

HUD PD&R Regional Reports

Region 1: New England

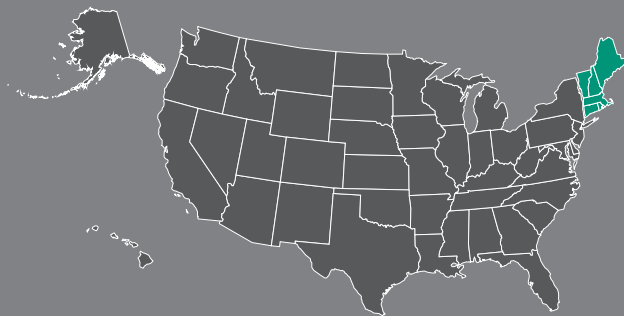


Quick Facts About Region 1

New Haven, Connecticut

By Michael J. Murphy | 1st quarter 2015

- Sales market conditions—**
First quarter 2015: balanced.
Fourth quarter 2014: balanced.
First quarter 2014: balanced.
- Apartment market conditions—**
First quarter 2015: mixed (balanced to tight).
Fourth quarter 2014: mixed (balanced to tight).
First quarter 2014: tight.



Overview

Economic conditions improved in the New England region during the first quarter of 2015 compared with conditions a year earlier. Overall, nonfarm payrolls increased by 105,200 jobs, or 1.5 percent, to approximately 7.05 million during the period. This improvement represented the 19th consecutive quarter that the number of nonfarm payroll jobs increased year over year in the region. From 2013 to 2014 (the most recent data available), the population in the region increased by 41,000, or 0.3 percent, to nearly 14.7 million (Census Bureau population estimates as of July 1). During the first quarter of 2015, sales housing markets in the region were balanced. Sales of single-family homes, including townhomes, increased in four of the six states in the region, and single-family home sales prices increased in every state except Connecticut, compared with conditions a year earlier. Apartment market conditions in the Boston metropolitan area and Fairfield County, Connecticut, the two areas in the region where multifamily additions have primarily concentrated during recent years, were slightly tight and balanced, respectively. Other relatively large apartment markets in the region, where multifamily production has been limited, were tight.

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During the first quarter of 2015—

- In the New England region, every employment sector except the manufacturing sector added nonfarm payroll jobs, and job growth in five of the six states was greater than 1.0 percent.

- Single-family homebuilding activity declined in every state in the region and 34 percent overall from a year earlier compared with a 5-percent increase nationwide during the same period.
- Multifamily building activity in the region increased 18 percent, which was 10 percentage points greater than the national rate, with gains primarily concentrated in the Boston metropolitan area.

Economic Conditions

Economic conditions in the New England region, which began to improve during the third quarter of 2010, continued to strengthen during the first quarter of 2015 compared with conditions a year earlier, a period when job growth ranged from 0.4 percent in Maine to 1.8 percent in Massachusetts. Overall, nonfarm payrolls increased by 105,200 jobs, or 1.5 percent, to approximately 7.05 million jobs compared with a 1.3-percent gain during the same period a year earlier. During the first quarter of 2015, Massachusetts accounted for 48 percent of the jobs and 55 percent of the net job growth in the region. The regional gains trailed the nonfarm payroll growth rate of 2.3 percent nationwide, in part, because the record-breaking snowfall from late January through the end of February slowed job growth in the region. During the first quarter of 2015, the education and health services and the professional and business services sectors accounted for 54 percent of all the net job gains. The government sector, which is third largest in the region, increased by 12,800 jobs, or 1.3 percent, more than tripling the 0.4-percent increase during the same period a year earlier. The federal, state, and local government subsectors all expanded, adding 1,300, 6,500, and 5,000 jobs, gains of 1.3, 2.3, and 0.8

percent, respectively. The unemployment rate in the region averaged 5.7 percent, down from 6.8 percent during the same period a year earlier and compared with a national average of 6.1 percent. Average unemployment rates were lowest in the northern New England states of Vermont and New Hampshire, at 4.2 and 4.4 percent, respectively.

