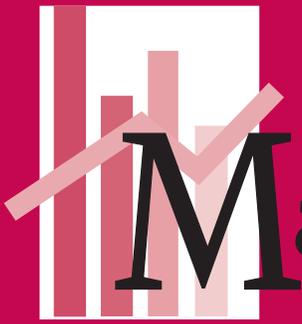


3rd Quarter 2009



U.S. Housing Market Conditions

MID-ATLANTIC REGIONAL REPORT HUD Region III



3rd 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 5 years of expansion, the economy in the Mid-Atlantic region began to contract during the first quarter of 2009. During the 12 months ending September 2009, the decline continued as the region lost nearly 295,300 jobs compared with the gain of 54,100 jobs during the 12-month period ending September 2008. During the current 12-month period, the average employment in the region totaled 13.8 million, down from 14.1 million a year ago. Only two sectors reported growth during the recent 12-month period. The education and health services sector grew by 49,400 jobs, or 2.3 percent, down from the gain of 60,900 jobs reported during the 12 months ending September 2008. The government sector, as a whole,

grew by 24,600 jobs, or 1.0 percent, slightly fewer jobs than the 24,900 jobs gained in 2008; however, the federal government subsector reported a gain of 15,600 jobs, more than three times the increase of 5,100 jobs during the 12 months ending September 2008. The addition of 9,300 jobs in the Washington, D.C. metropolitan area accounted for 60 percent of the current regional employment growth in the federal government subsector.

Regional job gains were overshadowed by losses of 91,450 jobs in the manufacturing sector, 75,400 jobs in the construction sector, and 72,200 jobs in the wholesale and retail trade subsectors, representing declines of 8.0, 10.6, and 3.6 percent, respectively. The professional and business services sector, which was the second largest growth sector in the region during the 12 months ending September 2008 with an increase of 27,100 jobs, reported losses of 51,600 jobs during the most recent 12 months. All states in the region reported job losses. The largest decline of 128,700 jobs, or 2.2 percent, occurred in Pennsylvania, where an increase of 24,100 jobs in the education and health services sector and a modest increase of 6,450 jobs in the government sector were offset by losses in all other sectors. Virginia and Maryland lost 84,400 jobs, or 2.2 percent, and 52,800 jobs, or 2.0 percent, respectively.



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In Virginia, the loss was attributed primarily to the decline of 28,600 jobs in the construction sector, 21,100 jobs in the manufacturing sector, and 13,700 jobs in the professional and business services sector. In Maryland, losses of 22,500 jobs in the construction sector and 14,800 jobs in the retail trade subsector led the overall decline. Only the District of Columbia reported an increase in the total number of jobs, up 4,600 jobs, or 0.6 percent, from a year earlier; the gain is attributed to an increase of 4,400 jobs in the education and health services sector and 3,750 in the federal government subsector. The economies of all the major metropolitan areas in the region contracted, with the Philadelphia metropolitan area reporting the largest decline of 70,000 jobs.

During the 12 months ending September 2009, the average unemployment rate in the Mid-Atlantic region increased from 4.3 to 7.1 percent, the highest rate recorded for the region during the current decade. Rates among the states in the region ranged from 6.1 percent in Virginia to 7.4 percent in Pennsylvania. The rate in the District of Columbia, at 9.5 percent, was the highest rate in the region.

During the 12 months ending September 2009, the decline in total home sales in the region was significantly smaller than the decline reported during the previous year. According to the Maryland Association of REALTORS®, nearly 45,000 existing homes were sold in Maryland during the 12 months ending September 2009 compared with the 46,500 homes sold during the 12 months ending September 2008. The 3-percent decline in sales during the 12 months ending September 2009 was an improvement on the 33-percent decline reported during the same period in 2008. The average home sales price declined to \$309,000 during the recent 12 months, down 10 percent from the \$345,500 reported a year earlier. The average monthly inventory of homes for sale declined 14 percent during the 12 months ending September 2009, a decrease of 7,000 from the nearly 49,000 homes for sale during the same period in 2008. In the Baltimore metropolitan area, 20,450 homes were sold during the recent 12-month period at an average price of \$285,480, reflecting a 10-percent decrease in the number of sales and an 8-percent decrease in price from the previous year.

The Virginia Association of REALTORS® reported that the number of existing home sales in the state declined by less than 4 percent from the number of sales in the previous year, to 81,600 homes during the 12 months ending September 2009. Between September 2008 and September 2009, the median sales price declined 10 percent, to \$230,400. In the Richmond metropolitan area, the number of sales declined 11 percent to 8,680 homes for the 12-month period ending September 2009 and the median home price declined nearly 12 percent to \$202,300.

