

An aerial photograph of Groton, Connecticut, showing a dense residential area with various house styles, including a prominent white house with a steeple in the center. The image is overlaid with a semi-transparent teal banner.

Town of Groton, CT

# HOUSING MARKET STUDY

*2023 Update*

# Executive Summary

In 2021, the Town of Groton commissioned a housing market study to identify the development potential and need for new housing in the community. The study identified housing demand for over 5,200 new housing units in the Town over the next decade with housing demand being driven by a range of factors, including strong economic growth led by Electric Boat.

This 2023 market study update re-examines Groton's local and regional housing market to provide up-to-date information on housing demand in the community based on how market trends and demand has changed in recent years.

## Key 2023 Findings

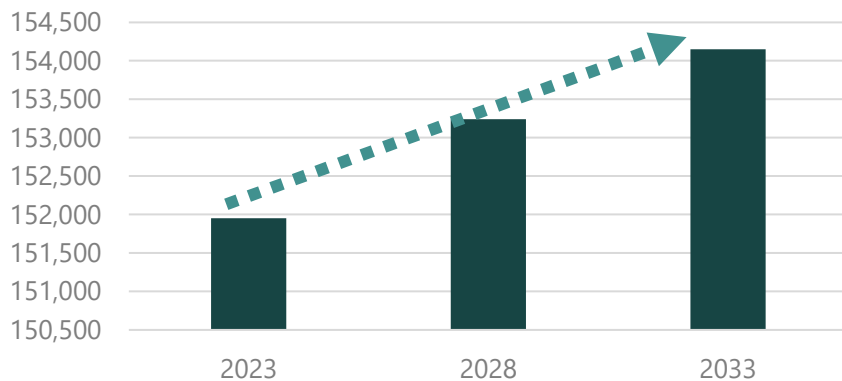
- Overall, there is housing market demand for up to **6,450 new units in the Town of Groton over the next decade.**
- The housing market potential for the Town has grown by **23%** since the 2021 housing market study was completed.
- Increased job growth projections, including strong hiring expectations at Electric Boat, are a significant driver of the growing housing demand.
- Groton's housing market has continued to tighten, indicating the housing market is becoming more misaligned. Apartment vacancy rates are extremely low at **2.3%** and the lack of rentals has driven rents up by **19%** since the pandemic. Meanwhile, the median single-family home price has grown to nearly \$350,000 in the Town putting home ownership beyond the reach of many local households and workers.
- The Town continues to "underproduce" housing to keep pace with local and regional demand. At the same time, surrounding communities are advancing projects and capitalizing on housing demand while Groton continues to "miss out."
- Supporting new housing Groton will provide critical benefits, including:
  - Sustaining an aging and future declining population
  - Supporting enrollment in the School District, which has been falling
  - Attracting desirable new quality businesses by bringing in new residents with purchasing power
  - Providing options for downsizing empty nesters and seniors so they can remain in Groton
  - Conserving land through more efficient housing development
  - Converting daily commuters to town into residents

# Demographic + Economic Trends

## What is driving demand for housing in Groton?

### Population Growth

Regional Household Growth Projection



Source: Esri

The greater region is experiencing strong economic growth and projections indicate over **6,250 new jobs** will be created from 2023 through 2031. This economic growth will drive new demand for housing to accommodate the needed influx of workers.

#### What's Changed?

With the onset of the Covid-19 pandemic, job projections had previously been more pessimistic with a loss of nearly 2,870 jobs projected during the 2023 to 2031 time period. The updated data shows stronger job growth and housing demand associated with that job growth.

