

HUD PD&R Regional Reports

Region 1: New England

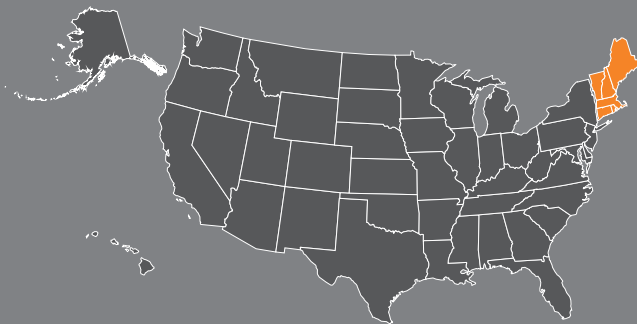


Quick Facts About Region 1

Providence, Rhode Island

By Tomasz Kukawski | 2nd Quarter 2019

- **Sales market conditions—**
Second quarter 2019: balanced
First quarter 2019: mixed (balanced to slightly tight)
Second quarter 2018: mixed (balanced to tight)
- **Apartment market conditions—**
Second quarter 2019: mixed (balanced to tight)
First quarter 2019: mixed (balanced to tight)
Second quarter 2018: mixed (balanced to tight)



Overview

The economic expansion in the New England region began in the third quarter of 2010 and continued in the second quarter of 2019, with the rate of growth nearly unchanged from the previous year but slower than the average growth earlier this decade. Except for the manufacturing sector, nonfarm payroll levels have risen in all sectors since the current economic expansion began, with the education and health services sector leading job growth in the region. During the second quarter of 2019, nonfarm payrolls grew in every state in the region, led by New Hampshire, with the slowest gains in Maine and Connecticut. Because of continued economic stability, sales housing market conditions were balanced, and apartment market conditions have remained balanced to tight since the second quarter of 2018. Slower job growth since 2017 and a shortage of for-sale inventory, however, resulted in declining home sales in most areas of the region. Single-family homebuilding activity declined in all New England states during the second quarter of 2019, whereas apartment construction fell regionwide; gains happened only in Connecticut and Vermont, which generally supported declining vacancy rates and rising average rents in all major apartment markets.

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- During the second quarter of 2019, nonfarm payrolls rose 0.7 percent from a year earlier, with the rate of growth unchanged from the second quarter of 2018. The rate of job growth in the New England region trailed behind the national rate of 1.6 percent.
- Home sales markets were balanced in all states, and home sales in the region declined 3 percent during the 12 months ending June 2019. Single-family homebuilding in the region

during the second quarter of 2019 decreased 14 percent from a year earlier, compared with a decline of more than 5 percent nationally.

- Multifamily construction in the region declined 22 percent during the second quarter of 2019. Permitting increases in Connecticut and Vermont were more than offset by decreases in the remaining states of the region, with the greatest decline in Massachusetts.

Economic Conditions

Economic conditions continued to strengthen, but at a slow pace, in the New England region during the second quarter of 2019, as the current economic expansion nears its ninth year. Nonfarm payroll jobs have posted continuous year-over-year gains since the third quarter of 2010. During the second quarter of 2019, nonfarm payrolls in the New England region averaged nearly 7.55 million, a gain of 55,600 jobs, or 0.7 percent, from the second quarter of 2018, when 47,500 jobs were added, an increase of 0.6 percent. The recent rate of job growth in the region has been slower than the second-quarter average of 1.3 percent a year from 2012 through 2017. Payrolls in the region rose in every state during the second quarter of 2019, led by Massachusetts, where jobs grew by 28,500, or 0.8 percent, accounting for 51 percent of job growth in the region. Job gains in New Hampshire and Connecticut totaled 10,000 and 6,700 jobs, or 1.5 and 0.4 percent, respectively. In Vermont and Rhode

Island, nonfarm payrolls rose by 3,900 and 3,700 jobs, or 1.2 and 0.7 percent, respectively, and Maine gained 2,800 jobs, or 0.4 percent. The job growth rate in every state in the region was below the national rate of 1.6 percent. The education and health services sector is the largest employment sector in each state of the region, with nearly 1.6 million jobs combined. On aggregate, the sector accounts for 21 percent of all nonfarm payroll jobs in the region, up from a 16-percent share in 2000. Tourism is an important part of the regional economy, with 790,300 jobs in the leisure and hospitality sector. During the 12 months ending June 2019, approximately 4,475 new hotel rooms at 34 properties were added to the hotel inventory in the region, including the 630-room Encore Boston Harbor resort and casino in Everett, Massachusetts by Wynn Resorts Ltd. An additional 7,400 hotel rooms are under construction and are expected to be completed by June 2021 (Dodge Data & Analytics LLC).

