

**ANALYSIS OF SELECTED DATA  
AND UPDATED FORECASTS OF HOUSING NEED  
FOR THE SOUTHEASTERN CONNECTICUT PLANNING REGION,  
2000 – 2010**

**Southeastern Connecticut Council of Governments**

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## **Analysis of Selected Data and Updated Forecasts of Housing Need for the Southeastern Connecticut Planning Region, 2000 – 2010**

### INTRODUCTION

This report updates several elements of the 2002 report, *Housing a Region in Transition: An Analysis of Housing Needs in Southeastern Connecticut, 2000 – 2005*, and extends the forecast of regional housing needs to 2010. This updating is being performed at the request of the Southeastern Connecticut Council of Governments (SCCOG) and is intended for use by the region's Blue Ribbon Housing Initiatives Panel.

An updating of the earlier housing analysis is appropriate at this time for several reasons. First, the updating will provide an opportunity to assess the level of progress in meeting the regional housing needs anticipated in the 2002 study. Second, this current review will provide more recent information on housing cost trends throughout southeastern Connecticut. Third, with 2005 less than 12 months away, it will be useful to extend the forecast of housing needs out to 2010.

This report is organized into five sections: Population Growth and Projection, 2000 – 2010, page 1; Housing Production, 2000 – 2003, page 2; Residential Sales Prices, 2000 – 2003, page 4; Estimates of Housing Need, 2000 – 2005 and 2010, page 6; Conclusions, page 9.

### POPULATION GROWTH AND PROJECTION, 2000 – 2010

In 2000 the U.S. Census of Population and Housing enumerated a total regional population of 242,759. The most recent forecast of population change within southeastern Connecticut since the census is one prepared in 2004 by the Connecticut Economic Resource Center, Inc. (CERC). That forecast was prepared for use in a Comprehensive Economic Development Strategy (CEDS) for the southeastern Connecticut region. The CEDS preparation is a joint project of the Council of Governments, the Southeastern Connecticut Enterprise Region, Inc., and a number of other participating organizations.

The CERC forecast is much more recent than that produced by the Connecticut Department of Transportation (CONNDOT) that was used in the regional housing study of 2002. Accordingly, we will use the CERC projections in a later section of this report

as the basis for extending the housing needs forecast out to 2010. The CERC forecasts are summarized in the Table 1 below.

TABLE 1: Forecast of Total Population, 2000 – 2010  
Southeastern Connecticut Planning Region

Municipal Classifications	Actual, 2000	Low Forecast, 2010	High Forecast, 2010
Urban Towns (3)	101,695	93,000	94,000
Suburban Towns (10)	125,495	137,000	140,000
Rural Towns (5)	15,569	17,000	19,000
Regional Totals:	242,759	247,000	253,000

SOURCE: Connecticut Economic Resource Center, Inc.

NOTES:

1. The CERC forecasts have been rounded to the nearest 1,000.
2. The municipal classifications are:

Urban Towns: Groton, New London, and Norwich.

Suburban Towns: Colchester, East Lyme, Griswold, Ledyard, Lisbon, Montville, Preston, Spargue, Stonington, and Waterford.

Rural Towns: Bozrah, Franklin, North Stonington, Salem, and Voluntown.

It should be noted that the high total population forecast by CERC is lower by 1,000 people than the CONNDOT regional projection for 2010 (as adjusted by the SCCOG) used in the 2002 regional housing study prepared by the SCCOG. (See Table 3.24 in the 2002 regional housing study.) More significantly, CERC is projecting a continued loss of population from the group of three urban communities, while CONNDOT forecast modest growth for these communities after 2000. This conclusion by CERC is certainly open to debate. However, this point is not an impediment in the current analysis, since the housing need forecasts for this report are focused on the region as a whole.

