

HUD PD&R Regional Reports

Region 1: New England

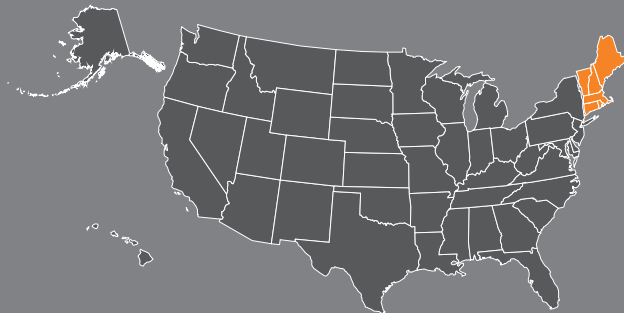


Providence, Rhode Island

By Michael J. Murphy | 2nd quarter 2015

Quick Facts About Region 1

- **Sales market conditions—**
Second quarter 2015: balanced.
First quarter 2015: balanced.
Second quarter 2014: balanced.
- **Apartment market conditions—**
Second quarter 2015: mixed (balanced to tight).
First quarter 2015: mixed (balanced to tight).
Second quarter 2014: tight.



Overview

Economic conditions improved in the New England region during the second quarter of 2015 compared with conditions a year earlier. Overall, nonfarm payrolls increased by 111,800 jobs, or 1.6 percent, to 7.26 million jobs during the period. This improvement represented the 20th consecutive quarter that the number of nonfarm payroll jobs increased year over year in the region. During the second quarter of 2015, nonfarm payrolls in Massachusetts accounted for 48 percent of the jobs in the region and represented 60 percent of the net job growth in the region. Sales housing markets were balanced. Sales of single-family homes, including townhomes, increased in every state in the region except Massachusetts, and single-family home sales prices increased in every state except Connecticut. Apartment market conditions in the Boston metropolitan area and Fairfield County, Connecticut, the two areas in the region where multifamily additions have been primarily concentrated during recent years, were balanced. Most other apartment markets in the region, where multifamily production has been limited, were tight.

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During the second quarter of 2015—

- In the region, every employment sector added nonfarm payroll jobs and every state recorded job growth.
- Despite continued job growth, single-family homebuilding activity declined in every state in the region except Rhode Island; levels decreased 23 percent overall from a year earlier compared with a 6-percent increase nationwide during the same period.

- By contrast with single-family homebuilding activity, multifamily building activity in the region increased in every state in the region except New Hampshire; levels increased 31 percent overall from a year earlier, which was still 6 percentage points less than the national rate. The gains were primarily concentrated in the Boston metropolitan area.

Economic Conditions

Economic conditions in the New England region, which began to improve during the third quarter of 2010, continued to improve during the second quarter of 2015, when job growth ranged from 0.4 percent in Maine to 2.0 percent in Massachusetts compared with job growth during the second quarter of 2014. Overall, nonfarm payrolls increased by 111,800 jobs, or 1.6 percent, to approximately 7.26 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 2.2 percent nationwide. During the second quarter of 2015, the education and health services, professional and business services, and leisure and hospitality sectors accounted for 65 percent of all net job gains. The financial activities sector added 4,900 jobs—the 1.1-percent gain represented the first time that the sector added jobs during the second quarter in 8 years. Nonfarm payroll jobs in the financial activities sector increased in every state in the region except Rhode Island, where the number of jobs in the sector remained essentially unchanged. The unemployment rate in

the region averaged 4.7 percent, down from 5.9 percent during the same period a year earlier and compared with a national average of 5.3 percent. The average unemployment rate decreased most in Rhode Island, which declined by 2.0 percentage points, to 5.7 percent, representing the second greatest statewide decrease in the nation, behind only Michigan.

During the second quarter of 2015—

- Massachusetts gained 67,600 jobs, or 2.0 percent, compared with a 1.5-percent increase during the same period a year earlier. The greatest job gain and the highest percentage job gain were in the professional and business services sector, which increased by 19,100 jobs, or 3.7 percent. Within the professional and business services sector, growth was greatest in the computer systems design and related services industry, which added 5,600 jobs, a 7.9-percent increase.

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In the New England region, every sector added nonfarm payroll jobs year over year, but only two sectors increased by more than the 2.2-percent average nationwide growth rate.

