

HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Manchester, New Hampshire

By Tim McDonald | 1st quarter 2017



Sales market conditions—

First quarter 2017: mixed (balanced to tight).
Fourth quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (balanced to slightly tight).



Apartment market conditions—

First quarter 2017: mixed (balanced to tight).
Fourth quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (balanced to slightly tight).

Overview

Economic conditions in the New England region remained strong during the first quarter of 2017. Nonfarm payrolls in the New England region expanded, continuing the trend that began during the third quarter of 2010. Job growth was widespread throughout the region, with every state adding jobs. From 2015 to 2016, the population of the region increased by 25,300, or 0.2 percent, to 14.74 million (Census Bureau Population estimates as of July 1). The continued population and job growth resulted in increased demand for housing throughout the New England region. Sales housing market conditions ranged from balanced to tight across the region, and most metropolitan area markets were balanced. Apartment housing market conditions for metropolitan areas in the region ranged from balanced to tight, with vacancy rates ranging from 1.9 percent in Manchester, New Hampshire to 7.1 percent in Bridgeport, Connecticut.

During the first quarter of 2017—

- Nonfarm payrolls expanded in every state in the region, and the unemployment rate declined or remained unchanged in every state in the region.
- Single-family home sales and the median sales price increased in every state in the region; single-family sales housing markets were balanced in four of the six states in the region.
- Every major metropolitan area in the region had an increase in the average rent compared with average rents during the first quarter of 2016.



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In the New England region, 10 of the 11 employment sectors added nonfarm payroll jobs, and 4 sectors increased by 2.0 percent or more during the first quarter of 2017.

	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,168.8	7,250.8	82.0	1.1
Goods-producing sectors	858.8	860.2	1.4	0.2
Mining, logging, and construction	270.1	276.8	6.7	2.5
Manufacturing	588.7	583.4	-5.3	-0.9
Service-providing sectors	6,310.0	6,390.6	80.6	1.3
Wholesale and retail trade	1,046.1	1,050.0	3.9	0.4
Transportation and utilities	196.0	200.4	4.4	2.2
Information	153.6	153.1	-0.5	-0.3
Financial activities	462.1	468.1	6.0	1.3
Professional and business services	971.3	983.4	12.1	1.2
Education and health services	1,517.0	1,549.0	32.0	2.1
Leisure and hospitality	682.1	697.2	15.1	2.2
Other services	273.3	276.5	3.2	1.2
Government	1,008.5	1,012.8	4.3	0.4

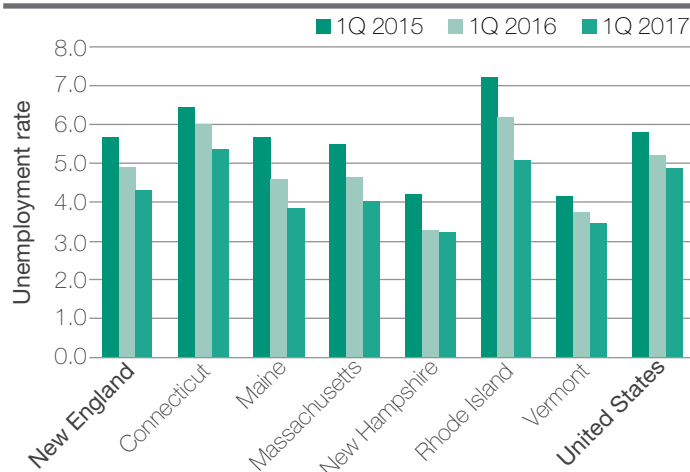
Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Economic Conditions

