

Fairfield County Office Market

Steady Demand Offsets Increased Supply to Maintain Equilibrium

Steady demand around the center cores of Greenwich and Stamford offset the rise in supply in more suburban areas during the third quarter of 2021. Despite two large blocks of space coming online, Nestle's 164,000-square-foot sublease at 900 Long Ridge Road in the Stamford non-CBD and NuVance Health's 142,000-square-foot direct space at 14 Research Drive in Bethel, the county's overall availability rate remained stable from the previous quarter at 28.1%; and only 18,471 square feet was recorded as negative absorption. Demand for secondary office locations by New York City firms, mainly financial groups, continued this quarter, leading to healthy leasing volumes of 900,000 square feet. This was almost double the total tracked in third quarter 2020 and 150,000 square feet higher than this quarter's historical average.

Greenwich CBD's Class-A Vacancy Hits 13-Year Low

The Class-A direct vacancy rate in Downtown Greenwich dropped to 1.8%, the lowest point since 2008, prior to the financial crisis when the rate was 1.1%. Leasing activity surged this quarter, reaching 185,000 square feet, a level much higher than this market's historical third-quarter leasing average of 55,000 square feet. The main contributor was Apollo Capital Management, a Manhattan-based alternative asset management firm, which took 43,500 square feet at 100 West Putnam Avenue. Like several other firms throughout the past year, the pandemic drove executives to make changes to their real estate strategies; among them, opening satellite offices in nearby suburbs. Another firm to follow suit this quarter was One Rock Capital Partners, which took a 13,645-square-foot sublease from AQR Capital Management at Greenwich Plaza. From the 146,000 square feet of sublease space listed by AQR Capital Management since 2019, only 60,000 square feet remains available, though it is expected to be absorbed in coming quarters.

Flurry of New Deals at Stamford's Harbor Point

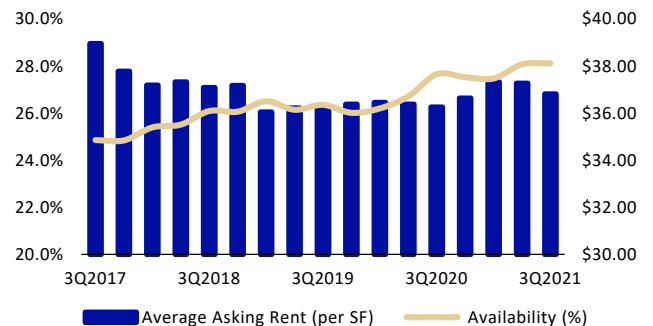
As anticipated, the low vacancy, pricing and competition in Greenwich created a ripple effect that resulted in an upsurge of demand for high-quality space around Stamford's train station and the waterfront area. This quarter, several firms that began their search in Greenwich took advantage of the opportunity to lease top-tier space at Harbor Point.

Current Conditions

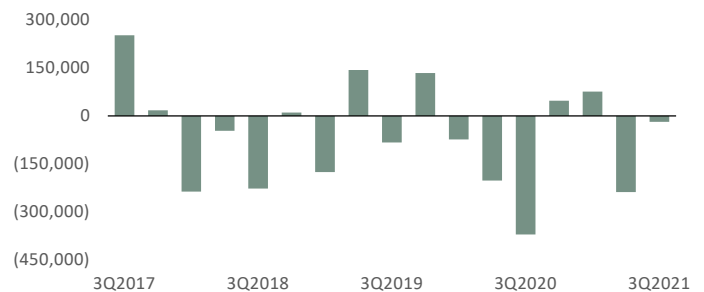
- Demand for satellite office locations by New York City firms continued this quarter, leading to robust leasing volumes of 900,000 square feet
- With steady demand, the availability rate remained stable from the previous quarter at 28.1%, despite an increase in supply
- The direct average asking rent averaged \$36.82/SF, a marginal increase from the \$36.25/SF average recorded a year ago

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	39.9 MSF	39.5 MSF	↑
Availability Rate	28.1%	28.1%	27.7%	↔
Net Absorption (SF)	(18,471)	(283,265)	(370,687)	↔
Average Asking Rent/SF	\$36.82	\$37.27	\$36.26	↓
Under Construction (SF)	802,500	802,500	949,063	↓

