

# HUD PD&R Regional Reports

## Region 3: Mid-Atlantic



### Quick Facts About Region 3

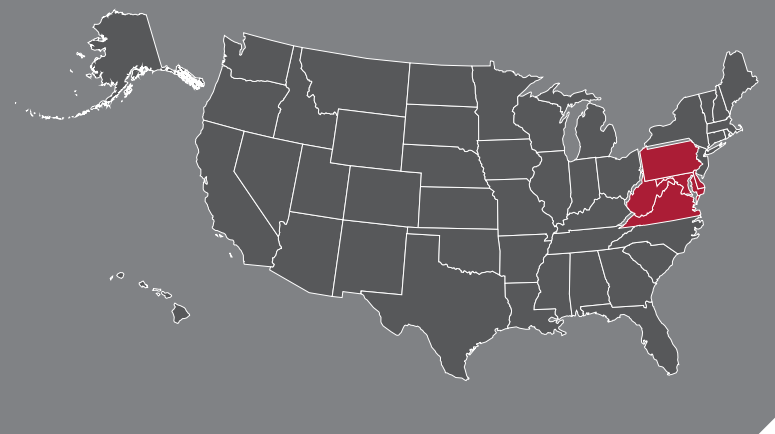
Philadelphia, Pennsylvania

By Patricia Moroz | 3rd Quarter 2023

### Overview

The economy of the Mid-Atlantic region strengthened during the third quarter of 2023, with job gains in every state, and all 11 payroll sectors added jobs for the fourth consecutive quarter. However, growth was slower throughout the region compared with the third quarter of 2022. The education and health services and the leisure and hospitality sectors led growth in the region for the fifth consecutive quarter. The rates of job growth in Pennsylvania and Delaware exceeded the national average during the third quarter of 2023. Moderate economic growth and a low inventory of homes for sale contributed to balanced or slightly tight home sales markets. During the third quarter of 2023, home sales declined by double digits, and home price gains generally slowed throughout most of the region compared with a year earlier. The rate of increase in single-family homebuilding in the region was equal to the national rate during the third quarter of 2023, whereas the decline in multifamily home permitting in the region was more severe than in the nation. Apartment market conditions were mixed. Most major markets cited in this report had balanced conditions, but three of the markets had softer conditions, and one had slightly tight conditions.

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The completion of new apartment units in the region rose at a faster rate than absorption, resulting in higher vacancy rates throughout the Mid-Atlantic region.

- Nonfarm payrolls rose 1.9 percent during the third quarter of 2023, slower than the 3.2-percent increase a year ago. Job levels in the region and in three states were above the high levels reached during the third quarter of 2019, before the COVID-19 pandemic.
- Home sales in the region decreased 27 percent during the 12 months ending August 2023, following a 7-percent

decline a year earlier. Home sales prices rose an average of 2 percent in the region, slower than the 9-percent increase during the 12 months ending August 2022.

- Single-family homebuilding activity rose 6 percent in the region during the third quarter of 2023 compared with a year earlier, commensurate with the increase for the nation. By contrast, the 32-percent decline in multifamily permitting activity in the region was steeper than the 23-percent decrease nationally.

## Economic Conditions

Nonfarm payroll jobs in the Mid-Atlantic region increased during the third quarter of 2023 from a year earlier by 280,900 jobs, or 1.9 percent, to 15.04 million jobs. Growth in the region slowed compared with the 3.2-percent rate a year ago and was below the current national increase of 2.1 percent. The level of nonfarm payrolls in the region during the third quarter of 2023 was 1.1 percent above the third quarter of 2019—the last quarter before the COVID-19 pandemic and the subsequent job losses in 2020. Delaware, Pennsylvania, and Virginia had more jobs compared with the third quarter of 2019. The job gains in the region during the third quarter of 2023 were greatest in the education and health services and the leisure and hospitality sectors, accounting for a combined 53 percent of the total job gain. All states in the region and the District of Columbia contributed to the increases in those sectors. The level of jobs

