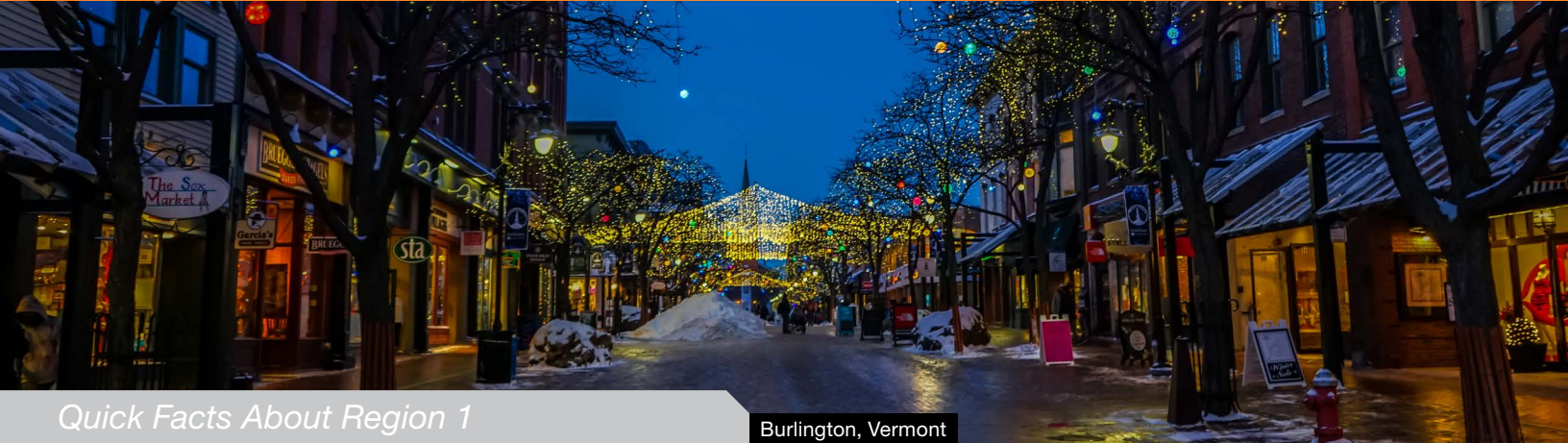


HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Burlington, Vermont

By Tim McDonald | 2nd quarter 2017

- **Sales market conditions—**
Second quarter 2017: mixed (balanced to tight).
First quarter 2017: mixed (balanced to tight).
Second quarter 2016: mixed (balanced to slightly tight).
- **Apartment market conditions—**
Second quarter 2017: mixed (balanced to tight).
First quarter 2017: mixed (balanced to tight).
Second quarter 2016: mixed (balanced to tight).

Overview

Economic conditions in the New England region remained strong during the second quarter of 2017. Nonfarm payrolls in the region expanded, continuing the trend that began during the third quarter of 2010. Job growth was widespread and contributed to increased demand for housing throughout the region. Sales housing market conditions ranged from balanced to tight across the region, with most metropolitan area markets being balanced. Apartment housing market conditions for metropolitan areas in the region ranged from balanced to tight. Vacancy rates increased in most metropolitan areas primarily because of a significant number of units completed during the past year. As a result, developers slowed production, and the number of multifamily units permitted decreased compared with a year ago.

During the second quarter of 2017—

- Nonfarm payrolls expanded in every state in the region, and the unemployment rate declined or remained unchanged for every state except Massachusetts.
- Single-family home sales and the median sales price increased in every state in the region except Massachusetts, where sales were flat. 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 average rent compared with average rents during the second quarter of 2016.



During the second quarter of 2017, nonfarm payrolls increased in 10 out of the 11 employment sectors in the New England region.

