COMPREHENSIVE HOUSING MARKET ANALYSIS

Burlington-South Burlington, Vermont

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of October 1, 2019

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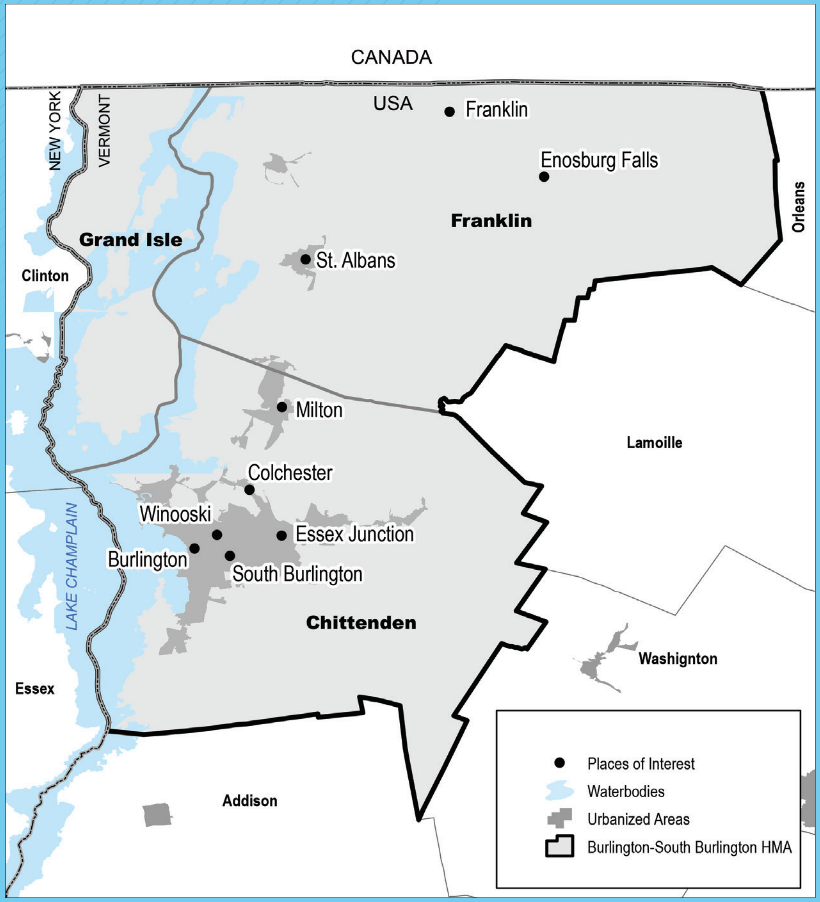

Executive Summary

Housing Market Area Description

The Burlington-South Burlington Housing Market Area (hereafter, Burlington HMA) in northwestern Vermont is bordered by Quebec, Canada to the north and Lake Champlain to the west. It is coterminous with the Burlington-South Burlington Metropolitan Statistical Area (MSA), which includes Chittenden, Franklin, and Grand Isle Counties. During 2016, the City of Burlington became the first in the nation to produce all its energy from renewable sources.

The current population of the HMA is estimated at 223,100.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payrolls in the Burlington HMA increased by 1,200 jobs during the past 12 months, or 0.9 percent, following no growth a year earlier.

Economic conditions in the Burlington HMA are currently strong despite relatively low job growth. Currently, nonfarm payrolls total 126,800 jobs, or 0.9 percent above the count a year earlier; this is the highest figure on record. The unemployment rate averaged 1.8 percent during the 12 months ending September 2019, down from 2.2 percent a year earlier. During the past 12 months, job growth in the HMA was led by the leisure and hospitality and the education and health services sectors, which added 700 and 600 jobs, or 5.4 and 2.6 percent annual growth, respectively. Nonfarm payrolls are expected to increase an average of 0.8 percent annually during the 3-year forecast period.

Sales Market

Slightly tight: The average sales price for all home sales increased 7 percent during the most recent 12 months.

Sales housing market conditions in the Burlington HMA are currently slightly tight with a 4.2-month supply of homes for sale in September 2019, up from a 3.7-month supply during September 2018 (CoreLogic, Inc.). During the 12 months ending September 2019, new and existing home sales totaled 3,700, 5 percent lower than the 3,875 homes sold a year earlier. The average sales price was $312,200 during the 12 months ending September 2019, up 7 percent from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Demand is expected for 1,275 new homes during the forecast period. The estimated 120 homes currently under construction will satisfy part of the demand.

Rental Market

Tight: The rental market vacancy rate has been at or below 5 percent since before 2010.

The overall rental housing market in the Burlington HMA is tight with an estimated vacancy rate of 2.4 percent, down from 4.5 percent in April 2010. Apartment market conditions are very tight with a vacancy rate below 1 percent as of the third quarter of 2019. The average apartment rent declined modestly to $1,625 during the past year. New apartment construction has been at relatively high levels since 2013, and new units continue to be rented quickly. Demand is estimated for 1,775 new rental units during the 3-year forecast period; the estimated 310 new apartments currently under construction will meet a portion of this demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Burlington HMA	Total Demand	1,275	1,775
	Under Construction	120	310

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2019. The forecast period is October 1, 2019, to October 1, 2022.
Source: Estimates by the analyst

Economic Conditions

Largest sector: Education and Health Services

> The leisure and hospitality and the education and health services sectors added the most jobs during the 12 months ending September 2019.

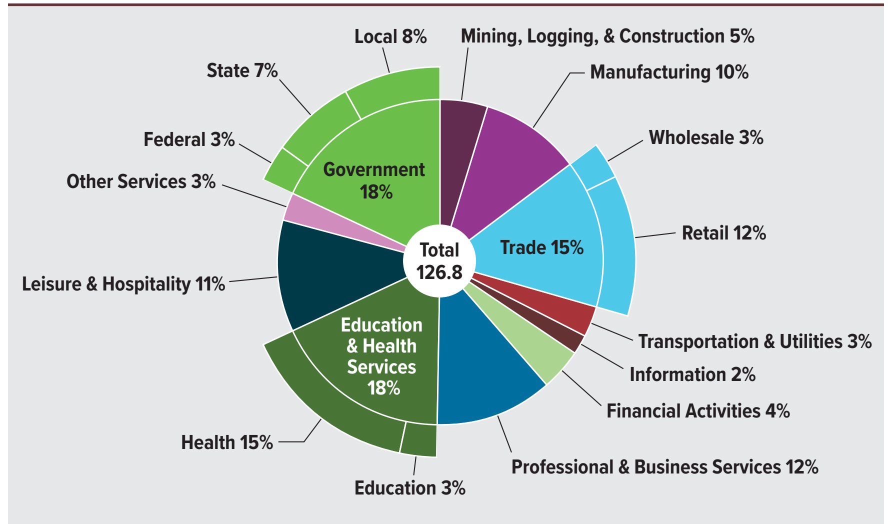
The Burlington-South Burlington VT Metropolitan New England City and Town Area (hereafter, the Burlington NECTA) has a similar geography to the Burlington HMA and contains all the major employment and population centers that are in the HMA. This report uses the Burlington NECTA in the discussion of nonfarm payroll jobs because the data are readily available for NECTAs from the U.S. Bureau of Labor Statistics. All other data in this report relate to the HMA.

The Burlington NECTA is the only NECTA in the state of Vermont, and it accounted for nearly 40 percent of all nonfarm payroll jobs in the state during the 12 months ending September 2019. The city of Burlington is the largest city in Vermont.

Primary Local Economic Factors

The economy of the Burlington HMA is concentrated in the service-providing sectors with the education and health services and the government sectors each accounting for 18 percent of total nonfarm payrolls during the most recent 12 months (Figure 1). The HMA is home to three large institutions of higher education located in Burlington: the University of Vermont, a public university with employees counted in the government sector, Champlain College, and in Colchester, St. Michael's College. The three institutions have a combined enrollment of nearly 17,000 students and approximately 4,850 faculty and staff. The University of Vermont contributed more than $1.3 billion to the state of Vermont's economy during the 2014–2015 school year (University of Vermont). Burlington is also an important healthcare hub for the state, which is predominantly rural; the University of Vermont Medical Center, with an estimated 7,575 employees, is currently the largest employer in the HMA (Table 1).

