

# INVESTMENT FORECAST

Office  
New Haven-Fairfield County Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Labor Market Milestone Bodes Well for Local Retailers; Investment Activity on Par With Historical Norms

**Southern Connecticut demonstrating resilience to recent tenant shifts.** After nearly returning to the pre-pandemic level in 2022, the market's overall vacancy rate has since risen 80 basis points. That said, last year's increase was due entirely to greater availability among New Haven County single-tenant properties. Such spaces were relinquished on net in the second half of 2024, as retailers such as Bob's Stores, Party City, and Stop & Shop closed locations here and elsewhere in the state. Falling vacancy last year across all other segments of the market, however, provides encouragement. The retail outlook is further brightened by total employment across the two counties climbing back above 800,000 people last year — a feat last achieved in 2000. A greater number of higher-earning households supports consumer spending and retailers' need for space in aggregate. New supply is picking up this year; however, most floorplans are well accounted for. As such, availability in many segments of the market will continue to be limited, supporting the backfilling of recently vacated properties.

**Multifamily trends influencing retail investment.** While down from the 2022 peak, trading velocity last year was on par with the 2015-2019 span, indicating investors have not been overly deterred by elevated borrowing costs. Sales activity did, however, lean toward Fairfield County over New Haven, in contrast to some prior years. Investment may take a similar shape this year, given both comparatively tighter vacancy and a more pronounced rise in the number of occupied apartments in the former county. In line with the retailer benefits of these added rooftops, buyers continue to favor grocery-anchored shopping centers of both value-oriented and specialty formats. Single-tenant activity has leaned closer to the New York border in places like Greenwich.

## 2025 MARKET FORECAST

+0.6%



**EMPLOYMENT:** The pace of employment growth returns to a level on par with 2023 as about 4,500 positions are created. A nationally tight unemployment rate constrains local hiring.

335,000  
sq. ft.



**CONSTRUCTION:** The largest completion slate since 2019 nevertheless only constitutes a 0.4 percent increase to existing stock. The most space will open in Cheshire, followed by Norwalk.

-10 bps



**VACANCY:** Overall vacancy will inch down to 5.3 percent this year, supported by a sub-4 percent level in Fairfield County. The measure is nevertheless 80 basis points above the 2014-2019 average.

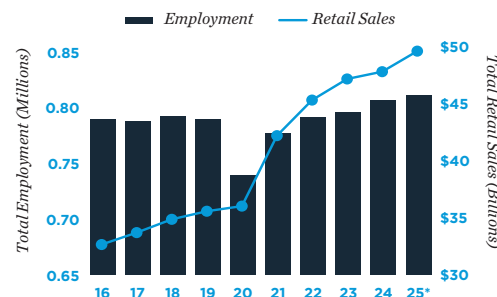
+1.7%



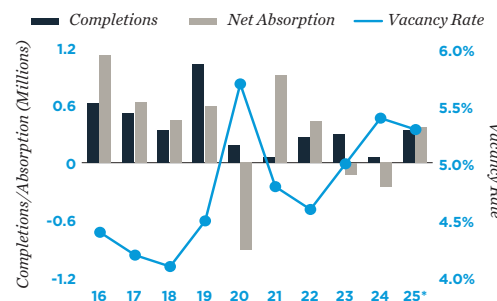
**RENT:** Upward momentum in asking rates in New Haven County is offset by more stable rents in Fairfield County, translating into a nominal increase in the overall mean to \$24.22 per square foot.

**INVESTMENT:** *The combination of low vacancy with recent and planned store closures opens the door to acquire assets set for backfilling. While not the norm, such trades did occur last year with lower entry costs.*

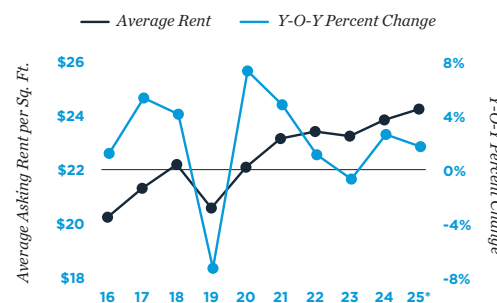
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

**New Haven Office:**

**John Horowitz**

Senior Vice President, Regional Manager

265 Church Street, Suite 210

New Haven, CT 06510

Tel: (203) 672-3300 | john.horowitz@marcusmillichap.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.