

HUD PD&R Regional Reports

Region 3: Mid-Atlantic

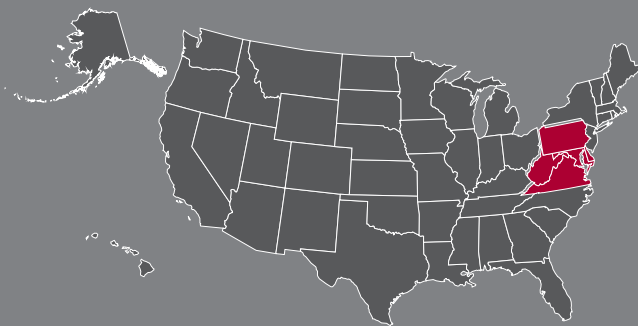


Baltimore, Maryland

By Wendy Lynn Ip | 3rd quarter 2014

Quick Facts About Region 3

- **Sales market conditions—**
Third quarter 2014: mixed (slightly tight to slightly soft).
Second quarter 2014: mixed (balanced to slightly soft).
Third quarter 2013: mixed (balanced to slightly soft).
- **Apartment market conditions—**
Third quarter 2014: mixed (slightly tight to soft).
Second quarter 2014: mixed (slightly tight to soft).
Third quarter 2013: mixed (slightly tight to soft).



Overview

Economic conditions in the Mid-Atlantic region during the third quarter of 2014 improved from the third quarter of 2013. Nonfarm payrolls increased in all states in the region and the District of Columbia compared with payrolls a year ago, and the unemployment rate declined. Sales housing market conditions remained unchanged in all states in the region but strengthened in the District of Columbia from a year earlier. Single-family homebuilding activity increased in Delaware and Maryland but declined in all other states and the District of Columbia. Apartment market conditions were mixed, ranging from slightly tight to soft in metropolitan areas throughout the region. Apartment construction activity was also mixed but increased in the region overall from a year ago.

During the third quarter of 2014—

- Economic conditions improved at a moderate pace but surpassed the third quarter of 2008, when nonfarm payrolls peaked at 14.09 million jobs.
- Home sales activity increased in four of the five states in the region and the District of Columbia; however, the rate of the increase was lower than during the previous year.
- Apartment vacancy rates in metropolitan areas throughout the region ranged from 4.8 percent in Roanoke to 10.6 percent in the District of Columbia.



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Nonfarm payrolls in the Mid-Atlantic region increased 0.8 percent, which is greater than the 0.7-percent increase during the previous year.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	14,040.1	14,158.7	118.6	0.8
Goods-producing sectors	1,701.5	1,716.2	14.7	0.9
Mining, logging, and construction	721.9	743.5	21.6	3.0
Manufacturing	979.6	972.7	-6.9	-0.7
Service-providing sectors	12,338.6	12,442.5	103.9	0.8
Wholesale and retail trade	1,950.1	1,956.5	6.4	0.3
Transportation and utilities	477.3	483.0	5.7	1.2
Information	230.7	223.5	-7.2	-3.1
Financial activities	756.1	770.9	14.8	2.0
Professional and business services	2,138.9	2,154.9	16.0	0.7
Education and health services	2,361.2	2,400.8	39.6	1.7
Leisure and hospitality	1,407.2	1,434.2	27.0	1.9
Other services	706.4	715.5	9.1	1.3
Government	2,310.8	2,303.1	-7.7	-0.3

