Connecticut 2019 Second Quarter/ First Half Housing Report

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NEW DEVELOPMENT SERVICES

What Lessons Can We Learn from Booming 18-Hour Cities?

Forget cities that don't sleep, Americans today want a little rest

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The prototypical American city never sleeps. New York, Boston, Chicago, Los Angeles, San Francisco and Washington, DC are 24/7 gateway cities, historically seen as safe real estate investments because they attract people and businesses, making them lucrative in the long term. But what happens when these cities become too populated, driving the cost of living up so high that it is unsustainable for the average person?

Enter the 18-hour city: a second-tier city that offers comparable services, amenities, and job opportunities of a 24-hour city, but without operating on a 24-hour basis. These cities have strong infrastructure, widespread urban development, a robust economy and, the key factor, a lower cost of living. Examples of 18-hour cities include Raleigh, Denver, Seattle, Portland, Nashville, Tampa, Charlotte, and Atlanta. For several years, 18-hour cities have emerged as cost-effective alternatives to traditional gateway cities, leading to an urban revitalization driven mainly by the millennial generation. In 2019, according to PwC's Emerging Trends in Real Estate® report, nine of the top 10 and 17 of the top 20 real estate markets in the county fall into this non-gateway, 18-hour city category.

However, as the 80-million plus millennial generation ages, their eyes could be turning towards the suburbs of the cities they've made home. As the older end of this generation reaches their mid-to-late 30s, millennials are forming families, having children and making decisions more in line with generations before them. While some of the attractions of suburban life remain (large homes, good school districts and green space) the millennial generation is adding their own "must-haves" to the traditional list of amenities. Easy access to mass transit, walkable neighborhoods with easy access to downtown spaces--essentially all the charm of a traditional suburban neighborhood with the convenience of an urban city center.

What Lessons Can We Learn from Booming 18-Hour Cities? (cont.)

Other than choosing the right suburban markets, how can builders capitalize on this growing trend when building new construction? Just as concierge desks, historically found in hotel lobbies, have become staples in apartment buildings, offices and retail stores, the real estate industry needs to consider how to attract clients based on more than just traditional amenities. What value-added services can we provide that will set us apart from the competition?

In multi-family units, while an onsite fitness center and laundry rooms were once seen as going above and beyond, now tenants and buyers are looking for pet care, community gardens and staffed mailrooms to accommodate not only the constant influx of Amazon Prime packages, but also refrigerated spaces to keep grocery deliveries fresh. With the rise of the gig economy, co-working spaces integrated into living areas has become increasingly common, providing individuals who work from home a public space to separate their work lives and home lives.

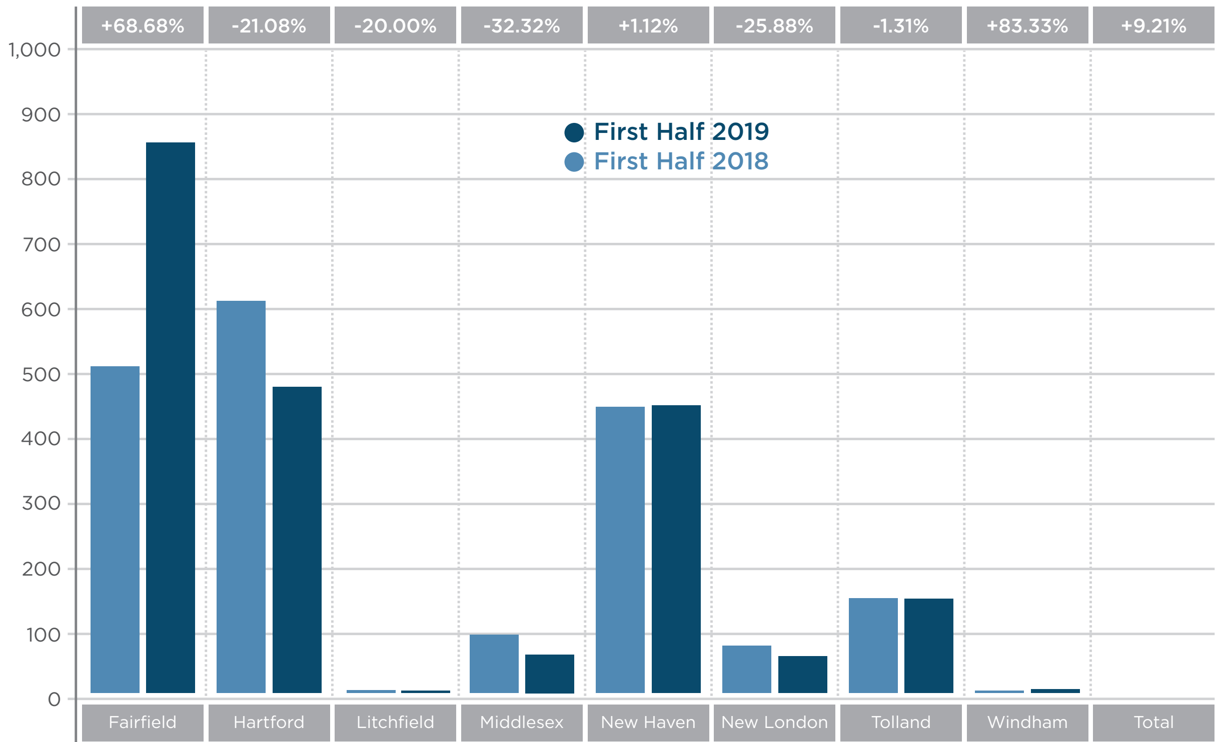
The key to all of these amenities is that it isn't just about physical additions, it is the level of personal service they provide. If you have a gym, do you offer yoga classes? Is there someone available to walk my dogs during the workday? And for the industry, once these types of amenities are offered, it is nearly impossible to scale them back. Consumers feel the loss of these types of amenities much more acutely than they enjoy the satisfaction of having them.

