

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

Analysis of the York, Pennsylvania Housing Market

As of February 1, 2004



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

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 also may 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 particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis follows the guidelines 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, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis (Current date), and from the Current date to a Forecast date. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in demand-supply relationships given the market's condition on the as-of date of the analysis. This analysis was prepared by Patricia C. Moroz, the Division's Field Economist in the Pennsylvania State Office, based on fieldwork conducted in February 2004. Questions regarding the findings and conclusions of the analysis may be addressed to Ms. Moroz at 215-656-0604, ext. 3031, and at Patricia_C._Moroz@hud.gov.

Housing Market Area

The York, Pennsylvania Housing Market Area (HMA) is defined as York County, Pennsylvania. For the purpose of this analysis the HMA has been divided into two submarkets: the city of York and the remainder of York County, referred to in this report as the Remainder of the HMA.

Summary

During the 1990s, the economy of the York HMA grew steadily. Growth in service-providing industries outstripped losses in goods-producing industries. Since 2000, however, the area economy has slowed as manufacturing losses increased and services growth declined. The economy is expected to improve during the forecast period, with a modest rate of resident employment growth lower than the average annual gain from 1990 to 2000.

During the 1990s, growth in the population and households in the HMA resulted from increasing employment opportunities and availability of affordable single-family housing for residents who work in other metropolitan areas. Since 2000, approximately 87 percent of the total residential production has occurred in the Remainder of the HMA. The rates of growth in population and households have remained stable in recent years, a trend that is expected to continue during the forecast period.

The current demand-supply conditions in the York HMA are balanced. Strong demand for new sales housing can be credited to the availability of affordably priced homes and low interest rates. Production of multifamily units is keeping pace with demand. Conditions in the sales and rental housing markets are expected to remain balanced during the forecast period.

During the 2-year forecast period ending January 2006, demand for new sales housing is estimated at 2,020 homes annually and for new market-rate rental housing is estimated at 205 units annually. Demand for additional sales and rental-housing production will occur primarily in the Remainder of the HMA.

Economy of the Area

Between 1990 and 2000, total nonfarm employment in the York HMA increased from 154,400 people to 172,600 people, or 1.2 percent annually. Resident employment increased 0.8 percent annually to nearly 192,600. The economy of the York HMA was strong during the latter half of the 1990s, as growth in service-providing industries more than compensated for declines in the manufacturing sector.

Since 2000, fewer service jobs have been created, and job losses have continued in the manufacturing sector. Consequently, nonfarm employment has decreased an average of 1.0 percent annually to 167,300 as of the Current date. Resident employment has also declined to 189,500 as of the Current date. Consistent with this trend, the unemployment

rate in the HMA has risen to approximately 5 percent. The trends in annual average civilian labor force and total employment from 1992 through the Current date are presented in Table 1. Data for nonfarm wage and salary employment by industry sector for the same period are presented in Table 2.

In recent years, the diversity of the manufacturing sector in the HMA made the industry more stable than the manufacturing industry nationwide. The production of motorcycles at Harley-Davidson, Inc., heating and air conditioning systems at York International Corporation, and ceramic tableware at Susquehanna Pfaltzgraff contributes to a highly diverse manufacturing base. In 1990, more than 31 percent of the workforce was employed in manufacturing; by 2003, the percentage had declined to 23 percent.

Since 2000, several industries in the manufacturing sector consolidated or closed. The HMA experienced job losses of 4.5 percent annually in durable goods, with substantial declines in the electronic connectors industry. Nondurable goods also declined by 2.3 percent annually, with layoffs in the snack foods industry. The York economy, however, remains strong in vehicle and vehicle equipment manufacturing. Harley-Davidson, the leading manufacturing employer with approximately 3,000 employees, recently constructed a new manufacturing facility and added 275 new employees.

Growth in the service-providing sector more than compensated for manufacturing losses during the 1990s. The educational and health services sector has grown steadily since 1990. Since 2000, new jobs have been created in warehousing and food distribution; the high level of automation in the industry, however, led wholesale trade to increase by only a modest 200 jobs over the past 2 years.

