



RESEARCH Q1 2021

Fairfield County Office Market

Mixed Bag of Optimism and Uncertainty as Challenges Remain

The Fairfield County office market continued to show mixed performance during the first quarter of 2021. Sluggish demand in some markets, combined with a rising tide of sublease space, pushed the overall availability rate to 28.5%, up from 26.5% a year ago. This is the highest level in this market's recorded history. Leasing activity totaled 630,000 square feet, stable from totals in first quarter 2020, but down by 25.4% from year-end. Although leasing velocity is typically higher during year-end, this quarter's level ended well below the first-quarter, five-year historical average of 810,000 square feet.

On the flip side, there are some markets that are well positioned to weather the current disruption. The Greenwich and Central markets, including Westport and Southport, continue to enjoy healthy demand. These markets boast availability levels in the low- to mid-teens, while vacancy rates remain in the single digits. After a year into the pandemic, Downtown Greenwich continues to be in the spotlight, having witnessed another quarter of strong performance.

Secondhand Space Poses Challenge to Landlords

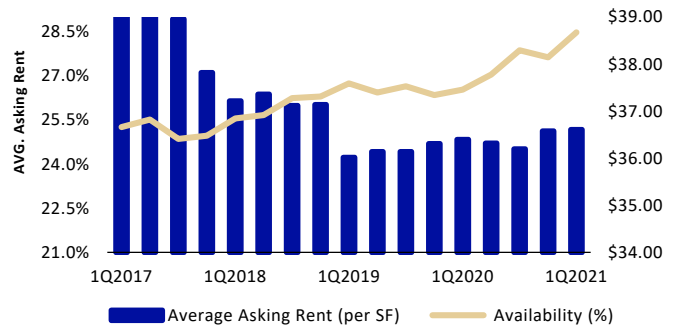
Available sublease space as a percentage of total inventory has increased significantly over the past year. Currently, there is 2.3 million square feet of sublease space on the market, up from 1.7 million square feet in first-quarter 2020. On average, about seven sublease offerings greater than 20,000 square feet are added per year in Fairfield County, totaling approximately 430,000 square feet. Since the pandemic started, 12 subleases greater than 20,000 square feet came online, for a total of 875,000 square feet. The latest addition is Blue Sky Studios' 172,000-square-foot sublease listed at 1 American Lane in Greenwich, which added another 5.3 percentage points to the 13.8% availability rate recorded at the end of 2020 in the Greenwich Non-Central Business District. While this puts pressure on the overall supply, the rise in sublease space, especially at high-quality offerings in Greenwich and Stamford, has created an opportunity for some tenants to lease top-tier space at favorable lease terms. As a result, this has created a challenge for landlords marketing space on a direct basis. Some of them are finding themselves in competition with their own tenants.

Current Conditions

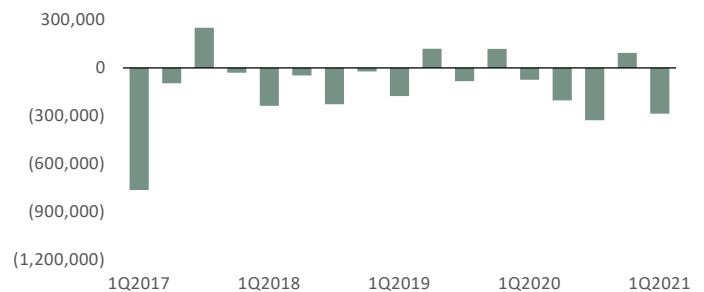
- Leasing activity totaled 630,000 square feet, stable from totals in first quarter 2020, but down by 25.4% from year-end.
- Sluggish demand in some markets combined with a rising tide of sublease space pushed the overall availability rate to 28.5%, from 26.5% a year ago.
- The county's direct average asking rent remained stable at \$39.50/SF.

