

HUD PD&R Housing Market Profiles

Salisbury, Maryland-Delaware



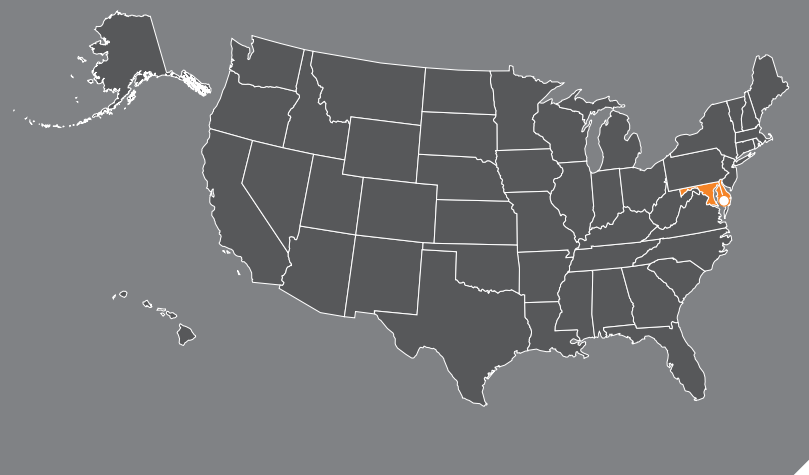
Quick Facts About Salisbury

Salisbury, Maryland

Image Source: Salisbury Chamber of Commerce

By Mildred Jara Ramirez | As of May 1, 2022

- Current sales market conditions: tight
- Current rental market conditions: balanced
- Perdue Farms Inc., the fourth largest poultry producer in the United States during 2020, was founded in 1920 in Salisbury, Maryland, and is currently the largest employer in the metropolitan area.



Overview

The Salisbury, MD-DE Metropolitan Statistical Area (hereafter, Salisbury metropolitan area) is located along the Atlantic Ocean, in the lower Eastern Shore of Maryland and the southern part of Delaware. The Salisbury metropolitan area, part of the Delmarva Peninsula, includes Somerset, Wicomico, and Worcester Counties in Maryland and Sussex County in Delaware. The Salisbury metropolitan area is a popular tourist destination due to its proximity to the Baltimore, Philadelphia, and Washington, D.C. metropolitan areas. The beach towns—including Rehoboth Beach in Sussex County and Ocean City in Worcester County—multiple shopping outlets, and the absence of sales tax in Sussex County draw tourists, particularly during the summer months. The tourism industry in Sussex County generates \$2.3 billion in visitor spending and supports 19,750 jobs in the county (Southern Delaware Tourism FY 2021 Annual Report). Retirees are also drawn to the metropolitan area due to the beaches, low property taxes in Sussex County, and access to outdoor activities like fishing and golfing. A large portion of the metropolitan area is rural, with notable agricultural and poultry production industries.

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Sussex County is ranked the largest broiler chicken-producing county in the nation (U.S. Department of Agriculture).

- As of May 1, 2022, the estimated population of the Salisbury metropolitan area is approximately 434,900, representing an average increase of 5,050, or 1.3 percent, annually since 2010 (Census Bureau decennial census counts and estimates by the analyst).
- From 2010 to 2019, population growth averaged 4,150 people, or 1.1 percent, a year, with an average net in-migration of 4,225 people annually. Since 2019, population growth has accelerated to an average of 7,975 people, or

1.9 percent, annually, due to higher levels of net in-migration, averaging 9,275 people a year, which is caused by higher numbers of retirees moving into the metropolitan area.

- Individuals 65 and older represent a large and increasing share of the population of the Salisbury metropolitan area, accounting for 25 percent of the population in 2019, up from 20 percent in 2013 (2013 and 2019 American Community Survey [ACS] 1-year data). By comparison, nationwide, the 65 and older age cohort represented 17 percent of the total population in 2019, up from 14 percent in 2013.

