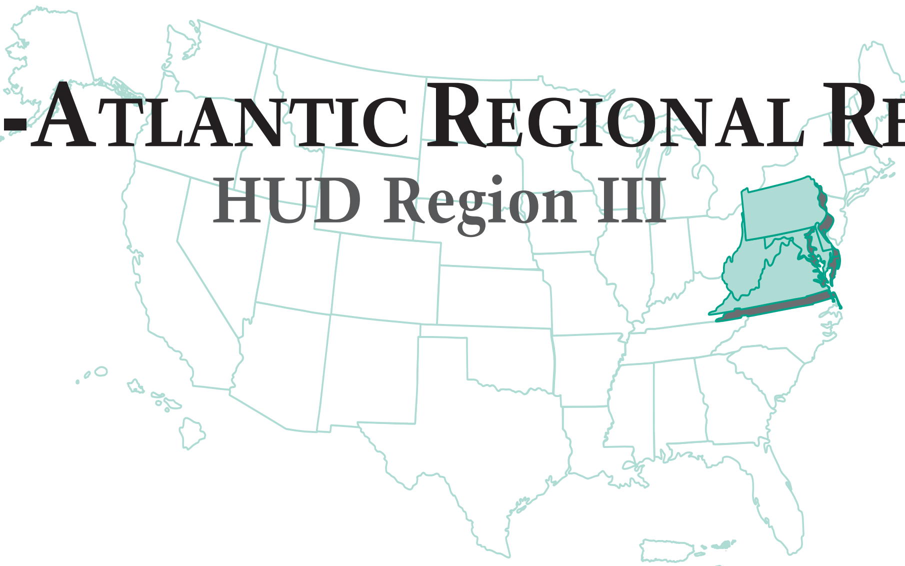
1st Quarter 2009

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.

The first quarter of 2009 marked the end of the economic expansion that began in the Mid-Atlantic region in the first quarter of 2004. During the 12 months ending March 2009, the region lost 83,000 jobs, or 0.6 percent, compared with the gain of 94,100 jobs, or nearly 0.7 percent, during the 12-month period ending March 2008. More than 75 percent of the job loss occurred during the first quarter of 2009. The current 12-month average employment level totals 14.0 million jobs. Only four employment sectors reported growth during the 12-month period ending March 2009. The education and health services sector grew by 59,725 jobs, up slightly from the gain of 55,300 jobs reported during the 12 months ending March 2008. The government sector added 30,100 new jobs, compared with the addition of 15,700 jobs a year ago. The other services sector added 3,200 jobs, down from the nearly 4,000 jobs added during the 12 months ending March 2008. The leisure and hospitality sector grew by only 3,600 jobs, down substantially from the increase of 18,700 jobs during the previous year. The employment gains were overshadowed by job losses in the manufacturing, construction, and trade sectors of 50,600, 49,300, and 45,750 jobs, respectively.

All states in the region reported job losses during the 12 months ending March 2009. The largest decline of 30,750 jobs occurred in Pennsylvania, where an increase of 25,700 positions in the education and health services sector was offset by a decline of 25,800 jobs in the manufacturing sector. Virginia and Maryland lost 28,100 and 25,100 jobs, respectively. In Virginia, the loss was attributed primarily to a decline of 21,700 jobs in the construction sector; in Maryland, the decline was led by the construction sector and retail trade subsector, which lost 14,375 and 11,275 jobs, respectively. During the period, only the District of Columbia reported an increase in employment, up 11,500 jobs from a year ago, bolstered by the increase of 5,550 positions in the education and health services sector and 2,730 jobs in the federal government subsector. Similarly, of the major metropolitan areas in the region, only the Washington, D.C. metropolitan area reported an in-crease in the number of jobs, adding 10,050. During the 12 months ending March 2009, the unemployment rate in the Mid-Atlantic region rose to 5.5 percent from 3.9 percent a year ago. Rates among the states in the region ranged from 4.8 in both Virginia and West Virginia to 6.1 in Pennsylvania. The unemployment rate in the District of Columbia was the highest, at 7.9 percent. Among the major metropolitan areas, the unemployment rate was highest in the Philadelphia area, at 6.1 percent, and lowest in the Washington, D.C. area, at 4.4 percent.

Despite a steady reduction in mortgage rates and declining home sales prices, the economic recession and consumers' lack of confidence caused the pace of existing home sales to continue to decline throughout most of the region. According to the Maryland Association of REALTORS®, during the 12 months ending March 2009, nearly 43,100 existing homes were sold in Maryland a 22-percent decrease compared with the 54,975 homes sold during the 12 months ending March 2008. The average home price continued to decline to $331,100, down 7 percent from the $356,770 average price reported a year ago. Reflecting relative stability in the average monthly inventory of homes for sale, during the 12 months ending March 2009, the inventory increased to approximately 48,100 homes, only 3 percent higher than the average monthly inventory recorded during the same period in 2008. During the 12-month period ending March 2009, in the Baltimore metropolitan area, 20,400 homes were sold at an average price of $302,950, reflecting a 25-percent decrease in the number of sales and a 4-percent decrease in the price compared with the sales volume and average price recorded during the 12-month period ending March 2008.

