



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.

After a 2-year period of decline, the Mid-Atlantic region added 100,400 nonfarm payroll jobs during the 12 months ending June 2011 to average nearly 13.7 million jobs, up from 13.6 million jobs, less than a 1-percent increase from the previous year. The education and health services and the professional and business services sectors added 41,130 and 40,980 jobs, 1.8- and 2.1-percent gains, respectively. After declining during 2009 and 2010, the retail trade subsector slowly began to add jobs at the beginning of 2011. During the 12 months ending June 2011, the subsector added 10,700 jobs, a nearly 1-percent increase from the previous 12-month period. The wholesale trade subsector added 5,800 jobs, up more than 1 percent from the previous year. The leisure and hospitality

sector added 9,500 jobs, up 0.8 percent, and the federal government subsector increased by 0.9 percent, adding 6,130 jobs. The manufacturing sector reported a job gain for the first time in more than a decade, adding 1,630 jobs, an increase of nearly 0.2 percent. The construction subsector reported a decline of slightly more than 0.5 percent, or 3,250 jobs.

During the 12 months ending June 2011, Pennsylvania added nearly 50,300 jobs, up 1 percent from the previous year. The state added 23,200 jobs in the education and health services sector, an increase of more than 2 percent, which accounted for 56 percent of all job gains in the sector in the region. Pennsylvania also added 6,500 manufacturing jobs, a 1-percent increase over jobs in the sector during the 12-month period ending June 2010, which offset the net sector job loss in the rest of the region. Manufacturing payroll gains were concentrated in Pittsburgh and small metropolitan areas in the central and western part of the state. Nonfarm payroll jobs in Virginia increased by 0.5 percent during the 12-month period ending June 2011, up 18,760 jobs from the previous year. The state added 16,800 professional and business services jobs, an increase of nearly 3 percent. West Virginia added 6,650 jobs, a 0.9-percent gain, with the most significant growth of 2,110 jobs, or



nearly 2 percent, occurring in the education and health services sector. Delaware reported a 0.5-percent increase in nonfarm payrolls, up 2,080 jobs, with the largest increase of 2,150 new jobs, or more than 5 percent, in the leisure and hospitality sector. Gains in the aforementioned states are significant because, for the second consecutive quarter, these states also reported 3-month gains over the corresponding quarter of 2010. The District of Columbia and Maryland added 6,470 and 6,190 jobs, 0.9- and 0.3-percent increases, respectively, during the 12 months ending June 2011. Both, however, reported job declines during the 3 months ending June 2011 compared with the 3 months ending June 2010. During the 12 months ending June 2011, the unemployment rate in the region averaged 7.6 percent, down from the 8-percent rate recorded during the 12 months ending June 2010. Average unemployment rates among the states in the region ranged from 6.5 percent in Virginia to 9.9 percent in the District of Columbia.

Home sales market conditions in the Mid-Atlantic region were soft in the second quarter of 2011, unchanged from the preceding quarter. During the 12 months ending June 2011, total sales declined as the market adjusted to the expiration of the homebuyer tax credit that stimulated sales during 2010. According to the Maryland Association of REALTORS®, existing home sales in Maryland totaled 49,700, down 15 percent compared with the 57,300 homes sold during the 12 months ending June 2010, and the average sales price declined 2 percent to \$286,700 from \$292,700. In the Baltimore metropolitan area, 21,900 homes sold, down 15 percent from the 25,800 sold the previous year, according to Metropolitan Regional Information Systems, Inc. (MRIS®). Prices declined by nearly 3 percent to average \$268,000 compared with \$276,000 during the previous year.

Sales market conditions also were soft in Virginia. For the second quarter of 2011, the Virginia Association of REALTORS® reported a 15-percent decline in existing homes sales, to 23,400 homes sold, while the median sale price decreased 2 percent to \$235,000 from \$239,900. In the greater Richmond area, during the second quarter of 2011, home sales declined by 18 percent to 3,500 homes, and the median price decreased by 7 percent to \$178,700.

During the first quarter of 2011 (the most recent data available), the resale markets declined in Delaware and Pennsylvania but increased in West Virginia, according to the NATIONAL ASSOCIATION OF REALTORS®. The seasonally adjusted annual home sales rate decreased nearly 7 percent in Delaware and 4 percent in Pennsylvania, to 11,200 and 160,000 homes, respectively. Home sales increased in West Virginia by nearly 8 percent to a seasonally adjusted annual rate of 28,400 homes sold, still less than the 16-percent increase during the previous year. According to MRIS®, 6,200 homes sold in the District of Columbia during the 12 months ending June

2011, down 15 percent from the 7,300 homes sold during the previous year. Despite the decline, average home prices increased by 7 percent to \$511,800 from \$479,500. According to LPS Applied Analytics, during June 2011, the percentage of home loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region declined to 5.8 from 6.3 percent during June 2010, significantly less than the 7.8-percent rate for the nation.

Single-family home construction declined in the region as a result of soft sales market conditions. Homebuilding activity, as measured by the number of single-family building permits issued, decreased by 3,925, or 10 percent, to a total of 35,900 homes during the 12 months ending June 2011 compared with a 9-percent increase during the previous 12-month period, based on preliminary data. The largest percentage declines occurred in Delaware, down 20 percent to 2,400 homes, and West Virginia, down 22 percent to 1,175 homes. Single-family home construction decreased 9 percent each in Virginia, Maryland, and Pennsylvania, to 13,500, 7,500, and 11,000 homes, respectively. In contrast, construction activity in the District of Columbia increased by 110 homes to total 250. Overall, construction activity declined in the region's major metropolitan areas. The largest decreases occurred in the Philadelphia metropolitan area, down 12 percent to 4,800 homes, followed by the Baltimore metropolitan area, down 8 percent to 3,300 homes, and the Washington, D.C. metropolitan area, down 6 percent to 9,100 homes.

According to preliminary data for the 12 months ending June 2011, the number of multifamily units permitted in the Mid-Atlantic region increased by 2,480 to 13,600 units, up 22 percent compared with a 10-percent decline during the 12 months ending June 2010. All of the increased construction, however, occurred in Virginia and the District of Columbia, where the number of multifamily units permitted increased by 46 and 120 percent, to totals of 5,860 and 2,300 units, respectively. Reductions in multifamily production occurred in Maryland, Pennsylvania, Delaware, and West Virginia, which recorded 14-, 5-, 9-, and 27-percent decreases to totals of 2,590, 2,240, 480, and 130 units permitted, respectively. According to the McGraw-Hill Construction Pipeline database, approximately one-half of the multifamily units under construction in the region are condominiums and nearly 40 percent of the condominiums under construction are located in Virginia and the District of Columbia.

Apartment market conditions throughout the region were mixed during the second quarter of 2011 but, in general, were tighter than during the first quarter of 2011 and the second quarter of 2010. In the Baltimore metropolitan area, vacancies rose in the suburban counties, where 700 units were in lease-up, when compared with the second quarter of 2010, but tightened in



the city of Baltimore. Delta Associates reported that, from June 2010 to June 2011, the apartment vacancy rate increased from 4.0 to 6.9 percent in the suburban areas, where conditions are slightly soft. During the same period, vacancy rates fell from 13.5 to 5.5 percent in Baltimore city, where conditions are now balanced. Average rents in Baltimore city increased 4 percent, from \$1,620 to \$1,680, between June 2010 and June 2011. In the suburban areas, rents declined 1 percent, from \$1,420 to \$1,410. The apartment market in the Philadelphia metropolitan area was tight in the second quarter of 2011, unchanged from the previous quarter. Delta Associates reported that, from June 2010 to June 2011, vacancy rates in the Philadelphia suburbs decreased from 5.9 to 2.9 percent, and the average rent rose 3 percent, from \$1,400 to \$1,440. In the Center City Philadelphia submarket, during the same period, vacancy rates rose slightly from 1.9 to 2.4 percent, and conditions are still tight. Average rents in Center City increased nearly 9 percent, from \$2,000 to \$2,170.

In the Washington, D.C. metropolitan area, the suburban garden rental market was balanced in the second quarter of 2011, and, although the highrise market in the District of Columbia and suburban Maryland improved, it remained soft. According to Delta Associates, vacancy rates in Class A garden apartments in the Northern Virginia and suburban Maryland submarkets were 5.5 and 5.1 percent, respectively, in June 2011, down from 9.1 and 5.2 percent, respectively, in June 2010. During the 12 months ending June 2011, garden apartment rents rose approximately 6 percent in Northern Virginia to average \$1,600 and increased nearly 3 percent in the Maryland suburbs close to Washington, D.C., to average \$1,575. Vacancy rates in highrise units during the same period decreased from 9.0 to 5.5 percent in Northern Virginia, from 13.8 to 8.5 percent in suburban Maryland, and from 16.2 to 10.9 percent in the District of Columbia. In June 2011, rents for highrise apartments averaged \$2,310 in Northern Virginia, \$2,280 in suburban Maryland, and \$2,600 in the District of Columbia, up 2, 3, and 2 percent, respectively, from June 2010.