



# U.S. Housing Market Conditions



## NEW ENGLAND REGIONAL REPORT HUD Region I

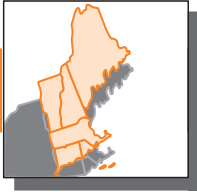
### 2nd Quarter Activity

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.

Nonfarm employment in the New England region continued to decline in the second quarter of 2010 after peaking in mid-2008 at nearly 7.2 million jobs. During the 12 months ending June 2010, average nonfarm employment in the region declined by 189,000 jobs, or 2.7 percent, to 6.7 million jobs compared with the loss of 142,500 jobs, or 2.0 percent, during the 12 months ending June 2009. During the 12 months ending June 2010, job losses were posted in all sectors, except the education and health services sector, which increased by 20,100 jobs, or 1.5 percent. Job losses were greatest in the goods-producing sectors of manufacturing and construction, where 51,400 and 34,200 jobs were lost, down 7.8 and 12.8 percent, respectively. The highest job losses in the service-providing sectors were posted in the trade and the professional and business services

sectors with losses of 36,500 and 35,900 jobs, or 7.9 and 4.1 percent, respectively.

Every state in the region lost jobs during the 12 months ending June 2010, with Massachusetts and Connecticut accounting for more than 70 percent of the total regional decline. Massachusetts experienced the largest employment decline, losing a total of 84,300 jobs, or 2.6 percent, including losses of 20,700 jobs, or 7.5 percent, in the manufacturing sector, and 17,100 jobs, or 7.9 percent, in the trade sector. During the same period, Connecticut lost 50,700 jobs, a 3.0-percent decline, including 13,500 jobs in the professional and business services sector and 12,500 jobs in the manufacturing sector, representing declines of 6.8 and 6.9 percent, respectively. Rhode Island lost 17,700 jobs, or 3.8 percent, the highest percentage loss among the New England states during the 12 months ending June 2010. During the same period, New Hampshire and Vermont recorded the smallest declines, losing 12,400 and 7,200 jobs, or 2.0 and 2.4 percent, respectively. The unemployment rate in New England during the 12 months ending June 2010 was 8.8 percent, up from 6.9 percent during the previous 12-month period. Average unemployment rates for the states ranged from 6.6 percent in both New Hampshire and Vermont to 12.1 percent in Rhode Island.



Continued declining home sales prices since September 2005, significantly lower interest rates, and the extension of the federal tax credit programs have led to increasing sales levels of existing single-family homes during the 12 months ending June 2010. During this period, the Massachusetts Association of REALTORS® (MAR) reported that sales of existing homes increased 9 percent to 38,840 homes compared with a decrease of 9 percent to 35,600 home sales during the 12 months ending June 2009. In June 2010, the median sales price was \$331,150, up 8 percent, compared with the median sales price of \$306,000 in June 2009, which was down 9 percent compared with the median price in June 2008. The inventory of unsold homes as of June 2010 increased 5 percent to 31,540 homes, or a 6.1-month supply, compared with the supply of a year earlier; the number of days a house remained on the market averaged 107 days, which is down 28 days or 21 percent from June 2009. According to the Rhode Island Association of REALTORS® (RIAR), during the 12 months ending June 2010, the number of existing home sales in Rhode Island totaled 8,040, up 19 percent after virtually no change in the level of home sales during the previous 12 months. The median sales price was \$210,000, up 9 percent compared with the 23-percent decline in the previous 12-month period. In Connecticut, during the 12 months ending June 2010, The Warren Group reported that 27,840 existing homes were sold, an increase of 25 percent from the 22,350 homes sold in the previous 12 months. The median sales price of \$264,900 was 3 percent higher than the \$257,000 price recorded in June 2009.

The Maine Real Estate Information System, Inc., reported that in Maine, during the 12 months ending June 2010, existing home sales increased 27 percent to 11,600 homes; the median sales price increased 3 percent to \$175,000. According to the Northern New England Real Estate Network, Inc. (NNEREN), the number of existing homes sold in New Hampshire increased 15 percent to 11,550 homes during the 12 months ending June 2010, and the median sales price increased 2 percent to \$229,000.

