

HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Portland, Maine

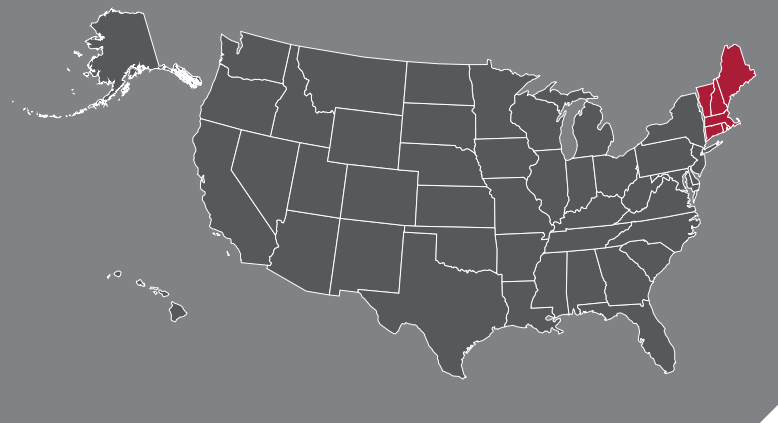
By Diana Villavicencio | 3rd Quarter 2023

Overview

During the third quarter of 2023, nonfarm payroll growth in the New England region decelerated on a year-over-year basis from 1 year ago, but payrolls reached an all-time high. Nonfarm payrolls in the region rose in 9 of 11 sectors and in five of six states during the third quarter of 2023. Despite continued job growth, the home sales market eased slightly from tight conditions a year ago but was unchanged from the previous quarter. During the past year, home sales declined sharply, and average sales prices rose at slowing rates. Record-high sales prices and comparatively elevated mortgage interest rates contributed to slowing sales, exacerbated by relatively low levels of available inventory. Apartment market conditions in the region ranged from balanced to very tight, and conditions eased from a year ago in six of the eight largest metropolitan areas in the region.

- Year-over-year nonfarm payroll growth during the third quarter of 2023 ranged from a 1.1-percent increase in Vermont to a 2.5-percent rise in Massachusetts, whereas payrolls declined 0.4 percent in Rhode Island. The education and health services, the leisure and hospitality,

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and the professional and business services sectors accounted for 74 percent of net job gains in the region, and Connecticut, Maine, Massachusetts, and Vermont had job gains in all three sectors.

- During the 12 months ending August 2023, regionwide home sales declined 24 percent compared with a year ago, slower than the 28-percent decline nationwide, and average home sales prices were up 3 and 1 percent, respectively, in the region and the nation (CoreLogic, Inc., with adjustments

by the analyst). New home construction, as measured by the number of single-family homes permitted, declined in the region and rose in the nation compared with a year earlier.

- Apartment vacancy rates rose in six of the eight metropolitan areas cited in this report during the third quarter of 2023 compared with a year ago, partly because regionwide new apartment unit completions rose at a faster rate than absorption (CoStar Group). However, 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 2023 and surpassed the 2019 level, but the rate of job growth decelerated compared with a year ago. During the third quarter of 2023, nonfarm payrolls rose by 141,300 jobs, or 1.9 percent, to 7.67 million, slowing from a 3.2-percent increase during the third quarter of 2022. The regional rate of job growth during the third quarter of 2023 was the fourth slowest among the 10 HUD-defined regions. Despite the recent slowdown, nonfarm payrolls in the region were 1.2 percent above the level during the third quarter of 2019—the most recent quarter before the COVID-19 pandemic and ensuing job losses. Connecticut, Maine, Massachusetts, and New Hampshire had more jobs during the third quarter of 2023 compared with the third quarter of 2019. Job growth in the region lagged behind the 2.1-percent rate in the nation during the third quarter of 2023. Nationwide jobs were 3.6 percent above the level during the third quarter of 2019.

