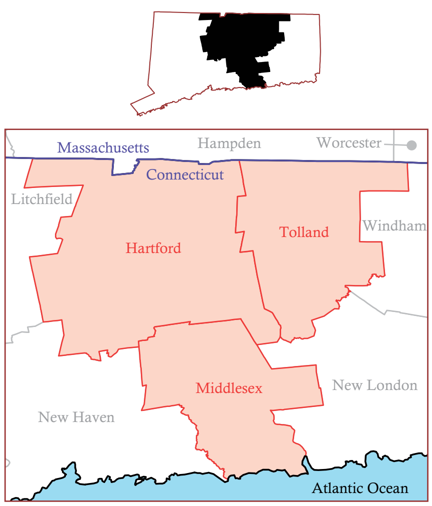
COMPREHENSIVE HOUSING MARKET ANALYSIS

Hartford-West Hartford-East Hartford, Connecticut

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2017

Housing Market Area



The Hartford-West Hartford-East Hartford Housing Market Area (hereafter, Hartford HMA) is coterminous with the Hartford-West Hartford-East Hartford, CT Metropolitan Statistical Area and consists of three counties in central Connecticut—Hartford, Middlesex, and Tolland. The city of Hartford is the state capital of Connecticut and has also been traditionally known as the insurance capital of the world, with many insurance companies headquartered in or having a significant presence in the city.

Market Details

Summary

Economy

Economic conditions remain positive in the Hartford HMA. During the 12 months ending August 2017, nonfarm payrolls increased by 2,900, or 0.5 percent, to 572,500, continuing a trend that began in 2011. Nonfarm payrolls have expanded by an average of 4,300, or 0.8 percent, annually since 2011 and currently exceed the prerecessionary high by 3,900 jobs. The unemployment rate in the HMA was 4.7 percent during the 12 months ending August 2017, down significantly from the peak of 9.0 percent in 2010. Job growth is expected to remain positive during the 3-year forecast period with nonfarm payrolls expected to increase an average of 0.8 percent annually.

Sales Market

The sales housing market in the HMA is currently soft with an estimated 1.7 percent vacancy rate, up from 1.3 percent during 2010 as continued high levels of out-migration caused the vacancy rate to increase. Home sales during the 12 months ending August 2017 totaled 15,700, an increase of 1,300, or 9 percent from the previous 12 months. During the next 3 years, demand is estimated for 3,050 new homes (Table 1), with demand increasing each year of the forecast period. The 460 homes under construction in the HMA will satisfy a portion of the forecast demand in the first year.

Rental Market

The overall rental housing market is currently balanced with an estimated 7.3-percent vacancy rate, down from 8.1 percent in 2010. Since 2010, renter household growth has outpaced the construction of rental units and the conversion of single-family homes, townhomes, and condominiums to rental use. During the forecast period, demand in the HMA is expected for 3,725 new market-rate rental units (Table 1). Approximately 80 percent of the 1,575 rental units currently under construction will be completed in the next 12 months and will meet most of the demand during the first year of the forecast period.

Table 1. Housing Demand in the Hartford HMA* During the Forecast Period

	Hartford HMA*	
	Sales Units	Rental Units
Total demand	3,050	3,725
Under construction	460	1,575

** Hartford-West Hartford-East Hartford HMA.*

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, 2017. The forecast period is September 1, 2017, to September 1, 2020.

Source: Estimates by analysts

Economic Conditions

In the following discussion, all data relate to the Hartford HMA except for nonfarm payroll data, which are available from the U.S. Bureau of Labor Statistics for the Hartford-West Hartford-East Hartford, CT Metropolitan New England City and Town Area (hereafter, Hartford NECTA). The Hartford NECTA, which is geographically similar to the Hartford HMA, contains all the major employment and population centers in the HMA.

Economic conditions in the HMA remain positive, as nonfarm payrolls have steadily expanded since 2011.

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Hartford NECTA,* by Sector

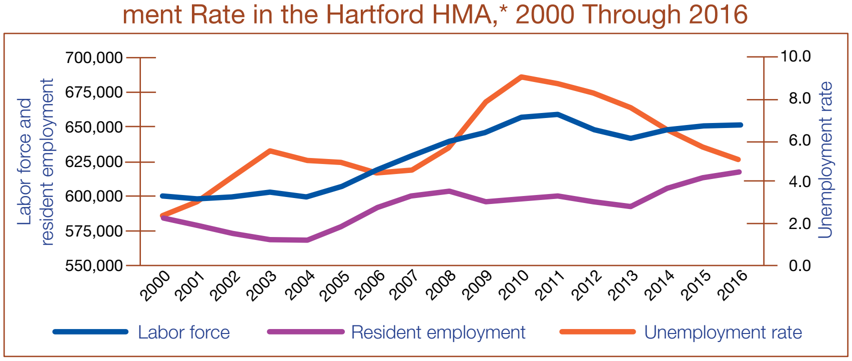
	12 Months Ending August 2016	12 Months Ending August 2017	Absolute Change	Percent Change
Total nonfarm payroll jobs	569,600	572,500	2,900	0.5
Goods-producing sectors	76,200	76,200	0	0.0
Mining, logging, & construction	20,600	20,400	– 200	– 1.0
Manufacturing	55,600	55,800	200	0.4
Service-providing sectors	493,300	496,300	3,000	0.6
Wholesale & retail trade	73,900	73,700	– 200	– 0.3
Transportation & utilities	16,600	17,200	600	3.6
Information	11,700	11,400	– 300	– 2.6
Financial activities	57,400	57,400	0	0.0
Professional & business services	72,500	74,700	2,200	3.0
Education & health services	105,000	107,500	2,500	2.4
Leisure & hospitality	47,300	47,600	300	0.6
Other services	21,800	22,300	500	2.3
Government	87,100	84,500	– 2,600	– 3.0

