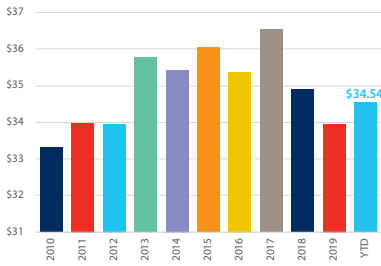
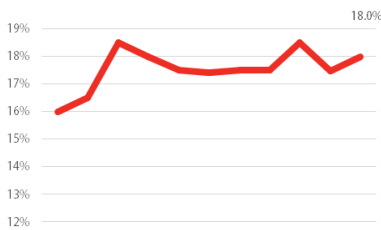


# Fairfield County

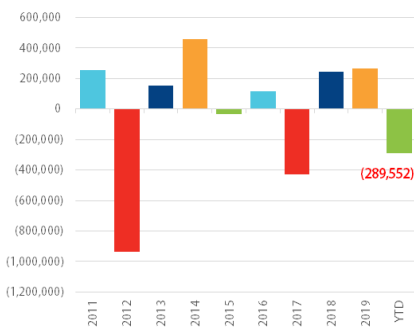
## Overall Average Asking Rent



## Overall Historical Vacancy<sup>1</sup>



## Overall Historical Net Absorption



1. Vacancy comprises only space that is vacant and available for lease.

## Slight COVID Impact to the Fairfield Office Market in Q1

### Office Market Overview

At the face of it, there was no alarming indication of a severe impact to the county's office market fundamentals in the first quarter of 2020. Vacancy increased only slightly relative to the previous quarter and was lower year-over-year. Discounting the turn to negative net absorption, owing primarily to anticipated events, and slower leasing velocity, a good number of deals in the 15,000 square feet (SF) and greater range were signed in the county. Without a doubt, the market's future performance will depend on how soon the crisis could be resolved and the economy returns to some version of normal.

### Vacancy

The overall vacancy rate in Fairfield County increased only marginally by 50 basis points quarter-over-quarter to 18.0 percent but lower by 50 basis points year-over-year. The quarterly uptick was attributable to the Eastern, Central and Stamford CBD submarkets. A notable contributor to the uptick in vacancy was Diageo's move from 801 Main Avenue, Norwalk in the Central submarket which saw the highest increase in vacancy by 180 bps to 21.5 percent.

### Leasing Activity

Overall, new leasing activity was down 60.0 percent relative to the first quarter of 2019, not in the number of lease transactions but in total leased square footage. While slower leasing activity is not unusual for first quarter, it is safe to say that the current crisis has put a damper on tenants' decision-making with regards to new leases, but not so much on renewal activity. Leases that needed to get signed were signed and tenants moved forward with renewals. The largest lease renewal was by Purdue Pharma for 104,000 SF at 201 Tresser Boulevard in the Stamford CBD-albeit with a reduced footprint. The tenant occupies more than 300,000 SF at this location so this is a significant downsizing which will add to the Stamford CBD's vacancy rate in the following quarter.

### Absorption

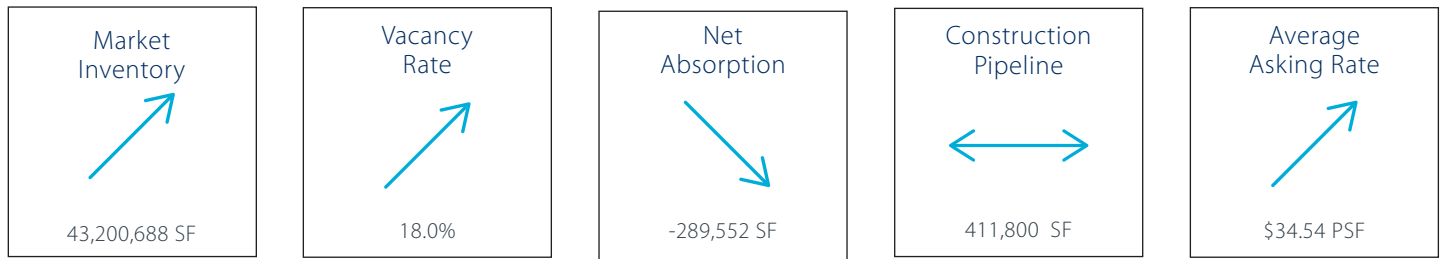
Net absorption turned negative in Fairfield County in the first quarter after two consecutive quarters of positive performance. Notable negative net absorption at the building level was seen at 801 Main Avenue as Diageo completed its headquarters relocation to 3 World Trade Center in New York. This left nearly 175,000 square feet (SF) vacant in this Class A office building in Norwalk. In addition to this, however, current access restrictions to many office buildings may have interfered with scheduled move-ins at several buildings in the market, which may also have been a contributing factor to a degree.

