

HUD PD&R Regional Reports

Region 1: New England

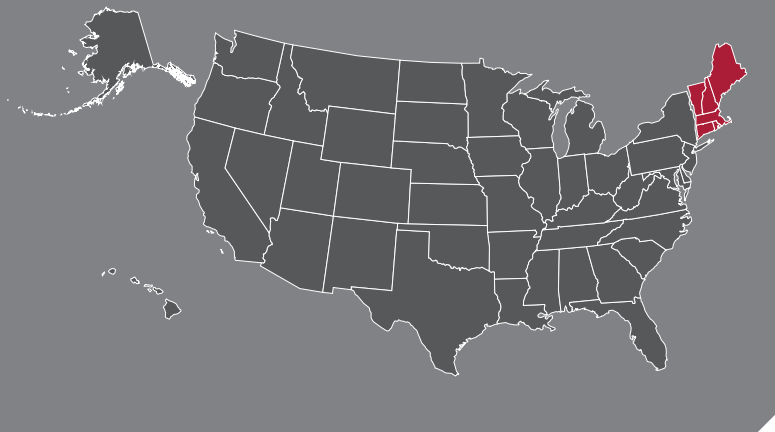


Quick Facts About Region 1

Providence, Rhode Island

By Diana Villavicencio | 3rd Quarter 2022

- Sales market conditions—**
Third quarter 2022: tight
Second quarter 2022: tight
Third quarter 2021: tight
- Apartment market conditions—**
Third quarter 2022: mixed (balanced to tight)
Second quarter 2022: mixed (balanced to tight)
Third quarter 2021: tight



Overview

During the third quarter of 2022, the economy of the New England region added jobs, although nonfarm payrolls were below the average during the third quarter of 2019, the highest third quarter figure on record. On a year-over-year basis, job growth decelerated during the third quarter of 2022 from 1 year ago. During the third quarter of 2022, nonfarm payrolls in the region rose in 10 of 11 sectors, but growth slowed in 8 of those sectors from a year earlier. Despite the slowdown, four sectors had more jobs during the third quarter of 2022 than during the third quarter of 2019, before the pandemic. All six states in the region gained jobs, but job growth slowed in all six compared with 1 year earlier, and jobs were below prepandemic levels in four of the six New England states during the third quarter of 2022. Partly because of improved economic conditions and a low inventory of homes for sale, sales markets remained tight, unchanged from a year ago, but increasing mortgage interest rates led to a decrease in home sales from a year earlier. Apartment market conditions in the eight largest metropolitan areas in the region ranged from balanced to tight compared with tight conditions 1 year earlier.

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- Year-over-year nonfarm payroll growth during the third quarter of 2022 ranged from a 2.4-percent increase in Vermont to a 4.1-percent rise in Massachusetts, the only state in the region with job growth faster than the 3.8-percent rate for the nation. The leisure and hospitality, the professional and business services, and the education and health services sectors accounted for more than two-thirds of overall job gains in the region; every state had job gains in all three sectors except Vermont, which had a decline in the professional and business services sector.
- During the 12 months ending August 2022, nationwide home sales decreased 7 percent compared with a year ago,

slower than the 9-percent decline nationwide, and home sales prices in the region were up 9 percent compared with an 11-percent increase in the nation. New home construction, as measured by the number of single-family homes permitted, increased significantly in the region compared with a decline in the nation.

- Apartment vacancy rates rose or remained unchanged in five of the eight markets cited in this report during the third quarter of 2022 compared with a year ago, partly because of a 14-percent increase nationwide in new apartment completions from a year ago; average rents increased in all eight markets from a year earlier.

Economic Conditions

Nonfarm payrolls in the New England region increased during the third quarter of 2022 from a year earlier, but the rate of job growth decelerated compared with a year ago. During the third quarter of 2022, nonfarm payrolls rose by 247,000 jobs, or 3.4 percent, to 7.53 million, slowing from a 6.0-percent increase during the third quarter of 2021. The regional rate of job growth during the third quarter of 2022 was the third slowest among the 10 HUD-defined regions compared with the third fastest rate 1 year earlier. With these job gains, nonfarm payrolls in the region were 9.6 percent above the level during the third quarter of 2020, earlier in the pandemic, but were 0.6 percent below the level during the third quarter of 2019; Maine and New Hampshire were the only states that had more jobs compared

with the third quarter of 2019. By comparison, nonfarm payrolls in the nation rose at a 3.8-percent rate during the third quarter of 2022, and jobs were 9.4 percent above the third quarter of 2020 and 1.2 percent above the third quarter of 2019 levels.

