

## NEW HAVEN OFFICE

### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
New Haven Employment	378.1k	376.8k	▲
New Haven Unemployment	4.2%	3.8%	▲
U.S. Unemployment	3.8%	3.7%	▲

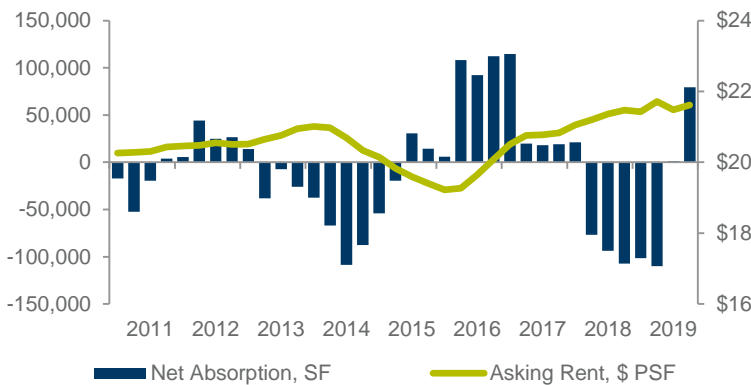
\*Numbers above are quarterly averages

### Market Indicators (Overall, All Classes)

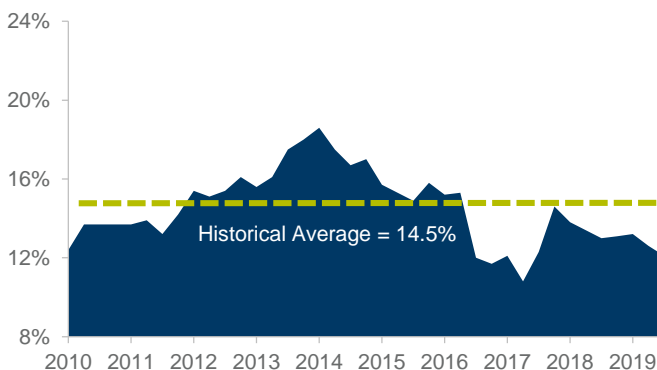
	Q3 18	Q3 19	12-Month Forecast
Vacancy	13.0%	12.1%	■
YTD Net Absorption (sf)	56k	367k	■
Under Construction (sf)	0k	0k	■
Average Asking Rent*	\$21.56	\$22.42	■

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

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



### Overall Vacancy



## Economic Overview

Despite signs of economic strength (like low unemployment), both consumers and businesses have pulled back on investment over the past 60 days. Market turbulence, including a dip in long-term bond yields and trade-related uncertainty, is reflecting concerns that the US-China trade war is damaging business confidence. Combined with rising tariffs, this could signal a potential economic slowdown.

Here in New Haven, the commercial real estate industry's response to the economy has been conservative and measured. New development is moderate, corporate footprints (for the most part) are shrinking and while rents are solid across most of the region, landlords are going out of their way to cater to tenants – with building upgrades and onsite amenities. Because of this overall restraint, when the end of the expansion arrives, we do not anticipate an impact as severe as we experienced in 2000 and 2008.

## Market Overview

Compared to a fast-paced first half of 2019 - marked by the inauguration of a new governor and the notable leases of Yale University and Invicro - the New Haven office market experienced a slight slowdown during the third quarter.

Although quarterly leasing activity was relatively quiet, market fundamentals in the CBD remained steady and positive.

Over the past 12 months, overall availability in the CBD has declined 8.3 percentage points to 13.0%. This is largely due to approximately 300,000 sf of leasing activity during the first two quarters of this year. Additional activity this quarter included the relocation of Connecticut Innovations (CI) from the suburban Rocky Hill office park into the New Haven periphery. CI will move into 10,000 square feet at District—a coworking campus built on the former Connecticut Transit bus depot at 470 James Street.

Across the region, Class B assets continue to outperform Class A with vacancy totaling 8.7% and 16.1% respectively. However, year-to-date (YTD) net absorption is stronger in the Class A market - totaling just over 319,045 sf. Class B absorption is significantly lower – closing the quarter at 48,310 sf (YTD). A highlighted Class B deal from this quarter was Masonicare Home Health & Hospice Inc. taking 7,700 sf at the Barnes Professional Building in Wallingford.

## Outlook

The New Haven office market continues to show signs of modest growth. Throughout the year, Governor Ned Lamont's new administration has remained focused on growing New Haven into a biotech hub — aiming to attract both start-ups and industry leaders. As we go into the fourth quarter, this push to win over the Life Science community will dictate market activity and shape New Haven's commercial real estate landscape.

## MARKETBEAT

## Greater New Haven

Office Q3 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	419,789	13.0%	304,078	9.4%	306,680	0	\$22.04	\$26.51
Periphery	20	2,477,213	551,861	22.3%	330,407	13.3%	6,557	0	\$25.60	\$27.50
Eastern New Haven	16	573,457	42,301	7.4%	35,086	6.1%	21,403	0	\$13.20	\$13.20
Western New Haven	41	1,775,647	451,182	25.4%	181,952	10.2%	28,143	0	\$19.75	\$20.03
Northern New Haven	65	2,651,327	540,916	20.4%	447,307	16.9%	4,572	0	\$21.09	\$24.17
<b>NEW HAVEN TOTAL</b>	<b>177</b>	<b>10,713,686</b>	<b>2,006,049</b>	<b>18.7%</b>	<b>1,298,830</b>	<b>12.1%</b>	<b>367,355</b>	<b>0</b>	<b>\$22.42</b>	<b>\$24.29</b>

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

BUILDING CLASS	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)
Class A	51	4,992,997	1,334,109	26.7%	803,785	16.1%	319,045	0	\$24.29
Class B	126	5,720,689	671,940	11.7%	495,045	8.7%	48,310	0	\$18.6

## Key Lease Transactions Year-to-Date 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
100 College Street, New Haven	250,000	Yale University	New Lease	CBD
100 College Street, New Haven	40,000	Invicro	New Lease	CBD
555 Long Wharf Drive, New Haven	11,040	BioXcel Therapeutics	New Lease	Periphery
470 James Street, New Haven	10,000	Connecticut Innovations	New Lease	CBD

## 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
57 Plains Road, Milford	17,346	57 Plains Road LLC/Plains Professional Center LLC	\$3,400,000 / \$196	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

Cushman & Wakefield  
280 Trumbull Street, 22<sup>nd</sup> Floor  
Hartford, CT 06103  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)

For more information, contact:  
Beth A. Findley  
Research Analyst  
Tel: +1 617 204 4105  
Beth.Findley@cushwake.com

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