

HUD PD&R Regional Reports

Region 3: Mid-Atlantic



Quick Facts About Region 3

Washington, D.C.

By Benjamin B. Houck and Joseph Shinn | 2nd quarter 2017

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

Overview

Economic conditions continued to strengthen in the Mid-Atlantic region during the second quarter of 2017. Nonfarm payrolls increased in every quarter during the past 7 years, led by growth in the education and health services and the professional and business services sectors. These sectors also added the most jobs in the region during the past year. The regional unemployment rate has declined year over year in every quarter since the fourth quarter of 2010. Home sales and average sales prices increased in Delaware, the District of Columbia, Maryland, Pennsylvania, and Virginia during the second quarter of 2017. In West Virginia, job losses and population decline contributed to decreases in home sales and the average home sales price. Apartment market conditions in the major metropolitan areas in the Mid-Atlantic region ranged from balanced to slightly tight, unchanged from a year ago. Apartment vacancy rates declined or were unchanged in most major metropolitan areas, and average rents increased at a steady pace throughout the region.

During the second quarter of 2017—

- Nonfarm payrolls in the region increased 1.2 percent to 14.71 million jobs, from the second quarter of 2016. Payrolls increased in most states and the District of Columbia but decreased in West Virginia.
- Single-family homebuilding activity in the region increased 9 percent from a year ago, as single-family permitting activity was up in every state and the District of Columbia. Multifamily construction activity was down 28 percent in the region, but all declines were in Maryland and Virginia.



During the second quarter of 2017, more than three-quarters of the net job gains in the Mid-Atlantic region were in the education and health services and the professional and business services sectors.

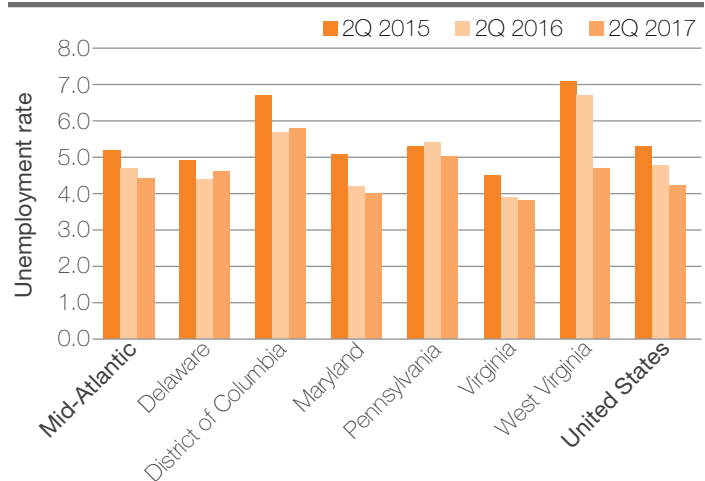
	Second Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,539.3	14,711.4	172.1	1.2
Goods-producing sectors	1,684.5	1,683.6	- 0.9	- 0.1
Mining, logging, and construction	714.9	724.3	9.4	1.3
Manufacturing	969.6	959.3	- 10.3	- 1.1
Service-providing sectors	12,854.8	13,027.8	173.0	1.3
Wholesale and retail trade	1,959.3	1,949.8	- 9.5	- 0.5
Transportation and utilities	537.5	549.6	12.1	2.3
Information	220.9	216.2	- 4.7	- 2.1
Financial activities	770.9	776.8	5.9	0.8
Professional and business services	2,245.3	2,307.8	62.5	2.8
Education and health services	2,535.5	2,602.7	67.2	2.7
Leisure and hospitality	1,465.1	1,493.4	28.3	1.9
Other services	717.4	724.0	6.6	0.9
Government	2,402.9	2,407.5	4.6	0.2

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 14.71 million jobs during the second quarter of 2017, a gain of 172,100 jobs, or 1.2 percent, from the second quarter of 2016. The rate was more than the 1.1-percent increase a year earlier, in part, because of jobs gains in the mining, logging, and construction sector. The sector increased by 9,400 jobs, or 1.3 percent, from a year ago compared with an average decline of 5,400 jobs, or 0.8 percent, from the second quarter of 2015 through the second quarter of 2016. Improved stability in the mining and logging subsector in Pennsylvania and West Virginia contributed to this turnaround in the sector, primarily the result of multiple small job gains mostly in oil and gas extraction but also in coal mining. In West Virginia, the mining and logging subsector increased by 900 jobs, or 4.5 percent, compared with a year-over-year loss of 6,600 jobs, or 24.8 percent, during the second quarter of 2016. The largest job additions in the region during the second quarter of 2017 were in the two largest private sectors; the education and health services sector gained 67,200 jobs, or 2.7 percent, and the professional and business services sector increased by 62,500 jobs, or 2.8 percent. The rates of growth in each sector increased from a year ago. Jobs also increased in the leisure and hospitality and the transportation and utilities sectors, but rates in these sectors were down from a year ago. Overall growth during the second quarter was slightly curtailed by a decline in the retail trade subsector, which decreased by 10,000 jobs, or 0.7 percent. Retailers nationwide

