

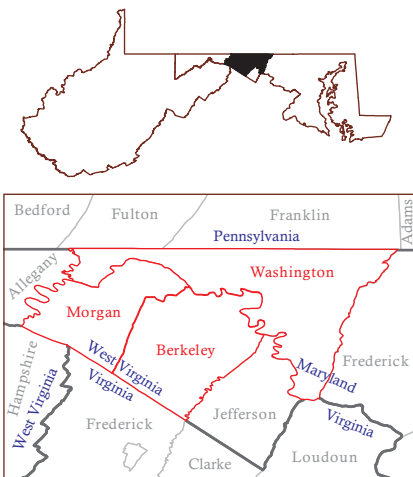


Hagerstown-Martinsburg, Maryland-West Virginia

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012



Housing Market Area



The Hagerstown-Martinsburg Housing Market Area (HMA) is coterminous with the Hagerstown-Martinsburg metropolitan area and is located approximately 75 miles northwest of both Washington, D.C., and the city of Baltimore. The HMA is divided into two submarkets: the Hagerstown submarket, which includes Washington County, Maryland, and the Martinsburg submarket, which includes Berkeley and Morgan Counties, West Virginia.

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Summary

Economy

During the 12 months ending March 2012, average nonfarm payrolls in the Hagerstown-Martinsburg HMA increased by 600 jobs, or 0.6 percent, to 98,600 jobs. Nonfarm payrolls increased by 800 jobs, or 0.8 percent, during the previous 12-month period. The largest employers in the HMA include Meritus Health, Citigroup Inc., and the State of Maryland. During the next 3 years, nonfarm payrolls in the HMA are expected to increase by an average 1,000 jobs, or 1.1 percent, annually.

Sales Market

The sales housing market in the HMA currently is soft, with an estimated vacancy rate of 2.6 percent. According to the Metropolitan Regional Information System (MRIS®), during the 12 months ending March 2012, existing home sales totaled approximately

2,625 and the average home sales price was \$142,000, down nearly 3 and 6 percent, respectively, compared with sales and prices during the previous 12-month period. During the next 3 years, demand is forecast for 3,175 new homes (Table 1). The 120 homes currently under construction and a portion of the estimated 7,100 other vacant homes that may re-enter the market will satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA currently is slightly soft, with an estimated rental vacancy rate of 9.3 percent, compared with the 10.4-percent rate recorded in April 2010. According to the 2010 American Community Survey (ACS), the median gross rent in the HMA was \$710. During the next 3 years, the current supply of vacant available units will satisfy the demand for rental units. No new units need to be constructed (Table 1).

Table 1. Housing Demand in the Hagerstown-Martinsburg HMA, 3-Year Forecast, April 1, 2012 to April 1, 2015

| | Hagerstown-Martinsburg HMA | | Hagerstown Submarket | | Martinsburg Submarket | |
|--------------------|----------------------------|--------------|----------------------|--------------|-----------------------|--------------|
| | Sales Units | Rental Units | Sales Units | Rental Units | Sales Units | Rental Units |
| Total Demand | 3,175 | 0 | 1,250 | 0 | 1,900 | 0 |
| Under Construction | 120 | 0 | 40 | 0 | 80 | 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 April 1, 2012. A portion of the estimated 7,100 other vacant units in the HMA will likely satisfy some of the forecast demand. Numbers may not add to totals due to rounding.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Hagerstown-Martinsburg HMA have improved since 2011 but remain weak. During the 12 months ending March 2012, nonfarm payrolls increased by 600 jobs, or 0.6 percent, to approximately 98,600 jobs (Table 2). Payrolls increased by 800 jobs, or 0.8 percent, during the previous 12-month period. From 2004 through 2006, the period of strongest job growth during the 2000s, nonfarm payrolls increased by an average of 1,875 jobs, or 1.9 percent, a year. During this period, payroll growth was concentrated in the government sector and the retail

trade subsector. In 2008 and 2009, payrolls declined by an average of 2,600 jobs, or 2.5 percent, a year, with losses concentrated in the manufacturing and the mining, logging, and construction sectors. During the 12 months ending March 2012, the unemployment rate averaged 8.7 percent, down from the 9.7-percent average rate recorded during the previous 12-month period. The large drop in the unemployment rate is primarily the result of a decline in the labor force. Figure 1 shows trends in the resident employment, labor force, and unemployment rate from 2000 through 2011.

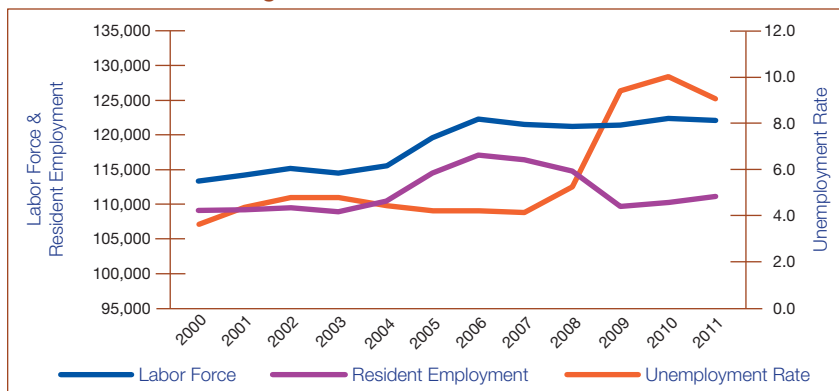
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Hagerstown-Martinsburg HMA, by Sector

