CBRE

Demand falls 19% from the prior quarter

▼ 23.8%	▼ 146,140	▼ (60,358)	▶ $20.71
Availability Rate	SF Leasing Activity	SF Net Absorption	PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

– Quarterly leasing activity totaled 146,000 sq. ft. in Q1, down 19% quarter-over-quarter.

– Renewal activity totaled 95,000 sq. ft. in Q1, down 23% quarter-over-quarter.

– The availability rate adjusted to 23.8%, down 380 basis points (bps) quarter-over-quarter.

– Net absorption was negative 60,000 sq. ft. in Q1.

– Average asking rent was $20.71 per sq. ft., flat quarter-over-quarter, and year-over-year.

– Inventory adjustments were made to update the Hartford County office market to reflect CBRE Research standards of tracking Class A and B office buildings that have rentable building area of 20,000 sq. ft. or greater.

Market Overview

Hartford County captured 146,000 sq. ft. of leasing in Q1—down 19% from the prior quarter. Tenants' preference for quality assets shone through as leasing in Class A assets provided 84% of the total. This activity was outsized relative to inventory, given that Class A product makes up 58% of overall stock. Absorption in Q1 skewed negative 60,000 sq. ft.

Various changes to the Hartford office market inventory generated a substantial change in total rentable square footage and resulted in a 380 bps adjustment in availability to 23.8%. Major removals include 242 Trumbull Street due to a conversion to multifamily and 960 Main Street due to the former office being used for educational and retail uses. Major additions to inventory included fully occupied and owned facilities.

At $20.71 per sq. ft., average asking rent was flat in Hartford County quarter-over-quarter and year-over-year and is currently at an all-time high.

Economic Overview

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a 'soft landing'. GDP growth should be less than half 2023's pace when growth topped 3% attributable to a more prudent consumer and much weaker hiring. More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services.

Hartford experienced a modest employment gain of 2,200 positions quarter-over-quarter in Q1 (+0.4%). Year-over-year, employment in the Hartford area rose by 3,800 positions (+0.7%). Office-using employment (OUE) sectors drove the state's employment gains in Q1, adding 2,000 positions (+1.5%). Professional and business services accounted for most of the gains, adding 1,900 positions in Q1 (+2.6%) while financial activities added 100 positions (+0.2%) and information was flat. Year-over-year, OUE in Hartford is down a net of 600 positions (-0.5%) and stands at 96.0% of the 2019/pre pandemic level.

Connecticut's overall unemployment rate is 4.5%, up from 4.2% at the end of Q4 and above the national unemployment rate of 3.9%. The Fed will likely make three, 25 bps cuts this year but recovery is not expected until the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

Leasing Activity

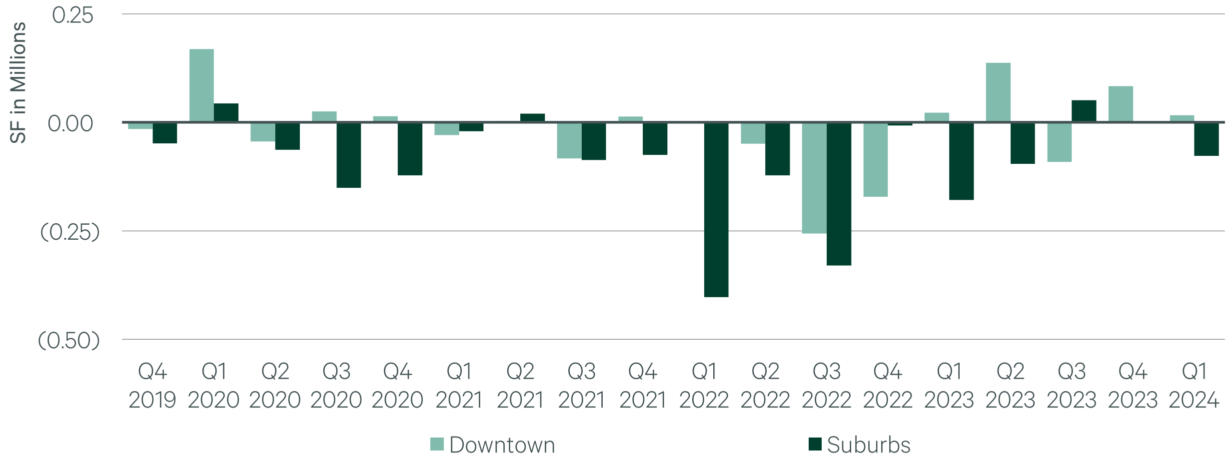
Hartford County's 146,000 sq. ft. of leasing in Q1 was down 19% from the prior quarter. High-quality space remained in demand, with Class A assets capturing 84% of leasing. This marked the third consecutive quarter in which Class A leasing accounted for more than 80% of the leasing total.

