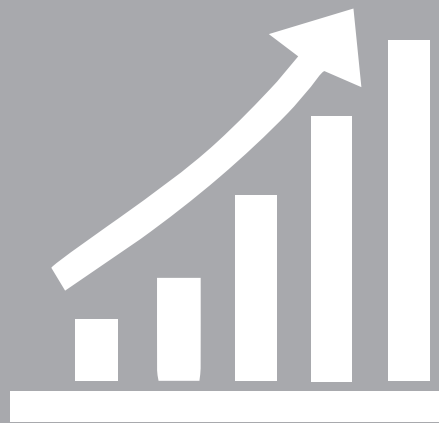


Connecticut
2019
Full Year
Housing Report



WILLIAM RAVEIS
NEW DEVELOPMENT SERVICES





Affordability and Accessibility: A Double-Edged Sword

While the majority of renters want to buy, in some markets it just isn't feasible.

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

Purchasing a home, especially for the first time, is one of the single largest decisions a person can make. Recently, a Chase Home Lending study found that more than 70 percent of millennials felt ready to purchase a home in the next 12 months. While that desire may be strong, the double-edged sword of affordability and accessibility may keep millennials renting.

Now, this isn't to say millennials aren't entering the world of homeownership. This generation spans anyone born between 1980 and 1998 (currently aged 22 to 40), meaning there is a wide range within the "millennial" grouping. According to the National Association of REALTORS® (NAR®) 2019 Home Buyer & Seller Generational Trends report, millennials account for 37 percent, the highest generational percentage, of home buyers. However, within that group, only 11

percent of recent home buyers were in the "younger" millennial subgroup (in this study, considered to be born between 1990 and 1998, currently aged 22 to 30)--and this is the group who may face problems entering homeownership.

Affordability

In a recent study by ATTOM Data Solutions, owning a median-priced, three-bedroom home is more affordable than renting a three-bedroom property in only 53 percent of counties in the United States. Notably, the study found that buying is typically only cheaper than renting in lightly populated counties--in major metropolises (where millennials tend to congregate), renting is almost always cheaper than buying.



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What is contributing to this for millennial buyers? ATTOM found that in 67.3 percent of counties, median home prices rose faster than average fair-market rents. For millennial renters, this means their needle is constantly moving. While renting and saving for a down payment (or paying off student loans), the bar for what they need to save to reach their goals is constantly being raised, making it hard to get ahead. This is coupled with the fact that home prices are also outpacing wages. In 66.3 percent of markets, median home prices rose faster than average weekly wages (while consequently, wages actually outpaced rent growth in 56.6 percent of markets.)

