

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

Analysis of the Hartford, Connecticut

Housing Market As of November 1, 2005



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis—November 1, 2005 (Current date)—and from the Current date to a Forecast date—November 1, 2008. In the analysis, 1990 and 2000 refer to the dates of the decennial census—April 1 unless specified otherwise. This analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 36 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market conditions on the as-of date of the analysis. This analysis was prepared by José Calzadilla, the Division's Economist in HUD's New York Regional Office, based on fieldwork conducted in October 2005. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Calzadilla at 212-542-7168 and at jose_calzadilla@hud.gov.

Housing Market Area

The Hartford, Connecticut Housing Market Area (HMA) includes Hartford, Middlesex, and Tolland Counties. For purposes of this analysis, the HMA has been divided into two submarkets: the Hartfords and the Remainder of the HMA. The Hartfords includes the city of Hartford and the towns of East Hartford and West Hartford. The New England City and Town Area (NECTA) geographic designation used in discussing nonfarm employment is different from but comparable to the HMA. A comparable set of nonfarm employment data is not available for the HMA.

Summary

Employment has recently increased substantially after several years of limited growth. For much of the period since 2000, losses in manufacturing offset gains in other sectors of the economy. During the past 24 months, however, manufacturing losses have slowed and there has been a net gain in employment.

Since 2000, a third of the population gain in the HMA is the result of net in-migration compared with a net out-migration recorded throughout much of the 1990s. Much of this gain is due to the increased number of new households whose residents commute to jobs outside the HMA.

The sales market in the HMA is balanced and the demand-supply conditions are expected to remain balanced during the forecast period. The market for existing housing has recently become more active as the price of new homes has risen. Over the next 3 years, a demand for 7,500 new market-rate homes and condominiums is expected.

Overall, conditions in the rental market are also balanced. During the 3-year forecast period ending November 1, 2008, demand for new market-rate rental housing is expected for approximately 3,300 units.

Economy of the Area

From 1990 to 2000, the Hartford-West Hartford-East Hartford NECTA—which accounts for an estimated 90 percent of all jobs within the HMA—lost 18,100 jobs. Losses in the manufacturing and financial activities sectors were particularly acute, with declines of 19,600 and 15,200 jobs, respectively. Insurance carriers alone accounted for 97 percent of financial activities job losses. From 2000 through 2004, the NECTA lost an additional 18,000 jobs, mostly in the manufacturing sector. Over the past 24 months ending October 2005, however, the economy has added 4,700 jobs. This increase is a result of growth in three sectors— education and health services, professional and business services, and retail trade. The education and health services sector has also been particularly important to the economic stability of the HMA, adding jobs each year since 1990.

Between 1990 and 2000, resident employment decreased by an average of 2,175 jobs annually. The number of employed residents fell from 597,400 in 1990 to 575,600 in 2000. Average losses of 7,175 jobs a year occurred between 1990 and 1996, but average

resident employment gains of 5,300 jobs a year occurred between 1996 and 2000. From 2000 through 2004, the number of employed residents increased by an annual average of 175 as overall job gains were offset by losses of 12,000 jobs in the manufacturing sector. Losses in manufacturing jobs have slowed during the past 24 months. As a result, resident employment has increased by an average of 1,750 jobs a year during this period. Although the NECTA has lost jobs since 2000, resident employment has been stable due to an increase in the number of residents who have jobs outside the HMA. As of 2000, 11 percent of employed residents worked outside the HMA. Trends in annual average civilian labor force and total employment in the HMA from 1990 through the Current date are presented in Table 1. Trends in nonfarm wage and salary employment by sector are presented in Table 2.

During the 3-year forecast period, the economy of the HMA is expected to grow as the HMA and neighboring metropolitan areas continue to add a modest number of jobs. Resident employment is expected to increase by an average of 2,300 jobs a year during the next 3 years.

Household Incomes

According to HUD's Economic and Market Analysis Division, the median family income in the Hartford, Connecticut Metropolitan Statistical Area was estimated to be \$75,350 in 2005, a 4.4-percent annual increase since 1999.

Population

Since 2000, migration to the Hartford HMA has increased significantly, reversing the trend of the previous decade. Net in-migration has averaged 1,975 people a year since 2000, compared with a net out-migration of 2,600 people annually during the 1990s. Between 1990 and 2000, net natural increase (resident births minus resident deaths) accounted for all population growth in the HMA. Since 2000, however, net in-migration has accounted for only about 35 percent of the growth. Much of this in-migration is due to the increase in the number of residents working outside the HMA. In-migration to the HMA is expected to increase during the forecast period and average 2,600 people annually as a result of growth in jobs located within the HMA and in the number residents employed elsewhere. Trends in population change for the HMA and its submarkets from 1990 to the Forecast date are presented in Table 3.

