

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

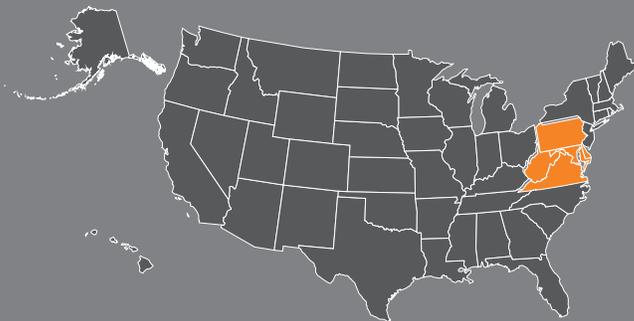


Philadelphia, Pennsylvania

By Wendy Lynn Ip | 2nd quarter 2014

Quick Facts About Region 3

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



Overview

Economic conditions improved slightly in the Mid-Atlantic region during the second quarter of 2014 compared with the growth rate of a year ago. Nonfarm payrolls increased and the unemployment rate declined in all states in the region and the District of Columbia. Sales housing markets strengthened from a year ago in most states but softened slightly in Virginia. Single-family homebuilding activity decreased in all states compared with an annual increase of at least 10 percent recorded in each state during the past 2 years. Apartment market conditions were mixed, ranging from slightly tight to soft in metropolitan areas throughout the region. Apartment construction activity was also mixed but declined in the region overall from a year ago.

During the second quarter of 2014—

- Job growth in the Mid-Atlantic region was 0.8 percent during the second quarter of 2014, up from 0.4 percent during the first quarter of 2014 and 0.7 percent a year ago.
- The District of Columbia, Maryland, and Virginia were affected by a job decline in the federal government subsector, which decreased by a total of 13,700 jobs, or 2.6 percent. The decline in the number of federal jobs partly contributed to softer home sales market conditions in Virginia and a surge in the highrise vacancy rate in the Washington, D.C. metropolitan area.
- Pennsylvania recorded the largest number of jobs added in the region and was the only state to record an increase in the number of multifamily units permitted.



Nonfarm payrolls increased in 8 of 11 sectors in the Mid-Atlantic region.

	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,094.6	14,202.9	108.3	0.8
Goods-producing sectors	1,679.7	1,686.9	7.2	0.4
Mining, logging, and construction	703.0	719.7	16.7	2.4
Manufacturing	976.8	967.2	-9.6	-1.0
Service-providing sectors	12,414.8	12,516.0	101.2	0.8
Wholesale and retail trade	1,939.3	1,950.8	11.5	0.6
Transportation and utilities	482.3	489.5	7.2	1.5
Information	230.8	224.4	-6.4	-2.8
Financial activities	750.8	763.7	12.9	1.7
Professional and business services	2,129.8	2,143.2	13.4	0.6
Education and health services	2,384.4	2,423.3	38.9	1.6
Leisure and hospitality	1,375.2	1,403.4	28.2	2.1
Other services	704.4	709.4	5.0	0.7
Government	2,417.9	2,408.4	-9.5	-0.4

