2nd Quarter 2010

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 a 2-year economic decline that began in mid-2008 and continued into the second quarter of 2010. The number of jobs in the region declined from an average of 14.1 million during the 12 months ending June 2008 to 13.9 million during the 12-month period ending June 2009, a decrease of 1.5 percent. During the 12 months ending June 2010, the region averaged 13.6 million jobs, down 314,600 jobs, or slightly more than 2 percent, from the previous year. During this period, only the education and health services sector and the federal government subsector added jobs. The education and health services sector added 32,700 jobs, or 1.5 percent, and the federal government subsector, bolstered by the temporary hiring of workers for the 2010 Decennial Census, increased by 26,000 jobs, or 4.2 percent. The manufacturing sector lost 89,300 jobs, down 8.3 percent from the previous year; the construction sector reported the greatest percentage loss with a decline of 11 percent, or 71,500 jobs. The wholesale and retail trade subsectors lost a combined total of 60,600 jobs, or 3 percent.

Total nonfarm employment declined in every state in the region during the 12 months ending June 2010, but the District of Columbia reported a net gain of less than 1 percent, or 1,600 total jobs, as a result of adding 8,500 new federal government jobs, an increase of 4.4 percent in that subsector. Pennsylvania lost the most jobs, declining by 136,400, or 2.4 percent. The loss of 54,300 manufacturing jobs, or 8.9 percent, and nearly 25,500 professional and business services jobs, or 3.7 percent, accounted for 58 percent of all jobs lost in the state. Virginia lost 91,300 jobs, or 2.5 percent, and Maryland lost 55,700 jobs, or 2.2 percent. In Virginia and Maryland, the construction sector led job losses, down 22,800 and 18,400 jobs, or 11 and 12 percent, respectively. In West Virginia, employment declined by 18,800 jobs, or 2.5 percent, and Delaware reported the largest percentage of jobs lost, a decline of 3.3 percent, or 13,950 jobs. During the 12 months ending June 2010, the unemployment rate in the region averaged

7.9 percent, up from the regional average of 6.2 percent recorded during the 12 months ending June 2009, but nearly 2 percentage points lower than the national rate of 9.6 percent. During the 12 months ending June 2010, average unemployment rates among the states in the region ranged from 6.9 percent in Virginia to 8.7 percent in West Virginia. During that period, the District of Columbia reported an unemployment rate of 10.7 percent, up from 8.3 percent a year earlier.

During the 12 months ending June 2010, sales markets in the region were slightly soft but improved compared with sales market conditions during the same period ending in 2009. Both the number of days that homes stayed on the market and the existing levels of unsold inventory declined during the 12 months ending 2010. In addition, the extension of the closing date for sales using homebuyer tax credits, lower interest rates, and a continued decline in home prices contributed to increased volume in existing home sales during this period. The Maryland Association of REALTORS® reported that in Maryland, during the 12 months ending June 2010, 55,100 existing homes were sold, 28 percent more than the 43,200 sold during the 12 months ending June 2009 and 12 percent more than were sold during the 12 months ending June 2008. During the 12 months ending June 2010, Maryland's average home sales price declined 7 percent to $295,600, and the average monthly inventory of homes for sale declined more than 9 percent to nearly 42,800 homes. In the Baltimore metropolitan area, sales volume increased 20 percent to 23,900 homes sold at an average price of $279,700, which reflects a 4-percent decline in average price from the 12 months ending June 2009.

According to the Virginia Association of REALTORS®, during the 12 months ending June 2010, more than 97,800 existing homes were sold in Virginia, with an average price of $281,400, which is virtually unchanged from the $280,600 reported for the previous year. Home sales increased 12 percent in the Richmond area to 15,900 homes and 17 percent in the Norfolk-Virginia Beach area to 20,400 homes; however, in both Richmond and Norfolk-Virginia Beach, home prices declined 5 percent to approximately $233,800 and $248,300, respectively.

According to the NATIONAL ASSOCIATION OF REALTORS®, during the first quarter of 2010 (the most recent data available), the resale markets in Pennsylvania, West Virginia, and Delaware improved compared with the sales volume reported during the first quarter of 2009. In Pennsylvania, an annual rate of 163,200 home sales was recorded, up nearly 14 percent compared with the rate of 143,600 in 2009. In West Virginia, during the first quarter of 2010, an annual rate of 26,400 home sales was reported, a 16-percent increase from the annual rate during the first quarter of 2009. In Delaware, the annual rate of home sales in the first quarter of 2010 was relatively unchanged, at 11,200 homes. In the Philadelphia metropolitan area, according to data from Trend and Metropolitan Regional Information Systems, Inc. (MRIS®), during the 12 months ending March 2010 (the most recent data available), 52,100 homes were sold, 5 percent more than the volume sold during the comparable period ending in 2009, but the average home sales price was $248,000, down 6 percent from the average price recorded during the same period ending in 2009. In the Washington, D.C. metropolitan area, during the 12 months ending June 2010, MRIS® reported a total of 68,400 homes sold, an 11-percent increase from the 61,400 homes sold during the same period a year earlier, and average home prices in the area were $365,200, slightly more than 1 percent higher than the average price of $360,600 reported a year earlier.

