U.S Department of Housing and Urban Development

Spotlight on the Housing Market in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA

The Obama Administration's Efforts to Stabilize the Housing Market and Help American Homeowners | July 2014

The Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (Philadelphia MSA) includes 11 counties located in southeastern Pennsylvania, south-central New Jersey, northern Delaware, and northeastern Maryland. As with similar areas along the East Coast, the initial downturn from the foreclosure crisis was less severe than in some areas of the nation but the recovery from the crisis and subsequent recession has been slower. In the years leading up to the housing crisis, the Philadelphia MSA experienced levels of new home construction which exceeded household growth and a rise in home prices which surpassed the national appreciation by 8 percent. After the bubble burst, home prices in Philadelphia fell by 17 percent, which was only half the national drop in prices of 33 percent. The lower property values and the resulting underwater mortgages were fueled by unsustainable mortgage lending and investor speculation going into the crisis. The rise in unemployment during the recession added further to rising defaults and the decline in property values. The share of mortgages at risk of foreclosure (those 90 or more days delinquent or in the foreclosure process) did not peak until the beginning of 2013—three years later than for the nation—and at a much higher rate, although the share of distressed mortgages was higher going into the crisis. Contributing to the high share of distressed mortgages are longer than average foreclosure processing times in Pennsylvania and New Jersey, which keep homes in the foreclosure pipeline longer. The share of mortgages at risk of foreclosure has begun to decline in Philadelphia–the result of four years of modest job growth, fairly stable gains in home prices, and local legislation in 2008 that sharply curtailed foreclosure activity. The Administration's broad approach to stabilizing the housing market has been a real help to homeowners in Philadelphia and the surrounding area. This addendum to the Obama Administration's Housing Scorecard provides a summary of local economic trends and conditions and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

Population Growth, Employment, and Housing Market:

With nearly 6.0 million people according to the most recent Census, the Philadelphia MSA is the 6th largest in the nation. From 2000 to 2010, the population increased by an average of 27,800 people, or 0.5 percent, a year. Natural population growth (births minus deaths) accounted for 83 percent of population growth during this period. An average of nearly 4,925 people per year moved to the Philadelphia MSA during the last decade and accounted for the remaining 17 percent of the net population increase.

Philadelphia MSA Housing Unit Growth Outpaced Population and Household Growth During the Past Decade		
Date of Census	4/1/2000	4/1/2010
Philadelphia MSA Population	5,687,147	5,965,343
Annual Growth Rate	-	0.5%
Philadelphia MSA Households	2,134,404	2,260,312
Annual Growth Rate	-	0.6%
Philadelphia MSA Housing Units	2,281,825	2,433,611
Annual Growth Rate	-	0.7%

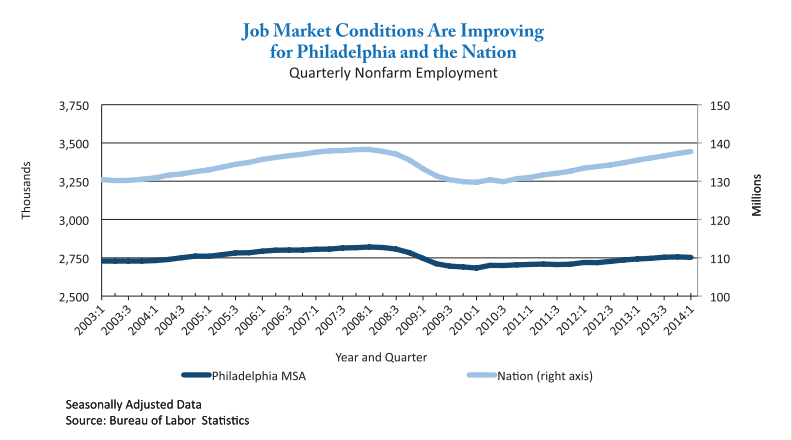
Source: Census Bureau (2000 and 2010 Decennial)