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

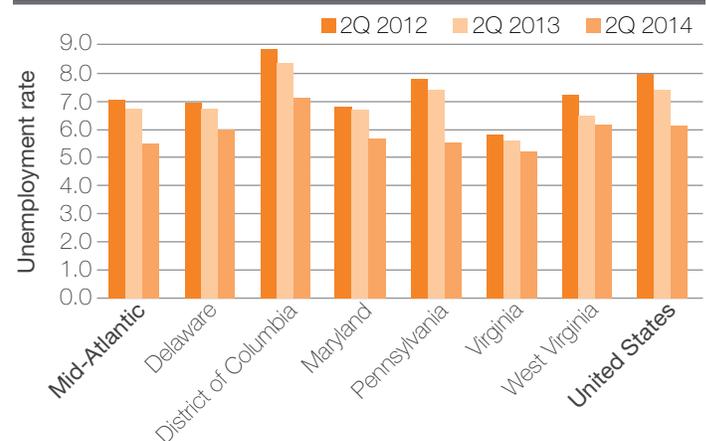
Economic Conditions

Economic conditions in the Mid-Atlantic region improved slightly during the second quarter of 2014. Nonfarm payrolls averaged 14.2 million jobs, an increase of 108,300 jobs, or 0.8 percent, from the previous year. By comparison, nonfarm payrolls increased by 91,100 jobs, or 0.7 percent, during the second quarter of 2013 compared with the number of jobs a year ago. More than 60 percent of the net job growth during the second quarter of 2014 was in the education and health services and the leisure and hospitality sectors, which increased by 38,900 and 28,200 jobs, or 1.6 and 2.1 percent, respectively. The greatest losses were in the manufacturing sector, which declined by 9,600 jobs, or 1.0 percent, led by decreases in Pennsylvania and Maryland, with losses of 5,200 and 3,300, or 0.9 and 3.1 percent, respectively. Nonfarm payrolls in the manufacturing sector declined in the region during the past 3 years. The unemployment rate for the region averaged 5.5 percent during the second quarter of 2014, down from 6.7 percent a year earlier. The unemployment rate declined in all states in the region, with the largest decrease in Pennsylvania, where the unemployment rate was 5.5 percent, down from 7.5 percent.

During the second quarter of 2014—

- Pennsylvania recorded the greatest increase in jobs in the Mid-Atlantic region for the second consecutive quarter; nonfarm payrolls increased by 48,300 jobs, or 0.8 percent. The leisure and hospitality, education and health services, and professional and

The unemployment rate in the Mid-Atlantic region was lower than the national rate.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

business services sectors, which increased by 14,700, 13,000, and 11,600 jobs, or 2.7, 1.1, and 1.5 percent, respectively, accounted for more than 80 percent of the net growth.

- Nonfarm payrolls in Maryland increased by 22,300 jobs, or 0.9 percent. Nearly two-thirds of the net increase was attributed to the leisure and hospitality and the professional and business services sectors, which increased by 7,400 and 7,200 jobs, or 2.8 and 1.7 percent, respectively.
- Since the second quarter of 2012, Delaware has recorded the greatest percentage increase in nonfarm payrolls in the region. Nonfarm payrolls increased 2.7 percent, or by 11,700 jobs,

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compared with an increase of 1.8 percent, or 7,700 jobs, a year ago. The professional and business services sector led growth in Delaware, increasing by 4,500 jobs, or 7.8 percent.

- In Virginia and the District of Columbia, nonfarm payroll growth was up by 8,400 and 4,100, or 0.2 and 0.5 percent, respectively. Growth was moderated by significant declines in the federal government subsector, which resulted from increased fiscal pressures on executive-branch agencies subsequent to the across-the-board federal spending cuts mandated by the Budget Control Act of 2011 (also known as Sequestration). The federal government subsector declined by 5,100 jobs, or 2.9 percent, in Virginia and

by 5,500 jobs, or 2.7 percent, in the District of Columbia. The strength of the education and health services sector partly offset the declines, increasing in Virginia by 16,600 jobs, or 3.4 percent, and by 2,000 jobs, or 1.3 percent, in the District of Columbia.

