

2015 ECONOMIC DEVELOPMENT DOWNTOWN HOUSING REPORT



December 2015

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INTRODUCTION

Each year, the City of New Haven's Office of Economic Development conducts a comprehensive survey of the residential real estate market in downtown New Haven. The annual survey collects data from property owners and managers on the unit breakdown, occupancy rates, and rental rates of more than 1,700 representative downtown rental units.

In addition to the survey, the Office of Economic Development gathers information about the downtown housing pipeline. By presenting information on projects that are near completion, under construction, or in the planning stage, the report shows the expected growth of the residential real estate market over the next few years.

UNIT BREAKDOWN

Consistent with previous downtown housing surveys, 70 percent of units in the 2015 sample are studios or 1-bedroom apartments. This segmentation of the housing stock reflects the demand from college students and young professionals for smaller units in the downtown area. Another consistent trend is the continuing low prevalence of apartments that are 3- or 4-bedrooms. Even though the 2015 sample is a smaller size than previous years, the similarity of unit composition suggests that the sample is as representative of the entire downtown housing market as in past years.

Table 1: Unit Breakdown 2012 – 2015

Unit Type	Number of Sampled Units (% of Total)			
	2015	2014	2013	2012
Studio	413 (24%)	458 (20%)	531 (23%)	556 (25%)
1 Bedroom	804 (46%)	1,269 (54%)	1,296 (56%)	1,164 (52%)
2 Bedroom	435 (25%)	503 (21%)	435 (19%)	464 (21%)
3+ Bedroom	89 (5%)	112 (5%)	66 (3%)	54 (2%)
Total	1,741	2,342	2,328	2,238

VACANCY RATES

The 2015 vacancy rate is similar to the rates in 2012 and 2013. While the 2014 rate showed a spike in unoccupied units, the 2015 rate is back to 3.56 percent—nearly identical to that of 2012. Part of the change in the vacancy rate from year to year is due to a change in the composition of surveyed units, rather than true market fluctuations.

Table 2: Vacancy Rates 2012 – 2015

Year	% Units Unoccupied	95% Confidence Interval
2015	3.56%	2.69%, 4.43%
2014	7.34%	6.28%, 8.40%
2013	3.81%	2.90%, 4.72%
2012	3.55%	2.67%, 4.43%

Over the past few years, the City of New Haven has had one of the tightest rental markets in the United States. The low vacancy rate for downtown units may adjust as new housing developments open for residents (see “Downtown and Central Neighborhoods Housing Pipeline” section below).

RENTAL RATES

Table 3: Weighted Monthly Rental Rates 2012 – 2015

Unit Type	Weighted Average Rental Rate				% Change	
	2015	2014	2013	2012	2014-15	2013-14
Studio	\$1,193	\$1,115	\$1,171	\$1,123	6.99%	-4.80%
1 Bedroom	\$1,588	\$1,607	\$1,458	\$1,500	-1.19%	10.23%
2 Bedroom	\$2,136	\$2,173	\$2,087	\$2,189	-1.71%	4.10%
3+ Bedroom	\$3,270	\$2,792	\$3,330	\$3,658	17.14%	-16.14%
Total Average	\$1,716	\$1,689	\$1,556	\$1,594	1.60%	8.56%

Note. The total average is weighted by the proportion of units within each property and number of units between properties.

The monthly rental rates of studios and 3+ bedroom apartments increased between 2014 and 2015, while the rental rates for 1- and 2-bedroom apartments decreased. The smaller than 2 percent decrease in 1- and 2-bedroom rates suggests that the market for those types of units has stayed fairly stable. The increase in studio rental rates reflects the increased demand for downtown studios.

The 17 percent increase in 3+ bedroom apartments is likely because of the low availability of such apartments in the downtown area. Even as new apartment buildings open, many of the newer developments do not offer units larger than 2-bedrooms. As the existing supply of 3+ bedrooms stays the same while the rest of the residential real estate market expands, there has been a corresponding rise of rental rates for 3+ bedroom units.

