

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

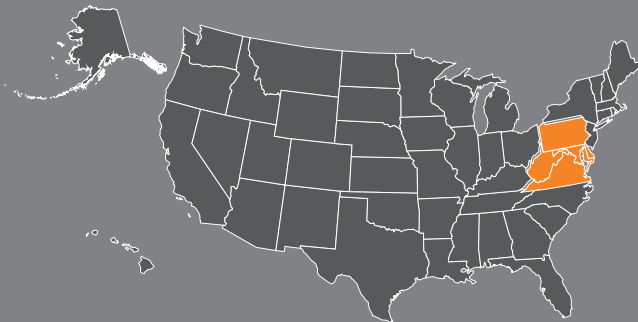


Quick Facts About Region 3

Charleston, West Virginia

By Benjamin B. Houck | 2nd quarter 2016

- **Sales market conditions—**
Second quarter 2016: mixed (tight to slightly soft).
First quarter 2016: mixed (tight to slightly soft).
Second quarter 2015: mixed (balanced to slightly soft).
- **Apartment market conditions—**
Second quarter 2016: mixed (balanced to slightly tight).
First quarter 2016: mixed (balanced to slightly tight).
Second quarter 2015: mixed (balanced to slightly tight).



Overview

Economic conditions continued to strengthen in the Mid-Atlantic region during the second quarter of 2016. Nonfarm payroll jobs have increased year over year in every quarter since the second quarter of 2010, and the pace of growth has generally accelerated since the second quarter of 2014. Sales housing market conditions tightened from a year ago in Delaware and Maryland but remained essentially unchanged in the other states in the region. Single-family homebuilding activity increased in the region overall from a year earlier, mostly because of increased activity in Pennsylvania and Virginia. Most apartment markets in the largest metropolitan areas in the region were balanced during the second quarter of 2016. Significant apartment construction activity in the region during the past 2 years contributed to a rise in the apartment vacancy rate in several metropolitan areas during the past year.

During the second quarter of 2016—

- Nonfarm payrolls in the region increased 1.5 percent, to 14.59 million jobs, from the second quarter of 2015. The rate surpassed the level of expansion in Northeastern and Midwestern regions of the United States but trailed growth in the Southeast and West.
- Home sales increased in most states in the region, which contributed to a rise in single-family construction activity of 3 percent from a year ago, to 12,600 homes permitted.
- Multifamily construction activity declined from a record-high level for the region a year ago but remained higher than average compared with permitting totals during the second quarters of 2012 through 2014.



Nonfarm payroll growth in the Mid-Atlantic region was strong, with a gain that exceeded 200,000 for only the third time during the past 10 years.

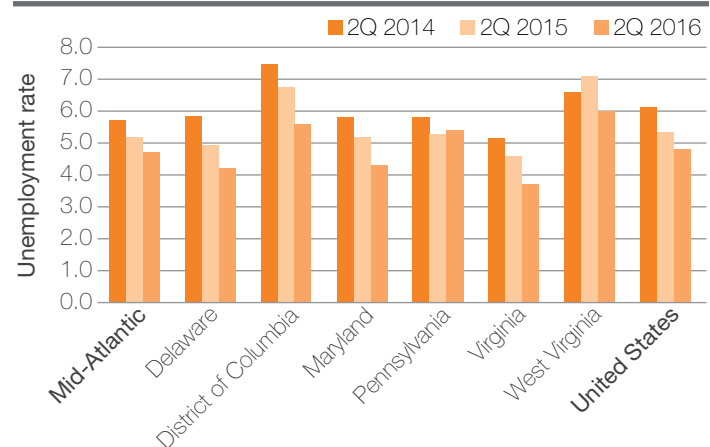
	Second Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,369.2	14,588.7	219.5	1.5
Goods-producing sectors	1,702.4	1,691.1	- 11.3	- 0.7
Mining, logging, and construction	719.3	710.6	- 8.7	- 1.2
Manufacturing	983.2	980.6	- 2.6	- 0.3
Service-providing sectors	12,666.8	12,897.5	230.7	1.8
Wholesale and retail trade	1,955.6	1,988.5	32.9	1.7
Transportation and utilities	520.2	532.3	12.1	2.3
Information	225.0	222.7	- 2.3	- 1.0
Financial activities	773.0	778.9	5.9	0.8
Professional and business services	2,191.0	2,246.0	55.0	2.5
Education and health services	2,462.2	2,522.8	60.6	2.5
Leisure and hospitality	1,427.5	1,475.1	47.6	3.3
Other services	715.6	725.6	10.0	1.4
Government	2,396.7	2,405.7	9.0	0.4

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

Economic Conditions

Nonfarm payrolls in the Mid-Atlantic region averaged 14.59 million jobs during the second quarter of 2016, a gain of 219,500 jobs, or 1.5 percent, from the second quarter of 2015. Job gains during the second quarter of 2016 were led by an increase in the education and health services sector of 60,600 jobs, or 2.5 percent. Bay-health, one of the largest employers in Delaware, with approximately 2,900 workers, began construction in May 2016 on a \$250 million healthcare campus, which is expected to add jobs to the education and health services sector when complete in early 2019. The professional and business services and the leisure and hospitality sectors increased by 55,000 and 47,600 jobs, or 2.5 and 3.3 percent, respectively. All three sectors increased at faster paces than during the second quarter of 2015. Job growth also accelerated in the retail trade subsector, from 8,400 jobs, or 0.6 percent, a year ago to 27,900 jobs, or 1.9 percent, during the second quarter of 2016. Goods-producing sectors, which had been increasing in the region as a whole since the second quarter of 2014, declined during the second quarter of 2016. Payroll declines in the mining and logging subsector in Pennsylvania and West Virginia of 9,000 and 6,000 jobs, or 25.8 and 22.5 percent, respectively, were major factors. The average unemployment rate for the region was 4.7 percent, down from 5.2 percent a year earlier and less than the national rate of 4.8 percent. Unemployment rates declined in most states from a year earlier, and, for several states, the rate during the second quarter of 2016 was the lowest since 2008. The rate rose slightly in Pennsylvania, however, in part, because of strong labor force growth.

In the Mid-Atlantic region, average unemployment rates decreased in most states and the District of Columbia but rose slightly in Pennsylvania.



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

During the second quarter of 2016—

- In Delaware, nonfarm payrolls increased 3.1 percent, or by 14,100 jobs, ranking as the fifth-highest rate of growth among all states in the nation. Job gains were led by an increase in the professional and business services sector of 4,700 jobs, or 8.1 percent.
- In Virginia, nonfarm payrolls increased 2.1 percent, or by 82,100 jobs. The retail trade subsector gained 14,200 jobs, or 3.4 percent, accounting for one-half of the regional growth in retail trade. Wegmans Food Markets, Inc., opened two grocery stores in the Richmond metropolitan area during the second quarter, adding a combined 1,100 jobs to the subsector.

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- In Maryland, nonfarm payrolls increased 2.1 percent, or by 54,800 jobs. The leisure and hospitality sector added 14,700 jobs, an increase of 5.3 percent.
- In the District of Columbia, nonfarm payrolls increased 1.3 percent, or by 10,300 jobs. The addition of 4,400 jobs, a 1.9-percent increase, in the government sector accounted for more than 40 percent of the overall growth.
- In Pennsylvania, nonfarm payrolls increased 1.0 percent, or by 57,800 jobs, led by an increase of 25,800 jobs, or 2.2 percent, in the education and health services sector.
- In West Virginia, nonfarm payrolls increased by 300 jobs, relatively unchanged from the second quarter of 2015. In response to a major flood in June 2016 that damaged more than 4,400 homes in central and southern portions of the state, a federal grant will add 250 temporary jobs to the government sector through disaster-related cleanup activities.

Sales Market Conditions

Sales housing market conditions ranged from tight to slightly soft in the Mid-Atlantic region during the second quarter of 2016. The sales market in the District of Columbia was tight, unchanged from the condition a year earlier, with sales of existing single-family homes, townhomes, and condominiums increasing at the fastest pace since the second quarter of 2014. Sales of existing condominiums, which accounted for 48 percent of existing sales in the District of Columbia, rose 7 percent, to 3,950 sales (Metropolitan Regional Information Systems, Inc.). The sales market in Maryland is slightly tight compared with balanced conditions a year ago. Existing home sales in Maryland increased more than 10 percent year over year for the fifth consecutive quarter. The sales market in Delaware improved from slightly soft a year ago to a balanced condition during the second quarter of 2016, in part because of strong job

and population growth. Sales market conditions remained balanced in Pennsylvania and Virginia. Existing sales were up 8 percent in northern Virginia (an area composed of 11 counties and 6 independent cities), matching the statewide increase, and existing sales were up 11 percent in the Richmond metropolitan area (Central Virginia Regional Multiple Listing Service). In West Virginia, the sales market remained slightly soft. Sales of new and existing homes in West Virginia fell year over year for the second consecutive quarter, in part, because of population loss and slow economic growth.

In May 2016 (the most recent data available), 3.2 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 3.9 percent in May 2015 (CoreLogic, Inc.).

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Compared with trends a year earlier, home sales increased at a faster pace while the rise in sales prices slowed in most states in the Mid-Atlantic region.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
Delaware (N&E)	March	13,650	14,450	6	AVG	263,400	267,700	2
District of Columbia (E)	June	7,750	8,250	6	AVG	628,700	642,400	2
Maryland (E)	June	68,150	77,550	14	AVG	306,500	311,100	2
Pennsylvania (E)	June	124,000	136,900	10	AVG	208,500	210,400	1
Virginia (E)	June	104,100	112,100	8	AVG	321,800	323,200	0
West Virginia (N&E)	March	8,900	8,425	-5	AVG	140,800	152,000	8
Baltimore metropolitan area (E)	June	31,850	36,750	15	AVG	278,600	282,900	2
Philadelphia metropolitan area (E)	June	57,250	64,650	13	AVG	262,900	262,300	0
Washington, DC metropolitan area (E)	June	73,300	80,250	9	AVG	444,200	445,400	0

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

Notes: All figures are rounded. Average prices are for the 12 months ending June or March 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; Virginia Association of Realtors®



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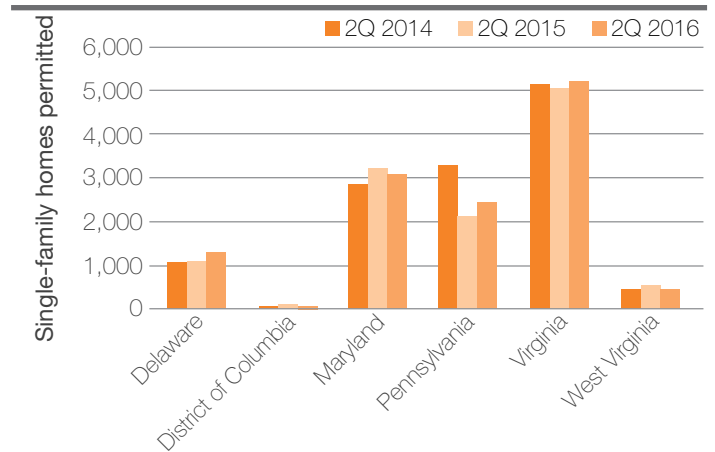
The rate of seriously delinquent loans and REO properties was more than the national rate of 2.9 percent but declined in every state in the region during the past year. In Maryland, the rate fell from 5.1 to 4.0 percent, the greatest percentage-point decline in the region. The lowest rates were in Virginia and West Virginia, at 2.0 and 2.8 percent, respectively.

During the second quarter of 2016 (preliminary data)—

- Single-family homebuilding activity in the Mid-Atlantic region, as measured by the number of homes permitted, increased 3 percent, or by 330 homes, from a year earlier, to approximately 12,600 homes permitted. Homebuilding activity increased year over year for the second consecutive quarter after declining in most quarters during 2014 and 2015.
- In Pennsylvania and Virginia, which, combined, accounted for 60 percent of single-family homes permitted in the region, construction was up 14 and 3 percent, or by 300 and 180 homes, respectively.
- Construction activity in Delaware increased 15 percent, or by 170 homes. The 1,275 single-family homes permitted in Delaware was the highest second-quarter total for the state since 2007.

- Homebuilding activity declined 7 percent, or by 210 homes, in Maryland and was down by 50 homes in both West Virginia and the District of Columbia, declines of 10 and 49 percent, respectively.

Single-family construction activity increased in the Mid-Atlantic region because of gains in Delaware, Pennsylvania, and Virginia.



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

Apartment Market Conditions

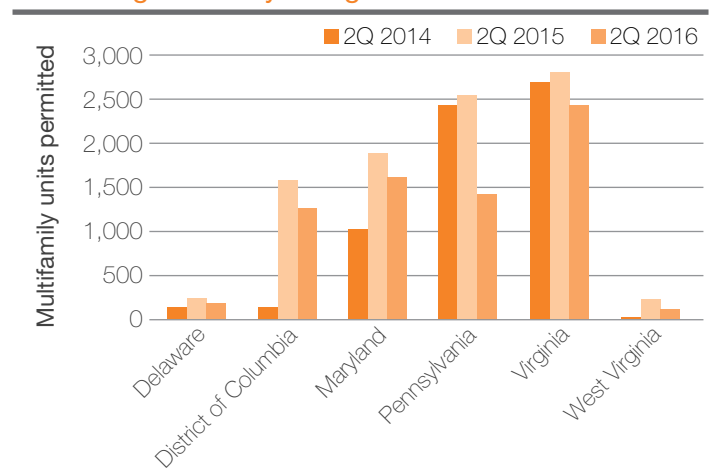
Apartment market conditions during the second quarter of 2016 ranged from balanced to slightly tight for the largest market areas in the Mid-Atlantic region. In the Pittsburgh, Richmond, and Washington, D.C.-Maryland suburban market areas, apartment markets were balanced during the second quarter of 2016 compared with slightly tight conditions a year ago. In other areas, conditions were unchanged. Apartment vacancy rates in the Philadelphia and Pittsburgh areas rose from year-ago levels due to a large number of additions to the apartment supply. In the Philadelphia area, the 4,125 apartments completed during the 12 months ending June 2016 were twice the 2,075 units completed during the previous 12 months (Reis, Inc.). In the Pittsburgh area, apartment completions were up 35 percent from 1,425 to 1,925 units during the same period. In the Richmond area, the vacancy rate rose only slightly, despite a 47-percent rise in apartment completions, from 1,150 to 1,700 units, and rent growth was higher than in other areas, in part, because of strong job growth. In the Maryland suburbs of Washington, D.C., the vacancy rate has increased to its highest level since the fourth quarter of 2011 due to a slowdown in absorption rather than an increase in apartment completions, although apartment market conditions remain balanced. In the District of Columbia, the vacancy rate declined year over year for the third consecutive quarter, in part, because of strong population growth and a low supply of homes available for purchase.

During the second quarter of 2016 (preliminary data)—

- Multifamily construction activity in the region, as measured by the number of multifamily units permitted, declined 24 percent

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Multifamily permitting fell in every state in the Mid-Atlantic region and the District of Columbia from a record-high level a year ago.



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



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from a year earlier, to 7,050 units. The permitting of 9,275 multifamily units a year ago, however, was a record high for the region. The more recent total was 4 percent higher compared with the average of 6,800 units permitted during corresponding periods from 2012 through 2014.

- In Pennsylvania, 1,450 multifamily units were permitted, a decrease of 1,100 units, or 44 percent, from a year earlier, accounting for one-half of the decline in the region as a whole. In the cities of Philadelphia and Pittsburgh, multifamily permitting declined by 230 and 620 units, or 23 and 90 percent, respectively, in part, because of rising vacancy rates in the Philadelphia and Pittsburgh market areas.

- Multifamily construction activity declined 13 percent in both Virginia and Maryland, or by 380 and 250 units, to 2,450 and 1,625 units permitted, respectively. Units permitted in Arlington County, in northern Virginia, accounted for 24 percent of units permitted statewide during the quarter, and included a 267-unit highrise building on the campus of Marymount University slated for completion in mid-2017.
- In the District of Columbia, multifamily construction activity slowed by 320 units, or 20 percent, to 1,250 units permitted.
- In Delaware and West Virginia, the number of multifamily units permitted fell by 40 and 120, or 18 and 56 percent, to 190 and 100 units permitted, respectively.

Vacancy rates in most major Mid-Atlantic region market areas were below the national rate of 4.5 percent during the second quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2015 (%)	2Q 2016 (%)	Percentage Point Change	2Q 2015 (\$)	2Q 2016 (\$)	Percent Change
Baltimore	Slightly tight	3.8	3.7	- 0.1	1,143	1,173	3
Philadelphia	Slightly tight	3.1	3.7	0.6	1,168	1,197	2
Pittsburgh	Balanced	3.5	4.6	1.1	953	983	3
Richmond	Balanced	3.9	4.2	0.3	872	903	4
Washington, D.C.— Maryland suburbs	Balanced	3.6	4.3	0.7	1,435	1,478	3
Washington, D.C.— Virginia suburbs	Balanced	4.2	4.3	0.1	1,674	1,707	2
Washington, D.C.— District of Columbia	Balanced	6.8	6.4	- 0.4	1,640	1,696	3

2Q = second quarter.

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