| | 12 Months Ending March 2011 | 12 Months Ending March 2012 | Percent Change |
|----------------------------------|-----------------------------|-----------------------------|----------------|
| Total Nonfarm Payroll Jobs | 98,000 | 98,600 | 0.6 |
| Goods Producing | 12,000 | 12,050 | 0.1 |
| Mining, Logging, & Construction | 4,125 | 4,050 | -2.0 |
| Manufacturing | 7,900 | 8,000 | 1.3 |
| Service Providing | 86,000 | 86,600 | 0.7 |
| Retail Trade subsector | 14,900 | 15,100 | 1.3 |
| Transportation & Utilities | 2,275 | 2,300 | 0.4 |
| Information | 7,425 | 7,725 | 4.0 |
| Financial Activities | 7,575 | 7,850 | 3.4 |
| Professional & Business Services | 14,550 | 15,050 | 3.3 |
| Education & Health Services | 9,325 | 9,325 | 0.2 |
| Leisure & Hospitality | 3,650 | 3,625 | -0.2 |
| Other Services | 18,950 | 17,950 | -5.5 |
| Government | 7,300 | 7,675 | 5.3 |

Notes: Based on 12-month averages through March 2011 and March 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Hagerstown-Martinsburg HMA, 2000 Through 2011

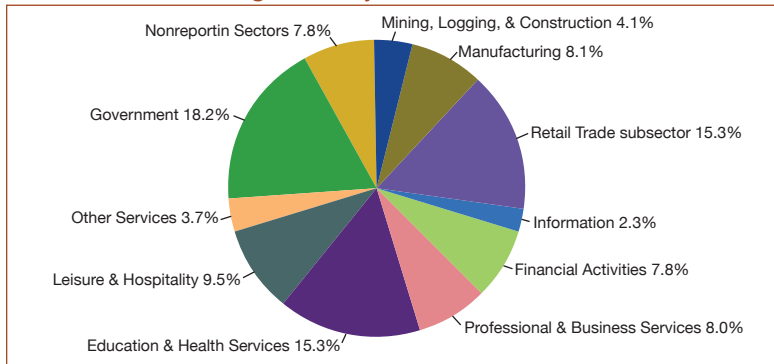


Source: U.S. Bureau of Labor Statistics

During the 12 months ending March 2012, nonfarm payroll growth was concentrated in the service-providing sectors. The education and health services sector led job growth during the 12 months ending March 2012, with the addition of 500 jobs, or an increase of 3.3 percent compared with a gain of 600 jobs, or 3.8 percent, during the previous 12 months. The education and health services sector is the second largest sector in the HMA behind the government sector (Figure 2). Since 2000, the education and health services sector has been the fastest growing sector in the HMA (Figure 3). From 2000 through 2010, payrolls in the sector increased by an average of 300 jobs, or 2.8 percent, a year. Two of the largest employers in the HMA are providers of health services: Meritus Health and West Virginia University Hospitals-East (also known as WVUH-East), with 2,850 and 900 employees, respectively (Table 3).

Other gains during the 12 months ending March 2012 were spread throughout many sectors. Approximately 460 new jobs were added at

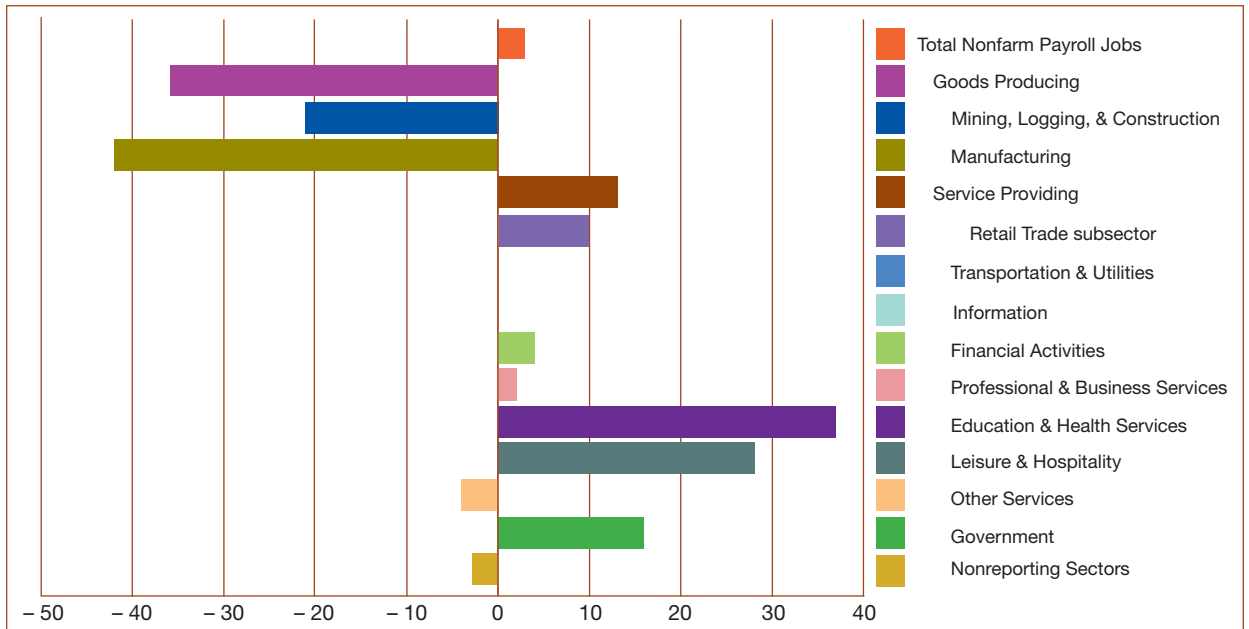
Figure 2. Current Nonfarm Payroll Jobs in the Hagerstown-Martinsburg HMA, by Sector



