

HARTFORD INDUSTRIAL LEASING SLOWS FOR SECOND STRAIGHT QUARTER

▼ 3.4%

Vacancy Rate

▼ 86,000

Sq. Ft. Net Absorption

► 2.7M

Sq. Ft. Under Construction

▲ 565,000

Sq. Ft. Leasing Activity

► \$6.23

NNN / Lease Rate
Per Sq. Ft.

Note: Arrows indicate change from previous quarter.

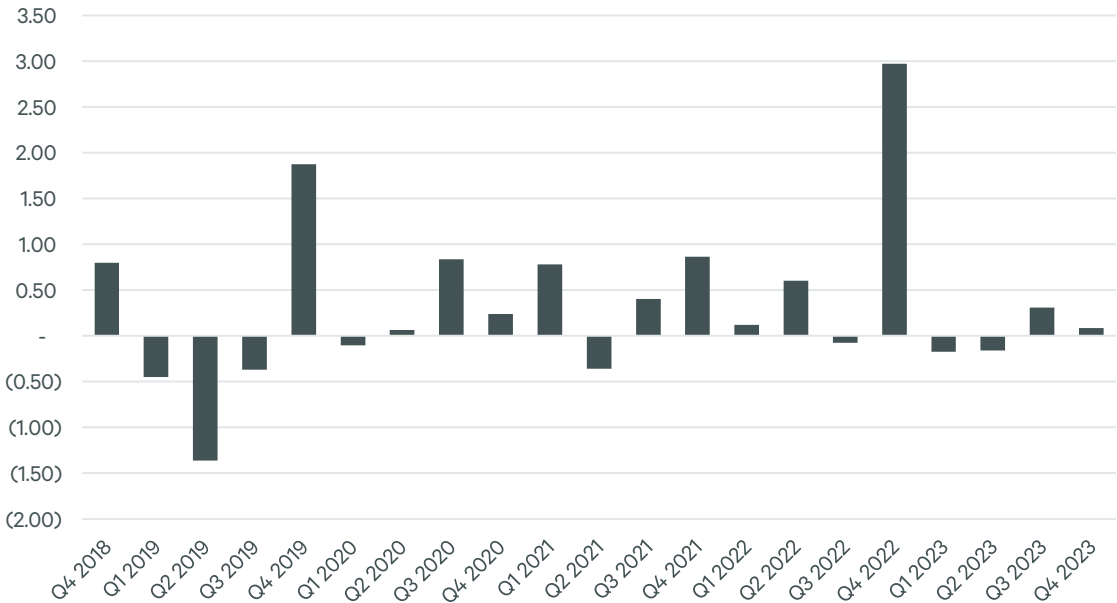
Market Overview

The Hartford industrial market bucked the regional trend in the Northeast with much stronger leasing activity as well as decreasing vacancy to end the year. Leasing activity in Q4 2023 totaled 565,000 sq. ft., a 28% increase quarterly due to demand from utilities and third-party logistics (3PL) occupiers. Vacancy decreased 10 basis points (bps) to 3.4% due to the increased leasing, a lack of new large block availability and no construction completions. These factors led to the average asking rent of existing space in the market to increase 17% to \$6.23 per-sq.-ft. The narrow and mostly pre-leased construction pipeline in Hartford as well as a clearer economic picture should keep vacancy rates low and support rent pressure through 2024.

Demand

Despite household names in the e-commerce and retail/wholesale industries remaining on the sidelines for another quarter as the cloudy economic outlook clears, the Hartford industrial market posted its strongest leasing total of the year

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



Source: CBRE Research, Q4 2023

during the last quarter. Although no mega leases were signed during the quarter, three of the four largest leases of the year closed in Q4 2023 including the year’s largest lease, Eversource’s 269,000 sq.-ft. lease at 140 Old County Circle in Windsor Locks. This quarter’s demand drivers were utilities (46%) and 3PLs (29%). Hartford North led all submarket’s this quarter in leasing activity at 524,000 sq. ft. which propelled it to the most active submarket for leasing this year. Between the larger leases signed this quarter bringing more confidence to the market and firmer economic expectations, the Hartford market had solid momentum going into 2024.

Supply

Slower leasing conditions and new product deliveries led to increasing vacancy in the Northeast U.S., but the Hartford market was one exception. Vacancy decreased 10 bps quarter-over-quarter to 3.4% due a combination of stronger leasing activity, no newly vacant 100,000 sq.-ft. or greater blocks added to the market, and no construction deliveries. Furthermore, the recent uptick in leasing and the lack of new deliveries in the market leaves Hartford with no existing Class A availabilities of over 100,000 sq. ft. Adding to the space crunch, Hartford has only three projects under construction totaling 2.7 million sq. ft. Within those projects, there is a 170,300 sq.-ft. space available at 425 Day Hill Rd and a 600,000 sq.-ft. sublease available at Rentschler Field Logistics Center Building 2 in East Hartford.

