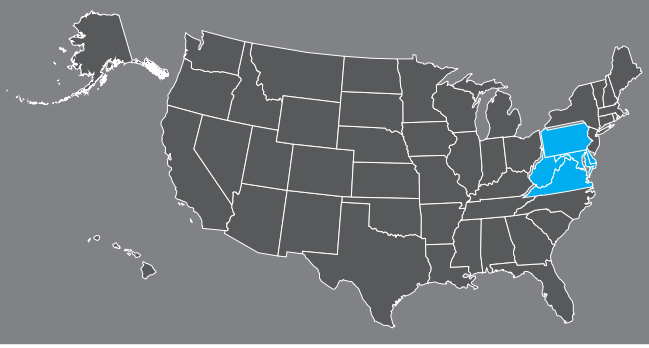
HUD PD&R **Regional Reports**

Region 3: Mid-Atlantic

Washington, D.C.

Quick Facts About Region 3

- **Sales market conditions—**
  - Fourth quarter 2015: mixed (tight to slightly soft).
  - Third quarter 2015: mixed (tight to slightly soft).
  - Fourth quarter 2014: mixed (balanced to slightly soft).
- **Apartment market conditions—**
  - Fourth quarter 2015: mixed (balanced to slightly tight).
  - Third quarter 2015: mixed (slightly tight to slightly soft).
  - Fourth quarter 2014: mixed (balanced to soft).



By Benjamin Houck | 4th quarter 2015

Overview

Economic conditions continued to strengthen in the Mid-Atlantic region during the fourth quarter of 2015. Nonfarm payroll jobs have expanded year over year in every quarter since the second quarter of 2010. Sales housing market conditions tightened in three states in the region (including the District of Columbia) from a year ago. Home sales increased throughout the region, and homebuilding activity increased modestly in most states from a year earlier, contributing to tighter sales market conditions. Apartment market conditions ranged from balanced to slightly tight. Apartment vacancy rates declined or were little changed in the largest market areas in the region from a year ago.

During the fourth quarter of 2015—

- Nonfarm payrolls increased 1.1 percent, to 14.47 million jobs, from the fourth quarter of 2014. Payrolls increased in every state in the region except one.
- Single-family construction activity declined 6 percent from a year ago, to 9,550 homes permitted. Homebuilding activity increased in four states but declined 33 percent in Pennsylvania, which led to the decline for the region.
- In total, 6,250 multifamily units were permitted in the region, up 3 percent from a year earlier. Multifamily construction activity more than doubled in the District of Columbia, offsetting declines in most states in the region.

In the Mid-Atlantic region, jobs increased or were stable in every nonfarm payroll sector.

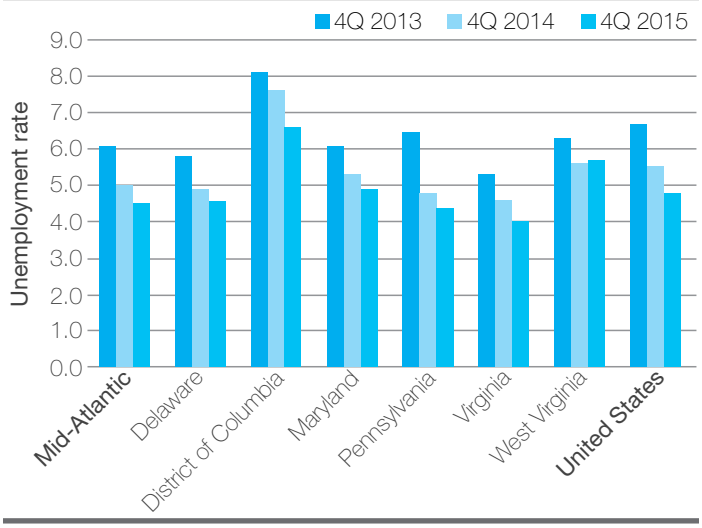
	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,319.4	14,472.4	153.0	1.1
Goods-producing sectors	1,698.5	1,700.8	2.3	0.1
Mining, logging, and construction	719.1	720.9	1.8	0.3
Manufacturing	979.5	979.9	0.4	0.0
Service-providing sectors	12,620.9	12,771.6	150.7	1.2
Wholesale and retail trade	2,005.5	2,010.1	4.6	0.2
Transportation and utilities	515.6	528.0	12.4	2.4
Information	224.2	224.2	0.0	0.0
Financial activities	759.2	775.8	16.6	2.2
Professional and business services	2,165.9	2,212.6	46.7	2.2
Education and health services	2,479.4	2,519.2	39.8	1.6
Leisure and hospitality	1,342.2	1,367.5	25.3	1.9
Other services	710.0	713.2	3.2	0.5
Government	2,418.9	2,421.0	2.1	0.1