### Asking Rents

The market-wide average asking rental rate of \$34.54 per square foot (PSF) represented an increase of \$0.58 quarter over quarter, and an average increase of \$1.94 PSF year-over-year.

## Office Market Snapshot

Below are 2020 year-to-date overall market indicators for Fairfield County's office market compared to the first quarter of 2019:



### Notable New Lease Transactions

Tenant	Property/Submarket	SF/Type
Forrester (formerly Sirius Decisions)	501 Merritt 7/Central	23,789/New
North Mill Equipment Financial	30 Buxton Farm Rd/Stamford Non-CBD	16,482/New
Transom Capital	120 Long Ridge Rd/Stamford Non-CBD	16,000/New
Regus	83 Wooster Heights Rd/Northern	15,200/New
Sasco River Center	330 Boston Post Rd/Central	15,000/New
Pediatric Healthcare	99 Hawley Ln/Eastern	8,978/New
Suite 300	30 Buxton Farm Rd/Stamford Non-CBD	8,800/New
Impact Service Group (ISG)	63 Cops Hill Rd/Northern	6,632/New

### Notable Sale Transactions

Address/Submarket	Buyer/Seller	Price	SF/ Price PSF
200 Connecticut Ave/Central	Valley East Building Management/Voya Financial, Inc.	\$8,500,000	128,351/\$66
75 Glen Rd/Northern	The Marcal Group/Braverman Group LLC	\$7,440,000	83,394/\$89
75 Merritt Blvd/Eastern	Zakheim Venezia/ The Marcal Group	\$4,880,000	113,004/\$43

### Trends to watch

- Watch for both landlords and tenants looking into *force majeure* clauses in their lease agreements to see if there are any potential remedies for failure to perform their leasehold obligations. Additionally, to note new tenants scheduled to move into a new space seeking to extend their lease start date and postpone their rental payments where access to the premises was restricted.
- By many accounts, the current health crisis is thought to be the tipping point for increased remote working, reduced office footprints, increased use of technology, virtual touring, and could signal the demise of co-working. While remote working was on the increase, even before the crisis, there are companies, such as communications giant, Charter Communications, that may not be convinced that their industries lend themselves well to remote working. Virtual touring has been more widely accepted in residential brokerage, while there are many factors to consider before commercial real estate adopts a full-scale implementation of virtual touring. Lastly, the lessons learnt from the current crisis may benefit the flexible office and co-working offices in suburban markets as companies in population-dense markets (such as Manhattan) shift more focus on ensuring employee safety and business continuity in the aftermath of this crisis.



200 Connecticut Ave  
Norwalk



75 Glen Rd  
Newtown



75 Merritt Ave  
Trumbull

# COVID-19 Impact

**Information and views were correct at the time of writing (April 17, 2020). However, given that the spread of COVID-19 and the containment policies being introduced are changing rapidly, some of the views expressed in this report as a whole may not reflect the latest opinion of Avison Young.**

Nationally, the effects of COVID-19 on the economy were already evident by end of the first quarter 2020 with plunging employment, by more than 701,000 jobs lost month-over-month and rising unemployment, recording 4.4 percent at the end of March 2020. It is uncertain what trajectory the unemployment rate will take in the coming months but several forecasts call for a surge in unemployment in 2020. The extent of the impact is such that some economists are heralding a United States recession that could be worse than that of the Great Depression which lasted three years and seven months.

Predictions for the timing of an economic recovery according to reputable economic think tanks range from a few quarters to three years from the start of the recession. This recession would come after 10.5 years of a national economic expansion cycle- longer than what the United States witnessed in the 1991 to 2001 expansionary period. There have been 17 key recessions in the history of the United States with an average duration of about 11 months. Key to this recession, and reason for some optimism, is that the cause for the decline was not owing to a systemic decline of the financial system as was the case in 2008. If the virus could be brought under control within the next few months, there is a general consensus amongst many economists that the economy will recover fairly quickly. Looking forward, the greatest challenge to a complete recovery will be fear itself from consumers and businesses as they grapple their way back to normalcy in their spending and investment patterns.

