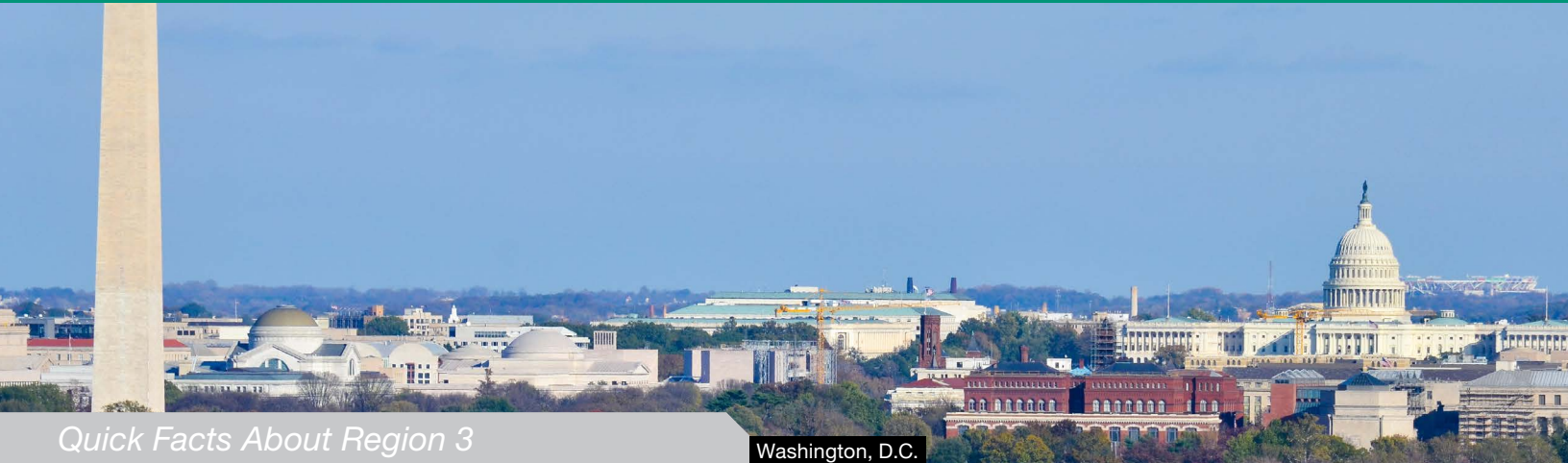


HUD PD&R Regional Reports

Region 3: Mid-Atlantic

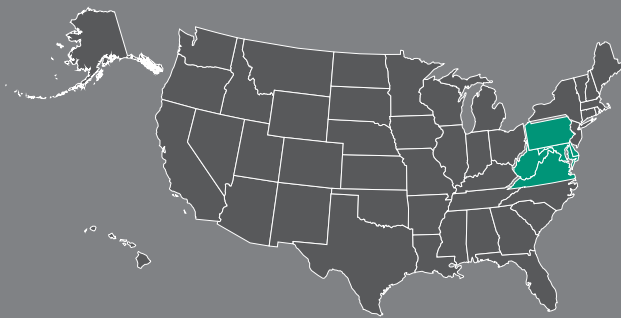


Quick Facts About Region 3

Washington, D.C.

By Patricia Moroz | 1st quarter 2017

- **Sales market conditions—**
First quarter 2017: mixed (balanced to tight).
Fourth quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (slightly soft to tight).
- **Apartment market conditions—**
First quarter 2017: mixed (balanced to slightly tight).
Fourth quarter 2016: mixed (balanced to slightly tight).
First quarter 2016: mixed (balanced to slightly tight).



Overview

The economy of the Mid-Atlantic region continued to expand during the first quarter of 2017. Led by growth in the education and health services and professional and business services sectors, nonfarm payrolls were up by 169,100 jobs, or 1.2 percent, relative to a year ago. Sales housing markets remained balanced to tight; sales prices rose moderately, and home sales increased but at a slower rate in most metropolitan areas compared with conditions a year ago. Apartment markets remained balanced to slightly tight, with rising rents and declining vacancies. Builders responded to increasing demand for single-family homes and multifamily units, and residential construction was up throughout most of the region from a year ago.