Economic conditions in the New England region remained positive during the first quarter of 2017, and nonfarm payrolls increased for the 27th consecutive quarter but at a slower rate than during the first quarter of 2016. Nonfarm payrolls totaled more than 7.25 million during the first quarter of 2017, an increase of 82,000 jobs, or 1.1 percent, which follows an increase of 115,600, or 1.6 percent, during the first quarter of 2016. Nonfarm payrolls expanded in every state of the region, with growth rates ranging from 0.2 percent in Connecticut to 1.9 percent in New Hampshire. During the first quarter of 2017, Massachusetts accounted for 66 percent of the increase in nonfarm payrolls in the New England region, compared with 57 and 55 percent during the first quarters of 2016 and 2015, respectively. Nonfarm payroll growth during the first quarter of 2017 in the New England region was led by the education and health services sector, which increased by 32,000 jobs, or 2.1 percent, from the first quarter of 2016. This sector is also the largest employment sector in the New England region, with nearly 1.55 million jobs and accounting for more than 21 percent of all nonfarm payroll jobs in the region. The education and health services sector, which is also the largest employment sector in each state in the New England region, expanded in every state. Job growth in the education and health services sector ranged from 0.6 percent in Connecticut to 2.9 percent in Massachusetts. The mining, logging, and construction sector had the largest percentage gain in jobs in the New England region during the first quarter of 2017, increasing by 2.5 percent

The unemployment rate for the New England region declined at twice the rate of the national average from the first quarter of 2016 through the first quarter of 2017.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

and adding 6,700 jobs; however, the gain was well below the increase of 8.0 percent during the first quarter of 2016 when construction employment rebounded strongly from the effects of an extremely harsh winter during the first quarter of 2015. The leisure and hospitality sector added the second most nonfarm payroll jobs of any employment sector, increasing by 15,100 jobs, or 2.2 percent, from the first quarter of 2016. The leisure and hospitality sector led nonfarm payroll gains in three states—Connecticut, New Hampshire, and Vermont.

Labor market conditions continued to improve in the New England region during the first quarter of 2017. The unemployment rate in

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the region averaged 4.3 percent, which was less than the national average of 4.9 percent. The unemployment rate declined in five of the six states in the region, while remaining unchanged in New Hampshire. The largest decline in the unemployment rate was in Rhode Island, with a decrease of 1.1 percentage points. The unemployment rate declined more than the national average of 0.3 percentage points in four of the six states.

During the first quarter of 2017—

- Massachusetts led job gains in the region, with nonfarm payrolls increasing by 53,800, or 1.5 percent, to more than 3.52 million, with the most job growth in the education and health services sector, which added 22,200 jobs, a 2.9-percent increase.
- Connecticut, the state with the smallest increase in nonfarm payrolls in the region, added 2,600 jobs, or 0.2 percent; conditions were mixed with 6 of 11 employment sectors losing jobs. The hardest hit sector was government, which declined by 4,200 jobs, or 1.8 percent. The state of Connecticut reduced its workforce by 2,000 people during the past year, along with continued job losses at tribal casinos operated by Indian nation governments.
- Nonfarm payrolls in New Hampshire and Vermont increased by 12,100 and 3,700, or 1.9 and 1.2 percent, respectively. The leisure and hospitality sector led job gains in both states, increasing by 4,700 and 3,200 jobs, or 7.3 and 8.5 percent, respectively. Several expansions at ski resorts included a new \$90 million village center and \$25 million adventure center at Stowe Mountain Resort in Vermont and 10 new trails on 45 acres of land at the Waterville Valley Resort in New Hampshire.
- In Maine, nonfarm payrolls totaled 600,300, an increase of 4,800, or 0.8 percent, from the first quarter of 2016. The largest percentage gain in employment was in the mining, logging, and construction sector, which increased by 6.9 percent, or 1,900 jobs. Part of this increase is the result of numerous ongoing highway projects, the construction of a research center in Ellsworth, and a Center for Biometric Analysis for The Jackson Laboratory in Bar Harbor.
- In Rhode Island, nonfarm payrolls increased by 4,800, or 1.0 percent. Employment in the construction subsector increased by 1,300 jobs, or 8.4 percent; current projects such as the \$92 million South Street Landing and the \$68 million School of Engineering at Brown University contributed to growth in this sector.