The low forecast (247,000) by CERC for 2010 is predicated on continued employment growth in all regional industrial sectors except Leisure and Hospitality. Under the CERC low forecast, the Leisure and Hospitality sector is assumed to remain stable, with little or no growth through 2010. For the past ten years, Leisure and Hospitality has been the region's fastest growing employment sector due to the development of the Foxwoods Resort Casino and the Mohegan Sun Casino. This scenario projects a 2.0% increase in the region's population between 2000 and 2010, resulting in a net gain of about 5,000 residents.

CERC's high forecast (253,000) for 2010 anticipates employment growth in all economic sectors. This scenario indicates a 4.5% growth in the region's population between 2000 and 2010. This rate of growth is considerably higher than the 1.0% population increase for southeastern Connecticut in the 1990 - 2000 decade. The high forecast projects a population increase on the order of 10,000 over the 2000 – 2010 decade.

#### HOUSING PRODUCTION, 2000 – 2003

The regional housing study published in 2002 suggested that the southeastern Connecticut region had a need for between 4,300 and 5,100 additional housing units

between the total identified by the 2000 U.S. Census and 2005. The study also recommended that 35% of new housing construction should be rental units, with the remaining 65% consisting of units intended for owner occupancy.

We can assess how well the region is meeting these identified needs by examining information on the number of residential building permits issued by southeastern Connecticut municipalities between 2000 and 2003. The U.S. Census Bureau compiles such data from records submitted by municipalities. This information is summarized in Table 2 below.

TABLE 2: Residential Building Permits Issued  
by Classifications of Municipalities, 2001 – 2003  
Southeastern Connecticut Planning Region

Municipalities	2000	2001	2002	2003	Total, 00-03
Urban (3)	93	92	220	455	860
Suburban (10)	291	492	478	524	1,785
Rural (5)	49	79	97	88	313
TOTAL:	433	663	795	1,067	2,958

SOURCE: U.S. Bureau of the Census, Residential Construction Branch.

NOTE: The 2000 data have been adjusted to include only post-census (April 2000) permits.

Two cautionary points: 1) The above data do not reflect residential demolition permits, which average 75-100 units per year for this region. 2) The data are for building permits, issued in advance of construction. There is some potential that not all issued permits actually resulted in the construction of housing units.

As a result of these two factors, the building permit data may overstate to a minor degree the net addition to the region's stock of housing over the 2000-03 period. In spite of this, the residential building permit data provide a reasonably accurate measure of housing production for purposes of assessing progress toward meeting the region's housing needs.

The Census Bureau data show a steady rise in the number of residential building permits issued within the region from 2000 through 2003. Nearly 3,000 such permits were issued over the four-year period. Most notably, the rate of permits was highest in 2003, totaling more than 1,000 units. If this level is sustained through 2004 and 2005, the total production of new housing units over the 2000-05 period would be approximately 5,000. That figure is almost exactly the 2002 regional housing study's high estimate (5,100) for new housing units needed by the region over the 2000-05 period.

Also of concern are the types of housing for which building permits were issued. Of the nearly 3,000 units permitted from 2000-03, 2,558 units (86%) were single-family units. We can assume that almost all of these will be owner-occupied. Permits for two-family homes accounted for another 48 units, and 352 units of multifamily housing were authorized by building permits. Thus, only 14% of the total new housing units for which building permits were issued can be considered as contributing to the supply of rental housing. This is less than half the share of rental units (35%) among all new housing that was recommended in the 2002 regional housing study.

The building permit data show that the dominance of single-family homes in the region's housing inventory noted in the 2002 regional housing study continues. The increase in rental housing construction since 2000 has not kept pace with the construction of single-family, ownership housing. If this pattern persists, it can only increase pressures on the limited supply of existing rental housing units. This will, in turn, make it harder for individuals and families to find rental housing they can afford.

Whether the high permitting level of 2003 will be maintained is uncertain. This is particularly true because it was the group of three urban communities (Groton, New London, and Norwich) that produced the surge of residential permits in 2003. Collectively, the urban communities accounted for more than 40% of the 1,067 residential building permits issued in that year. The City of Norwich, alone, issued almost one-quarter of all residential building permits within southeastern Connecticut in 2003. The 247 residential building permits issued by Norwich in 2003 are about eight times the number (29) issued by the city in 2000. Absent the high housing activity in Norwich, the regional housing picture would be much less positive.

On balance, the residential building permit data suggest that the region has made some progress toward meeting the need for new housing units. However, this achievement rests on a rather narrow base of a limited number of communities that have attracted and have permitted significant numbers of units. Additionally, housing construction so far in this decade has failed to meet the need for more rental housing units. In fact, rental housing is declining as a percentage of all housing units within southeastern Connecticut.

#### .RESIDENTIAL SALES PRICES, 2000 – 2003

Data from the Eastern Connecticut REALTORS® Information Service, Inc., shows rapidly rising sales prices for single-family homes and condominium units during the 2000-03 period. (See Table 3 below.)

For the region as a whole, the average single-family median sales price among the region's 18 municipalities grew by more than 50%. The rate of increase in the group of three urban communities was even higher, at nearly 67%. This differential suggests that single-family housing in urban settings that was considered less desirable before 2000 is now seen as more affordable and, therefore, more attractive relative to more costly housing in suburban or rural communities. (The average median sales price for single-family homes in the urban group of towns was about 20% less than that in the group of suburban towns in 2003.) The effect has been sharp price increases in the urban municipalities. This interpretation also suggests that homebuyers are facing particularly stiff competition for less expensive housing.

Condominium prices also rose significantly between 2000 and 2003, but at a growth rate of less than 40%. The rise in the average median sales prices of condominium units among the region's municipalities was less than that for single-family homes. In this case, the group of suburban towns, rather than the urban communities, experienced the highest price increases for condominium units, nearly 50%. This indicates that the

demand for housing in the suburban towns continues at a high rate and that some buyers are opting for condominium units as a more affordable way to reside in such communities. (Median sales prices for condominiums in the group of suburban towns averaged less than half the prices for single-family homes in those communities.) Once again, the evidence points to sharp demand for housing at the low-mid-range in the price curve for housing.

TABLE 3: Average Median Sales Price (MSP) for Single-family Homes and Condominium Units by Municipal Classifications, 2000 – 2003  
Southeastern Connecticut Planning Region

Municipal Classifications & Residential Types	Average Among MSP, \$		Percent Increase, 2000 – 2003
	2000	2003	
URBAN: (3)			
Single-family	110,442	184,150	66.7
Condominium	63,750	74,900	17.5
SUBURBAN: (10)			
Single-family	144,880	221,502	52.9
Condominium *	70,666	104,766	48.3
RURAL: (5)			
Single-family	144,940	213,900	47.6
Condominium	**	**	**
REGIONAL TOTAL: (18)			
Single-family	139,240	213,165	53.1
Condominium ***	68,361	94,811	38.7

SOURCES: Eastern Connecticut REALTORS® Information Service, Inc., and calculations by R. Erickson.

NOTES: \* 6 municipalities in 2000 and 2003. Stonington was excluded from both years because its median sales price was 2.5 – 5.0 times higher than those of other suburban communities.

\*\* Not statistically significant.

\*\*\* 9 municipalities in 2000 and in 2003.

A comparison of the data in the above table with data contained in Table 4.8 of the regional housing study published by the SCCOG in 2002 shows the following:

- For the region as a whole, the average median sales price for single-family homes rose from \$157,250 in 2001 to \$213,165 in 2003. This is an increase of 35.6%, or an annual growth rate of 18%.
- Again, for the region as a whole, the average median sales price for condominium units rose from \$73,890 in 2001 to \$94,811 in 2003 (excluding the extremely high median condominium sales prices in Stonington in both years). This is an increase of 28.3%, or an annual growth rate of 14%.

Clearly, the upward pressure on housing cost continues and remains a serious economic and social challenge for the region.

The scope of the current housing analysis did not include examination of the cost trends in rental housing. However, one can reasonably conclude from the evidence regarding housing sales prices, plus the slower rate of construction for new rental units discussed above, that rental costs have moved upward as well. A detailed review of this topic would be a useful future task.

#### ESTIMATES OF HOUSING NEED, 2000 – 2005 and 2010

Tables 4 and 5 on pages 7 and 8 use the same basic methodology as that of the 2002 regional housing study to estimate housing needed in southeastern Connecticut over the 2000 - 2010 period. (See Table 10.2 in the 2002 housing study.) However, the current forecasts vary from those in the 2002 report in four respects.

- 1) The forecast methodology has been applied to the updated population projections by CERC presented in Table 1 of this report.
- 2) Projections of housing need are provided for two different time periods, 2000 – 2005 and 2000 – 2010.
- 3) The Median Persons per Household has been held at 2.45, a decline from the ratio of 2.47 found by the 2000 U.S. Census. The rationale for this decision is the more than thirty-year downward trend in persons per household plus the fact that southeastern Connecticut experienced a dramatic (22%) growth in single-person households from 1990 – 2000. The social and economic forces contributing to the substantial increase in single-person households continue and are expected to produce a further decrease in the average household size through the present decade.
- 4) The current methodology accounts for the replacement of demolished housing units, a factor that was not addressed in the 2002 analysis.

TABLE 4: Estimates of Housing Need, 2000 – 2005  
Southeastern Connecticut Planning Region  
(All estimates rounded to nearest 100.)

Population and Housing Variables	Estimates of Population Growth and Housing Needs, 2005		Comments
	Low Estimate	High Estimate	
1. Total Population	245,500	247,500	242,000 in 2000.
2. Population in Group Quarters	12,000	12,000	11,773 in 2000.
3. Population to be Housed	233,500	235,500	
4. Median Persons per Household	2.45	2.45	2.47 in 2000.
5. Households to be Housed	95,300	96,100	
6. Housing Units Needed			
a. Owner-occupied Units	61,900	62,500	65% of total, as in 2000.
b. Vacant-for-sale Ownership Units	1,900	1,900	3% of all ownership units.
c. Subtotal, Ownership Units	63,800	64,400	
d. Renter-occupied Units	33,400	33,600	35% of total, as in 2000.
e. Vacant-for-rent Rental Units	2,500	2,500	7.0% of all rental units.
f. Subtotal, Rental Units	35,900	36,100	
g. Units Vacant for Seasonal, Recreational or Occasional Use	3,500	3,500	3,327 in 2000.
h. Other Vacant Units	2,900	2,900	27% of all vacant units, as in 2000.
i. Replacement of Demolished Units	400	400	Average of 80 demolitions per year.
j. Total Units Needed (c+f+g+h+i)	106,500	107,300	
7. Total Units Available, 2000	102,300	102,300	
8. Additional Units Needed, 2000-05			
a. Total Units	4,200	5,000	
b. Ownership Units	2,700	3,300	65 % of all additional units.
c. Rental Units	1,500	1,700	35 % of all additional units.

The forecast for additional housing needed in southeastern Connecticut over the 2000 through 2005 period ranges from a low of 4,200 total units to a high of 5,000 units. The building permit data from Table 2 of this report show that current housing production levels, if sustained, will produce a total number of additional housing units within this range. However, available data on the types of housing units authorized by building permits indicate that the region will not reach the point where at least 35% of all new housing construction is rental units. Multifamily housing units, principally rental, accounted for only 14% of all housing units permitted within the region from 2000 through 2003.



Table 5 below provides a forecast of additional housing need in the region for the period 2000 through 2010. The low estimate of need is a total of 5,200 additional units. The high estimate suggests a need for 8,000 additional housing units over the decade. Achieving the low forecast would require sustaining an average production rate of 520 new housing units per year. Based on residential building permits issued over the past four years, this average rate appears to be achievable. The high estimate of housing need will be more of a challenge. To reach the forecast need of an additional 8,000 housing units by 2010 will require an average annual production rate of 700 units from this point forward. To reach this level, the region would have to maintain the higher production rates experienced in 2002 and 2003.

To achieve the recommended balance between ownership housing (65%) and rental housing (35%) will require a major shift in housing production away from single-family units. The experience over the past four years suggests that market forces alone will not produce such a refocusing. While the estimated need for additional rental housing may technically be accurate, recent experience indicates that the likelihood of the need being met by 2010 is questionable.

TABLE 5: Estimates of Housing Need, 2000 – 2010  
Southeastern Connecticut Planning Region  
(All estimates rounded to nearest 100.)

Population and Housing Variables	Estimates of Population Growth and Housing Needs, 2010		Comments
	Low Estimate	High Estimate	
1. Total Population	247,000	253,000	242,000 in 2000.
2. Population in Group Quarters	12,000	12,000	11,773 in 2000.
3. Population to be Housed	235,000	241,000	
4. Median Persons per Household	2.45	2.45	2.47 in 2000.
5. Households to be Housed	95,900	98,400	
6. Housing Units Needed			
a. Owner-occupied Units	62,300	64,000	65% of total, as in 2000.
b. Vacant-for-sale Ownership Units	1,900	2,000	3% of all ownership units.
c. Subtotal, Ownership Units	64,200	66,000	
d. Renter-occupied Units	33,600	34,400	35% of total, as in 2000.
e. Vacant-for-rent Rental Units	2,500	2,600	7.0% of all rental units.
f. Subtotal, Rental Units	36,100	37,000	
g. Units Vacant for Seasonal, Recreational or Occasional Use	3,500	3,500	3,327 in 2000.
h. Other Vacant Units	2,900	3,000	27% of all vacant units, as in 2000.
i. Replacement of Demolished Units	800	800	Average of 80 demolitions per year.
j. Total Units Needed (c+f+g+h+i)	107,500	110,300	
7. Total Units Available, 2000	102,300	102,300	
8. Additional Units Needed, 2000-10			
a. Total Units	5,200	8,000	
b. Ownership Units	3,400	5,200	65 % of all additional units.
c. Rental Units	1,800	2,800	35 % of all additional units.

## CONCLUSIONS

1. The region has the potential to meet the total number of additional housing units (4,200 – 5,000) estimated as needed by 2005 if production trends over the past several years are sustained.
2. However, the region will fall far short of meeting the balance between owner-occupied housing (65%) and rental units (35%) forecast as needed by 2005 if current construction trends continue. To date, market forces alone have not been sufficient to stimulate the construction of rental housing at a rate capable of meeting anticipated need.
3. If the pace of housing construction averages at least 500 units per year over the remainder of this decade, it should be possible to produce the 5,200 total units identified as the low estimate of need between 2000 and 2010. Meeting the high estimate of total new housing units needed by 2010 (8,000) will require an average annual production rate of about 700 units over the balance of this decade. While that level of housing production was exceeded in 2002 and 2003, it may not be maintained over the longer term.
4. As was the case with the 2005 scenario, balancing the mix of owner-occupied housing (single-family and condominium units) with rental units needed in 2010 will be a challenge. For 2010, the high forecast suggests that 35% of all housing units should be rental. To achieve this, 2,800 new rental housing units would be required between 2000 and 2010. To date, only about 400 multifamily units, principally rental, have been granted building permits. Unless the rate of production for rental housing units increases dramatically, and soon, it will not be possible to meet the high estimate of rental need in 2010.
5. It appears that it will take more than market forces to stimulate rental housing production to the levels that will satisfy the anticipated needs in 2005 and 2010. Such stimulation could include a combination of financial subsidies coupled with innovative zoning changes to create a more attractive construction environment for the for-profit housing industry, coupled with expanded resources to encourage rental production by public and private, non-profit housing agencies.
6. Residential sales price data for the period 2000 through 2003 show that housing affordability remains a serious issue for the region. Over that time period, the average median sales price for single-family homes among the region's 18 municipalities grew by more than 50%. The increase for condominium units was nearly 40%. Even if housing production meets the projected number of units needed by 2005 and 2010, affordability will continue as a major concern. If production fails to meet housing demand, the price of housing will escalate further.