

Central Connecticut

Industrial Q4 2018



Central Connecticut Industrial

Economic Indicators

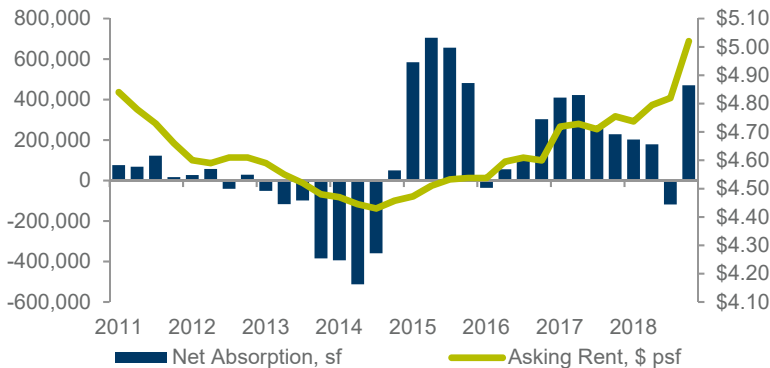
	Q4 17	Q4 18	12-Month Forecast
Connecticut Employment	1.82M	1.84M	▲
Connecticut Unemployment	4.6%	4.1%	▲
U.S. Unemployment	4.1%	3.7%	▼

Market Indicators (Overall, All Product Types)

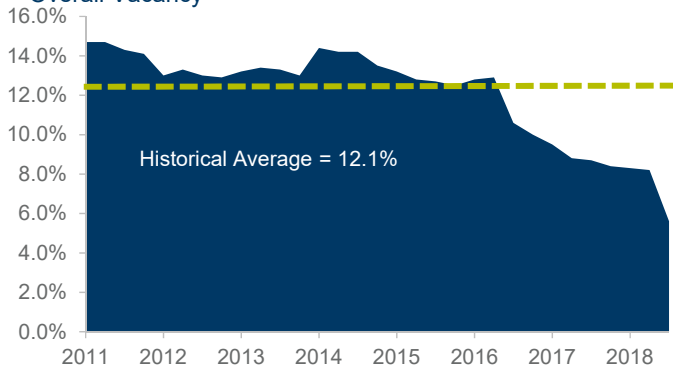
	Q4 17	Q4 18	12-Month Forecast
Vacancy	8.4%	5.6%	▲
YTD Net Absorption (sf)	915k	1.8M	▲
Under Construction (sf)	1.1M	855k	▲
Average Asking Rent*	\$4.68	\$5.45	▲

*Rental rates reflect NNN asking \$psf/year

Overall Net Absorption/Direct Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

Led by growth in its construction, aerospace and defense sectors, Connecticut's industrial economy improved in 2018. Substantial employment increases at General Dynamics, Electric Boat and United Technologies Corporation highlighted total nonfarm employment gains of 1.4%, even while the overall unemployment rate remained constant at 4.1%. Moreover, after three years of population declines, the population stabilized, just as a new administration injects optimism into the state's economy.

Market Overview

Historical lows in vacancy rates, historical new highs in asking rates (\$5.45 NNN across all industrial categories) and a resurgence of speculative and proposed construction defined the central Connecticut industrial market at the close of 2018.

Demand proved stable - with positive absorption totaling of 1.8 million square feet (msf) year-to-date (ytd). Winstanley Enterprises' acquisition of the 1.9 msf JC Penney Distribution Center in Manchester (the largest vacant distribution center in New England) and Calare Properties' acquisition of the 180-acre former Bristol Myers campus in Wallingford (1.1 msf of industrial redevelopment) highlighted vacant investor sales. Additionally, UHaul's purchase of 191,000 sf in Hartford topped owner occupant sales. On the leasing side, large transactions were scarce: Economy Spring's commitment to 251,000 sf in Southington and BYK's lease of 131,000 sf in North Haven led the way. Stable demand with so few large transactions demonstrates the underlying health of the market.

