

HUD PD&R Regional Reports

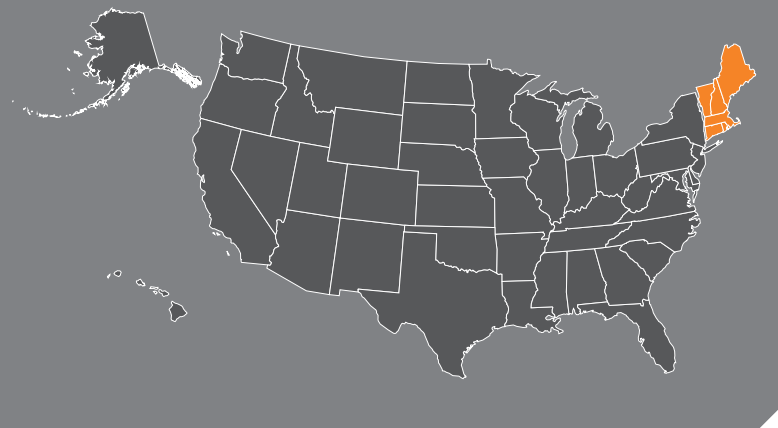
Region 1: New England



Hartford, Connecticut

Quick Facts About Region 1

- **Sales market conditions—**
Second quarter 2023: slightly tight
First quarter 2023: tight
Second quarter 2022: tight
- **Apartment market conditions—**
Second quarter 2023: mixed (slightly soft to very tight)
First quarter 2023: mixed (slightly soft to tight)
Second quarter 2022: mixed (balanced to tight)



By Diana Villavicencio | 2nd Quarter 2023

Overview

During the second quarter of 2023, nonfarm payroll growth in the New England region decelerated on a year-over-year basis from 1 year ago, but payrolls surpassed prepandemic levels and reached an all-time high. Nonfarm payrolls in the region rose in 10 of 11 sectors and in five of six states during the second quarter of 2023. Five sectors and three states had more jobs than during the second quarter of 2019 (the previous second quarter high). Despite continued job growth, the home sales market eased slightly from tight conditions a year ago and the previous quarter. The pace of home sales slowed sharply, although average sales prices continued to increase at slowing rates. Record-high sales prices and comparatively elevated mortgage interest rates contributed to slowing sales, exacerbated by continued low levels of available inventory. Apartment market conditions in the region ranged from slightly soft to very tight. In seven of the eight largest metropolitan areas in the region, conditions eased from a year earlier.

- Year-over-year nonfarm payroll growth during the second quarter of 2023 ranged from a 0.8-percent increase in Vermont to a 2.6-percent rise in Massachusetts, whereas

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payrolls declined 0.7 percent in Rhode Island. The education and health services, the professional and business services, and the leisure and hospitality sectors accounted for 68 percent of overall job gains in the region. Connecticut, Maine, Massachusetts, and New Hampshire had job gains in all three sectors.

- During the 12 months ending May 2023, regionwide home sales declined 21 percent compared with a year ago, slower than the 27-percent decline nationwide, and average home sales prices were up 4 and 2 percent, respectively

(CoreLogic, Inc., with adjustments by the analyst). New home construction, as measured by the number of single-family homes permitted, slowed in the region but to a lower degree than in the nation compared with a year earlier.

- Apartment vacancy rates rose in seven of the eight metropolitan areas cited in this report during the second quarter of 2023 compared with a year ago, partly because regionwide new apartment completions rose at a faster rate than absorption. However, average rents increased in all eight markets from a year earlier (CoStar Group).

Economic Conditions

Nonfarm payrolls in the New England region increased during the second quarter of 2023 and surpassed the 2019 peak, but the rate of job growth decelerated compared with a year ago. During the second quarter of 2023, nonfarm payrolls rose by 139,300 jobs, or 1.9 percent, to 7.62 million, slowing from a 4.0-percent increase during the second quarter of 2022. The regional rate of job growth during the second quarter of 2023 was the third slowest among the 10 HUD-defined regions. Despite the recent slowdown, nonfarm payrolls in the region were 0.5 percent above the level during the second quarter of 2019. Maine, Massachusetts, and New Hampshire had more jobs compared with the second quarter of 2019. Job growth in the region lagged behind the 2.5-percent rate in the nation during the second quarter of 2023. Nationwide jobs were 3.4 percent above levels during the second quarter of 2019.

