

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

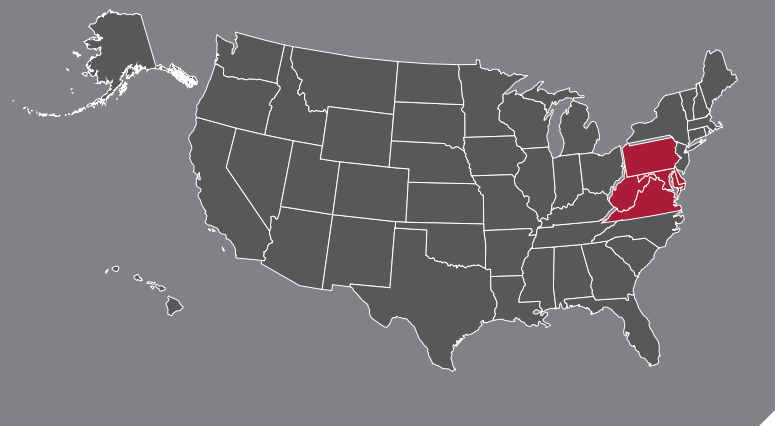


Quick Facts About Region 3

Baltimore, Maryland

By Patricia Moroz | 3rd Quarter 2022

- **Sales market conditions—**
Third quarter 2022: mixed (slightly tight to tight)
Second quarter 2022: mixed (slightly tight to tight)
Third quarter 2021: mixed (slightly tight to tight)
- **Apartment market conditions—**
Third quarter 2022: mixed (slightly tight to tight)
Second quarter 2022: tight
Third quarter 2021: mixed (slightly tight to tight)



Overview

The economy of the Mid-Atlantic region strengthened during the third quarter of 2022, and by September 2022, the region had recovered nearly all the jobs lost during the recession caused by the COVID-19 pandemic in early 2020 (not seasonally adjusted). Job growth was slower, however, in all states and the District of Columbia compared with the third quarter of 2021, and the strongest increase was in Pennsylvania at slightly below the national average rate. Sales housing market conditions in the major metropolitan areas in the Mid-Atlantic region ranged from slightly tight to tight as of the third quarter of 2022, unchanged from a year earlier. Home sales prices rose, continuing the trend from a year earlier, whereas the volume of home sales declined due to reduced inventory and rising interest rates. In response to strong sales market conditions, single-family homebuilding increased modestly in the region. Apartment market conditions were slightly tight to tight across all major markets in the Mid-Atlantic region during the third quarter of 2022. Rents increased in all major market areas in the region, despite rising vacancy rates in all but two of those areas.

continued on page 2



continued from page 1

- Nonfarm payrolls increased during the third quarter of 2022 compared with a year ago, led by gains in the leisure and hospitality, the education and health services, and the professional and business services sectors, mainly in Pennsylvania and Virginia. The financial activities sector was the only sector to contract overall in the region.
- During the 12 months ending August 2022, home sales declined throughout the region. The average home sales price for the region rose 9 percent compared with a

12-percent increase a year earlier, whereas the inventory of homes for sale was down 11 percent, similar to the nation (CoreLogic, Inc.).

- During the third quarter of 2022, rates of single-family and multifamily permitting in the Mid-Atlantic region were higher than the averages for the nation. Homebuilding rose 4 percent, with permit activity in Pennsylvania and Virginia offsetting declines in other areas; multifamily permitting was up 20 percent, with increases in three states and the District of Columbia.

Economic Conditions

Nonfarm payrolls in the Mid-Atlantic region increased during the third quarter of 2022, and by September 2022 the economy had recovered 99 percent of all jobs lost during the recession caused by the pandemic (not seasonally adjusted). The level of nonfarm payrolls during the third quarter of 2022 was lower than the third quarter of 2019, the highest third quarter level recorded. Nonfarm payrolls averaged 14.75 million jobs during the third quarter of 2022, increasing by 456,800 jobs, or 3.2 percent, from the third quarter of 2021. By comparison, growth slowed from the 4.0-percent rate during the third quarter of 2021 and was lower than the national rate of 3.8 percent during the third quarter 2022. Growth rates in all five states and the District of Columbia were below the national rate, and each slowed compared with the third quarter of 2021.

