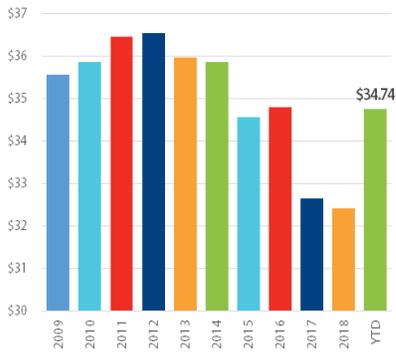


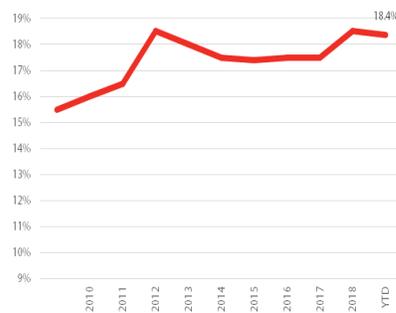
Fairfield County

Office Market Sees Modest Gains in Third Quarter

Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



Economy and Office Market Overview

Fairfield County employment continued to nudge upwards very slowly through the close of August in the 3rd quarter of 2019, registering an estimated 4,508 additional jobs year-over-year. Continuing the quarterly trend, Professional and Business Services growth remained relatively stagnant- recording an estimated 300 fewer jobs year-over-year. Consistent with the low-growth trend some firms -particularly law firms- although tenacious in their market presence, continued to downsize their leased office footprints at the time of renewal. The main contributors to employment growth from the office-using sectors were Financial Services firms -notably in the Norwalk-Stamford-Bridgeport metropolitan area which witnessed 3.33 percent growth (1,300 jobs) over the previous year as well as the Information Technology sector with 3.10 percent growth (400 jobs).

Overall, the Fairfield County office market showed few signs of significant change in the quarter. The key market fundamentals remained relatively stagnant year-to-date. Vacancy was slightly higher quarter-over-quarter while almost at par with that of the previous year. Similarly, quarterly net absorption registered negative for the quarter, but was slightly higher year-over-year, and the average asking rent per square foot saw a notable increase owing to rising rents in the Stamford and Greenwich CBD submarkets.

Vacancy

As a result of lower year-to-date leasing activity, which was down 20.0 percent relative to the 3rd quarter of 2018, the overall market vacancy increased slightly to 18.4 percent, with a 50 basis-point (bps) year-over-year rise. The change also represented a 50-bps increase quarter-over-quarter. Vacancy in most submarkets remained relatively flat except in the Eastern submarket where it was up 230 bps to 10.7 percent and in the Greenwich Non-CBD-up 250 basis points to 12.5 percent. This was largely attributable to the departure of Sikorsky Aircraft from 3191 Broadbridge Avenue in Stratford, where it had occupied over 109,000 square feet (SF).

The Stamford non-CBD submarket had the highest vacancy in the market at 27.9 percent and over 2 million square feet vacant. The adaptive re-use of a few buildings should shave some off some of the excess space in this ailing market. This will include the repurposing of 800 Long Ridge Road to a senior living facility which still burdens the market with 275,000 SF of vacant space. Repurposing, however, is not limited to buildings with high vacancy. In the face of changing market conditions and demographics, some owners have still opted to repurpose their buildings that may meet demand for new needs. Case in point, the 93,800-SF two-building site at 1 Atlantic Street with 11.0 percent vacancy is extremely well-located in the Stamford CBD and will be subject to a phased-in conversion to luxury apartments upon approval by the city's planning and zoning.