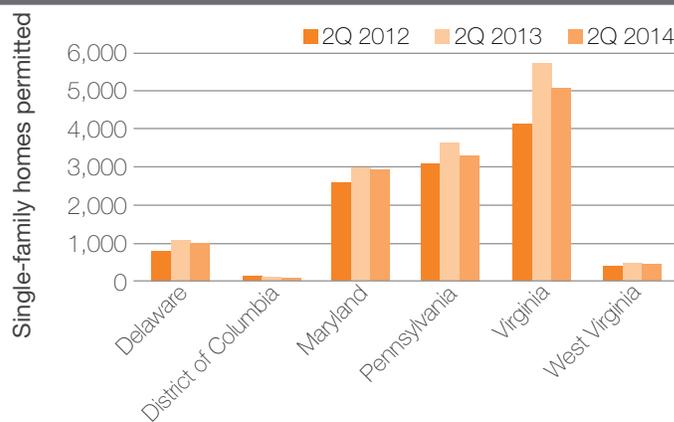
- Nonfarm payrolls in West Virginia increased by 13,400 jobs, or 1.8 percent. Nearly two-thirds of the net increase in jobs was attributed to growth in the government and the professional and business services sectors, up by 4,600 and 4,200 jobs, or 2.9 and 6.5 percent, respectively. The growth in payrolls was partly offset by a decrease in the construction subsector by 1,400 jobs, or 3.9 percent.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region ranged from balanced to slightly soft during the second quarter of 2014, nearly unchanged from a year ago. Sales market conditions were balanced in Maryland and the District of Columbia and were slightly soft in Virginia, West Virginia, Delaware, and Pennsylvania. Home sales have increased in every state in the region and the District of Columbia; however, except for Pennsylvania, the rate of increase was lower than in the previous year. The District of Columbia recorded the highest percentage increase in home sales, 8 percent, for the third consecutive quarter. Sales increased 7 percent each in Maryland and Pennsylvania and sales increases ranged from 2 to 4 percent in Delaware, Virginia, and West Virginia. Home sales prices increased in three of the five states in the region and in the District of Columbia, where increases ranged from 7 percent in the District of Columbia to 2 percent in Pennsylvania. In Virginia and West Virginia, home sales prices declined 1 percent each. As of June 2014, 4.9 percent of home loans in the region were 90 or more days delinquent, were

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



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Home sales and home sales prices increased in most states in the Mid-Atlantic region.

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 (\$)	2014 (\$)	Percent Change
Delaware (N&E)	April	11,850	12,350	4	AVG	241,200	255,700	6
District of Columbia (E)	June	7,125	7,725	8	AVG	573,400	612,800	7
Maryland (E)	June	57,050	60,950	7	AVG	299,900	311,200	4
Pennsylvania (N&E)	April	150,800	161,700	7	AVG	176,100	179,700	2
Virginia (E)	June	95,200	96,800	2	MED	269,900	267,000	- 1
West Virginia (N&E)	April	7,075	7,350	4	AVG	142,900	140,800	- 1
Baltimore metropolitan area (E)	June	25,850	27,950	8	AVG	280,600	286,800	2
Philadelphia metropolitan area (E)	June	50,050	52,200	4	AVG	254,900	260,700	2
Washington, D.C. metropolitan area (E)	June	68,450	70,150	2	AVG	417,500	439,100	5

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

Notes: All price figures are rounded. Median prices for Virginia are for the second quarters of 2013 and 2014.

Sources: CoreLogic, Inc.; Maryland Association of REALTORS®; Metropolitan Regional Information Systems, Inc.; TREND; Virginia Association of REALTORS®



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in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 5.9 percent a year earlier and equal to the national rate (Black Knight Financial Services, Inc.).

Single-family construction activity in the Mid-Atlantic region decreased during the second quarter of 2014, but was 25 percent more than during corresponding periods in 2010 through 2012.

During the second quarter of 2014 (preliminary data)—

- The number of single-family homes permitted in the region decreased by 1,100 homes, or 8 percent, compared with the number permitted during the second quarter of 2013, to 12,850

homes permitted. During the corresponding periods from 2010 through 2012, an average of 10,300 homes were permitted.

- In Virginia and Pennsylvania, single-family construction declined by 630 and 340 homes, or 11 and 9 percent, to 5,100 and 3,300 homes permitted, respectively.
- Declines of 6, 2, and 5 percent were recorded in Delaware, Maryland, and West Virginia, to a total of 1,000, 2,925, and 450 homes permitted, respectively. Homebuilding activity was unchanged in the District of Columbia, where 70 single-family homes were permitted.

