

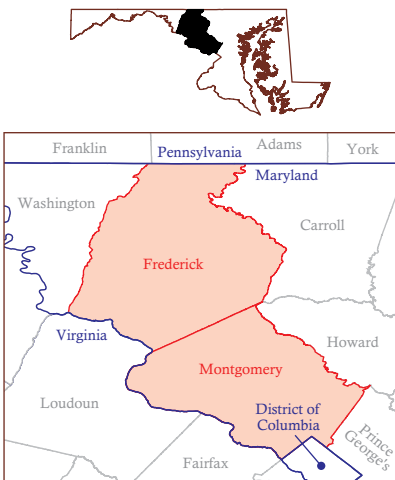


Montgomery-Frederick, Maryland

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2013

PD&R

Housing Market Area



The Montgomery-Frederick Housing Market Area (HMA), which is coterminous with the Bethesda-Rockville-Frederick, MD Metropolitan Division within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area, comprises Montgomery and Frederick Counties. This report examines each county as a separate submarket. The HMA is home to several federal government employers and an established biotechnology industry.

Market Details

Economic Conditions	2
Population and Households	4
Housing Market Trends	5
Data Profiles	12

Summary

Economy

Economic growth in the Montgomery-Frederick HMA accelerated during the past 2 years. During the 12 months ending June 2013, nonfarm payrolls increased by 10,300 jobs, or 1.8 percent, to 575,400 jobs, after a gain of 1,900 jobs, or 0.3 percent, during the previous 12 months. Payrolls nearly returned to the peak level recorded in mid-2007, but the unemployment rate remains greater than normal for the HMA. The economy is expected to add 3,450 jobs, an increase of 0.6 percent, annually during the next 3 years.

Sales Market

Sales housing market conditions in the HMA are balanced to tight because of increasing home sales and limited

homebuilding. The current estimated vacancy rate is 1.0 percent, down from 1.6 percent in 2010. During the next 3 years, demand is estimated for 8,550 new homes (Table 1). The 850 homes currently under construction and a portion of the 10,600 other vacant units in the HMA that may reenter the market will likely satisfy some of the demand.

Rental Market

The rental housing market in the HMA is balanced. The estimated overall vacancy rate is currently 5.8 percent, increasing from 5.6 percent in 2010 because of the many apartment units built in the HMA during the past year. During the next 3 years, demand is expected for 5,600 new rental units (Table 1). The 5,850 units currently under construction will satisfy all the forecast demand.

Table 1. Housing Demand in the Montgomery-Frederick HMA, 3-Year Forecast, July 1, 2013, to July 1, 2016

	Montgomery-Frederick HMA		Montgomery County Submarket		Frederick County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	8,550	5,600	5,900	4,950	2,650	650
Under construction	850	5,850	560	5,550	290	310

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2013. A portion of the estimated 10,600 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The economy of the Montgomery-Frederick HMA has been expanding since early 2011. After peaking at 576,700 jobs in mid-2007, the economy lost 19,100 jobs, or more than 3 percent of nonfarm payrolls, from 2008 through 2010. The most job declines occurred in the mining, logging, and construction sector and the retail trade subsector. During the 12 months

ending June 2013, nonfarm payrolls increased by 10,300 jobs, or 1.8 percent, to 575,400 jobs. By comparison, nonfarm payrolls increased by an average of 4,300 jobs, or 0.8 percent, annually from 2000 through 2007. During that 7-year period, the education and health services and the professional and business services sectors recorded the most annual gains, adding averages of 1,475 and 1,300 jobs, increases of 2.4 and 1.1 percent, respectively.

During the 12 months ending June 2013, the leisure and hospitality sector led growth among all the sectors of the economy, adding 2,500 jobs, an increase of 5.2 percent (Table 2). A 120-room TownePlace® Suites by Marriott hotel added 30 jobs to this sector when it opened in the Frederick County submarket in November 2012. The education and health services sector added 2,100 jobs, an increase of 2.7 percent. Among all the industries in the HMA, these sectors have also experienced the greatest percentage gains in jobs since 2000 (Figure 1).