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



Market Summary

| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF) | 39.9 MSF | 39.5 MSF | 39.5 MSF | ↑ |
| Availability Rate | 28.5% | 27.6% | 26.5% | ↔ |
| Net Absorption (SF) | (285,835) | 94,327 | (73,774) | ↔ |
| Average Asking Rent/SF | \$36.61 | \$36.58 | \$36.40 | ↓ |
| Under Construction (SF) | 802,500 | 949,063 | 949,063 | ↓ |

Intense Competition for Remaining Space in Greenwich

In markets like Greenwich, which historically have had limited space and high costs, subleases have presented an opportunity for both expanding occupiers and tenants like AQR Capital Management, which have used strong market conditions to add additional sublease space on the market. Leasing activity in the Greenwich CBD market this quarter totaled 110,000 square feet, of which 80.0% was comprised of subleases. Notable subleases this quarter included Elliot Investment Management and HPS Investment Partners for 40,000 square feet and 20,000 square feet, respectively, at 600 Steamboat Road. In addition, iCapital Network expanded at 2 Greenwich Plaza, signing a sublease for 27,459 square feet, six months following their initial sublease of 12,000 square feet at the building. Few quality options remain in Greenwich, and recent additions of both direct and sublet space have seen intense competition. Market conditions surrounding Downtown are trending similarly. The direct availability rate in the Greenwich non-CBD market has steadily decreased since 2019 and is currently 14.0%, while vacancy is now 11.0%.

Signs of Influx from New York and Greenwich into Stamford

The number of COVID-19-related relocations into this market continued to grow this quarter. On average, Fairfield County records approximately 40,000 square feet of relocations from New York City per year, but in the last 12 months, relocations from the city have totaled approximately 250,000 square feet across 20 deals; or likely more with the unaccounted ones. Digital Currency Group signed the largest deal this quarter, committing to 45,800 square feet at 290 Harbor Drive on Stamford's waterfront. The bitcoin and blockchain technology firm currently occupies approximately 100,000 square feet in Manhattan and plans to use this new space as a satellite office to supplement its headquarters location. This deal boosted leasing volumes for the Stamford non-CBD market, absorbing 80,000 square feet and helped drop the market's vacancy rate by 1.3 percentage points to 35.3%.

With Greenwich becoming tighter, Stamford has started to see signs of an overflow effect. General Atlantic Partners will be moving its Greenwich office to a new 18,500-square-foot space at 677 Washington Boulevard. Touring activity from Greenwich companies has accelerated in Stamford recently, but only for the most attractive spaces and in top-tier buildings near the train station and around Harbor Point, where most of the newer inventory is concentrated. For the most part, supply continues to outweigh demand in other parts of the Stamford market. With more high-quality sublease space entering the market, landlords are starting to pay attention to rents. The direct average asking rent in Stamford CBD saw a 2.5% year-over-year decrease, from \$49.06/SF to \$47.81/SF. Although landlords have been able to hold face rents, downward pressure on asking rates may intensify.

Frontier Communications Sheds 52,000 Square Feet

Occupancy levels in the Norwalk market continue to drop dramatically. This market's overall availability rate, which has gradually increased since 2016, is quickly approaching the 40% mark. Despite a 12.4% uptick in leasing year over year, demand levels in this market are not enough to offset the glut of space currently available. In fact, more than half of this quarter's total leasing volume of 86,000 square feet came from a single deal. Frontier Communications completed a 47,790-square foot renewal at 401 Merritt 7, where they will be downsizing by 52,234 square feet as part of a bankruptcy restructuring renegotiation.

Outlook

As vaccine rollout has accelerated, tenants are feeling more confident about returning to the office especially in less dense locations outside of New York City. While vacancy remains elevated in some parts of Fairfield County, there are reasons for optimism in the future of this office market including the completion of several significant recent transactions. The impact of COVID-19 has renewed interest in secondary and tertiary suburban office markets, with tenants and employees seeing increased value in working closer to home.

