

HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Portland, Maine

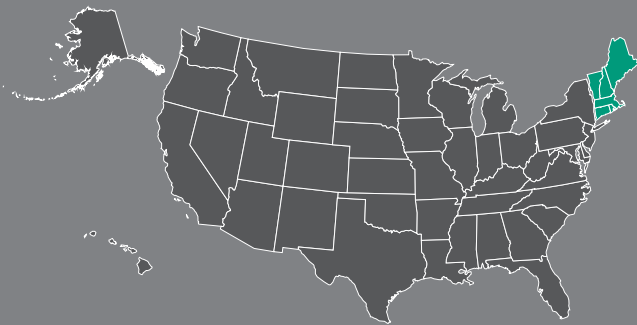
By Patricia Moroz | 1st Quarter 2019

Sales market conditions—

First quarter 2019: mixed (balanced to slightly tight)
Fourth quarter 2018: mixed (slightly soft to slightly tight)
First quarter 2018: mixed (balanced to tight)

Apartment market conditions—

First quarter 2019: mixed (balanced to tight)
Fourth quarter 2018: mixed (balanced to tight)
First quarter 2018: mixed (balanced to tight)



Overview

Nonfarm payrolls increased in the New England region during the first quarter of 2019, albeit at a slower pace than during the previous three quarters. The job growth of 0.6 percent was below the 0.9-percent increase during the first quarter of 2018 and below the current rate of 1.8 percent nationally. The population of the region rose moderately from 2017 to 2018, led by growth in Massachusetts and New Hampshire. As a result of economic growth, sales market conditions ranged from balanced to slightly tight and the months of supply of inventory was low throughout the region. Apartment markets ranged from balanced to tight, unchanged from the previous quarter and a year ago, even with a 34-percent increase in apartment completions during the past year. Despite generally strong sales and apartment market conditions, both single-family and multifamily permitting activity declined overall in the New England region.

During the first quarter of 2019—

- Economic conditions in the New England region slowed partially because of fewer job gains in the professional and business services sector compared with previous years.

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The sector accounts for 14 percent of jobs in the region and supports science and technology jobs; Massachusetts and Connecticut ranked second and fourth nationally in economic innovation according to the 2019 Bloomberg State Innovation Index.

- Single-family home sales were flat or decreased in all but one state in the New England region, whereas average prices for single-family homes rose in one-half of the states.
- The average apartment rent in major metropolitan areas in the region increased 2 to 7 percent.

Economic Conditions

The economy of the New England region expanded during the first quarter of 2019, continuing a trend that began in mid-2010. During the first quarter of 2019, nonfarm payrolls in the region averaged 7.35 million, a gain of 43,600 jobs, or 0.6 percent, from the first quarter of 2018. By comparison, during the first quarter of 2018, nonfarm payrolls increased by 62,900 jobs, or 0.9 percent, from the same period a year earlier. The slower rate of growth was attributed to smaller gains in the professional and business services; leisure and hospitality; and mining, logging, and construction sectors. Approximately one-half of the total jobs added in the region were in the education and health services sector; the gain of 21,700 jobs, or 1.4 percent, was up from an increase of 12,000 jobs, or 0.8 percent, a year earlier. The education and health services sector accounted for the most jobs added in three states—Massachusetts, New Hampshire, and Rhode Island—with increases of 12,400, 2,800, and 2,000 jobs, or 1.6, 2.2, and 1.9 percent, respectively. The transportation and utilities sector was the fastest growing sector in the region, with a 2.6-percent increase, slightly slower than the 3.6-percent increase a year ago.

Three of the six New England states were identified as having an innovative economy by scoring high in the 2019 Bloomberg State Innovation Index, which ranks states according to six science and technology measures. Massachusetts, Connecticut, and New Hampshire ranked second, fourth, and eighth, respectively, after first-ranked California. During the first quarter of 2019, Massachusetts added the most jobs in the region, increasing by 24,500 jobs, or 0.7 percent; the professional and business services sector contributed the second largest number of jobs in the state, increasing by 7,900 jobs, or 1.4 percent. New Hampshire had the fastest rate of total job growth in the region, at 1.1 percent, or 7,100 jobs; growth in the professional and business services sector slowed to a 0.3-percent gain during the past year after an average increase of 3.7 percent annually from 2010 through 2017. The unemployment rate in the region averaged 3.6 percent during the first quarter of 2019, down from 4.2 percent a year earlier. The current unemployment rate is below the national rate of 4.1 percent.

