

Class A space accounts for 80% of leasing activity in 2023

▶ 26.2%

Availability Rate

▼ (16,091)

SF Net Absorption

▲ 419,489

SF Leasing Activity

▶ \$35.11

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 419,000 sq. ft., up 60% from the previous quarter and on par with the five-year quarterly average.
- Annual leasing activity totaled 1.49 million sq. ft., down 16% year-over-year.
- The availability rate remained flat quarter-over-quarter at 26.2% but was down 110 bps from a year ago.
- Quarterly net absorption was negative 16,000 sq. ft., which brought year-to-date absorption to positive 481,000 sq. ft.
- The average asking rent was \$35.11 per sq. ft., virtually unchanged quarter-over-quarter and down 4% from a year ago.

Market Overview

Fairfield County captured 419,000 sq. ft. of leasing activity in Q4, on par with the five-year quarterly average. This brought annual leasing to 1.49 million sq. ft. in 2023 – 16% behind 2022 and 31% behind the 10-year annual average.

Tenants’ preference for quality was apparent throughout the year as Class A leasing accounted for more than 80% of activity in both Q4 and all of 2023. Availability dropped 110 bps from a year ago to 26.2%— driven by space withdrawals as office buildings were slated for conversion. Average asking rent stood at \$35.11 per sq. ft.— stable compared to a quarter ago but 4% lower than last year as premium-priced space in the Stamford CBD was leased.

The CBD market in Greenwich saw improvement in annual leasing as tenants’ desire for well-located assets took center stage. Greenwich CBD’s annual leasing activity was 117,000 sq. ft.—a 9% increase compared to last year. Stamford CBD’s leasing totaled 500,000 sq. ft. in 2023 leading all of Fairfield’s submarkets in annual leasing for the tenth consecutive year.

Economic Conditions

The U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. Nevertheless, headwinds such as higher oil prices, the resumption of student loan payments, and a weakening global economy are all intensifying while the squeeze from elevated interest rates is at its maximum.

Southwest Connecticut’s employment landscape diverged for office-using and non-office using employers in Q3 2023. The area’s overall employment count grew by 1,600 workers (+0.4%) over Q2 2023 while office-using employers (OUE) shed 1,700 positions (-1.5%). Year-over-year, Southwest Connecticut’s total employment increased by 6,400 positions (+1.6%) compared to a decline of 3,200 office-using positions (-2.8%).

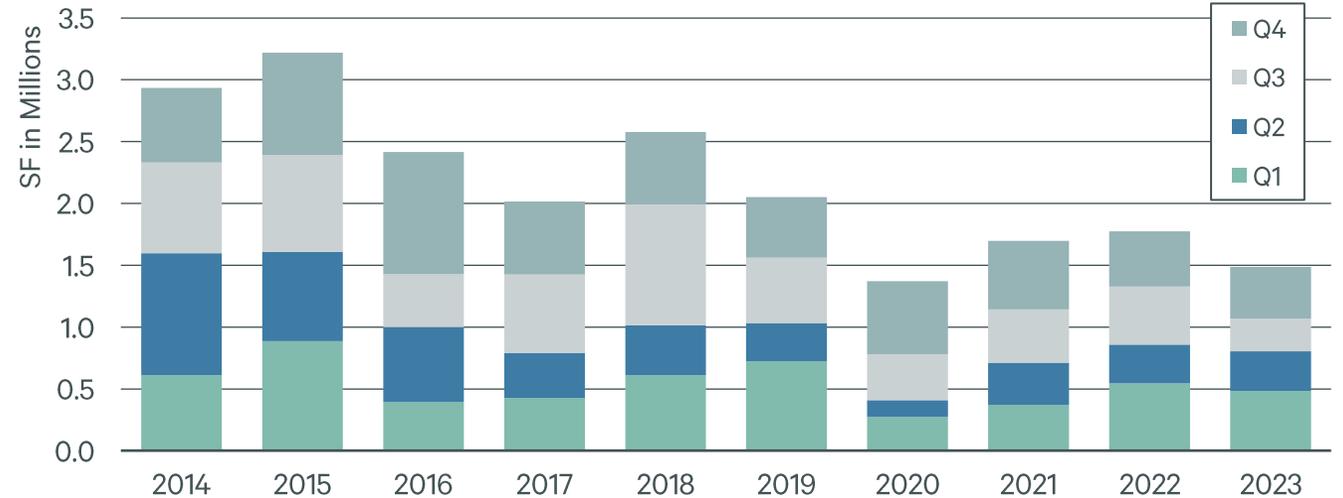
Among office-using sectors, professional and business services experienced the steepest payroll cut quarter-over-quarter with 1,800 positions let go in Q3 (-2.7%) followed by information with a reduction of 200 positions (-1.2%). Financial activities gained 300 positions in Q3 (+0.3%). Connecticut has recovered 97.7% of its pre-pandemic office-using employment.

Connecticut’s overall unemployment rate currently stands at 3.8%, up from 3.6% at the end of Q2, and even with the national unemployment rate of 3.8%. Although CBRE expects economic growth to deteriorate, it is likely that real estate valuations will stabilize during H1 2024.

Leasing Activity

Fairfield County saw 419,000 sq. ft. of leasing in Q4 2023—up 60% from the prior quarter and on par with the five-year quarterly average. Full-year leasing reached 1.49 million sq. ft. in 2023, down 16% from the 2022 total and 31% behind the 10-year annual average.

FIGURE 1: Historical Leasing Activity



Source: CBRE Research, Q4 2023.

FIGURE 2: Top Transactions | Q4 2023

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address	Submarket
51,021	RE	D	Happy Hour 4 Kids	68 Southfield Avenue	Stamford N/CBD
40,013	L	D	AON Corporation	800 Connecticut Avenue	Central Fairfield
25,856	L	D	AON Corporation	1 Market Street	Central Fairfield
24,757	L	D	Terex Corporation	301 Merritt 7	Central Fairfield
24,625	R	D	Thor Specialties, Inc.	50 Waterview Drive	Fairfield East

Source: CBRE Research, Q4 2023. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

High-quality space remained popular, with 81% of Q4’s activity occurring in Class A buildings. Annually 80% of leasing was captured by the Class A segment which totaled 1.19 million sq. ft. Prime Class A assets are performing well relative to inventory—prime buildings captured 29% of annual Class A leasing activity, despite accounting for only 16% of Class A inventory. Financial firms supplied 30% of leasing activity in 2023 and led all other industries for the fourth year in a row. The insurance sector accounted for 24% of the year’s leasing activity followed by the health care industry at 9%.

Stamford CBD led all submarkets in leasing activity for the tenth straight year after adding 76,000 sq. ft. of activity in Q4 for a full-year total of 500,000 sq. ft. Annual leasing was down 9% compared to last year but the submarket did contribute 34% of leasing in Fairfield County for 2023. The submarket saw three deals that were 25,000 sq. ft. or higher close in Q4 2023, two of which occurred at the newly renovated 400 Atlantic Street. This office building saw five new leases totaling 170,000 sq. ft. in 2023 and was representative of the desirability of high-quality CBD assets in the market.

