CBRE

Positive absorption pushes availability down 30 basis points

▼ 27.6%
Availability Rate

▼ 180,326
SF Leasing Activity

▲ 81,944
SF Net Absorption

▶ $20.46
PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 180,000 sq. ft., down 17% from the prior quarter.
- Renewal activity amounted to 124,000 sq. ft. in Q4.
- The availability rate was 27.6%, down 30 basis points (bps) from the prior quarter but up 30 bps from a year ago.
- Quarterly net absorption was positive 82,000 sq. ft. which brought full-year absorption to negative 73,000 sq. ft.
- Average asking rent was $20.46 per sq. ft., flat quarter-over-quarter but up 4% year-over-year.

Market Overview

Hartford County captured 180,000 sq. ft. of leasing in Q4—down 17% from the prior quarter. Tenants preferred quality assets as Class A leasing provided 83% of activity in the fourth quarter while accounting for 63% of overall inventory. Absorption in Q4 was positive 82,000 sq. ft. and pushed availability down 30 bps quarter-over-quarter to 27.6%.

Average asking rent was flat at $20.46 per sq. ft. in Hartford County quarter-over-quarter, but up 4% year-over-year as space priced above the average came available throughout 2023.

Economic Overview

The combination of continued economic momentum with the likelihood that the Fed's dramatic tightening cycle is now complete makes a 'soft landing' appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. This deceleration has been apparent in Hartford where employers added just 500 positions quarter-over-quarter in Q4 (+0.1%). Year-over-year gains in Q4 amounted to 4,100 positions (+0.7%).

Office-using employers (OUE) let go of 1,500 workers quarter-over-quarter in Q4 (-1.1%). Professional and business services accounted for most of the reduction, letting go of 1,400 positions since Q3 (-1.8%) while financial activities reduced its headcount by 100 positions (-0.1%) and the information sector was flat. The declines in Q4 contributed to a total reduction of 800 office-using positions year-over-year in the Hartford area (-0.6%), reversing employment gains that had been made earlier in the year.

Connecticut's overall unemployment rate is 3.6%, up slightly from 3.5% at the end of Q3 and just below the national unemployment rate of 3.7%. The Federal Reserve is expected to deliver modest rate cuts in 2024, illuminating a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

Leasing Activity

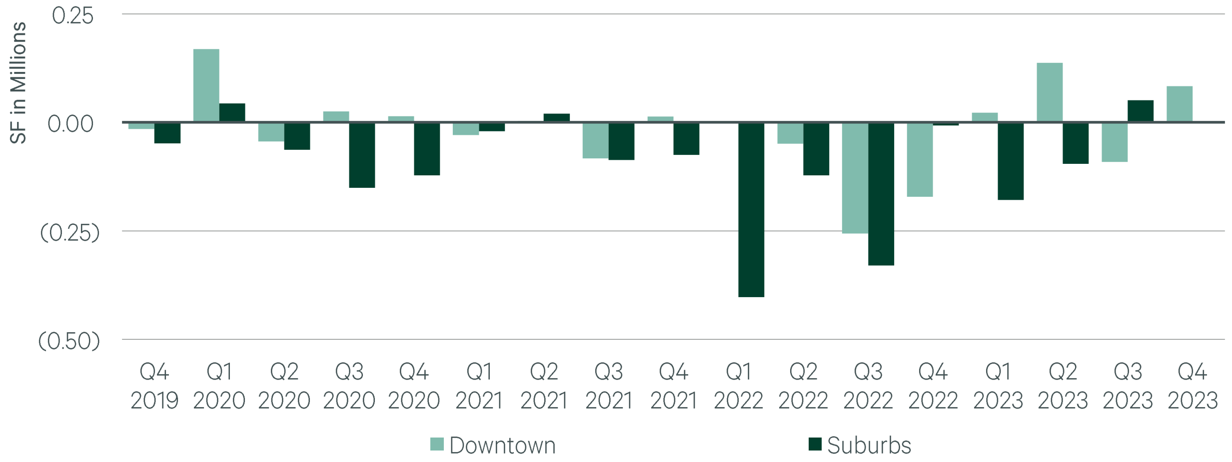
Hartford County 's 180,000 sq. ft. of leasing in Q4 fell 17% from the prior quarter. High-quality space was in demand, with Class A assets capturing 83% of leasing in Q4. This trend has been prevalent throughout 2023 and was the second consecutive quarter in which Class A leasing accounted for more than 80% of the quarterly total.

