

HUD PD&R Regional Reports

Region 3: Mid-Atlantic



Quick Facts About Region 3

Charleston, West Virginia

By Wendy Ip and Joseph Shinn | 4th quarter 2014



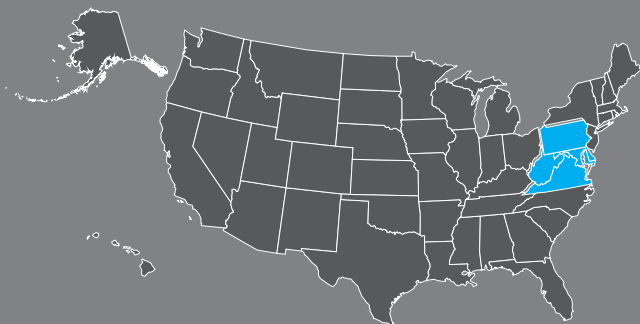
Sales market conditions—

Fourth quarter 2014: mixed (balanced to slightly soft).
Third quarter 2014: mixed (slightly tight to slightly soft).
Fourth quarter 2013: mixed (balanced to slightly soft).



Apartment market conditions—

Fourth quarter 2014: mixed (balanced to soft).
Third quarter 2014: mixed (slightly tight to soft).
Fourth quarter 2013: mixed (balanced to soft).



Overview

The economy of the Mid-Atlantic region expanded during the fourth quarter of 2014 at a moderate pace similar to that of a year ago. Nonfarm payrolls increased in every state in the region and the District of Columbia compared with payrolls a year earlier, and the unemployment rate declined. Sales housing market conditions remained unchanged from a year ago in all the states in the region and the District of Columbia. Single-family homebuilding activity declined in Pennsylvania and Virginia but increased in every other state and the District of Columbia. Apartment market conditions were mixed, but most metropolitan areas throughout the region had balanced markets. Multifamily construction activity was mixed but increased in the region overall from a year ago.

During the fourth quarter of 2014—

- Nonfarm payrolls in the Mid-Atlantic region increased moderately for the fifth consecutive year, and all the net jobs that were lost from 2008 to 2010 have been recovered.
- The volume of home sales moderated or declined in the District of Columbia and most states in the region but increased 9 percent in West Virginia.
- Apartment market conditions were balanced in the Baltimore, Philadelphia, Richmond, and Virginia Beach-Norfolk-Newport News metropolitan areas but remained soft in the Washington, D.C. metropolitan area. Vacancy rates in these metropolitan areas ranged from 5.6 to 10.6 percent.



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Nonfarm payrolls increased in 9 of the 11 sectors in the Mid-Atlantic region.

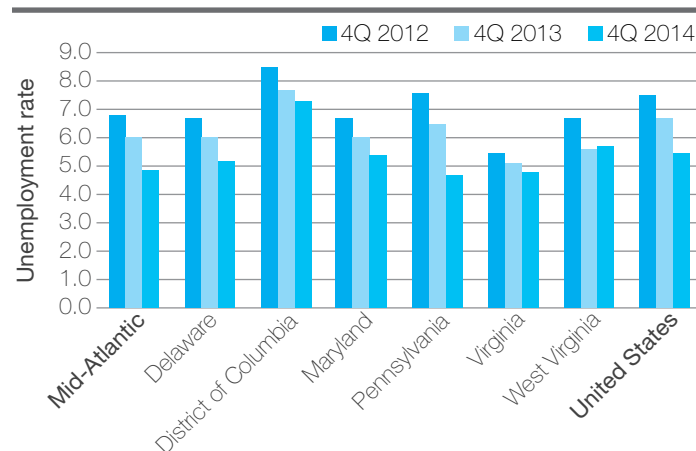
	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,177.3	14,297.4	120.1	0.8
Goods-producing sectors	1,682.3	1,696.7	14.4	0.9
Mining, logging, and construction	710.2	723.3	13.1	1.8
Manufacturing	972.0	973.4	1.4	0.1
Service-providing sectors	12,495.1	12,600.7	105.6	0.8
Wholesale and retail trade	1,989.8	2,002.0	12.2	0.6
Transportation and utilities	497.1	504.1	7.0	1.4
Information	229.2	223.7	- 5.5	- 2.4
Financial activities	756.0	767.6	11.6	1.5
Professional and business services	2,132.7	2,155.4	22.7	1.1
Education and health services	2,436.4	2,471.3	34.9	1.4
Leisure and hospitality	1,323.3	1,340.8	17.5	1.3
Other services	702.4	712.3	9.9	1.4
Government	2,428.1	2,423.7	- 4.4	- 0.2