In Virginia, the sales housing market strengthened in the northern portion of the state but prices have declined to 2003 levels. The Virginia Association of REALTORS® reported that, during the 12 months ending March 2009, the number of existing home sales increased by almost 11 percent in Northern Virginia to 22,900 homes but average home prices declined by more than 18 percent, to $428,225. The average number of days that homes remained on the market in the Northern Virginia area remained unchanged, at 95 days. During the same period, the number of homes sold in the Richmond metropolitan area declined by 15 percent to 8,950, but the average home price declined by 6 percent to $262,200.

The resale markets in Pennsylvania, West Virginia, Delaware, and Washington, D.C., continued to soften through the end of 2008 (the most recent data available). According to the NATIONAL ASSOCIATION OF REALTORS®, 178,800 homes were sold in Pennsylvania during 2008, a decline of 10 percent compared with the number sold during 2007. Declines of 17, 15, and nearly 15 percent, respectively, in sales volume were reported in West Virginia, Washington, D.C., and Delaware, where 22,800, 6,800, and 11,600 homes, respectively, were sold during 2008.

Declining home sales and increased competition resulting from falling existing home prices have caused builders to reduce the level of new home construction activity, as measured by the number of permits issued, in the Mid-Atlantic region. During the 12 months ending March 2009, new single-family home construction declined by one-third, to slightly less than 46,450 permits issued compared with the 74,600 permits issued during the previous 12-month period. The largest numerical decline occurred in Pennsylvania, where permits were issued for 16,230 homes, approximately 40 percent fewer than the number of permits issued during the 12 months ending March 2008. Production decreased by 39 percent in Maryland and by 35 percent in Virginia, where 7,880 and 17,680 homes, respectively, were permitted during the 12-month period ending March 2009. In Delaware, 2,470 permits were issued for new homes, down nearly 33 percent from the 3,670 permits issued in 2008. Production in West Virginia declined by more than 42 percent to 1,960 homes. All major metropolitan areas in the region reported a decline in new home construction. The number of building permits issued for single-family homes declined by 31 percent to 8,875 in the Washington, D.C. area; by 35 percent to 5,830 in the Philadelphia area; and by more than 37 percent to 2,940 in the Baltimore area.

During the 12 months ending March 2009, multifamily building activity, as measured by the number of units permitted, declined in all states in the Mid-Atlantic region. Approximately 14,920 units were permitted in the region, a decline of 30 percent from the number permitted during the same period a year ago. In Virginia, 5,670 units were permitted, a decrease of 26 percent from the number permitted during the 12 months ending March 2008. In Pennsylvania, the number of units permitted declined by 17 percent to 4,030 and, in Maryland, the number of units permitted declined by 25 percent to 3,830. During the 12-month period ending March 2009, Delaware permitted only 443 multifamily units, less than one-half the number of units permitted in the state during the 12 months ending March 2008. In West Virginia, the number of multifamily units permitted declined from 820 to 520. Multifamily building activity declined in all the largest metropolitan areas in the region, with the exception of the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina metropolitan area, where the stable presence of the U.S. Navy and the desirability of the area for recreation and retirement helped maintain production levels. During the 12 months ending March 2009, 2,130 units were permitted in that area, 58 percent more than the number permitted during the previous 12 months. During the most recent 12-month period, the Washington, D.C. metropolitan area reported 4,230 new units were permitted, approximately 4,040 fewer than the number permitted during the 12 months ending March 2008. In the Philadelphia and Richmond metropolitan areas, the number of multifamily units permitted decreased by 33 percent, to 2,445 units, and by 51 percent, to 650 units, respectively. In the Baltimore metropolitan area, the decline was less precipitous; approximately 1,220 units were permitted, representing a 4-percent decrease from the number of units permitted during the 12-month period ending March 2008.

Despite the economic downturn in the region, conditions in the three largest rental housing markets remained strong. In the Washington, D.C. metropolitan area, the garden apartment market is balanced but the highrise market is somewhat soft. Delta Associates reported a combined vacancy rate of 4.5 percent for Class A garden and highrise apartments in March 2009, unchanged from the combined vacancy rate reported for these units in March 2008. Approximately 6,940 new units are being marketed in the metropolitan area. In March 2009, the average rent for a Class A garden apartment was $1,378, up from $1,359 in March 2008, and the average rent for a Class A highrise apartment was $2,036, relatively unchanged from the rent of $2,034 reported during the same period a year ago.

The rental apartment market approached more balanced conditions in the Philadelphia metropolitan area during the 12 months ending March 2009. According to Delta Associates, the apartment vacancy rate decreased to 8.3 percent from 9.6 percent in March 2008. The number of new units expected to come on line during the next 3 years declined to 4,075 from 5,050 a year ago; approximately 25 percent of the new units will be located in Center City Philadelphia. Apartment rents average $1,515 for the metropolitan area as a whole and $2,050 in Center City.

Delta Associates also reported a decrease in the vacancy rate for Class A apartments in the Baltimore metropolitan area, from more than 11 percent during the 12 months ending March 2008 to slightly less than 8 percent during the same period ending March 2009. Nearly 2,800 units are currently being marketed in the metropolitan area and rent concessions are nearly 6 percent of rent, unchanged from a year ago. The pipeline of new units expected to be available during the next 3 years has declined by 56 percent to 3,035 units; approximately 40 percent of the new units will be located in the city of Baltimore. Apartment rents in the metropolitan area average $1,439, up from $1,375 a year ago, and range from $1,034 in Harford County to $1,696 in the city of Baltimore.