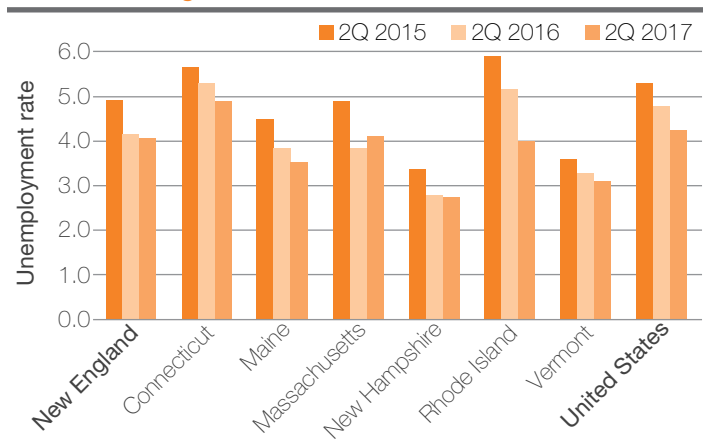
	Second Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,356.3	7,445.7	89.4	1.2
Goods-producing sectors	892.4	901.0	8.6	1.0
Mining, logging, and construction	300.4	311.3	10.9	3.6
Manufacturing	591.9	589.6	- 2.3	- 0.4
Service-providing sectors	6,464.0	6,544.7	80.7	1.2
Wholesale and retail trade	1,061.5	1,062.3	0.8	0.1
Transportation and utilities	199.7	203.7	4.0	2.0
Information	152.9	153.7	0.8	0.5
Financial activities	466.7	474.7	8.0	1.7
Professional and business services	1,008.0	1,023.2	15.2	1.5
Education and health services	1,525.0	1,556.2	31.2	2.0
Leisure and hospitality	755.3	767.2	11.9	1.6
Other services	281.9	287.1	5.2	1.8
Government	1,012.9	1,016.5	3.6	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 second quarter of 2017, and nonfarm payrolls expanded for 7 consecutive years. Nonfarm payrolls totaled nearly 7.45 million during the second quarter of 2017, an increase of 89,400 jobs, or 1.2 percent, which follows an increase of 91,700, or 1.3 percent, during the second quarter of 2016. Nonfarm payrolls expanded in every state of the region, with growth rates ranging from 0.5 percent in Maine and Vermont to 1.9 percent in New Hampshire. During the second quarter of 2017, Massachusetts accounted for nearly 49 percent of all nonfarm payroll jobs and 63 percent of the net job growth in the region. In the New England region, the education and health services sector led nonfarm payroll growth during the second quarter of 2017, increasing by 31,200 jobs, or 2.0 percent, from the second quarter of 2016. This sector is the largest employment sector in every state in the region, with nearly 1.56 million jobs, or approximately 21 percent of all nonfarm payroll jobs in the region. The sector expanded in every state with job growth ranging from 0.8 percent in Vermont to 2.5 percent in Massachusetts. The mining, logging, and construction sector had the largest percentage gain in jobs in the region during the second quarter of 2017, increasing 3.6 percent and adding 10,900 jobs, down from an increase of 4.5 percent during the second quarter of 2016. The professional and business services sector added the second most jobs of any employment sector, increasing by 15,200 jobs, or 1.5 percent, from the second quarter of 2016. Despite this

The unemployment rate in Rhode Island declined below the national average for the first time since 2003, while Connecticut was the only state in the New England region with an unemployment rate higher than the national average.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

increase in the region, Connecticut and Maine recorded job losses of 1,800 and 1,100, respectively, in the sector. Part of the decline in this sector in Connecticut was due to the start of the General Electric Company's relocating of employees from Connecticut to Massachusetts, where the professional and business services sector added 15,500 jobs, a 2.5-percent increase.

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Labor market conditions continued to improve in the New England region during the second quarter of 2017. The unemployment rate in the region averaged 4.1 percent, which was less than the national average of 4.2 percent. The unemployment rate declined in five out of the six states in the region, with an increase in Massachusetts due to a 3.1-percent increase in the labor force. The largest decline in the unemployment rate, 1.2 percentage points, was in Rhode Island, the only state in the region with a sharper decline than the decrease in the national average.

During the second quarter of 2017—

- Massachusetts led job gains in the region, with nonfarm payrolls increasing by 56,300, or 1.6 percent, to more than 3.63 million, with the education and health services sector leading job growth, adding 19,600 jobs, a 2.5-percent increase.

- In Maine, nonfarm payrolls increased by only 3,300 jobs, or 0.5 percent, and conditions were mixed with 6 out of 11 employment sectors losing jobs. The sector with the largest percentage decline was the information sector, which decreased 3.4 percent with 300 job losses. Part of this decline was the result of NexxLinx downsizing a call center in Orono by 100 jobs.
- Employment in the mining, logging, and construction sector in Rhode Island had the largest percentage gain of any sector in any state, increasing 11.6 percent, and adding 2,100 jobs. Part of this increase was the result of construction beginning on the new \$125 million engineering complex at the University of Rhode Island.
- In Vermont, nonfarm payrolls increased by 1,500, or 0.5 percent, an improvement from the second quarter of 2016, when non-farm payroll growth was flat. The leisure and hospitality sector, which increased by 1,700 jobs, or 5.0 percent, led job growth.

Sales Market Conditions

Sales housing market conditions ranged from balanced to tight across the New England region, with balanced markets in most states and metropolitan areas. Home sales totaled 176,900 during the 12 months ending June 2017, an increase of 4,000 homes, or more than 2 percent, from the previous 12 months. The number of homes for sale and the number of days a listing stayed on the market declined in every state in the region during the second quarter of 2017. Home sales prices in the region during May 2017

(the most recent data available) increased 6 percent compared with prices a year earlier, which was less than the national average increase of 7 percent (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 in every state in the region, except Massachusetts,

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Single-family and condominium sales were up in every state in the New England region except Massachusetts, where sales were flat due to lack of inventory for sale.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Connecticut (N&E)	June	30,550	31,550	3	MED	255,000	260,000	2
Maine (E)	June	16,850	17,150	2	MED	198,000	205,000	4
Massachusetts (E)	June	56,200	56,200	0	MED	380,000	410,000	8
New Hampshire (E)	June	17,000	17,300	2	MED	248,700	279,900	13
Rhode Island (E)	June	10,350	11,150	8	MED	245,000	258,000	5
Vermont (E)	June	6,200	6,400	3	MED	227,500	233,500	3
Connecticut (N&E—condo)	June	7,300	7,675	5	MED	165,000	170,000	3
Massachusetts (E—condo)	June	21,400	21,400	0	MED	349,900	361,500	3
New Hampshire (E—condo)	June	4,025	4,525	12	MED	181,200	189,900	5
Rhode Island (E—condo)	June	1,775	2,000	13	MED	207,900	212,500	2
Vermont (E—condo)	June	1,325	1,475	11	MED	201,250	185,000	-8

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

Notes: Median prices represent the first quarter 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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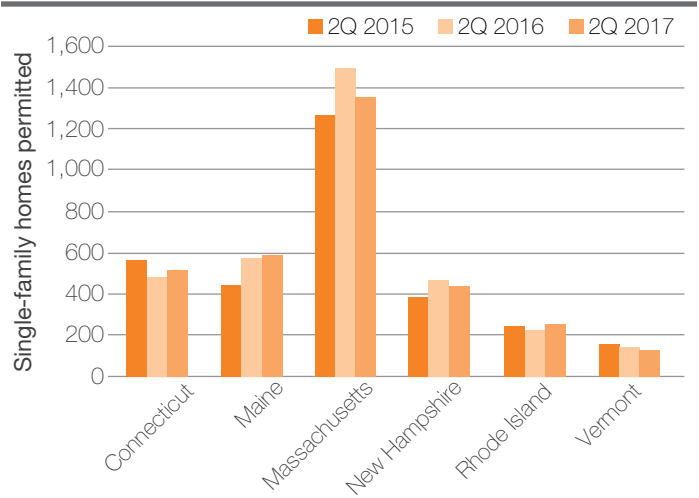
where the number of home sales remained unchanged from the previous 12 months (Home sales data in this report exclude new homes, except in Connecticut.). Rhode Island, where the market is currently balanced, had the largest percentage gain of single-family homes of any state in the region, increasing by 800 sales, or 8 percent, during the 12 months ending June 2017, as the median sales price for a single-family home increased 5 percent to \$258,000 (Rhode Island Association of Realtors®). Connecticut had the largest increase in single-family home sales of any state in the region, increasing by 1,000, or 3 percent, to 31,550, while the median sales price increased 2 percent, or \$5,000, to \$260,000.

During the 12 months ending June 2017, single-family home sales in Maine and New Hampshire increased 2 percent (Maine Real Estate Information System; New Hampshire Association of Realtors®). Maine has the lowest sales price for single-family homes of any state in the region, with a median sales price of \$205,000, an increase of \$7,000, or 4 percent, from the previous 12 months. New Hampshire had the largest increase of in the median sales price of single-family homes, increasing by \$31,200, or 13 percent, from the previous 12 months. The strong increase in prices in New Hampshire is attributable, in part, to a decrease in the number of homes for sale. During June 2017, 6,475 homes were for sale in New Hampshire, a decline of 2,025, or nearly 24 percent from June 2016. Single-family home sales in Vermont increased by 200, or 3 percent, while the median sales price rose by \$6,000, or 3 percent (Vermont Association of Realtors®).

Single-family home sales in Massachusetts totaled 56,200 during the 12 months ending June 2017, unchanged from the previous 12 months, and the median sales price increased \$30,000, or 8 percent, to \$410,000 (Massachusetts Association of Realtors®). The amount of inventory on the market limits sales growth. During June 2017, 2.9 months of supply was on the market, down from 4.3 months in June 2016. The number of homes listed for sale during June 2017 totaled nearly 14,000, a decline of 6,700 listings, or 32 percent, from June 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 June 2017, except for Massachusetts, where a limited inventory constrained sales (Massachusetts Association of Realtors®). Rhode Island had the largest percentage gain in condominium sales, increasing 13 percent, or nearly 230 sales, and New Hampshire had the largest percentage increase in the median sales price of condominiums, up 5 percent, or \$8,700 (Rhode Island Association of Realtors®; New Hampshire Association of Realtors®).

Maine is the only state in the New England region where the number of single-family permits has increased each year since the second quarter of 2015.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

In May 2017 (the most recent data available), 2.5 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 3.3 percent a year earlier (CoreLogic, Inc.). The 0.8-percentage-point decline in the region was more than the 0.6-percentage-point decline nationwide. The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during May 2017.

During the second quarter of 2017 (preliminary data)—

- Single-family homebuilding totaled 3,325, a decline of 100, or more than 3 percent, from the second quarter of 2016.
- The largest decline in single-family homebuilding was in Massachusetts, where single-family permitting declined by nearly 140 units, or 9 percent. The 10-percent decrease in permitting in Vermont was the largest percentage decline in the region.
- The 260 homes permitted in Rhode Island represented a 12-percent increase and were the most homes permitted in the state during any second quarter since 410 homes were permitted in 2007.
- In Connecticut, single-family homebuilding increased by 30, or 7 percent. Fairfield County in Connecticut accounts for slightly more than 40 percent of all single-family units permitted.



Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the second quarter of 2017. The apartment vacancy rate increased in most metropolitan areas in the region, partly because of the 15,400 apartment units completed in the region during the 12 months ending June 2017, which is unchanged from the previous 12 months but 21 percent higher than the number of units completed during the 12 months ending June 2015. Developers began to respond to the increasing vacancy rates by slowing production. Approximately 3,750 apartment units started construction in the region during the second quarter of 2017 compared with 5,725 units during the second quarter of 2016, a 34-percent decline (McGraw-Hill Construction Pipeline database).

The Manchester-Nashua metropolitan area is currently balanced but had the largest increase in vacancy rate of any major metropolitan area in the New England region at 1.3 percentage points, due, in part, to a large number of completions during the past year. During the 12 months ending June 2017, 570 apartment units were completed, up by 270, or 90 percent, from the previous 12 months (McGraw-Hill Construction Pipeline database). Apartment markets in the Bridgeport and Hartford metropolitan areas are currently balanced, with a 0.2-percentage point increase each in the vacancy rate during the second quarter of 2017. The increase in the apartment vacancy rate was due, in part, to an increase in new apartments entering the market during the past year. In the Bridgeport and Hartford metropolitan areas, construction was completed on 2,075 and 1,850 apartments, respectively, during the 12 months ending June 2017, an increase of 1,200 and 250 units, or more than 130 and 32 percent, respectively (McGraw-Hill Construction Pipeline database). In response, developers scaled back production. During the 12 months ending June 2017, 780 units were started in the Bridgeport metropolitan area, a decline of 1,575 units, or 66 percent,

from the previous 12 months. In the Hartford metropolitan area, where the vacancy rate is significantly lower than the Bridgeport metropolitan area, construction of new units declined by just 200, or 11 percent, to 1,600. Apartment market conditions have become balanced during the past year in the Portland metropolitan area compared with slightly tight conditions a year earlier. Construction was completed on 750 apartments during the 12 months ending June 2017, up from 460 units during the previous 12 months (McGraw-Hill Construction Pipeline database).

Apartment markets in major metropolitan areas in Rhode Island and Massachusetts were tight. In Providence, the apartment vacancy rate increased 0.1 percentage point, to 2.4 percent, during the second quarter of 2017. The small increase in the vacancy rate occurred despite the number of completions totaling 720 during the 12 months ending June 2017, more than double the 310 units completed during the previous 12 months (McGraw-Hill Construction Pipeline database). Developers responded to tight conditions in the Providence metropolitan area with 1,850 units scheduled for completion during the next 12 months, which are expected to help to alleviate the currently tight conditions. The Springfield metropolitan area had the lowest vacancy rate of any metropolitan area in the region at 1.4 percent, down from 1.8 percent during the second quarter of 2016, in part, due to a lack of new units entering the market. During the 12 months ending June 2017, no apartment units were completed, down from only 300 completions during the previous 12 months (McGraw-Hill Construction Pipeline database).

Apartment market conditions were tight in the Boston metropolitan area. The vacancy rate declined to 2.6 percent during the second quarter of 2017 compared with 3.2 percent a year earlier, despite the 17,300 units currently under construction. Approximately 7,425 apartment units were completed in the Boston metropolitan area

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Average rents increased in every major metropolitan area in the New England region, even as the vacancy rates increased in areas outside of Massachusetts.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2016 (%)	2Q 2017 (%)	Percentage Point Change	2Q 2016 (\$)	2Q 2017 (\$)	Percent Change
Boston ^a	Tight	3.2	2.6	-0.6	1,926	1,998	4
Providence ^a	Tight	2.3	2.4	0.1	1,301	1,365	5
Manchester-Nashua ^b	Balanced	3.4	4.7	1.3	1,272	1,311	3
Hartford ^b	Balanced	4.2	4.4	0.2	1,105	1,131	2
Bridgeport/Stamford/Norwalk ^b	Balanced	6.9	7.1	0.2	2,054	2,106	3
Springfield ^b	Tight	1.8	1.4	-0.4	995	1,000	1
Portland ^b	Balanced	3.0	5.1	2.1	1,120	1,157	3

2Q = second quarter.

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



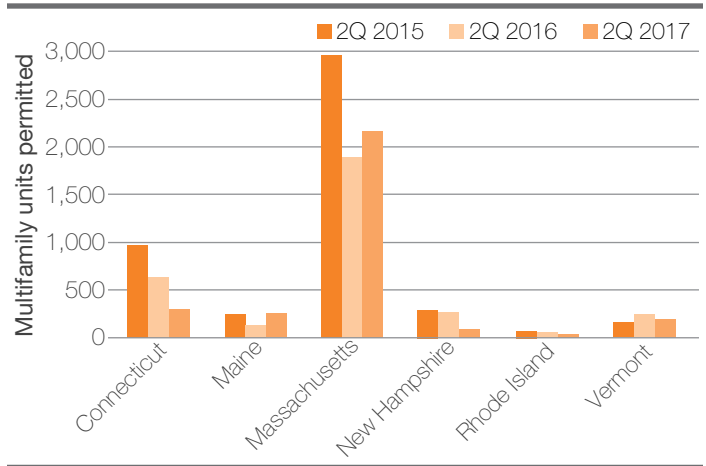
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during the 12 months ending June 2017, after the completion of nearly 7,775 apartment units during the 12 months ending June 2016, and 8,275 completions during the 12 months ending June 2015 (McGraw-Hill Construction Pipeline database).

During the second quarter of 2017 (preliminary data)—

- Multifamily permitting in the region was down by 210 units, or more than 6 percent, to 3,000 units, with declines in four of the six states from the second quarter of 2016, due in part to increasing vacancy rates in many metropolitan areas.
- Connecticut had the largest decline in the number of multifamily units permitted, down by 330, or nearly 53 percent, to 300 units.
- New Hampshire had the largest percentage decline in permitting for any state in the region, down 70 percent, or 180 units, to 80 units permitted.
- Massachusetts had the largest increase in the number of multifamily units permitted, up by nearly 270, or 14 percent, as an 850-unit permitting increase in the city of Boston offset permitting declines elsewhere in the state.
- In Maine, multifamily permitting totaled 260 units, double the number of units permitted during the second quarter of 2016.

Multifamily permitting in the New England region has declined since the second quarter of 2015 as more markets move from tight to balanced conditions.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

