

HUD PD&R Regional Reports

Region 1: New England

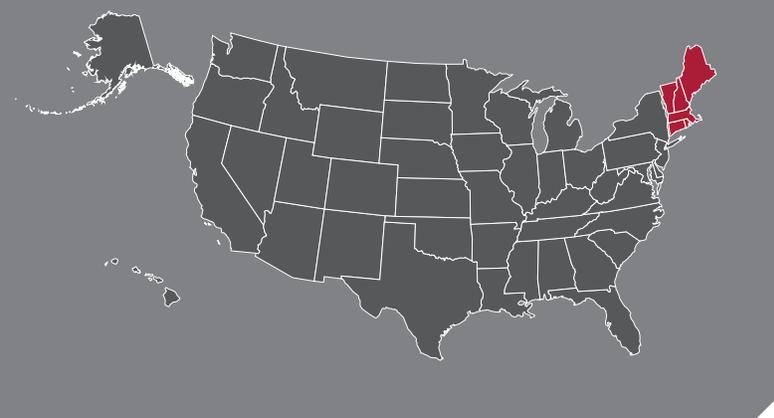


Quick Facts About Region 1

Hartford, Connecticut

By Patricia Moroz | 3rd Quarter 2021

- **Sales market conditions—**
Third quarter 2021: tight
Second quarter 2021: mixed (slightly tight to tight)
Third quarter 2020: mixed (balanced to tight)
- **Apartment market conditions—**
Third quarter 2021: tight
Second quarter 2021: mixed (balanced to tight)
Third quarter 2020: mixed (balanced to tight)



Overview

The economy of the New England region strengthened during the third quarter of 2021 and continued to recover from the effects of the COVID-19 pandemic that began during March 2020. The gradual reopening of businesses since May 2020, along with the introduction of the COVID-19 vaccines since December 2020, have contributed to nonfarm payroll growth. The region has the highest vaccination rate in the nation, with the number of doses administered per 100,000 of the total population amounting to more than 150,000 doses in five of the six states and more than 140,000 doses in New Hampshire (Centers for Disease Control and Prevention COVID-19 Vaccine Distribution and Administration Data Tracker). By September 2021, 81.3 percent of the 1.27 million jobs lost on a monthly basis during March and April 2020 had been recovered, compared with a job-recovery rate of 84.1 percent nationwide (data not seasonally adjusted). As economic conditions have improved, sales housing market conditions have tightened compared with a year ago; home sales markets were tight in all states of the region, compared with balanced to tight conditions a year earlier. The available inventory of homes for sale decreased throughout the region,

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whereas the volume of sales and the average sales price rose in all states and metropolitan areas compared with a year ago. Apartment markets also tightened compared with a year earlier; vacancy rates declined, and the average rent increased in nearly all major markets, contributing to tight apartment market conditions regionwide. Both single-family home construction and multifamily building activity decreased in most of the states compared with a year ago, but each was above the third quarter 2019 level for the region overall.

- Nonfarm payrolls increased during the third quarter of 2021 compared with a year ago, mostly due to gains in the leisure and hospitality sector in every state. The three states with the highest growth rates in total nonfarm payrolls also had

job gains in every sector. Maine recovered all the jobs that were lost in early 2020 (not seasonally adjusted).

- Home sales and home sales price growth rates reached 10 percent or more in all states and nearly all major metropolitan areas in the region during the 12 months ending August 2021 compared with the same period a year earlier. Low mortgage interest rates contributed to increased home sales.
- Apartment vacancy rates declined, and average rents increased in seven of the eight markets cited in this report from a year earlier. A slowdown in new apartment completions contributed to tighter apartment markets.

Economic Conditions

Economic conditions in the New England region have improved significantly since May 2020, when businesses began to reopen following the closure of nonessential businesses to slow the spread of COVID-19. During the third quarter of 2021, nonfarm payrolls rose by 389,600 jobs, or 5.7 percent, to nearly 7.23 million—faster than the national rate of 4.6 percent. The regional increase in the rate of job growth was the second fastest year-over-year increase among the 10 HUD-defined regions, after the Pacific region. By comparison, during the third quarter of 2020, nonfarm payrolls in the New England region declined by 736,800, or 9.7 percent. Before the pandemic, job growth in the region averaged 69,700, or 0.9 percent, to reach nearly 7.58 million jobs during the third quarter of 2019.