- Economic conditions remained strong in the Mid-Atlantic region during the first quarter of 2017; job growth slowed from a year ago, but nonfarm payrolls reached a new peak.
- Population growth was modest in the Mid-Atlantic region during the 12-months ending July 1, 2016, resulting from slower growth in most metropolitan areas and declines in Pennsylvania and West Virginia from a year earlier.
- Construction activity increased 14 percent in the region during the first quarter of 2017; the number of units permitted included 11,400 single-family homes and 6,025 multifamily units, up 12 and 16 percent, respectively, from the number of units permitted during the first quarter of 2016.



Payroll growth continued in the Mid-Atlantic region during the first quarter of 2017, with increases in nearly every sector.

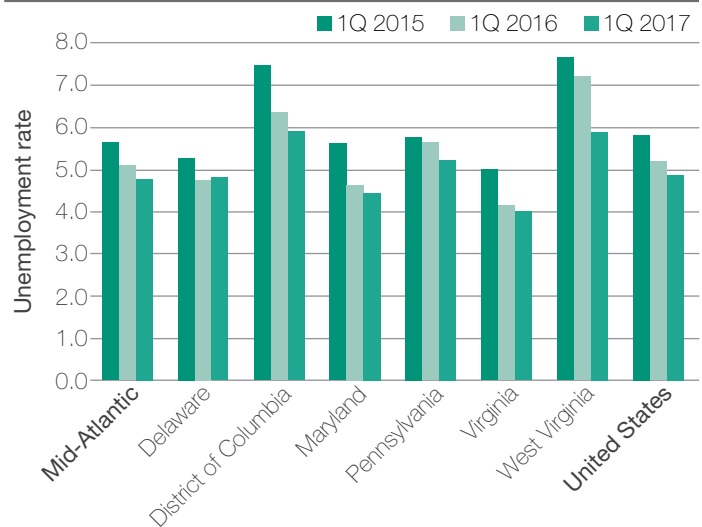
	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,253.7	14,422.8	169.1	1.2
Goods-producing sectors	1,638.9	1,634.3	- 4.6	- 0.3
Mining, logging, and construction	672.9	677.4	4.5	0.7
Manufacturing	966.0	956.9	- 9.1	- 0.9
Service-providing sectors	12,614.8	12,788.5	173.7	1.4
Wholesale and retail trade	1,933.9	1,934.7	0.8	0.0
Transportation and utilities	534.6	546.3	11.7	2.2
Information	221.0	216.4	- 4.6	- 2.1
Financial activities	763.3	769.7	6.4	0.8
Professional and business services	2,193.9	2,238.4	44.5	2.0
Education and health services	2,532.5	2,605.9	73.4	2.9
Leisure and hospitality	1,342.4	1,363.8	21.4	1.6
Other services	705.0	713.3	8.3	1.2
Government	2,388.2	2,400.0	11.8	0.5

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

Economic Conditions

The economy of the Mid-Atlantic region continued to expand at a moderate pace during the first quarter of 2017, a trend that began in the second quarter of 2010. Nonfarm payrolls increased 1.2 percent, or by 169,100 jobs, from the first quarter of 2016 to an average of 14.42 million jobs, with job gains in the District of Columbia and in all states except West Virginia. The rate of growth in the region was less than the 1.4-percent increase a year earlier, partially the result of slower growth in the retail trade subsector and job losses in the manufacturing sector. Despite the slowing, total nonfarm payrolls in the region increased more than 1 percent for the third consecutive first quarter and reached a new peak. The largest job addition during the first quarter of 2017 was in the education and health services sector, which gained 73,400 jobs, or 2.9 percent, with increases in all states and the District of Columbia. The professional and business services sector contributed the second largest number of jobs in the region, increasing by 44,500 jobs, or 2.0 percent; Maryland and Virginia together accounted for more than 75 percent of the job gain in the sector. The tourism industry is also a significant source of jobs in the Mid-Atlantic region. The leisure and hospitality sector increased by 21,400 jobs, or 1.6 percent, with Pennsylvania accounting for 9,700 jobs, and Virginia and the District of Columbia each adding 4,100 jobs. Some of the increase in payrolls in the region was offset by losses in the manufacturing sector of 9,100 jobs, or 0.9 percent, and in the information sector of 4,600 jobs, or 2.1 percent. In the retail trade subsector, growth in the region slowed to 0.1 percent, with the ad-

