



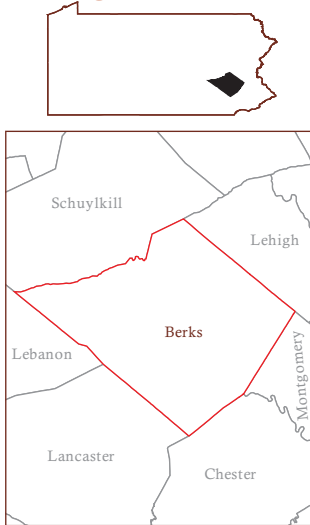
Reading, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of November 1, 2011



Summary

Housing Market Area



Located approximately 60 miles northwest of Philadelphia, the Reading Housing Market Area (HMA) is coterminous with Berks County. Once home to the Reading Railroad, the area has a current population of 413,600 and the central city, Reading, is the fifth most populous in Pennsylvania.

Market Details

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Economy

Economic conditions in the Reading HMA have improved recently after declining from 2007 through 2010. During the 12 months ending October 2011, nonfarm payrolls increased by 2,300 jobs, or 1.4 percent, to approximately 168,500 jobs. The Reading Hospital and Medical Center is the largest employer in the HMA and, during the forecast period, is expected to expand and develop new facilities. Employment in the HMA is expected to increase by an average of 2,325 jobs, or 1.4 percent, annually during the 3-year forecast period.

Sales Market

The sales market in the HMA is currently soft because of declining demand resulting from decreased net in-migration and stricter lending requirements for homebuyers. During the next 3 years, demand is forecast for 3,375 new homes, as shown in Table 1. It is likely that a portion of the 5,100 other vacant units currently

in the HMA will reenter the market and satisfy a portion of this demand.

Rental Market

The rental market in the HMA is soft because of recent declines in demand as a result of decreased net in-migration and overbuilding in 2007 and 2008. The rental vacancy rate is estimated at 7.0 percent. During the 3-year forecast period, demand is estimated for 230 new rental units (see Table 1).

Table 1. Housing Demand in the Reading HMA, 3-Year Forecast, November 1, 2011 to November 1, 2014

	Reading HMA	
	Sales Units	Rental Units
Total Demand	3,375	230
Under Construction	100	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2011. A portion of the estimated 5,100 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Reading HMA are improving after a 3-year decline from a 10-year peak of 174,700 nonfarm payroll jobs reported during the 12 months ending October 2007. During the 12 months ending October 2011, nonfarm payrolls increased by 2,300 jobs, or 1.4 percent, to approximately 168,500 jobs. In comparison, nonfarm payrolls during the 12 months ending October 2010 averaged 166,200 jobs, a decrease of 900 jobs, or 0.5 percent, from the previous year. During the 12 months ending October 2011, the unemployment rate averaged 8.2 percent, a decrease from the 9.2-percent rate during the previous 12 months (see Table DP-1 at the end of this report). The current rate is higher than the average rate of 4.9 percent recorded from 2000 through 2007, before the job losses began. Figure 1 illustrates trends in the labor force,

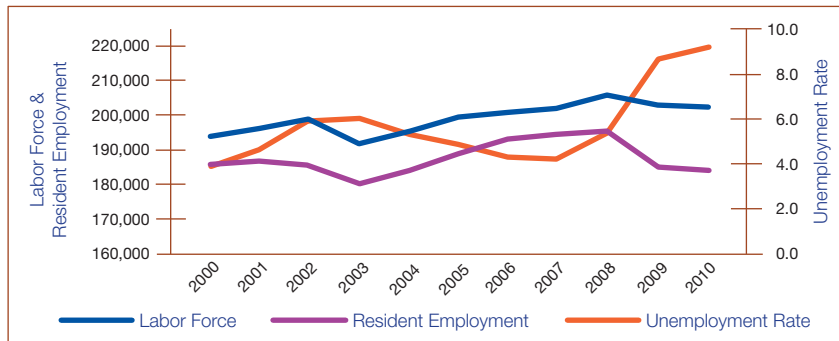
residential employment, and the unemployment rate in the HMA since 2000.

