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**Connecticut 2015
Full Year Housing Report**



Millennials Have Potential to Significantly Impact 2016 Market

With rents on the rise, the millennial generation could finally make the leap into homeownership.

By John Tarducci, MIRM, Senior Vice President, New Development Services Division, William Raveis Real Estate, Mortgage & Insurance

As the 2015 market closed, one thing was perfectly clear: today's market looks radically different from anything we've seen. With 2015 ending, Unit Sales across Connecticut were up substantially—rising 11.6 percent for single-family homes and 6.3 percent for condominiums. Couple this with shortening inventories (Months of Supply is down 5.5 percent in single-family homes and 4.8 percent in condominiums) and conventional wisdom would have called today's market a seller's market. Plain and simple.

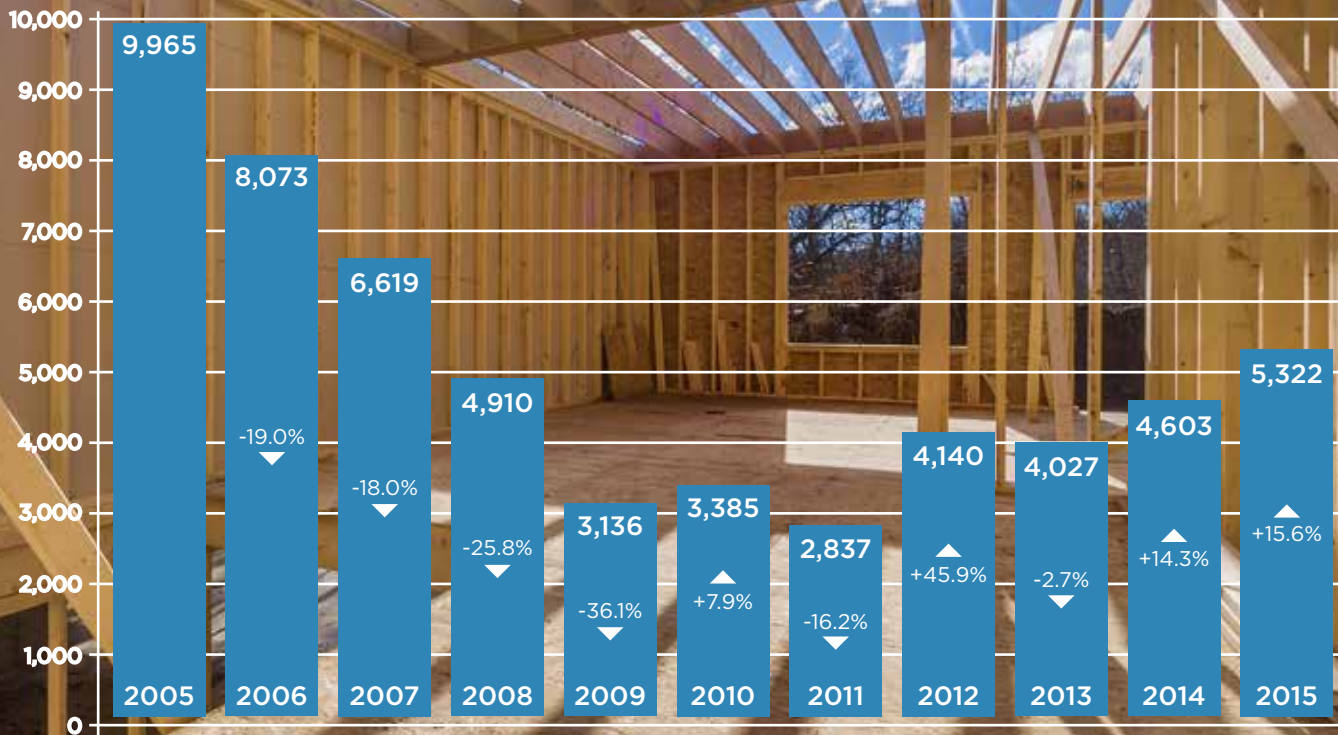
But today's market isn't plain and simple. In a true seller's market, we'd see Average Sales Prices on the rise, as sellers received competing offers and buyers spent more than the listed price for a home. But in today's market, we actually saw Average Sales Price decline in 2015—down 5.1 percent for single-family homes and 0.2 percent for condominiums.

