

# INVESTMENT FORECAST

Marcus & Millichap

## MULTIFAMILY

2022

New Haven-Fairfield County Metro Area

### Rapid Development Along Commuter Infrastructure; Investors and Renters Move In From Nearby Markets

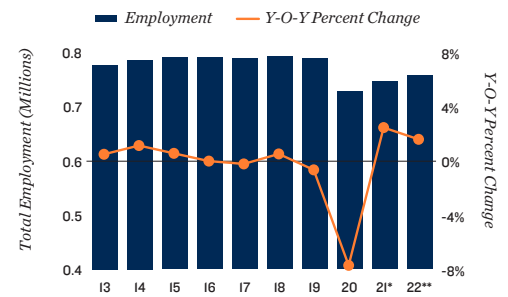
Last year's demand surge spurs supply growth in coastal urban cores. Many property developers expect more renters in southwestern Connecticut, evidenced by high supply growth in the local multifamily sector. The area's construction pipeline delivered nearly 2,000 units last year, with another 2,300 apartments expected in 2022. Robust development is driven in part by last year's high demand created by job growth across nearby markets and in-migration from New York. However, as employment growth stabilizes continued stock expansion is projected to lead to increasing vacancy this year. Nearly all of this inventory expansion is occurring in the southern portion of the market along the Interstate 95-Metro North corridor, giving commuters access to southern Westchester County and New York City. Commuters are a traditionally large demand driver for Fairfield County's luxury apartments, but the market has observed heavy renter demand growth for Class B units. New York's lockdowns led many renters to leave for more affordable suburban units deeper into New Haven and Fairfield counties, and a significant portion of this population is likely to remain due to the region's similar income level and lower local cost of living.

Investors faced with lower yields and new demand drivers. The release of pent-up investor demand compressed yields across all segments of the region's diverse multifamily market. In Fairfield elevated activity in Stamford's urban core compressed rates to around 4.5 percent, while suburban multifamily housing dipped to just above 5 percent. Though yields in New Haven have traditionally been higher than the western portion of the market, the area this year reported yield expectations as low as those in Fairfield County. New Haven County presents investors many options at an entry cost in the \$1 million to \$2 million range. Notable in-migration from New Yorkers pushing into suburban units provides a new source of demand for these units on top of the population of Ivy League students and members of various trades who provide consistent demand for urban Class C housing.

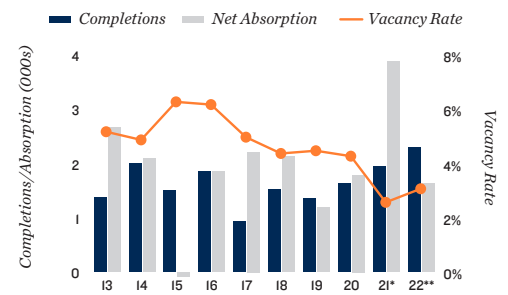
### 2022 Market Forecast

- Employment** up 1.6% After last year's surge, the market adds 12,000 new jobs in 2022, the second highest net increase since 1998.
- Construction** 2,300 units New unit completions are projected to surpass last year's steady pace through 2022, with builders delivering roughly 350 more units than completed in 2021.
- Vacancy** up 50 bps Normalizing job growth is outweighed by a large delivery volume, pushing vacancy up to 3.1 percent, the largest increase in the market since 2015.
- Rent** up 2.2% Effective rent increases stabilize after passing \$2,000 per month in 2021, slowing to 2.2 percent as year-over-year rent growth returns to market norms.
- Investment** Capital migration from New York intensifies as investors flow to submarkets with lighter regulations, leading to downward pressure on cap rates across all property types.

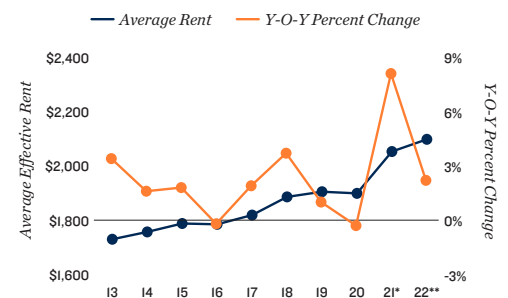
#### Employment Trends



#### Supply and Demand



#### Rent Trends



\* Estimate; \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2021. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.