

HUD PD&R Housing Market Profiles

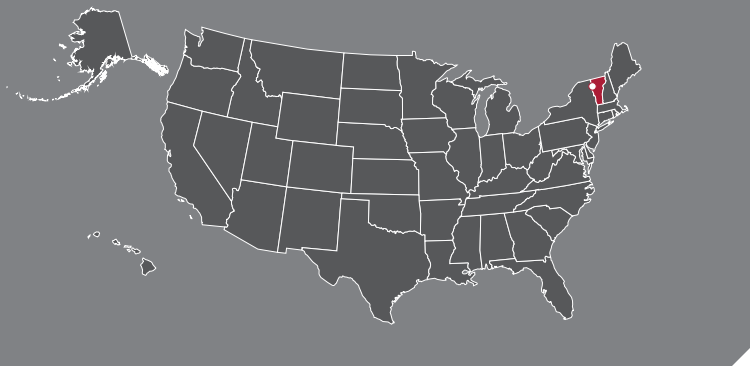
Burlington-South Burlington, Vermont



Quick Facts About Burlington-South Burlington

By Gabe Labovitz | As of November 1, 2019

- Current sales market conditions: slightly tight
- Current rental market conditions: tight
- Ben & Jerry's Homemade, Inc. (Ben & Jerry's) began in 1978 in a renovated gas station in Burlington, Vermont, with an initial investment of \$12,000. Today, Ben & Jerry's, with headquarters in South Burlington, has nearly 580 scoop shops in 38 countries, sourcing dairy from more than 200 farms worldwide (Ben & Jerry's Homemade, Inc.).



Overview

The Burlington-South Burlington, VT Metropolitan Statistical Area (hereafter, the Burlington metropolitan area) includes three counties in northwestern Vermont—Chittenden, Franklin, and Grand Isle. The Burlington metropolitan area is similar to, but not coterminous with, the Burlington-South Burlington, VT New England City and Town Area (NECTA) and contains all the major employment and population centers in the metropolitan area. Nonfarm payroll data are only available for the Burlington-South Burlington, VT NECTA; thus, all nonfarm payroll data will be for the NECTA, whereas other data and discussion will reference the Burlington metropolitan area. Vermont is a predominately rural state, and the Burlington metropolitan area and NECTA are the only such areas in the state.

- As of November 1, 2019, the population of the Burlington metropolitan area is estimated at 223,200, with an annual growth rate of 0.6 percent, or 1,250, since 2010. From 2010 to 2014, the population grew at an average rate of 0.5 percent, or 1,025 annually. Since 2014, the population has increased at a slightly higher rate of 0.6 percent, or 1,400 annually.
- As of July 1, 2018, the population in the metropolitan area had a median age of 37.7 years, younger than the median ages of 43.1 years for the state of Vermont and 38.2 years

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for the nation (2018 American Community Survey [ACS] 1-year data). This is likely due to the impact of the three colleges and universities in the metropolitan area.

- From 2010 to 2018, however, the fastest-growing age cohort in the Burlington metropolitan area was among people age

65 and over, with an annual rate of increase at more than 4 percent, compared with 0.6 percent average annual growth for the total population (2010 through 2018 ACS 1-year data). During 2018, those ages 15 to 19 and 20 to 24 made up the area's largest age cohorts, composing 8.2 and 8.9 percent of the total population, respectively.

Economic Conditions

Economic conditions in the Burlington NECTA are in the 10th consecutive year of expansion following the Great Recession. In 2011, nonfarm payroll jobs in the area surpassed pre-recession peak levels and have since continued expanding. During the 3 months ending October 2019, nonfarm payrolls in the Burlington NECTA rose by 1,600 jobs, or 1.3 percent, to 128,600 jobs, compared with a slower average growth rate of 0.4 percent during the 3 months ending October 2018. The current 1.3-percent rate of job growth is the highest in the area since the 3 months ending October 2015.

