

Absorption positive for the second consecutive quarter

▼ 23.2%

Availability Rate

▼ 143,353

SF Leasing Activity

▼ 24,819

SF Net Absorption

▲ \$20.79

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 143,000 sq. ft. in Q3, down 11% quarter-over-quarter.
- Year-to-date leasing totaled 451,000 sq. ft.
- Renewal activity totaled 137,000 sq. ft. in Q3, up 99% quarter-over-quarter.
- The availability rate fell to 23.2%, down 10 basis points (bps) quarter-over-quarter.
- Net absorption was positive 25,000 sq. ft. in Q3, bringing year-to-date absorption to positive 104,000 sq. ft.
- Average asking rent was \$20.79 per sq. ft., essentially flat quarter-over-quarter.
- 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

Increased leasing activity and minimal supply additions led to improvements in the Hartford County office market. Leasing totaled 143,000 sq. ft. in the third quarter—down 11% from Q2—while year-to-date activity totaled 451,000 sq. ft. Few space additions and significant space withdrawals skewed absorption to positive 25,000 sq. ft., dropping the availability rate 10 bps to 23.2%.

Average asking rent was flat quarter-over-quarter at \$20.79 per sq. ft. but remained up 9% compared to Q3 2021.

The Capital contributed 67% of the county’s quarterly renewal activity with Pullman Comley’s 32,000 sq. ft. recommitment leading the way. Availability rates stand at 21.7% for Hartford CBD and 4.2% for its Periphery submarket.

Economic Overview

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand, companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

Hartford’s labor market added 1,700 positions quarter-over-quarter (0.3%). Year-over-year gains in Q3 amounted to 6,300 positions (+1.1%). Office-using employment (OUE) sectors fared more poorly than the market overall, experiencing a net loss of 500 positions in Q3 (-0.4%).

Professional and business services accounted for most of the decline, letting go of 500 roles quarter-over-quarter (-0.6%) while financial activities reduced headcount by 100 positions since Q2 (-0.2%). Information services added 100 roles in Q3 (+1.2%). Year-over-year, OUE in Hartford is down a net of 400 positions (-0.3%). The region’s OUE has stabilized in the range of 132,000 to 136,000 since late 2020 and stands at 95.9% of the 2019 level.

Connecticut’s overall unemployment rate is 3.4%, down from 3.9% at the end of Q2 and below the national unemployment rate of 4.2%. The most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption.

Leasing Activity

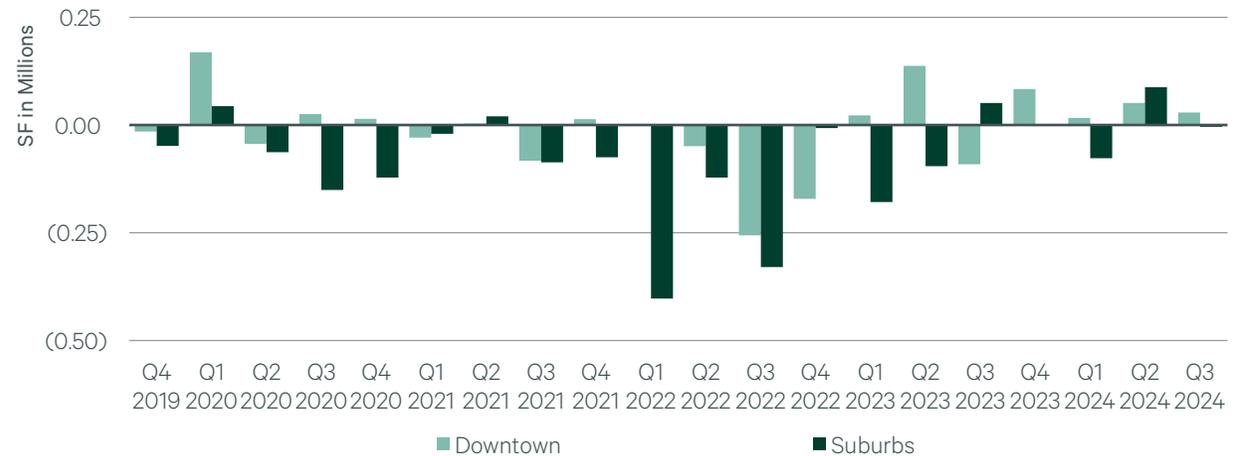
Hartford County’s 143,000 sq. ft. of leasing activity was down 11% quarter-over-quarter and down 34% from a year ago. Class A leasing accounted for 63% of all new transactions in Q3, a reverse of the prior quarter, when Class B leasing contributed 61%. Year-to-date leasing in Hartford County reached 451,000 sq. ft.

