

FAIRFIELD COUNTY OFFICE MARKET

DECISION MAKERS PROCEED CAUTIOUSLY, AS OFFICE MARKET EXPERIENCES ADJUSTMENTS

As of the close of the third quarter of 2020, the pandemic entered its seventh month in the US, and office markets across the nation are still grappling with the short-term effects of what has become a major socioeconomic disruptor. In Fairfield County, as restrictions eased during the summer months, activity started to pick up, though at a slower pace. With safety guidelines in place, daily workplace visits have steadily risen from low points in April. With most employees still operating on a remote basis and financial uncertainty looming, many companies' space needs remain in flux. As a result, smaller firms with expiring leases opted for short-term extensions, while larger and more established firms are taking more time to reexamine space needs.

Year to date, the county has recorded nearly 500,000 square feet of negative absorption. So far, most of it has not been a direct result of the pandemic, but rather from a few blocks of space anticipated to come online pre-COVID. The largest of these was at 201 Tresser Boulevard in Stamford, where a total of 260,000 square feet came online since the start of the year. Aside from Purdue Pharma's downsize, Charter Communications will vacate nearly 80,000 square feet of space it has been occupying there, as its new headquarters at 406 Washington Boulevard nears completion. Thus, Stamford Central Business District's availability went from 26.8% last year to 32.0%.

Leasing activity totaled 510,000 square feet, 36.0% below the third-quarter historical leasing average, but up 11.7% from the previous quarter. The highlight of the quarter was Berkley Insurance's new 63,000-square-foot lease at Metro Center. This local move was the largest deal that was started and concluded during the pandemic. Renewal activity, which totaled 250,000 square feet, nearly doubled from last quarter. The largest renewal was signed by Phillips North America for 47,140 square feet at 1600 Summer Street in Stamford.

NYC FIRMS STILL TOURING AND TRADING PAPER

Since the onset of the pandemic, the Greenwich market has been by far the most active for New York-based companies exploring satellite offices or relocations. Despite an additional 34,353 square-foot sublease space listed by AQR at 1 Greenwich Plaza this quarter, this market posted positive year-to-date net absorption of 50,000 square feet, while availability decreased slightly to 14.4%, from 14.6% last quarter. The largest transactions occurred at 2 Greenwich Plaza, where LonePine Capital renewed for 39,143 square feet and iCapital Networks signed a new 12,000 square-foot lease. The latter was one of the latest COVID-19-related transactions from New York City.

CURRENT CONDITIONS

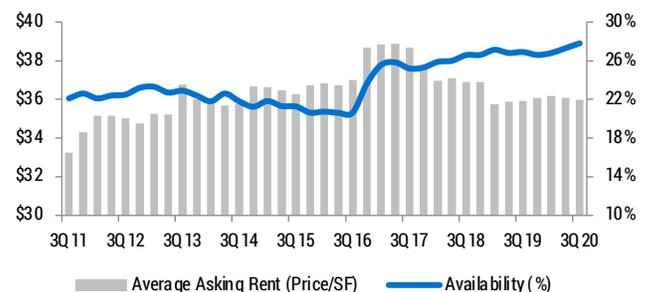
Leasing activity totaled 510,000 square feet, up 11.7% from the previous quarter, but 24.7% below the prior year.

New York City-based firms continue looking into suburban markets like Fairfield County to shift some of its employees out of the city. Greenwich and Stamford have seen an uptick in inquiries since last quarter

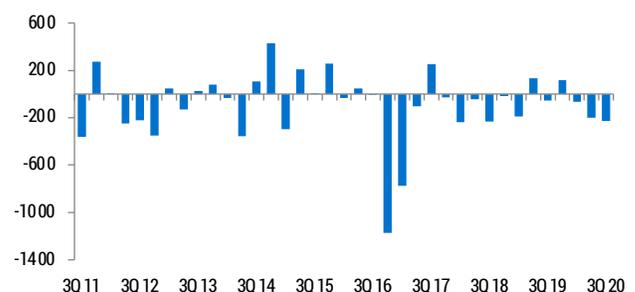
Rental rates remained stable as of the end of the third quarter, averaging \$35.99/SF, a slight 0.3% increase from the prior year.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	40MSF	40MSF	40MSF	↑
Availability Rate	27.8%	27.3%	26.9%	↑
Quarterly Net Absorption	(228,006)	(202,014)	(53,688)	↓
Average Asking Rent	\$35.99	\$36.09	\$35.90	↔
Under Construction	637,500	637,500	699,300	↑
Deliveries	61,800	0	0	↑

