Fannie Mae

Multifamily Metro Outlook: Baltimore Winter 2018

Overview

Baltimore's apartment market remained healthy in Q3 2017 with rents growing by 0.5 percent, vacancies remaining at 5.6 percent, and a concession rate of 1.2 percent of asking rents remaining below the long-term average of 1.8 percent. Even so, with about 17,000 new multifamily units delivered since 2012, the vacancy rate in the Class A segment is almost twice as high as Baltimore's average. By contrast, affordable rentals remain in short supply.

Nine of the metro's top 20 employers are in the stable education and healthcare industries, which are expected to grow as baby boomers age and echo boomers attend college, including potentially the Baltimore campuses of Johns Hopkins and the University of Maryland.

The Port of Baltimore also remains an important economic driver and is only one of four east coast ports deep enough for supersized ships. In fact, 2017 was a banner year for the port with 10.3 million tons of general cargo moved including cars, containers, farm and construction machinery.

With the National Security Agency (NSA) nearby, Baltimore has become a hub for the growing cyber security field, while the metro's proximity to Washington, DC provides an additional source of stability to the economy.

Baltimore faces some headwinds, however. New households are expected to be formed at a rate of 0.75 percent on average annually through 2021, below the national average of 1.1 percent. In addition, while the share of residents in the prime renting cohort (ages 20-34) is 21.3 percent, which exceeds the national average by 0.6 percentage points as of the end of 2016, this segment is expected to decline slightly through 2021.

Development

Over 17,000 rental units have been added since 2012, over half in the city, with Canton experiencing the largest increase. Moreover, new Class A units keep coming, with the 44 story 414 Light Street project scheduled to deliver 394 luxury units in 2018. Studios are slated to rent for $2,000 per month, according to the Baltimore Business Journal.

However, development is starting to move beyond the city with about 15 percent of units underway in Columbia and another 15 percent in the Dundalk/Essex/Rosedale suburbs.

While the Port Covington redevelopment project received approval in 2016 from the city council to move forward, Under Armour's recent financial setbacks have slowed progress somewhat. Even so, the project received a substantial boost from Goldman Sachs' recent commitment to invest $233 million in the project.

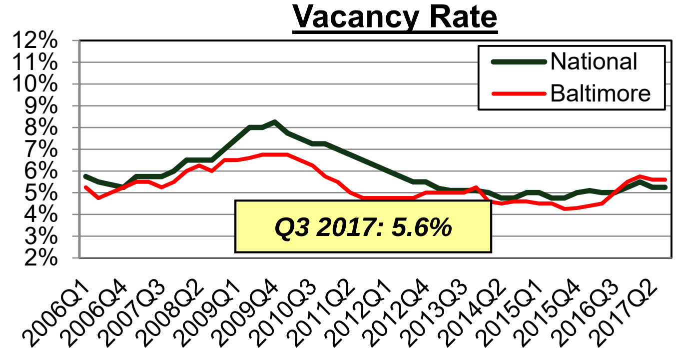
Outlook

While about 5,700 units of new supply are underway, there will likely only be need for about 5,400 units so new supply will likely outstrip demand in somewhat in 2018, particularly around the Inner Harbor and Downtown. This should cause rent growth to slow. Baltimore's apartment market should remain steady, particularly in the suburbs where new supply is subdued.

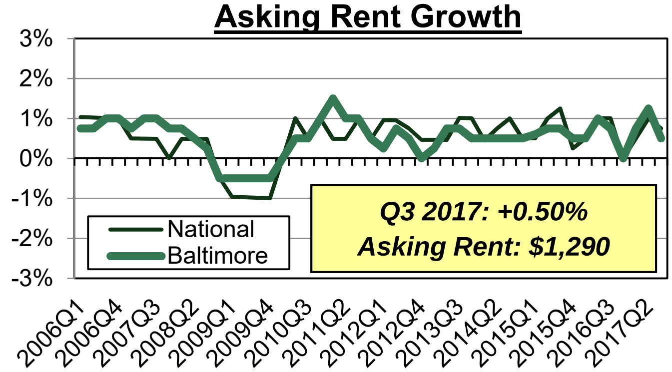
Longer term, the steady growth of jobs in the education, healthcare, and life sciences industries, combined with the growing cyber security field, bodes well. However, as a city with a mature economy, both jobs and population grow slowly in Baltimore. As a result, only moderate amounts of new supply are needed.