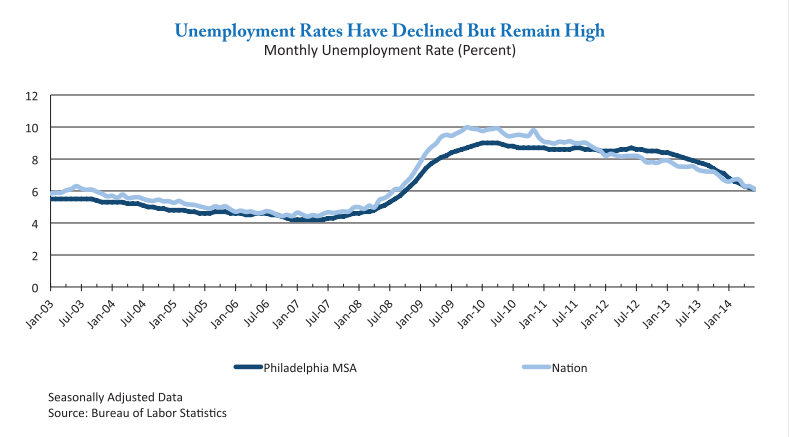
During the decade spanned by the Census, new housing production exceeded household growth in Philadelphia. Net annual housing unit growth of 0.7 percent in the Philadelphia metropolitan area during the last decade was greater than the corresponding population and household growth rates of 0.5 and 0.6 percent, respectively. However, according to the Census Bureau, the rate of increase in vacant units in the Philadelphia metro area during the 2000s was less than half the national rate, with vacant units increasing at an average annual rate of 1.8 percent, compared with 4.4 percent nationally. Investor speculation stimulated some overbuilding in the years leading up to the housing crisis, as a relatively large share of home purchases in the MSA were by non-occupant investors. Specifically, from 2000 to 2005 investor home sales rose from 8.3 to 20.0 percent of total sales in the Philadelphia Metropolitan Division, while the corresponding increase for the nation was from 8.0 to 14.6 percent. Subprime lending also contributed to overbuilding in the Philadelphia MSA. A study by the National Bureau of Economic Research indicates that the Philadelphia MSA ranked 57th out of the top 107 metros with the highest share of subprime originations during 2005, with subprime originations as a share of new mortgages at 18 percent in Philadelphia. A conservative estimate based on HMDA (Home Mortgage Disclosure Act) data indicates that high-cost (proxy for subprime) originations tripled nationally between 1998 and 2005, while a study by the Center for Responsible Lending estimates that approximately 90 percent of subprime mortgages during that period faced increases in monthly payments of

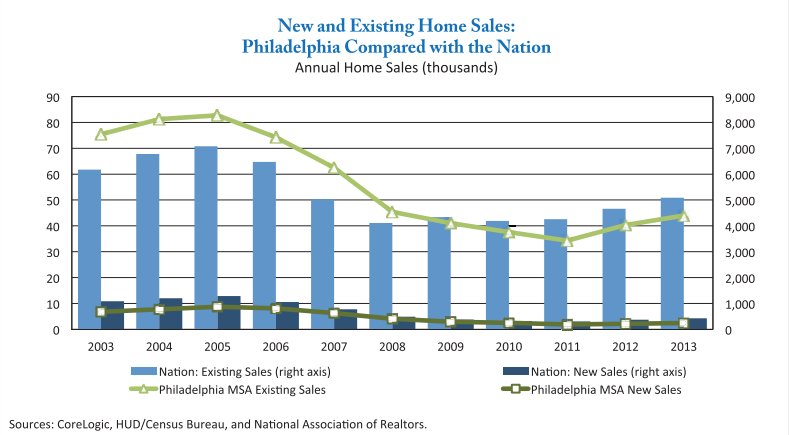
30 to 50 percent within a few years, causing subprime loans to typically default at more than 7 times the rate of other mortgages.

Philadelphia's economy is improving. The local economy was growing slowly before it began to decline in 2008. From the first quarter of 2004 through the first quarter of 2008, jobs increased at an average annual rate of 0.8 percent, compared with a national increase of 1.4 percent during the same period. The impact of the Great Recession was not as severe for the Philadelphia metropolitan area as it was for the nation. Jobs in the MSA declined at an average annual rate of 2.4 percent, from the second quarter of 2008 through the first quarter of 2010, compared with a national decline of 3.1 percent. The recovery from the recession has been weaker for the Philadelphia MSA than for the nation, however, with jobs increasing at an average annual rate of 0.6 percent from the second quarter of 2010 through the first quarter of 2014, compared with a 1.5-percent increase nationally.

