



Fairfield County office market insights

Q4 2021

**AVISON
YOUNG**

Key office takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have enabled the Fairfield County unemployment rate to rebound from a **high of 11.6% in June 2020 to 5.2% in October 2021.**



Recovery rate

- The share of the total Fairfield County population that is **fully vaccinated is 74.6 percent,** potentially allowing for greater return-to-work efforts for office employers. New mutations of the coronavirus could complicate these efforts, though.



Office demand

- Post-COVID activity has paused, **decreasing by 33.7 percent** compared with long-term historical annual averages.

Key office takeaways

Office supply

- Class A **direct and sublease availability rates** have risen above 2020 levels, currently totaling **30.2%** as of Q4 2021.
- **Available sublease space** is still at a higher than before the pandemic, with levels rising since 2020, currently at **2.2 msf** of sublease space available.

Pricing trends

- **Base rents** in Fairfield County have softened, **decreasing by 7.5%** since 2020.

Capital markets

- The \$235M acquisition of 695 East Main Street to AM Property Holding Corporation enabled the **highest annual dollar volumes to be reported—\$397M—since 2007.**
- Asset pricing has decreased by **4.1 percent** from 2019 to present.

Let's review some key economic and demographic trends

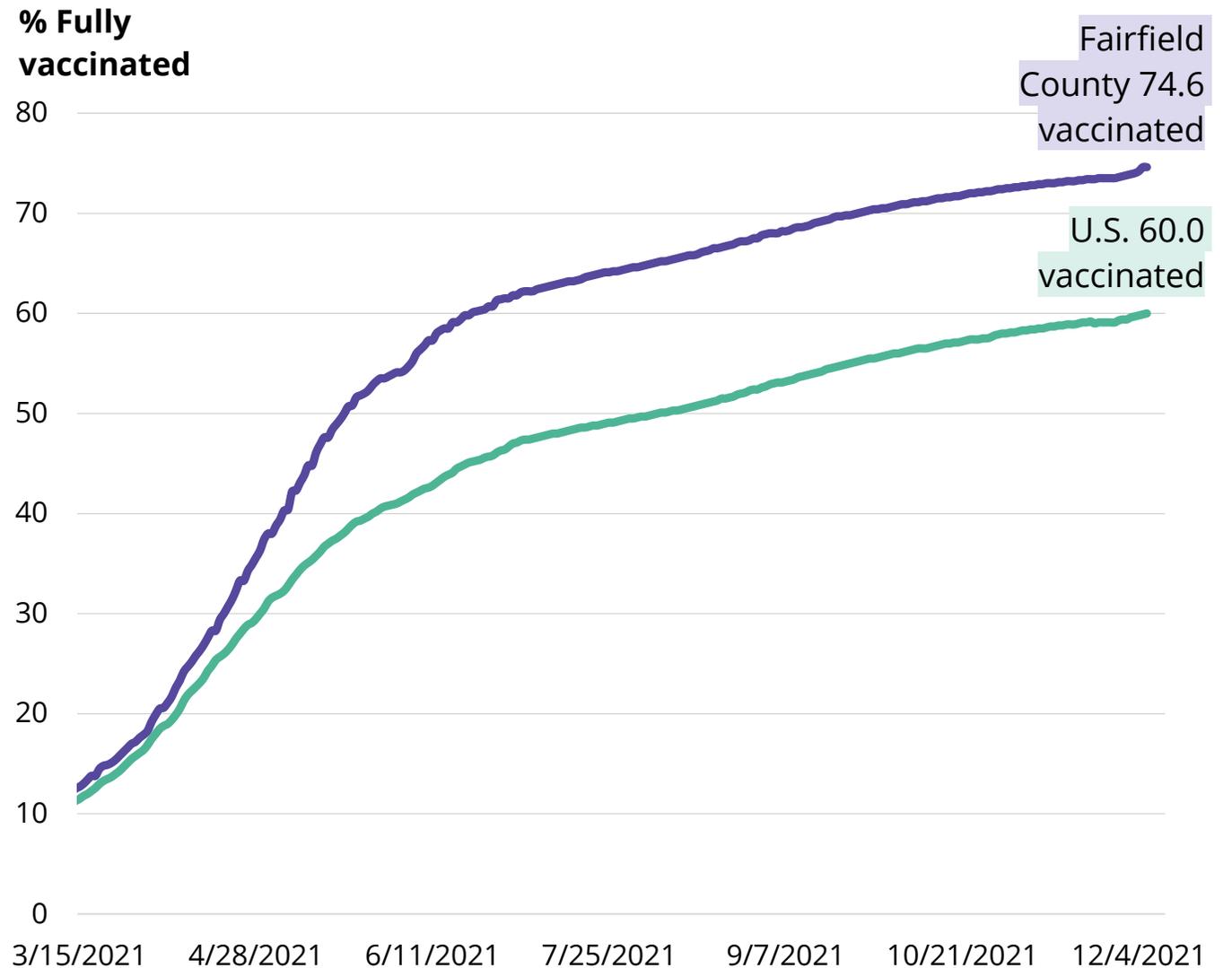


Vaccination rates across population

74.6%

Share of total Fairfield County population that is fully vaccinated.

Fairfield County proportionate vaccination rates have far surpassed U.S. averages, with rates increasing by 4.2 percentage points during the fourth quarter.