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 14.47 million jobs during the fourth quarter of 2015, a gain of 153,000 jobs, or 1.1 percent, from the fourth quarter of 2014. Although less than the national increase of 1.9 percent, the gain represented the fifth consecutive quarter that the year-over-year increase in nonfarm payrolls was 1.0 percent or more in the region, a level of consistency not achieved since the fourth quarter of 2006. For the region, payrolls increased or were stable in every sector. Gains in the education and health services and the professional and business services sectors accounted for 57 percent of overall net job growth in the region, and the rate of growth in both sectors was higher than during the fourth quarter of 2014. Payroll growth also accelerated in the financial activities and the leisure and hospitality sectors, which combined to account for an additional 27 percent of regional job growth. In the financial activities sector, the real estate and rental and leasing industry increased by 5,900 jobs, or 3.2 percent. The increase in home sales throughout the region and a high level of multifamily construction activity in recent years contributed to the job gain. In the leisure and hospitality sector, SugarHouse Casino completed a $164 million expansion in the city of Philadelphia in December, adding 500 jobs. Payrolls in the information sector, which had declined year over year in every quarter since mid-2001, were stable during the past year. In December, Microsoft Corporation completed a $350 million expansion of its data center in southern Virginia, adding 90 jobs. Unemployment rates declined in most states in the region

The unemployment rate averaged 4.5 percent in the Mid-Atlantic region, the lowest fourth-quarter level since 2007.



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

during the fourth quarter of 2015 compared with rates a year earlier. The average unemployment rate for the region was 4.5 percent, down from 5.0 percent a year earlier and less than the national rate of 4.8 percent. Statewide unemployment rates ranged from averages of 4.0 percent in Virginia to 6.6 percent in the District of Columbia.

During the fourth quarter of 2015—

- In Virginia and the District of Columbia, nonfarm payrolls increased by 55,000 and 9,700 jobs, or 1.4 and 1.3 percent, respectively.

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The professional and business services sector led job growth in both states. In mid-2015, EY, a financial advisory services firm, began a 3-year expansion that will add 460 employees in Fairfax County, Virginia.

- In Maryland and Pennsylvania, nonfarm payrolls increased by 52,600 and 41,800 jobs, or 2.0 and 0.7 percent, respectively. The education and health services sector led job growth in each state, accounting for 22 and 36 percent of the total increases, respectively.
- In Delaware, nonfarm payrolls increased by 6,000 jobs, or 1.3 percent, led by growth in the leisure and hospitality sector, which accounted for 30 percent of the overall gain.
- In West Virginia, nonfarm payrolls declined by 12,100 jobs, or 1.6 percent. Low energy prices, attributable in part to unseasonably warm weather, contributed to a decline in jobs in the mining, logging, and construction sector. The construction of a $500 million Procter & Gamble Co. manufacturing facility in Berkeley County began in September, however, and is expected to add 1,000 jobs during the next 2 years.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region were mixed during the fourth quarter of 2015, ranging from tight to slightly soft. The sales market in the District of Columbia, with a 2-month supply of homes available for sale (Metropolitan Regional Information Systems, Inc.), was tight compared with balanced conditions a year ago. Existing condominium sales, which account for 48 percent of total existing sales in the District of Columbia, increased 3 percent, to 3,800 units sold during 2015, and the average sales price increased 1 percent, to $492,400. Sales markets in Pennsylvania and Delaware were balanced compared with slightly soft conditions a year ago. In the five-county Philadelphia area (the portion of the Philadelphia metropolitan area within Pennsylvania), where home sales compose approximately one-fourth of sales in Pennsylvania, existing home sales were up 13 percent, to 40,600, and the average sales price increased 1 percent, to $283,800 (TREND). In Delaware, the gain in home sales was led by a 14-percent increase in New Castle County, considered the economic engine of the state (CoreLogic, Inc., with adjustments by the analyst). In Maryland, the sales market remained balanced. The average sales price declined year over year for the fourth consecutive quarter, in part, because sales of real estate owned (REO) homes continue to account for a relatively high share of total existing home sales. The sales market in Virginia also remained balanced. In northern Virginia, an area composed of 11 counties and 6 independent cities, existing home sales were up 10 percent, to 40,650, and the average sales price increased 1 percent, to $464,000 (Metropolitan Regional Information Systems, Inc.). In West Virginia, where the sales market remained slightly soft, the increase in existing home sales slowed from double-digit gains (year over year) during the previous three quarters (CoreLogic, Inc., with adjustments by the analyst). In December 2015, 4.4 percent of home loans in the region were seriously delinquent (90 or more