Top Q1 2021 Lease Transactions

| Tenant | Market | Building | Type | Square Feet |
|-------------------------------|-------------------------|--------------------|---------------------|-------------|
| Frontier Communications | Norwalk – South Central | 401 Merritt 7 | Renewal | 47,790 |
| Digital Currency Group | Stamford – Non-CBD | 290 Harbor Drive | New | 45,800 |
| Elliot Management Corporation | Greenwich – CBD | 600 Steamboat Road | Sublease | 40,000 |
| Acme United Corporation | Shelton – Eastern | 1 Waterview Drive | Sublease | 34,182 |
| Wells Fargo Advisors | Westport – Central | 450 Post Road East | Renewal | 31,577 |
| iCapital Network | Greenwich – CBD | 2 Greenwich Plaza | Sublease, Expansion | 27,459 |

Select Q1 2021 Sales Transactions

| Building | Market | Sale Price | Price/SF | Square Feet |
|---------------------------|------------------------|--------------|----------|-------------|
| 1177 High Ridge Road | Stamford – Non-CBD | \$3,900,000 | \$183 | 75,000 |
| 187 Danbury Road | Wilton – South Central | \$10,650,000 | \$84 | 127,775 |
| 1111 & 1177 Summer Street | Stamford – Non-CBD | \$8,500,000 | \$66 | 128,721 |

| Submarket Statistics | | | | | | | |
|---------------------------------|----------------------|--------------|-------------------------|----------------------|---------------------|-------------------------------|-------------------------------|
| | Total Inventory (SF) | Under Const. | Total Availability Rate | Qtr. Absorption (SF) | YTD Absorption (SF) | Direct Asking Rent (Price/SF) | Sublet Asking Rent (Price/SF) |
| Greenwich CBD | 2,099,843 | - | 11.42% | 60,443 | 60,443 | \$89.98 | \$100.00 |
| Greenwich Non-CBD | 2,285,358 | - | 21.89% | -164,604 | -164,604 | \$46.13 | - |
| Greenwich Totals | 4,385,201 | - | 16.88% | -104,161 | -104,161 | \$58.57 | \$100.00 |
| Stamford CBD | 8,167,848 | - | 35.00% | -131,615 | -131,615 | \$47.25 | \$47.01 |
| Stamford Non-CBD | 7,756,505 | - | 33.56% | 76,720 | 76,720 | \$35.73 | \$30.89 |
| Stamford Totals | 15,924,353 | - | 34.30% | -54,895 | -54,895 | \$42.41 | \$39.67 |
| Darien/New Canaan | 700,546 | - | 26.85% | -30,918 | -30,918 | \$33.59 | - |
| Norwalk | 5,220,309 | - | 39.78% | -111,059 | -111,059 | \$32.15 | \$32.46 |
| Wilton | 1,609,056 | - | 26.49% | 84,395 | 84,395 | \$32.10 | \$28.61 |
| South Central Totals | 7,529,911 | - | 35.74% | -57,582 | -57,582 | \$32.25 | \$31.33 |
| Westport | 1,488,672 | - | 16.84% | -28,781 | -28,781 | \$40.02 | \$35.96 |
| Fairfield/Southport | 603,875 | - | 19.42% | -17,293 | -17,293 | \$32.03 | \$30.00 |
| Central Totals | 2,092,547 | - | 17.58% | -46,074 | -46,074 | \$37.55 | \$34.97 |
| Bridgeport | 1,439,669 | - | 16.54% | -1,668 | -1,668 | \$21.13 | \$9.00 |
| Shelton/Stratford | 3,955,294 | - | 16.22% | -48,741 | -48,741 | \$21.78 | \$20.00 |
| Trumbull | 1,371,210 | - | 23.05% | 52,208 | 52,208 | \$18.62 | - |
| Eastern Totals | 6,827,973 | - | 18.42% | 1,799 | 1,799 | \$21.25 | \$13.29 |
| Northern/Greater Danbury | 3,092,701 | - | 26.90% | -24,922 | -24,922 | \$20.22 | \$20.00 |
| Fairfield County | 39,852,686 | - | 28.48% | -285,835 | -285,835 | \$36.61 | \$36.60 |

| Submarket Statistics – Class A | | | | | | | |
|--------------------------------|----------------------|--------------|-------------------------|----------------------|---------------------|-------------------------------|-------------------------------|
| | Total Inventory (SF) | Under Const. | Total Availability Rate | Qtr. Absorption (SF) | YTD Absorption (SF) | Direct Asking Rent (Price/SF) | Sublet Asking Rent (Price/SF) |
| Greenwich | 3,826,875 | - | 16.93% | -105,913 | -105,913 | \$58.49 | \$100.00 |
| Stamford | 13,645,817 | - | 35.44% | -55,864 | -55,864 | \$45.05 | \$40.00 |
| South Central | 5,606,915 | - | 33.40% | -51,735 | -51,735 | \$34.82 | \$31.33 |
| Central | 1,255,561 | - | 14.10% | -12,098 | -12,098 | \$41.60 | \$35.96 |
| Eastern | 4,571,372 | - | 17.39% | 8,576 | 8,576 | \$22.33 | \$13.29 |
| Northern/Greater Danbury | 2,596,192 | - | 30.07% | -17,702 | -17,702 | \$20.31 | \$20.00 |
| Fairfield County | 31,502,732 | - | 28.91% | -234,736 | -234,736 | \$39.50 | \$36.79 |

| Submarket Statistics – Class B | | | | | | | |
|--------------------------------|----------------------|--------------|-------------------------|----------------------|---------------------|-------------------------------|-------------------------------|
| | Total Inventory (SF) | Under Const. | Total Availability Rate | Qtr. Absorption (SF) | YTD Absorption (SF) | Direct Asking Rent (Price/SF) | Sublet Asking Rent (Price/SF) |
| Greenwich | 558,326 | - | 16.53% | 1,752 | 1,752 | \$58.86 | - |
| Stamford | 2,278,536 | - | 27.49% | 969 | 969 | \$24.86 | \$18.00 |
| South Central | 1,922,996 | - | 42.55% | -5,847 | -5,847 | \$27.22 | - |
| Central | 836,986 | - | 22.81% | -33,976 | -33,976 | \$34.04 | \$30.00 |
| Eastern | 2,256,601 | - | 20.49% | -6,777 | -6,777 | \$19.51 | - |
| Northern/Greater Danbury | 496,509 | - | 10.33% | -7,220 | -7,220 | \$19.33 | - |
| Fairfield County | 8,349,954 | - | 26.84% | -51,099 | -51,099 | \$26.71 | \$21.65 |

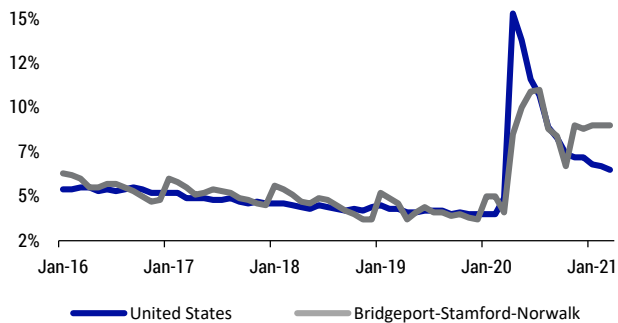
Economic Conditions

According to estimates by the U.S. Bureau of Labor Statistics (BLS), Connecticut's nonfarm employment increased by 5,400 (0.3%) in March of 2021. The state has now recovered 176,400 nonfarm jobs (60.3%) of the 292,400 positions lost in March and April 2020 due to COVID-19. Growth has accelerated, showing three months of consecutive gains.

Private sector employment grew by 5,000 positions (0.4%) to 1,359,000 in March 2021 but is still lower by 89,900 (-6.2%) jobs from the same month a year ago. Education and health services led job gains with 5,400 jobs added, or 1.7%, followed by leisure and hospitality with 1,600, or 1.3% and construction with 1,100, or 2.0%. The government sector also added 400 jobs (0.2%) last month but remains lower by 13,100 (-5.6%) positions over the year. This gain broke a string of four consecutive monthly public sector job losses. The unemployment rate was also lower, finishing at 8.3%, down from 11.4% in June of 2020.