If we aren't in a buyer's market and we aren't in a seller's market, where are we? A whole new world. Our post-recovery market is wildly different from what we're traditionally seen in real estate. Demand for homes is up: yes. Buyers are ready to reenter the market: yes. But, today's buyers have learned from previous mistakes. They aren't prepared to outspend their budgets. According to the National Association of REALTORS®, a typical home buyer in 2015 searched for 10 weeks and viewed 10 homes—a statistic that has remained unchanged over the past year.¹

The bottom line is today's real estate professionals—builders, developers and sales professionals alike—need to be agile enough to recognize the unique opportunities presented by this new market. They also have to know their market well enough to foresee these shifts as they continue to happen.

1. <http://www.realtor.org/reports/highlights-from-the-2015-profile-of-home-buyers-and-sellers>

Connecticut Continues to Experience Gains in New Housing Permits¹



State of Connecticut

Housing Permits Authorized
10 Year Trend (2005 - 2015)

Housing permits continued their upward trend with 5,322 new permits in 2015, compared to 4,603 new permits during 2014. The major contributor to 2015's gains were in permits for 5+ unit buildings, created by the development of 138 new multifamily structures. These permit types jumped 51.1 percent in 2015, to 3,115, as compared to 2,062 in 2014. This is particularly significant as all other housing permit types fell in 2015 compared to their 2014 levels. Single unit permits declined 13.9 percent, while two unit permits fell 2.1 percent and 3-4 unit permits saw a 7.7 percent decline. This points to the strength of multi-unit buildings moving forward to 2016.

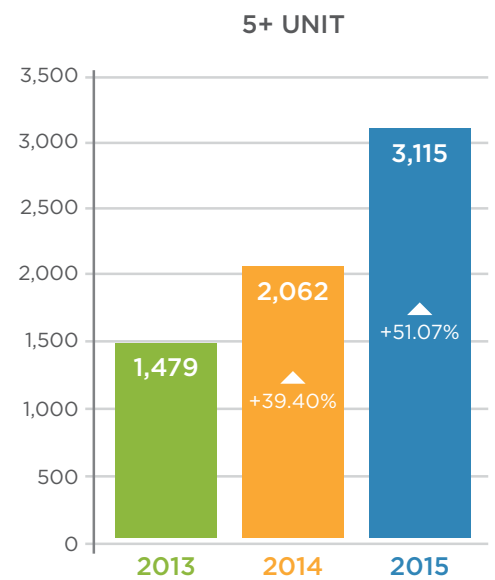
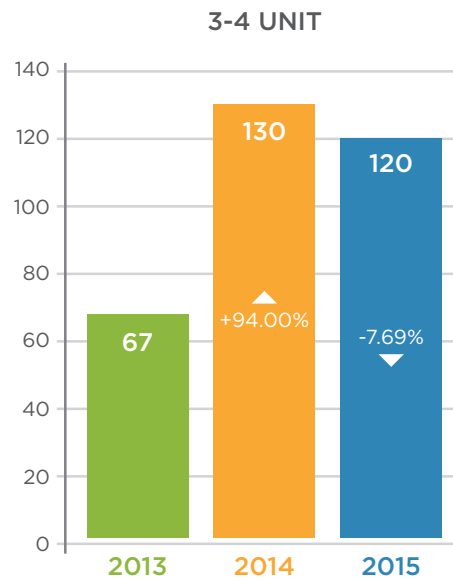
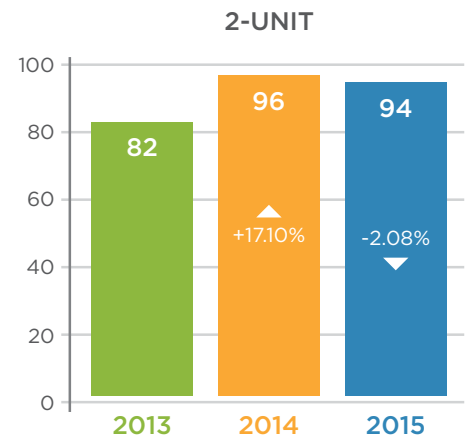
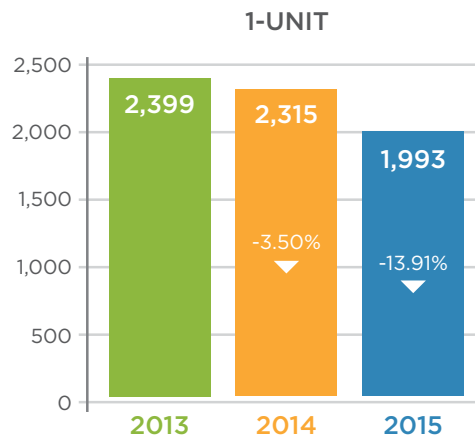
On a county-by-county basis, most counties are following the trend of increased housing permits this year, with Tolland County at 102.2 percent, Fairfield County at 50.96 percent, Hartford County at 28.96 percent, and Middlesex County at 7.92 percent. There are counties that have experienced an overall decrease in housing permits through 2015, with Litchfield County decreasing 96.06 percent, Windham County decreasing 77.32 percent, New London County decreasing 60.41 and New Haven County decreasing 5.11 percent.