The largest job gains in the HMA during the 12 months ending October 2011 occurred in the education and health services sector, which added 750 jobs, or 2.9 percent. This increase was partially attributed to the addition of more than 250 jobs at The Reading Hospital and Medical Center, the largest employer in the HMA, resulting from expanded operations in current facilities and the development of new facilities (see Table 2). Since 2000, the education and health services sector has increased by 46 percent, primarily because of growth at the hospital (see Figure 2). During the forecast period, the hospital is expected to increase staff by more than 200 employees as a result of continued expansions.

The manufacturing sector increased by 550 jobs, or 2 percent, during the 12 months ending October 2011. These gains were partially attributed to combined increases of more than 500 jobs at East Penn Manufacturing Co, Inc., and Carpenter Technology Corporation. During the forecast period, these businesses are expected to continue to expand and add a combined total of 500 jobs.

Despite recent gains in the manufacturing sector, the current number of manufacturing jobs represents a 33-percent decrease compared with the annual average recorded during 2000; this decrease is a result of job automation and plant closures. Most of these losses occurred from 2000 through 2004, when more than 10,000 jobs were lost; notable closures include Agere Systems and Dana Holding Corporation plants, which resulted in 1,500 and 800 jobs lost, respectively. The overall decline in the

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Reading HMA, 2000 Through 2010



Source: U.S. Bureau of Labor Statistics

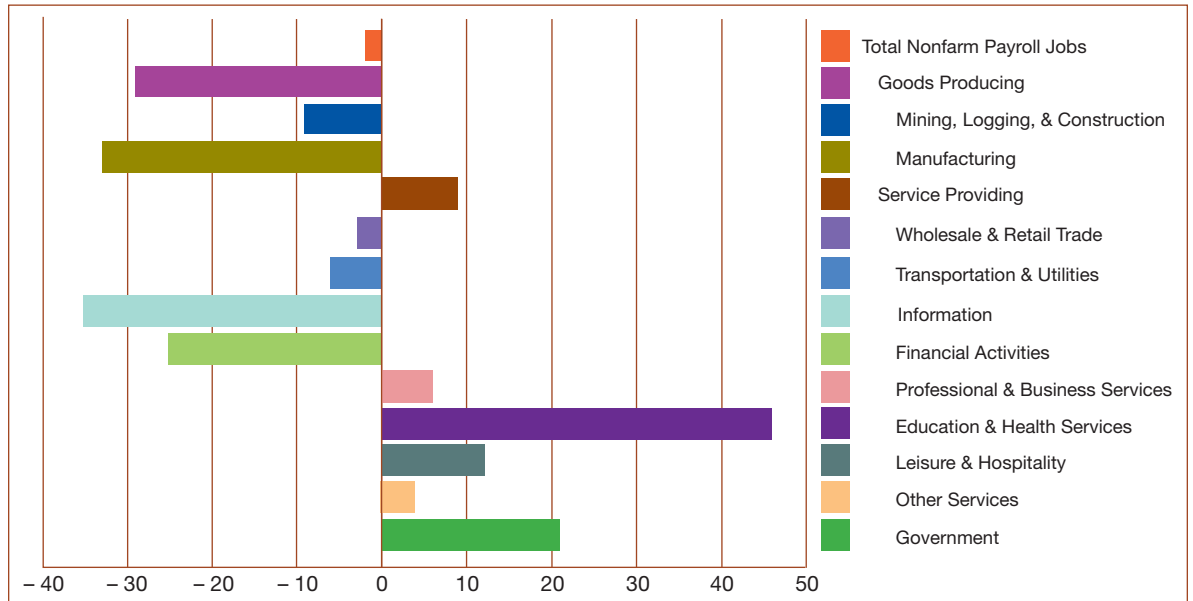
Table 2. Major Employers in the Reading HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Reading Hospital and Medical Center	Education & Health Services	6,875
East Penn Manufacturing Co., Inc.	Manufacturing	5,800
Carpenter Technology Corporations	Manufacturing	2,050
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,775
St. Joseph Medical Center	Education & Health Services	1,525
Boscov's Inc.	Wholesale & Retail Trade	1,400
Redner's Warehouse Markets	Wholesale & Retail Trade	1,400
Berks County Intermediate Unit	Education & Health Services	1,275
Weis Markets	Wholesale & Retail Trade	1,225
Penske Truck Leasing	Professional & Business Services	1,200

Note: Excludes local school districts and local government.

