



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.

During 2010, nonfarm payrolls remained relatively stable in the Mid-Atlantic region, declining by only 11,000 jobs compared with the loss of 434,900 jobs, or 3 percent, during 2009. During 2010, nonfarm payrolls averaged 13.6 million jobs in the region. After reporting declines for 22 months, the professional and business services sector added 20,000 jobs in 2010, which was an increase of 1 percent from 2009. The education and health services and the leisure and hospitality sectors grew by 36,300 and 23,100 jobs, or 1.7 and 1.9 percent, respectively. Gains of 28,200, or 4.5 percent, in the federal government subsector offset losses of 12,900 jobs in the state and local government subsec-

tors, to produce a 0.6-percent increase, or nearly 13,200 additional jobs, in the total government sector. With the exception of the addition of 1,160 jobs, a 0.2-percent increase, in the other services sector, all remaining sectors experienced net losses during 2010.

The manufacturing sector continued a two-decade-long loss and declined by 31,700 jobs, or 3 percent, during 2010. Pennsylvania lost 14,725 jobs, or nearly 3 percent, in the manufacturing sector, accounting for 46 percent of all losses in the sector in the region. The construction sector lost 28,800 jobs, or nearly 5 percent, in the region. Losses in the construction sector began in 2007, peaked during 2009, and have continued declining but at a slower pace through 2010. Virginia's loss of 11,400 jobs in the sector in 2010, a decline of 6 percent from 2009, represents 40 percent of all construction jobs lost in the region. Every state in the region reported a net job loss except the District of Columbia, which added 9,300 federal government jobs and 5,700 professional and business services jobs, resulting in a net gain of 11,900 jobs, or a 1.7-percent increase over 2009. During 2010, the average unemployment rate in the Mid-Atlantic region increased from 7.5 to 8.1 percent. Unemployment rates among the states in the region ranged from 7.0 percent in Virginia to 9.2 percent in West Virginia. The District



of Columbia reported the highest unemployment rate in the region at 10.3 percent.

At the close of 2010, conditions in the home sales markets in the Mid-Atlantic region were mixed. During the fourth quarter of 2010, the market in Maryland was balanced as home sales increased, partly because of home price declines, and inventories stabilized. According to the Maryland Association of REALTORS[®], 50,880 existing homes were sold in Maryland during 2010 compared with the 49,530 homes sold during 2009, an increase of nearly 3 percent. The increase in sales was not as great as the 11-percent improvement in 2009 over 2008 sales, but it continued a positive trend. The inventory declined by less than 1 percent to an average of 43,800 homes on the market, slightly more than 10 months of supply compared with 44,100 homes and nearly 11 months of supply a year earlier. During 2010, the average home sales price declined 3 percent, to \$294,000, from the \$302,340 reported a year earlier. Nearly 21,450 homes were sold in the Baltimore metropolitan area during 2010, according to Metropolitan Regional Information Systems, Inc. (MRIS[®]), down 3 percent from the number sold in 2009. Prices in Baltimore, which averaged \$279,800, remained relatively flat. In the Maryland suburbs of the Washington, D.C. metropolitan area, sales volume increased 17 percent to 9,960 homes, but prices declined 12 percent to \$217,400.

The sales market was soft in Virginia during the fourth quarter of 2010. The Virginia Association of REALTORS[®] reported that 18,130 homes were sold during the fourth quarter compared with nearly 22,800 sold during the same quarter in 2009, a decline of more than 20 percent. The median sales price increased 4 percent from \$225,750 in the fourth quarter of 2009 to \$234,600 currently. In the Northern Virginia suburbs of the Washington, D.C. metropolitan area, expiration of the first-time homebuyers tax credit contributed to a decrease of 10 percent in sales volume to nearly 34,000 homes, but the market showed recovery with prices increasing 11 percent to \$388,200 and days on the market declining to 56 from 77 a year earlier.

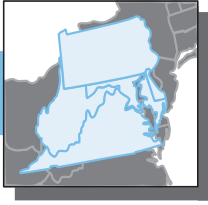
As 2010 ended, the markets in the rest of the region, in general, remained soft, with price declines still required to stimulate sales. During the 12 months ending September 2010, sales volume declined in Pennsylvania, West Virginia, and Delaware, after an increase in sales during the 12 months ending September 2009 that was stimulated by both declines in prices and the availability of tax credits. According to the NATIONAL ASSOCIATION OF REALTORS[®], during the third quarter of 2010 (the most recent data available), homes were sold at an annual rate of 135,200 in Pennsylvania, 24,400 in West Virginia, and 8,800 in Delaware, which indicates decreases of 27, 15, and 31 percent, respectively, compared with the number of homes sold in the third quarter of 2009. The market became balanced in the

District of Columbia during 2010. According to MRIS[®], the District of Columbia reported 6,200 homes sold during the year, a 4-percent increase from the volume reported during 2009, with a 5-percent increase in average price to \$512,700.

