Housing Needs Assessment Executive Summary

In 2019, CHFA published its first Housing Needs Assessment. That report was modeled after works published by the American Planning Association around data-driven housing assessment and action plans. Utilizing a variety of data sources, including most prominently the Comprehensive Housing Affordability Strategy (CHAS) datasets published by the U.S Department of Housing, the following report seeks to provide an overview of Connecticut's current housing market, highlighting gaps where applicable.

Key Takeaways: Connecticut's Housing Stock & Demographics

An analysis of Connecticut's housing stock reveals its bifurcated nature. Much of the single-family residential housing in the state is in the suburbs, particularly along our major highway corridors. Conversely, multifamily units are predominately located in the state's urban centers. About 65% of all housing stock in the state consists of single-family residential properties. The remaining housing is multifamily with 2-4 units making up 17% and over 5+ units making up 18%. Homeownership rates follow this bifurcated nature, with rates markedly higher in suburban areas, following the location of single-family housing stock. It is also within suburban communities that we see lower rates of minority residents which, while not unique to Connecticut, calls attention to the racial wealth gap in the state. People of color in Connecticut are far less likely to own their own homes with households identifying as Black or African American having just a 41% homeownership rate compared to 73% for White Households.

This assessment also recognizes that a lack of new construction over the past twenty years has reduced Connecticut's ability to meet housing demand across income brackets. Since the financial crisis in the late 1980's Connecticut's annual building permit numbers have not recovered. The Great Recession saw a further decline in economic activity including new construction with the last peak in construction occurring in 2005. In 2022, Connecticut issued just 48% of the residential building permits that it did in 2005, lagging some nearby states including Massachusetts (72%), New Hampshire (55%) and the United States at large (80%). At the same time, household formation in Connecticut has been on the rise, necessitating additional housing options across income levels.

Key Takeaways: COVID-19 Implications

Historically low new construction and rising household formation coalesced with the onset of the COVID-19 pandemic in early 2020 to create a radical shift in Connecticut's housing market. Due to steep competition for low inventory, prices for both potential homebuyers and renters soared. Prior to 2020, the median annual sales price for a single-family home in Connecticut was $250,000; two years later that median sales price had risen to $340,000. Additionally, 2022 saw the most rapid increase in year over year interest rate growth since the 1980's. This rapid increase in home sale prices and associated costs resulted in boxing out potential homebuyers from the market, forcing some to remain in their rental units. As a result, vacancy rates for rental units dropped significantly below pre-pandemic levels. Consequently, rents rose at staggering rates, with year-over-year rent growth exceeding seven percent in certain markets, compared to averages around two percent historically.

Key Takeaways: Market Typologies

Connecticut's housing market is often discussed in terms of geography: million-dollar homes in Fairfield County and country farms to the east in Tolland and Windham Counties, for example. However, these generalizations do not paint an accurate picture of the complexities of the housing market in the state, nor do they provide a framework for potential programs. For this reason, CHFA developed an index that typifies census tracts by a number of factors, grouping together like areas irrespective of jurisdiction. Each census tract was assigned both an Opportunity Index score and Market Activity Index score which resulted in one of the following typologies for both the home ownership and rental market: 1) High Opportunity & Heating, 2) Low Opportunity & Heating, 3) High Opportunity & Cooling, 4) Low Opportunity & Cooling, and 5) Low Density. For an in-depth explanation of the methodology of these indices see the full section on Market Typologies.

About 30-35% of Connecticut's census tracts fall into the High Opportunity & Heating typology for both the sales and rental market, reflecting high quality of life and strong market activity throughout the state. These census tracts are located predominately in the suburbs and also saw the lowest inventory and vacancy rates in recent years, indicating strong consumer preference for housing in these areas. Low Opportunity & Heating markets as well as cooling markets tend to be clustered in the state's urban centers, particularly in the rental market. It is in these typologies that we see some of the oldest and lowest cost housing stock. The difference in median rent between High Opportunity & Heating markets and Low Opportunity & Cooling markets is over $400 a month. Across all markets, lower income households, particularly those earning under 50% Area Median Income (AMI), have faced the steepest housing costs as a percentage of their income.

Key Takeaways: Housing Affordability Gaps

An important finding of this needs assessment is the inadequate supply of affordable housing throughout the state in both the sales and rental markets. In particular, through analysis of the Comprehensive Housing Affordability Strategy (CHAS) data, CHFA finds an outright shortage of rental units affordable to households between 0-30% AMI and above 80% AMI. Outright shortages at the lower income end of the market cause a cascading effect to other income brackets as these extremely low income households are forced to rent at higher costs. This creates gaps for low and moderate income households and increasing competition for affordable units. Unsurprisingly, higher income renter households that can afford units priced over 80% AMI often seek lower cost housing by choice, further contributing to gaps for lower income households. Analysis of the CHAS data indicates a gap of approximately 92,560 units affordable to extremely low income renter households in Connecticut. This gap does not represent the number of new units that need to be built, but rather the number of units that would allow all extremely low income households to live in a unit that is affordable to them. This estimate is in line with recent projections from other organizations such as the National Low Income Housing Coalition and the State of Connecticut's Department of Housing.

CHAS data reveals that most homeowners in the 0-50% AMI income bracket are cost burdened, primarily due to higher income households occupying homes affordable to extremely low income and low income households. Similarly, while the supply of homes affordable to those between 51-80% AMI is adequate in raw number, 75% of homes priced in this range are occupied by households outside of this income bracket. As with the rental market, this data reveals that households tend to search for the lowest cost housing available to them, which results in increased cost burdens for extremely low income and low income households who face increased competition for limited affordable units.