

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic



### Quick Facts About Region 3

Morgantown, West Virginia

By Wendy Ip | 4th Quarter 2020

#### Sales market conditions—

Fourth quarter 2020: mixed (balanced to slightly tight)  
Third quarter 2020: mixed (balanced to slightly tight)  
Fourth quarter 2019: mixed (balanced to slightly tight)

#### Apartment market conditions—

Fourth quarter 2020: mixed (soft to tight)  
Third quarter 2020: mixed (soft to tight)  
Fourth quarter 2019: mixed (slightly tight to tight)

### Overview

During the fourth quarter of 2020, the economy of the Mid-Atlantic region contracted, representing the third consecutive quarter of nonfarm payroll losses. Economic activity in the region declined in response to interventions that were taken to slow the spread of COVID-19, including enforcing physical distancing and discouraging nonessential travel. The overall gradual reopening of businesses since the latter one-half of the third quarter of 2020 had a slight positive effect on nonfarm payrolls in the Mid-Atlantic region despite temporary shutdown orders in the District of Columbia and Pennsylvania during December 2020. Nonfarm payroll jobs in the region decreased at a slower rate than the previous two quarters. As of December 2020, nonfarm payroll jobs were 4.8 percent below the pre-pandemic levels in February 2020 (not seasonally adjusted). Nonfarm payroll losses in Pennsylvania and Virginia accounted for more than two-thirds of total job losses in the region during the fourth quarter of 2020. Despite the economic downturn, sales housing market conditions in major metropolitan areas and divisions in the Mid-Atlantic region ranged from balanced to slightly tight—unchanged from the same quarter a year earlier. Lower levels of for-sale inventory and mortgage forbearances under the Coronavirus Aid, Relief, and Economic Security

continued on page 2



continued from page 1

(CARES) Act contributed to relatively stable market conditions. Overall, home sales prices rose at a faster rate than during the previous year, and the volume of sales declined, partly in response to reduced inventory. Single-family homebuilding activity increased significantly because of greater construction levels in five states in the region. Apartment market conditions generally held steady from a year ago in most major markets in the Mid-Atlantic region but softened in two of those markets during the fourth quarter of 2020. Vacancy rates continued to decline in one-half of the major market areas, and average rents increased in all but four of those areas, whereas rent growth in the nation remained unchanged.

- Nonfarm payrolls declined during the fourth quarter of 2020 compared with a year ago, mostly due to contractions in the leisure and hospitality and the education and health services

sectors in Pennsylvania and Virginia. The financial activities sector was among the least affected in terms of job losses, continuing a trend since the second quarter of 2020.

- Home sales in more than one-half of the markets and states in the region decreased during the 12 months ending November 2020, and the overall rate of decline in sales in the region was faster than that of the nation. The average home sales price rose in the region at a faster pace than during the previous 12-month period.
- Multifamily construction increased in the region during the fourth quarter of 2020 because of greater development in the District of Columbia and Pennsylvania. The region accounted for 7 percent of total multifamily development in the nation, up from 5 percent during the fourth quarter of 2019.

## Economic Conditions

Nonfarm payroll jobs in the Mid-Atlantic region decreased during the fourth quarter of 2020, continuing a period of economic weakness that began in the second quarter of 2020. Nonfarm payrolls in the region averaged nearly 14.13 million jobs during the fourth quarter of 2020, declining year-over-year by 894,300 jobs, or 6.0 percent—the same rate as the nation but slower than the 11.5- and 7.2-percent declines in the second and third quarters of 2020, respectively. The loss of nonfarm payrolls in the region contrasts with the moderate growth that prevailed from the second quarter of 2010 through the first quarter of 2020 when year-over-year job growth averaged 0.7 percent. Job losses in the region occurred in all nonfarm payroll sectors during the fourth quarter of 2020, with the greatest declines in those sectors that rely heavily on nonessential, in-person interactions because of countermeasures to slow the spread of COVID-19. As a result, the leisure and hospitality and the education and health services sectors contracted the most. Regionwide job losses in both sectors were led by Pennsylvania and Virginia, accounting for a combined 71 percent of the decline. In Pennsylvania, a total of 19 casinos, hotels, and restaurants were either temporarily or permanently closed during the fourth quarter of 2020, leading to 1,249 layoffs. Those included the nearly 300 layoffs by the food-service provider, Aramark Campus, LLC, in response to reduced enrollment and social distancing measures at college campuses in the state. In the education and health services sector, job losses in the region occurred in virtually all subsectors and industries, with a notable share of declines occurring in the nursing care facilities and hospitals industry, which lost 25,300 and 16,500 jobs, respectively. In Virginia, healthcare-related losses resulted partly from 635 layoffs at