SUBURBAN APPEAL INTENSIFIED IN COVID-19 AGE

Greenwich continues to be the main point of interest for Manhattan-based firms, but in recent months, inquiries for space in Stamford have grown, especially from the larger groups. There are several mid-to-large size requirements circling the Downtown and Waterfront/South of I-95 markets. Although the percentage of relocations into these towns remains low, it is still too early to assess. Attractiveness of suburban living from an aging millennial population in recent years has only been intensified in the age of COVID-19. According to US Postal Service data, more than 16,000 New Yorkers have moved to Connecticut since the March lockdowns, including 4,177 to Fairfield County. With the potential for a second wave of the virus in the winter months, more New York City executives may be inclined to make final decisions.

SOME CRE SECTORS MORE RESILIENT THAN OTHERS

Like leasing activity, year-to-date sales volume remains low in comparison to years past. A total of 2.3 million square feet of office trades were completed by the end of September 2019, for a total of \$463.0 million. By comparison, there have been less than 1 million square feet of sales year to date. This marks the lowest sales volume through the end of the third quarter since 2011. There is still a tremendous amount of liquidity in the market, and financing for certain product types is as good as it was prior to the pandemic. Due to the acceleration of e-commerce during the quarantine, industrial product has seen a surge in interest. At the same time, tight housing supply and favorable financing continues to drive multi-family investment. Distressed, lender-owned assets in auction are also in high demand by opportunistic cash buyers with long-term strategic interests.

In contrast, multi-tenant office or retail product with some uncertainty are still on pause, though net-leased buildings or those with good fundamentals and credit tenants can take advantage of low inventory and historically low interest rates to bring assets to market.

SUBLEASE LEVELS STILL BELOW NATIONAL TREND

A rise in sublease availability due to the downturn has been starting to accelerate across the nation. Sublease space in gateway markets like New York and Boston are rising at nearly the same pace as the Great Recession. Despite that trend, Fairfield County has been affected proportionately less in this regard. Sublease availability ended at 4.7%, up slightly from 4.6% 12 months ago. The largest sublease block to come online this year was Crius Energy's 45,143-square-foot space at 535 Connecticut Avenue in Norwalk. As businesses continue to cut expenses, sublease space is expected to grow. Regardless, with growing interest from New York City tenants, a potential sublease wave could largely benefit tenants looking for flexibility.

LOOKING AHEAD

Fundamentals will continue to fluctuate in the near term as the impact of the health crisis lingers. Tenants will continue with a watchful waiting approach, while a potential decline in small to mid-size tenants will drive intense competition among landlords. Bright spots include Greenwich, Stamford and central markets, including Westport and Southport. Demand in Norwalk and Wilton is expected to remain sluggish. Companies are still navigating through new workplace strategies. Many have experienced a decrease in productivity and collaboration. Alternatively, the ones who have found that employees have maintained productivity, still see the need to maintain offices to bring staff together.

TOP Q3 LEASE TRANSACTIONS

Tenant	Address	Market	Type	Square Feet
Berkley Insurance	1 Station Place	Stamford CBD	New Lease	63,173
Phillips North America	1600 Summer Street	Stamford Non-CBD	Renewal	47,140
LonePine Capital	2 Greenwich Plaza	Greenwich CBD	Renewal	39,143
Northern Trust Global Advisors	300 Atlantic Street	Stamford CBD	Renewal	24,361

YEAR-TO-DATE SALES TRANSACTIONS

Building	Market	Sale Price	Price/SF	Square Feet
54 Wilton Road	Central	\$16,700,000	\$273	61,111
75 Glen Road	Northern	\$6,200,000	\$96	64,426
400 Main Street	Stamford CBD	\$3,150,000	\$94	33,500
165 Water Street & 88 Day Street	South Central	\$5,750,000	\$108	53,168

SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)
Greenwich CBD	2,049,385	-	14.4%	2,618	28,916	\$83.92	\$93.01
Greenwich Non-CBD	2,285,358	-	16.2%	-4,124	21,017	\$46.32	\$45.00
Greenwich Totals	4,334,743		15.3%	-1,506	49,933	\$56.05	\$88.52
Stamford CBD	8,206,671	-	32.0%	-222,497	-412,803	\$47.66	\$47.66
Stamford Non-CBD	7,758,873	-	33.9%	93,732	74,686	\$36.01	\$31.74
Stamford Totals	15,965,544		32.9%	-128,765	-338,117	\$42.54	\$38.10
Darien/New Canaan	700,546	-	23.3%	-13,286	16,613	\$34.03	-
Norwalk	5,185,182	-	37.3%	-37,334	-97,458	\$32.47	\$32.46
Wilton	1,609,056	-	35.6%	-12,234	-98,675	\$32.82	\$28.72
South Central Totals	7,494,784		35.6%	-63,854	-179,520	\$32.64	\$31.08
Westport	1,488,672	-	16.4%	1,196	25,767	\$40.47	\$35.96
Fairfield/Southport	603,875	-	16.3%	-9,587	4,401	\$31.40	\$30.00
Central Totals	2,092,547		16.3%	-8,391	30,168	\$37.69	\$34.97
Bridgeport	1,415,669	-	15.7%	-15,479	-27,642	\$20.65	-
Shelton/Stratford	3,955,294	-	14.9%	-15,771	-84,297	\$21.59	\$20.00
Trumbull	1,371,210	-	32.0%	11,308	6,799	\$16.76	\$26.00
Eastern Totals	6,742,173		18.5%	-19,942	-105,140	\$19.90	\$14.41
Northern/Greater Danbury	3,092,701		28.4%	-5,548	44,698	\$19.74	\$20.00
Fairfield County	39,722,492	637,500	27.8%	-228,006	-497,978	\$35.99	\$36.70

SUBMARKET STATISTICS- Class A

	Total Inventory (SF)	Under Construction	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)
Greenwich	3,798,434	-	15.1%	-8,478	56,730	\$56.22	\$93.01
Stamford	13,605,517	-	34.1%	-122,376	-435,429	\$45.24	\$38.10
South Central	5,571,788	-	33.6%	-53,534	-175,477	\$35.40	\$31.08
Central	1,255,561	-	14.1%	-653	2,048	\$41.16	\$35.96
Eastern	4,485,572	-	15.8%	139	-50,243	\$21.52	\$13.29
Northern/Greater Danbury	2,596,192	-	30.9%	-5,448	41,975	\$19.82	\$20.00
Fairfield County	31,313,064	637,500	28.0%	-190,350	-560,396	\$39.01	\$36.73

SUBMARKET STATISTICS- Class B

	Total Inventory (SF)	Under Construction	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)
Greenwich	536,309	-	17.0%	6,972	-6,797	\$55.27	\$45.00
Stamford	2,360,027	-	26.1%	-6,389	97,312	\$24.60	-
South Central	1,922,996	-	41.4%	10,320	-4,043	\$27.24	-
Central	836,986	-	19.8%	-7,738	28,120	\$34.54	\$30.00
Eastern	2,256,601	-	23.9%	-20,081	-54,897	\$17.96	26.00
Northern/Greater Danbury	496,509	-	15.4%	-100	2,723	\$19.00	-
Fairfield County	8,409,428		27.2%	-37,656	62,418	\$25.87	\$34.43

ECONOMIC CONDITIONS

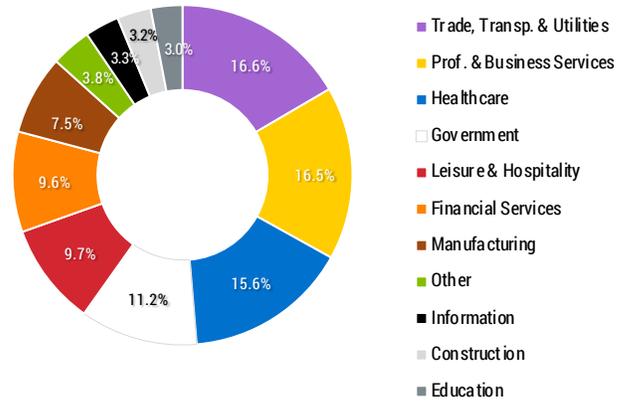
Connecticut continued its steady recovery from the historic unemployment high in April caused by the COVID-19 pandemic. The state's nonfarm job report by the Connecticut Department of Labor showed employment gains of 14,700, or 1.1%, over the month of September, for a total of 1,359,600, seasonally adjusted. This equates to a year-to-date nonfarm employment decrease of 90,900, or 6.3%. April 2020 recorded a historic job loss of 269,200.

