MARKETBEAT

New Haven

Office Q1 2023

	YoY Chg	12-Mo. Forecast
17.0% Vacancy Rate	▼	▲
101,000 Net Absorption, SF	▲	▼
$22.55 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
390.6k New Haven Employment	▲	▲
4.1% New Haven Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics
2023Q1 data are based on the latest available data

NEW HAVEN ECONOMY

At 4.1% the New Haven unemployment rate decreased 30 basis points (bps) during the fourth quarter as the U.S. economy faced headwinds, specifically in the office sector. While New Haven remains slightly above national unemployment standards, indicators have been trending in the right direction, as unemployment is down 100 bps year-over-year (YOY). Job growth was impressive quarter-over-quarter (QOQ) with over 7,000 jobs being added. Office using employment is up 1.0% YOY, a strong sign for southern Connecticut, as many markets nationally face a sharp decline in office requirements. Despite this, office heavy sectors including financial activities and professional and business services are down 80 bps and 410 bps, respectively.

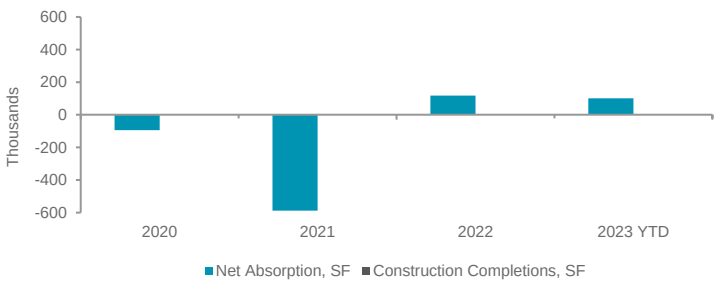
DEMAND

In the first quarter of 2023, New Haven posted positive absorption of 100,595 square feet (sf), snapping a two-quarter run of over 20,000 sf in absorption. The turn around can be attributed to net occupancy gains in the Central Business District (CBD) of New Haven, which recorded 110,787 sf of absorption, far outpacing the suburban submarkets. The market's overall vacancy fell to 17.0%, the best metric since year-end 2021. The CBD was the catalyst for the 90 bps swing, as two tenants occupied space over 40,000 sf at 157 Chestnut Street and 195 Church Street. Class B space was the story of the first quarter, as vacancy fell 250 bps to 9.8% and absorption reached over 90,000 sf, outperforming Class A space significantly. Leasing activity ticked down to 17,294 sf in the first quarter, with both deal count and cumulative space signed reaching their lowest quarterly total in over two years. The majority of demand was focused on the New Haven suburbs as Wallingford registering the most activity with over 3,000 sf.

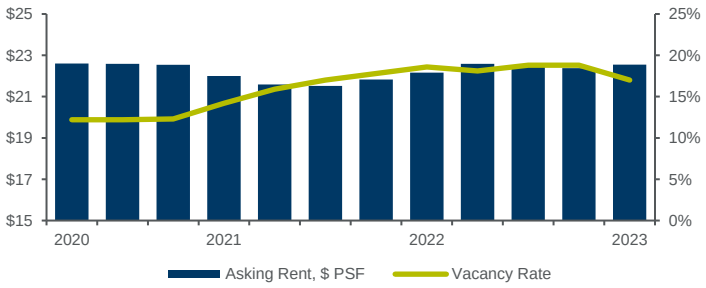
PRICING AND CONSTRUCTION

The market's overall average asking rental rate jumped to $22.55 per square foot (psf) during the fourth quarter, a modest 0.8% increase QOQ. Three out of the five New Haven submarkets now command rents over $20.00 psf, with Western New Haven not far behind. Eastern New Haven, which has historically been the most inexpensive submarket, recorded a disproportionate rise in overall rents, increasing by a full 1.0% in the first quarter, the greatest increase across the region. The exceptional performance of Class B office space has placed upward pressure on asking rents, taking the average asking rent to $23.08 psf, a 1.8% increase QOQ. Construction continued 101 College Street, as the building is set for completion in the second quarter of 2024. The building will offer both office and lab space and will serve as the headquarters for the biotechnology company Arnivas.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT

New Haven

Office Q1 2023

CUSHMAN & WAKEFIELD

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
New Haven CBD	3,348,323	0	450,652	13.5%	110,787	110,787	8,000	525,000	$26.01	$25.48
Periphery	2,477,213	22,379	382,350	16.3%	8,850	8,850	0	0	$25.54	$26.08
Eastern New Haven	578,870	0	37,935	6.6%	-8,900	-8,900	0	0	$18.05	$18.07
Western New Haven	1,775,647	0	492,586	27.7%	8,154	8,154	0	0	$19.48	$19.41
Northern New Haven	2,676,227	9,400	448,505	17.1%	-18,296	-18,296	9,294	0	$20.91	$21.92
TOTAL MARKET	**10,856,280**	**31,779**	**1,812,028**	**17.0%**	**100,595**	**100,595**	**17,294**	**525,000**	**$22.55**	**$22.30**

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Class A	5,149,617	31,779	1,255,754	25.0%	6,925	6,925	12,345	525,000	$22.30
Class B	5,706,663	0	556,274	9.8%	93,670	93,670	4,949	0	$23.08

**Rental rate data reported on a full-service gross basis and is based on published asking lease rates of available space*

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
321 Research Parkway	Meriden	Undisclosed	26,879	Renewal
470 James Street	New Haven CBD	Connecticut Innovations	8,000	New
1952 Whitney Avenue	Hamden	Undisclosed	3,200	New
1062 Barnes Road	Wallingford	Undisclosed	2,360	New
127 Washington Avenue	North Haven	Undisclosed	1,224	New

Steven Fiore
Senior Research Analyst, Connecticut
Tel: +1 203 326 5867
Steven.Fiore@cushwake.com

William Mitchell
Research Analyst, Boston
Tel: +1 617 901 5912
Will.Mitchell@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com