During the first quarter of 2015—

- Massachusetts gained 58,300 jobs, or 1.8 percent, compared with a 1.7-percent increase during the same period a year earlier. The greatest job gain was in the education and health services sector, which increased by 19,500 jobs, or 2.7 percent. The government sector added 11,100 jobs, an increase of 2.5 percent (almost entirely resulting from expansions in the state and local government subsectors), and accounted for more than 85 percent of the net job gain in the government sector for the region.
- Connecticut nonfarm payrolls increased by 26,700 jobs, or 1.6 percent, more than doubling the 0.6-percent increase during the

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Every sector except the manufacturing sector added nonfarm payroll jobs year over year in the New England region, and seven sectors increased by 1.0 percent or more.

	First Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,947.1	7,052.3	105.2	1.5
Goods-producing sectors	833.4	835.1	1.7	0.2
Mining, logging, and construction	238.2	241.0	2.8	1.2
Manufacturing	595.2	594.1	- 1.1	- 0.2
Service-providing sectors	6,113.7	6,217.2	103.5	1.7
Wholesale and retail trade	1,034.3	1,042.7	8.4	0.8
Transportation and utilities	189.7	191.1	1.4	0.7
Information	149.8	150.3	0.5	0.3
Financial activities	441.9	446.8	4.9	1.1
Professional and business services	917.4	941.3	23.9	2.6
Education and health services	1,455.4	1,487.9	32.5	2.2
Leisure and hospitality	653.1	665.1	12.0	1.8
Other services	267.8	274.8	7.0	2.6
Government	1,004.3	1,017.1	12.8	1.3

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



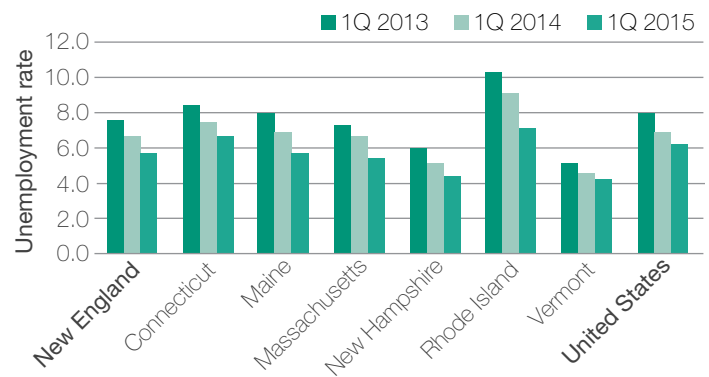
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first quarter of 2014. The financial activities sector added 1,000 jobs, or 0.8 percent, only the second time the sector added jobs during the first quarter in the past 8 years.

- Nonfarm payrolls in New Hampshire and Rhode Island increased by 7,500 and 5,400 jobs, respectively, or 1.2 percent each. In New Hampshire, the education and health services sector added 2,200 jobs, a 1.9-percent increase, after a decline of 400 jobs, or 0.3 percent, during the same period a year earlier. The manufacturing sector led gains in Rhode Island, adding 1,300 jobs, a 3.2-percent increase, which represented the greatest statewide increase of manufacturing jobs in the region. General Dynamics Electric Boat, a submarine component manufacturer, hired more than 720 employees in the state in 2014 to increase production of Virginia-class submarines, and Greencore Group plc, a foods manufacturer, opened a new \$40 million facility with 107,000 square feet in March 2015, which is expected to add approximately 400 new jobs (Moody's Analytics, Inc.).
- In Vermont, nonfarm payrolls increased by 5,200 jobs, or 1.7 percent, with nearly 40 percent of the net gain in the leisure and hospitality sector, which increased by 2,000 jobs, or 5.5 percent.

Maine added 2,100 jobs, a 0.4-percent increase, with more than 60 percent of the net gain in the professional and business services sector, which added 1,300 jobs, a 2.2-percent increase.

