

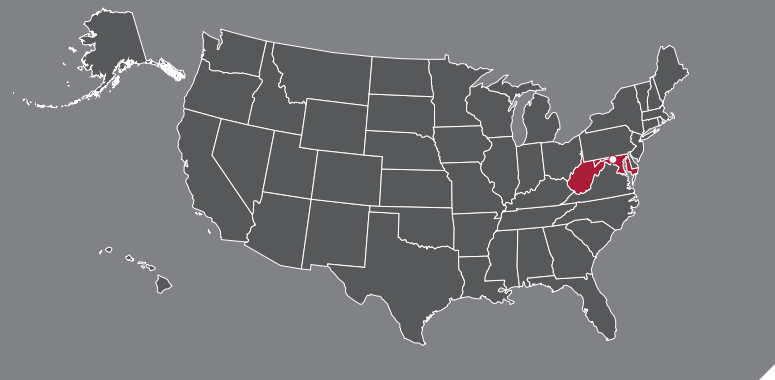
HUD PD&R Housing Market Profiles

Hagerstown-Martinsburg, Maryland-West Virginia



Quick Facts About Hagerstown-Martinsburg, Maryland-West Virginia

- Current sales market conditions: balanced
- Current rental market conditions: balanced
- The city of Hagerstown in Washington County, Maryland is known as “Hub City” because of its location near two major interstates as well as serving as a commercial and retail center for western Maryland, the eastern panhandle of West Virginia, and parts of south-central Pennsylvania.



By Kevin P. Kane | As of November 1, 2019

Overview

The Hagerstown-Martinsburg, Maryland-West Virginia metropolitan area consists of Washington County in Maryland and Berkeley County in West Virginia. In addition to spanning two states, the metropolitan area borders Pennsylvania and Virginia and is within 80 miles of the cities of Baltimore, Maryland; Harrisburg, Pennsylvania; and Washington, DC. Interstates 70 and 81, multiple rail lines, and a regional airport provide a transportation network in all directions, contributing to the higher concentration of jobs in the transportation and utilities sector in the area (9 percent of all jobs locally) relative to the national average (4 percent of all jobs nationally).

- The population in the metropolitan area is currently estimated to be 270,700, an average annual increase of 0.8 percent since July 2015—consistent with the rate earlier in the decade (U.S. Census Bureau population estimates as of July 1, and estimates by the analyst). Approximately 56 percent of the population currently resides in Washington County, with 44 percent in Berkeley County.
- Since 2010, net migration into the metropolitan area has averaged 1,350 people annually (Census Bureau population estimates as of July 1). For comparison, net in-migration

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averaged 940 people annually from 2008 to 2010, when nonfarm payrolls declined by an average annual rate of 1.8 percent.

- In the current decade, nearly 87 percent of the net in-migration has been to Berkeley County, which has been more attractive to developers because of lower construction costs, limited zoning, and fewer regulations than in Washington County. As a result of the higher levels of net in-migration, the population in Berkeley County has increased at an average annual rate of 1.4

percent since 2010, compared with an average annual rate of 0.3 percent in Washington County.

- Net natural change (resident births minus resident deaths) continues to decline in the metropolitan area, a trend since the beginning of the decade. Since 2014, net natural change has averaged 500 people a year, down from an average of 740 people a year from 2010 to 2014 and well below the average of 1,230 people a year from 2005 to 2009.

Economic Conditions

The Hagerstown-Martinsburg metropolitan area lost jobs each year from 2008 through 2010, at an average of 1.8 percent, or 1,800 jobs, annually as a result of the national recession. Job growth resumed in 2011, and by 2013, the number of jobs in the metropolitan area reached a new high with gains averaging 2.2 percent during these 3 years. Significant gains during this period occurred with the expansion of Quad, a publishing and marketing company and one of the leading employers in the area with nearly 1,400 employees. In addition, Meritus Health, the leading employer in the area, expanded operations with a new facility during this period. Job growth has continued since the end of 2013, but the pace has slowed, averaging 0.5 percent a year from 2014 through 2018.

During the 3 months ending October 2019—

- Nonfarm payrolls increased 1.5 percent, or by 1,600 jobs, to 107,000 jobs, with the service-providing sectors accounting for more than one-half of the growth.

