

Baltimore City Multifamily Investment Report



JUNE 2023



HARBOR STONE
A D V I S O R S

OVERVIEW

Investors have pulled back in 2023, resulting in one of the slowest sales quarters in Baltimore City's multifamily market's history. More than \$35 million was transacted in 2023 Q1, which was about 80% less than the quarterly average for the past three years. High interest rates have challenged deal closings as lenders have tightened their borrowing standards and bulked up their reserves. This economic climate has caused continued uncertainty within the capital markets.

Property expenses have increased recently, mainly due to insurance prices and the rising cost of labor and materials. To combat historical inflation, the Federal Reserve raised rates for the 10th time in a little over a year in early May, pushing the fed funds rate to a target range of 5%-5.25%. However, there is a short-term relief as the Fed paused rate increases for the first time in 15 months

and maintained the benchmark interest rate after ten consecutive increases. This occurred after the May inflation data showed a 4% increase year-over-year, the smallest increase since early 2021.

Inflation continues to pose challenges for the property insurance market, as replacement costs have skyrocketed due to the increase in the price of labor and materials. This has led to further difficulty in underwriting and has delayed deals getting done.

Overall, multifamily fundamentals remain healthy despite a slight increase in vacancies, and Baltimore's economy continues to add jobs. Rent growth has slowed due to the increased availability of apartments. But the state unemployment rate hit its lowest level recorded since 1976 at 2.7%, which should help provide further demand for multifamily.

\$46.8M
2023 YTD Sales
Volume

3.8%
10-Year Treasury
Rate (as of June)

1.3%
Job Growth (YoY)