Industries that experienced job declines include: financial activities, losing 119,400 jobs, or 0.6%; and construction and mining, losing 57,700 jobs, or 0.9%. Industries that experienced job growth in the month of September include: leisure and hospitality, gaining an impressive 127,900, or 5.7%; followed by professional and business services, gaining 212,300, or 2.1%; and government, gaining 225,500, or 1.0%.

The official September 2020 unemployment rate for Connecticut was 7.8%, compared with 7.9% for the U.S. and 14.1% for New York City.

EMPLOYMENT BY INDUSTRY

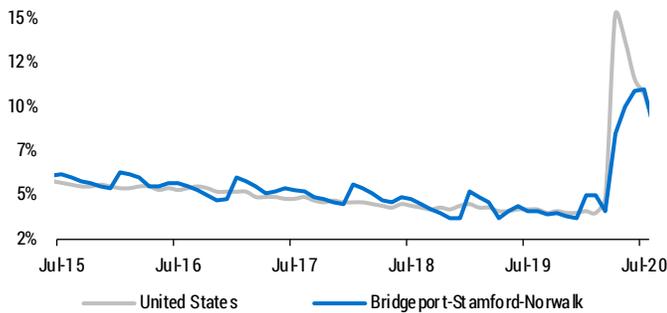
Bridgeport-Stamford-Norwalk Area



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

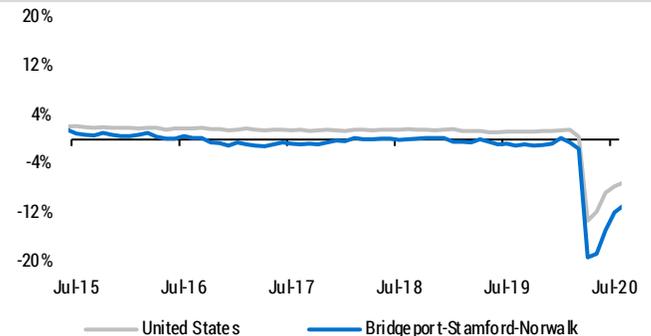
Bridgeport-Stamford-Norwalk Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

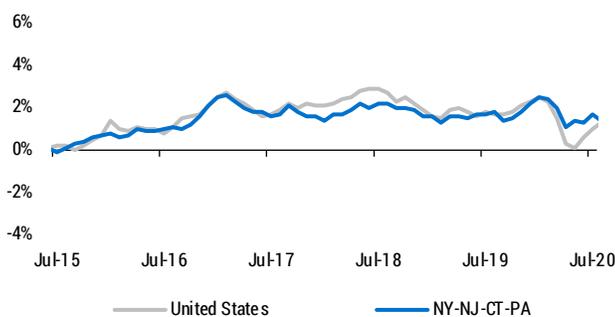
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

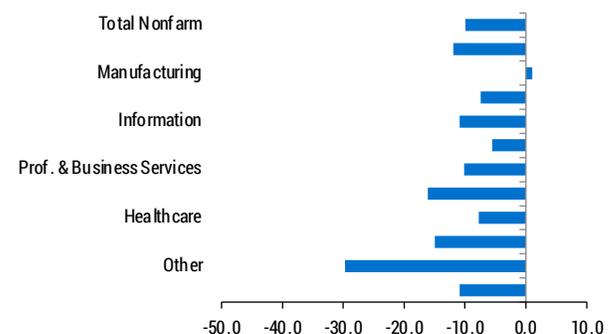
All Items, 12-Month % Change (Not Seasonally Adjusted)



