

HUD PD&R Regional Reports

Region 1: New England



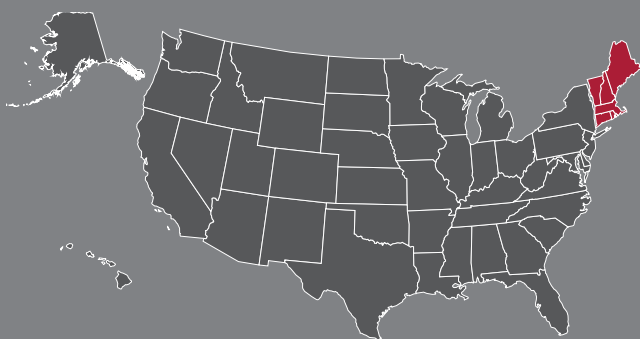
Quick Facts About Region 1

Manchester, New Hampshire

By EMAD Region III Staff | 3rd Quarter 2019

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

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



Overview

The economy in the New England region expanded during the third quarter of 2019, continuing the trend that began in the third quarter of 2010. Nonfarm payrolls rose 1.1 percent during the third quarter of 2019, below the national rate of 1.5 percent but above the 0.5-percent rate of growth that occurred in the region during the third quarter of 2018. Despite the strengthening economy, home sales decreased 1 percent in the New England region compared with a 2-percent increase during the third quarter of 2018. A low supply of homes on the market and rising home prices contributed to the decline in home sales in nearly all states and metropolitan area markets throughout the region. Apartment market conditions were balanced to tight, similar to a year ago. Despite a 22-percent increase in apartment completions during the third quarter of 2019 from a year ago, most major apartment markets tightened with declining vacancy rates and rising rents. In response to relatively tight apartment markets, multifamily permitting increased while single-family homebuilding was down modestly during the third quarter of 2019.

- Transportation and utilities, the sector with the highest rate of increase, and education and health services, the sector contributing the most jobs, led growth in the New England region during the third quarter of 2019.

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- Trends in the Connecticut sales market moved in the opposite direction of other states in the New England region. Sales increased 4 percent and prices fell 2 percent in Connecticut primarily because of increases in distressed home sales during the 12 months ending August 2019 (CoreLogic, Inc., with adjustments by the analyst).
- Approximately 50 percent of apartment completions in the region during the third quarter of 2019 were in the Boston metropolitan area, down from 63 percent during the third quarter of 2018 (Dodge Data & Analytics LLC). As a result, the vacancy rate declined from 3.4 to 2.8 percent, and the average rent increased 6 percent during the third quarter of 2019 (RealPage, Inc.).

Economic Conditions

The economy of the New England region expanded during the third quarter of 2019—a trend that began in mid-2010. During the third quarter of 2019, nonfarm payrolls in the New England region averaged nearly 7.58 million jobs, a gain of 85,400 jobs or 1.1 percent, from the third quarter of 2018, below the national average growth rate of 1.5 percent. By comparison, during the third quarter of 2018, nonfarm payrolls in the New England region grew by 38,300 jobs, or 0.5 percent from the same period a year earlier. Nonfarm payrolls in Massachusetts increased by 46,100 jobs, or 1.3 percent, from the third quarter of 2018, and accounted for 54 percent of jobs added in the region. New Hampshire added 12,800 jobs or 1.9 percent, the highest rate of growth in the region; Rhode Island payrolls were also up nearly the same rate, increasing by 8,900 jobs, or 1.8 percent. Nonfarm payrolls in Maine and Connecticut rose by 6,700 and 10,400 jobs, or 1.0 and 0.6 percent, respectively. Vermont added 400 jobs, an increase of 0.1 percent, the slowest rate of growth in the region.

