

HousingInCT2010

Housing in Connecticut 2010: The Latest Measures of Affordability

High Prices, Limited Supply, Challenging Future

- **Foreclosures rose as unemployment increased.**
- **Homelessness levels remained high for families and individuals.**
- **More households were burdened by their housing costs.**
- **The supply of affordable homes fell as prices rose.**



Connecticut remained an expensive state to buy or rent housing in 2009-10 despite a market buffeted by foreclosures and uncertainty. More families became homeless or edged closer to homelessness while the supply of affordable homes decreased and a huge number of households remained burdened by their housing costs.

The specter of foreclosures, a problem less severe in Connecticut in the 2008-09 subprime mortgage collapse, grew ominously as continued high unemployment sparked a large increase in lis pendens filings—notice of pending claims against property—and foreclosure deed filings. And while many state and local policymakers came to believe that the rash of foreclosures and overall decline in the median price of a home since 2007 made housing more affordable, the reality was not that kind. The supply of homes under \$200,000 remained slim, few units were built, the median price bottomed out and began rising, and rental costs remained high due largely to a 7,000-unit drop in available rentals since 2000.⁽¹⁾ This was exacerbated by a recession-sparked downturn in income, demonstrated by a 3.4% decline in personal income⁽²⁾ and a 2.3% decrease in median household income from 2008 to 2009.⁽¹⁾ Threatening to exacerbate the supply and affordability problems is the crying need to preserve tens of thousands of existing affordable homes that are deteriorating and need repair, or could be converted to market-rate housing because the terms of their affordability are expiring.⁽³⁾

Statewide, and in most towns, affordability remained a big problem and got worse in some. In only 31 of 169 Connecticut municipalities is 10% or more of the housing stock affordable.⁽³⁾ The Partnership for Strong Community's *Affordability in Connecticut: 2009* study shows the state median income could not qualify to buy a median-priced home in 94 of 169 municipalities. In addition, there continues to be a severe shortage of Section 8 vouchers and state Rental Assistance Payment certificates, which can make unaffordable homes affordable.⁽⁴⁾ The "housing wage"—what someone must earn per hour to afford a typical 2-BR apartment without having to pay more than 30% of his income on housing—grew to \$23 per hour in 2010, up from \$15.67 in 2000.⁽⁵⁾ Of the 683 occupations tracked by the state's Department of Labor, 337 have an average wage that is less than the housing wage.⁽⁶⁾

Meanwhile, one quarter of Connecticut's renters are severely burdened by their housing costs: they make less than 50% of median income and spend more than half of that meager income on housing.⁽⁷⁾ At the same time, 26.5% of all households—renters and owners—make less than 80% of median income and spend more than 30% of their income on housing.⁽¹⁾ For owners, the number of homes valued below \$200,000 also has shrunk over the last decade, from 65.2% in 2000 to 23.1% in 2009.⁽¹⁾

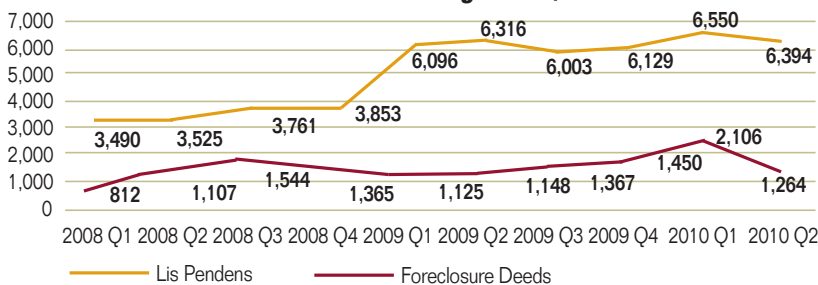
After a significant dip in 2009, housing prices in Connecticut began to rise again in 2010, in part driven by the home-buyer tax credit offered by the federal government.⁽⁷⁾ The increase in median sales price is accompanied by a downturn in new supply, as the number of building permits issued reached a new low in 2010. Connecticut, which has ranked 47th in building permits issued per capita over the past decade, saw the number of units created drop from 9,376 units in 2000 to 3,786 units in 2009.⁽³⁾ Affordable units have increased at a trickle—less than 1,200 a year—to bring the total to 151,438 in 2009 from 145,657 in 2005.⁽³⁾

