



U.S. Housing Market Conditions

MID-ATLANTIC REGIONAL REPORT HUD Region III



3rd 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.

The economy of the Mid-Atlantic region continued to improve through the third quarter of 2011 after declining during 2009 and 2010. During the 12 months ending September 2011, nonfarm payrolls increased by 97,300 jobs, or 0.7 percent, compared with the loss of 143,900 jobs, or nearly 1.1 percent, during the 12-month period ending September 2010. During the 12 months ending September 2011, the average number of jobs in the region totaled 13.7 million, up from 13.6 million a year earlier. The education and health services sector accounted for 40 percent of the net increase in the region, growing by 40,100 jobs, or 1.8 percent, an improvement over the gain of 33,250 jobs, or 1.5 percent, reported during the 12 months ending September 2010. The professional and business services sector contributed 39 percent of the

regional increase in jobs with a gain of 38,200 jobs, up 1.9 percent from a year ago. Job growth also occurred in the manufacturing sector, where additions of 9,800 jobs in Pennsylvania, a 1.7-percent increase, offset losses of 2,050 jobs in Maryland, a decline of 1.8 percent, to contribute to a regional gain of 7,300 jobs, or 0.7 percent. The trade sector grew by 18,400 jobs, or 1 percent, and the mining, logging, and construction sector added 5,470 jobs, up 0.8 percent, despite the decrease of 0.3 percent, or 1,670 jobs, in the construction portion of that sector. The government sector lost 19,000 jobs during the 12 months ending September 2011, down 0.8 percent from the same period in 2010. The federal government subsector reported a loss of 4,000 jobs, or 0.6 percent, compared with the addition of nearly 32,000 jobs, or 5 percent, during the 12 months ending September 2010. The Washington, D.C. metropolitan area accounted for the loss of 3,000 jobs, or 75 percent of the decline in that subsector.

Job gains in the states in the region during the 12 months ending September 2011 ranged from 500 new jobs in Delaware, up 0.1 percent, to 63,800 new jobs in Pennsylvania, an increase of 1.1 percent. The gain in Pennsylvania more than offset the 57,350 jobs lost in that state during the previous 12-month period. Approximately 38 percent of all new jobs in Pennsylvania were in the education and health services sector, which added 24,000 jobs, up



2.1 percent from the previous year, and accounted for 60 percent of all new jobs in the sector in the region. Virginia reported a net increase of 17,400 jobs, or 0.5 percent, with 16,400 jobs added in the professional and business services sector. Maryland and West Virginia added 6,000 jobs, an increase of 0.2 percent, and 5,550 jobs, an increase of 0.7 percent, respectively. Both states recorded gains in the professional and business services and education and health services sectors, offsetting losses in the construction subsector and the manufacturing and financial services sectors in Maryland and losses in the construction subsector and the government sector in West Virginia. During the 12 months ending September 2011, the average unemployment rate in the Mid-Atlantic region decreased from 8.0 to 7.5 percent. Unemployment rates among the states in the region ranged from 6.4 percent in Virginia to 8.9 percent in West Virginia. The unemployment rate in the District of Columbia was 10.2 percent, which was the highest rate in the region.

Home sales market conditions in the Mid-Atlantic region were soft in the third quarter of 2011. During the 12 months ending September 2011, the total number of home sales declined in the region. According to the Maryland Association of REALTORS®, the number of existing home sales in Maryland totaled 50,900, down 9 percent compared with the 56,100 homes sold during the 12 months ending September 2010, and the average home sales price declined 3 percent to \$282,600 from \$290,600. In the Baltimore metropolitan area, 22,200 homes sold, down nearly 10 percent from the 24,600 sold during the previous year, according to Metropolitan Regional Information Systems, Inc. (MRIS®). The 12-month average home sales price declined by 5 percent to \$264,000 compared with \$277,000 during the previous year.

Sales housing market conditions were also soft in Virginia. During the 12 months ending September 2011, the Virginia Association of REALTORS® reported a 7-percent decline in the number of existing homes sales, to 81,700 homes sold. During the third quarter of 2011, the median home sales price decreased 6 percent to \$235,000 from \$249,900 a year ago. Home sales increased in the greater Richmond area during the third quarter of 2011, up nearly 17 percent to 3,350 homes sold, while the median sales price decreased by 6 percent to \$185,500. During the second quarter of 2011 (the most recent data available), existing home sales declined in Delaware, Pennsylvania, and West Virginia, according to the NATIONAL ASSOCIATION OF REALTORS®. The seasonally adjusted annual home sales rate decreased 23 percent in Pennsylvania and 20 percent in Delaware, to 154,400 and 11,200 homes, respectively, relative to the sales rate during the second quarter of 2010. Home sales declined in West Virginia by 13 percent to a seasonally adjusted annual rate of 25,200 homes sold. According to MRIS®, in the District of Columbia during the 12 months ending September 2011, 6,275 homes were

sold, down nearly 10 percent from the 6,925 homes sold during the previous year. Despite the decline, average home sales prices increased by 7 percent from \$488,000 to \$519,500. According to LPS Applied Analytics, during September 2011, the percentage of home loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region declined to 5.9 percent from 6.2 percent during September 2010 and remained significantly less than the 7.7-percent rate reported for the nation.