Economic Conditions

The economy in the Salisbury metropolitan area has fully recovered following significant job losses in April 2020 resulting from countermeasures taken to slow the spread of COVID-19. As of April 2022, nonfarm payroll jobs totaled 161,100, which is 4,900 jobs, or 3.1 percent, higher than the number of jobs in March 2020, before the downturn (monthly data, not seasonally adjusted). The manufacturing and the education and health services sectors are the only sectors in the Salisbury metropolitan area not to recover all the jobs lost in April 2020; they remain down by 1,000 and 1,200 jobs, or 6.9 and 4.4 percent, respectively, from their March 2020 levels (monthly data, not seasonally adjusted). Despite recent job losses in the manufacturing sector and no growth in the education and health services sector during the 3 months ending April 2022,

economic growth in the Salisbury metropolitan area has been relatively strong during the past year. Nonfarm payroll jobs increased 5.2 percent during the 12 months ending April 2022, compared with a decline of 4.9 percent during the 12 months ending April 2021 from the COVID-19 pandemic. Before the pandemic, jobs increased an average of 1.7 percent annually from 2012 through 2019.

During the 3 months ending April 2022—

- Nonfarm payroll jobs averaged 157,800, an increase of 4,900 jobs, or 3.2 percent, compared with an increase of 3.7 percent during the 3 months ending April 2021. By comparison, during the 3 months ending April 2022, in the

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The wholesale and retail trade sector led nonfarm payroll growth in the Salisbury metropolitan area during the 3 months ending April 2022.

	3 Months Ending		Year-Over-Year Change	
	April 2021 (Thousands)	April 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	152.9	157.8	4.9	3.2
Goods-Producing Sectors	23.0	23.3	0.3	1.3
Mining, Logging, & Construction	9.4	9.8	0.4	4.3
Manufacturing	13.6	13.5	-0.1	-0.7
Service-Providing Sectors	129.9	134.5	4.6	3.5
Wholesale & Retail Trade	26.2	28.0	1.8	6.9
Transportation & Utilities	4.2	4.3	0.1	2.4
Information	1.1	1.2	0.1	9.1
Financial Activities	6.2	6.7	0.5	8.1
Professional & Business Services	15.4	16.3	0.9	5.8
Education & Health Services	25.8	25.8	0.0	0.0
Leisure & Hospitality	21.7	21.6	-0.1	-0.5
Other Services	5.3	5.7	0.4	7.5
Government	24.0	24.9	0.9	3.7
Unemployment Rate	6.5%	5.1%		

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

Source: U.S. Bureau of Labor Statistics



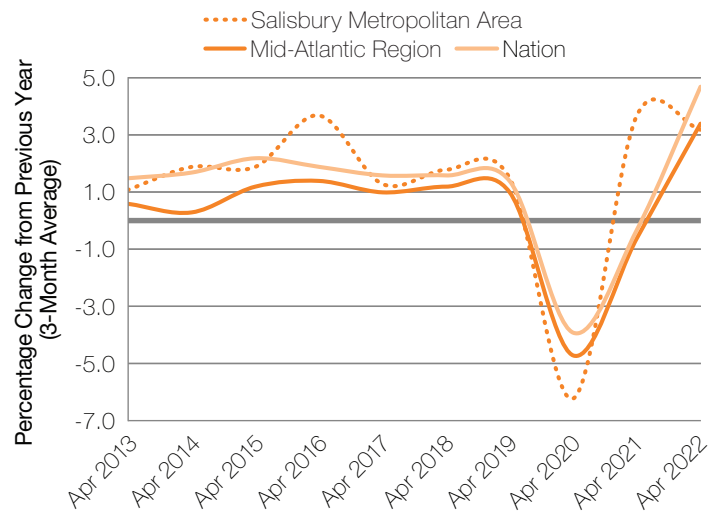
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Mid-Atlantic region and the nation, jobs increased 3.4 and 4.7 percent, respectively.

- The wholesale and retail trade sector, the largest sector in the Salisbury metropolitan area with 18 percent of all nonfarm payrolls, led job growth, up by 1,800 jobs, or 6.9 percent, from the same period a year ago. The opening of new retail stores in the metropolitan area—including Atlantic Discount Pharmacy and Sound Storm Records in the town of Berlin and the Ocean City shoe store Deadstock OC—supported job growth in the retail trade subsector, which rose by 1,600 jobs, or 7.1 percent, from the 3 months ending April 2021.
- The manufacturing and the leisure and hospitality sectors, the only sectors to lose jobs, declined by 100 jobs, or 0.7 and 0.5 percent, respectively, contributing to overall slower job growth in the metropolitan area compared with the previous 3-month period. The closures of restaurants in early 2022, including Elmer's Taste Freez in the city of Salisbury and Smitty McGee's Raw Bar & Restaurant in the town of Selbyville, contributed to job declines in the leisure and hospitality sector.
- The unemployment rate in the Salisbury metropolitan area averaged 5.1 percent, down from 6.5 percent during the 3 months ending April 2021. By comparison, the unemployment rate for the nation averaged 3.7 percent, down from 6.2 percent during the same period a year earlier.