Source: Berks Business Resources: Top 25 Berks employers in 2010

Figure 2. Sector Growth in the Reading HMA, Percentage Change, 2000 to Current



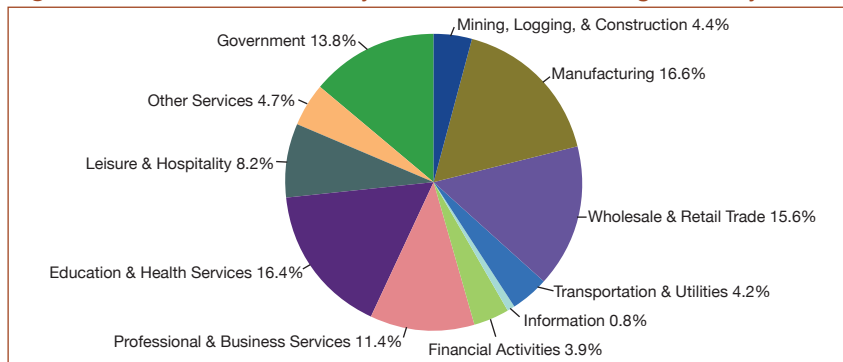
Note: Current is based on 12-month averages through October 2011.

Source: U.S. Bureau of Labor Statistics

manufacturing sector, combined with the increase during the past decade in the education and health services sector, has led to a change from a manufacturing-based to a services-oriented economy in the HMA. In 2000, the manufacturing sector accounted for more than 24 percent of the total nonfarm payroll jobs in the economy. Currently, however, the manufacturing sector is approximately 16.6 percent of the total nonfarm payrolls (see Figure 3).

Significant job gains during the 12 months ending October 2011 were

Figure 3. Current Nonfarm Payroll Jobs in the Reading HMA, by Sector



Note: Based on 12-month averages through October 2011.

Source: U.S. Bureau of Labor Statistics

also recorded in the mining, logging, and construction sector, which increased by 275 jobs, or 3.9 percent. Additional gains were recorded in the leisure and hospitality and the professional and business services sectors, which added 250 jobs each, or 1.7 and 1.1 percent, respectively. The only significant losses occurred in the financial activities sector, which declined by 150 jobs, or 2.4 percent (see Table 3).

During the forecast period, economic conditions are expected to continue to improve slowly, with an average increase in nonfarm payrolls of approximately 2,325, or 1.4 percent, annually. Job gains are forecast across most sectors, with the largest gains in the education and health services sector as Reading Hospital and Medical Center is expected to continue to expand outside the city of Reading. Job gains are estimated to be minimal in the first year of the forecast period but to accelerate in the second and third years.

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Reading HMA, by Sector

	12 Months Ending October 2010	12 Months Ending October 2011	Percent Change
Total Nonfarm Payroll Jobs	166,200	168,500	1.4
Goods Producing	34,450	35,250	2.4
Mining, Logging, & Construction	7,100	7,375	3.9
Manufacturing	27,350	27,900	2.0
Service Providing	131,800	133,200	1.1
Wholesale & Retail Trade	26,100	26,250	0.7
Transportation & Utilities	6,975	7,150	2.5
Information	1,300	1,300	0.6
Financial Activities	6,700	6,550	-2.4
Professional & Business Services	19,000	19,250	1.1
Education & Health Services	26,950	27,700	2.9
Leisure & Hospitality	13,600	13,850	1.7
Other Services	7,825	7,925	1.2
Government	23,350	23,300	-0.2

Notes: Based on 12-month averages through October 2010 and October 2011. Numbers may not add to totals because of rounding.

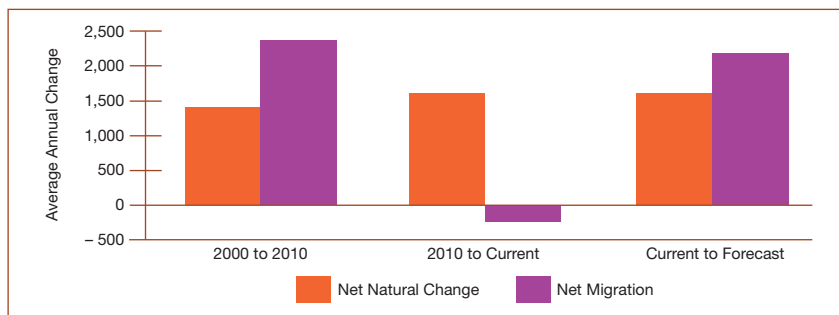
Source: U.S. Bureau of Labor Statistics

Population and Households

As of November 1, 2011, the population of the Reading HMA was estimated at 413,600, with an average annual increase of approximately 3,550, or 0.9 percent, since 2000. The population increased at a faster rate from 2000 through 2007, at 4,275, or 1.1 percent, annually because of increased in-migration resulting from job growth. The net in-migration from 2000 through 2007 averaged an

