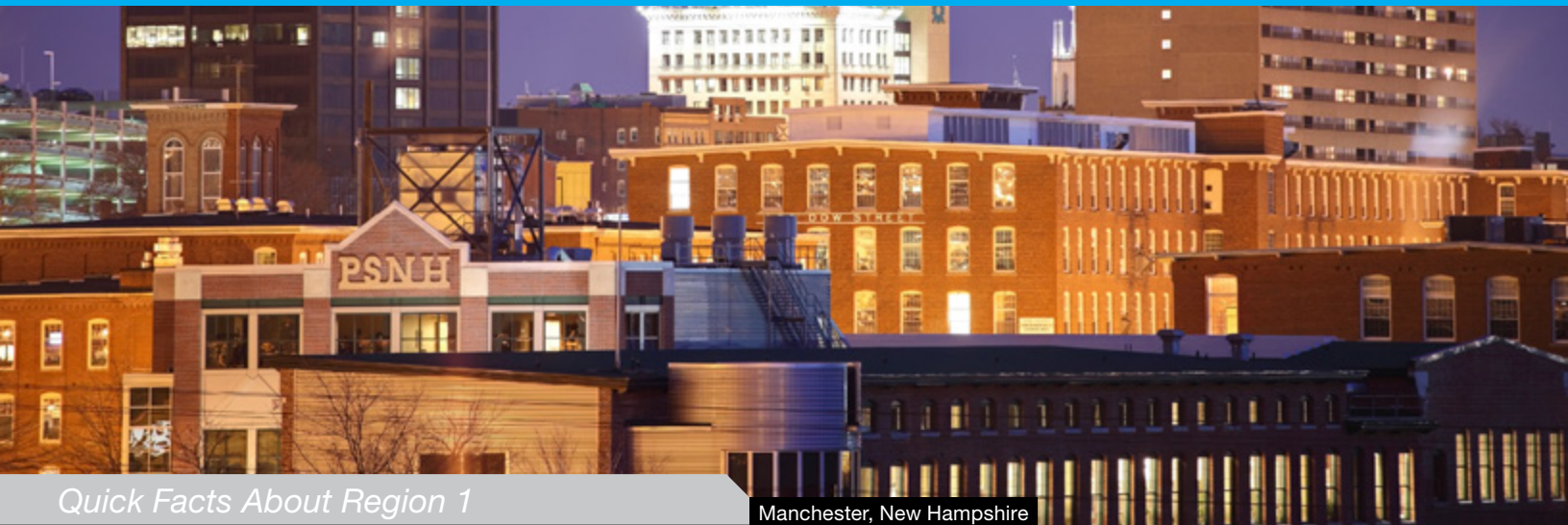


HUD PD&R Regional Reports

Region 1: New England



Quick Facts About Region 1

Manchester, New Hampshire

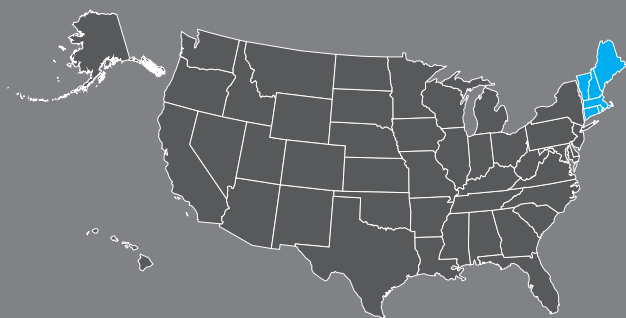
By Michael J. Murphy | 4th quarter 2014

Sales market conditions—

Fourth quarter 2014: balanced.
Third quarter 2014: balanced.
Fourth quarter 2013: balanced.

Apartment market conditions—

Fourth quarter 2014: mixed (balanced to tight).
Third quarter 2014: tight.
Fourth quarter 2013: tight.



Overview

Economic conditions improved in the New England region during the fourth quarter of 2014 compared with conditions during the same period a year earlier. This improvement represented the 18th consecutive quarter that the number of nonfarm payroll jobs increased year over year in the region. During the fourth quarter of 2014, nonfarm payrolls in Massachusetts accounted for 48 percent of the jobs in the region and represented 55 percent of the net job growth in the region. Sales housing markets remained balanced, but home sales and prices were mixed and single-family homebuilding activity declined compared with activity during the same period a year earlier. Apartment market conditions in the Boston metropolitan area and Fairfield County (coterminous with the Bridgeport-Stamford-Norwalk, CT Metropolitan Statistical Area), the two areas in the region where multifamily additions have been primarily concentrated during recent years, were slightly tight and balanced, respectively. Most other apartment markets in the region, where multifamily production has been limited, were tight.

