

HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Hartford, Connecticut

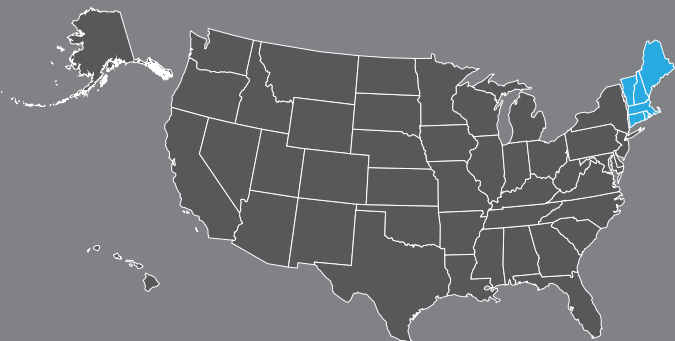
By Tomasz Kukawski | 4th Quarter 2019

Sales market conditions—

- Fourth quarter 2019: mixed (balanced to slightly tight)
- Third quarter 2019: mixed (balanced to slightly tight)
- Fourth quarter 2018: mixed (slightly soft to slightly tight)

Apartment market conditions—

- Fourth quarter 2019: mixed (balanced to tight)
- Third quarter 2019: mixed (balanced to tight)
- Fourth quarter 2018: mixed (balanced to tight)



Overview

During the fourth quarter of 2019, economic conditions in the New England region remained strong, and nonfarm payrolls have recorded continuous year-over-year increases since the third quarter of 2010. Nonfarm payrolls grew faster than a year ago; however, the rate of job gains in the region lagged the national growth rate. Massachusetts contributed most to the job growth, accounting for 67 percent of net job growth in the region during the fourth quarter of 2019. Sales housing market conditions—which ranged from balanced to slightly tight—remained nearly unchanged from a year ago. Home sales in the region increased because of continued economic growth and slow home sales price growth. Despite generally strong sales market conditions, single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region. Apartment market conditions were balanced to tight throughout the region, and vacancy rates declined in most of the markets cited in this report. Average apartment rents increased or remained unchanged in the eight largest apartment markets in the region; rent growth in five markets matched or exceeded the average national growth rate.

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- During the fourth quarter of 2019, the education and health services sector added the most jobs of all nonfarm payroll sectors in the New England region—up by 40,300 jobs—and recorded the fastest rate of job growth of 2.5 percent.
- Home sales in the region totaled 236,100 during the 12 months ending November 2019—an increase of 2 percent from a year ago.
- New apartment completions in Massachusetts and Connecticut accounted for most of the additions to the rental inventory in the region during the fourth quarter of 2019. Those completions contributed to a year-over-year increase in apartment construction activity in the New England region.

Economic Conditions

The economy of the New England region has expanded each quarter since the third quarter of 2010. During the fourth quarter of 2019, nonfarm payrolls in the New England region averaged nearly 7.6 million jobs—a gain of 72,300 jobs, or 1.0 percent, from the fourth quarter of 2018, below the national average job growth rate of 1.4 percent. By comparison, during the fourth quarter of 2018, nonfarm payrolls grew by 35,300 jobs or 0.5 percent. The recent rate of job growth in the region was near the fourth-quarter average of 1.1 percent a year from 2010 through 2017. Nonfarm payrolls rose in all but one state in the region, led by gains in Massachusetts, where jobs grew by 48,300, or 1.3 percent. Job gains in Rhode Island totaled 9,200, or 1.8 percent. In New Hampshire and Maine, nonfarm payrolls rose by 5,500 and 5,300 jobs, respectively, or 0.8 percent each. Connecticut gained 4,900 jobs or 0.3 percent. A loss of 900 jobs, or 0.3 percent, in Vermont, where nonfarm payrolls fell for the first time since 2009 limited overall job growth in the region.

The education and health services sector led job growth during the fourth quarter of 2019. The sector accounted for

56 percent of total nonfarm payroll gains in the New England region and increased 40,300 jobs, or 2.5 percent, to 1.62 million. The education and health services sector is the largest employment sector in each state of the region and accounted for the most jobs added in four of six states. In Massachusetts and Connecticut, jobs in the sector rose by 24,200 and 10,100, respectively, or 3.0 percent each. The education and health services sector also accounted for the largest number of jobs added in New Hampshire and Rhode Island, with gains of 3,700 and 3,500 jobs, or 2.9 and 3.2 percent, respectively.