Virginia Commonwealth University Health System in December 2020. Considerable losses in the region also occurred at colleges and professional schools, which have struggled with reduced enrollment. A total of 42,700 jobs at colleges and professional schools were lost in the region. Pennsylvania accounted for 80 percent of that decline, with a loss in jobs expected to continue as five state universities are planning to lay off more than 100 full-time faculty members through the summer of 2021.

The financial activities sector was among the least affected in terms of the number of jobs lost, continuing a trend from the previous two quarters. Most employees in the sector have been able to work remotely, and banking institutions were deemed essential. The financial and insurance industry partly offset overall sector losses, with a combined 4,700 industry jobs added throughout Maryland and Virginia. Investments have also continued despite the contraction in the economy, including the Aerotek expansion in Fairfax County, Virginia, that added 413 jobs in November 2020 of the planned 1,500 total jobs.

The average unemployment rate in the region rose to 6.0 percent during the fourth quarter of 2020, up from 3.6 percent a year earlier but lower than the national rate of 6.5 percent and the 8.6-percent rate for the region during the previous quarter. Every state in the region and the District of Columbia had an increase in the unemployment rate. Areas with relatively smaller labor forces, including Delaware and West Virginia, had the lowest percentage point increases in the unemployment rate. The unemployment rate in West Virginia rose the least—by 1.1 percentage points, to 5.9 percent—followed by Delaware—by 1.4 percentage points, to 5.0 percent—the second lowest unemployment rate among

continued on page 3

continued from page 2

**Nonfarm payroll jobs in the Mid-Atlantic region declined in all 11 sectors during the fourth quarter of 2020.**

	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	15,022.8	14,128.5	-894.3	-6.0
Goods-Producing Sectors	1,773.9	1,713.5	-60.4	-3.4
Mining, Logging, & Construction	767.0	762.2	-4.8	-0.6
Manufacturing	1,006.9	951.3	-55.6	-5.5
Service-Providing Sectors	13,249.0	12,415.0	-834.0	-6.3
Wholesale & Retail Trade	1,928.1	1,848.9	-79.2	-4.1
Transportation & Utilities	618.6	608.3	-10.3	-1.7
Information	223.9	199.3	-24.6	-11.0
Financial Activities	795.0	785.5	-9.5	-1.2
Professional & Business Services	2,376.8	2,273.1	-103.7	-4.4
Education & Health Services	2,708.9	2,551.4	-157.5	-5.8
Leisure & Hospitality	1,453.8	1,150.4	-303.4	-20.9
Other Services	700.1	646.3	-53.8	-7.7
Government	2,443.7	2,351.7	-92.0	-3.8

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

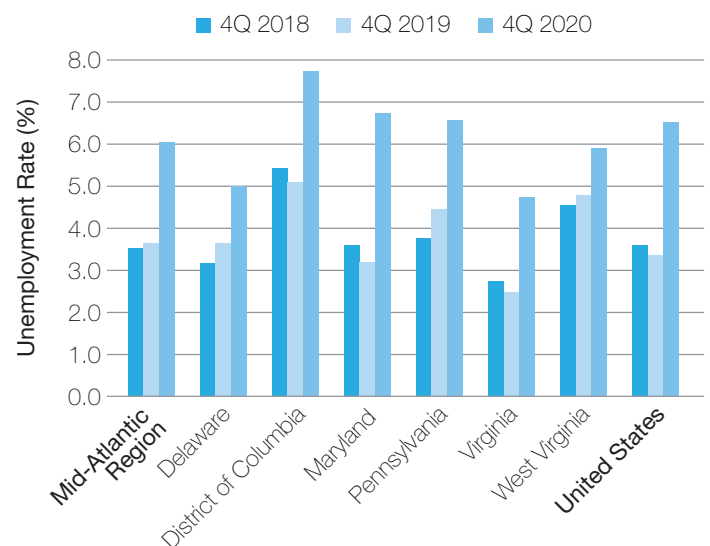
Source: U.S. Bureau of Labor Statistics

states in the region. Virginia had the lowest unemployment rate in the region, at 4.7 percent—up 2.3 percentage points. The District of Columbia, Maryland, and Pennsylvania all had unemployment rates that either matched or exceeded the national rate, at 7.7, 6.7, and 6.5 percent, respectively.