Absorption

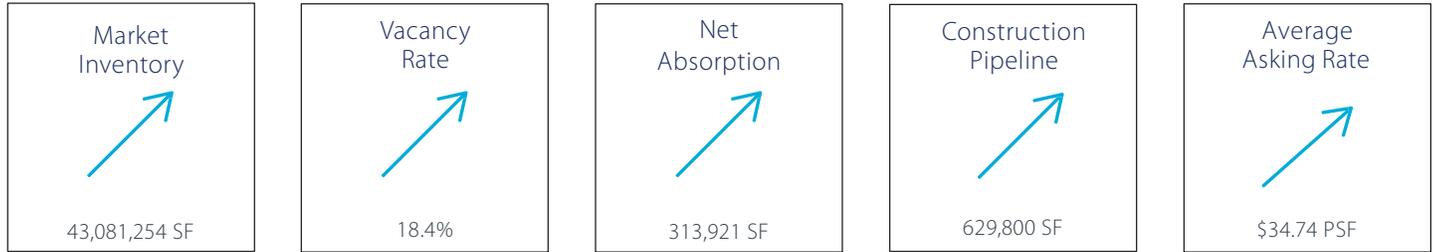
Net absorption in the third quarter took a downward turn, registering -45,944 SF and culminating in a year-to-date (YTD) net absorption of 313,921 SF which was 50.0 percent higher than in the 3rd quarter of 2018. The lower number of tenant relocations in the quarter was the main reason for the decline, as a lot of the larger tenants with newly executed leases are not scheduled to move until later in the year. The largest tenant relocation in the quarter was WWE with an estimated 307,406 SF at 677 Washington Boulevard in the Stamford CBD, boosting that submarket's year-to-date net absorption to 398,715 SF. In the Central and Eastern submarkets year-to-date net absorption also turned negative in third quarter. Within the Eastern submarket the departure of Sikorsky Aircraft from 3191 Broadbridge Road in Stratford left over 109,000 SF unoccupied while in the Central submarket more than 105,000 SF were also vacated at 50 Danbury road in Wilton.

Asking Rents

The market-wide average asking rental rate bounced up to \$34.74 per square foot (PSF) from \$32.42 per square foot (PSF) in the 2nd quarter. Increases in the average asking rents were noted primarily in the two CBD markets of Greenwich and Stamford to \$81.94 PSF and \$44.11 PSF, respectively.

Office Market Snapshot

Below are 2019 year-to-date overall market indicators for Fairfield County's office market compared to the third quarter of 2018:



Notable Lease Transactions

Tenant	Property/Submarket	SF/Type
ASML	50 Danbury Road/ Central	99,000/New
Indeed	107 Elm St/Stamford CBD	24,029/New
The Workplace Inc.	1000 Lafayette Blvd/ Central	23,077/New
McCater & English	201 Broad St/ Stamford	11,058/Renewal

Notable Sale Transactions

Address/Submarket	Buyer/Seller	Price	SF/ Price PSF
9 W Broad St/ Stamford CBD	National Safe Harbor Exchanges/Forstone Capital	\$47,750,000	202,253/\$236
181 Harbor Dr/Stamford Non-CBD	Melohn Group LLC/ Marcus Partners, Inc.	\$21,500,096	55,737/\$386
1266 E Main St/Stamford CBD	Twenty Lake Management LLC/Barings Real Estate Advisors Advisors, LLC	\$15,200,000	179,610/\$85

Trends to Watch

- Quality over size is the new paradigm for office leasing as it relates to law firms. Decreasing revenues and changing demographics are forcing law firms to reevaluate their excess space and many are downsizing their office square footage per attorney to align with the industry trend, as well as to accommodate the workplace preferences of the new millennial generation which is estimated to comprise over half of the lawyer population by 2025. Younger attorneys prefer a work-life balance and an office environment that fosters collaboration over the traditional large office.
- According to data from the secretary of state office, Connecticut witnessed a 5.8 percent increase in new business registrations year-over-year in the first half of 2019 relative to the previous year. Overall, there were 5,730 net new business registrations and it is estimated that at this pace the state could see an 11.0 percent increase in 2019 compared to 2018. The implications for the office sector could be positive as it relates to the leasing of smaller office units and co-working space. The latter has been gaining more and more traction in the market as it offers more flexibility to new businesses than a long-term lease.



