

HARTFORD OFFICE

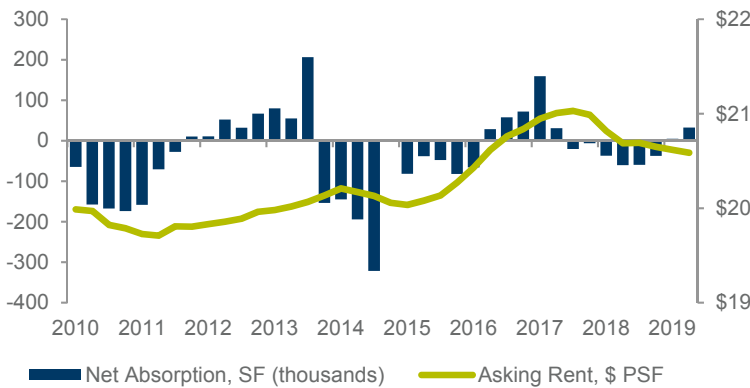
Economic Indicators	Q1 18	Q1 19	12-Month Forecast
Hartford Employment	642.5k	645.2k	▲
Hartford Unemployment	4.2%	3.8%	▲
U.S. Unemployment	3.9%	3.6%	▼

*Numbers above are quarterly averages

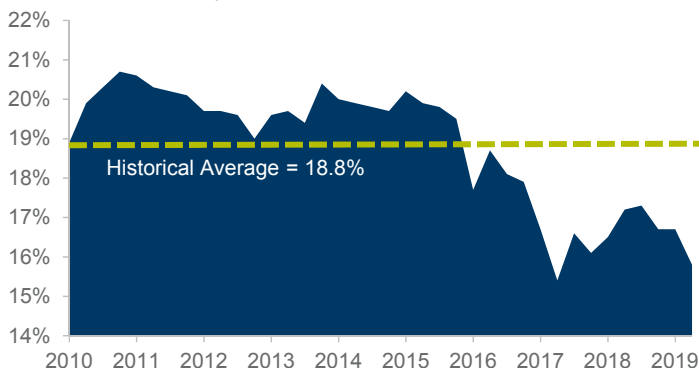
Market Indicators (Overall, All Classes)	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	17.2%	15.8%	■
YTD Net Absorption (sf)	-114k	156k	■
Under Construction (sf)	24.9k	24.9k	■
Average Asking Rent*	\$20.59	\$20.47	■

*Rental rates reflect gross asking \$psf/year

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



Overall Vacancy



Economic Overview

July officially marks the 10th birthday of the economic expansion – the longest in history, according to the National Bureau of Economic Research (NBER). While the growth rate is one of the most sluggish on record, the expansion has officially surpassed the decade-long technology boom of the 1990s.

A fundamental shift in the economy – from one based on goods to one largely based on services – including analytics, apps and other technological solutions has occurred. In oversimplified terms, the foundation of the US economy has shifted from hardware to software.

The shift has obvious economic impacts such as the creation of jobs and contribution to GDP growth. But the software industry is also contributing intelligence – which reduces the time and cost associated with many functions. Tariff-driven trade wars may present an immediate economic threat, but the fundamental shift in how we do business means growth is theoretically limitless. We can't say for certain when (or if) a recession will occur. But we do know that there is no economic law that says the expansion must end.

Market Overview

Market trends begun in the first quarter continued through mid-year – including overall positive net absorption and declining vacancy. At 14.0%, vacancy in Class A CBD product has declined 90 basis points (bps) year-over-year. The highlight deal of the quarter was LAZ Parking's 35,000 square-foot lease at 755 Main Street in downtown Hartford. While absorption in the CBD was negative, this is solely attributable to nearly 120,000 square feet formerly occupied by Traveler's at 10 and 90 State House Square becoming available. If we subtract those blocks from our statistics, CBD absorption stands at an impressive 108,875 sf year-to-date.

Greater Hartford asking rents have remained essentially static year-over-year. At \$20.47 per square foot (psf), they have declined a nominal 50 bps in the last 12 months. However, in the CBD, they ticked up 3.0% in the same time frame.

After a brief period of rising vacancy through the second half of 2018, it is once again declining. At 15.8%, vacancy in greater Hartford is down 90 basis points over year-end 2018 and 140 bps over the past 12 months.

Outlook

As has been the trend over the last few years, positive absorption in the CBD is a good sign for the city, but many of the new tenants are local suburban tenants that are leaving empty space in the surrounding towns, often even downsizing as they move to urban locations. This is part of a nationwide trend of urbanization as access to amenities and housing continue to be integral to talent acquisition. To see market-wide improvement, new tenants will need to be attracted to the region, and with the current business climate in Connecticut that remains difficult.

MARKETBEAT

Greater Hartford

Office Q2 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	1,260,350	18.4%	1,352,828	19.7%	-26,873	0	\$22.44	\$23.48
Periphery	36	1,844,050	279,229	15.1%	281,054	15.2%	22,948	0	\$15.65	\$24.00
Eastern Hartford County	58	3,012,973	386,161	12.8%	462,446	15.3%	129,822	0	\$21.13	\$21.55
Western Hartford County	121	6,158,359	1,166,248	18.9%	1,246,230	20.2%	49,089	0	\$18.59	\$22.50
Southern Hartford County	66	2,561,305	248,876	9.7%	263,425	10.3%	6,608	0	\$22.05	\$22.72
Northern Hartford County	54	3,805,784	1,142,123	30.0%	1,322,932	34.8%	-24,889	0	\$19.60	\$20.54
HARTFORD TOTAL	372	24,248,156	4,482,987	18.5%	4,928,915	20.3%	156,705	0	\$20.47	\$22.37

*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	2,618,286	18.5%	2,776,700	19.6%	56,039	0	\$22.37
Class B	214	8,688,341	1,582,936	18.2%	1,870,450	21.5%	100,835	0	\$17.05
Class C	41	1,419,539	281,765	19.8%	281,765	19.8%	(169)	0	\$15.38

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
755 Main Street, Hartford	35,000	Laz Parking	New Lease	Hartford CBD
7 Waterside Crossing, Windsor	24,500	Hanover Insurance	New Lease	Northern Hartford

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
755 Main Street, Hartford	621,991	Talcott Realty Investors/Laz Investments, Shelbourne Solutions	\$70,500,000 / \$113	Hartford CBD
180 Glastonbury Boulevard, Glastonbury	184,900	Barings/Hart Realty Advisors	\$30,300,000 / \$164	Eastern Hartford

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