

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

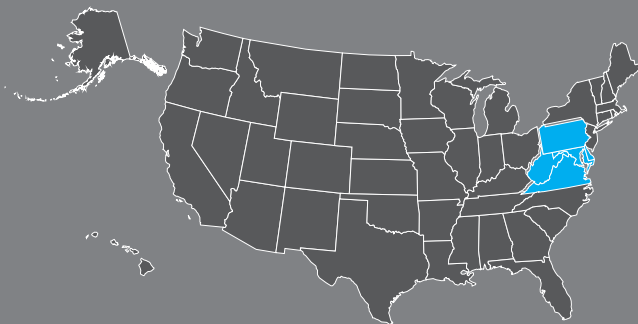


Quick Facts About Region 3

District of Columbia

By Wendy Lynn Ip | 4th quarter 2013

- **Sales market conditions—**
Fourth quarter 2013: mixed (balanced to slightly soft).
Third quarter 2013: mixed (balanced to slightly soft).
Fourth quarter 2012: slightly soft.
- **Apartment market conditions—**
Fourth quarter 2013: mixed (balanced to soft).
Third quarter 2013: mixed (slightly tight to soft).
Fourth quarter 2012: mixed (balanced to soft).



Overview

The economy of the Mid-Atlantic region grew at a moderate pace during the fourth quarter of 2013 compared with the growth rate of a year ago. Every state in the region recorded an increase in non-farm payrolls, led by Maryland and Pennsylvania. Sales housing market conditions in the region strengthened from the previous year, and the volume of home sales and sales prices increased throughout the region. Sales markets that were soft a year ago improved to balanced or slightly soft. Apartment market conditions in the region were mixed, ranging from balanced to soft in metropolitan areas. Rental vacancy rates in the region's largest metropolitan areas continued to increase because of a substantial number of new units in lease up.

- The Mid-Atlantic region added 103,000 jobs during the fourth quarter of 2013, a 0.7-percent increase from the same period a year earlier.
- Home sales increased in every state in the region, those increases ranging from nearly 3 percent in Pennsylvania to 15 percent in the District of Columbia. The average home sales price increased in every state in the region except Virginia, where the average sales price declined more than 1 percent.
- Apartment market conditions softened in Philadelphia and remained soft in the Washington, D.C., and Baltimore metropolitan areas from the previous quarter, with vacancy rates in these metropolitan areas ranging from 5.5 to more than 11.0 percent. Average rent changes for highrise units ranged from a 5-percent decrease in Philadelphia to a 6-percent increase in the city of Baltimore.



Nonfarm payroll gains in every state in the Mid-Atlantic region were concentrated in the service-providing sectors.

	Fourth Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,094.1	14,197.1	103.0	0.7
Goods-producing sectors	1,682.8	1,688.8	6.0	0.4
Mining, logging, and construction	701.0	709.3	8.3	1.2
Manufacturing	981.8	979.5	-2.3	-0.2
Service-providing sectors	12,411.3	12,508.3	97.0	0.8
Wholesale and retail trade	1,982.9	1,988.5	5.6	0.3
Transportation and utilities	488.6	499.0	10.4	2.1
Information	233.3	227.8	-5.5	-2.4
Financial activities	745.0	757.7	12.7	1.7
Professional and business services	2,115.8	2,142.1	26.3	1.2
Education and health services	2,420.4	2,453.6	33.2	1.4
Leisure and hospitality	1,281.9	1,309.4	27.5	2.1
Other services	702.2	704.1	1.9	0.3
Government	2,441.2	2,426.1	-15.1	-0.6

