



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.

The economy of the Mid-Atlantic region expanded during the third quarter of 2012, but average nonfarm payrolls remained below the peak of 14.09 million jobs recorded during the 12 months ending August 2008. During the 12 months ending September 2012, total nonfarm payrolls in the region averaged 13.91 million jobs, an increase of 134,100 jobs, or 1.0 percent, compared with nonfarm payrolls a year ago. Average nonfarm payrolls increased by 163,400 jobs, or 1.2 percent, during the 12 months ending September 2011. The education and health services, professional and business services, and leisure and hospitality sectors, which added 52,450, 26,050, and 22,650 jobs, or 2.3, 1.3, and 1.8 percent, respectively, recorded the most

job growth during the 12 months ending September 2012. The mining, logging, and construction sector added 12,200 jobs, a 1.8-percent increase. In part because of increased homebuilding, the construction subsector accounted for 48 percent of new jobs in the sector, and the remaining jobs added in the mining and logging subsector were primarily related to oil and natural gas extraction activity on the Marcellus and Utica Shales. The only sectors in the region that recorded payroll declines were the government and information sectors, which declined by 7,800 and 2,325 jobs, or 0.3 and 1.0 percent, respectively.

Nonfarm payrolls increased throughout the Mid-Atlantic region during the 12 months ending September 2012. Virginia registered the most growth, adding 41,650 jobs, a 1.1-percent increase, followed by Pennsylvania, with a gain of 38,100 jobs, or 0.7 percent. The District of Columbia recorded the largest percentage increase, 1.7 percent, with the addition of 12,250 jobs; Maryland followed with a 1.4-percent increase, or 35,250 jobs. Gains in West Virginia and Delaware totaled 6,400 and 450 jobs, increases of 0.9 and 0.1 percent, respectively. During the 12 months ending September 2012, the unemployment rate in the region averaged 7.0 percent, down from 7.5 percent during the previous 12 months. The unemployment rates



among the states in the region ranged from 5.8 percent in Virginia to 7.8 percent in Pennsylvania. Maryland, Delaware, and West Virginia recorded unemployment rates of 6.8, 7.0, and 7.3 percent, respectively. The average unemployment rate in the District of Columbia was 9.4 percent, down from 10.2 percent a year earlier.

Home sales market conditions were soft but improving in the Mid-Atlantic region during the third quarter of 2012. According to the Virginia Association of REALTORS®, during the 12 months ending September 2012, the number of existing home sales in Virginia totaled 87,750, up 5 percent compared with the number of homes sold a year earlier. During the third quarter of 2012, the median home sales price increased nearly 6 percent, to \$248,000, from \$235,000 a year ago. The Maryland Association of REALTORS® reported a 3-percent increase in the number of existing homes sales, to 52,350 homes sold, and the average home sales price increased 2 percent, to \$288,800, during the 12 months ending September 2012. During the same period, in the District of Columbia, 6,350 homes sold, up 1 percent from a year earlier, and the average home sales price increased 4 percent, to \$542,200, according to Metropolitan Regional Information Systems, Inc. (MRIS®). According to CoreLogic, Inc., during the 12 months ending June 2012, the most recent data available, sales of new and existing homes in West Virginia, Delaware, and Pennsylvania increased 16, 12, and 3 percent, to 6,000, 9,225, and 127,000 homes sold, respectively. The average sales price for new and existing homes increased 3 percent, to \$132,000, in West Virginia; declined 9 percent, to \$230,600, in Delaware; and remained unchanged at \$169,700 in Pennsylvania. According to LPS Applied Analytics, as of September 2012, 6.4 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up from 5.9 percent in September 2011.

Sales housing market conditions were soft but improving in the largest metropolitan areas in the region. According to the Maryland Association of REALTORS®, during the 12 months ending September 2012, the number of new and existing home sales in the Baltimore metropolitan area registered a 5-percent increase, to 23,350 homes sold, and the average home sales price was \$274,800, up 4 percent from a year ago. According to MRIS®, during the same period, new and existing home sales in the Washington, D.C. metropolitan area totaled 62,900 homes sold, a 1-percent increase, and the average home sales price was \$391,000, up 3 percent from a year ago. Based on data from TREND, the Multiple Listing Service (MLS), and MRIS® for Cecil County, Maryland, during the 12 months ending September 2012, existing single-family home sales in the Philadelphia metropolitan area increased 12 percent, to 44,800 homes, compared with the number sold a year ago. The average home sales price was \$249,200, down 1 percent from a year earlier. According to CoreLogic, Inc., during the 12 months ending June 2012, the most recent data available, new and existing home sales

in the Pittsburgh metropolitan area increased 1 percent, to 26,100 homes, and the average home sales price increased 5 percent, to \$142,600. New and existing home sales increased nearly 12 percent each in the Virginia Beach and Richmond metropolitan areas, to 20,800 and 15,700 homes, respectively. Average home sales prices declined 2 percent each, to \$217,500 in the Virginia Beach metropolitan area and \$208,000 in the Richmond metropolitan area.

