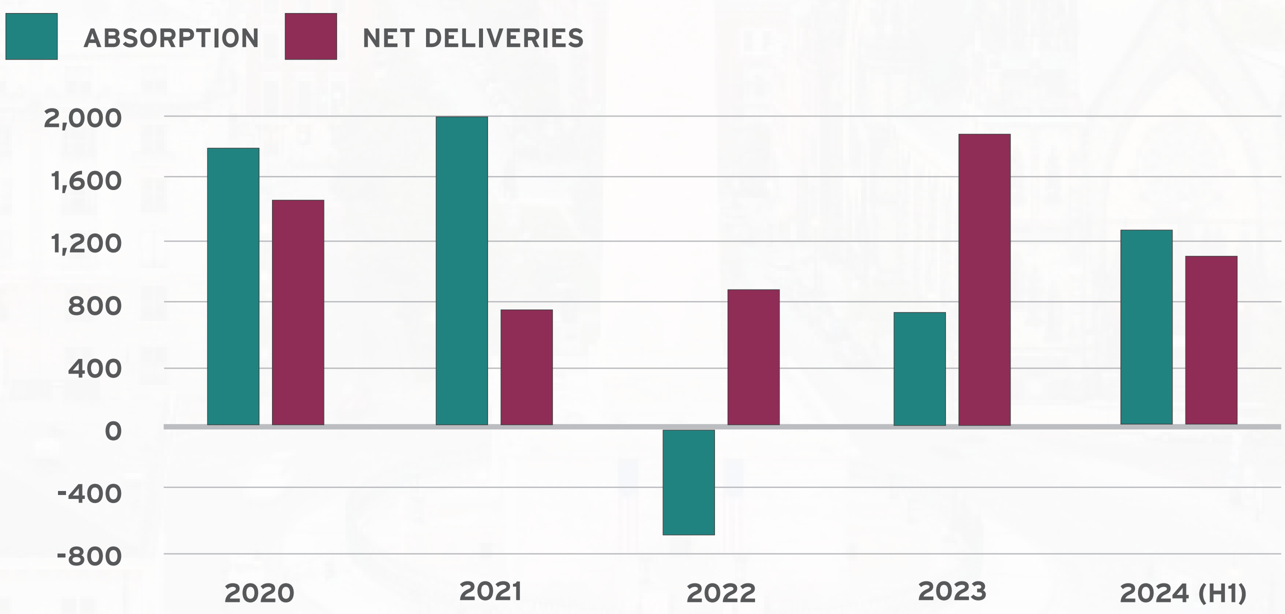
**As of August 1*

3.4%
UNEMPLOYMENT RATE

OVERALL VACANCY & ASKING RENT



RENTER DEMAND & DELIVERIES

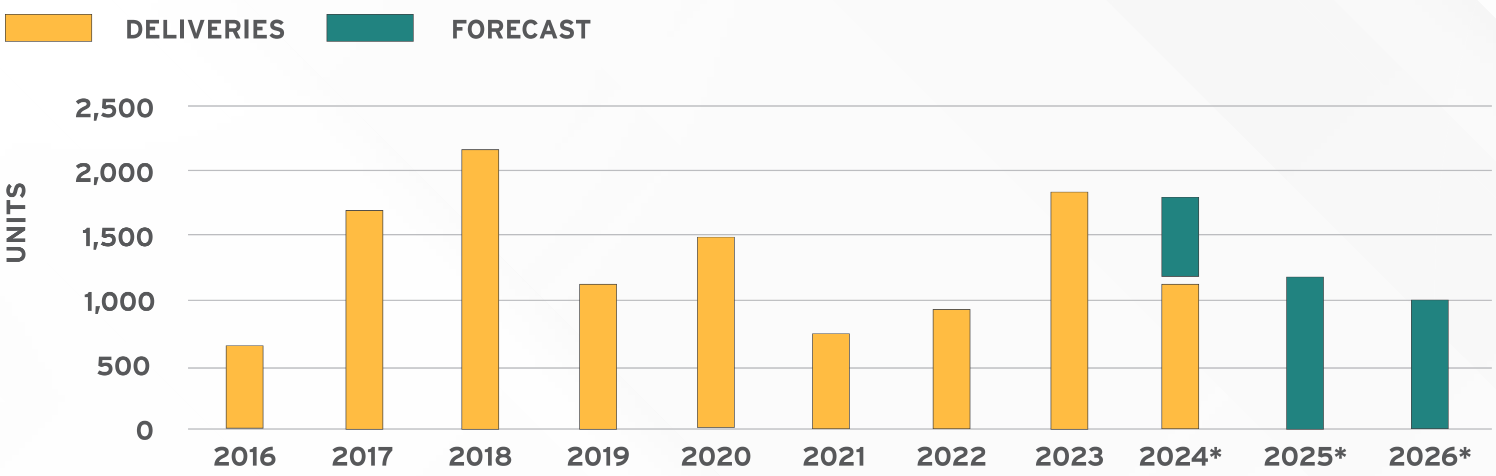


MULTIFAMILY DELIVERIES REMAIN ELEVATED IN BALTIMORE CITY; SUPPLY LIKELY TO DECLINE IN COMING YEARS AS PERMITS DROP

Multifamily permitting activity in Baltimore experienced a notable decline during the first half of 2024, with 915 units permitted, marking a 41% decrease compared to the 10-year semi-annual