

Real Estate Market Opportunities for the Scovil Hoe Building Complex

Haddam, CT

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About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 29 states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in Saratoga Springs, NY; Boston, MA; Portland, ME; and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociates).

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Real Estate Market Opportunities for the Scovil Hoe Building Complex

Introduction

The Scovil Hoe Building Complex is in the Town of Haddam, CT at 11 Candlewood Hill Road in the community of Higganum. In February 2017, the Connecticut Department of Economic and Community Development awarded the Town of Haddam a Historic Brownfield Assessment Grant for environmental site assessment and reuse planning of the former DOT maintenance facility. As part of this work, Camoin Associates was retained by the Town to assess the real estate market within Higganum and identify reuse opportunities for the Scovil Hoe site.

This 'light' market opportunity analysis pulls from Camoin's prior work in the Town of Haddam, which includes two market reports completed in 2016:

- Haddam Jail Market Analysis
- Market Opportunities & Constraints for Tylerville in Haddam, CT

These studies contain in-depth real estate and economic information for the Town of Haddam and Middlesex County region. A summary of market observations based on our prior work in the Town of Haddam is provided in Attachment A.

The preceding work was supplemented with local information and insight specific to Higganum through phone interviews with local leaders, business owners, and property owners.

About the Scovil Hoe Building Complex

The Scovil Hoe Building Complex was once home to the D&H Scovil Hoe Company, a 19th century business known for inventing the self-sharpening Scovil Hoe. The mill operated from 1844 to 1942.

Two, solid 2-story brick mill buildings remain on the 4-acre site today. The buildings are 8,000 square feet and 10,500 square feet and were most recently used by the Connecticut Department of Transportation as a repair facility. Additional information about the property can be found in the *Existing Conditions Study and Reuse Evaluation* prepared by Crosskey Architects, LLC in 2016.



Source: Google Maps

Higganum Market Environment

Higganum Center is one of two principal commercial districts within the Town of Haddam, the other being Tylerville in the southern part of town. The Census-designated area of Higganum is shown in the callout map below. The commercial district is centered around the intersection of Route 154/Saybrook Road, Candlewood Hill Road, and Route 81/Killingworth Road. The Scovil Hoe Building Complex, identified by the red pin on the map, is situated just to the west of this intersection, within a few-minute walk of several Higganum establishments.