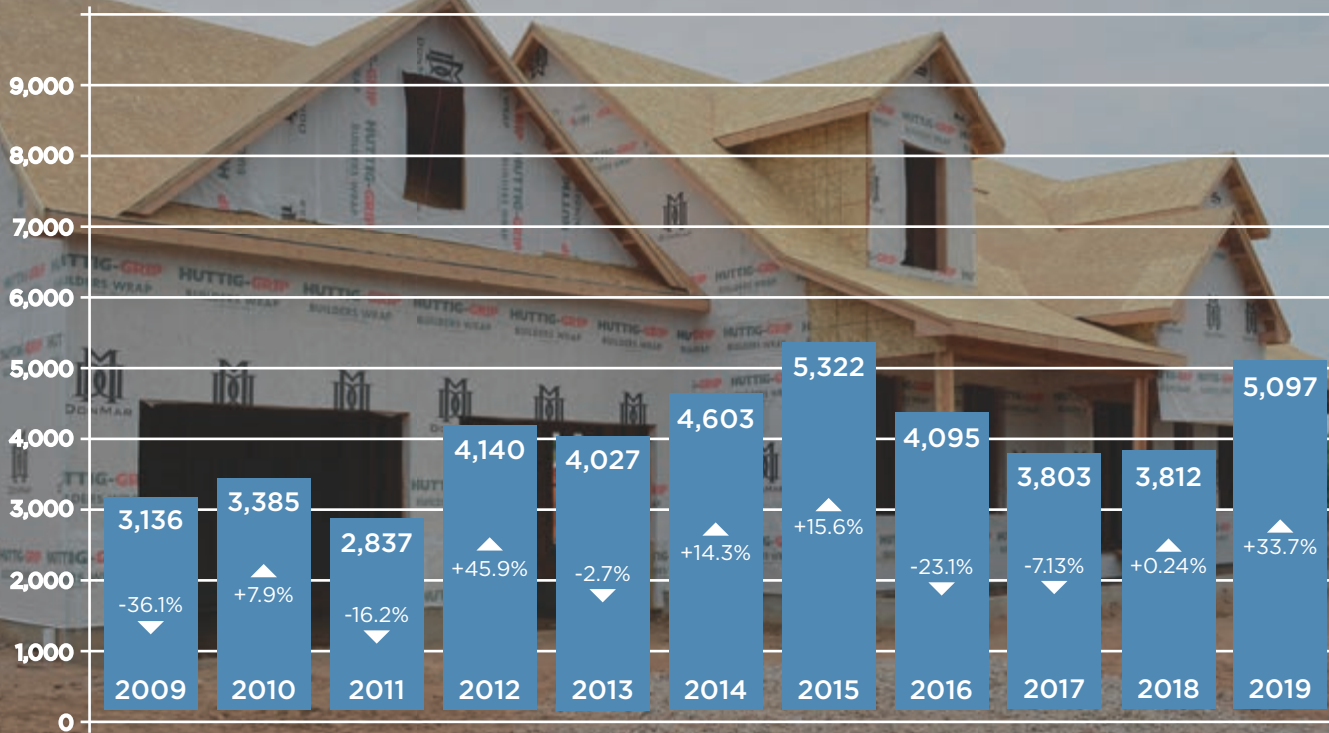
Accessibility

The other major point of pain for millennial homebuyers is inventory. Short supply has been an issue in the housing market for some time, but according to NAR®, there were only 1.4 million units available for sale in December, the lowest level in at least 20 years. Additionally, nationally, December saw the largest year-over-

year decline of housing inventory in almost three years, with inventory declining by 12 percent. While new construction is picking up in some markets, reaching a 6-year high to close out 2019, existing homes on the market may not be enough to keep millennial buyers on the hunt for their perfect home.

As we enter 2020, both of these issues, affordability and accessibility will continue to be the trends to watch, as we continue to patiently await the day millennials become the buyers the industry knows they can be.

Housing Permits Increase Through Q4 of 2019



State of Connecticut

Housing Permits Authorized
10 Year Trend (2009 - 2019)

In the state of Connecticut through Q4 2019, permits saw a 33.6 percent increase. The total number of permits grew from 3,812 in 2018 to 5,097 in 2019. The largest increase was in 5+ Unit permits, which increased 74.8 percent, then 3-4 Unit permits at 66.7 percent, followed by 2-Unit permits at 56.1 percent. The only unit type to decrease year-over-year was 1-Unit permits, which fell 4.6 percent, from 1,949 in 2018 to 1,860 in 2019.

