

SLOWER LEASING AND SUBLEASE ADDITIONS LOOSEN TIGHT MARKET

▲ 5.5%

Vacancy Rate

▼ -1.0M

Sq. Ft. Net Absorption

▼ 250,000

Sq. Ft. Under Construction

▼ 162,000

Sq. Ft. Leasing Activity

▲ \$7.49

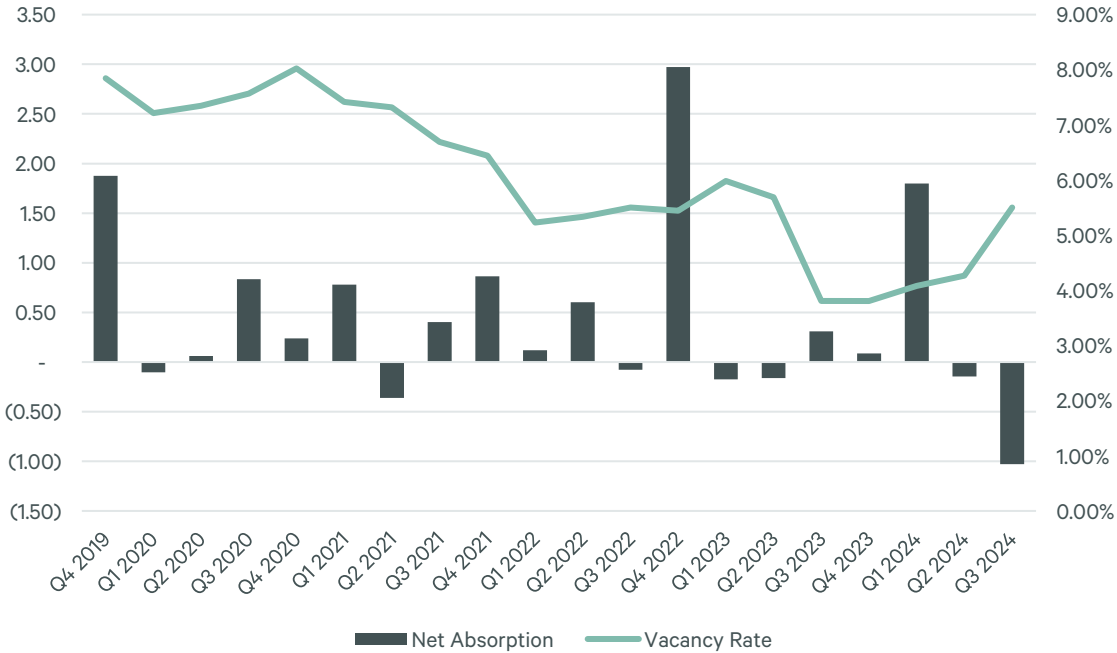
NNN / Lease Rate
Per Sq. Ft.

Note: Arrows indicate change from previous quarter.

Market Overview

The Hartford industrial market continued to cope with the slower demand post-interest rate hikes by the Federal Reserve. Leasing activity was 162,000 sq. ft. in Q3, a quarterly decrease of over three-fold. Vacancy moved higher by 120 basis points (bps) quarterly due to a large sublease add at 695 E Hartford Blvd in East Hartford. Direct vacancy though increased at more incremental rate of 20 bps to 3.3%. Overall net absorption totaled 1.0 million sq. ft. The average asking rent increased 4.6% to \$7.49 because of The relatively low vacancy in the market and minimal new developments in the construction pipeline led to an average asking rent increase of 4.6% to \$7.49. Looking forward, The Federal Reserve’s recent interest rate cut of 50 bps in conjunction with above expectation job growth and stabilizing inflation bode well for a return to the market by large big-box retailers and e-commerce occupiers that powered Hartford’s industrial market previously.

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



Source: CBRE Research, Q3 2024

Demand

After improved leasing in Q2, the Hartford Industrial market posted weaker leasing activity totals for Q3. Leasing totaled 162,000 sq. ft. for this quarter, down almost three times of Q2’s total. Despite the quarterly decrease, activity remained above Q1’s doldrums. Activity skewed towards smaller leases again, with an average lease size of 33,260 sq. ft. (10,000 sq. ft. minimum). The largest new leases of the quarter was Connecticut Children’s Medical Center’s 55,000 sq. ft. deal at 300 East River Drive in East Hartford and ICU Medical’s 50,000 sq. ft. lease at 70 Horizon Dr. in Bristol. Smaller leases by local companies remain the main demand driver Hartford industrial market since the normalization of the market post Covid-19.

The largest source of demand regionally have been 3PL, transportation, and warehousing companies, since Hartford does not benefit from proximity to a major logistics hub though leasing from these companies have remained minimal. Big box retail and e-commerce demand is unlikely to recover until consumer spending power returns after the dual hits of inflation and increased interested rates. The close presidential polls have also influenced companies to avoid major spending decisions until election season passes. The Federal Reserve’s 50 bps rate cut though offers some optimism for stronger consumer spending and leasing.