More than 27,250 workers commute into York County for employment, as of the 2000 Census. According to the same census, 51,025 people residing in the HMA commute to jobs outside the area, for a net out-commutation of 23,775 people. The volume of out-commutation in 2000 was 39 percent greater than in 1990. It is estimated that the number of out-commuters will continue to increase over the forecast period as relatively affordable home prices and reasonable commuting times to the larger Harrisburg and Baltimore metropolitan areas attract residents to the HMA.

Throughout the 2-year forecast period, the York economy is expected to recover as the service-providing sector grows at a moderate pace. During the next 2 years, total resident employment is forecast to reverse its recent decline and increase by a moderate rate of 0.1 percent annually, or 400 jobs, as those employed outside the HMA continue to migrate to the area for affordable housing.

Household Incomes

According to HUD's Economic and Market Analysis Division, the median family income in the York HMA is estimated to be \$61,300 in 2004. As of the 2000 Census, the median family income in York County was \$52,278, or an average annual increase of 3.9 percent annually since the 1990 Census. The city of York's median family income was \$30,762 as of the 2000 Census, increasing 2.2 percent a year over the decade.

Population

As of February 1, 2004, the population of the York HMA was estimated to be 399,500, or an average annual gain of 1.2 percent since the 2000 Census. The HMA continues to grow at the same rate as recorded from 1990 to 2000. Trends in population change for the HMA and the submarkets from 1990 to the Forecast date are presented in Table 3.

Increased in-migration has been the driving factor behind growth in the area. Net natural change (resident births minus resident deaths) accounted for 35 percent of the increase from 1990 to 2000. During the 1990s, in-migration averaged 2,725 people annually. From 2000 to the Current date, in-migration increased to an estimated average of 3,300 people annually as the HMA increasingly has become a bedroom community for the Harrisburg and Baltimore metropolitan areas.

Annual data from the Pennsylvania Department of Health indicate population change as a result of net natural increase averaged nearly 1,500 people a year from 1990 to 2000. The number of births decreased, particularly during the first half of the 1990s, as the younger population (aged 22 to 34 years) increasingly left the HMA in search of employment opportunities. Since 2000, net natural change has declined to an average of 1,350 people annually. During the forecast period, net natural change is expected to continue declining, but at a slower rate than previously.

The HMA includes two institutions of higher learning. The largest, York College, enrolls approximately 4,200 students, and Penn State's York campus has approximately 1,800 students as of the Current date. Student enrollment at both schools is expected to increase by approximately 4 percent annually, or 500 students, through the forecast period. Dormitory construction has kept pace with rising enrollment, and the colleges are planning to develop additional apartments to meet student-housing needs over the next 2 years.

Based on the level of economic growth, in-migration, and net natural increase anticipated during the 2-year forecast period, population growth is expected to continue at the same rate as previously. Estimates indicate that the population of the York HMA will be 408,900 as of February 1, 2006.

Households

The rate of increase in the number of households in the York HMA has been greater than the rate of increase in the area's population. Between 1990 and 2000, households grew by 1.4 percent, or 1,955 households annually. As of the Current date, an estimated 156,900 households reside in the HMA, reflecting an average annual increase of 1.5 percent, or 2,480 households since the 2000 Census.

Because of continued migration of households from the nearby Harrisburg and Baltimore metropolitan areas, the rate of increase is slightly higher than the 1.4-percent annual growth that occurred from 1990 to 2000. The current annual rate of household growth of

1.5 percent is expected to continue during the next 2 years. Estimates suggest that the number of households in the HMA will increase by 2,350 annually to approximately 161,600 households as of the end of the forecast period. Table 3 presents the trends in household growth from 1990 through the Forecast date for the HMA and the submarkets.

Housing Inventory

Reflecting the increased demand for new homes and apartments from a growing number of new households moving to the area, the housing inventory in the York HMA increased an estimated 2,625 units annually from 2000 to the Current date, compared with an average of 2,200 units annually from 1990 to 2000. As of the Current date, the HMA had a total of 166,700 units. Approximately 87 percent of the change in inventory since 2000 has been in sales housing, predominantly single-family homes located in the Remainder of the HMA. The counts of housing inventory, occupancy, and vacancy by tenure for 1990, 2000, and the Current date are presented in Table 4. The trends in building permit activity from 1994 through the Current date for single-family and multifamily housing in the HMA and the submarkets are presented in Table 5.