market, economic insecurity brought on by the recession appears to be creating a second wave as households struggle to pay the mortgage. A significant driver of economic insecurity has been unemployment, which has steadily increased in Connecticut and rose to 9.1% in August, according to the Connecticut Department of Labor. Total foreclosure deed filings rose to 5,090 in 2009 from 4,828 in 2008 and appeared headed higher as 3,370 were filed through the first two quarters of 2010.⁽⁸⁾ Lis pendens filings rose to 24,544 in 2009 from 14,629 in 2008, and also appeared headed higher in 2010, with 12,944 filed in the first two quarters.⁽⁸⁾

High Costs: "Burdened" households

Housing prices, like prices for other necessities, are driven by supply, demand and the market, i.e. what people are willing and able to pay. Housing prices go up when a lack of supply meets increasing demand, when people are willing to pay more because, in part, they can. Connecticut, as the highest per capita income state in the nation, has many people who can pay considerable sums for housing.⁽¹⁾ But Connecticut also has three of the 20 poorest cities over 100,000 population in the nation, and its income disparity is second in the nation after New York and has grown faster since 1990 than any state in the nation, according to the state Department of Economic and Community Development (DECD). Thus, those with higher incomes and more wealth can drive up the cost of housing, among other necessities, so that much of it is out of the reach of those with lower incomes. In the late 1980s in Connecticut, the lowest quintile (20%) of state residents earned \$25,570 a year but, by 2005, their incomes—adjusted for inflation—had fallen to \$21,133 in real dollars.⁽¹⁰⁾ In contrast, those in the top 20% who earned \$116,939 on average in the late 1980s had seen their incomes rise to \$169,378 in real dollars by 2005.⁽¹⁰⁾ Those in the middle 20% saw their real incomes stay essentially flat over the period, rising to only \$63,728 from \$60,624.⁽¹⁰⁾

Foreclosure in Connecticut on the Rise: Lis Pendens and Foreclosure Deed Filings in CT, 2008-2010



Connecticut escaped the worst of the subprime mortgage crisis, but rising unemployment has caused foreclosures to accelerate.

Foreclosures: 2nd wave threatens

Foreclosures rose dramatically in 2009 and appear to be headed even higher in 2010, both in Connecticut and nationally. Compared to other states, Connecticut's foreclosure problem has been more limited, largely because foreclosures were initially driven by the prevalence of subprime mortgages, of which Connecticut had fewer. August 2010 data from RealtyTrac bears out this trend, with Connecticut posting numbers healthier than the rest of the nation, with a foreclosure rate of one in 695 households, compared to the national average of one in 371.

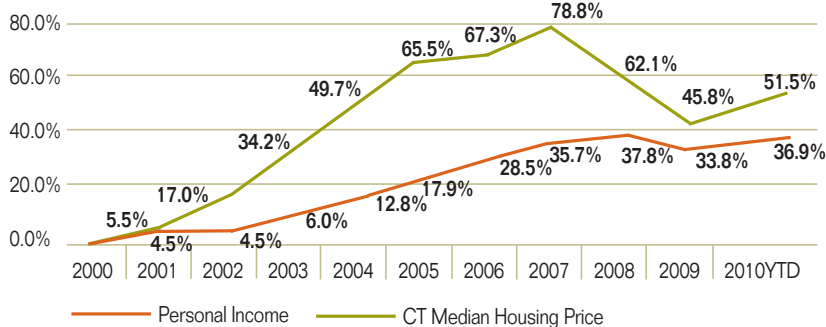
Although Connecticut's foreclosure problem compares favorably to other states where subprime lending was more prevalent, the number of lis pendens filings and foreclosure deed filings rose in 2010. While the first wave of foreclosures was instigated by problems in the subprime lending

