CONNECTICUT HOUSING FINANCE AUTHORITY

2019

Connecticut Housing Market Snapshot

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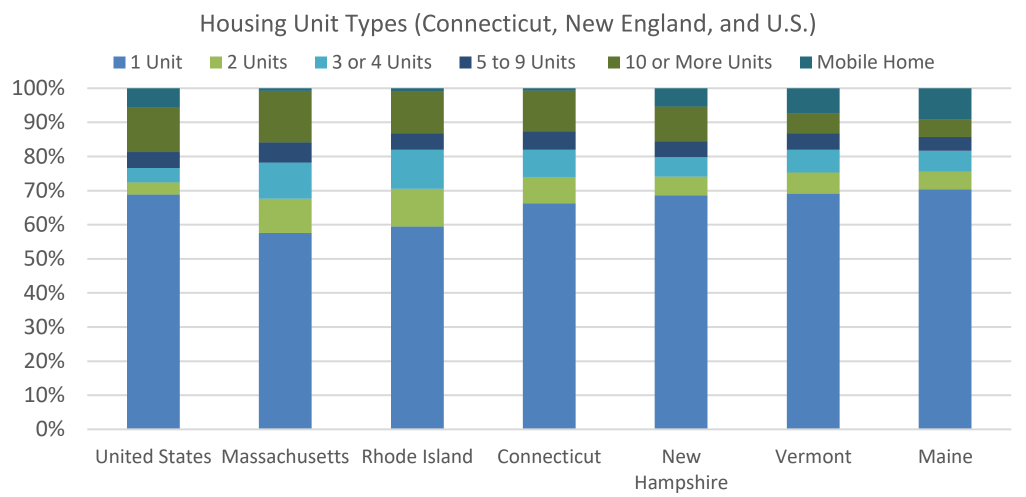
In June of 2019, Harvard' Joint Center for Housing Studies (JCHS) released its annual *State of the Nation's Housing* Report detailing the shortage of affordable housing options across the county. The report details trends in affordability, tenure, housing supply and construction, sales, home values, population and household formation, and other challengers in the housing market. Specifically the report found that construction rates are lagging relative to household growth, homeownership rates and affordability are on the rise, and rental rates and cost burdens increased.

Connecticut in many ways resembles national trends but does diverge in some notable areas. Connecticut's housing market in 2018 can generally be characterized by a continued recovery from the Great Recession of 2008 to 2010. Home prices and sales volume have yet to return to their pre-2008 levels and while vacancy rates are low, new housing construction has not kept pace with other New England states and the U.S. generally.

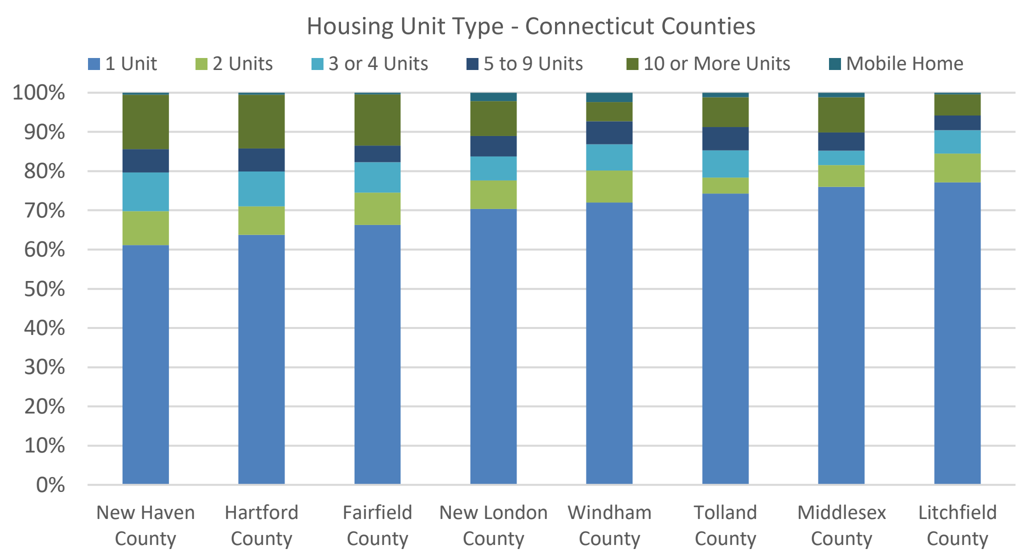
According to latest American Community Survey (ACS) estimates, the homeownership rate in Connecticut is 66.59 percent. The owner and rental vacancy rates are 1.5 and 6.8 percent respectively. The median age of the home in Connecticut was built in 1964 and 66.3 percent of the stock is made up of one unit attached and detached units. Single family homes sales, according to the Warren Group, have rebounded from their low point in 2011, as nearly 51,000 homes were sold in 2018. Home sale prices remained steady in 2018, with the median home selling for $229,500. Foreclosures are also down from their peak levels. In 2018, there were 3,926 foreclosure deeds in Connecticut. Affordability remains a problem in the state as 29.45 percent of owners and 52.29 or rental households pay more than 30 percent of their income on housing costs. Finally, according to the most recent available Home Mortgage Disclosure Act (HMDA) data, in 2017 Connecticut saw $10.63 billion in mortgage originations for home purchase, up from $9.7 billion in the prior year.

Like much of the U.S. and New England, single family homes make up the majority of the housing stock in Connecticut. According to the 2013-2017 American Community Survey (ACS) estimates, one unit attached and detached units make up 66.3 percent of the total housing stock compared to 69.8 percent nationwide. Compared to other states in the New England Region, Connecticut had more than Massachusetts and Rhode Island but slightly less than New Hampshire, Vermont, and Maine.

Two, three and four, and five to nine unit structures make up 7.7, 8.04, and 5.3 percent of the stock respectively. Large multifamily structures with ten or more units make up 12 percent of Connecticut's total housing units while mobile homes are only 0.71 percent the housing units. Litchfield County ranked number one in the percentage of single unit housing structures while New Haven County had the least out the total housing stock.