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Nonfarm payrolls increased in all but two sectors in the New England region during the first quarter of 2019.

	First Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,307.2	7,350.8	43.6	0.6
Goods-Producing Sectors	876.2	879.6	3.4	0.4
Mining, Logging, & Construction	284.3	286.0	1.7	0.6
Manufacturing	591.9	593.5	1.6	0.3
Service-Providing Sectors	6,431.0	6,471.3	40.3	0.6
Wholesale & Retail Trade	1,041.7	1,037.3	-4.4	-0.4
Transportation & Utilities	208.6	214.1	5.5	2.6
Information	152.6	153.3	0.7	0.5
Financial Activities	458.0	457.7	-0.3	-0.1
Professional & Business Services	1,022.0	1,027.0	5.0	0.5
Education & Health Services	1,550.7	1,572.4	21.7	1.4
Leisure & Hospitality	712.8	714.5	1.7	0.2
Other Services	277.8	280.7	2.9	1.0
Government	1,006.7	1,014.1	7.4	0.7

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

Source: U.S. Bureau of Labor Statistics

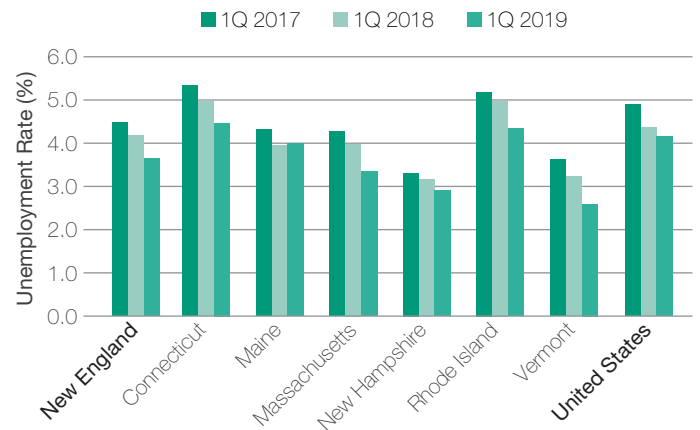


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During the first quarter of 2019—

- Vermont had the second fastest growth rate among New England states, at 0.9 percent, or 2,800 jobs; the leisure and hospitality sector accounted for 60 percent of the net increase in jobs, with a 4.3-percent growth rate.
- In Maine, payrolls increased by 3,200 jobs, or 0.5 percent. Manufacturing was the fastest growing sector, increasing by 1,600 jobs, or 3.1 percent, up from 700 jobs, or 1.4 percent, a year earlier. Fiber Materials, Inc., a manufacturer of high-temperature materials for use in industrial, commercial, and aerospace applications, announced that it expects to add at least 50 jobs in 2019.
- In Connecticut, payrolls increased by 6,000 jobs, or 0.4 percent, led by gains in the leisure and hospitality sector of 4,100 jobs, or 2.8 percent. During 2018, five hotels were completed in the state with 580 rooms; by comparison, in 2017, three hotels, with 290 rooms, were constructed (McGraw-Hill Construction Pipeline database).
- Job growth was unchanged in Rhode Island. Losses in the professional and business services and the leisure and hospitality sectors totaled 2,000 and 1,000 jobs, or 3.8 and 1.5 percent, respectively, contributing to slower growth in the state and the region.

Unemployment rates in the New England region were below the national rate in all states except Connecticut and Rhode Island during the first quarter of 2019.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

- The fastest growing sectors in Massachusetts and New Hampshire were the transportation and utilities and other services sectors, increasing 3.7 and 4.6 percent, or by 3,700 and 1,100 jobs, respectively.