According to Lender Processing Services Mortgage Performance Data, in June 2010, the number of home loans in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) in the region increased to approximately 221,880, 17 percent more than were recorded during June 2009. This level represents a current rate of 6.3 percent of all loans recorded in the region compared with a rate of 5.3 percent recorded in June 2009; however, the regional total is less than the current 8.5-percent rate for the nation.

New single-family home construction has begun to increase in the region, but lack of financing continues to hamper the development of multifamily units. In the Mid-Atlantic region, during the 12 months ending June 2010, single-family homebuilding activity, as measured by the number of building permits issued, increased by 9 percent, a significant improvement after a 5-year trend of declining production. Based on preliminary data, the number of homes permitted increased to approximately 39,830 homes compared with the 36,550 permitted during the 12-month period ending June 2009. During the 12 months ending June 2010, the production of new homes increased nearly 25 percent to 2,995 homes in Delaware and 16 percent to 8,150 homes in Maryland. Pennsylvania, Virginia, and West Virginia permitted 12,220, 14,840, and 1,490 homes, respectively; these increases of 8, 4, and 1 percent, respectively, were significant improvements over the 36-, 29-, and 44-percent declines reported during the previous 12-month period. During the 12 months ending June 2010, the District of Columbia issued permits for 140 homes compared with the 103 homes permitted during the previous period. During the 12-month period ending June 2010, multifamily construction activity, as measured by the number of units permitted, continued to decline but at a slower rate than during the previous year. According to preliminary data for the 12 months ending June 2010, the number of multifamily units permitted declined by 1,090 units to 11,100 units permitted, a decline of 9 percent compared with a 36-percent decline during the previous period ending June 2009. The number of multifamily units permitted in Delaware and the District of Columbia during the 12-month period ending June 2010 increased by 30 and 190 percent to a total of 540 and 1,050 units, respectively. Reductions in multifamily production occurred in Maryland, Virginia, and Pennsylvania, which recorded decreases of 7, 5, and 25 percent to totals of 2,800, 2,420, and 4,100 units permitted, respectively. West Virginia issued permits for 173 units, 151 fewer units than were permitted during the previous 12-month period.

Conditions in apartment markets throughout the region were mixed during the second quarter of 2010. In the Baltimore metropolitan area, the rental market in the suburban areas was balanced, but it remained soft in Baltimore City. Delta Associates reported that, from June 2009 to June 2010, the apartment vacancy rate decreased from 7.4 to 4 percent in the suburbs of the metropolitan area. In Baltimore City, during the same period, vacancy rates fell slightly from 14.9 to 13.5 percent. Average rents in the Baltimore suburbs, from the second quarter of 2009 to the second quarter of 2010, increased by 4 per-cent, from $1,370 to $1,420; in Baltimore City, average rents increased by 6 percent, from $1,530 to $1,620.

The apartment market in the suburbs of the Philadelphia metropolitan area is currently balanced as of the end of June 2010. Delta Associates reported that, from June 2009 to June 2010, vacancy rates decreased from 12 to 5 percent. During that period, the average rent rose 5 percent from $1,470 to $1,540. Between June 2009 and June 2010, the lack of new units in the Center City Philadelphia submarket caused the apartment market to tighten significantly and vacancy rates to fall from 9.2 to 1.9 percent. Rents in Center City during that period increased 4 percent, from $1,920 to $1,995.

In the Washington, D.C. metropolitan area, during the 12 months ending June 2010, the rental market remained soft as units completed during the past 2 years continue to lease. According to Delta Associates, in June 2010, vacancy rates in Class A garden apartments in the Northern Virginia and suburban Maryland submarkets were 7.4 percent, unchanged from the rate recorded in June 2009. During the 12 months ending June 2010, rents in garden apartments rose approximately 6 percent in the suburbs surrounding the city to average $1,542 in the Maryland suburbs that are close to Washington, D.C., and to $1,607 in Northern Virginia. Vacancy rates in highrise units during that period increased from 8.8 to 9 percent in Northern Virginia but decreased in both the District of Columbia and the Maryland suburbs from 18 to 16.2 percent and from 18.6 to 13.8 percent, respectively. In June 2010, rents for highrise apartments averaged $2,370 in the District of Columbia, $2,100 in suburban Maryland, and $2,180 in Northern Virginia, up 5.4, 2.2, and 5.1 percent, respectively, from June 2009.

cent 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.