

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

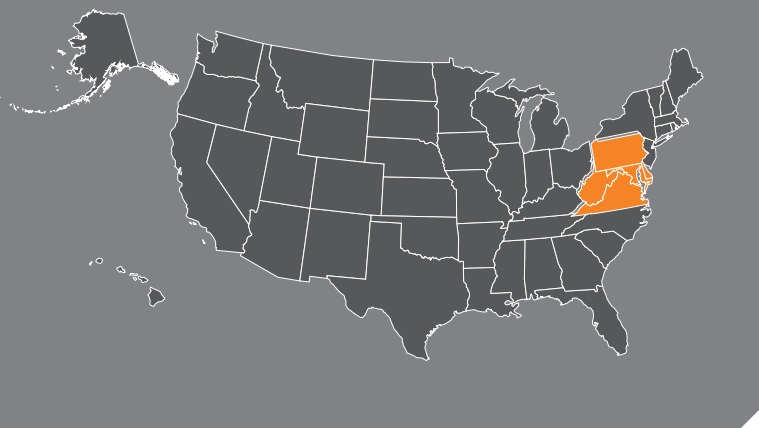


Baltimore, Maryland

By Wendy Ip | 2nd Quarter 2021

Quick Facts About Region 3

- **Sales market conditions—**
Second quarter 2021: mixed (slightly tight to tight)
First quarter 2021: mixed (slightly tight to tight)
Second quarter 2020: mixed (balanced to slightly tight)
- **Apartment market conditions—**
Second quarter 2021: mixed (soft to tight)
First quarter 2021: mixed (soft to tight)
Second quarter 2020: mixed (balanced to tight)



Overview

During the second quarter of 2021, the economy of the Mid-Atlantic region expanded, ending a period of year-over-year nonfarm payroll losses that resulted from significant job cuts during the start of the COVID-19 pandemic in early 2020. The gradual reopening of businesses by the third quarter of 2020, followed by the full reopening of the economy by the second quarter of 2021, had a positive effect on nonfarm payrolls in the Mid-Atlantic region; however, nonfarm payroll jobs remained below their prepandemic levels. Of the 2.08 million jobs that were lost throughout the region during March and April of 2020, only 69 percent had been recovered by June 2021 (not seasonally adjusted). Approximately 58 percent of that recovery was due to job growth in Pennsylvania and Virginia. As economic conditions improved during the past year, sales housing market conditions in major metropolitan areas and divisions in the Mid-Atlantic region generally tightened, with conditions ranging from slightly tight to tight as of the second quarter of 2021. Lower levels of for-sale inventory since the onset of the pandemic contributed to the tightening of sales market conditions, and mortgage forbearances under the Coronavirus Aid, Relief, and Economic

continued on page 2



continued from page 1

Security (CARES) Act assisted homeowners in continuing to stay in their homes. Overall, home sales prices rose at a faster rate than during the previous year, and the volume of home sales generally increased despite reduced available inventory. As sales market conditions generally tightened, single-family homebuilding activity increased significantly because of greater construction levels in all states in the region and the District of Columbia. Apartment market conditions generally held steady from a year ago in most major markets in the Mid-Atlantic region but softened in one of those markets during the second quarter of 2021. Vacancy rates declined in one-half of the major market areas, whereas average rents increased in all but four of those areas.

- Nonfarm payrolls increased during the second quarter of 2021 compared with a year ago, mostly due to gains in the leisure and hospitality and the wholesale and retail trade sectors in Pennsylvania and Virginia. Transportation and

utilities was the only sector in the region to have nonfarm payrolls that exceeded prepandemic levels.

- Home sales generally increased throughout the region during the 12 months ending May 2021; however, the rate of increase for the region was slower than that of the nation. Similarly, the average home sales price for the region rose at a faster pace than during the previous 12-month period, but that overall pace of growth was also slower than that of the nation.
- Multifamily home construction decreased in the region during the second quarter of 2021 because of lower levels of development in three states in the region and the District of Columbia. Multifamily construction in the region accounted for only 6 percent of total multifamily development throughout the nation—down from 7 percent during the second quarter of 2020.