NOTABLE RECENT TRANSACTIONS

FORREST STREET APARTMENTS



1100 Orleans St
96 Units | May 2023
\$8,800,000 | \$91,667/Unit

ASTOR COURT



2440-2442 St. Paul St
36 Units | Feb 2023
\$4,976,000 | \$138,228/Unit

HAMPTON COURT



307-311 Dolphin St
29 Units | Jun 2023
\$3,325,000 | \$114,655/Unit

GWYNNS FALLS GARDENS



3415 Gwynns Falls Pky
34 Units | Feb 2023
\$2,587,341 | \$76,392/Unit

2311-2315 WHITTIER AVE



2311-2315 Whittier Ave
28 Units | Feb 2023
\$2,380,000 | \$85,000/Unit

FREDERICK MANOR APARTMENTS



4907-4921 Frederick Ave
32 Units | Feb 2023
\$1,790,000 | \$55,938/Unit

FOREST HILL



3631 Liberty Heights Ave
30 Units | Jan 2023
\$1,650,000 | \$55,000/Unit

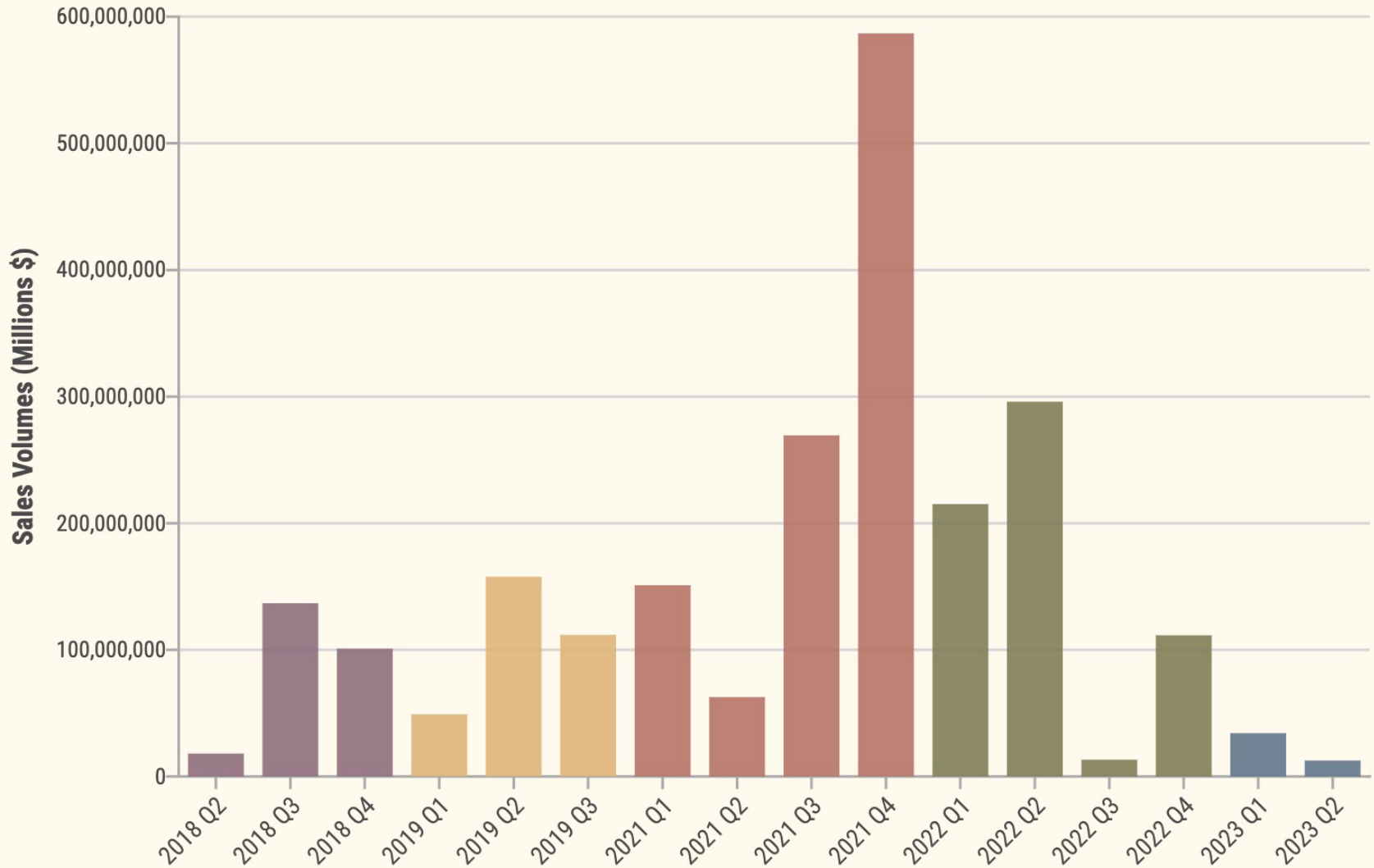
814 PARK AVE



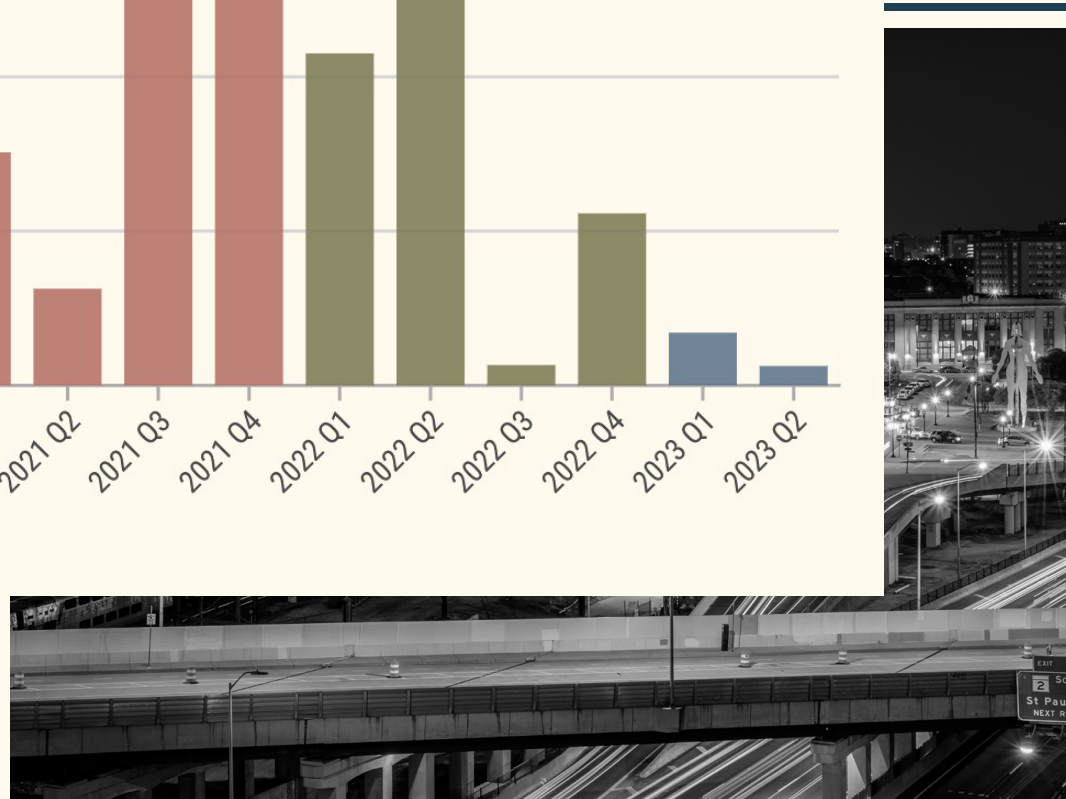
814 Park Ave
11 Units | Mar 2023
\$1,500,000 | \$136,364/Unit

