

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic

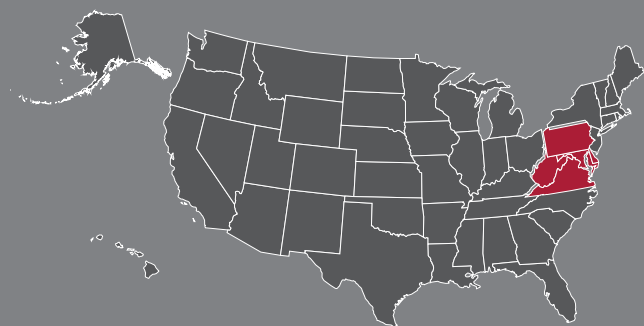


### Quick Facts About Region 3

Baltimore, Maryland

By Wendy Ip | 3rd Quarter 2019

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



## Overview

The economy of the Mid-Atlantic region expanded during the third quarter of 2019, continuing a period of growth that began during the second quarter of 2010. The pace of economic growth, however, has slowed recently—a trend similar to the nation. Gains in Pennsylvania and Virginia, which provided a combined 68 percent of jobs and 65 percent of net job growth during the third quarter of 2019, led most jobs and job growth in the region; these were relatively unchanged proportions from the third quarter of 2018. Sales housing market conditions in most major metropolitan areas and divisions in the Mid-Atlantic region improved from a year ago, transitioning from tight or slightly tight to balanced; however, overall sales in the region decreased partly because of reduced available inventory and rising home prices. Despite elevated sales prices, there was a slight increase in single-family construction activity because growth in two states in the region offset reduced construction in the remaining three states and the District of Columbia. Apartment market conditions were tight in most of the major markets in the region during the third quarter of 2019, with vacancy rates declining in all areas cited in this report. Average apartment rents increased in all major markets but rent growth in only four of these markets matched or exceeded the national growth rate of 5 percent.

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- Nonfarm payroll job growth slowed during the third quarter of 2019, mostly because of a contraction in the manufacturing sector and retail trade subsector, led by losses in Pennsylvania; slower growth in the mining, logging, and construction 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 August 2019 to nearly 505,800 homes sold, with more than one-half of the decline occurring in Pennsylvania. Home price growth in Virginia, where sales

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 was relatively unchanged in the region during the third quarter of 2019 because greater development in the District of Columbia and Pennsylvania offset a notable decline in Maryland, compared with a 22-percent increase nationally. As a result, the proportion of multifamily development in the region declined to 6 percent of all multifamily development in the nation from 8 percent during the third quarter of 2018.

## Economic Conditions

The economy of the Mid-Atlantic region has expanded each quarter since the second quarter of 2010, although the pace of job growth has slowed. Nonfarm payrolls in the region averaged nearly 14.9 million jobs during the third quarter of 2019, increasing by 113,500 jobs, or 0.8 percent from the third quarter of 2018, compared with a gain of 152,700 jobs, or 1.0 percent the same quarter a year earlier. The regional slowdown was partly caused by a contraction in the manufacturing sector and the retail trade subsector, combined with slower growth in the mining, logging, and construction and the professional and business services sectors. Throughout the region, 3,800 manufacturing jobs, or 0.4 percent, were lost, with more than all the net decline attributed to losses in Pennsylvania; in this state, the manufacturing sector was down by 9,300 jobs, or 1.6 percent. Since the third quarter of 2018, TEVA Pharmaceuticals, Pittsburgh Glass Works, LLC, John Middleton Company, and Harbison Walker International have laid off a combined 475 employees

due to company restructuring and relocations to the Midwest region. Partly offsetting the loss in Pennsylvania have been the 5,300 manufacturing jobs added, a 2.2-percent gain, in Virginia. In the retail trade subsector, a rise in e-commerce has impacted retailers nationwide. Overall, the Mid-Atlantic region accounted for nearly one-third of the national contraction in the retail trade subsector during the third quarter of 2019, with 24,100 jobs, or 1.6 percent, lost. Approximately 65 percent of regional losses in the retail trade subsector occurred in Pennsylvania and Virginia. More than 40 Sears and Kmart stores combined have closed in the two states since the beginning of 2019. The mining, logging, and construction and the professional and business services sectors added 14,300 and 19,500 jobs, or 1.8 and 0.8 percent, respectively, during the third quarter of 2019, down from 25,800 and 34,600 jobs, or 3.4 and 1.5 percent, respectively, during the third quarter of 2018. The construction subsector accounted for