Unemployment Rate

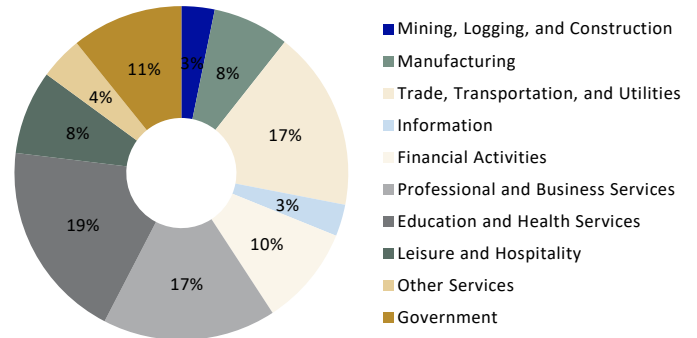
Bridgeport-Stamford-Norwalk Area (*Not Seasonally Adjusted*)



Source: U.S. Bureau of Labor Statistics

Employment By Industry

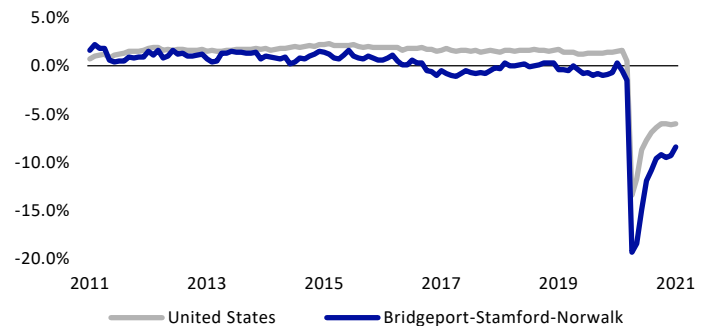
Bridgeport-Stamford-Norwalk Area



Source: U.S. Bureau of Labor Statistics

Payroll Employment

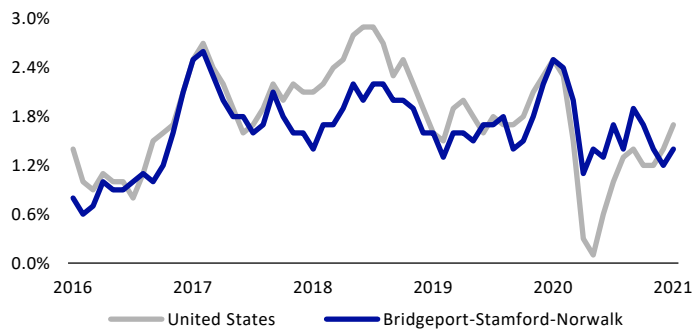
Total Nonfarm, 12-Month % Change (*Not Seasonally Adjusted*)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

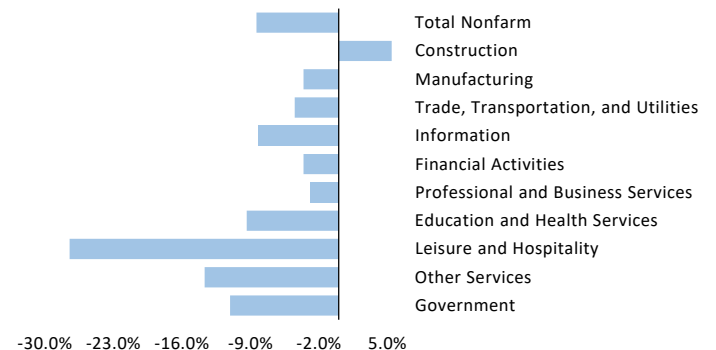
All Items, 12-Month % Change (*Not Seasonally Adjusted*)



