

1st Quarter 2010



U.S. Housing Market Conditions



NEW ENGLAND REGIONAL REPORT HUD Region I

1st 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.

Since peaking at nearly 7.2 million jobs in mid-2008, nonfarm employment in the New England region continued to decline during the 12 months ending March 2010, averaging 6.7 million jobs, down 252,700 jobs, or 3.6 percent, compared with the loss of 6,800 jobs, or 0.9 percent, during the previous 12 months. The education and health services sector, representing 20 percent of the nonfarm jobs in the region, was the only sector to record growth, gaining 19,200 jobs, or 1.5 percent. Employment losses were most severe in the manufacturing and construction sectors, down 65,100 and 42,800 jobs, or 9.6 and 15.3 percent, respectively. Major losses in the service-providing sectors were recorded in the professional and business services

and the trade sectors, with losses of 51,100 and 48,100 jobs, or 5.8 and 9.9 percent, respectively.

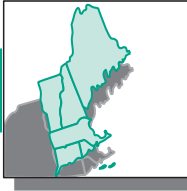
Each state in the region lost jobs during the 12 months ending March 2010. Massachusetts had the largest employment decline, with 114,100 jobs lost, or 3.5 percent, including losses of 26,500 jobs, or 9.4 percent, and 25,100 jobs, or 5.2 percent, in the manufacturing and the professional and business services sectors, respectively. Connecticut lost 68,800 jobs, a 4.0-percent decline, including 17,100 professional and business services jobs, 15,500 manufacturing jobs, and 14,100 retail and wholesale trade jobs, indicating declines of 8.4, 8.3, and 11.3 percent, respectively. Rhode Island lost 21,100 jobs, or 4.3 percent, which was the highest percentage decline in the region. Losing 9,200 and 18,900 jobs, Vermont and New Hampshire posted the smallest percentage declines at 3 and 2.9 percent, respectively. The unemployment rate in New England during the 12 months ending March 2010 was 8.7 percent, up from the 6.1-percent rate recorded during the previous 12-month period. Average unemployment rates for the states ranged from 6.7 percent in New Hampshire to 11.8 percent in Rhode Island.

Reduced home sales prices, which have been declining since late 2005, together with lower interest rates and



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the extension of federal tax credit programs, have led to increasing home sales levels in all New England states. The Massachusetts Association of REALTORS® (MAR) reported that sales of existing homes during the 12 months ending March 2010 were up 9 percent to 38,340 homes, and the median sales price was down nearly 3 percent to \$294,700 compared with the sales price during the previous year. During the 12 months ending March 2009, the volume of sales declined 9 percent to 35,620 homes and the median sales price of \$302,500 was down 12 percent from the median price during the 12 months ending March 2008. The inventory of homes during the 12 months ending March 2010 increased 2 percent to 27,360 listings, or 9.5 months of supply compared with the inventory during the previous 12 months; days on the market averaged 132 days, down 15 days from the previous 12-month period. According to the Rhode Island Association of REALTORS® (RIAR), during the 12 months ending March 2010, existing home sales in Rhode Island totaled 7,810, up 17 percent from the number of sales recorded during the previous 12 months. The median sales price was \$200,600, down 9 percent from the price during the 12 months ending March 2009, which is one-half of the 18-percent decline in the median price during the previous 12 months. In Connecticut in the 12 months ending March 2010, the Warren Group reported that about 25,620 existing homes were sold, an increase of 10 percent from the 23,350 homes sold in the previous 12 months. The median sales price of \$242,100 was down 9 percent from the \$261,300 median sales price recorded during the 12-month period ending March 2009.

The Maine Real Estate Information System, Inc., reported that in Maine, during the 12 months ending March 2010, existing home sales increased 18 percent to 10,880 homes; however, the median sales price decreased by 6 percent to \$164,200. According to the Northern New England Real Estate Network, Inc. (NNEREN), the number of existing homes sold in New Hampshire increased 8 percent to 10,940 homes during the 12 months ending March 2010, but the median sales price fell 7 percent to \$213,300.

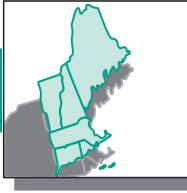
According to the Federal Housing Finance Agency, home prices in the New England region decreased by just under 1 percent during the fourth quarter of 2009 (the most recent data available) compared with home prices during the fourth quarter of 2008. Nationally, home prices declined by just over 1 percent. Price changes for the individual states ranged from a loss of just over 3 percent for Connecticut to an increase of just under 1 percent for Maine. According to Lender Processing Services Mortgage Performance Data, in March 2010, the number of homes in foreclosure, 90 days or more delinquent, or in REO (real estate owned) in the region increased by 46 percent to 111,920 compared with the number of homes during March 2009.