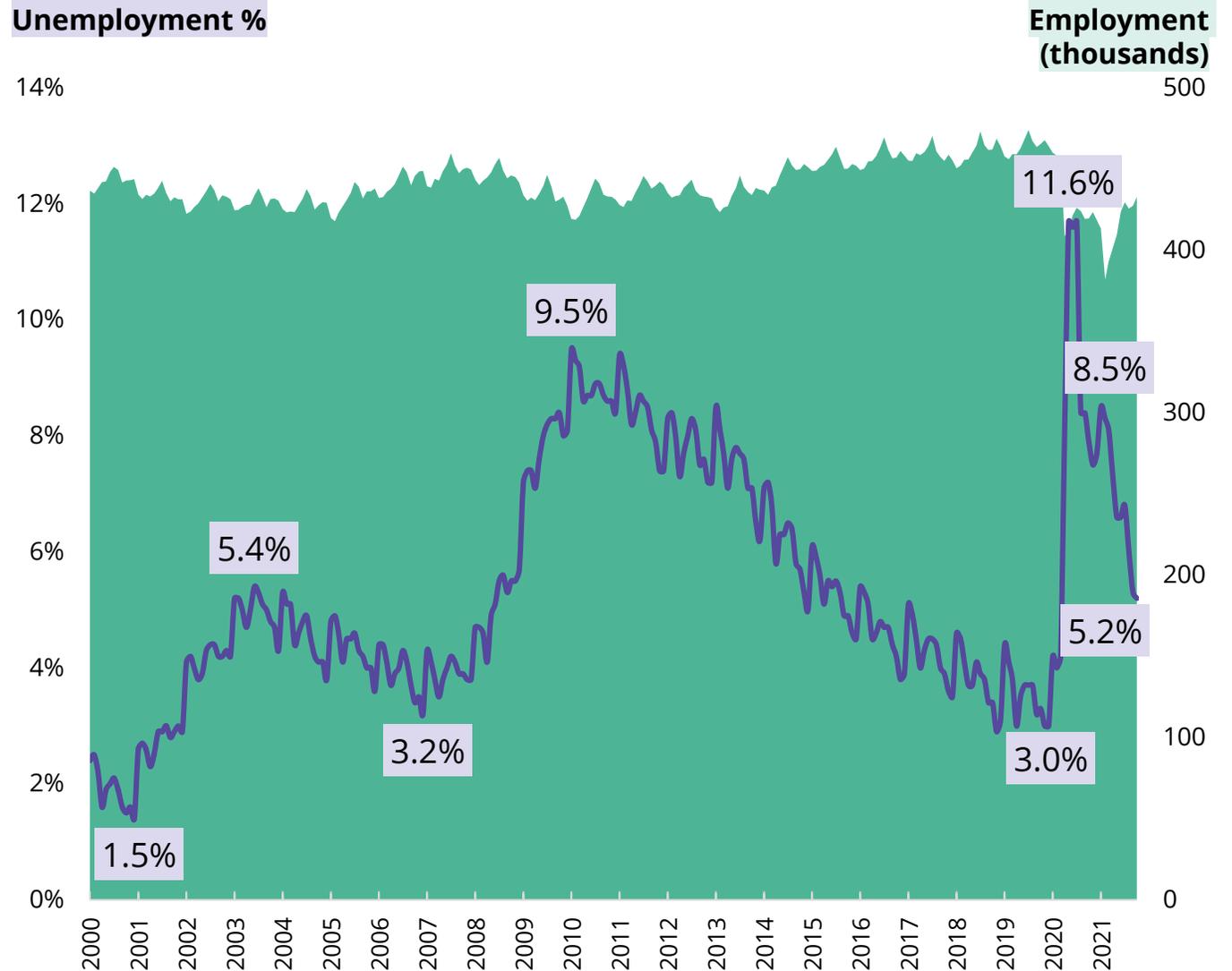


Employment and unemployment rate

5.2%

Fairfield County unemployment rate as of October 2021, less than half the rate reported at the start of the pandemic.

The pandemic has caused nearly 50,000 job losses between February 2020 and April 2020. Since April 2020, over 24,000 jobs have been recovered. Since the start of Q3, the unemployment rate has decreased by 160 bp in Fairfield County.



Source: Bureau of Labor Statistics

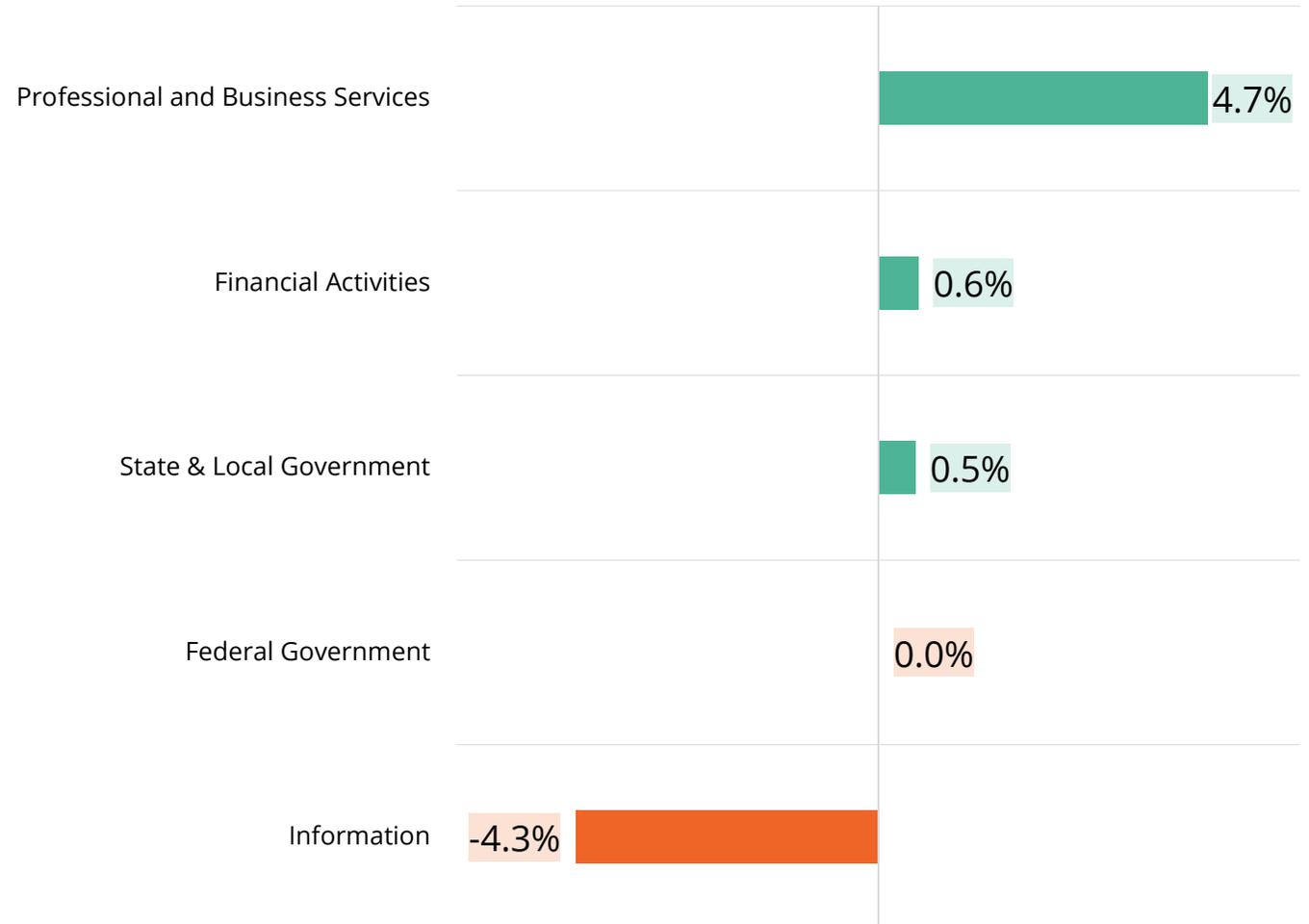
Office-using job gains and losses

+ 1.9%

change in office-using employment during the pandemic.

Total Bridgeport-Stamford-Norwalk MSA jobs have increased by 3.2% from October 2020 to October 2021, with office-using jobs increasing by 1.9% during the same time frame. This demonstrates how the Fairfield County economy is benefitting from a relatively holistic recovery.

