

HUD PD&R Regional Reports

Region 1: New England

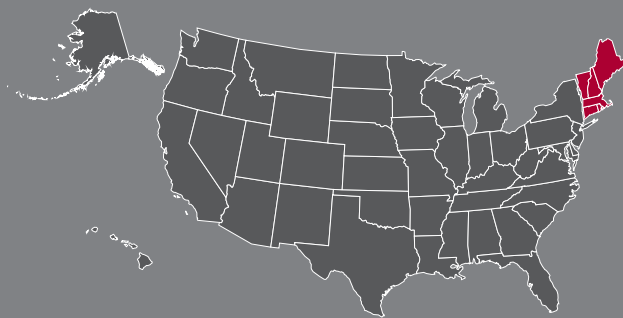


Quick Facts About Region 1

Boston, Massachusetts

By Tim McDonald | 3rd quarter 2017

- Sales market conditions—**
Third quarter 2017: mixed (balanced to tight).
Second quarter 2017: mixed (balanced to tight).
Third quarter 2016: mixed (balanced to tight).
- Apartment market conditions—**
Third quarter 2017: mixed (balanced to tight).
Second quarter 2017: mixed (balanced to tight).
Third quarter 2016: mixed (balanced to tight).



Overview

Economic conditions remained positive in the New England region during the third quarter of 2017, continuing the trend that began during the third quarter of 2010 and marking 7 consecutive years of growth. Job growth was widespread throughout the region, with every state in the region adding jobs. The continued economic growth resulted in increased demand for housing throughout the New England region. Home sales totaled 179,100 during the 12 months ending September 2017, an increase of 5,950 homes, or more than 3 percent, from the 12 months ending September 2016. A declining number of homes for sale across the region limited the overall increase in sales. Apartment market conditions for metropolitan areas in the region ranged from balanced to tight, with tight or slightly tight conditions everywhere except for the Bridgeport-Stamford-Norwalk (hereafter, Bridgeport) metropolitan area in Connecticut, where conditions were balanced.

During the third quarter of 2017—

- Nonfarm payrolls expanded in every state in the region, and the unemployment rate declined for every state except Massachusetts.

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- Single-family home sales and the median sales price increased in every state in the region except Massachusetts, where sales declined slightly because a lack of inventory constricted sales, and Vermont, where the median price was unchanged.
- The average apartment rent increased in every metropolitan area in the region, except for Bridgeport, where the average rent declined by \$174, or 8 percent, as the apartment vacancy rate rose above 5 percent for the highest vacancy rate in the region.

Economic Conditions

Economic conditions in the New England region remained positive during the third quarter of 2017, and the current expansion of nonfarm payrolls has lasted more than 7 years. During the third quarter of 2017, nonfarm payrolls totaled nearly 7.48 million jobs, an increase of 97,700, or 1.3 percent from the third quarter of 2016. Every state in the region had an increase in nonfarm payrolls during the third quarter of 2017, ranging from 0.5 percent in Connecticut to 1.7 percent in Massachusetts, New Hampshire, and Rhode Island. The education and health services sector, which grew by 32,500 jobs, or 2.1 percent, led job gains in the New England region and accounted for more than 33 percent of all the job gains in the region. The education and health services sector is the largest employment sector in the region, with nearly 1.55 million jobs, and accounts for nearly 21 percent of all nonfarm payroll jobs. The education and health services sector is the also the largest employment sector in five out of the six states in the region, with the exception of New Hampshire where the wholesale and retail trade sector is the largest. Job growth was also strong in the leisure and hospitality sector, which added the second highest number of jobs during the 12 months ending September 2017, increasing by 19,200 jobs, or 2.4 percent.

During the 12 months ending September 2017, 23 hotels opened in the New England region, which contributed to employment gains in this sector (McGraw-Hill Construction Pipeline database). On a percentage basis, the mining, logging, and construction sector had the largest gain of any employment sector in the New England region, increasing 3.9 percent while adding 12,200 jobs. The 58 hotels currently under construction in the New England region contribute to employment gains in this sector (McGraw-Hill Construction Pipeline database). In addition, more than \$1 billion in construction projects are ongoing at Harvard University, including the largest project, the John A. Paulson School of Engineering and Applied Sciences. The unemployment rate in the New England region during the third quarter of 2017 was 3.8 percent, down from 3.9 percent 1 year earlier and below the national average of 4.4 percent.

During the third quarter of 2017—

- Massachusetts was the only state in the region in which the unemployment rate increased, to 3.9 percent, up from 3.5 percent during the third quarter of 2016 because the labor force rose faster than employment.

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During the third quarter of 2017, nonfarm payrolls increased in 9 out of the 11 employment sectors in the New England region.

	Third Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,378.8	7,476.5	97.7	1.3
Goods-producing sectors	906.6	919.2	12.6	1.4
Mining, logging, and construction	313.2	325.4	12.2	3.9
Manufacturing	593.4	593.7	0.3	0.1
Service-providing sectors	6,472.2	6,557.3	85.1	1.3
Wholesale and retail trade	1,072.0	1,073.3	1.3	0.1
Transportation and utilities	195.7	202.3	6.6	3.4
Information	156.0	153.6	-2.4	-1.5
Financial activities	472.4	479.7	7.3	1.5
Professional and business services	1,021.2	1,036.8	15.6	1.5
Education and health services	1,514.8	1,547.3	32.5	2.1
Leisure and hospitality	808.4	827.6	19.2	2.4
Other services	287.4	295.3	7.9	2.7
Government	944.3	941.6	-2.7	-0.3

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

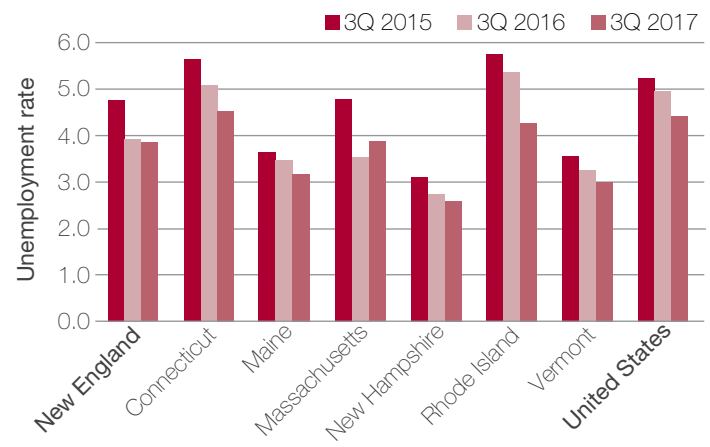
Source: U.S. Bureau of Labor Statistics



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- Rhode Island, where nonfarm payrolls increased by 8,200, or 1.7 percent, was the only state in the region in which the growth rate of nonfarm payrolls was up compared with the third quarter of 2016 when nonfarm payrolls increased 0.8 percent in the state.
- In Connecticut, Maine, and Rhode Island, the leisure and hospitality sector, which expanded by 4,100, 3,000, and 3,400 jobs, or 2.5, 3.8, and 5.4 percent, respectively, led job gains.
- The education and health services sector led job growth in Massachusetts and Vermont, increasing by 23,300 and 1,300, or 3.0 and 2.0 percent, respectively.
- The mining, logging, and construction sector led job growth in New Hampshire, increasing by 3,100, or 11.1 percent. Part of this increase was due to the start of construction on Woodmont Commons, an urban village in the town of Londonderry, which will be the largest development in the history of the state and when complete will have nearly 900,000 square feet of retail space, 700,000 square feet of office space, three hotels, and 1,300 housing units.