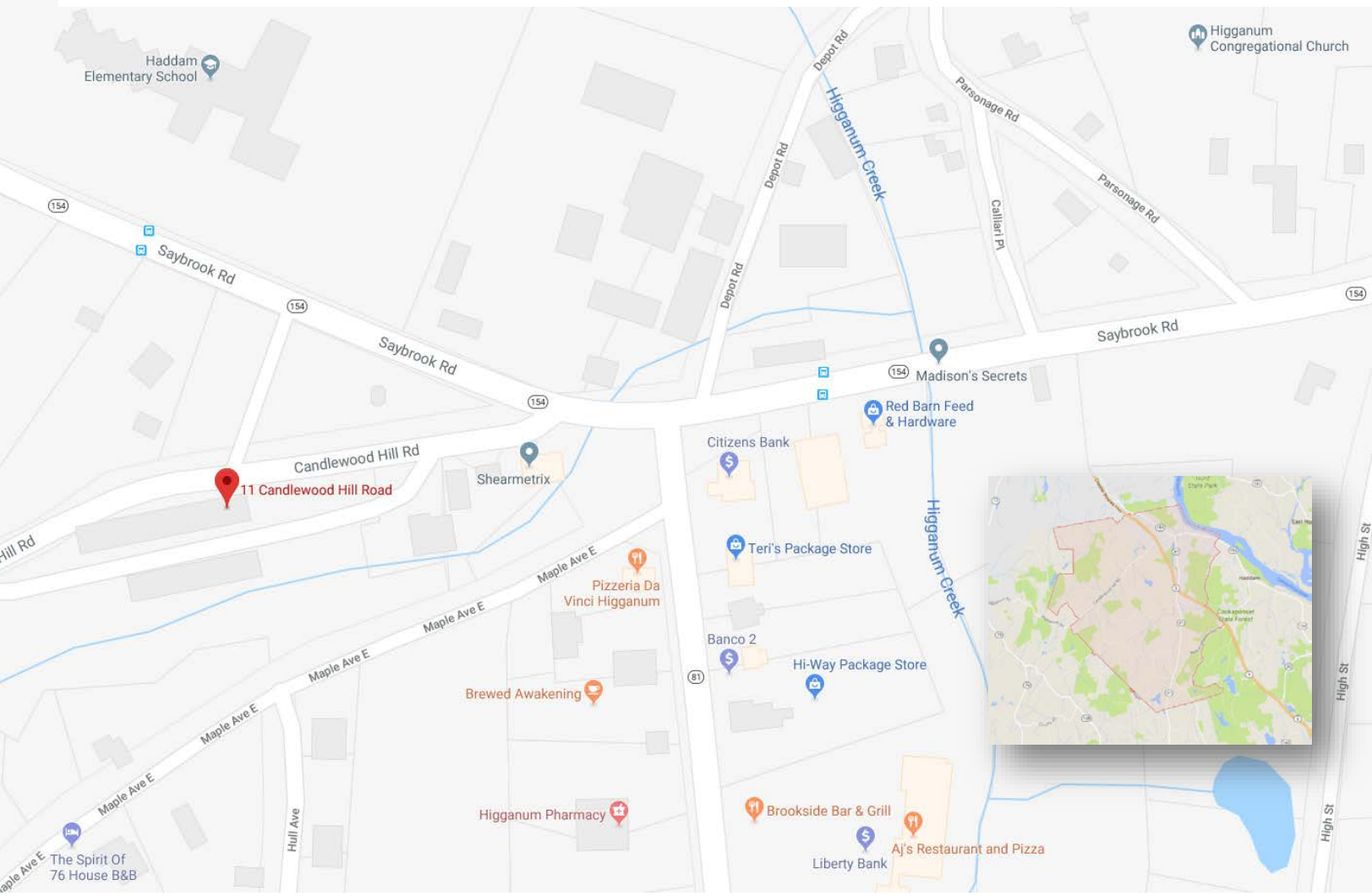
The commercial district includes about 20 locally owned retail and service businesses that offer pizza and casual dining, pharmaceuticals, sports and outdoor gear, animal feed, groceries, gas, alcohol, and other everyday goods and services. The main consumer market draw for most Higganum

businesses is local; primarily residents of Haddam and areas north about 5-10 miles. A few businesses that offer custom or niche services are successfully able to attract customers from much farther away.

In stark contrast to the refined quality of the area's historic residential structures, many of the commercial structures in Higganum are tired and would benefit from some reinvestment.

Interviews with business leaders from both Higganum and Tylerville indicated that the Town's business community is segmented and individual businesses operate relatively independently of each other. The physical environment of Higganum encourages a siloed business community. Despite its small scale and proximity, most customers drive to each business they visit and there is little pedestrian activity among local establishments. There seems to be some desire among local business leaders to overcome this and strengthen the community's business network and

Site Location Map: Higganum Center

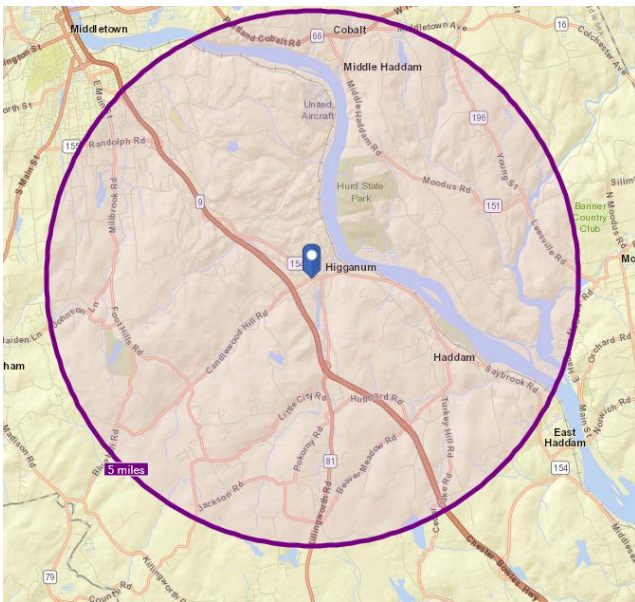


physical environment to better serve the local consumer market.