The unemployment rate in the region averaged 2.7 percent during the fourth quarter of 2019, down from 2.8 percent a year earlier, and was below the national average of 3.3 percent. Four states in the region had a decline in the unemployment rate. Vermont had the lowest unemployment rate in the region at 1.9 percent. In Maine and Rhode Island, the average unemployment rate declined by 0.6 of a percentage point each, to 2.6 and 3.1 percent, respectively. The average unemployment rate fell 0.3 percentage point to 2.4

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Nonfarm payrolls grew in 8 of 11 sectors, supporting continued economic expansion in the New England region during the fourth quarter of 2019.

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,522.8	7,595.1	72.3	1.0
Goods-Producing Sectors	915.3	916.4	1.1	0.1
Mining, Logging, & Construction	317.3	319.0	1.7	0.5
Manufacturing	598.0	597.4	-0.6	-0.1
Service-Providing Sectors	6,607.5	6,678.8	71.3	1.1
Wholesale & Retail Trade	1,066.5	1,063.8	-2.7	-0.3
Transportation & Utilities	220.4	225.4	5.0	2.3
Information	154.1	157.7	3.6	2.3
Financial Activities	460.1	463.7	3.6	0.8
Professional & Business Services	1,063.6	1,076.1	12.5	1.2
Education & Health Services	1,583.6	1,623.9	40.3	2.5
Leisure & Hospitality	745.1	754.4	9.3	1.2
Other Services	284.0	286.4	2.4	0.8
Government	1,030.3	1,027.4	-2.9	-0.3

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

Source: U.S. Bureau of Labor Statistics



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percent in Massachusetts. New Hampshire had an increase in the average unemployment rate but remained low, at 2.3 percent. The unemployment rate in Connecticut was unchanged at 3.3 percent.

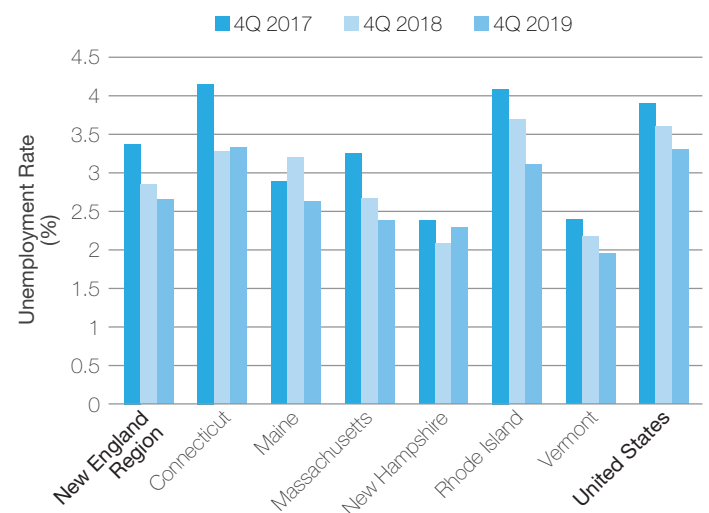
During the fourth quarter of 2019—

- The professional and business services sector, which is the second largest employment sector in the region, recorded the second largest job growth of 12,500, or 1.2 percent, to nearly 1.08 million jobs. Most job gains in the sector were in Massachusetts and New Hampshire, which added 8,500 and 2,100 jobs, an increase of 1.4 and 2.5 percent, respectively. Meanwhile, 800 jobs in the sector were lost in Maine—a decline of 1.2 percent. Expansion in the sector occurred in large part because of new office space availability near educational and research centers—including the Kendall Square innovation district adjacent to the Massachusetts Institute of Technology—that have attracted businesses to the region.
- Significant job growth occurred in the leisure and hospitality sector, with an increase of 9,300 jobs, or 1.2 percent, from a year earlier to 754,400 jobs. In the sector, Massachusetts gained 5,200 jobs, or 1.4 percent, followed by an increase of 2,300 and 2,000 jobs, or 4.2 and 3.2 percent, respectively, in Rhode Island and Maine. In 2019, 26 new hotels opened across the New England region, and 33 more are currently under construction and expected to open through mid-2022 (Dodge Data & Analytics LLC).
- The transportation and utilities sector expanded 2.3 percent, or by 5,000 jobs, to 225,400. The sector was the fastest growing sector in Massachusetts and Rhode Island, with increases of 3.7 and 12.6 percent, or 3,900 and 1,600 jobs, respectively.
- Uncertainty resulting from global trade disputes contributed to the decline of 600 jobs, or 0.1 percent, in the manufacturing sector—compared with a gain of 2,200 jobs, or 0.4 percent, a year earlier. New Hampshire and Massachusetts, which lost

1,300 and 1,000 jobs, or 1.8 and 0.4 percent, respectively, led sector declines. A gain of 1,200 jobs each in Maine and Connecticut, or 2.2 and 0.8 percent, respectively, partially offset the overall decrease.