The resale markets in Pennsylvania, West Virginia, and Delaware also showed smaller declines during the 12 months ending June 2009 (the most recent data available) compared with the sales volume reported in the previous year. According to the NATIONAL ASSOCIATION OF REALTORS®, during the second quarter of 2009, homes were sold at an annual rate of 146,400 in Pennsylvania, 24,400 in West Virginia, and 11,200 in Delaware, a decline of 15, 6, and 3 percent, respectively, compared with the number sold in the second quarter of 2008. The Washington, D.C. market reported an annual rate of 7,600 homes sold, a nearly 6-percent increase from the rate reported during the previous year.

The economic decline in the Mid-Atlantic region and the reduction in home sales resulted in decreased construction activity, as measured by the number of permits issued. Based on preliminary data, new single-family home construction declined by 27 percent, to 46,350 homes, during the 12 months ending September 2009. The largest decline in the region was in Pennsylvania, where permits were issued for 10,430 homes, representing 36 percent fewer than the number issued during the 12 months ending September 2008. New home construction decreased 40 percent in West Virginia to 1,380, 23 percent in Virginia to 13,980, and 16 percent in Maryland to 7,050 during the period ending September 2009. In Delaware, 2,460 permits were issued for new homes during the 12 months ending September 2009, down nearly 18 percent from the 2,990 homes permitted in 2008. All major metropolitan areas in the region reported declines in new home construction. The number of building permits issued for single-family homes declined 40 percent to 4,440 homes in the Philadelphia metropolitan area, 23 percent to approximately 5,300 homes in the Baltimore metropolitan area, and 13 percent to 8,170 homes in the Washington, D.C. metropolitan area.

During the 12 months ending September 2009, multifamily building activity, as measured by the number of units permitted, declined in all states in the Mid-Atlantic region. Approximately 10,900 units were permitted in the region, a decline of 43 percent from a year earlier. The number of multifamily units permitted during the 12 months ending September 2009 decreased by 57 percent to 2,300 units in Maryland, by 40 percent to 2,290 in Pennsylvania, by 36 percent to 4,950 in Virginia, and by 16 percent to 570 in Delaware compared with the number of permits issued in those states during the 12 months ending September 2008. In West Virginia, the number of multifamily units permitted declined 85 percent from 1,130 to 164 units. The District of Columbia reported the only increase, permitting 620 multifamily units, up from 410 units during the 12-month period ending September 2008. Multifamily building activity declined in all of the largest metropolitan areas in the region. During the



12-month period ending September 2009, the Washington, D.C. metropolitan area reported 2,980 new units permitted, approximately 3,600 fewer than during the previous year. In both the Philadelphia and Baltimore metropolitan areas, the number of multifamily units permitted decreased by 55 percent, to 1,710 and 1,230 units, respectively.

Rental market conditions in the three largest metropolitan areas softened slightly during the 12 months ending September 2009. According to Delta Associates, the apartment vacancy rate in the Philadelphia metropolitan area increased from 8.6 to 9.9 percent. Vacancy rates are highest, at 15.2 percent, in the southern New Jersey counties. Currently, rents average \$1,535 for the Philadelphia metropolitan area as a whole and \$1,950 in Philadelphia's Center City. In the Baltimore metropolitan area, conditions remain soft in the city and the southern portions of the metropolitan area but are balanced in the northern and western suburbs. Delta Associates reported that the vacancy rate for Class A

apartments increased minimally from 6.2 to 6.9 percent and average rents increased from \$1,423 to \$1,440 and range from \$1,043 in Harford County to \$1,664 in Baltimore City. The Washington, D.C. metropolitan area rental market conditions remain balanced, but the market softened during the 12 months ending September 2009. Delta Associates reported a combined vacancy rate for Class A garden and highrise apartments of 4.4 percent in September 2009, up from 3.1 percent from a year earlier. Approximately 4,900 new units were being marketed in the metropolitan area as of September 2009 with concessions increasing from 4 to 6 percent of rent compared with concessions offered a year earlier. During the 12-month period ending September 2009, the average rent for a Class A garden apartment was \$1,377, relatively unchanged from the rent reported during the same period ending September 2008, and the average rent for a unit in a Class A highrise building was \$2,166, nearly 4 percent higher than the \$2,089 reported a year earlier.