2015 State Housing Market: Permits Up, Prices Fall

By Kolie Sun, Senior Research Analyst, DECD

2015 was a strong year for the U.S. housing market, due to high home sales and rising home prices. Connecticut followed the nation in terms of sales, however, prices continued to fall. The multifamily unit segment became more important than ever in the state’s housing industry as demand for multi-units is on the rise. In this annual article, we will examine several aspects of the state’s housing sector and the factors leading to an increasing demand for rental units.

**Housing Production**

According to the recent Bureau of the Census release, cities and towns in Connecticut authorized a total of 6,077 single and multifamily homes in 2015. Although this level of production represents a 14.0% increase compared to 5,329 in 2014, it is still 21.5% below the pre-recession level of 7,746 in 2007 (see chart 1).

Fairfield County, once again, dominated the number of housing permits with the largest share (42.8%) in 2015, followed by New Haven County (19.1%) and Hartford County (14.7%). Windham County had the smallest share (1.5%). Notably, the state’s multifamily units (5 units or more) accounted for over half of the total number of housing units authorized, while 40.1% were single-family homes in 2015. Several municipalities showed strong performance in the multifamily unit category; Stamford led all municipalities with 639 units authorized, followed by Danbury with 551, Milford with 358, Norwalk with 350, and New Haven with 262. The combined permits issued for the top five municipalities accounted for 35.5% of all housing permits issued in the state.

The Department of Economic and Community Development (DECD)
Home Sales and Prices

In 2015, the state’s real estate market gained momentum in the number of sales but not prices. According to the Warren Group report, Connecticut single-family home sales picked up a 16.9% gain from 25,660 in 2014 to 29,986 in 2015, the strongest growth in more than a decade. Condominium sales also gained ground with a 13.3% increase from 6,961 in 2014 to 7,886 in 2015.

The stronger sales could not command higher prices, which exemplified the common saying: “In a typical housing recovery, sales pick up first, followed by prices.” From the same report, the median single-family home sales price fell 2.2% from $251,500 in 2014 to $246,000 in 2015. This marked the second consecutive year home median prices declined. Condominium prices also fell 3.3% during the same time period.

According to the Federal Housing Finance Agency’s House Price Index (HPI), the U.S. house prices advanced 5.8% from the fourth quarter of 2014 to the fourth quarter of 2015, while the state’s HPI increased at a mere 0.1%. The U.S. ranked 19th and Connecticut 50th.

Rental Markets

In 2015, the number of renter-occupied housing units increased to 455,778 units in 2014 from 451,382 in 2013, although the percentage of renter-occupied housing units changed little at 33.6%, according to the 2014 American Community Survey, the most recent data available. In 2005, about 30.5% of state residents rented (See table 1).

The table also shows that the median gross rent for Connecticut increased to $1,076 in 2014 from $1,037 in 2013, although the rent peaked in 2008 at $1,088. Connecticut’s median rent is consistently higher than the nation. This is one of the indicators showing that state residents bear higher housing costs than the nation.

The demand for apartments and condominiums continued to rise, as evidenced by the number of structures with 5 units or more authorized last year. In 2015, Connecticut issued 3,493 multifamily permits, the largest number since 1988. This level of permitting accounted for 57.5% of the total number of housing units authorized, the largest share in

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**Table 1. Median Rent and Share of Renter Households**

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Rent US</th>
<th>Median Rent CT</th>
<th>% Rent Higher</th>
<th>Share of Renter Households US</th>
<th>Share of Renter Households CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$862</td>
<td>$904</td>
<td>15.2%</td>
<td>33.1%</td>
<td>30.5%</td>
</tr>
<tr>
<td>2006</td>
<td>$887</td>
<td>$1,031</td>
<td>21.1%</td>
<td>37.2%</td>
<td>30.5%</td>
</tr>
<tr>
<td>2007</td>
<td>$878</td>
<td>$1,036</td>
<td>18.0%</td>
<td>32.8%</td>
<td>30.0%</td>
</tr>
<tr>
<td>2008</td>
<td>$924</td>
<td>$1,088</td>
<td>17.7%</td>
<td>33.4%</td>
<td>31.0%</td>
</tr>
<tr>
<td>2009</td>
<td>$909</td>
<td>$1,066</td>
<td>19.5%</td>
<td>34.1%</td>
<td>31.2%</td>
</tr>
<tr>
<td>2010</td>
<td>$905</td>
<td>$1,050</td>
<td>16.0%</td>
<td>34.7%</td>
<td>32.0%</td>
</tr>
<tr>
<td>2011</td>
<td>$891</td>
<td>$1,045</td>
<td>17.3%</td>
<td>35.4%</td>
<td>32.6%</td>
</tr>
<tr>
<td>2012</td>
<td>$891</td>
<td>$1,027</td>
<td>15.3%</td>
<td>36.1%</td>
<td>33.1%</td>
</tr>
<tr>
<td>2013</td>
<td>$903</td>
<td>$1,037</td>
<td>14.8%</td>
<td>36.5%</td>
<td>33.7%</td>
</tr>
<tr>
<td>2014</td>
<td>$934</td>
<td>$1,076</td>
<td>15.2%</td>
<td>36.9%</td>
<td>33.6%</td>
</tr>
</tbody>
</table>

Source: Census American Community Survey (ACS) 1-yr estimates.
In 2015, 50% of renters pay more than 30% of their income on housing. According to a National Low Income Housing Coalition report in 2015, the Fair Market Rent (FMR) for a two-bedroom apartment was $1,263. In order to afford this level of rent and utilities – without paying more than 30 percent of income on housing – a household must earn $4,210 monthly, or $50,515 annually. Assuming a 40-hour workweek, 52 weeks per year, that level of income translates into a “Housing Wage” of $24.29 per hour, the eighth highest in the nation. By way of example, a household would need 2.9 full-time minimum wage earners to make the two-bedroom FMR affordable.

In 2015, Connecticut became the first state to end chronic homelessness among veterans, a major step toward ending all homelessness among veterans. The Partnership for Strong Communities also noted progress, saying: “The unprecedented support for affordable housing creation provided by Gov. Malloy and the General Assembly has resulted in thousands of new affordable units...including affordable units into market rate developments furthers economic integration and capitalizes on market demands for multi-family housing, the highest since 1987.”

Conclusion
In 2015, Connecticut’s housing market continued on the road to recovery with strong permit growth, and a double-digit gain in home sales. Early data suggests that the growth is likely to continue this year. The state’s residential permits through April 2016 rose nearly 18%, and year-to-date (Q1 2016) home sales was up 25.6% when compared to the same period a year ago, respectively.

According to the National Association of Realtors Chief Economist, Lawrence Yun: “Following the housing market’s best year (2015) in nearly a decade, existing-home sales are forecasted to expand in 2016 at a more moderate pace as pent-up buyer demand combats affordability pressures and meager economic growth.”10

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1 The HPI is a measure of the movement of single-family house prices, measuring average price changes in repeat sales or refinancing on the same properties.
3 2014 American Community Survey 1-year Estimates.
4 Housing In CT 2015: The latest Measures of Affordability, a report by Partnership for Strong Communities, December 2015.
7 Note 4, p.2.
8 Bureau of the Census, Residential Construction Branch.