Regionwide job growth occurred in 9 of 11 payroll sectors during the third quarter of 2023. Payrolls increased by 52,900 jobs,

or 3.4 percent, in the education and health services sector, the largest nonfarm payroll sector in the region, accounting for 21 percent of all jobs. Approximately 82 percent of the gains in the sector were in the healthcare and social assistance subsector. During the third quarter of 2023, significant regionwide payroll gains also occurred in the leisure and hospitality sector, which increased by 26,100 jobs, or 3.3 percent. The completion of four new hotels with approximately 430 rooms partially contributed to sector gains (Global Commercial Real Estate Services). Jobs in the professional and business services sector rose the third most, increasing by 25,300 jobs, or 2.2 percent, from 1 year earlier. Job growth in the sector occurred partly because approximately 20 new offices were completed during the third quarter of 2023, including the 20,000-square-foot Young Pharmaceuticals Global Headquarters in Connecticut, which is expected to open in October 2023 (Global Commercial Real Estate Services). During the third quarter of 2023, the professional and business services, the mining, logging, and

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Nonfarm payrolls in the New England region rose in 9 of 11 sectors during the third quarter of 2023.

	Third Quarter		Year-Over-Year Change	
	2022 (Thousands)	2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,532.9	7,674.2	141.3	1.9
Goods-Producing Sectors	942.3	952.1	9.8	1.0
Mining, Logging, & Construction	348.4	360.4	12.0	3.4
Manufacturing	593.9	591.6	-2.3	-0.4
Service-Providing Sectors	6,590.6	6,722.1	131.5	2.0
Wholesale & Retail Trade	1,018.8	1,024.5	5.7	0.6
Transportation & Utilities	230.0	235.4	5.4	2.3
Information	160.2	158.5	-1.7	-1.1
Financial Activities	465.4	466.3	0.9	0.2
Professional & Business Services	1,145.9	1,171.2	25.3	2.2
Education & Health Services	1,550.8	1,603.7	52.9	3.4
Leisure & Hospitality	790.7	816.8	26.1	3.3
Other Services	282.5	283.9	1.4	0.5
Government	946.3	961.8	15.5	1.6

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

Source: U.S. Bureau of Labor Statistics



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construction, the transportation and utilities, the education and health services, and the government sectors surpassed the third quarter of 2019 payroll level by a combined 156,900 jobs, or 3.8 percent.

The unemployment rate in the region averaged 2.8 percent during the third quarter of 2023, down from 3.5 percent a year earlier and below the current 3.8-percent rate for the nation. Unemployment rates declined in five of the six states in the region. Five New England region states have among the 13 lowest unemployment rates in the nation. In contrast, the 3.5-percent rate in Connecticut is the highest statewide rate in the region and the 24th highest in the nation.

