

# HUD PD&R Regional Reports

## Region 1: New England

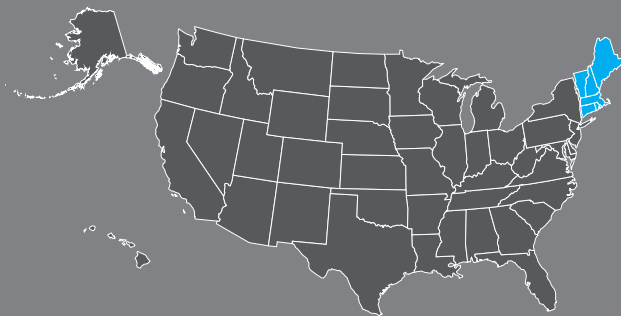


### Quick Facts About Region 1

Hartford, Connecticut

By Patricia Moroz | 4th quarter 2017

- **Sales market conditions—**  
Fourth quarter 2017: mixed (balanced to tight).  
Third quarter 2017: mixed (balanced to tight).  
Fourth quarter 2016: mixed (balanced to tight).
- **Apartment market conditions—**  
Fourth quarter 2017: mixed (balanced to tight).  
Third quarter 2017: mixed (balanced to tight).  
Fourth quarter 2016: mixed (balanced to tight).



### Overview

Economic conditions were positive in the New England region during the fourth quarter of 2017, continuing a trend of more than 7 years that began in the third quarter of 2010. Nonfarm payrolls grew in every state in the region, led by Massachusetts. Because of economic growth, sales housing markets and apartment markets were balanced to tight throughout most of the region. Home sales and home sales prices increased in most major markets, while the inventory of homes for sale declined, limiting the overall increase in sales. Single-family homebuilding activity was relatively unchanged during the fourth quarter of 2017. The average apartment rent rose in most markets, and vacancy rates were relatively stable, even with a high level of apartment completions for the second consecutive year. Overall, apartment completions have kept pace with demand in most major apartment markets in the region, and multifamily permitting increased during the fourth quarter of 2017.

During the fourth quarter of 2017—

- Nonfarm payrolls expanded in every state in the region, and the unemployment rate declined in every state except Massachusetts and Connecticut, where strong labor force growth exceeded the increase in resident employment.
- Single-family home sales markets were tightest in Massachusetts and New Hampshire and were balanced throughout most of the region.
- The average apartment rent increased in most major metropolitan areas in the region, including Boston where market conditions were slightly tight despite a high level of completions during the past 3 years.



Nonfarm payrolls increased 1.2 percent in the New England region during the fourth quarter of 2017, up from 0.9-percent growth during the fourth quarter of 2016.

	Fourth Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	7,413.3	7,504.3	91.0	1.2
Goods-producing sectors	894.3	913.1	18.8	2.1
Mining, logging, and construction	305.1	317.4	12.3	4.0
Manufacturing	589.3	595.7	6.4	1.1
Service-providing sectors	6,519.0	6,591.2	72.2	1.1
Wholesale and retail trade	1,078.7	1,081.7	3.0	0.3
Transportation and utilities	208.3	213.4	5.1	2.4
Information	154.1	151.7	- 2.4	- 1.6
Financial activities	466.7	474.8	8.1	1.7
Professional and business services	1,013.0	1,036.0	23.0	2.3
Education and health services	1,556.8	1,582.8	26.0	1.7
Leisure and hospitality	730.1	738.0	7.9	1.1
Other services	280.7	287.8	7.1	2.5
Government	1,030.5	1,025.2	- 5.3	- 0.5

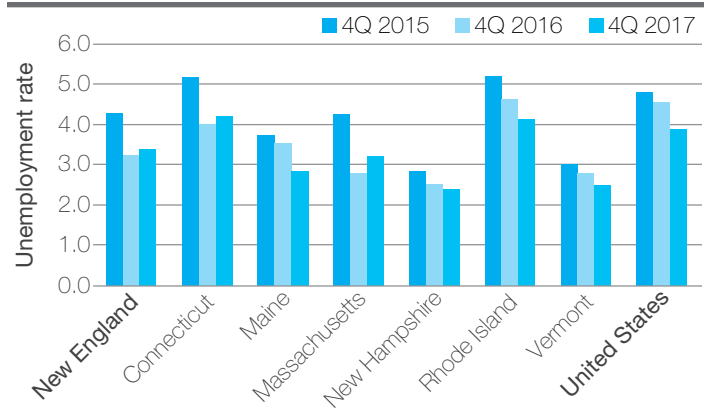
Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