Regionwide job growth occurred in 10 of the 11 payroll sectors during the third quarter of 2022, although job growth slowed in 8 of those sectors compared with a year ago; all 8 were service-providing sectors. The leisure and hospitality, the professional and business services, and the education and health services sectors led job growth, contributing 29, 20, and 19 percent, respectively, of net job gains during the third quarter of 2022. Job gains in the professional and

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Nonfarm payrolls in the New England region increased in 10 of the 11 sectors during the third quarter of 2022.

	Third Quarter		Year-Over-Year Change	
	2021 (Thousands)	2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,284.6	7,531.6	247.0	3.4
Goods-Producing Sectors	919.0	958.0	39.0	4.2
Mining, Logging, & Construction	339.9	359.7	19.8	5.8
Manufacturing	579.1	598.3	19.2	3.3
Service-Providing Sectors	6,365.5	6,573.7	208.2	3.3
Wholesale & Retail Trade	1,005.2	1,018.7	13.5	1.3
Transportation & Utilities	219.6	229.5	9.9	4.5
Information	153.5	159.4	5.9	3.8
Financial Activities	455.5	454.4	-1.1	-0.2
Professional & Business Services	1,093.2	1,142.1	48.9	4.5
Education & Health Services	1,518.2	1,564.1	45.9	3.0
Leisure & Hospitality	728.9	801.1	72.2	9.9
Other Services	263.1	273.3	10.2	3.9
Government	928.5	931.0	2.5	0.3

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

Source: U.S. Bureau of Labor Statistics



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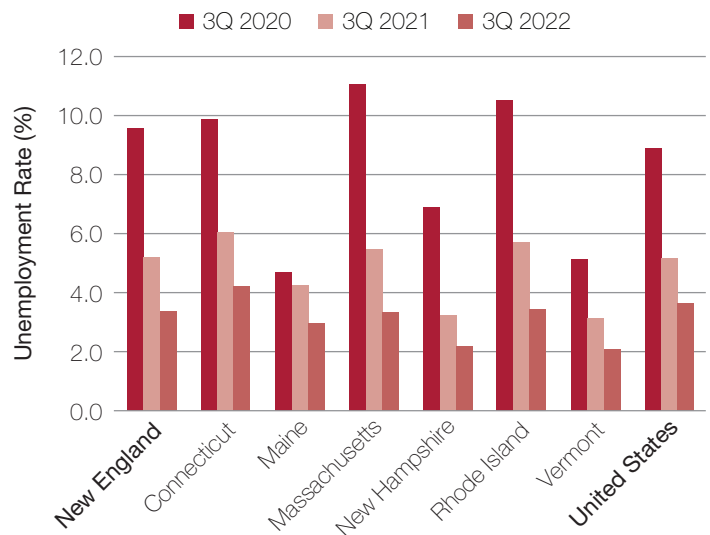
business services, the mining, logging, and construction, the transportation and utilities, and the information services sectors resulted in each sector surpassing third quarter 2019 job levels. The new third quarter sector highs in the mining, logging, and construction, the transportation and utilities, and the information services sectors occurred partly because of increased housing construction, a shift to online spending and transportation of e-commerce goods, and an increase in software publishing jobs, respectively. Nationally, seven sectors surpassed the third quarter 2019 levels, including the same four as in the region and the education and health services, the financial activities, and the wholesale and retail trade sectors. The only sector in the region to lose jobs during the third quarter of 2022 was the financial activities sector, with declines in Maine, Massachusetts, New Hampshire, and Rhode Island offsetting gains in the other states. Job reductions in the financial activities sector were partly due to employee layoffs at mortgage companies when increasing interest rates reduced the demand for mortgages and refinances (Federal Reserve Bank of Boston Beige Book).

The unemployment rate in the region averaged 3.4 percent during the third quarter of 2022, down from 5.2 percent a year earlier, and it is below the 3.6-percent rate for the nation. Unemployment rates declined in all six states in the region. In Connecticut, where the rate declined 1.8 percentage points, the unemployment rate was 4.2 percent, the highest statewide rate in the region and the seventh highest in the nation but the fourth lowest third quarter unemployment rate in the state since 2000. The lowest statewide unemployment rate in the region was in Vermont, at 2.1 percent, the fourth lowest nationwide.

During the third quarter of 2022—

- The fastest year-over-year job growth in the region occurred in Massachusetts, where nonfarm payrolls rose 4.1 percent, or by 146,400 jobs, to nearly 3.72 million, compared with a 6.9-percent growth rate a year earlier. The leisure and hospitality, the education and health services, and the professional and business services sectors added the most jobs, accounting for 29, 22, and 21 percent of overall statewide job growth, respectively.
- Jobs rose at a 3.4-percent rate in Rhode Island, or up by 16,400 jobs, to 503,200, compared with a 6.0-percent increase a year earlier. With 5,400 jobs added, or a 9.2-percent gain, the leisure and hospitality sector accounted for nearly one-third of the growth in the state,

Unemployment rates fell throughout the New England region during the third quarter of 2022, and the regional rate was below the national rate.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

followed by the education and health services sector, which added 3,700 jobs, increasing 3.7 percent.

- The rates of job growth were 2.9 percent in Maine and 2.6 percent in New Hampshire, and the number of jobs increased by 18,700 and 17,400, to 656,900 and 688,000 jobs, respectively, compared with increases of 5.9 and 5.6 percent a year earlier. In Maine, jobs in the leisure and hospitality sector increased the most, contributing 8,500 jobs, and jobs in the professional and business services sector increased the most in New Hampshire, up by 6,700 jobs.
- In Connecticut, jobs rose at a rate of 2.5 percent, or by 41,100 jobs, to 1.66 million, compared with a 4.6-percent rise a year earlier. Most of the job growth was in the leisure and hospitality and the manufacturing sectors, which added 10,400 and 6,700 jobs, or 7.0 and 4.4 percent, respectively.
- Nonfarm payrolls in Vermont rose at a rate of 2.4 percent, or 7,000 jobs, to 302,500, slower than the 4.8-percent increase during the third quarter of 2021. A combined 63 percent of the job gains in the state during the third quarter of 2022 were in the leisure and hospitality and the government sectors.

Sales Market Conditions

Sales housing market conditions were tight throughout the New England region during the third quarter of 2022, unchanged from a year earlier. Conditions were tight, partly because of improved economic conditions and a decline in the already low supply of homes for sale. Home sales, however, declined during the past year, partly because the average 30-year fixed mortgage rate increased. In September 2022, the average interest rate for a 30-year fixed-rate mortgage was 6.7 percent, up from 3.0 percent 1 year earlier (Freddie Mac). The supply of for-sale inventory in the region declined to 1.8 months in September 2022 from 2.0 months in September 2021, compared with an increase to 2.1 months from 1.6 months a year ago in the nation (CoreLogic, Inc.). In Connecticut, the supply of for-sale inventory declined the most in the region, to 2.2 months, in September 2022, down from 2.6 months in September 2021, but was the highest level of inventory of homes for sale in the region. The respective months of supply in Massachusetts and Rhode Island were down 0.2 and 1.6 months. In Maine and New Hampshire, the supply was 1.7 months each, representing increases of 0.3 and 0.4 months, respectively. Vermont had a 0.4-month increase, to reach 2.1 months.

Regionwide home sales declined during the 12 months ending August 2022, the first 12-month period ending in August with a decline since 2011. Home sales decreased 7 percent during the 12 months ending August 2022, to approximately 257,700 homes, following a 16-percent increase during the previous year but a slower rate than the 9-percent decrease for the nation

(CoreLogic, Inc., with adjustments by the analyst). Reductions in home sales occurred in all states in the New England region, ranging from 4 percent in Connecticut, Massachusetts, and Rhode Island to 16 percent in Vermont. Home sales decreased in seven of the eight major metropolitan areas in the region. Among metropolitan areas, the lowest rate of sales decline, 1 percent, occurred in the Worcester metropolitan area, and the greatest decrease, 17 percent, occurred in the Portland metropolitan area. The only increase in home sales in the region, less than 1 percent, was in the Hartford metropolitan area.

Home sales prices increased in the region during the 12 months ending August 2022 but at a slower rate from the previous year, partly because of declining home sales. During the 12 months ending August 2022, the average home sales price in the New England region rose 9 percent, to \$497,500, compared with a 15-percent increase during the previous year; nationwide, sale prices rose 11 percent, to \$401,000, slowing from an 18-percent gain during the previous year (CoreLogic, Inc., with adjustments by the analyst). Average home sales prices rose in all six states in the region, ranging from an increase of less than 1 percent in Connecticut to 15 percent in New Hampshire. Average home sales prices rose in seven of the eight major metropolitan areas highlighted in this report, ranging from 6 percent in the Hartford metropolitan area to 12-percent increases in the Burlington, Manchester, and Portland metropolitan areas.

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The number of homes sold decreased in all six states in the New England region during the 12 months ending August 2022, and the average home sales price rose in all the states.

	12 Months Ending	Number of Homes Sold				Price		
		2021	2022	Percent Change	Average	2021 (\$)	2022 (\$)	Percent Change
Connecticut (N&E)	August	63,750	61,050	-4	AVG	\$422,100	\$424,100	0
Bridgeport, CT (N&E)	August	18,100	16,050	-11	AVG	\$728,100	\$718,400	-1
Hartford, CT (N&E)	August	20,500	20,600	0	AVG	\$293,900	\$310,200	6
Maine (N&E)	August	33,000	29,000	-12	AVG	\$312,300	\$343,800	10
Portland, ME (N&E)	August	14,500	12,000	-17	AVG	\$411,600	\$460,100	12
Massachusetts (N&E)	August	111,500	107,500	-4	AVG	\$586,500	\$640,400	9
Boston, MA (N&E)	August	75,800	71,800	-5	AVG	\$658,200	\$729,700	11
Worcester, MA-CT (N&E)	August	16,350	16,250	-1	AVG	\$358,200	\$395,700	10
New Hampshire (N&E)	August	32,400	27,850	-14	AVG	\$340,200	\$391,100	15
Manchester, NH (N&E)	August	8,100	7,225	-11	AVG	\$360,900	\$405,200	12
Rhode Island (N&E)	August	18,000	17,250	-4	AVG	\$399,300	\$442,700	11
Providence, RI-MA (N&E)	August	26,500	25,700	-3	AVG	\$397,800	\$440,900	11
Vermont (E)	August	18,050	15,100	-16	AVG	\$296,800	\$334,800	13
Burlington, VT (E)	August	4,950	4,275	-14	AVG	\$341,900	\$384,400	12

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

Source: CoreLogic, Inc., with adjustments by the analyst



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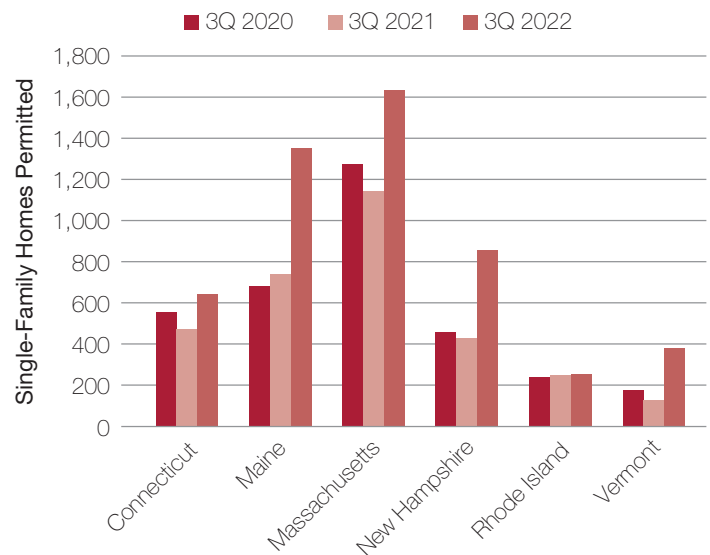
Continued tight home sales market conditions in the region contributed to a decrease in the percentage of home loans that were seriously delinquent or had transitioned into real estate owned (REO) status during the past year. As of August 2022, 1.3 percent of home loans in the region were seriously delinquent or in REO status, down from 2.5 percent in August 2021 and lower than the rate of 4.3 percent in August 2020 (CoreLogic, Inc.). The current rate is identical to the national rate and is the fifth lowest of the 10 HUD regions. Rates of seriously delinquent and REO mortgages in the region ranged from a low of 0.9 percent in New Hampshire to 1.8 percent in Connecticut.

Homebuilding activity in the region during the third quarter of 2022 increased to the highest third quarter level of construction activity since 2007 in response to continued tight market conditions.

