BALTIMORE METRO MULTIFAMILY

Q4 2024 MARKET REPORT

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ADVISORS

BALTIMORE METRO MULTIFAMILY SUMMARY

The Baltimore Metro multifamily market has navigated a dynamic landscape in 2024, marked by elevated new deliveries, with roughly 4,100 units entering the market. This wave of supply has tested the region's resilience, but robust renter demand has allowed vacancy rates to stabilize. Rent growth is accelerating as a result, and year-over-year rental gains align with the growth in its Mid-Atlantic counterparts like D.C., Richmond, and Norfolk. The market is poised for continued recovery, with asking rents expected to rise steadily through 2025 and the next several years as the pace of new deliveries slows.

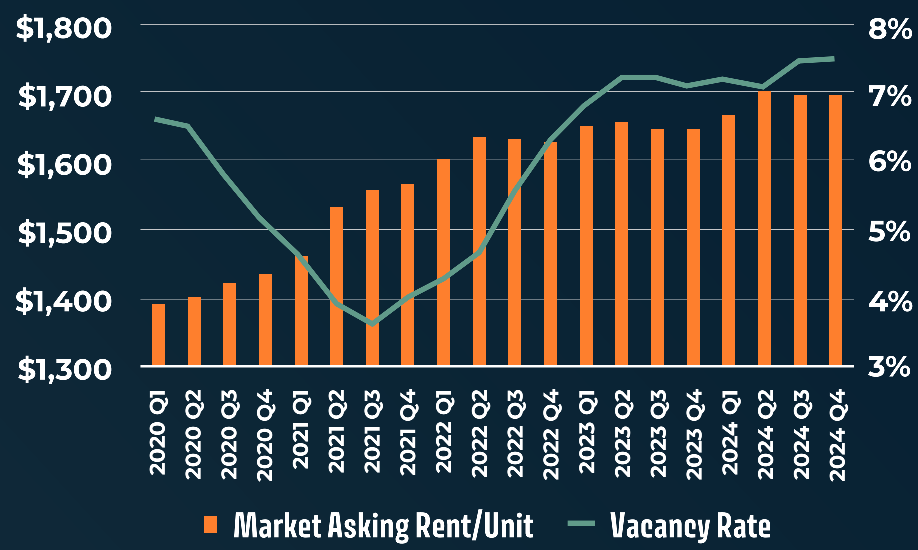
The Baltimore MSA saw elevated supply throughout 2024, but absorption, while strong at nearly 3,000 units, was slightly outpaced by new inventory, contributing to an average vacancy rate of 7.5%. However, leasing momentum strengthened during the spring leasing months, accounting for nearly half of the units absorbed in 2024, allowing landlords to push rents.

As of 2024 Q4, asking rents had grown by 2.7% year-to-date, reflecting improved pricing power for landlords. CoStar forecasts suggest rent growth will continue accelerating through 2025, reaching a peak of nearly 5% year-over-year.