average. This downturn can be attributed to stringent lending conditions and elevated interest rates, which have impeded the progression of development proposals.

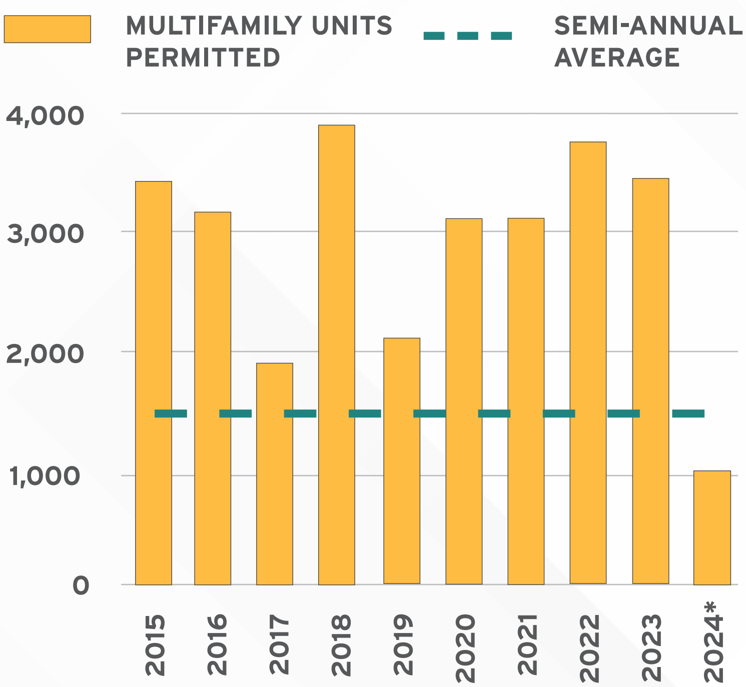
Projects initiated during the pandemic's period of low interest rates are now reaching completion, contributing to sustained high levels of apartment deliveries throughout 2024 and 2025. However, the current shortage of permitted units suggests a potential impact on total deliveries in 2026.

