

# LEASING ACTIVITY TICKS HIGHER AND VACANCY STABILIZES AFTER Q3 JUMP

► 5.5%

Vacancy Rate

▲ 23,000

Sq. Ft. Net Absorption

► 250,000

Sq. Ft. Under Construction

▲ 290,000

Sq. Ft. Leasing Activity

▲ \$7.69

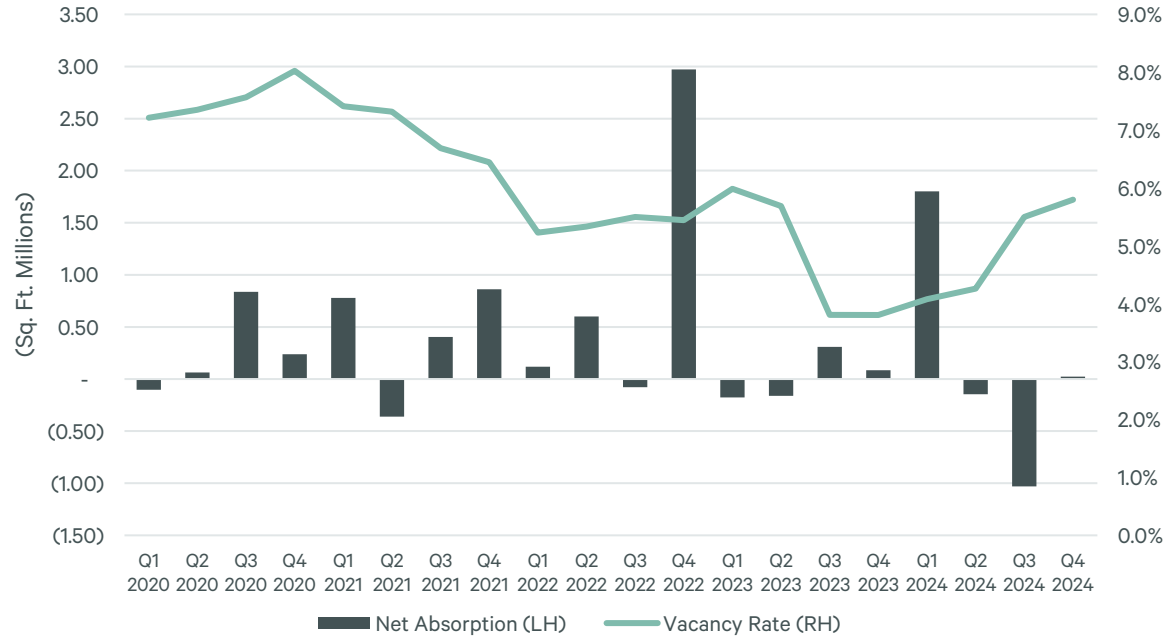
NNN / Lease Rate  
Per Sq. Ft.

Note: Arrows indicate change from previous quarter.

## Market Overview

The Hartford industrial market has been navigating the challenges posed by reduced large block demand following the Federal Reserve's interest rate increases. In the fourth quarter though, leasing activity saw a bump in demand of 79% to 290,000 square feet, closer to the post-rate-hike norm. Vacancy was stable quarterly at 5.5% due to no construction deliveries and benign net absorption of positive 23,000 sq. ft. Sublease availability was also stable at 1.9% after several big block additions earlier in the year. The average asking rent rose by 2.7% to \$7.69, driven by the relatively low vacancy rates in the market and the limited number of new developments in the construction pipeline. Despite slower demand throughout the year, vacancy in Hartford market saw a moderate increase, mostly was due to the addition of two large block subleases vacancies. Tightness in the market for quality smaller and some larger size ranges of space led to an annual increase of average asking rents to 19%

FIGURE 1: Historical Net Absorption Sq. Ft. (Millions)



Source: CBRE Research, Q4 2024

Demand

The Hartford Industrial market saw a recovery in leasing activity of 79% in Q4 after Q3’s decline in leasing activity. This quarter's leasing volume reached 290,000 square feet, powered by Aalberts Surface Technologies 200,000 sq. ft. lease at 41 Hamilton Rd. in Windsor Locks. The remainder of the quarter’s leases though ranged between 10,000 and 30,000 sq. ft. as smaller deals continue to be the post-interest rate-hike norm. The average lease size for 2024 was 36,000 sq. ft., a decrease of 10% compared to 2023’s average.

