

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

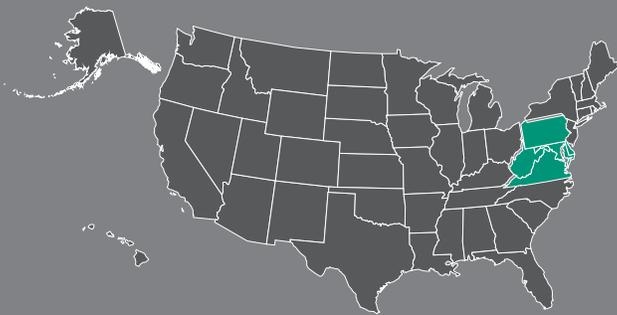


Pittsburgh, Pennsylvania

By Patricia Moroz | 1st quarter 2016

Quick Facts About Region 3

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



Overview

Economic conditions continued to improve in the Mid-Atlantic region during the first quarter of 2016. Nonfarm payroll jobs have increased year over year in every quarter since the second quarter of 2010, and the current level of payrolls is 339,600 jobs more than the previous first quarter peak in 2008. The population in the region increased at a modest pace of 0.4 percent for the second consecutive year. Sales housing market conditions tightened from a year ago in Pennsylvania and Delaware but remained essentially unchanged in the other states in the region. Single-family homebuilding activity increased in every state in the region from a year earlier. Apartment market conditions ranged from balanced to slightly tight in major metropolitan areas in the region, and average rents increased 2 or 3 percent from a year ago in the largest market areas in the region.

During the first quarter of 2016—

- Nonfarm payrolls in the region increased 1.5 percent, to 14.27 million jobs, from the first quarter of 2015. Payrolls increased the most rapidly in Delaware, at 2.7 percent, and job gains were the highest in Virginia, which accounted for 45 percent of regional growth.
- Single-family construction activity rose 11 percent from a year ago, to 10,150 homes permitted. Virginia accounted for 42 percent of single-family homes permitted in the region.
- Multifamily permitting activity was up 32 percent in the region. Increases in all the states in the region offset a 21-percent decline in the District of Columbia, where developers responded to the large pipeline of units under construction.



Nonfarm payroll growth in the Mid-Atlantic region was concentrated in the service-providing sectors.

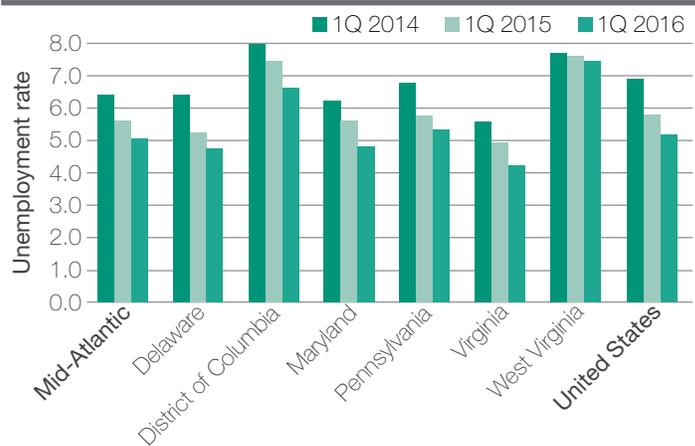
	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,052.6	14,270.3	217.7	1.5
Goods-producing sectors	1,640.2	1,639.0	- 1.2	- 0.1
Mining, logging, and construction	665.1	664.1	- 1.0	- 0.2
Manufacturing	975.1	974.9	- 0.2	0.0
Service-providing sectors	12,412.5	12,631.3	218.8	1.8
Wholesale and retail trade	1,925.1	1,954.2	29.1	1.5
Transportation and utilities	512.3	530.1	17.8	3.5
Information	223.1	222.5	- 0.6	- 0.3
Financial activities	764.6	776.2	11.6	1.5
Professional and business services	2,138.0	2,190.3	52.3	2.4
Education and health services	2,462.8	2,507.2	44.4	1.8
Leisure and hospitality	1,300.3	1,346.6	46.3	3.6
Other services	701.9	716.0	14.1	2.0
Government	2,384.3	2,388.2	3.9	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 14.27 million jobs during the first quarter of 2016, a gain of 217,700 jobs, or 1.5 percent, from the first quarter of 2015. The economy expanded at a faster pace during the past year compared with growth during the first quarter of 2015 of 169,600 jobs, or 1.2 percent, from a year earlier. The professional and business services, leisure and hospitality, and education and health services sectors accounted for two-thirds of the job growth in the region during the first quarter of 2016. Leisure and hospitality was the fastest-growing sector, with an increase of 3.6 percent. The state with the most rapid growth in the leisure and hospitality sector was Delaware, with an increase of 6.4 percent; eight new hotels with more than 750 rooms opened during the past 2 years, primarily near coastal beach towns in Delaware (McGraw-Hill Construction Pipeline database). The professional and business services sector added 52,300 jobs, more jobs than any other sector in the region during the first quarter of 2016. The education and health services sector increased by 44,400 jobs, or 1.8 percent, up from the 1.7-percent rate of growth of a year ago and the 1.2-percent growth during the first quarter of 2014. Virginia and Pennsylvania accounted for the most gains in the sector—18,300 and 18,200 jobs, respectively. Despite a slight decline of 1,000 jobs in the mining, logging, and construction sector in the region overall, Maryland gained 9,900 jobs in the construction subsector, a 6.8-percent increase, because construction of single-family homes and multifamily units increased. The average unemployment rate for

The unemployment rate in the Mid-Atlantic region was less than the national rate during the first quarter of 2016, and the rates declined in each state and the District of Columbia during the past 2 years.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

the region was 5.1 percent, down from 5.6 percent a year earlier and less than the national rate of 5.2 percent. The unemployment rates in West Virginia and the District of Columbia of 7.5 and 6.6 percent, respectively, were among the highest in the nation but represented the lowest first quarter rates in those areas since 2008.

During the first quarter of 2016—

- In Virginia and Maryland, nonfarm payrolls increased by 97,700 and 49,900 jobs, or 2.6 and 1.9 percent, respectively. The professional and business services sector led the job growth in both states, with increases of 28,100 and 10,000 jobs, or 4.1 and 2.4 percent, respectively.

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- In Pennsylvania, nonfarm payrolls increased by 52,300 jobs, or 1.0 percent. The education and health services sector led the job growth, with the addition of 18,200 jobs, an increase of 1.5 percent; the home healthcare industry added 6,200 jobs, a 12.7-percent increase.
- In Delaware and the District of Columbia, nonfarm payrolls increased by 11,900 and 11,300 jobs, or 2.7 and 1.5 percent, respectively. The leisure and hospitality sector added 2,800 jobs in each state, leading the growth.
- In West Virginia, nonfarm payrolls declined by 9,400 jobs, or 1.2 percent. The mining, logging, and construction sector accounted for the largest decrease, with a loss of 5,800 jobs, or 20.6 percent, in the mining and logging subsector and a loss of 2,000 jobs, or 6.8 percent, in the construction subsector. Partially offsetting the layoffs at mining companies, the retail trade subsector increased by 1,100 jobs, or 1.3 percent; the University Town Centre in Morgantown expanded approximately 50 percent, or by 300,000 square feet, including the 2016 openings of an A.C. Moore arts and crafts store with 50 employees, an Ulta cosmetics store, and a Five Below discount store.

Population

The population in the Mid-Atlantic region grew at a relatively modest rate from 2014 to 2015, increasing by 112,400, or 0.4 percent, compared with 0.8-percent growth for the nation overall (Census Bureau population estimates as of July 1). Growth rates in the region ranged from a gain of 1.9 percent in the District of Columbia (the third highest growth rate in the nation) to a decline of 0.3 percent in West Virginia. Net natural increase (resident births minus resident deaths) has accounted for an increasing share of the population growth in recent years. Approximately 75 percent of the population growth in the region resulted from net natural increase as of 2015, up from 67 percent a year earlier and 47 percent as of 2011. Net in-migration in the region totaled approximately 28,200 people in 2015, down from 41,450 people during the previous 12 months.