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

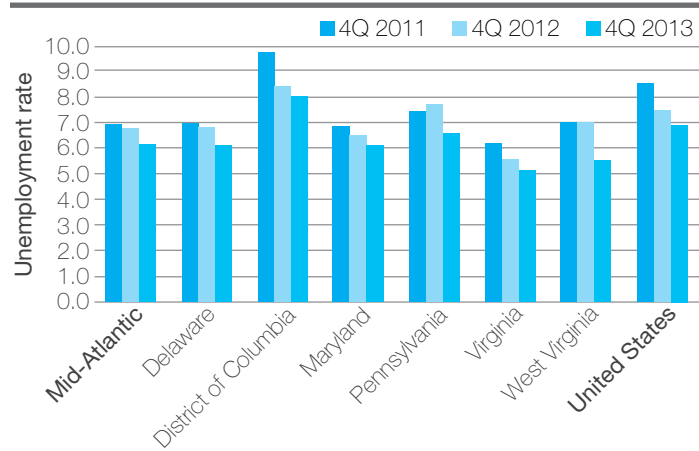
Economic Conditions

Economic conditions in the Mid-Atlantic region improved during the fourth quarter of 2013. Nonfarm payrolls averaged 14.20 million jobs, an increase of 103,000 jobs, or 0.7 percent. The education and health services, professional and business services, and leisure and hospitality sectors accounted for 85 percent of the job gain in the region. The unemployment rate for the region averaged 6.1 percent during the fourth quarter of 2013, down from 6.8 percent a year earlier and was less than the rate of 6.9 percent for the nation. State unemployment rates ranged from 5.1 percent in Virginia to 8.0 percent in the District of Columbia.

During the fourth quarter of 2013—

- Maryland recorded the greatest growth in nonfarm payrolls, which increased by 31,200 jobs, or 1.2 percent, and accounted for 30 percent of payroll gains in the region. The professional and business services and the education and health services sectors, which increased by 13,900 and 9,700 jobs, or 3.4 and 2.3 percent, respectively, accounted for more than 75 percent of the growth.
- In Pennsylvania, nonfarm payrolls increased by 26,500 jobs, or 0.5 percent, led by the professional and business services and the leisure and hospitality sectors, which increased by 13,200 and 11,900 jobs, or 1.8 and 2.4 percent, respectively.

Unemployment rates in the Mid-Atlantic region have been below the national average since 2000.



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

- For the fifth consecutive quarter, Delaware recorded the greatest percentage increase in nonfarm payrolls, up 2.1 percent, or by 8,900 jobs. The professional and business services sector led growth in Delaware, increasing by 3,800 jobs, or 6.5 percent.
- West Virginia gained 8,000 jobs, or 1.0 percent, led by an increase in the mining, logging, and construction sector, which accounted for more than one-half of the jobs added in the state.

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- Payrolls in the District of Columbia were nearly unchanged at an average of 736,000 jobs, as the across-the-board federal spending cuts mandated by the Budget Control Act of 2011 (also known as *sequestration*) led, in part, to a decline of 6,300 jobs, or 3.0 percent, in the government sector.

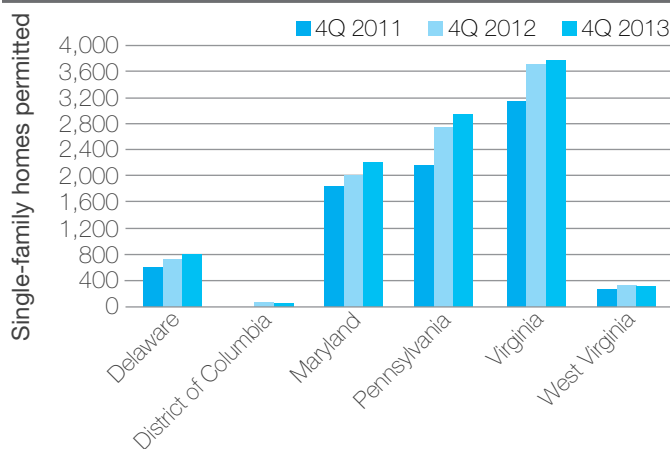
- Nonfarm payrolls in Virginia increased by 28,400 jobs, or 0.8 percent. Payroll increases in the education and health services, leisure and hospitality, and financial services sectors more than offset declines in the professional and business services sector and the federal government subsector.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region ranged from balanced to slightly soft during the fourth quarter of 2013. Conditions improved throughout the region from a year ago, when markets were slightly soft. Sales market conditions were balanced in the District of Columbia, Maryland, and Virginia and were slightly soft in Delaware, Pennsylvania, and West Virginia during the fourth quarter of 2013. Home sales increased in every state in the region. The greatest percentage increases were recorded in the District of Columbia and Maryland, where sales of existing homes increased 15.0 and 12.6 percent, respectively. Home sales prices rose in five of the six states in the region, with increases ranging from 5.8 percent in Delaware to 6.3 percent in Pennsylvania (CoreLogic, Inc.). In Virginia, the median price of existing homes sold declined 1.6 percent from the previous year (Virginia Association of REALTORS®). As of December 2013, 5.5 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), less than the rates of 5.6 percent for the

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Improving conditions in the existing home sales market led to significant gains in single-family building in the Mid-Atlantic region for the second consecutive year.



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

Home sales in the Mid-Atlantic region increased during the past year but remained nearly 40 percent less than those recorded annually from 2005 through 2007.

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 (\$)	2013 (\$)	Percent Change
Delaware (N&E)	October	10,700	11,100	3.7	AVG	232,300	245,700	5.8
District of Columbia (E)	December	6,650	7,650	15.0	AVG	555,700	589,500	6.1
Maryland (E)	November	53,800	60,600	12.6	AVG	291,000	308,400	6.0
Pennsylvania (N&E)	October	142,100	145,900	2.7	AVG	170,500	181,200	6.3
Virginia (E)	December	90,900	99,500	9.4	MED	248,000	244,000	- 1.6
West Virginia (N&E)	October	6,675	7,125	6.7	AVG	134,200	142,200	6.0
Baltimore metropolitan area (E)	December	24,300	27,300	12.3	AVG	277,500	287,800	3.7
Philadelphia metropolitan area (E)	December	46,850	53,450	14.1	AVG	250,600	258,900	3.3
Washington, D.C. metropolitan area (E)	December	64,900	72,400	11.6	AVG	399,500	431,300	8.0

AVG = average. E = existing. MED = median. N&E = new and existing.
 Notes: All figures are rounded. Median prices for Virginia are for December 2013. Average prices in all other areas are for the 12 months ending October, November, or December, as indicated.
 Sources: CoreLogic, Inc.; Maryland Association of REALTORS®; Metropolitan Regional Information Systems, Inc.; Virginia Association of REALTORS®



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nation and down from 6.3 percent recorded in the region during the previous year (Black Knight Financial Services, Inc.). The rate of distressed mortgages decreased in every state in the region, with the greatest decline recorded in Maryland, from 8.7 to 7.5 percent.

Single-family construction activity in the Mid-Atlantic region increased during the past 2 years because of improving sales market conditions. During the fourth quarter of 2013 (preliminary data)—

- The number of single-family homes permitted in the region increased by 500 homes, or 5 percent, to 10,100 homes compared with the number permitted during the fourth quarter of 2012.

- The greatest increases were recorded in Maryland and Pennsylvania, where the number of homes permitted increased by approximately 210 and 180 homes, or 10 and 7 percent, to 2,200 and 2,950 homes permitted, respectively.
- In Virginia, the state with the greatest number of homes permitted since 2011, single-family construction activity increased by 60 homes, or 2 percent, to 3,775 homes permitted.
- Permitting also increased in Delaware, up by 95 homes, or 13 percent, to 810 homes permitted.
- West Virginia and the District of Columbia recorded declines of 30 and 20 homes, or 5 and 41 percent, to 300 and 40 homes permitted, respectively.

