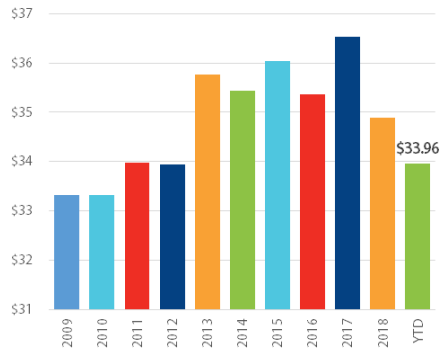
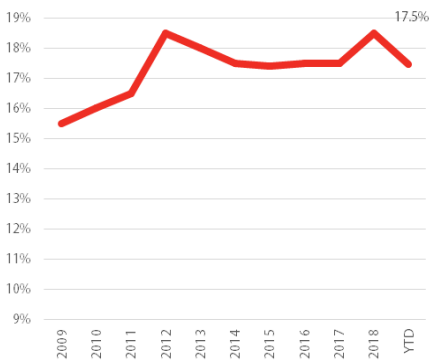


# Fairfield County

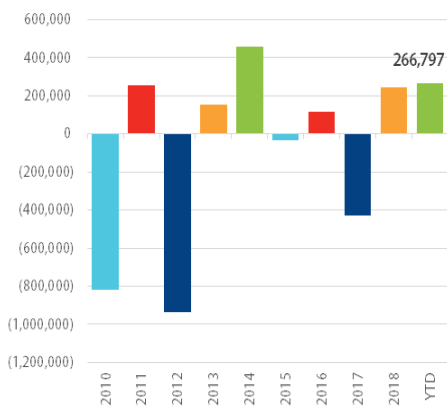
## Overall Average Asking Rent



## Overall Historical Vacancy



## Overall Historical Net Absorption



## User Expansions Pose Upside for Fairfield County Office Market

### Economy and Office Market Overview

Fairfield County's labor force grew by less than 1.0 percent year-over-year in the month ending November 2019 but registered the highest 10-year growth in any 4th quarter over the past 10 years and came in at 3.55 percent. The same pattern was noted in total non-farm employment whose 10-year growth was positive by 6.0 percent, while the unemployment rate stood 480 basis points (bps) lower than it was 10 years ago.

Year-over-year employment growth in the office-using sectors continued to be tempered in the county. Low employment growth has been attributable to some degree by the occurrence of mergers and acquisitions (M&A) after which there is typically an elimination of redundancies in workforce and locations. This was the case with the completion of the acquisition of United Bank by People's Bank in the 4th quarter. As a result, 18 banks are targeted for closure in Connecticut, two of which are in Fairfield County thus far.

The most significant impact to office demand, however, has been the change in user needs. The market witnessed a fair amount of downsizing by office tenants, bringing down the average size of lease deals in Fairfield County. In a top lease transaction in the 4th quarter, Thomson Reuters reduced its footprint by almost half in its relocation to 677 Washington Boulevard within the same submarket as its current location.

The upside, however, was that several companies expanded their office space in the market, amongst which were FactSet, Sema4, Indeed, and Operations, Inc. This trend has contributed to the market's resilience in 4th quarter with vacancy dropping to 17.5 percent and net absorption ending positive two years in a row.

### Vacancy

Overall market vacancy declined in the 4th quarter by 100 bps year-over-year to 17.5 percent. It was notably lower than in the previous quarter when vacancy had spiked to 18.4 percent.

The most prominent change in vacancy year-over-year was witnessed in the Stamford CBD which dropped from 20.3 percent to 14.4 percent. The situation was particularly dire for large blocks of space as several tenants, such as Indeed, seek to expand. Three of the quarter's largest lease transactions were executed in the Stamford CBD and included Thomson Reuters and Indeed. Thomson Reuters downsized its footprint from over 48,000 square feet (SF) to about 24,500 SF at its new CBD location at 45 Glover Street. Indeed continued to expand its presence in the Stamford CBD by taking up another 24,000 SF.

Conversely, the Central submarket saw a marked increase in vacancy which rose to 19.7 percent from 16.6 percent in the previous year. Notable returns of space to this market in the 4th quarter were from Reed Exhibitions at 383 Main Avenue, as well as from FactSet at 601 Merritt 7-both in Norwalk. This will ultimately have little long-term negative impact on the Central submarket, however, as both these office tenants are relocating to buildings within the submarket.

### Absorption

Year-to-date net absorption registered positive again at the end of 2019 with 266,797 SF, while it was only slightly higher than the year before by 1.6 percent. Most of the positive net absorption was seen in the Stamford CBD, and to a lesser degree in the Greenwich non-CBD submarket, with 475,525 SF and 150,293 SF, respectively. In the Stamford CBD, the lion's share of the absorption was driven by WWE who moved into more than 400,000 SF at 677 Washington Boulevard.

