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2020 Connecticut Housing Market: A Year Like No Other

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Connecticut's housing market saw notable gains last year due in part to COVID-19, which spurred an outmigration from large urban areas like New York City. For example, home prices hit an all-time high and sales surged to their highest levels in sixteen years. This article examines these and other factors that contributed to a strong housing market in 2020.

Housing Production

According to data released from the Bureau of the Census, cities and towns in Connecticut authorized 5,471 single and multifamily homes with a total valuation of \$1.061 billion in 2020. This level of production represented a 6.5% decrease from 5,854 in 2019, but an 13.6% increase from 4,815 in 2018.

In 2020, Fairfield County authorized the most permits (34.0%), followed by New Haven County (25.1%) and Hartford County (15.5%). Windham County had the smallest share (2.7%).

Connecticut issued 2,512 single family permits which accounted for 45.9% of the total number of housing units authorized, while 48.9% were multifamily (5 units or more), continuing the recent trend of higher demand for multifamily housing—especially in urban areas.

Several municipalities showed strong performance in the number of permits authorized. New Haven led all municipalities with 738 units, followed by Shelton with 316, Stamford with 312, Danbury with 188, and Simsbury with 172. The combined permits issued for the top five municipalities accounted for nearly one-third of all housing permits issued in the state.

The Department of Economic and Community Development (DECD) annually surveys each municipality for demolition information. Last year, 500 units were demolished (based on 108 towns reporting). As a result, the state's net gain of

4,971 units brings its housing inventory to an estimated 1,527,652 units.

Economy

The economy has been heavily impacted by the effects of COVID-19. In March of last year, at the start of the pandemic, businesses were shut down and economy came to a halt which led to reduced productivity, business closures, job losses.

The U.S. economy, based on Real Gross Domestic Product (RGDP), the most comprehensive measure to gauge economic health, contracted 3.5% last year, the first output decrease in a decade. Connecticut's economy shrank 4.1%, nearly the same magnitude as the great recession in 2008. Real GDP per person is a widely used measure of economic prosperity. In 2020, Connecticut's GDP per capita was \$66,849, significantly higher than the nationwide figure of \$55,592.

The pandemic triggered broad-based and steep employment declines. Based on annual average data, not seasonally adjusted, from the state Department of Labor (DOL), Connecticut lost 131,400 (-7.8%) jobs in 2020, compared to a loss of 3,400 (-0.2%) in 2019; while U.S. employment decreased 5.8% last year, compared to an increase of 1.3% in 2019.

The unemployment rate is the ratio of unemployed and labor force. According to Bureau of Labor Statistics, Connecticut's annual average unemployment rate was estimated at 7.9% in 2020, more than double that of in 2019. From the same source, the U.S. unemployment rate increased from 3.7% in 2019 to 8.1% in 2020.

Total personal income increased last year, largely due to federal financial stimulus packages including direct payments to households and individuals, as well as unemployment benefits. In

2020, Connecticut's personal income increased 3.0% while the U.S. experienced a 6.1% gain according to the estimates from the Bureau of Economic Analysis (BEA). Between 2011 and 2020, the nation's personal income grew at a faster pace than the state's. Based on annual average growth rate, personal income in the U.S. increased 4.6% while Connecticut grew at 2.5%. However, Connecticut's per capita income remains the highest among fifty states, at \$79,771.

Home Sales and Prices

The COVID-19 pandemic caused many urban dwellers to flee high-density environments and move to the suburbs in search for more space to live, work and raise a family. Connecticut's real estate industry benefited greatly as a result. From Coldwell Banker Realty's calculation, 6.4% of all closed transactions in Connecticut were from out-of-state buyers in 2020. This surely contributed to the increased demand, pushing up home prices and sales.

According to The Warren Group report, Connecticut's single-family home sales surged to a total of 38,641 in 2020, the highest level since 2005. It represented a 16.6% increase from 2019. Condominium sales registered at 9,167, the most sales since 2007, representing a gain of 0.6% over 2019.

From the same source, Connecticut's median single-family home price reached \$300,000, an all-time high, representing a 15.4% increase from 2019. The median condominium sales price reached \$187,000, the highest level in a decade, representing a 12% increase during the same period.

From a regional perspective, all areas experienced strong growth in sales and prices. Single-family home sales in Fairfield County increased 34% to 11,638 units and the median sales price increased 19% to \$536,000. Similarly, in the shoreline region, unit sales rose 17% to 5,194 and the median price had a gain of 13% to \$359,000. Litchfield County's sales increased by 31% to 3,113 and median price

by 23% to \$293,000; and the Farmington Valley saw a 20% increase in sales and a 6% increase in median prices.¹

According to the Federal Housing Financing Agency's Home Price Index (HPI), state house prices rose 14.1% from the fourth quarter of 2019 to the fourth quarter of 2020, outpacing the U.S. (10.8%). Idaho, Montana, Utah, Arizona, and Connecticut ranked as the top five states.

Mortgage rates continued trending downward to historic lows in 2020. Interest rates have a direct effect on consumer behavior, affecting many aspects of daily life. When rates go down, borrowing becomes cheaper, making home, auto and other purchases more affordable, which in turn boosted the demand for housing. Mortgage rates were lowered as the result of the Federal Reserve rate cut to near zero in response to pandemic early last year. According to Freddie Mac 2020 data, the conventional 30-year mortgage rate, on an annual average basis, was 3.11%, down from 3.94% in 2019, and 4.54% in 2018.

Census 2020

Also known as the Population and Housing Census, the Decennial U.S. Census is designed to count every resident in the United States. It is mandated by the Constitution and takes place every 10 years.²

The decennial census was disrupted, and releases of results were delayed due to the pandemic outbreak last year. As of this writing, only population data is available. Census 2020 showed that Connecticut's population increased 0.9% to 3,605,944 from 3,574,097 in 2010 (the fourth slowest growth in the nation), while the U.S. population increased 7.9%, to more than 331 million during the same period. Utah was the fastest-growing state with an 18.4% increase. Three states—Illinois, Mississippi, and West Virginia—had population losses.

Based on the Census 2020 annual estimates,³ Connecticut's dwelling units totaled 1,530,096, 2,444 units more than the housing inventory estimates from DECD.

This level represents 2.8% in housing stock growth since 2010.

Looking Ahead

Last year, Connecticut's housing market had its best performance since 2005. "2020 was a record-breaking year for the housing market with intense competition among buyers driving up home prices," said Treh Manhertz, a Zillow economist.

Early data shows that Connecticut is poised to have sustained housing growth in 2021. The state's preliminary new residential construction permits year-to-date (as of April) increased 4.5%. For the first two months of this year, home sales increased 24.8% and prices reached \$300,000, a 20% increase when compared to the same period a year ago.⁴

In addition, experts say that factors that drove the market last year have not changed. Historic low mortgage rates, strong consumer confidence, and pent-up demand all bode well for a robust Connecticut housing market in 2021. ■

1 2020 Year in Review, Market Watch, William Pitt. Julia B. Fee Sotheby's International Realty

2 <https://www.census.gov/programs-surveys/censuses.html>

3 Annual Estimates of Housing Units for the United States, Regions, States, the District of Columbia, and Counties: April 1, 2010 to July 1, 2020 (HU-EST2020)

4 <https://www.thewarrengroup.com/2021/04/15/ct-single-family-home-condo-sales-remain-hot-in-february/>