During the fourth quarter of 2014—

- In the New England region, every employment sector added nonfarm payroll jobs and every state recorded job growth of at least 1.0 percent.

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PD&R

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- Despite continued job growth, the number of homes sold decreased or remained essentially unchanged in most states in the region, and single-family homebuilding activity declined in every state in the region except New Hampshire.

Economic Conditions

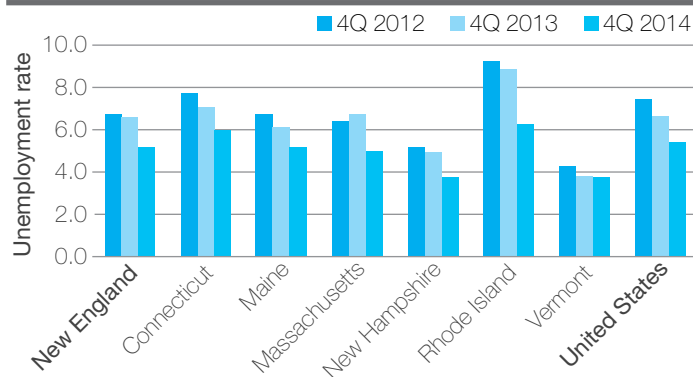
Economic conditions in the New England region, which began to improve during the third quarter of 2010, continued to improve during the fourth quarter of 2014, a period when job growth ranged from 1.0 percent in Maine to 1.7 percent in Massachusetts. Overall, nonfarm payrolls increased by 106,900 jobs, or 1.5 percent, to approximately 7.23 million jobs compared with a 1.1-percent gain during the same period a year earlier. The regional gains, however, trailed nonfarm payroll growth of 2.1 percent nationwide. In the New England region, during the fourth quarter of 2014, the education and health services and the professional and business services sectors accounted for nearly one-half of all the net job gains. The manufacturing sector added 1,900 jobs—the 0.3-percent gain represented the first time the sector added jobs during the fourth quarter in 14 years. Nonfarm payroll jobs in the manufacturing sector increased in every state in the region except Massachusetts. The unemployment rate in the region averaged 5.2 percent, down from 6.6 percent during the same period a year earlier and compared with a national average of 5.5 percent. Average unemployment rates were lower than the national rate in every state except Connecticut and Rhode Island, but the unemployment rate in Rhode Island decreased 2.6 percentage points from a year earlier, which tied Rhode Island with Illinois for the greatest statewide decline in the nation.

During the fourth quarter of 2014—

- Massachusetts gained 59,500 jobs, or 1.7 percent, compared with a 1.4-percent increase recorded during the same period a year earlier. The greatest job gain was in the education and

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The average unemployment rate was slightly less for the New England region than the national rate and declined in every state, with the greatest decrease in Rhode Island.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

In the New England region, every sector added nonfarm payroll jobs year over year, and four sectors increased by 2.0 percent or more.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,124.7	7,231.6	106.9	1.5
Goods-producing sectors	870.8	879.1	8.3	1.0
Mining, logging, and construction	269.0	275.4	6.4	2.4
Manufacturing	601.8	603.7	1.9	0.3
Service-providing sectors	6,254.0	6,352.4	98.4	1.6
Wholesale and retail trade	1,075.5	1,090.8	15.3	1.4
Transportation and utilities	197.9	201.2	3.3	1.7
Information	151.3	157.2	5.9	3.9
Financial activities	450.7	453.9	3.2	0.7
Professional and business services	939.1	960.7	21.6	2.3
Education and health services	1,485.2	1,514.1	28.9	1.9
Leisure and hospitality	684.7	698.6	13.9	2.0
Other services	263.5	267.2	3.7	1.4
Government	1,006.1	1,008.7	2.6	0.3

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

Source: U.S. Bureau of Labor Statistics



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health services sector, which increased by 17,800 jobs, or 2.4 percent, and the highest percentage gain was in the information sector, which increased 7.9 percent, or by 6,800 jobs, from the same period a year earlier.

- Connecticut nonfarm payrolls increased by 25,200 jobs, or 1.5 percent. Gains in the leisure and hospitality sector and the retail trade subsector of 5,700 and 2,200 jobs, or 3.9 and 2.6 percent, respectively, more than offset the loss of 2,200 jobs, or 1.7 percent, in the financial activities sector.
- Nonfarm payrolls in Rhode Island and Maine increased 1.2 and 1.0 percent, respectively, or by 5,900 jobs each. In Rhode Island,

the financial activities sector added 1,200 jobs, a 3.6-percent increase, up from an increase of 200 jobs, or 0.5 percent, during the same period a year earlier. The professional and business services sector led gains in Maine, adding 2,000 jobs, representing a 3.3-percent increase.

- In New Hampshire, nonfarm payrolls increased by 6,800 jobs, or 1.1 percent, with nearly 35 percent of the net gain in the retail trade subsector, which increased by 2,300 jobs, or 2.3 percent. Vermont added 3,400 jobs, a 1.1-percent increase, with the greatest gain in the education and health services sector, which added 1,900 jobs, a 3.1-percent increase.

Sales Market Conditions

Sales housing markets in the New England region remained balanced overall during the fourth quarter of 2014, unchanged from the same period a year earlier. Despite sustained job growth during the past 4 years, home sales prices in the region during November 2014 (the most recent data available) increased 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). During 2014, the number of single-family home sales, including townhomes, decreased in three of the six states in the region. By contrast with the number of homes sold, median single-family home sales prices increased in every state in the region except Connecticut, where prices declined 2 percent during 2014. The statewide gains ranged from 3-percent increases in New Hampshire and Vermont to an 8-percent gain in Rhode Island compared with prices in 2013. 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, ranging from an increase of 8 percent in Vermont to a 3-percent decrease in Rhode Island. In December 2014, 5.4 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into REO (Real Estate Owned) status, down from 6.3 percent in December 2013 (Black Knight Financial Services, Inc.). The rate of seriously delinquent and REO loans declined year over year in every state in the region. Of the states in the region, however, only New Hampshire and Vermont, with rates of 3.5 and 4.5 percent, respectively, had seriously delinquent and REO loan rates lower than the national average of 4.6 percent.

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Home sales and prices were mixed in the New England region, with sales down or essentially unchanged and prices up in most states.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Connecticut (N&E)	December	27,650	26,850	- 3	MED*	247,000	242,000	- 2
Maine (E)	December	13,100	14,150	8	MED	170,300	181,800	7
Massachusetts (E)	December	49,650	48,350	- 3	MED	319,900	332,900	4
New Hampshire (E)	December	13,650	13,350	- 2	MED	210,000	216,900	3
Rhode Island (E)	December	8,875	8,900	0	MED*	201,000	217,000	8
Vermont (E)	December	5,100	5,150	1	MED	189,300	195,000	3
Connecticut (N&E—condo)	December	7,025	7,075	1	MED*	163,000	160,000	- 2
Massachusetts (E—condo)	December	20,050	19,900	- 1	MED	306,500	317,000	3
New Hampshire (E—condo)	December	3,225	3,175	- 2	MED	153,000	149,200	- 2
Rhode Island (E—condo)	December	1,650	1,550	- 6	MED*	195,000	189,900	- 3
Vermont (E—condo)	December	1,150	1,175	2	MED	172,000	186,500	8

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

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

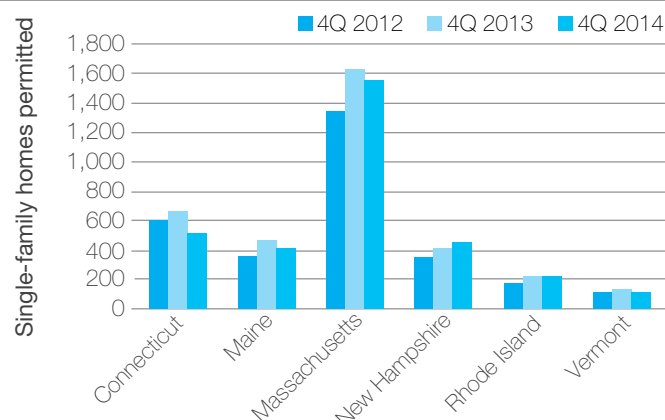


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During the fourth quarter of 2014 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased 8 percent in the region from the fourth quarter of 2013, to 3,250 homes permitted. The percentage decline was greater than in any other region in the nation except the New York/New Jersey region, and the decline in the region was by contrast with a 5-percent increase nationwide.
- The number of single-family homes permitted decreased in every state in the region except New Hampshire, where the number of homes permitted increased 10 percent, to 450 homes.
- The percentage declines in single-family homebuilding activity were least in Rhode Island and Massachusetts, where the number of homes permitted decreased 4 and 5 percent, to 220 and 1,550 homes, respectively.
- In Connecticut, Maine, and Vermont, single-family homebuilding decreased by 140, 60, and 30 homes to 520, 410, and 100 homes permitted, respectively.

In response to slightly declining home sales, single-family home permitting in the New England region decreased 8 percent from the fourth quarter of 2013.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment markets conditions in metropolitan areas in the New England region ranged from balanced to tight during the fourth quarter of 2014. In the Boston metropolitan area, after 4 consecutive years of increased multifamily production, apartment vacancy rates began to increase and the market marginally improved, from tight to slightly tight. During the fourth quarter of 2014, the apartment vacancy rate in the Boston metropolitan area increased to 4.3 percent, from 3.9 percent a year earlier, which represents the highest rate for the metropolitan area since the second quarter of 2011 (Reis, Inc.). The 5-percent increase in average monthly rents in the Boston metropolitan area during the period, however, represented the highest annual gain since 2000. Fairfield County, another area in the region where multifamily production has been concentrated in recent years, is balanced with a 5.3-percent vacancy rate, up

from 5.0 percent a year earlier. By contrast, multifamily production has been limited in the other seven metropolitan areas in the region that are covered by Reis, Inc., all of which recorded apartment vacancy rates of 3.4 percent or less, with rates decreasing or remaining essentially unchanged during the fourth quarter of 2014 from a year earlier. The apartment vacancy rate in the Providence metropolitan area decreased most, declining to 2.2 percent from 3.0 percent during the fourth quarter of 2013. The apartment vacancy rate in the Providence metropolitan area represented the lowest rate for the metropolitan area since 2004 and the lowest rate in the nation among metropolitan areas covered by Reis, Inc. The 4-percent average rent increase from the fourth quarter of 2013 in the Manchester-Nashua metropolitan area was the highest in the region, aside from the Boston metropolitan area.

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Conditions in the Boston apartment market moved from tight to slightly tight because of increased multifamily production, but most other markets in the New England region remained tight.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Boston	Slightly tight	3.9	4.3	0.4	1,886	1,978	5
Fairfield County	Balanced	5.0	5.3	0.3	1,905	1,940	2
Manchester-Nashua	Tight	3.2	2.5	-0.7	1,152	1,201	4
Portland	Tight	3.5	3.3	-0.2	1,063	1,079	2
Providence	Tight	3.0	2.2	-0.8	1,281	1,309	2

4Q = fourth quarter.

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

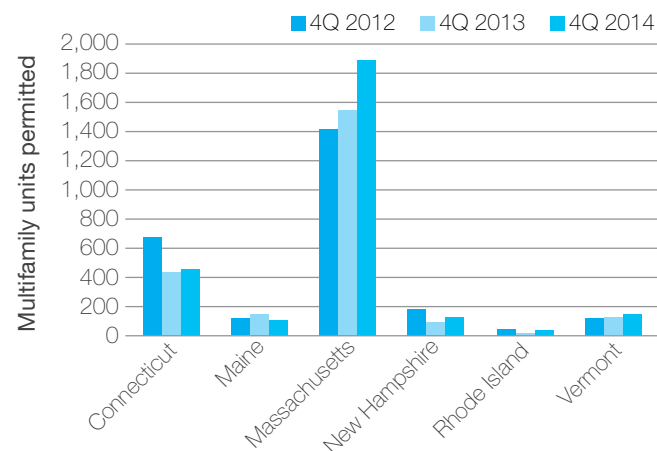
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During the fourth quarter of 2014 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, increased 18 percent, to 2,775 units permitted in the region, from the fourth quarter of 2013. The percentage gain was higher than in any other region in the nation except the Northwest and Pacific regions, which increased 21 percent each, and was 14 percentage points greater than the nationwide increase.
- Massachusetts, which accounted for nearly 70 percent of all multifamily building activity in the region, recorded a 23-percent increase, to 1,900 units permitted.
- Multifamily permitting increased in Rhode Island, Vermont, and New Hampshire, where 40, 150, and 120 multifamily units were permitted, respectively, representing increases of 30, 30, and 20 units, respectively.
- Multifamily building activity remained unchanged in Connecticut, at 440 units, but decreased in Maine to 110 units permitted from 150 units during the same period a year earlier.
- Nearly 75 percent of all multifamily units currently under construction in the region are in the Boston metropolitan area and Fairfield County, where more than 14,000 and 1,600 new

multifamily units, respectively, are currently under construction (McGraw-Hill Construction Pipeline database). Apartment construction represents approximately 90 percent of all multifamily development in both markets.

Multifamily permitting increased relative to a year ago in every state in the New England region except Maine.



4Q = fourth quarter.

Note: Based on preliminary data.

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