Average unemployment rates decreased more in the New England region than nationwide and declined in every state, with the greatest decrease in Rhode Island.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

Population

Despite a moderately strong economy, the population in the New England region grew slowly from 2013 to 2014, increasing by 41,000, or 0.3 percent, to nearly 14.7 million compared with 0.7-percent growth for the nation overall (Census Bureau population estimates as of July 1). Rates of population change ranged from an increase of 0.5 percent in Massachusetts to a decline of 0.1 percent in Connecticut. Net in-migration did occur in four of the six states in the region and accounted for more than 30 percent of the population growth, representing 12,650 people, down from 31,850 people, or more than 50 percent of the growth, during the previous 12 months. All the net in-migration to the region was international. From 2013 to 2014, international net in-migration added 62,700 people to the regional population total, essentially

unchanged from 62,900 people during the same period a year earlier. From 2013 to 2014, New Hampshire and Maine were the only states in the region with domestic net in-migration, of 1,125 and 530 people, respectively. Net natural change (resident births minus resident deaths) totaled approximately 28,300 people in the region, down slightly from 29,050 people during the previous 12 months.

During the 12 months ending July 1, 2014—

- Population gains in the New England region primarily concentrated in Massachusetts, which accounted for nearly 90 percent of the total growth. Net in-migration to Massachusetts was 18,300 people, or 5,650 more people than for the region overall.

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The population increased in the New England region at slightly less than one-half the national rate from July 2013 to July 2014

	Population Estimate (as of July 1)			Percent Change	
	2012	2013	2014	2012 to 2013	2013 to 2014
United States	314,112,078	316,497,531	318,857,056	0.8	0.7
New England	14,578,855	14,639,742	14,680,722	0.4	0.3
Connecticut	3,594,362	3,599,341	3,596,677	0.1	- 0.1
Maine	1,328,592	1,328,702	1,330,089	0.0	0.1
Massachusetts	6,655,829	6,708,874	6,745,408	0.8	0.5
New Hampshire	1,321,297	1,322,616	1,326,813	0.1	0.3
Rhode Island	1,052,637	1,053,354	1,055,173	0.1	0.2
Vermont	626,138	626,855	626,562	0.1	0.0

Source: U.S. Census Bureau



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- New Hampshire, Maine, and Rhode Island recorded net in-migration of 2,700, 1,850, and 440 people, respectively. This period represented the first time annual net in-migration occurred in Rhode Island in more than a decade.
- Connecticut and Vermont, two of the six states in the country that lost population, had net out-migration of 9,575 and 1,050 people, respectively.

- Maine was one of only two states in the country with a negative net natural change (of 480 people), which occurred, in part, because the residents of Maine have a median age of 43.9 years (2013 American Community Survey 1-year data), the oldest in the nation.

Sales Market Conditions

Sales housing markets in the New England region remained balanced overall during the first quarter of 2015, unchanged from the same period a year earlier. Home sales prices in the region during February 2015 (the most recent data available) increased 6 percent compared with prices a year earlier, which was 1 percentage point greater than the national average (Federal Housing Finance Agency House Price Index). During the 12 months ending March 2015, the number of single-family homes, including townhomes, sold increased in four of the six states in the region. Median single-family home sales prices increased in every state in the region except Connecticut, where prices were essentially unchanged. The statewide gains from the same period a year earlier ranged from 2-percent increases in Massachusetts and Vermont to a 12-percent gain in New Hampshire. Overall, condominium markets in the region were balanced during the first quarter of 2015. Sales were up in New Hampshire and Vermont but down in the other states in the region during the 12 months ending March 2015. (Maine does not report condominium sales.) Median condominium sales prices were

also mixed, ranging from an increase of 11 percent in New Hampshire to a 3-percent decrease in Rhode Island. In March 2015, 5.1 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status, down from 5.9 percent in March 2014 (Black Knight Financial Services, Inc.). The rate of seriously delinquent and REO loans declined year over year in every state in the region. Of the states in the region, however, only New Hampshire, with a rate of 3.3 percent, had a seriously delinquent and REO loan rate lower than the national average of 4.3 percent.

