



U.S. Housing Market Conditions



MID-ATLANTIC REGIONAL REPORT HUD Region III

2nd Quarter Activity

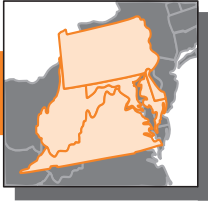
The following summary of the Mid-Atlantic region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Mid-Atlantic region. 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 Mid-Atlantic region experienced significant employment losses during the 12 months ending June 2009. Average nonfarm employment declined by 192,300 jobs, or 1.4 percent, compared with the gain of 79,400 jobs, or 0.6 percent, recorded during the 12-month period ending June 2008. Current 12-month average employment in the region totals 13.9 million jobs. During the 12 months ending June 2009, only two employment sectors reported growth: the education and health services sector grew by 55,700 jobs, or 2.6 percent, down slightly from the gain of 58,300 jobs reported during the previous 12-month period, and the government sector added 29,500 jobs, an increase of 1.3 percent, compared with the addition of 19,200 jobs during the

same period a year ago. The employment gains were more than offset by job losses in the manufacturing, construction, and trade sectors of 71,200, 62,400, and 60,100 jobs, respectively.

All states in the region reported job losses during the 12 months ending June 2009, but the District of Columbia reported an increase in employment, up 8,500 jobs from the number recorded during the same period a year ago. The largest decline in employment occurred in Pennsylvania, which lost 81,000 jobs. Virginia and Maryland lost 56,450 and 41,650 jobs, respectively. The unemployment rate in the Mid-Atlantic region rose from 4.1 percent during the 12 months ending June 2008 to 6.3 percent during the 12 months ending June 2009. Rates among the states in the region ranged from 5.6 percent in Virginia to 6.9 percent in Pennsylvania. The unemployment rate in the District of Columbia was the highest, at 8.9 percent.

Sales housing markets are soft throughout most of the region. The pace of existing home sales continued to decline, a continuation of the trend that began in 2006, despite steady decreases in home prices. According to the Maryland Association of REALTORS®, during the 12 months ending June 2009, nearly 43,150 existing homes were sold in Maryland, a 13-percent decrease



compared with the 49,400 homes sold during the 12 months ending June 2008. During the past 12 months, the average home sales price was \$317,100, down 10 percent from the \$351,850 average price reported during the same period a year ago and continuing a price decline that began in early 2008. During the 12 months ending June 2009, the average monthly inventory of homes for sale was relatively stable; the inventory decreased to approximately 46,700 homes, 3 percent lower than the average monthly inventory recorded during the same period in 2008. The inventory represents 13 months of supply if the pace of home sales continues at the current rate. During the 12-month period ending June 2009, 19,950 homes were sold in the Baltimore metropolitan area at an average price of \$292,000, reflecting an 18-percent decrease in the number of sales and a 7-percent decrease in the price, respectively, compared with the sales volume and average price recorded during the 12-month period ending June 2008.

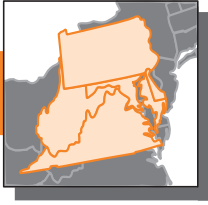
In Virginia, despite continued declines in home prices since mid-2008, the sales housing market strengthened as sales increased in the northern portion of the state. The Virginia Association of REALTORS® reported that, during the 12 months ending June 2009, the number of existing home sales increased by 13 percent in Northern Virginia to 23,200 homes while average home prices declined by nearly 17 percent, to \$415,300. During the past year, homes for sale remained on the market an average of 91 days, down from 98 days during the previous year. During the 12-month period ending June 2009, the number of homes sold in the Richmond metropolitan area declined by 11 percent to 9,725, and the average home price declined by 10 percent to \$249,400.

The volume of existing home sales decreased in Pennsylvania, West Virginia, Delaware, and Washington, D.C., in the first quarter of 2009 (the most recent data available). According to the NATIONAL ASSOCIATION OF REALTORS®, during the first quarter of 2009, homes were sold at an annual rate of 143,600 in Pennsylvania, a decline of 19 percent compared with the first quarter of 2008. In West Virginia, the annual rate of home sales decreased 23 percent to 22,800 homes compared with the same period a year earlier. During the first quarter of 2009, Delaware and Washington, D.C., recorded declines in the annual rate of home sales of 10 and nearly 16 percent to 10,800, and 6,400 homes, respectively.

In response to falling existing home prices and a lower volume of home sales throughout most of the Mid-Atlantic region, builders have reduced new home construction activity, as measured by the number of building permits issued. During the 12 months ending June 2009, new single-family home construction declined by one-third, to 43,050 homes permitted compared with the nearly 64,900 homes permitted during the previous 12-month period. The largest numerical decline occurred in Pennsylvania, where nearly 14,600 homes were per-

mitted, 38 percent fewer than the number of homes permitted during the 12 months ending June 2008. During the 12-month period ending June 2009, production decreased by 30 percent in Virginia and by 33 percent in Maryland, where 16,700 and 7,550 homes, respectively, were permitted. In Delaware, production declined by 24 percent to 2,400 homes. In West Virginia, approximately 1,700 new homes were permitted, down more than 43 percent from the 3,000 homes permitted during the previous 12 months. In the District of Columbia, 120 new homes were permitted, less than one-half the 250 homes permitted during the 12 months ending June 2008. During the past year, all major metropolitan areas in the region reported a decline in new home construction. The number of building permits issued for single-family homes decreased by 19 percent to 8,750 homes in the Washington, D.C. metropolitan area; by 37 percent to 5,125 homes in the Philadelphia metropolitan area; and by 35 percent to 2,775 homes in the Baltimore metropolitan area.

Multifamily building activity, as measured by the number of units permitted, also declined in all states in the Mid-Atlantic region during the 12 months ending June 2009. During the period, approximately 11,850 units were permitted in the region, a decline of 41 percent compared with the number permitted during the same period a year ago. In Virginia, 5,100 units were permitted, a decrease of 34 percent from the number permitted during the 12 months ending June 2008. In both Pennsylvania and Maryland, the number decreased to 2,800 units, amounting to declines of 47 and 37 percent, respectively. During the 12-month period ending June 2009, West Virginia permitted only 380 multifamily units, down from 750 units permitted during the 12 months ending June 2008. In Delaware, the number of multifamily units permitted declined from 800 to 420. Multifamily building activity declined in each of the largest metro-politan areas in the region. During the most recent 12-month period, the Washington, D.C. metropolitan area reported 3,510 units permitted, approximately 3,170 fewer than the number permitted during the 12 months ending June 2008. In Philadelphia, the number of multifamily units permitted decreased by 57 percent to 1,710 units. In the Baltimore metropolitan area, approximately 1,190 units were permitted, representing a 7-percent decrease compared with the number of units permitted during the 12-month period ending June 2008. In the Washington, D.C. metropolitan area, both the number of condominium units and apartment units under construction and likely to be completed within 3 years are down 38 percent compared with a year ago; 700 planned condominium units were changed to apartments in June 2009, compared with 2,675 units in June 2008. In the Philadelphia and Baltimore metropolitan areas, the number of condominium units under construction and likely to be completed within 3 years is down by 43 and 38 percent, respectively.



Conditions in the Baltimore metropolitan area rental housing market remained soft, while the rental markets in the Washington, D.C. and Philadelphia metropolitan areas showed signs of softening. According to Delta Associates, during the 12 months ending June 2009, the vacancy rate for Class A apartments in the Baltimore metropolitan area remained unchanged at approximately 9 percent compared with the rate recorded during the same period a year ago. The pipeline of new units expected to be available during the next 3 years has increased by 10 percent to 6,300 units; approximately one-third of the new units are expected to be located in the city of Baltimore. Apartment rents in the metropolitan area average \$1,434, up from \$1,375 a year ago. In the Washington, D.C. metropolitan area, the Class A garden apartment market remained balanced but has softened a bit. According to Delta Associates, in June 2009 the vacancy rate was 7.4 percent, up from 6.8 percent in June 2008. The highrise market tightened but remained soft with a vacancy rate of 8.8 percent, down from more than 13 percent in June 2008. Approximately

5,940 new units are being marketed in the metropolitan area. In June 2009, the average rent for a Class A garden apartment was \$1,370, down less than 2 percent from \$1,391 in June 2008, and the average rent for a Class A highrise apartment was \$2,056, down less than 1 percent from the average rent of \$2,071 reported during the same period a year ago.

The rental apartment market softened in the Philadelphia metropolitan area during the 12 months ending June 2009. According to Delta Associates, the apartment vacancy rate increased to 11.7 percent from 10.2 percent in June 2008. The number of new units expected to come on line during the next 3 years declined to 3,650 from 5,825 a year ago; approximately 20 percent of the new units will be located in Center City Philadelphia, up from 12 percent a year ago. Apartment rents averaged \$1,499 in the metropolitan area as a whole and \$1,968 in Center City Philadelphia. Rent concessions have risen to more than 7 percent of rent in the metropolitan area compared with 2 percent a year ago.