FIGURE 1: Transactions of Note | Q1 2024

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address	Submarket
32,882	RE	D	USI Insurance	95 Glastonbury Boulevard	Hartford East
25,966	L	D	Unnamed Tenant	755 Main Street	Hartford CBD
20,317	L	D	Premier Research Worldwide, LTD.	77 Hartland Street	Hartford East
14,073	L	S	Standard Builders	100 Great Meadow Road	Hartford South
10,768	L	S	Companions & Homemakers	76 Batterson Park Road	Hartford West

Source: CBRE Research, Q1 2024.. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

FIGURE 2: Quarterly Net Absorption



Source: CBRE Research, Q1 2024

Hartford East led all submarkets in leasing with 41,000 sq. ft of activity., up 48% from the prior quarter. Half of the activity was attributed to the second largest lease of the quarter—Premier Research Worldwide LTD's 20,000 sq. ft. lease at 77 Hartland Street. Class A assets were overwhelmingly popular—95% of activity occurred in higher quality buildings within the submarket.

Hartford West notched 34,000 sq. ft. of leasing activity, a 5% drop from the prior quarter. The submarket captured the fifth largest transaction of Q1 with Companions & Homemakers' 11,000 sq. ft. sublease at 76 Batterson Park Drive.

Hartford CBD tallied the second highest leasing total with 38,000 sq. ft. The CBD also captured the largest new lease of the quarter—an unnamed tenant took 26,000 sq. ft. at the Gold Building located on 755 Main Street. Activity in the Capital trailed the prior quarter by 52%.

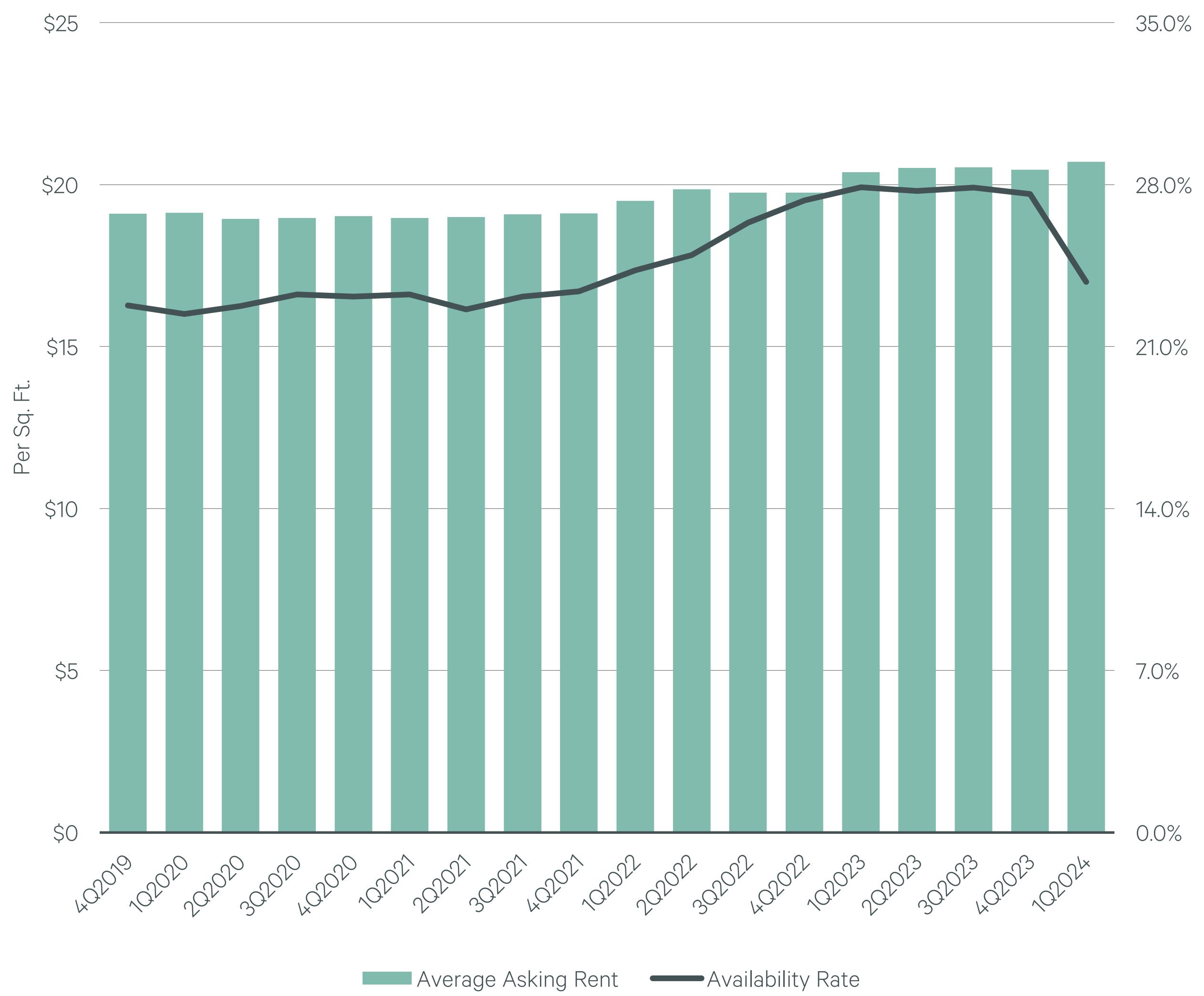
Professional services accounted for 46% of new activity in Hartford in Q1, up from only 3% in Q4 2023. The insurance industry—a mainstay in the Hartford market—constituted 18% of Q1 activity, up from 13% in the prior quarter.

Net Absorption and Availability

Net absorption was negative 60,000 sq. ft. in Q1, driven largely by slow leasing and space additions in Hartford's suburban markets. The largest additions include 64,000 sq. ft. of space at 175 Scott Swamp Road in Farmington and the 99,000 sq. ft. former Konica Minolta space at 500 Day Hill Road in Windsor.

Hartford's overall availability experienced an outsized drop of 380 bps to 23.8%, as a host of changes to total rentable square footage increased the size of CBRE's tracked market by 17%.

FIGURE 3: Availability vs. Average Asking Rent



Source: CBRE Research, Q1 2024.

Hartford CBD saw a 590 bps decrease to 22.6% as buildings were added to the total inventory. The largest new space to come available during Q1 was 34,000 sq. ft. at 1 Constitution Plaza.

Hartford Periphery dipped 420 bps to 4.1% in the wake of Q1 2024's inventory adjustments.

Hartford North's availability rate ended the first quarter at 54.8%, down 400 bps from the prior quarter, but still the highest rate by far amongst Hartford's submarkets due to the 284,000 sq. ft. space marketed at 1 Griffin Road North.

Hartford South's availability rate dropped 400 bps quarter-over-quarter to 18.0% due to shifts in inventory. The largest spaces added in Q1 were along Capital Boulevard in Rocky Hill, where 53,000 sq. ft. of new space came available.

Office Average Asking Rent

Average asking rent in Hartford County remained at a record-high $20.71 per sq. ft. in Q1 2024, virtually unchanged quarter-over-quarter and year-over-year. Amongst the submarkets, Hartford Periphery saw the largest price jump of 12% quarter-over-quarter to $18.11 per sq. ft., due to removals of space priced significantly below the market average. Hartford East's average asking rent jumped 5% quarter-over-quarter to $21.16 per sq. ft., on par with the all-time high recorded in Q2 2023.

Hartford West saw the most substantial rental decline among the submarkets. Asking rent dropped 6% from the prior quarter to $20.93 per sq. ft. following the addition of up to 100,000 sq. ft. of sublease space priced below the average at 175 Scott Swamp Road, in Farmington.

**The Hartford office market's inventory and availability figures have changed substantially due to a shift in the number and type of buildings that are being tracked as statistical inventory. The updated statistical building set aligns with the rest of CBRE's Tri-State markets and provides a more relevant view of the Hartford office market, tracking Class A and Class B office buildings that total 20,000 sq. ft. or larger, and that are not owned and occupied by a government or medical institution."*

FIGURE 4: Average Asking Rent | Class A vs. Class B

Source: CBRE Research, Q1 2024.

FIGURE 5: Q1 2024 | Market Statistics

Submarket	Buildings	Market Rentable Area (MSF)	Availability Rate (%)	Vacancy Rate (%)	Sublease Availability Rate (%)	Net Absorption YTD (SF)	Average Asking Rent ($/SF/Year)
Hartford CBD	38	9.77	22.6%	22.6%	2.2%	(11,084)	$21.98
Class A	18	7.37	26.9%	26.9%	3.0%	(88,377)	$22.28
Hartford Periphery	24	2.86	4.1%	4.1%	0.0%	27,716	$18.11
Class A	3	2.06	1.5%	1.5%	0.0%	(24,058)	$23.41
Hartford North	49	4.48	54.8%	54.8%	4.9%	207,943	$19.99
Class A	18	2.64	67.6%	67.6%	4.3%	356,141	$20.78
Hartford East	51	4.04	13.2%	13.2%	0.0%	(35,952)	$21.16
Class A	15	1.29	12..5%	12.5%	0.0%	158,124	$23.87
Hartford South	61	3.83	18.0%	17.4%	1.2%	21,600	$19.36
Class A	14	1.74	16.4%	16.4%	1.4%	76,440	$21.43
Hartford West	97	5.42	22.5%	22.5%	3.8%	(270,591)	$20.93
Class A	30	2.52	24.8%	24.8%	5.5%	116,436	$19.35
HARTFORD OVERALL	**320**	**30.40**	**23.8%**	**23.7%**	**2.3%**	**(60,358)**	**$20.71**

Source: CBRE Research, Q1 2024.

Market Area Overview

Definitions

Availability: Space that is being actively marketed and is available for tenant build-out within 12 months. Includes space available for sublease as well as space in buildings under construction.

Asking Rent: Weighted average asking rent.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

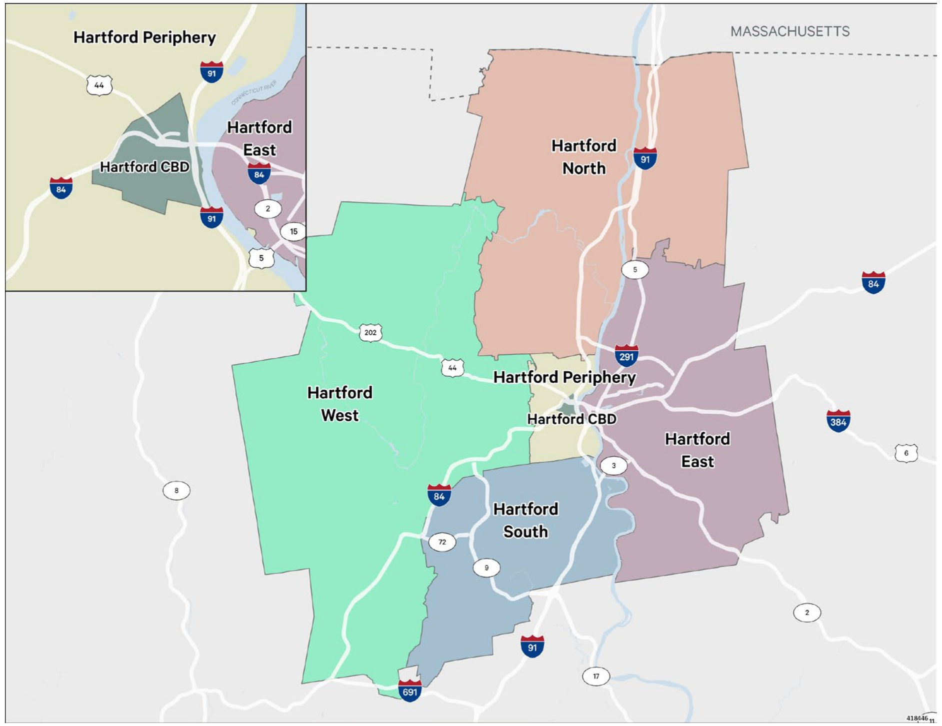
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Vacancy: Unoccupied space available for lease.

Survey Criteria

CBRE's market report analyzes Hartford's Class A and B office buildings that are conventionally modernized, and not owned and occupied by a government or medical institution. New construction must be available for tenant build-out within 12 months. CBRE assembles all information through telephone canvassing and listings received from owners, tenants and members of the commercial real estate brokerage community.

Market Area Overview



Submarket	Total Stock (MSF)
Hartford CBD	9.77
Hartford Periphery	2.86
Hartford North	4.48
Hartford East	4.04
Hartford South	3.83
Hartford West	5.42
HARTFORD OVERALL	**30.40**

Contact

Michael Slattery
Tri-State Research Director
+1 212 656 0583
Michael.Slattery@cbre.com

Jared Koeck
Field Research Manager
+1 212 984 6548
Jared.Koeck@cbre.com

James Smith
Research Data Analyst
+1 203 352 8930
James.Smith3@cbre.com