

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic

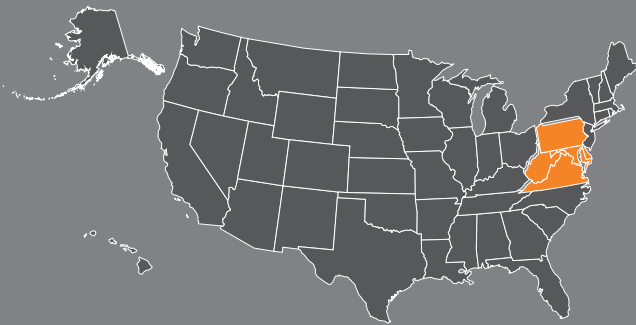


### Quick Facts About Region 3

Arlington, Virginia

By Wendy Ip | 2nd Quarter 2019

- **Sales market conditions—**  
Second quarter 2019: mixed (balanced to slightly tight)  
First quarter 2019: mixed (slightly tight to tight)  
Second quarter 2018: mixed (slightly tight to tight)
- **Apartment market conditions—**  
Second quarter 2019: mixed (slightly tight to tight)  
First quarter 2019: mixed (balanced to tight)  
Second quarter 2018: mixed (slightly soft to slightly tight)



### Overview

The economy of the Mid-Atlantic region expanded during the second quarter of 2019, continuing a period of growth that started during the second quarter of 2010. Despite the expansion, the pace of economic growth has recently slowed, a similar trend as the nation. Most jobs and job growth in the region were led by gains in Pennsylvania and Virginia, which combined, provided 68 percent of jobs and 71 percent of net job growth during the second quarter of 2019, relatively unchanged proportions from the second quarter of 2018. Sales housing market conditions in most major metropolitan areas and divisions in the Mid-Atlantic region improved from a year ago, while conditions in most areas transitioned from slightly tight to balanced; however, overall sales in the region declined partly because of reduced available inventory and rising home prices. Despite elevated sales prices, there was a slight increase in single-family construction activity in the District of Columbia, but it was not enough to offset reduced construction in the five states of the region. Apartment market conditions were tight in most of the major markets in the region during the second quarter of 2019, with vacancy rates declining in nearly all areas cited in this report. Average apartment rents increased in all major markets but rent growth in only three of these markets were as high as the national growth rate of 5 percent.

continued on page 2



continued from page 1

- Nonfarm payroll job growth slowed during the second quarter of 2019, mostly because of a contraction in the retail trade subsector, led by losses in Pennsylvania and Virginia; slower growth in the education and health services and the professional and business services sectors also contributed to the recent deceleration.
- Home sales in the region declined 5 percent during the 12 months ending May 2019 to 504,500 homes sold, with one-half of the decline occurring in Pennsylvania. Growth in Virginia, where home prices are 10 percent higher than the national

average, led increases in average home sales prices in every state in the region and the District of Columbia.

- Multifamily permitting increased 63 percent in the region during the second quarter of 2019 because of greater development in three states in the region and the District of Columbia, compared with a 4-percent decrease nationally. As a result of the increase, multifamily development in the region accounted for 8 percent of all multifamily development in the nation, up from 4 percent during the second quarter of 2018.

## Economic Conditions

The economy of the Mid-Atlantic region has expanded each quarter since the second quarter of 2010; however, the pace of job growth has recently slowed. During the second quarter of 2019, nonfarm payrolls in the region averaged 14.9 million jobs, increasing by 116,400 jobs, or 0.8 percent, from the second quarter of 2018, compared with a gain of 170,700 jobs, or 1.2 percent, the same quarter a year earlier. The regional slowdown was partly caused by a contraction in retail trade and slower job growth in the education and health services and the professional and business services sectors. In the retail trade subsector, a rise in e-commerce has impacted retailers nationwide; approximately 7,400 shops throughout the United States have announced closure in 2019, compared with 5,864 store closures in 2018 and 8,139 closures in 2017 (Coresight Research). A combined 41 Sears and Kmart stores have already closed in Pennsylvania and Virginia in 2019. Overall, the Mid-Atlantic region accounted for more than one-third of the national contraction in the retail trade subsector during the second quarter of 2019, with a total of 26,500 jobs lost, or 1.8 percent. Approximately 66 percent of regional losses in the

retail trade subsector occurred in Pennsylvania and Virginia. The education and health services and the professional and business services sectors added 47,400 and 26,000 jobs, or 1.8 and 1.1 percent, respectively, during the second quarter of 2019, compared with 57,900 and 38,200 jobs, or 2.3 and 1.7 percent, respectively during the second quarter of 2018. Despite adding fewer jobs compared with the second quarter of 2018, the two sectors led overall regional nonfarm payroll growth. The healthcare and social assistance industry accounted for 88 percent of the net gain in education and health services sector during the second quarter of 2019, supported by continued regional population growth and need for healthcare services. In the professional and business services sector, the professional, scientific, and technical services industry accounted for 90 percent of sector job growth. Kaiser Permanente of the Mid-Atlantic states continued to add to the planned total of 850 employees following the completion of a 176,000-square-foot office building in Landover, Maryland in early 2019, contributing to growth in the professional and business services sector.