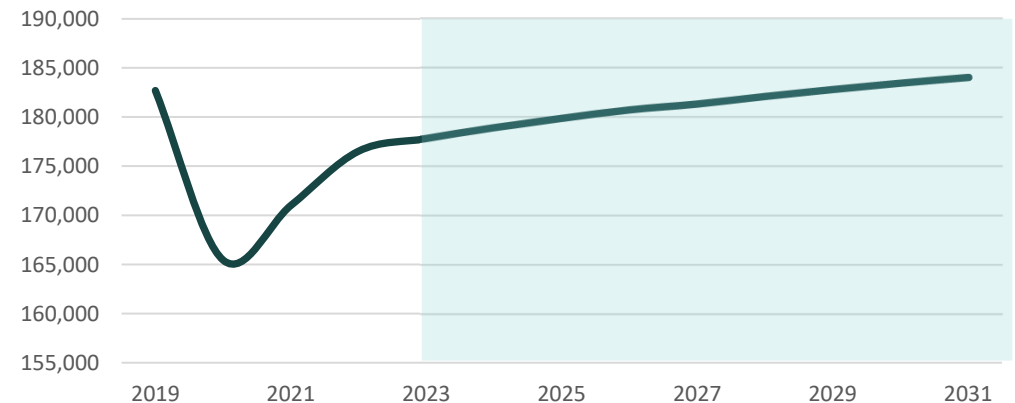
The greater region is growing and is expected to add over **2,200** households over the next decade representing **14%** growth overall.

#### What's Changed?

Population growth between 2020 and 2023 has been greater than originally projected, resulting in increased housing demand.

### Growing Economy

Regional Job Growth Projection



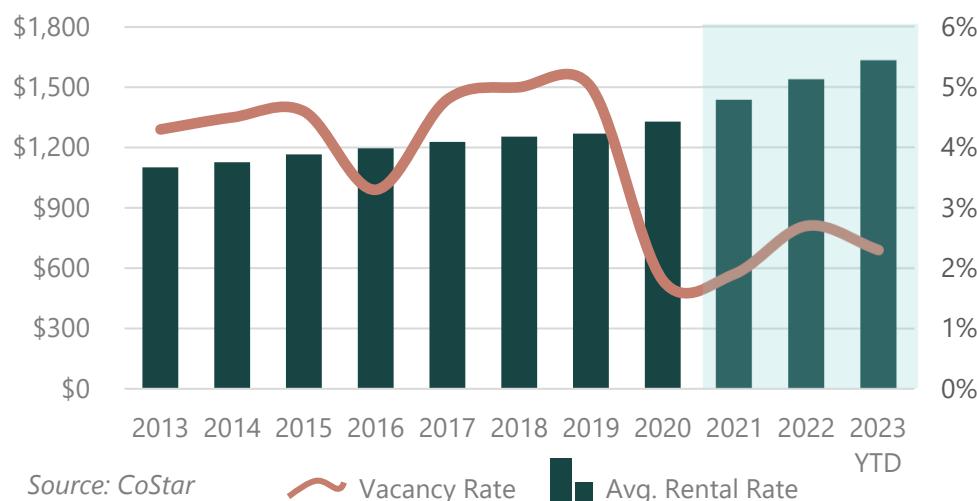
Source: Lightcast

# Groton's Current Housing

## Is the current housing in Groton meeting demand?

### Decreasing Availability of Rental Units

Local Market Area Apartment Vacancy Rate and Average Rent Increase



The apartment vacancy rate in the local Groton area dropped significantly after Covid-19 struck – falling from a healthy level of 5% in 2020 to an extremely low **2.3%** in 2023 indicating virtually no availability of rental units. As a result, average rents have rapidly escalated in the local Groton Market Area – increasing by **19%** between 2020 and 2023 from **\$1,329 to \$1,632**.

#### What's Changed?

In 2021, vacancy levels had just dropped to below healthy market levels. The update data shows that the low vacancy rate has persisted – an indication of demand far outpacing supply.

