

WILLIAM RAVEIS

— NEW HOMES —

The Largest Family-Owned Real Estate Company in the Northeast
An Award-Winning Team

Connecticut Year End Housing Report 2013



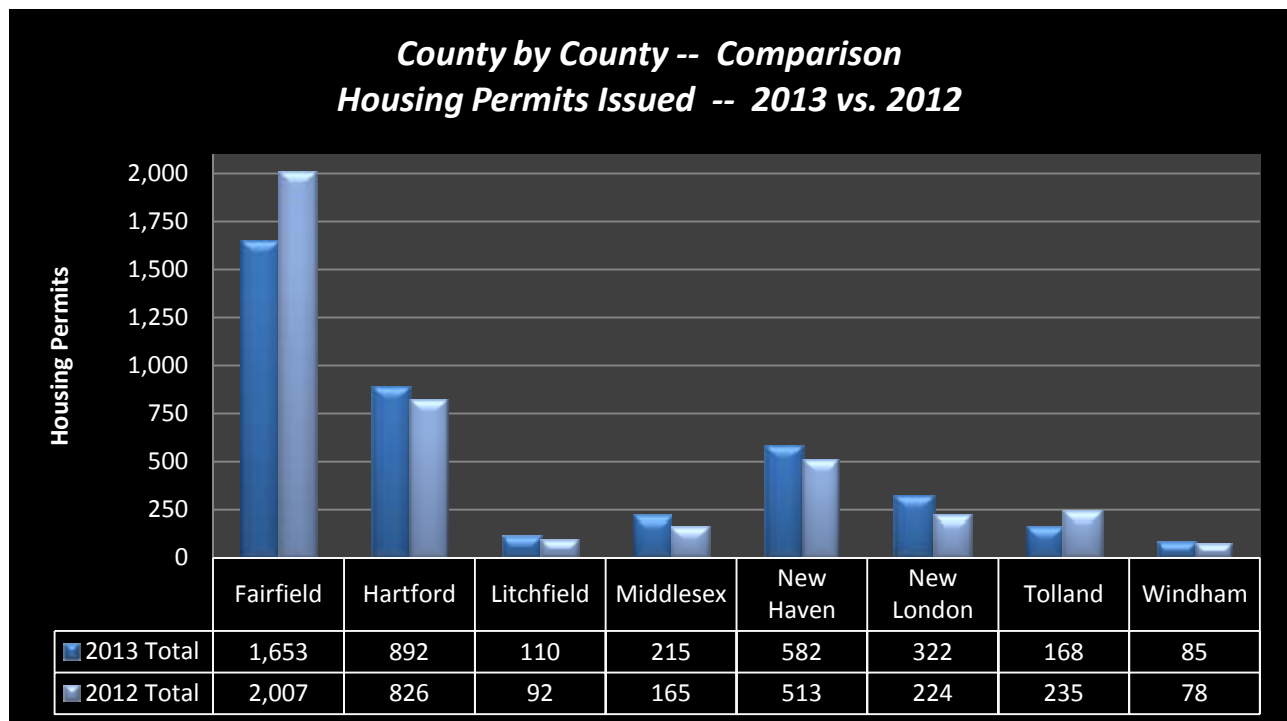
Connecticut Housing Recovery Momentum Reflected in Higher Sales, Higher Prices

Continued Job Growth Key to Boosting Homeownership Rates

By John Tarducci, MIRM, Senior Vice President, New Homes Division | WRRE

Housing construction and sales data in 2013 point to continued, but gradual, recovery in the Nutmeg State, but economists agree that job growth and household creation are the keys to improving housing markets in the coming year.

