

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic

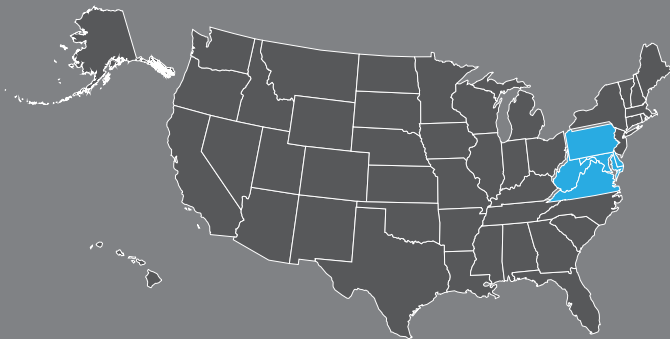


### Quick Facts About Region 3

Pittsburgh, Pennsylvania

By Wendy Ip | 4th Quarter 2019

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



### Overview

The economic expansion in the Mid-Atlantic region that began in the second quarter of 2010 continued during the fourth quarter of 2019. The pace of economic growth in the region was moderate, and despite a contraction in jobs in West Virginia, growth continued at the same pace as during the fourth quarter of 2018. Overall job growth in the region was led by gains in Pennsylvania and Virginia, which provided a combined 68 percent of jobs and 62 percent of net job growth during the fourth quarter of 2019, relatively unchanged from the fourth quarter of 2018. Sales housing market conditions in most major metropolitan areas and divisions in the Mid-Atlantic region transitioned from tight or slightly tight to balanced; however, overall sales in the region decreased, partly because of reduced available inventory and rising home prices. Single-family homebuilding activity decreased because a decline in four states in the region offset increased construction in one state and the District of Columbia. Apartment market conditions were tight in most of the major markets in the region during the fourth 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 one-half of those markets was at least as high as the national growth rate of 4 percent.

continued on page 2



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continued from page 1

- Nonfarm payroll job growth held steady during the fourth quarter of 2019, led by gains in the education and health services, the leisure and hospitality, and the professional and business services sectors in three states in the region and the District of Columbia. Those gains more than offset contractions in the manufacturing sector and the retail trade subsector.
- Home sales in the region declined 3 percent to 515,200 homes sold during the 12 months ending November

2019, with nearly three-fourths of the decline occurring in Pennsylvania. Price growth in West Virginia, where home prices are 47 percent less than the national average, led the gain in average home sales prices in the region.

- Multifamily permitting declined in the region during the fourth quarter of 2019, mostly due to a decrease in permitting in the District of Columbia. Total multifamily development in the region accounted for 5 percent of all multifamily development in the nation.

## Economic Conditions

Nonfarm payrolls in the Mid-Atlantic region have expanded each quarter since the second quarter of 2010, although the rate of job growth has been both moderate and slower in the region than in the nation. Nonfarm payrolls in the region averaged more than 15.0 million jobs during the fourth quarter of 2019, increasing by 125,600 jobs, or 0.8 percent, from the fourth quarter of 2018—slower than the 1.5-percent increase nationally. The pace of growth in the region was unchanged from the same quarter the previous year despite a decrease in jobs in West Virginia. Overall, gains in the education and health services, the leisure and hospitality, the professional and business services, and the transportation and utilities sectors more than offset contractions in the manufacturing sector and the retail trade subsector. The manufacturing sector declined by 1,900 jobs, or 0.2 percent, with more than the total net decline for the region attributed to losses in Pennsylvania. Since the fourth quarter of 2018, ACF Industries LLC; Philadelphia Energy Solutions Inc.; and Riverbend Foods, LLC have laid off a combined 1,625 employees throughout Pennsylvania.

In the retail trade subsector, retailers nationwide have been affected by a rise in e-commerce; the Mid-Atlantic region accounted for more than one-third of the national contraction in the retail trade subsector during the fourth quarter of 2019, with 8,800 jobs lost, or 0.6 percent. The rise in e-commerce, however, has also contributed to notable gains in the transportation and utilities sector in the region, which was up by 12,800 jobs, or 2.1 percent. More than 80 percent of the gain was attributed to the transportation and warehousing industry, which more than offset the decline in the retail trade subsector. The region is home to 19 Amazon.com, Inc. fulfillment centers, with one currently under way in the Pittsburgh metropolitan area that will add 800 jobs when complete in late 2020. In addition, the education and health services and the leisure and hospitality sectors increased by 31,600 jobs each, or 1.2 and 2.2 percent, respectively. The professional and business services sector also gained 31,500 jobs, or 1.4 percent. Growth in the healthcare industry accounted

