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 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 peaking at about 7.2 million jobs in mid-2008, nonfarm employment in the New England region continued to decline through 2009, averaging about 6.8 million jobs, down 223,500, or 3.2 percent, compared with the loss of only 9,500 jobs, or 0.1 percent, during 2008. Job losses during 2008 and 2009 exceeded the combined gains of 192,500 jobs added in the region between 2004 and 2007 by more than 20 percent. During 2009, the only sector reporting growth was education and health services, which increased by 19,100 jobs, or 1.5 percent, to 1.3 million. This sector represents nearly 20 percent of the nonfarm jobs in the region. The manufacturing and construction sectors accounted for the loss of 50,500 and 44,300 goods-producing jobs, or 7.3 and 15.4 percent, respectively.

Major losses in the service-providing sectors were recorded in the professional and business services and trade sectors, with losses of 46,600 and 43,500 jobs, or 5.2 and 8.3 percent, respectively, in 2009 compared with the number of jobs in 2008.

All states in the region reported job losses during 2009. Massachusetts had the largest employment decline with 97,000 jobs lost, or 3.0 percent, including losses of 24,900, or 5.1 percent, and 21,600, or 9.8 percent, in the professional and business services and trade sectors, respectively. Connecticut lost 62,400 jobs, a 3.7-percent decline, including 15,400 professional and business services jobs, 13,000 manufacturing jobs, and 12,700 construction jobs, declines of 7.5, 7.2, and 19.5 percent, respectively. Rhode Island lost 19,900 jobs, or 4.1 percent, which was the highest percentage decline in the region; it was nearly twice the rate of job losses during the previous year. Losing only 13,700 jobs, New Hampshire posted the smallest percentage job loss—2.1 percent. During 2009, the unemployment rate in the New England region averaged 8.4 percent, up from 5.4 percent in 2008. Average unemployment rates for the states in the region ranged from 6.5 percent in New Hampshire to 12.0 percent in Rhode Island.
Despite a weak economy, the existing home sales markets have become more balanced in most New England states, a result of lower interest rates and home prices and higher consumer activity because of the first-time homebuyer’s tax credit. According to the Massachusetts Association of REALTORS® (MAR), during 2009, existing home sales were up 4 percent to 37,020 homes from 35,560 home sales in 2008 but were down 14 percent from 2007, when 41,585 homes sold. The median sales price was down 7 percent to $290,000 in 2009 from $311,000 in 2008 and was 16 percent lower than the $345,500 median sales price in 2007. The inventory of homes on the market in 2009 decreased 14 percent to 21,750, or to a 7-month supply, compared with the inventory in 2008. The Rhode Island Association of REALTORS® (RIAR) reported that home sales totaled 7,720 units in 2009, representing an increase of 16 percent compared with the decline of 13 percent in 2008. This positive trend was due primarily to a 28-percent collective increase in the number of distressed home sales, foreclosure sales, and short sales, with 2,630 homes sold in 2009. The median sales price continued to decline in 2009, however, to $199,900, down 15 percent, which is the same rate of decline recorded from 2007 to 2008.

The Maine Real Estate Information System, Inc., reported that existing home sales in Maine increased by 10 percent during 2009 to 10,490 homes. The decrease in the median sales price, however, down to $164,000, was accelerated from a decline of 7 percent in 2008 to a decline of 9 percent in 2009. According to the Northern New England Real Estate Network [NNEREN], the number of existing homes sold in New Hampshire increased 6 percent to 10,830 units in 2009, compared with a decline of 15 percent from the number sold in 2007. The median sales price, however, fell to $212,000, a 10-percent decline from $235,000, similar to the percentage decline for 2007. The existing home sales market in Connecticut continued to soften. The Warren Group reported that about 24,400 existing homes were sold during 2009, representing a decrease of only 2 percent from the 24,860 homes sold in 2008. The median sales price for 2009 was $240,500, down 10 percent from the median price in 2008.

According to the Federal Housing Finance Agency, home prices in the New England region decreased by slightly more than 2 percent during the third quarter of 2009 compared with home prices during the third quarter of 2008. New England ranked fourth among the nine census regions, just above the nearly 4-percent decrease in home prices recorded nationally. The price changes for the individual states ranged from a loss of almost 5 percent in Connecticut to an increase of more than 2 percent in Vermont. According to RealtyTrac® Inc., nearly 71,400 foreclosure filings were reported in the New England region during 2009, nearly 16 percent fewer than the 82,500 foreclosures filed during 2008.

