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The greater New Haven sales market showing signs of thawing

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The greater New Haven sales market is showing some signs of thawing over the last few months after several anemic years. Transactional sales volume is tilting in favor of an owner-user market, and is especially evident in the industrial sector with a fair number of manufacturers searching for space in the market. These purchases are being driven in some degree to prodigious SBA lending, whereby historically low interest rates have made ownership economically advantageous in comparison to leasing.

Regarding industrial properties' sales activities, in addition to the aggressive lending packages cited above, more industrial users are looking to expand as of late. This starkly contrasts the previous three years' mindset. Many manufacturers in the aerospace, electronics and cable businesses have been doing exceptionally well despite the prevailing economic climate. For the first time in years, some of these manufacturers are venturing out to find additional space to accommodate growth.

Several owner-user sales occurred in the market, including Lasership's purchase of 1020 Research Pkwy. in Meriden in February 2012. The New Haven Group represented Berkadia Commercial, a lender who previously foreclosed on the property. Lasership is a logistics company who expanded and moved from Wallingford into this 43,000 s/f facility. The property traded for \$1.25 million or \$29 per s/f.

Other sales included the sale of 69 North Plains Hwy. in Wallingford to United Concrete for \$2.2 million. The 65,000 s/f facility sold for \$34 per s/f. United Concrete is based in Wallingford, and this building provided further expansion space for this manufacturer of concrete structural piping systems.

Aurora Products purchased 205 Edison Rd. in Orange for \$2.2 million. The 75,000 s/f facility sold for \$33 per s/f. Aurora Products is a distributor of natural food products.

At 620 Grand Ave., the New Haven Group represented the Housing Authority of New Haven in the sale of a 13,000 s/f industrial building to Unicast Development, a local manufacturer, based in New Haven. The property sold for \$35 per s/f in February of this year.

In the office sector, since the 3rd quarter, 2011, through the end of January, there were thirteen sales transactions over \$500,000, including six deals of over \$1 million. This compares favorably versus nine deals in the same range, same period, one year prior.

Some of the recent deals include 2560 Dixwell Ave., Hamden for \$6.855 million at \$316 per s/f. This medical office building was fully occupied by a variety of medical office tenants and Yale New Haven Hospital subsidiaries. This was one of the highest priced office deals on a per s/f basis, showing the demand for well-occupied medical properties.

An office/retail building at 88 Main St. South, Southbury sold for \$1.95 million (\$118 per s/f). This property traded at just over a 10% cap rate. Major tenants in the property included Prudential

Connecticut Realty and Edward Jones & Co.

Two other sales occurred in 2011 for office buildings to owner-users. These two transactions involved non profits moving from office leasehold situations. For example, Easter Seals purchased 432 Washington Ave. in North Haven for \$1.5 million or \$63 per s/f. The building was a Class C office building, and the firm moved its administrative offices from New Haven.

Another owner-user office sale included the non profit Wellpath, purchasing 141 East Main St. in Waterbury for \$2.2 million or \$77 per s/f, for this Class C office building.

The outlook for 2012 is modestly better, with the expectation for sales volume to improve over 2011, especially in light of some early deals that have occurred. The market certainly will not be back to historic levels of sales volume, but with improved business outlooks, the region should begin a thawing process from several years of stagnant conditions.

The New Haven Group is a commercial real estate company with offices in New Haven and Avon, Conn. The firm provides brokerage, leasing, management and development services throughout Connecticut. You can find us at www.TheNewHavenGroup.com.

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