During the 3 months ending October 2019—

- The education and health services and the leisure and hospitality sectors—both of which grew by 700 jobs, or 3.1 and 5.1 percent, respectively—led an increase in five payroll sectors. The 5.1-percent rate of growth in the leisure and hospitality sector was the fastest of all job sectors in the area. Contributing to job growth in the sector are the all-weather recreational activities, which are popular in the area because of the fluid temperature changes regular to Burlington's location in the Green Mountains of Vermont, on the eastern shore of Lake Champlain.

- The education and health services sector is the largest sector in the area, followed by the government sector. This is in part because of the impact of the University of Vermont and the University of Vermont Medical Center, the largest two employers in the metropolitan area. Both are public entities with payrolls counted under the government sector and numerous healthcare- and education-related activities are closely tied to the schools.
- Four payroll sectors remained unchanged, and two payroll sectors declined. The government and the manufacturing sectors reported losses of 200 and 100 jobs, or declines of 0.9 and 0.8 percent, respectively. In the government sector, an increase of 100 federal jobs was insufficient to offset declines at the state and local levels. In the manufacturing sector, microchip manufacturer GlobalFoundries remains the third largest employer in the area despite a reduction of 80 jobs in the fall of 2019.
- The average unemployment rate, which fell to 1.7 percent from 2.0 percent a year earlier, was the second lowest unemployment rate among 389 metropolitan areas nationally; Ames, Iowa, had the lowest rate at 1.6 percent.

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Total nonfarm payroll growth in the Burlington metropolitan area was concentrated in five sectors; job growth was flat in four sectors and declined in two sectors.

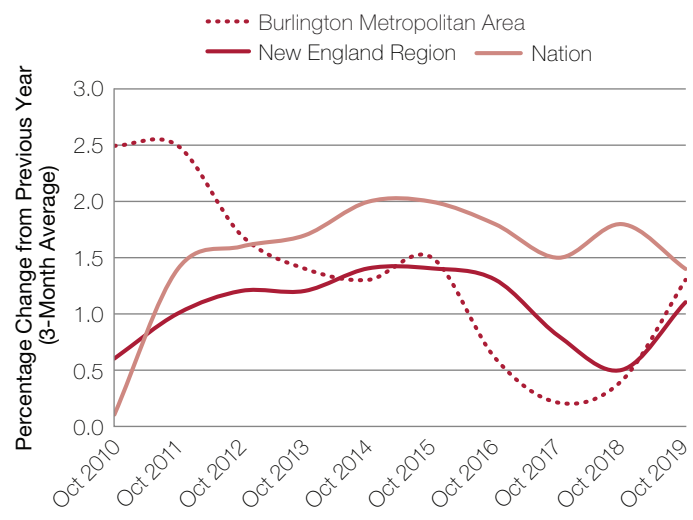
	3 Months Ending		Year-Over-Year Change	
	October 2018 (Thousands)	October 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	127.0	128.6	1.6	1.3
Goods-Producing Sectors	19.1	19.2	0.1	0.5
Mining, Logging, & Construction	6.2	6.5	0.3	4.8
Manufacturing	12.8	12.7	-0.1	-0.8
Service-Providing Sectors	107.9	109.4	1.5	1.4
Wholesale & Retail Trade	18.6	18.6	0.0	0.0
Transportation & Utilities	3.4	3.4	0.0	0.0
Information	2.1	2.1	0.0	0.0
Financial Activities	4.7	4.7	0.0	0.0
Professional & Business Services	15.2	15.6	0.4	2.6
Education & Health Services	22.9	23.6	0.7	3.1
Leisure & Hospitality	13.7	14.4	0.7	5.1
Other Services	4.2	4.3	0.1	2.4
Government	23.0	22.8	-0.2	-0.9
	(Percent)	(Percent)		
Unemployment Rate	2.0	1.7		

Notes: Numbers may not add to totals due to rounding. Nonfarm payroll data are only available for the Burlington-South Burlington, VT NECTA. Source: U.S. Bureau of Labor Statistics



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Nonfarm payroll job growth slowed in the Burlington metropolitan area from 2016 through 2018 and increased strongly during 2019.