YoY change in Bridgeport-Stamford-Norwalk MSA
November 2020 to November 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Connecticut Department of Labor

Let's look at office occupier market conditions

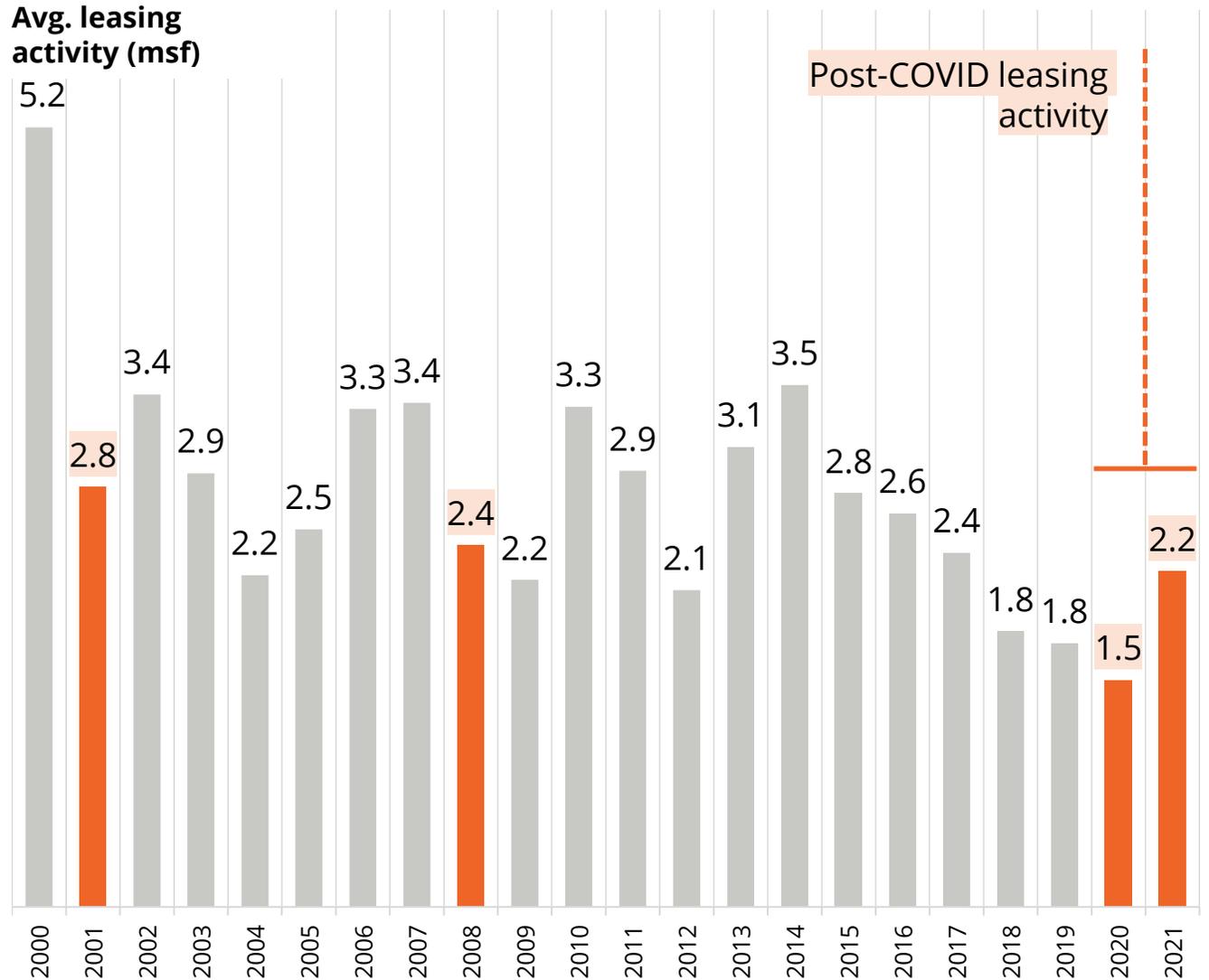


Office leasing activity

-33.7%

2020 to 2021 vs. prior 20-year annual average leasing activity.

Office leasing activity in Fairfield has surpassed the low of 1.5 msf reported in 2020 and 2018 and 2019 levels. A 71,000 square foot lease by Philip Morris International at 677 Washington Boulevard was a major deal this quarter.



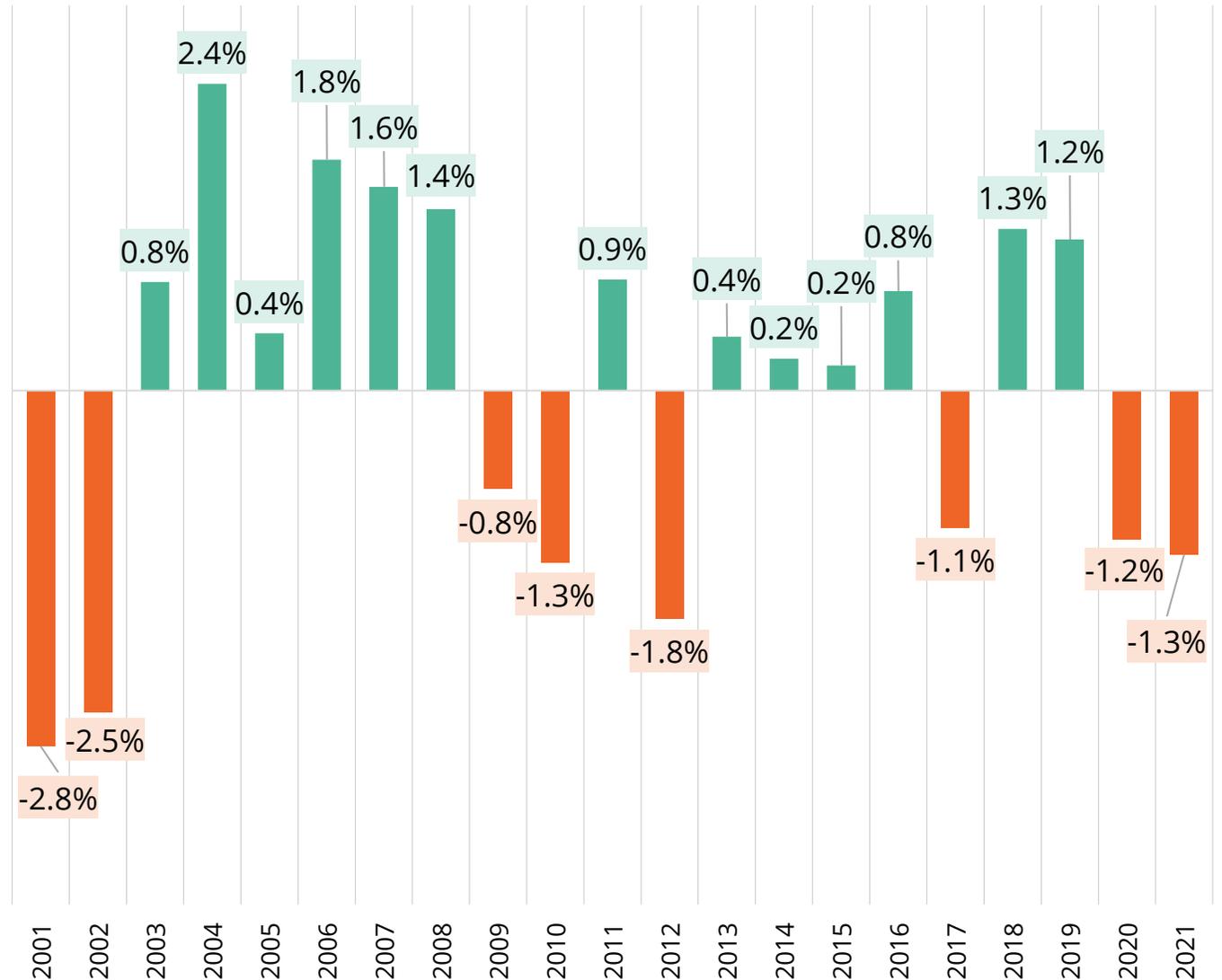
Note: Orange bars represent U.S. economic recessions.
Source: CoStar

Absorption as a share of inventory

-2.5%

Net absorption as a percentage of inventory, 2020 through 2021.

Negative absorption from 2020 to 2021 has totaled approximately 1.3 msf or 2.5% of the existing stock. Continued softness in the leasing market, especially in the sublease segment, caused this rate to decrease by 10 bp year-over-year.



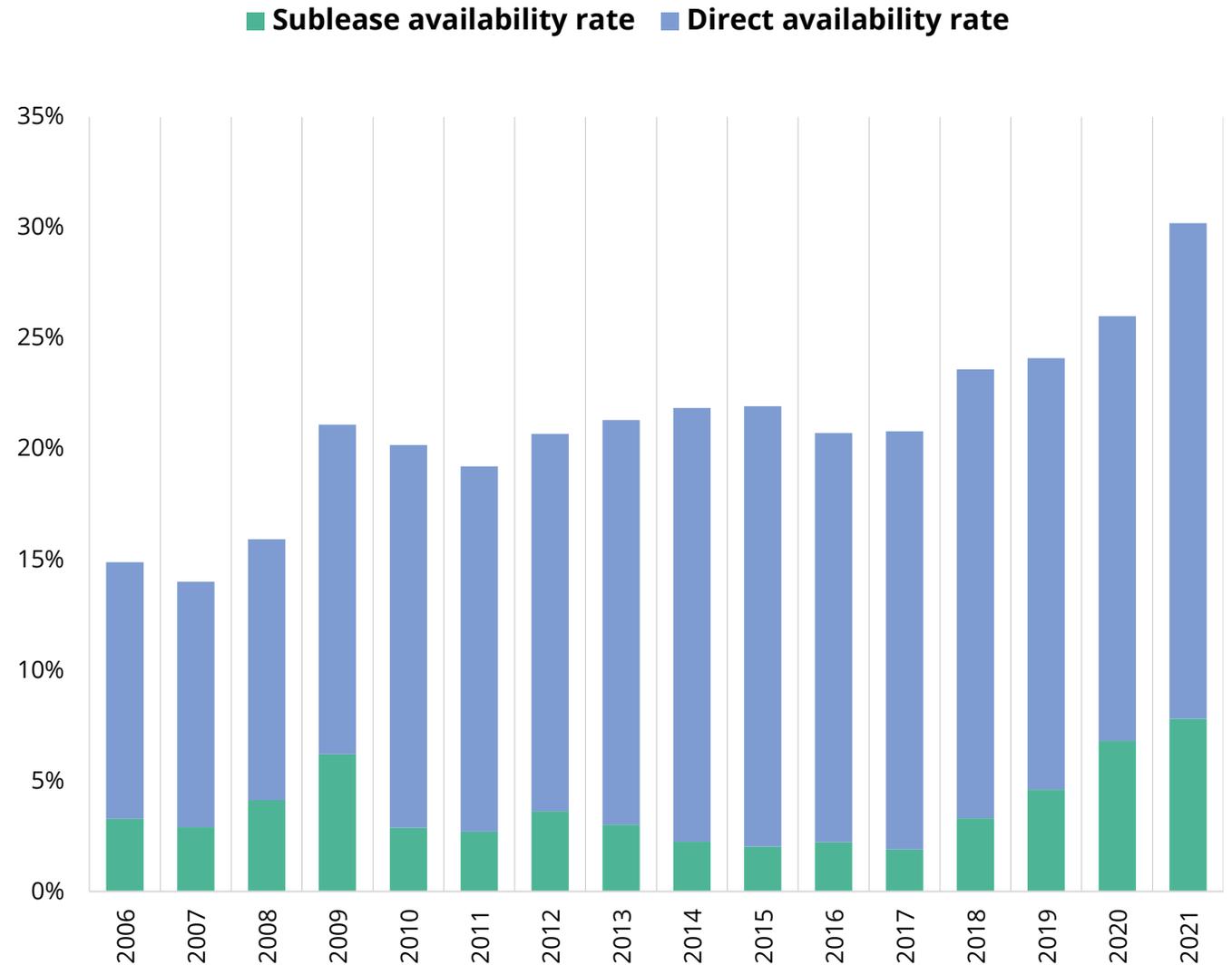
Source: CoStar

Fairfield County Class A availability rate

30.2%

Fairfield County Class A availability rate as of Q4 2021.

The availability rate increased by 610 bp from 2019 to Q4 2021, enabling it to rise to a new post-2006 peak.