Unemployment rates declined throughout the Mid-Atlantic region during the first quarter of 2017, except for a slight increase in Delaware.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

dition of 1,500 jobs, down from a 1.0-percent increase during the first quarter of 2016, when 14,600 jobs were added. The average unemployment rate for the region was 4.8 percent during the first quarter of 2017, down from 5.1 percent a year earlier and slightly below the national rate of 4.9 percent. Unemployment rates ranged from 4.0 percent in Virginia to 5.9 percent in West Virginia and the District of Columbia. The largest decrease in the unemployment rate was in West Virginia, the result of fewer job losses from a year earlier and a declining labor force.

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During the first quarter of 2017—

- In Pennsylvania, nonfarm payrolls increased by 59,900 jobs, or 1.0 percent, accounting for 35 percent of the job gain in the region, despite a loss of 6,700 jobs in the manufacturing sector. The education and health services and leisure and hospitality sectors led job growth in the state, increasing by 38,100 and 9,700 jobs, or 3.1 and 1.9 percent, respectively. The Pittsburgh metropolitan area accounted for approximately one-third of the job decline in the manufacturing sector in the state, including the loss of more than 150 jobs at Akers National Roll/Union Electric Steel in Westmoreland County in March 2017; however, the metropolitan area added 6,000 jobs in the leisure and hospitality sector, a 5.3 percent increase.
- In Virginia, nonfarm payrolls increased by 51,900 jobs, or 1.3 percent. The professional and business services sector added 17,100 jobs, a 2.4-percent increase. Job growth in the sector is expected to continue with a \$3.8 million expansion at Iomaxis, a cybersecurity technology firm in Fairfax County, which was announced in February 2017 and is expected to add more than 500 jobs to the sector during the next 3 years.
- In Maryland, nonfarm payrolls increased by 49,200 jobs, or 1.9 percent, led by gains of 17,000 and 12,400 jobs, or 4.0 and 2.9

percent, respectively, in the professional and business services and the education and health services sectors. In the retail trade subsector, an addition of 2,500 jobs, a 0.9-percent increase, was in contrast to slower growth in the subsector for the region overall.

- In the District of Columbia and Delaware, nonfarm payrolls increased by 8,100 and 4,700 jobs, or 1.0 and 1.1 percent, respectively. The leisure and hospitality sector had the highest percentage of growth in each metropolitan area, increasing 5.7 percent in the District of Columbia and 4.9 percent in Delaware.
- In West Virginia, nonfarm payrolls decreased by 4,600 jobs, or 0.6 percent. The largest declines were in the wholesale and retail trade, the manufacturing, and the leisure and hospitality sectors, with losses of 1,700, 1,500, and 1,500 jobs, or 1.6, 3.2, and 2.0 percent, respectively. Offsetting some of these losses, however, the education and health services sector increased by 3,200 jobs, or 2.5 percent. The healthcare and social assistance industry contributed all the net increase, and every metropolitan area in the state added jobs, including more than 900 jobs in the Morgantown metropolitan area, primarily due to ongoing hiring at West Virginia University Healthcare.

Population

From 2015 to 2016, the population in the Mid-Atlantic region grew slowly, increasing by 66,800, or 0.2 percent, to more than 30.68 million (Census Bureau population estimates as of July 1). Net natural increase (resident births minus resident deaths) of 70,600 people accounted for all the population growth in the region and offset a small net out-migration of 3,700 people. The rate of growth was down from an increase of 0.3 percent from 2014 to 2015, the result of moderating economic conditions. The rates of growth slowed throughout most of the region from a year earlier; however, population increases in Delaware and the District of Columbia have

exceeded the national average growth rate of 0.7 percent each year since 2010. Despite the overall growth in the region, the population in Pennsylvania and West Virginia decreased.

During the 12 months ending July 1, 2016—

- The District of Columbia and Delaware led the growth in the region, increasing by 10,800 and 8,000 people, or 1.6 and 0.8 percent, respectively. In each metropolitan area, job growth was strong, averaging approximately 2.2 percent from 2015 through mid-2016 in the District of Columbia and from 2013 through 2015 in Delaware.