Note: Nonfarm payroll data are only available for the Burlington-South Burlington, VT NECTA.
Source: U.S. Bureau of Labor Statistics

The University of Vermont Medical Center is the largest employer in the Burlington metropolitan area, with multiple locations throughout the city of Burlington and beyond. The 18 percent of nonfarm payroll jobs in the area’s education and health services sector represents a higher concentration than the 16-percent rate nationally, due in part to rapid growth among persons age 65 and over in the Burlington metropolitan area. Announced expansions at The University of Vermont Medical Center in the town of Essex, scheduled for completion in early 2020, and an upgrade in emergency room capacity at Northwestern Medical Center in St. Albans may lead to job growth, although the latter announced it would reduce staff during 2020 because of budget concerns.

Largest Employers in the Burlington Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Vermont Medical Center	Government	7,574
University of Vermont	Government	3,729
GlobalFoundries	Manufacturing	3,000

Note: Excludes local school districts.
Source: Moody’s Analytics

Sales Market Conditions

The sales housing market in the Burlington metropolitan area has been slightly tight since approximately 2016 and has an estimated sales vacancy rate of 0.5 percent, down from 1.7 percent in 2010. Population and household growth, which helped absorb a heightened supply of homes for sale, and a decline in the number of homes built, compared with construction activity during the previous decade, contributed to the tightening conditions. As of November 1, 2019, an estimated 3.8 months’ supply of homes was for sale, up slightly from 3.5 months’ supply a year earlier. This supply was down considerably from the nearly 11.0 months’ supply present during the summer of 2009, before the economy in the Burlington metropolitan area began to recover from the Great Recession (CoreLogic, Inc.). Total home sales—including single-family home, townhome, condominium, and mobile home sales—have gradually increased since reaching a recent low during 2011 but remain below pre-recession levels. Home sales prices, by contrast, reached a recent low during 2010 but have since surpassed pre-recession levels. As of October 2019, 1.0 percent of home loans in the Burlington metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, down from 1.1 percent a year earlier and the peak of 3.0 percent during January 2013. By contrast, the current respective rates for the state of Vermont and the nation are 1.5 and 1.4 percent, down from 1.6 and 1.8 percent a year earlier.

During the 12 months ending October 2019—

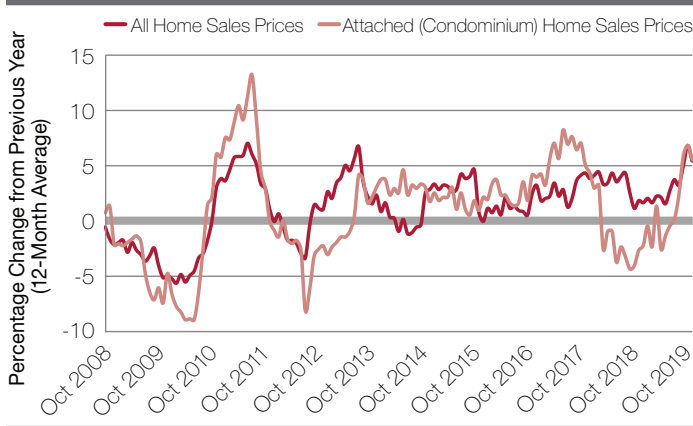
- Approximately 3,800 home sales were recorded, less than 2 percent fewer than the 3,875 home sales recorded a year earlier (CoreLogic, Inc., with adjustments by the analyst). After reaching a recent low of 2,650 home sales during 2011, sales rose steadily—averaging growth of nearly 8 percent annually—up to 3,800 sales during 2016. Since 2016, home sales in the area have been generally steady.
- The average home sales price was \$311,300, more than 5 percent above the \$295,400 average sales price a year earlier. The average sales price reached a low of \$254,000 in 2010 during the first year of economic growth following 2 years of job losses from the Great Recession. Since 2010, the average sales price has risen at a rate averaging nearly 2 percent annually, to \$290,400 during 2017.
- Attached home sales, including duplex, triplex, and low- and high-rise condominium units, typically accounting for fewer than one-fourth of all home sales in the Burlington metropolitan area, are mostly found in the area’s larger cities. Approximately 790 attached home sales were recorded in the Burlington metropolitan area during the past 12 months, a decline of nearly 8 percent from a year earlier. Nearly 61 percent of attached home sales were in the larger cities of Burlington, South Burlington, and Colchester in Chittenden County, making up nearly 40 percent of all sales in the three cities.