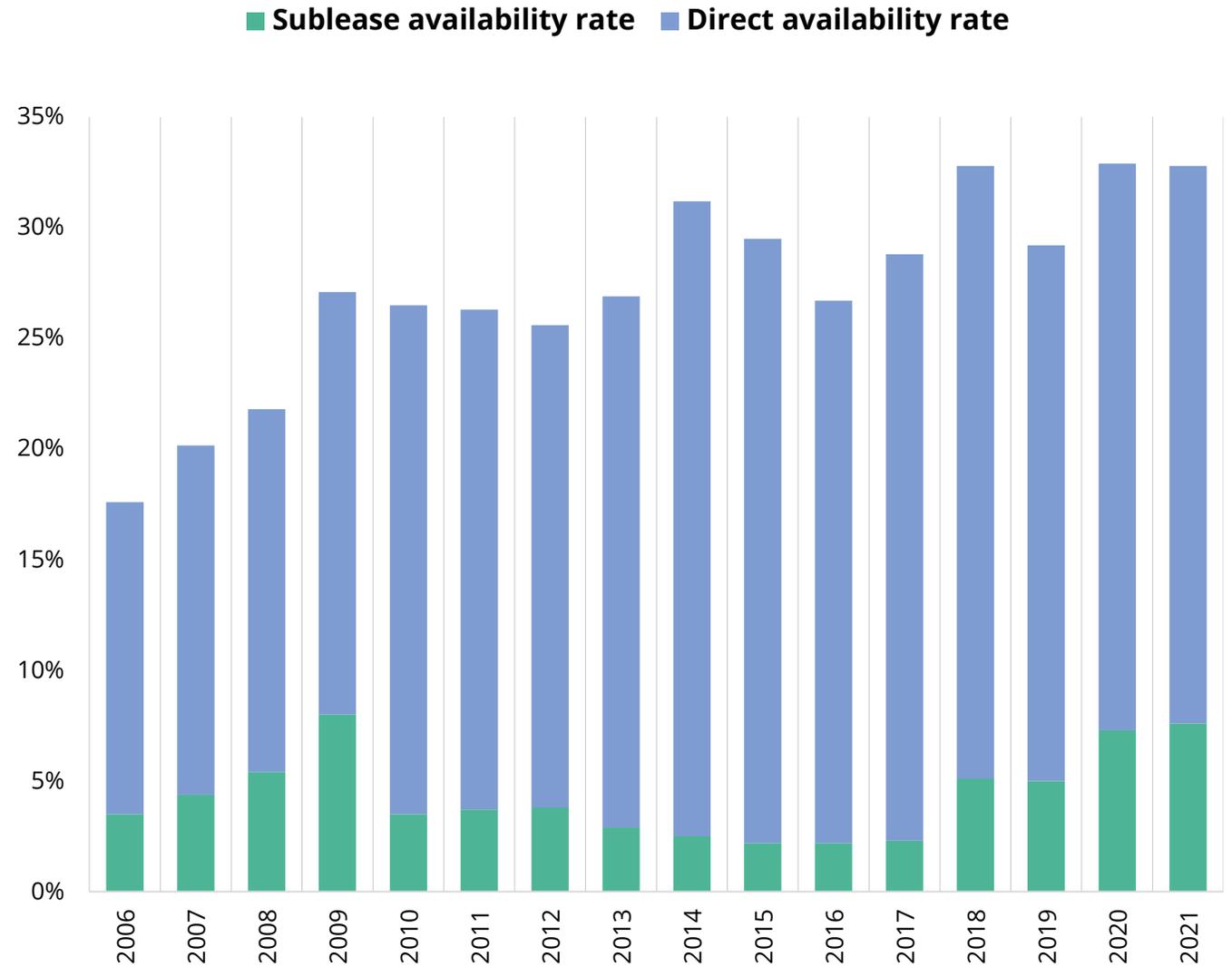
Source: CoStar

Stamford Submarket Class A availability rate

32.8%

Stamford Submarket Class A
availability rate as of Q4 2021.

The availability rate increased by 360 bp from 2019 to Q4 2021 but showed signs of moderating by decreasing by 10 bp year-over-year.



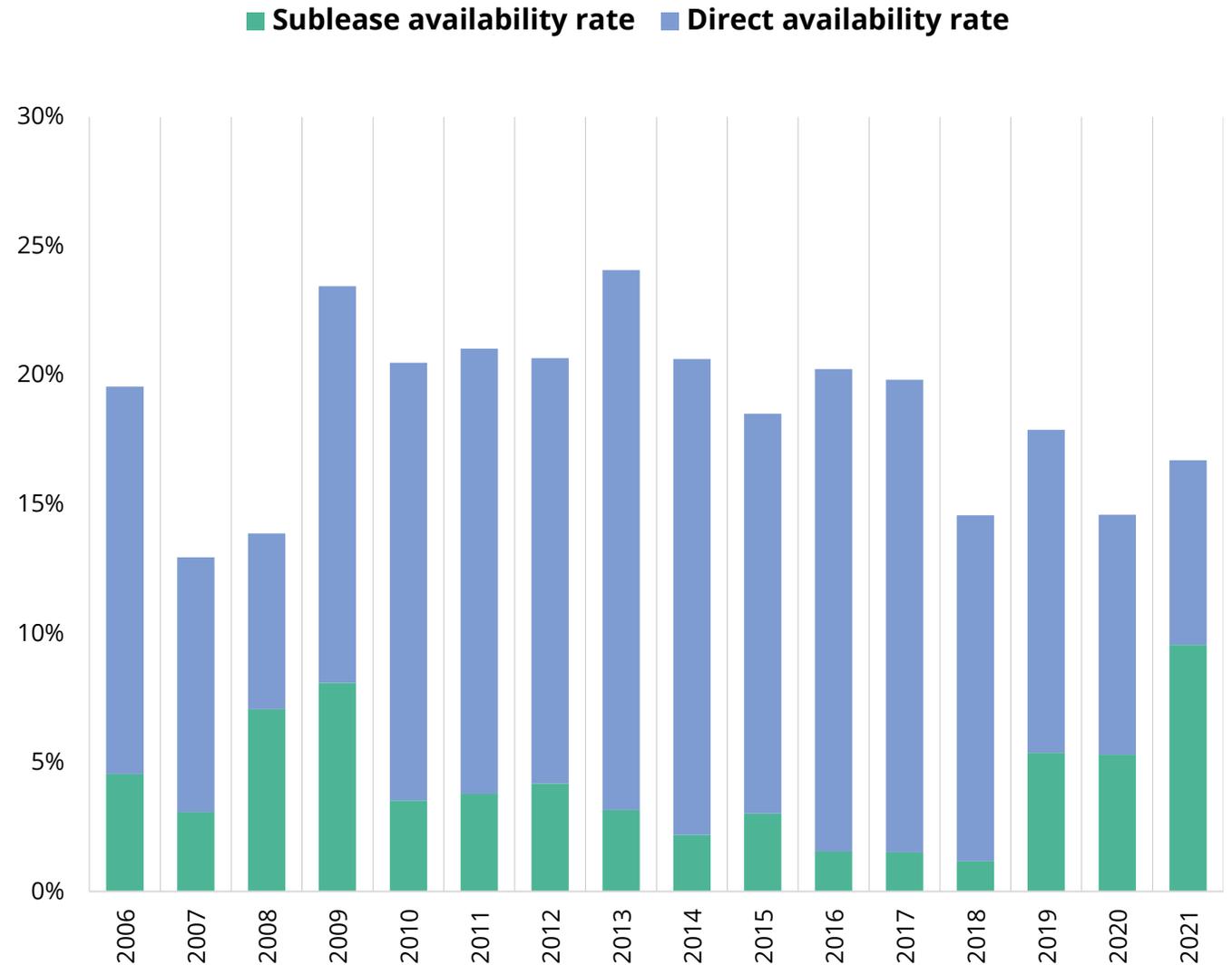
Source: CoStar

Greenwich Submarket Class A availability rate

16.7%

Greenwich Submarket Class A availability rate as of Q4 2021.

Sublease availabilities are measuring at record levels of 9.6%, an increase of 430 bp year-over-year. Despite the direct availability decreasing since 2020, total availability rate in 2021 is 210 bp more than 2020.