in the education and health services sector was 1.4 percent higher than during the third quarter of 2019, whereas the level in the leisure and hospitality sector was 3.5 percent less than during the third quarter of 2019. Most areas in the region continued to recover jobs lost in the tourism and entertainment industry during the COVID-19 pandemic. The average hotel occupancy in the Washington, D.C., and Philadelphia metropolitan areas combined was 68.1 percent as of the third quarter of 2023, up from 65.7 percent in the third quarter of 2022 (CoStar Group). The government and the professional and business services sectors in the region gained 43,200 and 28,900 jobs, or 1.9 and 1.2 percent, respectively, during the third quarter of 2023. Approximately 61 percent of the gain in the government sector was in the local government subsector, which increased by 26,500 jobs, or 2.4 percent.

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### Job growth occurred in all nonfarm payroll sectors in the Mid-Atlantic region during the third quarter of 2023.

	Third Quarter		Year-Over-Year Change	
	2022 (Thousands)	2023 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	14,762.5	15,043.4	280.9	1.9
Goods-Producing Sectors	1,767.0	1,789.4	22.4	1.3
Mining, Logging, & Construction	769.0	790.9	21.9	2.8
Manufacturing	998.1	998.5	0.4	0.0
Service-Providing Sectors	12,995.5	13,254.1	258.6	2.0
Wholesale & Retail Trade	1,861.9	1,866.6	4.7	0.3
Transportation & Utilities	654.7	659.8	5.1	0.8
Information	233.7	236.6	2.9	1.2
Financial Activities	794.1	799.3	5.2	0.7
Professional & Business Services	2,458.1	2,487.0	28.9	1.2
Education & Health Services	2,576.7	2,672.6	95.9	3.7
Leisure & Hospitality	1,440.7	1,494.3	53.6	3.7
Other Services	663.6	682.7	19.1	2.9
Government	2,312.1	2,355.3	43.2	1.9

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

Source: U.S. Bureau of Labor Statistics



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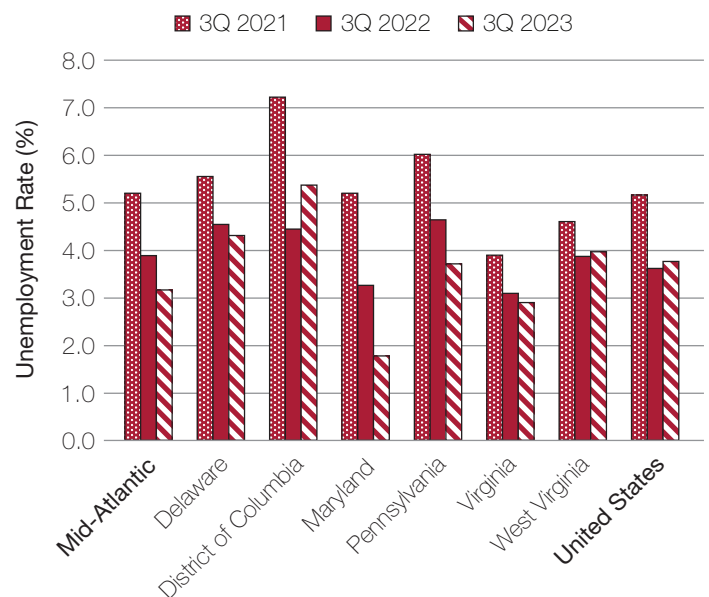
The unemployment rate in the region averaged 3.2 percent during the third quarter of 2023, down from 3.9 percent a year earlier. The rate for the region declined as resident employment growth of 2.2 percent outpaced the 1.5-percent increase in the labor force. Unemployment rates of 1.8 and 2.9 percent in Maryland and Virginia, respectively, were the lowest in the region. The rate in Maryland is the second lowest among states nationwide. The unemployment rate was 3.7 percent in Pennsylvania, slightly below the national rate of 3.8 percent, whereas the rate of 4.3 percent in Delaware was above the national rate. Unemployment rates increased to 4.0 percent in West Virginia and to 5.4 percent in the District of Columbia, which had the second highest rate in the nation. In West Virginia, the labor force grew slightly faster than resident employment, whereas in the District of Columbia, a 1.4-percent increase in the labor force exceeded the 0.4-percent gain in resident employment.

