



U.S. Housing Market Conditions



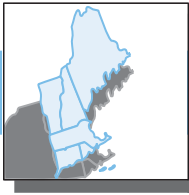
NEW ENGLAND REGIONAL REPORT HUD Region I

4th 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 2012, nonfarm payrolls averaged 6.86 million jobs, an increase of 41,700 jobs, or 0.6 percent, essentially unchanged from the growth rate during 2011. The greatest job gains occurred in the professional and business services, education and health services, and wholesale and retail trade sectors, which increased by 22,300, 13,900, and 11,600 jobs, or 2.6, 1.0, and 1.1 percent, respectively. These gains more than offset the losses of 7,700, 4,500, and 4,200 jobs, or 1.3, 1.0, and 1.8 percent, respectively, in the local government subsector, the financial activities sector, and the construction subsector.

Nonfarm payrolls increased in five of the six states in the New England region during 2012. Massachusetts, which represents 47 percent of the total nonfarm payrolls in the region, accounted for 86 percent of the net gain during the past year with an increase of 35,800 jobs, or 1.1 percent, compared with an increase of 19,800 jobs, or 0.6 percent, during 2011. Growth accelerated in Massachusetts during the fourth quarter of 2012, when the state economy added 48,900 jobs, a 1.5-percent increase compared with the number of jobs added during the same period a year earlier. During the fourth quarter of 2012, the professional and business services sector led job growth in Massachusetts, gaining 24,700 jobs, or 5.1 percent. During 2012, Connecticut nonfarm payrolls increased by 4,100 jobs, or 0.3 percent, compared with the number of jobs recorded during 2011. In Connecticut, the most significant increase was in the education and health services sector, which gained 9,800 jobs, or 3.1 percent, and the most significant losses were in the government and financial activities sectors, which lost 3,800 and 3,200 jobs, or 1.6 and 2.4 percent, respectively. Vermont and New Hampshire added 3,300 and 800 jobs, increases of 1.1 and 0.1 percent, respectively. In Vermont, the fastest growing sector was the professional and business services sector, which expanded 6.9 percent, adding



1,700 jobs. Job growth in New Hampshire was concentrated in the leisure and hospitality sector, which gained 1,700 jobs, or 2.6 percent. In Maine, nonfarm payrolls increased slightly by 200 jobs. Rhode Island lost 2,500 jobs, a 0.5-percent decline, including losses of 1,100 and 700, or 2.4 and 2.2 percent, respectively, in the retail trade and local government subsectors. During 2012, the unemployment rate in the region averaged 7.2 percent, down from the 7.8-percent rate recorded during 2011 and less than the 8.1-percent national rate. Average unemployment rates ranged from 5.0 percent in Vermont to 10.7 percent in Rhode Island.

Home sales markets in the New England region are slightly soft, but they improved during the past year, when the number of sales increased significantly in every state in the region. According to the Federal Housing Finance Agency's House Price Index, in November 2012, home prices in the region increased 1 percent from November 2011 compared with the 2-percent decline that occurred a year earlier. According to the Massachusetts Association of REALTORS® (MAR), during 2012, 46,300 existing homes sold in Massachusetts, a 21-percent increase from 2011, and the median home sales price in Massachusetts was \$298,000, up 1 percent from 2011. In Connecticut, Prudential Connecticut Realty (PCR) reported 24,900 new and existing home sales during 2012, a 16-percent increase from 2011. Also during 2012, the median home sales price declined 1 percent, to \$247,500, compared with the sales price during 2011. Based on data from the Rhode Island Association of REALTORS® (RIAR), during 2012, nearly 8,025 existing homes sold, a 20-percent increase from 2011, and the median home sales price was \$190,000, down nearly 3 percent from a year earlier.

The Northern New England Real Estate Network (NNEREN) reported that, during 2012, 12,950 and 4,650 homes sold in New Hampshire and Vermont, representing increases of 21 and 16 percent, respectively, from 2011. During 2012, the median home sales price increased less than 1 percent, to \$202,000, in New Hampshire and declined 2 percent, to \$205,500, in Vermont compared with the median home sales prices recorded during 2011. Data from the Maine Real Estate Information System, Inc., indicate that, during 2012, existing home sales in Maine totaled 11,500, a 17-percent increase from 2011, and the median home sales price in Maine increased 3 percent, to \$170,000, compared with the median home sales price during 2011.

