Connecticut 2019 First Quarter Housing Report

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NEW DEVELOPMENT SERVICES

Regrets? In 2019, We Have a Few...

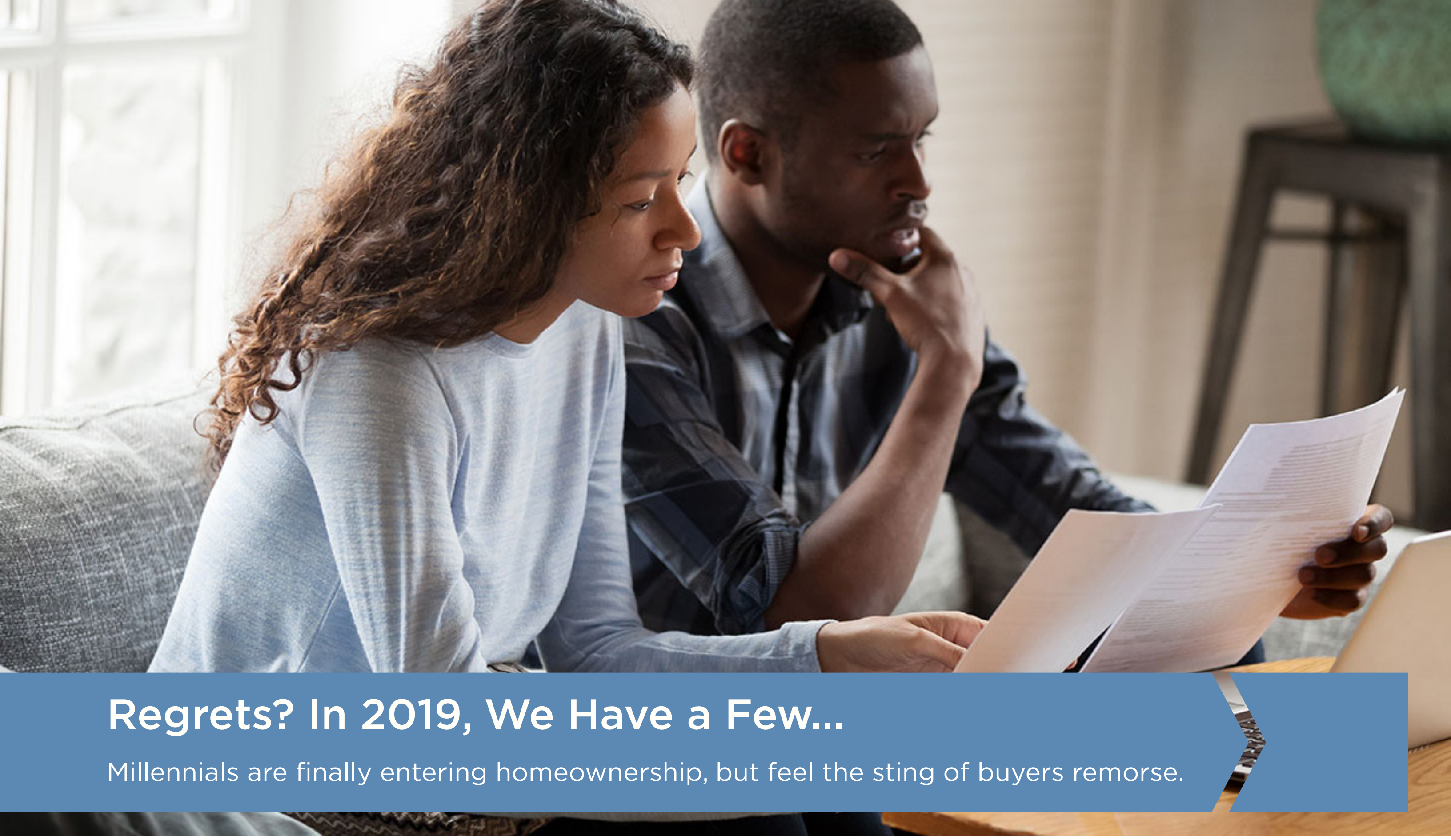
Millennials are finally entering homeownership, but feel the sting of buyers remorse.