The transportation and utilities sector was the fastest growing sector in the region. During the third quarter of 2019, 8,500 jobs were added in the sector, an increase of 4.1 percent from the third quarter of 2018. By comparison, during the third quarter of

2018, the sector grew by 3,700 jobs, or 1.8 percent from the same period a year earlier. In Massachusetts and Rhode Island, jobs in the sector increased by 6,300 and 1,600, or 6.3 and 13.3 percent, respectively. Continued growth in these states is expected during the next year. In October 2019, Amazon.com, Inc. will begin hiring workers for a new distribution center under construction in the city of Holyoke, Massachusetts. The distribution center is expected to open before the end of 2019 and will create an additional 400 full-time and 200 part-time jobs. Quonset Business Park in Rhode Island, which contains 200 companies with nearly 12,000 full- and part-time workers, is expanding with infrastructure developments; these include the Quonset Freight Rail Enhancement and Expansion (Q-FREE) project, partially supported by a \$3 million federal grant announced in early 2019 (*Railway Track & Structures*). Ongoing commercial construction projects contributed to a portion of the 600-job or 2.8-percent gain in the mining, logging, and construction sector in Rhode Island, offsetting declines in the sector elsewhere in the region during the third quarter of 2019. The unemployment rate in the region averaged 3.0 percent during the third quarter of 2019, down from 3.4 percent from a year ago, and below the national average rate of 3.7 percent.

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Most of the increase in jobs in the New England region occurred in service-providing sectors during the third quarter of 2019.

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,492.5	7,577.9	85.4	1.1
Goods-Producing Sectors	929.0	928.5	-0.5	-0.1
Mining, Logging, & Construction	328.5	328.6	0.1	0.0
Manufacturing	600.6	599.9	-0.7	-0.1
Service-Providing Sectors	6,563.5	6,649.3	85.8	1.3
Wholesale & Retail Trade	1,056.6	1,054.8	-1.8	-0.2
Transportation & Utilities	206.8	215.3	8.5	4.1
Information	154.1	157.5	3.4	2.2
Financial Activities	465.3	471.0	5.7	1.2
Professional & Business Services	1,072.3	1,081.4	9.1	0.8
Education & Health Services	1,540.8	1,577.0	36.2	2.3
Leisure & Hospitality	829.8	850.0	20.2	2.4
Other Services	291.4	293.9	2.5	0.9
Government	946.4	948.4	2.0	0.2

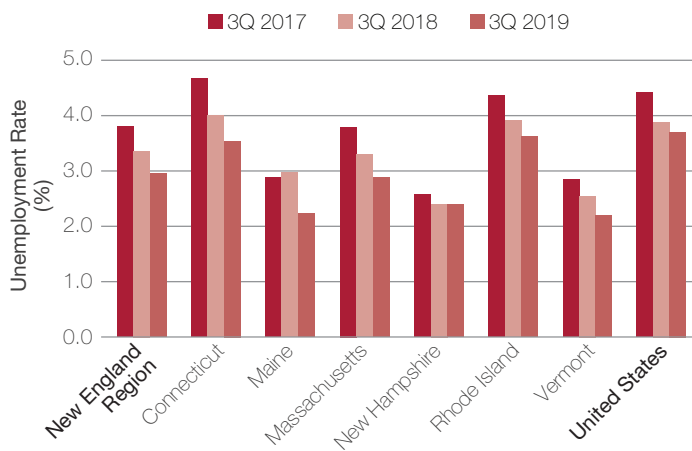
Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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Unemployment rates decreased in all states in the New England region except in New Hampshire where the rate was unchanged during the third quarter of 2019.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

During the third quarter of 2019—

- The education and health services sector, the largest sector in the region, led total job growth with a gain of 36,200 jobs, or 2.3 percent, compared with a gain of 9,100 jobs, or 0.6 percent, during the third quarter of 2018. The sector, which accounted for approximately 42 percent of all jobs added in the region, has led job growth during every third quarter since 2007.
- The professional and business services sector, the second largest sector in the region, gained 9,100 jobs, or 0.8 percent, from a year earlier. In this sector, New Hampshire had the fastest rate of growth, adding 2,400 jobs at a rate of 2.9 percent, while Connecticut and Rhode Island each lost jobs with declines of 900 and 400, or 0.4 and 0.5 percent, respectively.
- Nonfarm payrolls in the leisure and hospitality sector increased by 20,200 jobs, or 2.4 percent, compared with 6,500 jobs, or 0.8 percent, a year ago. In Vermont, 2,500 jobs were added in this sector at a rate of 6.5 percent, the most jobs added and the fastest growth during any third quarter since 2000.
- The mining, logging, and construction sector in the New England region was nearly unchanged with the addition of 100 jobs, compared with a gain of 5,600 jobs, or 1.7 percent, during the same period a year earlier. Contributing to the slower growth were losses of 1,400 jobs each in Connecticut and Massachusetts, or 2.3 and 0.8 percent, respectfully, while Vermont declined by 900 jobs, or 5.0 percent.
- The manufacturing sector declined by 700 jobs, or 0.1 percent, compared with gains of 4,300 jobs, or 0.7 percent, during the same period a year ago. The contraction in this sector was due to declines in Rhode Island, New Hampshire, and Massachusetts of 1,100, 1,000, and 800 jobs, or 2.7, 1.4, and 0.3 percent, respectively.

