

1st Quarter 2012



# 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.

Economic conditions in the New England region have improved steadily since 2010. During the 12 months ending March 2012, nonfarm payrolls increased by 34,000 jobs, or 0.5 percent, from a year earlier, to average 6.8 million jobs. The largest job gains were in the professional and business services and education and health services sectors, which added 18,400 and 17,700 jobs, 2.2- and 1.3-percent gains, respectively. The wholesale and retail trade, transportation and utilities, and leisure and hospitality sectors grew by 8,100, 4,300, and 4,000 jobs, or 0.8, 2.4, and 0.6 percent, respectively. Nonfarm payrolls in the manufacturing sector and construction subsector increased by 1,700 and 1,300 jobs, or 0.3 and

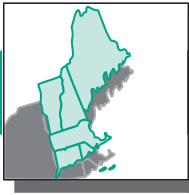
0.6 percent, respectively, partially reversing losses of 5,200 and 4,300 jobs, or 0.9 and 1.8 percent, respectively, during the previous 12 months. The most significant losses during the past 12 months were in the government sector, down 18,400 jobs, or 1.8 percent; more than one-half of the decline was in the local government subsector, which decreased by 9,500 jobs, or 1.6 percent. The financial activities and information sectors lost 4,300 and 2,600 jobs, or 0.9 and 1.7 percent, respectively.

Every state in the New England region posted nonfarm payroll gains during the 12 months ending March 2012. Massachusetts added 16,600 jobs, a 0.5-percent increase, compared with an increase of 25,500 jobs, or 0.8 percent, during the previous 12 months. The professional and business services sector in the state gained 11,300 jobs, or 2.4 percent, representing more than 60 percent of the net gains in the sector regionwide. The financial activities and information sectors in Massachusetts, however, lost 2,300 and 2,000 jobs, or 1.1 and 2.3 percent, respectively. Connecticut nonfarm payrolls increased by 12,100 jobs, or 0.7 percent, up from an increase of 2,900 jobs, or 0.2 percent, during the same period a year earlier. The education and health services sector, which represents nearly 20 percent of all jobs in the state, increased by



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7,600 jobs, or 2.5 percent, from the previous 12 months, when the sector expanded by 6,100 jobs, or 2.0 percent. New Hampshire and Vermont added 2,300 and 2,000 jobs, 0.4- and 0.7-percent gains, respectively. In New Hampshire, the leisure and hospitality sector expanded 2.2 percent, or by 1,300 jobs. Job growth in Vermont was concentrated in the professional and business services sector, which gained 1,700 jobs, or 7.1 percent. Maine and Rhode Island nonfarm payrolls were relatively unchanged, increasing by 700 and 400 jobs, respectively. In both states, job gains in the private sector narrowly offset government sector losses of 2,700 and 1,100 jobs, or 2.6 and 1.7 percent, respectively. During the 12 months ending March 2012, the unemployment rate in the region averaged 7.5 percent, down from the 8.3-percent rate during the previous 12 months and less than the 8.7-percent national rate. Average unemployment rates ranged from 5.3 percent in Vermont to 11.2 percent in Rhode Island.

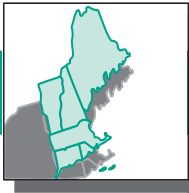
Although the home sales markets in the New England region have remained soft since the middle of 2010, sales increased or remained relatively flat during the 12 months ending March 2012 in every state except Connecticut. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending March 2012, existing home sales totaled 40,400, up nearly 5 percent from the previous 12 months. During the first quarter of 2012, the median home sales price in Massachusetts declined almost 4 percent, to \$264,000, from the same period a year earlier. The Northern New England Real Estate Network (NNEREN) reported that, during the 12 months ending March 2012, in New Hampshire and Vermont, 11,000 and 4,075 homes sold, increases of 450 and 100 homes, or more than 4 and almost 3 percent, respectively, from a year earlier. The median home sales prices for New Hampshire and Vermont during the first quarter of 2012 were \$188,000 and \$185,000, decreases of nearly 5 and 11 percent, respectively, compared with the median prices during the same period a year earlier.

The Rhode Island Association of REALTORS® (RIAR) reported that, during the 12 months ending March 2012, 6,950 existing homes sold, up 4 percent compared with sales during the previous 12 months. The median home sales price in Rhode Island during the first quarter of 2012 was \$173,250, down 11 percent from a year earlier. Based on data from the Maine Real Estate Information System, Inc., existing home sales in Maine totaled 10,100, relatively unchanged from the previous 12 months. During the first quarter of 2012, the median home sales price declined 3 percent, to \$155,000, compared with the median price during the first quarter of 2011. In Connecticut during the 12 months ending March 2012, Prudential Connecticut Realty reported 21,700 existing home sales, a nearly 5-percent decrease from the previous 12 months. During the first quarter of 2012, the median home sales price declined 7 percent, to \$223,000, from a year earlier.

