

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic



Baltimore, Maryland

By Benjamin B. Houck | 3rd quarter 2016

### Quick Facts About Region 3

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

### Overview

Economic conditions continued to strengthen in the Mid-Atlantic region during the third 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. The regional unemployment rate was at its lowest third-quarter average since 2008. Home sales increased in most states in the region and in the District of Columbia but increased at slower rates than in the previous quarter. Average home sales prices increased in all states, but gains were also lower than in the previous quarter. An exception is Maryland, where the average price rose 2 percent compared with a decline a year ago, because fewer transactions were sales of foreclosed homes. Apartment market conditions in major metropolitan areas in the Mid-Atlantic region ranged from balanced to slightly tight. Vacancy rates declined in most areas but were up in certain market areas in the region because of significant concentrations of apartment construction activity.

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During the third quarter of 2016—

- Nonfarm payrolls in the region increased 1.4 percent, to 14.55 million jobs, from the third quarter of 2015. Payrolls increased or were stable in all states and the District of Columbia.

- Single-family homebuilding activity increased 3 percent in the region, mostly because of gains in Delaware and Virginia. Multi-family construction activity declined 6 percent for the region as a whole, but statewide trends within the region varied.

## Economic Conditions

Nonfarm payrolls in the Mid-Atlantic region averaged 14.55 million jobs during the third quarter of 2016, a gain of 199,300 jobs, or 1.4 percent, from the third quarter of 2015. All the net gain during the third quarter of 2016 was in service-providing sectors. The largest job additions were in the education and health services and the professional and business services sectors, which each increased 2.4 percent, or by 58,400 and 54,000 jobs, respectively. Jobs in the government sector increased by 17,900, or 0.8 percent, the most jobs added in the sector since the first quarter of 2011. Overall growth during the third quarter was slightly diminished by declines in goods-producing sectors. The strengthening of the U.S. dollar restrained employment in the manufacturing sector. The largest declines in the sector were in Virginia and Pennsylvania, which combined account for more than 80 percent of manufacturing jobs in the region. In addition, a decline in the number of multifamily units permitted in four states in the region curtailed growth in the mining, logging, and construction sector. The average unemployment rate for the region was 5.0 percent, down from 5.1 percent a year earlier and equal to the national rate. The rate has declined year over year in each quarter since the third quarter of 2010, although the

marginal decline has slowed during the past four quarters because of stronger labor force growth. Unemployment rates declined in most states from a year earlier. The rate was higher, however, in Pennsylvania, because strong labor force growth outpaced employment growth.

During the third quarter of 2016—

- In Virginia, nonfarm payrolls increased by 67,400 jobs, or 1.7 percent, the most jobs added in the region. The professional and business services sector increased by 26,100 jobs, or 3.7 percent. Dollar Tree, Inc., announced plans in August 2016 for a \$110 million expansion of its corporate headquarters in Chesapeake City, which will add 600 jobs to the professional and business services sector during the next 6 years.
- In Pennsylvania, nonfarm payrolls increased by 59,200 jobs, or 1.0 percent. In August 2016, construction began on a \$335 million FedEx Ground distribution facility in Northampton County, which is expected to add 680 jobs to the transportation and utilities sector when complete in August 2018.

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**Nonfarm payrolls in the Mid-Atlantic region increased during the third quarter of 2016 because of growth in service-providing sectors.**

	Third Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,347.0	14,546.3	199.3	1.4
Goods-producing sectors	1,723.3	1,708.8	-14.5	-0.8
Mining, logging, and construction	737.8	728.2	-9.6	-1.3
Manufacturing	985.5	980.6	-4.9	-0.5
Service-providing sectors	12,623.7	12,837.5	213.8	1.7
Wholesale and retail trade	1,966.8	1,988.3	21.5	1.1
Transportation and utilities	521.2	530.5	9.3	1.8
Information	224.7	224.7	0.0	0.0
Financial activities	780.0	783.0	3.0	0.4
Professional and business services	2,207.0	2,261.0	54.0	2.4
Education and health services	2,438.6	2,497.0	58.4	2.4
Leisure and hospitality	1,463.8	1,505.1	41.3	2.8
Other services	720.7	729.2	8.5	1.2
Government	2,300.8	2,318.7	17.9	0.8

Note: Numbers may not add to totals because of rounding.