Vacancy and Rent Composite Estimates

Vacancy Rate



Asking Rent Growth



Source: Fannie Mae Multifamily and Economics Research

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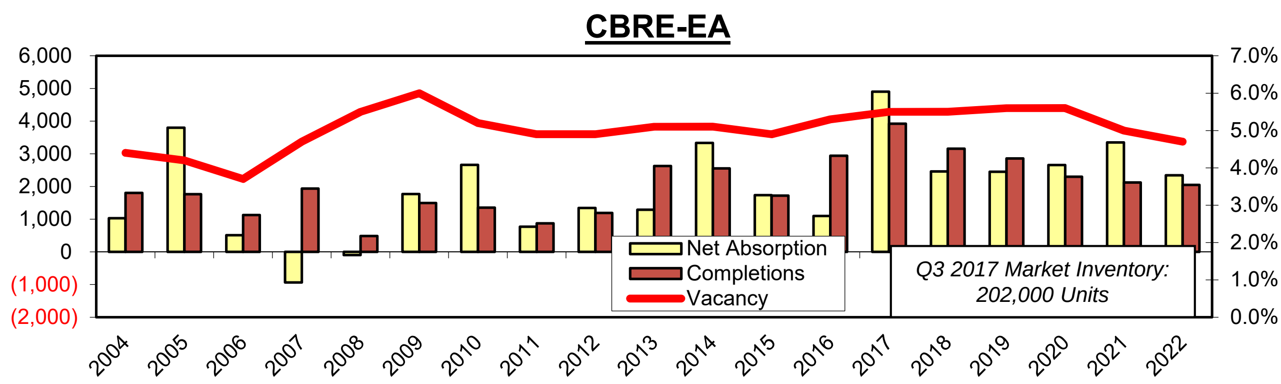