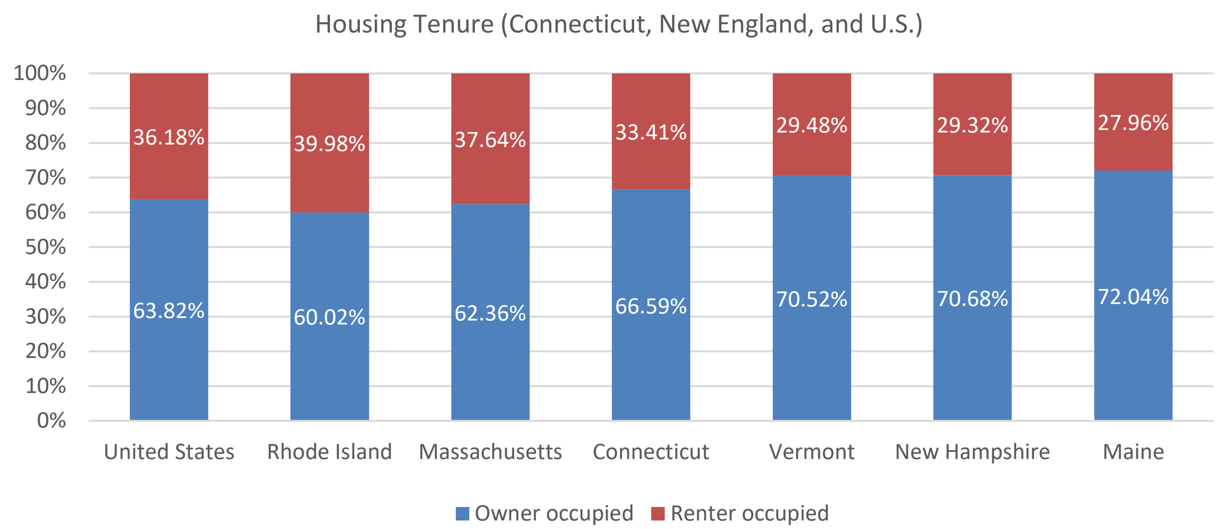


Source: American Community survey, 5 Year estimates, 2013-2017



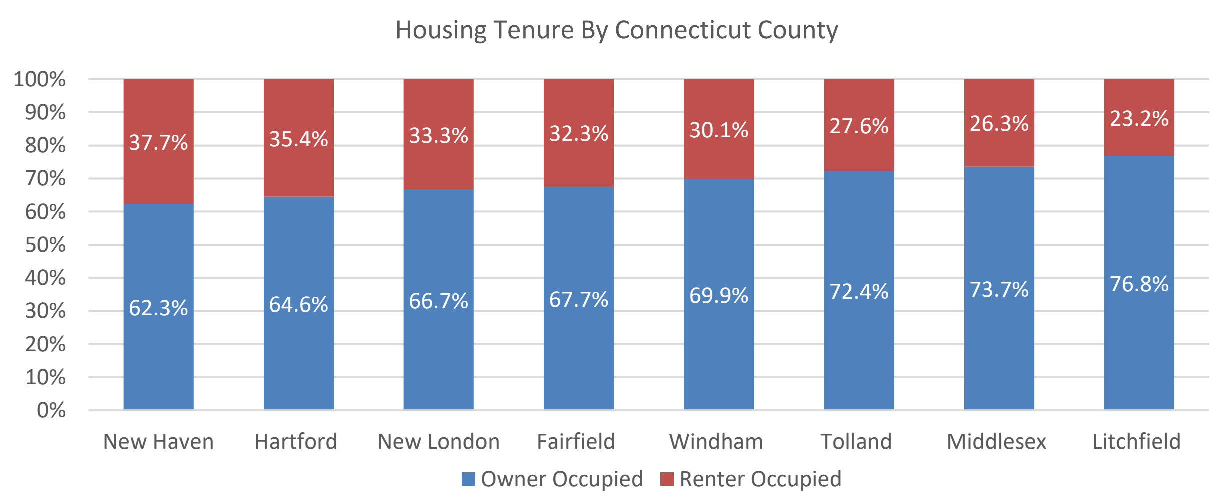
Source: American Community Survery, 5 Year estimates, 2013-2017

Connecticut, like the country at large, is a majority owner state. Connecticut's ownership rate, according to the 2013-2017 ACS, is 66.59 percent which is higher than the national rate of 63.8 percent. In New England, Rhode Island had the lowest ownership rate of 60.02 percent while Maine had the highest rate at 72.04 percent.



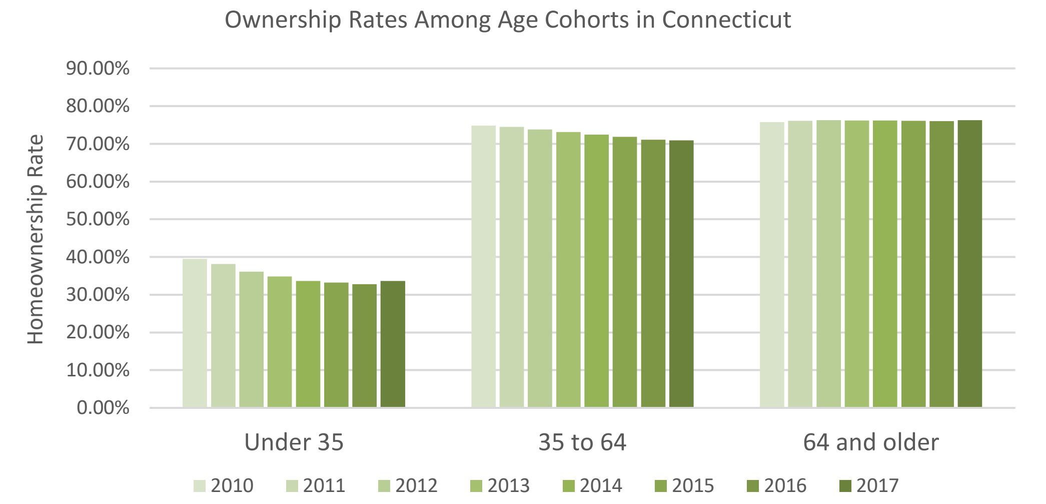
***Source:** American Community Survey, 5 Year Estimates, 2013-2017*

In Connecticut, New Haven County has the lowest ownership rate at 62.3 percent while Litchfield County has the highest rate at 76.8 percent. At the municipal level, the cities of Hartford, New Haven, and New London have the lowest ownership rates at 24, 28, and 37 percent respectively. The towns of Harwinton, Union, and Weston have the highest ownership rates at 96, 97, and 96 percent respectively.



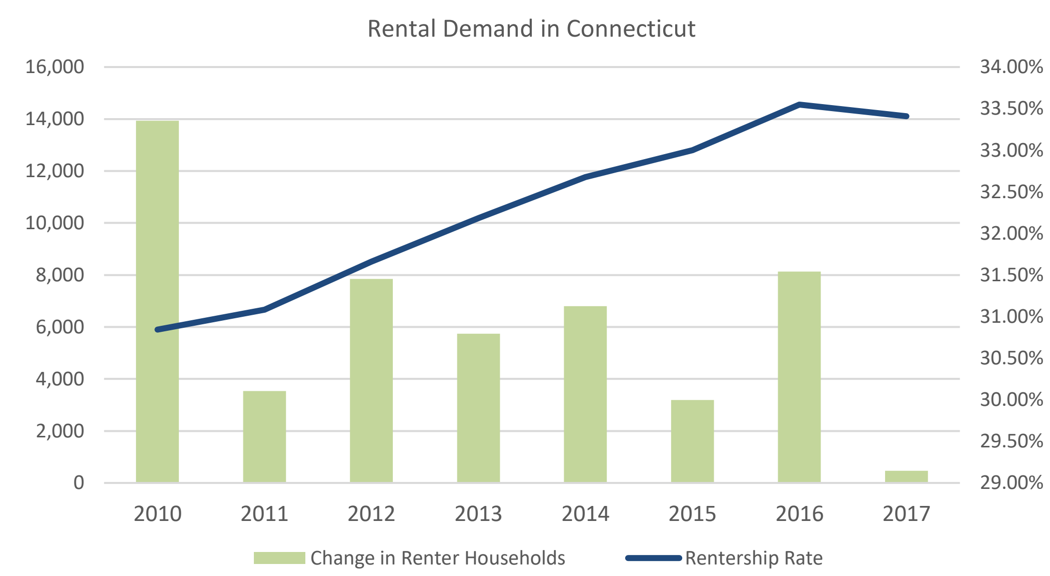
Source: American Community Survey, 5 year estimates, 2013-2017

After having declined for seven consecutive years from 2010 to 2016, the homeownership rate among under 35 year olds in Connecticut increased slightly from 32.08 percent to 33.67 percent in 2017.



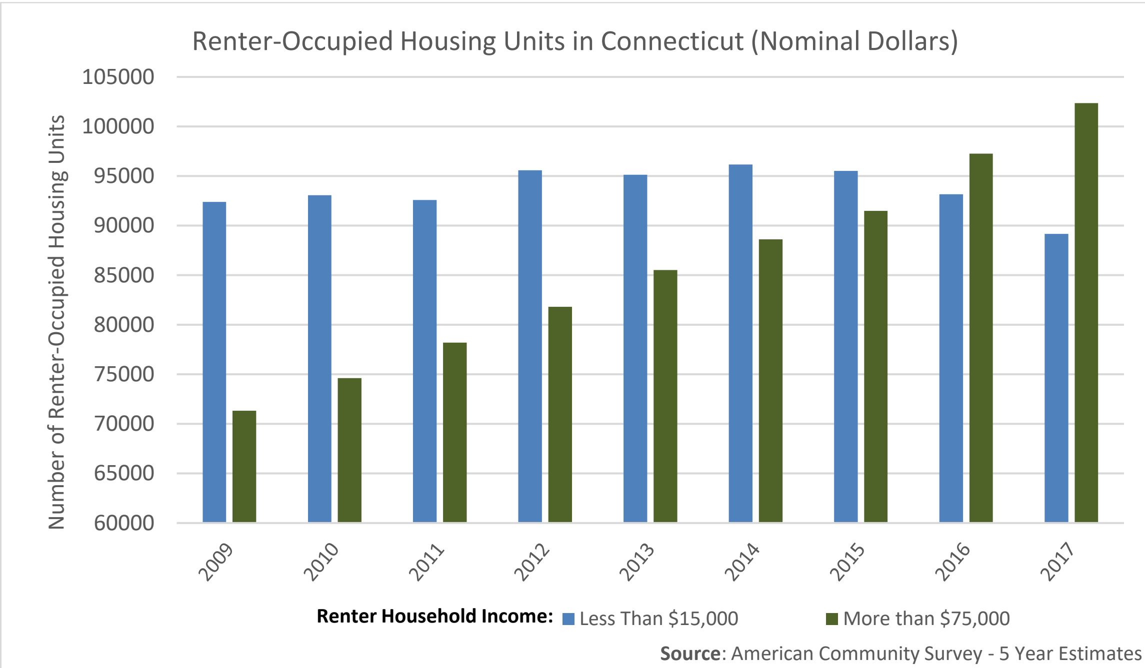
***Source**: American Community Survey - 5 Year Estimates*

While there was not a decrease in the number of renter households, Connecticut's overall rental rate appeared to have stagnated or even declined in 2017 after having increased year over year during and after the Great Recession. Connecticut's rental rate stands at 33.41%.

