

Housing Market Profile



Mid-Atlantic • HUD Region III

Washington, D.C.- Maryland-Virginia- West Virginia

The Washington metropolitan area comprises the District of Columbia (DC) and 15 counties and 6 independent cities in Maryland, Virginia, and West Virginia. As of October 1, 2009, the population of the metropolitan area is estimated at 5.4 million, representing an increase of approximately 1 percent, or 47,500, since October 1, 2008.

The federal government accounts for nearly 12 percent of the jobs in the Washington metropolitan area. During the 12 months ending August 2009, despite the addition of 9,025 federal government positions, average nonfarm employment declined by 16,050 jobs, or 0.5 percent, to slightly fewer than 3 million jobs. Two employment sectors added jobs; the professional and business services and the education and health services sectors added 6,800 and 5,250 jobs, up 1 and 2 percent, respectively, compared with employment in the sectors during the 12 months ending August 2008.

More than 16 million business and leisure travelers a year visit the nation's capital, generating more than \$5.5 billion for the local economy, according to Destination DC, a contracting arm of the Washington Convention Center Authority. During the 12 months ending August 2009, the leisure and hospitality sector, which accounts for nearly 9 percent of current nonfarm employment, increased by 970 jobs, or 0.5 percent. Reflecting softer housing and credit markets and a lack of consumer confidence, the construction and retail trade sectors reported losses of 15,300 and 11,450 jobs, down 9 and 4 percent, respectively, from the sector employment averages recorded during the 12 months ending August 2008. The information sector, which has declined since 2002, lost 6,050 jobs during the 12 months ending August 2009.

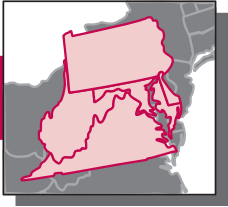
Department of Defense contractors Lockheed Martin Corporation and Northrop Grumman Corporation, with 27,000 and 20,700 employees, respectively, are the leading private-sector employers in the metropolitan area. Other prominent private-sector employers include Science Applications International Corporation, with 17,425 employees; Inova Health System, with 15,600 employees; and Marriott International, Inc., with 14,300 employees. During the 12 months ending

August 2009, the unemployment rate in the metropolitan area averaged 5.4 percent, up from 3.3 percent during the same period a year ago.

After posting declines in both existing home sales volume and sales prices in 2007 and 2008, the Washington metropolitan area sales housing market remained soft, with a current vacancy rate estimated at 2 percent, but conditions improved during the 12 months ending August 2009. Reduced prices, low interest rates, and tax incentives for first-time homebuyers helped stimulate sales. According to data from Metropolitan Regional Information Systems, Inc., during the 12 months ending August 2009, approximately 62,550 existing homes were sold, an increase of 15 percent compared with the 54,300 homes sold during the 12 months ending August 2008 but a decrease of 11 percent compared with the number sold during the same period ending August 2007. In the Virginia suburbs, the number of homes sold increased by 20 percent to 38,400 homes, and, in the Maryland suburbs, sales increased by 11 percent to 18,450 homes. Sales in DC declined by 2 percent to 5,250 homes, an improvement compared with the 30-percent decline in sales recorded during the 12 months ending August 2008. As sales volume increased, average home sales prices in the metropolitan area declined by 17 percent to \$355,200. Average prices fell 16 percent to \$351,250 in the Maryland suburban counties and were down 18 percent to \$339,200 in the Virginia suburbs. Average prices in DC declined 10 percent to \$500,300. In Jefferson County, West Virginia, during the 12-month period, the number of sales, at 500 homes, was relatively unchanged from the previous year; however, average prices declined by 20 percent to \$209,200.

Approximately 17 percent of all existing homes sold in the metropolitan area during the 12 months ending August 2009 were condominiums. The percentage of total sales was relatively unchanged from the previous year. During the past year, 10,900 condominium units were sold, an increase of 13 percent compared with the number sold during the previous year. In the Virginia suburbs, 6,150 units were sold and average prices ranged from \$250,000 in the Manassas area to \$400,000 in areas closer to DC. In DC, 2,350 units were sold at an average price of \$385,000. In the Maryland suburbs, 550 units were sold at an average price of approximately \$250,000. In general, average prices for existing condominiums sold throughout the metropolitan area have declined 20 percent from prices recorded a year ago.

Although the existing home sales market improved slightly, the economic downturn and tighter lending



practices within the construction industry for builders have slowed the development of new homes and apartments in the Washington metropolitan area. Based on preliminary data, single-family home construction activity, as measured by the number of building permits issued, declined by 11 percent, or 1,150 homes, to 8,750 during the 12-month period ending August 2009. That figure is 56 percent lower than the 20,100 homes permitted during the 12 months ending August 2007. New three-bedroom townhomes in DC are advertised for sale at \$375,000 and new four-bedroom, single-family homes in communities adjacent to DC are advertised at \$600,000. Homes farther away from DC, requiring a commute of 1 hour or more, are available at the mid-\$300,000s. Based on preliminary data, multifamily construction activity, as measured by the number of units permitted, also decreased. During the 12 months ending August 2009, 2,950 units were permitted. In contrast, 6,600 units were permitted during the previous year and 8,250 units were permitted during the 12 months ending August 2007. Approximately 50 percent of the multifamily units currently under construction are condominiums. Prices for new luxury condominium lofts in DC begin at \$400,000.

The rental housing market in the Washington metropolitan area is balanced, but it softened during the 12 months ending September 2009. According to Delta Associates, Class B apartment rental vacancy rates

increased to 5.6 percent from 2.9 percent in September 2008 as tenants moved up to absorb the slightly more than 3,000 new Class A rental units that came on line during the 12-month period. Vacancy rates in Class A units rose from 3.1 to 4.4 percent and concessions increased 2 percentage points to more than 6 percent of ren. Nearly 4,900 new units are leasing as of September 2009 compared with nearly 6,800 units available as of September 2008. According to MPF Research, the average rent for all apartments in the metropolitan area was \$1,339 during the second quarter of 2009, relatively unchanged from the average rent recorded a year earlier. During the second quarter of 2009, monthly rents averaged \$1,228 for a one-bedroom unit, \$1,392 for a two-bedroom unit, and \$1,592 for a three-bedroom unit.

DC is the location of many of the redevelopment projects in the metropolitan area. According to the DC Urban Real Estate Digest, \$22 billion worth of projects have been completed since 2001 and nearly \$9 billion are currently under construction. Arbor Place, one of the larger projects planned for development, is a \$1.1 billion mixed-use planned unit development slated to redevelop an area on New York Avenue, NE, near the United States National Arboretum. The project, which is planned for completion in 2014, is expected to include 3,500 residential units and 148,120 square feet of retail space.