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Average sales prices for all home sales have generally risen since 2013; for attached home sales prices, a soft period from early 2018 to 2019 interrupted the upward trend.



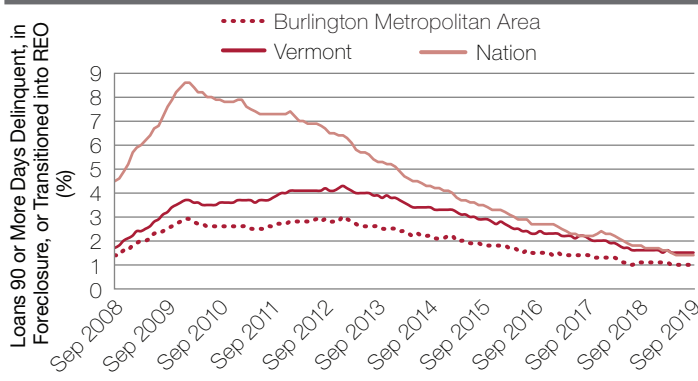
Notes: All home sales prices include single-family home, townhome, and all attached home sales. Attached (condominium) home sales prices exclude all single-family home sales prices.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- Attached home sales prices are typically lower than single-family home sales prices because attached homes tend to be smaller than single-family homes and are often built on smaller lots. During the 12 months ending October 2019, the average attached home sales price was \$263,500, more than 5 percent above the average sales price for an attached home in the metropolitan area a year earlier, yet 15 percent lower than the average sales price for all home sales in the area.

Single-family homebuilding has been relatively steady since 2010, but at levels well below those of the previous decade.

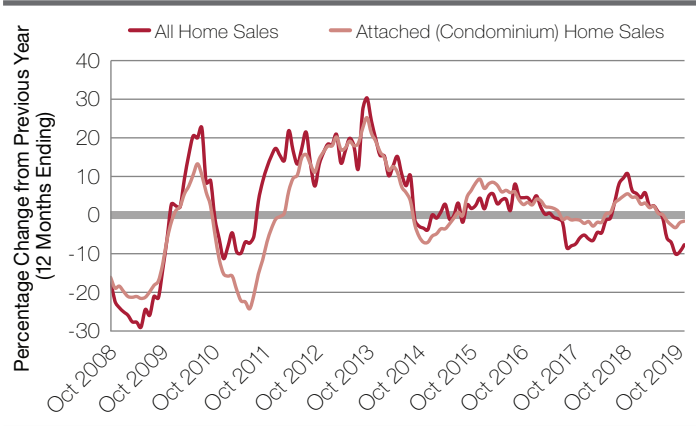
- During the 12 months ending October 2019, single-family homebuilding, as measured by the number of homes permitted, totaled 370 homes, below the 460 homes permitted a year earlier (preliminary data).

The rate of seriously delinquent mortgages and REO properties in the Burlington metropolitan area has been below the national rate and has likewise dipped below the pre-recession rate for the metropolitan area.



REO = real estate owned.
Source: CoreLogic, Inc.

