



U.S. Housing Market Conditions



NEW ENGLAND REGIONAL REPORT HUD Region I

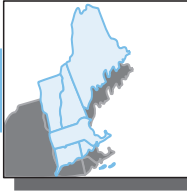
4th Quarter Activity

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.

Economic conditions in the New England region have improved significantly after 3 years of job losses related to the recession that began in December 2007. During 2011, nonfarm payrolls averaged 6.8 million jobs, up 74,800, or 1.1 percent, compared with a loss of 22,700 jobs, or 0.3 percent, during 2010. Although significant, this 2011 increase represents only 27 percent of the jobs that were lost from 2008 through 2010. The largest service-providing sector job gains were in the education and health services and the professional and business services sectors, which reported increases of 24,500 and 23,900 jobs, or 1.8 and 2.8 percent, respectively. The leisure and hospitality sector accounted for 19,600 new jobs, of which 70 percent were located in Massachusetts and New Hampshire. The wholesale and retail trade sector

posted job gains of 12,800, or 1.2 percent. The manufacturing sector increased by 6,000 jobs, or 1.0 percent, its first increase since 1998. The government was the only sector with significant job losses, which totaled 14,200 jobs, or 1.4 percent, evenly split between the federal and local government subsectors throughout the region.

All six states in the New England region posted nonfarm payroll gains during 2011. Massachusetts, which has 47 percent of the jobs in the region, accounted for 54 percent of the net job gain during 2011, with payrolls increasing by 40,600 jobs, or 1.3 percent, compared with a gain of only 5,000 jobs during the previous year. The professional and business services, education and health services, and leisure and hospitality sectors increased by 11,800, 10,900, and 8,000 jobs, or 2.6, 1.6, and 2.6 percent, respectively. In addition, Massachusetts gained 3,200 new manufacturing jobs, representing more than one-half of the manufacturing gain in the region during 2011. Only the government sector posted nonfarm payroll losses, contracting by 5,900 jobs, or 1.3 percent, mostly in the federal government subsector. Nonfarm payrolls in New Hampshire also grew at 1.3 percent during 2011, an increase of 8,000 jobs, of which 5,700 were in the leisure and hospitality sector, a 9-percent increase, and 4,100 were in the professional and business services sector, a 6.4-percent increase. Payrolls increased at the fastest rate in Vermont, which



added 5,500 jobs, a 1.8-percent increase, after an increase of only 200 jobs during 2010. Connecticut gained 14,600 jobs, or 0.9 percent, during 2011 compared with a loss of 18,500 jobs, or 1.1 percent, during 2010. This net increase was almost entirely composed of 7,600 jobs in the education and health services sector, up 2.5 percent, and 5,100 jobs in the professional and business services sector, a 2.7-percent increase. During 2011, nonfarm payrolls in Maine and Rhode Island increased by 3,700 and 2,400 jobs, or 0.6 and 0.5 percent, respectively, compared with minor job losses during the previous year. During 2011, the unemployment rate in the region averaged 7.8 percent, down from 8.5 percent during 2010 and less than the 9.0-percent national average. Average unemployment rates in the states ranged from 5.2 percent in New Hampshire to 10.8 percent in Rhode Island.

Despite record-low interest rates and the creation of nearly 75,000 new jobs during the past year, the home sales markets in the region continue to be soft. During 2011, home sales increased slightly in New Hampshire and remained unchanged in Vermont, whereas sales decreased in Maine, Massachusetts, Connecticut, and Rhode Island compared with 2010 sales. The Northern New England Real Estate Network (NNEREN) reported that 10,700 new and existing homes sold in New Hampshire during 2011, up 2 percent from the 10,550 homes sold during 2010. NNEREN also reported that home sales in Vermont totaled 4,025, relatively unchanged compared with the 4,000 homes sold during 2010. The 2011 median sales prices for New Hampshire and Vermont were \$201,700 and \$208,850, down 6 percent and up 4 percent, respectively, from 2010. According to the Maine Real Estate Information System, Inc., 9,825 existing homes sold in 2011, down 4 percent compared with 10,200 sales in 2010. In 2011, the median sales price was \$165,000, a 2-percent drop from 2010.

According to the Massachusetts Association of REALTORS® (MAR), during 2011, existing home sales totaled 39,350, down 2 percent from the 40,050 homes sold during 2010. The median sales price in 2011 was down 3 percent, to \$290,000 from \$300,000 in 2010, but was up 1 percent compared with the \$286,000 median sales price in 2009. During 2011, Prudential Connecticut Realty reported 21,350 existing home sales in Connecticut, an 8-percent decrease compared with 23,100 sales during 2010. The median sales price during 2011 was \$250,000, down 4 percent from \$260,000 in 2010. The Rhode Island Association of REALTORS® (RIAR) reported that 6,700 existing homes sold during 2011, down 2 percent from 6,850 homes sold in 2010. The median sales price declined by 7 percent to \$195,500 compared with the median sales price of \$210,000 during 2010.

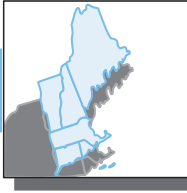
According to the Federal Housing Finance Agency House Price Index, in November 2011 (the most recent data available), home prices in the New England region decreased by 1.7 percent from November 2010, comparable

to the 1.8-percent decline nationwide. In December 2011, LPS Applied Analytics reported that 6.5 percent of home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) compared with a 6.4-percent rate in December 2010 and a 7.6-percent national rate in December 2011. Rates of loans in those three categories ranged from 4.9 percent in Vermont to 8.5 percent in Rhode Island in December 2011.

Condominium markets continue to be soft throughout the New England region. According to MAR, during 2011, condominium sales in Massachusetts totaled 15,000 units, down 6 percent compared with 15,950 units during 2010 and down 8 percent compared with 16,350 units during 2009. The median sales price in 2011 of \$267,000 was up 1 percent from a year ago. In Connecticut, Prudential Connecticut Realty reported that condominium sales declined more than 12 percent to 5,400 units during 2011 compared with 6,175 units sold in 2010. The median sales price for 2011 was \$165,500, a 7-percent decrease compared with the 2010 median sales price of \$178,000. According to RIAR, 2011 condominium sales in Rhode Island totaled 1,125 units, a 1-percent decline from 2010, and the median sales price was \$177,000, down 5 percent from \$187,000 in 2010. According to NNEREN, condominium sales in New Hampshire declined by 3 percent to 2,550 units during 2011, and the median sales price was \$155,000, down 6 percent from 2010. Condominium sales and prices in Vermont remained essentially unchanged in 2011, with 910 units sold and a median sales price of \$185,000.

In response to decreasing home sales and prices across most of the region, single-family homebuilding activity, as measured by the number of building permits issued, began declining in the second quarter of 2011. Based on preliminary data, during 2011, the number of homes permitted declined by 18 percent to 9,575 compared with the number permitted during 2010. This decline represented the largest percentage decline of any region in the nation and compares with a 6-percent decrease nationwide. During 2010, single-family home production increased 17 percent from 2009. Single-family home construction decreased in all six states in the region during 2011. Massachusetts, which represented 43 percent of single-family homebuilding activity in the region, declined 15 percent to 4,100 homes permitted. Connecticut, Maine, and New Hampshire decreased 19, 21, and 19 percent to 1,825, 1,350, and 1,275 homes permitted, respectively. Rhode Island and Vermont declined 23 and 27 percent, to 580 and 430 homes permitted, respectively.

Multifamily construction, as measured by the number of units permitted, declined significantly in the New England region during 2011. Based on preliminary data, during 2011, multifamily production decreased 12 percent to 5,150 units permitted compared with a 32-percent increase nationwide. During 2010, multifamily construction in the region increased 13 percent from 2009. During 2011,



Massachusetts and Connecticut multifamily building activity declined 14 and 19 percent to 2,725 and 980 units permitted, respectively. Multifamily construction in New Hampshire and Rhode Island decreased to 590 and 120 units permitted compared with 750 and 210 units permitted, respectively, during the previous year. Maine and Vermont were the only states in the region to increase multifamily building activity during 2011, with 300 and 420 units permitted, up from 170 and 310 units permitted, respectively, during 2010.

Apartment market conditions in most metropolitan areas in the region are balanced or tight, with nearly all rental housing markets in the region tightening during 2011 because of moderate-to-strong net absorption and limited completions. Rental market conditions in the Boston metropolitan area are tight. According to Reis, Inc., the apartment vacancy rate during the fourth quarter of 2011 decreased to 4 percent compared with 5.1 percent a year earlier. Overall, for every new unit added to the apartment inventory, nearly five units were absorbed. The average market rent increased 2 percent to \$1,772 during the same period. The apartment market in the Providence

metropolitan area tightened because of extremely limited additions to the inventory during 2011. During the fourth quarter of 2011, the apartment vacancy rate declined to 3.8 percent, down from 6 percent a year earlier, with average rents increasing nearly 2 percent to \$1,225. During the same period, the apartment vacancy rate declined to 5.2 percent from 6 percent in Fairfield County, with overall balanced rental market conditions. The average market rent increased nearly 3 percent to \$1,828, representing the most expensive apartment market in the region. Apartment market conditions in the New Haven metropolitan area are extremely tight; apartment vacancy rates decreased to 2.1 percent during the fourth quarter of 2011 from 2.9 percent a year earlier. This rate represents the lowest apartment vacancy rate of any major market in the nation as reported by Reis, Inc. The average market rent increased nearly 2 percent to \$1,126 during the same period. In the Portland metropolitan area, apartment vacancy rates declined to 3.8 percent during the fourth quarter of 2011 from 4.3 percent a year earlier, with the average market rent increasing more than 2 percent to \$1,039.