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Hartford County office market conditions impacted by several notable occurrences

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Hartford County's office development activity remains relatively flat. There are a few notable occurrences that have impacted market conditions. In the North of Hartford Market, two large employers, ING and The Hartford Insurance Group, both with long term commitments to the region, have taken advantage of attractive land pricing for build to suit opportunities. In the West of Hartford Market sector, West Hartford Center has gradually become the strongest destination location within the region. The demand for office space in West Hartford has prompted speculative development within the Blue Back Square mixed use project. Despite market high rental rates, vacancies are minimal. It is difficult to find large (10,000 s/f) blocks of office within the west and east market sectors, which no doubt will bring new development to these market sectors.

"Consolidation has been a key issue impacting our marketplace. One of the most significant office developments includes the completion of ING's 475,000 s/f new facility in Windsor. The Hartford is completing the first phase of their new 450,000 s/f facility, also in Windsor, which is expandable up to 600,000 s/f. Both of these giants will be consolidating employees throughout the region into these new facilities. The Hartford intends to vacate from six leased properties within the north market, accounting for approximately 20% of the northern market inventory.

The impact of these consolidations will continue to keep the rental rates low over the next couple of years. Impacted landlords will continue to make significant concessions to attract tenants to their affected buildings.

Another noteworthy transaction includes MetLife's relocation (and consolidation from the CBD and an east suburban property to the north market. MetLife vacated approximately 370,000 s/f in one of Hartford's towers and acquired Cigna's 500,000 s/f South Building located in Bloomfield, a north sector town. The impact of MetLife's purchase and relocation/consolidation adds 370,000 s/f and 78,000 s/f to the vacancy rolls in the CBD and East Market, respectively.

Another of Hartford's major employers, St. Paul Travelers, has continued to absorb large chunks of office space within the CBD of Hartford; collectively, the total leased space is in excess of 435,000 s/f.

Disability Management Alternatives, LLC, a wholly owned subsidiary of Hewitt Consulting, has leased the entire 56,500 s/f at 700 Stanley Dr. in New Britain, a south sector property.

Throughout Hartford County, Class A rental rates (for direct deals) range from \$18.50-\$35 per s/f, full service, depending on location and availability. The northern market will continue to provide a low cost (as low as \$16 per s/f) leasing alternative for companies, while tightening-up markets (east and west sectors) can command up to \$35 per s/f rates for office suites. Recent lease transactions within the CBD range from \$20-\$26 per s/f, full service.

As of the end of the 2nd quarter of 2008, the overall vacancy rate for the Greater Hartford region was 16.97%. The total Class A vacancy is 14.47%. The strongest office markets are the west and east providing Class A vacancies of 10.14% and 10.00%, respectively

These are the two market sectors investors and developers should continue to keep their eye on over the next 24 months.

Hartford County has historically been a tertiary market with low to moderate annual absorption since the late 1980s. During the late 1980s, the Hartford office market doubled in size and led the Country with the lowest Class A vacancy for seven consecutive quarters followed immediately by seven consecutive years of the highest Class A vacancy.

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