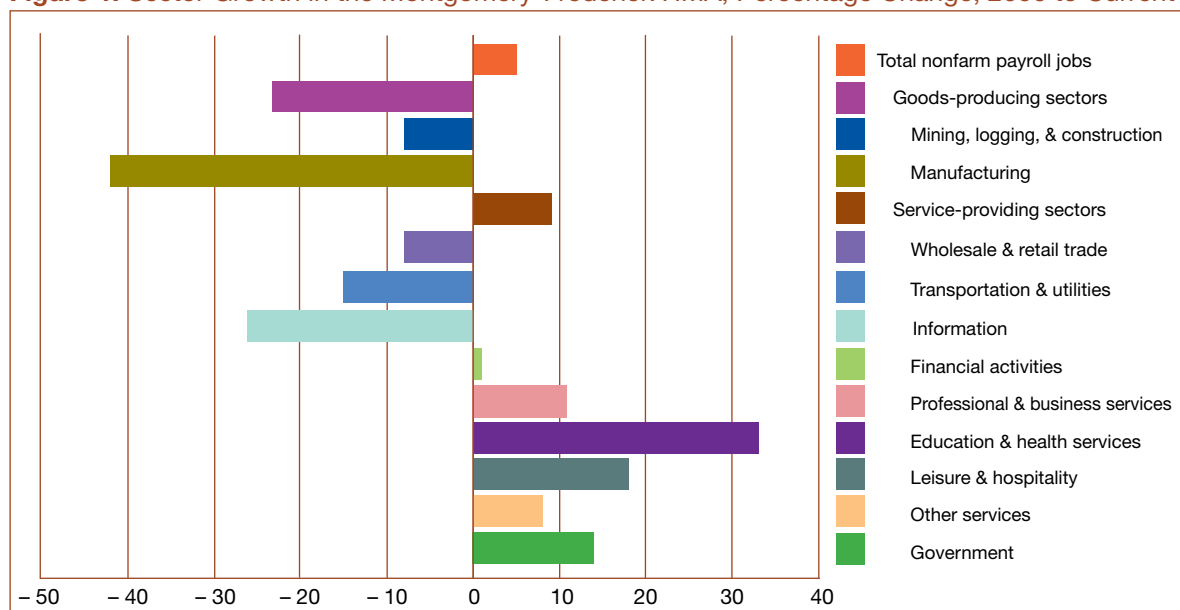
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Montgomery-Frederick HMA, by Sector

	12 Months Ending June 2012	12 Months Ending June 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	565,100	575,400	10,300	1.8
Goods-producing sectors	48,100	49,300	1,200	2.5
Mining, logging, & construction	31,800	33,400	1,600	5.0
Manufacturing	16,200	15,900	-300	-1.9
Service-providing sectors	517,000	526,100	9,100	1.8
Wholesale & retail trade	70,900	71,000	100	0.1
Transportation & utilities	6,000	5,700	-300	-5.0
Information	14,300	14,300	0	0.0
Financial activities	39,300	39,400	100	0.3
Professional & business services	124,300	126,700	2,400	1.9
Education & health services	79,100	81,200	2,100	2.7
Leisure & hospitality	47,900	50,400	2,500	5.2
Other services	30,200	30,000	-200	-0.7
Government	105,000	107,400	2,400	2.3

Notes: Based on 12-month averages through June 2012 and June 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Montgomery-Frederick HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through June 2013.

Source: U.S. Bureau of Labor Statistics

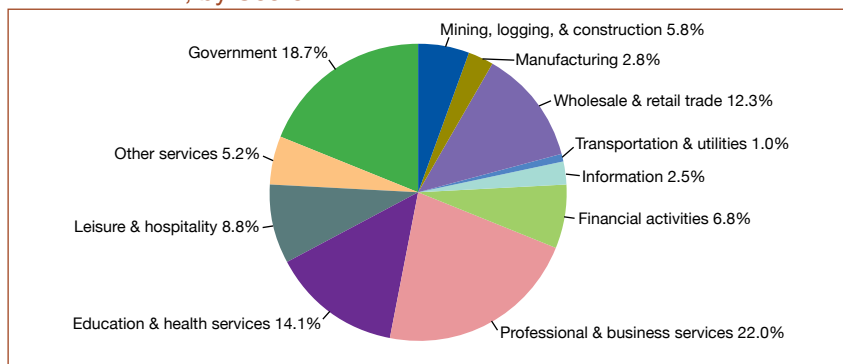
The professional and business services sector, which accounts for 22 percent of total nonfarm payrolls, is the largest sector in the HMA (Figure 2). The sector added 2,400 jobs, an increase of 1.9 percent, during the 12 months ending June 2013. Several large employers in this sector are involved primarily in biotechnology and life sciences research. SAIC-Frederick, with 1,965 employees, added 200 jobs when the company opened the Advanced Technology Research Facility in June 2012. MedImmune, LLC, the largest life sciences employer in Maryland, with 2,300 employees,

will add 300 jobs at its headquarters in Gaithersburg during the next year through consolidations.

The government sector, which accounts for approximately 19 percent of total nonfarm payrolls, is the second largest sector in the HMA. The National Institutes of Health and the U.S. Food and Drug Administration are major employers in the federal government subsector and are among the largest employers in the HMA, with 16,900 and 11,300 employees, respectively (Table 3). From 2007 through 2012, the federal government subsector increased by an average of 1,400 jobs, or 2.9 percent, annually. Automatic spending cuts enacted in March 2013 as part of the Budget Control Act of 2011 weakened job growth in the federal government subsector, however. During the 12 months ending June 2013, federal government subsector payrolls in the HMA were down 300 jobs, or 0.6 percent, compared with the average recorded during the previous 12 months. Despite the decline in the federal government subsector, the government sector added 2,300 jobs, an increase of 2.3 percent, during the same period because of increases in payrolls in the state and local government subsectors.