RESEARCH Q3 2021

Harbor Point saw 129,128 square feet of leases executed mostly by financial groups, including Altus Power, who took a full floor of 33,006 square feet each. At 600 Washington Boulevard, Equinor inked a 34,227-square-foot new lease. Across the street at 677 Washington Boulevard, roughly 90,000 square feet of leases were in the pipeline by quarter's end. In total, leasing activity in Stamford CBD reached nearly 300,000 square feet this quarter, up 51.6% year-over-year and 35.1% from the previous quarter. Strong leasing drove the availability rate down by 2.7 points from last quarter to 33.0% and 220,000 square feet of net occupancy gains were realized.

Executives See Need to Accommodate for Larger Crowds

The hub-and-spoke office experiment that began in 2020 as a result of COVID-19, though not as widespread as some expected, remains an ongoing trend. This quarter's leasing analysis revealed a new trend relating to Fairfield County's new entrants. Several of the firms that leased space earlier this year have experienced the need to accommodate a larger pool of employees than originally planned for. In fact, the largest deal this quarter was an expansion by Digital Currency Group at Shippan Landing in the Stamford waterfront. Since signing its first 45,800-square-foot lease earlier this year, the blockchain technology firm's footprint is now close to 100,000 square feet.

Other Manhattan groups that originally took space after the COVID-19 breakout and expanded this quarter include: iCapital, which took an additional 25,500 square feet space at Greenwich Plaza; Edgewood Management, which renewed and expanded for a total of 19,412 square feet; Dorilton Capital expanded by 17,805 square feet at 225 High Ridge Road in Stamford; and Palladium Equity Partners renewed and expanded for a total of 10,503 square feet at 1 Station Place. Similarly, Point72 Asset Management realized the importance of its existing office space in Stamford and decided to backfill and take its 20,000-square-foot facility at 43 Gatehouse Road in Stamford off the sublease market.

A "Rising Tide" Not Lifting All Boats Equally

Conditions in the Central and Eastern markets remained stable in the third quarter. With an availability rate of 11.4% and a vacancy rate of 7.2%, the Class-A Central market, including Westport, Southport and Fairfield, remains relatively tight. While these towns have seen an influx of new residents from New York, office leasing has been comparatively limited due to this market's smaller inventory. The northern market saw the largest increase in availability, from 14.8% last quarter to 20.1%. This was due to the addition of Nuvance Health's 142,000-square-foot space in Bethel that will become vacant when the hospital moves to The Summit in Danbury toward the end of the year.

Office Obsolescence, Conversions and Flight to Quality

The momentum that has been building around Class A train-centric properties in lower Fairfield County has not trickled down to large corporate buildings that are becoming obsolete due to attrition and lack of new demand. This is especially evident in Wilton and Norwalk, where availability rates, which started to soar five years ago, currently hover in the low 40%. Activity is still dominated by existing tenants in a typical game of musical chairs. The headwinds of work-from-home policies and tenants' wait-and-see approach have only exacerbated occupancy concerns. The bifurcation between well-positioned, highly amenitized buildings and antiquated assets continues to intensify, more so in a post-pandemic environment where some companies are trying to lure employees back into the office. This has led to a sharper flight-to-quality to more hip and renovated properties, while activity at second-tier buildings remains stagnant. Conversions are also expected to continue, as there will be more interest by landlords and investors to optimize the operational performance of those second-tier assets. In the past 24 months, approximately 1.5 million square feet of office space has been redeveloped.

Top Q3 2021 Lease Transactions

Tenant	Market	Building	Type	Square Feet
Digital Currency Group	Stamford – Non-CBD	290 Harbor Drive	Expansion	45,778
Apollo Capital Management	Greenwich – CBD	100 West Putnam Avenue	New	43,469
Equinor	Stamford – CBD	600 Washington Boulevard	New	34,227
Braidwell Management Company	Stamford – CBD	2200 Atlantic Street	New	33,006
Altus Power America Management	Stamford – CBD	2200 Atlantic Street	New	33,006
Cowen Group	Stamford – Non-CBD	262 Harbor Drive	Renewal	31,455