Historically, the Hartfords have contained most of the financial activities firms within the HMA—particularly insurance carriers. The Hartfords were adversely affected by losses in these sectors during the previous decade. During the 1990s, the population of the Hartfords decreased by an average of 1,550, or 0.6 percent a year. Since 2000, the Hartfords have gained an average 280 people annually.

The population of the Remainder of the HMA grew by an average of 4,050 annually, or 0.5 percent, during the 1990s. In-migration averaged 380 a year and the area gained a substantial number of migrants from the Hartfords throughout the 1990s. Since 2000, the average population gain has increased to 5,225 annually, or 0.6 percent. In-migration

averaged 3,050 people a year, a considerable increase over the average gain of 380 people annually during the previous decade.

Households

Trends in household growth in the Hartford HMA parallel those of the population. Since the 2000 Census, the number of households increased by 14,150, or 3.2 percent. As of the Current date, the HMA has an estimated 460,000 households. This figure represents an average annual increase of 2,525 households since 2000. During the forecast period, household growth is expected to increase as a result of growth in in-migration and average 3,025 households a year. Table 3 presents the trends in household growth from 1990 through the Forecast date for the HMA and the submarkets.

Housing Inventory

Paralleling household growth, approximately 95 percent of the residential construction activity since 2000, as measured by building permits, has been in the Remainder. From 2000 to the Current date, residential building permit activity in the HMA has averaged 3,750 units annually, or 20 percent more than the average during the 1990s. Between 1990 and 2000, the housing inventory in the Hartfords declined by 5,150 units as a result of significant losses associated with urban revitalization activity centered in the city of Hartford. Since 2000, the average number of building permits issued annually has increased to 250—more than doubling the annual average gains of 120 permits during the 1990s. This increase in permit activity is a result of increased demand for single-family homes. Since 2000, the number of building permits for single-family homes has averaged 160 a year after averaging 60 a year during the 1990s.

Single-family building permits in the Remainder averaged 3,225 annually from 2000 to the Current date, a 17-percent increase over the average annual rate of 2,800 during the 1990s. Since 1990, three-fourths of the multifamily building permit activity in the HMA has occurred in the Remainder. Table 4 presents the trends in housing inventory, occupancy, and vacancy rates for the HMA and its two submarkets as of 1990, 2000, and the Current date. Table 5 presents building permit data for the HMA and its submarkets since 1990.

Sales Market Conditions

Since 2000, the sales vacancy rate in the HMA has declined as household demand increased for new and existing homes. As of the Current date, vacancies within the sales market have declined to 0.7 percent from 0.9 percent in 2000. Overall, the sales market is expected to remain balanced during the forecast period.

According to the Connecticut Association of REALTORS[®], the median sales price for existing homes in the HMA during the current 12-month period ending June 2005 was \$262,500, a 12.3-percent increase over the previous 12 months. Sales volume increased 25 percent during this period to 29,100.

The Capital Region Council of Governments reports that during the 12-month period ending June 2005 the median sales price for single-family homes in the Hartfords was \$221,700. This figure represents a 6.8-percent increase over the previous 12-month period. Sales volume for single-family homes totaled 1,900, a 3.7-percent increase. During the current 12-month period, condominium sales in the Hartfords increased 24.6 percent as a result of strong demand in the city of Hartford. Condominium sales in the city of Hartford increased 79.2 percent and median sales prices increased 25.4 percent to \$66,450. The median sales prices for condominiums in the other two towns are significantly higher—\$88,500 in East Hartford and \$147,000 in West Hartford.

The construction of residential projects targeting people aged 55 and older will continue as an active submarket during the next 3 years. Although previous construction of active-adult housing projects has been concentrated in the suburbs, future market-rate construction for this cohort is expected to occur throughout the HMA. For example, in East Hartford more than 120 sales units are expected to become available during the next 2 years with the addition of the Phillips Farm and Goodwin Village active-adult communities.

Rental Market Conditions

Since 2000, demand for rental housing in the HMA has declined as renter household growth slowed along with the changing economy and a significant number of renters became homeowners. Accordingly, as of the Current date, the rental vacancy rate increased to 7.0 percent from 5.9 percent in 2000, but conditions remain balanced. The shift of renters to homeownership is expected to lessen if interest rates and sales prices continue to rise during the forecast period.

