

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic



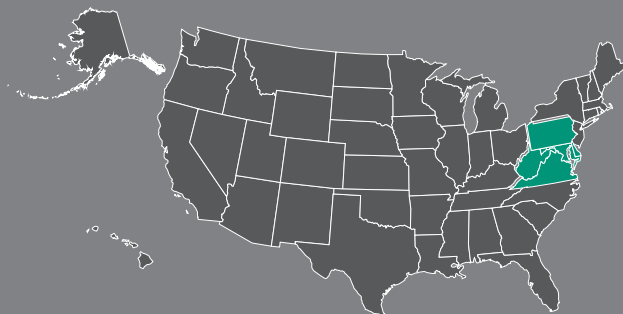
### Quick Facts About Region 3

Pittsburgh, Pennsylvania

By Wendy Lynn Ip | 1st quarter 2014

- **Sales market conditions—**  
First quarter 2014: mixed (tight to slightly soft).  
Fourth quarter 2013: mixed (balanced to slightly soft).  
First quarter 2013: slightly soft.

- **Apartment market conditions—**  
First quarter 2014: mixed (slightly tight to soft).  
Fourth quarter 2013: mixed (balanced to soft).  
First quarter 2013: mixed (balanced to soft).



## Overview

Economic conditions in the Mid-Atlantic region during the first quarter of 2014 improved at a moderate rate from the first quarter of 2013. The unemployment rate declined in every state in the region compared with the corresponding rate a year earlier. The population in the region increased from July 2012 to July 2013 (the latest data available) by 146,400, or 0.5 percent, to 30.39 million. Sales housing market conditions improved during the first quarter of 2014, and the volume of home sales and sales prices increased in every state and the District of Columbia. Apartment market conditions were mixed, ranging from slightly tight to soft. Multifamily construction activity increased for the second consecutive year in the region.

- During the first quarter of 2014, the rate of nonfarm payroll growth was highest in Delaware and the District of Columbia and moderate in the remaining states.
- Increases in home sales activity in the region ranged from 2 percent in Pennsylvania to 12 percent in the District of Columbia. The greatest increase to the average sales price was 7 percent in Pennsylvania.
- Changes in average monthly rents varied in the major metropolitan areas in the region; the greatest increase was recorded in the Baltimore metropolitan area, where the average rent increased 5 percent. Vacancy rates ranged from 4.1 percent in the Pittsburgh metropolitan area to 13.2 for highrise apartments in the Washington, D.C. metropolitan area.



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The education and health services and the leisure and hospitality sectors have accounted for 50 percent of the total job gain since the Mid-Atlantic region economy began to recover in 2011.

	First Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,840.9	13,892.6	51.7	0.4
Goods-producing sectors	1,628.3	1,629.0	0.7	0.0
Mining, logging, and construction	657.6	668.6	11.0	1.7
Manufacturing	970.7	960.3	-10.4	-1.1
Service-providing sectors	12,212.6	12,263.7	51.1	0.4
Wholesale and retail trade	1,914.3	1,920.4	6.1	0.3
Transportation and utilities	479.3	482.7	3.4	0.7
Information	231.7	226.0	-5.7	-2.5
Financial activities	742.7	753.4	10.7	1.4
Professional and business services	2,091.0	2,088.8	-2.2	-0.1
Education and health services	2,393.4	2,427.5	34.1	1.4
Leisure and hospitality	1,254.4	1,274.5	20.1	1.6
Other services	693.4	694.6	1.2	0.2
Government	2,412.5	2,395.7	-16.8	-0.7

Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

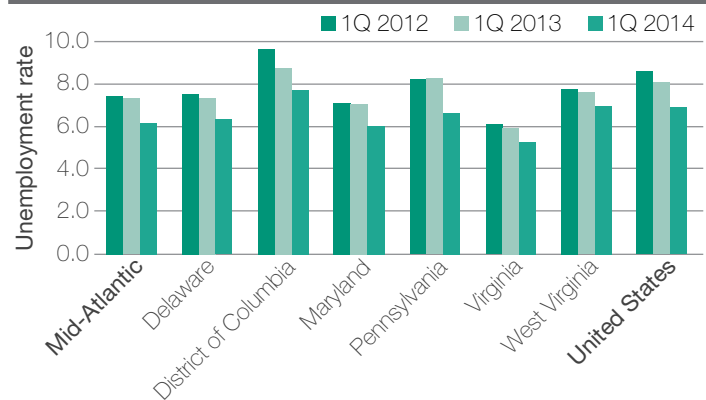
## Economic Conditions

Economic conditions in the Mid-Atlantic region moderated during the first quarter of 2014. Nonfarm payrolls averaged 13.89 million jobs, an increase of 51,700 jobs, or 0.4 percent, compared with an average annual increase of 166,000 jobs, or 0.8 percent, from 2011 through 2013. The education and health services and the leisure and hospitality sectors led job gains in the region during the first quarter of 2014. Job losses in the government sector continued for the 12th consecutive quarter, led by a decline of 28,600 jobs, or 4.3 percent, in the federal government subsector. Approximately 85 percent of the losses in the federal government subsector occurred in the District of Columbia, Maryland, and Virginia. The unemployment rate for the region averaged 6.2 percent during the first quarter of 2014, down from 7.3 percent a year earlier and less than the 6.9-percent rate for the nation. State unemployment rates ranged from 5.3 percent in Virginia to 7.8 percent in the District of Columbia.

