



# U.S. Housing Market Conditions



## NEW ENGLAND REGIONAL REPORT HUD Region I

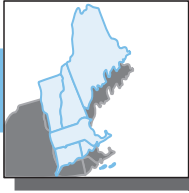
### 4th Quarter Activity

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.

The economic decline, which began in the third quarter of 2008, slowed in the New England region during 2010, with nonfarm payrolls averaging 6.8 million jobs, down only 17,000, or 0.3 percent, compared with the loss of 266,500 jobs, or 3.8 percent, during 2009. Job losses during the past 3 years exceeded by nearly 50 percent the 192,400 jobs added in the region between 2004 and 2007. During 2010, the service-providing sectors of education and health services and leisure and hospitality posted the most significant job gains, with increases of 23,600 and 9,400 jobs, or 1.8 and 1.5 percent, respectively. As of 2010, education and health services employment represents more than 20 percent of

the nonfarm payroll jobs in the region, up from 15 percent in 2000. In 2010, the manufacturing and construction sectors accounted for the loss of 13,900 and 13,000 jobs, or 5.3 and 2.2 percent, respectively. Major losses in service-providing sectors were recorded in the financial activities and retail and wholesale trade sectors, which lost 10,500 and 9,900 jobs, or 2.3 and 2.4 percent, respectively, compared with the number of jobs recorded during 2009.

Nonfarm payroll gains were reported only in New Hampshire and Massachusetts during 2010. New Hampshire added 7,500 jobs, or 1.2 percent, including increases of 2,000 jobs, or 3.1 percent, in the professional business services sector and 2,000 jobs, or 3.3 percent, in the leisure and hospitality sector. The level of nonfarm payrolls in Massachusetts in 2010 remained virtually unchanged with a gain of only 1,300 jobs, to 3.2 million jobs. Job gains in the education and health services and the professional and business services sectors of 14,300 jobs, or 2.2 percent, and 3,400 jobs, or 0.7 percent, respectively, were partially offset by losses of 5,400 jobs, or 2.1 percent, and 5,300 jobs, or 4.8 percent, in the manufacturing and construction sectors, respectively. Connecticut lost 11,500 jobs, which was a 0.7-percent decline, including 4,700 manufacturing



jobs, 3,900 construction jobs, and 3,700 financial activities jobs, decreases of 2.7, 7.1, and 2.7 percent, respectively. Rhode Island's loss of 7,800 jobs, or 1.7 percent, was a significant improvement compared with the 22,900 jobs, or 4.8 percent, lost in 2009. In 2010, Maine and Vermont had small losses of 0.7 percent each, down 4,500 and 1,900 jobs, respectively. During 2010, the unemployment rate in the New England region averaged 8.6 percent, up from 8.3 percent in 2009, but it was below the national average of 9.6 percent. Average unemployment rates for the states in the region ranged from 6.1 percent in New Hampshire and Vermont to 11.9 percent in Rhode Island.

Despite moderating employment declines and continued lower interest rates during the second half of 2010, expiration of the homebuyer tax credit programs led to reduced home sales totals in all states compared with the number of homes sold during 2009. According to the Massachusetts Association of REALTORS® (MAR), during 2010, existing home sales were down 1 percent from the 35,570 sales in 2009. In 2010, the median sales price was up 4 percent, to \$302,500, from \$290,000 in 2009, but was down 3 percent compared with the \$311,000 median sales price in 2008. In 2010, the inventory of homes on the market increased 11 percent, to 24,100, an 8-month supply, compared with a 7-month supply of homes in 2009. The Rhode Island Association of REALTORS® (RIAR) reported that, in 2010, existing home sales totaled 6,830 homes, representing a decrease of 12 percent compared with the number of homes sold during 2009, but up 3 percent from 2008. The median sales price increased 5 percent, to \$210,000, but was 11 percent lower than the median sales price in 2008.

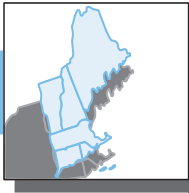
The Maine Real Estate Information System, Inc., reported that, during 2010, existing home sales in Maine decreased by 3 percent, to 1,210 homes. The median sales price increased 3 percent to \$168,750 but was down 6 percent from the \$180,000 median sales price in 2008. According to the Northern New England Real Estate Network (NNEREN), in 2010, the number of new and existing homes sold in New Hampshire decreased 3 percent, to 10,530, compared with a gain of 6 percent in 2009. In 2010, the median sales price was up slightly by 1 percent, to \$215,000, but down 9 percent from the median sales price of \$235,000 in 2008. The Vermont Department of Taxes reported that, during 2010, new and existing home sales in Vermont totaled 4,450, an increase of 15 percent compared with the number of sales recorded during 2009 and matching the total number of sales in 2008. The 2010 median sales price of \$187,000 was up 1 percent compared with the price during 2009 and down 6 percent from the \$199,000 price in 2008. The Warren Group reported that, in Connecticut, during 2010, about 24,270 existing homes were sold, a decrease of less than 1 percent compared with the

24,400 homes sold in 2009. The median sales price for 2010 was \$250,000, up 4 percent from 2009.