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Population growth was modest in most of the Mid-Atlantic region during the 12 months ending July 1, 2016.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,563,456	320,896,618	323,127,513	0.7	0.7
Mid-Atlantic region	30,517,699	30,609,980	30,676,819	0.3	0.2
Delaware	934,948	944,076	952,065	1.0	0.8
District of Columbia	659,005	670,377	681,170	1.7	1.6
Maryland	5,967,295	5,994,983	6,016,447	0.5	0.4
Pennsylvania	12,790,565	12,791,904	12,784,227	0.0	-0.1
Virginia	8,317,372	8,367,587	8,411,808	0.6	0.5
West Virginia	1,848,514	1,841,053	1,831,102	-0.4	-0.5

Source: U.S. Census Bureau



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- Virginia accounted for two-thirds of net population growth in the region, with an increase of 44,200 people, or 0.5 percent, although the rate of growth was below the national average growth rate for the second consecutive year.
- In Maryland, population increased by 21,450, or 0.4 percent. The slower growth compared with growth a year earlier resulted primarily from a decline in net in-migration from 6,600 people in 2015 to 180 people in 2016.
- Population in Pennsylvania and West Virginia decreased 0.1 and 0.5 percent, respectively. Economic conditions moderated in Pennsylvania, with job growth slowing to an average of 0.8 percent, and weakened in West Virginia, with job declines of 1.0 percent.

Sales Market Conditions

Sales housing market conditions in the major metropolitan areas in the Mid-Atlantic region ranged from balanced to tight during the first quarter of 2017. Sales markets were balanced in the Philadelphia metropolitan area, slightly tight in the Baltimore metropolitan area, and tight in the Washington, D.C., and Richmond metropolitan areas. Home sales remained strong in the Baltimore, Philadelphia, and Richmond metropolitan areas, with increases of 9 percent or more. The highest percentage increase in sales in the region was in the Richmond area at 13 percent, similar to a year ago. As economic growth slowed and mortgage interest rates rose, the rate of home sales moderated throughout most of the region from the first quarter of 2016. Exceptions are the Washington, D.C. metropolitan area and the District of Columbia, where home sales increased more rapidly compared with slight declines a year ago, despite an increase in the average price and a decrease in new listings. Sales markets were balanced in Delaware and in the

eight-county West Virginia Eastern Panhandle area. In Delaware, home sales increased 4 percent in 2016 (the most recent data available), similar to increases in 2014 and 2015. In Maryland and Virginia, home sales continued to increase but at a slightly slower pace than a year ago. In the Northern Virginia area (consisting of nine counties and six independent cities in the Washington, D.C. metropolitan area), existing home sales rose 7 percent during the 12 months ending March 2017, down from 9 percent a year earlier, and the average existing home sales price increased 1 percent to \$471,600 (Metropolitan Regional Information Systems, Inc.). Sales prices rose modestly throughout the Mid-Atlantic region, with the largest increase of 5 percent in the Baltimore and Richmond metropolitan areas during the 12 months ending March 2017.

In February 2017 (the most recent data available), 2.9 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real

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Home sales increased throughout most of the Mid-Atlantic region but at a slower rate than a year ago in most areas.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Delaware (N&E)	December	14,750	15,350	4	AVG	266,000	269,700	1
District of Columbia (E)	March	8,050	8,575	7	AVG	645,300	670,000	4
Maryland (E)	March	74,800	81,350	9	AVG	306,200	316,800	3
Pennsylvania (E)	December	128,200	137,500	7	AVG	210,800	215,400	2
Virginia (E)	March	109,600	116,800	7	AVG	322,000	328,400	2
West Virginia (N&E)	December	8,550	8,175	-4	AVG	146,100	145,400	0
Baltimore metropolitan area (E)	March	35,300	38,650	9	AVG	278,800	291,400	5
Philadelphia metropolitan area (E)	March	62,800	68,450	9	AVG	262,900	265,200	1
Richmond metropolitan area (E)	March	15,850	17,850	13	AVG	250,700	262,100	5
Washington, D.C. metropolitan area (E)	March	78,100	84,250	8	AVG	444,300	452,800	2
West Virginia Eastern Panhandle (E)	March	3,425	3,625	6	AVG	179,200	183,900	3

AVG = average. E = existing. N&E = new and existing.

Notes: All figures are rounded. Average prices are for the 12 months ending March or December as indicated. Includes single-family homes, townhomes, and condominiums, except the Philadelphia metropolitan area, which excludes condominiums.