FIGURE 1: Transactions of Note | Q4 2023

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address	Submarket
33,025	RE	D	Great American Insurance Group	5 Waterside Crossing	Hartford North
14,840	R	D	Zurich Financial Services	500 Enterprise Drive	Hartford South
12,915	R	D	Vanasse Hangen Brustlin, Inc. (VHB)	100 Great Meadow Road	Hartford South
12,366	L	D	Motion Industries	200 Great Pond Drive	Hartford North
12,051	R	D	Swiss Re	2 Waterside Crossing	Hartford North

Source: CBRE Research, Q4 2023.. Renewal (R), Expansion (E), Renewal and Expansion (RE), Sublease (S). Any Blanks indicates a Direct New Lease

FIGURE 2: Quarterly Net Absorption



Source: CBRE Research, Q4 2023.

Hartford CBD led all submarkets in leasing with 80,000 sq. ft., up 40% from the prior quarter and the new 11,000-sq.-ft. lease completed by McCalla, Raymer, Leibert, & Pierce at 280 Trumbull Street contributed to the uptick in activity. Hartford Periphery notched 7,000 sq. ft. of activity —up 42% quarter-over-quarter—and the second consecutive quarterly increase in leasing.

Hartford's suburban submarkets combined for 94,000 sq. ft. of leasing, led by Hartford West. Hartford West gathered 36,000 sq. ft. of leasing activity with 16 new leases, 63% of which occurred in Class A assets. The average deal size was 2,200 sq. ft.

Hartford South notched 10,000 sq. ft. of activity, down 76% from the prior quarter. Hartford North had a total of 20,000 sq. ft. of leasing, down 27% from the prior quarter. Despite the dip in total leasing, the submarket captured the largest transaction in Q4—Great American Insurance Group's 33,000 sq. ft. renewal-expansion at 5 Waterside Crossing in Windsor.

