

Housing Market is Healthier, But Not for Everyone

The housing market has certainly rebounded from 2008 levels, but not all see the positive benefits

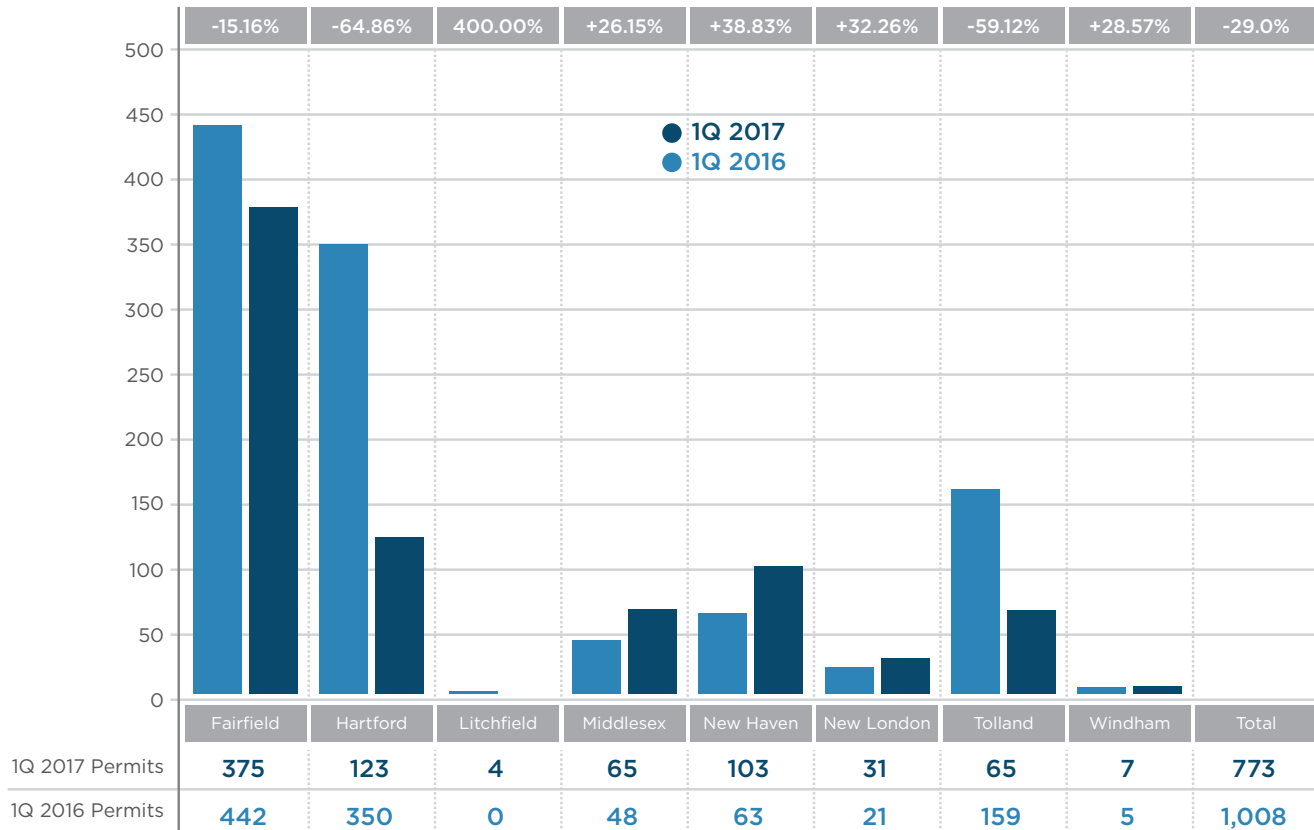
By John Tarducci, MIRM, Senior Vice President, New Development Services Division, William Raveis Real Estate, Mortgage & Insurance

The housing market that closed the first half of 2017 is the healthiest it has been since 2008. In the Northeast, and most major metropolitan areas, sales are up and prices are up--good signs of a well-performing industry. But, what if those numbers do not tell the whole story? According to The State of the Nation's Housing 2017, the annual report from the Joint Center for Housing Studies (JCHS) of Harvard University, they might not. Leading us to believe there is more to our current market than meets the eye.

The report analyzed a number of factors, including total number of cost-burdened and severe cost-burdened renters and

homeowners, homeownership stratification and changes in homeownership price. What they ultimately found is interesting, and points to a larger problem in the United States: a stagnation in homeownership. 2016 was the twelfth year in a row in which the homeownership rate was lower than the year prior, and in Q1 2017, the homeownership rate stood at 63.6 percent, the same rate recorded a year prior. And no: the problem is not millennials' love of avocado toast.