¹In 2014, the state of Connecticut reported permit information for 128 towns. In 2015, they have only reported for 104 towns.

Connecticut Continues to Experience Gains in New Housing Permits¹

State of Connecticut

Housing Permits Issued by Type
2013 vs. 2014 vs. 2015
(104 Municipalities Reporting)



State of Connecticut

Housing Permits Issued by Type
2013 vs. 2014 vs. 2015
(104 Municipalities Reporting)

UNITS	2013	2014	2015	% DIFF.
1-Unit Units	2,399	2,315	1,993	-13.91%
2-Unit Units	82	96	94	-2.08%
3-4 Unit Units	67	130	120	-7.69%
5+ Unit Units	1,479	2,062	3,115	+51.07%
TOTAL	4,027	4,603	5,322	+15.62%

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Connecticut Continues to Experience Gains in New Housing Permits¹

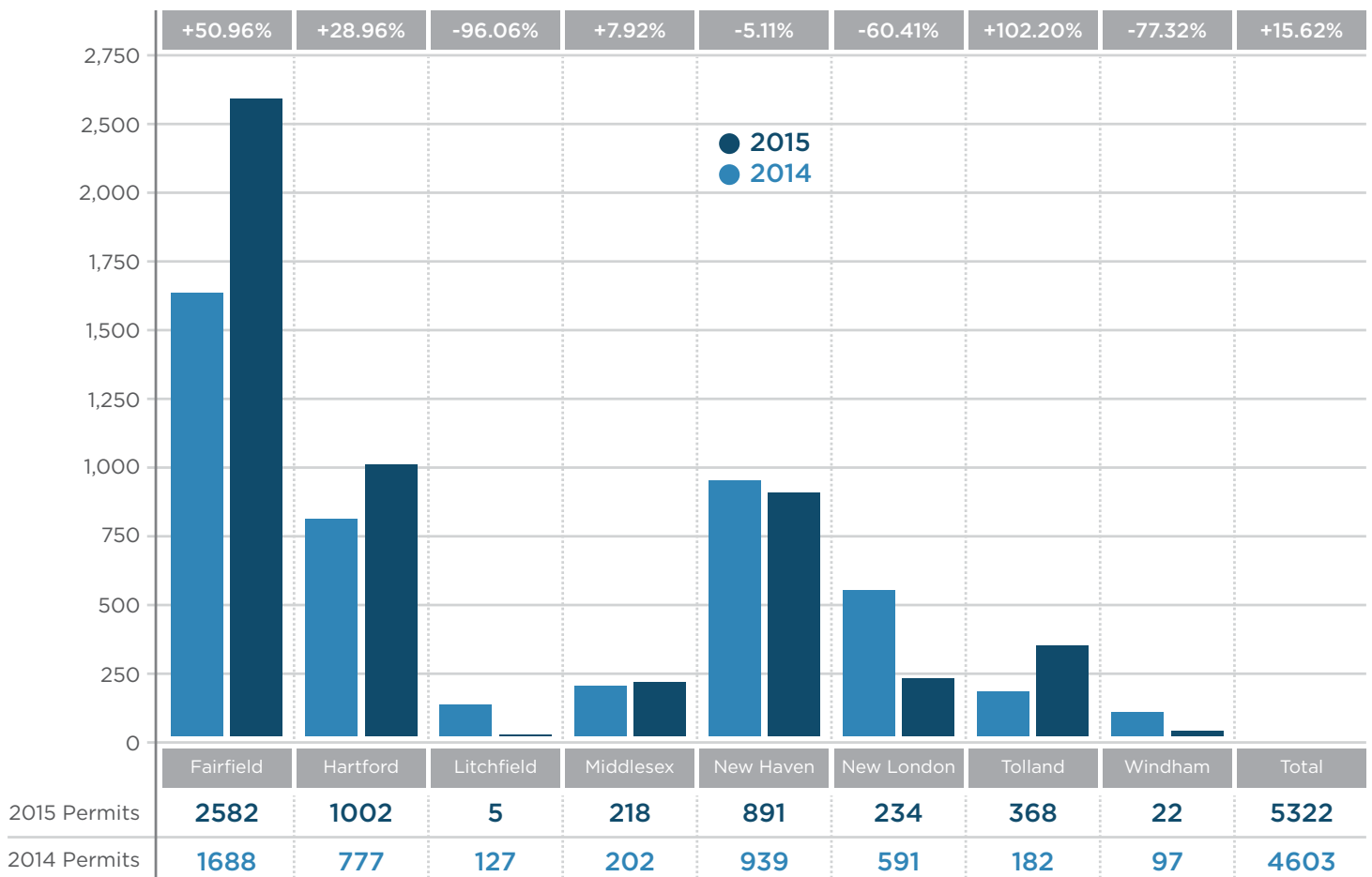


State of Connecticut

Housing Permits Issued by County

2014 vs. 2015

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Single Family Home Sales



In the state of Connecticut, the close of 2015 saw an increase in home sales, with totals rising 11.6 percent, from 27,918 in 2014 to 31,167 in 2015. On a county-by-county level, all counties experienced year-over-year increases, including: New Haven County at 19 percent, Windham County at 17.1 percent, Litchfield County at 16.1 percent, Tolland County at 12 percent, Middlesex County at 10.5 percent, Hartford County at 8.7 percent, Fairfield County at 8.7 percent and New London County at 7.6 percent.

Average Sales Price for the state of Connecticut finished 2015 5.1 percent below 2014 levels, decreasing from \$410,748 in 2014 to \$389,837 in 2015. Most counties experienced a decrease in Average Sales Price, including: Fairfield County at 6.4 percent, Litchfield County at 6.3 percent, Hartford County at 2.3 percent, Tolland County at 1.5 percent, New London County at 1.2 percent and New Haven County at .9 percent. Middlesex County remained completely even with last year's final numbers, while Average Sales Price increased in Windham County, from \$169,882 in 2014 to \$179,888 in 2015.

