

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

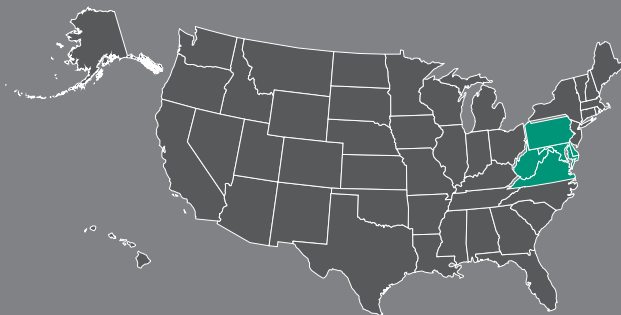


Quick Facts About Region 3

Philadelphia, Pennsylvania

By Benjamin Houck | 1st quarter 2018

- **Sales market conditions—**
First quarter 2018: mixed (slightly tight to tight).
Fourth quarter 2017: mixed (slightly tight to tight).
First quarter 2017: mixed (balanced to tight).
- **Apartment market conditions—**
First quarter 2018: balanced.
Fourth quarter 2017: mixed (balanced to slightly tight).
First quarter 2017: mixed (balanced to slightly tight).



Overview

The economy of the Mid-Atlantic region expanded during the first quarter of 2018 with an addition of 128,000 jobs from the first quarter of 2017. Goods-producing sectors contributed an increasing share of the regional job growth during each of the past three quarters and accounted for nearly one-third of the overall growth during the first quarter of 2018. Job growth in the region slowed, however, from 145,500 jobs, or 1.1 percent, a year ago because of decelerating growth or declines in seven of the nine service-providing sectors. Unemployment rates declined in the region and in most states in the region. Major metropolitan-area sales housing markets ranged from slightly tight to tight. The number of homes available for sale was down from a year ago throughout much of the region, restraining increases in home sales and strengthening growth in average home sales prices. Single-family homebuilding activity increased 4 percent in the region and was up in most states in the region from a year ago. Apartment market conditions in major metropolitan areas were balanced during the first quarter of 2018. Increases in multifamily construction activity in the region during the past 2 years contributed to higher apartment vacancy rates from a year ago in all major metropolitan areas in the region.

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- Nonfarm payrolls in the region increased 0.9 percent during the first quarter of 2018 to nearly 14.52 million jobs from the first quarter of 2017. Payrolls increased in every state in the region, although the rates of growth slowed from a year earlier in most states and the District of Columbia.

- The population in the Mid-Atlantic region increased 0.4 percent during the 12 months ending July 1, 2017. Compared with the previous year, population growth was stronger in most states in the region because of higher levels of net in-migration.

Economic Conditions

The economy of the Mid-Atlantic region expanded during the first quarter of 2018 with an increase of 128,000 jobs, or 0.9 percent, from the first quarter of 2017, continuing a trend that began during the second quarter of 2010. The goods-producing sectors, which account for only 12 percent of nonfarm payrolls in the region, increased strongly and accounted for 32 percent of the net job growth. The mining, logging, and construction sector increased 4.4 percent, or by 29,800 jobs, which was the largest percentage gain of any sector in the region and was aided by increased residential and commercial building activity. Construction began in late 2017 on a \$750 million Facebook data center in Henrico County, Virginia, contributing to the regional growth in the sector during the first quarter of 2018, which will continue through the completion of the center in 2019. Construction also began in late 2017 on the \$543 million University of Maryland Capital Region Medical Center in Prince George's County, Maryland, which is estimated to support nearly 3,300 jobs in the construction subsector through completion in late 2020. The manufacturing sector increased by 11,700 jobs, or 1.2 percent, in the Mid-Atlantic region because of strong job gains in durable goods manufacturing industries in Pennsylvania and Virginia. In

addition, Proctor & Gamble Company opened a new manufacturing plant in February 2018 in Berkeley County in the West Virginia Eastern Panhandle, adding 330 workers to the sector (Journal News). Despite strong growth in the goods-producing sectors, nonfarm payroll growth in the region slowed from a gain of 145,500 jobs, or 1.0 percent, a year ago because of decelerating gains in four service-providing sectors and job losses in three service-providing sectors. The 0.1-percent gain in the leisure and hospitality sector was down significantly from a 2.1-percent increase a year ago. In that sector, the accommodation and food services industry increased by 2,900 jobs, or 0.2 percent, during the first quarter of 2018, but that growth was down from a gain of 24,900 jobs, or 2.2 percent, a year ago. The education and health services sector added the most jobs of any sector in the region for the ninth consecutive quarter. The unemployment rate in the region averaged 4.5 percent during the first quarter of 2018, down from 4.9 percent a year ago but slightly above the national average of 4.3 percent. Unemployment rates declined in the District of Columbia and in all states in the region except Maryland and West Virginia, where increases in the labor force exceeded increases in resident employment.

