

What's Hot, What's Not

Taking the regional temperature in commercial and residential real estate

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While pundits ponder the long-term consequences of Hurricane Katrina, rising interest rates, skyrocketing fuel costs and the trajectory of the housing market, the New Haven-area real estate market just chugs blithely ever onward.

On the commercial side, investment properties remain a driving force, along with strong retail activity.

Meanwhile, residential sales and prices continue to rise and condo construction and sales are hopping.

Here's a snapshot of the most active and lethargic parts of the market.

Hot: Condos

Condominiums are sizzling in New Haven and surrounding towns.

According to data from the New Haven Association of Realtors, 1,241 condos were sold in the New Haven area (excluding the shoreline) between January and August of this year at an average price of \$185,000. During the same period in 2004, 1,185 condo units changed hands at an average sale price of \$159,000.

This year (January through August) the greatest number of condos sold so far are in the city of New Haven, 236 units, with an average price tag of \$186,000. Between January and August 2004, 233 condos sold in the city, averaging \$153,000 each.

Branford recorded the most shoreline condo sales during the same time period, with 189 this year costing an average of \$204,000, compared to 202 in 2004, when more were sold but the average price was \$188,000, or 8.5 percent lower.

The most expensive condos are in leafy Madison, where 31 have sold this year at an average price of \$384,000. Last year 27 sold for even more, costing an average of \$389,000.

In New Haven, 62 of 74 units have been sold at the Condominiums at Center Court, where a conversion from apartments at the old SNET building began in March of this year. Spaces range from studios to three-bedroom lofts, according to John Bevacqua, project manager for Prudential Connecticut Realty.

"The condo market is growing as home prices creep up and the entry level gets that much higher," explains Eric O'Brien, co-founder of Urbane New Haven, which has done more than half a dozen condo projects in recent years featuring "not enormous space but really refined details."

Urbane has two new projects, transforming Frank's Hardware on Grand Avenue into nine open space artists lofts (see related story) and creating a ten-unit condo development on Whitney Avenue between Cold Spring Street and East Rock Road. The latter project involves two Queen Anne Victorian homes, which will be divided into three condos each. The first house is finished and condos already sold, O'Brien says, adding the second house is "starting right now and should be ready for market in spring 2006." The final phase, a new building housing four condos, "will have a lot of wood, glass and steel, and will be something the city hasn't seen before," promises O'Brien.

Also in New Haven, the former Simons Jewelers Building at 81-83 Church Street and former J. Johnson & Sons department store at 85-89 Church are being made into 13 open-space lofts ranging from 1,800 to 3,500 square feet. John Wareck and Andrea Christie Pizziconi, partners in the recently formed Johnson Simons LLC, are the developers.

Outside New Haven, condos are hot in Hamden, Cheshire and Wallingford. Adding to the heat are age-restricted 55-and-over condo developments sprouting in those and other towns, including North Haven.

Hot: Investment Properties

"The investment market continues to be strong, with a lot of activity generated by investors doing 1031 exchanges," observes Steven Inglese of the New Haven Group. The federal tax rule enables investors to sell an investment property and defer capital gains taxes by purchasing a new investment property of equal or greater value.

Inglese recently completed just such a 1031 deal, marketing and selling a fully leased 80,000-square-foot multi-tenant industrial flex building at 57 Dodge Avenue in North Haven, sited on 5.1 acres in Wharton Brook Industrial Park. The purchase price was \$3,775,000.

Multi-unit apartment complexes in Branford, North Haven and West Haven, as well as assisted-living facilities in Woodbridge, Milford and Hamden, account for the bulk of the \$5 million-plus sales since the beginning of the year.

Hot: Retail

The Route 1 corridor in Orange, Milford and West Haven has been bustling with leasing activity generated by an influx of big-box retailers and the creation of new space.

Over the last six months, however, Michael Richetelli, president of Colonial Properties, has seen a "dramatic" slowdown, with "a lot of space" available ranging from 1,000 all the way up to 40,000 square feet.

"I would call it more a temporary situation than a downturn," Richetelli allows. "Some large retailers are relocating to larger developments and small retailers are closing. Long term, the forecast is good. Once the large projects are completed, these will fill in."

Retail in North Haven is blossoming, with projects such as the redevelopment of the Super Stop & Shop Plaza on Route 5.

H. Pearce commercial broker Peter Brown notes a downtown Branford block destroyed by a fire a couple of years ago has been rebuilt by developer Alex Vigliato, creating 10,000 square feet of retail space. Tenants will include Ben & Jerry's.

"We're getting a lot of interest in retail," says North Haven first selectman Kevin Kopetz. "Target opened in October 2004 on Universal Drive and a number of stores, including Sports Authority and Michael's Crafts, are opening around it."

In New Haven, Katahdin Furniture and Yarn LLC opened

September 6 in New Haven's Audubon arts and retail district. Both were brought in by Yale's University Properties, which manages around 80 retail businesses in the city. Most are small, independently-owned specialty shops.

