



U.S. Housing Market Conditions



NEW ENGLAND REGIONAL REPORT HUD Region I

3rd Quarter Activity

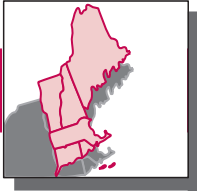
The following summary of the New England region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the New England region. 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.

During the 12 months ending September 2009, average nonfarm employment in the New England region declined by 196,000 jobs, or 2.8 percent, to 6.9 million jobs compared with the number of jobs recorded during the previous 12 months. This net loss exceeds all of the 195,000 jobs gained from 2004 through 2008. For the 12 months ending September 2009, only the education and health services sector reported growth, indicating an increase of 22,000 jobs, or 1.7 percent. Massachusetts accounted for 50 percent of the regional increase in the sector; most of the additional 10,900 jobs in the sector were due to an expansion of hospital services. The construction, manufacturing, professional and business services, and trade sectors accounted for 86 percent of the jobs lost in the region; the four sectors

combined lost 168,300 jobs, with each sector declining by about 40,000 jobs.

All states in the region reported job losses during the 12 months ending September 2009. The largest decline occurred in Massachusetts, which lost 86,000 jobs, or 2.6 percent. Losses were highest in the professional and business services sector at 23,000 jobs, or 4.7 percent, and the trade sector, at 19,000 jobs, or 3.9 percent. Connecticut lost 52,000 jobs, a 3.0-percent decline, including the loss of 12,000 jobs in the construction sector, an 18.3-percent decline, as commercial and residential development slowed considerably. Job losses in New Hampshire totaled 11,400, a 1.8-percent decrease, with losses attributed mainly to the construction and manufacturing sectors; employment in the service-providing sectors remained flat. The unemployment rate in New England during the 12 months ending September 2009 was 7.8 percent, up from 4.9 percent during the previous 12-month period. Average unemployment rates for the states ranged from 5.9 percent in New Hampshire to 11.2 percent in Rhode Island.

Sales housing markets have been soft in general throughout most of the region. Although sales levels in the third quarter of 2009 were higher than in the



third quarter a year earlier, the level of sales during the 12 months ending September 2009 was still below the level during the previous 12 months. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending September 2009, existing home sales were down 3 percent to 35,000 units and the median home sales price was down 10 percent to \$290,000 compared with the sales volume and price during the prior 12 months. The inventory of existing homes in September 2009 totaled about 29,000 listings, a decrease in the number of homes for sale, which reflects an improvement of 12 percent from the inventory in the previous 12-month period and which represents only a 7-month supply of unsold homes, down from a 10-month supply a year earlier. During the past 12 months, the average number of days a home was listed on the market decreased from 134 to 124 days. In Connecticut, The Warren Group reported that about 23,000 existing homes were sold during the 12 months ending September 2009, down 13 percent from the 26,100 units sold in the previous 12 months. During the 12 months ending September 2009, the median sales price of an existing home in Connecticut was \$241,000, down 13 percent from the price a year earlier. According to the Rhode Island Association of REALTORS® (RIAR), during the 12 months ending September 2009, existing home sales in Rhode Island totaled 7,150 units, up 8 percent from the price recorded during the previous 12 months but down 10 percent from the level of sales during the 12 months ending September 2007. During the 12 months ending September 2009, the median sales price was about \$199,000, down 19 percent.

The Maine Real Estate Information System, Inc., reported that in Maine, during the 12 months ending September 2009, existing home sales fell only 4 percent to total about 9,600 homes, but the median sales price fell 11 percent to \$164,100. According to the Northern New England Real Estate Network (NNEREN), Inc., the number of existing homes sold in New Hampshire also declined only 4 percent to 10,000 homes during the 12 months ending September 2009, but the median sales price fell 12 percent to \$214,000.

According to the Federal Housing Finance Agency, home prices in the New England region for the 12 months ending August 2009 decreased by only 3 percent compared with prices recorded for the same period ending August 2008. New England ranked in the middle of the nine Census regions and just below the 4-percent price decrease recorded nationally. The S&P/Case-Schiller® Home Price Index for August 2009 indicates that the Boston metropolitan area, where home prices have increased for 5 consecutive months, ranked fourth in the nation for the lowest 1-year rate of price decline, down slightly more than 4 percent as of August 2009. During the same period, the composite index of 20 metropolitan areas was down more than 11 percent.