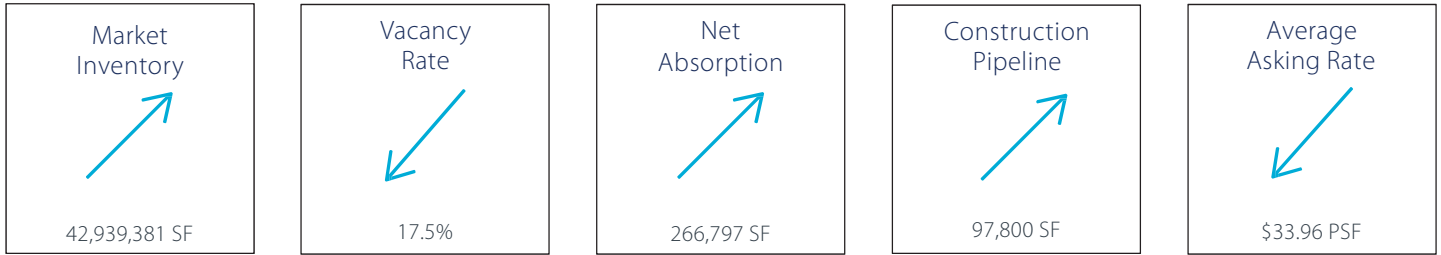
At the close of 2019, the Central submarket ended up with over 111,000 SF of negative net absorption, despite some large tenant move-ins. In the 4th quarter such move-ins included the occupancy of over 173,000 SF at 45 Glover Avenue in Norwalk by financial data and software company, FactSet. Nonetheless, leasing activity in the Central submarket was amongst the highest in Fairfield County in 2019 with over 350,000 SF. This was second only to the Stamford CBD which recorded over 600,000 SF in new lease deals in 2019. This should boost net absorption over the next few quarters.

### Asking Rents

The market-wide average asking rental rate of \$33.96 PSF softened slightly from the previous quarter and year-over-year, down by an average of 2.3 percent. The decline in the average market rent was driven primarily by the Central submarket, which saw a 4.5 percent drop in its average asking rent year-over-year.

## Office Market Snapshot

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



### Notable Lease Transactions

Tenant	Property/Submarket	SF/Type
Sema4	62 Southfield Ave/Stamford Non-CBD	70,000/New
Wheelhouse Entertainment	860 Canal St/ Stamford Non-CBD	35,543/New
Thomson Reuters	677 Washington Blvd/Stamford CBD	24,457/New
Indeed	107 Elm St/Stamford CBD	24,029/New
Canaday	1 Dock St/ Stamford CBD	16,713/New
Southwestern Connecticut Agency (SWCAA)	1000 Lafayette Blvd/ Eastern	14,000/ Renewal

### Notable Sale Transactions

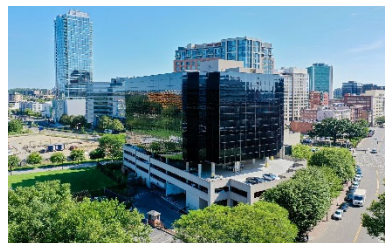
Address/Submarket	Buyer/Seller	Price
800 Connecticut Ave/ Central	The Hakim Organizational/CBRE	\$54,100,000/ \$131
1010 Washington Blvd/ Stamford CBD	New England Investment Partners/SL Green Realty Crop.	\$23,100,000/ \$161
40 Richards Ave/ Central	Valley East Building Management/ The Davies Companies	\$15,000,000/ \$102

### Trends to Watch

- Less space, more amenities, happier employees. The new headquarters of financial data and software giant, FactSet, located at 45 Glover Street in Norwalk is an example of this. Over 173,000 SF of highly amenitized and virtually office-less space in a work-live-play environment is geared towards the much sought-after Millennial employee. The space will accommodate 950 employees and reportedly has room for more. With under 185 SF per employee, this was unheard of in the traditional office headquarters location less than two decades ago.
- FactSet's headquarters is not unique in the modern-day office building. Its competitor, Bloomberg, is estimated to house 5,000 employees at the Bloomberg Tower at 731 Lexington in New York. This office has 114 SF per employee. Additionally, the building has been certified with a 3-star rating - the highest achievement level-by the Center for Active Design (CfAD) which operates the Fitwel Certification System promoting employee workplace wellbeing.