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**Nonfarm payroll job growth in the Mid-Atlantic region during the third quarter of 2019 was partly moderated by losses in the manufacturing and the wholesale and retail trade sectors.**

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	14,745.9	14,859.4	113.5	0.8
Goods-Producing Sectors	1,783.4	1,793.9	10.5	0.6
Mining, Logging, & Construction	783.7	798.0	14.3	1.8
Manufacturing	999.7	995.9	-3.8	-0.4
Service-Providing Sectors	12,962.5	13,065.5	103.0	0.8
Wholesale & Retail Trade	1,922.0	1,899.4	-22.6	-1.2
Transportation & Utilities	563.3	578.8	15.5	2.8
Information	220.7	221.1	0.4	0.2
Financial Activities	788.8	794.0	5.2	0.7
Professional & Business Services	2,322.4	2,341.9	19.5	0.8
Education & Health Services	2,595.4	2,639.6	44.2	1.7
Leisure & Hospitality	1,529.3	1,554.2	24.9	1.6
Other Services	701.3	705.9	4.6	0.7
Government	2,319.2	2,330.7	11.5	0.5

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



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85 percent of net gain in the mining, logging, and construction sector during the third quarter of 2019. Approximately 40 percent of the regionwide gain in construction jobs occurred in Pennsylvania, whereas Virginia and West Virginia each accounted for nearly 30 percent of the growth. In the professional and business services sector, the employment services industry accounted for 18 percent of sector growth, mostly because of jobs added in Pennsylvania. The Employment First program that began in the state in mid-2018 partly contributed to growth in the employment services industry.

The unemployment rate in the region averaged 3.8 percent during the third quarter of 2019, down from 3.9 percent a year earlier. Four states in the region had a decline in the unemployment rate. Maryland had the lowest unemployment rate in the region, at 3.7 percent, the same as the national average. Virginia and Delaware had an increase in the average unemployment rate; however, both rates remained relatively low, at 3.8 and 3.9 percent, respectively. The unemployment rate in West Virginia declined the most among areas in the region, down 0.5 percentage point to 4.4 percent, followed by the District of Columbia and Maryland, each down 0.2 percentage point to 5.6 and 3.7 percent, respectively. In Pennsylvania, the average unemployment rate declined by 0.1 percentage point to 4.3 percent.

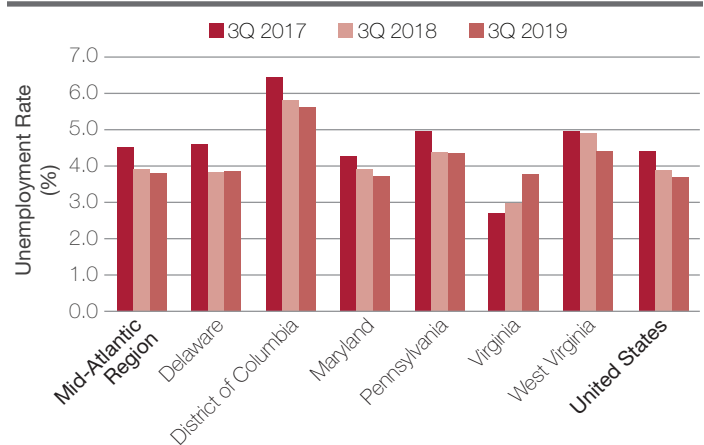
During the third quarter of 2019—

- Pennsylvania and Virginia added 37,200 and 36,000 jobs, or 0.6 and 0.9 percent, respectively, compared with 64,900 and 47,200 jobs, or 1.1 and 1.2 percent, added during the third quarter of 2018. The education and health services sector accounted for the largest share of job gains in both Pennsylvania and Virginia, up by 12,000 and 14,200 jobs, or 1.0 and 2.6 percent, respectively.
- Despite the overall slowdown in the region, nonfarm payrolls in the District of Columbia and Maryland increased by 9,300 and 18,700 jobs, or 1.2 and 0.7 percent, respectively, from a year ago, higher than the gain of 7,000 and 15,900 jobs, or 0.9 and 0.6 percent, during the third quarter of 2018.

## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in the Mid-Atlantic region during the third 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 nearly all markets and states in the region. The inventory of homes available for sale declined 6 percent in the Mid-Atlantic region during the 12 months ending September 2019 to 136,000 homes and had accounted for 10 percent of the national inventory, compared with 11 percent of the national inventory it accounted for a year ago (CoreLogic, Inc.). The average home sales price for the region (including single-family

## Unemployment rates declined in all but two states in the Mid-Atlantic region during the third quarter of 2019.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

The leisure and hospitality sector led job growth in the District of Columbia, adding 2,800 jobs, or 3.5 percent, whereas the education and health services sector led growth in Maryland, up by 10,300 jobs, or 2.2 percent.

- In Delaware, nonfarm payrolls expanded by 6,100 jobs, or 1.3 percent. The education and health services sector added the most jobs in the state, up by 2,800 jobs, or 3.6 percent, compared to the previous year, with hospital jobs accounting for nearly 60 percent of the gain.
- West Virginia added 6,100 nonfarm payroll jobs, or a 0.8-percent increase. The mining, logging, and construction sector led job gains and accounted for 48 percent of overall growth, expanding by 2,900 jobs, or 4.2 percent; all net sector growth was due to gains in the construction subsector, including jobs added from the reconstruction of the West Virginia Turnpike that is expected to be completed by the fall of 2021.

homes, townhomes, and condominiums) increased 3 percent, to \$278,600, during the 12 months ending August 2019, the same percentage increase as during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Despite the increase, home sales prices in the region were 7 percent lower than the national average. Nationwide, the average home sales price rose 3 percent to \$298,600 during the 12 months ending August 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 \$329,500. The District of Columbia had the highest average home prices in the region at nearly \$641,600, or more than double the

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

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Morgantown	August	1,225	1,525	24	AVG	220,400	241,300	9
Dover	August	3,361	3,022	-10	AVG	210,625	217,118	3
Baltimore	August	55,233	52,124	-6	AVG	283,165	296,455	5
Philadelphia	August	37,526	29,143	-22	AVG	210,536	217,362	3
Pittsburgh	August	37,477	36,613	-2	AVG	181,051	186,546	3
Richmond	August	27,196	25,279	-7	AVG	258,821	272,877	5
Virginia Beach	August	33,584	32,610	-3	AVG	255,322	259,993	2
Washington-Arlington-Alexandria	August	98,168	93,841	-4	AVG	471,453	483,442	3

AVG = average.

Notes: All figures are rounded. Data include new and existing single-family homes, townhomes, and condominiums. Data for Philadelphia represents 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

national average, but increased at the slowest pace, up only 1 percent from the 12 months ending August 2018. Average home sales prices also increased in all metropolitan areas and divisions cited in this report, ranging from a 2-percent increase in Virginia Beach, Virginia, to a 9-percent increase in Morgantown, West Virginia.

The number of home sales in the Mid-Atlantic region decreased 5 percent during the 12 months ending August 2019 from a year earlier, following a 2-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 6 percent, following a 2-percent gain a year earlier. Home sales declined the most in Delaware, down 8 percent, followed by Pennsylvania, which was down 7 percent and accounted for the largest share at 56 percent of the regionwide decrease. In the District of Columbia, Maryland, and Virginia, home sales declined 6, 5, and 4 percent, respectively. Offsetting these losses was a 30-percent gain in West Virginia with 10 percent of the net statewide gain occurring in the Morgantown metropolitan area. The remaining areas in this region all had reduced home sales. The greatest percentage and numerical decline occurred in the Philadelphia metropolitan division, where sales were down 22 percent, or by 8,375 homes, accounting for 55 percent of the statewide decrease. In the Richmond and Virginia Beach metropolitan areas, home sales decreased 7 and 3 percent, respectively, during the 12 months ending August 2019 and accounted for 42 percent of the net decrease in sales in Virginia. The 6-percent decline in the Baltimore metropolitan area contributed to 52 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 4,325 or 4 percent (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

The number of distressed home 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 21 percent, and short sales declined 23 percent during the 12 months ending August 2019 after decreases of 23 and 35 percent, respectively, during the previous 12-month period. Nationwide, the number of REO sales fell 20 percent, and short sales fell 17 percent during the 12 months ending August 2019. The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and REO properties in the region declined from 2.0 percent in August 2018 to 1.7 percent in August 2019. The national percentage declined from 1.8 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 Delaware and Maryland, both at 2.1 percent, each down from 2.4 percent a year ago. The regional rate partly reflects a lower rate in Virginia at 1.1 percent, down from 1.3 percent a year ago.

