

NEW HAVEN | OFFICE

Quarter 3 2019

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Building Sales Dominate Market News

The 140,000-square-foot former headquarters of Higher One at 115 Munson Street – part of the Winchester Repeating Arms campus now known as Science Park – was sold in late August to a developer who plans to convert much of the building to lab space.

About 90,000 square feet is currently vacant in the building, which was renovated as office space in 2011 and 2012. The remainder is occupied by divisions of two companies, Customers Bank and Blackboard Inc., that bought components of Higher One when the financial services firm ran into regulatory problems and decided to liquidate.

The developer, a consortium led by Alex Twining of Twining Properties and backed by Goldman Sachs, paid about \$8 million for the building and an array of interests in land leases and easements. The group plans to invest \$25 million in upgrades to the property to take advantage of the shortage of lab space in the market.



Over the last few years a steady stream of bioscience companies has flowed from the labs at Yale. The demand for research space has overwhelmed the supply left behind by an earlier wave of companies including Genaissance, Vion Pharmaceuticals and Curagen. There is virtually no available lab space in New Haven and very little in nearby towns, most notably Branford, that have been the home of biotech companies. (continued on next page)

Market Indicators

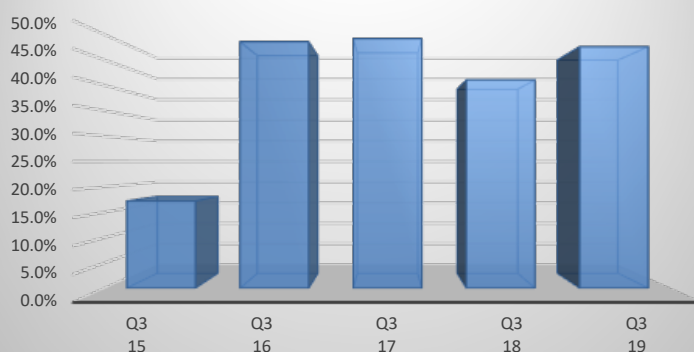
Relative to prior period

New Haven Q3 2019 New Haven Q4 2019*

Market Indicator	New Haven Q3 2019	New Haven Q4 2019*
VACANCY	↑	↓
NET ABSORPTION	—	+
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↑

*Projected

Non-CBD Class A Vacancy Rates



Occupancy levels in Class A buildings outside the city center have been weak since 2016, due primarily to space give-backs by SNET and its successors at Long Wharf Maritime Center.



115 Munson Street, New Haven

Another major office building in town, 545 Long Wharf Drive, was auctioned in early November for an undisclosed price said to be something north of \$12 million, or about \$46 a square foot. According to the broker who is handling the sale, the transaction is set to close in early January. The 270,000-square-foot building, the former headquarters of Southern New England Telephone Company, is about 52 percent vacant with another 8 percent of its space on the market for sublease. It was last sold in 2007 for \$40 million to New Boston Fund, which was unable to backfill large blocks of space vacated by SNET, AT&T and their successor, Frontier Communications.

None of this sales activity had any immediate effect on the supply-demand dynamic in the leasing marketplace. Vacancy in the city climbed one tenth of a point, from 15.6 to 15.7 percent. There were several relatively small leases completed but not enough to outweigh the impact of a large block of space – 80,000 square feet – that has been placed on the market at 555 Long Wharf Drive (sister building to 545 Long Wharf) in anticipation of the end of the Medtronic lease there. Medtronic, a global manufacturer of medical devices, acquired the space with its purchase of Covidien in 2015. Covidien leased 130,000 square feet in the building in 2009.

NEW HAVEN OFFICE VACANCY Q3 2019						
	INVENTORY	DIRECT AVAILABLE	SUBLET AVAILABLE	TOTAL AVAILABLE	NET ABSORPTION	VACANCY %
CBD						
CLASS A	1,815,265	128,918	50,090	179,008	13,798	9.9
CLASS B	1,224,081	80,305	0	80,305	(5,547)	6.6
TOTAL	3,039,346	209,223	50,090	259,313	8,251	8.5
NON-CBD						
CLASS A	687,052	267,092	59,652	326,744	(27,314)	47.6
CLASS B	1,907,110	292,633	3,800	296,433	12,628	15.6
TOTAL	2,594,162	559,725	63,452	623,117	(14,686)	24.0
TOTAL OFFICE MARKET						
CLASS A	2,502,317	396,010	109,742	505,752	(13,516)	19.7
CLASS B	3,131,191	372,938	3,800	376,738	7,081	12.0
TOTAL	5,633,508	768,948	113,542	882,490	(6,435)	15.7

Source: John Keogh - Colliers International

FOR MORE INFORMATION

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Colliers International tracks occupancy levels in 56 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 us.

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