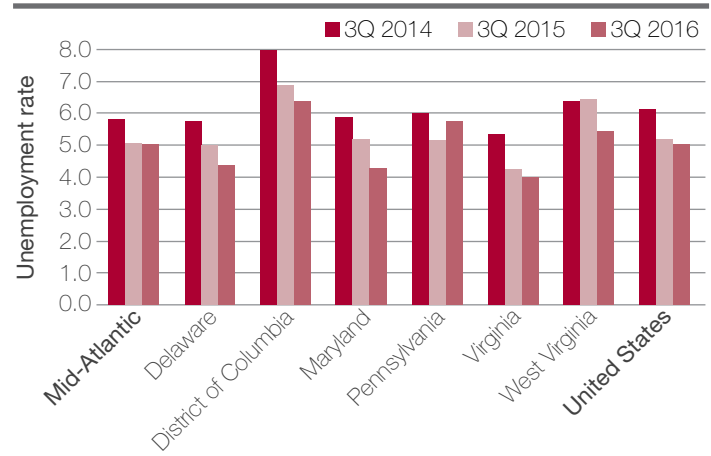
Source: U.S. Bureau of Labor Statistics



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- In Maryland, nonfarm payrolls increased by 49,200 jobs, or 1.8 percent, led by a gain of 15,500 jobs, or 5.5 percent, in the leisure and hospitality sector. Maryland Live! Casino began construction in September 2016 on a \$200 million hotel in Anne Arundel County, which will add an estimated 400 jobs to the leisure and hospitality sector when complete in early 2018.
- In the District of Columbia, nonfarm payrolls increased by 12,000 jobs, or 1.6 percent. Jobs in the federal government subsector, which account for 26 percent of nonfarm payrolls in the District of Columbia, increased by 3,800, or 1.9 percent, as federal spending restrictions abated.
- In Delaware, nonfarm payrolls increased by 11,600 jobs, or 2.6 percent, led by an increase in the professional and business services sector of 5,000 jobs, or 8.4 percent.
- In West Virginia, nonfarm payrolls were unchanged from a year ago. A gain of 5,400 jobs in service-providing sectors was offset by an equivalent decline of jobs in goods-producing sectors, as energy producers in the state continued to encounter low domestic and foreign demand.

Unemployment in the Mid-Atlantic region averaged 5.0 percent during the third quarter of 2016, the lowest third-quarter level since 2008.



3Q = third quarter.  
Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region ranged from tight to slightly soft during the third quarter of 2016. Compared with conditions a year ago, sales markets remained tight in the District of Columbia; balanced in Delaware, Pennsylvania, and Virginia; and slightly soft in West Virginia. The sales market in Maryland is slightly tight compared with balanced a year ago because of a 15-percent decline in the inventory of homes available for sale and an 11-percent

increase in sales of existing homes. For six consecutive quarters, existing home sales in Maryland have increased more than 10 percent year over year. The number of seriously delinquent home loans (90 or more days delinquent or in foreclosure) in Maryland continued to decline, contributing to a 2-percent increase in the average existing home sales price compared with a 2-percent decline a year earlier (Maryland Association of Realtors®). In West Virginia, sales

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Continued job growth contributed to increased home sales and rising sales prices in most of the Mid-Atlantic region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Delaware (N&E)	July	14,400	15,000	4	AVG	265,500	267,400	1
District of Columbia (E)	September	7,925	8,350	5	AVG	638,200	656,700	3
Maryland (E)	September	71,200	78,750	11	AVG	305,800	311,500	2
Pennsylvania (N&E)	September	128,800	138,200	7	AVG	209,200	211,800	1
Virginia (E)	September	107,700	113,400	5	AVG	322,000	324,600	1
West Virginia (N&E)	July	8,775	8,350	-5	AVG	142,500	146,500	3
Baltimore metropolitan area (E)	September	33,450	37,350	12	AVG	277,800	285,700	3
Philadelphia metropolitan area (E)	September	60,000	65,550	9	AVG	264,000	262,700	0
Washington, DC metropolitan area (E)	September	75,900	81,400	7	AVG	445,300	447,100	0