FIGURE 1: Transactions of Note | Q3 2024

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address	Submarket
36,486	R	D	Pullman & Comley, LLC	90 State House Square	Hartford CBD
28,492	R	D	City of Hartford	280 Trumbull Street	Hartford CBD
18,597	L	D	Jackson Lewis P.C.	10 State House Square	Hartford CBD
11,143	R	D	RBC Capital Markets, LLC	30 Batterson Park Road	Hartford West
9,765	L	D	Connecticut Association of Realtors	90 State House Square	Hartford CBD

Source: CBRE Research, Q3 2024. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

FIGURE 2: Quarterly Net Absorption



Source: CBRE Research, Q3 2024

Hartford CBD led leasing in Q3, with 38,000 sq. ft. of activity, down 36% from the prior quarter. The submarket captured the largest new lease of the quarter— Jackson & Lewis’s relocation to 10 State House Square from 90 State House Square. Despite a down quarter, year-to-date leasing in the CBD amounted to 135,000 sq. ft. which leads all submarkets.

Hartford East notched 32,000 sq. ft. of activity in Q3, up 4% from the prior quarter. Year-to-date leasing reached 103,000 sq. ft. and year-to-date renewal activity (which is counted outside of leasing activity) amounted to 95,000 sq. ft. Hartford West accumulated 35,000 sq. ft. of leasing activity, down 11% quarter-over-quarter and down 23% year-over-year. Despite the slowdown Hartford West has managed 108,000 sq. ft. of leasing activity year-to-date—best of all the suburban Hartford submarkets.

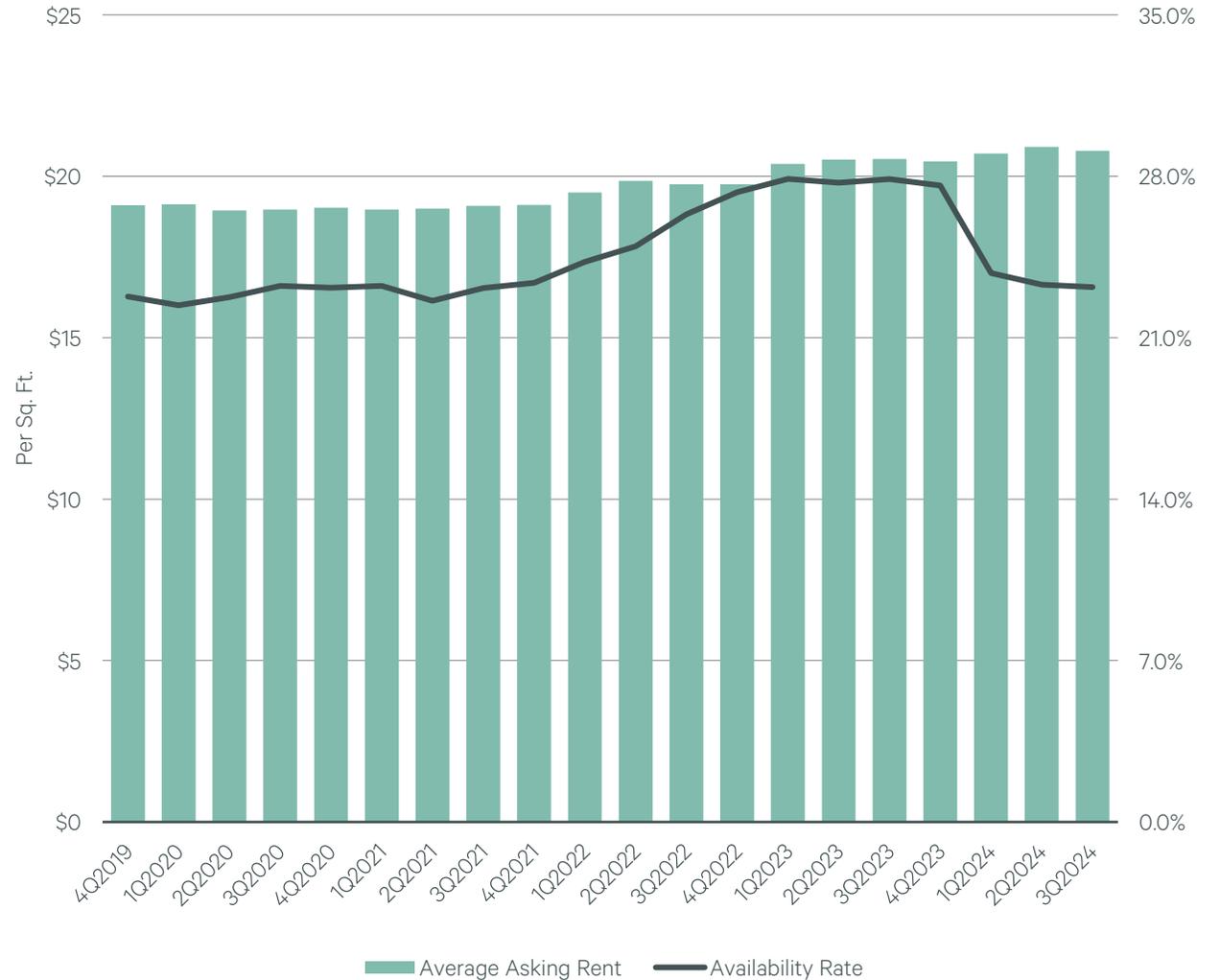
Net Absorption and Availability

Hartford County absorption was positive 25,000 sq. ft. in Q3, driven by minimal space additions and a few significant space withdrawals. Year-to-date absorption totaled positive 103,000 sq. ft. For the first time since 2018, Hartford saw back-to-back quarters of positive absorption. This led the county’s availability rate to drop 10 bps to 23.2%.

Hartford North tallied 78,000 sq. ft. of absorption in Q3 dropping availability to 53.0%, the lowest rate since Q4 2022. The main driver was the removal of 90 Phoenix Avenue in Enfield following its redevelopment from office use to an industrial property.

Hartford CBD was the only other submarket to experience positive absorption in Q3. The submarket saw 35,000 sq. ft. of positive absorption which corresponded with a 40 bps drop in availability to 21.7%. The CBD’s positive absorption stemmed from limited space additions combined with steady leasing. 280 Trumbull Street also contributed to absorption with a full floor of 25,000 sq. ft. taken off market for conversion into amenity space.

FIGURE 3: Availability vs. Average Asking Rent



Source: CBRE Research, Q3 2024.

Hartford West accumulated negative absorption of 40,000 sq. ft. in the third quarter, raising its availability rate 80 bps to 22.1%. A combination of slow leasing and a 20,000 sq. ft. space addition at 38 Security Road in Avon contributed to the increase in supply.

Hartford East’s availability rate increased 110 bps to 13.0% following 43,000 sq. ft. of negative absorption in Q3. The new Fuss & O’Neal sublease listing that brought 29,000 sq. ft. of Class B space to market and made up more than two thirds of the negative absorption.

Office Average Asking Rent

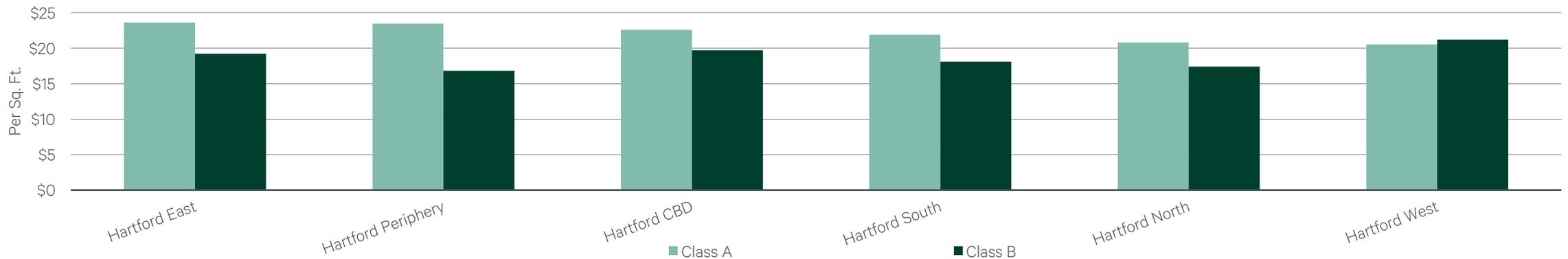
Average asking rent was essentially flat quarter-over-quarter at \$20.79 per sq. ft. However, average asking rent is up 9% compared to Q3 2021.