Population

From 2017 to 2018, the population of the New England region rose by 50,300, or 0.3 percent, to 14.85 million compared with a 0.6-percent growth rate for the nation overall (Census Bureau population estimates as of July 1). The rate of growth in the region was unchanged compared with a year ago because higher net in-migration was more than offset by a decline in net natural change (resident births minus resident deaths). Net natural change slowed by 26 percent to an increase of 14,850 people; all states in the region had a decline in births and a rise in deaths compared

with a year earlier. Net in-migration totaled 35,700 people in the region, up 10 percent from a year earlier, and accounted for 71 percent of all population growth in the region compared with 62 percent a year ago. Net international in-migration totaled 77,250 people, more than offsetting net domestic out-migration of 41,550 people. Net international in-migration occurred in every state in the New England region. The rate of population growth in each state of the region ranged from essentially no change in Connecticut to an increase of 0.6 percent in Massachusetts.

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The rate of population growth in the New England region was below the national average; however, rates increased or were unchanged in all states except New Hampshire compared with July 2017.

	Population Estimate			Percentage Change	
	2016	2017	2018	2016 to 2017	2017 to 2018
United States	323,071,342	325,147,121	327,167,434	0.6	0.6
New England Region	14,759,146	14,802,967	14,853,290	0.3	0.3
Connecticut	3,578,674	3,573,880	3,572,665	-0.1	0.0
Maine	1,331,370	1,335,063	1,338,404	0.3	0.3
Massachusetts	6,826,022	6,863,246	6,902,149	0.5	0.6
New Hampshire	1,342,373	1,349,767	1,356,458	0.6	0.5
Rhode Island	1,057,063	1,056,486	1,057,315	-0.1	0.1
Vermont	623,644	624,525	626,299	0.1	0.3

Note: The population estimates are as of July 1.

Source: U.S. Census Bureau



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During the 12 months ending July 1, 2018—

- Massachusetts led the New England region in both total population growth and rate of growth, increasing by 38,900 people, or 0.6 percent, with net in-migration totaling 27,250 people and accounting for 70 percent of all population growth in the state. Net international in-migration of 53,000 people was partially offset by domestic out-migration of 25,750 people.
- New Hampshire had the second highest population growth rate among all states in the region, at 0.5 percent, or an increase of 6,700 people. Since 2015, New Hampshire and Maine were the only states in the New England region with net domestic in-migration.
- The population in Maine and Vermont each grew at a rate of 0.3 percent, the same as the regional rate, adding 3,350 and 1,775, respectively. Maine was the only state in the region with a net natural decline, accounting for a loss of 1,300 people because deaths outnumbered births. Maine had the oldest median age of 44.6 among the New England states in 2017 (American Community Survey [ACS] 1-year estimates).
- In Rhode Island, the rate of population growth was 0.1 percent, equaling an additional 830 people, while the population of Connecticut decreased by 1,225. Net in-migration to Rhode Island totaled a modest 120 people, whereas Connecticut, the only state in the region with a net out-migration, lost 5,025 people.

Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight across the New England region during the first quarter of 2019. During the 12 months ending March 2019, the number of homes sold, including single-family homes and townhomes, ranged from a 1-percent increase in Connecticut to 2-percent declines each in New Hampshire and Rhode Island. Home sales fell 1 percent in Vermont during the 12 months ending February 2019 and were virtually unchanged in Massachusetts and Maine

during the 12 months ending March 2019. By comparison, in the nation, single-family home sales decreased nearly 5 percent in March 2019, compared with a year ago (National Association of Realtors®). Home sales prices in the region rose approximately 4 percent in February 2019, down from 6 percent in February 2018 and below the 5-percent gain in the nation (Federal Housing Finance Agency House Price Index).

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Home sales declined or were unchanged in most states in the New England region during the 12 months ending March 2019 compared with a year ago.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Connecticut (N&E)	March	34,700	35,150	1	MED	246,000	239,000	-3
Maine (E)	March	17,650	17,700	0	MED	212,000	200,000	-6
Massachusetts (E)	March	55,750	55,500	0	MED	369,000	390,000	6
New Hampshire (E)	March	17,550	17,150	-2	MED	265,000	285,900	8
Rhode Island (E)	March	11,200	11,000	-2	MED	252,300	249,000	-1
Vermont (E)	February	13,100	13,000	-1	AVG	219,800	226,300	3
Connecticut (N&E-Condo)	March	8,650	8,900	3	MED	161,000	160,000	-1
Massachusetts (E-Condo)	March	21,650	22,150	2	MED	389,900	375,000	-4
New Hampshire (E-Condo)	March	4,800	4,675	-3	MED	189,900	214,900	13
Rhode Island (E-Condo)	March	2,175	2,250	3	MED	210,000	219,000	4

AVG = average. Condo = condominium. E = existing. MED = median. N&E = new and existing.

Notes: All figures are rounded. Median prices represent the first quarters of 2018 and 2019 for Connecticut and Rhode Island but represent March 2018 and 2019 for all other states in the region. Single-family home sales include townhomes for all states in the region. Condominium sales are included in state totals for Maine and Vermont and listed separately for all other states.

Sources: Berkshire Hathaway HomeServices New England Properties; Maine Real Estate Information System; Massachusetts Association of Realtors®; New Hampshire Association of Realtors®; CoreLogic, Inc., with adjustments by the analyst

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The months of supply of current inventory was low throughout all states in the New England region. The sales market was balanced in Connecticut, whereas conditions tightened somewhat to slightly tight in Massachusetts. The months of supply declined in Connecticut from 5.4 months in March 2018 to 4.6 months in March 2019 and in Massachusetts from 2.6 to 2.4 months during the same period (CoreLogic, Inc.). Markets were slightly tight in New Hampshire, with the months of supply rising from 2.2 to 2.7, and balanced in Rhode Island, with the months of supply increasing from 2.8 to 3.2 months. In Vermont, the months of supply decreased from 5.0 to 3.4 months; the market was balanced after tightening from the previous quarter. The Maine sales market was balanced with 2.4 months of supply (Maine Association of Realtors®). By comparison, for the nation, the months of supply increased slightly from 3.6 months in March 2018 to 3.9 months in March 2019 (National Association of Realtors®).

Single-family homes sales prices were mixed in the region with increases in one-half of the states and decreases in the remaining states. In March 2019, New Hampshire and Massachusetts had the highest percentage increases in median home sales prices in the region, rising 8 and 6 percent, to \$285,900 and \$390,000, respectively, compared with March 2018. In Vermont, the average sales price was up 3 percent, to \$226,300, during the 12 months ending February 2019 compared with a year earlier. The largest decrease in the median sales price of 6 percent, to \$200,000, occurred in Maine, from March 2018 to March 2019. During the same period, the median home price was down 3 percent in Connecticut to \$239,000; in Rhode Island, the median price decreased 1 percent to \$249,000 during the first quarter of 2019, compared with the first quarter of 2018.

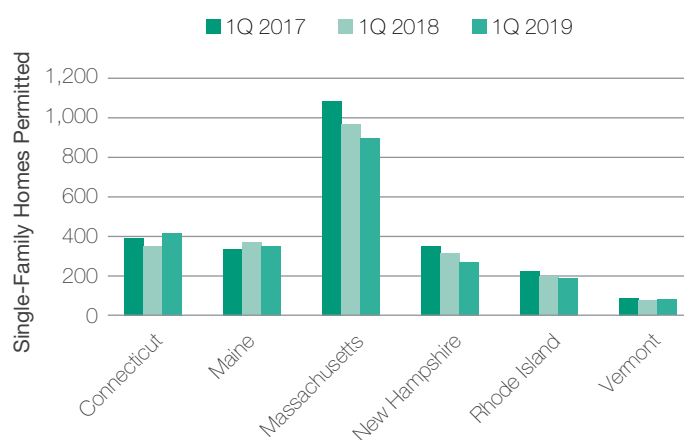
In February 2019, 1.7 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 2.2 percent a year earlier and slightly above the national rate of 1.6 percent (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties was above the national average in Maine, Connecticut, and Rhode Island at 2.4, 2.3, and 1.9 percent, respectively.

Single-family homebuilding activity in the New England region declined at a slower rate compared with a year ago. During the first quarter of 2019, homebuilding activity in the region, as measured by the number of homes permitted, totaled 2,225, down by 80 homes, or 4 percent, from a year earlier compared with a decline of 200 homes, or 8 percent, during the first quarter of 2018. By comparison, the number of homes permitted nationally declined 7 percent from a year ago after a 6-percent gain during the first quarter of 2018.

During the first quarter of 2019—

- The largest decrease in homebuilding activity was in Massachusetts with 75 fewer homes permitted, an 8-percent decrease, to 900 homes. The number of single-family homes permitted fell by 50 homes in New Hampshire, a 16-percent decline, to 270 homes.
- In Maine and Rhode Island, permitting was down by 15 and 10 homes, for decreases of 4 and 6 percent, respectively, to 360 and 190 homes, respectively. Homebuilding activity was essentially unchanged in Vermont, at 80 homes.
- In Connecticut, single-family permitting was up by 65 homes, or 19 percent, to 420 homes. Most of the increase was in the Hartford metropolitan area, where the number of single-family permits increased by 85 homes, or 74 percent, to 200 homes.
- The largest decline in single-family homebuilding activity in major metropolitan areas in the region occurred in the Boston metropolitan area, where single-family permitting decreased by 90 homes, or 9 percent, from a year earlier, to 900 homes; nonetheless, the Boston metropolitan area accounted for more than 80 percent of the single-family homes permitted in Massachusetts. This decrease follows a decline of 110 homes, or 10 percent, during the first quarter of 2018.

Year-over-year homebuilding activity decreased in the New England region during the first quarter of 2019 because of declines in four of six states.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in most major metropolitan areas in the New England region ranged from balanced to tight during the first quarter of 2019. The 2,250 apartment units completed in the region during the first quarter of 2019 was up 34 percent from the 1,675 completions during the first quarter of 2018 (McGraw-Hill Construction Pipeline database). An estimated 18,900 apartment units were under construction in the region at the end of the first quarter of 2019, with more than 75 percent expected to be completed by the first quarter of 2020. By comparison, 25,900 units were under construction during the first quarter of 2018. Completions have generally kept pace with increased demand for apartments in most metropolitan areas of the region.

Slightly tight apartment market conditions in the Boston and Providence metropolitan areas eased somewhat during the first quarter of 2019. The vacancy rate in the Boston metropolitan area rose from 3.6 percent in the first quarter of 2018 to 3.9 percent in the first quarter of 2019, and the average rent increased 6 percent, to \$2,295 (RealPage, Inc.). The 7,175 apartment units completed during the 12 months ending March 2019 was up 47 percent from completions a year earlier (McGraw-Hill Construction Pipeline database). In the Providence metropolitan area, the vacancy rate increased from 2.8 to 3.2 percent; however, the market remained tight, similar to a year ago, and the average rent rose 6 percent, to \$1,473. The Bridgeport metropolitan area was balanced, similar to a year ago; the vacancy rate was up 0.4 percentage points, to 5.3 percent, and the average rent increased 2 percent, to \$2,302, the highest rent among major markets in the New England region. Approximately 770 apartment units were completed in the Bridgeport metropolitan area during the 12 months ending March 2019, up from 420 units, during the same period in 2018.

The largest decrease in the apartment vacancy rate in the New England region, from 2.4 to 1.9 percent, occurred in the

Manchester metropolitan area, where conditions were already tight, and was accompanied by a 7-percent increase in the average rent, to \$1,388, during the first quarter of 2019 (RealPage, Inc.). Apartment completions were down to approximately 30 units during the 12 months ending March 2019, well below the 480 units constructed a year earlier (McGraw-Hill Construction Pipeline database). Conditions in the Worcester metropolitan area became tighter as the vacancy rate fell from 2.5 to 2.3 percent and the average rent rose 5 percent, to \$1,555. Vacancy rates were up by 0.1 percentage point in both the slightly tight Portland and balanced Hartford metropolitan area markets; the vacancy rates increased, to 3.8 and 4.2 percent, respectively. The average rent was up 7 percent, to \$1,446, in the Portland metropolitan area and rose 4 percent, to \$1,329, in the Hartford metropolitan area. Apartment completions rose to 1,200 units in the Hartford metropolitan area during the 12 months ending March 2019, up 68 percent from 710 units a year ago.

Multifamily permitting activity in the New England region declined during the first quarter of 2019, mostly due to a large decrease in Massachusetts. During the first quarter of 2019, multifamily permitting in the region totaled 2,700 units, a decrease of 1,100 units, or 29 percent, from a year earlier, compared with an increase of 980 units, or 34 percent, during the first quarter of 2018. By comparison, the number of multifamily units permitted nationally declined less than 1 percent from a year ago after increasing 8 percent during the first quarter of 2018.

During the first quarter of 2019—

- The largest numerical and percentage decrease in multifamily units permitted was in Massachusetts, where permitting fell by 960 units, or 41 percent, to 1,400 units, compared with a

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The average asking rent increased in the major metropolitan areas in the New England region during the first quarter of 2019 compared with a year ago.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2018 (%)	1Q 2019 (%)	Percentage Point Change	1Q 2018 (\$)	1Q 2019 (\$)	Percent Change
Boston	Slightly Tight	3.6	3.9	0.3	2,169	2,295	6
Bridgeport	Balanced	4.9	5.3	0.4	2,257	2,302	2
Hartford	Balanced	4.1	4.2	0.1	1,281	1,329	4
Manchester	Tight	2.4	1.9	-0.5	1,293	1,388	7
Portland	Slightly Tight	3.7	3.8	0.1	1,347	1,446	7
Providence	Tight	2.8	3.2	0.4	1,394	1,473	6
Worcester	Tight	2.5	2.3	-0.2	1,480	1,555	5

1Q = first quarter.

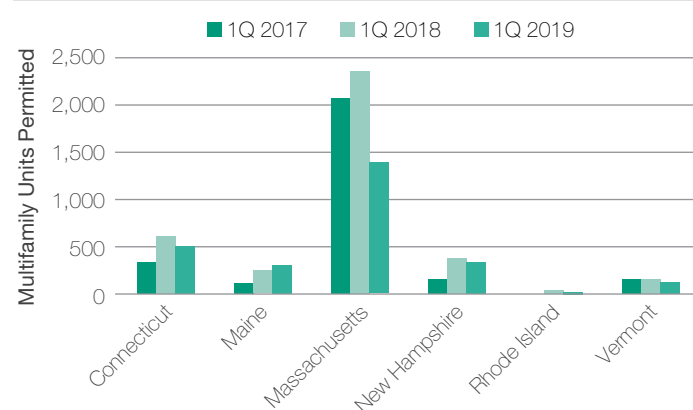
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

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year earlier. Most of the decline was in the Boston metropolitan area, with a 920-unit, or 36-percent, decrease in multifamily construction activity.

- Multifamily permitting declined by 120 units, or 19 percent, to 500 units in Connecticut. The largest decreases occurred in the Hartford and New Haven metropolitan areas where permitting was down by 100 and 85 units, or 44 and 28 percent, respectively.
- Permitting declined by 35 units each in New Hampshire and Vermont, or 9 and 22 percent, respectively, to 350 and 130 units, respectively. In Rhode Island, multifamily construction fell from 45 to 30 units.
- In Maine, multifamily permitting rose by 55 units, or 21 percent, to 310 units. Nearly all the increase was in the Portland metropolitan area; permitting increased by 60 units, or 41 percent, following a 57-percent increase during the first quarter of 2018.

Year-over-year multifamily permitting declined in all New England states except Maine during the first quarter of 2019.



1Q = first quarter.

Note: Based on preliminary data.

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