



U.S. Housing Market Conditions

NEW ENGLAND REGIONAL REPORT HUD Region I

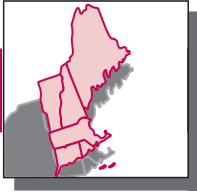
3rd Quarter Activity

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.

Nonfarm payrolls in the New England region grew by 66,800 jobs, or 1.0 percent, to 6.9 million jobs during the 12 months ending September 2011 compared with a loss of 93,300 jobs, or 1.4 percent, during the previous 12 months. The education and health services sector continued its strong growth, increasing by 26,600 jobs, or 2.0 percent, after adding 17,400 jobs, a 1.3-percent increase, during the previous 12 months. The professional and business services and the leisure and the hospitality sectors grew by 20,700 and 20,500 jobs, or 2.5 and 3.2 percent, respectively. The information sector increased by 1,400 jobs, or 0.9 percent, a reversal of the decrease of 5,900 jobs, or 3.7 percent, during the previous 12 months. The retail trade subsector and the manufacturing sector added 8,200 and 6,300 jobs, increases of 1.1 and 1.0 percent, respectively.

During the 12 months ending September 2011, jobs in the government sector declined by 14,300, or 1.4 percent. The declines divided evenly between the federal government and local government subsectors, which were down nearly 7 percent, or 7,700 jobs, and 1.1 percent, or 6,500 jobs, respectively. Payrolls in the construction subsector were down only 2,000 jobs, or 0.9 percent, a significant improvement compared with the loss of 22,700 jobs, or 8.9 percent, during the previous 12 months.

All states in the New England region have continued to increase nonfarm payrolls through most of 2011. Vermont, where 4,900 jobs were added, recorded the region's greatest percentage increase in jobs, 1.7 percent, nearly twice the growth rate of the remainder of the region. Vermont lost 2,800 jobs, or 0.9 percent, during the same period a year earlier. Job gains were most pronounced in the leisure and hospitality and the professional and business services sectors, up 1,800 and 1,400 jobs, or 5.6 and 6.0 percent, respectively. Massachusetts accounted for more than 50 percent of the net job gain in the region, with an increase of 34,800 jobs, or 1.1 percent, compared with a loss of 27,000 jobs, or 0.8 percent, during the previous 12 months. The education and health services sector, which represents 23 percent of all service-providing jobs in the state, accounted for 42 percent of the net gain with an increase of 13,500 jobs, or 2.0 percent. The leisure



and hospitality and the professional and business services sectors increased by 8,200 and 8,500 jobs, or 2.7 and 1.8 percent, respectively. Connecticut gained 14,400 jobs, or 0.9 percent, compared with a loss of 38,700 jobs, or 2.4 percent, during the previous year. A decline in the government sector of 2,400 jobs, or 1.0 percent, partially offset gains of 5,500 and 7,900 jobs, or 2.9 and 2.6 percent, in the professional and business services and the education and health services sectors, respectively. New Hampshire gained 6,400 jobs, an increase of 1.0 percent, with significant gains of 6.5 and 8.1 percent, or 4,100 and 5,000 jobs, in the professional and business services and the leisure and hospitality sectors, respectively. Maine and Rhode Island had small nonfarm payroll increases of 0.6 and 0.5 percent, or 3,700 and 2,500 jobs, respectively. During the 12 months ending September 2011, the unemployment rate in the New England region averaged 8.0 percent, down from 8.6 percent a year earlier. Rates ranged from 5.7 percent in Vermont to 11.0 percent in Rhode Island.

Although job gains accelerated in the third quarter of 2011 and interest rates have moved to historic lows, the home sales markets in the region continue to be soft. During the 12 months ending September 2011, sales were down in all six states in the region. According to the Massachusetts Association of REALTORS® (MAR), during the 12 months ending September 2011, existing home sales totaled 36,350, down nearly 9 percent from sales during the previous 12 months, but 4 percent higher than total sales for the 12 months ending September 2009. The median sales price in September 2011 increased by nearly 2 percent to \$294,950. In Connecticut, during the 9 months ending September 2011, Prudential Connecticut Realty reported 16,325 existing home sales, a decrease of 9 percent compared with sales during the 9 months ending September 2010. For the third quarter of 2011, the median sales price was \$253,800, down 2 percent from prices in the third quarter of 2010. The Rhode Island Association of REALTORS® (RIAR) reported that, during the 12 months ending September 2011, existing home sales declined 12 percent to 6,515 homes and that, during the third quarter of 2011, the median sales price declined 8 percent to \$202,250 compared with prices during the third quarter of 2010.

According to the Maine Real Estate Information System, Inc., during the 12 months ending September 2011, existing home sales totaled 9,670, down more than 11 percent compared with sales a year earlier. The median sales price for September 2011 was \$159,000, a decrease of more than 6 percent from the September 2010 median. The Northern New England Real Estate Network (NNEREN) reported that in New Hampshire, 10,500 new and existing homes sold during the 12 months ending September 2011, down more than 5 percent from sales during the 12 months ending September 2010. The NNEREN also reported that home sales in Vermont totaled 4,040, down just more than 3 percent from the previous 12 months' sales. The median sales prices for New Hampshire and

Vermont were \$195,350 and \$212,000, down 10 percent and up almost 9 percent, respectively, from prices during the previous year.

According to the Federal Housing Finance Agency House Price Index, in the second quarter of 2011 (the most recent data available), home prices in the New England census region decreased by 2.4 percent compared with prices during the second quarter of 2010. This decrease represents the second lowest rate of price depreciation of the nine census regions, behind only West South Central (Texas and the surrounding states), and compares favorably with a decline of 5.9 percent for the nation. LPS Applied Analytics reported that, in September 2011, 6.4 percent of home loans in the New England region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), unchanged from the September 2010 rate.

For the 12 months ending September 2011, condominium markets in the New England region continued to be soft. According to the MAR, during the 12-month period ending September 2011, condominium sales in Massachusetts totaled 14,240 units, down 14 percent compared with sales during the previous 12 months but virtually unchanged from the 12 months ending September 2009. The median sales price of \$272,000 was up more than 5 percent from a year ago. In Connecticut, Prudential Connecticut Realty reported that condominium sales declined nearly 15 percent to 4,140 units during the first 9 months of 2011 compared with sales during the first 9 months of 2010. The median sales price for the third quarter of 2011 was \$156,500, a decrease of more than 5 percent from a year earlier. According to the RIAR, condominium sales in Rhode Island totaled 1,085 units, a 14-percent decline, and the third quarter median sales price declined 7 percent to \$200,000 compared with prices during the same period a year earlier. During the 12 months ending September 2011, the NNEREN reported that condominium sales in Vermont and New Hampshire declined by more than 8 and 11 percent to 925 and 2,530 units, respectively. In September 2011, median prices in the two states were \$188,000 and \$155,000, down more than 5 and 6 percent, respectively.

Single-family home construction activity, as measured by the number of building permits issued, continued to decline in the third quarter of 2011 in response to declining sales and tighter credit standards. During the 12 months ending September 2011, based on preliminary data, 9,820 new single-family homes were permitted in the New England region, a 16-percent decline compared with the number permitted during the previous 12 months, but a 5-percent increase from the 12 months ending September 2009. All states in the region posted declines in single-family home construction during the 12 months ending September 2011, ranging from a 24-percent decline in Rhode Island, to 610 homes, to a 15-percent decline in New Hampshire, to 1,320 homes.



Massachusetts and Connecticut had declines of 15 and 16 percent, to 4,150 and 1,860 homes, respectively; together, however, they continue to represent more than 60 percent of the single-family home construction in the region. In the northern part of the region, single-family construction in Maine and Vermont had 19- and 18-percent declines, to 1,410 and 470 homes, respectively.

During the 12 months ending September 2011, multifamily construction, as measured by the number of units permitted, decreased in the region by more than 13 percent, to 4,870 units. Based on preliminary data, the most significant decline occurred in Connecticut, where units permitted totaled 995, down 27 percent from the previous 12 months and down 42 percent from the 12 months ending September 2009. Multifamily building activity in Massachusetts was down 19 percent to 2,320 units but was unchanged from the 12 months ending September 2009. The number of units permitted in Rhode Island remained relatively unchanged at 170 during the past 12 months. Maine and New Hampshire posted gains of 34 and 19 percent, to 235 and 770 units, respectively, and multifamily building activity in Vermont was virtually flat, with 375 units permitted.

Rental markets in the New England region are currently a mix of balanced and tight conditions, but almost all rental markets are tightening as homeownership becomes

more difficult to attain and as new additions to the rental inventory have been limited in most markets. According to MPF Research, for the third quarter of 2011, the apartment vacancy rate in the Boston metropolitan area was 3.1 percent, down from 3.5 percent a year earlier. The average effective rent was \$1,606, up nearly 6 percent from the average during the same period of 2010. With the city's economy strengthening, rental demand increasing, and capital markets for real estate investment favorable, several new rental projects are under way in Boston: Avalon Exeter, The Kensington, and The Victor together total more than 800 units. In the Hartford metropolitan area, MPF reported a 2.9-percent apartment vacancy rate in the third quarter of 2011, down from the 4.5-percent rate in the third quarter of 2010. The average asking rent was \$1,110, a 6-percent increase from asking rents a year earlier. According to Reis, Inc., in Fairfield County, Connecticut, adjacent to New York City, the apartment vacancy rate increased during the past 12 months from 5.2 to 5.4 percent in the third quarter of 2011. During the same period, the average asking rent increased nearly 3 percent, from \$1,765 to \$1,816. In the Providence metropolitan area, the apartment vacancy rate decreased nearly 2 percentage points, from 6.4 to the current 4.5 percent. The average asking rent rose less than 1 percent, to \$1,221, during the past 12 months.