Population

Despite a moderately strong economy, the population in the New England region grew slowly from 2015 to 2016, increasing by 25,300, or 0.2 percent, to slightly more than 14.74 million compared with a 0.7-percent growth rate for the nation overall (Census Bureau Population estimates as of July 1). Rates of population change ranged from an increase of 0.4 percent in Massachusetts and New Hampshire to declines of 0.2 percent in Connecticut and Vermont. Net in-migration totaled 9,300 people in the region and accounted for nearly 37 percent of all population growth. International in-migration

totaled 67,100 people, more than offsetting the domestic net out-migration of 57,800 people. Every state in the New England region had net international in-migration.

During the 12 months ending July 1, 2016—

- Massachusetts led the New England region in population growth, increasing by 27,500, or 0.4 percent, with net in-migration totaling 15,300 people and accounting for nearly 56 percent of all population growth in the state. International in-migration totaled 40,900 people, more than offsetting the domestic out-migration of 25,600 people.

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The rates of population growth in the New England region and in every state in the region trailed the national average.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,563,456	320,896,618	323,127,513	0.7	0.7
New England region	14,682,710	14,710,229	14,735,525	0.2	0.2
Connecticut	3,591,873	3,584,730	3,576,452	- 0.2	- 0.2
Maine	1,330,719	1,329,453	1,331,479	- 0.1	0.2
Massachusetts	6,749,911	6,784,240	6,811,779	0.5	0.4
New Hampshire	1,328,743	1,330,111	1,334,795	0.1	0.4
Rhode Island	1,054,480	1,055,607	1,056,426	0.1	0.1
Vermont	626,984	626,088	624,594	- 0.1	- 0.2

Source: U.S. Census Bureau



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- New Hampshire and Maine were the only states in the New England region with domestic net in-migration.
- Connecticut and Vermont were two of only eight states in the nation to record overall population loss.

- Maine was one of only two states in the nation with a negative net natural change (resident births minus resident deaths), along with West Virginia.

Sales Market Conditions

Sales housing market conditions ranged from balanced to tight across the region, with balanced markets in most metropolitan areas and states. Home sales totaled 176,700 during the 12 months ending March 2017, an increase of 9,700 homes, or nearly 6 percent, from the previous 12 months. The average number of days a listing remained on the market declined in every state in the region during the first quarter of 2017. Home sales prices in the region during February 2017 (the most recent data available) increased more than 6 percent compared with prices a year earlier, which was equivalent to the national average increase (Federal Housing Finance Agency House Price Index).

Single-family home sales markets were balanced throughout the region, except in Massachusetts and New Hampshire, where conditions were tight. Sales of single-family homes, including townhomes, increased 5 percent or more in every state in the region (the home sales data in this report exclude new homes, except in Connecticut). Rhode Island, where the market is currently balanced, had the largest percentage gain of single-family home sales of any state in the region, increasing by 1,000 sales, or 10 percent, during the 12 months ending March 2017 (Rhode Island Association of Realtors®).

Although the number of single-family home sales in Rhode Island had the largest percentage gain in the region, the median sales price for a single-family home only increased 2 percent to \$230,000. Part of the reason home sales increased more rapidly than the median sales price is because home sales increased in cities such as Pawtucket and East Providence, where homes are relatively more affordable, and the number of luxury homes sold in Newport County declined. In Connecticut, where single-family home sales were up by 1,450, or 5 percent, the median sales price increased by only \$2,000, or 1.0 percent (Berkshire Hathaway Home Services New England Properties). Tolland County, where the median sales price was less than \$200,000, had the largest percentage gain in sales of any county in Connecticut, with single-family home sales increasing by more than 12 percent.