The economy of the Salisbury metropolitan area is largely dependent on the education and health services sector, the second largest sector in the metropolitan area, accounting for 16 percent of nonfarm payrolls. During the 3 months ending April 2022, nonfarm payroll jobs in the education and health services sector averaged 25,800 jobs, unchanged from a year earlier. Strong population growth and the relatively large share of retirees in the metropolitan area have contributed to annual job growth in the education and health services sector, averaging 2.5 percent from 2013 through 2019. Growth in the sector is expected to resume with the expansion of healthcare services and medical facilities. In late 2021, Bayhealth Medical Center began the construction of Bayhealth Total Care, a

Nonfarm payrolls in the Salisbury metropolitan area have increased during the past 2 years; job growth, however, has slowed during the past year.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Salisbury Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Perdue Farms Inc.	Manufacturing	4,600
TidalHealth Peninsula Regional	Education & Health Services	4,212
Beebe Healthcare	Education & Health Services	2,850

Note: Excludes local school districts.

Sources: Delaware Business Times; Maryland Department of Commerce; TidalHealth Peninsula Regional 2020 IRS Form 990

48,500-square foot health care center in the town of Milton in Sussex County, which is expected to be complete in early 2023. A \$125 million, 135,000-square foot Specialty Surgical Hospital at the Rehoboth Health Campus-Beebe Healthcare is under construction and expected to open in mid-May of 2022. Approximately 150 jobs will be added when construction is complete, and these positions will include 5 breast surgeons, 5 orthopedic surgeons, and 2 bariatric surgeons.

Sales Market Conditions

The sales housing market in the Salisbury metropolitan area is tight, with an estimated vacancy rate of 2.0 percent, down from 4.1 percent in April 2010, when the market was soft. Despite rising single-family home construction from 2013 through 2021, increasing levels of net in-migration during the same period have contributed to the absorption of new homes for sale and the

declining supply of existing for-sale homes. As of April 2022, a 1.6-month supply of homes was available and for sale in the metropolitan area, down from a 1.7-month supply in April 2021 and significantly lower than the 18.4-month supply in April 2010 (CoreLogic, Inc.). During the 12 months ending April 2022, the average home sales price of new and existing homes—including

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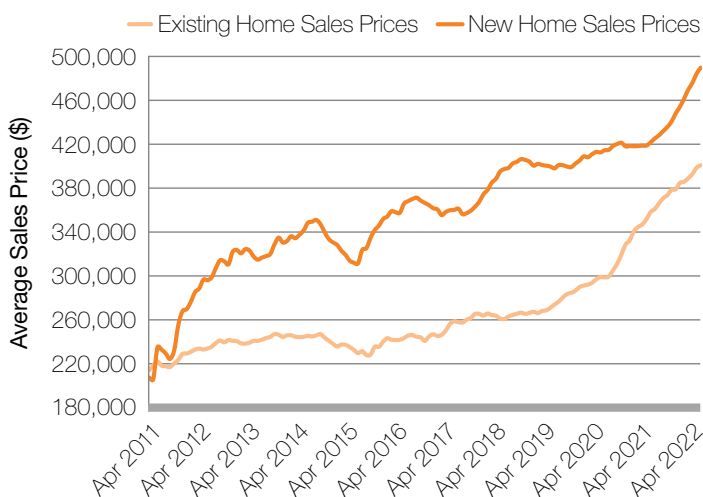
single-family homes, townhomes, and condominiums—increased 13 percent to an all-time high of \$417,200, compared with a 16-percent increase during the previous 12-month period (Zonda). During the same period, 17,550 new and existing homes were sold, a 4-percent decline from the 18,200 homes sold a year earlier. Total home sales declined due to a reduction in existing home sales that offset an increase in new home sales.