Connecticut, with a 4.5-percent unemployment rate, is the only state in the New England region that has an unemployment rate higher than the national average of 4.4 percent.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions ranged from balanced to tight across the New England region, with balanced markets in most states and metropolitan areas. Home sales totaled 179,100 during the 12 months ending September 2017, an increase of 5,950 sales, or more than 3 percent, from the previous 12 months. The number of homes for sale and the number of days a listing was on the market declined in every state in the region during the third quarter of 2017. Home sales prices in the region during August 2017 increased more

than 5 percent compared with prices a year earlier, which was less than the national average increase of nearly 7 percent (Federal Housing Finance Agency House Price Index).

Single-family home sales markets were balanced throughout the region, except in Massachusetts and New Hampshire where conditions were tight and slightly tight, respectively. Sales of single-family homes, including townhomes, increased in every state in the region

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The rate of growth for condominium sales outpaced single-family home sales across the New England region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Connecticut (N&E)	September	30,550	33,150	9	MED	257,600	268,000	4
Maine (E)	September	17,100	17,300	1	MED	188,000	207,200	10
Massachusetts (E)	September	55,850	55,700	0	MED	355,000	380,000	7
New Hampshire (E)	September	17,100	17,400	2	MED	240,000	265,000	10
Rhode Island (E)	September	10,650	11,100	4	MED	243,000	264,000	9
Vermont (E)	September	6,300	6,600	5	MED	215,000	215,000	0
Connecticut (N&E—condo)	September	7,250	8,100	12	MED	165,500	175,000	6
Massachusetts (E—condo)	September	21,150	21,450	1	MED	334,900	350,000	5
New Hampshire (E—condo)	September	4,050	4,700	16	MED	199,000	199,900	0
Rhode Island (E—condo)	September	1,800	2,100	17	MED	195,900	223,000	14
Vermont (E—condo)	September	1,350	1,500	11	MED	186,250	196,000	5

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

Notes: All figures are rounded. Median prices represent the first quarter of 2016 and 2017 for Connecticut but represent March 2016 and 2017 for all other states in the region. Single-family home sales include townhomes for all states in the region.

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

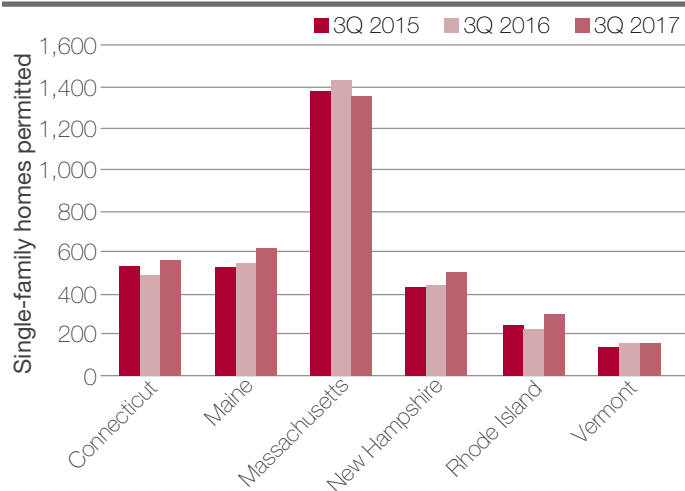


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except Massachusetts, where the number of single-family home sales declined by 150, or less than 1 percent from the previous 12 months (Home sales data in this report exclude new homes, except in Connecticut.). The decrease in single-family home sales in Massachusetts resulted from a declining number of homes available for sale, limiting the number of homes sold. During September 2017, 14,500 homes were listed for sale in Massachusetts, down by 4,750, or nearly 25 percent, from September 2016 (Massachusetts Association of Realtors®). The declining inventory of single-family homes for sale in Massachusetts placed upward pressure on home prices, and the median sales price of single-family homes increased by \$25,000, or 7 percent.

Sales market conditions were balanced in Connecticut, with single-family home sales increasing by 2,600, or 9 percent, during the 12 months ending September 2017, the largest increase of any state in the region (Berkshire Hathaway Home Services New England Properties). Connecticut also led the region with the largest increase in condominium sales, increasing by 850 sales, or 12 percent from the previous 12 months. The median sales price for single-family

Single-family permitting increased in every state of the New England region, except Massachusetts, during the third quarter of 2017.



