

Office real estate market in New Haven is 'stable'

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NEW HAVEN — Despite continuing shakiness in the region's economy, the city's office real estate market continues to remain stable, according to new data from Colliers Dow & Condon.

The real estate firm, which tracks occupancy levels in 53 office properties throughout the city, said New Haven's overall vacancy rate in the second quarter of this year was 11 percent, down from 13.2 percent a year earlier.

"It's stable," said John Keogh, senior broker at Colliers Dow & Condon, who compiles the report. "Vacancy is low. Activity is not that great, but it never is here. It's very rare that you see a lot of leasing activity in this market."

The city owes much of its stability to Yale University, which owns and leases many properties, as well as law firms and state agencies.

Some had wondered if Yale's purchase several years ago of the former Bayer Corp. site in West Haven would draw some Yale-affiliated tenants out of New Haven and into the suburb, but that has not happened, Keogh said.

He expects the city office market to remain stable, though the tenant mixes at Science Park and 157 Church St. could change. New office space may be built, if plans are approved, in Science Park, and the United Illuminating Co. will vacate space at 157 Church St. in the next few years.

As usual, the central business district had less vacant space than other parts of the city. The central district vacancy rate was 9.3 percent in the second quarter, up from 8.7 percent a year earlier, while the rest of the city's vacancy rate fell to 13.5 percent, from 18.5 percent a year ago.

The vacancy rates of the central business district and other parts of the city are used to derive the overall vacancy rate.

"Traditionally, all kinds of (leasing) activity slows down in New Haven in the summertime," said Chris Nicotra, managing principal at Olympia Properties.

This summer, however, the market seems to be holding its own, he said — as have rental rates. “Rents are staying the same, if not going up,” he said, showing demand persists for prime office space in the city, especially downtown.

Large office spaces remain particularly hard to come by for would-be tenants, said Barbara Pearce, president of H. Pearce Real Estate in North Haven.

“Big tenants are having trouble finding suitable accommodations,” she said, and some uncertainty persists among tenants in the shaky economy. “Smaller tenants are less likely to pull the trigger, and they have needs that remain unfulfilled, while they try to figure out where the economy is heading.”

In some cases, landlords are offering concessions to tenants to keep them, Pearce said.

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