Figure 1. Share of Nonfarm Payroll Jobs in the Burlington HMA, by Sector



Notes: Nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding.
Source: U.S. Bureau of Labor Statistics

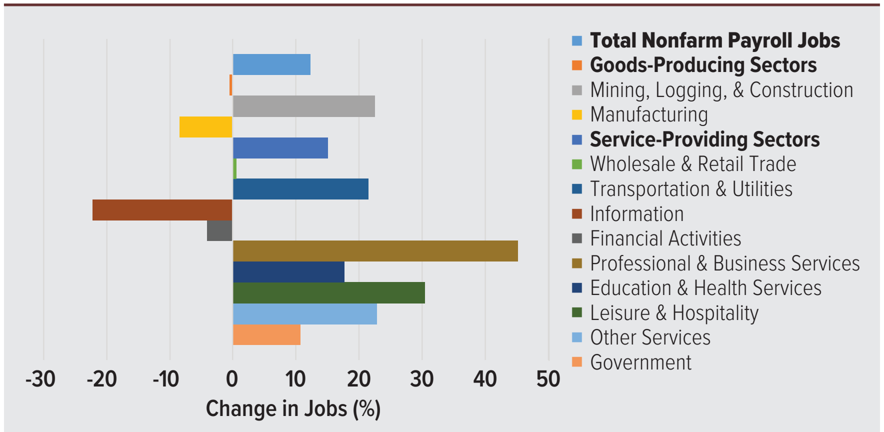
Table 1. Major Employers in the Burlington HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The University of Vermont Medical Center	Government	7,575
University of Vermont	Government	3,725
GlobalFoundries	Manufacturing	3,000
Shaw's Supermarkets, Inc.	Wholesale & Retail Trade	1,600
Walmart Inc.	Wholesale & Retail Trade	1,275
Howard Center	Education & Health Services	1,150
Dealer.com	Information	1,100
People's United Bank	Financial Activities	920
SB Collins Inc.	Wholesale & Retail Trade	800
Adecco	Professional & Business Services	775

Notes: Excludes local school districts. Data as of December 2017.
Source: Moody's Economy.com

Since emerging from the Great Recession during 2010, the fastest growing payroll sectors in the Burlington NECTA have been the professional and business services and the leisure and hospitality services sectors (Figure 2), which have expanded by averages of 500 and 300 jobs, or 3.9 and 2.8 percent, annually, since 2010. During 2017, tourism contributed an estimated $2.8 billion to Vermont's economy, up from $2.5 billion during 2015. Tourist visits to the state totaled 13.1 million during 2017 and supported an estimated 32,200 jobs (Vermont Department of Tourism and Marketing). The leisure and hospitality sector currently accounts for 13,700 jobs in the Burlington HMA and is the fifth-largest nonfarm payroll sector.

Figure 2. Sector Growth in the Burlington HMA, 2010 to Current



Source: U.S. Bureau of Labor Statistics

Manufacturing remains a key economic component in the NECTA, accounting for 10 percent of all nonfarm payrolls compared with 8.5 percent in the nation and 9.6 percent in Vermont. GlobalFoundries, a manufacturer of integrated circuits in Essex Junction, provides approximately 3,000 jobs in the NECTA; previously, this plant was owned by International Business Machines (IBM) and transferred to GlobalFoundries during 2015. Ben & Jerry's Homemade, Inc., in South Burlington, manufactures ice cream and provides approximately 740 jobs.

Current Conditions—Nonfarm Payrolls

Economic conditions in the Burlington NECTA are strong, although job growth has been relatively modest since the mid-2010s. Nonfarm payrolls in the NECTA averaged 126,800 during the 12 months ending September 2019, an increase of 1,200 jobs or 0.9 percent (Table 2). By contrast, nonfarm payrolls were largely unchanged during the previous 12 months. Job growth during the past 12 months was led by the leisure and hospitality and the education and health services sectors, which added 700 and 600 jobs, or gains of 5.4 and 2.6 percent, respectively. The professional and business services sector added 200 jobs, or a 1.3-percent rate of growth.

Table 2. Nonfarm Payroll Jobs (1,000s) in the Burlington HMA, by Sector

	12 Months Ending September 2018	12 Months Ending September 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**125.6**	**126.8**	**1.2**	**0.9**
Goods-Producing Sectors	18.8	18.9	0.1	0.5
Mining, Logging, & Construction	6.0	6.0	0.0	0.0
Manufacturing	12.8	12.9	0.1	0.8
Service-Providing Sectors	106.8	108.0	1.2	1.1
Wholesale & Retail Trade	18.8	18.6	-0.2	-1.1
Transportation & Utilities	3.3	3.4	0.1	3.0
Information	2.2	2.1	-0.1	-4.5
Financial Activities	4.7	4.7	0.0	0.0
Professional & Business Services	14.9	15.1	0.2	1.3
Education & Health Services	22.7	23.3	0.6	2.6
Leisure & Hospitality	13.0	13.7	0.7	5.4
Other Services	4.2	4.3	0.1	2.4
Government	23.0	22.8	-0.2	-0.9

Notes: Based on 12-month averages through September 2018 and September 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

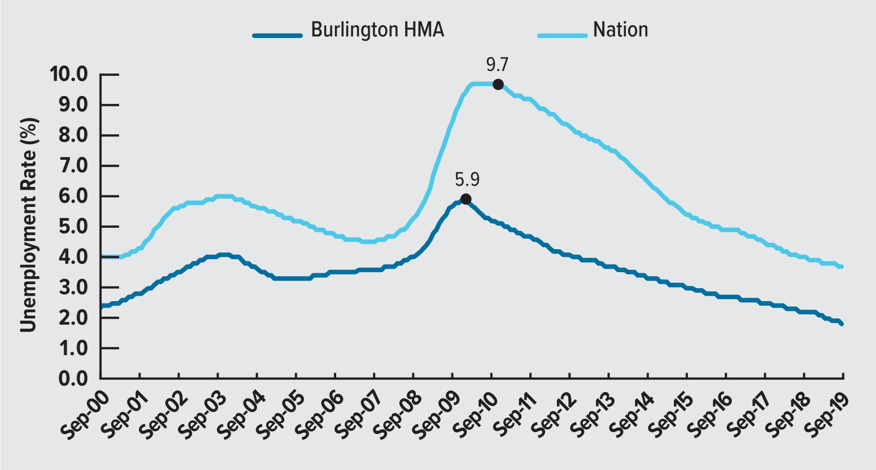
Gains in the leisure and hospitality sector were entirely contained within the food services and drinking places industry; two-thirds of the job gains in the leisure and hospitality sector since 2010 have been in this industry. From 420 “food services and drinking places” in the NECTA during 2009, such establishments grew in number to 480 during 2018; at the same time, the number of jobs in these establishments increased from 6,950 to 8,600 (Quarterly Census of Employment and Wages). Gains in the education and health services sector were entirely within the healthcare and social assistance industry. Recent expansions at the University of Vermont Medical Center in Burlington (with employees counted in the government sector, and other related jobs in the education and health services sector) and at St. Albans Hospital in St. Albans, totaling nearly $220 million in development costs, have led to improved facilities in each location.

Three payroll sectors declined during the past year. The wholesale and retail trade and the government sectors fell by 200 jobs each, and the information sector declined by 100 jobs. Rates of decline were 1.1 percent, 0.9 percent, and 4.5 percent for the trade, government, and information sectors, respectively.

Current Conditions—Unemployment

Unemployment in the NECTA has been extremely low since the mid-2010s, with the limited number of available workers contributing to slow job growth. The unemployment rate in the Burlington HMA averaged 1.8 percent during the 12 months ending September 2019, down from 2.2 percent a year earlier, and among the five lowest rates for all metropolitan areas in the country. By comparison, the national unemployment rate averaged 3.7 percent during the most recent 12 months, down from 4.0 percent during the 12 months ending September 2018. The unemployment rate in the NECTA peaked at only 5.9 percent during the 12 months ending January 2010, while the national rate peaked at 9.7 percent during the 12 months ending November 2010 (Figure 3).