During the third quarter of 2022, the leisure and hospitality sector accounted for 29 percent of the overall job gains in the region, with the education and health services and the

professional and business services sectors each contributing an additional 17 percent of the job gains during the third quarter of 2022. Nearly every state and the District of Columbia added jobs in those sectors. In the leisure and hospitality sector, numerous hotels and restaurants that had laid off thousands of workers during 2020 added staff in response to increasing social activities and travel. Approximately 71 percent of the job gains in the leisure and hospitality sector in the region during the third quarter of 2022 was in the accommodation and food services industry, which rose by 94,400 jobs, or 8.6 percent. The average hotel occupancy in the Washington, D.C. and Philadelphia metropolitan areas was 65.8 percent during the third quarter of 2022, up from 56.9 percent in the third quarter of 2021 (CoStar Group). In the education and health services sector, 89 percent of the total increase in jobs occurred in Pennsylvania and Virginia; the states added 36,900 and 32,100 jobs, or 3.1 and 6.0 percent, respectively, more than offsetting a

continued on page 3

Nonfarm payroll jobs in the Mid-Atlantic region rose in all but one sector during the third quarter of 2022.

| | Third Quarter | | Year-Over-Year Change | |
|----------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2021 (Thousands) | 2022 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 14,298.0 | 14,754.8 | 456.8 | 3.2 |
| Goods-Producing Sectors | 1,720.3 | 1,760.6 | 40.3 | 2.3 |
| Mining, Logging, & Construction | 755.1 | 767.3 | 12.2 | 1.6 |
| Manufacturing | 965.1 | 993.3 | 28.2 | 2.9 |
| Service-Providing Sectors | 12,577.7 | 12,994.2 | 416.5 | 3.3 |
| Wholesale & Retail Trade | 1,834.7 | 1,881.1 | 46.4 | 2.5 |
| Transportation & Utilities | 610.6 | 657.1 | 46.5 | 7.6 |
| Information | 219.6 | 226.8 | 7.2 | 3.3 |
| Financial Activities | 785.4 | 781.5 | -3.9 | -0.5 |
| Professional & Business Services | 2,347.7 | 2,424.2 | 76.5 | 3.3 |
| Education & Health Services | 2,501.7 | 2,579.1 | 77.4 | 3.1 |
| Leisure & Hospitality | 1,329.2 | 1,462.5 | 133.3 | 10.0 |
| Other Services | 647.1 | 669.2 | 22.1 | 3.4 |
| Government | 2,301.8 | 2,312.8 | 11.0 | 0.5 |

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

slight decline in the sector in Delaware. In the professional and business services sector, Pennsylvania accounted for 39 percent of the overall job gains in the sector, with Maryland and Virginia each contributing an additional 22 percent of job growth during the third quarter of 2022.

Despite increases in most nonfarm payroll sectors in the region, the financial activities sector contracted for the fourth consecutive quarter. During the third quarter of 2022, job losses in the sector totaled 3,900, or 0.5 percent, with losses in the District of Columbia, Maryland, and Virginia offsetting gains in the other states in the region. The contraction followed strong hiring at financial institutions during 2021 that were partly in response to a rise in demand for mortgage refinancing and greater initial public offerings (IPOs), both of which spurred financial revenues.

The average unemployment rate in the Mid-Atlantic region was 3.9 percent during the third quarter of 2022—above the national rate of 3.6 percent, but down from 5.5 percent in the region a year earlier. The rate for the region declined as resident employment growth of 2.7 percent outpaced the 1.0-percent increase in the labor force. Unemployment rates fell in every state in the region and the District of Columbia compared with a year ago, with the largest declines of 2.1 percentage points each occurring in Pennsylvania and the District of Columbia to rates of 4.3 and 5.1 percent, respectively. In Maryland and Delaware, rates declined 1.8 and 1.1 percentage points to 4.1 and 4.3 percent, respectively, whereas the rate in West Virginia fell by less than a percentage point to 3.9 percent. The only state with an unemployment rate below the national rate was Virginia, at 2.9 percent.

