

# HousingInCT2017

The Latest Measures of Affordability

## 62%

Decrease in chronic homelessness from 2014<sup>4</sup>

## 6<sup>th</sup>

CT national ranking in median monthly housing costs<sup>1</sup>

## 8%

Decrease in overall homelessness from 2015 to 2016<sup>2</sup>

## 35%

Renting households, up from 30% in 2007<sup>1</sup>

## 7.4%

Decrease in renters severely burdened by housing costs<sup>1</sup>

Connecticut's housing situation brightened somewhat in the last year, with slightly fewer residents burdened by their housing costs, home values rising and median monthly housing costs falling. The Malloy administration and state legislature continued to finance the creation of thousands of new affordable units while the housing market saw an increase in home sales.

The number of state residents experiencing homelessness fell to a five-year low while coordinated systems and comprehensive policy allowed the state to draw near its goal of ending chronic homelessness and accelerate efforts to end youth and family homelessness.

However, significantly growing demand for multi-family housing outpaced supply, keeping rents as a percentage of household income at 8th highest in the nation. The state's nearly unparalleled income disparity kept low- and moderate-income families struggling to stay housed while affording other necessities.<sup>1</sup>

In general, the skies brightened:

- The number of Connecticut residents experiencing homelessness dropped 8% from 2015.<sup>2</sup>
- The Malloy Administration and legislature continued their remarkable progress with 10,000 affordable units created since 2011 and 3,300 more units under development.<sup>3</sup>
- The number of renters and homeowners burdened by their housing costs (paying more than 30% of their income) fell slightly from 49% to 48%.<sup>1</sup>

But the forecast for many remained overcast, with federal and state budget uncertainty leaving the specter of fiscal storms on the horizon.

### **HOMELESSNESS: Continuing momentum**

Connecticut continued as a model in the effort to prevent and end homelessness with a statewide coordinated effort, targeted state assistance and nationally-recognized coordinated entry, assessment and placement systems.

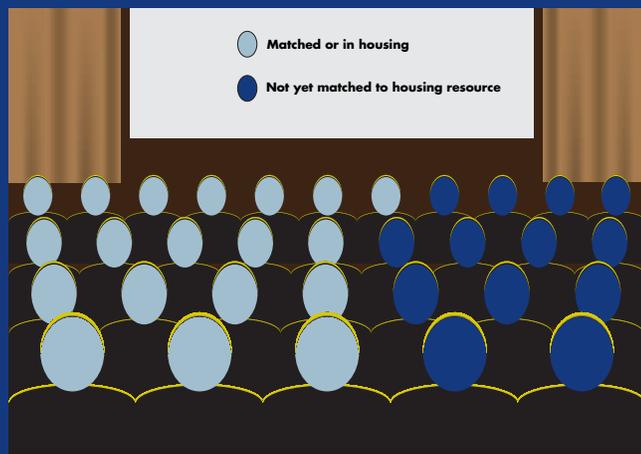
State officials and housing advocates were recognized by the U.S. Interagency Council on Homelessness for the policy and process solutions that produced an end to Veteran homelessness and increasingly approaches the goal of eradicating chronic homelessness. In addition, the state was awarded a \$6.5 million grant to embark on its plan to end youth homelessness.

The fruits of those labors, which revolve around a Coordinated Access Network of efficient intake, assessment and placement, were evident in the numbers. The number of Connecticut residents experiencing homelessness in 2016 fell to 10,083, a five-year low. This represents an 8% decrease from 2015. The Point-In-Time Count conducted in January recorded 3,387 people experiencing homelessness, down 24% from 2007 when the count was first conducted.<sup>2</sup>

Between January 2015 and July 2017, providers housed 1,756 people experiencing chronic homelessness. As of November 2017, 227 adults remain chronically homeless, three-fifths of whom have been matched to a housing resource. Since January 2014, there has been a 62% decrease in chronic homelessness<sup>4</sup> (Fig 1).

Homelessness among families and youth will receive considerable attention in the coming years. The 2017 Youth Count found 4,396 people under 25 years old who were experiencing homelessness or unstably housed.<sup>2</sup>

**Fig 1. Proportion of Chronically Homeless and Matched to Housing Resource, 2017**



There are currently less than 250 people experiencing chronic homelessness (long-term homelessness with a disability) in the state, which is barely enough people to fill a movie theatre. And about three-fifths of them have already been matched to a housing subsidy or an actual home.

Source: Connecticut Homelessness Management Information System By-Name List

## RENTAL HOUSING: Mounting demand

The number of renter households rose to 478,196 in 2016 from 454,668 in 2015, representing 35.2% of all households. This is a marked increase from 30% in 2007, when the real estate market and single-family home sales began their steep decline. The number of households owning homes fell to 879,073 or just 64.8% of all households, down nearly 5% since 2007<sup>1</sup> (Fig 2).

The high demand for rental housing drove median gross rent up slightly to \$1,115/month in 2016 from \$1,108 in 2015. But rental housing costs grew marginally more competitive nationally, dropping to 11th highest in the nation from 10th

in the previous year. Median gross rent as a percentage of total income fell slightly to 30.7% from 31.4%, down to 8th nationally from 7th.<sup>1</sup>

This high demand for rental housing resulted in a low rental vacancy rate of 5.6% in 2016, down from a recent high of 7.9% in 2011. The number of households in Connecticut increased by 1% in 2016 while average household size continued to trend downward to 2.55 persons. This suggests that the increased supply was helping to foster new household formation.<sup>1</sup>

## HOUSING AFFORDABILITY: Fewer Burdened, Still Costly

The skies brightened in several ways over the last year as the percentage of Connecticut households “burdened” by housing costs (exceeding 30% of their income) fell. Burdened renters dropped to 48% from 49% in 2015 and from 7th nationally to 8th. Similarly, burdened owners dropped to nearly 27% from 30%<sup>1</sup> (Fig 3).

There was also progress among those “severely burdened” by housing costs (exceeding half their income). That portion of renters dropped to 24% from 26% last year, while homeowners fell to 11% from 12.5%.<sup>1</sup> The state’s “housing wage” — the hourly pay required to afford a typical 2-bedroom apartment in Connecticut — remained at \$24.72, the nation’s 8th highest.<sup>5</sup>

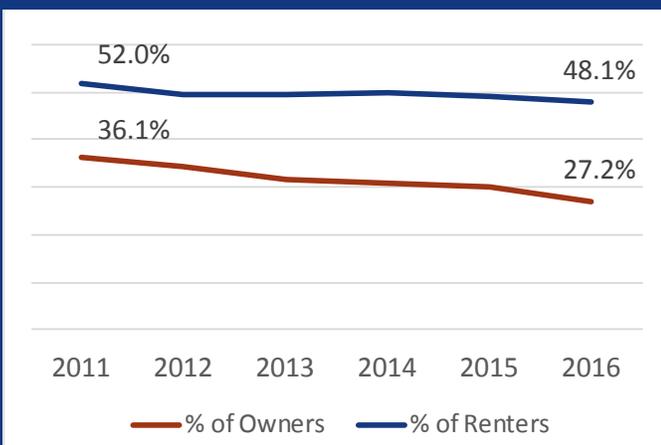
**Fig 2. Unit Occupancy: Owner-occupied vs Renter-occupied, 2007-2016**



The housing market in Connecticut is changing, with renter-occupied units increasing over 5% in ten years.

Source: 2016 American Community Survey 1-Year Estimates

**Fig 3. Owner- vs. Renter- Occupied: Percent of Households That Are Housing-Cost Burdened**



The number of cost-burdened households has been on a slow decline since 2011. Burdened households pay more than 30% of their income on housing costs.

Source: 2016 American Community Survey 1-Year Estimates

Homeowners also enjoyed a slight increase in median home values — up 1% to \$247,000 from \$246,000 in 2015 — as home sales increased 8% to 32,235 in 2016.<sup>6</sup> But residential building permits remain far below levels seen prior to the Great Recession. Single-family building permits were down from a peak of 9,263 in 2004 to just 2,461 in 2016. Multi-family residential building permits have surpassed pre-recession levels to 3,043 in 2016 compared to 2,574 in 2004.<sup>7</sup>

The Malloy Administration and state legislature continued their historic support for affordable housing, issuing more than 1,000 new Rental Assistance Payment vouchers and financing 424 new affordable units through mid-year, but housing costs remained high. Median monthly housing costs remain the nation's 6th highest.<sup>1</sup> The number of municipalities where at least 10% of the housing stock was affordable remained at 31 out of 169 towns.<sup>3</sup>

## INCOME INEQUALITY: Worse

Connecticut's income disparity worsened, threatening higher costs for housing and other necessities as increasingly wealthy residents could potentially drive up prices. Median household income rose to \$73,433 from \$71,346, up 3% from 2015 and 6th highest in the nation. But homeowners enjoyed most of the increase: they had the 4th highest household income in the nation (\$98,163) while renting households had the 13th highest median income (\$40,029).<sup>1</sup>

Connecticut's overall income inequality, measured by the Gini Coefficient, rose to 0.4945 from 0.4916 in 2015, the 3rd worst in the nation. A Gini Coefficient of 0 signifies all residents have the same income while 1 signifies that 1 person has all the state's income and everyone else has none<sup>1</sup> (Fig 4).

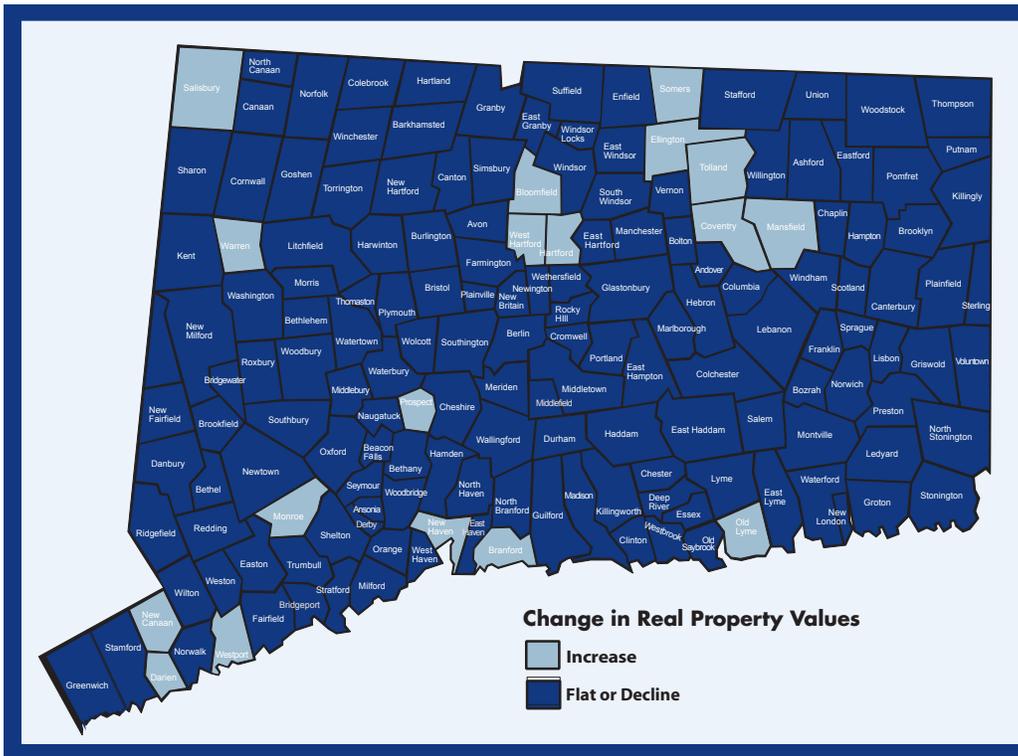
Meanwhile, those in the top 20% and top 5% income brackets saw their share of the state's income rise while it fell for those in the 2nd, 3rd and 4th quintiles. The 20% in the lowest quintile saw their share of income rise slightly.<sup>1</sup>

**Fig. 4. States with Highest Levels of Income Inequality, 2016**



Connecticut is one of the most unequal states. Only New York and Louisiana have a larger disparity in income between wealthy and poor residents.

Source: 2016 American Community Survey 1-Year Estimates



**Fig 5. Real property grand lists.**

Grand lists (municipalities' total value of taxable real property) have fallen or remained flat in 152 of 169 municipalities between 2008 and 2016, partly because single-family home values have yet to recover from the Great Recession. Single-family homes continue to dominate the housing stock in most municipalities.

## THE FUTURE: Homelessness and housing markets

Governor Malloy and the General Assembly continued to strongly support funding to create affordable housing, subsidize rents and pay for services to help families and individuals avoid or emerge from homelessness. But weak revenue growth and other pressures on the state budget, including bond and spending caps, could limit financing for housing and services in coming years. The picture emerging from the federal budget is equally uncertain.

Demand for rental housing is likely to remain strong, no doubt impacted by Millennials who, in Connecticut, are burdened by the nation's 4th highest average education debt (\$32,326)<sup>8</sup> and by Baby Boomers seeking to downsize from the single-family homes they have occupied for decades.

Because of a lack of savings, many aging households may need to tap into the equity in their homes, which could lead to continued high sales volumes but, potentially, at depressed prices. The National Institute on Retirement Security reported that 45% of all working

households had no retirement savings while the median household had only \$5,000 in retirement savings. While Connecticut is second in the nation in retirement savings with a household average of nearly \$280,000, the state median, while unavailable, is likely to be significantly lower.<sup>9</sup>

Because a large majority of the state's municipalities are dominated by single-family housing stock (70% or more), 152 of the 169 towns have seen their real property grand lists (total value of taxable real property) flatten or fall between 2008 and 2016<sup>10</sup> (Fig 5). Perhaps as a result, an increasing number of towns, driven by market demand, have been adding multi-family housing stock and are likely to continue.

### Sources

1. U.S. Census Bureau
2. Connecticut Coalition to End Homelessness
3. Connecticut Department of Housing
4. Connecticut Homelessness Management Information System
5. National Low Income Housing Coalition
6. Warren Group
7. Department of Economic and Community Development
8. LendEdu
9. National Institute on Retirement Security
10. Connecticut Office of Policy and Management

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