

Demand for office space in city stable

Saturday, July 18, 2009

By Cara Baruzzi, Register Business Editor

NEW HAVEN — So far immune to much of the turmoil that has rocked the housing market, the city's office real estate market remains stable compared with a year ago, according to the latest data from Colliers Dow & Condon.

In the second quarter, the overall office vacancy rate was 13.2 percent, relatively unchanged from 13.9 percent a year ago. The real estate firm tracks occupancy levels in 57 office properties in the city.

Despite "a huge amount of concern" that office tenants will downsize as businesses struggle in the recession, that fear has so far not panned out, said John Keogh, senior broker at Colliers Dow & Condon, who compiles the quarterly report.

"With what's going on with the economy, that's what everybody's been expecting. But, up to this point, there's been very little of that," he said. "The other shoe hasn't dropped yet."

As a result, space remains relatively tight in the city, particularly downtown.

"In this economy, tenants expect to get better deals," he said. "But the fact is, in New Haven, especially downtown, there's not that much space available."

That means rents are holding up even in a weak economy, said Chris Nicotra, managing principal at Olympia Properties.

"We're not seeing big increases in rental rates, but we're also not seeing big decreases," he said. "Landlords are able to get their price and tenants are able to get the space they want downtown."

As usual, the central business district is more popular with tenants than the outlying areas. The vacancy rate in the central district was 8.7 percent last quarter, while the rate for the rest of the city was 18.5 percent.

"There is very little new space that has come onto the market in the past few years, which has helped us in the current recession," said Barbara Pearce, president of North Haven-based H. Pearce Real Estate. "We seem to be in much better shape than other similar cities because our mix of tenants is not as heavily impacted by the current downturn as might be true in other places."

Among notable second-quarter leasing activity, various tenants — including Yale University and Connecticut Innovations — leased a total of 11,000 square feet at 25 Science Park. Carestream, which specializes in medical imaging, announced it will vacate its 25,000 square feet at 25 Science Park this fall to move to Woodbridge, Keogh said.

Beyond the city, the suburban market also remains stable, said Kristin Geenty, president of The Geenty Group Realtors in Branford.

Spaces are staying vacant, on average, eight to 12 weeks longer than they would have a year ago, but Geenty said there is still demand for space — particularly medical and small office sites.

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