Regionwide job growth occurred in 10 of 11 payroll sectors during the second quarter of 2023. Payrolls increased by 44,300 jobs, or 2.8 percent, in the education and health services sector, the largest nonfarm payroll sector in the region, accounting for approximately 21 percent of all jobs. Approximately 75 percent of the gains in the sector were in the healthcare and social assistance subsector. Jobs in the professional and business services sector rose the second most, increasing by 30,900 jobs, or 2.7 percent, from 1 year earlier. The professional and business services, the mining, logging, and construction, the transportation and utilities, the education and health services, and the information services sectors surpassed payroll levels during the second quarter of 2019 by 87,800, 22,000, 20,300, 5,500, and 2,800 jobs, or 8.1, 6.8, 9.4, 0.3, and 1.8 percent, respectively. During the

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Nonfarm payrolls in the New England region rose in 10 of 11 sectors during the second quarter of 2023.

	Second Quarter		Year-Over-Year Change	
	2022 (Thousands)	2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	7,482.1	7,621.4	139.3	1.9
Goods-Producing Sectors	930.6	937.2	6.6	0.7
Mining, Logging, & Construction	340.6	347.3	6.7	2.0
Manufacturing	590.0	589.8	-0.2	0.0
Service-Providing Sectors	6,551.5	6,684.2	132.7	2.0
Wholesale & Retail Trade	1,008.4	1,017.8	9.4	0.9
Transportation & Utilities	235.0	236.2	1.2	0.5
Information	157.9	158.7	0.8	0.5
Financial Activities	460.0	462.8	2.8	0.6
Professional & Business Services	1,134.8	1,165.7	30.9	2.7
Education & Health Services	1,559.7	1,604.0	44.3	2.8
Leisure & Hospitality	733.9	754.1	20.2	2.8
Other Services	273.8	278.9	5.1	1.9
Government	987.8	1,006.1	18.3	1.9

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

Source: U.S. Bureau of Labor Statistics



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second quarter of 2023, significant regionwide payroll gains also occurred in the leisure and hospitality sector, which gained 20,200 jobs, or 2.8 percent. The completion of 13 new hotels, with approximately 1,250 rooms, partially contributed to gains in the sector during the 12 months ending June 2023 (Global Commercial Real Estate Services).

The unemployment rate in the region averaged 2.7 percent during the second quarter of 2023, down from 3.5 percent a year earlier and below the 3.4-percent rate for the nation. Unemployment rates declined in all six states in the region. In Connecticut, the rate declined 0.6 percentage point to 3.6 percent, the highest statewide rate in the region and the 15th highest in the nation. The lowest statewide unemployment rate in the region was in New Hampshire at 1.5 percent, the lowest rate nationwide.

