

3rd Quarter 2012



# U.S. Housing Market Conditions



## NEW ENGLAND REGIONAL REPORT HUD Region I

### 3rd Quarter Activity

The following summary of the New England region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the New England region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

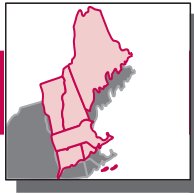
Economic conditions in the New England region improved during the past 2 years. During the 12 months ending September 2012, nonfarm payrolls averaged 6.84 million jobs, an increase of 32,900 jobs, or 0.5 percent, compared with an increase of 51,000 jobs, or 0.8 percent, a year earlier. The greatest job gains occurred in the professional and business services, education and health services, and wholesale and retail trade sectors, which increased by 21,100, 14,000, and 10,300 jobs, or 2.4, 1.0, and 1.0 percent, respectively. These gains more than offset the losses of 9,000, 5,500, and 3,000 jobs, or 1.5, 1.2, and 1.3 percent, respectively, in the local government subsector, the financial activities sector, and the construction subsector.

Nonfarm payrolls increased in four of the six states in the New England region during the 12 months ending September 2012. Massachusetts, which represents 47 percent of the total nonfarm payrolls in the region, accounted for 74 percent of the net gains during the past 12 months, adding 24,500 jobs, a 0.8-percent increase, compared with an increase of 28,700 jobs, or 0.9 percent, during the previous 12 months. Growth accelerated in Massachusetts during the third quarter of 2012, when the state's economy added 47,200 jobs, a 1.5-percent increase compared with the number of jobs during the same period a year earlier. During the third quarter of 2012, the professional and business services sector led job growth in Massachusetts, gaining 26,800 jobs, or 5.6 percent. During the 12 months ending September 2012, Connecticut nonfarm payrolls increased by 6,800 jobs, or 0.4 percent, compared with number of jobs recorded during the previous 12 months. In Connecticut, the most significant increase was in the education and health services sector, which gained 9,100 jobs, or 2.9 percent, and the most significant losses were in the government and financial activities sectors, which lost 4,400 and 3,000 jobs, or 1.8 and 2.2 percent, respectively. Vermont and New Hampshire added 3,300 and 1,100 jobs, increases of 1.1 and 0.2 percent, respectively. In Vermont, the fastest growing sector was



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the professional and business services sector, which expanded 8.1 percent, adding 2,000 jobs. Job growth in New Hampshire was concentrated in the leisure and hospitality sector, which gained 1,800 jobs, or 2.8 percent. Maine nonfarm payrolls were almost unchanged, increasing by 100 jobs. Rhode Island lost 2,800 jobs, a 0.6-percent decline, including losses of 1,300 and 600, or 2.9 and 1.8 percent, respectively, in the retail trade and local government subsectors. During the 12 months ending September 2012, the unemployment rate in the region averaged 7.2 percent, down from the 8.0-percent rate recorded during the previous 12 months and less than the 8.3-percent national rate. Average unemployment rates ranged from 5.1 percent in Vermont to 10.9 percent in Rhode Island.

The home sales markets in the New England region are slightly soft but improving; the number of sales increased in every state in the region during the past year. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending September 2012, existing home sales in Massachusetts totaled 44,300 homes, a 15-percent increase from the previous 12 months. During September 2012, the median home sales price in Massachusetts was \$294,900, down 1 percent from September 2011. In Connecticut, Prudential Connecticut Realty (PCR) reported 23,500 new and existing home sales during the 12 months ending September 2012, an 8-percent increase from the previous 12 months. The median home sales price for the year-to-date ending September 2012 declined 2 percent, to \$250,000, compared with the sales price during the same period a year earlier. Based on data from the Rhode Island Association of REALTORS® (RIAR), 7,575 existing homes sold during the 12 months ending September 2012, a 16-percent increase from the previous 12 months. The median home sales price in Rhode Island during the third quarter of 2012 was \$197,500, down 3 percent from a year earlier.

The Northern New England Real Estate Network (NNEREN) reported that, during the 12 months ending September 2012, 12,200 and 4,350 homes sold in New Hampshire and Vermont, representing increases of 16 and 7 percent, respectively, from a year earlier. During September 2012, the median home sales price increased 2 percent, to \$199,900, in New Hampshire and 3 percent, to \$219,000, in Vermont compared with the median home sales prices during September 2011. Data from the Maine Real Estate Information System, Inc., indicate that, during the 12 months ending September 2012, existing home sales in Maine totaled 11,000, a 14-percent increase from the previous 12 months. During September 2012, the Maine median home sales price increased 7 percent compared with the median price during September 2011, to \$170,000.