During the fourth quarter of 2020—

- Pennsylvania and Virginia lost 459,600 and 177,000 jobs, or 7.5 and 4.3 percent, respectively. The leisure and hospitality sector accounted for the greatest share of job losses in both states, where nonfarm payrolls in the sector were down by a combined 213,000 jobs, or 22.0 percent. The health care and social assistance subsector contracted by 35,100 and 30,200 jobs, or 3.3 and 6.5 percent, in Pennsylvania and Virginia, respectively.
- Nonfarm payrolls in the District of Columbia and Maryland decreased by 50,800 and 125,800 jobs, or 6.3 and 4.5 percent, respectively. Job losses in the leisure and hospitality sector contributed to 30 percent of the decline in Maryland and 57 percent of the decrease in the District of Columbia, which is a top tourist destination in the nation. Some of the jobs lost in the District of Columbia were offset by 200 jobs added in the finance and insurance industry.
- In Delaware and West Virginia, nonfarm payrolls declined by 36,800 and 44,400 jobs, or 7.8 and 6.1 percent, respectively. Those respective decreases were led by

the leisure and hospitality sector, accounting for nearly one-third of job losses in both states. In both states, the accommodation and food services industry was the most affected; Delaware and West Virginia lost 6,600 and 12,400 jobs, or 15.9 and 18.8 percent, respectively, in the industry.

**The unemployment rate rose in all the states in the Mid-Atlantic region during the fourth quarter of 2020.**

4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics



## Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight in the Mid-Atlantic region during the fourth quarter of 2020, unchanged from the fourth quarter of 2019. Stable market conditions prevailed due to a low supply of homes on the market and mortgage forbearances under the CARES Act despite the contraction in the economy. The inventory of homes available for sale in the Mid-Atlantic region declined 11 percent during the 12 months ending November 2020 to an average of 124,300 homes, the same rate of decline as the nation (CoreLogic, Inc.). In response to reduced inventory, the volume of home sales decreased, whereas home sales prices rose at a faster rate than during the 12 months ending November 2019. The average home sales price (which includes single-family homes, townhomes, and condominiums) in the region increased 8 percent, to \$326,200, during the 12 months ending November 2020—up from a 1-percent gain during the previous 12-month period (Zonda). Most of the increase in sales prices resulted from accelerated price growth during the 3 months ending November 2020, when home prices rose 12 percent compared with a year ago, partly in response to a 13-percent reduction in available inventory during the same period. Part of the sharp decrease in inventory occurred because physical distancing orders caused some sellers to take their homes off the market or postpone listing their homes. Despite the increase in home prices during the most recent 12 months, the average home sales price in the region was 6 percent lower than the national average of \$346,200. Average home sales prices increased during the 12 months ending November 2020 in all five states of the region and the District of Columbia. The District of Columbia had the highest average home price in the region, at \$695,400—more than double the national average—and increased at a strong pace, up 6 percent during the 12 months ending November 2020. Overall, average home prices rose in all metropolitan areas and divisions cited in this report, ranging from a 3-percent increase in Pittsburgh to a 14-percent increase in Virginia Beach.

The number of homes sold in the Mid-Atlantic region decreased 8 percent during the 12 months ending November 2020, down from a 4-percent increase a year ago (Zonda). The rate of decline for the region was also faster than the 2-percent decrease for the nation. During the 12 months ending November 2020, the decline in home sales was greatest in the state of Pennsylvania, down by 24,300 homes, or 14 percent, and accounted for 64 percent of the regionwide decrease in sales. The decline in sales in both the Philadelphia and Pittsburgh metropolitan areas accounted for a large proportion of the overall decreased sales in the state. West Virginia had the fastest rate of decline in home sales in the region, down 15 percent, which was partly offset by a 14-percent increase in

home sales in the Morgantown metropolitan area. Home sales also declined at a fast pace in Maryland, down 13 percent, more than one-half of which was because of a 14-percent decrease in home sales in the Baltimore metropolitan area. A decline in sales in the Washington-Arlington-Alexandria metropolitan area, which includes the District of Columbia and portions of three states in the region, was partly offset by a 4-percent increase in sales in the District of Columbia. In Virginia, home sales increased slightly from a year ago, as growth in the Virginia Beach metropolitan area was largely offset by declines throughout the remainder of the state. Delaware was the second state in the region to have increased sales, up 3 percent from a year ago. The 11-percent increase in the Dover metropolitan area accounted for 60 percent of the net gain in Delaware.

