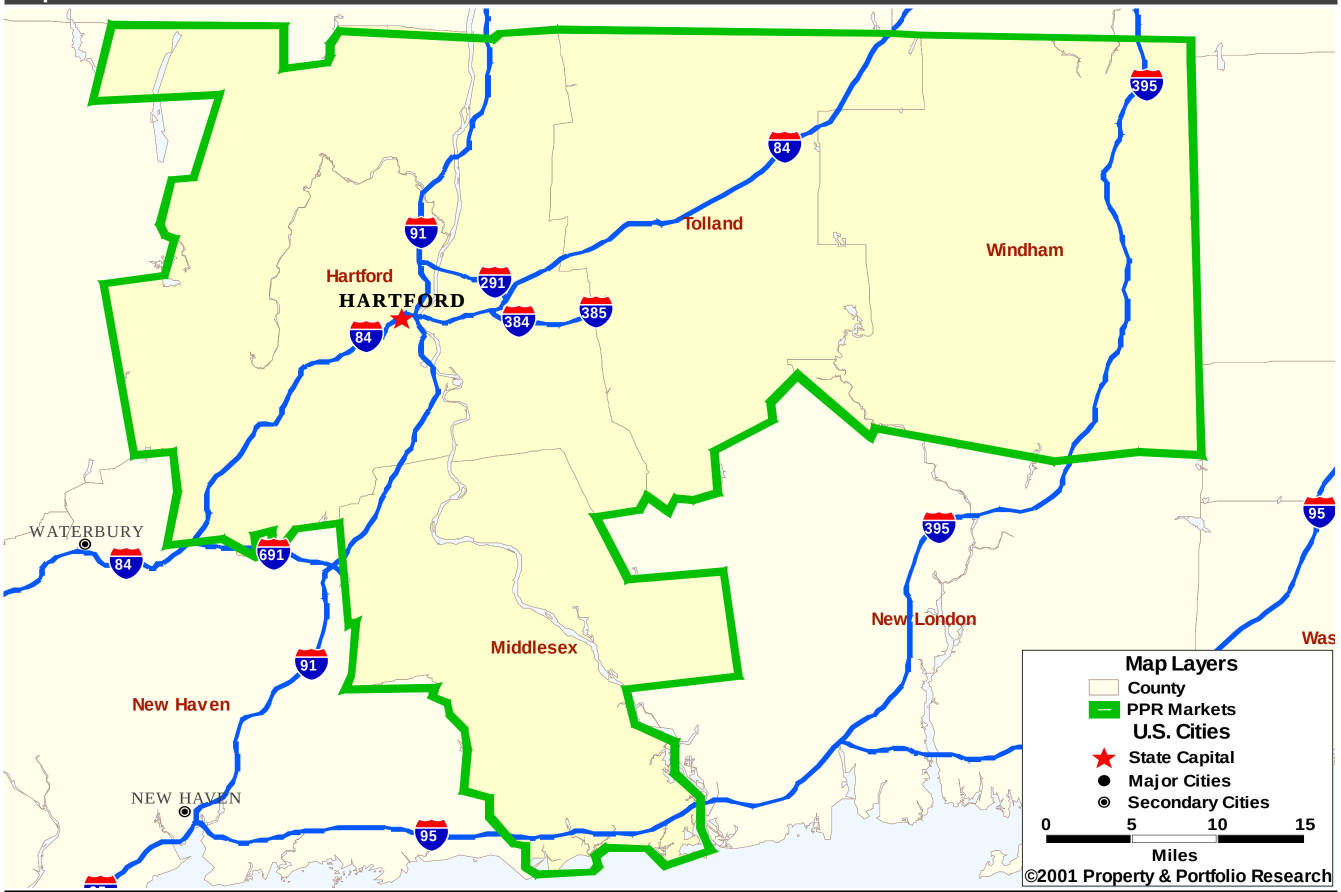
HARTFORD

Overview

Map



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*			Net New Supply (000SF)**			Net Absorption (000SF)**		
	Min	Current	Max	Min	Current	Max	Min	Current	Max
Apartment	3.4% (85:3)	⇧ 8.6%	8.6% (02:2)	-423 (96:3)	⇧ 220	2,634 (87:2)	-1,330 (93:3)	⇩ -331	1,692 (85:1)
Office	4.9% (82:1)	⇧ 17.9%	24.7% (90:4)	-59 (97:1)	⇩ 535	3,351 (83:4)	-831 (96:2)	⇩ -404	3,749 (86:4)
Retail	4.0% (87:4)	⇧ 17.2%	22.8% (82:1)	16 (83:1)	⇩ 626	1,068 (97:2)	-769 (91:1)	⇩ -494	1,917 (99:4)
Warehouse	1.1% (84:2)	⇧ 11.6%	11.6% (02:2)	67 (97:2)	⇧ 456	952 (88:4)	-1,041 (89:4)	⇩ 71	1,008 (82:2)
Hotel	68.2% (88:1)	⇩ 61.5%	55.2% (91:4)	-36 (97:4)	⇧ 599	1,296 (87:4)	-355 (91:4)	⇩ -127	432 (90:1)