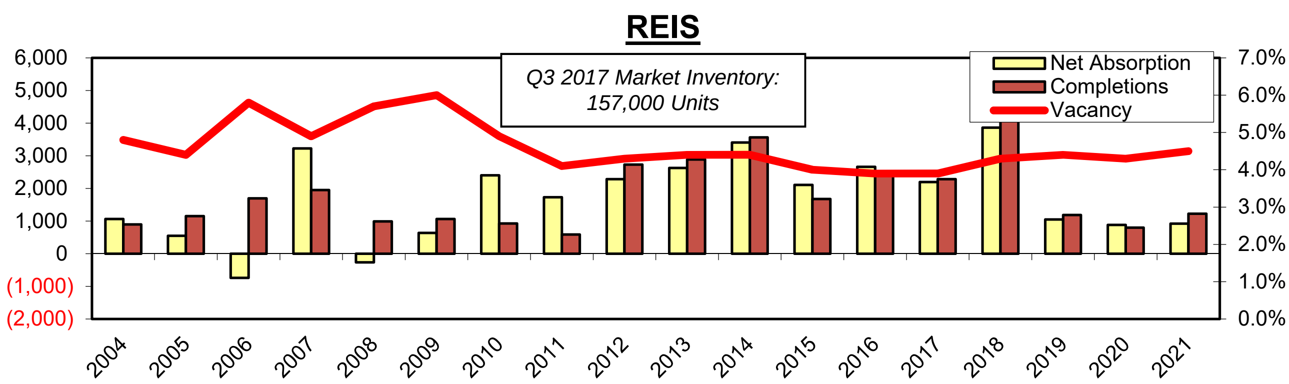

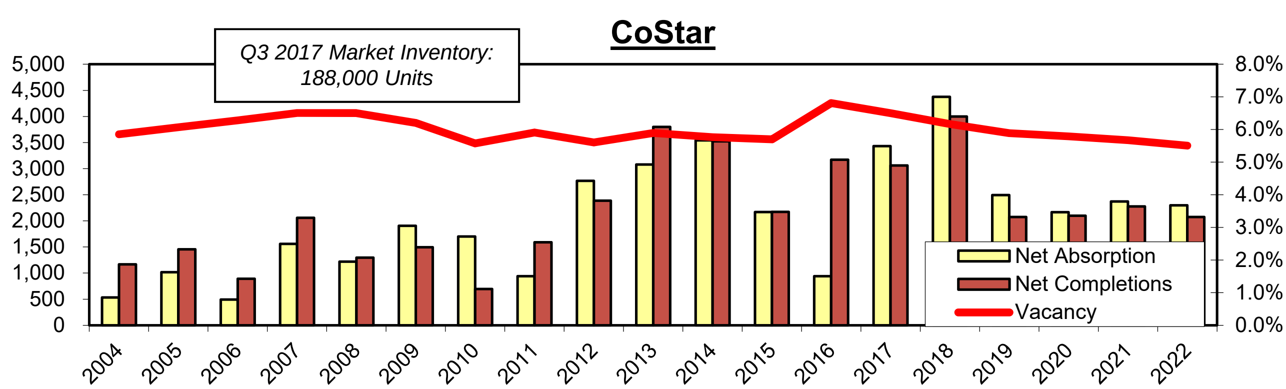

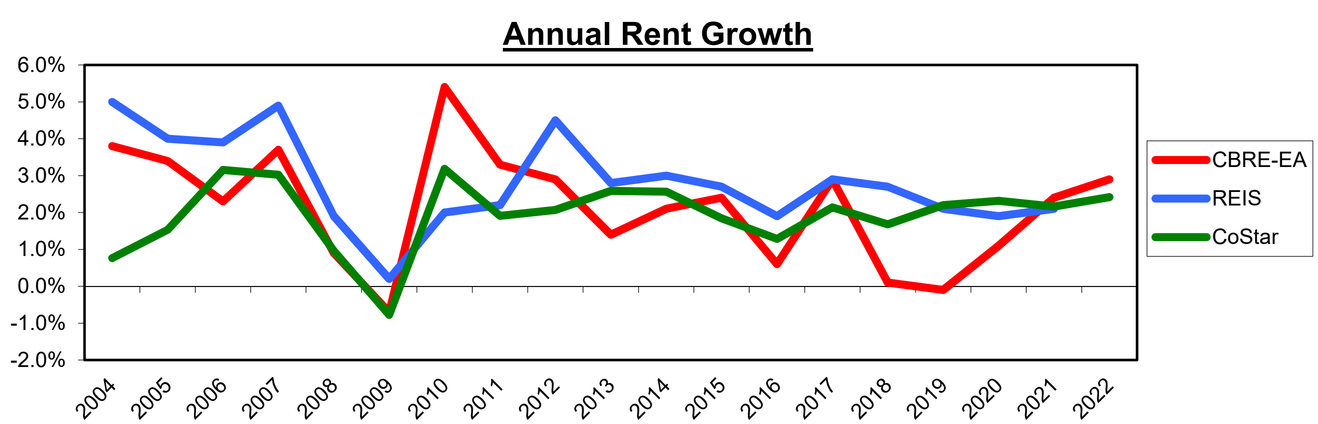

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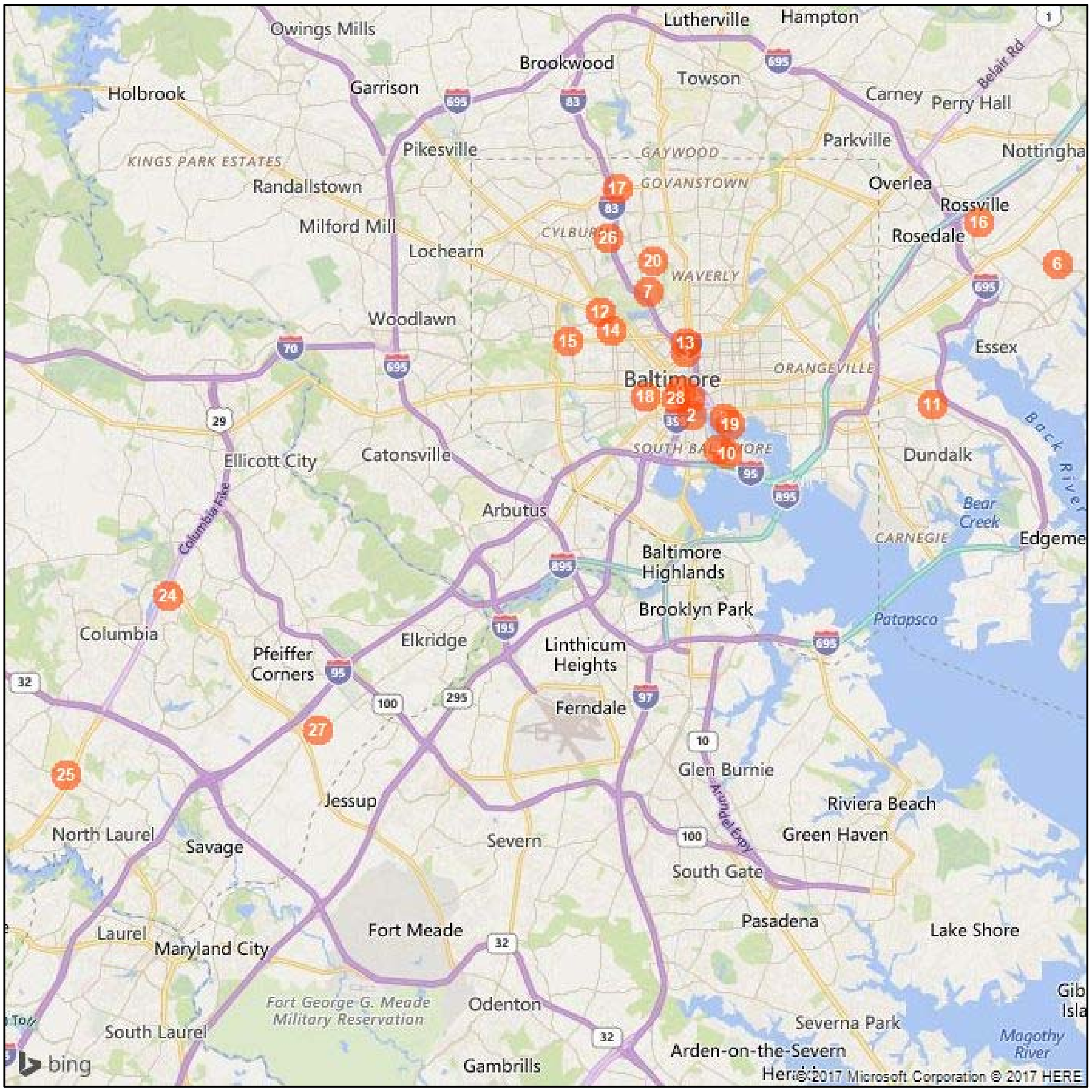
Construction Bidding/Underway
(28 projects/5,700 Units/8.0 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Central Baltimore City	16	3744	2772
Columbia/Howard County	3	1333	910
Dundalk/Essex/Rosedale	3	797	745
Harford County	2	435	341
Annapolis/Crofton	1	450	293
Pikesville/Randallstown/Owings Mills	1	443	284
Forest Heights/Oxon Hill	1	300	248
Towson/Timonium/Hunt Valley	1	455	148

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