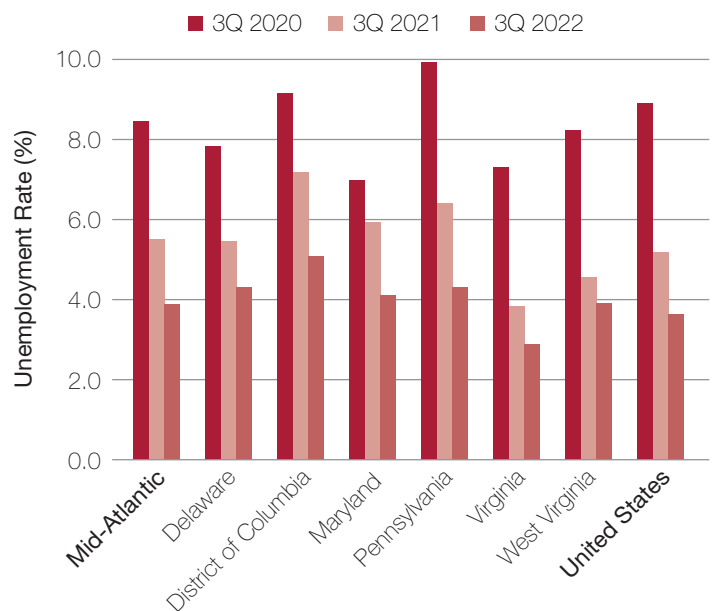
During the third quarter of 2022—

- Nonfarm payrolls rose the fastest in Pennsylvania, at 3.7 percent, or a gain of 212,100 jobs, down from 4.2 percent a year earlier and slightly slower than the national rate of 3.8 percent. The leisure and hospitality sector led the growth, increasing by 48,700 jobs, or 9.4 percent, slightly higher than the national growth rate of 8.5 percent in the sector.
- In Virginia, nonfarm payrolls were up 3.0 percent, or by 120,400 jobs, the second fastest growth rate in the region. The leisure and hospitality and the education and health services sectors combined accounted for 60 percent of the

growth in the state, and those sectors increased by 39,800 and 32,100 jobs, or 10.4 and 6.0 percent, respectively.

- Nonfarm payrolls in Maryland and West Virginia increased 2.8 and 2.7 percent, or by 74,400 and 18,800 jobs, respectively, compared with stronger growth rates of 4.3 and 3.4 percent a year earlier. The largest gains were in the leisure and hospitality and the professional and business services sectors in each state; the combined increase in both sectors accounted for 49 percent of the job gains in Maryland and 53 percent in West Virginia.
- The District of Columbia and Delaware added 19,200 and 11,800 jobs, respectively, with nonfarm payroll growth of 2.6 percent each. The leisure and hospitality sector led the growth in each area, increasing by 13,200 jobs, or 23.5 percent, in the District of Columbia, and by 6,600 jobs, or 13.1 percent, in Delaware.

During the third quarter of 2022, the unemployment rate fell in all states and the District of Columbia in the Mid-Atlantic region, but the regional rate was slightly above the national rate.



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



Sales Market Conditions

Sales housing market conditions ranged from slightly tight to tight in the Mid-Atlantic region during the third quarter of 2022, unchanged from a year earlier. A continued decline in the inventory of homes for sale contributed to tighter market conditions, despite rising mortgage interest rates. In the Mid-Atlantic region, the inventory of homes for sale declined 11 percent during the 12 months ending August 2022 to an average of 109,600 homes—representing 1.7 months of supply in August 2022, unchanged from a year earlier—and equal to the 11 percent decrease in inventory in the nation (CoreLogic, Inc.). Home sales prices in the region averaged \$354,300 during the 12 months ending August 2022, up 9 percent from a year earlier—a slower pace of growth from the 12-percent increase during the previous 12-months and the overall 11-percent increase in the nation (CoreLogic, Inc.). Average home sales price gains occurred in all five states of the region and the District of Columbia during the 12 months ending August 2022. Average home sales prices rose in all metropolitan areas and metropolitan divisions cited in this report, ranging from 5 percent in the Virginia Beach metropolitan area to 12 percent each in the Richmond and Morgantown metropolitan areas.