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Nonfarm payrolls in the Mid-Atlantic region increased 0.9 percent during the first quarter of 2018, led by gains in the education and health services sector.

	First Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,387.6	14,515.6	128.0	0.9
Goods-producing sectors	1,650.5	1,692.0	41.5	2.5
Mining, logging, and construction	682.5	712.3	29.8	4.4
Manufacturing	968.0	979.7	11.7	1.2
Service-providing sectors	12,737.1	12,823.6	86.5	0.7
Wholesale and retail trade	1,925.2	1,914.1	- 11.1	- 0.6
Transportation and utilities	546.2	564.9	18.7	3.4
Information	220.1	215.0	- 5.1	- 2.3
Financial activities	767.5	772.9	5.4	0.7
Professional and business services	2,223.2	2,249.3	26.1	1.2
Education and health services	2,568.3	2,622.2	53.9	2.1
Leisure and hospitality	1,370.8	1,372.1	1.3	0.1
Other services	715.8	722.1	6.3	0.9
Government	2,400.2	2,391.1	- 9.1	- 0.4

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

Source: U.S. Bureau of Labor Statistics



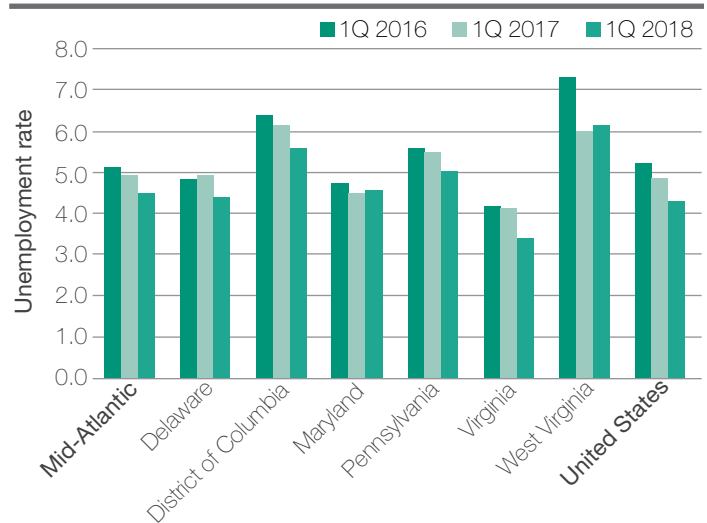
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During the first quarter of 2018—

- Nonfarm payrolls in Pennsylvania increased by 71,300 jobs, or 1.2 percent, the largest increase in the region, up from a 0.9-percent increase a year ago. The education and health services sector led job growth in Pennsylvania during the first quarter of 2018 with an addition of 32,200 jobs, or a 2.6-percent increase.
- In Virginia and Maryland, payrolls increased by 34,300 and 10,400 jobs, or 0.9 and 0.4 percent, respectively, but the rates were down from 1.1 and 1.4 percent, respectively, a year ago. Payrolls increased in the District of Columbia and Delaware by 6,200 and 1,700 jobs, or 0.8 and 0.4 percent, respectively, but the rates were down from 1.1-percent increases in each state a year ago.
- A decline in the leisure and hospitality sector factored in the slowdown in growth in several states, and the slower growth in the District of Columbia, Maryland, and Virginia was in part because of job losses in the federal government subsector. In the Washington, D.C. metropolitan area, the federal government subsector declined by 2,700 jobs, or 0.7 percent, from the first quarter of 2017.
- A gain of 2,900 jobs, or 11.0 percent, in the construction subsector led an increase of 4,100 jobs, or 0.6 percent, in nonfarm payrolls in West Virginia, an improvement from a 0.5-percent decline a year earlier. The construction of phase 1 of the Rover Pipeline, which was completed in late 2017 and transports

natural gas from the Marcellus Shale to markets throughout the United States, added approximately 2,000 jobs in the construction subsector in the state (Energy Transfer Partners).