According to the Federal Housing Finance Agency, home sales prices in the New England region decreased by just under 1 percent during the first quarter of 2010 (the most recent data available) compared with prices in the first quarter of 2009. Nationally, home prices were down just slightly more than 1 percent. Price changes for the individual states ranged from an increase of about 1 percent in Maine to a loss of 3 percent in Connecticut. According to the Lender Processing Services Mortgage Performance Data, in June 2010, the number of loans in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) in the region increased by 21 percent to 104,330 homes compared with the num-

ber reported in June 2009. This level represents 7 percent of all home loans in the region in June 2010 compared with 5 percent in June 2009. The national rate in June 2010 was 9 percent.

Condominium sales markets in New England have improved significantly during the 12 months ending June 2010. According to the MAR, during the 12 months ending June 2010, condominium sales totaled 17,660 units, an increase of 25 percent compared with the number sold during the previous 12 months, and the median condominium sales price increased by 4 percent, to \$285,000. In Connecticut, The Warren Group reported that condominium sales increased more than 21 percent to 8,400 units during the past 12 months and the median sales price increased by more than 5 percent to \$186,000 in June 2010 compared with the sales price in June 2009. The NNEREN reported that condominium sales in New Hampshire increased by 20 percent during the 12 months ending June 2010 and the median sales price was up 6 percent to \$177,900. According to the RIAR, condominium sales increased 24 percent to 1,310 units and the median sales price was virtually unchanged at \$179,600.

As a result of moderating single-family sales price declines and increasing single-family home sales levels, demand for new single-family homes has started to increase. During the 12 months ending June 2010, single-family home construction activity, as measured by the number of homes permitted, increased by 18 percent to 11,600 homes compared with a decline of 41 percent during the previous 12-month period, based on preliminary data. All states in the region posted gains in the number of single-family homes permitted, with Massachusetts reporting the largest increase of 21 percent, to 4,600 homes, compared with a decline of 37 percent during the previous 12-month period. During the 12 months ending June 2010, the number of single-family homes permitted in Maine and Rhode Island increased 22 and 16 percent to 1,780 and 825 homes, respectively. The number of single-family homes permitted in Connecticut, New Hampshire, and Vermont increased between 10 and 13 percent to 2,180, 1,560, and 540 homes, respectively.

The substantial declines in multifamily building activity, as measured by the number of units permitted, since the peak year in 2005 appeared to be moderating during the 12 months ending June 2010. During this period, 5,470 multifamily units were permitted, down only 2 percent compared with the 30-percent decline in the number of units permitted during the previous 12-month period, based on preliminary data. During the 12 months ending June 2010, Massachusetts permitted 2,650 multifamily units, up 7 percent compared with a 54-percent, or 2,870-unit, decline during the previous 12-month period. New Hampshire and



Vermont had small increases of 16 and 10 percent to 810 and 290 units permitted, respectively. The number of multifamily units permitted in Rhode Island, Connecticut, and Maine declined by 46, 19, and 7 percent to 130, 1,360, and 240 units, respectively.

In general, during the second quarter of 2010, the rental markets in New England were balanced, but tightening, as vacancy rates declined. Employment growth, however, has not been strong enough to keep rents from moderately weakening. In the second quarter of 2010, according to Reis, Inc., in the Boston metropolitan area, the apartment vacancy rate was 6.2 percent, down from 6.5 percent in the second quarter of 2009. Average asking rent in the second quarter of 2010 was \$1,717, down less than 1 percent from the asking rent reported a year earlier. In Fairfield County, Connecticut, the apartment vacancy rate in the second quarter

of 2010 was 4.9 percent, down from 5.6 percent, and the average asking rent was \$1,748, down 2 percent from the second quarter of 2009. The Hartford metropolitan area rental market had an apartment vacancy rate of 5.7 percent in the second quarter of 2010, virtually unchanged from the previous year. The average rent was \$969, down less than 1 percent from a year earlier. During the second quarter of 2010, New Haven had one of the lowest apartment vacancy rates in the region, at 2.9 percent, down from 3.3 percent the previous year; however, in the second quarter of 2010, the average rent increased nearly 2 percent to \$1,100 compared with the average rent during the previous year. Currently in downtown New Haven, 360 State Street, a 500-unit, mixed-use development and one of the region's largest residential properties under development, will open soon with 20 percent of its units preleased.