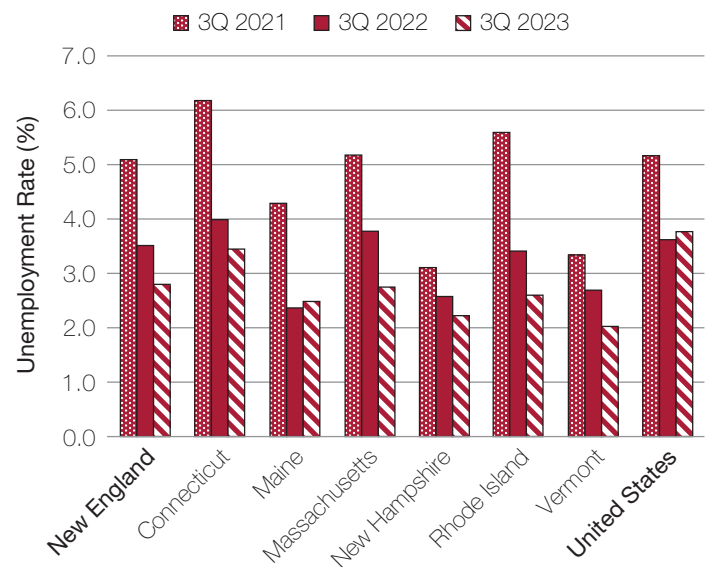
During the third quarter of 2023—

- The fastest year-over-year rates of job growth in the region occurred in Massachusetts and New Hampshire, where nonfarm payrolls rose 2.5 and 1.7 percent, respectively, to nearly 3.81 million and 703,700 jobs, compared with increases of 3.5 and 3.3 percent a year earlier. Although the professional and business services and the education and health services sectors added the most jobs in each state, the leisure and hospitality and the wholesale and retail trade sectors added the third most jobs in Massachusetts and New Hampshire, respectively.
- In Connecticut, jobs rose by 24,900, or 1.5 percent, from a year ago to 1.69 million, compared with a 2.8-percent increase a year earlier. The education and health services sector accounted for 51 percent of the growth in the state, with 12,800 jobs added, a gain of 3.8 percent. The leisure and hospitality and the government sectors added 6,700 and 4,300 jobs, increasing 4.2 and 2.0 percent, respectively.
- The rate of job growth in Maine was 1.3 percent, compared with an increase of 2.3 percent a year earlier, and the number of jobs increased by 8,700 to 663,600. The education and health services, the professional and business services, and

the leisure and hospitality sectors increased the most, adding a combined 7,200 jobs.

- Nonfarm payrolls in Vermont rose 1.1 percent, or by 3,300 jobs, to 306,800, slower than the 2.5-percent increase during the third quarter of 2022. Six sectors contributed to statewide job growth, including the government sector, which added the most jobs, up by 2,300.
- In Rhode Island, jobs declined by 1,800 to 500,000, reflecting an annual decrease of 0.4 percent, compared with a 3.5-percent increase a year earlier. Six nonfarm payroll sectors contributed to the net job loss in the state, including the professional and business services sector, which lost 3,000 jobs, the most of any sector in the state.

Unemployment rates fell in five of the six New England region states during the third quarter of 2023, and the regional rate was below the national average.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales market conditions were slightly tight throughout the New England region, compared with tight conditions a year earlier, but unchanged from the previous quarter. Home sales declined at faster rates, and prices grew at slower rates during the past year compared with a year ago, partly because of higher interest rates. In September 2023, the average interest rate for a 30-year fixed-rate mortgage was 7.3 percent, up from 6.7 percent 1 year earlier (Freddie Mac). The inventory of homes for sale in the region is low, although the supply of for-sale inventory increased slightly to 1.8 months in September 2023 from 1.7 months in September 2022 (CoreLogic, Inc.). Nationally, the supply of homes for sale rose to 2.8 months from 2.3 months a year earlier. Vermont had the highest months of supply in the region, which increased to 2.5 months, up from 1.6 months in September 2022. Maine had 2.2 months of supply, up from 1.6 months of supply a year earlier. New Hampshire had 1.8 months of supply, up from 1.3 months a year earlier. The supply in Connecticut, Rhode Island, and Massachusetts declined 0.1 month each, to 2.1, 1.7, and 1.5 months, respectively.

Regionwide home sales declined at an accelerated rate of 24 percent during the 12 months ending August 2023 to 193,400 homes (CoreLogic, Inc., with adjustments by the analyst). This recent regional decline followed a 6-percent drop during the 12 months ending August 2022 but was slower than the 28-percent decrease for the nation. Home sales were down in all states in the region, ranging from a 13-percent reduction in Maine to 28-percent declines in Connecticut and Rhode

Island. Home sales decreased in all eight major metropolitan areas highlighted in this report. Among the metropolitan areas, the lowest rate of sales decline, 24 percent, occurred in the Worcester metropolitan area, and the greatest decrease, 34 percent, occurred in the Manchester metropolitan area.

Home sales prices rose 3 percent in the region during the 12 months ending August 2023 to \$513,000, but at a slower rate than the previous 12 months, when prices increased 19 percent (CoreLogic, Inc., with adjustments by the analyst). Nationwide, sale prices rose 1 percent to \$399,900, slower than the 11-percent gain during the previous year. Average home sales prices rose in all six New England states, ranging from 2 percent in Maine to 5 percent in Rhode Island. Average home sales prices rose in seven of the major metropolitan areas highlighted in this report—ranging from a 2-percent increase in the Boston metropolitan area to 9 percent in the Portland metropolitan area—whereas the average home price declined 4 percent in the Manchester metropolitan area.

As of August 2023, 1.0 percent of home loans in the region were seriously delinquent or in real estate owned (REO) status, down from 1.3 percent in August 2022 (CoreLogic, Inc.). The current rate in the region is identical to the national rate and is the fifth highest of the 10 HUD regions. Rates of seriously delinquent mortgages and REO properties in the region ranged from a low of 0.6 percent in New Hampshire to 1.2 percent in Connecticut and Maine.