### State of Connecticut and Fairfield County

While the picture at a national level is fairly grim, statewide in Connecticut total non-farm employment showed a net gain of 13,400 jobs year-over-year in the month ending February 2020 (Bureau of Labor Statistics, (BLS)) and only a marginal increase in the unemployment rate by 10 basis points (bps), reaching 4.4 percent. The gains were primarily attributable to growth in the

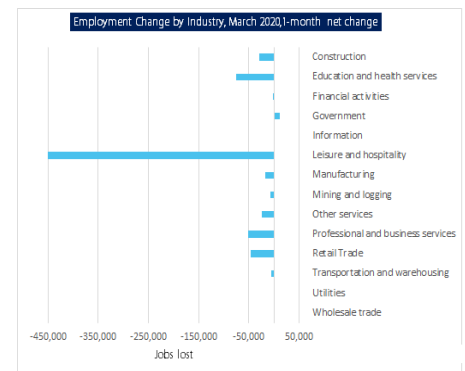
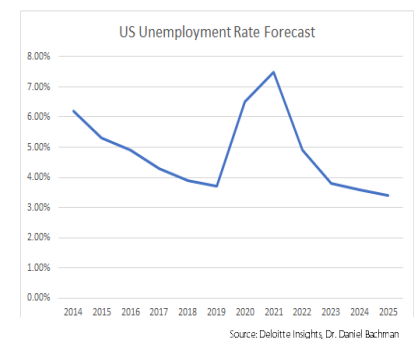
Hartford and New Haven markets. It is important to note, however, that at the time of these reported figures these markets had yet to be as adversely affected by the COVID-19 outbreak as was southwestern Connecticut.

An early sign of the impact to the Connecticut economy was the drop in labor demand in the weeks following the outbreak of the pandemic based on the Conference Board's online databank of new job ads. In the week closing March 28th, new job ad postings dropped to the lowest level in 2020. Declines were seen across all industry sectors, but those that saw the largest declines in new job postings were in Retail Trade (-30.0 percent), Accommodation and Food Services (-65.0 percent) as well as Educational Services (-67.0 percent). Health and Social Assistance services, by comparison, saw a growth of 8.0 percent. The impact of this to statewide employment figures will undoubtedly be seen in the subsequent monthly figures.

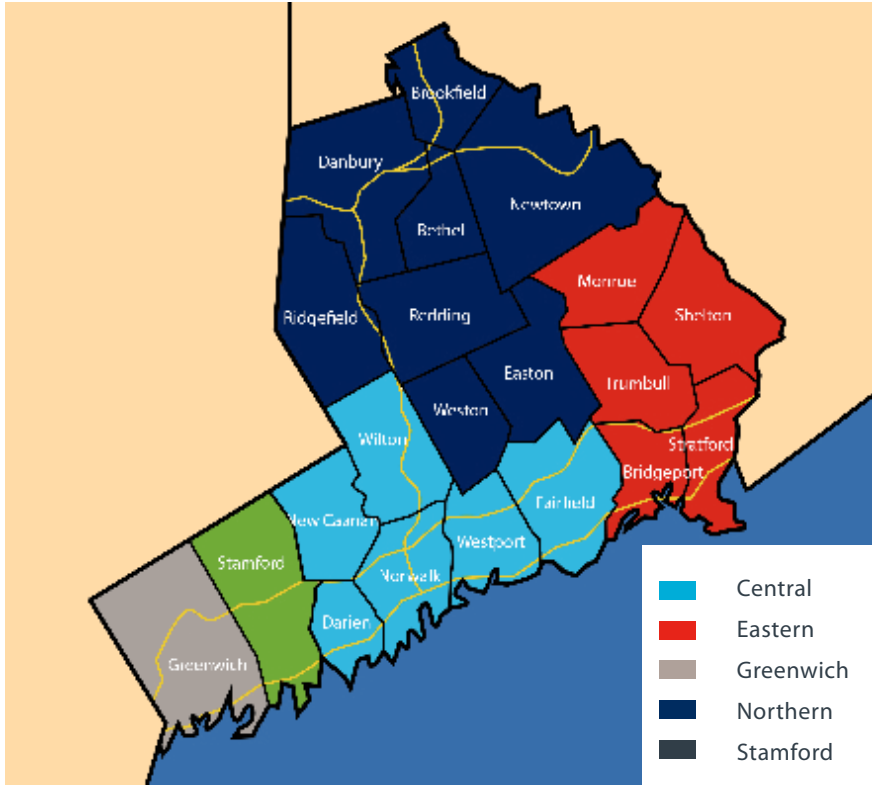
Fairfield County, CT figured amongst the nations' top 15 counties nationwide that were the hardest hit by the COVID-19 virus. The top 50 counties most affected were in the largest metropolitan areas in the nation comprising a significant share (48.0 percent) of the national economy's Gross Domestic Product (GDP). While views diverge on how much of a contraction there will be nationally, based on an average of estimates by the US Chamber of Commerce the US GDP is likely to drop by about 12.4 percent in 2020 but will rebound, strongly by some accounts, in 2021.