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

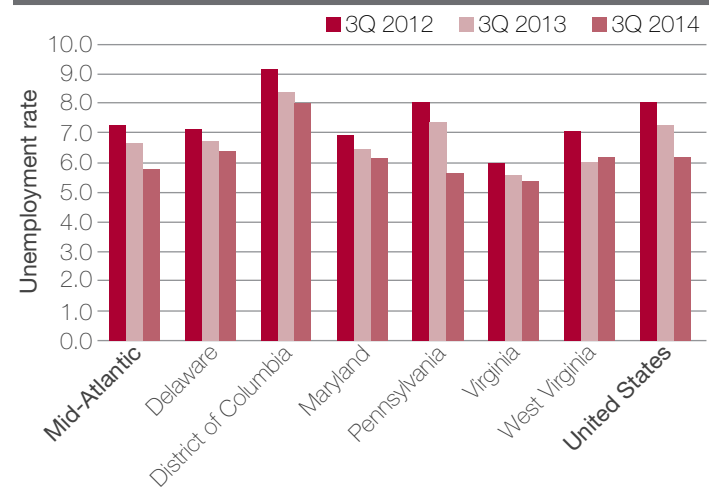
Economic Conditions

Economic conditions in the Mid-Atlantic region improved slightly during the third quarter of 2014. Nonfarm payrolls averaged 14.16 million jobs, an increase of 118,600 jobs, or 0.8 percent, from a year ago. Although growth in the region was the slowest among the 10 HUD-defined regions in the nation, the rate of expansion represented an increase from 0.7 percent during the previous year. The education and health services and the leisure and hospitality sectors accounted for more than one-half of the overall growth in jobs during the past year, increasing by 39,600 and 27,000 jobs, or 1.7 and 1.9 percent, respectively. The largest percentage gain was in the mining, logging, and construction sector, which added 21,600 jobs, or 3.0 percent, throughout the region. More than three-fourths of the increase was attributable to growth in the construction subsector, up 16,700 jobs, or 2.7 percent. The unemployment rate for the region averaged 5.8 percent during the third quarter of 2014, a decline from 6.7 percent a year ago, and remained lower than the national rate of 6.2 percent. The unemployment rate declined in the District of Columbia and in four of the five states in the region. In West Virginia, the unemployment rate rose slightly, from 6.1 to 6.2 percent.

During the third quarter of 2014—

- Pennsylvania had the greatest increase in jobs in the region for the third consecutive quarter; nonfarm payrolls rose by 53,900 jobs, or 0.9 percent. The mining, logging, and construction, the education and health services, and the leisure and hospitality

The unemployment rate declined in most states in the Mid-Atlantic region but rose slightly in West Virginia.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

sectors, which increased by 12,900, 11,500, and 9,800 jobs, or 4.7, 1.0, and 1.8 percent, respectively, accounted for more than 60 percent of the net growth.

- Nonfarm payrolls in Maryland increased by 16,300 jobs, or 0.6 percent. The leisure and hospitality and the education and health services sectors accounted for 80 percent of the net growth, increasing by 6,600 and 6,400 jobs, or 1.9 and 2.9 percent, respectively. The grand opening of the \$442 million Horseshoe® Baltimore casino in August 2014 contributed to overall payroll gains. The casino plans to hire a total of approximately 2,000 employees within a year.

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- In West Virginia and Delaware, nonfarm payrolls increased by 12,500 and 11,600 jobs, or 1.6 and 2.7 percent, respectively. Nonfarm payroll gains occurred in nearly every sector in each state and were led by growth in the professional and business services sector, which increased by 5,000 jobs in West Virginia and 4,400 jobs in Delaware, or 8.3 and 7.6 percent, respectively.
- In Virginia, nonfarm payrolls were up by 16,300 jobs, or 0.4 percent, representing the lowest rate of growth in the region and the second lowest among all states in the nation. Approximately 95 percent of the net increase was attributed to growth in the

education and health services sector, up 15,600 jobs, or 3.2 percent, which partly offset a decline of 11,500 jobs, or 1.7 percent, in the professional and business services sector.

- Nonfarm payrolls in the District of Columbia increased by 8,000 jobs, or 1.1 percent. Growth was moderated by a decline of 3,800 jobs, or 1.9 percent, in the federal government subsector. The education and health services and the professional and business services sectors offset the decline, adding 3,400 and 2,700 jobs, or 2.8 and 1.8 percent, respectively, and led payroll growth in the District.

Sales Market Conditions

Sales housing market conditions in the Mid-Atlantic region ranged from slightly tight to slightly soft during the third quarter of 2014. Conditions tightened compared with a year ago, when the market was balanced to slightly soft. Sales markets remained balanced in Maryland and Virginia and slightly soft in Delaware, Pennsylvania, and West Virginia compared with sales markets a year earlier. In the District of Columbia, conditions were slightly tight as of the third quarter of 2014 compared with balanced conditions during the third quarter of 2013. The volume of home sales increased in the District of Columbia and nearly all of the states in the region at least 1 percent; however, the rate of increase was lower than in the previous year (Metropolitan Regional Information Systems, Inc.). In West Virginia, home sales were unchanged from a year ago. The only state to record a decline was Virginia, where the number of existing home sales decreased 2 percent (Virginia Association of REALTORS®). Home sales prices increased in four of the five states

in the region and the District of Columbia, where increases ranged from 1 percent in Maryland and Pennsylvania to 6 percent in Delaware. In West Virginia, home sales prices declined 1 percent. As of September 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 5.7 percent a year ago. The rate of distressed loans and REO properties declined in every state in the region, with the largest decline in Maryland, where the rate decreased from 7.8 percent in September 2013 to 6.3 percent in September 2014.