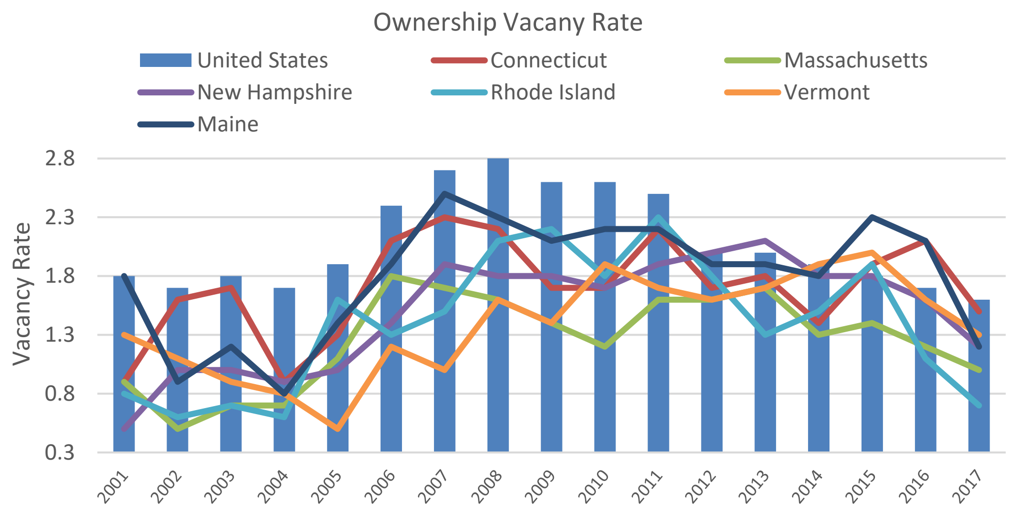


Source: American Community Survey - 5 Year Estimates

While Connecticut's Rental rate appears to be slowing slightly, Connecticut has seen growth in the number of higher income rental households. Rental households making $75,000 or more now make up 22.5 percent of all rental households in Connecticut, up from 17.6 percent in 2009.

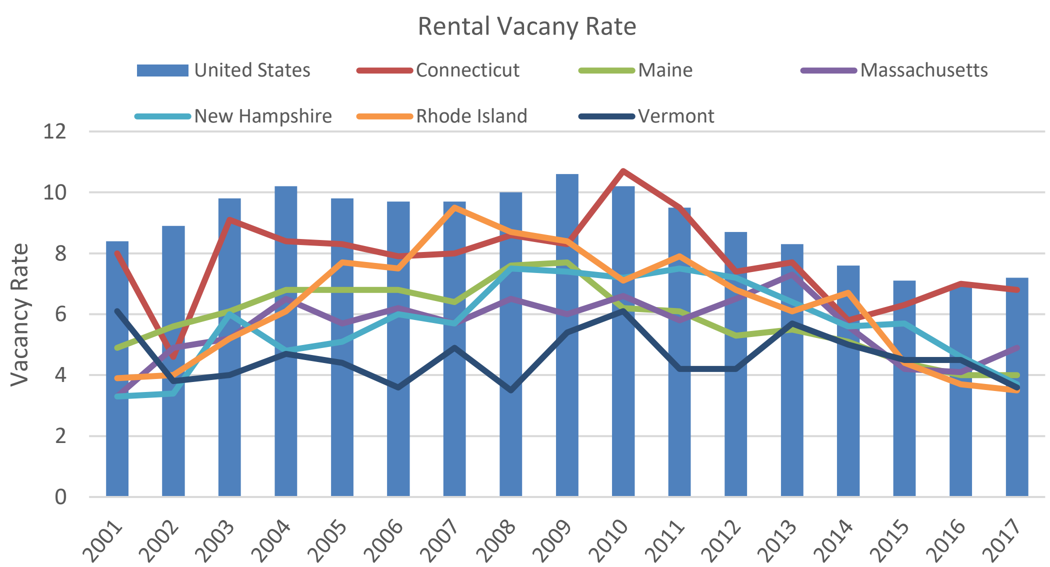


Ownership vacancy rates peaked in Connecticut, New England, and nationwide between 2007 and 2008 as the Great Recession and foreclosure crisis began. Connecticut's vacancy rate reached 0.9 in 2004 and jumped to 2.3 in 2007. Since then the states ownership vacancy rate has decreased to 1.5 which is slightly less than the national rate of 1.6 but tops the New England rates. The decreased vacancy rate since the height to the Great Recession is an indication of increased demand for housing in the state.



Source: U.S. Census Bureau, Current Population Survey/Housing Vacany Survey, February 28,2018

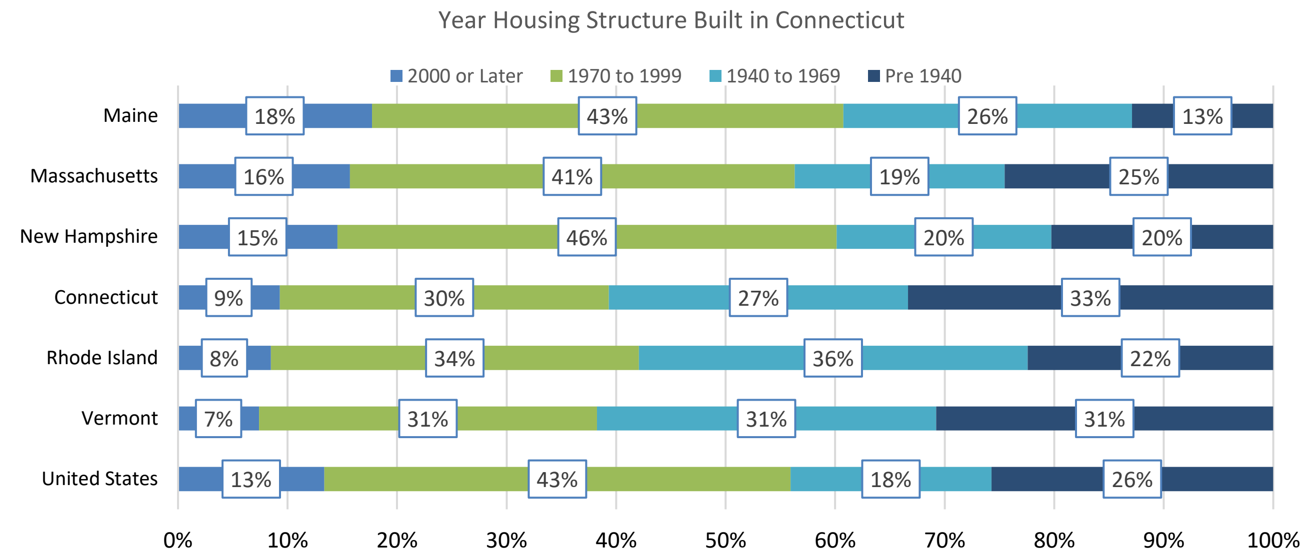
Rental vacancy rates in Connecticut peaked in 2010 at 10.7 percent, slightly higher than the national peak at 10.2 the year prior. Since that time rental vacancy rates have dropped significantly. In 2017 Connecticut's rate was slightly less than the national rate at 6.8 percent. Relative to historic trends, Connecticut's current rental vacancy rate is quite low indicating a strong rental market.