- In the New England region, workforce reduction in the government sector—which fell by 2,900 jobs, or 0.3 percent—was entirely due to job losses in the local and state government subsectors, which declined by 3,500 and 500 jobs, or 0.6 and 0.2 percent, respectively. The federal government subsector gained 1,100 jobs or 1.0 percent. The largest total job losses in the government sector occurred in Connecticut and Vermont, with a decrease of 1,700 jobs each, or 0.7 and 2.9 percent, respectively.

The unemployment rate fell in four states and rose in two states in the New England region during the fourth quarter of 2019.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions ranged from balanced to slightly tight across the New England region during the fourth quarter of 2019. Home sales in the region rose partially because of stronger economic conditions and slower home sales price appreciation compared with a year ago. During the 12 months ending November 2019, approximately 231,100 homes sold in the New England region—an increase of 3,800 homes, or 2 percent, from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Regular resales in the region grew 2 percent during the 12 months ending November 2019, whereas distressed home sales (real estate owned [REO] and short sales) rose 3 percent. Distressed home sales included a 27-percent decline in short sales, which was more than offset by a 12-percent increase

in REO sales. The increase in lower priced distressed home sales likely slowed the rise in the average home sales price in the region, which grew 2 percent during the 12 months ending November 2019—significantly slower than the 6-percent increase during the previous 12 months.

During the 12 months ending November 2019, home sales (including single-family homes, townhomes, and condominiums) increased in Connecticut, Massachusetts, and Rhode Island and declined in Maine, New Hampshire, and Vermont. The largest increase in sales in the region occurred in Connecticut, where approximately 3,825 more homes were sold, an increase of 8 percent. The average home sales price in the state fell 3 percent, to \$321,100, following a gain of 5 percent a year earlier. Home

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The number of homes sold increased in five of the nine largest metropolitan areas of the New England region, and the average home sales price rose in all but one of the major markets.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average	2018 (\$)	2019 (\$)	Percent Change
Bridgeport, CT (N&E)	November	12,500	13,150	5	AVG	574,400	533,300	-7
Burlington, VT (N&E)	November	4,250	4,125	-3	AVG	274,300	296,000	8
Boston, MA Metropolitan Division (N&E)	November	28,450	28,100	-1	AVG	602,300	620,800	3
Cambridge, MA Metropolitan Division (N&E)	November	33,400	33,700	1	AVG	571,800	586,400	3
Hartford, CT (N&E)	November	16,200	17,350	7	AVG	247,600	249,400	1
Manchester, NH (N&E)	November	7,725	7,450	-4	AVG	271,200	288,400	6
Portland, ME (N&E)	November	9,575	8,850	-8	AVG	318,600	334,900	5
Worcester, MA-CT (N&E)	November	14,850	15,300	3	AVG	291,000	294,500	1
Providence, RI-MA (N&E)	November	24,800	25,650	3	AVG	302,800	328,400	8

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

sales in Massachusetts and Rhode Island increased by 1,725 and 690, or 2 and 4 percent, respectively. In Massachusetts, the average home sales price grew 2 percent to \$498,600. In Rhode Island, average home prices rose 6 percent to \$317,500. Maine had the largest percentage loss of home sales in the region, with a decline of 6 percent, or 1,350 homes sold, and the average home sales price increased 2 percent, to \$259,500. By comparison, a year earlier, the average home sales price in Maine increased 9 percent, which was the fastest rate of growth in the New England region. In New Hampshire and Vermont, home sales during the 12 months ending November 2019 decreased by 830 and 320, or 3 and 2 percent, respectively, whereas the average home sales prices rose 6 and 4 percent to \$276,300 and \$233,300, respectively.

In November 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 1.8 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties declined in every state in the region, with the greatest decline of 0.3 of a percentage point in Maine to 2.2 percent. The rates of delinquent mortgage loans and REO properties in Connecticut and Rhode Island were 2.1 and 1.7 percent, respectively, whereas Massachusetts and Vermont each matched the national rate of 1.4 percent.