During the third quarter of 2023—

- Pennsylvania added the most jobs and had the highest rate of growth in the region, increasing by 160,700 jobs, or 2.7 percent, to 6.16 million jobs. The education and health services, the professional and business services, and the leisure and hospitality sectors led growth, adding 53,400, 28,800, and 26,500 jobs, or 4.3, 3.4, and 4.7 percent, respectively; job gains in the education and health services sector were up from an increase of 40,900 jobs, or 3.4 percent, a year earlier.
- Nonfarm payrolls rose 2.4 percent to 487,900 jobs in Delaware, reflecting a gain of 11,300 jobs. The leisure and hospitality sector added the most jobs, increasing by 4,900 jobs, or 9.2 percent, up from an increase of 2,900 jobs, or 5.7 percent, a year earlier and stronger than the national increase of 4.1 percent in the sector.
- In West Virginia, nonfarm payrolls increased by 11,600 jobs, or 1.7 percent, to 706,000 jobs, up from an increase of 10,100 jobs, or 1.5 percent, a year earlier. Despite the accelerated job gain, the recent job level was 1.5 percent below the level during the third quarter of 2019. The education and health services sector led the growth, increasing by 3,400 jobs, or 2.7 percent, and the mining and logging subsector added 2,200 jobs, or 11.1 percent, higher than the 5.0-percent increase in the subsector nationally.

- Nonfarm payrolls rose 1.4 percent each in Virginia and the District of Columbia, by 58,300 and 10,600 jobs, to 4.15 million and 779,700 jobs, respectively. In Virginia, the education and health services sector accounted for 41 percent of job growth, increasing by 23,900 jobs, or 4.3 percent. Payrolls in the District of Columbia were 1.3 percent below the level during the third quarter of 2019, and 58 percent of job growth was in the leisure and hospitality sector, with a gain of 6,200 jobs, or 8.7 percent.
- Nonfarm payrolls rose by 28,300 jobs, or 1.0 percent, in Maryland, to nearly 2.76 million jobs, reflecting a slower rate of growth compared with the 2.2-percent increase a year earlier and were 0.5 percent below the high level of jobs reached during the third quarter of 2019. Sectors with the most growth included the government, the education and health services, and the leisure and hospitality sectors, with gains of 16,700, 10,800, and 8,100 jobs, or 3.3, 2.4, and 3.1 percent, respectively.

The unemployment rate decreased in the Mid-Atlantic region and in four states during the third quarter of 2023.



3Q = third 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 third quarter of 2023, representing a moderate change from slightly tight to tight conditions a year earlier. During September 2023, a 2.2-month supply of homes was available for sale in the Mid-Atlantic region, up from 2.0 months in September 2022 (Redfin, a national real estate brokerage). Inventories of homes for sale were low, but they increased in the District of Columbia and in all states except Pennsylvania, where the inventory was unchanged at 2.5 months of supply. Inventories ranged from 4.2 months of supply in the District of Columbia to 1.8 months in Virginia, up from 2.9 and 1.5 months of supply a year earlier, respectively. Among metropolitan areas in the region, the months of supply ranged from 3.7 months in Pittsburgh to 1.6 months each in Richmond and Virginia Beach-Norfolk-Newport News. By comparison, in the nation, the inventory of homes for sale amounted to a 2.8-month supply in September 2023, up from 2.4 months a year earlier.

