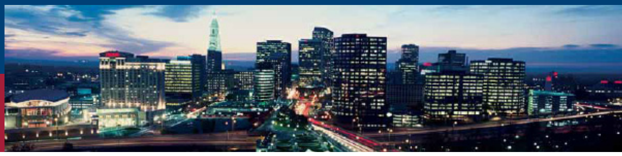
Greater Hartford Office Market Update

YEAR END 2013 MARKET REPORT



RM BRADLEY

CITY OF HARTFORD OVERVIEW

Years from now when we look back at 2013 we may well consider it the start of the long awaited revival of the City of Hartford. The City took great strides forward in 2013, not only with regard to commercial office space, but in several apartment projects many feel are necessary to make Hartford a true 24 hour, 7 day a week city. Hartford now boasts one of the country's lowest apartment vacancy rates and has its lowest Class A vacancy rate in over a decade. In addition, The University of Connecticut announced this year that it will be moving its West Hartford campus to the Front Street Development, adding to the excitement of the continued retail growth downtown. Hartford is finally showing the promise that was envisioned by city and state leaders when the six pillars projects was conceived almost fifteen years ago.

The City of Hartford ended 2013 with a Class A vacancy rate of 16.3% or with just under one million square feet of available space, representing the lowest Class A vacancy rate since 2002. A combination of the State of Connecticut purchasing two Class A office buildings, 55 Farmington Avenue and Connecticut River Plaza, taking almost 840,000 square feet off of the market, the expansion of several of the city's largest tenants and the in-migration of several suburban tenants, all contributed to the drop in the Class A vacancy rate. While not yet completed by the close of 2013, another major suburban tenant will announce a commitment to almost 50,000 square feet at Metro Center early in the 1st quarter of 2014, further reducing the availability of large blocks of Class A space in the CBD. The largest block of contiguous space currently is at 280 Trumbull Street and is approximately 219,000 square feet.

2013 VACANCY RATES

Market	# of buildings	Sum of Total SF	Sum of Vacant SF	Vacancy %	AVG Asking Rental Rates
Hartford CBD Class A	15	6,120,239	997,594	16.30%	$23.15
Hartford CBD Class B	21	1,160,958	355,897	30.66%	$17.03
CBD Total	**36**	**7,281,197**	**1,353,491**	**18.59%**	**$21.54**
Outside CBD	32	1,358,433	135,024	9.94%	$17.53
Total City of Hartford	**68**	**8,639,630**	**1,488,515**	**17.23%**	**$21.18**
East Total	63	3,006,829	366,414	12.19%	$18.95
North Total	56	3,223,566	496,590	15.40%	$15.45
South Total	81	2,974,997	432,352	14.53%	$18.98
West Total	118	5,018,083	1,012,671	20.18%	$20.36
Total Suburban	**318**	**14,223,475**	**2,308,027**	**16.23%**	**$18.82**
Total Greater Hartford	**386**	**22,863,105**	**3,796,542**	**16.61%**	**$19.75**

As mentioned above, several of the City's larger tenants continued to strengthen their commitment to Hartford with lease expansions in 2013. The Travelers, Cornerstone Real Estate Advisers, CareCentrix, and Virtus Investment Partners all leased additional space downtown, totaling almost 162,000 square feet. Suburban tenants and tenants on the periphery of Hartford who relocated into the CBD include; CM Smith from Glastonbury to 100 Pearl Street, Jorden Burt from Simsbury to One State Street and Whittlesey & Hadley who sold their building to CREC and moved to 280 Trumbull Street. These moves totaled almost 60,000 square feet of positive absorption.

Notable renewals in the City included; Shipman & Goodwin at One Constitution Plaza, Guilford Specialty at 100 Pearl Street, Webster Bank and Sparta Insurance at CityPlace II and Rome McGuigan at One State Street.

On the residential front, several older office and hotel buildings have begun or will soon begin the transition to residential units. Work has begun at 201 Ann Street and the former Sonesta Hotel. Construction is expected to start this year at 179 Allyn Street and 777 Main Street. There is a renewed confidence that one of Hartford's most prominent corners, 101 and 111 Pearl Street, at the corner of Pearl and Trumbull Streets, will finally have financing in place to begin construction after over a decade of stops and starts on the city owned properties.

2013 MARKET FORECAST: CITY OF HARTFORD

There is positive momentum in the CBD market as we enter 2014. RM Bradley predicts office rents will remain relatively stable through the year. Landlords will continue to offer generous improvement allowances and other incentives such as free rent to entice tenants. With few large blocks of space available in the city, we predict positive absorption of approximately 80,000 - 100,000 square feet this year. Suburban tenants will continue to see the City as a viable alternative to help attract younger talent as the city continues its move to become a 24/7 city.