According to Lender Processing Services Mortgage Performance Data, in December 2010, the number of home loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region decreased by 8.6 percent to approximately 219,400 loans compared with the number recorded during December 2009. The current rate of all loans recorded in the region is 6.2 percent compared with 6.8 percent in December 2009 and is less than the current 8.3-percent national rate.

Despite mixed conditions in the existing home sales market, new home construction activity, as measured by the number of homes permitted, increased. Based on preliminary data, during 2010, new single-family home construction increased by nearly 5 percent to 38,400 homes permitted. Production in Pennsylvania increased by 11 percent, with 12,200 homes permitted. In Maryland, permits increased by 4 percent to 7,890 homes and, in Virginia, permits were issued for 14,300 homes, nearly 3 percent more than the number issued during 2009. New home construction increased less than 1 percent in Delaware, to 2,670 homes. In West Virginia, production declined by nearly 9 percent, to 1,290 homes, and, in the District of Columbia, production declined from 160 homes in 2009 to 120 homes in 2010. During 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 8 percent to 4,860 homes in the Philadelphia metropolitan area, 15 percent to 3,110 homes in the Baltimore metropolitan area, and nearly 4 percent to 9,010 homes in the Washington, D.C. metropolitan area.

During 2010, multifamily construction activity, as measured by the number of units permitted, was relatively unchanged in the Mid-Atlantic region. According to preliminary data for the period, the number of multifamily units permitted decreased by 120 units, or 1 percent, to nearly 11,400 units. Only Maryland and West Virginia increased production over 2009, issuing permits for 3,340 and 160 units, or increases of 32 and 29 percent, respectively. The number of multifamily units permitted decreased in Pennsylvania and Virginia during 2010 by 8 and 6 percent to a total of 2,240 and 4,660 units, respectively. Reductions in multifamily production occurred in Delaware and the District of Columbia, which recorded decreases of 17 and 44 percent to totals of 400 and 550 units permitted, respectively. Multifamily building activity was mixed in the largest metropolitan areas in the region. During 2010, the Washington, D.C. metropolitan area reported 3,110



units permitted, 16 percent more than were permitted in 2009, and the Baltimore metropolitan area reported 1,940 multifamily units permitted, an increase of 7 percent. In the Philadelphia metropolitan area, the number of multifamily units permitted decreased by 12 percent, to 2,100 units.

Rental market conditions in the three largest metropolitan areas in the region were mixed during the fourth quarter of 2010. In the Baltimore metropolitan area, rental market conditions were soft. According to data from Delta Associates, during 2010, vacancy rates increased from 7.4 to 9.1 percent, primarily due to 1,450 newly constructed apartments in leasing in the northern suburbs and in Baltimore City. Average rents in the Baltimore metropolitan area increased by 7 percent to \$1,440. Limited additions to the apartment supply during 2010 resulted in a tighter market in the Philadelphia metropolitan area as vacancies declined and rents increased. According to Delta Associates, during 2010, vacancy rates decreased from 8.5 to 3.2 percent, but the average rent increased more than 8 percent, to \$1,550. During 2010, average rents in the suburbs increased by more than 5 percent, to \$1,360. In Center City

Philadelphia, average rents increased by 17 percent, to \$2,100, while concessions in the city declined from 7.6 to 2.5 percent. The rental market in the Washington, D.C. metropolitan area, in general, was soft, resulting from higher vacancy rates in the market for midrise and highrise apartments that outweighed the balanced conditions in the market for garden apartments. According to Delta Associates, vacancy rates in midrise and highrise apartments during 2010 decreased from 10.7 to 7.1 percent in Northern Virginia but increased in both the District of Columbia and the Maryland suburbs from 10.8 to 12.3 percent and from 10.4 to 12.1 percent, respectively. In December 2010, rents for midrise and highrise apartments averaged \$2,450 in the District of Columbia, \$2,100 in suburban Maryland, and \$2,180 in Northern Virginia, up 6, 7, and nearly 8 percent, respectively, from December 2009. Vacancy rates for Class A garden apartments increased to 6.6 percent from 5.4 percent a year earlier. During 2010, rents in garden apartments rose nearly 9 percent in both the Maryland and Northern Virginia suburbs surrounding the District of Columbia to average \$1,610 from \$1,490 a year earlier, but concessions declined to 2.5 from 5.4 percent.