The U. S. Department of Housing and Urban Development defines affordable housing as a residence for which a renter or owner need not pay more than 30% of his or her income. Those spending more than 30% are burdened by their housing costs and, in Connecticut, there are many such households. In 2009, 40.2% of all households—36.1% of homeowners and 49.4% of renters—were paying more than 30% of their income on housing.⁽¹⁾ In most cases, that leaves little for such other necessities as food, clothing, transportation, utilities, and healthcare. For renters, the situation is made worse because many earn considerably less than home owners; in Connecticut in 2009, the median household income for renters was \$34,459, up only 10% over the decade, and far less than the median household income for home owners, \$85,993, which rose 28% over the decade.⁽¹¹⁾ Given that, it is of little surprise that one in four renting households in the state—99,406 of 396,271—were earning less than 50% of median income and spending more than 50% of that income on housing in 2007.⁽⁵⁾

Homelessness: A continuing problem

On a single night each January, the Connecticut Coalition to End Homelessness supervises a Point-In-Time Count, which measures the number of people experiencing homelessness on that night and is used to show changes from the previous year. According to Point-In-Time Count data, the number of homeless households in Connecticut has remained virtually unchanged, staying at 3,320 households in 2009, only slightly down from the 3,325 in 2007. The number of families who were found homeless has also stayed consistent, with about 430 families found homeless on the survey night each January in 2007 and 2009. A wider-ranging count, over many more days, the Homeless Management Information System (HMIS)

Affordability Gap Widening Again: Rate of Growth in Median Single Family Home Prices and Personal Income, 2000-2010



The decline in home prices from 2007 to 2009 notwithstanding, home prices have still grown faster than personal income.

\$815 in 2000, consistently higher than the statewide rent affordable at the average wage for workers. Not surprisingly, the supply of studio and 1-bedroom homes for smaller households has fallen over the decade from 212,888 to 209,854 while the number of 4- and 5-bedroom homes has risen by more than 15%.⁽¹⁾ Meanwhile, the Priced Out in 2008 study indicates that Supplemental Security Income recipients must pay much more than 30% of their limited incomes on a 1-bedroom apartment. Statewide in 2008, someone on SSI with significant and long-term disabilities would have had to earn \$17.42 an hour to rent a 1-bedroom apartment affordably (without having to spend more than 30% of his income on rent) but only received \$4.70 an hour in benefits. Thus, the threat that tens of thousands of existing affordable units are deteriorating or could be converted to market-rate housing makes their preservation and sustainability vital.

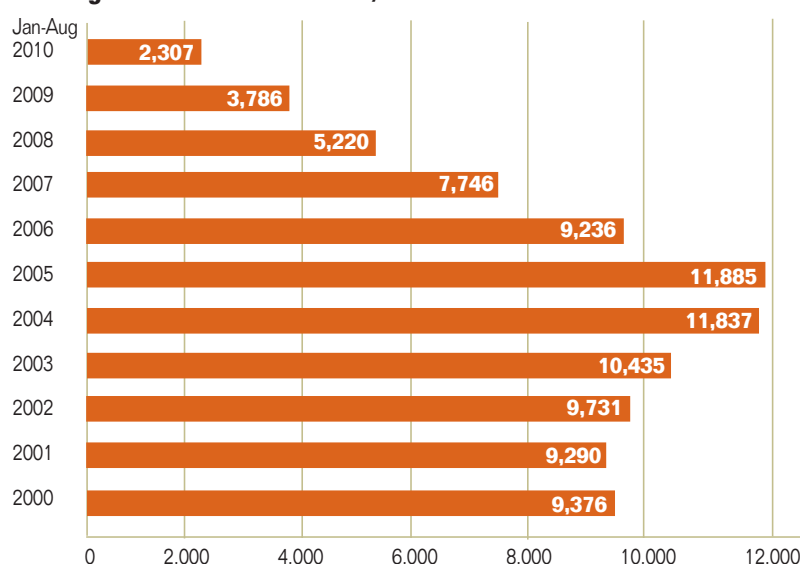
Report, shows a consistently rising number of homeless individuals in Connecticut. HMIS data indicate that 8,874 individuals experienced homelessness from July to September 2008, compared to 7,857 people from October to December 2007.⁽⁶⁾ Meanwhile, Connecticut's emergency shelters remained at 100% of capacity and the National Alliance to End Homelessness estimated more than 35,000 Connecticut households were "doubled up" in 2008, often a precursor to homelessness.

