HUD PD&R **Regional Reports**

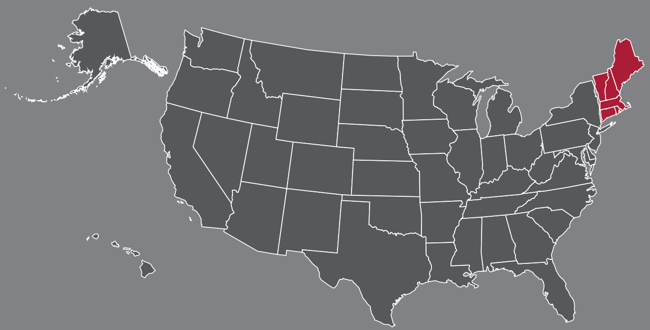
Region 1: New England

Portsmouth, New Hampshire

Quick Facts About Region 1

- **Sales market conditions—**
  Third quarter 2018: mixed (slightly soft to slightly tight).
  Second quarter 2018: mixed (balanced to tight).
  Third quarter 2017: mixed (balanced to tight).

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



By EMAD Region 3 staff | 3rd quarter 2018

Overview

Economic conditions strengthened in the New England region during the third quarter of 2018. Nonfarm payrolls grew faster than a year ago, continuing the expansion that began more than 8 years ago in mid-2010. The professional and business services, the leisure and hospitality, and the education and health services sectors added the most jobs, accounting for two-thirds of the growth, whereas the mining, logging, and construction sector increased the most rapidly. Construction payrolls were supported by ongoing development of commercial and residential projects begun during the past 2 years, despite slower single-family and multifamily permitting activity during the third quarter of 2018. Because of continued economic growth, sales housing markets were slightly tight or balanced in most states in the region; however, slightly soft market conditions prevailed in one state. Despite generally strong sales-market conditions, single-family homebuilding activity was down in most states in the region, in part because rising mortgage rates contributed to declining or stagnant home sales in some areas. Apartment market conditions were balanced to tight, similar to a year ago, whereas the number of apartment completions declined in the region.

During the third quarter of 2018—

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- Nonfarm payrolls expanded throughout most of the New England region at an overall rate of 1.7 percent, equal to the national average.
- Single-family homebuilding was down in all states except Vermont, where single-family construction was unchanged from a year earlier.
- Multifamily permitting was down in all states except for Maine and Rhode Island. The current level of permitting activity in the region is down from the recent peak in 2015 and 2016 and slightly below the average from 2010 through 2014.

Economic Conditions

The economy of the New England region expanded during the third quarter of 2018, a trend that began in the third quarter of 2010. During the third quarter of 2018, nonfarm payrolls in the New England region averaged nearly 7.57 million, a gain of 129,500 jobs, or 1.7 percent, from the third quarter of 2017, matching the national average growth rate. This was the highest total number of jobs added and the greatest rate of job growth in the region since the Great Recession. Massachusetts led the region in payroll gains with an addition of 73,700 jobs, an increase of 2.0 percent from the third quarter of 2017. New Hampshire added 16,200 jobs at a rate of 2.4 percent, the highest rate of growth in the region. In Connecticut, Rhode Island, and Maine, nonfarm payrolls rose by 23,500, 10,300, and 7,800 jobs, or 1.4, 2.1, and 1.2 percent, respectively. In Vermont, payrolls declined by 1,900 jobs, or 0.6 percent, with most of the decline in the wholesale and retail trade and the leisure and hospitality sectors.

The mining, logging, and construction sector grew faster than any other sector in the region. During the third quarter of 2018, nonfarm payrolls in this sector grew at a rate of 6.7 percent, representing an additional 21,500 jobs from the third quarter of 2017. By comparison, during the third quarter of 2017, nonfarm payrolls in this sector grew 2.3 percent, adding 7,100 jobs from the same period a year earlier. In New Hampshire and Connecticut, jobs in this sector increased 11.0 and 8.8 percent, or by 3,200 and 5,400 jobs, respectively. This growth is due, in part, to development in downtown city centers as the economy has improved. In Portsmouth, NH, the AC Hotel is currently under development, creating 200 construction jobs. The Harbor Yard Amphitheater is currently under way in Bridgeport, CT, adding 260 construction jobs. Both projects are expected to be completed in the summer of 2019.

The unemployment rate in the region averaged 3.5 percent during the third quarter of 2018, down from 3.8 percent a year earlier and below the national average rate of 3.9 percent. The greatest decline was in Rhode Island, where the rate fell from 4.4 percent during the third quarter of 2017 to 3.8 percent during the third quarter of 2018 because resident employment increased faster than the labor force.

During the third quarter of 2018—

- The professional and business services sector led job growth with a gain of 36,600 jobs, or 3.5 percent, compared with a gain of 14,800 jobs, or 1.4 percent, during the third quarter of 2017. Massachusetts accounted for nearly 80 percent of the sector growth in the region, adding 28,800 jobs, or 5.0 percent.

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Nonfarm payrolls in the New England region matched the average national growth rate of 1.7 percent during the third quarter of 2018.

	Third Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,437.9	7,567.4	129.5	1.7
Goods-producing sectors	917.5	954.0	36.5	4.0
Mining, logging, and construction	321.6	343.1	21.5	6.7
Manufacturing	595.9	610.9	15.0	2.5
Service-providing sectors	6,520.5	6,613.4	92.9	1.4
Wholesale and retail trade	1,068.7	1,070.8	2.1	0.2
Transportation and utilities	202.6	204.0	1.4	0.7
Information	154.8	153.2	– 1.6	– 1.0
Financial activities	468.7	472.3	3.6	0.8
Professional and business services	1,043.9	1,080.5	36.6	3.5
Education and health services	1,537.0	1,560.7	23.7	1.5
Leisure and hospitality	820.2	846.2	26.0	3.2
Other services	288.4	294.1	5.7	2.0
Government	936.1	931.7	– 4.4	– 0.5

Source: U.S. Bureau of Labor Statistics

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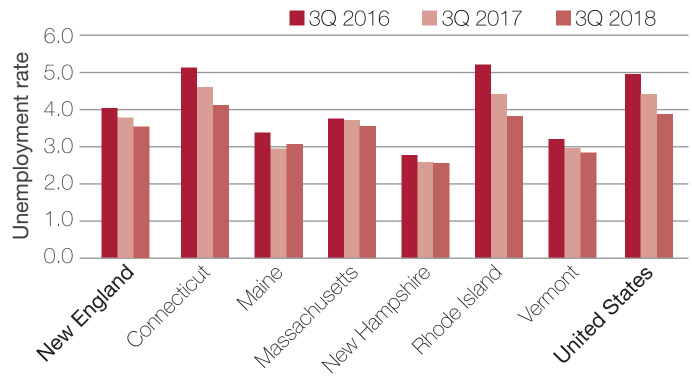
- The leisure and hospitality sector increased by 26,000 jobs, or 3.2 percent. New Hampshire contributed 3,600 jobs, or 4.5 percent, whereas Rhode Island and Maine each added 3,300 jobs, or 5.1 and 4.0 percent, respectively. This was the most jobs added and the highest rate of growth in the sector for the region and those three states since the Great Recession.
- The education and health services sector, the largest sector in the region, gained 23,700 jobs, or 1.5 percent, from a year earlier. Although all states had growth in this sector, Connecticut had the highest rate, with an increase of 7,800 jobs, or 2.4 percent, the fastest rate of growth in the sector since 2000.
- The manufacturing sector in the New England region grew by 15,000 jobs, or 2.5 percent, compared with 2,000 jobs, or 0.3 percent, during the same period a year earlier. In Connecticut, nonfarm payrolls increased by 5,200 jobs, or 3.3 percent, accounting for 35 percent of total regional growth in this sector.
- The only sectors to decline in the region were government and information, decreasing by 4,400 and 1,600 jobs, or 0.5 and 1.0 percent, respectively. Approximately 89 percent of jobs lost in the government sector were in Connecticut, where payrolls declined by 3,900 jobs, or 1.8 percent, the greatest third quarter loss since 2009 because of fiscal tightening at the state and local levels.

The unemployment rate in the New England region was below the national rate during the third quarter of 2018, with a decline in every state except Maine.