During the third quarter of 2022 (preliminary data)—

- Homebuilding in the region totaled nearly 5,125 homes, up 62 percent from the third quarter of 2021, following a 7-percent decrease a year earlier. By comparison, the number of single-family homes permitted nationally declined 3 percent during the third quarter of 2022, following a 2-percent decrease during the third quarter of 2021.
- The number of single-family homes permitted rose in all six states in the region, with 56 percent of the net increase in homebuilding occurring in Maine and Massachusetts combined, where single-family home construction was up by 610 and 490 homes, or 83 and 43 percent, respectively. Permitting in Maine increased in every county except Cumberland, which is part of the Portland metropolitan area, but the metropolitan area accounted for 42 percent of total permitting in the state, whereas permitting in Massachusetts occurred in 10 of the 14 counties, with the largest increase occurring in Worcester County, which is part of the Massachusetts portion of the Worcester metropolitan area.
- Homebuilding activity in New Hampshire and Vermont increased by 430 and 250 homes, or nearly double

Single-family homebuilding activity in the New England region was up from a year ago during the third quarter of 2022, with gains in all six states; the largest increase was in Maine.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

and triple the number of homes permitted a year ago, respectively. Permitting in the Manchester and Burlington metropolitan areas was up by only 20 and 40 homes, respectively, and the statewide increases primarily occurred outside the larger metropolitan areas.

- Single-family home permitting in Connecticut rose by 170 homes, or 37 percent, to 640 homes and increased in Rhode Island by 5 homes, or 2 percent, to approximately 250 homes. In Connecticut, permitting was widespread and primarily occurred outside the larger metropolitan areas, whereas, in Rhode Island, permitting increased in two of the five counties, Providence and Washington.

Apartment Market Conditions

Apartment market conditions ranged from balanced to tight in the eight major metropolitan areas referenced in this report during the third quarter of 2022. Apartment vacancy rates increased or remained unchanged in five of the metropolitan areas during the third quarter of 2022, but the vacancy rates for all eight major metropolitan areas were below the national rate of 5.5 percent (CoStar Group). The largest increases in vacancy rates occurred in the Manchester and the Hartford metropolitan areas, where the rates rose 0.9 and 0.5 percentage points, respectively, to 2.4 and 4.1 percent. Relatively high numbers

of apartment completions, which increased 8 percent and more than threefold, respectively, in the two metropolitan areas contributed significantly to the increased vacancy rates during the past year (Global Commercial Real Estate Services). In the Worcester and the Boston metropolitan areas, the vacancy rates rose 0.1 percent each, to 3.1 and 4.7 percent, respectively. In the Boston metropolitan area, vacancy rates increased in 14 of the 31 CoStar Group-defined market areas (hereafter, market areas) partly because apartment completions rose 20 percent in the metropolitan area. The largest apartment

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vacancy rate increase in the metropolitan area was in the Metro West market area, where the rate rose from 2.9 to 9.5 percent due in part to a fourfold increase in apartment unit completions during the past year, to nearly 1,150 units. In other parts of the New England region, the apartment vacancy rate was unchanged, at 1.9 percent, in the Burlington metropolitan area; declined 0.1 and 0.4 percentage point in the Bridgeport and the Providence metropolitan areas, to 4.8 and 2.1 percent, respectively; and declined 0.6 percentage point in the Portland metropolitan area, to 2.9 percent.

During the third quarter of 2022, average monthly rents rose in all eight major metropolitan areas. The average rent growth in six metropolitan areas matched or exceeded the average 6-percent increase nationwide (CoStar Group). Seven of the metropolitan areas had rents identical to or higher than the \$1,635 average for the nation, including Boston, the metropolitan area with the highest rents in the region and the sixth most expensive in the nation, at \$2,682. The average rent rose in all 31 market areas in the Boston metropolitan area, ranging from 2 to 9 percent, including a 6-percent increase in the Metro West market area, to \$2,445. Throughout the region, average rent growth ranged from 3 percent in the Burlington metropolitan area to 7 percent in both the Manchester and the Portland metropolitan areas.

The number of apartment units completed during the 12 months ending September 2022 rose 14 percent, to 16,200 units (Global Commercial Real Estate Services). The number of units completed in the eight largest metropolitan areas accounted for 87 percent of all the units completed during the 12 months ending September 2022, up from 83 percent during the 12

months ending September 2021. Completions rose in seven of the eight major metropolitan areas in the region during the 12 months ending September 2022, including the Boston metropolitan area, which accounted for nearly 53 percent of all new apartment units completed in the region during the period, up from 48 percent a year earlier.

Multifamily building activity, as measured by the number of units permitted, increased in the region during the third quarter of 2022, compared with a decline during the same period 1 year earlier; the third quarter of 2022 was the highest third quarter level of construction activity since before 2001.

