

New Administration Brings Questions in 2017

What the Trump Administration's proposed tax-plan could mean for housing market recovery

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With the inauguration of any new administration uncertainly looms, especially in regulated industries. For the housing market, speculation ran rampant as President Trump prepared to take office. While the first 100 days of his administration did not provide much concrete information on what policies he plans

to enact or retract in the realm of housing, there have certainly been hints.

Mostly recently, the administration released the first draft of its tax-cut plan. The release confirms the president's desire to uphold the home mortgage interest deduction, while simultaneously doubling the standard deduction and removing several other incentives. On the surface, maintaining the home mortgage interest deduction would be good for homeowners and buyers alike. However, both the National Association of Home Builders (NAHB) and the National Association of Realtors (NAR) have argued that some of the proposals put forth in the tax-cut plan could, for some, nullify the benefits of owning a home.

The administration's thought is that the overall reduction in tax rates would make many of the current deductions and exemptions unnecessary. Their plan simplifies the process, giving consumers tax benefits from the outset, as opposed to through deductions and credits. The overall impact of this proposal remains to be seen because it is just that—a proposal. Until actual legislation is proposed, it's hard to predict how exactly it will affect consumers.

One thing is certainly true: home builders and real estate agents alike will be keeping a close eye on President Trump.

2017 Outlook

What Policies Could Impact Housing?

According to an informal poll at the National Association of Realtors legislative convention, 60 percent of real estate agents voted for President Trump in the 2016 election. What spurred this overwhelming show of support? As a businessman with a background in real estate, support of President Trump from the industry makes sense. However, how the president's business background will affect housing will depend on several key factors.

First, there is an inherent tie between the health of the U.S. housing market and the strength of the global economy. As the economy both domestic and abroad shows confidence, builder confidence also soars. We saw this trend at the close of 2016, when builder confidence reached a nine-year high. If the inter-

national markets gain strength, it's fair to assume the housing market will also grow.

Second, the fate of mortgage rates remains to be seen. Uncertainty in Washington has caused anxious investors, leading to dips in mortgage rates. However, there is speculation that they could rise in response to future administration policies. In any case, mortgage rates are a topic to watch.

Third, the "wealth effect" could bring more Americans into the market. As potential homebuyers and sellers begin to feel a renewed sense of financial security, from potential tax benefits or spikes in the stock market, there is an increased likelihood of buyers entering the market. This could include first-time homebuyers, re-entry buyers and those looking to make an upgrade. With inventory continuing to decline, these buyers will be fighting for homes in desirable markets.

Opportunity Knocks for Builders

Across the country, builders experienced a surge in the first quarter, where new-construction sales jumped to their highest point in nearly a year, according to MarketWatch. In March, new-home sales hit their second-highest point since early 2008, just below a high from last July.

Analysts point to shortened inventories as a reason for builders to pick up the pace of housing starts. But, a recent tariff on softwood lumber from Canada could further stall construction. NAHB estimates that the duty will increase the average price of a single-family home by \$1,236, cause the loss of nearly 8,000 jobs and reduce the single-family construction market by over \$945 million.

However, the outlook isn't all negative—there is still significant opportunity for home builders. With more buyers, especially millennials, entering the housing market each day, the need for renewed inventory is real. Rental affordability has continued to look bleak, and many renters are starting to feel to itch the buy. If mortgage rates stay low, the market is primed for an influx of new buyers. Builders with an eye on the trends will be looking to build starter homes to feed the hungry market.

Q1 By the Numbers

Housing Permits See Decline in First Quarter

At the start of 2017, new housing permits saw a decline of 29 percent, mirroring the sentiment that closed out 2016, when total housing permits fell 23.1 percent. In the first quarter, total permits sat at 773, down from 1,088 in the first quarter of 2016.

Connecticut Monthly Housing Permits by Type
January To March –Year over Year: 2015, 2016 and 2017

2015	Total Units	1-Unit	2-Units	3-4 Units	5+ Units
Jan-15	255	107	6	3	139
Feb-15	116	75	4	7	30
Mar-15	474	178	6	7	283

January to March Year-To-Date Comparison			
	2015	2016	2017
Total Units	845	1,088	773
1-Unit	360	424	407
2-Units	16	6	22
3-4 Units	17	6	4
5+ Units	452	652	340
Total	845	1,088	773



Total 2015	845	360	16	17	452
Share of YTD total	100.0%	40.0%	1.5%	2.0%	57.0%

2016	Total Units	1-Unit	2-Units	3-4 Units	5+ Units
Jan-16	145	100	0	3	42
Feb-16	412	105	4	3	300
Mar-16	531	219	2	0	310
Total 2016	1,088	424	6	6	652
Share of YTD total	100.0%	40.0%	1.5%	2.0%	57.0%

2017	Total Units	1-Unit	2-Units	3-4 Units	5+ Units
Jan-17	290	161	0	0	129
Feb-17	157	100	8	0	49
Mar-17	326	146	14	4	162
Total 2017	773	407	22	4	340
Share of YTD total	100.0%	52.7%	2.9%	0.5%	44.0%

Data Source: Census - Compiled by DECD Research - 4/2017. All information is from sources deemed reliable but not guaranteed.