In response to stronger home sales throughout most of the Mid-Atlantic region, homebuilders increased single-family home production during the 12 months ending September 2012. According to preliminary data, the number of single-family homes permitted in the region increased by 3,325 homes, or 9 percent, to 38,450 homes permitted during the 12 months ending September 2012. Homebuilding activity was up 16 percent, to 8,625 homes, in Maryland and increased 15 percent, to 7,700 homes, in Virginia. Single-family construction activity increased by 290 homes, or 12 percent, to 2,725 homes in Delaware and increased by 130 homes, or 11 percent, to 1,300 homes in West Virginia. Offsetting part of the increase in homebuilding activity for the region, the District of Columbia and Pennsylvania reported declines of 9 and 2 percent, to 240 and 10,300 homes, respectively.

Multifamily construction, as measured by the number of multifamily units permitted, increased in every state in the region during the 12 months ending September 2012. According to preliminary data, the number of units permitted in the region increased by 7,500, or 49 percent, from a year earlier, to 22,850 units permitted. Multifamily construction activity in Delaware more than doubled from the same period a year ago, to 1,150 units permitted. In Maryland and Pennsylvania, multifamily construction increased 88 and 87 percent, to 5,925 and 4,000 units permitted, respectively. Nearly 230 multifamily units were permitted in West Virginia, up 36 percent from a year earlier. In the District of Columbia and Virginia, multifamily construction increased 30 and 19 percent, to 3,850, and 7,700 units permitted, respectively.

Rental housing market conditions were mixed in the Mid-Atlantic region during the third quarter of 2012. In the Washington, D.C. metropolitan area, the apartment market was soft. According to Delta Associates, the vacancy rate for Class A garden apartments, including units in lease up, was 6.9 percent during the third quarter of 2012, up from 5.3 percent a year earlier. The vacancy rate for garden apartments increased from 5.5 to 8.6 percent in suburban Maryland and from 5.1 to 5.5 percent in Northern Virginia. The vacancy rate for highrise properties in the Washington, D.C. metropolitan area increased from 5.5 to 7.9 percent, and rent concessions increased from 2.5 to 3.1 percent of the asking rent. During the third quarter of 2012, the average rent for Class A garden apartments increased 3 percent, to \$1,625, and the average rent for highrise apartments increased 2 percent, to \$2,450.



In the Baltimore metropolitan area, the apartment market was slightly soft, but it tightened in the southern suburbs during the third quarter of 2012. The apartment vacancy rate in the Baltimore metropolitan area declined from 8.9 to 7.8 percent, primarily because the apartment vacancy rate in the southern suburbs decreased from 11.1 to 6.9 percent. By contrast, the apartment vacancy rate increased from 7.3 to 8.0 percent in the northern suburbs of Baltimore and from 8.0 to 9.1 percent in the city of Baltimore. The average rent in the Baltimore metropolitan area increased 3 percent, to nearly \$1,575, and the average rent in the city of Baltimore increased 4 percent, to \$1,775.

The Philadelphia metropolitan area rental market was balanced overall, but the apartment market in Center

City Philadelphia was tight. According to Delta Associates, the apartment vacancy rate in the Philadelphia metropolitan area increased from 2.6 during the third quarter of 2011 to 4.2 percent during the third quarter of 2012, and the average rent remained unchanged at \$1,600. In Center City Philadelphia, the vacancy rate for Class A highrise units declined from 2.3 to 1.9 percent, and the average rent decreased slightly, from \$2,155 to \$2,143. The rental housing market in the Richmond metropolitan area was balanced. According to Real Data, in August 2012, the apartment vacancy rate in the Richmond metropolitan area was 6.2 percent, down from 6.5 percent a year earlier, and the average rent increased 3 percent, to \$880.