DOWNTOWN AND CENTRAL NEIGHBORHOODS HOUSING PIPELINE

As of December 2015, the City of New Haven has twelve major residential projects at various stages of development that are located within the downtown area or the central neighborhoods.

Table 4: Downtown and Central Neighborhoods Residential Development Pipeline

Project	Proposed Units	Developer	Stage	Status
Winchester Lofts	158	Forest City	Opened for all residents in October 2014	October 2014 (actual completion date)
College & Crown: A CenterPlace	160	CenterPlan College Square LLC	Opened for first residents in July 2015	Completion of remaining construction anticipated in December 2015
The Union (205 Church Street)	138	Cooper Square Realty/FirstService Residential	Opened for first residents in August 2015	Completion of remaining construction anticipated in early 2016
Novella (Chapel and Howe)	136	RMS Companies	Opened for first residents in August 2015	August 2015 (actual completion date)
State Street Lofts	235	Post Road Residential, Inc.	Under construction	Initial occupancy expected in May 2016 and completion in November 2016
Metro 280 (Crown and High)	24	Metro Star Properties	Under construction	Completion of construction anticipated in spring 2016
Metro 301 (Crown and George)	78	Metro Star Properties	In planning	Breaking ground in April 2016
Coliseum Redevelopment	466	LiveWorkLearnPlay	In planning	Breaking ground in summer 2016
Comcast Site	220	Spinnaker Real Estate	In planning	Breaking ground in 2016
Torrington Site	325	Petra Construction / David Adam Realty	In planning	Breaking ground in 2016
19 Elm Street (Harold's)	46	MOD Equities	In planning	Breaking ground in 2016
323 George Street (High and George)	115	MOD Equities	In planning	Breaking ground in 2016
Total Units	2,101			

Winchester Lofts

Developer Forest City converted a section of the Winchester Repeating Arms Company factory into a 158-apartment building, the first residential development in Science Park (it opened in October 2014). Located at Winchester Avenue and Munson Street, just outside the downtown perimeter, the building has elements of historical architecture from the site's industrial past. Financing for the project included federal and state historic development tax credits, a state grant from Connecticut's Competitive Housing Assistance for Multifamily Properties program, and private equity. The unit types are studios, 1-bedroom and 2-bedroom.

CenterPlan Development (College & Crown: A CenterPlace)

CenterPlan Development received approval in June 2013 for a six-story, 160-unit apartment building with 20,000 square feet of ground floor retail at the center of downtown. The development cost \$50 million and replaced a parking lot and office building, and the project was entirely privately financed. The building opened for residents in July 2015, and completion of the remaining residential units is expected by the close of 2015. The residential unit types are junior 1-bedroom, 1-bedroom, 2-bedroom, and lofts.

205 Church Street – The Union

Cooper Square Realty bought 205 Church Street, a historic office building at the heart of downtown, for \$13.5 million in 2013. The 175,000 square foot building had sat mostly empty since 2009. The building is in the process of being converted into 138 luxury apartments; it opened for its first residents in August 2015, and will receive its remaining construction in early 2016. The building provides tenants with parking and a fitness center. The project was entirely privately financed. FirstService Residential does the leasing and property management for the building.

RMS Development (Chapel & Howe) – The Novella

In 2013, Stamford-based RMS Development received the necessary approvals for a 136-apartment development with ground floor retail. Construction was completed in summer 2015, with the first residents moving in during August 2015. The building has a rooftop deck and fitness center, and the construction of the ground floor retail is complete (but stores have not opened as of November 2015). The developer invested \$35 million and received no public subsidy for the project. The unit types range from studios to 2-bedroom apartments.

State Street Lofts (1040 State St.)

Post Road Residential, Inc. is constructing the State Street Lofts at the abandoned Star Supply Property Complex in East Rock. The development will feature 235 apartments, 4,000 square feet of ground floor retail, and 273 parking spaces. The unit type breakdown is 46 studios, 108 one-bedroom, 71 two-bedroom, and 10 three-bedroom apartments.

