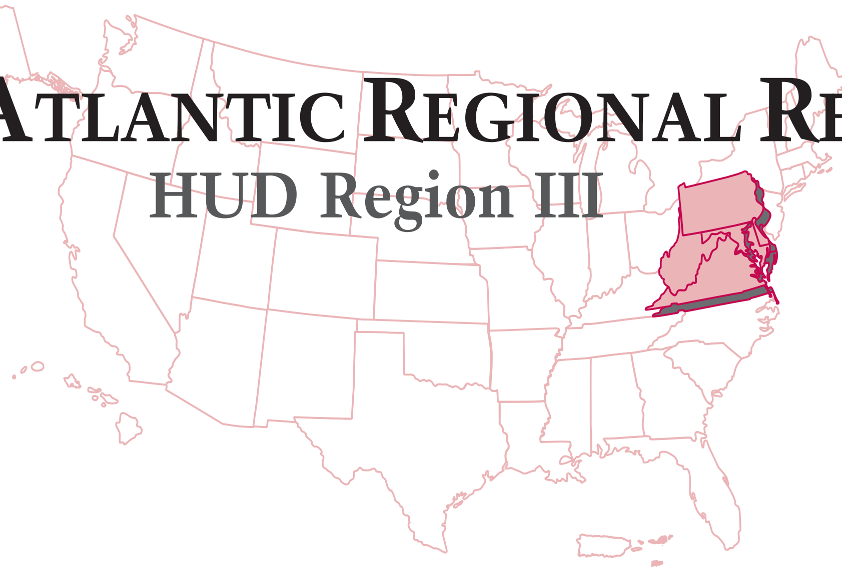
3rd Quarter 2010

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 peaking at 14.1 million jobs during the third quarter of 2008, nonfarm payrolls in the Mid-Atlantic region continued to decline, although at a slowing rate. During the 12 months ending September 2010, the region lost 165,500 jobs, or 1.2 percent, compared with the loss of 345,900 jobs, or 2.5 percent, during the 12-month period ending September 2009. During the 12-month period ending September 2010, the average nonfarm payroll jobs in the region totaled 13.6 million, down from 13.7 million a year earlier. Only three sectors reported growth during the 12-month period ending September 2010. The education and health services sector grew by 33,150 jobs, or 1.5 percent, down from the gain of 49,400 jobs, or 2.4 percent, reported during the 12 months ending September 2009. Due largely to increased hiring for the 2010 Census, the federal government subsector reported a gain of 29,100 jobs, or 4.6 percent, compared with the increase of 17,600 jobs, or 2.9 percent, during the 12 months ending September 2009. The Washington, D.C. metropolitan area accounted for 59 percent, or 17,125 jobs, of the regional employment growth in the federal government subsector, down from 65 and 83 percent in the 12-month periods ending September 2009 and 2008, respectively. The deconcentration of federal job growth from the Washington, D.C. metropolitan area also reflected the regionwide staffing of temporary census jobs. In the 12-month period ending September 2010, the leisure and hospitality sector added 6,900 jobs, a 0.6 percent increase, after losing 19,300 jobs, or 1.5 percent, in the 12-month period ending 2009.

Net losses were recorded in all other sectors during the 12 months ending September 2010. These losses were led by declines of 60,200 jobs in the manufacturing sector, 48,200 jobs in the construction sector, and 35,700 jobs in the trade sector, representing declines of 5.8, 7.7, and 2.0 percent, respectively. All states in the region reported job losses, but the District of Columbia reported a gain. The largest decline of 72,900 jobs, or 1.3 percent, occurred in Pennsylvania, where increases of 12,700 jobs in the education and health services sector, 2,760 jobs in the government sector, and 4,950 jobs in the leisure and hospitality sector were offset by losses in all other sectors. Virginia and Maryland lost 49,500 jobs, or 1.4 percent, and 29,150 jobs, or 4.2 percent, respectively. In Virginia, the loss was largely because of the decline of 16,000 jobs in the construction sector and 12,500 jobs in the manufacturing sector. In Maryland, losses of nearly 12,600 jobs in the construction sector led the overall decline. The District of Columbia reported an increase in the total number of jobs, up 6,100 jobs, or 0.9 percent, from a year earlier; the gain was attributed to an increase of 9,400 jobs in the federal government subsector and 3,000 jobs in the professional and business services sector. Jobs in all the major metropolitan areas in the region continued to decline, but at a slower rate, with the Philadelphia metropolitan area reporting the largest percentage decline of 2.1 percent, or 56,900 jobs, which is less than the 2.8 percent decline reported in Philadelphia during the previous 12-month period.

During the 12 months ending September 2010, the average unemployment rate in the Mid-Atlantic region increased from 6.9 to 8.1 percent. Unemployment rates among the states in the region ranged from 7.0 percent in Virginia to 9.0 percent in West Virginia. The unemployment rate in the District of Columbia was 10.8 percent, which was the highest rate in the region.

As of the third quarter of 2010, conditions in the home sales markets in the Mid-Atlantic region were mixed. During the 12 months ending September 2010, home sales increased, partly because of home price declines. According to the Maryland Association of REALTORS®, during the 12 months ending September 2010, 53,200 existing homes were sold in Maryland compared with the 45,000 homes sold during the 12 months ending September 2009. During the 12-month period ending September 2010, the market became more balanced compared with previous soft conditions as the inventory declined by 5 percent to an average of 43,300 homes on the market, about a 10-month supply compared with a 12-month supply a year earlier. During the 12 months ending September 2010, the nearly 18-percent increase in sales was an improvement on the 3-percent decline reported during the same period in 2009. During the recent 12 months, the average home sales price declined to $294,400, down 5 percent from the $309,000 reported a year earlier. In the Baltimore metropolitan area, according to Metropolitan Regional Information Systems, Inc. (MRIS®), during the 12 months ending September 2010, 22,730 homes were sold at an average price of $279,770, reflecting an 11-percent increase in the number of sales but a 2-percent decrease in the average price from the previous year.