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During the second quarter of 2019, all nonfarm payroll growth in the New England region occurred in the service-providing sectors.

	Second Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,489.8	7,545.4	55.6	0.7
Goods-Producing Sectors	914.2	911.7	-2.5	-0.3
Mining, Logging, & Construction	316.5	314.8	-1.7	-0.5
Manufacturing	597.7	596.9	-0.8	-0.1
Service-Providing Sectors	6,575.6	6,633.7	58.1	0.9
Wholesale & Retail Trade	1,051.8	1,047.7	-4.1	-0.4
Transportation & Utilities	211.8	218.4	6.6	3.1
Information	152.3	154.6	2.3	1.5
Financial Activities	461.9	463.8	1.9	0.4
Professional & Business Services	1,058.9	1,065.9	7.0	0.7
Education & Health Services	1,558.1	1,585.8	27.7	1.8
Leisure & Hospitality	781.2	790.3	9.1	1.2
Other Services	287.6	289.6	2.0	0.7
Government	1,011.8	1,017.6	5.8	0.6

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



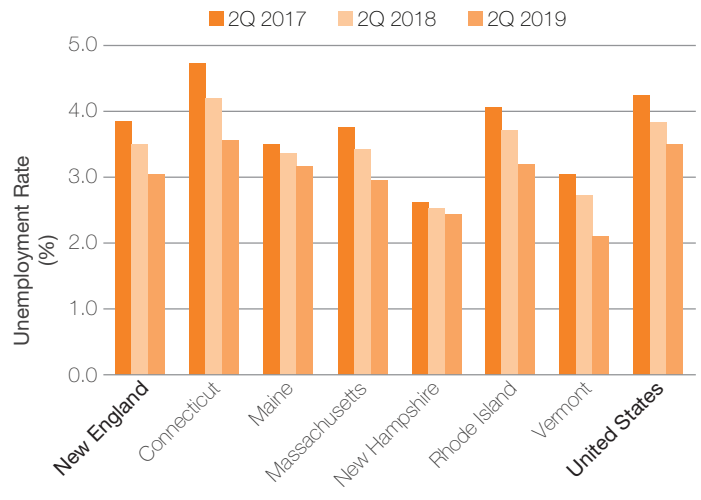
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Labor market conditions strengthened in the region during the second quarter of 2019. The unemployment rate in the region averaged 3.0 percent, below the national rate of 3.5 percent. The unemployment rate in the region declined in all six states, with the largest decline of 0.6 percent in Connecticut and Vermont, which have rates of 3.6 and 2.1 percent, respectively.

During the second quarter of 2019—

- A gain of 27,700 jobs, or 1.8 percent, in the education and health services sector led job growth and accounted for roughly one-half of all jobs added in the region, with the sector adding most jobs in each New England state except for Vermont and Maine. Additions in the sector ranged from 15,700 jobs in Massachusetts to 500 jobs in Maine.
- The leisure and hospitality sector recorded the second largest growth of 9,100 jobs, or 1.2 percent, in the region and was the sector with most jobs added in Vermont. Most job gains in the sector occurred in Connecticut, New Hampshire, and Vermont, up by 3,200, 2,700, and 2,000 jobs, respectively.
- The transportation and utilities sector expanded the fastest in the region, up 3.1 percent, or by 6,600 jobs, to 218,400. The sector was the fastest growing sector in Massachusetts and Rhode Island, with an increase of 4.0 and 7.7 percent, or 4,100 and 900 jobs, respectively.
- Significant job growth occurred in the professional and business services sector, the second largest employment sector in the region, which gained 7,000 jobs, or 0.7 percent, to nearly 1.07 million. Most jobs gains in the sector were in Massachusetts and New Hampshire, which added 6,200 and 1,700 jobs, respectively, while 1,500 jobs in the sector were lost in Rhode Island.

The regional unemployment rate remained below the national rate during the second quarter of 2019.



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

- The two sectors that declined the most in the region were the wholesale and retail trade and the mining, logging, and construction sectors, which fell by 4,100 and 1,700 jobs, or 0.4 and 0.5 percent, respectively. The retail trade subsector accounted for all jobs lost in the wholesale and retail trade sector, partly because of layoffs at Sears, Roebuck and Company across the region, whereas slower residential construction activity was partially responsible for the first quarterly decline in the mining, logging, and construction sector since the end of 2010.

Sales Market Conditions

Sales housing market conditions were balanced across the New England region during the second quarter of 2019. Home sales totaled 215,550 during the 12 months ending June 2019, a decline of 6,500 homes, or nearly 3 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Home sales in the region slowed largely due to low inventory of available homes and a slowdown in job growth. Regular resales fell more than 2 percent during the past 12 months, while distressed home sales (real estate owned [REO] and short sales) rose nearly 4 percent. The increase in relatively lower-priced distressed sales likely slowed the rise in the average home sales price in the region, which grew 4 percent during the 12 months ending May 2019, slower than the 6-percent increase during the previous 12 months. By comparison, during the past 12 months, the average home sales price increased 5 percent nationally (Federal Housing Finance Agency House Price Index).

Home sales (including single-family homes, townhomes, and condominiums) declined in Connecticut, Massachusetts, New Hampshire, and Rhode Island from the previous 12 months and remained relatively unchanged in Maine and Vermont. The largest decline in home sales in the region occurred in Massachusetts, where, during the 12 months ending June 2019, approximately 3,450 fewer homes sold, a decrease of 3 percent from the previous 12 months. During the same period, the average home sales price in the state rose 3 percent to \$499,300, following a gain of nearly 5 percent a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The decline in home sales occurred in large part because of limited inventory of homes available for sale which decreased to 2.8 months of supply in May 2019 from 3.2 months in May 2018 (Massachusetts Association of Realtors®). New Hampshire had the largest percentage loss of home sales in the region, with a decline of 4 percent, or 1,000

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sales, while the average home sales price increased 4 percent, to \$287,200 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

During the 12 months ending June 2019, home sales in Connecticut and Rhode Island fell 3 percent. In Rhode Island, the average home sales price rose 3 percent, to \$319,900, while in Connecticut it remained nearly unchanged from a year earlier, at \$333,400. During the same period, home sales in Vermont and Maine were unchanged from the previous 12 months. A year earlier, the average home sales price in the New England region was the lowest in Maine but rose 5 percent to \$239,100 during the 12 months ending May 2019 and is now higher than in Vermont, where the average home sales price was \$237,000, unchanged from the previous 12 months (Maine Real Estate Information System).

In May 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 REO status, down from 2.0 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties declined in every state in the region, with the greatest decrease of 0.4 percentage point each in Connecticut, Massachusetts, and Maine. Maine, Connecticut, and Rhode Island had the highest percentage of delinquent mortgage loans and REO properties, at 2.4, 2.1, and 1.9 percent, respectively. The rate in New Hampshire was 1.0 percent, the only state in the region below the national rate of 1.4 percent.

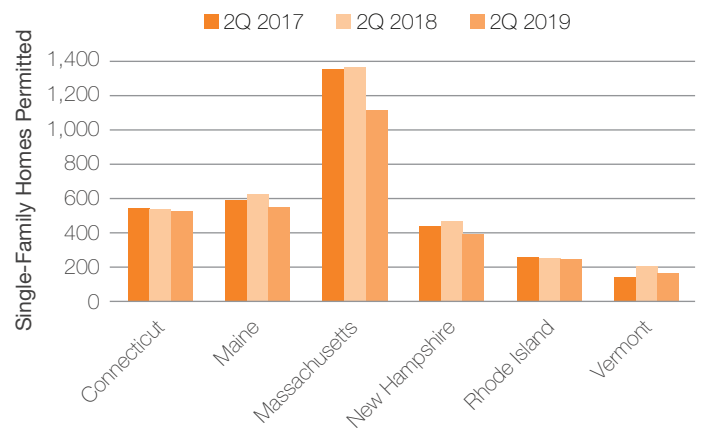
During the second quarter of 2019 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, totaled 2,975, down by 480 homes, or 14 percent, from a year earlier, compared with an increase of 150 homes, or 4 percent, in the second quarter of 2018. By comparison, the number of homes permitted nationally fell more than 5 percent from a year earlier after a nearly 6-percent gain in the second quarter of 2018.
- Massachusetts had the largest net decrease in single-family homebuilding, down approximately 250, or 19 percent, from

the second quarter of 2018. The state contributed more than 50 percent of the decline in all homes permitted in the region.

- Substantial declines also occurred in New Hampshire and Maine, where permitting fell by 75 and 80 homes, or 16 and 13 percent, respectively. The largest percentage decrease was in Vermont, down by 50 homes, or 23 percent, but this decrease followed a 51-percent increase during the second quarter of 2018.
- Relative to other states in the region, declines in homebuilding were small in Connecticut and Rhode Island, down by 20 and 10 homes, or 4 and 3 percent, respectively.
- Among the major metropolitan areas in the region, homebuilding fell in the Boston metropolitan area by 350 homes, or 25 percent, but rose by 30 homes, or nearly 13 percent, in the Hartford metropolitan area.

During the second quarter of 2019, single-family permitting fell in all states in the New England region from a year earlier, with the greatest decline in Massachusetts.



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

Home sales declined or were unchanged in all states in the New England region, and Maine was the only state where home sales price growth matched the national average.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 (\$)	2019 (\$)	Percent Change
Connecticut (N&E)	June	47,650	46,150	-3	AVG	334,300	333,400	0
Maine (E)	June	17,750	17,700	0	MED	227,500	239,100	5
Massachusetts (N&E)	June	99,800	96,350	-3	AVG	484,700	499,300	3
New Hampshire (N&E)	June	27,100	26,100	-4	AVG	276,300	287,200	4
Rhode Island (N&E)	June	16,550	16,050	-3	AVG	309,600	319,900	3
Vermont (N&E)	June	13,200	13,200	0	AVG	237,000	237,000	0

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

Notes: For Maine, median prices represent the second quarter of 2018 and 2019. Home sales include single-family homes, townhomes, and condominiums for all states in the region.

Sources: Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Maine Real Estate Information System



Apartment Market Conditions

Apartment market conditions in metropolitan areas of the New England region mostly ranged from slightly tight to tight during the second quarter of 2019. Only in the Bridgeport metropolitan area were conditions balanced. The nearly 9-year run of job growth contributed to tighter market conditions and rent increases in the region. The apartment vacancy rate declined in all large markets in the region despite an overall increase in the apartment inventory. During the 12 months ending June 2019, approximately 19,050 apartment units were completed in the New England region, up by 3,050 units, or 19 percent, from the previous 12 months (Dodge Data & Analytics LLC). The pace of apartment construction slowed, however, with 4,200 units under construction during the second quarter of 2019, a 44-percent decline from the same period a year earlier.

The largest decline in the apartment vacancy rate occurred in the Hartford metropolitan area where the rate fell 1.6 percentage points from 4.2 to 2.6 percent (RealPage, Inc.), and market conditions changed from balanced to slightly tight. The metropolitan area remains the most affordable apartment housing market in the New England region, and the average rent rose 3 percent to \$1,314 from the second quarter of 2018. During the second quarter of 2019, the fastest apartment rent growth was in the Manchester metropolitan area, up 8 percent to an average of \$1,376, while the vacancy rate declined to 1.8 percent. A large decline in new apartment completions in the metropolitan area contributed to tight market conditions; during the 12 months ending June 2019, only 100 apartment units were completed, down by 420, or 81 percent, from the previous 12 month (Dodge Data & Analytics LLC). Tight apartment market conditions also prevailed in the Portland and Providence metropolitan areas, where vacancy rates were 2.0 and 2.8 percent, and rents rose 7 percent in each market to \$1,534 and \$1,502, respectively.

Market conditions in the Worcester metropolitan area are slightly tight. The apartment vacancy rate fell from 3.1 to 1.7 percent, and the average rent rose 4 percent to \$1,587 during the second quarter of 2019, while apartment completions totaled 660 units during the 12 months ending June 2019, up 67 percent from the 12 months ending June 2018. Apartment market conditions were also slightly tight in the Boston metropolitan area. The vacancy rate declined to 3.1 percent during the second quarter of 2019, compared with 3.7 percent a year earlier, despite the 23,500 units currently under construction. Approximately 10,850 apartment units were completed in the Boston metropolitan area during the 12 months ending June 2019, down by 800 units, or 7 percent, from the previous 12 months. In the Bridgeport metropolitan area, market conditions remained balanced, with the apartment vacancy rate of 4.1 percent during the second quarter of 2019, and the average rent rose 2 percent to \$2,337. The apartment vacancy rate in the metropolitan area remained relatively unchanged from a year earlier despite 1,950 apartment units completed during the 12 months ending June 2019, a 63-percent increase from the previous 12 months.

During the second quarter of 2019 (preliminary data)—

- The number of multifamily units permitted in the New England region fell to 2,925, down by 820 units, or 22 percent, from the same quarter a year earlier. The current decline in the region follows a 22-percent gain during the second quarter of 2018.
- Massachusetts had the highest number of multifamily units permitted in the New England region, but it was also where multifamily permitting declined the most from the same quarter a year ago, down by 980 units, or 36 percent, to 1,775.

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Apartment market conditions mostly tightened across the New England region, and rent growth was the highest in the Manchester metropolitan area.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2018 (%)	2Q 2019 (%)	Percentage Point Change	2Q 2018 (\$)	2Q 2019 (\$)	Percent Change
Boston	Slightly Tight	3.7	3.1	-0.6	2,207	2,317	5
Bridgeport	Balanced	4.2	4.1	-0.1	2,302	2,337	2
Hartford	Slightly Tight	4.2	2.6	-1.6	1,276	1,314	3
Manchester	Tight	3.0	1.8	-1.2	1,280	1,376	8
Portland	Tight	3.5	2.0	-1.5	1,432	1,534	7
Providence	Tight	3.0	2.8	-0.2	1,409	1,502	7
Worcester	Slightly Tight	3.1	1.7	-1.4	1,526	1,587	4

2Q = second quarter.

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

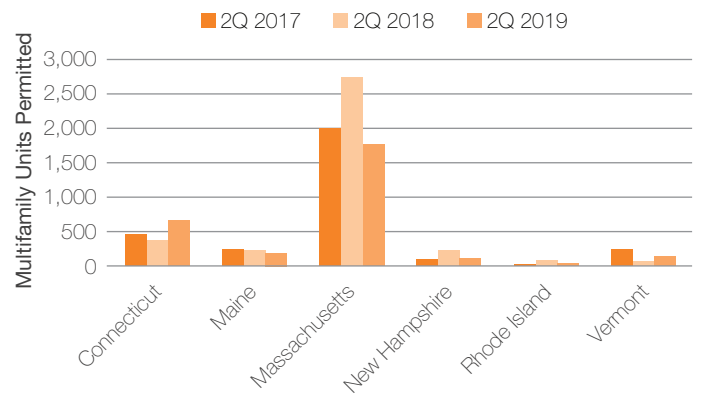


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Massachusetts accounted for 61 percent of multifamily units permitted in the region, and virtually all the units permitted in the state were in the Boston metropolitan area.

- Multifamily permitting also declined from the second quarter of 2018 in New Hampshire, Rhode Island, and Maine, down by 110, 45, and 40 units, or 50, 49, and 18 percent, respectively, largely because developers reduced production of luxury apartment units in major metropolitan areas. In Manchester, Providence, and Portland, multifamily permitting decreased 67, 19, and 34 percent, respectively.
- Offsetting declines in other states, multifamily permitting increased in Connecticut and Vermont by 300 and 70 units, or 81 and 109 percent, respectively. These gains represent a reversal in the trend of multifamily units permitted in both states, where the number of multifamily units permitted fell 21 percent in Connecticut and 73 percent in Vermont, during the second quarter of 2018.

During the second quarter of 2019, multifamily permitting decreased year over year in four of the six New England region states, with the greatest decline in Massachusetts.



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