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Home sales increased throughout the Mid-Atlantic region for the fourth consective quarter, with the greatest statewide percentage gains in Maryland and Virginia.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 ($)	2015 ($)	Percent Change
Delaware (N&E)	September	13,150	14,100	7	AVG	256,900	267,200	4
District of Columbia (E)	December	7,725	7,950	3	AVG	622,800	637,200	2
Maryland (E)	December	62,800	73,050	16	AVG	309,400	307,300	– 1
Pennsylvania (N&E)	December	144,600	159,000	10	AVG	209,500	212,700	2
Virginia (E)	December	98,300	109,200	11	AVG	319,000	319,300	0
West Virginia (N&E)	September	8,250	8,650	5	AVG	140,500	143,800	2
Baltimore metropolitan area (E)	December	29,050	34,350	18	AVG	282,100	278,300	– 1
Philadelphia metropolitan area (E)	December	53,300	60,750	14	AVG	262,300	263,700	1
Washington, D.C. metropolitan area (E)	December	69,650	77,150	11	AVG	442,600	444,300	0

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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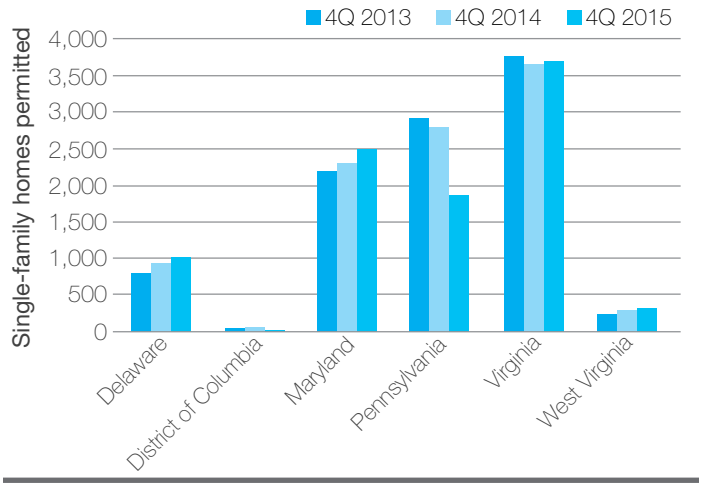
days delinquent or in the foreclosure process) or had transitioned into REO status, down from 4.8 percent a year earlier (Black Knight Financial Services, Inc.).

During the fourth quarter of 2015 (preliminary data)—

- Homebuilding activity, as measured by the number of homes permitted, declined 6 percent, or by 600, from a year earlier to approximately 9,550 single-family homes. By comparison, the number of single-family homes permitted in the nation increased 6 percent.
- In Maryland, homebuilding activity increased 8 percent, or by 175, to 2,500 homes permitted. New subdivisions in Maryland include The Garden District of Maple Lawn, in Howard County, with 506 single-family homes starting at $759,900, of which 18 have been permitted since construction began in mid-2015 (Metrostudy, A Hanley Wood Company).
- Permitting was also up in Delaware by 85 homes, or 9 percent, and in Virginia and West Virginia by 50 homes each, or 1 and 14 percent, respectively. The number of single-family homes permitted in these states totaled 1,025, 3,725, and 420, respectively.
- Homebuilding activity declined, however, in Pennsylvania and the District of Columbia, which more than offset the increases elsewhere in the region. In Pennsylvania and the District of Columbia, single-family permitting totaled 1,875 and 20 homes, respectively, down by 925 and 40 homes, or 33 and 67 percent, from a year earlier.

Homebuilding activity increased in four states in the Mid-Atlantic region but declined in Pennsylvania and the District of Columbia.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions during the fourth quarter of 2015 ranged from balanced to slightly tight for the largest metropolitan areas in the Mid-Atlantic region compared with balanced-to-soft conditions a year ago. Apartment market conditions in the Baltimore and Philadelphia areas were slightly tight during the fourth quarter of 2015 compared with balanced conditions a year earlier. The vacancy rates in the Baltimore and Philadelphia areas, and in the Maryland suburbs north of the District of Columbia, were less than the national vacancy rate of 4.4 percent during the fourth quarter of 2015 (Reis, Inc.). In the District of Columbia, the vacancy rate declined year over year after increasing in every quarter from the second quarter of 2013 through the third quarter of 2015. During the fourth quarter of 2015, 9,575 units were available in apartment

