

Retail Helps Push A Slow Recovery

Hartford, Conn., has built a reputation as a global insurance capital since 1810, with the formation of Hartford Fire Insurance Co. The company, now part of **Hartford Financial Services Group Inc.**, issued a policy covering Abraham Lincoln's Illinois home before he left for the White House. Other Hartford-based insurers have their own claims to fame: **Aetna Inc.**, for instance, insured the lives of the first seven American astronauts in 1963.

In recent years, Hartford's weak economy, along with mergers, acquisitions and cost-cutting in the mature insurance and financial sectors, has chipped away at employment levels, and that trend has held back demand for office space. The office sector has been the weakest performer in the local commercial real-estate market, which is lagging behind much of the country despite recent improvements.

Hartford's office, retail, apartment and warehouse vacancies were all above the national averages in the fourth quarter and rents were below average, though all of these indicators, with the exception of office rents and retail economic vacancies, are strengthening or flat, according to Property & Portfolio Research Inc., a Boston-based real-estate research firm. Office-building values were anemic compared with other markets in the pricey Northeast, according to Real Capital Analytics Inc. in New York. Average sale prices rose 44% last year to \$108 a square foot from \$75 in 2004, though they remained well below the national average of \$190 and far below the Northeast's average of \$264, according to Real Capital.

In 2004, the area's economy started to pick up, driven by gains in the professional and business-services sectors and education and health



Hartford 21, under construction by Northland Investment, will include a residential tower, retail and office space.

Photo: T. Merino

nity resulted in more than 400 job cuts in the area, though some companies, such as Hartford Financial, have expanded their greater Hartford work forces in recent years.

Some investors are encouraged by signs of revitalization in downtown Hartford. The new Connecticut Convention Center opened last year, and since 2002, about 1,250 new residential units have been built, 900 are under construction, and almost 1,000 more are planned for the city, according to a spokeswoman for Hartford Mayor Eddie Perez.

The projects include a 36-story, 262-unit luxury rental tower under construction by **Northland Investment Co.**, of Newton, Mass., which owns about 4.5 million square feet of property in the region. Lawrence R. Gottesdiener, Northland's chief executive, believes Hartford has the long-term potential to be a "mini Boston," its location, high construction costs that keep new supply in check and a corporate culture with strong roots will ultimately boost the region's real-estate values, he said. A higher density downtown also will make Hartford a more vital place to live, shop and work.

"You don't need explosive growth like in the Sunbelt to get a pop in values," said Mr. Gottesdiener. "Incremental growth coupled with barriers to entry [for new construction] will do the trick."

Retail has been one of the region's stronger sectors, helped by above-average household incomes, according to PPR. Though the area's population of about 1.2 million is growing at a below-average rate, Hartford's ability to draw consumers from neighboring big cities was one factor that led **Cabela's Inc.** to enter talks to build a superstore on a portion of a planned 624-acre mixed-use development in East Hartford, said James Powell, a spokesman for the Sidney, Neb., sporting-gear retailer.

—Maura Webber Sadovi

By the Numbers

CATEGORY	FOURTH QUARTER	
	2005	2004
Office vacancy rate	18.8%	19.2%
Avg. rent per sq. ft.	\$16.18	\$16.58
Retail econ. vacancy rate	13%	12.7%
Avg. rent per sq. ft.	\$15.05	\$14.65
Warehouse vacancy rate	11.7%	12.5%
Avg. price per sq. ft.	\$4.22	\$4.19
Median home price*	\$259,500	\$239,800

*Third quarter

Sources: Property & Portfolio Research Inc., National Association of Realtors

fields. Overall employment rose 0.6% in December from a year earlier, less than half the national growth rate of 1.5%, according to the Bureau of Labor Statistics. Still, insurance-industry employment in the Hartford area fell by about 2,500 jobs in December compared with December 2000. As recently as July, **MetLife Inc.**'s acquisition of Citigroup's Travelers Life & An-



Journal Link: See additional data on the area's housing market and take a closer look at the city at wsj.com/PersonalJournal.