Figure 3. 12-Month Average Unemployment Rate in the Burlington HMA and the Nation



Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

Historic Trends: 2001 through 2009

Like the nation, the economy in the Burlington NECTA contracted twice during the 2000s with a relatively shallow recession from 2001 through 2003 and a sharper decline from 2008 through 2009. Modest job gains from 2004 through 2007 offset those periods of job losses, and nonfarm payrolls in the NECTA were largely unchanged during the decade. Job losses during the period were concentrated in the goods-producing sectors, whereas gains occurred in the service-providing sectors, which increased from 77 percent of all jobs in 2000 to 83 percent in 2010.

Job losses in the NECTA from 2001 through 2003 averaged 500, or 0.4 percent, annually, a relatively modest rate when compared to the national annual rate of 0.7 percent. During the period, job growth in the service-providing sectors averaged 900 jobs, or 1.0 percent, annually in the NECTA, but these gains were insufficient to offset annual declines averaging 1,300 jobs, or 7.0 percent, in the manufacturing sector and 100 jobs, or 1.7 percent, in the mining, logging, and construction sector. Losses in the goods-producing sectors during the period include the nearly 1,000 workers IBM laid off (GlobalFoundries).

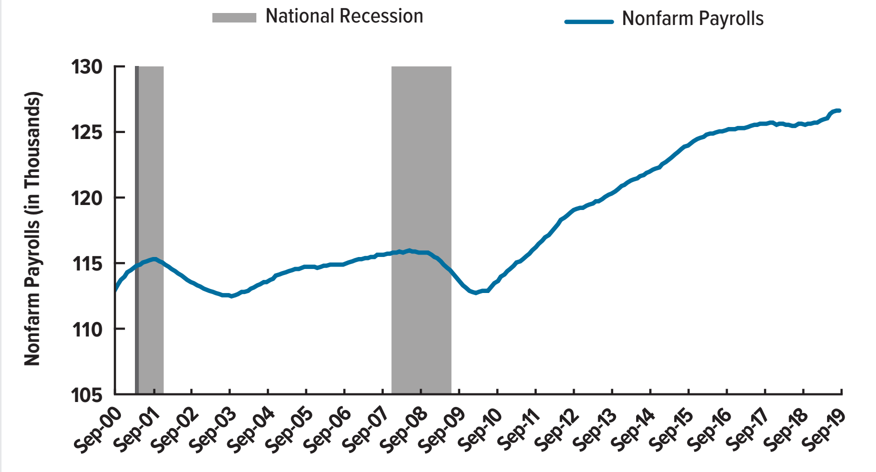
From 2004 through 2007, nonfarm payrolls grew by 800 jobs annually, or growth averaging 0.7 percent. By contrast, national job growth was twice as rapid—averaging 1.4 percent annually. Job growth in the NECTA was led by the education and health services sector along with the government sector, in which jobs were added at the University of Vermont from 2005 through 2007 as enrollment rose. Manufacturing sector jobs fell by an average of 200 jobs annually, or 1.3 percent, during this period, partially offsetting gains in most other sectors.

The second economic contraction in the NECTA, from 2008 through 2009, was more severe than that in the early 2000s but was also moderate relative to the nation. In the NECTA, nonfarm payroll jobs fell by 1,400 annually, or 1.3 percent during the period, compared with the national rate of 2.5 percent annually. All sectors declined in the NECTA except the education and health services and the government sectors, which increased by 400 and 300 jobs or 1.8 and 1.5 percent, respectively.

Historic Trends: 2010 through 2017

The post-Great Recession recovery and subsequent expansion in the Burlington NECTA from 2010 through 2017 has been led by the professional and business services and the education and health services sectors, which recorded annual growth of 600 and 400 jobs, or rates averaging 4.5 and 1.7 percent, respectively. In addition, the leisure and hospitality and the government sectors grew on average by 300 jobs each, or at growth rates of 2.6 and 1.5 percent, respectively. Government-sector gains were predominately in the state government and included continued increases in faculty and staff at the University of Vermont, which added approximately 200 jobs during the period. Figure 4 shows 12-month average nonfarm payrolls in the Burlington NECTA since 2000. In total, the NECTA added an average of 1,600 jobs, or 1.4 percent annually, during the period with all payroll job sectors adding jobs except the manufacturing and the information sectors. These two sectors lost an average of 200 and 100 jobs, or 1.2 and 2.0 percent, annually, respectively.

Figure 4. 12-Month Average Nonfarm Payrolls in the Burlington HMA Since 2000

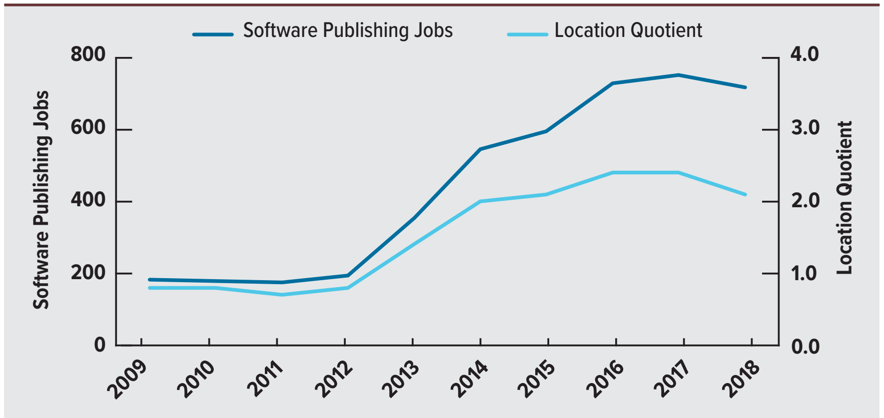


Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

High-Tech Employment

The Burlington NECTA is developing into a high-tech hub, and recent job gains in the professional and business services sector have included several expansions by internet-based businesses. Dealer.com, a technology company that creates websites for automobile dealers and assists with digital advertising strategies, was founded in Burlington in 1998 and currently employs approximately 1,100 people. At Champlain College, students can major in game design to learn how to develop, map, and code computer games. Software publishing jobs increased nearly 17 percent annually in the NECTA from 2009 through 2018, and the location quotient for these jobs rose from 0.8 to 2.1 (Figure 5). Notable recent tech startups in the NECTA include Sundae Month, Game Theory, Widget Brain, and several companies spun-off from Dealer.com, including Fluency, E-Block, Social Sentinel, Widewail, and Dealer Policy.

Figure 5. Location Quotient—Software Publishing Jobs in the Burlington HMA



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Employment Forecast

During the 3-year forecast period, nonfarm payroll jobs in the NECTA are expected to increase at an average annual rate of 0.8 percent. Job gains in the government and the education and health services sectors are expected to continue to contribute to economic growth. The University of Vermont Medical Center is planning an expansion—estimated to cost nearly $9 million—that would double the size of its Essex facility and add additional staff. The leisure and hospitality sector is also expected to add jobs due in part to the redevelopment of The Moran Building, a decommissioned coal-fired power plant located on the shore of Lake Champlain just north of downtown Burlington. Expected uses include outdoor concerts, vendors, and other recreational activities. The first phase of the development will begin in November 2019 and is estimated to cost $5.6 million, which includes $2.0 million from the U.S. Department of Housing and Urban Development. It is important to note, however, that the already tight labor market and modest wages in many leisure and hospitality sector jobs may inhibit significant job gains in the sector.

Population and Households

Current Population: 223,100

Since 2010, net-in migration has contributed nearly 50 percent of population growth in the HMA.

Population Trends

As of October 1, 2019, the population of the Burlington HMA is estimated at 223,100 (Table 3). Since the April 2010 Census, population growth has averaged 1,250, or 0.6 percent annually. Components of population growth have been nearly evenly split with net natural change averaging 630, annually, and net in-migration averaging 620 people, annually. Average net in-migration to the HMA since April 2010 was limited by 2 years of net out-migration, from 2011 to 2012 and from 2015 to 2016 (Figure 6; U.S. Census Bureau, population estimates as of July 1).

