

# Quarterly Real Estate Review

JULY 2008

## FOR LEASE



### 77 Champion Drive Chicopee, MA

Industrial Facility for lease. 154,500 SF building on 17.28 acres in an industrial zone. The property has 11,000 SF office, 24' to 27' clear heights. This property is in excellent condition. *Contact Richard Abo or Nick Morizio, SIOR, CRE*

## FOR SALE



### 17 Spring Lane Farmington, CT

8,100 SF fully air-conditioned industrial building on 2.41 acres. There is 3,000 SF of office space, 1 loading dock, 800 amp service, and ample parking. This property is located off Route 6. *Contact Dave Richard or Jay Wamester*

## TENANT REPRESENTATION

Thinking of relocating your company, expanding, or opening a new location? Making the “right” real estate decision will significantly contribute to your company’s success. Why not have a real estate expert represent you and your company exclusively: Why not hire a “Tenant Rep” to represent you in the marketplace.

Your “Tenant Rep” broker will:

- Help you understand the key steps in the real estate process, set realistic goals and a realistic timetable.
- Save you time while enabling you to make the best possible decisions and minimize the frustrations of the real estate decision-making process.
- Provide critical information about the market:
  - a) How active is the market? Is the demand for space increasing or decreasing?
  - b) Are there similar tenants in the market competing for space?
  - c) What spaces are available, direct from landlords, offered by brokers, sublets from tenants, “phantom” space (currently leased, not on the market but could be available) - that might suit your needs?
  - d) Which landlords are being aggressive? What concessions are they offering?
  - e) What’s typical in the current market: i.e. length of lease, rates, free rent available? How much will landlords provide to renovate the space? How much security deposit?

Your Tenant Representative’s sole objective is *to satisfy all your real estate needs*. The fees for this service are usually paid by the landlord: *there is no cost to the client*.

The next time that you have a real estate need, why work with a Landlord or broker representing a building who just wants *to lease you space*, whether it satisfies your needs or not. Have an expert, a “Tenant Rep” Broker, *on your side of the table!*

-Ray Thomas

## INVESTMENT



### 15-45 Elam Street New Britain, CT

This multi-family building has 57 units, including 55 one-bedrooms. The property is 95% leased with an 8.5% cap rate. There are planned upgrades (windows and security), below market rents, and separately metered utilities. *Contact Darryl Arsenault or Bob Pagani*

## FOR SALE OR LEASE

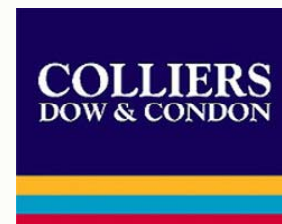


### 70 Enterprise Bristol, CT

This 29,994 SF building is located in an Enterprise Zone on 3.49 acres. This property is in excellent condition with drive-in & dock loading, and ample on-site parking. There is a 3,000 SF lease in place. *Contact John Cafasso or Nick Morizio*

## 2<sup>nd</sup> QUARTER HARTFORD OFFICE MARKET SUMMARY (CBD)

CLASS A	# Bldgs.	Total SF	Available SF	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Avail.
North	15	1,139,071	435,921	38.27%	\$17.82	\$16.00 - \$20.00	33,957	2.98%	8.13%
South	19	1,551,266	278,435	17.95%	\$20.99	\$16.00 - \$24.50	22,869	1.47%	8.21%
East	30	2,215,657	224,756	10.14%	\$21.79	\$16.75 - \$25.50	8,178	0.37%	3.64%
West	56	3,182,018	318,054	10.00%	\$21.75	\$16.00 - \$30.00	83,994	2.64%	26.41%
CBD	17	6,290,825	823,815	13.10%	\$23.83	\$22.00 - \$25.00	124,633	1.98%	15.13%
Total	137	14,378,837	2,080,981	14.47%	-	-	273,631	1.90%	13.15%



## **2<sup>ND</sup> QUARTER MARKET OVERVIEW**

### **OFFICE: Activity Level – 2.75**

Market activity was down from the previous quarter. There is currently an elongated decision making process for companies active in the marketplace. Tenants are asking for more concessions and are trying to minimize relocation expenses. Landlords are reluctant to give in to tenant demands but compromises are beginning to be made on the tenant allowances required for the build-out of premises. No significant change in vacancy and rental rates in either the Suburban or Hartford CBD markets.