continued on page 3

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

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	14,876.7	15,002.3	125.6	0.8
Goods-Producing Sectors	1,771.6	1,771.7	0.1	0.0
Mining, Logging, & Construction	771.9	773.9	2.0	0.3
Manufacturing	999.7	997.8	-1.9	-0.2
Service-Providing Sectors	13,105.1	13,230.6	125.5	1.0
Wholesale & Retail Trade	1,942.1	1,938.1	-4.0	-0.2
Transportation & Utilities	599.0	611.8	12.8	2.1
Information	219.6	219.5	-0.1	0.0
Financial Activities	783.4	795.2	11.8	1.5
Professional & Business Services	2,322.4	2,353.9	31.5	1.4
Education & Health Services	2,679.3	2,710.9	31.6	1.2
Leisure & Hospitality	1,439.4	1,471.0	31.6	2.2
Other Services	695.1	697.6	2.5	0.4
Government	2,424.8	2,432.7	7.9	0.3

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



continued from page 2

for nearly all the net gain in the education and health services sector, with 90 percent of the industry growth occurring in Pennsylvania and Virginia.

In the leisure and hospitality sector, the accommodation and food services industry accounted for more than two-thirds of sector growth; nearly one-half of the industry increase occurred in Virginia. Sixty-three hotels, at a combined cost of \$1.7 billion, have opened throughout the region since the fourth quarter of 2018, contributing to sector growth. The professional, scientific, and technical services industry accounted for more than the total net gain for the region in the professional and business services sector; Pennsylvania and Virginia accounted for a combined 69 percent of industry growth, with more than 30 percent occurring in the District of Columbia and Maryland. The \$3.0 billion expansion of Micron Technology, Inc. in Manassas, Virginia, is under way and expected to be completed by mid-2020; 100 of the 1,000 jobs planned have already been added in anticipation of the opening, contributing to overall payroll gains.

The unemployment rate in the region averaged 3.6 percent during the fourth quarter of 2019, up slightly from 3.5 percent a year earlier. Only two states in the region had a decline in the unemployment rate, while the remaining states and the District of Columbia either increased or remained steady. Virginia had the lowest unemployment rate in the region at 2.4 percent, down 0.2 percentage point, and Maryland had the second lowest unemployment rate at 3.1 percent, down 0.4 percentage point. Both unemployment rates in Virginia and Maryland were below the 3.3-percent average rate for the nation. Delaware and Pennsylvania had the largest increases in the average unemployment rate, both up 0.6 percentage point to 3.7 and 4.4 percent, respectively. The unemployment rate in West Virginia increased slightly, from 4.7 to 4.8 percent, and the rate remained steady in the District of Columbia at 5.1 percent.

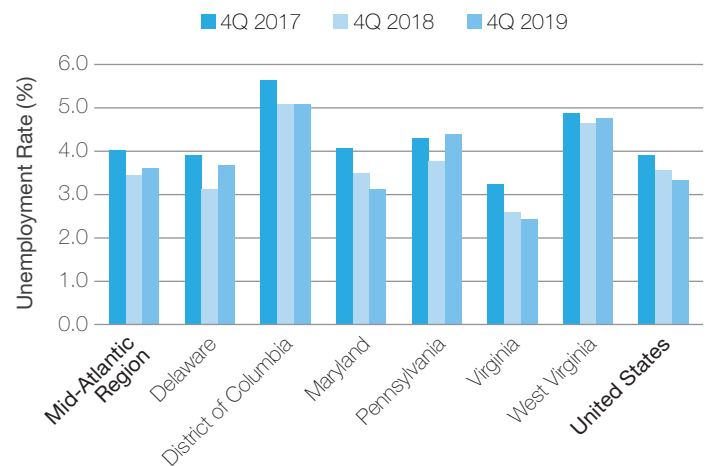
During the fourth quarter of 2019—

- Pennsylvania and Virginia added 39,800 and 37,700 jobs, or 0.7 and 0.9 percent, respectively, compared with 56,700 and 31,100 jobs, or 0.9 and 0.8 percent, added during the fourth quarter of 2018. The professional and business services sector accounted for the largest share of jobs added in Pennsylvania, up by 15,100 jobs, or 1.9 percent, and the

leisure and hospitality sector accounted for the largest share in Virginia, up by 18,300 jobs, or 4.6 percent.