The resulting foreclosure rate for 2009 was 1.3 percent, significantly lower than the national rate of 2.2 percent. Connecticut and Massachusetts had rates of 1.4 and 1.3 percent, respectively, totaling almost 80 percent of the total foreclosure filings in the region. Vermont, with 143 foreclosures, had the fewest filings and the lowest rate in the nation at 0.05 percent.

Condominium markets in the New England region have remained soft. With the exception of Massachusetts, all states in the region reported that sales levels, in general, were down in 2009 from sales in 2008 and that percentage declines in median sales prices have been comparable to the existing home sales market, down 7 to 16 percent. According to MAR, during 2009, condominium sales in Massachusetts increased 2 percent to 15,360 units compared with the number of condominium sales in 2008; the median sales price was down 7 percent to $252,000. In Connecticut, The Warren Group reported that during 2009 condominium sales totaled 7,360 units, down 14 percent from 2008, and the median sales price declined by approximately 9 percent to $178,000. During 2009 condominium sales in Rhode Island, as reported by RIAR, totaled 1,200 units, down only 1 percent, but the median sales price of $179,000 represented a decline of almost 17 percent. In New Hampshire, according to NNEREN, condominium sales were flat, at about 2,750 units, but the median sales price was down 8 percent to $165,000.

Because of falling home sales prices and decreased demand for new homes, single-family homebuilding activity, as measured by the number of homes permitted, declined significantly in the New England region in 2009. During 2009, the number of homes permitted declined by 17 percent to 9,960 homes compared with about 12,040 homes in 2008, based on preliminary data. The largest absolute decrease and percentage decrease for 2009 occurred in Connecticut, where permits were issued for only 1,850 homes, representing a decline of 31 percent from the number of homes permitted 2008. In 2009, compared with 2008, new home construction in New Hampshire decreased by 28 percent to 1,310 homes and in Rhode Island by 19 percent to 700 homes. In Massachusetts, permits were issued for 4,050 homes, down only 6 percent, these permits represented 40 percent of all single-family construction in the region. During 2009, new home construction activity fell in all major metropolitan areas in the region; however, the rate of decline decreased significantly. The number of homes permitted in Boston in 2009 was 3,050, down only 8 percent from the number permitted in 2008, which indicates an improvement when compared with the decline of 36 percent from 2007 to 2008. Homes permitted in Providence during 2009 declined 15 percent to 1,050 compared with a decrease of 42 percent during the previous year.
The level of multifamily construction, as measured by the number of units permitted, also declined in the New England region in 2009. Only 5,140 multifamily units were permitted in 2009, based on preliminary data, down 36 percent from the 8,040 units permitted in 2008. From 2004 through 2007, an average of 14,000 multifamily units were permitted annually. The largest decreases in multifamily units permitted were recorded in Connecticut and Massachusetts, where the declines were 35 percent, down to 1,300 units, and 42 percent, down to 2,450 units, respectively. The number of units permitted in Maine declined 48 percent, down to 225 units, and in New Hampshire declined 38 percent, down to 560 units. The number of multifamily units permitted in Vermont and Rhode Island was up 27 percent to 350 units and up 29 percent to 255 units, respectively; however, these totals were not large enough to offset the overall declining trend in the region.

Conditions in most New England rental markets were balanced at the end of 2009; however, rental vacancy rates increased moderately in most areas as job losses and weakening economies curtailed demand. During the past 5 years, the Boston area rental market added about 4,000 new rental units annually, according to Reis, Inc. In the fourth quarter of 2009, the apartment vacancy rate was 6.4 percent, up from 6.0 percent in the fourth quarter of 2008. The vacancy rate in the newer Class A inventory was 7.9 percent, up from 7.5 percent a year earlier. The average rent in the fourth quarter of 2009 was $1,696, down nearly 3 percent from a year earlier. In Connecticut, Fairfield County added only 360 new rental units to the inventory during 2008; however, the apartment vacancy rate increased to 5.5 percent during the fourth quarter of 2009, up from 4.3 percent in the fourth quarter of 2008. Reis, Inc., estimates that 1,100 rental units were under construction at the end of 2009. In the fourth quarter of 2009, the average rent of $1,739 was down more than 4 percent from the average rent recorded in the previous year. The apartment vacancy rate in the Hartford metropolitan area increased from 5.2 percent in 2008 to 6.2 percent in 2009, but the rental inventory for the area remained virtually unchanged. During the fourth quarter of 2009, the average rent of $963 was down less than 1 percent from the average rent a year earlier. In the Providence metropolitan area, a soft rental market was affected by job losses and an increasing unemployment rate. In the fourth quarter of 2009, the apartment vacancy rate was up to 8.5 percent from the 7.9-percent rate recorded in the fourth quarter of 2008. In 2009, the average rent of $1,204 was down nearly 3 percent from the average rent in 2008.