

ECONOMIC DIGEST

Vol.27 No.7 A joint publication of Connecticut Department of Labor & Connecticut Department of Economic and Community Development

JULY 2022

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Nonfarm Employment

Connecticut 1,648,500

Change over month +0.10%

Change over year +2.63%

United States 151,682,000

Change over month +0.26%

Change over year +4.51%

Unemployment Rate

Connecticut 4.2%

United States 3.6%

Consumer Price Index

United States 292,296

Change over year +8.6%

Connecticut's 2021 Housing Market: Hitting New Highs

By Nandika Prakash, Ph.D., DECD

Connecticut's post-pandemic housing market momentum continued into 2021, with home sales and values continuing to rise as COVID restrictions eased. Home prices exceeded 2020 levels to reach a new high, and the number of units sold increased year over year as well. However, rising mortgage rates and low inventory may be a headwind that checks the market in 2022.

Housing Production

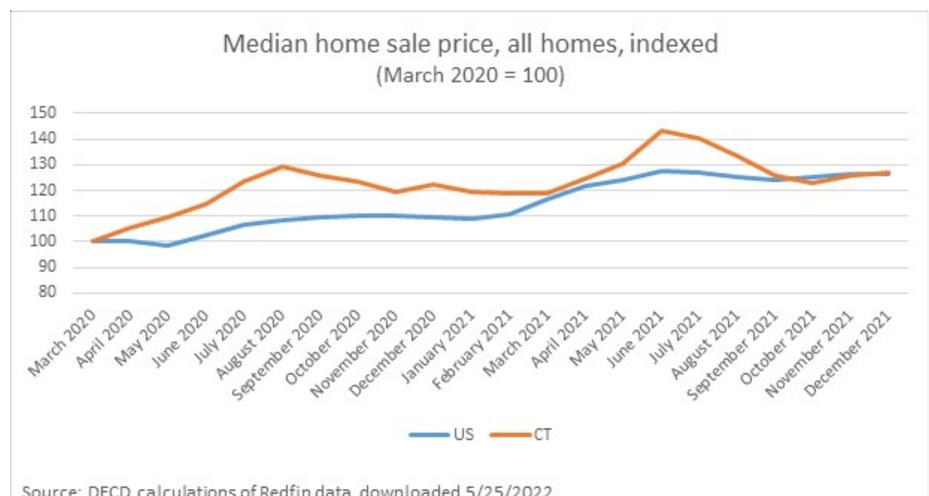
Census Bureau data shows that cities and towns in Connecticut authorized 4,651 single and multifamily homes with a total valuation of \$1.22 billion in 2021. Despite the dynamic market, this was a 15% decline from the 5,471 units in 2020. The decrease was driven by 45% fewer permits for

multifamily housing compared to 2020 levels; permits for single family structures increased by 17% over 2020, perhaps reflecting changing living preferences.

Connecticut issued 2,941 single family permits which accounted for 63% of the total number of units authorized, the highest share in ten years. Only 32% were multifamily (5 units or more), breaking the recent trend of higher production of multifamily housing. New Haven (299), Milford (199), and Darien (159) had the highest number of permits, most of which were for multifamily housing. Southington (104), Bristol (94), and Greenwich (87) led the way in single family housing authorizations.

Home Sales and Prices

2021 was a record year for the nation's housing market. The



The Connecticut Economic Digest is published monthly by the Connecticut Department of Labor, Office of Research, and the Connecticut Department of Economic and Community Development. Its purpose is to regularly provide users with a comprehensive source for the most current, up-to-date data available on the workforce and economy of the state, within perspectives of the region and nation.

The annual subscription is \$50. Send subscription requests to: **The Connecticut Economic Digest**, Connecticut Department of Labor, Office of Research, 200 Folly Brook Boulevard, Wethersfield, CT 06109-1114. Make checks payable to the Connecticut Department of Labor. Back issues are \$4 per copy. The Digest can be accessed free of charge from the DOL Web site. Articles from **The Connecticut Economic Digest** may be reprinted if the source is credited. Please send copies of the reprinted material to the Managing Editor. The views expressed by the authors are theirs alone and may not reflect those of the DOL or DECD.

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We would like to acknowledge the contributions of many DOL Research and DECD staff and Rob Damroth to the publication of the Digest.

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pandemic and the shift to hybrid or remote work, along with low mortgage rates, continued the 2020 surge. According to the national real estate site Redfin,¹ the national median home sale price for all types of homes peaked at \$386,000 in June 2021, 24% higher than June 2020.

The same source shows that Connecticut's median home sale price peaked at \$377,400 in June 2021, 24% higher than a year before. In that same month, 62% of homes sold above list price.² According to Berkshire Hathaway data, in 2021 the median number of days single-family homes were on the market dropped to 24 from 41 in 2020.³ All these indicators illustrate the tightening housing market in the state.

The chart on the front page shows the indexed median home sale price for all types of homes (single and multifamily) for CT and the US since the onset of the pandemic through December 2021. Connecticut's housing market took off once the pandemic began, driven by out-of-state residents who moved into the state looking to escape dense city living. The state's market continued to outpace the nation even during the traditionally slower winter months, and remained so until winter 2021, when relative prices aligned more with the national trend.

According to the Redfin database, the number of home sales in Connecticut totaled 59,249 in 2021, from 56,239 in 2020, a 5.4% increase. Single family home sales stayed about the same as 2020, at 42,276. Condominium/Co-op sales increased by 19% to 11,807 in 2021.

The same source shows that Connecticut's median sale price for all homes averaged \$337,000 in 2021, an increase of 12% over 2020's average. Single-family home median sale prices averaged \$385,000, a 15.4%

increase from 2020. The median sales price 2021 average for condominiums and co-ops reached \$219,000, representing an 11% increase over the year.

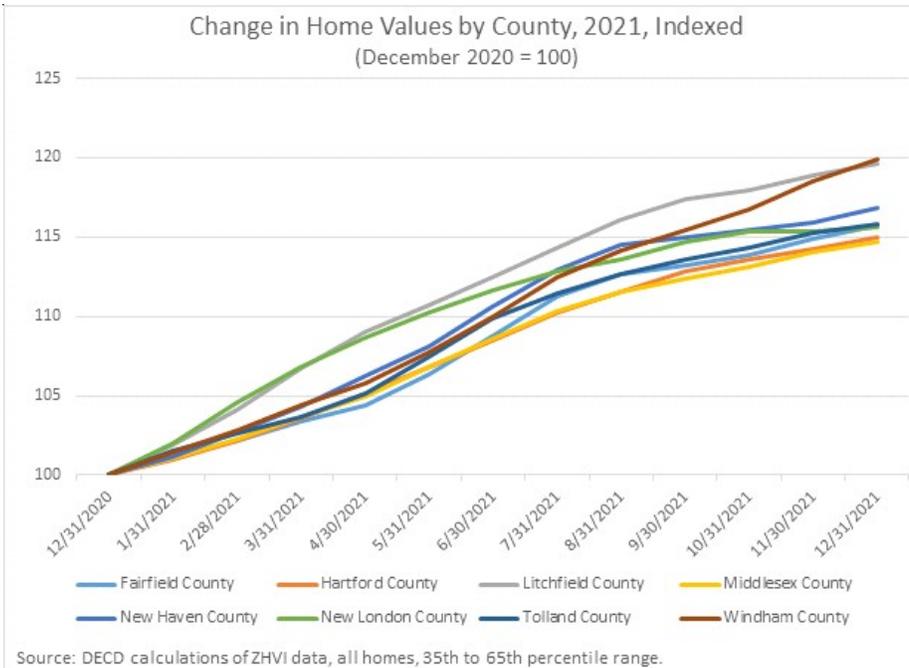
Demand and Supply

The strong demand for housing continued in 2021. The state's sale-to-list price ratio breached 100% in March 2021 and has stayed above since, indicating that buyers are typically paying more than the asking price. The share of homes with price drops has been trending downward, averaging 13.5% in 2021, down from pre-pandemic shares of 20% or higher, suggesting that the market is more favorable to sellers. And the percent of homes sold above list price is on an upward trend, starting 2021 at 36.3% and ending the year at 46.4%, peaking at 62.3% in June.²

Housing supply indicators show a declining supply of homes in the state available to meet buyer demand. The number of homes available for sale in 2021 were lower on a year-over-year comparison for every month compared to 2020. The number of newly listed homes for sale stayed even with 2020, at around 63,000 for the year,² indicating continued confidence on the part of home sellers.

House Values by Region

All of Connecticut's regions benefited from the 2021 boom. The Zillow Home Value index is a smoothed, seasonally adjusted measure of the typical home value and market changes across a given region and housing type.⁴ The series for all mid-range (the 35th to 65th percentile range) homes (single family residences plus condos and co-ops) by county are shown on page 3, indexed to December 2020.



Litchfield and Windham counties saw the biggest increases over the year, possibly reflecting the ongoing demand for lower-density living. Social distancing and remote work arrangements drove buyers into the suburbs beginning in 2020, and in 2021 higher conforming loan limits and low mortgage rates continued to incentivize home buying. Mortgage rates began to rise in 2021 which added a further sense of urgency. The 30-year US conventional mortgage rate which ended 2020 at 2.66% was 3.05% by the end of 2021; this may have pushed more buyers into the market in 2021.⁵

Looking Ahead

While early data shows persisting demand, there are indications that supply side constraints may lead to a slowdown in the housing market nationwide.

In Connecticut, the number of sales for all homes compared to a year ago declined in 2022 Q1, which is likely a reflection of last year's record market instead of any current weakness. Demand continues to be robust,

as the median sales price over 2021 Q1 has increased by 5%, the median number of days on market remains at 27 and most homes continue to sell above list price.³ Though not matching the levels seen in 2020, real estate agents continue to see interest from buyers in New York and Massachusetts.⁶ On the supply side, preliminary Census production data shows that the state's new residential construction permits through April increased 9% compared to the same period in 2021. Continuing the trend from 2021, most permits issued so far this year are for single family units (58%) as opposed to multifamily dwellings (38%).

However, other factors may impose constraints in 2022. Housing inventory will determine the market's performance; low inventory leads to higher prices. New home construction nationwide has been hindered by labor shortages, supply-chain disruptions, inflation, and land shortages driven by zoning restrictions and land-use regulations.⁷

Millennials now make up the largest share of homebuyers.⁸

This population is raising families while paying off student debt, and higher prices along with rising mortgage rates may lead to their postponing homeownership if they deem it unaffordable.

Connecticut is not alone. Lawrence Yun, Chief Economist of the National Association of REALTORS® points out that nationally, "The market is quite unusual as sales are coming down, but listed homes are still selling swiftly, and home prices are much higher than a year ago ... [but] higher home prices and sharply higher mortgage rates have reduced buyer activity."⁹ Prevailing conditions, therefore, point to some market moderation in 2022. ■

1 <https://www.redfin.com/news/housing-market-records-2021/>

2 <https://www.redfin.com/state/Connecticut/housing-market#news>

3 https://www.bhhsneproperties.com/mce/prj/bne/Graphs/qr/preview/CT_ALL.htm

4 <https://www.zillow.com/research/data/>

5 2021 Year in Review, Market Watch, by William Pitt. Julia B. Fee, Sotheby's International Realty

6 <https://www.ctinsider.com/realestate/article/covid-housing-market-connecticut-16954189.php>

7 <https://www.cnbc.com/2022/03/31/opinion-housing-prices-are-still-surging-but-a-bubble-doesnt-seem-likely.html>

8 <https://www.nar.realtor/newsroom/nar-report-shows-share-of-millennial-home-buyers-continues-to-rise>

9 <https://www.nar.realtor/newsroom/existing-home-sales-retract-2-4-in-april>