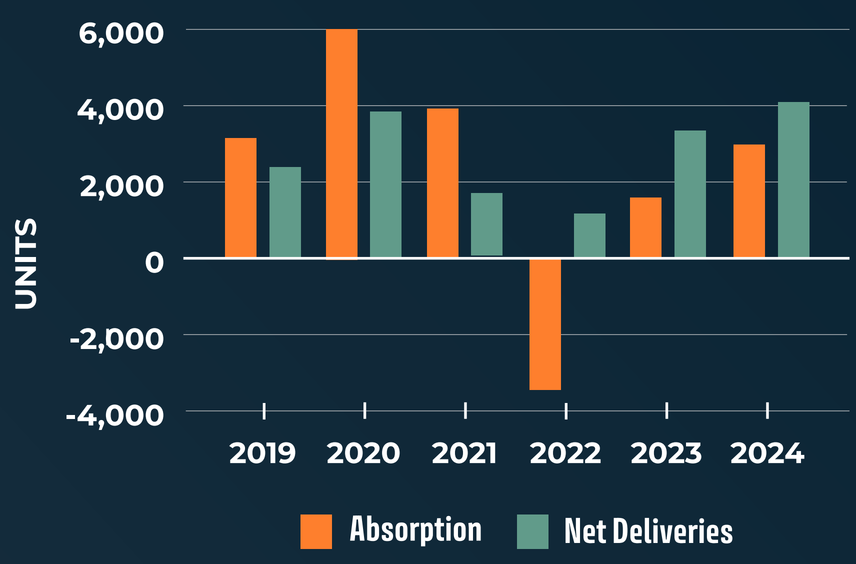
MARKET INDICATORS

Vacancy Rate	7.4%
Average Asking Rent	$1,695
Rent Growth (Annual)	2.7%
Under Construction (Units)	2,812
Deliveries (Units)	4,099

Rents See Steady Growth, Vacancies Rise Marginally



Renter Demand Makes a Comeback, Supply Remains Elevated

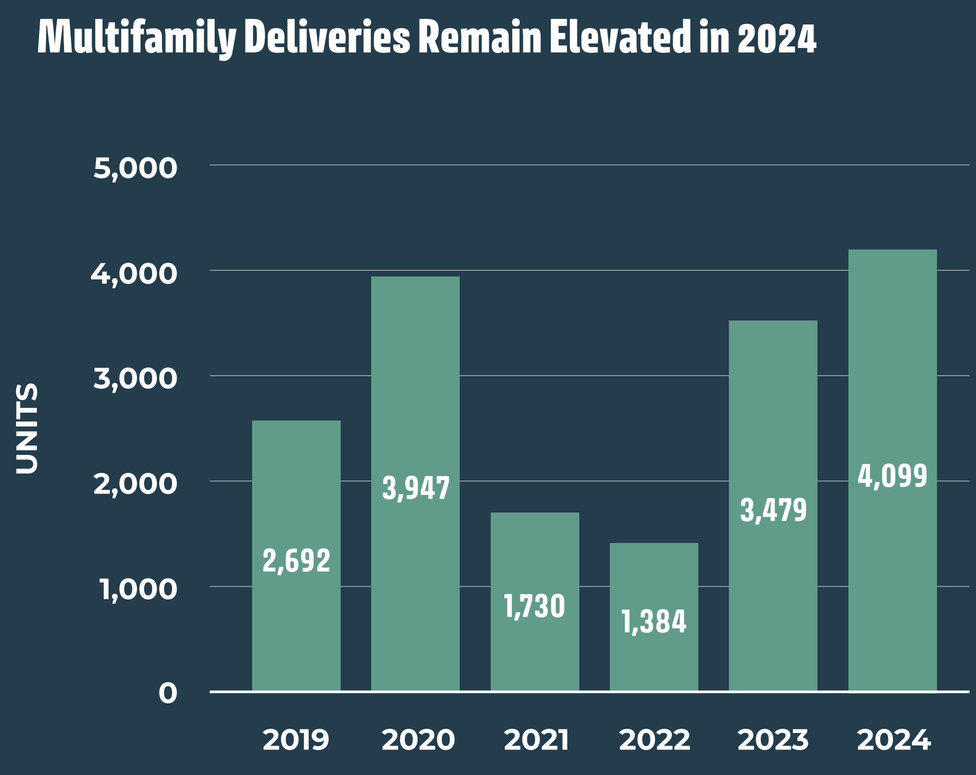


BALTIMORE MSA EXPERIENCES NEAR RECORD WAVE OF NEW SUPPLY

Several large multifamily projects initiated during the pandemic's low interest rates are now completed, contributing to sustained high levels of apartment deliveries last year and throughout 2024. More than 4,000 new units were delivered last year, with 2,500 coming online in the first half of the year. In the Baltimore Metro, here are just over 2,800 units under construction, or 1.3% of its total inventory, well below the national average of 3.3%. However, the current shortage of permitted multifamily units suggests a potential impact on total deliveries in the coming years.

Outside of Baltimore City, apartment development has steadily increased in Howard County, and total inventory here has increased by more than 15% in the past five years. Much of the focus is within Columbia and Maple Lawn, which are areas that have seen increased job creation and population. Other counties to see substantial growth are Anne Arundel and Baltimore County, two desirable areas for families with a plethora of job opportunities.

