

Fairfield County Office Market

Fairfield County Office Market Remains Challenged in 2022

This past year was a difficult year for the Fairfield County office market as compared with 2021. Leasing velocity closed the year at 2.8 million square feet, a year-over-year decrease of 15.4%. Coinciding with the decline was an increase of 80 basis points in the availability rate, which closed the year at 27.8%. This combination resulted in annual absorption of negative 432,651 square feet.

The decreasing leasing velocity was a result of limited large relocations. Of the six transactions signed in 2022 for at least 75,000 square feet, just one was a relocation: Subway signed an 87,300-square-foot lease at 1 Corporate Dr. in the Eastern submarket. The largest transaction of the year was Pitney Bowes's sale-leaseback for 300,288 square feet, of which 174,000 square feet was office space, at 27 Waterview Dr. Notable renewals in Stamford included Indeed's 150,723-square-foot lease and Franklin Templeton's 79,684-square-foot deal. Norwalk Hospital and Citadel also signed renewals for 102,343 square feet and 75,399 square feet, respectively.

Average asking rents closed the fourth quarter of 2022 at \$37.38/SF, a year-over-year improvement of 1.1% from last year's average of \$36.99/SF. The greatest increase was in the Greenwich Central Business District, where rents increased by 20.9% year over year, to \$114.47/SF. The remaining submarkets in Fairfield County were more stable, with Eastern recording the second-largest increase of 3.5% year over year to \$21.46/SF.

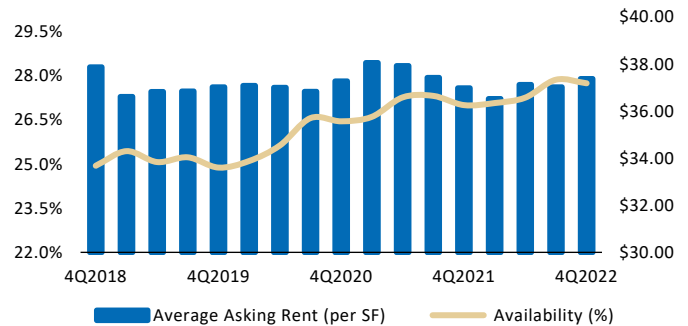
Amid a rising interest rate environment, just 22 sales transactions were finalized in 2022 for a combined \$606.3 million. This was a marked decline from 2021, in which 34 deals were completed for a combined \$678.2 million. One silver lining was the year-over-year increase in the average rent price, from \$294.38/SF to \$314.71/SF. The largest sale of the year was at 100 West Putnam Ave., a Class A 155,000-square-foot property, which traded for \$200 million, or \$1,290.32/SF.

Current Conditions

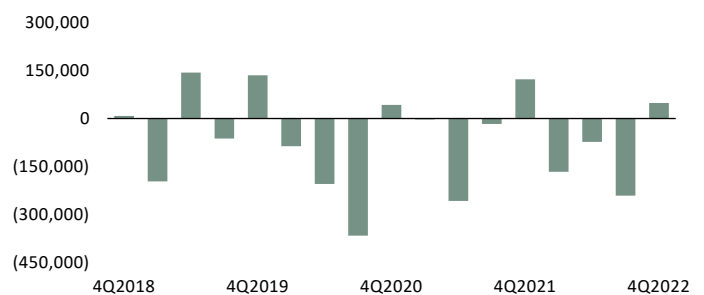
- Leasing activity slows in 2022, with velocity totaling 2.8 million square feet.
- The overall availability rate closed the year at 27.8%, an increase of 80 basis points year over year.
- The direct average asking rent ended the quarter at \$37.38/SF, an improvement of 1.1% from last year's average of \$36.99/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)	39.6 MSF	39.6 MSF	39.0 MSF	↔
Availability Rate	27.8%	27.9%	27.0%	↔
Net Absorption (SF)	48,357 SF	-241,273 SF	122,658 SF	↔
Average Asking Rent/SF	\$37.38	\$37.03	\$36.99	↑
Under Construction (SF)	90,000	90,000	-	↑

RESEARCH Q4 2022

Year-over-Year Changes in Availability Vary by Submarket

Although the overall Fairfield County availability rate increased by 80 basis points year over year, some submarkets recorded much more pronounced swings. The Greenwich overall submarket recorded an increase of 40 basis points year over year, closing the fourth quarter of 2022 at 14.6%. Greenwich CBD's availability rate closed at 7.7%, the tightest of any Fairfield County submarket.