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

Economic Conditions

The economy in the Mid-Atlantic region continued to expand at a moderate pace during the fourth quarter of 2014. Nonfarm payrolls averaged 14.30 million jobs, an increase of 120,100 jobs, or 0.8 percent, from a year ago. The rate of expansion represented a slight increase from 0.6 percent during the previous year, but for the second consecutive quarter growth in the region remained the lowest among the 10 HUD-defined regions in the nation. Despite the slow growth, nonfarm payrolls exceeded the previous peak of 14.12 million jobs during the second quarter of 2007. More than 60 percent of the overall growth in jobs during the fourth quarter of 2014 was in the education and health services, professional and business services, and leisure and hospitality sectors, which increased by a combined 75,100 jobs, or 1.3 percent. These three sectors have been the greatest contributors to growth in the region since economic conditions began improving in 2010. During the fourth quarter of 2014, the greatest percentage gain was in the mining, logging, and construction sector, which added 13,100 jobs, a 1.8-percent increase. Approximately 60 percent of the increase was attributable to growth in the construction subsector of 7,800 jobs, or 1.3 percent, and Pennsylvania accounted for 91 percent of the increase in the subsector. The unemployment rate in the region averaged 4.9 percent, a decline from 6.0 percent a year ago, and remained lower than the national rate of 5.5 percent. The unemployment rate declined in the District of Columbia and in four of the five states in the region. The greatest decline occurred in Pennsylvania, where the unemployment rate decreased from 6.5 to 4.7 percent. In West Virginia, the unemployment rate rose slightly, from 5.6 to 5.7 percent.

The unemployment rate in the Mid-Atlantic region declined during the past year and was below the national rate.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

During the fourth quarter of 2014—

- Pennsylvania had the greatest increase in jobs in the region for the fourth consecutive quarter; nonfarm payrolls increased by 47,100 jobs, or 0.8 percent, accounting for nearly 40 percent of the net growth in jobs in the region. The wholesale and retail trade and the mining, logging, and construction sectors, which increased by 9,700 and 9,200 jobs, or 1.1 and 3.5 percent, respectively, accounted for 40 percent of the growth in the state. Approximately 77 percent of the increase in the mining, logging, and construction sector was in the construction subsector. During 2014, 1,600 new residential and commercial construction

continued on page 3

continued from page 2

projects with a contract value of \$3.3 billion were announced in Pennsylvania, some of which have already broken ground and contributed to overall job growth (BidClerk, Inc.).

- Delaware had the greatest percentage increase in nonfarm payrolls, increasing 2.7 percent, or by 11,800 jobs, exceeding the national average growth rate of 2.1 percent. Payrolls increased in every sector, led by the professional and business services sector, which increased by 4,400 jobs, or 7.3 percent. Nearly two-thirds of the growth in this sector was in the administrative and support and waste management and remediation services industry, which increased by 2,900 jobs, or 11.4 percent.
- Nonfarm payrolls in Maryland increased by 17,900 jobs, or 0.7 percent. The education and health services and the professional and business services sectors accounted for 91 percent of the net growth, increasing by 8,500 jobs and 7,800 jobs, or 2.0 and 1.9 percent, respectively. Approximately 62 percent of the net growth in the education and health services and the professional and business services sectors occurred in the Baltimore metropolitan area.
- In Virginia and the District of Columbia, nonfarm payrolls increased by 20,400 and 13,400 jobs, or 0.5 and 1.8 percent, respectively. Approximately 65 percent of the net gain in Virginia was in the

education and health services sector, increasing by 13,200 jobs, or 2.6 percent. The professional and business services sector led growth in the District of Columbia, increasing by 5,300 jobs, or 3.4 percent. A decline in the federal government subsector of a combined 3,000 jobs, or 0.8 percent, hampered overall job growth in Virginia and the District of Columbia and accounted for 68 percent of the overall regional decline in the government sector.