Sales Market Conditions

Sales housing market conditions in the New England region were balanced to slightly tight during the third quarter of 2019 compared with a year ago when conditions were slightly soft to slightly tight. The improvement was partially due to the economy strengthening. Home sales totaled nearly 231,500 in the region during the 12 months ending August 2019, a decline of approximately 2,650 homes, or 1 percent, from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales in the nation declined 6 percent during the 12 months ending August 2019 compared with a year ago. Home sales in the region slowed mostly due to a low inventory of homes available for sale, which declined 1 percent in the New England region during the 12 months ending August 2019, to 85,100 homes. Regular resales fell 1 percent during the 12 months ending August 2019, while distressed home sales (real estate owned [REO] and short sales) rose 2 percent. Distressed sales included a 17-percent decrease in short sales, which was offset by an 8-percent increase in REO sales, unlike the nation where REO sales decreased 20 percent. Despite the increase in lower priced distressed sales, the average home sales price for the region (including single-family homes, townhomes, and condominiums) rose 3 percent from the previous

year, to \$381,700, mirroring the 3 percent increase in the nation, and down from a 5-percent increase in the region during the previous 12 months.

Among the states in the New England region, sales market conditions were slightly tight except for Vermont and Connecticut where conditions were balanced. Average home sales prices increased, and sales declined in all states of the region except for Connecticut. The greatest price gain occurred in Rhode Island, where prices increased 8 percent to \$316,700. Despite the large increase in prices, sales decreased only 1 percent to 17,300 homes during the 12 months ending August 2019 (CoreLogic, Inc., with adjustments by the analyst). New Hampshire had the second highest increase in the average price, up 5 percent to nearly \$270,800, while home sales fell 2 percent to 30,050. Massachusetts had the highest average home price overall in the region, averaging \$497,400 and rose at a moderate pace of 3 percent, while home sales decreased 1 percent to 101,800. The largest decline in home sales in the region, 12 percent, occurred in Maine with 19,150 homes sold, largely because the inventory of homes for sale decreased 7 percent during the 12

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Home sales declined and prices increased throughout most of the New England region during the third quarter of 2019.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Bridgeport, CT (N&E)	August	12,400	12,850	4	AVG	569,300	538,200	-5
Burlington, VT (N&E)	August	4,250	4,000	-6	AVG	274,500	288,800	5
Boston, MA Metropolitan Division (N&E)	August	28,700	27,850	-3	AVG	594,600	616,700	4
Cambridge, MA Metropolitan Division (N&E)	August	33,800	33,300	-1	AVG	564,800	584,200	3
Hartford, CT (N&E)	August	16,500	16,650	1	AVG	246,000	250,400	2
Manchester, NH (N&E)	August	7,875	7,525	-4	AVG	269,300	282,500	5
Portland, ME (N&E)	August	9,900	8,800	-11	AVG	313,100	330,200	5
Providence, RI-MA (N&E)	August	25,200	25,000	-1	AVG	296,400	327,700	11
Worcester, MA-CT (N&E)	August	15,050	14,950	-1	AVG	286,400	292,800	2

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

Note: Home sales include single-family homes, townhomes, and condominiums for all metropolitan areas and metropolitan divisions in the region.

Source: CoreLogic, Inc., with adjustments by the analyst

months ending August 2019. The average price in Maine rose 2 percent, compared with a year earlier, to \$257,800 during the 12 months ending August 2019. Conditions were balanced in Vermont with a 4-percent decrease in sales to 13,000 and a 3-percent increase in price to nearly \$228,700. The inventory of homes for sale in Vermont increased, but conditions were slightly tight in the Burlington metropolitan area where the months of inventory was lower than the state overall. In Connecticut, conditions were balanced; the average price declined 2 percent to \$322,700, and home sales rose 4 percent to 50,050 homes, in part because of increases in REO sales in the Bridgeport and Hartford metropolitan areas of 24 and 7 percent, respectively, during the 12 months ending August 2019. Bridgeport accounted for approximately one-fifth of home sales in the state.