TOTAL ANNUAL MULTIFAMILY DELIVERIES



Source: *CoStar*
***Data as of June 2024 (Latest Release)**

MULTIFAMILY PERMITS PLUMMET



Source: *Census, Baltimore, MSA*
***Data as of June 2024 (Latest Release)**

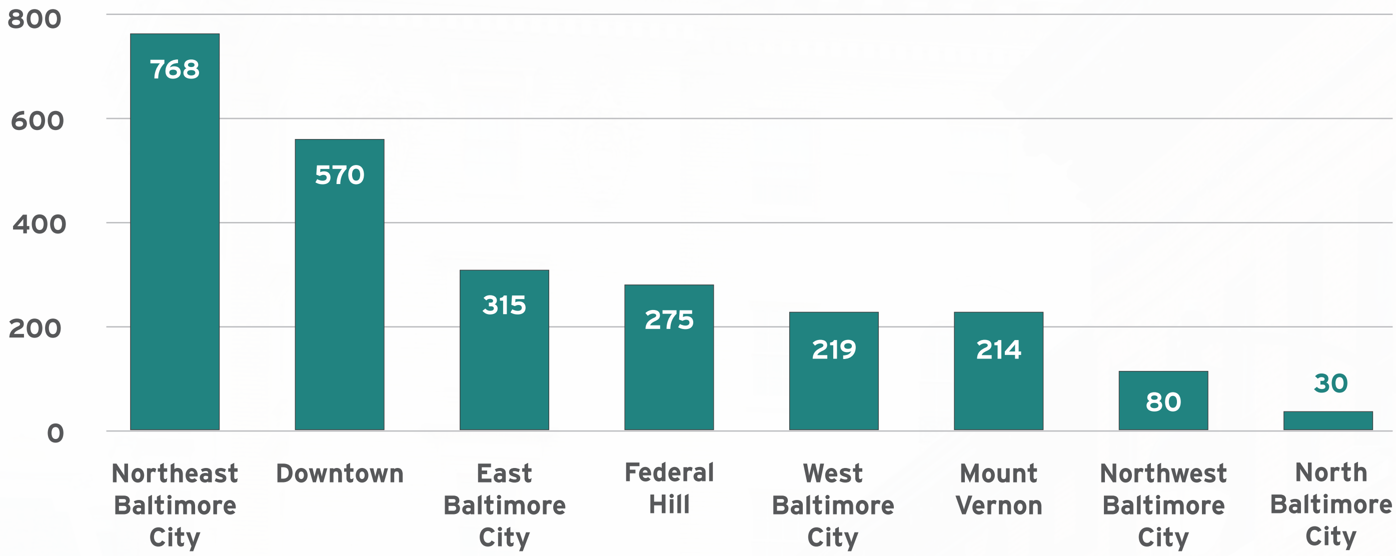
CONSTRUCTION SPOTLIGHT

Trademark Properties purchased the Fidelity & Deposit Building in early 2022, which is undergoing a conversion from a 230,000-square-foot office to 231 apartments.