** Hartford-West Hartford-East Hartford, CT Metropolitan New England City and Town Area.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through August 2016 and August 2017.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Hartford HMA,* 2000 Through 2016



** Hartford-West Hartford-East Hartford HMA.*

Source: U.S. Bureau of Labor Statistics

During the 12 months ending August 2017, nonfarm payrolls in the Hartford NECTA totaled 572,500, an increase of 2,900, or 0.5 percent from the previous 12 months (Table 2). Nonfarm payrolls in the NECTA expanded by an average of 4,400 jobs, or 0.8 percent, annually from 2011 through 2016 and currently exceed the prerecession peak of 568,600 jobs, which occurred in 2008, by 0.7 percent. The unemployment rate in the HMA was 4.7 percent during the 12 months ending August 2017, down from 5.4 percent during the previous 12 months and well below the peak of 9.0 percent during 2010. Figure 1 shows the trends in labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2016.

The HMA historically has been a center for the insurance industry and manufacturing jobs. Both industries remain important parts of the economy of the HMA, although each has lost jobs since 2000. During 2000, nonfarm payrolls in the financial activities and manufacturing sectors totaled 70,000 and 76,200 jobs, respectively, and accounted for 12 and 13 percent of total nonfarm payrolls respectively. These sectors currently total 57,400 and 55,800 jobs, respectively, or approximately 10 percent each of total nonfarm payroll jobs in the HMA. Although each sector remains an important part of the local economy, the steady decline in the number of jobs in these sectors explains the relative weakness in the economy since 2000.

Nonfarm payrolls in the Hartford NECTA totaled 567,100 during 2000 and declined during the next 3 years by an average of 7,400, or 1.3 percent, annually to 544,800 during 2003. One-half of the decline in nonfarm payroll jobs during these years was the result of losses in the manufacturing sector, which decreased by an average of 3,700, or 5.1 percent, annually. In the early 2000s, demand for aircraft declined, and Pratt & Whitney, an aerospace manufacturing firm and one of the largest employers in the HMA, laid off 350 people during 2001 (Table 3). From 2004 through 2008, the Hartford NECTA added jobs, with nonfarm payrolls increasing by an average of 4,800, or 0.9 percent, annually to reach 568,600 nonfarm payroll jobs during 2008. The loss of manufacturing jobs during these years slowed but continued at an average of 200 jobs, or 0.3 percent, annually. Job losses in the financial activities sector accelerated to an average of 700, or 1.0 percent, annually during the period. Job losses in this sector were concentrated in the insurance industry, which declined by an average of 540 jobs, or 1.2 percent, annually. During these years, many local insurance firms relocated from the HMA to cities such as New York and Boston. In 2005, Metlife Inc. acquired The Travelers Indeminity Company and relocated approximately 500 jobs from the HMA. From 2009 through 2010, the HMA lost an average of 12,600 jobs, or 2.2 percent, annually due, in part, to the impacts of the national recession. On a percentage basis, the mining, logging, and construction sector declined the most, an average of 10.0 percent annually, or 2,000 jobs, as homebuilding declined significantly and commercial development slowed. The manufacturing sector also decreased substantially during the period, declining by an average of 3,700, or 6.0 percent, annually. Even with the overall job growth in the HMA since 2011, the manufacturing and financial activities sectors have continued to weaken. Nonfarm payrolls in the manufacturing sector fell by an average of 200 jobs, or 0.3 percent, annually from 2011 through 2015, while the financial activities sector declined by an average of 1,000 jobs, or 1.6 percent, annually, the largest decline of any sector during the period.

Although job growth has been limited in two historically significant sectors of the local economy, financial activities and manufacturing, growth has been strong in other sectors. The professional and business services sector led recent job growth, expanding by an average of 2,400 jobs, or 3.6 percent, annually from 2011 through 2015. This job growth continued during the most recent 12 months, and this sector expanded by 2,200, or 3.0 percent, to 74,700. Several expansions occurred in this sector recently, including at Novitex Enterprise Solutions, a cloud-based document outsourcing firm that has added 200 jobs since the end of 2015, and The Jackson Laboratory, a bioscience research firm that added 100 jobs at its facility in Farmington during the fall of 2016.

The transportation and utilities sector had the largest percentage gain of any nonfarm payroll sector in the NECTA

Table 3. Major Employers in the Hartford HMA*

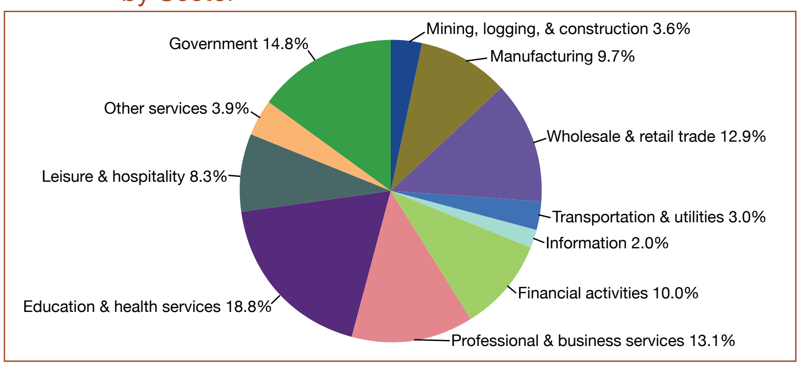
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Aetna Inc.	Financial activities	10,000+
Eversource Energy	Transportation & utilities	5,000–9,999
Hartford Financial Services Group Inc.	Financial activities	5,000–9,999
Hartford Hospital	Education & health services	5,000–9,999
Pratt & Whitney	Manufacturing	5,000–9,999
UConn Health	Government	5,000–9,999
UTC Aerospace Systems	Manufacturing	5,000–9,999
CIGNA Corporation	Financial activities	1,000–4,999
ESPN	Information	1,000–4,999
The Travelers Indeminity Company	Financial activities	1,000–4,999

** Hartford-West Hartford-East Hartford HMA.*
Note: Excludes local school districts.
Source: Connecticut Department of Labor

during the 12 months ending August 2017. The sector increased 3.6 percent, adding 600 jobs. Part of this increase was due to 3PL Worldwide opening a 300,000-square-foot distribution center in the city of Southington that added 200 jobs. United Parcel Service, Inc., or UPS, expanded in late 2016, adding 2,375 jobs, a combination of full-time and seasonal employment. Losses in the information sector—which declined by 300 jobs, or 2.6 percent, primarily due to layoffs at ESPN that included many on-air personalities—partially offset job growth during the most recent 12 months. StubHub, an online ticket exchange, closed its call center operations in East Granby resulting in 250 job losses.

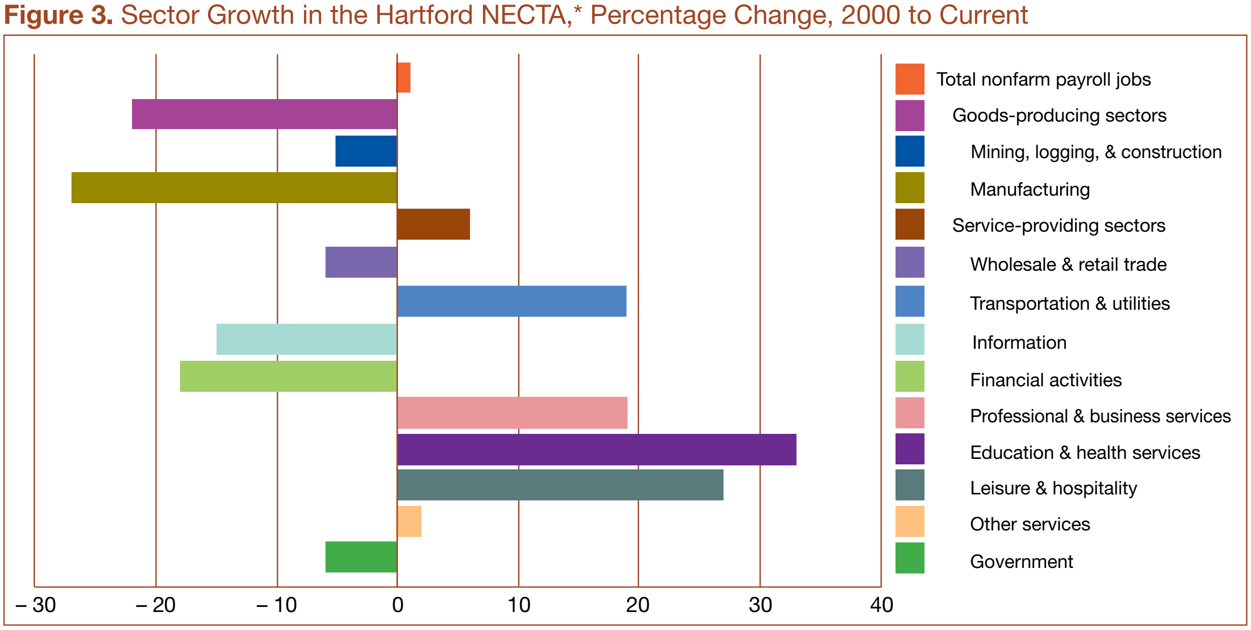
During the 12 months ending August 2017, the education and health services sector led the NECTA in job gains, increasing by 2,500 jobs, or 2.4 percent. Part of this increase was because of the opening of a bone and joint center at Hartford Hospital. This $150 million construction of a new building on the existing campus added several hundred jobs. The education and health services sector is the largest employment sector in the NECTA, with 107,500 jobs, and accounts for nearly 19 percent of all nonfarm payroll jobs (Figure 2). The education and health services sector has been the fastest growing sector in the NECTA since 2000, while the local economy has transformed from a manufacturing and insurance center to a regional healthcare center (Figure 3).

