

HUD PD&R Regional Reports

Region 3: Mid-Atlantic



Quick Facts About Region 3

Richmond, Virginia

By Benjamin B. Houck | 4th quarter 2016

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

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

Overview

Economic conditions continued to strengthen in the Mid-Atlantic region during the fourth quarter of 2016. Although nonfarm payroll jobs have increased year over year in every quarter since the second quarter of 2010, the pace of growth slowed during the most recent three quarters. The 0.9-percent expansion in the Mid-Atlantic region during the fourth quarter of 2016 matched the New York/New Jersey region for the lowest rate of growth among the 10 HUD-defined regions in the nation. Because of the slowdown in job growth and faster labor force growth, the regional unemployment rate rose year over year for the first time since the third quarter of 2010. Home sales increased in most states in the region and in the District of Columbia but declined in West Virginia. Average home sales prices increased modestly, with statewide price gains ranging from less than 1 percent in Delaware to 3 percent in Maryland. Apartment market conditions in major metropolitan areas in the Mid-Atlantic region ranged from balanced to slightly tight. Apartment vacancy rates declined and asking rents increased in most areas from a year earlier.

During the fourth quarter of 2016—

- Nonfarm payrolls in the region increased to 14.67 million jobs from the fourth quarter of 2015. Payrolls increased in all states and the District of Columbia.
- Homebuilding activity increased 9 percent in the region, as the number of single-family homes permitted increased throughout the region. Multifamily construction activity fell throughout the region, however, leading to a 22-percent decline for the region as a whole.



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Job gains in the Mid-Atlantic region during the fourth quarter of 2016 were concentrated in the professional and business services and the education and health services sectors.

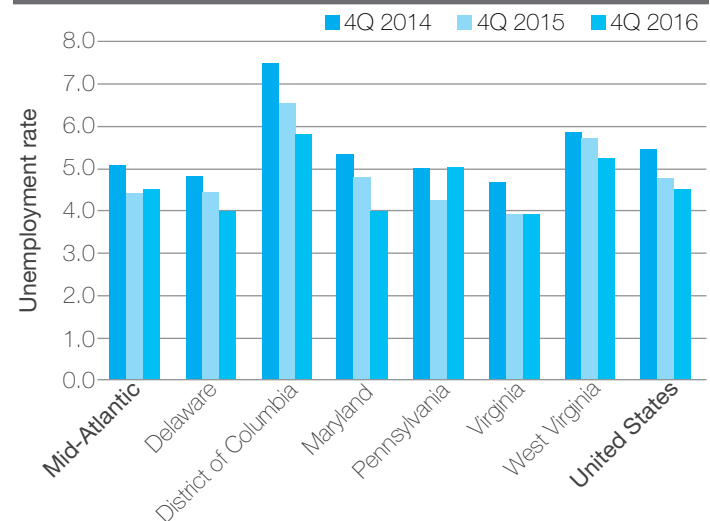
	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,533.7	14,671.5	137.8	0.9
Goods-producing sectors	1,698.5	1,681.8	- 16.7	- 1.0
Mining, logging, and construction	716.1	706.2	- 9.9	- 1.4
Manufacturing	982.4	975.6	- 6.8	- 0.7
Service-providing sectors	12,835.2	12,989.7	154.5	1.2
Wholesale and retail trade	2,009.4	2,017.2	7.8	0.4
Transportation and utilities	549.6	558.0	8.4	1.5
Information	225.1	220.2	- 4.9	- 2.2
Financial activities	777.0	779.7	2.7	0.3
Professional and business services	2,224.8	2,270.3	45.5	2.0
Education and health services	2,521.7	2,574.5	52.8	2.1
Leisure and hospitality	1,388.9	1,413.6	24.7	1.8
Other services	720.2	724.9	4.7	0.7
Government	2,418.5	2,431.4	12.9	0.5

