

HUD PD&R Regional Reports

Region 3: Mid-Atlantic



Quick Facts About Region 3

Richmond, Virginia

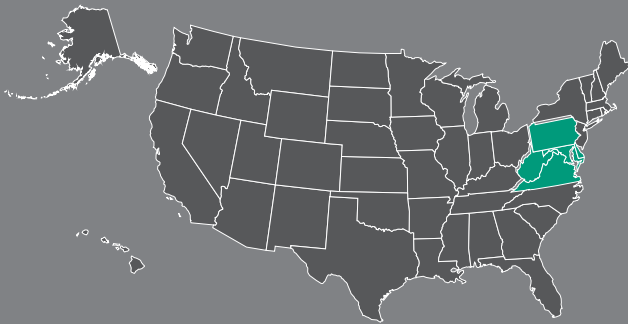
By Ben Houck | 1st Quarter 2019

Sales market conditions—

First quarter 2019: mixed (slightly tight to tight)
Fourth quarter 2018: mixed (slightly tight to tight)
First quarter 2018: mixed (slightly tight to tight)

Apartment market conditions—

First quarter 2019: balanced
Fourth quarter 2018: balanced
First quarter 2018: balanced



Overview

The economic expansion in the Mid-Atlantic region that began in the second quarter of 2010 continued during the first quarter of 2019. The 0.9-percent expansion in the region from the previous year coincided with an increase in nonfarm payrolls in all 10 HUD-defined regions in the United States but was less than the national increase of 1.8 percent. Unemployment rates declined in the region and in all states in the region but increased slightly in the District of Columbia. Sales market conditions in the major metropolitan areas in the Mid-Atlantic region ranged from slightly tight to tight during the first quarter of 2019. Home sales declined or were relatively unchanged, and average home sales prices increased throughout the region, except for a slight decline in the average sales price in West Virginia. Single-family construction activity declined 9 percent in the Mid-Atlantic region from a year ago, compared with a 4-percent increase during the same period a year earlier. The decrease in homebuilding activity in the region was slightly more pronounced than the national decline of 7 percent, which resulted from less homebuilding activity in all 10 regions. Apartment market conditions in major metropolitan areas in the region were balanced during the first quarter of 2019.

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The rise in multifamily construction activity in the Mid-Atlantic region of 8-percent was compared with no change nationally.

- Nonfarm payrolls in the Mid-Atlantic region averaged nearly 14.64 million jobs during the first quarter of 2019, up 0.9 percent from the first quarter of 2018. Payrolls increased in most sectors, although the pace of growth was down from 1.1 percent in the region a year earlier.

- The population in the Mid-Atlantic region increased 0.3 percent from July 1, 2017, to July 1, 2018. Compared with the previous year, population growth rates increased in Delaware and declined in the District of Columbia. Rates were unchanged in Maryland, Pennsylvania, and Virginia, while the rate of population decline in West Virginia slowed.

Economic Conditions

The economy of the Mid-Atlantic region has expanded each quarter since the second quarter of 2010. Nonfarm payrolls in the Mid-Atlantic region averaged 14.64 million jobs during the first quarter of 2019, an increase of 126,300 jobs, or 0.9 percent, from the first quarter of 2018. The education and health services sector led overall growth with an addition of 45,000 jobs, or 1.7 percent. The \$314 million Bayhealth Hospital in Sussex County, Delaware, opened in February 2019, replacing a smaller facility in neighboring Kent County and added an unspecified number of jobs in the education and health services sector. The highest percentage growth was in the mining, logging, and construction sector, which increased 4.1 percent, or by 29,400 jobs. More than one-half of the regional growth in the sector was in West Virginia. The mining, logging, and construction sector in West Virginia increased by 15,900 jobs, or 30.4 percent, aided mostly by natural gas pipeline

development. The transportation and utilities sector increased by 16,900 jobs, or 3.0 percent. A new distribution center for Amazon.com, Inc., opened in Baltimore County, Maryland in March 2019, adding approximately 2,000 jobs in the sector.

The 0.9-percent expansion in the Mid-Atlantic region, however, was down from an increase of 1.1 percent in the region a year earlier. Slower growth in the professional and business services sector contributed to the overall deceleration. The increase of 17,800 jobs, or 0.8 percent, in the sector was nearly one-half of the increase of 33,400 jobs, or 1.5 percent, during the first quarter of 2018. An additional factor in the regional slowdown was a loss of 26,700 jobs, or 1.8 percent, during the first quarter of 2019 in the retail trade subsector, precipitated in part by store closings among national retailers such as JCPenney, Kmart, and Toys “R” Us.