2015 vs. 2014

Unit Sales	11.6% ↑
Avg. List Price	4.5% ↑
Months of Supply	3.3% ↓

Average List Price increased 4.5 percent in 2015, Months of Supply fell 3.3 percent over 2014 levels and Price Per Square Foot saw a 4.1 percent decrease from 2014.



Single Family Marketplace

Home Sales 2014 vs. 2015

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2014	2015	% DIFF.	2014	2015	% DIFF.
Fairfield	7,395	8,042	+8.70%	\$825,562	\$772,339	-6.40%
Hartford	7,041	7,651	+8.70%	\$260,067	\$254,079	-2.30%
Litchfield	1,718	1,995	+16.10%	\$317,134	\$297,161	-6.30%
Middlesex	1,632	1,803	+10.50%	\$303,869	\$303,944	0.00%
New Haven	5,445	6,479	+19.00%	\$257,622	\$255,363	-0.90%
New London	2,388	2,569	+7.60%	\$256,726	\$253,640	-1.20%
Tolland	1,246	1,395	+12.00%	\$237,279	\$233,834	-1.50%
Windham	1,053	1,233	+17.10%	\$169,882	\$179,888	+5.90%
STATEWIDE	27,918	31,167	+11.60%	\$410,748	\$389,837	+5.10%

Single Family Marketplace

Months of Supply 2014 vs. 2015

COUNTY	2014	2015	% DIFF.
Fairfield	8.70	9.10	+5.10%
Hartford	7.30	7.10	-2.20%
Litchfield	15.10	13.90	-8.20%
Middlesex	11.50	10.50	-8.40%
New Haven	9.80	9.10	-6.90%
New London	11.00	10.10	-8.20%
Tolland	10.00	9.30	-6.60%
Windham	10.30	8.80	-14.30%
TOTAL	9.40	9.10	-3.30%



Condominium Sales on the Rise



In 2015, as compared to 2014, condominium sales saw a 6.3 percent increase, year-over-year. Across the board, every county saw increases in Units Sold, including: Windham County at 18.8 percent, Tolland County at 17.1 percent, Litchfield County at 13.9 percent, New London County at 9.7 percent, Hartford County at 8.4 percent, Middlesex County at 8.2 percent, New Haven County at 6.9 percent and Fairfield County at 1.6 percent.

Additionally, Average Sales Price of condominiums decreased slightly overall, falling 0.2 percent from \$222,374 in 2014 to \$222,004 in 2015. Declining prices were seen in Litchfield County at 12.5 percent, Tolland County at 10.2 percent, Windham County at 7.4 percent, Harford County at 1.9 percent and New Haven County at 0.2 percent. However, losses weren't had everywhere, increases were seen in New London County at 20.2 percent, Middlesex County at 10.2 percent and Fairfield County at 2.1 percent.

2015 vs. 2014

Unit Sales	6.3%	↑
Avg. List Price	5.0%	↑
Months of Supply	4.8%	↓

Average List Price for condominiums in the state of Connecticut increased 5 percent in 2015, Months of Supply decreased 4.8 percent and Price per Square Foot decreased 0.3 percent.



Condominium Marketplace

Home Sales 2014 vs. 2015

COUNTY	NUMBER OF UNITS SOLD			AVERAGE SALES PRICE		
	2014	2015	% DIFF.	2014	2015	% DIFF.
Fairfield	2,560	2,602	+1.60%	\$329,648	\$336,595	+2.10%
Hartford	1,875	2,032	+8.40%	\$177,770	\$174,328	-1.90%
Litchfield	274	312	+13.90%	\$149,901	\$131,113	-12.50%
Middlesex	341	369	+8.20%	\$158,423	\$174,606	+10.20%
New Haven	1,708	1,826	+6.90%	\$159,464	\$159,175	-0.20%
New London	341	374	+9.70%	\$142,377	\$171,190	+20.20%
Tolland	187	219	+17.10%	\$172,741	\$155,158	-10.20%
Windham	64	76	+18.80%	\$139,342	\$128,980	-7.40%
STATEWIDE	7,350	7,810	+6.30%	\$222,374	\$222,004	-0.20%

Condominium Marketplace

Months of Supply 2014 vs. 2015

COUNTY	2014	2015	% DIFF.
Fairfield	6.80	7.00	+2.50%
Hartford	7.40	6.70	-9.90%
Litchfield	14.40	12.50	-13.10%
Middlesex	10.20	9.20	-9.50%
New Haven	8.70	8.30	-5.10%
New London	10.70	9.50	-10.90%
Tolland	10.70	10.40	-1.90%
Windham	10.50	10.50	+0.10%
TOTAL	8.20	7.80	-4.80%



Millennials Pushed Toward Home Ownership

As of 2015, Pew Research Center reports that millennials now represent the single largest generation in the workforce, surpassing Gen Xers.¹ This also means that this surging group of workers is experiencing another economic force: RealtyTrac® recently reported that the rise in rents is out-pacing weekly wage growth in 57 percent of markets.² For millennials, this means that the time is ripe to consider buying a home, while buying remains more affordable than renting (and currently it is, in 58 percent of markets.)

According to USA Today, 37 percent of U.S. households were renters in 2015, the highest share since the mid-1960s, and nearly half of all renters spend more than 30% of their income on housing.³ This represents a huge market of potential first-time buyers who are poised to enter the market. As millennials take stock of their economic outlook over the next year, they could very well realize that buying a home is their best bet.

The Case for Millennial Home Ownership:

- Rise in rent is out-pacing wage growth in 57% of markets
- Buying is more affordable than renting in 58% of markets
- Nearly half of all renters spend 30% or more of their income on rent

1. <http://www.pewresearch.org/fact-tank/2015/05/11/millennials-surpass-gen-xers-as-the-largest-generation-in-u-s-labor-force/>

2. <http://www.realtytrac.com/content/news-and-opinion/--buying-more-affordable-than-renting-in-58-percent-of-us-markets-according-to-2016-rental-affordability-analysis-8244>

3. <http://www.usatoday.com/story/money/2016/01/04/apartment-rent-increases/78270848/>



Give Millennials What They Want

Many millennials who are entering the housing market today grew up during the heyday of the McMansion—a time where home exteriors were homogeneous, and the layouts varied little. As they look toward their own home purchase, their desires and needs have been impacted by this upbringing. Instead of looking for quantity, today's millennials are looking for something different in their homes.

Builder Magazine reports that millennials “favor character over convenience, history over homogeneity, ...they are looking to older, smaller homes, and claiming their own style of housing that is about restoring their style from the ‘outside-in.’” This generation isn't satisfied with cookie-cutter amenities.

Instead, as they enter the market they're looking for homes they can bring to their original glory.

For builders specifically, this poses a challenge, and an opportunity. The millennial generation is pushing back—they have a style that isn't singular, and therefore can't be defined in wide sweeping terms. They have a constant diet of home improvement shows that show them “they can have everything they want in an older home without removing the architectural details that make it unique.” Today's modern builders have to listen to today's modern millennials in order to understand their needs and desires.

What Millennials Want:

- Character over convenience
- Restoring a home from the “outside-in”
- Unique homes rather than cookie-cutter houses

Looking Forward to 2016



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Entering 2016, labor remains the single largest pain point for builders. According to the National Association of Home Builders, 76 percent of builders expect issues with Cost/Availability of Labor to increase in 2016. This forecasted shortage of skilled labor could potentially stall an improving housing market.

This is especially troublesome considering a few competing statistics—in Connecticut last year, multi-family units accounts for a staggering proportion of total gains in permits, however rents continue to rise at an unsustainable rate. When the two are combined, we're left with a shortage of affordable starter homes—precisely the homes millennials will be searching for when surging rents force them to buy. Moving into 2016, builders should account for the soon-to-be surge of millennial buyers.

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