

HUD PD&R Regional Reports

Region 1: New England

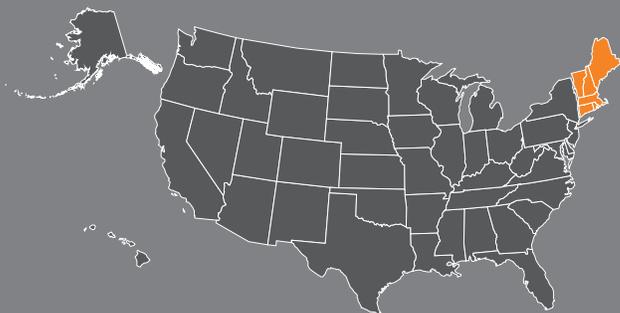


Quick Facts About Region 1

Lewiston, Maine

By Tim McDonald | 2nd quarter 2016

- **Sales market conditions—**
Second quarter 2016: mixed (balanced to slightly tight).
First quarter 2016: mixed (balanced to slightly tight).
Second quarter 2015: balanced.
- **Apartment market conditions—**
Second quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (tight to slightly tight).
Second quarter 2015: mixed (balanced to tight).



Overview

Economic conditions during the second quarter of 2016 remained positive in the New England region, continuing the trend that began during the third quarter of 2010. Job growth was widespread throughout the region, with every state in the region adding jobs. The continued economic growth has contributed to an increasing number of home sales in every state in the region. Home sales (including single-family homes, townhomes, and condominiums) totaled 172,500 homes sold during the 12 months ending June 2016, an increase of 19,500, or nearly 13 percent, from the previous 12 months. Apartment market conditions in the Boston and Bridgeport metropolitan areas, where most of the recent multifamily additions have been concentrated, currently remain tight and slightly tight, respectively, even with recent increases in vacancy rates.

During the second quarter of 2016—

- Nonfarm payroll growth was widespread, with gains in 10 of the 11 employment sectors.
- Single-family home sales are strong across the region, and developers responded by increasing production by 350 homes, or 11 percent, from the second quarter of 2015.
- Rent growth remained at 4 percent or more in the major metropolitan areas of Maine, Massachusetts, New Hampshire, and Rhode Island due, in part, to tight apartment markets.



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Nonfarm payrolls increased for the sixth consecutive year, with the education and health services sector accounting for nearly 28 percent of all job growth in the New England region.

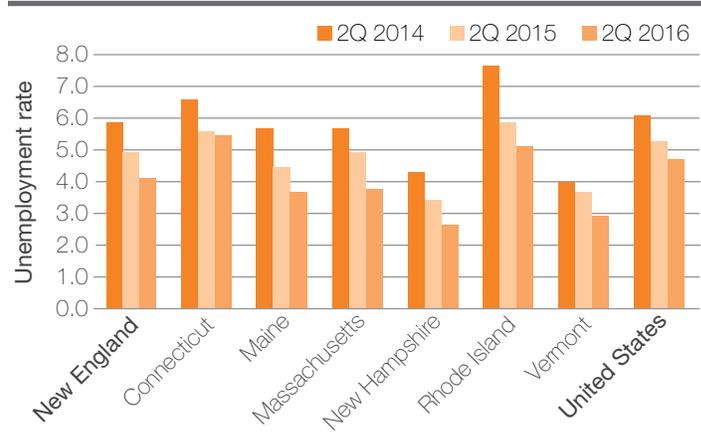
	Second Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,269.2	7,360.9	91.7	1.3
Goods-producing sectors	887.3	900.6	13.3	1.5
Mining, logging, and construction	286.7	299.6	12.9	4.5
Manufacturing	600.6	601.0	0.4	0.1
Service-providing sectors	6,382.0	6,460.3	78.3	1.2
Wholesale and retail trade	1,055.5	1,062.9	7.4	0.7
Transportation and utilities	195.5	198.2	2.7	1.4
Information	153.5	154.7	1.2	0.8
Financial activities	459.6	468.4	8.8	1.9
Professional and business services	988.4	1,007.6	19.2	1.9
Education and health services	1,497.2	1,522.6	25.4	1.7
Leisure and hospitality	737.2	745.9	8.7	1.2
Other services	280.0	285.8	5.8	2.1
Government	1,015.1	1,014.1	-1.0	-0.1