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Nonfarm payrolls in the Mid-Atlantic region increased 0.9 percent during the first quarter of 2019, led by gains in the education and health services sector.

	First Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	14,510.0	14,636.3	126.3	0.9
Goods-Producing Sectors	1,689.5	1,731.3	41.8	2.5
Mining, Logging, & Construction	708.5	737.9	29.4	4.1
Manufacturing	981.0	993.4	12.4	1.3
Service-Providing Sectors	12,820.5	12,904.9	84.4	0.7
Wholesale & Retail Trade	1,908.6	1,885.7	-22.9	-1.2
Transportation & Utilities	562.8	579.7	16.9	3.0
Information	219.8	216.7	-3.1	-1.4
Financial Activities	777.1	778.3	1.2	0.2
Professional & Business Services	2,261.3	2,279.1	17.8	0.8
Education & Health Services	2,617.2	2,662.2	45.0	1.7
Leisure & Hospitality	1,389.9	1,408.6	18.7	1.3
Other Services	686.7	692.3	5.6	0.8
Government	2,397.0	2,402.2	5.2	0.2

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

Source: U.S. Bureau of Labor Statistics

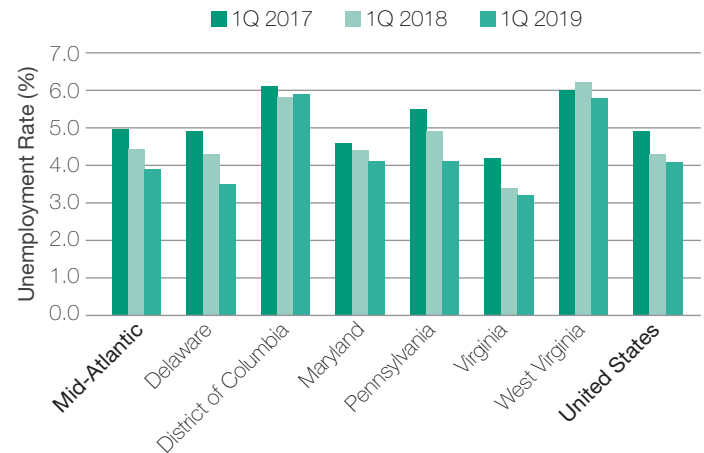


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During the first quarter of 2019—

- Nonfarm payrolls increased throughout the Mid-Atlantic region. The fastest rates of growth were in West Virginia and Delaware, where payrolls increased 2.3 and 1.2 percent, or by 16,100 and 5,600 jobs, respectively.
- Nonfarm payrolls increased 0.9 and 0.5 percent, or by 36,100 and 4,200 jobs, in Virginia and the District of Columbia, respectively. The professional and business services sector increased by 10,800 jobs, or 1.5 percent, in Virginia, and by 2,600 jobs, or 1.6 percent, in the District of Columbia, leading job growth in each area.
- Nonfarm payrolls increased 0.8 and 0.7 percent, or by 44,600 and 19,600 jobs, in Pennsylvania and Maryland, respectively. The education and health services sector led job growth in each state with increases of 24,400 jobs, or 1.9 percent, in Pennsylvania and 12,600 jobs, or 2.7 percent, in Maryland.
- Unemployment rates ranged from 3.2 percent in Virginia to 5.9 percent in the District of Columbia. The regional unemployment rate of 3.9 percent was below the national rate of 4.1 percent.

Unemployment rates declined throughout the Mid-Atlantic region except in the District of Columbia.



Population

The population in the Mid-Atlantic region increased 0.3 percent from 2017 to 2018, or by 92,550, to 30.84 million (U.S. Census Bureau population estimates as of July 1). The paces of growth in the region and in the largest states in the region were similar to the previous year. The population declined in West Virginia but to a lesser extent than the previous year. Population growth slowed in the District of Columbia but accelerated in Delaware. Although one-half of the growth in Delaware was in Sussex County, the acceleration in growth statewide resulted primarily from a stronger population increase in New Castle County. The population in Loudoun County, Virginia, increased by 9,850, or 2.5 percent, ranking as the highest level of population growth among all counties or independent cities in the region for the third consecutive year. The second-highest level of growth in the region was in the District of Columbia, where the population increased by 6,775, although growth slowed from the previous year largely because of a lower level of net in-migration. West Virginia was

one of nine states in the nation with a loss in population from 2017 to 2018, despite a strong 1.8-percent increase in population in Berkeley County, West Virginia. A new manufacturing facility for Procter & Gamble that opened in Berkeley County in the first quarter of 2018 contributed to the strong population growth.

