



# 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.

Economic conditions in the New England region have improved significantly since 2010, despite a slowdown in job growth during the past year. During the 12 months ending June 2012, nonfarm payrolls averaged 6.8 million jobs, an increase of 30,550 jobs, or 0.4 percent, compared with an increase of 47,950 jobs, or 0.7 percent, a year earlier. The largest job gains were in the professional and business services and the education and health services sectors, which increased by 19,400 and 15,750 jobs, or 2.2 and 1.1 percent, respectively. The wholesale and retail trade, transportation and utilities, and leisure and hospitality sectors grew by 9,025, 4,075, and 2,175 jobs, increases of 0.9, 2.2, and 0.3 percent, respectively.

The most significant losses during the past 12 months were in the government sector, which lost 15,400 jobs, a decrease of 1.6 percent, and included a decline of 10,400 jobs, or 1.7 percent, in the local government subsector. The financial activities and information sectors lost 5,075 and 1,775 jobs, or 1.1 and 1.2 percent, respectively.

During the 12 months ending June 2012, nonfarm payrolls grew in five of six states in the New England region. Massachusetts, which represents 47 percent of the total nonfarm payrolls in the region, accounted for 60 percent of the net gains during the past 12 months, adding 18,250 jobs, a 0.6-percent increase, compared with an increase of 29,550 jobs, or 0.9 percent, during the previous 12 months. The professional and business services sector in Massachusetts gained 14,050 jobs, or 3.0 percent, but the financial activities and information sectors lost 2,400 and 1,350 jobs, or 1.2 and 1.6 percent, respectively. Connecticut nonfarm payrolls increased by 8,850 jobs, or 0.5 percent, down from an increase of 12,250 jobs, or 0.8 percent, during the same period a year earlier. The education and health services sector increased by 8,325 jobs, or 2.7 percent, from the previous 12 months, when the sector expanded by 6,575 jobs, or 2.2 percent. Vermont and New Hampshire added 2,450 and 1,875 jobs, 0.8- and



0.3-percent gains, respectively. Job growth in Vermont was concentrated in the professional and business services sector, which gained 2,000 jobs, or 8.3 percent. In New Hampshire, the leisure and hospitality sector expanded 3.1 percent, adding 1,950 jobs. Payrolls in Maine were relatively unchanged, increasing by a total of 530 jobs, despite the loss of 1,450 local government jobs. Rhode Island lost 1,400 jobs, a 0.3-percent decline, including a loss of 1,075 jobs, or 2.2 percent, in the leisure and hospitality sector. During the 12 months ending June 2012, the unemployment rate in the region averaged 7.3 percent, which is less than the 8.2-percent rate during the previous 12 months and less than the 8.5-percent national rate. Average unemployment rates ranged from 5.1 percent in Vermont to 11.1 percent in Rhode Island.

The home sales markets in the New England region are currently soft, despite the number of sales increasing significantly in every state during the past 12 months. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending June 2012, existing home sales in Massachusetts totaled 42,750, a 15-percent increase from the previous 12 months. During June 2012, the median home sales price in Massachusetts was \$325,000, unchanged from June 2011. The Northern New England Real Estate Network (NNEREN) reported that, during the 12 months ending June 2012, in New Hampshire and Vermont, 11,650 and 4,300 homes sold, increases of 16 and 13 percent, respectively, from a year earlier. The median home sales prices for New Hampshire and Vermont during June 2012 were \$215,000 and \$213,500, a decrease of 3 percent and an increase of less than 1 percent, respectively, compared with the median home sales prices during the same period a year earlier.

The Rhode Island Association of REALTORS® (RIAR) reported 7,275 existing homes sold during the 12 months ending June 2012, a 16-percent increase from the previous 12 months. The median home sales price in Rhode Island during the second quarter of 2012 was \$192,000, down 6 percent from a year earlier. Data from the Maine Real Estate Information System, Inc., indicate that existing home sales in Maine totaled 10,650, a 15-percent increase from the previous 12 months. During June 2012, the median home sales price increased 2 percent, to \$175,500, compared with the median price during June 2011. In Connecticut, Prudential Connecticut Realty (PCR) reported 22,450 new and existing home sales during the 12 months ending June 2012, a 5-percent increase from the previous 12 months. The median home sales price for the year-to-date ending June 2012 declined 5 percent, to \$243,000, compared with the median price during the same period a year earlier.