*Occupancy for Hotels

**Apartment and Hotel data are in units.

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Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON – The economic downturn remains more severe in Hartford than in the rest of the nation** and total employment contracted by 2.1% or just over 12,000 jobs during the year ending in June. **Every major employment sector is trimming jobs**, but cuts have been particularly large in the manufacturing (3,000 jobs), retail trade (3,300 jobs), and services (2,500 jobs) sectors. One the upside, improved defense spending has staved off more dramatic cuts by the metro's large defense-related manufacturers. The local insurance sector, hit hard by property-casualty losses on September 11th, is expected to continue struggling. **Local sources expect 1,000 jobs to be lost in life insurance alone this year.** The local unemployment rate is expected to reach 4% this year, well off the 2.3% rate in 2000. Weak **demographic trends will continue to hinder economic growth** in the metro over the forecast, but major downtown revitalization projects could improve these trends longer term.
- **APT –** With current economic conditions exacerbating the metro's already weak demographic trends, **apartment demand has pulled back** in Hartford and **vacancies are well above their historical average**. A rising homeownership rate (currently two-percentage points higher than the national average) has also detracted from demand. **New construction has been minimal, but a handful of major projects in the CBD could bolster activity over the forecast.** The biggest news on the supply front was the unveiling of Capital Properties' Meeting House Square project at Adriaen's Landing earlier this year. Plans include 700 residential units (including 440 units in two luxury apartment towers) as well as retail and entertainment space. Other planned projects include Northland Investment's 280-unit redevelopment of the Civic Center mall called Town Square and a mixed-use project with 240 apartments in Bloomfield by Cigna and the Bozzuto Group.
- **OFF – Office vacancies have continued to rise towards 18%** as local office-using employers have trimmed jobs. **Recent construction, while minimal, has been slow to lease up** and speculative projects have come on line with high availabilities. A speculative 105,000 SF project at 400 Capitol Boulevard in Rocky Hill will be topped off later this year. The CBD, which benefited from temporary leasing by Travelers Insurance last year, saw **Fleet let its lease of roughly 200,000 SF at One Corporate Plaza expire**. Fleet will consolidate some operations into existing facilities in the CBD, but has also leased 112,000 SF of new space on Pigeon Hill Road in Windsor. The 391,000 SF One Corporate Plaza is now more than 75% vacant and was recently sold to Church Operating LLC. **Low levels of construction should support tighter fundamentals in the outer years,** despite a well below-average rate of demand growth.
- **RET –** Given the severity of the local economic slowdown, **retail sales have eased considerably in recent quarters**, pushing economic vacancies further above their historical average. **Expansion by national big-box chains such as Best Buy, Home Depot, Kohl's, Target, and Wal-Mart have been the primary source of new supply**, but have also taken down vacant space left by defunct regional chains. K-Mart will add to physical vacancies this year as it closes stores in Bristol and Southington. Plans for mixed-use projects in the CBD include sizable retail components, but **supply in general is expected to taper over the next few years.** The metro's **staunch NIMBYism will continue to discourage development.** The town of Old Saybrook recently placed an 88,000 SF cap on new retail buildings, thereby blocking expansion by large big-box retailers
- **WHS –** Although **warehouse demand has dipped in recent quarters**, the downturn in the local market has not been as severe as that experienced nationally. **Both demand and supply have been stagnant** here throughout the market's recent history. Expansions (such as Coca-Cola's last year) have resulted in sporadic activity. **A planned two-phase 800,000 SF distribution center for the TJX Companies' Home Goods division in Bloomfield has yet to move forward** and the company recently leased a similarly sized facility for the division in Indianapolis.
- **HOT – Hotel occupancies remain low** and will flirt with 60% levels this year. **The metro's demand drivers for hotel rooms are limited and stronger conditions in this market will depend upon the success of a new 500,000 SF convention center now underway.** A 700-room Marriott is planned to support this new facility and the now vacant 287-room Clarion hotel nearby may also be brought back to life.

Demographic Trends

Category	2002* Market	2002* U.S.	Annual Growth Rates 1982-1991 Market	1982-1991 U.S.	1992-2001 Market	1992-2001 U.S.	2002-2006 Market	2002-2006 U.S.
Population	1,164	288,644	0.6%	1.0%	0.3%	1.2%	0.3%	0.9%
Households	451	107,955	1.2%	1.3%	0.5%	1.3%	0.5%	1.1%
Median Household Income	$49,917	$44,924	5.2%	4.4%	1.8%	3.7%	3.0%	3.4%
Apartment-Renting Households	152	36,052	3.2%	1.7%	-1.4%	0.5%	0.5%	1.2%
Real Retail Sales Per Capita	$4,717	$4,493	1.9%	1.5%	0.7%	1.8%	1.0%	1.5%

Employment Trends

SIC Category	2002* Employment	2002* Location Quotient	Annual Growth Rates 1982-1991 Market	1982-1991 U.S.	1992-2001 Market	1992-2001 U.S.	2002-2006 Market	2002-2006 U.S.
Total Services	181	0.9	3.4%	4.3%	1.9%	3.7%	2.0%	2.6%
Business Services	34	0.8	3.0%	6.6%	3.5%	6.2%	2.5%	3.1%
Other Services	147	1.0	3.5%	3.8%	1.6%	3.0%	1.8%	2.5%
Retail Trade	91	0.8	1.1%	2.5%	-0.1%	2.0%	0.9%	1.6%
Government	99	1.0	1.7%	1.6%	1.1%	1.3%	0.1%	0.7%
Manufacturing	87	1.1	-3.2%	-0.6%	-2.4%	-0.6%	0.4%	-0.3%
F.I.R.E.	73	2.1	2.3%	2.2%	-1.5%	1.5%	0.0%	0.9%
Wholesale Trade	28	0.9	1.4%	1.3%	-0.9%	1.4%	0.7%	1.2%
Trans., Comm., Util.	28	0.9	2.2%	1.1%	1.5%	2.0%	0.3%	1.0%
Construction	23	0.7	1.2%	1.4%	1.8%	4.2%	0.2%	0.6%
Mining	0	0.1	-1.3%	-6.0%	2.7%	-1.6%	-1.3%	-1.2%
Total Employment	612	1.0	0.9%	1.9%	0.2%	2.0%	0.8%	1.4%
Office-Using Employment	167	1.2	1.9%	3.0%	0.1%	2.9%	0.9%	1.9%
Trucking/Warehouse Employment	35	0.9	1.7%	1.5%	-0.5%	1.7%	0.6%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