Economic conditions strengthened in the New England region during the fourth quarter of 2017, continuing a trend that began in mid-2010. During the fourth quarter of 2017, nonfarm payrolls in the New England region averaged 7.50 million, a gain of 91,000 jobs, or 1.2 percent, from the fourth quarter of 2016. Payrolls in the region currently exceed the prerecession peak in July 2008 by 368,400 jobs. As of the fourth quarter of 2017, the number of jobs in each state is currently above the high level that occurred before the Great Recession, except for Connecticut and Maine, where payrolls are 24,800 and 6,000 jobs below the previous peak, respectively. During the fourth quarter of 2017, payrolls increased in every state in the region, led by Massachusetts where jobs grew by 66,700, or 1.8 percent. Job gains in New Hampshire and Rhode Island totaled 6,800 and 6,000 jobs, or 1.0 and 1.2 percent, respectively. In Connecticut and Maine, nonfarm payrolls rose by 4,100 and 4,000, or 0.2 and 0.6 percent, respectively, and Vermont gained 3,400 jobs, or 1.1 percent growth.

Massachusetts was the only state in the region where the rate of job growth exceeded the 1.4-percent national rate of nonfarm payroll growth, led by the 2.2-percent growth rate in the Boston metropolitan area. In Massachusetts, every employment sector was up, except for information and government. The mining, logging, and construction; the other services; and the professional and business services sectors had the highest percentage growth rates, with increases of 5.2, 4.1, and 3.4 percent, respectively. The recent

The unemployment rate increased slightly in the New England region but was below the national rate during the fourth quarter of 2017.



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

announcement by Massachusetts Mutual Life Insurance Company to invest \$290 million to construct a new building in Boston and upgrade its Springfield headquarters in response to state incentives will support employment in the construction subsector and add up to 2,000 jobs primarily in the professional and business services sector in Massachusetts in the next 4 years.

During the fourth quarter of 2017, the unemployment rate in the region declined in every state except Massachusetts and Connecticut, where the labor force grew faster than resident employment, causing the unemployment rate to rise. Overall, the unemployment rate in the region averaged 3.4 percent during the fourth quarter of 2017, up from 3.3 percent a year earlier. The current unemployment rate is below the national rate of 3.9 percent.

continued on page 3



continued from page 2

During the fourth quarter of 2017—

- A gain of 26,000 jobs, or 1.7 percent, in the education and health services sector led job growth and accounted for nearly 29 percent of all jobs added in the region. Every state had an increase in the sector, with the largest gain of 15,800 jobs in Massachusetts, followed by additions ranging from 3,600, 2,600, and 2,300 in Connecticut, New Hampshire, and Maine, respectively, to 1,100 and 500 jobs in Vermont and Maine, respectively.
- The professional and business services sector had the second largest growth, of 23,000 jobs, or 2.3 percent. Approximately 56 percent of total jobs in the sector for the region are in Massachusetts, which accounted for 83 percent of the net job gain in the sector, with Connecticut, Maine, and Vermont adding 2,000, 1,300, and 1,200 additional jobs, respectively. The only decline in the sector was in Rhode Island, where payrolls were down 800 jobs, or 1.2 percent.
- In the mining, logging, and construction sector, which had the highest percentage increase among all sectors in the region,

Massachusetts and Rhode Island led the growth with gains of 7,800 and 2,300 jobs, or 5.2 and 11.9 percent, respectively. In the Providence metropolitan area, the \$88 million Wexford Innovation Center, a knowledge community that is to include tenants such as Johnson & Johnson Service, Inc., broke ground in September 2017 and is expected to create approximately 675 construction jobs and 800 permanent jobs by its completion in 2019.

- The financial activities sector added 8,100 jobs, or 1.7 percent, equal to the increase nationally, with Massachusetts and Connecticut leading the growth with a 1.8-percent gain each and accounting for 78 percent of the increase in the sector. The 4-percent gain in New Hampshire was the highest percentage among all states, with the addition of 1,500 jobs.
- Government and information were the only sectors to decline in the region, decreasing by 5,300 and 2,400 jobs, or 0.5 and 1.6 percent, respectively. The government sector fell in all states, with 57 percent of the job loss in Connecticut, where declines at the state and local level more than offset a 400-job gain in federal employment.