Supply

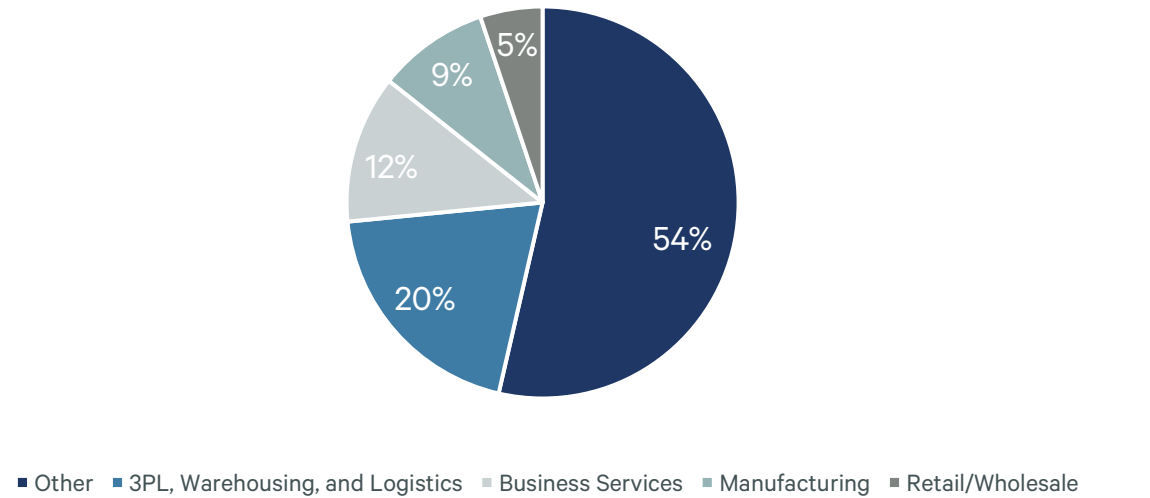
Vacancy increased briskly in Q3 because of slower leasing and new vacancy on the market, particularly of sublease space. Hartford’s industrial vacancy rate increased 120 bps during the quarter to 5.5%. Direct vacancy only increased 20 bps to 3.6%, among the lowest direct vacancy rates in the region. Sublease vacancy increased 90 bps to 1.9% due to the balance of space at 695 E Hartford Blvd in East Hartford entering the market as well as several smaller spaces. Overall vacancy remains low due to the scant new development in the market since the strong demand during COVID-19. There were no new construction starts this quarter and the only property currently under construction is the Silverman Group’s 250,000 sq. ft. development in Windsor Locks.

FIGURE 2: Q2 2024 Notable Lease Transactions

Size	Tenant	Address	City	Transaction Type
55,000	Connecticut Children’s	33 Hartland St	East Hartford	New Lease
50,000	ICU Medical	70 Horizon Dr	Bristol	New Lease
39,000	Castlegate Logistics	75 International Dr	Windsor	Renewal
18,000	NCL	24 New Park Drive	Berlin	New Lease

Source: CBRE Research, Q3 2024

FIGURE 3: Q3 2024 Leasing by Industry



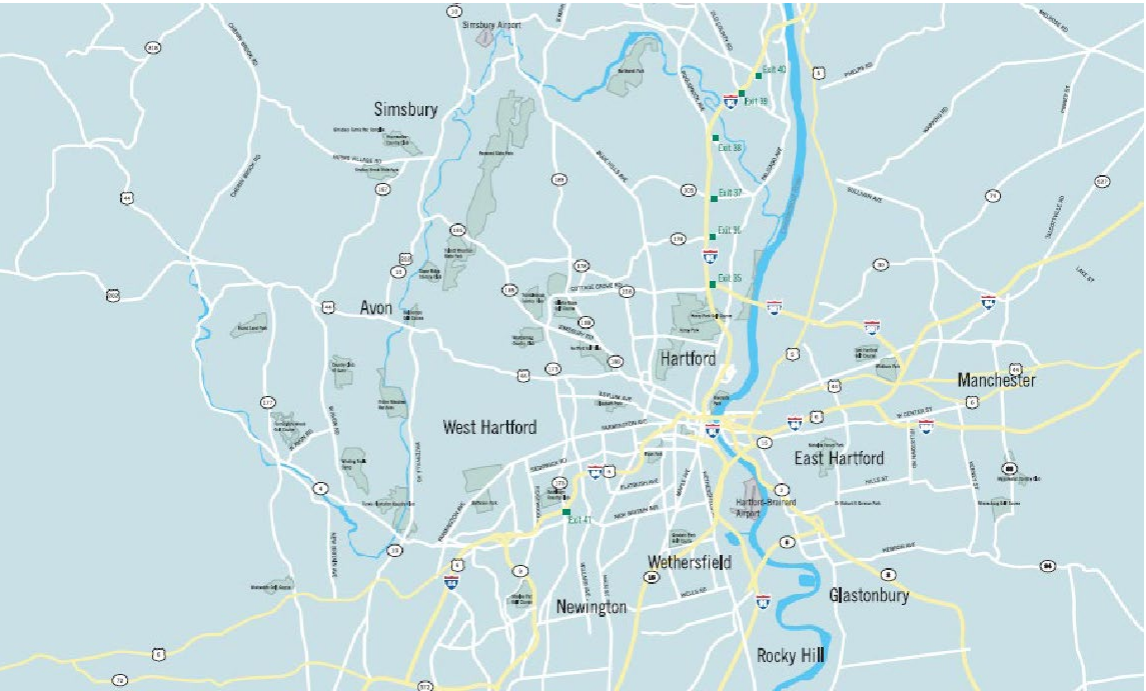
Source: CBRE Research, Q3 2024

Figure 5: Q3 2024 Submarket Statistics

Submarket	Inventory (Sq. Ft.)	Vacancy (%)	Absorption (Sq. Ft.)	YTD Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Avg Asking Rent Per Sq. Ft. (\$NNN)
Downtown Hartford	4,448,145	6.3	(41,611)	(94,211)	0	9.85
Hartford North	33,079,082	5.2	(273,300)	(359,000)	250,240	8.36
Hartford South	11,797,361	4.9	17,525	(42,474)	0	7.33
Hartford East	20,665,568	6.8	(497,060)	1,535,027	0	5.57
Hartford West	10,309,346	4.2	(243,500)	(310,885)	0	6.73
Hartford	80,299,501	5.5	(1,037,946)	728,457	250,240	7.49

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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