Unemployment rates in the Mid-Atlantic region declined in three states and the District of Columbia from the first quarter of 2017.



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

Population

The population in the Mid-Atlantic region increased 0.4 percent from 2016 to 2017, or by 107,600, to 30.8 million (Census Bureau population estimates as of July 1). Although below the national gain of 0.7 percent, growth in the region was up from 0.3 percent from 2015 to 2016, which was the first increase in the rate of annual

growth since 2010. The population increased in most states in the region and in the District of Columbia, and net in-migration was higher in several states from a year earlier. The population in West Virginia declined for the fifth consecutive year because of increasingly higher levels of net out-migration.

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Population growth was stronger in the Mid-Atlantic region from 2016 to 2017 than a year earlier.

	Population Estimate (as of July 1)			Percent Change	
	2015	2016	2017	2015 to 2016	2016 to 2017
United States	321,039,839	323,405,935	325,719,178	0.7	0.7
Mid-Atlantic region	30,615,062	30,691,888	30,799,502	0.3	0.4
Delaware	944,107	952,698	961,939	0.9	1.0
District of Columbia	672,736	684,336	693,972	1.7	1.4
Maryland	6,000,561	6,024,752	6,052,177	0.4	0.5
Pennsylvania	12,791,124	12,787,085	12,805,537	0.0	0.1
Virginia	8,366,767	8,414,380	8,470,020	0.6	0.7
West Virginia	1,839,767	1,828,637	1,815,857	-0.6	-0.7

Source: U.S. Census Bureau



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During the 12 months ending July 2017—

- The largest statewide population increase in the Mid-Atlantic region was in Virginia, which added 55,650 residents. The population in Loudoun County increased by 11,800, or 3.1 percent, the highest gain of any county or independent city in Virginia for the fourth consecutive year.
- Pennsylvania added 18,450 residents and surpassed Illinois to become the fifth most populous state in the nation. Stronger

levels of net in-migration in suburban counties of the Philadelphia metropolitan area contributed to the faster rate of population growth in Pennsylvania.

- The population in the Washington, D.C. area, the most populous metropolitan area in the region and sixth most populous in the nation, increased by 65,900, or 1.1 percent. The populations in the Philadelphia and Baltimore metropolitan areas each increased 0.3 percent.

Sales Market Conditions

Sales housing market conditions in major metropolitan areas in the Mid-Atlantic region ranged from slightly tight to tight during the first quarter of 2018. The inventory of homes available for sale ranged from 1.9 months in the Washington, D.C. area to 3.6 months in the Philadelphia area (Bright MLS, TREND MLS). Sales housing markets were tight in the Baltimore, Richmond, and Washington, D.C. metropolitan areas and slightly tight in the Philadelphia area. For-sale inventories declined in nearly every jurisdiction within major metropolitan areas in the Mid-Atlantic region from levels a year ago, contributing to slower growth in home sales and stronger increases in average sales prices. Sales of existing homes increased 8 percent each in the Richmond area and in the West Virginia Eastern Panhandle, but the increases were down from gains of 13 and 10 percent, respectively, during the first quarter of 2017. The 5-percent increase in existing home sales in the Philadelphia area was down compared with a 9-percent gain a year ago. Existing home sales increased 1 percent each in the Baltimore and Washington, D.C.

metropolitan areas, but those gains were also down from increases of 9 and 8 percent, respectively, during the first quarter of 2017. Increases in average sales prices ranged from 3 percent in the Baltimore metropolitan area to 6 percent in the West Virginia Eastern Panhandle and were generally stronger compared with increases that ranged from 1 to 5 percent during the first quarter of 2017. According to Redfin, a national real estate brokerage, 31 percent of homes sold during the first quarter of 2018 in the Richmond area and 28 percent of homes sold in the Washington, D.C. area sold for above the original asking price, up from approximately 26 percent in each area during the same period a year earlier and above the 24 percent of homes sold nationally during the first quarter of 2018.

In February 2018, 2.4 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 3.0 percent a year earlier (CoreLogic, Inc.). The rate for the region was higher than the 2.3-percent national rate and only Virginia,

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Home sales and home sales prices increased throughout most of the Mid-Atlantic region during the first quarter of 2018.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 (\$)	2018 (\$)	Percent Change
Delaware (N&E)	December	15,900	14,450	-9	AVG	269,100	271,900	1
District of Columbia (E)	March	8,575	8,875	3	AVG	670,000	679,000	1
Maryland (E)	March	81,450	82,150	1	AVG	316,700	327,800	4
Pennsylvania (N&E)	December	193,500	205,700	6	AVG	191,700	196,200	2
Virginia (E)	March	118,900	122,700	3	AVG	329,300	342,000	4
West Virginia (N&E)	December	8,575	9,525	11	AVG	145,500	153,100	5
Baltimore metropolitan area (E)	March	39,500	39,900	1	AVG	292,800	302,400	3
Philadelphia metropolitan area (E)	March	68,600	72,350	5	AVG	216,800	225,200	4
Richmond metropolitan area (E)	March	17,850	19,200	8	AVG	262,100	275,800	5
Washington, D.C. metropolitan area (E)	March	84,250	85,350	1	AVG	452,800	469,100	4
West Virginia Eastern Panhandle (E)	March	3,600	3,875	8	AVG	184,800	195,900	6

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 (2017) as indicated. Data include 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®; Bright MLS, Inc. (monthly reports); TREND MLS; Virginia Association of Realtors®



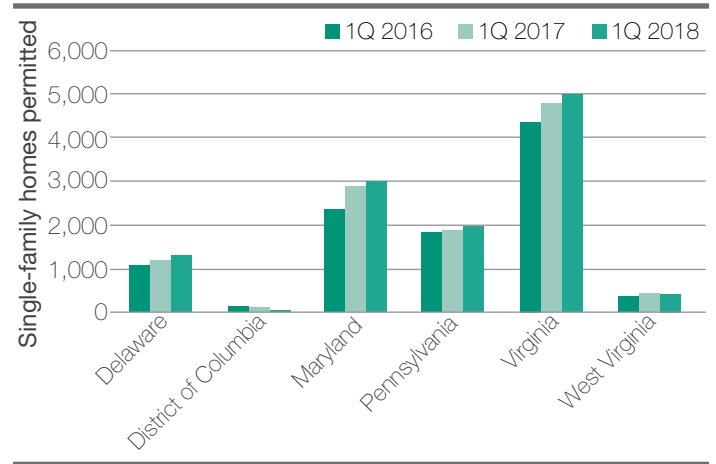
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which had a rate of 1.5 percent, was below the national average. Rates, however, were down in all metropolitan areas in the region from a year ago.

During the first quarter of 2018 (preliminary data)—

- Homebuilding activity, as measured by the number of single-family homes permitted, increased 4 percent from the first quarter of 2017 in the Mid-Atlantic region, to 11,700 homes. The gain was below the 11-percent increase a year ago, in part because of slower job growth.
- Homebuilding activity increased in four states in the region. The largest gain was in Virginia, where single-family construction activity increased by 200 homes, or 4 percent.
- Single-family construction activity increased in Delaware by 110 homes, or 10 percent, and increased in Maryland and Pennsylvania by 85 and 90 homes, or 3 and 5 percent, respectively.
- In the District of Columbia, single-family construction activity declined by 80 homes, or 69 percent, from a year ago. The number of condominium units permitted, which are typically included in multifamily permitting data, declined by 220 units, or 64 percent, to 130 during the same time.

Single-family construction activity increased in four states in the Mid-Atlantic region during the first quarter of 2018.



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

Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the Mid-Atlantic region were balanced during the first quarter of 2018. Conditions in the Baltimore, Philadelphia, and Wilmington areas and the Maryland suburbs of the Washington, D.C. metropolitan area were slightly tight a year ago but transitioned to balanced during the first quarter of 2018. Conditions in other areas remained balanced compared with a year ago. Average rents increased in all major areas. In the District of Columbia, the vacancy rate rose 1.4

percentage points because of increased apartment construction activity since 2015. Average rents, however, increased 7 percent because of strong rent increases in rapidly developing and relatively more affordable market areas in Southeast and Southwest District of Columbia (Reis, Inc.). Vacancy rates in the Baltimore and Philadelphia areas were above 4.0 percent for the first time since the first quarter of 2016. The vacancy rate rose in the Baltimore area because of significant apartment construction activity in downtown