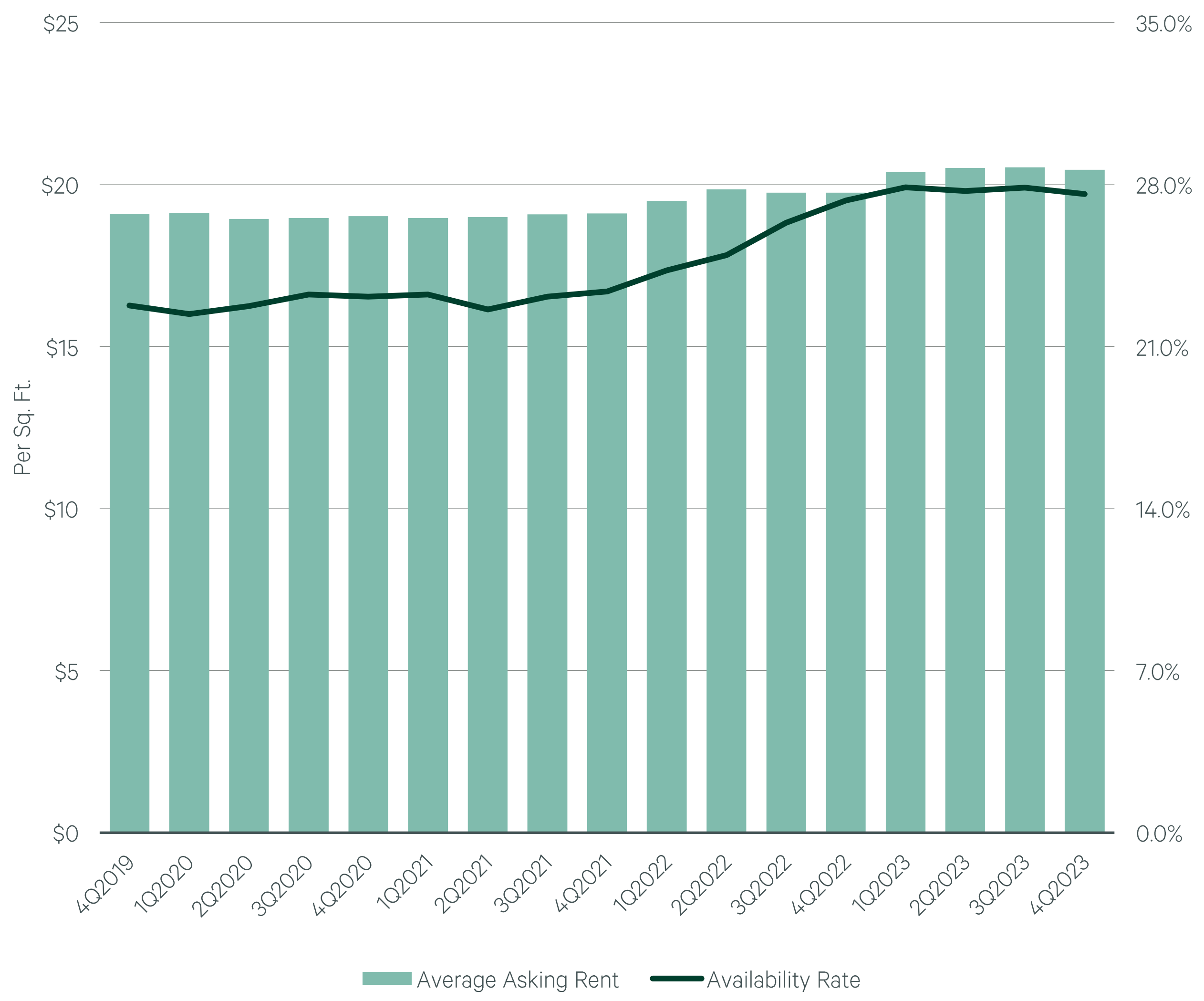
The insurance sector—the industry which typically drives activity—took a backseat in Q4 with 4% of leasing activity. This is a significant quarterly pullback from its 83% share of leasing in Q3 2023. The legal sector was the most active industry in Q4, accounting for 57% of leasing activity.

Net Absorption and Availability

Net absorption was positive 82,000 sq. ft. in Q4, driven largely by 80,000 sq. ft. of leasing activity in Hartford CBD. Availability saw a corresponding decrease of 30 bps to 27.6%. Previously, availability was reported as a higher value, but after space in Hartford North was discovered to be incorrectly listed as available, the availability rate was revised downward. The volume of sublease space remained stable from the prior year and represented 9% of all available space. The volume of direct space increased in 2023 and full-year absorption reached negative 73,000 sq. ft.

Hartford CBD experienced positive absorption of 90,000 sq. ft.—the most of any submarket.

FIGURE 3: Availability vs. Average Asking Rent



Source: CBRE Research, Q4 2023.

This brought annual absorption to positive 173,000 sq. ft., which decreased the availability rate to 27.5%.

Hartford East registered positive absorption in Q4 with 25,000 sq. ft. Availability compressed by 70 bps from the prior quarter to 15.5%—the lowest rate in the submarket since 2013.

Hartford West also notched positive absorption of 21,000 sq. ft., which brought its availability rate down 40 bps quarter-over-quarter to 18.0%.

Hartford South had negative absorption of 22,000 sq. ft. in Q4, which brought its availability rate up 60 bps to 22.0%. However, the submarket saw full-year absorption remain positive. The 30,000 sq. ft. of absorption in 2023 dropped the availability rate down 100 bps from a year ago.

Office Average Asking Rent

Average asking rent was flat quarter-over-quarter in Hartford County at $20.46 per sq. ft. Year-over-year, average asking rent was up 4% across the county as spaces priced above the average came to market throughout 2023.

Hartford Periphery's average asking rent dropped by 16% year-over-year due to above-average priced space being leased and removed from the market at 21 Oak Street, 765 and 999 Asylum Avenue.

