



U.S. Housing Market Conditions



MID-ATLANTIC REGIONAL REPORT HUD Region III

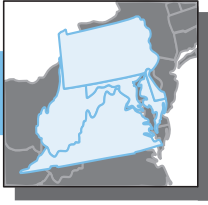
4th Quarter Activity

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 economic decline in the Mid-Atlantic region that began in the fourth quarter of 2008 worsened during 2009. Nonfarm employment during 2009 averaged 13.7 million jobs, a decline of 341,200, or 2.4 percent, from the 14.1 million jobs recorded during 2008. Employment decreased in all sectors except the education and health services and the government sectors. The education and health services sector grew by 45,830 jobs, or 2.1 percent, a significant decline from the 60,800 jobs added during 2008. The government sector grew by 21,900 jobs, or 0.9 percent, significantly less than the 30,900 jobs gained in 2008. The federal government subsector increased by 17,300 jobs, more than twice the increase of 8,470 during 2008. Nearly

62 percent of the growth in federal government jobs occurred in the Washington, D.C., metropolitan area, where approximately 10,650 new positions were added during 2009.

During 2009, job losses totaled nearly 103,000 in the manufacturing sector, 80,900 in the construction sector, and 69,900 in the wholesale and retail trade subsectors combined, representing losses of 9.1, 11.6, and 3.5 percent, respectively. Each state in the Mid-Atlantic region posted job losses during 2009. Employment declines ranged from a loss of 18,940 jobs in Delaware, down 4.4 percent from 2008, to a loss of 159,800 jobs, or 2.8 percent, in Pennsylvania. The most significant losses in Delaware were in the professional and business services sector, which lost 4,980 jobs, or 8.5 percent. In Pennsylvania, manufacturing led the decline, losing 64,980 jobs, or 10.1 percent, during 2009. Virginia and Maryland lost 90,580 and 55,320 jobs, a decrease of 2.4 and 2.1 percent, respectively. In West Virginia, employment declined by 20,060 jobs, or 2.6 percent. In Maryland and Virginia, weakness in the housing market contributed to losses of 26,240 and 27,410 construction sector jobs, respectively. In West Virginia, the loss of 5,430 jobs in the manufacturing sector led the decline. Bolstered by a gain of 5,000 jobs in the federal government subsector and an increase of



3,780 jobs in the education and health services sector, the District of Columbia reported an increase of 3,480 jobs, or 0.5 percent, from the number of jobs a year earlier. During 2009, the regional unemployment rate averaged 7.6 percent, significantly lower than the national rate of 9.3 percent but higher than the regional average of 4.8 percent in 2008. Rates among the states in the region ranged from 6.7 percent in Virginia to 8.2 percent in Pennsylvania. The District of Columbia reported a rate of 10.8 percent.

Despite the slow economy, low interest rates, lower home prices, and the extension of the first-time homebuyer tax credit contributed to the improvement of the existing home sales market in the region but markets generally remain soft. The Maryland Association of REALTORS® reported that nearly 49,250 existing homes were sold in Maryland during 2009 compared with approximately 44,500 homes sold during 2008. The 10-percent increase in sales was a significant improvement compared with the 27-percent decline reported between 2007 and 2008. The average home sales price declined by more than 12 percent from \$345,500 to \$302,500 in 2009. The average monthly inventory of homes for sale declined 9 percent during 2009, from the nearly 48,900 homes for sale during 2008 to 44,300 for sale during 2009. In the Baltimore metropolitan area, sales volume increased 3 percent to 22,150 homes at an average price of \$280,100, reflecting a nearly 9-percent decrease in price from the previous year.

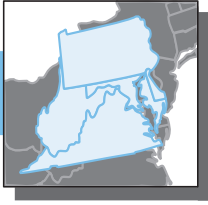
According to the Virginia Association of REALTORS®, 86,600 existing homes were sold in the state during 2009, a 2-percent increase from the 85,280 homes sold during 2008. In the fourth quarter of 2009, the median home sales price of \$245,400 was 9 percent below the median price of \$268,300 reported at the end of 2008. Metropolitan Regional Information Systems, Inc., (MRIS®) reported that during 2009 in the Virginia suburbs of Washington, D.C., a total of 37,750 homes were sold, which is a 4-percent increase from the 36,340 homes sold during 2008. Average home prices in this area remained the highest in the state, at \$349,750, but were down 6 percent from the average price of \$372,800 reported in 2008. During the past year, homes for sale remained on the market for an average of 77 days, down significantly from the 2008 average of 109 days.