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 14.67 million jobs during the fourth quarter of 2016, a gain of 137,800 jobs, or 0.9 percent, from the fourth quarter of 2015. The rate was less than the 1.3-percent increase a year earlier because of job losses in goods-producing sectors and slower job gains in several service-providing sectors. Nonetheless, the average number of jobs is a new peak for the Mid-Atlantic region, and payrolls increased from a year ago in each state and the District of Columbia. The largest job additions were in the two largest private sectors in the region. The education and health services sector gained 52,800 jobs, or 2.1 percent, and the professional and business services sector increased by 45,500 jobs, or 2.0 percent. Overall growth during the fourth quarter was slightly diminished by declines in goods-producing sectors. Jobs in the manufacturing sector were down for the third consecutive quarter. The greatest declines were in durable goods manufacturing industries in Virginia and Pennsylvania, which declined by 4,000 and 2,400 jobs, or 2.9 and 0.7 percent, respectively. The decline was particularly acute in the Virginia Beach metropolitan area, where jobs in the transportation equipment manufacturing and the ship and boat building industries declined by 2,100 and 1,200 jobs, or 7.8 and 4.8 percent, respectively. Additional losses in goods-producing sectors included significant declines in the mining and logging subsector in Pennsylvania and West Virginia, which decreased by 7,400 and 2,700 jobs, or 24.3

The unemployment rate in the Mid-Atlantic region rose slightly, to 4.5 percent, during the fourth quarter of 2016 because of strong labor force growth and slowing job growth.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

and 11.3 percent, respectively. The average unemployment rate for the region was 4.5 percent, up slightly from 4.4 percent a year earlier and equal to the national rate. The rate is down from a peak fourth-quarter average of 7.6 percent in 2009 but increased from a year ago because of strong labor force growth and slowing job growth. Unemployment rates ranged from 3.9 percent in Virginia to 5.8 percent in the District of Columbia.

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During the fourth quarter of 2016—

- In Virginia, nonfarm payrolls increased by 48,900 jobs, or 1.2 percent, the most jobs added in the region. The professional and business services sector increased by 15,800 jobs, or 2.2 percent. In October 2016, CoStar Group, Inc., established a research and development center in the city of Richmond, adding 730 jobs to the sector.
- In Pennsylvania, nonfarm payrolls increased by 34,700 jobs, or 0.6 percent. The education and health services sector led job growth in the state, increasing by 21,500 jobs, or 1.8 percent.
- In Maryland, nonfarm payrolls increased by 29,600 jobs, or 1.1 percent, led by a gain of 9,400 jobs, or 2.1 percent, in the education and health services sector. MGM National Harbor, a

\$1.4 billion entertainment and gaming resort in Prince George's County, opened in December 2016, adding approximately 3,600 jobs, mostly in the leisure and hospitality sector.

- In the District of Columbia and Delaware, nonfarm payrolls increased by 15,800 and 5,000 jobs, or 1.1 and 2.0 percent, respectively. The professional and business services sector led job growth in each state, increasing by 5,000 jobs, or 5.0 percent, in the District of Columbia, and by 4,100 jobs, or 6.5 percent, in Delaware.
- In West Virginia, nonfarm payrolls increased by 3,900 jobs, or 0.5 percent, marking the largest year-over-year gain in the state since the third quarter of 2012. The most jobs were added in the education and health services sector, which increased by 4,800 jobs, or 3.7 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 fourth quarter of 2016. Sales markets tightened relative to a year ago because of increasing home sales and a decline in the inventory of homes available for sale. 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 increased 10 percent or more in the Baltimore, Philadelphia, and Richmond metropolitan areas, although the gains were down from even higher percentage increases a

year earlier, partially due to higher mortgage interest rates. The sales market is balanced in the eight-county West Virginia Eastern Panhandle area, and sales during 2016 also increased more than 10 percent from the number of existing homes sold during 2015. In Delaware, home sales increased in all three counties, although the 3-percent statewide increase was down from a 10-percent gain a year earlier. In Maryland and Virginia, home sales continued to increase, but the increases were also less than the previous year, in part because of tight housing market conditions. In the Northern Virginia area (consisting of nine counties and six independent

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Tighter sales markets in the Mid-Atlantic region and an increase in mortgage interest rates contributed to slower gains in home sales than a year earlier in most states.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Delaware (N&E)	September	14,600	15,000	3	AVG	265,900	267,200	0
District of Columbia (E)	December	7,950	8,300	4	AVG	645,300	656,900	2
Maryland (E)	December	73,050	79,950	9	AVG	305,900	313,600	3
Pennsylvania (E)	December	128,200	137,500	7	AVG	210,800	215,400	2
Virginia (E)	December	108,900	115,000	6	AVG	322,200	326,000	1
West Virginia (N&E)	September	8,775	8,250	-6	AVG	143,300	145,800	2
Baltimore metropolitan area (E)	December	34,350	38,100	11	AVG	278,300	289,000	4
Philadelphia metropolitan area (E)	December	61,100	67,350	10	AVG	263,200	264,800	1
Richmond metropolitan area (E)	December	15,750	17,300	10	AVG	250,900	259,000	3
Washington, D.C. metropolitan area (E)	December	77,150	82,500	7	AVG	445,100	448,300	1
West Virginia Eastern Panhandle (E)	December	3,275	3,625	11	AVG	178,500	184,400	3

