Multifamily Metro Outlook: Hartford – Q2 2021

Overview:
• Hartford’s recovery has pretty much slowed to a standstill, tapping the brakes on job growth, which has flatted since the end of last year. Weak job gains have been broad-based across all industries, leading to an unemployment rate of 7.4% to begin the second quarter of 2021, an increase of more than 60 bps compared to the fourth quarter of 2020.
• Yet, with a dearth of supply in the metro, some of the market fundamentals remain artificially tight – this is the case with vacancies, which have historically trended below the national average. The pandemic has been no exception, in Q2 2021 vacancies declined to 3.75%, a full percentage point lower than the same time last year. However, considering that just 50 units have been delivered to the metro since the beginning of the year, there isn’t much room for vacancies to grow in the first place.
• Artificial tightness in the market hasn’t translated to significant growth in asking rents, which increased just 75 bps quarter-over-quarter to $1,370. However, rent growth has been stagnant in the metro well before the pandemic. In fact, asking rents in Hartford are only elevated 6.0% above the levels seen in the first quarter of 2016. An unintended benefit of this has been a quarterly decline in concessions, which fell across all property classes, and ranged between 4.2 – 6.1%.

Market Strengths:
• Aerospace manufacturing accounts for nearly one-third of factory jobs in Hartford and is an important source of high-wage employment. Boeing supplier Pratt & Whitney, a subsidiary of Raytheon Technologies, is one of the metro area’s top employers. As commercial aviation begins to rebound this year thanks to the vaccine rollout, and demand for plane parts recovers, growth will pick up, but Department of Defense contracts will ensure the facility remains busy in the meantime.

Market Weaknesses:
• Federal support helped Hartford to avoid major state tax hikes that would raise already-high business costs. However, as the metro’s high earners age out of the labor force and retire to warmer climates, renewed downward pressure on state revenue could exacerbate fiscal issues that will weigh on government employment.
• Hartford boasts a well-educated workforce; however, the current composition of the metro’s demographics are skewed towards older residents outside the prime renting cohort that offer little benefit to the apartment market.

Development:
• Multifamily construction in Hartford barely exists, there are currently slightly fewer than 1,250 units underway, even though the pipeline has increased more than 30% since the end of 2020, it ranks among the bottom of all metros. Since 2016, less than 4,500 units have been completed.
• With the priority on development focused on single-family construction, condos in Hartford are practically non-existent. Only 200 units are underway in the metro, but this still amounts to about 40% of the condo supply that has been delivered to the metro since 2016.

Outlook:
• High costs associated with life in the metro do little to combat negative net migration. While residents from nearby Boston, and New York continue to flock to surrounding metros in search of better affordability, Hartford is simply just not an attractive alternative. However, the metro is just as unattractive to developers as it is to individuals looking to relocate, and therefore vacancy and rent levels are not expected to change significantly in the near term.
• Hartford’s economy will continue to underperform the rest of New England, which – as a whole – is expected to lag the nation, but the recovery may accelerate later in the year. Rebounding jobs in commercial air transit will support manufacturing, but it’s hard to identify an avenue that the metro can travel to recovery in the coming months. Longer-term, high costs and unfavorable demographics will weigh on growth leading to continued underperformance.

Five Year Metro Area Growth Forecast

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>Hartford (5-Year Annual Average Change)</th>
<th>National (5-Year Annual Average Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1,204</td>
<td>1,205</td>
<td>0.02%</td>
<td>0.52%</td>
</tr>
<tr>
<td>Households</td>
<td>486</td>
<td>502</td>
<td>0.61%</td>
<td>1.41%</td>
</tr>
<tr>
<td>Renting Cohort (Ages 20-34)</td>
<td>239</td>
<td>224</td>
<td>-1.30%</td>
<td>-0.26%</td>
</tr>
<tr>
<td>Total Employment</td>
<td>615</td>
<td>653</td>
<td>1.19%</td>
<td>1.71%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$78,329</td>
<td>$90,441</td>
<td>2.92%</td>
<td>2.83%</td>
</tr>
<tr>
<td>Median SF Home Price</td>
<td>$279,885</td>
<td>$401,743</td>
<td>7.50%</td>
<td>4.30%</td>
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<tr>
<td>Net Migration</td>
<td>1,260</td>
<td>-339</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Vacancy & Rent Composite Estimates

Vacancy Rates

Asking Rent Growth

Source: Multifamily Economics and Research
## Construction: Bidding & Underway

<table>
<thead>
<tr>
<th>Sub-Market</th>
<th>Projects</th>
<th>Units</th>
<th>Sq. Ft. (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Hartford</td>
<td>4</td>
<td>491</td>
<td>0.60M</td>
</tr>
<tr>
<td>New Britain/Bristol</td>
<td>5</td>
<td>192</td>
<td>0.28M</td>
</tr>
<tr>
<td>Southeast Hartford/Middlesex County</td>
<td>3</td>
<td>203</td>
<td>0.27M</td>
</tr>
<tr>
<td>West Hartford</td>
<td>4</td>
<td>258</td>
<td>0.34M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>16</strong></td>
<td><strong>1,244</strong></td>
<td><strong>1.47M</strong></td>
</tr>
</tbody>
</table>
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Multifamily Economics and Market Research Team

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Sources Used

- Moody’s Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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