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Apartment vacancy rates declined or were relatively unchanged in the largest market areas in the Mid-Atlantic region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 ($)	4Q 2015 ($)	Percent Change
Baltimore[a]	Slightly tight	4.1	3.6	– 0.5	1,132	1,158	2
Norfolk-Hampton Roads[a]	Balanced	5.2	5.2	0.0	961	977	2
Philadelphia[a]	Slightly tight	3.2	3.4	0.2	1,148	1,190	4
Richmond[b]	Balanced	6.4	5.7	– 0.7	958	986	3
Washington, D.C.—Maryland suburbs[a]	Slightly tight	4.0	4.1	0.1	1,425	1,464	3
Washington, D.C.—Virginia suburbs[a]	Balanced	4.5	4.7	0.2	1,641	1,682	2
Washington, D.C.—District of Columbia[a]	Balanced	6.8	6.5	– 0.3	1,575	1,633	4

4Q = fourth quarter.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) Axiometrics, Inc.

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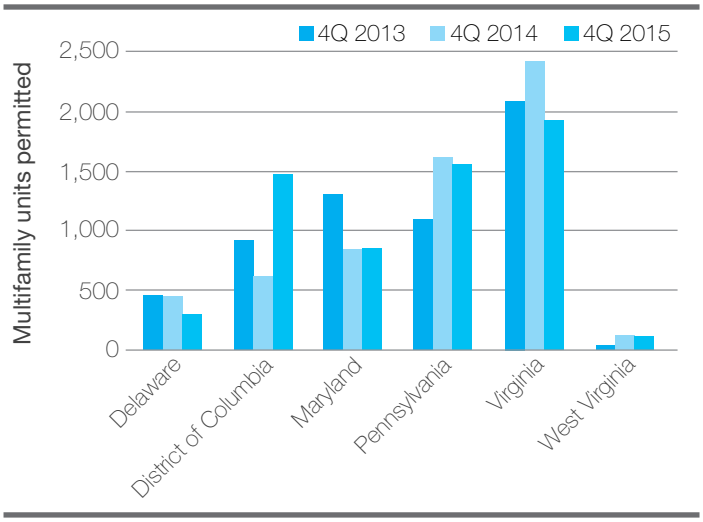
communities under construction in the District of Columbia, up 3 percent from a year earlier and 40 percent more than the average number available from the fourth quarters of 2010 through 2013 (Delta Associates). The Richmond and Norfolk-Hampton Roads apartment markets remained balanced. The rate of absorption in the Richmond market was relatively strong. Approximately 79 percent of all market-rate apartments completed in the Richmond area during the second quarter of 2015 were rented within 3 months, which was greater than the 70-percent nationwide rate (U.S. Census Bureau, Survey of Market Absorption). Comparable absorption rates for the Philadelphia, Baltimore, and Washington, D.C. metropolitan areas were 71, 69, and 41 percent, respectively. Rents increased in each of the largest metropolitan areas in the region from the fourth quarter of 2014 to the fourth quarter of 2015, although growth rates in all areas lagged the 5-percent increase nationally (Reis, Inc.).

During the fourth quarter of 2015 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, increased 3 percent, or by 175 units, from a year earlier, to 6,250 units, and was 24 percent more than the fourth quarter average of 5,050 units from 2010 through 2013. Nationally, the number of multifamily units permitted increased 15 percent from the fourth quarter of 2014 to the fourth quarter of 2015.
- The regional increase was primarily because of a gain in the District of Columbia of 845 units, or 134 percent, to 1,475 units. Units permitted in November included a 501-unit apartment community, which is part of a redevelopment of the waterfront in Southwest D.C. Construction of the estimated $2 billion project, known as The Wharf, began in early 2014 and is expected to be complete in late 2017.
- Multifamily construction activity was mostly unchanged in Maryland, where it increased 2 percent, or by 20 units, to 850 units permitted and in West Virginia, where it decreased 15 percent, or by 20 units, to 110 units permitted.

Multfamily construction activity in the Mid-Atlantic region increased 3 percent because of a significant gain in the District of Columbia.



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

- The number of multifamily units permitted in Pennsylvania declined 3 percent, or by 50 units, to 1,575 units. The conversion of nonresidential structures added to apartment production in the state, including the adaptive reuse of the Divine Lorraine Hotel, a prominent highrise in the city of Philadelphia, to 109 apartments. The $39 million project is expected to be complete in early 2017.
- Multifamily construction activity in Virginia declined 21 percent, or by 500 units, to 1,925 units permitted and in Delaware declined 32 percent, or by 140 units, to 300 units permitted.