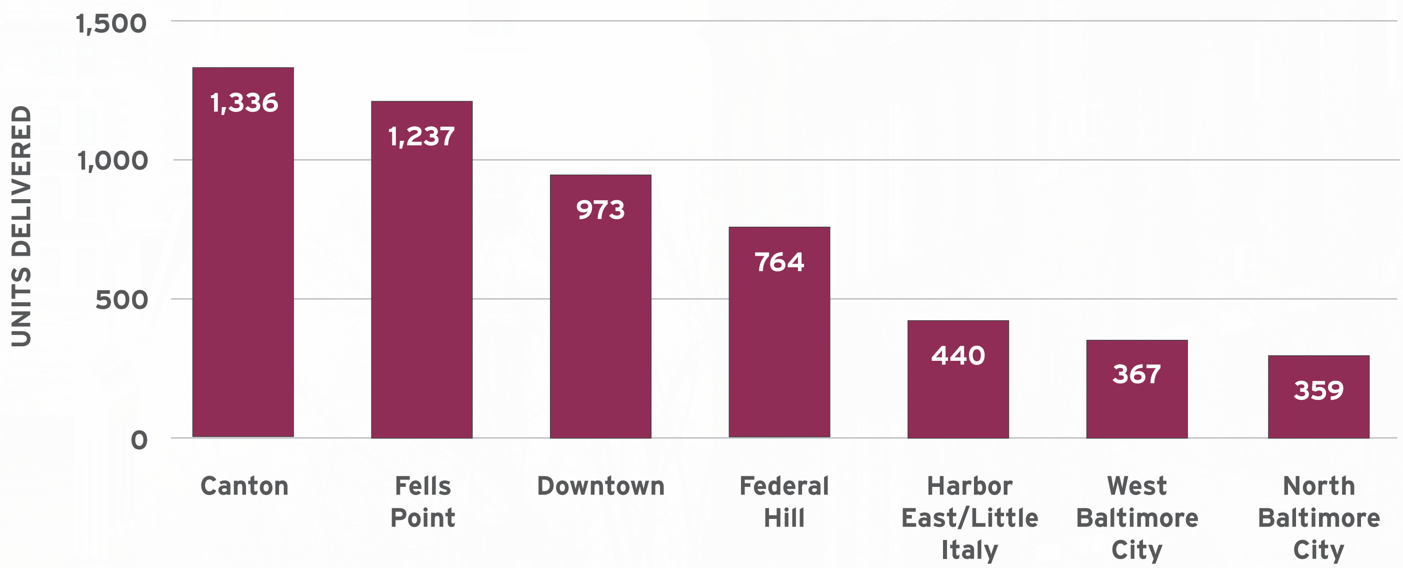
SUBMARKET ANALYSIS

Submarket	Inventory (Units)	Avg Rent	Rent growth (12 Mo)	Vacancy	Deliveries (Since 2020)	Units U/C	% of Inventory U/C	% Inventory growth (since 2020
Northeast Baltimore City	9,970	$1,163	2.1%	8.9%	58	0	0.0%	0.6%
Downtown	9,016	$1,613	2.3%	12.3%	973	850	9.4%	10.8%
Northwest Baltimore City	8,602	$1,292	3.9%	8.0%	96	0	0.0%	1.1%
West Baltimore City	7,608	$1,216	2.1%	8.6%	367	0	0.0%	4.8%
North Baltimore City	5,564	$1,663	5.0%	7.2%	359	0	0.0%	6.5%
Mount Vernon	4,888	$1,437	2.0%	6.9%	107	0	0.0%	2.2%
Canton	3,402	$1,964	0.0%	8.7%	1,336	0	0.0%	39.3%
Federal Hill	2,973	$2,259	1.0%	10.1%	764	271	9.1%	25.7%
East Baltimore City	2,425	$1,473	5.4%	9.3%	316	72	3.0%	13.0%
Fells Point	2,163	$2,279	4.8%	31.1%	1,237	290	13.4%	57.2%
South Baltimore City	1,720	$1,074	3.3%	5.9%	0	0	0.0%	0.0%
Charles Village/ Old Goucher/ Remington	1,571	$1,339	4.3%	6.0%	0	59	3.8%	0.0%
Harbor East/ Little Italy	1,286	$2,775	3.3%	7.8%	440	508	39.5%	34.2%
Bolton Hill	773	$1,466	0.8%	7.8%	11	0	0.0%	1.4%
Station North	792	$1,505	3.6%	13.0%	0	0	0.0%	0.0%
Reservoir Hill	583	$1,159	0.9%	7.8%	0	419	71.9%	0.0%

TOTAL UNITS SOLD (2024 H1)



TOTAL DELIVERIES (SINCE 2020)



SALE TRANSACTIONS - 2024 H1

Property Name	Address	Submarket	# of Units	Sale Date	Sale Price	Price/Unit
The Renaissance Club	1712 Waverly Way	Northeast Baltimore City	515	May 2024	$51,750,000	$100,485
The Centerpoint	8 N Howard St	Downtown	392	Mar 2024	$48,425,000	$123,533
Alta Federal Hill	1800 S Hanover St	Federal Hill	275	Jan 2024	$68,500,000	$249,091
Park Raven Apartments	5801-5811 Hillen Rd	Northeast Baltimore City	253	May 2024	$20,200,000	$79,842
Mount Vernon Portfolio*	Multiple Addresses in Mt Vernon	Mount Vernon	240	Feb 2024	Not Disclosed	-
Northwest Baltimore Portfolio*	Multiple Addresses in NW Baltimore	Northwest Baltimore City	99	May 2024	Not Disclosed	-
Canterbury House Apartments	6807 Park Heights Ave	Northwest Baltimore City	52	Jan 2024	$5,200,000	$100,000
Frederick Manor*	4907-4921 Frederick Ave	West Baltimore City	47	Mar 2024	Not Disclosed	-
Hansel Hall*	2606 Talbot Rd	Northwest Baltimore City	13	Jan 2024	Not Disclosed	-
901 W University Pky	901 W University Pky	North Baltimore City	11	Jan 2024	$2,385,690	$216,881
1501 Park Ave	1501 Park Ave	Bolton Hill	7	May 2024	Not Disclosed	-
Monumental Gardens**	1500 N Aisquith St	East Baltimore	12	Jan 2024	$669,083	$55,757
901 W University Pky	901 W University Pky	North Baltimore	11	Jan 2024	$2,385,690	$216,881

