

MARKET REPORT

Multifamily
New Haven County

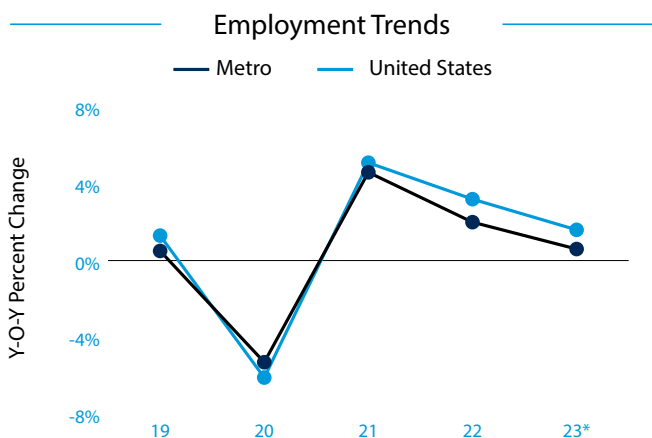
IPA
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3Q/23

Logistics, Education Employment Stimulates Rental Demand; Builders Target Core Locales

Varied job performance poses demand implications. The travel, transportation and utilities, as well as the education and health services, sectors each reported a net gain of more than 1,000 positions during the first half of 2023. This hiring momentum should facilitate a backstop for rental demand in the workforce segment and in relatively lower cost areas of the market. Some attrition among traditional office-using employers, however, could dampen household formation among higher-income renters. At the same time, steep barriers to local homeownership should continue to provide reinforcement for luxury apartment demand. This was reflected in Class A vacancy declining on a quarterly basis during the April through June period.

Development most active along market's coastal south. Although the countywide supply wave is still ongoing, builders maintain a preference for the county's urban environs, where rents trend higher. More than 1,600 of the roughly 2,000 units underway as of September were slated for delivery in the city of New Haven and adjacent municipalities. This will grow supply in the market's southern portion by roughly 5 percent by mid-2025. The remaining doors in the Waterbury-Meriden-Hamden submarket will translate to a local inventory transformation of less than 1.2 percent during that time frame. Tight conditions here indicate that more arrivals are warranted, however. Vacancy has consistently remained in the sub-4 percent zone since mid-2020, and retreated 80 basis points over the first six months of 2023 to 2.7 percent at midyear.



* Forecast

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

Multifamily 2023 Outlook



**2,500
JOBS**

will be created

EMPLOYMENT:

While New Haven County's employment base is only expected to expand at a modest 0.6 percent clip in 2023, the total job count will exceed 390,000 by the end of the year, the highest level in multiple decades.



**650
UNITS**

will be completed

CONSTRUCTION:

Supply expansion tapers on an annual basis, following last year's record-breaking addition of 1,049 units. Still, the inventory growth underway this year is well above the trailing 10-year average of 376 units per annum.



**10
BASIS POINT**

increase in vacancy

VACANCY:

The metrowide vacancy rate nudges up to 3.9 percent, after a 180-basis-point increase was noted in 2022. Despite marking a three-year high, the metric will close out 2023 under the year-end 2019 measure.



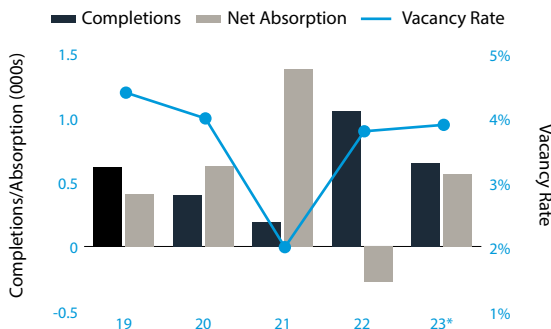
**6.0%
INCREASE**

in effective rent

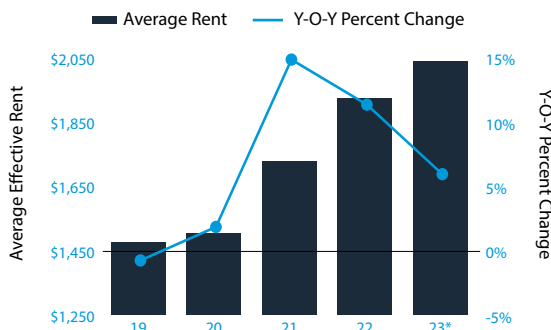
RENT:

Rent gains decelerate after two consecutive years in which annual growth was at least 11.4 percent. This year's elevation remains robust, with the average effective rent reaching \$2,039 per month.

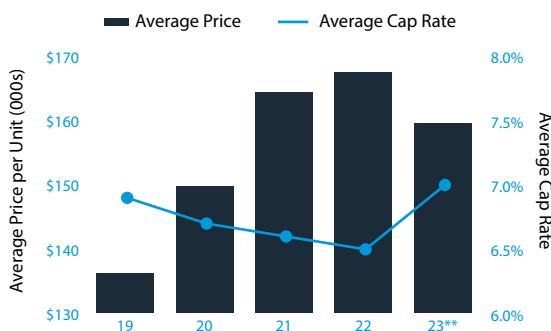
Supply and Demand



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

695 units completed

- Supply additions during the 12-month period ended in June amounted to a 1.1 percent inventory expansion marketwide.
- Builders completed just 207 units in the Waterbury-Hamden-Meriden submarket since the start of the 2022 calendar year. During that same time frame, about 210 doors were removed from the market through demolition.

VACANCY

160 basis point increase in vacancy Y-O-Y

- While vacancy jumped over the yearlong period ended in June to 3.7 percent, this is well below the long-term average of 5.2 percent.
- All apartment classes saw vacancy advance on an annual basis during this period, though each segment noted improvement during the second quarter. Class A rentals report the highest vacancy, entering July at 5.8 percent.

RENT

9.5% increase in the average effective rent Y-O-Y

- Historically tight conditions supported solid rent gains during the 12-month period ended in June, bringing the mean monthly rate to \$2,014.
- Rent growth was robust among all apartment segments this span, led by Class C units with a 21.8 percent jump, bringing the average effective rent in this category to \$1,508 per month.

Investment Highlights

- While transaction velocity has been impacted by rising interest rates, investment during the first half of 2023 was comparable to the equivalent period in 2019. Buyers from New York have increasingly gravitated toward the region due to lower entry costs and a comparatively relaxed regulatory environment, setting the stage for solid buyer demand moving forward.
- Owing to favorable fundamentals and a relative dearth of incoming competition in these locales, investors have become increasingly active in the market's outlying city centers, including Waterbury and Meriden. These city centers offer a lower cost-of-living than other nearby municipalities, which has translated to consistently lower vacancy in the market's northern half since the onset of the health crisis.
- Institutional sources remain active in New Haven proper and adjacent municipalities, owing to a broader selection of recent builds than in the county's outlying environs. These investors typically focus on late-20th century builds, often focusing on garden-style apartments in more affluent coastal zones.