

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

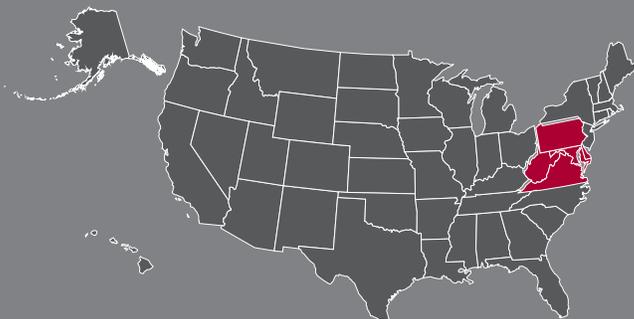


Baltimore, Maryland

By Benjamin Houck | 3rd quarter 2015

Quick Facts About Region 3

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



Overview

Economic conditions continued to strengthen in the Mid-Atlantic region during the third 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 most states in the region (including the District of Columbia) from a year ago. Home sales increased throughout the region, and homebuilding activity declined in most states from a year earlier, contributing to tighter sales housing market conditions. Apartment market conditions ranged from slightly soft to slightly tight. Apartment vacancy rates declined or were unchanged in most markets from a year ago, but the rate continued to increase in the District of Columbia because of significant apartment production.

During the third quarter of 2015—

- Nonfarm payrolls increased 1.2 percent, to 14.31 million jobs, from the third quarter of 2014, the largest year-over-year gain since the first quarter of 2012. Payrolls increased in every state in the region except one.
- Single-family construction activity declined 7 percent from a year ago, to 11,000 homes permitted. Homebuilding activity in the region has declined year over year in six of the past seven quarters.
- In total, 7,150 multifamily units were permitted in the region, down 22 percent from a peak of 9,225 units permitted a year earlier. The total permitted during the third quarter was 12 percent more than the third quarter average of 6,400 units from 2011 through 2013.



In the Mid-Atlantic region, jobs increased in 10 of the 11 nonfarm payroll sectors.

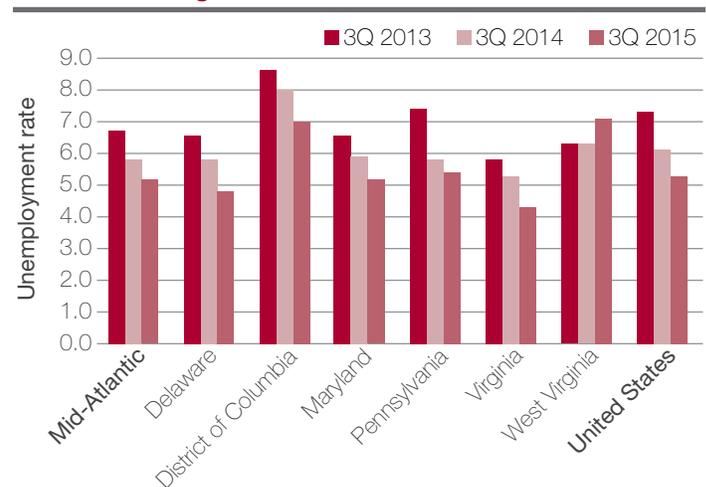
	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,148.7	14,312.3	163.6	1.2
Goods-producing sectors	1,715.0	1,727.4	12.4	0.7
Mining, logging, and construction	733.9	745.5	11.6	1.6
Manufacturing	981.0	981.9	0.9	0.1
Service-providing sectors	12,433.7	12,584.9	151.2	1.2
Wholesale and retail trade	1,955.7	1,967.3	11.6	0.6
Transportation and utilities	490.2	503.9	13.7	2.8
Information	226.7	224.0	- 2.7	- 1.2
Financial activities	765.0	776.1	11.1	1.5
Professional and business services	2,164.7	2,194.6	29.9	1.4
Education and health services	2,397.3	2,439.7	42.4	1.8
Leisure and hospitality	1,424.0	1,457.2	33.2	2.3
Other services	712.6	715.9	3.3	0.5
Government	2,297.6	2,306.3	8.7	0.4

