

HUD PD&R Regional Reports

Region 1: New England

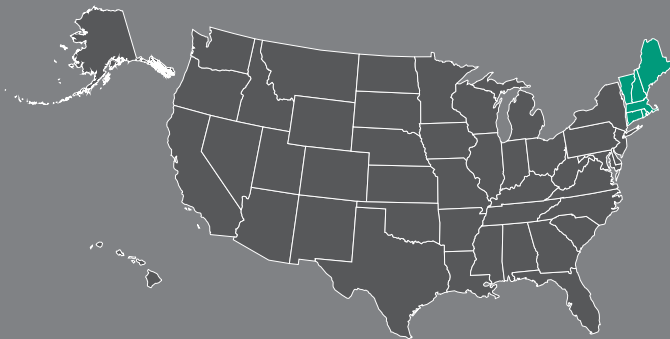


Quick Facts About Region 1

Boston, Massachusetts

By Diana Villavicencio | 1st Quarter 2020

- Sales market conditions—**
First quarter 2020: mixed (balanced to tight)
Fourth quarter 2019: mixed (balanced to slightly tight)
First quarter 2019: mixed (balanced to slightly tight)
- Apartment market conditions—**
First quarter 2020: mixed (balanced to tight)
Fourth quarter 2019: mixed (balanced to tight)
First quarter 2019: mixed (balanced to tight)



Overview

This report reflects market conditions as of the first quarter of 2020. Much of this period was prior to the COVID-19 outbreak in the United States, and therefore most of the data in this report do not reflect the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. Initial unemployment insurance claims in the New England region rose to 307,700 claims during the week ending March 28, 2020, compared with 7,750 claims during the same week a year earlier. HUD will continue to monitor market conditions in the region and provide an updated report reflecting conditions during the second quarter of 2020.

During the first quarter of 2020, economic expansion in the New England region continued since the third quarter of 2010, but the rate of nonfarm payroll growth slowed for the fourth consecutive quarter. The rate of job growth in the region was below the national rate, a trend that has continued since the first quarter of 2011. Nonfarm payrolls rose in five states of the

continued on page 2



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continued from page 1

six-state region, and Massachusetts contributed most to job growth, accounting for nearly 60 percent of net job gains in the region during the first quarter of 2020. Despite slowing economic growth in the region, sales housing market conditions ranged from balanced to tight, tightening from the previous year. At the same time, home construction activity and home sales increased, but home sales price growth slowed. Apartment market conditions were balanced to tight throughout the region, and vacancy rates declined in most of the markets cited in this report, even though new apartment completions increased from a year earlier. Average apartment rents increased in the eight largest apartment markets in the region and rent growth in five of those markets matched or exceeded the average national growth rate.

- During the first quarter of 2020, nonfarm payrolls in the New England region grew at the slowest rate, year-over-year,

among all first quarters since the economic recovery in the region began in 2010. Economic conditions in the region slowed partially because gains in the education and health services sector were offset by losses in three other sectors.

- The population in the New England region increased 0.1 percent from 2018 to 2019, below the average annual 0.3-percent rate, from 2011 to 2018, and lower than the national average rates of 0.5 and 0.7 percent during the same respective periods.
- During the 12 months ending February 2020, home sales in the region increased 4 percent from a year ago to 184,500 homes sold, a period that included a 12-percent increase in single-family home construction. By contrast, multifamily construction activity in the region fell 31 percent and apartment market conditions remained balanced to tight.

Economic Conditions

The pace of economic growth in the New England region decelerated during the first quarter of 2020, the lowest first-quarter increase since the economic recovery began during the third quarter of 2010. Nonfarm payrolls increased 0.4 percent, or by 31,800 jobs, to approximately 7.41 million jobs, lower than the 0.9-percent growth rate during the first quarter of 2019. The recent rate of job growth in the region was below the first-quarter average of 1.2 percent a year from 2011 through 2018. Although nonfarm payrolls rose in all but one state in the region during the first quarter of 2020, the regional rate of job growth was slower than the national rate of 1.4 percent. Nonfarm payrolls

in New Hampshire increased at the fastest rate in the region, up 0.6 percent, or by 4,300 jobs. In the states of Massachusetts and Connecticut, the rate of job growth was 0.5 percent, and the number of jobs added increased by 18,900 and 9,100, respectively. Payrolls grew 0.4 percent, a gain of 2,000 jobs, in Rhode Island and increased 0.1 percent in Maine, or by 600 jobs. Jobs declined 1.0 percent, or by 3,100 jobs, in Vermont, where nonfarm payrolls fell for the third quarter in a row.

The education and health services sector added the most jobs during the first quarter of 2020, increasing by 15,900, or 1.0 percent, compared with a 1.7-percent growth rate during the

continued on page 3

Nonfarm payrolls grew in 8 of 11 sectors, supporting continued job growth in the New England region during the first quarter of 2020.

	First Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	7,377.7	7,409.5	31.8	0.4
Goods-Producing Sectors	892.0	892.3	0.3	0.0
Mining, Logging, & Construction	294.6	296.6	2.0	0.7
Manufacturing	597.4	595.8	-1.6	-0.3
Service-Providing Sectors	6,485.7	6,517.1	31.4	0.5
Wholesale & Retail Trade	1,032.5	1,023.8	-8.7	-0.8
Transportation & Utilities	212.5	220.7	8.2	3.9
Information	151.4	154.4	3.0	2.0
Financial Activities	458.7	461.6	2.9	0.6
Professional & Business Services	1,038.6	1,049.0	10.4	1.0
Education & Health Services	1,576.2	1,592.1	15.9	1.0
Leisure & Hospitality	719.8	711.6	-8.2	-1.1
Other Services	279.2	280.5	1.3	0.5
Government	1,016.7	1,023.4	6.7	0.7

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

Source: U.S. Bureau of Labor Statistics



continued from page 2

first quarter of 2019 and a first-quarter average growth of 1.5 percent a year from 2011 through 2018. At 1.59 million jobs, the sector is the largest nonfarm payroll sector in the New England region, accounting for 21 percent of total jobs. Nationally, the sector accounts for 16 percent of all jobs. The education and health services sector is the largest payroll sector in each state of the region, accounting for the most jobs added in three states. In Maine and Rhode Island, jobs in the sector rose by 1,700 and 2,300, respectively, or 1.3 and 2.1 percent. More than one-half of the increase in jobs for that sector in the region was concentrated in Massachusetts, with a gain of 7,100 jobs, or 0.9 percent, to 816,600 jobs. The education and health services sector declined for the first time since the first quarter of 2010 in Vermont, down by 1,300 jobs, or 1.9 percent.

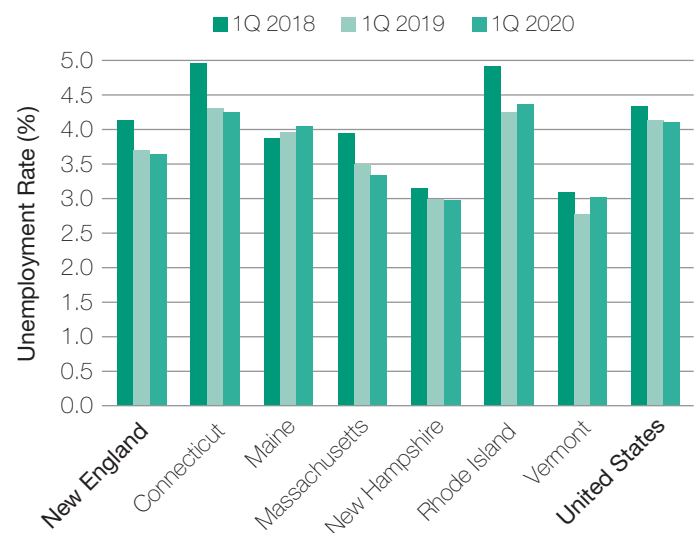
During the first quarter of 2020—

- The professional and business services sector, the second largest payroll sector in the region, grew by 10,400 jobs, or 1.0 percent, to nearly 1.05 million jobs, compared with a 1.4-percent growth rate during the previous year. The sector has added the most jobs in the region since mid-2010. During the first quarter of 2020, an overall increase of 12,200 jobs in Connecticut, Massachusetts, New Hampshire, and Vermont was slightly offset by an 1,800-job decline in Maine and Rhode Island.
- The fastest growing sector in the region was the transportation and utilities sector, which increased 3.9 percent, or by 8,200 jobs, to 220,700 jobs, up from the 1.9-percent growth rate during the first quarter of 2019. Jobs in the sector increased in five of the six states, with Connecticut adding more than three-fourths of all jobs. All those gains were in the transportation and warehousing industry, partly because of increased demand for goods from e-commerce companies and because Amazon.com, Inc. had been hiring in anticipation of opening a fourth fulfillment center in Stratford in May 2020, adding more than 100 new jobs.
- Job growth in the government sector accelerated, up 0.7 percent, or by 6,700 jobs, compared with a gain of 0.6 percent during the first quarter of 2019 because the federal and state

subsectors grew more rapidly, increasing 2.6 and 1.1 percent, or by 2,700 and 3,300 jobs, respectively. Government sector jobs increased in every state in the region, and gains were highest in Massachusetts and Vermont, which increased by 3,800 and 1,100 jobs, or 0.8 and 1.9 percent, respectively.

- Three nonfarm payroll sectors declined in the New England region, led by the wholesale and retail trade sector, which was down by 8,700 jobs, or 0.8 percent. Sector jobs fell because of a loss of 9,700 jobs in the retail trade subsector, which declined in every New England-region state.
- The unemployment rate declined slightly, to 3.6 percent from the 3.7-percent rate a year earlier, and was lower than the national average of 4.1 percent. Unemployment rates declined or remained unchanged in three states in the region, but increased in three, including Maine and Rhode Island, where the labor force grew faster than resident employment, and in Vermont, where the labor force declined at a faster rate than resident employment.

The unemployment rate fell in one-half of the states in the New England region during the first quarter of 2020.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

Population

The population of the New England region was nearly 14.85 million in 2019 (Census Bureau population estimates as of July 1), an increase of 15,750, or 0.1 percent, from 2018 but below the national growth rate of 0.5 percent. From 2011 to 2018, the population in the region grew by an average of 44,950, or 0.3

percent, annually, compared with an average rate of 0.7 percent a year for the nation. The current rate of population growth in the region is tied with the Midwest and the Mid-Atlantic regions for the lowest rate of growth among the 10 HUD regions; only the New York/New Jersey region lost population during the period.

continued on page 4

continued from page 3

The rate of population growth in the New England region slowed from 2018 to 2019 and was below the national average.

	Population Estimate (as of July 1)			Percentage Change	
	2017	2018	2019	2017 to 2018	2018 to 2019
United States	324,985,539	326,687,501	328,239,523	0.5	0.5
New England Region	14,796,502	14,829,322	14,845,063	0.2	0.1
Connecticut	3,573,297	3,571,520	3,565,287	0.0	-0.2
Maine	1,334,612	1,339,057	1,344,212	0.3	0.4
Massachusetts	6,859,789	6,882,635	6,892,503	0.3	0.1
New Hampshire	1,348,787	1,353,465	1,359,711	0.3	0.5
Rhode Island	1,055,673	1,058,287	1,059,361	0.2	0.1
Vermont	624,344	624,358	623,989	0.0	-0.1

Source: U.S. Census Bureau

Currently, the New England region accounts for 4.5 percent of the national population, slightly below the 4.7-percent ratio in 2011. Net natural change (resident births minus resident deaths) increased by 13,500 people and contributed to 86 percent of population growth during the past year. At the same time, net in-migration declined to 2,250 people because international net in-migration of 47,500 people was nearly offset by domestic net out-migration of 45,250 people.

During the 12 months ending July 2019—

- The New Hampshire population grew the fastest in the New England region and matched the national growth rate, increasing 0.5 percent, or by 6,250, with net in-migration totaling 6,425 people and accounting for all of the population growth in the state. International net in-migration of 4,475 people was bolstered by domestic in-migration of 1,950 people.
- Maine had the second highest population growth rate among all states in the region, at 0.4 percent, or an increase of

5,150. Along with New Hampshire, Maine was the only other state in the New England region where international and domestic net in-migration represented all of the population growth, up by 850 and 6,625 people, respectively.

- The population in Massachusetts and Rhode Island each grew at a rate of 0.1 percent, or 9,875 and 1,075, respectively. In Massachusetts, population growth was entirely the result of a net natural increase of 11,850 people because domestic net out-migration more than offset a 28,450-person net international in-migration; net natural increase accounted for 63 percent of population growth in Rhode Island.
- With population losses of 0.2 and 0.1 percent, or 6,225 and 370, respectively, Connecticut and Vermont ranked as the fifth and the tenth states in the nation to lose population. In Connecticut, net out-migration of 9,650 people more than offset a net natural increase of 3,425 people, and in Vermont, net out-migration of 320 people and a net natural decline of 50 people contributed to population loss.

Sales Market Conditions

Sales housing market conditions ranged from balanced to tight across the New England region during the first quarter of 2020. The months of supply of inventory declined throughout every state in the region. Sales markets were tight in Massachusetts and Maine, where the months of supply declined in February 2020 to 1.5 and 1.6 months, respectively, from 2.2 and 2.3 months in February 2019 (CoreLogic, Inc.). Markets were slightly tight in New Hampshire, with the months of supply unchanged at 1.9 months, and in Rhode Island, the months of supply decreased from 3.1 to 2.5 months. In Connecticut and Vermont, the months of supply decreased from 4.6 to 3.8 months and 4.0 to 3.3 months, respectively, and market conditions in both

markets were balanced. In the nation, the months of supply decreased from 3.0 months in February 2019 to 2.5 months in February 2020.

Even with declining available for-sale inventory regionwide, continued economic and population growth contributed to a rise in new and existing home sales (including single-family homes, townhomes, and condominiums) in the New England region. During the 12 months ending February 2020, new and existing homes (hereafter, home sales) in the region increased 4 percent from a year earlier to approximately 184,500 homes sold, following a 2 percent decline during the previous year (Metrostudy, A Hanley Wood Company, with adjustments by the

continued on page 5

continued from page 4

The number of homes sold increased in all six states in the New England region, and the average home sales price rose or remained relatively unchanged in all but one of the states.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Connecticut (N&E)	February	40,800	44,450	9	AVG	348,600	339,700	-3
Bridgeport, CT (N&E)	February	10,700	11,450	7	AVG	605,700	589,300	-3
Hartford, CT (N&E)	February	13,950	15,600	12	AVG	256,100	251,000	-2
Maine (N&E)	February	8,675	9,400	8	AVG	243,300	243,500	0
Portland, ME (N&E)	February	3,150	3,775	20	AVG	326,700	319,100	-2
Massachusetts (N&E)	February	81,650	83,800	3	AVG	493,600	507,800	3
Boston, MA (N&E)	February	56,500	56,900	1	AVG	552,300	571,600	3
Worcester, MA-CT	February	12,000	12,250	2	AVG	302,600	306,300	1
New Hampshire (N&E)	February	21,600	22,700	5	AVG	250,000	262,000	5
Manchester, NH (N&E)	February	6,375	6,200	-3	AVG	286,900	305,400	6
Rhode Island (N&E)	February	12,750	13,700	7	AVG	326,600	338,200	4
Providence, RI (N&E)	February	18,850	19,750	5	AVG	328,200	337,400	3
Vermont (N&E)	February	11,250	11,650	4	AVG	250,900	263,700	5
Burlington, VT (N&E)	February	3,600	3,750	4	AVG	299,800	324,500	8

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

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

analyst). Nationally, home sales increased 1 percent. Regional home sales increased partially in response to slowing growth in home sales prices. The rate of home sales rose in each of the six states in the region, ranging from 3 percent in Massachusetts to 9 percent in Connecticut. Home sales in almost all the eight largest metropolitan areas in the region increased, and the less expensive markets typically had larger increases. The greatest increases in sales—20 and 12 percent—occurred in the Portland and the Hartford metropolitan areas, respectively, where the average home prices of \$319,100 and \$251,000 were the first and fourth lowest among the major metropolitan areas in the region. Home sales increases ranged from 1 to 7 percent in five of the other six large markets, whereas sales contracted 3 percent in the Manchester metropolitan area.

During the 12 months ending February 2020, the average home sales price in the New England region rose 2 percent to \$403,000, down from growth of 3 percent during the previous year (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average home sales price in the region was 24 percent higher than the national average price of \$326,100, but the rate of growth was lower than the 3-percent national rate. Average home sales prices rose or remained unchanged in five states in the region, with the fastest gains of 5 percent each

occurring in New Hampshire and Vermont, where homes are affordable relative to other states in the region. Average home sales prices also increased in five out of eight major metropolitan areas cited in this report, ranging from a 1-percent increase in Worcester to an 8-percent increase in Burlington. The average sales price declined in the Bridgeport and Hartford metropolitan areas in Connecticut, falling 3 and 2 percent, respectively, and declined 2 percent in the Portland metropolitan area.

In February 2020, 1.5 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO (real estate owned) status, down from 1.7 percent a year earlier but above the national rate of 1.3 percent (CoreLogic, Inc.). The rate declined in every state of the region. The largest decline, of 0.4 of a percentage point, occurred in Maine, which along with Connecticut has the highest rate of seriously delinquent loans and REO properties in the region, at 2.0 percent.

During the first quarter of 2020 (preliminary data)—

- Single-family homebuilding in the region, as measured by the number of single-family homes permitted, totaled 2,525, a 12-percent increase from the first quarter of 2019, compared

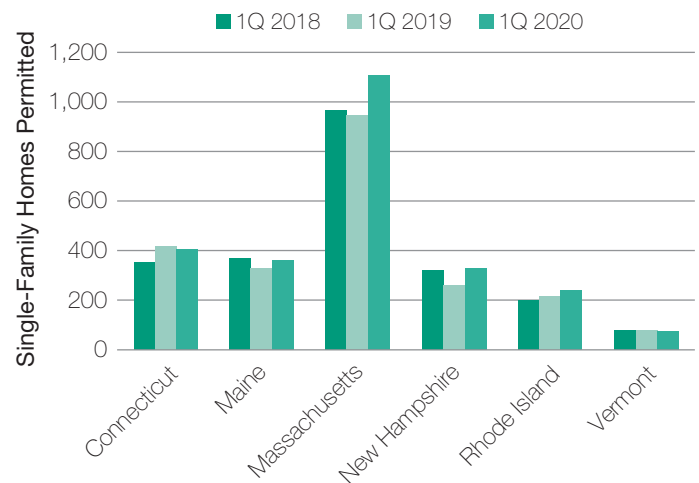
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continued from page 5

with a 2 percent decrease a year earlier. By comparison, the number of single-family homes permitted nationally increased approximately 18 percent during the first quarter of 2020, following a 6-percent decline during the first quarter of 2019.

- The number of single-family homes permitted increased in four states in the region, with nearly 60 percent of the increase occurring in Massachusetts, where single-family permitting rose by 160 homes, or 17 percent, to 1,100 homes. More than 90 percent of the increase in Massachusetts was concentrated in the portion of the Boston metropolitan area located in Massachusetts, where permitting increased 19 percent to 930 homes.
- Homebuilding activity also increased in New Hampshire, where single-family permitting increased by 70 homes, or 27 percent, and in Rhode Island and Maine, where single-family permitting was up by 30 homes each, or 13 and 10 percent, respectively, to a combined 940 homes permitted.
- Connecticut and Vermont were the only two states where single-family permitting decreased, down by 10 and 5 homes, or 3 and 6 percent, respectively.

Single-family home permitting increased in the New England region during the first quarter of 2020, with permitting up in all states except Connecticut and Vermont.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in major metropolitan areas in the New England region ranged from balanced to tight during the first quarter of 2020, unchanged from the previous quarter and a year earlier. The number of apartment units completed in the New England region totaled 2,650 during the first quarter of 2020, an increase of 8 percent from the 2,450 completions during the first quarter of 2019 (McGraw-Hill Construction Pipeline database). Massachusetts accounted for nearly 90 percent of all new apartment units completed in the region. An estimated 21,750 apartment units were under construction in the region at the end of the first quarter of 2020, with more than two-thirds expected to be completed by the first quarter of 2021.

Despite an increase in new apartment completions during the first quarter of 2020, apartment vacancy rates declined in five of the eight major metropolitan areas referenced in this report, and the vacancy rate for seven of the metropolitan areas in the region was below the national apartment vacancy rate of 4.4 percent. The largest decline in the apartment vacancy rate in the region occurred in the Portland metropolitan area, where the vacancy rate fell 1.7 percentage points to 2.4 percent, partly because no new apartments entered the market during the first quarter of 2020. The vacancy rate declined 0.6 of a percentage point to 3.6 and 4.7 percent in the Hartford and the Bridgeport metropolitan areas, respectively. Smaller declines of 0.2 and 0.1 of a percentage point, respectively, occurred in the

Providence and Boston metropolitan areas, where apartment vacancy rates during the first quarter of 2020 were 3.2 and 3.8 percent, respectively. The vacancy rate increased 0.2 of a percentage point each in the Burlington, Manchester, and Worcester metropolitan areas. Even with this increase, the rate of 1.6 percent in the Burlington metropolitan area was the lowest among the large metropolitan areas in the New England region during the first quarter of 2020.

During the first quarter of 2020, average monthly rents rose in all eight major metropolitan areas referenced in this report, and in five of those areas the rent increased at the same rate or faster than the national average increase of 4 percent. Average rents in seven of the eight metropolitan areas were above the \$1,436 average for the nation. The largest rent increase was in the Worcester metropolitan area, where the average rent rose 6 percent to \$1,684. Despite a 5-percent increase to \$1,464, the average rent in the Manchester metropolitan area was one of the lowest of the eight major metropolitan areas. Rents rose 4 percent in the Boston, Hartford, and Providence metropolitan areas, increasing to \$2,413, \$1,385, and \$1,540, respectively. In the Boston metropolitan area, where average rents are the highest in the New England region, approximately 2,225 new apartment units entered the market during the first quarter of 2020—36 percent more than during the first quarter of 2019. At \$3,632, the average monthly rent in the Intown Boston market

continued on page 7

continued from page 6

During the first quarter of 2020, apartment vacancy rates declined in most major metropolitan areas in the New England region, and average rents rose in all metropolitan areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2019 (%)	1Q 2020 (%)	Percentage Point Change	1Q 2019 (\$)	1Q 2020 (\$)	Percent Change
Boston, MA-NH	Slightly Tight	3.9	3.8	-0.1	2,314	2,413	4
Bridgeport, CT	Balanced	5.3	4.7	-0.6	2,301	2,341	2
Burlington, VT	Tight	1.4	1.6	0.2	1,628	1,645	1
Hartford, CT	Balanced	4.2	3.6	-0.6	1,326	1,385	4
Manchester, NH	Tight	1.8	2.0	0.2	1,388	1,464	5
Portland, ME	Tight	4.1	2.4	-1.7	1,463	1,500	3
Providence, RI-MA	Slightly Tight	3.4	3.2	-0.2	1,487	1,540	4
Worcester, MA-CT	Tight	2.5	2.7	0.2	1,584	1,684	6

1Q = first quarter.

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

area was the highest in the region during the first quarter of 2020, down 2 percent from a year earlier. Rents rose the most in the Rockingham/Strafford Counties market area, up 9 percent to \$1,456, the second most affordable market in the metropolitan area. Rent increases were more modest in the Portland, Bridgeport, and Burlington metropolitan areas, rising 3, 2, and 1 percent, respectively, to \$1,500, \$2,341, and \$1,645.

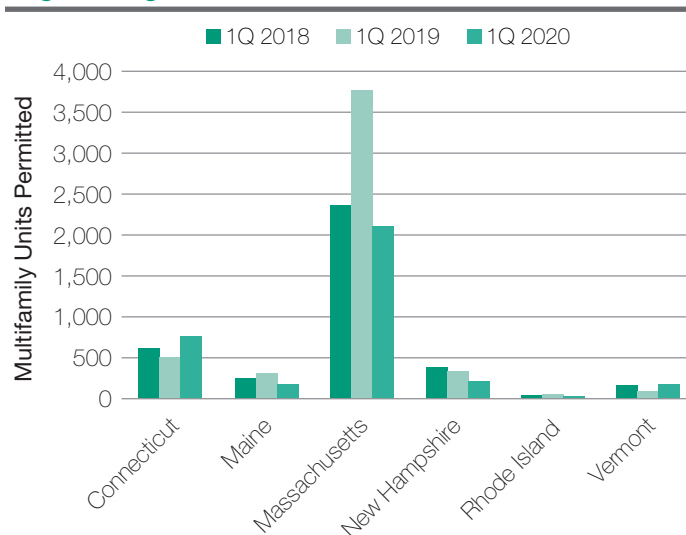
During the first quarter of 2020 (preliminary data)—

- The number of multifamily units permitted in the New England region fell to 3,450—down by 1,575 units, or 31 percent, from the same quarter a year earlier, compared with a 32-percent increase during the first quarter of 2019. By comparison, the number of multifamily units permitted nationally decreased 4 percent during the first quarter of 2020, following a 6-percent increase during the first quarter of 2019.
- The decrease in multifamily permitting in the region occurred primarily because the number of multifamily units permitted in Massachusetts decreased 44 percent to 2,100 units—down from 3,750 units during the first quarter of 2019. Despite the decrease, the state accounted for nearly two-thirds of units permitted in the New England region.
- Multifamily permitting also declined in Rhode Island, Maine, and New Hampshire, down 46, 44, and 36 percent, respectively, or by a combined 280 units, to 410 units.
- Two states in the New England region had increased multifamily permitting: Connecticut and Vermont, where permitting increased to 760 and 180 units, respectively. By comparison, the number of multifamily units permitted

decreased by 120 units, or 19 percent, in Connecticut, and by 80 units, or 48 percent, in Vermont during the first quarter of 2019.

- Approximately 85 percent of all multifamily units permitted in the New England region were in the eight largest metropolitan areas, down from 91 percent during the first quarter of 2019.

During the first quarter of 2020, multifamily home permitting declined in four of the six states in the New England region.



1Q = first quarter.

Note: Based on preliminary data.

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