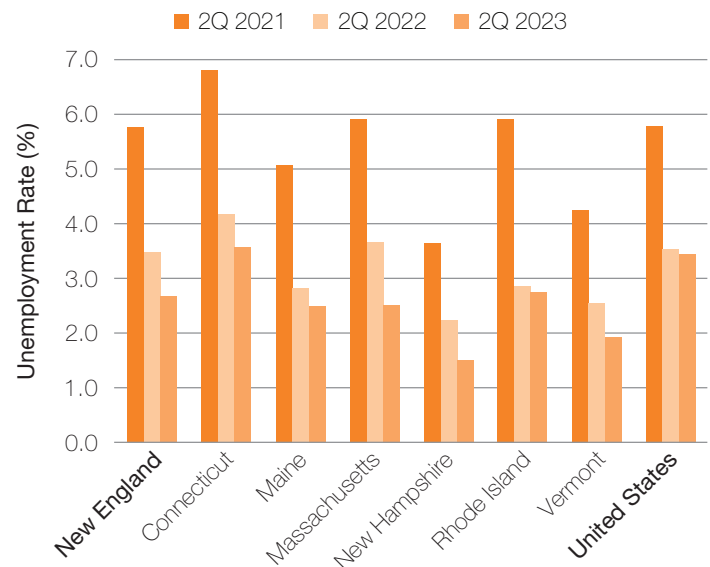
During the second quarter of 2023—

- The fastest year-over-year rates of job growth in the region occurred in Massachusetts and New Hampshire, where nonfarm payrolls rose 2.6 and 2.3 percent, respectively, to nearly 3.78 million and 701,600 jobs compared with increases of 4.5 and 3.6 percent a year earlier. Although the professional and business services and the education and health services sectors added the first and second most jobs in both states, the third most jobs added in Massachusetts and New Hampshire were in the leisure and hospitality and the wholesale and retail trade sectors, respectively.
- In Connecticut, jobs rose by 20,700, or 1.2 percent, from a year ago to 1.69 million compared with a 3.7-percent increase a year earlier. The education and health services sector accounted for 51 percent of the growth in the state, with 10,600 jobs added, a gain of 3.1 percent. The leisure and hospitality and the government sectors added 6,000 and 3,900 jobs, increasing 3.9 and 1.7 percent, respectively.
- The rate of job growth in Maine was 1.1 percent compared with an increase of 2.5 percent a year earlier, and the number of jobs increased by 7,100 to 646,200. The

education and health services, the wholesale and retail trade, and the government sectors increased the most, adding a combined 5,400 jobs.

- Nonfarm payrolls in Vermont rose 0.8 percent, or by 2,600 jobs, to 304,800, slower than the 3.1-percent increase during the second quarter of 2022. Six sectors contributed to statewide job growth. The government sector added the most jobs, increasing by 1,700.
- In Rhode Island, jobs declined by 3,300 to 497,400, an annual rate of 0.7 percent compared with a 4.0-percent increase a year earlier. Six nonfarm payroll sectors contributed to the net job loss in the state, including the professional and business services, the education and health services, and the leisure and hospitality sectors, which combined lost 4,800 jobs.

Unemployment rates fell throughout the New England region during the second quarter of 2023, and the regional rate was below the national rate.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales market conditions were slightly tight throughout the New England region compared with tight conditions a year earlier and the previous quarter. Home sales declined at faster rates, and prices grew at slower rates during the past year, partly because the average 30-year fixed mortgage rate increased. In June 2023, the average interest rate for a 30-year fixed-rate mortgage was 6.7 percent, up from 5.7 percent 1 year earlier (Freddie Mac). The inventory of homes for sale in the region is low, although the supply of for-sale inventory increased to 1.7 months in June 2023 from 1.6 months in June 2022. Nationally, the supply of homes for sale rose to 2.3 months from 1.8 months a year earlier (CoreLogic, Inc.). Connecticut had the highest inventory of homes for sale in the region. The supply in that state increased to 2.3 months, up from 2.2 months in May 2022. Vermont had a 1.9-month supply, up from a 1.5-month supply a year earlier. Maine and New Hampshire had 1.5 months of supply each, up from 1.4 months a year earlier. In Massachusetts, the supply was 1.4 months, unchanged from a year earlier, whereas the supply in Rhode Island declined from 1.6 to 1.3 months.

Regionwide home sales declined at an accelerated rate during the 12 months ending May 2023. Home sales were down 21 percent during the 12 months ending May 2023 to 211,300 homes. This decrease followed a 1-percent decrease during the previous 12 months, but the decline in the region was slower than the 27-percent decline for the nation (CoreLogic, Inc., with adjustments by the analyst). Home sales were down in all states in the region, ranging from a 7-percent decline in Maine to a

24-percent decrease in Rhode Island. Home sales decreased in all eight major metropolitan areas highlighted in this report. Among the metropolitan areas, the lowest rate of sales decline, 20 percent, occurred in the Worcester metropolitan area, and the greatest decrease, 29 percent, occurred in the Bridgeport metropolitan area.

Home sales prices increased 4 percent in the region during the 12 months ending May 2023 to \$505,900 but at a slower rate than the previous 12 months, when prices increased 11 percent (CoreLogic, Inc., with adjustments by the analyst). Nationwide, sale prices rose 2 percent to \$398,300, slower than the 14-percent gain during the previous year. Average home sales prices rose in all six New England states, ranging from 2 percent in Maine to 8 percent in New Hampshire. Average home sales prices rose in seven of the major metropolitan areas highlighted in this report—ranging from an increase of less than 1 percent in the Bridgeport metropolitan area to 11 percent in the Portland metropolitan area—whereas the average home sales price declined 1 percent in the Manchester metropolitan area.