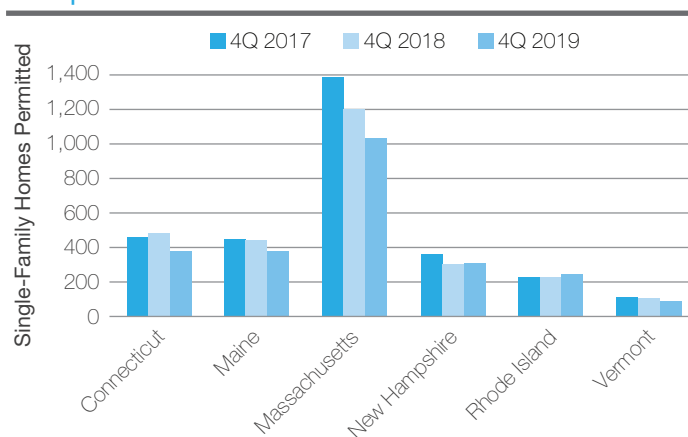
During the fourth quarter of 2019 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, totaled 2,425—down by 330 homes, or 12 percent, from a year earlier—compared with a decrease of 230 homes, or 8 percent, in the fourth quarter of 2018. For perspective, the number of homes permitted nationally rose 11 percent from a year earlier after no change in the fourth quarter of 2018.
- Approximately 82 percent of the net decrease in single-family homebuilding in the New England region occurred in Massachusetts and Connecticut, where permitting fell by 170

and 100 homes, or 14 and 21 percent, respectively. Among the major metropolitan areas in both states, homebuilding fell the most in the Boston and the Bridgeport metropolitan areas by 140 and 60 homes, or 12 and 31 percent, respectively.

- Homebuilding also declined in Maine and Vermont, where single-family home permitting fell by 60 and 20 homes, or 14 and 16 percent, respectively. The Portland metropolitan area accounted for one-half of the decrease in Maine, with a decline of 30 homes, or 10 percent.
- Rhode Island and New Hampshire recorded small increases in homebuilding activity. In Rhode Island, single-family permitting rose by 15 homes or 7 percent, and in New Hampshire, only 5 more homes were permitted compared with the fourth quarter of 2018, an increase of 2 percent.

Single-family home permitting declined in the New England region during the fourth quarter of 2019, with permitting down in all states except New Hampshire and Rhode Island.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in major metropolitan areas of the New England region during the fourth quarter of 2019 ranged from balanced to tight. Despite an increase in new apartment completions during the quarter, apartment vacancy rates declined in six of the eight major metropolitan areas referenced in this report, and average monthly rents rose or remained unchanged in all areas. Expanding economic conditions in the region resulted in stronger apartment absorption. The number of apartment units completed in the New England region totaled 5,025 during the fourth quarter of 2019, an increase of 4 percent from the 4,825 units completed during the fourth quarter of 2018 (Dodge Data & Analytics LLC). Massachusetts and Connecticut accounted for approximately 49 and 33 percent, respectively, of all new apartment units completed in the region.

The largest decline in the apartment vacancy rate in the region occurred in the Portland metropolitan area, where the vacancy rate fell from 4.0 to 1.8 percent (RealPage, Inc.). The vacancy rate decreased 0.5 of a percentage point in the Hartford metropolitan area to 3.5 percent. Smaller declines of 0.2 of a percentage point each were reported in the Boston, Bridgeport, Manchester, and Worcester metropolitan areas, and apartment vacancy rates were 3.2, 4.6, 1.9, and 2.4 percent, respectively, during the fourth quarter of 2019. The vacancy rate rose in the Burlington and Providence metropolitan areas, with increases of 1.0 percentage point and 0.4 of a percentage point, respectively, to 1.2 and 3.2 percent. The national apartment vacancy rate during the fourth quarter of 2019 was 4.2 percent, down from 4.1 percent a year earlier.

The average monthly rent grew or remained unchanged in all the major metropolitan areas referenced in this report. In five metropolitan areas, the rent rose faster than or equal to the national average increase of 4 percent. The largest rent increase was in the Worcester metropolitan area, where the average rent rose 9 percent to \$1,679. Rents in the Manchester and

the Boston metropolitan areas grew 6 and 5 percent, to \$1,451 and \$2,391, respectively. The Providence and the Hartford metropolitan areas recorded average rent growth of 4 percent each, to \$1,517 and \$1,364, respectively. Rent growth was slower in the Bridgeport and Portland metropolitan areas, rising 2 percent each, to \$2,341 and \$1,477, respectively. The average rent in the Burlington metropolitan area was \$1,631, nearly unchanged from a year earlier. Average rents in the Boston metropolitan area are the highest in the New England region. At \$3,628, the average monthly rent in the Intown Boston market area was the highest in the region during the fourth quarter of 2019, up 2 percent from a year earlier. Rents rose the most in the Fenway/Brookline/Brighton and the South Essex County market areas, up 8 percent each, to \$3,248 and \$2,016, respectively. During 2019, approximately 5,125 new apartment units entered the market in the Boston metropolitan area—31 percent fewer than in 2018.

The 261-unit Quarry Hills Apartments opened in Quincy, MA, in November 2019. The property offers one-, two-, and three-bedroom luxury apartments with monthly rents starting at \$2,130, \$2,416, and \$3,481, respectively. In New Haven, CT, the 269-unit Audubon New Haven project opened in December 2019. The property offers studio, one-, two-, and three-bedroom units with rents starting at \$1,766, \$1,950, \$2,634, and \$2,977, respectively.

During the fourth quarter of 2019 (preliminary data)—

- The number of multifamily units permitted in the New England region rose substantially to 4,700—up by 1,525 units, or 48 percent, from the same quarter a year earlier. The current increase in the region follows a 22-percent decline during the fourth quarter of 2018.
- The increase in multifamily permitting in the New England region occurred primarily because the number of multifamily units permitted in Connecticut more than tripled. During the

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Apartment vacancy rates declined in most major metropolitan areas in the New England region, and average rents rose or remained unchanged.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Boston, MA-NH	Slightly Tight	3.4	3.2	-0.2	2,271	2,391	5
Bridgeport, CT	Balanced	4.8	4.6	-0.2	2,287	2,341	2
Burlington, VT	Tight	0.2	1.2	1.0	1,628	1,631	0
Hartford, CT	Balanced	4.0	3.5	-0.5	1,307	1,364	4
Manchester, NH	Tight	2.1	1.9	-0.2	1,368	1,451	6
Portland, ME	Tight	4.0	1.8	-2.2	1,442	1,477	2
Providence, RI-MA	Slightly Tight	2.8	3.2	0.4	1,462	1,517	4
Worcester, MA-CT	Tight	2.8	2.4	-0.2	1,541	1,679	9

4Q = fourth quarter.

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

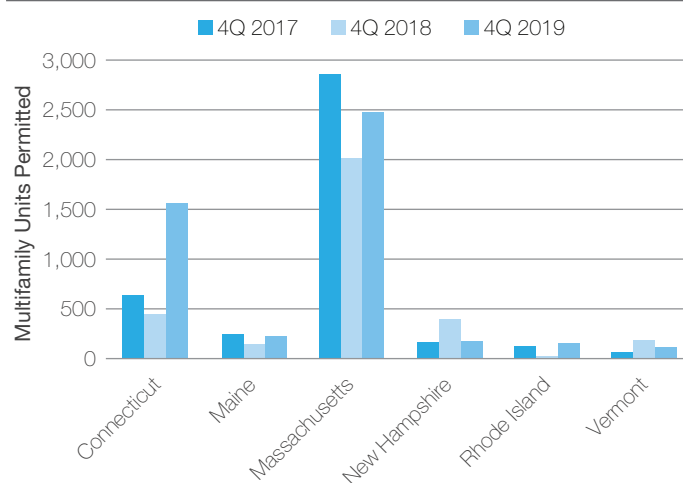


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fourth quarter of 2019, approximately 1,575 multifamily units were permitted in the state—up from 440 units permitted during the same period a year earlier and the highest fourth quarter total since 1,275 units were permitted in 2015.

- Massachusetts had the highest number of multifamily units permitted in the New England region; it was also the state with the second highest increase in the number of multifamily units permitted during the fourth quarter in the region—up by 460, or 23 percent, to 2,475.
- Multifamily permitting also rose from the fourth quarter of 2018 in Maine and Rhode Island, up by 85 and 140 units, or 62 and 900 percent, respectively. The increase in Rhode Island followed a very low level of only 15 units permitted a year earlier, which was the lowest fourth quarter permit total since 2013.
- Offsetting gains in other states, multifamily permitting decreased in New Hampshire and Vermont by 220 and 75 units, or 56 and 41 percent, respectively. Those losses represent a reversal in the trend in both states: the number of multifamily units permitted increased by 230 units, or 143 percent, in New Hampshire and 130 units, or 230 percent, in Vermont during the fourth quarter of 2018.

During the fourth quarter of 2019, multifamily home permitting rose in four of the six states in the New England region, with the greatest increase in Connecticut and Massachusetts.



4Q = fourth quarter.

Note: Based on preliminary data.

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