

HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Bridgeport, Connecticut

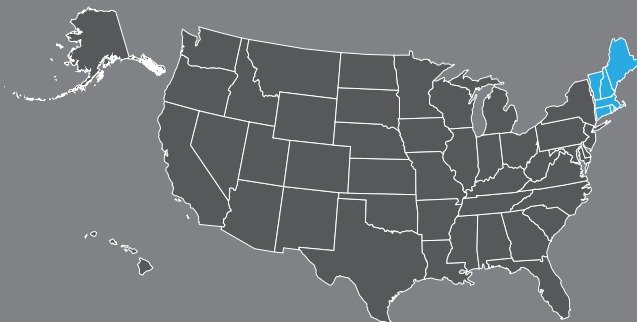
By Tim McDonald | 4th quarter 2018

Sales market conditions—

Fourth quarter 2018: mixed (slightly soft to slightly tight)
Third quarter 2018: mixed (slightly soft to slightly tight)
Fourth quarter 2017: mixed (balanced to tight)

Apartment market conditions—

Fourth quarter 2018: mixed (balanced to tight)
Third quarter 2018: mixed (balanced to tight)
Fourth quarter 2017: mixed (balanced to tight)



Overview

Economic conditions strengthened in the New England region during the fourth 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 and the education and health services sectors added the most jobs, accounting for 54 percent of the growth, whereas the mining, logging, and construction sector increased the most rapidly. Construction payrolls were supported by ongoing commercial and residential developments that began during the past 2 years, despite slower single-family and multifamily construction activity during the fourth 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, due in part to a declining number of apartment completions in the region.

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During the fourth quarter of 2018—

- As a result of employment growth, the unemployment rate in the New England region was below the national average.
- Single-family homebuilding was down in four of the six states in the region, with a slight increase in Connecticut and unchanged in Rhode Island.
- The apartment market vacancy rate declined in all major metropolitan areas in the region, with rent growth ranging from 3 to 9 percent.

Economic Conditions

The economy of the New England region continued to expand during the fourth quarter of 2018, a trend that began in mid-2010. During the fourth quarter of 2018, nonfarm payrolls in the New England region averaged nearly 7.59 million jobs, a gain of 112,700 jobs, or 1.5 percent, from the fourth quarter of 2017, below the national average growth rate of 1.7 percent. By comparison, during the fourth quarter of 2017, nonfarm payrolls grew by 58,000 jobs, or 0.8 percent, from the same period a year earlier. Nonfarm payrolls in Massachusetts accounted for approximately 57 percent of jobs added in the region, which increased by 64,000 jobs, or 1.8 percent, from the fourth quarter of 2017. New Hampshire added 16,300 jobs, at a rate of 2.4 percent, the highest rate of growth in the region. Nonfarm payrolls in Connecticut and Rhode Island rose by 22,600 and 6,600 jobs, respectively, both at a rate of 1.3 percent, while Maine added 5,000 jobs, or 0.8 percent, from a year earlier. Vermont was the only state where nonfarm payrolls declined, losing 1,800 jobs, or 0.6 percent.

The mining, logging, and construction sector was the fastest growing sector in the region. During the fourth quarter of 2018, 15,300 jobs were added in the sector, a rate of 4.8 percent,

from the fourth quarter of 2017. By comparison, during the fourth quarter of 2017, the sector grew by 10,600 jobs, or 3.5 percent, from the same period a year earlier. In Connecticut and New Hampshire, jobs in the sector increased by 7,000 and 2,500, or 11.7 and 8.7 percent, respectively. This increase in growth is, in part, due to ongoing developments in the downtown and waterfront areas. The Dockmaster building and marina are currently underway as part of the Steelpointe Harbor mixed-use development in Bridgeport, CT. In Manchester, NH, several hotels are currently under construction in the downtown area, including a 145-unit Residence Inn Marriott that is expected to open in the fall of 2019. The unemployment rate in the region averaged 2.9 percent during the fourth quarter of 2018, down from 3.3 percent from a year ago and below the national average rate of 3.6 percent.

During the fourth quarter of 2018—

- The professional and business services sector led job growth with a gain of 33,700 jobs, or 3.2 percent, compared with a gain of 16,600 jobs, or 1.6 percent, during the fourth quarter

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Nonfarm payrolls in the New England region increased 1.5 percent during the fourth quarter of 2018, up from 0.8 percent a year earlier.

	Fourth Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total Nonfarm Payrolls	7,474.2	7,586.9	112.7	1.5
Goods-Producing Sectors	915.2	939.3	24.1	2.6
Mining, Logging, & Construction	315.8	331.1	15.3	4.8
Manufacturing	599.4	608.3	8.9	1.5
Service-Providing Sectors	6,559.0	6,647.5	88.5	1.3
Wholesale & Retail Trade	1,074.9	1,077.9	3.0	0.3
Transportation & Utilities	216.8	218.4	1.6	0.7
Information	151.3	153.5	2.2	1.5
Financial Activities	464.5	469.1	4.6	1.0
Professional & Business Services	1,039.4	1,073.1	33.7	3.2
Education & Health Services	1,575.0	1,602.7	27.7	1.8
Leisure & Hospitality	739.0	750.6	11.6	1.6
Other Services	281.8	288.0	6.2	2.2
Government	1,016.2	1,014.2	-2.0	-0.2

Source: U.S. Bureau of Labor Statistics

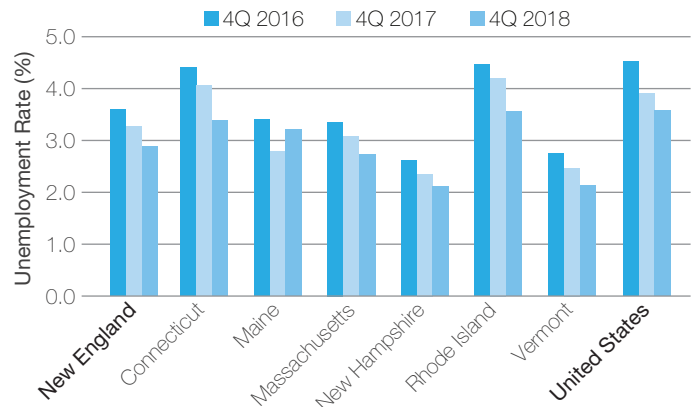


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of 2017, accounting for approximately 30 percent of all jobs added in the region. Approximately 84 percent of the net growth in this sector occurred in Massachusetts, increasing by 28,400 jobs, or 5.0 percent, compared with 12,800 jobs, or 2.3 percent, added a year earlier.

- The education and health services sector, the largest sector in the region, gained 27,700 jobs, a rate of 1.8 percent, from a year earlier. While all states had growth in this sector, New Hampshire had the fastest rate of growth, with a 2.4-percent increase, or 3,000 jobs, compared with the previous year's growth of 1.5 percent, or 1,800 jobs.
- Nonfarm payrolls in the leisure and hospitality sector increased by 11,600 jobs, or 1.6 percent, compared with 7,400 jobs, or 1.0 percent, a year ago. In Connecticut and New Hampshire, the sector grew at the highest rate since 2000, at 3.6 and 5.5 percent, respectively, or by 5,500 and 3,700 jobs.
- The manufacturing sector in the New England region grew by 8,900 jobs, or 1.5 percent, compared with 7,300 jobs, or 1.2 percent, during the same period a year earlier. In New Hampshire, nonfarm payrolls in this sector increased by 2,900 jobs, or 4.1 percent, accounting for 33 percent of total regional growth in this sector.
- Government was the only sector to decline in the region, decreasing by 2,000 jobs, or 0.2 percent. The largest total

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



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

and percentage job loss in this sector in the region was in Connecticut, with a decline of 3,400 jobs, a rate of 1.4 percent, due to fiscal tightening at the state and local levels.

Sales Market Conditions

Sales housing market conditions ranged from slightly soft to slightly tight across the New England region during the fourth quarter of 2018. Single-family home sales declined in five of the six states in the region; Maine was the only state in the region to have an increase in single-family home sales. The median sales price of single-family homes increased throughout the region,

with percentage increases ranging from 3 percent in Vermont to 6 percent each in Maine and New Hampshire. Home sales prices in the region rose approximately 5 percent in December 2018, down from 6 percent in December 2017 and below the 6-percent gain in the nation (Federal Housing Finance Agency House Price Index).

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Home sales generally declined in the New England region during the 12 months ending December 2018 compared with the previous year.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2017	2018	Percent Change		2017 (\$)	2018 (\$)	Percent Change
Connecticut (N&E)	December	45,200	44,500	-2	MED	235,000	245,000	4
Maine (E)	December	17,650	17,850	1	MED	202,000	215,000	6
Massachusetts (E)	December	56,150	55,500	-1	MED	380,000	397,500	5
New Hampshire (E)	December	17,600	17,250	-2	MED	266,000	282,500	6
Rhode Island (E)	December	11,200	10,600	-5	MED	257,800	268,000	4
Vermont (E)	December	7,225	6,450	-11	MED	218,000	225,000	3
Connecticut (N&E-condo)	December	8,475	8,925	5	MED	162,000	164,000	1
Massachusetts (E-condo)	December	21,850	21,350	-2	MED	350,000	375,000	7
New Hampshire (E-condo)	December	4,800	4,750	-1	MED	190,000	205,000	8
Rhode Island (E-condo)	December	2,150	2,300	7	MED	215,000	215,000	0

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

Notes: All figures are rounded. Median prices represent the fourth quarter of 2017 and 2018 for Connecticut but represent December 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®; Vermont Association of Realtors®



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Home sales markets were slightly tight in Massachusetts and New Hampshire despite the decline in sales. The sales markets in the two states are constrained by a lack of inventory on the market. During 2018, the number of single-family homes for sale in Massachusetts averaged 14,100, a decline of 1,200, or nearly 8 percent, from the monthly average for 2017 (Massachusetts Association of Realtors®). There was a 2.2-month supply of inventory on the market in Massachusetts during December 2018, down from 2.5 months 1 year earlier. In New Hampshire, the number of homes listed for sale declined nearly 1 percent during 2018, and there was a 2.8-month supply of inventory on the market during December 2018, down from a 3.2-month supply 1 year earlier.

The home sales markets in Connecticut, Maine, and Rhode Island are currently balanced. Maine had a 1-percent increase in the number of homes listed for sale during 2018 (Maine Real Estate Information System). Single-family home sales in Connecticut declined 2 percent during 2018, and the average price rose 4 percent, to \$245,000; however, home sales in the higher priced \$300,000-to-\$500,000 range were up nearly 7 percent during 2018 (Berkshire Hathaway HomeServices New England Properties). During the fourth quarter of 2018, there was more than 6 months of inventory on the market in Connecticut, unchanged from the previous year. In Rhode Island, single-family home sales declined during 2018 by 600 homes, or 5 percent. The level of inventory for sale also increased slightly in Rhode Island during 2018, with a 3.8-month supply of inventory on the market during December 2018, up from 3.4 months 1 year earlier (Rhode Island Association of Realtors®).

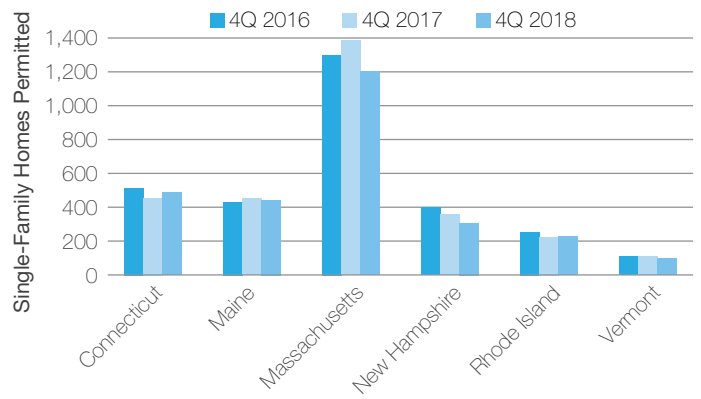
Sales market conditions were slightly soft in Vermont, with an 11-percent decline in single-family homes sales, the largest percentage decline among states in the region. There was an 8.4-month supply of inventory for sale in Vermont during December 2018, down from 9.9 months one year earlier.

In December 2018, 1.8 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 2.3 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 0.7 and 0.6 percentage

Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the fourth quarter of 2018. Apartment vacancy rates declined in all major apartment markets because fewer new units entered the market. The number of apartment units completed in the region was down nearly 7 percent, from 5,175 units during the fourth quarter of 2017 to 4,825 units during the fourth quarter of 2018 (McGraw-Hill Construction Pipeline database). The largest decline in the apartment vacancy rate was in the Worcester metropolitan area, decreasing from 3.7 percent during the fourth quarter of 2017 to 2.3 percent during the fourth quarter of 2018, the lowest vacancy rate among major apartment markets in the region (RealPage, Inc.). In the Boston metropolitan area, the vacancy rate decreased from 4.3 to 3.6

Single-family permitting activity declined nearly 8 percent in the New England region during the fourth quarter of 2018 compared with the fourth quarter of 2017, mostly because of a decline in Massachusetts.



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

point 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 2.5, 2.3, and 1.9 percent, respectively, and the remaining states in the region had rates below the national average of 1.7 percent.

During the fourth quarter of 2018 (preliminary data)—

- The largest percentage decreases in single-family homebuilding activity were in New Hampshire and Massachusetts, which declined 16 and 13 percent, respectively. Nearly all the decline in permitting in New Hampshire was in Rockingham and Strafford Counties, which are part of the Boston metropolitan area.
- Homebuilding activity in Rhode Island and Vermont was virtually unchanged from the fourth quarter of 2017.
- Building activity in Maine declined by 10 homes, or less than 3 percent, from the fourth quarter of 2017.
- Connecticut was the only state in the region with an increase in permitting, up by 20 homes, or nearly 5 percent, from the fourth quarter of 2017.

percent because of relatively strong economic conditions and fewer additions to the apartment supply during the fourth quarter of 2018. The average rent in the Boston metropolitan area rose 6 percent, to \$2,296. The largest decline in the vacancy rate in that area occurred in the RealPage, Inc.-defined Chelsea/Revere/Charlestown market area, where the vacancy rate fell from 6.5 to 3.8 percent.

Apartment markets in both major metropolitan areas in Connecticut, Bridgeport and Hartford, are balanced and had 0.6- and 0.5-percentage-point declines in the apartment vacancy rate, respectively, from the fourth quarter of 2017. The vacancy rate declined in the major metropolitan areas in Connecticut because the number of completions during 2018 decreased by 750 units,

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Apartment market vacancy rates declined in every major metropolitan area in the New England region during the fourth quarter of 2018 compared with one year earlier.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2017 (%)	4Q 2018 (%)	Percentage Point Change	4Q 2017 (\$)	4Q 2018 (\$)	Percent Change
Boston	Slightly Tight	4.3	3.6	-0.7	2,172	2,296	6
Providence	Tight	3.4	2.8	-0.6	1,385	1,447	4
Bridgeport	Balanced	5.5	4.9	-0.6	2,212	2,288	3
Hartford	Balanced	4.6	4.1	-0.5	1,267	1,318	4
Manchester	Tight	3.1	2.4	-0.7	1,296	1,367	5
Portland	Slightly Tight	4.8	3.7	-1.1	1,327	1,441	9
Worcester	Tight	3.7	2.3	-1.4	1,476	1,513	3

4Q = fourth quarter.

Sources: Market Condition—Economic and Market Analysis Division; Vacancy Rate and Average Monthly Rent—RealPage, Inc.

or 21 percent, to 2,750 (McGraw-Hill Construction Pipeline database). Bridgeport, which has the second highest average rent of any metropolitan area in the region, at \$2,288, had a rent increase of \$76, or 3 percent, from the fourth quarter of 2017. Hartford, which has the lowest average rent among major metropolitan areas in the region, had a rent increase of \$51, or 4 percent, from the fourth quarter of 2017.

The apartment markets in both the Manchester and Providence metropolitan areas are currently tight, with vacancy rates of 2.4 and 2.8 percent, respectively. The Providence metropolitan area apartment market tightened even though the number of apartment completions during 2018 totaled 620, an increase of 60 units, or 10 percent, from 2017 (McGraw-Hill Construction Pipeline database). In the Manchester metropolitan area, the apartment market also tightened, while the number of completions declined by 200 units, or 43 percent, to 260. The average rent for an apartment in the Providence metropolitan area is currently \$1,447, an increase of \$62, or 4 percent, from the fourth quarter of 2017. In the Manchester metropolitan area, the average rent increased 5 percent to \$1,367 during the fourth quarter of 2018.

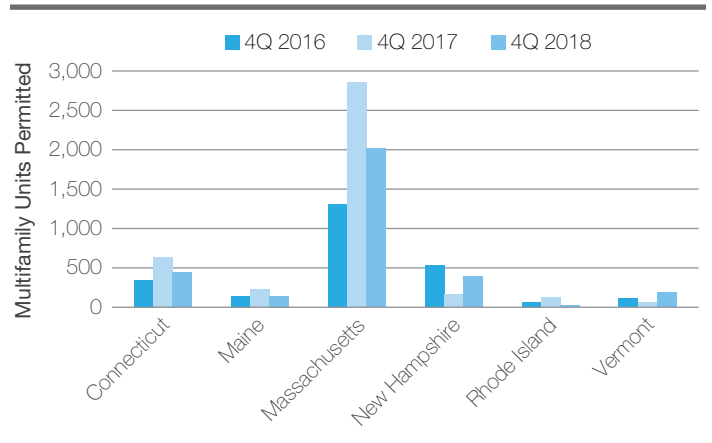
The apartment market in the Portland metropolitan area had the largest increase in average rents of any major metropolitan area in the New England region. During the fourth quarter of 2018, the average rent was \$1,441, an increase of \$114, or 9 percent, from the fourth quarter of 2017. The metropolitan area also had the second largest decline in the apartment vacancy rate for any major metropolitan area in the New England region, falling from 4.8 percent during the fourth quarter of 2017 to 3.7 percent during the fourth quarter of 2018. The number of apartment completions in the metropolitan area declined by 460 units, or 55 percent, to 370 units during 2018, contributing to the sharp drop in the apartment vacancy rate (McGraw-Hill Construction Pipeline database).

During the fourth quarter of 2018 (preliminary data)—

- In the New England region, the number of multifamily units permitted declined by 890 units, or 22 percent, to 3,175, while four of the six states in the region had a decrease in multifamily permitting activity. Even with the decline in permitting, this was the third most active third quarter for multifamily permitting in the region since 2010.

- On a percentage basis, Rhode Island had the sharpest decline in the region, with multifamily permitting falling by 100 units, or 88 percent, to only 15 units permitted during the fourth quarter of 2018.
- Massachusetts had the largest total decline in the number of multifamily units permitted, declining by 850 units, or 30 percent, to 2,025. All the decline occurred in the Boston metropolitan area.
- Multifamily permitting increased sharply in both New Hampshire and Vermont, where building activity more than doubled in each state. In Vermont, the increase was concentrated in the Burlington metropolitan area, whereas, in New Hampshire, the increased production was concentrated in Rockingham and Strafford Counties, outside the Manchester metropolitan area, where multifamily building activity totaled 270 units, an increase of 160 units from the fourth quarter of 2017.

Multifamily construction activity declined in most states in the region during the fourth quarter of 2018 compared with the fourth quarter of 2017, but total regional construction activity remained above the level during the fourth quarter of 2016.



4Q = fourth quarter.

Note: Based on preliminary data.

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