The average monthly rent for a two-bedroom, two-bath unit in a newly completed Class A development is \$1,400. Rents have typically been significantly lower in the cities than in the suburbs. Nevertheless, recent projects—particularly those located in the downtown area of Hartford—may narrow these differences. A series of new, upscale residential projects in downtown Hartford are set to enter the market in the near future. Trumbull on the Park, which is expected to open for occupancy by the first quarter of 2006, will add 100 new one- and two-bedroom rental units to the market. The Hartford 21 project, which is slated for completion in the fall of 2006, will include 262 luxury apartments, 93,000 square feet of office space, and 53,000 square feet of retail and restaurant space. These are but two of the planned rental housing developments scheduled to add more than 1,000 new units to the market.

The catalyst for much of this residential construction is Adriaens Landing, a series of redevelopment projects in downtown Hartford. This construction activity has been backed by approximately \$1 billion in state funds, of which approximately \$850 million have currently been used for property acquisition, infrastructure improvements, and construction. The centerpiece of the project is the 540,000-square-foot Connecticut Convention Center and the adjoining 22-story Marriott Hotel. Construction was completed in Adriaens Landing during the fall of 2005.

Forecast Housing Demand

During the 3-year forecast period, demand is estimated for approximately 7,500 units of new market-rate sales housing and 3,300 additional market-rate rental units. Estimates are based on anticipated household growth and current market conditions. As of the Current date, an estimated 2,400 homes and 1,200 apartments are under construction and will meet part of the forecast demand. This level of construction is expected to ensure balanced demand-supply conditions. A summary of the qualitative demand for rental housing in the HMA is presented in Table 6, and the annual qualitative demand for sales housing is presented in Table 7.

Table 1
Labor Force and Employment
Hartford HMA
1990 to October 31, 2005

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Labor Force	626,800	631,300	624,300	613,400	600,500	588,600	587,400	585,500	575,800	578,100
Employment	597,400	589,600	578,000	572,100	565,800	555,400	554,400	556,100	556,800	562,100
Unemployment	29,400	41,700	46,300	41,300	34,700	33,200	33,000	29,400	19,000	16,000
Rate (%)	4.7	6.6	7.4	6.7	5.8	5.6	5.6	5.0	3.3	2.8

	2000	2001	2002	2003	2004	Previous 12 Mos. ^a	Current 12 Mos. ^b
Labor Force	590,000	595,100	603,700	609,300	607,100	607,700	609,200
Employment	575,600	576,500	576,500	574,500	576,300	576,000	577,900
Unemployment	14,400	18,600	27,200	34,800	30,800	31,700	31,300
Rate (%)	2.4	3.1	4.5	5.7	5.1	5.2	5.1

^a Period ending October 31, 2004.

^b Period ending October 31, 2005.

Note: Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics—North American Industry Classification System (NAICS)

Table 2
Nonfarm Employment by Industry
Hartford NECTA
1990 to October 31, 2005 (1 of 2)

Employment Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total Nonfarm	573,700	543,700	532,300	527,400	528,800	528,900	530,000	535,800	541,100	549,300
Goods-Producing	118,100	108,800	104,000	99,400	96,700	92,800	93,400	95,700	96,700	95,700
Nat. Res., Min., & Const.	22,900	18,100	16,800	17,400	18,200	17,700	18,300	18,600	18,900	19,900
Manufacturing	95,200	90,700	87,200	82,000	78,500	75,000	75,100	77,100	77,800	75,700
Service-Providing	455,600	434,900	428,300	428,100	432,100	436,100	436,600	440,100	444,400	453,600
Trade	84,500	77,900	75,400	74,600	74,700	76,600	76,700	78,300	77,000	77,200
Wholesale Trade	22,300	20,000	19,600	19,000	19,000	20,100	20,200	20,900	20,900	20,200
Retail Trade	62,200	57,900	55,800	55,600	55,700	56,500	56,500	57,400	56,100	57,000
Transport. & Utilities	15,000	14,800	14,800	14,900	15,100	14,900	15,200	15,100	15,300	15,800
Information	11,200	10,700	10,600	10,600	11,100	12,000	12,900	13,000	11,400	12,000
Financial Activities	85,000	82,200	80,100	76,700	72,900	70,900	64,400	64,800	67,900	69,400
Ins. & Rel. Act.	61,000	61,200	59,600	56,600	45,600	43,700	41,400	41,700	44,200	46,300
Prof. & Bus. Svcs.	55,600	47,200	45,800	46,400	47,400	48,400	52,100	53,800	58,200	59,500
Edu. & Health Svcs.	65,700	66,700	68,600	70,400	73,200	74,300	76,100	77,600	78,000	78,100
Heath Care & Soc. Assist.	57,900	59,000	60,400	62,900	64,900	66,000	67,500	68,700	69,100	69,100
Leisure & Hospitality	34,900	32,000	32,000	32,100	33,300	34,200	35,100	34,800	34,900	36,300
Other Services	21,300	20,800	21,000	21,300	21,700	21,900	21,800	21,400	21,500	21,500
Government	82,600	82,600	80,100	81,100	82,700	82,900	82,400	81,200	80,400	83,900
Federal	8,400	8,100	8,300	8,300	8,100	8,000	8,000	7,300	7,200	7,100
State	37,400	37,900	35,900	36,900	38,200	38,700	37,700	36,400	35,000	37,600
Local	36,800	36,600	35,900	36,000	36,400	36,200	36,700	37,500	38,100	39,300

Note: Numbers may not add to totals due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics—NAICS

Table 2
Nonfarm Employment by Industry
Hartford NECTA
1990 to October 31, 2005 (2 of 2)

Employment Sector	2000	2001	2002	2003	2004	Previous 12 Mos. ^a	Current 12 Mos. ^b
Total Nonfarm	555,600	552,600	543,500	535,400	537,600	536,500	541,100
Goods-Producing	97,100	94,900	89,400	84,900	85,200	85,100	84,900
Nat. Res., Min., & Const.	21,600	21,600	20,900	20,200	21,100	20,900	21,000
Manufacturing	75,600	73,300	68,600	64,800	64,100	64,200	63,900
Service-Providing	458,400	457,800	454,000	450,500	452,400	451,500	456,200
Trade	76,600	76,200	75,200	73,900	74,500	74,300	75,000
Wholesale Trade	20,200	20,100	19,300	19,400	18,900	18,900	18,600
Retail Trade	56,400	56,100	55,900	54,500	55,600	55,400	56,400
Transport. & Utilities	16,200	15,200	14,200	13,900	14,300	14,200	14,300
Information	13,000	12,200	11,300	11,200	11,300	11,300	11,600
Financial Activities	69,800	70,500	69,900	69,400	68,000	68,100	67,900
Ins. & Rel. Act.	46,300	47,200	47,900	47,500	46,000	46,300	45,000
Prof. & Bus. Svcs.	60,200	59,000	57,100	55,900	57,100	56,900	58,200
Edu. & Health Svcs.	78,500	80,400	82,000	82,600	83,800	83,600	84,800
Heath Care & Soc Assist.	69,000	70,800	71,900	72,100	73,000	72,900	73,600
Leisure & Hospitality	36,900	36,100	35,600	37,000	37,800	37,700	38,300
Other Services	21,700	21,700	21,400	20,900	20,700	20,700	20,800
Government	85,700	86,500	87,300	85,800	85,000	84,800	85,300
Federal	7,200	6,500	6,400	6,100	6,100	6,100	6,100
State	38,600	38,800	38,900	36,500	35,800	35,800	35,600
Local	40,000	41,200	41,900	43,200	43,000	42,900	43,600

^a Period ending October 31, 2004.

^b Period ending October 31, 2005.

Note: Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics—NAICS

Table 3
Population and Household Trends
Hartford HMA
April 1, 1990 to November 1, 2008

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Population										
Hartford HMA	1,123,678	1,148,618	1,179,500	1,197,600	2,494	0.2	5,525	0.5	6,025	0.5
The Hartfords	250,301	234,742	236,300	238,800	(1,556)	(0.6)	280	0.1	830	0.4
Remainder of HMA	873,377	913,876	943,100	958,800	4,050	0.5	5,225	0.6	5,225	0.6
Households										
Hartford HMA	423,651	445,870	460,000	469,100	2,222	0.5	2,525	0.6	3,025	0.7
The Hartfords	95,723	89,768	89,000	89,100	(596)	(0.6)	(140)	(0.2)	30	0.0
Remainder of HMA	327,928	356,102	371,100	380,100	2,817	0.9	2,675	0.8	3,000	0.8

Notes: Rate of change is calculated on a compound basis.
Average annual changes rounded for comparison.
Averages may not add to HMA total due to rounding.
Sources: 1990 and 2000—U.S. Census Bureau
Current and Forecast—Estimates by analyst

Table 4
Housing Inventory, Tenure, and Vacancy
Hartford HMA
1990, 2000, and November 1, 2005

	Hartford HMA			The Hartfords			Remainder of HMA		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	450,082	471,877	488,900	102,393	97,249	97,000	347,689	374,628	391,900
Occupied Units	423,651	445,870	473,400	95,723	89,768	89,000	327,928	356,102	370,000
Owners	274,010	295,809	311,400	41,881	40,354	40,950	232,129	255,455	270,600
%	64.7	66.3	67.7	43.8	45.0	46.0	70.8	71.7	73.1
Renters	149,641	150,061	148,500	53,842	49,414	48,050	95,799	100,647	99,400
%	35.3	33.7	32.3	56.2	55.0	54.0	29.2	28.3	26.9
Vacant Units	26,431	26,007	28,850	6,670	7,481	8,025	19,761	18,526	20,850
For Sale	4,641	2,750	2,250	633	476	330	4,008	2,274	1,900
Rate (%)	1.7	0.9	0.7	1.5	1.2	0.8	1.7	0.9	0.7
For Rent	10,741	9,453	11,175	4,392	4,298	4,750	6,349	5,155	6,400
Rate (%)	6.7	5.9	7.0	7.5	8.0	9.2	6.2	4.9	6.1
Other Vacant	11,049	13,804	15,450	1,645	2,707	2,950	9,404	11,097	12,500

Note: Numbers may not add to totals due to rounding.
Sources: 1990 and 2000—U.S. Census Bureau
Current—Estimates by analyst

Table 5
Residential Building Permit Activity
Hartford HMA
1990 to October 31, 2005 (1 of 2)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Hartford HMA										
Total	2,300	2,400	3,025	3,050	3,075	2,600	3,000	3,450	4,475	3,950
Single-family	1,875	2,225	2,725	2,975	2,950	2,575	2,800	3,025	3,800	3,725
Multifamily	420	180	300	70	130	30	190	410	670	210
The Hartfords										
Total	370	55	170	80	90	45	70	75	120	90
Single-family	50	35	40	60	80	45	55	60	110	80
Multifamily	320	20	130	20	10	0	15	15	10	10
Remainder of HMA										
Total	1,925	2,325	2,850	2,950	3,000	2,550	2,925	3,350	4,325	3,850
Single-family	1,825	2,175	2,675	2,900	2,875	2,525	2,750	2,950	3,675	3,650
Multifamily	100	160	170	55	120	30	170	390	660	200

Note: Numbers may not add to totals due to rounding.
Source: U.S. Census Bureau, Building Permits Survey

Table 5
Residential Building Permit Activity
Hartford HMA
1990 to October 31, 2005 (2 of 2)

	2000	2001	2002	2003	2004	2005	Current 12 Mos.
Hartford HMA							
Total	3,275	3,500	3,850	4,125	4,050	3,025	3,800
Single-family	3,175	3,250	3,500	3,600	3,675	2,550	3,250
Multifamily	95	250	360	530	380	480	550
The Hartfords							
Total	130	180	140	400	200	380	430
Single-family	100	130	120	250	140	180	190
Multifamily	25	50	20	150	60	200	240
Remainder of HMA							
Total	3,150	3,325	3,725	3,725	3,875	2,650	3,375
Single-family	3,075	3,125	3,375	3,350	3,550	2,375	3,050
Multifamily	70	200	340	380	320	280	310

Notes: 2005 includes data through October.
 Numbers may not add to totals due to rounding.
 Source: U.S. Census Bureau, Building Permits Survey

Table 6
Estimated Qualitative Demand for New Market-Rate Rental Housing
Hartford HMA
November 1, 2005 to November 1, 2008

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900	990	1,400	2,145	1,900	165
950	871	1,450	1,780	1,950	149
1,000	802	1,500	1,630	2,000	134
1,050	723	1,550	1,459	2,050	116
1,100	634	1,600	1,266	2,100	96
1,150	535	1,650	1,073	2,150	84
1,200	446	1,700	901	2,200	74
1,300	356	1,800	729	2,300	54
1,400	287	1,900	472	2,400	40
1,500	228	2,000	322	2,500	28
1,600	178	2,100	215	2,600	23
1,700	139	2,200	150	2,700	17
1,800	109	2,300	107	2,800	13
1,900	59	2,400	43	2,900	8
and higher		and higher		and higher	

Notes: Distribution above is noncumulative.
Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

Table 7
Estimated Qualitative Demand for New Market-Rate Sales Housing
Hartford HMA
November 1, 2005 to November 1, 2008

Price Range (\$)		Units of Demand
From	To	
375,000	399,999	900
400,000	424,999	820
425,000	449,999	750
450,000	474,999	750
475,000	499,999	670
500,000	524,999	600
525,000	549,999	520
550,000	574,999	520
575,000	599,999	520
600,000	624,999	450
625,000	649,999	370
650,000	674,999	300
675,000	699,999	150
700,000	724,999	75
725,000	and higher	75

Note: Distribution above is cumulative.
Source: Estimates by analyst