Apartment Market Conditions

Apartment market conditions during the second quarter of 2014 ranged from slightly tight to soft for metropolitan areas in the Mid-Atlantic region, a change from balanced to soft conditions a year ago. In the Washington, D.C. metropolitan area, the vacancy rate for highrise apartments, which includes units in lease up, increased to 13.9 percent, in part because of the approximately 9,000 units completed during the past year compared with 4,050 units completed a year earlier (Delta Associates). In the Northern Virginia suburbs near the District of Columbia, the vacancy rate for highrise apartments increased to 12.3 percent and the average asking rent was relatively unchanged at nearly \$2,250. Conditions in the Maryland suburbs also near the District of Columbia softened as the vacancy rate for highrise apartments increased to 15.3 percent and the average rent declined 2 percent. In the Baltimore metropolitan area, the apartment vacancy rate declined to 7.5 percent and the average asking rent increased 1 percent, despite a 29-percent

increase in the number of apartment units completed during the past year from a year earlier. In the city of Baltimore, apartment market conditions improved; the vacancy rate declined to 8.1 percent and the average asking rent was unchanged at approximately \$1,805. In the Philadelphia metropolitan area, the completion of 1,700 units during the past year resulted in slightly soft market conditions; the vacancy rate increased to 8.9 percent and the average asking rent increased 2 percent compared with a 1-percent increase a year earlier. Conditions in Center City Philadelphia softened as a result of 1,075 newly completed units; the vacancy rate increased to 15.4 percent for highrise apartments but the average asking rent declined 2 percent. Market conditions are tight in the smaller apartment markets in the region. Vacancy rates in the Pittsburgh and Virginia Beach metropolitan areas are currently 4.7 and 5.4 percent, respectively (Reis, Inc.).

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Apartment market conditions in the Mid-Atlantic region generally improved from a year ago, with declining vacancies and modest rent increases.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 (\$)	2Q 2014 (\$)	Percent Change
Baltimore ^a	Slightly tight	10.9	7.5	- 3.4	1,637	1,654	1
Philadelphia ^a	Slightly soft	3.9	8.9	5.0	1,656	1,683	2
Pittsburgh ^b	Slightly tight	4.4	4.7	0.3	1,135	1,184	4
Richmond ^b	Slightly tight	4.4	4.4	0.0	973	1,001	3
Virginia Beach ^b	Balanced	4.4	5.4	0.7	1,074	1,094	2
Washington, D.C. ^a (garden apartments)	Balanced	8.8	6.8	- 2.0	1,648	1,655	0
Washington, D.C. ^a (highrise apartments)	Soft	9.1	13.9	4.8	2,415	2,395	- 1

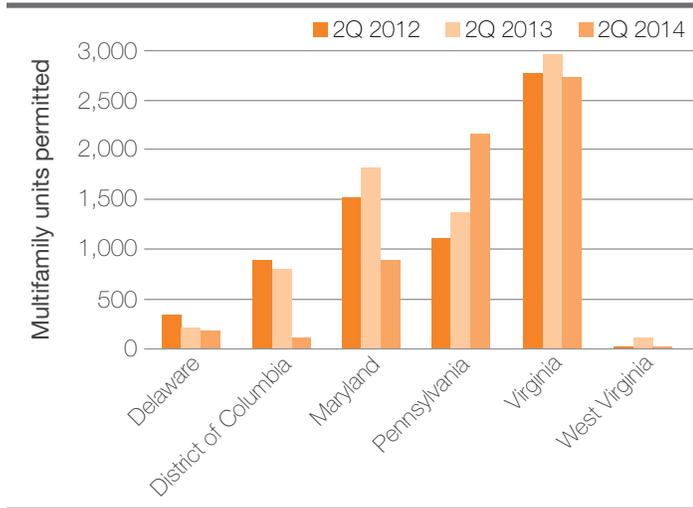
2Q = second quarter.

Note: Class A units only.

Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Delta Associates; (b) Reis, Inc.



Multifamily permitting increased in Pennsylvania but decreased in all other states in the Mid-Atlantic region and the District of Columbia.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

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During the second quarter of 2014 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, decreased 16 percent from a year earlier, to 6,125 units.
- Maryland accounted for nearly 80 percent of the net decrease in the number of multifamily units permitted in the Mid-Atlantic region, with 900 multifamily units permitted, a decrease of 51 percent, or 920 units, from the same period a year earlier.
- In the District of Columbia and Virginia, multifamily permitting declined 85 and 8 percent to 120 and 2,725 multifamily units permitted, respectively.
- The number of multifamily units permitted in Pennsylvania increased 57 percent, to 2,150 units. Pennsylvania was the only state in the region where multifamily construction activity increased.

