2019

Examining the Long-Run Shifts in Connecticut's Rental Market

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Planning, Research, & Evaluation
December 2019

Abstract

Housing affordability has received increasing focus nationwide and in Connecticut. According to the most recent American Community Survey estimates, the median gross rent in Connecticut in 2017 was $1,123 per month, up from $1,044 in 2012. Since 1990, Connecticut's rental market has seen dramatic shifts. Between 1990 and 2017, Connecticut gained nearly 25,000 rental units priced over $1,000 and lost almost an estimated 8,000 units priced under $600 per month, adjusted for inflation. Units priced under $600 went from making up 22.2 percent to just 16.75 percent of the total rental market, while those priced over $1,000 now make up nearly half of the market. This shift towards higher cost rental units presents significant challenges to housing affordability in Connecticut, squeezing household budgets and increasing the likelihood of eviction among low and moderate income households. This analysis documents the long-run shifts in Connecticut's rental market, specifically the decline in lower-cost units and the potential impact that trend has on low- and moderate-income households.

National Trends

According to a recent Joint Center for Housing Studies (JCHS) working paper, since 1990 the U.S. has seen a significant decline in the number of "low-cost" rental units. The JCHS analysis defines "low-cost" units as those that rent for less than $600 per month adjusted for inflation, which is affordable to a household earning $24,000 a year. According to the analysis, the U.S. has lost 4 million low-cost units between 1990 and 2017. At the same time, the U.S. gained 10.9 million total rental units, 10.3 million of which rent for over $1,000 a month which made up about 95 percent of all rental stock growth during that period and are affordable to households earning $40,000 a year or about $19 an hour, assuming a 40 hour work week.

The decline in low-cost units and the corresponding growth in higher-cost units puts pressure on low- and moderate-income households by effectively limiting the supply of affordable units. In 1990, low-cost rents of under $600 adjusted for inflation made up 46 percent of all rental units. In 2017, they make up just 25 percent of the rental market nationwide. The bulk of this decline, according to the report, occurred within the last five years (2012 to 2017) and almost universally in the United States. The share of units priced under $600 per month declined in every state and DC, so much so that they now make up under a third of all units in 27 states. The decline in the share of low-cost units also varied significantly across region in the U.S. between 1990 and 2017. According to the analysis, states in the Midwest and South saw significant drops in the share of low-cost rents while states in the Northeast and West, such as California and New York, initially had low shares of low-cost units in 1990 and experienced smaller declines by 2017.

The loss of low-cost units across the country has significant implications for households on the lower end of the income distribution. A lack of units affordable to low income households forces them to compete and often pay more than 30 percent of their income in housing costs, pushing them closer to the threat of eviction and limiting upward mobility. The JCHS examined the relationship between the decline in low-cost rents and increasing cost burden rates and found a strong correlation between the two phenomenon (correlation coefficient = 0.68). This implies that between 1990 and 2017, states with the steepest lose in the share of rents under $600 per month usually also saw larger increases in cost burden rates during the same time period at the corresponding income level of $24,000. The JCHS model produced an R^2 of 0.47, meaning that roughly half of the rise in costs burdens between 1990 and 2017 can be explained by state level losses in low-cost units.

Methodology and Data

This analysis replicates the methodology presented in the Joint Center for Housing Studies' Working Paper – *Documenting the Long-Run Decline in Low-Cost Rental Units in the US by State*. Data was pulled from the 1990 and 2000 Decennial Censuses and the 2000 to 2017 American Community Surveys through the Integrated Public Use Microdata Series (IPUMS-USA)[1] from the University of Minnesota. IPUMS is comprised of microdata, or anonymized individual records, from the fifteen federal censuses and the American Community Survey (ACS) of 2000 to present. This data is especially useful for multiyear and longer-term analysis.

This analysis includes all units in the rental market, both occupied and vacant. To ensure consistency across rent estimates, contract rents, rather than gross rents, are used as gross rents for vacant units do not include utility costs. Excluding utility costs from this analysis also allows for more direct analysis of changes in the cost of housing alone. Additionally, units labeled as "no cash rent" or zero rent were excluded to focus the analysis solely on the shifts in low-cost rental housing in Connecticut. All rent and income estimates were inflated to 2017 dollars using the Consumer Price Index for all urban consumers-less shelter.

The period of time being analyzed, 1990 to 2017, spans multiple survey periods and methods which are not entirely consistent with one another. To limit the effect of the inconsistencies across the two surveys, the changes in rental units were calculated within each survey and then summed across years. This allows for an analysis of the cumulative net changes from 1990 to 2017. This involves calculating the change in units between the 1990 and 2000 Decennial Census and adding them to the change between the 2000 and 2017 ACS estimates. Due to of adjustments to the 1990 and 2000 censuses, not following this methodology would lead to larger than appropriate estimates.

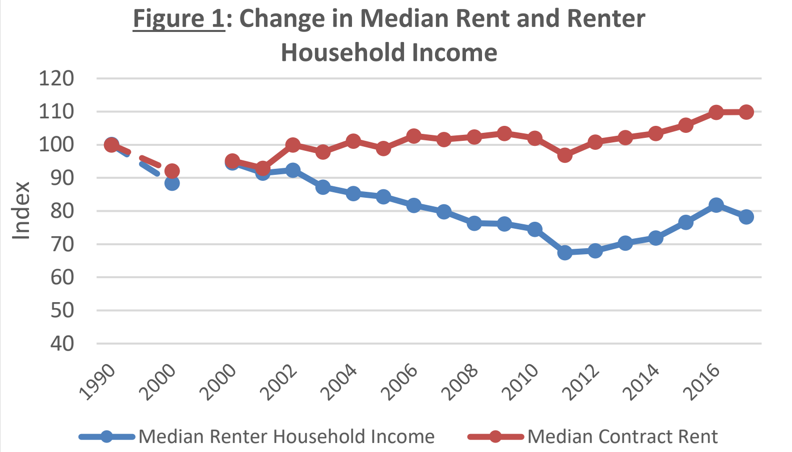
Connecticut's Changing Rental Market

The median contract rent[2] adjusted for inflation has increased notably since 1990. As seen in Figure 1, the median contract rent among both occupied and vacant units was $865 per month in 1990, compared to $950 per month in 2017. A significant increase in the median contract

[1] Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas, and Matthew Sobek. IPUMS USA: Version 8.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D010.V8.0

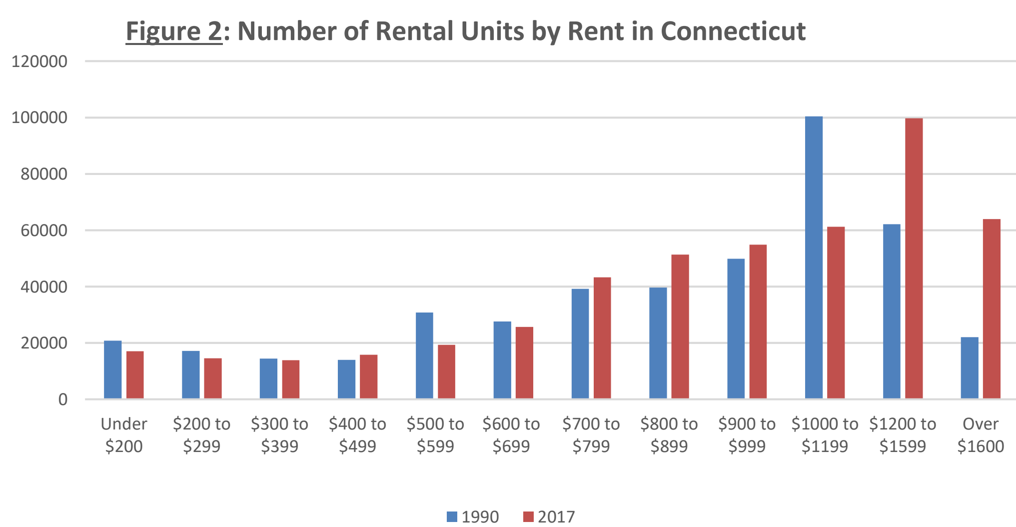
[2] Contract rents includes only the cost of shelter and excludes utility costs. Contract rents were adjusted to constant 2017 dollars using the CPI for all urban consumers – less shelter costs.

rent occurred between 2011 and 2017, jumping from $838 to $950, a near 12 percentage point increase. Additionally, adjusted for inflation, the median renter household income has declined notably since 1990. In 2017, the median renter household income was $34,000 a year, down from $43,000 in 1990.



Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via IPUMS USA, Minneapolis: University of Minnesota, www.ipums.org.

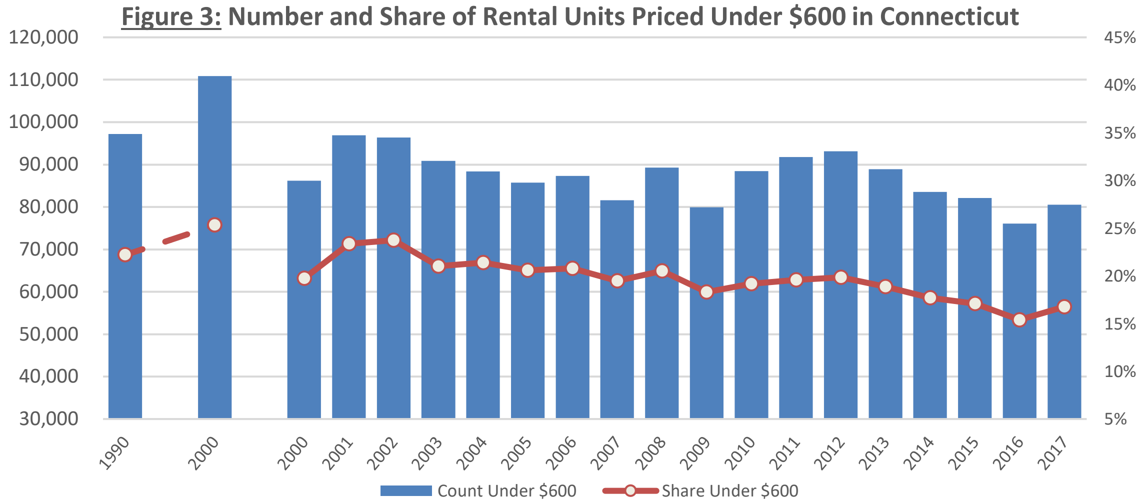
According to the JCHS report, Connecticut was one of three states to see an increase in the total number of units available for under $600 per month but a decline in the share that low-cost units make of the overall rental market. By replicating the JCHS's methodology we can examine the scale and time frame of the low-cost share decrease in Connecticut. We can also examine trends at the county and municipal level. As seen in Figure 2, Connecticut's rental market in both 1990 and 2017 is generally weighted towards higher-cost units. Connecticut mirrors other high cost states in the Northeast and West Coast which saw a lower-than-average decrease in the number and share of low-cost rental units between 1990 and 2017.



Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via IPUMS USA, Minneapolis: University of Minnesota, www.ipums.org.

Using the *cumulative net change* methodology[3] outlined by the JCHS, we can see that Connecticut gained about 7,919 rental units price under $600 per month. In 1990, low-cost units made up 22.20 percent of Connecticut's rental market and by 2017 that share had dropped to 16.75 percent, a decrease of about 5.5 percentage points. As seen in Figure 3, since the early 2000's there has generally been a consistent year-over-year decline in the low-cost unit share in Connecticut.

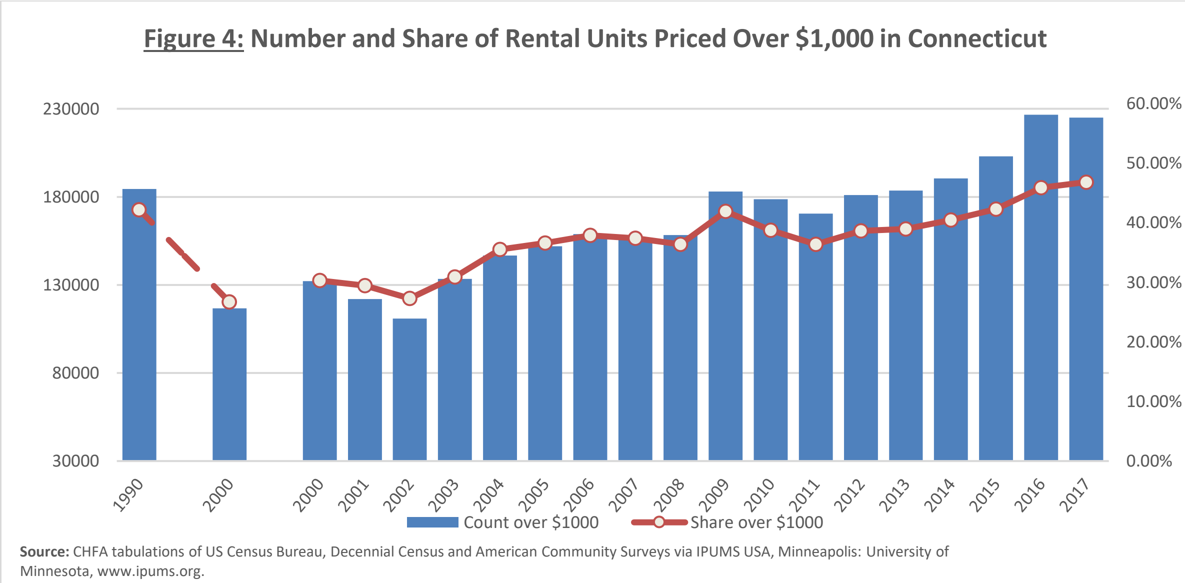
Figure 3: Number and Share of Rental Units Priced Under $600 in Connecticut



Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via IPUMS USA, Minneapolis: University of Minnesota, www.ipums.org.

From Figure 4, we can see a more significant change in Connecticut's rental market in the growth of "high-cost" rental units, specifically units priced over $1,000 per month adjusted for inflation. The cumulative net change in high-cost units between 1990 and 2017 is estimated to be 24,931. Between 1990 and 2000, there appears to be a significant decline in both the number and share of high-cost rental units. The share drops from 42.13 percent to 26.67 percent and since 2000, the share has rebounded beyond 1990 levels to 46.79 percent, nearly half of Connecticut's rental market. A significant portion of that increase appears to occur within the last few years. Since 2011, the high-cost share of the rental market has jumped by more than 10 percentage points.

[3] To reduce discrepancies in survey methodology between the Decennial Census and American Community Survey, unit stock changes were calculated *within* each survey and then *summed* across survey (i.e. the difference between the 1990 and 2000 Decennial Census plus the difference between 2017 and 2000 ACS estimates).



Variation among Connecticut's Cities and Counties.

Connecticut's rental market sports notable differences between its major metro areas and between its eight counties. As seen in Table 1, four out of the four largest cities in Connecticut (Stamford was not included in this analysis due to data limitations) saw the number of low-cost units decline from 1990 to 2017. The share those units make of the total rental market in each municipality dropped in each city except for Bridgeport which saw about a two percentage point increase in the low-cost unit share. On the other side of the rent cost distribution, between 1990 and 2017 the cities of Bridgeport, Hartford, New Haven, and Waterbury all saw increases in the number and share of rental units priced over $1,000.

Table 1: Change in Distribution of Rents in Connecticut Cities

	1990 - Decennial Census					2017 - American Community Survey				
Municipality	**Units Under $600 per Month**	**Share of Total Units Under $600 per Month**	**Units over $1000 per Month**	**Share of Total Units over $1000 per Month**	**Total Occupied and Vacant Rental Units**	**Units Under $600 per Month**	**Share of Total Units Under $600 per Month**	**Units over $1000 per Month**	**Share of Total Units over $1000 per Month**	**Total Occupied and Vacant Rental Units**
Bridgeport	7126	22.85%	10497	33.66%	31189	7095	24.96%	12183	42.86%	28427
Hartford	11666	27.47%	8173	19.24%	42473	8513	23.21%	9269	25.27%	36678
New Haven	9437	26.74%	12173	34.49%	35296	7135	19.00%	17953	47.81%	37550
Waterbury	8644	37.16%	4164	17.90%	23261	5287	21.64%	6401	26.20%	24432

Note: Analysis includes vacant and occupied units. Excludes no-cash renters. Cash rents have been adjusted by CPI-less shelter to 2017 dollars. 1990 and 2000 estimates are from Decennial Census years and therefore cannot be directly compared to ACS estimates.
Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via IPUMS USA, Minneapolis: University of Minnesota, www.ipums.org.

At the county level, we can see significant changes since 2000 (1990 estimates were not available for Fairfield and Litchfield counties). In all eight counties between 2000 and 2017, the share and count of units under $600 per month decreased while the share and count of units over $1,000 increased. The most notable changes in rental unit distributions occurred in Connecticut's largest counties. In Fairfield County the share of units of $1,000 per month increased by more than 20 percentage points and now make up nearly 68 percent of the county's rental market. In Hartford County the share of low-cost units decreased by nearly 11 percentage points while the high-cost share of units increased by 17.5 percentage points. Finally, in New Haven County the count of high-cost units nearly doubled and the share increased by 23.4 percentage points. Middlesex and New London Counties also saw significant increases in the share of high-cost units, which now make up about 49 and 40 percent of the market respectively.

Table 2: Change in Distributions of Rents in Connecticut Counties

	2000 - Decennial Census					2017 - American Community Survey				
County	Units Under $600 per Month	Share of Total Units Under $600 per Month	Units Over $1,000 per Month	Share of Total Units Over $1,000 per Month	Total Occupied and Vacant Rental Units	Units Under $600 per Month	Share of Total Units Under $600 per Month	Units Over $1,000 per Month	Share of Total Units Over $1,000 per Month	Total Occupied and Vacant Rental Units
Fairfield	18967	19.00%	47656	47.74%	99814	16773	14.25%	80007	67.98%	117693
Hartford	34509	27.94%	25387	20.55%	123509	21692	17.15%	48187	38.11%	126456
Litchfield	4296	26.92%	3198	19.04%	16792	3143	17.05%	6636	35.99%	18438
Middlesex	3006	17.64%	5269	30.91%	17045	2314	12.08%	9470	49.43%	19160
New Haven	31734	26.26%	25276	20.92%	120847	22258	16.82%	58643	44.33%	132299
New London	9303	28.11%	6678	20.18%	33099	7155	20.06%	14319	40.14%	35669
Tolland	2768	21.01%	2534	19.23%	13175	1933	11.31%	6026	35.25%	17093
Windham	6032	44.69%	748	5.54%	13498	5240	37.72%	1623	11.68%	13893

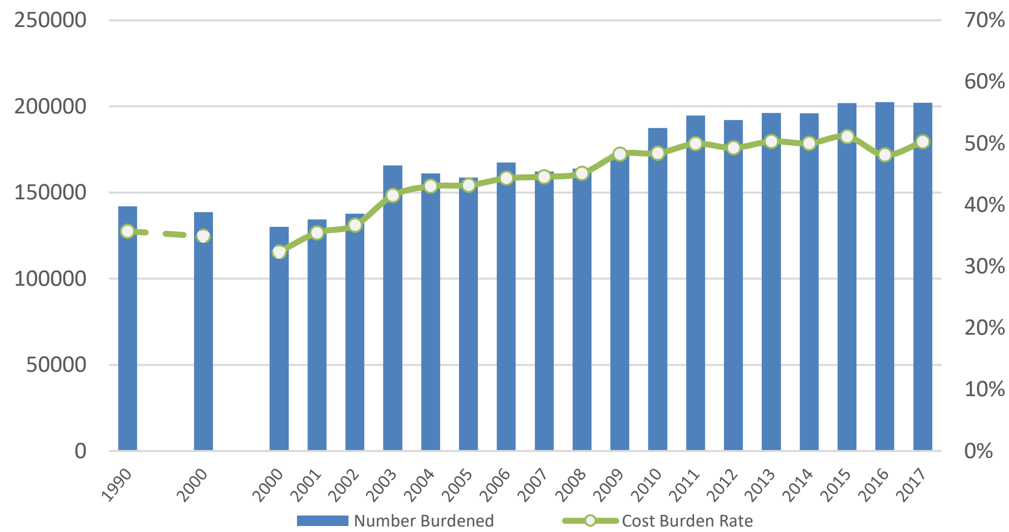
Note: Analysis includes vacant and occupied units. Excludes no-cash renters. Cash rents have been adjusted by CPI-less shelter to 2017 dollars. 1990 and 2000 estimates are from Decennial Census years and therefore cannot be directly compared to ACS estimates.
Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via IPUMS USA, Minneapolis: University of Minnesota, www.ipums.org.

Link to Cost Burdens in Connecticut

The JCHS analysis of national trends reported a strong relationship between the disappearance of low-cost rental units and the increase in cost burdens at the state level. Specifically the JCHS estimates that nearly half of the state level variation in cost burdens can be explained by the decline in low-cost rental units between 1990 and 2017. In Connecticut, renter cost burdens have increased significantly since 1990, according to Figures 6 and 7. In 1990, 36 percent of renters paid over 30 percent of their income on housing costs and in 2017, slightly more than half of all renters paid the same amount. Cost burdens are even more pronounced in Connecticut among renter households earning under $24,000 or where low-cost units are considered affordable. In 1990, slightly under 72 percent of renters making under

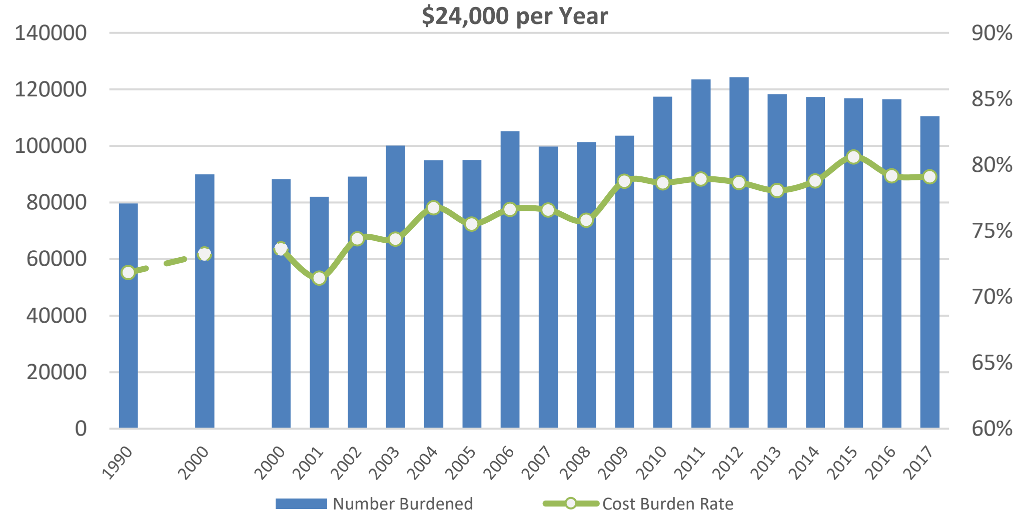
$24,000 were considered cost burdened and by 2017 that number had increased to 79 percent. The combination of flat renter incomes and continually decreasing availability of low-cost units leads low and moderate-income renters into higher cost units than they can reasonably afford, increasing the likelihood of cost burden and eviction.

Figure 6: Cost Burden Number and Rate - All Renters



Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via

Figure 7: Cost Burden Number and Rate - Renters Under Earning Under $24,000 per Year



Source: CHFA tabulations of US Census Bureau, Decennial Census and American Community Surveys via IPUMS USA, Minneapolis: University of Minnesota, www.ipums.org.

Conclusion

Since 1990, Connecticut's rental market has seen a dramatic shift. The supply of units affordable to lower income households has declined significantly and the rental market has generally become more expensive. Driven either by a lack of construction, increased demand for rental units, or by decreased homeownership rates, this phenomenon presents significant problems for low and moderate-income households seeking affordable rental options. This analysis replicates the methodology used in the JCHS working paper – *Documenting the Long-Run Decline in Low-Cost Rental Units in the US by State*, explores the variation among Connecticut's counties and cities, and provides context for the affordability crisis in Connecticut.