According to the Federal Housing Finance Agency House Price Index, in February 2012, home prices in the region increased less than 1 percent from February 2011, in part reversing a 3-percent decline a year earlier. LPS Applied Analytics reported that, in March 2012, 7.0 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) compared with the rates of 6.5 percent in March 2011 and 7.8 percent nationwide. During March 2012, the largest rate increases in the region were in Connecticut and Maine, up approximately 1 percentage point each, to 8.2 and 8.1 percent, respectively, from a year earlier.

Condominium markets continue to be soft throughout the region. According to MAR, condominium sales in Massachusetts during the 12 months ending March 2012 totaled 15,200 units, relatively unchanged from the previous 12 months. The median condominium sales price during the first quarter of 2012 increased more than 1 percent, to \$239,900, from a year earlier. RIAR reported that, during the 12 months ending March 2012, condominium sales in Rhode Island remained relatively unchanged at 1,150. The median condominium sales price in the state, during the first quarter of 2012, decreased 21 percent, to \$135,000. In New Hampshire and Vermont, during the 12 months ending March 2012, NNEREN reported that condominium sales declined 2 percent and less than 2 percent, to 2,550 and 920 sales, respectively, from a year earlier. During the first quarter of 2012, the median condominium sales price decreased 7 percent, to \$137,000, in New Hampshire but increased more than 1 percent, to \$179,500, in Vermont compared with prices during the same period a year earlier. Based on data from Prudential Connecticut Realty, during the 12 months ending March 2012, condominium sales in Connecticut decreased more than 9 percent, to 5,450 sales, from the previous 12 months. During the first quarter of 2012, the median condominium sales price decreased 10 percent, to \$147,000, compared with the median price during the same period a year earlier.

Single-family homebuilding activity, as measured by the number of building permits issued, declined significantly over the past year in response to limited home sales and decreasing prices across most of the region. Based on preliminary data, during the 12 months ending March 2012, 10,100 new single-family homes were permitted, down 7 percent from 10,900 homes permitted during the 12 months ending March 2011, when single-family permits were unchanged from the previous 12 months. Single-family home construction declined in all six states in the region during the 12 months ending March 2012. Massachusetts single-family home permits decreased 3 percent, to 4,400 homes. Building in Connecticut, Maine, and New Hampshire declined 9, 11, and 12 percent, to 1,875, 1,425, and 1,325 homes permitted, respectively. Rhode Island and Vermont reported 12- and 14-percent declines, to 600 and 460 homes permitted, respectively.



Multifamily construction, as measured by the number of units permitted, increased in the New England region during the past 12 months as builders began to respond to increasing renter demand. Based on preliminary data, during the 12 months ending March 2012, multifamily building activity increased 8 percent, to 6,025 units permitted. This rate of increase, however, represented relatively slow growth compared with the 46-percent increase nationwide and the 19-percent increase in the region a year earlier. During the 12 months ending March 2012, multifamily building activity in Massachusetts grew 20 percent, to 3,475 units permitted, and building activity in Maine and Vermont increased to 380 and 420 units permitted compared with 170 and 390, respectively, during the previous year. These gains more than offset decreases in New Hampshire and Rhode Island, where multifamily building activity was down to 370 and 100 units permitted compared with 650 and 230, respectively, from a year earlier. Multifamily building activity in Connecticut was unchanged at 1,275 units permitted during the past 12 months.

Apartment market conditions in most metropolitan areas in the region are balanced to tight, and nearly all rental markets tightened during the past 12 months, reflecting strong net absorption and limited completions. Rental market conditions in the Boston metropolitan

area are tight. According to Reis, Inc., during the first quarter of 2012, the apartment vacancy rate decreased to 3.8 percent compared with the 4.6-percent rate of a year earlier. The average market rent increased 2 percent, to \$1,778, during the same period. An estimated 4,000 new rental units are currently under construction, including nearly 1,800 units in the city of Boston. The apartment market in the Providence metropolitan area is tight, with extremely limited additions to the inventory during the past year. During the first quarter of 2012, the apartment vacancy rate declined to 3.6 from 5.5 percent a year earlier, with average rents increasing nearly 2 percent, to \$1,235. During the same period, the apartment vacancy rate in Fairfield County declined to 4.7 from 5.3 percent, evincing balanced-to-tight rental market conditions. The average market rent increased nearly 3 percent, to \$1,836, to keep Fairfield County the most expensive apartment market in the region. Apartment market conditions are extremely tight in the New Haven metropolitan area, where apartment vacancy rates decreased during the first quarter of 2012 to 2.8 from 2.9 percent a year earlier. The average market rent increased nearly 2 percent, to \$1,133, during the same period. In the Hartford metropolitan area, apartment vacancy rates declined during the first quarter of 2012 to 3.1 from 4.3 percent a year earlier, and the average market rent increased nearly 3 percent, to \$1,009.