During the first quarter of 2014—

- Pennsylvania recorded the greatest total job gain in the region, with nonfarm payrolls increasing by 21,600 jobs, or 0.4 percent. The leisure and hospitality and the professional and business services sectors increased by 12,700 and 9,800 jobs, or 2.6 and 1.4 percent, respectively, more than offsetting losses of 17,500 total jobs in the government, manufacturing, and information sectors.

During the past year, Pennsylvania was the only state in the Mid-Atlantic region where the unemployment rate declined more than the national rate.



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

- Nonfarm payrolls in Maryland expanded by 10,300 jobs, or 0.4 percent, led by increases of 6,200 and 4,800 jobs, or 2.6 and 3.9 percent, in the leisure and hospitality sector and the construction subsector, respectively.
- Delaware recorded the greatest percentage increase in nonfarm payrolls for the sixth consecutive quarter, increasing by 8,100 jobs, or 2.1 percent. The professional and business services sector led growth in Delaware, increasing by 3,600 jobs, or 6.5 percent.

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- In the District of Columbia, nonfarm payrolls increased by 4,800 jobs, or 0.7 percent, led by growth of 6,900 jobs, or 6 percent, in the education and health services sector that more than offset a loss of 5,800 jobs, or 2.8 percent, in the federal government subsector.
- Payrolls in Virginia and West Virginia were nearly unchanged at averages of 3.72 million and 750,000 jobs, respectively. In Virginia,

a payroll decline of 21,300 in the professional and business services sector nearly offset payroll growth of 22,500 in the education and health services and the wholesale and retail trade sectors. In West Virginia, the financial activities, professional and business services, and government sectors led payroll growth, up by 4,500 combined jobs. Payroll declines led by the mining, logging, and construction and the wholesale and retail trade sectors, which were down by 4,100 combined jobs, partially offset those gains.

## Population

The population in the Mid-Atlantic region grew at a relatively modest pace from July 2012 to July 2013, increasing by 146,400, or 0.5 percent, compared with 0.7-percent growth for the nation overall. Growth rates in the region ranged from a gain of 2.1 percent in the District of Columbia (the second highest growth rate in the nation) to a decline of 0.1 percent in West Virginia. More than 60 percent of the population growth in the region resulted from net natural change (resident births minus resident deaths), which represented approximately 91,850 people, down from 92,300 people during the previous 12 months. Net in-migration in the region totaled approximately 57,250 people, down from 81,950 people during the previous 12 months.

During the 12 months ending July 1, 2013—

- The strong population growth in the District of Columbia was primarily the result of net in-migration, which accounted for 70 percent of the population growth and totaled 9,175 people, nearly unchanged from the previous 12 months. From 2009

through 2011, net in-migration averaged 9,300 people annually, significantly more than the average annual 1,025 people from 2006 through 2008.

- In Maryland and Virginia, nearly 60 percent of the population growth resulted from net natural changes of 27,050 and 42,350 people, respectively.
- Pennsylvania and West Virginia had net out-migration of 5,725 and 910 people, respectively, compared with net in-migrations of 8,800 and 2,500 people, respectively, during the previous year. Net out-migration had not occurred from West Virginia since 2001 or from Pennsylvania since before 2000.
- Approximately 60 percent of the population growth in Delaware was because of net in-migration of approximately 5,425 people, slightly less than the 5,825 people during the previous year. Net in-migration in Delaware averaged 4,875 people a year from 2009 through 2011.

### The population growth rate declined in every state in the Mid-Atlantic region during the 12 months ending July 1, 2013.