During the 12 months ending July 2018—

- The population in the Washington, D.C. area, the most populous metropolitan area in the region and sixth most populous in the nation, increased 0.8 percent. The populations in the Baltimore and Philadelphia metropolitan areas increased 0.3 and 0.2 percent, respectively.
- The population in the City of Philadelphia increased 0.2 percent, while the population in Baltimore City decreased 1.2 percent. Baltimore City had the highest level of net out-migration of any county or independent city in the region, at 8,375 people.

Population growth in the Mid-Atlantic region from 2017 to 2018 was similar to the rate in the prior year.

	Population Estimate			Percentage Change	
	2016	2017	2018	2016 to 2017	2017 to 2018
United States	323,071,342	325,147,121	327,167,434	0.6	0.6
Mid-Atlantic Region	30,665,896	30,750,362	30,842,921	0.3	0.3
Delaware	949,216	957,078	967,171	0.8	1.1
District of Columbia	686,575	695,691	702,455	1.3	1.0
Maryland	6,004,692	6,024,891	6,042,718	0.3	0.3
Pennsylvania	12,783,538	12,790,447	12,807,060	0.1	0.1
Virginia	8,410,946	8,465,207	8,517,685	0.6	0.6
West Virginia	1,830,929	1,817,048	1,805,832	-0.8	-0.6

Note: The population estimates are as of July 1.

Source: U.S. Census Bureau



Sales Market Conditions

Sales housing market conditions ranged from slightly tight to tight in the Mid-Atlantic region during the first quarter of 2019, maintaining similar conditions from the previous quarter and a year ago. Home sales declined throughout most of the region, partially because of the relatively low rate of economic expansion and low supply of homes on the market. The inventories of homes available for sale were approximately a 2-month supply in the Richmond and Washington, D.C. metropolitan areas, and was slightly more than the 3-month supply in the Baltimore metropolitan area, as of March 2019 (Bright MLS, Inc.). Supplies were down by approximately 1 month in each area from a year earlier. Another factor in the decline in home sales was a rise in interest rates in 2018. The annual average interest rate on a 30-year fixed-rate mortgage in the United States rose more than one-half of a percentage point, from 3.99 during 2017 to 4.54 in 2018, the largest year-over-year increase since 2006 (Freddie Mac). Sales prices rose somewhat uniformly across the region with increases in average or median prices between 3 and 4 percent in most areas. The strongest price growth was in Delaware with a 5-percent gain. The only decline in the region was a 1-percent decrease in West Virginia.

Sales market conditions for new condominiums in the Baltimore and Washington, D.C. metropolitan areas are balanced and

slightly tight, respectively. Low levels of condominium construction in recent years and population growth in Loudoun County and the District of Columbia, where condominiums are more common, have contributed to the current conditions. As of the first quarter of 2019, the inventories of new, actively marketed condominiums in the Washington, D.C. metropolitan area were slightly less than 15 months, up from 14 months a year earlier (Delta Associates). The supply in the Baltimore metropolitan area was approximately 27 months during the first quarter of 2019, up from 21 months a year earlier. Delta Associates estimates that new condominium markets are in balance when the supply of new units is between 24 and 30 months.

Homebuilding activity, as measured by the number of single-family permits issued, declined by 1,100 units, or 9 percent, in the Mid-Atlantic region during the first quarter of 2019, to 10,650 units permitted. The decline followed a 4-percent gain during the first quarter of 2018. Declines in Maryland, Pennsylvania, and Virginia, which typically combine to account for more than 80 percent of homebuilding activity in the region, caused the overall loss in the region and more than offset increases elsewhere in the region.