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

Notes: All figures are rounded. Average prices are for the 12 months ending September or July, 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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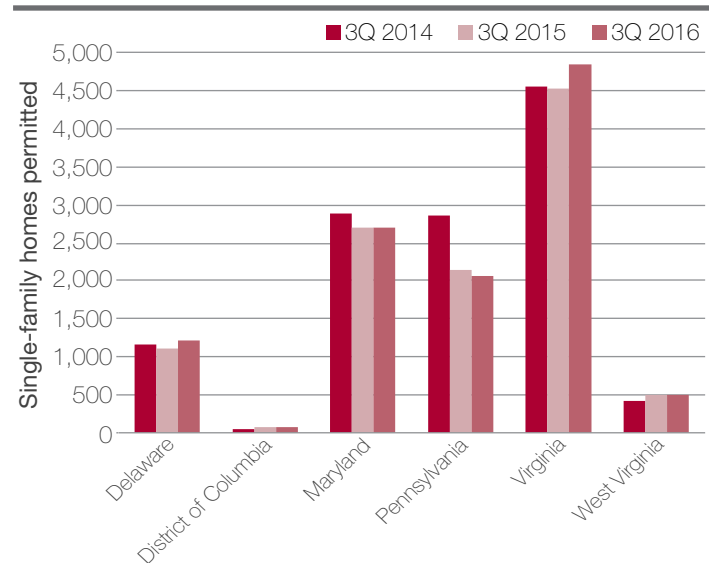
of new and existing homes declined 5 percent compared with a 12-percent increase in home sales during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). In Virginia, the strongest increase in existing home sales occurred in the Richmond metropolitan area, where sales were up 10 percent (Central Virginia Regional Multiple Listing Service).

In August 2016 (the most recent data available), 3.0 percent of home loans in the region were seriously delinquent or had transitioned into real estate owned (REO) status, down from 3.8 percent in August 2015 (CoreLogic, Inc.). The rate of seriously delinquent loans and REO properties was more than the national rate of 2.7 percent, but rates declined throughout the region during the past year. In Maryland, the rate fell from 4.9 to 3.7 percent, the greatest percentage-point decline in the region. The lowest rate was in Virginia, at 1.9 percent.

During the third quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 3 percent, or by 340 homes, in the Mid-Atlantic region from a year earlier, to 11,400 homes permitted. Homebuilding activity increased year over year for the third consecutive quarter after declining in most quarters during 2014 and 2015.
- Single-family construction activity in Virginia increased 7 percent, or by 320 homes. The 4,850 single-family homes permitted in Virginia were 42 percent of homes permitted in the region.
- In Pennsylvania and Maryland, which combined accounted for another 42 percent of single-family homes permitted in the region, construction was down 5 and 1 percent, or by 100 and 10 homes, respectively.

**Homebuilding activity increased in three states in the Mid-Atlantic region, declined in two states, and was unchanged in the District of Columbia.**



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

- Homebuilding activity in Delaware increased 10 percent, or by 110 homes.
- Single-family construction activity was up 5 percent, or by 20 homes, in West Virginia and was unchanged in the District of Columbia.

## Apartment Market Conditions

Apartment market conditions during the third quarter of 2016 ranged from balanced to slightly tight for the largest market areas in the Mid-Atlantic region. In the Baltimore, Philadelphia, and Wilmington market areas, apartment market conditions were slightly tight and apartment vacancy rates declined year over year. The vacancy rate in the Philadelphia area has been at or below 4 percent since the third quarter of 2012, partially because of an acceleration in job growth since 2014. The Norfolk/Hampton Roads area apartment market is balanced. Aqua on 25th, an oceanfront community of 147 apartments in Virginia Beach, opened during the quarter, with rents for one- and two-bedroom units starting at \$1,315 and \$1,775, respectively. More than one-half of units have been leased (Axiometrics, Inc.). In the District of Columbia, the vacancy rate declined year over year for the fourth consecutive quarter, partially

because of strong population growth and a low inventory of homes available for sale. In the Suburban Maryland area, the vacancy rate has increased year over year in most quarters since the third quarter of 2014, when the rate was 3.4 percent. Apartment market conditions are somewhat softer, however, in some areas of concentrated apartment construction activity in the region. In the Delta Associates-defined Downtown Baltimore market area, the overall (including units in lease up) Class A apartment vacancy rate was 12.5 percent during the third quarter of 2016, up from 8.4 percent a year earlier (Delta Associates). The overall vacancy rates for Class A highrise apartments in the city of Philadelphia and the District of Columbia were 16.4 and 8.2 percent, respectively, during the third quarter of 2016, each up from rates a year earlier.