Stamford's availability rate declined by 50 basis points to 32.3%. There was an even larger decline of 390 basis points recorded in the Stamford CBD. This was the result of improved leasing velocity in the submarket as 2022 activity closed at 1.0 million square feet, increasing by nearly 130,000 square feet year over year, or 14.3%. The South Central and Central submarkets recorded slight year-over-year changes, declining by 29.0% and 25.7%, respectively.

The largest year-over-year swings were recorded in the Eastern submarket, where availability increased by 670 basis points to 23.2%, and in the Northern submarket, where availability decreased by 610 basis points to 14.2%. The change in Eastern was driven by numerous spaces coming to market. In fact, annual absorption in the submarket totaled negative 432,229 square feet, nearly all of Fairfield County's

negative space absorption. The large swing in Northern was a result of the submarket's limited inventory. Activity in Northern increased to 76,284 square feet in 2022, jumping by 44.3% from 2021.

Stamford CBD Drives 2022 Leasing Velocity

Despite the overall decline in leasing activity by over 500,000 square feet, velocity in the Stamford CBD accounted for 37.1% of the space leased. This was an increase of 10 percentage points from 2021, when it accounted for just 27.4% of all activity. The second half of 2022 was even more productive than the first in the Stamford CBD, with 50 deals signed for 645,705 square feet, as compared with 44 deals signed for 381,343 square feet in the first half.

Despite its robust availability rate, the Greenwich CBD recorded a decline in activity of 131,394 square feet year over year. Velocity in 2022 closed at 344,255 square feet. The opposite was true in the Greenwich non-CBD, with activity increasing 34.5% year over year to 221,333 square feet.

The Eastern and Northern submarkets were the only pockets of Fairfield County to record improvements in leasing velocity. The Stamford non-CBD, Central and South Central submarkets each recorded declines.

Top 2022 Lease Transactions

Tenant	Market	Building	Type	Square Feet
Pitney Bowes	Shelton – Eastern	27 Waterview Drive	Sale/Leaseback	300,288*
Indeed	Stamford – CBD	177 Broad Street	Renewal	150,273
Norwalk Hospital	Norwalk – South Central	761 Main Avenue	Renewal	102,343
Subway	Shelton – Eastern	1 Corporate Drive	New	87,300
Franklin Templeton	Stamford – CBD	100 First Stamford Place	Renewal	79,684
Citadel	Greenwich – CBD	33 Benedict Place	Renewal	75,399

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

Top 2022 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
100 West Putnam Avenue	Greenwich – CBD	\$200,000,000	\$1,290	155,000
1 Lafayette Place & 1 East Putnam Avenue	Greenwich – CBD	\$78,000,000	\$864	90,268
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
33 Riverside Avenue	Westport – Central	\$16,500,000	\$389	42,432
20 Westport Road	Wilton – South Central	Undisclosed	Undisclosed	240,000

RESEARCH Q4 2022

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	-	7.74%	-50,135	-23,655	\$114.47	\$111.96
Greenwich Non-CBD	2,268,056	-	20.92%	-349	4,336	\$48.25	-
Greenwich Totals	4,381,119	-	14.56%	-50,484	-19,319	\$64.95	\$111.96
Stamford CBD	9,033,403	-	27.71%	69,060	38,047	\$48.05	\$50.69
Stamford Non-CBD	7,796,737	-	37.63%	-42,346	-265,766	\$36.60	\$31.13
Stamford Totals	16,830,140	-	32.30%	26,714	-227,719	\$42.80	\$42.77
Darien/New Canaan	646,934	90,000	17.25%	1,219	36,161	\$33.77	-
Norwalk	4,709,667	-	39.00%	52,511	-31,370	\$33.80	\$34.19
Wilton	1,480,803	-	47.07%	5,889	20,316	\$32.05	\$30.00
South Central Totals	6,837,404	-	38.69%	59,619	25,107	\$33.27	\$33.32
Westport	1,445,272	-	13.74%	25,651	5,525	\$39.63	\$32.00
Fairfield/Southport	633,220	-	18.01%	-18,736	-12,109	\$32.64	-
Central Totals	2,078,492	-	15.04%	6,915	-6,584	\$36.21	\$32.00
Bridgeport	1,445,217	-	16.70%	0	9,397	\$21.63	-
Shelton/Stratford	4,164,805	-	25.13%	541	-439,856	\$22.65	\$18.67
Trumbull	1,152,581	-	24.30%	-10,276	-1,770	\$17.97	-
Eastern Totals	6,762,603	-	23.19%	-9,735	-432,229	\$21.46	\$18.67
Northern/Greater Danbury	2,673,582	-	14.16%	15,328	228,093	\$20.98	-
Fairfield County	39,563,340	90,000	27.75%	48,357	-432,651	\$37.38	\$40.93

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	-	13.61%	-7,181	27,099	\$51.39	\$115.24
Stamford	14,416,580	-	32.85%	24,380	-191,990	\$45.81	\$43.32
South Central	5,459,890	90,000	41.14%	67,495	64,421	\$33.94	\$33.32
Central	1,255,561	-	11.89%	-10,309	-59,504	\$39.41	\$32.00
Eastern	4,485,180	-	26.42%	1,733	-425,951	\$22.18	\$18.67
Northern/Greater Danbury	2,205,484	-	14.84%	15,328	234,568	\$21.34	-
Fairfield County	31,649,570	90,000	29.15%	91,446	-351,357	\$38.89	\$41.03

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	-	21.12%	-43,303	-46,418	\$105.19	\$90.00
Stamford	2,413,560	-	29.04%	2,334	-35,729	\$25.84	\$32.64
South Central	1,377,514	-	28.98%	-7,876	-39,314	\$29.71	-
Central	822,931	-	12.23%	17,224	52,920	\$34.28	-
Eastern	2,277,423	-	16.81%	-11,468	-6,278	\$19.67	-
Northern/Greater Danbury	468,098	-	10.97%	0	-6,475	\$18.79	-
Fairfield County	7,913,770	-	22.14%	-43,089	-81,294	\$30.67	\$38.29

Economic Conditions

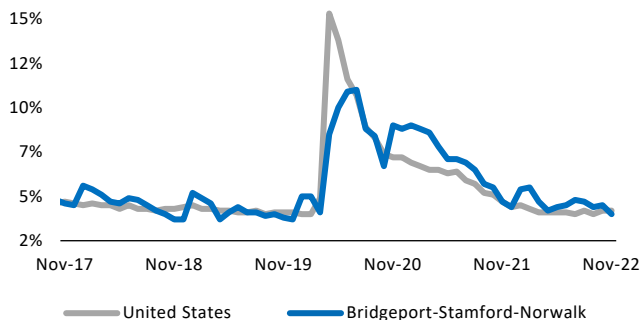
According to estimates by the US Bureau of Labor Statistics, Connecticut's nonfarm employment increased by 6,200 positions (0.4%) in November 2022. The state has now recovered 90.9%, or 263,200, of the positions lost during the 2020 COVID lockdown period.

The private sector increased by 3,300 jobs (0.2%) and is now up by 2.4% year over year. Industries with the greatest growth in November include: the government sector, up by 2,900 jobs (1.3%); followed by professional and business services, up 2,300 jobs (1.1%); construction and mining, up 500 jobs (0.8%); education and health services, up 500 jobs (0.1%); leisure and hospitality, up 300 jobs (0.2%); information, up 200 jobs (0.6%); other services, up 200 jobs (0.3%); and manufacturing, which increased by 100 jobs (0.1%).

The Consumer Price Index is beginning to trend downward, ending at 5.9% locally and 7.1% nationally, down by 11.9% and 21.9%, respectively, compared with peak rates in June 2022.

Unemployment Rate

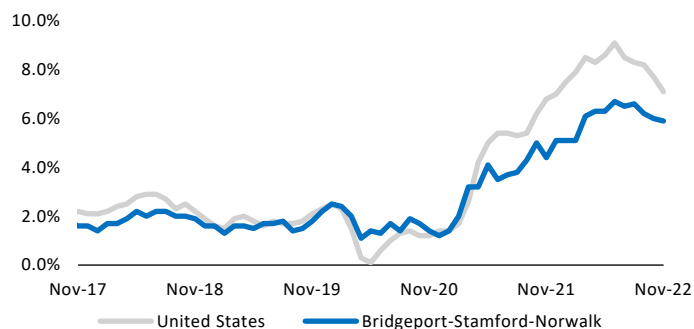
Bridgeport-Stamford-Norwalk Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

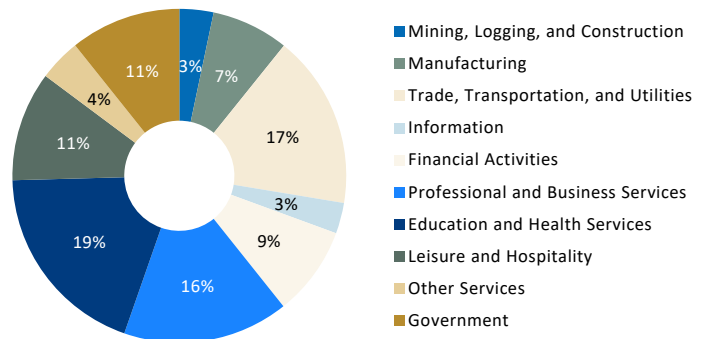
All Items, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Employment By Industry

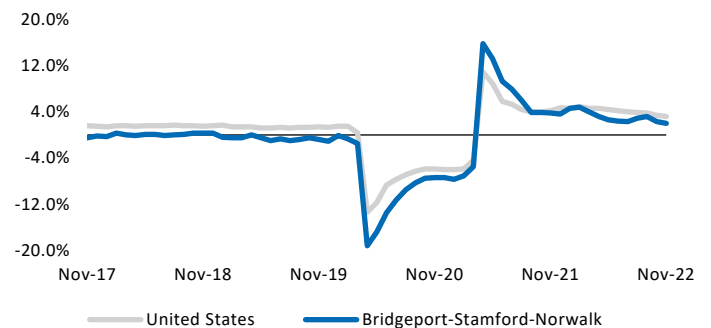
Bridgeport-Stamford-Norwalk Area



Source: U.S. Bureau of Labor Statistics

Payroll Employment

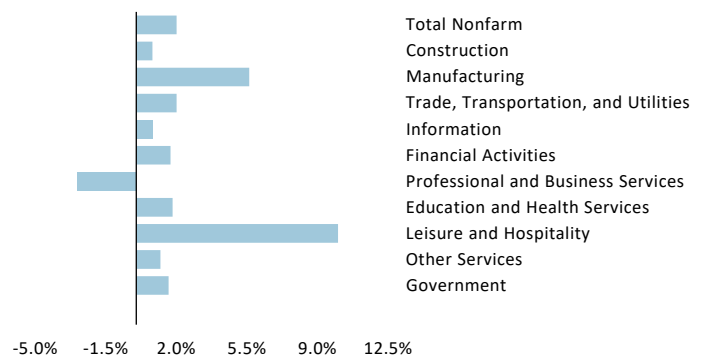
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



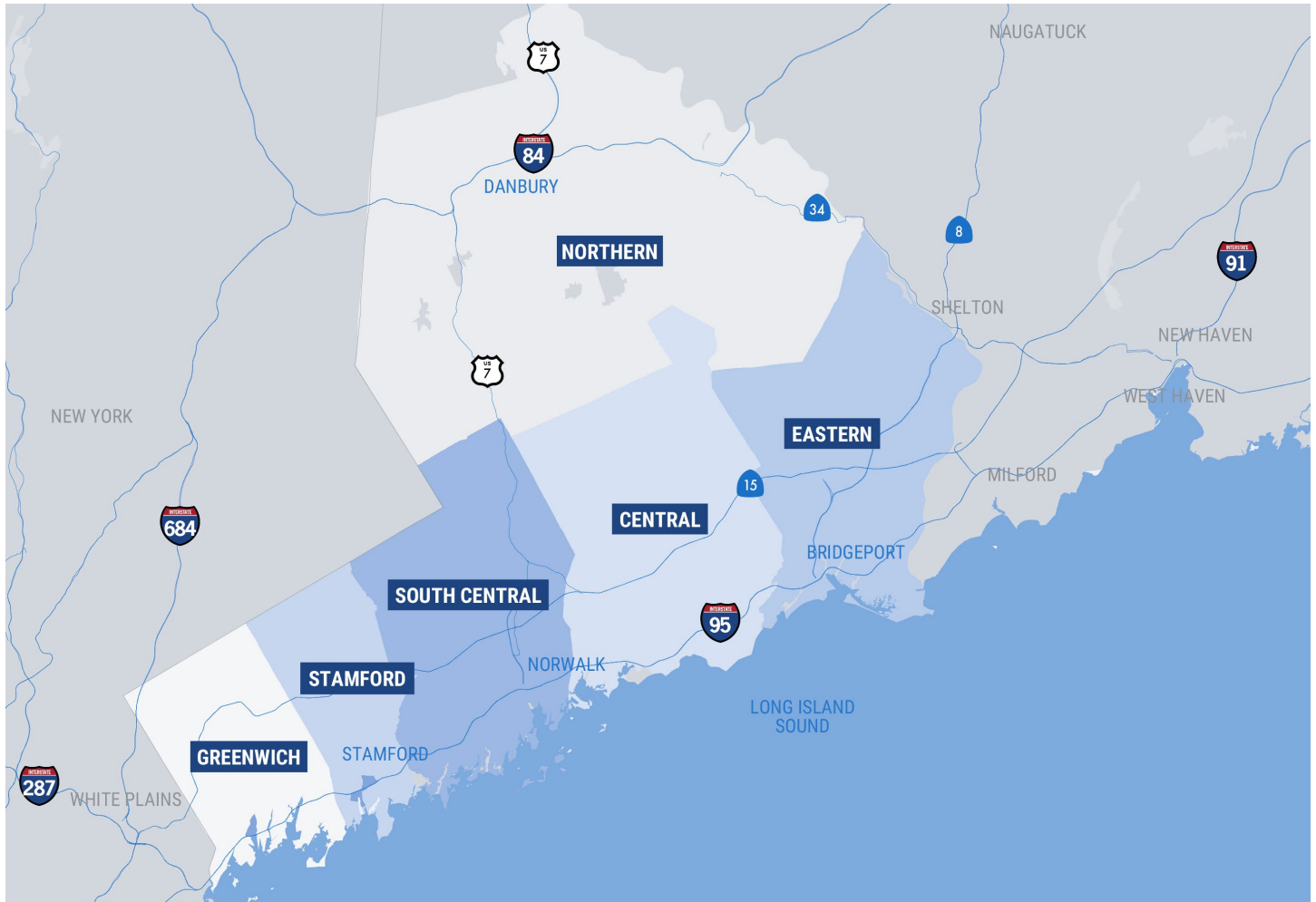
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics



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