



# 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 2012, although job growth continued at a slower pace compared with job growth during 2011. Average nonfarm payrolls remained slightly below the peak of 14.07 million jobs recorded during 2008. During 2012, total nonfarm payrolls in the region averaged 13.94 million jobs, an increase of 122,200 jobs, or 0.9 percent, from 2011. Nonfarm payrolls increased by 162,600 jobs, or 1.2 percent, during 2011. The education and health services, professional and business services, and leisure and hospitality sectors, which increased by 42,000, 30,350, and 27,650 jobs, or 1.8, 1.5, and 2.2 percent, respectively, recorded the most job growth during 2012. The education

and health services and the leisure and hospitality sectors added jobs in every state in the region and together accounted for more than one-half of the job growth in the region. The government and information sectors decreased by 10,300 and 1,900 jobs, or 0.4 and 0.8 percent, respectively, the greatest nonfarm payroll declines among sectors in the region. Job losses in the government sector in Pennsylvania totaled 10,900, or 1.5 percent, and were concentrated in the local government subsector. The decline in the government sector in Pennsylvania more than offset modest gains of 4,200 and 380 jobs, or 0.6 and 0.1 percent, in the government sector in Virginia and Maryland.

Nonfarm payrolls increased in every Mid-Atlantic region state and in the District of Columbia during 2012. Virginia registered the most growth, adding 41,250 jobs, a 1.1-percent increase, followed by Pennsylvania, with a gain of 40,850 jobs, or 0.7 percent. Maryland recorded the greatest percentage increase, 1.2 percent, with the addition of 31,200 jobs, and the District of Columbia recorded a 1.0-percent increase, adding 7,525 jobs. Gains in Delaware and West Virginia totaled 780 and 600 jobs, for increases of 0.2 and 0.1 percent, respectively. During 2012, the unemployment rate in the region averaged 7.0 percent, down from 7.3 percent during 2011. The unemployment rates among the



states in the region ranged from 5.7 percent in Virginia to 7.8 percent in Pennsylvania. Maryland, Delaware, and West Virginia recorded unemployment rates of 6.8, 6.9, and 7.2 percent, respectively. The average unemployment rate in the District of Columbia was 9.0 percent, down from 10.2 percent a year earlier.

Sales housing market conditions in the Mid-Atlantic region improved during the fourth quarter of 2012 but remained slightly soft. According to the Maryland Association of REALTORS®, during 2012, the number of existing home sales in the state increased nearly 6 percent, to 54,000 homes sold, and the average home sales price increased 5 percent, to \$293,100. Based on data from Metropolitan Regional Information Systems, Inc. (MRIS®), during 2012, home sales in the District of Columbia totaled 6,650 homes, up 8 percent, and the average home sales price was \$555,700, an 8-percent increase. According to the Virginia Association of REALTORS®, during 2012, the number of existing home sales in Virginia totaled 90,443, up 8 percent compared with the number of homes sold a year earlier, and the median home sales price increased nearly 7 percent, to \$240,000, from \$225,000 a year ago. According to CoreLogic, Inc., during the 12 months ending September 2012 (the most recent data available), sales of new and existing homes in Delaware and West Virginia increased 12 and 5 percent, to 9,575 and 5,975 homes sold, respectively, but they remained unchanged in Pennsylvania, at 129,000 homes sold. The average sales prices for new and existing homes increased 1 and 2 percent, to \$131,600 and 171,600, respectively, in West Virginia and Pennsylvania but decreased 7 percent, to \$233,000, in Delaware. According to LPS Applied Analytics, as of December 2012, 6.3 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 6.0 percent in September 2011.

Sales housing market conditions strengthened in the largest metropolitan areas in the region, although conditions remain slightly soft in most areas. Based on data from TREND, the multiple listing service, and MRIS® for Cecil County, Maryland, during 2012, existing single-family home sales in the Philadelphia metropolitan area increased 15 percent, to 46,750 homes, and the average home sales price increased 1 percent, to \$250,700, from a year ago. According to the Maryland Association of REALTORS®, during 2012, the number of new and existing home sales in the Baltimore metropolitan area registered a 10-percent increase, to 24,300 homes sold, and the average home sales price was \$277,500, up 6 percent from a year ago. According to MRIS®, during 2012, new and existing home sales in the Washington, D.C. metropolitan area totaled 64,900 homes sold, a 7-percent increase, and the average home sales price was \$399,400, up 6 percent from a year ago. According to CoreLogic, Inc., during the 12 months ending September 2012 (the most recent data available), new and existing home sales in the Virginia Beach and Richmond metropolitan areas increased 8 and

3 percent, to 21,450 and 15,650 homes, respectively. Average home sales prices increased 1 percent each in the Virginia Beach and Richmond metropolitan areas, to \$220,200 and \$210,100, respectively. In the Pittsburgh metropolitan area, home sales remained unchanged in 2012 at 26,450 homes sold, and the average home sales price increased 3 percent, to \$144,700.

