



Although average prices for properties in the Hartford commercial real estate market are well below both regional and national levels, the economy may force capitalization rates upward as investment in the area continues to be volatile.

Demographics & Economy

Population:

2006 (est.): 1.2 million
2011 (proj.): 1.23 million

Unemployment Rate:

Hartford - 3.9%
Connecticut - 3.7%
National - 4.5%

Office

- RERC's transaction analysis indicates the average price of office space in the Hartford area is \$104 per square foot, well below both the East regional average price of \$200 per square foot and the national average price of \$167 per square foot.

- The average capitalization rate for the Hartford office sector is 7.3 percent, slightly higher than the East regional average of 7.1 percent and the national average rate of 7.2 percent.

With a lower average price per square foot than that of the national average, the capitalization rate for the Hartford office market is slightly higher than national and regional rates. Population growth is expected to be low during the next 5 years, indicating a possible slowdown in the economy and demand for office space. This could reduce office fundamentals in the area.

Industrial

- RERC's transaction analysis indicates the average price for industrial space in the Hartford area is \$55 per square foot, lower than both the East regional average and the national average of \$84 per square foot and \$83 per square foot, respectively.
- The average capitalization rate for the Hartford industrial market is 7.3 percent, in line with both the regional and national average capitalization rates.

The Hartford industrial market is seeing many of the same trends and characteristics as the city's office market. Although the industrial market seems to be underpriced, little growth is expected, and possible further decline in values is possible.

Retail

- RERC's transaction analysis indicates retail space in the Hartford area is selling for an average price of \$102 per square foot, well below both the East regional and national averages of \$199 per square foot and \$169 per square foot, respectively.

- The average capitalization rate for Hartford retail properties is 6.6 percent, 30 basis points below both the regional and national rates.

With a lower capitalization rate, as well as a lower average price per square foot, there are mixed messages from the Hartford retail market. Retail properties in the Hartford area may appear to be a good investment, however, with an economy that is not expected to see much growth, the market is likely to see a decrease in retail property values over the coming year.

Apartment

- RERC's transaction analysis indicates the average price for apartment properties in the Hartford area is \$66,797 per unit, well below both the regional and national averages of \$128,020 per unit and \$107,833 per unit, respectively.

- The capitalization rate for the Hartford apartment market is 6.0 percent, slightly lower than the regional average of 6.1 percent and the national rate of 6.3 percent.

As with the other property sectors in the Hartford region, the apartment market has low capitalization rates and low prices. However, the area's relatively slow economy may reduce demand for apartment properties, possibly causing fundamentals to decline.

Hotel

- The average sale price for hotel properties in the Hartford market is \$50,612 per unit, substantially lower than both the regional and national average prices of \$147,952 per unit and \$110,713 per unit, respectively, according to RERC's transaction analysis.

- The average capitalization rate for hotel properties in Hartford is 8.1 percent, lower than both the regional and national average capitalization rates of 8.4 percent and 8.7 percent, respectively.

Hotel fundamentals are likely to decrease, and hotel properties are likely to experience declining values.

National Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)

	Office	Industrial	Retail	Apartment	Hotel	Total
Volume (in millions)						
<\$2 million	\$2,307	\$4,047	\$4,070	\$5,669	\$220	\$16,312
\$2-5 million	\$3,910	\$5,701	\$6,222	\$5,910	\$926	\$22,668
>\$5 million	\$155,131	\$32,581	\$50,896	\$87,663	\$33,689	\$359,961
All	\$161,348	\$42,328	\$61,188	\$99,242	\$34,835	\$398,942
Unit Price Averages						
<\$2 million	\$103	\$68	\$103	\$92,566	\$53,998	-
\$2-5 million	\$167	\$96	\$216	\$128,810	\$59,767	-
>\$5 million	\$209	\$104	\$250	\$126,410	\$137,649	-
All	\$167	\$83	\$169	\$107,833	\$110,713	-
Median of all	\$137	\$66	\$123	\$86,170	\$82,776	-
Capitalization Rates (All)						
Range	4.7 - 10.5	4.8 - 11	4.4 - 10.4	3.8 - 10.6	5.7 - 12.3	3.8 - 12.3
Average	7.2	7.4	6.9	6.3	8.7	7.3