Select Q3 2021 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
41 West Putnam Avenue	Greenwich – CBD	\$14,100,000	\$563	24,963
1700 East Putnam Avenue	Greenwich – Non-CBD	\$63,500,000	\$360	176,547
191 Post Road West	Westport – Central	\$8,200,000	\$263	30,964

RESEARCH Q3 2021

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	-	8.10%	99,059	130,266	\$91.10	\$82.49
Greenwich Non-CBD	2,285,358	-	22.48%	27,485	-131,225	\$46.52	-
Greenwich Totals	4,385,201	-	15.59%	126,544	-959	\$57.35	\$82.49
Stamford CBD	8,167,848	802,500	33.03%	219,394	29,365	\$46.91	\$49.50
Stamford Non-CBD	7,756,505	-	33.02%	-106,112	128,537	\$35.55	\$30.81
Stamford Totals	15,924,353	-	33.03%	113,282	157,902	\$42.23	\$39.69
Darien/New Canaan	700,546	-	23.37%	14,238	-6,505	\$33.70	\$20.00
Norwalk	5,220,309	-	42.55%	-83,673	-255,427	\$32.48	\$32.55
Wilton	1,609,056	-	44.58%	8,990	-206,830	\$32.81	\$29.33
South Central Totals	7,529,911	-	41.20%	-60,445	-468,762	\$32.64	\$31.63
Westport	1,488,672	-	13.69%	-4,970	-57,875	\$37.36	\$30.17
Fairfield/Southport	603,875	-	19.22%	4,299	-16,080	\$31.70	\$30.00
Central Totals	2,092,547	-	15.28%	-671	-73,955	\$35.58	\$30.13
Bridgeport	1,439,669	-	17.42%	-21,855	-14,313	\$21.56	\$9.00
Shelton/Stratford	4,017,094	-	15.50%	-10,563	43,233	\$22.11	\$20.00
Trumbull	1,371,210	-	25.14%	512	-8,243	\$17.97	-
Eastern Totals	6,827,973	-	17.84%	-31,906	20,677	\$21.03	\$13.29
Northern/Greater Danbury	3,092,701	-	20.12%	-165,275	184,594	\$21.54	\$20.00
Fairfield County	39,852,686	802,500	28.12%	-18,471	-180,503	\$36.82	\$37.74

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	-	15.68%	115,957	-11,439	\$51.72	\$82.49
Stamford	13,645,817	802,500	34.34%	111,807	103,530	\$44.92	\$40.31
South Central	5,606,915	-	40.19%	-61,611	-432,319	\$34.98	\$31.89
Central	1,255,561	-	11.41%	3,886	-25,617	\$40.09	\$32.00
Eastern	4,571,372	-	17.82%	-22,461	23,192	\$21.69	\$13.29
Northern/Greater Danbury	2,596,192	-	22.07%	-154,595	189,765	\$22.28	\$20.00
Fairfield County	31,502,732	802,500	28.79%	-7,017	-152,888	\$39.54	\$38.22

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	-	14.97%	10,587	10,480	\$79.15	-
Stamford	2,278,536	-	25.14%	1,475	54,372	\$24.68	\$25.40
South Central	1,922,996	-	44.14%	1,166	-36,443	\$27.51	\$20.00
Central	836,986	-	21.10%	-4,557	-48,338	\$32.74	\$27.88
Eastern	2,256,601	-	17.88%	-9,445	-2,515	\$19.72	-
Northern/Greater Danbury	496,509	-	9.92%	-10,680	-5,171	\$18.72	-
Fairfield County	8,349,954	-	25.56%	-11,454	-27,615	\$27.72	\$24.97

Economic Conditions

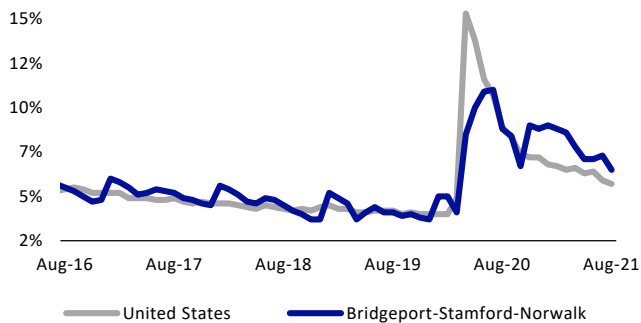
According to estimates by the U.S. Bureau of Labor Statistics, Connecticut's nonfarm employment gains continued in August of 2021. A total of 3,300 (0.2%) positions were added, the eighth consecutive monthly gain this year. The state has now recovered 201,400 jobs (68.9%) of the 292,400 positions lost in March and April 2020 due to COVID-19.

