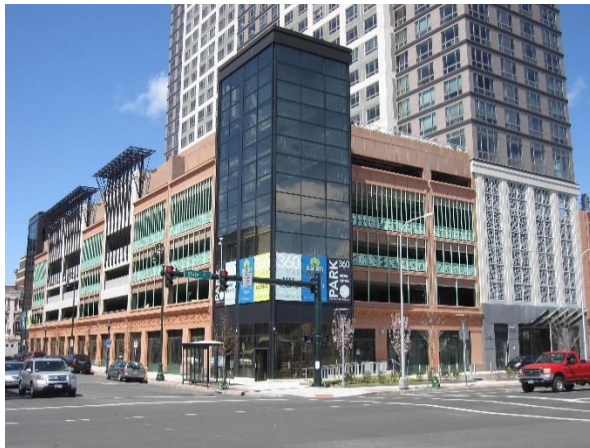


2017 DOWNTOWN HOUSING REPORT



August 2017

Toni N. Harp
Mayor

Matthew Nemerson
Economic Development Administrator



INTRODUCTION

Each summer, the City of New Haven's Economic Development Administration 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.

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

The 2017 survey consists of a larger sample size of units than in previous years. The total units increased due to 1) the inclusion of almost all units surveyed in 2016, 2) the inclusion of some units not represented in 2016, and 3) the opening of new buildings since the publishing of the 2016 report. Studios and 1 Bed units saw the greatest increase, and the amount of 3 Bed units actually slightly decreased. Overall, the unit composition is similar to previous years. Studios and 1 Bed units (including Junior 1 Bed) still constitute the vast majority of the survey data—70.3%. This segmentation of the housing stock reflects the demand from college students, young professionals, and retired baby boomers for smaller units in the downtown area. 2 Bed units are 23.5% of the total, which are likely divided between young professionals as well as small families.

It is important to note the change in the survey that occurred in 2016. Due to the development of higher end complexes in recent years, the survey started including Lofts and Junior 1 Bed units. Additionally, the 2016 survey replaced the 3+ Bed category with separate 3 Bed and 4+ Bed categories.

2017 DOWNTOWN HOUSING REPORT

Lofts, 3 Bed, 4+ Bed units only make up 6.3% of the units, signifying that they only make up a small, but growing portion of the overall market.

Finally, this report is limited in so much as it does not include all rental apartments that exist in Downtown New Haven, does not take a random sample of the market, and does not track the same properties from year to year. Even so, it is still a useful annual snapshot of the housing market.

Table 1: Unit Breakdown 2012 – 2017

Unit Type	Number of Sampled Units (% of Total)					
	2017	2016	2015	2014	2013	2012
Studio	553 (20.6%)	414 (18.4%)	413 (24%)	458 (20%)	531 (23%)	556 (25%)
Junior 1 Bedroom	139 (5.2%)	115 (5.5%)				
1 Bedroom	1,197 (44.7%)	967 (43%)	804 (46%)	1,269 (54%)	1,296 (56%)	1,164 (52%)
2 Bedroom	616 (23%)	573 (25.5%)	435 (25%)	503 (21%)	435 (19%)	464 (21%)
3 Bedroom	126 (4.7%)	150 (6.7%)				
4+ Bedroom	26 (1%)	15 (0.7%)				
Loft	21 (0.8%)	15 (0.7%)				
3+ Bedroom			89 (5%)	112 (5%)	66 (3%)	54 (2%)
Total	2,678	2,249	1,741	2,342	2,328	2,238

2017 DOWNTOWN HOUSING REPORT

VACANCY RATES

The 2017 rental vacancy rate for Downtown New Haven is 3.9%, a 3.04% decrease from 2016. This is both substantial and important because it shows that New Haven’s downtown housing market is effectively absorbing the four apartment complexes that have come online since the start of 2016. Part of the change in the vacancy rate from year to year is also due to a change in the composition of surveyed units, rather than true market fluctuations.

Table 2: Vacancy Rates 2012 – 2017

Year	% Units Unoccupied
2017	3.90%
2016	6.94%
2015	3.56%
2014	7.34%
2013	3.81%
2012	3.55%

Over the past few years, the City of New Haven has had one of the tightest rental markets in the United States. In response, more than 850 units have been added to the market since the start of 2015 and the vacancy rate continues to remain low. The low vacancy rate for downtown units may continue to adjust as new housing developments open for residents (see “Downtown and Central Neighborhoods Housing Pipeline” section below).