During the 12 months ending July 1, 2015—

- The District of Columbia led the growth in the region, with a population increase of approximately 12,400 people, or 1.9 percent. The strong population growth was primarily the result of net in-migration, which accounted for 65 percent of the population growth and totaled approximately 8,025 people, up from 5,900 people a year earlier.
- The population growth rate in Delaware remained unchanged, at 1.1 percent, and has exceeded the national rate of growth for the past 5 years, partially the result of improving economic conditions since 2010. Net in-migration accounted for 74 percent of the population growth in Delaware and totaled 7,375 people, down slightly from 7,900 people a year earlier.
- In the most populous states in the region, Virginia and Pennsylvania, the population growth rates were 0.7 and 0.1 percent, respectively, unchanged from a year earlier. Net natural increase of approximately 40,000 people accounted for 73 percent of the population growth in Virginia, and net in-migration totaled approximately 14,900 people, down from 20,200 people a year earlier. In Pennsylvania, net natural increase accounted for all the growth, more than offsetting net out-migration of 4,600 people.
- In Maryland, population growth slowed to 0.5 percent during the past year but remained above the average rate for the Mid-Atlantic region. Although economic conditions in Maryland have improved since 2010, net in-migration slowed during the past

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Population growth was relatively stable in most states in the Mid-Atlantic region during the 12 months ending July 1, 2015.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
Mid-Atlantic	30,415,329	30,541,766	30,654,187	0.4	0.4
Delaware	925,353	935,968	945,934	1.1	1.1
District of Columbia	649,540	659,836	672,228	1.6	1.9
Maryland	5,936,040	5,975,346	6,006,401	0.7	0.5
Pennsylvania	12,783,536	12,793,767	12,802,503	0.1	0.1
Virginia	8,267,875	8,328,098	8,382,993	0.7	0.7
West Virginia	1,852,985	1,848,751	1,844,128	-0.2	-0.3

Source: U.S. Census Bureau



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2 years, to 6,200 people during the 12 months ending July 1, 2015, down from 14,100 people a year earlier. Net in-migration in nearly all the Maryland counties in the Washington, D.C. metropolitan area slowed.

- The population of West Virginia declined by approximately 4,625, or 0.3 percent; weak economic conditions during the past 3 years led to net out-migration of 3,675 people. West Virginia was the only state in the region with population decline, and the rate of decrease was greater than in any other state in the nation.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region were mixed during the first quarter of 2016, ranging from tight to slightly soft. Sales market conditions were tight in the District of Columbia compared with balanced conditions during the first quarter of 2015, with an inventory of homes available for sale of approximately 2 months (Metropolitan Regional Information Systems, Inc. [MRIS®]). Following the trend in overall existing home sales and average sales prices in the District of Columbia, existing condominium sales, which account for 48 percent of total existing sales in the District of Columbia, declined 4 percent, to 3,500 units sold during the 12 months ending March 2016, and the average sales price increased less than 1 percent, to \$493,400. In Maryland, the home sales market remained balanced; existing home sales increased 15 percent, the largest increase among all states in the region. The Baltimore metropolitan area led the increase in sales in the state, with a 17-percent increase in existing home sales from a year earlier. Sales markets in Pennsylvania and Delaware were balanced compared with slightly soft conditions a year ago. In Pennsylvania, existing home sales increased 5 percent, to 155,700 homes, and the average sales price increased 2 percent, to \$213,000. The average price rose 4 percent in Delaware, and the average number of homes sold was up

7 percent, to 144,400 homes in December 2015 (the most recent data available), from a year ago (CoreLogic, Inc., with adjustments by the analyst). The sales market in Virginia remained balanced. In the 11 counties and 6 independent cities in northern Virginia, sales market conditions remained relatively unchanged from a year ago; existing home sales totaled 37,700 and home sales prices averaged \$461,900 (MRIS®). In West Virginia, where the sales market remained slightly soft, existing home sales declined 3 percent, to 8,500, and the average price increased 4 percent, to \$145,700, in December 2015 (the most recent data available), from a year earlier (CoreLogic, Inc., with adjustments by the analyst).