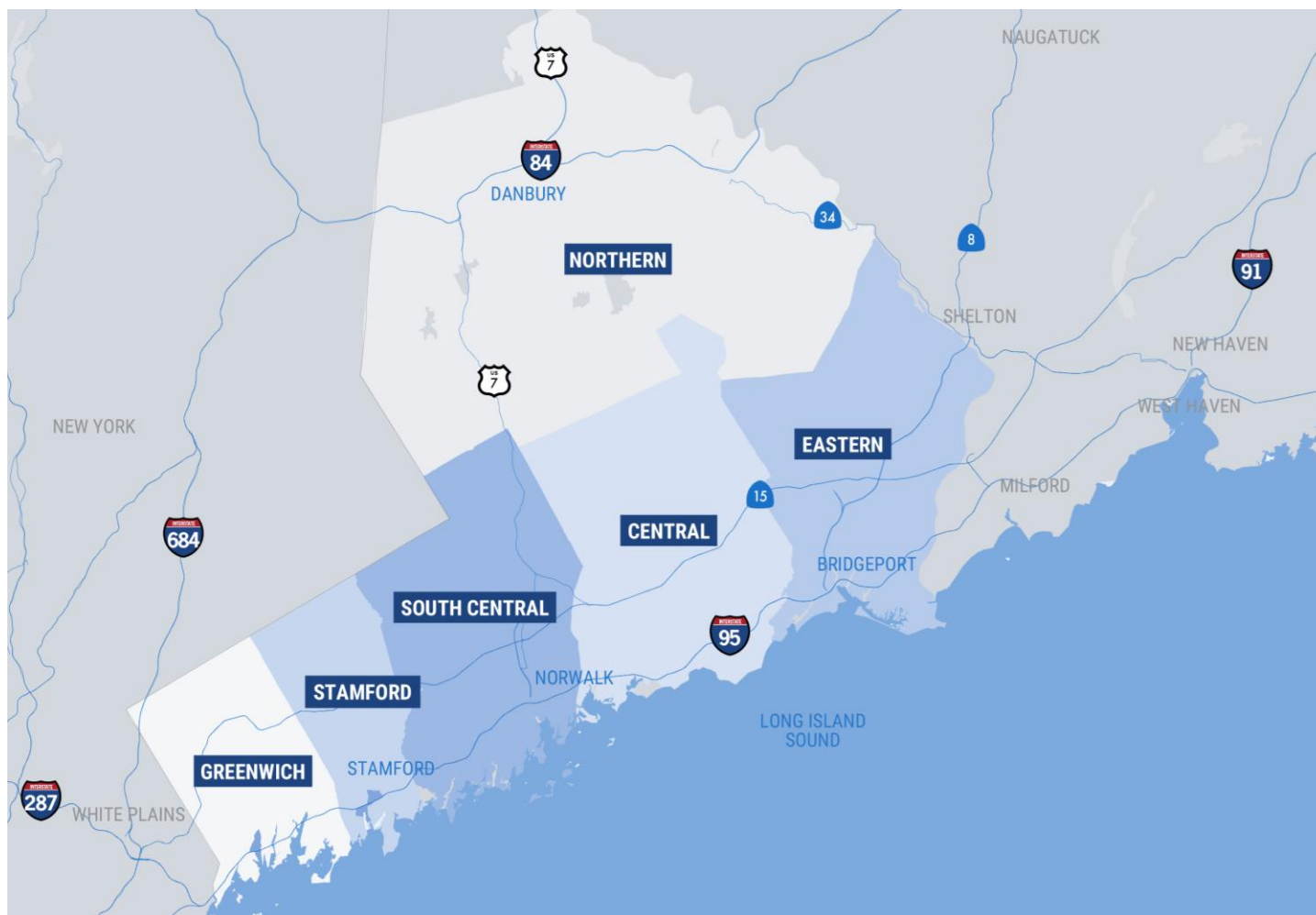
*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Bridgeport-Stamford-Norwalk, 12-Month % Change (*Not Seasonally Adjusted*)



Source: U.S. Bureau of Labor Statistics



For more information:

Fairfield County, CT
 680 Washington Boulevard
 New York, NY 10017
 t 212-372-2000

Karolina Alexandre
Research Manager
 KAlexandre@ngkf.com

nmrk.com

NORTH AMERICA

Canada
 United States

LATIN AMERICA

Argentina
 Brazil
 Chile
 Colombia
 Costa Rica
 Mexico
 Peru
 Puerto Rico

EUROPE

Austria
 Belgium
 Czech Republic
 France
 Germany
 Ireland
 Italy
 Netherlands
 Poland
 Portugal
 Romania
 Russia
 Spain
 Switzerland
 United Kingdom

ASIA-PACIFIC

Australia
 Cambodia
 China
 India
 Indonesia
 Japan
 Malaysia
 New Zealand
 Philippines
 Singapore
 South Korea
 Taiwan
 Thailand

AFRICA

Botswana
 Kenya
 Malawi
 Nigeria
 South Africa
 Tanzania
 Uganda
 Zambia
 Zimbabwe

MIDDLE EAST

Saudi Arabia
 United Arab Emirates

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.