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

As 2019 kicks off there is cause for celebration: homeownership rates hit a four year high nationally, according to the Census Bureau. At the end of 2018, homeownership rates rose to 64.8 percent--a number that has been steadily climbing since hitting an all-time low in 2016. Even better news? It appears as though this increase in homeownership is driven primarily from renters who have made the jump to buying. And even better news? The millennials have finally joined the party, with the majority of new homeowners being under 44 (according to most reports, the oldest millennials are currently 39.)

Unfortunately the news isn't all good. While millennials appear to entering homeownership and leaving the world of renting behind, they aren't feeling great about the decision. In a new survey by Clever, millennials were found to be more than twice as likely to be stressed about homeownership as compared to their baby boomer counterparts, with 51 percent feeling buyers remorse, compared with just 20 percent of boomers.

What's causing the stress? A home is one of the largest purchases in a person's life, and is tantamount to achieving the American Dream--shouldn't millennials be celebrating their achievement? Unfortunately for many, the mortgage payment is more than they bargained for. With a competitive housing market for buyers, and competing expenses, more than two-thirds of millennial buyers surveyed put down less than 20 percent on their new homes. This leads to higher monthly payments, plus the looming threat of private mortgage insurance.



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Millennials are finally entering homeownership, but feel the sting of buyers remorse.

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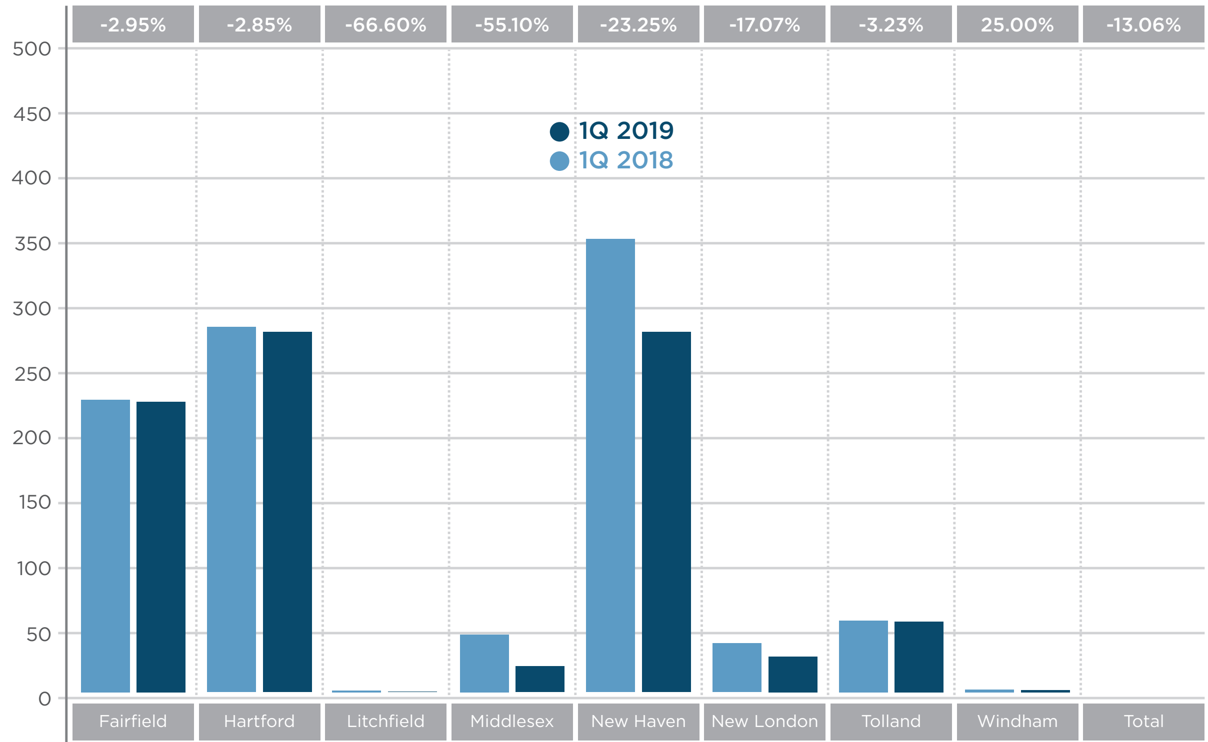
Also causing stress among millennial homeowners is the surprising cost of maintaining a home once you've bought one. There is no landlord to call when an appliance breaks down or a pipe bursts, and 43 percent of millennial homeowners are feeling that additional financial burden. Adding to that, millennial homeowners are more likely than baby boomers to buy a fixer-upper, thanks to availability and cost--so in addition to normal repairs, they are quickly realizing the renovations needed to turn their starter home into a dream property will cost even more money.

It's important for millennial homeowners to not lose site of the bigger picture--while purchasing and maintaining a home is a big adjustment, it is also an important step on the road to future wealth. In a study "average" millionaires by Dave Ramsey, most millionaires had paid off their mortgages in an average of 10.2 years. Additionally, a study by the Urban Land Institute found that delaying homeownership actually had a negative impact on future financial health. Individuals who purchases a home between 25 and 34 had the greatest amount of wealth in their 60s, with close to $150,000 in median home equity at age 60 or 61. As people age into retirement, they rely more heavily on their wealth rather than their income to support their lifestyles, so higher home equity is an important factor.

As more and more millennials enter homeownership, where does the responsibility lie in managing their expectations vs. reality? Should real estate agents take on the mantle of coach, as well as advisor and navigator? Providing resources and access to information seems key, as millennials, brought up in the age of the Internet, are used to comparing and researching and scouring the Web for details. Perhaps, as experts in the industry, it is our job to guide them to the information they need, to limit surprises after close.

Housing Permits Fall in First Quarter[1]



	Fairfield	Hartford	Litchfield	Middlesex	New Haven	New London	Tolland	Windham	Total
1Q 2019 Permits	230	273	1	22	274	34	60	5	899
1Q 2018 Permits	237	281	3	49	357	41	62	4	1,034

State of Connecticut

Housing Permits Issued by County
First Quarter 2018 vs. 2019

(104 Municipalities Reporting)

In the state of Connecticut in Q1 2019, permits saw a 13.1 percent decrease. The total number of permits fell from 1,034 in the first quarter of 2018 to 899 in the first quarter of 2019. The largest decrease was in 2-Unit permits, which fell 42.9 percent, while 5+ Unit permits fell 30 percent. Meanwhile, increases were seen in 3-4 Unit permits (27.2 percent) and 1-Unit permits (16.4 percent.)

On a county-by-county basis, most counties experienced a decline in housing permits through Q1 2019, including: Litchfield County at -66.60 percent, Middlesex County at -55.10 percent, New Haven County at -23.25 percent, New London County at -17.07 percent, Tolland County at -3.23 percent, Fairfield County at -2.95 percent and Hartford County at -2.85 percent. Windham County actually saw an increase of 25.00 percent in permits issued.

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

Single Famiy

Through Q1 2019, Single-Family Home Sales in the state of Connecticut increased .7 percent, from 6,903 to 6,952 year-over-year. On a county-by-county basis, increases were seen across the state, including: Hartford County at 4.8 percent, Litchfield County at 2.9 percent, Windham County at 2.8 percent and New Haven County at 2.2 percent. Losses were felt in: Middlesex County at 10.7 percent, Tolland County at 5.4 percent, Fairfield County at 1.5 percent and New London County at .2 percent.

First Quarter 2019 vs. 2018

Unit Sales	0.7%	↑
Avg. List Price	8.9%	↑
Months of Supply	3.5%	↓

Average Sales Price for single-family homes in Connecticut decreased 4.1 percent through Q1 2019, from $370,110 to $354,827. Decreases were seen in Fairfield County (12 percent), Windham County (6.1 percent) and Tolland County (4.9 percent), while increases occurred in Litchfield County (19.3 percent), Middlesex County (13.6 percent), New Haven County (5.9 percent), New London County (1.5 percent) and Hartford County (.2 percent.)

To round out the quarter, Average List Price increased 8.9 percent, Months of Supply fell 3.5 percent and Price Per Square Foot decreased 1.1 percent.

Single Family Marketplace
Home Sales First Quarter 2018 vs. 2019

	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
COUNTY	1Q 2018	1Q 2019	% DIFF.	1Q 2018	1Q 2019	% DIFF.
Fairfield	1,626	1,601	-1.50%	$748,381	$658,266	-12.00%
Hartford	1,660	1,739	+4.80%	$253,299	$253,889	+0.20%
Litchfield	478	492	+2.90%	$260,014	$310,323	+19.30%
Middlesex	391	349	-10.70%	$299,478	$340,325	+13.60%
New Haven	1,500	1,533	+2.20%	$250,853	$265,757	+5.90%
New London	650	649	-0.20%	$251,029	$254,810	+1.50%
Tolland	315	298	-5.40%	$243,543	$231,708	-4.90%
Windham	283	291	+2.80%	$211,096	$198,170	-6.10%
STATEWIDE	**6,903**	**6,952**	**+0.70%**	**$370,110**	**$354,827**	**-4.10%**

Single Family Marketplace
Months of Supply First Quarter 2018 vs. 2019

COUNTY	1Q 2018	1Q 2019	% DIFF.
Fairfield	7.40	7.50	+1.60%
Hartford	4.50	4.10	-9.40%
Litchfield	8.50	7.70	-9.60%
Middlesex	6.20	6.20	-0.20%
New Haven	5.20	4.80	-7.60%
New London	5.70	5.30	-7.30%
Tolland	5.00	4.80	-4.10%
Windham	4.00	3.60	-10.90%
TOTAL	**5.80**	**5.60**	**-3.45%**

Condominium Sales Rise in 2019

To finish Q1 2019, we saw Units Sold increase for condominiums in the state of Connecticut, up 4.3 percent, from 1,796 through Q1 2018 to 1,873 through Q1 2019. Several counties drove this increase, including New London County at 19.5 percent, Litchfield County at 12.7 percent, Hartford County at 10.2 percent, New Haven County at 4.1 percent and Fairfield County at .2 percent. Meanwhile, losses were experienced in Middlesex County at 8.9 percent, Windham County at 8.7 percent and Tolland County at 2.3 percent.

Averages Sales Price of condominiums in Connecticut decreased 4 percent, from $216,725 to $207,962. On a county-by-county basis, Windham County decreased 34.7 percent, Middlesex County decreased 5.8 percent, New Haven County decreased 3.9 percent, Fairfield County decreased 3.4 percent, Tolland County decreased 3.2 percent, New London County decreased 2.6 percent and Hartford County decreased .5 percent. Litchfield County experienced an increase in Average Sales Price, rising 5.4 percent.

To round out the quarter, Average List Price increased 5.7 percent, Months of Supply fell 12.8 percent and Price Per Square Foot decreased .4 percent.

2019 vs. 2018

Unit Sales	4.3.% ↑
Avg. List Price	5.7% ↑
Months of Supply	12.8% ↓

Condominium Sales and Prices on the Rise

Condominium Marketplace

Home Sales 2018 vs. 2019

	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
COUNTY	2018	2019	% DIFF.	2018	2019	% DIFF.
Fairfield	601	602	+0.20%	$317,303	$306,510	-3.40%
Hartford	420	463	+10.20%	$169,064	$168,206	-0.50%
Litchfield	71	80	+12.70%	$123,018	$129,631	+5.40%
Middlesex	90	82	-8.90%	$172,582	$162,555	-5.80%
New Haven	466	485	+4.10%	$172,444	$165,728	-3.90%
New London	82	98	+19.50%	$158,134	$154,035	-2.60%
Tolland	43	42	-2.30%	$135,987	$131,652	-3.20%
Windham	23	21	-8.70%	$171,899	$112,293	-34.70%
STATEWIDE	**1,796**	**1,873**	**+4.30%**	**$216,725**	**$207,962**	**+4.00%**

Condominium Marketplace

Months of Supply 2018 vs. 2019

COUNTY	2018	2019	% DIFF.
Fairfield	5.60	5.10	-8.93%
Hartford	4.90	4.20	-14.60%
Litchfield	7.00	5.00	-22.30%
Middlesex	5.30	5.10	-4.80%
New Haven	5.40	4.80	-11.70%
New London	6.50	5.20	-20.70%
Tolland	6.10	4.00	-34.80%
Windham	5.60	5.30	-5.40%
TOTAL	**5.50**	**4.80**	**-12.80%**

Conclusion

While millennial homeownership is on the rise, and is expected to continue its trajectory as more and more in the generation come of age, they seem underprepared for the challenges of homeownership. With mounting debt, many choose to buy a home with a smaller down payment, increasing their monthly mortgage and incurring PMI. Additionally, in order to swing a home payment they can afford, they're buying fixer-uppers. However, the generation who have gone from their parents house, to swanky college dorms, to landlord-managed rentals are unprepared for the cost of regular home maintenance. As experts in the home building and home owning industry, can we better prepare millennials for the challenges they will face in owning homes? If we expect the largest generation of potential homebuyers to be successful in their pursuit of the American Dream, which will ultimately impact the success of the housing market, we will have to.

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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