

HUD PD&R Regional Reports

Region 3: Mid-Atlantic



Baltimore, Maryland

By Wendy Lynn Ip | 3rd quarter 2013

Quick Facts About Region 3



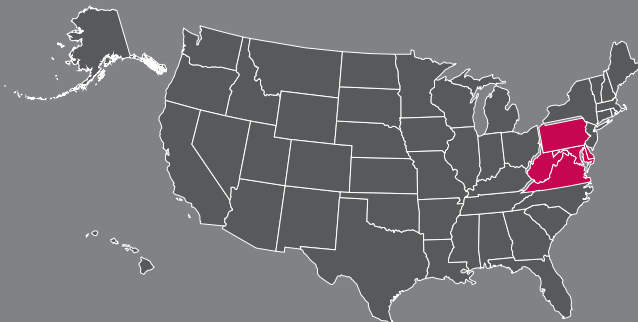
Sales market conditions—

Third quarter 2013: mixed (balanced to slightly soft).
Second quarter 2013: mixed (balanced to slightly soft).
Third quarter 2012: soft.



Apartment market conditions—

Third quarter 2013: mixed (soft to slightly tight).
Second quarter 2013: mixed (balanced to soft).
Third quarter 2012: mixed (balanced to soft).



Overview

Economic conditions in the Mid-Atlantic region have improved steadily since 2010. During the 3 months ending August 2013, the unemployment rate in the region was 7.0 percent, less than the national rate of 7.6 percent and down from 7.5 percent a year earlier. Sales housing market conditions strengthened during the third quarter of 2013, and the home sales volume and sales prices increased throughout the region. Sales markets that were soft a year ago improved to balanced or slightly soft. Apartment housing market conditions were mixed, ranging from soft to slightly tight in metropolitan areas in the region. Multifamily construction during the 3 months ending August 2013 declined from the same 3 months a year ago in nearly every state in the region in response to a substantial number of new units currently in lease up.

- Economic conditions improved during the 3 months ending August 2013, as the region added 138,100 jobs, a 1.0-percent increase from a year ago and has regained approximately 85 percent of the jobs lost since mid-2008.
- Sales market conditions strengthened during the third quarter of 2013. Every state in the region recorded increased home sales, ranging from more than 1 percent in Delaware to nearly 18 percent in the District of Columbia.
- Apartment market conditions are balanced in Philadelphia and Richmond, but conditions are soft in Washington, D.C., and Baltimore, with vacancy rates of 9.5 and 10.8 percent, respectively.



Nonfarm payrolls increased 1.0 percent in the Mid-Atlantic region during the 3 months ending August 2013.

	3 Months Ending August		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	13,958.2	14,096.3	138.1	1.0
Goods-producing sectors	1,707.7	1,710.0	2.3	0.1
Mining, logging, and construction	716.8	720.1	3.3	0.5
Manufacturing	990.9	989.9	-1.0	-0.1
Service-providing sectors	12,250.5	12,386.3	135.8	1.1
Wholesale and retail trade	1,949.0	1,951.5	2.5	0.1
Transportation and utilities	468.5	474.4	5.9	1.3
Information	236.0	230.8	-5.2	-2.2
Financial activities	746.4	759.5	13.1	1.8
Professional and business services	2,107.9	2,145.9	38.0	1.8
Education and health services	2,325.4	2,374.1	48.7	2.1
Leisure and hospitality	1,393.1	1,428.1	35.0	2.5
Other services	709.2	711.7	2.5	0.4
Government	2,315.0	2,310.3	-4.7	-0.2

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.

Source: U.S. Bureau of Labor Statistics

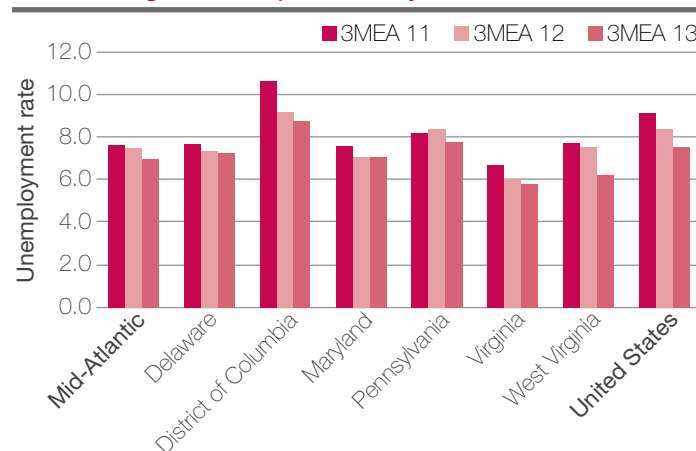
Economic Conditions

The economy of the Mid-Atlantic region improved during the 3 months ending August 2013, continuing a trend that began in 2010. During the 3 months ending August 2013, nonfarm payrolls averaged 14.10 million jobs, an increase of 138,100 jobs, or 1.0 percent, from a year ago, greater than the year-over-year growth rate during the corresponding period from 2011 to 2012. Since 2010, nonfarm payrolls in the region have increased by an average of 114,500 jobs, or 0.8 percent, annually; the education and health services, professional and business services, and leisure and hospitality services sectors accounted for 97 percent of that growth. These sectors continued to account for nearly 90 percent of job growth during the most recent 3-month period, led by payroll expansions in Maryland.