The resale markets in Pennsylvania, West Virginia, and Delaware also improved during the 12 months ending September 2009 (the most recent data available) compared with the sales volume reported in the previous year. According to the NATIONAL ASSOCIATION OF REALTORS®, in the third quarter of 2009, the annual rate of home sales in Delaware increased to 13,200 homes, or 18 percent, compared with the annual rate posted a year earlier. In Pennsylvania, an annual rate of 184,400 home sales was recorded, up 6 percent compared with the rate recorded 1 year earlier. In West

Virginia, an annual rate of 29,200 home sales was recorded, a 14-percent increase from the third quarter of 2008. According to RealtyTrac® Inc., in the Mid-Atlantic region during 2009, nearly 147,900 foreclosure filings were reported, nearly 17 percent more than the 125,900 filed during the previous year. The resulting foreclosure rate for 2009 was 1.2 percent, significantly lower than the 2.2 percent reported for the nation. During 2009, Virginia had the largest number of properties with foreclosure filings, at 52,130, and the largest percentage increase in filings, at 1.5 percent.

Single-family homebuilding activity, as measured by the number of building permits issued, declined by 17 percent in the Mid-Atlantic region during 2009 as the economy continued to weaken and builders had difficulty securing financing for new construction. Based on preliminary data, during 2009, a total of 36,680 homes were permitted in the region, a decrease of 7,320 homes when compared with the number permitted during 2008. Single-family home production declined in all states in the region, with decreases ranging from less than 2 percent in Delaware to 25 percent in Pennsylvania. Pennsylvania and Virginia accounted for 88 percent of the regional decline, with decreases of 3,640 and 2,790 homes, respectively. Multifamily construction activity, as measured by the number of units permitted, also declined significantly in the region during the past year. Preliminary data indicate the number of multifamily units permitted declined by 5,380 units, or 32 percent, to 11,480 units. All states in the region reported fewer multifamily units permitted during the past year as apartment and condominium builders continued to find lenders hesitant to finance new projects. Only the District of Columbia recorded an increase in multifamily units permitted, a total of 980 units, 700 more than the number permitted in 2008. The largest multifamily reductions occurred in Maryland, Virginia, and Pennsylvania, which recorded decreases of 1,940, 1,960, and 1,490 units, respectively.

Soft apartment market conditions prevailed in many areas of the region at the end of 2009. In the Baltimore metropolitan area, Delta Associates reported the overall vacancy rate declined to 7.4 percent during 2009 from 7.6 percent during 2008, but the market is soft in the areas directly north and south of the city of Baltimore. Vacancy rates in the northern suburbs rose to 19.2 percent, up from 3.5 percent a year earlier, because two projects with a total of 430 units were in lease up. In the southern suburbs, rates declined from 9.5 to 8.2 percent, but conditions remain soft. The market also remains soft in Baltimore, where the current vacancy rate is 8.2 percent, down from the 14-percent rate recorded in December 2008. Rents in the Baltimore suburbs increased from an average of \$1,360 in the fourth quarter of 2008 to \$1,410 in the fourth quar-



ter of 2009; in Baltimore city, average rents declined from \$1,700 to \$1,675.

Between December 2008 and December 2009, the market softened in the suburbs of the Philadelphia metropolitan area but remained balanced in Center City Philadelphia. In the New Jersey suburbs, Delta Associates reported an increase in vacancy rates from 9.4 percent in December 2008 to 14.7 percent in December 2009. Concessions increased from 5.4 percent of rent to 6.8 percent; average rents rose from \$1,330 to \$1,370. In the Pennsylvania suburban counties, vacancy rates were relatively unchanged at 7.4 percent, but concessions rose from 4 percent of contract rents to 9 percent. Average rents in the Pennsylvania suburbs were \$1,420 at the end of the year, up from \$1,400 a year earlier. During 2009, the apartment market tightened in Center City Philadelphia: the vacancy rate fell from 7.4 to 4.7 percent as rents fell from an average of \$1,965 in December 2008 to \$1,940 in December 2009. The improved occupancy was also aided by tripling concessions, from 2.5 percent of the market-rate rent in December 2008 to 7.6 percent at the end of 2009.

In the Washington, D.C., metropolitan area, the rental market was generally balanced with some submarkets exhibiting soft conditions. Delta Associates reported a decline in vacancy rates in the garden-apartment market, from 8.1 percent in December 2008 to 5.4 percent at the end of 2009. Notable exceptions to the balanced market conditions were in Prince George's and Charles Counties, Maryland, where vacancy rates were 12.5 and 18 percent compared with 26.9 and 4 percent, respectively, a year earlier. Rents in garden apartments averaged \$1,600 in the close-in Maryland suburbs and \$1,560 in Northern Virginia. Vacancy rates in highrise units increased from 9.9 to 10.7 percent in Northern Virginia but decreased in both the District of Columbia and the Maryland suburbs from 23.9 to 13.2 percent and from 30.7 to 10.4 percent, respectively. During the past year, concessions in highrise units increased by more than one-third to 8.7 percent of the rent in the District of Columbia and by 20 and 5 percent to 9.9 and 8.3 percent of rent, respectively, in both the Maryland suburbs and Northern Virginia. Rents for highrise apartments averaged \$2,460 in the District of Columbia, \$2,220 in suburban Maryland, and nearly \$2,190 in Northern Virginia.