27
TOTAL TRANSACTIONS

$223 M
SALES VOLUME*

2,344
TOTAL UNITS SOLD

**Does Not Include Undisclosed Deals*

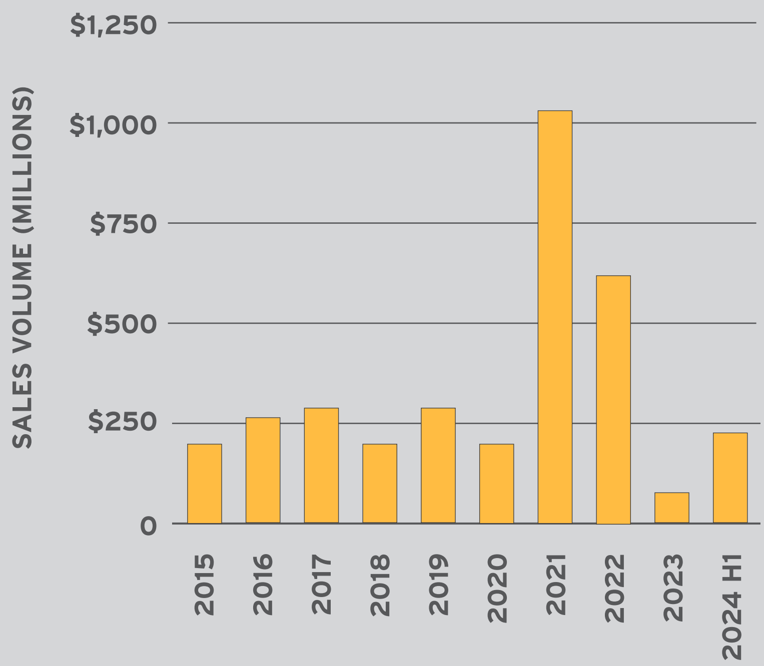
INVESTORS CONTINUE TO USE NON-CONVENTIONAL FINANCING

In Baltimore City's multifamily sales environment, a significant shift in the financing landscape is occurring, marking a departure from traditional norms towards more unconventional methods. Over the past few years, there has been a discernible trend towards alternative financing avenues such as hard money or short-term loans, debt assumptions, and cash purchases. This departure from conventional financing methods, like banks, signifies a response to the evolving economic dynamics of high interest rates.

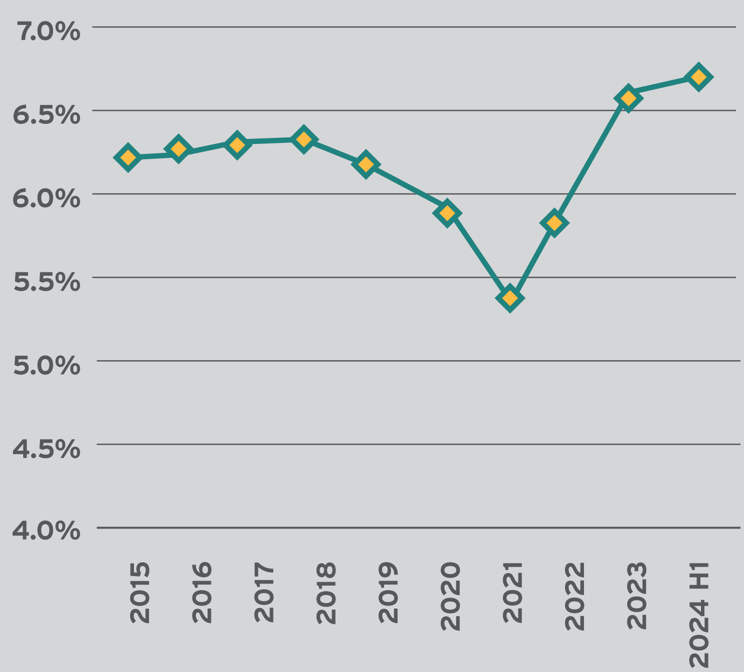
Regional and local banks have tightened lending standards and offer less competitive terms than in the early pandemic. More common LTVs now are 60% to 70%, offering buyers less leverage and making deals much harder to pencil down. Non-traditional financing options offer greater flexibility and quicker access to capital compared to traditional lending institutions. Investors are increasingly exploring avenues such as hard money or short-term loans, leveraging existing debt obligations through debt assumptions, and resorting to cash purchases for expedited transactions.

The decline in traditional permanent agency financing over the past 1.5 years can be attributed to the rising interest rate environment. Investors continue to reassess financing options, exploring alternatives with more favorable terms and conditions.

TOTAL ANNUAL SALES VOLUME



CAP RATE TRENDS



HARBOR STONE
ADVISORS

INVESTMENT SALES

JUSTIN VERNER
President
410.960.3962
jverner@harborstoneadvisors.com

BROOKS HEALY
Director
443.523.6865
bhealy@harborstoneadvisors.com

TOM WOHLGEMUTH
Senior Advisor
240.444.4656
tom@harborstoneadvisors.com

SALES SUPPORT SERVICES

SHANA SABIE
Senior investment Sales Analyst

TODD GALVIN
Senior Operations Analyst

EMILY ANNESS
Senior Marketing Specialist

GINA BELL
Marketing & Design Specialist

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