Note: Based on 12-month averages through March 2012.
Source: U.S. Bureau of Labor Statistics

the recently opened FedEx Freight facility in Washington County during the fourth quarter of 2011, contributing to gains in the wholesale and retail trade and the transportation and utilities sectors. These jobs will include 60 full-time and 400 part-time positions. During the 12 months ending March 2012, the financial activities sector increased by 300 jobs, or 4.0 percent. According the Hagerstown-Washington County, MD Economic Development Commission, during the same period,

Figure 3. Sector Growth in the Hagerstown-Martinsburg HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through March 2012. During this period, jobs in the transportation and utilities and the information sectors showed no net change.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Hagerstown-Martinsburg HMA

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|------------------------------|----------------------------------|---------------------|
| Meritus Health | Education & Health Services | 2,850 |
| Citigroup Inc. | Financial Activities | 2,500 |
| State of Maryland | Government | 2,300 |
| First Data Corporation | Professional & Business Services | 2,200 |
| Volvo Powertrain | Manufacturing | 1,400 |
| Washington County Government | Government | 1,100 |
| Quad/Graphics, Inc. | Manufacturing | 1,025 |
| Enterprise Computing Systems | Government | 900 |
| WVUH-East | Education & Health Services | 900 |
| Hagerstown Community College | Education & Health Services | 800 |

Note: Excludes local school districts.
Sources: Hagerstown-Washington County Economic Development Commission; Berkeley County Development Authority

Citigroup Inc. added 120 new jobs. Payrolls in the professional and business services sector increased by an average of approximately 280 jobs, or 3.4 percent, compared with the number of jobs during the previous 12-month period. Approximately 70 percent of the gains were in the administrative and support and the waste management and remediation services industries.

The government sector, the largest in the HMA, declined by 1,000 jobs, or 5.5 percent, during the 12 months

ending March 2012 compared with an increase of 300 jobs, or 1.5 percent, during the previous 12-month period. State agencies with offices in the HMA include the Maryland Attorney General in Hagerstown and the Martinsburg Correctional Center in Martinsburg. Payrolls in the mining, logging, and construction sector declined by 75 jobs, or 2.0 percent, during the 12 months ending March 2012. Unilever closed an ice cream manufacturing plant in Washington County in July 2012, resulting in the loss of 460 jobs. Despite the plant closure, payrolls in the manufacturing sector increased by 100 jobs, or 1.3 percent, during the 12 months ending March 2012.

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 1,000 jobs, or 1.1 percent, a year. Job growth is expected to remain slow during the first year of the forecast period as job losses in the government sector abate. In Berkeley County, Macy's, Inc., is expected to open a 1.3-million square-foot online order-fulfillment center during the summer of 2012, which should employ 1,200 full- and part-time employees and an additional 700 seasonal employees, primarily in the retail subsector. Nonfarm payrolls are expected to increase by an average of 1.3 percent during the last year of the forecast period.

Population and Households

As of April 1, 2012, the population of the Hagerstown-Martinsburg HMA was estimated at 272,700, an average annual increase of 1,775, or 0.7 percent, since April 1, 2010 (Table DP-1 at the end of this report). As a result of weak economic conditions since 2010, the current rate of growth is below the average annual increase of 4,625 people, or 1.9 percent, recorded during the 2000s. From 2004 through 2006, the period of strongest job creation, the population in the HMA increased by an average of 6,825, or 2.8 percent, a year. In-migration accounted for approximately 86 percent of growth during this period compared with approximately 83 percent from 2000 through 2003. In 2009 and 2010, in-migration accounted for approximately 50 percent of the population growth. According to the Internal

Revenue Service, during 2009 and 2010, the most recent data available, 24 percent of the in-migration to the HMA came from Frederick County, Maryland, primarily for housing affordability. According to data from Hanley Wood, LLC, homes in the HMA are priced on average 50 percent less than homes in Frederick County. Since 2010, net in-migration has averaged 775 a year compared with an average annual increase of nearly 3,700 during the 2000s (Figure 4). The population is expected to increase by 2,400, or 0.9 percent, annually during the 3-year forecast period and total 279,900 by April 2015 (Figure 5).

An estimated 148,600 people reside in the Hagerstown submarket, roughly one-half of the current population in the HMA. Since 2010, the population in the Hagerstown submarket has

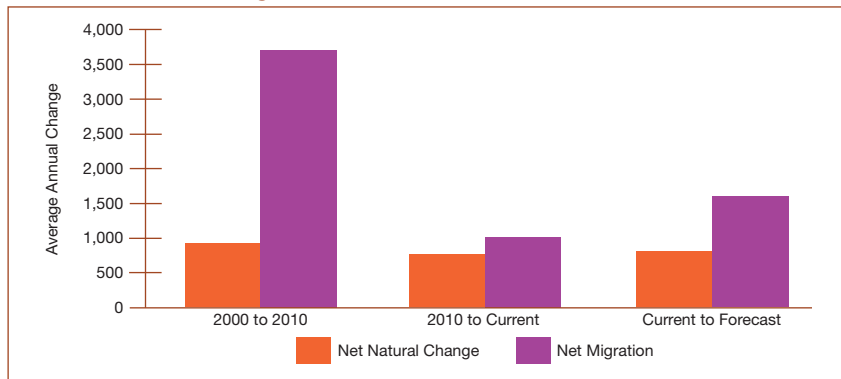
increased by an average of 590, or 0.4 percent, a year compared with an average increase of 1,550, or 1.1 percent, annually during the 2000s. Net in-migration has accounted for nearly 40 percent of the population growth in the submarket since 2010 compared with approximately 70 percent during the 2000s. The population of the Hagerstown submarket is expected to increase by 900, or 0.6 percent, annually during the next 3 years.

