

MARKET REPORT

Multifamily
Fairfield County Metro Area

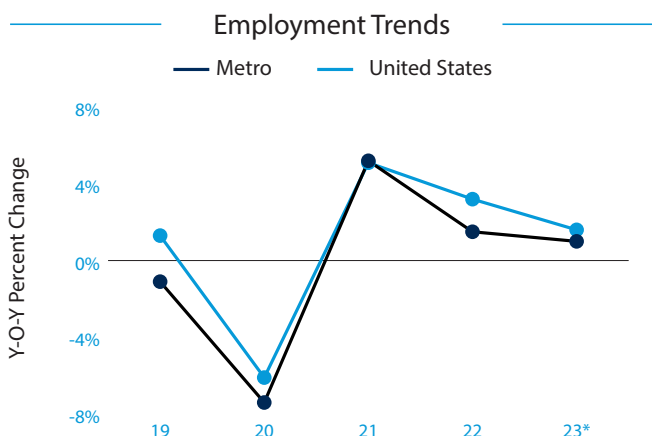
IPA
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3Q/23

New Apartments Well-Received as Overall Rental Demand Returns to Historical Norms

Vacancy trends bifurcated between apartment classes. Connecticut's Gold Coast is continuing to attract upper-income renters. Although the initial surge in demand from New Yorkers seeking suburban apartments largely abated last year, Class A vacancy nevertheless improved over the first six months of 2023. Effective rents remain elevated across rental tiers, noted at roughly 20 percent over the year-end 2019 level entering July. This has prompted affordability concerns for some renters. After reaching an all-time low during the previous yearlong span, Class C vacancy more than doubled during the 12-month period ended in June to 6.0 percent. Still, a high barrier to homeownership should backstop availability. The mean mortgage payment on a median priced home reached \$5,262 per month in June, 82 percent above the average rent. Monthly single-family housing costs are only exceeded by New York among East Coast markets.

Supply wave continues among coastal locales. Developers have consistently targeted a growing commuter base since the onset of the pandemic. Annual inventory growth has averaged above 1,500 units since 2020, surpassing the previous long-term average by more than 40 percent. Though additions have been well received thus far, a sizable pipeline could place upward pressure on luxury segment vacancy in the near-term. In municipalities along coastal Interstate 95, roughly 3,000 doors were in progress as of late August, with nearly all of these rentals slated for delivery by early 2025.



* Forecast

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

Multifamily 2023 Outlook



**4,000
JOBS**

will be created

EMPLOYMENT:

Job gains have been solid thus far in 2023, expanding headcounts by 1.4 percent over the first six months of the year. Fairfield County's employment base entered July at its highest level since mid-2019.



**1,300
UNITS**

will be completed

CONSTRUCTION:

Development activity reaches a three-year low, though delivery volume will exceed the long-term mean. During the decade-and-a-half preceding the pandemic, supply additions averaged just 920 units per annum.



**50
BASIS POINT**

increase in vacancy

VACANCY:

Following the 220-basis-point increase observed last year, vacancy will note slower upward movement in 2023. Still, the overall metric will end the year at 5.8 percent, marking the highest rate since 2017.



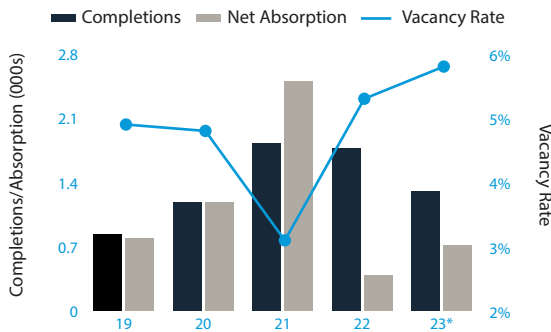
**2.6%
INCREASE**

in effective rent

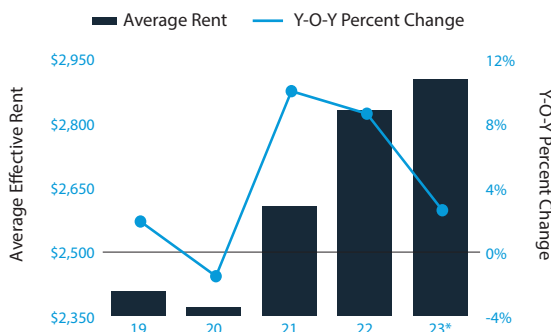
RENT:

Increasing vacancy will slow rent gains after two consecutive years in which the average effective rent increased by no less than 8.6 percent. The mean monthly rate will reach \$2,901 by the end of the year.

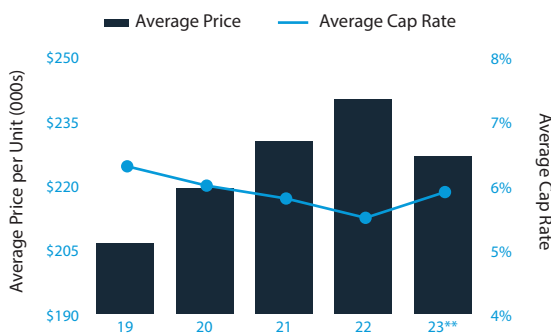
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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2Q 2023 - 12-Month Period

CONSTRUCTION

1,609 units completed

- Roughly half of the stock brought online during the 12-month period ended in June was completed during the fourth quarter of 2022.
- Developers are targeting Southwestern Fairfield County for the bulk of projects, with 1,381 of the doors brought online over the past four quarters completed in the Stamford-Norwalk submarket.

VACANCY

190 basis point increase in vacancy Y-O-Y

- Vacancy rose above the 5 percent threshold in late 2022, and entered the third quarter of this year at 5.1 percent.
- The Class A segment was the single category to record vacancy contraction over the first six months of 2023, noting a 140-basis-point decline to 4.8 percent. Class B vacancy rose 40 basis points to 4.5 percent during this span.

RENT

6.5% increase in the average effective rent Y-O-Y

- The average effective rent advanced to \$2,886 per month at the end of this year's second quarter, the highest level on record.
- Class C properties led rent growth during the 12-month period ended in June, advancing 8.2 percent to an average of \$2,424 per month. Class A rentals came in second with a 6.4 percent increase to \$3,379 per month.

Investment Highlights

- Though mounting capital costs have negatively impacted transaction velocity, deal flow in Fairfield County during the first half of 2023 was comparable to pre-pandemic spans. Lower entry costs relative to nearby major metros have helped facilitate a growing investment base in recent years. Investors active in Fairfield County often target larger garden-style apartments along the market's commuter corridors.
- Buyers pursuing apartments built after 2010 will be drawn to the region's coastal downtowns, where a number of new developments have come online since the onset of the health crisis. Stamford, Norwalk and Greenwich have been popular locales for New Yorkers seeking apartments, due to their position along the Interstate 95 and Metro North corridor.
- During the first half of 2023, multifamily investors have been most active in densely-populated areas of Norwalk and Bridgeport, which are replete with Class B assets in the \$15 million-plus range. These properties are often changing hands at cap rates in the high-5 to low-6 percent band, which is in line with the market average.