Population change in the Burlington HMA has been relatively stable since 2000, with some variations due to overall economic conditions. Because the two largest employers tend to be stable, large employment swings in the NECTA do not typically occur. From 2004 to 2014, the population grew by 1,000, or 0.5 percent annually, and net in-migration contributed 160 people each year, or 16 percent of population growth. During the 2004-to-2007 period, nonfarm payrolls grew in the Burlington NECTA, but at only one-half the rate of growth nationally; this discouraged migration into the HMA because economic opportunities were greater in much of the rest of the nation. From 2005 to 2007, net out-migration from the Burlington HMA averaged 120 people annually; these were the only 2 years of the decade when net out-migration occurred from the HMA. From July 2010 to July 2011, a brief spike in net in-migration, which totaled 940 people, contributed to a 0.8 percent rise in population growth, up from 0.5 percent a year earlier. This is likely because job growth in the NECTA began during late-2010 following the Great Recession; nationally, nonfarm payrolls did not start to increase until early 2011. Since 2014, population growth has been slightly higher, averaging 0.6 percent annually, and net in-migration totaled 880 people annually, contributing nearly two-thirds of the 1,400 annual population increase. Net natural change has been falling in the HMA generally since the middle of the previous decade; growth in the 65 and over age cohort is a key contributor to this trend.

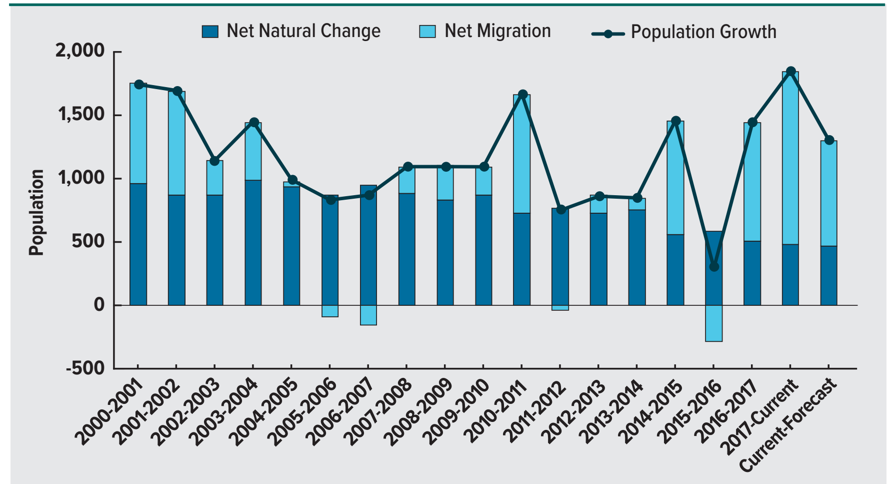
Table 3. Burlington HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	211,261	223,100	227,000
	Average Annual Change	1,225	1,250	1,325
	Percentage Change	0.6	0.6	0.6

		2010	Current	Forecast
Household Quick Facts	**Households**	83,242	90,000	92,300
	Average Annual Change	730	710	770
	Percentage Change	0.9	0.8	0.9

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 6. Components of Population Change in the Burlington HMA, 2000 Through the Forecast

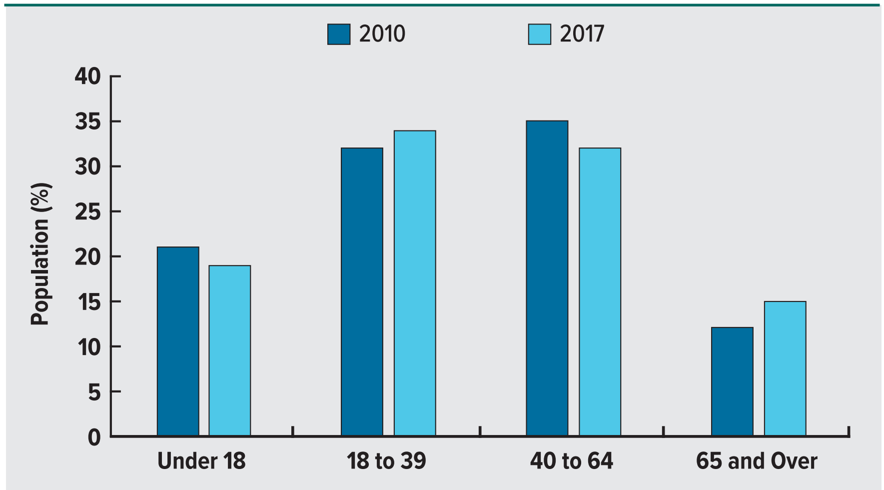


Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is October 1, 2019, to October 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Age Cohort Trends

The largest age cohort in the HMA in 2017 was residents 18 to 39 years of age, which constituted 34 percent of the total population (Figure 7). In addition, the median age during 2017 was 37.5 years. These data indicate the population in the Burlington HMA is younger than the populations in the state of Vermont and the nation, where the largest age cohorts were the 40- to 64-year-olds, and the median ages were 42.6 and 38.1, respectively. Furthermore, the working-age population was an estimated 66 percent of the total population in the HMA during 2017, a larger ratio than in Vermont or the nation where the corresponding figures were 62 percent and 61 percent, respectively. The comparatively younger age of the population in the HMA is likely because of the presence of colleges and universities. From 2010 to 2017, the proportion of the population of the HMA that was born outside of Vermont increased from 46.9 percent to 48.6 percent, and the proportion of the population born outside of the United States rose from 6.8 percent to 7.9 percent. The fastest-growing age cohort in the HMA was among residents over age 65, which increased at an annual rate of more than 3 percent. This growth suggests increased need for jobs in the healthcare industry during the forecast period and beyond.

