

HARTFORD OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Hartford Employment	642.7k	648.6k	■
Hartford Unemployment	4.5%	3.7%	■
U.S. Unemployment	4.1%	3.8%	▼

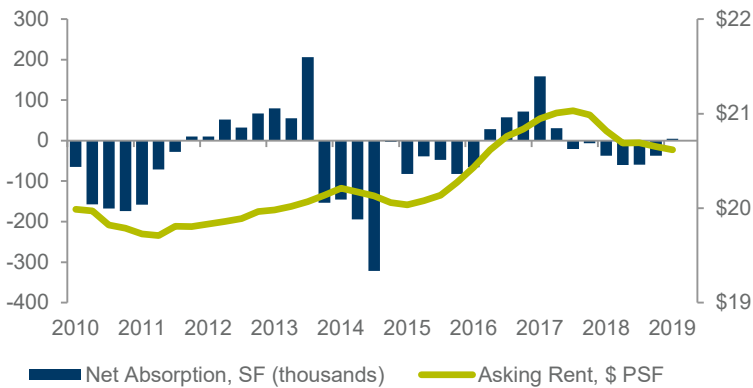
*Numbers above are quarterly averages

Market Indicators (Overall, All Classes)

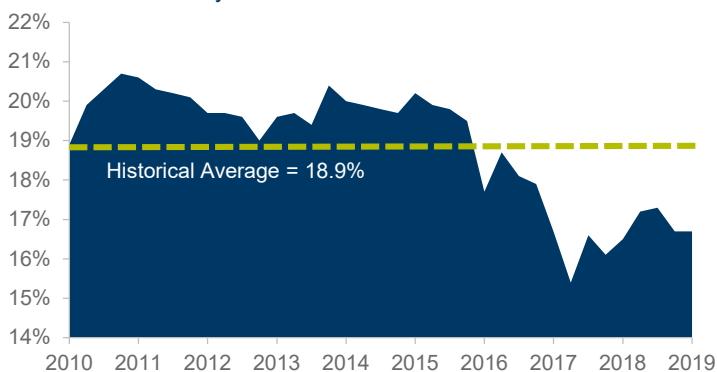
	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	16.4%	16.7%	■
YTD Net Absorption (sf)	66k	235k	■
Under Construction (sf)	24.9k	24.9k	■
Average Asking Rent*	\$20.55	\$20.42	■

*Rental rates reflect gross asking \$psf/year

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



Overall Vacancy



Economic Overview

By July, the U.S. economic expansion will be entering its 11th year – officially making it the longest in history. Many economists are predicting slowing growth through the end of 2019, but reports differ on when (or how) this expansion will end. “Inverted yield curve” may be the phrase of the week but what, exactly, does it mean?

An inverted yield curve results when short-term interest rates on Treasuries become higher than long-term rates – meaning short-term investments have higher yields. On March 22, the rate on a 10-year Treasury bill dropped below the three-month yield. This marked the first such occurrence since 2007. Inversions such as this have accurately predicted every recession since 1956 – usually with a lag time of about 14 months.

Market Overview

In Connecticut, the year started with a new governor. Ned Lamont has pledged to bring Connecticut out of its static economic state – vocalizing a focus on the technology industry. On the heels of some major corporate relocations to Boston, it appears that retaining Connecticut-educated talent is one of his priorities. However, Lamont’s plans so far have only included raising taxes, increasing regulations, and blanketing Connecticut with toll increases and no significant plans for budget cuts.

The Hartford office market started off 2019 from a strong position. Year-to-date (YTD) absorption reflects this – totaling 235,658 square feet (sf). Highlight deals for the quarter include Bank of America and Doosan Fuel Cell in Eastern Hartford leasing 60,000 sf and 36,500 sf, respectively. The Barnes Group also signed a lease in Western Hartford for 45,000 sf. Despite the solid start to the year, overall market fundamentals have remained relatively flat. Similar to last quarter, class A properties continue to boast the lowest availability rate of 18.9%.

Outlook

The streak of negative absorption in the suburbs of Hartford seems to be behind us as first quarter absorption totaled nearly 250,000 sf. Last quarter’s Infosys deal was a major market maker and, comparatively speaking, the CBD was statistically quiet this quarter. However, with several large leases executed in the suburbs and the accompanying positive absorption, the Hartford metro’s office market looks to be starting 2019 from a position of strength.

MARKETBEAT

Hartford

Office Q1 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT AVAILABLE [†] (SF)	DIRECT AVAILABILITY RATE [†]	TOTAL AVAILABLE [†] (SF)	TOTAL AVAILABILITY RATE ^{†*}	YTD NET ABSORPTION (SF)	CNSTR DELIVERIES (SF)	AVERAGE ASKING RENT (OFFICE)	AVERAGE ASKING RENT (CLASS A) [*]
Hartford CBD	37	6,865,685	1,222,686	17.8%	1,308,500	19.1%	17,455	0	\$22.33	\$23.48
Periphery	36	1,844,050	283,670	15.4%	285,495	15.5%	18,507	0	\$16.03	\$24.00
Eastern Hartford County	58	3,012,973	381,971	12.7%	497,722	16.5%	133,962	0	\$21.10	\$21.63
Western Hartford County	121	6,158,359	1,157,303	18.8%	1,241,328	20.2%	53,991	0	\$18.52	\$22.29
Southern Hartford County	66	2,561,305	209,524	8.2%	224,073	8.7%	45,960	0	\$21.41	\$22.17
Northern Hartford County	54	3,805,784	1,147,274	30.1%	1,332,260	35.0%	-34,217	0	\$19.59	\$20.52
HARTFORD TOTAL	372	24,248,156	4,402,428	18.2%	4,889,378	20.2%	235,658	0	\$20.42	\$22.28

*Rental rates reflect gross asking \$psf/year

†Totals are not reflective of U.S. Overview

MARKET CLASS	TOTAL BLDGS	INVENTORY (SF)	DIRECT AVAILABLE [†] (SF)	DIRECT AVAILABILITY RATE [†]	TOTAL AVAILABLE [†] (SF)	TOTAL AVAILABILITY RATE [†]	YTD NET ABSORPTION (SF)	CNSTR DELIVERIES (SF)	AVERAGE ASKING RENT (OFFICE)
Class A	117	14,140,276	2,512,423	17.8%	2,672,423	18.9%	160,316	0	\$22.28
Class B	214	8,688,341	1,604,549	18.5%	1,931,499	22.2%	79,202	0	\$17.01
Class C	41	1,419,539	285,456	20.1%	285,456	20.1%	(3,860)	0	\$15.29

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
101 East River Drive, East Hartford	60,000	Bank of America	New Lease	Eastern Hartford
80 Scott Swamp Road, Farmington	45,000	Barnes Group	New Lease	Western Hartford
101 East River Drive, East Hartford	36,500	Doosan Fuel Cell	New Lease	Eastern Hartford

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
55 & 77 Hartland Street, East Hartford	151,500	Direct Investment Riverbend / Olymbec East Market LLC	\$9,607,500 / \$63	Eastern Hartford
655 Winding Brook Drive, Glastonbury	93,500	Direct Investment Billerica MA / Olymbec East Market LLC	\$6,092,500 / \$65	Eastern Hartford

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