

Fairfield County Office Market

Leasing Slows but Investment Sales Drive Market Activity

Fairfield County's office market ended the first quarter of 2022 at a decelerating pace from year-end 2021. Leasing activity totaled slightly above 800,000 square feet in 90 deals, down 18.2% from last quarter's tally of 1.0 million square feet in 132 deals. The slowdown in leasing is somewhat typical of first-quarter periods after experiencing healthy year-end activity. Although this quarter's leasing volume represented an increase of 29.8% compared with the first quarter of 2021, this mainly resulted from a sale-leaseback transaction that had no effect on net absorption. Pitney Bowes sold its 300,288-square-foot flex property at 27 Waterview Drive in Shelton and signed a new lease back from its new landlord, BDP Holdings. While several factors are still causing uncertainty, the outlook for this year is more optimistic than 2021 as it appears a return to normalcy is forthcoming.

The county's overall availability rate ended at 27.0%, stable from the previous quarter but slightly above last year's rate of 26.5%. Despite a substantial 9.8-percentage-point year-over-year availability rate increase in the Eastern Class A market, where large blocks of space from Sikorsky, Prudential and United Healthcare came online in Shelton this quarter, the market was able to maintain equilibrium as availability in both the Greenwich and Stamford Central Business Districts continued to decline. Still, total net absorption for the quarter ended with negative 166,690 square feet.

Activity in Downtown Greenwich Constrained by Low Supply

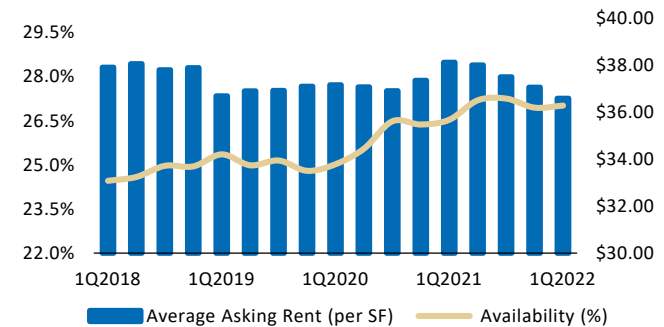
Available space in Greenwich continued to be absorbed. The overall availability rate in the CBD, including sublease space, decreased to 5.7%, from 11.4% a year ago. The same rate for Class A space came down to 2.8%, and the direct Class A vacancy rate finished at 0.7%, the lowest level since 2007. The availability rate in all of Greenwich decreased to 13.4%, from 18.0% last year, while the Class A direct vacancy rate stood at 5.8%. The ever-tightening available supply has constrained demand as leasing volumes in Downtown Greenwich decreased by 24.5% year-over-year and by 41.1% from the previous quarter. However, the overall Greenwich market's total leasing activity of 150,000 square feet remained above the 10-year historical average and there were net gains of 35,000 square feet recorded for the quarter. Demand this quarter once again largely came from firms coming from outside the market.

Current Conditions

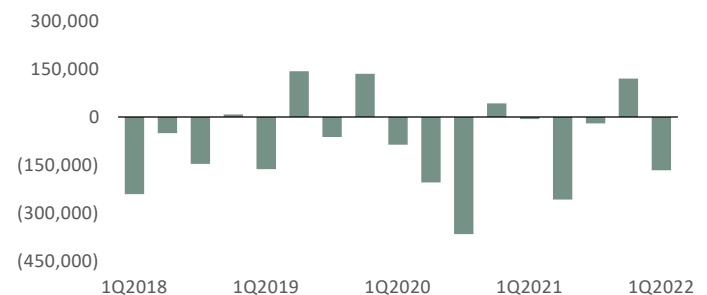
- Leasing activity totaled 813,431 square feet, down 18.2% from last quarter but up nearly 30.0% from first quarter 2021.
- The county's overall availability rate ended at 27.0%, stable from the previous quarter but slightly above last year's rate of 26.5%.
- The direct asking rent averaged \$36.58/SF, down 1.3% from \$37.05/SF recorded in the previous quarter.