During February 2016, 3.5 percent of mortgages in the region were seriously delinquent (90 or more days delinquent or in foreclosure), down from 4.3 percent in February 2015 (CoreLogic, Inc.). Maryland had the highest rate of seriously delinquent loans and real estate owned (REO) properties in the region, at 4.5 percent, down from 5.6 percent in February 2015, the largest percentage-point decline among the states in the region during the past year. Virginia and West Virginia had the lowest rates of seriously delinquent loans and REO properties in the region, at 2.2 and 3.0 percent, respectively, in February 2016.

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Home sales were up throughout the Mid-Atlantic region, except in West Virginia and the District of Columbia.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
Delaware (N&E)	December	13,400	14,400	7	AVG	258,100	267,600	4
District of Columbia (E)	March	7,675	7,325	-5	AVG	628,700	638,500	2
Maryland (E)	March	64,850	74,800	15	AVG	307,700	307,700	0
Pennsylvania (E)	March	148,000	155,700	5	AVG	209,300	213,000	2
Virginia (E)	March	100,500	109,100	9	AVG	320,600	320,700	0
West Virginia (N&E)	December	8,725	8,500	-3	AVG	139,600	145,700	4
Baltimore metropolitan area (E)	March	30,100	35,300	17	AVG	280,400	278,800	-1
Philadelphia metropolitan area (E)	March	54,700	62,500	14	AVG	280,600	279,600	0
Washington, D.C. metropolitan area (E)	March	78,800	78,100	-1	AVG	444,300	443,500	0

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

Notes: All figures are rounded. Average prices are for the 12 months ending March or December 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®

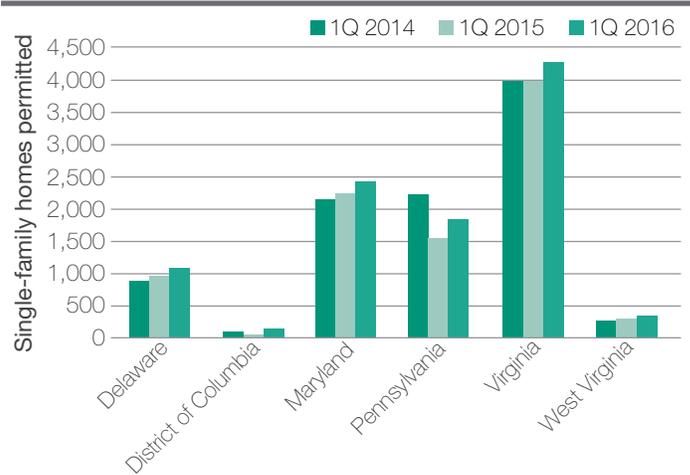


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During the first quarter of 2016 (preliminary data)—

- Single-family homebuilding activity in the Mid-Atlantic region, as measured by the number of homes permitted, increased 11 percent, or by 980, from a year earlier to approximately 10,150 single-family homes. The increase in single-family building activity in the region was slightly below the national increase of 12 percent.
- In Pennsylvania and Virginia, single-family permitting was up by 290 homes, increases of 18 and 7 percent, to 1,850 and 4,275 homes, respectively. The increase in Pennsylvania was the largest percentage gain in the region.
- Single-family building activity more than doubled in the District of Columbia, increasing by 80 homes to 140 homes permitted, and homebuilding increased by 50 homes, or 17 percent, from a year ago in West Virginia, to 360 homes.
- The construction of single-family homes was also up in Maryland and Delaware, with increases of 150 homes, or 7 percent, to 2,425 homes in Maryland and 120 homes, or 12 percent, to 1,100 homes in Delaware.

Single-family construction activity increased in the District of Columbia and all the states in the Mid-Atlantic region.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions during the first quarter of 2016 ranged from balanced to slightly tight for the largest metropolitan areas in the Mid-Atlantic region, unchanged from a year ago. Vacancy rates in the region ranged from a low of 3.6 percent in the Philadelphia metropolitan area to a high of 5.8 percent in the District of Columbia and the Roanoke metropolitan area, a rate higher than the national average of 4.5 percent during the first quarter of 2016 (Reis, Inc.). In the District of Columbia, supply continued to outpace demand, although the vacancy rate decreased during the past year. During

the first quarter of 2016, 9,500 units in apartment communities were under construction or in lease up in the District of Columbia, down 8 percent from a year earlier; approximately 3,550 units were absorbed during the 12 months ending March 2016, up 3 percent from a year ago (Delta Associates). Apartment market conditions were balanced in the Maryland suburbs of Washington, D.C., compared with slightly tight conditions during the first quarter of 2015. The vacancy rate increased to 4.2 percent in the first quarter of 2016 compared with 3.7 percent a year earlier; approximately