In August 2019, 1.6 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 1.9 percent a year earlier and above the national rate of 1.4 percent (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties declined in every state in the region, with the greatest decrease of 0.3 percentage point in Maine, to 2.3 percent, the highest rate in the region.

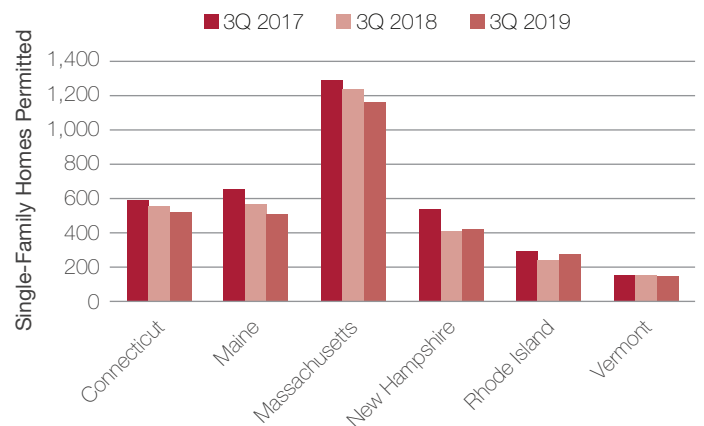
During the third quarter of 2019 (preliminary data)—

- Homebuilding activity, as measured by the number of single-family homes permitted, declined 4 percent in the New England region compared with a year earlier, to nearly 3,025 homes. By comparison, the construction of single-family homes declined 10 percent from the third quarter of 2017 to the third quarter of 2018.
- The largest percentage decrease in homebuilding in the region of 10 percent, or 60 homes, occurred in Maine. The Portland

metropolitan area accounted for more than one-half of the decrease, with a decline of 33 homes or 9 percent.

- Homebuilding activity declined 6 percent each in Massachusetts and Connecticut, or by 70 and 35 homes, compared with decreases of 4 and 5 percent, or 55 and 30 homes, respectively, a year earlier. Nearly 40 percent of single-family construction in the region was in Massachusetts.
- In Rhode Island and New Hampshire, single-family homebuilding rose by 30 and 15 homes, or 13 and 3 percent, respectively, compared with a decline of 130 and 50 homes, or 18 and 25 percent, respectively, during the third quarter of 2018.

Homebuilding activity was down slightly in the New England region during the third quarter of 2019, with moderate declines more than offsetting small increases.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the New England region ranged from balanced to tight during the third quarter of 2019, unchanged from a year earlier. Apartment vacancy rates declined or were unchanged, and the average rent increased in most major apartment markets in the region. The largest decline in the apartment vacancy rate occurred in the Portland metropolitan area where the vacancy rate decreased from 3.7 to 2.1 percent; the market tightened during the past year with a 7-percent increase in the average rent to \$1,562 (RealPage, Inc.). The Worcester market also tightened with a 0.3-percentage-point decrease in the vacancy rate to 2.4 percent along with the largest increase in the average rent of 9 percent to \$1,695. The average rent rose 6 percent each in the Boston and Manchester metropolitan areas, and as markets tightened, vacancy rates were down 0.6 and 0.4 percentage points, to 2.8 and 1.7 percent, respectively. Most Connecticut metropolitan area markets were balanced, particularly Hartford and Bridgeport. In Hartford, the apartment vacancy rate was unchanged at 3.5 percent, and the average rent rose 5 percent to \$1,374. Although the average rent was up a modest 2 percent in Bridgeport, the apartment vacancy rate fell 0.7 percentage point to 3.6 percent. Vacancy rates increased, slightly easing the tight and slightly tight apartment markets, respectively, in the Burlington and Providence metropolitan areas. The average rent decreased 2 percent to \$1,598 in Burlington and rose 4 percent to \$1,518 in Providence.