	Population Estimate (as of July 1)			Percent Change	
	2011	2012	2013	2011 to 2012	2012 to 2013
United States	311,582,564	313,873,685	316,128,839	0.7	0.7
Mid-Atlantic	30,070,194	30,243,131	30,389,522	0.6	0.5
Delaware	907,985	917,053	925,749	1.0	0.9
District of Columbia	619,624	633,427	646,449	2.2	2.1
Maryland	5,840,241	5,884,868	5,928,814	0.8	0.7
Pennsylvania	12,741,310	12,764,475	12,773,801	0.2	0.1
Virginia	8,105,850	8,186,628	8,260,405	1.0	0.9
West Virginia	1,855,184	1,856,680	1,854,304	0.1	-0.1

Source: U.S. Census Bureau

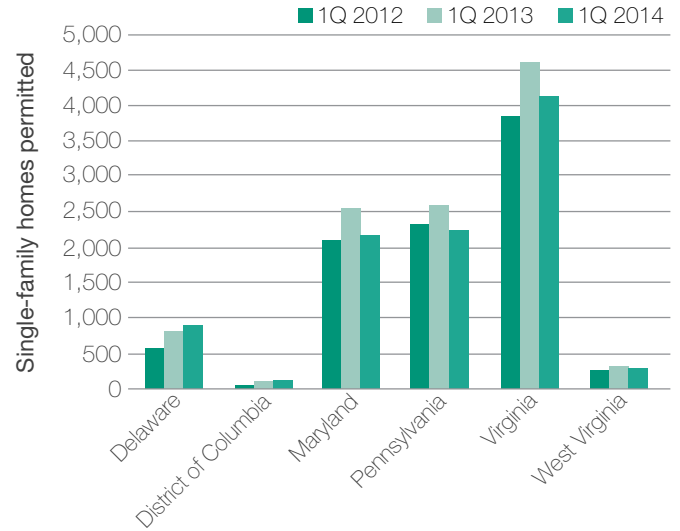


## Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region ranged from tight to slightly soft during the first quarter of 2014. Conditions improved throughout the region from a year ago, when markets were slightly soft. Since the fourth quarter of 2013, sales markets have remained balanced in Maryland and Virginia and slightly soft in Delaware, Pennsylvania, and West Virginia. In the District of Columbia, conditions were tight as of the first quarter of 2014 compared with balanced conditions during the fourth quarter of 2013. The volume of home sales and sales prices increased in all five states in the region and the District of Columbia. Existing home sales surged in the District of Columbia and Maryland, increasing 12 percent in the District of Columbia (Metropolitan Regional Information Systems, Inc.) and 11 percent in Maryland (Maryland Association of REALTORS®). Sales market conditions in Pennsylvania, Delaware, and West Virginia remained soft despite 7-, 5-, and 5-percent increases in the average sales price of new and existing homes, respectively. As of March 2014, 5.1 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 6.3 percent a year earlier and slightly lower than the national rate of 5.2 percent (Black Knight Financial Services, Inc.). The rate of distressed loans and REO properties declined in every state in the region, with the lowest rate recorded in Virginia, at 3.1 percent.

Single-family construction activity in the Mid-Atlantic region increased during the past 2 years, but construction levels were down during the first quarter of 2014 because of inclement winter weather throughout the region.

### Single-family homebuilding in the Mid-Atlantic region slowed during the first quarter of 2014 after gains during the previous year.



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

During the first quarter of 2014 (preliminary data)—

- The number of single-family homes permitted in the region declined by 1,125, or 10 percent, to 9,850 homes compared with the number permitted during the first quarter of 2013.

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### Home sales and home sales prices increased in every state in the Mid-Atlantic region.

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 (\$)	2013 (\$)	Percent Change
Delaware (N&E)	January	11,700	12,450	6%	AVG	\$238,600	\$250,800	5%
District of Columbia (E)	March	6,825	7,675	12%	AVG	\$560,000	\$595,700	6%
Maryland (E)	March	54,850	60,900	11%	AVG	\$295,100	\$311,300	5%
Pennsylvania (N&E)	January	148,100	151,700	2%	AVG	\$172,900	\$185,400	7%
Virginia (E)	February	91,600	99,100	8%	MED	\$230,000	\$234,000	2%
West Virginia (N&E)	January	6,875	7,125	4%	AVG	\$137,600	\$145,000	5%
Washington, D.C. metropolitan area (E)	March	65,900	71,450	8%	AVG	\$405,700	\$435,500	7%
Philadelphia metropolitan area (E)	March	47,700	53,050	11%	AVG	\$250,800	\$261,500	4%
Baltimore metropolitan area (E)	March	24,650	27,900	13%	AVG	\$278,100	\$286,700	3%

AVG = average. E = existing. MED = median. N&E = new and existing.  
 Notes: All figures are rounded. Median prices for Virginia are for February 2014. Average prices in all other areas are for the 12 months ending January or March, as indicated.  
 Sources: CoreLogic, Inc.; Maryland Association of REALTORS®; Metropolitan Regional Information Systems, Inc.; Virginia Association of REALTORS®



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- Single-family construction activity, however, increased 12 percent during the 12 months ending March 2014 compared with construction activity during the previous year.
- Single-family construction activity in Delaware and the District of Columbia increased by 95 and 15 homes, or 12 and 16 percent, to 910 and 110 homes permitted, respectively, from the first quarter of 2013.

- The greatest declines were in Virginia and Pennsylvania, where the number of homes permitted declined by 470 and 390, or 10 and 15 percent, to 4,125 and 2,225 homes permitted, respectively.
- Single-family construction in Maryland and West Virginia declined by 360 and 15 homes, or 14 and 5 percent, to 2,175 and 290 homes permitted, respectively.

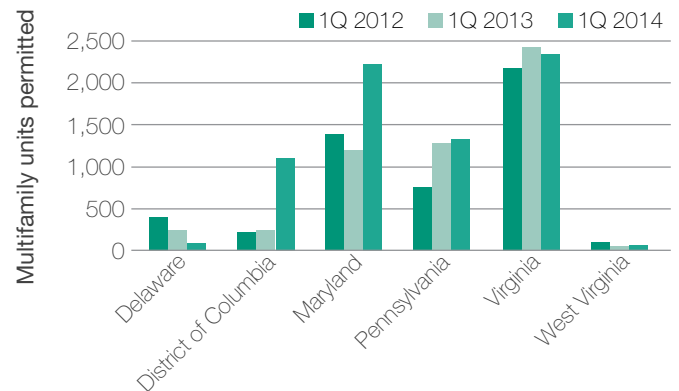
## Apartment Market Conditions

Apartment market conditions during the first quarter of 2014 ranged from slightly tight to soft in the Mid-Atlantic region. In the Washington, D.C. metropolitan area, the vacancy rate for highrise apartments, including units in initial lease up, rose to a 3-year high of 13.2 percent (Delta Associates). In the Maryland suburbs near the District of Columbia, the vacancy rate for highrise apartments increased to 11.9 percent compared with 6.8 percent a year earlier, and the average asking rent declined 4 percent. The apartment market in the Philadelphia metropolitan area softened slightly from balanced conditions a year ago, indicated by a 1-percent decline in the average asking rent and a slight increase in the overall vacancy rate, from 6.0 to 6.2 percent. The average asking rent for highrise apartments in Center City Philadelphia declined more than 4 percent from a year earlier, in part because 2,200 apartments were completed in the city of Philadelphia during the period. In the Baltimore metropolitan area, the completion of approximately 3,000 apartments during the past year resulted in an increase in the vacancy rate from 8.7 to 9.9 percent. The average asking rent increased 5 percent, partly because of higher rents at newly completed highrise apartments. The increase in the average asking rent in Baltimore was the greatest gain among the major metropolitan areas in the region during the past year. Average asking rent growth exceeded 6 percent in suburban areas to the south of the city of Baltimore, where current employment

conditions are strong and the unemployment rate is the lowest within the metropolitan area. Market conditions are tighter in the smaller apartment markets in the region. Vacancy rates in the Pittsburgh and Wilmington metropolitan areas are currently 4.1 and 2.9 percent, respectively (Reis, Inc.).

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### Multifamily permitting increased the most in Maryland and the District of Columbia, but Virginia remained the state with the most units permitted.



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

### Apartment market conditions in Mid-Atlantic region market areas were mixed in the first quarter of 2014.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2013 (%)	1Q 2014 (%)	Percentage Point Change	1Q 2013 (\$)	1Q 2014 (\$)	Percent Change
Baltimore	Balanced	8.7	9.9	1.2	1,574	1,653	5
Philadelphia	Slightly soft	6.0	6.2	0.2	1,631	1,612	-1
Pittsburgh	Slightly tight	4.0	4.1	0.1	1,125	1,157	3
Richmond	Slightly soft	9.0	7.4	-1.6	1,210	1,201	-1
Virginia Beach	Balanced	4.1	4.5	0.4	1,064	1,080	2
Washington, D.C. (garden apartments)	Slightly soft	9.7	8.6	-1.1	1,590	1,626	2
Washington, D.C. (highrise apartments)	Soft	9.8	13.2	3.4	2,410	2,365	-2

1Q = first quarter.  
 Note: Class A units only.  
 Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Delta Associates; Real Data; Reis, Inc.



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During the first quarter of 2014 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, increased 32 percent from a year earlier, to 7,125 units.
- Maryland accounted for more than one-half of the overall net increase in the region, with 2,225 multifamily units permitted, the most multifamily units permitted on record in the state during a first quarter.
- In the District of Columbia, 1,100 units were permitted, up from 240 units permitted in the first quarter of 2013. The increase resulted primarily from the permitting of two developments in February 2014 that had approximately 400 apartments each.
- Virginia had the most multifamily units permitted in the region, at 2,325 units, a 4-percent decline from a year earlier.
- Permitting increased 4 percent in Pennsylvania, from 1,275 to 1,325 units, but declined 62 percent in Delaware, from 240 to 90 units.