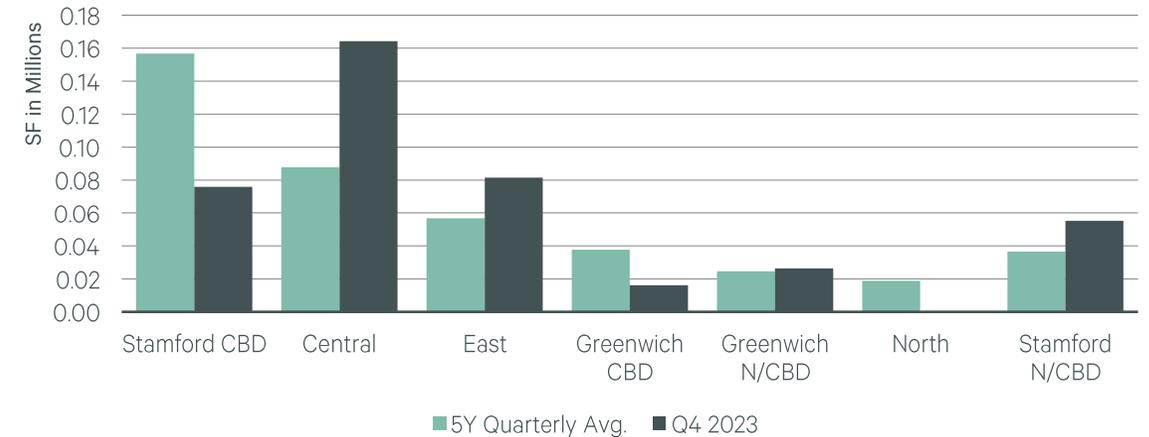
Stamford Non-CBD accumulated 55,000 sq. ft of activity in Q4, more than the previous three quarters combined and up 51% from its five-year quarterly average. The strong quarterly total was due to Fairfield County’s largest lease of the quarter: Happy Hour 4 Kids 51,000 sq. ft. renewal-expansion at 68 Southfield Avenue.

Greenwich CBD saw 16,000 sq. ft. of leasing activity in Q4, down 38% quarter-over-quarter and 57% below the five-year quarterly average. However, the annual leasing total reached 117,000 sq. ft.—up 9% year-over-year. Greenwich Non-CBD totaled 26,000 sq. ft. of leasing activity, up 20% quarter-over-quarter and up 7% from its five-year quarterly average. The submarket finished 2023 with 108,000 sq. ft. of leasing activity, down 23% year-over-year.

Fairfield Central had its best quarter since Q3 2019, capturing 164,000 sq. ft. of leasing activity in Q4. AON Corporation was responsible for the two largest transactions in the submarket—a short-term 40,000 sq. ft. lease at 800 Connecticut Avenue in Norwalk as well as a long-term 25,000 sq. ft. lease at 1 Market Street in Darien.

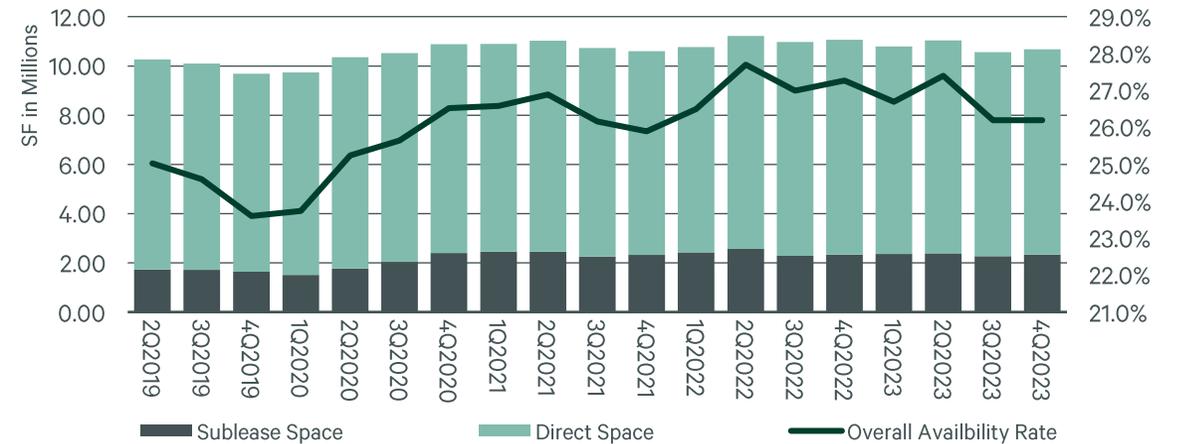
Fairfield East totaled 82,000 sq. ft. of leasing in Q4 2023, up 84% from the prior quarter and 44% above its five-year quarterly average. Annual leasing totaled 260,000 sq. ft. in the submarket—down 33% from 2022.

