MARKET REPORT

MULTIFAMILY 2Q/26

Baltimore Metro Area

Marcus & Millichap

Bifurcation Across Class Cuts Poised to Continue as Market Outlook Mixed

Slowdown in new supply helps contain vacancy. Baltimore will receive 1,000 fewer units this year compared to the trailing decade average. This dynamic will partially offset headwinds tied to notable job losses last year and continued net out-migration. These factors are affecting Class A rentals most, with vacancy up 40 basis points year-over-year in March to 5.1 percent, while Class C vacancy fell 90 basis points to 4.2 percent. Changes in the average rent tell a similar story, as Class A rents remained mostly flat during the period. These trends should carry through the rest of 2026, though improvements in Class A fundamentals may also depend on a broader labor market recovery in the metro.

Outer suburbs outperform the CBD. Downtown Baltimore's vacancy rate rose more than any other metro submarket to 6.5 percent, the highest local rate as of March. This largely reflects the labor and construction dynamics highlighted above. Limited supply pressure and middle-income housing demand, meanwhile, support vacancy rates around 4 percent in outer suburbs such as Parkville-Carney-Perry Hall, Ellicott City-Elkridge, as well as in Baltimore City North. These bifurcations across class cuts and geographic settings should continue to shape the metro's apartment landscape in the near term.

2026 FORECAST

EMPLOYMENT

5,000 Jobs will be created | **0.3%** Increase Y-O-Y

CONSTRUCTION

1,500 Units will be added | **0.6%** Inventory increase Y-O-Y

VACANCY

4.6% Vacancy rate | **10** BPS decrease Y-O-Y

RENT

$1,765 Average effective rent by year-end | **1.0%** Increase Y-O-Y

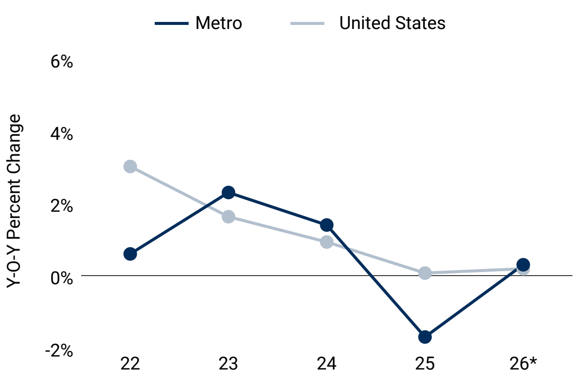
Employment

After experiencing a net loss of more than 20,000 roles in 2025 due to major changes in federal government spending, which historically has had an outsized economic impact on the metro, Baltimore's labor market is expected to modestly improve by the end of 2026. About 5,000 roles were added in the first quarter, driven by strong performances in the manufacturing and education and health services sectors. Still, lingering weakness in the public sector and other white-collar roles could continue to weigh on the metro.

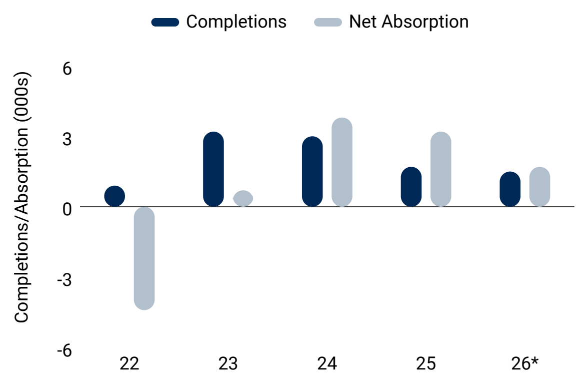
Construction

Development will remain largely on par with last year, though still standing at about half the peak levels in 2023 and 2024. About 80 percent of the units expected this year will fall within the Baltimore Beltway, spread across downtown, areas north and east, and near the airport. The remainder of the pipeline will be concentrated in Ellicott City-Elkridge and Columbia-North Laurel, supported by these submarkets' closer proximity to the Washington, D.C., metro.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