- Nonfarm payrolls in West Virginia increased by 9,400 jobs, or 1.2 percent, compared with a decrease of 0.2 percent a year ago. More than 60 percent of the net increase in jobs was attributed to growth in the professional and business services sector, up by 5,800 jobs, or 8.8 percent. The growth in payrolls was partly offset by a decrease in the construction subsector of 3,300 jobs, or 9.4 percent. An increase in residential construction activity during the past year was offset by a decline in commercial development. The decrease in the construction subsector is expected to slow by the end of 2015. Proctor & Gamble Company announced plans to begin construction on a \$500 million manufacturing plant in West Virginia by late 2015, adding 1,000 construction jobs during the next 2 years and 700 full-time jobs on completion in 2017.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region ranged from balanced to slightly soft during the fourth quarter of 2014. Conditions remained unchanged from a year ago in every state in the region and the District of Columbia. Sales markets remained balanced in the District of Columbia, Maryland, and Virginia and

slightly soft in Delaware, Pennsylvania, and West Virginia. New and existing home sales (including single-family homes, townhomes, and condominiums) moderated or declined in most states in the region compared with conditions a year ago, ranging from a 2-percent decline in Virginia to a 3-percent increase in Maryland

continued on page 4

Home sales moderated or declined in most states in the Mid-Atlantic region, and prices were mixed.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Delaware (N&E)	September	11,550	11,450	- 1	AVG	245,600	261,600	7
District of Columbia (E)	December	7,650	7,700	1	AVG	589,500	622,800	6
Maryland (E)	December	61,200	62,800	3	AVG	309,000	307,500	0
Pennsylvania (N&E)	September	148,600	146,400	- 1	AVG	182,600	183,000	0
Virginia (E)	December	98,950	96,750	- 2	MED	245,000	250,000	2
West Virginia (N&E)	September	6,700	7,275	9	AVG	146,200	142,300	- 3
Baltimore metropolitan area (E)	December	27,800	29,050	4	AVG	285,700	282,100	- 1
Philadelphia metropolitan area (E)	December	53,600	53,000	- 1	AVG	258,900	262,700	1
Washington, D.C. metropolitan area (E)	December	72,400	69,000	- 5	AVG	431,300	444,000	3

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

Notes: All figures are rounded. Median prices for Virginia are for December 2014.

Sources: CoreLogic, Inc., with adjustments by the analyst; Maryland Association of Realtors®; Metropolitan Regional Information Systems, Inc.; TREND; Virginia Association of Realtors®



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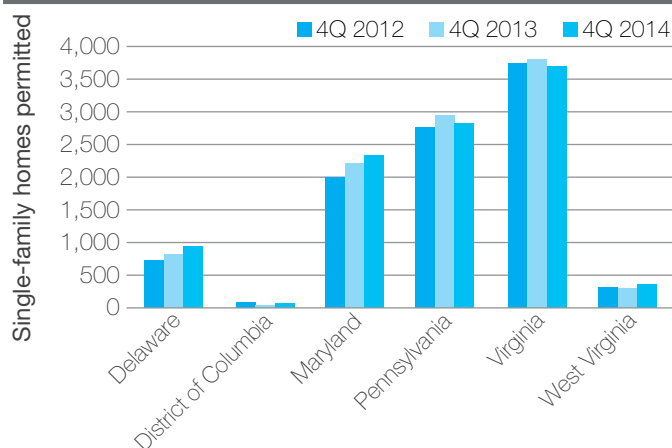
(Virginia Association of Realtors®; Metropolitan Regional Information Systems, Inc.). The only state with a significant increase was West Virginia, where the number of home sales increased 9 percent (CoreLogic, Inc., with adjustments by the analyst). Home sales prices were nearly unchanged or declined in three states in the region but increased in Delaware, the District of Columbia, and Virginia, where increases ranged from 2 percent in Virginia to 7 percent in Delaware (CoreLogic, Inc., with adjustments by the analyst). As of December 2014, 4.8 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 5.5 percent in December 2013 (Black Knight Financial Services, Inc.). The rate of loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or transferred to REO status declined in every state in the region, with the greatest decline in Maryland, where the rate decreased from 7.5 percent in December 2013 to 6.1 percent in December 2014. Virginia had the lowest rate in the region, at 2.9 percent in December 2014 compared with 3.3 percent in December 2013.

During the fourth quarter of 2014 (preliminary data)—

- Single-family homebuilding, as measured by the number of homes permitted, increased in the Mid-Atlantic region by approximately 100 homes, or 1 percent, to 10,150 homes permitted compared with a 5-percent increase during the fourth quarter of 2013 from the same period a year earlier.
- The greatest increases were in Delaware and Maryland, where the number of homes permitted increased by 130 and 110 homes, or 16 and 5 percent, to 940 and 2,325 homes permitted, respectively.

- In West Virginia and the District of Columbia, the number of single-family homes permitted increased by 65 and 20 homes, or 22 and 54 percent, to 370 and 60 homes permitted, respectively.
- Partially offsetting the overall increase in the region, the number of single-family homes permitted in Pennsylvania and Virginia declined by 130 and 95 homes, or 4 and 3 percent, to 2,800 and 3,675 homes permitted, respectively.

