

HUD PD&R Regional Reports

Region 1: New England

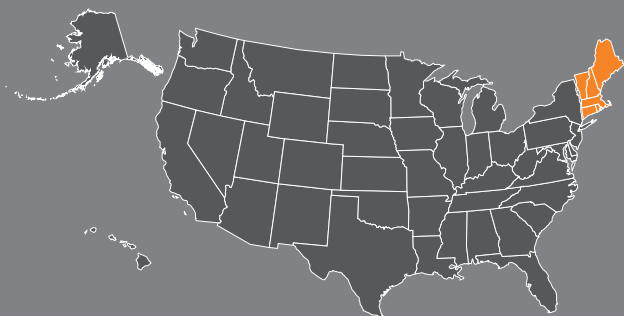


Quick Facts About Region 1

Boston, Massachusetts

By EMAD Region 3 staff | 2nd quarter 2018

- **Sales market conditions—**
Second quarter 2018: mixed (balanced to tight).
First quarter 2018: mixed (balanced to tight).
Second quarter 2017: mixed (balanced to tight).
- **Apartment market conditions—**
Second quarter 2018: mixed (balanced to tight).
First quarter 2018: mixed (balanced to tight).
Second quarter 2017: mixed (balanced to tight).



Overview

Economic and housing market conditions were strong in the New England region during the second quarter of 2018. Nonfarm payrolls increased more rapidly than a year ago, continuing the current expansion that began more than 7 years earlier in the third quarter of 2010. Because of economic growth, sales housing markets and apartment markets were balanced to tight throughout most of the region. The inventory of homes for sale was low in most states in the region resulting in declining sales in some areas. Single-family homebuilding activity increased or was unchanged in most New England states during the second quarter of 2018. In most apartment markets, average rents rose and vacancy rates declined despite an increase in apartment completions. Multifamily permitting was up for the region overall during the second quarter of 2018, continuing the trend of a high level of permitting since 2015.

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PD&R



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During the second quarter of 2018—

- Nonfarm payrolls expanded throughout most of the region, and the unemployment rate decreased in every state except New Hampshire, which had the lowest rate in the region and was below the national average because of a strong economy.

- Single-family home sales markets were tight in Massachusetts, New Hampshire, and Rhode Island and were balanced throughout the remainder of the region.
- Despite increases in the number of apartment units in initial lease-up throughout the region, apartment market conditions were primarily balanced in Connecticut and tighter in most major metropolitan areas elsewhere in the region.

Economic Conditions

The economy of the New England region continued to expand during the second quarter of 2018, a trend that began in mid-2010. During the second quarter of 2018, nonfarm payrolls in the New England region averaged 7.52 million, a gain of 93,300 jobs, or 1.3 percent, from the second quarter of 2017. By comparison, during the second quarter of 2017, nonfarm payrolls grew by 66,500 jobs, or 0.9 percent, from the same period a year earlier. The mining, logging, and construction and manufacturing sectors accounted for 30 percent of nonfarm payroll growth during the second quarter of 2018, compared with only 5 percent a year ago. Massachusetts led the region in payroll gains with an addition of 55,300 jobs, an increase of 1.5 percent from the second quarter of 2017. New Hampshire added 12,200 jobs, at a rate of 1.8 percent, the highest rate of growth in the region. In Connecticut, Rhode Island, and Maine, nonfarm payrolls rose by 11,900, 7,600, and 6,100 jobs, or 0.7, 1.5, and 1.0 percent, respectively. Nonfarm payrolls in Vermont were unchanged during this period.

New Hampshire was the only state in the New England region with a nonfarm payroll growth rate exceeding the national rate of 1.6 percent. With the exception of the information and government sectors, nonfarm payrolls were up in each sector in New Hampshire, with the leisure and hospitality sector leading the growth, increasing by 3,100 jobs, or 4.4 percent, from a year earlier. Job gains in this sector are, in part, because of increased tourism. During Memorial Day weekend in 2018, an estimated 650,000 out-of-state visitors spent \$120 million in the state compared with 625,000 visitors spending \$100 million a year earlier (*Concord Monitor*).

During the second quarter 2018, the unemployment rate in the region declined in every state except for New Hampshire, which had the lowest rate in the region, at 2.6 percent, unchanged from a year earlier. The unemployment rate in the region averaged 3.6 percent during the second quarter of 2018, down from 3.9 percent

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Nonfarm payrolls in the New England region increased 1.3 percent during the second quarter of 2018, up from 0.9 percent a year earlier.

	Second Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,428.4	7,521.7	93.3	1.3
Goods-producing sectors	897.4	925.7	28.3	3.2
Mining, logging, and construction	304.9	321.5	16.6	5.4
Manufacturing	592.5	604.2	11.7	2.0
Service-providing sectors	6,531.0	6,596.0	65.0	1.0
Wholesale and retail trade	1,059.7	1,062.6	2.9	0.3
Transportation and utilities	205.3	208.6	3.3	1.6
Information	154.1	151.1	- 3.0	- 1.9
Financial activities	463.7	467.0	3.3	0.7
Professional and business services	1,032.6	1,063.5	30.9	3.0
Education and health services	1,553.9	1,569.6	15.7	1.0
Leisure and hospitality	770.6	782.2	11.6	1.5
Other services	283.5	287.5	4.0	1.4
Government	1,007.7	1,003.8	- 3.9	- 0.4

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

Source: U.S. Bureau of Labor Statistics



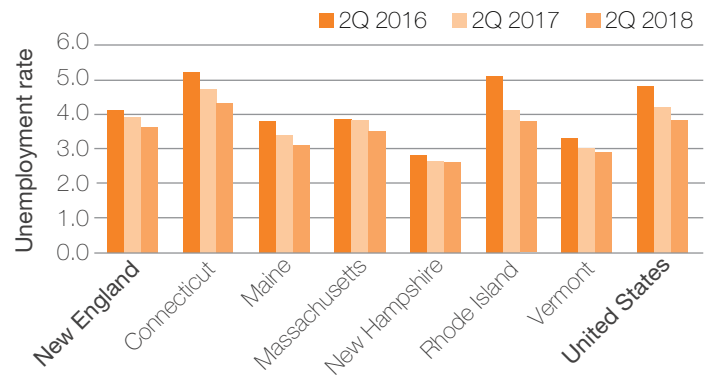
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a year earlier and below the national rate of 3.8 percent. The unemployment rate in Connecticut and Rhode Island averaged 4.3 and 3.8 percent, respectively, both higher than the regional rate. Unemployment rates in Massachusetts, Maine, and Vermont averaged 3.5, 3.1, and 2.9 percent, respectively.

During the second quarter of 2018—

- The professional and business services sector led job growth with a gain of 30,900 jobs, or 3.0 percent, compared with a gain of 18,100 jobs, or 1.8 percent, during the second quarter of 2017, accounting for one-third of all jobs added in the region. Massachusetts accounted for 80 percent of the sector growth in the region, adding 24,800 jobs, or 4.4 percent.
- The education and health services sector, the largest sector in the region, gained 15,700 jobs, or 1.0 percent, from a year earlier. The sector averaged 1.57 million jobs and accounted for 21 percent of total nonfarm payrolls. While all states had growth in this sector, Connecticut had the most gains with an increase of 5,100 jobs, or 1.5 percent, although growth slowed from 6,200 jobs, or 1.9 percent, a year earlier.
- The mining, logging, and construction sector had the highest rate of growth in nonfarm payrolls, increasing by 16,600 jobs, or 5.4 percent; Massachusetts and Connecticut led the growth with gains of 10,100 and 2,500 jobs, or 6.6 and 4.2 percent, respectively. In May, construction began on the 1,055 room Omni Boston Seaport Hotel, which is estimated to create 1,100 temporary construction jobs before its expected completion in 2021.
- The manufacturing sector in the New England region grew by 11,700 jobs, or 2.0 percent, compared with 500 jobs, or 0.1 percent, during the same period a year earlier; Connecticut

The average unemployment rate in the New England region was below the national rate.



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

accounted for 39 percent of jobs added in the sector and had the highest rate of growth at 2.9 percent. In June 2018, Pratt & Whitney announced a \$2 billion defense contract to supply an additional 135 engines for the F-35 Joint Strike Fighter, which is expected to boost payrolls by more than 2,000 jobs during the next 5 years.

- The only sectors to decline in the region were information and government, decreasing by 3,000 and 3,900 jobs, or 1.9 and 0.4 percent, respectively. The information sector declined in all states. Approximately 80 percent of jobs lost in the government sector were in Connecticut, where payrolls declined by 3,600 jobs, or 1.5 percent, because of fiscal tightening at the state and local level.

Sales Market Conditions

Sales housing market conditions ranged from balanced to tight across the New England region, unchanged from the previous quarter and the previous year. Home sales slowed in most states in the region, largely because the inventory of homes for sale was low. Most states in the region had an inventory of homes for sale below the national average of 5.3 months for new homes and 4.3 months for existing homes in June 2018 (Census Bureau; National Association of Realtors®). The supply of existing homes for sale in Massachusetts declined to 2.9 months in June 2018 compared with 3.5 months a year earlier (Massachusetts Association of Realtors®). In New Hampshire, the supply of existing homes was 3.8 months, down from 4.7 months in June 2017 (New Hampshire Association of Realtors®). In Maine, the inventory of new and existing homes for sale was 3.4 months in May 2018, down from

4.2 months in May 2017, and in Rhode Island the inventory of homes for sale was 3.6 months, unchanged from a year earlier (CoreLogic, Inc). In contrast, in Vermont and Connecticut, the supply of inventory increased, rising from 7.5 months and 5.8 months in May 2017 to 7.8 months and 6.0 months, in May 2018, respectively, in part, because of increased single-family home construction in Vermont and slowing sales in Connecticut (CoreLogic, Inc., with adjustments by the analyst).

Single-family home sales markets were tight in Massachusetts and slightly tight in New Hampshire and Rhode Island, in part, because of relatively strong job growth. Home sales markets were balanced in the remaining states in the region where job growth was slower, at 1.0 percent or lower. In Maine and Vermont, single-family

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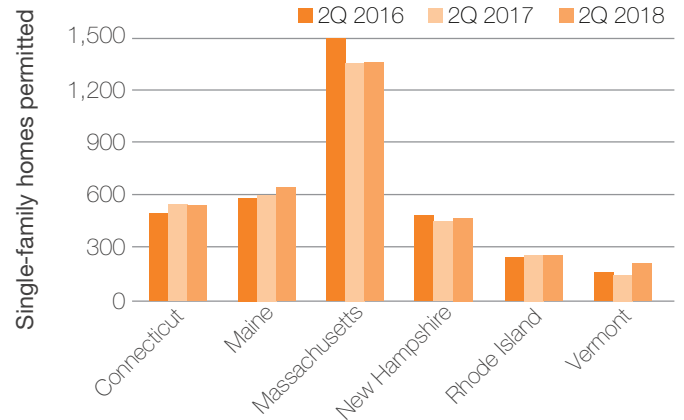
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home sales rose 3 percent and 5 percent to 17,750 and 13,050, respectively, during the most recent 12 months, the only two states with appreciable increases in home sales. Single-family home sales in New Hampshire and Connecticut were nearly unchanged during the period. In contrast, single-family home sales in Massachusetts and Rhode Island declined during the period, falling by 2 and 1 percent to 55,250 and 11,000, respectively, largely because of a decline in the number of homes available for sale.

Home sales prices in the region increased approximately 6 percent in May 2018 compared with prices a year earlier, similar to the regional increase during the previous year and to the national increase of 6 percent in May 2018. (Federal Housing Finance Agency House Price Index). Single-family home sales prices rose in each state in the region during the past 12 months; increases in home sales prices ranged from 2 percent in Connecticut, with an average price of \$319,500, to 11 percent in Maine, where the median home sales price was \$227,500. Rhode Island had the second highest percentage gain in the region, rising 9 percent to a median price of \$280,000. In Massachusetts and New Hampshire, home sales prices increased 5 and 6 percent, with median prices of \$430,000 and \$295,000, respectively, and in Vermont, home sales prices rose 4 percent, to an average of \$225,000.

In May 2018, 2.0 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; the current rate is down from 2.6 percent a year earlier and equal to the national rate (CoreLogic, Inc.). The percentage of seriously delinquent home loans and REO properties decreased in every

Single family permitting increased in Maine, New Hampshire, and Vermont during the second quarter of 2018 and was unchanged in the remaining states in the New England region.



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

state in the region, with the greatest declines of 0.8 and 0.7 percentage point in Rhode Island and Maine, respectively. The percentage of seriously delinquent home loans and REO properties was highest in Maine, Connecticut, and Rhode Island at 2.8, 2.5, and 2.2 percent, respectively, and the lowest rates were in New Hampshire, Massachusetts, and Vermont at 1.1, 1.7, and 1.7 percent, respectively.

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In response to declining inventories, the number of homes sold declined or remained unchanged in several states in the region while sales prices rose throughout the region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2017	2018	Percent Change		2017 (\$)	2018 (\$)	Percent Change
Connecticut (N&E)	May	47,300	47,100	0	AVG	314,200	319,500	2
Maine (E)	June	17,150	17,750	3	MED	205,000	227,500	11
Massachusetts (E)	June	56,250	55,250	-2	MED	410,000	430,000	5
New Hampshire (E)	June	17,350	17,400	0	MED	279,000	295,000	6
Rhode Island (E)	June	11,150	11,000	-1	MED	258,000	280,000	9
Vermont (N&E)	May	12,400	13,050	5	AVG	215,900	225,000	4
Massachusetts (E—condo)	June	21,450	21,700	1	MED	361,500	390,000	8
New Hampshire (N&E—condo)	June	4,525	4,825	7	MED	189,900	210,800	11
Rhode Island (E—condo)	June	2,000	2,225	11	MED	212,500	230,000	8

AVG = Average. Condo = condominium. E = existing. MED = median. N&E = new and existing.
 Note: Median prices represent June 2017 and 2018 for Maine, Massachusetts, New Hampshire, and Rhode Island. Average prices are the 12 months ending May 2017 and 2018 for Vermont and Connecticut. Single-family home sales include townhomes for all states in the region.
 Sources: CoreLogic, Inc., with adjustments by the analyst; Maine Real Estate Information System; Massachusetts Association of Realtors®; New Hampshire Association of Realtors®; Rhode Island Association of Realtors®



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During the second quarter of 2018 (preliminary data) –

- Homebuilding activity in the region, as measured by the number of single-family homes permitted, totaled 3,450, up 140 homes, or 4 percent, from a year earlier, compared with a decrease of 100 homes, or 3 percent, during the second quarter of 2017. By comparison, the number of homes permitted nationally increased 6 percent from a year ago after a 9-percent gain during second quarter of 2017.
- Three of the six states in the region had increases in single-family homebuilding; a gain of 65 homes, or 48 percent, in Vermont, largely because of an increase of 40 homes permitted in the Burlington metropolitan area led this gain. The number of single-

family homes permitted rose in Maine and New Hampshire by 40 and 30 homes, or 7 and 6 percent, respectively. Single-family construction was unchanged in Connecticut, Rhode Island, and Massachusetts.

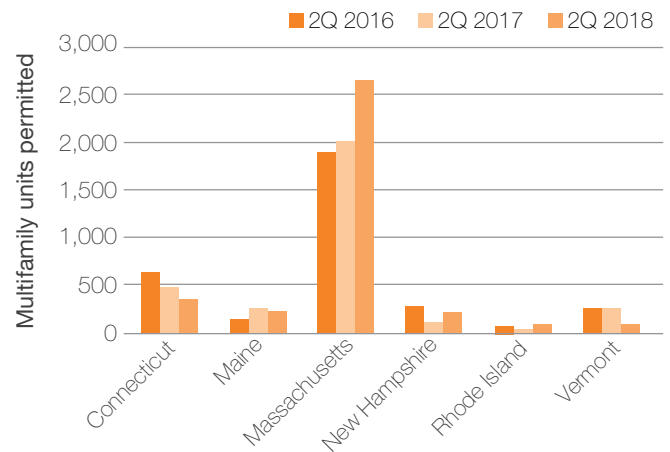
- The largest percentage increases in single-family homebuilding activity in major metropolitan areas occurred in the Boston and Hartford metropolitan areas, where single-family permitting rose by 160 and 30 homes, or 12 and 14 percent, respectively, from a year earlier.
- Single-family homebuilding activity in the Providence and New Haven metropolitan areas declined from a year ago, falling by 50 and 40 homes, or 11 and 42 percent, respectively.

Apartment Market Conditions

Apartment market conditions ranged from balanced to tight in most of the large metropolitan areas in the New England region during the second quarter of 2018. Conditions were balanced in Connecticut, where apartment completions have kept pace with demand, but were tighter throughout the rest of the region. The 5,050 apartment units completed in the region during the second quarter of 2018 was double the 2,525 completions during the second quarter of 2017. Completions during the second quarter of 2018 were also 47 percent higher than the average of 3,425 units completed during the second quarters from 2014 through 2016 (McGraw-Hill Construction Pipeline database). An estimated 32,050 apartment units were under construction in the region at the end of the second quarter of 2018, with nearly two-thirds expected to be completed by the second quarter of 2019. Massachusetts accounted for 75 percent of the completions in the region during the second quarter of 2018, followed by Connecticut with 14 percent of completions.

In the Boston metropolitan area, apartment market conditions were slightly tight during the second quarter of 2019; the vacancy rate was unchanged at 3.9 percent, and the average rent rose 3 percent, to \$2,267, compared with a year earlier (RealPage, Inc.). Apartment completions in the Boston metropolitan area and the city of Boston were up 53 and 29 percent, to 11,650 and 2,625 units, respectively, during the 12 months ending June 2018 (McGraw-Hill Construction Pipeline database). The largest increase in vacancy in the Boston metropolitan area, however, occurred in the RealPage, Inc.-defined Southwest Boston market area where the rate rose from 3.2 to 4.3 percent due to the leasing of approximately 890 units completed during the 12 months ending June 2017. The average rent concession for Class A units in the Southwest Boston area increased from 4 to 6 percent compared

Multifamily permitting increased in the New England region overall during the second quarter of 2018.



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

with a year earlier. Despite the recent increase in the level of concessions, the percent of units offering concessions declined slightly to 88 percent from nearly 100 percent a year earlier.

In the Providence metropolitan area, the vacancy rate rose slightly from 2.9 percent during the second quarter of 2017 to 3.0 percent during the second quarter of 2018, and in the Portland metropolitan area, the vacancy rate decreased from 4.4 to 3.8 percent. Rents averaged \$1,422 and \$1,530 in the Providence and Portland metropolitan areas, respectively, rising 4 percent each, the highest percentage increases in the region and double

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Apartment vacancy rates declined or remained unchanged, and rents increased in most major metropolitan areas in the New England region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2017 (%)	2Q 2018 (%)	Percentage Point Change	2Q 2017 (\$)	2Q 2018 (\$)	Percent Change
Boston	Slightly Tight	3.9	3.9	0	2,192	2,267	3
Bridgeport-Stamford-Norwalk	Balanced	5.2	4.4	-0.8	2,311	2,363	2
Hartford	Balanced	4.8	4.5	-0.3	1,307	1,330	2
Manchester	Tight	3.4	2.9	-0.5	1,360	1,396	3
New Haven	Balanced	4.4	4.4	0	1,456	1,473	1
Portland	Slightly Tight	4.4	3.8	-0.6	1,471	1,530	4
Providence	Tight	2.9	3.0	0.1	1,365	1,422	4

2Q = second quarter.

Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

the 2-percent average increase in rent for the nation (RealPage, Inc.). Market conditions were tight in the Providence metropolitan area despite the completion of 1,050 units during the 12 months ending June 2018, nearly double the number of units that entered the market a year earlier (McGraw-Hill Construction Pipeline database). In the Manchester metropolitan area, the vacancy rate decreased from 3.4 to 2.9 percent, the lowest rate among major metropolitan areas in the region, and rents rose 3 percent to \$1,396. Approximately 250 units were completed during the 12 months ending June 2018 in the Manchester metropolitan area, and 430 units were under construction during the second quarter of 2018; they are expected to be completed by early 2019.

Apartment vacancy rates were unchanged in the New Haven metropolitan area and declined in the Bridgeport and Hartford metropolitan areas, with the average rent rising in each. The largest decrease in the apartment vacancy rate in the region occurred in the Bridgeport metropolitan area, declining from 5.2 to 4.4 percent (RealPage, Inc.), partially because fewer units were in lease-up compared with a year ago. Approximately 820 apartment units were completed during the 12 months ending June 2018, down from 1,900 units a year earlier (McGraw-Hill Construction Pipeline database). The average rent in the Bridgeport metropolitan area was \$2,363, up 2 percent from a year ago. In the Hartford metropolitan area, the vacancy rate decreased from 4.8 to 4.5 percent, and the average rent increased 2 percent, to \$1,330. In the New Haven metropolitan area, the average rent was \$1,473, a 1-percent increase. Apartment completions were down more than 40 percent each in the Hartford and New Haven areas compared

with a year ago, to 825 and 280 apartment units completed, respectively, during the 12 months ending June 2018.

During the second quarter of 2018 (preliminary data)—

- The number of multifamily units permitted in the New England region rose to 3,550, up by 500, or 16 percent, compared with a year earlier after a 5-percent decrease in the second quarter of 2017. By comparison, the number of multifamily units permitted nationally increased 3 percent from a year ago after a 4-percent increase in the second quarter of 2017.
- The largest increase occurred in Massachusetts, where multifamily permitting was up 33 percent, or by 660 units, from the same period a year ago, to 2,650 units permitted; more than offsetting a combined decline of 320 units in Connecticut, Maine, and Vermont.
- New Hampshire and Rhode Island had the highest percentage increases in the region, increasing from 100 to 200 units in New Hampshire and from 15 to 80 units in Rhode Island. In the Providence metropolitan area, nearly 110 units were permitted, up from 60 units permitted during the second quarter of 2017; approximately 75 percent of the recent permitting activity was in Rhode Island and the remainder was in Bristol County, Massachusetts.
- In the Boston metropolitan area, multifamily construction rose by 750 units, or 37 percent, to 2,775 units, accounting for 78 percent of multifamily activity in the region. From 2012 through 2016, an estimated 57 percent of multifamily units permitted in the region were in the Boston metropolitan area.