LPS Applied Analytics reported that, in June 2012, 7.2 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) compared with 6.4 percent in June 2011 and 7.7 percent

nationwide. During June 2012, the largest rate increases for loans in this category were in Connecticut and Maine, with both states gaining more than 1 percentage point from a year earlier, to 8.5 percent each.

Condominium markets continue to be soft throughout the region, although conditions improved significantly during the past year in Massachusetts, New Hampshire, and Vermont. According to MAR, condominium sales in Massachusetts during the 12 months ending June 2012 totaled 16,050 units, a 12-percent increase from the previous 12 months. The median condominium sales price during June 2012 increased 4 percent, to \$305,000, from a year earlier. RIAR reported that, during the 12 months ending June 2012, condominium sales in Rhode Island increased 9 percent to 1,175 sales. The median condominium sales price in the state, during the second quarter of 2012, decreased 2 percent, to \$170,000. In New Hampshire and Vermont, NNEREN reported that during the 12 months ending June 2012, condominium sales increased 10 and 8 percent, to 2,700 and 970 sales, respectively, from a year earlier. During June 2012, the median condominium sales price increased 7 percent to \$165,400 in New Hampshire and 10 percent to \$198,000 in Vermont compared with the median price during the same period a year earlier. According to PCR, during the 12 months ending June 2012, condominium sales in Connecticut increased 1 percent, to 5,500 sales, from the previous 12 months. The median condominium sales price for the year-to-date ending June 2012, decreased 7 percent, to \$155,000, compared with the median price for the same period a year earlier.

Single-family homebuilding activity, as measured by the number of building permits issued, increased slightly during the past year in response to improvements in the home sales market, particularly in Massachusetts. Based on preliminary data, during the 12 months ending June 2012, 10,400 single-family homes were permitted in the region, a 1-percent increase from the 10,300 homes permitted during the 12 months ending June 2011, when single-family permits declined 11 percent from the previous 12 months. Single-family home construction increased, however, in only two of six states in the region during the 12 months ending June 2012. Massachusetts single-family home permits increased 5 percent to 4,500 homes, and New Hampshire reported a 4-percent increase, to 1,400 homes permitted. Single-family homes permitted in Rhode Island and Vermont remained unchanged at 630 and 500. Building in Connecticut and Maine, however, declined 4 and 3 percent, to 1,925 and 1,450 homes permitted, respectively.

Multifamily construction, as measured by the number of units permitted, increased significantly 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 June



2012, multifamily building activity totaled 6,850 units permitted, a 35-percent gain, which was less than the 50-percent increase nationwide but was a significant gain compared with the 6-percent decline in the region a year earlier. During the 12 months ending June 2012, multifamily building activity in Massachusetts grew 49 percent, to 4,125 units permitted compared with the number permitted during the previous year. Multifamily building activity in Connecticut and Maine increased 66 and 110 percent, to 1,425 and 420 units permitted, respectively, and Vermont increased 2 percent to 420 units permitted during the past 12 months. These gains more than offset decreases in New Hampshire and Rhode Island, where multifamily building activity totaled 390 and 85 units permitted compared with 610 and 220 units, respectively, from a year earlier.

Apartment market conditions in most metropolitan areas in the region are balanced to tight, and nearly all markets tightened during the past 12 months, reflecting limited completions of new rental units. Apartment market conditions in the Boston metropolitan area are tight. According

to Reis, Inc., during the second quarter of 2012, the apartment vacancy rate decreased to 3.7 percent compared with the 4.4-percent rate of a year earlier. The average market rent increased more than 2 percent, to \$1,796, during the same period. An estimated 5,100 new apartments are currently under construction, including more than 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 second quarter of 2012, the apartment vacancy rate declined to 3.5 percent from 5.2 percent a year earlier, with average rents increasing more than 2 percent, to \$1,241. Apartment market conditions are very tight in the Hartford metropolitan area, where apartment vacancy rates decreased during the second quarter of 2012 to 3 percent from 3.8 percent a year earlier, while the average market rent increased 3 percent, to \$1,017, compared with the average rent during the second quarter of 2011. During the same period, the apartment vacancy rate in the Manchester-Nashua metropolitan area declined to 2.8 percent from 3.3 percent and the average market rent increased 2 percent, to \$1,107.