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

Notes: All figures are rounded. Average prices are for the 12 months ending December or September, 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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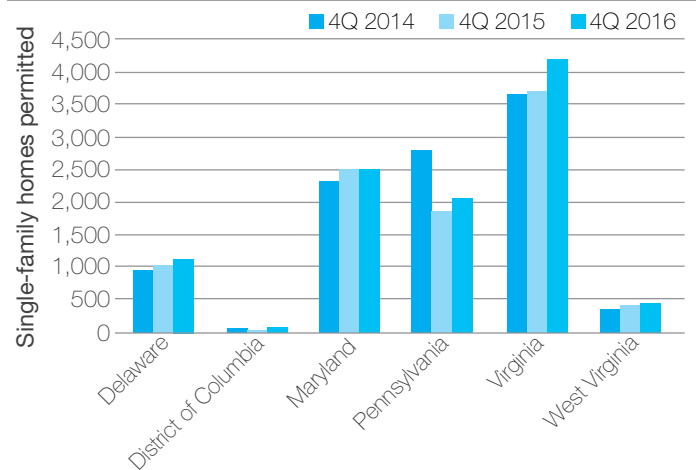
cities), existing home sales rose 6 percent during 2016, and the average existing home sales price increased less than 1 percent, to \$469,000 (Metropolitan Regional Information Systems, Inc.). Sales prices rose modestly throughout the Mid-Atlantic region during the fourth quarter of 2016.

In November 2016 (the most recent data available), 3.0 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 3.6 percent in November 2015 (CoreLogic, Inc.). The rate of seriously delinquent loans and REO properties was more than the national rate of 2.6 percent, but rates declined throughout the region during the past year. In Maryland, the rate fell from 4.6 to 3.6 percent, the greatest percentage-point decline in the region. The lowest rate was in Virginia at 1.9 percent.

During the fourth quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 9 percent, or by 840 homes, in the Mid-Atlantic region from a year earlier, to 10,400 homes permitted. The regional total was the most homes permitted in any fourth quarter since 2007.
- Single-family construction activity increased the most in Virginia, which was up by 480 homes, or 13 percent. In Rockingham County, 260 single-family homes were permitted, up from 80 homes permitted a year earlier. Homes permitted during the quarter include a rental community of 178 single-family homes for students at James Madison University, called The Retreat at Harrisonburg, which is expected to be complete in mid-2017.
- Single-family construction activity was up 9 percent, or by 180 homes, in Pennsylvania and was relatively unchanged in Maryland.
- Homebuilding activity in Delaware increased 10 percent, or by 100 homes. The subdivision with the most homes started during the quarter was Bishops Landing, in Sussex County, with 250

Single-family construction activity increased throughout the Mid-Atlantic region during the fourth quarter of 2016. The largest gains were in Pennsylvania and Virginia.



4Q = fourth quarter.

Note: Based on preliminary data.

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

townhomes starting at \$251,990 and 225 single-family homes starting at \$299,900 (Metrostudy, A Hanley Wood Company). Slightly more than one-half of the homes planned for Bishops Landing have been built since the development broke ground in mid-2013.

- Single-family construction activity was relatively unchanged in West Virginia and totaled 80 homes in the District of Columbia, a more than threefold increase from a year earlier. Homes permitted in the District of Columbia during the quarter include Ridge Street Condominiums, with six two-bedroom townhomes in the Mount Vernon neighborhood of Northwest Washington, D.C., starting at \$629,000.

