



## INDUSTRIAL SPACE MARKET - SUMMARY

### MIDDLETOWN REGION

#### Study Area:

For the purpose of this analysis, we have defined the study area as incorporating the following towns:

#### Middletown Study Area

Berlin  
Cromwell  
Meriden  
Middlefield  
Middletown  
Rocky Hill  
Portland

#### Characteristics of Industrial Space:

Our survey of select industrial buildings in the Middletown region is intended to provide an indication of the strength and character of the market for industrial space in the region, as well as to identify potential market opportunities for industrial development in the North End of Middletown (Subject Property). The following chart on select complexes and buildings represents a survey of the more significant complexes, both multi-tenant and single user. Where appropriate, we have included owner-occupied buildings. While a majority of the buildings are primarily designed for industrial, high tech, wholesale, distribution and warehouse uses, some of the complexes offer space for other complimentary uses, including office, accounting and clerical functions.

Our survey includes 43 complexes with a total of 132 buildings, comprising 5,629,343 square feet. Within this group, 122 buildings representing 4,049,903 square feet of office and industrial space would be classified as Class A industrial. Based on our research of industrial product in the region, roughly 40% of the inventory is associated primarily with warehousing and distribution, 30% with manufacturing, the remaining 30% with high tech, wholesaling, office and R&D use. Within Middletown, we identified a total of 1,157,900 square feet of industrial space, or approximately 25% of the total inventory in the survey. Close to a third of this space, however, is represented by the 104,000 square foot Olin building on Smith Street and the largely vacant North & Judd facility on Middle Street.

The majority of the buildings surveyed were built in the last 25 years. Virtually no new construction, however, has occurred in the last three years. One of the newest additions to the spec industrial market is Brickyard Business Center in Berlin consisting of two buildings -- both vacant. In general, brokers and developers report that all new industrial building is "built-to-suit", with financing only available with 100% pre-leasing from credit-worthy establishments.

## **Market Environment:**

### Vacancy and Inventory

Leasing activity over the past two years has been extremely soft with little visible sign of improvement over the near term. Unlike the office market, however, the industrial space market is not a victim of overbuilding in the late 80's. The more unsettling problem, in fact, has been the increase of available inventory as buildings come on the market as the result of downsizing, consolidations, failed businesses, and structural changes in the economy, particularly in the areas of defense and aerospace industries. The most dramatic indication of this trend is evidence of negative absorption in the region over the past year. Brokers and owners of industrial space claim the only consistent area of demand is for inexpensive distribution and warehousing space. The only other source of space demand is from new businesses, often start-ups, seeking very cheap space of under 3,000 square feet, typically with a short rental term.

Within our survey, we identified 43 complexes or buildings with roughly 5.5 million square feet of space. Focusing principally on the most marketable buildings as those built in the last 25 years, we arrive at industrial inventory of 4,049,903 square feet. According to brokers and developers, available inventory in these buildings amounts to 811,458 square feet, or roughly a 20% vacancy overall for the study region.

Middletown ranks highest with a 28% vacancy rate, or a total of 500,900 square feet of available industrial space. Much of the available Class A space is found within five industrial developments in Middletown reporting 20% to 70% vacancy. The most conspicuous project is located at 975 Middle Street where 29,000 square feet of flex office space remains largely vacant. The project is reportedly in the hands of the FDIC and currently listing for \$1,300,000. Other Middletown projects with significant inventory include Tuttle Business Park, Industrial Park Place, and Great River Park - with availability of space ranging from 16,000 square feet to 34,700 square feet.

Not included in the vacancy analysis due to age but worth noting is the vacant Olin building on Smith Street and the North and Judd facility on Middle Street. The Olin building was built in the 1960's and served as a manufacturing plant for Olin Skis. Vacant for over three years, the 114,000 square foot facility now lists for \$2,500,000, down from \$4,000,000 earlier this year. The North & Judd facility is significantly larger at 260,000 square feet. Due to downsizing, however, the facility is only minimally used by North & Judd and in fact, is shared with another tenant occupying roughly 40,000 square feet. The building is currently on the market for \$8,000,000.