Rent Trends

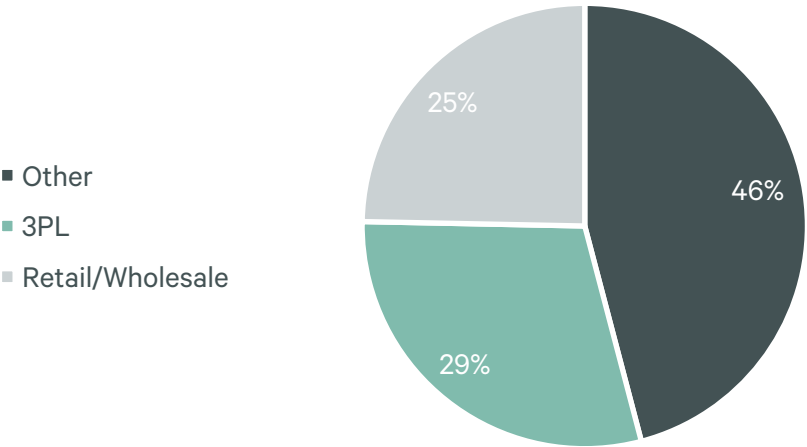
The contraction of vacancy and the dearth of existing Class A availability has led to strong upward pressure on asking rents in the Hartford market and a large divergence in asking rents between Class A versus Classes B and C. Existing Class B rents moved higher this quarter by 17% to \$6.23 per sq. ft. due to the overall lack of any Class of space on the market. The average asking rent for Class A space due to deliver in 2024 was \$11.75.

FIGURE 2: Q4 2023 Notable Lease Transactions

Size	Tenant	Address	City	Transaction Type
268,500	Eversource	140 Old County Circle	Windsor Locks	New Lease
100,000	Sologistics	53 Manning Rd	Enfield	Sublease
83,906	Winsupply	1559 King St	Enfield	New Lease
72,000	Sologistics	53 Manning Rd	Enfield	New Lease

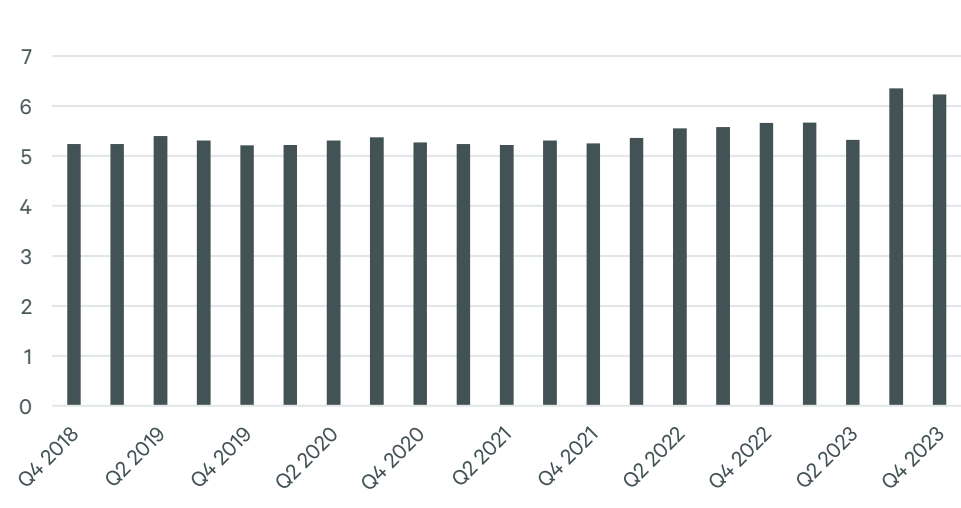
Source: CBRE Research, Q4 2023

FIGURE 3: Q4 2023 Leasing by Industry



Source: CBRE Research, Q4 2023

FIGURE 6: Historical Avg. Asking Rent Per Sq. Ft. (\$NNN)



Source: CBRE Research Q4 2023

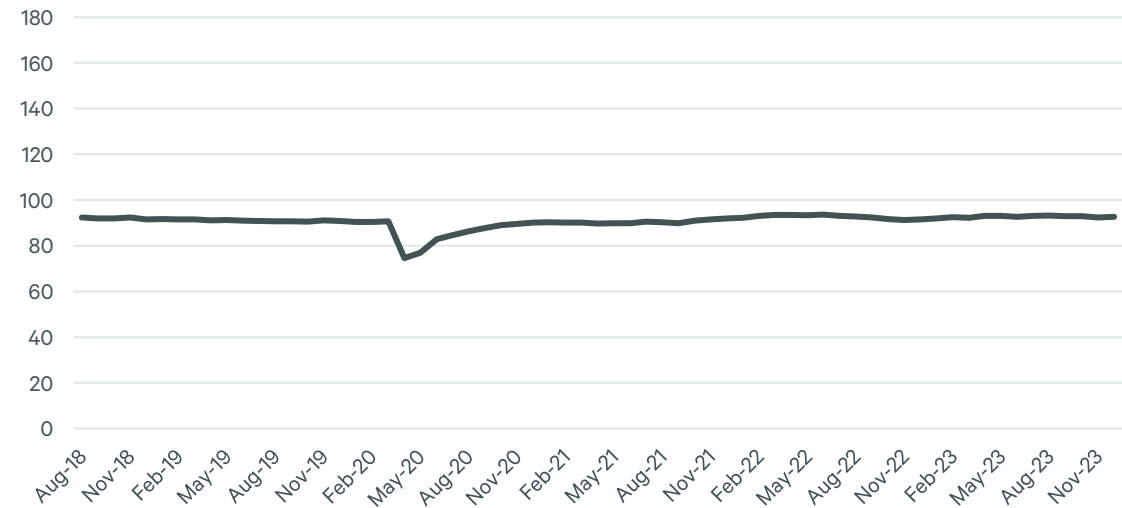
With a largely pre-leased development pipeline of only 2.7 million sq. ft., upward pressure on Hartford rents should carry through 2024.

