

INVESTMENT FORECAST

Office
New Haven-Fairfield County Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Vacancy Decreases for a Third Year, Distinguishing New Haven-Fairfield County Among Its Peers

Amid a tight Class B and C market, demand is improving for higher-end offices. Vacancy in New Haven-Fairfield County is on track to end this year more than 100 basis points below its 2019 mark — a feat shared only by Las Vegas. While Class B/C availability is less than half the top-tier level, downward vacancy momentum is most apparent in Fairfield County Class A offices. The rate fell by triple-digit basis points in 2024, and new move-ins are slated for 2025. Financial services firms such as GHK Capital Partners and Cook Pine Capital, as well as watch designer Timex Group, are scheduled to take up high-end space in the county this year. Commitments like these, consistently under 20,000 square feet, reflect demand for smaller floorplans; still, overall leasing activity is improving. Nearly as much space was claimed last year as in 2021 or 2022, reaching about 90 percent of the 2015-2019 annual average. Although this does not account for move-outs, this trend nevertheless underscores steady improvement in the local office sector.

Reduced activity shared across the region. While transaction velocity was down 33 percent in 2024 compared with the 2014-2019 annual average, properties are still changing hands across the market. Trades last year were roughly split between New Haven and Fairfield counties — a contrast to before the pandemic when the latter county tended to record more deals. Comparatively tighter vacancy and lower entry costs may be factors. New Haven's vacancy rate was half that of Fairfield County's in 2024, with trades under \$100 per square foot more common in the former county. Overall, though, the average sale price dropped less than in 2023, suggesting a potential pricing floor may soon be in reach, which could aid future sales. Offices also changed hands last year at a mean cap rate of 8.1 percent, exceeding that of other nearby major metros.

2025 MARKET FORECAST

+0.6%



EMPLOYMENT: While down from last year, employers will create about double the number of jobs in 2025 as on average in 2014-2019. The number of typically office-based roles edges up by 700 on net.

21,000
sq. ft.



CONSTRUCTION: Nearly 900,000 square feet is underway or proposed for delivery after 2025, but completions this year are minimal. A medical office building in Middlebury is the main delivery of note.

-90 bps



VACANCY: The market's vacancy rate will decrease for the third straight year, ending 2025 at 15.2 percent. Since 2014, vacancy has only dipped below 16.0 percent in eight quarters.

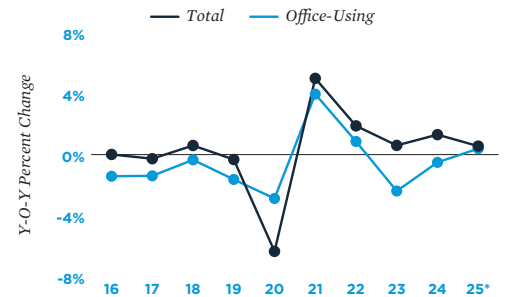
-1.6%



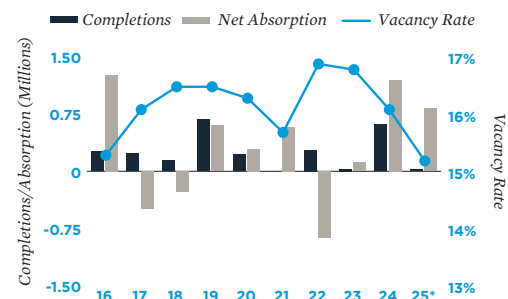
RENT: While the amount of vacant space is declining, demand has yet to translate into meaningful upward momentum in asking rents. The mean rate ends 2025 down slightly at \$24.94 per square foot.

INVESTMENT: *The market for post-1999 builds, or offices larger than 50,000 square feet, remains slim. Roughly 75 percent of trades last year were below that threshold in size, with a mean age of 59 years.*

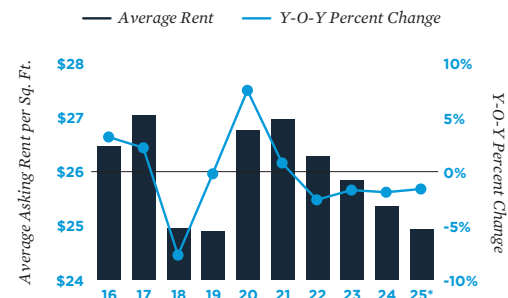
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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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.