Employment Growth 6/02	Labor Force Growth 6/02	Unemployment Rate 6/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100) Business	Cost Indices (U.S. = 100) Living
-2.1%	-1.3%	3.7%	1.0	2.2	114	104

Sources: PPR; Economy.com

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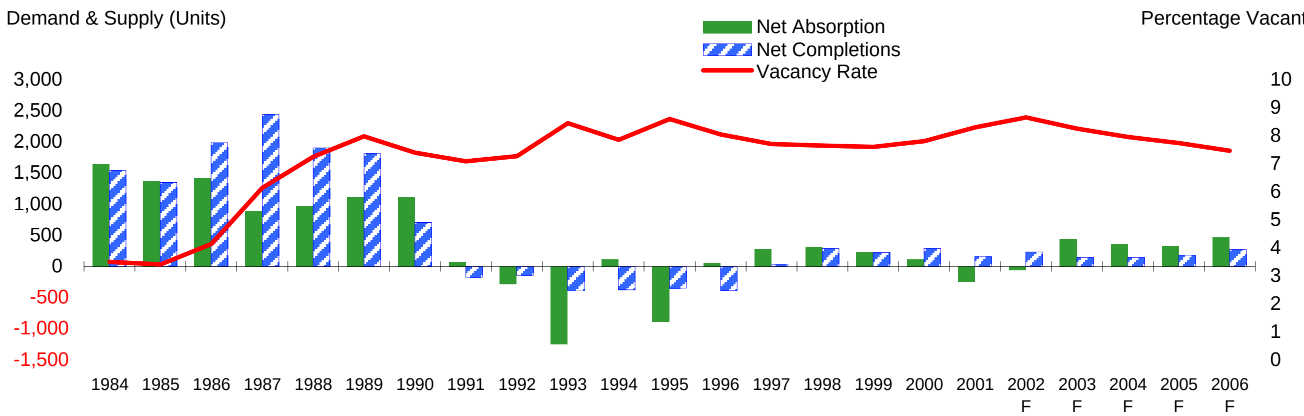
Apartment

Supply, Demand, and Vacancy

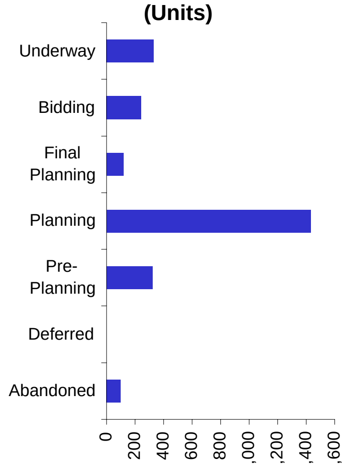


Apartment Market Statistics (Units)

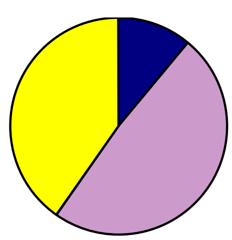
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	7.7%	7.6%	7.6%	7.8%	8.3%	8.6%	8.2%	7.9%	7.7%	7.5%
Apt. Net Absorption	279	310	232	113	-239	-51	436	360	327	460
% Growth	0.4%	0.4%	0.3%	0.2%	-0.3%	-0.1%	0.6%	0.5%	0.5%	0.6%
Multifamily Starts	829	858	346	587	354	278	170	198	299	380
% Change	246.9%	3.5%	-59.7%	69.7%	-39.7%	-21.5%	-38.8%	16.5%	51.0%	27.1%
Net Apt. Completions	23	287	219	287	153	232	143	143	180	271
Apt. Inventory	75,093	75,380	75,599	75,886	76,039	76,271	76,414	76,557	76,737	77,008
% Growth	0.0%	0.4%	0.3%	0.4%	0.2%	0.3%	0.2%	0.2%	0.2%	0.4%
Apt. Rent Index	103	106	110	114	118	119	117	121	126	130
% Change	2.8%	3.5%	3.3%	4.1%	3.1%	0.8%	-1.3%	2.9%	4.1%	3.1%

PPR/Dodge Pipeline Summary

Current Activity (Units)

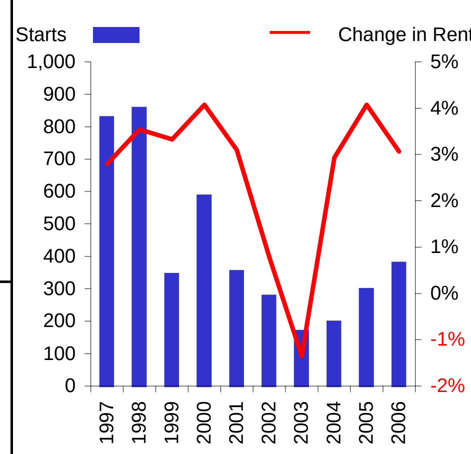


Multifamily Underway by Subclass



	Underway (Units)	%
Apartments	36	11%
Townhouse/Condo	160	49%
Low Income	-	0%
Unclassified	132	40%