continued on page 3

**Nonfarm payroll job growth in the Mid-Atlantic region during the second quarter of 2019 was partly moderated by a notable loss in the wholesale and retail trade sector.**

	Second Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	14,788.5	14,904.9	116.4	0.8
Goods-Producing Sectors	1,751.4	1,776.2	24.8	1.4
Mining, Logging, & Construction	758.7	778.4	19.7	2.6
Manufacturing	992.7	997.8	5.1	0.5
Service-Providing Sectors	13,037.1	13,128.7	91.6	0.7
Wholesale & Retail Trade	1,924.9	1,902.8	-22.1	-1.1
Transportation & Utilities	566.0	582.0	16.0	2.8
Information	223.2	219.4	-3.8	-1.7
Financial Activities	784.9	785.9	1.0	0.1
Professional & Business Services	2,311.0	2,337.0	26.0	1.1
Education & Health Services	2,613.6	2,661.0	47.4	1.8
Leisure & Hospitality	1,506.0	1,524.4	18.4	1.2
Other Services	698.8	703.1	4.3	0.6
Government	2,408.8	2,413.0	4.2	0.2

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

The unemployment rate in the region averaged 3.5 percent during the second quarter of 2019, down from 3.8 percent a year earlier and was the same rate as the national average. All states in the region and the District of Columbia had a decline in the unemployment rate. Virginia had the lowest unemployment rate in the region, at 2.8 percent, and the seventh-lowest rate in the nation, followed by Delaware and Maryland, at 3.2 and 3.6 percent, respectively. Unemployment rates in Pennsylvania and West Virginia declined the most among areas in the region, down 0.5 and 0.8 percentage points, respectively, to 3.7 and 4.5 percent. Despite a 0.1-percentage point decline in the District of Columbia, the area had the highest rate in the region, at 5.4 percent.

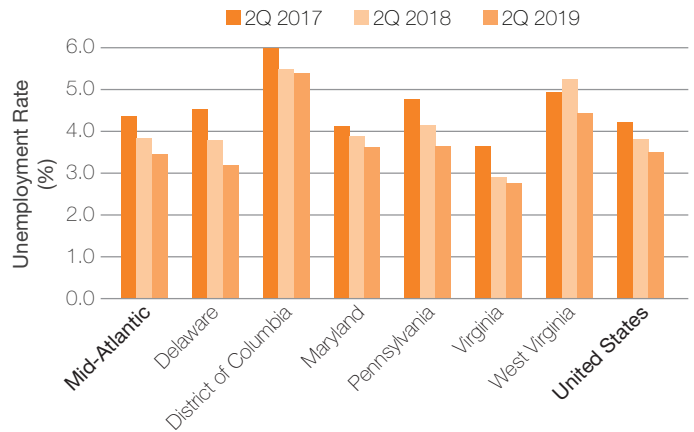
During the second quarter of 2019—

- Pennsylvania and Virginia added 51,400 and 31,600 jobs, or gains of 0.9 and 0.8 percent, compared with 68,100 and 50,800 jobs, or 1.1 and 1.3 percent, added during the second quarter of 2018. The education and health services sector accounted for 46 percent of net job growth in Pennsylvania, up by 23,800 jobs, or 1.9 percent, whereas the professional and business services sector accounted for 38 percent of growth in Virginia, up by 12,000 jobs, or 1.6 percent.
- Nonfarm payrolls in the District of Columbia and Maryland increased by 3,100 and 14,900 jobs, or 0.4 and 0.5 percent, respectively from a year ago, lower than the gain of 9,900 and 23,700 jobs, or 1.3 and 0.9 percent, during the second quarter of 2018. The leisure and hospitality sector led job growth in the District of Columbia, adding 1,400 jobs, or 1.8 percent, whereas the professional and business services sector led growth in Maryland, up by 9,100 jobs, or 2.0 percent.

## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in the Mid-Atlantic region during the second quarter of 2019, improving from generally tight conditions a year ago. A relatively slow pace of economic expansion, low supply of homes on the market, and rising prices contributed to a decline in home sales in all major markets and nearly all states in the region. The inventory of homes available for sale declined 7 percent in the Mid-Atlantic region during the 12 months ending May 2019, to 137,500 homes, and had accounted for 10 percent of the national inventory, compared with 11 percent of the national inventory a year ago (CoreLogic, Inc.). The average home sales price for the region (including single-family homes, townhomes, and condominiums) increased 4 percent, to \$276,600, during the 12 months ending May 2019 after a 3-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Despite

## Unemployment rates declined throughout the Mid-Atlantic region during the second quarter of 2019.



2Q = second quarter.  
Source: U.S. Bureau of Labor Statistics

- In Delaware, nonfarm payrolls expanded by 4,200 jobs, or 0.9 percent. The education and health services sector added the most jobs in the state, up by 2,200 jobs, or 2.8 percent, compared with the previous year, with hospital jobs accounting for more than one-half of the gain.
- West Virginia added 11,300 nonfarm payroll jobs or a 1.5-percent increase. The mining, logging, and construction sector led job gains and accounted for 95 percent of overall growth, expanding by 10,700 jobs, or 17.4 percent. Virtually all the sector growth was due to gains in the construction subsector, aided mostly by natural gas pipeline development.

the increase, home sales prices in the region were 7 percent lower than the national average, but the rate of growth in prices was slightly faster. Nationwide, the average home sales price rose 3 percent, to \$296,100, during the 12 months ending May 2019. Average home sales prices rose in all five states of the region and the District of Columbia, with the greatest price gain occurring in Virginia, where prices increased 4 percent to \$326,100. The District of Columbia had the highest average home prices in the region, at nearly \$637,000, or more than double the national average, but increased at the slowest pace, up by only 1 percent from the 12 months ending May 2018. Average home sales prices also increased in all major metropolitan areas and divisions cited in this report, ranging from a 2-percent increase in both Virginia Beach and Washington-Arlington-Alexandria, to a 5-percent increase in Pittsburgh and Richmond.

continued on page 4



continued from page 3

Home prices increased in all major markets in the Mid-Atlantic region, partly contributing to a decline in sales.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 (\$)	2019 (\$)	Percent Change
Baltimore	May	54,997	52,934	-4	AVG	280,752	293,098	4
Philadelphia	May	37,438	31,589	-16	AVG	207,557	215,365	4
Pittsburgh	May	36,828	36,487	-1	AVG	176,247	185,417	5
Richmond	May	27,603	25,227	-9	AVG	254,823	268,788	5
Virginia Beach	May	33,584	32,610	-3	AVG	255,322	259,993	2
Washington-Arlington-Alexandria	May	98,853	94,567	-4	AVG	467,163	478,468	2

AVG = average.

Notes: All figures are rounded. Data include new and existing single-family homes, townhomes, and condominiums. Data for Philadelphia represent the Philadelphia metropolitan division; all other areas listed are metropolitan areas.

Sources: CoreLogic, Inc., with adjustments by the analyst; Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The number of home sales in the Mid-Atlantic region decreased 5 percent during the 12 months ending May 2019 from a year earlier, following a 3-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The trend in home sales in the region was similar to the nation where sales decreased 5 percent, following a 2-percent gain a year earlier. Home sales declined the most in Pennsylvania and Virginia, both down 6 percent, and accounting for 50 and 36 percent, respectively, of the decline in regional sales. In Delaware, the District of Columbia, and Maryland, home sales declined 5, 4, and 3 percent, respectively. Offsetting these losses was an 11-percent gain in West Virginia. The major areas cited in this report all had reduced home sales. The greatest percentage and numerical decline occurred in the Philadelphia metropolitan division where sales were down 16 percent, or by 5,850 homes, accounting for 45 percent of the statewide decrease. In the Richmond and Virginia Beach metropolitan areas, home sales decreased 9 and 3 percent, respectively, during the 12 months ending May 2019 and accounted for 36 percent of the net decrease in sales in Virginia. The 4-percent decline in the Baltimore metropolitan area contributed to 66 percent of decreased sales in Maryland. The Washington-Arlington-Alexandria metropolitan area, which includes the District of Columbia and three states in the region, had the second largest numerical decrease in home sales in the region, down by 4,275, or 4 percent.