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

Sales Market Conditions

Sales housing market conditions ranged from slightly soft to slightly tight across the New England region during the third quarter of 2018. During the 12 months ending September 2018, the percentage change of single-family homes sold in the region ranged from a decrease of 8 percent in Vermont to an increase of 6 percent in Connecticut, compared with an increase in home sales in each state in the region a year earlier. Home sales slowed, in part because of the impact of rising mortgage rates. The average 30-year fixed rate mortgage rose from 3.81 percent

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The median price of a single-family home rose in all states in the New England region, and home sales were mixed during the 12 months ending September 2018.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 ($)	2018 ($)	Percent Change
Connecticut (N&E)	September	33,150	35,300	6	MED	268,000	275,000	3
Maine (E)	September	17,300	17,950	4	MED	207,200	215,000	4
Massachusetts (E)	September	55,700	55,650	0	MED	380,000	390,000	3
New Hampshire (E)	September	17,450	17,400	0	MED	265,000	289,500	9
Rhode Island (E)	September	11,100	10,800	– 3	MED	264,000	275,000	4
Vermont (E)	September	7,025	6,475	– 8	MED	214,800	217,000	1
Connecticut (N&E-condo)	September	8,075	8,850	10	MED	175,000	177,000	1
Massachusetts (E-condo)	September	21,450	21,700	1	MED	350,000	339,000	– 3
New Hampshire (E-condo)	September	4,700	4,800	2	MED	199,900	195,000	– 2
Rhode Island (E-condo)	September	2,075	2,275	10	MED	223,000	215,000	– 4

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

Notes: All figures are rounded. Median prices represent the third quarter of 2017 and 2018 for Connecticut but represent September 2017 and 2018 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®; CoreLogic, Inc.

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in September 2017 to 4.63 percent in September 2018 (Freddie Mac, Primary Mortgage Market Survey). Home sales prices in the region increased approximately 5 percent in August 2018, down from 6 percent in August 2017 and below the 6-percent gain in the nation (Federal Housing Finance Agency House Price Index).

Single-family home sales markets were slightly tight in New Hampshire and Massachusetts during the 12 months ending September 2018, where home sales were unchanged from a year earlier. Despite unchanged sales, the median price of a single-family home sold increased 9 percent and 3 percent, to $289,500 and $390,000, in New Hampshire and Massachusetts, respectively. Home prices increased in these states because of relatively strong job growth and a low inventory of available homes for sale. In New Hampshire, the inventory of homes for sale fell from a 4.6-month supply in September 2017 to 4.0 months in September 2018 (New Hampshire Association of Realtors®). The inventory in Massachusetts was 3.2 months in September 2018, nearly unchanged from a year earlier (Massachusetts Association of Realtors®).

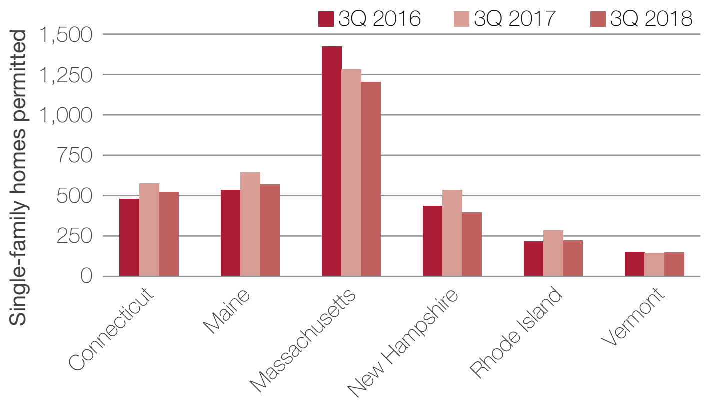
Home sales markets were balanced in Rhode Island, Connecticut, and Maine, and slightly soft in Vermont during the 12 months ending September 2018. In Rhode Island, single-family sales fell 3 percent to 10,800, and the median price of a single-family home sold was $275,000, up 4 percent from a year earlier. In Connecticut and Maine, single-family home sales rose 6 and 4 percent to 35,300 and 17,950, respectively, during the 12 months ending September 2018, the only two states with increasing home sales. The median sales price in Connecticut and Maine during the period was $275,000 and $215,000, 3 and 4 percent higher than a year earlier, respectively. In Vermont, which had a 0.6-percent decline in jobs from a year earlier, home sales decreased 8 percent to 6,475, and the median home sales price increased 1 percent from a year earlier to $217,000.