Since 2010, the population in the Martinsburg submarket has increased by an average of nearly 1,200, or 1.0 percent, a year to an estimated 124,100 as of April 1, 2012. Net in-migration accounted for approximately 66 percent

of population growth in this period. Approximately 85 percent of the total population resides in Berkeley County. During the 2000s, the population in the Martinsburg submarket increased by an average of 3,075, or 3.0 percent, as a result of strong in-migration, which averaged 2,575 a year and accounted for nearly 85 percent of the total population growth in the submarket. During the 3-year forecast period, the population of the Martinsburg submarket is expected to increase by 1,500, or 1.2 percent, a year.

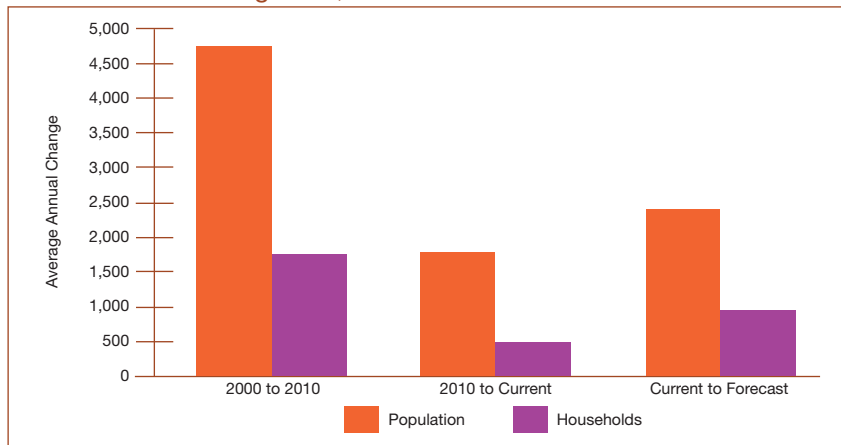
An estimated 103,800 households currently reside in the HMA, with 55,900 in the Hagerstown submarket and the remaining 47,900 in the Martinsburg submarket. Since 2010, the number of households in the HMA has increased by an average of 480, or 0.5 percent, a year compared with an average annual increase of 1,750, or 1.9 percent, during the 2000s. Household growth in the Martinsburg submarket has accounted for 77 percent of total household growth in the HMA since 2010 compared with 65 percent during the 2000s. The Martinsburg submarket is relatively more affordable than the Hagerstown submarket. Existing homes in the Martinsburg submarket are priced on average more than 14 percent less than existing homes in the Hagerstown submarket. An estimated 36,050, or nearly 65 percent, of households in the Hagerstown submarket are owner households and the remaining 19,850 are renter households (Figure 6). Of the households in the Martinsburg submarket, an estimated 35,850, or nearly 75 percent, are owner households and the remaining 12,050 are renter households (Figure 7). The number of renter households in the HMA has increased at an average rate of 2.0 percent

Figure 4. Components of Population Change in the Hagerstown-Martinsburg HMA, 2000 to Forecast



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

Figure 5. Population and Household Growth in the Hagerstown-Martinsburg HMA, 2000 to Forecast

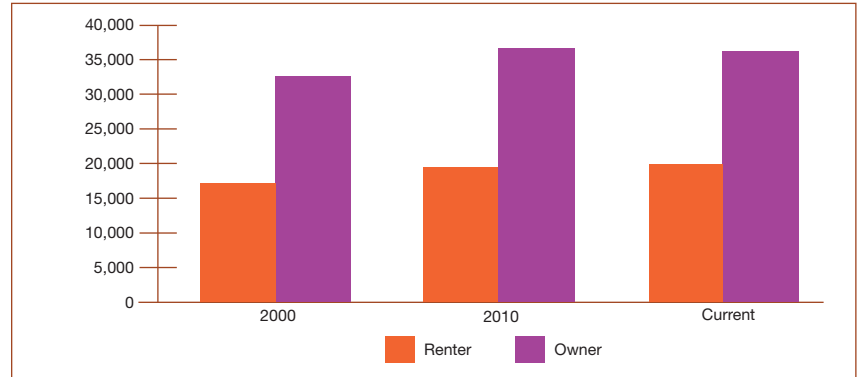


Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

annually since 2000, and the number of owner households has increased at an average rate of 1.7 percent annually. The number of households in the HMA is expected to increase by 970, or 0.9 percent, annually during the

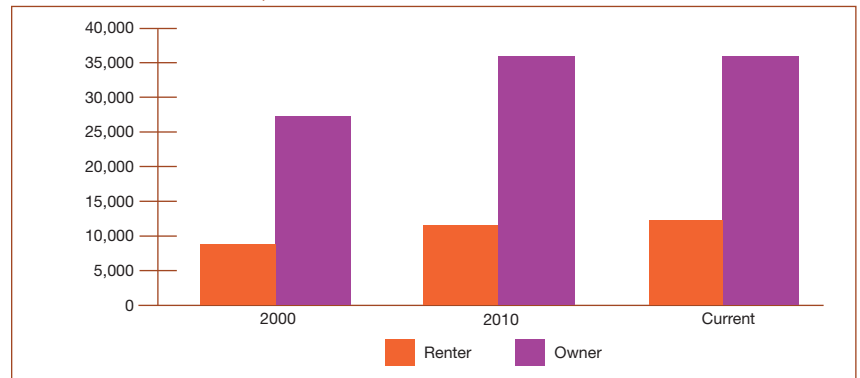
next 3 years to a total of 106,700. At the end of the forecast period, the household count is expected to total 57,000 and 49,700 in the Hagerstown and Martinsburg submarkets, respectively.