Seven of the ten major industry sectors saw job growth. The largest gains came from the leisure and hospitality sector, which added 1,800 jobs, up 1.4%, followed by professional services with 1,600 new positions, or 0.8%. The information sector remained stable at 27,600. Government led declines, losing 2,200 jobs (negative 1.0%), while educational and healthcare services lost 1,200 jobs (negative 0.4%).

Fairfield County's unemployment rate continued to decline, ending at 6.0%, down from 6.8% in July and significantly down from the COVID-19 peak of 10.5% a year ago.

Unemployment Rate

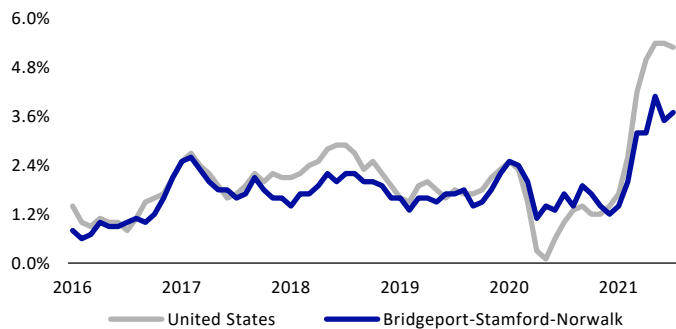
Bridgeport-Stamford-Norwalk Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

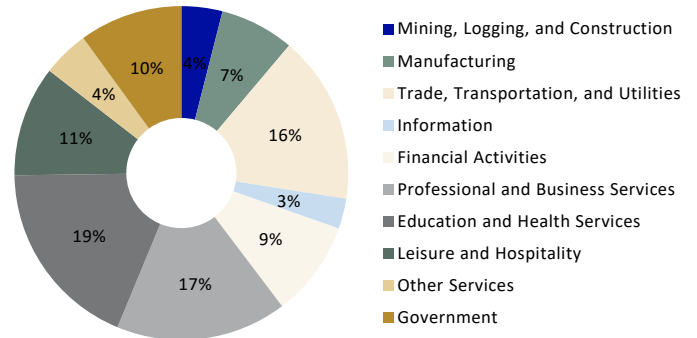
All Items, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Employment By Industry

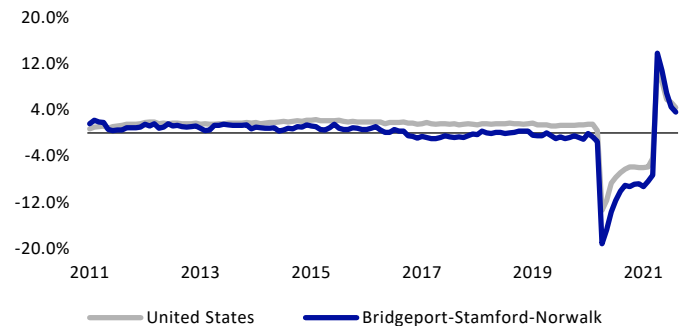
Bridgeport-Stamford-Norwalk Area



Source: U.S. Bureau of Labor Statistics

Payroll Employment

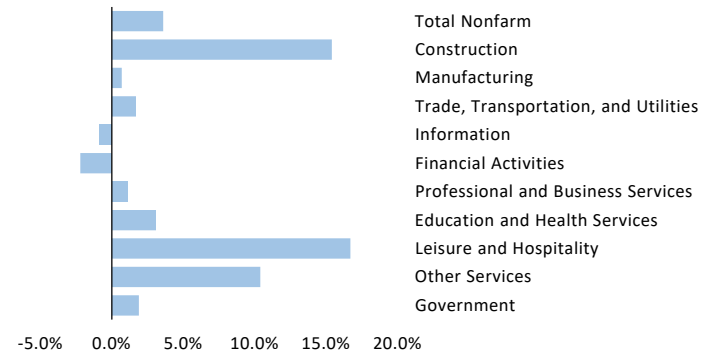
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