estimated 3,025 people annually and accounted for more than 70 percent of the total population growth. From 2007 to 2010, as a result of a weakening economy, net in-migration declined to an average of approximately 620 annually; population growth slowed to an estimated average of 2,250, or 0.6 percent, annually. Since April 1, 2010, migration has been negative, with net out-migration averaging approximately 380 people a year causing population growth in the HMA to slow to an average of 1,350 people, or 0.3 percent, annually (see Figure 4).

An estimated 154,800 households currently reside in the HMA. The number of households increased at an average of 280, or 0.2 percent, annually since April 2010. This rate was slower than the 2000-to-2010 average annual increase of 1,275, or

Figure 4. Components of Population Change in the Reading HMA, 2000 to Forecast

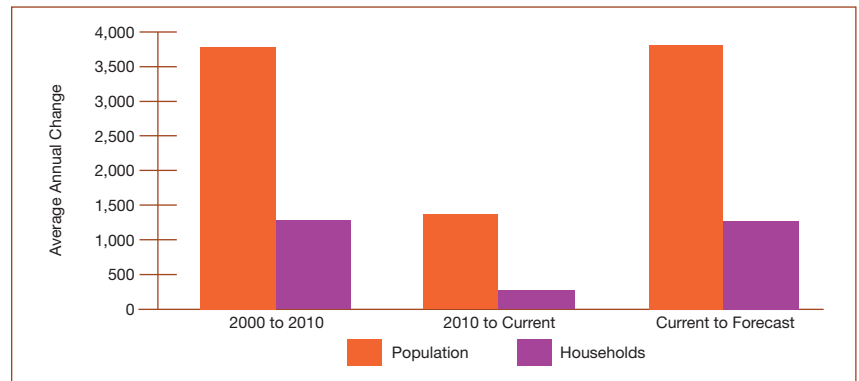
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

0.9 percent, and was primarily a result of slower population growth since 2007 (see Figure 5).

Because nonfarm payrolls are estimated to increase at a moderate pace, population in the HMA is expected to grow at an average of 3,800, or 0.9 percent, annually during the forecast period,

increasing to 425,000. Net in-migration is expected to remain limited until the second year of the forecast period, when job creation is estimated to increase. The number of households is expected to grow at an average rate of 1,275, or 0.8 percent, annually, to 158,600 during the forecast period.

Figure 5. Population and Household Growth in the Reading HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Reading HMA was balanced from 2003 through 2007, but it softened as a result of weaker economic conditions and stricter lending requirements for homebuyers. The sales housing market currently is soft, with an estimated vacancy rate of 1.9 percent, which is an increase from the 1.7-percent rate recorded in both 2000 and 2010. Vacancy rates increased during the past 12 months because of a decline in demand resulting from out-migration and stricter lending requirements for homebuyers. According to LPS Applied Analytics, 5.8 percent of total

home loans in the HMA were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in October 2011, similar to the statewide rate of 6.0 percent, but up slightly compared with the 5.5-percent rate recorded in October 2010.

According to Trend MLS data, during the 12 months ending October 2011, approximately 3,050 new and existing single-family homes sold, down 12 percent from a year earlier and down 44 percent from the average annual volume of 5,500 homes sold from 2003 through 2007. During the 12 months

ending October 2010, single-family home sales totaled 3,475, up 3 percent from the previous 12 months, but this increase was partially because of incentives provided by the first-time homebuyer's tax credit. During the 12 months ending October 2011, the average price of new and existing single-family homes sold decreased by 12 percent to \$142,500; this figure is 20 percent less than the decade-high price of \$178,800 reported during the 12 months ending October 2008. The number of current owner households has decreased to 109,900, or 71.0 percent of all households, down from the 110,653, or 71.7 percent, as reported in the 2010 Census (see Figure 6).

