

The State of Housing in Hartford – Citywide Analysis

City of Hartford CT
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Summary of Findings

State of the Hartford Housing Market

ISSUES

- There are some notable hotspots – downtown as an example – but overall demand is weak as reflected in pricing as well as discounting taking place in the market
- Tepid demand is impacting pricing and exacerbating credit problems in the city with a high level of “underwater” mortgages
- Population forecasts with essentially no growth exacerbate the issue of demand
- Low incomes levels for most city residents with a tight credit market mean the relative low cost of housing available in the city is not accessible
- Rents are high relative to income but not high enough to support major new construction unless its subsidized or low income oriented
- The age of the housing stock coupled with the product mix and style may negatively contribute to the tepid demand
- Several neighborhoods could see a transformation over the next decade due to their demographics
- Combination of relatively low housing density per acre in most of the city plus low income levels makes transit oriented development difficult

CONSIDERATIONS

- Improving the perception and desirability of Hartford as a place to live will help solve some of the pricing and “underwater mortgage” issues – and are critical to changing the present population forecasts and absorption rates
- Raising income levels of the citizens of the city will contribute to reducing the credit risk issues
- Supporting the development of new housing stock that promotes greater density as well as rehab of existing housing can offset the potential “housing product” issues to support potential latent demand that likely exists but is not evident by conventional research
- Corridor focused strategies could contribute to signaling the market on mixed use approaches in certain “beta sites” within the city



Housing Market Characteristics

Hartford housing supply/demand characteristics as measured by single family housing market performance - 2013

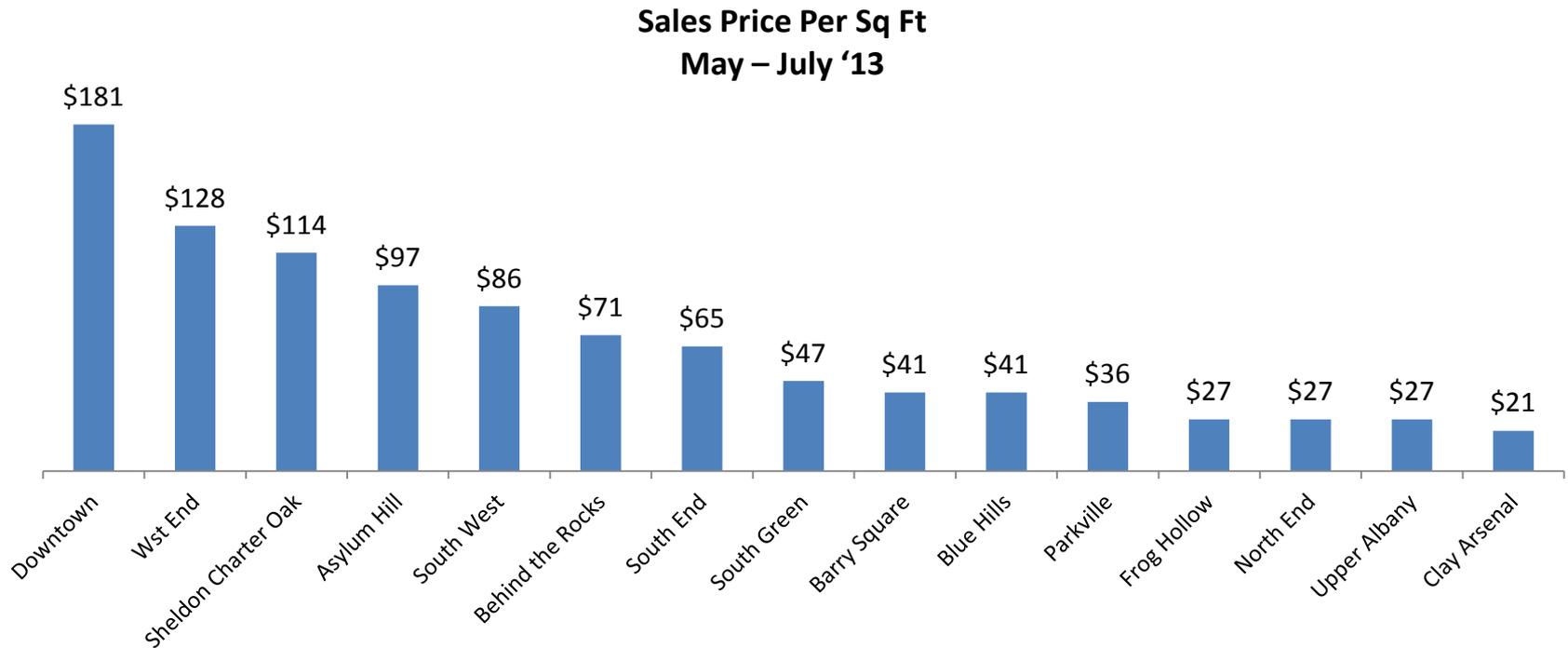
- This reflects a snapshot in time for the single family housing sales market
- In 2013 Week over week housing prices in all but four neighborhoods fell
- In 10 city neighborhoods year over year prices fell
- 78% of homes for sale were less than \$150,000

Hartford neighborhoods	Avg. listing price		Avg. sales price		Median sales price	
	Week ending Aug 7		May-Jul '13		May-Jul '13	
Name	Amount	Week over Week	Amount	Year over Year	Amount	Year over Year
West End	\$481,568	-5.00%	\$315,789	-6.00%	\$338,000	4.00%
Downtown	\$256,886	2.00%	\$139,804	-28.70%	\$160,000	17.40%
Clay Arsenal	\$190,429	-8.90%	\$97,308	7.00%	\$71,925	-20.90%
Barry Square	\$184,851	-4.00%	\$85,500	-40.10%	\$77,000	-40.80%
Frog Hollow	\$160,029	-14.80%	\$96,667	-79.00%	\$70,000	-13.00%
Sheldon Charter Oak	\$158,716	5.90%	\$152,632	79.60%	\$152,632	190.70%
South End	\$150,239	3.10%	\$154,985	40.50%	\$175,258	86.40%
Blue Hills	\$139,075	1.20%	\$54,171	-47.60%	\$49,000	-49.70%
South West	\$135,737	-3.40%	\$122,604	-7.40%	\$129,000	-7.80%
Parkville	\$130,300	-1.20%	\$91,565	-13.80%	\$91,565	-23.70%
Behind the Rocks	\$127,183	2.50%	\$100,200	-3.10%	-	-
North End	\$93,887	-3.70%	\$77,353	-7.30%	\$60,000	-7.70%
South Green	\$86,948	-7.10%	\$83,333	123.70%	\$78,000	102.60%
Asylum Hill	\$76,935	-2.90%	\$79,312	-95.90%	\$53,250	-61.80%
Upper Albany	\$69,906	-0.60%	\$107,381	1.70%	\$114,931	14.70%
South Meadows	\$36,500	-	-	-	-	-

Source: NP analysis of Trulia analytics

Several neighborhoods are selling at deep discounts compared to other parts of the city

- Sales price per sq ft is a more accurate assessment of pricing
- 82% of the available housing in the city sells for less than \$100 per sq ft
- Excluding downtown there is a 500% difference in housing prices per sq ft in Hartford between the West End and Clay Arsenal

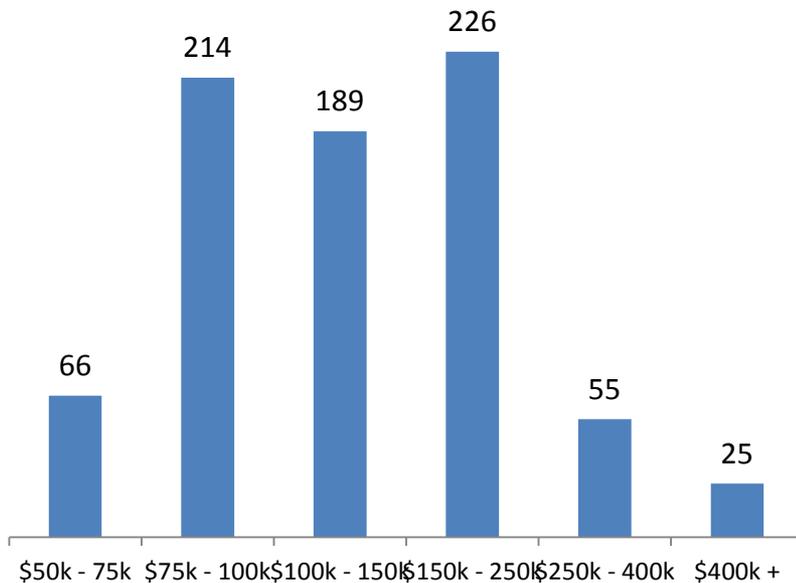


Source: NP team analysis of Trulia sales data

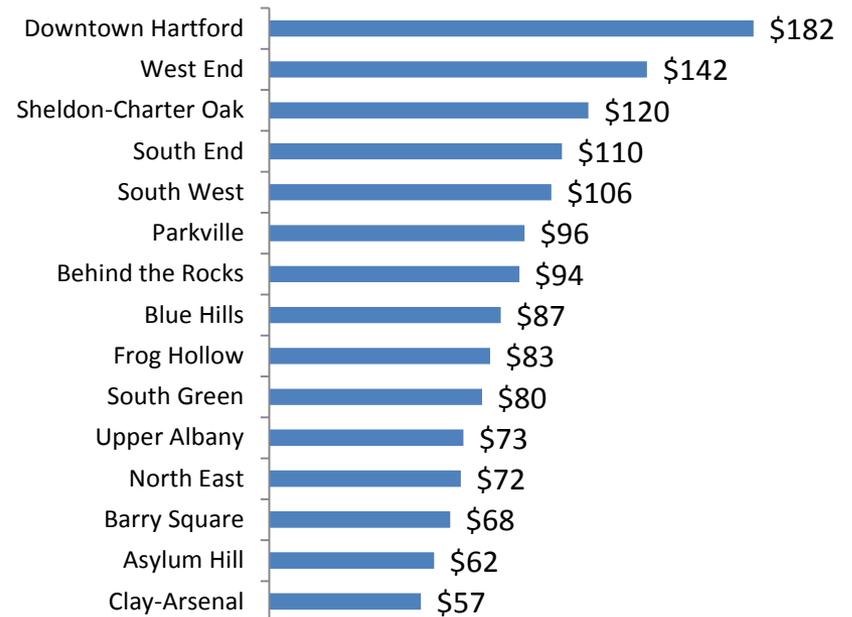
The 2014 market continues the performance of the 2013 market

- Current housing market conditions thru June 30, 2014
- Weakness in pricing
 - 86% of the homes for sale in the city are less than \$150,000
 - 31.7% of listings have been through a price cut
 - 24.9% sold below list
- Large pricing differentials across neighborhoods remain

Price Distribution Available Homes
543 total



Price per sq ft

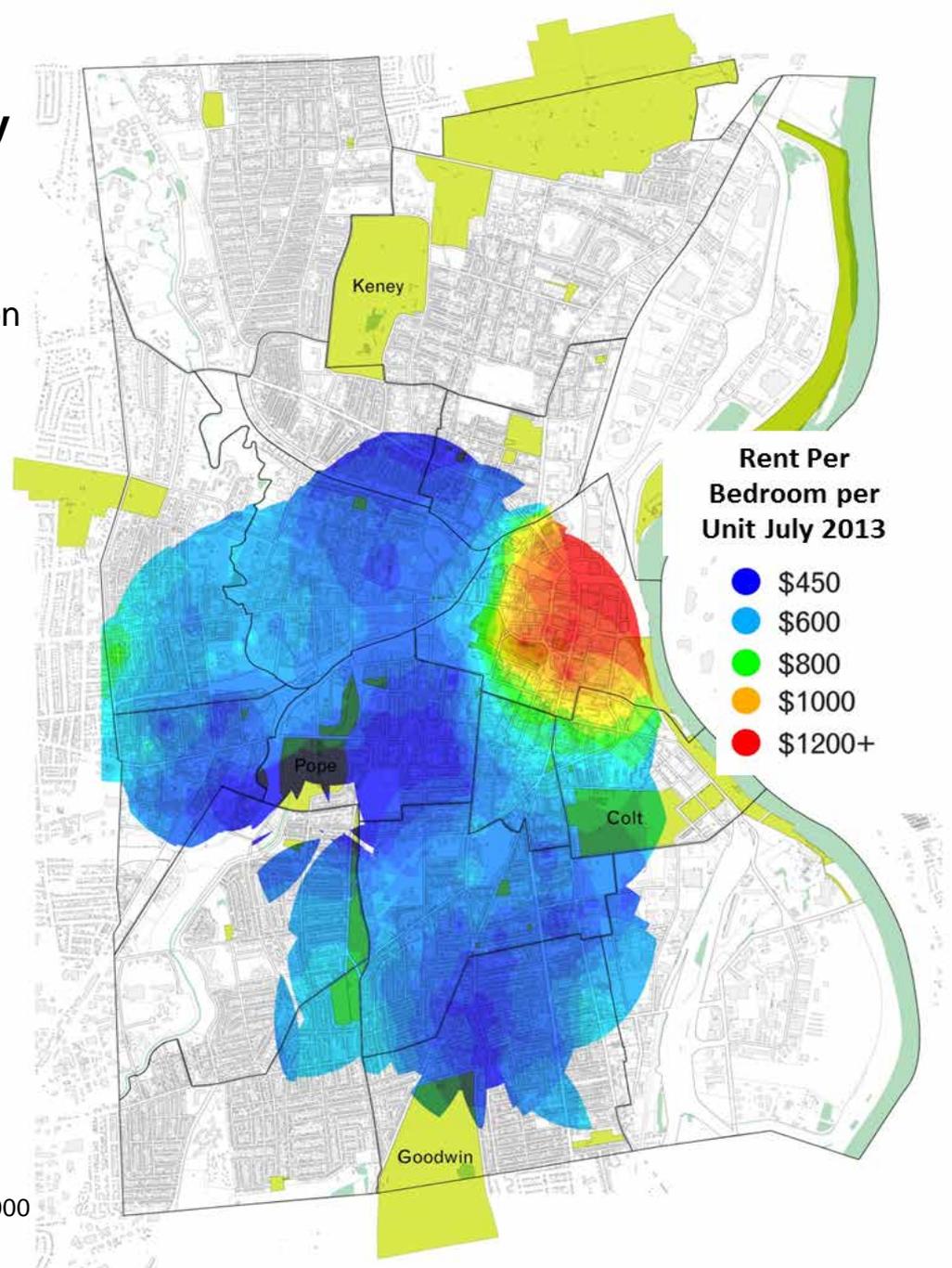
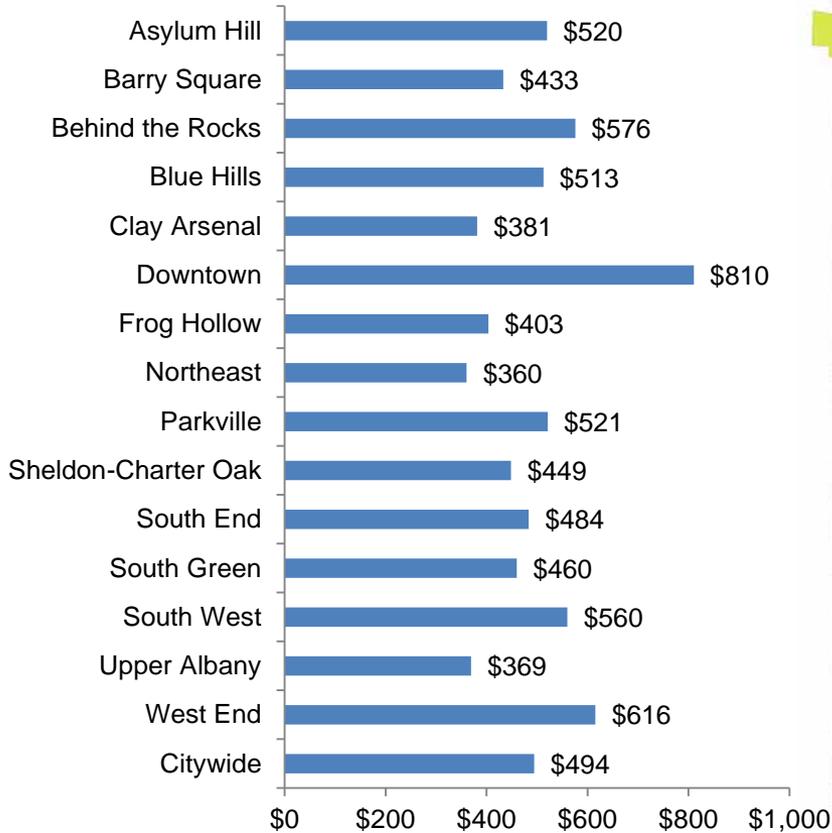


Source: NP analytics of Zillow Housing Market Analytics

Rents are most expensive in the downtown and along the periphery of the city

- Rent data is spotty requiring use of a variety of sources to obtain the information

Mean Rent Per Bedroom



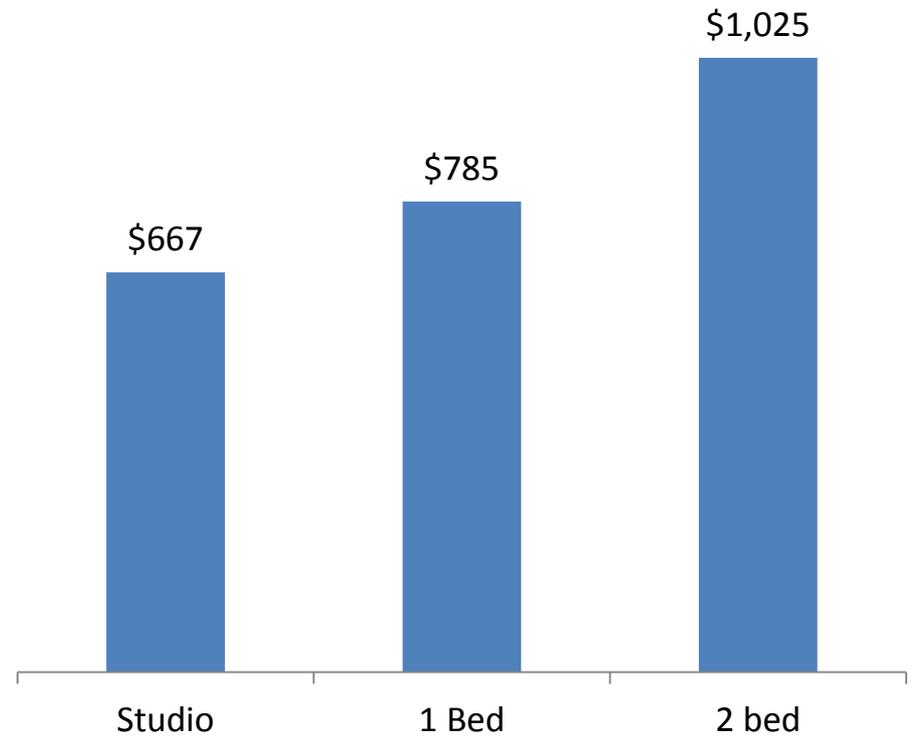
“Investor” apartment complex key rental market characteristics

Market performance

- Vacancy Rate: 3.7%
- Rent escalation rate: 1.6%
3 yr annualized average
- Absorption /Lease Up
Rates: 11 units per month

Note: investor apartment complex = owned by an apartment investment business that owns buildings with multiple units

Apartment Complex Rental Average Rental Rates

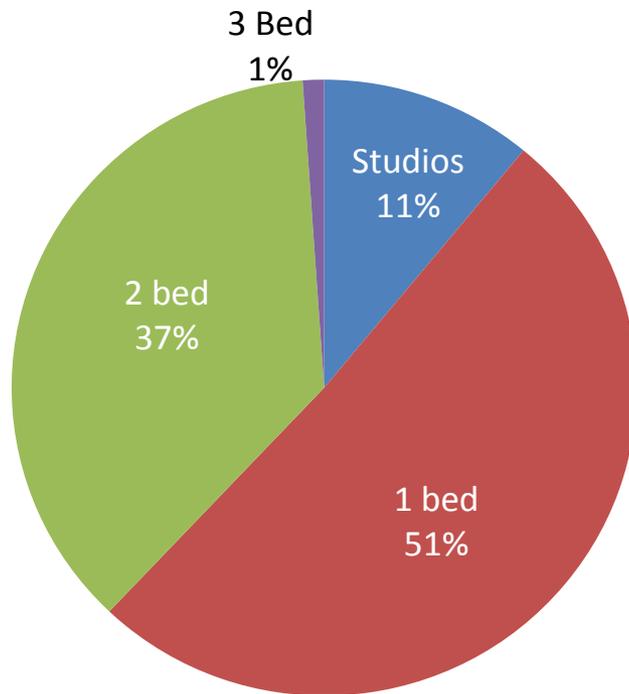


Source: NP analysis of REIS 2013 Hartford submarket report

Hartford's "investor" apartment infrastructure is largely one bedroom in older structures

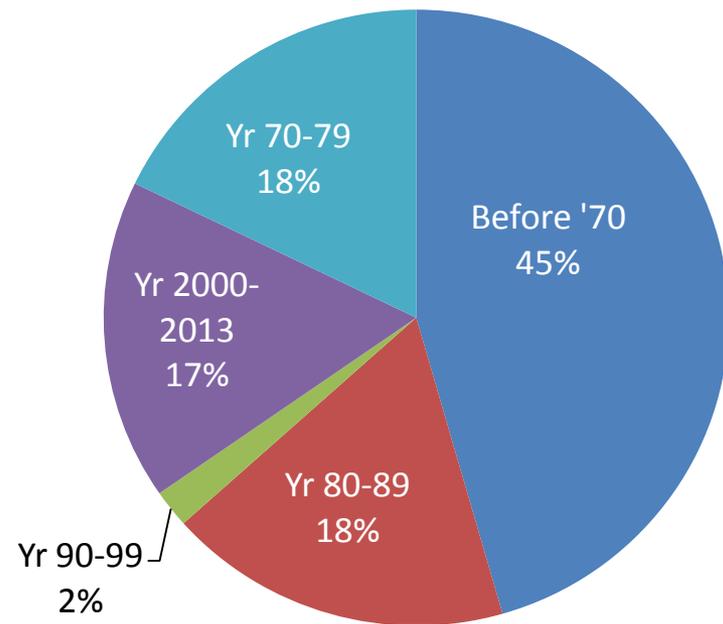
The majority of the apartment units are designed for 1-2 people