## Sales Market Conditions

Sales housing market conditions ranged from balanced to tight across the New England region, unchanged from the previous quarter and the previous year. During 2017, the number of homes sold in the region rose 5 percent, down from an 8-percent gain during 2016 but higher than the national gain of 1 percent (National Association of Realtors®). Home sales slowed in the region compared with a year earlier largely due to a low inventory of available

homes. As a result, the average number of days a listing was on the market declined in every state during the fourth quarter of 2017. This decline was particularly notable in Massachusetts and New Hampshire; in 2016, the average numbers of days on the market were 86 and 83 days, respectively, before decreasing by 21 and 15 days, to 65 and 68 days, respectively, in 2017.

continued on page 4

**Home sales increased throughout most of the New England region despite declining inventories, and the median sales price for a single-family home rose in every state.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Connecticut (N&E)	December	30,750	34,150	11	MED	240,000	250,000	4
Maine (E)	December	17,500	17,650	1	MED	185,000	202,000	9
Massachusetts (E)	December	56,500	55,650	-2	MED	355,000	380,000	7
New Hampshire (E)	December	17,350	17,500	1	MED	250,000	271,000	8
Rhode Island (E)	December	10,900	11,200	3	MED	239,900	258,000	8
Vermont (E)	November	6,450	6,725	4	MED	256,600	224,900	5
Connecticut (N&E—condo)	December	7,325	8,425	15	MED	160,000	162,000	1
Massachusetts (E—condo)	December	21,300	25,100	18	MED	338,500	357,500	6
New Hampshire (E—condo)	December	4,200	4,750	13	MED	194,000	192,000	-1
Rhode Island (E—condo)	December	1,900	2,150	13	MED	210,500	215,000	2
Vermont (E—condo)	November	1,450	1,525	5	MED	199,000	190,000	-5

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

Notes: Median prices represent the fourth quarters of 2016 and 2017 for Connecticut but represent December 2016 and 2017 for all other states in the region except Vermont (November). 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®



continued from page 3

Single-family home sales markets were tight and slightly tight, respectively in Massachusetts and New Hampshire, and balanced elsewhere in the region. In Connecticut, single-family home sales increased 11 percent during 2017, the largest increase of any state in the region. In New Hampshire, single-family home sales totaled 17,500, up 1 percent from a year earlier despite a 23-percent decrease in the inventory of homes for sale. In Massachusetts, the number of single-family home sales declined 2 percent from 2016, primarily because of a 29-percent decrease in the number of homes available for sale. Single-family home sales increased in the remaining states and ranged from 1 percent in Maine to 4 percent in Vermont.

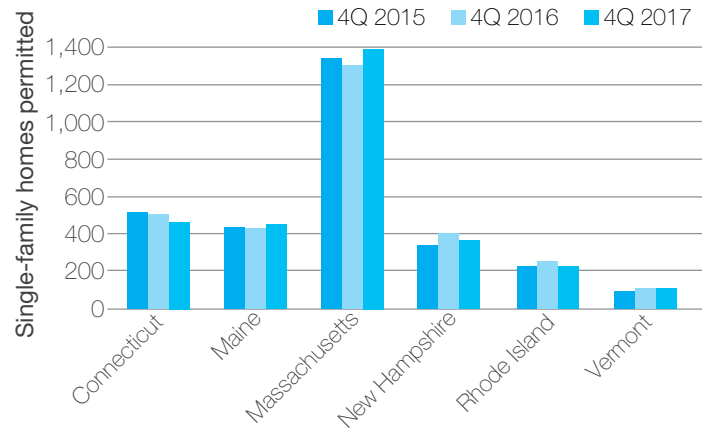
Home sales prices in the region increased 5 percent during November 2017, relatively unchanged from a more than 5-percent gain a year earlier but less than the national average increase of nearly 7 percent (Federal Housing Finance Agency House Price Index). Single-family homes sales prices increased in each state in 2017. Increases in home prices ranged from 4 percent in Connecticut, with a median price of \$250,000, to 9 percent in Maine, where the median home sales price was \$202,000. New Hampshire and Rhode Island had the second highest percentage increases of 8 percent, with median prices of \$271,000 and \$258,000, respectively. The state with the highest housing price in the region was Massachusetts, where the median sales price of single-family homes increased 7 percent to \$380,000.