Sources: CoreLogic, Inc., with adjustments by the analyst; Maryland Association of Realtors®; Metropolitan Regional Information Systems, Inc.; Pennsylvania Association of Realtors®; TREND MLS; Virginia Association of Realtors®



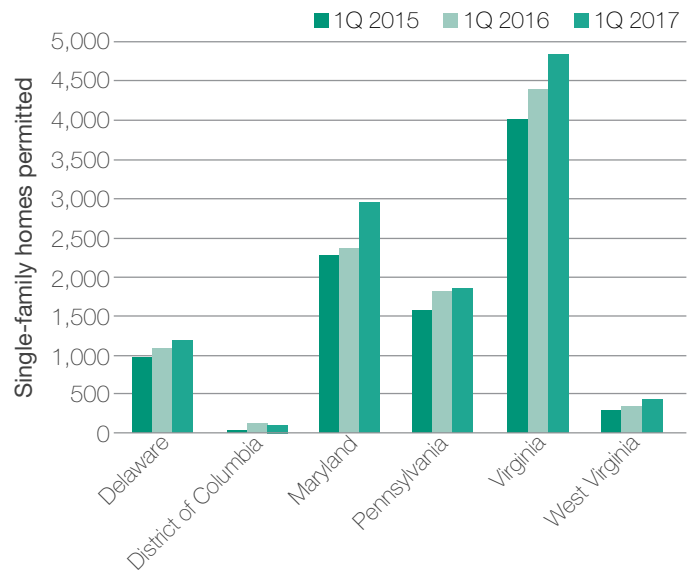
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estate owned (REO) status, down from 3.5 percent in February 2016 (CoreLogic, Inc.). The rate of seriously delinquent and REO properties was more than the national rate of 2.5 percent, but rates declined throughout the region during the past year. In Maryland, the rate fell from 4.5 to 3.6 percent, the greatest percentage-point decline in the region. The lowest rate was in Virginia, at 1.9 percent.

Single family construction in the Mid-Atlantic region increased 12 percent from a year ago. During the first quarter of 2017 (preliminary data)—

- Single-family construction activity increased the most in Maryland, up by 590 homes, or 25 percent, in response to strong economic conditions and the highest percentage increase in nonfarm payroll growth in the region. In the Baltimore metropolitan area, homebuilding activity increased by 100 homes, or 10 percent, to a total of 1,150 homes.
- Virginia accounted for 43 percent of homes permitted in the region; single-family construction activity in the state was up 11 percent, or by 470 homes. In the Virginia Beach-Norfolk metropolitan area, construction rose by 230 homes, a 24-percent increase, and in the Richmond metropolitan area, an additional 170 homes were permitted, a 19-percent increase from a year earlier.
- Homebuilding activity in Delaware and West Virginia increased 10 and 27 percent, or by 110 and 90 homes, respectively. Approximately one-half of the increase in permitting in Delaware was in Sussex County, which accounted for an increasing proportion of single-family homes permitted in the state, rising from an average of 44 percent from 2000 through 2009 to an average of 51 percent from 2010 through 2016.

Single-family home construction increased in all states in the Mid-Atlantic region during the first quarter of 2017, except for a slight decline in the District of Columbia.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

- Single-family construction rose by 30 homes, or 2 percent, in Pennsylvania and decreased by 30 homes, or 20 percent, in the District of Columbia, following increases of 250 homes in Pennsylvania and 80 homes in the District of Columbia a year earlier.

Apartment Market Conditions

Apartment market conditions in major metropolitan areas in the Mid-Atlantic region ranged from balanced to slightly tight during the first quarter of 2017. In Baltimore and Philadelphia, apartment market conditions were slightly tight, unchanged from conditions a year earlier, and apartment vacancy rates declined to 3.8 percent in each metropolitan area (Reis, Inc.). The average rent rose 4 percent in Philadelphia, among the highest in the region, following a 3-percent increase during the first quarter of 2016 because of continued relatively strong job growth during the past 2 years. In Baltimore, the average rent increased 2 percent, despite the completion of 3,700 units during the 12 months ending March 2017, up from 2,250 units completed a year earlier (McGraw-Hill Construction Pipeline database). In Pittsburgh, apartment completions totaling 2,600 units during the 12 months ending March 2017 kept pace with demand; the market remained balanced with a slight decrease in the vacancy rate to 5.1 percent, and the average rent increased

4 percent to \$1,029. Apartment markets were mostly balanced in Washington, D.C., except for the Maryland suburbs, which were slightly tight compared with balanced conditions a year ago; the absorption of approximately 3,200 units was greater than the 2,750 units completed during the 12 months ending March 2017 (Reis, Inc.). During the same period, the apartment market remained balanced despite a decline of nearly 1 percentage point in the vacancy rate in Norfolk/Hampton Roads, where 2,125 units entered the market, up from 890 units a year earlier (McGraw-Hill Construction Pipeline database).

Multifamily construction in the Mid-Atlantic region increased 16 percent from a year ago. During the first quarter of 2017 (preliminary data)—

- Virginia accounted for 45 percent of the multifamily units permitted in the region, which is higher than the average of 35 percent during the past 5 years; building activity increased by 480 units,

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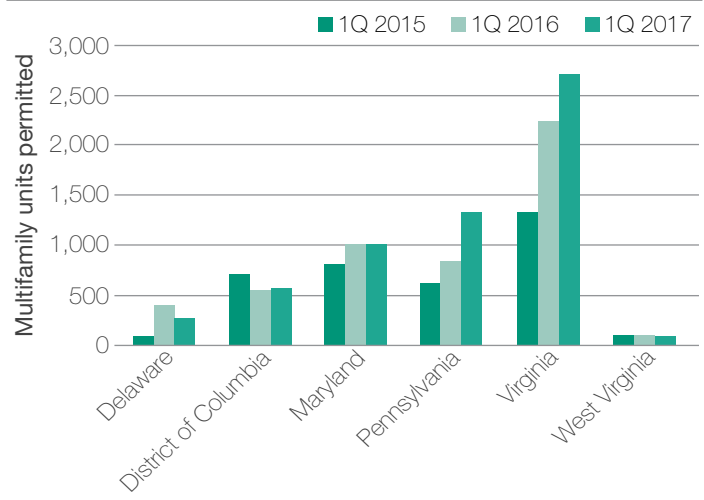


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or 21 percent, to 2,725 units compared with the number permitted a year ago. In the Richmond metropolitan area, 1,100 units were permitted, up 19 percent from the first quarter of 2016.

- In Pennsylvania, 1,325 multifamily units were permitted, an increase of 490 units, or 58 percent from a year earlier. In the Pittsburgh metropolitan area, multifamily construction was up by 380 units; by comparison, 60 and 140 units were permitted during the first quarters of 2016 and 2015, respectively.
- In Maryland, multifamily construction was unchanged from a year ago at 1,025 units permitted; however, in the Baltimore metropolitan area, construction activity increased to 560 units permitted, up from 390 a year earlier, partially in response to a decline in the apartment vacancy rate.
- In the District of Columbia, 570 multifamily units were permitted, up 1 percent from a year ago; construction activity leveled off during the past 2 years, in part because of balanced apartment market conditions and moderating economic growth.
- In Delaware and West Virginia, 280 and 100 multifamily units were permitted, down by 130 units in Delaware and relatively unchanged in West Virginia, from statewide totals a year earlier.

Multifamily building activity in the Mid-Atlantic region increased 16 percent during the first quarter of 2017 compared with permitting a year ago.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment markets tightened throughout most of the Mid-Atlantic region during the first quarter of 2017, with declining vacancies and rising rents.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 (\$)	1Q 2017 (\$)	Percent Change
Baltimore	Slightly tight	4.3	3.8	-0.5	1,175	1,196	2
Norfolk/Hampton Roads	Balanced	5.3	4.4	-0.9	983	1,012	3
Philadelphia	Slightly tight	4.1	3.8	-0.3	1,194	1,244	4
Pittsburgh	Balanced	5.3	5.1	-0.2	994	1,029	4
Washington, D.C.—Maryland suburbs	Slightly tight	4.1	3.6	-0.5	1,469	1,505	2
Washington, D.C.—Virginia suburbs	Balanced	5.0	5.2	0.2	1,696	1,752	3
Washington, D.C.—District of Columbia	Balanced	5.2	5.2	0.0	1,672	1,698	2

1Q = first quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.