The percentage of home loans in the Salisbury metropolitan area that were seriously delinquent, 90 or more days delinquent or in foreclosure, or had transitioned into real estate owned (REO) status fell to 1.1 percent in April 2022 from 2.6 percent in April 2021 and down from a recent high of 3.2 percent in August 2020 (CoreLogic, Inc.). The rate decline occurred as the economy recovered following the economic downturn caused by the COVID-19 pandemic. The April 2022 rate in the Salisbury metropolitan area was below the 1.7-percent rate for the Mid-Atlantic region and the 1.5-percent rate for the nation.

During the 12 months ending April 2022—

- Existing home sales in the Salisbury metropolitan area totaled 14,250, a 6-percent decline from the 15,200 homes sold during the previous 12-month period; by comparison, existing home sales increased 27 percent during the 12 months ending April 2021 (Zonda). Existing home sales increased an average of 15 percent a year from 2015 through 2020.
- The average sales price for existing homes was \$400,500, an increase of 12 percent from the \$357,800 average sales price a year earlier. From 2015 through 2020, average existing home sales prices rose an average of 6 percent a year.

New and existing home sales prices in the Salisbury metropolitan area have generally trended upward since 2011.

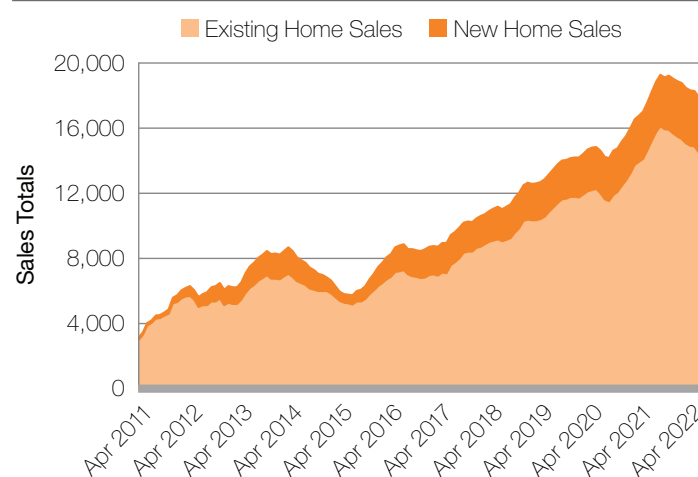


Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda

- New home sales totaled 3,300 homes, a 9-percent increase from the 3,025 new homes sold during the previous 12-month period. By comparison, new home sales increased an average of 23 percent annually from 2015 through 2020, a period when single-family home permitting increased every year.
- The average sales price for a new home was \$489,300, approximately 16 percent higher than the \$421,300 average sales price during the 12 months ending April 2021. The average new home sales price increased an average of 4 percent annually from 2015 through 2020.

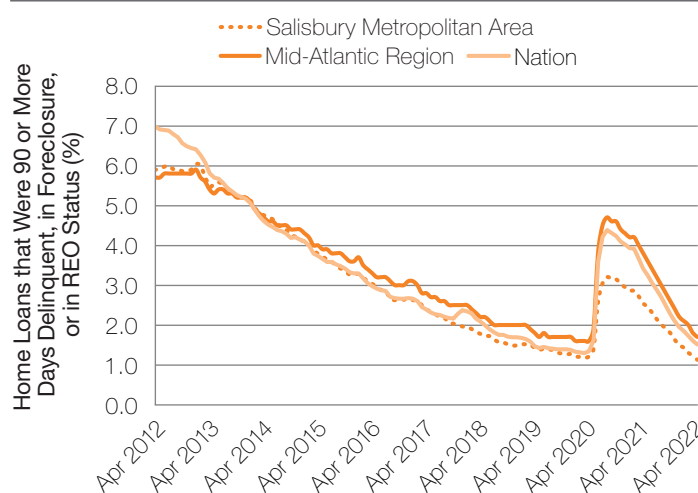
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Total home sales in the Salisbury metropolitan area declined during the past year.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Zonda

The rate of seriously delinquent mortgages and REO properties in the Salisbury metropolitan area has decreased significantly since reaching a recent peak in August 2020.