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Apartment vacancy rates increased and average rents rose from a year ago in major market areas of the Mid-Atlantic region during the first quarter of 2018.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2017 (%)	1Q 2018 (%)	Percentage Point Change	1Q 2017 (\$)	1Q 2018 (\$)	Percent Change
Baltimore	Balanced	3.6	4.1	0.5	1,196	1,235	3
Philadelphia	Balanced	3.6	4.1	0.5	1,247	1,303	4
Richmond	Balanced	3.7	4.2	0.5	928	970	5
Washington, D.C.—Maryland suburbs	Balanced	3.6	4.3	0.7	1,507	1,546	3
Washington, D.C.—Virginia suburbs	Balanced	5.0	5.4	0.4	1,764	1,806	2
Washington, D.C.—District of Columbia	Balanced	5.2	6.6	1.4	1,714	1,834	7
Wilmington	Balanced	2.6	3.9	1.3	1,053	1,081	3

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

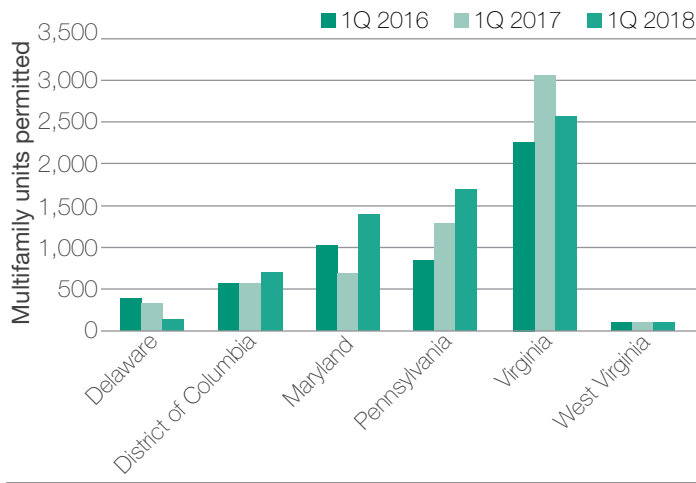


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Baltimore and Howard County. In Philadelphia, the vacancy rate in the Center City market area was 9.5 percent, up from 8.7 percent a year ago. The 830 units completed in the Center City market area during the first quarter of 2018, including the 277-unit The Alexander and the 322-unit 1213 Walnut, surpassed the number of units completed during all of 2017.

Building activity, as measured by the number of multifamily units permitted, totaled 6,550 units in the Mid-Atlantic region during the first quarter of 2018, an increase of 530 units, or 9 percent, from a

Multifamily building activity in the Mid-Atlantic region increased during the first quarter of 2018, led by gains in Maryland and Pennsylvania.



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

year ago. The gain followed an average annual increase of 1,175 units, or 28 percent, during corresponding periods in 2016 and 2017. Some units permitted during the first quarter of 2018 are associated with the redevelopment of obsolete commercial space in the Richmond and Washington, D.C. metropolitan areas.

During the first quarter of 2018 (preliminary data)—

- The greatest increase in building activity was in Maryland, where the 1,375 units permitted was more than double the 680 units permitted a year ago. Units permitted in March 2018 include the 300-unit Elms at Century, part of a transition of an office campus to a mixed-use community in Montgomery County, Maryland, which is expected to be complete in late 2019.
- Stronger job and population growth in Pennsylvania contributed to a 30-percent increase in construction activity in the state, to 1,675 multifamily units permitted. Units permitted in March 2018 include the 210-unit 335 at Bala, located in an area known as the Main Line in Montgomery County, Pennsylvania, and expected to be complete in early 2019.
- Approximately 2,550 multifamily units were permitted in Virginia, more than any other state in the region, although the total was down 16 percent from 3,050 units permitted a year ago. Units permitted during the quarter include the 237-unit Locks Tower, part of a redevelopment of a former industrial site in the city of Richmond that is expected to be complete in early 2019.
- Construction activity increased 21 percent in the District of Columbia to 690 units, including 78 apartment units that are part of a redevelopment of a medical center in Northwest Washington, D.C. that is expected to be complete in mid-2019.