Supply of high, clean and newer product is sufficiently tight enough to encourage speculative construction and new investor entrants into the market. Scannell Properties' 400,000 sf speculative project is underway while others are proposed in Wallingford (Calare), Plainville (Metro), Bloomfield (GFI) and South Windsor (Scannell). Winstanley Logistics is actively planning projects on sites in Enfield, Bloomfield, Windsor and Plainfield.

Outlook

The outlook for the central Connecticut industrial market has never been brighter. Economic and market forces have aligned to make the market more attractive than the overheated adjacent markets in Boston and Northern New Jersey. New large speculative product, regionally competitive leasing rates, favorable employment availability, comparative occupancy costs and the optimism of a new state government suggest the next year will continue or even improve the historically favorable climate.

MARKETBEAT

Central Connecticut

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SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (W/D)	OVERALL WEIGHTED AVG. NET RENT (All)
Hartford	5,012,620	140,048	206,954	8.9%	(132,000)	-	N/A	\$6.06	\$6.62	\$6.25
Western Hartford	18,459,285	759,286	151,823	2.7%	544,420	-	\$5.46	\$3.56	\$4.69	\$4.29
Southern Hartford	15,362,575	784,988	272,137	4.7%	1,288,600	-	\$5.88	\$4.92	\$4.82	\$5.10
Eastern Hartford	23,702,884	614,412	2,336,667	9.2%	(908,724)	-	\$6.61	\$3.92	\$5.70	\$5.50
Northern Hartford	31,729,969	556,610	1,184,448	5.7%	465,307	-	\$5.26	\$4.83	\$5.09	\$5.07
HARTFORD SUBTOTAL	94,267,333	2,891,344	4,152,029	6.0%	1,257,518	0	\$5.77	\$4.36	\$5.35	\$5.16
New Haven	2,425,826	222,423	35,160	3.8%	151,787	-	N/A	N/A	\$5.40	\$5.40
Western New Haven	10,469,748	259,650	122,387	3.1%	(41,187)	-	\$5.83	\$3.45	\$4.51	\$4.80
Route 8 Corridor	5,594,270	420,132	142,440	9.7%	147,560	-	\$5.29	\$4.01	\$4.69	\$4.65
Northern New Haven	25,200,141	634,598	1,093,486	4.7%	341,579	855,000	\$7.73	\$5.76	\$4.68	\$6.55
Eastern New Haven	4,282,716	174,570	165,720	4.9%	22,988	-	\$9.10	\$9.78	\$4.77	\$7.86
NEW HAVEN SUBTOTAL	47,972,701	1,711,373	1,559,193	4.9%	622,727	855,000	\$7.52	\$6.00	\$4.73	\$5.94
CENTRAL CT TOTAL	142,240,034	4,602,717	5,711,222	5.6%	1,880,245	855,000	\$6.99	\$4.87	\$5.17	\$5.45

*Rental rates reflect asking \$PSF/year

MF = Manufacturing W/D = Warehouse/Distribution

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
75 Aircraft Road, Southington	251,099	Economy Spring	New Lease	Western Hartford
100 Sanrico Drive, Manchester	191,492	TJX	Renewal/Extension	Eastern Hartford
33 Stiles Lane, North Haven	131,248	BYK	New Lease	Northern New Haven
83 White Oak Drive, Berlin	50,360	Wurth Revcar	New Lease	Southern Hartford
6 Northrop Industrial Park Road West, Wallingford	50,000	Best Buy	New Lease	Northern New Haven

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1339 Tolland Turnpike, Manchester	1,950,398	JC Penney/ PPF WE 1339 Tolland Turnpike LLC	\$70,000,000 / \$36	Eastern Hartford
550 Research/160 Corporate, Meriden	547,730	Research LLC/ Sky 103 LLC	\$23,661,550 / \$43	Northern New Haven
40 Brainard Road, Hartford	191,384	Brainard Fee, LLC/ Amerco Real Estate Company	\$6,750,000 / \$35	Hartford
601 Marshall Phelps Road, Windsor	123,387	Chromalloy Gas Turbine/ AGNL JET LLC	\$9,950,000 / \$81	North Hartford

†Renewal – not included in leasing activity statistics

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