Economic Conditions

During the second quarter of 2021, nonfarm payroll jobs in the Mid-Atlantic region increased as the economy partially recovered a large number of jobs lost during the onset of the COVID-19 pandemic. A decline in COVID-19 cases throughout the region contributed to a lifting of restrictions during the second quarter of 2021 and allowed businesses to operate at full capacity—although with some voluntary mask and social distancing restrictions in place. Nonfarm payrolls in the region averaged nearly 14.15 million jobs during the second quarter of 2021, increasing 8.4 percent from a low of nearly 13.05 million jobs during the second quarter of 2020. Despite the recent gain, nonfarm payrolls in the region have yet to reach prepandemic levels, and jobs remained 5.2 percent below the average during the second quarter of 2019. Overall, nonfarm payroll sectors that had the greatest job gains during the second quarter of 2021 were also among those that had contracted the most during the pandemic due to their heavy reliance on nonessential, in-person interactions and the associated countermeasures to slow the spread of COVID-19. As a result, the leisure and hospitality and the wholesale and retail trade sectors led job gains, and Pennsylvania and Virginia accounted for a combined 69 percent of the total gains in both sectors during the second quarter of 2021. In the leisure and hospitality sector, numerous hotels and restaurants that laid off thousands of workers during most of 2020 had increased staffing levels, as capacity and travel limitations were lifted throughout the region; however, business failures leading to permanent closures have caused employment to remain below prepandemic levels. As the economy reopened, Aramark brought back only a portion of the more than 3,300 workers laid off at various education and entertainment venues throughout Pennsylvania, and the permanent closure of 11 Sonic Drive-In restaurants throughout the state contributed

to the loss of nearly 300 jobs. In the wholesale and retail trade sector, greater demand for e-commerce during the height of the pandemic was previously offset by physical distancing measures and the temporary closures of nonessential brick-and-mortar retail, causing overall jobs in the wholesale and retail trade sector to decline during most of 2020. With businesses resuming near-normal operations, more than 90 percent of growth in the wholesale and retail trade sector during the second quarter of 2021 was due to gains in retail trade. In Virginia, online retail giant Amazon.com, Inc. opened an Amazon Fresh grocery store in the Franconia neighborhood of Alexandria in Fairfax County in May 2021. In addition, four Amazon Fresh locations are expected to open in the state during 2021, with two additional stores planned in Maryland.

The only sector to have surpassed prepandemic levels was the transportation and utilities sector; payrolls in the sector were 23,400 jobs, or 4.0 percent, higher than during the second quarter of 2019. Approximately 62 percent of that growth occurred in Pennsylvania and Virginia combined. During the height of the pandemic, demand for delivery services surged as people relied increasingly on online food and retail purchases, contributing to subsequent growth at warehouse distribution centers throughout the region during the second quarter of 2021. Year over year, the transportation and warehouse industry increased in Pennsylvania by 24,800 jobs, or 9.8 percent, and in Virginia, the industry increased by 11,200 jobs, or 8.9 percent. A new 970,000-square-foot FedEx Ground facility that opened in late 2020 in Upper Macungie Township, Pennsylvania, contributed to those gains; since the opening, the facility has continued to hire a portion of the 1,300 workers planned in total to meet the still-growing demand for e-commerce.

continued on page 3



continued from page 2

Nonfarm payroll jobs in the Mid-Atlantic region increased in all 11 sectors during the second quarter of 2021.

	Second Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	13,048.9	14,149.0	1,100.1	8.4
Goods-Producing Sectors	1,591.3	1,700.0	108.7	6.8
Mining, Logging, & Construction	679.8	741.1	61.3	9.0
Manufacturing	911.5	958.9	47.4	5.2
Service-Providing Sectors	11,457.6	12,449.0	991.4	8.7
Wholesale & Retail Trade	1,628.0	1,829.2	201.2	12.4
Transportation & Utilities	562.0	605.7	43.7	7.8
Information	206.0	209.7	3.7	1.8
Financial Activities	769.1	771.5	2.4	0.3
Professional & Business Services	2,190.3	2,296.2	105.9	4.8
Education & Health Services	2,414.0	2,553.2	139.2	5.8
Leisure & Hospitality	813.3	1,204.0	390.7	48.0
Other Services	544.1	628.7	84.6	15.5
Government	2,330.8	2,350.8	20.0	0.9

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

The average unemployment rate in the region was 5.5 percent during the second quarter of 2021—below the national rate of 5.8 percent and down from 11.6 percent for the region a year earlier. The recent rate for the region, however, was higher than the regional rate of 3.6 percent during the second quarter of 2019. Every state in the region and the District of Columbia had a lower unemployment rate than a year ago. Areas that had the highest unemployment rates during the second quarter of 2020 had the sharpest drop by the second quarter of 2021, including Delaware, Pennsylvania, and West Virginia. The unemployment rate in Pennsylvania declined the most—by 8.2 percentage points, to 6.1 percent—followed by Delaware and West Virginia—by 7.7 and 7.3 percentage points, respectively, to 5.7 and 5.3 percent. Virginia had the lowest unemployment rate in the region, at 4.2 percent, whereas the District of Columbia and Maryland had unemployment rates that exceeded the national rate—at 6.7 and 6.1 percent, respectively.