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 remained positive during the second quarter of 2016, and nonfarm payrolls increased during the past 6 years. During the second quarter of 2016, nonfarm payrolls totaled more than 7.36 million jobs, an increase of 91,700, or 1.3 percent, which is slightly less than the increase of 111,800 jobs, or 1.6 percent, during the second quarter of 2015. Nonfarm payroll growth in the New England region ranged from 0.2 percent in Maine to 1.7 percent in Massachusetts. Nonfarm payroll growth was led by the education and health services sector, which increased by 25,400 jobs, or 1.7 percent. This sector is also the largest employment sector in the region, with more than 1.5 million jobs, and accounts for nearly 21 percent of all nonfarm payroll jobs in the region. The education and health services sector expanded in five out of the six states in the region, with Vermont having the largest percentage increase—3.7 percent—and Rhode Island being the only state to lose jobs in this sector, declining by 500 jobs, or 0.5 percent, due, in part, to layoffs at Memorial Hospital of Rhode Island, in Pawtucket. The mining, logging, and construction sector had the largest percentage increase of any sector in the region, up 4.5 percent, or by 12,900 jobs. Most of the job gains were concentrated in Massachusetts, where nonfarm payrolls increased by 11,500 jobs, or 8.2 percent, during the second quarter of 2016. Maine was the only state in the region to have a decline in employment in the mining, logging, and construction sector, due,

The unemployment rate in the New England region declined 0.8 percentage point, a larger decline than the national average decrease of 0.5 percentage point, during the second quarter of 2016.



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

in part, to the recent completion of the \$300 million expansion of the Eastern Maine Medical Center in Bangor, Maine, in April 2016 and the absence of other major construction projects beginning in the second quarter of 2016. The government sector, which was the only employment sector in the New England region with job losses during the second quarter of 2016, declined by 1,000 jobs, or 0.1 percent. Most of the job losses in the government sector were in Maine and New Hampshire, where government employment declined by 1,100 and 2,400 jobs, or 1.1 and 2.4 percent, respectively, with all job losses concentrated in the state and local

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government subsectors. The unemployment rate in the region averaged 4.1 percent, which was below the national average of 4.8 percent, during the second quarter of 2016. The unemployment rate declined in every state in the region, with the largest decline of 1.1 percentage points in Massachusetts.

During the second quarter of 2016—

- In Massachusetts, nonfarm payrolls increased by 60,800 jobs, or 1.7 percent, which accounted for more than 66 percent of the total nonfarm payroll gains throughout the region. The education and health services sector led job growth in Massachusetts, expanding by 17,100 jobs, or 2.3 percent.
- In Connecticut, where nonfarm payrolls increased by 12,500 jobs, or 0.7 percent, the information sector had the largest

percentage gain, increasing 5.0 percent, or by 1,600 jobs, due, in part, to expansion by Indeed, Inc., and Comcast Corporation, which added 250 and 200 employees, respectively.

- In Rhode Island, where nonfarm payrolls increased by 2,800 jobs, or 0.6 percent, the professional and business services sector, which added 1,800 jobs, up 2.9 percent, led job growth.
- In New Hampshire, where nonfarm payrolls expanded by 9,800 jobs, or 1.5 percent, the wholesale and retail trade sector, which increased by 4,100 jobs, or 3.3 percent, led job growth.
- In Maine and Vermont, where nonfarm payrolls expanded by 1,000 and 4,700 jobs, or 0.2 and 1.5 percent, respectively, the education and health services sector, which increased by 2,100 and 2,300 jobs, or 1.7 and 3.7 percent, respectively, led job growth.

Sales Market Conditions

Sales housing market conditions in the New England region ranged from balanced to slightly tight during the second quarter of 2016, a change from balanced conditions during the same period a year earlier. Moderate economic growth contributed to increasing home sales in every state in the region, and the rate of growth of sales accelerated in every state from the second quarter of 2015. The months of inventory and number of days on the market have declined in every state in the region except in Connecticut, where months' supply of inventory for both single-family homes and condominium units increased. Despite sustained job growth during the past 6 years, home sales prices in the region during May 2016

(the most recent data available) increased 4 percent compared with prices a year earlier, which was 1.6 percentage points less than the national average (Federal Housing Finance Agency House Price Index).

Single-family home sales markets were balanced throughout the region except in Massachusetts, where conditions were slightly tight. Sales of single-family homes, including townhomes, increased in every state in the region. New Hampshire had the largest percentage gain in single-family homes sold, with sales totaling nearly 16,850 during the 12 months ending June 2016, an increase of 2,450 homes, or 17 percent (New Hampshire Association

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Single-family home and condominium sales increased in every state of the New England region, with the median sales price of a single-family home rising in nearly every state.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Connecticut (N&E)	June	28,000	30,500	9	MED	255,000	255,000	0
Maine (E)	June	14,700	16,800	14	MED	187,700	198,000	5
Massachusetts (E)	June	48,500	56,100	16	MED	375,000	380,000	1
New Hampshire (E)	June	14,400	16,850	17	MED	250,000	254,200	2
Rhode Island (E)	June	9,200	10,400	13	MED	225,000	245,000	9
Vermont (E)	June	5,500	6,050	10	MED	223,750	227,500	2
Connecticut (N&E—condo)	June	6,950	7,300	5	MED	166,800	165,000	-1
Massachusetts (E—condo)	June	19,500	21,300	9	MED	330,000	349,900	6
New Hampshire (E—condo)	June	3,450	4,075	18	MED	170,000	181,200	7
Rhode Island (E—condo)	June	1,575	1,775	13	MED	214,900	207,900	-3
Vermont (E—condo)	June	1,200	1,300	8	MED	190,000	201,250	6

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

Notes: Median prices represent the second quarters of 2015 and 2016 for Connecticut and Rhode Island but represent June 2015 and 2016 for all other states in the region.

Single-family home sales include townhomes for every state in the region.

Sources: Berkshire Hathaway HomeServices New England Properties; Maine Real Estate Information System; Massachusetts Association of Realtors®; New Hampshire Association of Realtors®; Vermont Association of Realtors®



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of Realtors®). The median sales price of a single-family home in New Hampshire during June 2016 was \$254,200, an increase of \$4,200, or 2 percent, from June 2015. Massachusetts, which accounted for more than 40 percent of single-family home sales in the region during the second quarter of 2016, had the largest increase in single-family home sales, which were up by 7,600 homes sold, or 16 percent, to 56,100 (Massachusetts Association of Realtors®). Massachusetts also had the highest median price for single-family homes during June 2016, at \$380,000, an increase of \$5,000, or slightly more than 1 percent from June 2015. Connecticut, with a 9-percent increase in single-family sales, was the only state in the region that did not have a double-digit increase in home sales during the second quarter of 2016. The median sales price of a single-family home in Connecticut during June 2016 was \$255,000, unchanged from a year earlier, due, in part, to a decline in luxury home sales in the state (Berkshire Hathaway Home Services New England Properties).

The condominium sales market is balanced in every state of the region except Massachusetts, where the market is slightly tight. (Maine does not report condominium sales.) Condominium sales were up in every state in the region during the second quarter of 2016, led by Massachusetts, with an increase of 1,800 homes, or 9 percent, from the second quarter of 2015. New Hampshire and Rhode Island had the largest percentage increases in condominium sales, up by 18 and 13 percent, respectively, and Connecticut had the smallest percentage increase of 5 percent. The median sales price of condominiums was mixed across the New England region, with the median price increasing in Massachusetts, New Hampshire, and Vermont but declining in Connecticut and Rhode Island.

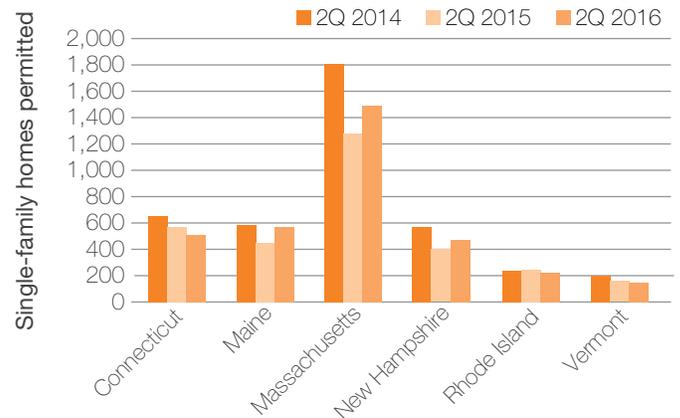
In May 2016 (the most recent data available), 3.3 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 4.2 percent a year earlier (CoreLogic, Inc.). The 0.9-percentage-point decline in the region was larger than the 0.7-percentage-point decline nationwide. The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during May 2016. The declines ranged from 1.2 percentage points in Connecticut, where the delinquency

rate is now 3.9 percent, to 0.6 percentage points in New Hampshire, where the rate is 2.0 percent. Vermont, with a 2.4-percent delinquency rate, and New Hampshire are the only states in the region with a delinquency rate below the national average of 2.9 percent.

During the second quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, totaled 3,450 in the New England region, an increase of 350 homes permitted, or 11 percent, from the second quarter of 2015, and the number of homes permitted increased in three states and declined in three states.
- Massachusetts had the largest increase in homebuilding, with the number of single-family homes permitted totaling 1,500, a gain of 225, or nearly 18 percent, from the second quarter of 2015.
- Single-family homebuilding increased more than 20 percent in both Maine and New Hampshire from the second quarter of 2015.
- Single-family home permitting declined nearly 10 percent in Connecticut, 8 percent in Rhode Island, and 6 percent in Vermont.

Single-family homebuilding increased 11 percent during the second quarter of 2016 in the New England region after a 24-percent decline during the second quarter of 2015.



2Q = second 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 second quarter of 2016. The vacancy rate increased in every metropolitan area in the New England region except in the Manchester-Nashua metropolitan area due, in part, to the 15,800 apartment units completed in the region during the 12 months ending June 2016 (McGraw-Hill Construction Pipeline database).

Apartment market conditions were tight in the Manchester-Nashua metropolitan area, where the vacancy rate declined from 3.9 percent during the second quarter of 2015 to 3.1 percent during the second quarter of 2016 (Axiometrics, Inc.). The apartment vacancy rate declined even with the construction of more than 900 apartment units reaching completion during the 12 months ending June 2016 (McGraw-Hill Construction Pipeline database). In conjunction

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with the declining vacancy rate, the Manchester-Nashua metropolitan area also had the largest percentage gain in average rents, with an increase of \$97, or 8.0 percent, from the second quarter of 2015. The Burlington metropolitan area had the largest increase in the vacancy rate of any metropolitan area in the New England region, increasing by 2.8 percentage points. In addition, Burlington was the only metropolitan area where the average rent declined, with a decrease of \$13, or about 1 percent (Axiometrics, Inc.).

Apartment market conditions remain tight in the Boston metropolitan area, with a vacancy rate of 3.2 percent, up from 3.1 percent during the second quarter of 2015 (MPF Research). The vacancy rate increased only slightly in the Boston metropolitan area, despite the completion of 9,250 apartment units during the 12 months ending June 2016 (McGraw-Hill Construction Pipeline database). Of the 14 MPF Research-defined market areas in the Boston metropolitan area, 9 had a decreased apartment vacancy rate from the second quarter of 2015. The East Middlesex County market area had the largest decline in vacancy in the Boston metropolitan area, with a 1.2-percentage-point decrease, to an overall vacancy rate of 4.2 percent. The largest increase in the vacancy rate occurred in the West Norfolk County market area, where the vacancy rate increased from 2.7 percent during the second quarter of 2015 to 4.6 percent during the second quarter of 2016. The Intown Boston market area, which is the most expensive area, with an average rent of \$3,279, had a vacancy rate decline of 0.6 percentage points, to 3.8 percent, during the second quarter of 2016, even with the completion of 1,800 units during the 12 months ending June 2016.

The completion of nearly 3,500 apartment units in Connecticut during the 12 months ending June 2016 (McGraw-Hill Construction Pipeline database) contributed to an increasing vacancy rate in the major metropolitan areas of the state. Apartment market conditions in Connecticut were balanced, with 4.5- and 5.4-percent vacancy rates in the Bridgeport-Stamford-Norwalk and Hartford metropolitan

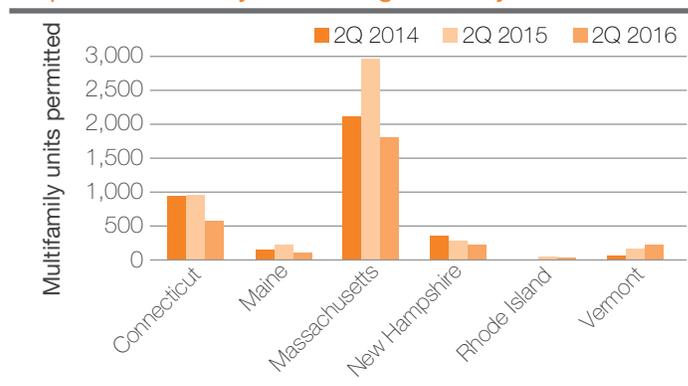
areas, respectively (Axiometrics, Inc.). The increasing vacancy rates in Connecticut caused developers to scale back production, with multifamily permits declining 38 percent. Apartment market conditions in the Providence metropolitan area remain tight, with a 2.3-percent vacancy rate, up slightly from 2.2 percent during the second quarter of 2015 (MPF Research). The tight market conditions contributed to an increase of the average rent by \$64, or 5 percent, from the second quarter of 2015.

During the second quarter of 2016 (preliminary data)—

- Multifamily construction, as measured by the number of units permitted, totaled 3,075 units, a decline of 1,625 units, or 35 percent, from the second quarter of 2015.
- Multifamily construction increased by 90 units, or 56 percent, to 250 in Vermont, the only state in the New England region to have an increase in construction activity.

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Multifamily construction has slowed in most states and metropolitan areas in the New England region in response to slowly increasing vacancy rates.



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

Apartment market conditions remained tight to slightly tight in the metropolitan areas in every state of the New England region except Connecticut, where conditions are balanced.

Market Condition	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2015 (%)	2Q 2016 (%)	Percentage Point Change	2Q 2015 (\$)	2Q 2016 (\$)	Percent Change
Boston ^a	Tight	3.1	3.2	0.1	1,824	1,926	6
Bridgeport-Stamford-Norwalk ^b	Balanced	4.0	4.5	0.5	2,224	2,257	1
Burlington ^b	Slightly tight	1.0	3.8	2.8	1,751	1,738	- 1
Hartford ^b	Balanced	4.2	5.4	1.2	1,283	1,308	2
Manchester-Nashua ^b	Tight	3.9	3.1	- 0.8	1,264	1,361	8
Portland ^b	Tight	2.1	2.8	0.7	1,300	1,350	4
Providence ^a	Tight	2.2	2.3	0.1	1,237	1,301	5

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



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- The largest decrease in multifamily construction was in Massachusetts, where the number of units permitted declined by 1,150, or 33 percent, from the second quarter of 2015. Maine had the largest percentage decrease in multifamily construction, declining 50 percent, or by 120 units.
- There are currently 30,150 multifamily units under construction in the New England region, down slightly from 30,600 units under construction during the second quarter of 2015 (McGraw-Hill Construction Pipeline database).