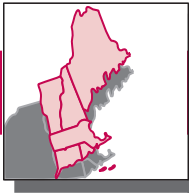
According to the Federal Housing Finance Agency's House Price Index, in August 2012, home prices in the region increased more than 1 percent from August 2011, reversing the 3-percent decline that occurred a year

earlier. LPS Applied Analytics reported that, in September 2012, 7.1 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) compared with the rate of 6.4 percent recorded in September 2011 and the rate of 7.5 percent nationwide.

Condominium markets are soft in the New England region but are beginning to improve in Massachusetts in response to recent strong job growth. According to MAR, in Massachusetts during the 12 months ending September 2012, condominium sales totaled 16,850 units, a 14-percent increase from the previous 12 months. The median condominium sales price during September 2012 increased to \$280,000, up 3 percent from a year earlier. PCR reported that, during the 12 months ending September 2012, condominium sales in Connecticut increased to 5,625 units, up 2 percent from the previous 12 months. The median condominium sales price for the year-to-date ending September 2012 decreased 7 percent, to \$157,000, compared with the price during the same period a year earlier. Data from RIAR indicated that, during the 12 months ending September 2012, condominium sales in Rhode Island increased 8 percent, to 1,175 units sold. The median condominium sales price in the state declined 6 percent during the third quarter of 2012, to \$186,900. In New Hampshire and Vermont, NNEREN reported that, during the 12 months ending September 2012, condominium sales increased 13 and 8 percent, to 2,875 and 1,000 units sold, respectively. During September 2012, the median condominium sales price decreased 5 percent, to \$152,000, in New Hampshire and 8 percent, to \$173,500, in Vermont compared with the median prices during September 2011.

Single-family homebuilding activity, as measured by the number of homes permitted, increased during the past year in response to improvements in the home sales market. Based on preliminary data, during the 12 months ending September 2012, 10,900 single-family homes were permitted in the region, a 10-percent increase from the previous 12 months. Although single-family home construction increased in all six states in the region during that period, the overall rate of increase was relatively low compared with the 19-percent increase nationwide. Massachusetts single-family home permits increased 13 percent, to 4,700 homes, and Maine permits increased 11 percent, to 1,575 homes. Connecticut and Vermont each reported a 9-percent increase, to 2,025 and 510 homes permitted, respectively. Single-family homes permitted in Rhode Island and New Hampshire increased 8 and 7 percent, to 660 and 1,450 homes permitted, respectively.

Multifamily construction, as measured by the number of units permitted, increased significantly in the New England region during the past 12 months because builders responded to increasing renter demand. Based on preliminary data, during the 12 months ending September 2012, multifamily building activity totaled 7,775 units permitted,



a 64-percent gain compared with the 57-percent gain nationally. During the 12 months ending September 2012, multifamily building activity in Massachusetts increased 106 percent, to 4,800 units permitted, compared with the number of units permitted during the previous year. Multifamily building activity in Connecticut and Maine increased 61 and 58 percent, to 1,575 and 380 units permitted, respectively. Vermont multifamily building activity remained relatively unchanged at 360 units permitted during the past 12 months. In New Hampshire and Rhode Island, multifamily building activity declined to 530 and 110 units permitted, down from 690 and 160 units permitted, respectively, a year earlier.

Apartment market conditions in most metropolitan areas in the region are tight, and nearly all the region's markets tightened during the past 12 months. Apartment market conditions in the Boston metropolitan area are tight. According to Reis, Inc., during the third quarter of 2012, the apartment vacancy rate decreased to 3.6 percent compared with the 4.2-percent rate a year earlier. The average market rent increased more than 2 percent, to \$1,808, during

the same period. An estimated 5,550 new rental units are under construction in the metropolitan area, including nearly 2,600 apartments in the city of Boston. During the third quarter of 2012, the apartment vacancy rate in Fairfield County, Connecticut, decreased from 5.7 to 4.5 percent, demonstrating balanced-to-tight rental market conditions. The average market rent increased 2 percent, to \$1,862, in Fairfield County, which is the most expensive apartment market in the region. Apartment markets in the Providence, Worcester, and Springfield metropolitan areas are tight because of the extremely limited number of additions to the inventory during the past year. During the third quarter of 2012, the apartment vacancy rate in the Providence metropolitan area declined to 3.5 percent, down from 4.5 percent a year earlier, and average rents increased 2 percent, to \$1,247. During the third quarter of 2012, apartment vacancy rates in the Worcester and Springfield metropolitan areas decreased to 3.2 and 2.5 percent, respectively, down from the 3.8- and 3.0-percent rates recorded a year earlier. The average rents increased 3 percent in each market, to \$1,144 and \$939, respectively.