



U.S. Housing Market Conditions



NEW ENGLAND REGIONAL REPORT HUD Region I

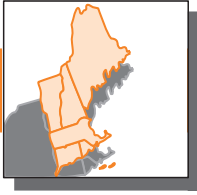
2nd Quarter Activity

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.

After declining from 2008 through 2010, nonfarm payrolls in the New England region grew by 50,300 jobs, or 0.7 percent, during the 12 months ending June 2011 compared with a decrease of 174,700 jobs, or 2.5 percent, during the previous 12 months. The professional and business services sector, which added 19,100 new jobs, increasing by 2.3 percent, produced the most significant turnaround in the region after losing 29,800 jobs, a 3.4-percent decrease, during the previous 12 months. The education and health services and the leisure and hospitality sectors grew by 22,700 and 17,700 jobs, or 1.7 and 2.8 percent, respectively. The retail trade subsector and the manufacturing sector added 7,900 and 3,500 jobs, or 1.0 and 0.6 percent, respectively. During the 12 months ending June 2011,

the government sector contracted by 1.2 percent, or 11,500 jobs, nearly 60 percent of which were in the local government subsector, which declined by 6,800 jobs, or 1.1 percent. Job losses in the construction sector slowed to 4,000 jobs, or 1.7 percent, following a decrease of 33,200, or 12.4 percent, during the previous 12 months, as capital markets stabilize throughout the region. The financial activities sector lost 2,900 jobs, a 0.6-percent decrease, compared with a decline of 18,400 jobs, or 3.9 percent, a year earlier.

For the first time since 2007, nonfarm payrolls increased in every New England state during the 12 months ending June 2011. Payrolls increased at the fastest rate in Vermont, which added 4,300 jobs, a 1.4-percent gain, after losing 6,200 jobs, a 2.0-percent decline, during the previous 12 months. The most significant gains were in the leisure and hospitality and professional and business services sectors, up 1,600 and 1,200 jobs, or 5.0 and 5.5 percent, respectively. Massachusetts accounted for 53 percent of the net job gain in the region during the 12 months ending June 2011. Massachusetts payrolls increased by 26,500 jobs, or 0.8 percent, compared with a loss of 65,800 jobs, or 2.0 percent, during the previous 12 months. The education and health services, leisure and hospitality, and professional and business services sectors increased by 12,100, 7,200,



and 7,200 jobs, or 1.8, 2.4, and 1.6 percent, respectively. Connecticut gained 11,600 jobs, a 0.7-percent increase, compared with a loss of 59,000 jobs, a 3.5-percent decrease, during the previous 12 months. The government sector and the construction subsector declined by 2,500 and 1,300 jobs, or 2.3 and 2.6 percent, respectively, partially offsetting gains of 7,000 and 5,900 jobs, or 2.3 and 3.2 percent, respectively, in the education and health services and professional and business services sectors. Nonfarm payrolls in New Hampshire, Rhode Island, and Maine grew at a moderate pace, up 4,000, 2,200, and 1,800 jobs, or 0.6, 0.5, and 0.3 percent, respectively, during the 12 months ending June 2011. During the 12 months ending June 2011, the unemployment rate in the New England region averaged 8.2 percent, down from the 8.6-percent rate during the previous 12 months and below the 9.3-percent national average. Average unemployment rates in each state ranged from 5.4 percent in New Hampshire to 11.2 percent in Rhode Island.

Despite moderate employment gains and low interest rates, New England home sales markets have remained soft since the middle of 2010. During the 12 months ending June 2011, sales declined in all six states in the region compared with the sales during the previous 12 months, when homebuyer tax credits helped stimulate sales. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending June 2011, existing home sales totaled 34,550, down 18 percent compared with sales during the previous 12 months, but unchanged from the number of homes sold during the 12 months ending June 2009. The median sales price in June 2011 declined 2 percent to \$325,850 compared with June 2010 prices. In Connecticut, during the 12 months ending June 2011, Hanley Wood, LLC reported 23,000 existing home sales, a decrease of 22 percent compared with sales during the previous 12 months. In June 2011, the median sales price declined by 3 percent, to \$263,400, compared with prices in June 2010. The Rhode Island Association of REALTORS® (RIAR) reported that, during the 12 months ending June 2011, existing home sales decreased by 23 percent to 6,225, compared with sales during the previous 12 months. In the second quarter of 2011, the median sales price declined 2 percent to \$205,000 compared with the median price during the second quarter of 2010.

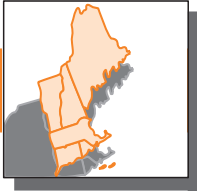
The Maine Real Estate Information System, Inc., reported that, during the 12 months ending June 2011, existing home sales totaled 9,275, down 20 percent compared with sales in the previous 12 months. During the second quarter of 2011, the median sales price was \$167,000, down 2 percent from a year earlier. According to the Northern New England Real Estate Network (NNEREN), during the 12 months ending June 2011, new and existing homes sales in New Hampshire and Vermont decreased by 14 and 15 percent to 10,000 and 3,775, respectively, compared with the previous 12 months. In June 2011,

the median sales price declined 4 percent in New Hampshire, to \$220,000, but increased 5 percent in Vermont, to \$211,000.