During the 12 months ending March 2017, Maine and New Hampshire had the second and third largest percentage gains in the sales of single-family homes at 9 and 7 percent, respectively, and the median sales price increased 5 and 4 percent, respectively (Maine Real Estate Information System; New Hampshire Association of Realtors®). Single-family home sales in the state of Vermont increased

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Single-family home and condominium sales increased in all states in the New England region, along with median prices.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Connecticut (N&E)	March	29,600	31,050	5	MED	225,000	227,000	1
Maine (E)	March	16,100	17,550	9	MED	182,500	191,000	5
Massachusetts (E)	March	54,000	56,650	5	MED	329,500	350,000	6
New Hampshire (E)	March	16,200	17,300	7	MED	235,000	244,900	4
Rhode Island (E)	March	10,000	11,000	10	MED	225,000	230,000	2
Vermont (E)	March	6,050	6,325	5	MED	196,500	208,000	6
Connecticut (N&E—condo)	March	7,200	7,475	4	MED	148,500	154,000	4
Massachusetts (E—condo)	March	20,900	21,550	3	MED	307,900	334,900	9
New Hampshire (E—condo)	March	3,875	4,325	4	MED	165,000	190,000	15
Rhode Island (E—condo)	March	1,700	1,975	16	MED	190,000	195,000	3
Vermont (E—condo)	March	1,300	1,450	12	MED	185,000	187,750	1

condo = condominium. E = existing. MED = median. N&E = new and existing.

Notes: Median prices represent the first quarters of 2016 and 2017 for Connecticut but represent March 2016 and 2017 for all other states in the region. Single-family home sales include townhomes for all states in the region.

Sources: Berkshire Hathaway HomeServices New England Properties; Maine Real Estate Information System; Massachusetts Association of Realtors®; New Hampshire Association of Realtors®; Rhode Island Association of Realtors®; Vermont Association of Realtors®



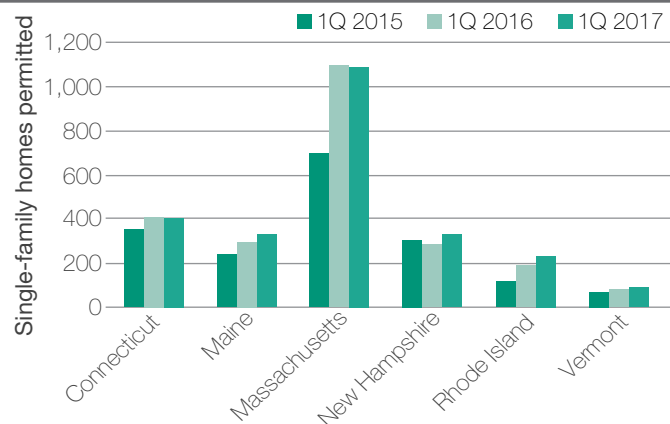
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by 275, or 5 percent, and the median sales price increased by \$11,500, or 6 percent, which tied with Massachusetts for the largest percentage gain in median home sales price in the New England region (Vermont Association of Realtors®). Single-family home sales in the state of Massachusetts totaled 56,650 during the 12 months ending March 2017, an increase of 2,650 sales, or 5 percent, from the previous 12 months (Massachusetts Association of Realtors®). The single-family sales market in the Boston metropolitan area is extremely tight with 2.8 months of inventory on the market (Greater Boston Association of Realtors®). During the 12 months ending March 2017, 14,050 single-family homes sold in the Boston metropolitan area, a decline of 50 homes, or less than 1 percent, from the previous 12 months. Sales were constrained in the Boston metropolitan area, because the number of active listings during March 2017 was slightly less than 2,300, down by 1,300 listings, or 36 percent, from a year earlier. The lack of available single-family inventory in the Boston metropolitan area put upward pressure on home prices, and the median sales price during March 2017 was \$555,000, up by \$82,500, or nearly 18 percent, from March 2016.

The condominium sales market is balanced in every state of the region except Massachusetts, where the market is tight (Maine does not report condominium sales). Condominium sales were up in every state in the region during the 12 months ending March 2017, led by Massachusetts, with an increase of 650, or 3 percent, from the previous 12 months (Massachusetts Association of Realtors®). Rhode Island had the largest percentage gain in condominium sales, increasing by 16 percent or 275 sales, and New Hampshire had the largest percentage increase in the median sales price of condominiums, up 15 percent, or \$25,000 (Rhode Island Association of Realtors®, New Hampshire Association of Realtors®). In the Boston metropolitan area, the condominium market was tight with less than a 2-month supply of inventory on the market (Greater Boston Association of Realtors®). During the 12 months ending March 2017, 11,200 condominiums sold in the Boston metropolitan area, an increase of 250 sales, or more than 2 percent, from the previous 12 months. The median sales price of a condominium in the Boston metropolitan area was \$520,000, an increase of \$41,250, or nearly 9 percent, from March 2016.