### Market Value and Sales Trends:

Within our survey of industrial projects in the Middletown region, we examined market values for industrial space by location and building type. Overall, among the 132 buildings and complexes surveyed, listing lease rates ranged from \$1.00 net for Class C Industrial space to as high as \$11.00 net for high quality flex office space. Distribution and warehousing facilities typically quoted the lowest rates ranging from \$2.00 to \$4.75, and averaging \$3.00. Manufacturing space, typically defined as offering lower ceilings and between 10 to 30% office space, list between \$2.50 and \$6.00 net. Flex-office space offered the greatest price options depending on quality and amount of office space. In general, however, this type of space listed for an average of \$6.75.

We found that Class A industrial space typically lists between \$5.00 to \$10.00 a square foot net. The most expensive space was found at Inwood Industrial Park, a DeQui Belding development located in Rocky Hill. In this facility, flex office space rents for as high as \$12.00 a square foot. A majority of the surveyed Class A buildings, offer industrial space for \$5.00 to \$8.00 net, with the better rent deals typically found in Meriden and the more expensive space located in Rocky Hill. The newest addition to industrial building stock is located in Progress Park where a 11,000 square foot facility now under construction will be renting for \$8.00 a square foot.

Industrial space within single level "Class B" space (typically 20 to 40 years old), generally leases from \$2.50 to \$5.00 a square foot. The vacant Olin Building, for example, is listing at \$2.50 a square foot, a recent drop from \$4.50 a square foot. Meanwhile, space at the North & Judd facility is leasing for \$3.25 a square foot. Class C industrial space rarely leases above \$2.00 a square foot, with many brokers privately citing that most deals are made at \$1.00 a square foot.

Numerous buildings in our survey are available for purchase. Based on our research, the average list price for industrial space is \$46.52 a square foot. Listing prices range from \$8,500,000 for the 114,000 square foot former Saab facility in Meriden to \$225,000 list price on the 34,000 square foot former North & Judd facility on Pamecha Road in Middletown.

Few actual sales transactions were identified within the Middletown study area of industrial property. Between the years 1990 and first part of 1993, only 11 land sales were discovered. On average, these sales translated to roughly \$70,000 an acre. The most notable sale is the recent purchase of 57 acres on Capital Boulevard in Rocky Hill by Loctite Corporation. Purchased for \$6.3 million, or \$110,000 an acre, the site will be the location of a 230,000 square foot facility. Meanwhile, building transactions in the region ranged from \$20.11 to \$59.36 a square foot and averaged \$39.13 a square foot.

# INDUSTRIAL MARKET CHARACTERISTICS - SUMMARY

## MIDDLETOWN REGION

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### Type and location of industrial product:

- Distribution of industrial inventory - 40% warehousing, 30% manufacturing, 30% high-tech, R&D, service-related.
- Most regional industrial buildings built in last 25 years.
- Very little industrial product on-line in last two years.
- Highest concentration of industrial space found in Meriden; much of the older, less expensive space also located in Meriden.

### Market environment:

- Negative absorption trends, high vacancies.
- Significant number of vacant, single user industrial buildings.
- Brokers and developers report continued downward pressure on lease rates; higher tenant fix-up allowances; lease terms with exit clauses.
- Industrial space inquiries up, but closings still allusive.
- Structural changes in airline and defense industry negatively impacting space needs in region.
- Most lease activity concentrated on tenants moving within a 25 mile radius of Middletown.
- Demand highest for inexpensive warehousing/distribution space, 20,000 to 40,000 square feet. Requests for space under 5,000 square feet represent bulk of remaining inquiries.

### Competitive factors:

- Modern requirements for industry space (single level, easy access, wide open bays, high ceilings, ample parking, efficient loading and docking facilities, modern HVAC) has made older buildings tough to market.
- Completion of Route 9 to I-84 enhances Middletown's marketability.
- Middletown's central location, excellent labor force, and high quality of life often cited as major asset.
- Market niche exists for incubator space with very few complexes offering space under 2,000 square feet.
- Potential for expanding linkages to Wesleyan University in support of small businesses.
- North End railroad access represents a marketing advantage that could be exploited.

# SELECTED INDUSTRIAL DEVELOPMENTS

## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
<b>Middletown</b>							
Tuttle Business Park 20-54 Tuttle Place (Delfavero)	6	4	85,000 SF	1987	\$5.00 - \$10.00 Triple Net	34,700 SF	State Farms Sure Tech Comcast Alcotel ITT/Scotch Division
Industrial Park Place 14-34 Industrial Park (Delfavero)	6	2	46,400 SF	1980-82	\$4.50 - \$10.00 Triple Net	16,000 SF	Carrier TSSI ABB Garling House Co.
Industrial Park Place 80 Industrial Park	5	2	120,000 SF	N/A	N/A	0 SF	Safeway Rayco Dainty Rubbish
Great River Park 362 Industrial Park	4+	1	70,000 SF	1980's	\$3.50 Triple Net	24,000 SF	Environmental Sciences Lord & Hodge Corbin Mfg Sullivan Dental
Newfield Industrial Park 770 Newfield Road	3+	2	36,000 SF	1980's	\$3.50 Triple Net	4,000 SF	Mastercrafters Newtown Mfg Middletown Auto

# SELECTED INDUSTRIAL DEVELOPMENTS

## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Smith St. Office & Industrial Park 450 Smith Street	5	3	74,500 SF	1981-1987	\$6.50 - \$9.00 Net	15,000 SF	Z-Mike Northland Energy Efficient Systems
Middle Street 330 Middle Street	5+	1	40,000 SF	1974	\$3.00 Triple Net	30,000 SF	GBS-C
Middle Street 975 Middle Street	2.49	1	29,000 SF	1989	\$2.50 - \$3.00 Triple Net (\$1,300,000)	26,000 SF	
Olin Building 474 Smith Road	7+	1	103,000 SF	1960's	\$2.00 - \$3.00 Triple Net (\$2,500,000)	103,000 SF	Vacant
North & Judd Bldg 699 Middle Street	38	1	260,000 SF	1970's	\$3.25 Triple Net (\$8,000,000)	180,000 SF	North & Judd Weathershield
North & Judd Bldg Pamecha & Highland		1	34,000 SF	1900's	\$2.00 Triple Net (\$299,000)	34,000 SF	Vacant

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Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Rossi Lumber Yard Berlin Street		3	30,000 SF	1970's	\$4.00 Triple Net (\$1,900,000)	20,000	
Remington Rand Bldg North Main Street	5+	1	180,000 SF	1890's	\$2.00 Triple Net	120,000 SF	Stone Container
Bob's Surplus Building Main Street	3+	1	50,000 SF	1900's	\$1.50 - \$2.00 Triple Net	0 SF	Royal Display
<b>Berlin</b>							
Spruce Brook 20-245 Park Dr.	74	9	346,895 SF	1980's	\$4.00 - \$5.00 Triple Net Bldg 222 for sale (\$3.5 million) Bldg 24 for sale (\$1.7 million)	89,000 SF	Walden Tools Miles/Plastics Group Bundy Inc. Aerospace Coating New England Insulated Dwight Foote Inc.
Berlin Commerce 91-105 Clark Drive	5+	3	100,422 SF	1986	\$5.00 - \$6.00 Triple Net	10,000 SF	Reliance Automotive CNC Machining

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## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Berlin Industrial Park 51 - 81 Fuller Way		4	129,338 SF	1986	\$4.00 - \$5.00 Triple Net	25,504 SF	Poland Springs Space Electronics
Riverbend 124 Oak Drive (Knaus Development)	42	2	52,741 SF	1985	\$4.00 - \$5.00 Triple Net	0 SF	Rykoff-Sexton Eastern Fastener
American Industrial Park 870-872 Four Rod Rd	3+	2	13,500 SF	1987	\$5.00 - \$6.00 Triple Net	1,500 SF	Crystal lab American Plasters
Brickyard Bus. Center Old Brickyard Ln	20	2 (50% Completed)	36,000 SF	1988	\$6.00 Triple Net	36,000 SF	Vacant
<b>Cromwell</b>							
Corporate Row 200 - 1000 Corporate Row (Tek-Con)	15+	7	58,804 SF	1985's	\$4.50 - \$8.00 Triple Net	2,000 SF	New Britain Machine Northeast Copy Systems Inc. RWK Tool
Progress Park Progress Park Drive	25+	1 (under construction)	11,000 SF	1993	\$8.00 Triple Net	0 SF	Liturgical Publication

# SELECTED INDUSTRIAL DEVELOPMENTS

## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Sebethe Drive 100 - 133 Sebethe Drive	8+	6	60,894 SF	1987	\$6.00 - \$8.50 Triple Net	5,000 SF	Comcast Atlantic HVAC
Alcap Ridge 3-14 Alcap Ridge	20+	5	140,622 SF	1960	\$4.50 - \$7.50 Triple Net	6,100 SF	Tri-Star Systems Group Alcoa/Bonding Tech.
Nooks Hill 46 - 48 Nooks Hill	10+	4	62,925 SF	1985; older bldgs	\$2.00 - \$7.50 Triple Net	21,600 SF	Capwell Co. Ripley Co. Horton Brass
<b>Meriden</b>							
Meriden Enterprise Center 290 Pratt	10+	1	381,000 SF	older, renovated	office: \$10.00 - \$12.00 mfg.; \$2.50 - \$3.50	111,000 SF	Targetech Mechanical Finishers Cummings Group State Dept. of Labor
Comtech Bus. Center 470 Murdock Ave.	7	1	45,000 SF	1987	\$9.50 Triple Net	22,000 SF	Microengineering Solution GSA
Medway Bus. Park Pond View Dr. (FIP)	55	4	334,000 SF	1970's	N/A Triple Net	0 SF	Microgenesys CT Electric ASS Pumps

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## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Silver Hill Business Center 500 South Broad	34+	1	430,000 SF	1957	\$3.00 SF Triple Net	100,000 SF	Fostick Corp.
The Hub 1 State Street	7+	1	210,000 SF	older	\$2.00 SF Triple Net	210,000 SF	Vacant
Pewter Mill Charles Street	N/A	1	100,000 SF	older	\$2.00 SF Triple Net	100,000 SF	Vacant
7-Up Building 127 Pomeroy	4	1	51,000 SF	1963	\$3.00 SF Triple Net (\$1,400,000)	51,000 SF	Vacant
Former Saab Bldg 1200 Northrop	20	1	144,000 SF	1988	\$4.50 Triple Net (\$8,500,000)	144,000 SF	
<b>Middlefield</b>							
Brookside Drive 6-21 Brookside Dr	35+	3	123,720 SF	1970's	\$3.75 - \$5.00	14,000 SF	Biosystems Zygo

# SELECTED INDUSTRIAL DEVELOPMENTS

## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Middlefield Industrial Park Old Indian Trail	25+	12	Phase I: 67,074 Phase II: 39,420	1975 - 1985	\$3.50 - \$4.50 Triple Net	8,000 SF	Theta Co. Ram R. Hall Xenelis Constr. Custom Craft Power Hold T.E.T. Mfg.
Reeds Gap 33 Reeds Gap Rd	8	1	33,124 SF	1960's	\$3.00 - \$4.00 Triple Net	0 SF	Cooper Instrument
West Street 24 West Street	5.5	7	34,420 SF	1960's	\$3.00 - \$4.00 Triple Net	0 SF	REF Mfg Lyman Products
Rocky Hill							
Dividend Road 272 - 299 Dividend Rd.	N/A	5	360,000 SF	1980's	\$4.50 - \$8.50 Triple Net	31,554 SF	Carol Wire Pratt & Whitney
Hammerhill Road 41 -130 Hammerhill Road (DeQui Belding)	N/A	4	90,890 SF	1987	\$4.50 - \$8.50 Triple Net	15,500 SF	Douglas Mfg Co-Ex ChemLawn

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## MIDDLETOWN REGION

Complex Name Address (Developer)	Acres	Number of Buildings	Total Square Footage	Date of Building	Rental Rates Lease Terms (Sales Terms)	Availability of Space	Major Tenants
Inwood Industrial Park 30 - 70 Inwood Road (DeQui Belting)	N/A	3	157,402 SF	1987	\$4.50 - \$10.00 Triple Net	10,000 SF	Phillip Morris A.B. Dick
Rocky Hill Industrial Park 16 - 114 Old Forge Rd.			60,252 SF	1980's	\$3.00 - \$7.00 Triple Net	20,000 SF Bldg. 114 (\$975,000)	Abacus Halstead Ind. Cleary Millworks
<b>Portland</b>							
Brownstone Industrial Park Airline Ave. Brownstone Ave.	75+	15	250,000 SF	1960's	\$2.75 - \$6.00 Triple Net	25,000 SF	Waverly Printing Stone Container Standard Knapp Lagano Trucking
High Street	10+	3	47,000 SF	1965- 1975	\$3.25 - \$5.00 Triple Net	0 SF	Scott & Daniel Precision Plastics

Source: Real Estate Brokers, Developers, and Municipal Officials

## SELECTED INDUSTRIAL DEVELOPMENTS

### MIDDLETOWN REGION

#### VACANCY RATES

Town	# of Buildings	Total Industrial Space	Available Industrial Space	Vacancy Rate
Berlin	22	653,446 SF	126,004 SF	19%
Cromwell	23	334,245 SF	34,700 SF	10%
Meriden	8	1,354,000 SF	377,000 SF	28%
Middlefield	23	297,758 SF	22,000 SF	7%
Middletown	16	500,900 SF	149,700 SF	29%
Rocky Hill	12	668,554 SF	77,054 SF	12%
Portland	18	250,000 SF	25,000 SF	10%
<b>Total</b>	<b>122</b>	<b>4,049,903</b>	<b>811,458 SF</b>	<b>20%</b>

*Note: Excludes Class C Industrial Space*

*Olin Building & North Judd Facility not included in Middletown calculations*

Source: Real Estate Brokers, Developers, and Municipal Officials

# SELECTED INDUSTRIAL DEVELOPMENTS

## MIDDLETOWN REGION

### LEASE RATES/ SALE TRENDS

<b>Listing Lease Rates</b>		
<b><u>Building Type</u></b>	<b><u>Range</u></b>	<b><u>Average</u></b>
Warehousing/Distribution	\$2.00 - \$4.75	\$3.00
Manufacturing	\$2.50 - \$6.00	\$4.00
Flex Space	\$2.50 - \$11.00	\$6.75
Class C Industrial	\$1.00 - \$2.00	\$1.75

<b>Industrial Sales Trends</b>		
<b><u>Sale Transaction Type</u></b>	<b><u>Range</u></b>	<b><u>Average</u></b>
Vacant Land	\$25,000 - \$122,350/Acre	\$68,439/Acre
Buildings	\$20.11 - \$59.36/Square Foot	\$39.13/Square Foot

Source: Real Estate Brokers, Developers, Municipal Officials, Tax Assessors

# INDUSTRIAL PROPERTY TRANSACTIONS - LAND

## MIDDLETOWN REGION

1990 - 1993

Address	Acres	Sale Date	Price	\$/Acro
<b><u>Cromwell</u></b>				
Sebethe Dr.	7.56	Jun-90	\$925,000	\$122,354
Progress Dr.	1.18	Jun-90	\$325,000	\$275,423
Sebethe Dr./North Rd	40.28	Jan-93	\$1,000,000	\$24,826
<b><u>Meriden</u></b>				
211 Pomeroy Ave.	10.38	Aug-90	\$550,000	\$55,000
999 Research Parkway	31.02	Nov-90	\$450,000	\$14,500
351 Research Parkway	6.8	Apr-91	\$580,000	\$85,294
<b><u>Middlefield</u></b>				
11 Old Indian Trail	5.53	Jul-91	\$200,000	\$36,166
<b><u>Rocky Hill</u></b>				
Belamose Ave.	5.9	Feb-91	\$200,000	\$33,898
5 Hammerhill Road	4.7	Feb-91	\$300,000	\$63,829
154 Old Forge Road	3.97	Jul-91	\$160,000	\$40,302
500-700 Capital Blvd	55.8	Nov-92	\$6,175,000	\$110,671