In Baltimore County, apartment projects will become harder to complete over the next several years. In June 2024, the council passed a bill to prevent new housing developments from being built in overcrowded school districts. The bill limits overcrowding from 115% to 105% while also allowing the county to build federally required affordable housing units. It also eliminates an adjacency rule, which said students could be placed in neighboring districts if theirs was overcrowded.

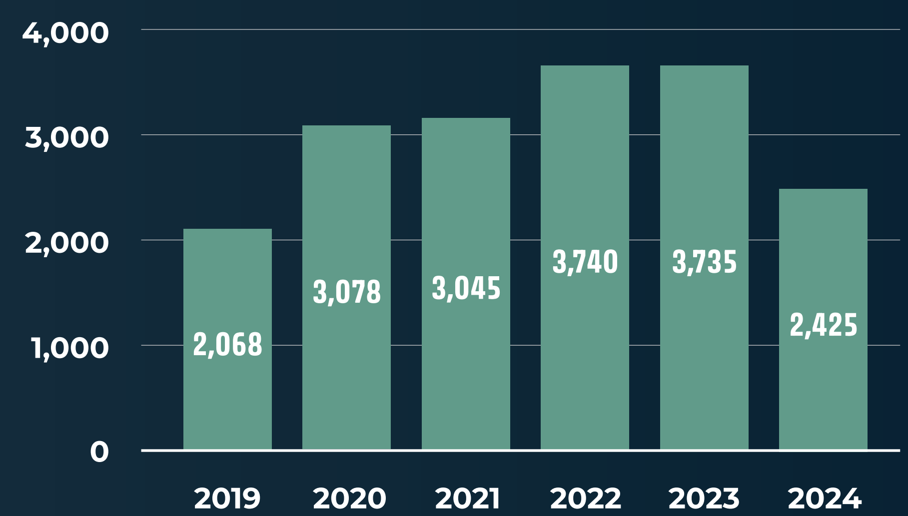


MULTIFAMILY PERMITS REMAIN WELL BELOW BALTIMORE'S AVERAGE

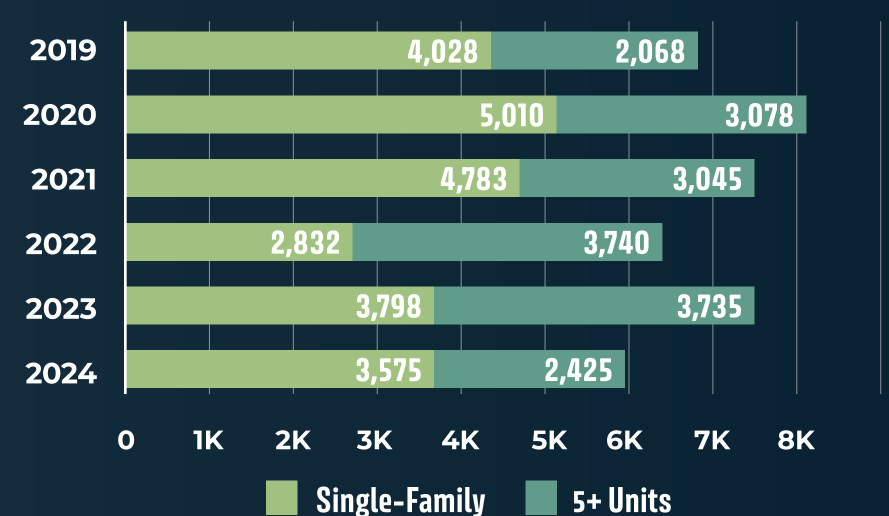
Baltimore's multifamily permitting activity of 5 or more units experienced a notable decline in 2024, with just over 2,400 units permitted, marking a 35% decrease compared to the average of the previous two years. This downturn can be attributed to stringent lending conditions and elevated interest rates, which have impeded the progression of development proposals.

Baltimore has experienced a substantial supply influx in the past two years, with more than 7,500 units delivered, a 3.7% increase in its overall inventory. Much of the current apartment development has been and is currently still focused within the Baltimore City limits, representing 45% of the units delivered during that time.

