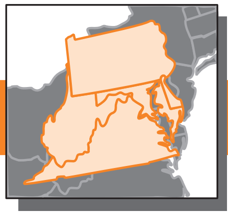
Housing Market Profile



Mid-Atlantic • HUD Region III

Philadelphia-Camden-Wilmington, Pennsylvania-New Jersey-Delaware-Maryland

The Philadelphia-Camden-Wilmington metropolitan area encompasses five counties in southeastern Pennsylvania, four counties in New Jersey, and one county each in Delaware and Maryland. As of July 1, 2010, the population of the metropolitan area totaled 6 million, an increase of approximately 33,600, or 0.5 percent, during the preceding 12 months. Steady employment increases in the education and health services sector have resulted in an average population growth of 0.5 percent annually since 2005. Since 2000, nearly 60 percent of the population growth in the metropolitan area has occurred in the city of Philadelphia and the surrounding Pennsylvania counties. Chester County, Pennsylvania, recorded the highest population growth rate, averaging 2.3 percent a year since 2000. Notably, the population of the city of Philadelphia has been increasing since 2004, primarily due to the migration of young professionals into Center City Philadelphia.

Employment levels in the Philadelphia-Camden-Wilmington metropolitan area have declined during the past year, continuing a trend that started during the 12 months ending December 2007. During the 12 months ending May 2010, average nonfarm employment declined by nearly 88,000 jobs, or 3.2 percent, compared with the number of jobs during 12 months ending May 2009. During the 12 months ending May 2010, job losses exceeded the 77,000 jobs gained in the metropolitan area from mid-2004 through 2007. The professional and business services sector registered the largest loss of 20,000 jobs, or 4.7 percent, during the 12 months ending May 2010. During the same period, employment declines occurred in the manufacturing and construction sectors, with decreases of 19,700 and 18,700 jobs, or 9.5 and 16.1 percent, respectively. During the 12 months ending May 2010, the unemployment rate rose to 9 percent from 6.5 percent a year earlier.

Despite the overall decline in employment, the education and health services sector, which accounts for 20 percent of employment in the metropolitan area, has consistently registered an average annual increase of 12,000 jobs, or 2.2 percent, since mid-2007.

Employment in the education and health services sector increased by 7,100 jobs, or 1.3 percent, during the 12 months ending May 2010. Jefferson Health System, Inc., located in Pennsylvania, is the leading employer in the metropolitan area with 22,500 employees. The University of Pennsylvania is the second largest employer in the metropolitan area with 22,300 employees. The only other sector to add jobs during the past 12 months was the government sector, which added 1,400 jobs, a 0.4-percent increase.

Home sales market conditions in the metropolitan area are currently soft, reflecting recent employment declines. According to TREND, the Multiple Listing Service (MLS) and the Maryland Association of REALTORS® (for Cecil County, Maryland), during the 12 months ending March 2010 (the most recent data available), the average existing home sales price in the metropolitan area fell by 6 percent from the previous year to $247,950. For the 12 months ending March 2010, Chester County, Pennsylvania reported the highest average existing home sales price in the metropolitan area of $363,100, a nearly 8-percent decline from the previous year. The average existing home sales price in Center City rose to $294,875 in 2009 (the most recent data available), and recorded a 0.6-percent annual increase since 2006, according to the Center City District & Central Philadelphia Development Corporation. New condominium unit prices in Center City range from approximately $500,000 to $800,000. Existing condominium unit prices range from approximately $325,000 in the Art Museum area to $500,000 in the Rittenhouse Square neighborhood. Because of the overall price decline and additional buyer incentives, home sales in the metropolitan area increased by 5 percent, or 2,425 homes, to 52,100, between March 2009 and March 2010, as reported by TREND and the Maryland Association of REALTORS®. Total home sales increased by nearly 15 percent in both Cecil County, Maryland, and Salem County, New Jersey, and by 8 percent in Bucks County, Pennsylvania. Of the total existing home sales in the metropolitan area, 23 percent were in the city of Philadelphia, 15 percent in Montgomery County, and 11 percent in Bucks County. According to Lender Processing Services Mortgage Performance Data, 6.5 percent of total loans in the metropolitan area were in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) in May 2010, up from 4.8 percent in May 2009.

Because economic conditions in the metropolitan area have declined, builders have reduced construction of new homes. During the 12 months ending May 2010, based on preliminary building permit data, the number of single-family homes permitted de-screased from the previous 12-month period by 1 percent to 5,400 homes. The decline in single-family home construction during the 12 month ending May 2010, follows a nearly 35-percent decrease during the 12 months ending May 2009. In 2006 and 2007, the metropolitan area averaged an annual increase of 10,600 single-family homes permitted, and more than one-half of those homes are located in suburban Pennsylvania counties. New home sales prices range from $300,000 to $500,000 in the Pennsylvania suburbs and $200,000 to $350,000 in the New Jersey suburbs. New home sales prices in Delaware start at $350,000, and in Maryland they start at $250,000.

During the 12 months ending May 2010, multifamily construction activity, as measured by the number of units permitted, declined by 11 percent, to 1,975 units, compared with the number of units permitted during the previous 12 months, based on preliminary data. Multifamily construction peaked in 2003, when 5,700 units were permitted. Condominium construction peaked in 2004 when more than 3,500 units were permitted. In the metropolitan area between 2007 and 2009, an average of 1,525 condominium units was permitted each year; during that period, condominiums accounted for 50 percent of multifamily units built. The majority of the newly constructed condominium units were located in Pennsylvania counties, with 58 percent in or near Center City. In 2010, the number of condominium units permitted has declined to approximately 425 homes. According to Reis, Inc., more than 400 condominium units are currently under construction in the metropolitan area, with approximately 100 units located in Montgomery County and the remaindzer located in Center City.

The Philadelphia-Camden-Wilmington metropolitan area rental market is currently balanced. According to Delta Associates, the Class A apartment vacancy rate declined from nearly 12 to 5 percent from June 2009 to June 2010. Rent concessions have decreased from more than 7 percent to 5 percent of rent, during the 12 months ending June 2010. During the same period, vacancy rates in the New Jersey suburbs decreased from nearly 20 to 6 percent, and in the Pennsylvania suburbs they decreased from 10 to 6 percent. Camden County, New Jersey, reported the highest vacancy rate in the metropolitan area; the 9-percent rate is attributed to vacancies accounted for during the renovation of an apartment complex with more than 500 units. In June 2010, average rents in Class A units in the metropolitan area increased by nearly 3 percent, to $1,540, from June 2009. The market for Class A highrise units in Center City Philadelphia tightened during the 12 months ending June 2010, when the vacancy rate fell from 9 to 2 percent. Concessions in Center City decreased from 9 to 4 percent of average rent, and the average monthly rent increased 9 percent, to $3,350, during the 12 months ending June 2010.