During the third quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 4 percent in the Mid-Atlantic region from a year ago, to 11,950 homes, compared with a 6-percent decline during the third quarter of 2018. The rate of increase was the same as the nation, where homebuilding activity slowed from a 5-percent gain during the third quarter of 2018.
- Increased single-family permitting in Delaware and Virginia, which were up by 200 and 620 homes, respectively, or 15 percent each, more than offset declines in the remaining states and the District of Columbia. The Dover metropolitan area accounted for 12 percent of the net increase in Delaware,

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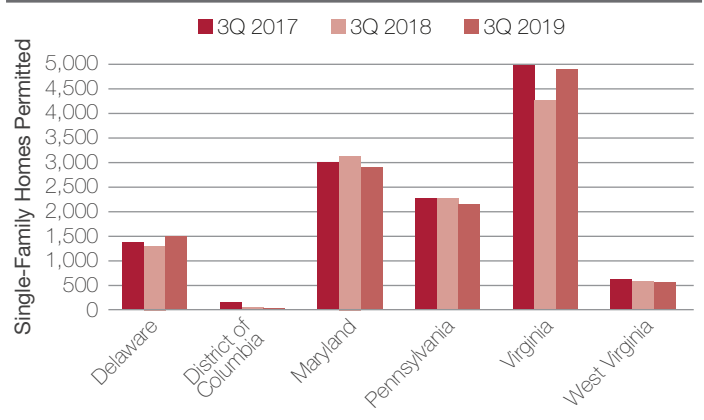


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whereas the Richmond and Virginia Beach metropolitan areas accounted for 52 percent of the increase in Virginia.

- Homebuilding activity in Maryland and Pennsylvania declined by 240 and 130 homes, or 8 and 6 percent, respectively, to 2,900 and 2,125 homes permitted, compared with a gain of 150 homes, or 5 percent, in Maryland, and virtually no change in Pennsylvania compared with a year ago. A 7-percent decline in single-family permitting in the Baltimore metropolitan area, where 1,225 homes were permitted, accounted for 40 percent of the overall net decrease in the state, whereas reduced activity in Pennsylvania occurred broadly throughout the state.
- In the District of Columbia and West Virginia, single-family homebuilding decreased by 15 and 30 homes, or 45 and 5 percent, respectively, compared with a decline of 70 and 40 homes, or 5 and 6 percent, respectively, during the third quarter of 2018.

Homebuilding activity increased in the Mid-Atlantic region during the third quarter of 2019 because of greater construction in two states in the region.



3Q = third 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 third quarter of 2019. Apartment vacancy rates declined in every major market area cited in this report despite rent increases of at least 3 percent. Vacancy rates for most areas were below the national rate of 3.7 percent during the third quarter of 2019 (RealPage, Inc.). Aside from the 3-percent increase in the Dover metropolitan area, average rents increased from 4 to 6 percent in all major market areas in the region, whereas the average rent for the nation rose 5 percent to \$1,424. The highest increases in the average rent in the Mid-Atlantic region were 6-percent gains in the Philadelphia and Pittsburgh metropolitan areas, where vacancy

rates each declined 0.5 percentage point. The average rent rose 4 percent 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 remained low in all areas cited in this report because of generally tight market conditions, declining in nearly one-half of the areas from a 0.2-percentage-point decrease in the Richmond metropolitan area to a 1.2-percentage-point reduction in the North Arlington market area. In the Central D.C. market area, concessions increased 1.7 percentage points partly in response to a greater number of units that were recently completed.