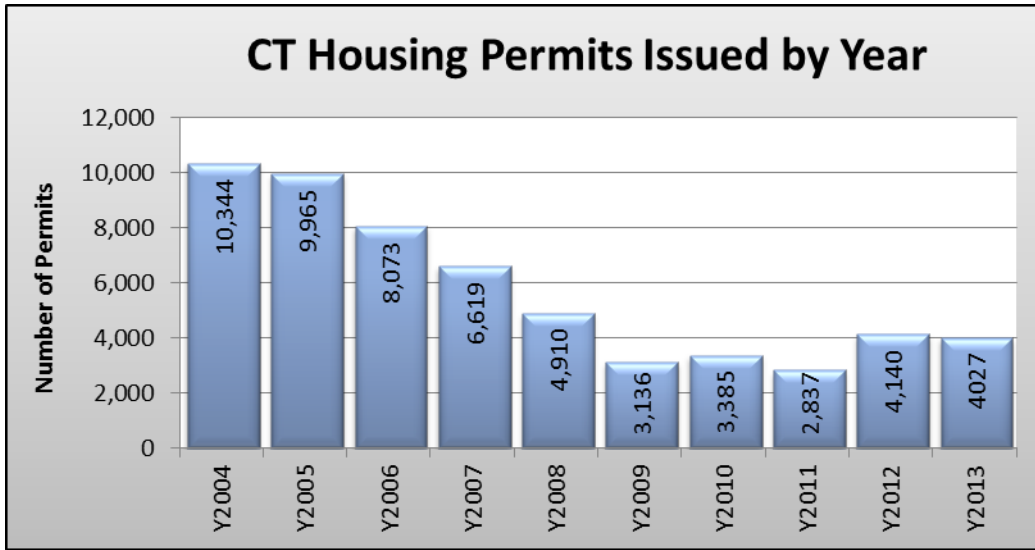
Data comparing 2013 sales prices and inventory to the previous year show that more homes sold in Connecticut last year as both list and sale prices ticked upward, driven by an average statewide drop in inventory of nearly 5 percent for single family homes and 11.70 percent for condominiums.



In new construction, meanwhile, the number of housing permits issued in 2013 fell slightly by 2.73 percent, with sizeable drops in Fairfield (-17.64 percent) and Tolland (-28.51 percent) counties, but gains in every other county, ranging from 7.99 percent in Hartford County to 44 percent in New London County.

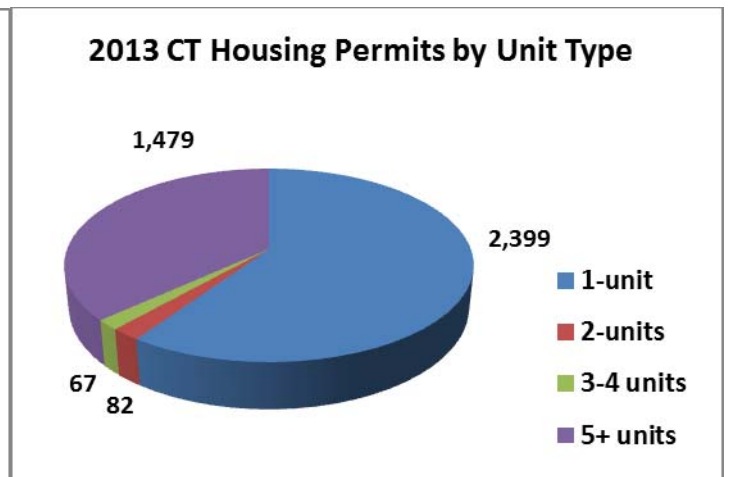
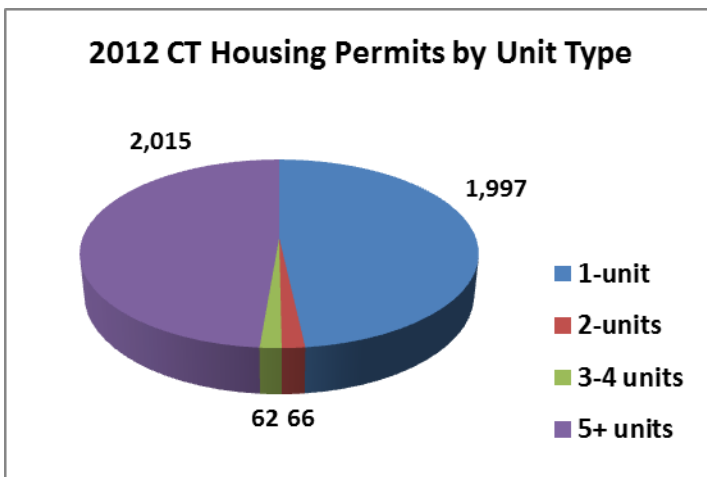
County	2013 Total	2012 Total	% Diff
Fairfield	1,653	2,007	-17.64%
Hartford	892	826	7.99%
Litchfield	110	92	19.57%
Middlesex	215	165	30.30%
New Haven	582	513	13.45%
New London	322	224	43.75%
Tolland	168	235	-28.51%
Windham	85	78	8.97%
Total	4027	4140	-2.73%

In total, 4,027 housing permits were issued in 2013. The ratio of newly built single family homes (59.57 percent) to multifamily housing construction (40.43 percent) reversed the prior year's trend where more multifamily units were built than single family homes. Over the past decade, 7 out of the 10 years actually showed a decline, as compared to the previous year, in housing permits issued. The years of 2012 and 2013 have given some hope for an uptick in units built and for a continued rebound.



Full Year: 2013 vs. 2012

	2012	2013	% Change
Total units	4,140	4,027	-2.7%
1-unit	1,997	2,399	20.1%
2-units	66	82	24.2%
3-4 units	62	67	8.1%
5+ units	2,015	1,479	-26.6%



Let's take a closer look at the data, and what it tells us about the economy, homeownership rates and socio-demographic trends.

Home Sales Up

Single Family Marketplace

Condominium Marketplace

<i>County</i>	<i>Number of Units Sold</i>		<i>% Inc. /Dec.</i>	<i>County</i>	<i>Number of Units Sold</i>		<i>% Inc. / Dec.</i>
	<i>2013</i>	<i>2012</i>			<i>2013</i>	<i>2012</i>	
Fairfield	7,893	6,648	18.70%	Fairfield	2,470	1,935	27.60%
Hartford	7,006	6,182	13.30%	Hartford	1,885	1,596	18.10%
Litchfield	1,689	1,480	14.10%	Litchfield	259	217	19.40%
Middlesex	1,472	1,417	3.90%	Middlesex	313	276	13.40%
New Haven	5,472	4,982	9.80%	New Haven	1,697	1,442	17.70%
New London	2,315	2,047	13.10%	New London	311	272	14.30%
Tolland	1,192	1,104	8.00%	Tolland	188	164	14.60%
Windham	950	833	14.00%	Windham	66	58	13.80%
<i>Statewide Stats</i>	<i>27,989</i>	<i>24,693</i>	<i>13.30%</i>	<i>Statewide Stats</i>	<i>7,189</i>	<i>5,960</i>	<i>20.60%</i>

In 2013, 27,989 single family homes sold in Connecticut, up 13.30 percent from 2012. Nationally, single family home sales rose by 9.1 percent from 2012. The strong performance was driven by job growth, record low mortgage interest rates and pent-up demand, according to the National Association of Realtors. Broken down by county, Fairfield County led the way in Connecticut with an 18.70 percent surge in sales, followed by Litchfield (14.10 percent) and Windham (14.00%) counties.

Sales Prices Up

Single Family Marketplace

While statewide average list prices increased by 3.00 percent from the prior year (from \$597,330 to \$615,395), statewide average sales prices increased by 2.10 percent, to \$410,674 in 2013. Once

again, Fairfield County—the state’s most densely populated county and its economic driver—led the way, with the highest gain in both average list price (\$1,278,249) from the year before (\$1,189,965) and average sales price (\$785,751) from \$778,645 in 2012.

<i>County</i>	<i>Average List Price</i>		<i>% Inc. / Dec.</i>	<i>Average Sales Price</i>		<i>% Inc. / Dec.</i>
	<i>2013</i>	<i>2012</i>		<i>2013</i>	<i>2012</i>	
Fairfield	\$1,278,249	\$1,189,965	7.40%	\$785,751	\$778,645	0.90%
Hartford	\$327,742	\$318,853	2.80%	\$260,696	\$264,495	-1.40%
Litchfield	\$543,956	\$532,180	2.20%	\$314,501	\$302,126	4.10%
Middlesex	\$468,018	\$473,419	-1.10%	\$303,718	\$319,264	-4.90%
New Haven	\$351,993	\$350,161	0.50%	\$264,147	\$256,930	2.80%
New London	\$388,590	\$370,726	4.80%	\$254,331	\$260,159	-2.20%
Tolland	\$289,592	\$291,300	-0.60%	\$241,663	\$245,195	-1.40%
Windham	\$229,291	\$231,841	-1.10%	\$174,165	\$171,213	1.70%
<i>Statewide Stats</i>	<i>\$615,395</i>	<i>\$597,330</i>	<i>3.00%</i>	<i>\$410,674</i>	<i>\$402,421</i>	<i>2.10%</i>

In 2013, condominium sales were up 20.60 percent statewide from the year before, with 7,189 units sold. Fairfield County again came in with the biggest spike at 27.60% more units sold compared to 2012, while other counties registered smaller gains of between 13.40 percent in Middlesex County and 19.40 percent in Litchfield County.

Condominium Marketplace

<i>County</i>	<i>Average List Price</i>		<i>% Inc. / Dec.</i>	<i>Average Sales Price</i>		<i>% Inc. / Dec.</i>
	<i>2013</i>	<i>2012</i>		<i>2013</i>	<i>2012</i>	
Fairfield	\$379,198	\$371,600	2.00%	\$317,380	\$307,236	3.30%
Hartford	\$191,686	\$193,086	-0.70%	\$174,716	\$176,576	-1.10%
Litchfield	\$179,017	\$172,739	3.60%	\$135,254	\$118,263	14.40%
Middlesex	\$224,581	\$210,162	6.90%	\$165,592	\$161,613	2.50%
New Haven	\$197,520	\$186,426	6.00%	\$161,904	\$160,757	0.70%
New London	\$230,245	\$224,621	2.50%	\$167,212	\$163,472	2.30%
Tolland	\$189,968	\$193,517	-1.80%	\$161,836	\$151,836	6.60%
Windham	\$143,746	\$150,072	-4.20%	\$128,393	\$128,779	-0.30%
<i>Statewide Stats</i>	<i>\$251,887</i>	<i>\$247,861</i>	<i>1.60%</i>	<i>\$217,803</i>	<i>\$210,609</i>	<i>3.40%</i>

The average statewide list price for condominiums stood at \$251,887 for 2013, or a 1.60 percent increase compared to the previous year; the average statewide sales price was \$217,803, or 3.40 percent more than in 2012.

Why Buyers Shouldn't Wait

With hiring expected to increase this year, some economists believe home sales should do well, even with rising prices and rising mortgage rates. In fact, there are compelling reasons would-be buyers should consider buying now, in advance of the spring market. As evidenced by Connecticut inventory levels above, the supply of available homes is shrinking. Typically, the best homes in the best neighborhoods sell first, and buyers who delay may not get the home of their dreams. According to NAR, the rate of a 30-year fixed rate mortgage is expected to exceed 5 percent by early 2015. Homebuyers will probably pay higher purchase prices and higher interest rates if they wait for the warmer weather.



Shifting Attitudes among First-Time Homebuyers

While it's simple to see that better employment figures (national unemployment now stands at 6.7 percent) should boost first-time homebuyers' activity, some observers suggest a more complex picture.

More specifically, Gen Xers—those born in the 1960s and 1970s—are spending less and living with less. This is the generation hardest hit by the Great Recession, and their frugality in response to hard times shows signs of sticking around even post-recession, according to at least one survey by Deloitte. Over 40% of all buyers in the Northeast fall into the 30- to 34-year-old age category. The

number of young adults (ages 25 to 34 or Millennials) living with their parents has been up sharply in recent years, according to the National Association of Home Builders (as has the number of seniors living with their grown children). Fully 19 percent of young people ages 25 to 34 live at home, nearly double the historical average of about 11 percent. Homeownership has decreased in this consumer segment, however according to a recent survey over 70% of this group confirmed that owning their own home is still in their future. What's more important is that the age group from 25 to 44 years old represents 57% of all buyers in the Northeast. According to a Boston Consulting Group, young adults in their 20's and 30's account for an estimated \$1.3 billion in annual spending. In the next fifteen years, Millennials are projected to outnumber Baby Boomers – 78 million to 56 million.

A recent Urban Land Institute study showed that Gen Y homeownership has fallen because roughly half of this population group (born in the late 1970s through the 1990s) has no savings, due to student debt and other challenges.

Pent-Up Demand Dependent on Jobs Growth

These consumer groups represent a lot of pent-up demand for housing that could be unleashed in a few years, if jobs and income increase for them. In fact, economists predict as much as a 24.5% increase in home construction this year and even greater gains in new home sales.

These gains are contingent on moderate job growth creating new households and bringing consumers into the market. A stronger housing market will also be helped by an industry-wide shift by lenders, from primarily refinancing loans in a low interest rate environment back to a traditional focus on new loan originations.

Home price increases are expected to slow this year to about 5 percent as mortgage interest rates rise slightly above 5 percent. Increased new home construction will also dampen price increases by increasing supply.

We're off to a promising start in 2014 with builder confidence up and increased new home construction contributing much needed inventory to the existing single family and condominium home market. As mentioned above, greater inventory may soften prices, but it will buttress stronger new home sales throughout the year.

Connecticut Housing Recovery Momentum Reflected in Higher Sales, Higher Prices

Continued Job Growth Key to Boosting Homeownership Rates

By John Tarducci, MIRM, Senior Vice President, New Homes Division | WRRE

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*

Thank you for investing your time to review this update. We welcome the opportunity to assist you with any of your current or future community analysis, marketing or sales needs.

John Tarducci, MIRM, CMP, CRB

Senior Vice President

William Raveis New Homes Division

RMG Builder & Developer Services

JohnTarducci@Raveis.com

RaveisNewHomes.com

tele: 203-925-4587