



# U.S. Housing Market Conditions

## NEW ENGLAND REGIONAL REPORT HUD Region I



### 2nd 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.

Although nonfarm employment increased in the New England region in each of the 3 months of the second quarter of 2009, the average employment level for the 12 months ending June 2009 was 6.9 million jobs, down 138,200 or 2.0 percent, compared with the level recorded for the 12 months ending June 2008. The loss posted during the past year represents 84 percent of the 165,000 jobs added during the past 3 years. In the most recent 12-month period, all states in the region posted net job losses. The goods-producing sectors and service-providing sectors lost 68,300 and 69,900 jobs, or 6.8 and 1.2 percent, respectively. During the previous 12-month period, the goods-producing sectors lost only 19,800 jobs and the service-providing sectors gained 66,500 jobs.

During the 12 months ending June 2009, Massachusetts and Connecticut accounted for approximately 63 percent of the job losses in the goods-producing sectors in the region. Massachusetts and Connecticut together lost 23,000 construction jobs and 19,400 manufacturing jobs. Construction employment is down as a result of the decline in new home construction activity. Vermont and Rhode Island lost 4,800 and 6,300 goods-producing jobs, respectively, representing declines of 9.2 and 8.9 percent. The 50,000 service-providing jobs lost in Massachusetts and Connecticut accounted for 71 percent of the regional job losses in these sectors. Massachusetts lost 15,600 jobs in the professional and business services sector and 13,800 jobs in the trade sector. Connecticut also had significant losses in these sectors, losing 9,700 jobs in the professional and business services sector and 8,600 jobs in the trade sector. Rhode Island lost 10,400 jobs in the service-providing sectors, a decline of 2.5 percent, primarily in the trade and the professional and business services sectors. Only New Hampshire had positive growth in service-providing sector employment, supported primarily by increases of 2,800 jobs in the education and health services sector and 1,400 jobs in the government sector. During the 12 months ending June 2009, education and health services was the only employment sector in the



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region to record positive growth, adding 25,900 jobs. The unemployment rate in the region averaged 7.0 percent for the 12 months ending June 2009, up from 4.6 percent for the 12 months ending June 2008. The unemployment rate ranged from 5.1 percent in New Hampshire to 10.1 percent in Rhode Island.

The increasing pace of job losses in the New England region combined with significant numbers of foreclosures and stricter lending standards have resulted in generally decreasing levels of home sales and declining median home sales prices. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending June 2009, home sales in the state totaled 34,625, an 8-percent decline compared with the 37,625 homes sold during the 12 months ending June 2008, and the median sales price declined by 12 percent to \$292,825 relative to the previous 12 months. The Rhode Island Association of REALTORS® (RIAR) reported that, during the 12 months ending June 2009, the number of homes sold in the state was virtually unchanged, at 6,750, compared with the number sold during the previous 12 months but was down 17 percent from the total number of sales posted during the 12 months ending June 2007. The median sales price was \$203,800, down 22 percent from the median price posted for the 12-month period ending June 2008. RIAR estimates that 37 percent of single-family sales recorded during the second quarter of 2009 were distressed sales. The Maine Real Estate Information System, Inc. reported that, during the 12 months ending June 2009, home sales in the state were down 15 percent to 9,150 homes and the median price was down 10 percent to \$169,875 compared with the sales volume and median price recorded during the previous 12 months. MAR reported that, during the 12 months ending June 2009, the number of homes sold in the Greater Boston metropolitan market area totaled 7,950, down 11 percent from the number sold during the previous 12 months, and the median price declined 9 percent to \$419,875. The Greater Hartford Association of REALTORS®, Inc., reported that, during the most recent 12-month period, 7,325 homes were sold in the Greater Hartford market area, a 19-percent decline compared with the number sold during the previous 12-month period, and the median price declined by 8 percent to \$234,650.

According to the Federal Housing Finance Agency, as of May 2009, home prices in the region decreased only 4 percent from prices recorded in May 2008, ranking New England fourth of the nine Census regions in terms of home price depreciation rate. In comparison, the rate of decline for the nation was 5.6 percent for the 12 months ending May 2009. The S&P/Case-Schiller® Home Price Index for May 2009 indicates that the Boston metropolitan area, where home prices increased for the third consecutive month, ranked fourth in the nation for the lowest 1-year rate of depreciation, down only 7.2 percent as of May 2009. In comparison, during

the same period, the composite index of 20 metropolitan areas was down more than 17 percent.

