

MARKET REPORT

Multifamily

New Haven-Fairfield County Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

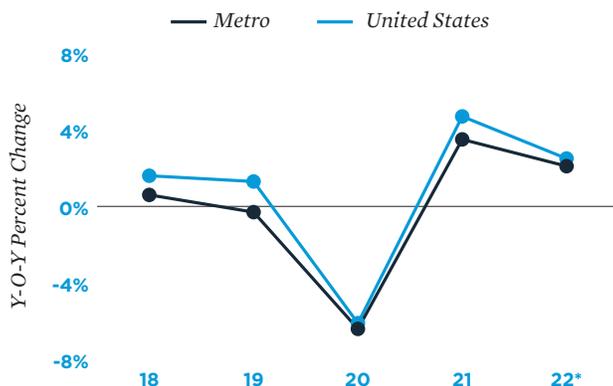
2Q/22

Metro Employers Increase Staff Counts, Keeping Vacancy at Record Tightness

Retail and hospitality innovators support 2022 job gains. As the metro's economic recovery continues, job growth should be supported in part by retail sector expansion. In addition to Connecticut's first Wegmans location set to open in Norwalk, Amazon plans to expand its Amazon Fresh concept to multiple storefronts across the market this year. The opening of the Hotel Marcel, a 165-room net-zero energy initiative in downtown New Haven, should help close remaining hiring gaps in the leisure and hospitality sector. Employees in these labor segments are traditionally prone to rent, suggesting limited vacancy in the Class B and C sectors may continue for the foreseeable future.

Rental landscape evolves amid demographic shifts. Entering the second quarter, conditions are tight across apartment tiers; however, the trend of 20- to 34-year-olds relocating to lower-cost markets has the potential to influence fundamentals moving forward. Fortunately, the metro is home to a sizable population of affluent baby boomers and Gen Xers that are nearing retirement age and potentially considering downsizing living space. This large proportion of older renters could offset the impacts of younger generation out-migration. Furthermore, large Fairfield County employers, such as Altus Power and WWE, continue to invest considerably in the metro, helping to maintain a well-compensated employment base on the market's eastern half that will support demand for luxury units.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**16,000
JOBS**

will be created

EMPLOYMENT:

The market gains jobs at a faster pace than its historical average, as a 2.1 percent rate of employment growth is recorded during 2022. Nevertheless, out-migration may create headwinds for labor force expansion further out.



**2,700
UNITS**

will be completed

CONSTRUCTION:

Deliveries will surpass the 2,000-unit benchmark for the first time in eight years, with builders achieving a multidecade record for finalizations. Most projects exceeding 150 units are set to come online in Fairfield County.



**0
BASIS POINT**

change in vacancy

VACANCY:

The ongoing employment recovery will preserve demand for rentals, holding vacancy at 2.5 percent. Still, an increase in availability may be observed in the Stamford-Norwalk corridor, due to the high amount of near-term unit deliveries.



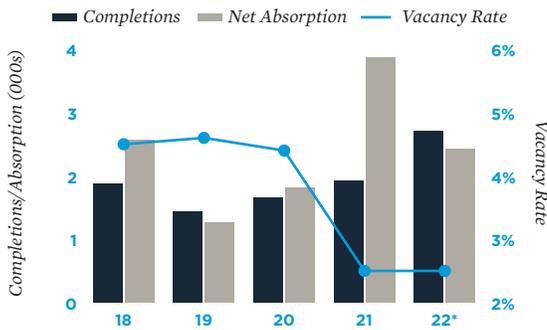
**7.0%
INCREASE**

in effective rent

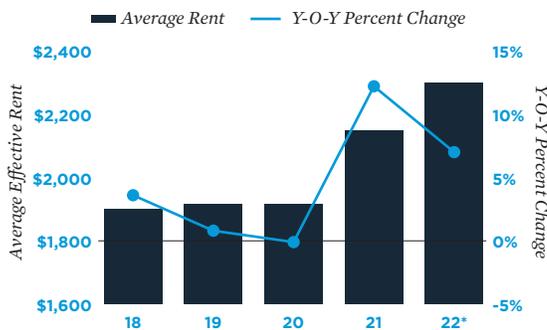
RENT:

Tight conditions allow the pace of rent growth to remain well above the historical mean in 2022, elevating the average effective rate to \$2,282 per month. Last year, the mean rent jumped by 12.2 percent.

Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

2,111 units completed

- Completions during the 12-month period ending in March exceeded finalizations from the previous yearlong span by around 750 units.
- The majority of projects completed before the end of the first quarter were in the western half of the market, with a handful of complexes finalized in southern New Haven County.



VACANCY

150 basis point decrease in vacancy Y-O-Y

- Stamford-Norwalk is home to the market's highest unit availability. Here, vacant units comprise nearly 4 percent of stock. All other submarkets observed first quarter vacancy rates below 2 percent.
- Entering this year, all apartment classes posted vacancy rates below 3 percent, with Class B and C availability at historical lows.



RENT

13.5% increase in the average effective rent Y-O-Y

- Historically low vacancy lifted rents substantially over the past four quarters, putting the average effective rate at \$2,187 per month.
- New Haven and adjacent cities have registered the most acute revenue gains. Here, average effective rent increased nearly 21 percent during the last 12 months, elevating the mean rate over \$1,900 per month.

Investment Highlights

- As health conditions improved, heightened investor sentiment generated record deal flow last year, with transaction velocity rising more than 30 percent above its 2019 equivalent. Both Class A and C trading reached all-time highs as institutions and private buyers re-entered the market. The boost in sales activity coincided with a 5 percent increase in pricing that lifted the metro's blended average to \$191,300 per unit. Class A assets, in particular, can change hands at sale prices in the \$290,000 to \$400,000 or above range.
- While elevated bidding activity for Fairfield County properties drove 2021's high sales velocity, buyers also sought out properties in New Haven County for lower entry costs and NOI growth potential. Cap rates on Class A and B assets here fall into a mid- to high-4 percent average.
- A substantive increase in Class A trading in 2021 can be credited to the properties registering declining vacancy rates, providing attractive acquisition targets for investors operating in the \$15 million and over range. Owing to strong buyer demand and a diversity of local neighborhood dynamics, cap rates on these assets tend to lie in the mid-4 percent to mid-5 percent zone.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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