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Greater Hartford multifamily completions and pipeline

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Following the downturn of the economy, delivery of new class A multifamily projects to Greater Hartford was slow to regain its footings with the Addison Mill apartments in Glastonbury being one of the first deliveries in 2009. This project includes 55 units in a converted mill structure that offered luxury finishes that were not available in many suburban markets and benefited from construction financing in place prior to the recession. As such, it enjoyed a short lease-up during a rocky economic period of less than eight months. Since then there have been numerous additions to the class A inventory ranging from small projects, such as the 24 unit King's Ridge development in Simsbury that was completed in 2013, to the large-scale projects such as the Residences at 299 in Farmington (120 units), which was completed in 2015 and Alterra Rocky Hill (144 units), which was completed in 2013 and absorbed in about 10 months indicating a strong demand for new suburban class A units.

With stability in the local and national economy developers continue to increase the pipeline of product for suburban markets. Complexes completed in 2014 and 2015, to include those that are anticipating completion in 2015, add close to 1,000 units to the market with additional supply of over 2,100 units in the pipeline. The most significant complexes are listed :

- * Eastpointe at Dorset Crossing in Simsbury (168 units) - to be completed in 2015
- * Broadleaf apartment in Manchester (167 units) - delivery of units beginning this month.
- * 150 units at 243 Steele Rd. in West Hartford - under construction
- * Montage in Rocky Hill (144 units) - under construction
- * Windsor Station in Windsor (130 units) - under construction
- * The Residences at Evergreen Walk in South Windsor (200 units) - proposed
- * 180 units along Hopmeadow St. in Simsbury - proposed
- * Flanagans Landing in Glastonbury (250 units) - proposed

With the luxury apartment market experiencing strong demand in suburban markets, developers have again begun to consider urban residential development. The delivery of new complexes to the Hartford CBD have paced behind suburban markets in part due to the higher development costs associated with ground-up construction and retrofitting existing high-rise structures. Complex financing structures associated with urban development also lengthen the delivery process, with many of the projects under construction and proposed in Hartford's CBD requiring public funding and state and federal tax credit programs in addition to a developer's equity contribution and conventional financing to make these developments feasible.

While the majority of suburban luxury product appeals to a range of "renters-by-choice" from young professionals, young families, empty-nesters and snowbirds, the tenant profile for urban high-rise residential projects is more specialized and targets primarily single-occupiers seeking an urban environment with access to walkable dining and entertainment and easy access to employment and

transportation linkages. In many cases the typical unit sizes are smaller with a predominance of smaller studio and one-bedroom units. These smaller unit sizes are offset by a high level of unique complex amenities to attract tenants. One example of this is the Spectra apartments, which will offer a grand lobby with convenience store, concierge, complimentary Wi-Fi, screening room with a 40 foot wide screen, library, outdoor BBQ area and two-story fitness center known as Club RetroFIT, which includes a basketball court and pilates/yoga studio. This represents the first of the major deliveries to Hartford's CBD and features includes 193 units within a 12-story former hotel structure that will feature 179 studio units and one-bedroom units and only 14 two-bedroom units. Leasing for these units began this month with completion anticipated by mid-2015.

The largest project under construction is the former Bank of America building, known as 777 Main, which will consist of 286 units with units anticipated to be available by the summer. This development will offer unique amenities including a penthouse resident amenity floor, clubroom with spectacular skyline views, library, screening room, game room, wraparound terrace and fitness center. The Front Street Lofts, which will be completed by August, represents new ground-up construction, to include 15,000 s/f of ground level retail and 121 units in five stories with a rooftop deck. Both of these projects will include significant amenities unique to high-rise urban residential construction.

Two smaller developments that were recently completed and both represent multifamily conversions over ground level retail are 179 Allen St., which includes 63 one-bedroom units, and the Grand on Ann St., which includes 26 one-bedroom units. While they do not offer the amenities of the larger complexes, they provide a high level of interior finishes such as stainless steel appliances, granite countertops and in-unit washer/dryers. These developments fill a void in the market for urban dwellers looking for a more affordable price-point.

The four new developments that have recently been completed or are underway total 738 units, with all projects anticipated to be completed by fall and an additional 275 units in the immediate pipeline. The proposed Downtown North (DONO) development, which is focused around a minor league baseball stadium, could provide more than 600 additional Class A units.

While class A developments in Hartford's CBD are seeing strong interest, the absorption rates for upcoming supply are largely untested and may lag behind suburban complexes. Class A developments that were constructed prior to the economic downturn, such as Hartford 21 and Trumbull on the Park, experienced absorption rates ranging from approximately 6 to 8 units per month during the initial lease-up periods and current absorption rates will likely mirror this pace. Many existing class A complexes experienced a lack of demand for larger unit types and required free rent or reduced rent concessions to make these units desirable. Most developers have recognized the superior demand for studio and one-bedroom units and adapted their designs to accommodate this trend. The flow of new renters to the market is expected to be driven by the unique amenities, modern finishes and walkability to local entertainment not available at suburban complexes and most developers are not forecasting the need for lease-up concessions.

With the high absorption rates being experienced at new suburban complexes, the Greater Hartford class A multifamily market continues to see upward pressure on rental rates and continued new pipeline inventory. Generally, the overall market occupancy rate has not been negatively impacted by the pace of new development. With a wider range of pricing options, complex and unit amenities available within the existing and proposed inventory of class A residential units in Hartford's CBD, the landscape of urban living will continue to become a more viable option for "renters-by-choice" in

the coming years and may help to spur additional synergistic demand in the Capitol City.
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