- Nonfarm payrolls in the District of Columbia and Maryland increased by 10,400 and 31,800 jobs, or 1.3 and 1.2 percent, respectively, from a year ago—higher than the gain of 4,900 and 13,600 jobs, or 0.6 and 0.5 percent, during the fourth quarter of 2018. The professional and business services sector led job growth in both the District of Columbia and Maryland, adding 4,400 and 7,600 jobs, or 2.6 and 1.7 percent, respectively.
- In Delaware, nonfarm payrolls expanded by 6,500 jobs, or 1.4 percent. The leisure and hospitality sector added the most jobs in the state, up by 2,400 jobs, or 4.8 percent.
- Nonfarm payrolls in West Virginia contracted slightly, decreasing by 600 jobs, or 0.1 percent. The mining, logging, and construction sector led job losses, down by 2,300 jobs, or 3.2 percent; more than one-half of the decline was due to losses in the construction subsector, where job growth had started to slow during the third quarter of 2019.

### Unemployment rates rose or remained steady in all but two states in the Mid-Atlantic region during the fourth quarter of 2019.



4Q = fourth quarter.  
Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in the Mid-Atlantic region during the fourth quarter of 2019, easing from generally tight conditions a year ago. The moderate 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. During 2019, the inventory of homes available for sale in the Mid-Atlantic region declined 6

percent, to an average of 133,800 homes, and accounted for 10 percent of the national inventory—unchanged from a year ago (CoreLogic, Inc.). The average home sales price for the region (including single-family homes, townhomes, and condominiums) increased 3 percent to \$279,500 during the 12 months ending November 2019—slightly lower than the 4-percent gain during the previous 12-month period (CoreLogic, Inc., with adjustments

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 in all but two areas.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average	2018 (\$)	2019 (\$)	Percent Change
Morgantown	November	1,200	1,575	31	AVG	225,100	236,000	5
Dover	November	3,375	2,900	-14	AVG	208,600	217,900	4
Baltimore	November	55,100	53,300	-3	AVG	286,100	295,900	3
Philadelphia	November	37,100	31,850	-14	AVG	213,300	221,600	4
Pittsburgh	November	37,400	35,600	-5	AVG	182,100	188,400	3
Richmond	November	26,400	26,050	-1	AVG	263,000	274,900	5
Virginia Beach	November	33,500	34,450	3	AVG	256,800	264,700	3
Washington-Arlington-Alexandria	November	97,450	94,650	-3	AVG	473,400	487,200	3

AVG = average.

Notes: All figures are rounded. Data includes 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

by the analyst). Despite the increase, home sales prices in the region were 13 percent lower than the national average. The national average home sales price rose 2 percent, to \$322,400, during the 12 months ending November 2019 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst.). Average home sales prices increased in all five states of the region and the District of Columbia, with the most significant price gain occurring in West Virginia, where prices rose 11 percent to \$159,000. The District of Columbia had the highest average home prices in the region, at \$646,900—more than double the national average—but increased at the slowest pace, up only 1 percent from the 12 months ending November 2018. Average home sales prices also rose in all metropolitan areas and divisions cited in this report, ranging from a 3-percent gain in four areas to a 5-percent increase in both Morgantown and Richmond.

The number of homes sold in the Mid-Atlantic region decreased 3 percent during the 12 months ending November 2019 from a year earlier, following virtually no change during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The trend in home sales in the region differed from the nation where sales were virtually unchanged, following a 2-percent increase a year earlier. Home sales declined the most in the District of Columbia, down 8 percent, followed by Delaware, down 6 percent. In Pennsylvania, home sales declined 5 percent, accounting for the largest share—74 percent—of the regionwide net decrease. Home sales in Maryland and Virginia declined 4 and 1 percent, respectively. Partially offsetting those losses was a 37-percent gain in West Virginia, with 9 percent of the statewide gain occurring in the Morgantown metropolitan area. Aside from the gains in Morgantown and a 3-percent increase in the Virginia Beach metropolitan area, all the areas

cited in this report had reduced home sales. The greatest percentage and numerical decline occurred in the Philadelphia metropolitan division, where sales were down 14 percent, or by 5,250 homes, accounting for 49 percent of the statewide decrease. In the Richmond metropolitan area, the 1-percent decline in home sales accounted for one-fourth of the overall reduction of home sales in Virginia, whereas the 3-percent decrease in the Baltimore metropolitan area accounted for 43 percent of the overall reduction in Maryland. The Washington-Arlington-Alexandria metropolitan area, which includes the District of Columbia and portions of three states in the region, had the second largest numerical decline in home sales in the region—down by 2,800 home sales, or 3 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 decreased significantly during the past year because generally strong sales market conditions led to fewer of those properties in the inventory. REO sales fell 22 percent and short sales declined 23 percent during the 12 months ending November 2019 after decreases of 20 and 23 percent, respectively, during the previous 12-month period. The number of national REO and short sales fell 18 percent each during the 12 months ending November 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 November 2018 to 1.7 percent in November 2019. The national percentage decreased from 1.7 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 2.1 percent—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.

