HUD PD&R **Regional Reports**

Region 1: New England

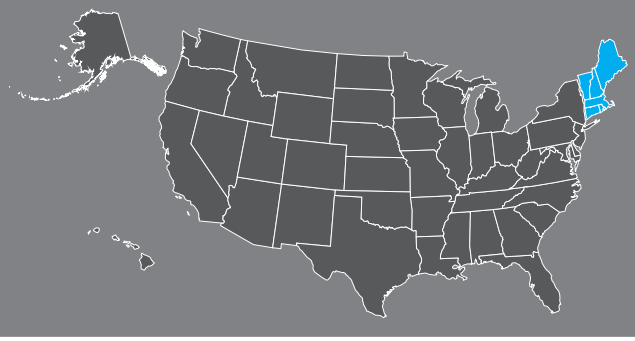
Hartford, Connecticut

By Patricia Moroz | 4th quarter 2016

Quick Facts About Region 1

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

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



Overview

Economic conditions in the New England region strengthened during the fourth quarter of 2016, continuing the trend that began during the third quarter of 2010. Nonfarm payrolls increased or remained stable in every state in the region. The continued overall job growth resulted in increased demand for housing throughout the New England region. Home sales totaled 175,500 during 2016, an increase of 13,400 homes, or more than 8 percent, from 2015. Apartment housing market conditions for metropolitan areas in the region ranged from balanced to tight, with tight conditions in every state in the region except Connecticut and Maine, where conditions were balanced.

During the fourth quarter of 2016—

- Nonfarm payrolls increased in every employment sector in the region; the education and health services sector led the gain, expanding for the fifth consecutive quarter.
- Single-family home sales and the median sales price increased in every state in the region; single-family sales housing markets were balanced in five of the six states in the region.
- Every major metropolitan area in the region had an increase in average rent compared with average rents during the fourth quarter of 2015.

In the New England region, every sector added nonfarm payroll jobs, and four sectors increased by 2.0 percent or more.

	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,322.9	7,415.2	92.3	1.3
Goods-producing sectors	898.5	905.7	7.2	0.8
Mining, logging, and construction	299.7	305.7	6.0	2.0
Manufacturing	598.8	600.1	1.3	0.2
Service-providing sectors	6,424.5	6,509.5	85.0	1.3
Wholesale and retail trade	1,073.9	1,077.1	3.2	0.3
Transportation and utilities	204.6	207.4	2.8	1.4
Information	153.3	153.6	0.3	0.2
Financial activities	462.9	468.9	6.0	1.3
Professional and business services	993.4	1,014.0	20.6	2.1
Education and health services	1,524.9	1,555.8	30.9	2.0
Leisure and hospitality	709.6	725.6	16.0	2.3
Other services	279.7	281.9	2.2	0.8
Government	1,022.1	1,025.1	3.0	0.3

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

Economic Conditions

Economic growth continued in the New England region for the sixth consecutive year. During the fourth quarter of 2016, nonfarm payrolls totaled more than 7.41 million, an increase of 92,300 jobs, or 1.3 percent, from the fourth quarter of 2015. The current level exceeds the previous peak of 7.16 million jobs in the fourth quarter of 2007 by 250,000 jobs, and the year-over-year rate of increase is consistent with the 1.3-percent annual job growth from 2011 through 2015. Nonfarm payrolls increased in all but one state in the New England region, ranging from 1.0 percent in Vermont to 2.0 percent each in Massachusetts and New Hampshire, whereas payrolls remained unchanged in Maine. Nonfarm payroll growth was led by the education and health services and the professional and business services sectors, which increased by 30,900 and 20,600 jobs, or 2.0 and 2.1 percent, respectively, and accounted for more than one-half of the job gain in the New England region. The education and health services sector expanded in every state, and the professional and business services sector increased in every state with the exception of small declines of 0.3 and 0.1 percent in Connecticut and Maine, respectively. Massachusetts led growth in the education and health services sector, most of which came from the social assistance industry, with the addition of 10,100 jobs, a 7.9-percent increase; nearly one-half of the job gain in the industry was in the Boston metropolitan area. The mining, logging, and construction sector continued to add jobs but at a slower pace of 6,000 jobs, or 2.0 percent, compared with the increase a year earlier. Employment in the mining, logging, and construction sector remained constant in Vermont, and increases in Massachusetts, New Hampshire, and Rhode Island more than offset declines in Maine and Connecticut. Massachusetts led gains in this sector, adding 8,200 jobs for an increase of 5.6 percent, whereas Connecticut had the largest decrease in the sector, of 1,500 jobs, or 2.5 percent.

Labor market conditions continued to improve in the New England region during the fourth quarter of 2016. The unemployment rate in

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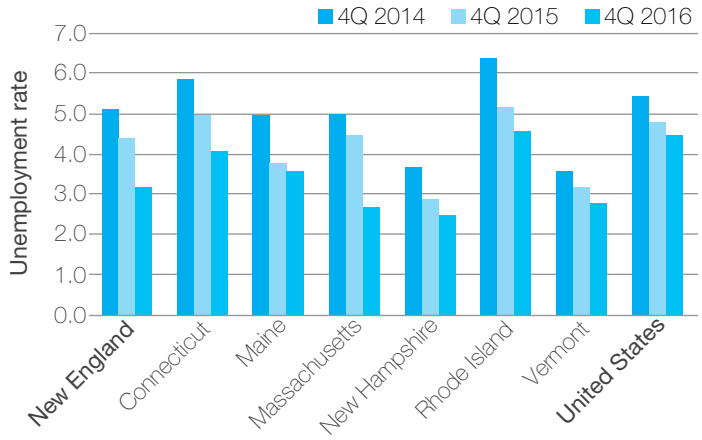
Average unemployment rates declined in every state in the New England region during the fourth quarter of 2016, with rates below 3 percent in Massachusetts, New Hampshire, and Vermont.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

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the region averaged 3.2 percent, which was less than the national average of 4.5 percent, during the fourth quarter of 2016. The unemployment rate decreased in every state in the region, with the largest decline of 1.8 percentage points in Massachusetts. The average unemployment rates in New Hampshire, Massachusetts, and Vermont were the first, fourth, and fifth lowest statewide rates in the nation, at 2.5, 2.7, and 2.8 percent, respectively.

During the fourth quarter of 2016—

- Massachusetts added 71,100 jobs, an increase of 2.0 percent. The sectors with the largest job gains were education and health services and professional and business services, which added 24,600 and 17,300 jobs, respectively, or a 3.2-percent increase in each. The leisure and hospitality sector gained 8,300 jobs, or 2.4 percent; 300 hotel rooms were completed during the fourth quarter, accounting for a portion of the 17 hotels containing 2,400 rooms that opened in 2016, up from 11 hotels with 1,100 rooms in 2015 (McGraw-Hill Construction Pipeline database).
- New Hampshire gained 13,200 jobs, or 2.0 percent. The trade, transportation, and utilities sector led the growth with an increase of 4,200 jobs, or 3.0 percent; the wholesale trade and retail trade subsectors each increased by 1,500 jobs. Construction costs for new retail establishments more than doubled to $94.6 million in 2016 compared with $43.0 million a year earlier (McGraw-Hill Construction Pipeline database).
- In Rhode Island and Vermont, nonfarm payrolls increased by 5,700 and 1,000 jobs, or 1.2 and 0.3 percent, respectively. The largest percentage increase among all sectors in each state was in leisure and hospitality, which accounted for 54 percent of the net job gain in Rhode Island and 80 percent of the gain in Vermont.
- In Connecticut, nonfarm payrolls increased by 1,300 jobs, or 0.1 percent. The most jobs were added in the wholesale trade subsector, which increased by 1,500 jobs, or 2.5 percent, reversing the trend of an average annual decline of 100 jobs, or 0.2 percent, from 2012 through 2015.
- In Maine, nonfarm payrolls remained unchanged from a year earlier at 614,700 jobs. The largest declines of 1,200 jobs each occurred in the transportation and utilities sector and the construction subsector; those losses offset gains of 1,100 jobs each in the education and health services sector and the retail trade subsector.

Sales Market Conditions

Sales housing market conditions in the New England region ranged from balanced to tight during the fourth quarter of 2016, an improvement from slightly soft to tight conditions during the same period a year earlier. Moderate economic growth contributed to increasing home sales and median prices in every state in the region. The months of inventory on the market declined in four of the six states in the region, Connecticut and Rhode Island being the exceptions. Home sales prices in the region during November 2016 (the most recent data available) increased 6 percent compared with prices a year earlier, which was slightly less than the national average increase (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. (The home sales data in this report exclude new homes, except in Connecticut.) Maine and Rhode Island each had the largest percentage gain of 12 percent in single-family homes sold, with sales totaling 17,500 and 10,900, respectively, during 2016 (Maine Real Estate Information System; Rhode Island Association of Realtors®). The median price for a single-family home increased 7 percent to $239,900 in Rhode Island, which was the highest percentage increase in the New England region. In New Hampshire, single-family home sales increased 11 percent, to 17,350 homes, and the median price was up 6 percent, to $250,000, during 2016 compared with the corresponding totals a year earlier (New Hampshire Association of Realtors®). In Vermont, single-family home sales were up 9 percent, to 6,375 homes, and the median price increased 5 percent, to $225,000 (Vermont Association of Realtors®). The median sales price of a single-family home increased 4 percent in three states, to $185,000 in Maine, to $240,000 in Connecticut, and to $355,000 in Massachusetts (Berkshire Hathaway Home Services New England Properties; Massachusetts Association of Realtors®). In Connecticut, single-family home sales increased a moderate 6 percent, to 30,750 homes. Massachusetts, which accounted for more than 40 percent of single-family home sales in the region during 2016, had the largest increase in home sales, which were up by 4,300 homes sold, or 8 percent, to 56,500. The single-family home sales market in the Boston metropolitan area is tight, with 1.9 months of inventory on the market in December 2016, down from 2.1 months a year earlier. Single-family home sales in the Boston metropolitan area during 2016 totaled 14,050, an increase of 240, or nearly 2 percent from 2015, and the median sales price increased by $25,000, or nearly 5 percent, to $540,000 (Greater Boston Association of Realtors®).

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 2016, led by Massachusetts, with an increase of 1,050, or 5 percent, from 2015. Rhode Island, New Hampshire, and Vermont had double-digit percentage increases in condominium sales, up 15, 14, and 12 percent, respectively,

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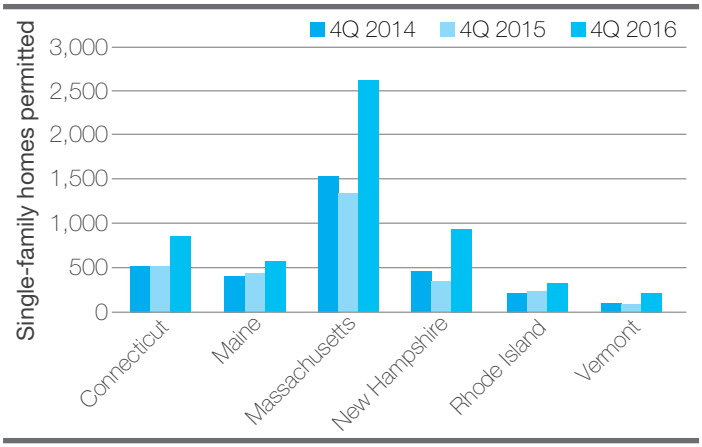
whereas Connecticut had the smallest increase of 2 percent. The median sales price of condominiums rose in every state in the New England region, with the largest increase of 14 percent in New Hampshire. Condominium sales in the Boston metropolitan area totaled 11,150, an increase of 500, or nearly 5 percent, from 2015, whereas the median sales price totaled $485,100, an increase of $35,100, or nearly 8 percent, from a year earlier (Greater Boston Association of Realtors®). In December 2016, a 1.5-month supply of condominiums was for sale in the Boston market, down from a 1.6-month supply in December 2015.

In November 2016 (the most recent data available), 2.9 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 3.8 percent a year earlier (CoreLogic, Inc.). The 0.9-percentage-point decline in the region was more than the 0.7-percentage-point decline nationwide. The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during November 2016. The declines ranged from 1.2 percentage points in Rhode Island, where the rate is 3.4 percent, to 0.5 percentage point in Vermont, where the rate is 2.3 percent. Vermont and New Hampshire, each with a 1.7-percent rate of seriously delinquent loans and REO properties, are the only states in the region with rates less than the national average of 2.6 percent, and the rate in Massachusetts is equal to the national rate.

During the fourth quarter of 2016 (preliminary data)—

- Massachusetts led the region in single-family home construction with 2,625 homes permitted, which accounted for more than 47 percent of the total in the region.
- New Hampshire and Vermont had the largest percentage increases in single-family homebuilding activity with 940 and 210 homes permitted, respectively, more than double the 340 and 90 homes permitted in the fourth quarter of 2015, respectively.
- In Connecticut, construction of single-family homes increased 64 percent, or by 330 homes, to 850 homes permitted, compared with the approximately 520 homes permitted during the fourth quarters of 2014 and 2015.
- Maine and Rhode Island had moderate increases in homebuilding of 32 and 38 percent, to 570 and 320 homes, respectively.

Homebuilding activity increased in all states in the New England region during the fourth quarter of 2016.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Single-family home and condominium sales increased in all states in the New England region, along with median prices.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 ($)	2016 ($)	Percent Change
Connecticut (N&E)	December	29,000	30,750	6	MED	231,800	240,000	4
Maine (E)	December	15,650	17,500	12	MED	177,800	185,000	4
Massachusetts (E)	December	52,200	56,500	8	MED	342,500	355,000	4
New Hampshire (E)	December	15,650	17,350	11	MED	235,000	250,000	6
Rhode Island (E)	December	9,750	10,900	12	MED	225,000	239,900	7
Vermont (E)	December	5,850	6,375	9	MED	215,000	225,000	5
Connecticut (N&E—condo)	December	7,150	7,325	2	MED	155,000	160,000	3
Massachusetts (E—condo)	December	20,250	21,300	5	MED	323,800	338,500	5
New Hampshire (E—condo)	December	3,700	4,200	14	MED	169,900	194,000	14
Rhode Island (E—condo)	December	1,650	1,900	15	MED	195,000	210,500	8
Vermont (E—condo)	December	1,250	1,400	12	MED	189,800	190,300	0

condo = condominium. E = existing. MED = median. N&E = new and existing.
Notes: Median prices represent the fourth quarters of 2015 and 2016 for Connecticut but represent December 2015 and 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®

Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the fourth quarter of 2016. Approximately 4,575 multifamily units started construction in the New England region during the fourth quarter of 2016 compared with 3,775 units during the fourth quarter of 2015, a 20-percent increase (McGraw-Hill Construction Pipeline database). The apartment vacancy rate increased in every metropolitan area in the New England region except in the Burlington metropolitan area, partly because of the 8,825 apartment units completed in the region during 2016. The number of units that entered the market in the New England region during 2016 was up 4 percent from apartment completions in 2015 and more than double the number of completions in 2014 (McGraw-Hill Construction Pipeline database). Apartment market conditions have become balanced during the past year in the Portland metropolitan area compared with tight conditions a year earlier. Construction was completed on 180 apartments during mid-to-late 2016 (McGraw-Hill Construction Pipeline database). Apartment market conditions were tight in the Manchester-Nashua-Concord metropolitan area, where the vacancy rate increased slightly to 1.9 percent, and the average monthly rent rose 7 percent, to $1,238 (MPF Research). The apartment vacancy rate in the Burlington metropolitan area declined to 1.0 percent, a 1.9-percentage-point decrease, partly because of the rapid lease up of 160 apartment units completed during 2016 (McGraw-Hill Construction Pipeline database).

In Connecticut, apartment markets remained balanced with small increases in average rents. Vacancy rates increased less than 1 percentage point, to 5.5 and 5.6 percent, in the Bridgeport-Stamford-Norwalk and Hartford metropolitan areas, respectively (Axiometrics, Inc.), where approximately 1,000 and 1,100 apartments, respectively, were completed during 2016 (McGraw-Hill Construction Pipeline database).

Apartment market conditions eased slightly in the Boston metropolitan area but remained tight. The vacancy rate increased to 3.1 percent during the fourth quarter of 2016 compared with 2.8 percent a year earlier (MPF Research). Approximately 5,375 apartment units were built in the metropolitan area during 2016, after the completion of 5,225 apartment units during 2015 (McGraw-Hill Construction Pipeline database). The level of construction during the past 2 years is more than twice the number of completions during 2014. Of the 14 MPF Research-defined market areas in the Boston metropolitan area, 9 had an increased apartment vacancy rate from the fourth quarter of 2015. Two market areas with the largest increases in the vacancy rate were the Southwest Boston area and the Chelsea/Revere/Charlestown area, with a 1.6-percentage-point increase each, to vacancy rates of 3.1 and 4.8 percent, respectively. The average rent for an apartment in the Boston metropolitan area was $1,925, a 4.0-percent increase from the fourth quarter of 2015. The average rent rose in all but 2 of the 14 market areas in the Boston metropolitan area; the largest percentage increases were 10 percent, to $2,568, in the Waltham/Newton/Lexington area, and 24 percent, to $1,763, in the Plymouth County area. The average rent was relatively unchanged, at $3,301, in Intown Boston, the most expensive market area in the Boston metropolitan area.

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Rents continued to rise despite moderate increases in vacancies in most major metropolitan areas in the New England region during the fourth quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 ($)	4Q 2016 ($)	Percent Change
Boston[a]	Tight	2.8	3.1	0.3	1,856	1,925	4
Bridgeport-Stamford-Norwalk[b]	Balanced	4.8	5.5	0.7	2,305	2,315	0
Burlington[b]	Tight	2.9	1.0	– 1.9	1,656	1,703	3
Hartford[b]	Balanced	5.1	5.6	0.5	1,313	1,317	0
Manchester-Nashua-Concord[a]	Tight	1.8	1.9	0.1	1,152	1,238	7
Portland[b]	Balanced	3.0	5.8	2.8	1,267	1,322	4
Providence[a]	Tight	2.6	3.3	0.7	1,305	1,354	4

4Q = fourth 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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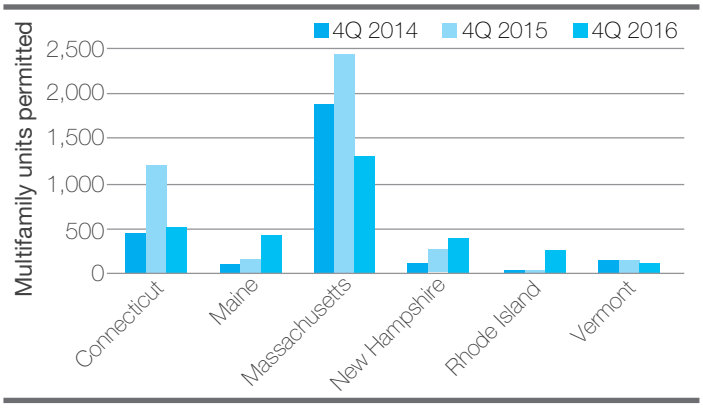
During the fourth quarter of 2016 (preliminary data)—

- The number of multifamily units permitted in the region totaled 3,000, a decline of 1,275, or nearly 30 percent, from the fourth quarter of 2015.
- Massachusetts had the largest decline in permitting, down by 1,150 units, or more than 46 percent, to 1,300 units permitted. In Connecticut, the number of units permitted declined 57 percent, or by 700 units, to 510 units permitted.
- In Vermont, the number of multifamily units permitted decreased 30 percent, to 110 units, down from 150 units during the fourth quarter of 2015.
- In Maine, Rhode Island, and New Hampshire, multifamily construction increased moderately by 280, 220, and 120 units, respectively, to total 430, 250, and 400 units permitted, respectively.

Massachusetts accounted for most of the decline in multifamily construction in the New England region during the fourth quarter of 2016.



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