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New Haven Office Market Report – 2nd Quarter 2007

A pending transaction that figures to have more impact on New Haven's office market than any that has taken place in years was initiated in June, and it involves a property located not within the city limits but in West Haven and Orange.

Yale University and Bayer Health Care announced that Yale would buy the 137-acre Bayer research campus along Interstate 95, a collection of 17 buildings with about 500,000 square feet each of office, laboratory and warehouse space. By far the biggest user of office space in New Haven, Yale has been leasing new space in New Haven at a rate of more than 100,000 square feet per year. This deal raises the possibility that the university will now begin shedding space in buildings it doesn't own.

Vacancy in New Haven's office market has dropped steadily since 2001, when it stood at well over 20 percent. An analysis of the numbers shows that Yale has been responsible for virtually all of the net demand that has brought vacancy to the mid-teens. As its programs have grown, the university has moved administrative offices into leased space all over town. With half a million square feet of vacant office space now at its disposal, it seems logical that Yale will evaluate its outside tenancies as they roll over, looking for ways to fill the Bayer space and thereby save money on rent.

The impact of this process should be tempered somewhat by the fact that Yale is still growing, with ever-increasing needs for office space. The University is moving forward with plans to add two new residential colleges and to build a new home for its School of Management. But even an institution as large as Yale will take a long time to fill 500,000 square feet through growth alone. It seems likely that some Yale-occupied space will be coming on the market over the next several years.

The Bayer sale would seem to be particularly damaging to the prospects of Science Park, the research campus started 25 years ago by Olin Corporation as a vehicle to redevelop the large manufacturing complex that used to produce Winchester firearms and ammunition. The biggest block of vacant office and R&D space in the city at present is in the building known as 25 Science Park, renovated by biotech developer Lyme Properties and sold recently to BioMed Realty Trust as part of a much larger transaction, most of which involved properties in Cambridge, Mass. Until now, Yale was seen as the logical eventual user of much of Science Park, located in close proximity to its campus.

Meanwhile, the vacancy rate city-wide rose from 14.7 to 15.2 percent during the 2nd quarter, largely as a result of another big office sale, that of 545 Long Wharf Drive by AT&T to New Boston Fund. While AT&T is leasing back and continuing to occupy most of the space in the building, it did not retain the 31,000 square feet that was vacated more than a year ago by one of its outside tenants, DSL.net. AT&T acquired the building with its purchase of SBC, which in turn had taken over the Southern New England Telephone Company. Because the current wave of consolidation in the telecom industry is motivated, at least in part, by the economies inherent in the streamlining of administrative functions, AT&T can be expected to vacate more space here in the future.

(Market statistics appear on reverse page)

New Haven Office Vacancy, 2nd Quarter 2007

Central Business District

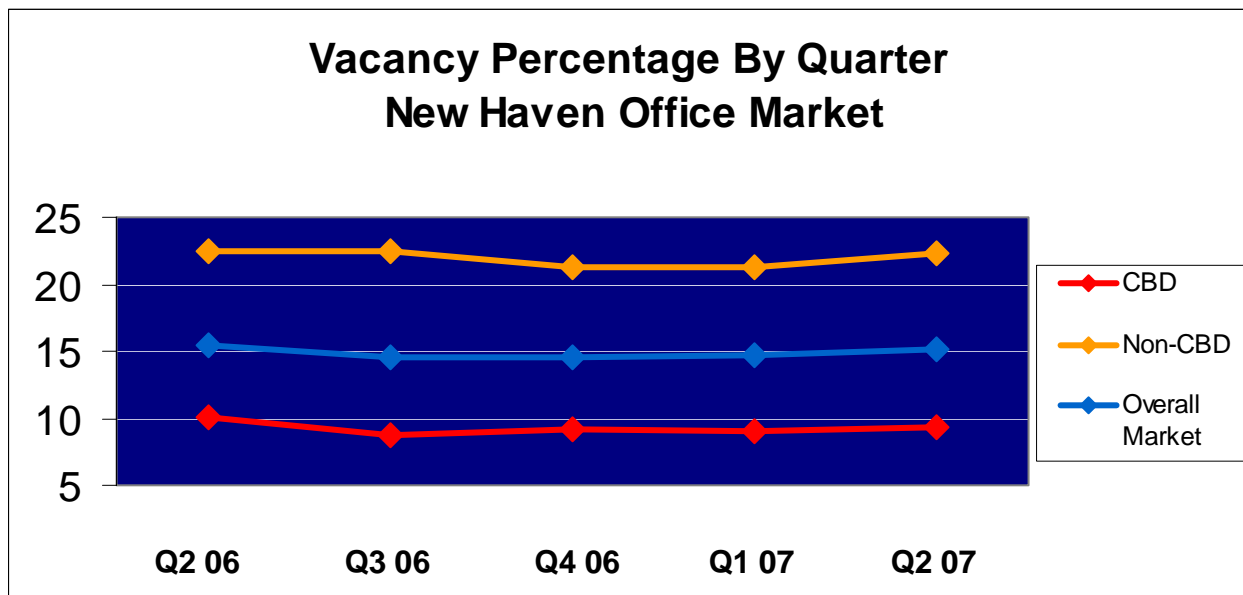
	Space Inventory	Direct Space Available	Sublet Space Available	Total Available Space	Vacancy %
Class A	1,233,265	109,955	0	109,955	8.9
Class B	1,539,725	139,925	0	139,925	9.1
Total	2,772,990	249,880	0	249,880	9.0

Non-CBD

	Space Inventory	Direct Space Available	Sublet Space Available	Total Available Space	Vacancy %
Class A	687,052	82,730	2,500	85,230	12.4
Class B	1,549,330	380,281	33,325	413,606	26.7
Total	2,236,382	463,011	35,825	498,836	22.3

Total Office Market – New Haven

	Space Inventory	Direct Space Available	Sublet Space Available	Total Available Space	Vacancy %
Class A	1,920,317	202,605	2,500	205,105	10.7
Class B	3,089,055	522,387	33,325	555,712	18.0
Total	5,009,372	724,992	35,825	760,817	15.2



Colliers Dow & Condon tracks occupancy levels in 50 office properties throughout the City of New Haven and reports the results on a quarterly basis. Buildings are included in the survey if they are intended for occupancy by more than a single tenant, contain at least 5,000 square feet of rentable office area, meet the generally accepted standards of a Class A or B facility and are occupied principally by non-medical space users. We appreciate the cooperation of the building owners, managers and rental agents who provide information for this report. **To receive this report regularly or for help leasing, buying or selling commercial real estate, please contact John Keogh at (203) 562-5000.**