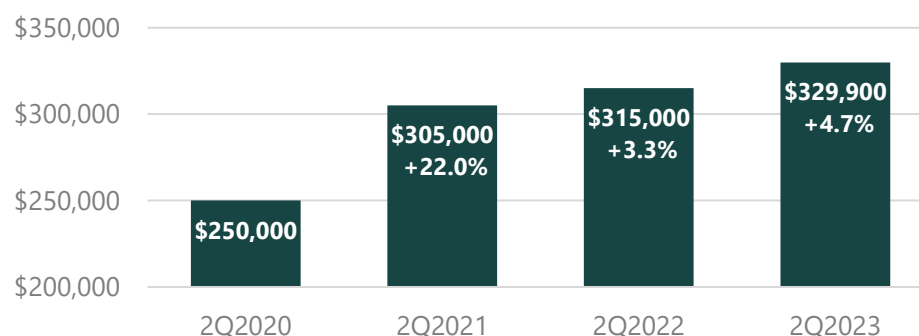
### Single-Family Homes Further Out of Reach

#### What's Changed?

In 2021, first quarter data indicated a median sale price of \$270,000, which had already increasingly significantly over the previous year. The updated data shows continued price escalation which has constrained affordability and increased demand for rental units.

As the housing market has continued to tighten, the price of single-family homes have escalated significantly. In New London County the median sale price grew **32%** from 2020 to 2023 where it stood at nearly **\$330,000** as of the midpoint of the year.

Single-Family Median Sale Price – New London County



Source: Redfin

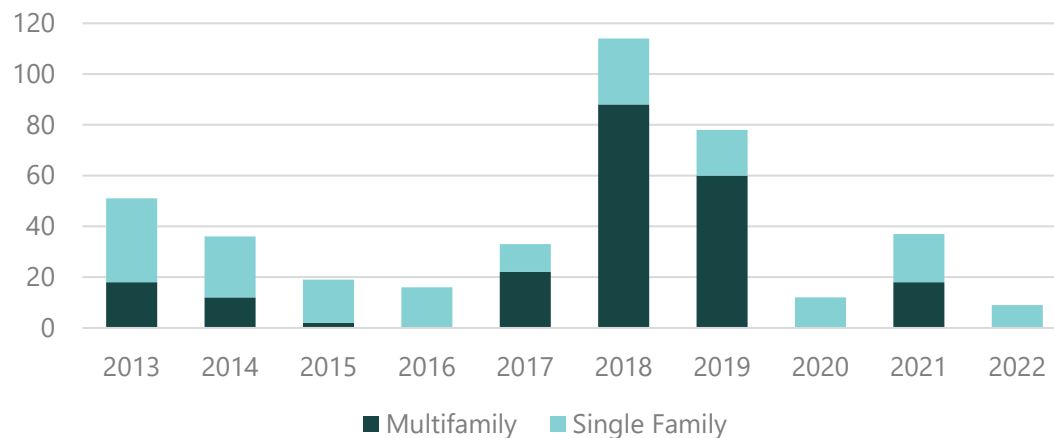


# Groton's Current Housing Cont'd

## Is the current housing in Groton meeting demand?

### Underproduction of Housing

Building Permits Issued in Town of Groton (# of Units)



Source: HUD

Only **405** units have been permitted in Groton from 2013 to 2022, which has not kept pace with housing demand and needs in the community.

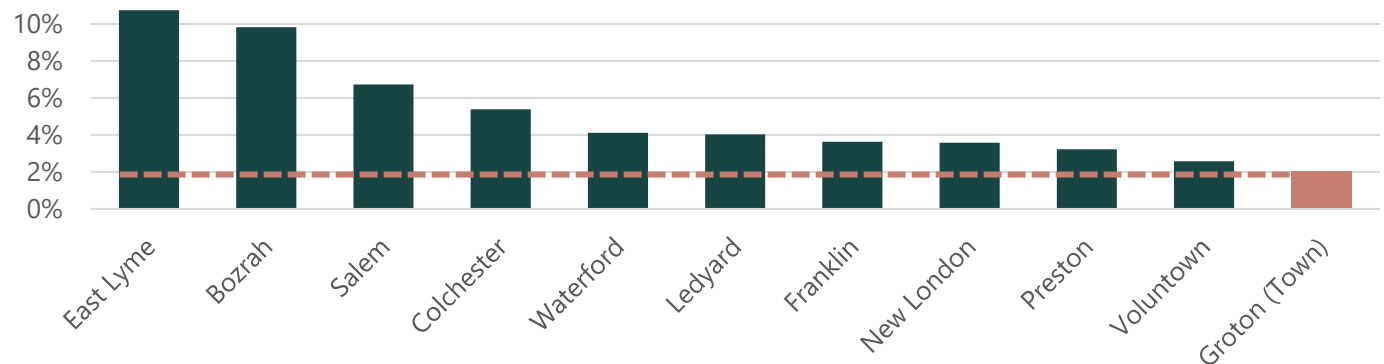
#### What's Changed?

