

Greater Hartford Office Market Update

YEAR END 2012 MARKET REPORT



RM BRADLEY

CITY OF HARTFORD OVERVIEW

Ongoing uncertainty in the local, national, and international economies all contributed to 2012 being another lackluster year for the city of Hartford's commercial real estate market. Regional unemployment at year end was 8.9% as business owners remain largely pessimistic about the business climate in greater Hartford as we enter 2013. The City of Hartford ended 2012 with its Class A Vacancy Rate remaining around 25% or approximately 1,600,000 square feet. The largest vacancies in the City of Hartford continue to be the 550,000 square feet at Connecticut River Plaza, vacated by UnitedHealthcare in 2009 and 360,000 square feet at 777 Main Street, a Class B building vacated by Bank of America in 2010. In the Class A CBD market, 2012 also turned out to be the year of the "unwilling Landlord." At year end, Goodwin Square, CityPlace II, Constitution Plaza, and Metro Center were all controlled by either a Special Servicer or the project's Lender. It is yet to be seen if these new landlord's will be holders or sellers in 2013. Hartford saw roughly 60,000 square feet of negative absorption in its Class A office market in 2012.

Major new lease transactions in Hartford's CBD included; Care Centrix's 40,000 SF relocation from East Hartford to leasing two floors at 20 Church Street, The Connecticut Healthcare Exchange's lease of 14,300 SF at 280 Trumbull Street, EXL's lease of 11,500 SF at 20 Church Street, TD Bank North's lease of

10,000 SF of retail and office space at Hartford 21, The Back 9 Network's lease of 7,000 SF at 10 Constitution Plaza and Office Resources' lease of 4,900 SF at 100 Pearl Street.

Notable renewals and expansions in the City include; Lincoln Financial's 5 year extension of their 190,000 SF lease at Metro Center and Saint Joseph University's lease of an additional 17,000 SF on the third floor of Hartford 21 office tower. This new space adds to the 33,000 SF the school already occupies in the building. Cantor Colburn expanded by 12,000 SF to a total of 61,000 square feet at 20 Church Street and Axinn Veltrop & Harkrider's renewed their 6,588 SF lease at 90 State House Square to be coterminous with their expansion space which totals 28,200SF.

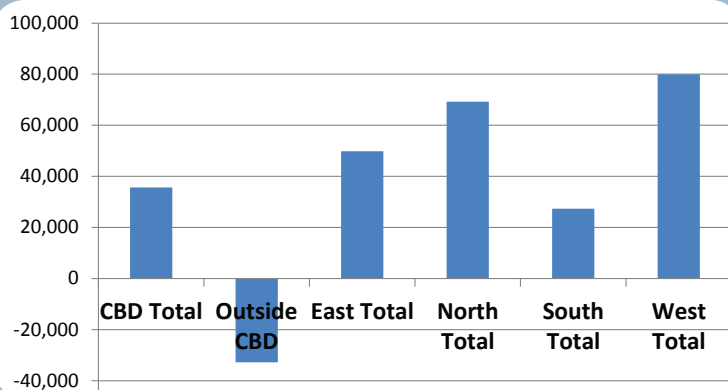
The largest sale transaction in the City was the sale of CityPlace I, now known as UnitedHealthcare Center, to Commonwealth REIT for \$99 million, or \$121 per square foot. Commonwealth later purchased the ground lease from the City of Hartford for an additional \$2 million.

2013 MARKET FORECAST: CITY OF HARTFORD

There is a lack of momentum in the CBD market as we enter 2013. RM Bradley sees rents remaining relatively flat throughout the year with Landlords continuing to offer large improvement allowances and other incentives such as free rent. While we see rental rates remaining flat, a decrease of approximately 20% in real estate taxes, as a result of last years revaluation, may allow Landlords to be even more aggressive in offering incentives to attract tenants to their buildings. As there is little lease roll in 2013, Landlords will continue to fight over the few deals that do come to market this year. With several hundred thousand square feet of leases due to expire in 2014, we should see activity in the second half of the year pick up as those tenants enter the market in advance of their lease expirations.

Another potential factor that could affect vacancy rates this year is the potential deal for the State of Connecticut to purchase Connecticut River Plaza. This could take 550,000

2012 YTD ABSORPTION



* Please note that **Absorption** has been calculated based on the change in vacant square feet in the market from one period to the next.

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square feet out of the class A inventory and immediately reduce the vacancy rate by almost 9 basis points this year. The potential effects of the State's efforts to combat an almost \$1 billion budget deficit could also have an effect on the psyche of the market as uncertainty about budget cuts weigh on the market.