Housing Permits See Decline in First Half of 2017¹



State of Connecticut

Housing Permits Issued by County
1st Half 2016 vs. 2017

(104 Municipalities Reporting)

At the close of the first two quarters of 2017, permits saw a total decline of 27.1 percent, dropping from 2,205 in June 2016 to 1,608 in June 2017.

The most significant decline came in 5+ Unit permits, which fell 46.8 percent, from 1,190 to 633. For 3-4 Unit permits, there was a loss of 27.3 percent, although it is worthwhile to mention that this drop was from just 22 permits in 2016 to 16 in 2017. In 2-Unit permits,

numbers fell from 50 to 44, a decline of 12 percent, and 1-Unit permits fell only slightly, 3 percent, from 943 to 915.

¹In 2014, the state of Connecticut reported permit information for 128 towns. In 2015, they have only reported for 104 towns.



Single Family Home Sales Continue Upward Trend



In H1 2017, in the state of Connecticut Single-Family Home Sales rose 5.1 percent, from 15,532 at the close of H1 2016 to 16,328 in the same period of 2017. On a county-by-county basis, increases were across the state, including: New London County at 12.2 percent, New Haven County at 8.1 percent, Litchfield County at 7.3 percent, Middlesex County at 6.9 percent, Tolland County at 6.2 percent, Fairfield County at 5.5 percent and Windham County at 1.5 percent. Hartford

County experienced a slight loss of 0.06 percent in H1 2017 as compared to H1 2016.

Averages Sales Price for single-family homes in Connecticut increased 2.9 percent in H1, from \$373,788 to \$384,469. Increases were seen in Windham County (9.5 percent), Litchfield County (7.3 percent), New London County (5.5 percent), Fairfield County (3.8 percent), New Haven County (0.8 percent) and Hartford County (0.5 percent). The only counties to experience a decrease in the first quarter were Tolland County, which fell 2.8 percent and Middlesex County which fell 1.7 percent.

To round out the quarter, Average List Price increased 5.3 percent, Months of Supply fell 16.3 percent and Price Per Square Foot increased 2 percent from H1 2016 to H1 2017.

1st Half 2017 vs. 2016

Unit Sales	5.1%	↑
Avg. List Price	5.3%	↑
Months of Supply	16.3%	↓



Single Family Marketplace

Home Sales 1st Half 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	H1 2016	H1 2017	% DIFF.	H1 2016	H1 2017	% DIFF.
Fairfield	3,836	4,047	+5.50%	\$741,282	\$769,445	+3.80%
Hartford	3,950	3,925	-0.06%	\$255,783	\$256,944	+0.50%
Litchfield	955	1,025	+7.30%	\$284,925	\$305,721	+7.30%
Middlesex	910	973	+6.90%	\$304,053	\$298,844	-1.70%
New Haven	3,196	3,455	+8.10%	\$251,095	\$253,185	+0.80%
New London	1,367	1,534	+12.20%	\$237,616	\$250,695	+5.50%
Tolland	664	705	+6.20%	\$235,629	\$229,106	-2.80%
Windham	654	664	+1.50%	\$178,524	\$195,443	+9.50%
STATEWIDE	15,532	16,328	+5.40%	\$373,788	\$384,469	+2.90%

Single Family Marketplace

Months of Supply 1st Half 2016 vs. 2017

COUNTY	H1 2016	H1 2017	% DIFF.
Fairfield	8.60	7.70	-10.40%
Hartford	5.30	4.50	-15.60%
Litchfield	10.70	8.70	-18.50%
Middlesex	7.80	6.50	-16.90%
New Haven	6.90	5.60	-19.50%
New London	7.80	5.90	-23.90%
Tolland	6.80	5.70	-15.30%
Windham	5.90	4.40	-26.40%
TOTAL	7.30	6.10	-16.30%



Condominium Sales and Prices Rise in First Quarter



To finish H1 2017, we saw Units Sold increase for condominiums in the state of Connecticut, up 9.6 percent from 3,818 in 2016 to 4,181 in 2017. All counties experienced gains in the first quarter, including: Windham County at 24.4 percent, Litchfield County at 21.7 percent, New Haven County at 13.6 percent, Fairfield County at 9.1 percent, New London County at 7.8 percent, Tolland County at 4.3 percent,

Hartford County at 3.4 percent and Middlesex County at 1.5 percent.

Averages Sales Price of condominiums in Connecticut increased 4.5 percent, from \$211,953 to \$221,555. Significant increases were seen in New London County (13.5 percent), Windham County (13.1 percent), New Haven County (8.6 percent), Litchfield County (6.1 percent), Middlesex County (5 percent), Fairfield County (4.5 percent) and Hartford County (2.3 percent). The only county to experience a decrease was Tolland County, which Average Sales Price fell 12.7 percent.

To round out the quarter, Average List Price increased 8.9 percent, Months of Supply fell 18.4 percent and Price Per Square Foot increased 2.4 percent from H1 2016 to H1 2017.

1st Half 2017 vs. 2016

Unit Sales	9.6% ↑
Avg. List Price	8.9% ↑
Months of Supply	18.4% ↓

Condominium Sales and Prices on the Rise



Condominium Marketplace

Home Sales 2016 vs. 2017

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	H1 2016	H1 2017	% DIFF.	H1 2016	H1 2017	% DIFF.
Fairfield	1,246	1,360	+9.10%	\$321,391	\$335,825	+4.50%
Hartford	992	1,026	+3.40%	\$165,635	\$169,433	+2.30%
Litchfield	138	168	+21.70%	\$125,356	\$132,961	+6.10%
Middlesex	68	69	+1.50%	\$107,923	\$113,271	+5.00%
New Haven	924	1,050	+13.60%	\$154,545	\$167,795	+8.60%
New London	192	207	+7.80%	\$158,373	\$179,712	+13.50%
Tolland	93	97	+4.30%	\$170,673	\$149,003	-12.70%
Windham	45	56	+24.40%	\$134,044	\$151,542	+13.10%
STATEWIDE	3,818	4,181	+9.60%	\$211,953	\$221,555	+4.50%

Condominium Marketplace

Months of Supply 2016 vs. 2017

COUNTY	H1 2016	H1 2017	% DIFF.
Fairfield	6.70	5.80	-13.40%
Hartford	6.00	5.20	-13.20%
Litchfield	9.40	6.00	-35.90%
Middlesex	6.50	4.30	-33.30%
New Haven	7.50	5.70	-24.40%
New London	8.90	6.60	-26.30%
Tolland	9.10	6.30	-30.80%
Windham	9.50	7.20	-24.60%
TOTAL	7.00	5.70	-18.40%



Factors Impacting Homeownership

Surging Rents Make Path Difficult

For potential first-time homebuyers, today's rental market places a roadblock in the path to homeownership. Nationally, 48 percent of renters are cost-burdened (spending more than 30 percent of their income on housing), and 26 percent are severely cost-burdened (spending more than 50 percent of their income on housing.)

Those numbers represent significant populations of potential homebuyers who are struggling to pay their landlords each month. Ultimately, that means less disposable income to stash for a down payment, further delaying their household formation.

First-Time Affordability

Increasingly high rents are not the only culprit when looking at low homeownership rates: surging home prices have also had a significant effect. The JCHS report found that, nationally, 45 percent of renters in metro areas can afford

monthly payments on a median-priced home in their market. But that drops to less than 10 percent in the high-cost markets in California, the Pacific Northwest, Florida, and the Northeast.

Additionally, home values now average \$575,000 in the 10 fastest-growing metro markets--a price too steep for many looking to make a first-time home purchase. This is coupled with a decline in starter home builds, leaving an entire population of renters priced-out of today's housing market.

Construction Lows

In 2016, 1.7 million units were added nationwide, a 5.6 increase from 2015, and the nation's seventh straight year of gains. This might sound healthy, but we're still adding fewer new homes of any decade since the 1970s. Even more disconcerting for renters? From 2004 to 2015, the JCHS report shows, the number of starter homes dropped from 500,000 units to just 136,000. Ultimately pushing more first-time buyers to rent longer.



The Good News

For builders and Realtors alike there's good news: a large market of potential homebuyers is waiting to get out from under their suffocating rents. By some estimates, including CNN Money, upwards of three million first-time homebuyers have been shut out of the market since its downturn almost a decade ago.

In a recent whitepaper released by the National Association of Realtors, several factors were identified as "hurdles to homeownership." Chief among them? Housing availability and affordability. There's a massive, untapped opportunity for builders to begin refilling the stock of starter homes, which would give young buyers a compelling reason to enter homeownership.

Another reason identified in the whitepaper was lingering risk aversion following the 2008 downturn. Many young buyers experienced parents, friends and family going through foreclosures, or selling their homes at a loss. This left a lasting impression. As an industry, it is extremely important to focus on re-education of first-time homebuyers to make them more comfortable in the market.

Starter Homes May be the Answer



John Tarducci, MIRM, CMP, CRB
Senior Vice President

William Raveis New Development
Services

John.Tarducci@Raveis.com
RaveisNDS.com

o: 203.925.4587
c: 203.640.6930

Overall, there is potential for a large influx of new buyers into the market in the coming years, but it will not happen organically. Tangible shifts have to be made in order to coax reluctant, cash-strapped renters to start new households.

We anxiously await the next six months of this year as the market direction is as diverse as the communities we are monitoring. Time will tell but we anticipate builders reacting to this consumer segment and begin to fill the starter home inventory gap.

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Credits and Resources

1. Information contained herein is based on information obtained from CMLS, CTMLS, GRWMLS and DARMLS and is deemed accurate but not guaranteed

2. Housing permit data source: Census Compiled by DECD Research