Figure 7. Population by Age Range in the Burlington HMA



Source: 2010 and 2017 American Community Survey 1-year data

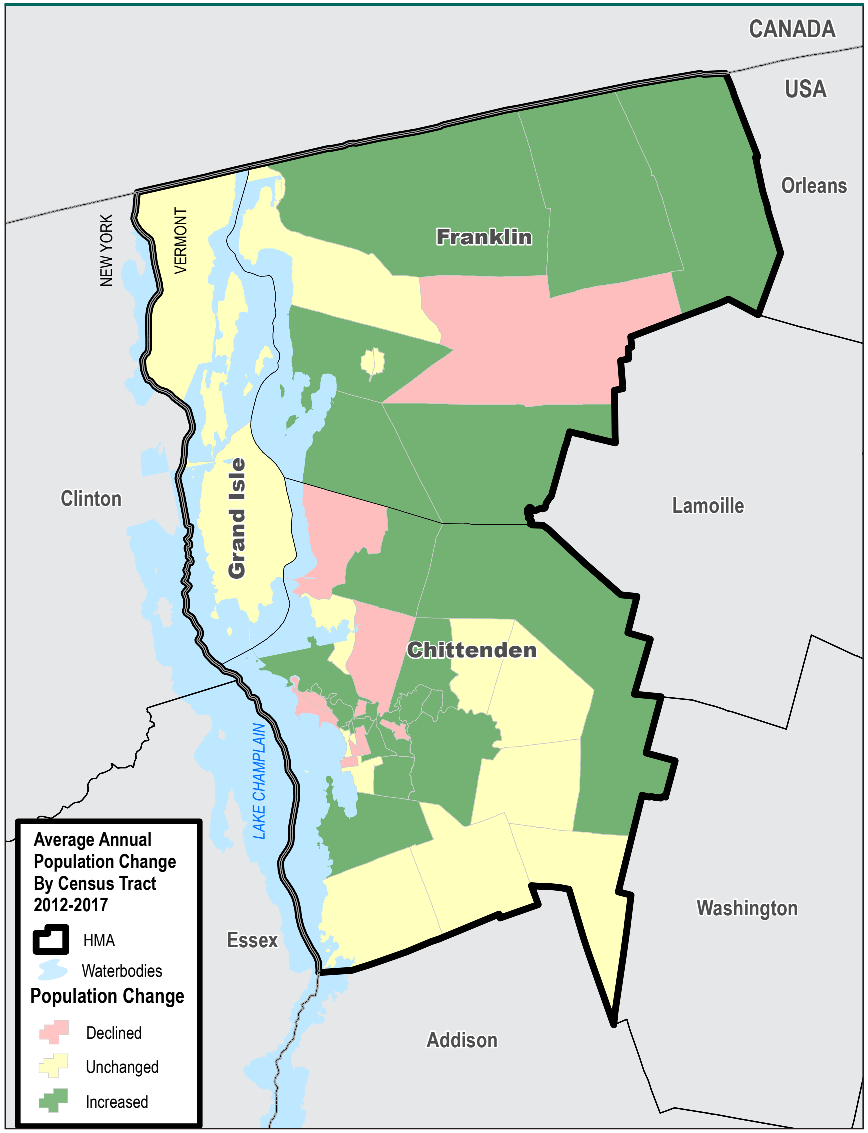
Geographic Considerations

Since 2010, the fastest-growing areas in the HMA have been in and around Burlington, which is generally the employment center of the HMA. From April 2000 to April 2010, Chittenden County added nearly 1,000 people annually, a growth rate of 0.7 percent. Franklin and Grand Isle Counties grew at rates of 0.5 percent and 0.1 percent, respectively (U.S. Census Bureau, decennial census). From 2012 to 2017, Chittenden and Franklin Counties grew at rates of 0.5 percent and 0.4 percent, respectively, and Grand Isle County reported declines averaging 0.2 percent annually, or was essentially stable. Among the fastest-growing areas in the Burlington HMA from 2012 to 2017 are the near-north and west sides of the city of Burlington, including census tracts 4 and 5, and the village of Essex Junction, all of which grew at rates of 1.4 percent or faster, annually. The town of Milton, in northern Chittenden County, also grew rapidly—nearly 2.0 percent annually. In Franklin County, the northern tier of census tracts bordering Quebec, Canada, had growth rates of between 0.5 and 0.8 percent annually; these include the towns of Franklin and Enosburg Falls. The population in Grand Isle County, which includes two census tracts, fell slightly averaging 0.2-percent annual declines. Map 1 shows population change from 2012 to 2017 by census tract.

Household Trends

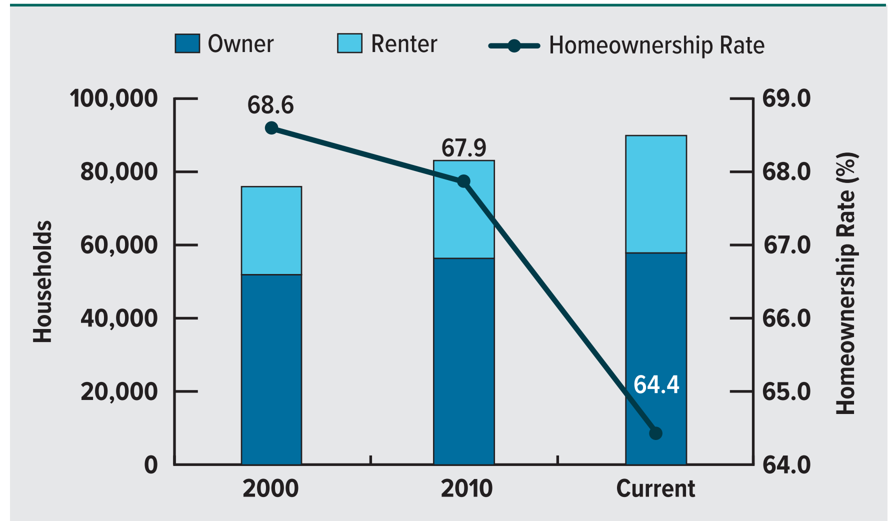
An estimated 90,000 households currently reside in the Burlington HMA—representing an average annual increase of 710 households, or 0.8 percent, since 2010. This is slightly below the growth in households during the previous decade, which averaged 730 annually, or 0.9-percent annual growth. Lingering effects of the Great Recession and relatively rapid growth in the number of young residents, who generally have a higher propensity to rent, have contributed to a decline in homeownership. Approximately 58,000 households, or 64.4 percent of all households in the HMA, are currently estimated to be homeowners, compared with a homeownership rate of 67.9 percent during 2010 (Figure 8). Owner households have increased at an average annual rate of 0.3 percent since 2010, compared with 0.8-percent average annual growth during the previous decade. By contrast, the number of renter households has expanded at an average annual rate of 1.9 percent since 2010, up from 1.1-percent average annual growth during the previous decade.

Map 1. Average Annual Population Change by Census Tract in the Burlington HMA, 2012-2017



Source: 2012–2017 American Community Survey 5-year data

Figure 8. Households by Tenure and Homeownership Rate in the Burlington HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the 3-year forecast period, the population of the HMA is expected to grow by an annual average of 1,325, or 0.6 percent, reaching an estimated 227,000 people by October 1, 2022. This rate of growth is in line with the previous two decades reflecting the continued trend of moderate job growth. Net in-migration will continue to provide the majority of population growth because net natural change, which has been declining in the HMA since the early 2000s, is expected to continue to fall. The number of households is expected to increase by an average of 770, or 0.9 percent annually during the next 3 years, reaching 92,300 by October 1, 2022. It is likely that the decline in the homeownership rate in the HMA will slow, but it is not expected to reverse. Senior households downsizing and moving into cities like Burlington and South Burlington for urban amenities are likely to offset growth in younger age cohorts that may be more likely to seek homeownership opportunities.

Home Sales Market Conditions

Market Conditions: Slightly Tight

Home sales during the 12 months ending September 2019 were down 5 percent from the previous year.

Current Conditions

The sales housing market in the Burlington HMA is currently slightly tight with an estimated vacancy rate of 0.5 percent, down from 1.7 percent in April 2010 (Table 4). A modest acceleration in new home construction contributed to an increase in available for-sale inventory during the past year to a 4.2-month supply, up from a 3.7-month supply a year earlier; however, this is well below the 11.2-month supply in July 2009, the recent peak (CoreLogic, Inc.). During September 2019, the average number of days on the market before a home sold was 50 for single-family homes and 53 for attached townhouses and condominium units. During September 2018, the corresponding figures were 61 days for a single-family home and 48 days for a townhouse or condominium unit (Northwestern Vermont Board of Realtors®). During the 12 months ending September 2019, new and existing home sales totaled 3,700, 5 percent fewer than a year earlier, while the average sales price rose 7 percent to $312,200.

Table 4. Home Sales Quick Facts in the Burlington HMA and the Nation

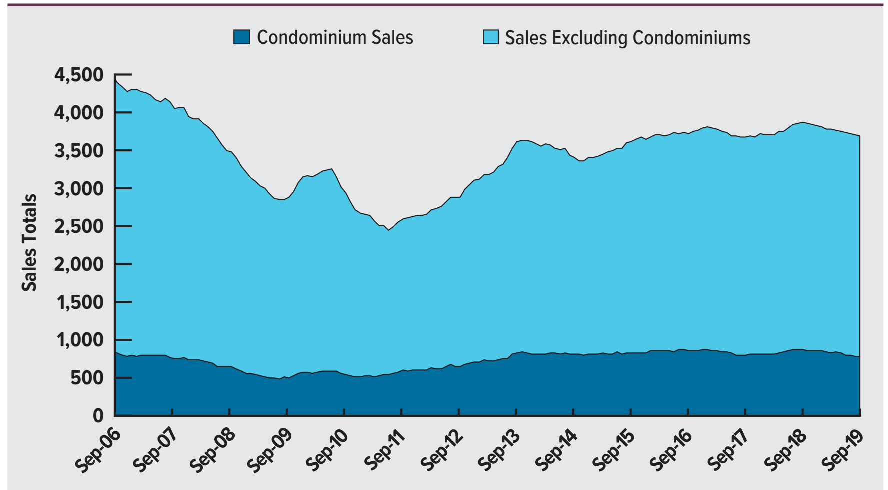
		Burlington HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	0.5%	NA
	Months of Inventory	4.2	3.3
	Total Home Sales	3,700	6,041,000
	1-Year Change	-4.6%	-5.6%
	Total Home Sales Price	312,200	$297,600
	1-Year Change	7%	3%
	Regular Resales Price	NA	$296,900
	1-Year Change	NA	3%
	Mortgage Delinquency Rate	1.1%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date. Home sales and prices are for the 12 months ending September 2019. Months of inventory and mortgage delinquency data are as of September 2019.
Source: CoreLogic, Inc., with adjustments by the analyst

Home Sales and Prices

Home sales have generally trended upward in the HMA since the early 2010s but are well below pre-recession levels. From a recent high of 5,150 home sales during 2005, total home sales, including new and existing homes and single-family home, townhome, and condominium sales in the Burlington HMA fell by an average of 500, or 12 percent, annually, to 2,675 sales during 2010. During 2011 and 2012, as economic conditions improved, home sales rose an average of 220, or 8 percent, annually, to 3,100 sales during 2012. Home sales in the HMA increased modestly, by an average of less than 4 percent annually, from 2013 through 2018. This low rate of sales increase came despite accelerating population growth as renter household growth has significantly outpaced growth in owner households since 2010. The 3,700 homes sold during the most recent 12 months is down nearly 5 percent from 3,875 during the previous 12 months and is well-below the pre-recession sales counts. Figure 9 shows home sales figures for the Burlington HMA.