Condominium markets in New England remained soft. Declines in sales and median prices were considerably greater than in the existing single-family home sales market. According to the MAR, during the 12 months ending September 2009, condominium sales in Massachusetts totaled 14,200 units, down 12 percent from the number sold during the previous 12 months, and the median sales price was \$254,300, down 8 percent. In Connecticut, The Warren Group reported that, during the 12-month period ending September 2009, condominium sales totaled 6,850 units, down 29 percent and the median sales price declined by about 12 percent to \$179,000. During the 12 months ending September 2009, condominium sales in Rhode Island, as reported by the RIAR, totaled only 1,050 units, down 27 percent, and the median sales price was \$183,500, down more than 16 percent. In New Hampshire, according to the NNEREN, condominium sales declined by nearly 18 percent to 2,400 units and the median sales price fell about 11 percent to \$164,700.

Declining home sales and falling prices led to significant decreases in single-family construction activity, as measured by the number of homes permitted. Based on preliminary data, during the 12 months ending September 2009, new single-family home construction declined by 34 percent to 9,350 homes permitted compared with the nearly 14,300 homes permitted during the previous 12-month period. The largest absolute decrease occurred in Massachusetts, where permits were issued for 3,700 homes, down 30 percent. New home construction decreased by 44 percent to 1,800 in Connecticut and by 40 percent to 1,300 in New Hampshire. In Maine, permits were issued for approximately 1,500 new homes, down 30 percent from the number issued during the previous 12 months. In Rhode Island, construction was down 29 percent to 700 homes compared with the 975 homes permitted during the previous year. During the past year, new home construction fell in all major metropolitan areas in the region, including decreases of 45 percent to 600 homes in Hartford, 38 percent to 2,500 homes in Boston, and 34 percent to 900 homes in Providence.

Multifamily building activity, as measured by the number of units authorized by permits, declined in all states in the New England region during the 12-month period ending September 2009 compared with the previous 12-month period, based on preliminary data. The number of multifamily permits issued in the region declined by 37 percent to about 5,350 units, representing less than one-half the average number permitted annually between 2000 and 2008. During the 12 months ending September 2009, of all states in the region, Massachusetts had the largest decline, down about 52 percent, to 2,325 units permitted. Decreases in other states ranged from 2 percent in Connecticut, with 1,700 units permitted, to nearly 56 percent in



Maine, with about 200 units permitted. The only major New England metropolitan market to record a significant increase was Fairfield County, Connecticut, where the number of multifamily units permitted was up 73 percent to about 1,200 units, with about one-third expected to be sales units. Despite employment declines in the financial services sector in New York City and Fairfield County, the rental market in Fairfield County has remained stable.

A number of large metropolitan areas in New England have had soft rental markets with high vacancy rates and declining or flat rents, resulting from increasing rental construction since 2005, minimal job growth in 2007, and job losses in 2008. More than 8,900 new rental units were added in the Boston market during 2007 and 2008, and an additional 3,850 units are expected to be completed in 2009. According to Reis, Inc., as of the third quarter of 2009, the apartment vacancy rate in the Boston metropolitan area was 6.3 percent, up from 6.1 percent a year ago and 5.8 percent 2 years ago. The aver-

age asking rent in Boston during the third quarter of 2009 was about \$1,700, down 2 percent from a year ago. Impacted by job losses in the financial services sector, the apartment vacancy rate in Fairfield County increased from 4.9 percent a year ago to 5.3 percent, and the average asking rent was down 3 percent to about \$1,750. The apartment vacancy rate in Providence during the third quarter of 2009 was 9.2 percent, up from 8.0 percent a year ago. The average rent was down more than 2 percent to about \$1,250.

Compared with markets in the larger metropolitan areas, a number of smaller metropolitan market areas have had fewer additions to the rental inventory and have more balanced markets. Worcester, Massachusetts, and New Haven, Connecticut, had vacancy rates of 3.8 and 2.5 percent, respectively, and recorded rent decreases of 1 percent or less during the past 12 months. In Portland, Maine, and Nashua-Manchester, New Hampshire, vacancy rates were 3.7 and 4.5 percent, respectively, and rents were also down 1 percent or less.