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In May...

Nonfarm Employment

Connecticut 1,650,400
 Change over month +0.06%
 Change over year +0.8%

United States 135,637,000
 Change over month +0.13%
 Change over year +1.6%

Unemployment Rate

Connecticut 8.0%
 United States 7.6%

Consumer Price Index

United States 232.945
 Change over year +1.4%

State's 2012 Housing Market in Review

By *Kolie Sun, Senior Research Analyst, DECD*

The housing market is an important sector of the economy — it creates jobs, spurs economic growth and impacts our overall quality of life. This article takes a look at many aspects of Connecticut’s housing industry and the factors that led to modest housing growth in 2012, despite the fact that permits did not reach pre-recession levels.

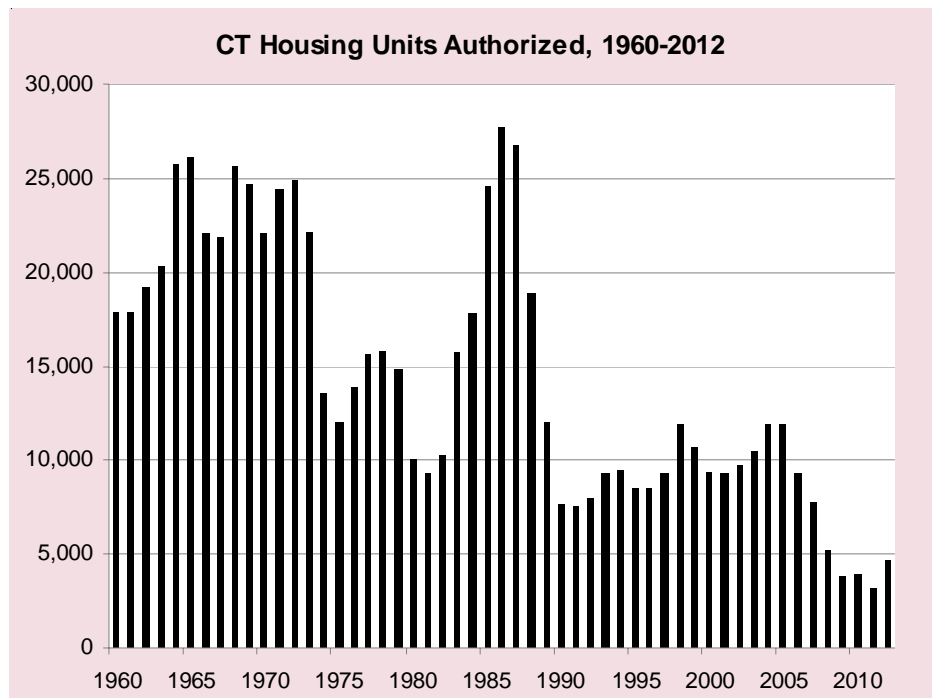
Housing Production

According to the recent release from the U.S. Census, Connecticut cities and towns authorized 4,669 new housing units, including single and multi-unit dwellings for all towns in 2012. This level of production represents a 47.1% increase from a six-decade low of 3,173 in 2011. Last year marked

the best year since 2008, when there were 5,220 units authorized. The City of Stamford led all municipalities with 564 units authorized, followed by Danbury with 396, Shelton with 299, Norwalk with 230 and Bridgeport with 175. The combined permits issued for these five communities accounted for 35.6% of last year’s total housing production. (See chart below)

In 2012, Fairfield County had the most permit activity with 2,138 new housing units authorized, which accounted for nearly half of the statewide total. Windham County had the fewest with 94.

In March, the Connecticut Department of Economic and Community Development (DECD) sent out its annual demolition survey in which 131 cities and towns



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responded. With a 77.5% response rate, the survey yielded a total of 955 demolished housing units last year. As a result, the state's net gain of 3,714 authorizations brings its housing inventory estimate to 1,481,396¹ units in 2012.

Connecticut's housing permit activity mirrored the nation as 48 states experienced permit growth from 2011 to 2012. Only Wyoming and New Hampshire had negative growth of housing permits. The nation as a whole experienced a 33.3% permit increase in 2012 from 2011. Connecticut fared better than the U.S. and ranked 10th in the nation according to the Bureau of the Census.

Home Sales and Prices

Improved consumer confidence and stronger employment data boosted the economic recovery in 2012. According to the Warren Group, state single-family home sales increased 14.8% from 21,141 in 2011 to 24,276 in 2012, the first year-over-year percentage increase since 2005. Last year's sales were the highest since 2009.

Because of the fluctuations of the real estate market, home sales prices vary over time. As reported by the Warren Group, Connecticut's median single-family homes sales price in 2012 was \$240,000, a slight drop of 1.2% comparing to \$243,000 in 2011; down 18.6% from the peak home median price of \$295,000 in 2007.

Condo markets followed the same pattern as single-family homes in the number of transactions and home values. The state's condominium sales increased 7% from 5,704 units in 2011 to 6,111 in 2012 while the median condo sales prices decreased 5% from \$171,000 in 2011 to \$163,000 in 2012.

The Housing Market Index (HMI) published by the National Association of Home Builders (NAHB) has three components: current sales conditions, sales expectations and traffic of prospective buyers. HMI scores range from 1 to 100, with 1 being the worst and 100 the best. DECD averaged the monthly ratings to yearly data. Last year, the annual HMI rating of 34 was more than double the ratings from the previous two years and scored the highest since 2006. The building

constructions industry was on the rebound as suggested by HMI.

Foreclosures

Lis Pendens² and Foreclosure Deed³ filings are the two most common measures of foreclosure activities. In Connecticut, the number of Lis Pendens increased 47.5% from 12,563 in 2011 to 18,526 in 2012; down 24.5% from 24,544 in 2009. Foreclosure Deed filings also increased by 31.4% from 2,723 in 2011 to 3,578 in 2012; down nearly 50% from 5,090 in 2009. Last year, the Mortgage Bankers Association National Delinquency Survey reported that the percentage of homeowners who are seriously delinquent in Connecticut was on average at 8.1%, compared to 7.1% at the U.S. level. Connecticut was ranked 8th highest among all 50 states for the percentage of seriously delinquent loans.⁴ One possible explanation is that relatively higher home prices in Connecticut (compared to the nation) caused the higher foreclosure rate.

Housing and Transit-Oriented Development

Transit-oriented development (TOD) is a strategy to design and develop a mixed-use residential and commercial area in proximity of public transit. A typical TOD neighborhood has a transit station center surrounded by relatively high-density development.

TOD has many benefits, including reducing traffic and congestion on roads and highways, increasing disposable income by reducing transportation-related expenses, promoting more affordable housing options, bringing greater energy efficiency and lowering auto emissions when people choose mass transit over their cars.⁵

To build upon the state's long history of commuter rail services and provide more opportunities for TOD, several municipalities have initiated efforts to develop TOD within their communities. These efforts include the development of TOD zoning regulations, private sector investment, intermodal facility planning, market analysis, and integration of parking expansion plans with TOD. These demonstrate

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the state is actively pursuing TOD opportunities at many different levels.

Public transit provides numerous economic benefits to both an individual and the economy as a whole. The benefits include regional access to employment, education, medical, social and recreational activities.

Most TOD projects have a housing component. One success story is 570 State Street in Bridgeport, CT. The mixed-use building will provide commercial and residential space in an area that had been empty for years. The building will be Connecticut's first Energy Star Multifamily High Rise which will provide 30 integrated supportive affordable apartments.⁶

Harbor Point in Stamford, CT is another example of 80 acres of mixed-use new development, all within a 10-minute walk from the Stamford Transportation Center. This TOD includes 4,000 housing units (10% affordable housing units), in addition to office, retail, and hotel space. The work began in 2008 and is near completion. Once in full operation, Harbor Point is expected to generate \$22.6 million in annual property tax revenue, \$18 million in sales and other taxes in fees and create 2,900 permanent jobs in the City of Stamford.⁷

Last year Governor Malloy announced plans to create a new interagency work group to address the state's transit-oriented development needs. DECD will serve as the lead agency for the panel. The panel will "make sure that a constant and ongoing conversation takes place regarding spin-off development from major transportation projects."⁸

Conclusion

The housing market in 2012 showed signs of recovery with moderate permit growth, increased home sales and growing builder confidence. Early data seems to indicate that the gradual growth will continue in 2013. At the national level, for example, home prices soared 12.1% in April from a year ago, the biggest gain since February 2006⁹, and consumer confidence jumped to 76.2, the highest level in five years. In Connecticut, the state's residential permits through April 2013 rose nearly 12% compared to the same period a year ago.

David Crowe, Chief Economist of NAHB, may have said it best: "While there is still much room for improvement, the consistent upward trend in builder confidence over the past year is indicative of the gradual recovery that has been taking place

in housing markets nationwide and that we expect to continue in 2013."

¹ Decennial Census 2010 did not survey housing units by type. DECD applied American Community Survey (ACS) housing units 2006-2010 5-year estimates for the 2010 state housing stock. The housing permit net gains of 2011 and 2012 were added to 2010 housing stock and derived the estimated 2012 Connecticut housing inventory of 1,481,396 units.

² Lis Pendens filings indicate a pending action against the property owner. It is not a guarantee of pre-foreclosure activity.

³ Foreclosure Deeds filing defines as the deeds transfer title to the lender after the mortgage is foreclosed.

⁴ CHFA 4Q 2012 Update

⁵ Partnership for Strong Communities, *Transit-Oriented Development Toolkit for CT, 2013*

⁶ Bridgeport Neighborhood Trust

⁷ *Meriden Transit Oriented Development Master Plan, Chapter 4 – Market Analysis, Appendix 2: Regional and National Comparables, April 2012.*

⁸ Mark Zaretsky, "Malloy announces new panel to address transit development in Connecticut," *New Haven Register*, December 10, 2012.

⁹ Associated Press, "Home prices jump in April by most in 7 years", June 4, 2013.

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	1Q	1Q	CHANGE		4Q
	2013	2012	NO.	%	2012
General Drift Indicator (1986=100)*					
Leading	107.7	105.3	2.4	2.3	106.1
Coincident	108.0	108.0	0.0	0.0	108.2
Farmington Bank Business Barometer (1992=100)**	125.0	124.3	0.7	0.6	125.4
Philadelphia Fed's Coincident Index (July 1992=100)***	MAY	MAY			APR
<i>(Seasonally adjusted)</i>	2013	2012			2013
Connecticut	155.14	150.99	4.15	2.8	154.79
United States	153.75	149.68	4.07	2.7	153.46

Sources: *The Connecticut Economy, University of Connecticut **Farmington Bank ***Federal Reserve Bank of Philadelphia

The Connecticut Economy's **General Drift Indicators** are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 100.

The **Farmington Bank Business Barometer** is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).