Apartment Complex Inventory Mix



In apartment complexes in most cases more than 35 years old

Age of Inventory Mix Construction Year

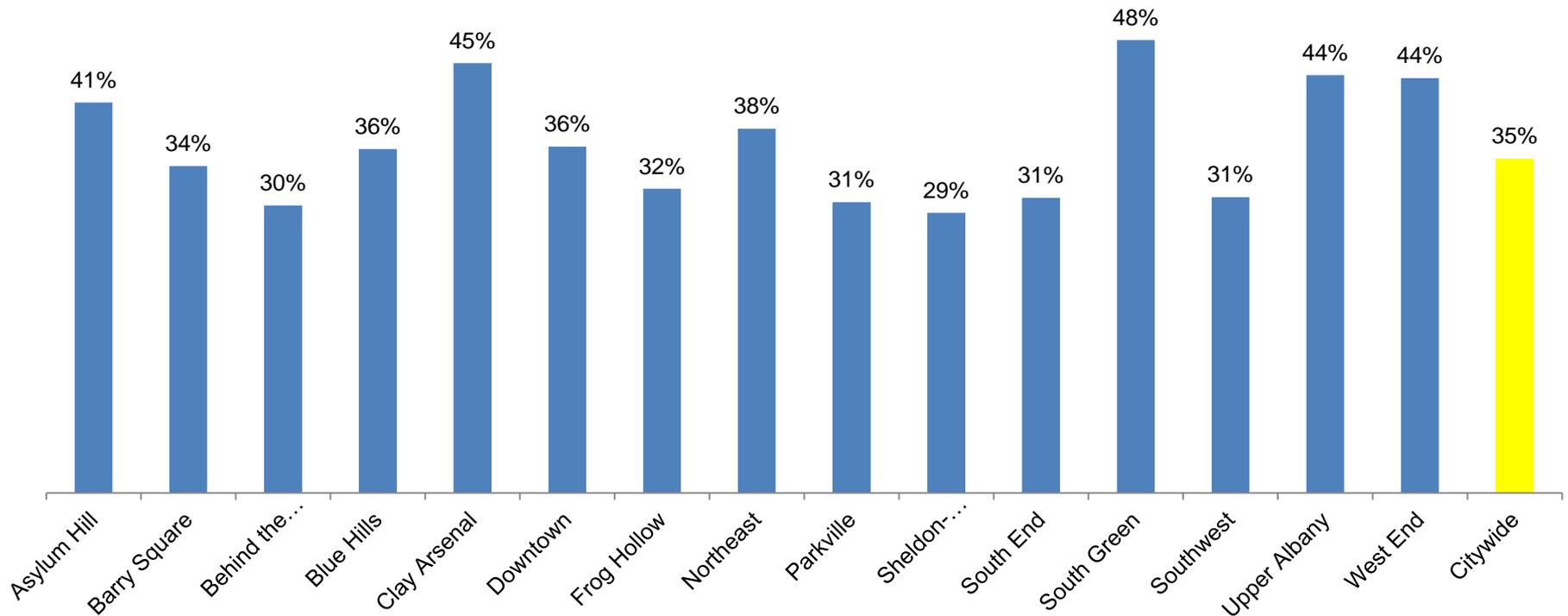


Source: NP analysis of REIS 2013 Hartford submarket report

Hartford's neighborhoods have seen significant levels of activity and investment

- Sales data from assessor records and building permits issuances were evaluated to create a measure of housing stock investment
- Citywide 35% of the housing stock has had some form of investment made into it
- Several neighborhoods are approaching 50%

Percent of Residential Parcels w/ Permit or Sold, By Neighborhood Last 3 years

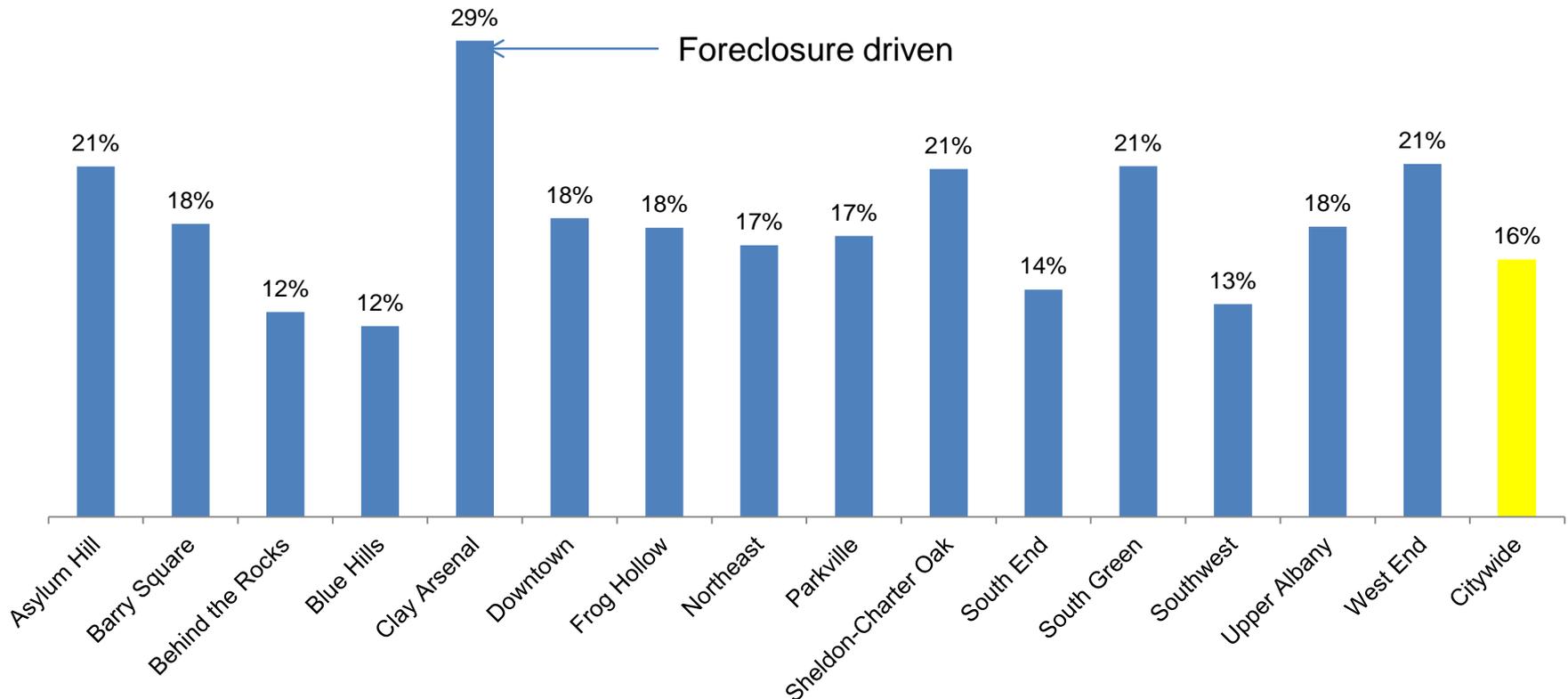


Source: NP team analysis based on city of Hartford GIS data

Neighborhood desirability and foreclosures are contributing to sales activity.

- Citywide 16% of residential parcels have been sold with several neighborhoods over 20%

Percent of Residential Parcels Sold in the Last 3 Years, By Neighborhood

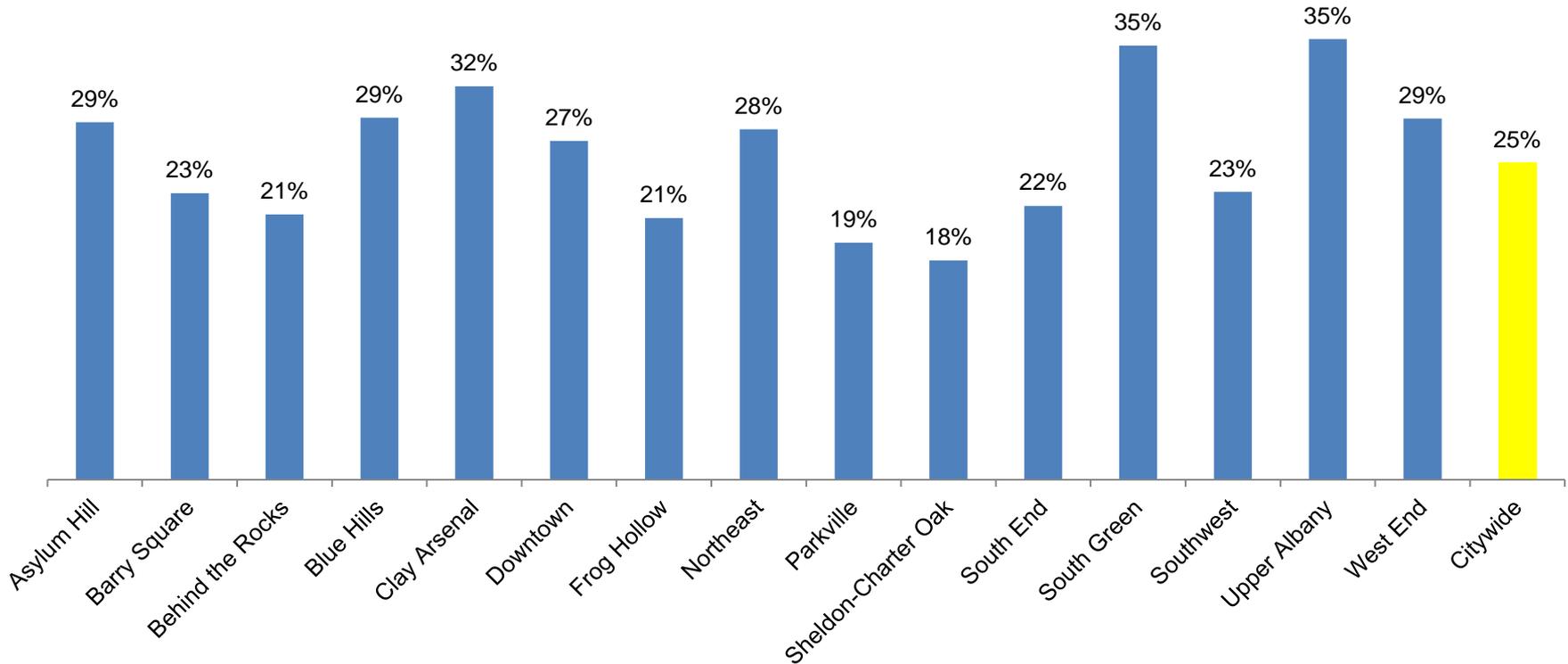


Source: NP team analysis based on city of Hartford GIS data

Twenty-five percent of the housing stock in the city has had some form of building improvement occur

- Eight neighborhoods have had a higher percentage of activity than the city

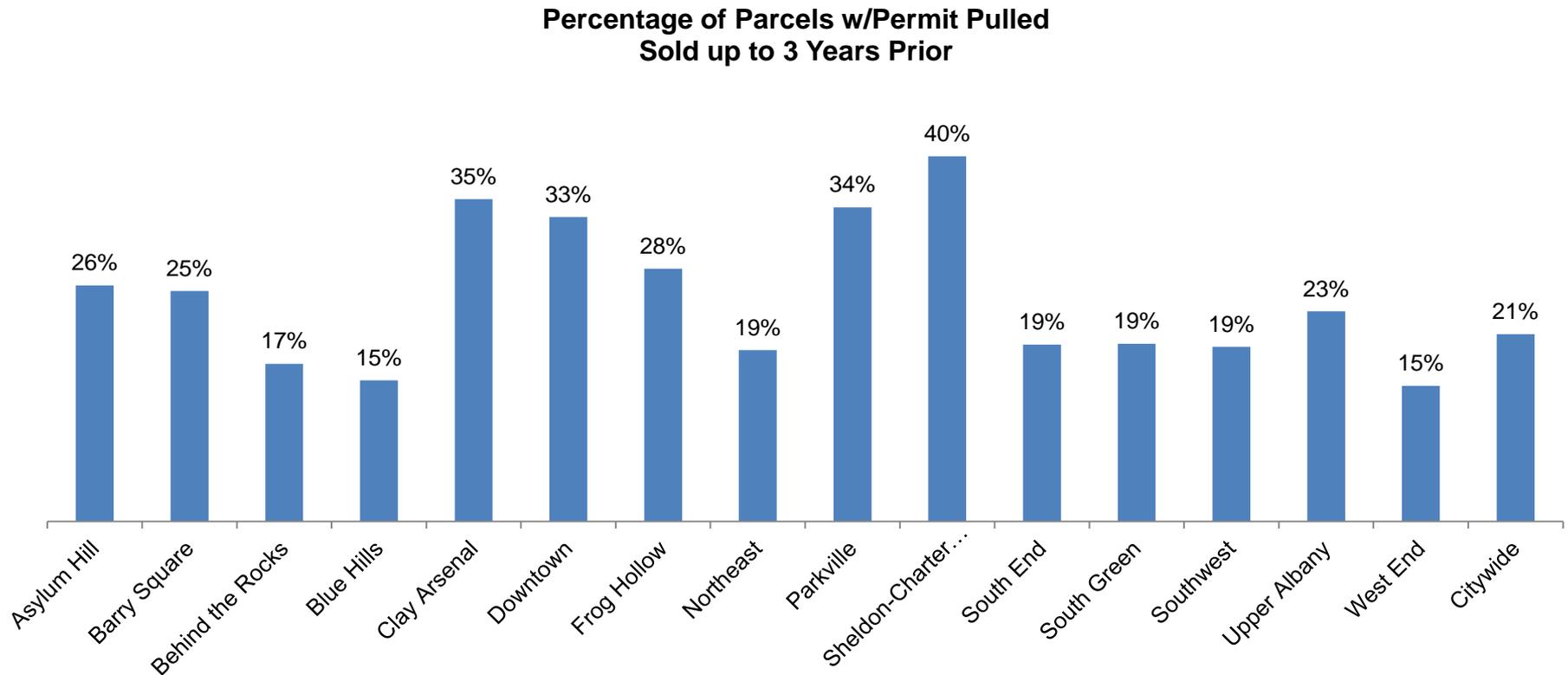
Percent of Residential Parcels with Permit since 2008, By Neighborhood



Source: NP team analysis based on city of Hartford GIS data

Home sales generate renovations

- Homes were tracked for 3 years after sale to determine if construction permits were pulled on them
- For a number of neighborhoods in the city sales activity has also generated construction permits
- For example 40% of Sheldon Charter Oak recent sales in the last 3 years have had a building permit also pulled



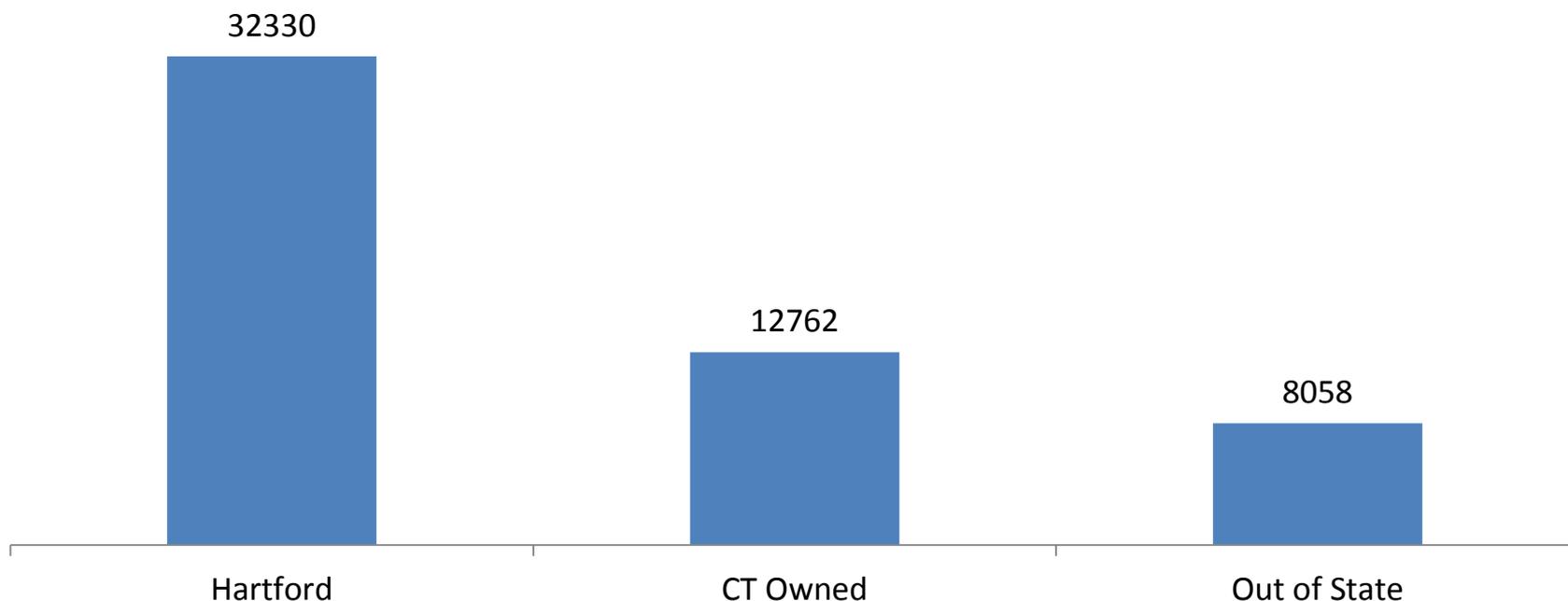
Source: NP team analysis based on city of Hartford GIS data

Housing Stock Characteristics

More than 20,000 housing units or approximately 38% in the city of Hartford are owned by non Hartford entities