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 14.31 million jobs during the third quarter of 2015, a gain of 163,600 jobs, or 1.2 percent, from the third quarter of 2014. Although lower than the national increase of 2.1 percent, growth was higher than the 0.7-percent expansion in the region during the third quarter of 2014 because of accelerated growth in most service-providing sectors of the economy. During the third quarter of 2015, gains in the education and health services and the leisure and hospitality sectors accounted for 46 percent of overall net job growth in the region. The largest percentage gain was in the transportation and utilities sector, a benefactor of substantial growth in e-commerce, in which online sales, estimated at \$84 billion in the United States, have grown 15 percent annually since early 2010 (U.S. Census Bureau). Amazon.com, Inc., added hundreds of jobs in June at seven of its existing order-fulfillment centers in Delaware, Pennsylvania, and Virginia. New order-fulfillment centers for Nordstrom, Inc., and Urban Outfitters, Inc., opened in Lancaster County, Pennsylvania, in mid-2015, adding a combined 900 jobs to the transportation and utilities sector. The goods-producing sectors continued to add jobs in the region but at slower rates than those registered during recent quarters. Declines in durable goods manufacturing in Delaware and Pennsylvania contributed to slower growth in the manufacturing sector in the region. Unemployment rates declined in most states in the region and the District of Columbia during the third quarter of 2015 compared with rates a year earlier. The average unemployment rate

The unemployment rate decreased in every state in the Mid-Atlantic region except West Virginia, and the rates for Delaware and Virginia were less than the national average.



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

for the region was 5.2 percent, equal to the national rate. Statewide unemployment rates ranged from averages of 4.4 percent in Virginia to 7.1 percent in West Virginia.

During the third quarter of 2015—

- In Pennsylvania, nonfarm payrolls increased by 63,400 jobs, or 1.1 percent. Pennsylvania accounted for approximately 40 percent of jobs in the region and 40 percent of regional net job growth. The leisure and hospitality sector in Pennsylvania increased by 15,700 jobs, or 2.8 percent. The opening of two

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- new resorts in the Pocono Mountains in northeastern Pennsylvania in mid-2015 added a combined 1,200 jobs to the sector.
- In Maryland and Virginia, nonfarm payrolls increased by 51,700 and 38,300 jobs, or 2 and 1 percent, respectively, with each state doubling its percentage-point gains from the same period a year earlier. The education and health services sector led job growth in both states.
- Nonfarm payrolls in the District of Columbia increased by 12,900 jobs, or 1.7 percent. The education and health services sector increased by 4,700 jobs, or 3.9 percent. A new \$262 million inpatient tower under construction at Sibley Memorial Hospital in Northwest D.C. is slated for completion in August 2016.

- Total nonfarm payrolls in Delaware increased by 7,200 jobs, or 1.6 percent. The leisure and hospitality sector led overall job growth, increasing by 2,900 jobs, or 5.8 percent.
- In West Virginia, nonfarm payrolls declined by 10,000 jobs, or 1.3 percent. A decline in the use of coal for electricity generation in the United States contributed to a loss of 3,400 jobs, or 11.3 percent, in the mining and logging subsector. Three sectors added jobs, however, led by a gain of 1,700 jobs, or 1.3 percent, in the education and health services sector. West Virginia University Healthcare opened a \$50 million outpatient clinic near Morgantown in May, employing 220 healthcare professionals and adding 40 jobs to the sector.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region were mixed during the third 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 slightly tight a year ago. A general slowdown in average sales price appreciation from previous quarters contributed to an increase in home sales. Existing condominium sales, which account for 48 percent of total existing sales in the District of Columbia, increased 6 percent, to 3,825 units sold during the 12 months ending September 2015, and the average sales price also increased 6 percent, to \$499,700. Sales markets in Delaware and Pennsylvania were balanced compared with slightly soft conditions a year ago. In Pennsylvania, existing

home sales increased at the fastest pace since late 2013 because of stronger job growth. In the five-county Philadelphia area (the portion of the Philadelphia metropolitan area within Pennsylvania), existing home sales were up 13 percent, to 39,950, and the average sales price was unchanged at \$280,300 (TREND). In Delaware, the gain in home sales was led by a 9-percent increase in New Castle County, considered the economic engine of the state (CoreLogic, Inc., with adjustments by the analyst). Sales markets in Virginia and Maryland remained balanced. The increase in existing home sales in Virginia was led by a 14-percent increase in the Richmond metropolitan area (Metropolitan Regional Information Systems, Inc.). In Maryland, an increase in sales of real estate owned (REO)

