

## Hartford Office Market Report 2nd Quarter 2009

Hartford, CT July 2009

Q2 2009 office numbers are in and (how apropos) they read like an excerpt from a New England weather report; i.e., **"gloomy with some clearing"**. Looking at the "gloomy" first, most of the activity, or lack thereof, is directed at the class A properties we track. This is where availability jumped from 15.47% at Q1 to 19.51% for Q2; translating to about 256,000 more, non-occupied square feet. (We suspect fall out footage from the United Health Care space swap.) Average asking rates dipped about \$ .30 PSF for the quarter. The class B and C product were quiet for the 2<sup>nd</sup> quarter.

CBD "A" vacancy now stands at 1,236,555 SF. Historical absorption averages run 250-300,000/year which means we have several years of catching up to do. Overall availability in the CBD was 14.93% at YE 2008. It is now registering 18.79%. Albeit we have one determined developer, (supposedly) pushing his Constitution Plaza project along, it is relatively safe to say we will not see much, if any, other speculative construction for a while.

Unless we missed some announcements, the CBD sublease market inventory hardly moved during Q2 2009. Good news for owners who certainly do not want to compete with any aggressive sublessors and their below market rental offers. Average full-service rates for class A properties was \$23.47; B properties were \$17.23 while C product posted at \$14.69 PSF.

Playing off my weather related introduction, we move out to the "burbs" where the words for the past quarter are **"some clearing"**. Soon to be formally announced... a recent (ink still wet) deal has Alstom gobbling up about 300,000+ SF (with more expected) in the North sector...which (sector) could certainly use the help. That will serve to drop the (North) vacancy several points into the mid 30's for "A" product and under 28% overall. We expect formal adjustment to the North numbers when the exact details are divulged.

The South Sector remained unchanged for the April-June period while the East and West Sectors both lost a little ground as some sublease space moved over onto the "direct" side of the table. Overall, the suburban sector experienced a reduction in availability of some 125,000 SF from Q1 results. Vacancy dropped from 19.16% to 18.29%.

In summary, overall (all classes) vacancy for Metro Hartford (CBD and suburban sectors) moved upward by .53 %, registering at 18.49%; the highest since the 2004-2005 period.

Class A vacancy (Metro) is now at 18.48% up 2 basis points for the quarter; these percentages include 212,000 SF of sublease inventory.

We are continuing to see/hear steadily improving, lucrative owner concessions. Most are in the form of rental waivers. The most aggressive we've now seen are up to 16 months of rent waiver on a 7 year deal. The low numbers of prospective tenants out looking is causing most owners to scramble to make deals with those same tenants lucky to be in the market at this time. In the County, no significant trades occurred during the last quarter. We again project that rates will fall slightly (another .5-1.0%) and vacancy levels will continue to move higher as we go into the third quarter of 2009.



## 2nd Quarter 2009 - Office Market Vacancy Report Direct and Sublease Space: Greater Hartford, CT

NORTH	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
	A	16	1,188,886	460,438	38.73	\$17.87	16.00 - 20.00	33,957	2.86	7.37
	B	24	1,633,999	370,314	22.66	\$15.87	12.50 - 18.00	0	N/A	N/A
	C	6	255,664	24,664	9.65	\$13.92	12.50 - 16.00	0	N/A	N/A
	Total/Avg	46	3,078,549	855,416	27.79	\$16.33	12.50 - 20.00	33,957	1.10	3.97

SOUTH	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
	A	19	1,551,266	281,866	18.17	\$20.99	16.00 - 24.50	22,869	1.47	8.11
	B	42	1,201,477	309,144	25.73	\$16.16	10.00 - 30.50	0	N/A	N/A
	C	18	530,801	109,214	20.58	\$13.70	7.00 - 17.00	0	N/A	N/A
	Total/Avg	79	3,283,544	700,224	21.33	\$16.88	7.00 - 30.50	22,869	.70	3.27

EAST	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
	A	30	2,215,657	258,766	11.68	\$21.75	16.75 - 25.50	35,405	1.60	13.68
	B	26	728,800	78,622	10.79	\$16.49	10.75 - 20.50	0	N/A	N/A
	C	16	449,488	97,099	21.60	\$14.10	9.95 - 20.50	0	N/A	N/A
	Total/Avg	72	3,393,945	414,669	12.22	\$18.41	9.95 - 25.50	35,405	1.04	8.54

WEST	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
	A	56	3,180,218	436,964	13.74	\$21.58	16.00 - 30.00	50,073	1.57	11.46
	B	29	985,923	145,186	14.73	\$19.63	14.50 - 24.50	5,460	.55	3.76
	C	15	399,581	47,104	11.79	\$16.73	10.00 - 24.00	0	N/A	N/A
	Total/Avg	100	4,565,722	629,254	13.78	\$20.28	10.00 - 30.00	55,533	1.22	8.83

CENTRAL	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
	A	17	6,336,825	1,236,555	19.51	\$23.47	17.50 - 25.00	63,360	1.00	5.12
	B	37	3,125,449	585,314	18.73	\$17.23	14.00 - 23.00	1,100	.04	.19
	C	20	633,719	74,783	11.80	\$14.69	10.00 - 18.75	0	N/A	N/A
	Total/Avg	74	10,095,993	1,896,652	18.79	\$19.11	10.00 - 25.00	64,460	.64	3.40

TOTAL	Class	# Buildings	Total SF	Available	% Vacant	Sublease	% of Total	% of Available
	A	138	14,472,852	2,674,589	18.48	205,664	1.42	7.69
	B	158	7,675,648	1,488,580	19.39	6,560	.09	.44
	C	75	2,269,253	352,864	15.55	0	N/A	N/A
	Total/Avg	371	24,417,753	4,516,033	18.49	212,224	.87	4.70

Figures deemed reliable but not warranted and do not reflect buildings <10,000 SF, owner occupied or State owned or leased.



NORTH	Class	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q2 2009
	A	32.47	18.10	15.44	20.92	38.90	34.08	38.87	35.67	34.61	40.86	38.73-
	B	14.61	9.86	16.44	14.14	22.91	21.10	20.76	22.56	29.44	30.74	22.66-
	C	14.20	9.99	10.76	17.57	20.29	18.91	15.18	10.77	10.12	9.65	9.65
	Overall	22.92	13.74	15.54	17.01	30.00	25.81	27.07	26.50	29.75	32.89	27.79-

SOUTH	Class	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q2 2009
	A	5.83	4.45	19.67	18.90	22.90	23.72	13.37	9.35	12.02	18.17	18.17
	B	26.11	25.00	25.84	20.89	17.64	11.26	18.16	20.75	22.09	25.73	25.73
	C	24.39	23.04	23.98	17.21	14.18	24.57	27.17	22.35	21.20	20.58	20.58
	Overall	17.05	15.36	22.81	19.46	19.73	19.04	16.98	15.62	17.19	21.33	21.33

EAST	Class	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q2 2009
	A	14.13	3.95	12.89	20.49	20.75	17.81	13.94	7.27	10.15	10.40	11.68+
	B	25.90	19.93	21.70	18.92	10.12	12.70	15.69	11.73	10.47	10.20	10.79+
	C	8.52	11.91	9.90	9.58	10.05	18.24	20.84	19.32	19.57	21.60	21.60
	Overall	16.06	9.11	14.59	18.62	16.95	16.77	15.28	9.82	11.47	11.84	12.22+

WEST	Class	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q2 2009
	A	6.80	12.19	13.88	19.46	17.51	14.36	12.97	11.24	10.63	10.77	13.74+
	B	11.96	5.64	8.84	12.13	12.65	8.84	16.33	17.45	17.99	15.47	14.73+
	C	25.34	18.86	17.12	15.66	15.89	13.42	13.15	11.28	12.06	11.79	11.79
	Overall	10.15	11.32	13.13	17.59	16.36	13.11	13.70	12.56	12.35	11.56	13.78+

CENTRAL	Class	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q2 2009
	A	9.67	12.05	10.14	12.31	14.93	15.27	14.39	10.88	13.16	13.36	19.51+
	B	50.41	36.41	34.32	33.82	30.69	27.26	33.55	24.53	19.79	18.73	18.73
	C	36.27	20.97	34.62	21.71	23.53	17.01	16.58	20.05	15.59	11.80	11.80
	Overall	25.05	20.78	19.81	19.88	20.49	18.83	20.62	15.79	15.38	14.93	18.79+

TOTAL	Class	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Q2 2009
	A	11.23	10.69	12.65	16.39	19.63	17.90	15.85	12.21	13.71	15.12	18.48+
	B	34.25	25.46	25.55	24.07	23.07	19.59	24.62	21.41	21.09	21.15	19.39-
	C	23.50	17.66	21.43	16.79	17.36	18.24	18.63	17.95	16.45	15.55	15.55
	Overall	20.00	16.11	17.78	18.91	20.50	18.45	18.91	15.66	16.30	17.06	18.49+

+ or - in current column indicates vacancy change from prior Quarter; no sign means no change

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