The number of distressed sales (real estate owned [REO] and short sales) in the region declined significantly during the past year because generally strong sales market conditions led to fewer of these properties in the inventory. REO sales fell 19

percent and short sales declined 22 percent during the 12 months ending May 2019, after decreases of 24 and 52 percent, respectively, during the previous 12-month period. Nationwide, the number of REO sales fell 13 percent, and short sales fell 55 percent during the 12 months ending May 2019. The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and REO properties in the region declined from 2.2 percent in May 2018 to 1.7 percent in May 2019. The national percentage declined from 2.0 percent to 1.4 percent during the same period. In the region, the percentage of seriously delinquent mortgage loans and REO properties was highest in Maryland, at 2.2 percent, down from 2.6 percent a year ago. The regional rate partly reflects a lower rate in Virginia, at 1.0 percent, down from 1.4 percent a year ago.

During the second quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased 7 percent in the Mid-Atlantic region from a year ago, to 12,550 homes, compared with a 1-percent decline during the second quarter of 2018. The rate of decline was greater than in the nation, where the number of homes permitted decreased 5 percent, compared with a 6-percent gain during the second quarter of 2018.
- Reduced single-family homebuilding activity in Maryland accounted for 47 percent of the regionwide decline down 440 homes, or 12 percent, to 3,325 homes after a 6-percent increase during the same period a year earlier. A 12-percent decline in single-family permitting in the Baltimore metropolitan area, where 1,425 homes were permitted, accounted for 42 percent of the overall net decline in the state.

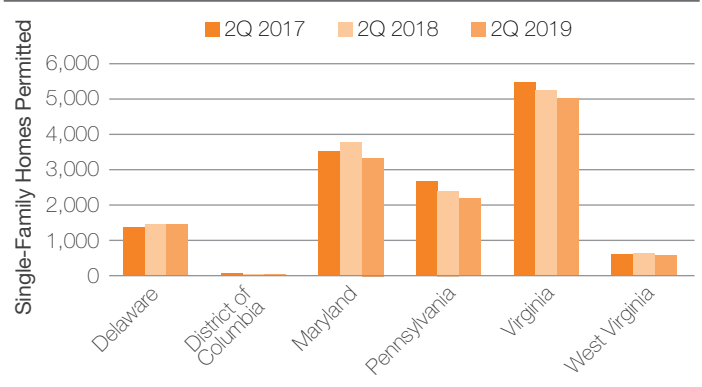
continued on page 5



continued from page 4

- Decreased single-family permitting in Pennsylvania and Virginia accounted for a combined 49 percent of the overall decline in the region, which were down by 200 and 250 homes, or 8 and 5 percent, respectively. The Virginia Beach metropolitan area accounted for 58 percent of the net decline in Virginia, whereas the decrease in Pennsylvania occurred broadly throughout the state.
- Homebuilding activity declined by 15 and 40 homes, or 1 and 7 percent, in Delaware and West Virginia, respectively, to 1,425 and 570 homes permitted, compared with a gain of 80 and 40 homes, or 6 and 7 percent, respectively a year ago.
- In the District of Columbia, single-family homebuilding increased by 20 homes, or 91 percent, compared with a decline of 40 homes, or 62 percent, during the second quarter of 2018.

Homebuilding activity slowed in the Mid-Atlantic region during the second quarter of 2019 because of a decline in five states in the region.



2Q = second quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

Apartment market conditions in the major market areas in the Mid-Atlantic region ranged from slightly tight to tight during the second quarter of 2019. Apartment vacancy rates declined in every major market area cited in this report and rose only in the Downtown Silver Spring-RealPage, Inc.-defined area of the Washington-Arlington-Alexandria metropolitan area. Vacancy rates for most areas were below the national rate of 4.0 percent during the second quarter of 2019 (RealPage, Inc.). Aside from the 1-percent increase in the Downtown Silver Spring area, average rents increased from 3 to 5 percent in all major market areas in the region, whereas the average rent for the nation rose 5 percent, to \$1,398. The highest increases in the average rent in the Mid-Atlantic region were 5-percent gains in the Philadelphia, Pittsburgh,

and Richmond metropolitan areas, where the decline in vacancy rates ranged from 0.5 to 0.8 percentage points. The average rent rose solidly in the Washington-Arlington-Alexandria metropolitan area, in part, because of strong job growth in the professional and business services sector, one of the highest-paying sectors in the area. Concessions as a percentage of asking rent declined in nearly all areas cited in this report because of generally tight market conditions, ranging from a 2-percentage point decrease in the Washington-Arlington-Alexandria metropolitan area to nearly an 11-percentage point reduction in the Baltimore metropolitan area. In the Downtown Silver Spring area, concessions increased 13 percentage points partly in response to a greater number of units that were recently completed.

continued on page 6

Apartment vacancy rates declined in most major market areas in the Mid-Atlantic region during the second quarter of 2019.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2018 (%)	2Q 2019 (%)	Percentage Point Change	2Q 2018 (\$)	2Q 2019 (\$)	Percent Change
Baltimore	Slightly Tight	5.5	4.5	-0.9	1,307	1,353	4
Philadelphia	Tight	4.3	3.5	-0.7	1,294	1,356	5
Pittsburgh	Slightly Tight	4.7	3.9	-0.8	1,092	1,145	5
Richmond	Tight	3.9	3.5	-0.5	1,051	1,103	5
Virginia Beach	Tight	5.0	3.8	-1.2	1,049	1,085	3
Washington-Arlington-Alexandria	Slightly Tight	4.5	3.8	-0.7	1,735	1,798	4
Washington, D.C.—Central D.C.	Slightly Tight	4.6	3.8	-0.8	2,420	2,511	4
Washington, D.C.—Downtown Silver Spring	Slightly Tight	4.0	4.3	0.3	1,811	1,835	1
Washington, D.C.—North Arlington	Tight	4.4	3.1	-1.3	2,309	2,401	4

2Q = second quarter.  
 Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.



continued from page 5

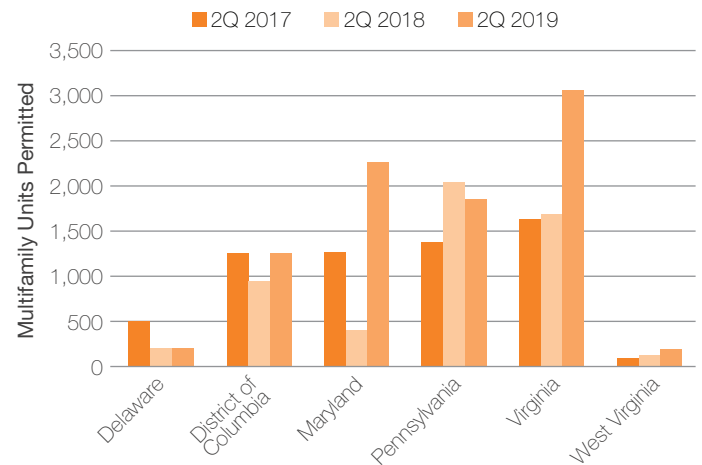
The apartment pipelines continued to be elevated in the Baltimore, Philadelphia, and Washington-Arlington-Alexandria metropolitan areas during the second quarter of 2019, a trend that had started in the early-to-mid 2010s. The number of multifamily units in planning increased 20 percent in Baltimore from the second quarter of 2018 to 13,100 units (Delta Associates). In the city of Philadelphia, where 40 percent of the Philadelphia metropolitan area apartment development is concentrated, units in planning increased 16 percent to 11,900 units. The number of units in planning in the Washington-Arlington-Alexandria metropolitan area totaled 94,200 units as of the second quarter of 2019, and, although down from 95,200 a year earlier, it remains high. The District of Columbia accounted for 17 percent, or 16,200 units, of the total pipeline in the Washington-Arlington-Alexandria metropolitan area, compared with nearly 18 percent, or 16,750 units, a year ago. The pipelines listed above encompass developments in all stages of planning, including those that are moving toward final approvals and that may begin construction within the next 36 months, as well as others in the conceptual stage that may take several years to come to market.

During the second quarter of 2019 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily permits issued, increased in the Mid-Atlantic region by 3,425 units, or 63 percent, following a 12-percent decline during the second quarter of 2018.
- A more than five-fold increase in multifamily permitting in Maryland accounted for 54 percent of the net gain in the region, where permits rose to 2,250 units. Multifamily permitting in the Baltimore metropolitan area, where 560 units were permitted, up 50 percent from a year ago, accounted for 10 percent of the overall statewide gain.

- The District of Columbia and Virginia accounted for a combined 49 percent of the net increase in permitting in the region, where permits were up by 310 and 1,375 units, or 32 and 82 percent, respectively, from a year ago.
- Multifamily construction activity increased by 65 units, or 53 percent, in West Virginia and was virtually unchanged in Delaware, compared with a gain of 40 units, or 44 percent, in West Virginia and a 300-unit, or 60-percent, decline in Delaware during the second quarter of 2018.

**Multifamily construction activity increased overall in the Mid-Atlantic region during the second quarter of 2019, mostly because of strong gains in Maryland and Virginia.**



2Q = second quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