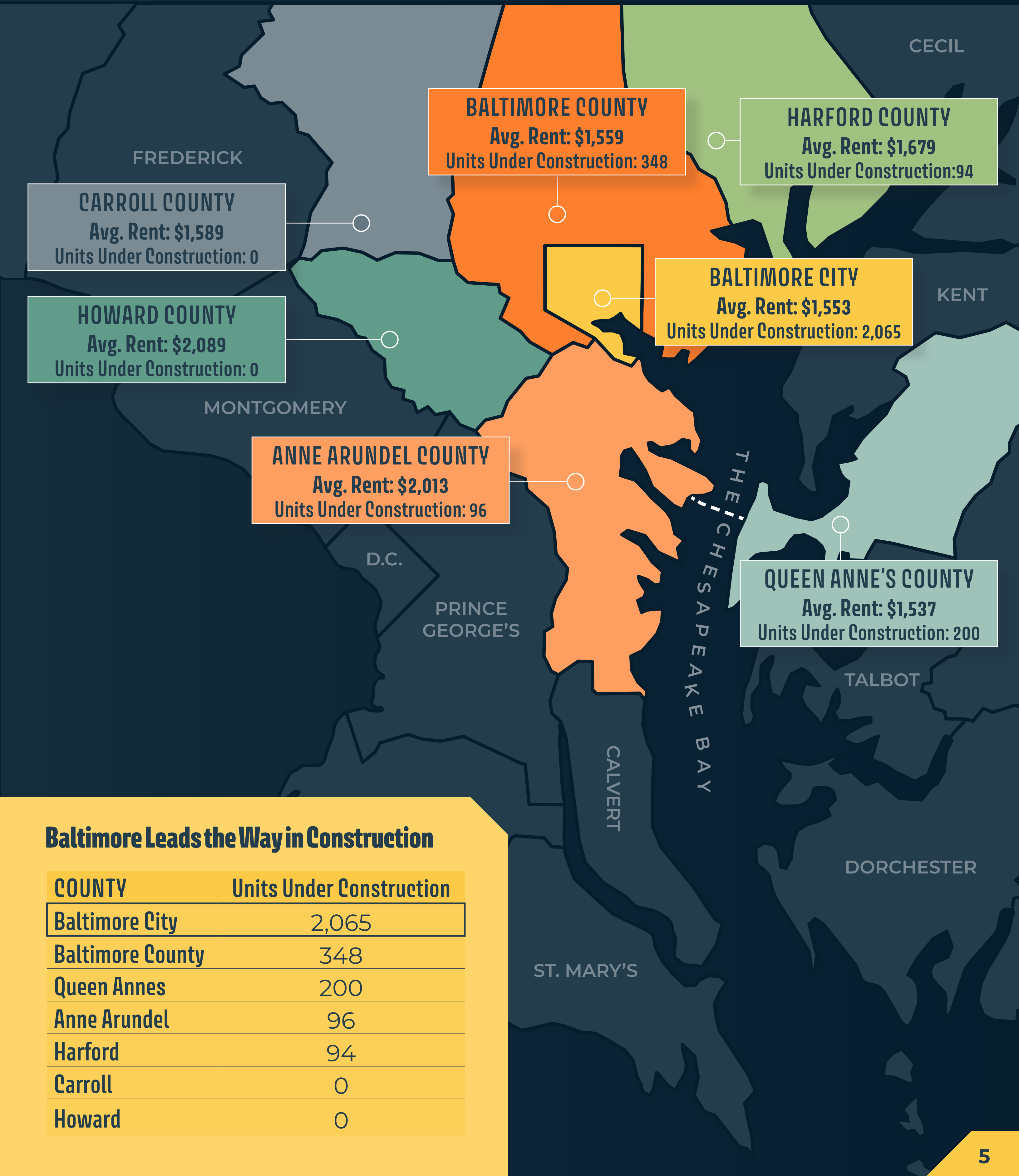
Multifamily Permits Remain Well Below Baltimore's Average