- Job gains were led by the transportation and utilities sector, which was up 9.9 percent, or by 900 jobs compared with a year ago. The manufacturing sector had the second highest rate of growth, up 8.0 percent, or by 700 jobs, with ongoing gains at The Procter & Gamble Company in Berkeley County.
- Six sectors had an increase in nonfarm payrolls while jobs declined in four sectors and remained unchanged in the mining, logging, and construction sector. Declines were most significant in the financial activities sector. Citicorp Credit Services, Inc. has lost jobs in recent years and announced that it is relocating its Hagerstown campus outside of the metropolitan area.
- The unemployment rate declined from 3.9 percent to 3.4 percent, the lowest rate during the past 20 years.

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Job gains in the Hagerstown-Martinsburg metropolitan area during the 3 months ending October 2019 were led by the transportation and utilities sector.

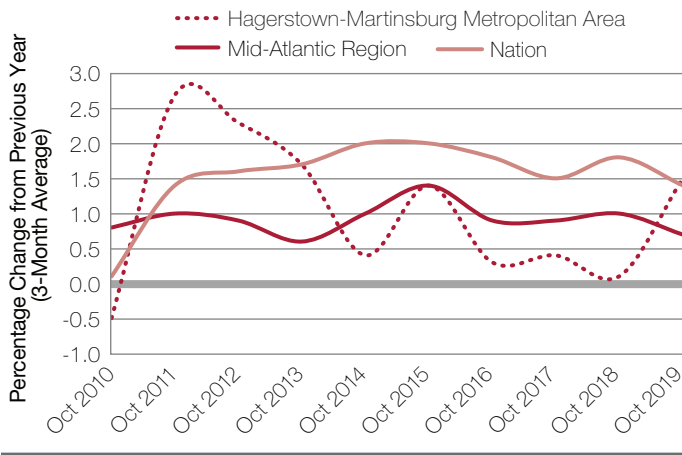
	3 Months Ending		Year-Over-Year Change	
	October 2018 (Thousands)	October 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	105.4	107.0	1.6	1.5
Goods-Producing Sectors	13.7	14.4	0.7	5.1
Mining, Logging, & Construction	4.9	4.9	0.0	0.0
Manufacturing	8.8	9.5	0.7	8.0
Service-Providing Sectors	91.6	92.6	1.0	1.1
Wholesale & Retail Trade	17.6	17.0	-0.6	-3.4
Transportation & Utilities	9.1	10.0	0.9	9.9
Information	2.1	2.0	-0.1	-4.8
Financial Activities	6.2	5.8	-0.4	-6.5
Professional & Business Services	9.4	9.6	0.2	2.1
Education & Health Services	16.3	16.8	0.5	3.1
Leisure & Hospitality	10.4	10.6	0.2	1.9
Other Services	2.8	2.7	-0.1	-3.6
Government	17.8	18.1	0.3	1.7
	(Percent)	(Percent)		
Unemployment Rate	3.9	3.4		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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Year-over-year job growth in the Hagerstown-Martinsburg metropolitan area slightly outpaced the national rate of growth during the 3 months ending in October, the first time since mid-2013.



Note: Nonfarm payroll job growth.
Source: U.S. Bureau of Labor Statistics

Growth in the manufacturing sector is expected to continue during the next several years. In early 2019, The Procter & Gamble Company was estimated to have more than 900 full-time workers at its recently constructed \$500 million, 2 million-square-foot plant located in Berkeley County (WVMetroNews.com). More than 600 jobs were added at the facility during the past 2 years, and an additional 300 jobs are expected to be created during the next 2 years. More production lines are expected to be added during the next 5 to 6 years, with the potential to add 1,400 to 1,500 new jobs. The facility currently produces dryer sheets and is expected to soon be producing shampoo, fabric softener, and dishwashing detergents. Volvo Powertrain North America, which contributes 1,300 jobs to the local economy making

truck engines, is investing \$40 million in its Mack facility that is expected to create 80 new jobs by 2021. Roofing manufacturer, IKO Industries Ltd., has constructed a new \$70-million facility that will begin production in 2020 and is expected to create 70 jobs.

Gains in the transportation and utilities sector have been significant, with the average annual rate of growth exceeding 9 percent since 2011. The \$150 million Macy’s fulfillment center in the city of Martinsburg that opened in 2012 has expanded during the past 7 years and currently employs 700 people. In September 2019, Macy’s announced that they were hiring an additional 6,000 full-time, part-time, and seasonal workers at the facility during the holiday season (WTOP). It is not known how many of these jobs are temporary or how many of these jobs will be permanent.

Approximately 32 percent of the employed residents in the metropolitan area commute outside of the area for work. Of that share, leading destinations include Frederick County, Maryland (with 9 percent of area employed residents), Montgomery County, Maryland (4 percent), and Jefferson County, West Virginia (4 percent). In addition, slightly more than 1 percent commute to Washington D.C. (Census Journey to Work). The lower cost of housing relative to these surrounding locations makes the Hagerstown-Martinsburg metropolitan area an attractive place to live for commuters.