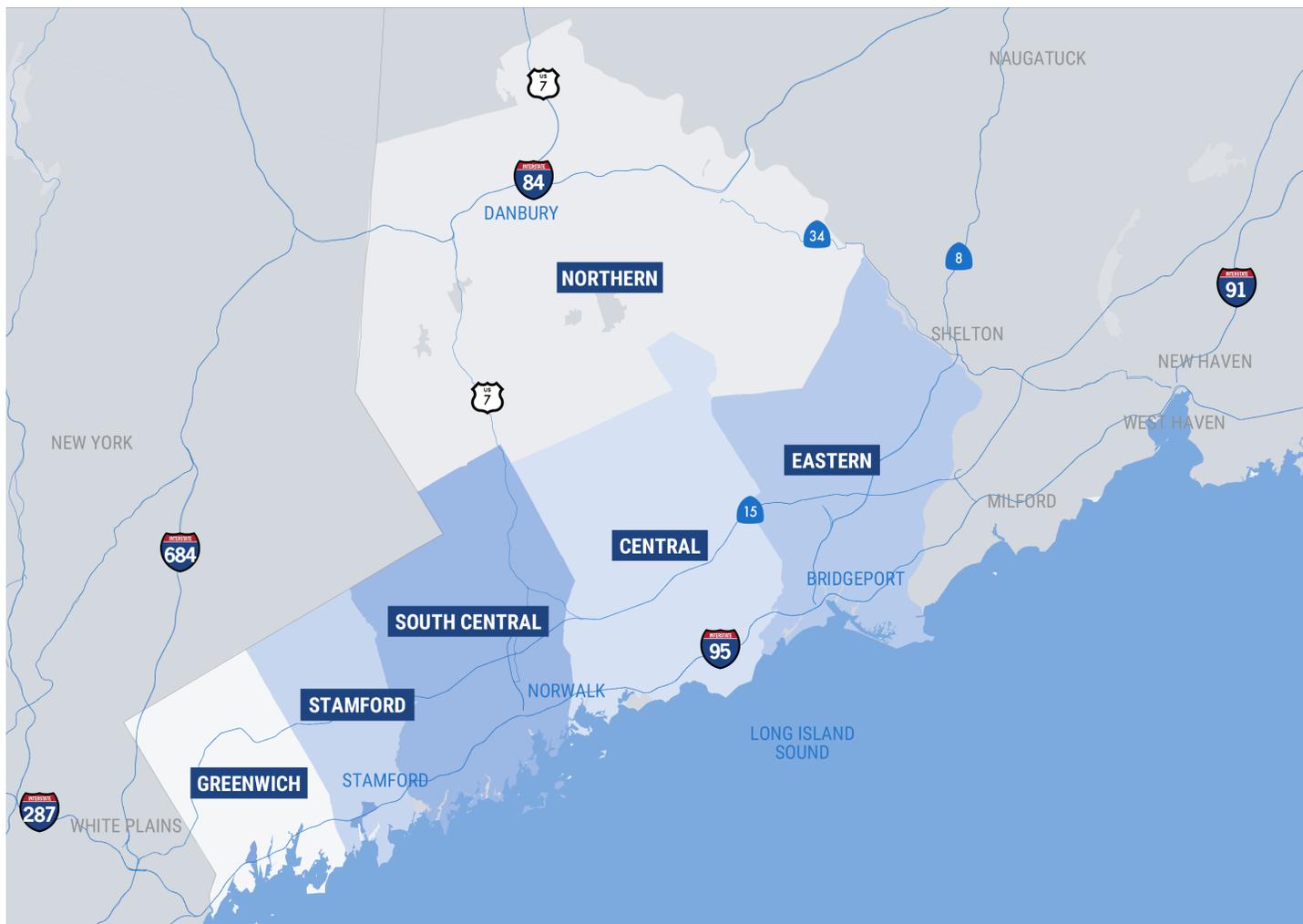
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

Bridgeport-Stamford-Norwalk, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics



KAROLINA ALEXANDRE
Research Manager
203.531.3609
kalexandre@ngkf.com

Fairfield County, CT
680 Washington Boulevard
Stamford, CT 06901
203.531.3600

Westchester County, NY
800 Westchester Avenue
Rye Brook, NY 10573
914.881.1024

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