Total Permitted Units Drop in 2024

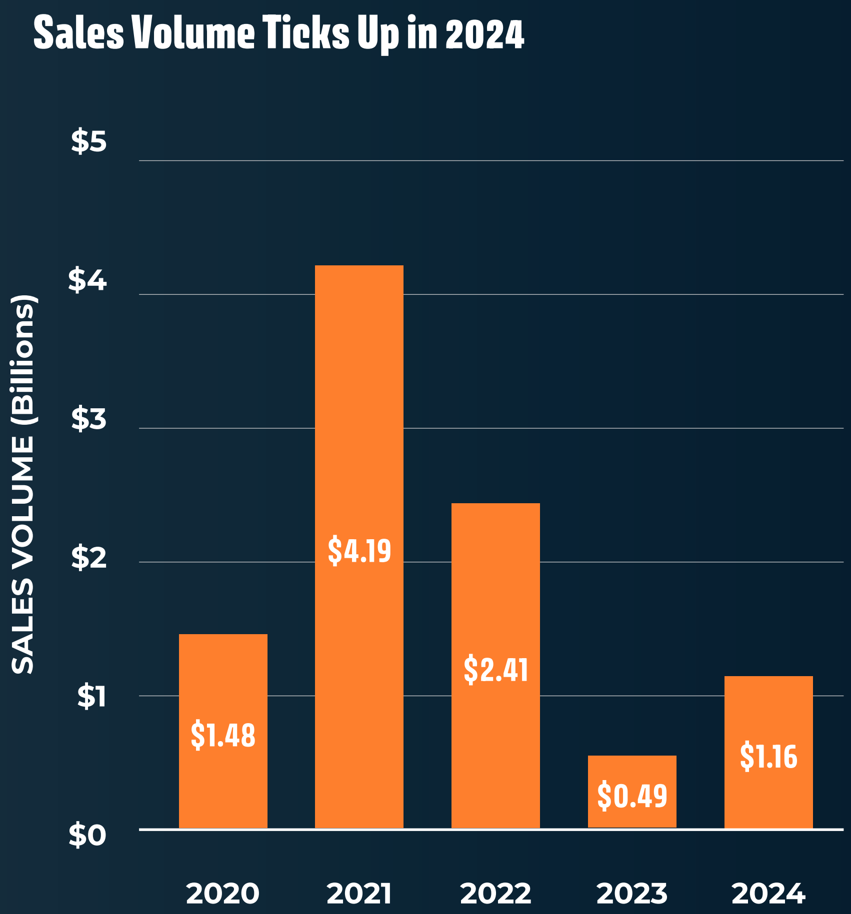


BALTIMORE METRO AVERAGE RENTS



Baltimore Leads the Way in Construction

COUNTY	Units Under Construction
Baltimore City	2,065
Baltimore County	348
Queen Annes	200
Anne Arundel	96
Harford	94
Carroll	0
Howard	0



Prescott Square, a 77-unit garden Apartment Community in Pikesville, MD, sold in May 2024 after garnering 16 offers

VALUE-ADD OPPORTUNITIES DOMINATE

Value-add properties—those requiring capital improvements to achieve higher rents—have seen the most investor interest. These deals recently have often involved bridge loans or short-term financing, with buyers banking on future refinancing at lower rates. Sellers of value-add assets also tend to set more realistic pricing expectations than those of Class A properties, where rents are already at market levels.

SUBURBAN MARKETS OUTPERFORM

Suburban multifamily properties outside Baltimore City are attracting increased investor attention due to lower tax rates and fewer regulatory hurdles. For example, **Prescott Square**, a 77-unit garden apartment community in Pikesville, MD, sold in May 2024 after garnering 16 offers.

EVOLVING FINANCING LANDSCAPE

Over the past two years, rising interest rates and tighter regulations have led to a significant decline in buyers using agency financing, with many balance sheet lenders and regional banks exiting the market. In response, investors have turned to alternative financing options, including life insurance companies offering lower-leverage loans (60-65% LTV), as well as bridge loans, hard money loans, debt assumptions, and cash purchases, to navigate the shifting lending landscape.