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, February 28, 2018

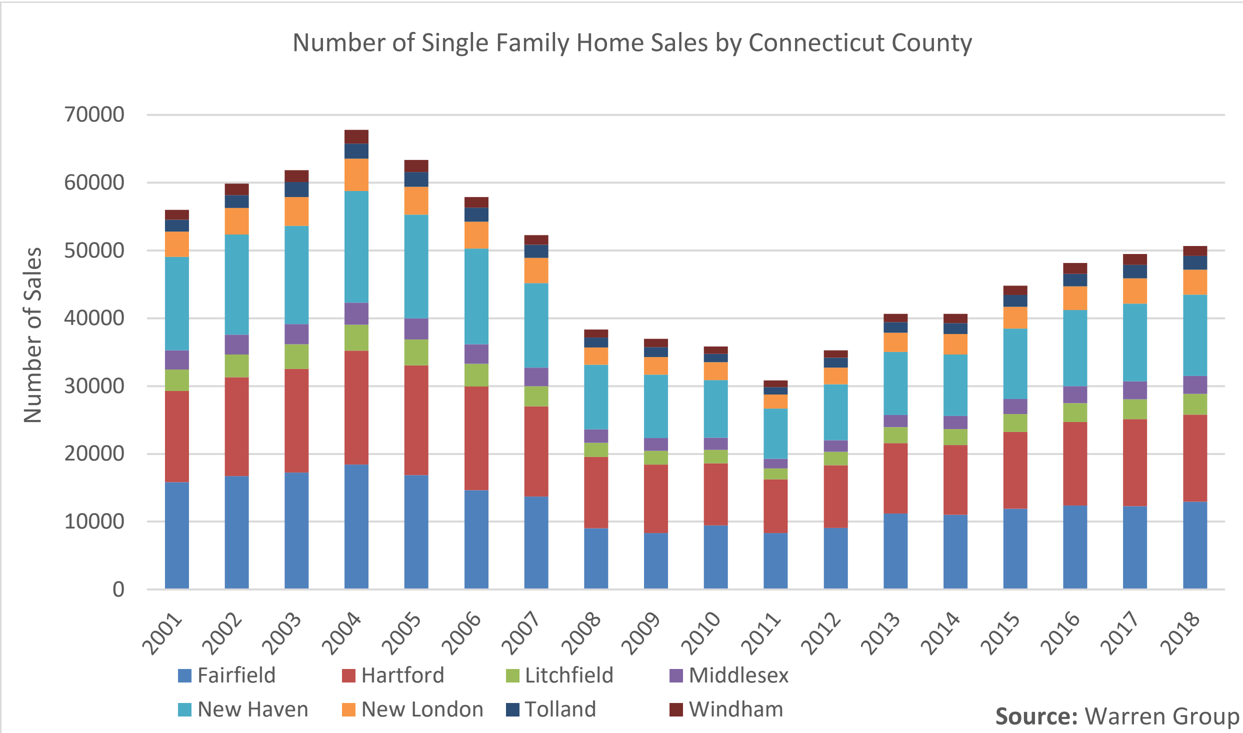
Like much of New England, Connecticut generally has an older housing stock than the rest of the country. The median year built in Connecticut according to the 2013-2017 ACS estimates, is 1964 relative to the national median of 1977. In New England, Rhode Island and Massachusetts had slightly older housing with a median year built at 1960. New Hampshire had the newest housing in the region with a median year built of 1977, which matches the national estimates.

Only 9 percent of the housing structures in Connecticut were built after the year 2000, relative to 13 percent nationally. Thirty percent of Connecticut's housing was built between 1970 and 1999, twenty seven percent between 1940 and 1969, and thirty three percent was built before 1940. Notably, of any New England state, Connecticut has the highest share of its housing stock built prior to 1940.

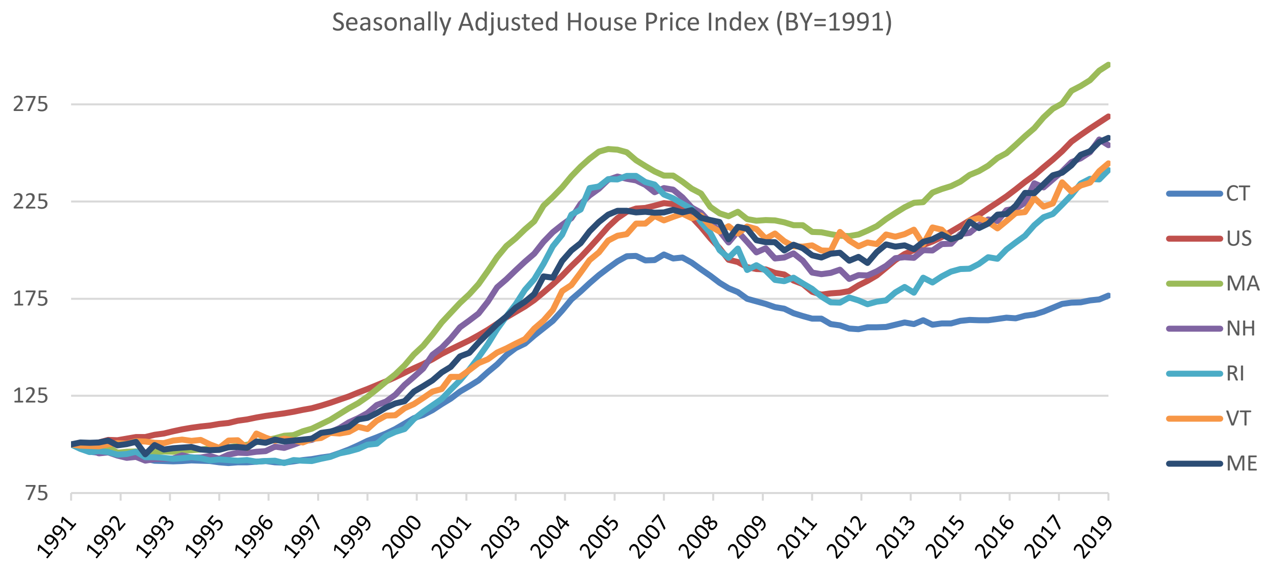


Source: American Community Survey, 5 Year Estimates, 2013-2017

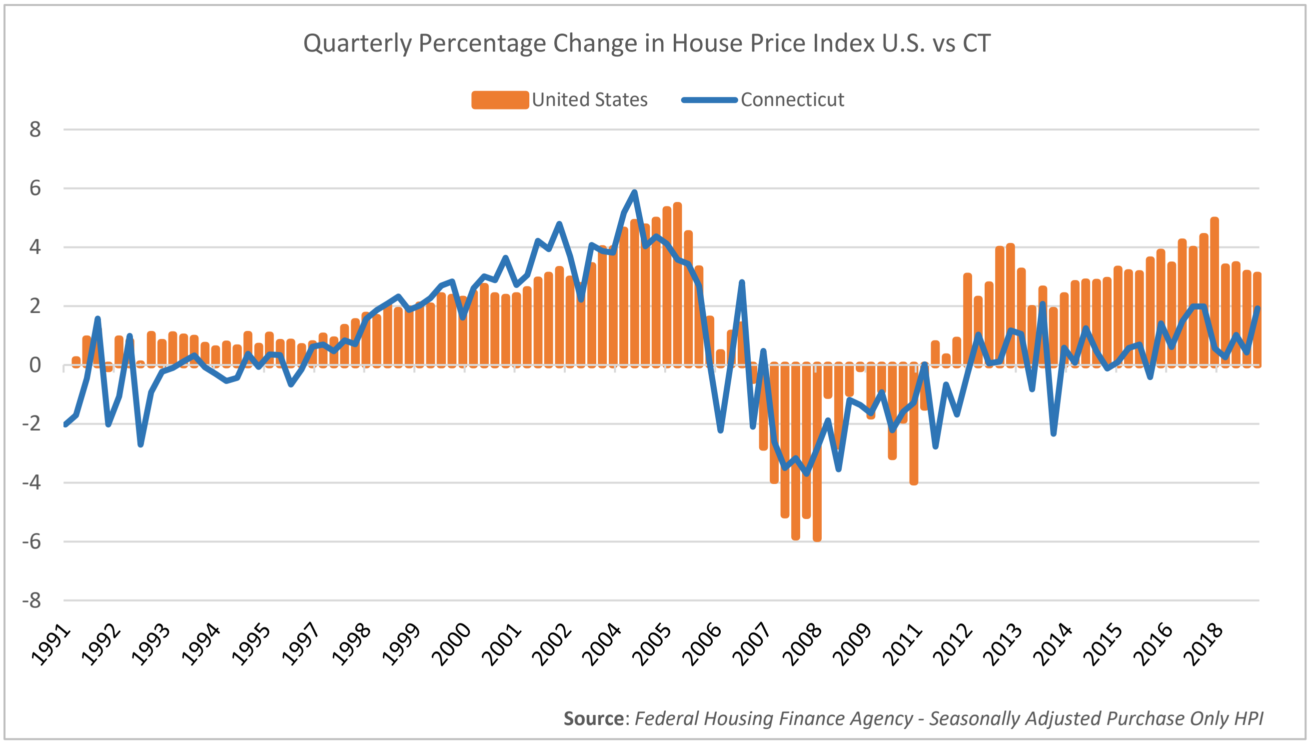
Single family home sales in Connecticut peaked in 2004 with almost 68,000 homes sold that year. Suffering from the effects of the Great Recession, home sales in Connecticut dropped to just under 31,000 in 2011. Since 2011, total sales in Connecticut have rebounded to about 49,500 in 2017 and nearly 51,000 in 2018.