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Commercial Brokerage and Property Management

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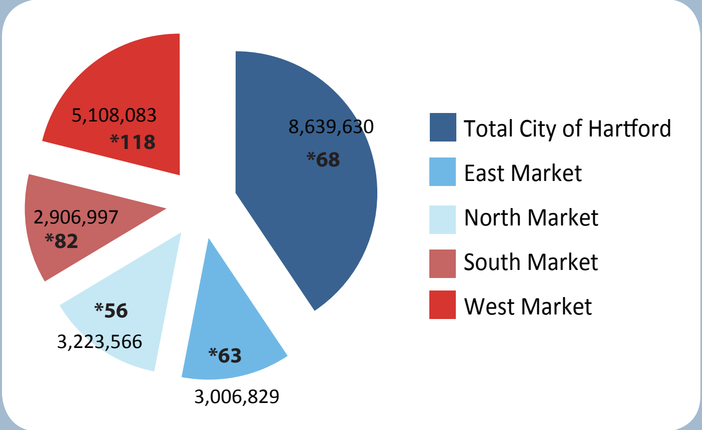
SUBURBAN MARKET OVERVIEW

At years end, the overall office vacancy rate in the **East market** was 12.2% up from 11.5% in 2012. Over the past five years, Glastonbury and East Hartford have featured the lowest vacancy rates in the suburbs. However, in 2013, the East market ended the year with overall negative absorption of 19,254 square feet. Contributing to the negative absorption in the East market was Goodwill's 33,000 square foot relocation out of East Hartford's class B market. On the positive side, there were several leases worth noting in Glastonbury including Parsons Brinckerhoff's 8,547 square foot lease at 500 Winding Brook Drive, Envision Pharma Inc.'s lease of 11,108 square feet at 455 Winding Brook Drive and Capital Indemnity Corp.'s 12,300 square foot lease at 115 Glastonbury Boulevard. In East Hartford, steady leasing activity occurred primarily at 111 Founders Plaza. Quest Global Services renewed 21,000 square feet, Connecticut Children's Medical Center leased 2,722 square feet, Philadelphia Insurance leased 3,500 square feet and Case Corrado, Yazmer & Co leased 3,000 square feet. Renewals of note in the East market include UCONN Medical Center's renewal of 30,500 square feet at 99 Ash Street and Selective Insurance's renewal of 25,700 square feet at 500 Winding Brook Drive.

2014 will be a challenging year for the East as several large tenants including the State of Connecticut, Bank of America and CohnReznick leave approximately 222,000 square feet behind in consolidation and relocation moves. However, leasing activity is brisk as tenants now have the opportunity to lease high quality space which has not been available for several years.

SUB-MARKET SIZE (SF)



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

The **North market** saw a decrease in vacancy from 17.3% to 15.4% at year-end 2013 and the loss of one major building to a school conversion. The Windsor submarket experienced the highest drop in vacancy rate of all suburban towns going from 17.7% to 14.6%, largely affected by Hanover Insurance Group's 34,000 square foot lease at 5 and 7 Waterside Drive in Windsor and Sedgwick Claims Services move into 15,690 square feet at 100 Corporate Drive. Also, Quest Engineering leased 16,500 square feet at 175 Addison Road. Still, Windsor continues to be the suburban submarket with the largest blocks of available space. Currently there are seven buildings offering over 20,000 square feet of contiguous space.

The vacancy rate in the Bloomfield submarket increased to 20.7% from 17.8% in 2013. Most of the Bloomfield market consists of small floor plate buildings near the center of town which are not suitable for the larger corporate tenants currently in the market. Additionally, several buildings have gone through foreclosure over the past two years. New landlords have a lower cost structure which will put further pressure on rental rates.

We project leasing activity in the North market to be steady as existing tenants continue to look to upgrade their space at lease rollover. Landlords with vacancy are offering aggressive rental packages to fill space.

The vacancy rate has held steady at approximately 20% for the past few years in the **West Market.** The only market within the west to see positive absorption in 2013 was the Avon submarket. Avon recorded 18,900 square feet of positive absorption largely due to Global Jet Services and Village Mortgage leases of 10,371 square feet each at 30 Tower Lane. Other leases worth noting in the West Market were; Hartford Healthcare's 41,000 square foot lease at 5 Batterson Park Road, Benecare Dental Plan lease of 8,400 square feet at 195 Scottswamp Road, Accenture's lease of 5,000 square feet at 20 Stanford Drive, Plymouth Rock's lease of 4,600 square feet at 20 Batterson Park Road, eVariant, forced to leave sublease space in Simsbury by Simsbury Bank's new lease, relocated into 14,500 square feet at 308 Farmington Avenue, Arch Reinsurance's lease of 13,500 square feet at 74 Batterson Park Road, Saslow, Lufkin & Buggy's lease of 15,000 square feet and Vesta Corporation's lease of 13,100 square feet at 175 Powder Forest Drive in Simsbury.