SUBURBAN MARKET OVERVIEW

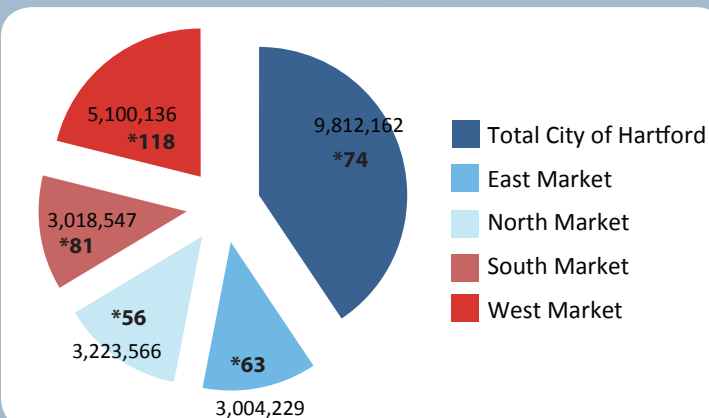
The East Market Class A office direct vacancy is at 8.4% down from 12.4% at year-end 2011. Glastonbury continues to lead the way for upscale tenancies in the East market as well as all of Greater Hartford. The Somerset Square submarket in Glastonbury continues to drive down the vacancy in the market which is at 1.3% compared to 4.62% one year ago. In 2013, several suites will be vacated which will provide some alternatives for tenants looking for space in the East market. After two years of recorded negative absorption in the East market, 2012 closed with 49,800 square feet of positive absorption. Not only are the best quality buildings at historically high occupancy rates but the older Class A and B buildings in East Hartford's Founders Plaza have experienced significant leasing this year. 2012 East Market leases which contributed to positive absorption include; First Alliance Lending's renewal and expansion of 19,000 SF at 111 Founders Plaza in East Hartford, Infotech's 20,800 SF lease at 99 East River Drive in East Hartford, UConn Health Center's 30,500 SF renewal at 99 Ash Street in East Hartford, Gallagher Bassett's

15,800 SF lease renewal at 800 Connecticut Boulevard in East Hartford, CCMC's 8,817 SF lease expansion at 111 Founders Plaza increasing their occupancy in the building to 21,817 SF, CDM Smith's 13,200 SF lease at 111 Founders Plaza, Rockville Bank's 22,000 SF lease of the entire second floor of 45 Glastonbury Boulevard in Glastonbury, American Nuclear Insurers' 10,700 SF renewal at 95 Glastonbury Blvd., and UBC Envision Pharma's 11,000 SF lease at 455 Winding Brook Drive in Glastonbury.

The North Market saw roughly 69,000 square feet of positive absorption in 2012 and ended the year with a 20.1% vacancy rate, an improvement from 2011's vacancy rate of 22.8%. Bloomfield's submarket was largely responsible for the positive absorption recorded in the North Market during 2012, contributing nearly 51,000 SF of positive absorption. Bloomfield also saw a decrease in vacancy from 28.3% to 17.8% over the course of the year. Contributing leasing activity to take place in Bloomfield for 2012 consisted of; CREC's 22,826 SF lease at 206 West Newberry Road, Integralis' lease of more than 11,400 SF at 310 West Newberry Road and New England Graphic Services Inc's lease of 8,700 SF at 204 West Newberry Road. Other important Bloomfield renewals include; Pioneer Optics' 15,000 SF, T Mobile's 10,300 SF and DaVita's 8,800 SF all at 29-35 Griffin Road South. Additional noteworthy leases for the 2012 North Market include; Com-Pak's 30,000 lease at 90 Meadow Road in Windsor, Ohio based Belcan Engineering Group's 17,000 SF lease at 175 Addison Road in Windsor, Sedgwick Claims Services 15,690 SF lease at 100 Corporate Drive in Windsor and Raytel Cardiac Services' renewal of approximately 26,000 SF at 7 Waterside Crossing in Windsor. Also at 175 Addison Road in Windsor, Sun Life renewed its 100,500 SF lease, Stub Hub renewed and expanded to 42,000 SF at 2 Gateway Boulevard in East Granby and UPS Capital renewed their 25,000 SF lease at 425 Day Hill Road in Windsor.