The most significant decline came with 5+ Unit permits, which fell 47.9 percent from Q1 2016 to Q1 2017. There were also declines in 3-4 Unit permits, which fell 33.3 percent, although it's important to note that this fall was from six total permits in 2016 to four total permits in 2017. A larger factor was in 1-Unit permits, which declined four percent—however that four percent decline is represented by just 17 units, a drop from 424 in 2016 to 407 in 2017. There was a segment that increased in Q1: 2-Unit permits jumped from 6 to 22, an increase of 266.7 percent.

Single-Family Home Sales Continue Upward Trend

In 2016, in the state of Connecticut Single-Family Home Sales rose 8.2 percent. That trend continued in Q1, when sales increased 5.4 percent, from 5,993 in 2016 to 6,316 in 2017. On a county-by-county basis, increases were across the state, including: Litchfield County at 10.8 percent, Tolland County at 9.9 percent, Fairfield County at 9.1 percent, Middlesex County at 7 percent, New London County at 4.9 percent, New Haven County at 3.6 percent, Windham County at 2.9 percent and Hartford County at 1.6 percent.

Averages Sales Price for single-family homes in Connecticut increased, following a full year downturn in 2016. In the first quarter of 2017, Sales Price increase 3.8 percent, from \$354,243 to \$367,645. Increases were seen in Windham County (14 percent), Litchfield County (10.7 percent), New London County (7.1 percent), Hartford County (3.5 percent), Fairfield County

(2.2 percent), Tolland County (0.2 percent) and New Haven County (0.1 percent). The only county to experience a decreased in the first quarter was Middlesex County, where Average Sales Price fell 6 percent.

To round out the quarter, Average List Price increased 6.1 percent, Months of Supply fell 16.5 percent and Price Per Square Foot increased 2.1 percent from Q1 2016 to Q1 2017.

Connecticut Real Estate Market Overview Full Year – 2017 vs. 2016 Single Family Marketplace

January 1st to December 31st

County	Number of Units Sold		% Inc./Dec.		Avg Sales Price		% Inc./Dec.		Avg List Price		% Inc./Dec.	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fairfield	1,545	1,416	9.10%		\$754,781	\$738,653	2.20%		\$1,418,533	\$1,343,718	5.60%	
Hartford	1,511	1,487	1.60%		\$243,474	\$235,286	3.50%		\$336,804	\$339,893	-0.90%	
Litchfield	410	370	10.80%		\$291,016	\$262,871	10.70%		\$584,469	\$529,997	10.30%	
Middlesex	380	355	7.00%		\$279,816	\$297,282	-6.00%		\$469,409	\$439,279	6.90%	
New Haven	1,338	1,292	3.60%		\$235,691	\$235,480	0.10%		\$375,224	\$367,280	2.20%	
New London	583	556	4.90%		\$234,475	\$218,876	7.10%		\$394,149	\$380,306	3.60%	
Tolland	267	243	9.90%		\$214,178	\$213,697	0.20%		\$292,616	\$301,983	-3.10%	
Windham	282	274	2.90%		\$187,687	\$164,650	14.00%		\$249,472	\$273,513	-8.80%	
Statewide Stats	6,316	5,993	5.40%		\$367,645	\$354,243	3.80%		\$695,855	\$655,780	6.10%	

County	Months of Supply		% Inc./Dec.	Price per SF		% Inc./Dec.
	2017	2016		2017	2016	
Fairfield	6.90	7.80	-10.80%	\$294	\$296	-0.90%
Hartford	4.30	5.30	-18.60%	\$129	\$127	2.00%
Litchfield	8.30	10.30	-19.10%	\$149	\$139	6.80%
Middlesex	6.30	7.60	-17.00%	\$150	\$150	-0.10%
New Haven	5.50	6.40	-15.10%	\$133	\$133	0.40%
New London	5.90	7.50	-21.00%	\$131	\$124	6.10%
Tolland	5.10	6.50	-20.60%	\$118	\$119	-0.60%
Windham	4.10	6.00	-31.30%	\$109	\$100	9.20%
Statewide Stats	5.70	6.90	-16.50%	\$183	\$179	2.10%

Information contained herein is based on information obtained from CMLS, CTMLS, GRWMLS and DARMLS and is deemed accurate but not guaranteed

Connecticut Condominium Sales and Prices Rise in First Quarter

To kick of 2017, we saw Units Sold increase for condominiums in the state of Connecticut, up 8.7 percent from 1,552 in 2016 to 1,687n 2017. Most counties experienced gains in the first quarter, including: Middlesex County at 18.2 percent, Litchfield County at 14.3 percent, Fairfield County at 11.4 percent, New Haven County at 10.3 percent, Tolland County at 4.9 percent and Hartford County at 3.9 percent. Decreases were seen in the state, however, with Units Sold falling by 4.5 percent in Windham County and 1.4 percent in New London County.

Averages Sales Price of condominiums in Connecticut increased 5.3 percent, from \$202,857 to \$213,609. Significant increases were seen in Windham County (26.3 percent) and New Haven County (18.7 percent), with more modest increases in New London County (7.4 percent), Hartford County (2.5 percent) and Fairfield County (2.4 percent.) Several counties experienced decreases in Sales Price, with Middlesex County prices falling 12.5 percent, Tolland County prices falling 10.8 percent and Litchfield County prices falling 0.2 percent.

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New Administration Brings Questions in 2017

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Connecticut Real Estate Market Overview Full Year – 2017 vs. 2016 Condominium Marketplace

January 1st to December 31st

County	Number of Units Sold		Avg Sales Price		%	Avg List Price		%
	2017	2016	2017	2016		2017	2016	
Fairfield	559	502	\$322,680	\$315,094	2.40%	\$473,252	\$426,121	11.10%
Hartford	397	382	\$160,294	\$156,382	2.50%	\$208,203	\$203,272	2.40%
Litchfield	64	56	\$123,701	\$123,965	-0.20%	\$179,749	\$174,738	2.90%
Middlesex	91	77	\$155,257	\$177,529	-12.50%	\$245,080	\$213,919	14.60%
New Haven	439	398	\$166,151	\$140,023	18.70%	\$224,537	\$210,390	6.70%
New London	73	74	\$158,690	\$147,816	7.40%	\$266,145	\$234,603	13.40%
Tolland	43	41	\$148,678	\$166,731	-10.80%	\$194,945	\$211,141	-7.70%
Windham	21	22	\$160,920	\$127,461	26.30%	\$157,423	\$152,974	2.90%
Statewide Stats	1,687	1,552	\$213,609	\$202,857	5.30%	\$302,909	\$273,542	10.70%

County	Months of Supply		% Inc. / Dec.	Price per SF		% Inc. / Dec.
	2017	2016		2017	2016	
Fairfield	5.50	6.10	-9.50%	\$240	\$233	2.70%
Hartford	5.10	6.00	-14.00%	\$122	\$121	0.80%
Litchfield	6.30	9.40	-32.90%	\$101	\$101	-0.80%
Middlesex	6.40	6.80	-5.10%	\$125	\$133	-5.70%
New Haven	5.70	6.90	-17.40%	\$126	\$114	10.30%
New London	6.80	8.90	-23.40%	\$123	\$120	1.80%
Tolland	5.90	7.70	-22.90%	\$119	\$120	-0.70%
Windham	8.00	9.10	-12.40%	\$120	\$100	19.80%
Statewide Stats	5.70	6.60	-14.80%	\$162	\$157	3.40%

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To round out the quarter, Average List Price increased 10.7 percent, Months of Supply fell 14.8 percent and Price Per Square Foot increased 3.4 percent from Q1 2016 to Q1 2017. INSERT Condominium Comparison Chart (Mark Condominium chart is the bottom half of the 1st Quarter chart. Please place left half 1st with right half under it.

Hope for 2017

As we look to the 2017 Spring market, we anticipate a few things remaining true into 2017. Specifically, the increased pace of unit sales and rising average sales prices. Sales price will maintain its steady climb as long as market supply remains short. While builder confidence hit a high point to close out 2016, housing starts and permits are still lagging. We're keeping a close eye on this trend, specifically.

Looking forward, one thing is certain: nothing is certain. There are a lot of variables at play, from global economic stability to the price of timber imports. In truth, only time will tell what impact current conditions will have on the housing market. □

Governor Rick Scott To Connecticut: 'Give Up, Capitulate' And Move To Florida

As Connecticut reels from the expected departure of another corporate headquarters, Florida Governor Rick Scott came to Connecticut in June to try to convince companies and workers to move south.

“My pitch is you should give up, capitulate, come to Florida and make it easier on yourselves,” Scott told an audience that included Republican state legislators who welcomed Gov. Scott to Connecticut on his recruiting mission.

“If you want to live in a place that has lower taxes, less regulations, has good universities, is less expensive, where there’s a greater chance your kids and grandkids are going to get a job, you’re going to be in Florida,” Scott told a morning panel discussion.

Scott was planning visit to companies in Darien, Stamford and New Canaan.

Like Connecticut, Florida offers generous incentives to companies that relocate. The state also does not have an income tax.

Earlier this month Aetna announced it was planning to relocate its corporate headquarters out of Hartford. The legislature is struggling with a projected \$5 billion deficit and growing concerns that the state is not competitive with other states.

“I have a message for all the businesses and individuals who have been contacted and courted by Gov. Rick Scott. Do not give up on Connecticut. Our state is at a crossroads,” said Senate Republican Leader Len Fasano in a statement released Monday afternoon.

“Now is not the time to give up on Connecticut and leave. Now is the time to unite our strength and push for the structural changes needed to make Connecticut the place we all know it can be; where jobs can flourish, families can prosper and future generations can find opportunity.” □