As home sales continue to decline, single-family home construction activity, as measured by the number of building permits issued, continued to decline in all states in the region. During the 12 months ending June 2009, only 12,475 homes were permitted, down 40 percent from the number permitted during the previous 12 months. Massachusetts posted the largest decline in single-family home construction activity with 4,350 homes permitted, down 2,700, or 37 percent, from the number permitted during the previous 12 months. The largest percentage decline in the number of single-family homes permitted occurred in Connecticut, where only 2,300 homes were permitted, representing a 48-percent decline compared with the number permitted during the 12 months ending June 2008. In Maine and New Hampshire, the number of single-family homes permitted totaled 2,500 and 1,675, down 37 and 46 percent, respectively, compared with the number permitted during the 12-month period ending June 2008.

Condominium markets in New England are still soft, with generally fewer sales and declining median prices. According to MAR, during the 12 months ending June 2009, condominium sales in Massachusetts totaled 14,050 units, down 16 percent from the number sold during the previous 12 months, and the median sales price was down 8 percent to \$256,800. In the Greater Boston metropolitan area, condominium sales were down 13 percent to 7,500 units; however, the median price was down only 6 percent to \$334,625. In Rhode Island, RIAR reported that condominium sales in the state totaled 1,050 units, down 30 percent compared with the number sold during the 12 months ending June 2008, and the median sales price was down 12 percent to \$196,350. RIAR estimates that about 27 percent of condominium units sold during the second quarter of 2009 were distressed sales.

As the economic conditions in the New England region have weakened, plans for additional multifamily developments continue to be postponed. During the 12 months ending June 2009, multifamily construction activity, as measured by the number of units permitted, totaled 5,600 units, down 44 percent from the 10,000 units permitted during the same period a year earlier. Massachusetts had the largest decrease, down 3,025 units, or 55 percent, to only 2,500 units permitted. The number of units permitted in other states during the 12 months ending June 2009 ranged from 1,650 in Connecticut, down 25 percent, to only 275 in Maine, down 67 percent, compared with the number permitted during the previous 12-month period.

In most larger rental housing markets in the New England region, rental vacancy rates have increased and rents have either declined or remained flat. The



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smaller markets generally have had limited new units added to the rental inventory, but an increase in rental demand in these markets has resulted in lower rental vacancy rates and moderate rent increases. According to Reis, Inc., in the Boston metropolitan area, during the second quarter of 2009, the rental vacancy rate was 6.5 percent, up from 6.1 percent during the same quarter a year earlier. In Fairfield County, Connecticut, job losses associated with the financial activities sector in New York City have resulted in a higher rental vacancy rate of 5.5 percent in the county, up from 5.2 percent during the second quarter of 2008. In Providence, the rental vacancy rate has increased from 7.7 to 8.9 percent, due primarily to the addition of unsold and investor-owned condominium units to the inventory of available units for rent. In Connecticut, the rental vacancy rate in Hartford has increased from 4.3 percent in the second quarter of 2008 to 5.5 percent in the second quarter of 2009; however, New Haven's rental vacancy rate declined from 3.9 percent a year ago to a current rate of 3.2 percent with no change in the inventory. Worcester and

Springfield in central and western Massachusetts, respectively, both have rental vacancy rates of 4.2 percent, which have decreased from higher rates recorded during the second quarter of 2008. During the past year, the Manchester-Nashua market has tightened, with the rental vacancy rate decreasing from 4.7 to 4.4 percent, and the rental vacancy rate in Portland has declined from 5.1 to 4.2 percent. Both of these areas have had very few completions during the past couple of years.

Rents in the larger rental housing markets have generally remained flat or have declined during the 12 months ending June 2009. Average rents declined by nearly 1.5 percent in Fairfield County but remained relatively stable in the Boston metropolitan area. In New Haven, the average rent declined by less than 1 percent and in Hartford, the average rent remained flat during the past year. In the group of smaller markets, Manchester-Nashua had rent increases of more than 2 percent while both Springfield and Worcester had increases of nearly 2 percent.