The unemployment rate in the Mid-Atlantic region declined from a year ago, but rates were up slightly in Delaware and the District of Columbia.



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

were affected by competition from online sales during the past year. In the Mid-Atlantic region, Macy's, Inc. closed eight stores with a combined 620 employees, contributing to the loss in the retail trade subsector during the quarter. The average unemployment rate for the region was 4.4 percent during the second quarter of 2017, down from 4.7 percent a year earlier and down from a recent peak second-quarter average of 7.9 percent in 2010. The rate for the region is higher than the national rate of 4.2 percent, as unemployment rates ranged from 3.8 percent in Virginia to 5.8 percent in the District of Columbia.

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During the second quarter of 2017—

- In Pennsylvania, nonfarm payrolls increased by 65,200 jobs, or 1.1 percent. The education and health services sector increased by 30,700 jobs, or 2.5 percent, accounting for nearly one-half of the overall gain in Pennsylvania and 45 percent of the sector growth in the region. The University of Pennsylvania Health System began construction during the quarter on a \$1.5 billion, 500-room patient pavilion in the city of Philadelphia that will add an undetermined number of jobs to the sector on completion in 2021.
- In Maryland, nonfarm payrolls increased by 51,000 jobs, or 1.9 percent, led by a gain of 19,600 jobs, or 4.4 percent, in the professional and business services sector. 2U Inc., a provider of online education services, expanded in early 2017 in Prince George's County and plans to add 900 jobs in the professional and business services sector through 2021.
- The professional and business services sector also led job growth in Virginia, where total nonfarm payrolls increased by 46,200 jobs, or 1.2 percent. Amazon.com Inc. announced plans in June 2017 to establish a corporate campus in Fairfax County, adding 1,500 jobs to the professional and business services sector during the next 3 years.
- In the District of Columbia and Delaware, nonfarm payrolls increased by 8,100 and 4,000 jobs, or 1.0 and 0.9 percent, respectively.
- In West Virginia, nonfarm payrolls declined by 2,400 jobs, or 0.3 percent. The education and health services sector increased by 3,300 jobs, or 2.6 percent, but the gain was more than offset by declines in most other sectors.

Sales Market Conditions

Sales housing market conditions in the major metropolitan areas in the Mid-Atlantic region ranged from balanced to tight during the second quarter of 2017. Sales markets tightened compared with a year ago because of decreasing inventories of available homes for sale throughout the region. 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 activity in these metropolitan areas increased at strong paces of 6 to 12 percent, although the rates

of growth slightly slowed from a year ago. By comparison, during the second quarter of 2016, sales growth exceeded 9 percent in all four areas, including a 15-percent increase in the Baltimore metropolitan area. Strong sales in the Richmond and Baltimore areas led the average sales prices to increase 5 and 4 percent, respectively, during the past year. Sales activity increased in each of the other states, including a 7-percent gain in Virginia, and the average sales price was up 2 or 3 percent in each of these states. Home sales declined 11 percent in West Virginia, and the average sales price

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Steady job growth in the Mid-Atlantic region resulted in increasing home sales and sales prices in every state except West Virginia.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Delaware (N&E)	March	14,950	15,000	0	AVG	263,500	268,200	2
District of Columbia (E)	June	8,250	8,550	4	AVG	446,200	458,400	3
Maryland (E)	June	77,550	82,150	6	AVG	309,700	320,500	3
Pennsylvania (N&E)	March	185,500	189,700	2	AVG	186,600	190,600	2
Virginia (E)	June	112,000	119,300	7	AVG	323,200	332,900	3
West Virginia (N&E)	March	8,650	7,725	- 11	AVG	146,400	143,600	- 2
Baltimore metropolitan area (E)	June	36,750	39,050	6	AVG	282,900	294,800	4
Philadelphia metropolitan area (E)	June	65,000	69,950	8	AVG	262,300	269,300	3
Richmond metropolitan area (E)	June	16,450	18,350	12	AVG	253,600	266,300	5
Washington, D.C. metropolitan area (E)	June	80,250	85,350	6	AVG	446,200	458,400	3
West Virginia Eastern Panhandle (E)	June	3,375	3,750	11	AVG	178,500	187,600	5