Change in Rent vs. Starts



Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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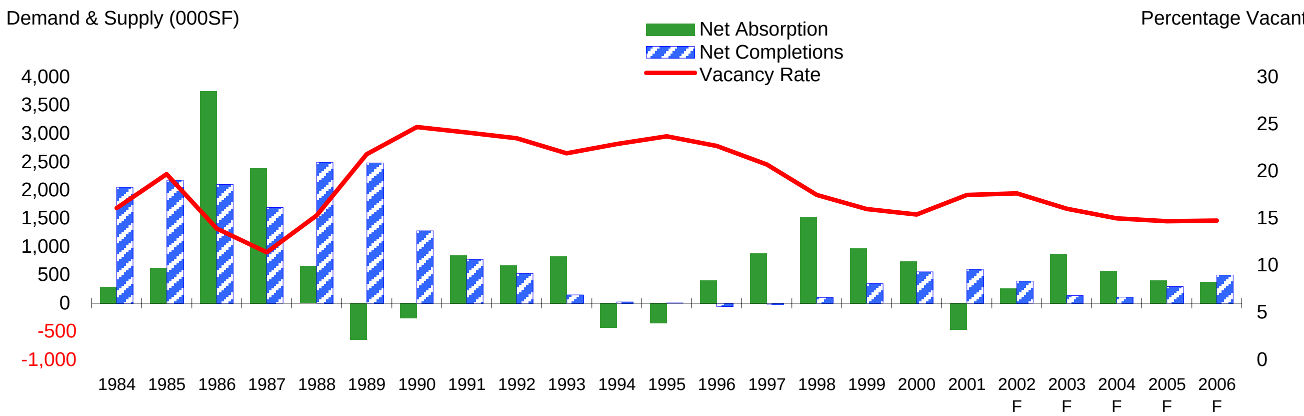
Office

Supply, Demand, and Vacancy

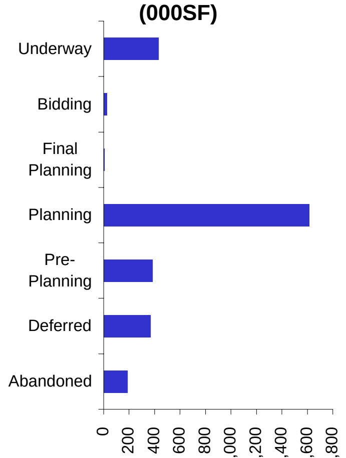


Office Market Statistics (000SF)

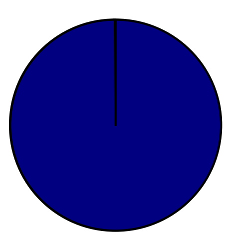
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	20.7%	17.5%	16.0%	15.4%	17.5%	17.6%	16.0%	15.0%	14.7%	14.8%
Net Absorption	883	1,517	965	741	-470	257	872	572	397	378
% Growth	2.5%	4.3%	2.6%	1.9%	-1.2%	0.7%	2.3%	1.4%	1.0%	0.9%
Starts	405	877	164	703	584	202	132	402	567	602
% Change	265.7%	116.7%	-81.3%	328.1%	-16.9%	-65.4%	-34.8%	205.1%	41.1%	6.2%
Net Completions	-20	97	345	554	599	390	132	106	293	497
Inventory	44,910	45,007	45,352	45,906	46,505	46,895	47,027	47,133	47,426	47,923
% Growth	-0.0%	0.2%	0.8%	1.2%	1.3%	0.8%	0.3%	0.2%	0.6%	1.0%
Rent Index	107	113	112	121	115	110	107	108	110	112
% Change	7.2%	5.5%	-0.7%	7.7%	-5.2%	-4.2%	-2.5%	1.0%	1.7%	1.7%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

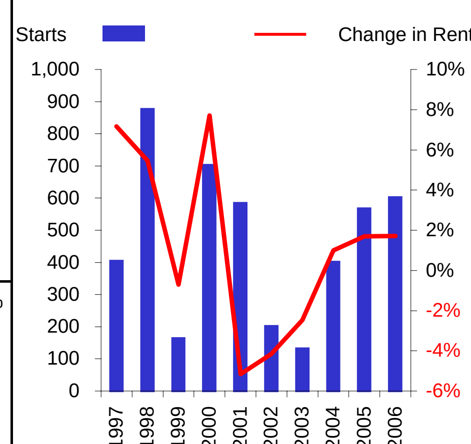


Office Underway by Subclass



	Underway (000SF)	%
Low Rise	427	100%
Mid Rise	-	0%
High Rise	-	0%
Office R&D	-	0%
Unclassified	-	0%

Change in Rent vs. Starts



Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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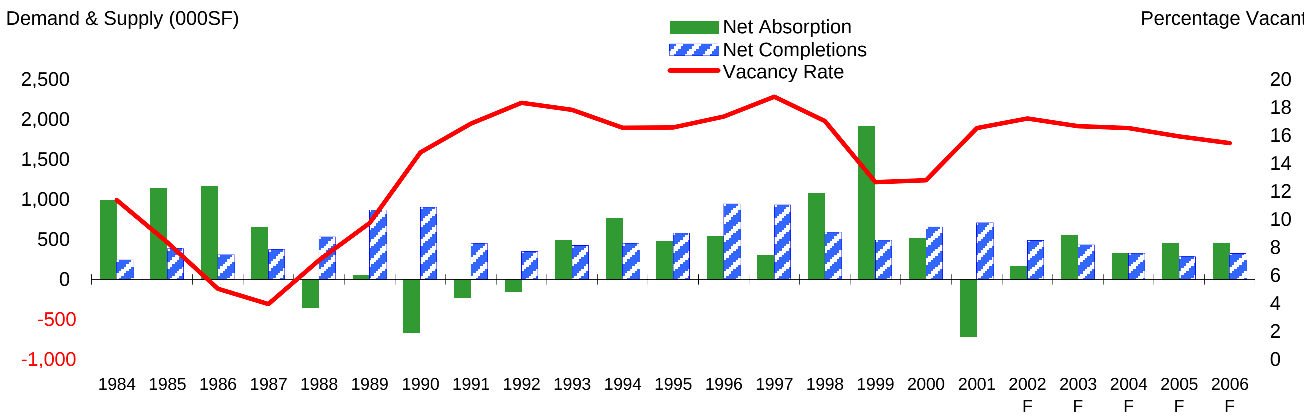
Retail