3Q = third quarter.

Note: Based on preliminary data.

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

homes and condominiums increased 4 and 6 percent, respectively. Home sales rose in Middlesex and New London Counties in southeastern Connecticut because of increased hiring at the General Dynamics Electric Boat Groton facility.

Sales market conditions are slightly tight in New Hampshire. Single-family home sales during the 12 months ending September 2017 totaled 17,400, an increase of 300 sales, or 2 percent, from the previous month (New Hampshire Association of Realtors®). Much like Massachusetts, a declining inventory of homes for sale constrained home sales in New Hampshire. During September 2017, 6,425 homes were listed for sale, down by 1,550, or nearly 20 percent, from September 2016. The lack of homes for sale contributed to an increase in the median sales price of \$25,000, or 10 percent, to \$265,000. During September 2017, the average number of days a listing remained on the market was 62, down from 99 in September 2016.

In August 2017 (the most recent data available), 2.5 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 3.0 percent a year earlier (CoreLogic, Inc.). The 0.5-percentage-point decline in the region equaled the decline nationwide. The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during August 2017.

During the third quarter of 2017 (preliminary data)—

- The 3,475 single-family homes permitted in the New England region were an increase of 200, or 6 percent from the third quarter of 2016, and were the most permitted during a third quarter since 3,800 homes were permitted during 2014.
- Single-family permitting in Maine, Rhode Island, and Vermont were the highest levels recorded in each state since the third quarter of 2007.
- In Massachusetts, single-family permitting declined by 75 homes, or 5 percent, to 1,350, the lowest level of permitting since the third quarter of 2012.
- Condominium starts in the New England region totaled 290, down by 160, or nearly 36 percent, from the third quarter of 2016 (McGraw-Hill Construction Pipeline database).

Apartment Market Conditions

Apartment markets in most major metropolitan areas of the New England region were tight, except for the Bridgeport-Stamford-Norwalk metropolitan area in Connecticut where conditions were balanced. Apartment markets remained balanced to tight throughout the region, even with the completion of 13,800 units during the 12 months ending September 2017, an increase of 1,400 units, or

more than 11 percent from the previous 12 months (McGraw-Hill Construction Pipeline database). Currently, 25,600 units are under construction in the region compared with 22,600 units during the third quarter of 2016.

Connecticut is the only state in the region in which the apartment vacancy rate is above 4 percent in the major metropolitan areas.

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During the third quarter of 2014, the apartment vacancy rate in both the Hartford and Bridgeport metropolitan areas was 3.0 percent and has been steadily increasing (MPF Research). The rising vacancy rate in the Bridgeport metropolitan area contributed to average rents declining 8.0 percent during the third quarter of 2017. With increasing vacancy rates, developers slowed production in Connecticut. During the 12 months ending September 2017, 1,850 apartment starts were in the state, down by 1,700, or nearly 48 percent, from the previous 12 months (McGraw-Hill Construction Pipeline database).

Throughout Massachusetts, apartment markets were tight. Worcester had the largest decrease in the vacancy rate among metropolitan areas in the New England region during the third quarter of 2017, declining from 3.5 to 1.9 percent (MPF Research). The drop in the vacancy rate is partly the result of a slowdown in the number of completions during the past year, with only 140 apartment units completed during the 12 months ending September 2017, down by 300, or 68 percent from the previous 12 months (McGraw-Hill Construction Pipeline database). With the tightening apartment market, Worcester also had the largest percentage gain in the average rent of any metropolitan area in the region, increasing by \$71, or 5 percent, to \$1,382 (MPF Research).

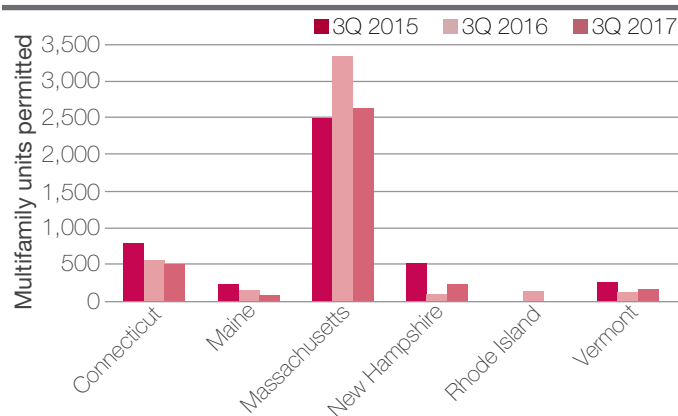
Although the Manchester-Nashua metropolitan area had the largest increase in vacancy rates of any metropolitan area in the region of 1.3 percentage points, conditions remained tight as the vacancy rate rose to 2.4 percent from 1.1 percent during the third quarter of 2016 (MPF Research). An increase in the number of market-rate apartment completions during the past 12 months contributed to the higher vacancy rate in the metropolitan area. During the 12 months ending September 2017, 280 market-rate units entered the market compared with none during the previous 12 months (McGraw-Hill Construction Pipeline database). The apartment vacancy rate in the Portland metropolitan area had the second largest decrease in the region, with a 0.8-percentage point decline, falling

from 3.7 to 2.9 percent (Axiometrics, Inc.). The apartment vacancy rate declined even as the number of apartment completions increased during the 12 months ending September 2017. From the previous 12 months, 520 units were completed, up by 200 units, or nearly 63 percent (McGraw-Hill Construction Pipeline database).

Apartment market conditions were tight in the Boston metropolitan area with a 2.7 percent vacancy rate, which is down from 2.9 percent during the third quarter of 2016 (MPF Research). The number of apartment completions totaled 7,425 during the 12 months ending September 2017, a decline of 125, or less than 2 percent, from the previous 12 months (McGraw-Hill Construction Pipeline database). Currently, 17,450 apartment units are under construction in the Boston metropolitan area, which account for 68 percent of all apartment units under construction in the New England region.

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In the New England region, the 3,675 multifamily units permitted during the third quarter of 2017 were the fewest units permitted during a third quarter since 2013.



3Q = third quarter.

Note: Based on preliminary data.

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

Apartment vacancy rates were below 3 percent in most of the major metropolitan areas in the New England region during the third quarter of 2017, except the metropolitan areas in Connecticut.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2016 (%)	3Q 2017 (%)	Percentage Point Change	3Q 2016 (\$)	3Q 2017 (\$)	Percent Change
Boston ^a	Tight	2.9	2.7	- 0.2	1,954	1,981	1
Providence ^a	Tight	2.5	1.9	- 0.6	1,347	1,363	1
Hartford ^a	Slightly tight	3.5	4.6	1.1	1,182	1,241	5
Bridgeport-Stamford-Norwalk ^a	Balanced	5.0	5.3	0.3	2,180	2,006	- 8
Worcester ^a	Tight	3.5	1.9	- 1.6	1,311	1,382	5
Manchester-Nashua ^a	Tight	1.1	2.4	1.3	1,226	1,273	4
Portland ^b	Tight	3.7	2.9	- 0.8	1,351	1,389	3

3Q = third 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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During the third quarter of 2017 (preliminary data)—

- The number of multifamily units permitted in the New England region totaled 3,675, down by 780 units, or nearly 20 percent, from the third quarter of 2016.
- The number of multifamily units permitted in Massachusetts declined by 700, or more than 20 percent, to 2,650 units permitted. The entire decline was in the city of Boston where the number of units permitted totaled 1,300, a decrease of 730, or nearly 36 percent, from the third quarter of 2016.
- New Hampshire, where permitting more than doubled to 250 units permitted, and Vermont, where permits rose by 40, or more than 30 percent, to 170, were the only states in the region in which multifamily construction increased.
- The number of units permitted in Connecticut and Maine represented the lowest levels in each state since the third quarters of 2011 and 2012, respectively.