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Rent growth averaged 2 to 3 percent in many of the larger metropolitan areas in the Mid-Atlantic region, while the average increase for the nation was more than 4 percent.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Baltimore	Slightly tight	4.0	3.8	-0.2	1,135	1,167	3
Norfolk-Hampton Roads	Balanced	5.0	5.3	0.3	959	979	2
Philadelphia	Slightly tight	3.0	3.6	0.6	1,156	1,187	3
Pittsburgh	Balanced	3.2	4.5	1.3	943	972	3
Roanoke	Balanced	7.0	5.8	-1.2	727	729	0
Washington, D.C.—Maryland suburbs	Balanced	3.7	4.2	0.5	1,428	1,467	3
Washington, D.C.—Virginia suburbs	Balanced	4.5	4.4	-0.1	1,654	1,693	2
Washington, D.C.—District of Columbia	Balanced	6.6	5.8	-0.8	1,574	1,625	3

1Q = first quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.



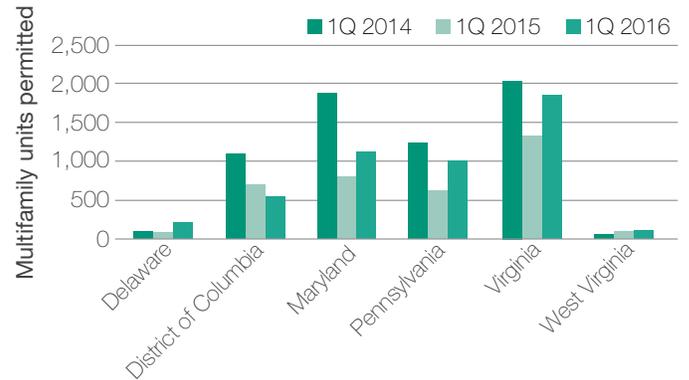
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2,450 apartments were completed during the fourth quarter of 2015 and the first quarter of 2016, up from 750 units completed during the same period a year earlier (Reis, Inc.). Apartment market conditions in the Baltimore metropolitan area were slightly tight during the first quarter of 2016 compared with balanced conditions a year earlier. The rental market in the Roanoke metropolitan area is balanced. Despite the completion of approximately 210 apartment units in 2015, the first units constructed in the area since 2006 (McGraw Hill Construction Pipeline database), the vacancy rate was 5.8 percent during the first quarter of 2016, down from 7.0 percent a year earlier (Reis, Inc.).

During the first quarter of 2016 (preliminary data)—

- Multifamily construction activity in the region, as measured by the number of multifamily units permitted, increased 32 percent, or by 1,175 units, from a year earlier, to 4,850 units. By contrast, the number of multifamily units permitted nationally declined 2 percent during the same period.
- Virginia had the greatest gain in multifamily permitting in the region, up by 500 units, or 39 percent, to 1,850 units. The highest percentage gain, 63 percent, occurred in Pennsylvania, with an increase of 400 units, to 1,025 units permitted.
- The number of multifamily units permitted in Maryland increased by 310, a 33-percent increase, and multifamily construction more than doubled in Delaware, to 230 units, up from 100 units permitted a year earlier.

Multifamily permitting increased throughout the Mid-Atlantic region, with the exception of the District of Columbia.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

- In West Virginia, construction of multifamily units increased 10 percent from a year ago, to 110 units, up from 100 and 60 units permitted during the first quarters of 2015 and 2014, respectively.
- Multifamily construction activity declined 21 percent in the District of Columbia, to 560 units permitted, following a decrease of 37 percent a year earlier. The second phase of the 406-unit Camden NoMa Apartments is currently under construction and expected to be complete in 2017. Rents for the first phase of 320 units, completed in 2013, start at \$1,900 for studio, \$2,175 for one-bedroom, and \$3,000 for two-bedroom units.

