

HUD PD&R Regional Reports

Region 1: New England

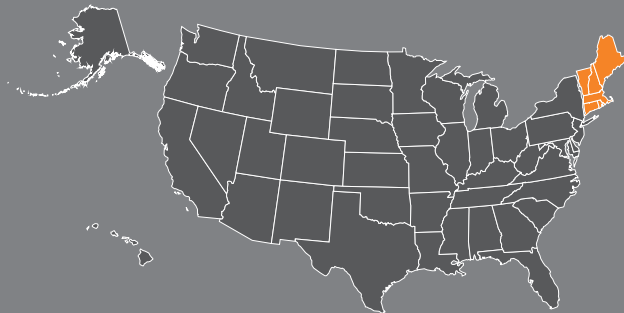


Providence, Rhode Island

By Michael J. Murphy | 2nd quarter 2014

Quick Facts About Region 1

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



Overview

Economic conditions improved in the New England region during the second quarter of 2014 compared with conditions during the same period a year earlier. This improvement represented the fourth consecutive year that nonfarm payrolls increased in the region. During the second quarter of 2014, nonfarm payrolls in Massachusetts accounted for 48 percent of the jobs in the region, and gains in the state represented 62 percent of the net job growth in the region. 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 second quarter of 2014, with apartment vacancy rates below 3 percent in the two largest metropolitan areas, Boston and Providence.

During the second quarter of 2014—

- Every employment sector except the manufacturing and government sectors added nonfarm payroll jobs in the New England region.

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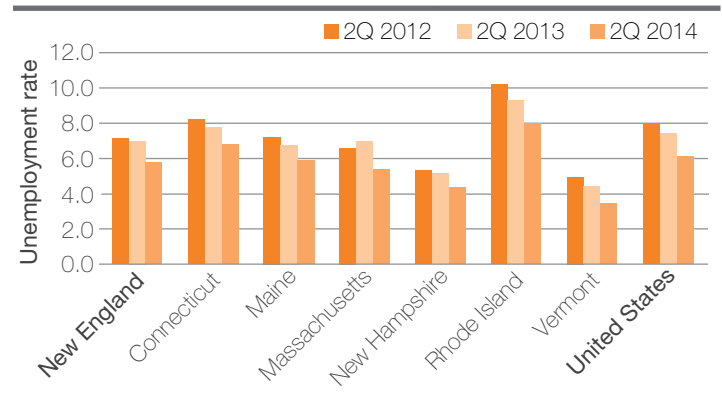
- The number of single-family home and condominium sales increased in every state in the region, but changes in median home and condominium sales prices and in single-family home-building activity were mixed throughout the region.
- Multifamily building activity in the region, which has been increasingly concentrated in the Boston and Bridgeport-Stamford-Norwalk metropolitan areas, continued to increase at a higher rate than in the nation; however, the rate of growth began to decrease.

Economic Conditions

Economic conditions in the New England region, which have improved since 2010, continued to improve during the second quarter of 2014, a period when every state in the region added jobs except Vermont, where nonfarm payroll jobs remained essentially unchanged. Overall, nonfarm payrolls increased by 83,900 jobs, or 1.2 percent, to approximately 7.15 million jobs, compared with nonfarm payrolls during the same period a year earlier. As a result, nonfarm payrolls for the region reached a new peak—24,000 jobs more than the previous peak during the same period in 2008. The education and health services sector, professional and business services sector, and retail trade subsector accounted for 75 percent of the net job gain in the region and more than offset losses of 7,000 and 4,800 jobs, or 2.5 and 1.1 percent, respectively, in the state government and durable goods manufacturing subsectors. The unemployment rate in the region averaged 5.8 percent, down from 7.0 percent during the same period a year earlier. Average unemployment rates in every state in the region except Connecticut and Rhode Island were lower than the national average of 6.1 percent.

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During the past year, the average unemployment rate for the New England region remained slightly lower than the national rate, with declines in every state.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls in the New England region increased more than 1 percent for the third consecutive year during the second quarter of 2014.

	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,063.1	7,147.0	83.9	1.2
Goods-producing sectors	864.5	869.0	4.5	0.5
Mining, logging, and construction	261.2	266.7	5.5	2.1
Manufacturing	603.3	602.3	-1.0	-0.2
Service-providing sectors	6,198.7	6,278.0	79.3	1.3
Wholesale and retail trade	1,043.9	1,061.3	17.4	1.7
Transportation and utilities	190.1	193.9	3.8	2.0
Information	151.1	154.4	3.3	2.2
Financial activities	449.7	450.3	0.6	0.1
Professional and business services	929.9	950.6	20.7	2.2
Education and health services	1,453.0	1,481.4	28.4	2.0
Leisure and hospitality	709.5	721.4	11.9	1.7
Other services	265.0	268.5	3.5	1.3
Government	1,006.5	996.2	-10.3	-1.0

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



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During the second quarter of 2014—

- Massachusetts gained 51,800 jobs, or 1.5 percent, compared with the number of jobs recorded during the same period a year earlier. The increase in the education and health services sector of 19,300 jobs, or 2.7 percent, more than offset the losses of 3,100 and 2,600, or 1.9 and 2.0 percent, respectively, in the durable goods manufacturing and state government subsectors.
- Nonfarm payrolls in New Hampshire and Rhode Island increased 1.3 percent each, or by 8,500 and 6,200 jobs, respectively. The retail trade subsector, which added 3,100 jobs, a 3.3-percent

increase, led gains in New Hampshire, and the professional and business services sector added 2,100 jobs, a 3.5-percent increase, in Rhode Island.