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Home sales declined at least 13 percent in each of the six states in the New England region, whereas average home sales prices rose at least 2 percent in every state in the region.

	12 Months Ending	Number of Homes Sold			Average	Price		
		2022	2023	Percent Change		2022 (\$)	2023 (\$)	Percent Change
Connecticut (N&E)	August	60,500	43,850	-28	AVG	\$423,400	\$438,600	4
Bridgeport, CT (N&E)	August	16,000	10,850	-32	AVG	\$716,600	\$745,100	4
Hartford, CT (N&E)	August	20,350	14,850	-27	AVG	\$309,800	\$332,200	7
Maine (N&E)	August	27,400	23,750	-13	AVG	\$348,600	\$355,300	2
Portland, ME (N&E)	August	12,200	8,300	-32	AVG	\$457,600	\$500,300	9
Massachusetts (N&E)	August	107,000	81,050	-24	AVG	\$640,700	\$657,700	3
Boston, MA (N&E)	August	71,550	53,550	-25	AVG	\$729,200	\$746,300	2
Worcester, MA-CT (N&E)	August	16,350	12,400	-24	AVG	\$396,100	\$419,900	6
New Hampshire (N&E)	August	28,050	20,350	-27	AVG	\$391,800	\$407,400	4
Manchester, NH (N&E)	August	7,300	4,800	-34	AVG	\$406,000	\$389,400	-4
Rhode Island (N&E)	August	16,850	12,200	-28	AVG	\$444,000	\$466,000	5
Providence, RI-MA (N&E)	August	25,300	18,500	-27	AVG	\$441,100	\$462,400	5
Vermont (E)	August	15,400	11,400	-26	AVG	\$334,000	\$344,300	3
Burlington, VT (E)	August	4,375	3,250	-26	AVG	\$382,400	\$408,000	7

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

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



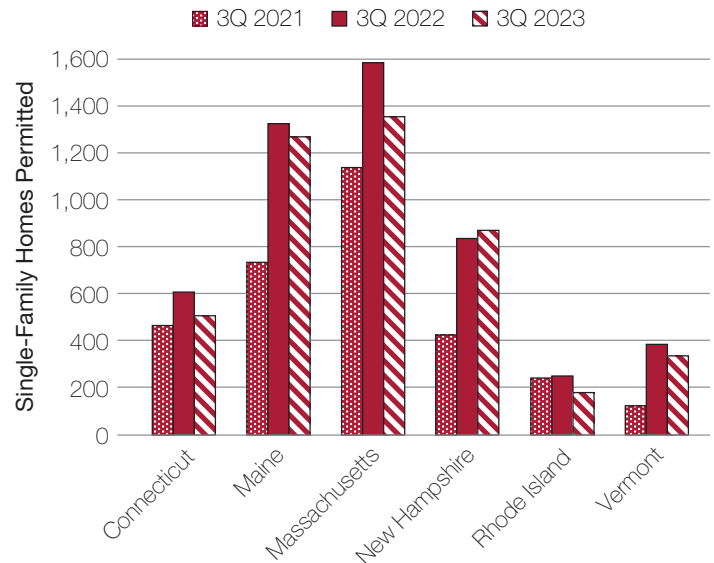
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Homebuilding activity in the region decreased during the third quarter of 2023, but the level was the second highest third quarter level in the region since 2007.

During the third quarter of 2023 (preliminary data)—

- Homebuilding in the region, as measured by the number of single-family homes permitted, totaled 4,525 homes, down 9 percent from the third quarter of 2022 and following a 59-percent increase a year earlier. By comparison, the number of single-family homes permitted nationally rose 6 percent during the third quarter of 2023, following a 3-percent decrease a year earlier.
- Single-family home permitting in Massachusetts was down by 230 homes, or 14 percent, to 1,350 homes, and permitting declined in 10 of the 14 counties in the state. In Connecticut and Rhode Island, permitting decreased by 100 and 70 homes, or 16 and 28 percent, to 510 and 180 homes, respectively. Single-family permitting in Rhode Island decreased in four counties and was unchanged in Bristol County.
- Homebuilding activity in Maine and Vermont declined by 60 and 50 homes, or 4 and 12 percent, to 1,275 and 340 single-family homes permitted, respectively. Permitting declined in the Portland metropolitan area because decreases of 20 and 10 homes in York and Cumberland Counties, respectively, more than offset an increase of 10 homes in Sagadahoc County. In contrast, homebuilding rose 7 percent in the Burlington metropolitan area.