Figure 6. Number of Households by Tenure in the Hagerstown Submarket, 2000 to Current



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

Figure 7. Number of Households by Tenure in the Martinsburg Submarket, 2000 to Current



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

Housing Market Trends

Sales Market—Hagerstown Submarket

The sales housing market in the Hagerstown submarket currently is soft as a result of a large percentage of distressed home loans. The sales vacancy rate currently is estimated at 2.6 percent, unchanged from the rate recorded in April 2010 (Table DP-2 at

the end of this report). Based on data from Hanley Wood, LLC, during the 12 months ending March 2012, approximately 880 existing single-family detached and attached homes sold in the submarket, an increase of 16 percent, compared with the number sold

Housing Market Trends

Sales Market—Hagerstown Submarket *Continued*

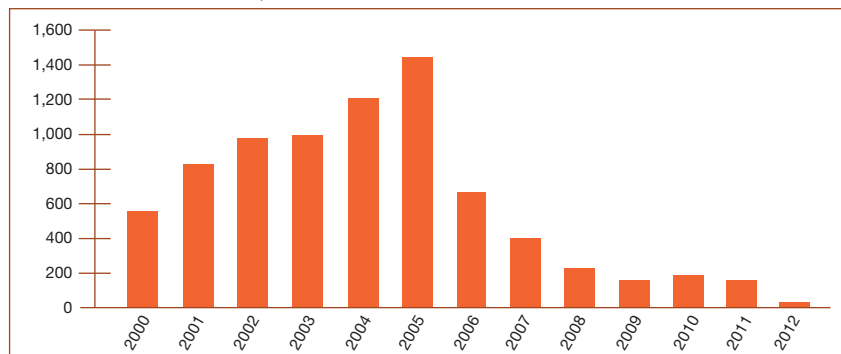
during the previous 12-month period. Not included in these totals are homes sold as a result of foreclosure or that were REO (Real Estate Owned). From 2007 through 2009, an average of 1,100 existing single-family detached and attached homes was sold annually. The average price for existing single-family detached and attached homes sold during the 12 months ending March 2012 decreased nearly 5 percent to \$155,100 from \$163,000 during the previous 12-month period. From 2007 through 2009, the average price for existing single-family detached and attached homes was approximately \$210,000, more than 26 percent higher than the average price for existing homes sold during the 12 months ending March 2012.

Although the sales housing market is showing some signs of improvement, the number of distressed home loans is high. According to data from LPS Applied Analytics, the number of home loans that were 90 or more days delinquent, in foreclosure, or transitioned into REO in March 2012 represented 9.2 percent of all outstanding home loans in the submarket, up from 8.3 percent a year earlier. The current rate is higher than both the 8.6-percent rate in Maryland and the 7.8-percent rate nationwide. Based on data from

Hanley Wood, LLC, during the 12 months ending March 2012, 33 percent of all existing homes sold were foreclosed and REO home sales compared with 59 percent during the previous 12-month period. By comparison, from 2007 through 2009, foreclosed and REO home sales accounted for an average of 32 percent of all existing homes sold annually. In 2005 and 2006, foreclosed and REO home sales accounted for an average of 7 percent of all existing homes sold annually. REO single-family homes were priced, on average, approximately \$58,000 less than other existing single-family homes sold in the submarket during the 12 months ending March 2012.

Despite the soft sales housing market, homebuilding in the Hagerstown submarket has increased. Based on preliminary data, during the 12 months ending March 2012, approximately 170 single-family homes were permitted in the Hagerstown submarket compared with 160 during the previous 12 months, a 6-percent increase. From 2003 through 2005, single-family building permits averaged 1,225 homes a year before declining to an average of nearly 330 homes annually from 2006 through 2010 (Figure 8). Sales prices for new single-family detached homes begin at \$210,000 and the prices for new townhomes start at \$200,000. The 710-lot Westfields development, which offers three- and four-bedroom single-family detached homes starting at \$210,000 and \$250,000, respectively, has sold 230 homes since 2004. The recently completed 140-home Carriage Hill development offers two-bedroom townhomes starting at \$200,000. According to data from Hanley Wood, LLC, during the 12 months ending March 2012, a total of 90 new single-family detached homes and townhomes

Figure 8. Single-Family Building Permits Issued in the Hagerstown Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Housing Market Trends

Sales Market—Hagerstown Submarket *Continued*

sold in the submarket compared with 125 homes sold during the previous 12-month period, a 25-percent decrease. The average sales price for new single-family detached homes and townhomes decreased 4 percent, to \$248,600.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Hagerstown Submarket, April 1, 2012 to April 1, 2015

| Price Range (\$) | | Units of Demand | Percent of Total |
|------------------|------------|-----------------|------------------|
| From | To | | |
| 200,000 | 249,999 | 320 | 25.0 |
| 250,000 | 299,999 | 380 | 30.0 |
| 300,000 | 399,999 | 320 | 25.0 |
| 400,000 | and higher | 250 | 20.0 |