FIGURE 3: Quarterly Leasing Activity by Submarket



Source: CBRE Research, Q4 2023.

FIGURE 4: Availability Rate | Direct vs. Sublease Breakdown



Source: CBRE Research, Q4 2023.

Net Absorption and Availability

Fairfield County’s availability rate remained flat quarter-over-quarter, holding at 26.2% as leasing kept pace with space additions. While absorption was negative 16,000 sq. ft. in Q4, the year-end total was positive 481,000 sq. ft., which pulled availability down 110 bps year-over-year. Sublease space made up 21% of all available space, down from 22% a year ago. The positive absorption in 2023 was driven in large part by the slated residential conversion of 1 Elmcroft Road in Stamford, which removed 457,000 sq. ft. of space from availability.

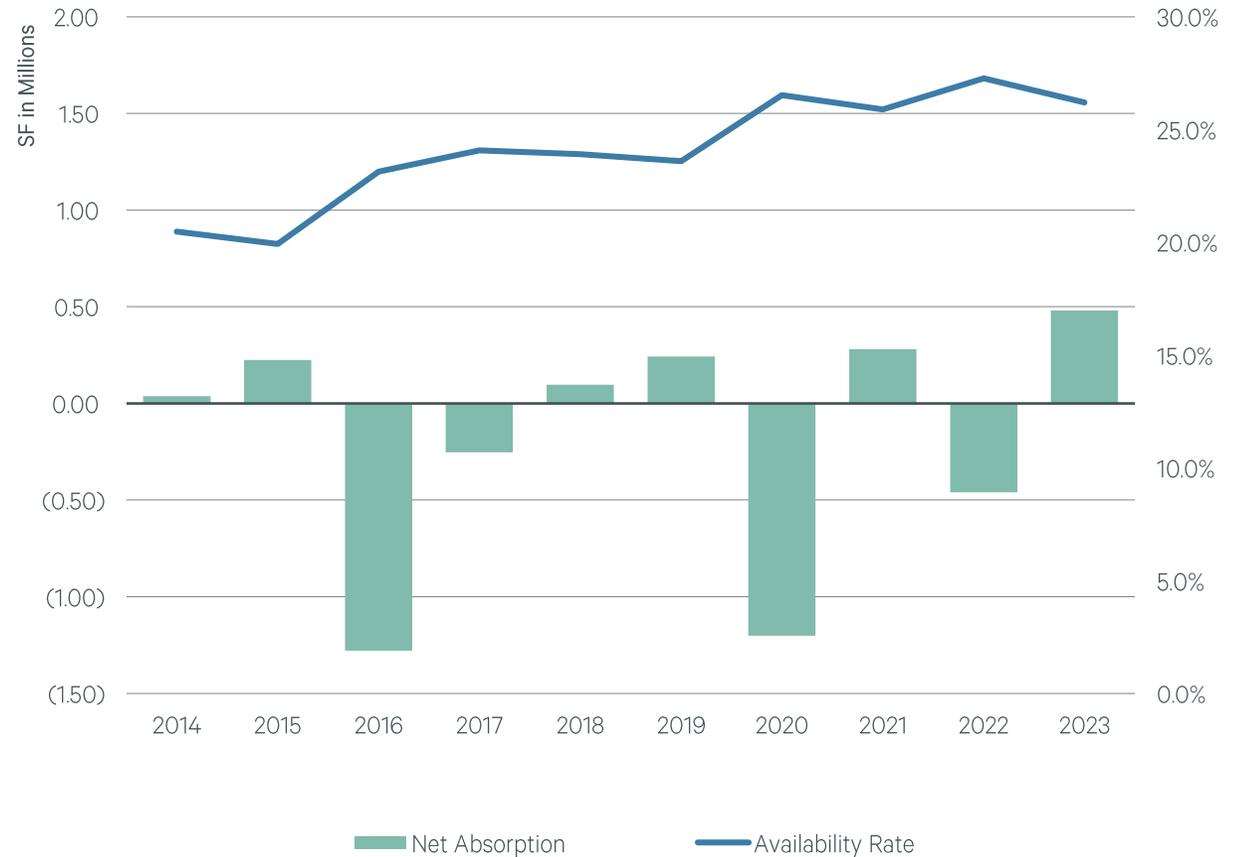
Greenwich CBD experienced 13,000 sq. ft. of absorption in Q4 but finished the year at negative 34,000 sq. ft. The availability rate increased 160 bps year-over-year to 9.0%, but is still 760 bps below the peak in Q4 2019. The majority of Greenwich CBD’s available space—110,000 sq. ft.—is concentrated in two buildings: 55 Railroad Avenue and 145 Mason Street. Greenwich Non-CBD totaled 23,000 sq. ft. of absorption in the fourth quarter, bringing its year-end figure to positive 103,000 sq. ft. Strong leasing activity at 1700 East Putnam Avenue and Greenwich Office Park contributed to the 390 bps drop in availability since Q2 of this year, which left availability at 19.2%—the lowest the submarket has seen since 2020.