This level represents a current rate of 7 percent in the region in March 2010 compared with a rate of 5 percent in March 2009. The national rate in March 2010 was 9 percent.

Condominium markets in the New England states have remained soft; however, sales are generally increasing and declines in median sales price are abating in some areas. According to the MAR, during the 12 months ending March 2010, condominium sales in Massachusetts totaled 16,180 units, an increase of 7 percent from the number sold during the previous 12 months, and the median sales price was \$259,500, down only 2 percent. According to the NNEREN, condominium sales in New Hampshire increased by nearly 9 percent and the median sales price was down only 6 percent compared with the price recorded during the previous 12-month period. The RIAR reported that condominium sales in Rhode Island were up 7 percent to 1,220 units, but the median sales price was down 15 percent to \$177,800. In Connecticut, the Warren Group reported that, during the same period, condominium sales totaled 7,650 units, down 3 percent from the previous 12 months, and that the median sales price of \$178,200 was down more than 9 percent.

As recent price declines have been slowing and home sales have been increasing, the level of single-family construction may be stabilizing after declines that began in 2005. Based on preliminary data, for the 12 months ending March 2010, single-family construction activity, as measured by the number of homes permitted, increased slightly to 10,845 homes, which was less than a 1-percent increase from the number permitted during the previous 12 months. This total is only 25 percent of the 2004 annual peak total of 43,750 single-family homes and 31 percent of the 2000-to-2008 annual average of 34,670 homes permitted. The largest increase was in Massachusetts, where 4,355 units were permitted, an increase of 8 percent compared with the number permitted during the 12 months ending March 2009. Maine and Vermont had small increases of 2 and 5 percent, to 1,680 and 540 homes, respectively. Connecticut and New Hampshire had declines of 8 and 11 percent, to 2,060 and 1,420 homes, respectively, and Rhode Island was flat, issuing permits for 790 single-family homes.

Multifamily building activity, as measured by the number of units permitted, is still declining significantly. For the 12 months ending March 2010, 4,740 multifamily units were permitted, down 40 percent compared with the number permitted during the previous 12 months, based on preliminary data. This level of construction activity equals only 28 percent of the 16,930 units permitted in the most recent peak year of 2005 and 40 percent of the 2001-to-2008 annual average of 11,750 units. The two largest declines in multifamily building activity were in Massachusetts and



Connecticut, where 4,350 and 1,140 units were permitted, down 53 and 38 percent, respectively, compared with the number permitted during the previous 12-month period. Maine permitted only 200 multifamily units, down from 425 a year earlier. New Hampshire and Vermont permitted 880 units and 310 units, increases of 9 and 2 percent, respectively, and Rhode Island permitted 200 multifamily units, no change from the previous 12 months.

In general, New England rental markets were balanced during the first quarter of 2010, with moderate changes in vacancy rates but also with declines in rents in all markets. According to Reis, Inc., metropolitan area apartment vacancy rates ranged from 3.4 to 7.9 percent, and declines in rents ranged from less than 1 percent to 3 percent. For the first quarter of 2010, the Boston metropolitan area rental market is balanced but, still showing the effects of significant numbers of new rental units in the recent weakened economic environment, had an apartment vacancy rate of 6.5 percent, up from the 6.4-percent rate recorded a year earlier. The average rent of \$1,697 was down more

than 2 percent from the previous year. The Hartford metropolitan area is balanced, with an apartment vacancy rate of 5.7 percent, up from 5.3 percent a year earlier. The average rent was unchanged at \$968 from the rent during the first quarter of 2009. In Providence, the apartment vacancy rate was unchanged at 7.9 percent and the average rent was \$1,207, down nearly 2 percent from the average rent for the previous year, as conditions remained soft. In southern Connecticut, both Fairfield County and New Haven County markets are balanced but tightened, with apartment vacancy rates of 5.3 and 3.4 percent, down from 6.0 and 4.1 percent, respectively. Average rents, however, were down 3 percent in Fairfield County and down less than 1 percent in New Haven County. In several smaller markets, vacancy rates were up and rents were either down or flat; the Manchester-Nashua rental vacancy rate increased from 4.3 to 4.5 percent and rents were unchanged. In central and western Massachusetts, vacancy rates in Worcester and Springfield were 5.1 and 5.5 percent, up from 3.7 and 4.5 percent, respectively. Rents were unchanged in Springfield and down less than 1 percent in Worcester.