Baltimore
CityBizList

Class A Apartment Market Baltimore Metro Area: First Quarter 2018

4/24/18

Annual absorption in the Baltimore metro rebounded above 2,000 from last quarter – absorbing 2,852 units in the 12-month period ending March 2018. This is the highest absorption level reached since 2016 when 2,694 units were absorbed. Fifty-two percent of apartment absorption in the metro area was in the Southern suburbs. Meanwhile, the development pipeline is down 3% metro-wide from a year ago. Rents increased 0.7% over the year and vacancy was up by 40 basis points. Only two projects began construction in the first quarter.

FIRSTQUARTER 2018 HIGHLIGHTS

- Stabilized vacancy for the Baltimore metro area is up 40 basis points from last year to 5.7%. Vacancy in the suburbs decreased by 10 basis points to 5.3% while in Baltimore City, it increased 160 basis points to 6.5%.
- Average effective rents in the metro area are $1,687 ($1.75 per SF). Rents are up over the year 0.7% metro-wide. East and NE Baltimore County was the only suburban submarket that experienced a rent decrease over the past year. Rents increased by 3.2% in the Southern suburbs and by 1.0% in the Northern suburbs. Rents in Baltimore City fell for the second consecutive quarter, down 3.4%, although in Fells Point/Inner Harbor, rents remained unchanged.
- The supply pipeline metro-wide is down 3% compared to the pipeline in March 2017. About 7,800 units are under construction or planned for delivery in the next 36 months in the metro area after attrition. The only submarkets where the development pipeline increased from a year ago were N Anne Arundel County and East and NE Baltimore County.
- Per project lease-up pace for the 21 actively marketing projects in the Baltimore area currently averages 14 units per month, which compares to an average of 18 units per project per month a year ago. Projects that recently stabilized have an average lease-up pace of 13 units per month.
- Apartment building sales in 2017 include four transactions in low-rise buildings valued at a total of $264.4 million ($239,014 per unit) and four transactions in mid- high-rise buildings valued at a total of $261.7 million ($257,073 per unit). That compares to 2016 with $805.2 million ($213,817 per unit) across 14 transactions – 12 low-rise and two mid-/high-rise buildings. Through early March, one transaction of a low-rise building valued at $33.5 million ($190,341 per unit) closed.

Seven of the eight submarkets we track have less than four years of apartment supply based on absorption over the past 12 months. In addition, two submarkets will add less than 10% of existing inventory over the next 36 months. Baltimore's supply/demand relationship indicates that vacancy rates will decrease 150 basis points to 4.2% by first quarter 2021; however, we expect vacancy to fluctuate during this three-year period. Rents will likely grow only slightly over the next 24 to 36 months, below the long-term average.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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