The rates of delinquent loans and real estate owned (REO) properties in the region declined in 2022 and 2023 after temporarily rising in 2021 because of weak economic conditions related to the pandemic. As of May 2023, 1.1 percent of home loans in the region were seriously delinquent or in REO status, down from 1.4 percent in May 2022 and less than the rate of 3.2 percent in May 2021, the highest May rate since 2016

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Home sales declined at least 7 percent in each of the six states in the New England region, whereas average home sales prices rose at least 2 percent in every state in the region.

	12 Months Ending	Number of Homes Sold			Average	Price		
		2022	2023	Percent Change		2022 (\$)	2023 (\$)	Percent Change
Connecticut (N&E)	May	63,700	48,900	-23	AVG	\$420,200	\$431,200	3
Bridgeport, CT (N&E)	May	17,300	12,300	-29	AVG	\$716,900	\$726,500	1
Hartford, CT (N&E)	May	21,200	16,500	-22	AVG	\$302,200	\$325,700	8
Maine (N&E)	May	27,500	25,500	-7	AVG	\$342,500	\$349,100	2
Portland, ME (N&E)	May	12,800	9,825	-23	AVG	\$444,100	\$495,000	11
Massachusetts (N&E)	May	112,300	88,150	-22	AVG	\$623,900	\$649,900	4
Boston, MA (N&E)	May	75,400	59,050	-22	AVG	\$710,600	\$741,300	4
Worcester, MA-CT (N&E)	May	16,700	13,400	-20	AVG	\$382,700	\$412,500	8
New Hampshire (N&E)	May	28,950	22,600	-22	AVG	\$376,700	\$406,400	8
Manchester, NH (N&E)	May	7,425	5,350	-28	AVG	\$393,400	\$387,700	-1
Rhode Island (N&E)	May	18,000	13,650	-24	AVG	\$434,000	\$455,000	5
Providence, RI-MA (N&E)	May	26,750	20,400	-24	AVG	\$430,800	\$453,100	5
Vermont (E)	May	16,300	12,500	-23	AVG	\$325,400	\$338,800	4
Burlington, VT (E)	May	4,650	3,625	-22	AVG	\$372,400	\$399,400	7

AVG = average. E = existing. N&E = new and existing.

Source: CoreLogic, Inc., with adjustments by the analyst



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(CoreLogic, Inc.). The current rate in the region is identical to the national rate. Rates of seriously delinquent mortgages and REO properties in the region ranged from a low of 0.7 percent in New Hampshire to 1.4 percent in Maine.

Homebuilding activity in the region decreased during the second quarter of 2023, but the level was the second highest second quarter level in the region since 2009.

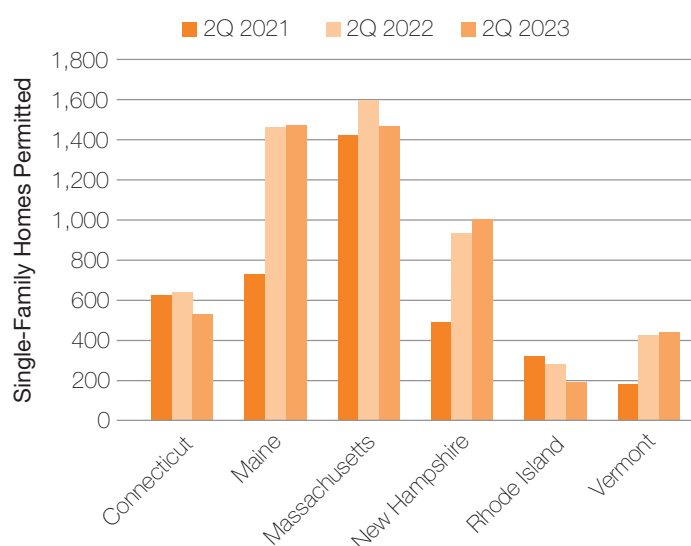
During the second quarter of 2023 (preliminary data)—

- Homebuilding in the region, as measured by the number of single-family homes permitted, totaled 5,100 homes, down 4 percent from the second quarter of 2022 and following a 42-percent increase a year earlier. By comparison, the number of single-family homes permitted nationally fell 12 percent during the second quarter of 2023, following a 7-percent increase a year earlier.
- Single-family home permitting in Massachusetts was down by 140 homes, or 8 percent, to 1,475 homes, and permitting declined in 10 of the 14 counties in the state, with the largest decrease occurring in Worcester County in the Massachusetts portion of the Worcester metropolitan area. In Connecticut and Rhode Island, permitting decreased by 110 and 90 homes, or 17 and 32 percent, to 530 and 190 homes, respectively. Single-family permitting in Rhode Island decreased in all five counties.
- Homebuilding activity in Maine and Vermont rose by 10 homes each, or 1 and 3 percent, respectively, to 1,475 and 440 permits issued. Permitting rose in one-half of the counties in Maine but declined in the Portland metropolitan area, because decreases of 20 and 5 homes in York and Sagadahoc

Counties, respectively, more than offset an increase of 20 homes in Cumberland County. The Burlington metropolitan area accounted for 21 percent of the net rise in Vermont.