9 West Broad St
Stamford
202,253 SF

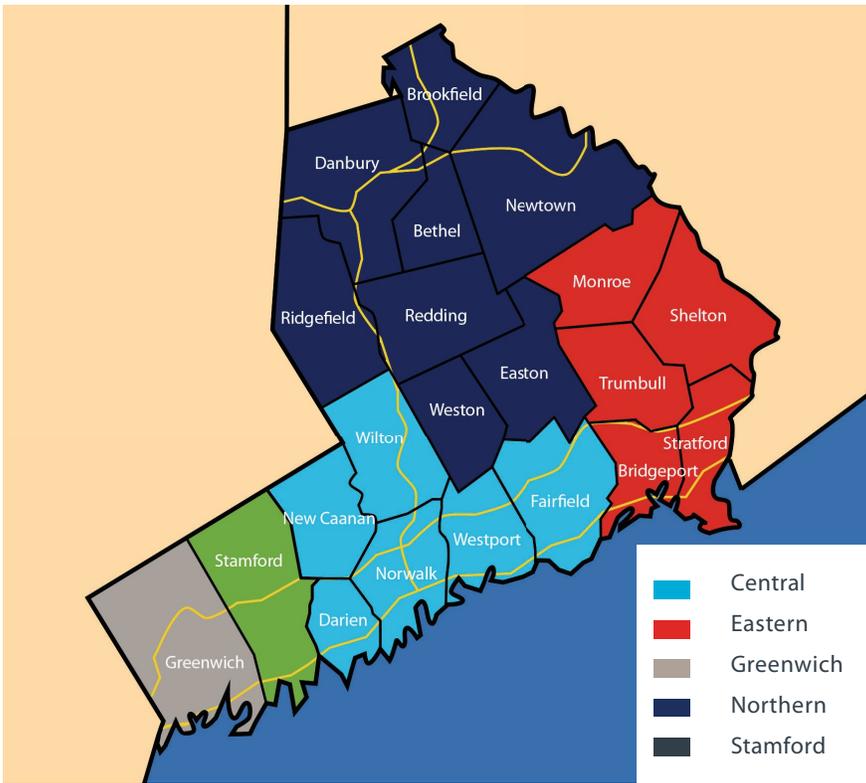


181 Harbor Dr
St Stamford
55,737 SF



1266 E Main St
Stamford
179,610 SF

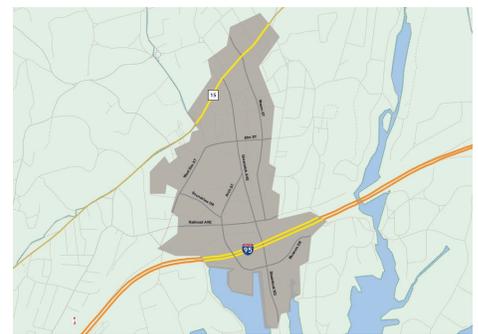
Fairfield County Submarkets



Stamford CBD/Railroad



Greenwich CBD/Railroad



Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Vacancy Trend (Q1'18-Q1'19)	Availability (%)	3Q19 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Average Asking Rent
Eastern	6,896,944	739,255	10.7%	Up	17.0%	-163,532	-149,202	61,800	\$22.47
Central	11,323,146	1,874,790	16.6%	Flat	23.80%	-56,470	-193,537	36,000	\$31.54
Northern	3,750,715	957,001	25.5%	Flat	31.00%	3,701	18,418	0	\$20.13
Stamford Non-CBD	7,561,712	2,080,908	27.5%	Flat	30.90%	-79,677	79,712	0	\$32.18
Greenwich Non-CBD	2,408,646	300,096	12.5%	Up	16.50%	-4,649	203,989	0	\$45.05
Suburban Total	31,941,163	5,952,050	18.6%	Flat	23.98%	-300,627	-40,620	97,800	\$30.27
Stamford non-CBD	9,218,056	1,774,530	19.3%	Flat	26.10%	282,554	398,715	532,000	\$44.11
Greenwich non-CBD	1,922,035	180,712	9.4%	Down	16.20%	-27,871	-44,174	0	\$81.94
CBD Total	11,140,091	1,955,242	17.6%	Up	21.15%	254,683	354,541	532,000	\$63.03
Market Total	43,081,254	7,907,292	18.4%	Flat	24.90%	-45,944	313,921	629,800	\$34.74



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