Source: Municipal Tax Assessors

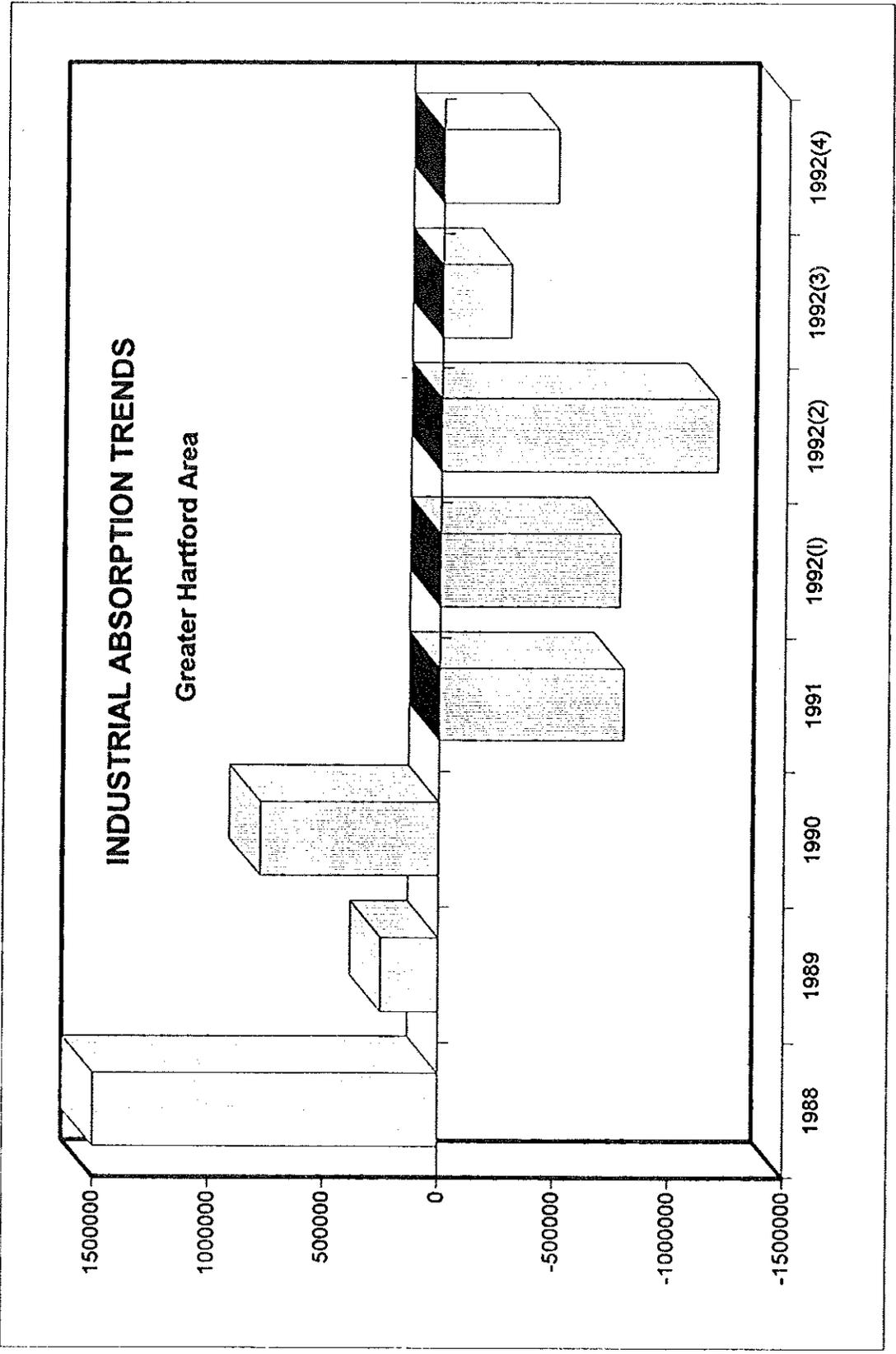
# INDUSTRIAL PROPERTY TRANSACTIONS - BUILDING

## MIDDLETOWN REGION

1990 - 1993

Address	Acres	Size	Age	Sale Date	Price	\$/Square Foot
<b><u>Berlin</u></b>						
124 White Oak Dr	3.05	17,802 SF	1990	Apr-90	\$1,056,800	\$59.36
128 Old Brickyard Ln	29.1	106,195 SF	N/A	Sep-92	\$3,513,000	\$33.08
42-49 Episcopal Rd.	4.9	25,814 SF	1989	Dec-92	\$950,000	\$36.80
<b><u>Cromwell</u></b>						
1000 Corporate Park	2.3	28,861 SF	1988	Mar-91	\$1,450,000	\$50.25
<b><u>Meriden</u></b>						
800 Research Parkway	25.06	155,826 SF	N/A	Nov-92	\$5,600,000	\$35.93
<b><u>Middlefield</u></b>						
36 Industrial Park	1.37	5,000 SF	1989	Jun-92	\$236,000	\$47.20
27 Industrial Park	1.37	8,600 SF	1988	Dec-92	\$325,000	\$37.79
<b><u>Middletown</u></b>						
131 Tuttle Road	4.88	10,888 SF	1977	Sep-92	\$344,750	\$31.66
Beverly Heights	0.36	14,914 SF	1860	Nov-92	\$300,000	\$20.11

Source: Municipal Tax Assessors



Source: The Farley Company