

Pandemic weighs on Hartford office market, but key deals still getting done



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Downtown Hartford's Gold Building.

By John McCormick and Anna Kocsondy

The Greater Hartford office market continued to “block and tackle” over the past 20 months, with landlords and tenants adapting to the changing tides of COVID-19.

By the second quarter 2020 shutdown, landlords and tenants pushed ahead and focused on business as usual. By year-end 2020, tenants began to explore work-from-home options and reevaluate office space needs.

Landlords reacted by offering attractive incentives to tenants – improvement packages, rent concessions and/or flexible lease terms – due to softening office demand.

These strategies persisted through the third quarter of 2021, when optimism was growing over high vaccination rates and deadlines approaching for employees to return to the office.

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The delta variant quickly reversed the market’s momentum. Indoor mask mandates were reimposed, and many large employers announced permanent hybrid work-from-home strategies, contributing to an increase in the Greater Hartford office market vacancy rate.

Despite those challenges, several major deals were completed in 2021:

SunLife relocated to the Gold Building, One Financial Plaza, in downtown Hartford – 46,000 square feet

Aflac signed a new lease at 1 Griffin Road North, Windsor – 32,000 square feet

Arizona School of Nursing entered the market with a new educational use at Riverview in East Hartford – 26,000 square feet

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Red Thread's Connecticut headquarters relocated to 55 Hartland Blvd., East Hartford —18,500 square feet

Updike Kelly & Spellacy relocated within downtown Hartford to Goodwin Square — 18,000 square feet

Assured Partners leased space at One Financial Plaza, Hartford — 17,800 square feet

Aspen Insurance relocated within Corporate Ridge to 400 Capital Blvd., Rocky Hill — 16,800 square feet

HCL signed a lease at State House Square in downtown Hartford — 16,800 square feet

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LTI expanded within the central business district, relocating to One American Row, or the Boat Building — 13,000 square feet

KeyBank relocated to Goodwin Square, Hartford — 10,000 square feet

Torigen Pharmaceuticals came out of the UConn Incubator Program in Farmington and signed a new lease at 6 Executive Drive, Farmington — 9,000 square feet

These transactions were only possible with landlords and tenants working together. Throughout the Greater Hartford market there have been examples of continued collaboration focusing on flexibility and solutions for the short-, mid- and long-term needs of both parties.

Shelbourne Global Solutions, owner of 100 Pearl St. in downtown Hartford, worked this year to expand Hartford HealthCare as a tenant in that building, while also providing mid-term lease flexibility to the Hartford County Bar Association (HCBA) and Pension Real Estate Association (PREA).

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Shelbourne and Hartford HealthCare's commitment to 100 Pearl St. has been visually encouraging during the pandemic, marching on with construction of the "glass cube" on the corner of Pearl and Trumbull streets, part of a \$24 million building renovation.

This confidence led Shelbourne to acquire the adjacent 50,000-square-foot property at 150 Trumbull St.

COVID-19 continues to impact landlords and tenants even after an agreement has been made, with rising costs impacting building renovations and tenant improvements.

Both large- and small-scale projects are being impacted. The construction industry is experiencing an increase in labor and raw materials costs, coupled with disruptions in the supply chain. We anticipate these issues will remain with us for the next six to nine months.

As we look to 2022, landlords and tenants will continue to collaborate on real estate deals. Market impacts from hybrid and work-from-home strategies will continue to shake out, as tenants increasingly look for flexibility.

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Productivity and tenant retention will become the focus of tenants and landlords — both offering solutions geared toward amenity spaces and a rethinking of the office workplace.

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