Job growth in the region occurred in all 11 nonfarm payroll sectors during the third quarter of 2021, with the greatest gains in sectors that had previously been most severely affected by interventions taken to slow the spread of COVID-19. The leisure and hospitality sector accounted for more than one-third of the net job gains in the region, up by 138,700 jobs, or 23.7 percent. The sector-wide increase is in contrast to the third quarter of 2020, when 255,500 jobs were lost—the most jobs of any sector. During the third quarter of 2021, the professional and business services sector added 57,900 jobs, or 5.6 percent, and accounted for 15 percent of net job gains in the region from a year earlier, compared with a loss of 65,800 jobs, or 6.0 percent, the previous year. Massachusetts accounted for 70 percent of job growth in that sector, and the office market in the Boston metropolitan area showed signs of stabilizing, with an increase in leasing. In the third quarter of 2021, the software firm HubSpot, Inc., announced plans to lease additional space to double the size of its headquarters in Cambridge (CoStar Group). The space

will accommodate a portion of the 800 positions the company added worldwide in 2020 when offices safely reopen, and the number of in-office workers is expected to increase (*Boston Business Journal*). The education and health services sector, the largest sector in the region, added the third most jobs—up by 47,300 jobs, or 3.3 percent, compared with a decrease of 127,600 jobs, or 8.1 percent, during the same quarter in 2020. Healthcare facilities that halted elective services during the pandemic, which led to furloughs among providers, have resumed services. The second fastest growing sector in the region during the third quarter of 2021 was transportation and utilities, with a 14.0-percent increase, or 27,900 jobs; the transportation and warehousing industry was up 15.8 percent and accounted for all the net job gain regionwide, with increases in every state.

The unemployment rate in the region averaged 5.2 percent during the third quarter of 2021, equal to the national rate and down significantly from 8.8 percent during the same period a year earlier. The lowest unemployment rates in the region were in Vermont and New Hampshire, at 2.7 and 2.9 percent, respectively. The unemployment rates in Rhode Island and Massachusetts declined the most, to 5.4 and 5.5 percent, respectively, whereas the smallest decrease was in Maine, to 4.5 percent. The unemployment rate was 6.1 percent in Connecticut, the highest rate in the region and the 10th highest in the nation.

During the third quarter of 2021—

- The fastest year-over-year job growth in the region occurred in Massachusetts, where nonfarm payrolls rose 6.8 percent, or by 224,200 jobs, to 3.54 million. Every sector contributed to job growth; the leisure and hospitality and the professional and business services sectors added the most jobs, increasing by 73,700 and 40,500, or 27.7 and 7.0 percent, respectively.

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All nonfarm payroll sectors in the New England region added jobs during the third quarter of 2021.

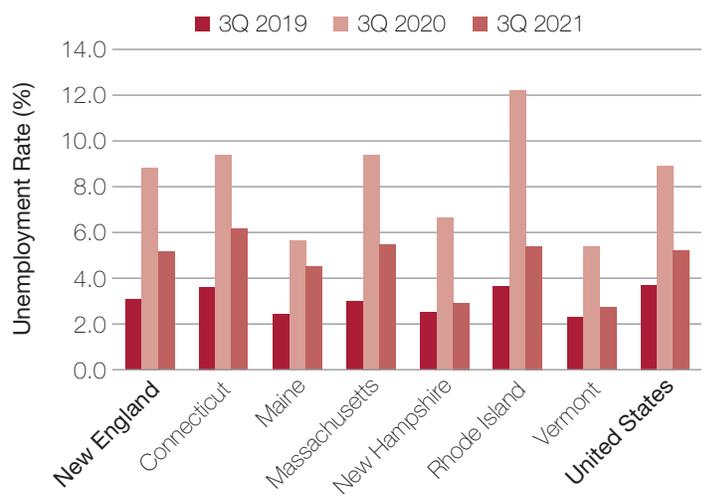
	Third Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,839.0	7,228.6	389.6	5.7
Goods-Producing Sectors	881.6	922.1	40.5	4.6
Mining, Logging, & Construction	321.2	339.4	18.2	5.7
Manufacturing	560.4	582.8	22.4	4.0
Service-Providing Sectors	5,957.4	6,306.4	349.0	5.9
Wholesale & Retail Trade	962.9	999.0	36.1	3.7
Transportation & Utilities	199.5	227.4	27.9	14.0
Information	141.7	148.6	6.9	4.9
Financial Activities	450.3	451.3	1.0	0.2
Professional & Business Services	1,028.7	1,086.6	57.9	5.6
Education & Health Services	1,443.7	1,491.0	47.3	3.3
Leisure & Hospitality	584.2	722.9	138.7	23.7
Other Services	240.2	260.6	20.4	8.5
Government	906.2	919.0	12.8	1.4