- Note this is units not structures or parcels

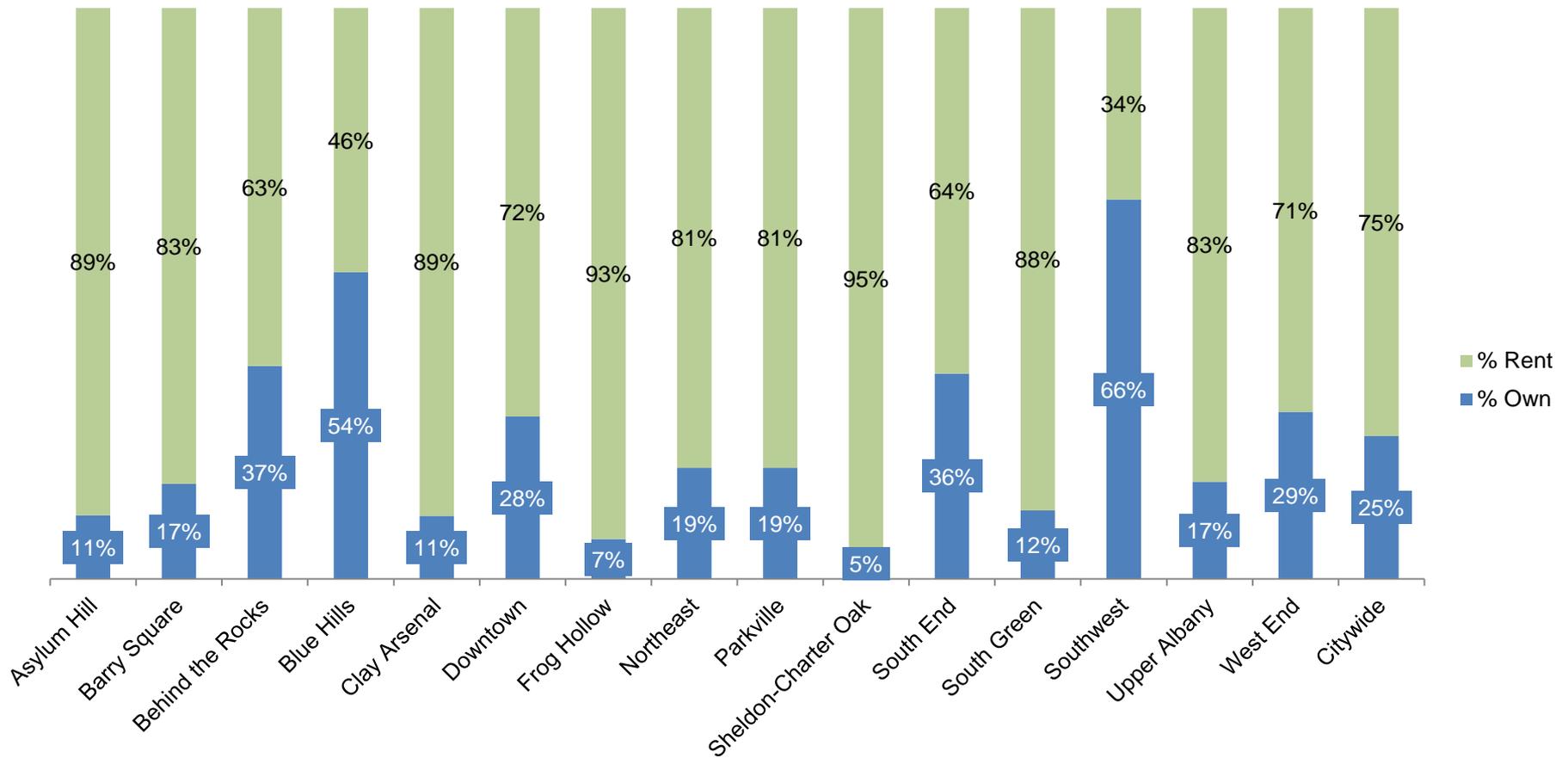
Housing Unit Ownership



Source: NP team analysis of Hartford GIS & tax record data

By one measure, households, Hartford is a city of renters

Percentage of Renter-Occupied and Owner-Occupied Households

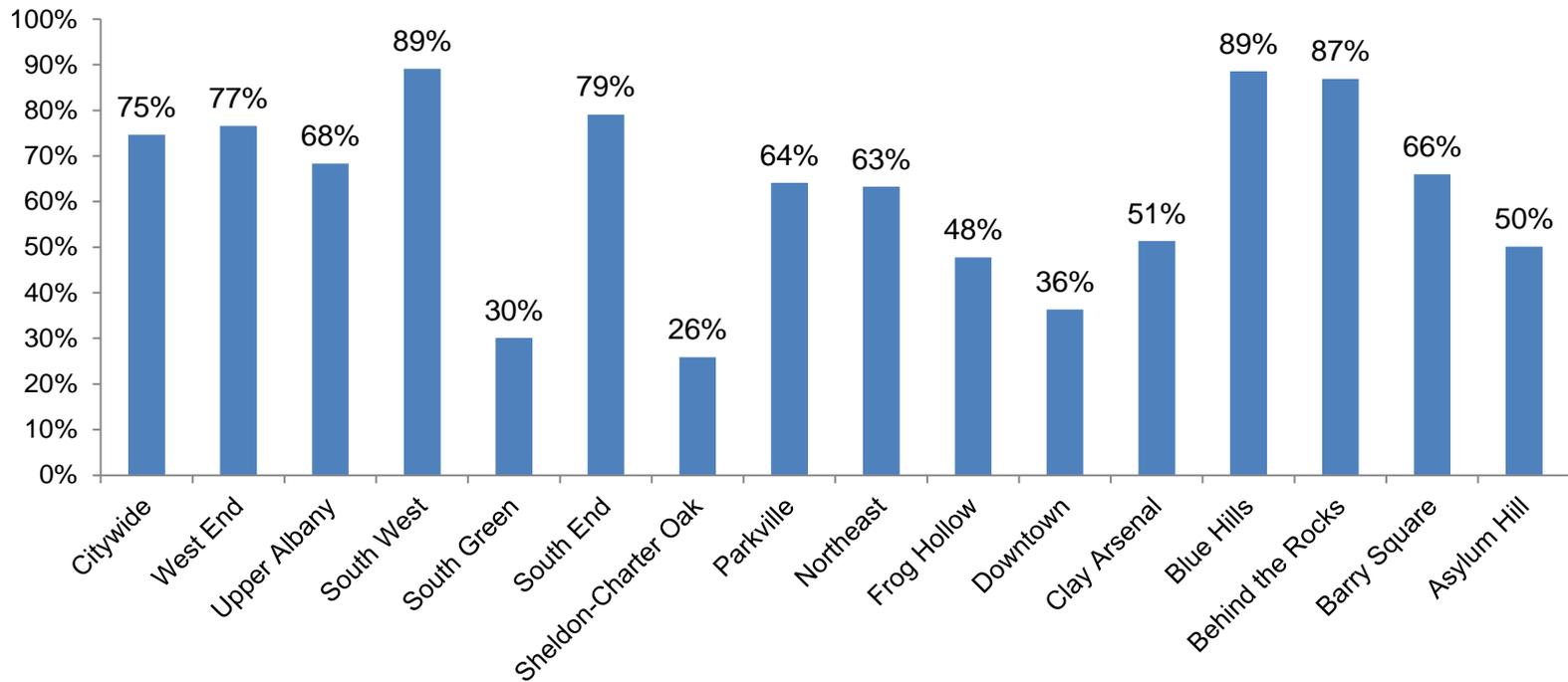


Source: NP team analysis based on 2007-2011 ACS 5-year estimates

However, 75% of housing structures in Hartford are owner occupied

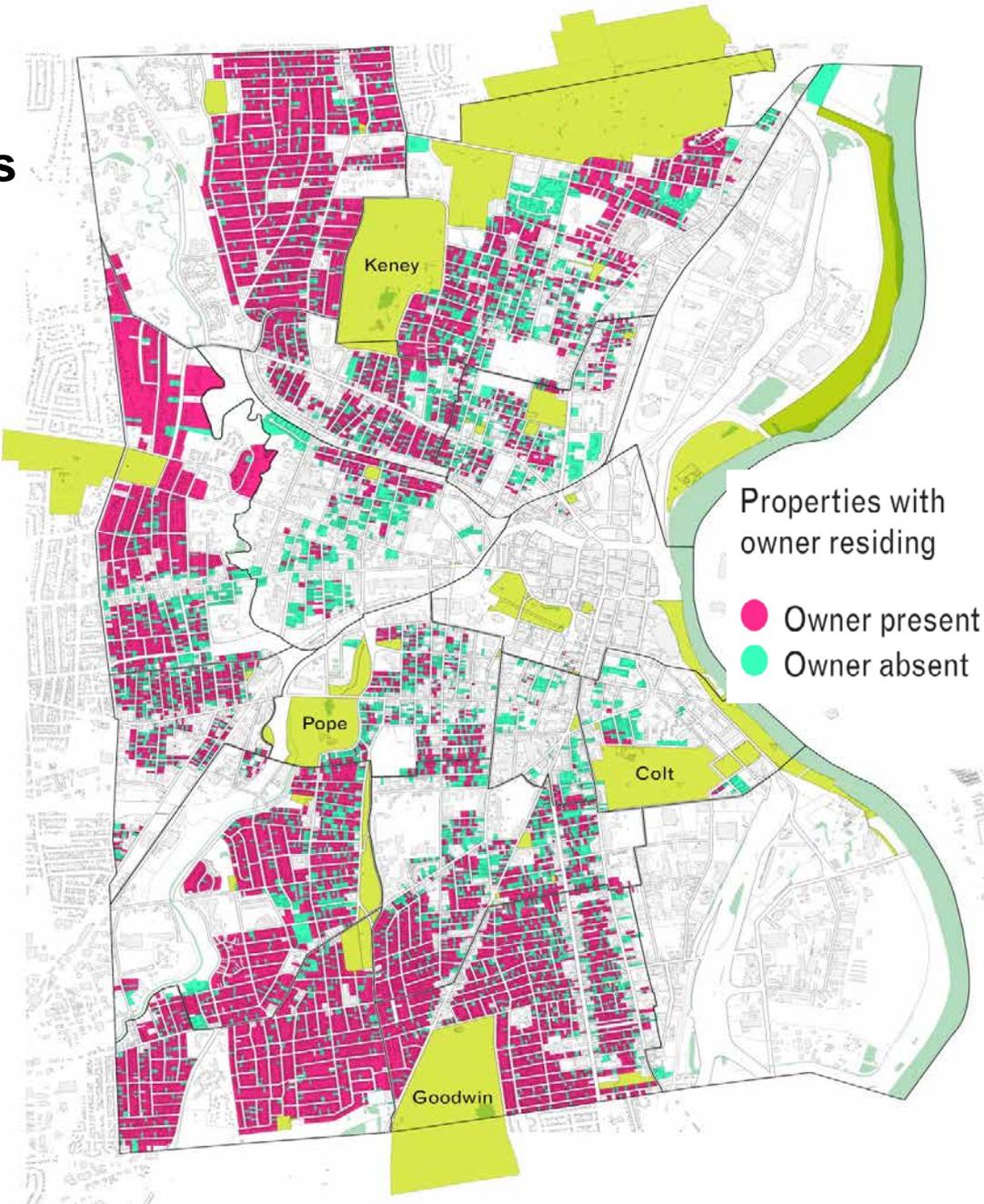
- 12 neighborhoods have more than owner residing rates of 50%
- This challenges the notion that Hartford is a city of renters

Percent of Housing Structures with Owner Residing
2013



Source: NP team analysis of Hartford GIS & tax record data

Hartford owner occupied housing structures locations



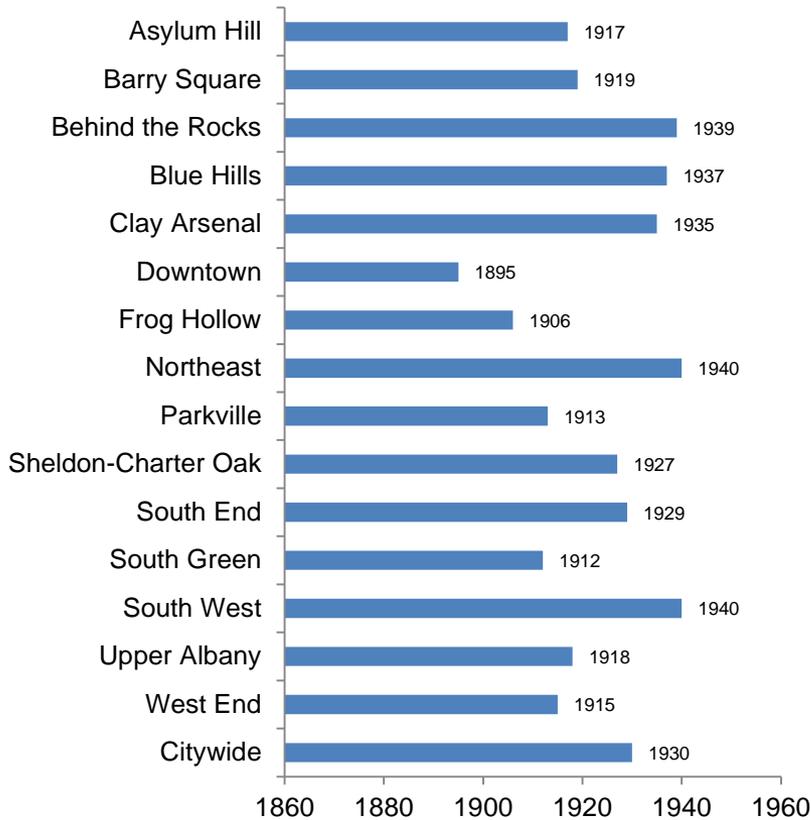
Properties with owner residing

- Owner present
- Owner absent

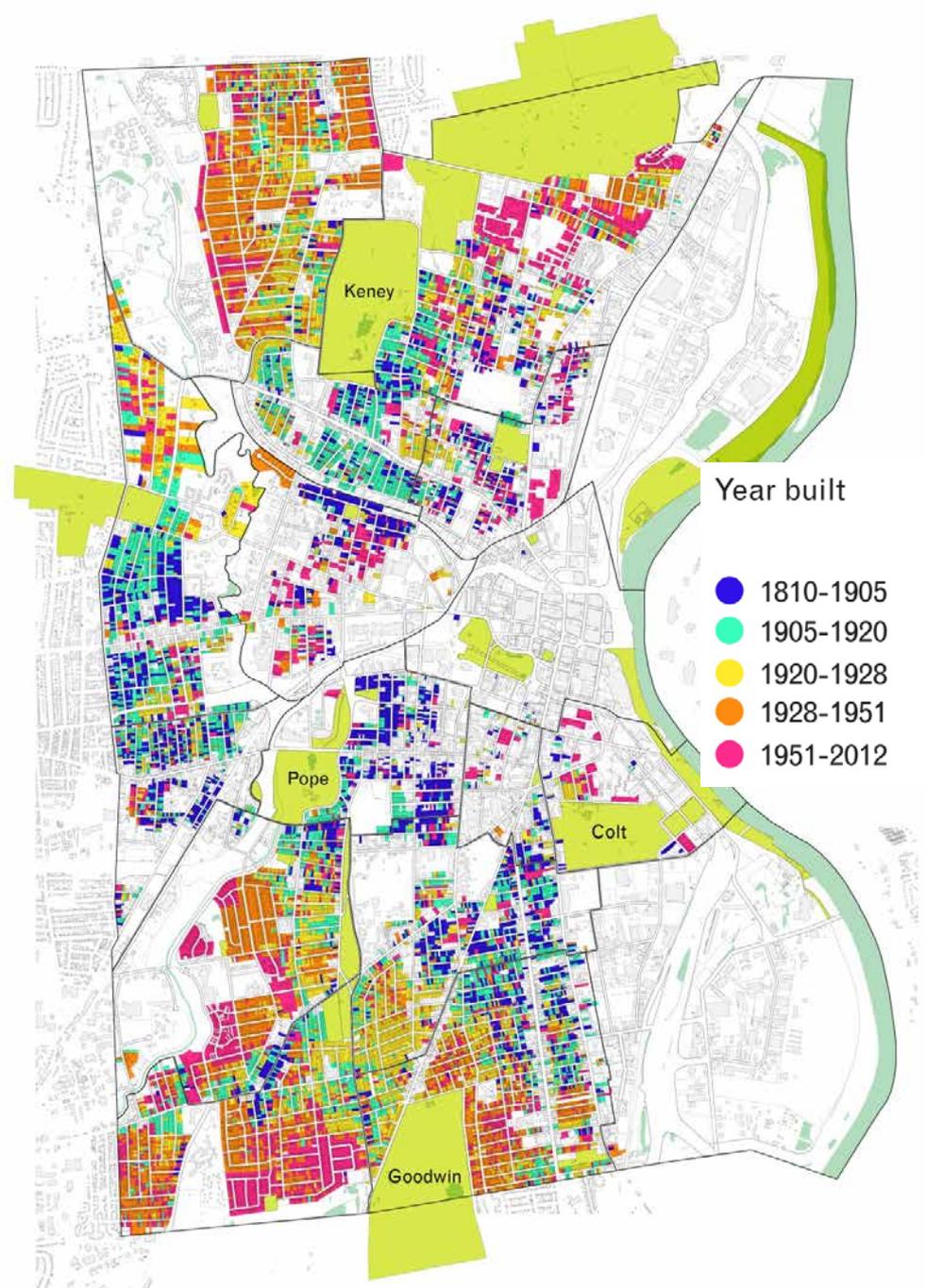
Hartford housing stock is old

- Properties closer to downtown are older than properties further out
- The core of the city dates to the 19th century.

Mean Year Built



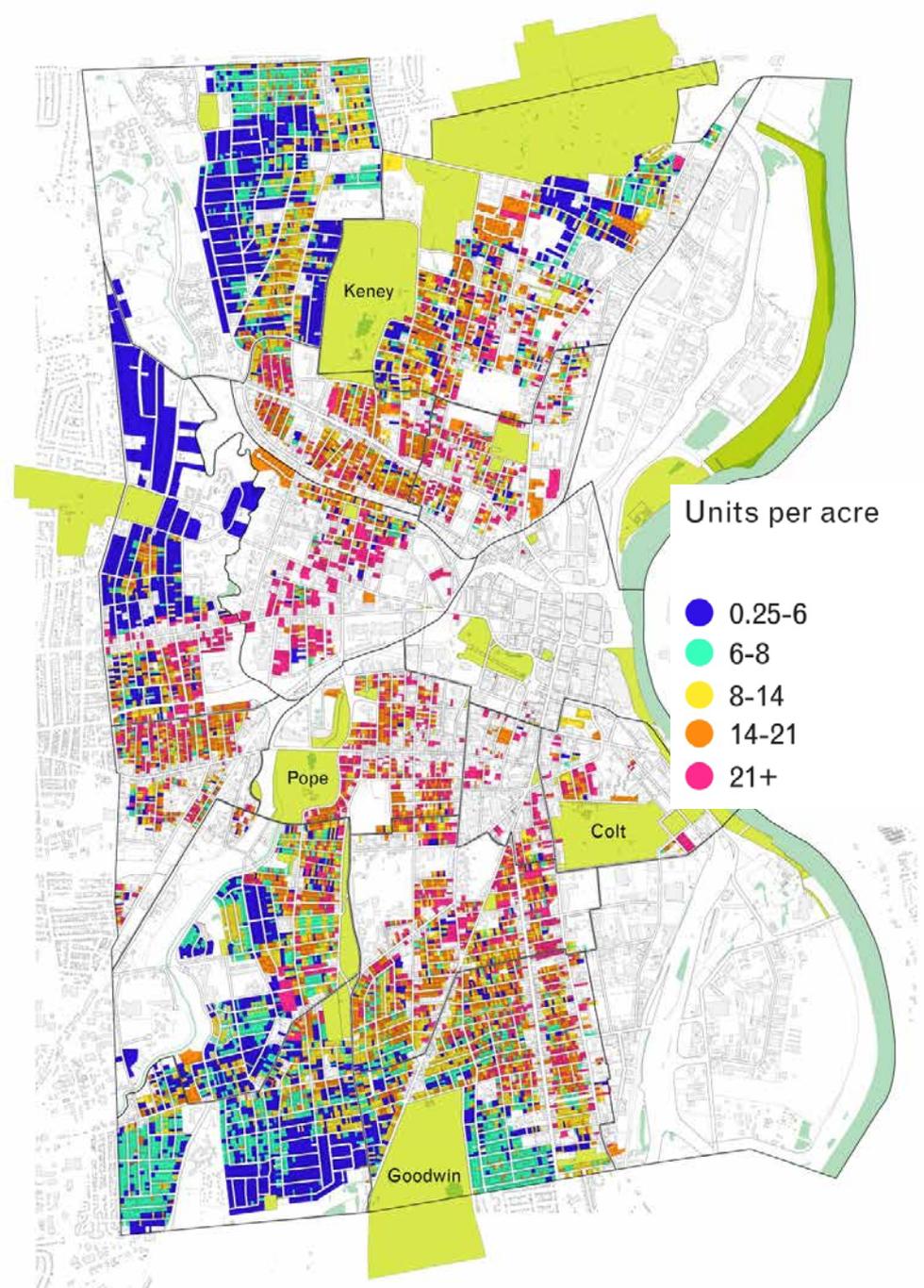
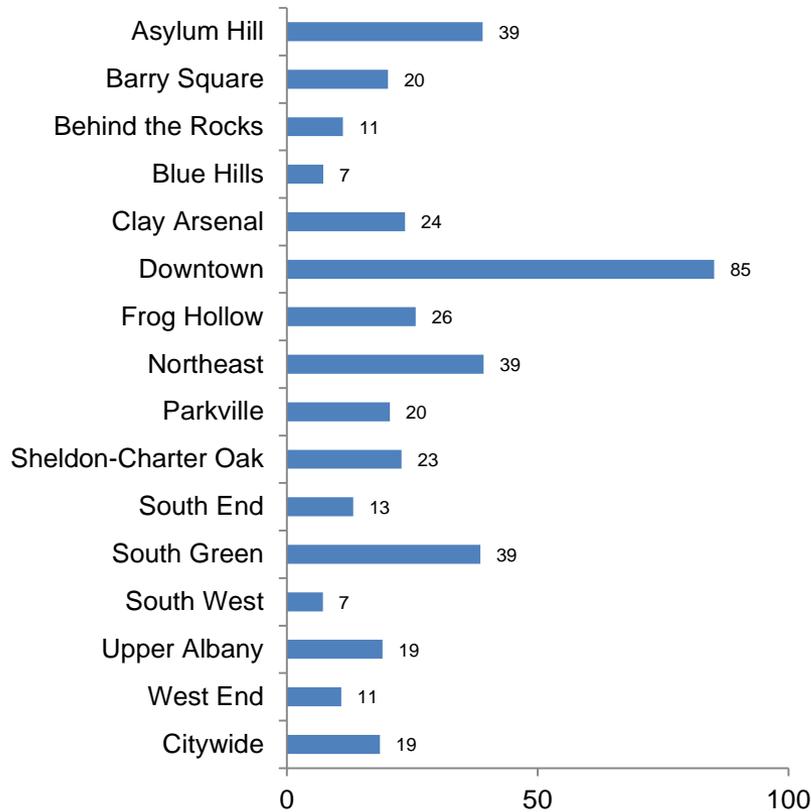
Source: NP team analysis of Hartford GIS & tax record data



Citywide on average there are 19 housing units per acre

- Density of residential units is lower as distance from downtown increases.