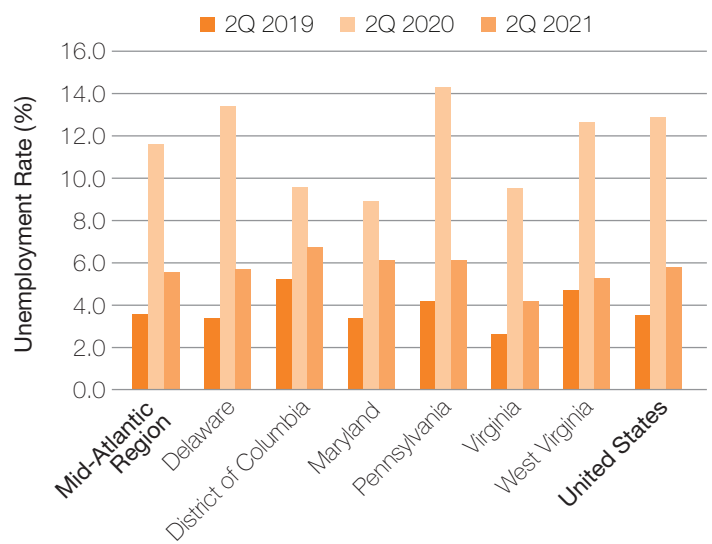
During the second quarter of 2021—

- Pennsylvania and Virginia added 521,300 and 244,900 jobs, or 10.1 and 6.7 percent, respectively, and accounted for a combined 70 percent of total payroll gains in the region. The leisure and hospitality sector accounted for the greatest share of job gains in both states, where nonfarm payrolls in the sector were up by a combined 266,200 jobs, or 48.8 percent. The retail trade subsector expanded by 84,900 and 43,800 jobs, or 17.0 and 12.3 percent, in Pennsylvania and Virginia, respectively.

- Nonfarm payrolls in the District of Columbia and Maryland increased by 23,300 and 224,400 jobs, or 3.2 and 9.2 percent, respectively. Job growth in the leisure and hospitality sector contributed to 34 percent of the gain in Maryland and 54 percent of the increase in the District of Columbia,

continued on page 4

The unemployment rate declined in all the states in the Mid-Atlantic region during the second quarter of 2021.



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



continued from page 3

a top tourist destination. Gains in both states were also supported by growth in federal government jobs, which were up by a combined 7,100 jobs, or 2.1 percent, to account for a combined 349,400 jobs, or 53 percent of all federal government jobs added throughout the region.

- In Delaware and West Virginia, nonfarm payrolls increased by 36,000 and 50,200 jobs, or 8.7 and 7.8 percent, respectively.

Those gains were led by the leisure and hospitality sector, accounting for 41 to 44 percent of job growth in both states. The accommodation and food services industry contributed the most to sector job growth in both states; Delaware and West Virginia added 12,800 and 16,700 jobs, or 51.4 and 38.8 percent, respectively, in the industry.

Sales Market Conditions

Sales housing market conditions ranged from slightly tight to tight in the Mid-Atlantic region during the second quarter of 2021, generally tightening from the second quarter of 2020. Tighter market conditions prevailed due to stronger demand that was compounded by an already existing low inventory of homes for sale and record-low mortgage interest rates. In the Mid-Atlantic region, the inventory of homes available for sale declined 11 percent during the 12 months ending May 2021, to an average of 121,400 homes—slightly less than the 12-percent decrease for the nation (CoreLogic, Inc.). In response to heightened demand, both home sales volume and prices rose at a faster pace than during the 12 months ending May 2020. The average home sales price (which includes single-family homes, townhomes, and condominiums) in the region rose 10 percent, to \$340,200, during the 12 months ending May 2021—up from a 3-percent increase in prices during the previous 12-month period but slower than the 16-percent increase in home prices for the nation (Zonda). Average home sales price gains occurred in all five states of the region and the District of Columbia during the 12 months ending May 2021. The District of Columbia had the highest average home price in the region, at \$732,900—nearly double the national average price of \$373,300—and the average price increased at a strong pace, up 9 percent during the 12 months ending May 2021.