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

- Jobs rose at the second fastest rate in Vermont, up 6.0 percent, or by 16,700 jobs, to 296,700, with job growth occurring in all sectors. The leisure and hospitality sector accounted for 43 percent of growth in the state, followed by the manufacturing and the education and health services sectors, which contributed 2,400 jobs each, increasing 8.6 and 4.0 percent, respectively.
- In Rhode Island, jobs increased at a rate of 5.8 percent, or by 26,700 jobs, to 484,900, with job growth occurring in every sector. The leisure and hospitality sector accounted for more than one-third of the growth, adding 9,300 jobs, or 19.0 percent, whereas the manufacturing sector contributed 3,400 jobs, or a 9.1-percent increase.
- Nonfarm payrolls in Maine rose at a rate of 5.2 percent, or by 31,100 jobs, to 632,800; all the jobs that were lost in the state in early 2020 were recovered by September 2021 (data not seasonally adjusted). More than 40 percent of the job gains in the state during the third quarter of 2021 were in the leisure and hospitality sector, followed by the second largest addition of 4,900 jobs, or 5.1 percent, in the wholesale and retail trade sector.
- The rates of job growth were 4.6 percent in New Hampshire, equal to the national rate, and 4.0 percent in Connecticut; the number of jobs increased by 29,400 and 61,500, to 665,100 and 1.60 million jobs, respectively. The leisure and

hospitality and the education and health services sectors added the most jobs in both states, contributing a combined 35,500 and 16,800 jobs in each sector and accounting for a combined 26 and 36 percent of regional growth in those sectors, respectively.

The unemployment rate declined in all states in the New England region during the third quarter of 2021, but rates were above levels from 2 years earlier.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics



Sales Market Conditions

Sales housing market conditions were tight in all states of the New England region during the third quarter of 2021, compared with balanced to tight conditions a year earlier. The supply of for-sale inventory in the region declined to 1.9 months in September 2021 from 2.8 months in September 2020 (CoreLogic, Inc.). Sales markets tightened throughout the region because of record-low mortgage interest rates and a decline in the number of homes listed for sale in most states. In Connecticut, the supply of for-sale inventory declined to 2.6 months in September 2021 from 4.0 months in September 2020, the largest decrease in the region. Maine and Massachusetts had the lowest levels of inventory of homes for sale, at 1.4 and 1.5 months, respectively—down from 1.9 and 2.4 months a year earlier. In Vermont and Rhode Island, the months of supply declined to 2.4 and 1.8 months from 2.8 and 2.2 months, respectively. In New Hampshire, the months of supply was unchanged, at 1.7 months. In August 2021, the average interest rate for a 30-year fixed-rate mortgage in the nation was 2.8 percent, down from 2.9 percent in August 2020 and 4.4 in August 2010 (Freddie Mac).

Despite low inventories of homes for sale, the volume of home sales (including single-family homes, townhomes, and condominiums) rose in the region. During the 12 months ending August 2021, home sales increased 18 percent from a year earlier to approximately 239,100 homes, following a 2-percent increase during the previous year (Zonda). Home sales rose in all states in the region, ranging from an 11-percent gain

in Rhode Island to a 36-percent increase in Vermont. Home sales in the eight major metropolitan areas in the region also increased. The greatest rates of sales growth—29, 18, and 15 percent—occurred in the Bridgeport, Burlington, and Boston metropolitan areas, respectively. The smallest increase in home sales, of 2 percent, occurred in the Portland metropolitan area, despite a 33-percent increase in Maine; areas outside the Portland metropolitan area accounted for approximately three-fourths of home sales in the state. Home sales increases ranged from 9 to 11 percent in the other major metropolitan areas in the region.