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago, Period	12-Month Forecast
Total Inventory (SF)	39.6 MSF	39.5 MSF	39.5 MSF	↓
Availability Rate	27.0%	26.9%	26.5%	↔
Net Absorption (SF)	(166,690)	120,079	(6,202)	↔
Average Asking Rent/SF	\$36.58	\$37.05	\$38.11	↑
Under Construction (SF)	-	-	914,137	↑

RESEARCH Q1 2022

Healthy Demand in Stamford CBD; Rest of Stamford Quiet

Availability rates in the Stamford CBD market continued to gradually improve. After peaking at 35.0% in early 2021, the quarter ended at 27.9%. Leasing activity totaled 230,000 square feet, on par with historical averages. While the two largest Stamford deals did not influence net occupancy, they are worth mentioning as relevant market activity. Indeed extended their leases totaling 174,000 square feet at both 177 Broad Street and 4 Stamford Plaza. This was a short-term extension and was therefore not included in the leasing mix. United Rentals signed a new 51,194-square-foot lease at 100 First Stamford Place. The group previously subleased from Legg Mason and negotiated an early direct deal to remain in the space. Other noteworthy leases this quarter included Webster Bank's renewal and expansion for 46,000 square feet at 200 Elm Street and several deals totaling approximately 42,000 square feet at 677 Washington Boulevard, including a sublease by Stifel for 24,500 square feet from Thomson Reuters and a direct deal by TRGP Capital for 8,776 square feet.

Availability in the Stamford non-CBD market increased by 1.3 and 1.4 percentage points from the previous quarter and from the prior year, respectively, ending at 34.9%. This was mainly due to a 50,300-square-foot sublease recently added to the market by Gartner at 700 Fairfield Avenue. Leasing activity in this market was quiet during the first quarter of 2022, with less than 30,000 square feet transacted. Leasing volumes in other suburban sections of the county, from South Central Fairfield to the northern markets, were also sluggish this quarter.

Investment Sales Reach Highest Levels in 15 Years

While leasing velocity this quarter was lackluster, capital markets activity continued gaining traction. A total of 1.1 million square feet of office buildings traded this quarter for a sales volume of nearly \$400 million. The average price per square foot was \$450/SF. The largest transaction occurred in Downtown Greenwich, where 100 West Putnam Avenue exchanged hands for \$200.0 million, or \$1,290/SF. Boston-based equity fund Rockpoint sold the property to its largest occupier, New York-based investment firm Apollo Global. In Downtown Stamford, Charter Communications sold its former headquarters at 400 Atlantic Street to a joint venture between AVG Partners and George Comfort & Sons for \$72.0 million, or \$159/SF. The seller had been occupying the property for the past 10 years, plus additional temporary space next door at the Purdue building, before moving to its newly built headquarters at 406 Washington Blvd.

New Developments

The year 2022 started with significant changes in the office inventory. More than 800,000 square feet of office space was removed from statistics due to conversions in use, including to residential, industrial, educational or medical facilities. Most of the conversions were concentrated in the South Central market, including Norden Park in Norwalk and both 60 and 64 Danbury Road in Wilton. With Charter Communications' newly built, 914,137-square-foot headquarters delivered by Building and Land Technology at the Stamford train station, the total office inventory will remain close to even. Another new development that is moving forward is Baywater Properties' mixed-use project in Darien, which is expected to add around 90,000 square feet of high-quality office space to the inventory.

Ongoing Struggle to Bring Back Employees

One issue that landlords and tenants are still struggling with is a full return to the office. This will continue to drive a flight-to-quality trend as companies and building owners hope to entice employees back to a more amenitized workplace. Despite ongoing uncertainties related to return to office, the market outlook remains favorable. Since the start of the pandemic, Fairfield County's popularity has grown due to its suburban appeal and proximity to the city, which satisfies companies' desire to accommodate shorter commute times for employees. The recent influx of New York City firms that have relocated or opened satellite offices locally will positively impact surrounding businesses.

Inflation's Influence on the Market

On the investment sales front, a robust pipeline of assets coming to market indicates continued strength. There is still significant capital chasing suburban deals and although interest rates are on the rise, investors continue viewing real estate as a safe haven to hedge against inflation.

Inflation and supply chain issues have trickled down into office rents in some cases as landlords struggle to contend with significantly higher costs to build space and operate their buildings due to increases in materials and labor. Many landlords have held firm on rents, with some even pushing rates higher this quarter, particularly in Greenwich and the Stamford waterfront. It is likely that rents will remain elevated as landlords pass on incremental cost increases to tenants.

