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Office market on the upswing

By Cara Baruzzi, Register Business Editor

Despite the economic downturn and the toll it has taken on the residential real estate market, New Haven's office market showed resiliency during the second quarter, with vacancy rates shrinking from a year ago.

The latest quarterly report from Colliers Dow & Condon in New Haven found the city had an overall vacancy rate of 13.9 percent last quarter, down from 15.2 percent in the second quarter of 2007.

Within that overall rate, Class A vacancy grew from 10.7 percent a year ago to 14.4 percent last quarter, while Class B vacancy shrank from 18 percent to 13.6 percent.

"The market seems to be holding up very well in a time when the economy is in a downturn," said John Keogh, senior broker at Colliers Dow & Condon, who compiles the quarterly report.

The report tracks occupancy levels in 52 office properties in New Haven.

As usual, vacancy rates were higher outside the city's central business district than they were within the district in the second quarter.

The central business district's vacancy rate was 8.9 percent, compared with 9 percent a year ago, while the rate for the rest of the city was 20 percent, compared with 22.3 percent a year ago.

The biggest stabilizing factor in the city's office scene, said Keogh, is the continued expansion of Yale University and Yale-New Haven Hospital.

During the second quarter, Yale University committed to leasing 165,000 square feet of space at 25 Science Park, which will house administrative functions including some human resources and information technology workers, according to Keogh.

That lease helped offset a relatively large exodus — AT&T Inc.'s announcement that it will vacate 120,000 square feet at 555 Long Wharf Drive in the Long Wharf Maritime Center, he said.

“We still have a very solid and healthy market here in New Haven,” said Chris Nicotra, managing principal at Olympia Properties, a local developer that owns 19 office and retail properties in New Haven and six others in surrounding towns.

“The good (real estate) has a lot of demand,” Nicotra said of both office and retail commercial space.

“There’s a demand for the space and there’s not a lot of space to choose from.”

That dynamic, Keogh said, is causing some landlords to raise rents.

Beyond the city, in the suburbs, the office market also continues to show strength despite a weak economy, said Kristin Geenty, president of The Geenty Group Realtors in Branford.

One factor driving activity, she said, is that tenants are looking to relocate in order to cut down on commuting lengths and gas expenses.

“The suburbs are more fuel price-sensitive than people in the city,” Geenty said.

“Fuel prices are definitely a thought,” she said, with tenants considering not only how far they and their staff have to commute, but also taking into account fuel surcharges that are tacked on to deliveries.

Overall, though, the market remains strong in the suburbs, she said.

“We’re almost flying in the face of the national news.”

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