The pipeline of apartment units completed in the New England region increased 22 percent to 3,475 units during the third quarter of 2019, compared with the third quarter of 2018

(Dodge Data & Analytics LLC). Nearly one-half of the units completed were in the Boston metropolitan area, down from 63 percent of apartment completions in the region during the third quarter of 2018. The Hartford and Bridgeport metropolitan areas accounted for 18 and 17 percent of apartment units completed, respectively, during the third quarter of 2019, up from 4 and 6 percent, respectively, a year earlier. On the national level, rent concessions as a percentage of asking rent were essentially unchanged during the same period (RealPage, Inc.). Similarly, in the New England region, concessions were down 2 percent in the Hartford metropolitan area, decreased less than 1 percent in the Boston metropolitan area, and rose 1 percent in the Bridgeport metropolitan area. In September 2019, the Clippership Wharf development in east Boston, with 478 residences and 30,200 square feet of retail and community space, opened two buildings consisting of 209 apartments and 85 condominiums. Monthly rents for the apartments start at \$2,469, \$2,849, \$3,644, and \$5,509 for studios, one-, two-, and three-bedroom units, respectively.

During the third quarter of 2019 (preliminary data)—

- The number of multifamily units permitted was up by 1,000 units, or 40 percent, in the New England region, following a decline of 1,100 units, or 31 percent, during the third quarter of 2018.
- In New Hampshire, 670 units were permitted, a level showing more than two- and three-fold increases from the 310 and 180

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The average rent in most major apartment markets in the New England region rose faster than the national average increase of 4 percent.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2018 (%)	3Q 2019 (%)	Percentage Point Change	3Q 2018 (\$)	3Q 2019 (\$)	Percent Change
Boston, MA-NH	Slightly Tight	3.4	2.8	-0.6	2,263	2,404	6
Bridgeport, CT	Balanced	4.3	3.6	-0.7	2,299	2,350	2
Burlington, VT	Tight	0.2	0.8	0.6	1,627	1,598	-2
Hartford, CT	Balanced	3.5	3.5	0.0	1,310	1,374	5
Manchester, NH	Tight	2.1	1.7	-0.4	1,360	1,439	6
Portland, ME	Tight	3.7	2.1	-1.6	1,466	1,562	7
Providence, RI-MA	Slightly Tight	2.4	2.8	0.4	1,454	1,518	4
Worcester, MA-CT	Tight	2.8	2.4	-0.3	1,558	1,695	9

3Q = third quarter.

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

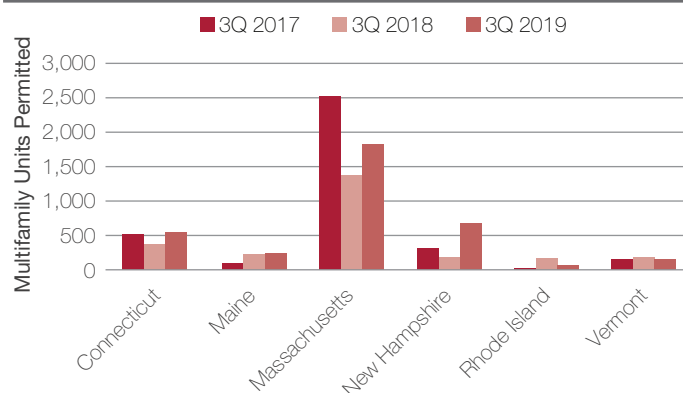


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units permitted during the third quarters of 2017 and 2018, respectively. Approximately two-thirds of the units permitted during the third quarter of 2019 were in Rockingham and Strafford Counties in the Boston metropolitan area and 25 percent were in the Manchester metropolitan area.

- Multifamily permitting rose in Massachusetts, Connecticut, and Maine, with increases of 32, 45, and 7 percent, respectively. In Massachusetts, multifamily construction activity increased by 440 units to 1,820; the level of permitting was up from 1,375 units permitted during the third quarter of 2018, but down from 2,525 units during the third quarter of 2017.
- Permitting decreased 60 percent in Rhode Island, from 160 to 60 units, and 18 percent in Vermont, from 180 to 150 units permitted. Multifamily construction fell by 80 units, or 49 percent, in the Providence metropolitan area and by 55 units, or 38 percent, in the Burlington metropolitan area.

New Hampshire and Massachusetts led the increase in multifamily permitting in the New England region during the third quarter of 2019.



3Q = third quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey