

Fairfield County Office Market

A Challenging Year but Some Bright Spots in 2020 and the Year Ahead

Uncertainty pervaded the Fairfield County office market, as well as markets across the globe in 2020 as the pandemic put a strain on commercial real estate transactions. Total leasing activity this year fell 24.7% year-on-year to 2.4 million square feet in 317 deals, versus 352 deals totaling 3.2 million square feet in 2019. This year's leasing volume was 33.1% below the five-year annual average, and the number of transactions was lower by 80. With supply outpacing demand, the overall availability rate increased by a percentage point to 27.6%, while net absorption finished with negative 403,651 square feet.

The county's direct average asking rent remained stable at \$36.36/SF, but for the second year in a row, the sublease average asking rent stood higher, finishing the year at \$37.08/SF. This is due to large and pricier Class A blocks of sublease space added since 2019. One of the latest was Bridgewater Associates' 138,000-square-foot offering at 2200 Atlantic Street in Stamford, which drove an increase in the county's sublease availability rate, from 4.6% at year-end 2019, to 5.4%.

Fairfield County Capitalizes on Suburban Appeal

Despite the current soft office market, Fairfield County has benefited from a renewed interest in suburban office product. Since the start of the pandemic, the county's key location, within commuting reach of New York, and comparatively lower taxes has become increasingly attractive for New York City residents and firms looking for a safe haven away from crowded housing and workplaces. This trend is reflected in this year's leasing numbers. On average, Fairfield County sees approximately 40,000 square feet of New York City relocations per year. Since March, that figure grew to approximately 150,000 square feet. To put it in perspective, New York City relocations as a percent of total leasing activity annually averages 2.1%. This year, that number grew to 6.2%. The Greenwich market has been by far the number-one beneficiary of most of out-of-market activity, but demand for top-tier buildings in Stamford has grown in recent months.

Leasing Volumes in Greenwich CBD Up by 41.0%

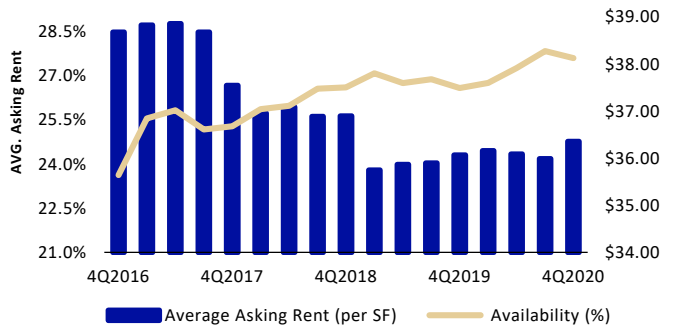
Year-to-date leasing volumes in the Greenwich Central Business District market totaled 220,000 square feet, up 41.0% from 2019.

Current Conditions

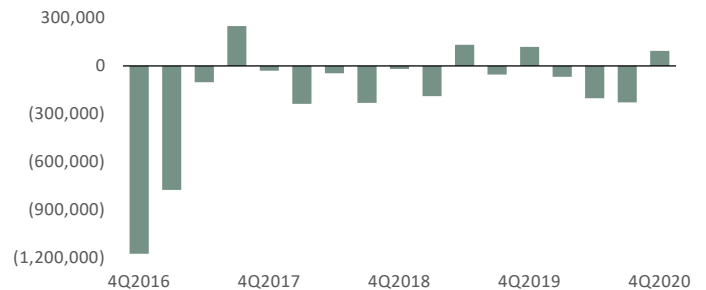
- Total leasing this year fell 24.7% year-on-year, from 3.2 million square feet in 2019 to 2.4 million square feet
- Availability reached 27.6%, while net absorption finished at negative 403,651 square feet
- New York City relocations as a percent of total leasing activity averaged 6.2%, compared to the annual historical average of 2.1%

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	40 MSF	40 MSF	40 MSF	↑
Availability Rate	27.6%	27.8%	26.6%	↔
Net Absorption (SF)	94,327	(228,006)	119,164	↔
Average Asking Rent/SF	\$36.36	\$35.99	\$36.07	↔
Under Construction (SF)	949,063	649,063	649,063	↓

RESEARCH Q4 2020

The largest deal was signed by LonePine Capital, which renewed its 39,000-square-foot lease at Greenwich Plaza. This market also witnessed several small-to-midsize COVID-19-related Manhattan-based leases, including iCapital Networks for 12,000 square feet, Owl Rock Capital Partners for 10,700 square feet and a 10,000-square-foot expansion by Citadel, which involved some New York City backfilling. The CBD's Class A availability rate went from 16.5% at the end of 2019 to 13.5%. Availability in the Greenwich non-CBD market also decreased during the same period, from 16.6% to 13.8%. Although an additional block of 34,353 square feet of sublease space from AQR Management came online at 1 Greenwich Plaza in the previous quarter, year-to-date occupancy in Greenwich showed a net gain of 100,000 square feet.

Stamford Market Gained Footing Amid Uncertainty

Although supply in the Stamford market continues to outweigh demand, there were significant new deals that highlighted this year's leasing numbers, including Greenwich Education Group's new 66,758-square-foot lease at 201 High Ridge Road, Berkley Insurance's 63,173 square-foot deal at Metro Center and Point Pickup Technologies' 29,283-square-foot deal at 333 Ludlow Street. Relative to New York City post-COVID-19 demand, large financial firms have delayed reboarding until the summer of 2021 at the earliest, and therefore have not yet pulled the trigger on real estate decisions. However, some of those firms are likely waiting on the sidelines. There have been several inquiries from new groups, including private equity firms and banks out of Manhattan looking for premium space in this market. As Greenwich becomes tighter, it is possible that Stamford will benefit from an overflow effect. For now, Stamford's availability remains high at 33.6%, while net absorption ended the year with negative 440,587 square feet.

Nuvance Health Signs Second-Largest New Lease Since 2017

In what was the largest office deal in the state this year, Nuvance Health consolidated its Connecticut and Hudson Valley, New York operations into a 220,000-square-foot office at The Summit in Danbury. As a result, leasing activity in this market, which totaled 390,000 square feet, more than triple the total recorded in 2019. However, occupancy gains from this deal were dwarfed as a 273,127-square-foot block of sublease space from Cartus came online simultaneously at 40 Apple Ridge Road in Danbury. All in all, the northern market ended the year with positive net absorption of 115,760 square feet and a 3.7-percentage-point decrease in availability to 26.1%.

Another market to hold steady despite headwinds was Central Fairfield, comprised of Westport, Fairfield and Southport, where demand was up by 2.4% year-over-year and absorption was positive 50,361 square feet. Availability there decreased from 17.8% to 15.4%. In contrast, two markets that struggled this year were the South Central and Eastern markets, which reflected a combined 230,000 square feet in occupancy loss. Although demand in the South Central market picked up in the fourth quarter with deals such as Melissa & Doug for 61,750 square feet at Wilton Woods and a New York City relocation by Gamechange Solar to 230 East Avenue in Norwalk, availability in this market continued its upward trend, ending at 34.8%, up from 33.2% a year ago.

Outlook

The distribution of the vaccine has provided a light at the end of the tunnel. Although the pandemic is expected to have an impact well into 2021, if theories about decentralizing footprints and shifting out of major cities hold up, Fairfield County stands to benefit. That could make the work-from-home impact on suburban markets less severe.

Top 2020 Lease Transactions

Tenant	Market	Building	Type	Square Feet
Nuvance Health	Danbury – Northern	39 Old Ridgebury Road	New	220,000
Purdue Pharma	Stamford – CBD	201 Tresser Boulevard	Renewal	104,000
Parker Medical	Danbury – Northern	43 Old Ridgebury Road	New	88,000
Greenwich Education Group	Stamford – Non-CBD	201 High Ridge Road	New	66,758
Berkley Insurance	Stamford – CBD	1 Station Place	New	63,173
Melissa & Doug	Wilton – South Central	10 Westport Road	Sublease	61,570

Select 2020 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
60 Danbury Road	Wilton – South Central	\$17,100,000	\$228	75,000
2150 Post Road	Fairfield – Cenral	\$10,000,000	\$197	50,880
1055 Washington Boulevard	Stamford – CBD	\$24,000,000	\$133	181,000
900 Long Ridge Road	Stamford – Non-CBD	\$27,250,000	\$122	224,000

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	2,049,385	-	13.6%	16,434	45,350	\$83.12	\$93.01
Greenwich Non-CBD	2,285,358	-	14.7%	33,452	54,469	\$46.10	\$45.00
Greenwich Totals	4,334,743		14.2%	49,886	99,819	\$55.05	\$88.52
Stamford CBD	8,206,671	832,258	33.2%	(103,649)	(516,452)	\$47.56	\$43.58
Stamford Non-CBD	7,758,873	116,805	33.9%	1,179	75,865	\$35.95	\$31.74
Stamford Totals	15,965,544	-	33.6%	(102,470)	(440,587)	\$42.44	\$38.20
Darien/New Canaan	700,546	-	22.4%	5,888	22,501	\$34.04	-
Norwalk	5,185,182	-	37.4%	(9,354)	(106,812)	\$32.41	\$32.46
Wilton	1,609,056	-	31.7%	62,398	(36,277)	\$32.81	\$28.61
South Central Totals	7,494,784	-	34.8%	58,932	(120,588)	\$32.59	\$31.33
Westport	1,488,672	-	14.9%	21,778	47,545	\$40.43	\$35.96
Fairfield/Southport	603,875	-	16.6%	(1,585)	2,816	\$31.36	\$30.00
Central Totals	2,092,547	-	15.4%	20,193	50,361	\$37.40	\$34.97
Bridgeport	1,415,669	-	16.1%	(6,000)	(33,642)	\$20.69	\$9.00
Shelton/Stratford	3,955,294	-	15.0%	(4,572)	(88,869)	\$21.50	\$20.00
Trumbull	1,371,210	-	31.4%	7,296	14,095	\$16.68	\$26.00
Eastern Totals	6,742,173	-	18.6%	(3,276)	(108,416)	\$19.87	\$14.41
Northern/Greater Danbury	3,092,701	-	26.1%	71,062	115,760	\$19.98	\$20.00
Fairfield County	39,722,492	949,063	27.6%	94,327	(403,651)	\$36.36	\$37.08

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	3,798,434	-	13.7%	54,025	110,755	\$ 54.87	\$ 93.01
Stamford	13,605,517	949,063	34.8%	(91,992)	(527,421)	\$ 45.17	\$ 38.43
South Central	5,571,788	-	32.4%	70,170	(105,307)	\$ 35.40	\$ 31.33
Central	1,255,561	-	13.1%	11,599	13,647	\$ 41.12	\$ 35.96
Eastern	4,485,572	-	16.4%	(24,410)	(74,653)	\$ 21.65	\$ 13.29
Northern/Greater Danbury	2,596,192	-	29.4%	38,812	80,787	\$ 20.05	\$ 20.00
Fairfield County	31,313,064	949,063	27.8%	58,204	(502,192)	\$ 39.55	\$ 37.22

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	3,798,434	-	17.8%	(4,139)	(10,936)	\$ 55.73	\$ 45.00
Stamford	13,605,517	-	26.6%	(10,478)	86,834	\$ 24.58	\$ 30.00
South Central	5,571,788	-	41.9%	(11,238)	(15,281)	\$ 27.17	-
Central	1,255,561	-	18.8%	8,594	36,714	\$ 34.05	\$ 30.00
Eastern	4,485,572	-	23.0%	21,134	(33,763)	\$ 17.54	\$ 26.00
Northern/Greater Danbury	2,596,192	-	8.9%	32,250	34,973	\$ 19.16	-
Fairfield County	31,313,064	-	26.7%	36,123	98,541	\$ 25.92	\$ 32.29

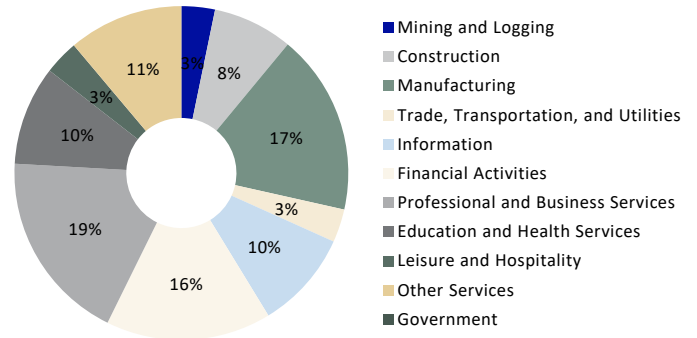
Economic Conditions

Connecticut experienced a slight increase in job losses, with nonfarm jobs decreasing by 1,600 during the month of November, raising the state's unemployment rate to 8.2%, a 2.1% quarter-over-quarter increase; this is the first monthly job loss since April's drop due to the COVID-19 lockdown. The Connecticut Department of Labor noted that employment in the state is now 96,500 positions below one year ago, at 1,596,000 jobs, seasonally adjusted.

Industries that experienced job growth include trade, transportation and utilities, gaining 3,700 jobs, or 1.3%, and construction, gaining 500 jobs, or 0.9%. Industries that experienced job losses in the month of November include leisure and hospitality, losing 2,800 jobs, or 2.1%, followed by government, losing 900, or 0.4%, likely due to temporary Census work ending.

Employment By Industry

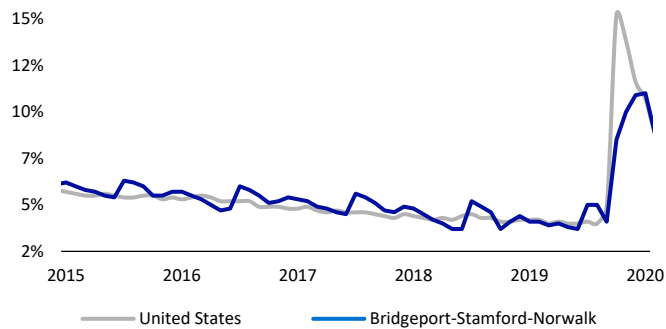
Bridgeport-Stamford-Norwalk Area



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

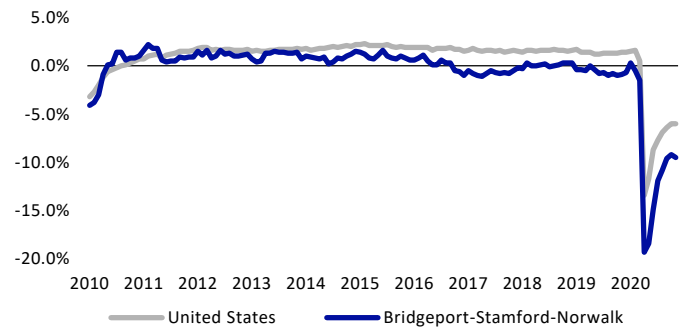
Bridgeport-Stamford-Norwalk Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Payroll Employment

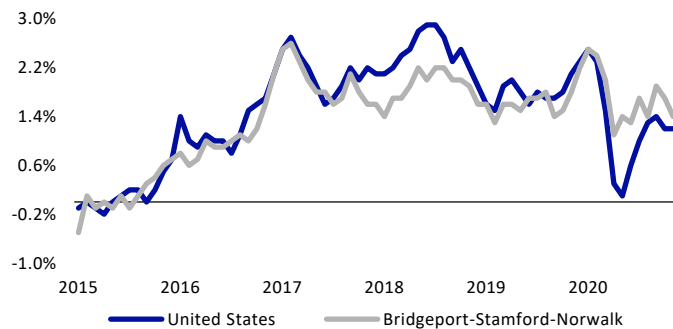
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

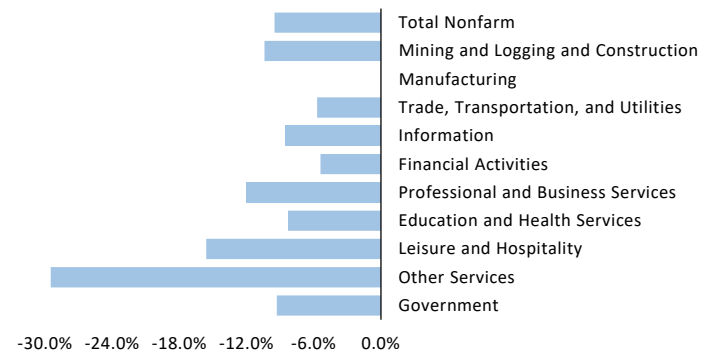
All Items, 12-Month % Change (Not Seasonally Adjusted)



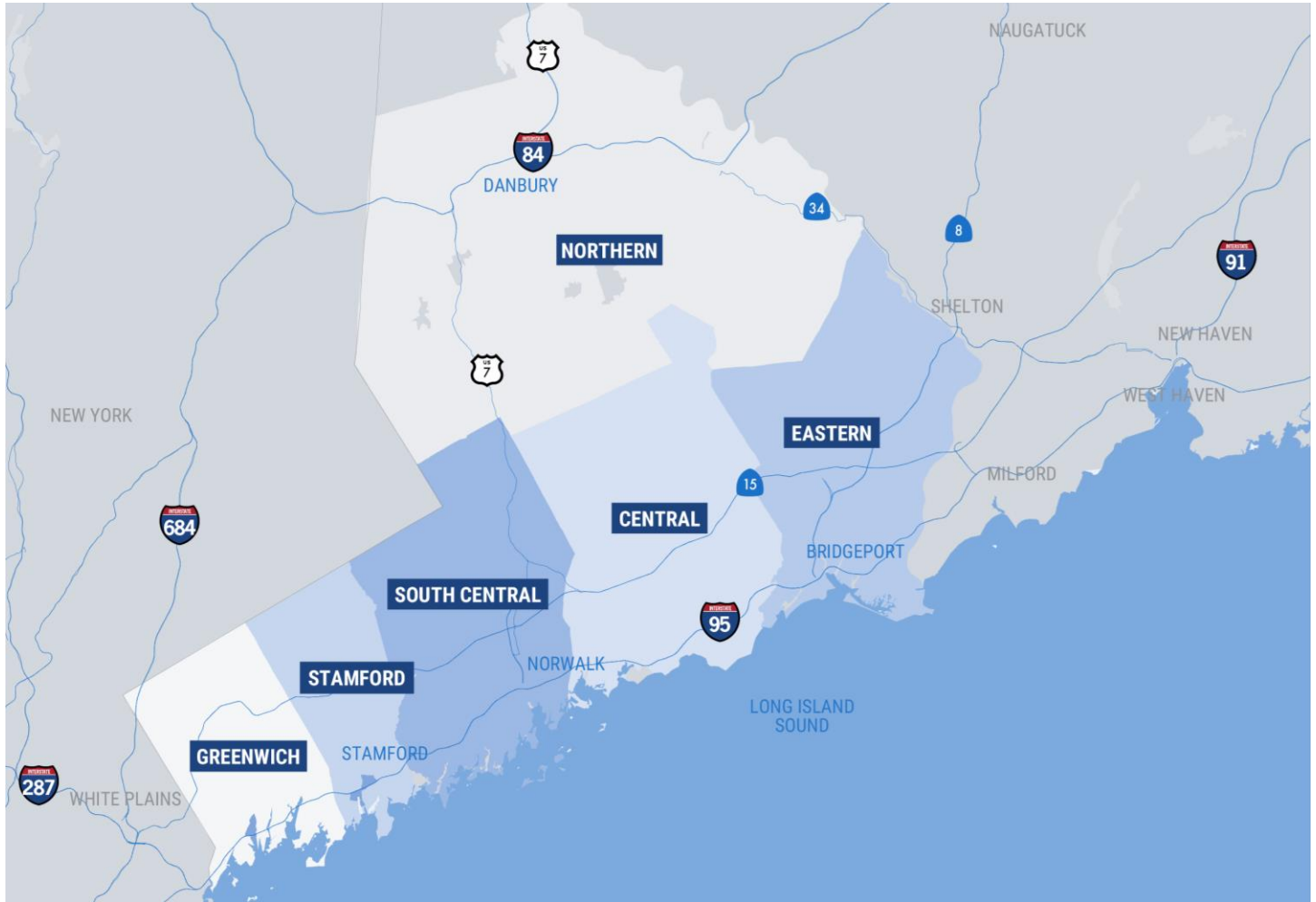
*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics



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 Philippines
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 South Korea
 Taiwan
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 Kenya
 Malawi
 Nigeria
 South Africa
 Tanzania
 Uganda
 Zambia
 Zimbabwe

MIDDLE EAST

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 United Arab Emirates

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