Single-family homebuilding activity in the Mid-Atlantic region increased during the fourth quarter of 2014 despite declines in the two largest single-family permitting 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 during the fourth quarter of 2014 ranged from balanced to soft for metropolitan areas in the Mid-Atlantic region, unchanged from conditions a year ago. In the Baltimore and Philadelphia metropolitan areas, where job growth was

among the highest in the region, the apartment markets improved from soft and slightly soft conditions a year ago, respectively, to balanced as of the fourth quarter of 2014. The vacancy rate for apartments in the Baltimore metropolitan area declined from 11.4 to

continued on page 5

Apartment market conditions were mixed in the Mid-Atlantic region, remaining balanced in Richmond and soft in Washington, D.C.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Baltimore ^a	Balanced	11.4	7.7	- 3.7	1,630	1,637	0
Philadelphia ^a	Balanced	7.0	5.6	- 1.4	1,620	1,697	5
Richmond ^b	Balanced	7.0	7.4	0.4	925	956	3
Virginia Beach-Norfolk-Newport News ^c	Balanced	6.6	7.0	0.4	952	976	3
Washington, D.C. (garden apartments) ^a	Slightly soft	9.1	8.5	- 0.6	1,599	1,616	1
Washington, D.C. (highrise apartments) ^a	Soft	10.5	13.6	3.1	2,384	2,345	- 2

4Q = fourth quarter.

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



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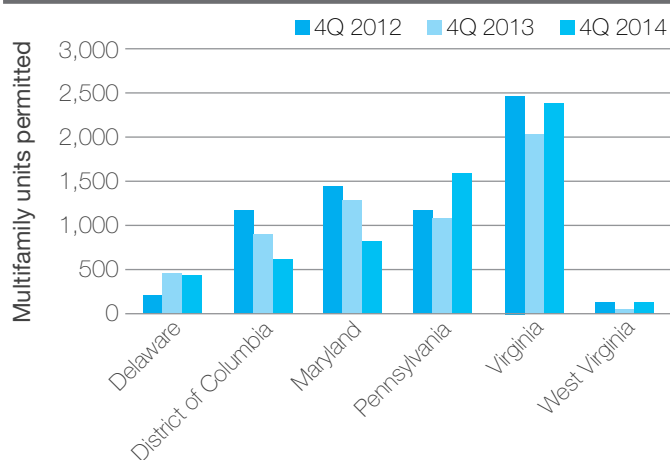
7.7 percent (Delta Associates). In the city of Baltimore, the vacancy rate for apartments declined from 11.2 to 6.5 percent. In the Philadelphia metropolitan area, the vacancy rate for apartments declined from 7.0 to 5.6 percent and the average rent increased 5 percent. The apartment vacancy rate declined in suburban areas of Philadelphia from 7.7 to 4.5 percent but increased in the city of Philadelphia from 6.1 to 9.4 percent during the past year. The increase in the overall vacancy rate in the city of Philadelphia, which includes newly completed units in lease up, reflects the completion of approximately 1,250 units since late 2013. Apartment market conditions remained soft in the Washington, D.C. metropolitan area, with a vacancy rate of 10.6 percent, up from 9.6 percent a year ago. Market conditions for garden and highrise apartments in the Washington, D.C. metropolitan area were slightly soft and soft, respectively, and unchanged from a year ago. In Washington, D.C., 15,550 highrise apartments are in marketing or under construction, 11,900 of which are currently available, resulting in a higher vacancy rate than for garden apartments, of which 1,850 units are available (Delta Associates).

During the fourth quarter of 2014 (preliminary data)—

- Multifamily construction activity, as measured by the number of units permitted, increased 3 percent, or by 160 units, from a year ago to 6,075 units permitted.
- The greatest increase in multifamily construction activity was in Pennsylvania, where the number of units permitted increased by 530, or 48 percent, to 1,625 units permitted. The current level of multifamily construction activity in Pennsylvania is higher than during any period since the fourth quarter of 2005.

- The number of multifamily units permitted increased in Virginia by 350 units, or 17 percent, to 2,425, accounting for nearly 40 percent of all multifamily units permitted in the region.
- In West Virginia, multifamily construction activity increased from 30 to 130 units permitted.
- Multifamily construction activity declined in Maryland, the District of Columbia, and Delaware, where the number of multifamily units permitted decreased by 480, 300, and 20 units, or 37, 32, and 4 percent, respectively.

Multifamily permitting in the Mid-Atlantic region increased 3 percent during the fourth quarter, led by gains in Pennsylvania, Virginia, and West Virginia.



4Q = fourth quarter.

Note: Based on preliminary data.

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