Single-family construction activity in the region decreased during the third quarter of 2014 but was 24 percent more than during corresponding periods in 2009 through 2011. Single-family construction activity increased significantly from historically low levels that prevailed during the late 2000s when sales housing market conditions were softer.

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Home sales and home sales prices increased in most states in the Mid-Atlantic region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Delaware (N&E)	June	10,950	11,100	1	AVG	245,100	260,700	6
District of Columbia (E)	September	7,475	7,625	2	AVG	589,000	611,900	4
Maryland (E)	September	60,050	61,050	2	AVG	305,500	309,800	1
Pennsylvania (N&E)	June	141,600	143,400	1	AVG	176,400	178,800	1
Virginia (E)	August	97,950	96,150	- 2	MED	209,700	220,600	5
West Virginia (N&E)	June	6,550	6,575	0	AVG	142,900	141,800	- 1
Baltimore metropolitan area (E)	September	27,300	28,050	3	AVG	305,500	309,800	1
Philadelphia metropolitan area (E)	September	52,550	52,250	- 1	AVG	257,400	262,000	2
Washington, D.C. metropolitan area (E)	September	68,450	70,150	2	AVG	417,500	439,100	5

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

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

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

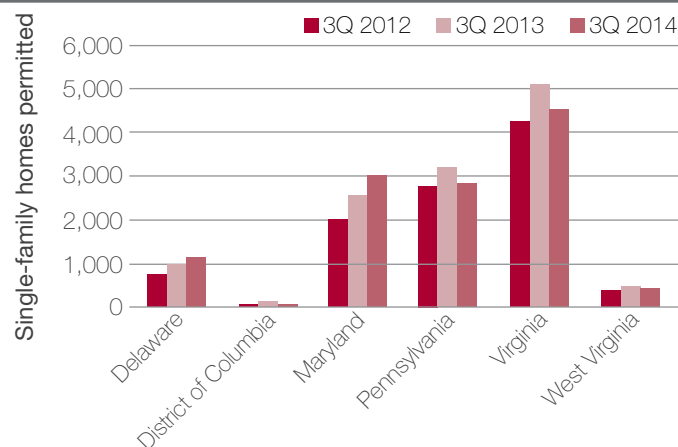


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During the third quarter of 2014 (preliminary data)—

- The number of single-family homes permitted in the region declined by 460 homes, or 4 percent, to a total of 12,000 homes permitted compared with the number permitted during the third quarter of 2013. During the corresponding periods from 2010 through 2012, an average of 9,700 homes were permitted.
- Single-family construction activity increased in Maryland and Delaware, where the number of homes permitted increased by 440 and 130 homes, or 17 and 13 percent, to 3,000 and 1,150 homes permitted, respectively.
- The greatest declines were in Virginia and Pennsylvania, where the number of homes permitted declined by 550 and 350 homes, or 11 percent each, to 4,550 and 2,850 homes permitted, respectively.
- In the District of Columbia and West Virginia, single-family construction declined by 85 and 50 homes, or 66 and 11 percent, to a total of 45 and 420 homes permitted, respectively.

Single-family homebuilding in the Mid-Atlantic region declined 4 percent during the third quarter of 2014 after gains during the previous 2 years.



3Q = third quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions during the third quarter of 2014 ranged from slightly tight to soft for metropolitan areas in the Mid-Atlantic region, unchanged from conditions a year ago. In the Baltimore metropolitan area, where job growth was highest in the region, the apartment market improved from soft conditions a year ago to slightly tight as of the third quarter of 2014, and the vacancy rate declined from 11.6 to 6.4 percent (Delta Associates). In the city of Baltimore, the vacancy rate for apartments declined significantly, from 12.1 to