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

Market Condition	Vacancy Rate			Average Monthly Rent			
	3Q 2018 (%)	3Q 2019 (%)	Percentage Point Change	3Q 2018 (\$)	3Q 2019 (\$)	Percent Change	
Dover	Tight	3.7	2.1	-1.6	1,096	1,125	3
Baltimore	Slightly Tight	5.0	4.2	-0.8	1,314	1,369	4
Philadelphia	Tight	3.7	3.1	-0.5	1,309	1,386	6
Pittsburgh	Tight	3.6	3.1	-0.5	1,101	1,165	6
Richmond	Tight	3.7	3.4	-0.3	1,064	1,115	5
Virginia Beach	Tight	4.0	3.1	-1.0	1,063	1,102	4
Washington-Arlington-Alexandria	Tight	4.1	3.4	-0.7	1,757	1,825	4
Washington, D.C.—Central D.C.	Tight	3.6	3.3	-0.3	2,458	2,556	4
Washington, D.C.—Downtown Silver Spring	Tight	4.3	3.8	-0.5	1,834	1,905	4
Washington, D.C.—North Arlington	Tight	3.6	3.1	-0.5	2,369	2,477	5

3Q = third quarter.  
 Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.



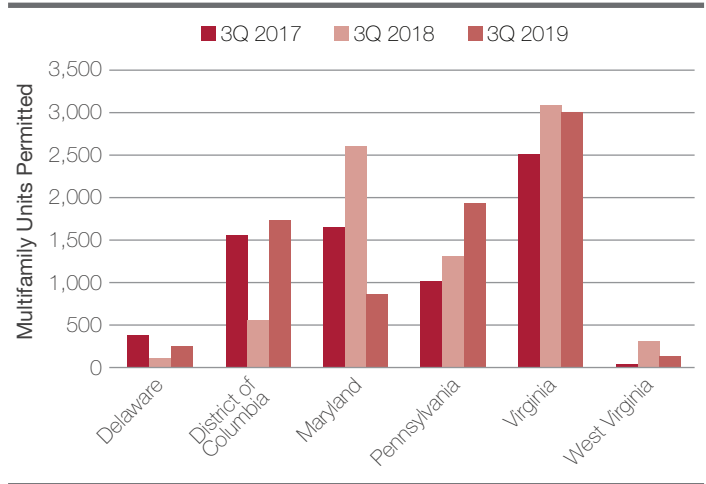
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The apartment pipelines continued to be elevated in the Baltimore, Philadelphia, and Washington-Arlington-Alexandria metropolitan areas during the third quarter of 2019, a trend that had started in the early-to-mid 2010s. The number of multifamily units in planning increased 21 percent in Baltimore from the third quarter of 2018 to 10,850 units, a number that includes attrition and represents units in planning that are likely to be delivered (Delta Associates). In the city of Philadelphia, where 40 percent of the Philadelphia metropolitan area apartment development is concentrated, units in planning increased 25 percent to 11,150 units. The number of units in planning in the Washington-Arlington-Alexandria metropolitan area was 69,900 units as of the third quarter of 2019, up 8 percent from 64,600 during the third quarter of 2018. The District of Columbia accounted for 26 percent, or 18,100 units, of the total pipeline in the Washington-Arlington-Alexandria metropolitan area, an unchanged proportion from 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 third quarter of 2019 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, was nearly unchanged in the Mid-Atlantic region, decreasing by only 40 units, following an 11-percent increase during the third quarter of 2018.
- A more than two-fold increase in multifamily permitting in the District of Columbia, where permits rose by 1,175 units, along with a 48-percent gain in Pennsylvania, where permits rose by 620 units, nearly offset declines in three states in the region, contributing to relatively unchanged construction levels.
- The largest decline in multifamily construction occurred in Maryland, where permitting was down by 1,725 units, or 67 percent, from a year ago. Nearly three-fourths of the statewide reduction occurred in the Baltimore metropolitan area, where 650 units were permitted, down 66 percent from a year ago.

**Multifamily construction activity was nearly unchanged in the Mid-Atlantic region during the third quarter of 2019, mostly because strong gains in the District of Columbia and Pennsylvania offset a notable decline in Maryland.**



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

- Virginia and West Virginia declined by 80 and 170 units, or 3 and 55 percent, respectively, from a year ago. Decreases in Virginia were led by the Virginia Beach metropolitan area, down by 350 units, or 85 percent, whereas the Morgantown metropolitan area led losses in West Virginia with no units permitted, down by 250 units or 100 percent, from the third quarter of 2018.
- Multifamily construction activity increased by 150 units, or more than 100 percent, in Delaware, compared with a loss of 270 units, or 72 percent, a year ago. Approximately 27 percent of the gain in Delaware was attributed to greater construction activity in New Castle County, which is part of the greater Philadelphia metropolitan area.