The sales market was soft in Virginia during the third quarter of 2010. The Virginia Association of REALTORS® reported that, during the 12 months ending September 2010, the number of existing home sales in the state declined by 2 percent to 89,700 homes sold compared with the number sold during the previous 12 months. Between September 2009 and September 2010, the median sales price increased 6 percent, to $249,000. In the Richmond metropolitan area, for the 12-month period ending September 2010, the number of sales declined 8 percent to 13,000 homes and the median home price remained relatively stable at $197,990.

During the 12 months ending June 2010 (the most recent data available), the resale markets in Pennsylvania, West Virginia, and Delaware improved compared with the sales volume reported in the previous year. The sales markets in these three states are still slightly soft, with price declines required to stimulate sales. According to the NATIONAL ASSOCIATION OF REALTORS®, during the second quarter of 2010, homes were sold at an annual rate of 195,200 in Pennsylvania, 28,400 in West Virginia, and 14,000 in Delaware, which indicates increases of 33, 16, and nearly 17 percent, respectively, compared with the number sold in the second quarter of 2009. According to MRIS®, in the second quarter of 2010, the District of Columbia reported 6,500 homes sold, a 21-percent increase from the volume reported during the previous year.

According to Lender Processing Services Mortgage Performance Data, in September 2010, the number of home loans that were 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned) in the region increased by 2 percent to approximately 221,200 loans compared with the number recorded during September 2009. This level represents a current rate of 6.2 percent of all loans recorded in the region compared with a rate of 6.1 percent in September 2009; however, the regional rate is less than the current 8.4-percent rate for the nation.

Improved conditions in the existing home sales market stimulated new home construction activity, as measured by the number of homes permitted. Based on preliminary data, during the 12 months ending September 2010, new single-family home construction increased by more than 10 percent to 39,000 homes permitted. The largest increase in the region was in Pennsylvania, where permits were issued for nearly 11,900 homes, 14 percent more than the number issued during the 12 months ending September 2009. During the period ending September 2010, new home construction increased nearly 16 percent in Maryland to 8,100 homes, 14 percent in Delaware to 2,800 homes, and 6 percent in Virginia to nearly 14,800 homes. New production declined in West Virginia by nearly 2 percent to fewer than 1,400 homes, and in the District of Columbia, production was down 68 homes to a total of 85 homes. During the 12 months ending September 2010, all major metropolitan areas in the region reported increases in new home construction. The number of building permits issued for single-family homes increased nearly 12 percent to 5,400 homes in the Philadelphia metropolitan area, 24 percent to 3,600 homes in the Baltimore metropolitan area, and 8 percent to 9,700 homes in the Washington, D.C. metropolitan area.

During the 12 months ending September 2010, multifamily building activity, as measured by the number of units permitted, increased in the northern states of the Mid-Atlantic region. Approximately 12,300 total units were permitted in the region, an increase of 11 percent from the number permitted a year earlier. In Maryland, during the 12 months ending September 2010, the number of multifamily units permitted increased by 52 percent to 3,470 units. The number of multifamily units permitted increased by 16 percent to 2,730 units in Pennsylvania and by 41 percent to 870 units in the District of Columbia. In Virginia, during the same period of time, the number of multifamily units permitted declined by 7 percent, to 4,700. In West Virginia, a total of 145 units were permitted, 20 fewer units than were permitted during the previous 12-month period, and 380 units were permitted in Delaware, 195 fewer than were permitted a year earlier. Multifamily building activity increased in all of the largest metropolitan areas in the region. During the 12-month period ending September 2010, the Washington, D.C. metropolitan area reported 3,300 new units permitted, 4 percent more than were permitted during the previous year. In the Philadelphia metropolitan area, the number of multifamily units permitted increased by 16 percent, to 2,400 units, and in the Baltimore metropolitan area, the number of multifamily units permitted increased by 35 percent, to 2,125 units.

Rental market conditions in the three largest metropolitan areas in the region were mixed during the 12 months ending September 2010. According to Delta Associates, the apartment market tightened in the Philadelphia metropolitan area as vacancy rates in Class A units decreased from 9.9 to 4.6 percent. Rents averaged $1,590 for the Philadelphia metropolitan area as a whole and $2,090 in Philadelphia's Center City, up 4 and 7 percent from $1,535 and $1,950, respectively, a year earlier. In the Baltimore metropolitan area, conditions were slightly soft as vacancy rates rose from 6.9 to 7.4 percent. In Baltimore City, during the 12 months ending September 2010, vacancy rates were relatively unchanged at 7.9 percent. Average rents in the Baltimore metropolitan area increased by 4 percent from $1,440 to $1,500; in Baltimore City, they remained relatively unchanged at $1,670. The Washington, D.C. metropolitan area rental market tightened during the 12 months ending September 2010. During that period, Delta Associates reported a vacancy rate for Class A garden apartments of 5.4 percent, down from 9 percent a year earlier. Vacancy rates in highrise units declined from 11 to 9 percent. During this same 12-month period, the average rent for a Class A garden apartment was $1,540, up 5 percent from $1,465 during the same period ending September 2009, and the average rent for a unit in a Class A highrise building was $2,360, nearly 9 percent higher than the $2,170 reported a year earlier.