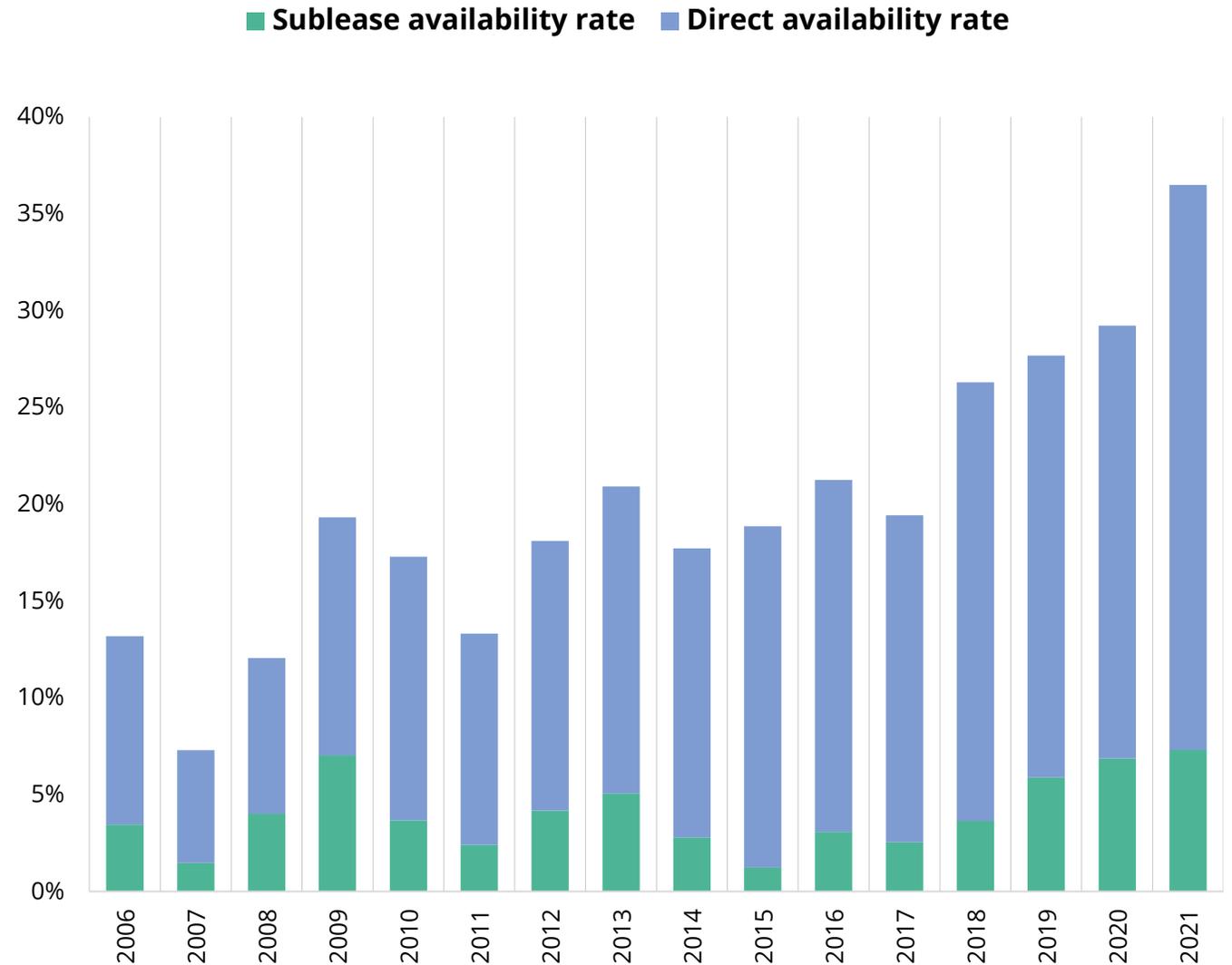


Central Submarket Class A availability rate

36.5%

Central Submarket Class A availability rate as of Q4 2021.

The Q4 2021 availability rate has reached its highest in terms of sublease (7.3%), direct (29.2%) and total (36.5%) percentages. The total availability rate spiked by 880 bp from 2019 to Q4 2021.



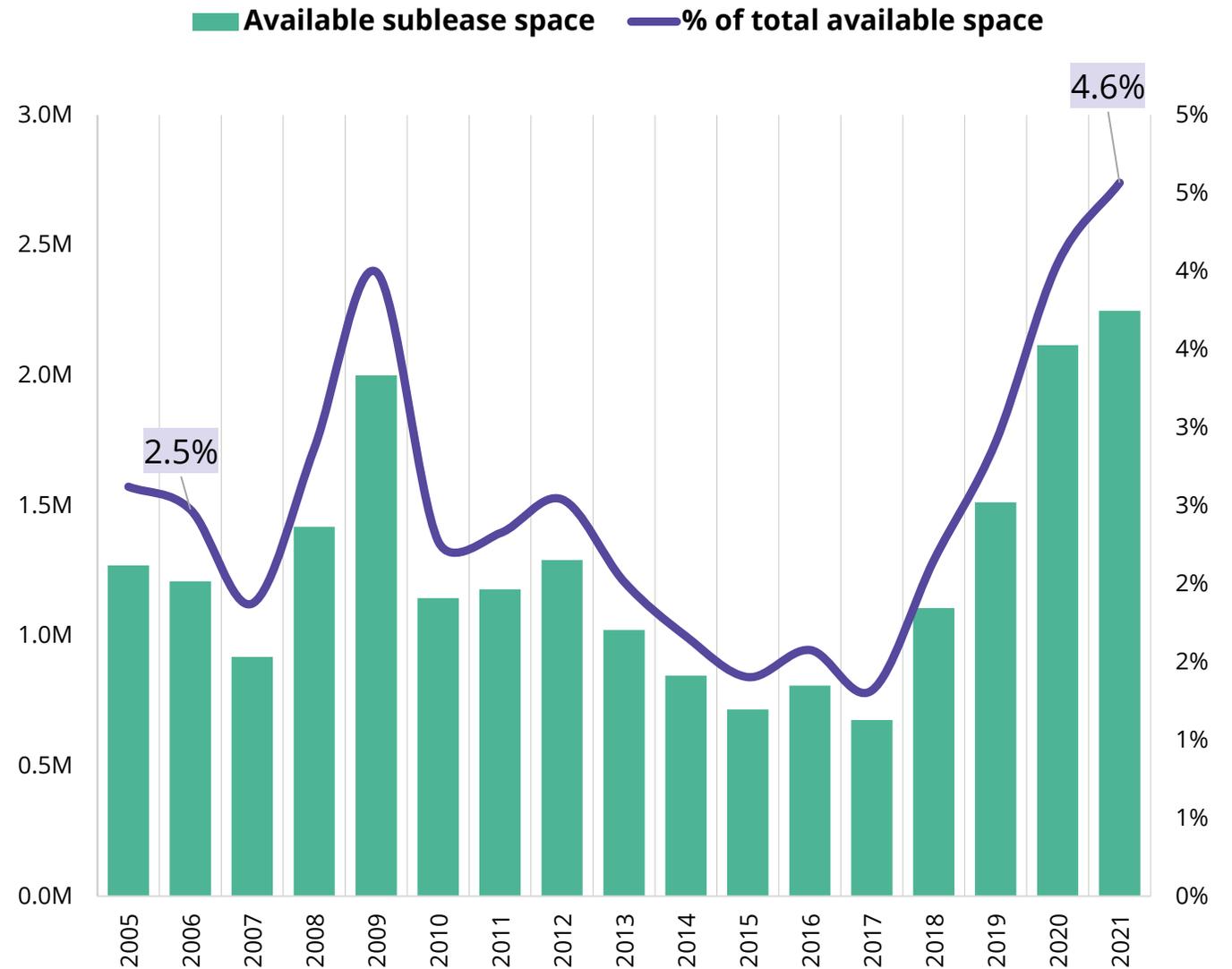
Source: CoStar

Available sublease space

2.2 msf

Total available sublease space

The share of available sublease space of 4.6% has risen since 2020 (4.1%) and continues to remain significantly higher than before the pandemic (2.9%). Available sublease square footage grew by 132,000 sqft in 2021.