In August 2018, 1.9 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 2.5 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent home loans and REO properties decreased in every state in the region, with the greatest declines of 0.9 and 0.8 percentage points 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 2.6, 2.4, and 2.0 percent, respectively, and the remaining states in the region had rates below the national average of 1.8 percent.

During the third quarter of 2018 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of single-family homes permitted, totaled 3,100, down 400, or 11 percent, from a year earlier, compared with an increase of 220 homes, or 7 percent, during the third quarter of 2017. By comparison, the number of homes permitted nationally increased 5 percent from a year ago after a 7-percent gain during third quarter of 2017.
- Homebuilding fell in five of the six states in the region. Decreases were largest in New Hampshire, where single-family permitting totaled 400, down 140, or 25 percent, from a year earlier, followed by Massachusetts, where permits fell by 80 homes, or 6 percent, to a total of 1,200.
- Single-family homebuilding decreased in Maine, Rhode Island, and Connecticut by 70, 60, and 60 homes, or 11, 21, and 10 percent, respectively. Homebuilding activity decreased in these states largely because of declines in the Portland, Providence, and Bridgeport metropolitan areas of 50, 85, and 40 homes, or 12, 18, and 17 percent, respectively.
- The only state that did not have a decrease in single-family permitting was Vermont, with a total of 150 homes permitted, unchanged from a year earlier partially because of an increase of 20 homes permitted, or 22 percent, in the Burlington metropolitan area.

Single-family permitting was unchanged in Vermont during the third quarter of 2018 and declined in the remaining states in the New England region.



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 2018. Apartment vacancy rates declined in a few major apartment markets because of decreased construction activity. The number of apartment units completed in the region was down 24 percent, from 4,050 units during the third quarter of 2017 to 3,075 units during the third quarter of 2018 (McGraw-Hill Construction Pipeline database). The largest decline in the apartment vacancy rate was in the Providence metropolitan area, from 3.0 during the third quarter of 2017 to 2.4 percent during the third quarter of 2018, the lowest vacancy rate among major apartment markets in the region (RealPage, Inc.). Market conditions in the Providence metropolitan area were tight, reflected by a 4-percent increase in the average rent, to $1,432. In the Boston metropolitan area, the vacancy rate decreased from 4.0 to 3.5 percent because of relatively strong economic conditions and fewer additions to the apartment supply during the third quarter of 2018. The average rent rose 4 percent, to $2,299, the most rapid increase in the region. The largest decline in the vacancy rate in the Boston metropolitan area occurred in the Chelsea/Revere/Charlestown RealPage, Inc.-defined market area, where the vacancy rate fell from 8.8 to 3.1 percent. The market tightened in the third quarter of 2018 with the absorption of approximately 430 new apartment units that began leasing in mid-2018, and the average rent rose 7 percent, to $2,319, during the third quarter of 2018, compared with a year earlier. In the Bridgeport metropolitan area, the apartment vacancy rate declined slightly to 4.3 percent, and the average rent rose 1 percent, to $2,314, whereas apartment completions decreased to 470 units during the 12 months ending September 2018, compared with 1,700 units a year earlier (McGraw-Hill Construction Pipeline database).

Apartment vacancy rates increased in the Hartford, Worcester, and Manchester metropolitan areas in response to higher levels of apartment completions; however, in the Portland metropolitan area, the vacancy rate and the level of apartment construction were unchanged compared with a year ago. The largest increase in the apartment vacancy rate in the region was in the Hartford metropolitan area; the vacancy rate rose from 3.7 to 4.6 percent, and the average rent declined 1 percent, to $1,304. Apartment completions in the Hartford metropolitan area were up 15 percent to 880 units during the 12 months ending September 2018 compared with a year earlier (McGraw-Hill Construction Pipeline database). Conditions eased to slightly tight in the Worcester metropolitan area, compared with tight conditions a year ago, resulting from the completion of 790 apartment units, up from 190 units a year earlier. As a result, the apartment vacancy rate increased from 2.6 to 3.1 percent and the average rent rose a modest 1 percent, to $1,482. The Manchester metropolitan area market has been tight for the past year; the apartment vacancy rate increased slightly to 2.5 percent, and the average rent was up 3 percent, to $1,362, despite the completion of 340 apartment units during the 12 months ending September 2018, a 79-percent increase from the 190 units completed a year earlier. In the Portland metropolitan area, the apartment vacancy rate was unchanged at 3.3 percent. Apartment market conditions were less tight compared with a year ago, and the average rent decreased 3 percent, to $1,388, the largest decline in rents among all major metropolitan areas in the region.

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The Boston and Providence metropolitan areas had the highest rent growth in the New England region during the third quarter of 2018.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2017 (%)	3Q 2018 (%)	Percentage Point Change	3Q 2017 ($)	3Q 2018 ($)	Percent Change
Boston	Slightly Tight	4.0	3.5	– 0.5	2,214	2,299	4
Bridgeport	Balanced	4.4	4.3	– 0.1	2,299	2,314	1
Hartford	Balanced	3.7	4.6	0.9	1,316	1,304	– 1
Manchester	Tight	2.4	2.5	0.1	1,322	1,362	3
Portland	Slightly Tight	3.3	3.3	0.0	1,432	1,388	– 3
Providence	Tight	3.0	2.4	– 0.6	1,382	1,432	4
Worcester	Slightly Tight	2.6	3.1	0.5	1,468	1,482	1

3Q = third quarter.
Sources: market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

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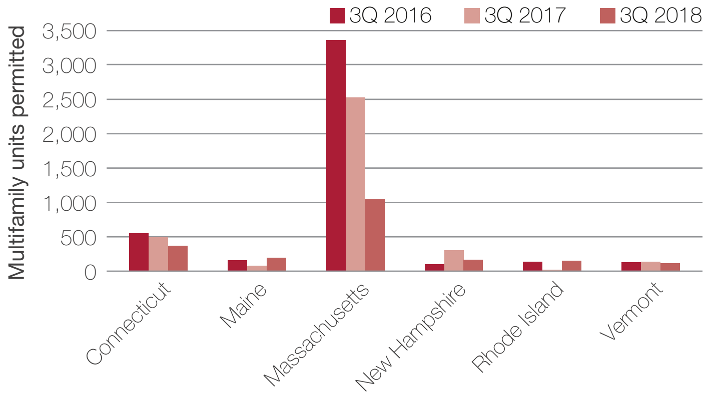
During the third quarter of 2018 (preliminary data)—

- In the New England region, the number of multifamily units permitted decreased by 1,500, or 42 percent, to 2,075 compared with a year earlier, following a 19-percent decrease in the third quarter of 2017. By comparison, the current level is down slightly from the average of 2,150 units permitted during the third quarters of 2010 through 2014, and well below the average of 4,375 units permitted in the corresponding periods in 2015 and 2016.
- The largest decline in the region occurred in Massachusetts, where multifamily permitting was down 58 percent, or by 1,475 units, from the same period a year ago, to 1,050 units permitted. In the Boston metropolitan area, the level of permitting decreased by a similar rate of 57 percent, or 1,550 units, to 1,150 units. Ongoing projects in the city of Boston include Fenway Center, which broke ground in January 2018; construction of the first phase of 313 apartment units of the 650 units planned at buildout is expected to be complete in early 2020, followed by a second phase that will include the remaining 337 units and office and retail space.
- New Hampshire accounted for the second largest decrease in the region, with a 44-percent decline in permitting, to 170 units. In Connecticut and Vermont, permitting activity fell 25 and 19 percent, to 380 and 120 units, respectively.
- Multifamily construction more than doubled in Maine, from 85 to 200 units, and rose in Rhode Island, from 20 to 150 units. Nearly all the net increases in Maine and Rhode Island were in the Portland and Providence metropolitan areas, respectively.

Massachusetts accounted for most of the decline in multifamily construction in the New England region during the third quarter of 2018.



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