

HUD PD&R Housing Market Profiles

Wilmington, Delaware-Maryland-New Jersey

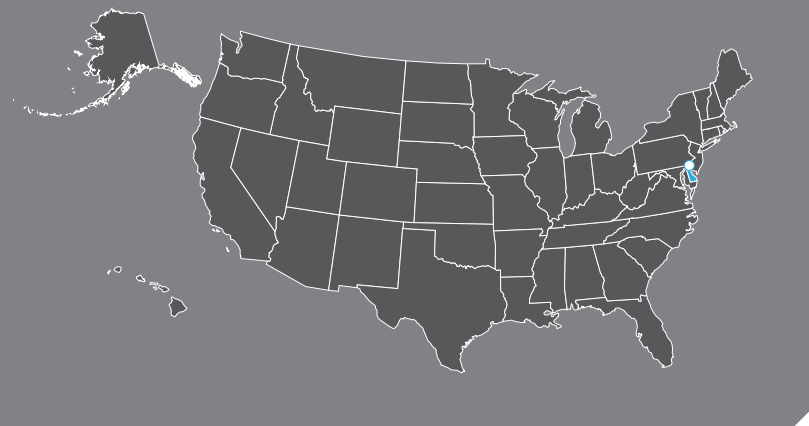


Quick Facts About Wilmington

Wilmington, Delaware

By Matthew Tieff | As of November 1, 2020

- **Current sales market conditions: tight**
- **Current rental market conditions: balanced**
- **The city of Wilmington, Delaware, in New Castle County, is the most populous city in the metropolitan division, with more than 70,000 residents, and is the location of the first Swedish settlement in the United States.**



Overview

The Wilmington, DE-MD-NJ metropolitan division (hereafter, Wilmington metropolitan division) consists of three counties in the southernmost portion of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (MSA)—New Castle County, Delaware; Cecil County, Maryland; and Salem County, New Jersey. The metropolitan division is home to the University of Delaware in the city of Newark, Delaware. The city of Wilmington is recognized nationally as a center for banking and financial services. DuPont de Nemours, Inc.—previously E.I. du Pont de Nemours and Company—one of the largest chemical companies in the world, is headquartered in Wilmington, Delaware, where it was founded in 1802. The DuPont family has a long history of philanthropy in the area, including the founding of the Nemours/Alfred I. duPont Hospital for Children.

- As of November 1, 2020, the estimated population of the metropolitan division is 724,800, reflecting an average annual increase of 980, or 0.1 percent, since 2015 (U.S. Census Bureau population estimates as of July 1 and

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estimates by the analyst). By comparison, population growth averaged 2,750, or 0.4 percent a year, from 2010 to 2015.

- The slowdown in population growth during the past 5 years is due to declines in both net natural change (resident births minus resident deaths) as the population grows older and net in-migration coinciding with a mid-decade slowdown in economic growth. From 2010 to 2015, net natural change averaged 2,475 people annually, and net in-migration averaged 260 people each year. Since 2015, net natural change has declined to 1,650 people annually, and the trend of net in-migration reversed to net out-migration of 550 people each year.

- The population aged 65 and older in the metropolitan division grew by 3,400 people, or 3.4 percent, from the 2010-through-2014 period to the 2014-through-2018 period (American Community Survey [ACS] 5-year data), outpacing the 2.6-percent growth in the Philadelphia-Camden-Wilmington MSA, as retirees in the MSA relocated to less urban areas in the metropolitan division with lower costs of living. Delaware is particularly attractive to retirees with limited income because it has no sales tax and excludes social security income from state income tax collected.

Economic Conditions

The Wilmington metropolitan division was affected particularly hard by the countermeasures implemented to slow the spread of COVID-19. In mid-March 2020, the governors of Delaware, Maryland, and New Jersey began ordering the closures of numerous nonessential businesses to mitigate the adverse health outcomes of the pandemic. Although this level of restriction was eased throughout all the counties in the metropolitan division in June 2020, the closures and resulting layoffs and furloughs resulted in nonfarm payrolls declining 7.6 percent during the 3 months ending October 2020 compared with the same 3 months in 2019. During this period, the decline in nonfarm payrolls in the Wilmington metropolitan division was more severe than the decline in the Mid-Atlantic

region and the nation, which lost 6.5 and 6.4 percent of jobs, respectively. The greater rate of jobs lost in the metropolitan division resulted from the weak economic conditions before 2020. The catalyst for the slow growth was the layoff of 1,700 employees at E.I. du Pont de Nemours and Company in 2016, following an announcement in December 2015 of its intended merger with The Dow Chemical Company.

During the 3 months ending October 2020—

- Nonfarm payrolls averaged 336,200, reflecting a decline of 27,500 jobs, or 7.6 percent, from a year earlier. By comparison, during the 3 months ending October 2019, nonfarm payrolls increased 0.7 percent compared with the same period a year earlier.

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The greatest number of jobs lost in the Wilmington metropolitan division was in the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	October 2019 (Thousands)	October 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	363.7	336.2	-27.5	-7.6
Goods-Producing Sectors	36.3	33.4	-2.9	-8.0
Mining, Logging, & Construction	17.6	16.0	-1.6	-9.1
Manufacturing	18.7	17.4	-1.3	-7.0
Service-Providing Sectors	327.4	302.8	-24.6	-7.5
Wholesale & Retail Trade	44.7	43.5	-1.2	-2.7
Transportation & Utilities	20.5	18.6	-1.9	-9.3
Information	3.1	2.7	-0.4	-12.9
Financial Activities	43.7	41.9	-1.8	-4.1
Professional & Business Services	52.7	49.2	-3.5	-6.6
Education & Health Services	63.9	59.6	-4.3	-6.7
Leisure & Hospitality	36.0	27.4	-8.6	-23.9
Other Services	14.3	13.7	-0.6	-4.2
Government	48.5	46.2	-2.3	-4.7
Unemployment Rate	4.0%	7.7%		

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

Source: U.S. Bureau of Labor Statistics

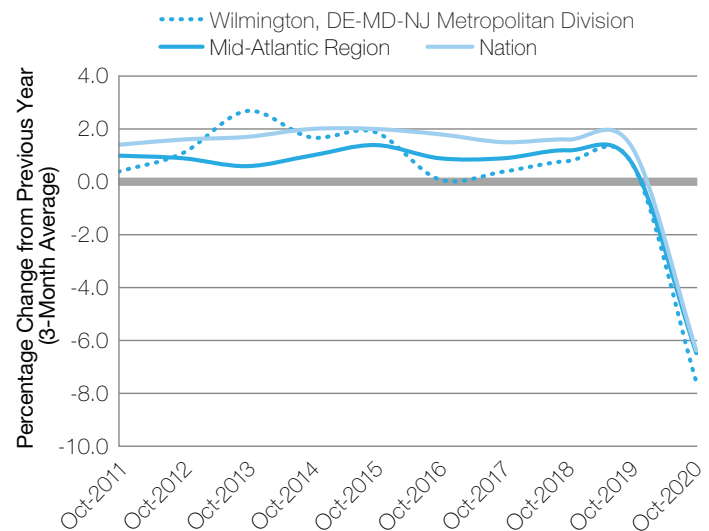


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- All sectors in the metropolitan division lost jobs. The largest decline was in the leisure and hospitality sector, which contracted by 8,600 jobs, or 23.9 percent. The education and health services sector—the largest sector in the metropolitan division, with nearly 18 percent of all nonfarm payrolls—declined by 4,300 jobs, or 6.7 percent.
- The financial activities sector declined by 1,800 jobs, or 4.1 percent. The financial activities sector is a relatively large sector, accounting for 12 percent of current payrolls, compared with slightly less than 6 percent of payrolls nationally. JPMorgan Chase & Co. and Bank of America Corporation are two of the largest employers in the metropolitan division.
- The unemployment rate averaged 7.7 percent—up from 4.0 percent a year earlier. By comparison, during the 3 months ending October 2020, the unemployment rate averaged 7.6 percent nationally.

The University of Delaware, in the city of Newark, is a major employer in the metropolitan division, with a staff of more than 4,500 people. A 2018 report estimates that economic activity related to the university directly and indirectly within the state of Delaware supported 24,450 jobs and generated \$86 million in state tax revenues (Econsult Solutions, Inc.). Approximately 23,450 students were enrolled during the fall of 2020—down less than 1 percent from the fall of 2019; however, the rising costs of maintaining operations during the pandemic, students opting to attend classes remotely, and revenue loss have resulted in an annual budget shortfall of \$250 million. In response to the budget shortfall, the university has taken several actions to cut costs, including furloughing workers, freezing pay, and, in October 2020, laying off 122 employees.

The rate of nonfarm payroll decline in the Wilmington metropolitan division was greater than the decreases in the Mid-Atlantic region and the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Wilmington Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
ChristianaCare	Education & Health Services	11,734
JPMorgan Chase & Co.	Financial Activities	11,500
Bank of America Corporation	Financial Activities	10,000

Note: Excludes local school districts.

Source: Moody's Analytics

Sales Market Conditions

Sales housing market conditions in the Wilmington metropolitan division are currently tight due to a decline in inventory of single-family homes for sale during the pandemic. The current estimated sales vacancy rate is 0.8 percent—down from 1.8 percent in April 2010. As of October 2020, approximately 1.5 months of for-sale inventory was available in the metropolitan division—down from 3.0 months a year earlier (CoreLogic, Inc., with adjustments by the analyst). This decline in inventory is due in part to restrictions on how homes could be staged for the public during the pandemic and a decrease in the number of people willing to sell their homes during a period of economic uncertainty.

The current economic downturn has led to an uptick in mortgage delinquencies. The percentage of home loans in

the metropolitan division that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 5.2 percent in September 2020—up from 2.4 percent a year earlier. The rate of seriously delinquent home loans and REO properties in the metropolitan division was higher than the Mid-Atlantic rate of 4.7 percent and the 4.3-percent rate for the nation. Mortgage forbearance for homeowners with federally backed mortgages was included as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and has allowed homeowners facing financial hardship because of the COVID-19 pandemic to postpone their payments.

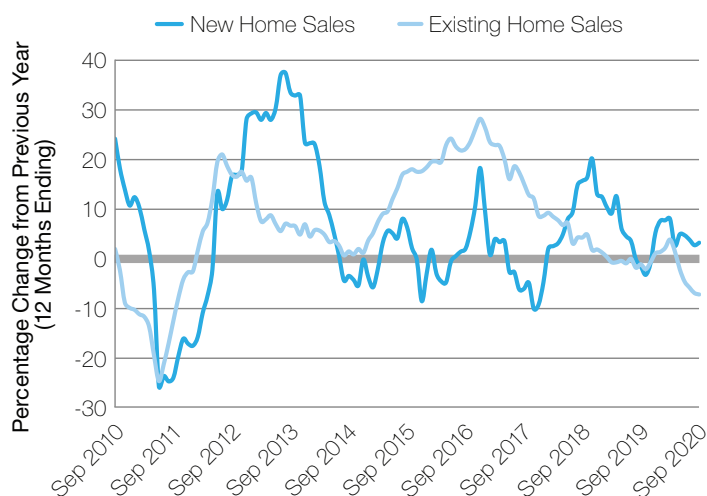
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During the 12 months ending September 2020—

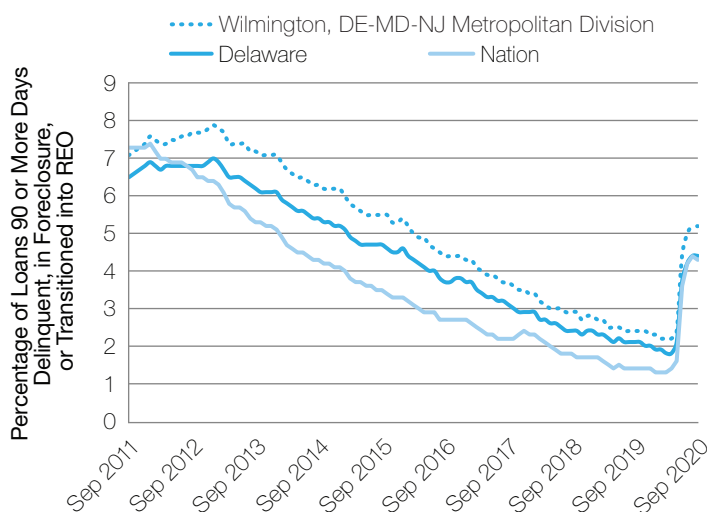
- Existing home sales—including single-family homes, townhomes, and condominiums—totaled 9,300, down

During the 12 months ending September 2020, sales of new homes in the Wilmington metropolitan division increased, whereas sales of existing homes declined.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda

The percentage of seriously delinquent home loans and REO properties in the Wilmington metropolitan division is higher than the rates for Delaware and the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

7 percent from the 10,050 homes sold during the 12 months ending September 2019 (Zonda).

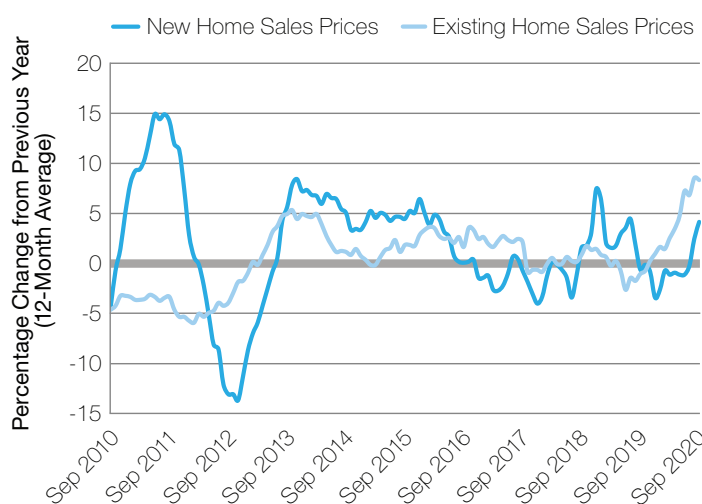
- The average sales price of existing homes was \$246,500, an increase of 8 percent from \$227,500 during the previous 12-month period; it was the highest growth rate in existing home sales prices during the past decade due to the tightening market. By comparison, from 2012 through 2019, the average increase in existing home sales prices was 1 percent annually.
- The number of new homes sold—including single-family homes, townhomes, and condominiums—totaled 1,250 homes, up 3 percent from the 1,200 homes sold during the previous 12 months.
- The average sales price for new homes was \$379,900, a 4-percent increase from \$365,000 a year earlier. Since 2015, the price for a new home has increased an average of 2 percent annually.

Due to relatively weak economic conditions, single-family homebuilding—as measured by the number of homes permitted—declined during 2015 and 2016 but has been relatively steady since 2017.

- During the 12 months ending September 2020, 1,550 single-family homes were permitted—down approximately 2 percent from a year earlier (preliminary data, with estimates by the analyst).

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New and existing home prices in the Wilmington metropolitan division began increasing during the fall of 2019.

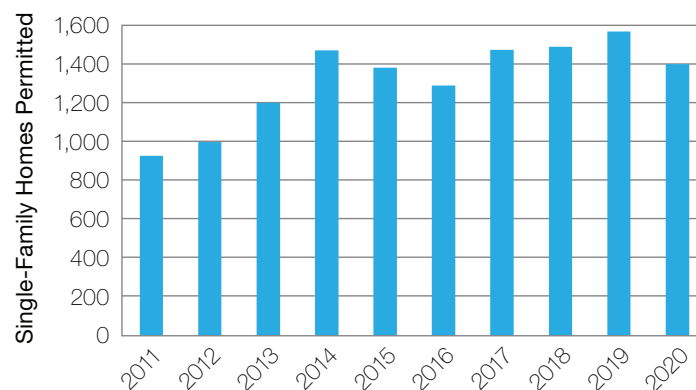


Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda

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- After a recent low of 930 units permitted in 2011, single-family home permitting increased an average of 17 percent annually during the next 3 years, to 1,475 units permitted during 2014. During the 2 years that followed, single-family home permitting declined 6 percent each year, to a low of 1,300 units during 2016, before increasing 7 percent annually, to 1,500 units during 2018.
- Whispering Woods is an age-restricted residential development under construction in Middletown, Delaware, in southern New Castle County. Homes are built as they are sold, and on completion, the development will have a mix of approximately 200 townhomes and single-family homes, with prices starting at \$275,000 and \$360,000, respectively.

Single-family home permitting activity in the Wilmington metropolitan division declined from 2015 through 2016 and during the most recent 12 months.



Note: Includes preliminary data from January 2020 through September 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

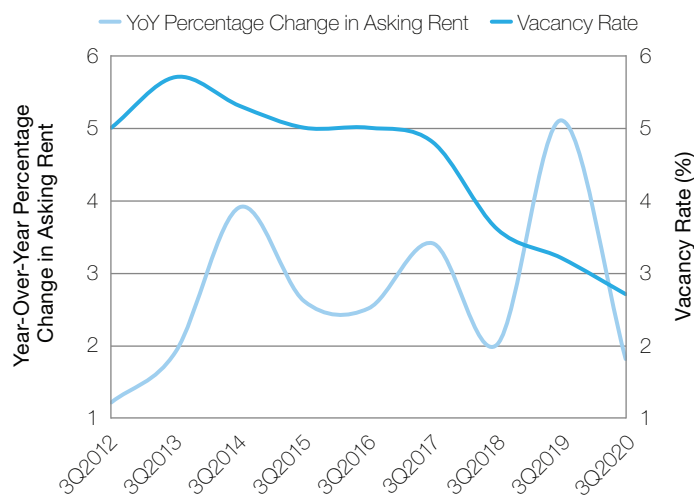
Rental Market Conditions

Rental market conditions in the Wilmington metropolitan division are currently balanced, with an overall vacancy rate of 7.2 percent—down from 9.4 percent in April 2010. Since 2010, the rental market has strengthened despite a slowdown in population growth due to a decline in multifamily construction. The rental market includes single-family homes, mobile homes, and multifamily structures with two or more units. In 2019, approximately 36 percent of renter households in the Wilmington metropolitan division resided in single-family homes—a rate slightly higher than the national rate of 33 percent (2019 ACS 1-year data). The vacancy rate for professionally managed single-family homes, which are estimated to be a small portion of the overall single-family rental market, was 1.7 percent as of September 2020—unchanged from February 2019 but lower than the 2.0-percent rate in September 2018 (CoreLogic, Inc., with adjustments by the analyst).

During the third quarter of 2020—

- The apartment market is slightly tight because of limited multifamily home construction activity. The apartment vacancy rate was 2.7 percent—down from 3.2 percent a year earlier (RealPage, Inc.). The vacancy rate is below the national average of 3.1 percent and is the lowest third-quarter vacancy rate in the Wilmington metropolitan division since 2010.
- The average apartment rent in the metropolitan division was \$1,202, an increase of 2 percent from the average of \$1,181 during the third quarter of 2019. The average effective rent in the Wilmington metropolitan division is 15 percent lower than the average rent in the RealPage, Inc.-defined

The average apartment rent in the Wilmington metropolitan division has increased, while the vacancy rate has declined.



3Q = third quarter. YoY = year-over-year.

Source: RealPage, Inc.

Philadelphia-Camden-Wilmington market area—where rents averaged \$1,422—and the national average rent of \$1,419.

- Rents in the metropolitan division were highest in the RealPage, Inc.-defined Central Wilmington market area, averaging \$1,231, with a vacancy rate of 3.2 percent. In the Newark market area, home to the University of Delaware, apartment rents averaged \$1,177 and the vacancy rate was 1.8 percent—the lowest in the metropolitan division.

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- The apartment market is also slightly tight in the RealPage, Inc.-defined Outer Wilmington market area, which includes Cecil and Salem Counties. The average effective rent in the market area was \$1,201, while the estimated average vacancy rate was 3.0 percent.

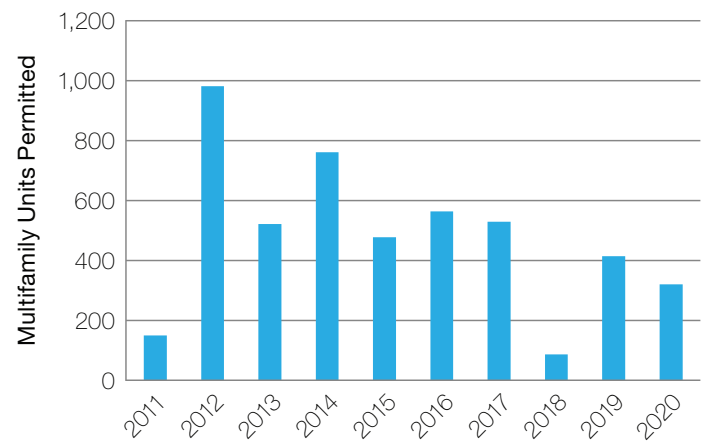
Multifamily homebuilding activity—as measured by the number of units permitted—has increased during the past year, after trending downward from 2012 through 2018, due to limited population growth.

- During the 12 months ending September 2020, approximately 450 multifamily units were permitted—up 50 percent from the 300 units permitted during the same period a year earlier in response to a tightening market (preliminary data, with adjustments by the analyst).
- An average of 560 multifamily units were permitted annually from 2012 through 2018. During that period, multifamily permitting ranged from a high of 980 units in 2012 to a low of 90 units in 2018.
- Approximately 82 percent of the multifamily units permitted in the metropolitan division since 2012 were in New Castle County, where an average of 460 units were permitted annually.
- Renovations are currently underway at the DuPont Building in the city of Wilmington, Delaware. Upon expected completion during the next 3 to 4 years, the mixed-use 13-story conversion will include 166 apartment units, with 40,000 square feet of retail space. Rents for studio, one-

bedroom, and two-bedroom apartments will start at \$1,250, \$1,325, and \$2,590, respectively.

- Construction is underway at College Square Apartments near the University of Delaware in the city of Newark. Part of a larger redevelopment plan for the College Square area, the property will consist of 300 market-rate apartments upon completion in 2022.

Multifamily home permitting in the Wilmington metropolitan division has trended downward since 2012.



Note: Includes preliminary data from January 2020 through September 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst