

## NEW HAVEN OFFICE

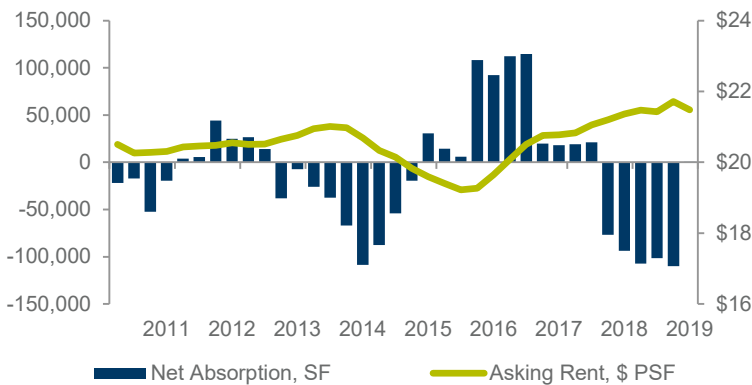
| Economic Indicators    | Q1 18  | Q1 19  | 12-Month Forecast |
|------------------------|--------|--------|-------------------|
| New Haven Employment   | 377.4k | 380.3k | ■                 |
| New Haven Unemployment | 4.9%   | 4.1%   | ■                 |
| U.S. Unemployment      | 4.1%   | 3.8%   | ▼                 |

\*Numbers above are quarterly averages

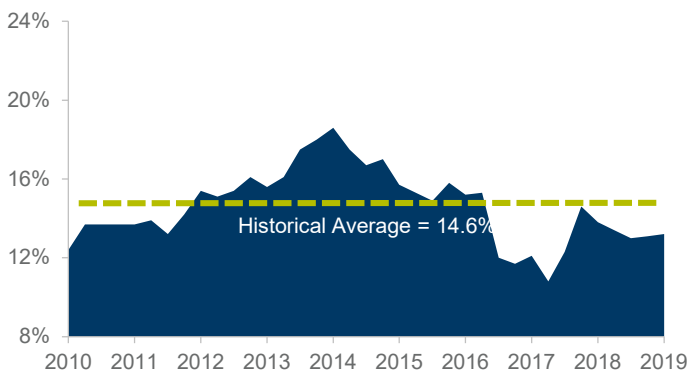
| Market Indicators (Overall, All Classes) | Q1 18   | Q1 19   | 12-Month Forecast |
|--|---------|---------|-------------------|
| Vacancy                                  | 13.7%   | 13.2%   | ■                 |
| YTD Net Absorption (sf)                  | -28k    | 10k     | ■                 |
| Under Construction (sf)                  | 0k      | 0k      | ■                 |
| Average Asking Rent*                     | \$21.35 | \$21.99 | ■                 |

\*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 11<sup>th</sup> 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. We hope that this effort to expand the presence of technology companies in Connecticut will have a positive effect on the real estate market.

The New Haven office market started the year as expected, positive and steady – with market fundamentals remaining consistent year-over-year. Overall vacancy and availability rates are down 60 basis points (bps) and 10 bps, respectively. The average weighted rent also grew to \$21.99 per square foot (psf), just under a 3% increase.

Highlight deals include BioXcel Therapeutics, leasing 11,040 square feet (sf) at 555 Long Wharf Drive. Yale continues to be the most active tenant in the market, as the university’s law school took half a floor at 157 Church Street in the CBD.

## Outlook

Like 2018, absorption and other statistics continue to reflect that the New Haven market has remained consistent for quite some time. With tenants continuing to take and leave spaces of similar size, this creates a continuous streak of low, but typically positive absorption. The wait continues for the next large tenant to make New Haven its home. Hopefully Governor Lamont’s optimism and his wife’s connections to Silicon Valley will attract tenants in the tech industry.

MARKETBEAT

# New Haven

Office Q1 2019



| SUBMARKET              | TOTAL BLDGS | INVENTORY (SF)    | TOTAL AVAILABLE (SF) | TOTAL AVAILABILITY RATE | TOTAL VACANT (SF) | TOTAL VACANCY RATE | YTD NET ABSORPTION (SF) | CNSTR DELIVERIES (SF) | AVERAGE ASKING RENT (OFFICE) | AVERAGE ASKING RENT (CLASS A)* |
|------------------------|-------------|-------------------|----------------------|-------------------------|-------------------|--------------------|-------------------------|-----------------------|------------------------------|--------------------------------|
| New Haven CBD          | 35          | 3,236,042         | 709,872              | 21.9%                   | 341,314           | 10.5%              | -1,552                  | 0                     | \$22.29                      | \$27.18                        |
| Periphery              | 20          | 2,477,213         | 443,665              | 17.9%                   | 326,452           | 13.2%              | 5,177                   | 0                     | \$25.02                      | \$27.50                        |
| Eastern New Haven      | 16          | 573,457           | 62,617               | 10.9%                   | 48,651            | 8.5%               | 1,087                   | 0                     | \$14.19                      | \$14.19                        |
| Western New Haven      | 41          | 1,775,647         | 471,297              | 26.5%                   | 279,291           | 15.7%              | 8,028                   | 0                     | \$20.20                      | \$20.20                        |
| Northern New Haven     | 65          | 2,651,327         | 547,406              | 20.6%                   | 420,493           | 15.9%              | -1,918                  | 0                     | \$20.81                      | \$24.19                        |
| <b>NEW HAVEN TOTAL</b> | <b>177</b>  | <b>10,713,686</b> | <b>2,234,857</b>     | <b>20.9%</b>            | <b>1,416,201</b>  | <b>13.2%</b>       | <b>10,822</b>           | <b>0</b>              | <b>\$21.99</b>               | <b>\$23.80</b>                 |

\*Rental rates reflect gross asking \$PSF/year

| BUILDING CLASS | TOTAL BLDGS | INVENTORY (SF) | TOTAL AVAILABLE <sup>†</sup> (SF) | TOTAL AVAILABILITY RATE <sup>†</sup> | TOTAL VACANT (SF) | TOTAL VACANCY RATE | YTD NET ABSORPTION (SF) | CNSTR DELIVERIES (SF) | AVERAGE ASKING RENT (OFFICE) |
|----------------|-------------|----------------|-----------------------------------|--------------------------------------|-------------------|--------------------|-------------------------|-----------------------|------------------------------|
| Class A        | 51          | 4,992,997      | 1,541,815                         | 30.9%                                | 912,622           | 18.3%              | 1,763                   | 0                     | \$23.80                      |
| Class B        | 126         | 5,720,689      | 693,042                           | 12.1%                                | 503,579           | 8.8%               | 9,059                   | 0                     | \$18.65                      |

## Key Lease Transactions Year-to-Date 2019

| PROPERTY                        | SF     | TENANT               | TRANSACTION TYPE | SUBMARKET |
|---------------------------------|--------|----------------------|------------------|-----------|
| 555 Long Wharf Drive, New Haven | 11,040 | BioXcel Therapeutics | New Lease        | Periphery |

## Key Sales Transactions Year-to-Date 2019

| PROPERTY                         | SF     | SELLER/BUYER  | PRICE / \$PSF       | SUBMARKET          |
|----------------------------------|--------|---|---------------------|--------------------|
| 202 & 204 Cherry Street, Milford | 22,800 | LM Cherry Street LLC / Real Estate Netz Milford LLC | \$4,875,000 / \$214 | Western New Haven  |
| 1030 South Main Street, Cheshire | 11,350 | H.E.R.B Realty LLC / Napolitano Dietrich 1030 LLC   | \$1,900,000 / \$167 | Northern New Haven |

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