- Homebuilding activity in New Hampshire increased by 70 homes, or 8 percent, from a year ago, with the largest increase occurring in Grafton County, which is outside the major metropolitan areas discussed in this report.

During the second quarter of 2023, the number of single-family homes permitted decreased in one-half of the New England region states.



2Q = second quarter.

Notes: Based on preliminary data. Data for the second quarter of 2023 for Connecticut are for planning regions, whereas other state data are for counties. Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions ranged from slightly soft to very tight in the eight major metropolitan areas referenced in this report during the second quarter of 2023. Despite continued economic growth throughout the New England region, market conditions eased slightly from the previous year, because absorption of new apartment units declined 36 percent during the 12 months ending June 2023 from 1 year ago, whereas new apartment completions rose 25 percent (CoStar Group). The number of apartment units completed in the region during the 12 months ending June 2023 totaled 13,800. Units completed in the eight largest metropolitan areas accounted for 90 percent of all the units completed in the region during the period, up from 86 percent during the 12 months ending June 2022.

Apartment vacancy rates increased in seven of the metropolitan areas, but the vacancy rates for all eight major metropolitan areas in the region were below the national rate of 6.9 percent (CoStar

Group). The largest increase in the vacancy rate occurred in the Bridgeport metropolitan area, where the rate rose 2.3 percentage points to 6.6 percent, partly because apartment unit completions rose 63 percent in the metropolitan area during the past 12 months, whereas absorption of new apartment units declined 44 percent. The vacancy rates rose 1.2 and 1.1 percentage points in the Manchester and Providence metropolitan areas to 3.3 and 3.1 percent, respectively. The vacancy rate rose 0.8 percentage point to 5.2 percent in the Boston metropolitan area. In 22 of the 31 CoStar Group-defined market areas (hereafter, market areas) that are part of the Boston metropolitan area, vacancy rates increased or remained unchanged, partly because apartment completions rose 12 percent to 7,350 units, and unit absorption declined 48 percent to 4,925 during the 12 months ending June 2023. The metropolitan area accounted for 53 percent of all new apartment units completed in the region during the period,

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down from 59 percent a year earlier. The largest apartment vacancy rate increase in the metropolitan area was in the Everett/Malden/Medford market area, where the rate rose from 4.2 to 10.9 percent, partly because nearly 940 units were completed in the past 12 months, significantly more than the approximately 10 units completed 1 year earlier, whereas absorption declined 64 percent. In other parts of the region, the apartment vacancy rates in the Hartford and Worcester metropolitan areas rose 0.4 percentage point each to 4.1 and 3.6 percent, respectively, and the rate in the Portland metropolitan area rose 0.2 percentage point to 3.0 percent. The vacancy rate declined 0.6 percentage point to 1.6 percent in the Burlington metropolitan area.

During the second quarter of 2023, average monthly rents rose in all eight major metropolitan areas in the region highlighted in this report, and the average rent growth in seven metropolitan areas exceeded the 1-percent average increase nationwide, except in the Bridgeport metropolitan area, which matched the national growth rate (CoStar Group). Average rents in seven of the metropolitan areas were higher than the \$1,675 average for the nation, including Boston, the metropolitan area with the highest rents in the region and the fifth most expensive in the nation at \$2,797. The average rent rose in all 31 market areas in the Boston metropolitan area, ranging from less than 1 percent to 6 percent, including a 4-percent increase in the Everett/Malden/Medford market area to \$2,723. Throughout the region, average rent growth ranged from 3 percent in the Manchester and Portland metropolitan areas to 5 percent in the Burlington, Providence, and Worcester metropolitan areas.

