

HUD PD&R Regional Reports

Region 1: New England

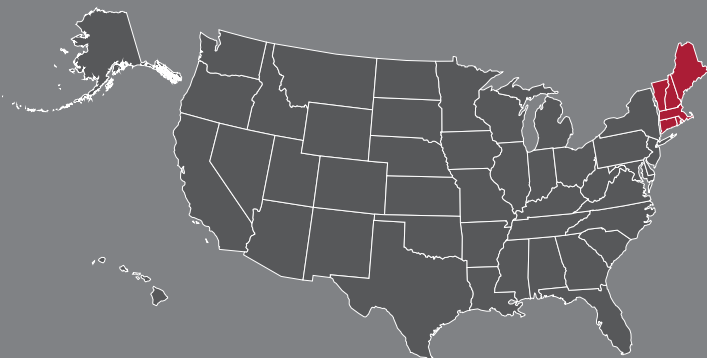


Quick Facts About Region 1

Augusta, Maine

By EMAD Region III Staff | 3rd Quarter 2020

- **Sales market conditions—**
Third quarter 2020: mixed (balanced to tight)
Second quarter 2020: mixed (balanced to tight)
Third quarter 2019: mixed (balanced to slightly tight)
- **Apartment market conditions—**
Third quarter 2020: mixed (balanced to tight)
Second quarter 2020: mixed (balanced to tight)
Third quarter 2019: mixed (balanced to tight)



Overview

Nonfarm payrolls decreased in the New England region during the third quarter of 2020, down from a year earlier due to the continued impact of interventions to slow the spread of COVID-19. For the second consecutive quarter, the largest job decreases were in the leisure and hospitality sector, which declined in all states in the region and accounted for the most job losses in every state, ranging from 30 percent of losses in Connecticut to 45 percent in Vermont. Despite the economic contraction, the sales and rental housing markets were relatively stable, with both having conditions ranging from balanced to tight. The sales market was tighter than a year ago because of a lower inventory of homes for sale; consequently, home sales declined slightly in the region overall, and the average home sales price rose in most areas. Apartment vacancy rates increased moderately throughout the region due to a higher level of apartment completions and reduced demand for apartments from students, primarily in the Boston metropolitan area, where the average rent also declined.

- The percentage decline in nonfarm payrolls in the New England region was the second largest among all 10 HUD

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- regions, at 9.3 percent, after the 11.4-percent decrease in the New York/New Jersey region.
- The number of single-family homes permitted increased 11 percent during the third quarter of 2020. Maine and Massachusetts accounted for 43 and 35 percent, respectively, of the increase in the region.

Economic Conditions

The economy in the New England region contracted during the third quarter of 2020, continuing the decline that began in the second quarter of 2020, primarily due to countermeasures implemented to slow the spread of COVID-19. Nonfarm payrolls decreased by 698,800 jobs, or 9.3 percent, in the region compared with a year earlier; Massachusetts accounted for 56 percent of the total job loss. The sector most affected by the pandemic was leisure and hospitality, which accounted for more than one-third of the job decline in the region, at 255,300 jobs lost, a 30.5-percent decrease, and for the most job losses in every state. More than one-half of the payroll decline in the leisure and hospitality sector in the region was at restaurants and bars in the food services and drinking places industry, whereas hotel layoffs in the accommodation industry accounted for 20 percent of the decrease in the region. Payrolls also fell in the amusement, gambling, and recreation industries in Massachusetts and Connecticut, by 30,100 and 4,800 jobs, or 58.4 and 18.7 percent, respectively. The MGM Springfield casino reopened with limited gambling activities and a portion of their workforce totaling 800 employees in July 2020. In August 2020, the casino announced that 1,000 employees previously laid-off would not be called back; the hotel remains closed.