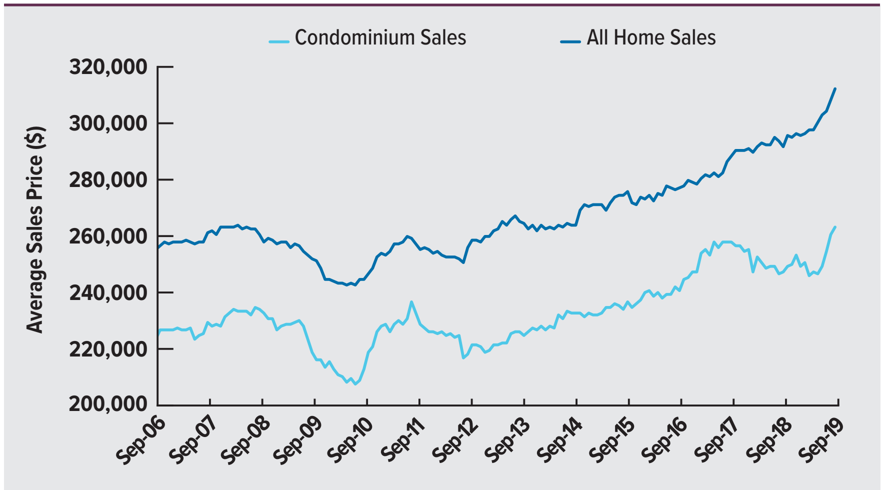
Figure 9. 12-Month Sales Totals by Type in the Burlington HMA



Source: CoreLogic, Inc., with adjustments by the analyst

In contrast, the average home sales price in the HMA currently exceeds the pre-recession high. The average home sales price in the Burlington HMA peaked at $263,200 during 2007, but subsequently fell an average of 4 percent annually to a low of $244,600 during 2009. The average sales price for all homes has since risen steadily, with annual gains averaging 3 percent, to the current average price of $312,200 (Figure 10).

Figure 10. 12-Month Average Sales Price by Type of Sale in the Burlington HMA



Note: Condominium sales prices are included in total home sales prices.
Source: CoreLogic, Inc., with adjustments by the analyst

Condominiums

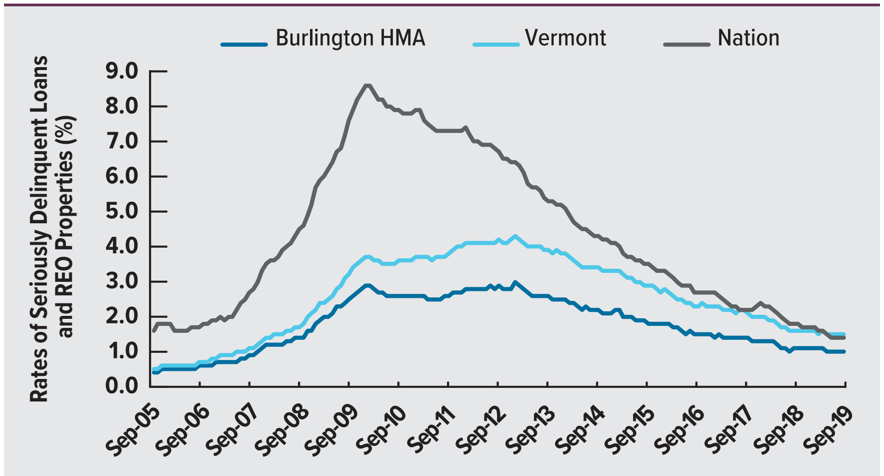
Condominium sales, which typically account for fewer than one-fourth of all home sales in the Burlington HMA, declined during the past year, but have been at relatively high levels since the early 2010s; this is due to their relative affordability compared with single-family homes and the prevalence of condominium units in cities like Burlington, South Burlington, and Colchester. During the 12 months ending September 2019, 780 condominiums were sold in the HMA, down 11 percent from a year ago. From 2006 through 2012, sales of condominium homes averaged 640 annually; during 2013 and 2014, condominium sales rose 7 percent annually to reach 820 sales in 2014. From 2015 through 2017, sales were reasonably steady averaging 840 sales annually (Metrostudy, A Hanley Wood Company and adjustments by the analyst).

Sales of condominium units are heavily concentrated in the more urbanized areas of Chittenden County and are generally smaller than single-family homes in the HMA—resulting in lower average sales prices. During the 12 months ending September 2019, the average condominium sales price was $263,400, approximately 6 percent above the average sales price a year earlier, and nearly 85 percent of the average sales price for all home sales in the HMA. As with the average prices of total home sales, condominium sales prices reached a recent low during 2009 when the average price was $215,800, nearly 7 percent below the pre-recession high of $231,800 averaged during 2007. The average sales price rose nearly 6 percent, to $228,200 during 2010, before dropping again to $219,200 during 2012, with declines averaging 2 percent annually during the 2 years. Since 2012, the average condominium sales price has increased steadily averaging annual gains of 3 percent, to an average price of $254,700 during 2017.

REO Sales and Delinquent Mortgages

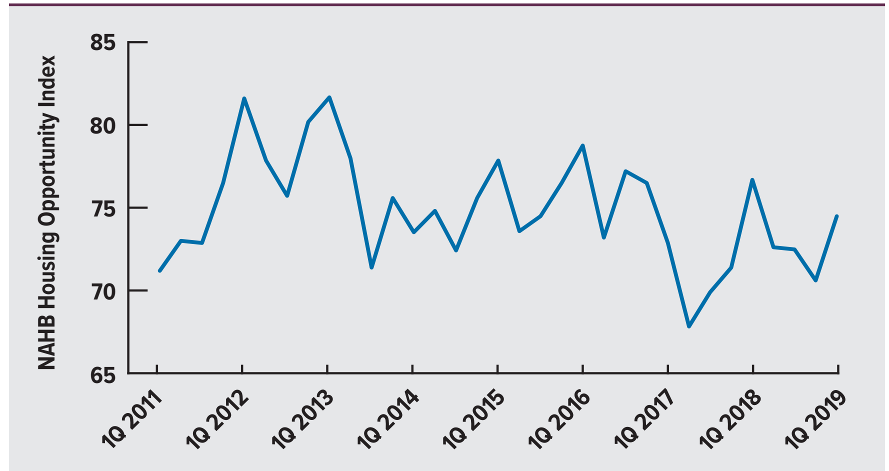
The HMA has had generally lower rates of seriously delinquent mortgage loans and real estate owned (REO) properties than Vermont or the nation since the 2000s (Figure 11). This is likely attributable to several factors, including the relatively low rate of home sales price appreciation in the early and mid-2000s and the fact that nonfarm payrolls did not decline as rapidly in the Burlington HMA as they did in the nation during the Great Recession. The rate of seriously delinquent mortgage loans and REO properties in the Burlington HMA peaked at 2.9 percent during January of 2010 (and reached the same high level during July of 2012); by contrast, the rate peaked for the state of Vermont at 4.3 percent during January of 2013, and for the nation at 8.6 percent during January 2010. As of September 1, 2019, the rate of seriously delinquent mortgage loans and REO properties was 1.0 percent in the HMA, down from 1.1 percent a year earlier. By comparison, the rate was 1.5 percent for Vermont and 1.4 percent nationally during September 2019, down from 1.6 percent and 1.8

Figure 11. Rates of Seriously Delinquent Loans and REO Properties in the Burlington HMA, Vermont, and the Nation Since 2005



Source: CoreLogic, Inc.

Figure 12. Burlington HMA Housing Opportunity Index



NAHB = National Association of Home Builders. 1Q = first quarter.
Source: NAHB/Wells Fargo

percent, respectively, a year earlier. Because sales prices for REO home sales are typically lower than overall home sales prices, heightened REO sales, as a proportion of all home sales, can impact average home sales prices. During 2009, when the average home sales price reached a recent low, the average rate of seriously delinquent mortgage loans and REO sales also peaked in the HMA. During 2009, the average REO home sale sales price was $163,700, approximately two-thirds of the average sales price of $244,600 for all home sales.

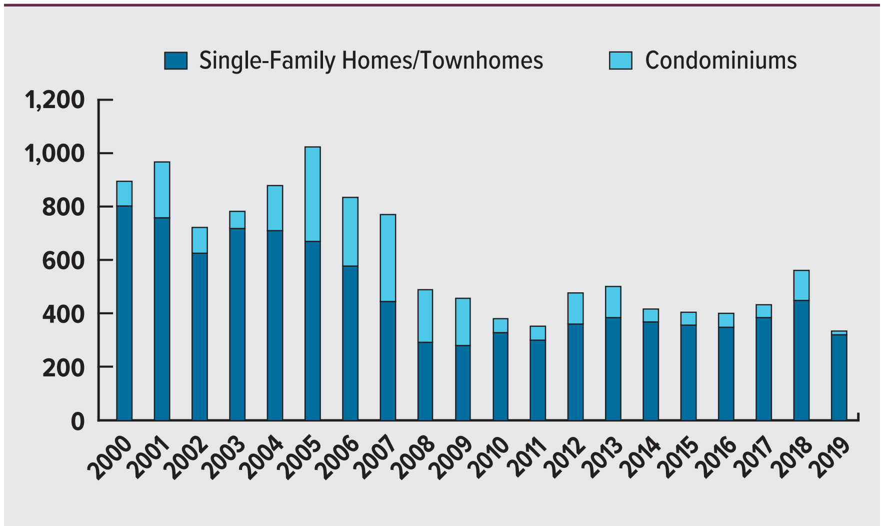
Housing Affordability

Homeownership in the Burlington HMA is relatively expensive, and the affordability of buying a home in the HMA has decreased since 2012. The NAHB/Wells Fargo Housing Opportunity Index for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 74.5 during the first quarter of 2019—down from 76.7 during the first quarter of 2018 (Figure 12). During the most recent quarter, 111 out of the 237 metropolitan areas measured, or 47 percent of metropolitan areas in the nation, had greater housing affordability than the HMA. The recent high value for the Housing Opportunity Index was during the first quarter of 2013 when the index was 81.7.

Sales Permit Activity

Development has gradually increased after relatively low levels of new sales housing production from 2007 through 2011. From 2000 through 2006, the number of sales housing units permitted averaged 870 annually before falling to 770 homes permitted during 2007, a decline of nearly 8 percent from 2006 permitting (Figure 13). Sales housing permitting in the Burlington HMA then fell by an average of 18 percent annually, to a low of 350 homes permitted during 2011. Sales housing permitting increased modestly beginning in 2012, at an average annual rate of 7 percent, to 560 homes permitted during 2018. As a percent of sales housing units permitted, condominium units peaked at 42 percent of sales housing units permitted during 2007 and remained somewhat

Figure 13. Average Annual Sales Permitting Activity in the Burlington HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2018 final data and estimates by the analyst; 2019 preliminary data and estimates by the analyst

elevated during 2008 and 2009 averaging 39 percent of all sales housing units. Since 2009, condominium units have averaged approximately 16 percent of all sales housing units permitted in the HMA. During the 12 months ending September 2019, approximately 390 sales housing units were permitted in the HMA, below the 530 homes permitted a year earlier.

New Construction

In Chittenden County, South Burlington, which is among the fastest-growing areas in the HMA, Hillside at O'Brien Farm includes 71 single-family home sites and 44 duplexes. Home plans include two to four bedrooms and two to three bathrooms, with prices ranging from $366,000 to $531,000. Currently, 12 duplex units have sold, 20 single-family homes have sold and 7 more single family homes are under contract. In Franklin County, Harborview in St. Albans is a new development with 50 single-family home lots, 92 duplex townhome lots, and a senior assisted living facility. Single-family homes start at $359,000, and two- and three-bedroom duplex units start at $267,900 and $289,900, respectively.

Forecast

During the next 3 years, demand is expected for an estimated 1,275 new homes in the HMA (Table 5). The 120 homes currently under construction will satisfy a portion of the estimated demand during the forecast period. Demand should be relatively steady during the 3-year forecast period. Demand for new single-family housing is likely to be strongest in the city of South Burlington and in nearby towns including Colchester and Essex Junction.

Table 5. Demand for New Sales Units in the Burlington HMA During the Forecast Period

	Sales Units
Demand	1,275 Units
Under Construction	120 Units

Note: The forecast period is October 1, 2019, to October 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Tight

Although the average monthly apartment rent has recently declined, conditions have remained tight and apartment vacancy rates have been below 3 percent since 2013.

Current Conditions and Recent Trends

Overall rental housing market conditions are currently tight in the Burlington HMA. Strong renter household growth has contributed to significant absorption of rental inventory since 2010 with notable growth in the age 18- to 39-year cohort, a prime age for rental housing, contributing to rental demand during the period. The vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) is currently estimated at 2.4 percent, down from 4.5 percent in April 2010 (Table 6).

Table 6. Rental Market Quick Facts in the Burlington HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	4.5	2.4
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	21	20
	Multifamily (2–4 Units)	39	31
	Multifamily (5+ Units)	36	43
	Other (Including Mobile Homes)	4	6

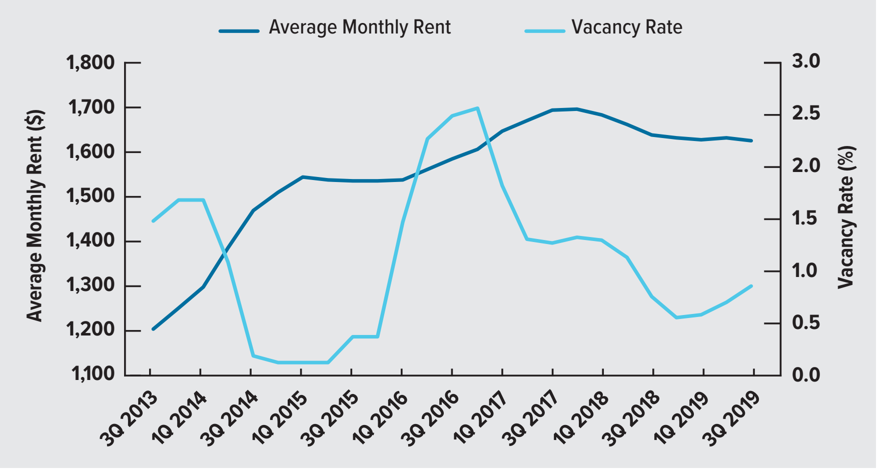
Notes: The current date is October 1, 2019. Percentages may not add to 100 due to rounding.
Sources: American Community Survey 1-year data; Reis, Inc.

The proportion of renter households living in single-family homes fell from 21 percent in April 2010 to a current estimate of 20 percent of all renter households, primarily because of a notable increase in larger apartment properties (those with five or more units per structure) during the period. The generally muted impact of the Great Recession on the sales housing market, and relatively fewer seriously delinquent mortgage loans and REO property sales in the HMA, contributed to the lower level of renter households in single-family homes compared with the nation where the share of all rental units that were single-family homes was 34 percent during 2018, unchanged from 2010.

Apartment Market Conditions

Apartment market conditions in the Burlington HMA are currently very tight. Following an increase in apartment construction during 2014 and 2015, the apartment vacancy rate in the HMA spiked to 2.6 percent during the fourth quarter of 2016 from less than 1 percent during the fourth quarter of 2015, but has been below 2.0 percent since the start of 2017 (Figure 14). During the third quarter of 2019, the apartment vacancy rate was 0.9 percent, up from 0.8 percent during the third quarter of 2018 (RealPage, Inc.). Vacancy rates have remained very low in the HMA since the early 2010s, although apartment rents have declined moderately since 2017 as more units have entered the market. The average apartment rent in the HMA during the third quarter of 2019 was $1,625, down slightly from $1,638 during the third quarter of 2018.

Figure 14. Apartment Rents and Vacancy Rates in the Burlington HMA



1Q = first quarter. 3Q = third quarter.
Source: RealPage, Inc.

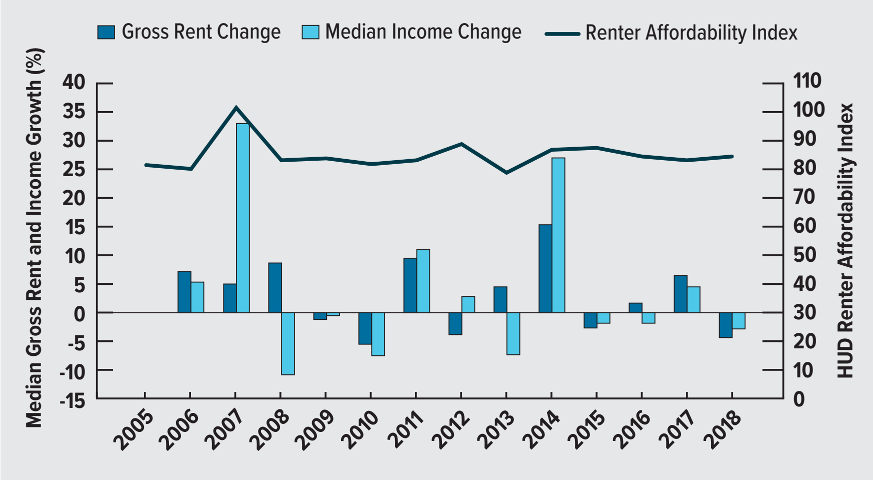
Impact of College Students on the Rental Market

An estimated 7,000 students, or 40 percent of the student population, live in the communities of Burlington, South Burlington, and Colchester, primarily in market-rate rental housing, and constitute approximately 6 percent of all renter households in the HMA. Local sources in Burlington have identified tight rental market conditions as an effect of student renters, primarily in the city of Burlington. Because of this, the three higher education institutions have added nearly 1,500 new dormitory beds for their respective campuses since 2010. In addition, a student apartment property with more than 400 beds opened during 2012 at the University of Vermont.

Housing Affordability: Rental

Rental housing is modestly unaffordable in the Burlington HMA. The HUD Renter Affordability Index (RAI) is a measure of median renter household income relative to the qualifying income needed to rent a median-priced rental unit; the higher the index level, the more affordable is rental housing in the area. The HUD RAI peaked during 2007 before falling to comparatively low levels through 2013 because the annual change in gross rents trailed the change in median renter household income (Figure 15). The RAI rose during 2014 and 2015—primarily because the estimated median renter household income spiked during 2014—and fell again during 2016 and 2017 when median gross rents increased faster than renter household incomes. During 2018, the RAI rose slightly because median gross rents fell more sharply than median renter household income. Another measure of rental housing affordability is cost burden and severe cost burden. This calculation is provided in Table 7 for renter households with incomes of 50 percent or less of the Area Median Family Income (AMFI) and for all renter households. The data indicate that nearly one-fourth of all renter households in the Burlington HMA experience severe cost burden, slightly above the national average of 23.3 percent of all households. For all other income and cost-burden classifications, the ratios of renter households with such cost-burdens are similar to the national averages.

Figure 15. Burlington HMA Rental Affordability



Source: 2005–2018 American Community Survey 1-year data

Table 7. Percentage of Cost Burdened Renter Households in the Burlington HMA and the Nation by Income, 2012–2016

	Cost Burdened		Severely Cost Burdened	
	Burlington HMA	Nation	Burlington HMA	Nation
Renter Households with Income <50% HAMFI	25.9	26.4	49.7	49.3
Total Renter Households	22.0	21.9	24.5	23.3

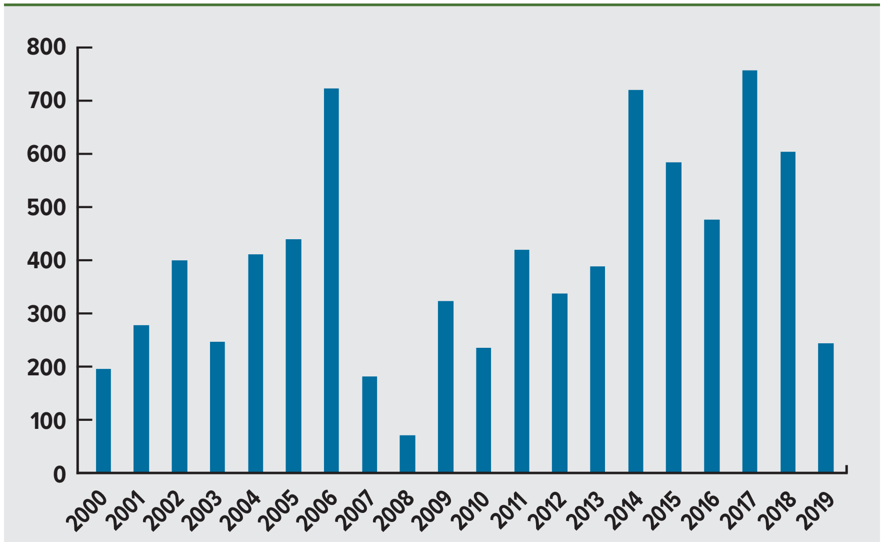
HAMFI = HUD Area Median Family Income.
Note: “Cost-burdened” households spend between 30–49 percent of their income on rent and “severely cost-burdened” households spend over 50 percent of their income on rent.
Source: Consolidated Planning/CHAS Data, 2012–2016 American Community Survey 5-year estimates (huduser.gov)

The Champlain Housing Trust is the largest community land trust in the country and manages approximately 2,300 apartments throughout the three-county HMA. As of June 2019, the Trust indicated they had received nearly 2,500 applications for affordable rental housing during the previous year.

Rental Permit Activity

Rental construction activity, as measured by the number of rental units permitted, declined during the past year, but has generally trended upwards since the mid-2010s with developers responding to consistently low apartment vacancy rates and relatively high rents. During the 12 months ending September 2019, an estimated 380 units were permitted, down from 640 units permitted during the previous 12 months (preliminary estimates, with adjustments by the analyst). An average of 640 units were permitted annually from 2014 through 2017, including a recent high of 760 units in 2017 (Figure 16). By comparison, an average of only 280 units were permitted each year from 2007 through 2013, a period which includes the recent low of only 70 units permitted during 2008. During the previous decade, rental permitting averaged 330 units annually from 2000 through 2005 before surging to 720 units permitted during 2006.

Figure 16. Average Annual Rental Permitting Activity in the Burlington HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through September 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2018 final data and estimates by the analyst; 2019 preliminary data and estimates by the analyst

Recent Apartment Completions and Current Construction

Approximately 95 percent of all rental housing permitted since 2010 has been in Chittenden County. An apartment complex in South Burlington approximately two miles south of downtown Burlington called “1185” opened in the spring of 2019 and is currently in lease-up with rents for one- and two-bedroom units ranging from $1,475 to $2,200. Cambrian Rise, located in Burlington, approximately 1 mile north of downtown on the Lake Champlain shore, is a large planned community that is still under development with completion estimated to occur between 2024 to 2026. Once completed, the site will incorporate more than 10 buildings that encompass more than 700 residences including for-sale housing plus market-rate and affordable apartment units. Liberty House, a market-rate property completed in late 2017, was one of the first properties to open at Cambrian Rise. All 65 apartments at Liberty House are currently occupied. Also at Cambrian Rise, Laurentide Apartments, sponsored by the Champlain Housing Trust, includes 76 affordable apartments that have recently opened with tenants currently moving in; the final apartments are to be filled with income-qualified residents from an existing waiting list.

Forecast

During the 3-year forecast period, demand is estimated for 1,775 new rental units; the 310 units currently under construction will meet a portion of that demand (Table 8). Because of current tight rental market conditions, demand is expected to be strong during each year of the 3-year forecast period.

Table 8. Demand for New Rental Units in the Burlington HMA During the Forecast Period

	Rental Units
Demand	1,775 Units
Under Construction	310 Units

Note: The forecast period is October 1, 2019, to October 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
Forecast Period	10/1/2019–10/1/2022—Estimates by the analyst
Net Natural Change	Resident births minus resident deaths.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
Severely Cost Burdened	Spending more than 50 percent of household income on housing costs.
Location Quotient	Defined as the ratio of locality jobs in an industry divided by all jobs in the locality, divided by the same calculation for the nation. A location quotient of 1.0 indicates the proportion of industry jobs in a locality is the exact same proportion as nationally.
Working-age Population	Persons aged 18 through 64.

B. Notes on Geography

1.	The metropolitan statistical area and New England city and town area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.
Cover Photo	iStock

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