Overall, average home prices rose in all metropolitan areas and divisions cited in this report, ranging from a 3-percent increase in Morgantown to an 18-percent increase in Virginia Beach.

The number of homes sold in the Mid-Atlantic region increased 7 percent during the 12 months ending May 2021, compared with virtually no change a year ago (Zonda). The recent rate of increase for the region, however, was still slower than the 12-percent gain in home sales for the nation. During the 12 months ending May 2021, the increase in home sales was greatest in Virginia—up by 13,050 homes, or 9 percent, accounting for 41 percent of the regionwide gain in sales. A greater volume of sales in both the Richmond and Virginia Beach metropolitan areas accounted for a large proportion of the overall gain in the state. The District of Columbia had the fastest rate of increase in home sales—up 29 percent—which was partly supported by an 8-percent increase in home sales in the Washington-Arlington-Alexandria metropolitan area, an area that includes the District of Columbia and portions of three states in the region. Home sales also increased at a fast pace in West Virginia and Delaware—up 12 and 11 percent, respectively. Approximately 44 percent of the gain in West Virginia was due to a 24-percent increase in the Morgantown metropolitan area, and a 24-percent increase in the Dover metropolitan area accounted for 38 percent of the gain in

continued on page 5

Home sales increased in all but one major market in the Mid-Atlantic region, whereas home prices increased at a fast pace in all areas.

	12 Months Ending	Number of Homes Sold				Price		
		2020	2021	Percent Change	Average	2020 (\$)	2021 (\$)	Percent Change
Morgantown	May	1,650	2,050	24	AVG	238,000	245,200	3
Dover	May	3,150	3,908	24	AVG	237,400	266,100	12
Baltimore	May	53,000	57,950	9	AVG	316,500	358,700	13
Philadelphia	May	89,550	93,000	4	AVG	286,400	321,800	12
Pittsburgh	May	31,550	30,950	-2	AVG	215,100	237,400	10
Richmond	May	21,550	22,100	3	AVG	294,200	319,800	9
Virginia Beach	May	32,400	36,350	12	AVG	275,700	325,400	18
Washington-Arlington-Alexandria	May	102,600	111,200	8	AVG	487,900	533,700	9

AVG = average.

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

Source: Zonda



continued from page 4

Delaware. Both Maryland and Pennsylvania had the slowest gain in home sales—up 5 and 4 percent, respectively; those increases were partly due to respective gains in the Baltimore and Philadelphia metropolitan areas.

The number of distressed home sales (real estate owned [REO] and short sales) declined in the region during the past year because strong sales market conditions led to fewer of those properties in the for-sale inventory. Distressed home sales fell 43 percent during the 12 months ending May 2021, and the number of foreclosures fell 22 percent (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and REO properties in the region increased, however, to 3.6 percent in May 2021—up from 1.9 percent in May 2020—reflecting an increase in the number of loans in forbearance. The percentage of seriously delinquent mortgage loans and REO properties was highest in Maryland and the District of Columbia, at 4.6 and 4.3 percent, respectively. The regional rate partly reflects lower rates in both Virginia and Pennsylvania, at 3.0 and 3.4 percent, respectively.

During the second quarter of 2021 (preliminary data)—

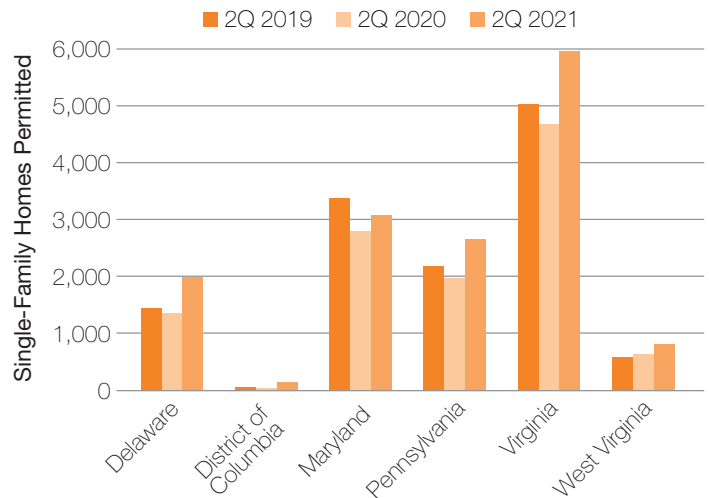
- In response to low levels of inventory and relatively strong sales market conditions, single-family homebuilding activity, as measured by the number of homes permitted, increased 28 percent in the Mid-Atlantic region from a year ago to 14,650 homes. Homebuilding in the nation increased at a faster pace, however: up 46 percent.
- A combined 63 percent of the increase in homebuilding in the region occurred in Pennsylvania and Virginia, where single-family home construction was up by 700 and 1,300 homes, or 36 and 28 percent, respectively. Construction in the Pittsburgh metropolitan area and the portion of the Philadelphia metropolitan area that is in Pennsylvania were up by a combined 430 homes and accounted for 61 percent of the increase in Pennsylvania, and homebuilding in the Richmond and Virginia Beach metropolitan areas was up by a combined 670 homes, accounting for 52 percent of the increase in Virginia.