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Home sales increased throughout the Mid-Atlantic region during the third quarter of 2015, and the increase was greater than during the second quarter of 2015 in most states.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Delaware (N&E)	June	13,000	13,500	4	AVG	255,400	266,700	4
District of Columbia (E)	September	7,625	7,925	4	AVG	611,900	630,000	3
Maryland (E)	September	61,050	71,200	17	AVG	310,600	306,200	-1
Pennsylvania (N&E)	September	142,700	159,100	11	AVG	208,200	211,600	2
Virginia (E)	September	97,100	106,300	9	MED	259,000	265,000	2
West Virginia (N&E)	June	8,025	8,850	10	AVG	139,500	142,700	2
Baltimore metropolitan area (E)	September	28,050	33,450	19	AVG	285,000	277,800	-3
Philadelphia metropolitan area (E)	September	52,400	59,650	14	AVG	261,900	254,100	-3
Washington, D.C. metropolitan area (E)	September	69,550	75,900	9	AVG	439,000	444,400	1

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

Notes: All figures are rounded. Average prices are for the 12 months ending September or June 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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homes was a primary factor in the overall gain and contributed to the decline in the average sales price. Sales of REO homes in Maryland increased 18 percent during the 12 months ending September 2015 and accounted for 20 percent of all existing sales, representing the fourth highest statewide proportion in the nation and up from 16 percent during the previous 12 months (Metrostudy, A Hanley Wood Company). Home sales in West Virginia, where the sales market is slightly soft, increased 10 percent (CoreLogic, Inc., with adjustments by the analyst). The average existing home sales price in the state is the lowest in the nation and about 40 percent less than the national average. In September 2015, 4.4 percent of home loans in the region were seriously delinquent (90 or more 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 third quarter of 2015 (preliminary data)—

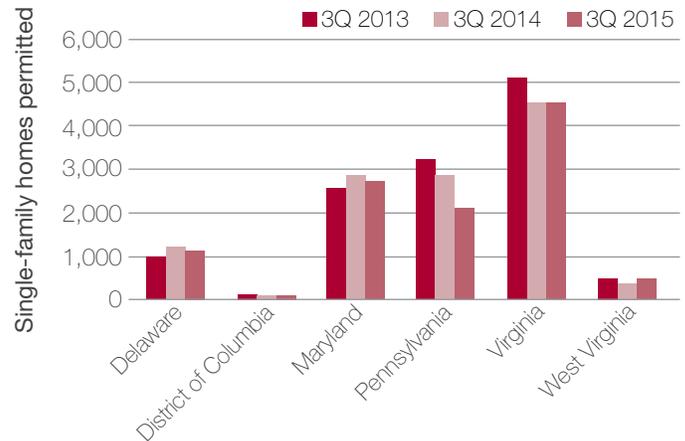
- Despite the job gains and generally tighter home sales markets, homebuilding activity, as measured by the number of homes permitted, declined in four of the six states in the region. Approximately 11,000 single-family homes were permitted in the region, a decline of 880 homes, or 7 percent, compared with the number permitted a year earlier.
- In Pennsylvania, the number of single-family homes permitted declined 26 percent, or by 750, to 2,100 homes permitted. Homebuilding activity also declined in Maryland, where 2,725 homes were permitted, down 5 percent, or by 150, from a year earlier.
- Permitting was down by about 50 and 25 homes, or 1 and 3 percent, respectively, in Virginia and Delaware, to 4,500 and 1,125 single-family homes permitted.

Apartment Market Conditions

Apartment markets in most areas of the Mid-Atlantic region were tighter during the third quarter of 2015 than a year ago. Vacancy rates in the Philadelphia and Baltimore areas have been 4 percent or less since the first quarter of 2013, which has spurred apartment construction activity. Asking rents for one- and two-bedroom apartments in the Philadelphia area averaged \$1,039 and \$1,323, respectively, during the third quarter of 2015, and rents for similar units in the Baltimore area averaged \$1,023 and \$1,197 (Reis, Inc.). In the Washington, D.C. area, vacancy rates declined or were unchanged in suburban apartment markets but increased to 7.0 percent in the District of Columbia. Vacancy rates varied widely within the District of Columbia, ranging from 8.0 to 11.2 percent in Reis, Inc.-defined market areas in the northeast, southeast, and central portions of the District and from 2.1 to 4.3 percent in northwest portions. Apartment completions in the District of Columbia are projected to rise 42 percent, from 2,900 units during the 12 months ending September 2015 to 4,100 units during the next

- The declines listed previously were partially offset by increases in West Virginia and the District of Columbia. In West Virginia, the number of single-family homes permitted increased 17 percent, or by 70, to 490 homes permitted. In the District of Columbia, the number of homes permitted totaled 70, up by 30 homes from a year earlier.