As the amount of available inventory declined, the number of homes sold in the Mid-Atlantic region decreased 10 percent during the 12 months ending August 2022, compared with a 21-percent gain a year ago, when interest rates were lower (CoreLogic, Inc.). The rate of decline in home sales for the region was slightly faster than the 9-percent decrease for the nation. The percentage decline in home sales was the sharpest in West Virginia—down 26 percent, or by 8,200 homes, to 23,250

homes sold during the 12 months ending August 2022. A lower volume of sales in the Morgantown metropolitan area accounted for 6 percent of the decrease in West Virginia. The District of Columbia had the second largest rate of decline in home sales, down 15 percent, or by 1,650 homes sold, from a year earlier, accounting for 14 percent of the decrease in the Washington-Arlington-Alexandria metropolitan division. Home sales also fell 12 percent in Maryland and 11 percent in Delaware. Approximately one-half of the decline in sales in Maryland was from lower home sales in the Baltimore metropolitan area, whereas the Dover metropolitan area accounted for 15 percent of the decrease in Delaware. Home sales were also down 8 percent each in Virginia and Pennsylvania. The Richmond metropolitan area accounted for 14 percent of the decrease in home sales in Virginia, whereas the Virginia Beach metropolitan area accounted for only 3 percent, reflecting a modest 1-percent decrease in home sales. In Pennsylvania, 41 percent of the decline in home sales occurred in the Pittsburgh and Philadelphia metropolitan areas, with 17 percent of the decrease in the Pittsburgh metropolitan area and 24 percent in the two metropolitan divisions in the Philadelphia area combined.

The number of distressed home sales declined in the region during the past year because strong sales market conditions led to fewer of those properties in the for-sale inventory. Distressed home sales fell 72 percent during the 12 months ending August 2022 (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and real estate owned (REO) properties in the region declined to 1.5 percent in

continued on page 5

Home sales declined, whereas home sales prices increased in all major markets in the Mid-Atlantic region during the 12 months ending August 2022.

| | 12 Months Ending | Number of Homes Sold | | | Average | Price | | |
|--------------------------------------------------|------------------|----------------------|--------|----------------|---------|-----------|-----------|----------------|
| | | 2021 | 2022 | Percent Change | | 2021 (\$) | 2022 (\$) | Percent Change |
| Baltimore-Columbia-Towson, MD; MSA | August | 60,950 | 53,300 | -13 | AVG | \$342,100 | \$378,600 | 11 |
| Dover, DE; MSA | August | 3,925 | 3,500 | -11 | AVG | \$265,800 | \$295,900 | 11 |
| Morgantown, WV; MSA | August | 2,425 | 1,925 | -21 | AVG | \$246,600 | \$275,600 | 12 |
| Pittsburgh, PA; MSA | August | 40,650 | 37,450 | -8 | AVG | \$228,100 | \$241,700 | 6 |
| Richmond, VA; MSA | August | 31,100 | 29,000 | -7 | AVG | \$318,300 | \$356,500 | 12 |
| Virginia Beach-Norfolk-Newport News, VA-NC; MSA | August | 42,950 | 42,550 | -1 | AVG | \$321,500 | \$336,800 | 5 |
| Philadelphia, PA; MD | August | 39,150 | 37,700 | -4 | AVG | \$283,100 | \$300,000 | 6 |
| Montgomery-Bucks-Chester Counties, PA; MD | August | 35,350 | 32,350 | -8 | AVG | \$425,400 | \$463,700 | 9 |
| Wilmington, DE-MD-NJ; MD | August | 14,800 | 14,200 | -4 | AVG | \$270,000 | \$299,900 | 11 |
| Washington-Arlington-Alexandria, DC-VA-MD-WV; MD | August | 101,550 | 89,400 | -12 | AVG | \$560,400 | \$601,000 | 7 |
| Silver Spring-Frederick-Rockville, MD; MD | August | 25,350 | 22,700 | -10 | AVG | \$546,600 | \$602,400 | 10 |

AVG = average. MSA = metropolitan statistical area. MD = metropolitan division.

