

Hartford Office Market Report Year-end 2008

Hartford, CT January 2009

As a seasoned commercial real estate broker, I have learned to be patient. It comes from years of waiting on slow moving deals and payment of fees. However, I for one couldn't wait until 2008 was over. Even though the doomsday folks are warning about how bad 2009 is going to be, we really needed to move ahead and put 2008 behind us. And we need to get over the hysteria hype and get back to business. There will undoubtedly be less business but there will be still be business. Let's just get through it and back to better times.

The last half of 2008 was certainly a "sleeper" in Hartford County Connecticut. Fewer deals to report and track meant average asking rates held firm in the Metro area (CBD and Suburbs) and absorption, albeit miniscule, was positive overall. Inventory stayed the same as no new or speculative construction was on the Q4 boards. We forecast another three quiet months ahead; beyond that, we need to revisit.

The market added about 32,000 SF to the sublease totals for Q4 2008; now at 312,600, it represents about 1.28% of total inventory and 7.52% of available space – all classes. Two of the market sectors (West and CBD) show sublease availability at over 15% of available space. A little higher and sublease inventory starts to compete with the direct (tenant to owner) market. We will be watching these numbers.

Overall vacancy for the County moved upward by .06 %, closing at 17.06%; up from 16.30% at YE 2007. Class A vacancy closed the year at 15.12% (roughly 2.18M SF including sublease inventory mentioned above) up from 13.71% at YE 2007.

Weighted average rental rates for Class A product in the CBD was constant at \$23.79 for Q4 after slipping for the previous 3 quarters. Class B slipped \$1.50 PSF to \$17.23 PSF. The weighted average for suburban "A" product moved down two pennies to \$21.08; still up \$.30 PSF over the last 5 quarters. These are both full-service rental numbers.

CBD and Suburban Operating Expenses (including property taxes) for "A" properties didn't budge at \$12.00 PSF and \$10.00 PSF respectively. We do expect these operating numbers to continue to rise during the winter months. We also project that rates and vacancy levels will continue to move lower for the first quarter of 2009.

In the County, no significant trades occurred during the last quarter.



4th Quarter 2008 - Office Market Vacancy Report Direct and Sublease Space: Greater Hartford, CT

N	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
O	A	16	1,188,886	485,736	40.86	\$17.97	16.00 - 20.00	33,957	2.86	6.99
	B	24	1,633,999	502,259	30.74	\$15.86	12.50 - 18.00	0	N/A	N/A
	C	6	255,664	24,664	9.65	\$13.92	12.50 - 15.00	0	N/A	N/A
H	Total/Avg	46	3,078,549	1,012,659	32.89	\$16.37	12.50 - 20.00	33,957	1.10	3.35

S	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
O	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
H	Total/Avg	79	3,283,544	700,224	21.33	\$16.88	7.00 - 30.50	22,869	.70	3.27

E	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
A	A	30	2,215,657	230,484	10.40	\$21.79	16.75 - 25.50	8,178	.37	3.55
	B	26	728,800	74,305	10.20	\$16.60	10.75 - 20.75	0	N/A	N/A
	C	16	449,488	97,099	21.60	\$14.10	9.95 - 20.50	0	N/A	N/A
T	Total/Avg	72	3,393,945	401,888	11.84	\$18.41	9.95 - 25.50	8,178	.24	2.03

W	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
E	A	56	3,183,218	342,851	10.77	\$21.73	16.00 - 30.00	112,918	3.55	32.94
	B	29	985,923	152,530	15.47	\$19.85	14.50 - 24.50	5,460	.55	3.58
	C	15	399,581	47,104	11.79	\$16.73	10.00 - 24.00	0	N/A	N/A
T	Total/Avg	100	4,568,722	528,244	11.56	\$20.43	10.00 - 30.00	118,378	2.59	22.41

C	Class	# Buildings	Total SF	Available	% Vacant	Avg. Rate	\$ Range	Sublease	% of Total	% of Available
B	A	17	6,290,825	840,337	13.36	\$23.79	22.00 - 25.00	128,145	2.04	15.25
	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
T	Total/Avg	74	10,049,993	1,500,434	14.93	\$19.01	10.00 - 25.00	129,245	1.29	8.61

T	Class	# Buildings	Total SF	Available	% Vacant	Sublease	% of Total	% of Available
O	A	138	14,429,852	2,181,274	15.12	306,067	2.12	14.03
	B	158	7,675,648	1,623,552	21.15	6,560	.09	.40
	C	75	2,269,253	352,864	15.55	0	N/A	N/A
L	Total/Avg	371	24,374,753	4,157,690	17.06	312,627	1.28	7.52

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



N	Class	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
O	A	34.66	32.47	18.10	15.44	20.92	38.90	34.08	38.87	35.67	34.61	40.86
	B	43.98	14.61	9.86	16.44	14.14	22.91	21.10	20.76	22.56	29.44	30.74+
	C	22.82	14.20	9.99	10.76	17.57	20.29	18.91	15.18	10.77	10.12	9.65
H	Overall	38.24	22.92	13.74	15.54	17.01	30.00	25.81	27.07	26.50	29.75	32.89+

S	Class	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
O	A	23.26	5.83	4.45	19.67	18.90	22.90	23.72	13.37	9.35	12.02	18.17+
	B	26.02	26.11	25.00	25.84	20.89	17.64	11.26	18.16	20.75	22.09	25.73
	C	27.54	24.39	23.04	23.98	17.21	14.18	24.57	27.17	22.35	21.20	20.58
H	Overall	24.91	17.05	15.36	22.81	19.46	19.73	19.04	16.98	15.62	17.19	21.33+

E	Class	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
A	A	8.51	14.13	3.95	12.89	20.49	20.75	17.81	13.94	7.27	10.15	10.40
	B	28.75	25.90	19.93	21.70	18.92	10.12	12.70	15.69	11.73	10.47	10.20
	C	21.64	8.52	11.91	9.90	9.58	10.05	18.24	20.84	19.32	19.57	21.60
T	Overall	14.97	16.06	9.11	14.59	18.62	16.95	16.77	15.28	9.82	11.47	11.84

W	Class	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
E	A	8.30	6.80	12.19	13.88	19.46	17.51	14.36	12.97	11.24	10.63	10.77+
	B	13.42	11.96	5.64	8.84	12.13	12.65	8.84	16.33	17.45	17.99	15.47+
	C	20.91	25.34	18.86	17.12	15.66	15.89	13.42	13.15	11.28	12.06	11.79
T	Overall	10.80	10.15	11.32	13.13	17.59	16.36	13.11	13.70	12.56	12.35	11.56

C	Class	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
B	A	10.17	9.67	12.05	10.14	12.31	14.93	15.27	14.39	10.88	13.16	13.36
	B	48.68	50.41	36.41	34.32	33.82	30.69	27.26	33.55	24.53	19.79	18.73
	C	40.40	36.27	20.97	34.62	21.71	23.53	17.01	16.58	20.05	15.59	11.80-
T	Overall	24.92	25.05	20.78	19.81	19.88	20.49	18.83	20.62	15.79	15.38	14.93-

T	Class	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
O	A	13.05	11.23	10.69	12.65	16.39	19.63	17.90	15.85	12.21	13.71	15.12+
	B	38.83	34.25	25.46	25.55	24.07	23.07	19.59	24.62	21.41	21.09	21.15+
	C	28.42	23.50	17.66	21.43	16.79	17.36	18.24	18.63	17.95	16.45	15.55-
L	Overall	23.09	20.00	16.11	17.78	18.91	20.50	18.45	18.91	15.66	16.30	17.06+

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

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