In November 2017, 2.3 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 2.9 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent mortgage loans and REO properties decreased in every state in the region, with the greatest declines of 0.9 and 0.8 percentage points in Rhode Island and Maine, respectively. The percentage of seriously delinquent mortgage loans and REO properties was highest in Maine, Connecticut, and Rhode Island at 3.1, 2.9, and 2.6 percent, respectively. These rates were higher than the average of 2.3 percent for the nation.

During the fourth quarter of 2017 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, totaled 3,000, unchanged from a year earlier, compared with a slight increase of 50 homes, or

Single-family permitting was relatively flat overall in the New England region during the past 2 years.



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

2 percent, from the previous year. By comparison, the number of homes permitted nationally increased 9 percent from a year earlier after a 7-percent gain in the fourth quarter of 2016.

- Massachusetts had the largest percentage and total gain in single-family permitting in the New England region, up by nearly 90 homes, or 7 percent, from a year ago. Maine was the only other state where homebuilding activity increased, up by approximately 20 homes, or 5 percent, compared with a year earlier.
- Connecticut and New Hampshire had the largest declines in single-family permitting, down by 60 and 40 homes, or 11 and 9 percent, respectively from a year ago. In Connecticut, homebuilding activity decreased in both the Hartford and New Haven metropolitan areas, with declines of 26 and 21 percent, respectively.
- The largest percentage increase in single-family homebuilding activity in major metropolitan areas in the region occurred in the Bridgeport metropolitan area where single-family home permitting rose by 30 homes, or 18 percent, from a year ago, partially offsetting declines in other parts of Connecticut. Single-family permitting was relatively unchanged in the Boston metropolitan area, with a slight increase of 20 homes, or 2 percent, compared with a year earlier.

## Apartment Market Conditions

Apartment market conditions in most major metropolitan areas in the New England states were balanced to tight during the fourth quarter of 2017. The 14,600 apartment units completed in the region during 2017 was relatively unchanged from completions

in 2016. Completions in 2017 continued a 3-year trend of strong production averaging 14,950 units annually from 2015 through 2017 compared with average completions of 7,175 units from 2010 through 2014 (McGraw-Hill Construction Pipeline database).

continued on page 5





continued from page 4

In addition, an estimated 21,800 apartment units were under construction in the region at the end of 2017, with approximately 90 percent expected to be completed during 2018. Completions have kept pace with increased demand for apartments in most metropolitan areas of the New England region.

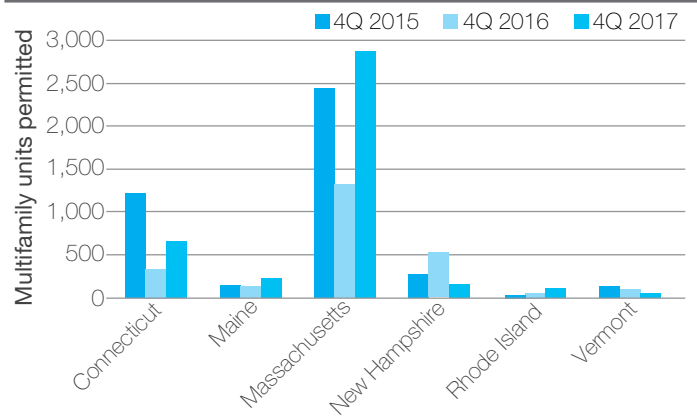
The largest decrease in the apartment vacancy rate in the New England region occurred in the Bridgeport metropolitan area, declining from 7.5 to 5.6 percent (Reis, Inc.). The vacancy rate for Class A units was higher, at 7.0 percent during the fourth quarter of 2017, but down from 8.3 percent a year earlier, despite the completion of approximately 1,275 apartment units annually during the past 3 years (McGraw-Hill Construction Pipeline database). The average rent of \$2,109 was the second highest in the New England region (after the Boston metropolitan area), up 2 percent from a year ago. Apartment market conditions were slightly tight in the Portland metropolitan area with a 3.7-percent vacancy rate, which is down from 4.6 percent during the fourth quarter of 2016 (Axiometrics, Inc.). The Portland metropolitan area also had the largest percentage gain in the average rent of any metropolitan area in the region, increasing 6 percent to \$1,402. The Hartford metropolitan area market was slightly tight during the fourth quarter of 2017, largely because the number of apartment units completed declined 17 percent in 2017 to 1,200 units (McGraw-Hill Construction Pipeline database). The apartment vacancy rate fell from 5.2 to 5.0 percent, while the average rent increased 1 percent to \$1,313 (Reis, Inc.).

