



U.S. Housing Market Conditions

NEW ENGLAND REGIONAL REPORT HUD Region I



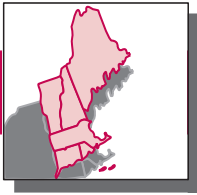
3rd Quarter Activity

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.

Job losses that began in late 2008 in the New England region and continued through most of 2010, have begun to abate. During the 12 months ending September 2010, nonfarm payrolls declined by 100,500 jobs, or 1.5 percent, compared with a loss of 217,300 jobs, or a 3.1-percent decline, during the previous 12 months. During the 3 months ending September 2010, however, nonfarm payrolls increased by 45,800 jobs compared with decreased payrolls during the 3-month period ending September 2009. More than one-half of the jobs lost during the 12 months ending September 2010 were in the goods-producing sectors of construction, which lost 22,400 jobs, or 13.7 percent, and manufacturing, which lost 32,700 jobs, or 8.2 percent. The service-providing sectors with significant losses

include trade, financial activities, and professional and business services, with declines of 23,800, 16,700, and 16,300 jobs, or 5.3, 3.6, and 1.9 percent, respectively. The only sectors that gained jobs were the education and health services and the leisure and hospitality sectors, increasing by 21,900 jobs, or 1.6 percent, and 3,600 jobs, or 0.6 percent, respectively.

Each state in the region lost jobs during the 12 months ending September 2010, with the southern New England states of Massachusetts, Connecticut, and Rhode Island accounting for more than 80 percent of the regional payroll decline. Massachusetts had the greatest decline in nonfarm payrolls, losing 40,600 jobs, or 1.3 percent, including losses of 13,100, 10,700, and 10,600 jobs, or 4.9, 2.3, and 9.1 percent in the manufacturing, trade, and construction sectors, respectively. Connecticut lost 30,000 jobs, or 1.8 percent, including 8,300 jobs, or 4.7 percent, in the manufacturing sector and 8,300 jobs, or 4.3 percent, in the professional and business services sector. In Rhode Island, 12,500 jobs, or 2.7 percent, were lost, including 3,100 jobs, or 7.2 percent, in the manufacturing sector and 3,400 jobs, or 10.3 percent, in the trade sector. The unemployment rate in New England during the 12 months ending September 2010 averaged 7.9 percent, down from 8.5 percent during the previous 12 months.



For most of the 12 months ending September 2010, lower interest rates and the homebuyer tax credit extension led to increased sales levels of existing single-family homes; however, the expiration of the tax credit as of July 1, 2010, resulted in a significantly lower number of home sales during the third quarter of 2010 relative to the third quarter of 2009. During the 12 months ending September 2010, the Massachusetts Association of REALTORS® reported that sales of existing homes increased by 12 percent to 39,400 homes sold compared with a decrease of 3 percent to 35,350 home sales during the previous 12 months. In September 2010, the median sales price was \$295,000, up 2 percent, compared with the median sales price of \$290,000 in September 2009, which was down 3 percent from the September 2008 median price. The inventory of single-family homes on the market in September 2010 was 32,475 homes, representing almost a 10-month supply, up 13 percent from a year earlier. Days on the market were virtually unchanged at 126 days. According to The Warren Group, during the 12 months ending September 2010, the number of existing home sales in Connecticut totaled 26,770, up 19 percent compared with a decline of 14 percent to 22,560 homes sold during the 12 months ending September 2009. The median sales price was \$272,250 during the 12 months ending September 2010, up 7 percent compared with a 12-percent decline during the previous 12 months. In Rhode Island, during the 12 months ending September 2010, the Rhode Island Association of REALTORS® (RIAR) reported that 7,360 homes sold in the previous 12 months. The median sales price of \$219,500 recorded in September 2010 was 5 percent higher than the \$210,000 median sales price recorded in September 2009.

The Northern New England Real Estate Network (NNEREN), Inc., reported that, in New Hampshire, during the 12 months ending September 2010, existing home sales increased 9 percent to 11,025 homes sold; the median sales price increased slightly more than 1 percent to \$217,750. According to the Maine Real Estate Information System, Inc., the number of existing homes sold in Maine increased 14 percent to 10,910 homes sold during the 12 months ending September 2010, and the median sales price increased 2 percent to \$169,900.

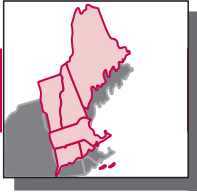
According to the Federal Housing Finance Agency, home sales prices in the New England region decreased by almost 3 percent during the second quarter of 2010 (the most recent data available) compared with home sales prices in the second quarter of 2009. Nationally, home sales prices were down just under 2 percent, with prices for individual New England states ranging from a loss of just under 1 percent in Massachusetts to a loss of more than 5 percent in Maine. According to the Lender Processing Services Mortgage Performance Data, in September 2010, the number of loans 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned) in the region increased by 2 percent to 103,000 homes compared with the number reported in September 2009. This level repre-

sents 6 percent of all home loans in the region in September 2010 and is virtually unchanged from September 2009. The national rate in September 2010 was 8.4 percent.

Condominium sales markets in the New England region, in general, had double-digit sales growth during the 12 months ending September 2010 but also had significant sales declines during the third quarter of 2010. In Massachusetts, MAR reported that, during the 12 months ending September 2010, condominium sales totaled 16,340 units, an increase of 15 percent compared with the previous 12 months and the median sales price was \$259,900, unchanged from September 2009. According to RIAR, condominium sales in Rhode Island increased 17 percent to 1,250 units sold during the past 12 months and the median sales price increased more than 19 percent to \$215,000 in September 2010 compared with the median price a year earlier. In Connecticut, The Warren Group reported that condominium sales increased 17 percent to 7,960 units during the 12 months ending September 2010 and the median sales price increased 7 percent to \$193,000. According to the NNEREN, condominium sales in New Hampshire increased by 14 percent to 2,830 units sold during the 12 months ending September 2010, and the median sales price declined by 2 percent.

In response to an increased demand for new single-family homes during the past 12 months, homebuilders increased the production of new homes. During the 12 months ending September 2010, single-family home construction activity, as measured by the number of homes permitted, increased by 25 percent to 11,750 homes compared with a decline of 34 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 gain of nearly 1,200 homes to 4,900, or 32 percent, compared with a decline of 30 percent during the 12-month period ending September 2008. During the 12 months ending September 2010, the number of single-family homes permitted in Vermont, Connecticut, and New Hampshire increased 28, 24, and 21 percent to 575, 2,200, and 1,540 homes, respectively. In Maine and Rhode Island, the number of homes permitted increased by 17 percent to 1,720 and 810 homes, respectively.

Multifamily construction activity has begun to rise after 4 years of decline from the peak of 16,930 units permitted in 2005. During the 12 months ending September 2010, based on preliminary data, the number of multifamily units permitted increased by 4 percent compared with the 36-percent decline in the number of units permitted during the 12 months ending September 2009. In Massachusetts, where more than 50 percent of the multifamily construction activity occurred, the number of units permitted increased by 29 percent to 3,000 units during the 12 months ending September 2010 compared with the 52-percent decline recorded during the previous 12 months. The number of multifamily units permitted in Vermont



increased by 44 percent to 375 units permitted. All other states had declines in the number of multifamily units permitted, with Connecticut, Maine, and Rhode Island declining 23, 25, and 29 percent to 1,320, 200, and 160 units permitted, respectively.

Rental markets in the New England region are beginning to tighten significantly, as the effect of several years of declining rental production is resulting in lower vacancy rates. Reis, Inc., data indicates the average decline in vacancy rates among the major metropolitan markets is almost 1 percent during the 12 months ending September 2010. In general, rents have averaged only a moderate increase of slightly less than 1 percent during the same period, primarily because of the weaker economic environment. In the Boston metropolitan area, the apartment vacancy rate in the third quarter of 2010 was 5.4 percent, down from 6.3 percent a year earlier. The average asking rent was \$1,730, up 1 percent from a year earlier. Additions to the rental inventory are expected to be significantly lower during the next several years than the increases reported during the mid-2000s. In Connecticut, the Fairfield County and Hartford metropolitan areas had apartment vacancy rates of 5.2 and 5.0 percent, down from 5.3 and 5.8 percent, respectively, during the 12 months ending

September 2009. Asking rent in Fairfield County was \$1,766, unchanged from a year earlier, and, in Hartford, the asking rent was up nearly 2 percent to \$976. In the third quarter of 2010, the New Haven metropolitan area rental market had an apartment vacancy rate of only 2.3 percent, down from 2.7 percent in the third quarter of 2009. The average asking rent was \$1,107, up nearly 2 percent during the 12 months ending September 2010. The Providence metropolitan area, which includes the entire state of Rhode Island, had an apartment vacancy rate of 6.4 percent in the third quarter of 2010, a significant decline from 9.2 percent a year earlier. Portland, Maine, and Manchester-Nashua, New Hampshire, in northern New England, have apartment vacancy rates of 3.3 and 3.4 percent, down from 4.0 and 4.5 percent, respectively. The average asking rent in Portland was up almost 1 percent to \$1,012 during the past year and, in Manchester-Nashua, the average asking rent was down nearly 3 percent. In central and western Massachusetts, the Worcester and Springfield metropolitan areas have apartment vacancy rates of 3.9 and 4.3 percent, up from 3.8 percent and down from 5.8 percent, respectively. As the economic recovery progresses, and because additions to the inventory are expected to grow moderately, most of these rental markets will continue to tighten.