The number of homes sold decreased 27 percent in the region and 28 percent in the nation during the 12 months ending August 2023, compared with declines of 7 percent each a year earlier, when interest rates were lower (CoreLogic, Inc.). In September 2023, the average interest rate for a 30-year fixed-rate mortgage was 7.3 percent, up from 6.7 percent a year earlier (Freddie Mac). Declines in home sales in the region ranged from 23 percent in West Virginia to 30 percent in Maryland (CoreLogic, Inc.). Home sales fell 24 percent in Pennsylvania, 27 percent each in Delaware and the District of

Columbia, and 28 percent in Virginia. Decreases in home sales ranged from 15 to 30 percent in the metropolitan areas and metropolitan divisions cited in this report.

Home sales prices in the region averaged \$359,400 during the 12 months ending August 2023, up 2 percent from a year earlier—a slower pace compared with the 9-percent rise during the previous 12 months and slightly higher than the 1-percent overall increase in the nation. Average home sales prices rose in all five states of the region, and prices decreased 1 percent in the District of Columbia to \$780,100, the highest price in the region, during the 12 months ending August 2023. Home prices increased 1 percent to \$196,400 in West Virginia, and they increased 8 percent to \$389,400 in Delaware, where economic conditions were strong. The remaining three states each had a 3-percent increase in the sales price—to \$277,400 in Pennsylvania and \$422,500 in both Maryland and Virginia. Average home sales prices rose in all metropolitan areas and metropolitan divisions cited in this report except for slight declines in the Pittsburgh metropolitan area and essentially no growth in the Philadelphia metropolitan division. In the other nine metropolitan areas cited in this report, price increases ranged from 1 percent in the Morgantown metropolitan area to 10 percent in the Virginia Beach-Norfolk-Newport News metropolitan area.

The number of distressed home sales in the region decreased 1 percent during the 12 months ending August 2023 because of economic growth and strong sales market conditions

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**Home sales prices increased throughout most of the Mid-Atlantic region during the third quarter of 2023, whereas the number of homes sold decreased sharply because of rising interest rates and low inventories of homes for sale.**

	12 Months Ending	Number of Homes Sold			Average	Price		
		2022	2023	Percent Change		2022 (\$)	2023 (\$)	Percent Change
Baltimore-Columbia-Towson, MD; MSA	August	58,550	40,800	-30	AVG	\$366,900	\$377,700	3
Dover, DE; MSA	August	3,575	2,500	-30	AVG	\$292,900	\$299,900	2
Morgantown, WV; MSA	August	1,950	1,650	-15	AVG	\$274,000	\$275,900	1
Pittsburgh, PA; MSA	August	39,000	29,400	-25	AVG	\$242,800	\$239,200	-1
Richmond, VA; MSA	August	29,700	21,850	-26	AVG	\$354,800	\$377,700	6
Virginia Beach-Norfolk-Newport News, VA-NC; MSA	August	43,000	30,200	-30	AVG	\$333,400	\$367,000	10
Philadelphia, PA; MD	August	38,500	27,800	-28	AVG	\$299,000	\$298,700	0
Montgomery-Bucks-Chester Counties, PA; MD	August	34,050	24,650	-28	AVG	\$462,600	\$495,000	7
Wilmington, DE-MD-NJ; MD	August	14,550	10,400	-29	AVG	\$297,800	\$319,100	7
Washington-Arlington-Alexandria, DC-VA-MD-WV; MSA	August	91,400	63,750	-30	AVG	\$602,600	\$618,300	3
Silver Spring-Frederick-Rockville, MD; MD	August	23,050	16,200	-30	AVG	\$602,200	\$625,500	4

AVG = average. MD = metropolitan division. MSA = metropolitan statistical area.

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

Source: CoreLogic, Inc.