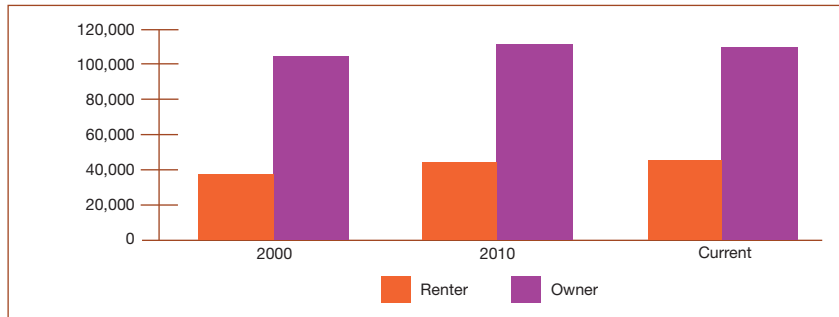
In response to the declining demand for new homes, single-family building

activity, as measured by the number of homes permitted, has declined since 2007. In 2007, approximately 1,000 permits were issued compared with 400 issued in 2011 (see Figure 7). Based on preliminary data, during the 12 months ending October 2011, approximately 150 single-family permits were issued, a 21-percent decline from the 190 issued during the previous 12 months. Recent construction includes 250 single-family detached units completed between 2000 and 2008 at the Woods Edge community in Amity Township. Average prices of newly constructed single-family homes are estimated at \$160,000.

The condominium market comprises approximately 4 percent of the total sales market. Based on Trend MLS data, condominium sales volume declined by an average of 20 units annually from the 210 units sold during the 12 months ending October 2005 to 90 units sold during the 12 months ending October 2011. The declines in condominium sales volume from 2005 through 2007 were because of a strong single-family market and a change in preferences from condominiums to single-family homes; the decreases since 2007 were attributed to weaker economic conditions. During the 12 months ending October 2011, the average price of new and existing condominiums was \$118,200, a 10-percent decline from the previous year and 29 percent less than the 10-year high of \$166,300 during the 12 months ending October 2008. Since 2000, the only new condominiums built have been the 88-unit Laurel Village condominiums, which were constructed in 2009.

During the next 3 years, demand is estimated for 3,375 new homes, including single-family homes, townhomes, and condominiums; the 100 units

Figure 6. Number of Households by Tenure in the Reading HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Single-Family Building Permits Issued in the Reading HMA, 2000 to 2011



Notes: Includes townhomes. Includes data through October 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

currently under construction will satisfy a portion of this demand (see Table 1). It is likely that some of the 5,100 other vacant units currently in the submarket will reenter the market and satisfy a portion of the demand. Demand is expected to be concentrated in the second and third years of the forecast period, with approximately 35 and 55 percent of the demand

occurring during these years, respectively, after the current excess supply of vacant units is absorbed and net in-migration increases as a result of job growth. Prices of new homes are expected to start at approximately \$120,000, with 40 percent of the demand satisfied by homes priced between \$200,000 and \$300,000 (see Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Reading HMA, November 1, 2011 to November 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	199,999	1,175	35.0
200,000	299,999	1,350	40.0
300,000	399,999	680	20.0
400,000	and higher	170	5.0

Note: The 100 homes currently under construction and a portion of the estimated 5,100 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

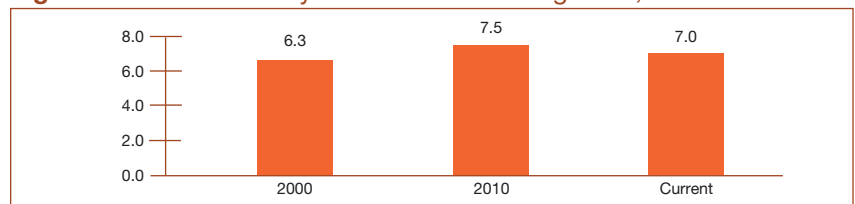
Rental Market

The rental housing market in the Reading HMA is currently soft, with an estimated overall vacancy rate of 7.0 percent, primarily resulting from overbuilding during 2007 and 2008 and recent declines in net in-migration. The current vacancy rate has fallen from the 2010 rate of 7.5 percent because of increased demand and limited additions to the supply in the past year (see Figure 8).

