



U.S. Housing Market Conditions



MID-ATLANTIC REGIONAL REPORT HUD Region III

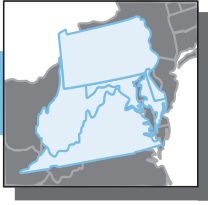
4th Quarter Activity

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.

Economic conditions in the Mid-Atlantic region improved during 2011 after a 2-year decline during 2009 and 2010. During 2011, nonfarm payrolls increased by 103,400 jobs, or 0.8 percent, to 13.7 million jobs compared with the loss of 19,500 jobs, or 0.1 percent, during 2010. More than 70 percent of the net job gain in the region occurred in the education and health services and the professional and business services sectors. The education and health services sector recorded an increase of 38,750 jobs, or 1.7 percent. The professional and business services sector grew by 35,450 jobs, or 1.8 percent, an improvement over the gain of 20,900 jobs, or 1.1 percent, registered in 2010. The wholesale trade subsector, which added 8,750 jobs, a 1.9-percent increase, led the 19,000-job, or 1.0-percent, overall growth of the trade sector. The

manufacturing sector increased by 10,700 jobs, or 1.1 percent, primarily because the growth of 11,500 jobs, or 2.1 percent, in Pennsylvania offset the loss of 1,925 jobs, or 1.7 percent, in Maryland. During 2011, the government sector in the region recorded a net decrease of 22,550 jobs, or 0.9 percent, compared with employment a year ago, with Pennsylvania accounting for 78 percent of the decline. The federal government subsector decreased by 7,450 jobs, or 1.1 percent, in the region; federal government payrolls in the Washington, D.C. metropolitan area, however, increased by 620 jobs, or 0.2 percent.

During 2011, nonfarm payroll jobs increased in every state in the region except Delaware, where payrolls remained nearly unchanged. Job gains ranged from 2,500, or 0.4 percent, in the District of Columbia to 65,500, or 1.2 percent, in Pennsylvania. In Pennsylvania, a gain of 23,200 jobs, or 2.0 percent, in the education and health services sector more than offset a loss of 17,600 jobs, or 2.3 percent, in the government sector. Virginia reported an increase of 22,300 jobs, or 0.6 percent, with a gain of 14,700 jobs, or 2.3 percent, in the professional and business services sector accounting for 65 percent of all jobs added in the state. Maryland added 7,950 jobs, a 0.3-percent increase, and West Virginia added 5,475 jobs, a 0.7-percent increase. Conditions in both states improved from a year ago, when Maryland recorded a loss of 10,200 jobs, or



0.4 percent, and West Virginia registered no change in nonfarm payrolls. In 2011, gains in the professional and business services and the education and health services sectors offset losses in the construction subsector in Maryland and losses in the government sector in West Virginia. The average unemployment rate in the Mid-Atlantic region decreased from 8.0 percent in 2010 to 7.3 percent in 2011. Unemployment rates declined in all five states in the region, with rates ranging from 6.2 percent in Virginia to 8.4 percent in West Virginia. In the District of Columbia, however, the unemployment rate rose from 9.9 to 10.4 percent, the highest rate in the region.

According to the Census Bureau, the population of the Mid-Atlantic region was estimated at 29.9 million as of July 1, 2011, an increase of 0.5 percent, or approximately 161,800, since July 1, 2010. Net natural increase (resident births minus resident deaths) accounted for 60 percent of the population growth. Population gains in Virginia accounted for 45 percent of the increase in the region. Growth rates ranged from 2.2 percent in the District of Columbia to 0.1 percent in West Virginia.

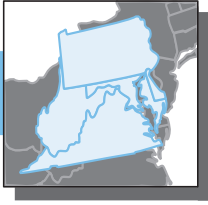
Home sales market conditions in the Mid-Atlantic region were soft in the fourth quarter of 2011, although the volume of home sales increased in some states. During the fourth quarter of 2011, the Virginia Association of REALTORS® reported a 1-percent increase in the number of existing home sales, to 18,700 homes sold. During the same period, the median home sales price decreased nearly 6 percent to \$220,000 from \$233,000 a year ago. Home sales increased nearly 10 percent in the greater Richmond area during the fourth quarter of 2011, to 2,925 homes sold, but the median sales price decreased by more than 8 percent to \$171,500. During the third quarter of 2011 (the most recent data available), existing home sales increased from a year ago in Delaware, Pennsylvania, and West Virginia, according to the NATIONAL ASSOCIATION OF REALTORS®. The seasonally adjusted annual home sales rate in those states increased by 29, 15, and 10 percent to 10,800, 155,200, and 27,200 homes sold, respectively, relative to the sales rates during the third quarter of 2010.