Largest Employers in the Hagerstown-Martinsburg Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Meritus Health	Education & Health Services	2,740
Citicorp Credit Services, Inc.	Financial Activities	2,300
First Data Corp.	Financial Activities	2,183

Note: Excludes local school districts.
Source: Moody’s Analytics

Sales Market Conditions

Sales housing market conditions in the Hagerstown-Martinsburg metropolitan area are currently balanced, with an estimated vacancy rate of 1.9 percent, down from 2.7 percent in 2010 when conditions were slightly soft. During the 12 months ending July 2019, total home sales (including single-family homes, townhomes, and condominiums) declined nearly 11 percent in Washington County to 1,700 homes sold and fell by more than 3 percent in Berkeley County to 2,050 homes sold (Bright MLS, Inc.). The median home sales price in Washington County declined 11 percent from a year ago, to \$199,400 in July 2019. The median price had increased nearly 24 percent in July 2018 from a year earlier. Significant fluctuations exist in the data as a result of the relatively low volume of homes sold each month

compared with larger metropolitan areas. In Berkeley County, the median home sales price increased 12 percent, to \$201,000, in July 2019 from a year ago. This compares with an increase of 2 percent a year earlier. The percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned to real estate owned (REO) status declined to 1.9 percent in October 2019, down from 2.3 percent a year ago. The current rate is lower than the 2.1-percent rate for the state of Maryland but higher than the national rate of 1.4 percent.

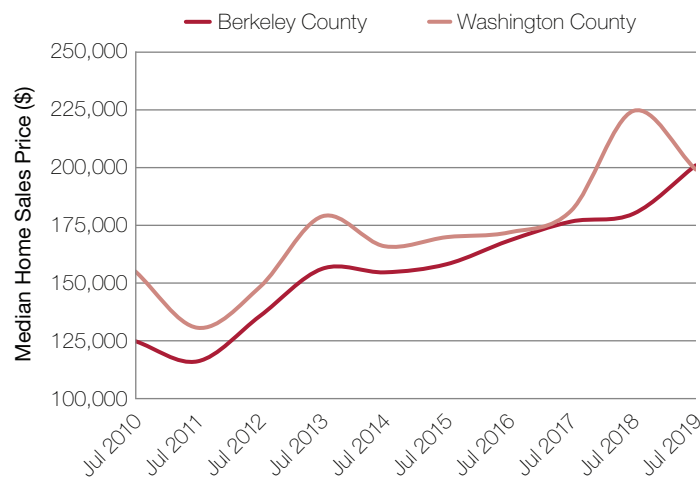
- Home sales declined in Washington County during the early part of the decade. Declines averaged 7 percent annually from the 12 months ending July 2011 through the 12 months

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The median home sales price in Berkeley County surpassed the median home sales price in Washington County for the first time in July 2019.



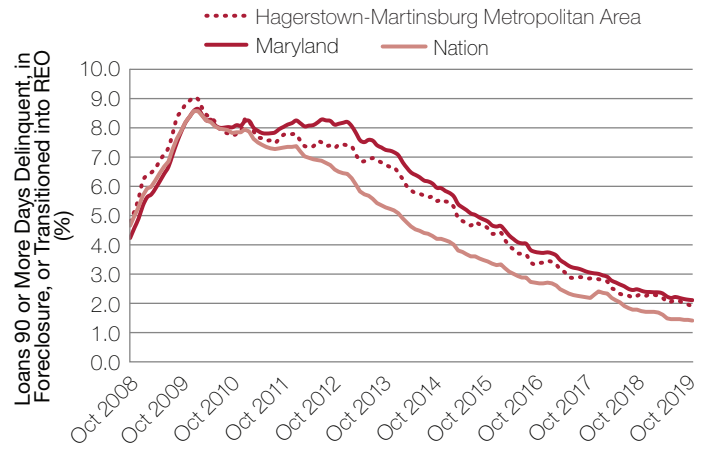
Note: Data are for total home sales prices (single-family homes, townhomes, and condominiums).
Source: Bright MLS, Inc.

ending April 2013 despite relatively strong economic growth during the period. From the 12 months ending May 2013 through the 12 months ending November 2017, home sales increased an average of nearly 13 percent a year. After several months of fluctuation, home sales declined an average of 7 percent a year from the 12 months ending October 2018 through the 12 months ending July 2019.