In 2000, the rental market was balanced. From 2000 through 2003, because of increased demand for new rental units and low-interest financing readily available to developers, active

and rapid construction of new apartment units occurred, causing the market to soften. During this period, apartment building activity, as measured by the number of multifamily apartment units permitted, averaged 280 annually. Apartment construction activity then dropped to an average of 80 units a year from 2004 through 2006 and the market became balanced as recently constructed units were absorbed. In response to increased demand, construction activity increased in 2007 and 2008 to an average of 310 units annually. The increased construction outpaced demand, creating soft market

Figure 8. Rental Vacancy Rates in the Reading HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

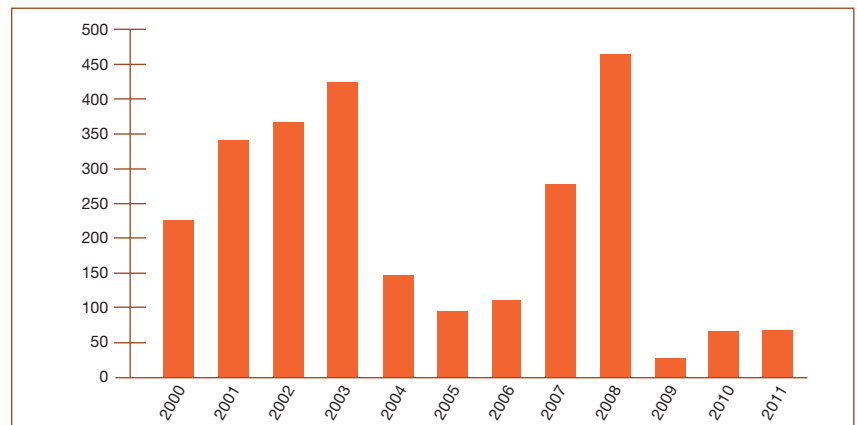
conditions. Since 2009, apartment construction activity has declined to an average annual level of 55 units a year (see Figure 9).

In recent years, construction of new market rate apartments has been limited. From 2000 through 2008, only four market-rate complexes with approximately 820 total units were completed; no units have been built since 2008. Currently under construction are the 59 units at the GoggleWorks apartments in the city of Reading, with completion expected

in mid-2012. Since 2000, more than 440 senior apartments have been constructed in the HMA.

During the next 3 years, demand is forecast for 230 new market-rate rental units (see Table 1). Rents for newly constructed units are expected to start at \$1,100 for one-bedroom units, \$1,300 for two-bedroom units, and \$1,500 for three-bedroom units. Table 5 presents detailed information on the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period.

Figure 9. Multifamily Building Permits Issued in the Reading HMA, 2000 to 2011



Notes: Excludes townhomes. Includes data through October 2011.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Reading HMA, November 1, 2011 to November 1, 2014

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,100 to 1,299	60	1,300 to 1,499	70	1,500 or more	10
1,300 to 1,499	15	1,500 to 1,699	45		
1,500 or more	15	1,700 or more	25		
Total	85	Total	140	Total	10

Note: Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Data Profile

Table DP-1. Reading HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	186,932	184,229	186,500	- 0.1	1.5
Unemployment Rate	3.9%	9.2%	8.2%		
Nonfarm Payroll Jobs	171,500	166,500	168,500	- 0.3	1.4
Total Population	373,638	411,442	413,600	1.0	0.3
Total Households	141,570	154,356	154,800	0.9	0.2
Owner Households	104,719	110,653	109,900	0.6	- 0.4
Percent Owner	74.0%	71.7%	71.0%		
Renter Households	36,851	43,703	44,900	1.7	1.7
Percent Renter	26.0%	28.3%	29.0%		
Total Housing Units	150,222	164,827	165,400	0.9	0.2
Owner Vacancy Rate	1.7%	1.7%	1.9%		
Rental Vacancy Rate	6.3%	7.5%	7.0%		
Median Family Income	\$52,997	\$63,509	\$62,493	1.8	- 1.6

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through October 2011. Median family incomes are for 1999, 2009, and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 11/1/2011—Analyst's estimates

Forecast period: 11/1/2011–11/1/2014—
Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_ReadingPA_12.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.