East Region Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)

	Office	Industrial	Retail	Apartment	Hotel	Total
Volume (in millions)						
<\$2 million	\$452	\$789	\$817	\$888	\$28	\$2,974
\$2-5 million	\$881	\$1,080	\$1,264	\$1,749	\$146	\$5,119
>\$5 million	\$62,999	\$8,110	\$12,157	\$30,547	\$8,698	\$122,511
All	\$64,287	\$9,914	\$14,178	\$33,144	\$8,861	\$130,384
Unit Price Averages						
<\$2 million	\$95	\$56	\$98	\$81,790	\$54,731	-
\$2-5 million	\$157	\$97	\$239	\$158,133	\$48,372	-
>\$5 million	\$258	\$127	\$338	\$174,721	\$182,367	-
All	\$200	\$84	\$199	\$128,020	\$147,952	-
Median of all	\$146	\$57	\$124	\$87,004	\$94,017	-
Capitalization Rates (All)						
Range	4.7 - 10	4.8 - 9.9	4.7 - 10.4	4.2 - 9	5.9 - 11.5	4.2 - 11.5
Average	7.1	7.3	6.9	6.1	8.4	7.2

Hartford Transaction Breakdown (Jan. 1, 2006 - Dec. 31, 2006)						
	Office	Industrial	Retail	Apartment	Hotel	Total
Volume						
<\$5 million	\$24	\$59	\$50	\$112	\$4	\$248
>\$5 million	\$411	\$100	\$400	\$140	\$20	\$1,071
All	\$435	\$158	\$450	\$252	\$24	\$1,319
Unit Price Averages						
<\$5 million	\$97	\$52	\$74	\$62,874	\$37,541	-
>\$5 million	\$109	\$80	\$186	\$108,213	\$59,325	-
All	\$104	\$55	\$102	\$66,797	\$50,612	-
Median of all	\$80	\$46	\$76	\$55,000	\$52,451	-
Capitalization rates (all)						
Range	5.5 - 9.1	5.5 - 9.1	5 - 8.3	4.5 - 7.5	6.1 - 10.1	4.5 - 10.1
Average	7.3	7.3	6.6	6.0	8.1	7.1

NCREIF Real Estate Index Returns - 4Q 2006					
	Office	Industrial	Retail	Apartment	Average
Total Return					
1-Year Rate	13.10%	-	10.50%	12.10%	11.80%
3-Year Rate	18.10%	-	13.70%	17.10%	16.40%
5-Year Rate	14.30%	-	12.80%	14.00%	13.70%
10-Year Rate	18.10%	-	-	-	15.00%
15-Year Rate	13.50%	-	-	-	12.10%
Income Return					
1-Year Rate	6.80%	-	7.10%	5.30%	6.60%
3-Year Rate	7.30%	-	7.80%	6.30%	7.20%
5-Year Rate	7.50%	-	8.40%	6.70%	7.60%
10-Year Rate	8.40%	-	-	-	8.30%
15-Year Rate	9.40%	-	-	-	8.60%
Allocation					
	Office	Industrial	Retail	Apartment	Other
1-Year Average	44%	0%	36%	20%	0%
3-Year Average	48%	0%	32%	19%	0%
5-Year Average	53%	0%	29%	18%	0%
10-Year Average	53%	0%	28%	11%	7%
15-Year Average	45%	0%	19%	7%	29%

Sources: RERC and National Council of Real Estate Investment Fiduciaries

Noteworthy Transactions

- The 55,000-square-foot industrial property located at 140 Van Block Ave. sold for \$1.6 million, or about \$30 per square foot, well below the average price of \$52 per square foot for area industrial properties selling for less than \$5 million.
- A six-unit apartment property located at 653 Maple Ave. sold for \$343,000, or \$57,167 per unit, below the average price of \$62,874 per unit for apartment properties in the Hartford area selling for less than \$5 million.
- The 7,103-square-foot industrial property located at 229-231 Hamilton St. sold for \$300,000, or \$42 per square foot, about 20 percent less than the average price of \$52 per square foot for industrial properties in the area selling for less than \$5 million.