NOTABLE RECENT SALE TRANSACTIONS

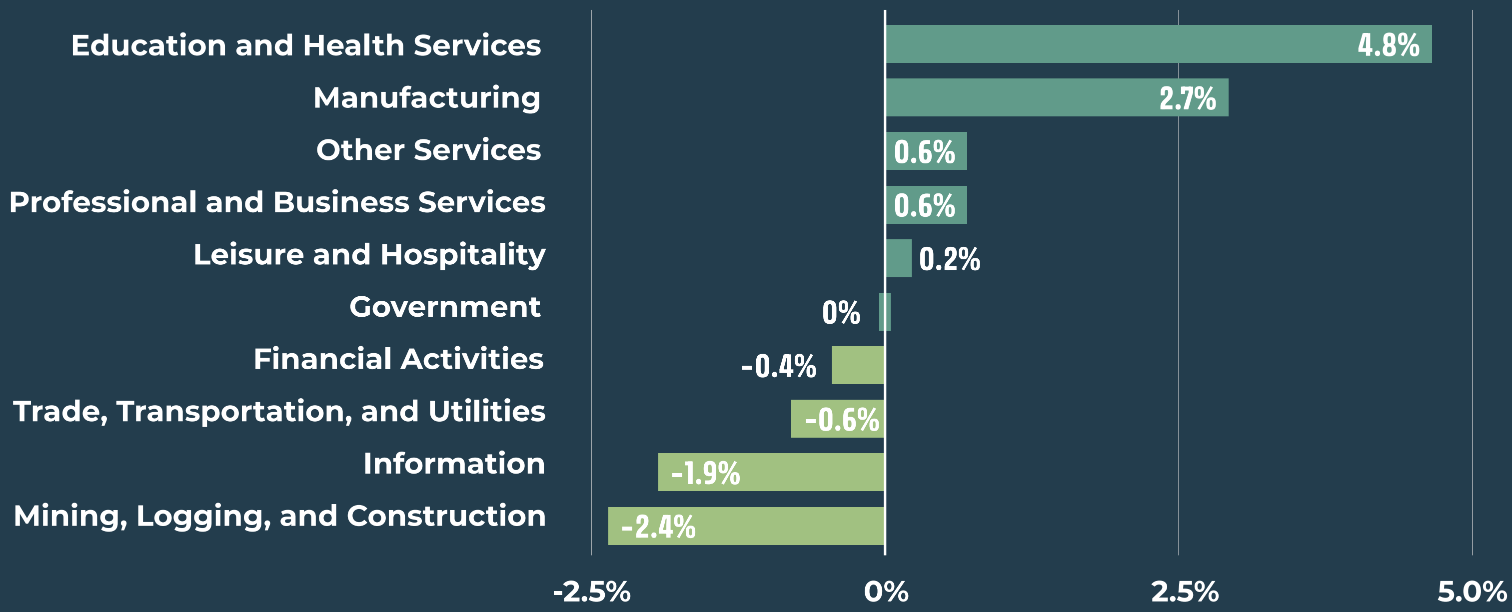
Property Name	County	# of Units	Sale Date	Sale Price	Price/ Unit
ReNew Howard Crossing	Howard	1350	Sep 2024	$232,000,000	$171,852
Apartments At Bel Air	Harford	732	Jul 2024	$117,158,000	$160,052
Essex Village / Marlyn Gardens Apartments	Baltimore	354	Oct 2024	$23,000,000	$64,972
Arrive Union Wharf	Baltimore City	281	Aug 2024	$79,000,000	$281,139
Alta Federal Hill	Baltimore City	275	Jan 2024	$68,500,000	$249,091
Park Raven Apartments	Baltimore City	253	May 2024	$20,200,000	$79,842
The Crescent at Fells Point	Baltimore City	252	Sep 2024	$81,000,000	$321,429
Mount Vernon Apartment Portfolio*	Baltimore City	205	Feb 2024	Undisclosed	
Waterloo Place	Baltimore City	196	Oct 2024	$32,000,000	$163,265
Dundalk Garden Apartments*	Baltimore	152	Jul 2024	Undisclosed	
Pangea Oaks*	Baltimore City	139	Dec 2024	Undisclosed	
Pangea Pines*	Baltimore City	124	Dec 2024	Undisclosed	
Pangea Springs*	Baltimore	88	Jul 2024	Undisclosed	
Prescott Square*	Baltimore	77	May 2024	$10,100,000	$131,169
Lynch Cove & Cedonia Townhomes*	Baltimore City	53	Aug 2024	Undisclosed	
London House Apartments*	Baltimore City	36	Oct 2024	Undisclosed	
The Professional Building Apartments*	Baltimore City	32	Feb 2024	Undisclosed	
Hampshire House*	Baltimore City	27	Oct 2024	Undisclosed	
Cedar Hill*	Baltimore City	20	Nov 2024	Undisclosed	