In response to stronger home sales in most areas, builders increased single-family home production, as measured by the number of single-family homes permitted, in every state in the Mid-Atlantic region during 2012. According to preliminary data, new home construction activity in the region increased by 5,725 homes, or 17 percent, to 40,150 homes permitted during 2012. Within the region, Virginia recorded the greatest numerical increase in single-family homes permitted in 2012, a gain of 2,225 homes, or 16 percent, to 15,950 homes. Homebuilding activity was up 18 percent, to 10,950 homes permitted, in Pennsylvania. Maryland and West Virginia each reported increases of 16 percent, to 8,750 and 1,375 homes, respectively. Single-family construction activity increased by 370 homes, or 15 percent, to 2,875 homes in Delaware and by 40 homes, or 19 percent, to 270 homes in the District of Columbia.

Multifamily construction, as measured by the number of multifamily units permitted, increased throughout most of the region during 2012. According to preliminary data, the number of units permitted in the region increased by 5,200, or 28 percent, from a year earlier, to 24,000 units permitted. Multifamily building increased 31 percent, to 8,950 units, in Virginia, which accounted for more than 40 percent of the increase in the region. In Delaware, multifamily construction more than doubled from the same period a year ago, to 1,200 units permitted. In Pennsylvania and Maryland, multifamily construction increased 67 and 32 percent, to 4,425 and 5,550 units permitted, respectively. Approximately 90 multifamily units were permitted in West Virginia during 2012, up 45 percent from a year earlier. By contrast, in the District of Columbia, multifamily construction declined by 830 units, or 19 percent, to 3,550 units permitted.

Rental housing market conditions ranged from balanced to soft in the Mid-Atlantic region during the fourth quarter of 2012. The Philadelphia metropolitan area rental market was balanced overall, but the apartment market in Center City Philadelphia softened. According to Delta Associates, the apartment vacancy rate in the Philadelphia metropolitan area increased from 2.6 percent in the fourth quarter of 2011 to 5.5 percent in the fourth quarter of 2012, but the average rent remained unchanged at \$1,600. In Center City Philadelphia, the vacancy rate for Class A highrise units increased from 2.3 to 6.9 percent, but the average rent remained unchanged at \$2,150. In the Baltimore metropolitan area, the apartment market was slightly soft overall but tightened in the northern suburbs during the fourth quarter of 2012. The apartment



vacancy rate in the Baltimore metropolitan area increased from 7.7 to 8.0 percent. Whereas the apartment vacancy rate increased from 5.9 to 7.5 percent in the southern suburbs and from 7.8 to 8.2 percent in the city of Baltimore, the vacancy rate decreased from 9.7 to 8.4 percent in the northern suburbs of Baltimore. The average rent in the Baltimore metropolitan area increased 3 percent, to \$1,575, and the average rent in the city of Baltimore increased 2 percent, to nearly \$1,775.

In the Washington, D.C. metropolitan area, the apartment market was soft. Delta Associates reported that the vacancy rate for Class A garden apartments, including units in lease up, was 8.6 percent in the fourth quarter of 2012, up from 6.6 percent in the fourth quarter of 2011. The vacancy rate for garden apartments increased from 7.1 to 8.1 percent in Northern Virginia and from 6.0 to 9.1 percent in suburban Maryland. Approximately

1,850 units were in lease up in suburban Maryland in the fourth quarter of 2012 compared with the 300 units in lease up a year earlier. The vacancy rate for highrise properties in the Washington, D.C. metropolitan area increased from 5.7 to 8.4 percent. In the District of Columbia, the vacancy rate for highrise units rose from 5.7 to 8.4 percent, and rent concessions increased from 2.9 to 3.6 percent. During the fourth quarter of 2012 in the Washington, D.C. metropolitan area, the average rent for Class A garden apartments was \$1,625 and for highrise apartments was \$2,450, each reflecting a 2-percent increase from a year ago. The rental housing market in the Virginia Beach metropolitan area was slightly soft. According to Real Data, in November 2012, the apartment vacancy rate in the Virginia Beach metropolitan area was 7.3 percent, up from 6.4 percent a year earlier, and the average rent remained unchanged at \$930.