Supply, Demand, and Vacancy

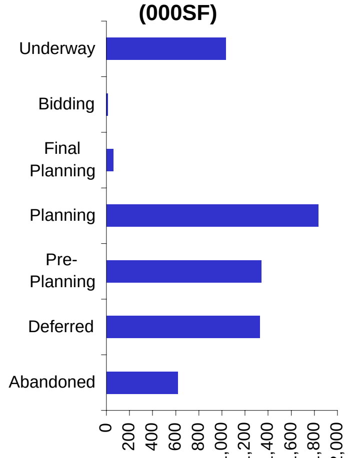


Retail Market Statistics (000SF)

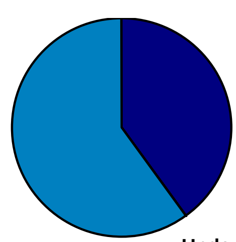
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	18.8%	17.0%	12.7%	12.8%	16.5%	17.2%	16.7%	16.5%	15.9%	15.5%
Net Absorption	298	1,073	1,917	520	-717	160	557	328	458	452
% Growth	1.1%	3.9%	6.8%	1.7%	-2.3%	0.5%	1.8%	1.1%	1.5%	1.4%
Starts	723	598	1,309	1,459	1,205	554	421	368	392	449
% Change	-52.1%	-17.3%	119.0%	11.5%	-17.4%	-54.0%	-24.0%	-12.7%	6.5%	14.8%
Net Completions	932	591	492	655	710	489	430	329	283	324
Inventory	33,517	34,108	34,600	35,255	35,965	36,454	36,885	37,214	37,497	37,821
% Growth	2.9%	1.8%	1.4%	1.9%	2.0%	1.4%	1.2%	0.9%	0.8%	0.9%
Rent Index	109	114	121	123	122	117	118	118	119	121
% Change	8.6%	4.6%	6.8%	1.2%	-0.8%	-3.5%	0.2%	0.4%	0.5%	2.0%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

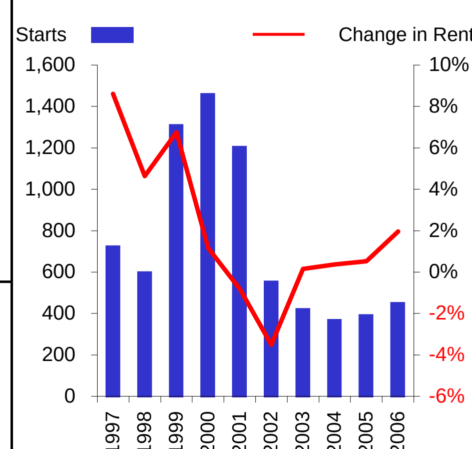


Retail Underway by Subclass



	Underway (000SF)	%
Freestanding Stores	413	40%
Neighborhood Center	-	0%
Community Center	-	0%
Regional	-	0%
Super Regional	-	0%
Outlet	-	0%
Unclassified	621	60%

Change in Rent vs. Starts



Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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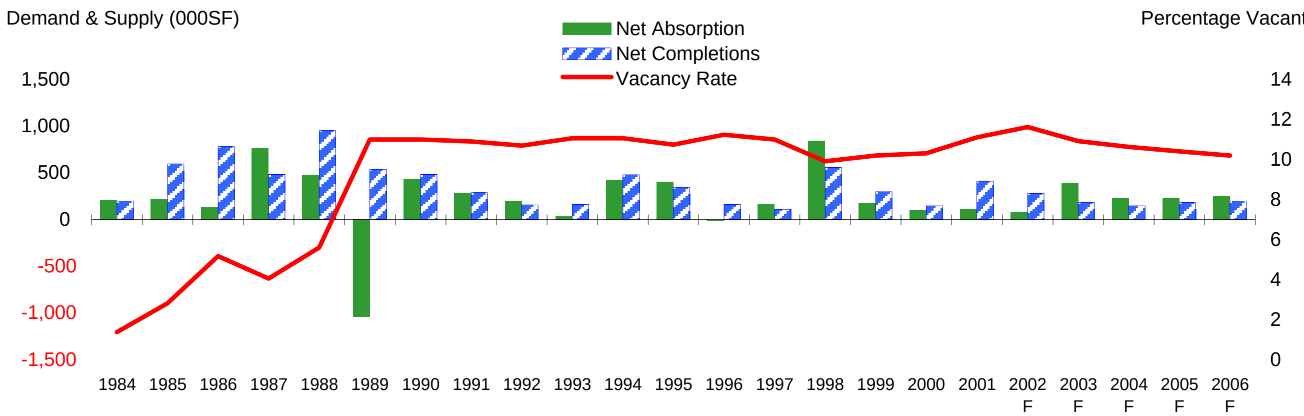
Warehouse