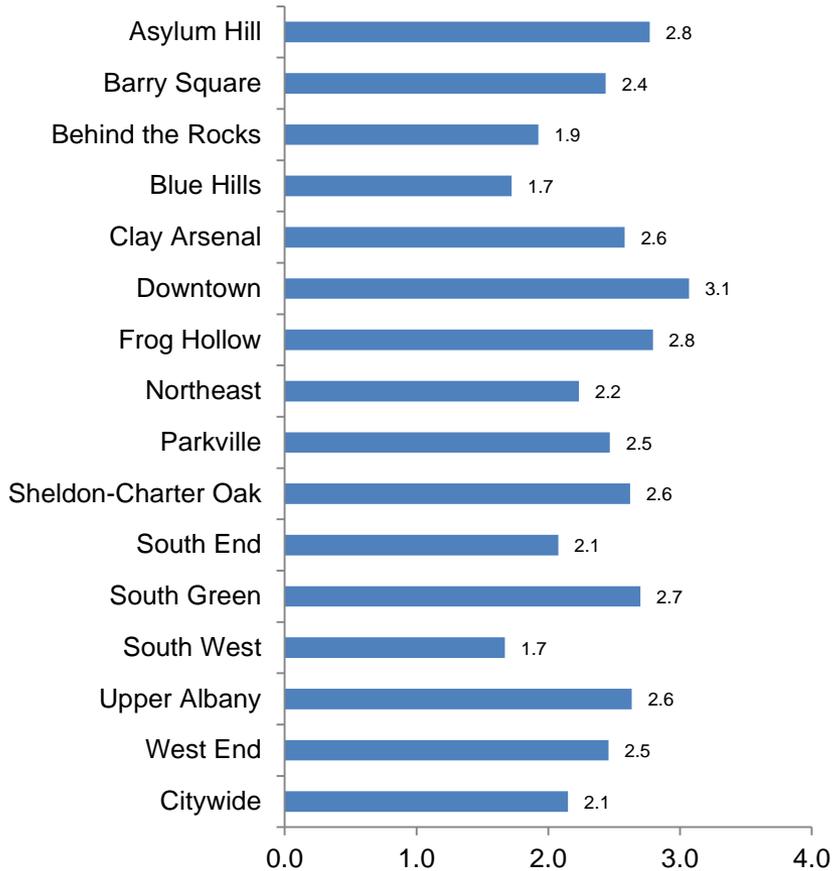
Mean Units per Acre



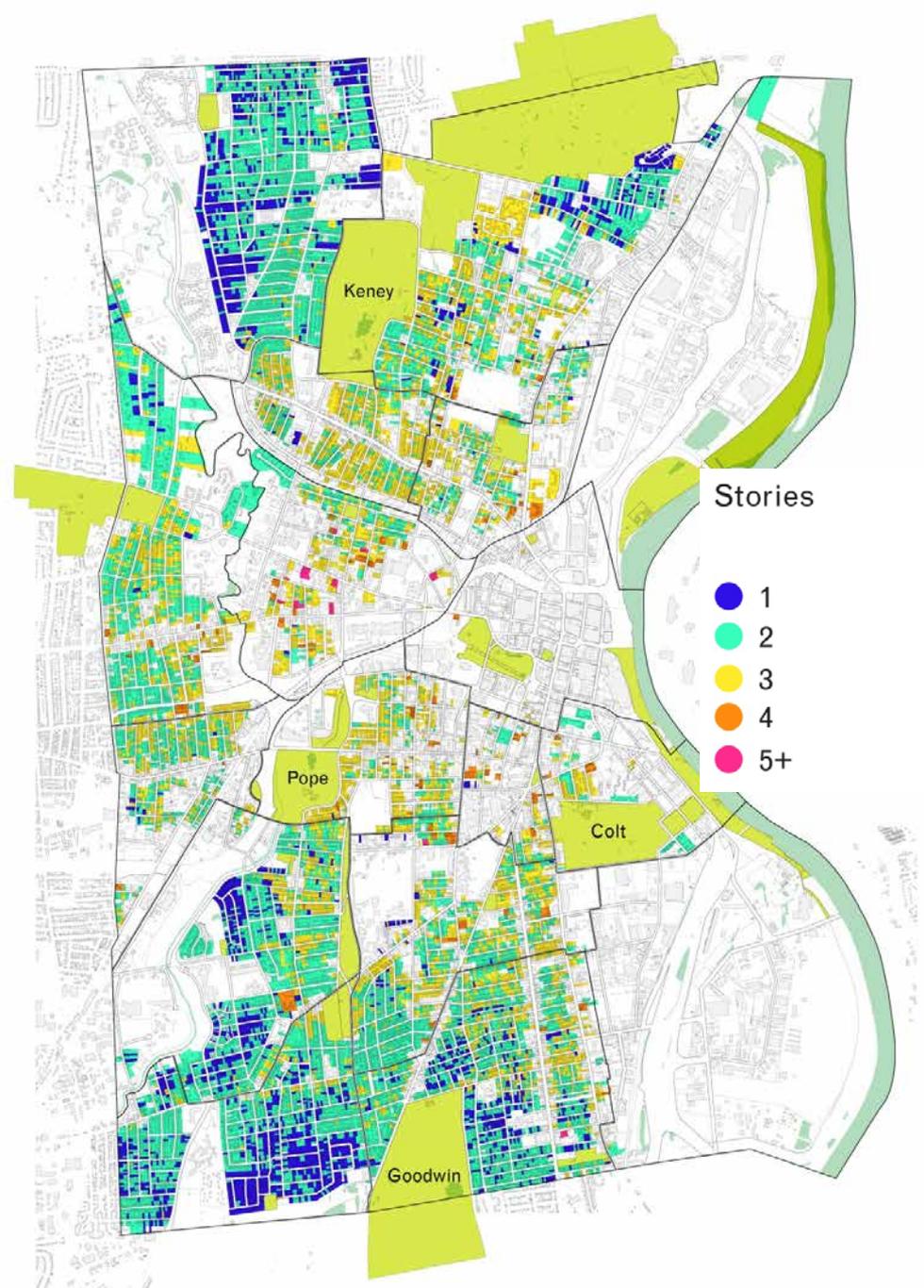
Source: NP team analysis of Hartford GIS & tax record data

Most of the housing units in Hartford are between 2 and 3 stories with higher units closer to the downtown

Mean Story Height



Source: NP team analysis of Hartford GIS & tax record data

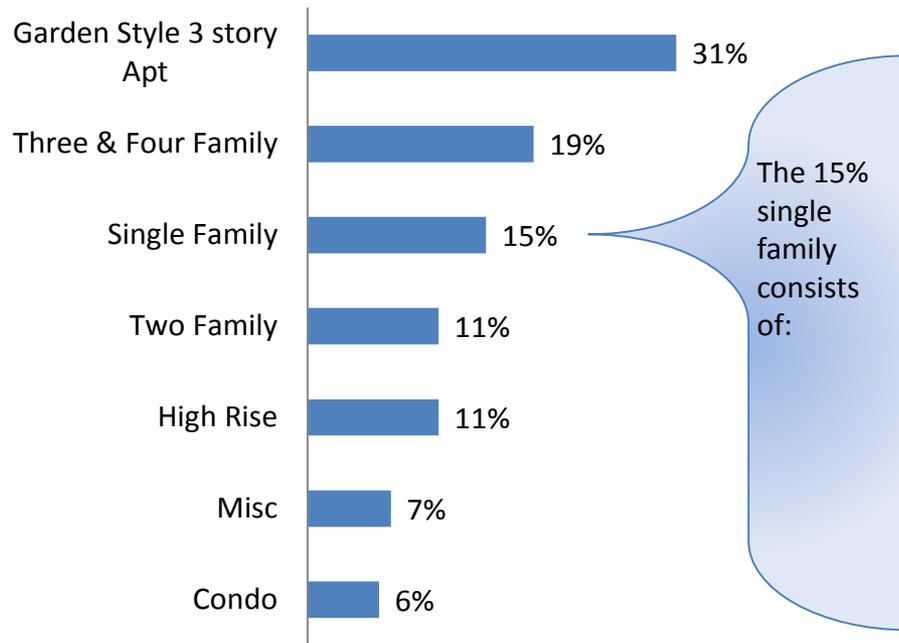


52000 identified housing units in the city representing the following styles and segments

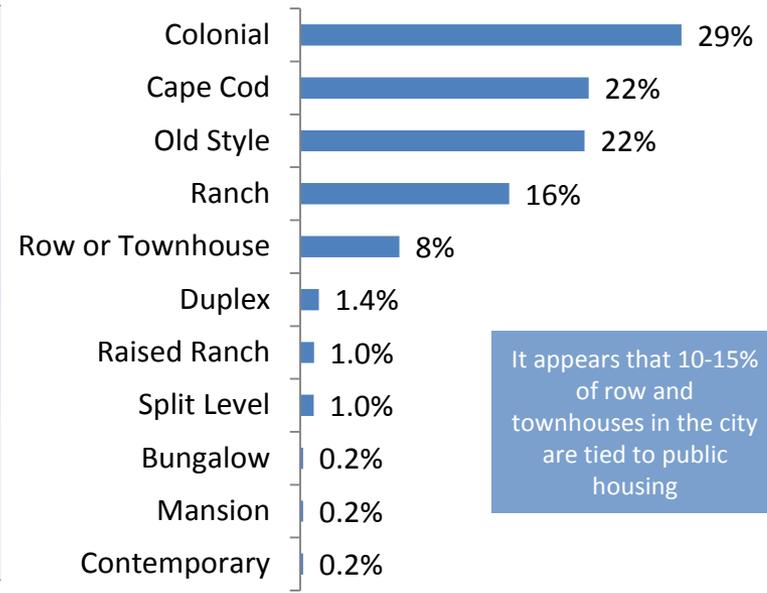
2 to 4 family housing represents 30% of the housing stock

Denser forms of city single family housing such as Duplexes and Row/Townhouse are only 10% of single family housing

Distribution of Housing Types



Single Family Non Condo Housing Types As % of single family ~7600 units



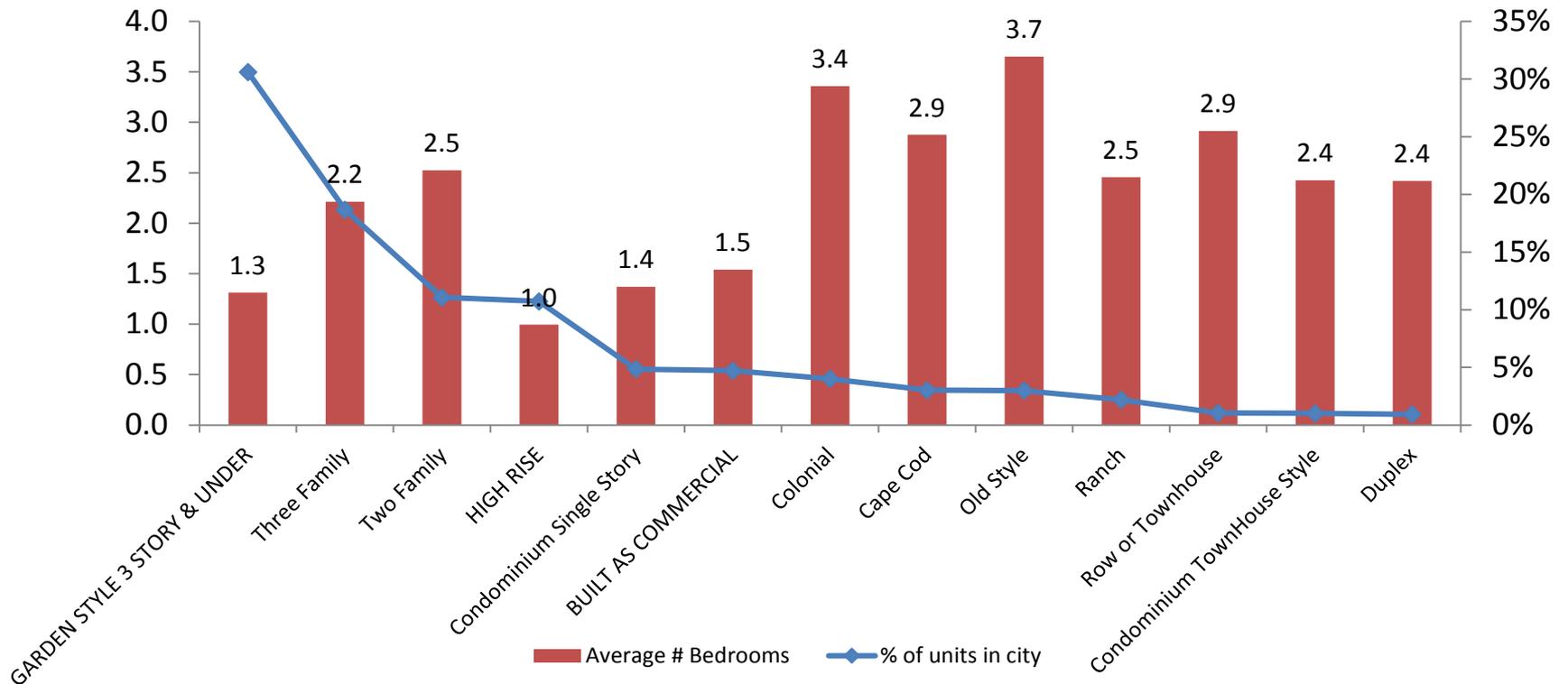
It appears that 10-15% of row and townhouses in the city are tied to public housing

Source: NP team analysis of Hartford GIS & tax record data

Hartford's single family homes have on average the largest number of bedrooms among units of housing in the city

- Garden style apartment housing represents 31% of housing units but has one the smallest average number of bedroom sizes at 1.3
- The average housing unit in Hartford has 1.8 bedrooms per unit

**Avg # of bedrooms
By type of housing unit**

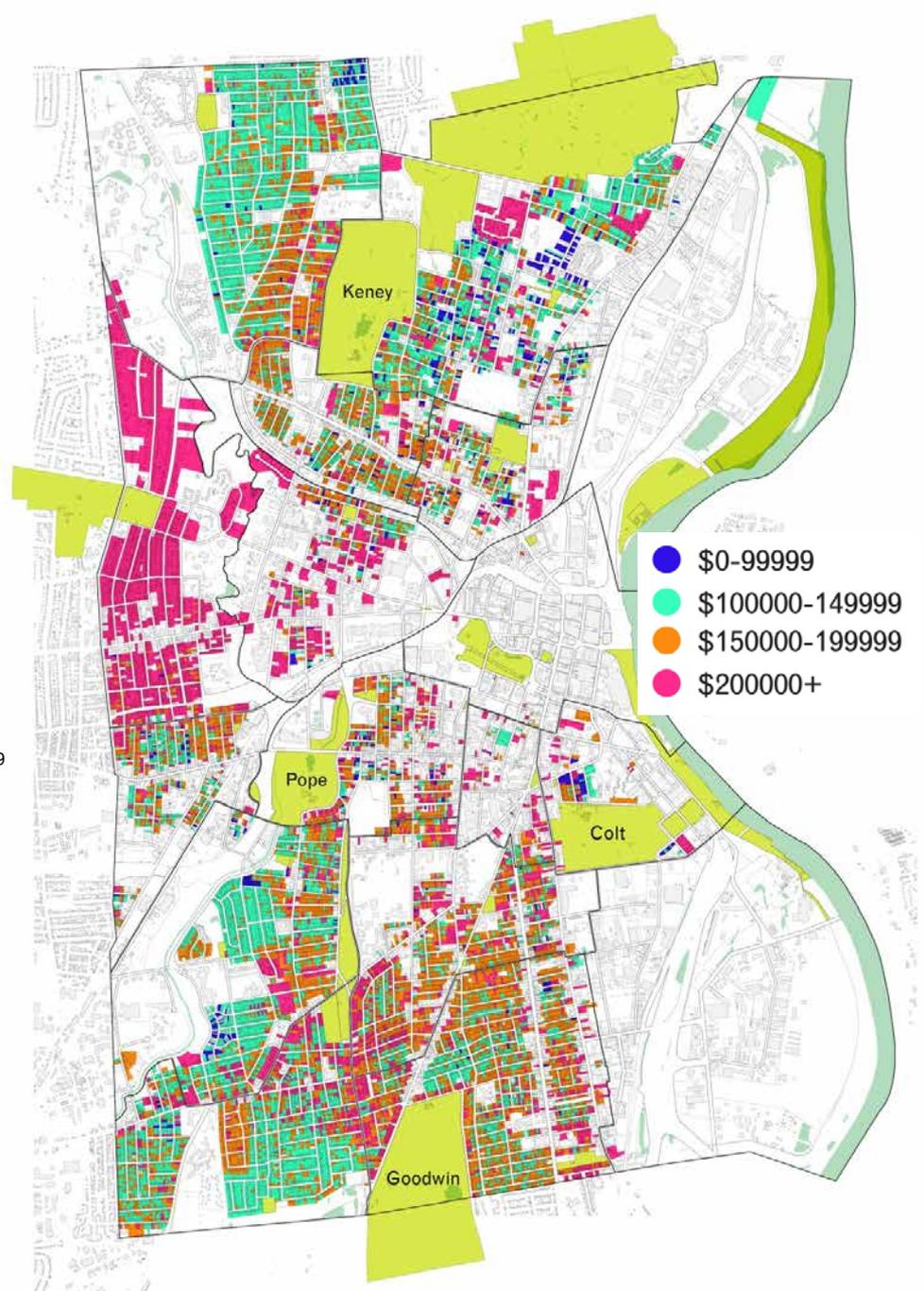
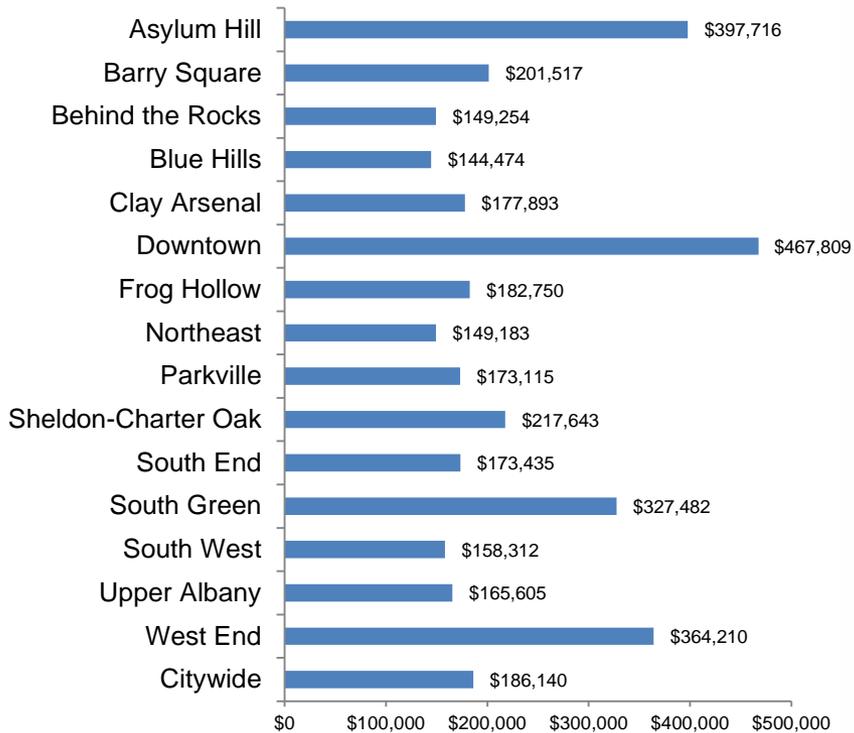


Source: NP team analysis of Hartford GIS & tax record data

Average assessed value in the city tend to fall within the same value corridors but four substantial outliers exist

- Assessed value is NOT correlated with distance from the downtown

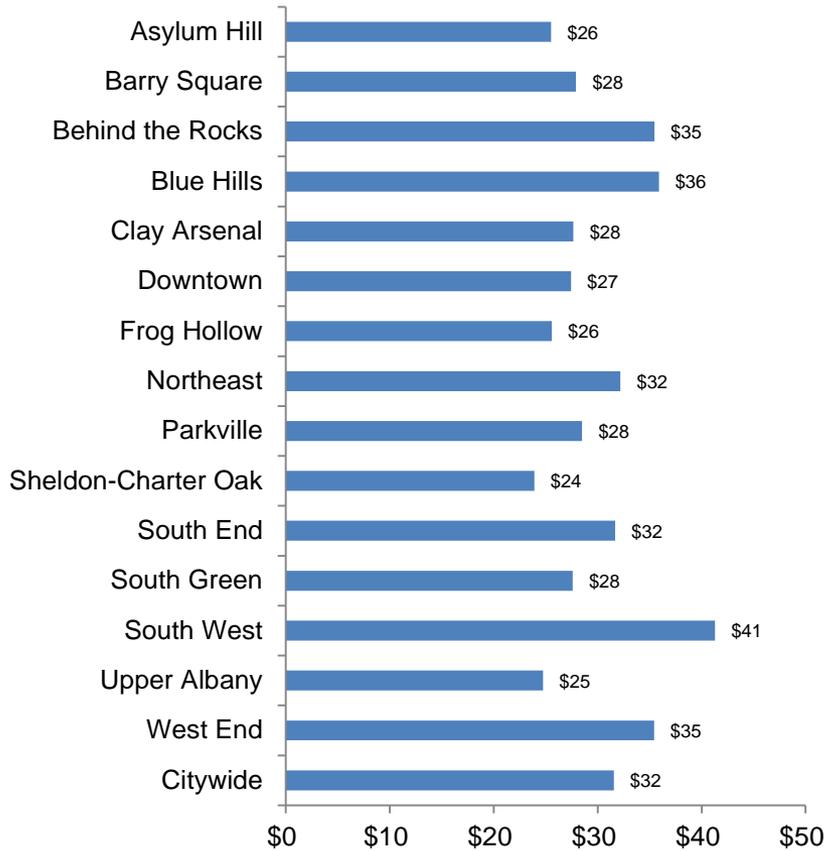
Mean Assessed Value



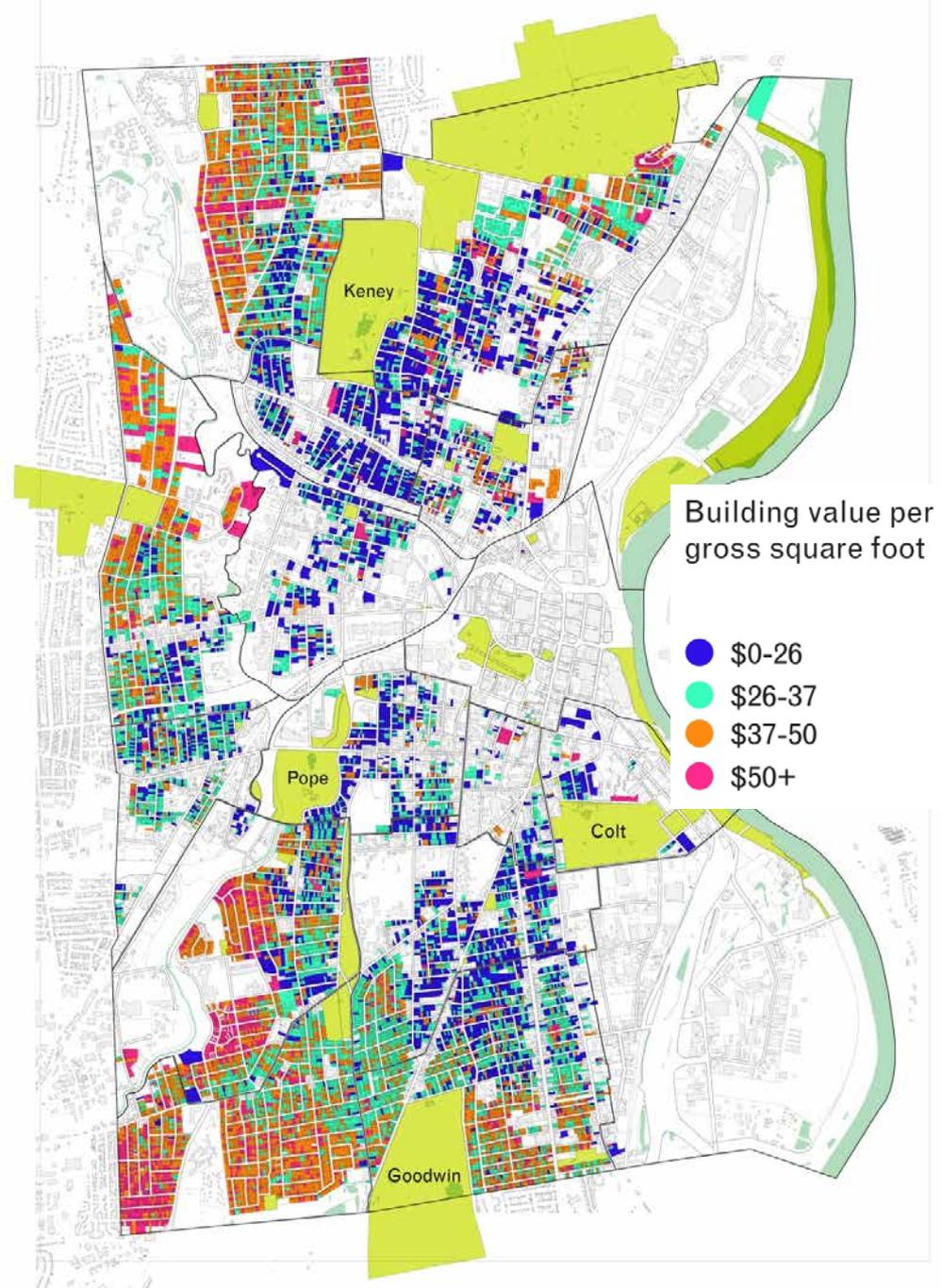
Source: NP team analysis of Hartford GIS & tax record data

Properties closer to downtown are valued less on a per square foot basis than properties further out.

Mean Building Value per GSF



Source: NP team analysis of Hartford GIS & tax record data



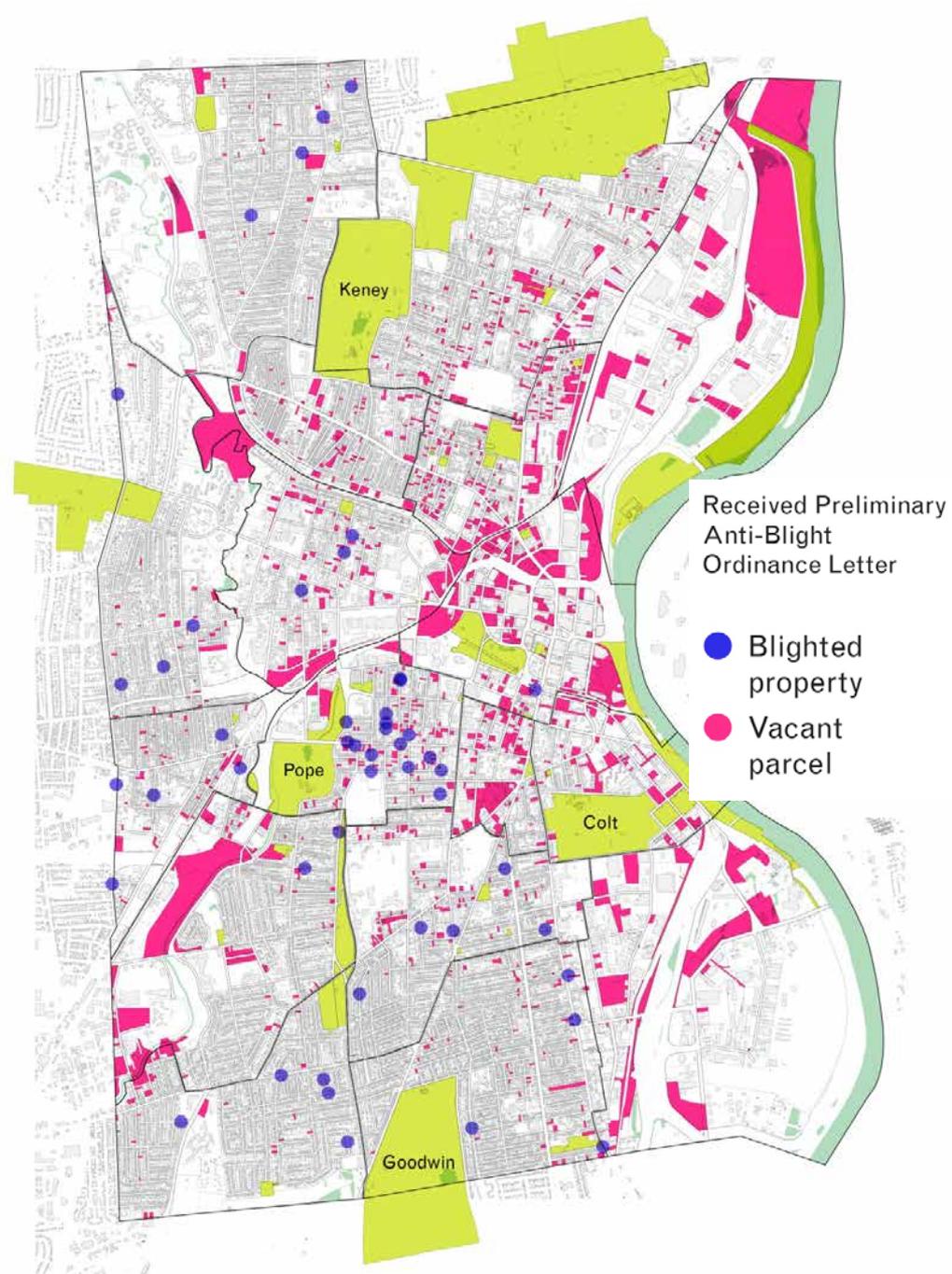
Blight

- Various classifications designate blight in the city:
 - PABOL: A Preliminary Anti-Blight Ordinance Letter advises owners about city programs that can provide remedial funding for their property.
 - NOV: A Notice of Violations provides owners with details of recommended remedial actions for blighted property.
 - Lien: Lienholders of blighted properties can be notified that their properties are subject to enforcement.
 - CIT:

Preliminary Anti-Blight Ordinance Letter

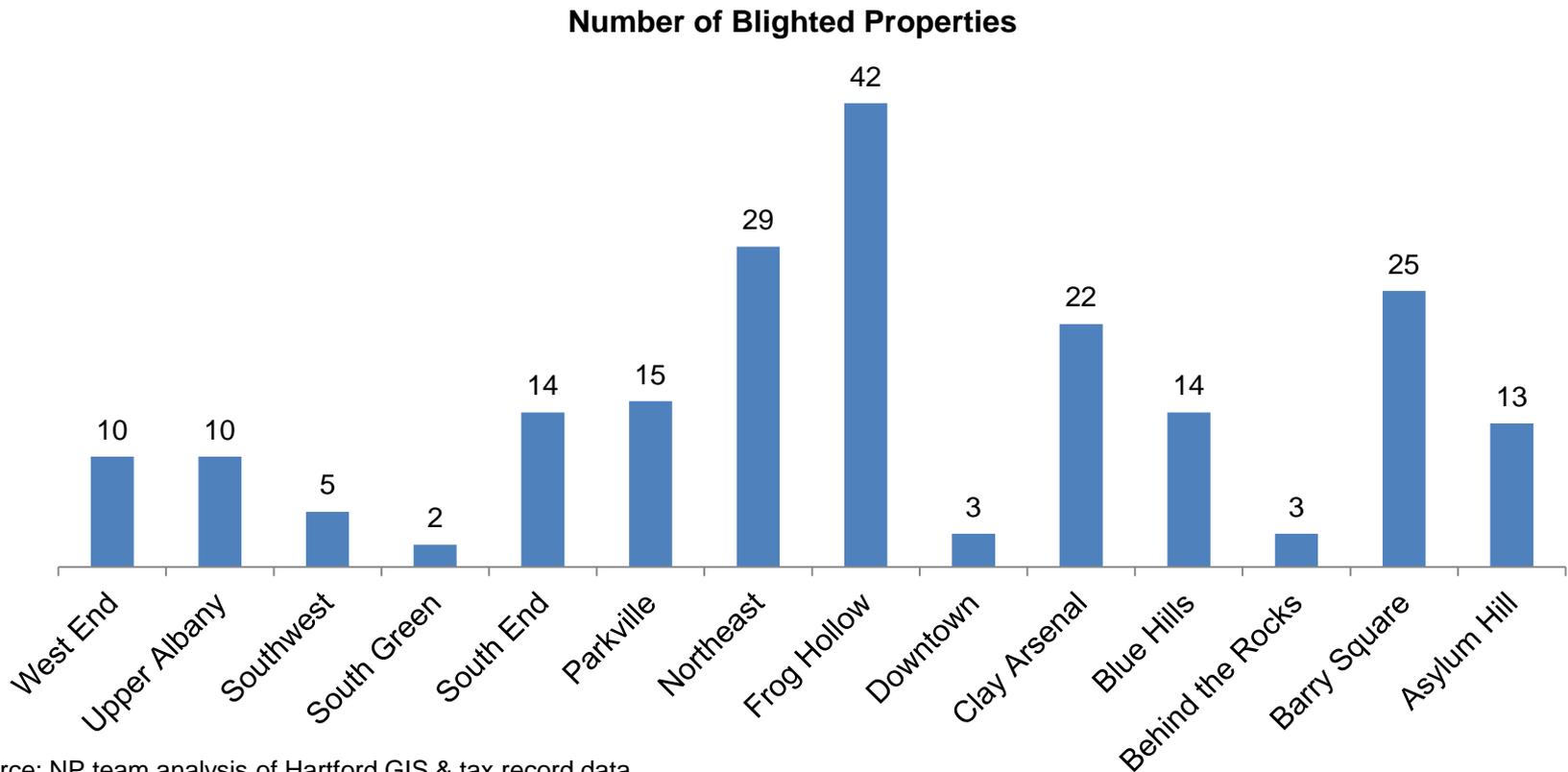
Properties that received a Preliminary Anti-Blight Ordinance Letter, advising owners of city programs that may provide remedial funding.

Vacancy determined as all parcels where tax assessor data exists, which have no buildings present, and that also are not parks, roads, or railroads.



207 parcels in Hartford are considered blighted

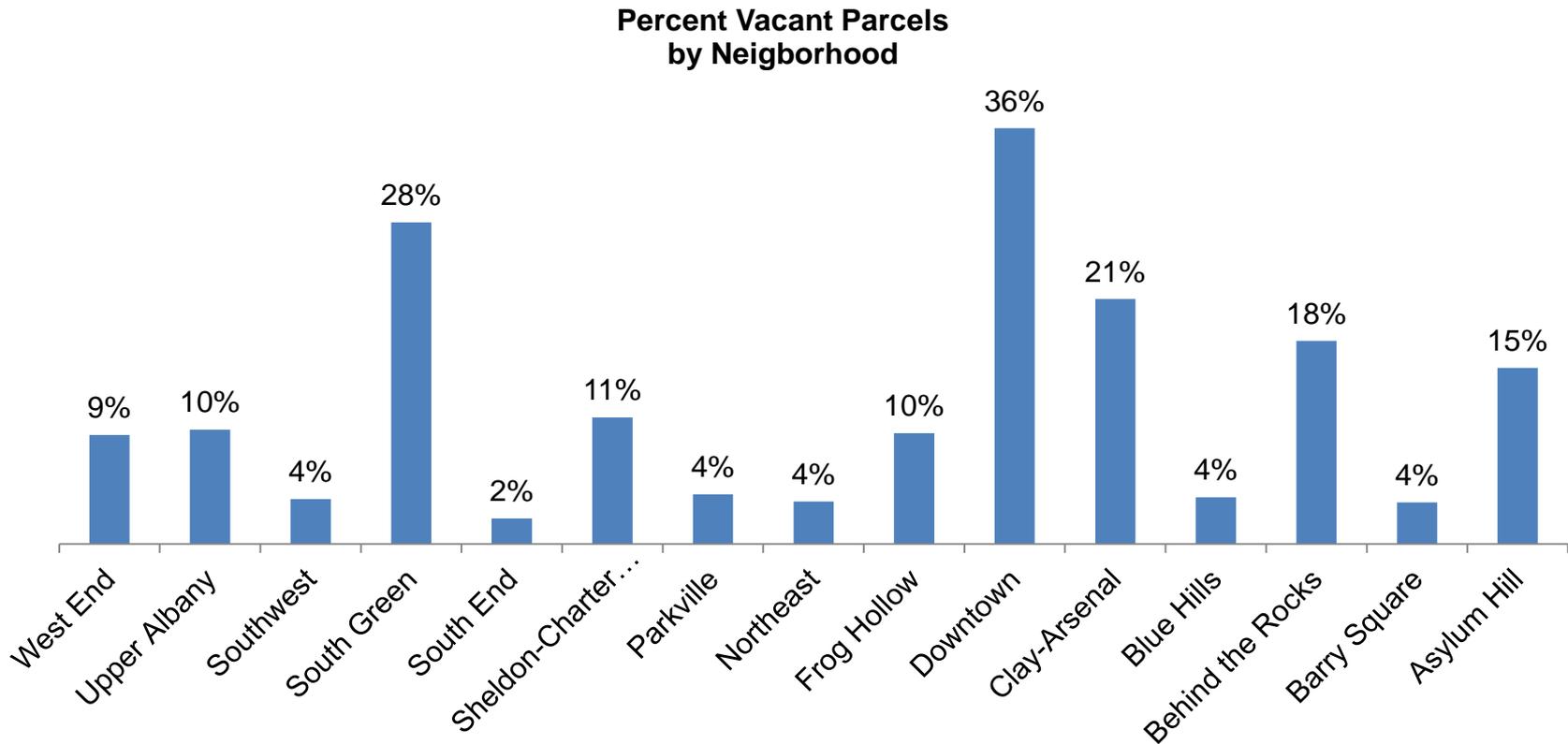
- 207 parcels in Hartford are considered blighted, and 85 of those properties currently have liens held against them.
- 21% of the blighted parcels are located in one neighborhood



Source: NP team analysis of Hartford GIS & tax record data

15% of the parcels in Hartford are classified as vacant

- This excludes parkland
- This translates to approximately ---- acres

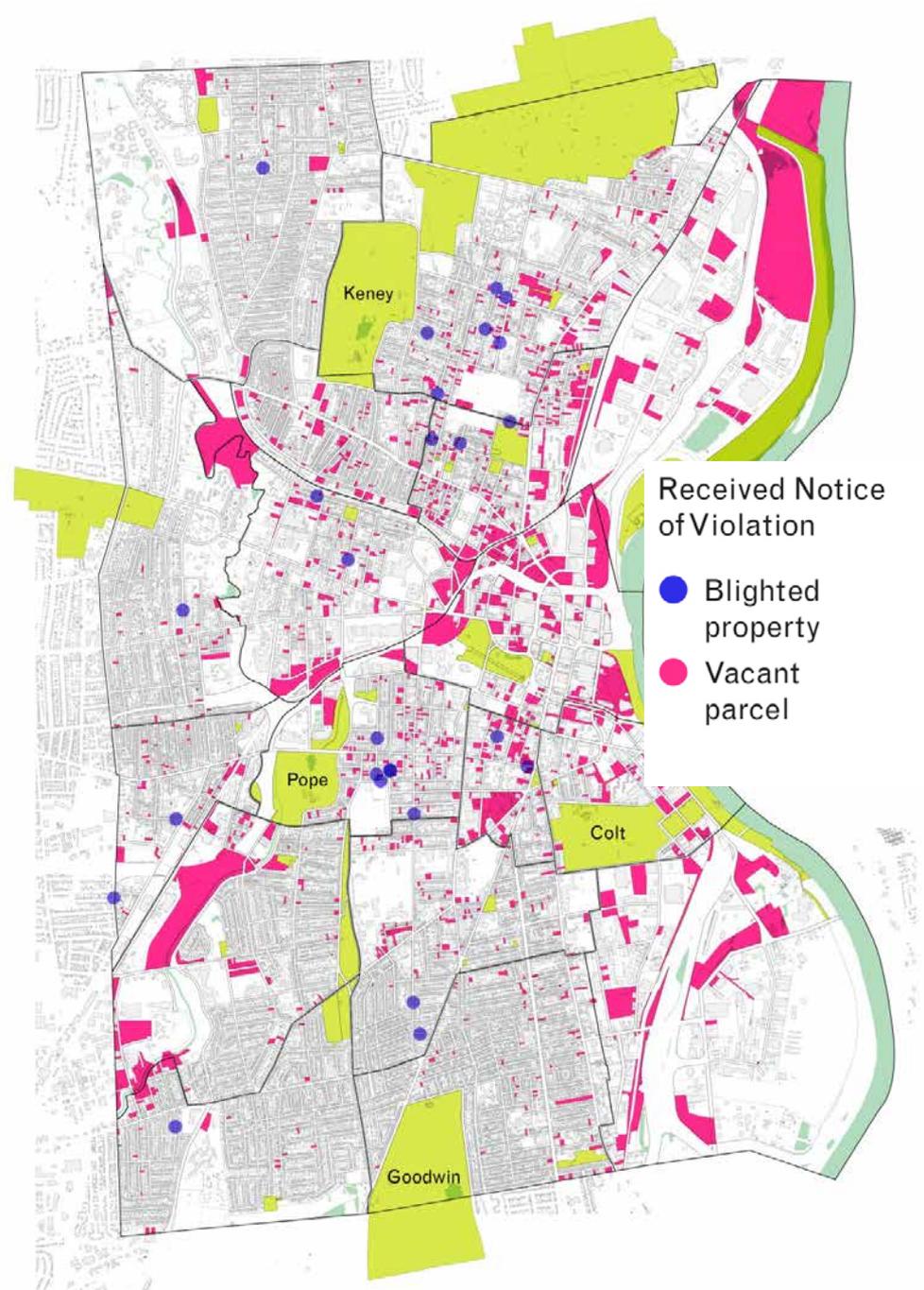


Source: NP team analysis of Hartford GIS & tax record data

Notice of Violations

Properties that received a Notice of Violations, detailing recommended remedial actions expected from the property owner.

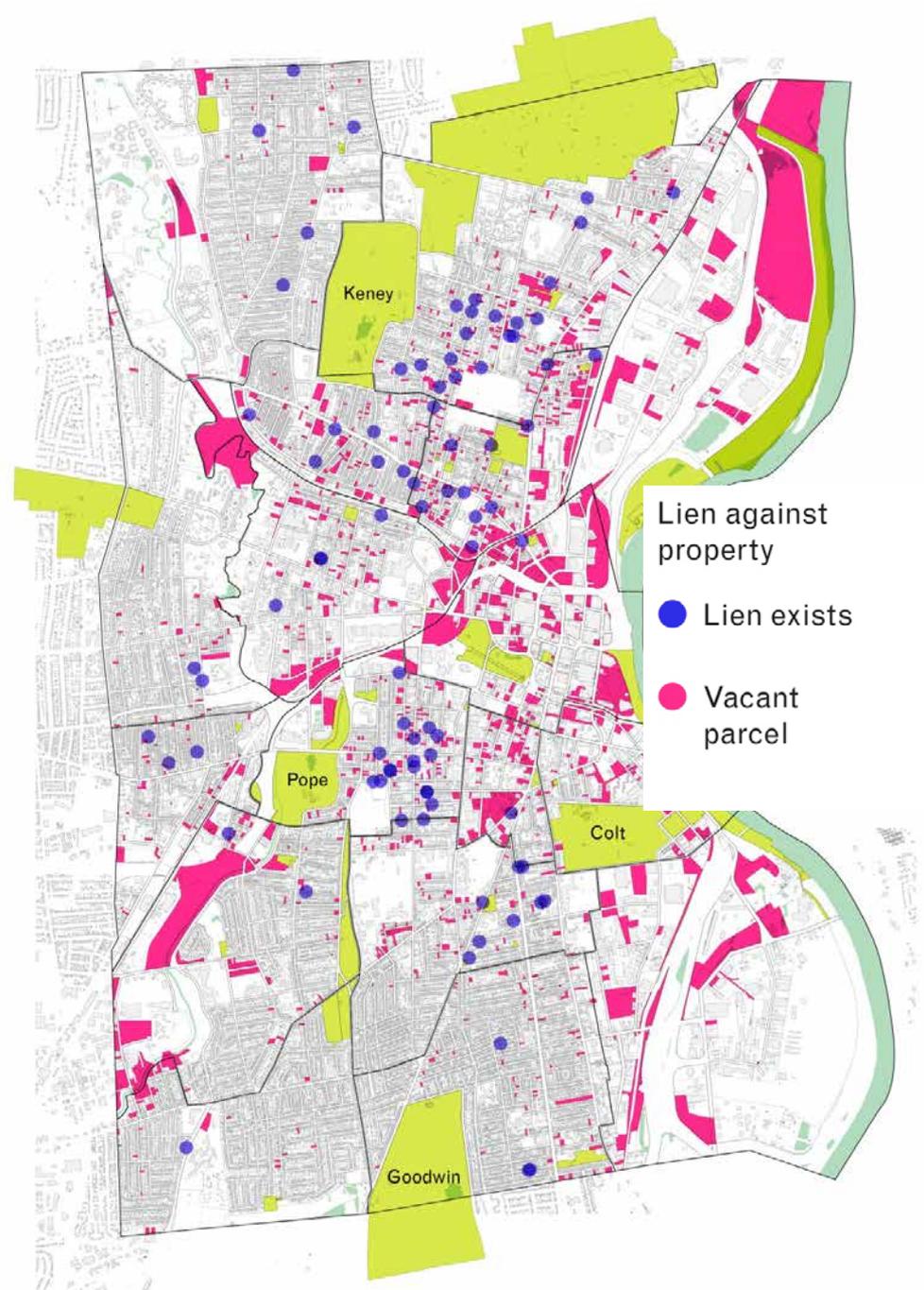
Vacancy determined as all parcels where tax assessor data exists, which have no buildings present, and that also are not parks, roads, or railroads.



Lien Held against Property

Lienholders for these properties were notified that the assets securing the liens are blighted and subject to enforcement.