### **INDUSTRIAL: Activity Level – 3.0**

Demand for owner-occupied buildings ranging from 10,000-30,000 remains strong due to the shortage of inventory. However, similar to the office sector, the decision making process and due diligence is taking much longer. On the tenant side there is hesitation on expanding facilities based on the uncertainty of the economy and high fuel oil costs; companies need firm contracts in-hand before they will commit to additional space. The lower U.S. Dollar continues to make Connecticut manufacturers much more competitive worldwide.

### **RETAIL: Activity Level – 2.5**

This sector has slowed substantially; most retailers have put expansion plans on hold and many have begun downsizing, resulting in a notable increase in vacancies throughout suburban markets. Normally this climate creates significant opportunity for new businesses, however there is market hesitation and most national chains, including pharmacies, are very conservative in their evaluation of new sites. There continues to be little/no retail activity in Downtown Hartford.

### **LAND: Activity Level – 2.0**

Activity continues to remain flat. Warehouse/distribution users are only interested in prime parcels featuring highway access and visibility, which Greater Hartford is in short supply. There is still some activity from users/developers (all types) in the more rural areas, i.e. Eastern CT/I-395 corridor, where the supply of available property substantially increases. Residential land sales continue to be very quiet.

### **INVESTMENT: Activity Level – 2.0**

Though some deals were completed this quarter, for the most part activity continues to remain quiet as Investors move slowly and cautiously trying to determine the future path of the economy and financial markets. Financing guidelines continue to get tougher with major lenders requiring a minimum of 20% cash down on all deals, escrows for tenant improvements and leasing costs, and personal guarantees. Owners have not yet begun to adjust selling prices to reflect the change in the economy.

### **ACTIVITY LEVEL RANKINGS**

Very Active	5
Strong	4
Status Quo	3
Quiet	2
Very Slow	1

**\*\*ASSET MANAGEMENT\*\***  
**\*\*PROPERTY MANAGEMENT\*\***  
**\*\*PROJECT MANAGEMENT\*\***

We offer a variety of services on a permanent, temporary, contract or as-needed basis, including financial review, property inspections, expense analysis, construction management, etc.

**Call us to arrange a property analysis.**

## **U.S. OFFICE SPACE MARKET SHOWS FURTHER SOFTENING IN SECOND QUARTER**

*Excerpts from 2<sup>nd</sup> Quarter 2008 Colliers International Highlights*

For the second consecutive quarter the US office market gave back space during the second quarter helping to push the national vacancy rate up for the third consecutive quarter. A number of office developments also came online during the second quarter again putting upward pressure on vacancy rates. Rents began to reflect weakness in the general economy with downtown leasing rates showing a modest increase while suburban lease rates dropped marginally. Looking forward, office space fundamentals are sure to weaken as new supply is anticipated to stay relatively high for the next three to four quarters and demand is expected to remain subdued until well into next year. Business confidence is unlikely to return before financial markets show more stability keeping decision makers cautious and perpetuating a “wait-and-see” attitude by many decision makers. Financial services and all sectors related to the housing industry will remain key sources of weakness in the coming quarters and particular attention will be applied to the labor market and in particular “white collar” employment. With a relatively uncertain business environment the office space market is highly unlikely to show any signs of expansion until well into next year.

### **U.S. office vacancy rate posts third consecutive increase**

The US national office vacancy rate moved moderately higher during the first quarter marking the third consecutive increase. The overall vacancy rate jumped 27 basis points to register 13.24%. The Downtown vacancy rate increased 34 basis points to register 11.27% while suburban vacancies increased 23 basis points to register 14.20%. Class A vacancy rates also moved higher with prime CBD vacancies rising 60 basis points to 10.17% while suburban vacancies increased 42 basis points to 14.26%.

### **Further contraction in occupied space**

Second quarter absorption was again negative with occupied space contracting by 1.4 million square feet (MSF), the second consecutive quarterly contraction and in stark contrast to a year ago when absorption was 21.2 MSF. Combined with the first quarter, year-to-date absorption registered -5.1MSF. This compares with Canada where office absorption totaled 3.4 MSF, a significant increase from a year ago when second quarter absorption registered 1.3 MSF.

**Contact Our Office Today!**

**864 Wethersfield Avenue  
Hartford, CT 06114  
(860) 249-6521**

[www.colliersdow.com](http://www.colliersdow.com)