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Home sales declined or were relatively unchanged in the Mid-Atlantic region while sales prices increased in most areas.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Delaware (N&E)	December	20,500	19,950	-3	AVG	263,600	275,500	5
District of Columbia (E)	March	8,875	8,475	-5	AVG	678,400	708,600	4
Maryland (E)	March	82,450	77,050	-7	AVG	328,000	338,600	3
Pennsylvania (N&E)	December	208,300	206,700	-1	AVG	194,100	201,600	4
Virginia (E)	December	122,800	122,500	0	MED	278,000	285,000	3
West Virginia (N&E)	December	9,575	9,775	2	AVG	152,300	150,900	-1
Baltimore Metropolitan Area (E)	March	39,900	37,300	-7	AVG	302,400	311,200	3
Philadelphia Metropolitan Area (N&E)	December	106,400	103,800	-2	AVG	243,000	252,300	4
Richmond Metropolitan Area (E)	March	19,150	18,900	-1	AVG	275,800	285,500	4
Washington, D.C. Metropolitan Area (E)	March	85,300	81,800	-4	AVG	469,100	483,200	3
West Virginia Eastern Panhandle (E)	March	3,875	3,650	-6	AVG	195,900	203,200	4

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

Notes: All figures are rounded. Data are for the 12 months ending March or December (2018) as indicated. Data include single-family homes, townhomes, and condominiums.

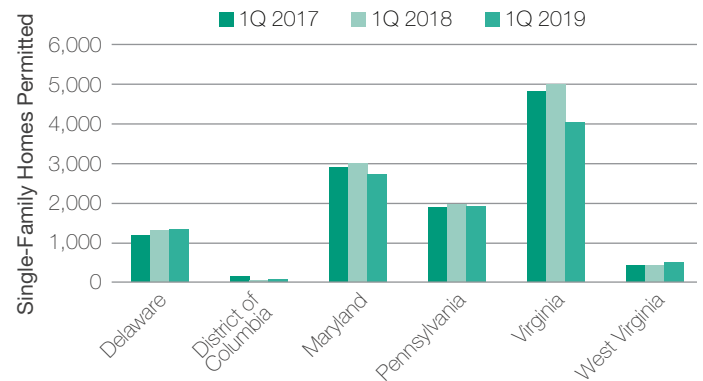
Sources: CoreLogic, Inc., with adjustments by the analyst; Maryland Association of Realtors®; Bright MLS, Inc. (monthly reports); Virginia Association of Realtors®

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During the first quarter of 2019 (preliminary data)—

- Homebuilding activity declined by 950 and 290 homes, or 19 and 10 percent, in Virginia and Maryland, respectively, to 4,050 and 2,725 homes permitted. Homebuilding activity decreased 24 percent in the Virginia Beach metropolitan area and declined 15 percent in the Baltimore metropolitan area.
- Approximately 1,900 single-family homes were permitted in Pennsylvania, down by 50 homes, or 3 percent, from the number of homes permitted a year earlier. Activity declined 13 and 15 percent in the Pittsburgh and Harrisburg metropolitan areas, respectively.
- Homebuilding activity increased by 25 and 30 homes, or 2 and 88 percent, in Delaware and the District of Columbia, respectively, to 1,325 and 65 homes permitted.
- The largest increase in homebuilding activity was in West Virginia, where the 560 homes permitted was a gain of 140 homes, or 35 percent, from a year earlier. The number of homes permitted increased by 160 homes, or 80 percent, in Berkeley County, in part because of strong population growth and lower development costs relative to surrounding areas.

Homebuilding activity slowed in the Mid-Atlantic region because of declines in Maryland, Pennsylvania, and Virginia.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in the major market areas in the Mid-Atlantic region were balanced during the first quarter of 2019, maintaining similar conditions from a year earlier. Apartment vacancy rates declined in most market areas and rose only slightly in the Philadelphia metropolitan area and in the Maryland suburbs of the Washington, D.C. metropolitan area. Vacancy rates for most areas were similar to or below the national vacancy rate of 4.8 percent during the first quarter of 2019 (Reis, Inc.). Average rents increased from 3 to 5 percent in all major market areas in the

region. By comparison, the average rent for the nation increased 4 percent, to \$1,451. The highest increases in the average rent in the Mid-Atlantic region were 5-percent gains in the District of Columbia and the Reis, Inc.-defined Philadelphia market area. Despite having the highest vacancy rate among all market areas in the region and a relatively high unemployment rate, the average rent rose solidly in the District of Columbia, in part, because of the strong job growth in the professional and business services sector, one of the highest-paying sectors in the District of Columbia.