Apartment Market Conditions

Apartment market conditions ranged from balanced to soft in the Mid-Atlantic region during the fourth quarter of 2013. In the Baltimore and Washington, D.C. metropolitan areas, an increase in the number of newly completed apartments has contributed to soft market conditions since the first quarter of 2013. The vacancy rate in the Baltimore metropolitan area was 11.4 percent, up from 8.0 percent a year earlier, and the average rent was \$1,630, up 4 percent from \$1,572 (Delta Associates). In the city of Baltimore, the vacancy rate increased from 8.2 to 11.2 percent, and the average rent increased 6 percent, from \$1,766 to \$1,866, partly because of higher rents at newly completed highrise apartments. In the Washington, D.C. metropolitan area, market conditions remained soft, with increasing vacancies and declining average rents in both garden and highrise apartments. The vacancy rate for garden apartments was 9.1 percent during the fourth quarter of 2013, up from 8.6 percent a year earlier. The average rent declined nearly 1 percent, to \$1,599, after a 3-percent gain during the previous year. The vacancy rate for highrise apartments was 10.5 percent during the fourth quarter of 2013, up from 8.4 percent a year earlier. The average

rent decreased 2 percent, to \$2,384 from \$2,445. In the Philadelphia metropolitan area, the apartment market softened slightly from balanced conditions a year earlier, the vacancy rate rose from 5.5 to 7.0 percent, and the average rent increased less than 1 percent, from \$1,611 to \$1,620. In Center City Philadelphia, the highrise vacancy rate declined from 6.9 to 6.1 percent, but the average rent declined nearly 5 percent, to \$2,047.

During the fourth quarter of 2013 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, declined 12 percent from a year earlier in response to softening conditions, to 5,925 units.

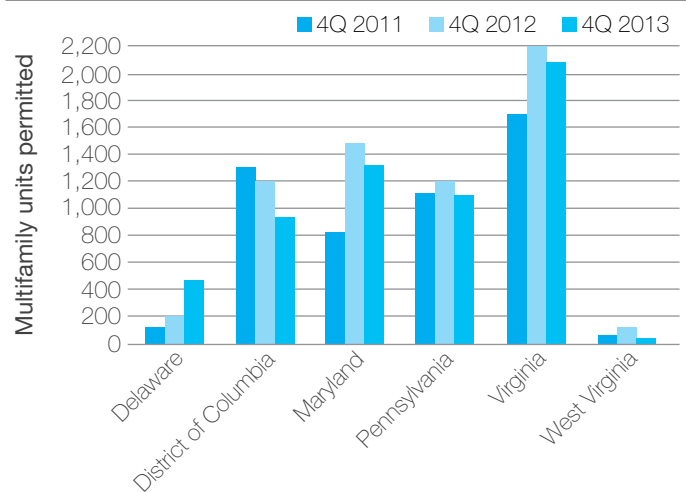
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Major metropolitan apartment markets in the Mid-Atlantic region softened during the past year, whereas smaller markets were stable.

Metropolitan Area	Market Condition
Allentown	Balanced
Baltimore	Soft
Charleston	Balanced
Philadelphia	Slightly soft
Virginia Beach	Balanced
Washington, D.C.	Soft
Wilmington	Balanced

Source: HUD, PD&R, Economic and Market Analysis Division

Virginia and Maryland accounted for more than 85 percent of the decline in multifamily construction activity in the Mid-Atlantic region.



4Q = fourth quarter.

Note: Based on preliminary data.

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



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- In Virginia, the number of multifamily units permitted declined 17 percent, to 2,100 units, including a 65-percent decrease, to 200 units, in the Richmond metropolitan area.
- In Maryland, multifamily permitting decreased 11 percent, to 1,325 units, resulting partly from a 43-percent decrease, to 330 units, in the Baltimore metropolitan area.
- In the District of Columbia and Pennsylvania, multifamily permitting decreased by approximately 280 and 100 units, to 920 and 1,100 units, respectively.
- Delaware was the only state in the region to record an increase in permitting, up 126 percent to 460 units permitted.