According to the Federal Housing Finance Agency, in November 2010, home prices in the New England census region decreased slightly by 1 percent compared with prices during November 2009, representing (along with the West South Central region) the smallest price decline of the nine census regions. The comparable decline for the nation was 4 percent. According to the Lender Processing Services Mortgage Performance Data, in December 2010, the number of loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) decreased by 11 percent to 100,975 loans compared with the 113,130 reported in December 2009. This December 2010 level represents 6.4 percent of all home loans in the region, down from 7.0 percent in December 2009. This rate declined for all states in the region and ranged from 8.5 percent in Rhode Island to 4.3 in Vermont, one of the lowest in the nation. The national rate in December 2010 was 8.3 percent.

Condominium sales in the New England region were down, particularly in the second half of 2010, but median prices were up. According to MAR, during 2010, in Massachusetts, condominium sales were down less than 1 percent to 15,180 compared with the number sold during 2009; the median sales price was up 6 percent to \$268,000. In Rhode Island, during 2010, RIAR reported that condominium sales were down 5 percent, to 1,145 units, but the median sales price was up 4 percent, to \$187,000. The Warren Group reported that, in Connecticut, during 2010, condominium sales totaled 6,825 units, down 7 percent from 2009, but the median sales price was up 2 percent, to \$182,250. According to NNEREN, in New Hampshire, during 2010, condominium sales totaled 2,635 units, a decline of 4 percent, and the median sales price was unchanged at \$165,000.

Because of strong sales during the first half of 2010 and generally increasing prices, single-family homebuilding activity, as measured by the number of homes permitted, increased significantly in the New England region. During 2010, based on preliminary data, the number of homes permitted increased more than 17 percent, to 11,680 homes, the highest regional percentage increase in the nation and nearly 8 times the national average increase of 2 percent. During 2009, single-family home production was down 17 percent compared with production in 2008. All states posted increases in single-family permits in 2010. The largest absolute increase occurred in Massachusetts, where permits increased 18 percent, to 4,815 homes, from 4,055 homes permitted in 2009. Connecticut, Vermont, and New Hampshire increased permits issued by 22, 23, and 19 percent, to 2,260, 590, and 1,560 homes, respectively, compared with the number of homes permitted in 2009. Maine and Rhode Island had smaller increases of 9 and 6 percent, to 1,720 and 740 homes, respectively.



Among the metropolitan areas that had the most significant increases in single-family construction were the Boston-Cambridge-Quincy, Massachusetts-New Hampshire metropolitan area, increasing 21 percent, to 3,710 homes, and the Bridgeport-Stamford-Norwalk, Connecticut metropolitan area, which increased 39 percent, to 540 homes.

Bolstered by higher production levels in Massachusetts and New Hampshire, the level of multifamily construction in the region, as measured by the number of units permitted, increased by 13 percent, to 5,825 units, in 2010. Based on preliminary data, the number of units permitted in Massachusetts increased by 30 percent, to 3,170 units, in 2010 compared with the number permitted during 2009. Multifamily units permitted in New Hampshire were up 33 percent, to 745 units. In Maine and Rhode Island, multifamily units permitted were down 22 and 20 percent, to 175 and 205 units, respectively. In Connecticut and Vermont, multifamily units permitted were down 6 and 11 percent, to 1,220 and 315 units, respectively. Cities and towns in the Boston-Cambridge-Quincy metropolitan area issued permits for 2,740 units, an increase of 13 percent compared with the number permitted during 2009, representing 47 percent of the total of multifamily units permitted in the region.

Conditions in most New England rental markets are balanced, but they continue to tighten as vacancy rates decline and rents rise. According to REIS, Inc., in 2010, rental production in the Boston metropolitan area was down 75 percent to slightly more than 1,000 units compared with the previous 5-year annual average of about 4,200 units. Recent increases in nonfarm

payrolls in the metropolitan area have stimulated demand for new apartments, lowering the apartment vacancy rate to 5.1 percent in the fourth quarter of 2010, down from 6.4 percent a year earlier. Average market rent increased nearly 3 percent, to \$1,748, during the same period. In Connecticut, the Hartford and New Haven metropolitan area markets tightened significantly, and conditions are tight in both markets. With only a few new units added to the inventory in 2010, apartment vacancy rates are 4.7 and 2.2 percent in the fourth quarter of 2010, down from 6.2 and 3.0 percent, respectively, from the fourth quarter of 2009. Average market rents have increased nearly 2 percent in both markets, to \$980 in Hartford and \$1,110 in New Haven during the past year. In Fairfield County, where conditions are balanced, the addition of approximately 1,120 units during 2010 resulted in an increased apartment vacancy rate of 6.0 percent, up from 5.5 percent a year earlier, but the average rent increased more than 4 percent, to \$1,814. The Providence metropolitan area market, which is balanced, had virtually no additions to the rental inventory during 2010. The apartment vacancy rate declined to 6.0 percent from 8.5 percent a year earlier, and the average rent was virtually unchanged, at \$1,205. The Manchester-Nashua, New Hampshire-Massachusetts metropolitan area market tightened during 2010, and conditions are currently tight, with the apartment vacancy rate decreasing to 3.8 percent from 4.2 percent, and average rents are virtually unchanged, at \$1,069. In the Portland, Maine metropolitan area, conditions are tight as the apartment vacancy rate declined to 2.8 percent from 4.2 percent, and the average rent increased nearly 3 percent during the past year.