Retail Trends

Businesses in the retail trade and food and drink industries within 5-miles of Higganum Center generate about \$101 million in sales annually. Comparatively, consumers within this 5-mile trade area spend over \$238 million on retail goods and services annually, which means over 50% of residents' consumer purchases are made somewhere else, either in outside shopping districts or in online marketplaces. While the regional retail market is well served, some of this 'leaked' consumer spending may be an opportunity for Higganum businesses to offer new goods and services, and a shopping experience, local consumers desire.

Higganum 5-Mile Market Area



Source: ESRI BOA

Retail industry sectors with significant sales leakage from the Higganum market that could be a good fit within the existing business mix include:

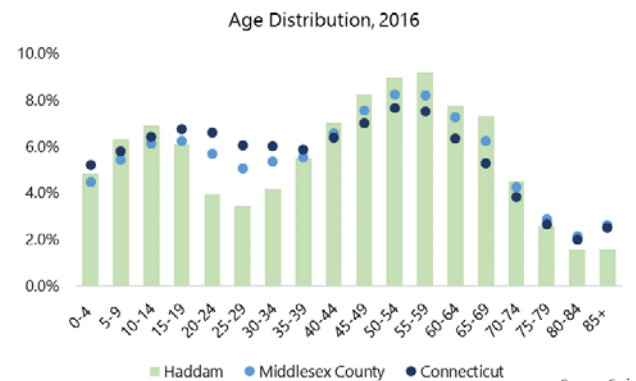
- Restaurants/Other Eating Places
- Gift Stores
- Florists
- Home Furnishing Stores (bath shops, kitchenware stores, linen stores, glassware stores, etc.)
- General Merchandise Stores

Haddam's retail real estate market is relatively small, consisting of about 200,000 square feet in total with roughly 13,700 square feet available (7% vacancy). Asking rents for currently available space are high compared to the county and relative to the town's five-year average. Average asking rents are \$16.16 per square foot NNN, well above the county's \$12 average. These high asking rents may be a deterrent to growth and expansion in this sector.

Residential Trends

Higganum, like the rest of the Town of Haddam, is dotted with large, historic single-family homes (93% single family). The median home value in Town is \$331,000, well above the county's at \$297,000.

The residential real estate market is healthy with a vacancy rate of 8.5%. Individuals interviewed for this project noted that there is an increasing trend of young, upper-middle income families moving into Haddam to take advantage of the community's highly-rated public school system, and then moving out once the kids are through school. Plotting the Town's population distribution illustrates this trend. While the Town is popular among young families, there is a stark lack of 20 to 34-year-old residents compared to the County and State.



Residential construction in Haddam stalled out during the 2008-9 recession and has not started up again. Between 2000-2009, 400 homes were built in Haddam compared to just 15 following 2010.

This period of inactivity may be coming to an end shortly, however, as there are several large property owners in town currently evaluating market and financial feasibility of incorporating a residential component in their development program. While it is still early for these projects, and development programs have not been finalized, it is likely that the Town of Haddam, and in particular Higganum Center, will benefit from new rental units on the market in the next few years. These apartments would offer an attractive alternative to home ownership (or a first step toward home ownership) to local professionals and retirees looking for a rural, small-town setting..

Office Trends

Office space in Higganum is limited and, like the retail space, dated. According to the multiple listing service (MLS) Loopnet, there are 5 listings in Higganum, three of which are for sale and two available for lease.

Asking lease rates for the two available office spaces are:

- *\$5.04 per square foot for 7,287 square feet*
- *\$13.56 per square foot for 12,470 square feet*

These rates are very low compared to the town wide average asking rent of over \$18 per square foot.

While the regional office market in Middlesex County is active and healthy, there has not been much interest in the Town of Haddam given the town's relative isolation and lack of quality space. Once a property becomes available, it remains on the market for quite some time.

There is a perception that there are many design, legal, and finance professionals working in Haddam out of their homes who would like to move into office space. However, while this may be true, there isn't much evidence that these professionals are in the market looking for space. The Town does not offer many options for larger firms of 10-20 people and typically loses these mid-sized firms to nearby places like the Town of Chester.

Market-Based Opportunities for the Scovil Hoe Building Complex

This summary report is intended to resource the Town's planning and decision-making process with market information. Our partners on the Fuss & O'Neil Team will work with the Town to prioritize and test the preferred market-opportunities for on-site feasibility (parking, water/wastewater capacity, traffic, etc.).

Based on our prior work in the Town and interviews with local business and community leaders, the following uses have been identified as having the greatest market-demand for reuse of the Scovil Hoe Building Complex.