Within Fairfield County, The Bridgeport-Stamford-Norwalk market witnessed a loss of 2,500 jobs year-over-year while unemployment increased by 10 bps to 4.5 percent. The sectors that fared the worst in terms of jobs lost month-over-month were the Retail Trade (-1,300), Professional and Business Services (-1,100) and Financial Activities (-600).

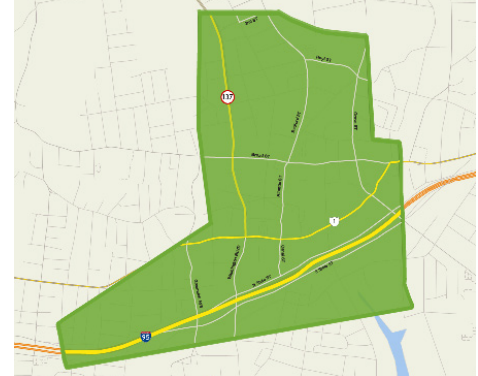
Recession	GDP Contraction	Duration	Time Until Next Recession
August 1929 - March 1933	-26.7%	3 Year 7 Months	4 Years 2 Months
May 1937 - June 1938	-18.2%	1 Year 1 Month	6 Years 8 Months
February 1945 - October 1945	-12.7%	8 Months	3 Years 1 Months
November 1948 - October 1949	-1.7%	11 Months	3 Years 9 Months
July 1953 - May 1954	-2.6%	10 Months	3 Years 3 Months
August 1957 - April 1958	-3.7%	8 Months	2 Years
April 1960 - February 1961	1.6%	10 Months	8 Years 10 Months
December 1969 - November 1970	-0.6%	11 Months	3 Years
November 1973 - March 1975	-3.2%	1 Year 4 Months	4 Years 10 Months
January 1980 - July 1980	-2.2%	6 Months	1 Year
July 1981 - November 1982	-2.7%	1 Year 4 Months	7 Years 8 Months
July 1990 - March 1991	-1.4%	8 Months	10 Years
March 2001 - November 2001	-0.3%	8 Months	6 Years 1 Months
December 2007 - June 2009	-4.3%	1 Year 6 Months	???



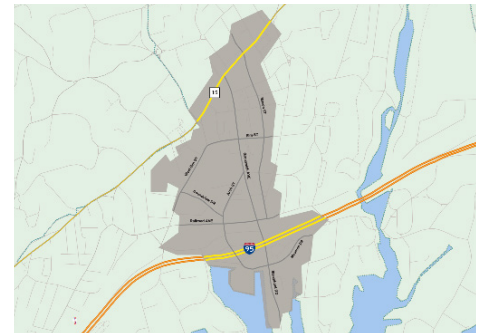
## Fairfield County Submarkets



## Stamford CBD/Railroad



## Greenwich CBD/Railroad



## Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Vacancy Trend (Q1'18- Q1'19)	Availability (%)	1Q19 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Average Asking Rent
Stamford CBD/Railroad	9,147,204	1,362,677	14.9%	Down	23.50%	-11,007	-11,007	277,000	\$44.78
Greenwich CBD/Railroad	1,922,444	177,055	9.2%	Up	16.70%	33,921	33,921	0	\$82.78
<b>CBD Total</b>	<b>11,069,648</b>	<b>1,539,732</b>	<b>13.9%</b>	<b>Down</b>	<b>20.10%</b>	<b>22,914</b>	<b>22,914</b>	<b>277,000</b>	<b>\$63.78</b>
Eastern	7,047,128	725,542	10.3%	Down	19.50%	-25,104	-25,104	73,800	\$22.84
Central	11,320,061	2,435,171	21.5%	Up	23.20%	-367,184	-367,184	36,000	\$32.21
Northern	3,751,603	961,042	25.6%	Flat	29.60%	1,699	1,699	25,000	\$24.69
Stamford non-CBD	7,603,602	1,826,004	24.0%	Down	34.10%	60,529	60,529	0	\$32.15
Greenwich non-CBD	2,408,646	278,746	11.6%	Flat	15.30%	17,594	17,594	0	\$43.05
<b>Market Total</b>	<b>43,200,688</b>	<b>7,766,237</b>	<b>18.0%</b>	<b>Down</b>	<b>24.4%</b>	<b>-289,552</b>	<b>-289,552</b>	<b>411,800</b>	<b>\$34.54</b>



avisonyoung.com

For more information, please contact:

Sean Cahill  
Principal & Managing Director  
203.614.1264  
sean.cahill@avisonyoung.com

Tula Voutieros  
Senior Research Analyst  
203.614.1486  
tula.voutieros@avisonyoung.com



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