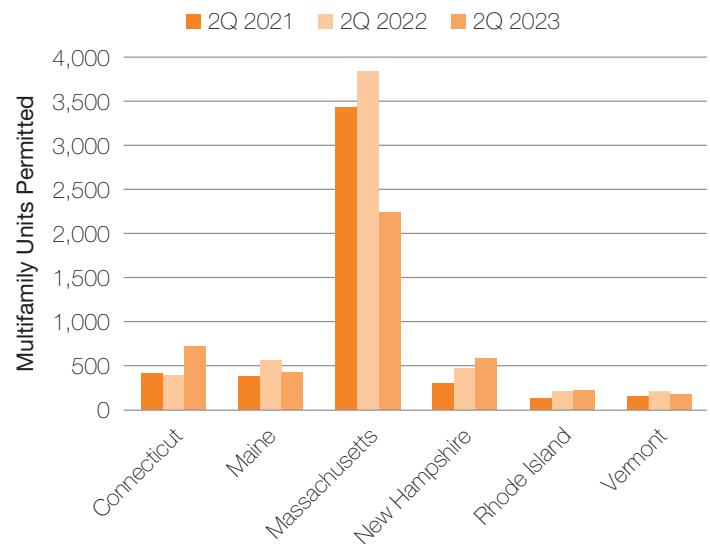
Multifamily building activity, as measured by the number of units permitted, decreased in the region during the second quarter of 2023 from the same period 1 year earlier, with lower permitting occurring in three states.

During the second quarter of 2023 (preliminary data)—

- The number of multifamily units permitted in the region totaled 4,375, reflecting a decrease of 23 percent from a year earlier after an 18-percent increase during the second quarter of 2022. Nationally, multifamily construction declined 25 percent year over year during the second quarter of 2023, following an increase of 38 percent during the previous year.

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During the second quarter of 2023, multifamily building activity in the New England region was down from a year ago, with declines in three states.



2Q = second quarter.

Notes: Based on preliminary data. Data for the second quarter of 2023 for Connecticut are for planning regions, whereas other state data are for counties.
Source: U.S. Census Bureau, Building Permits Survey

During the second quarter of 2023, apartment vacancy rates increased in all but one major metropolitan area in the New England region, and average rents rose in every metropolitan area.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2022 (%)	2Q 2023 (%)	Percentage Point Change	2Q 2022 (\$)	2Q 2023 (\$)	Percent Change
Boston, MA-NH	Balanced	4.4	5.2	0.8	2,702	2,797	4
Bridgeport, CT	Slightly Soft	4.3	6.6	2.3	2,625	2,642	1
Burlington, VT	Very Tight	2.2	1.6	-0.6	1,667	1,758	5
Hartford, CT	Slightly Tight	3.7	4.1	0.4	1,508	1,574	4
Manchester, NH	Tight	2.1	3.3	1.2	1,866	1,920	3
Portland, ME	Tight	2.8	3.0	0.2	1,726	1,784	3
Providence, RI-MA	Tight	2.0	3.1	1.1	1,742	1,825	5
Worcester, MA-CT	Tight	3.2	3.6	0.4	1,775	1,861	5

2Q = second quarter.

Note: Data are for market-rate and mixed (combined market-rate and affordable) general occupancy apartment properties with five or more units, including those that are stabilized and in lease-up.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—Costar Group



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- In Massachusetts, multifamily permitting declined 42 percent to 2,225 units from the 3,825 units permitted 1 year earlier. The largest decline was in the Massachusetts portion of the Boston metropolitan area, where decreases of 860, 110, and 60 units in Suffolk, Essex, and Norfolk Counties, respectively, more than offset increases of 70 and 5 units in Plymouth and Middlesex Counties, respectively. Multifamily construction in Maine declined by 130 units, or 24 percent, including in the Portland metropolitan area, with a 70-unit decline to 230 units.
- Multifamily construction in Vermont totaled 170 units, representing a decline of 40 units, or 20 percent, from 1 year earlier. Permitting declined in 4 of the 14 counties in the state, including an 80-unit decrease in Chittenden County, which is part of the Burlington metropolitan area.
- In Rhode Island and New Hampshire, multifamily permitting rose by 20 and 110 units to 230 and 580 units, respectively. Permitting increased by 110 units combined in the Rhode Island counties of Newport and Washington within the Providence metropolitan area and by 370 units in the Manchester metropolitan area. Multifamily permitting in Connecticut rose 87 percent to 730 units.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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