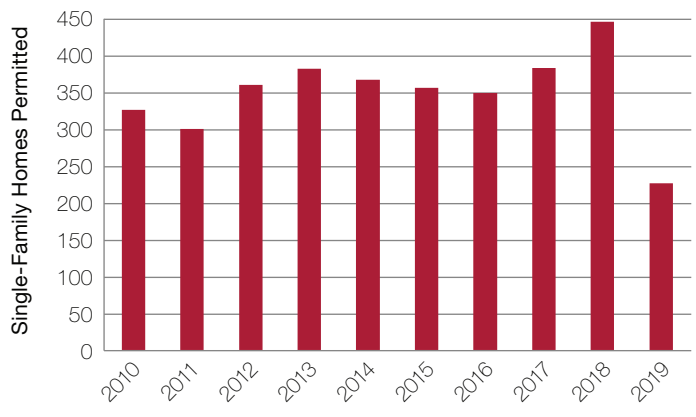
Broad swings in the change in home sales in the Burlington metropolitan area have slowed since 2013; the recent decline in sales has been, at least partially, attributed to a low inventory of homes for sale.



Notes: All home sales include single-family homes, townhomes, and all attached properties. The attached (condominium) home sales data are also included in the all home sales data.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- After averaging 690 homes permitted annually from 2000 through 2006, homes permitted totaled 450 during 2007, and averaged 290 annually during 2008 and 2009, the 2 years—2007 through 2008—during which jobs declined in the Burlington metropolitan area.
- Since the recent low level of single-family home permitting during 2008 and 2009, homebuilding has increased modestly, averaging 350 homes permitted annually from 2009 through 2017, with a recent peak of 450 homes permitted during 2018.
- The majority of single-family homes are permitted in Chittenden County, the most populous county in the three-county metropolitan area, typically between 60 and 65 percent; 30 to 35 percent of single-family homes are permitted in Franklin County and 5 percent or fewer are permitted in Grand Isle County.

Single-family permitting activity in the Burlington metropolitan area has remained fairly steady since 2010.



Note: Includes preliminary data from January 2019 through October 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



Rental Market Conditions

Rental market conditions in the Burlington metropolitan area are currently tight and have been balanced to tight for most of the decade. Apartment market conditions are also tight in the Burlington metropolitan area. Despite significant levels of new apartment construction since 2014, overall rental market conditions have remained tight because of relatively strong population growth in the Burlington metropolitan area since 2010, which increased after 2014, and a general shift to rental housing among new and existing households.

- As of November 1, 2018, the estimated vacancy rate for all rental units in the Burlington metropolitan area—including apartments, single-family homes, condominiums, and mobile homes—was 2.4 percent, down from 4.5 percent in April 2010. The apartment vacancy rate is even lower at an estimated 0.8 percent during the third quarter of 2019 (RealPage, Inc.).
- Since 2010, an estimated 78 percent of new households in the Burlington metropolitan area were renters rather than owners. This has kept pressure on the rental market, resulting in low vacancy rates and, until recently, generally increasing rents.
- During the third quarter of 2019, the average apartment asking rent in the Burlington metropolitan area was \$1,625, slightly below the \$1,638 average asking rent during the third quarter of 2018 (RealPage, Inc.). Significant numbers of new apartments that have entered the market during the past 5 years have contributed to the current slowing of rent growth. Property managers report the apartment market in the Burlington metropolitan area has become increasingly competitive, and tenants have become more price-sensitive (Allen, Brooks, & Minor, Inc.).
- As of July 1, 2018, Chittenden County, which includes the city of Burlington, accounted for an estimated 84 percent of renter households in the Burlington metropolitan area, but only