Top Q1 2022 Lease Transactions

Tenant	Market	Building	Type	Square Feet
Pitney Bowes	Shelton – Eastern	27 Waterview Drive	Sale/Leaseback	300,288*
Norwalk Hospital	Norwalk – South Central	761 Main Avenue	Renewal	102,343
United Rentals	Stamford – CBD	100 First Stamford Place	Renewal	51,194
Webster Bank	Stamford – CBD	200 Elm Street	Renewal/Expansion	45,979
Silver Point Capital	Greenwich – CBD	2 Greenwich Plaza	Renewal	32,098

*Flex building. Office portion included in leasing statistics is approximately 174,000 SF

Top Q1 2022 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
100 West Putnam Avenue	Greenwich – CBD	\$200,000,000	\$1,290	155,000
258 Elm Street	New Canaan – South Central	\$13,500,000	\$483	27,968
285 & 355 Riverside Avenue	Westport – Central	\$43,057,500	\$450	95,717
27 Waterview Drive	Shelton – Eastern	\$52,250,000	\$174	300,288
400 Atlantic Street	Stamford – CBD	\$72,000,000	\$159	454,000

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	2,113,063	-	5.74%	21,053	21,053	\$103.66	\$83.50
Greenwich Non-CBD	2,268,056	-	20.54%	12,983	12,983	\$47.06	-
Greenwich Totals	4,381,119	-	13.40%	34,036	34,036	\$57.65	\$83.50
Stamford CBD	9,033,403	-	27.86%	30,195	30,195	\$46.27	\$49.15
Stamford Non-CBD	7,796,737	-	34.89%	-85,907	-85,907	\$36.84	\$30.75
Stamford Totals	16,830,140	-	31.12%	-55,712	-55,712	\$42.14	\$41.75
Darien/New Canaan	646,934	-	20.23%	16,869	16,869	\$34.21	\$20.00
Norwalk	4,709,667	-	38.16%	8,105	8,105	\$34.07	\$32.69
Wilton	1,480,803	-	49.07%	-9,304	-9,304	\$32.70	\$30.00
South Central Totals	6,837,404	-	38.83%	15,670	15,670	\$33.64	\$32.03
Westport	1,445,272	-	13.92%	2,866	2,866	\$37.93	\$30.17
Fairfield/Southport	633,220	-	17.80%	-10,814	-10,814	\$31.19	-
Central Totals	2,078,492	-	15.10%	-7,948	-7,948	\$35.23	\$30.17
Bridgeport	1,445,217	-	17.28%	1,046	1,046	\$21.63	\$9.00
Shelton/Stratford	4,164,805	-	23.94%	-390,465	-390,465	\$22.81	\$20.00
Trumbull	1,152,581	-	23.47%	7,718	7,718	\$17.35	-
Eastern Totals	6,762,603	-	22.44%	-381,701	-381,701	\$21.50	\$13.29
Northern/Greater Danbury	2,673,582	-	14.13%	228,965	228,965	\$21.51	-
Fairfield County	39,563,340	-	27.01%	-166,690	-166,690	\$36.58	\$39.22

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	-	13.04%	48,971	48,971	\$49.80	\$83.50
Stamford	14,416,580	-	31.48%	11,532	11,532	\$44.95	\$42.51
South Central	5,459,890	-	42.12%	10,945	10,945	\$34.36	\$32.26
Central	1,255,561	-	11.89%	3,192	3,192	\$39.41	\$32.00
Eastern	4,485,180	-	26.11%	-411,900	-411,900	\$22.50	\$13.29
Northern/Greater Danbury	2,205,484	-	15.11%	228,460	228,460	\$21.96	-
Fairfield County	31,649,570	-	28.41%	-108,800	-108,800	\$38.28	\$39.77

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	554,244	-	15.91%	-14,935	-14,935	\$90.70	-
Stamford	2,413,560	-	28.95%	-67,244	-67,244	\$26.82	\$26.91
South Central	1,377,514	-	25.78%	4,725	4,725	\$29.58	\$20.00
Central	822,931	-	20.01%	-11,140	-11,140	\$33.06	\$26.00
Eastern	2,277,423	-	15.21%	30,199	30,199	\$18.45	-
Northern/Greater Danbury	468,098	-	9.48%	505	505	\$18.12	-
Fairfield County	7,913,770	-	21.45%	-57,890	-57,890	\$28.81	\$25.86