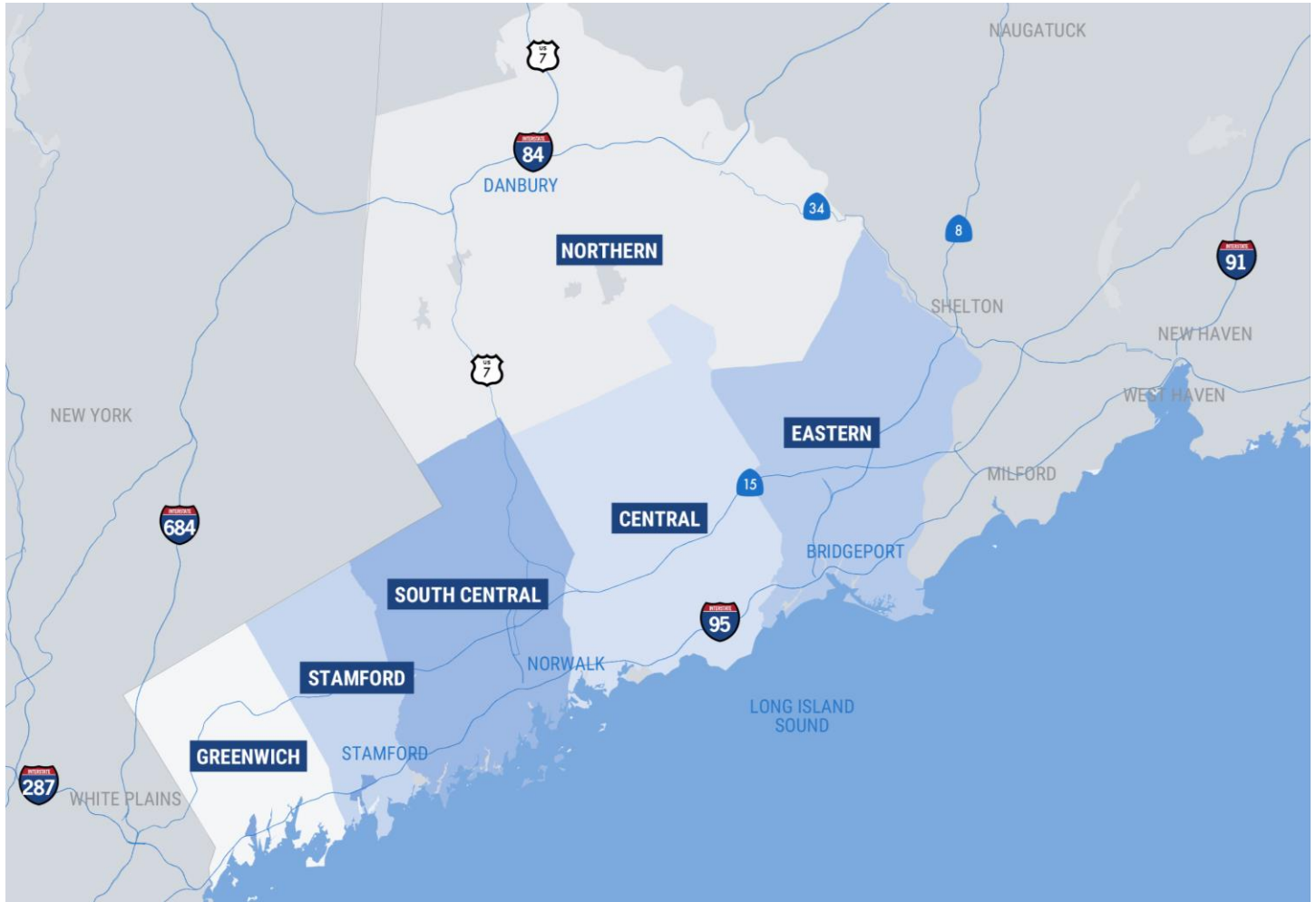
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics



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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.

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