- In Maine, nonfarm payrolls increased by 6,600 jobs, or 1.1 percent, which included a gain of 1,900 jobs, or 2.3 percent, in the retail trade subsector.
- Connecticut nonfarm payrolls increased by 10,800 jobs, or 0.7 percent. Gains in the education and health services and the leisure and hospitality sectors of 5,400 and 3,900 jobs, or 1.7 and 2.6 percent, respectively, offset the losses of 3,300 and 3,000 jobs, or 2.6 and 4.4 percent, respectively, in the durable goods manufacturing and state government subsectors.

Sales Market Conditions

Sales housing markets in the New England region remained balanced overall during the past year, unchanged from a year ago. Despite sustained job growth since 2010, home sales prices in the region as of May 2014 (the most recent data available) increased less than 3 percent compared with prices as of May 2013—nearly 3 percentage points less than the national average (Federal Housing Finance Agency House Price Index). During the 12 months ending June 2014, home sales increased from the same period a year earlier in all six states in the region; however, the rate of increase decreased in every state except Maine. Median single-family home sales prices increased in four states in the region, ranging from 1 percent in Maine to 5 percent in Rhode Island, but prices decreased

8 and 1 percent in Vermont and Connecticut, respectively. Overall, condominium markets in the region were balanced, with sales up 6 percent or more in every state that reports data. (Maine does not report condominium sales.) By contrast, median condominium sales prices declined in every state except Massachusetts, where prices increased 3 percent. In June 2014, 5.7 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 6.8 percent in June 2013 (Black Knight Financial Services, Inc.). Of the states in the region, only New Hampshire and Vermont, with rates of 3.6 and 4.6 percent, respectively, had distressed loan rates lower than the national average of 4.9 percent.

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Home sales increased in every state in the New England region, but home sales prices were mixed.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Connecticut (N&E)	June	26,478	27,312	3	MED*	265,000	262,000	-1
Maine (E)	June	12,040	13,650	13	MED	184,000	185,000	1
Massachusetts (E)	June	47,043	48,214	2	MED	351,000	365,000	4
New Hampshire (E)	June	13,344	13,542	1	MED	228,950	236,950	3
Rhode Island (E)	June	8,387	8,755	4	MED*	209,000	220,000	5
Vermont (E)	June	4,787	5,156	8	MED	230,075	210,750	-8
Connecticut (N&E—condo)	June	6,429	7,143	11	MED*	173,000	168,000	-3
Massachusetts (E—condo)	June	18,757	19,952	6	MED	320,000	330,000	3
New Hampshire (E—condo)	June	3,134	3,308	6	MED	170,000	165,000	-3
Rhode Island (E—condo)	June	1,451	1,610	11	MED*	202,500	189,950	-6
Vermont (E—condo)	June	1,061	1,217	15	MED	198,950	188,000	-6

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

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

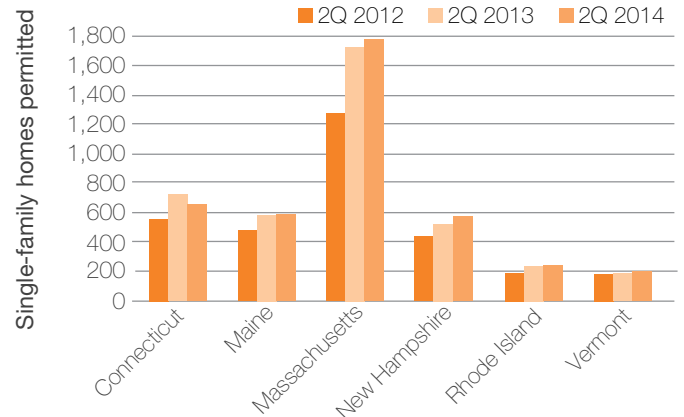


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During the second quarter of 2014 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased 2 percent in the New England region from the second quarter of 2013, to 4,025 homes permitted, compared with an increase of 26 percent during the same period a year earlier. By comparison, the number of homes permitted nationally increased 1 percent from the second quarter of 2013 compared with a 26-percent increase during the same period a year earlier.
- Single-family home permitting grew in every state in the region except Connecticut, where permitting decreased 8 percent to 660 homes, and Maine, where permitting remained essentially unchanged at 590 homes.
- The percentage gains in single-family homebuilding activity were greatest in Vermont and New Hampshire, where permitting increased 17 and 10 percent, to 210 and 570 homes, respectively.
- In Rhode Island and Massachusetts, single-family homebuilding increased at lower rates—4 and 3 percent, to 240 and 1,775 homes permitted, respectively.

In response to sustained growth in local economies throughout the New England region, single-family permitting increased for the third consecutive year.



2Q = second 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 second quarter of 2014, apartment vacancy rates ranged from 1.8 percent in the Springfield metropolitan area to 5.8 percent in the Norwich-New London metropolitan area, and six of the seven metropolitan areas in the region covered by MPF Research recorded rates of less than 4 percent (MPF Research). Apartment vacancy rates decreased in each metropolitan area except the Providence metropolitan area, where the rate remained essentially unchanged at 2.7 percent, and the Hartford metropolitan

area, where the rate increased from 3.4 to 3.7 percent. At 1.6 and 1.9 percent, respectively, the MPF Research-defined market areas with the lowest apartment vacancy rates during the second quarter of 2014 were Rockingham-Strafford Counties in the New Hampshire portion of the Boston metropolitan area and Bristol County in the Massachusetts portion of the Providence metropolitan area. Average monthly rents in the region ranged from \$1,012 in the Springfield metropolitan area to \$2,146 in the Bridgeport-Stamford-Norwalk metropolitan area. Average annual changes in monthly rents ranged

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Most apartment markets in the New England region were tight during the past 2 years, and some have remained tight despite increased multifamily production.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 (\$)	2Q 2014 (\$)	Percent Change
Boston	Tight	3.1	2.9	-0.2	1,671	1,737	4
Bridgeport-Stamford-Norwalk	Tight	3.6	3.3	-0.3	2,000	2,146	7
Hartford	Tight	3.4	3.7	0.3	1,126	1,152	2
New Haven	Tight	4.3	3.8	-0.5	1,306	1,350	3
Norwich-New London	Balanced	6.0	5.8	-0.2	971	1,024	5
Providence	Tight	2.7	2.7	0.0	1,181	1,188	1
Springfield	Tight	3.1	1.8	-1.3	999	1,012	1

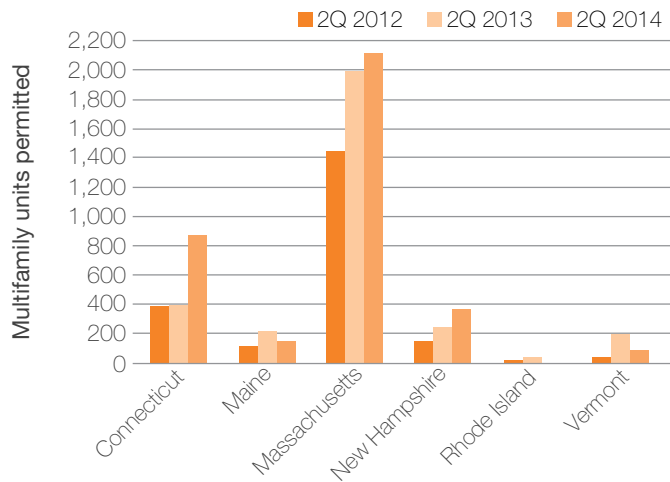
2Q = second quarter.
 Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research



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from an increase of 1 percent in the Providence and Springfield metropolitan areas to an increase of 7 percent in the Bridgeport-Stamford-Norwalk metropolitan area. The areas with the highest average monthly rents were Intown Boston and Cambridge-Somerville, both in the Boston metropolitan area, and Stamford-Norwalk in the Bridgeport-Stamford-Norwalk metropolitan area, at \$2,962, \$2,796, and \$2,411, respectively.

During the past 2 years, multifamily permitting in the New England region increased nearly 70 percent, with gains primarily in Massachusetts and Connecticut.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

During the second quarter of 2014 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, increased 18 percent in the New England region from the second quarter of 2013, to 3,650 units permitted, compared with an increase of 43 percent during the same period a year earlier. By comparison, the number of units permitted nationally increased 11 percent from the second quarter of 2013 compared with a 27-percent increase during the same period a year earlier.
- The gains in multifamily permitting were greatest in Connecticut, where activity increased to 880 units from 400, and New Hampshire, where activity increased to 370 units from 240.
- Massachusetts, which accounted for nearly 60 percent of all multifamily building activity in the region, recorded a 6-percent increase, to 2,125 units permitted.
- Multifamily permitting declined in Vermont, Maine, and Rhode Island, where 95, 160, and 5 multifamily units were permitted, respectively, representing decreases of 115, 60, and 35 units, respectively.
- Nearly 75 percent of all multifamily units currently under construction in the region are in the Boston and Bridgeport-Stamford-Norwalk metropolitan areas, where approximately 15,600 and 2,575 new multifamily units, respectively, are currently under construction (McGraw-Hill Construction Pipeline database). More than 4,800 multifamily units are under construction in the city of Boston.