AVG = average. E = existing. 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.; TREND MLS; Virginia Association of Realtors®



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was down 2 percent. In the eight-county West Virginia Eastern Panhandle area, however, sales activity and the average sales price increased 11 and 5 percent, respectively, from a year ago.

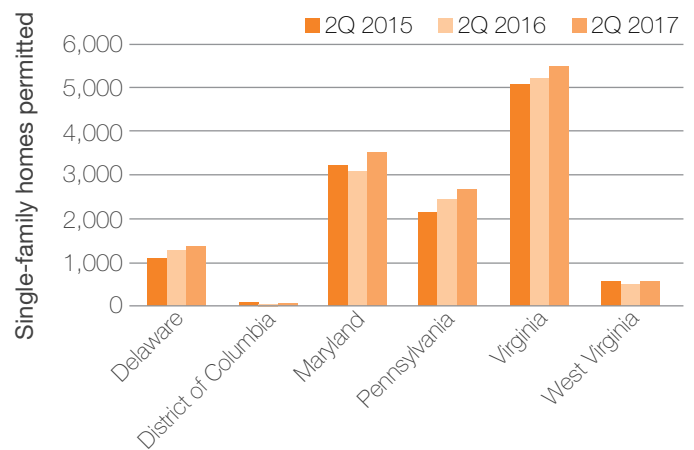
In April 2017 (the most recent data available), 2.7 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned status, down from 3.3 percent in April 2016 (CoreLogic, Inc.). The current rate was above the 2.3-percent national rate, but rates declined in every state and the District of Columbia during the past year. The declines were largest in Maryland and Delaware, where the rates decreased 0.9 percentage points each.

During the second quarter of 2017 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased by 1,100 homes, or 9 percent, in the Mid-Atlantic region from a year earlier, to 13,700 homes permitted. Homebuilding activity increased an average of 6 percent during the past 2 years, compared with an average decline of 6 percent annually in corresponding periods during 2014 and 2015.
- Single-family construction activity in Maryland increased by 440 homes, or 14 percent, which was the largest increase of all states in the region. Nearly 80 percent of the net increase in construction activity was in Frederick County, which is part of the Washington, D.C. metropolitan area, because of strong demand for new homes near the District of Columbia.
- Homebuilding activity in Virginia, which accounted for approximately 40 percent of all homebuilding in the region, increased by 290 homes, or 6 percent, from a year ago. Construction started in fall of 2016 at New Post on the Rappahannock in Spotsylvania County. When complete, the community will consist of approximately 425 single-family homes and townhomes. Prices start at \$349,900 for four-bedroom, single-family homes and \$254,900 for three-bedroom townhomes.

- Single-family permitting activity in Pennsylvania and Delaware was up by 230 and 80 homes, or 9 and 6 percent, respectively. In Pennsylvania, gains were largely because of increased construction activity in the Philadelphia-Camden-Wilmington and Pittsburgh metropolitan areas, where the number of homes permitted increased by 110 and 80 homes, or 6 and 31 percent, respectively.
- In West Virginia and the District of Columbia, construction activity was up by 70 and 5 homes, or 15 and 13 percent, respectively, compared with declines of 60 homes each, or 11 and 55 percent, respectively, during the same period a year earlier.

Homebuilding activity in the Mid-Atlantic region was up from a year ago, led by strong gains in Maryland and Virginia.



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 metropolitan areas of the Mid-Atlantic region ranged from balanced to slightly tight. Conditions are unchanged from a year ago, but vacancy rates are down or unchanged in 19 of 25 areas covered by Reis, Inc., which is partially attributed to decreased construction activity. In the Washington, D.C. metropolitan area, conditions were balanced in the District of Columbia and Virginia suburbs, with vacancy rates of 5.7 and 4.7 percent, respectively. In the Maryland suburbs of the metropolitan area, conditions were slightly tight, and the vacancy rate decreased from 4.1 to 3.8 percent during the past year while rents were up approximately 3 percent (Reis, Inc.), which is attributed to steady

net in-migration. Conditions were slightly tight in the Philadelphia, Baltimore, and Richmond metropolitan areas and balanced in the Norfolk/Hampton Roads area. Vacancy rates were unchanged from a year ago in the Philadelphia and the Norfolk/Hampton Roads areas, at 3.9 and 5.0 percent, respectively, and down 0.1 percentage point in the Richmond area to 3.7 percent. In the Baltimore metropolitan area, the vacancy rate declined from 4.1 to 3.7 percent during the past year because of continued in-migration to the downtown and inner harbor portions of the city of Baltimore, where most of the housing is for renters.