	Second Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	7,149.7	7,261.5	111.8	1.6
Goods-producing sectors	870.8	878.0	7.2	0.8
Mining, logging, and construction	271.8	276.9	5.1	1.9
Manufacturing	599.0	601.1	2.1	0.4
Service-providing sectors	6,278.9	6,383.5	104.6	1.7
Wholesale and retail trade	1,050.9	1,060.4	9.5	0.9
Transportation and utilities	194.7	195.8	1.1	0.6
Information	151.4	152.3	0.9	0.6
Financial activities	446.8	451.7	4.9	1.1
Professional and business services	957.7	985.2	27.5	2.9
Education and health services	1,465.6	1,494.0	28.4	1.9
Leisure and hospitality	722.8	739.5	16.7	2.3
Other services	277.4	282.4	5.0	1.8
Government	1,011.5	1,022.3	10.8	1.1

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

Source: U.S. Bureau of Labor Statistics

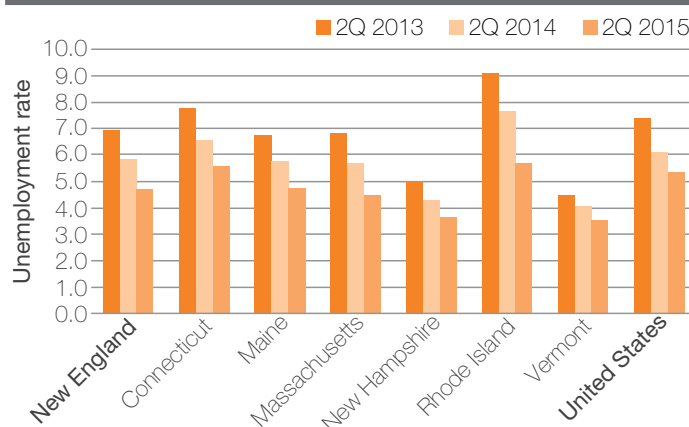


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- Connecticut nonfarm payrolls increased by 23,900 jobs, or 1.4 percent, more than double the 0.6-percent increase during the second quarter of 2014. The financial activities and manufacturing sectors added 1,500 and 700 jobs; the respective 1.2- and 0.5-percent gains represented only the second time that each sector added jobs during the second quarter since 2007 and 1998, respectively.
- In Vermont, nonfarm payrolls increased by 4,800 jobs, or 1.6 percent, with nearly 60 percent of the net gain in the education and health services and the leisure and hospitality sectors, which increased by 1,700 and 1,100 jobs, a gain of 2.8 and 3.3 percent, respectively. New Hampshire added 8,100 jobs, a 1.3-percent increase, with the greatest gains in the education and health services and the wholesale and retail trade sectors, which each added 2,100 jobs, with 1.8- and 1.7-percent increases, respectively.
- Nonfarm payrolls in Rhode Island and Maine increased 1.0 and 0.4 percent, or by 4,900 and 2,600 jobs, respectively. In both states, the professional and business services sector led all gains, increasing by 2,100 jobs, or 3.5 percent, in Rhode Island and 2,300 jobs, or 3.6 percent, in Maine. These gains more than offset the loss of 1,200 jobs, a 7.1-percent decline, in the

construction subsector in Rhode Island and the combined loss of 900 jobs, a 1.0-percent decline, in the state and local government subsectors in Maine.

Average unemployment rates decreased more in the New England region than nationwide, with the greatest declines in Rhode Island and Massachusetts.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing markets in the New England region were balanced overall during the second quarter of 2015, unchanged from the same period a year earlier. Despite sustained job growth during the past 5 years, home sales prices in the region during May 2015 (the most recent data available) increased 2 percent compared with prices a year earlier, which was 4 percentage points less than the national average (Federal Housing Finance Agency House Price Index).

Overall, the sales housing markets in the region for single-family homes (including townhomes) and condominiums were balanced, but single-family home sales and sales prices increased in most states, while changes in condominium sales and sales prices were mixed. During the 12 months ending June 2015, the number of single-family home sales increased in five of the six states in the region, with Vermont and Maine leading the gains (on a percentage basis), increasing 9 and 7 percent, respectively. The rates of home sales have accelerated, however, during the second quarter of 2015. Comparing the 3 months ending June 2015 with the 3 months ending June 2014, the number of single-family home sales increased in all six states; the number of sales increased 1 percent in Massachusetts, but increases in the other states in the region ranged from 8 percent in Connecticut, Maine, and New Hampshire to 18 percent in Vermont. Median single-family home sales prices increased in five of the six states in the region. The statewide gains ranged from a 1-percent increase in Maine to 6-percent gains in New Hampshire

and Vermont. During the second quarter of 2015, condominium sales were up in New Hampshire but down or unchanged 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 13 percent in Rhode Island to 1-percent decreases in Connecticut and Massachusetts.

In June 2015, 4.9 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status, down from 5.7 percent in June 2014 (Black Knight Financial Services, Inc.). The rate of seriously delinquent and REO loans declined year over year in every state in the region, ranging from a decrease of 0.4 percentage points, to 4.2 percent, in Vermont to a decrease of 0.9 percentage points, to 5.7 percent, in Connecticut. Of the states in the region, however, only New Hampshire, with a rate of 3.1 percent, had seriously delinquent and REO loan rates lower than the national average of 4.1 percent.

During the second quarter of 2015 (preliminary data)—

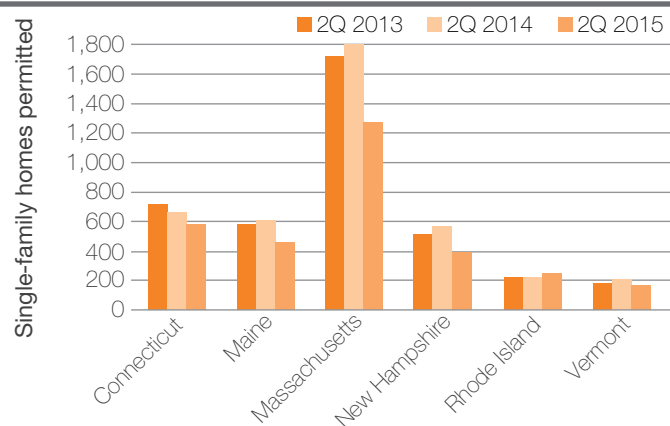
- Single-family homebuilding activity, as measured by the number of homes permitted, decreased 23 percent in the region from the second quarter of 2014, to 3,125 homes permitted, compared with a 6-percent increase nationwide. The percentage decline in the region was 16 percentage points greater than in any other region in the country.

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- The number of single-family homes permitted decreased in every state in the region except Rhode Island, where the number of homes permitted increased 9 percent, to 250 homes.
- Nominal single-family permitting declines were greatest in Massachusetts, where the number of homes permitted decreased from 1,800 during the second quarter of 2014 to 1,275, a 29-percent decline.
- The percentage decline in single-family homebuilding activity was greatest in New Hampshire, where the number of homes permitted decreased 32 percent, to 390 homes.
- In Vermont and Connecticut, the number of homes permitted declined less than in the other states in the region, decreasing by 19 and 12 percent, respectively, from 210 and 660 homes during the second quarter of 2014 to 170 and 580 homes permitted, respectively.

Single-family home permitting in the New England region decreased 23 percent during the second quarter of 2015, representing the third consecutive quarter of year-over-year declines.



2Q = second quarter.

Note: Based on preliminary data.

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

Single-family home sales and prices increased in most states in the New England region, but condominium sales and prices were mixed.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Connecticut (N&E)	June	26,900	27,550	2	MED*	259,000	255,000	- 2
Maine (E)	June	13,650	14,650	7	MED	185,000	187,700	1
Massachusetts (E)	June	48,850	47,850	- 2	MED	364,900	375,000	3
New Hampshire (E)	June	13,200	13,800	5	MED	236,950	250,000	6
Rhode Island (E)	June	8,800	9,175	4	MED*	219,450	225,000	3
Vermont (E)	June	5,050	5,500	9	MED	212,050	223,750	6
Connecticut (N&E—condo)	June	6,975	6,975	0	MED*	168,000	166,800	- 1
Massachusetts (E—condo)	June	20,350	19,100	- 6	MED	332,000	330,000	- 1
New Hampshire (E—condo)	June	3,150	3,325	6	MED	165,000	170,000	3
Rhode Island (E—condo)	June	1,625	1,575	- 3	MED*	189,900	214,900	13
Vermont (E—condo)	June	1,200	1,200	0	MED	187,900	190,000	1

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

*Median prices represent the second quarters of 2014 and 2015 for Connecticut and Rhode Island but represent June 2014 and 2015 for all other states in the region.

Note: Data for single-family homes include townhomes for all states in the region.

Sources: Berkshire Hathaway HomeServices New England Properties; Main Real Estate Information System; Massachusetts Association of Realtors®; Northern New England Real Estate Network; Rhode Island Association of Realtors®

Apartment Market Conditions

Apartment market conditions in metropolitan areas in the New England region ranged from balanced to tight during the second quarter of 2015. The apartment vacancy rate for primary markets in the region was 4.7 percent during the period, up from 3.8 percent a year earlier; it was higher than the national apartment vacancy rate of 4.2 percent (Reis, Inc.). Average monthly rents in the region

increased 4 percent, to \$1,827, during the second quarter of 2015, up from a year earlier. The increase was the same as the national rate; the national monthly average asking rent was \$1,194.

Apartment vacancy rates in metropolitan areas in the region, where multifamily production has concentrated in recent years, increased most during the second quarter of 2015 compared with vacancy

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rates during the same period a year earlier. In the Boston metropolitan area, the area in the region where most of the multifamily production has historically been concentrated, apartment market conditions were balanced, with an apartment vacancy rate of 5.2 percent, up from 4.1 percent a year earlier, representing the second highest year-over-year increase in the region and the highest rate for the metropolitan area since the third quarter of 2010. During the second quarter of 2015, however, the 5-percent increase in average monthly rents in the Boston metropolitan area from a year earlier represented the greatest annual gain for a metropolitan area in the region. Average monthly rents in the Boston metropolitan area, which surpassed rent levels in Westchester County, New York, are now the third highest in the country—behind only New York and San Francisco. The apartment market in Fairfield County, another area in the region where multifamily production has concentrated since 2012, is balanced, with a 6.3-percent vacancy rate, up from 4.9 percent a year earlier. The increase of 1.4 percentage points in the apartment vacancy rate was the highest in the region.