Source: CoStar

Office development pipeline

2 properties

under construction

339,000 sf

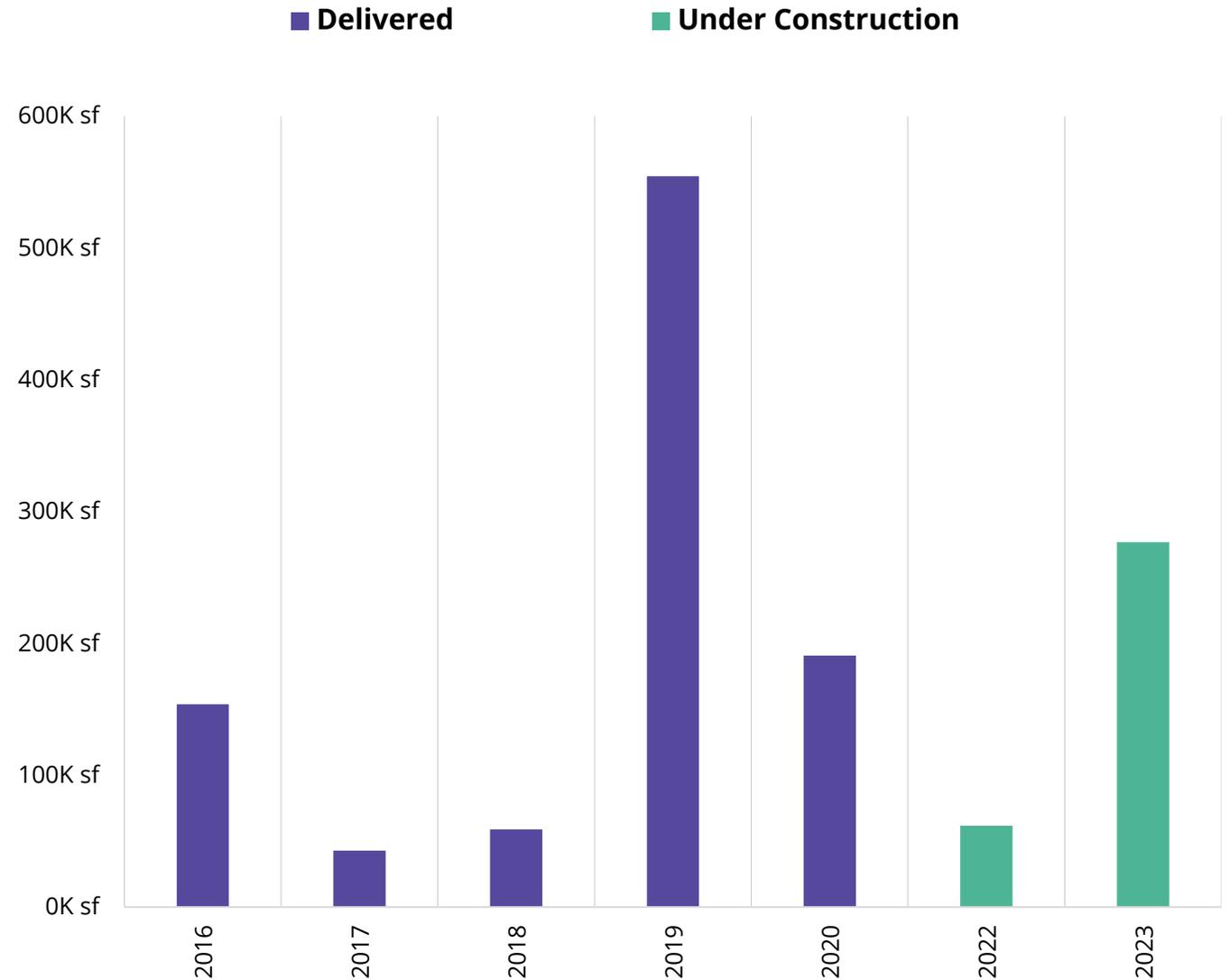
under construction

0.6%

share of office inventory

1973

average delivery date of Fairfield County offices



Office base rental rates

-7.5%

Change in base rental rates, year-to-date 2021.

Pricing has softened since 2020 due to an ongoing supply-and-demand imbalance that favors tenants in the Fairfield County market.



Note: Excludes subleases, expansions and renewals.
Source: AVANT by Avison Young

Let's look at capital markets conditions



Office investment dollar volume

\$397M

Fairfield County office dollar volume in 2021, the highest reported since 2007.

Office sales activity has rebounded since the start of the pandemic as the 2021 dollar volume surpassed the 2018 and 2019 levels. The 2021 bump is mostly attributable to the \$235M sale of 695 East Main Street to AM Property Holding Corporation.

