

1st Quarter 2011



# U.S. Housing Market Conditions



## NEW ENGLAND REGIONAL REPORT HUD Region I

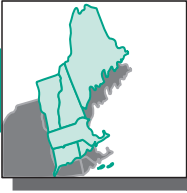
### 1st Quarter Activity

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.

After 2 years of significant job losses, nonfarm payrolls in the New England region increased by 27,800 jobs, or 0.4 percent, during the 12 months ending March 2011, compared with a decrease of 238,400 jobs, or 3.4 percent, during the previous 12-month period. The professional and business services sector posted the most dramatic turnaround, gaining 16,400 jobs, or 2.0 percent, after losing 46,700 jobs, or 5.3 percent, during the 12-month period ending in 2010. The education and health services and the leisure and hospitality sectors added 19,800 and 14,200 jobs, or 1.5 and 2.2 percent, respectively. The only other significant payroll gain was in the retail subsector, which created 5,700 jobs, an increase of 0.7 percent, after losing 27,500 jobs, or 3.4 percent, during

the 12-month period ending March 2010. During the 12 months ending March 2011, the manufacturing and construction sectors accounted for losses of 7,400 and 3,300 jobs, or 3.1 and 0.5 percent, respectively. The financial services sector, which continues to post payroll declines, lost 6,600 jobs, or 1.4 percent, during the 12 months ending March 2011, following a loss of 19,800 jobs, or 4.1 percent, during the previous 12 months. The government sector lost 5,100 jobs, or 0.5 percent, despite a gain of 2,400 jobs in the federal subsector, which was offset by a loss of 8,200 jobs, or 5.6 percent, in the local government subsector.

Nonfarm payrolls increased in all states except Maine, where job growth was virtually flat during the 12 months ending March 2011. In Massachusetts, nonfarm payrolls increased by 19,000 jobs, or 0.6 percent, to a total of 3.2 million jobs, which represents nearly 70 percent of the net payroll gain for the region, compared with a loss of 97,000 jobs, or 3.0 percent, during the previous 12 months. The most significant job gains were in the education and health services, leisure and hospitality, and professional and business services sectors, which increased by 10,900, 6,300, and 5,900 jobs, or 1.7, 2.1, and 1.3 percent, respectively, compared with the number of jobs during the 12 months ending March 2010. Job



losses in the construction and manufacturing sectors totaled only 3,800 jobs combined, or 1.0 percent, for the 12 months ending March 2011. During the same period, Connecticut gained 3,400 jobs, or 0.2 percent, compared with a loss of 74,000 jobs, or 4.4 percent, during the previous 12 months. Gains of 6,300 and 5,100 jobs, or 2.1 and 2.7 percent, in the education and health services and professional and business services sectors, respectively, were partially offset by losses of 2,200 and 1,500 jobs, or 4.3 and 0.9 percent, in the construction and manufacturing sectors, respectively. The remaining significant job growth in the region was in Vermont, where 3,300 jobs were created, an increase of 1.1 percent, compared with a loss of 9,000 jobs, or 2.9 percent, a year earlier. Primary job growth in Vermont was in the leisure and hospitality and the professional and business services sectors, with gains of 1,500 and 1,000 jobs, or 4.7 percent each. New Hampshire and Rhode Island had small job gains of 1,500 and 800 jobs, respectively, or 2.0 percent each, and Maine's employment level was virtually flat, with only 200 jobs lost. During the 12 months ending March 2011, the unemployment rate in the New England region averaged 8.3 percent, which was down from 8.5 percent during the previous 12 months and is below the national average of 9.4 percent during the 12 months ending March 2011. Average unemployment rates for the states ranged from 5.7 percent in New Hampshire to 11.4 percent in Rhode Island.

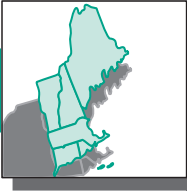
Despite moderate employment gains and continued lower interest rates, New England home sales markets were soft during the first quarter of 2011 compared with mostly balanced conditions during the previous quarter. Sales were down in all states, ranging from 5 to 15 percent. According to the Massachusetts Association of REALTORS® (MAR), during the 12-month period ending March 2011, existing home sales were down 6 percent, to 36,670 homes sold, compared with the previous 12 months. The median sales price in March 2011 was down 2 percent, to \$273,500, from a year ago. The Rhode Island Association of REALTORS®, (RIAR) reported that, during the 12 months ending March 2011, existing home sales totaled 6,660 homes, down 15 percent compared with sales during the 12 months ending March 2010 but unchanged from the number of homes sold during the 12 months ending March 2009. The median sales price was up 1 percent to \$195,000, primarily from a 32-percent reduction in the number of distressed sales.

The Maine Real Estate Information System, Inc., reported that, during the 12 months ending March 2011, existing home sales in Maine decreased by 7 percent, to 10,080 homes sold, compared with an 18-percent increase during the previous 12 months. The median sales price was \$159,700, down 3 percent from a year earlier. According to the Northern New England Real Estate Network (NNEREN), during the 12 months ending March 2011, the number of new and existing homes sold in New Hampshire decreased by 5 percent, to

10,490, compared with a gain of more than 9 percent during the previous 12 months. The median sales price was \$193,950, down 6 percent from the previous 12-month period. In Connecticut, Prudential Connecticut Realty reported that 22,425 homes were sold during the 12 months ending March 2011, a decrease of about 8 percent, compared with the 24,360 homes sold during the previous 12-month period. The median sales price in March 2011 was \$240,000, down 2 percent from the median price of \$245,000 a year earlier.

According to the Federal Housing Finance Agency, in the fourth quarter of 2010, home sales prices in the New England census region decreased by approximately 1 percent compared with prices during the fourth quarter of 2009, which represents the lowest rate of price depreciation of the nine census regions. The comparable decline for the nation was about 4 percent. According to LPS Applied Analytics, in March 2011, the number of loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased by 2.6 percent to 102,580 loans compared with 105,275 loans reported in March 2010. The March 2011 level represents 6.5 percent of all home loans in the region, down from 7.0 percent in March 2010. The largest percentage point change in the region was in Massachusetts, declining from 6.9 percent in March 2010 to 6.0 percent in March 2011. Vermont had the lowest rate in the region at 4.5 percent. The comparable national rate was 8.1 percent.

The number of condominiums sold and the median sales price both were down in the New England region during the 12 months ending March 2011, partially because the first-time homebuyer tax credit program ended. According to the MAR, during the 12 months ending March 2011, in Massachusetts, the number of condominiums sold was down 9 percent, to 14,690 units, compared with a 7-percent increase in the number sold during the previous 12-month period. The median condominium sales price was down 8 percent, to \$234,500, compared with a 14-percent increase from \$224,500 to \$256,000, 12 months earlier. In Rhode Island, the RIAR reported that condominium sales were down 9 percent, to 1,120 units, after an increase of 8 percent to 1,235 units during the year ending March 2010. The median condominium sales price was down 4 percent, to \$169,900, compared with a 1-percent increase during the previous 12 months. According to the NNEREN, in New Hampshire, condominium sales totaled 2,590 units, a decline of 10 percent, after an 11-percent decline during the previous 12 months. The median condominium sales price was down 9 percent, to \$149,900, compared with a 6-percent increase to \$164,700 during the 12 months ending March 2010. Prudential Connecticut Realty reported that during the 12 months ending March 2011, the number of condominium sales decreased by nearly 13 percent, and the median sales price was down 7 percent to \$163,500.



The decreasing number of existing home sales after the tax credit programs expired and the subsequent decline in home sales prices have limited growth in new single-family construction activity, as measured by the number of single-family building permits issued. During the 12 months ending March 2011, based on preliminary data, the number of new single-family homes permitted was 10,910, virtually unchanged from the 12 months ending March 2010 and up only 1 percent from the 12 months ending March 2009. Massachusetts and New Hampshire increased the number of single-family permits issued by 4 percent each to 4,540 and 1,475 homes permitted, respectively. These gains were offset by decreases in the region's other four states. Connecticut and Rhode Island had single-family production declines of 2 and 11 percent to 2,080 and 690 homes permitted, respectively. The northern New England states of Maine and Vermont had declines of 4 and 3 percent to 1,600 and 520 homes permitted, respectively.

During the 12 months ending March 2011, the level of multifamily construction in the region, as measured by the number of multifamily units permitted, increased by 18 percent, to 5,565 units, compared with a decline of 40 percent, to 4,720 units, during the previous 12 months. Based on preliminary data, the number of multifamily units permitted in Massachusetts, during the 12 months ending March 2011, increased by 46 percent, to 2,910 units, compared with a decrease of more than 50 percent to fewer than 2,000 units during the previous year. The number of multifamily units permitted in Connecticut and Rhode Island increased 5 and 15 percent to 1,200 and 225 units permitted, respectively. Vermont increased the number of multifamily units permitted by 24 percent to 390 units.

The number of multifamily units permitted in New Hampshire and Maine declined 25 and 10 percent to 660 and 180 units, respectively.

Rental markets in the New England region were balanced to tight during the first quarter of 2011. According to Reis, Inc., vacancy rates declined and rents increased in virtually all metropolitan area markets. In general, the larger metropolitan markets, with moderate levels of new inventory, were balanced, with vacancy rates ranging from 4 to 6 percent. As of the first quarter of 2011, the Boston metropolitan area had an apartment rental vacancy rate of 4.6 percent, down from 6.5 percent a year earlier. Additions to the rental inventory have been and are projected to be limited; only about 1,700 added units are expected for 2010 and 2011 combined, and rents have increased nearly 3 percent during the past year. The Hartford metropolitan area apartment rental vacancy rate was 4.3 percent, down from 5.7 percent a year earlier. Rents increased by nearly 2 percent during the 12 months ending March 2011. In Providence, the apartment rental vacancy rate decreased from 7.9 to 5.5 percent during the 12 months ending March 2011, because excess inventory was absorbed. Rents changed little, increasing less than 1 percent. Smaller rental markets, with very limited new inventory are tight, with vacancy rates ranging from 3 to 4 percent and rents increasing by more than 3 percent. In Portland the apartment rental vacancy rate of 4.2 percent, during the 12 months ending March 2011, was down from 5.5 percent a year earlier; rents increased by more than 4 percent during the same period. During the 12 months ending March 2011, the Worcester market had a vacancy rate of 4.0 percent, down from 5.5 percent a year earlier, and rents increased by nearly 5 percent during the same period.