The Philadelphia MSA is known for its hospitals and institutions of higher learning. During the recent recession, a period when every other private sector in the MSA lost jobs, the education and health services sector expanded at an average annual rate of 1.7 percent. Job losses were most severe during this period in the construction and manufacturing sectors, which declined at average annual rates of 11.9 and 7.2 percent, respectively; job losses were also substantial in the financial sector (4.1 percent). The recovery from the recession has been led by the leisure and hospitality and professional and business services sectors, which expanded by average annual rates of 2.5 and 1.9 percent, respectively. Gains in the education and health services sector continued, but slowed to an average rate of 1.3 percent during this period. Growth in these sectors was offset by average annual job losses of 2.5 percent in the information sector and 2.3 percent in the federal government. The unemployment rate for the Philadelphia MSA peaked at 9.0 percent in April 2010 and has since fallen to 6.1 percent as of June 2014. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 6.1 percent by June 2014.





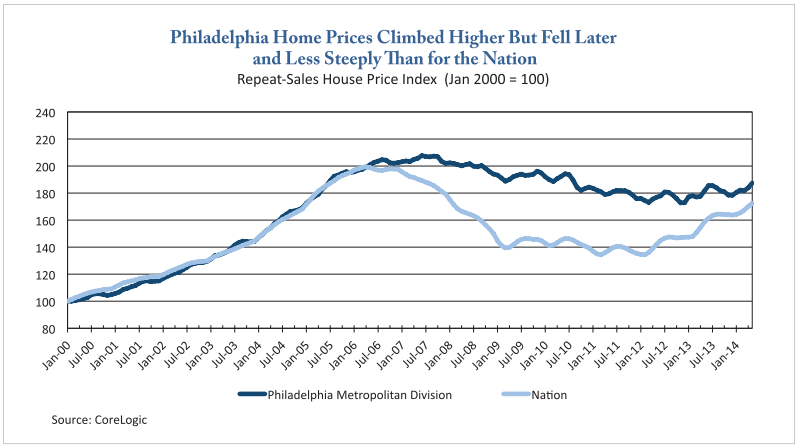


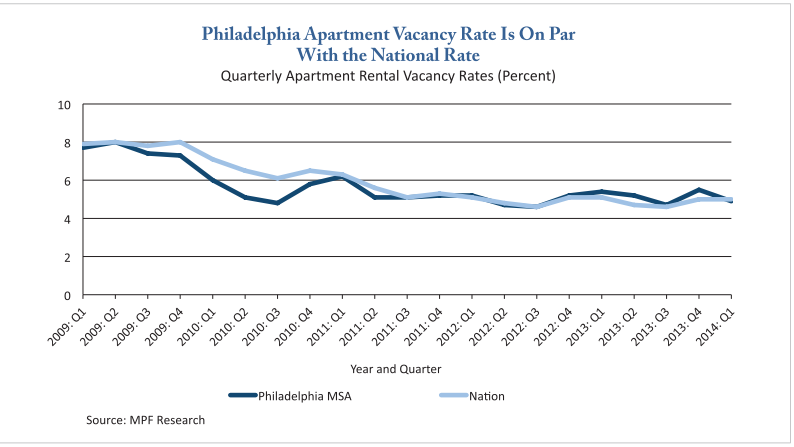
Home sales in Philadelphia are improving. After reaching a peak of 82,700 units sold in 2005, purchases of existing homes in the metropolitan area declined between 2006 and 2011, first by an average annual rate of 15 percent from 2006-2008 and then at the slower pace of 8 percent from 2009-2011. Existing home sales began to rise again 2012 and 2013, increasing at an annual rate of 14 percent (although on a much lower base) to reach sales of 44,000 during 2013. By comparison, existing home sales in the nation peaked in 2005 and declined by an annual rate of 14 percent between 2006 and 2008; existing home sales began to rise in 2009, increasing at an annual rate of almost 5 percent from 2009 to 2013. Purchases of new homes in the Philadelphia MSA peaked in 2005 at 8,700 units, before falling from 2006 through 2011 at an annual rate of 13 percent. New home sales have since stabilized at approximately 2,275 units, increasing over the last two years at an annual rate of 16 percent (albeit on a low base). Nationally, new home sales also peaked

in 2005 before declining by an annual rate of almost 13 percent from 2006 through 2011; sales have increased since at an annual rate of 20 percent (also on a low base).