Hartford West saw a 6% quarterly drop in asking rent to \$20.83 per sq. ft. due to increase of Class B supply in Avon. Hartford South asking rents increased 2% from the prior quarter to \$19.78 per sq. ft., driven by new spaces listed in Rocky Hill that were well above the market average.

All other submarket rents remained flat quarter-over-quarter.

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, Q3 2024.

FIGURE 5: Q3 2024 | Market Statistics

Submarket50	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	21.7%	21.7%	2.4%	69,867	\$22.28
Class A	18	7.37	26.4%	26.4%	3.1%	(45,822)	\$22.58
Hartford Periphery	24	2.86	4.2%	4.2%	-	26,780	\$18.45
Class A	3	2.06	1.4%	1.4%	-	(23,314)	\$23.43
Hartford North	49	4.48	53.0%	53.0%	3.2%	291,648	\$20.02
Class A	18	2.64	67.5%	67.5%	4.3%	359,864	\$20.79
Hartford East	51	4.04	13.0%	13.0%	0.7%	(25,997)	\$20.86
Class A	15	1.29	14.3%	14.3%	-	133,734	\$23.59
Hartford South	61	3.83	18.8%	18.2%	1.2%	(10,726)	\$19.78
Class A	14	1.74	17.7%	17.7%	1.4%	53,129	\$21.88
Hartford West	97	5.42	22.1%	22.1%	2.3%	(248,080)	\$20.83
Class A	30	2.52	23.1%	23.1%	4.2%	160,373	\$20.53
HARTFORD OVERALL	320	30.40	23.2%	23.1%	1.9%	103,492	\$20.79

Source: CBRE Research, Q3 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.

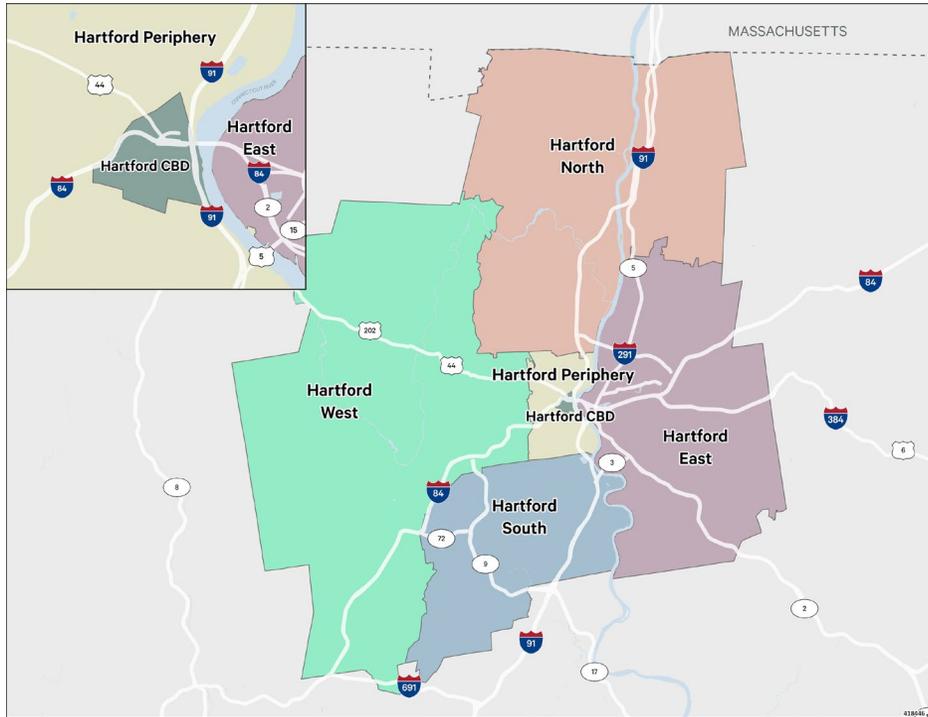
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

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

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