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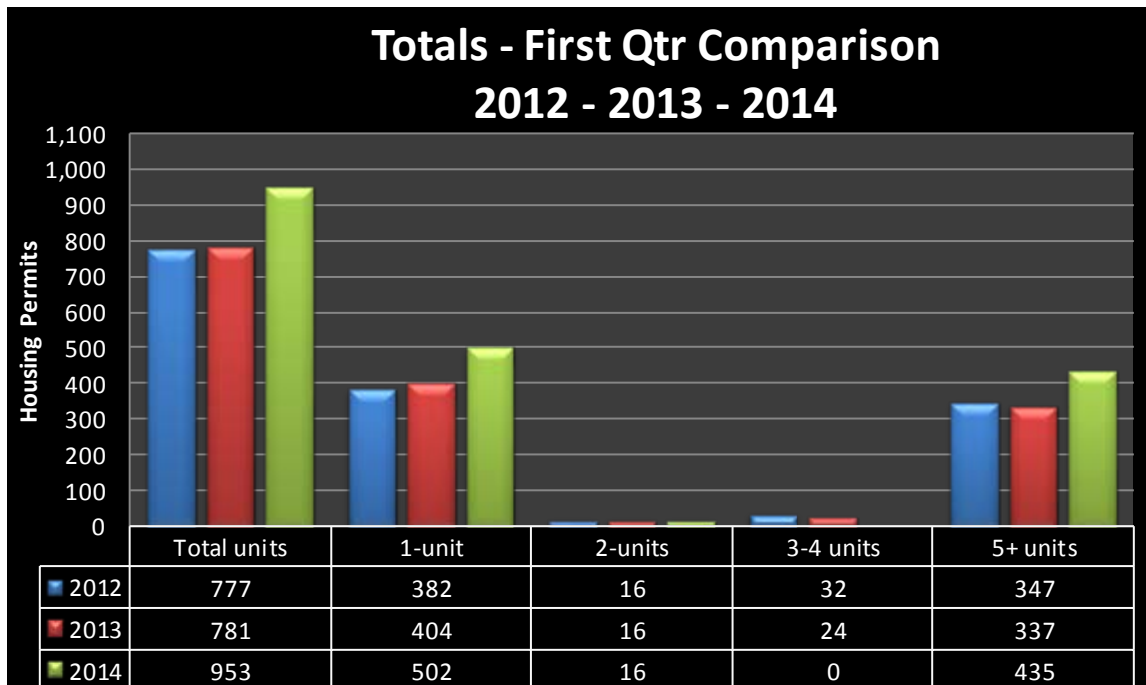
In 2014's First Quarter Connecticut Sees Continued Housing Market Momentum

Falling Unemployment Rates and Increasing Buyer Confidence Signal a Positive Direction for the Market

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

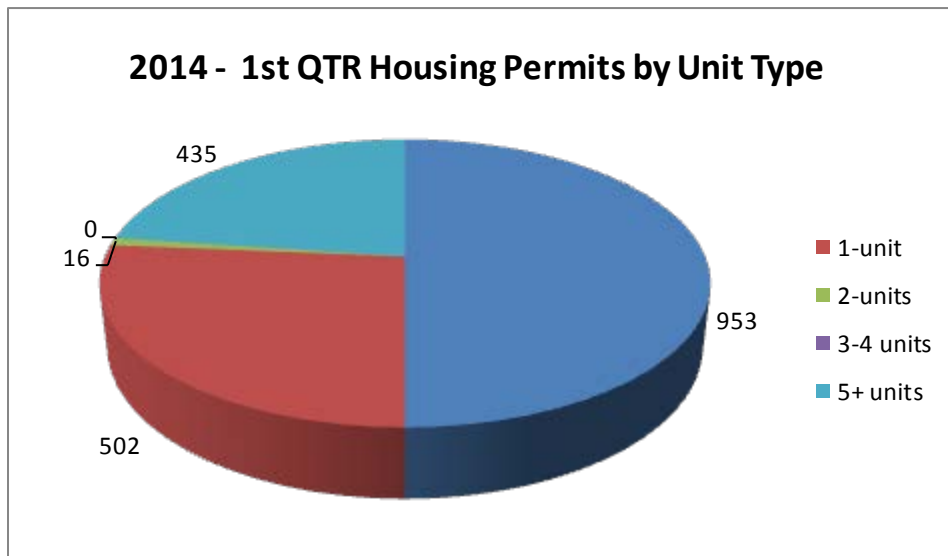
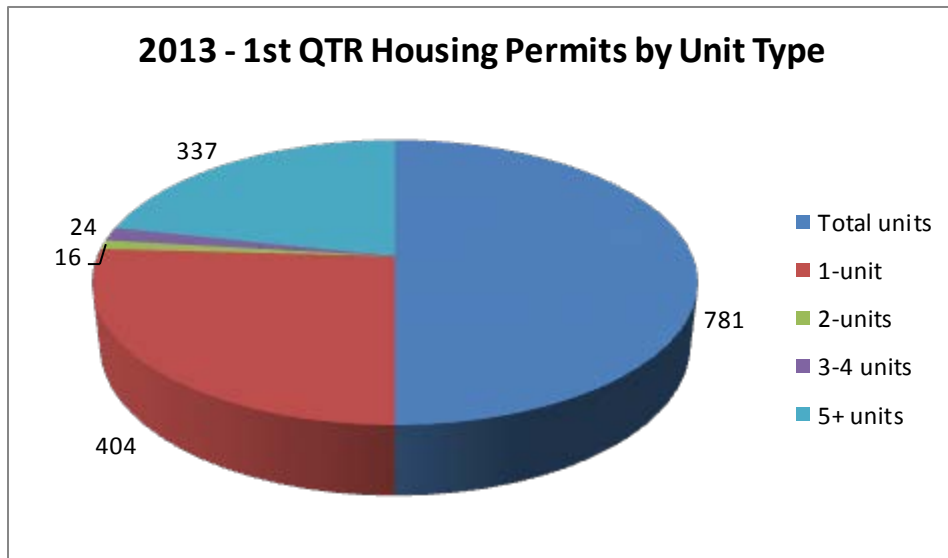
Entering 2014, the housing market is poised for a surge of new construction. Consumers are regaining their confidence, and with this, pent-up demand is emerging. As distressed home sales continue to decrease (down 25 percent from February 2013 to February 2014, according to the National Association of REALTORS®) builders will see an even bigger opportunity to capitalize on this rebounding market.