Economic Conditions

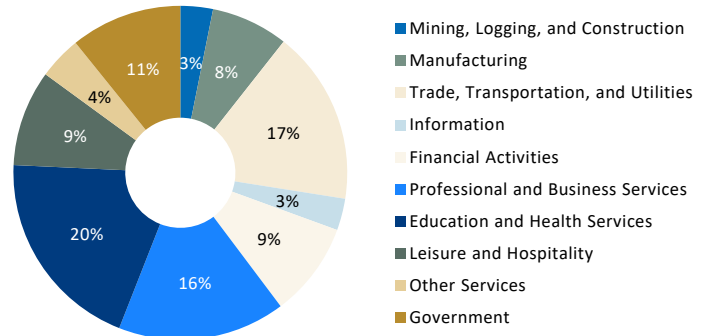
According to estimates by the U.S. Bureau of Labor Statistics, Connecticut's nonfarm payroll employment rose by 4,600 (+0.3%) in March. The state has now recovered 236,800 nonfarm jobs (81.8%) of the 289,400 positions lost in the March and April 2020 COVID-19 trough.

In March, the state's private sector employment gained 5,500 jobs (0.4%) and is higher by 48,800 (3.6%) than the same period last year. The sector with the greatest increase in jobs was professional and business services, which added 2,900 positions; followed by construction (+1,300) and leisure and hospitality (+500). Industries that decreased in March included government (-900), financial service (-600) and information (-100).

positions from the same period last year. The state's unemployment rate fell to 4.6% in March, 2.4 percentage points in the past year, while the U.S. unemployment rate finished at 3.6%, both consistent with the continued downward trend since peaking in April 2020.

Employment By Industry

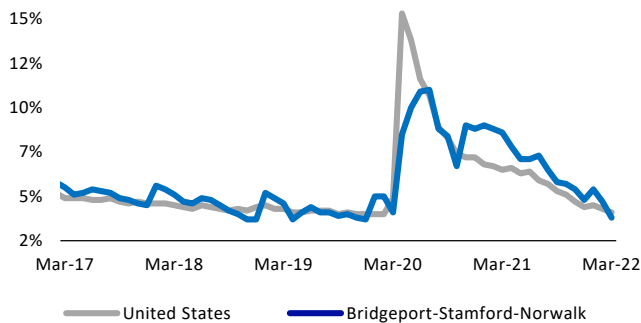
Bridgeport-Stamford-Norwalk Area



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

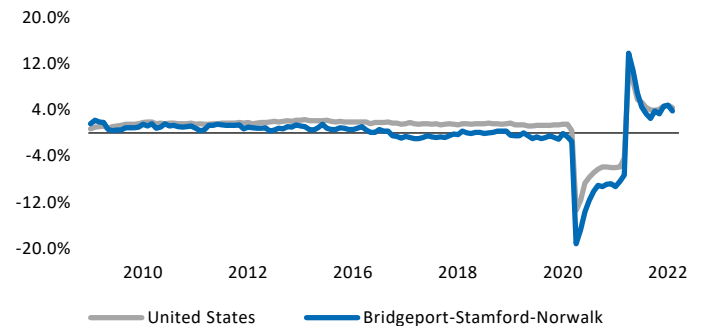
Bridgeport-Stamford-Norwalk Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Payroll Employment

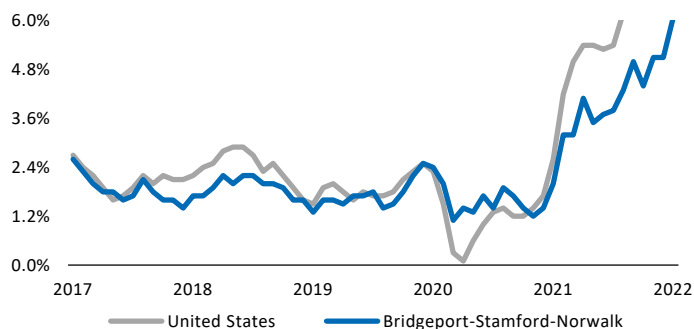
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

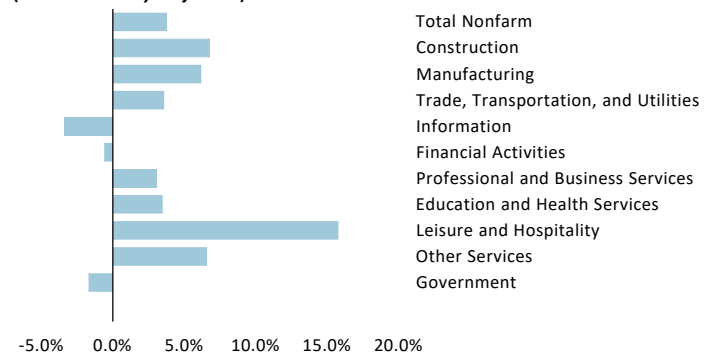
All Items, 12-Month % Change (Not Seasonally Adjusted)



