

1st Quarter 2012



U.S. Housing Market Conditions

MID-ATLANTIC REGIONAL REPORT HUD Region III



1st Quarter Activity

The following summary of the Mid-Atlantic region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Mid-Atlantic region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Employment levels increased in the Mid-Atlantic region during the past year, continuing a trend that began in early 2011. During the 12 months ending March 2012, total nonfarm payrolls in the region averaged more than 13.8 million jobs, an increase of 147,600 jobs, or 1.1 percent, from the previous 12 months. By comparison, average nonfarm payrolls increased by 126,100 jobs, or 0.9 percent, during the previous 12-month period. Approximately 65 percent of the net job gain in the region occurred in the education and health services and the professional and business services sectors. The education and health services sector, the only sector in the region that had consistently increasing payrolls during the past

3 years, added 58,550 jobs, a 2.6-percent increase, during the 12 months ending March 2012. Gains in the professional and business services sector slowed to 35,100 jobs, or 1.8 percent, compared with an increase of 52,300 jobs, or 2.7 percent, during the previous 12-month period. Payrolls in the leisure and hospitality sector increased by 20,100 jobs, or 1.6 percent. The mining, logging, and construction sector added 17,350 jobs, a 2.6-percent increase, including an increase of 11,100 jobs, or 11.2 percent, in the mining and logging subsector. Pennsylvania accounted for 60 percent of the additional mining and logging subsector jobs in the region because of natural gas drilling in the northern and western parts of the state. The government sector in the region declined by nearly 10,900 jobs, or 0.5 percent.

Nonfarm payrolls increased in every state in the region during the 12 months ending March 2012. Gains in Pennsylvania, which totaled 52,500 jobs, or 0.9 percent, accounted for more than one-third of the total growth in the region, and the state contributed to more than one-third of the regional gain in the education and health services sector. Virginia and Maryland added 38,150 and 31,400 jobs, 1.0- and 1.2-percent increases, respectively; the education and health services sector led the growth



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in each state. Payrolls increased by 15,500 jobs in the District of Columbia, which registered the most rapid rate of job growth in the region, at 2.1 percent, despite the loss of 1,575 jobs, or 0.6 percent, in the government sector. In West Virginia, total nonfarm payrolls increased by 8,900 jobs, or 1.2 percent; approximately one-third of the increase was in the mining and logging subsector, as a result of natural gas drilling. Delaware added 1,600 jobs, a 0.4-percent increase, approximately one-half of the growth rate of the previous 12-month period, because of a 600-job decline in the leisure and hospitality sector. During the 12 months ending March 2012, the unemployment rate in the Mid-Atlantic region averaged 7.2 percent, down from 7.7 percent during the previous 12 months. Unemployment rates among the states in the region ranged from 6.1 percent in Virginia to 7.8 percent in Pennsylvania. The average unemployment rate in the District of Columbia was 10.2 percent, an increase from the 10.0-percent rate recorded a year earlier.

Sales housing market conditions were soft in most of the Mid-Atlantic region during the first quarter of 2012, although the West Virginia market showed signs of strengthening. According to CoreLogic®, during the 12 months ending February 2012, existing home sales in the Mid-Atlantic region declined 9 percent from the previous year, to 211,000 homes sold. The largest declines during the past year occurred in Pennsylvania, where existing sales decreased by 12,400 homes, or 11 percent, and in Virginia, where existing sales declined by 9,275 homes, or 14 percent. In Delaware and the District of Columbia, existing home sales decreased 5 and 4 percent, to 5,600 and 4,925 homes sold, respectively. Existing home sales in Maryland remained nearly unchanged from a year ago, at 41,300. By contrast, in West Virginia, existing home sales increased by 800 homes, or 19 percent. In the Mid-Atlantic region in February 2012, the median prices for existing homes ranged from \$94,500 in West Virginia to \$388,500 in the District of Columbia, increases of 3 and 7 percent, respectively, from a year ago. In Virginia, the median price increased more than 4 percent, to \$230,000. In Pennsylvania, Delaware, and Maryland, however, the median prices declined 5, 11, and 13 percent, to \$124,000, \$184,500, and \$200,000, respectively. According to LPS Applied Analytics, during March 2012, the percentage of home loans in the region that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased to 6.3 from 6.0 percent during March 2011 but remained less than the 7.8-percent rate reported for the nation. Rates for distressed loans, which ranged from 4.3 percent in Virginia to 8.6 percent in Maryland, increased in Delaware, the District of Columbia, Maryland, and Pennsylvania but declined in Virginia and West Virginia.

