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Apartment market has its ups and downs during uncertain times - by John Nitz

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In central Connecticut, the apartment market has been fickle during questionable economic times. Last month's article by Josephine Aberle, MAI, indicated a slowdown in investment activity with a significantly reduced number of commercial sales transactions in 2022, following escalations in mortgage interest rates. Investment in apartment complexes has waned in Hartford County in the first seven months of 2023 with 60 apartment complex sales compared to 113 sales during the same time period in 2022.

On the contrary, new apartment development continues to surge on despite the Fed's attempt to slow market activity over the past 16 months. Several noteworthy new apartment developments have been approved and are in process in Central Connecticut including the following:

1.) Stone Bridge Crossing, a 300-unit market rate, nine building, apartment development on 30 acres in Cheshire, CT, along Rte. 10 near the I-691 interchange. Developers Miller, Napolitano, Wolff, LLC, and Tri-Star Development, LLC, are in the process of installing infrastructure for the development. A 140-unit, market rate complex known as The Reserve at Stone Bridge Crossing, will piggy-back the larger development. An additional apartment development in Cheshire includes a 70-unit apartment complex at 146 Realty Dr. developed by Vessel Technologies, LLC, which would include a 30% affordable housing component.

2.) Anthony Properties, LLC, of Texas received approval for 255 market rate apartments on 41 acres at 1177, 1193, and 1303 West St. and Curtis St., Southington, CT. The development, known as "The Spark," would also include 17,500 s/f of commercial space. Anthony Properties, LLC, also has a new development in Newington, CT, along Cedar St. with 232 apartment units within similar four-story buildings.

3.) Developer Avner Krohn is in the process of developing 107 market rate apartments in downtown New Britain along Main St. on the site of the former Burritt Bank and Amato's toy store.

4.) Sakala Partners purchased a 10-acre site at 74-76 Batterson Park Rd., Farmington, CT, for \$7.8 million, and currently is in the process of developing the site with Pond View Apartments, a 204-unit market-rate apartment complex.

Investors remain active purchasing apartment complexes throughout Hartford County and some have begun financing by assuming existing mortgages at lower interest rates than current rates. According to Eric Pentore a commercial broker with Marcus & Millichap, "Investors are still seeking good-quality product and are considering assumable mortgages." For example, two apartment complexes in the city of Hartford sold recently with assumed mortgages, including:

1.) 256 South Marshall St., Hartford, CT, a 25-unit garden apartment complex which sold April 2023, for \$1,993,925 or \$80,000 per unit. The buyer assumed a \$1.3 million mortgage.

2.) 132 Collins St., Hartford, CT, a 30-unit garden apartment complex currently is under contract for

sale with the buyer assuming a \$1.4 million mortgage.

Although some of these projects commenced prior to the rise in mortgage interest rates, new apartment development remains active in central Connecticut with several sizeable complexes under development. Apartment rents continue to rise steadily making apartment complexes attractive to investors. Apartment sales have declined in 2023 compared to 2022; however, investors are finding other creative means by assuming existing mortgages which consummated at lower initial interest rates.

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