According to the Federal Housing Finance Agency, in the first quarter of 2011 (the most recent data available), home prices in the New England census region decreased by 3.3 percent compared with prices during the first quarter of 2010. This decrease represents the second lowest rate of price depreciation of the nine census regions, behind West South Central (Texas), and compares with a decline of 5.5 percent for the nation. According to LPS Applied Analytics, in June 2011, 100,500 loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), a 3.7-percent decline from June 2010. That number represents 6.4 percent of all home loans in the region, down from 6.5 percent in June 2010. The largest percentage-point declines were in Massachusetts and New Hampshire, from 6.4 and 5.4 percent in June 2010 to 5.9 and 4.9 percent, respectively, in June 2011. Vermont had the lowest rate in the region at 4.5 percent. The comparable national rate was 7.8 percent.

During the 12 months ending June 2011, condominium markets in New England suffered double-digit percent sales declines. According to the MAR, condominium sales in Massachusetts totaled 13,600 during the 12 months ending June 2011, down 23 percent compared with the previous 12 months and down 4 percent compared with the 12 months ending June 2009. In June 2011, the median condominium sales price increased 5 percent to \$298,750, compared with the median price in June 2010. According to Hanley Wood, LLC, condominium sales in Connecticut decreased by 29 percent, to 6,100, during the 12 months ending June 2011 compared with sales during the previous 12 months. In June 2011, the median sales price declined by 3 percent to \$175,000. In Rhode Island, the RIAR reported that condominium sales declined by 19 percent, to 1,075, during the 12 months ending June 2011 compared with the previous 12 months' total. In the second quarter of 2011, the median sales price was down 4 percent to \$173,000 compared with the median price a year earlier. During the 12 months ending June 2011, NNEREN reported that condominium sales in New Hampshire and Vermont decreased by 21 and 20 percent to 2,425 and 890, respectively. In June 2011, median prices in the two states declined by 12 and 9 percent to \$155,000 and \$179,450, respectively.

Decreasing sales and continued tight credit standards caused a decline in single-family home construction activity, as measured by the number of building permits issued. During the 12 months ending June 2011, based on preliminary data, 10,200 new single-family homes were permitted, a 12-percent decrease compared with the number permitted during the previous 12 months, but a 4-percent increase from a year earlier. All six states posted declines in single-family home construction,



with Rhode Island and Maine declining 23 and 18 percent, to 630 and 1,450 homes, respectively. New construction in New Hampshire and Vermont decreased 15 and 10 percent, to 1,340 and 490 homes permitted, respectively. Despite declines of 9 percent each, to 4,290 homes and 2,000 homes, respectively, Massachusetts and Connecticut contain more than 60 percent of single-family home construction in the region.

During the 12 months ending June 2011, multifamily construction, as measured by the number of multifamily units permitted, decreased in the region by 2 percent, to 5,300 units, compared with a decline of 4 percent to 5,400 units during the previous 12 months. Based on preliminary data, the number of multifamily units permitted increased 12 percent in Massachusetts, to 2,930 units, and increased minimally in Vermont and Rhode Island, to 150 and 70 units, respectively. Losses in Connecticut, New Hampshire, and Maine of 37, 17, and 6 percent to 855, 655, and 205 units, respectively, more than offset those gains. The number of multifamily units permitted in the Boston-Cambridge-Quincy, MA-NH metropolitan area increased by 14 percent to 2,675 units and represent more than 50 percent of multifamily building activity in the region.

New England rental markets were primarily balanced during the second quarter of 2011 but are tightening because production levels continue to be moderate. According to Reis, Inc., the Boston metropolitan area rental market had an apartment vacancy rate of 4.4 percent in the second quarter of 2011 compared with a 6.2-percent rate a year earlier. The addition of 1,040

new units in 2010 represented only 23 percent of the 4,500-unit average annual increase from 2006 through 2009. Fewer than 500 rental units are anticipated to enter the market during 2011. The market rent in Boston averaged \$1,754 in the second quarter of 2011, an increase of 2 percent, consistent with the annual average increase for the past 5 years. In Fairfield County, Connecticut, the apartment vacancy rate was 5.1 percent, up slightly from 4.9 percent a year earlier, primarily because 1,200 new units entered the market in 2010, more than 3 times the average annual production level for the past 3 years. The average market rent was \$1,812, an increase of almost 4 percent compared with rent during the second quarter of 2010. In Providence, during the second quarter of 2011, the apartment vacancy rate decreased to 5.2 percent from 7.5 percent during the second quarter of 2010. After averaging nearly 500 new units annually from 2006 through 2009, Providence added virtually no new units in 2010 and none are anticipated for 2011. During the past 12 months, rents have been almost flat. In central and southern Connecticut, the Hartford and New Haven apartment markets are tight. The apartment vacancy rates in Hartford and New Haven are 3.8 and 2.5 percent, down from 5.6 and 2.9 percent, respectively, in the previous 12-month period. New production in Hartford was moderate after averaging about 400 new units annually from 2006 through 2009. One new downtown project of 500 units in 2010 accounts for almost all recent rental production in New Haven. Rent increases in Hartford and New Haven during the past 12 months were just under 2 percent each, to \$987 and \$1,120, respectively.