Apartment Market Conditions

Apartment market conditions in the major market areas in the Mid-Atlantic region ranged from soft to tight during the second quarter of 2021. Conditions were nearly unchanged from a year ago in nearly all major markets in the region except for the Central D.C. area, where conditions softened. Apartment vacancy rates decreased in one-half of the major market areas cited in this report, whereas rents increased in all but four. Vacancy rates for five of the largest areas in the region were at or below the national rate of 3.7 percent during the second

- The number of single-family homes permitted increased in Delaware and Maryland by 640 and 290 homes, or 47 and 11 percent, respectively. Single-family construction was up in the Dover metropolitan area by 130 homes, or 35 percent; homebuilding activity in the Baltimore metropolitan area increased by 230 homes, or 22 percent.
- Single-family homebuilding in West Virginia increased by 160 homes, or 25 percent, whereas it increased three-fold in the District of Columbia, or by 100 homes. Greater single-family home construction in the Washington-Arlington-Alexandria metropolitan area—which was up by 470 homes, or 15 percent—contributed to gains in the District of Columbia, whereas the increase in West Virginia occurred mainly outside the larger metropolitan areas, as development in Morgantown was nearly unchanged.

Homebuilding activity increased in the Mid-Atlantic region during the second quarter of 2021 because of greater construction levels in all states in the region and the District of Columbia.



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

quarter of 2021 (RealPage, Inc.). Aside from the areas within the Washington-Arlington-Alexandria metropolitan area, average rents increased from 3 to 11 percent in all other major market areas in the region; the average rent for the nation increased 4 percent to \$1,495.

The highest increase in the average rent in the Mid-Atlantic region was an 11-percent gain in the Richmond metropolitan area, followed by an 8-percent increase in the Virginia Beach

continued on page 6



continued from page 5

Apartment vacancy rates decreased in one-half of the major market areas in the Mid-Atlantic region during the second quarter of 2021, and rents increased in all but four areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2020 (%)	2Q 2021 (%)	Percentage Point Change	2Q 2020 (\$)	2Q 2021 (\$)	Percent Change
Dover	Tight	2.3	1.3	-1.0	1,171	1,258	7
Baltimore	Tight	4.9	3.6	-1.2	1,362	1,463	7
Philadelphia	Tight	3.8	3.0	-0.7	1,411	1,492	6
Pittsburgh	Slightly Tight	4.1	4.5	0.5	1,188	1,224	3
Richmond	Tight	4.2	3.3	-0.9	1,135	1,257	11
Virginia Beach	Tight	3.5	2.0	-1.5	1,127	1,222	8
Washington-Arlington-Alexandria	Balanced	4.3	4.6	0.3	1,829	1,815	-1
Washington, DC—Central DC	Soft	5.5	7.3	1.9	2,503	2,375	-5
Washington, DC—Downtown Silver Spring	Balanced	4.8	5.0	0.2	1,897	1,850	-2
Washington, DC—North Arlington	Balanced	4.4	5.3	0.9	2,417	2,271	-6

2Q = second quarter. DC = District of Columbia.

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

metropolitan area. Rents also increased at a fast pace in the Baltimore and Dover metropolitan areas—both up 7 percent. In the remaining areas outside the Washington-Arlington-Alexandria metropolitan area, the average rent rose 3 to 6 percent. In the Washington-Arlington-Alexandria metropolitan area, rents for the four areas cited in this report declined 1 to 6 percent, and vacancy rate increases ranged from 0.2 to 1.9 percentage points, as market conditions generally transitioned from previously either balanced to soft or tight to balanced. Concessions as a percentage of asking rent increased in all areas cited in this report except for Dover, ranging from 0.8 of a percentage point in Virginia Beach to 5.6 percentage points in North Arlington. Concessions also generally rose in the nation, increasing an average of 2.5 percentage points.

