

**TREVOR DAVIS**  
COMMERCIAL REAL ESTATE LLC

# Middletown Commercial Real Estate Report

First Quarter 2009

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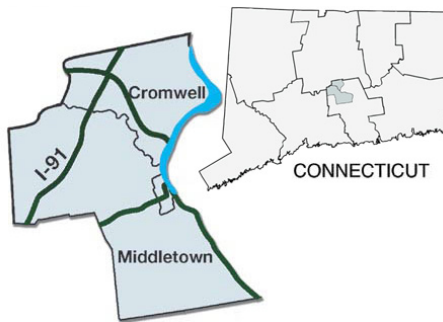
A slower pace has come to the commercial real estate market in Middletown and Cromwell due to the national and international recession, but there is still a healthy balance of supply and demand here. Availability rates have risen in general only slightly, but in some cases have indeed gone down. The commercial markets are clearly healthier than the residential, although the unavailability of attractive lending terms is beginning to have a chilling effect on new and existing commercial sales.

Notably, Downtown Class A vacancy is only 7.1%. This is usually a sign that there is an undersupply,

almost astonishing given that Downtown Middletown is probably the only city in Connecticut where there have recently been two new competitive buildings built, albeit small. Both of these are mixed use with retail on the street level and office space on the upper floors. Class B and C rates are understandably somewhat

higher, but the overall availability rate in Downtown Middletown is only 9.1%.

Suburban office space is closer to, but still lower than the larger Hartford and New Haven markets. Middletown is measured at 11.4% and Cromwell 15.2% compared to the larger cities' rates measured by different firms between 15% and 19%. *(continued)*



## TREVOR DAVIS COMMERCIAL REAL ESTATE Northern Middlesex County • 1st Quarter 2009

Office Market Report

Sub Market	Class	Number of Buildings	Total Space (square feet)	Available Space (square feet)	Availability Rate (4)	Asking Lease Rate Range (PSF/YR)
Downtown Middletown	A (1)	5	261,707	18,630	7.1%	\$16.00 - \$25.00
	B (2)	13	249,593	19,114	7.7%	\$9.00 - \$16.00
	C (3)	13	107,290	18,344	17.1%	\$7.00 - \$12.00
	<b>Subtotal</b>	<b>31</b>	<b>618,590</b>	<b>56,088</b>	<b>9.1%</b>	
Suburban Middletown	A	14	507,862	60,451	11.9%	\$17.00 - \$19.00
	B	18	276,248	29,049	10.5%	\$12.00 - \$15.00
	<b>Subtotal</b>	<b>32</b>	<b>784,110</b>	<b>89,500</b>	<b>11.4%</b>	
	<b>Middletown Total</b>	<b>63</b>	<b>1,402,700</b>	<b>145,588</b>	<b>10.4%</b>	
Cromwell	A	4	33,000	8,500	25.8%	\$17.00 - \$21.00
	B	8	114,602	13,875	12.1%	\$13.00 - \$19.00
	<b>Subtotal</b>	<b>12</b>	<b>147,602</b>	<b>22,375</b>	<b>15.2%</b>	
<b>Total Office Market</b>		<b>75</b>	<b>1,550,302 sf</b>	<b>167,963 sf</b>	<b>10.8%</b>	

Market Coverage: Includes all office buildings 5,000 square feet and greater in size which are not State owned. Lease Rates are Gross Modified (plus Janitorial Services and Parking). Notes: (1) Class A: Built after 1980 with ADA compliance and higher than average rental rates. (2) Class B: Built after 1960 or renovated with elevators or newer building without total ADA compliance and average rental rates. (3) Class C: Older buildings that have not been renovated, access by stairs only, lower rental rates. (4) Vacancy rates include subleases. Information herein has been obtained from resources believed to be reliable. While we do not doubt its accuracy, we make no guarantee, warranty or representation about its accuracy and completeness. **This information may not be reproduced without prior written permission of Trevor Davis Commercial Real Estate LLC.** © 2009 Trevor Davis Commercial Real Estate LLC

