

1st Quarter 2011



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.

During the 12 months ending March 2011, nonfarm payrolls averaged 13.7 million jobs, up 86,600 jobs, or 0.6 percent, from the average of 13.6 million jobs a year earlier. The professional and business services sector added 37,500 jobs, an increase of 2 percent. The education and health services sector and the retail trade subsector grew by 41,650 and 9,950 jobs, or 1.9 and 0.7 percent, respectively. The federal government subsector added 25,300 jobs, an increase of nearly 4 percent, offsetting 11,900 job losses in the state and local government subsectors to produce a net gain in the government sector of 0.6 percent, or 13,400 additional jobs. Job declines were most severe in the information and

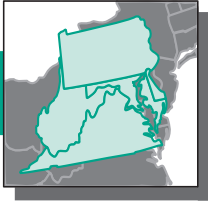
financial activities sectors, down 10,400 and 10,100 jobs, or 4 and 1 percent, respectively. The construction subsector declined by 7,550 jobs, or 1 percent, compared with the 13-percent decline, or 91,600 jobs lost, during the 12 months ending March 2010.

The total number of nonfarm jobs increased in every state in the region and in the District of Columbia during the 12 months ending March 2011. The increase of 48,050 new jobs in Pennsylvania, a gain of 0.9 percent, accounted for 55 percent of all new jobs in the Mid-Atlantic region. Nearly one-half of the new jobs in Pennsylvania were in the education and health services sector, which increased by 20,730 jobs, or 1.8 percent. The District of Columbia reported the largest percentage increase in jobs of 1.6 percent, or nearly 11,000 jobs, with approximately three-fourths of those in the federal government. Virginia added 13,770 jobs, or 0.4 percent, and Maryland increased by 7,650 jobs, up 0.3 percent. In Virginia, the professional and business services sector accounted for 97 percent of the net gain, and in Maryland, federal government jobs represented 97 percent of the net additions. In West Virginia and Delaware, nonfarm payrolls grew by 5,300 and 867 jobs, or 0.7 and 0.2 percent, respectively. During the 12-month period ending March 2011, the regional unemployment rate averaged 7.7 percent, down



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from the 7.9-percent regional average recorded during the previous 12 months. Unemployment rates among the states ranged from 6.7 percent in Virginia to 9.1 percent in West Virginia. The District of Columbia reported an unemployment rate of 9.7 percent, down from 10.1 percent a year earlier.

The home sales market in the Mid-Atlantic region was soft during the first quarter of 2011 as the market adjusted to the expiration of the homebuyer tax credit in 2010. The number of home sales declined in all states in the Mid-Atlantic region during the 12 months ending March 2011. According to the Maryland Association of REALTORS®, 51,500 existing homes were sold in Maryland during the 12-month period compared with 52,300 homes sold during the 12 months ending March 2010. As the number of sales decreased, total active inventory increased by 2 percent to an average of 42,700 homes on the market compared with 41,900 a year earlier. The average home sales price was \$290,900 during the 12 months ending March 2011, down nearly 2 percent from the \$296,100 reported during the previous 12-month period. In the Baltimore metropolitan area, 21,900 homes were sold during the 12 months ending March 2011, down 3 percent from the 22,600 homes sold during the 12 months ending March 2010, according to Metropolitan Regional Information Systems, Inc. (MRIS®). Prices declined by nearly 2 percent to an average of \$273,900 from an average of \$278,800 during the previous year.

The Virginia home sales market was soft during the first quarter of 2011. According to the Virginia Association of REALTORS®, 16,500 existing homes were sold during the first quarter of 2011, nearly unchanged from the number sold during the first quarter of 2010. The median sales price for the state declined nearly 7 percent to \$210,000 from the \$225,000 price reported in the first quarter of 2010. In both the greater Richmond and Hampton Roads-Chesapeake Bay areas, the number of quarterly home sales declined 17 percent to 2,190 and 3,245 homes, respectively; median sales prices decreased by 9 percent in both areas to \$198,500 and \$215,200, respectively.

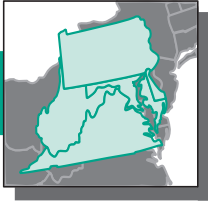
The resale market softened within the other states in the region during 2010 (the most recent data available). According to the NATIONAL ASSOCIATION OF REALTORS®, the resale market in Delaware, Pennsylvania, and West Virginia declined during 2010 compared with the number of existing homes sold during 2009. In Delaware, during the fourth quarter of 2010, the annual rate of home sales decreased 14 percent to 10,000 homes sold compared with the annual rate of 14,000 reported in the fourth quarter of 2009. In Pennsylvania, an annual rate of 150,800 homes sold was recorded, down 33 percent compared with the rate of 226,400 during 2009. The number of home sales decreased by 17 percent in West Virginia to a total annual rate of 27,200

homes sold. In the Washington, D.C. metropolitan area, according to MRIS®, a total of 62,900 homes sold during the 12 months ending March 2011, down 5 percent from 66,300 homes sold during the same period a year earlier. The average home sales price increased by nearly 5 percent to \$377,000 during the 12 months ending March 2011 from \$360,600 during the previous 12-month period.