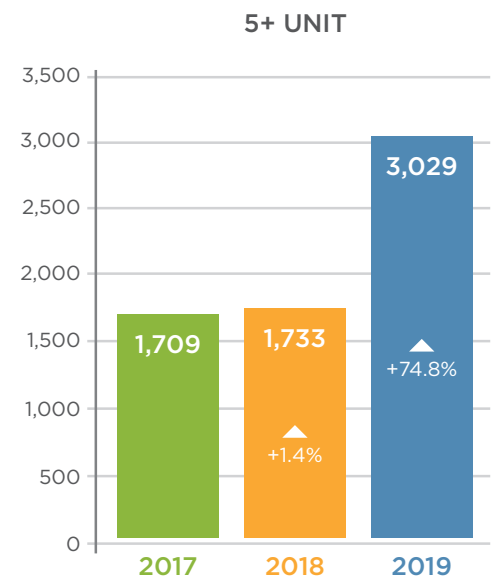
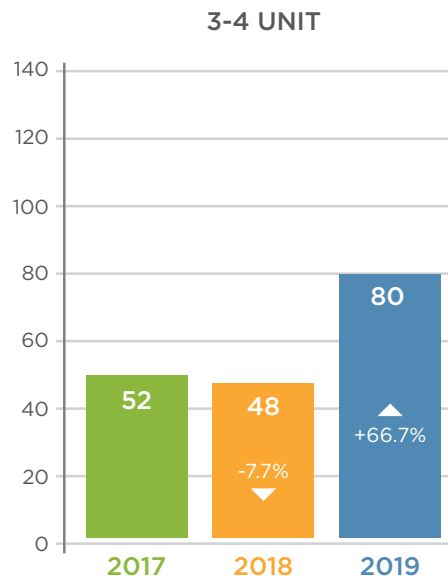
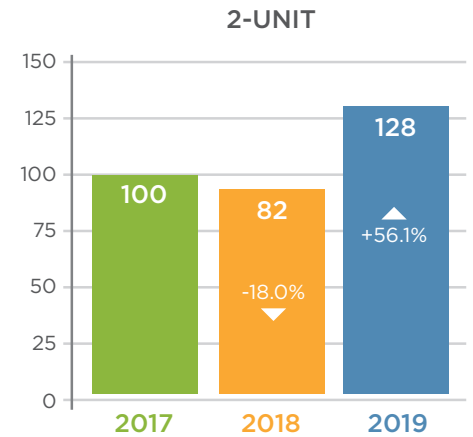
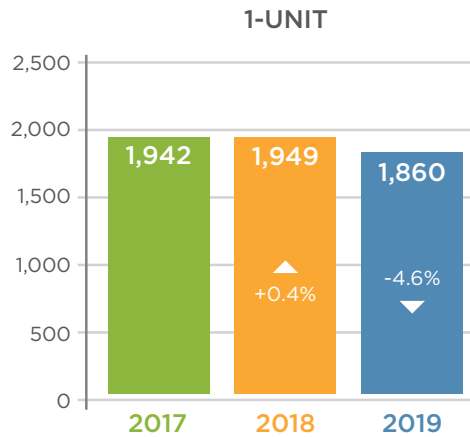
On a county-by-county basis, the overall growth in permits continues to be concentrated in a few key areas across the state, with increases occurring in Fairfield County (106 percent), New Haven County (39 percent), Windham County (19 percent) and Tolland County (16 percent.) In the meantime, the total number of new permits issued fell elsewhere in Connecticut, including 55 percent in Litchfield County, 28 percent in Middlesex County, 19 percent in Hartford County, and 16 percent in New London County.

¹In 2014, the state of Connecticut reported permit information for 128 towns. In 2015, they have only reported for 104 towns.⁸

Housing Permits Increase Through Q4 of 2019

State of Connecticut

Housing Permits Issued by Type
2017 vs. 2018 vs. 2019
(104 Municipalities Reporting)



State of Connecticut

Housing Permits Issued by Type
2017 vs. 2018 vs. 2019
(104 Municipalities Reporting)

UNITS	2017	2018	2019	% DIFF.
1-Unit Units	1,942	1,949	1,860	-4.6%
2-Unit Units	100	82	128	+56.1%
3-4 Unit Units	52	48	80	+66.7%
5+ Unit Units	1,709	1,733	3,029	+74.8%
TOTAL	3,803	3,812	5,097	+33.6%

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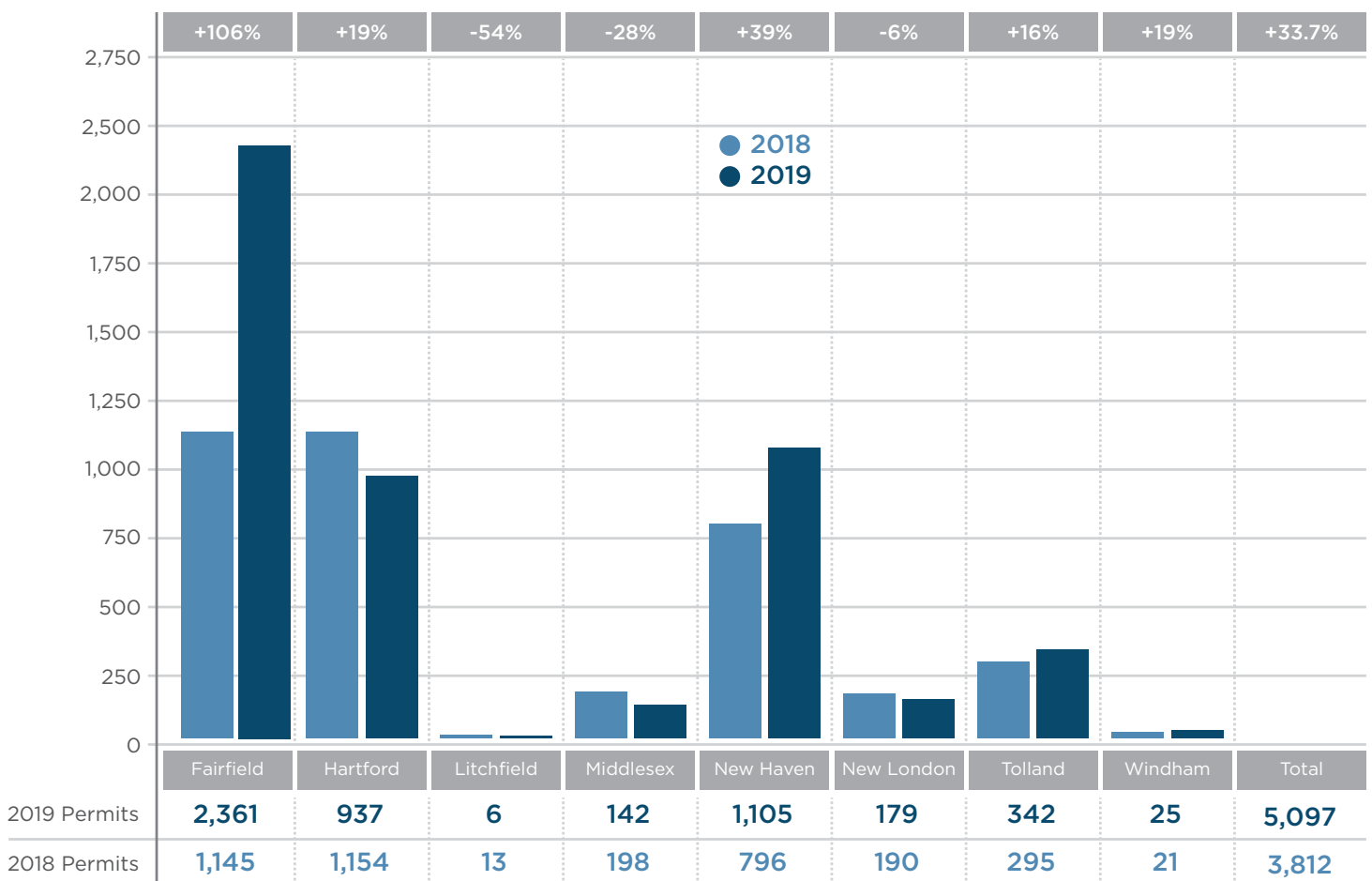
Housing Permits Increase Through Q4 of 2019

State of Connecticut

Housing Permits Issued by County

2018 vs. 2019

(104 Municipalities Reporting)



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Single Family Unit Sales Raise Slightly through Q4 2019

Through Q4 2019, Single-Family Home Sales in the state of Connecticut increased 0.7 percent, from 35,110 to 35,359 year-over-year. On a county-by-county basis, small increases were seen in several counties, including: New London County at 1.8 percent, Hartford County at 1.7 percent, Fairfield County at 1.1 percent, New Haven County at 0.6 percent and Middlesex County at 0.1 percent. Meanwhile, decreases were seen in Tolland County at 2.5 percent, Windham County at 2.4 percent and Litchfield County at 0.5 percent.

Average Sales Price for single-family homes in Connecticut decreased 1.4 percent through Q4 2019, from \$385,205 to \$379,973. Interestingly, the only individual county to experience a decrease was Fairfield County, which fell 5.4 percent from \$735,506 to \$696,024. However--because prices in Fairfield County are significantly higher than the state average, that drop, coupled with relatively small gains elsewhere, caused an overall decrease to be reflected. Throughout the rest of the state, Middlesex County increased 5.1 percent, Litchfield County increased 2.9 percent, New Haven County increased 2.2 percent, Windham County increased 1.4 percent, Hartford County increased 1.2 percent, New London County increased 0.8 percent and Tolland County increased 0.3 percent.

In 2019, Average List Price increased 4.2 percent, Months of Supply fell 7.3 percent and Price Per Square Foot decreased 0.0 percent.

2019 vs. 2018

Unit Sales	0.7% ↑
Avg. List Price	4.2% ↑
Months of Supply	-7.3% ↓



Single Family Marketplace

Home Sales 2018 vs. 2019

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2018	2019	% DIFF.	2018	2019	% DIFF.
Fairfield	8,517	8,610	+1.10%	\$735,506	\$696,024	-5.40%
Hartford	8,496	8,638	+1.70%	\$266,776	\$269,869	+1.20%
Litchfield	2,384	2,371	-0.50%	\$304,161	\$313,048	+2.90%
Middlesex	1,989	1,990	+0.10%	\$316,847	\$333,004	+5.10%
New Haven	7,643	7,686	+0.60%	\$273,532	\$279,446	+2.20%
New London	3,114	3,170	+1.80%	\$275,323	\$277,651	+0.80%
Tolland	1,614	1,574	-2.50%	\$248,335	\$249,166	+0.30%
Windham	1,353	1,320	-2.40%	\$213,566	\$216,553	+1.40%
STATEWIDE	35,359	35,359	0.70%	\$385,205	\$379,973	-1.40%

Single Family Marketplace

Months of Supply 2018 vs. 2019

COUNTY	2018	2019	% DIFF.
Fairfield	7.93	7.64	-3.60%
Hartford	5.01	4.55	-9.10%
Litchfield	8.84	8.26	-6.60%
Middlesex	6.77	6.68	-1.40%
New Haven	5.56	4.95	-11.00%
New London	6.28	5.52	-12.10%
Tolland	5.69	5.21	-8.50%
Windham	4.62	4.31	-6.70%
TOTAL	6.33	5.87	-7.30%



Connecticut Condominium Sales Increase Slightly through Q4

To finish Q4 2019, we saw Units Sold increase for condominiums in the state of Connecticut, up 0.6 percent, from 8,838 through Q4 2018 to 8,895 through Q4 2019. Several counties experienced an increase, including Litchfield County at 12.9 percent, New London County at 6.9 percent, Tolland County at 6 percent, Hartford County at 1.4 percent, and New Haven County at 1.4 percent. Decreases were seen in Windham County at 6.9 percent,

Fairfield County at 2.6 percent and Middlesex County at 2.6 percent.

Average Sales Price of condominiums in Connecticut decreased 2.4 percent, from \$222,432 to \$217,017. On a county-by-county basis, decreases were seen in New London County at 4.3 percent, Fairfield County at 3.5 percent and Middlesex County at 2.1 percent. However, increases were seen, as well, including: Litchfield County (2.1 percent), Tolland County (1.3 percent), Windham County (0.7 percent), Hartford County (0.4 percent), and New Haven County (0.3 percent.)

2019 vs. 2018

Unit Sales	0.6% ↑
Avg. List Price	4.3% ↑
Months of Supply	-11.7% ↓

To round out the year, Average List Price increased 4.3 percent, Months of Supply fell 11.7 percent and Price Per Square Foot increased 0.5 percent.



Condominium Marketplace

Home Sales 2018 vs. 2019

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2018	2019	% DIFF.	2018	2019	% DIFF.
Fairfield	2,858	2,785	-2.60%	\$328,317	\$316,868	-3.50%
Hartford	2,190	2,221	+1.40%	\$173,617	\$174,368	+0.40%
Litchfield	349	393	+12.90%	\$137,810	\$140,772	+2.10%
Middlesex	419	408	-2.60%	\$176,480	\$172,723	-2.10%
New Haven	2,241	2,273	+1.40%	\$176,195	\$176,787	+0.30%
New London	435	465	+6.90%	\$176,242	\$168,750	-4.30%
Tolland	215	228	+6.00%	\$147,716	\$149,697	+1.30%
Windham	131	122	-6.90%	\$165,245	\$166,406	+0.70%
STATEWIDE	8,838	8,895	+0.6%	\$222,432	\$217,017	-2.40%

Condominium Marketplace

Months of Supply 2018 vs. 2019

COUNTY	2018	2019	% DIFF.
Fairfield	5.59	5.40	-3.40%
Hartford	5.01	4.15	-17.00%
Litchfield	6.88	5.50	-20.10%
Middlesex	5.99	4.76	-20.40%
New Haven	5.34	4.77	-10.60%
New London	6.54	5.26	-19.50%
Tolland	5.69	4.37	-23.30%
Windham	5.86	4.92	-16.70%
TOTAL	5.51	5.50	-11.70%

Conclusion



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As we enter 2020, the law of supply and demand is on full display in our current housing market. Demand is soaring. Supply is at record lows. And, as a result, buyers are listing their homes at the highest rates in years. All of these factors are combining to make for an interesting dynamic with the largest potential group of renters-to-turn-homeowners: the young millennials. This group entered adulthood immediately following the financial crisis and while they want to become homeowners, that proposition may not represent the same ideals it did for older generations. Instead of security, homeownership presents a risk: millennials watched as their families suffered through foreclosure and short sales, patterns they are desperate not to repeat. As a result, millennials, especially young millennials, may not be flocking into the housing market in the same wave we thought.

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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