Industrial Market Report

	Number of Buildings	Total Space (square feet)	Available Space (square feet)	Availability Rate (3)	Asking Lease Rate Range (PSF/YR)
<b>Middletown</b>	81	3,373,199	286,976	8.5%	\$3.00 - \$8.50
<b>Cromwell</b>	19	416,923	3,500	2.2%	\$4.25 - \$9.50
<b>Total Industrial Market</b>	<b>100</b>	<b>3,790,122 sf</b>	<b>290,476 sf</b>	<b>7.8%</b>	

Market Coverage: Includes all Industrial Buildings 10,000 square feet and greater in size which are not State owned, boat storage or airport hangers. Lease Rates are Triple Net (NNN), meaning net of all taxes, utilities, insurance and common area maintenance (CAM). Note: (1) Vacancy rates include subleases. Information herein has been obtained from resources believed to be reliable. While we do not doubt its accuracy, we make no guarantee, warranty or representation about its accuracy. **This information may not be reproduced without prior written permission of Trevor Davis Commercial Real Estate LLC.** © 2009 Trevor Davis Commercial Real Estate LLC

# Historical Office Market Report

The industrial availability rates of Middletown are slightly higher than we measured previously, but still quite healthy at 8.5% compared to Hartford and New Haven's 9% to 13%. For this Report we removed a Cromwell building that has been unavailable for occupancy for over 5 years due to the environmental liability, thereby bringing the vacancy rate for industrial buildings in Cromwell down below 3%.

Due to the economy and the perceived distress in the market, rental rates and sales prices per square foot are being challenged by tenants and buyers. So far, the landlords and sellers have had little justification to lower them, but continued pressure will force the most motivated to lower their rates.

We should note that, because of its size, we have treated the Aetna health insurance building as an owner occupied structure, even though it technically isn't. They intend to vacate this 1.4 million sq. ft. office complex sometime in 2010. The owners are currently evaluating the reuse potential, although it is unlikely to become a multi-tenant building.

The Renaissance continues in the Downtown with the addition of live music to the restaurant mix. The new projects are occupied as the newest one is announced, a 'green' building in the North end of Main St. for the Community Health Center.

Sub Market	Class	2003 Q3	2004 Q3	2005 Q3	2006 Q3	2007 Q3	2008 Q1	2009 Q1
Downtown Middletown	A	0.0	0.0	0.0	0.0	10.3	0.0	7.1
	B	12.1	12.9	11.9	11.9	4.7	11.9	7.7
	C	20.4	19.5	34.3	27.9	5.8	24.6	17.1
Subtotal		9.5%	9.3%	11.5%	10.3%	7.1%	9.7%	9.1%
Suburban Middletown	A	10.3	10.3	3.2	3.5	7.7	3.1	11.9
	B	17.0	17.4	5.4	13.4	9.3	11.7	10.5
	Subtotal	11.7%	11.3%	13.1%	7.0%	8.3%	6.4%	11.4%
Middletown Total		11.7%	11.3%	5.5%	8.5%	7.8%	7.9%	10.4%
Cromwell		10.2	8.9	8.3	5.5	10.4	10.2	15.2
<b>Total Office Market</b>		<b>13.1%</b>	<b>12.6%</b>	<b>10.2%</b>	<b>9.8%</b>	<b>8.0%</b>	<b>9.6%</b>	<b>10.8%</b>
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This is the first time we have made public the historical rates for our Reports. Due to the evolution of the research data, the only group that presents a true and interesting perspective is the Middletown and Cromwell office market. Most of the noticeable jumps occur when a building is classified differently, such as the hospital purchasing a competitive building that would therefore be removed from our calculations.

However, the trend lines clearly follow the economy of our state and nation. Although upper Middlesex County is relatively small there is a vibrancy that visitors notice in Downtown Middletown. A return to the cities is a global trend, but Middletown far surpasses most cities. This attractive Downtown has blossomed from fruits of long efforts by the City, Middlesex Chamber, Downtown Business District, Wesleyan University and many businesses and individuals.

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## TREVOR DAVIS COMMERCIAL REAL ESTATE LLC

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