Notes: All figures are rounded. Data include new and existing single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.



continued from page 4

August 2022, down from 3.0 percent in August 2021. The percentage of seriously delinquent mortgage loans and REO properties was lowest in Virginia, at 1.1 percent, and highest in West Virginia, at 2.0 percent. The regional rate was above the national rate of 1.3 percent, which decreased 1.4-percentage points from a year earlier. Rates in the District of Columbia and Maryland declined more sharply than in the nation overall, by 1.9 and 2.1 percentage points, respectively, to 1.8 percent each. The rates in Pennsylvania and Delaware were 1.7 and 1.6 percent, respectively.

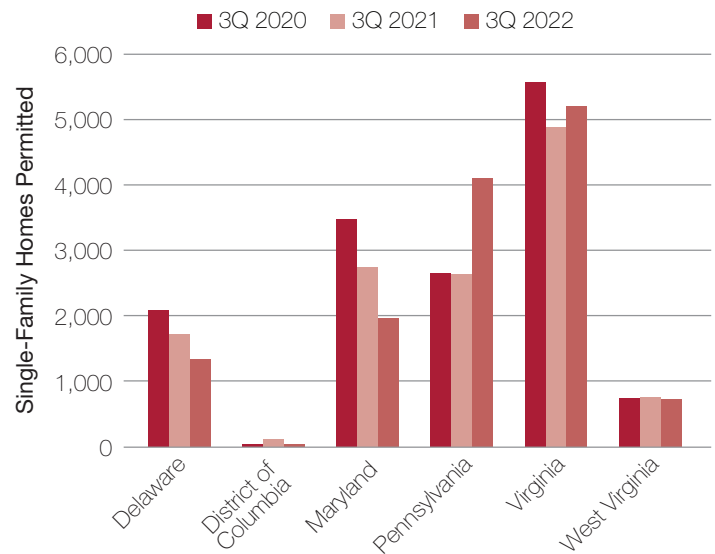
During the third quarter of 2022 (preliminary data) —

- Homebuilding activity in the Mid-Atlantic region, as measured by the number of single-family homes permitted, increased 4 percent from a year ago to 13,350 homes in response to low levels of inventory and tight sales market conditions. The rate of increase in the region contrasted with the 3-percent decrease in the nation.
- Pennsylvania accounted for most of the net increase in homebuilding in the region, more than offsetting declines in three states and the District of Columbia. Single-family home construction in Pennsylvania rose by 1,475 homes, or 56 percent, partly because of gains in the Pittsburgh and Allentown metropolitan areas, where permitting was up by 430 and 280 homes, respectively, or more than double the numbers in each area from a year ago.
- In Virginia, homebuilding was up by 310 homes, or 6 percent, compared with a 12-percent decline during the third quarter of 2021. Increases of 110 homes each in the Charlottesville and Blacksburg metropolitan areas partially offset decreases throughout the state.
- In Maryland and Delaware, the level of construction decreased by 780 and 380 homes, or 28 and 22 percent, respectively. Homebuilding was down by 700 homes, or

60 percent, in the Baltimore metropolitan area, and by 160 homes, or 41 percent, in the Dover metropolitan area; in the Salisbury metropolitan area, which encompasses both states, construction fell by 160 homes, or 14 percent.

- Single-family construction declined by 70 homes, or 64 percent, to a total of 40 homes in the District of Columbia, and by 40 homes, or 5 percent, to a total of 720 homes in West Virginia. By comparison, homebuilding was up by 70 homes in each area a year earlier, or more than double the number in the District of Columbia, and by 20 homes, or 3 percent, in West Virginia.

Homebuilding activity increased in the Mid-Atlantic region during the third quarter of 2022, led by Pennsylvania and Virginia.



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

Apartment Market Conditions

Apartment market conditions in the major market areas in the Mid-Atlantic region ranged from slightly tight to tight during the third quarter of 2022. Rents increased in all areas, with average apartment rent growth ranging from 4 to 7 percent during the third quarter of 2022 (CoStar Group). The average rent for major markets in the Mid-Atlantic region was below the national average of \$1,635 in all areas except the Washington-Arlington-Alexandria metropolitan area. The highest increase in the average rent in the Mid-Atlantic region was 7 percent each in the Richmond and Dover metropolitan areas, rising to \$1,416 and \$1,431, respectively, followed by a 6-percent

gain to \$1,393 in the Virginia Beach metropolitan area. Rents increased 5 percent each in the Philadelphia, Pittsburgh, and Washington-Arlington-Alexandria metropolitan areas to \$1,628, \$1,263, and \$2,066, respectively. In the Baltimore metropolitan area, rents increased 4 percent to \$1,594.

Vacancy rates rose in all but two of the major areas cited in this report compared with a year earlier, but vacancy rates for four of these areas were at or below the national rate of 5.5 percent during the third quarter of 2022. The largest increases in the vacancy rates occurred in the Virginia Beach

continued on page 6



continued from page 5

and Richmond metropolitan areas, where the rates rose 2.4 and 2.2 percentage points to 5.7 and 6.5 percent, respectively. In the Baltimore metropolitan area, the vacancy rate increased 1.8 percentage points to 5.5 percent, whereas vacancy rates rose less than one percentage point in the Philadelphia and Pittsburgh metropolitan areas to 4.4 and 4.8 percent, respectively. In the Dover metropolitan area, the vacancy rate fell by 1.0 percentage point to 3.1 percent, and in the Washington-Arlington-Alexandria metropolitan area, the vacancy rate decreased by 0.3 percentage point to 6.1 percent.

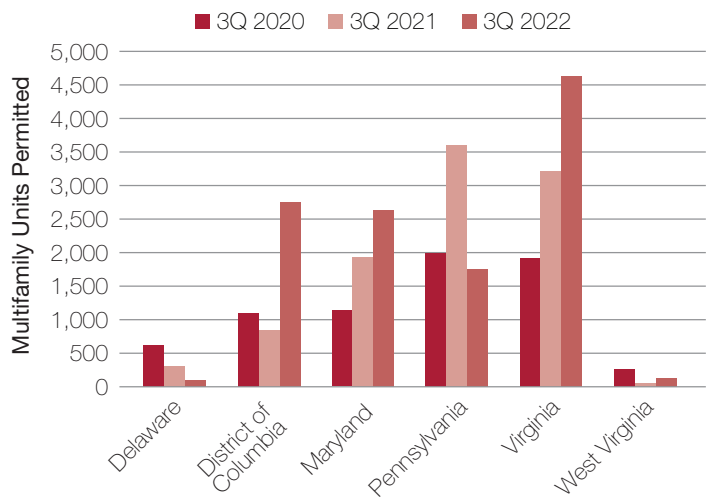
The number of apartment developments in the pipeline remained high in the Baltimore, Philadelphia, and Washington-Arlington-Alexandria metropolitan areas during the third quarter of 2022—a trend that had started in the early to mid-2010s. The number of multifamily units in planning in the Baltimore metropolitan area increased 13 percent during the third quarter of 2022 to 9,525 units—a number that only includes units in planning that are likely to be delivered (Delta Associates). In the city of Philadelphia, where approximately 45 percent of the Philadelphia metropolitan area apartment development has been occurring, the number of units in planning was relatively unchanged compared with a year ago at 12,400 units. The number of units in planning in the Washington-Arlington-Alexandria metropolitan area rose by 6,025 units, or 6 percent, to nearly 112,400 units as of the third quarter of 2022. The pipeline of developments in planning included approximately 50,600 and 37,950 units in the Virginia and Maryland suburbs, respectively, and 23,800 units in the District of Columbia. Developments in the pipeline encompass those in all stages of planning—from developments that are moving toward final approvals and that may begin construction within the next 36 months to those in the conceptual stage that may take several years to come to market.

During the third quarter of 2022 (preliminary data)—

- The number of multifamily units permitted increased by 2,025 units, or 20 percent, in the Mid-Atlantic region, following a 42-percent increase during the third quarter of 2021. Nationally, multifamily construction rose 16 percent from a year ago.
- The largest increases in multifamily permitting were in the District of Columbia, up by 1,925 units, or more than triple the number a year ago, and in Virginia, which was up by 1,425 units, a 44-percent increase from a year ago. Construction

continued on page 7

Multifamily permitting rose in the Mid-Atlantic region during the third quarter of 2022, with the largest increase in the District of Columbia.



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

Apartment rents increased in all major markets in the Mid-Atlantic region, and vacancy rates were up in all but two of those areas during the third quarter of 2022.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|---------------------------------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 3Q 2021 (%) | 3Q 2022 (%) | Percentage Point Change | 3Q 2021 (\$) | 3Q 2022 (\$) | Percent Change |
| Baltimore-Columbia-Towson, MD; MSA | Slightly Tight | 3.7 | 5.5 | 1.8 | 1,540 | 1,594 | 4 |
| Dover, DE; MSA | Tight | 4.1 | 3.1 | -1.0 | 1,334 | 1,431 | 7 |
| Philadelphia-Camden-Wilmington, PA-NJ-DE-MD; MSA | Tight | 3.7 | 4.4 | 0.7 | 1,543 | 1,628 | 5 |
| Pittsburgh, PA; MSA | Tight | 4.4 | 4.8 | 0.4 | 1,197 | 1,263 | 5 |
| Richmond, VA; MSA | Slightly Tight | 4.3 | 6.5 | 2.2 | 1,327 | 1,416 | 7 |
| Virginia Beach-Norfolk-Newport News, VA-NC; MSA | Slightly Tight | 3.3 | 5.7 | 2.4 | 1,313 | 1,393 | 6 |
| Washington-Arlington-Alexandria, DC-VA-MD-WV; MSA | Slightly Tight | 6.4 | 6.1 | -0.3 | 1,971 | 2,066 | 5 |

3Q = third quarter. MSA = metropolitan statistical area.

Note: The vacancy rates and average monthly rents are for market-rate and mixed (combined market rate and affordable) general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group



continued from page 6

- in the Richmond, Charlottesville, and Roanoke metropolitan areas rose by 350, 170, and 110 units, respectively, with a 30-percent increase in Richmond and more than double the number of units in each of the other areas.
- In Maryland, multifamily permitting was up by 700 units, or 36 percent, whereas in West Virginia, permitting rose by 70 units, or more than double the number of units permitted a year earlier. In the Washington-Alexandria-Arlington metropolitan division, increases of 2,000-units in Prince George's County and 100 units in Jefferson County more than offset decreases in other parts of each state.
 - Pennsylvania and Delaware were the only states in the region with a decline in the number of multifamily units permitted, decreasing by 1,850 and 220 units, or 52 and 71 percent, respectively. All of the net decline in Delaware occurred in New Castle County. Multifamily permitting in Pennsylvania decreased following an 80-percent increase during the third quarter of 2021, partially because developers in the city of Philadelphia applied for multifamily permits in advance of changes in a residential tax abatement program.



Terminology Definitions and Notes

A. Definitions

| | |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Apartment Vacancy Rate/Average Monthly Rent | Data are for market-rate and mixed market-rate/affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up. |
| Building Permits | Building permits do not necessarily reflect all residential building activity that occurs in a region. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst may make an estimate of this additional construction activity, and, where applicable, some of these estimates might be included in the discussions of single-family and multifamily building permits. |
| Distressed Sales | Short sales and real estate owned (REO) sales. |
| Home Sales | Includes new and existing sales of single-family homes, townhomes, and condominiums, where existing home sales include resales, short sales, and REO sales. |
| Home Sales/Home Sales Prices | Includes single-family, townhome, and condominium sales. |
| Seriously Delinquent Mortgages | Mortgages 90+ days delinquent or in foreclosure. |

B. Notes on Geography

| | |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018. |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