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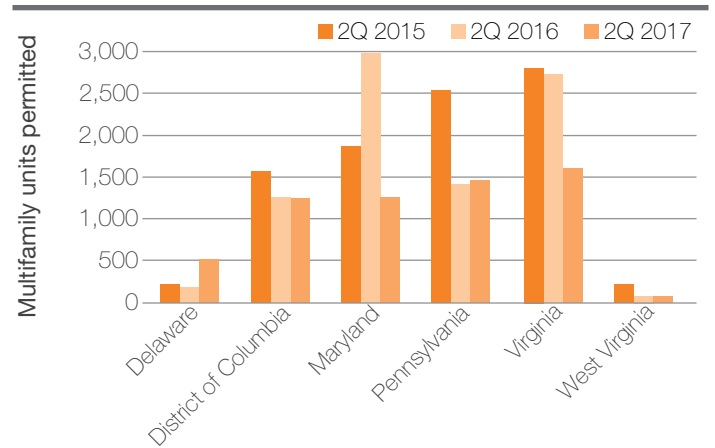
Multifamily building activity in the region, as measured by the number of multifamily units permitted, totaled 6,225 units, down 28 percent compared with the number of units permitted during the second quarter of 2016. Maryland and Virginia accounted for all the decline, with gains in three states and no significant change in the District of Columbia.

During the second quarter of 2017—

- In Maryland, multifamily permitting activity declined by 1,725 units, or 58 percent, to 1,275 units permitted, compared with an average increase of 990 units, or 72 percent, during corresponding periods in the previous 2 years. During the second quarter of 2017, units permitted included the 338-unit Ripley East Apartments in Silver Spring, Montgomery County, which is expected to be complete in early 2019.
- Construction activity in Virginia totaled 1,625 units, down by 1,125 units, or 41 percent, from a year ago. The largest declines were in Arlington County, where permitting activity was down by 420 units permitted, or 70 percent, and the city of Alexandria, where no units were permitted, compared with 440 units permitted during the same period a year earlier.
- In Delaware and Pennsylvania, construction activity increased by 330 and 50 units, or 173 and 3 percent, to 520 and 1,475 units permitted, respectively. In Pennsylvania, 314 units were permitted in Upper Merion Township, Montgomery County, for Park Square, which is expected to be complete in mid-2018.

- Building activity in the District of Columbia and West Virginia totaled 1,250 and 90 units permitted, respectively, which was relatively unchanged in the District of Columbia and up 11 percent in West Virginia compared with a year ago. By comparison, permitting activity during the second quarter of 2016 was down 20 and 63 percent, respectively, compared with the same period a year earlier.

Multifamily building activity in the Mid-Atlantic region was down because of significant declines in Maryland and Virginia.



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

Apartment vacancy rates were down or unchanged, although average rents were up in most major market areas in the Mid-Atlantic region during the second quarter of 2017.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2016 (%)	2Q 2017 (%)	Percentage Point Change	2Q 2016 (\$)	2Q 2017 (\$)	Percent Change
Baltimore	Slightly tight	4.1	3.7	-0.4	1,182	1,211	2
Norfolk/Hampton Roads	Balanced	5.0	5.0	0	991	1,021	3
Philadelphia	Slightly tight	3.9	3.9	0	1,214	1,259	4
Richmond	Slightly tight	3.8	3.7	-0.1	911	928	2
Washington, D.C.—Maryland suburbs	Slightly tight	4.1	3.8	-0.3	1,483	1,522	3
Washington, D.C.—Virginia suburbs	Balanced	4.9	4.7	-0.2	1,719	1,766	3
Washington, D.C.—District of Columbia	Balanced	4.8	5.7	0.9	1,695	1,752	3

2Q = second quarter.
 Note: Wilmington, Delaware is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area but is not included in the statistics for Philadelphia listed in this table.
 Source: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.