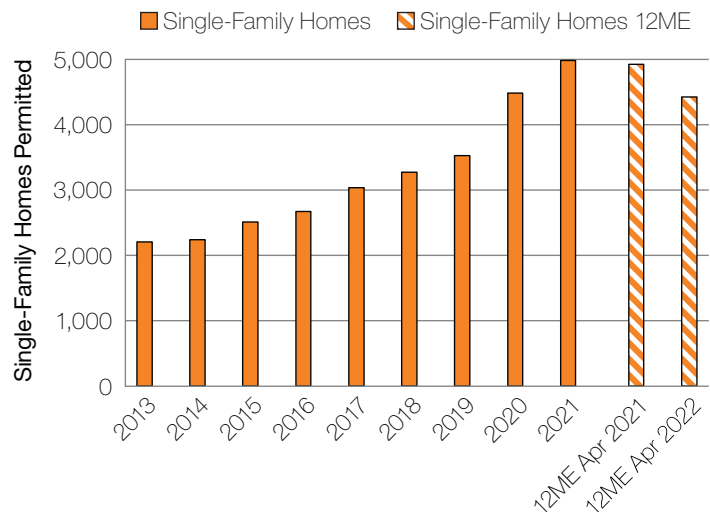
REO = real estate owned.
Source: CoreLogic, Inc.

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In response to rising levels of net in-migration since the early 2010s, new home construction, as measured by the number of single-family homes permitted, has increased during the same period, reaching a recent peak in 2021. Single-family home building has only recently reached levels of construction comparable with the mid-2000s, when an average of 4,975 homes were permitted annually from 2003 through 2006.

- During the 12 months ending April 2022, approximately 4,425 single-family homes were permitted, down 10 percent from the 4,925 homes permitted during the 12 months ending April 2021 (preliminary data). Despite the slowdown in construction during the most recent 12 months, single-family home permitting remains elevated.
- From 2013 through 2021, single-family home permitting has increased by an average of 370 homes, or 13 percent a year, to a recent high of approximately 4,975 homes during 2021, slightly below the all-time high of approximately 5,075 homes in 2005. Single-family home construction has been largely concentrated in Sussex County, which has countywide water and sewer systems and lower property taxes compared with the Maryland counties in the Salisbury metropolitan area; approximately 88 percent of single-family homes permitted in the metropolitan area during 2021 were in Sussex County, unchanged from 2013.
- Home prices within Sussex County vary and are more elevated in coastal communities. In the city of Rehoboth Beach, Osprey

Single-family home building in the Salisbury metropolitan area increased every year from 2014 through 2021.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data; past 24 months of data—preliminary data

Point, a single-family home community under construction, is expected to have 217 homes upon completion, with prices starting from the upper \$700,000s. Home prices for the three-to six-bedroom homes at the 95-unit Villas at Walden, under construction in the unincorporated town of Harbeson, start from the low \$400,000s.

Rental Market Conditions

Rental housing market conditions in the Salisbury metropolitan area are balanced compared with slightly tight conditions a year ago. Relatively high levels of multifamily construction during the past year have contributed to an easing of market conditions. Single-family homes are the most common types of rental units in the metropolitan area, accounting for 52 percent of all occupied rental units in 2019, up from 51 percent in 2013 (2013 and 2019 ACS 1-year data). The percentage of occupied rental units in structures with five or more units, typically apartments, was 28 percent in 2019, up from 26 percent in 2013.

- The overall rental vacancy rate, including single-family homes, mobile homes, and apartments, was estimated at 9.0 percent as of May 1, 2022, down from 17.0 percent in 2010. The high rental vacancy rates in the HMA reflect a large number of vacation and other short-term rental properties captured in the available-for-rent data.
- Apartment market conditions in the Salisbury metropolitan area are also balanced, with a vacancy rate of 5.0 percent during the first quarter of 2022, up from 3.2 percent a year earlier but down from 7.8 percent during the first quarter of 2020 (CoStar Group).
- During the first quarter of 2022, the average apartment asking rent increased 11 percent to \$1,324, up from \$1,189 during the first quarter of 2021. By comparison, the average asking rent increased 5 percent during the first quarter of 2021, up from \$1,134 a year earlier.
- The apartment vacancy rate in the CoStar Group-defined Sussex County market area was 8.2 percent during the first quarter of 2022, up from 3.3 percent during the first quarter of 2021; the rise in the vacancy rate was partially due to an increase in the number of units in lease-up in Sussex County. The average apartment rent in the Sussex County

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market area was \$1,424, up 9 percent from \$1,312 during the first quarter of 2021.