Stamford CBD recorded 46,000 sq. ft. of negative absorption in Q4 as leasing totals diminished. However, the submarket finished 2023 with positive absorption of 672,000 sq. ft., driven by the removal of 1 Elmcroft Road from availability alongside strong leasing activity at 400 Atlantic Street. Availability dropped by 650 bps year-over-year to 24.2%.

Stamford Non-CBD accumulated 137,000 sq. ft. of negative absorption in Q4—the seventh consecutive quarter of negative absorption and the availability rate has risen 690 bps to 38.5% over that time. Large spaces additions at 1600 Summer Street and 260 Long Ridge Road were contributing factors to the submarket’s heightened availability in Q4.

The outlying suburban markets fared better in Q4 with positive absorption of 110,000 sq. ft. in Central Fairfield. This brought the year end total to 336,000 sq. ft. and dropped availability 370 bps year-over-year to 29.2%. Fairfield East accumulated 52,000 sq. ft. of positive absorption in Q4, which skewed annual absorption positive to 24,000 sq. ft. The positive absorption dropped the availability rate to 24.4% down 40 bps from last year.

FIGURE 5: Annual Absorption and Availability Rate



Source: CBRE Research, Q4 2023.

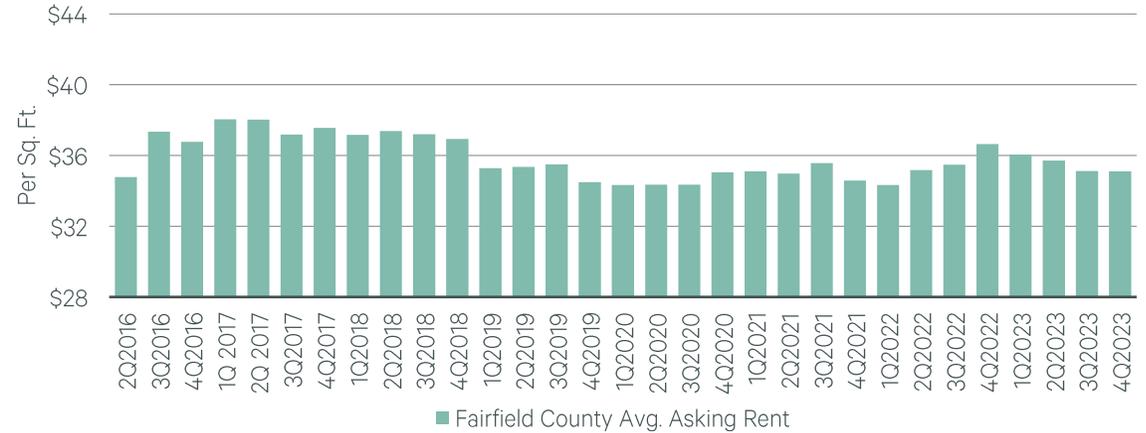
Average Asking Rent

Average asking rent in Fairfield County was stable at \$35.11 per sq. ft. compared to the prior quarter but fell 4% from the prior year. This drop was driven premium-priced spaces that were leased at 400 Atlantic Street and the removal of 1 Elmcroft Road in Stamford CBD from availability.