Supply, Demand, and Vacancy

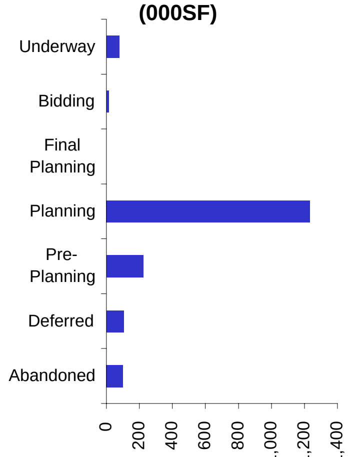


Warehouse Market Statistics (000SF)

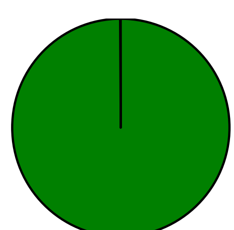
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	11.0%	9.9%	10.2%	10.3%	11.1%	11.6%	10.9%	10.6%	10.4%	10.2%
Net Absorption	163	842	173	100	109	83	387	224	232	248
% Growth	0.6%	3.1%	0.6%	0.4%	0.4%	0.3%	1.3%	0.8%	0.8%	0.8%
Starts	232	684	257	758	938	1,230	144	156	182	201
% Change	179.9%	194.8%	-62.4%	194.5%	23.8%	31.1%	-88.3%	8.1%	16.4%	10.8%
Net Completions	104	558	297	147	409	281	179	145	180	196
Inventory	30,825	31,383	31,680	31,827	32,236	32,517	32,696	32,841	33,020	33,217
% Growth	0.3%	1.8%	0.9%	0.5%	1.3%	0.9%	0.6%	0.4%	0.5%	0.6%
Rent Index	103	106	110	114	108	107	107	109	111	113
% Change	3.2%	2.9%	4.1%	3.5%	-5.1%	-1.1%	-0.2%	1.9%	1.6%	2.2%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

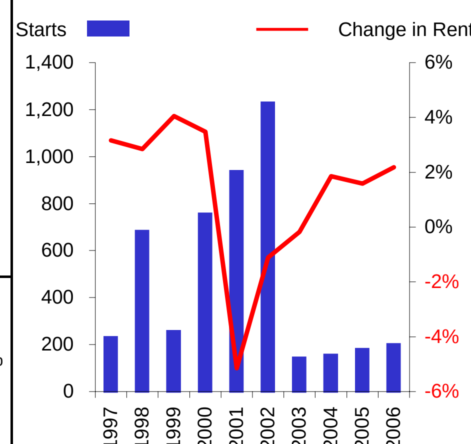


Warehouse Underway by Subclass



	Underway (000SF)	%
Distribution	-	0%
Warehouse/Flex	-	0%
Light Industrial	75	100%
Unclassified	-	0%

Change in Rent vs. Starts



Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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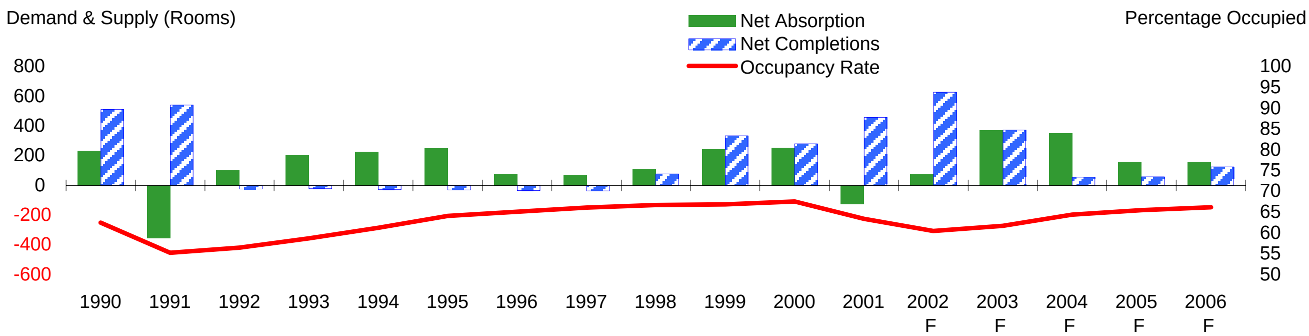
Hotel