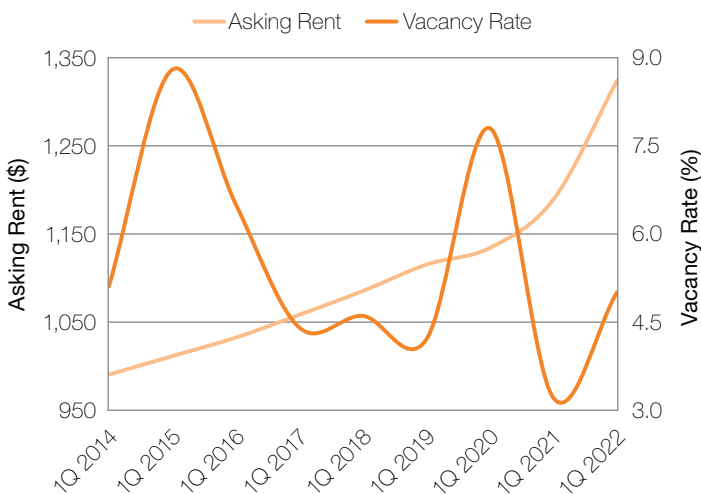
Multifamily construction in the Salisbury metropolitan area, as measured by the number of units permitted, was generally stable from 2014 through 2019 and increased during 2020 and 2021 in response to stronger population growth during recent years.

- During the 12 months ending April 2022, approximately 990 multifamily units were permitted, an 18-percent increase from the 840 units permitted during the previous 12-month period (preliminary data with estimates by the analyst).
- After averaging 460 units permitted a year from 2014 through 2019, multifamily permitting increased to 710 units in 2020 and reached a recent high of 1,100 units in 2021, comparable to the levels of multifamily construction during the mid-2000s.
- Age-restricted apartment communities recently completed include the 85-unit The Lodge at Truitt Homestead in

Rehoboth Beach, with rents for one- and two-bedroom independent living apartments starting at \$4,000 and \$5,000, respectively. The Lodge at Historic Lewes, a senior living facility with 175 units planned that includes 78 independent living, 65 assisted-living, and 32 memory care units, is under construction in the city of Lewes with expected completion in 2023.

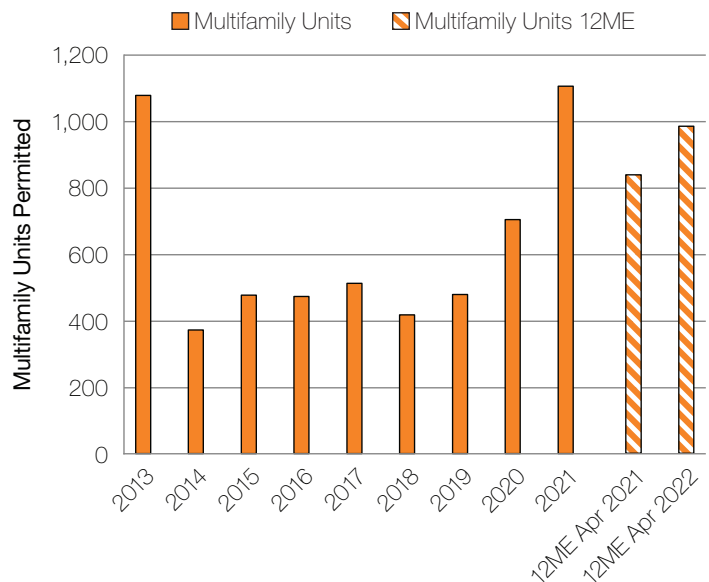
- Weston Willows, a 287-unit general occupancy apartment development, in the town of Georgetown, is under construction, with rents for one-, two-, and three-bedroom units starting at \$1,269, \$1,458, and \$1,701, respectively. The 224-unit Seaglass at Rehoboth Beach apartment community is underway and expected to be complete in 2023 with one-, two-, and three-bedroom units with rents starting from \$1,669, \$1,939, and \$2,209, respectively.

The average apartment asking rent and vacancy rate in the Salisbury metropolitan area increased during the first quarter of 2022.



1Q = first quarter.
Source: CoStar Group

The number of multifamily units permitted in the Salisbury metropolitan area increased during the 12 months ending April 2022.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
Existing Home Sales	Includes regular resales and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	The Mid-Atlantic region includes Delaware, the District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia.
3.	The Delmarva Peninsula includes Delaware and the Eastern Shore regions of Maryland and Virginia.