COMPREHENSIVE HOUSING MARKET ANALYSIS

Hartford-West Hartford-East Hartford, Connecticut

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of September 1, 2019

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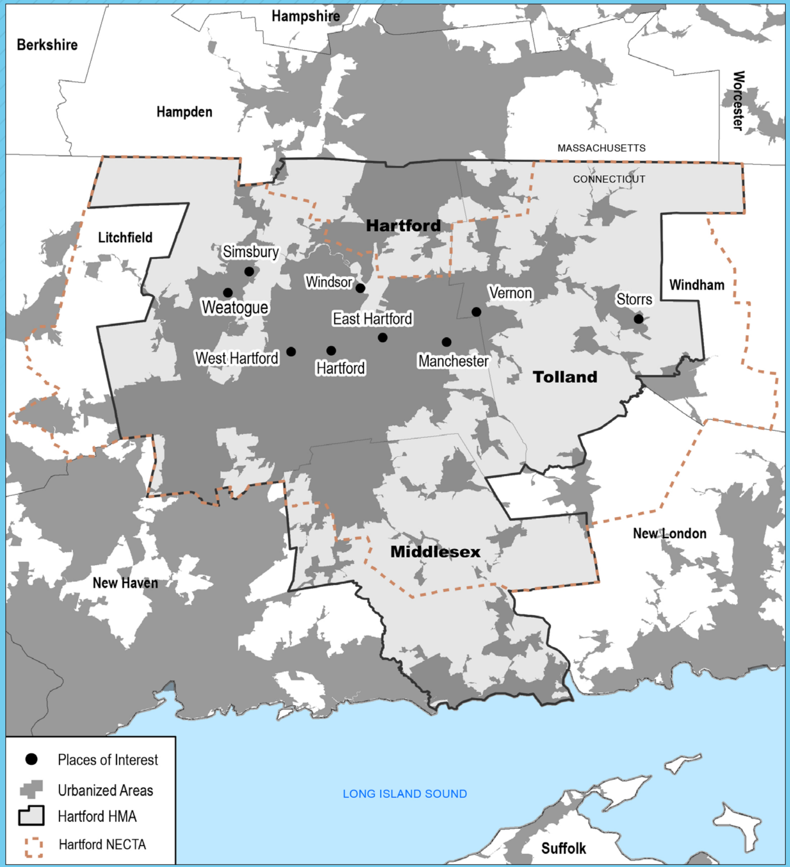

Executive Summary

Housing Market Area Description

The Hartford-West Hartford-East Hartford Housing Market Area (hereafter Hartford HMA) includes Hartford, Middlesex, and Tolland Counties in central Connecticut. The city of Hartford is the capital of Connecticut and was considered the wealthiest city in America during the second half of the 19th century.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Stable: Nonfarm payrolls in the Hartford New England city and town area (hereafter, Hartford NECTA) increased at a rate of 0.4 percent annually from 2016 through 2018 and expanded by 3,300 jobs, or 0.6 percent, to 583,600 jobs during the 12 months ending August 2019.

Job growth has slowed compared with the 2011-through-2015 period, when nonfarm payrolls increased at an average rate of 0.9 percent annually. During the 12 months ending August 2019, the unemployment rate decreased from 4.3 to 3.7 percent. Job growth is expected to continue at an annual rate of 0.4 percent during the 3-year forecast period.

Sales Market

Slightly Soft: Since 2014, home prices in the HMA have increased at a rate below the national average while having more months of available supply than the nation at-large.

The sales housing market is slightly soft, with an estimated vacancy rate of 1.6 percent, up from 1.3 percent in 2010. During the 12 months ending August 2019, new and existing home sales totaled 16,950, up 2 percent from a year ago, whereas the average sales price increased less than 2 percent to $250,400 (CoreLogic, Inc., with adjustments by the analyst). During the 3-year forecast period, demand is estimated for 2,200 new homes, with demand equally distributed during each year of the forecast period; the 510 homes under construction will meet a portion of that demand.

Rental Market

Balanced: The overall rental market vacancy rate is estimated at 7.5 percent, down from 8.1 percent in April 2010.

Apartment market conditions in the HMA are also balanced. The apartment vacancy rate was 3.4 percent during the second quarter of 2019, down from 4.2 percent a year earlier and has been below 5.0 percent since 2016 (RealPage, Inc.). Rent growth averaged 1 percent during 2015 and 2016 but increased to an average of 4 percent during 2017 and 2018. During the forecast period, demand is estimated for 2,900 new apartment units, with demand evenly distributed among all years of the forecast period. The 1,875 units under construction will satisfy most of this demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Hartford HMA	Total Demand	2,200	2,900
	Under Construction	510	1,875

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2019. The forecast period is September 1, 2019, to September 1, 2022.
Source: Estimates by the analyst

Economic Conditions

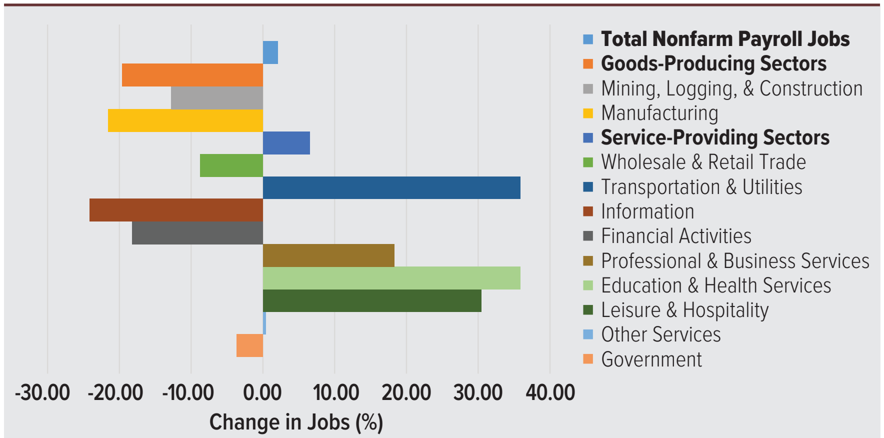
Largest sector: Education and Health Services

The Hartford-West Hartford-East Hartford, CT metropolitan NECTA (hereafter the Hartford NECTA) is slightly different than the Hartford HMA but contains all the major employment and population centers of the HMA (see Notes on Geography at the end of the document). The education and health services sector accounts for 19 percent of all nonfarm payrolls in the NECTA and has led job growth since 2001.

Primary Local Economic Factors

The economy of the Hartford HMA was historically based on manufacturing, the insurance industry (included in the financial activities sector), and state government payrolls (included in the government sector). Since 2001, all three of these sectors have contracted as overall nonfarm payroll growth has been minimal (Figure 1). Despite job losses, the manufacturing sector, financial activities sector, and state government subsector compose 10, 10, and 7 percent of nonfarm payrolls, compared with 9, 6, and 4 percent nationally, respectively.

Figure 1. Sector Growth in the Hartford HMA, 2001 to Current



Note: The current date is September 1, 2019.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

During the 12 months ending August 2019, nonfarm payrolls in the Hartford NECTA increased by 3,300 jobs, or 0.6 percent, following growth of 2,800 jobs, or 0.5 percent, during the 12 months ending August 2018 (Table 1). By comparison, the national growth rate was 1.7 percent during the 12 months ending August 2019. During this period, the education and health services, manufacturing, and leisure and hospitality sectors, which rose by 1,800, 1,200, and 800 jobs, or 1.7, 2.0, and 1.7 percent, respectively, led job growth in the NECTA. The wholesale and retail trade and the mining, logging, and construction sectors lost a significant number of jobs, with payrolls declining by 1,100 and 800 jobs, or 1.5 and 4.1 percent, respectively.