During the next 3 years, nonfarm payrolls are expected to increase by an average of 3,450 jobs, or 0.6 percent, annually. Job growth is expected to decline from its current rate because of forecast declines in direct federal government employment and jobs resulting from federal contracts. Federal contracts awarded in the sixth and eighth Congressional Districts in Maryland, which include the HMA and portions of surrounding counties, totaled \$8.5 billion during 2012, down

Figure 2. Current Nonfarm Payroll Jobs in the Montgomery-Frederick HMA, by Sector



Note: Based on 12-month averages through June 2013.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Montgomery-Frederick HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
National Institutes of Health	Government	16,900
Walter Reed National Military Medical Center	Government	11,700
U.S. Food and Drug Administration	Government	11,300
Adventist HealthCare	Education & health services	5,675
Marriott International, Inc.	Leisure & hospitality	5,500
Lockheed Martin Corporation	Manufacturing	5,200
National Oceanic and Atmospheric Administration	Government	4,600
Fort Detrick	Government	4,600
Verizon	Information	3,575
Giant of Maryland, LLC	Wholesale & retail trade	3,500

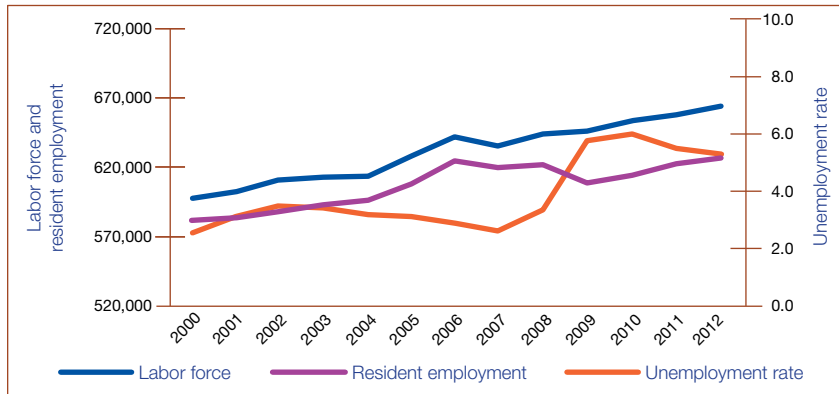
Notes: Excludes local school districts. The number for Fort Detrick includes employees at Frederick National Lab. Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included. Data as of 2012.

Sources: Maryland Department of Business and Economic Development; Montgomery County Department of Economic Development; Frederick County Office of Economic Development

from \$8.6 billion during 2011 and a post-2000 peak of \$9.8 billion during 2009 (USASpending.gov). The education and health services sector is expected to lead job growth during the

forecast period. Holy Cross German-town Hospital is under construction and expected to add approximately 1,000 jobs to this sector when it opens in 2014. Concurrent with the forecast expansion, the unemployment rate is expected to continue a downward trend toward the 3.1-percent average that prevailed from 2000 through 2008. During the 12 months ending June 2013, the unemployment rate averaged 5.3 percent, down from 5.4 percent during the previous 12 months. Figure 3 illustrates trends in the labor force, resident employment, and the employment rate in the HMA from 2000 through 2012.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Montgomery-Frederick HMA, 2000 Through 2012



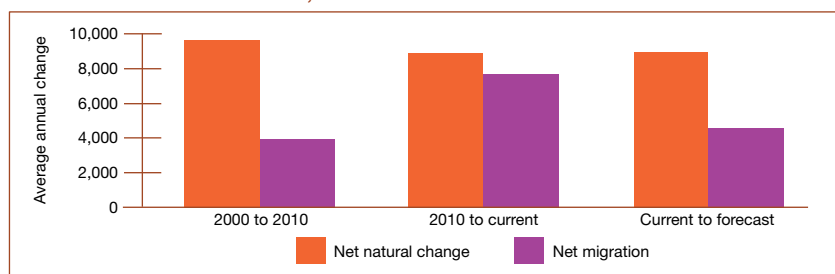
Source: U.S. Bureau of Labor Statistics

Population and Households

As of July 1, 2013, the estimated population of the Montgomery-Frederick HMA was 1.26 million, reflecting an average annual increase of 16,550, or 1.4 percent, since 2010 (see Tables DP-1 through DP-3 at the end of this report for demographic data for the HMA and submarkets from 2000 to the current date). The current growth rate is greater than the

average annual increase of 13,650, or 1.2 percent, from 2000 to 2010. Net in-migration has averaged 7,775 people since 2010, accounting for nearly one-half of overall growth compared with 29 percent of overall growth during the 2000s (Figure 4). Net in-migration to the HMA from April 2010 to July 2012 (the most recent data available) mostly consisted of people moving from outside the United States, particularly into the Montgomery County submarket (U.S. Census Bureau estimates). This trend is expected to have continued to the current date. Net natural change (resident births minus resident deaths) has averaged 8,775 people since 2010 but has declined each year since peaking at 10,150 in 2005.