Approximately 15 percent of the decrease in payrolls in the region during the third quarter of 2020 were in the education and health services sector, which was also impacted by community interventions during the pandemic. Every state had job declines in the sector, ranging from 3.3 percent in New Hampshire to 8.0 percent in Maine compared with the third quarter of 2019. More than 75 percent of the decline in the education and health services sector in the region was in the health care and social assistance subsector, which decreased by 76,900 jobs, or 6.2 percent, with declines in every state because of fewer non-urgent medical services. In Massachusetts, Cape Cod Healthcare announced in August 2020 the permanent layoffs of 118 employees after recalling 477 of 600 employees furloughed in May 2020. Payrolls also declined in the nursing home industry by approximately 18,100 jobs, or 8.5 percent, compared with a year earlier; increased deaths from COVID-19 and fewer short-term rehabilitation residents resulted in lower occupancy. In August 2020, New England Health Care Employees, District 1199 Service Employees International Union (SEIU) in Hartford estimated at least 500 layoffs among their 6,000 nursing home staff members. In addition to the impact of the

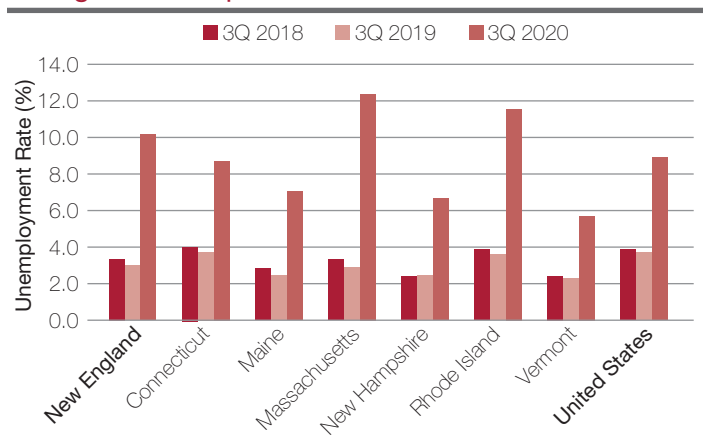
- The number of multifamily units permitted rose 11 percent during the third quarter of 2020. Increases in Massachusetts, Connecticut, and Vermont offset decreases in other states; Massachusetts accounted for 57 percent of all units permitted in the region, including a 12-percent increase in the Boston metropolitan area.

pandemic on healthcare, layoffs at private colleges, universities, and professional schools throughout the region resulted in an approximate 16,000-job decline, or 9.2 percent. The sector with the smallest percentage decrease in payrolls in the region, of 2.6 percent, was the financial activities sector. Job losses in the sector in four states offset modest gains of 500 jobs, or 1.4 percent, in New Hampshire and 200 jobs, or 0.5 percent, in Rhode Island. All the net gain in the sector in New Hampshire was in the real estate and rental and leasing industry, which was up by 600 jobs, or 7.8 percent, offsetting losses in other industries.

During the third quarter of 2020, unemployment rates in the New England region rose for the second consecutive quarter, increasing to 10.1 percent from 3.0 percent a year earlier. Massachusetts and Rhode Island, with rates of 12.4 and 11.5 percent, respectively, were ranked fourth and sixth nationally among states with the highest unemployment rates during the third quarter of 2020, primarily because countermeasures to limit the contagion of the virus resulted in layoffs at hospitals, universities, and tourist destinations. Similar to the third quarter of 2019, Vermont had the lowest unemployment rate in the region during the third quarter of 2020, at 5.7 percent, up from 2.3 percent a year earlier, the smallest percentage point increase among all states.

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Unemployment rates in Massachusetts and Rhode Island exceeded the national rate of 8.9 percent during the third quarter of 2020.



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



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During the third quarter of 2020—

- In Massachusetts, payrolls fell by 392,600 jobs, or 10.6 percent, the second-highest percentage decrease among states in the region. More than one-third of the job decline was in the leisure and hospitality sector, which was down by 146,200 jobs, or 36.2 percent; an additional 60,900 jobs, or 7.6 percent, were lost in the education and health services sector.
- The smallest percentage decrease in jobs in the New England region was in Connecticut, where nonfarm payrolls were down by 118,500 jobs, or 7.0 percent. Approximately 30 percent of job losses in the state were in the leisure and hospitality sector, which decreased by 35,500 jobs, or 21.6 percent.
- In New Hampshire, the overall job loss totaled 57,800, or 8.4 percent. The leisure and hospitality sector and retail trade

subsector decreased by 20,800 and 10,000 jobs, or 25.9 and 10.7 percent, respectively.