In February 2017 (the most recent data available), 2.8 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real

Single-family permitting increased in four out of the six states in the New England region during the first quarter of 2017.



1Q = first quarter.

Note: Based on preliminary data.

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

estate owned (REO) status, down from 3.6 percent a year earlier (CoreLogic, Inc.). The 0.8-percentage-point decline in the region was more than the 0.7-percentage-point decline nationwide. The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during February 2017. The declines ranged from 1.1 percentage points in Rhode Island, where the rate is 3.3 percent, to 0.4 percentage point in Vermont, where the rate is 2.3 percent. Vermont and New Hampshire are the only states in the region with rates less than the national average of 2.5 percent, and the rate in Massachusetts is equal to the national rate.

During the first quarter of 2017 (preliminary data)—

- Single-family homebuilding in the region totaled 2,475, an increase of 125, or more than 5 percent, from the first quarter of 2016.
- Single-family homebuilding declined less than 2 and 1 percent in Connecticut and Massachusetts, respectively.
- The 330 single-family homes permitted in Maine were the most homes permitted in the state during a first quarter since 350 homes were permitted during the first quarter of 2008.
- New Hampshire and Rhode Island had the largest increase in single-family permitting, with each state increasing by 40 homes permitted.

Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the first quarter of 2017. The apartment vacancy rate increased in most metropolitan areas in the New England region, partly because of the 17,150

apartment units completed in the region during the 12 months ending March 2017, which is a 3-percent increase from the previous 12 months and 72 percent higher than the number of units completed during the 12 months ending March 2015 (McGraw-Hill

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Construction Pipeline database). Developers began to respond to the increasing vacancy rates by slowing production. Construction on approximately 2,050 apartment units started in the New England region during the first quarter of 2017 compared with 3,775 units during the first quarter of 2016, a 46-percent decline.

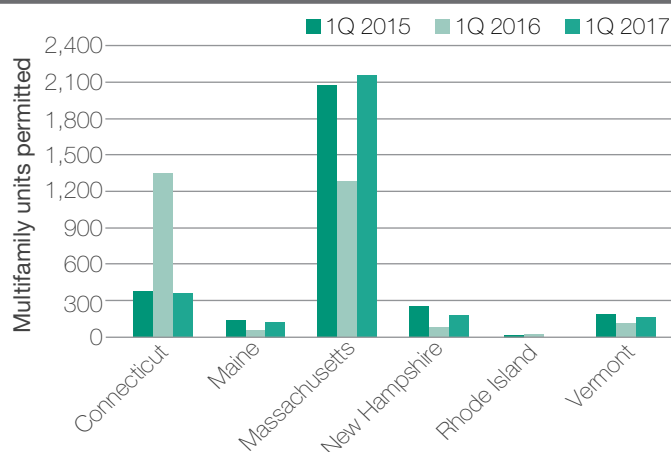
Manchester-Nashua was the only major metropolitan area with a decline in the apartment vacancy rate in the region. During the 12 months ending March 2017, 630 apartment units were completed, up by 30, or 5 percent, from the previous 12 months (McGraw-Hill Construction Pipeline database). The Bridgeport metropolitan area had the largest increase in the apartment vacancy rate of any metropolitan area in the region, due in part to a surge of new apartments entering the market during the past year. Construction was completed on 1,550 apartments during the 12 months ending March 2017, an increase of 500 units, or nearly 48 percent, from the previous 12 months (McGraw-Hill Construction Pipeline database). In response, developers scaled back production, and during the 12 months ending March 2017, 580 apartment units were started, a decline of 1,675 units, or 74 percent, from the previous 12 months. The vacancy rate in the Hartford metropolitan area also increased due to 1,850 units completed during the 12 months ending March 2017, an increase of 550, or 42 percent, from the previous 12 months. In addition, 2,000 units were under construction in the Hartford metropolitan area. Apartment market conditions became balanced during the past year in the Portland metropolitan area compared with tight conditions a year earlier. Construction completed on 770 apartments during the 12 months ending March 2017, which was up from 450 a year ago (McGraw-Hill Construction Pipeline database).