From 1990 to 1999, single-family permit activity averaged more than 1,975 a year. As migration to the York HMA continued at a steady pace from 2000 to the Current date, new home construction has increased slightly to an average of approximately 2,050 annually, or 3.5 percent more than the annual activity during the 1990s. Since 2000, the fastest growing municipalities are located in the suburban area around the city of York, including Manchester, York, and Windsor Townships. In-migration from the Harrisburg area is most notable in the northern portion of the county, in Fairview and Newberry Townships. Southern York County has also experienced an influx of new residents from the Baltimore area, creating a bedroom community in Penn and West Manheim Townships.

Mobile homes account for approximately 5 percent of new units added to the inventory each year. Condominiums also represent a small portion of the housing market, accounting for approximately 8 percent of the annual growth in the housing inventory.

During the 1990s, construction of multifamily units averaged approximately 220 units annually. Since 2000, multifamily permit activity has averaged approximately 330 units annually to the Current date. Nearly all multifamily activity since 2000 has occurred in developments located in the Remainder of the HMA, particularly along Interstate 83 and Route 30, accessible for commuting to employment in the Harrisburg, Baltimore, and Lancaster metropolitan areas.

Housing Vacancy

As of the 1990 Census, the sales vacancy rate in the HMA was 1.2 percent and the rental vacancy rate was 5.6 percent, both indicative of a relatively balanced market for an area with a low-to-moderate rate of population growth. During the latter part of the 1990s, housing construction increased to meet the growing demand in the area. By 2000, the

sales and rental vacancy rates increased to 1.5 percent for sales housing and 7.4 percent for rental units. As of the Current date, the sales vacancy rate is estimated to be 1.5 percent, unchanged since 2000 as production has kept pace with demand. The rental vacancy rate, however, has risen to an estimated 9.1 percent, driven in part by the continued shift of renters to homeownership. The sales and rental vacancy rates in the city of York also have increased as of the Current date. Vacancy rates in the Remainder of the HMA as of the Current date were down to 1.3 percent for sales and 7.5 percent for rentals. Vacancy trends between 1990 and the Current date for the HMA and the submarkets are presented in Table 4.

Sales Market Conditions

Affordable single-family home prices and low interest rates have led to a steady increase in homeownership in the York HMA. The sales market is balanced throughout the York HMA. Although jobs are not being created as rapidly in the local economy as during the 1990s, demand for new single-family homes remains strong. The supply of relatively affordable housing is expected to continue to attract residents who work in the Harrisburg and Baltimore metropolitan areas.

According to the Realtors[®] Association of York and Adams Counties, the average sales price of homes in the HMA increased an average of 5.8 percent annually since 2000 to approximately \$137,655 in 2003. During the same period, sales volume increased an average of 8.3 percent annually to 5,368 units as of the end of 2003. Single-family detached homes continue to dominate the sales market in the Remainder of the HMA, with average new home prices ranging from \$150,000 to \$175,000. Prices of new condominiums average \$100,000 in the Remainder of the HMA. Although home prices in the city of York have remained more affordable relative to the HMA overall, the average sales price of homes in that submarket increased 3.8 percent annually since 2000 to \$52,639 in 2003. Sales volume in the city of York averaged approximately 500 homes annually from 2000 to 2003.

Two new developments in the city of York are expected to provide upscale homeownership opportunities for young professionals and empty nesters. A warehouse is being converted into 15 loft condominiums and commercial space. The two- and three-level condominiums are selling for \$250,000 to \$400,000. In addition, 12 townhomes and a rehabilitated carriage house are being developed, with prices ranging from \$260,000 for middle units and \$275,000 for end units.

Rental Market Conditions

The rental market in the York HMA is currently balanced; however, softer, more competitive conditions exist in some segments of the market. Upscale developments built 5 or more years ago, particularly those in the suburbs, have been directly affected by the construction of new rental units. A more competitive market drives vacancy rates higher. Relatively soft market conditions in the city of York are due to the lack of significant household growth, an older rental stock, and out-migration of city of York residents to

the Remainder of the HMA. The area around York College, however, is a tighter rental market than in the city overall.

Construction has begun on approximately 250 apartment units that are expected to be completed within the next 18 months in the Remainder of the HMA. New units are absorbed as soon they are finished. The average gross rent for a two-bedroom/two-bath unit in a newly completed Class A development in the York HMA is \$1,000.

Forecast Housing Demand

Based on anticipated household growth and current market conditions, it is estimated that there will be a demand for approximately 4,150 new sales units and 460 rental units during the 2-year forecast period ending February 1, 2006. This level of construction will allow for balanced market conditions. Given current market conditions and recent trends, it is anticipated that much of the future demand for new rental housing will occur in the Remainder of the HMA. A tabular summary of the annual rental qualitative demand for the HMA in total is presented in Table 6.

Table 1
Labor Force and Total Employment
York HMA
1993 to February 2004

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Previous 12 Mos. ^a	Current 12 Mos. ^b
Labor Force	190,400	189,300	193,200	195,500	196,900	195,000	198,800	198,900	202,500	203,400	199,600	203,300	199,400
Employment	180,100	180,900	185,100	187,000	188,800	187,800	191,700	192,600	193,500	193,100	189,700	193,000	189,500
Unemployment	10,300	8,400	8,100	8,500	8,100	7,200	7,100	6,400	9,100	10,300	9,900	10,400	9,800
Rate (%)	5.4	4.4	4.2	4.3	4.1	3.7	3.6	3.2	4.5	5.0	5.0	5.1	4.9

^a Ending January 2003.

^b Ending January 2004.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Table 2
Nonfarm Employment by Industry
York HMA
1993 to February 1, 2004

Employment Sector	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Previous 12 Mos.^a	Current 12 Mos.^b
Total Nonfarm Employment	154,200	156,200	159,900	161,300	162,800	164,500	168,800	172,600	170,900	168,400	167,300	168,200	167,300
Construction & Mining	7,800	8,000	8,100	8,300	8,600	9,000	9,700	10,200	10,200	10,300	10,400	10,300	10,400
Manufacturing	45,700	46,000	47,400	46,800	46,300	45,900	45,600	45,800	43,900	41,400	39,300	41,300	39,200
Trade/Transportation/Utilities	33,500	33,700	33,400	33,100	33,600	34,200	35,300	36,200	36,300	36,900	37,100	36,900	37,100
Information	1,800	1,700	1,900	2,100	2,100	2,400	2,600	2,600	2,400	2,000	2,000	2,000	2,000
Financial Activities	5,300	5,300	5,400	5,500	5,500	5,400	5,500	5,300	5,500	5,400	5,600	5,400	5,600
Professional & Business Services	12,600	12,800	13,800	13,600	14,100	14,500	15,000	16,200	14,800	12,800	12,600	12,700	12,600
Education & Health Services	15,100	15,800	16,500	17,100	17,300	17,700	18,200	18,700	19,600	20,600	21,300	20,600	21,300
Leisure & Hospitality	10,200	10,500	10,700	11,300	11,800	12,200	13,000	13,300	13,700	14,200	14,300	14,200	14,300
Other Services	7,100	7,200	7,500	7,500	7,400	7,400	7,400	7,600	7,600	7,700	7,600	7,600	7,600
Government	15,200	15,200	15,200	16,000	16,100	15,800	16,500	16,700	17,100	17,200	17,200	17,100	17,300

^a Ending January 2003.

^b Ending January 2004.

Note: Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Table 3
Population and Household Trends
York HMA
April 1, 1990 to February 1, 2006

	April 1, 1990	April 1, 2000	Current Date ^a	Forecast Date ^b	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Population										
York HMA	339,574	381,751	399,500	408,900	4,218	1.2	5,071	1.2	4,700	1.2
City of York submarket	42,192	40,862	40,450	40,250	- 133	- 0.3	- 118	- 0.3	- 100	- 0.2
Remainder of HMA submarket	297,382	340,889	359,000	368,700	4,351	1.4	5,175	1.4	4,850	1.3
Households										
York HMA	128,666	148,219	156,900	161,600	1,955	1.4	2,480	1.5	2,350	1.5
City of York submarket	16,887	16,137	15,900	15,800	- 75	- 0.5	- 68	- 0.4	- 50	- 0.3
Remainder of HMA submarket	111,779	132,082	141,000	145,800	2,030	1.7	2,548	1.7	2,400	1.7

^a February 1, 2004.

^b February 1, 2006.

Notes: Rate of change calculated on a compound basis.
 Numbers have been rounded for comparison.

Sources: 1990 and 2000, U.S. Census Bureau
 Current and Forecast: Estimates by analyst

Table 4
Housing Inventory Tenure and Vacancy
York HMA
1990 to February 2004

	York HMA			City of York Submarket			Remainder of HMA Submarket		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	134,761	156,720	166,700	18,407	18,534	18,525	116,354	138,186	148,200
Occupied Units	128,666	148,219	156,900	16,887	16,137	15,900	111,779	132,082	141,000
Owners	95,670	112,852	120,200	8,411	7,550	7,150	87,259	105,302	113,000
%	74.4	76.1	76.6	49.8	46.8	45.0	78.1	79.7	80.1
Renters	32,996	35,367	36,800	8,476	8,587	8,750	24,520	26,780	28,050
%	25.6	23.9	23.5	50.2	53.2	55.0	21.9	20.3	19.9
Vacant Units	6,095	8,501	9,800	1,520	2,397	2,630	6,757	6,104	7,150
Available Units	3,126	4,605	5,550	944	1,586	1,730	2,182	3,019	3,800
For Sale	1,186	1,767	1,875	260	323	330	926	1,444	1,525
Rate (%)	1.2	1.5	1.5	3.0	4.1	4.4	1.5	1.4	1.3
For Rent	1,940	2,838	3,675	684	1,263	1,400	1,256	1,575	2,275
Rate (%)	5.6	7.4	9.1	7.5	12.8	13.7	4.9	5.6	7.5
Other Vacant	2,969	3,896	4,250	576	811	900	4,575	3,085	3,350

Note: Numbers have been rounded for comparison.
Sources: 1990 and 2000, U.S. Census Bureau
Current and Forecast: Estimates by analyst

Table 5
Residential Building Permit Activity
York HMA
1994 to February 1, 2004

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 ^a	2004 ^b
York HMA											
Total	2,447	1,976	2,132	1,920	2,082	2,228	2,009	2,185	2,956	1,846	138
Single-family	2,224	1,863	1,844	1,619	1,849	1,964	1,714	2,036	2,423	1,674	99
Multifamily	223	113	288	301	233	264	295	149	533	172	39
City of York Submarket											
Total	21	2	0	4	4	4	3	4	5	0	0
Single-family	18	2	0	4	4	4	3	4	5	0	0
Multifamily	3	0	0	0	0	0	0	0	0	0	0
Remainder of HMA Submarket											
Total	2,426	1,974	2,132	1,916	2,078	2,224	2,006	2,181	2,951	1,846	138
Single-family	2,206	1,861	1,844	1,615	1,845	1,960	1,711	2,032	2,418	1,674	99
Multifamily	220	113	288	301	233	264	295	149	533	172	39

^a Includes only jurisdictions reporting monthly through December 31, 2003.

^b Includes only jurisdictions reporting monthly through January 31, 2004.

Source: U.S. Census Bureau, C40 Construction Series

Table 6
Estimated Qualitative Annual Demand for New Market-Rate Rental Housing
York HMA
February 1, 2004 to February 1, 2006

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
800	76	1,000	76	1,250	64
850	65	1,050	65	1,300	53
900	60	1,100	60	1,350	48
950	53	1,150	53	1,400	43
1,000	45	1,200	45	1,450	38
1,050	36	1,250	36	1,500	33
1,100	28	1,300	28	1,550	29
1,200	22	1,400	22	1,650	25
1,300	17	1,500	17	1,750	22
1,400 or more	13	1,600 or more	13	1,850 or more	13

Notes: Distribution above is noncumulative.
Demand of fewer than 10 units is shown as 0.
Numbers have been rounded for comparison.

Source: Estimates by analyst