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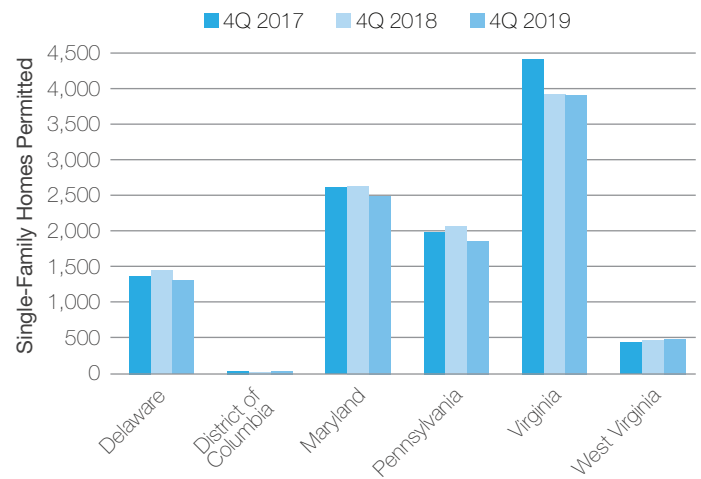


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During the fourth quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased 4 percent in the Mid-Atlantic region from a year ago to nearly 10,100 homes, compared with a 3-percent decline during the fourth quarter of 2018. The recent regional decrease is in contrast with that of the nation, where homebuilding activity increased 11 percent.
- Single-family permitting in Maryland and Pennsylvania was down by 150 and 210 homes, or 6 and 10 percent, respectively—more than offsetting increases in the District of Columbia and West Virginia. The Baltimore metropolitan area accounted for 51 percent of the decline in Maryland, whereas the decline in single-family home permitting in Pennsylvania was distributed evenly across the state.
- The number of single-family homes permitted declined by 140 homes, or 10 percent, in Delaware but was virtually unchanged in Virginia from a year ago. A 25-percent decline in single-family home permitting in the Dover metropolitan area accounted for 58 percent of the overall net decrease in the state. In contrast, increases of 15 and 9 percent, respectively, in the Richmond and Virginia Beach metropolitan areas were offset by reduced permitting activity in several areas throughout the state.
- In the District of Columbia and West Virginia, single-family homebuilding increased by 20 homes each, or 91 and 4

**Homebuilding activity declined in the Mid-Atlantic region during the fourth quarter of 2019 due to lower construction levels in four states in the region.**



4Q = fourth quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

percent, respectively. The increase in West Virginia follows an 11-percent gain during the fourth quarter of 2018, a period when homebuilding activity in the District of Columbia declined 49 percent.

**Apartment Market Conditions**

Apartment market conditions in the major market areas in the Mid-Atlantic region ranged from slightly tight to tight during the fourth quarter of 2019. Apartment vacancy rates declined in all but two major market areas cited in this report despite increasing rents. Vacancy rates for most areas were below the national rate of 4.2 percent during the fourth quarter of 2019 (RealPage, Inc.). The increase in average rents ranged from 3 to 6 percent in all major market areas in the region, aside from the 1-percent increase in the Dover metropolitan area; the average rent for the nation rose 4 percent, to \$1,421. The highest increase in the average rent in the Mid-Atlantic region was a 6-percent gain in the Pittsburgh metropolitan area, followed by a 5-percent gain in the Philadelphia metropolitan area, where vacancy rates declined by 0.8 and 0.6 percentage points, respectively. The average rent rose 4 percent in both the Richmond and the Washington-Arlington-Alexandria metropolitan areas, in part due to job growth in the professional and business services sector, one of the highest-paying sectors. Concessions as a percentage of asking rent remained low in most areas cited in this report because of generally tight market conditions, declining in more than one-half of the areas, from a 0.1-percentage point decrease in the North

Arlington area to a 1.2-percentage point reduction in the Virginia Beach metropolitan area. In the Central D.C. area, concessions increased 1.6 percentage points, partly in response to a greater number of units that were recently completed.