The number of distressed home sales (real estate owned [REO] and short sales) in the region declined during the past year, as stable sales market conditions led to fewer of those properties in the for-sale inventory. Distressed home sales fell 34 percent during the 12 months ending November 2020, whereas the number of foreclosures fell 31 percent (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans (90 or more days delinquent or in foreclosure) and REO properties in the region increased, however, to 4.4 percent in November 2020, up from 1.7 percent in November 2019, reflecting an increase in the number of loans in forbearance as weakened economic conditions during the COVID-19 pandemic made it more difficult for some homeowners to stay current on their mortgage payments. As of November 2020, approximately 235,700 home loans in the region, or 6.5 percent, were in forbearance, 41 percent of which were eligible for forbearance relief under the CARES Act. The percentage of seriously delinquent mortgage loans and REO properties was highest in Maryland and the District of Columbia, at 5.6 and 4.8 percent, respectively. The regional rate partly reflects lower Virginia and West Virginia rates of 3.7 and 4.0 percent, respectively.

During the fourth quarter of 2020 (preliminary data)—

- In response to low levels of inventory and relatively strong sales market conditions, single-family homebuilding activity, as measured by the number of homes permitted, increased 39 percent in the Mid-Atlantic region from a year ago to 14,050 homes. Homebuilding in the nation also increased, up 27 percent.
- A combined 61 percent of the increase in homebuilding in the region occurred in the states of Maryland and Virginia, where single-family home construction was up by 990 and 1,425 homes, or 40 and 36 percent, respectively. Construction in the Baltimore metropolitan area was up

continued on page 5

continued from page 4

Home prices increased in all major markets in the Mid-Atlantic region, whereas home sales decreased in all but three of those areas.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Morgantown	November	1,650	1,875	14	AVG	227,500	246,600	8
Dover	November	3,025	3,350	11	AVG	235,326	243,657	4
Baltimore	November	52,450	45,300	-14	AVG	310,700	345,300	11
Philadelphia	November	94,350	81,800	-13	AVG	280,600	304,600	9
Pittsburgh	November	33,850	21,450	-37	AVG	211,700	218,000	3
Richmond	November	21,950	20,900	-5	AVG	289,500	304,200	5
Virginia Beach	November	32,500	34,900	7	AVG	267,500	303,800	14
Washington-Arlington-Alexandria	November	108,100	98,950	-8	AVG	476,800	512,400	7

AVG = average.

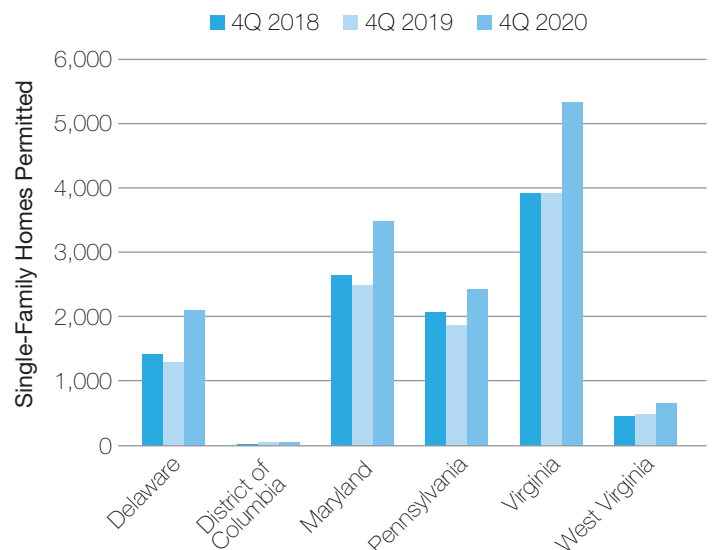
Notes: All figures are rounded. Data include new and existing single-family homes, townhomes, and condominiums.

Source: Zonda

33 percent and accounted for one-third of the increase in Maryland, whereas homebuilding in the Richmond and Virginia Beach metropolitan areas was up 57 and 36 percent, respectively, and accounted for 64 percent of the increase in Virginia.