The number of apartment developments in the pipeline were high in the Baltimore, Philadelphia, and Washington-Arlington-Alexandria metropolitan areas during the second quarter of 2021—a trend that had started in the early to mid-2010s. The number of multifamily units in planning in the Baltimore metropolitan area during the second quarter of 2021 totaled 8,875 units—a number that includes attrition and units in planning that are likely to be delivered—and remains 47 percent higher than levels during the second quarter of 2015, although the number is down 4 percent from a year ago (Delta Associates). In the city of Philadelphia, where approximately 40 percent of the Philadelphia metropolitan area apartment development has been occurring, units in planning increased 23 percent from a year ago to 13,000 units. The number of units in planning in the Washington-Arlington-Alexandria metropolitan area totaled 80,900 units as of the second quarter of 2021—up 12 percent

from 72,500 units during the second quarter of 2020. The District of Columbia accounted for 24 percent, or 19,100 units, of the total pipeline in the Washington-Arlington-Alexandria metropolitan area—up 8 percent from 17,600 units a year 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 second quarter of 2021 (preliminary data)—

- Multifamily home construction activity, as measured by the number of multifamily units permitted, decreased 2 percent, or by 160 units, in the Mid-Atlantic region, following a 13-percent decrease during the second quarter of 2020.
- Soft rental market conditions in the Central DC market area partly contributed to a 1,100-unit, or 67-percent, decline in multifamily construction in the District of Columbia—the largest decrease in construction activity in the region, followed by an 840-unit, or 25-percent, decline in Virginia. Reduced construction in the Washington-Arlington-Alexandria metropolitan area by 80 units, or 3 percent, partly contributed to the decline in the District of Columbia, and a decrease of 910 units, or 77 percent, in the Richmond metropolitan area offset a 130-unit increase in the Virginia Beach metropolitan area and contributed to the overall reduction in Virginia.
- Lower levels of multifamily construction also occurred in Maryland and West Virginia, where construction was down by 470 and 30 units, or 30 and 26 percent, respectively. The Baltimore metropolitan area accounted for all of the net decline in Maryland—down by 700 units, or 79 percent. The decrease

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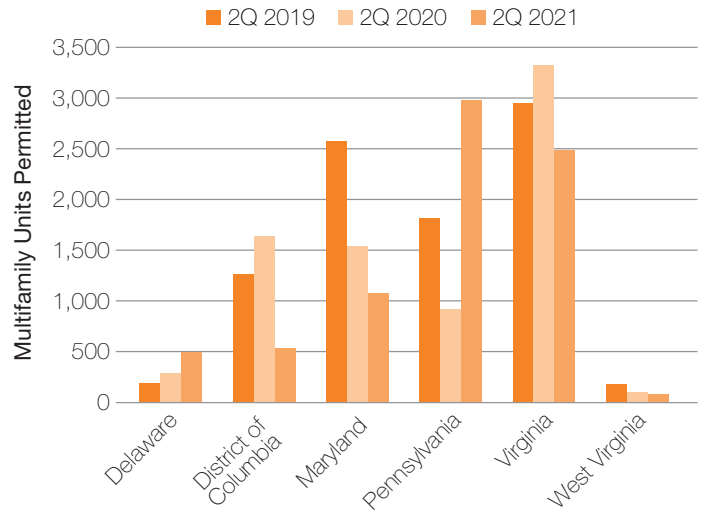


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in construction in West Virginia occurred broadly throughout the state, as the Morgantown metropolitan area remained unchanged, with no units permitted.

- Partly offsetting those declines was increased construction activity in Delaware—up by 210 units, or 71 percent, and Pennsylvania—up by 2,075 units, or a more-than-two-fold increase. Construction in the Dover metropolitan area increased by 90 units, or more than 100 percent. Building activity in the Pittsburgh metropolitan area and the portion of the Philadelphia metropolitan area that is in Pennsylvania increased by 110 and 1,800 units, respectively, or more than 100 percent each.

Multifamily construction activity decreased in the Mid-Atlantic region during the second quarter of 2021 because lower levels of construction in three states in the region and the District of Columbia offset gains in Delaware and Pennsylvania.



2Q = second quarter.

Note: Based on preliminary data.

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

