

HUD PD&R Regional Reports

Region 1: New England



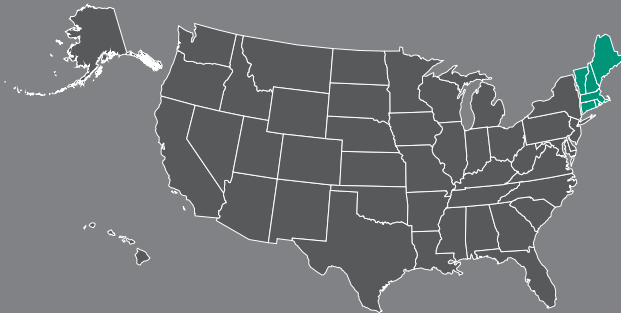
Quick Facts About Region 1

Hartford, Connecticut

By Michael J. Murphy | 1st quarter 2014

Sales market conditions—
First quarter 2014: balanced.
Fourth quarter 2013: balanced.
First quarter 2013: balanced.

Apartment market conditions—
First quarter 2014: tight.
Fourth quarter 2013: tight.
First quarter 2013: tight.



Overview

Economic conditions improved in the New England region during the first quarter of 2014 compared with conditions during the same period a year earlier. Job gains in Massachusetts accounted for 48 percent of the total nonfarm payrolls and 57 percent of the growth in the region. From July 2012 to July 2013 (the most recent data available), the population in the region increased by 55,350, or 0.4 percent, to nearly 14.62 million. During the first quarter of 2014, sales housing markets remained balanced and overall single-family homebuilding activity for the region increased, albeit at a lower rate than during the same period a year earlier. Apartment markets in most metropolitan areas in the region were tight during the past 2 years; however, apartment vacancy rates stabilized in many of the markets during the past year.

During the first quarter of 2014—

- All but three sectors in the New England region added nonfarm payroll jobs, which more than offset losses concentrated in the durable goods manufacturing and state government subsectors.
- The number of single-family home and condominium sales increased in every state in the region, but changes in median home and condominium sales prices and in single-family homebuilding activity were mixed throughout the region.
- Multifamily building activity in the region decreased 24 percent, the largest decline of any region in the nation. By contrast, during the same period a year earlier, multifamily construction in the region increased 67 percent, the second greatest rate of any region in the nation.



PD&R

Nonfarm payroll growth in the New England region occurred at a slightly lower rate than in the previous 2 years.

	First Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,868.5	6,950.8	82.3	1.2
Goods-producing sectors	828.2	830.1	1.9	0.2
Mining, logging, and construction	229.4	233.4	4.0	1.7
Manufacturing	598.8	596.7	-2.1	-0.4
Service-providing sectors	6,040.3	6,120.7	80.4	1.3
Wholesale and retail trade	1,023.9	1,041.1	17.2	1.7
Transportation and utilities	185.0	188.5	3.5	1.9
Information	150.1	152.8	2.7	1.8
Financial activities	445.5	445.2	-0.3	-0.1
Professional and business services	891.9	911.4	19.5	2.2
Education and health services	1,452.8	1,475.5	22.7	1.6
Leisure and hospitality	634.0	652.0	18.0	2.8
Other services	256.9	261.5	4.6	1.8
Government	1,000.2	992.7	-7.5	-0.7

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

Economic Conditions

Economic conditions in the New England region, which have improved since 2010, continued to improve during the first quarter of 2014, when all six states in the region added jobs and nonfarm payrolls reached their highest levels since the first quarter of 2008. During the first quarter of 2014, nonfarm payrolls averaged 6.95 million jobs, an increase of 82,300 jobs, or 1.2 percent, compared with the number of nonfarm payrolls recorded during the same period a year earlier. The education and health services, professional and business services, and leisure and hospitality sectors accounted for 73 percent of the net job gain in the region and more than offset the losses of 6,500 and 6,000 jobs, or 1.6 and 2.1 percent, in the durable goods manufacturing and state government subsectors. The unemployment rate in the region averaged 6.9 percent, down from 7.7 percent during the same period a year earlier, and ranged from 4.2 percent in Vermont to 9.5 percent in Rhode Island.

During the first quarter of 2014—

- Massachusetts gained 46,700 jobs, or 1.4 percent, compared with the number of jobs recorded during the same period a year earlier. The increase in the professional and business services sector of 14,200 jobs, or 2.9 percent, more than offset the losses of 3,200 and 2,900, or 2.0 and 2.2 percent, in the durable goods manufacturing and state government subsectors.
- Nonfarm payrolls in Maine and Rhode Island increased 1.4 percent each, or by 7,900 and 6,600 jobs, respectively. The retail

During the past year, unemployment rates decreased less in the New England region than in the nation, with the greatest decline occurring in Maine.



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

trade subsector led gains in Maine, and the durable goods manufacturing subsector added 1,000 jobs, a 3.8-percent increase, in Rhode Island.

- In New Hampshire, nonfarm payrolls increased by 7,600 jobs, or 1.2 percent, with more than 40 percent of the net gain in the retail trade subsector, which increased by 3,200 jobs, or 3.5 percent. Vermont added 3,400 jobs, a 1.1-percent increase, with nearly 70 percent of the net gain in the leisure and hospitality sector, which increased by 2,300 jobs, or 6.4 percent.
- Connecticut nonfarm payrolls increased by 10,200 jobs, or 0.6 percent. Gains of 6,300 jobs, or 4.7 percent, in the leisure and hospitality sector and 3,000 jobs, or 6.2 percent, in the construction subsector helped to offset the losses of 3,800 and 2,500 jobs, or 3.0 and 3.7 percent, respectively, in the durable goods manufacturing and state government subsectors.



Population

The population in the New England region grew at a low rate from July 2012 to July 2013, increasing by 55,350, or 0.4 percent, compared with 0.7-percent growth for the nation overall. Rates of population change ranged from a high of 0.7 percent in Massachusetts to essentially no change in Maine, which had the second lowest statewide growth rate in the nation. In terms of population gains, every state in the region except Massachusetts was among the 10 slowest growing states in the country. More than 40 percent of the population growth in the region resulted from net in-migration, which represented 23,750 people, up from 14,950 people, or 33 percent of the growth, during the previous 12 months. Net natural change (resident births minus resident deaths) totaled approximately 31,650 people, up slightly from 30,650 people during the previous 12 months.

During the 12 months ending July 1, 2013—

- Population gains in the New England region were primarily concentrated in Massachusetts, which accounted for more than 85 percent of the total growth. Net in-migration to Massachusetts totaled 28,150 people, or 4,400 more people than for the region overall.
- Maine was one of only two states in the country with a negative net natural change (of 300 people), which occurred, in part, because the residents of Maine have a median age of 43.5 years (2012 American Community Survey 1-year estimates), the oldest in the nation. Maine, which had a net in-migration of 100 people, was the only state in the region, aside from Massachusetts, with a net migration gain, however.
- Net out-migration occurred in the four remaining states in the region, ranging from 220 people in Vermont to 3,600 people in Connecticut.

The population gain in the New England region was slower than the national rate.

	Population Estimate (as of July 1)			Percent Change	
	2011	2012	2013	2011 to 2012	2012 to 2013
United States	311,582,564	313,873,685	316,128,839	0.7	0.7
New England	14,517,822	14,563,443	14,618,806	0.3	0.4
Connecticut	3,588,948	3,591,765	3,596,080	0.1	0.1
Maine	1,327,844	1,328,501	1,328,302	0.0	0.0
Massachusetts	6,606,285	6,645,303	6,692,824	0.6	0.7
New Hampshire	1,318,075	1,321,617	1,323,459	0.3	0.1
Rhode Island	1,050,350	1,050,304	1,051,511	0.0	0.1
Vermont	626,320	625,953	626,630	-0.1	0.1