The relatively high volume of home sales contributed to rising home sales prices in the region. During the 12 months ending August 2021, the average home sales price in the New England region rose 15 percent, to \$480,000, compared with a 5-percent increase during the previous year (Zonda). Average home sales prices rose in all six states in the region, ranging from 12 percent in New Hampshire to 23 percent in Connecticut. Average home sales prices also increased in the eight major metropolitan areas cited in this report. Home sales prices increased the fastest in the Bridgeport metropolitan area, where the average price rose 24 percent. In the Hartford and Portland metropolitan areas, the average sales prices increased 18 percent, and in the Manchester and Providence metropolitan areas, the average prices rose 16 percent. Average home sales prices increased 11 to 14 percent in the Boston, Burlington, and Worcester metropolitan areas.

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Home sales and prices increased rapidly in the New England region during the 12 months ending August 2021.

	12 Months Ending	Number of Homes Sold				Price		
		2020	2021	Percent Change	Average	2020 (\$)	2021 (\$)	Percent Change
Connecticut (N&E)	August	49,100	58,600	19	AVG	\$363,300	\$448,200	23
Bridgeport, CT (N&E)	August	13,000	16,800	29	AVG	\$645,000	\$797,900	24
Hartford, CT (N&E)	August	17,000	18,800	11	AVG	\$254,700	\$299,500	18
Maine (N&E)	August	12,750	16,900	33	AVG	\$246,700	\$283,900	15
Portland, ME (N&E)	August	4,375	4,450	2	AVG	\$351,400	\$416,400	18
Massachusetts (N&E)	August	88,800	101,600	14	AVG	\$532,400	\$604,500	14
Boston, MA (N&E)	August	60,350	69,650	15	AVG	\$600,300	\$666,000	11
Worcester, MA-CT (N&E)	August	13,450	14,600	9	AVG	\$317,800	\$362,800	14
New Hampshire (N&E)	August	25,650	28,700	12	AVG	\$316,000	\$352,500	12
Manchester, NH (N&E)	August	6,600	7,325	11	AVG	\$318,600	\$368,000	16
Rhode Island (N&E)	August	14,650	16,200	11	AVG	\$354,200	\$411,100	16
Providence, RI (N&E)	August	21,150	23,350	10	AVG	\$352,000	\$408,800	16
Vermont (E)	August	12,500	17,050	36	AVG	\$268,100	\$313,300	17
Burlington, VT (E)	August	3,825	4,500	18	AVG	\$325,900	\$365,400	12

AVG = average. E = existing. N&E = new and existing.

Source: Zonda



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The percentage of home loans in the region that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) decreased to 2.5 percent in August 2021 from 4.3 percent in August 2020 (CoreLogic, Inc.). The current rate is slightly below the 2.7-percent rate for the nation but higher than the prepandemic rate of 1.6 percent for the region in August 2019. The rate began to increase in May 2020 after some homeowners struggled to make their mortgage payments at the start of the pandemic; however, the rate has recently fallen, partly in response to mortgage forbearance programs provided for under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In August 2021, nearly 44,200 mortgages in the region were 90 or more days past due—down from approximately 73,100 in August 2020; similarly, the number of foreclosures declined 23 percent, and REOs fell 37 percent.

Homebuilding activity, as measured by the number of single-family homes permitted, decreased in the region during the third quarter of 2021 but was slightly above the level during the third quarter of 2019.

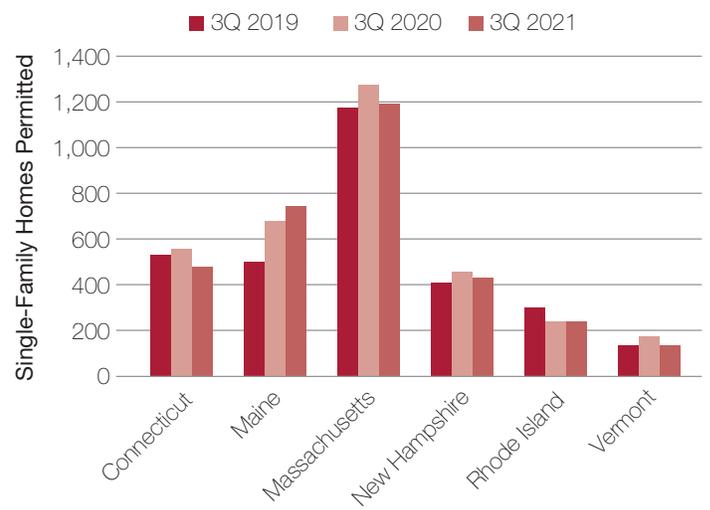
During the third quarter of 2021 (preliminary data)—

