

# HUD PD&R Regional Reports

## Region 1: New England

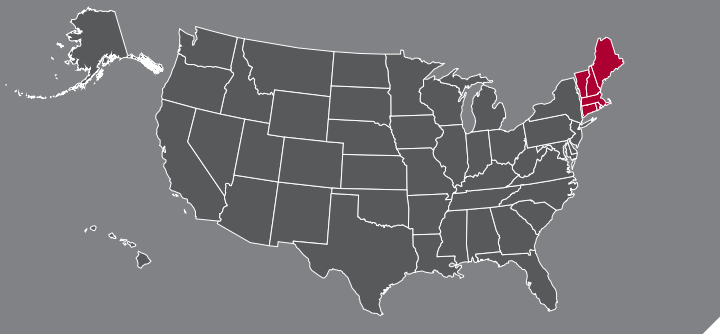


### Quick Facts About Region 1

Boston, Massachusetts

By Michael J. Murphy | 3rd quarter 2015

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



## Overview

Economic conditions strengthened in the New England region during the third quarter of 2015 compared with conditions a year earlier. Overall, nonfarm payrolls increased by 136,300 jobs, or 1.9 percent, to 7.29 million jobs during the period. These gains represented the 21st consecutive quarter in which the number of nonfarm payroll jobs increased year over year in the region. During the third quarter of 2015, nonfarm payrolls in Massachusetts accounted for 48 percent of the jobs and represented 61 percent of the net job growth in the region. Sales housing markets ranged from balanced to tight during the third quarter of 2015. Sales of single-family homes, including townhomes, increased at least 5 percent in every state in the region compared with sales a year earlier, and single-family home sales prices increased in every state except Connecticut, with gains of at least 5 percent in four of six states. Apartment market conditions for metropolitan areas in the region ranged from balanced to tight; however, conditions were tight in most markets, including in the three most highly populated metropolitan areas in the region—Boston, Providence, and Hartford.

During the third quarter of 2015—

- In the region, every employment sector added nonfarm payroll jobs and every state recorded job growth.

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- Despite continued job growth, single-family homebuilding activity declined in every state in the region except Rhode Island; levels decreased 15 percent overall from a year earlier compared with a 5-percent increase nationwide during the same period.

- By contrast with single-family homebuilding activity, multifamily building activity in the region increased in four of the six states in the region. Levels increased 34 percent overall from a year earlier, which was 29 percentage points greater than the national rate.

## Economic Conditions

Economic conditions in the New England region, which began to improve during the third quarter of 2010, continued to strengthen during the third quarter of 2015, a period when job growth from the third quarter of 2014 was 2.4 percent in Massachusetts, 1.8 percent in Connecticut, and 1.1 percent in the four remaining states in the region. Overall, nonfarm payrolls increased by 136,300, or 1.9 percent, to approximately 7.29 million jobs compared with a 1.2-percent gain during the same period a year earlier. The regional gains narrowly trailed nonfarm payroll growth of 2.1 percent nationwide. During the third quarter of 2015, the professional and business services and the leisure and hospitality sectors led all gains (on a percentage basis), increasing 3.4 percent each and accounting for 24 and 19 percent, respectively, of all net job gains. The manufacturing sector added 4,700 jobs; the 0.8-percent gain represented the largest percentage gain and second largest nominal gain for the sector during any third quarter since 1991. The net gains in the sector were attributed entirely to the durable goods manufacturing subsector, which added 4,900 jobs, a 1.2-percent increase. Connecticut and New Hampshire accounted for 83 percent of the net gain in the sector.

During the third quarter of 2015, the unemployment rate in the region averaged 4.6 percent, down from 5.8 percent during the same period a year earlier and compared with a national average of 5.2 percent. The average unemployment rate decreased 2.0 percentage points in Rhode Island, to 5.4 percent, and declined 1.2 percentage points in Maine, Massachusetts, and Connecticut to 3.8, 4.6, and 5.4 percent, respectively. The decrease in Rhode Island represented the second greatest statewide (percentage-point) decline in the nation, behind only Michigan. The average unemployment rate in New Hampshire of 3.3 percent was the third lowest statewide rate in the nation, and the 3.6-percent average unemployment rate in Vermont was tied for the seventh lowest.

During the third quarter of 2015—

- Massachusetts gained 82,900 jobs, or 2.4 percent, compared with a 1.7-percent increase during the same period a year earlier. The greatest job gain and the highest percentage job gain were in the professional and business services sector, which increased by 22,500 jobs, or 4.3 percent. Within the professional

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**In the New England region, every sector added nonfarm payroll jobs year over year, and three sectors increased by more than 3.0 percent.**

	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,158.2	7,294.5	136.3	1.9
Goods-producing sectors	889.6	899.1	9.5	1.1
Mining, logging, and construction	289.4	294.2	4.8	1.7
Manufacturing	600.2	604.9	4.7	0.8
Service-providing sectors	6,268.7	6,395.3	126.6	2.0
Wholesale and retail trade	1,054.8	1,070.3	15.5	1.5
Transportation and utilities	190.0	196.3	6.3	3.3
Information	152.4	152.7	0.3	0.2
Financial activities	452.4	458.0	5.6	1.2
Professional and business services	970.3	1,003.0	32.7	3.4
Education and health services	1,453.4	1,482.5	29.1	2.0
Leisure and hospitality	772.2	798.4	26.2	3.4
Other services	283.6	288.9	5.3	1.9
Government	939.6	945.2	5.6	0.6

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

Source: U.S. Bureau of Labor Statistics



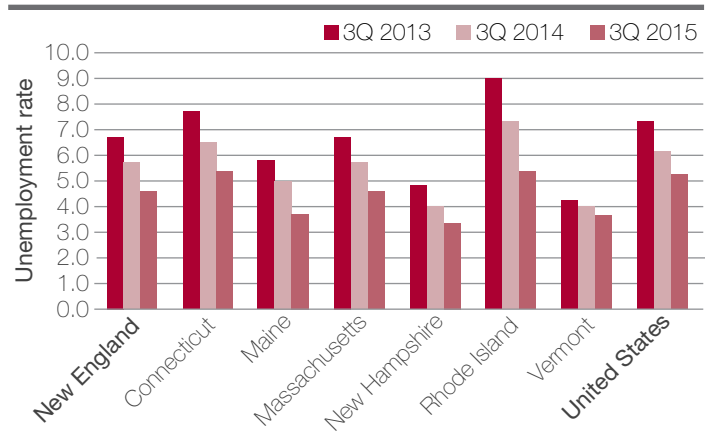
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and business services sector, growth was greatest in the computer systems design and related services industry, which added 6,600 jobs, a 9.1-percent increase.

- Connecticut nonfarm payrolls increased by 29,900 jobs, or 1.8 percent, more than triple the 0.5-percent increase during the third quarter of 2014. The leisure and hospitality sector led all gains, adding 7,300 jobs, or 4.7 percent. The manufacturing sector increased by 2,400 jobs, or 1.5 percent, accounting for more than one-half of the net gain in the sector for the region. In Connecticut, this increase represented the largest percentage gain and largest nominal gain in the manufacturing sector during any third quarter in nearly a quarter of a century.
- In New Hampshire and Maine, nonfarm payrolls increased by 7,400 and 7,100 jobs respectively, or 1.1 percent each. New Hampshire added 4,000 jobs, an increase of 4.3 percent, in the retail trade subsector and 1,600 jobs, a gain of 3.3 percent, in the durable goods manufacturing subsector, which offset the loss of 3,200 jobs, or 6.1 percent, in the local government subsector. The professional and business services sector led all gains in Maine, increasing by 2,500 jobs, a 3.8-percent increase.
- Nonfarm payrolls in Rhode Island and Vermont also increased 1.1 percent each, or by 5,500 and 3,400 jobs, respectively. In Rhode Island, the professional and business services and the leisure

and hospitality sectors added 3,200 and 2,400 jobs, increases of 5.2 and 3.9 percent, respectively. In Vermont, the education and health services and the leisure and hospitality sectors increased by 1,600 and 1,500 jobs, or 2.5 and 4.2 percent, respectively.

**Average unemployment rates decreased more in the New England region than the national average, with the percentage-point decline in Rhode Island doubling the national average decrease.**



3Q = third quarter.  
Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing markets in the New England region ranged from balanced to tight during the third quarter of 2015, which represented a change from the balanced conditions during the same period a year earlier. Despite sustained job growth during the past 5 years, home sales prices in the region during August 2015 (the most recent data available) increased only 3 percent compared with prices a year earlier, which was 3 percentage points less than the national average (Federal Housing Finance Agency House Price Index).