The demand for smaller spaces from local companies has been the primary driver in the Hartford industrial market since the market's normalization following the Covid-19 pandemic. The predominant source of regional demand has come from third-party logistics, transportation, and warehousing firms, although leasing activity from these sectors has remained limited due to Hartford's lack of proximity to a major logistics hub. Additionally, the recovery of big box retail and e-commerce demand appears unlikely until consumer spending power rebounds from the dual challenges of inflation and higher interest rates.

Supply

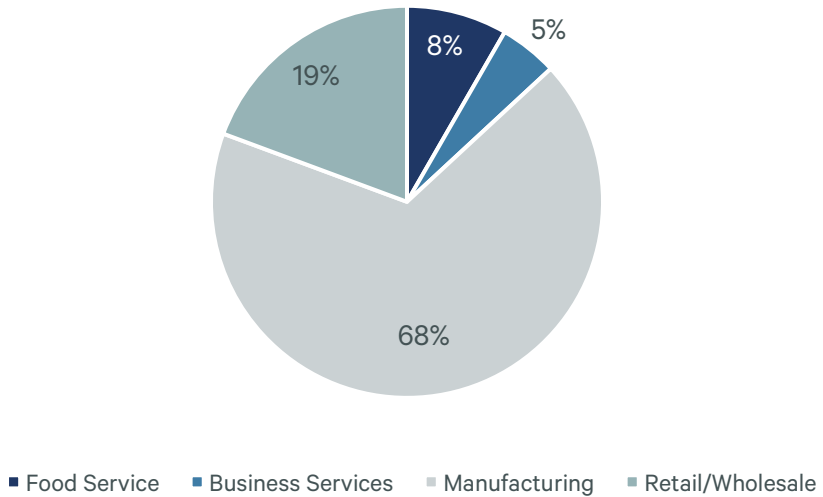
Vacancy was 5.5% in the fourth quarter, attributable to negligible positive net absorption of 23,000 sq. ft., no new construction deliveries and no new major sublease vacancies. Overall, vacancy levels remain low compared to other regional markets, particularly for mid-sized Class A space. This reflects the limited new development in the area following the heightened demand experienced during the pandemic. Hartford’s construction pipeline remains narrow with the Silverman Group’s 250,000 square foot development in Windsor Locks the only active new development under construction. There were no new construction starts quarter as the market waits for a recovery in demand for larger space. Looking annually, Hartford’s vacancy increased moderately by 170 basis points, mostly due to two new large sublease vacancies. Annual vacancy changes by size range were predictable given post-rate hike occupier trends favoring smaller spaces in Hartford. Vacancy for space under 30,000 sq. ft. decreased 150 basis points to 2.6% and vacancy between 30,000 and 50,000 sq. ft. decreased 180 basis points to 3.8. Vacancy in the larger ranges all moved higher except for the 100,000 sq. ft. to 300,000 sq. ft. range which was stable at 5.7%

FIGURE 2: Q4 2024 Notable Lease Transactions

Size	Tenant	Address	City	Transaction Type
199,000	Aalberts Surface Tech	41 Hamilton Rd.	Windsor Locks	New Lease
57,000	Fabbrica	25 International Dr.	South Windsor	Renewal
24,500	PaneBras USA	300 Pleasant Valley Rd.	South Windsor	New Lease

Source: CBRE Research, Q4 2024

FIGURE 3: Q4 2024 Leasing by Industry



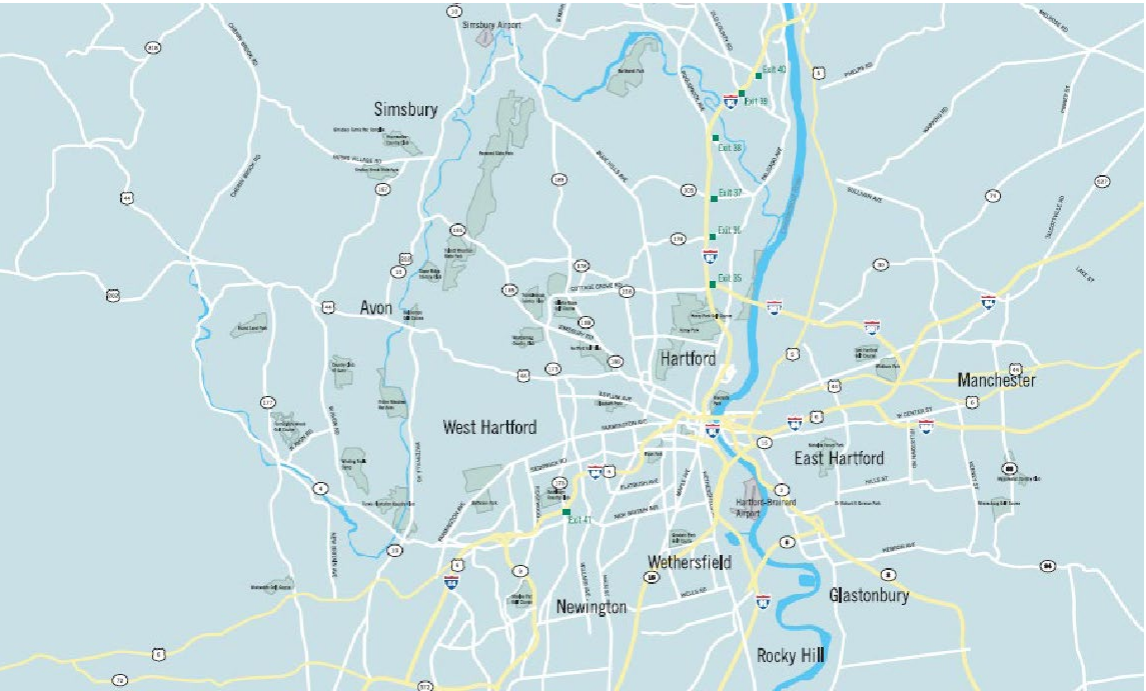
Source: CBRE Research, Q4 2024

Figure 5: Q4 2024 Submarket Statistics

Submarket	Inventory (Sq. Ft.)	Vacancy (%)	Absorption (Sq. Ft.)	Avg Asking Rent (\$/Per Sq. Ft. \$NNN)	Class A Avg. Asking Rent (\$/Per Sq. Ft. NNN)	Under Construction (Sq. Ft.)
Downtown Hartford	4,448,145	2.9	151,093	12.92		-
Hartford North	33,079,082	5.2	(8,473)	8.20	10.71	250,240
Hartford South	11,797,361	5.2	(40,819)	7.26		-
Hartford East	20,665,568	7.0	(40,073)	6.01		-
Hartford West	10,309,346	4.8	(56,050)	7.39	8.25	-
Hartford	80,299,501	5.5	(22,624)	7.69	10.62	250,240

Source: CBRE Research Q3 2024

Market Area Overview



Definition

AVERAGE ASKING LEASE RATE: Rate determined by multiplying the asking gross lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary. GROSS LEASES: Includes all lease types whereby the tenant pays an agreed rent plus estimated average monthly costs of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses. NET ABSORPTION: The change in occupied sq. ft. from one period to the next, as measured by available sq. ft. NET RENTABLE AREA: The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas. OCCUPIED AREA (SQ. FT.): Building area not considered vacant. UNDER CONSTRUCTION: Buildings that have begun construction as evidenced by site excavation or foundation work. AVAILABLE AREA (SQ. FT.): Available building area that is either physically vacant or occupied. AVAILABILITY RATE: Available sq. ft. divided by the net rentable area. VACANT AREA (SQ. FT.): Existing building area that is physically vacant or immediately available. VACANCY RATE: Vacant building feet divided by the net rentable area. NORMALIZATION: Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

Survey Criteria

Includes all competitive buildings in CBRE’s survey set for the Greater Hartford Industrial Market.

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