4.8 percent despite a 4-percent increase in the number of units under construction and in lease up. Apartment market conditions for the Philadelphia metropolitan area remained balanced, with a vacancy rate of 5.0 percent and a 3-percent increase in the average rent. The apartment vacancy rate in suburban areas of Philadelphia declined from 4.8 to 3.2 percent but increased in the city of Philadelphia from 6.4 to 8.9 percent during the past year. The increase in the overall vacancy rate in the city of Philadelphia, which includes

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Apartment market conditions were mixed in the Mid-Atlantic region, remaining slightly tight in Baltimore and Wilmington and soft in Washington, D.C.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Baltimore ^a	Slightly tight	11.6	6.4	- 5.2	1,645	1,656	1
Philadelphia ^a	Balanced	5.2	5.0	- 0.2	1,659	1,714	3
Richmond ^b	Balanced	6.6	6.2	- 0.4	907	933	3
Roanoke ^b	Balanced	4.6	4.8	0.2	714	739	4
Washington, D.C. (garden apartments) ^a	Slightly soft	9.5	8.2	- 1.3	1,644	1,651	0
Washington, D.C. (highrise apartments) ^a	Soft	8.1	14.0	5.9	2,406	2,399	0
Wilmington ^c	Slightly tight	3.5	2.7	- 0.8	974	990	2

3Q = third quarter.

Notes: Class A units only. Wilmington, Delaware, is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area but is not included in the statistics for Philadelphia listed in this table.

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



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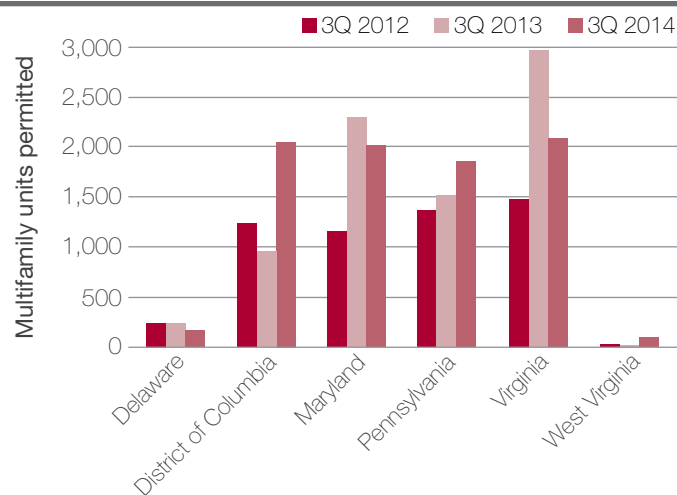
newly completed units in lease up, reflects the completion of approximately 1,175 highrise units since mid-2013. In the Washington, D.C. metropolitan area, apartment market conditions remained soft, with a vacancy rate of 10.1 percent, up from 9.0 percent a year ago, in part because of the approximately 14,250 units completed during the past year compared with 8,075 units completed a year earlier (Delta Associates). Market conditions for garden apartments in the Washington, D.C. metropolitan area improved slightly, from soft conditions a year ago to slightly soft currently. Market conditions for highrise units in the Washington, D.C. metropolitan area remained soft, however, with a vacancy rate of 14.0 percent and no change in the average rent. Market conditions in the Richmond and Roanoke metropolitan areas were balanced. The rate of growth in average rents in the Roanoke metropolitan area was the highest in the region during the past year (Real Data). In Wilmington, Delaware, apartment conditions were slightly tight, with a low vacancy rate of 2.7 percent (Reis, Inc.).

During the third quarter of 2014 (preliminary data)—

- Multifamily construction activity, as measured by the number of multifamily units permitted, increased 4 percent from a year ago, to 8,325 units.
- The District of Columbia accounted for 73 percent of the net total increase in the number of multifamily units permitted in the region, with 2,050 multifamily units permitted, which was an increase of 115 percent and the highest number of units permitted in the District since 2001. Multifamily developments that were permitted include 520 luxury apartments at the Art Place at Fort Totten in northeast Washington, D.C.

- In Pennsylvania and West Virginia, multifamily permitting increased by 330 and 80 units, respectively. The 22-percent increase in Pennsylvania followed a gain of 11 percent during the same period a year earlier.
- The number of multifamily units permitted declined in Virginia, Maryland, and Delaware, by 880, 260, and 60 units, or 30, 11, and 26 percent, respectively.

Multifamily permitting increased in the District of Columbia, Pennsylvania, and West Virginia but declined in all other states in the Mid-Atlantic region.



3Q = third quarter.

Note: Based on preliminary data.

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