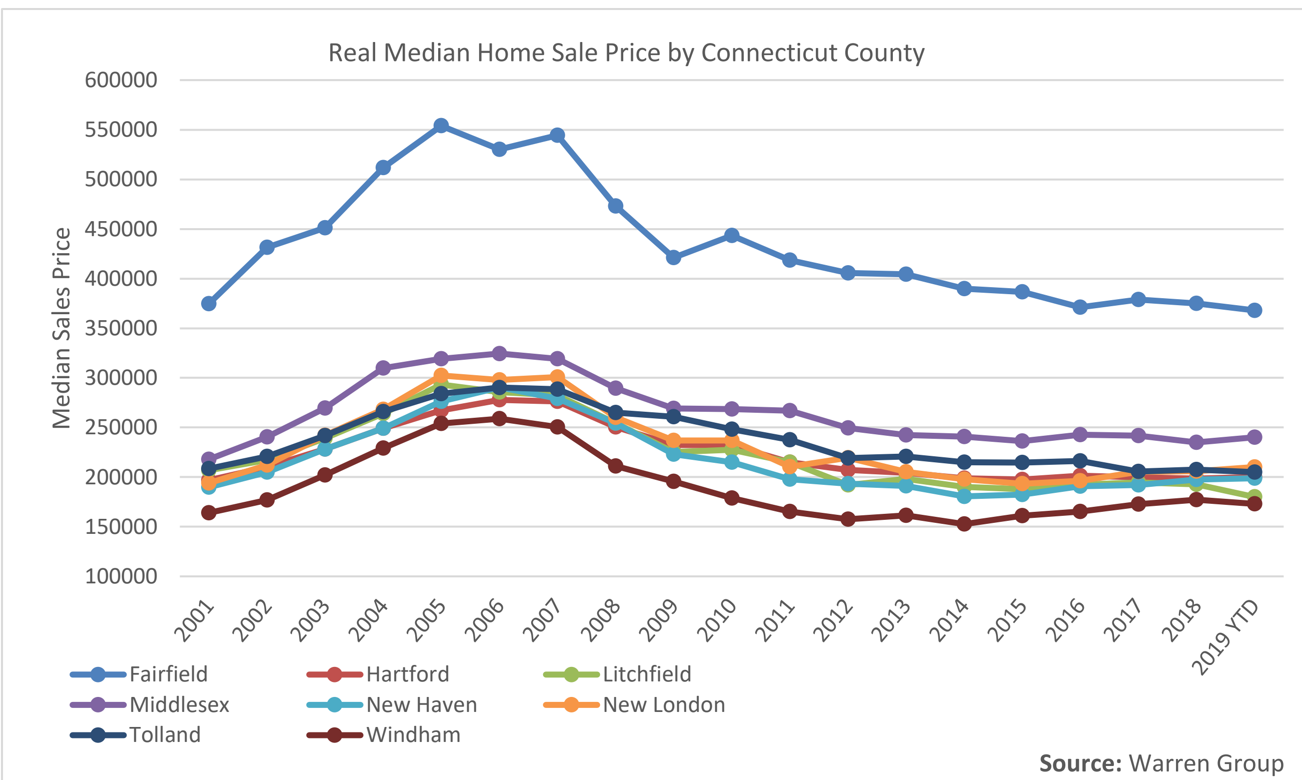


Between 2001 and 2018, home prices in Connecticut peaked in 2007, just prior to the Great Recession. In 2007, the median sales price for a single family residential property, including condominiums, in Connecticut was $259,900 ($319,000 adjusting for inflation) while the median price in 2018 was $229,500. As seen in the Federal Housing Finance Agency's Purchase-Only House Price index (HPI), Connecticut like the U.S. at large lost significant ground in home prices between the years of 2006 and 2012, and has struggled to keep pace with home price gains in other New England States and the country overall. As of July, the median sales price in Connecticut in 2019 stands at $223,000.

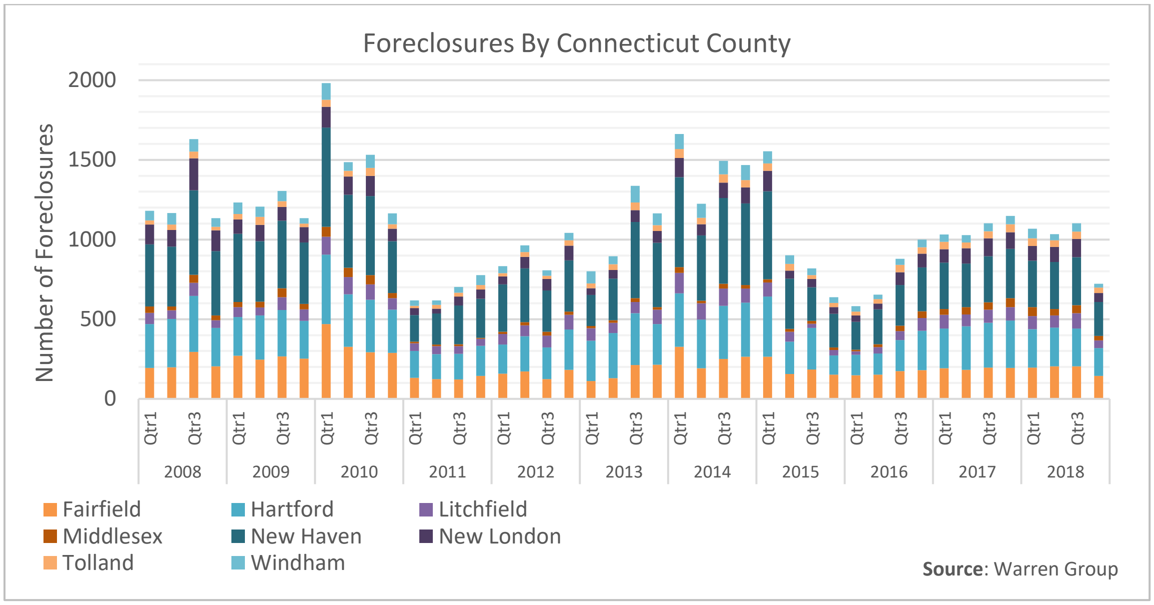


Source: *Federal Housing Finance Agency - Purchase Only HPI*

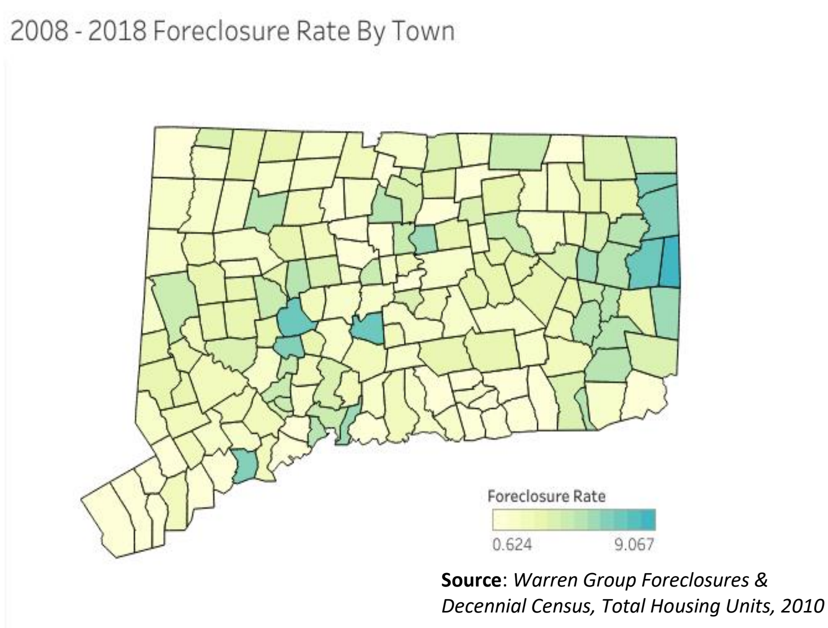

Quarterly Percentage Change in House Price Index U.S. vs CT
United States
Connecticut
8
6
4
2
0
-2
-4
-6
-8
1991
1992
1993
1994
1995
1997
1998
1999
2000
2001
2002
2004
2005
2006
2007
2008
2009
2011
2012
2013
2014
2015
2016
2018
Source: *Federal Housing Finance Agency - Seasonally Adjusted Purchase Only HPI*


Real Median Home Sale Price by Connecticut County
Median Sales Price
600000
550000
500000
450000
400000
350000
300000
250000
200000
150000
100000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019 YTD
Fairfield
Hartford
Litchfield
Middlesex
New Haven
New London
Tolland
Windham
Source: Warren Group

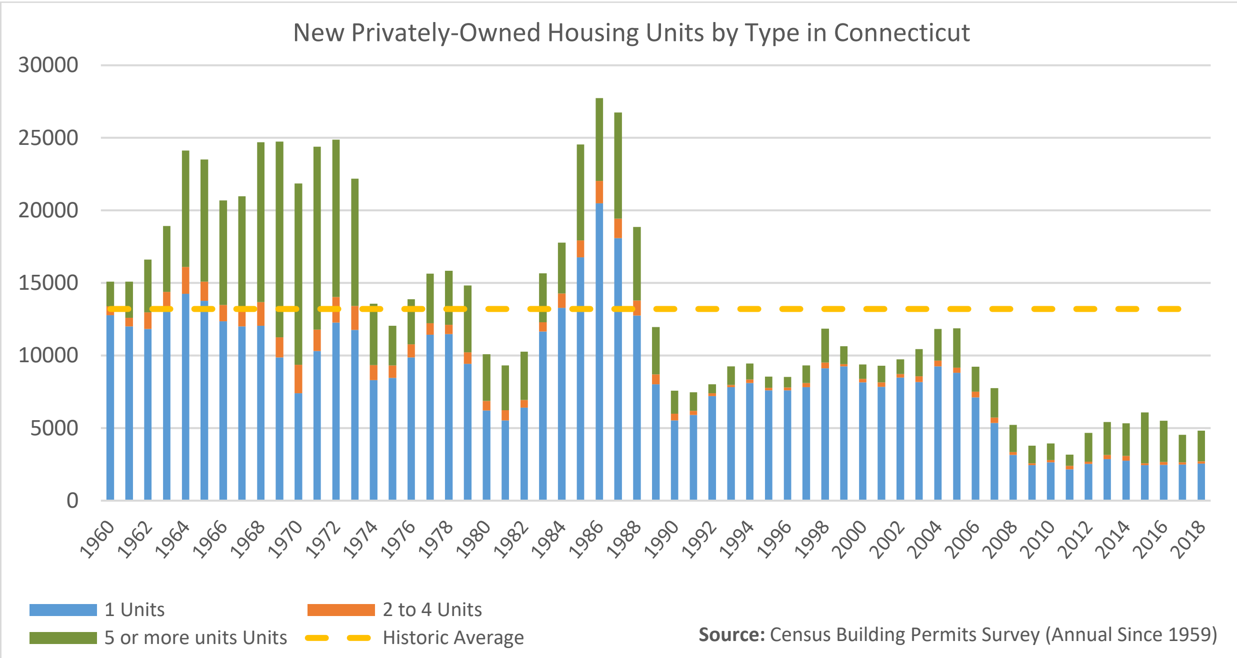
The number of foreclosures in Connecticut spiked in both 2010 and 2014 as Connecticut made its way through the Great Recession. In 2010 alone, nearly 6,200 homeowners in Connecticut lost their homes as a result of a foreclosure.



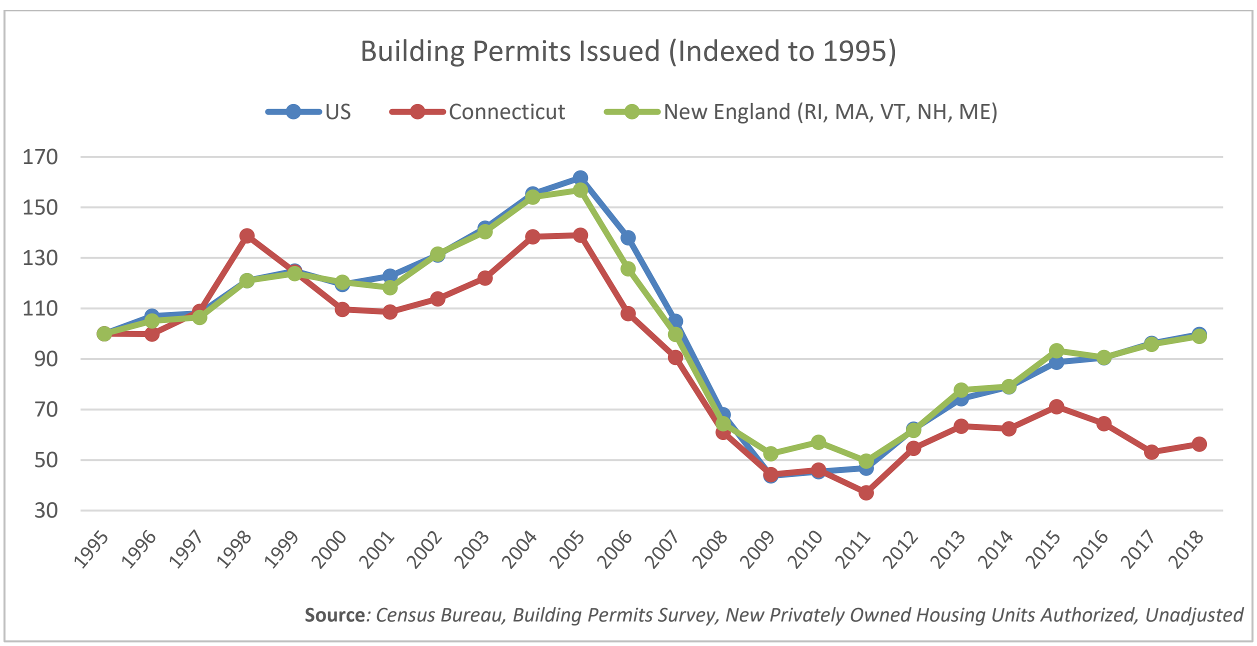
As seen in the map below, the spike in foreclosures was felt disproportionately across the state. Eastern Connecticut has had the highest foreclosure rates since 2008. Towns like Sterling and Plainfield have had the highest cumulative foreclosure rate since 2008 at 9.06 and 7.53 percent of the total housing stock in each town has been foreclosed upon. Urban centers like Waterbury, Meriden, and Bridgeport have also had high rates of foreclosure, at 7.35, 7.39, and 6.41 respectively. Bridgeport had the highest number of foreclosures during that time period with 3,652 foreclosures, followed by Waterbury, New Haven, and Hartford with 3,528, 2,357, and 2,162 respectively.



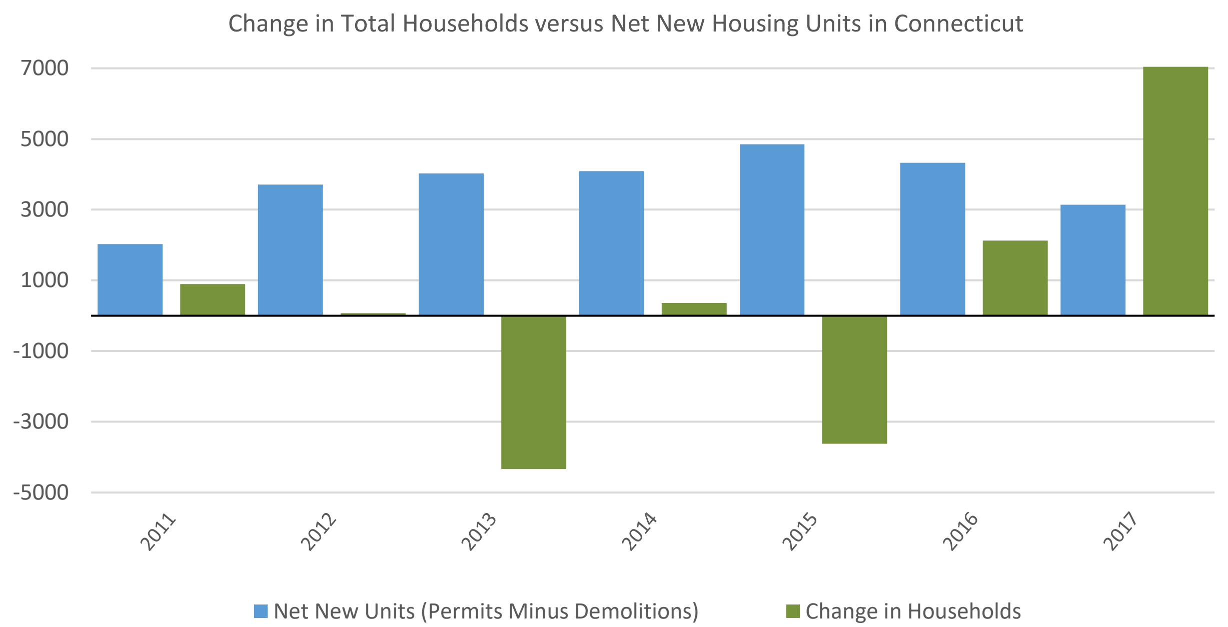
Housing construction like many other market indicators, has struggled to recover since the Great Recession. Since 1960, Connecticut has built an average of about 13,200 units per year, the bulk of which occurred prior to 1990. Since 1990, an average of 7,700 units have been built per year with a significant drop off during and after the Great Recession.



New construction permits in Connecticut kept pace with other New England states and the U.S. generally prior to 2010. Since then, Connecticut has not kept pace with its neighbors in new construction permits. Connecticut, New England, and U.S. generally saw roughly half the level of new construction relative to 1995 levels.

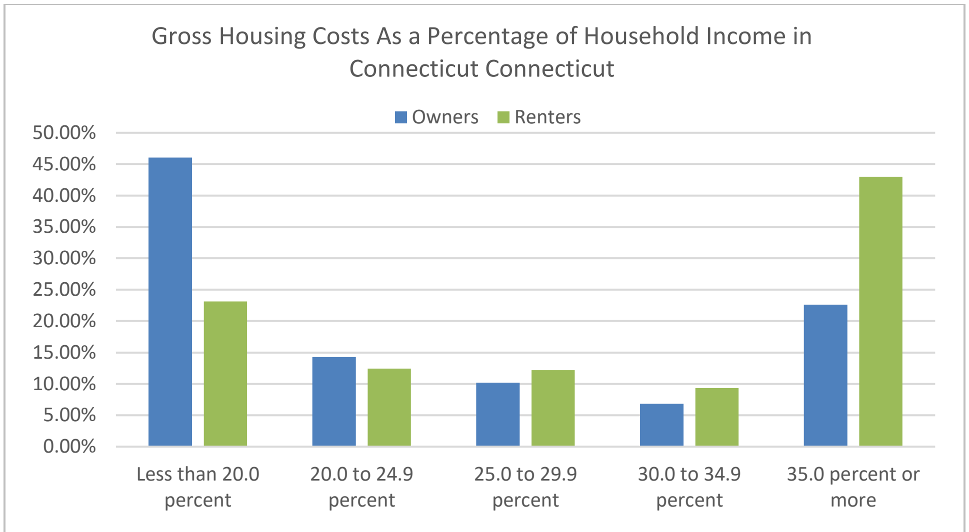


According to the JCHS, housing construction should exceed household growth by 30 percent to accommodate for demolitions, second homes, and to ensure a stable vacancy rate. While new housing construction had been slow to recover, so too has new household formation. Between 2011 and 2015, Connecticut generally either lost or kept the same number of households. In 2016 and 2017, the state added 2,130 and 7042 households respectively.

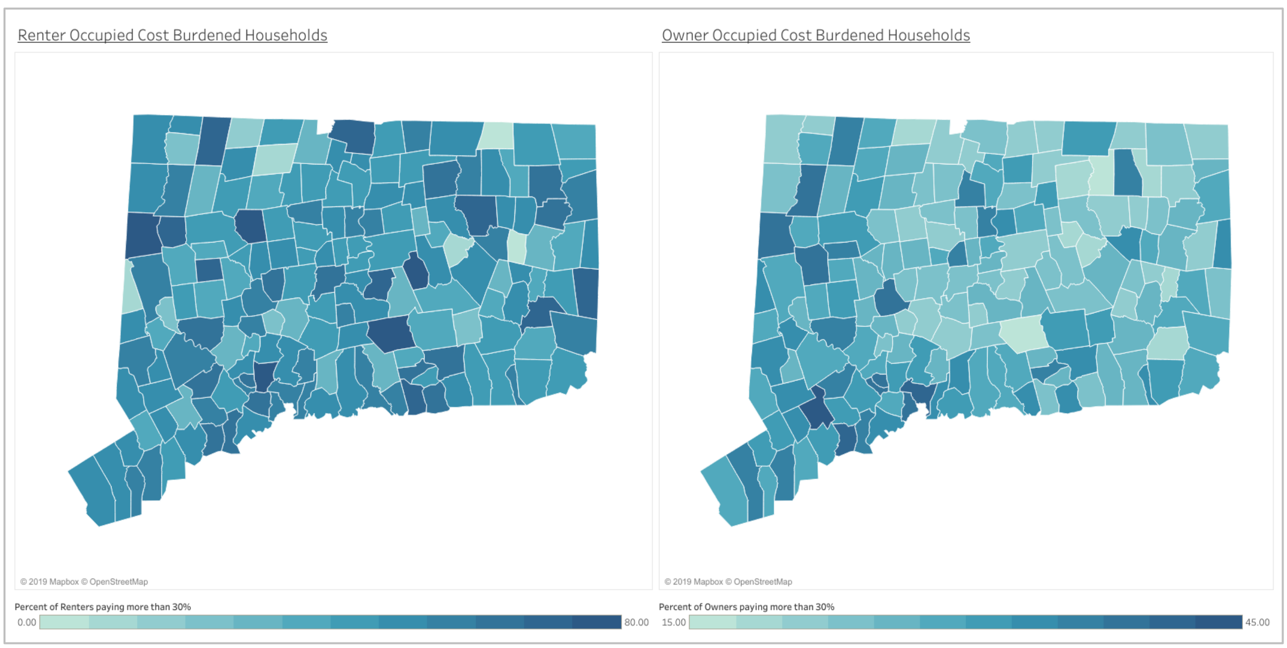


Source: DECD Building Permits and Demolitions & ACS 5 Year Estimates

According to the housing cost data from the 2013-2017 ACS estimates, 36.77% of Connecticut households are considered to be cost burdened, meaning they spend more than 30 percent of their income on housing costs. By tenure, renters in Connecticut are far more likely to be cost burdened than owners. Statewide, 29.45 percent of owners, both with and without a mortgage, are considered cost burdened compared to 52.29 percent.

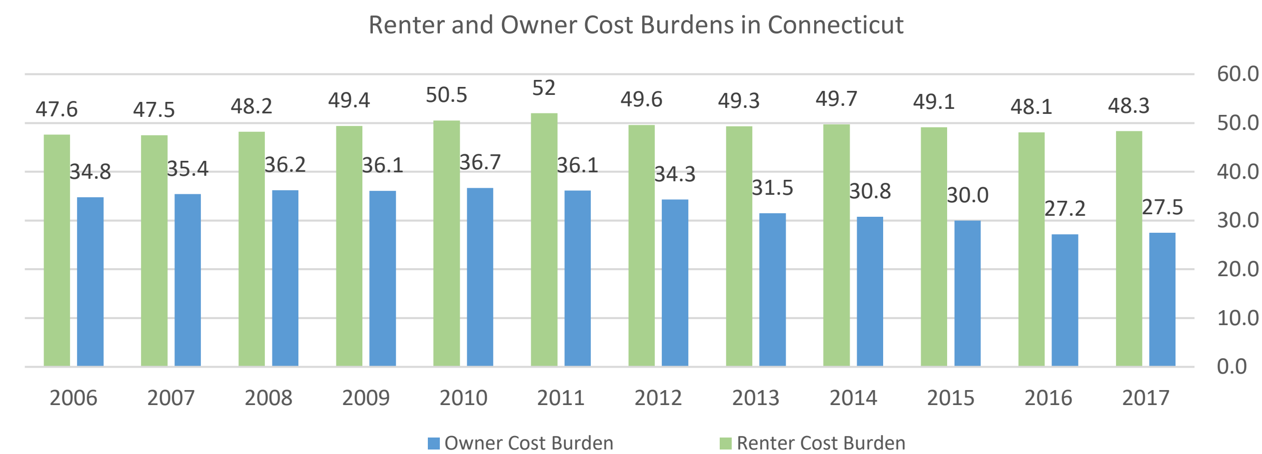


Source: *American Community Suvery, 5 Year Estimates, 2013 - 2017*



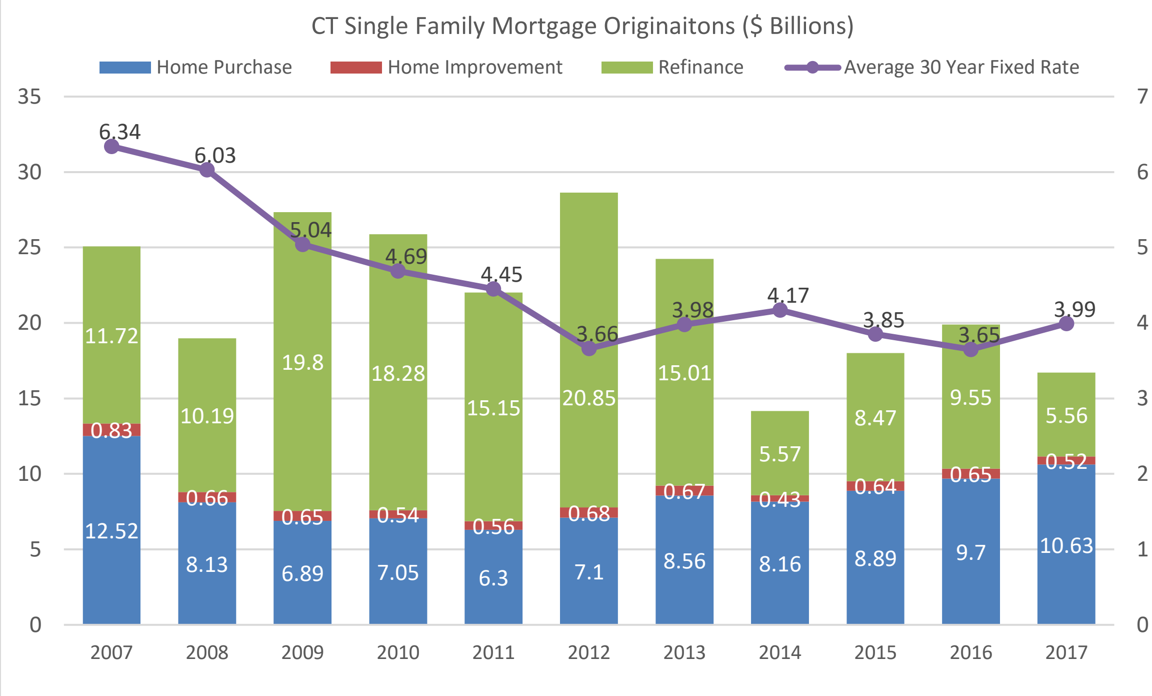
Source: *American Community Survey, 5 Year Estimates, 2013 - 2017*

Since 2006, according to the one year ACS estimates, cost burden rates among owners have dropped significantly. In 2006, 34.8 percent of owners were considered cost burdened while in 2017, just 27.5 were considered burdened. At the same time, little has changed on the rental side. In 2006, 47.6 percent of renters in Connecticut were considered cost burdened while in 2017, that number had increased to 48.3 percent. Cost burden rates among both renters and owners are down from their peaks in 2010 and 2011.



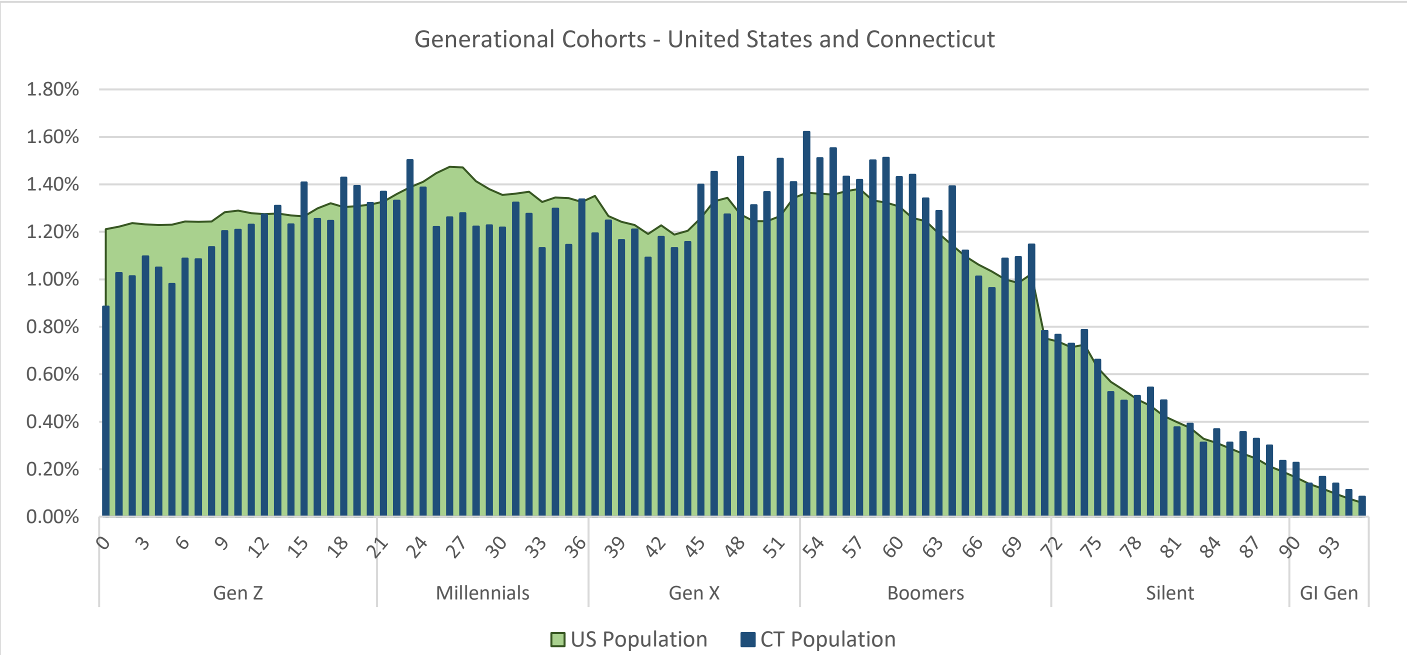
Source: American Community Survey - 1 Year Estimates

According to Home Mortgage Disclosure Act (HMDA) data provided by the Consumer Financial Protection Bureau (CFPB), mortgage originations total $16.7 billion in 2017. Home purchase originations reached $10.63 billion, their highest level since 2007. Notably, due to the low interest rate environment between 2008 and 2015 refinance mortgage made up the majority of all originations in Connecticut. In 2016 home purchase mortgages became the majority of originations for the first time since 2007.



Source: *CFPB - Home Mortgage Disclosure Act (HMDA) 2007-2017 & St. Louis Federal Reserve*

Connecticut has an older population than the U.S. population generally. According to the most recent American Community Survey estimates, Connecticut's median age is 41 compared to a median of 38 nationally. As seen below, Connecticut has a great proportion of Baby Boomers, older Gen-Xs, and younger millennials. Relative to the U.S. population, Connecticut is lacking in Millennials and younger Gen-Zs.



Source: ACS Population Estimates via IPUMS-USA