According to LPS Applied Analytics, during March 2011, the number of home loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region declined by 6.5 percent to approximately 221,900 loans compared with the number recorded during March 2010. This level represents a March 2011 rate of 6 percent of all loans recorded in the region compared with 6.7 percent during March 2010. The regional rate is also less than the current 8.1-percent national rate.

Softer sales market conditions reduced single-family construction activity, as measured by the number of building permits issued, in all states throughout the region except the District of Columbia. The region-wide levels of construction activity during the 12 months ending March 2011 decreased by 1,940, or nearly 5 percent, to a total of 37,300 homes. Production of new homes declined by 19 percent in Delaware, to 2,450 homes permitted, and by 11 percent in West Virginia, to 1,250 homes permitted. In Virginia, Maryland, and Pennsylvania, production was down 5, 4, and 2 percent to 13,900, 7,775, and 11,750 homes permitted, respectively. Construction activity totaled 230 homes permitted in the District of Columbia, up 100 homes from the previous year. Production in major metropolitan areas in the region varied during the 12 months ending March 2011. The number of single-family building permits issued increased by 5 percent to 3,575 homes in the Baltimore metropolitan area but declined by 8 percent to 4,920 homes in the Philadelphia metropolitan area and by 2 percent to 9,200 homes in the Washington, D.C. metropolitan area.

During the 12 months ending March 2011, multifamily construction activity, as measured by the number of units permitted, was mixed. For the region as a whole, preliminary data for the 12-month period indicate that the number of multifamily units permitted increased by 1,050 units, or 9 percent, to 12,580 units, compared with an 18-percent decrease during the previous 12-month period. Maryland and Virginia reported increases in multifamily production, permitting 3,150 and 5,770 multifamily units, up 15 and 22 percent, respectively. Multifamily production in West Virginia, Pennsylvania, and Delaware declined by 55, 7, and 3 percent as the number of multifamily units permitted totaled 800, 2,210, and 490 units, respectively. In the District of Columbia, 880 multifamily units were permitted, a decrease of 16 percent. The number of multifamily units permitted in the largest Mid-Atlantic metropolitan areas



during the 12 months ending March 2011 were 2,000 in Philadelphia, a 5-percent decrease; 1,670 in Baltimore, a 27-percent decrease, and 4,900 in Washington, D.C., a 55-percent increase.

Rental market conditions in the three largest metropolitan areas in the region were mixed during the first quarter of 2011. Because the number of apartments being added to the supply has declined during the past 3 years, the Philadelphia metropolitan area apartment market tightened. According to Delta Associates, during the 12 months ending March 2011, vacancy rates in Philadelphia decreased from 8.5 to 5.3 percent, while the average rent increased 8 percent, to \$1,550. In Center City Philadelphia, average rents increased by 13 percent, to \$2,100, while the apartment vacancy rate declined from 4.2 to 3.6 percent. During the first quarter of 2011, the Baltimore metropolitan area rental market was slightly soft, with an apartment vacancy rate of 7.2 percent, but improved from the 8.7-percent rate that was reported a year earlier. Apartment vacancy rates in the city of Baltimore declined from 10.7 to 7.2 percent during the 12 months ending March 2011.

Average rents increased by nearly 5 percent to \$1,420 in the Baltimore metropolitan area and by 2 percent to \$1,575 in the city of Baltimore. Higher vacancy rates for midrise and highrise apartments in the Washington, D.C. metropolitan area offset the balanced conditions in lowrise units to produce a slightly soft apartment market overall. Vacancy rates in midrise and highrise apartments during the 12 months ending March 2011 decreased from 13.4 to 7.3 percent in Northern Virginia and from 13.7 to 9.1 percent in Suburban Maryland but increased in the District of Columbia from 9.9 to 11.4 percent. In March 2011, rents for midrise and highrise apartments averaged \$2,430 in the District of Columbia, \$2,170 in suburban Maryland, and \$2,160 in Northern Virginia, up 4, 7, and nearly 6 percent, respectively, from March 2010. Metropolitan areawide vacancy rates for Class A garden apartments decreased from 8.2 to 6.0 percent during the 12 months ending March 2010. During the same 12-month period, garden apartment rents in the Maryland suburbs and in Northern Virginia increased nearly 5 and 10 percent to average \$1,510 and \$1,520, respectively.