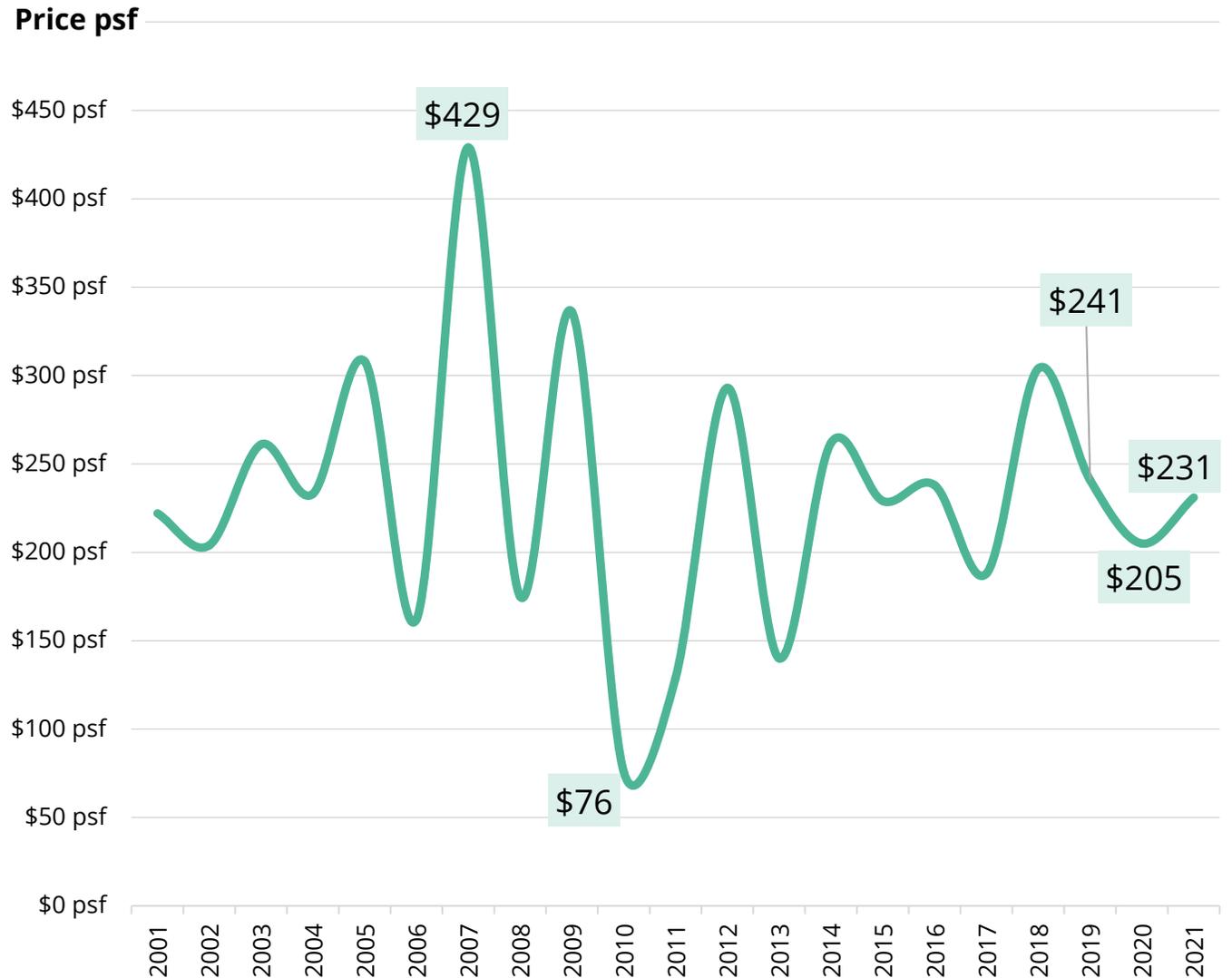


Office asset pricing

-4.1%

Fairfield County office pricing is down from 2019 to present.

Pricing has softened during the pandemic as investors have adopted more conservative underwriting approaches. Asset pricing has trended upward this past year (+12.7%), however, indicating possible asset pricing stabilization.



Source: AVANT by Avison Young

**Now, let's see what we
can expect looking
forward**



Here's what we can expect looking forward

- Higher levels of leasing activity for Class A buildings in Stamford and Greenwich is being seen, given the fact that it is concentrated in the CBD transportation district.
- Renewals should continue to be the driving force of leasing activity moving forward, with companies hesitant about moving unless prompted by a lease expiration.
- A massive outpouring of tenant requirements originating from New York City is unlikely to occur. Most suburban Fairfield County submarkets are unlikely to attract net-new demand, positioning fundamentals in these areas to continue to soften.
- Limited migration out of the market is anticipated. Space utilization will continue to be a primary motivation behind the decision-making process.



**You have questions.
We have answers.**



Get in touch



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Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Office inventory:** existing office properties that are 20,000+ square feet, including owner-occupied properties and excluding government owner-occupied properties
- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Vitality Index

- **Visitor volumes:** based on extrapolated, anonymized cell phone pings provided by Orbital Insight at custom, geofenced locations, the Vitality Index tracks visitor volumes at representative areas of interest across cities with dwell times of two minutes or more; for the Office Vitality Index, 8-10 representative, single-occupier properties are chosen to represent visitor volumes across cities and industries and data was captured

Explore the latest data and insights

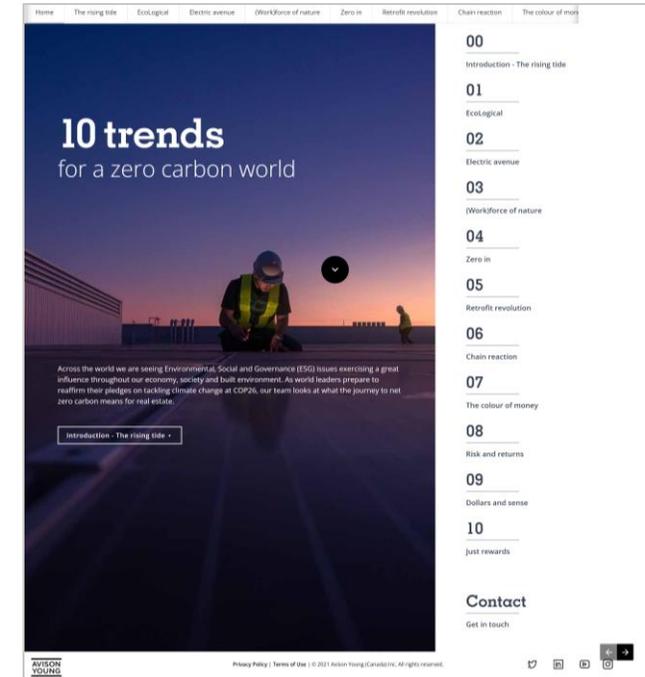
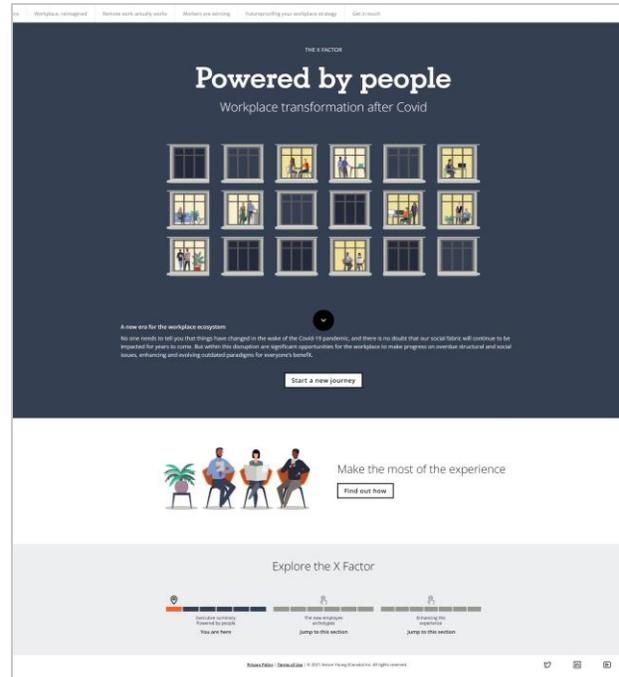
The office vitality index

Measuring the pace of our return to downtowns
Our team analyzes how return-to-office efforts have evolved across cities and industries across North America

U.S. employment overview

Tracking trends in real-time
Our team takes a look at real-time movement of people in major cities across North America, and how the volume of foot traffic compares to pre-pandemic levels.

Deep-dive into the thought capital shaping real estate



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