- The number of single-family homes permitted increased in Delaware and Pennsylvania by 820 and 580 homes, or 63 and 31 percent, respectively. Single-family construction was up in the Dover metropolitan area by 230 homes, or 92 percent, and by 81 homes, or 39 percent, in the Pittsburgh metropolitan area. In the portion of the Philadelphia metropolitan area that is in Pennsylvania, home building activity increased by 370 homes, or 39 percent.
- Single-family homebuilding in West Virginia increased by 170 homes, or 36 percent, whereas it was nearly unchanged in the District of Columbia—declining by less than 5 units, or 2 percent. Greater single-family home construction in the Washington-Arlington-Alexandria metropolitan area—which was up by 870 homes, or 33 percent—occurred outside of the District of Columbia, whereas the increase in West Virginia occurred broadly outside the larger metropolitan areas, as development in Morgantown was nearly unchanged.

Homebuilding activity increased in the Mid-Atlantic region during the fourth quarter of 2020 because of greater construction levels in five states in the region.



4Q = fourth 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 ranged from soft to tight during the fourth quarter of 2020. Conditions were nearly unchanged from a year ago in nearly all major markets in the region except for the Central D.C. and North Arlington areas, where conditions

softened. Apartment vacancy rates decreased in one-half of the major market areas cited in this report, whereas rents increased in all but four. Vacancy rates for five of the largest areas in the region were at or below the national rate of 4.3 percent during the fourth quarter of 2020 (RealPage, Inc.). Aside from the

continued on page 6

continued from page 5

areas within the Washington-Arlington-Alexandria metropolitan area, average rents increased from 1 to 12 percent in all other major market areas in the region; the average rent for the nation remained nearly unchanged, at \$1,429.

The highest increase in the average rent in the Mid-Atlantic region was the 12-percent gain in the Dover metropolitan area, which also had the lowest vacancy rate in the region during the fourth quarter of 2020, at 1.0 percent, followed by Virginia Beach, at 2.5 percent. Rents increased at a fast pace in both the Richmond and Virginia Beach metropolitan areas, both up 6 percent. In the remaining areas outside the Washington-Arlington-Alexandria metropolitan area, the average rent rose moderately—1 to 3 percent. In the Washington-Arlington-Alexandria metropolitan area, rents for the four areas cited in this report declined from 3 to 11 percent, and vacancy rate increases ranged from 0.6 to 5.5 percentage points, as market conditions transitioned from tight conditions a year ago to either generally soft or balanced. The Central D.C. market area softened the most, with a 9-percent decline in rents and a 5.5-percentage point increase in the vacancy rate, to 9.3 percent, as job losses restricted demand for newer luxury units—a similar situation as in the North Arlington area. Concessions as a percentage of asking rent increased in all areas cited in this report except for Dover, ranging from a 0.8-percentage point increase in Virginia Beach to 6.9 percentage points in North Arlington. Concessions also generally rose in the nation, increasing an average of 2.9 percentage points.

The number of apartment developments in the pipeline remained generally elevated in the Baltimore, Philadelphia, and Washington-Arlington-Alexandria metropolitan areas during the fourth quarter of 2020—a trend that had started in the early to mid-2010s. The number of multifamily units in planning in the Baltimore metropolitan area during the fourth quarter of 2020 totaled 8,775 units—a number that includes attrition and units in planning that are likely to be delivered—and remains elevated at 45 percent higher than levels during the fourth quarter of 2015, although the number is down 16 percent from a year ago (Delta Associates). In the city of Philadelphia, where approximately 40 percent of the Philadelphia metropolitan area apartment development has been occurring, units in planning declined 7 percent, to 10,000 units, from a year ago, still 49 percent higher than levels in the fourth quarter of 2015. The number of units in planning in the Washington-Arlington-Alexandria metropolitan area totaled 79,900 units as of the fourth quarter of 2020—up 7 percent from 74,600 units during the fourth quarter of 2019. The District of Columbia accounted for 23 percent, or 18,550 units, of the total pipeline in the Washington-Arlington-Alexandria metropolitan area—down 1 percent from 16,800 units a year ago but still 33 percent higher than levels in the fourth quarter of 2015. Developments in the pipeline encompass those in all stages of planning—from developments that are moving toward final approvals and that may begin construction within the next 36 months to those in the conceptual stage that may take several years to come to market.