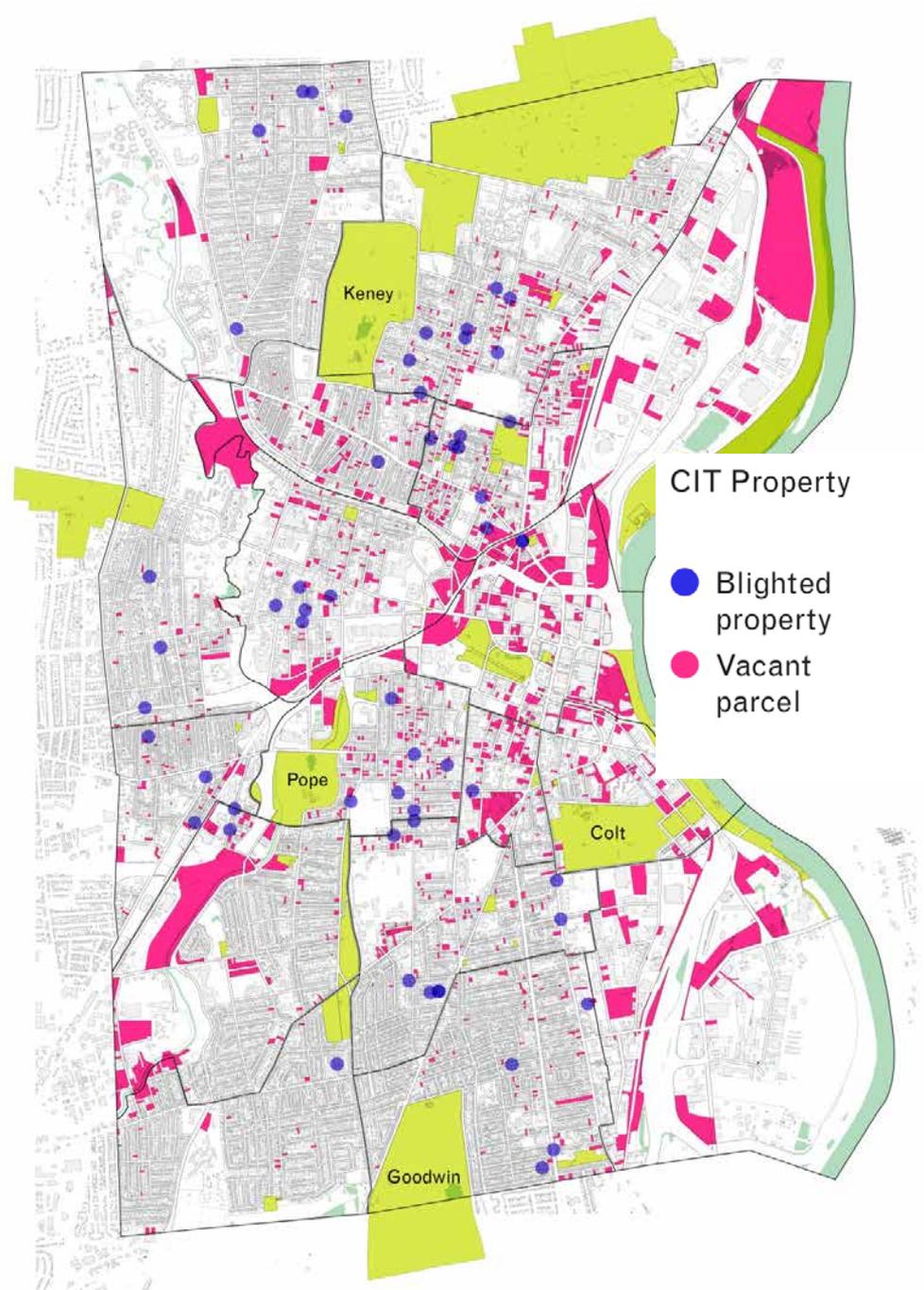
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CIT

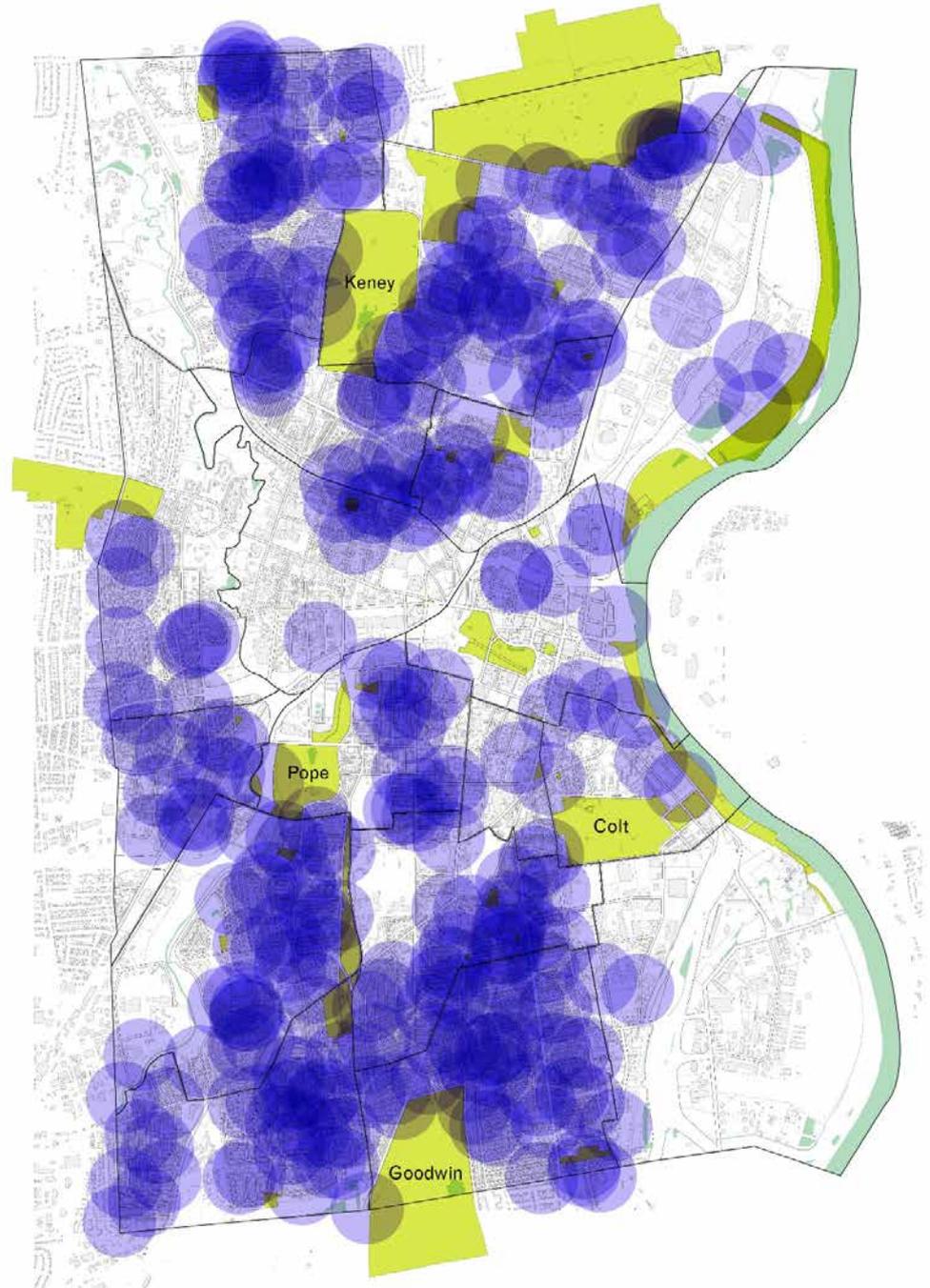
Vacancy determined as all parcels where tax assessor data exists, which have no buildings present, and that also are not parks, roads, or railroads.

HOW MANY ACRES



Geographic Frequency of Foreclosures

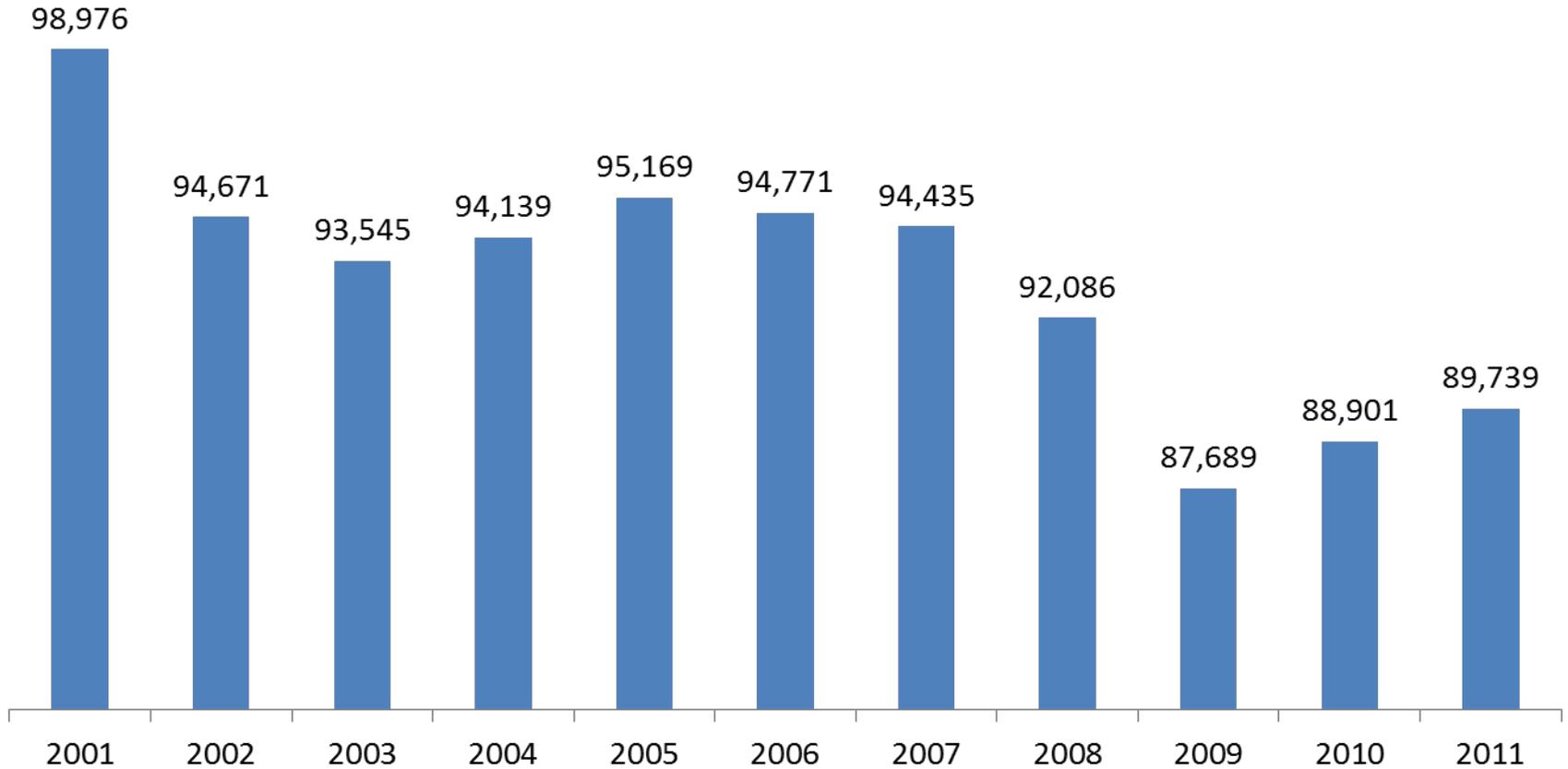
Neighborhoods?



Socioeconomic Characteristics

Hartford continues to lag in employment growth

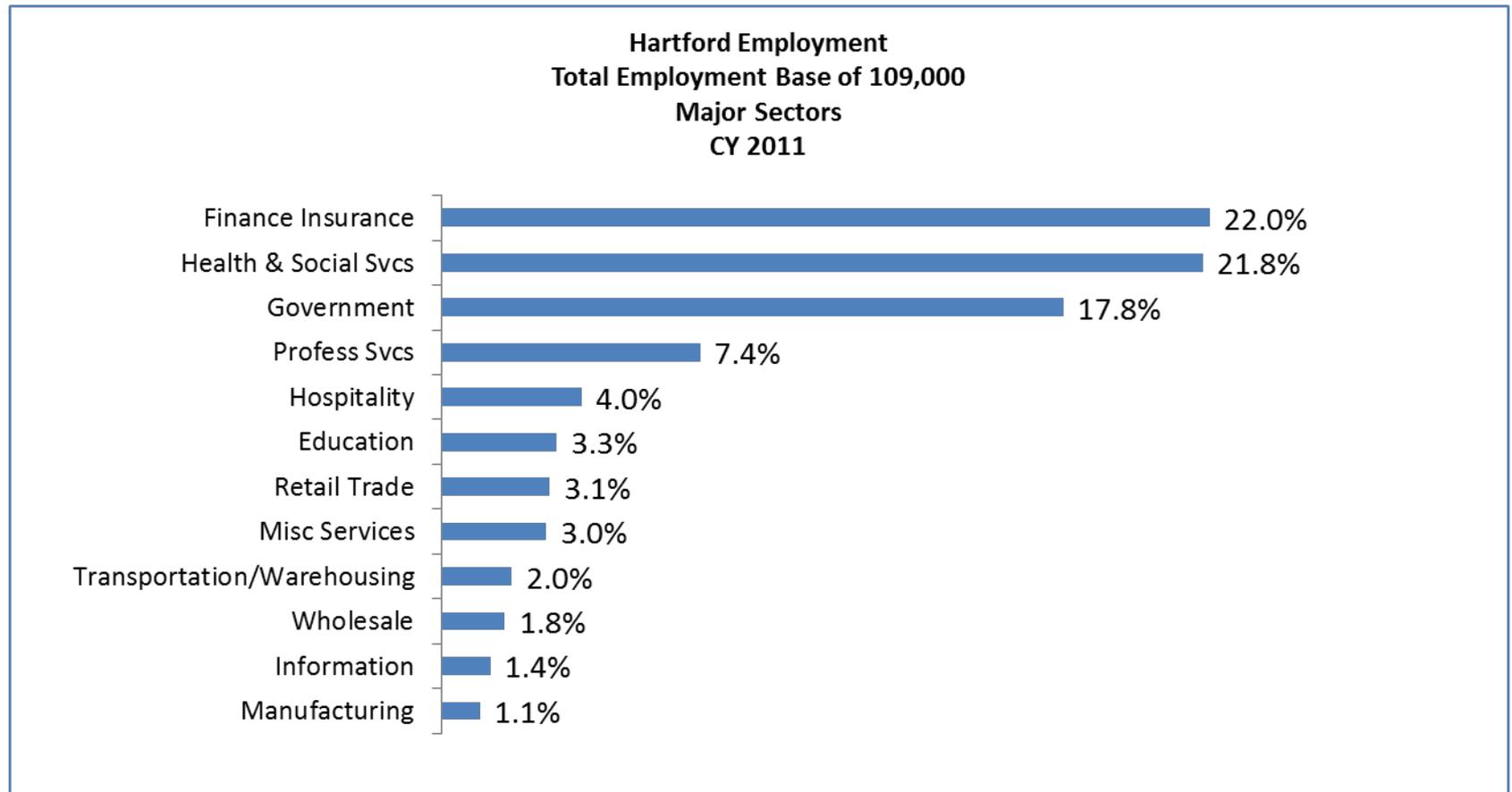
Hartford Private Employment Trends



Source: CT LMI ES 202 data

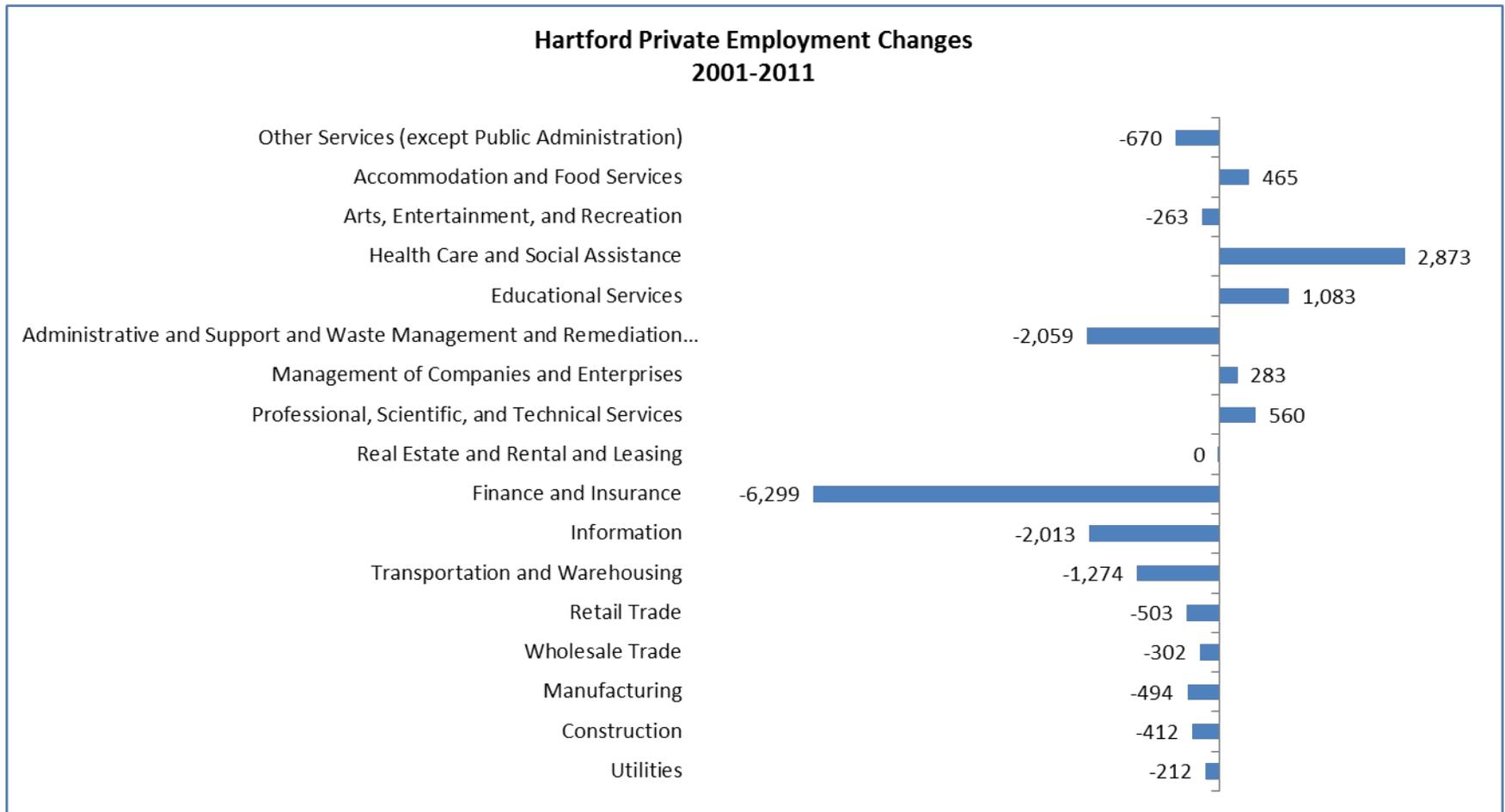
The city's employment base is highly concentrated

- These major sectors are highly concentrated in a few entities
- Diversification is absolutely critical



Source: CT LMI ES 202 data

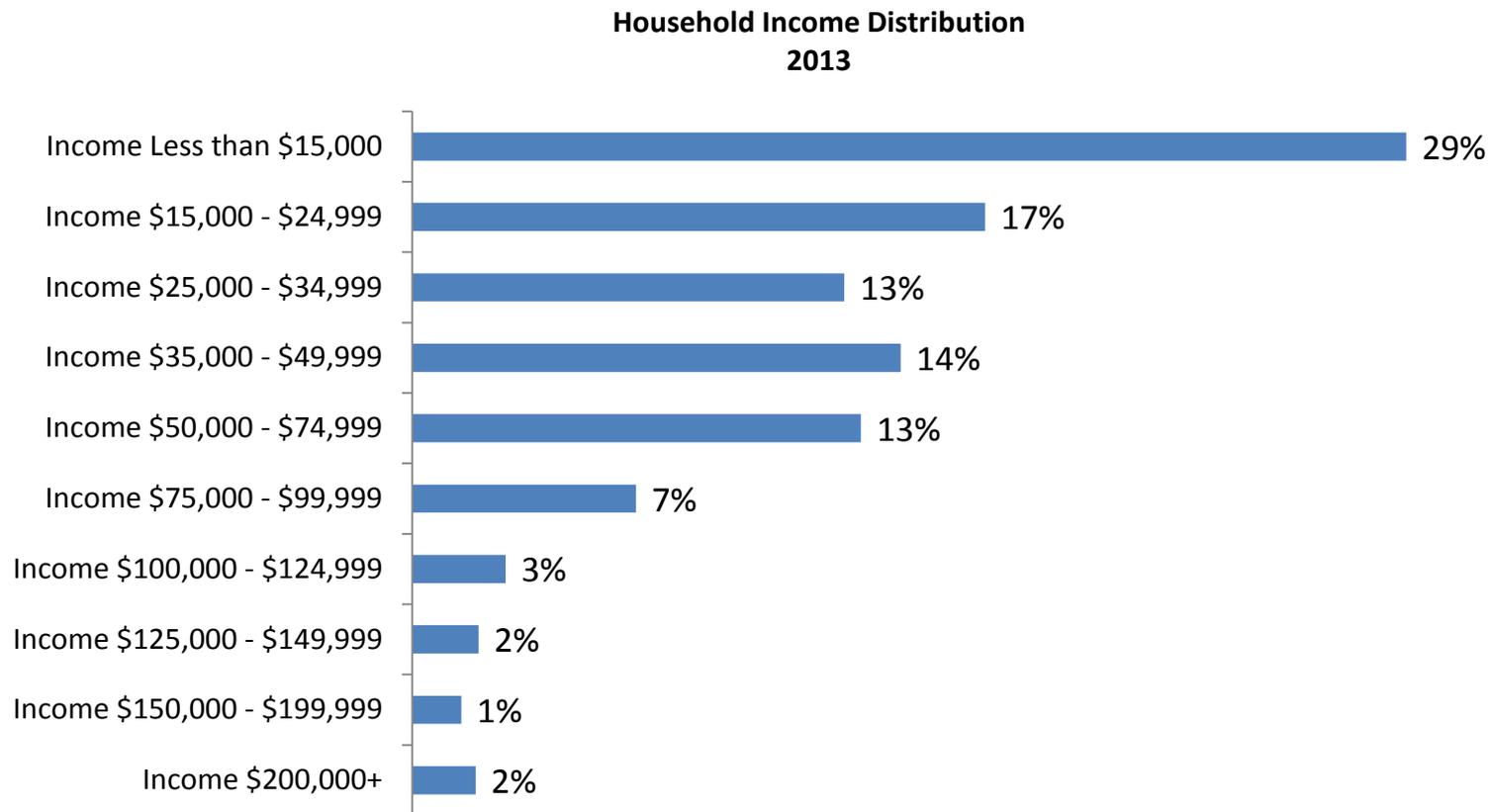
Growth in healthcare and social services has not been able to offset the job losses in the financial services sector



Source: CT LMI ES 202 data; NP analysis

Fifty nine percent of households in the city have incomes less than \$35,000 – 73% less than \$50,000

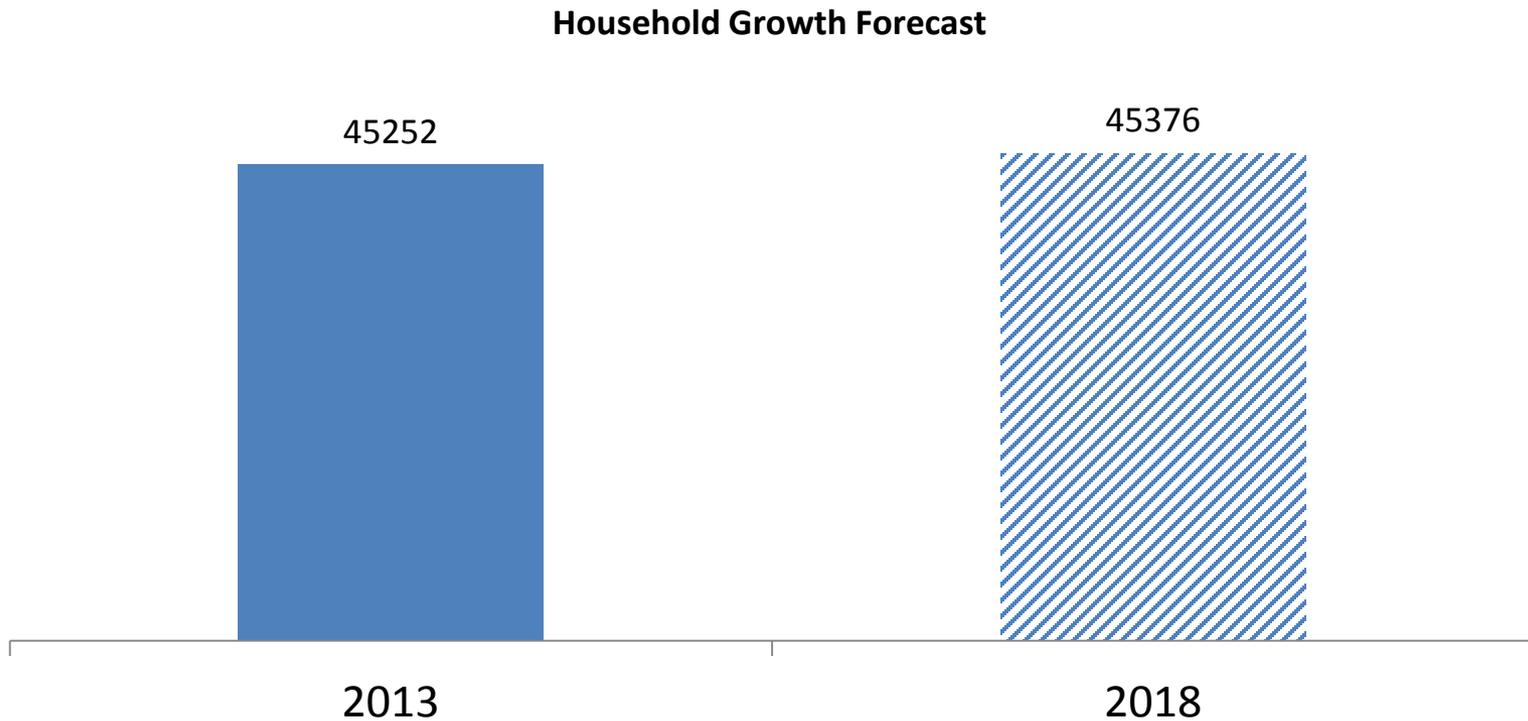
- These low income levels impact the viability of more market rate housing and supportable retail



Source: NP analysis of Nielsen Consumer data

Household growth is forecasted to be 124 households by 2018

- It is important to note that this forecast is suggestive of a city essentially unchanged from what exists today in terms of desirability to live within the city limits

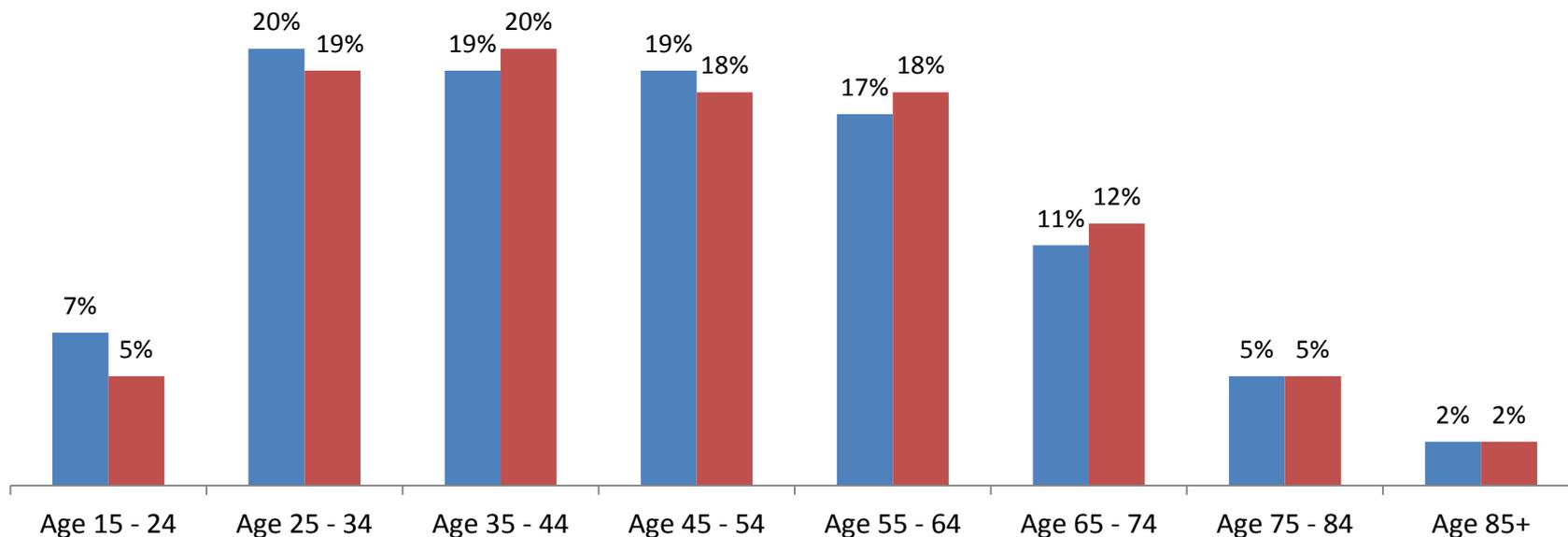


Source: NP analysis of Nielsen Consumer data

The relatively small changes in populations across age categories suggest no major shifts in housing demand across the city particularly in terms of type

- Most categories only see shifts of a few hundred people across age groups not suggesting a pending crisis for a particular housing type such as senior housing

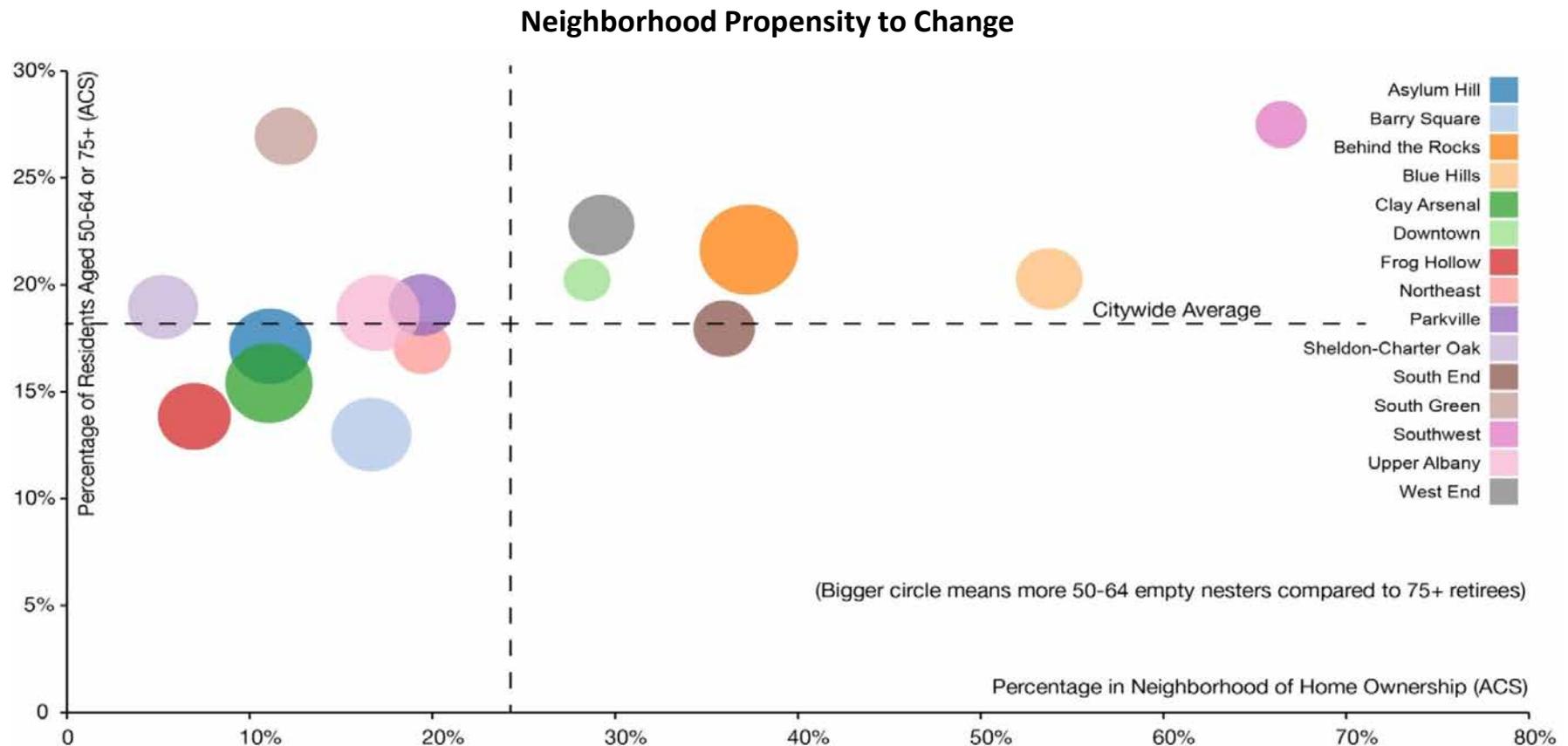
Household Distribution by Age
2013 - 2018



Source: NP analysis of Nielsen Consumer data

However, several neighborhoods could be seeing substantial change due to population aging and empty nester dynamics over the next decade

- Southwest, Blue Hills & Behind the Rocks all face important potential change issues due to their demography and home ownership status

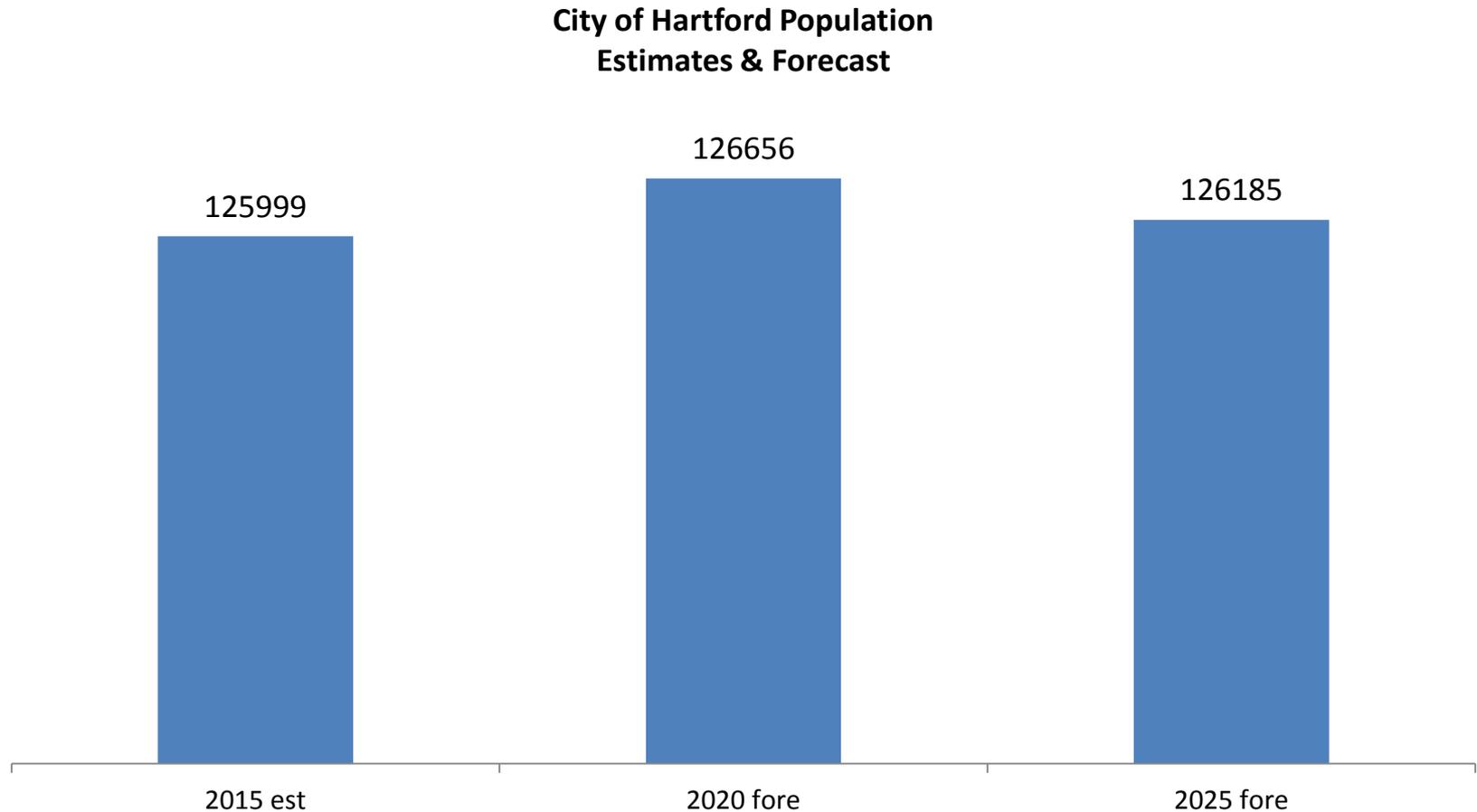


Source: NP team analysis based on 2007-2011 ACS 5-year estimates

Why does neighborhood propensity for change matter ?

- Empty nesters: Homeowners aged 50-64 no longer need all of their space, and are likely to downsize
 - Understanding potential pool of empty nesters is important for 3 reasons
 - Homes come on market putting pressure on new construction
 - If insufficient demand exists for their housing, housing prices in the community may be negatively affected
 - Represents potential pool of customers for other forms of urban housing
- Retirees: Homeowners aged 75+ have challenges regarding viability of staying at home

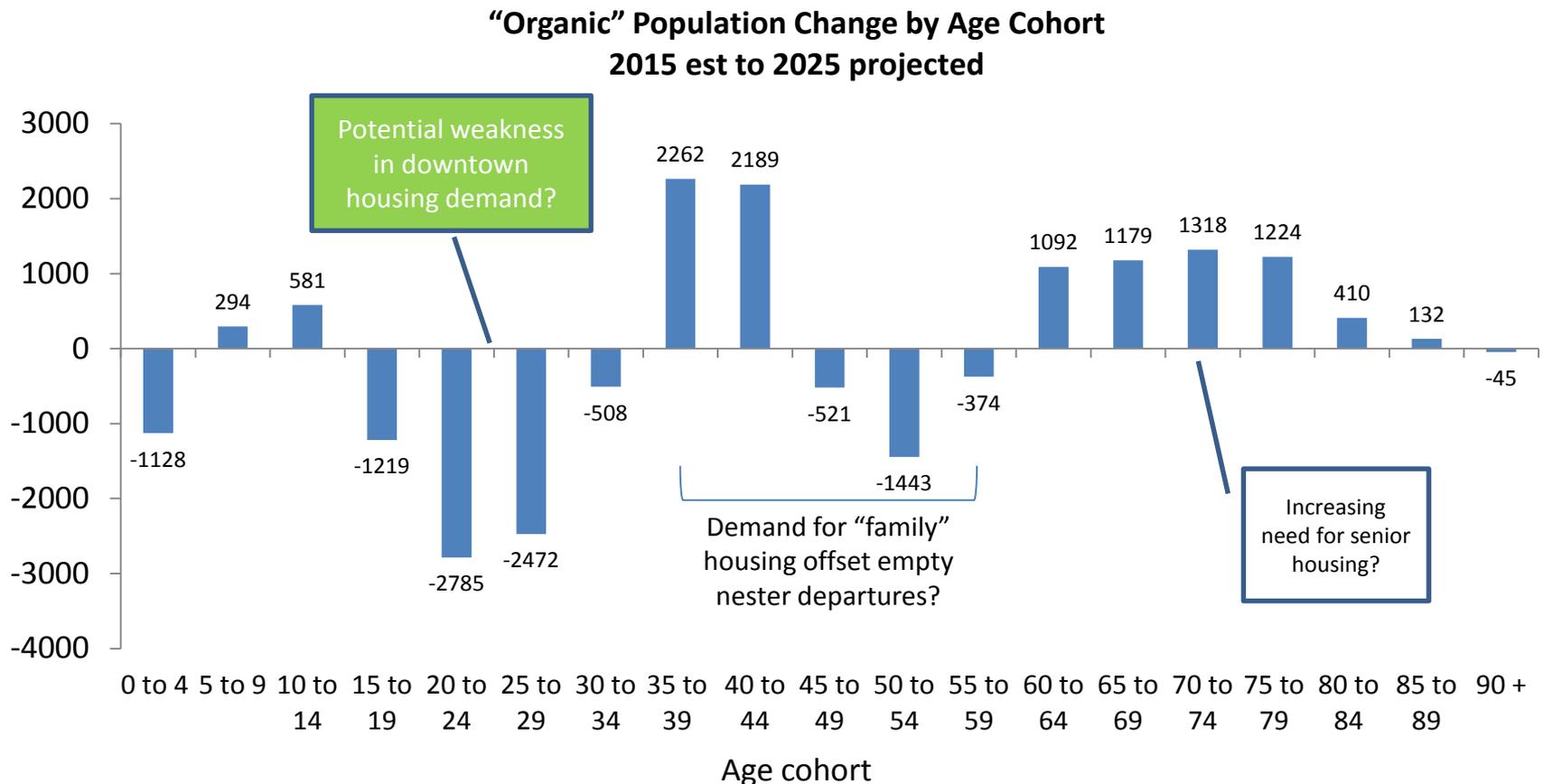
Looking out over a longer horizon Hartford's population growth is expected to be essentially flat over the next 10 years



Source: NP analysis of UCONN Population Studies

However, within the population some important changes could take place that have potential implications for Hartford's housing market

- This forecast that indicates the need for some potential actions to offset the natural population progression



Source: NP analysis of UCONN Population Studies

Homeownership Issues

Housing market credit performance YTD 2013 - 2014

Housing Market Health Indicators

- % of Homes with Negative Equity
- % Delinquent Mortgages
- Foreclosure Rate:

Comparison Cities

- Hartford
- New Haven
- Springfield
- Providence
- Albany
- Worcester



The underlying credit health of the local market directly impacts many potential buyers through its impact on credit availability and housing price risk

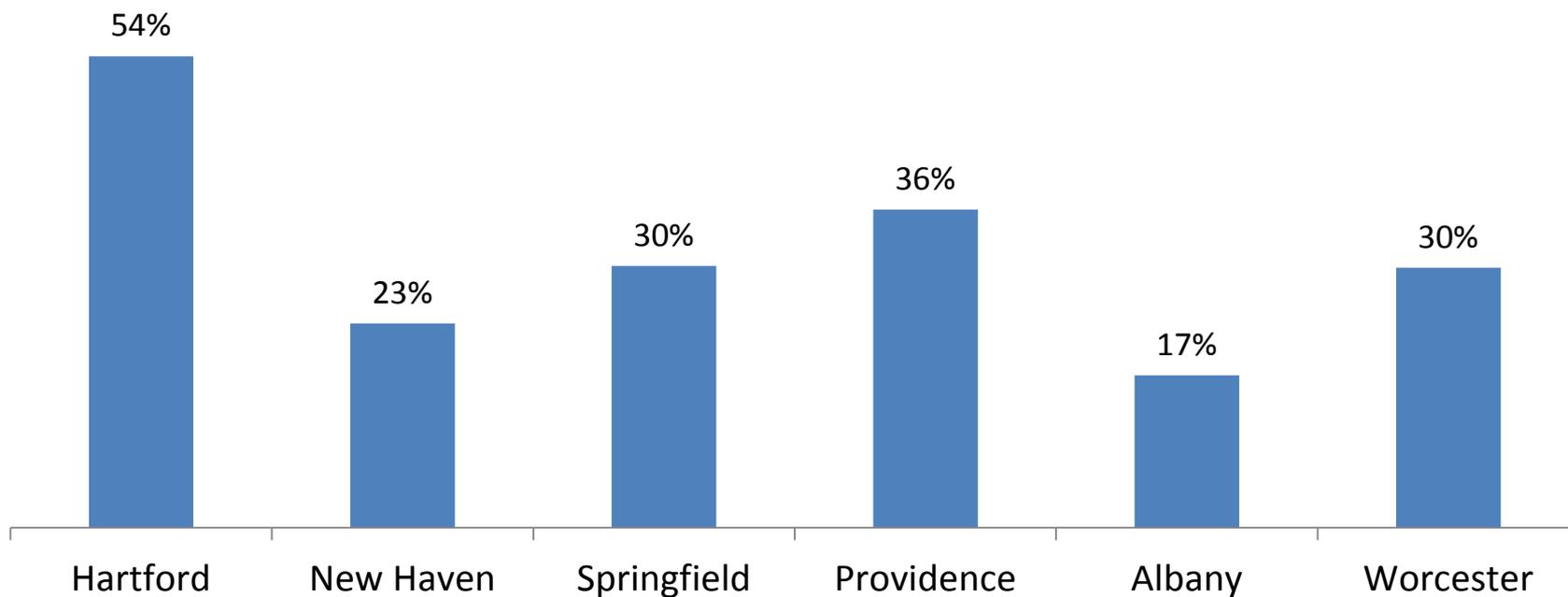
Source: <http://www.zillow.com/hartford-ct/home-values/> Thru June 30, 2014

Homeownership potential in Hartford is negatively impacted by several key factors

- Performance and financial health of the housing market
- Continued risk from delinquencies and foreclosures on housing prices
- Credit quality of the applicants

Hartford substantially exceeds regional peers in % of homes with negative equity

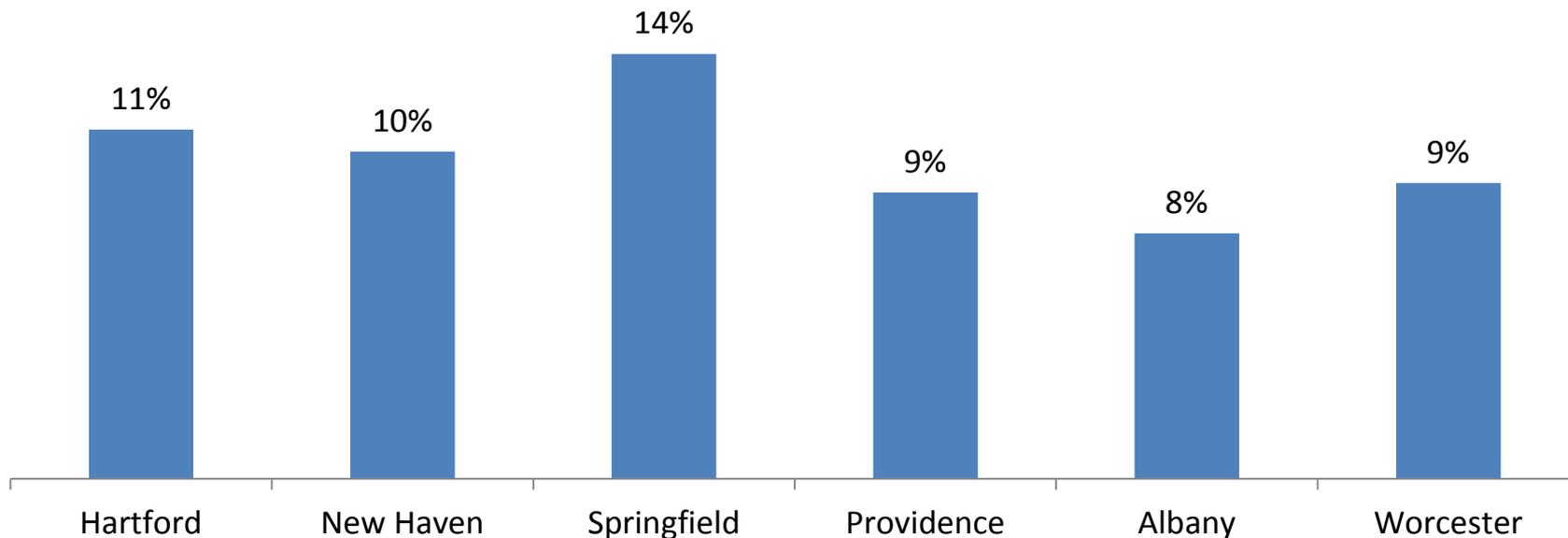
**% Homes with Negative Equity
Thru June 2014**



Source: NP analysis of Zillow Housing Market Analytics

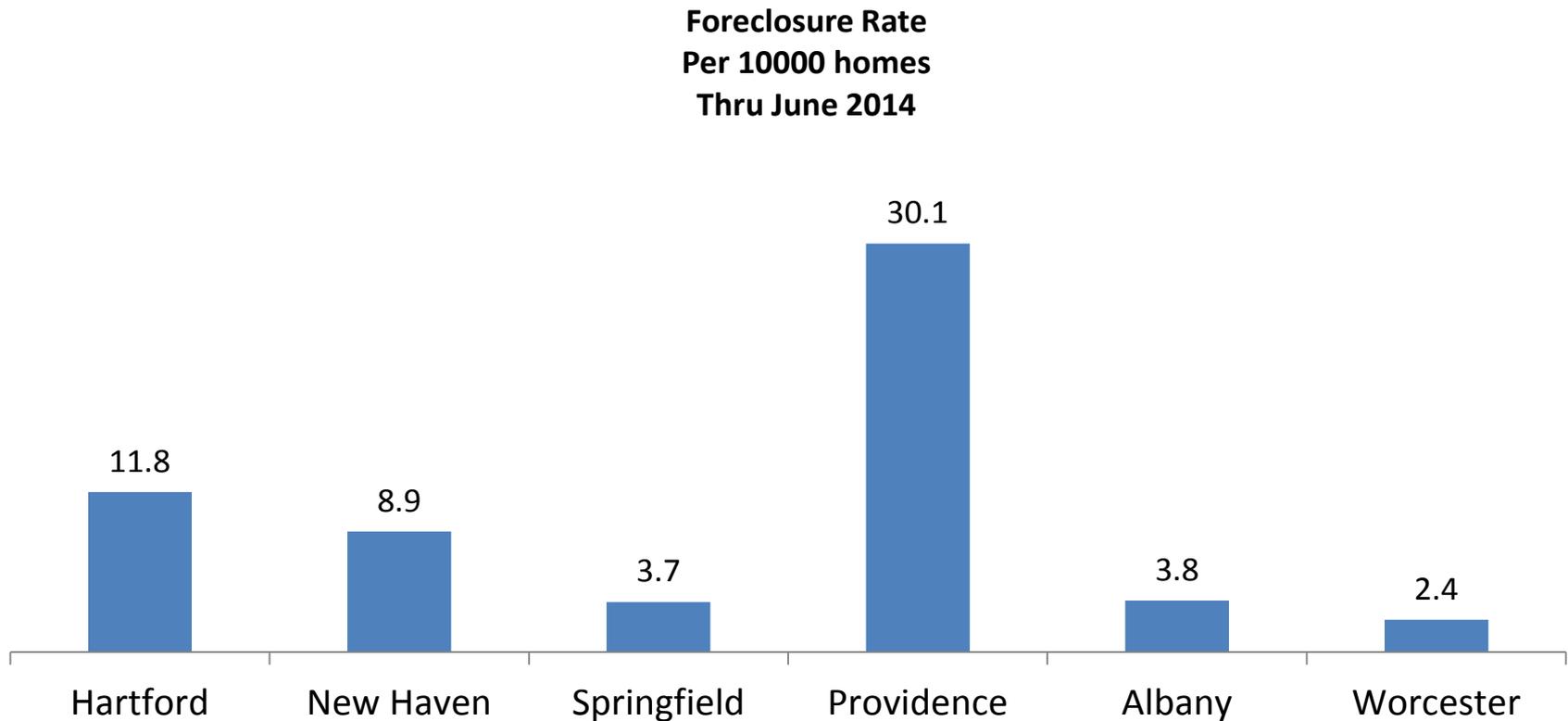
Hartford's mortgage delinquency rate is roughly in line with most major cities in New England

**% Homes with Delinquent Mortgages
Thru June 2014**



Source: NP analysis of Zillow Housing Market Analytics

Hartford's foreclosure rate is among the highest of the comparison cities but well below Providence



Source: NP analysis of Zillow Housing Market Analytics

Applicant credit quality even with government sponsored lending products is an impediment to home ownership

- 294 mortgage applications
- 65% of mortgage applications were government sponsored loans
- 31% of government sponsored applications were denied; 42% of conventional mortgages

City of Hartford 2011 Mortgage Data (most recent available)

	1 to 4 families home purchase					
	FHA/FSA/VA Govt Sponsored		Conventional		Refinancings	
Citywide Stats	Number	\$	Number	\$	Number	\$
LOANS ORIGINATED	193	29689	101	13990	305	44505
APPS APPROVED, NOT ACCEPTED	13	1949	5	795	50	7359
APPS DENIED	60	8089	43	4457	290	42950
APPS WITHDRAWN	34	4910	19	2228	119	17836
FILES CLOSED FOR INCOMPLETENESS	19	2676	5	359	41	5825

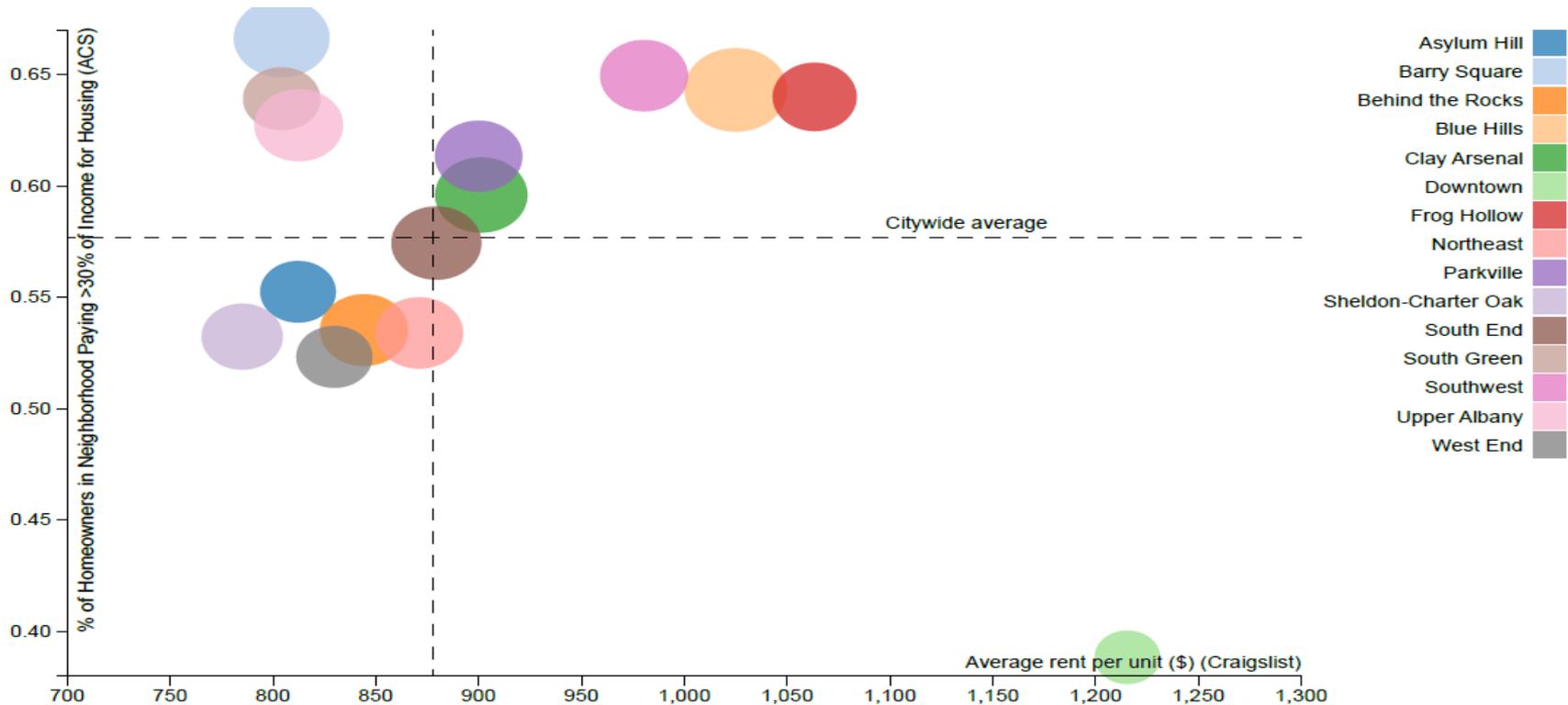
Avg mortgage size
\$166k

Avg mortgage size
\$173k

Source: NP team analysis of FFIEC HMDA data

Asking rents across the city far exceed most people's ability to pay without subsidy

- Every neighborhood exceeds recommended rent levels
- This is a function of relatively low income levels coupled with relatively high rents
 - One notable exception is downtown – see downtown analysis for further details

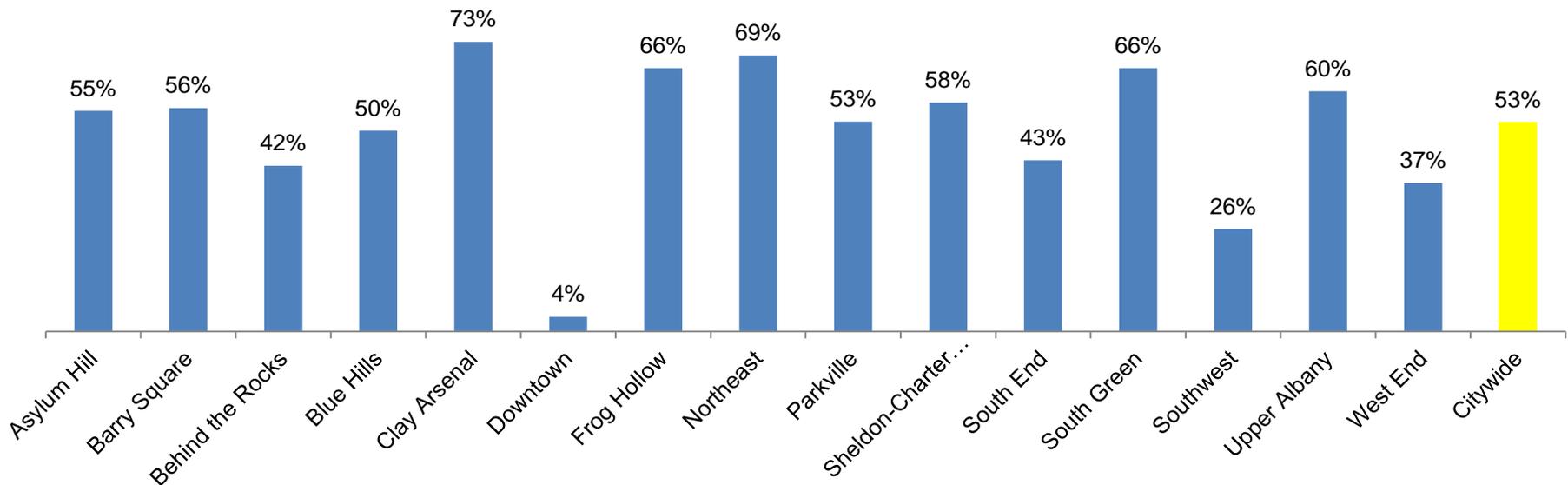


Note: this is based on self-reported ACS and does not reflect public subsidies

Many neighborhoods appear to have high proportions of single mothers.

- 53% of the city households are headed by a single mom
- This could have important implications for location of childcare, recreational opportunities and basic goods retail

Percentage of Single Female-Headed Family Households Relative to All Family Households

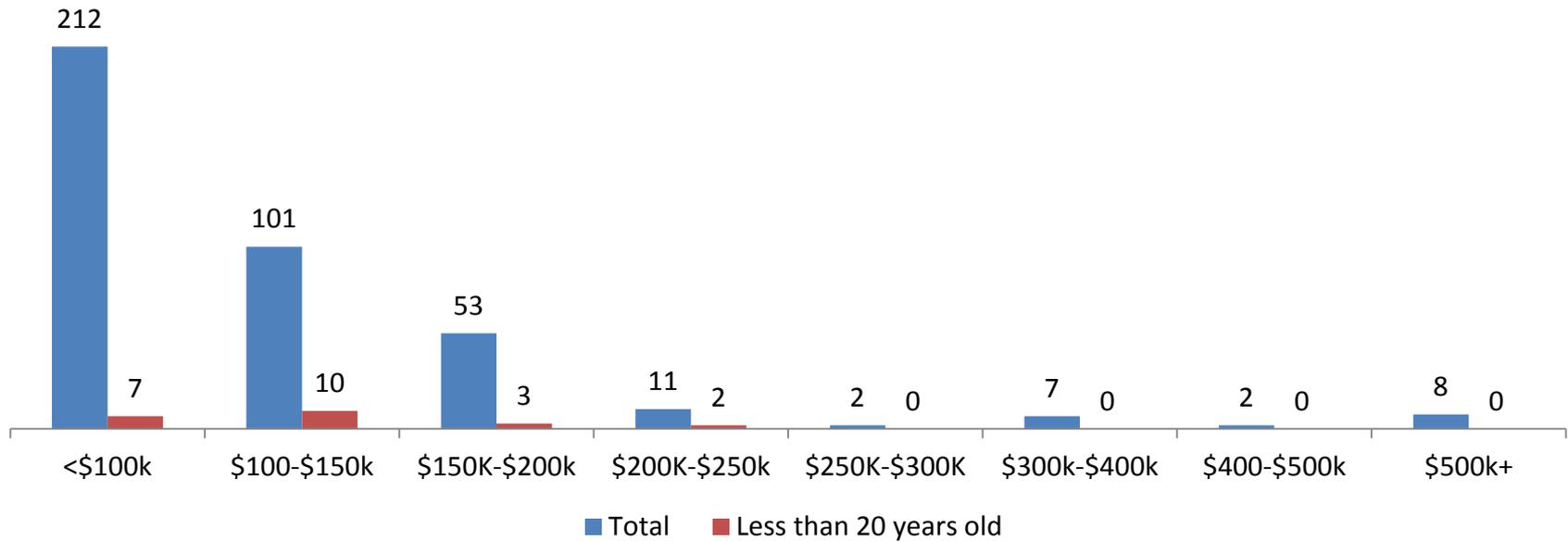


Source: NP team analysis based on 2007-2011 ACS 5-year estimates

Hartford has an apparent lack of available, single family homes targeting the middle income move up market

- Typical move up home is between 2000-2500 sqft
- 11 homes are between \$150k-\$300k asking price within that square footage
- Only 1 home is between 2000-2500 sqft (typical move up home) and built within the last 20 years

Snapshot of Single Family Homes Available by Asking Price
November 2013

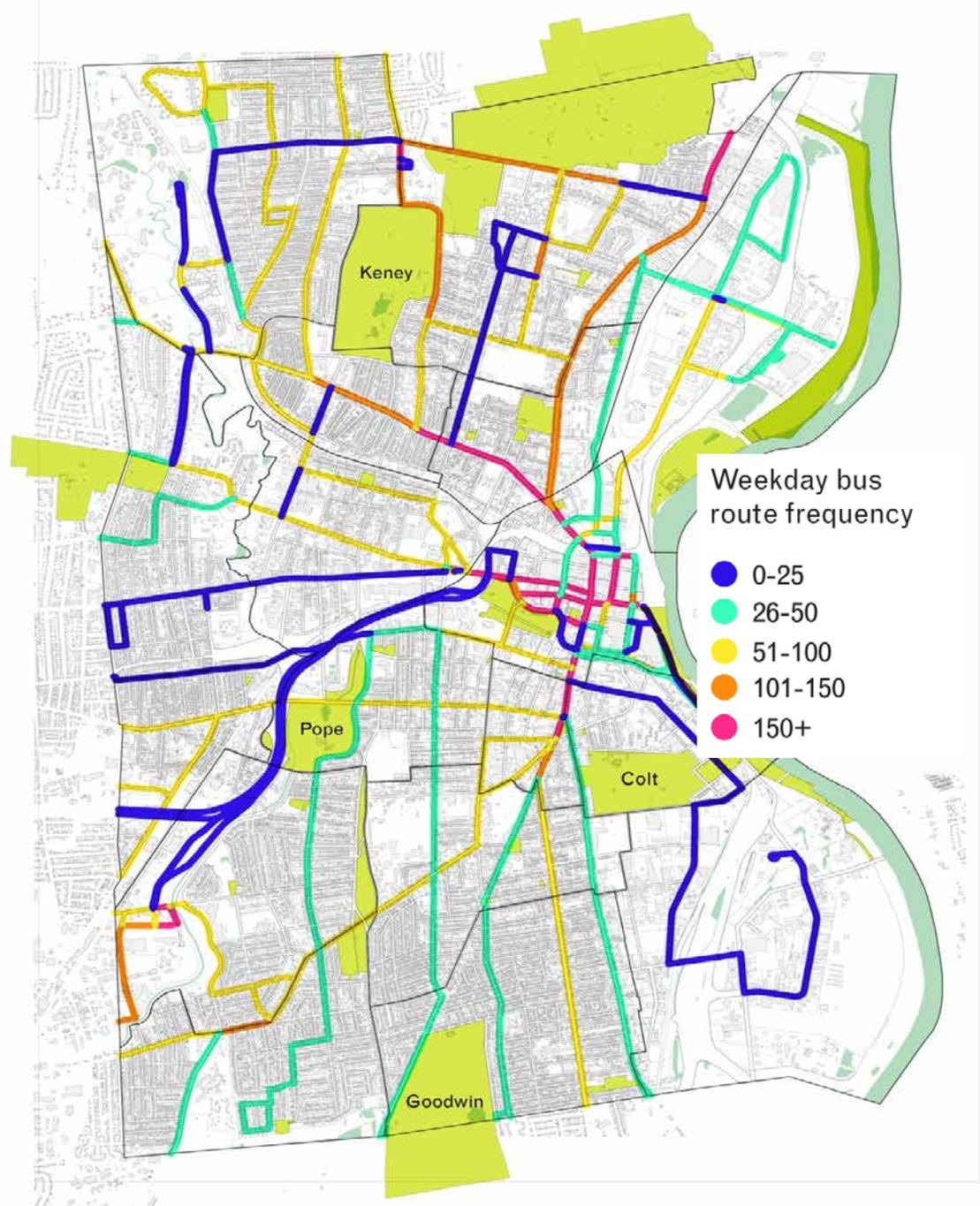


Source: NP analysis of Trulia and Zillow listings, duplicate listing removed

Transit

Bus Routes

- Hartford has limited east-west availability
- Outside of major corridors bus access is limited



Source: NP team analysis of transit data

Most of Hartford's consumer buying power is concentrated in lower income categories limiting the potential for transit-oriented development along major transit nodes

- Effective buying income is after-tax income
- The median household buying power is \$23,324
- This limited buying power effectively limits the ability to do corridor-based mixed use retail development except in a few locations with greater income density

Effective Buying Income City of Hartford
Percentage of Households
44,989 households
2012



Source: NP analysis of Nielsen Consumer data

CT Fastrak does provide some opportunity for transit-based development

