

NEW HAVEN | OFFICE

Quarter 2 2020

Accelerating success.



Office Market Holding Up Well - For Now

The recently ended 2nd Quarter was the first to take place entirely within the Covid-19 pandemic. Office vacancy statistics for the City of New Haven have yet to be markedly affected, but it is clear that the virus has disrupted the workplace to an extent not seen since World War II and perhaps not ever. While nearly all tenants are still in place and most are paying rent, the actual presence of workers in office buildings – down close to zero in April – has still not rebounded to anything approaching normal levels.

Vacancy for all building categories in the city rose 40 basis points for the quarter to 16.8 percent. This compares to 15.6 percent a year ago – not a bad performance for a market in the midst of economic chaos. It is safe to say though that the pandemic will have a lasting impact on the way office tenants conduct their business and that there will be an adjustment period that could be painful for landlords. (This pain is already being felt by the owners of retail properties, especially those occupied by restaurants.)

A bright spot for New Haven is the continuing strength, and growth, of the life sciences field, fueled by the stream of start-up drug discovery companies flowing from the labs at Yale. Winstanley Enterprises received approvals in early July for a 500,000-square-foot research tower at 101 College Street, across from the Alexion building, and plans to proceed with construction beginning this summer.

One reason for the office market's tempered response to the virus is the government's Paycheck Protection Program, which has provided many local companies with forgivable loans to pay employees and other expenses, including rent. Firms that received these loans early in the process, however, have already spent most or all of the money. Now that they must move forward on the strength of their own earnings, some companies are finding that the revenues needed to continue operating are not there. This will almost certainly result in more space on the market here in the coming months.

Market Indicators

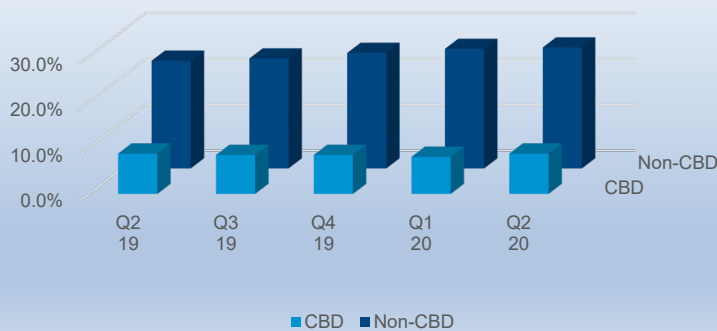
Relative to prior period

New Haven Q2 2020 New Haven Q3 2020*

Indicator	New Haven Q2 2020	New Haven Q3 2020*
VACANCY	↑	↑
NET ABSORPTION	—	—
CONSTRUCTION	↔	↑
RENTAL RATE	↔	↓

*Projected

Overall Vacancy



There has been little change in vacancy numbers for CBD and non-CBD office space, despite the pandemic.

(continued on next page)



Rendering of 101 College Street (courtesy of Winstanley)

While there has been no flood of new vacancies hitting the market over the last three months, the level of demand for office space has slowed substantially. There were few new leases signed during the quarter and few are in the offering as companies reassess their future requirements. Some tenants have been pleasantly surprised by the productivity of employees working remotely and are inclined to continue some form of this arrangement going forward, reducing their space needs. On the other hand, the recent trend toward higher density use of office space – with bench seating as a replacement for cubicles or private offices – will likely be reversed by the need for workplace distancing. And some companies that have been comfortable in coworking environments may seek their own traditional office space.

The near-term prospects for the market are, obviously, dependant on the arc of the pandemic and the ability of the economy to weather it. If a safe, effective vaccine becomes available by the start of the new year, things may return to some semblance of normal and the world can begin the process of working through the damage that has already been done. If the number of Covid cases climbs, though, schools will probably remain closed, parents will be needed at home and economic productivity will continue to suffer, straining the ability of the government to prop things up.

NEW HAVEN OFFICE VACANCY Q2 2020						
	INVENTORY	DIRECT AVAILABLE	SUBLET AVAILABLE	TOTAL AVAILABLE	NET ABSORPTION	VACANCY %
CBD						
CLASS A	1,815,265	122,640	50,090	172,730	(2,632)	9.5
CLASS B	1,224,081	86,608	0	86,608	(10,129)	7.1
TOTAL	3,039,346	209,248	50,090	259,338	(12,761)	8.5
NON-CBD						
CLASS A	687,052	306,131	22,379	328,510	7,164	47.8
CLASS B	1,907,110	350,021	6,170	356,191	(14,470)	18.7
TOTAL	2,594,162	656,152	28,549	684,701	(7,306)	26.4
TOTAL OFFICE MARKET						
CLASS A	2,502,317	428,771	72,469	501,240	4,532	20.0
CLASS B	3,131,191	436,629	6,170	442,799	(24,599)	14.1
TOTAL	5,633,508	865,400	78,639	944,039	(20,067)	16.8

Source: John Keogh - Colliers International

FOR MORE INFORMATION

John Keogh

Senior Broker | New Haven

+1 203 497 3953

john.keogh@colliers.com

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.

Colliers International | New Haven
 205 Whitney Avenue, Suite 300
 New Haven, Connecticut 06511
 +1 203 562 5000
colliers.com/newhaven



Accelerating success.