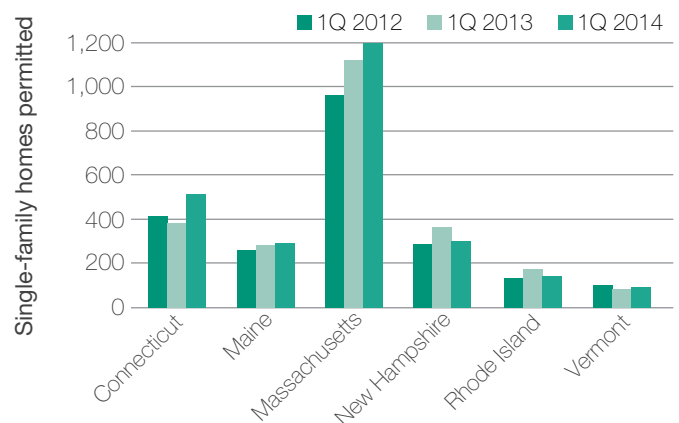
Source: U.S. Census Bureau

Sales Market Conditions

Sales housing markets in the New England region remained balanced during the past year, in part, because of sustained job growth since 2010. In February 2014, home sales prices in the region had increased less than 1 percent compared with prices during February 2013 (Federal Housing Finance Agency House Price Index). During the 12 months ending March 2014, home sales increased 5 percent or more in all six states in the region. Median single-family home sales prices increased in four states in the region, ranging from 2 percent in Connecticut to 8 percent in Massachusetts, but prices decreased 5 and 2 percent in Maine and Vermont, respectively. Condominium markets in the region were balanced, with sales up 7 percent or more in every state that reports data. (Maine does not report condominium sales.) By contrast, median condominium

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In response to continued improvement in sales markets, single-family home permitting in the New England region increased 19 percent during the past 2 years.



1Q = first quarter.

Note: Based on preliminary data.

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



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sales prices were mixed throughout the region, ranging from a decline of 7 percent in New Hampshire to a gain of 11 percent in Massachusetts. In March 2014, 5.9 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 7.4 percent in March 2013 (Black Knight Financial Services, Inc.).

During the first quarter of 2014—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 5 percent from the first quarter of 2013, to 2,525 homes permitted, compared with an increase of 12 percent during the same period a year earlier.

- Single-family home permitting grew the most in Connecticut, increasing 34 percent, to 510 homes.
- In Vermont, Massachusetts, and Maine, single-family homebuilding increased at slower rates—13, 7, and 4 percent, to 90, 1,200, and 290 homes permitted, respectively.
- The gains were mixed, however, as single-family home permitting decreased in New Hampshire and Rhode Island by 60 and 30 homes, to 300 and 140 homes, respectively.

Home sales increased in every state in the New England region for the second consecutive year.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Connecticut (N&E)	March	25,600	27,800	9	MED*	225,000	229,000	2
Maine (E)	March	11,650	13,300	14	MED	170,000	162,000	- 5
Massachusetts (E)	March	46,500	49,000	5	MED	290,000	314,100	8
New Hampshire (E)	March	13,150	13,800	5	MED	188,500	200,000	6
Rhode Island (E)	March	8,050	8,850	10	MED*	185,000	195,000	5
Vermont (E)	March	4,725	5,250	11	MED	200,600	197,300	- 2
Connecticut (N&E—condo)	March	6,050	7,175	19	MED*	152,000	150,000	- 1
Massachusetts (E—condo)	March	18,250	19,950	9	MED	270,000	300,200	11
New Hampshire (E—condo)	March	3,150	3,375	7	MED	150,000	139,000	- 7
Rhode Island (E—condo)	March	1,350	1,625	20	MED*	183,800	194,900	6
Vermont (E—condo)	March	1,075	1,225	14	MED	168,500	180,000	7

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

*Median prices represent the first quarters of 2013 and 2014 for Connecticut and Rhode Island but represent March 2013 and March 2014 for all other states in the region.