Home prices in Philadelphia climbed higher but fell later and less steeply than for the nation during the housing crisis. The CoreLogic repeat-sales house price index (HPI) shows that home prices in the Philadelphia MSA peaked 14 months after and rose 8 percentage points higher than for the nation, but had a less-pronounced decline. Home prices in the metropolitan area fell 17 percent from their peak in June 2007 to their low in November 2012 compared with a national peak-to-low decline of 33 percent (ending February 2012). Investor speculation had an impact on the rise in home prices in the Philadelphia MSA, with sales to investors averaging 14 percent in Philadelphia during the bubble—higher than the 11 percent share nationally. As described earlier, subprime lending was also a factor in fueling home prices in the Philadelphia MSA. Since reaching their low point, home prices have increased by 7 percent in the Philadelphia metropolitan area–one-fourth the 28-percent low-to-current increase for the nation. Home values in the Philadelphia MSA are currently on par with prices in mid-2005.

The apartment vacancy rate in Philadelphia has closely tracked the national vacancy rate during the past three years. According to MPF Research, the Philadelphia MSA apartment vacancy rate was 4.9 percent in the first quarter of 2014, down from 5.4 percent a year earlier, representing generally balanced supply and demand for apartments. The decrease in the vacancy rate occurred despite increased construction because demand for rental housing was extremely high during the prior year. The national apartment vacancy rate was relatively unchanged at 5 percent over the same period. During the first quarter of 2014, the average apartment rent in the Philadelphia MSA increased 1.4 percent from a year earlier to $1,132, compared with a nationwide increase of 3.4 percent to $1,130. Overall rental market conditions in the Philadelphia metro area remain weaker than the apartment market due to a high number of vacant single-family rental properties. According to the CPS/HVS (Current Population Survey/Housing Vacancy Survey) conducted by the Census Bureau, as of the first quarter of 2014 the overall rental vacancy rate for the Philadelphia MSA was 10.2 percent compared to a national rate of 8.3 percent. The 2012 ACS (American Community Survey) indicates that single-family homes accounted for 12 percent of all rental units in the Philadelphia MSA, while representing 29 percent of all rental units in the nation.





Trends in Mortgage Delinquencies and Foreclosures:

The rate of mortgages at risk of foreclosure in Philadelphia has begun to decline, after peaking 3 years later than nationally. According to Black Knight Financial Services, Inc., as of May 2014 the Philadelphia MSA placed 46th out of 381 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process). From 2000 through most of 2005, the share of mortgages at risk of foreclosure in the Philadelphia MSA was higher than the national rate by more than 1 percentage point, and began to converge with the national rate from the end of 2005 through 2006, according to CoreLogic data. In 2007 and 2008, when the foreclosure crisis began and single-family foreclosures were largely driven by unaffordable non-traditional loan products, the increase in mortgages at risk of foreclosure in the Philadelphia MSA mirrored the rise nationally. From the beginning of 2007 to the end of 2008, the share of distressed mortgages in Philadelphia rose from 2.2 to 4.6 percent, compared with a national increase of 1.6 percent to 4.4 percent. Beginning in 2009, foreclosures were increasingly driven by loss of income, unemployment, and strategic defaults as the economy worsened, according to research by the Federal Reserve Bank of Chicago. A sharp spike upward in the rate of distressed mortgages occurred in 2009 for both the Philadelphia MSA and the nation. By early 2010, mortgages at risk of

foreclosure peaked at 8.0 percent nationally and have since fallen to 4.1 percent. The share of distressed mortgages in the Philadelphia MSA continued to increase for another 3 years, peaking at 9.6 percent in the beginning of 2013; it has since fallen to 8.1 percent. The share of distressed mortgages in the Philadelphia metro has begun to decline at a faster rate. Over the last year, mortgages at risk of foreclosure in Philadelphia decreased by 25 percent–from 54,000 to 40,700–compared with a national decline of 17 percent over the same period. At least a partial explanation for the higher share of distressed mortgages in Philadelphia relative to the nation is a longer foreclosure processing timeline. As of the first quarter of 2014, the average time to complete a foreclosure was 633 days in Pennsylvania and 1,103 days in New Jersey, much higher than the national average of 572 days.

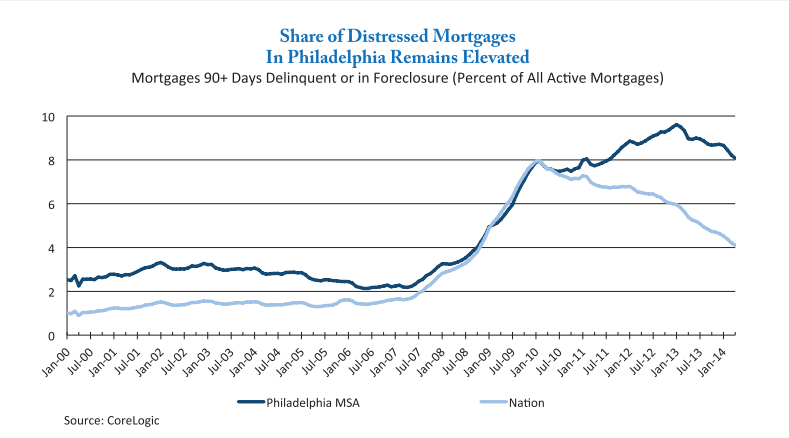
Realty Trac data show foreclosure completions in Philadelphia have trailed the national rate. From April 2009 through June 2014, the number of foreclosure completions as a percentage of all housing units was 1.6 percent in Philadelphia, much lower than the 2.9-percent rate for the nation. Foreclosure completions have been trending downward nationally and in the Philadelphia MSA since 2011; however, during the first and second quarters of 2014, foreclosure completions ticked up slightly (7 percent) from a year earlier in the Philadelphia metropolitan area. This represents a foreclosure completion rate of 0.06 percent, on par with the national rate during the same period.

The efforts of numerous state and local entities and financial institutions in partnership with the federal government have helped contain the rate of foreclosures. One local initiative is the Residential Mortgage Foreclosure Diversion Program, which was created pursuant to a court order from the First Judicial District of Philadelphia Court of Common Pleas of Philadelphia County in April 2008; it has saved nearly 7,500 homeowners from foreclosure in the City of Philadelphia. The need for recovery efforts continues, as 10.5 percent of mortgages in the Philadelphia MSA remain underwater as of the first quarter of 2014 according to CoreLogic, although this is down from 16.1 percent a year earlier. This compares to a 12.7-percent share of underwater borrowers for the nation during the first quarter.

Foreclosure Completion Rates in the Philadelphia MSA

Area	Second Quarter 2014		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Philadelphia MSA	1,580	0.06%	37,840	1.6%
Nation	85,300	0.06%	3,869,600	2.9%

Note: Foreclosure Rates as Percent of All Housing Units;
Data through December 2013 for foreclosures since April 2009
Source: Realty Trac and Census Bureau



The Administration's Efforts to Stabilize the Philadelphia MSA Housing Market

The Administration's mortgage and neighborhood assistance programs–the Home Affordable Modification Program (HAMP, which is part of the broader Making Home Affordable program), the Federal Housing Administration (FHA) mortgage assistance programs, the Neighborhood Stabilization Program (NSP), and the Hardest Hit Fund (HHF) program–combined with assistance from the HOPE Now Alliance of mortgage servicers and the National Mortgage Servicing Settlement have helped stabilize the Philadelphia MSA housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of May 2014, more than 151,800 homeowners have received mortgage assistance in the Philadelphia metropolitan area. Nearly 89,000 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 62,800 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Philadelphia metropolitan area is more than 4 times the number of foreclosures completed during this period (37,300).

Under the landmark National Mortgage Servicing Settlement in February 2012, more than 9,418 Pennsylvania homeowners have benefitted from over $438 million in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages provided as of June 30, 2013. Nationwide, the settlement has provided more than $50 billion in consumer relief benefits to more than 631,000 families. That is in addition to the $2.5 billion in payments to participating states and $1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.

Given over three rounds, the **Neighborhood Stabilization Program** has invested $7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act

(HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

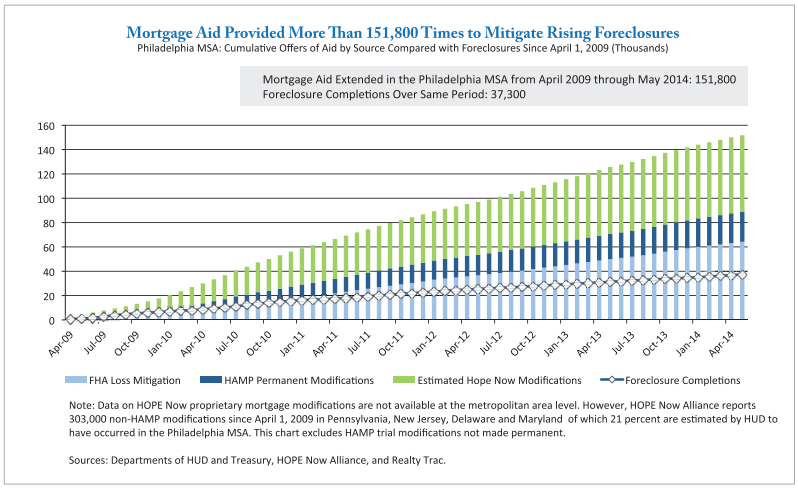
In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local employees.

Overall, a total of $86.8 million in NSP funds has been awarded to three grantees in the Philadelphia MSA: the **City of Philadelphia**, **Camden Development Authority**, and the **Housing Authority of Camden City**. In addition, a total of $34.6 million in NSP funding was awarded to the **State of Delaware**, of which $22.4 million has been sub-allocated to the City of Wilmington and New Castle County in the Philadelphia MSA. Approximately 529 households in the MSA have already benefited from NSP and activities funded by the program are expected to provide assistance to an additional 802 owner-occupied and renter households.

The **City of Philadelphia** received a total of $60.7 million in NSP funding. The City targeted NSP investments in areas where foreclosure rates were found to be high but where vacancy and abandonment rates were relatively low, including development activities in the Mantua, Nicetown, and Point Breeze neighborhoods, among others. The City encouraged for-profit and nonprofit, minority and women real estate developers to participate in the program. Twenty-six developers participated in the NSP program, of which 45 percent were minority, women or disabled-owned small businesses. The following are examples of NSP funded projects in the City of Philadelphia.

- In the **Point Breeze** neighborhood, the City of Philadelphia invested $8 million to construct 40 homes–18 homes for households earning less than 120 percent of area median income (AMI) and 22 homes for households earning less that 80 percent of AMI. Six of the homes have been designed to be accessible by people with disabilities and minority-owned entities were awarded 84 percent of the contracts.

Philadelphia MSA Housing Units to Date Benefitting from NSP by Type of Activity	
Construction or Rehabilitation	262
Demolition and Clearance	19
Homeownership Assistance to low- and moderate-income	248
Total Housing Units	529
Additional Projected Housing Units	802



- Another NSP project in the **Point Breeze** neighborhood is the Patriot House, which was developed by CATCH (Citizens Acting Together Can Help, Inc.) The Patriot House provides 15 units of affordable permanent supportive rental housing for chronically homeless veterans. In addition to providing permanent housing, it offers a continuum of care to its tenants. Program coordinators along with case managers work closely with the formerly homeless veterans to access services and resources to increase their quality of life, stability, and integration into the community-at-large.

- In the **Fairhill** neighborhood, the Women's Community Revitalization Project built Evelyn Sanders II Townhouses, 31 units of affordable rental housing serving very-low and low-income households. The development site was previously overrun with abandoned buildings and vacant lots.

- In a building that was previously vacant and foreclosed, the Gaudenzia Foundation redeveloped Shelton Court, located on North Broad Street in the **East Oak Lane** neighborhood, into 20 permanent supportive housing units for formerly homeless families, working specifically with female heads of households in recovery from chronic substance abuse and reuniting them with their children.

The Philadelphia MSA has also benefitted from an allocation of $300.5 million from the Administration's **Hardest Hit Fund** to the state of New Jersey. The New Jersey Housing and Mortgage Finance Agency (NJHMFA) administers these Hardest Hit funds through the **New Jersey HomeKeeper Program**, which was launched statewide in May 2011. HomeKeeper offers mortgage payment and reinstatement assistance for New Jersey homeowners who are unemployed or underemployed through no fault of their own and are at high risk of default or foreclosure. Through the program, NJHMFA provides twenty-four months or up to $48,000 in monthly mortgage payment assistance paid to the servicer on behalf of the qualified homeowner; the program also provides up to $48,000 in reinstatement assistance for recently re-employed homeowners to cure delinquent payments, escrow shortages, and/or delinquent property taxes to avoid foreclosure. Due to high volumes and growth in borrower participation, New Jersey HomeKeeper stopped accepting new applications on November 30, 2013, but will continue reviewing existing applicants for assistance until all program funds have been committed. For additional information, see https://www.njhomekeeper.com/.