

INVESTMENT FORECAST

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

Multifamily
Baltimore


2022


Leasing Accelerates in the CBD; Out-of-State Investors Propel Deal Flow

Availability stays near two-decade low. Baltimore's multifamily sector proved resilient during the health crisis amid one of the toughest economic stretches in the metro's history. Demand for rentals remained elevated over the past year, fueled by a resurgence of leasing activity in the central business district. As a result, metrowide vacancy contracted to the lowest rate since 2000. Maryland recently announced it will relocate 3,300 state employees to the CBD, and notable employers like T. Rowe Price have announced return to office plans, boding well for future demand in the urban core. However, population growth projections well below the national average will likely hamstring this momentum. The pace of absorption across the metro is expected to decline and place upward pressure on availability in 2022. Nevertheless, Baltimore still remains affordable relative to the Washington, D.C., market, and may attract renters seeking lower-cost housing if work-from-home trends persist. Moreover, supply additions will fall 40 percent below the trailing-five-year average, which will help moderate vacancy increases this year.

Attractive pricing and historically tight fundamentals accelerate trading.

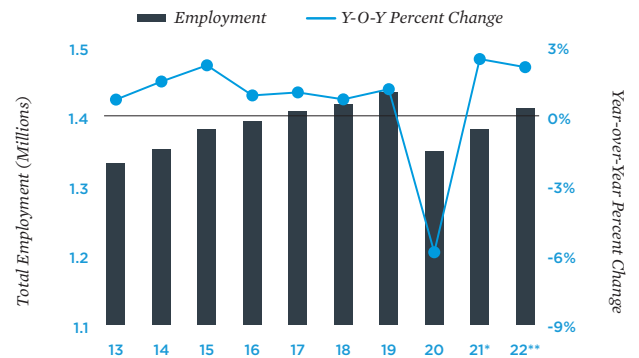
Transaction velocity for \$20 million-plus assets has steadily increased over the past three years, reaching a 20-year high in 2021. Appealing first-year returns and low entry costs are expanding the metro's buyer pool, with investment activity increasing from REITs and cross-border capital sources. Additionally, Baltimore continues to attract buyers from out of state, as the region offers stable market conditions and higher returns relative to comparable assets in other gateway markets. This momentum is likely to be sustained, as availability is expected to remain well below historical averages and rents are projected to further escalate this year. The combination of more investors entering the market and a moderate supply pipeline will elevate competition for available assets, placing upward pressure on sale prices. Rising valuations may incentivize developers to list recently stabilized assets as they look to capitalize on the metro's strong investor demand, potentially further stimulating interest from institutional capital.

20.5%  2021 share of local population between 20 and 34 years old

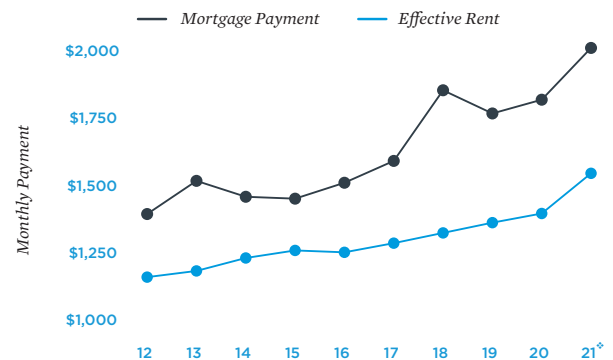
36.6%  of local population hold bachelor's degree or higher*

\$378,700  2021 median home price

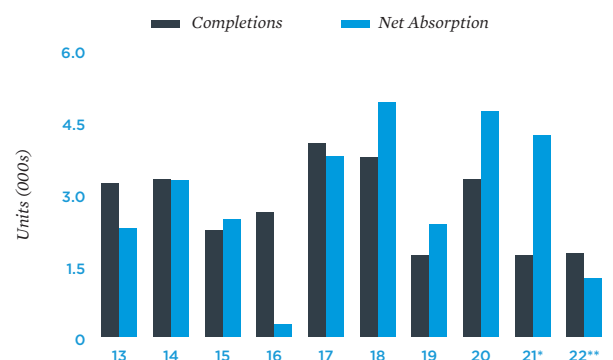
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast † Through 3Q

*2021: 25+ years old

Sources: Marcus & Millichap Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

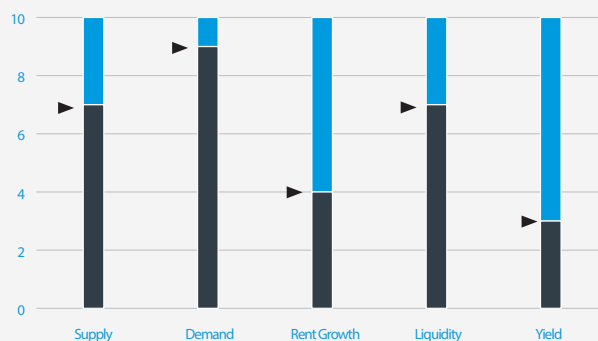
2022 Investment Outlook

Baltimore faces minimal pressure from new development in the near-term, producing a score of 7 on the supply Index; that score is tied for the highest among markets covered. Conversely, rent growth is moderate and the 4 on that section ranks below most other metros.

Deal flow is improving with more investors from the Northeast adjusting their search parameters as historically favored gateway markets face steeper recovery hurdles. Out-of-state activity helps liquidity rank as a 7 on the Key Performance Index, while yields remain regionally elevated.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2022 Market Forecast

Employment

29,000 jobs



Metro **2.1%**
U.S. **2.5%**

Construction

as % of inventory^v



Metro **0.7%**
U.S. **2.2%**

Class A Vacancy

Up 30 bps



Metro **3.1%**
U.S. **3.6%**

Class A Rent

\$2,005
per month



Metro **1.8%**
U.S. **7.5%**

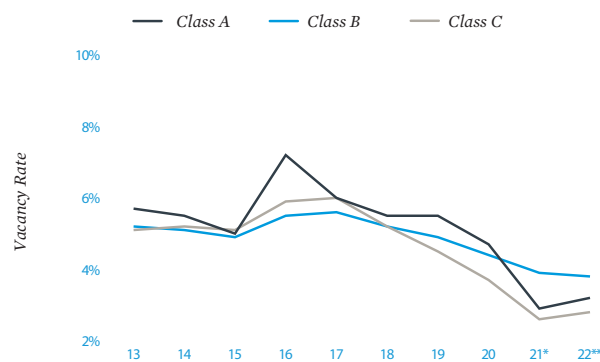
Investment

3-yr. avg. activity
\$20+ million

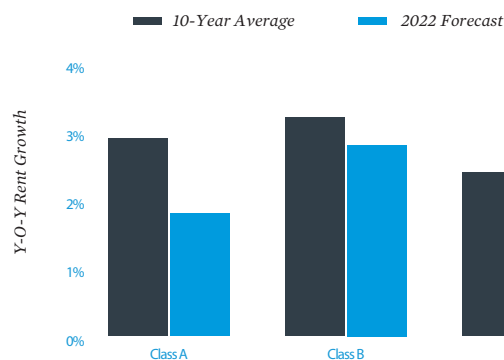


Deals: **26**
Volume: **\$1.5 Billion**

Vacancy By Class



Rent Growth By Class



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* Estimate ** Forecast

† Arrow reflects completions trend compared with 2021
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics