

HUD PD&R Regional Reports

Region 1: New England

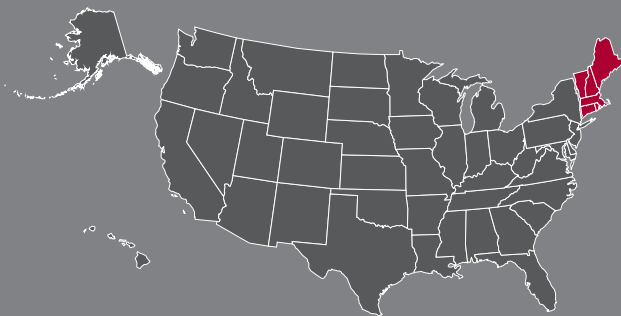


Quick Facts About Region 1

New Haven, Connecticut

By Tim McDonald | 3rd quarter 2016

- **Sales market conditions—**
Third quarter 2016: mixed (balanced to tight).
Second quarter 2016: mixed (balanced to slightly tight).
Third quarter 2015: mixed (balanced to tight).
- **Apartment market conditions—**
Third quarter 2016: mixed (balanced to tight).
Second quarter 2016: mixed (balanced to tight).
Third quarter 2015: mixed (balanced to tight).



Overview

Economic conditions remained positive in the New England region during the third quarter of 2016, continuing the trend that began during the third quarter of 2010 and marking 6 consecutive years of growth. Job growth was widespread throughout the region, with every state in the region adding jobs. The continued economic growth resulted in increased demand for housing throughout the New England region. Home sales totaled 173,100 during the 12 months ending September 2016, an increase of 14,500 homes, or more than 9 percent, from the 12 months ending September 2015. Apartment market conditions for metropolitan areas in the region ranged from balanced to tight, with tight conditions in every state in the region except Connecticut, where conditions were balanced.

During the third quarter of 2016—

- Every nonfarm payroll sector and every state in the region added jobs.
- Single-family home sales and the median sales price increased in every state in the region.
- The average rent increased in every major metropolitan area in the region from the third quarter of 2015.



Job growth occurred in every sector in the New England region during the third quarter of 2016.

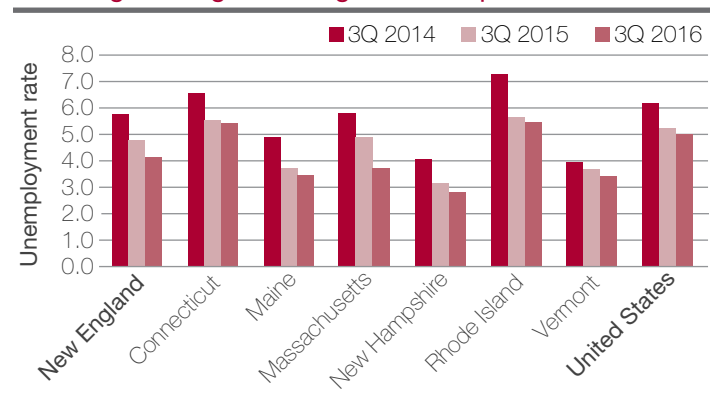
	Third Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,274.2	7,394.3	120.1	1.7
Goods-producing sectors	905.3	918.5	13.2	1.5
Mining, logging, and construction	303.7	315.9	12.2	4.0
Manufacturing	601.6	602.6	1.0	0.2
Service-providing sectors	6,368.9	6,475.8	106.9	1.7
Wholesale and retail trade	1,064.4	1,072.5	8.1	0.8
Transportation and utilities	192.4	197.8	5.4	2.8
Information	154.5	154.9	0.4	0.3
Financial activities	466.5	474.2	7.7	1.7
Professional and business services	998.7	1,023.7	25.0	2.5
Education and health services	1,482.5	1,512.1	29.6	2.0
Leisure and hospitality	785.2	812.5	27.3	3.5
Other services	285.9	288.8	2.9	1.0
Government	938.9	939.3	0.4	0.0

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 third quarter of 2016, and nonfarm payrolls expanded for the sixth consecutive year. During the third quarter of 2016, nonfarm payrolls totaled more than 7.39 million, an increase of 120,100, or 1.7 percent, from the third quarter of 2015. Nonfarm payroll growth in the New England region ranged from 0.7 percent in Maine to 2.1 percent in Massachusetts. Nonfarm payroll growth was led by the education and health services sector, which increased by 29,600 jobs, or 2.0 percent. This sector is also the largest employment sector in the region, with more than 1.5 million jobs, more than 20 percent of all nonfarm payroll jobs in the region. The education and health services sector expanded in five of the six states in the region. The exception was Rhode Island, where employment in the education and health services sector declined by 700 jobs, or 0.6 percent, due in part to layoffs at several hospitals in the state during the past year. The mining, logging, and construction sector had the largest percentage increase, 4.0 percent, of any sector in the region, increasing by 12,200 jobs. Employment in the mining, logging, and construction sector increased in four of the six states in the region, with Maine and Connecticut having job losses of 1,700 and 300, or 5.5 and 0.5 percent, respectively, due in part to declines in residential construction. Massachusetts led gains in this sector, increasing by 12,100 jobs, or 8.1 percent. Several large-scale construction projects are currently under way in Massachusetts, including a Wynn Resorts casino in Everett, a \$2.1 billion project scheduled for completion in 2019 that, at its peak, is likely to employ 4,000 construction workers. The unemployment rate in the New England region is currently 4.1 percent, which is below the national average of 5.0 percent.

The unemployment rate declined in every state in the New England region during the third quarter of 2016.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

During the third quarter of 2016—

- Massachusetts led job gains in the region, with nonfarm payrolls increasing by 75,700, or 2.1 percent, to nearly 3.6 million, with job growth led by the education and health services sector, which added 22,500 jobs, a 3.0-percent increase.
- In Connecticut and New Hampshire, where nonfarm payrolls increased by 15,900 and 12,900 jobs, or 1.0 and 2.0 percent, respectively, the leisure and hospitality sector led job gains with increases of 3,900 and 2,600, or 2.5 and 3.4 percent, respectively.
- Nonfarm payrolls in Rhode Island increased by 6,200 jobs, or 1.3 percent, with the professional and business services sector growing by 2,500 jobs, or 3.8 percent, and leading job gains, in part because GE Digital added 100 jobs.

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- Nonfarm payrolls in Vermont totaled 314,900, an increase of 5,000 jobs, or 1.6 percent, with the mining, logging, and construction sector having the largest percentage increase, up 4.1 percent, or by 700 jobs, in part because construction began on a \$187 million expansion of the University of Vermont Medical Center, which is expected to be complete in 2020.
- Maine had the lowest rate of nonfarm payroll growth in the region, increasing 0.7 percent, or by 4,500 jobs, with the leisure and hospitality sector leading growth by adding 2,800 jobs, an increase of 3.6 percent.

Sales Market Conditions

Sales housing market conditions in the New England region ranged from balanced to tight during the third quarter of 2016, unchanged from conditions during the same period a year earlier. Moderate economic growth contributed to increasing home sales in every state in the region. The inventory of homes on the market declined in every state in the region except Connecticut, where the months' supply of both single-family homes and condominium units increased. Despite sustained job growth during the past 6 years, home sales prices in the region during August 2016 (the most recent data available) increased 4.6 percent compared with prices a year earlier, which was 1.8 percentage points less than the national average (Federal Housing Finance Agency House Price Index).

Single-family home sales markets were balanced throughout the region except in Massachusetts, where conditions were tight. Sales of single-family homes, including townhomes, increased in every state in the region. New Hampshire had the largest percentage gain in single-family homes sold, with sales totaling nearly 17,200 during the 12 months ending September 2016, an increase of 2,100 homes, or 14 percent (New Hampshire Association of Realtors®).

The median sales price of a single-family home in New Hampshire during September 2016 was \$247,500, an increase of \$6,400, or 3 percent, from September 2015. Massachusetts, which accounted for more than 40 percent of single-family home sales in the region during the 12 months ending September 2016, had the largest increase in home sales, which were up by 4,900, or 10 percent, to 55,800 homes sold (Massachusetts Association of Realtors®). Massachusetts also had the highest median price for single-family home sales in the region during September 2016, at \$355,000, an increase of \$14,500, or 4 percent, from September 2016. The single-family home sales market in the Boston metropolitan area is currently tight, with 2.6 months of inventory on the market, down from 3.5 months a year earlier. Single-family home sales in the Boston metropolitan area during the 12 months ending September 2016 totaled 14,300, an increase of 700, or more than 5 percent, from the previous 12 months, and the median sales price increased by \$21,800, or more than 4 percent, to \$544,300 (Greater Boston Association of Realtors®). Connecticut, with a 7-percent increase

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Home sales remained strong in the New England region because continued economic growth contributed to increased demand.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
Connecticut (N&E)	September	28,400	30,500	7	MED	255,000	257,600	1
Maine (E)	September	15,300	17,100	12	MED	185,400	188,000	1
Massachusetts (E)	September	50,900	55,800	10	MED	340,500	355,000	4
New Hampshire (E)	September	15,100	17,200	14	MED	241,100	247,500	3
Rhode Island (E)	September	9,525	10,700	12	MED	234,500	242,950	4
Vermont (E)	September	5,725	6,275	10	MED	197,000	215,000	9
Connecticut (N&E—condo)	September	7,200	7,250	1	MED	170,000	165,500	-3
Massachusetts (E—condo)	September	20,000	21,100	5	MED	305,000	334,900	10
New Hampshire (E—condo)	September	3,550	4,000	13	MED	159,900	180,000	13
Rhode Island (E—condo)	September	1,650	1,800	9	MED	200,000	195,900	-2
Vermont (E—condo)	September	1,225	1,350	10	MED	183,700	186,250	1

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

Notes: Median prices represent the third quarters of 2015 and 2016 for Connecticut but represent September 2015 and September 2016 for all other states in the region.

Single-family home sales include townhomes for every state 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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in single-family sales, was the only state in the region that did not have a double-digit increase in single-family home sales during the 12 months ending September 2016. The median sales price of a single-family home in Connecticut during the third quarter of 2016 was \$257,600, an increase of \$2,600, or 1 percent, from a year earlier (Berkshire Hathaway Home Services New England Properties). A decline in single-family home sales of more than 7 percent and a 4-percent drop in the median sales price in Fairfield County, which has a median sales price of more than \$500,000, limited home sales price increases overall in Connecticut during the most recent 12 months.

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 September 2016, led by Massachusetts, with an increase of 1,100 homes, or 5 percent, from the previous 12 months. New Hampshire and Vermont had the largest percentage increases in condominium sales, up 13 and 10 percent, respectively, and Connecticut had the smallest percentage increase, of 1 percent. Changes in the median sales price of condominiums were mixed across the New England region, with the median price increasing in Massachusetts, New Hampshire, and Vermont but declining in Connecticut and Rhode Island. Condominium sales in the Boston metropolitan area totaled 11,000, an increase of 550, or more than 5 percent, from the previous 12 months, and the median sales price rose to \$489,000, an increase of \$39,000, or nearly 9 percent, from the previous 12 months (Greater Boston Association of Realtors®). A 1.9-month supply of condominiums is currently for sale in the Boston metropolitan area, down from a 2.4-month supply in September 2015.

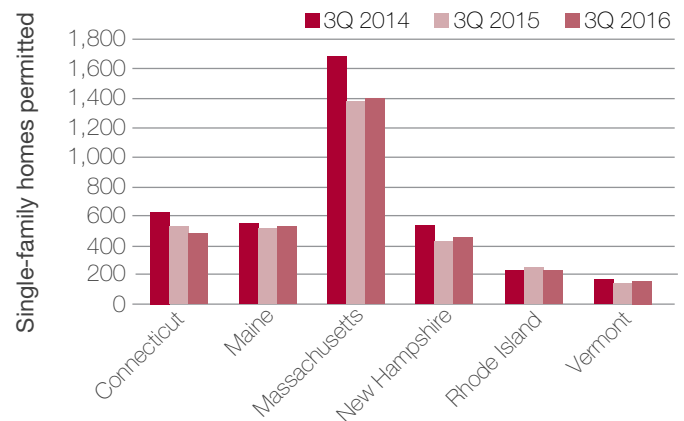
In August 2016 (the most recent data available), 3.0 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 4.0 percent a year earlier (CoreLogic, Inc.). The 1.0-percentage-point decline in the region was larger than the 0.8-percentage-point decline nationwide. The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during August 2016. The declines ranged from 1.3 percentage points in Connecticut and Rhode Island, where the delinquency rates are 3.5 and 3.6 percent, respectively, to 0.6 percentage point in Vermont, where the rate is

2.3 percent. New Hampshire, with a 1.8-percent delinquency rate, and Vermont are the only states in the region with delinquency rates below the national average of 2.7 percent, and the rate in Massachusetts is equal to the national rate.

During the third quarter of 2016 (preliminary data)—

- Single-family home construction, as measured by the number of homes permitted, remained essentially unchanged in the region, at 3,250 homes, compared with permitting during the third quarter of 2015, but activity in every state in the region is below the levels recorded during the third quarter of 2014.
- Vermont had the largest increase in single-family homebuilding activity, with 170 homes permitted, an increase of 30, or 21 percent, from the third quarter of 2015.
- Massachusetts led the region in single-family home construction with 1,400 homes permitted, which is essentially unchanged from the third quarter of 2015 and accounted for more than 43 percent of the total in the region.
- Connecticut had the largest decline in single-family building activity with only 480 homes permitted, down by 50, or more than 9 percent, from the third quarter of 2015.

Single-family construction totaled 3,250 homes during the third quarter of 2016 in the New England region, unchanged from the third quarter of 2015.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the third quarter of 2016. Currently, 30,500 multifamily units are under construction in the New England region, up from 27,100 units under

construction during the third quarter of 2015 (McGraw-Hill Construction Pipeline database). The apartment vacancy rate increased in every metropolitan area in the New England region except the Manchester-Nashua metropolitan area, due in part to the 16,300

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apartment units completed in the region during the 12 months ending September 2016. Apartment market conditions were tight in the Manchester-Nashua metropolitan area, where the vacancy rate declined from 2.1 percent during the third quarter of 2015 to 1.1 percent during the third quarter of 2016 (MPF Research). The vacancy rate declined even with the completion of 400 apartment units in the metropolitan area during the 12 months ending September 2016 (McGraw-Hill Construction Pipeline database).

The completion of nearly 3,850 apartment units in Connecticut during the 12 months ending September 2016 (McGraw-Hill Construction Pipeline database) contributed to increasing vacancy rates in the major metropolitan areas of the state; however, apartment market conditions remained balanced, with 4.4- and 4.6-percent vacancy rates in the Bridgeport-Stamford-Norwalk and Hartford metropolitan areas, respectively (Axiometrics, Inc.). The Burlington metropolitan area had the largest increase in the apartment vacancy rate, 1.2 percentage points, of any metropolitan area in the region, but market conditions remained tight. The vacancy rate increased from 1.2 to 2.4 percent, in part because more than 300 apartment units were completed during the past 12 months (McGraw-Hill Construction Pipeline database).

Apartment market conditions remained tight in the Boston metropolitan area, with a vacancy rate of 2.9 percent, up from 2.3 percent during the third quarter of 2015 (MPF Research). The vacancy rate increased in the Boston metropolitan area with the completion of 8,900 apartment units during the 12 months ending September 2016 (McGraw-Hill Construction Pipeline database). The average rent for an apartment in the Boston metropolitan area was \$1,954, an increase of \$79, or 4 percent, from the third quarter of 2015. Of the 15 MPF Research-defined market areas in the Boston metropolitan area, 11 had increased apartment vacancy rates from the third quarter of 2015. The Plymouth County market area had the largest vacancy rate increase of any market area in the Boston metropolitan area, up from 2.0 percent during the third quarter of

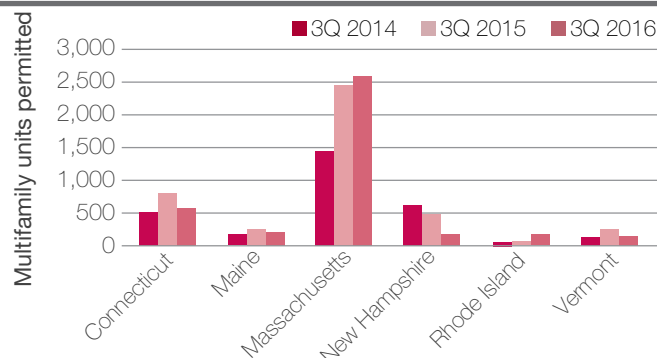
2015 to 5.3 percent during the third quarter of 2016, which was the highest vacancy rate of the 15 market areas. The Plymouth County market area also had the largest percentage increase in the average rent of any market area, nearly 11 percent, to \$1,565. The increasing vacancy rate and rent in this market area are the result of numerous recent completions in the areas of the county that are connected to the Boston subway system and are able to command a higher rent. The largest decline in the apartment vacancy rate was in the Intown Boston market area, where the vacancy rate declined from 3.0 to 2.3 percent. This market area is also the most expensive in the metropolitan area, with an average rent of \$3,267, which was up by \$17, or less than 1 percent, from the third quarter of 2015.

During the third quarter of 2016 (preliminary data)—

- Multifamily construction in the region, as measured by the number of multifamily units permitted, totaled 3,800 units, a decline of 500, or nearly 12 percent, from the third quarter of 2015.

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Multifamily construction declined in four of the six states in the New England region during the third quarter of 2016.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment market conditions remained tight in most major metropolitan areas in the New England region, except in the state of Connecticut, where conditions were balanced.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2015 (%)	3Q 2016 (%)	Percentage Point Change	3Q 2015 (\$)	3Q 2016 (\$)	Percent Change
Boston ^a	Tight	2.3	2.9	0.6	1,875	1,954	4
Bridgeport-Stamford-Norwalk ^b	Balanced	3.7	4.4	0.7	2,286	2,350	3
Burlington ^b	Tight	1.2	2.4	1.2	1,751	1,761	1
Hartford ^b	Balanced	4.5	4.6	0.1	1,313	1,332	1
Manchester ^a	Tight	2.1	1.1	-1.0	1,143	1,226	7
Portland ^b	Tight	2.9	3.7	0.8	1,311	1,343	2
Providence ^a	Tight	1.9	2.5	0.6	1,303	1,347	3

3Q = third quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Axiometrics, Inc.



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- New Hampshire had the largest decline in multifamily construction, down by 340 units, or more than 69 percent, to 150 units permitted. In Connecticut, the number of units permitted declined 30 percent, or by 240 units, to 560 units permitted.
- Rhode Island had the largest percentage increase in multifamily construction, up more than 300 percent, or by 110 units, to 140 units permitted.
- In Massachusetts, 2,625 multifamily units were permitted, an increase of 150 units, or 6 percent, from the third quarter of 2015. The state accounted for more than 69 percent of all multifamily units permitted in the region. The five Massachusetts counties included in the Boston metropolitan area, with a total of 2,575 units permitted, accounted for 98 percent of multifamily units permitted in the state and 67 percent of multifamily units permitted in the region.

