

NEW HAVEN OFFICE

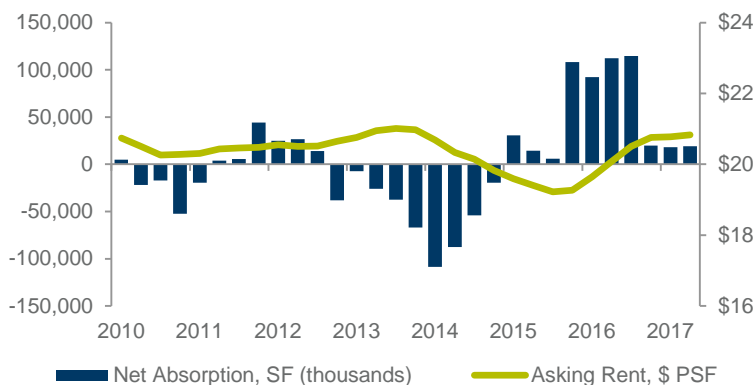
Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
New Haven Employment	281,700	283,200	▲
New Haven Unemployment	5.5%	4.8%	▲
U.S. Unemployment	4.9%	4.4%	▲

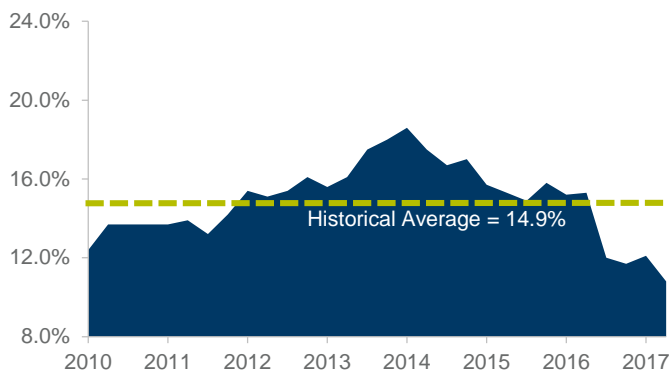
Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	15.3%	10.8%	▲
YTD Net Absorption (SF)	84,793	80,974	▲
Under Construction (SF)	0	110,000	▲
Average Asking Rent*	\$20.73	\$20.96	▲

*Rental rates reflect gross asking \$PSF/year

Overall Net Absorption/Direct Asking Rent
4-QTR TRAILING AVERAGE

Overall Vacancy



Economic Overview

The New Haven economy experienced moderate growth in the second quarter, which helped push unemployment down 0.7 percentage points year-over-year to 4.8%. This came largely from 2.6% year-over-year growth in Professional and Business Services sector employment, 1.6% year-over-year growth in Financial Activities sector employment.

Despite growth in the New Haven economy, the state is struggling. Connecticut has yet to produce a budget, making business and citizens wary. The state also has long term fiscal issues it must address, with a 5 billion dollar 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

New Haven CBD saw rents rise to \$20.81, and this trend continued across all submarkets, with asking rents for the New Haven market ending the quarter at \$20.96 per square foot, a \$0.27 increase over the first quarter. Absorption for the quarter was positive, driving the year-to-date absorption to 80,974 square feet. Positive absorption caused market wide overall availability to drop 1.6 percentage points to 15.8%. Vacancy followed suit, ending the quarter at a 7 year low of 10.8%. The only major office construction is District, which is expected to complete in the next quarter. The most significant trend in the market continues to be the gap between class A and B office space. Class B space continues to hold steady with low availability, while Class A cannot seem to close the gap despite decreasing rent disparity between the classes.

The largest new lease of the quarter was Subway's lease of 32,250 SF at 612 Wheelers Farm Road in Milford, represented by C&W's Thomas O'Leary. On the capital markets front the largest sale was the purchase of 123-127 Church street by New England Investment Partners from Northside Development Company for \$6.4 million. The building was 100% occupied at the time of the sale with CVS occupying the ground floor, and Square 9 Softworks occupying the roughly 30,000 SF office space on floors 2 through 4.

Outlook

New Haven's future is intrinsically linked to the state's future, and for that reason there is some concern. However locally New Haven is doing well. Yale is schedule to complete a large new residential building, which will allow them to bring in more students, that should in turn bring more money into the city and create more service jobs. The city's department for economic development is working to build a 700 car garage downtown, which should help alleviate parking issues for CBD tenants and make it a more desirable location.

MARKETBEAT

New Haven

Office Q2 2017



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	TOTAL AVAILABLE ¹ (SF)	AVAILABILITY RATE ¹	TOTAL VACANT ¹ (SF)	VACANCY RATE ¹	YTD NET ABSORPTION (SF)	CNSTR DELIVERIES (SF)	AVERAGE ASKING RENT (OFFICE)	AVERAGE ASKING RENT (CLASS A)*
New Haven CBD	34	3,131,042	401,918	12.8%	340,169	10.9%	12,927	0	\$20.81	\$21.60
Periphery	20	2,477,213	419,059	16.9%	207,577	8.4%	4,957	0	\$25.19	\$26.85
Eastern New Haven	16	573,457	62,641	10.9%	36,135	6.3%	3,624	0	\$12.99	\$12.99
Western New Haven	41	1,775,647	298,395	16.8%	216,344	12.2%	84,155	0	\$20.06	\$20.06
Northern New Haven	66	2,671,927	501,586	18.8%	344,310	12.9%	(24,689)	0	\$17.09	\$17.09
NEW HAVEN TOTAL	177	10,629,286	1,683,599	15.8%	1,144,535	10.8%	80,974	0	\$20.96	\$22.71

*Rental rates reflect gross asking \$PSF/year

¹Entries are not reflective of the US Overview

BUILDING CLASS	TOTAL BLDGS	INVENTORY (SF)	TOTAL AVAILABLE ¹ (SF)	AVAILABILITY RATE ¹	TOTAL VACANT (SF)	VACANCY RATE	YTD NET ABSORPTION (SF)	CNSTR DELIVERIES (SF)	AVERAGE ASKING RENT (OFFICE)
Class A	50	4,887,997	948,090	19.4%	604,901	12.4%	40,543	0	\$22.71
Class B	127	5,741,289	735,509	12.8%	539,634	9.4%	40,431	0	\$17.87

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
612 Wheelers Farm Road, Milford	32,250	Subway	New	Western New Haven
900 Chapel Street, New Haven	12,000	The Connection	New	CBD
414 Chapel Street, New Haven	10,036	Acuity	New	Periphery

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
123-127 Church Street, New Haven	40,000	Northside Development Company / New England Investment partners	\$6.4M / \$160	CBD