

HUD PD&R Regional Reports

Region 1: New England

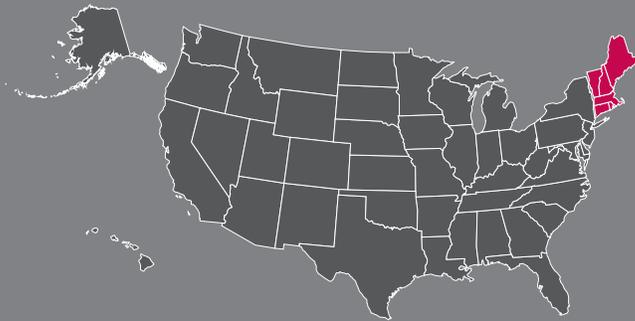


Quick Facts About Region 1

Boston, Massachusetts

By Michael J. Murphy | 3rd quarter 2014

- **Sales market conditions—**
Third quarter 2014: balanced.
Second quarter 2014: balanced.
Third quarter 2013: balanced.
- **Apartment market conditions—**
Third quarter 2014: tight.
Second quarter 2014: tight.
Third quarter 2013: tight.



Overview

Economic conditions improved in the New England region during the third quarter of 2014 compared with conditions during the same period a year earlier. This improvement represented the 17th consecutive quarter that the number (year-over-year) of nonfarm payroll jobs increased in the region. During the third quarter of 2014, non-farm payrolls in the Commonwealth of Massachusetts accounted for 48 percent of the jobs in the region, and gains in the commonwealth represented 63 percent of the net job growth in the region. Sales housing markets remained balanced and overall single-family homebuilding activity remained essentially unchanged from the elevated levels during the same period a year earlier. Apartment markets in most metropolitan areas in the region were tight during the third quarter of 2014. Of the nine metropolitan areas in the region, which are covered by Reis, Inc., only Boston and Fairfield County (coterminous with the Bridgeport-Stamford-Norwalk, CT Metropolitan Statistical Area), the two areas in the region where multifamily additions were primarily concentrated during the past 2 years, had apartment vacancy rates greater than 3.3 percent (Reis, Inc.).

During the third quarter of 2014—

- Every private employment sector added nonfarm payroll jobs in the region.

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- The number of homes and condominiums sold decreased in most states in the region, but median home and condominium sales prices and single-family homebuilding activity were essentially unchanged throughout the region.

- Overall, multifamily building activity in the region decreased slightly, with the greatest losses, which occurred in Massachusetts, more than offsetting the largest gains, which occurred in New Hampshire.

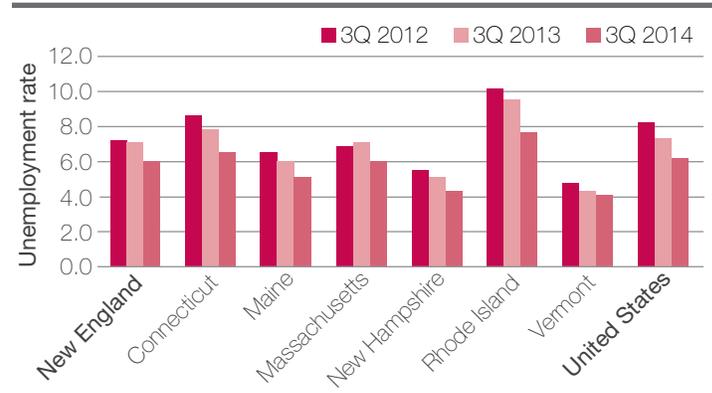
Economic Conditions

Economic conditions in the New England region, which began to improve during the third quarter of 2010, continued to improve during the third quarter of 2014, a period when every state in the region added jobs. Overall, nonfarm payrolls increased by 110,000 jobs, or 1.6 percent, to approximately 7.17 million jobs, compared with a 1.1-percent gain during the same period a year earlier. The region added more than 360,000 jobs during the past 5 years, representing a total increase of 5.3 percent. During the third quarter of 2014, the education and health services, leisure and hospitality, and professional and business services sectors accounted for two-thirds of the net job gains in the region. The manufacturing sector also added jobs, reversing some of the losses sustained during the same periods in 2012 and 2013. The unemployment rate in the region averaged 5.9 percent, down from 7.0 percent during the same period a year earlier, and compared with a national average of 6.2 percent. Average unemployment rates were lowest in the northern New England states of Vermont, New Hampshire, and Maine at 4.1, 4.2, and 5.2 percent, respectively.

During the third quarter of 2014—

- Massachusetts gained 69,800 jobs, or 2.1 percent, compared with a 1.3-percent increase recorded during the same period

During the past year, the average unemployment rate for the New England region remained less than the national rate and declined in every state.



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

a year earlier. The education and health services sector added 23,600 jobs, or 3.3 percent, and the information sector increased by 5,400 jobs, or 6.2 percent, reversing losses of 1,000 jobs, or 1.1 percent, in the sector during the same period a year earlier.

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In the New England region, nonfarm payrolls increased 2.0 percent or more compared with a year earlier in 6 of the 10 private employment sectors during the third quarter of 2014.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,061.1	7,171.1	110.0	1.6
Goods-producing sectors	882.3	891.2	8.9	1.0
Mining, logging, and construction	278.0	286.3	8.3	3.0
Manufacturing	604.4	604.9	0.5	0.1
Service-providing sectors	6,178.7	6,279.9	101.2	1.6
Wholesale and retail trade	1,056.0	1,068.9	12.9	1.2
Transportation and utilities	185.8	191.8	6.0	3.2
Information	152.4	156.6	4.2	2.8
Financial activities	453.8	457.6	3.8	0.8
Professional and business services	942.0	962.3	20.3	2.2
Education and health services	1,437.3	1,469.6	32.3	2.2
Leisure and hospitality	758.0	778.8	20.8	2.7
Other services	269.4	274.0	4.6	1.7
Government	924.0	920.3	-3.7	-0.4

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



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- Nonfarm payrolls in Rhode Island and Maine increased 1.7 and 1.5 percent, or by 8,000 and 9,300 jobs, respectively. In Rhode Island, the manufacturing sector added 900 jobs, or 2.3 percent, up from an increase of 300 jobs, or 0.8 percent, during the same period a year earlier. The leisure and hospitality sector led all gains in Maine, adding 3,100 jobs, representing a 4.1-percent increase.
- In New Hampshire, nonfarm payrolls increased by 7,300 jobs, or 1.1 percent, with more than 35 percent of the net gain in the leisure and hospitality sector, which increased by 2,600 jobs, or

3.5 percent. Vermont added 1,500 jobs, a 0.5-percent increase, with gains primarily concentrated in the goods-producing sectors.

- Connecticut nonfarm payrolls increased by 14,100 jobs, or 0.9 percent. Gains in the education and health services and the leisure and hospitality sectors of 4,900 and 4,000 jobs, or 1.5 and 2.6 percent, respectively, more than offset the losses of 3,900 and 1,400 jobs, or 1.7 and 1.0 percent, respectively, in the government and financial activities sectors.

Sales Market Conditions

Sales housing markets in the New England region remained balanced overall during the third quarter of 2014 and were unchanged from the same period a year earlier. Despite sustained job growth since the third quarter of 2010, home sales prices in the region during August 2014 (the most recent data available) increased 2 percent compared with prices a year earlier, which was nearly 3 percentage points less than the national average (Federal Housing Finance Agency House Price Index). During the 12 months ending September 2014, the number of single-family home sales, including townhomes, decreased from a year earlier in every state in the region, except Maine. Current home sales levels, however, were greater than levels during the 12 months ending September 2012 for every state in the region, ranging from an increase of 7 percent in Massachusetts to a gain of 25 percent in Maine. Median single-family home sales prices were mixed during the 12 months ending September 2014, ranging from a 1-percent increase in Maine to a 6-percent decrease in Vermont compared with prices a year earlier.

Overall, condominium markets in the region were balanced, with sales up in Vermont and Connecticut but down in the other states in the region. (Maine does not report condominium sales.) Median condominium sales prices were also mixed, increasing 3 percent in New Hampshire but decreasing 7 percent in Connecticut. In September 2014, 5.5 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 6.6 percent in September 2013 (Black Knight Financial Services, Inc.). The largest declines were in Connecticut, Maine, and Rhode Island, where rates decreased 1.3 percentage points each, equal to the national rate of decline, to 6.4, 6.6, and 6.9 percent, respectively. The national rate in September 2014 was 4.7 percent.

During the third quarter of 2014 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, remained unchanged in the region from the

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Home sales and prices were mixed in the New England region; Maine was the only state with increases in both categories.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Connecticut (N&E)	September	27,600	27,150	-2	MED*	275,000	263,500	-4
Maine (E)	September	12,900	13,800	7	MED	173,000	175,000	1
Massachusetts (E)	September	49,200	47,400	-4	MED	325,000	325,000	0
New Hampshire (E)	September	13,750	13,350	-3	MED	220,000	220,000	0
Rhode Island (E)	September	8,825	8,725	-1	MED*	218,200	215,000	-1
Vermont (E)	September	5,100	5,025	-1	MED	206,600	195,000	-6
Connecticut (N&E—condo)	September	6,900	7,075	3	MED*	177,000	165,000	-7
Massachusetts (E—condo)	September	19,700	19,500	-1	MED	306,000	305,000	0
New Hampshire (E—condo)	September	3,225	3,175	-2	MED	155,500	160,000	3
Rhode Island (E—condo)	September	1,625	1,550	-5	MED*	199,450	199,900	0
Vermont (E—condo)	September	1,100	1,175	7	MED	181,000	179,900	-1

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

*Median prices represent the third quarters of 2013 and 2014 for Connecticut and Rhode Island but represent September 2013 and 2014 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®

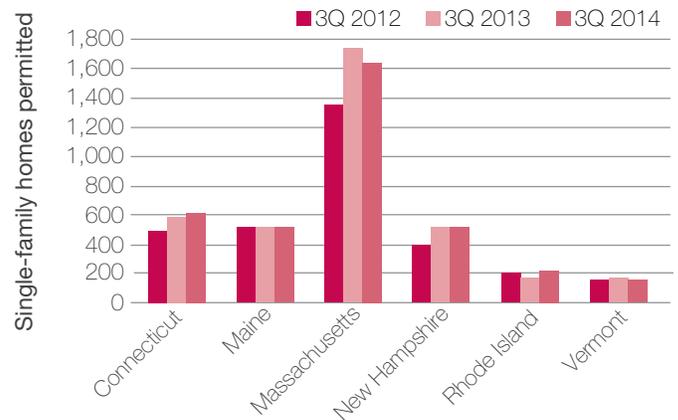


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third quarter of 2013, at 3,750 homes permitted, compared with an increase of 20 percent during the same period a year earlier. By comparison, the number of homes permitted nationally increased 1 percent from the third quarter of 2013 compared with a 20-percent increase during the same period a year earlier.

- The number of single-family homes permitted increased in every state in the region except in Vermont, where the number of homes permitted decreased 11 percent, to 160 homes, and in Massachusetts, where the number of homes permitted decreased 6 percent, to 1,650 homes.
- The percentage gains in single-family homebuilding activity were greatest in Rhode Island and Connecticut, where the number of homes permitted increased 21 and 9 percent, to 230 and 630 homes, respectively.
- In Maine and New Hampshire, single-family homebuilding increased at lower rates—2 percent each—to 530 and 540 homes permitted, respectively.

Single-family permitting remained unchanged during the third quarter in the New England region relative to a year ago but increased in every state from the third quarter of 2012.



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

Apartment Market Conditions

Apartment markets in most metropolitan areas in the New England region are tight. During the third quarter of 2014, apartment vacancy rates ranged from 2.1 percent in the New Haven metropolitan area to 5.5 percent in Fairfield County (Reis, Inc.). The low apartment vacancy rate in the New Haven metropolitan area represents the lowest rate for the metropolitan area in more than 13 years and the lowest rate in the nation among metropolitan areas covered by Reis, Inc. All but two metropolitan areas in the region recorded apartment vacancy rates of 3.3 percent or less, and rates decreased or remained essentially unchanged in each metropolitan area, except the Boston metropolitan area and Fairfield County, where the

increased rates could be partially attributed to surges in multifamily construction during the past 2 years. Average monthly rents in the metropolitan areas that are featured in the following table ranged from \$1,090 in the Portland metropolitan area to \$1,957 in the Boston metropolitan area. Average annual changes in monthly rents ranged from an increase of 2 percent in most metropolitan areas to an increase of 4 percent in the Boston and Manchester-Nashua metropolitan areas. Average rents in the Boston metropolitan area, which surpassed rent levels in Fairfield County, are now the highest in the region and the fourth highest in the country—behind only New York, San Francisco, and Westchester County, New York.

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Most apartment markets in the New England region were tight during the past 2 years; the Boston market has remained tight despite increased multifamily production.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Boston	Tight	3.8	4.2	0.4	1,879	1,957	4
Fairfield County	Balanced	4.9	5.5	0.6	1,897	1,942	2
Manchester-Nashua	Tight	3.3	2.9	-0.4	1,144	1,185	4
New Haven	Very tight	2.3	2.1	-0.2	1,169	1,190	2
Portland	Tight	3.1	2.8	-0.3	1,072	1,090	2

3Q = third quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Reis, Inc.

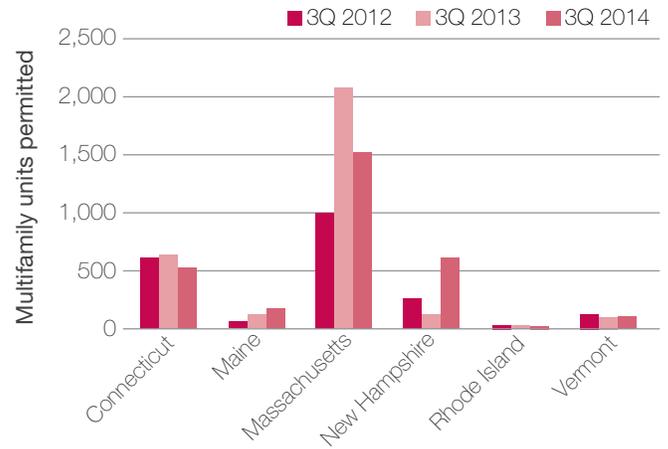


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During the third quarter of 2014 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, decreased 1 percent in the region from the third quarter of 2013, to 3,000 units permitted, compared with an increase of 44 percent during the same period a year earlier. By comparison, the number of units permitted nationally increased 13 percent from the third quarter of 2013 compared with an 11-percent increase during the same period a year earlier.
- The gains in multifamily permitting were greatest in New Hampshire, where activity increased to 620 from 110 units.
- Multifamily permitting increased in Maine, Vermont, and Rhode Island, where 160, 130, and 40 multifamily units were permitted, respectively, representing increases of 60, 40, and 20 units, respectively.
- Massachusetts, which accounted for slightly more than 50 percent of all multifamily building activity in the region, recorded a 27-percent decrease, to 1,525 units permitted. Current permitting levels, however, remain more than 50 percent greater than levels during the third quarter of 2012.
- In Connecticut, multifamily building activity decreased 19 percent to 520 units.
- Approximately 70 percent of all multifamily units currently under construction in the region are in the Boston metropolitan area and Fairfield County, where more than 15,000 and 2,500 new multifamily units, respectively, are currently under construction (McGraw-Hill Construction Pipeline database). In the city of Boston, 7,000 multifamily units are under construction.

Despite declining slightly overall in the New England region during the past year, multifamily permitting has increased more than 40 percent since the second quarter of 2012, with gains primarily concentrated in Massachusetts and New Hampshire.



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