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Apartment vacancy rates declined in most major market areas in the Mid-Atlantic region during the first quarter of 2019.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2018 (%)	1Q 2019 (%)	Percentage Point Change	1Q 2018 (\$)	1Q 2019 (\$)	Percent Change
Baltimore	Balanced	4.2	4.1	-0.1	1,238	1,281	3
Norfolk/Hampton Roads	Balanced	4.8	4.6	-0.2	1,042	1,073	3
Philadelphia	Balanced	4.1	4.2	0.1	1,314	1,379	5
Pittsburgh	Balanced	5.5	4.9	-0.6	1,066	1,112	4
Richmond	Balanced	4.2	4.1	-0.1	977	1,008	3
Washington, D.C.—Maryland Suburbs	Balanced	4.2	4.3	0.1	1,543	1,595	3
Washington, D.C.—Virginia Suburbs	Balanced	5.3	5.0	-0.3	1,816	1,873	3
Washington, D.C.—District of Columbia	Balanced	6.9	5.6	-1.3	1,849	1,935	5

1Q = first quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.



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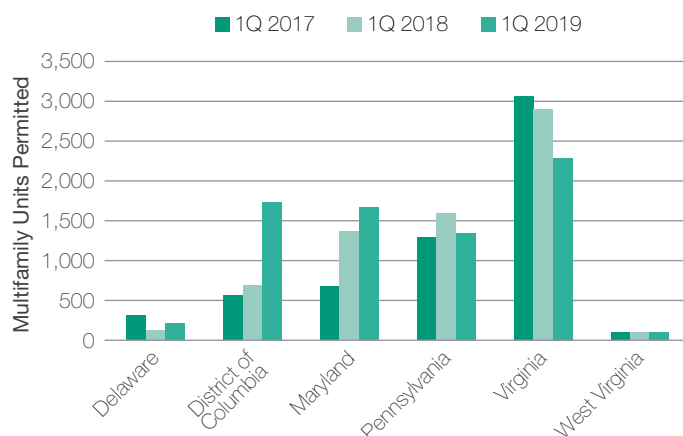
The apartment pipelines continued to expand in the Baltimore, Philadelphia, and Washington, D.C. metropolitan areas in the first quarter of 2019, continuing trends that began first in the Philadelphia and Washington, D.C. metropolitan areas in mid-2012 and later in the Baltimore area in mid-2016. The number of multifamily units in planning increased 27 and 8 percent in the Baltimore and Philadelphia metropolitan areas from the first quarter of 2018, to 22,200 and 34,000 units, respectively (McGraw-Hill Construction Pipeline Database). The number of units in planning in the Washington, D.C. metropolitan area totaled 146,500 units as of the first quarter of 2019, up 11 percent from a year earlier. The pipelines listed above encompass projects in all stages of planning, including those that are moving toward final approvals and that may begin construction within the next 6 months, as well as others in the conceptual stage that may take several years to come to market.

Multifamily construction activity, as measured by the number of multifamily permits issued, increased by 550 units, or 8 percent, in the Mid-Atlantic region during the first quarter of 2019, to 7,350 units permitted. The expansion followed a 13-percent increase during the first quarter of 2018 and was prompted by gains in Delaware, the District of Columbia, and Maryland, which offset decreases elsewhere in the region.

During the first quarter of 2019 (preliminary data)—

- The largest gain in the Mid-Atlantic region was in the District of Columbia, where the 1,725 units permitted more than doubled the 690 units permitted a year earlier. Units permitted include the 490-unit Bryant Street Phase I, the first of a multi-phase redevelopment of a shopping center in Northeast District of Columbia that will take up to a decade to complete.
- Multifamily construction activity increased by 300 and 85 units, or 22 and 64 percent, in Maryland and Delaware, respectively,

Multifamily construction activity increased overall in the Mid-Atlantic region mostly because of a strong gain in the District of Columbia.



1Q = first quarter.

Note: Based on preliminary data.

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

to 1,675 and 220 units permitted. Units permitted in Maryland include The Bottling Plant, an 86-unit property in Frederick County, which also involves the renovation of a former Coca-Cola bottling facility to commercial space; completion is expected by the end of 2019.

- Multifamily construction activity receded by 610, 260, and 5 units, or 21, 16, and 7 percent, in Virginia, Pennsylvania, and West Virginia, respectively, to 2,300, 1,350, and 100 units permitted. Units permitted in Virginia include the 256-unit South Falls Phase I in the City of Richmond, which is expected to be complete in 2020.