- Payrolls decreased by 57,000 jobs, or 8.8 percent, in Maine, and by 38,600 jobs, or 7.6 percent, in Rhode Island. The leisure and hospitality sector accounted for 41 and 37 percent of the job losses in each state, respectively, falling by 23,500 jobs, or 28.0 percent, in Maine and by 14,300 jobs, or 21.9 percent, in Rhode Island.
- The largest percentage decrease in nonfarm payrolls in the region was 10.9 percent in Vermont, with 34,100 jobs lost. The leisure and hospitality sector accounted for 45 percent of the job decline in the state with a loss of 15,200 jobs, or 40.1 percent.

Nonfarm payrolls were down in all 11 sectors in the New England region during the third quarter of 2020 compared with a year earlier.

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,549.5	6,850.7	-698.8	-9.3
Goods-Producing Sectors	939.4	875.6	-63.8	-6.8
Mining, Logging, & Construction	336.5	309.7	-26.8	-8.0
Manufacturing	602.9	565.9	-37.0	-6.1
Service-Providing Sectors	6,610.0	5,975.1	-634.9	-9.6
Wholesale & Retail Trade	1,044.3	968.8	-75.5	-7.2
Transportation & Utilities	214.1	188.5	-25.6	-12.0
Information	156.1	146.7	-9.4	-6.0
Financial Activities	468.8	456.8	-12.0	-2.6
Professional & Business Services	1,090.0	1,028.1	-61.9	-5.7
Education & Health Services	1,555.4	1,453.6	-101.8	-6.5
Leisure & Hospitality	835.7	580.4	-255.3	-30.5
Other Services	291.7	243.0	-48.7	-16.7
Government	954.0	909.2	-44.8	-4.7

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

Sales Market Conditions

Despite job losses, sales housing market conditions ranged from balanced to tight across the New England region. Markets tightened in four states, and the total inventory of homes for sale declined in every state. The inventory of homes for sale in August 2020 contracted significantly in Maine, Connecticut, and Rhode Island, by 13, 14, and 17 percent, respectively, from a year earlier; by comparison, inventories declined 9 percent in the region and the nation (CoreLogic, Inc.). Sales markets were balanced in Vermont and slightly tight in New Hampshire, unchanged from a year ago;

conditions were tight in the remaining four states, each with tighter conditions compared with a year earlier. In Vermont, the months of supply was 4.3 months in August 2020, down from 5.1 months in August 2019. During the same period in New Hampshire, the months of supply decreased from 2.7 to 2.3 months. In Connecticut, where sales markets were previously balanced a year ago, the months of supply fell from 5.7 to 1.5 months. Sales markets in Maine, Massachusetts, and Rhode Island became tighter from slightly tight conditions a year earlier. The months of

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supply fell to 2.1 months each in Maine and Massachusetts, from 3.3 and 2.9 months, respectively. In Rhode Island, the months of supply decreased from 3.8 to 2.5 months.

Reduced inventories of homes on the market resulted in a slight decline in home sales in the New England region. During the 12 months ending August 2020, home sales decreased 1 percent in the region compared with a year ago; approximately 178,300 homes sold, down slightly by nearly 1,800 homes from the 180,100 homes sold during the 12 months ending August 2019 (Zonda, with adjustments by the analyst). The largest percentage decreases in home sales were in New Hampshire at 6 percent and Massachusetts at 4 percent; home sales were down 6 and 8 percent in the Boston and Manchester metropolitan areas, respectively. Home sales declined 1 percent in Rhode Island, were essentially unchanged in Connecticut, and rose 2 percent in Vermont. The greatest gain in sales was in Maine at 25 percent, partially from increasing numbers of homebuyers attracted to less urban environments due to the pandemic.

During the 12 months ending August 2020, the average home sales price in the New England region rose 5 percent from a year ago, to \$420,600, up from a 2-percent increase during the previous 12 months ending August 2019 (Zonda, with adjustments by the analyst). Average home sales price increases ranged from 5 percent each in Massachusetts and Maine to 9 percent in Rhode Island. In New Hampshire, the average home sales price increased 8 percent, led by an 8-percent increase in the Manchester metropolitan area. The average price rose 7 percent

each in Connecticut and Vermont. In Connecticut, the Bridgeport and Hartford metropolitan areas had price increases of 12 and 15 percent, respectively; those markets remained balanced despite declining inventories of homes for sale. The highest average home price in the region was \$592,200 in the Boston metropolitan area, a 5-percent increase from a year earlier.

In August 2020, 4.3 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO (real estate owned) status, up from 1.6 percent a year earlier (CoreLogic, Inc.). The highest rate of 6.0 percent in Connecticut was up significantly from 2.1 percent a year ago. The rates in every other state increased approximately 2.0 to 2.4 percentage points, rising to 4.3 and 4.2 percent in Maine and Rhode Island, from 2.3 and 1.8 percent, respectively. In Massachusetts and Vermont, rates rose to 3.7 and 3.6 percent, up from 1.4 and 1.5 percent, respectively. The lowest rate was 3.0 percent in New Hampshire, an increase from 1.0 percent a year earlier.

During the third quarter of 2020 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, rose 11 percent in the New England region compared with a year earlier, to nearly 3,400 homes; this followed a 3-percent decrease during the third quarter of 2019. By comparison, permitting activity increased faster in the nation, rising 21 and 4 percent during the third quarters of 2020 and 2019, respectively, from a year earlier.

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Home sales declined slightly in the New England region overall during the third quarter of 2020, and the average price rose in most areas.

	12 Months Ending	Number of Homes Sold			Average	Price		
		2019	2020	Percent Change		2019 (\$)	2020 (\$)	Percent Change
Connecticut (N&E)	August	42,300	42,250	0	AVG	\$341,600	\$366,700	7
Bridgeport, CT (N&E)	August	11,150	11,200	0	AVG	\$587,100	\$656,700	12
Hartford, CT (N&E)	August	14,450	15,350	6	AVG	\$225,700	\$258,700	15
Maine (N&E)	August	8,650	10,800	25	AVG	\$242,900	\$255,700	5
Portland, ME (N&E)	August	3,050	3,550	16	AVG	\$325,000	\$337,100	4
Massachusetts (N&E)	August	82,700	79,150	-4	AVG	\$501,800	\$527,500	5
Boston, MA-NH (N&E)	August	56,550	53,200	-6	AVG	\$562,400	\$592,200	5
Worcester, MA-CT	August	12,050	11,850	-2	AVG	\$278,800	\$266,700	-4
New Hampshire (N&E)	August	22,100	20,850	-6	AVG	\$304,100	\$329,800	8
Manchester, NH (N&E)	August	6,325	5,825	-8	AVG	\$298,000	\$322,800	8
Rhode Island (N&E)	August	13,100	12,950	-1	AVG	\$329,300	\$358,100	9
Providence, RI-MA (N&E)	August	19,250	18,800	-2	AVG	\$333,000	\$355,400	7
Vermont (E)	August	11,150	11,350	2	AVG	\$256,600	\$274,900	7
Burlington, VT (E)	August	3,575	3,550	-1	AVG	\$314,900	\$329,400	5

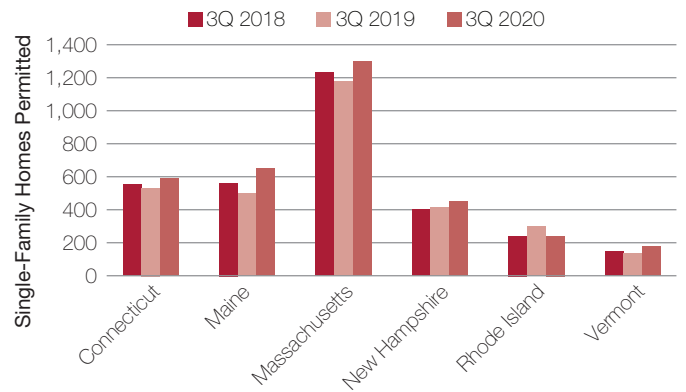
AVG = average. E = existing. N&E = new and existing.
Source: Zonda, with adjustments by the analyst



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- Maine and Massachusetts accounted for 77 percent of the overall increase in single-family permitting in the region, up by 150 and 120 homes, or 30 and 10 percent, to 650 and 1,300 homes, respectively. Notable development in Maine was in the Portland, Bangor, and Lewiston metropolitan areas, where homebuilding rose by 70, 15, and 5 homes, or 20, 62, and 24 percent, to 430, 40, and 20 homes permitted, respectively.
- Homebuilding activity increased 11 percent each in Connecticut and New Hampshire, up by 60 and 45 homes, to 590 and 450 homes, respectively. The 31-percent increase in single-family permitting activity in Vermont was the largest percentage increase in the region, up by 40 homes, to 180 homes permitted, while permitting in Rhode Island was down by 65 homes, or 22 percent, to 240 homes.
- In the Boston metropolitan area, permitting increased modestly by 45 homes, or 3 percent, to 1,275 homes permitted, following a 2-percent decline during the third quarter of 2019.

During the third quarter of 2020, single-family homebuilding activity increased in five of six 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

During the third quarter of 2020, apartment market conditions in major metropolitan areas in the New England region ranged from balanced to tight, unchanged from the previous quarter and from the third quarter of 2019. The number of apartment units completed in the New England region totaled 5,050 during the third quarter of 2020, an increase of 25 percent from the 4,050 completions during the third quarter of 2019 (McGraw-Hill Construction Pipeline database). Massachusetts accounted for approximately one-half of all new apartment units completed in the region during the third quarter of 2020. An estimated 22,975 apartment units were under construction in the region at the end of the third quarter of 2020, with more than 80 percent expected to be completed by the third quarter of 2021.

Partially due to an increase in new apartment completions, and decreased demand for apartments (particularly from students in the Boston metropolitan area), apartment vacancy rates increased in six of the eight major metropolitan areas referenced in this report. Despite this increase, the vacancy rates for all the metropolitan areas in the region except for Boston were at or below the national apartment vacancy rate of 4.3 percent during the third quarter of 2020 (RealPage, Inc.). The largest increase in apartment vacancies in the region occurred in the Boston metropolitan area, where the vacancy rate was up 1.8 percentage points, to 4.7 percent, and previously slightly tight market conditions improved to balanced. The Boston apartment market eased despite a 4-percent decrease in multifamily completions, from 2,100 units during the third quarter of 2019 to 2,025 units during the third quarter of 2020 (McGraw-Hill Construction Pipeline database). Demand for apartments from students at major universities in the Boston metropolitan area was weak during the third quarter of 2020 because many

universities provided the option of remote learning for some or all classes in response to COVID-19. The vacancy rate in the Burlington metropolitan area averaged 2.0 percent, an increase of 1.2 percentage points from the third quarter of 2019; despite the increase, conditions remained tight. Vacancy rates in the Bridgeport and Portland metropolitan areas averaged 4.3 and 2.8 percent, respectively, each representing an increase of 0.7 percent; during this period, apartment market conditions in the Portland metropolitan area improved to slightly tight from tight a year earlier. In the Worcester metropolitan area, the vacancy rate increased a modest 0.4 percentage point to 2.8 percent. In contrast, the Hartford and Manchester metropolitan areas were unchanged from the previous year at 3.4 and 1.5 percent, respectively. In the Providence metropolitan area, the only area with a decline, the vacancy rate was down 0.2 percentage point to 2.6 percent during the third quarter of 2020.

During the third quarter of 2020, the average rent rose in five of the eight major metropolitan areas referenced in this report. Average rents in seven of the eight metropolitan areas were above the \$1,419 average for the nation (RealPage, Inc.). The largest rent increases were in the Burlington and Manchester metropolitan areas, where apartment market conditions were tight, and the average rent rose 4 percent each, to \$1,660 and \$1,496, respectively. Despite the increase, the average rent in the Manchester metropolitan area was the second-lowest of the eight major metropolitan areas cited in this report. Rents rose 2 percent in the Hartford and Providence metropolitan areas, increasing to \$1,400 and \$1,572, respectively, with the average rent in the Hartford metropolitan area the lowest of the eight metropolitan areas. The average rent was essentially unchanged in

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The largest increase in the apartment vacancy rate in the New England region was in the Boston metropolitan area during the third quarter of 2020.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2019 (%)	3Q 2020 (%)	Percentage Point Change	3Q 2019 (\$)	3Q 2020 (\$)	Percent Change
Boston, MA-NH	Balanced	2.8	4.7	1.8	2,452	2,313	-6
Bridgeport, CT	Balanced	3.6	4.3	0.7	2,386	2,341	-2
Burlington, VT	Tight	0.8	2.0	1.2	1,597	1,660	4
Hartford, CT	Balanced	3.4	3.4	0.0	1,373	1,400	2
Manchester, NH	Tight	1.5	1.5	0.0	1,440	1,496	4
Portland, ME	Slightly Tight	2.1	2.8	0.7	1,566	1,545	-1
Providence, RI-MA	Slightly Tight	2.8	2.6	-0.2	1,535	1,572	2
Worcester, MA-CT	Slightly Tight	2.4	2.8	0.4	1,704	1,706	0

3Q = third quarter.

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

the Worcester metropolitan area from the previous year, at \$1,706. In the Boston and Bridgeport metropolitan areas, the average rent declined 6 and 2 percent, respectively, to \$2,313 and \$2,341, respectively, compared with a year earlier. The average rent in the Portland metropolitan area was \$1,545, reflecting a decline of 1 percent from the previous year.

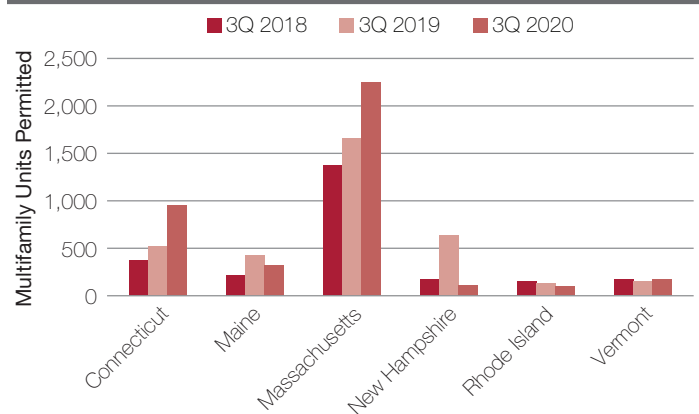
During the third quarter of 2020 (preliminary data)—

- The number of multifamily units permitted in the New England region rose to 3,900—up by 380 units, or 11 percent, from the same quarter a year earlier, compared with a 42-percent increase during the third quarter of 2019. By comparison, the number of multifamily units permitted nationally decreased 13 percent during the third quarter of 2020, following a 23-percent increase during the third quarter of 2019.
- The largest total increase in multifamily permitting was in Massachusetts, which was up by 590 units, or 36 percent, compared with the same period a year earlier; the 2,250 units permitted in the state accounted for 57 percent of all units permitted in the region. In the Boston metropolitan area, permitting increased by 250 units, or 12 percent, to 2,325 units permitted.
- The largest increase in the region was in Connecticut, where multifamily permits were up 81 percent from the previous year to 960 units permitted; multifamily permitting activity more than doubled in the Bridgeport metropolitan area, increasing from 300 to 680 units permitted.
- In Vermont, multifamily permitting rose 9 percent from the previous year to 180 units permitted. In the Burlington

metropolitan area, permitting increased by 40 units, or 41 percent, to 140 units permitted.

- The largest total decrease and the greatest rate of decline in multifamily permitting was in New Hampshire, where permitting was down 520 units, or 82 percent, to 110 units permitted, compared with 640 units permitted a year earlier. Multifamily permitting in Maine and Rhode Island declined 23 and 26 percent, to 320 and 100 units permitted, respectively.

Multifamily building activity rose significantly in Massachusetts and Connecticut during the third quarter of 2020.



3Q = third quarter.

Note: Based on preliminary data.

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