Note: The 40 homes currently under construction and a portion of the estimated 2,150 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

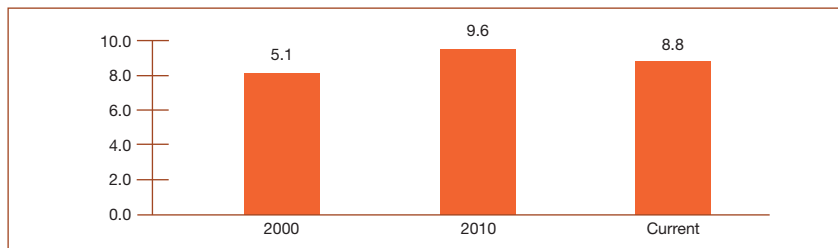
During the 3-year forecast period, demand is expected for approximately 1,250 new homes in the submarket (Table 1). The 40 homes currently under construction will meet a portion of the demand. Approximately 55 percent of demand is expected for homes priced between \$200,000 and \$299,999. Table 4 provides the estimated demand by price range for new market-rate housing during the forecast period. In addition, some of the estimated 2,150 other vacant units in the submarket may reenter the market and satisfy a portion of the forecast demand.

Rental Market—Hagerstown Submarket

The rental housing market in the Hagerstown submarket currently is soft, with an 8.8-percent estimated overall vacancy rate down from the 9.6-percent rate recorded in April 2010 (Figure 9). Data on apartment vacancy rates are not available. The

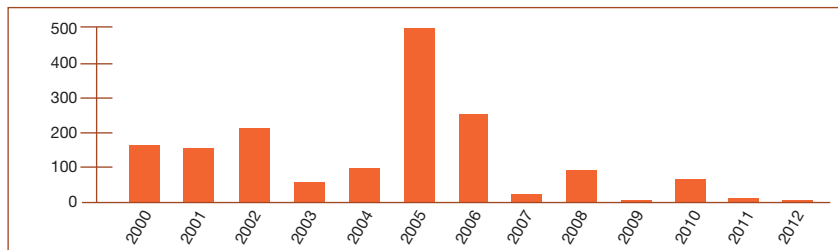
current average apartment rents in the submarket are estimated at \$750 for one-bedroom, \$820 for two-bedroom, and \$900 for three-bedroom units. Some apartment projects are currently offering concessions of up to \$80 off the monthly rent.

Figure 9. Rental Vacancy Rates in the Hagerstown Submarket, 2000 to Current



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

Figure 10. Multifamily Building Permits Issued in the Hagerstown Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Multifamily homebuilding, as measured by the number of units permitted, in the submarket has declined from its peak in 2005 and 2006. Based on preliminary data, during the 12 months ending March 2012, approximately 10 multifamily units were permitted in the submarket, down from the nearly 65 units permitted during the previous 12 months. In 2005 and 2006, multifamily permitting in the submarket averaged nearly 380 units a year compared with an average of approximately 40 units permitted annually from 2007 through 2009 (Figure 10). Multifamily construction was concentrated in the city of Hagerstown and in unincorporated areas of Washington County. Nearly all of the multifamily developments in the submarket are apartments.

Housing Market Trends

Rental Market—Hagerstown Submarket *Continued*

Cortland Manor, a multiphase project completed in 2009, with approximately 430 units, consists of all three-bedroom units with monthly asking rents ranging from \$900 to \$960. Cortland Manor currently is offering concessions of \$75 to \$80 off the monthly rent. The 120-unit Brookmeade Apartments complex, completed in approximately 2006, consists of three-bedroom units with asking rents ranging from \$850 to \$900, with concessions of \$70 to \$75 off the monthly rent. Local sources indicate that the preference for single-family detached home and townhome unit rentals is increasing among former owners who lost homes to foreclosure. Investors are purchasing single-family

detached homes and townhomes that were sold through foreclosure or REO and converting these homes into rental units. According to the 2010 ACS, approximately 40 percent of the rental stock comprises single-family detached and attached homes, relatively unchanged from the 2009 ACS. Currently, no multifamily units are in the planning stage in the Hagerstown submarket.

The Hagerstown submarket currently has a surplus of vacant available rental units. To achieve balanced rental market conditions in the submarket, the excess vacant inventory needs to be absorbed. As a result, no additional rental units should be constructed during the 3-year forecast period (Table 1).

Sales Market—Martinsburg Submarket

The sales housing market in the Martinsburg submarket currently is soft, with a 2.5-percent estimated sales vacancy rate, down from the 2.9-percent rate recorded in April 2010 (Table DP-3 at the end of this report). The improvement in the vacancy rate is a result of low levels of new construction. Based on data from MRIS[®], during the 12 months ending March 2012, approximately 1,500 new and existing single-family detached homes sold in the submarket, up less than 1 percent from the number sold during the previous 12 months. The average sales price for new and existing single-family detached and attached homes sold in the submarket decreased more than 6 percent to \$132,500 compared with the price during the previous 12-month period. From 2007 through 2009, an average of 1,260 new and existing single-family detached and attached homes was sold annually in the submarket, with an average sales price of \$186,600.

According to data from LPS Applied Analytics, in March 2012, home loans that were 90 or more days delinquent, in foreclosure, or transitioned into REO represented 7.4 percent of all home loans in the submarket, down from 8.3 percent as of March 2011. This rate is higher than the 5.2-percent rate in West Virginia but lower than the 7.8-percent rate nationwide.

As a result of the soft sales market, homebuilding in the submarket has declined. Based on preliminary data, during the 12 months ending March 2012, approximately 350 single-family homes were permitted in the submarket compared with nearly 430 during the previous 12 months, a 19-percent decrease (Figure 11). Single-family construction averaged approximately 1,475 homes a year from 2001 through 2003. From 2004 through 2006, 1,925 homes were permitted annually before declining to an average of 830 from 2007 through 2009. Sales prices for

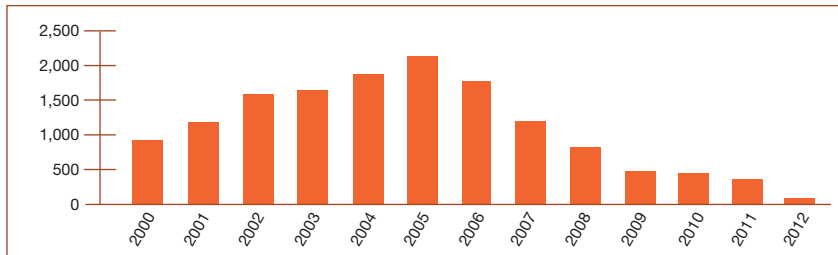
Housing Market Trends

Sales Market—Martinsburg Submarket *Continued*

new homes begin at \$120,000. Subdivisions currently under construction in Berkeley County include the 270-home Manor Park Towns development, which includes three-bedroom

townhomes starting at \$120,000, and the 95-home Ridges of Tuscarora development, which includes four- and five-bedroom single-family detached homes starting at \$220,000 and \$320,000, respectively.

Figure 11. Single-Family Building Permits Issued in the Martinsburg Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.

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

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Martinsburg Submarket, April 1, 2012 to April 1, 2015

| Price Range (\$) | | Units of Demand | Percent of Total |
|------------------|------------|-----------------|------------------|
| From | To | | |
| 120,000 | 149,999 | 380 | 20.0 |
| 150,000 | 199,999 | 570 | 30.0 |
| 200,000 | 249,999 | 480 | 25.0 |
| 250,000 | 299,999 | 290 | 15.0 |
| 300,000 | and higher | 190 | 10.0 |

Note: The 80 homes currently under construction and a portion of the estimated 4,925 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

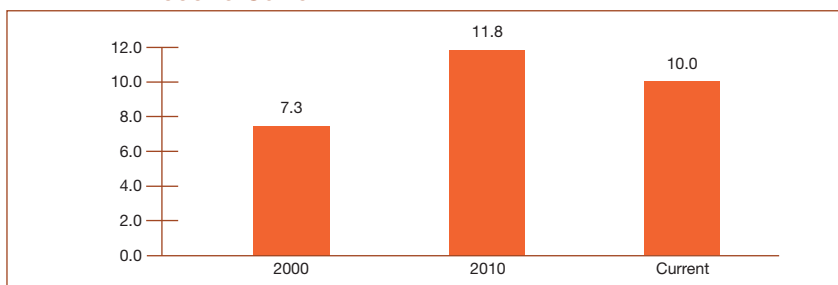
Rental Market—Martinsburg Submarket

The rental housing market in the Martinsburg submarket currently is slightly soft but improving. The overall rental vacancy rate is an estimated 10.0 percent, down from the 11.8-percent rate recorded in April 2010 (Figure 12). The improvement has

resulted from increased rental demand because fewer households qualify for homeownership because of tighter mortgage lending restrictions. Data on apartment vacancy rates are not available. Current average apartment rents in the submarket are estimated at \$800 for one-bedroom, \$875 for two-bedroom, and \$950 for three-bedroom units. Some recently completed projects currently are offering concessions, including a reduced security deposit.

Multifamily building activity was relatively unchanged during the 12 months ending March 2012. Based on preliminary data, nearly no multifamily units were permitted in the submarket,

Figure 12. Rental Vacancy Rates in the Martinsburg Submarket, 2000 to Current



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

Housing Market Trends

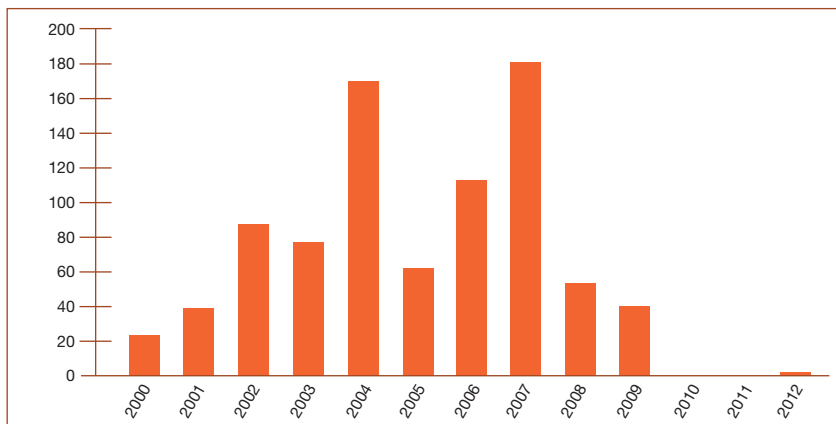
Rental Market—Martinsburg Submarket *Continued*

unchanged from the previous 12-month period. From 2000 through 2005, multifamily permitting averaged 80 units annually before increasing to an average of nearly 150 units annually in 2006 and 2007. The number of multifamily units permitted declined even more, to an average of 50 units a year in 2008 and 2009 (Figure 13). Approximately 95 percent of new multifamily construction in the Martinsburg submarket was concentrated in Berkeley County. The 70-unit Stony Pointe Apartments in Martinsburg currently is 92-percent occupied. Completed

in 2010, Stony Pointe Apartments, which consists entirely of two-bedroom units with rents starting at \$975 per month, currently is offering concessions of \$50 off the monthly rent along with one-half off the security deposit. Local sources indicate that apartments are in competition with townhome rentals. Investors are purchasing townhomes that were sold through foreclosure or REO and are converting these homes into rental units. According to the 2006–2010 ACS 5-year estimates, approximately 42 percent of the rental market is single-family detached and attached homes, unchanged from the 2005–2009 ACS 5-year estimates. According to local sources, a three-bedroom townhouse unit rents for approximately \$1,200 a month. Currently, no multifamily projects are in the pipeline.

The Martinsburg submarket currently has a large surplus of vacant available rental units. To achieve balanced rental market conditions in the submarket, the excess vacant inventory needs to be absorbed. As a result, no additional rental units should be constructed during the 3-year forecast period (Table 1).

Figure 13. Multifamily Building Permits Issued in the Martinsburg Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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

Data Profiles

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

| | 2000 | 2010 | Current | Average Annual Change (%) | |
|---------------------------|---------|----------|----------|---------------------------|-----------------|
| | | | | 2000 to 2010 | 2010 to Current |
| Total Resident Employment | 109,086 | 110,157 | 111,100 | 0.1 | 0.7 |
| Unemployment Rate | 3.7% | 10.0% | 8.7% | | |
| Nonfarm Payroll Jobs | 95,300 | 97,600 | 98,600 | 0.2 | 0.8 |
| Total Population | 222,771 | 269,140 | 272,700 | 1.9 | 0.7 |
| Total Households | 85,440 | 102,845 | 103,800 | 1.9 | 0.5 |
| Owner Households | 59,683 | 72,262 | 71,900 | 1.9 | -0.3 |
| Percent Owner | 69.9% | 70.3% | 69.3% | | |
| Renter Households | 25,757 | 30,583 | 31,900 | 1.7 | 2.1 |
| Percent Renter | 30.1% | 29.7% | 30.7% | | |
| Total Housing Units | 93,961 | 115,329 | 116,100 | 2.1 | 0.3 |
| Owner Vacancy Rate | 2.0% | 2.8% | 2.6% | | |
| Rental Vacancy Rate | 5.9% | 10.4% | 9.3% | | |
| Median Family Income | NA | \$57,465 | \$62,958 | NA | 9.6 |

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2012. 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

Table DP-2. Hagerstown Submarket Data Profile, 2000 to Current

| | 2000 | 2010 | Current | Average Annual Change (%) | |
|----------------------|----------|----------|----------|---------------------------|-----------------|
| | | | | 2000 to 2010 | 2010 to Current |
| Total Population | 131,923 | 147,430 | 148,600 | 1.1 | 0.4 |
| Total Households | 49,726 | 55,687 | 55,900 | 1.1 | 0.2 |
| Owner Households | 32,637 | 36,448 | 36,050 | 1.1 | -0.5 |
| Percent Owner | 65.6% | 65.5% | 64.5% | | |
| Rental Households | 17,089 | 19,239 | 19,850 | 1.2 | 1.6 |
| Percent Renter | 34.4% | 34.5% | 35.5% | | |
| Total Housing Units | 52,972 | 60,814 | 60,950 | 1.4 | 0.1 |
| Owner Vacancy Rate | 1.6% | 2.6% | 2.6% | | |
| Rental Vacancy Rate | 5.1% | 9.6% | 8.8% | | |
| Median Family Income | \$48,962 | \$57,452 | \$65,432 | 1.6 | 13.9 |

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

Table DP-3. Martinsburg Submarket Data Profile, 2000 to Current

| | 2000 | 2010 | Current | Average Annual Change (%) | |
|----------------------|--------|---------|---------|---------------------------|-----------------|
| | | | | 2000 to 2010 | 2010 to Current |
| Total Population | 90,848 | 121,710 | 124,100 | 3.0 | 1.0 |
| Total Households | 35,714 | 47,158 | 47,900 | 2.8 | 0.8 |
| Owner Households | 27,046 | 35,814 | 35,850 | 2.8 | 0.1 |
| Percent Owner | 75.7% | 75.9% | 74.8% | | |
| Rental Households | 8,668 | 11,344 | 12,050 | 2.7 | 3.1 |
| Percent Renter | 24.3% | 24.1% | 25.2% | | |
| Total Housing Units | 40,989 | 54,515 | 55,100 | 2.9 | 0.5 |
| Owner Vacancy Rate | 2.5% | 2.9% | 2.5% | | |
| Rental Vacancy Rate | 7.3% | 11.8% | 10.0% | | |
| Median Family Income | NA | NA | NA | NA | NA |

NA = data not available.

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

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: 4/1/2012—Analyst’s estimates
Forecast period: 4/1/2012–4/1/2015—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 the U.S. Department of Housing and Urban Development’s (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_Hagerstown-MartinsburgMD-WV_12.pdf.

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This analysis has been prepared for the assistance and guidance of 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.