Sales markets for single-family homes, including townhomes, were balanced in most states in the region but were slightly tight overall in New Hampshire and Massachusetts. Conditions were tight in the Greater Boston area, however, with a 2.7-month supply of inventory for sale during September 2015, down from a 3.3-month supply a year earlier (Greater Boston Association of Realtors). Year-to-date home sales increased 3 percent and median home sales prices increased 7 percent, to \$475,000, in the Greater Boston area compared with prices during the same period a year earlier. The number of single-family home sales increased at least 5 percent in every state in the region during the 12 months ending September 2015, increasing 10 percent or more in Vermont, Maine, and New Hampshire. The rates of home sales accelerated even more during the third quarter of 2015. Comparing the 3 months ending September 2015 with the 3 months ending September 2014, increases in

the number of single-family home sales in the region ranged from 12 percent in Rhode Island to 16 percent in Massachusetts and New Hampshire. Median single-family home sales prices increased in five of the six states in the region during the 12 months ending September 2015. The statewide gains ranged from 1 percent in Vermont to 10 percent in New Hampshire.

Condominium sales markets were balanced overall for each state in the region; however, conditions were tight in the Greater Boston area, with a 2.0-month supply of inventory for sales during September 2015, down from a 2.3-month supply a year earlier (Greater Boston Association of Realtors). Year-to-date condominium sales decreased 1 percent but median condominium sales prices increased 8 percent, to \$450,000, and sellers have received slightly more than 100 percent of the original list price in the Greater Boston area. Condominium sales were up in every state in the region except Massachusetts during the 12 months ending September 2015, with gains ranging from 4 percent in Vermont to 13 percent in New Hampshire. (Maine does not report condominium sales.) The rates of condominium sales also accelerated during the third quarter of 2015. Comparing the 3 months ending September 2015 with the 3 months ending September 2014, increases in the number of condominium sales in the region ranged from 9 percent in Massachusetts to 24 percent in New Hampshire. The changes in median condominium

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sales prices were relatively flat, with increases of 2 percent or less in each state during the 12 months ending September 2015.

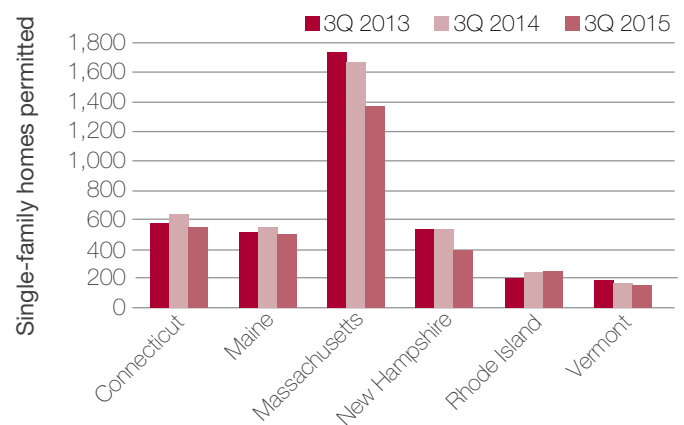
In September 2015, 5.2 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 5.5 percent in September 2014 (Black Knight Financial Services, Inc.). The rate of seriously delinquent and REO loans declined year over year in every state in the region except Vermont, where the rate increased slightly, from 4.5 to 4.6 percent. The declines ranged from a decrease of 0.1 percentage point, to 6.5 percent, in Maine to a decrease of 0.4 percentage point, to 6.0 percent, in Connecticut. The rates in Rhode Island and Massachusetts declined by 0.3 and 0.2 percentage point, respectively, to 6.6 and 4.8 percent. Of the states in the region, only New Hampshire, with a rate of 3.2 percent, had seriously delinquent and REO loan rates lower than the national average of 4.2 percent.

During the third quarter of 2015 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased 15 percent in the region from the third quarter of 2014, to 3,225 homes permitted, compared with a 5-percent increase nationwide. The percentage decline in the region was 6 percentage points greater than in any other region in the country.
- The number of single-family homes permitted decreased in every state in the region except Rhode Island, where the number of homes permitted increased 9 percent, to 250 homes.
- Single-family permitting declines were greatest on an absolute basis in Massachusetts, where the number of homes permitted decreased from 1,675 during the third quarter of 2014 to 1,375, representing an 18-percent decline.

- The percentage decline in single-family homebuilding activity was greatest in New Hampshire, where the number of homes permitted decreased 24 percent, to 410 homes.
- In Vermont and Connecticut, the number of homes permitted declined 18 and 14 percent, respectively, from 170 and 630 homes during the third quarter of 2014 to 140 and 540 homes permitted, respectively.
- Of the five states in the region where single-family permitting decreased, the smallest decline was in Maine, which decreased 9 percent, from 550 homes during the third quarter of 2014 to 500 homes.

**Single-family home permitting in the New England region decreased 15 percent, representing the fourth consecutive quarter of year-over-year declines.**



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

**In most states in the New England region, single-family home and condominium sales increased while sales prices remained relatively unchanged or increased.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Connecticut (N&E)	September	26,400	28,300	7	MED*	260,000	255,000	- 2
Maine (E)	September	13,800	15,300	11	MED*	179,000	187,500	5
Massachusetts (E)	September	48,300	50,600	5	MED	325,000	340,500	5
New Hampshire (E)	September	13,250	14,550	10	MED	220,000	242,000	10
Rhode Island (E)	September	8,775	9,500	8	MED*	215,000	234,500	9
Vermont (E)	September	5,000	5,725	15	MED	195,000	197,000	1
Connecticut (N&E—condo)	September	6,850	7,175	5	MED*	167,000	170,000	2
Massachusetts (E—condo)	September	20,000	19,800	- 1	MED	305,000	305,000	0
New Hampshire (E—condo)	September	3,150	3,550	13	MED	160,000	159,900	0
Rhode Island (E—condo)	September	1,550	1,625	5	MED*	199,950	200,000	0
Vermont (E—condo)	September	1,175	1,225	4	MED	180,000	183,800	2

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

\* Median prices represent the third quarter of 2014 and 2015 for Connecticut, Maine, and Rhode Island but represent September of 2014 and 2015 for all other states in the region. Note: Data for single-family homes include townhomes for all states in the region.

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



## Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the third quarter of 2015. The average apartment vacancy rate for markets in the region was 2.5 percent during the period, down from 3.2 percent a year earlier and compared with the national apartment vacancy rate of 3.8 percent (MPF Research). Average monthly rents in the region increased 6 percent, to \$1,647, during the third quarter of 2015, up from a year earlier. By comparison, the national average rent also increased 6 percent, to \$1,241. Average monthly rents in the New England region were 33 percent greater than in the nation.

In the Boston metropolitan area, apartment market conditions were tight during the third quarter of 2015. The apartment vacancy rate decreased to 2.3 percent, from 3.2 percent a year earlier, and average monthly rents increased 7 percent during the period. The apartment vacancy rate for units built before 1990, which are generally less expensive than more recently constructed units, was less than 2.0 percent. By contrast, the vacancy rate for apartment units built since 1990 was slightly more than 3.0 percent. The average monthly asking rent for units built since 2000 was \$2,383, whereas the average asking rent for units built during the 1980s was \$1,559. Within the Boston metropolitan area, the MPF Research-defined area with the lowest apartment vacancy rate was the Southwest Boston area, at 1.1 percent. The most expensive average monthly rents were in the Intown Boston and Cambridge/Somerville areas—\$3,250 and 3,035, respectively.

Apartment market conditions were tight in most metropolitan areas in Connecticut but were balanced in the Bridgeport-Stamford-Norwalk metropolitan area, the most expensive rental market in the state. During the third quarter of 2015, the apartment vacancy rate in the Bridgeport-Stamford-Norwalk metropolitan area increased to 4.3 percent, up 1.3 percentage points from a year earlier as supply outpaced demand. Average monthly rents, which increased

3 percent, to \$2,056, were nearly 50 percent greater than in the next most expensive metropolitan area in the state, the New Haven metropolitan area. Apartment vacancy rates in all other metropolitan areas in Connecticut were 3.6 percent or less. In the Hartford metropolitan area, the apartment market remained tight, with the vacancy rate increasing slightly to 3.3 percent from 3.0 percent a year earlier. Within the Hartford metropolitan area, apartment vacancy rates were lowest in the MPF Research-defined areas of Northeast Hartford and Central Hartford at 2.2 and 2.3 percent, respectively.