**Availability, vacancy, and absorption figures for 2023 have been adjusted to account for and remove space in the Hartford North submarket that was incorrectly listed as "available".*

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

Source: CBRE Research, Q4 2023.

FIGURE 5: Q4 2023 | 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	39	7.97	27.5%	27.1%	3.7%	172,541	$21.49
Class A	15	5.82	32.6%	32.0%	5.0%	118,516	$22.03
Hartford Periphery	39	1.76	8.3%	8.3%	0.0%	(20,842)	$16.20
Class A	1	0.11	5.5%	5.5%	0.0%	9,329	$23.00
Hartford North	60	4.54	58.8%	58.8%	5.2%	(361,817)	$19.84
Class A	29	3.39	63.3%	63.3%	4.7%	(362,776)	$20.07
Hartford East	64	3.23	15.5%	15.5%	0.0%	84,561	$20.22
Class A	23	1.95	16.3%	16.3%	0.0%	26,203	$21.98
Hartford South	88	3.22	22.0%	22.0%	1.3%	29,908	$18.96
Class A	17	1.56	23.1%	23.1%	2.4%	15,789	$20.96
Hartford West	110	5.27	18.0%	18.0%	2.2%	23,087	$22.19
Class A	57	3.56	20.8%	20.8%	3.2%	59,267	$20.07
HARTFORD OVERALL	**400**	**25.98**	**27.6%**	**27.4%**	**2.6%**	**(72,562)**	**$20.46**

Source: CBRE Research, Q4 2023.

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.

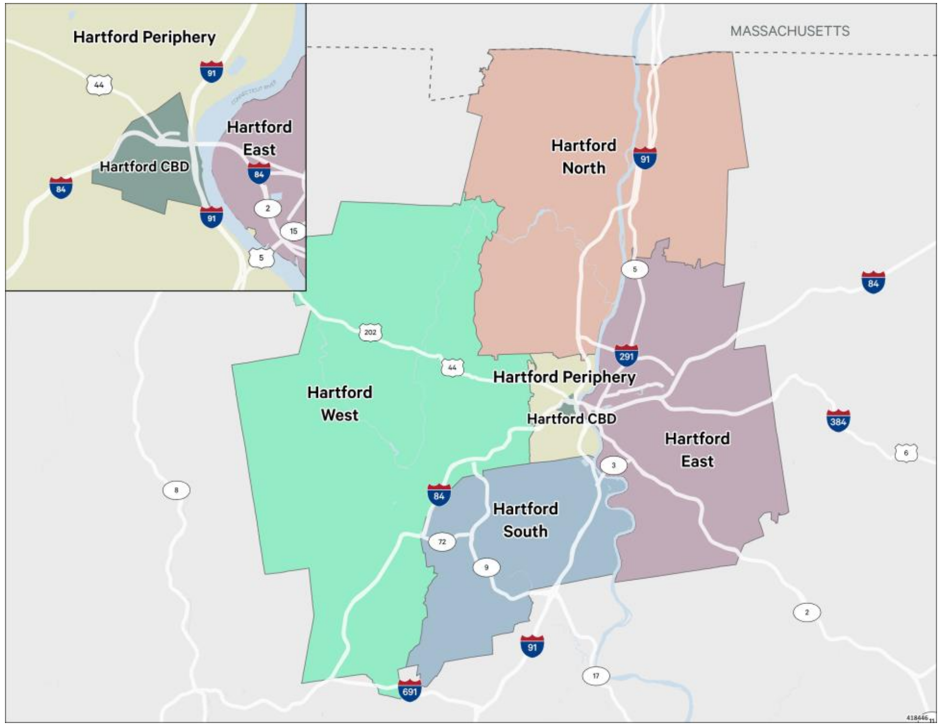
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Vacancy: Unoccupied space available for lease.

Survey Criteria

CBRE's market report analyzes Hartford's Class A, B, and C, office buildings that are multi-storied, 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	7.97
Hartford Periphery	1.76
Hartford North	4.54
Hartford East	3.23
Hartford South	3.22
Hartford West	6.27
HARTFORD OVERALL	**25.98**

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