FAIRFIELD COUNTY

EXECUTIVE SUMMARY

- Mirroring the dire performance at the state level, total employment growth is expected to stall in 2020. Conversely, office-using employment, particularly in Financial Services and IT sectors, should sustain office leasing demand, while the repurposing of large blocks of vacant office space, and large user leases, as seen with Charter Communications and WWE, will keep vacancy in check.
- The trend for smaller and flexible leases in co-working spaces will continue into 2020, most likely at a slightly lower pace.
- While retail bankruptcies and closings have abounded and the challenges posed by e-commerce persist, retail vacancy stood at an all-time low at 3.5% year-to-date. Experiential shopping will take center stage in brick n' mortar's survival of the fittest.
- Record-breaking investment in office and industrial property types amidst a changing marketplace.

Like many markets across the country, Fairfield County has been undergoing a transition in response to significant demographic and lifestyle changes. In a trend coined "hipsturbia", maturing millennials are expected to opt for more affordable, transit-oriented, live-work-play communities to move to and grow their families. Tracking this movement, employers are anticipated to want to stay close to their talent pools, resulting in growth from existing corporate tenants and new entrants in these markets. Suburban markets such as Fairfield County that are close to a large urban core like New York City have seen a boom in multi-family and mixed-use developments near transportation hubs. This has spurred repurposing activity at obsolete buildings across sectors (office, industrial and retail) and is garnering increased demand from all buyer classes.

The Fairfield County office market is not expected to see a big shift in leasing activity into 2020. Absorption, however, as a result of large corporate leases signed in previous quarters, will maintain a steady pace and, absent any other large corporate attritions, should remain positive. Amenity-heavy buildings in transit-oriented markets will continue to drive demand in Fairfield County. Additionally, the repurposing of large blocks of vacant office space will continue to correct the imbalances in supply and demand. On the investment side, Fairfield County has seen a significant increase in sale volume for office properties in the past few years. The market will remain an attractive investment alternative to New York City in 2020 as interest rates remain low. Renewed interest from institutional investors and a decline in REIT investment is anticipated to persist.

AVISON YOUNG

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual Growth Rates, Estimated for Year-End 2020 vs Year-End 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	→	↑	↓
Vacant Space	↓	→	→
Construction Levels	↓	→	→
Leasing Volume	→	→	→
Investment Volume	↑	↑	↑

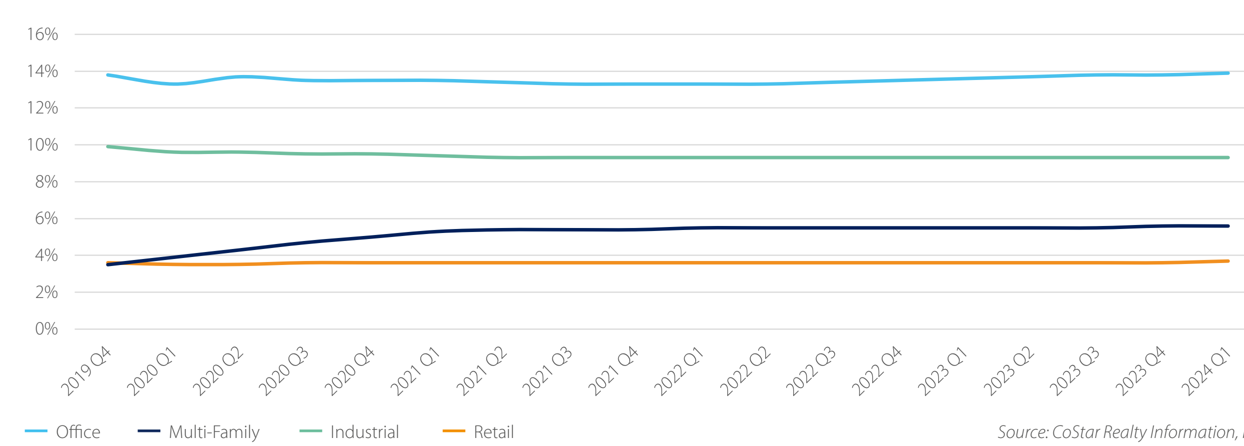
Similarly, the industrial and flex property sector saw notably large transactions in Fairfield County in the 12-month period ending in the second half of 2019 and should continue to garner interest from investors.

The retail sector has presented some challenges for 'mom & pop' shops and big box retailers, many of which, such as Sears, and Toys R Us, have closed. The closures, however, have primarily affected retailers that have not adapted to the key consumer trends -on-line and experience shopping. Dominating the retail scene was the completion of the Sono Collection in the fall of 2019. The 700,000-square foot shopping center is anchored by Nordstrom and Bloomingdales, and is the newest example of experiential retail with its integration of various features aimed at engaging the shopper. Retail market fundamentals are fair with a low vacancy rate of 3.5% and a stable rental rate, averaging at $28.88 per square foot at the end of 3rd quarter 2019.

Looking ahead, the retail sector is generally positive. However, the outlook for retail investment is one of caution. High in demand will be long-term, credit, and cash-flowing centers which will stem primarily from private as well as 1031 investors, as opposed to REITS and institutional capital.

Fairfield County leads the state in population growth, while the forecast (2019-2024) points to a slowing with an expected 0.55% growth over the five-year period. Due to its proximity to New York City, high per capita income, and a lower cost of living relative to Manhattan and the other boroughs, Fairfield County will continue to be attractive for investment in all property sectors-retail, office, multi-family and industrial.

VACANCY RATE BY SECTOR PROJECTIONS



Source: CoStar Realty Information, Inc.