Building activity has continued to be slow in 2021 and 2022. Only 9 housing units were permitted in 2022. The update data indicates that the pace of housing continues to slow and will not keep pace with demand.

Despite being the **2<sup>nd</sup> largest** municipality in the county, Groton was the **11<sup>th</sup> fastest growing** community adding nearly **130 fewer** housing units than would be expected to keep pace with county growth.

### Groton is Missing Out on Regional Housing Development

Percent Increase in Housing Units Among Fastest Growing Municipalities in New London County (2010-2023)



# Housing Demand

## Who are the households with housing demand in Groton?



**Living in Obsolete Units**

**545 units**

(+285 units from 2021 analysis)



**New Workers in Region**

**320 units**

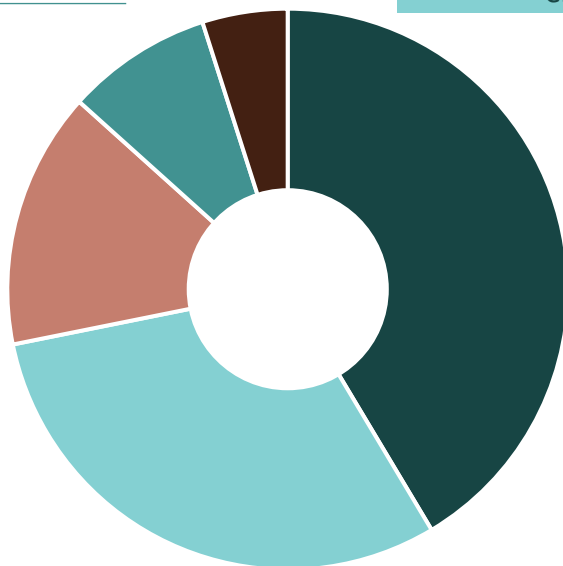
(+20 units from 2021 analysis)



**Incoming Commuters**

**1,200 units**

(Unchanged from 2021 analysis)



Over the Next Decade (2023-2033) There is housing market potential for up to **6,450 units** in the Town of Groton

This represents an increase of 1,190 units from the previously estimated demand potential of 5,260 in 2021.



**New Electric Boat Workers**

**2,680 units**

(+780 units from 2021 analysis)



**Rental Upgraders**

**1,970 units**

(+170 units from 2021 analysis)

# The Importance of New Housing

## Why Should Groton Support Housing Development?



### Sustain the Population

Groton is aging and is projected to lose population in the future. Providing modern housing for professionals allows them to build roots in the community and establish families.



### Supports the School District

The School District has sufficient capacity for new students from new housing development with a nearly 20% loss of enrollment over the past decade. New housing and students will provide needed support to the District.



### Rentals are Urgently Needed

Homes are increasingly unaffordable which has driven demand for rentals. High quality apartments are also in high demand among many professional households looking for housing in the region.



### Attract Businesses

"Retail follows rooftops" is a proven adage. To attract new and higher quality restaurants, stores, and businesses, the Town will need to grow its population and attract residents with new spending power.



### Efficient Use of Land

Land is a limited commodity and multifamily building is a more efficient use of land on a per acre basis than single-family housing development. Denser development is a way to conserve the Town's land.



### Rentals provide options for Seniors

The Town is seeing an increase in empty nesters and seniors – many of whom don't want or can't live in single-family homes any longer but don't have alternative options in Groton due to the lack of rentals.