During the 3 months ending August 2013—

- Maryland registered the most growth in nonfarm payrolls, which increased by 46,100 jobs, or 1.8 percent, accounting for one-third of the job gains in the region. More than 60 percent of the growth was reported in the professional and business services and the education and health services sectors, up 15,450 and 13,025 jobs, or 3.7 and 3.2 percent, respectively.
- Nonfarm payrolls in Virginia increased by 42,500 jobs, or 1.1 percent. The education and health services and the financial activities sectors accounted for approximately 52 percent of the gain.
- In Pennsylvania, nonfarm payrolls increased by 35,200 jobs, or 0.6 percent, including gains in the leisure and hospitality and the

Unemployment rates declined in the District of Columbia and in most states throughout the Mid-Atlantic region, except for Maryland.



3MEA = 3 months ending August.

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.

Source: U.S. Bureau of Labor Statistics

education and health services sectors of 16,600 and 16,300 jobs, or 3.0 and 1.4 percent, respectively.

- For the third consecutive quarter, Delaware recorded the greatest percentage increase in nonfarm payrolls, 1.9 percent, with the addition of 7,900 jobs, led by an increase of 3,400 jobs, or 6.0 percent, in the professional and business services sector.
- West Virginia and the District of Columbia gained 5,800 and 800 jobs, increases of 0.8 and 0.1 percent, respectively.

Sales Market Conditions

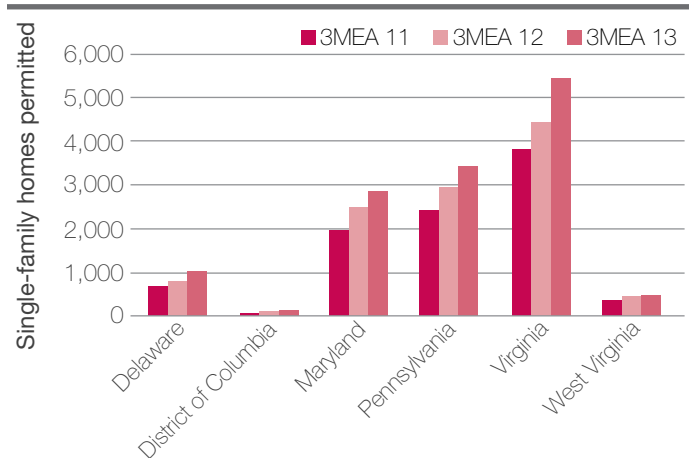
Sales housing market conditions in the Mid-Atlantic region ranged from balanced to slightly soft during the third quarter of 2013, an improvement from a year ago, when conditions throughout the region were soft. Conditions were balanced in Virginia, Maryland, and the District of Columbia and slightly soft in Pennsylvania, Delaware, and West Virginia. Home sales increased throughout the region. The District of Columbia, where sales of existing homes rose 17.7 percent, recorded the greatest increase (Metropolitan Regional Information Systems, Inc.). Home sales prices also rose in every state

in the region, with increases ranging from 2.4 percent in Virginia to 8.6 percent in the District of Columbia. As of September 2013, 5.7 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 6.4 percent a year earlier (LPS Applied Analytics). The rate of distressed mortgages declined in every state in the region and the District of Columbia relative to a year ago.

Single-family construction activity in the Mid-Atlantic region increased during the past year because of improving sales market conditions.

During the 3 months ending August 2013—

Single-family permitting increased throughout the Mid-Atlantic region.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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

- The number of single-family homes permitted in the region increased by 2,125 homes, or 19 percent, to 13,350 homes compared with the number permitted during the 3 months ending August 2012. An average of 27,000 single-family homes were permitted in the region during the corresponding 3-month periods from 2001 through 2007.
- Of all single-family homes permitted in the region, approximately two-thirds were in Virginia and Pennsylvania, where permitting increased by 1,000 and 470 homes, or 23 and 16 percent, to 5,450 and 3,425 homes permitted, respectively.
- In Maryland and Delaware, single-family construction activity increased by 370 and 200 homes, or 15 and 25 percent, to 2,850 and 1,000 homes permitted, respectively.
- Permitting increased slightly in the District of Columbia, from 70 to 120 homes permitted, and in West Virginia, from 460 to 480 homes permitted.