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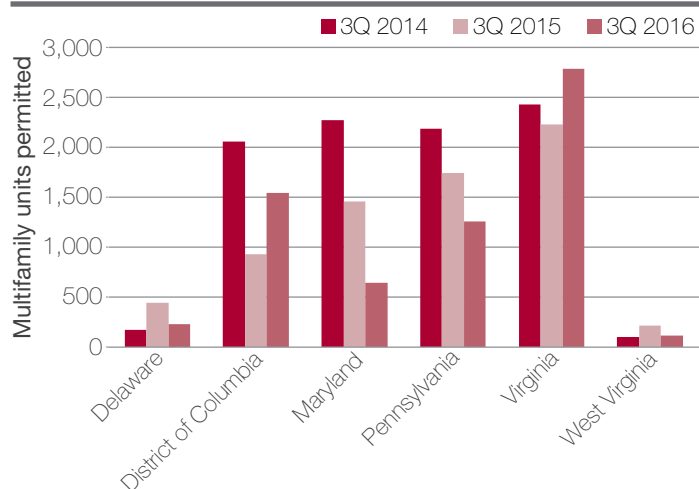
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Multifamily construction activity in the region, as measured by the number of multifamily units permitted, totaled 6,575 units, down 6 and 29 percent from totals during the third quarters of 2015 and 2014, respectively. This slowdown follows a rapid increase in multifamily construction activity from the third quarters of 2010 through 2014, when the number of units permitted in the region rose an average of 23 percent annually.

During the third quarter of 2016 (preliminary data)—

- In the District of Columbia, multifamily construction activity rose 66 percent, or by 610 units, from a year earlier, to 1,550 units permitted. Approximately 1,075 units were permitted in September 2016, including a 288-unit luxury apartment community at 1441 U Street in Northwest Washington, D.C., slated for completion in mid-2018.
- In Virginia, 2,775 multifamily units were permitted, up 25 percent, or by 550 units, from a year earlier.
- These gains were more than offset by declines in four states in the region. Multifamily construction activity fell 56 and 28 percent, or by 820 and 480 units, in Maryland and Pennsylvania, to 640 and 1,250 units permitted, respectively. Multifamily construction activity fell by similar amounts during the previous year in both Maryland and Pennsylvania.

The number of multifamily units permitted in the Mid-Atlantic region declined from a year ago, mostly because of declines in Maryland and Pennsylvania.



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

- Multifamily construction activity also slowed in Delaware and West Virginia, by 210 and 100 units, or 48 and 46 percent, to 230 and 120 units permitted, respectively.

Vacancy rates declined from a year earlier in most major market areas in the Mid-Atlantic region during the third quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2015 (%)	3Q 2016 (%)	Percentage Point Change	3Q 2015 (\$)	3Q 2016 (\$)	Percent Change
Baltimore	Slightly tight	3.7	3.6	- 0.1	1,156	1,186	3
Norfolk/Hampton Roads	Balanced	5.1	4.7	- 0.4	973	995	2
Philadelphia	Slightly tight	3.3	3.2	- 0.1	1,181	1,224	4
Washington, D.C.—Maryland suburbs	Balanced	4.0	4.5	0.5	1,456	1,493	3
Washington, D.C.—Virginia suburbs	Balanced	4.6	4.4	- 0.2	1,691	1,738	3
Washington, D.C.—District of Columbia	Balanced	6.5	5.8	- 0.7	1,671	1,722	3
Wilmington	Slightly tight	2.9	2.6	- 0.3	1,028	1,047	2

3Q = third 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.  
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.