 = Harbor Stone Advisors Representative Transactions

Investment Trends



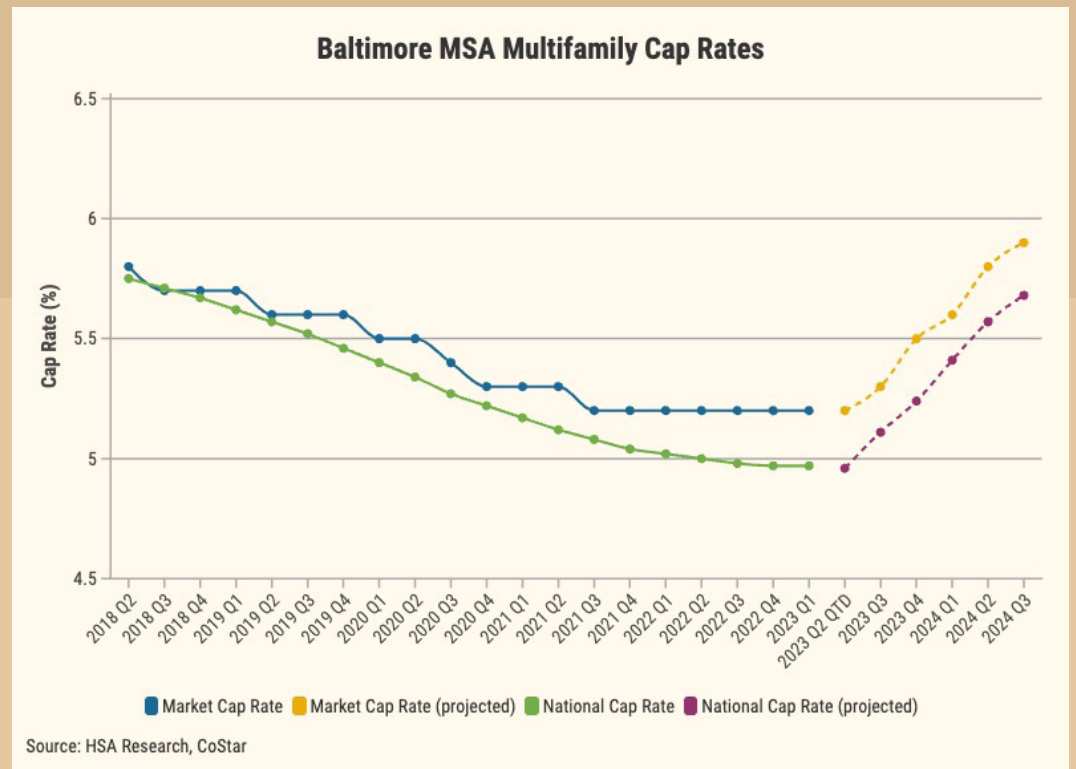
Source: HSA Research, CoStar



CAP RATES

Cap rates have begun to increase in recent quarters and “appear to be reflecting past market conditions that have changed significantly over recent months,” according to the Mortgage Bankers Association (MBA). The MBA’s forecast for the near term includes a slight expansion as the market adjusts to the Federal Reserve’s stringent monetary policy. According to CoStar data, the Baltimore MSA market cap rates show similar movement in the coming quarters. And the 10-year treasury has continued to push higher due to the changing economic conditions. The spread between cap and treasury rates continues to tighten.

● **3.8%**
● **10-Year Treasury**
● **Rate**

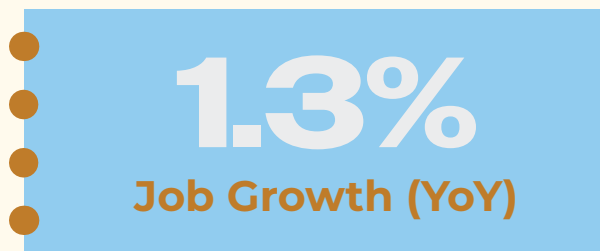


ECONOMIC CONDITIONS

BALTIMORE METRO

Baltimore's economy has steadily added jobs in recent months, and the metro area's unemployment's rate is near all-time lows at 2.3%. In the past 12 months, Baltimore has added more than 18,000 jobs, with the leisure & hospitality, construction, education and health services, and trade, transportation, & utilities sectors leading the way.

The area benefits from its central location in the Mid-Atlantic region with easy access by highways, port, rail, and air travel. The port of Baltimore drives industrial activity, and the rise of ecommerce has led to prominent firms like Amazon, Under Armour, Home Depot and many others adding jobs in Baltimore recently.

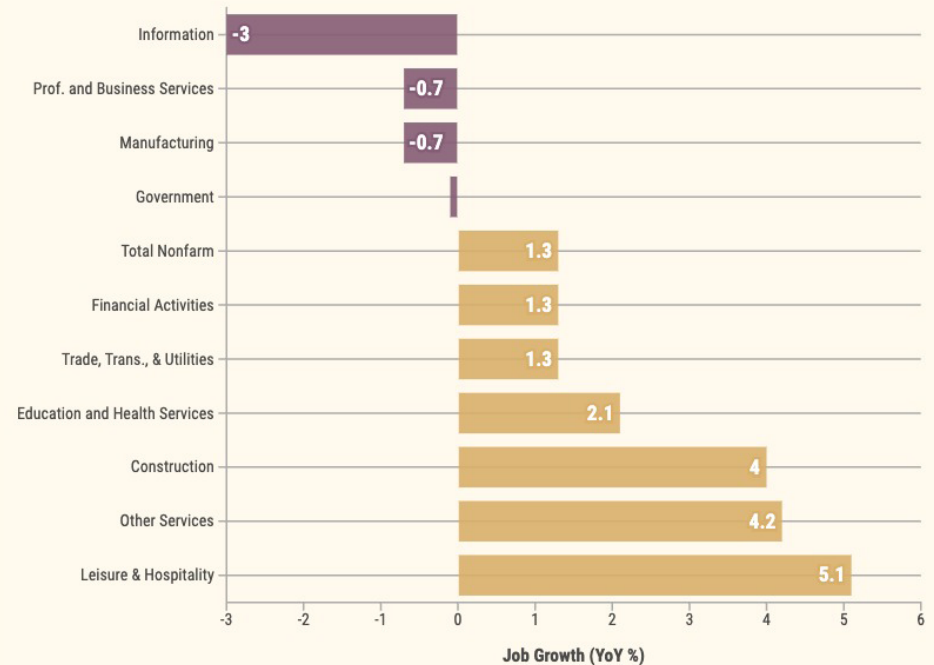


Unemployment Rates
Baltimore, Columbia, Towson (MD)