The Farmington Avenue corridor around The UCONN Medical

Center continues to see growth in new medical construction. In addition to over 600,000 square feet of new construction on the UCONN Health Center Campus, several other new projects are either just finishing or are under way. 505 Farmington Avenue, a 60,000 square foot building will be totally occupied by the Connecticut Children's Medical Center. The top floor will be utilized as a new surgery center and specialty groups from CCMC will occupy the remainder of the building. 406 Farmington Avenue is in the process of being converted into a 15,000 square foot medical facility for Hartford Healthcare. 195 Farmington Avenue, a multi-tenant office building abutting the UCONN Medical Center Campus, was purchased by UCONN for $5,400,000. This forced almost 15,000 square feet of tenancy out into the market to make way for UCONN to occupy the building.

Major renewals in the market include; McKesson Medical 49,000 square feet at 1690 New Britain Ave, Interim Healthcare's 11,800 square foot renewal at 231 Farmington Avenue in Farmington, Segal Companies 12,900 square foot renewal at 30 Waterside Drive in Farmington and vanZelm Heywood's 26,000 square foot renewal at 10 Talcott Notch Rd.

The **South Market** finished the year off with 15,000 square feet of positive absorption, translating to a year-end vacancy rate of 14.5%. A major contributor to the decrease in vacancy in the market was CREC's lease of 68,000 square feet at 525 Brook Street in Rocky Hill. Another contributor to the drop in vacancy this year was the activity that took place in the Wethersfield submarket. At 1290 Silas Deane Highway, the VNA, Key Human Services and Qualidigm combined to lease over 50,000 square feet. Other leases worth noting were; Whitney Management's lease of 1,600 square feet at 449 Silas Deane in Wethersfield, Allstate Insurance's lease of 28,200 square at 55 Capital Boulevard, Rocky Hill, Zurich Re's 21,996 square foot relocation within 500 Enterprise Drive, and Obrien Tanski & Young's relocation from CityPlace II in Hartford to 500 Enterprise Drive, leasing 9,000 square feet.

Throughout the suburban office markets, average asking rental rates across all classes of space have increased slightly to an average of $18.82 per square foot, up slightly from $18.43 from last year. This is a result, in large part, to newer high quality space being returned to the market. Suburban Class A asking rates range from a high of $35.00 per square foot in West Hartford Center to $17.00 per square foot in North market towns of

NOTABLE 2013 GREATER HARTFORD SALES TRANSACTIONS

Starwood Capital Group purchased Blue Back Square in West Hartford Center, a 573,000 SF office and retail complex for $99,999,999 or $175/SF

The State of Connecticut Purchased 55 Farmington Avenue and Ct River Plaza a total of 841,000 Sf for $52,500,500 or $62/SF
The Freemont Group purchased Metro Center a 293,600 for $22,700,000 or $77.32/SF

The University of Connecticut purchased 195 Farmington Avenue, a 41,950 SF office building in Farmington for $5,400,000 or $128/SF

Capstone Properties LLC purchased 360 Bloomfield Avenue, A 64,137 SF building on 3.85 acres in Windsor for $5,600,000 or $87/SF

Siebar Farmington LLC purchased 10-50 Stanford Drive, a 71,077 SF office building in Farmington for $4,750,000 or $67/SF

Carter Realty Associates LLC purchased Avon Village Marketplace, a 58,891 SF office and retail complex in Avon for $4,500,000 or $76/SF.

MGRE purchased 525 Brook Street, a 68,000 SF office building in Rocky Hill for $2,100,000 or $31/SF

Hands on Hartford purchased 45-55 Bartholomew Avenue in Hartford, the former Spaghetti Warehouse for $1,800,000 or $81/SF

10 Waterchase LLC purchased 10 Waterchase Drive, a 12,759 SF office building in Rocky Hill for $1,000,000 or $78/SF

Industrial Builders & Realty purchased 2 Batterson Park Road, a 20,500 SF office building in Farmington for $900,000 or $44/SF

Icarus Real Estate Management LLC purchased 35 Tower Lane, a 15,060 SF office building in Avon for $700,000 or $46/SF

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