Home sales and home sales prices increased throughout the Mid-Atlantic region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Delaware (N&E)	July	10,500	10,650	1.4	AVG	231,200	245,600	6.2
District of Columbia (E)	September	6,350	7,475	17.7	AVG	542,200	589,000	8.6
Maryland (E)	September	52,500	59,900	14.1	AVG	288,700	305,400	5.8
Pennsylvania (N&E)	July	139,100	141,900	2.0	AVG	170,300	180,300	5.9
Virginia (E)	September	88,550	98,450	11.2	MED	248,000	254,000	2.4
West Virginia (N&E)	July	6,250	7,000	12.0	AVG	133,200	142,900	7.3
Baltimore metropolitan area (E)	September	23,350	27,300	16.9	AVG	274,800	283,400	3.1
Philadelphia metropolitan area (E)	September	45,100	52,400	16.2	AVG	248,600	257,600	3.6
Washington, DC metropolitan area (E)	September	62,850	71,450	13.7	AVG	391,100	426,200	9.0

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

Notes: All price figures are rounded. Median prices for Virginia are for the third quarter. Average prices in all other areas are for the 12 months ending July or September, as indicated.

Sources: CoreLogic, Inc.; Maryland Association of REALTORS®; Metropolitan Regional Information Systems, Inc.; Virginia Association of REALTORS®



Apartment Market Conditions

Apartment market conditions ranged from soft to slightly tight in the Mid-Atlantic region during the third quarter of 2013. In the Philadelphia metropolitan area, the apartment vacancy rate was 5.2 percent, up from 4.1 percent a year earlier (Delta Associates). In the Center City Philadelphia submarket, the vacancy rate for Class A highrise units increased from 1.9 to 6.4 percent. Average rents rose approximately 3 percent during the past year in the Philadelphia metropolitan area and in Center City Philadelphia, to \$1,650 and \$2,200, respectively, after declining less than 1 percent from the third quarter of 2011 to the third quarter of 2012. In the Baltimore metropolitan area, the recent completion of new apartments in the southern suburban counties resulted in an increase in the overall vacancy rate, to 10.8 percent, up from 7.8 percent a year earlier. In the city of Baltimore, the vacancy rate increased from 9.1 to 12.1 percent. Despite the rise in the number of available units, the average rents for the Baltimore metropolitan area and the city of Baltimore increased more than 4 percent each, to \$1,650 and \$1,850, respectively. In the Washington, D.C. metropolitan area, market conditions remain soft because of a significant increase from a year ago in the number of newly completed apartments currently in lease up. The vacancy rate for garden apartments increased from 6.9 to 9.5 percent. The average rent was \$1,650 during the third quarter of 2013; annual rent growth declined to less than 1 percent during the third quarter of 2013, down from 3 percent a year earlier. The vacancy rate for Class A highrise apartments across the metropolitan area increased slightly, from 7.9 to 8.1 percent, and the average rent decreased 2 percent, to \$2,400.

Metropolitan apartment markets in the Mid-Atlantic region ranged from soft to slightly tight.

Metropolitan Area	Market Condition
Baltimore	Soft
Charleston	Balanced
Dover	Balanced
Philadelphia	Balanced
Pittsburgh	Slightly tight
Richmond	Balanced
Washington, D.C.	Soft

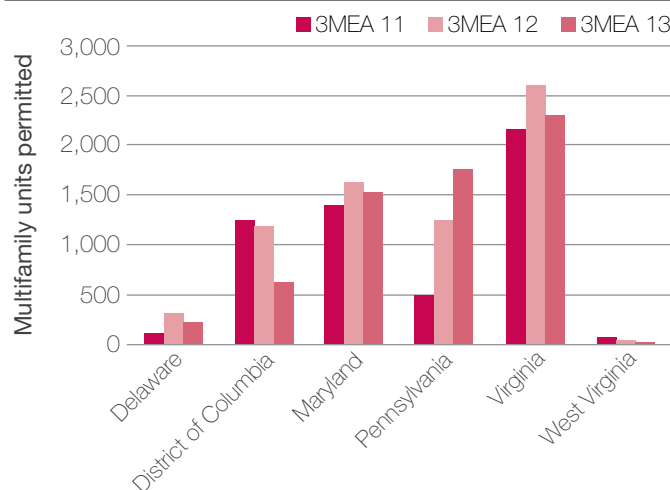
Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction activity, as measured by the number of units permitted, increased 9 percent, to 24,750 units, in the Mid-Atlantic region during the 12 months ending August 2013 compared with the number of units permitted during the previous 12 months. Multifamily construction declined slightly during the 3 months ending August 2013 compared with construction during the same period a year ago, however.

During the 3 months ending August 2013 (preliminary data)—

- The number of multifamily units permitted in the region decreased by 570 units, or 8 percent, to 6,475 units permitted compared with the number permitted during the 3 months ending August 2012.
- The construction of multifamily units increased 40 percent, to 1,775 units, in Pennsylvania, the only state to record an increase.
- In Virginia and Maryland, multifamily construction decreased 12 and 6 percent, to 2,300 and 1,525 units permitted, respectively. During the 12 months ending August 2013, however, multifamily construction was up 13 and 6 percent, respectively, in these states from the same period a year earlier.
- In the District of Columbia and Delaware, multifamily construction decreased 47 and 29 percent, to 630 and 220 units permitted, respectively. In West Virginia, multifamily construction decreased from 40 units to 25.

Multifamily construction declined slightly, with Pennsylvania recording the only increase in the Mid-Atlantic region.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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