During the first quarter of 2015 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, declined in every state in the region and decreased 34 percent overall from the first quarter of 2014, to 1,675 homes permitted. The decrease can be at least partially attributed to the historic levels of snowfall in the region from late January through February.

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Home sales were mixed but prices increased (at least slightly) in most states in the New England region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Connecticut (N&E)	March	27,700	27,300	-1	MED*	227,000	226,000	0
Maine (E)	March	13,300	14,350	8	MED	162,000	170,000	5
Massachusetts (E)	March	49,300	47,450	-4	MED	314,100	320,000	2
New Hampshire (E)	March	13,250	13,450	2	MED	200,000	223,250	12
Rhode Island (E)	March	8,900	8,950	1	MED*	195,000	202,500	4
Vermont (E)	March	5,100	5,250	3	MED	196,550	199,500	2
Connecticut (N&E—condo)	March	7,050	7,000	-1	MED*	152,000	150,400	-1
Massachusetts (E—condo)	March	20,250	19,100	-6	MED	300,200	309,100	3
New Hampshire (E—condo)	March	3,125	3,225	3	MED	139,000	154,950	11
Rhode Island (E—condo)	March	1,625	1,525	-6	MED*	195,000	190,000	-3
Vermont (E—condo)	March	1,150	1,175	2	MED	180,000	189,000	5

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

*Median prices represent the first quarters of 2014 and 2015 for Connecticut and Rhode Island but represent March 2014 and 2015 for all other states in the region.

Note: Data represent single-family home and townhome sales, except where indicated.

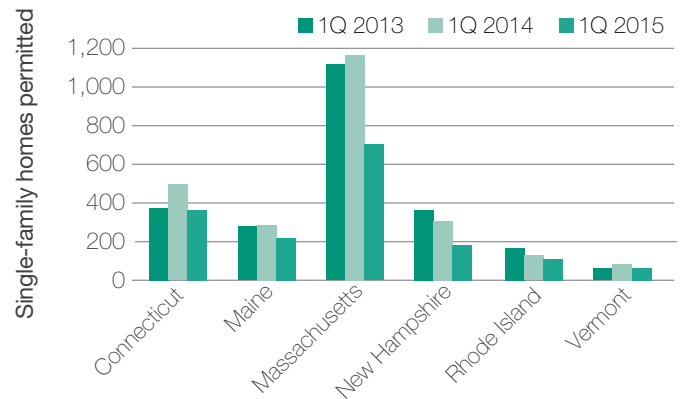
Sources: Berkshire Hathaway HomeServices New England Properties; Maine Real Estate Information System; Massachusetts Association of Realtors®; Northern New England Real Estate Network; Rhode Island Association of Realtors®



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- The percentage decline in the region was 21 percentage points greater than in any other region in the country and compared with a 5-percent increase nationwide.
- The percentage declines in single-family homebuilding activity were greatest in New Hampshire and Massachusetts, where the number of homes permitted decreased 41 and 40 percent, to 190 and 710 homes, respectively.
- Single-family home permitting in Connecticut and Maine decreased 28 and 27 percent, to 360 and 220 homes, respectively.
- In Vermont and Rhode Island, single-family homebuilding decreased slowly (relative to the other states in the region), decreasing by 20 and 10 homes, to 65 and 120 homes permitted, respectively.

During the first quarter of 2015, single-family permitting decreased precipitously in most states in the New England region and was almost certainly affected by recordbreaking snowfall in late January and February.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the first quarter of 2015. In the Boston metropolitan area, apartment market conditions were slightly tight, with an apartment vacancy rate of 4.5 percent, up from 3.9 percent a year earlier—representing the highest rate for the metropolitan area in 4 years (Reis, Inc.). During the first quarter of 2015, however, the 4-percent increase in average monthly rents from a year earlier represented the greatest annual gain for a metropolitan area in the region. The apartment market in Fairfield County, another area in the region where multifamily production has concentrated in recent years, is balanced with a 5.9-percent vacancy rate, up from 5.1 percent a year earlier. By contrast, apartment market conditions are tight in the eight other

