

# NEW HAVEN | OFFICE

Quarter 3 2018

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## Lots of Activity Yields Little Net Change

Several significant developments took place in the New Haven office market over the last quarter but – since they were almost evenly distributed on the plus and minus side of the vacancy ledger – there was little change in the balance of supply and demand. Overall vacancy in the city improved from 20.8 to 20.6 percent, with most of the available space still concentrated in a small number of Class A buildings.

While none of the aforementioned events was earth-shaking by itself, each pointed to a different trend that gives insight into the city’s evolving economy.

Probably most noteworthy was news that the Holberton School, a California-based institution that teaches software coding, was leasing 18,000 square feet at District, the recently opened James Street tech office and coworking building. Holberton is unusual in that it charges no tuition until its students have found employment. The lease represents two areas of strength for the local business scene: education (been here awhile) and technology (relatively new in town as an economic driver). Landing this deal was a coup for the building’s owners. New Haven will be the school’s second location, with the other in San Francisco.

The market’s largest loss of the quarter was a move out of the building at 1 Long Wharf Drive by the South Central Connecticut Agency on Aging, adding about 30,000 square feet of space to available inventory. The agency, privately run but funded by the State of Connecticut, is relocating to converted retail space in a shopping center at 117 Washington Avenue, North Haven. This deal is interesting because 1 Long Wharf Drive, for years an affordable

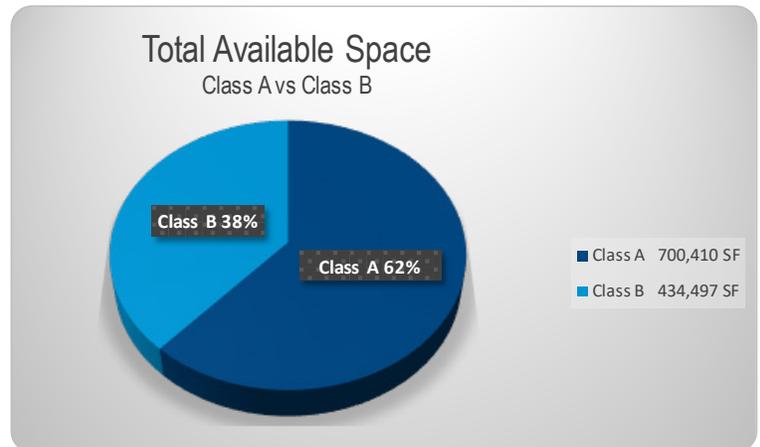
### Market Indicators

Relative to prior period

New Haven Q3 2018    New Haven Q4 2018\*

Market Indicator	New Haven Q3 2018	New Haven Q4 2018*
VACANCY	↓	↓
NET ABSORPTION	—	+
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

\*Projected



More than 60 percent of available office space in New Haven is in Class A buildings.

(continued on back page)



900 Chapel Street, New Haven

home of many social service providers, has been upgraded and transformed. Rents have risen into the \$20s per square foot and most of the tenants are now in the medical field. This prosperity is due to the building's convenient location, its large parking lot and, perhaps most importantly, its proximity to Yale-New Haven Hospital. The hospital's rapid growth over the last 20 years has given a big lift to healthcare in the city and to the office market.

One trend that has helped keep vacancy rates in check in New Haven has been the conversion of office space to apartments. The latest chapter in that story was written in October as PMC Property Group, the owner of 900 Chapel Street, decided to dedicate three floors of the building – already a mixture of offices and apartments – to residential use. This took 39,000 square feet of recently vacated office space off the market, more than offsetting the changes at 1 Long Wharf Drive.

With Yale as its centerpiece and an abundance of cultural and entertainment attractions, New Haven is a nice place to live and, sure enough, thousands of mostly young people have decided over the last decade or so to move here. Many of them live in apartments that have been built in former office buildings and work for local companies in the healthcare and technology fields. As quickly as they have been built, more than 2,000 apartments have filled with renters. Close to 1,000 more are under construction or in advanced planning stages.

NEW HAVEN OFFICE VACANCY Q3 2018						
	INVENTORY	DIRECT AVAILABLE	SUBLET AVAILABLE	TOTAL AVAILABLE	NET ABSORPTION	VACANCY %
<b>CBD</b>						
CLASS A	1,851,265	153,624	264,261	417,885	(6,001)*	23.0*
CLASS B	1,248,081	81,799	0	81,799	(5,332)	6.1
<b>TOTAL</b>	<b>3,063,346</b>	<b>235,423</b>	<b>264,261</b>	<b>499,684</b>	<b>(11,333)*</b>	<b>16.3*</b>
<b>NON-CBD</b>						
CLASS A	687,052	238,642	43,883	282,525	0	41.1
CLASS B	1,899,467	363,9091	18,789	382,698	(6,640)	20.1
<b>TOTAL</b>	<b>2,586,519</b>	<b>602,551</b>	<b>62,672</b>	<b>665,223</b>	<b>(6,640)</b>	<b>25.7</b>
<b>TOTAL OFFICE MARKET</b>						
CLASS A	2,502,317	392,266	308,144	700,410	(6,001)*	28.0*
CLASS B	3,147,548	445,708	18,789	464,497	(11,972)	14.8
<b>TOTAL</b>	<b>5,649,865</b>	<b>837,974</b>	<b>320,652</b>	<b>1,164,907</b>	<b>(17,973)*</b>	<b>20.6*</b>

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 57 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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