Apartment market conditions eased slightly in the Boston metropolitan area but remained tight. The vacancy rate increased to 3.4 percent during the first quarter of 2017 compared with 3.2 percent a year earlier (MPF Research). Approximately 8,900 apartment units were completed in the metropolitan area during the 12 months ending March 2017, after the completion of nearly 10,000 apartment

units during the previous 12 months (McGraw-Hill Construction Pipeline database). The level of completions during the most recent 12 months is 20 percent higher than the number of completions during the 12 months ending March 2015. More than 17,000 units were under construction in the Boston metropolitan area. Of the 14 MPF Research-defined market areas in the Boston metropolitan area, 10 had an increased apartment vacancy rate from the first quarter of 2016, led by the Cambridge/Somerville market area where the vacancy rate increased from 3.7 percent to 5.2 percent. The average rent declined in 3 of the 14 market areas, led again by the Cambridge/Somerville area with average rents dropping by \$147, or nearly 5 percent. The largest decline in the vacancy rate was in the Marlborough/Framingham market area, where the vacancy rate was 2.7 percent, down from 3.8 percent a year earlier. The Plymouth County market area had the largest increase in average

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Multifamily permitting in the New England region increased by 100 units, or more than 3 percent, to 3,000 units during the first quarter of 2017.



1Q = first quarter.

Note: Based on preliminary data.

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

Rents continued to rise despite moderate increases in vacancies in most major metropolitan areas in the New England region during the first quarter of 2017.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 (\$)	1Q 2017 (\$)	Percent Change
Boston ^a	Tight	3.2	3.4	0.2	1,866	1,945	4
Bridgeport-Stamford-Norwalk ^a	Balanced	3.4	7.1	3.7	2,078	2,101	1
Hartford ^a	Slightly tight	3.5	3.9	0.4	1,167	1,223	5
Manchester-Nashua ^a	Tight	2.4	1.9	-0.5	1,169	1,263	8
Portland ^b	Balanced	2.9	5.4	2.5	1,284	1,335	4
Providence ^a	Tight	2.5	2.6	0.1	1,270	1,324	4
Worcester ^a	Slightly tight	2.9	3.7	0.8	1,291	1,413	9

1Q = first quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF research; (b) Axiometrics Inc.

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rent of \$312, or nearly 22 percent, to \$1,739, as several new high-end apartment units entered the market during the past year. The highest vacancy rate of 6.2 percent was in the Intown Boston market area, up from 5.5 percent during the first quarter of 2016. The Intown Boston market area is also the most expensive market area, where rents averaged \$3,321, up by \$67, or more than 2 percent, during the past year.

During the first quarter of 2017 (preliminary data)—

- Four of the six states in the region had an increase in multifamily permitting from the first quarter of 2016.
- Massachusetts had the largest increase in the number of multifamily units permitted, up by 870, or nearly 68 percent. Massachusetts is also the only state in the region where multifamily permitting is above the levels from the first quarter of 2015, due primarily to an increase of 850, or 72 percent, of the number of units permitted in the Boston metropolitan area.
- Connecticut had the largest decline in the number of multifamily units permitted, with only 360, down by 1,000, or 74 percent, as developers scaled back production in the Hartford and Bridgeport-Stamford-Norwalk metropolitan areas.
- In Maine and New Hampshire, multifamily permitting more than doubled compared with the first quarter of 2016.
- In Vermont, 53 percent of all multifamily units permitted were in Chittenden County, part of the Burlington metropolitan area.