

Multifamily Metro Outlook:

Hartford - Q2 2024

Overview:

- Hartford's inflation-adjusted economic output increased 1.8% as of the year ending Q2 2024. The metro recorded a net gain of 1,200 jobs, modestly expanding the employment base. Despite this gain, RealPage estimates that the metro's unemployment rate reached 4.0% as of the end of Q2 2024, higher than the national average of 3.7%.
- Surging education and health service sectors have been driving recent gains in employment, allowing income growth to increase on an average annual basis of 3.42% over the past five years, matching national growth exactly. In addition, the median household income in the metro is just under \$91,000, well above the national median household income of \$80,900.
- Even with higher interest rates, Hartford offers considerably more affordability compared with most housing markets across the country. This quarter, CBRE Econometric Advisors estimates there was a net absorption of around 550 units. This is especially strong considering Hartford's recent boom in construction, as demand seems to be keeping up with supply.

Market Strengths:

- Hartford has an outsized number of insurance firms in its industry mix. High interest rates over the past few years have bolstered investment income for many insurance companies.
- Aerospace manufacturing is also an important source of high-wage employment in Hartford, with a top employer in the metro being jet engine manufacturer Pratt and Whitney. Aerospace manufacturing continues to experience growth with the increase in flight demand, after securing a major contract to supply upgraded F135 Joint Strike Fighter engines to the U.S. military in the new defense budget.

Market Weaknesses:

- A broader slowdown in manufacturing limits upside in the near term. Employers continue to face skilled worker shortages, with more than two-thirds of manufacturers reporting the issue is a major hurdle to growth. With demand for employees outstripping supply of qualified workers, factories will be forced to provide higher pay raises, benefiting workers but increasing costs and weighing on the industry's growth prospects.
- Pratt and Whitney has recently been forced to recall thousands of faulty Airbus engines, causing significant problems for the fleets of JetBlue and Turkish Airlines. A prolonged recall process could dampen new orders for the company due to reputational damage and lower production capacity as a result of high inspection costs.
- Hartford has relatively weak metrics when it comes to migration flows. In 2022, the metro saw outmigration of around 400 people. A weak population base will prove to cause issues when it comes to employment numbers and, subsequently, landlords' ability to maintain occupancy and rent growth.

Development:

- The pace of multifamily units underway in Hartford has continued to explode, with Dodge Data & Analytics estimating that over 4,500 units are underway. This jump in activity doesn't appear to be anomalous, at least not in the short term, as the development pipeline has more than tripled in the past two years.
- Supply activity is concentrated highest in the Central and West Hartford submarkets, accounting for 69% of the market's total completions over the past five years, according to RealPage.

Outlook:

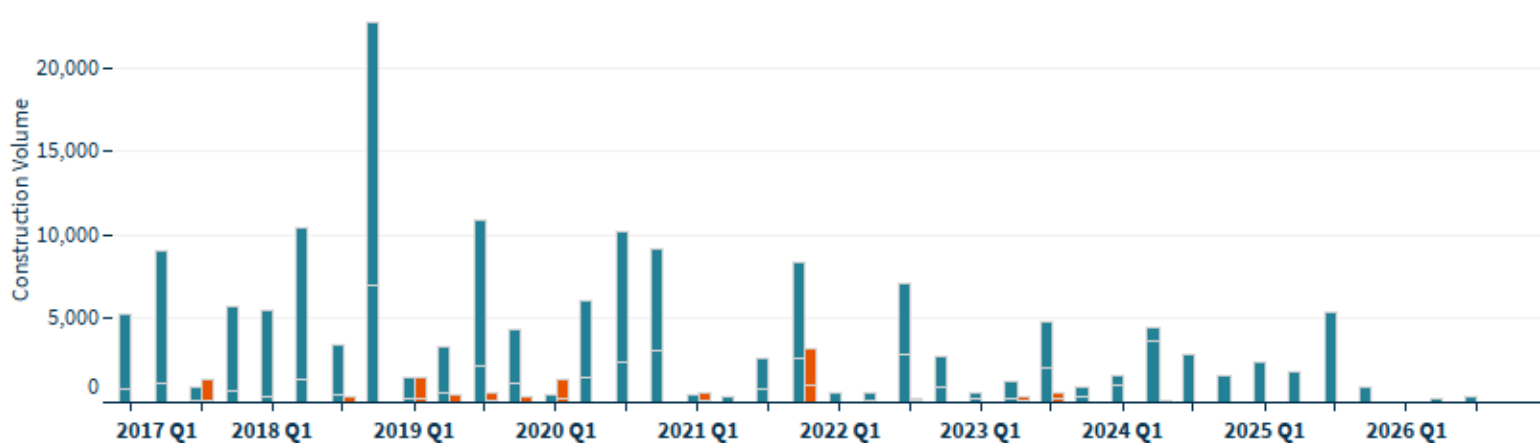
- While Hartford has faced a slower recovery post-pandemic than most other metro's in the Northeastern region and nationally, there is reason to believe the metro is on an upswing. As of the second quarter 2024, Hartford has posted extremely strong occupancy levels, with a vacancy rate of around 3.50%. RealPage estimates that the metro ranks 13th among the top 150 markets nationally in terms of occupancy. Rent growth stayed flat over recent quarters, but in Q2, the metro posted an average rent growth of about 2.15%, which is a notable increase.
- Hartford's economy is continuing to make progress, but growth is expected to trail the rest of the region, at least in the near term. The metro took two more years than national averages to return to pre-pandemic levels of employment, signaling its ongoing struggle to keep up with national recovery and employment growth. Manufacturing and factory delays will likely hamper employment growth in the near term.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

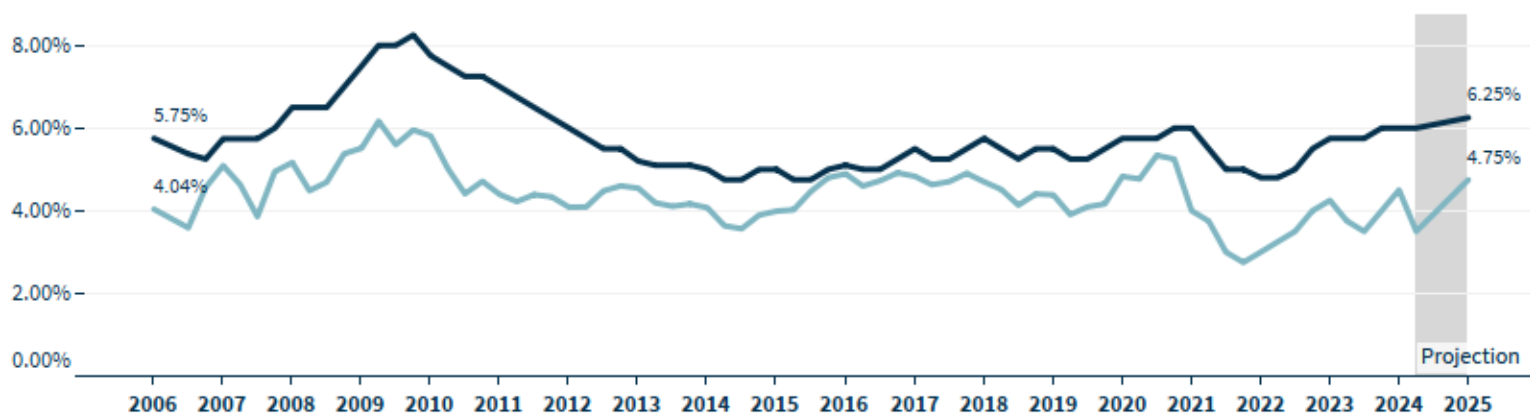
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Hartford | National

Q2 2024 Vacancy Rate:

3.50%



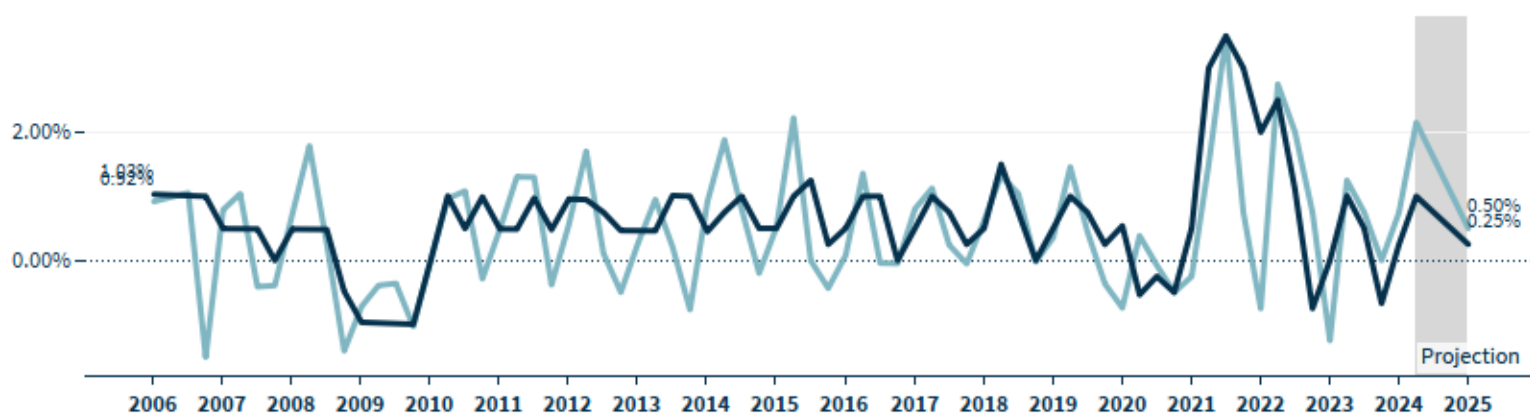
Projection

Asking Rent Growth

Hartford | National

Q2 2024 Asking Rent:

\$1,630

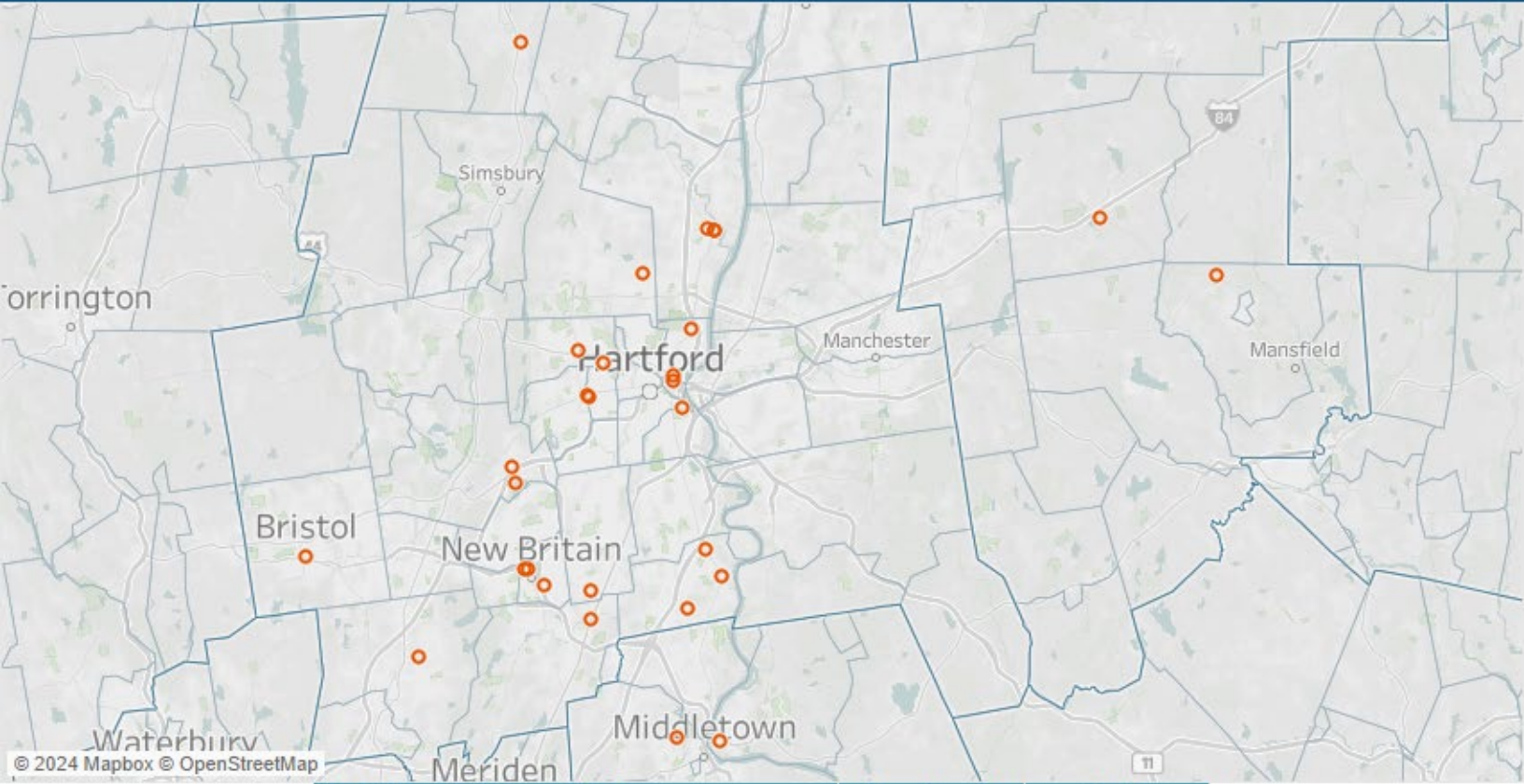


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Hartford	4	810
New Britain/Bristol	7	1,134
Northeast Hartford	2	638
Southeast Hartford/Middlesex County	5	1,024
West Hartford	11	950
Grand Total	29	4,556

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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