Greenwich CBD's average asking rent at \$109.37 per sq. ft. was stable quarter-over-quarter but up 6% from year-end 2022. The price increase was driven by the addition to the available supply of Viking Investments' office space at 55 Railroad Avenue.

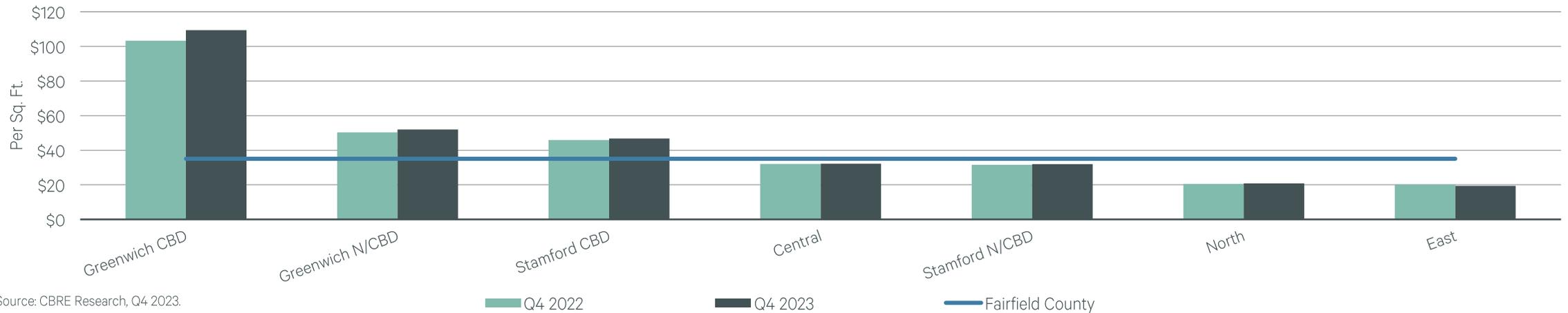
Stamford CBD's average asking rent was flat quarter-over-quarter but up 2% year-over-year to \$46.74 per sq. ft. Stamford Non-CBD experienced a 4% increase quarter-over-quarter to \$31.97 per sq. ft., due to the 188,000 sq. ft. of space added at 1600 Summer Street, priced above the market average.

FIGURE 6: Average Asking Rent | Quarterly Historical



Source: CBRE Research, Q4 2023.

FIGURE 7: Average Asking Rent | By Submarket



Source: CBRE Research, Q4 2023.

FIGURE 8: Q4 2023 | Market Statistics

Submarket	Market Rentable Area (MSF)	Total Available (MSF)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (SF)	Leasing Activity (SF)	Average Asking Rent (\$/SF/Year)
Greenwich CBD	2.14	0.19	9.0%	8.7%	13,010	16,212	\$109.37
Greenwich Non-CBD	2.14	0.41	19.2%	18.5%	23,385	26,375	\$51.94
Stamford CBD	10.56	2.56	24.2%	23.2%	(46,348)	75,928	\$46.74
Stamford Non-CBD	6.12	2.36	38.5%	37.2%	(137,344)	55,250	\$31.97
Central Fairfield	9.71	2.83	29.2%	26.1%	109,992	164,221	\$32.17
Eastern Fairfield	6.27	1.53	24.4%	24.4%	52,262	81,503	\$19.40
Northern Fairfield	3.41	0.70	20.6%	20.3%	(31,048)	-	\$20.77
FAIRFIELD COUNTY	40.36	10.58	26.2%	24.9%	(16,091)	419,489	\$35.11

Source: CBRE Research, Q4 2023.

Market Area Overview

Definitions

Availability: Space that is being actively marketed and is available for tenant build-out within 12 months. Includes space available for sublease as well as space in buildings under construction.

Asking Rent: Weighted average asking rent.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

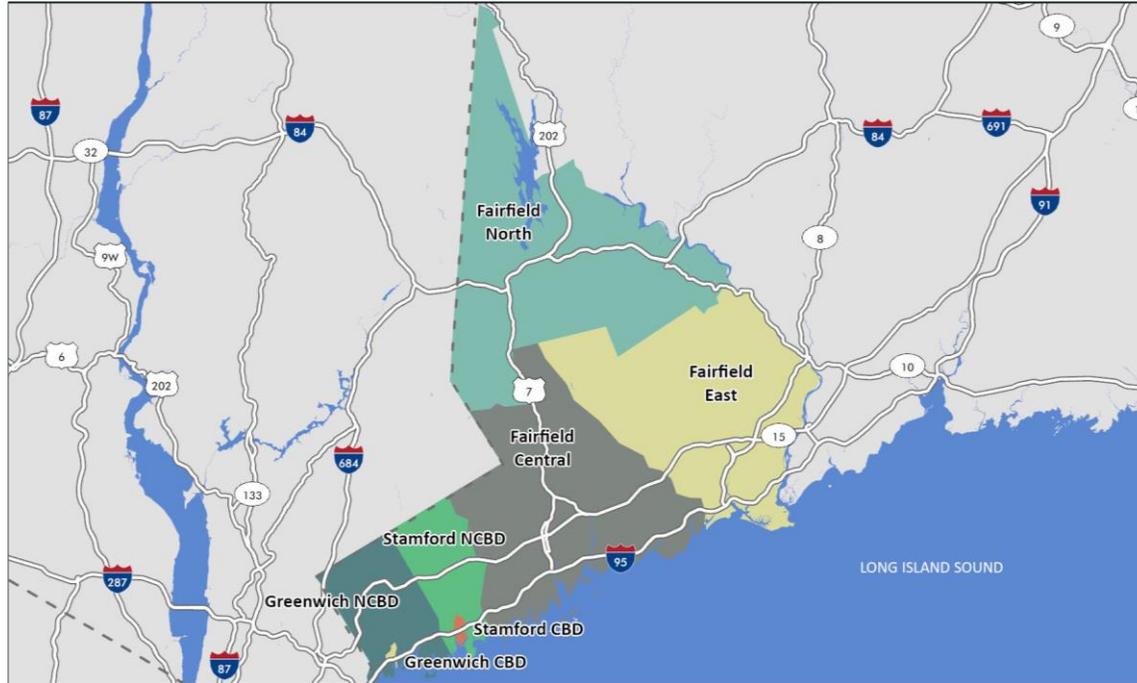
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Vacancy: Unoccupied space available for lease.

Survey Criteria

CBRE's market report analyzes Fairfield County's fully modernized office buildings that total 20,000 SF or larger, Class A and B only, multi-storied, conventionally modernized, and not owned and occupied by a government or medical institution. New construction must be available for tenant build-out within 12 months. CBRE assembles all information through telephone canvassing and listings received from owners, tenants and members of the commercial real estate brokerage community.

Market Area Overview



Submarket	Total Stock (MSF)
Greenwich CBD	2.14
Greenwich N/CBD	2.14
Stamford CBD	10.56
Stamford N/CBD	6.12
Central Fairfield	9.71
Eastern Fairfield	6.27
Northern Fairfield	3.41
FAIRFIELD COUNTY	40.36

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