During the third quarter of 2023, single-family permitting was down from a year ago in five New England states.



3Q = third quarter.

Note: Based on preliminary data.

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

- Homebuilding activity in New Hampshire increased by 40 homes, or 4 percent, from a year ago, with the largest increase in the Manchester metropolitan area.

Apartment Market Conditions

Apartment market conditions ranged from balanced to very tight in the eight major metropolitan areas referenced in this report during the third quarter of 2023. Despite continued economic growth throughout the New England region, market conditions eased from the previous year because new apartment completions rose 34 percent during the 12 months ending September 2023 from 1 year ago, and absorption of new apartment units rose 28 percent (CoStar Group). The number of apartment units completed in the region during the 12 months ending September 2023 totaled 15,300. Units completed in the eight largest metropolitan areas accounted for 91 percent of all the units completed in the region during the period, up from 85 percent during the 12 months ending September 2022.

Apartment vacancy rates increased in six of the metropolitan areas, but the vacancy rates for all eight major metropolitan areas in the region were below the national rate of 7.1 percent (CoStar Group). The largest increase in the vacancy rate occurred in the Portland metropolitan area, where the rate rose 1.4 percentage points to 4.4 percent, partly because apartment unit deliveries doubled during the past 12 months, and new apartment absorption declined 20 percent. The vacancy rates rose 0.9 and

0.7 percentage point in the Providence and Boston metropolitan areas to 3.1 and 5.4 percent, respectively. In 18 of the 31 CoStar Group-defined market areas (hereafter, market areas) that are part of the Boston metropolitan area, vacancy rates increased or remained unchanged, partly because apartment completions rose 27 percent to 8,300 units, and unit absorption declined 1 percent to 6,075 during the 12 months ending September 2023. The metropolitan area accounted for 54 percent of all new apartment units completed in the region during the period, down from 57 percent a year earlier. The largest apartment vacancy rate increase in the metropolitan area was in the Roxbury/Dorchester market area, where the rate rose from 5.5 to 11.1 percent, partly because nearly 610 units were completed in the past 12 months, significantly more than the approximately 50 units completed 1 year earlier, whereas absorption declined 31 percent. In other parts of the region, the apartment vacancy rate rose 0.5 percentage point to 3.3 percent in the Worcester metropolitan area and rose 0.1 percentage point each to 2.9 and 5.7 percent, respectively, in the Manchester and Bridgeport metropolitan areas. The vacancy rates declined 0.1 and 0.4 percentage point to 4.2 and 1.7 percent, respectively, in the Hartford and Burlington metropolitan areas.

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During the third quarter of 2023, apartment vacancy rates increased in six of the eight major metropolitan areas in the New England region, and average rents rose in every metropolitan area.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2022 (%)	3Q 2023 (%)	Percentage Point Change	3Q 2022 (\$)	3Q 2023 (\$)	Percent Change
Boston, MA-NH	Balanced	4.7	5.4	0.7	2,688	2,767	3
Bridgeport, CT	Balanced	5.6	5.7	0.1	2,574	2,604	1
Burlington, VT	Very Tight	2.1	1.7	-0.4	1,688	1,796	6
Hartford, CT	Slightly Tight	4.3	4.2	-0.1	1,516	1,585	5
Manchester, NH	Tight	2.8	2.9	0.1	1,882	1,952	4
Portland, ME	Slightly Tight	3.0	4.4	1.4	1,752	1,800	3
Providence, RI-MA	Tight	2.2	3.1	0.9	1,733	1,830	6
Worcester, MA-CT	Tight	2.8	3.3	0.5	1,760	1,843	5

3Q = third quarter.