Rental Housing: Out of Reach for many

The annual Out of Reach study done by the National Low Income Housing Coalition shows the cost of rental housing has risen consistently each year since 2000. At the beginning of the decade, a resident needed to earn \$15.67 an hour to afford a typical 2-bedroom apartment without having to spend more than 30% of his income on rent. By 2010, that "housing wage" had risen to \$23 statewide. The Stamford-Norwalk region had the highest housing wage in the nation, at \$34.62 an hour, while the housing wage in seven of Connecticut's other 10 areas measured in the study was over \$21 an hour. Data from the 2009 American Community Survey indicate that 160,332 renters were making less than \$35,000 per year, 52% of the median household income. This same survey also shows that 49.4% of renters are also paying 30% or more on housing, leaving little for other necessities. With the median gross rent increasing to \$1,006 per month, it is no surprise that Connecticut residents are struggling to pay for housing.

Fair Market Rents, as measured by the Department of Housing and Urban Development, have also risen steadily this decade to \$1,196 in 2010 from

Connecticut: 47th Since 2000 in Units Built Per Capita Building Permits in Connecticut, 2000-2010



Throughout the decade, housing production in Connecticut has lagged behind the nation, resulting in limited supply and higher prices.

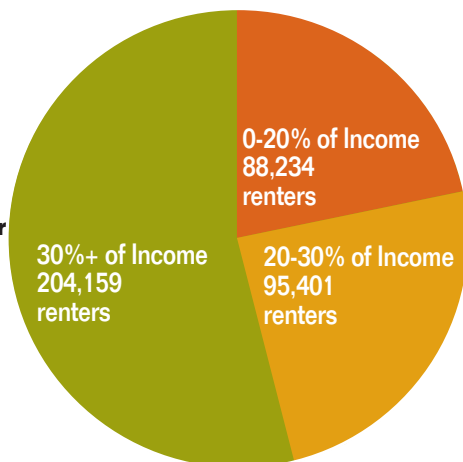
Housing Supply: Less for workers, families

Over the past decade, the supply of housing in Connecticut has grown marginally and data seem to indicate that most of this growth has been in larger units. A good gauge of the level of production is the number of housing permits issued in the state. Housing permit data collected by the Census Bureau and compiled by DECD show that the number of housing permits issued in 2009 decreased 60% from 2000, dropping from 9,376 to a miniscule 3,786. The number of permits issued in 2010 is on the same pace as 2009, with only 2,307 issued through August.

Census data and data from the American Community Survey also indicate that the availability of rental units in the state dropped between 2000 and 2009 from 463,836 to 456,817. Meanwhile, the total number of housing units in Connecticut crept up slowly to 1,445,840 in 2009 from 1,385,975 in 2000, an increase of less than 6,000 units a year. Within these

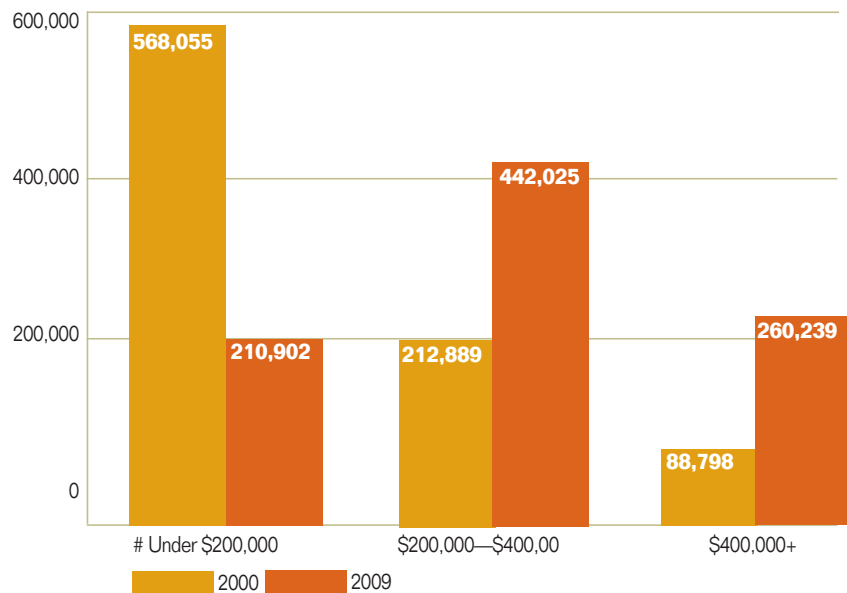
Percent of Income that Renters Paid Towards Rent in 2009

Over half of Connecticut's renters paid 30% or more of their income towards rent, leaving little left over for other necessities.



Affordable Home Supply Shrinks

Value of Owner-Occupied Housing Units in CT, 2000 vs. 2009



Rising home values rose over the decade have resulted in a decrease in the supply of affordable homes.

housing units there were about 221,800 more units with three or more bedrooms than units with 0, 1 or 2 bedrooms in 2009.

The limited production of new homes has translated to a scarce supply of affordable homes units in the state. A decade ago, Census data shows that Connecticut had 586,055 houses that were priced under \$200,000; by 2009 the number of homes priced under \$200,000 was down 63% to 210,902. The number of homes priced below \$300,000 also decreased from the 722,363 in 2000 to 479,850 in 2009, a 34% drop. And according to the state's 2009 Affordable Housing Appeals list, Connecticut has added fewer than 6,000 affordable housing units in Connecticut over the last five years.

An anemic economy combined with high housing prices has also forced many residents to "double up"—stay with extended family or friends due to economic hardship. Between the years 2005 and 2008, the number of people doubled up in the United States increased 5% from 4,630,796 to 4,846,193; in Connecticut, there were an estimated 35,737 people doubled up in 2008.⁽¹¹⁾ These numbers indicate that as the economy has worsened over the past three years, so has the availability of affordable units. Estimates from the National Low Income Housing Coalition confirm this, showing that there was a deficit of 52,871 available and affordable rental units for the 191,647 renter households earning less than 50% of median household income in Connecticut in 2007.

A challenging future

Connecticut's lack of affordable housing supply has been exacerbated by a belief that towns creating housing will see school costs rise – and, in turn, cause a rise in property taxes to pay for them. The evidence of concern about property taxes can be seen in the rising number of municipal budgets adopted by referendum: votes are up 14% to 149 in 2009 from 128 in 2005.⁽¹²⁾

Concern about school costs also typically rises as a state's elderly population grows since elderly residents, with no children in schools, are usually less inclined to pay higher taxes to support school budgets. Connecticut's median age grew to 39.5 in 2009 from 37.4 in 2000, a 5.6% increase.⁽¹¹⁾ While it is true that the United States population is aging, Connecticut's median age is considerably higher than the national median age of 36.8 and has aged more quickly than the 4.2% national rise over the same period.⁽¹¹⁾ There is little basis for concern about school costs; state enrollment figures are headed down overall – they have fallen each of the last five years and are expected to drop 17% between 2004 and 2020 – thus leaving room in classrooms for more students.⁽¹³⁾ But the fear of higher school costs has led many towns to avoid housing creation.

The lack of housing creation has already begun to affect municipal budgets: towns are paying premiums to attract teachers, paraprofessionals, volunteer firefighters and other municipal workers. A lack of affordable housing options may deter young professionals and families from staying in or moving to Connecticut; Realtors believe that this will ultimately have a dramatic effect on demand just as Baby Boomers are looking to sell their homes. With fewer offers from a smaller number of buyers, home values could drop, diminishing grand lists and requiring towns to make a tough decision - raise mil rates or cut services. That could affect the quality of life in Connecticut to a great degree.

Sources

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12. CT Office of Policy and Management.
13. Connecticut State Data Center.



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