University Properties director David Newton says focus groups of college students from Yale and several other local schools provide valuable insights on potential businesses. "Some of the things they'd like to see are a sporting goods store and a lingerie shop," he says.

Still, brokers and developers hoping to lure national retailers to New Haven acknowledge that it's a hard sell.

"Downtown retail is a different animal," says Steven Patten, a broker with the Proto Group who has been helping Quiznos Subs find space in New Haven County to accommodate its aggressive growth strategy (it now has 18 outposts).

"Church and Chapel isn't Whalley Avenue, and doesn't have traditional storefronts with parking," Patten notes. "And as much as New Haven has grown, there still aren't enough people."

Anthony P. Rescigno, president of the Greater New Haven Chamber of Commerce, agrees.

"We do know that national retailers have been very conservative over the last couple of years," Rescigno says. "In a city like New Haven they're going to be even more cautious, and wait for [foot traffic] to increase."

"My sense is we could use some department store downtown, selling small appliances and other household good," says Rescigno. Also, people are telling me we need a good grocery store."

The appetite for downtown New Haven restaurants, however, appears practically insatiable.

"Restaurants keep popping up and we're not seeing a great number of failures," adds Rescigno.

Hot: Housing

"This has been one of the busiest times I remember in years," says New Haven Association of Realtors president Lee McParland.

"Houses are selling in all price ranges, with people trying to get in before the market changes. [Mortgage] rates are staying under six percent, and first-time buyers are trying to take advantage. Other people are trying to downsize, so they can capitalize on the equity of their homes."

Regarding prices, McParland says, "Surprisingly, they have escalated in certain range, with the lower end coming up around ten percent over the past few months, while the upper end pretty much stabilized out, rising maybe one to two percent."

New Haven Association of Realtors data show 2,610 houses changed hands in the New Haven area, excluding the shoreline, between January and August of this year. The average price was \$308,000. During the same time last year 2,706 houses sold for an average price of \$280,000 - a ten-percent appreciation in 12 months.

So far this year (through August) the average price of New Haven homes is \$250,000. The lowest priced area is Meriden, where single-family homes sell for an average of \$198,000. The most expensive houses are in Woodbridge, where the average price is \$544,000.

"The biggest jump in number of homes sold was in Cheshire, where 166 homes last year versus 199 in 2005," McParland says.

On the high end, 50 homes have sold for at least \$1 million through August 31, including the shoreline, with an average price tag of \$1.3 million. During the same time period last year 43 sold, for an average of \$1.6 million each.

McParland is loathe to call them luxury.

"The caveat in all this is what if it was a large piece of land with one house on it?" she asks.

Three communities without \$1 million-plus home sales in 2004 - North Haven, Orange and East Haven - joined the ranks in 2005.

Not So Hot: Office

"Probably the hottest thing is Mortgage Lenders Network just announcing [on August 30], they would consolidate their three offices in Wallingford," says Robin Wilson, president of the Quinnipiac Chamber of Commerce. Construction on the new 180,000-square-foot building should be underway by next spring, and Mortgage Lenders has pledged to add 1,000 jobs over eight years. A couple of months ago, the project seemed in peril, with Mortgage Lenders seeking more economic incentives to stay in Connecticut.

Aside from this bright spot, the pace of New Haven's office market remained slow in the second quarter, according to John Keogh's most recent report for Colliers, Dow & Condon, which tracks developments within the city. The vacancy rate remained at 14.4 percent for all classes of space.

During the quarter, Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, which helps technology companies, closed its New Haven office, vacating around 10,000 square feet in the Connecticut Financial Center at 157 Church Street. Keogh says the closure reflects the "lackluster performance" of the life sciences industry in the city.

Also, despite the loss of more than 50,000 square feet by the departure of Ann Taylor and Tangoe in the last year, Keogh says growth in other market sectors offsets the difference and accounts for its stability.

A major portion of the market is made up of "Yale and lawyers and social-service and government agencies, which don't tend to react to changes in economic conditions," Keogh notes. "Where other office markets tend to be more volatile and more reflective of trends in the economy, ours tends to be insulated from that.

"From the owner's point of view it means if you own a vacant building it's difficult to get it leased, but if you own a leased building it will tend to stay leased," Keogh adds.

"Because New Haven has had limited job growth the office market is fairly stagnant, with the number of tenants looking for space or expanded space definitely down," adds Robert Motley, director at Cushman & Wakefield of Connecticut in Hartford.

There's more office activity in Shelton, where developer Robert Scinto has at least two new projects in the hopper.

"The market in Shelton is pretty good," Scinto says. "You're still in Fairfield County, so you have that romance, the labor costs are so much lower [in Shelton] than Stamford or Norwalk and people do not want to be [commuting] on I-95. That's why we've done so well."

Scinto says he has developed 2.7 million square feet of office space, mostly in Shelton, and just 5,400 square feet is empty.

"I'm working on 160,000 square foot combination warehouse/corporate headquarters for well-known industry," the onetime plumber-turned-real-estate-mogul says, though he declines to name either the company or the industry. "I'm also going to be doing a build to suit for a medical company" that he likewise says he cannot yet name.