Sales housing market conditions were soft in the largest metropolitan areas in the region. According to CoreLogic®, during the 12 months ending February 2012 in the Philadelphia metropolitan area, existing home sales declined 12 percent, to 29,350 homes sold, and the median price

was \$152,000, a 21-percent decrease from a year ago. In the Baltimore metropolitan area, the number of home sales registered a 2-percent decline, to 19,750 homes sold, and the median price fell 12 percent, to \$199,000. The Washington, D.C. metropolitan area recorded a slight decrease in sales of 1 percent, to 35,800 homes sold, and the median price fell 5 percent, to \$310,000. In the Virginia Beach metropolitan area, home sales increased 1 percent, to 11,500 homes sold, and the median price declined 7 percent to nearly \$186,100.

Single-family home construction declined in most of the region as a result of soft sales market conditions. According to preliminary data, homebuilding activity, as measured by the number of single-family building permits issued, decreased in the region by 2,525 homes, or nearly 7 percent, to 34,850 homes permitted during the 12 months ending March 2012. The largest decrease occurred in Pennsylvania, which reported a decline of 2,700 homes, or 23 percent, to 9,075 homes permitted. In West Virginia and the District of Columbia, homebuilding activity decreased 7 and 29 percent, to 1,175 and 160 homes, respectively. In Maryland, single-family construction activity was down 1 percent, to 7,650 homes. Delaware and Virginia recorded modest increases of 4 and 2 percent, to 2,550 and 14,250 homes permitted, respectively.

Multifamily construction, as measured by the number of units permitted, increased in every state in the Mid-Atlantic region during the 12 months ending March 2012. According to preliminary data, the number of units permitted in the region increased by 7,400, or 60 percent, from a year earlier, to 19,700 units. By comparison, multifamily units permitted increased 7 percent during the previous 12 months, when Maryland and Virginia were the only states to register an increase. During the most recent 12 months, the District of Columbia recorded the largest percentage increase in the region of 350 percent, or 3,100 units, more than four times the increase during the same period a year ago, to 4,000 units. Similarly, multifamily construction nearly tripled in West Virginia, to 290 units permitted. Multifamily construction increased 34 percent in both Delaware and Pennsylvania, to 460 and 2,950 units permitted, respectively. Maryland and Virginia recorded increases of 59 and 23 percent, to 4,925 and 6,900 units permitted, respectively. Multifamily construction increased in the largest metropolitan areas in the region.

Rental market conditions were mixed throughout the region during the first quarter of 2012. Conditions were slightly soft in the Baltimore metropolitan area, because 740 newly constructed units were leasing compared with 380 units a year ago. According to Delta Associates, during the first quarter of 2012, the overall apartment vacancy rate in the metropolitan area, including units in lease up, increased from 6.7 to 7.4 percent. Although the number of apartments completed in Baltimore city increased from 90 to 340 units, the vacancy rate decreased



from 7.2 to 6.8 percent. By contrast, the vacancy rate in the northern suburbs increased from 8.2 to 9.9 percent because units in lease up filled at a slower pace compared with the pace of a year ago. The average rent in the Baltimore metropolitan area increased 5 percent, to more than \$1,525, and the average rent in Baltimore city increased 7 percent, to \$1,750. The apartment market in the Philadelphia metropolitan area remained tight during the past year. During the first quarter of 2012, the vacancy rate declined from 5.3 to 4.7 percent, and the average rent increased 1 percent, to nearly \$1,625. Conditions in the Center City Philadelphia submarket tightened during the past year; the vacancy rate for Class A highrise apartments declined from 3.6 to 2.0 percent, and concessions decreased from 2.8 to 1.9 percent. The

average rent in Center City remained unchanged at \$2,150. The Washington, D.C. metropolitan area apartment market was balanced during the first quarter of 2012; Delta Associates reported a Class A garden apartment vacancy rate of 6.1 percent, up slightly from 6.0 percent a year earlier. A decrease in the garden apartment vacancy rate in Northern Virginia, from 6.0 to 5.7 percent, offset an increase in suburban Maryland, from 6.0 to 6.5 percent. The vacancy rate in highrise units in the metropolitan area declined from 8.9 to 7.3 percent, and concessions decreased from 4.4 to 3.5 percent. During the first quarter of 2012, the average rents for Class A garden and highrise apartments increased 2 and 3 percent, to nearly \$1,600 and \$2,400, respectively.