Single-family home construction declined in the region as a result of soft sales market conditions. Homebuilding activity, as measured by the number of single-family building permits issued, decreased by 3,800 permits, or 10 percent, to a total of 35,250 homes permitted during the 12 months ending September 2011 compared with a nearly 11-percent increase reported during the previous 12-month period, based on preliminary data. The largest percentage declines occurred in West Virginia, down 14 percent to 1,180 homes permitted; Delaware, down 13 percent to 2,450 homes permitted; and Virginia and Pennsylvania, each down slightly more than 10 percent to 13,250 and 10,600 homes permitted, respectively. In Maryland, single-family home construction decreased nearly 8 percent to 7,510 homes permitted. In contrast, construction activity in the District of Columbia increased by 170 homes to 260 homes permitted. In the region's largest metropolitan areas, construction activity declined. The largest decrease occurred in the Philadelphia metropolitan area, down 12 percent to 4,720 homes permitted. The Washington, D.C. metropolitan area and the Baltimore metropolitan area each declined by slightly more than 7 percent to 9,050 and 3,320 homes permitted, respectively.

Multifamily building activity, as measured by the number of units permitted, increased by 18 percent to 14,900 units in the Mid-Atlantic region during the 12 months ending September 2011. Multifamily building activity increased the most in the District of Columbia, up 240 percent to 2,960 units permitted, followed by Delaware and West Virginia, up 21 and 19 percent to 450 and 175 units permitted, respectively. In Virginia, during the same period, the number of multifamily units permitted increased by 15 percent to 5,870 units permitted. Despite the overall gain in the region, Pennsylvania and Maryland declined by 17 and 6 percent to a total of 2,210 and 3,220 units permitted, respectively. In most of the region's largest metropolitan areas, multifamily construction activity also declined. In the Philadelphia metropolitan area, the number of multifamily units permitted decreased by 25 percent to 1,780 units permitted, and, in the Baltimore metropolitan area, the number of multifamily units permitted declined by 16 percent to 1,740 units permitted during the 12 months ending September 2011. The Washington, D.C. metropolitan area reported 7,200 units permitted, 84 percent more than during the previous year.



Apartment market conditions throughout the region were mixed during the third quarter of 2011 and changed little during the past year. The apartment market in the Philadelphia metropolitan area was tight during the third quarter of 2011, unchanged from the previous year. Delta Associates reported that, from September 2010 to September 2011, vacancy rates in the Philadelphia suburbs decreased from 4.6 to 2.6 percent, while the average rent rose 3 percent, from \$1,550 to \$1,600. In the Center City Philadelphia submarket, during the same period, vacancy rates declined from 4.0 to 2.3 percent. Average rents in Center City increased 4 percent, from \$2,075 to \$2,160. In the Baltimore metropolitan area, conditions were balanced, despite the 1,600 newly constructed apartment units that increased the overall apartment vacancy rate to 8.9 percent from 7.4 percent during the previous year. Vacancy rates at stabilized properties in the Baltimore metropolitan area declined from 3.7 to 3.4 percent while concessions declined from

2.6 to 1.3 percent from September 2010 to September 2011. In Baltimore city, during the 12 months ending September 2011, vacancy rates, including units in leasing, were relatively unchanged at 8 percent, while vacancy rates at stabilized properties declined from 3.8 to 2.2 percent. Average rents in the Baltimore metropolitan area increased by 2 percent, from \$1,590 to \$1,620; in Baltimore city, they increased by 6 percent to \$1,710. The Washington, D.C. metropolitan area rental housing market was balanced during the 12 months ending September 2011. During that period, Delta Associates reported a vacancy rate for Class A garden apartments of 5.3 percent, nearly unchanged from 5.4 percent reported a year earlier. Vacancy rates in highrise units declined from 9.2 to 5.5 percent. During the same 12-month period, the average rent for Class A garden and highrise apartments increased by 4 percent to \$1,575 and \$2,400, respectively.