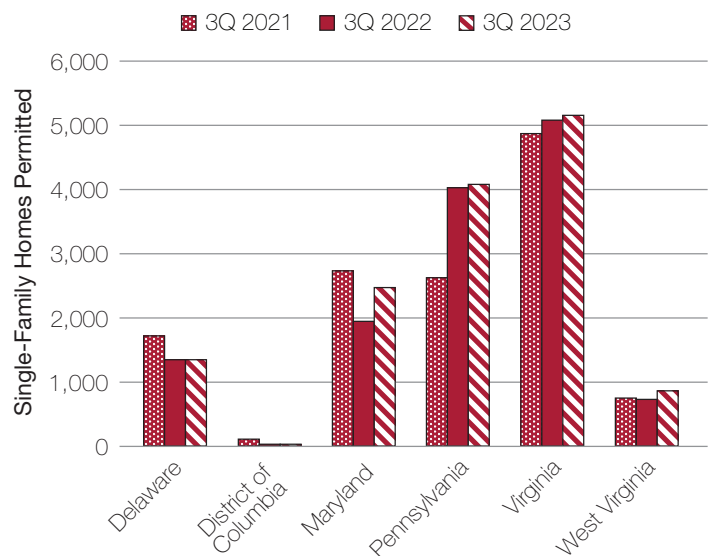
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(CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and real estate owned (REO) properties in the region declined to 1.2 percent in August 2023, down from 1.5 percent in August 2022 and slightly higher than the national rate of 1.0 percent. The percentages ranged from 0.7 percent in Virginia and 1.1 percent in Delaware to higher rates of 1.3 percent in West Virginia and 1.4 percent each in the remaining states and the District of Columbia.

During the third quarter of 2023 (preliminary data)—

- Homebuilding activity in the region, as measured by the number of single-family homes permitted, increased 6 percent from a year ago to 14,000 homes, following a 3-percent increase a year earlier. Nationally, single-family home permitting also rose 6 percent during the period.
- The largest percentage and numerical increases in homebuilding occurred in Maryland, up 27 percent, or by 530 homes, to 2,475 homes permitted, followed by West Virginia, with an 18-percent, or 130-home, increase to 860 homes permitted. In the Baltimore-Columbia-Towson metropolitan area, permitting nearly doubled to 930 homes permitted, and in the California-Lexington Park and Hagerstown-Martinsburg metropolitan areas, permitting rose 84 and 22 percent to 110 and 440 homes permitted, respectively.
- Virginia and Pennsylvania accounted for two-thirds of single-family home construction in the region, but permitting increased by only 75 and 40 homes, up 2 and 1 percent, to 5,150 and 4,075 homes, respectively. In the Lynchburg and Pittsburgh metropolitan areas, homebuilding rose 66 and 13 percent, or by 85 and 90 homes, to 210 and 810 homes permitted, respectively.

**Single-family homebuilding rose throughout the Mid-Atlantic region during the third quarter of 2023 except for a slight decrease in the District of Columbia.**



3Q = third quarter.

Note: Based on preliminary data.

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

- Homebuilding activity declined nearly 13 percent in the District of Columbia, from 40 to 35 homes, following a 64-percent decrease during the third quarter of 2022 compared with a year earlier. Single-family construction in Delaware was unchanged at 1,350 homes permitted after a 21-percent decline a year earlier.

## Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the Mid-Atlantic region ranged from soft to slightly tight during the third quarter of 2023, easing from slightly tight to tight conditions a year earlier. Despite an easing in the Dover metropolitan area from a year ago, the apartment market recently transitioned to slightly tight from balanced conditions during the second quarter of 2023. One-half of metropolitan areas cited in this report, including Morgantown, Philadelphia-Camden-Wilmington, Pittsburgh, and Virginia Beach-Norfolk-Newport News, transitioned to balanced conditions, compared with tight or slightly tight conditions during the third quarter of 2022. For the third consecutive quarter, market conditions were relatively soft in the Baltimore-Columbia-Towson, Richmond, and Washington-Arlington-Alexandria metropolitan areas, compared with slightly tight conditions a year earlier. During the third quarter of 2023, vacancy rates rose in most major

metropolitan areas. New apartment completions in the region increased 20 percent, or by 6,500 units, to 38,900 units during the 12 months ending September 2023, despite a 37-percent increase in the net absorption of apartment units to 21,700 units from a year earlier (CoStar Group). By comparison, during the corresponding period from 2016 through 2021, an average of 30,700 apartment units were completed and 33,050 units absorbed annually in the region.