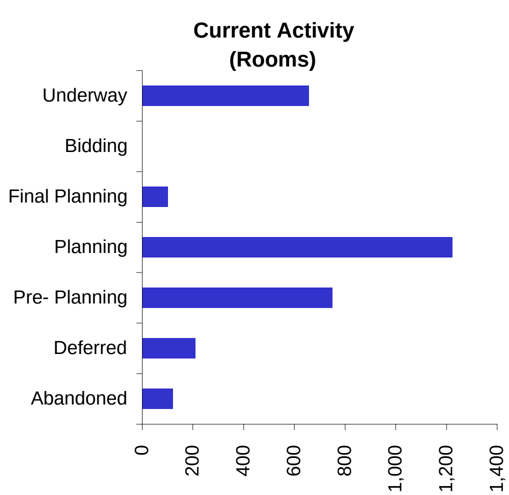
Supply, Demand, and Occupancy

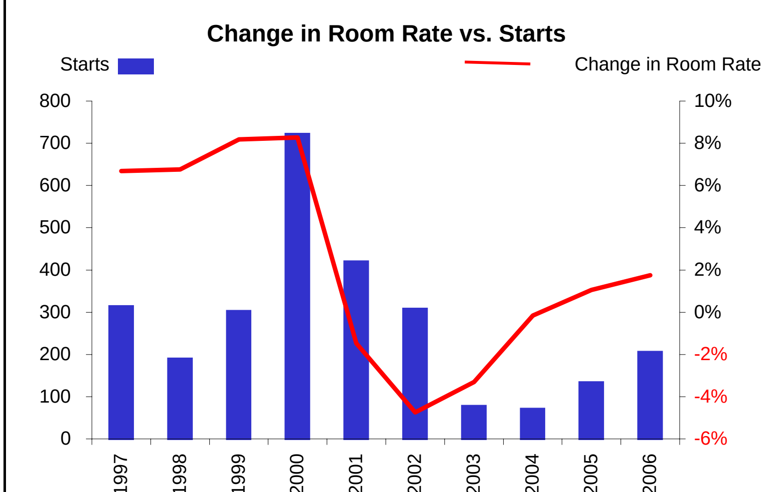


Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	66.1%	66.7%	66.9%	67.5%	63.4%	60.5%	61.7%	64.4%	65.5%	66.1%
Net Absorption	70	109	241	252	-125	72	369	349	159	157
% Growth	1.1%	1.8%	3.8%	3.8%	-1.8%	1.1%	5.5%	4.9%	2.1%	2.1%
Starts	314	190	303	722	420	308	78	71	134	206
% Change	NA	-39.5%	59.5%	138.3%	-41.8%	-26.7%	-74.7%	-9.0%	88.7%	53.7%
Net Completions	-36	78	335	280	457	628	373	56	57	124
Inventory	9,409	9,487	9,822	10,102	10,559	11,187	11,560	11,617	11,673	11,797
% Growth	-0.4%	0.8%	3.5%	2.9%	4.5%	5.9%	3.3%	0.5%	0.5%	1.1%
Room Rate Index	107	114	123	133	131	125	121	121	122	124
% Change	6.7%	6.8%	8.2%	8.3%	-1.5%	-4.7%	-3.3%	-0.2%	1.0%	1.7%
RevPar Index	105	117	125	134	120	112	114	117	120	123
% Change	5.3%	11.5%	6.2%	7.3%	-9.9%	-7.2%	2.2%	2.7%	2.5%	2.5%

PPR/Dodge Pipeline Summary





Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

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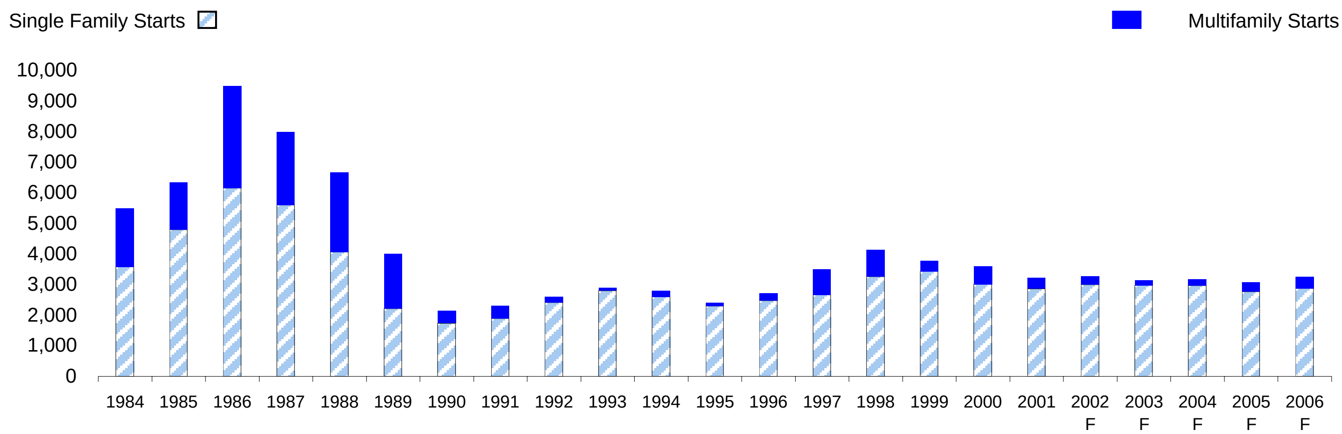
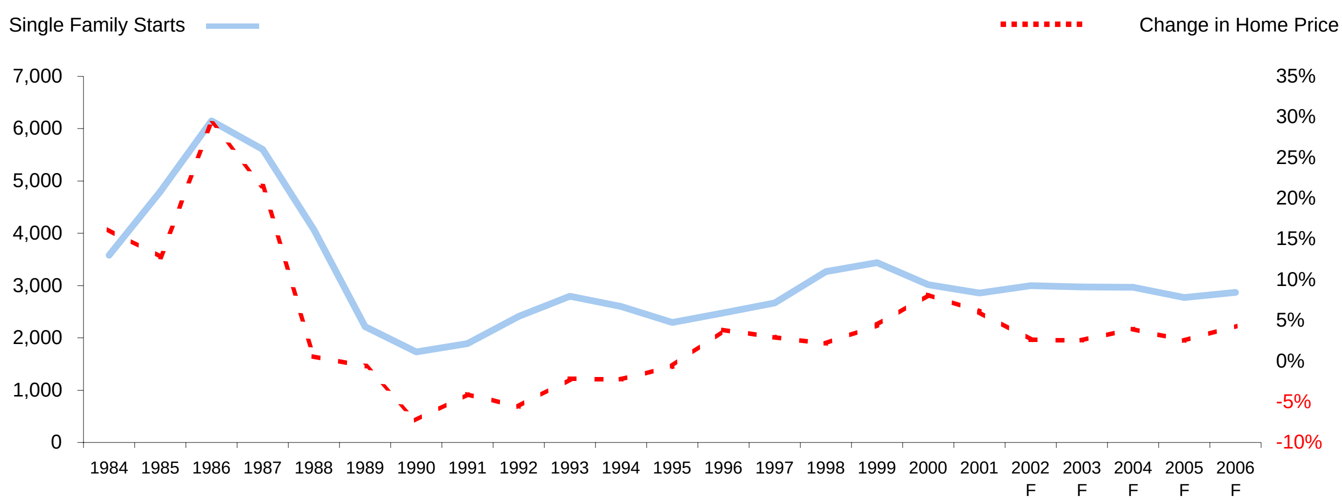
Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	2,667	3,265	3,441	3,014	2,859	2,996	2,975	2,968	2,774	2,871
% Change	7.6%	22.4%	5.4%	-12.4%	-5.1%	4.8%	-0.7%	-0.2%	-6.6%	3.5%
Completions	2,586	3,006	3,456	3,198	2,828	2,997	2,951	3,014	2,816	2,839

