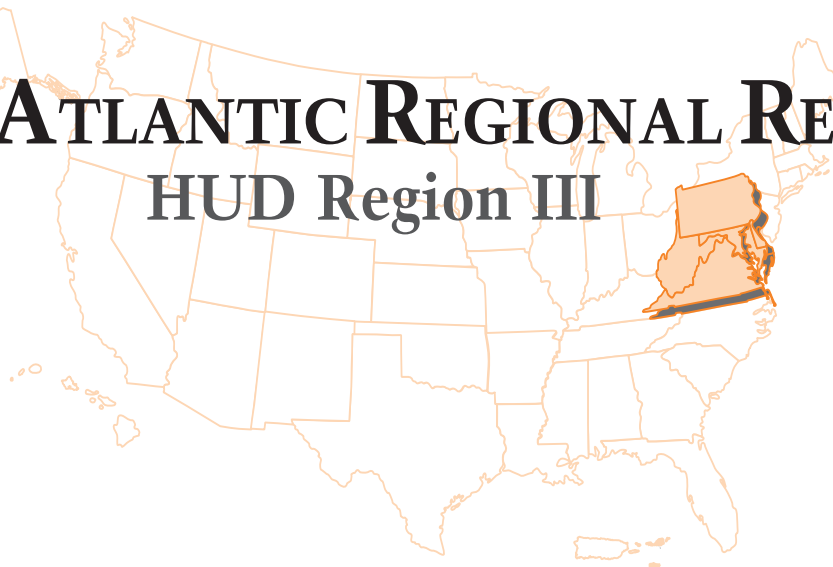




# U.S. Housing Market Conditions

## MID-ATLANTIC REGIONAL REPORT HUD Region III



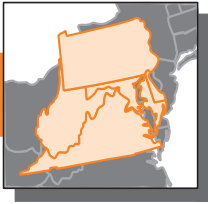
### 2nd Quarter Activity

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.

Employment levels increased in the Mid-Atlantic region during the second quarter of 2012, the sixth consecutive quarterly increase in nonfarm payroll jobs. During the 12 months ending June 2012, total nonfarm payrolls in the region averaged 13.89 million jobs, an increase of 144,300 jobs, or 1.1 percent, from the previous 12 months. Average nonfarm payrolls increased by 153,700 jobs, or 1.1 percent, during the previous 12-month period. Sectors recording the most job growth were education and health services, professional and business services, and leisure and hospitality, which added 59,700, 26,350, and 19,600 jobs, or 2.6, 1.3, and 1.6 percent, respectively. The education and health services and professional and business

services sectors increased in all states and together accounted for 60 percent of the job growth in the region. The only sectors in the Mid-Atlantic region that recorded declines in payrolls were the information and government sectors, which declined by 4,850 and 6,400 jobs, or 2.0 and 0.3 percent, respectively.

Nonfarm payrolls increased in every state in the region during the 12 months ending June 2012. Pennsylvania added 45,150 jobs, a 0.8-percent increase, which accounted for nearly one-third of the total growth in the region. Gains in Virginia and Maryland totaled 39,400 and 35,450 jobs, increases of 1.1 and 1.4 percent, respectively. The education and health services sector led the growth in each state. Payrolls increased by 14,250 jobs in the District of Columbia, which registered the highest rate of job growth in the region, at 2.0 percent, despite the loss of 2,950 jobs, or 1.2 percent, in the government sector. In West Virginia, total nonfarm payrolls increased by 9,475 jobs, or 1.3 percent; one-third of the increase was in the education and health services sector. Delaware added 680 jobs, a 0.2-percent increase. Sectors with the largest gains included education and health services and financial activities, but these gains were partially offset by losses in the mining, logging, and construction and the



leisure and hospitality sectors. During the 12 months ending June 2012, the unemployment rate in the region averaged 7.1 percent, down from 7.6 percent during the previous 12 months. Unemployment rates among the states in the region ranged from 6.0 percent in Virginia to 7.7 percent in Pennsylvania. The average unemployment rate in the District of Columbia was 9.8 percent, down from the 10.1-percent rate recorded a year earlier.

Sales housing market conditions were soft in most of the states and metropolitan areas in the Mid-Atlantic region during the past 12 months. According to CoreLogic®, during the 12 months ending April 2012, sales of new and existing homes in the region decreased 7 percent from the previous year, to 298,500 homes sold. The largest declines occurred in Virginia, where existing sales decreased by 10,350 homes, or 11 percent, and in Pennsylvania, where existing sales declined by 7,550 homes, or 6 percent. Maryland and the District of Columbia recorded declines of 3,950 and 550 homes, or 6 and 8 percent, respectively, compared with sales a year ago. By contrast, home sales remained unchanged in Delaware and increased by 1,075 homes, or 22 percent, in West Virginia. During the 12 months ending April 2012, the average sales price for new and existing homes in the region decreased 2 percent from a year earlier, to \$231,800. Delaware recorded a 10-percent decline in the average sales price to \$231,500, the largest percentage change in the region. Average home sales prices decreased 2 percent in both Maryland and Pennsylvania to \$270,900 and \$166,800, respectively. The average sales price decreased 1 percent in Virginia to \$276,300. By contrast, the average price increased 3 percent in both the District of Columbia and West Virginia, to \$480,700 and \$130,500, respectively. According to LPS Applied Analytics, during June 2012, the percentage of home loans in the region that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased to 6.4 percent compared with 5.8 percent during June 2011. Within the region, distressed mortgage rates ranged from 4.3 percent in Virginia to 8.8 percent in Maryland, the only state in the region with a rate higher than the 7.7-percent national average.