800 Connecticut Ave  
Norwalk  
412,231 SF

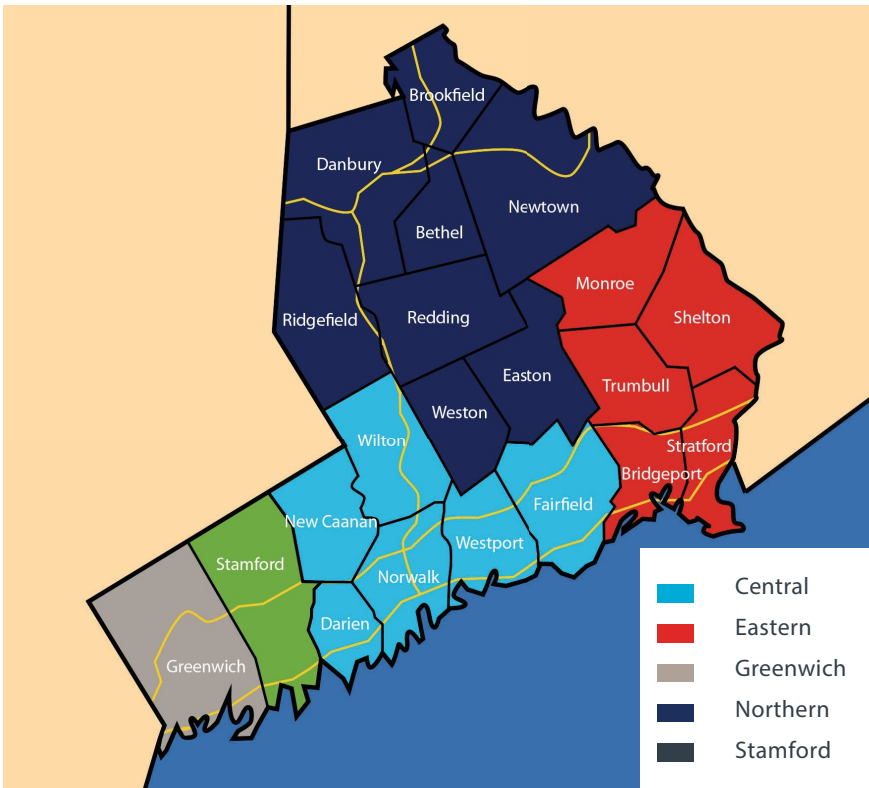


1010 Washington Blvd  
Stamford  
143,400 SF

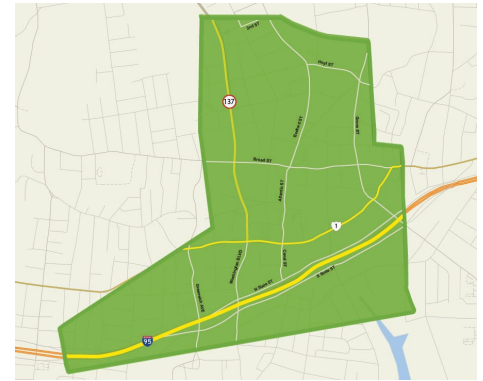


40 Richards Ave  
Norwalk  
147,722 SF

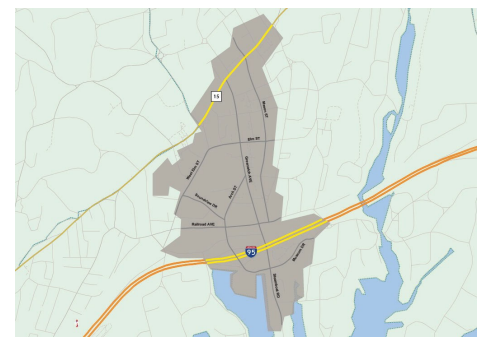
## Fairfield County Submarkets



## Stamford CBD/Railroad



## Greenwich CBD/Railroad



## Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Vacancy Trend	Availability (%)	4Q19 Net Absorption	Year-to-Date Absorption	Under Construction	Overall Average
Eastern	6,909,702	694,230	10.0%	Up	19.40%	8,067	-141,135	61,800	\$23.24
Central	11,298,822	2,221,305	19.7%	Up	22.90%	82,135	-111,402	36,000	\$30.86
Northern	3,751,603	960,564	25.6%	Flat	25.31%	-6,821	11,597	0	\$24.64
Stamford Non-CBD	7,503,189	1,821,031	24.3%	Flat	34.80%	-134,889	-55,177	0	\$32.29
Greenwich Non-CBD	2,408,646	295,709	12.3%	Down	16.00%	-53,696	150,293	0	\$45.54
<b>Suburban Total</b>	<b>31,941,163</b>	<b>5,952,050</b>	<b>18.6%</b>	<b>Up</b>	<b>23.68%</b>	<b>-105,204</b>	<b>-145,824</b>	<b>97,800</b>	<b>\$31.31</b>
Stamford CBD/Railroad	9,144,975	1,316,459	14.4%	Down	21.50%	76,810	475,525	0	\$44.96
Greenwich CBD/Railroad	1,922,444	193,603	10.1%	Up	19.10%	-18,730	-62,904	0	\$83.35
<b>CBD Total</b>	<b>11,067,419</b>	<b>1,510,062</b>	<b>13.6%</b>	<b>Down</b>	<b>20.30%</b>	<b>58,080</b>	<b>412,621</b>	<b>0</b>	<b>\$64.16</b>
<b>Market Total</b>	<b>42,939,381</b>	<b>7,502,901</b>	<b>17.5%</b>	<b>Down</b>	<b>24.90%</b>	<b>-47,124</b>	<b>266,797</b>	<b>97,800</b>	<b>\$33.96</b>



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