Apartment Market Conditions

Apartment market conditions in major metropolitan areas in the Mid-Atlantic region ranged from balanced to slightly tight during the fourth quarter of 2016. In Baltimore, Philadelphia, and the Maryland suburbs of Washington, D.C., apartment market conditions were slightly tight, unchanged from conditions a year earlier. Apartment vacancy rates declined 0.4 percentage point year over year in each metropolitan area. Asking rents increased the most in the Philadelphia metropolitan area because of relatively strong job growth and slowing apartment construction activity during the past 2 years. The vacancy rate declined more sharply in the Richmond metropolitan area, and especially in market areas within Chesterfield County, because of strong job growth and a slowdown in multifamily

construction activity. The apartment market in the Roanoke metropolitan area was slightly tight, and the decline in the vacancy rate was partially caused by a recent expansion by Carilion Services, Inc., one of the largest employers in the city of Roanoke, with more than 1,000 employees (Virginia Employment Commission). In the Virginia suburbs of Washington, D.C., the apartment market remained balanced overall, and the vacancy rate declined despite vacancy rates in portions of the city of Alexandria and Fairfax County that are elevated because of significant apartment construction activity in recent years. In the District of Columbia, the apartment market was balanced, unchanged from the condition a year earlier, and the vacancy rate rose slightly as apartments completed during 2016 surpassed the number of units absorbed in the market area.

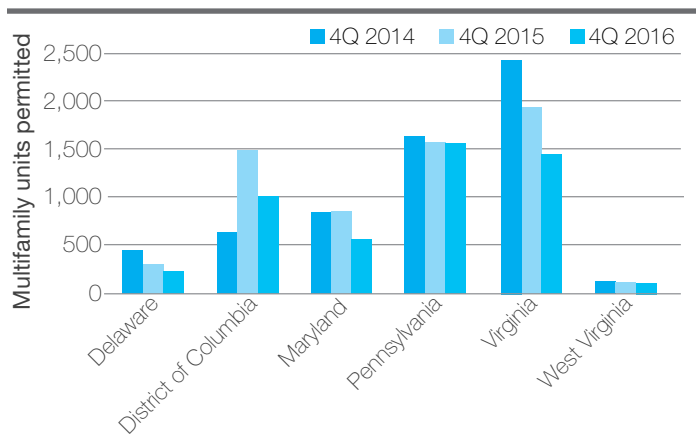
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Multifamily construction activity in the region, as measured by the number of multifamily units permitted, totaled 4,850 units, down 22 percent from the number of units permitted during the fourth quarter of 2015. The total for the region was the lowest fourth-quarter figure since 2010. Permitting levels declined throughout the region.

Multifamily construction activity declined throughout the Mid-Atlantic region during the fourth quarter of 2016.



4Q = fourth quarter.

Note: Based on preliminary data.

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

During the fourth quarter of 2016 (preliminary data)—

- In Pennsylvania, 1,550 units were permitted, relatively unchanged from the level a year earlier. Nearly 40 percent of the statewide total consisted of units permitted in Upper Merion Township, immediately outside the city of Philadelphia, where approximately 1,100 apartment units are under construction near the King of Prussia Mall.
- In Virginia and the District of Columbia, 1,425 and 990 multifamily units were permitted, respectively, down 26 and 33 percent from the number of units permitted a year earlier. In the District of Columbia, units permitted during the quarter included a 419-unit development along the H Street Corridor in Northeast Washington, D.C. The apartment community, known as Avec, is expected to be complete in late 2018.
- In Maryland, 550 multifamily units were permitted, down 35 percent from the number of units permitted a year earlier. The number of multifamily units permitted in Maryland during 2016 was up 17 percent from the total in 2015, and strong increases were reported in Frederick and Howard Counties.
- In Delaware and West Virginia, 230 and 100 multifamily units were permitted, down 24 and 7 percent, respectively, from statewide totals a year earlier.

Apartment vacancy rates declined, and asking rents increased, in most market areas in the Mid-Atlantic region during the fourth quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 (\$)	4Q 2016 (\$)	Percent Change
Baltimore	Slightly tight	4.2	3.8	-0.4	1,166	1,193	2
Philadelphia	Slightly tight	4.0	3.6	-0.4	1,189	1,236	4
Richmond	Slightly tight	4.4	3.5	-0.9	894	924	3
Roanoke	Slightly tight	4.7	3.6	-1.1	728	736	1
Washington, D.C.—Maryland suburbs	Slightly tight	4.3	3.9	-0.4	1,470	1,499	2
Washington, D.C.—Virginia suburbs	Balanced	5.4	4.8	-0.6	1,690	1,735	3
Washington, D.C.—District of Columbia	Balanced	4.8	5.0	0.2	1,667	1,696	2

4Q = fourth quarter.

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