Apartment Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Multifamily Starts	829	858	346	587	354	278	170	198	299	380
% Change	246.9%	3.5%	-59.7%	69.7%	-39.7%	-21.5%	-38.8%	16.5%	51.0%	27.1%
Apartment Completions	23	287	219	287	153	232	143	143	180	271

Sources: PPR; McGraw-Hill Construction - Dodge

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Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
Meeting House Square at Adriaen's Landing	Prospect Street, Hartford (Adriaen's Landing site) CBD	700	Proposed		
Affordable Housing Apartment Complex (404 Units)	Batterson Park Road, Farmington Hartford	404	Deferred		
Apartment Complex (Sheldon, Charter Oak Neighborhood)	former Capewell Manufacturing, Hartford Hartford	324	Planned		
"Town Square" Civic Center Mall Redevelopment	Asylum, Ann, and Trumbull Streets, Civic Center CBD	280	Planned	4/03	6/05
Gillette Ridge - Cigna Campus Redevelopment	Bloomfield, Bloomfield North	240	Planned	9/02	6/03
Residential Development (Walden Pond area)	Walden Meadow Rd (south of), Windsor Hartford	222	Planned		

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Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Rentschler Center (Rentschler Field Redevelopment)	Rentschler Field East Hartford	2,750	Planned		
Office Building	Colt Highway, Farmington Hartford	225	Deferred		
Office/Manufacturing Building (Phase III)	1995 Blue Hills Avenue Ext, Windsor Hartford	157	Planned		
5 Batterson Park Road Tenants: Discover Re	5 Batterson Park Road, Farmington Western Suburbs	125	Completed		8/01
Downtown Redevelopment - Phase III	Main Street, East Hartford Hartford	117	Deferred		
Somerset Square	180 Glastonbury Boulevard, Glastonbury Eastern Suburbs	108	Completed	9/00	9/01
Office Building (Capital Blvd)	400 Capitol Blvd, Rocky Hill Hartford	104	Underway	12/01	9/03

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Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Connecticut Commons	Plainville Southwest	450	Completed		9/00
Tenants: K-Mart, Levitz, Old Navy, and Lowe's					
Wal-Mart and Charter Oak Marketplace	Flatbush Avenue (former site of Charter Oak Terrace housing project) Hartford	247	Planned		
Tenants: Wal-Mart					
Home Depot Store & Garden Center (Store #6229)	Route 6-Farmington Ave, Bristol Hartford	136	Completed	1/02	7/02
Target Dept Store (Newington CT)	3265 Berlin Tpke, Newington Hartford	125	Proposed		
Wal-Mart	Farmington Ave. in Bristol West	123	Completed		7/01
Kohls Department Store (Manchester, CT) NEGOTIATED	Tolland Turnpike, Manchester Hartford	87	Completed	10/01	6/02
Filene's Dept Store (Expansion/Renovation)	94 Elm St, Enfield Hartford	76	Completed	2/02	6/02
Best Buy (West Hartford)	1501 New Britain Avenue West Hartford	0	Completed		12/01

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Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
HomeGoods Distribution Center (Bloomfield CT)	Blue Hills Ave, Bloomfield Hartford	800	Planned		
Coca-Cola Distribution Center Expansion	Main Street East Hartford Eastern	250	Completed		9/01
Distribution Facility (Tolland Business Park)	Gerber Dr to, Tolland Tolland	67	Planned		
Namco Warehouse (Rebuild)	100 Sanrico Dr, Manchester Hartford	60	Proposed		
Self Storage Facility	100V Taylor St, Manchester Hartford	53	Completed	11/01	4/02
Warehouse Buildings (Spring St)	122 Spring St, Southington Hartford	46	Planned		
Southeast Bristol Business Park	Middle Street, Bristol Western	0	Proposed		

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Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Marriott Convention Center Hotel	Adriaen's Landing, Hartford Hartford	700	Planning		
Marriott Hotel	28 Day Hill Rd, Windsor Hartford	295	Completed	11/00	2/02
(Rocky Hill, CT) Marriott Courtyard Hotel (125 units)	Cromwell Ave & West Street, Rocky Hill Hartford	125	Planning		
Springhill Suites (120 Rooms) NEGOTIATED	Intersection of Route 20 & 75, Windsor Hartford	120	Cancelled		
Hampton Inn & Pool	2160 Poquonock Ave, Windsor Hartford	110	Completed	5/01	7/02
Comfort Suites Hotel (New)	580 Spring St, Windsor Locks Hartford	108	Deferred		
Hotel/Restaurant (New)	Silas Dean Hwy (Rt 99), Rocky Hill Hartford	104	Planning		
Extended Stay Hotel	340 Tolland Tpke, Manchester Hartford	104	Completed	6/01	12/01
Hotel (100 Rooms)	Main Street, Middletown Middlesex	100	Planning		
Marriott Extended Stay Hotel (100 Suites)	18 Parkside Ln, Avon Hartford	100	Deferred		