Figure 4. Components of Population Change in the Montgomery-Frederick HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

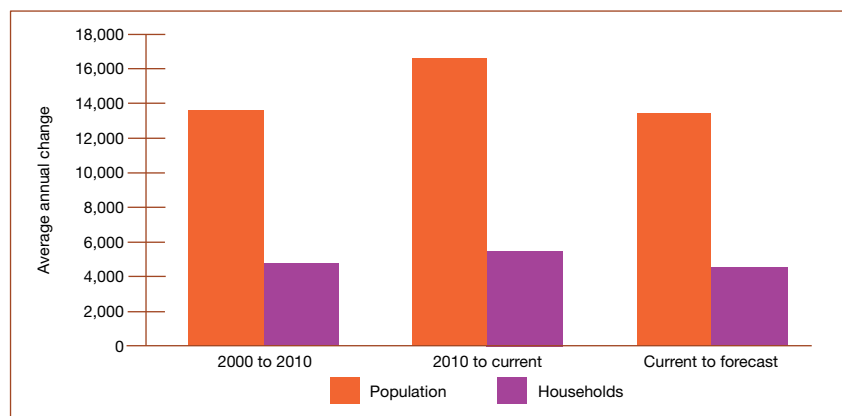
An estimated 1.02 million people reside in the Montgomery County submarket, accounting for more than 80 percent of the population of the HMA. During the 2000s, the population of the submarket increased by an average of 9,850, or 1.1 percent, annually. Growth was less, however, during the mid-2000s, with net out-migration primarily to the Frederick County submarket, where home sales prices were less, and to northern Virginia, where economic growth was stronger. Since 2010, the population of the submarket has increased by an average of 13,900, or 1.4 percent, as home sales prices declined to 15 to 20 percent less than the peak average sales price recorded in 2007 and the economy strengthened. Population growth is

expected to diminish to 10,650 people, or 1.0 percent, annually during the next 3 years because of the expected decrease in nonfarm payroll growth.

The estimated population of the Frederick County submarket is currently 242,100. From April 2000 to July 2003, population growth averaged 5,600 people, or 2.8 percent, annually because of strong economic growth. From July 2003 to April 2010, the rate of increase declined to 2,900 people, or 1.3 percent, as economic growth abated. Population growth has averaged 2,675 people, or 1.1 percent, annually since 2010 and is expected to average 2,800 people, or 1.1 percent, annually during the next 3 years.

An estimated 459,700 households currently reside in the HMA, with 371,500 in the Montgomery County submarket and 88,200 in the Frederick County submarket. Since 2010, the number of households has increased by an average of 5,475, or 1.2 percent, annually, greater than the average annual growth of 4,725 households, or 1.1 percent, during the 2000s (Figure 5). The number of households in the HMA is expected to increase by 4,575, or 1.0 percent, annually during the next 3 years.

Figure 5. Population and Household Growth in the Montgomery-Frederick HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market—Montgomery County Submarket

The sales housing market in the Montgomery County submarket is tight, partially because of an increase in purchases by investors. The estimated sales vacancy rate is currently

0.9 percent, down from 1.5 percent in 2010. During the 12 months ending June 2013, 10,250 existing homes sold, an 11-percent increase compared with the number sold during the previous

Housing Market Trends

Sales Market—Montgomery County Submarket *Continued*

12 months (Metropolitan Regional Information Systems, Inc. [MRIS®]). Investor purchases increased 28 percent, accounting for 20 percent of home sales during the 12 months ending June 2013 compared with 17 percent of home sales during the previous 12 months (Metrostudy, A Hanley Wood Company). The current sales volume exceeds the average of 9,775 homes sold annually from 2008 through 2010. Although the number of owner households increased during the 2000s, the homeownership rate declined (Figure 6), especially among householders ages 25 through 44 (2000 Census and 2010 Census). The current estimated homeownership rate in the submarket is 66.7 percent.

The decline in the availability of homes for sale and a reduction in distressed mortgages during the past year led to an increase in home sales prices. During the 12 months ending June 2013, the average sales price for new and existing homes in the Montgomery County submarket increased 6 percent, to \$485,800, compared with the average sales price during the previous 12 months (MRIS®). From 2000 through 2007, the average sales price more than doubled, peaking at \$550,200 during 2007. From 2008 through 2010, home sales prices averaged \$457,200, approximately 6 percent less than the average for homes sold during the past year.

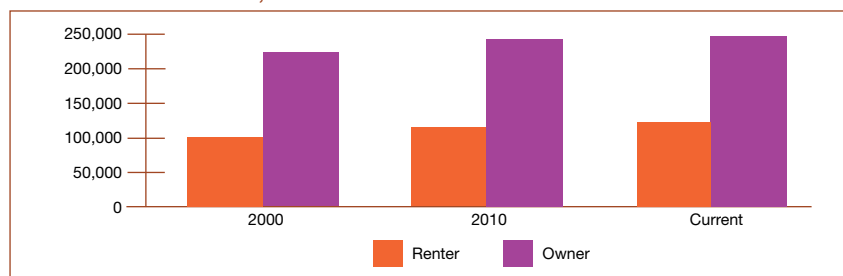
As of June 2013, 4.4 percent of home

loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 5.4 percent a year earlier (LPS Applied Analytics).