Metro 280 (280 Crown Street)

Metro Star Properties received approval from the Board of Zoning Appeals in February 2014 for a variance to expand and renovate a parking garage at the corner of Crown and High Streets. The building will be converted into 24 apartments (studios and one- and two-bedroom apartments) and ground-floor commercial space, with underground parking spaces. The project is under construction, with expected completion in spring 2016.

Metro 301 (Crown & George)

In November 2015, Metro Star Properties received approvals from the Board of Zoning Appeals to move forward with a development of former downtown Salvation Army properties. The planned 37,750 square-foot development will span from Crown to George Streets, between College and High Streets. The project will include four new buildings and a fifth renovated building, resulting in a total of 78 apartments. Metro Star Properties expects that construction will take place between April 2016 and April 2017.

Former New Haven Coliseum Site Redevelopment

The City of New Haven is currently working with LiveWorkLearnPlay, a Montreal-based developer, to redevelop the 4.5-acre former New Haven Coliseum site in downtown into a 1,000,000 square foot mixed-use development, including approximately 466 residential units, ground-floor retail, office space and a hotel. The City and developer expect construction to commence in summer 2016.

Comcast Site (Olive & Chapel)

Spinnaker Real Estate has received approval from the Board of Alders for a zoning text and map amendment to develop the former Comcast location into more than 220 units of housing. Zoning for a neighborhood café on the ground level along Chapel Street has also been approved. The project is scheduled to start sometime in 2016.

Torrington Company Site (87 Union Street)

Petra Construction in collaboration with David Adam Realty has received approval from the Board of Alders for a zoning amendment to develop the 2.59-acre property at 87 Union Street. The development will have studios, one-, two- and three-bedroom apartments, townhouses, and ground-floor retail. The anticipated start date is sometime in 2016.

19 Elm Street (former Harold's Bridal Shop) – MOD Equities

MOD Equities is planning to turn the former Harold's Bridal Shop on Elm Street into a five-story apartment building. The building is expected to have 46 apartments, 21 parking spaces, 40 bike storage spaces, and ground-floor commercial space. The apartment types will be 1-bedroom, 2-bedroom, and duplex.

323 George Street (High and George Streets) – MOD Equities

MOD Equities is planning to construct an apartment complex at High and George Streets, which will include 115 units with short-term leases (ranging from one day to one year). The developer expects tenants to be short-term researchers at Yale University, medical students at Yale-New Haven Hospital, and professionals who are transitioning after moving to New Haven. Construction is expected to start in 2016 and be completed in spring 2017.

METHODOLOGY

Procedure

An online survey was created using Qualtrics and distributed throughout July 2015 to twenty companies that own property in the designated downtown New Haven area (see graphic map below), with follow-up surveys distributed to remaining property managers in November 2015. The surveyors offered three \$100 gift card prizes as well as multiple email reminders and follow-up phone calls to encourage survey participation. The resulting sample includes 31 residential properties (compared to 49 in 2014, 44 in 2013, and 33 in 2012), and represents roughly half of all the apartments in downtown New Haven.

On a per-unit basis, survey respondents provided information on the number of units, vacancies, low rents, high rents, low square footage, and high square footage. Respondents also provided information on the availability of affordable housing, amenities, and parking costs at each of their buildings.

Estimation and Analysis Methods

The weighted average rent for each unit type was calculated in three steps. First, the highest and lowest rental prices of each unit type at each building were averaged (this assumes that low and high rental rates were evenly distributed per unit type). The average of each unit was then multiplied by the number of that particular unit in each building. The sum of these products across buildings was divided by the total number of each unit type. This weighted average provides a closer estimate of a true market average by ensuring that the number of units at a particular price point is taken into account.

A variety of statistical techniques were used to take into account that margin of error associated with the sample's estimates. For example, 95% Wald confidence intervals were calculated for vacancy estimates.

DOWNTOWN BOUNDARY

For the purpose of this report, “downtown” is defined as the area within the perimeter outlined below:

