



HARTFORD

EXECUTIVE SUMMARY

- Hartford's commercial real estate market has exhibited moderate growth during this economic cycle which has been primarily driven by the office and multifamily sectors over the last year with strong support from a stable Central Connecticut industrial market.
- The region's educational backbone drives the market's knowledge-based economy. Home to colleges and universities such as UConn, Trinity, Wesleyan, CCSU, Quinnipiac, and Post, Hartford also draws off the New England Knowledge Corridor which is home to leading institutions such as Yale, Amherst College, and UMass Amherst.
- Downtown Hartford is in the midst of an urban transformation that is adding a larger amenity base and more living options to help promote the live-work-play lifestyle that other cities harness to attract businesses and employees alike.

Market fundamentals in Greater Hartford remain on solid footing. Over the last ten years, employment levels have increased by 5.7% which equates to approximately 35,000 active jobs, 50% of which were added over the last three years alone. This economic momentum has resulted in a spur of multifamily development in recent years which is starting to revitalize Downtown Hartford – transitioning it away from a “commuting city” and making it more of an all-encompassing destination.

Historically anchored by a robust financial services industry which has been primarily driven by the insurance sector, the Greater Hartford office market is becoming more balanced with notable employment increases in technology and healthcare. This has primarily been driven by the City of Hartford which has seen approximately 280,000 sf of net absorption over the last three years. However, keeping in line with global urbanization trends, a healthy amount of this absorption can be contributed towards local market tenants vacating suburban locations to move into the city. While this would typically mean a rental increase for tenants, the delta between suburban and CBD rates is minimal. The CBD also has higher rents on average, whereas Hartford's suburban market claims the highest asking rents, which are being seen as high as \$40.00 psf. Looking ahead, Downtown Hartford is expected to drive leasing activity in 2020 although rents are expected to remain at current levels until pressure is placed on the supply pipeline.

Centrally located between the major economic hubs of Boston and New York City, the Central Connecticut industrial market has always been well-positioned to meet the needs of industrial users who have supply-chain-oriented operations. With the rise of e-commerce creating the need for larger warehousing

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	→	↑
Vacant Space	→	→	→
Construction Levels	→	↑	↑
Leasing Volume	↑	↑	↓
Investment Volume	→	→	↑

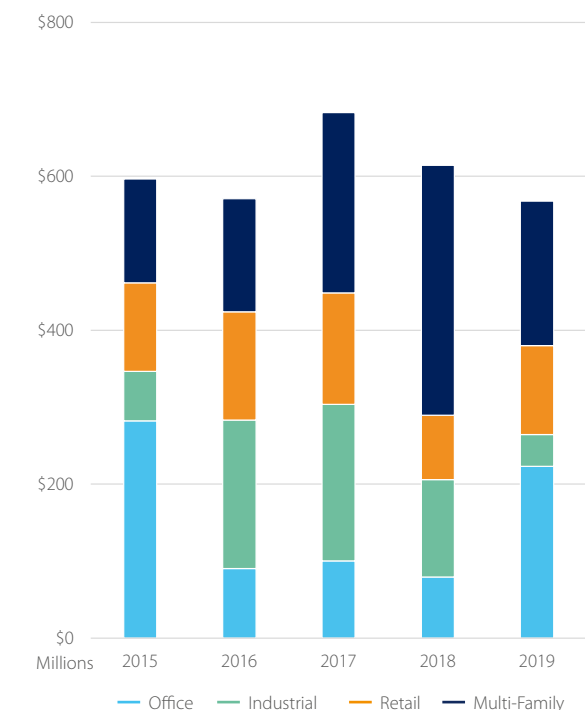
and smarter distribution routes, delivery times and warehousing capacity are being taken into heavier consideration now more than ever. Looking ahead, market fundamentals bode well for Hartford based on this shift in global logistic trends. Cheap industrial rents in comparison to neighbouring markets, low vacancy, and plenty of land to build on, suggest the Central Connecticut industrial market will see more development in 2020 with upward pressure on rents.

The multifamily and retail sectors have performed hand-in-hand while complimenting the region's population growth. Paving the way, multifamily has seen the largest supply increase out of any asset type over the last several years which has primarily been concentrated in Downtown Hartford. Since the start of 2015, more than 950 apartments units have been built in and around the CBD at over 90% occupancy with 300 more units nearing completion. While this has helped jump start several mixed-use projects in the city, particularly a large \$100 million project on Pratt St, it has not been enough to shield the market from national retail trends where big-box retailers are negatively impacted by the growing influence of e-commerce on consumers.

Investment in the Hartford market remains fairly balanced although the historical average is down slightly in comparison to the last two years. The office sector saw the largest volume of sales volume this year which was driven by the sale of One Financial Plaza, one of Hartford's Class A towers. Looking ahead into 2020, multifamily is expected to lead the way in terms of investment based on historical activity and existing sale opportunities with a notable increase in the industrial sales volume after a quiet year in 2019.

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GREATER HARTFORD SALES VOLUME



Source: Avison Young