- In Berkeley County, annual average home sales increased nearly every month since the 12 months ending October 2011, averaging a 7 percent annual increase through 2018. During the first 7 months of July, home sales have declined at an average annual rate of 3 percent.
- For most of the recent decade, the level of home sales was slightly higher in Berkeley County than in Washington County except for 2015 through early 2017 when the trend was reversed. During the 12 months ending July 2019, Berkeley County accounted for 54 percent of sales in the area, a proportion that has been growing since early 2017 resulting from the higher rate of population growth in the county.
- Since July 2010, the median home sales price increased more than 60 percent in Berkeley County compared with an increase of slightly less than 30 percent in Washington County. Price gains in both counties were highest in 2011 and 2012 when sales declined.

In response to strong gains in home sales during much of the decade, single-family homebuilding, as measured by the number

The rate of seriously delinquent mortgages and REO properties in the Hagerstown-Martinsburg metropolitan area has remained above the national level but below the Maryland level since early 2011.



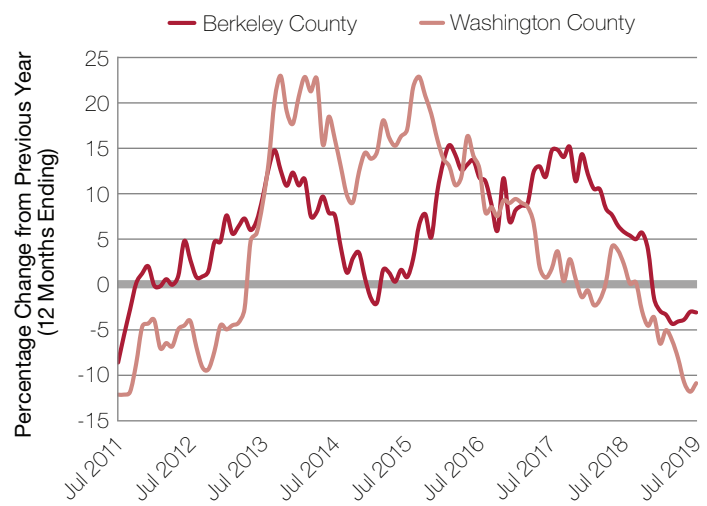
REO = real estate owned.
Source: CoreLogic, Inc.

of homes permitted, has generally been increasing since 2013. Since 2010, approximately 76 percent of the single-family units permitted have been in Berkeley County.

- The number of homes permitted increased an average of 11 percent annually from 800 in 2013 to 1,360 in 2018. During

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Home sales have been declining in both Berkeley and Washington Counties since the end of 2018.



Note: Data are for total home sales (single-family homes, townhomes, and condominiums).
Source: Bright MLS, Inc.

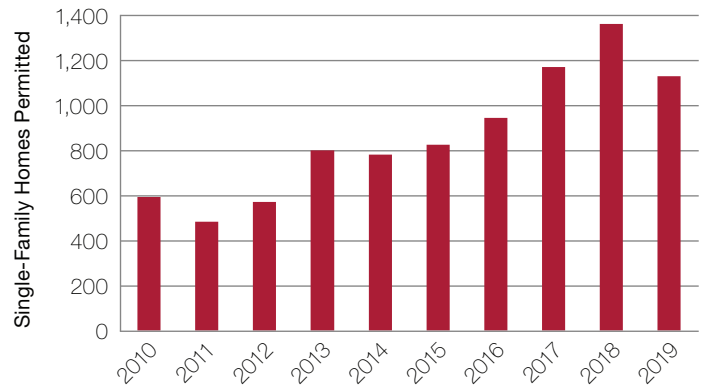


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the first 10 months of 2019, a total of 1,130 homes were permitted, on pace to match the 2018 level of permitting.

- During the early part of the decade from 2010 through 2012, when sales levels were lower and declining, the number of single-family homes permitted averaged 550 a year.
- Some of the more significant developments under construction or in planning include The Village at Freedom Hills, a community for people aged 55 and older under development in Washington County, with homes starting in the low \$200,000s; Phase III of this project is expected to include 42 homes built during the next 2 years. Rosehill Manor is a planned development that will consist of 174 duplex homes built during the next 6 to 7 years in the city of Hagerstown. McGinnis Point is a single-family home development in Martinsburg, with homes selling from \$230,000.

The number of single-family homes permitted has been increasing since 2015.



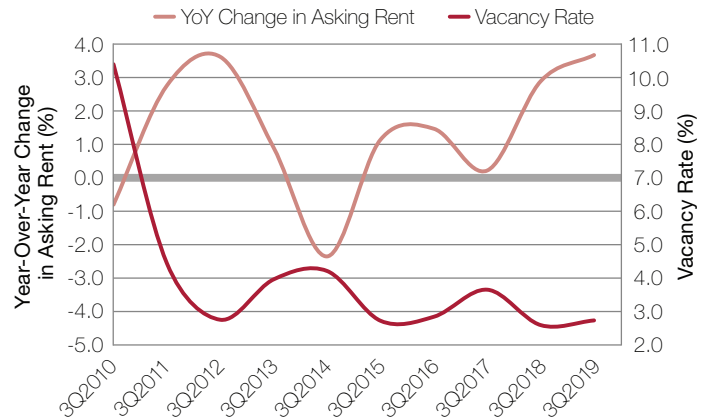
Note: Includes preliminary data from January 2019 through October 2019. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

Rental market conditions in the Hagerstown-Martinsburg metropolitan area are currently balanced, while apartment market conditions are slightly tight. Approximately 45 percent of renter households in 2017 resided in single-family attached or detached homes, while only 37 percent lived in multifamily dwellings with five or more units, typically apartments. In 2010, the comparable figures were 41 and 38 percent (American Community Survey 1-year data). This highlights a growing trend of single-family rentals in the metropolitan area. Historically, apartment development has been relatively limited in the metropolitan area.

- The overall rental vacancy rate (including single-family homes, townhomes, and mobile homes) is currently estimated to be 5.9 percent, down significantly from 10.2 percent in 2010 when conditions were soft.
- The apartment vacancy rate was 2.7 percent during the third quarter of 2019, up slightly from 2.6 percent a year ago (RealPage, Inc.). During the past decade, the apartment vacancy rate peaked at 11.4 percent during the second quarter of 2010 but declined to 3.7 percent one year later. Since 2011, the rate has generally fluctuated between 3 percent and 5 percent, but it has been below 3 percent for the past two quarters.
- Apartment rents increased nearly 4 percent from a year ago and averaged \$958 during the third quarter of 2019 (RealPage, Inc.). Changes in asking rent have been volatile during the decade.

Rents were up nearly 4 percent in the third quarter from a year ago while the apartment vacancy rate was 2.7 percent.



3Q = third quarter. YoY = year-over-year. Source: RealPage, Inc.

Multifamily construction activity, as measured by the number of multifamily units permitted, has averaged 80 units a year from 2010 through 2018. Through the first 10 months of 2019, more than 170 units were permitted, on pace for the highest annual level of multifamily permitting in the current decade, although still modest compared with the 2000s.

- From 2012 through 2015, an average of 130 units were permitted. The number of units permitted declined to an average of 40 units a year from 2016 through 2018.

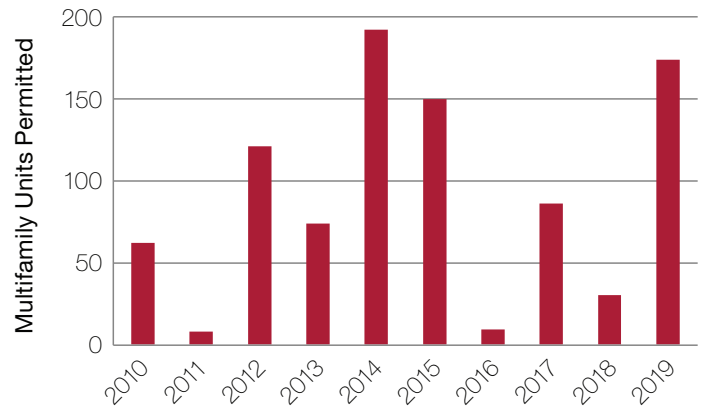
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- No apartments are currently under construction in Washington County. Seneca Ridge, a 120-unit apartment property which was constructed in 2016 near Interstate 81, was the last significant apartment property developed in the county. Currently, rents average \$1,000 for two-bedroom units and \$1,200 for three-bedroom units.
- One of the larger apartment properties being developed in the area is the Village at Spring Mills, a 120-unit townhome-style apartment development in the city of Spring Mills, West Virginia. It is currently under construction and will have two- and three-bedroom units upon completion.
- The Reserve at Berkeley, one of the largest apartment complexes in recent years, is a 236-unit development completed in 2013 with an average asking rent of \$1,129. Goldfinch Meadows is in the planning stage and is expected to have 227 units when completed in 3 years in Berkeley County.

The number of multifamily units permitted in 2019 is on pace to surpass the recent high of 190 units in 2014.



Note: Includes preliminary data from January 2019 through October 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst