

# HUD PD&R Regional Reports

## Region 1: New England



### Quick Facts About Region 1

Hartford, Connecticut

By Tim McDonald | 1st quarter 2016



#### Sales market conditions—

First quarter 2016: mixed (balanced to slightly tight).

Fourth quarter 2015: mixed (tight to slightly soft).

First quarter 2015: balanced.

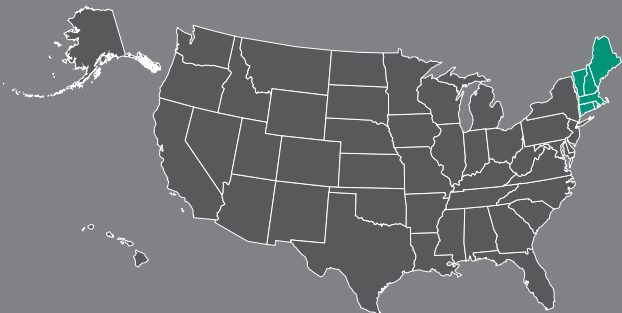


#### Apartment market conditions—

First quarter 2016: mixed (tight to slightly tight).

Fourth quarter 2015: mixed (balanced to tight).

First quarter 2015: mixed (balanced to tight).



### Overview

Nonfarm payrolls increased during the first quarter of 2016 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 adding jobs. From 2014 to 2015, the population of the region increased by 37,800, to more than 14.7 million (Census Bureau Population estimates as of July 1). The continued positive economic conditions of the region have contributed to an increasing number of home sales in every state during the past 12 months. Sales housing market conditions range from balanced to slightly tight across the region, with most metropolitan area markets being balanced. Apartment market conditions in most major metropolitan areas ranged from tight to slightly tight, but with a slight increase in the vacancy rates in some areas. The increased production of apartments that began in 2014 is helping to alleviate the severely tight market conditions that previously existed.

During the first quarter of 2016—

- Nonfarm payroll growth was widespread, with gains in 10 of the 11 employment sectors.
- Sales are strong across the region, with single-family home sales increasing more than 10 percent in every state.
- The average rent for an apartment increased in every metropolitan area in the region, with rent growth of 5 percent or more in three of the four largest metropolitan areas.



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Nonfarm payrolls in the New England region increased for the 23rd consecutive quarter, led by job growth in the mining, logging, and construction sector.

	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,053.7	7,158.0	104.3	1.5
Goods-producing sectors	844.8	862.9	18.1	2.1
Mining, logging, and construction	250.2	268.9	18.7	7.5
Manufacturing	594.6	594.0	-0.6	-0.1
Service-providing sectors	6,208.9	6,295.1	86.2	1.4
Wholesale and retail trade	1,037.6	1,041.1	3.5	0.3
Transportation and utilities	190.5	194.8	4.3	2.3
Information	151.3	154.7	3.4	2.2
Financial activities	453.6	460.9	7.3	1.6
Professional and business services	946.2	964.0	17.8	1.9
Education and health services	1,486.8	1,515.0	28.2	1.9
Leisure and hospitality	663.4	676.2	12.8	1.9
Other services	270.4	276.7	6.3	2.3
Government	1,009.0	1,011.9	2.9	0.3

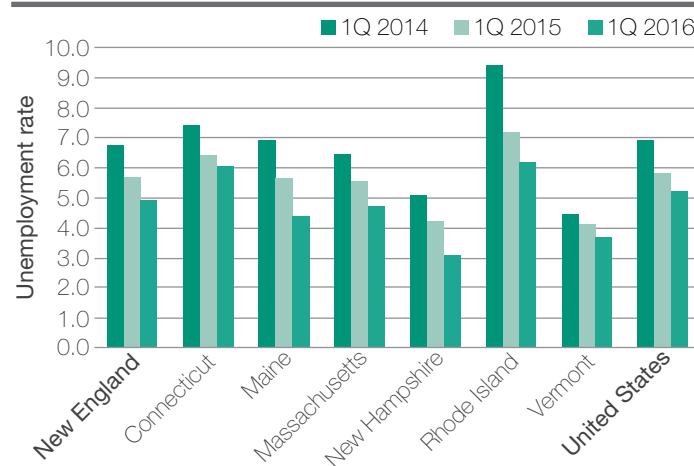
Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

## Economic Conditions

Economic conditions in the New England region remained positive during the first quarter of 2016, and nonfarm payrolls increased for the 23rd consecutive quarter. Nonfarm payrolls totaled nearly 7.16 million during the first quarter of 2016, an increase of 104,300 jobs, or 1.5 percent, which follows an increase of 103,400 jobs, or 1.5 percent, during the first quarter of 2015. Nonfarm payrolls expanded in every state of the region, with growth rates ranging from 0.8 percent in Connecticut to 1.8 percent each in Massachusetts and New Hampshire. During the first quarter of 2016, Massachusetts accounted for 48 percent of the jobs and 57 percent of the net job growth in the region. Job growth in the New England region during the first quarter was led by the education and health services sector, which added 28,200 jobs, an increase of 1.9 percent from the first quarter of 2015. The education and health services sector, with more than 1.5 million jobs, is also the largest employment sector in the region due to the many world-class universities and medical facilities, and it accounts for more than 21 percent of all nonfarm payroll jobs. The mining, logging, and construction sector, which increased by 18,700 jobs, or 7.5 percent, was the employment sector with the largest percentage increase during the first quarter of 2016. Every state in the region added jobs in this sector due to increases in residential construction in every state and large amounts of commercial construction in Massachusetts. Rhode Island had the largest percentage gain, increasing 14.2 percent with the addition of 2,100 jobs. All the net gains in the mining,

The average unemployment rate in the New England region declined year over year more than the national average, with the greatest decrease in Maine.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

logging, and construction sector in the region were in the construction subsector, offsetting a decline of 500 jobs in the mining and logging subsector because several paper mills closed in the region, reducing the demand for timber. The manufacturing sector was the only sector to record job losses during the first quarter of 2016, declining by 600 jobs, or 0.1 percent. The job losses in the manufacturing sector were heavily concentrated in the Boston metropolitan area, where manufacturing employment declined by 2,500, or 1.3 percent, because firms such as General Electric Company and Analogic Corporation announced plant closures in the last year, with reductions of 300 and 90 jobs, respectively.

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The unemployment rate in the New England region averaged 4.9 percent during the first quarter of 2016, down from 5.7 percent during the first quarter of 2015. The unemployment rate in the New England region is below the national average of 5.2 percent, and only Connecticut and Rhode Island, at 6.1 and 6.2 percent, respectively, have unemployment rates higher than the national average. Every state in the region had a decline in the unemployment rate with the sharpest decline, of 1.3 percentage points, occurring in Maine. New Hampshire, which has the lowest unemployment rate in the region at 3.1 percent, had the second largest decline in the unemployment rate, 1.1 percentage points.

During the first quarter of 2016—

- Nonfarm payrolls in Massachusetts increased by 59,800, or 1.8 percent, with job growth led by the mining, logging, and construction sector, which added 12,200 jobs, a 10-percent increase. More than \$7 billion worth of construction projects are under way in the city of Boston. Some of the larger projects include One Dalton, a 61-story tower containing retail space, a hotel, and 180 condominium units, and One Seaport Square, a \$600 million mixed-use development that will include 832 apartment units and 250,000 square feet of retail space.

- Connecticut was the only state in the region with nonfarm payroll growth below 1.0 percent, with an increase of 13,500 jobs, or 0.8 percent, down from a gain of 16,600 jobs, or 1.0 percent, during the first quarter of 2015.
- Nonfarm payrolls in Vermont increased by 5,400 jobs, or 1.7 percent, compared with an increase of 3,000 jobs, or 1.0 percent, during the first quarter of 2015. The 0.7-percentage-point increase in the rate of growth was the largest increase for any state in the region. Job growth was led by the education and health services sector, which increased by 1,900 jobs, or 3.1 percent.
- Nonfarm payrolls in Maine and New Hampshire increased by 6,600 and 11,400 jobs, or 1.1 and 1.8 percent, respectively; the education and health services sector led the job growth, increasing by 2,500 jobs in each state.
- In Rhode Island, payrolls increased by 7,500 jobs, or 1.6 percent; the professional and business services sector led the job growth, increasing by 2,800 jobs, or 4.7 percent, accounting for more than 37 percent of the gain in nonfarm payrolls statewide.

## Population

Despite a moderately strong economy, the population in the New England region grew slowly from 2014 to 2015, increasing by 37,800, or 0.3 percent, to slightly more than 14.7 million compared with a 0.8-percent growth rate for the nation overall (Census Bureau Population estimates as of July 1). Rates of population change ranged from an increase of 0.6 percent in Massachusetts to declines of 0.1 percent in Connecticut, Maine, and Vermont. Net in-migration totaled 12,500 people and accounted for 33 percent of all population

growth. International in-migration totaled 71,700 people, more than offsetting the domestic net out-migration of 59,200 people. Every state in the region had net international in-migration and net domestic out-migration.

During the 12 months ending July 1, 2015—

- The population of Massachusetts increased by 39,300, with net in-migration totaling 21,700 people and accounting for more than

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**The New England region trailed the nation in population growth, partially due to domestic net out-migration from every state in the region.**

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
New England	14,637,401	14,689,812	14,727,584	0.4	0.3
Connecticut	3,597,168	3,594,762	3,590,886	- 0.1	- 0.1
Maine	1,328,778	1,330,256	1,329,328	0.1	- 0.1
Massachusetts	6,708,810	6,755,124	6,794,422	0.7	0.6
New Hampshire	1,322,660	1,327,996	1,330,608	0.4	0.2
Rhode Island	1,052,856	1,054,907	1,056,298	0.2	0.1
Vermont	627,129	626,767	626,042	- 0.1	- 0.1

Source: U.S. Census Bureau



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- 55 percent of population growth in the state, as international net in-migration of 43,500 people more than offset domestic net out-migration of 21,800 people.
- New Hampshire and Rhode Island were the only other states in the region with net in-migration, of 1,075, and 30, respectively, because international in-migration was larger than domestic out-migration.
- Connecticut had the most net domestic out-migration, with 27,600 people leaving the state.
- Maine, with a negative net natural change of 450, was one of only two states in the nation (the other being West Virginia) to have a negative net natural change (resident births minus resident deaths).

## Sales Market Conditions

Sales housing market conditions in the New England region ranged from balanced to slightly tight during the first quarter of 2016, a change from 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 February 2016 (the most recent data available) increased slightly more than 2 percent compared with prices a year earlier, which was 3 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 by a double-digit percentage in every state in the region. New Hampshire had the largest percentage gain in single-family homes sold, with sales totaling nearly 16,000 during the 12 months ending March 2016, an increase of 2,100 sales, or 15 percent (New Hampshire

Association of Realtors®). A 5.9-month supply of inventory is currently on the market, down from 7.6 months a year earlier. The median sales price of a single-family home during March of 2016 in New Hampshire was \$224,300, relatively unchanged from March 2015. Vermont had the second largest percentage gain in single-family home sales in the region, increasing by 700 sales, or 13 percent, to nearly 5,975 sales, and the median sales price for March 2016 was down by \$3,000, or 2 percent (Vermont Association of Realtors®).

Sales market conditions were slightly tight in Massachusetts, with a 3.1-month supply of inventory on the market, down from 4.4 months a year earlier (Massachusetts Association of Realtors®). Massachusetts had 53,900 single-family homes sell during the 12 months ending March 2016, an increase of 5,450, or 11 percent, from the previous 12 months. Massachusetts accounted for 40

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**Single-family home sales were strong in the New England region during the past 12 months, with double-digit increases in every state.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Connecticut (N&E)	March	26,700	29,600	11	MED	226,000	225,000	0
Maine (E)	March	14,350	16,100	12	MED	170,000	182,500	7
Massachusetts (E)	March	48,450	53,900	11	MED	320,000	329,500	3
New Hampshire (E)	March	13,900	16,000	15	MED	223,250	224,300	0
Rhode Island (E)	March	9,000	9,975	11	MED	202,500	225,000	11
Vermont (E)	March	5,275	5,975	13	MED	199,500	196,500	-2
Connecticut (N&E—condo)	March	6,975	7,225	4	MED	152,500	148,500	-3
Massachusetts (E—condo)	March	19,600	20,850	6	MED	309,100	307,900	0
New Hampshire (E—condo)	March	3,250	3,800	17	MED	154,950	172,600	11
Rhode Island (E—condo)	March	1,550	1,700	10	MED	190,000	190,000	0
Vermont (E—condo)	March	1,175	1,275	9	MED	189,000	185,000	-2

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

Notes: Median prices represent the first quarters of 2015 and 2016 for Connecticut and Rhode Island but represent March 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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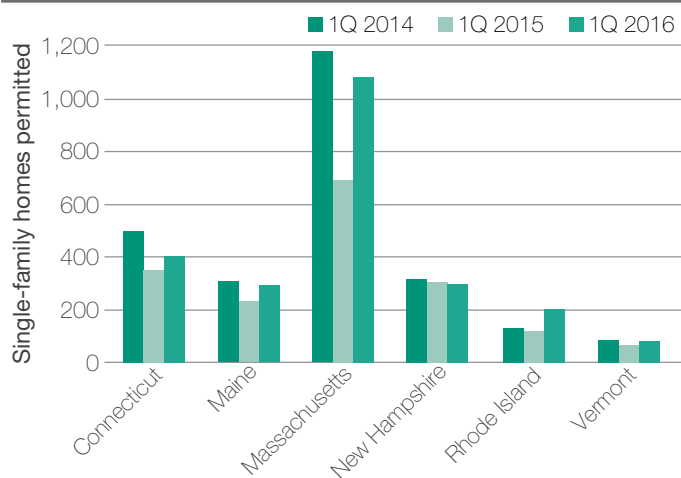
percent of all single-family home sales in the region. The median sales price of a single-family home in Massachusetts was \$329,500 during March 2016, an increase of \$9,500, or 3 percent. The median sales price in Massachusetts is approximately \$100,000, or 46 percent, higher than any other state in the region, primarily as a result of slightly tight market conditions in the Boston metropolitan area. During March 2016, the median sales price of a single-family home in the Boston metropolitan area was \$472,000, and a 2.2-month supply of inventory is currently on the market (Greater Boston Association of Realtors®).

Rhode Island had the largest increase in the median home sales price in the region during March 2016, with prices increasing by \$22,500, or 11 percent, to \$225,000 (Berkshire Hathaway HomeServices New England Properties), due in part to an increasing number of sales of properties in Newport County. Single-family home sales increased by 975, or 11 percent, to 9,975 homes during the 12 months ending March 2016. The median home sales price in Connecticut was also \$225,000 during March 2016, but that price was a decline of \$1,000, or less than 1 percent, from the previous year. Single-family home sales in Connecticut totaled 29,600, an increase of 2,900 homes, or 11 percent.

Condominium sales markets were also balanced overall in most states in the region but were slightly tight in New Hampshire and slightly soft in Connecticut. By contrast, conditions were tight in the Greater Boston area, with a 1.6-month supply of inventory for sale during March 2016, unchanged from a year earlier (Greater Boston Association of Realtors®). During the 12 months ending March 2016, condominium sales, which accounted for 44 percent of overall sales in the Greater Boston area, increased 5 percent, and median condominium sales prices increased 7 percent, to \$451,700, compared with sales and prices a year earlier. Condominium sales were up in every state in the region during 2015, with gains ranging from 17 percent in New Hampshire to 4 percent in Connecticut. (Maine does not report condominium sales.) New Hampshire was the only state in the region with an increase in the median sales price of condominiums during March 2016. The median sales price of a condominium remained unchanged in Rhode Island and declined in every other state, with the largest decline, of 3 percent, occurring in Connecticut.

In February 2016 (the most recent data available), 3.6 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 4.5 percent in December 2014 (CoreLogic, Inc.). The rate of seriously delinquent loans and REO properties declined year over year in every state in the region during the 12 months ending February 2016. The declines ranged

**The number of single-family homes permitted in the New England region increased sharply during the first quarter of 2016, partly due to record-breaking snow-fall during the first quarter of 2015.**



1Q = first quarter.

Note: Based on preliminary data.

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

from 1.2 percentage points—to 5.5 percent—in Connecticut to 0.6 percentage point—to 3.3 percent—in Vermont. The rates in Massachusetts and New Hampshire declined by 0.7 percentage point, to 4.1 and 2.9 percent, respectively, and the rates in Maine and Rhode Island each declined by 1.0 percentage point, to 5.6 and 5.5 percent, respectively. Of the states in the region, only New Hampshire, with a rate of 2.9 percent, had a seriously delinquent loan and REO property rate lower than the national average of 3.2 percent.

During the first quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased sharply, totaling 2,350 homes permitted, which is 575 homes, or 56 percent, higher than the number of homes permitted during the first quarter of 2015.
- Massachusetts had the largest gain in single-family permitting, increasing by 375, or 54 percent, to 1,075, which accounted for 46 percent of all single-family permits issued in the region.
- New Hampshire, with 300 single-family homes permitted, was the only state in the region with a decline in permitting, down by 10 homes, or 3 percent.
- Every other state in the region had an increase of fewer than 100 single-family homes permitted, ranging from 10 in Vermont to 80 in Rhode Island.

## Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from tight to slightly tight during the first quarter of 2016. The average monthly rent increased in every metropolitan area, and vacancy rates declined in three of the four largest metropolitan areas, led by a 2.9-percentage-point decline in the vacancy rate in the Bridgeport-Stamford-Norwalk metropolitan area. The vacancy rates in the larger metropolitan areas continued to decline even with the nearly 18,250 multifamily units that were completed during the 12 months ending March 2016 (McGraw-Hill Construction Pipeline database).

In the Boston metropolitan area, apartment market conditions were tight, with a vacancy rate of 3.2 percent, down from 3.3 percent a year earlier (MPF Research). During the first quarter of 2016, the 6-percent increase in average monthly rents from a year earlier represented the largest rent increase of any metropolitan area in the region. Of the 14 MPF Research-defined market areas in the Boston metropolitan area, 9 had a decreased rental vacancy rate from the first quarter of 2015 to the first quarter of 2016. The Cambridge/Somerville area had the largest decline in vacancy in the Boston metropolitan area, with a 1.9-percentage-point decrease, to an overall vacancy rate of 3.7 percent, and is the second most expensive market area, with an average rent of \$3,014, up by \$151, or more than 5 percent, from the first quarter of 2015. The largest increase in the vacancy rate occurred in the MPF-defined Intown Boston area, where the vacancy rate increased from 4.5 percent during the first quarter of 2015 to 5.5 percent during the first quarter of 2016 due to the completion of 1,850 units during

that time. This area is the most expensive in the Boston metropolitan area, with an average rent of \$3,246, up by \$162, or more than 5 percent, from the first quarter of 2015.

Apartment market conditions were tight in the metropolitan areas in Connecticut. In the Bridgeport-Stamford-Norwalk metropolitan area, the most expensive rental housing market in the region, conditions were tight. The apartment vacancy rate during the first quarter of 2016 was 3.4 percent, down from 6.3 percent a year earlier. The average rent increased by \$95, or 5 percent, to \$2,078 during the first quarter of 2016. In the Hartford metropolitan area, apartment market conditions remained tight, with a 3.5-percent vacancy rate, up from 3.4 percent a year earlier. The average rent in the Hartford metropolitan area was \$1,167 during the first quarter of 2016, an increase of 1 percent from the first quarter of 2015.

In the Providence metropolitan area, apartment market conditions remained tight, with a 2.5-percent vacancy rate, down from 2.7 percent during the first quarter of 2015. The average rent increased by \$60, or 5 percent, to \$1,270 during the first quarter of 2016. The Portland metropolitan area had an apartment vacancy rate of 3.3 percent, down from 3.4 percent during the first quarter of 2015 (Reis, Inc.). Portland is the least expensive apartment market in the region, with an average rent of \$1,112, up 3 percent from the first quarter of 2015. The Manchester metropolitan area had the largest increase in the apartment vacancy rate in the region, increasing 0.9 percentage points to 3.8 percent. The average rent in Manchester increased 4 percent, to \$1,262, due in part to newer, more expensive units coming on line.

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**Apartment markets remained relatively tight, but a significant number of completions during the past year have contributed to slight increases in vacancy rates in some metropolitan areas in the New England region.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Boston <sup>a</sup>	Tight	3.3	3.2	- 0.1	1,754	1,866	6
Providence <sup>a</sup>	Tight	2.7	2.5	- 0.2	1,210	1,270	5
Hartford <sup>a</sup>	Tight	3.4	3.5	0.1	1,154	1,167	1
Portland <sup>b</sup>	Tight	3.4	3.3	- 0.1	1,080	1,112	3
Manchester <sup>b</sup>	Slightly tight	2.9	3.8	0.9	1,219	1,262	4
Bridgeport/Stamford/Norwalk <sup>a</sup>	Tight	6.3	3.4	- 2.9	1,983	2,078	5
Worcester <sup>b</sup>	Slightly tight	3.0	3.8	0.8	1,182	1,207	2

1Q = first quarter.

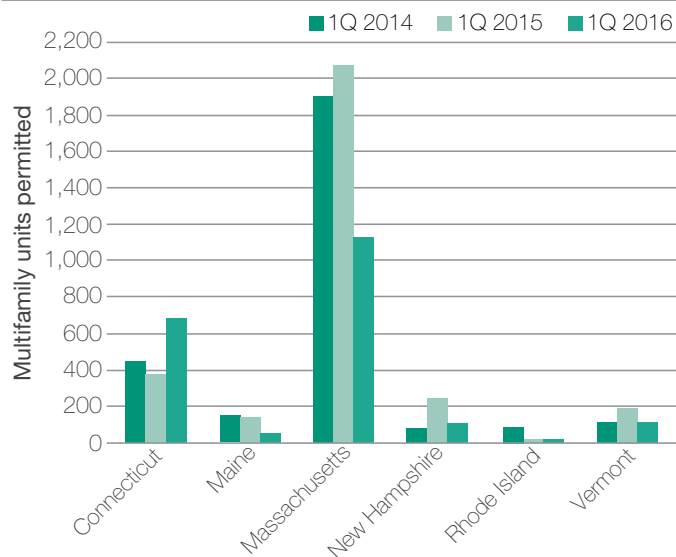
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.

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During the first quarter of 2016 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, totaled 2,100 units, a decline of 950 units, or 31 percent, from the first quarter of 2015.
- Multifamily construction declined in Massachusetts by 950 units, or nearly 46 percent, to 1,125 units permitted.
- In the region, 30,000 multifamily units are currently under construction, with 18,250, or 60 percent, in the Boston metropolitan area (McGraw-Hill Construction Pipeline database).
- Connecticut and Rhode Island were the only states in the region with an increase in multifamily construction. In Connecticut, 690 units were permitted, an increase of 310 units, or 82 percent, from the first quarter of 2015. In Rhode Island, the 25 units permitted were twice as many as were permitted during the first quarter of 2015.

**Multifamily building in the New England region totaled 2,100 units during the first quarter of 2016, the fewest units permitted in the first quarter since 2012.**



1Q = first quarter.

Note: Based on preliminary data.

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