The condominium market is tight. As of June 2013, the inventory of available condominiums was less than a 2-month supply, relatively unchanged from a year earlier (MRIS®). During the 12 months ending June 2013, 2,300 existing condominiums sold, a 14-percent increase compared with the number sold during the previous 12 months. The average sales price rose 6 percent, to \$260,600. The Darcy, a highrise luxury condominium complex under construction in Bethesda, with 88 units starting at \$750,000, is expected to be complete in 2015.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased during the 12 months ending June 2013, when 1,400 single-family homes were permitted, up 17 percent compared with the 1,175 homes permitted during the previous 12 months (preliminary data). The current homebuilding activity is much more than the average of 930 homes permitted annually from 2008 through 2010 but is approximately one-half the average of 2,250 homes permitted annually from 2000 through 2007 (Figure 7). Recent new home construction has been concentrated in the central and northern areas of the submarket. Clarksburg Village, in the northern portion of the submarket, began construction in 2004 on 2,100 single-family homes and townhomes, with prices currently starting at \$330,000 (not including Moderately Priced Dwelling Units, a requirement for affordable housing units in the submarket, which start at \$140,000).

Figure 6. Number of Households by Tenure in the Montgomery County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

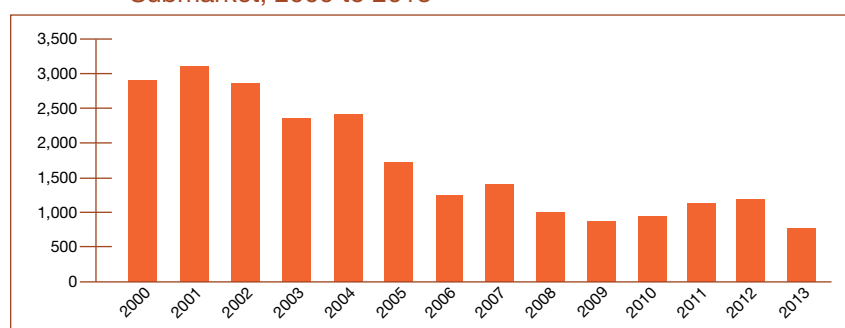
Sales Market—Montgomery County Submarket *Continued*

Approximately 40 percent of Clarksburg Village was complete as of April 2013 (Montgomery County Planning).

During the next 3 years, demand is expected for 5,900 new homes in the Montgomery County submarket (Table 1). The 560 homes currently under construction will meet a portion of the demand. Sales demand is ex-

pected to increase each year during the forecast period, and the most demand is expected for homes priced from \$300,000 to \$400,000, not including Moderately Priced Dwelling Units (Table 4). A portion of the estimated 8,000 other vacant units in the submarket may reenter the sales market and satisfy some of the forecast demand.

Figure 7. Single-Family Homes Permitted in the Montgomery County Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Montgomery County Submarket, July 1, 2013, to July 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	299,999	1,175	20.0
300,000	399,999	1,475	25.0
400,000	499,999	890	15.0
500,000	599,999	590	10.0
600,000	699,999	590	10.0
700,000	799,999	300	5.0
800,000	and higher	890	15.0

Notes: Numbers may not add to totals because of rounding. The 560 homes currently under construction and a portion of the estimated 8,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Montgomery County Submarket

The rental housing market in the Montgomery County submarket is balanced. The estimated overall rental vacancy rate is currently 5.8 percent, up slightly from 5.4 percent in 2010 (Figure 8). The apartment vacancy rate increased during the past year because many

new units were completed, including the 389-unit Archstone Gaithersburg Station in Gaithersburg and the 275-unit Gables Upper Rock in Rockville. As of June 2013, 5.6 percent of units in stabilized apartment communities were vacant, up from 5.3 percent a year

Housing Market Trends

Rental Market—Montgomery County Submarket *Continued*

earlier (Delta Associates). Effective rents for highrise and garden apartments increased a modest 1 percent each, to \$2,225 and \$1,675, respectively. Concessions for highrise apartments decreased from 3.6 to 1.9 percent, but concessions for garden apartments increased from 1.5 to 1.8 percent. Market rents currently average \$1,375, \$1,675, and \$2,000 for one-, two-, and three-bedroom units, respectively (Reis, Inc.).

Multifamily construction activity in the submarket increased to its highest level since at least 2000. During the 12 months ending June 2013, 3,700 multifamily units were permitted, a 34-percent increase compared with the 2,750 units permitted during the previous 12 months (preliminary data). The current level is more than the average of 770 units permitted annually from 2008 through 2010 and the average of 2,025 units permitted annually from 2000 through 2007 (Figure 9).

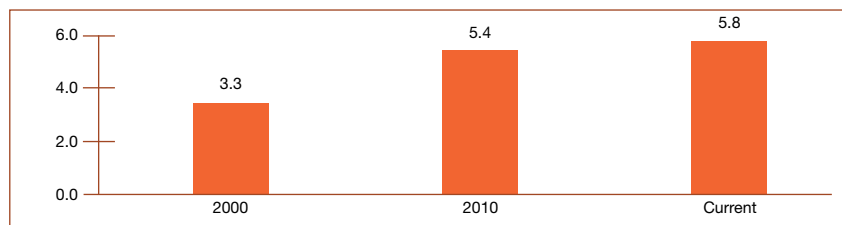
From 2000 through 2009, approximately

31 percent of multifamily units permitted were condominiums, including the more than 1,000 condominiums permitted annually from 2003 through 2005. Condominium permitting has declined to approximately 5 percent of multifamily units permitted since 2010.