LPS Applied Analytics reported that, in December 2012, 7.0 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 6.5 percent recorded in December 2011 and the rate of 7.1 percent nationwide.

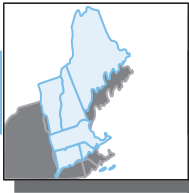
Condominium markets are slightly soft in the New England region, but conditions in Massachusetts improved

significantly during the past year in response to strong job growth. According to MAR, condominium sales in Massachusetts totaled 18,050 units during 2012, a 22-percent increase from 2011. The median condominium sales price during 2012 was \$282,000, up 4 percent from a year earlier. PCR reported that, during 2012, condominium sales in Connecticut totaled 5,975 units, up 9 percent from 2011, and the median condominium sales price was \$160,000, down 4 percent from 2011. Data from RIAR indicate that, during 2012, condominium sales in Rhode Island increased 11 percent, to 1,275 units sold. The median condominium sales price in the state declined 1 percent during 2012, to \$175,000. In New Hampshire and Vermont, NNEREN reported that, during 2012, condominium sales increased 18 and 17 percent, to 3,000 and 1,075 units sold, respectively. Also during 2012, the median condominium sales price in New Hampshire and Vermont decreased 3 percent each, to \$150,000 and \$180,000, respectively.

Improvements in the home sales markets of the New England region during the past year led to an increase in single-family homebuilding activity, as measured by the number of homes permitted. Based on preliminary data, during 2012, 11,350 single-family homes were permitted in the region, a 19-percent increase from 2011. Although single-family home construction increased in all six states in the region during 2012, the overall rate of increase was relatively low compared with the 26-percent increase nationwide. Single-family home permitting increased 20 percent, to 4,925 homes, in Massachusetts and 13 percent, to 2,075 homes, in Connecticut. Maine and New Hampshire reported increases of 20 and 18 percent, to 1,625 and 1,500 homes, respectively. The number of single-family homes permitted in Rhode Island and Vermont increased 19 and 25 percent, to 680 and 540 homes, respectively.

Multifamily construction, as measured by the number of units permitted, increased significantly in the New England region during 2012 as builders responded to increasing renter demand. Based on preliminary data, during 2012, 8,575 multifamily units were permitted, a 67-percent gain compared with the 56-percent gain nationally. During 2012, multifamily building activity in Massachusetts and Connecticut increased 82 and 113 percent, to 4,975 and 2,100 units permitted, respectively, compared with the number of units permitted during the previous year. Multifamily building activity in Maine and New Hampshire increased 33 and 11 percent, to 400 and 650 units permitted, respectively. During the same period, multifamily building activity declined 10 and 20 percent, to 380 and 95 units, respectively, in Vermont and Rhode Island.

Apartment markets 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 fourth quarter of 2012, the apartment vacancy rate decreased to 3.6 percent compared with the rate of 4.0 percent recorded a year earlier. The average market rent increased 3 percent, to \$1,825, during the same period. An estimated 5,300 new rental units are currently under construction in the metropolitan area, including nearly 2,800 apartments in the city of Boston. During the fourth quarter of 2012, the apartment vacancy rate in the Hartford metropolitan area decreased from 3.5 to 3.2 percent, and the average market rent increased nearly 3 percent, to \$1,029, demonstrating tight market conditions. The apartment market

in the Providence metropolitan area is tight because of the extremely limited number of additions to the inventory during the past year. During the fourth quarter of 2012, the apartment vacancy rate in the Providence metropolitan area declined to 3.4 percent from 3.8 percent a year earlier, and the average rent increased nearly 3 percent, to \$1,258. During the fourth quarter of 2012, the average apartment vacancy rate in the Portland metropolitan area decreased to 3.3 percent from 3.8 percent a year earlier and the average rent increased 2 percent, to \$1,061.