Sales housing market conditions were also soft in Maryland and the District of Columbia, although prices increased in the latter. According to the Maryland Association of REALTORS®, in 2011, the number of existing home sales in Maryland totaled 51,000, down 6 percent compared with the number sold in 2010, and the average home sales price declined 4 percent to \$278,300. In the Baltimore metropolitan area, 22,150 homes sold, down 4 percent from the 23,050 sold during the previous year, according to Metropolitan Regional Information Systems, Inc. (MRIS®). During 2011, the average home sales price declined by 5 percent to nearly \$262,500 from \$276,600 during the previous year. According to MRIS®, in the District of Columbia, approximately 6,150 homes sold during 2011, down nearly 7 percent from the 6,600 homes sold during

the previous year. Despite the decline, the average home sales price increased by 1 percent to \$511,200 following a 4-percent increase in 2010. According to LPS Applied Analytics, during December 2011, the percentage of home loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region declined to 6.0 from 6.2 percent during December 2010, and remained less than the 7.6-percent rate reported for the nation.

Softer sales market conditions reduced single-family construction activity, as measured by the preliminary number of building permits issued, in all states throughout the region, but the District of Columbia was an exception. Homebuilding activity decreased by 4,025 permits, or 11 percent, to a total of 34,400 single-family homes during 2011 compared with a 5-percent increase reported during 2010. The declines occurred in Pennsylvania, down 24 percent to 9,250 homes permitted; West Virginia, down 8 percent to 1,175 homes permitted; Delaware, down 7 percent to 2,500 homes permitted; and Maryland and Virginia, down 5 and 4 percent, to 7,525 and 13,700 homes permitted, respectively. In contrast, construction activity in the District of Columbia increased by 110 homes to a total of 230 homes permitted. Homebuilding decreased in the major metropolitan areas in the region. The largest percentage decline occurred in the Pittsburgh metropolitan area, down 17 percent to 2,650 homes permitted. The Philadelphia metropolitan area and the Baltimore metropolitan area declined by 13 and 9 percent, to 4,575 and 3,275 homes permitted, respectively.

Although single-family home construction declined in 2011, preliminary data indicate that, in the Mid-Atlantic region, multifamily construction, as measured by the number of multifamily units permitted, increased by 65 percent to nearly 18,800 units compared with the number permitted a year ago. More than one-half of the multifamily units were permitted in the District of Columbia, where building activity increased from 550 units in 2010 to 4,375 units in 2011. According to the McGraw-Hill Construction Pipeline database, apartments account for approximately 90 percent of the 4,875 multifamily units currently under construction in the District of Columbia. In Virginia, during 2011, the number of multifamily units permitted increased by 46 percent to 6,800 units. Maryland and Delaware recorded increases of 26 and 23 percent, to 4,225 and 500 units permitted, respectively. Pennsylvania and West Virginia each recorded a 19-percent increase, to 2,675 and 200 units permitted, respectively. Multifamily construction activity varied among the major metropolitan areas in the region. In the Washington, D.C. metropolitan area, multifamily building activity more than doubled from a year ago, increasing to a total of 9,625 units. In the Virginia Beach metropolitan area, the number of permits issued for multifamily units tripled from 820 units permitted a year ago to 2,500 units permitted in 2011. In the Baltimore metropolitan area, the number of multifamily units permitted declined by 320 units, or 9 percent, to 3,275 units permitted.



Apartment markets throughout the region were balanced to tight during 2011, an improvement from a year ago when conditions were softer in some areas. The Washington, D.C. metropolitan area rental housing market was balanced during 2011 compared with soft conditions in 2010, because of a tightening in the highrise market. Delta Associates reported a 6.6-percent vacancy rate for Class A garden apartments, unchanged from a year earlier. The garden apartment vacancy rate decreased from 6.7 to 6.0 percent in suburban Maryland but increased from 6.5 to 7.1 percent in Northern Virginia. The average vacancy rate in highrise units in the metropolitan area declined significantly, from 9.7 to 5.7 percent, as the absorption of units in lease-up increased. During 2011, in the Washington, D.C. metropolitan area, the average rent for Class A garden and highrise apartments increased by 2 and 3 percent to \$1,575 and \$2,400, respectively. In the Baltimore metropolitan area, conditions were balanced, an improvement from softer conditions in 2010; the overall apartment

vacancy rate decreased from 8.0 to 7.7 percent. From December 2010 to December 2011, the average vacancy rate declined from 4.7 to 3.5 percent at stabilized properties in the Baltimore metropolitan area and concessions were reduced from 2.8 to 2.1 percent. In Baltimore city, during 2011, the average vacancy rate decreased from 8.6 to 7.8 percent and the average vacancy rate at stabilized properties declined from 5.9 to 2.3 percent. The average rent increased in the Baltimore metropolitan area by 2 percent, from \$1,475 to \$1,525, and in Baltimore city by 8 percent to \$1,725. The apartment market in the Philadelphia metropolitan area was tight during 2011, unchanged from the previous year. During 2011, the vacancy rate in the Philadelphia metropolitan area increased slightly from 3.2 to 3.3 percent, and the average rent rose 2 percent to \$1,600. In the Center City Philadelphia submarket, during the same period, the average vacancy rate declined from 4.0 to 2.3 percent, and the average rent remained constant at \$2,150.