

# Multifamily Metro Outlook:

## Hartford - Q4 2023

### Overview:

- Hartford's economy is in roughly the same place as it was to end the prior year – closely tracking the rest of the nation. The metro recorded net gains of 3,900 jobs, expanding the employment base by 0.7%. As such, the unemployment rate was unchanged at 3.4% which is in line with the national average of 3.5%.
- Surging education and health service sectors have been driving recent gains in employment, allowing income growth to increase 1.1% over last year's levels. This growth is in line with much of the country at 1%. In addition, the median household income in the metro is just under \$88,000, well above the national median household income.
- Even with interest rates increasing at an unprecedented pace, Hartford offers considerably more affordability compared to most housing markets across the country – though the cost of housing is accelerating, especially for single-family properties. Since the beginning of 2022, the estimated P&I cost in Hartford has gone from being on par with asking rents to almost 50% more expensive, making multifamily rentals the more affordable option in the metro.

### Market Strengths:

- Aerospace manufacturing is an important source of high-wage employment in Hartford, with the second top employer in the metro coming in the form of 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 F-35 Joint Strike Fighter engines to the U.S. military in the recent 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 to be a major hurdle to growth. With demand for employees outstripping supply, factories will be forced to provide higher pay raises, benefiting workers but increasing costs and weighing on the industry's growth prospects.

### Development:

- The pace of multifamily deliveries in Hartford has greatly increased with 3,446 under construction with 2,351 of those scheduled to complete in the next four quarters. This would be the highest completed volume in the last 15 years. This jump in activity doesn't appear to be anomalous either, at least not in the short-term; the development pipeline has more than tripled in the past 2 years.
- Development in Hartford's single-family housing market is moving along at a tepid pace. Slightly over 500 single permits were recorded in 2023, which is the lowest it has been in the last 5 years. FHFA's house price index did increase 8% in 2023 compared to 14.1% the previous year.

### Outlook:

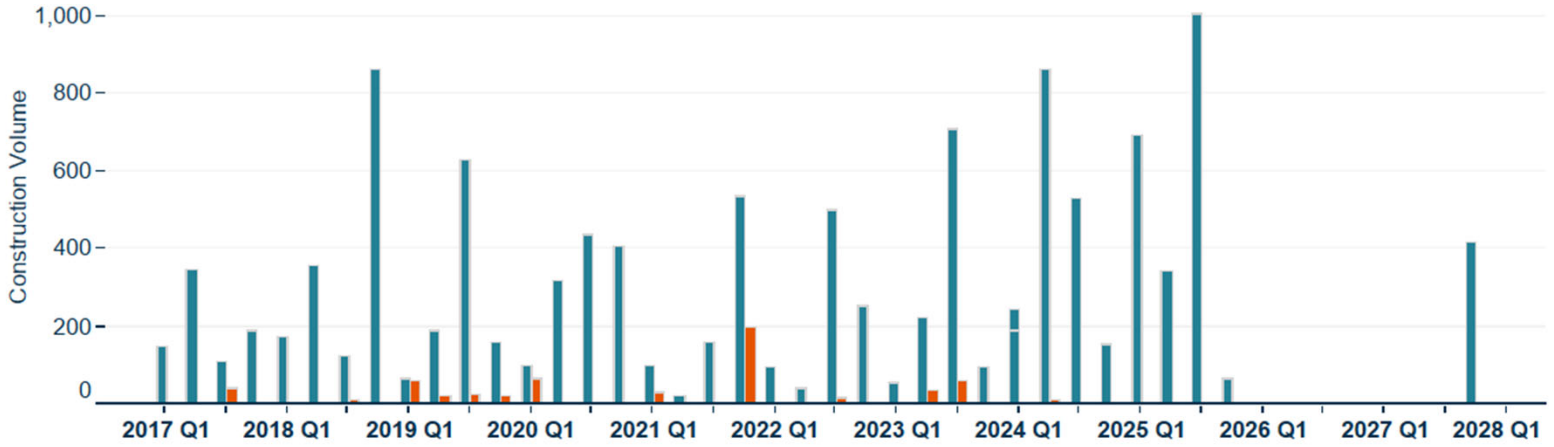
- Hartford's apartment market has always been largely sensitive to small changes in fundamentals. So, it should hardly come as a surprise with less migration to the metro has increased vacancy rates as more supply comes into the market. Overall, with increase population losses added with high interest rates, Hartford will grow but is expected to underperform the nation.
- Hartford's economy is continuing to make progress, but it is expected that growth will trail the rest of the region, at least in the near-term. The public sector, usually a bastion for economic performance is likely facing a lackluster near-term outlook amid the state's volatile revenues and the looming threat of a recession. Further, factories will likely struggle with elevated costs and labor shortages. Longer term, inconsistent population growth will probably only serve as a deterrent to economic growth.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos

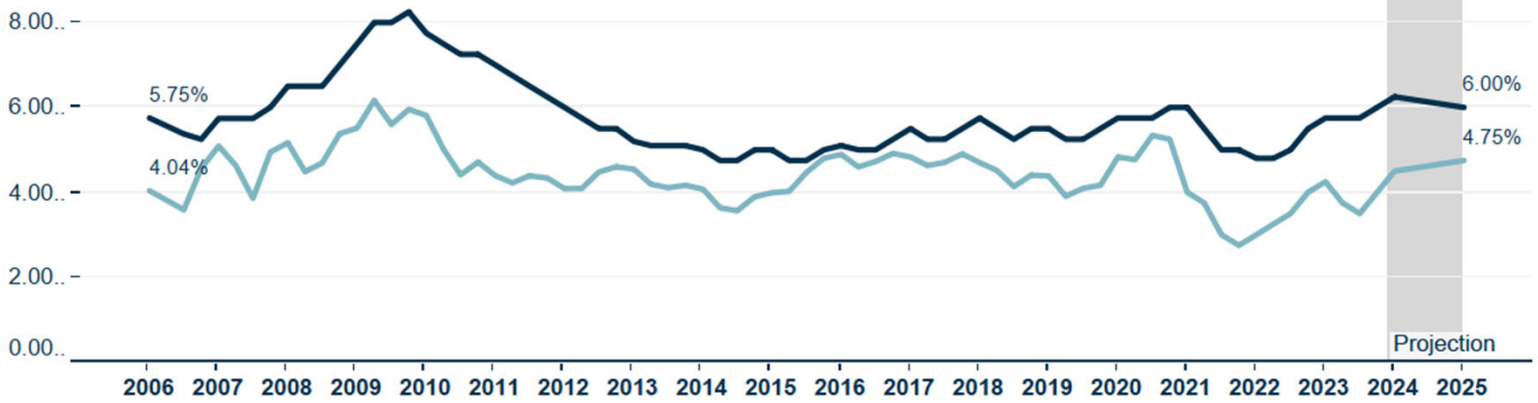


Source: Dodge Data & Analytics SupplyTrack Pipeline

## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Hartford | National



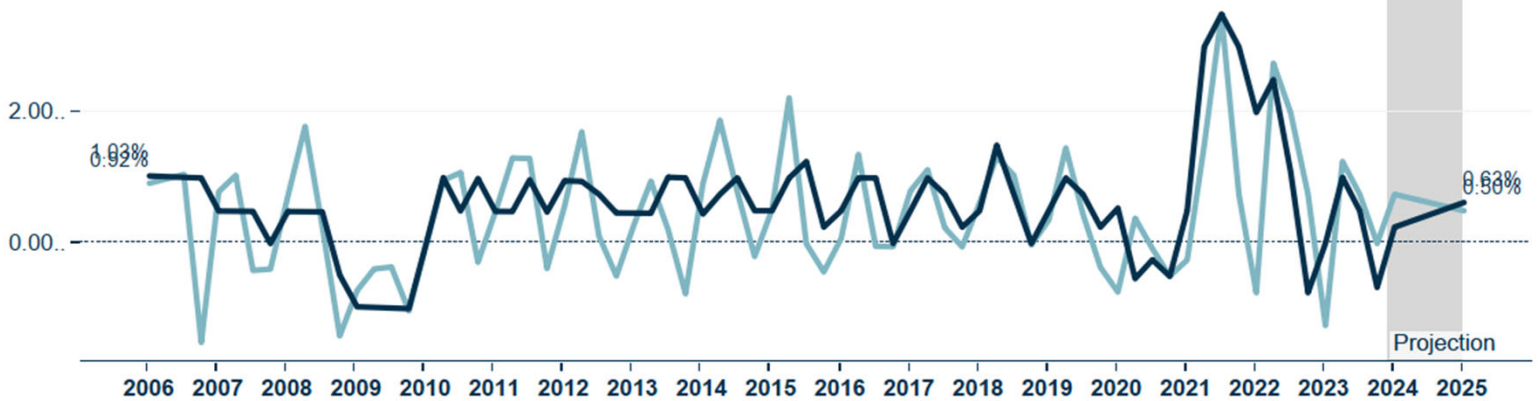
Q4 2023 Vacancy Rate:

4.00%

Projection

### Asking Rent Growth

Hartford | National



Q4 2023 Asking Rent:

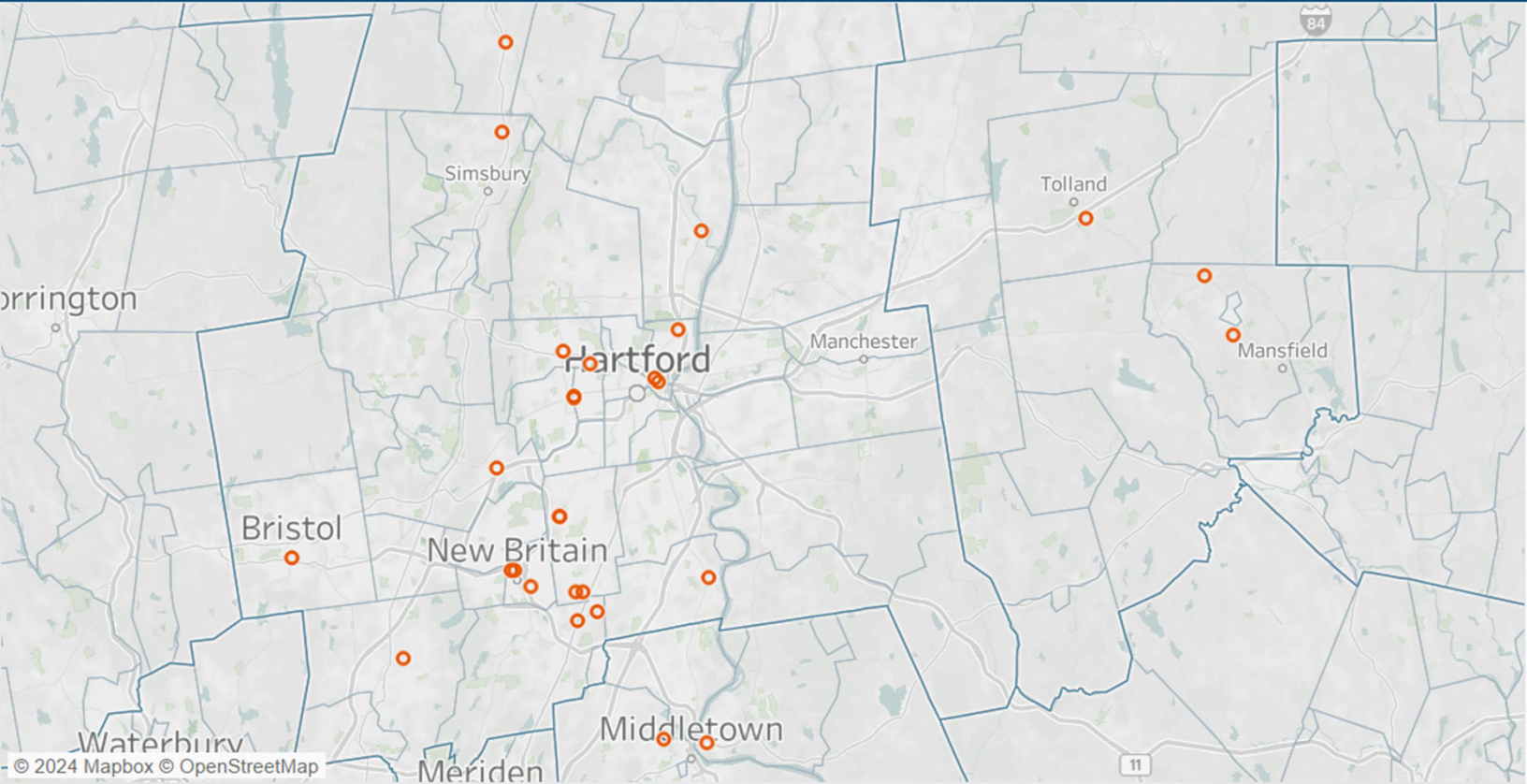
\$1,590

Projection

Source: Fannie Mae Multifamily Economics and Research



## Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Hartford	3	400
New Britain/Bristol	11	1,599
Northeast Hartford	3	680
Southeast Hartford/Middlesex County	3	856
West Hartford	8	711
<b>Grand Total</b>	<b>28</b>	<b>4,246</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Hartford Q4 2023

## Multifamily Economics and Market Research Team

Caitlin Peirce, Economic and Strategic Research

### 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

*Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.*