

NEW HAVEN | OFFICE

End of Year 2018

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Yale Leases City's Largest Block of Vacant Space

Yale University announced on January 24 that it had leased all of the vacant space in the Alexion Pharmaceuticals building at 100 College Street, 251,067 square feet that had been on the market since Alexion moved its headquarters to Boston in late 2017.

With that one lease the overall office vacancy rate for New Haven dropped from 20.6 to 16.8 percent and availability in Class A buildings moved from 28.0 to 21.2 percent.

Yale said it plans to use the space to strengthen its programs in math and science in keeping with the recent recommendations of its University Science Strategy Committee. The space was used by Alexion as offices but could presumably be adapted to accommodate labs.

Alexion, which continues to occupy about 200,000 square feet of lab space in the building, moved its headquarters to Boston less than two years after taking occupancy of all of the 500,000-square-foot structure. The company paid back \$26 million in financial incentives it had received from the State of Connecticut.

While the space had been offered for sublease by Alexion, which had more than 12 years left on its lease obligation, Yale's transaction was done directly with the building's owner, a partnership between Winstanley Enterprises and the Chicago-based REIT Ventas. No terms of the deal were disclosed, but one can assume that it included a payment by Alexion.

Colliers is taking a bit of editorial liberty by including this lease in our 4th quarter market report. Our mission is to inform our readers as well as possible and it did not make sense to ignore this deal.

(continued on back page)

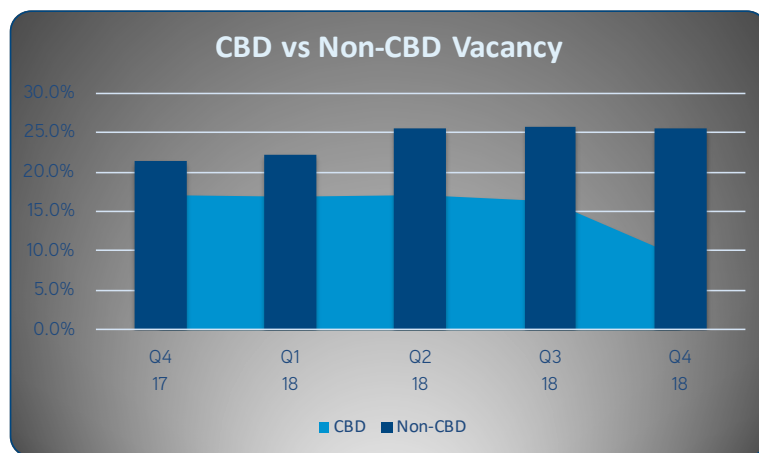
Market Indicators

Relative to prior period

New Haven Q4 2018 New Haven Q1 2019*

| Market Indicator | New Haven Q4 2018 | New Haven Q1 2019* |
|------------------|-------------------|--------------------|
| VACANCY | ↓ | ↓ |
| NET ABSORPTION | + | + |
| CONSTRUCTION | ↔ | ↔ |
| RENTAL RATE | ↔ | ↑ |

*Projected



Market is tight in CBD while high vacancy persists in outlying areas



100 College Street, New Haven

There were other significant developments in the market, including one that is an echo of a megadeal from more than 30 years ago. The parent company of United Illuminating is looking to sublease the last two floors it occupies at 157 Church Street, a 500,000-square-foot building in the center of downtown that was erected in 1987 on the strength of a long-term lease with UI. The utility occupied a major portion of the building until 2012, when it moved most of its office functions to a new headquarters in Orange.

Another large block of sublease space hit the market at 545 Long Wharf Drive when Premier Education Group, an owner of vocational schools, decided to leave the city. That move exacerbated problems for the non-CBD Class A market, whose vacancy rate including sublease offerings is now 45.9 percent.

The New Haven Montessori School took over about 19,000 square feet at 495 Blake Street in Westville that had been leased to the charter school operator Achievement First and, according to the building's broker, is expected to take 20,000 square feet more.

And, continuing a trend, the owners of 746 Chapel Street have decided to convert the 24,000-square-building to apartments.

| NEW HAVEN OFFICE VACANCY Q4 2018 | | | | | | |
|----------------------------------|------------------|------------------|------------------|-----------------|----------------|--------------|
| | INVENTORY | DIRECT AVAILABLE | SUBLET AVAILABLE | TOTAL AVAILABLE | NET ABSORPTION | VACANCY % |
| CBD | | | | | | |
| CLASS A | 1,851,265 | 154,498 | 59,522 | 214,020 | 203,865 | 11.8 |
| CLASS B | 1,224,081 | 67,434 | 2,300 | 69,734 | (986) | 5.7* |
| TOTAL | 3,039,346 | 221,932 | 61,822 | 283,754 | 202,879 | 9.3* |
| NON-CBD | | | | | | |
| CLASS A | 687,052 | 249,326 | 66,162 | 315,488 | (32,963) | 45.9 |
| CLASS B | 1,899,467 | 344,464 | 0 | 344,464 | 38,234 | 18.1 |
| TOTAL | 2,586,519 | 593,790 | 66,162 | 659,952 | 5,271 | 25.5 |
| TOTAL OFFICE MARKET | | | | | | |
| CLASS A | 2,502,317 | 403,824 | 125,684 | 529,508 | 170,902 | 21.2 |
| CLASS B | 3,123,548 | 411,898 | 2,300 | 414,198 | 37,248 | 13.3* |
| TOTAL | 5,625,865 | 815,722 | 127,984 | 943,706 | 208,150 | 16.8* |

Source: John Keogh - Colliers International

*Lower vacancy results from a combination of reduced inventory and new leases

FOR MORE INFORMATION

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Colliers International tracks occupancy levels in 56 office properties throughout the City of New Haven and reports the results on a quarterly basis. Buildings are included in the survey if they are intended for occupancy by more than a single tenant, contain at least 5,000 square feet of rentable office area, meet the generally accepted standards of a Class A or B facility and are occupied principally by non-medical space users. We appreciate the cooperation of the building owners, managers and rental agents who provide information for this report.

To receive this report regularly or for help leasing, buying or selling commercial real estate, please contact us.

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