Rents increased more slowly during the third quarter of 2023 compared with a year ago. The average rent rose in all major metropolitan areas in the region. Increases ranged from less than 1 percent to 4 percent during the third quarter of 2023, compared with increases of 4 to 7 percent during the third quarter of 2022 (CoStar Group). The largest increase in the average rent in the region was 4 percent in the Dover metropolitan area, where conditions tightened, rising to \$1,532, followed by a 3-percent

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During the third quarter of 2023, apartment vacancy rates increased in all but one major metropolitan area in the Mid-Atlantic region, and average rents rose or were unchanged in every metropolitan area.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2022 (%)	3Q 2023 (%)	Percentage Point Change	3Q 2022 (\$)	3Q 2023 (\$)	Percent Change
Baltimore-Columbia-Towson, MD; MSA	Slightly Soft	5.5	7.1	1.6	1,601	1,620	1
Dover, DE; MSA	Slightly Tight	5.8	4.4	-1.4	1,477	1,532	4
Morgantown, WV; MSA	Balanced	5.8	6.1	0.3	1,012	1,023	1
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD; MSA	Balanced	4.7	6.4	1.7	1,653	1,691	2
Pittsburgh, PA; MSA	Balanced	5.0	5.8	0.8	1,277	1,297	2
Richmond, VA; MSA	Soft	6.8	8.0	1.2	1,440	1,443	0
Virginia Beach-Norfolk-Newport News, VA-NC; MSA	Balanced	5.8	6.6	0.8	1,410	1,452	3
Washington-Arlington-Alexandria, DC-VA-MD-WV; MSA	Slightly Soft	6.4	6.9	0.5	2,076	2,122	2

3Q = third quarter.

Note: The vacancy rates and average monthly rents are for market-rate and mixed (combined market-rate and affordable) general-occupancy apartment properties with five or more units, including those that are stabilized and in lease up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group

gain in the Virginia Beach-Norfolk-Newport News metropolitan area to \$1,452. Rents increased 1 to 2 percent each in all other metropolitan areas cited in this report except the Richmond metropolitan area, where conditions were soft, and the average rent in that area rose less than 1 percent to \$1,443.

Vacancy rates were up in nearly all areas cited in this report compared with a year earlier. The largest increases in apartment vacancy rates occurred in the Philadelphia-Camden-Wilmington, the Baltimore-Columbia-Towson, and the Richmond metropolitan areas, where vacancy rates rose by 1.7, 1.6, and 1.2 percentage points to 6.4, 7.1, and 8.0 percent, respectively. The vacancy rate increased 0.8 percentage point each in the Pittsburgh and the Virginia Beach-Norfolk-Newport News metropolitan areas to 5.8 and 6.6 percent, respectively. The vacancy rate increased 0.5 percentage point to 6.9 percent in the Washington-Arlington-Alexandria metropolitan area, and in the Morgantown metropolitan area, the rate increased 0.3 percentage point to 6.1 percent. In the Dover metropolitan area, the average vacancy rate declined 1.4 percentage points to 4.4 percent as market conditions tightened.