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

During the third quarter of 2023, average monthly rents rose in all eight major metropolitan areas highlighted in this report, and the average rent growth in seven metropolitan areas exceeded the 1-percent average increase nationwide, except in the Bridgeport metropolitan area, which matched the national growth rate (CoStar Group). Average rents in seven of the metropolitan areas were higher than the \$1,669 average for the nation. The Boston metropolitan area had the highest rents in the region and the sixth highest in the nation at \$2,767. The average rent rose in all 31 market areas in the Boston metropolitan area, ranging from less than 1 percent to 6 percent, including a 2-percent increase in the Roxbury/Dorchester market area to \$2,674. Throughout the region, average rent growth ranged from 3 percent in the Boston and Portland metropolitan areas to 6 percent in the Burlington and Providence metropolitan areas.

Multifamily building activity, as measured by the number of units permitted, decreased in the region during the third quarter of 2023 from the same period 1 year earlier, with lower permitting occurring in four states.

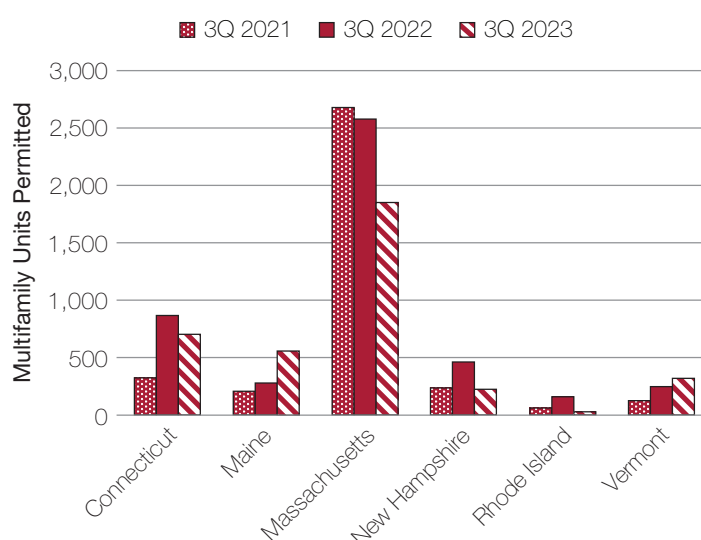
During the third quarter of 2023 (preliminary data)—

- The number of multifamily units permitted in the region totaled 3,700, reflecting a decrease of 20 percent from a year earlier after a 26-percent increase during the third quarter of 2022. Nationally, multifamily construction declined 24 percent year over year during the third quarter of 2023, following a 1-percent increase during the previous year.
- In Massachusetts, multifamily permitting declined 28 percent from 1 year earlier to 1,850 units, and the largest drop was in the Massachusetts portion of the Boston metropolitan area, where a combined reduction of 800 units in Middlesex, Norfolk, Plymouth, and Suffolk Counties more than offset an increase of 130 units in Essex County. Multifamily construction in New Hampshire declined 51 percent from a year ago to 230 units, with the largest decrease in Rockingham and Strafford

Counties, which are part of the New Hampshire portion of the Boston metropolitan area.

- Multifamily permitting in Connecticut and Rhode Island declined by 170 and 140 units, or 19 and 81 percent, respectively, to 710 and 30 units. Permitting decreased in all Rhode Island counties, except Newport County, where no units were permitted, similar to the previous year.
- In Vermont and Maine, multifamily permitting rose by 70 and 280 units to 330 and 560 units, respectively. Permitting increased by 110 units combined in the Vermont counties of Chittenden and Franklin within the Burlington metropolitan area and by 270 units in the Portland metropolitan area.

During the third quarter of 2023, the number of multifamily units permitted decreased in four of the six New England region states.



3Q = third quarter.

Note: Based on preliminary data.

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

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
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 home, townhome, and condominium sales.
Lease-Up	Refers to apartments that have been recently completed and have yet to reach an occupancy level deemed stabilized.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Stabilized	A property is stabilized once a 90-percent or above occupancy rate is reached or at least 18 months pass since the property changed from under construction to existing on the CoStar Group website.
Seriously Delinquent Mortgages	Mortgages 90 or more 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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