Apartments currently under construction include several developments with convenient access to rail transit serving the Washington, D.C. area. The 486-unit Exchange at Wheaton Station and the 232-unit Solaire Wheaton are under way near the Washington Metropolitan Area Transit Authority's Wheaton Station in Silver Spring. Other apartment construction activity focuses on redeveloping older central business districts in more urbanized areas of the Montgomery County submarket, including the 234-unit Gallery of Bethesda and the 199-unit Bainbridge Bethesda. All four communities are expected to be complete by early 2014, with starting rents ranging from \$1,475 for a studio unit to \$3,650 for a two-bedroom unit.

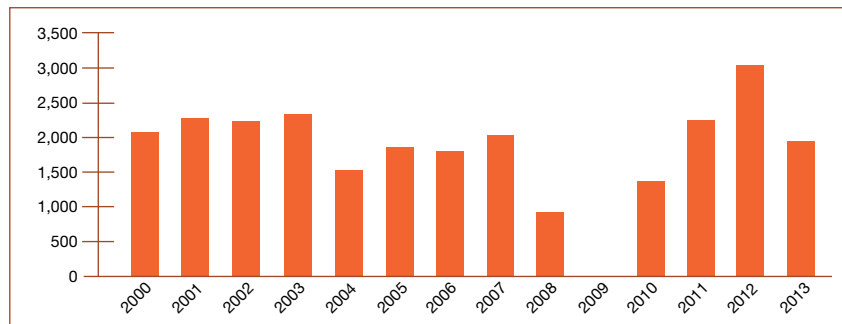
During the next 3 years, demand is expected for 4,950 new rental units (Table 1). The forecast demand is expected to decrease each year as the sales market improves but is expected to support approximately 70 percent of the units completed during the forecast period, including the 5,550 apartments under construction and an additional 1,425 apartments in planning. Rents for new one-, two-, and three-bedroom units are estimated to start at \$1,300, \$1,450, and \$1,800, respectively (Table 5). Starting rents are expected to be more for new apartments in southern portions of the submarket, including Bethesda and Rockville.

Figure 8. Rental Vacancy Rates in the Montgomery County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Montgomery County Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Montgomery County Submarket, July 1, 2013, to July 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,300 to 1,499	1,200	1,450 to 1,649	1,125	1,800 to 1,999	300
1,500 to 1,699	300	1,650 to 1,849	560	2,000 to 2,199	220
1,700 to 1,899	200	1,850 to 2,049	220	2,200 to 2,399	75
1,900 or more	300	2,050 or more	330	2,400 or more	150
Total	1,975	Total	2,225	Total	740

Notes: Numbers may not add to totals because of rounding. The 5,550 units currently under construction will satisfy some of the estimated demand.

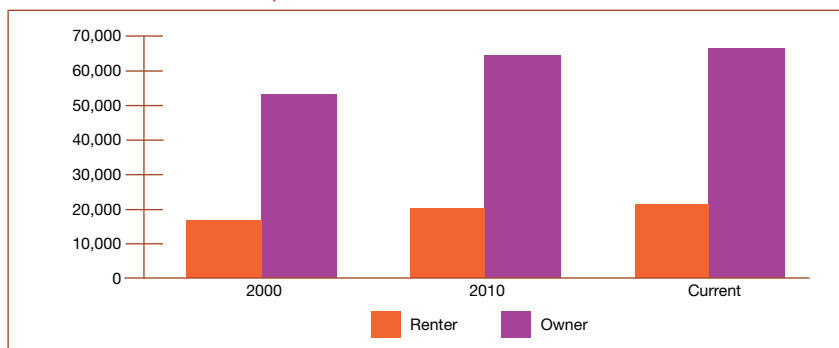
Source: Estimates by analyst

Sales Market—Frederick County Submarket

Despite diminished owner household growth, the sales housing market in the Frederick County submarket is balanced because of limited home-building activity. The estimated sales vacancy rate is currently 1.2 percent, down from 1.8 percent in 2010. During the 12 months ending June 2013, 2,750 existing homes sold, a 15-percent increase compared with the number sold during the previous 12 months (MRIS®). The current sales volume exceeds the average of 2,500 homes sold annually from 2007 through 2010. Owner households accounted for 76 percent of total household growth during the 2000s but only 61 percent since 2010, resulting in a decrease in the homeownership rate to a current estimated 75.3 percent (Figure 10).