During the third quarter of 2022 (preliminary data)—

- The number of multifamily units permitted in the New England region rose to 4,625, an increase of 970 units, or 27 percent, after an 11-percent decrease during the third quarter of 2021. Nationally, multifamily construction rose 16 percent year over year during the third quarter of 2022, following an increase of 36 percent during the previous third quarter.
- Multifamily permitting in Connecticut nearly tripled, to 910 units, with one-half of the 8 counties in the state contributing to the net increase, including a 510-unit increase in Fairfield County, which is coterminous with the Bridgeport metropolitan area. Multifamily construction in New Hampshire rose by 150 units, or 64 percent, from 1 year earlier, with 8 of the 10 counties in the state increasing permitting, including a 110-unit increase in Hillsborough County, which is coterminous with the Manchester metropolitan area.

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Average rents increased year over year during the third quarter of 2022 in every major metropolitan area in the New England region, but apartment vacancy rate changes were mixed.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2021 (%)	3Q 2022 (%)	Percentage Point Change	3Q 2021 (\$)	3Q 2022 (\$)	Percent Change
Boston, MA-NH	Slightly Tight	4.6	4.7	0.1	2,527	2,682	6
Bridgeport, CT	Balanced	4.9	4.8	-0.1	2,430	2,571	6
Burlington, VT	Very Tight	1.9	1.9	0	1,592	1,635	3
Hartford, CT	Slightly Tight	3.6	4.1	0.5	1,406	1,496	6
Manchester, NH	Tight	1.5	2.4	0.9	1,718	1,842	7
Portland, ME	Tight	3.5	2.9	-0.6	1,548	1,657	7
Providence, RI-MA	Tight	2.5	2.1	-0.4	1,638	1,740	6
Worcester, MA-CT	Tight	3.0	3.1	0.1	1,651	1,737	5

3Q = third quarter.

Note: The vacancy rates and average monthly rents are for market-rate, mixed market-rate, and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.

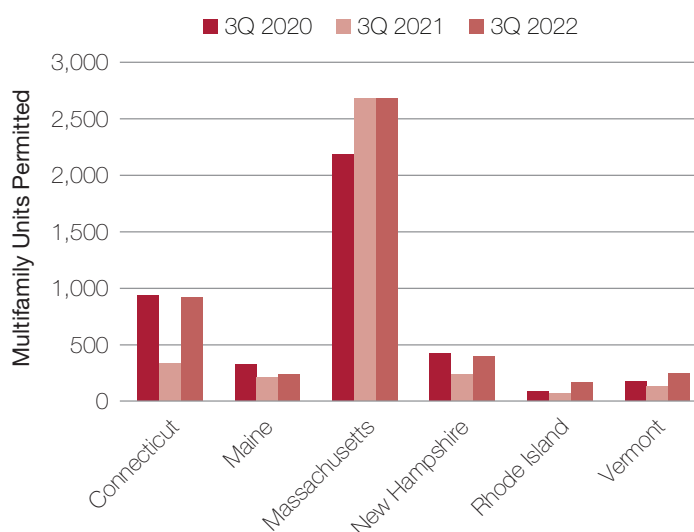
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group



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- In Vermont and Rhode Island, multifamily permitting increased by 110 and 100 units, to 250 and 170 units, respectively. In Vermont, permitting increased in 4 of the 14 counties, with most of the net increase occurring outside the Burlington metropolitan area. In Rhode Island, the counties of Kent, Providence, and Washington, which are part of the Providence metropolitan area, contributed to the net increase statewide.
- Multifamily construction in Maine rose by 20 units, or 10 percent, with all the net increase occurring outside the Portland metropolitan area. In Massachusetts, multifamily permitting was unchanged from the 2,675 units permitted 1 year earlier; the number of units permitted rose in 9 of the 14 counties in the state. In the Massachusetts portion of the Boston metropolitan area, decreases of 180, 340, and 520 units in Essex, Middlesex, and Suffolk Counties, respectively, more than offset increases of 450 and 260 units in Norfolk and Plymouth Counties, respectively.

Multifamily permitting rose in the New England region during the third quarter of 2022, with a significant increase in Connecticut.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Include resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Include single-family, townhome, and condominium sales.
Lease Up	Refers to apartments that have been recently completed and have yet to reach an occupancy level deemed stabilized.
New Home Sales	Include home sales that a new home builder has sold to a homebuyer.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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