The National Association of Homebuilders (NAHB) Chief Economist, David Crowe, estimates that housing starts will increase 25 percent in 2014 over 2013 levels. Crowe expects single-family production to rise 32 percent in 2014 and an additional 41 percent in 2015.



Connecticut Housing Permits Experience Significant Gains

Housing permits saw a significant jump in Q1 2014 over Q1 2013—with the total number of permits rising to 953 total units, up from 781 total units in 2013, an increase of 22.02 percent. The majority of this increase was split between one-unit permits, which increased 24.26 percent and five-or-more-unit permits, which saw a 29.08 percent jump, year-over-year.



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On a county-by-county basis, several counties experienced large gains in total number of housing permits, including Fairfield County (47.27 percent), Hartford County (49.19 percent), New Haven County (54.05 percent) and Middlesex County (100 percent.) Only Tolland County saw a decline in first quarter permits, losing 23.08 percent from 2013.

County by County -- Permits Issued First Three Month Comparison -- 2014 vs. 2013

County	2014 Total	2013 Total	% Diff
Fairfield	486	330	47.27%
Hartford	94	185	49.19%
Litchfield	24	18	33.33%
Middlesex	64	32	100.00%
New Haven	171	111	54.05%
New London	68	53	28.30%
Tolland	30	39	-23.08%
Windham	16	13	23.08%
Total	953	781	22.02%

Totals - First Quarter Comparison by Permit Type					
	Total units	1-unit	2-units	3-4 units	5+ units
2012	777	382	16	32	347
2013	781	404	16	24	337
2014	953	502	16	0	435
% Change 2013 vs 2014	22.02	24.26	0	-100	29.08

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Home Sales Down

Single Family Marketplace – 1st QTR – 2014 vs 2013

County	Number of Units Sold		% Inc. / Dec.
	2014	2013	
Fairfield	1,179	1,225	-3.80%
Hartford	1,201	1,220	-1.60%
Litchfield	296	291	1.70%
Middlesex	289	248	16.50%
New Haven	898	946	-5.10%
New London	411	412	-0.20%
Tolland	205	200	2.50%
Windham	54	63	-14.30%
CT Statewide	4,656	4,711	-1.20%

Condominium Marketplace – 1st QTR – 2014 vs 2013

County	Number of Units Sold		% Inc. / Dec.
	2014	2013	
Fairfield	485	412	17.70%
Hartford	290	330	-12.10%
Litchfield	42	41	2.40%
Middlesex	61	61	0.00%
New Haven	279	320	-12.80%
New London	59	46	28.30%
Tolland	32	23	39.10%
Windham	17	7	142.90%
CT Statewide	1,265	1,240	2.00%

Single-Family Homes Sales Down in Connecticut

In the state of Connecticut, home sales fell slightly in Q1 2014 as compared to Q1 2013 (-1.20 percent.) By county, Fairfield County saw a 3.8 percent decline this quarter, while Middlesex County experienced a rise in home sales of 16.5 percent. However, the overall decline doesn't necessarily indicate a weakening housing market. Average sales price saw an increase of 8.7 percent statewide and market time decreased by 2.09 percent.

These factors point to a market with smaller inventories, but eager buyers, indicating that they are willing to pay a higher price when they do find the right home. This trend illustrates the opportunity present for builders who are looking to introduce new inventories into this shortening supply.

Single Family Marketplace List Price / Sales Price - 1st QTR – 2014 vs 2013

County	Average List Price		% Inc. / Dec.	Average Sales Price		% Inc. / Dec.
	2014	2013		2014	2013	
Fairfield	\$1,379,140	\$1,228,410	12.30%	\$771,873	\$668,928	15.40%
Hartford	\$327,146	\$325,205	0.60%	\$243,104	\$236,673	2.70%
Litchfield	\$548,231	\$540,545	1.40%	\$301,620	\$235,386	28.10%
Middlesex	\$440,310	\$485,522	-9.30%	\$318,060	\$281,683	12.90%
New Haven	\$360,667	\$342,218	5.40%	\$228,991	\$241,043	-5.00%
New London	\$383,924	\$364,007	5.50%	\$240,236	\$230,133	4.40%
Tolland	\$287,988	\$293,587	-1.90%	\$231,055	\$224,052	3.10%
Windham	\$229,674	\$221,885	3.50%	\$162,444	\$163,726	-0.80%
CT Statewide	\$636,140	\$607,200	4.80%	\$378,696	\$348,516	8.70%



Connecticut Condominium Sales are on the Rise

While single-family home sales experienced a decrease, condominium sales in Connecticut saw a rise of two percent overall. Fairfield County, the states most densely populated county, saw a rise of 17.70 percent, while Windham County experienced an increase of 142.90 percent. Decreases of 12.10 percent and 12.80 percent occurred in Hartford and New Haven Counties, respectively.

Additionally in the first quarter, average sales price of condominiums increased 5.00 percent, while market time decline by 4.60 percent, year-over-year. Similar to the single-family market, these factors indicate increasing demand for condominiums throughout Connecticut.

Condominium Marketplace List Price / Sales Price – 2014 vs 2013

County	Average List Price		% Inc. / Dec.	Average Sales Price		% Inc. / Dec.
	2014	2013		2014	2013	
Fairfield	\$381,460	\$376,449	1.30%	\$283,218	\$269,152	5.20%
Hartford	\$196,414	\$191,027	2.80%	\$164,522	\$163,937	0.40%
Litchfield	\$185,807	\$167,475	10.90%	\$130,184	\$141,398	-7.90%
Middlesex	\$198,514	\$225,368	-11.90%	\$162,217	\$132,404	22.50%
New Haven	\$194,599	\$193,712	0.50%	\$137,745	\$146,704	-6.10%
New London	\$223,738	\$232,518	-3.80%	\$126,417	\$157,210	-19.60%
Tolland	\$187,432	\$189,244	-1.00%	\$170,949	\$133,618	27.90%
Windham	\$149,535	\$149,277	0.20%	\$122,176	\$129,600	-5.70%
CT Statewide	\$251,121	\$250,600	0.20%	\$200,689	\$191,146	5.00%

Price Tags Increase on New Construction

In January, NAHB released a report that found single-family home construction costs were at their highest levels since 1998. When comparing the average construction costs in 2013 (\$246,453) to 2011 (\$184,125) the increase in total cost is significant. NAHB attributes this mostly to the rising cost of lumber, which increased 40 percent between 2011 and 2013. It stands to reason that as construction costs continue to rise, the sales price of new construction homes will also have to increase.

Average Size of New Construction Homes Jump

The average new-home size has increased more than 300 square feet since 2009, growing from 2,362 square feet in 2009 to 2,679 square feet in 2013, according to Census Bureau data. The return to larger homes bodes well for builders, signaling an increase in confidence among homebuyers who are returning to larger homes with more amenities.

According to the Census Bureau, 48 percent of homes built in 2013 had four bedrooms, compared to only 34 percent in 2009. NAHB reported that builders are most likely to include walk-in closets in the master bedroom, low-e windows, a laundry room and a great room in new construction homes.

Spring Market offers Opportunities

A recent Forbes article claimed that 60 percent of all homes sold in 2014 will be sold between May and August. Following this winter's polar vortex, both the time and weather are right for a jump in the real estate market. While it is still technically a seller's market, with inventory numbers low and sales prices on the rise, there's an important demographic for builders to consider—the sellers themselves.

While sellers have their current homes on the market, the chance that they will look to newly built, energy efficient homes that have a style and floor plan tailored to their needs increases. While they are currently categorized as sellers, they will likely become buyers who are poised to consider new construction for their next home purchase.

Demand Increases with Consumer Confidence

NAHB reported that national household formations are currently averaging 620,000, compared to 500,000 during the housing downturn. For comparison, the United States produced 1.4 million households each year during the housing boom.

The increase in household formations points to growing consumer confidence—during the recession fewer households were created as unemployment skyrocketed and millennials increasingly moved home after college. However, as unemployment rates continue to fall, the number of new household formations is expected to increase steadily.

As 2014 continues, the number of new home construction is expected to see a continued, steady increase. With smaller inventories and growing demand, the market for new home construction will rise. Although the cost of construction is increasing, the corresponding increase in sales price bodes well for builders, indicating that consumers are prepared to pay more for their homes than in recent years.

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