During the 12 months ending June 2013, the average sales price for new and existing homes in the submarket increased 11 percent, to \$284,500, compared with the average sales price during the previous 12 months. Home sale prices increased an average of more than 13 percent annually, to \$363,900, from 2000 through 2006 but declined an average of about 8 percent annually from 2007 through 2010. The current price level is less than the average sales price of \$296,000 for homes sold from 2007 through 2010. As of June 2013, 5.8 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 6.6 percent a year earlier (LPS Applied Analytics).

The condominium market is balanced. As of June 2013, the inventory of available condominiums was a 4-month supply, up from a 2-month supply a year earlier (MRIS®). During the 12 months ending June 2013, 190 existing condominiums sold, a 5-percent decrease compared with the number sold during the previous 12 months. The average sales price increased 5 percent, to \$152,800. Condominiums under construction in the Frederick County submarket include the 70-unit Vista

Figure 10. Number of Households by Tenure in the Frederick County Submarket, 2000 to Current

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

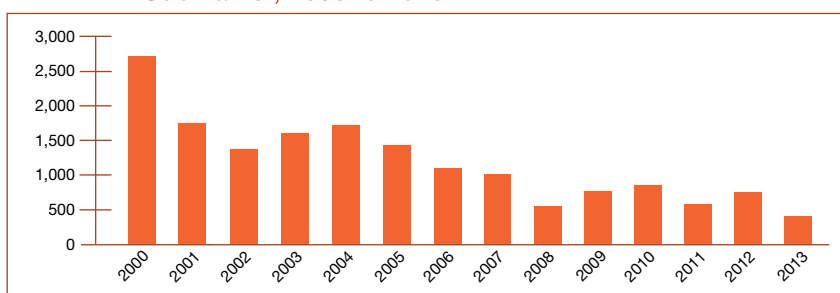
Sales Market—Frederick County Submarket *Continued*

View Condominiums in the city of Frederick, which is expected to be complete in late 2013.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased during the past year (Figure 11).

During the 12 months ending June 2013, 670 single-family homes were

Figure 11. Single-Family Homes Permitted in the Frederick County Submarket, 2000 to 2013



Notes: Includes townhomes. Includes data through June 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Frederick County Submarket, July 1, 2013, to July 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	249,999	130	5.0
250,000	299,999	400	15.0
300,000	349,999	530	20.0
350,000	399,999	660	25.0
400,000	449,999	400	15.0
450,000	499,999	270	10.0
500,000	and higher	270	10.0

Notes: Numbers may not add to totals because of rounding. The 290 homes currently under construction and a portion of the estimated 2,600 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

permitted, up 20 percent compared with the 560 homes permitted during the previous 12 months but down from the average of 780 homes permitted from 2007 through 2010 and less than one-half the average of 1,650 homes permitted from 2000 through 2006 (preliminary data). New home construction during the 2000s was concentrated in areas surrounding and including the city of Frederick and in southeastern portions of the submarket, which abut the Montgomery County submarket. Subdivisions under construction include Linton at Ballenger, near the center of the submarket, where construction began in 2008. Current sales prices for the 760 townhomes and single-family homes in the development start at \$250,000 and \$350,000, respectively.

During the next 3 years, demand is expected for 2,650 new homes in the Frederick County submarket (Table 1). The 290 homes currently under construction will meet a portion of the demand. New home sales prices are expected to start at \$200,000, and the most demand is expected for homes priced from \$350,000 to \$400,000 (Table 6). A portion of the estimated 2,600 other vacant units in the submarket may reenter the market and satisfy some of the forecast demand.

Rental Market—Frederick County Submarket

The rental housing market in the Frederick County submarket is balanced. The estimated overall rental vacancy rate is currently 5.7 percent, down from 6.8 percent in 2010 (Figure 12). The apartment market, however, is slightly soft because of an increase in apartment construction activity during the past year. As of June 2013, the vacancy rate for stabilized apartments

was 6.5 percent, up from 4.9 percent a year earlier (Delta Associates). During the same period, the average effective rent increased more than 4 percent, to \$1,279, and the average concession decreased from 2.2 to 2.0 percent of market rents. According to Reis, Inc., market rents currently average \$960, \$1,075, and \$1,400 for one-, two-, and three-bedroom units, respectively.

Housing Market Trends

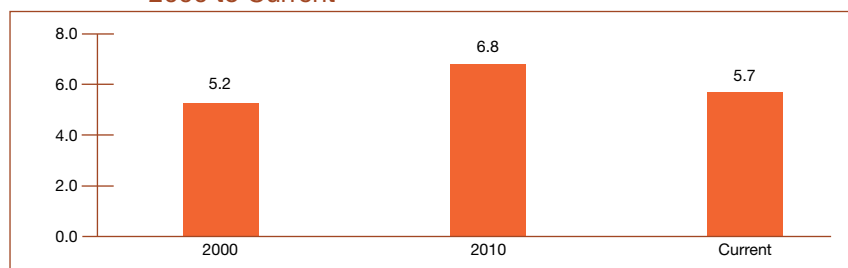
Rental Market—Frederick County Submarket *Continued*

During the 12 months ending June 2013, 320 multifamily units were permitted in the submarket, a 15-percent increase compared with the number of units permitted during the previous

12 months (preliminary data). An average of 90 units were permitted annually from 2008 through 2010, and an average of 230 units were permitted annually from 2000 through 2007 (Figure 13). Current multifamily construction activity includes 100 condominium units, or 30 percent of all multifamily units permitted during the 12 months ending June 2013, up from 30 condominium units, or 11 percent of all multifamily units permitted during the previous 12 months. Condominium construction activity peaked in 2005 at 240 units, or 53 percent of all multifamily units permitted. The Park at Walnut Ridge, with 204 units with rents starting at \$1,215, was completed in June 2013. The apartments under construction include 206 units at Market Square, in the city of Frederick, with expected completion in 2014.

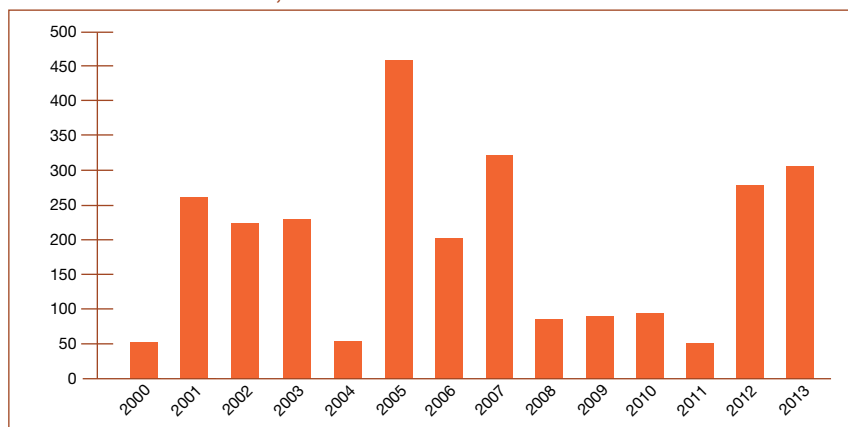
During the next 3 years, demand is expected for 650 new rental units in the Frederick County submarket. The 310 units currently under construction will meet nearly one-half of this demand (Table 1). In addition, two apartment communities, with approximately 540 units combined, are expected to begin construction during the next 2 years, satisfying the remaining demand. Table 7 shows forecast demand by number of bedrooms and rent level.

Figure 12. Rental Vacancy Rates in the Frederick County Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 13. Multifamily Units Permitted in the Frederick County Submarket, 2000 to 2013



Notes: Excludes townhomes. Includes data through June 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Frederick County Submarket, July 1, 2013, to July 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,200 to 1,399	230	1,350 to 1,549	290	1,600 to 1,799	55
1,400 or more	30	1,550 or more	30	1,800 or more	10
Total	260	Total	320	Total	65

Note: Numbers may not add to totals because of rounding. The 310 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Table DP-1. Montgomery-Frederick HMA, Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	583,125	614,049	631,600	0.5	1.1
Unemployment rate	2.6%	6.0%	5.3%		
Nonfarm payroll jobs	546,400	559,500	575,400	0.2	1.1
Total population	1,068,618	1,205,162	1,259,000	1.2	1.4
Total households	394,625	441,886	459,700	1.1	1.2
Owner households	276,175	305,780	314,300	1.0	0.8
Percent owner	70.0%	69.2%	68.4%		
Renter households	118,450	136,106	145,400	1.4	2.1
Percent renter	30.0%	30.8%	31.6%		
Total housing units	407,649	466,041	482,300	1.3	1.1
Owner vacancy rate	1.0%	1.6%	1.0%		
Rental vacancy rate	3.6%	5.6%	5.8%		
Median Family Income	\$78,900	\$102,700	\$106,100	2.7	1.6

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2013. Median Family Incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Montgomery County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	873,341	971,777	1,017,000	1.1	1.4
Total households	324,565	357,086	371,500	1.0	1.2
Owner households	223,017	241,465	247,900	0.8	0.8
Percent owner	68.7%	67.6%	66.7%		
Rental households	101,548	115,621	123,600	1.3	2.1
Percent renter	31.3%	32.4%	33.3%		
Total housing units	334,632	375,905	389,400	1.2	1.1
Owner vacancy rate	0.9%	1.5%	0.9%		
Rental vacancy rate	3.3%	5.4%	5.8%		

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Frederick County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	195,277	233,385	242,100	1.8	1.1
Total households	70,060	84,800	88,200	1.9	1.2
Owner households	53,158	64,315	66,400	1.9	1.0
Percent owner	75.9%	75.8%	75.3%		
Rental households	16,902	20,485	21,800	1.9	1.9
Percent renter	24.1%	24.2%	24.7%		
Total housing units	73,017	90,136	92,900	2.1	0.9
Owner vacancy rate	1.5%	1.8%	1.2%		
Rental vacancy rate	5.2%	6.8%	5.7%		

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 7/1/2013—Analyst's estimates
 Forecast period: 7/1/2013–7/1/2016—Analyst's estimates

The Bethesda-Rockville-Frederick, MD Metropolitan Division, as defined in this report, is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Montgomery-FrederickMD_13.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.