In the Providence metropolitan area and the other metropolitan areas in the region with relatively high populations, apartment market conditions were tight. In the Providence metropolitan area, the apartment vacancy rate declined to 2.0 percent from 2.8 percent during the third quarter of 2014. The 5-percent increase in average monthly rents during the third quarter of 2015 (compared with rents during the third quarter of 2014) was up from 2-percent growth during the same period a year earlier. All other markets in the region covered by MPF Research had apartment vacancy rates of 2.7 percent or less, and those rates decreased during the third quarter of 2015 from a year earlier. Of those markets, the largest decreases in apartment vacancy rates were in the Springfield metropolitan area and the MPF Research-defined Worcester area, where the apartment vacancy rates declined 1.7 and 0.9 percentage points, to 1.7 and 1.8 percent, respectively.

During the third quarter of 2015 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, increased 34 percent in the region from the third quarter of 2014, to 3,875 units, compared with a 5-percent increase nationwide. The percentage increase in the region was 4 percentage points greater than in any other region in the country.

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### The three largest metropolitan areas in the New England region—Boston, Providence, and Hartford—all had apartment vacancy rates of 3.3 percent or less.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Boston	Tight	3.2	2.3	-0.9	1,750	1,875	7
Bridgeport-Stamford-Norwalk	Balanced	3.0	4.3	1.3	1,992	2,056	3
Hartford	Tight	3.0	3.3	0.3	1,157	1,185	2
Manchester-Nashua-Concord	Tight	2.8	2.1	-0.7	1,085	1,143	5
New Haven	Tight	4.0	3.5	-0.5	1,337	1,377	3
Providence	Tight	2.8	2.0	-0.8	1,213	1,268	5
Worcester	Tight	2.7	1.8	-0.9	1,209	1,291	7

3Q = third quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

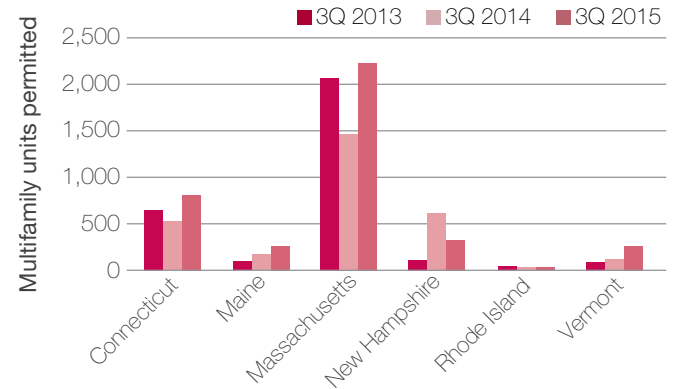


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- Massachusetts, which accounted for 57 percent of all multifamily building activity in the region, had a 53-percent increase, to 2,225 units permitted.
- Multifamily production increased most rapidly (on a percentage basis) in Vermont, with the number of multifamily units permitted more than doubling to 260 units, an increase of 140.
- Multifamily permitting increased more than 50 percent in Connecticut and Maine, where 800 and 250 multifamily units were permitted, respectively, representing increases of 290 and 90 units, respectively.
- The only states in the region where multifamily permitting declined were New Hampshire and Rhode Island, where the number of units permitted decreased to 320 and 35 units, respectively. Levels in both states remained greater than during the third quarter of 2013, when 110 and 20 units were permitted, respectively.
- More than 70 percent of all market-rate multifamily units currently under construction in the region are in the Boston metropolitan area. Since 2000, the metropolitan area has accounted for slightly more than 50 percent of all market-rate multifamily completions in the region (McGraw-Hill Construction Pipeline

database). Approximately 14,250 new multifamily units are currently under construction in the Boston metropolitan area. Apartment construction represents more than 90 percent of all market-rate multifamily development in the housing market.

**During the third quarter of 2015, multifamily permitting increased more (on a percentage basis) in the New England region than in any other region in the nation.**



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