Market Rate and Luxury Residential Apartments/Condos

Throughout the United States, the housing market landscape is changing rapidly. The trend has moved away from single-family owner-occupied houses to an array of other products. Trends driving this transition include:

- Empty nesters looking to downsize into less maintenance-intensive properties,
- Senior housing for those looking for amenities tailored to the needs of retirees,
- 20- and 30-year-olds rediscovering the benefits of living in a community center setting close to amenities,
- Families displaced by foreclosure looking for an alternative to home ownership, and
- Young people just starting out their careers and professionals looking for upscale housing options.

Together, these trends are driving a substantial change in the attitudes, tastes, and market choices of individuals. In many areas, this means reurbanization of urban cores and downtown areas; however, we are now starting to see demand for diversification of housing markets in suburban, exurban, and rural

areas. This is because that while not everyone wants to live in a city, certain market segments are increasingly expecting even rural communities to offer more housing options near amenities and services in nodes of higher-density, walkable, mixed use development.

Haddam, and in particular Higganum Center, has a unique opportunity to capitalize on this trend and offer a product that's new and different in the market: low-maintenance, multi-family apartments or condos in walking distance to local amenities yet within a small-community, rural setting.

Target Markets for this type of product include:

- **Aging 65+ Population:** Middlesex County is projected to gain over 2,500 households in the 65+ range over the next five years, and with relatively few options for these seniors to downsize, this presents an opportunity for Haddam to capture a portion of these households. The small size of the site, and therefore, limited number of units that can be built, will create a sense of exclusivity which will work well in this mature market that values uniqueness.
- **Young Professionals:** Young adults are another key market for multifamily housing that are critically underserved in the Haddam area. Several interviewees noted that many young adults who grew up in the Haddam area would like to return following college but are unable to find desirable rental housing and many end up living with their parents to save money as they begin their career. Over 11,000 young adults in Middlesex County between the ages of 18 and 34 live with their parents, or about 41%.¹

Market rate and high-end rental units are an untouched market that would offer Haddam's existing residents, as well as individuals interested in living in the town, another housing option. Additionally, creating higher-density residential development in

Higganum will concentrate consumer markets, enabling new opportunities for growth in the local retail and services sector that do not exist today.

Quality Full- and Limited-Service Restaurants

Full-service dining options in Haddam are limited. If someone living in or visiting Haddam wants to go out for a nice meal, they more than likely will leave town and head north to Middletown or south to Chester, Essex, or Old Saybrook.

The retail market analysis conducted by Camoin Associates for the Haddam Jail property, identified that there is strong local demand for high-quality restaurants in the community. With several nearby visitor destinations such as the Goodspeed, busy local bed and breakfasts, and an affluent residential consumer market, Haddam could support about five new full-service restaurants and four limited-service eating places.

The Scovil Hoe Mill Complex offers a unique setting that would be ideal for a quality restaurant mixed among other uses. To adequately serve this market, restaurants must offer unique high-quality food, atmosphere, and experience. Use of technology will be important for making reservations and ordering. Story-driven restaurants that offer an experience would do well in this market – the story could be around the chef or the cuisine or even the history of the mill buildings.

The limiting factor to growth in this sector is not lack of market demand; it is lack of infrastructure. Restaurants are high-intensity water users and most sites in Haddam are underserved by water and sewer. This limits restaurateurs on how many tables they can serve within a given timeframe, restricting future growth of the business. A restaurant will only work at the Scovil property if infrastructure issues are mitigated. Otherwise, experienced restaurateurs looking to serve this market will invest elsewhere where the future growth potential of their business isn't restricted.

¹ American Community Survey. Table B09091. 2015 5-year estimates.

Low-Cost Office/Artist/Flex Space

Roughly half of the individuals interviewed for this project suggested the space within the mills could be used by artists as studio and gallery space and the other half leaned more toward creating low-cost professional office space for sole proprietors and small businesses in and around Haddam. With limited demand in either segment, we recommend not restricting the site to one user type but focusing on offering low-cost space to small business owners, makers, and creators who want to “get out of the garage”.

Middlesex County has over 2,000 self-employed individuals and over 32,000 establishments with 2-9 employees. Haddam alone is home to several ‘maker’ businesses including Whole Harmony Apothecary, a maker and seller of artisan teas and herbs; Creative Cakes by Donna, a cake designer and seller; and Steady Habit Brewing Company, a microbrewery. These businesses and others in the area are small-scale operations that produce high-quality products and sell to a large geographical area. Customers are drawn from well beyond Haddam and the immediate region to patronize these unique businesses.