Source: BLS

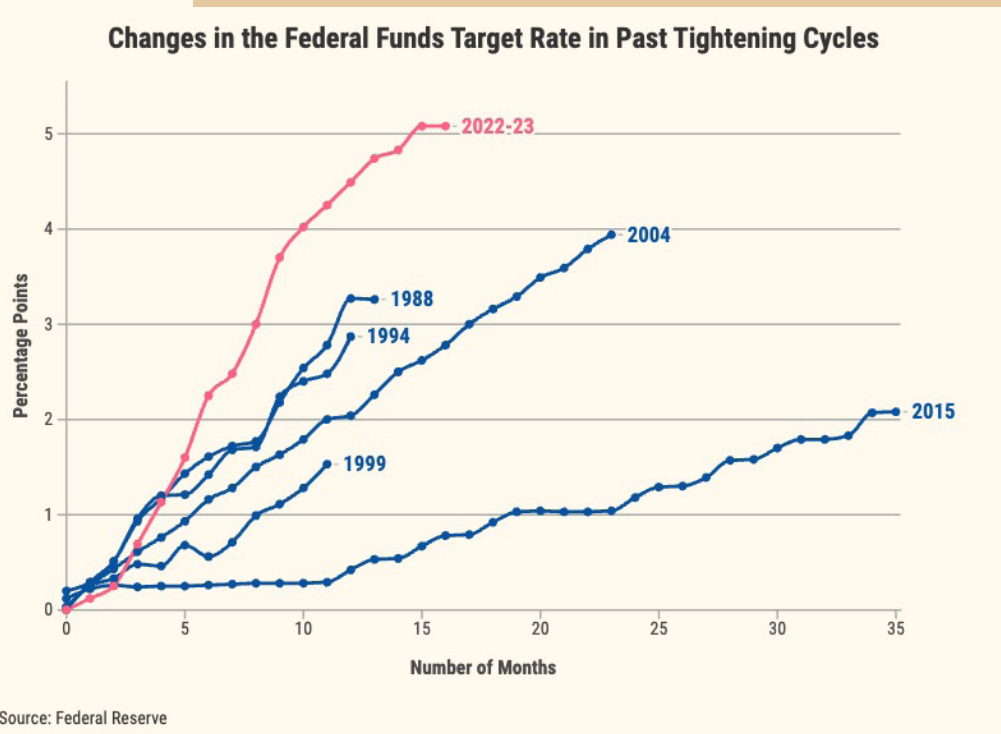
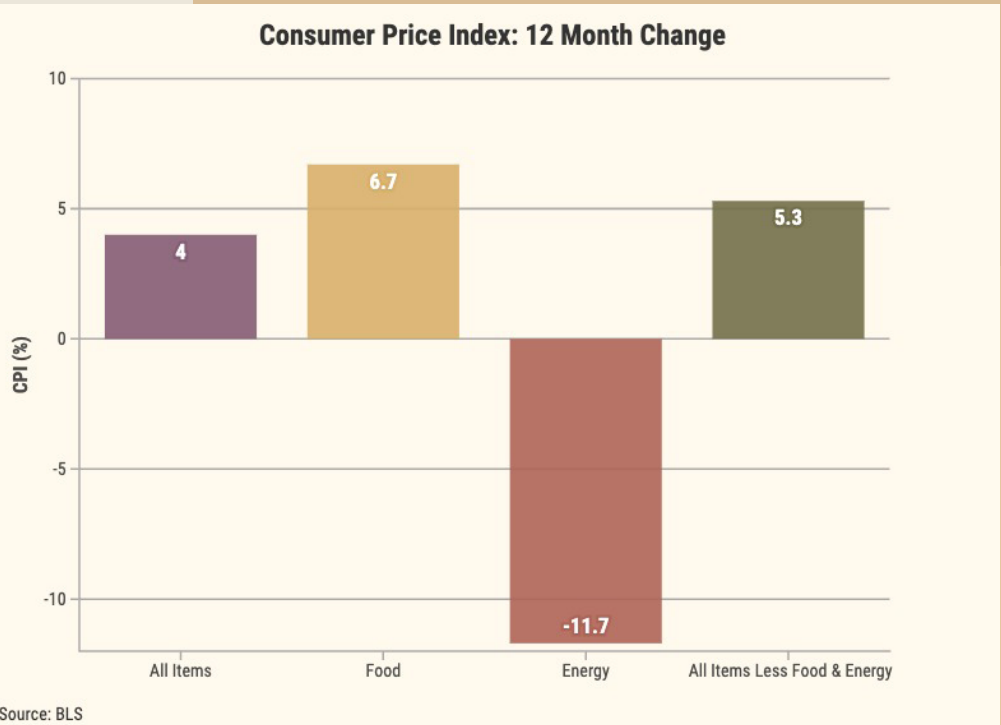
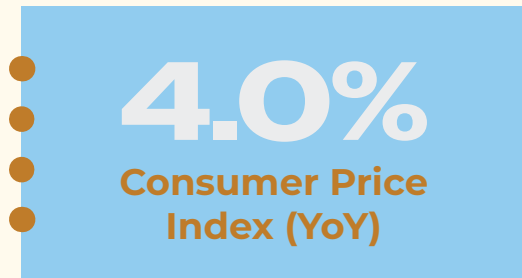
Job Growth by Sector
Baltimore, Columbia, Towson (MD)



Source: BLS

U.S. MACROECONOMIC CHALLENGES

The Federal Reserve paused rate hikes for the first time in 15 months at the Central Bank's June meeting after ten consecutive increases. This comes after the U.S. Bureau of Labor Statistics May release of the Consumer Price Index of a 4% increase year-over-year, the smallest rise since the beginning of 2021. Though the Fed committee suggested, there would likely be further hikes. Many small and regional banks have tightened loan standards due to the stringent monetary policy, which led to the recent bank failures of Silicon Valley Bank (SVB), Signature Bank, and Silvergate Bank. Uncertainty within the capital markets persists due to these factors.





HARBOR STONE

A D V I S O R S

WWW.HARBORSTONEADVISORS.COM

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 CALLAHAN

Senior Analyst

TODD GALVIN

Senior Operations Analyst

EMILY ANNESS

Senior Marketing Specialist

JENNIFER SUPLEE

Senior Marketing &

Design Coordinator