- Homebuilding in the region totaled approximately 3,225 homes, down 5 percent from the third quarter of 2020, after increasing 11 percent a year earlier. By comparison, the number of single-family homes permitted nationally fell approximately 3 percent during the third quarter of 2021, following a 21-percent increase during the third quarter of 2020.
- The number of single-family homes permitted decreased in five of the six states in the region, with declines of 80 homes each occurring in Massachusetts and Connecticut, or by 7 and 16 percent, respectively. Most of the net decrease in Connecticut was in the New Haven and Norwich metropolitan areas, where permitting was

down 38 and 54 percent, respectively, whereas more than one-half of the decrease in Massachusetts was in Bristol County, part of the Providence metropolitan area, with a 22-percent decline in permitting.

- Homebuilding activity also fell in New Hampshire and Vermont, where single-family permitting decreased by 30 and 40 homes, or 7 and 31 percent, respectively. More than 60 percent of the decrease in Vermont was in the Burlington metropolitan area, and all of the statewide decrease in New Hampshire occurred in the Boston metropolitan area.
- Single-family home permitting was down less than 1 percent in Rhode Island and rose 8 percent, or by 60 homes, in Maine. All the increase in Maine was in the Portland metropolitan area, where permitting was up 13 percent.

The number of single-family homes permitted declined in the New England region during the third quarter of 2021, more than offsetting an increase in Maine.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions were tight in the eight major metropolitan areas in the region during the third quarter of 2021 compared with balanced to tight conditions during the same quarter a year ago. The number of apartment units completed in the region totaled 3,750 during the third quarter of 2021, a 13-percent decrease from the 4,300 completions during the third quarter of 2020 (McGraw-Hill Construction Pipeline database). Massachusetts accounted for 52 percent of all new apartment units completed in the region during the third quarter of 2021, up slightly from 48 percent a year earlier.

Apartment vacancy rates declined in most areas throughout the region during the third quarter of 2021. Vacancy rates for all eight of the major metropolitan areas in the region were below the national rate of 2.8 percent (RealPage, Inc.). The largest decreases in vacancy rates occurred in the Boston and Bridgeport metropolitan areas, where the vacancy rates fell 2.0 and 1.8 percentage points, to 2.6 percent each. Declines of 1.1 to 1.3 percentage points occurred in the Worcester, Hartford, and Providence metropolitan areas, to 1.7, 2.1, and 1.3 percent, respectively. In the Manchester

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and Portland metropolitan areas, vacancy rates declined 0.5 and 0.7 percentage points, to 1.0 and 1.8 percent, respectively. The vacancy rate rose 0.2 percentage point, to 2.2 percent, in the Burlington metropolitan area, but previously tight conditions were unchanged. The vacancy rate decreased in all 15 RealPage, Inc.-defined market areas (hereafter, market areas) that make up the Boston metropolitan area, when residents, workers, and students returned to downtown Boston and nearby towns in response to the reopening of offices and universities. The largest decline in the apartment vacancy rate was in the Intown Boston market area, where the rate decreased from 7.7 to 2.6 percent. At the same time, the vacancy rate also fell approximately 2.0 to 3.0 percentage points in the four market areas immediately surrounding the Intown Boston market area, including the Cambridge/Somerville, Chelsea/Revere/Charlestown, Fenway/Brookline/Brighton, and Waltham/Newton/Lexington market areas, which have the second to fifth highest rents in the metropolitan area.

During the third quarter of 2021, average monthly rents rose in seven of the eight major metropolitan areas, but the increases were slower than the average for the nation. Average rents in those seven metropolitan areas were up 4 to 5 percent, compared with an average 10-percent increase nationwide (RealPage, Inc.). All but one metropolitan area had rents higher than the \$1,581 average for the nation, including Bridgeport and Boston, the most expensive areas in the region. The largest rent increases of 5 percent each were in the Boston and Manchester metropolitan areas, where the average rents rose to \$2,507 and \$1,696, respectively. The average rent in the Worcester, Portland, and Providence metropolitan areas increased 4 percent, to \$1,871, \$1,771, and \$1,702, respectively. The average rent was also up 4 percent in the

Bridgeport and the Hartford metropolitan areas, to \$2,564 and \$1,523, respectively. In the Burlington metropolitan area, the average rent was down less than 1 percent, to \$1,652. The average rent rose in all 15 market areas that make up the Boston metropolitan area, with increases ranging from 1 to 18 percent. The highest increases of 18, 11, and 10 percent occurred in the Plymouth County, Rockingham/Strafford Counties, and West Norfolk County market areas, to \$2,104, \$1,638, and \$2,350, respectively, whereas the average rent in the Intown Boston market area was up 7 percent to \$3,663.