As noted in the previous section, while there is not significant demand for any one retail use, the retail sales leakage analysis identified several small, boutique-style retail businesses that, based on current spending trends, local consumers would support. These type of small-scale retail shops require low-cost space and are typically found in a downtown or market-style setting surrounded by other similar businesses – the type of place that could be created at the Scovil Hoe Mill Building Complex and, with some investments in walkability and streetscapes, complemented by Higganum’s existing business community.

Rehabilitated mill buildings have proven to be ideal places to bring together artisans, designers, and creators to share ideas and create opportunities for collaboration. An example of this type of project is the [Shirt Factory](#) in Glens Falls, NY, which started as a home for artists and offices and has grown to house classroom space, a yoga studio, and a small gallery. The public is invited to “wander the halls” and explore the mini-shops many tenants have created.

This type of flexible use allows for minimal, incremental buildout of the mill buildings on an as-needed basis instead of one large investment. The size and layout of each space can be customized for each unique tenant and many tenants will simply want the raw space to do their own fit-up.

Low rent is the key for attracting tenants to this type of project. Complementary uses to help draw patrons to the site and create additional vitality would be a coffee shop, bakery, or café.

Unique Local Coffee Shop/Specialty Food Shop

It is surprising that Haddam does not have a local coffee shop in town that serves as a second - or third - office for professionals working in the community. Coffee shops offer great gathering places and this is an untapped market opportunity. Depending on the ultimate mix of uses at the Scovil Hoe Mill Building Complex, a locally-owned coffee shop serving high-quality coffee and other caffeine-infused beverages would be a nice ancillary use.

Light, easy-assembly fare like pastries, fresh fruit, and/or bagels, and free, high-speed Wi-Fi are a must. Many non-commercial coffee shops have their own unique identity whether it be roasting their own beans on-site or being ‘fused’ with another use like a bookstore or bar. As long as quality is a key pillar of the business, a coffee shop would do well in this market.

Attachment A: Haddam Jail - Notable Market Observations

The following market observations have been derived from data research and analysis as well as one-on-one interviews conducted with real estate professionals, business owners, and local leaders.

Socioeconomic Characteristics

No population growth = Limited new demand - While the region is not shedding residents, it is not growing substantially either, which means demand for new services or housing may be limited in the local market.

Town's population is bi-modally distributed - There are two large market segments in Haddam: later career (45 to 59 years) and school age children (5 to 19 years) with a notable lack of young adults (20 to 34 years).

Aging Market - Connecticut is the 7th oldest state in the Nation and Haddam is 5-years older than the state in terms of median age (and getting older).

Middletown - Offers a very different, more diverse market and may present an opportunity as Haddam's neighbor.

Residential

Limited activity following the recession - After 2010, the number of new housing units coming online drops off substantially (less than 1% growth). Haddam is not at the top of developer's lists primarily due to high mill rate and lack of a downtown.

Older housing stock dominated by expensive single-family homes - There is a striking lack of diversity in the local housing market in terms of price points and unit type. Very few rentals or affordable options.

Retail & Services

Strong Household Income = Spending Power - Existing residents earn more on average compared to the county and state, which equates to strong local spending power capable of supporting growth.

Underserved Market - There are few local retailers and services. Residents and visitors travel to other communities to make most purchases and to dine.

Segmented business communities - There appears to be some animosity between the Town's two business centers (Tylerville and Higganum), which will NOT be attractive to outside investors.

Full-service restaurant is needed - All of the data and interviewees agreed!

Bottom Line: There is little diversity and not a lot of movement in the market.

Immediate opportunities are about **re-capture** instead of capitalizing on emerging trends or growing markets.

Quality will be important. Tying in re-use to Haddam's **history** and telling a compelling story is important.

Quick Facts

Annual population growth

0.7%

0.2% - Middlesex

0.3% - US

Age group that makes up half of Haddam's population

40-to-70

Median Age

46

41 - CT

37 - US

Households earning over \$100,000

48%

38.7% - Middlesex

34.9% - CT

Single family homes

93%

72% - Middlesex

59% - CT

Median Home Value

\$331,000

\$297,000 - Middlesex

\$283,972 - CT

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