Homebuilding activity declined in four states in the Mid-Atlantic region, resulting in a 7-percent decline in the region overall.



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

12 months (Delta Associates). Asking rents for one- and two-bedroom apartments in the District of Columbia averaged \$1,575 and \$2,001, respectively (Reis, Inc.). The vacancy rate in the Richmond metropolitan area declined year over year but was up from 4.0 percent during the second quarter of 2015 as approximately 710 apartments were completed during the third quarter (Reis, Inc.). Asking rents for one- and two-bedroom apartments in the Richmond area averaged \$804 and \$890, respectively.

During the third quarter of 2015 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, decreased 22 percent, or by 2,075 units, from a year earlier. The 9,225 units permitted a year ago was the highest regional total in more than a decade, however. The 7,150 units permitted during the third quarter of 2015 were 12 percent more than the third quarter average of 6,400 units from 2011 through 2013.

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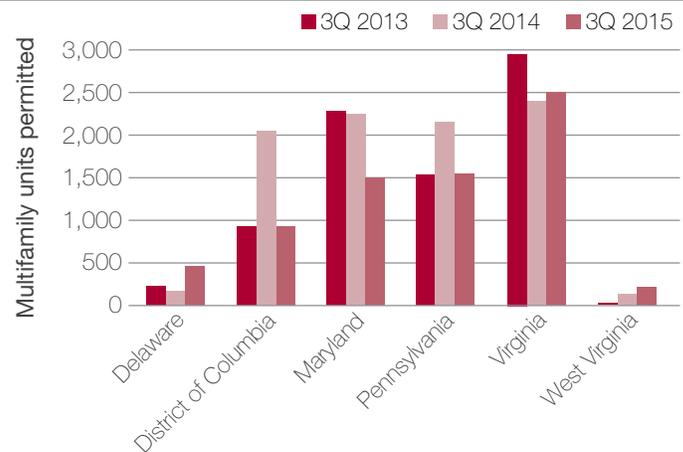


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- More than one-half of the regional decline from a year ago was because fewer units were permitted in the District of Columbia, where the 930 units permitted were 55 percent less than 2,050 units a year earlier. The 3,225 multifamily units permitted during the first 9 months of 2015 were about the same, however, as the total during the first 9 months of 2014.
- In Maryland, multifamily construction activity declined 34 percent, or by 780 units, to 1,500 units permitted. The 710 multifamily units permitted in the Baltimore metropolitan area was down 37 percent from a year earlier. The decline in new apartment construction activity is being offset, in part, by residential conversions. Nearly 700 apartments were converted from former office space near Baltimore's Inner Harbor and began leasing during the third quarter.
- Multifamily building activity in Pennsylvania declined 28 percent, or by 610 units, to 1,575 units permitted. The number of units permitted in the city of Philadelphia increased 62 percent, however, to 990 units permitted. Units permitted in September include a 33-story highrise with 264 units in Center City Philadelphia that is expected to be complete in early 2017.
- Multifamily construction activity increased in Virginia and West Virginia by 60 and 120 units, or 2 and 113 percent, to 2,475 and 220 units permitted, respectively. Permitting also increased in Delaware by 270 units, or 150 percent, to 450 units permitted.

Some of the units permitted in August were for Emblem at Christiana, a 245-unit garden apartment community near the Christiana Mall in New Castle County, expected to be complete in April 2016.

Multifamily permitting activity declined in the Mid-Atlantic region, but the number of units permitted a year ago represented a record level for the region.



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

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Baltimore	Slightly tight	3.9	3.5	-0.4	1,125	1,153	2
Philadelphia	Slightly tight	3.4	3.2	-0.2	1,143	1,182	3
Pittsburgh	Slightly tight	3.3	3.5	0.2	931	962	3
Richmond	Slightly tight	4.5	4.3	-0.2	862	880	2
Washington, D.C.— Maryland suburbs	Slightly tight	4.0	3.8	-0.2	1,418	1,454	3
Washington, D.C.— Virginia suburbs	Balanced	4.4	4.4	0.0	1,645	1,677	2
Washington, D.C.— District of Columbia	Slightly soft	6.5	7.0	0.5	1,569	1,623	3

3Q = third quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.