continued on page 7

**Apartment vacancy rates decreased in one-half of the major market areas in the Mid-Atlantic region during the fourth quarter of 2020, whereas rents increased in all but four areas.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2019 (%)	4Q 2020 (%)	Percentage Point Change	4Q 2019 (\$)	4Q 2020 (\$)	Percent Change
Dover	Tight	3.1	1.0	-2.1	1,106	1,240	12
Baltimore	Slightly Tight	4.8	4.0	-0.7	1,359	1,389	2
Philadelphia	Tight	3.4	3.2	-0.2	1,387	1,429	3
Pittsburgh	Slightly Tight	3.2	4.5	1.4	1,186	1,203	1
Richmond	Tight	4.1	3.9	-0.2	1,114	1,179	6
Virginia Beach	Tight	3.4	2.5	-1.0	1,105	1,166	6
Washington-Arlington-Alexandria	Balanced	3.9	5.1	1.2	1,822	1,766	-3
Washington, D.C.—Central D.C.	Soft	3.8	9.3	5.5	2,535	2,317	-9
Washington, D.C.—Downtown Silver Spring	Balanced	4.6	5.1	0.6	1,948	1,831	-6
Washington, D.C.—North Arlington	Slightly Soft	3.4	6.4	3.0	2,430	2,162	-11

4Q = fourth quarter. D.C. = District of Columbia.

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



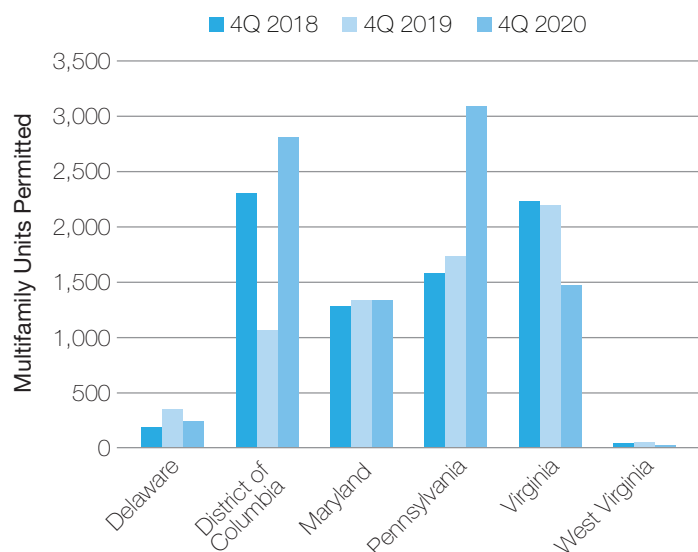
continued from page 6

During the fourth quarter of 2020 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, increased 34 percent, or by 2,250 units, in the Mid-Atlantic region, following a 12-percent decrease during the fourth quarter of 2019, as some developments began to move forward after being delayed due to difficulties in obtaining financing during the previous quarter.
- Despite generally soft market conditions in the Central D.C. market area, multifamily construction in the District of Columbia increased by 1,750 units, or more than a one-fold increase, whereas construction was up by 1,350 units, or 79 percent, in Pennsylvania. Construction in the Washington-Arlington-Alexandria metropolitan area increased by 630 units, or 19 percent, partly due to gains in the District of Columbia. Building activity in the portion of the Philadelphia metropolitan area that is in Pennsylvania increased by 1,425 units, or more than 100 percent, which more than offset the 25-unit, or 10-percent, decline in the Pittsburgh metropolitan area.
- A decline in multifamily construction in Delaware and Virginia by 110 and 720 units, or 32 and 33 percent, respectively, partly offset overall gains in the region. The Dover metropolitan area accounted for only 5 percent of the decline in Delaware, down by 5 units, or 7 percent. Building activity in the Richmond and Virginia Beach metropolitan areas were down by 110 and 120 units, or 20 and 36 percent, respectively.
- In Maryland and West Virginia, multifamily construction declined minimally by a combined 25 units. The decrease

in construction occurred broadly throughout both states, as construction in the Baltimore metropolitan area was up by 550 units, whereas the Morgantown metropolitan area remained unchanged, with no units permitted.

**Multifamily construction activity increased in the Mid-Atlantic region during the fourth quarter of 2020 because greater construction in the District of Columbia and Pennsylvania more than offset declines in the remaining four states.**



4Q = fourth quarter.

Note: Based on preliminary data.

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