relatively large metropolitan areas in the region that are covered by Reis, Inc. Multifamily production has been limited in those areas, all of which posted apartment vacancy rates of 3.4 percent or less, with rates remaining essentially unchanged (increasing or decreasing less than 0.5 percent) during the first quarter of 2015 from a year earlier. In the Providence metropolitan area, the apartment vacancy rate declined to 2.2 percent from 2.6 percent during the first quarter of 2014. The apartment vacancy rate in the Providence metropolitan area was the lowest rate in the nation, but the 1-percent decline in average monthly rents from the fourth quarter of 2014 to the first quarter of 2015 was also the highest percentage decrease in the nation among the primary metropolitan areas covered by Reis, Inc. (Average monthly rents in the Providence

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Conditions in the Boston and Fairfield County apartment markets were not as tight as in most other markets in the New England region, where multifamily production was more limited.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2014 (%)	1Q 2015 (%)	Percentage Point Change	1Q 2014 (\$)	1Q 2015 (\$)	Percent Change
Boston	Slightly tight	3.9	4.5	0.6	1,899	1,984	4
Fairfield County	Balanced	5.1	5.9	0.8	1,919	1,945	1
Hartford	Tight	2.8	2.6	-0.2	1,050	1,069	2
New Haven	Tight	2.3	2.5	0.2	1,179	1,201	2
Providence	Tight	2.6	2.2	-0.4	1,282	1,301	1

1Q = first quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.



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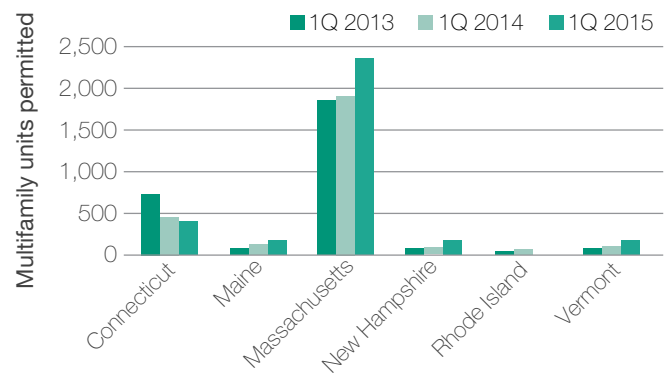
metropolitan area increased 1 percent year over year.) The second and third lowest vacancy rates among primary markets in the region were in the New Haven and Hartford metropolitan areas, with apartment vacancy rates of 2.5 and 2.6 percent, respectively. Average monthly rents increased 2 percent in both areas, to \$1,201 in the New Haven metropolitan area and \$1,069 in the Hartford metropolitan area. In the New Haven metropolitan area, average monthly rents increased 1 percent from the fourth quarter of 2014 to the first quarter of 2015—faster than in any other metropolitan area in the region and the sixth fastest in the nation.

During the first quarter of 2015 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, in the New England region increased 18 percent, to 3,275 units permitted, from the first quarter of 2014—10 percentage points greater than the nationwide increase. The percentage gain was higher than in any other region in the nation except the Northwest and Pacific regions, where multifamily permitting increased 78 and 41 percent, respectively.
- Massachusetts, which accounted for more than 70 percent of all multifamily building activity in the region, recorded a 24-percent increase, to 2,350 units permitted.
- Multifamily permitting increased in the northern New England states of New Hampshire, Vermont, and Maine, where 170, 190, and 160 multifamily units were permitted, representing increases of 100, 70, and 10 units, respectively.

- Multifamily building activity decreased in Connecticut and Rhode Island to 390 and 15 units permitted, respectively, from 450 and 90 units during the same period a year earlier.
- Nearly 70 percent of all multifamily units currently under construction in the region are in the Boston metropolitan area and Fairfield County, where more than 17,000 and 2,350 new multifamily units, respectively, are under construction (McGraw-Hill Construction Pipeline database). Apartment construction represents slightly more than 90 percent of all multifamily development in both markets.

During the first quarter of 2015, multifamily permitting increased relative to a year earlier in four of the six states in the New England region.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