*** Denotes HSA Transaction**

BALTIMORE'S EDS & MEDS INDUSTRY DRIVING JOB GROWTH

Baltimore's education and health services sector continues to grow as a dynamic force in the region, creating 13,200 jobs over the past 12 months—a 4.8% year-over-year increase. As institutions invest in cutting-edge facilities and innovative programs, they're addressing critical workforce needs, fostering collaboration, and driving community engagement. Recent developments at Morgan State University, the University of Maryland, Baltimore (UMB), and others highlight the sector's transformative impact.

Percent Job Growth by Industry (Last 12 Months)



The recent surge in developments within Baltimore's education and health services sectors is not only driving job creation but also positively impacting the multifamily housing market. With hundreds of millions of dollars in investments, these projects are generating immediate and long-term employment opportunities while attracting new residents to the region.

In the short term, construction projects like Morgan State University's $171 million Health and Human Services Center, UMB's $120 million School of Social Work, GBMC's $94 million Sandra R. Berman Pavilion, and Upper Chesapeake Health's $260 million expansion are creating jobs for contractors, architects, and skilled laborers. This influx of workers fuels demand for rental housing near these facilities, benefiting the multifamily market, particularly in neighborhoods surrounding construction hubs such as Towson, North Baltimore, and Downtown.

Long-term, these facilities will draw professionals, faculty, students, and healthcare workers to the region. For example, expanded healthcare programs at Mercy Medical and Upper Chesapeake will require nurses, behavioral health consultants, and physicians, while modernized academic facilities at Morgan State and Loyola will attract faculty, researchers, and students. These incoming residents will increase demand for multifamily housing, particularly in areas with convenient access to these institutions.

BALTIMORE MULTIFAMILY OUTLOOK FOR 2025: RESILIENCE AMID ECONOMIC AND MARKET DYNAMICS

As we enter 2025, Baltimore's multifamily market continues its resilience in the face of record levels of new supply. Fortunately, renter demand has outperformed, supported by strong household formation, elevated home prices, and continued affordability challenges within the single-family market. With the U.S. economy showing robust growth, supported by strong consumer spending and fiscal stimulus, the multifamily sector is poised for another year of opportunity.

A NATIONAL BACKDROP SHAPES LOCAL OPPORTUNITY

The U.S. economy enters 2025 with robust consumer spending and moderated inflation, fostering optimism for multifamily markets across the country. However, challenges like high interest rates, supply peaks, and operational cost pressures remain.

For Baltimore, these trends play out uniquely. As a secondary market with lower supply ratios compared to high-growth regions like the Sun Belt and Mountain West, Baltimore's multifamily market benefits from stable demand and modest new construction. Vacancy rates in Baltimore are projected to remain below the national average, emphasizing its strength relative to other markets.

ECONOMIC DRIVERS FUELING MULTIFAMILY DEMAND

Strong household formation, high homeownership costs, and favorable demographics are driving multifamily demand nationwide. These factors resonate in Baltimore, where an aging Baby Boomer population and an influx of younger professionals are reshaping housing preferences. The city's relatively affordable rents compared to Washington, D.C., make it an attractive option for renters priced out of nearby metros.

Additionally, the region's economic anchors—healthcare, education, and government sectors—provide a stable employment base that sustains workforce housing demand. Even as the labor market tightens nationally, Baltimore's diverse economy positions it to weather these headwinds better than other markets.

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