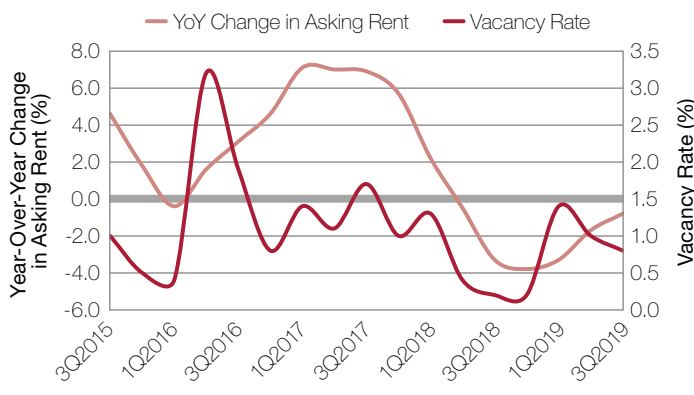
76 percent of all households in the area. Renter households in Chittenden County are less likely to live in single-family rentals than are renter households in Franklin and Grand Isle Counties. In Chittenden County, approximately 13 percent of renter households live in single-family homes; in Franklin and Grand Isle Counties, the ratio is 31 percent. Chittenden County renter households are also more likely to live in larger structures with five or more units per building—52 percent compared with 26 percent in Franklin and Grand Isle Counties (2018 ACS 1-year data).

In response to the tight rental and apartment market conditions in the Burlington metropolitan area, developers have increased new apartment production to the highest level since the Great Recession.

- During the 12 months ending October 2019, multifamily building activity, as measured by the number of units permitted, totaled approximately 380 units, down from 640 units permitted during the previous 12-month period (preliminary data, with adjustments by the analyst).
- The 805 units permitted during 2017 was a record-high level of multifamily building activity; the 720 units permitted during 2018 was also comparatively high. From 2014 through 2016, an average of 640 units were permitted each year, an increase from lower levels of permitting averaging 430 units annually from 2010 through 2013.
- Since 2013, approximately 9 percent of multifamily units permitted have been for owner occupancy; from 2010 through 2013, the ratio was nearly 20 percent, and from 2000 through 2009 the ratio was estimated to be 38 percent.
- Since 2013, less than 3 percent of new multifamily units permitted in the Burlington metropolitan area has been built outside of Chittenden County; by contrast, from 2000 through 2013, approximately 15 percent of new multifamily

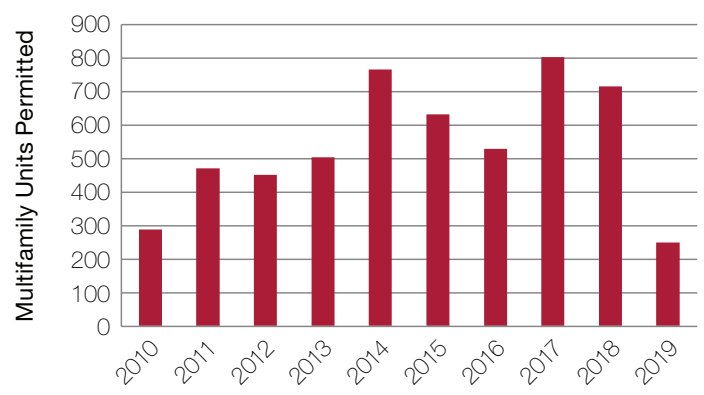
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Despite significant new apartment construction during the past 5 years, the apartment vacancy rate has remained low and rent increases have moderated.



1Q = first quarter. 3Q = third quarter. YoY = year-over-year. Source: RealPage, Inc.

Multifamily permitting activity in the Burlington metropolitan area has been relatively high during the last year, but apartment market conditions remain tight.



Note: Includes preliminary data from January 2019 through October 2019. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



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units permitted in the metropolitan area were built outside of Chittenden County, primarily in Franklin County.

- In the city of Burlington, Cambrian Rise, a new mixed-use development located directly north of downtown on the shore of Lake Champlain is currently under construction. Completion of the development, which will contain more than 700 units,

including for-sale housing and both market-rate and affordable apartment units, is estimated by 2026. Currently, select apartments are available at Liberty House—a market-rate apartment building within the Cambrian Rise development, with monthly rents for studio and one-bedroom units from \$1,200 and \$1,575, respectively.