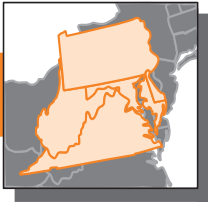
Sales housing market conditions were soft in the largest metropolitan areas in the region. According to CoreLogic®, during the 12 months ending April 2012, new and existing home sales in the Washington, D.C. metropolitan area totaled 56,800 homes sold, a 10-percent decrease, while the average home sales price was \$358,700, down 1 percent from a year ago. In the Philadelphia metropolitan area, the number of new and existing home sales registered an 8-percent decrease, to 51,700 homes sold, and the average sales price declined 2 percent to \$231,200. In the Baltimore and Pittsburgh metropolitan areas, the number of new and existing home sales declined 5 percent in each area to 29,500 and 25,500 homes sold, respectively. The average price decreased 1 percent, to \$256,100, in the Baltimore area but increased 5 percent, to \$141,100, in the Pittsburgh area. In the Richmond metropolitan

area, the number of home sales decreased 1 percent to 14,500 homes sold, and the average sales price declined 2 percent, to \$209,400. By contrast, the Virginia Beach metropolitan area recorded an 8-percent increase in sales, to 20,150 homes sold, while the average price decreased 4 percent, to \$216,000.

Despite soft sales housing markets, homebuilding increased in most states in the Mid-Atlantic region. According to preliminary data, single-family home construction, as measured by the number of single-family building permits issued, increased in the region by 900 homes, or 3 percent, to 36,850 homes permitted during the 12 months ending June 2012. Single-family construction activity was up 10 percent in Maryland, to 8,225 homes. Homebuilding activity increased 9 percent in both Virginia and Delaware, to 14,750 and 2,650 homes, respectively. Construction of single-family homes in West Virginia increased by 40 homes, or 3 percent, to 1,225 homes permitted. Offsetting part of the increase in homebuilding activity for the region, Pennsylvania and the District of Columbia reported declines of 12 and 10 percent, to 9,775 and 220 homes, respectively.

Multifamily construction, as measured by the number of units permitted, increased in every state in the region during the 12 months ending June 2012. According to preliminary data, the number of units permitted in the region increased by 7,475, or 55 percent, from a year earlier, to 21,200 units permitted. Multifamily construction activity doubled in Delaware from the same period a year ago, to 970 units permitted. Maryland and Virginia had the largest increases in the region, with 2,400 and 2,275 units permitted, up 86 and 39 percent, to 5,150 and 8,050 units, respectively. In West Virginia, the District of Columbia, and Pennsylvania, multifamily construction increased 77, 50, and 48 percent, to 240, 3,450, and 3,325 units permitted, respectively.

Rental housing market conditions were balanced to slightly soft throughout most of the Mid-Atlantic region during the second quarter of 2012. In the Philadelphia metropolitan area, the apartment market was balanced. According to Delta Associates, during the second quarter of 2012, the overall apartment vacancy rate in the metropolitan area, including units in lease up, increased from 2.8 to 4.7 percent, and the average rent remained unchanged at nearly \$1,650. Conditions in the Center City Philadelphia submarket tightened during the past year; the vacancy rate for Class A highrise apartments declined from 2.4 to 1.6 percent, and concessions decreased from 2.7 to 2.0 percent. The average rent in Center City increased nearly 3 percent to \$2,225. The apartment market in the Baltimore metropolitan area was slightly soft. The apartment vacancy rate increased from 5.9 to 7.4 percent during the second quarter of 2012. In the southern suburbs, the vacancy rate increased from 5.2 to 9.4 percent. Nearly 500 units were in lease up in the southern suburbs, all located in Anne Arundel County,



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compared with 360 units in lease up in the southern suburbs a year earlier. The vacancy rate in the city of Baltimore remained unchanged at 5.5 percent, while in the northern suburbs, the vacancy rate decreased from 6.7 to 5.9 percent. The average rent in the Baltimore metropolitan area increased 4 percent, to nearly \$1,575, and the average rent in the city of Baltimore increased 7 percent, to \$1,750. The Washington, D.C. metropolitan area apartment market was slightly soft during the second quarter of 2012. Delta Associates reported a vacancy rate for Class A garden apartments of 7.5 percent, an increase from 5.3 percent a year earlier. The vacancy rate for garden apartments increased significantly during the same period, from 5.1 to 9.2 percent in suburban Maryland and from 5.5 to 6.0 percent in Northern Virginia. The vacancy rate for highrise properties in the Washington,

D.C. metropolitan area increased from 7.8 to 8.8 percent, while concessions decreased from 3.7 to 2.5 percent. During the second quarter of 2012, the average rents for Class A garden and highrise apartments each increased 3 percent, to \$1,625 and \$2,425, respectively.

Rental markets were slightly soft in the Virginia Beach metropolitan area and balanced in the Pittsburgh metropolitan area. According to Real Data, in May 2012, the apartment vacancy rate in the Virginia Beach area was 6.3 percent, a slight increase from the rate of 6.1 percent recorded a year earlier. The average rent in the metropolitan area increased 2 percent from a year earlier to \$925. According to Reis, Inc., in the second quarter of 2012, the Pittsburgh metropolitan area had an apartment vacancy rate of 3.0 percent, down from 3.9 percent a year ago, and the average rent increased 3 percent to \$870.