The West Market ended 2012 with a vacancy rate of 20.3% down from 21.9% at year-end 2012. All of the West submarkets saw a decrease in vacancy rates during 2012, with the exception of the Southington submarket, which added an additional 110,000 SF onto the market after The Hartford closed their 110,000 office at 400 Executive Boulevard. The Hartford was also responsible for adding another large block of space to the West market after vacating 108,000 SF at 8 Farm

SUB-MARKET SIZE (SF)



* Represents the number of buildings tracked in each sub-market

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Springs Road in Farmington in early 2012. The entire building was leased to UTC, offsetting the negative absorption for the Farmington market. Overall, the Farmington market ended 2012 with over 70,000 SF of positive absorption. Farmington leases worth noting for 2012 include; AmWINS Brokerage of New England's 14,500 SF lease at 308 Farmington Avenue, Arrowpoint Capital's lease for 4,500 SF and One Source's lease for 3,000 SF at 8 Two Mile Road and John Moriarty & Associates lease for 3,700 SF at 6 Executive Drive. Simsbury's office market also saw positive absorption of 45,000 SF during 2012. Contributing to the positive number were Litchfield Cavo's 10,000 SF lease, Evolution 1's 18,000 SF lease and Forethought's 9,800 SF lease all at 82 Hopmeadow Street. Another Simsbury lease worth noting was Simsbury Bank's relocation and expansion to 23,300 SF at 86 Hopmeadow Street. The bank is expected to be moving their office operations from 760 Hopmeadow Street in early 2013. Other leases of note in the West market for 2012 were; CREC's 45,000 SF short term lease at 20 Security Drive in Avon, The Burgess Group's 7,000 SF lease at 62 Memorial Road in West Hartford, Wells Fargos's 7,000 SF lease at 75 Isham Road in West Hartford, Amtec LLC's 5,000 SF lease at 90-100 Avon Meadow Lane in Avon and Integrated Health Services 5,000 SF lease at 345 North Main Street in West Hartford.

The South Market finished the year off with 27,300 square feet of positive absorption. The South's vacancy rate that started the year off at 21.6% finished off 2012 at 18.5%. Rocky Hill's submarket saw a large decrease in vacancy from 19.3% to 14.7% during 2012. Leasing in Rocky Hill included; Kleinfelder's 10,800 SF lease at 500 Enterprise Drive, Farmer's Insurance Exchange's renewal and expansion to 10,582 SF at Compass Point in Rocky Hill, United International Corp's 6,700 SF lease at 55 Capital Boulevard and Priority Care Incorporated's 6,000 SF lease at 1344 Silas Deane Highway. In Wethersfield, the vacancy rate also significantly decreased from 34% to 29.3% in 2012. A major lease in Wethersfield worth noting was The Art Institute of Connecticut's 31,000 SF lease at 100 Great Meadow Road. Also in Newington, E&S Joint Venture II leased

18,000 SF at 697 Cedar Street.

Throughout the suburban office markets, average asking rental rates have increased slightly to an average of \$18.48 per square foot, up slightly from \$18.24 from last year. This is a result, in large part, to newer high quality space being returned to the market.

NOTABLE 2012 GREATER HARTFORD SALES TRANSACTIONS

Commonwealth REIT purchased CityPlace I, now UnitedHealthcare Center for \$99 million or \$121/SF

KS Partners purchased a 620,000 SF Rocky Hill office portfolio consisting of 175 Capital Blvd and 500 Enterprise Drive in Corporate Ridge and the 1-91 Tech Center from New Boston Fund for \$65 million

Commonwealth REIT purchased 1 Targeting Center a 95,600 SF office building and 235 Great Pond Rd. in Windsor for \$12,158,000 or \$127/SF and \$15,000,000 or \$94/SF respectively

Capital Region Education Council purchased 1101 Kennedy Road, a 169,000 SF office building in Windsor for \$10,100,000 or \$60/SF

MGRE purchased 80 Lamberton Road, a 162,900 SF office building in Windsor for \$7,600,000 or \$47/SF

CREC purchased 176 Cumberland Avenue, a 100,000 SF office building in Wethersfield for \$5,460,000 or \$54.60/SF

44 Dale Rd LLC purchased 44 Dale Road, a 27,000 SF office building in Avon for \$3,190,000 or \$118/SF

MGRE purchased 10 Targeting Center, a 49,000 SF office building in Windsor for \$2,940,000 or \$59/SF

Norcom Mortgage purchased 38 Security Drive, a 34,069 SF office building in Simsbury for \$2,200,000 or \$65/SF

Silas Deane Professional Center purchased 1290 Silas Deane Hwy in Wethersfield, an 89,000 SF office building for \$2,000,000 or \$22/SF

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