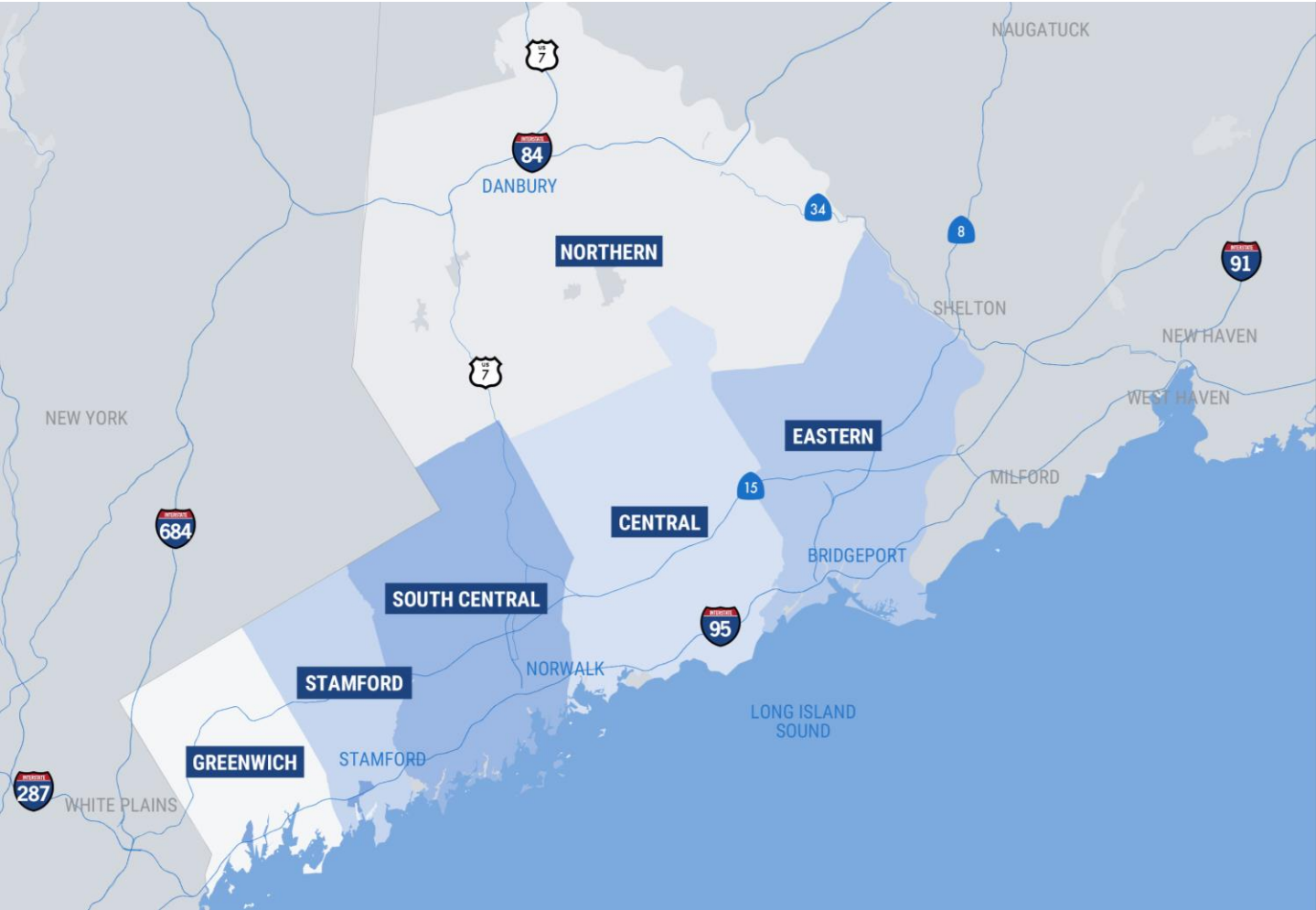
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics



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