2017 DOWNTOWN HOUSING REPORT

RENTAL RATES

Table 3: Weighted Monthly Rental Rates 2012 – 2017

Unit Type	Weighted Average Rental Rate				
	2017	2016	2015	2014	2013
Studio	\$1,243	\$1,298	\$1,193	\$1,115	\$1,171
1 Junior Bedroom	\$1,586	\$1,457			
1 Bedroom	\$1,676	\$1,641	\$1,588	\$1,607	\$1,458
2 Bedroom	\$2,228	\$2,263	\$2,136	\$2,173	\$2,087
3 Bedroom	\$2,530	\$3,406			
4+ Bedroom	\$2,666	\$2,708			
Loft	\$2,465	\$3,190			
3+ Bedroom	\$2,553	\$3,289*	\$3,270	\$2,792	\$3,330
Total Average	\$1,764	\$1,862	\$1,716	\$1,689	\$1,556

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

** Though 3+ Bed was not a category in the 2016 or 2017 surveys, it was calculated by grouping the responses to 3 Bed and 4+ Bed to maintain comparability.*

The monthly rental rates of 1 Bed and Jr 1 Bed apartments increased to varying degrees. The monthly rental rate of Lofts and 3 Bed apartments decreased substantially, and rates for Studios, 4+ Bed and 2 Bed units decreased slightly. In terms of Lofts, 3 Bed, 4+ Bed, and Jr 1 Bed units, there are so few units of each that their reported prices vary greatly from year to year, likely due to changes in the surveyed units.

2017 DOWNTOWN HOUSING REPORT

Overall, the data shows a trend of steady increases in monthly rental rates, especially for the Studios and 1 Bed apartments, which make up the vast majority of our downtown housing stock. The particular variations from year to year may be caused by various sources of noise, some of which may result from our surveying practices. As it would be impertinent to ask for the price of every single unit, each building reports only its highest and lowest rental price for each unit type. In order to calculate an average, we then assume an even distribution of prices between the highest and lowest reported rents, which may not be the case for many apartment complexes. Therefore, each year’s report is only a rough estimate of the status of the downtown real estate market. For more information, see the “Methodology” section below.

Table 4: Annual Percent Change of Rental Rates 2013 – 2017

Unit Type	% Change			
	2016-2017	2015-2016	2014-2015	2013-2014
Studio	-4.24%	+8.80%	+6.99%	-4.80%
1 Junior Bedroom	+8.85%			
1 Bedroom	+2.13%	+3.34%	-1.19%	+10.23%
2 Bedroom	-1.55%	+5.95%	-1.71%	+4.10%
3 Bedroom	-25.72%			
4+ Bedroom	-1.55%			
Loft	-22.73%			
3+ Bedroom		-1.83%	+17.14%	-16.14%
Total Average	-6.4%	-0.35%	+1.60%	+8.56%

DOWNTOWN AND CENTRAL NEIGHBORHOODS HOUSING PIPELINE

As of August 2017, the City of New Haven has six major residential projects at various stages of development that are located within the downtown area or the central neighborhoods.

Table 5: Downtown and Central Neighborhoods Residential Development Pipeline

Project	Units	Developer	Status
Metro 301 (Crown and George)	80	Metro Star Properties	Completion anticipated in fall 2017
Lofts at Wooster Square	220	Spinnaker Real Estate	Breaking ground in 2017
Torrington Company Site	325	Petra Construction / David Adam Realty	Breaking ground in 2017
19 Elm Street (Harold's)	46	MOD Equities	Breaking ground in 2017
Audubon Square	550	Spinnaker Real Estate	Breaking ground in 2017
John English Building	18	MOD Equities	Breaking ground in 2017
Former Coliseum Redevelopment	466	LiveWorkLearnPlay	In planning stages
Total Units	1,705		

Metro 301

A multi-building 38,000 square-foot development encompassing much of the block of George Street between High and College Streets and part of Crown Street, this is the largest of three Metro Star projects in the area. It will consist of four new mixed-use buildings with 80 market-rate

apartments and a renovated historic chapel building. The project will transform and reactivate this underutilized section of Downtown. This project broke ground in 2016 and is currently under construction.

Lofts at Wooster Square (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 late 2017.

Torrington Company Site (87 Union Street)

Petra Construction and David Adam Realty intend to replace a series of warehouses and a plumbing supply store with six wood-framed stories of market-rate apartments, townhouses, and ground-floor retail. The already-approved TOD project at 87 Union Street will activate dormant Union and Fair Streets, while a potential extension would reconnect Olive and Union Streets. The total project will consist of approximately 325 market rate units, and construction is slated to start in late 2017.

19 Elm Street (former Harold's Bridal Shop)

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.

Audubon Square

In February 2016, Spinnaker Real Estate Partners contracted with Frontier Communications to buy one of the last prime pieces of land in downtown New Haven, at 335 and 367 Orange Street. The development of the 3.3-acre property, currently a surface parking lot for Frontier employees, will

potentially add hundreds of residential units to Downtown and create a new community that will help grow the existing Audubon-Whitney neighborhood and spur development along Orange and State Streets. Spinnaker Real Estate expects to begin construction in late 2017.

