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New Haven County's commercial real estate market has made steps in the right direction

March 24, 2010 - Spotlights

In spite of continued economic challenges, commercial real estate in New Haven County has made steps in the right direction. 360 State St. came out of the ground in 2009 and expects to have its first occupants later this year. Ground breaking on downtown New Haven's Gateway Community College took place in January on the two block site of the former Macy's and Malley's. New Haven also saw its largest lease signed in over 20 years when Covidien signed a ten-year lease to occupy 130,000 s/f at Long Wharf Maritime Center.

360 State St. is a 32-story, 600,000 s/f LEED certified building located in the block surrounded by State St., Chapel St. and Orange St. in downtown New Haven that will consist of about 500 residential units, two floors of office and an approval for a 25,000 s/f grocery store for the street level. The owners have been in conversations with prospective tenants, but nothing has been finalized.

Governor Jodi Rell broke ground on the new Gateway Community Collage on Church St. The nearly \$200 million project will combine the college's New Haven and North Haven campuses, and will be Connecticut's first public Gold certified LEED building. When completed, the school will occupy 358,000 s/f on four floors with an additional 200,000 s/f to accommodate a 600 space parking garage. New Haven officials are very happy to bring the large student population downtown to strengthen the already robust retail climate in the immediate area.

In the area's largest office transaction since the 1980s, Covidien absorbed 130,000 s/f at 555 Long Wharf Dr. to consolidate 400 of its office staff from the Norwalk and North Haven campuses. Part of the space they leased included the 100,000 s/f that AT&T had vacated about a year ago. New Haven's good fortune came at the expense of Wallingford. Covidien has been in discussions to lease a signification portion of the 300,000 s/f building that has been vacant since being built for Mortgage Lenders Network before they went out of business.

The retail side of the business has not shown the activity that the office sector has seen. It seems that the only new tenant that has emerged over the past year is Sonic Drive-In. The local franchisee has received approvals to build the state's first Sonic at the site of the former Yankee Silversmith on North Colony Rd., Wallingford. Discussions for additional locations are on-going but nothing has been finalized. Big box retail has struggled, especially in regional hubs like the Orange/Milford Boston Post Rd. In the past few years we have seen CompUSA, Circuit City, Linens 'n Things, Tweeter and most recently Bernie's vacate their stores. Only the Linens space, with New York's P. C. Richards about to open its doors and the former Orange Circuit City, recently opened as Savers, have been backfilled.

The mood of local commercial brokers is generally pretty consistent. Most people have seen increased activity on both sides of the transaction, but actually getting to a closing or to a lease

signing has been very slow. This is likely due to a combination of reduced consumer confidence and continued difficulty in obtaining financing. The February 2010 Consumer Confidence Index dropped nearly 20% from January's reading, a sign that increased sales that were reported over the holiday season are not likely to continue, at least in the near term. Retail customers are more inclined to hold off on discretionary spending until they feel better about their own economic situation. Financing projects is also a challenge. Despite lenders' claims that they are making loans, the approval process has become very drawn out, even if an applicant can actually get approved.

A positive sign is that there is very little commercial bank-owned property on the market. Lenders appear to be more willing to work with borrowers to restructure a loan rather than go through a foreclosure. Despite the many cash-rich buyers on the sideline waiting for opportunities, locally sales have been way down. As we reach or approach a bottom in values, activity may pick up as buyers step up and pull the trigger on properties they feel can only go up in price.

The overall results in New Haven County are still mixed, but there is a feeling that better times are on the horizon. Even if we don't have anything to show for it yet, improvement in people's attitudes and warmer weather on the way may be the first steps toward working us out from under the cloud that has been over us for the better part of the past two years.

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