The number of apartment developments in the pipeline continued to be elevated in the Baltimore, Philadelphia, and Washington-Arlington-Alexandria metropolitan areas during the fourth quarter of 2019, a trend that had started in the early- to mid-2010s. The number of multifamily units in planning increased 13 percent in Baltimore from the fourth quarter of 2018 to nearly 10,500 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 24 percent to 10,750 units. The number of units in planning in the Washington-Arlington-Alexandria metropolitan area totaled 74,650 units as of the fourth quarter of 2019—up 13 percent from 65,800 units during the fourth quarter of 2018. The District of Columbia accounted for 25 percent, or 18,750 units, of the total pipeline in the Washington-Arlington-Alexandria metropolitan area—down from 28 percent a year

continued on page 6



continued from page 5

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Dover	Tight	3.6	3.1	-0.5	1,097	1,106	1
Baltimore	Slightly Tight	5.1	4.7	-0.4	1,314	1,359	3
Philadelphia	Tight	4.0	3.4	-0.6	1,310	1,381	5
Pittsburgh	Tight	4.0	3.2	-0.8	1,107	1,175	6
Richmond	Slightly Tight	3.9	4.2	0.3	1,067	1,107	4
Virginia Beach	Tight	4.6	3.6	-1.0	1,066	1,098	3
Washington-Arlington-Alexandria	Tight	4.5	3.9	-0.5	1,752	1,815	4
Washington, D.C.—Central D.C.	Tight	4.2	3.8	-0.4	2,453	2,533	3
Washington, D.C.—Downtown Silver Spring	Slightly Tight	4.1	4.5	0.3	1,845	1,907	3
Washington, D.C.—North Arlington	Tight	4.0	3.4	-0.6	2,331	2,422	4

4Q = fourth quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

ago. Developments in the pipeline encompass those in all stages of planning, from developments that are moving toward final approvals and that may begin construction within the next 36 months to those in the conceptual stage that may take several years to come to market.

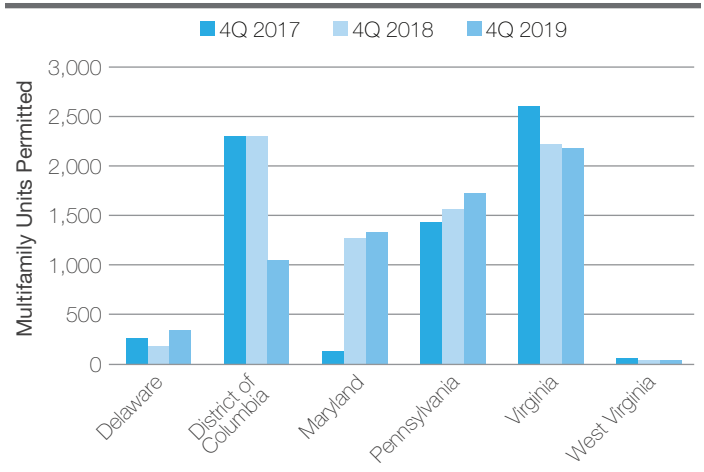
During the fourth quarter of 2019 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, declined 12 percent or by 910 units in the Mid-Atlantic region, following a 12-percent increase during the fourth quarter of 2018.
- A 54-percent decrease in multifamily unit permitting in the District of Columbia—where permits declined by 1,250 units—more than offset a gain in four states in the region, contributing to the reduction in construction levels.
- Multifamily construction increased the most in Delaware and Pennsylvania, where the respective number of units permitted was up by 160 and 150 units, or 85 and 10 percent, from a year ago. Greater construction activity in New Castle County attributed to the more than two-thirds increase in Delaware. More than the total net increase in Pennsylvania was due to greater activity in the city of Philadelphia—both the city of Philadelphia and New Castle County are part of the greater Philadelphia metropolitan area.
- In Maryland and West Virginia, multifamily construction increased by 55 and 5 units—or 4 and 8 percent, respectively—from a year ago. In Maryland, greater multifamily construction in Prince George’s County, which is part of the Washington-Arlington-Alexandria metropolitan

area, offset a decline in the Baltimore metropolitan area. Slight gains throughout West Virginia contributed to the overall increase in the state.

- Multifamily construction activity decreased slightly by 40 units—or 2 percent—in Virginia, compared with a loss of 380 units, or 14 percent, a year ago. Declines in several counties throughout the state more than offset the increase in the Richmond metropolitan area.

Multifamily construction activity declined in the Mid-Atlantic region during the fourth quarter of 2019, mostly due to reduced construction in the District of Columbia.



4Q = fourth quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