John English Building (418 State Street)

In 2016, MOD Equities received approval from the city to create 18 new residential units on the third and fourth floors of the existing John English Building at 418 State Street.

Former Coliseum 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 2017.

METHODOLOGY

Procedure

An online survey was created using Qualtrics and distributed mid-June to early August 2017 to twenty-three companies that own property in the designated downtown New Haven area (see graphic map below). The surveyors offered an incentive of three \$100 gift card prizes as well as multiple email reminders and follow-up phone calls to encourage survey participation. The resulting sample includes 53 residential properties (compared to 37 in 2016, 31 in 2015, 49 in 2014, 44 in 2013, and 33 in 2012), and represents more than 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.

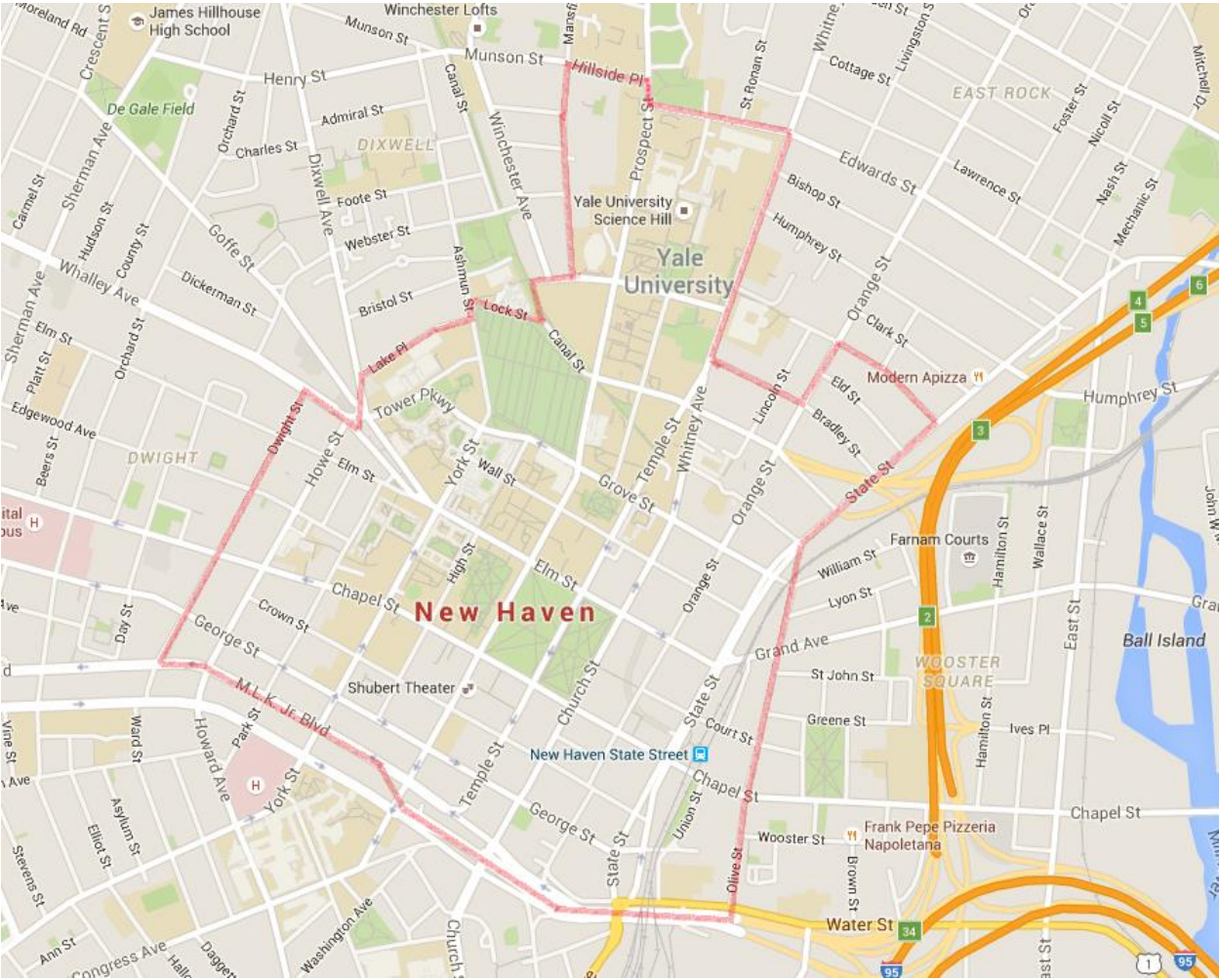
Estimation and Analysis Methods

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.

2017 DOWNTOWN HOUSING REPORT

DOWNTOWN BOUNDARY

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



Note: The 2017 survey made one exception to the map by including the newly opened Corsair Apartments in the study.