What Lessons Can We Learn from Booming 18-Hour Cities? (cont.)

In single-family neighborhoods, amenities are just as important, although harder to come by. One of the most intangible, but most sought after? Identity. For former city-dwellers, used to being surrounded by the culture of their neighborhood, moving to a cookie-cutter suburban development just won't cut it. Today's consumers are looking for something unique that sets their neighborhood apart. WIth more and more mixed-use developments cropping up across the country, this identity is established by curating the types of businesses that will live side-by-side residential homes.

When developing communities for today's new buyers, builders have to think outside the traditional master-planned community box. Millennials want an urban feel to their suburban home--they want many (many, many) layout options, parks, green space, high-speed internet, usable community spaces, and all of this for an affordable price. They value quality over quantity, and would, for the most part, rather see a smaller square-footage designed with renewable materials than a giant home of a lower standard.

Housing Permits Increase through the First Half of 2019



	Fairfield	Hartford	Litchfield	Middlesex	New Haven	New London	Tolland	Windham	Total
H1 2019 Permits	867	483	4	67	453	63	151	11	2,099
H1 2018 Permits	514	612	5	99	448	85	153	6	1,922

State of Connecticut

Housing Permits Issued by County
First Half 2018 vs. 2019

(104 Municipalities Reporting)

In the state of Connecticut through the First Half of 2019, permits saw a 9.2 percent increase. The total number of permits grew from 1,922 to 2,099 in the first half of 2019. The largest increase was in 2-Unit permits, which increased 115 percent (albeit that jump was only from 40 permits to 86.) Meanwhile, 5+ Unit permits grew 9.7 percent and 1-Unit permits grew 4.6 percent. Permits for 3-4 Unit housing fell, year-to-date, 5.3 percent, from 38 in 2018 to 36 in 2019.

On a county-by-county basis, the overall growth in permits was accounted for in relatively few places across the state, with increases occurring in Windham County (83.3 percent), Fairfield County (68.7 percent) and New Haven County (1.1 percent.) In the meantime, the total number of new permits issued fell elsewhere in Connecticut, including 1.3 percent in Tolland County, 20 percent in Litchfield County, 21.1 percent in Hartford County, 25.9 percent in New London County and 32.3 percent in Middlesex County.

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

Single Family Unit Sales Dip Through the First Half of 2019

Through the First Half of 2019, Single-Family Home Sales in the state of Connecticut decreased 2.3 percent, from 16,430 to 16,051 year-over-year. On a county-by-county basis, decreases were seen across the state, including: Windham County at 10.1 percent, Litchfield County at 6.2 percent, Middlesex County at 5 percent, New Haven County at 3.5 percent, Fairfield County at 3.5 percent and Tolland County at 2.5 percent. Increases of 1.8 percent and 1.2 percent were seen in Hartford County and New London County, respectively.

First Half 2019 vs. 2018

Unit Sales	2.3% ↓
Avg. List Price	6.6% ↑
Months of Supply	3.3% ↓

Average Sales Price for single-family homes in Connecticut decreased 2.9 percent through the first six months of 2019, from $385,229 to $374,080. Decreases were seen in Fairfield County (8.4 percent), Windham County (3.1 percent) and Tolland County (0.7 percent.) Meanwhile, increases were seen in Middlesex County (8.1 percent), Litchfield County (4.7 percent), New Haven County (4.3 percent), New London County (1.9 percent) and Hartford County (0.7 percent).

In the first half of the year, Average List Price increased 6.6 percent, Months of Supply fell 3.3 percent and Price Per Square Foot decreased 0.9 percent.

Single Family Marketplace

Home Sales First Half 2018 vs. 2019

	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
COUNTY	H1 2018	H1 2019	% DIFF.	H1 2018	H1 2019	% DIFF.
Fairfield	3,975	3,834	-3.50%	$752,310	$689,435	-8.40%
Hartford	3,936	4,007	+1.80%	$263,259	$265,157	+0.70%
Litchfield	1,084	1,017	-6.20%	$306,303	$320,599	+4.70%
Middlesex	942	895	-5.00%	$309,247	$334,280	+8.10%
New Haven	3,645	3,516	-3.50%	$266,106	$277,473	+4.30%
New London	1,472	1,490	+1.20%	$263,582	$268,630	+1.90%
Tolland	720	702	-2.50%	$246,488	$244,843	-0.70%
Windham	656	590	-10.10%	$218,587	$211,893	-3.10%
STATEWIDE	**16,430**	**16,051**	**-2.30%**	**$385,229**	**$374,080**	**-2.90%**

Single Family Marketplace

Months of Supply First Half 2018 vs. 2019

COUNTY	H1 2018	H1 2019	% DIFF.
Fairfield	7.80	7.95	+1.90%
Hartford	4.73	4.42	-6.50%
Litchfield	8.94	8.24	-7.80%
Middlesex	6.45	6.50	+0.90%
New Haven	5.41	5.10	-5.70%
New London	6.05	5.52	-8.70%
Tolland	5.35	5.13	-4.10%
Windham	4.18	4.14	-1.00%
TOTAL	**6.12**	**5.91**	**-3.30%**

Condominium Sales Rise in 2019

To finish the First Half of 2019, we saw Units Sold increase for condominiums in the state of Connecticut, up 0.6 percent, from 4,130 through the end of Q2 2018 to 4,154 through the end of Q2 2019. Several counties drove this increase, including Litchfield County at 9 percent, New London County at 6.6 percent, Hartford County at 4 percent and New Haven County at 0.1 percent. Units Sold remained flat in Tolland County, and decreased 19 percent in Windham County, 3.6 percent in Middlesex County and 2 percent in Fairfield County.

First Half 2019 vs. 2018

Unit Sales	0.6% ↑
Avg. List Price	4.9% ↑
Months of Supply	13.0% ↓

Average Sales Price of condominiums in Connecticut decreased 4.7 percent, from $223,851 to 213,229. On a county-by-county basis, decreased were seen in Windham County at 13.3 percent, New London County at 10.8 percent, Middlesex County at 9.7 percent, Fairfield County at 6.1 percent, New Haven County at 1.5 percent, Litchfield County at 1.4 percent and Hartford County at 0.4 percent. Average Sales Price increased 3.4 percent in Tolland County.

To round out the quarter, Average List Price increased 4.9 percent, Months of Supply fell 13 percent and Price Per Square Foot decreased 0.4 percent.

Condominium Sales

Condominium Marketplace

Home Sales 2018 vs. 2019

COUNTY	NUMBER OF UNITS SOLD 2018	NUMBER OF UNITS SOLD 2019	NUMBER OF UNITS SOLD % DIFF.	AVERAGE SALES PRICE 2018	AVERAGE SALES PRICE 2019	AVERAGE SALES PRICE % DIFF.
Fairfield	1,321	1,295	-2.00%	$334,973	$314,706	-6.10%
Hartford	1,005	1,045	+4.00%	$174,865	$174,135	-0.40%
Litchfield	166	181	+9.00%	$131,066	$129,199	-1.40%
Middlesex	196	189	-3.60%	$176,725	$159,524	-9.70%
New Haven	1,085	1,086	+0.10%	$175,213	$172,561	-1.50%
New London	197	210	+6.60%	$177,252	$158,063	-10.80%
Tolland	97	97	+0.00%	$148,495	$153,581	+3.40%
Windham	63	51	-19.00%	$161,886	$140,338	-13.30%
STATEWIDE	**4,130**	**4,154**	**+0.60%**	**$223,851**	**$213,229**	**-4.70%**

Condominium Marketplace

Months of Supply 2018 vs. 2019

COUNTY	2018	2019	% DIFF.
Fairfield	5.80	5.17	-10.80%
Hartford	5.06	4.27	-15.50%
Litchfield	7.49	5.74	-23.40%
Middlesex	5.96	4.93	-17.20%
New Haven	5.33	4.90	-8.10%
New London	6.56	5.20	-20.80%
Tolland	6.22	4.58	-22.50%
Windham	5.74	5.69	-0.80%
TOTAL	**5.62**	**4.89**	**-13.00%**

Conclusion

It seems like every quarter we are discussing the moment millennials will flock to the housing market. The truth is, their entry is going to be more like a slow trickle. With over 80 million in the millennial generation, ranging in age from 20-40, the fact is they will be "entering" the housing market for the next 20 years. Instead of anticipating a giant wave, we need to rethink our overall approach to housing, and evolve our mindset to meet this generation's expectations. In terms of development, this means looking toward urban/suburban crossover communities that provide the space and separation they crave while still providing a sense of culture and identity.

This evolution also extends to how we market and sell real estate. Millennials won't be impressed by traditional direct mailers or enticed by newspaper ads. Instead, this generation turns to technology--meaning that incorporating social media advertising and innovative digital strategies like virtual reality, have become imperatives. As a builder, it's important to work with a team who develops custom designed sales and marketing plans for you from the start. Williams Raveis New Development Services has sold over 10,000 units (>$6.5B) doing just that--designing custom, turn-key programs to sell properties right from the start.

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Credits and Resources

1. Information contained herein is based on information obtained from CMLS, CTMLS, GRWMLS and DARMLS and is deemed accurate but not guaranteed

2. Housing permit data source: Census Compiled by DECD Research