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Hartford HMA, by Sector

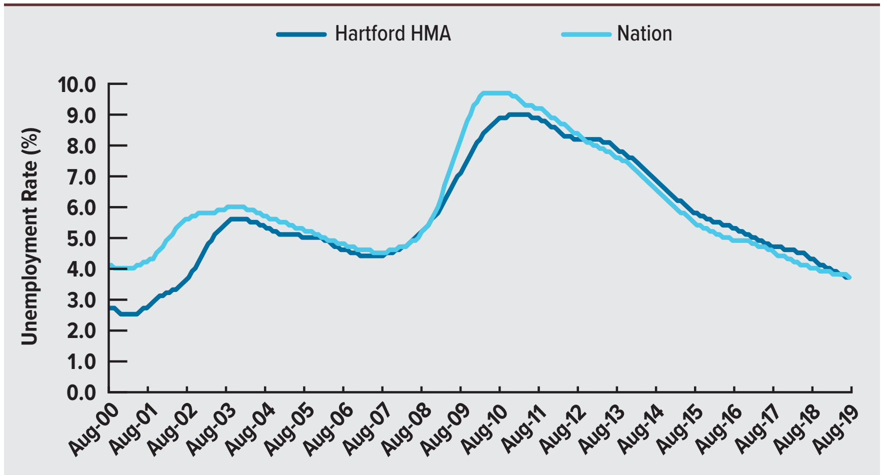
	12 Months Ending August 2018	12 Months Ending August 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	580.3	583.6	3.3	0.6
Goods-Producing Sectors	78.2	78.6	0.4	0.5
Mining, Logging, & Construction	19.6	18.8	-0.8	-4.1
Manufacturing	58.6	59.8	1.2	2.0
Service-Providing Sectors	502.1	505.0	2.9	0.6
Wholesale & Retail Trade	73.0	71.9	-1.1	-1.5
Transportation & Utilities	19.0	19.7	0.7	3.7
Information	10.1	10.1	0.0	0.0
Financial Activities	56.6	57.2	0.6	1.1
Professional & Business Services	73.9	74.2	0.3	0.4
Education & Health Services	108.0	109.8	1.8	1.7
Leisure & Hospitality	48.2	49.0	0.8	1.7
Other Services	22.5	22.1	-0.4	-1.8
Government	90.8	91.0	0.2	0.2

Notes: Based on 12-month averages through August 2018 and August 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

The unemployment rate in the Hartford HMA is currently 3.7 percent, down from 4.3 percent a year ago and a peak of 9.0 percent in 2010. By comparison, the national rate was 3.6 percent during the 12 months ending August 2019, down from 4.0 percent during the preceding 12-month period and a peak of 9.6 percent in 2010. Although the unemployment rate in the HMA was generally lower than the national average from 2000 through 2011, it was above the national average every month from October 2011 through May 2019. (Figure 2).

Figure 2. 12-Month Average Unemployment Rate in the Hartford HMA and the Nation

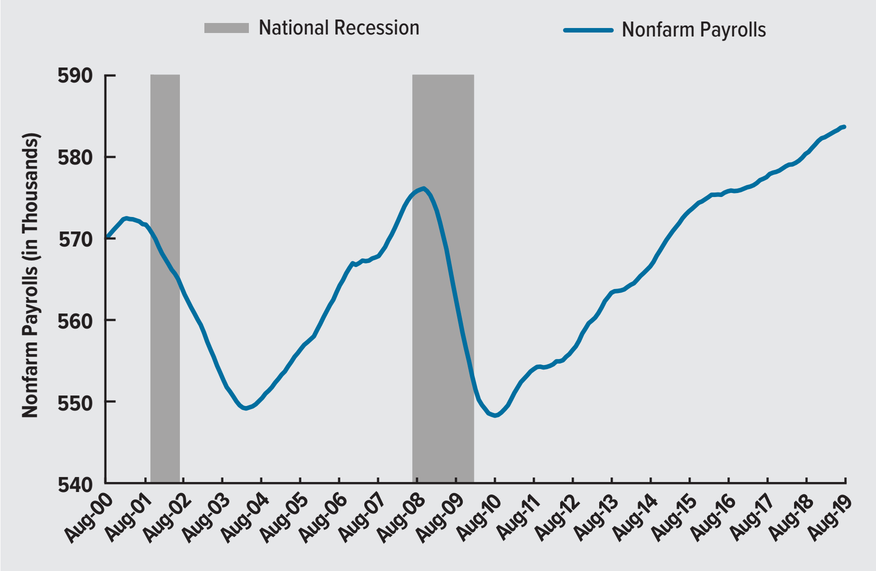


Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Nonfarm Payroll Trends—Overview

The Hartford NECTA entered the 21st century with modest job growth in 2000, but significant job losses began with and continued past the national recession of 2001 and 2002; nonfarm payrolls decreased an average of 1.3 percent, or 7,300 jobs, annually from 2001 through 2003 (Figure 3). As the national economy improved, the local economy began to grow, with nonfarm payroll growth averaging 0.9 percent, or 5,000 jobs each year, from 2004 through 2008, compared with a national average of 1.0 percent during the same period. From 2004 through 2008, the education and health services and professional and business services sectors led job growth, adding 2,100 and 1,300 jobs, or 2.3 and 2.2 percent, respectively. During 2009 and 2010, the Hartford NECTA lost an average of 12,900 jobs, or 2.3 percent, annually, partly due to the impacts of the national recession. Job losses during this period were widespread, with payrolls in every sector except education and health services declining. Job losses in the Hartford NECTA were less severe than they were nationally, where nonfarm payrolls declined at an average annual rate of 2.5 percent during 2009 and 2010. The mining, logging, and construction sector led job losses on a percentage basis in the NECTA, declining an average of 10.0 percent annually during 2009 and 2010 as residential and commercial construction declined sharply.

Figure 3. 12-Month Average Nonfarm Payrolls in the Hartford HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Job growth returned in 2011, with nonfarm payrolls increasing an average of 5,000 jobs, or 0.9 percent, annually from 2011 through 2015. More than 90 percent of job growth during this period occurred in service-providing sectors; the professional and business services, education and health services, and leisure and hospitality sectors led job growth, annually adding an average of 2,400, 1,100, and 1,000 jobs, or 3.6, 1.1, and 2.3 percent, respectively. From 2016 to 2018, nonfarm payroll growth slowed, averaging 2,500 jobs, or 0.4 percent, annually. Job growth in the Hartford NECTA lagged the national average of 1.7 percent from 2011 through 2018, averaging 0.7 percent annually.

Economic Sectors of Significance

Financial Activities

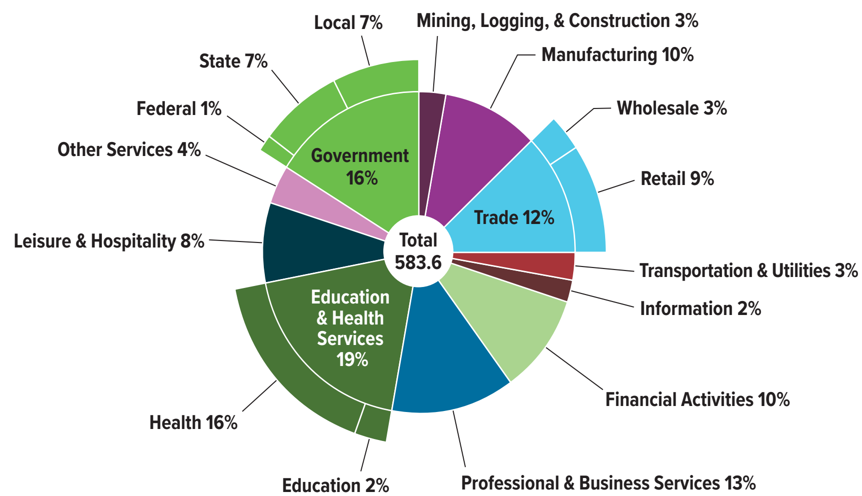
The city of Hartford has traditionally been known as the "Insurance Capital of the World" because of the concentration of the insurance companies in the area. The Hartford Financial Services Group, Inc., Aetna Inc., and The Travelers Indemnity Company were founded in 1810, 1819, and 1864, respectively, and they remain some of the largest employers in the HMA (Table 2). In 2000, the financial activities sector, which includes the insurance industry, totaled 70,000 jobs, or 12 percent of nonfarm payrolls in the Hartford NECTA, but it has since declined to 57,200 jobs, or 10 percent of nonfarm payrolls, during the 12 months ending August 2019 (Figure 4). During the 12 months ending August 2019, the financial activities sector expanded by 600 jobs, or 1.1 percent, more than any year since 2001. The insurance carriers and related activities industry accounted for 38,800 jobs during the 12 months ending August 2019, or about two-thirds of

Table 2. Major Employers in the Hartford HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Pratt & Whitney	Manufacturing	5,000-9,999
Hartford Hospital	Education & Health Services	5,000-9,999
Eversource Energy	Transportation & Utilities	5,000-9,999
Collins Aerospace	Manufacturing	5,000-9,999
The Hartford Financial Services Group, Inc.	Financial Activities	5,000-9,999
St. Francis Hospital & Medical Center	Education & Health Services	1,000-4,999
Aetna Inc.	Financial Activities	1,000-4,999
The Travelers Indemnity Company	Financial Activities	1,000-4,999
Talcott Resolution Life Insurance Company	Financial Activities	1,000-4,999
ESPN Inc.	Information	1,000-4,999

Note: Excludes local school districts.
Source: State of Connecticut

Figure 4. Share of Nonfarm Payroll Jobs in the Hartford HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through August 2019.
Source: U.S. Bureau of Labor Statistics

all jobs in the financial activities sector, but expanded by less than 100 jobs during this period. Job losses in the sector since 2000 have been fairly consistent, with payrolls declining in 15 of 18 years. The largest job losses occurred from 2009 through 2014, when payrolls in the sector declined an average of 1,600 jobs, or 2.5 percent, annually. Job losses during this period were caused by consolidation in the insurance industry, the relocation of jobs to lower priced areas of the country, the financial crisis, and the subsequent low-interest-rate environment making fixed annuity products less profitable. The Hartford Financial Services Group, Inc., which sold its financial brokerage, individual life insurance, and 401(k) arms and wound down its annuities business, contributed to these job losses. Modest job losses during 2017 and 2018 counteracted slow payroll growth in the financial activities sector during 2015 and 2016.

Manufacturing

The Hartford HMA was one of the nation's first manufacturing clusters, with the use of interchangeable parts and assembly line techniques at the Colt Armory in the city of Hartford, revolutionizing manufacturing methods. Like the insurance industry, manufacturing payrolls have declined in the Hartford NECTA, but the sector remains a foundation of the local economy. Since 2001, payrolls in the manufacturing sector have declined by 21 percent, with significant job losses concentrated during periods of macroeconomic downturn. Manufacturing payrolls decreased by an average of 3,700 jobs, or 5.1 percent, annually from 2001 through 2003 and by 3,700 jobs, or 6.0 percent, annually, from 2009 through 2010. Three of the 4 largest manufacturers in the HMA— Pratt & Whitney, Collins Aerospace, and Kaman Corporation—are aerospace manufacturers and often need to decrease employment during recessions because of reduced orders. Manufacturing payrolls slowly declined from 2011 through 2016, decreasing an average of 100 jobs, or 0.2 percent annually; however, during 2017 and 2018, they increased by an average of 1,600 jobs annually, or 2.7 percent. During the 12 months ending August 2019, manufacturing payrolls continued to grow, increasing by 1,200 jobs, or 2.0 percent, compared with the previous 12-month period. Job growth since 2017 was primarily caused by increased employment at Pratt & Whitney, which expanded its statewide employment by 3,000 in response to climbing orders of its jet engines.

Education and Health Services

The education and health services sector is the largest economic sector in the Hartford NECTA and has led job growth since 2001, adding jobs every year. Job growth in this sector peaked from 2006 through 2009, adding an average of 2,800 jobs, or 3.0 percent, annually, despite the decline of overall nonfarm payrolls during the period. From 2010 through 2018, payroll growth in the education and health services sector slowed to an average of 1,200 jobs, or 1.2 percent, annually. The health care and social assistance industry accounts for about 88 percent of the payrolls in the sector and 91 percent of the payroll growth in the sector from 2010 through 2018. An aging population in the Hartford NECTA has led to increased demand for health care services and has supported increasing numbers of health care-related jobs. During the 12 months ending August 2019, the education and health services sector continued to lead job growth, adding 1,800 jobs, or 1.7 percent, to 109,800 jobs. Contributing to job growth during this period was the expansion of Hartford Hospital, which added approximately 200 jobs during the 2018 fiscal year.

Employment Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to remain similar to the 2016-to-2018 period, averaging growth of 0.4 percent annually. The education and health services sector is expected to continue to be a leading source of growth. Hartford Hospital is planning to open a new 50,000-square-foot building on their Hartford campus in late 2021. Infosys Limited, an India-based information technology company, opened a new facility in downtown Hartford in December 2018. By 2022, Infosys Limited plans to increase employment by 1,000 employees in the HMA, contributing to jobs gains in the information sector. Ensign-Bickford Aerospace & Defense Company, a defense manufacturer, plans to expand its Simsbury Headquarters, increasing employment by 140 during the 3-year forecast period.

Population and Households

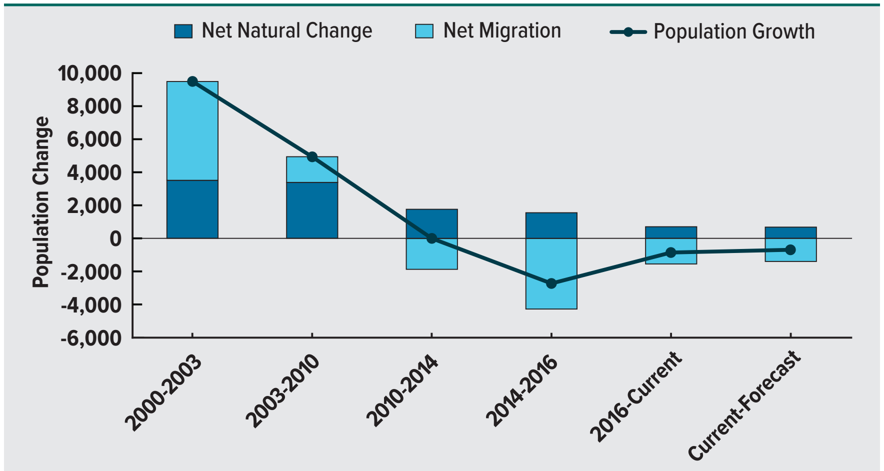
Current population: 1.21 million

The population of the HMA has declined every year since 2010.

Population Trends

Population growth in the Hartford HMA has slowed since 2000, and more recently, the population has declined, both because of decreased net natural change (resident births minus resident deaths) and a shift from net in-migration to net out-migration (Figure 5). Despite job losses, population growth peaked from 2000 to 2003, averaging 9,475 people, or 0.8 percent annually. During this period, net-migration accounted for about 62 percent of all population growth, or 5,850 people. As job growth resumed in 2004, net in-migration sharply dropped, causing average annual population growth to decline to 4,950 people, or 0.4 percent from 2003 to 2010. Almost all the decrease in population growth was caused by reduced net-migration, which averaged 1,550 from 2003 to 2010. The economic contraction during 2009 and 2010 did not significantly affect population growth, which averaged 5,000 annually from 2003 to 2008 and 4,825 from 2008 to 2010.

Figure 5. Components of Population Change in the Hartford HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (September 1, 2019), to September 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Like in 2003, the return of job growth in 2011 was accompanied by a downturn in population growth. From 2010 to 2014, the population of the HMA decreased by an average of 65 people annually. During this period, net out-migration, which averaged 1,865 people annually, outpaced the average annual net natural change of 1,800. These trends accelerated from 2014 to 2016, with the population of the HMA decreasing by an average of 2,700 people, or 0.2 percent, annually. During this time, net natural change fell further, averaging 1,575, and net out-migration increased to an average of 4,275 people, annually. Since 2016, the rate of population loss has slowed, averaging a loss of 820 people, or 0.1 percent, annually. Reduced net out-migration since 2016, averaging 1,550 people annually, caused the rate of population loss to slow despite net natural change decreasing to 720 annually.

Migration Trends

Net migration has trended downward in the HMA during the past 20 years, with the only exception being the slowing of out-migration that occurred after 2016. After positive net domestic migration from 2000 to 2003, averaging 3,575 annually, domestic net migration has been negative each year. The two largest annual decreases in net migration since 2000 occurred in 2004 and 2012, both years in which the economy of the HMA and the nation were recovering from recessions and accompanying job losses. The likely causes of the decrease in net migration during these years were improved economic conditions and an improving sales market, allowing individuals to sell their homes and leave the HMA. These factors offset the effect of improved local economic conditions drawing migrants to the HMA. The principal destination of out-migration is the southeast, with Florida, Georgia, and North Carolina being the top locations for migrants (Table 3).

Table 3. Migration Flows in the Hartford HMA: 2013–2017

Into the HMA	Connecticut	3,101
	New York	2,059
	Puerto Rico	544
	Pennsylvania	430
	Virginia	134
Out of the HMA	Florida	2,757
	Georgia	1,665
	North Carolina	1,499
	Rhode Island	459
	South Carolina	404

Sources: U.S. Census Metro-to-Metro Migration Flows; 2013–2017 American Community Survey, 5-year data

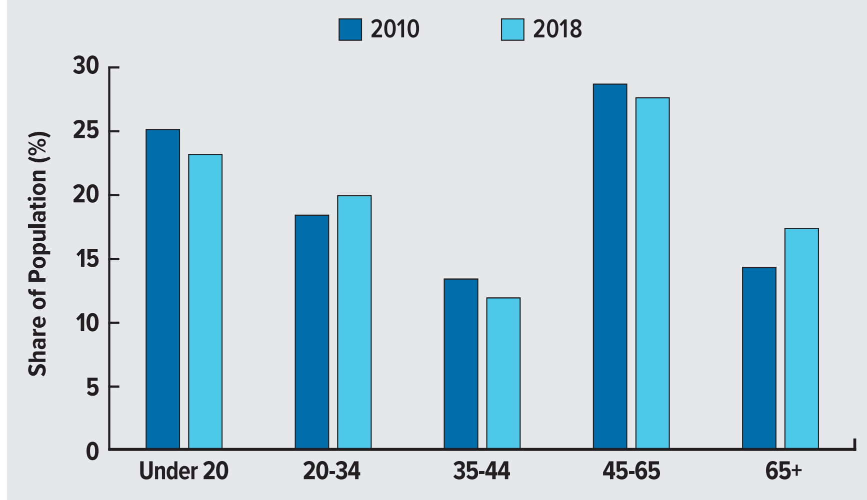
International in-migration to the HMA partially offsets the impact of domestic out-migration. Although domestic net-migration has consistently declined, international migration has trended upwards, averaging 2,200 annually from 2000 to 2005 and 3,050 from 2005 to 2010. From 2010 to 2018, international in-migration to the HMA has averaged 5,150 annually, whereas domestic out-migration averaged 7,400 annually (intercensal population estimates). Approximately one-half of all international migration originates in Asia (2013–2017 American Community Survey, 5-year data).

Age Cohort and Student Trends

The only significant population growth that occurred in the HMA from 2010 through 2018 was within the 65 and older age cohort, which expanded by 35,500 people and increased as a share of population by 3 percentage points (Figure 6). The growth of the 65 and older age cohort was caused by an aging population, not migration trends. Conversely, the state of Connecticut found that individuals over the age of 65 have among the highest rates of out-migration from the state (*Connecticut's Population and Migration Trends*).

Growth in the student population at the University of Connecticut (UConn) has contributed to population growth in the HMA. From 2000 to 2003, enrollment at UConn increased by an average of 830 annually, or approximately 23 percent of

Figure 6. Population by Age Range in the Hartford HMA



Source: 2010 and 2018 American Community Survey

all net domestic migration. As domestic migration became negative after 2003, enrollment at UConn continued to grow, increasing by an average of 430 annually from 2003 to 2010 and 270 from 2010 to 2018.

Household Trends

As of September 1, 2019, the number of households in the HMA is estimated at 474,100, an increase of 170 households, or less than 0.1 percent, annually since 2010 (Table 4). By comparison, household growth averaged 2,675, or 0.6 percent, annually from 2000 to 2010. Household growth has declined since 2010 because of slower population growth but remained positive as households have become smaller. The homeownership rate is currently estimated at 66.5 percent, down from 67.9 percent in 2010 (Figure 7) because of a weak labor market and a tight credit market during the first years of the decade. Since 2010, the number of renter households has increased by an average of 740, or 0.5 percent annually, whereas the number of owner households has declined by an average of 570, or 0.2 percent, annually.

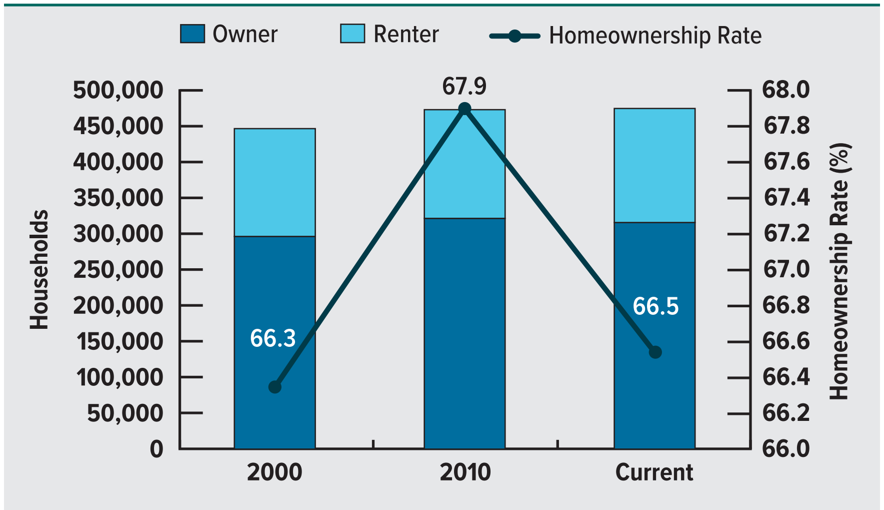
Table 4. Hartford HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	1,212,381	1,206,000	1,204,000
	Average Annual Change	6,375	-700	-670
	Percentage Change	0.5	-0.1	-0.1

Household Quick Facts		2010	Current	Forecast
	Households	472,533	474,100	475,300
	Average Annual Change	2,675	170	400
	Percentage Change	0.6	0.0	0.1

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (September 1, 2019), to September 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 7. Households by Tenure and Homeownership Rate in the Hartford HMA



Note: The current date is September 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the next 3 years, the population of the Hartford HMA is expected to decrease by an average of 670, or 0.1 percent, each year, to 1.20 million, similar to the rate of population change in the 2016-to-current period, as net out-migration from the HMA continues. Meanwhile, because average household size is expected to continue to decline, the number of households is forecast to reach 475,300 by September 1, 2022, with average annual growth during the next 3 years of 400 households, or 0.1 percent.

Home Sales Market Conditions

Market Conditions: Slightly Soft

Home sales prices have increased an average of 1 percent annually since 2014.

Current Conditions

The sales housing market in the Hartford HMA is currently slightly soft, with a declining population contributing to weak demand and slow growth in home sales prices. As of September 1, 2019, the overall sales vacancy rate is estimated at 1.6 percent, up from 1.3 percent during 2010.

During August 2019, the HMA had 6,175 single-family homes, condominiums, and townhomes for sale, representing 4.9 months of supply (Table 5), down from 6,525 homes for sale, or a 5.4-months' supply, during August 2018 (CoreLogic, Inc.). By comparison, 7,175 homes, or 8.4 months of supply, were for sale during August 2010. The HMA has a much higher supply of for-sale inventory than the nation-at-large, which had 3.4 months of supply during August 2019, down from a 3.5-months' supply during August 2018.

Table 5. Home Sales Quick Facts in the Hartford HMA

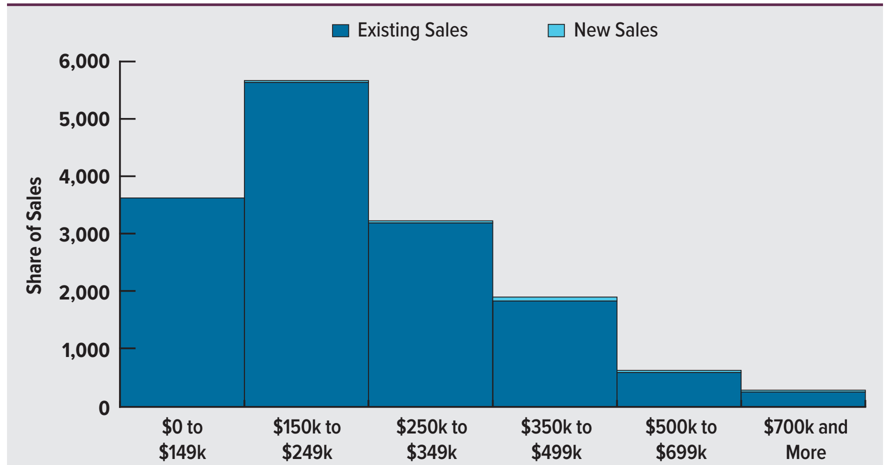
		Hartford HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.6%	NA
	Months of Inventory	4.9	3.3
	Total Home Sales	16,950	NA
	1-Year Change	2%	NA
	Mortgage Delinquency Rate	1.8%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2019; and months of inventory and mortgage delinquency data are as of August 2019. The current date is September 1, 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Home Sales and Prices

During the 12 months ending August 2019, new and existing home sales (hereafter, home sales) totaled 16,950, up 2 percent from a year ago, whereas the average sales price increased less than 2 percent to $250,400 (CoreLogic, Inc., with adjustments by the analyst). Despite population losses, improvements in local economic conditions have resulted in modest increases in home sales and prices since 2012. During 2012 and 2013, the number of home sales increased by an average of 14 percent annually to 14,400 homes sales, whereas home sales prices decreased by less than 1 percent annually to an average of $234,200. Home sales prices began to increase in 2014, averaging growth of 1 percent annually through 2018 to $248,400, much lower than the national average of 4 percent. During the same time, growth in home sales slowed to 2 percent annually to 16,150 in 2018. Approximately 60 percent of all sales during the 12 months ending August 2019 were homes priced below $250,000, and almost one-fourth of all sales were below $150,000 (Figure 8; Metrostudy, A Hanley Wood Company).

Figure 8. Share of Sales by Price Range During the 12 Months Ending August 2019 in the Hartford HMA



Note: New and existing sales include single-family homes, townhomes, and condominiums units.
Source: Metrostudy, A Hanley Wood Company

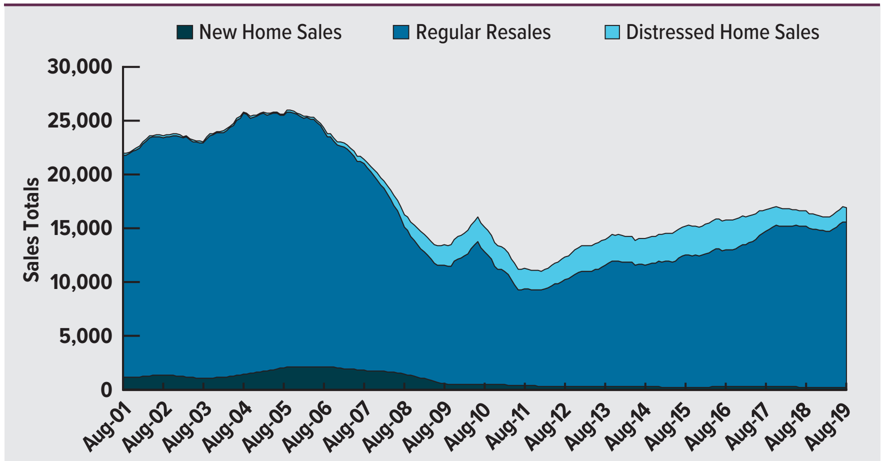
Home sales peaked from 2001 through 2005, a period that included the highest levels of net in-migration since 2000, averaging 24,300 homes sold annually. During this time, home sales prices appreciated at an average of 10 percent annually. During 2006 and 2007, the sales market softened, with home sales price growth slowing to an average of 4 percent annually, and home sales decreasing by an average of 12 percent a year (Figure 9). The national recession and local job losses caused the sales housing market of the HMA to weaken further, with home sales prices decreasing an average of 3 percent a year from 2008 through 2011, and home sales decreasing an average of 14 percent annually during the same period to a low of 13,150 in 2011. Despite decreasing numbers of home sales during this period, the number of lower priced distressed sales increased an average of 32 percent annually, contributing to falling home prices.

During the 12 months ending August 2019, new homes sales only accounted for about 2 percent of all home sales, unchanged from the previous 12 months. New home sales, as a proportion of overall home sales, peaked in 2006, accounting for approximately 9 percent of all home sales. The proportion of new home sales has declined in 10 of 12 years since 2006, however.

Distressed Home Sales

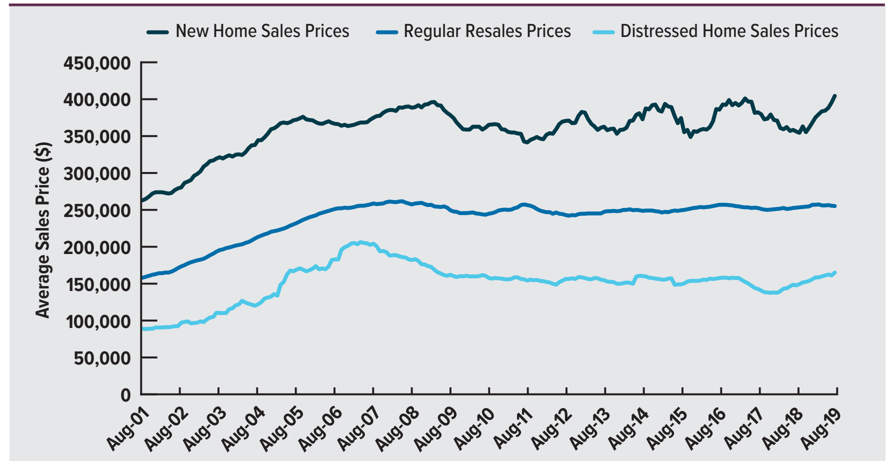
An increased number of distressed home sales (real estate owned [REO] and short sales) has occurred since 2005. Distressed home sales accounted for less than 1 percent of homes sales every year from 2000 to 2005 but increased by an average of more than 100 percent annually from 2006 through 2009. From 2010 through 2016, distressed home sales accounted for approximately 17 percent of all home sales. After several years of economic expansion and low housing production, the number of distressed home sales began to decline. From 2017 through 2018, the number of distressed home sales decreased by 670 sales, or 29 percent, annually, whereas the number of regular resales (sales of existing, non-distressed homes) increased by 820 sales, or 6 percent, annually. During the 12 months ending August 2019, distressed home sales accounted for about 8 percent of all home sales. The average sales price of a distressed home sale is much lower than a regular resale, averaging $165,500 and $255,500 during the 12 months ending August 2019, respectively (Figure 10).

Figure 9. 12-Month Sales Totals by Type in the Hartford HMA



Note: Distressed sales are real estate owned and short sales.
Source: CoreLogic, Inc., with adjustments by the analyst

Figure 10. 12-Month Average Sales Price by Type of Sales in the Hartford HMA

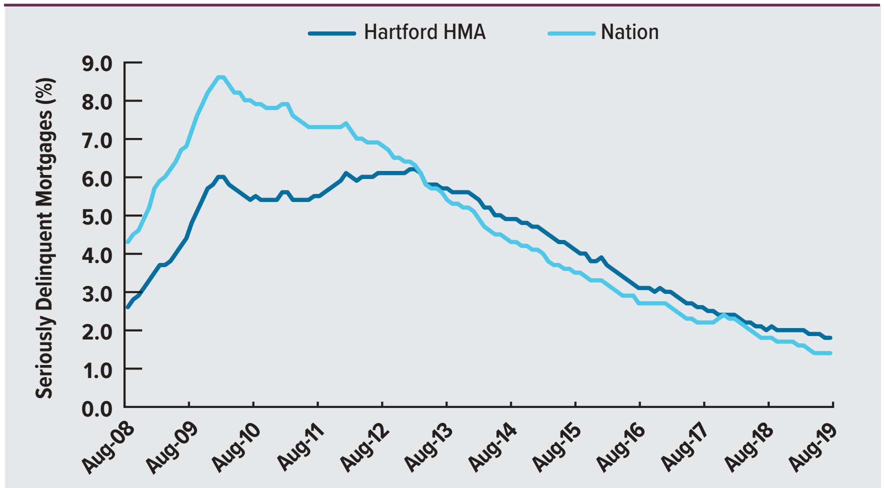


Note: Distressed sales are real estate owned and short sales.
Source: CoreLogic, Inc., with adjustments by the analyst

REO Sales and Delinquent Mortgages

The rate of seriously delinquent mortgages and REO properties in the Hartford HMA peaked in January 2013 at 6.2 percent, compared with a 6.4-percent rate nationwide during the same period (CoreLogic, Inc.). The rate of seriously delinquent loans and REO properties in the HMA was much lower than the national rate prior to early 2013 but subsequently has been consistently above the national rate (Figure 11). In August 2019, 1.8 percent of all mortgages were seriously delinquent or in REO status in the HMA, compared with 1.4 percent nationally.

Figure 11. Rate of Seriously Delinquent Mortgages in the Hartford HMA and the Nation

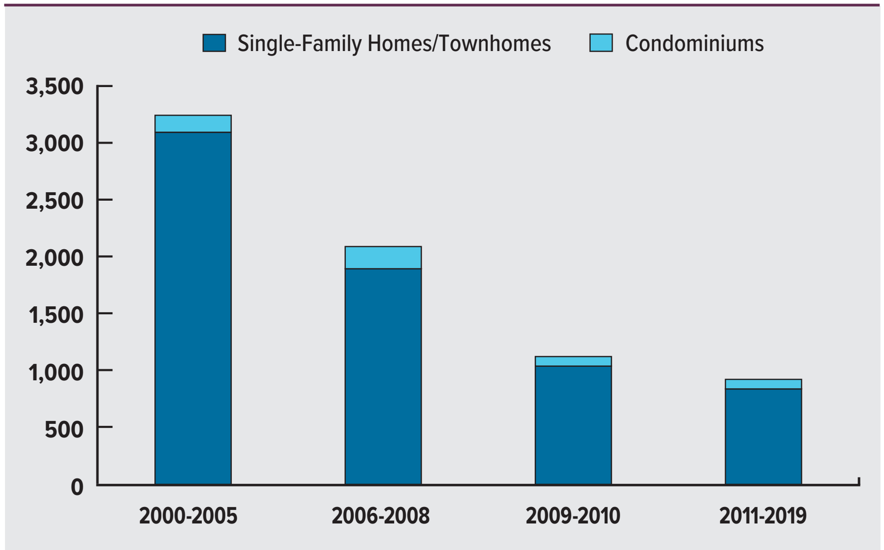


Note: Seriously delinquent mortgages are defined as those 90 or more days delinquent or in foreclosure.
Source: CoreLogic, Inc.

Sales Construction Activity

Homebuilding, as measured by the number of sales units permitted, has declined alongside population growth and has been low since 2008. Homebuilding peaked from 2000 through 2005 at an average of 3,250 sales units permitted annually. From 2006 through 2008, homebuilding then declined by an average of 680 homes, or 28 percent, annually, to 1,175 sales units in 2008 as demand for new homes fell (Figure 12). Homebuilding began to stabilize from 2009 through 2010, declining by an average of 4 percent and averaging 1,125 sales units permitted annually, as job losses and reduced existing home prices further reduced demand for new homes. Unlike most other housing markets, homebuilding did not recover alongside employment after 2010 because decreased population growth counteracted the effect of improved economic conditions on the housing market. From 2011 through 2018, homebuilding remained relatively stable, with an average of 910 sales units permitted annually. By comparison, the number of sales units permitted nationally increased by 11 percent annually during this period. During the 12 months ending August 2019, 940 sales units were permitted, up 16 percent from the 810 sales units during the previous 12-month period (preliminary data).

Figure 12. Average Annual Sales Permitting Activity in the Hartford HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through August 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Although most sales construction consists of custom single-family homes, some larger developments are underway. The 55-unit second phase of HillCrest Village opened in mid-2019, offering three- and four-bedroom homes from $400,000 to $450,000. The 58-unit Saddlebrook Condominiums townhome development opened in early 2019, offering three-bedroom townhomes from $240,000 to $270,000.

Forecast

Based on current and anticipated economic growth and the current slightly soft sales market conditions in the HMA, demand is estimated for 2,200 new homes during the next 3 years, with demand equally distributed during each year (Table 6). The 510 homes currently under construction will meet a portion of that demand. Additionally, some of the estimated 24,800 other vacant homes in the HMA could re-enter the sales market during the forecast period and satisfy a portion of the demand.

Table 6. Demand for New Sales Units in the Hartford HMA During the Forecast Period

	Sales Units
Demand	2,200 Units
Under Construction	510 Units

Note: The forecast period is from September 1, 2019, to September 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Balanced

Rental construction has increased since 2010, and vacancy rates have declined since 2016 despite a population decline and a significant inventory of vacant homes.

Current Conditions and Recent Trends

Overall rental housing market conditions (which include single-family rentals, townhomes, mobile homes, and apartments) in the Hartford HMA are currently balanced, with an overall estimated rental vacancy rate of 7.5 percent, down from 8.1 percent in 2010 (Table 7). Very slow household growth and moderate residential construction have led to many older vacant single-family homes entering the rental market. From 2010 to 2018, the percentage of renter households residing in single-family homes increased from 14 to 19 percent (2010 and 2018 American Community Survey 1-year data).

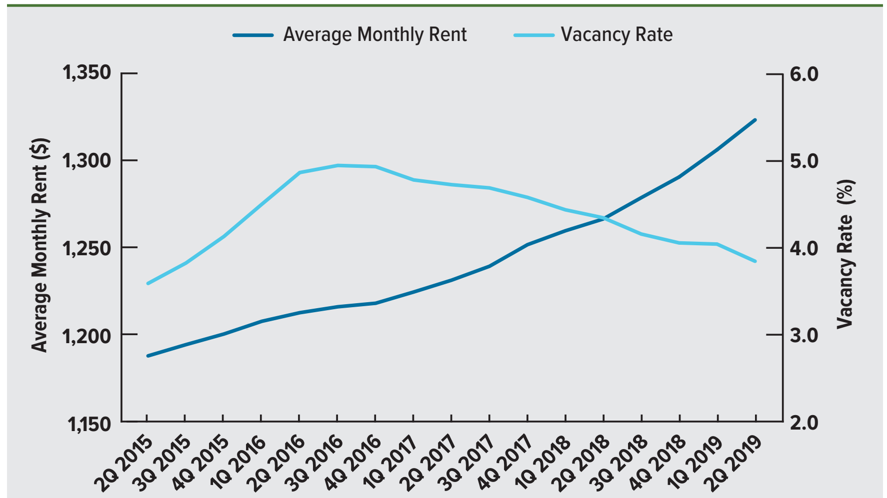
The apartment market, which makes up approximately 48 percent of renter-occupied units in the HMA, is balanced. The apartment vacancy rate has been below 5.0 percent since 2016 and averaged 3.4 percent during the second quarter of 2019, down from 4.2 percent a year earlier (Figure 13; RealPage, Inc.). During the second quarter of 2019, the average rent in the HMA increased 5 percent from the second quarter of 2018 to $1,352. Average rents for one-, two-, and three-bedroom apartments were $1,232, $1,462, and $1,986, respectively, during the second quarter of 2019. Rent growth averaged 1 percent annually during 2015 and 2016 but increased to an average of 4 percent during 2017 and 2018. By comparison, national annual rent growth averaged 5 percent during the former period and 4 percent during the latter. Decreased population outflows and improved labor market conditions have increased demand for rental housing, putting upward pressure on apartment rents.

Table 7. Rental and Apartment Market Quick Facts in the Hartford HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	8.1	7.5
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	14.5	19.2
	Multifamily (2–4 Units)	36.5	32.8
	Multifamily (5+ Units)	48.9	47.5
	Other (Including Mobile Homes)	0.2	0.4
		Current	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	3.4	-0.8
	Average Rent	$1,352	5.4
	Studio	$1,114	7.1
	One-Bedroom	$1,232	4.1
	Two-Bedroom	$1,462	5.8
	Three-Bedroom	$1,986	15.9

YoY = year over year.
Note: The current date is September 1, 2019. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; RealPage, Inc.

Figure 13. Apartment Rents and Vacancy Rates in the Hartford HMA



1Q = first quarter. 2Q = second quarter. 3Q = third quarter. 4Q = fourth quarter.
Source: RealPage, Inc.

Market Conditions by Geography

Apartment vacancy rates during the second quarter of 2019 varied across the HMA, ranging from a low of 2.1 percent in the RealPage Inc.-defined Northeast Hartford market area to a high of 5.0 percent in the Central Hartford market area. The Northeast Hartford market area includes the UConn campus, located in the city of Storrs. Vacancy rates in the Central Hartford market area were elevated because of higher than average vacancy rates at high-rise apartments; no other submarket has a significant number of these buildings. Rents are highest in the West Hartford market area, at $1,666, which includes many of the most desirable suburbs in the HMA. Rents are lowest in the New Britain/Bristol Market area, at $1,112, where only about 3 percent of all general-occupancy, market-rate apartments built since 2000 in the HMA are located.

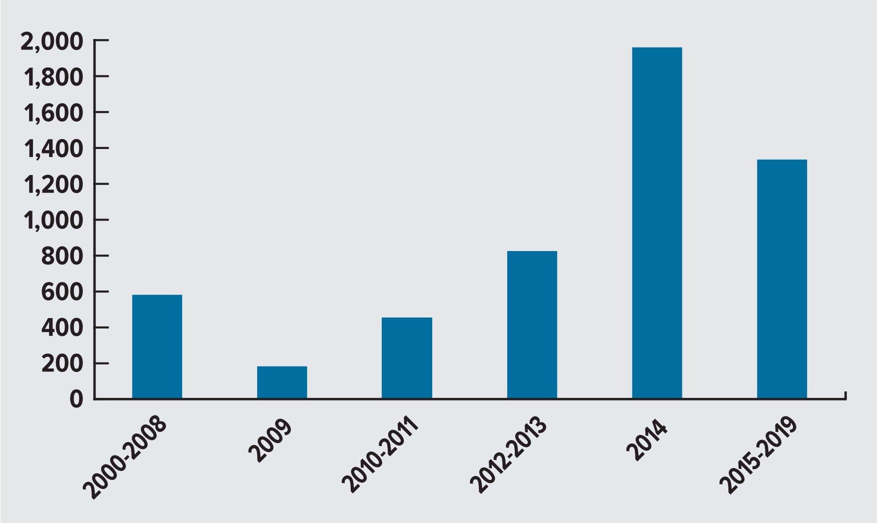
Rental Construction Activity

Despite population outflows, rental construction has increased significantly since 2010. Rental construction was low from 2000 through 2008, averaging 580 units permitted annually, because easy access to credit and high levels of sales housing production crowded out demand for new rental units (Figure 14). Rental production decreased sharply in 2009, with 180 units permitted, due to the effects of the recession and national housing crisis curtailing development. As the economy stabilized, rental construction increased to an average of 450 units permitted annually during 2010 and 2011. From 2012 through 2014 rental construction increased rapidly, rising by 510 units permitted, or 67 percent, annually, to a high of 1,950 units permitted in 2014. Rental production has decreased compared with 2014, but it remains much higher than pre-2010 levels, averaging 1,425 rental units permitted, annually, from 2015 through 2018. During the 12 months ending August 2019, approximately 550 rental units were permitted, a decrease of approximately 43 percent compared with the previous 12-month period (preliminary data).

Student Housing

The student population in the HMA is a significant segment of the rental market in and around the village of Storrs in Mansfield, Tolland County, which contains UConn. From 2000 through 2010, the number of on-campus beds at UConn increased by about 2,600, although this was offset by increased enrollment at the institution. During the same time, smaller universities, colleges, and boarding schools in the HMA are estimated to have increased their on-campus population by about 2,000. Since 2010, the number of dormitory beds in the HMA has not significantly increased. Currently, of the approximately 19,150 undergraduate students at UConn, about 70 percent live on campus. Storrs Center, a major pedestrian-oriented development adjacent to UConn, was completed in 2017. The development contains 618 apartments, 42 townhomes and condominiums, and approximately 120,000 square feet of retail space. The 618-unit The Oaks on The Square, the apartment portion of Storrs Center, is targeted at students, with rents starting at $1,555, $2,140, $3,432, and $4,300 for studio, one-, two-, and three-bedroom units, respectively. Major expansions of on-campus housing during the next 3 years are not expected.

Figure 14. Average Annual Rental Permitting Activity in the Hartford HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through August 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and estimates by the analyst; 2018 and 2019 preliminary data and estimates by the analyst

Recently Constructed Rental Properties

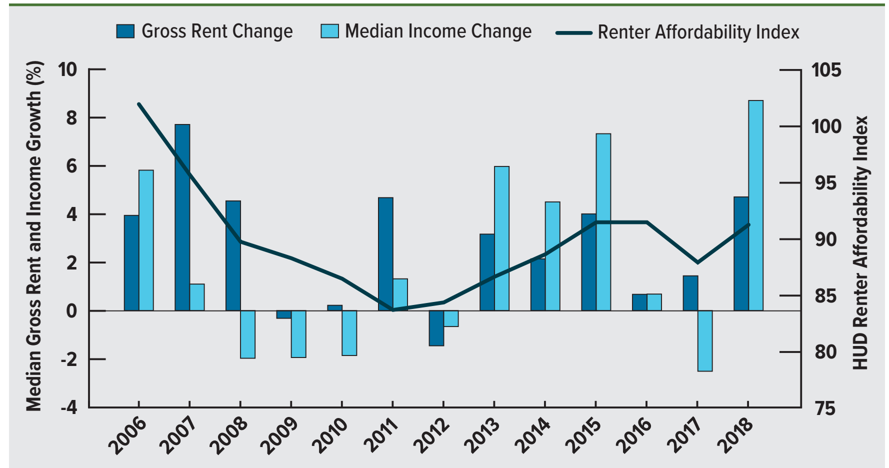
Recent apartment construction has occurred throughout the HMA, with no dominant center of construction. Since 2017, an estimated 3,475 apartments have been permitted. Approximately 700 of these apartments are to be located in the city of Hartford, 320 apartments in the city of Weatogue, and 300 in the city of Windsor. The Preserve at Great Pond, the 300-unit apartment complex in Windsor, is expected to be complete in December 2019. When complete, one-, two-, and three-bedroom units will be available starting at $1,650, $1,900, and $2,600, respectively. In addition to market-rate construction, several low-income developments have recently been completed or are under construction. For example, Willow Creek Apartments, a 75-unit redevelopment of the Bowles Creek public housing complex, was completed in July 2019 and offers below-market rates or subsidized housing to almost all residents.

Housing Affordability: Rental

Rental housing in the Hartford HMA has become more affordable since 2011, but the HMA is still less affordable than the national average. Between 2011 and 2018, the median gross rent increased by 15 percent, whereas the median income of renter households increased by 26 percent. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 83.6 in 2011 to 91.2 in 2018, signifying a more affordable rental market (Figure 15). By comparison, the national rental affordability index averaged 109.0 during 2018.

Among households that have incomes below 50 percent of area median family income (AMFI) approximately 27.6 percent spend between 30 and 49 percent of their income on rent, whereas 45.4 percent spend more than 50 percent of their income on rent (Table 9). By comparison, 25.7 and 50.2 percent of similar families nationwide spend between 30 and 49 percent and more than 50 percent of their income on rent, respectively.

Figure 15. Hartford HMA Rental Affordability



Note: Rental affordability is for the larger Hartford-West Hartford-East Hartford Metropolitan Statistical Area.
Source: American Community Survey, 1-year data

Table 9. Percentage of Cost Burdened Renter Households by Income, 2012–2016

	Cost Burdened		Severely Cost Burdened	
	Hartford HMA	Nation	Hartford HMA	Nation
Renter Households with Income <50% AMFI	27.6	25.7	45.4	50.2
Total Renter Households	20.3	22.0	24.2	23.8

AMFI = area median family income.
Note: "Cost-burdened" households spend between 30–49 percent of their income on rent and "severely cost-burdened" households spend over 50 percent of their income on rent.
Sources: Consolidated Planning/CHAS Data; 2012–2016 American Community Survey, 5-year estimates (huduser.gov)

A significant source of state and local funds for affordable housing comes from the Competitive Housing Assistance for Multifamily Properties (CHAMP) program, which completed its 12th round of financing in 2018. This round of financing will support the construction of 21 affordable units and rehabilitation of 68 additional units at the 316 on the Park and Park Terrace II apartment projects.

Forecast

During the 3-year forecast period, demand is estimated for 2,900 apartments in the HMA (Table 8). Demand is expected to be evenly distributed among all years of the forecast period, although the 1,875 units currently under construction will fulfill all expected demand during the first and second years.

Table 8. Demand for New Rental Units in the Hartford HMA During the Forecast Period

	Rental Units
Demand	2,900 Units
Under Construction	1,875 Units

Note: The forecast period is September 1, 2019, to September 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Forecast Period	9/1/2019–9/1/2022—Estimates by the analyst
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

B. Notes on Geography

1.	The New England city and town area (NECTA) definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013. The Hartford-West Hartford-East Hartford CT NECTA includes small portions of the surrounding counties while excluding a few areas of the Hartford HMA. However, all major urban areas are shared between the two geographies. This analysis uses the Hartford-West-Hartford-East Hartford NECTA in the discussion of nonfarm payroll jobs because employment data for the Hartford NECTA are readily available from the U.S. Bureau of Labor Statistics.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.

2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.
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