By contrast with apartment conditions in the Boston metropolitan area and Fairfield County, apartment market conditions were tight in the eight other relatively highly populated metropolitan areas in the region that are covered by Reis, Inc. Multifamily production has been limited in those areas, all posting apartment vacancy rates of 3.2 percent or less, with rate changes ranging from a decrease of 0.9 percentage points to an increase of 0.7 percentage points, during the second quarter of 2015 from a year earlier. In the Providence metropolitan area, the apartment vacancy rate declined to 2.1 from 2.5 percent during the second quarter of 2014. The apartment vacancy rate in the Providence metropolitan area represented the lowest rate for the metropolitan area since the fourth quarter of 2004 and was the lowest rate in the nation among metropolitan areas covered by Reis, Inc. The 1-percent increase in average monthly rents during the second quarter of 2015, however, compared with a year earlier in the Providence metropolitan area was among the lowest in the region. By contrast, the 4-percent average

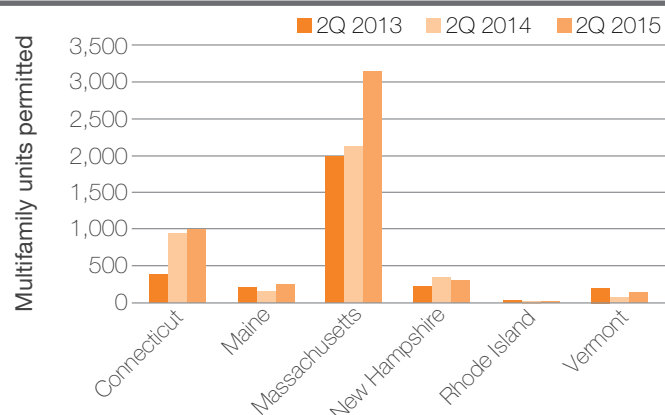
rent increase during the period in the Manchester-Nashua metropolitan area was the highest in the region, aside from the Boston metropolitan area.

During the second quarter of 2015 (preliminary data)—

- Multifamily building activity, as measured by the number of units permitted, increased 31 percent in the region, to 4,850 units, from the second quarter of 2014; this rate was 6 percentage points less than the nationwide increase.
- Massachusetts, which accounted for 65 percent of all multifamily building activity in the region, recorded a 48-percent increase, to 3,150 units permitted.
- Multifamily permitting increased more than 50 percent in Maine and Vermont, where 260 and 150 multifamily units were permitted, respectively, representing increases of 100 and 60 units, respectively.

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During the second quarter of 2015, multifamily permitting increased in every state in the New England region relative to a year earlier.



2Q = second quarter.

Note: Based on preliminary data.

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

Apartment market conditions in the New England region were tight in metropolitan areas where multifamily production was limited in recent years, such as the Providence metropolitan area, which had the lowest apartment vacancy rate in the nation.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2014 (%)	2Q 2015 (%)	Percentage Point Change	2Q 2014 (\$)	2Q 2015 (\$)	Percent Change
Boston	Balanced	4.1	5.2	1.1	1,940	2,028	5
Fairfield County	Balanced	4.9	6.3	1.4	1,933	1,968	2
Manchester-Nashua	Tight	2.6	2.6	0.0	1,164	1,211	4
Portland	Tight	3.4	3.2	-0.2	1,079	1,100	2
Providence	Tight	2.5	2.1	-0.4	1,290	1,301	1

2Q = second quarter.

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

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- In Connecticut and Rhode Island, multifamily building activity increased less rapidly, with the number of multifamily units permitted increasing by 30, to 980 units, in Connecticut and by 5, to 15 units, in Rhode Island.
- The only state in the region where multifamily permitting declined was New Hampshire, where the number of permits decreased to 290 units compared with 360 units during the same period a year earlier.
- More than 70 percent of all market-rate multifamily units currently under construction in the region are in the Boston metropolitan area and Fairfield County (since 2000, these two metropolitan areas have accounted for nearly 65 percent of all market-rate multifamily completions in the region; McGraw-Hill Construction Pipeline database). More than 14,000 and nearly 1,500 new multifamily units are currently under construction in the Boston metropolitan area and Fairfield County, respectively. Apartment construction represents approximately 95 percent of all market-rate multifamily development in both housing markets.