Note: Data represent single-family home 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®

Apartment Market Conditions

Apartment markets in most metropolitan areas in the New England region are tight. During the first quarter of 2014, the apartment vacancy rate in the Boston metropolitan area remained essentially unchanged, increasing to 3.9 percent from 3.8 percent recorded a year earlier, and the average market rent increased 3 percent, to \$1,898 (Reis, Inc.). The apartment vacancy rate in the Worcester metropolitan area, which abuts the Boston metropolitan area, also remained essentially unchanged, increasing to 3.5 percent from 3.4 percent a year earlier, and the average market rent increased 2 percent, to \$1,164. In the Providence metropolitan area, additions to the apartment stock have been extremely limited since 2010, which, in part, led to a decline in the apartment vacancy rate to 2.6 percent from 3.2 percent a year earlier and a 2-percent increase in the

average market rent, to \$1,282. The apartment vacancy rate decreased from 3.1 to 2.7 percent in the Hartford metropolitan area and remained unchanged at 5.1 percent in the Fairfield County metropolitan area. The average market rents increased 2 percent in both metropolitan areas, to \$1,051 and \$1,919, respectively. Average rents in the Boston and Fairfield County metropolitan areas are two of the five highest in the country among markets measured by Reis, Inc.

During the first quarter of 2014 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, decreased more in the New England region than in any other region in the nation, declining 24 percent, to 2,175

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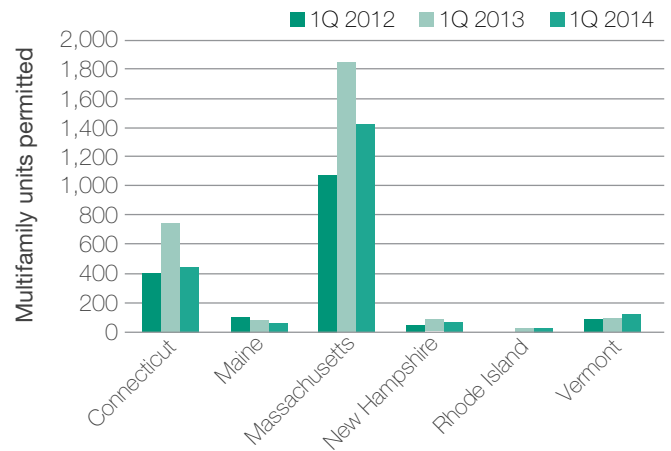


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units permitted, from a year earlier, in part, because of the large pipeline of multifamily units currently under construction in the Boston metropolitan area.

- Vermont was the only state in the region to record an increase in the number of multifamily units permitted, which increased to 130 from 95 units a year earlier.
- In Rhode Island, multifamily building activity remained unchanged at 25 units, and the levels in Maine and New Hampshire each decreased from 80 to 65 units.
- Multifamily permitting declines were primarily concentrated in Massachusetts and Connecticut, where 1,425 and 450 units were permitted, respectively, which represented decreases of 23 and 40 percent, respectively, from a year earlier and accounted for the entire net loss in the region during the period.
- Despite the decrease in multifamily permitting, nearly 12,700 new rental units are currently under construction in the Boston metropolitan area, including more than 4,500 apartments in the city of Boston (McGraw-Hill Construction Pipeline database).

Despite decreases in the New England region during the first quarter of 2014, multifamily building activity remained 26 percent above levels during the first quarter of 2012.



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

Most apartment markets in the New England region were tight during the past 2 years.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2013 (%)	1Q 2014 (%)	Percentage Point Change	1Q 2013 (\$)	1Q 2014 (\$)	Percent Change
Boston	Tight	3.8	3.9	0.1	1,834	1,898	3
Fairfield County	Balanced	5.1	5.1	0.0	1,888	1,919	2
Hartford	Tight	3.1	2.7	- 0.4	1,032	1,051	2
Manchester-Nashua	Tight	3.7	2.8	- 0.9	1,135	1,158	2
Portland	Tight	3.0	3.5	0.5	1,058	1,065	1
Providence	Tight	3.2	2.6	- 0.6	1,255	1,282	2
Worcester	Tight	3.4	3.5	0.1	1,146	1,164	2

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