As of the third quarter of 2023, the number of apartment developments in the pipeline remained high in the city of Philadelphia and in the Baltimore-Columbia-Towson and the Washington-Arlington-Alexandria metropolitan areas, despite no significant change in the pipeline of units in the District of Columbia (Delta Associates). In the city of Philadelphia, where approximately 55 percent of the Philadelphia-Camden-Wilmington metropolitan area apartment development occurs, the number of units in planning totaled 15,350, up 24 percent compared with a year ago. The number of multifamily units in planning that are likely to be delivered in the Baltimore metropolitan area rose 11 percent to 10,600 units during the third quarter of 2023. The number of units in planning in the Washington metropolitan area was up by 8,100, or 7 percent, to nearly 120,500 units as of

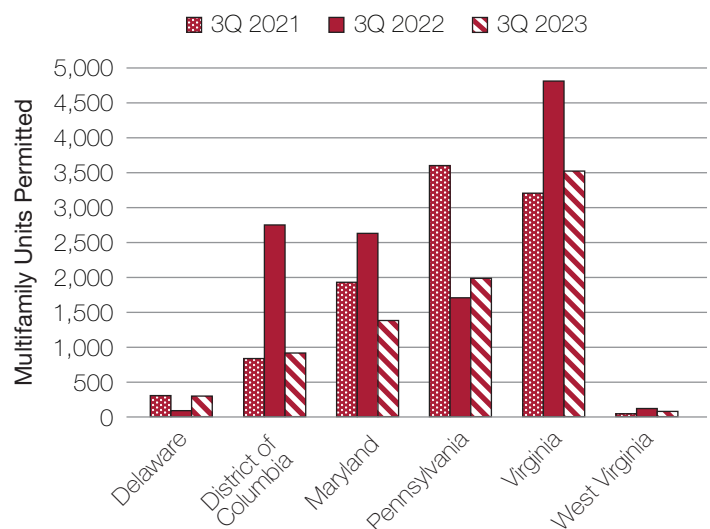
the third quarter of 2023. All of the increase in the metropolitan area was in the Northern Virginia and Maryland suburbs, where pipelines rose 11 and 7 percent, to 55,950 and 40,700 units, respectively, whereas the pipeline in the District of Columbia was unchanged at 23,800 units compared with a year earlier.

During the third quarter of 2023 (preliminary data)—

- The number of multifamily units permitted in the region decreased by 3,900 units, or 32 percent, following a 22-percent increase during the third quarter of 2022. Nationally, multifamily construction declined 23 percent from a year ago.

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**The number of multifamily units permitted declined in four areas of the Mid-Atlantic region during the third quarter of 2023, more than offsetting increases in Delaware and Pennsylvania.**



3Q = third quarter.

Note: Based on preliminary data.

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

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- The largest decreases in multifamily construction occurred in the District of Columbia, Virginia, and Maryland. Compared with 1 year ago, permitting in the District of Columbia declined by 1,825 units, or 66 percent, to 920 units permitted; permitting fell in Virginia by 1,300 units, or 27 percent, to 3,525 units; and in Maryland, permitting decreased by 1,250 units, or 48 percent, to 1,375 units. Construction in the Washington-Arlington-Alexandria metropolitan area fell by 4,075 units, or 55 percent, to 3,350 units permitted.
- In West Virginia, multifamily construction declined by 45 units, or 34 percent, to 85 units permitted, following an increase of 80 units to 130 units permitted during the third quarter of 2022. Permitting during the third quarters of 2020 through 2022 averaged 150 units, down from an average of 180 units permitted during the third quarters of 2014 through 2019.
- Declines in multifamily construction in the region were partly offset by increases in Pennsylvania and Delaware. Multifamily construction activity rose by 290 units, or 17 percent, to 2,000 units in Pennsylvania, with increases in the Pittsburgh, Reading, and Harrisburg-Carlisle metropolitan areas. In Delaware, multifamily construction increased more than three-fold, rising by 220 to 310 units. Sussex County accounted for all the increase in Delaware.

## Terminology Definitions and Notes

### A. Definitions

Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate, affordable general-occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Delta Associates Pipeline Data	Developments in the pipeline encompass those in all stages of planning—from developments 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.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

### B. Notes on Geography

1. The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.