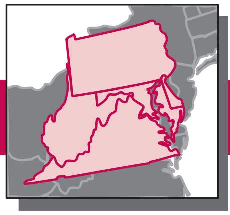

Housing Market Profile

Mid-Atlantic • HUD Region III

Washington, D.C.-Maryland-Virginia-West Virginia

The Washington metropolitan area comprises the District of Columbia and 15 counties and 6 independent cities in Maryland, Virginia, and West Virginia. As of October 1, 2009, the population of the metropolitan area was estimated at 5.5 million; this figure reflects an increase of approximately 0.5 percent, or 29,300, since October 1, 2009, compared with an increase of 1 percent during the previous year.

During the 12 months ending August 2010, average nonfarm payroll jobs declined by 17,700, or 0.6 percent, to slightly more than 2.95 million jobs. The education and health services sector added 5,500 jobs, up less than 2 percent from the sector total during the 12 months ending August 2009, and one-half of the 3.3-percent gain of 11,200 jobs between 2008 and 2009. Inova Health System, with 15,600 employees and MedStar Health, with 14,000 employees, are among the leading employers in the metropolitan area. The federal government accounts for nearly 13 percent of the nonfarm payroll jobs in the area. The federal government subsector added 16,900 jobs, or nearly 5 percent, during the 12 months ending August 2010. U.S. Department of Defense contractors Lockheed Martin Corporation and Northrop Grumman Corporation, with 27,000 and 20,700 employees, respectively, are the leading private sector employers in the metropolitan area.

The tourism industry, an important part of the economy in the metropolitan area, added 1,600 jobs during the 12 months ending August 2010, a gain of 0.6 percent after a loss of 1,200 jobs, or nearly 0.5 percent, during the previous year. Business and leisure travelers visiting the nation's capital generate more than $5 billion annually for the local economy, according to Destination DC, a contracting arm of the Washington Convention Center Authority. In addition, the retail trade subsector reported a small gain of 700 jobs, or less than 0.3 percent, but all other sectors experienced a net loss in the number of jobs. The largest declines in jobs in the metropolitan area were nearly 9 percent in the construction sector, to 142,900 jobs, and nearly 7.5 percent in the manufacturing sector, down to 53,200 jobs. The sectors had experienced losses of nearly 12 percent and 7 percent, respectively, during the previous 12 months ending August 2009. Average unemployment during the 12 months ending August 2010 was 6.3 percent, an increase from 5.3 percent during the same period in 2009.

Sales market conditions in the metropolitan area are currently balanced. Reduced prices, low interest rates, and tax incentives for first-time homebuyers helped stimulate home sales during the 12 months ending August 2010. According to data from Metropolitan Regional Information Systems, Inc., approximately 66,450 existing homes were sold, an increase of 6 percent compared with the 62,500 homes sold during the 12 months ending August 2009 and 22 percent greater than the 54,300 homes sold during the period ending August 2008. The average home price during the 12-month period was $358,450, an increase of nearly 4 percent above the average during the previous year. In the Virginia suburbs, the number of homes sold increased by 20 percent to 38,400 homes, and the average price increased 12 percent to $380,800. The number of homes sold in the Maryland suburbs increased by 27 percent to 23,330 homes, but the average sales price declined by 8 percent. In Washington, D.C., the average price declined nearly 2 percent, to $491,900, but the number of homes sold increased 26 percent to 6,580 homes. In Jefferson County, West Virginia, during the 12-month period, the number of sales totaled 570 homes, up 15 percent compared with the number sold in the previous year; however, the average price declined by nearly 3 percent to $203,450. According to Lender Processing Services Mortgage Performance Data, 7 percent of total loans in the metropolitan area were 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned) in August 2010, down from 7.2 percent in August 2009.

During the 12 months ending August 2010, 12,740 condominium units were sold in the Washington metropolitan area, which is 17 percent more than the number sold during the previous year. Condominiums accounted for approximately 27 percent of all homes sold in the metropolitan area during the 12-month period, an increase from 17 percent of the total number of homes sold during the previous 12 months. The largest number of condominium sales was recorded in the Virginia suburbs; 6,600 units were sold and average prices ranged from $165,000 in the Manassas area to $300,000 in areas closer to Washington, D.C. In Washington, 2,860 units were sold at an average price of $418,500. In the Maryland suburbs, 770 units were sold at an average price of approximately $190,000.

Comparison of average prices in August 2010 with prices recorded a year ago show a range of a 20-percent increase in both Charles and Frederick Counties, Maryland, to a decline of 8 percent in Manassas, Virginia.

Improvement in the existing home sales market encouraged the development of new homes in the Washington metropolitan area. Based on preliminary data, single-family home construction activity, as measured by the number of building permits issued, increased by 10 percent, or 900 homes, to a total of 9,730 during the 12-month period ending August 2010. New three-bedroom townhomes close to Washington are advertised for sale starting at $275,000 and new four-bedroom single-family homes in suburban communities are advertised with starting prices of $350,000. Based on preliminary data, multifamily construction activity, as measured by the number of units permitted, decreased slightly from the previous year. During the 12 months ending August 2010, 3,250 units were permitted, down 3 percent from the number permitted during the previous year, but it was an improvement over the 48-percent decline experienced between 2008 and 2009. During the next 3 years, approximately 15 percent of new multifamily units are expected to be condominiums, down from the 50 percent of new construction reported during the past several years, with another 30 percent as yet undetermined as rental or condominium.

The rental housing market in the Washington metropolitan area is balanced, because fewer units have entered the market and the pipeline of projects has contracted. According to Delta Associates, vacancy rates in Class A units declined from 4.4 percent during the second quarter of 2009 to 3.4 percent during the second quarter of 2010, and average rents for Class A apartments rose to $1,740 from $1,620. During the third quarter of 2010, monthly rents averaged $1,390 for a one-bedroom unit, $1,760 for a two-bedroom unit, and $1,640 for a three-bedroom unit. Construction is about to begin on the 170-unit Foundry Lofts in Washington, D.C., with completion expected at the end of 2011. The apartment project, an adaptive reuse of a historic Navy Yard industrial building, is the first building to start construction in the 42-acre, mixed-used project known as The Yards, an integral part of Washington's Anacostia Waterfront Initiative. When fully complete, The Yards will have approximately 2,800 new sales and rental units, 1.8 million square feet of office space, and 400,000 square feet of retail space.