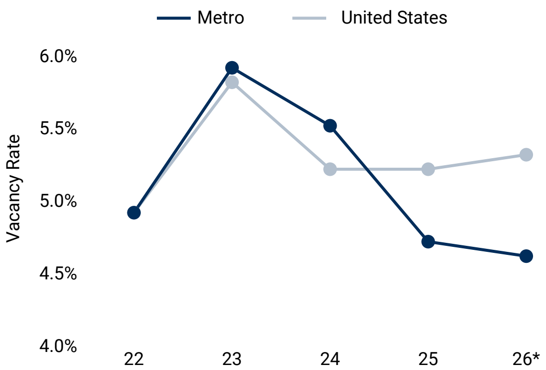
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Vacancy

In contrast to last year's construction slowdown, solid first-half 2025 demand growth pushed metrowide vacancy down 80 basis points by December, the largest decline among major East Coast markets. This trend will weaken in 2026, as labor market softness was evident in net absorption near zero across both CBD and suburban submarkets during the fourth quarter of 2025 and the first quarter of this year. Still, the metric should land at 4.6 percent by year-end, 40 basis points lower than the long-term average.

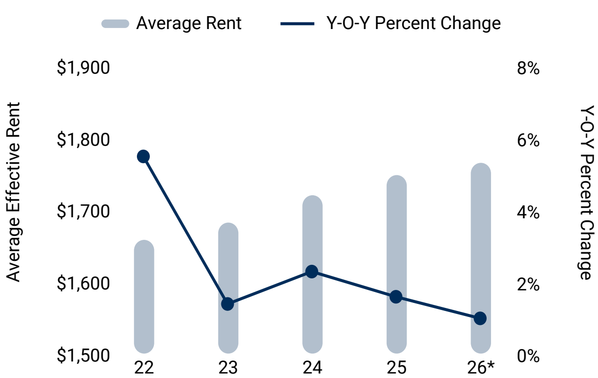
VACANCY TRENDS



Rent

Continuing declines in vacancy at levels already below historic averages will put upward pressure on rent, though the impact will be less pronounced than in 2025. Rent performance will also vary considerably by class, as Class C properties led year-over-year rent growth at 2.9 percent as of March, while Class A buildings registered just 0.4 percent growth over the same period. Ongoing labor market weakness should lead to continued performance bifurcation across quality tiers.

RENT TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

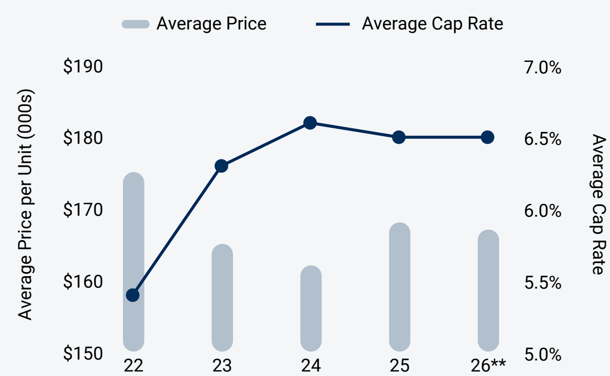
INVESTMENT HIGHLIGHTS

- Transaction velocity increased by 40 percent in the 12 months ended in March compared with the prior yearlong period, driven largely by trades involving Class B and C assets. Baltimore has also historically attracted a sizable share of out-of-state buyers, including from California and New York. Improving vacancy trends should continue to support investor interest.

- Baltimore City recorded a notable increase in transaction velocity, particularly downtown where sales activity doubled in the 12 months ended in March. While several portfolio and bankruptcy-related sales downtown contributed to the increase in sales, vacancy compression in the first quarter of 2026 could also signal early stages of stabilization in the submarket. Additionally, pre-1970 properties in suburban areas surrounding Baltimore City continue to attract investors pursuing value-add and renovation strategies.

- Baltimore continues to post one of the highest average cap rates among major East Coast markets, at 6.5 percent. The metro also appears positioned for long-term improvement in investment conditions, as its relative affordability remains a key factor in attracting both employers and investors. The average price per unit stood at roughly $167,000 in the 12 months ended in March, notably below nearby metros such as Philadelphia and Washington, D.C. While Baltimore has been indirectly impacted by federal government layoffs tied to Washington, D.C., the metro's relative strength in the healthcare and education sectors should support recovery and growth over the medium to long term.

SALES TRENDS



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