The Worcester metropolitan area had the largest increase in vacancy rates of any metropolitan area in the region, rising to 4.1 percent during the fourth quarter of 2017 from 3.0 percent a year earlier as demand for apartments moderated. In 2016 and 2017, 510 and 270 apartment units were completed, respectively, compared with an average of 420 units from 2010 through 2015 (McGraw-Hill Construction Pipeline database). As a result, previously tight apartment market conditions eased to balanced in Worcester, where economic conditions were strong with payroll growth equal to

the national rate, and the average rent was relatively unchanged at \$1,633 (Axiometrics, Inc.). Apartment market conditions were slightly tight in the Boston metropolitan area; the vacancy rate declined from 4.2 percent in the fourth quarter of 2016 to 4.1 percent in the fourth quarter of 2017 (RealPage, Inc.), despite a high level of apartment completions averaging 8,500 units annually during the past 3 years. By comparison, completions totaled 6,375 units in 2014 and averaged 2,825 units a year from 2010 through 2013. The average rent in the Boston metropolitan area was the highest in the region at \$2,190, a 4-percent gain from a year earlier. Apartment market conditions were tight in the Manchester and Providence metropolitan areas, unchanged from a year ago with an average vacancy rate of 3.0 percent each. In the Manchester metropolitan area, the average rent was up 3 percent to \$1,335 (Axiometrics, Inc.), and in the Providence metropolitan area, the average rent rose 5 percent to \$1,393 (RealPage, Inc.).

continued on page 6

**Multifamily permitting increased strongly during the fourth quarter of 2017, with gains in four of the six states in the New England region.**



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

**The average rent rose in most metropolitan areas in the New England region, with the highest increases in the Boston, Portland, and Providence metropolitan areas.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2016 (%)	4Q 2017 (%)	Percentage Point Change	4Q 2016 (\$)	4Q 2017 (\$)	Percent Change
Boston <sup>a</sup>	Slightly tight	4.2	4.1	- 0.1	2,107	2,190	4
Bridgeport-Stamford-Norwalk <sup>b</sup>	Balanced	7.5	5.6	- 1.9	2,074	2,109	2
Hartford <sup>b</sup>	Slightly tight	5.2	5.0	- 0.2	1,297	1,313	1
Manchester-Nashua <sup>c</sup>	Tight	2.9	3.0	0.1	1,299	1,335	3
Portland <sup>c</sup>	Slightly tight	4.6	3.7	- 0.9	1,327	1,402	6
Providence <sup>a</sup>	Tight	4.0	3.0	- 1.0	1,321	1,393	5
Worcester <sup>c</sup>	Balanced	3.0	4.1	1.1	1,636	1,633	0

4Q = fourth quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) RealPage, Inc., (b) Reis, Inc., (c) Axiometrics, Inc.



continued from page 5

During the fourth quarter of 2017 (preliminary data)—

- The number of multifamily units permitted in the New England region rose to 4,075, up by 1,575 units, or 62 percent, compared with the same quarter a year earlier after a 41-percent decrease in the fourth quarter of 2016. By comparison, the number of multifamily units permitted nationally increased nearly 4 percent from a year earlier after a 10-percent decline in the fourth quarter of 2016.
- The largest increase in the region occurred in Massachusetts, where permitting more than doubled, increasing by 1,550 units, from the same quarter a year ago. In the Boston metropolitan area, multifamily permitting nearly doubled, up by 1,450 units to approximately 2,950 units permitted, with more than 80 percent of the increase in the city of Boston.
- Connecticut had the second highest percentage gain and total number of multifamily units permitted in New England, with an 89-percent increase, or 300 units, which accounted for 20 percent of the increase in units permitted in the region. The Bridgeport metropolitan area added most of the net increase in the state; nearly 360 units were permitted, up significantly from 40 units permitted a year earlier but lower than the 660 units permitted during the fourth quarter of 2015.
- Offsetting increases in other states, multifamily permitting in New Hampshire declined by 380 units, or 70 percent, from the same period a year earlier, after doubling during the fourth quarter of 2016. Permitting also fell in Vermont, decreasing 47 percent, or 50-units, equal to the decline during the fourth quarter of 2016.