Multifamily building activity, as measured by the number of units permitted, declined in five of the six states in the region during the third quarter of 2021—more than offsetting an increase in Massachusetts—but was slightly above the level during the third quarter of 2019.

During the third quarter of 2021 (preliminary data)—

- The number of multifamily units permitted in the New England region decreased to 3,775, a decline of 330 units, or 9 percent, compared with a year earlier, after a 16-percent increase during the third quarter of 2020. Nationally, multifamily construction rose 33 percent during the third quarter of 2021, following a decrease of 12 percent during the third quarter of 2020.
- Multifamily home permitting was down by 600 units, or approximately twofold, in Connecticut; most of the net decrease was in the Bridgeport metropolitan area, where permitting fell 94 percent, or by 630 units, to 40 units permitted, after a combined total of 1,000 units had been permitted during the third quarters of 2019 and 2020. Permitting was also down by nearly 60 units, or 35 percent, in the Hartford metropolitan area.

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Apartment market conditions tightened throughout most of the New England region during the third quarter of 2021.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2020 (%)	3Q 2021 (%)	Percentage Point Change	3Q 2020 (\$)	3Q 2021 (\$)	Percent Change
Boston, MA-NH	Tight	4.6	2.6	-2.0	2,379	2,507	5
Bridgeport, CT	Tight	4.4	2.6	-1.8	2,467	2,564	4
Burlington, VT	Tight	2.0	2.2	0.2	1,658	1,652	0
Hartford, CT	Tight	3.4	2.1	-1.3	1,470	1,523	4
Manchester, NH	Tight	1.5	1.0	-0.5	1,608	1,696	5
Portland, ME	Tight	2.5	1.8	-0.7	1,699	1,771	4
Providence, RI-MA	Tight	2.6	1.3	-1.3	1,637	1,702	4
Worcester, MA-CT	Tight	2.8	1.7	-1.1	1,793	1,871	4

3Q = third quarter.

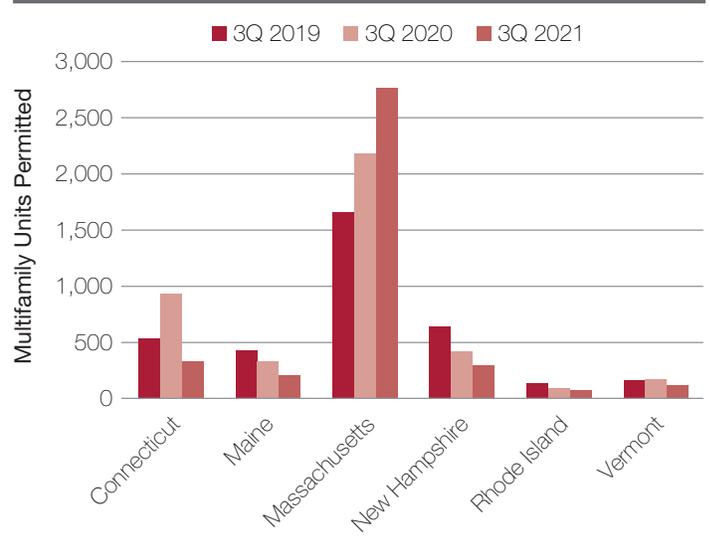
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.



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- In Maine and New Hampshire, multifamily permitting decreased by 110 and 130 units, or 53 and 45 percent, respectively; approximately 63 percent of the decline in Maine was in the Lewiston metropolitan area, where permitting was down 95 percent, whereas all the decrease in New Hampshire was outside the larger metropolitan areas. In Vermont and Rhode Island, permitting decreased by 50 and 10 units, or 45 and 15 percent, respectively; the Burlington and Providence metropolitan areas accounted for the declines in each state.
- Massachusetts was the only state in the region with an increase in multifamily permitting, up by 580 units, or 21 percent, compared with the third quarter of 2020. All the increase was in the Massachusetts portion of the Boston metropolitan area, where permitting was up 27 percent.

Multifamily home permitting decreased in the New England region during the third quarter of 2021, with a significant decline in Connecticut.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

