

Central Connecticut

Industrial Q2 2017

Central Connecticut Industrial

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Connecticut Employment	1,790,222	1,828,873	▲
Connecticut Unemployment	5.4%	4.9%	▼
U.S. Unemployment	4.9%	4.4%	▼

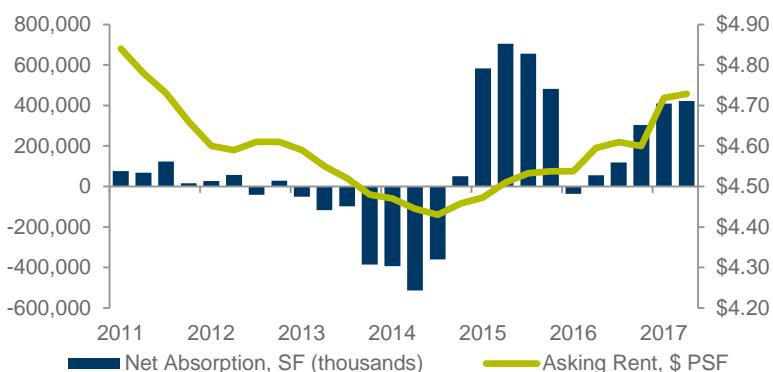
Market Indicators (Overall, All Product Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	10.6%	8.8%	■
YTD Net Absorption (SF)	94,444	570,907	▲
Under Construction (SF)	247,773	1,192,350	■
Average Asking Rent*	\$4.63	\$4.67	■

*Rental rates reflect net asking \$PSF/year

Overall Net Absorption/Direct Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economic Overview

Overall employment in Connecticut increased by nearly 40,000 jobs year-over-year, driving the unemployment rate down 0.5 percentage points year-over-year. Unemployment in both the Manufacturing and the Trade, Transportation, and Utilities sectors has remained relatively flat, increasing 0.3 percentage points, and decreasing 0.6 percentage points, respectively, in the past 12 months.

The economic situation of the state and Hartford's government has continued to be a concern. Connecticut has yet to produce a budget, making businesses and citizens wary. The state also has long term fiscal issues it must address with a \$5 billion deficit over the next two years. To compound these issues, Fitch Ratings downgraded Connecticut from AA- to A+. This represents the fourth time in a year that Connecticut has been downgraded, having previously been moved down by Fitch, S&P Global, and Kroll Bond Rating Agency.

Market Overview

The tightest Central Connecticut Industrial Market in twenty years is now tighter: 8.8% vacancy, less than 12.5 million square feet available market wide and a semester decline in vacancy of 1.8% are all twenty year records. New construction of 1.2 million square feet meanwhile is consistent with the best years in the last decade and also points to market strength, despite headwinds elsewhere in Connecticut's economy. Year-to-date absorption of nearly 600,000 square feet bodes well for 2017 to mark the fourth consecutive year of positive absorption, a feat last achieved in 2008. Rents are rising along with the market: average asking rents are up 4% so far this year, with rates for premium space rising even faster.

The largest lease in the first half of 2017 was Bozzuto's renewal of 295,730 SF at 300 Montowese Drive in North Haven. The largest new lease so far in 2017 was Staples lease of 200,000 SF at 85 Moosup Pond Road in Plainfield, rebranded the Moosup Distribution center by new Landlord Winstanley Enterprises.

The high level of sales activity that was seen in 2015 & 2016 continued into this year, with over 3.5 MSF being sold across the market, 3 MSF of which were warehouse and distribution. A majority of these purchases were made by previously mentioned Winstanley Enterprises who purchased a portfolio of assets in Connecticut and Western Massachusetts. The largest of the properties acquired by Winstanley is the nearly 600,000 SF warehouse/distribution facility at 100 Print Ship Road in Enfield, which acts as the U.S headquarters for Lego and a distribution facility for Coca-Cola.

Outlook

The outlook for the industrial market in Connecticut remains strong despite the state's fiscal woes. Investor confidence is clear with high levels of sales activity, and a strong pipeline of build-to-suit construction. Asking rents may see some growth as viable spaces for large tenants become even more scarce, but lower tier product that has not moved may continue to hold those numbers down. Absorption should remain positive, as several build-to-suits will deliver fully occupied in the coming quarters, though with such little product remaining, that may be the only significant demand.

SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (Flex)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (W/D)	OVERALL WEIGHTED AVG. NET RENT (All)
Hartford	5,012,620	54,865	0	5.4%	47,965	0	N/A	N/A	\$6.33	\$6.33
Western Hartford	18,459,285	88,354	193,399	7.9%	201,454	0	\$4.25	\$2.88	\$4.54	\$3.49
Southern Hartford	14,787,575	92,981	86,659	12.8%	(479,613)	0	\$6.06	\$4.38	\$5.22	\$4.98
Eastern Hartford	23,702,884	258,448	692,578	8.3%	19,051	1,050,000	\$7.40	\$2.96	\$3.91	\$3.79
Northern Hartford	30,767,919	301,362	1,967,728	6.7%	656,140	11,850	\$5.06	\$4.65	\$4.20	\$4.43
HARTFORD SUBTOTAL	92,730,283	796,010	2,940,364	8.3%	444,997	1,061,850	\$5.81	\$3.55	\$4.44	\$4.21
New Haven	2,425,826	63,300	65,623	11.2%	61,539	0	N/A	N/A	\$5.40	\$5.40
Western New Haven	10,469,748	49,208	200,000	4.1%	48,408	0	\$6.60	\$7.00	\$4.92	\$5.35
Route 8 Corridor	5,594,270	59,487	34,000	15.6%	29,687	0	\$6.16	\$4.29	\$5.44	\$5.12
Northern New Haven	25,469,641	265,358	284,530	11.6%	(27,616)	130,500	\$7.16	\$5.22	\$5.00	\$5.37
Eastern New Haven	4,282,716	37,899	0	4.9%	13,892	0	\$12.40	\$7.78	\$4.62	\$7.37
NEW HAVEN SUBTOTAL	48,242,201	475,252	584,153	9.8%	125,910	130,500	\$7.29	\$5.33	\$5.10	\$5.45
CENTRAL CT TOTAL	140,972,484	1,271,262	3,524,517	8.8%	570,907	1,192,350	\$6.63	\$4.03	\$4.50	\$4.67

*Rental rates reflect asking \$PSF/year

MF = Manufacturing W/D = Warehouse/Distribution

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
300 Montowese Avenue, North Haven	295,730	Bozzuto's Inc	Renewal	North New Haven
85 Moosup Pond Road, Plainfield	200,000	Staples	New	Eastern Hartford
18 Craftsman Road, East Windsor	120,000	Walgreens	New	Northern Hartford
755 Rainbow Road, Windsor	89,200	SCA Pharmaceutical	New	Northern Hartford
297 State Street, North Haven	76,270	1-800-Pack-Rat	Renewal	North New Haven
15 Dwight Street, North Haven	48,200	FleetPride	Expansion	North New Haven
5 Sterling Drive, Wallingford	30,000	ThyseenKrupp Materials	Renewal	North New Haven

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 Print Shop Road, Enfield	587,736	National Industrial Portfolio / Winstanley Enterprises	\$29M / \$49.34	Northern Hartford
300 Shaker Road, Enfield	450,000	National Industrial Portfolio / Winstanley Enterprises	\$33.14M / \$73.56	Northern Hartford
170 Highland Park Drive, Bloomfield	449,000	National Industrial Portfolio / Winstanley Enterprises	\$24.4M / \$54.34	Northern Hartford
40 Pepes Farm Road, Milford	200,000	CPI 40 Pepes Farm 2 / STAG Industrial Holdings	\$12.8M / \$64.00	West New Haven
4 Craftsman Road, East Windsor	149,800	IPT East Windsor DC / STAG Industrial Holdings	\$7.7M / \$51.40	Eastern Hartford
315 Ella Grasso Turnpike, Windsor Locks	120,478	Crown Park / 315-319 Ella Grasso Turnpike	\$4,375,000 / \$36.00	Northern Hartford

†Renewal – not included in leasing activity statistics