Figure 2. Current Nonfarm Payroll Jobs in the Hartford NECTA,* by Sector



** Hartford-West Hartford-East Hartford, CT Metropolitan New England City and Town Area.*
Note: Based on 12-month averages through August 2017.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Hartford NECTA,* Percentage Change, 2000 to Current



** Hartford-West Hartford-East Hartford, CT Metropolitan New England City and Town Area.*
Note: Current is based on 12-month averages through August 2017.
Source: U.S. Bureau of Labor Statistics

Although the manufacturing and financial activities sectors have not returned to the previous levels of jobs that existed before the recession, they have begun to stabilize recently. During the 12 months ending August 2017, nonfarm payrolls in the manufacturing sector increased by 200 jobs, or 0.4 percent, which follows an increase of 100 jobs, or 0.1 percent during the previous 12 months. A major factor in this expansion was Pratt & Whitney adding 1,000 jobs in East Hartford as part of an ongoing expansion.

The number of people in the HMA employed by insurance companies has declined; however, the financial activities sector retains a significant presence in the HMA. The city of Hartford, known as the insurance capital of the world, has many insurance companies based in the city, and 4 of the 10 largest employers in the HMA are concentrated in the financial activities sector, which includes the insurance industry. Aetna Inc. is the largest employer in the HMA, with more than 10,000 employees even after transferring 250 jobs out of the NECTA in 2017. Offsetting these losses, Webster Bank opened a new regional operations center in the city of Southington in Hartford County, creating 500 jobs. During the 12 months ending August 2017, nonfarm payrolls in the financial activities sector totaled 57,400, unchanged from the previous 12 months.

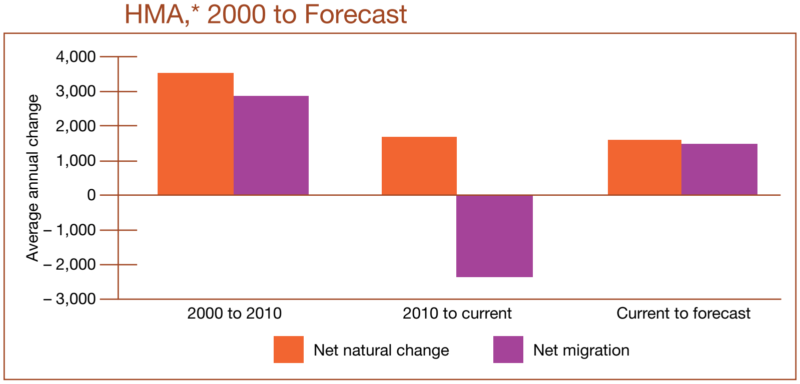
The city of Hartford is the state capital of Connecticut, and the government sector is the second-largest employment sector in the HMA, accounting for nearly 15 percent of all nonfarm payroll jobs during the 12 months ending August 2017. The state's fiscal problems recently caused a sharp downturn in this sector, however. During the 12 months ending August 2017, 84,500 nonfarm payroll jobs were in the government sector, a decline of 2,600, or 3.0 percent, from the previous 12 months. State government employment declined by 1,600, or 4.3 percent, while local government employment declined by 1,000, or 2.2 percent, during the 12 months ending August 2017. During the summer of 2017, the state of Connecticut laid off 1,000 employees as part of ongoing budget issues, while the Bristol public school system reduced the number of employees by 100.

During the 3-year forecast period, nonfarm payrolls are expected to increase 0.8 percent annually. Job growth is likely to occur in the manufacturing sector, because Pratt & Whitney is expected to begin production of a new aircraft engine that will create approximately 4,000 jobs during the next 5 years. In addition to increasing employment in the manufacturing sector, Pratt & Whitney is also likely to add engineering jobs that will support growth in the professional and business services sector. The transportation and utilities sector is expected to continue to grow when FedEx Corporation opens a distribution hub in the city of Middletown in 2018 and is expected to add 1,000 jobs. Employment growth in the government sector is expected to be limited during the next 3 years, as both the state of Connecticut and the city of Hartford have budgetary issues that may limit employment growth in this sector. The financial activities sector is likely to remain an important part of the economy, and employment in this sector is likely to remain stable as no further relocations or expansions are currently announced.

Population and Households

The population of the Hartford HMA is currently estimated at 1.21 million. Since 2010, the population of the HMA has declined by an average of 730, or 0.1 percent, annually. The population decline is the result of net out-migration since 2010 that has averaged 2,375 people a year, more than offsetting an average net natural increase (resident births minus resident deaths) of 1,650 people annually. Even with the recently increasing number of jobs in the HMA, part of the net out-migration was due to an aging population moving to the South seeking a warmer climate for retirement. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date. The annual rate of net natural change since 2010 is only 48 percent of the average net natural change of 3,500 people annually from 2000 through 2010. The declining net natural change is due, in part, to fewer children born in the HMA. During 2016, 5.0 percent of the population of the HMA was 5 years of age or younger, down from 5.4 percent in 2010 and 6.0 percent during 2005. The declining number of births also contributed to an increase in the median age. During 2016, the median age in the HMA was estimated at 40.9 years, up from 40.1 years during 2010 and higher than the national median of 37.9 years. The population decline has been widespread across the HMA, with all three counties recording population loss since 2010.

Figure 4. Components of Population Change in the Hartford HMA,* 2000 to Forecast



** Hartford-West Hartford-East Hartford HMA.*

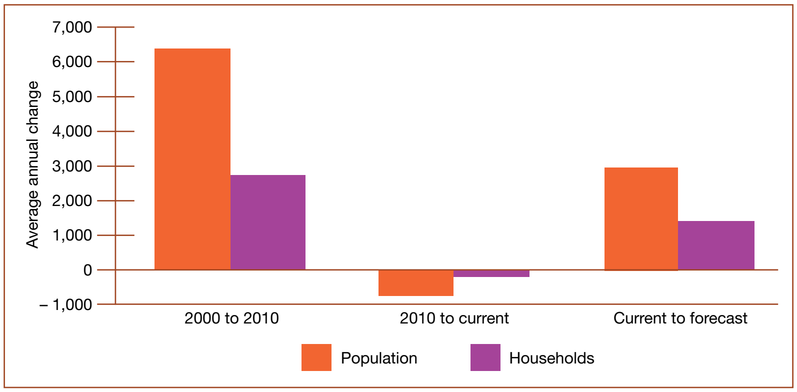
Notes: The current date is September 1, 2017. The forecast date is September 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Although no net overall nonfarm payroll job growth occurred in the NECTA from 2000 to 2010, resident employment increased, indicative of people who choose to live in the Hartford HMA but work in another nearby NECTA. The level of international in-migration was significant, and net natural change was fairly strong, and as a result, the population of the HMA expanded from 1.15 million in 2000 to 1.21 million in 2010, an average annual increase of 6,375, or 0.5 percent, annually. Net natural change was strong during the period, while net in-migration averaged 2,875, with more than 90 percent resulting from international in-migration, due in part to increasing enrollment of international students at the University of Connecticut. In 2010, 11.2 percent of the population of the HMA was foreign born, up from 10.2 percent in 2000. The strongest period of population growth in the HMA was from 2000 to 2003, when the population increased by an average of 9,475, or 0.8 percent, annually, and net in-migration averaged 5,850 people annually. The rate of population growth declined significantly from 2003 to 2010 to an average of 4,875 people, or 0.4 percent, annually. Reduced in-migration, which averaged 1,450 annually due, in part, to business relocations and job losses during this time, was the main reason for the slower rate of population growth.

During the next 3 years, population growth is expected to average 3,000 people, or 0.2 percent, annually, while improving economic conditions are anticipated to result in increased in-migration to the HMA. The population of the HMA is expected to reach 1.22 million by the end of the 3-year forecast period. Figure 5 shows population and household growth in the HMA from 2000 to the forecast date.

Figure 5. Population and Household Growth in the Hartford HMA,* 2000 to Forecast



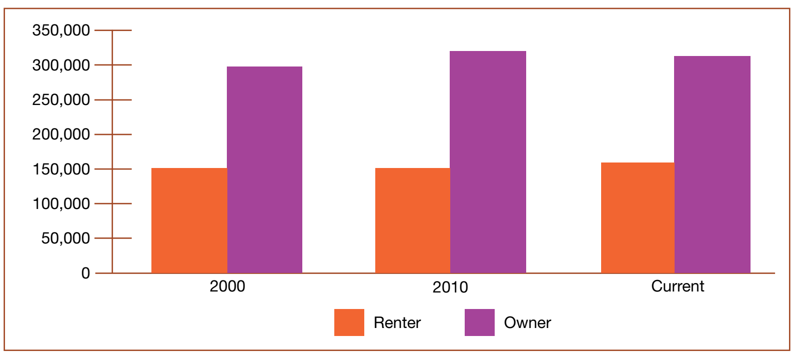
Hartford-West Hartford-East Hartford HMA.

Notes: The current date is September 1, 2017. The forecast date is September 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

The HMA currently has 471,500 households. The number of households has declined by an average of 140, or less than 0.1 percent, annually since 2010, as the overall population has declined. By comparison, from 2000 to 2010, household growth averaged 2,675, or 0.6 percent, annually due to population growth. The homeownership rate in the HMA is currently 66.3 percent, down from 67.9 percent in 2010 and the same level as in 2000 (Table DP-1).

Figure 6. Number of Households by Tenure in the Hartford HMA,* 2000 to Current



Hartford-West Hartford-East Hartford HMA.

Note: The current date is September 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

During the forecast period, the number of households is expected to increase by an average of 1,375, or 0.3 percent, annually to 475,600, generally mirroring population growth. The number of renter households is expected to increase to 34 percent of total households by the end of the forecast period. Figure 6 shows the number of households by tenure from 2000 to the forecast date.

Housing Market Trends

Sales Market

The sales housing market in the Hartford HMA is currently soft with an estimated 1.7-percent vacancy rate, up from 1.3 percent during 2010. Four months of inventory are currently on the market, down from 5.3 months 1 year earlier (Greater Hartford Association of Realtors®). The housing market softened as the declining population reduced demand for housing in the HMA from 2010 to 2015, although demand increased during the past year. The housing stock in the HMA is older than the average for the nation, with more than 42 percent of the housing units built before 1960 compared with slightly more than 28 percent nationally.

Conditions in the regular resale market have improved since the housing crisis in the mid-2000s. The number of regular resale homes totaled 14,150 during the 12 months ending August 2017, an increase of 1,450, or 11 percent, from the previous 12 months (CoreLogic, Inc., with adjustments by the analysts). The average sales price of a regular resale home was $253,700, a decline of $4,250, or nearly 2 percent from the previous 12 months. Although the number of regular resale homes has been increasing for more than 5 years, sales are well below the levels of prior to the housing crisis. During 2000, regular resale homes totaled 20,400, before increasing by an average of 830, or 4 percent, annually to reach an all-time peak of 23,700 homes sold during 2004. The number of regular resales declined each year from 2005 through 2011, however, before bottoming out at 8,875, an average decline of 2,425, or 15 percent, annually. During 2012, regular resale homes began to increase again with an improving economy, and by 2015, sales totaled 12,100, an average increase of 800, or slightly more than 8 percent, annually. Although the number of sales peaked in 2004, the average sales price for a regular resale peaked in 2007 at $261,100, which was an average increase of $15,900, or 8 percent, annually, from the average sales price of $150,000 during 2000. Following the peak sales price in 2007, the average sales price declined an average of $3,300, or 1 percent, annually to $244,600 in 2012. With a rebounding economy and sales starting to increase, the average sales price increased an average of $2,975, or 1 percent, annually to $253,500 in 2015.

Distressed sales, which include real estate owned (REO) and short sales, have declined since 2016 but are limiting new home sales and regular resales and sales prices. During the 12 months ending August 2017, distressed sales totaled 2,000, a decline of 750 sales, or 28 percent, from 12 months earlier. By comparison, from 2000 through 2005, distressed sales in the HMA averaged approximately 150 annually, before increasing during each of the next 10 years to a high of 2,725 in 2015. The average sales price of a distressed property is currently $143,300, which is down by $16,500, or nearly 11 percent from 1 year earlier, and is about 44 percent lower than the average sales price of a regular resale home. In August 2017, 2.6 percent of home loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 3.1 percent a year earlier (CoreLogic, Inc.). The percentage of seriously delinquent loans and REO properties in the HMA peaked in January 2013 at 6.2 percent. The current percentage of seriously delinquent loans and REO properties in the HMA is higher than the nation, which is 2.2 percent, down from 2.7 percent 1 year earlier.

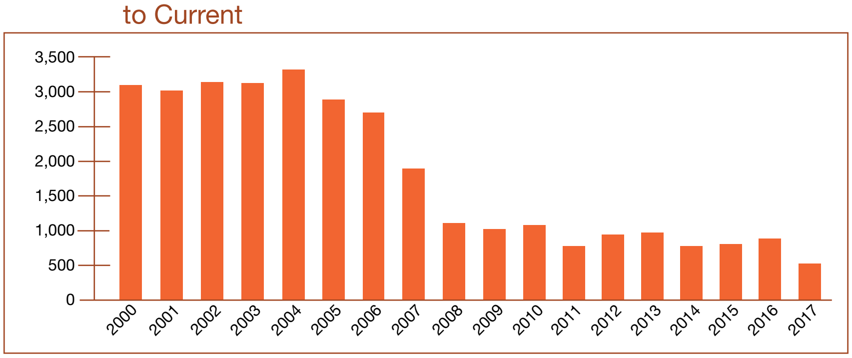
The new home sales market in the HMA followed a similar pattern as the regular resale market. New home sales during the 12 months ending August 2017 totaled 340, an increase of 10, or 4 percent, from the previous 12 months. The average sales price of a new home was $363,500, an increase of $2,550, or 1 percent, from the previous 12 months. With a lack of population growth, demand for new homes has been weak since 2010. From 2000 through 2003, new home sales averaged 1,275 annually and increased to an average of 1,925 from 2004 through 2007. With the onset of the housing crisis and the economic downturn, new home sales declined to 1,225 during 2008, before averaging 530 sales annually during 2009 and 2010. Despite improving economic conditions, the number of new home sales continued to decline from 2011 through 2015, while the significant inventory of lower-priced existing properties satisfied much of the sales housing demand. During 2015, 300 new homes sold in the HMA, an average decline of 50 homes, or 11 percent, annually from 2010. The average sales price of a new home followed a similar pattern as the number of sales. During 2000, the average sales price of a new home was $249,600; it increased steadily until peaking during 2008 at $392,500, an average increase of $17,900, or 6 percent, annually. Following this peak, the average sales price began to decrease and by 2015 was $344,000, an average decline of $6,925, or nearly 2 percent, annually.

Single-family construction, as measured by the number of homes permitted, remained slow during the 12 months ending August 2017 with only 820 single-family homes permitted, unchanged from the previous 12 months. The current level of single-family construction is well below historical averages. From 2000 through 2004, during the strongest period of population growth in the HMA, an average of 3,125 single-family homes were permitted annually. From 2005 through 2009, the number of single-family homes permitted steadily declined by an average of 460, or 21 percent, annually to only 1,000 homes permitted during 2009. Permits increased slightly during 2010, when 1,075 homes were permitted, but has not reached that level since. With the population of the HMA declining, an average of 840 homes was permitted annually from 2011 through 2015. Figure 7 shows the number of single-family homes permitted annually from 2000 to the current date.

Recent developments include Stratford Crossing in Avon, a 39-home development that currently has nine sites remaining for development. Home prices in this subdivision start at $519,000 for three-bedroom, two-bathroom, 2,100-square-foot homes. Goldberg Estates is a 135-unit development in eastern Hartford County with prices ranging from $355,900 to $469,900 for three- and four-bedroom homes. Construction of phase two of Goldberg Estates began in 2010, and currently fewer than one-half of the planned 135 units have been built and sold.

During the next 3 years, demand is estimated for 3,050 new homes in the HMA (Table 1). Demand is expected to increase slightly in the second and third years of the 3-year forecast

Figure 7. Single-Family Homes Permitted in the Hartford HMA,* 2000 to Current



** Hartford-West Hartford-East Hartford HMA.*
Notes: Includes townhomes. Current includes data through August 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Hartford HMA* During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
180,000	249,999	90	3.0
250,000	299,999	400	13.0
300,000	349,999	1,050	34.0
350,000	399,999	730	24.0
400,000	499,999	490	16.0
500,000	749,999	210	7.0
750,000	and higher	90	3.0

** Hartford-West Hartford-East Hartford HMA.*

Notes: The 460 homes currently under construction in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2017, to September 1, 2020.

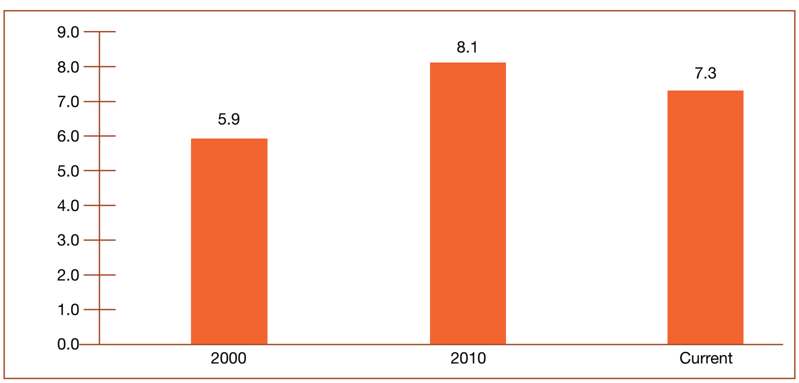
Source: Estimates by analysts

period in response to improving economic conditions and population growth. The 460 homes currently under construction will meet a portion of demand during the first year. Table 4 shows estimated demand by price range.

Rental Market

The overall rental housing market in the Hartford HMA is currently balanced with an estimated 7.3-percent vacancy rate, down from 8.1 percent in 2010 (Figure 8). Approximately 36 percent of all renter households in the HMA, compared with less than 18 percent nationally, reside in structures that contain two, three, or four units, which tend to be older buildings with higher vacancy rates than units in traditional apartment buildings with five or more units. This contributes to an overall vacancy rate in the HMA that is notably higher than the apartment vacancy rate.

Figure 8. Rental Vacancy Rates in the Hartford HMA,* 2000 to Current



** Hartford-West Hartford-East Hartford HMA.*

Note: The current date is September 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

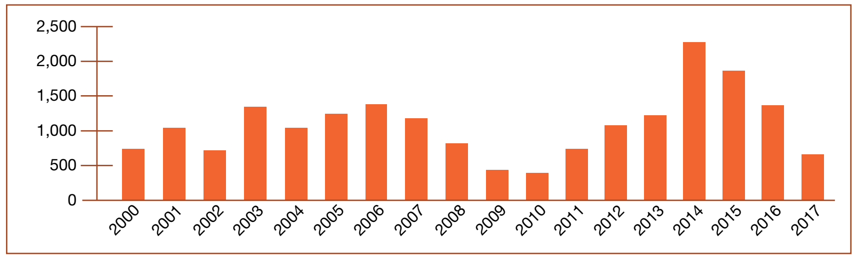
The apartment market is currently slightly tight. Renter household growth has outpaced the construction of rental units, allowing for absorption of existing inventory since 2010. High levels of multifamily construction resulted in an increased apartment vacancy rate during the past year. During August 2017, the apartment vacancy rate was 4.6 percent, up from 4.2 percent 1 year earlier (Reis Inc.). The average rent for an apartment was $1,134 during August 2017, up by $32, or nearly 3 percent, from 1 year earlier.

Although apartment market conditions are currently slightly tight, the HMA had much tighter conditions during the early 2000s. Apartment market conditions were tight in 2000, with a 1.3-percent vacancy rate, when the HMA was in the final year of an economic expansion that began in the mid-1990s, and because multifamily production was limited from 1996 through 1999. With the exceptionally tight conditions in 2000, developers began to increase production, and in conjunction with the local economic downturn, the apartment vacancy rate began to increase. By 2004, the apartment market vacancy rate rose to 4.8 percent. Although job growth overall was sluggish from 2000 to 2004, this was the strongest period of in-migration, which helped to keep market conditions balanced despite the number of new units that entered the market. In 2000, the average rent in the HMA was $765, but by 2004, even with the increasing vacancy rates, the average rent increased by an average of $27, or more than 3 percent, annually to $874, as newer, higher-priced inventory raised the average rent.

From 2005 through 2015, apartment market conditions in the HMA generally mirrored economic conditions. With an improving economy, the vacancy rate in the HMA began to decline in 2005 and, by 2007, was down to 4.3 percent. The rate of rent growth held fairly constant from 2005 through 2007 compared with earlier periods, and the average rent increased by an average of $27, or 3 percent, annually to $954 in 2007. With the impact of the national recession causing job losses in the local economy coupled with elevated production from 2005 through 2007, the apartment vacancy rate began to increase and, by 2009, rose to 6.0 percent with a balanced market. During 2009, the average rent was $967, an average increase of slightly less than $7, or less than 1 percent, annually since 2007. During 2009 and 2010, levels of production were very low, and the number of renter households increased, absorbing the previously vacant units. By 2013, the apartment market was tight, with the vacancy rate down to 2.7 percent, the lowest level in the HMA since 2002. Even with the rapidly declining vacancy rate, rent growth was moderate. By 2013, the average rent rose to $1,049, an average increase of $21, or 2 percent, annually since 2009. With developers responding to tight conditions by increasing apartment production, the vacancy rate increased to 4.0 percent in 2015. Rent growth continued at the pace that occurred during the previous period, increasing by an average of $21, or 2 percent, annually.

Multifamily construction, as measured by the number of multifamily units permitted, totaled 1,450 units during the 12 months ending August 2017, a decline of 125 units, or 8 percent from the previous 12 months. Production has been elevated since 2012 and well above construction levels during previous periods. From 2000 through 2002, multifamily construction averaged 830 units each year, of which 12 percent were for condominiums. Multifamily construction began to increase in 2003 as the local economy began to improve, and from 2003 through 2007, an average of 1,225 multifamily units were permitted annually, with nearly 17 percent for condominiums. With the start of the economic downturn, production declined from 2008 through 2010 to an average of 540 multifamily units permitted annually, with only 15 percent of the units permitted for condominiums. As the economy began to recover, multifamily construction increased rapidly, averaging 1,425 units annually from 2011 through 2015. Most of these units were rental units, because homeownership declined, and existing homes met nearly all the demand for owner units. Slightly more than 1 percent of multifamily units permitted during 2011 through 2015 were for condominiums. Figure 9 shows the number of multifamily homes permitted annually from 2000 to current.

Figure 9. Multifamily Units Permitted in the Hartford HMA,* 2000 to Current



** Hartford-West Hartford-East Hartford HMA.*

Notes: Excludes townhomes. Current includes data through August 2017.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Some recent apartment developments include the Broadleaf Boulevard in Manchester, a 224-unit development of one- and two-bedroom apartments with rents ranging from $1,250 to $1,830 a month, which was completed in 2016. Front Street Lofts is one of the newest developments in downtown Hartford, next to the new downtown campus of the University of Connecticut. This 112-unit development consists of studio, one-, and two-bedroom apartments with rents ranging from $1,295 to $2,340 a month.

During the 3-year forecast period, demand is estimated for 3,725 new market-rate rental units. The 1,575 units currently under construction will satisfy a portion of that demand. During the next 3 years, demand is expected to be fairly stable, with the greatest demand for two-bedroom units renting from $1,850 to $2,049 a month. Table 5 shows estimated demand for new market rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Hartford HMA* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,050 to 1,249	10	1,250 to 1,449	130	1,450 to 1,649	160	1,600 to 1,799	60
1,250 to 1,449	35	1,450 to 1,649	550	1,650 to 1,849	490	1,800 to 1,999	140
1,450 or more	25	1,650 to 1,849	640	1,850 to 2,049	800	2,000 to 2,199	85
		1,850 or more	250	2,050 or more	300	2,200 or more	50
Total	75	Total	1,575	Total	1,750	Total	340

** Hartford-West Hartford-East Hartford HMA.*

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,575 units currently under construction will likely satisfy some of the estimated demand. The forecast period is September 1, 2017, to September 1, 2020.

Source: Estimates by analysts

Data Profile

Table DP-1. Hartford HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	583,848	598,108	626,100	0.2	0.7
Unemployment rate	2.5%	9.0%	4.7%		
Nonfarm payroll jobs	567,100	543,500	572,500	– 0.4	0.8
Total population	1,148,618	1,212,381	1,207,000	0.5	– 0.1
Total households	445,870	472,533	471,500	0.6	0.0
Owner households	295,809	320,902	312,700	0.8	– 0.3
Percent owner	66.3%	67.9%	66.3%		
Renter households	150,061	151,631	158,800	0.1	0.6
Percent renter	33.7%	32.1%	33.7%		
Total housing units	471,877	507,049	509,500	0.7	0.1
Owner vacancy rate	0.9%	1.3%	1.7%		
Rental vacancy rate	5.9%	8.1%	7.3%		
Median Family Income	$59,600	$85,100	$85,000	3.6	0.0

** Hartford-West Hartford-East Hartford HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2017. Median Family Incomes are for 1999, 2009, and 2016. The current date is September 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 9/1/2017—Estimates by the analysts
Forecast period: 9/1/2017–9/1/2020—Estimates by the analysts

The metropolitan statistical area and New England city and town area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

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 analysts, through diligent fieldwork, make an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Hartford_WestHartford_EastHartfordCT_18.pdf.

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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.

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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.