Economic Overview

Industrial employment in Hartford continued its post Covid-19 pattern in Q3 2023. Manufacturing sector employment was down 2.9% year-over-year and was 8.0% below its pre-Covid 19 total. Trade, transportation, and utilities – a sector which includes logistics and fulfillment center employment – showed growth of under 1% year-over-year. Overall employment in Hartford decreased less than 1% year-over-year.

US economic data releases in Q3 2023 were mostly positive showing annualized GDP growth of 2.1% and moderating inflation. Headwinds to the economy, especially to consumer spending are intensifying. Higher oil prices, resumption of student loan payments, and lingering inflation, while not serious in themselves, will hit home at a time when the squeeze from elevated interest rates is at its maximum.

FIGURE 4: Historical Trade, Transportation, and Utilities Employment (Thousands)



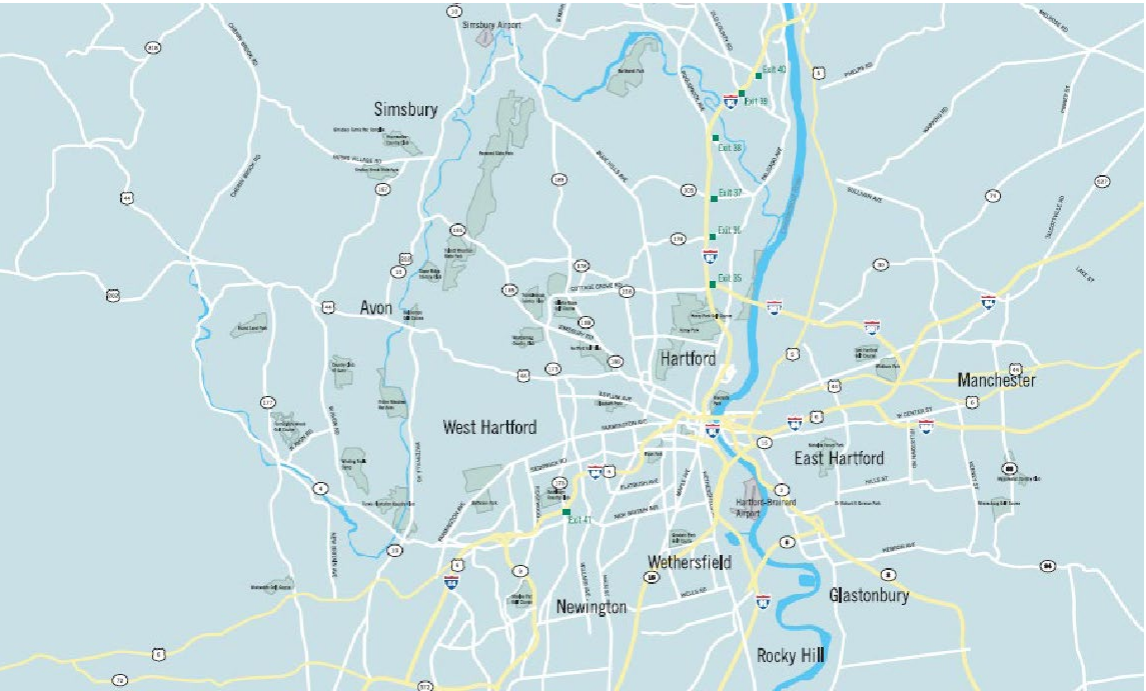
Source: BLS

Figure 5: Q4 2023 Submarket Statistics

Submarket	Inventory (Sq. Ft.)	Vacancy (%)	Q4 2023 Absorption (Sq. Ft.)	YTD Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg Asking Rent Per Sq. Ft. (\$NNN)
Downtown Hartford	4,370,072	6.3	(8,250)	(177,916)	0	12.00
Hartford North	29,391,831	3.5	346,978	841,308	170,300	6.41
Hartford South	10,211,587	3.8	(155,730)	(200,910)	0	7.43
Hartford East	15,670,043	2.6	(93,810)	73,451	2,515,750	4.83
Hartford West	8,499,895	2.3	(2,950)	134,945	0	6.74
Hartford	68,143,428	3.5	86,238	402,378	2,686,050	6.23

Source: CBRE Research Q4 2023

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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