CBRE

Leasing activity hit highest quarterly total since Q4 2020

26.2%	375,010	560,545	$35.30
Availability Rate	SF Net Absorption	SF Leasing Activity	PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 561,000 sq. ft., up 60% from Q1 2024 and 36% above the five-year quarterly average.
- Year-to-date leasing reached 911,000 sq. ft., up 13% from the same time last year.
- The availability rate decreased to 26.2%, down 100 basis points (bps) from Q1 2024 and down 120 bps from a year ago.
- Quarterly net absorption was positive 375,000 sq. ft., bringing year-to-date absorption to positive 216,000 sq. ft.
- The weighted average asking rent was $35.30 per sq. ft., flat quarter-over-quarter but down 1% year-over-year.
- Sublease space currently makes up 19% of all available space.

Market Overview

Fairfield County's leasing activity surged to its best total since Q4 2020. Leasing activity amounted to 561,000 sq. ft. in Q2 2024—up 60% from Q1 and 36% above its five-year quarterly average. Indeed's 124,000 sq. ft. relocation to 200 Elm Street—the largest new lease in fifteen quarters—bolstered activity in Q2.

Quarterly net absorption was 375,000 sq. ft., bringing year-to-date absorption into positive territory at 216,000 sq. ft. Availability rate in the county fell to 26.2%, on par with Q4 2023. Overall sublease space declined for the fourth consecutive quarter to 1.93 million sq. ft., down 25% from the peak in Q2 2022, indicating the office market recovery is ongoing. Stamford CBD saw robust leasing in Q2 and led all submarkets with 240,000 sq. ft. of activity—69% ahead of its five-year quarterly average.

Greenwich CBD leasing activity slowed for the second consecutive quarter. So far, the submarket has only seen 18,000 sq. ft. of new leasing done in 2024. Greenwich CBD remains the tightest submarket in Fairfield County despite the availability rate's quarterly increase to 10.2%. Average asking rent within the submarket remains at an all-time high of $110.16 per sq. ft.—significantly higher than Fairfield County's Q2 average asking rent of $35.30 per sq. ft.

Economic Conditions

Following a year of expectation-busting growth, which has given us interest rates higher for much longer, it seems we will get a “soft landing” in 2024. Stimulus effects continue to fade and high interest rates are placing a drag on consumption, evidenced by rising delinquency rates and slowing credit growth. CBRE expects that GDP growth for 2024 will settle at the mid-1% range this year. Much of recent job growth has been clustered in sectors that are immune to higher interest rates and receive at least some public funding, such as education, healthcare, and government jobs.

Southwest Connecticut’s gains were relatively strong in Q2, adding 3,300 positions quarter-over-quarter in Q2 (+0.8%). Year-over-year gains in Q2 amounted to 5,300 positions (+1.3%). Office-using employment (OUE) sectors fared more poorly than the state overall, letting go of 900 positions in Q2 (-0.8%).

Professional and business services accounted for the entirety of the decline, reducing headcount by 1,200 positions since Q1 (-1.8%). Financial activities grew their payroll by 200 positions (+0.5%) and information services added 200 positions (+1.7%). Year-over-year, OUE in Southwest Connecticut was flat (0.0%). While few OUE jobs have been added to the region since early 2022, OUE stands at 100.0% of the 2019 level.

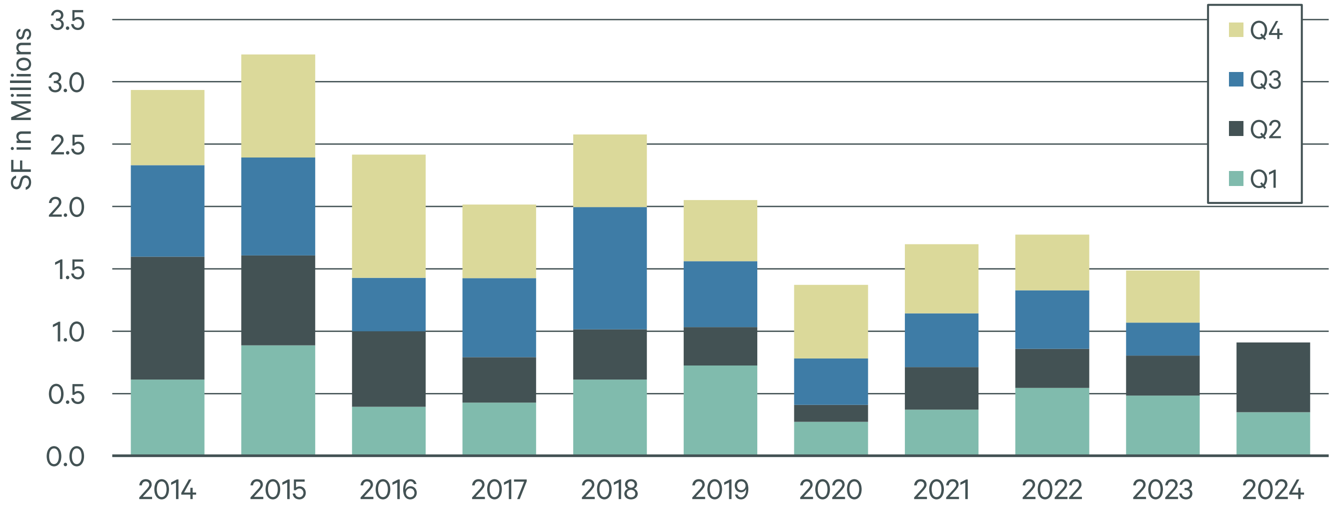
Connecticut’s overall unemployment rate is 4.3%, down from 4.5% at the end of Q1 and above the national unemployment rate of 4.0%.

Leasing Activity

Leasing activity totaled 561,000 sq. ft. in Fairfield County in Q2—up 60% from Q1 2024 and 36% above the five-year quarterly average.

Stamford CBD‘s 240,000 sq. ft. of activity was the highest quarterly total since Q4 2021. The second quarter’s leasing was up 267% from Q1, though year-to-date activity is down 9% from the same period last year.

FIGURE 1: Historical Leasing Activity



Source: CBRE Research, Q2 2024.

FIGURE 2: Top Transactions | Q2 2024

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address	Submarket
124,180	L	S	Indeed	200 Elm Street	Stamford CBD
91,509	RE	S	Philip Morris USA	677 Washington Boulevard	Stamford CBD
84,046	R	D	Henkel Corporation	200 Elm Street	Stamford CBD
66,107	L	S	HomeServe USA	45 Glover Avenue	Central Fairfield
53,216	L	D	Timex Corporation	6 Armstrong Road	Fairfield East

Source: CBRE Research, Q2 2024. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

Indeed's relocation to 200 Elm Street was the largest transaction of the quarter and accounted for 52% of leasing activity in the submarket. The CBD also saw renewal activity also, as Henkel renewed 84,000 sq. ft. at 200 Elm Street. Phillip Morris renewed 71,000 sq. ft. and expanded for 20,000 sq. ft. at 677 Washington Boulevard.

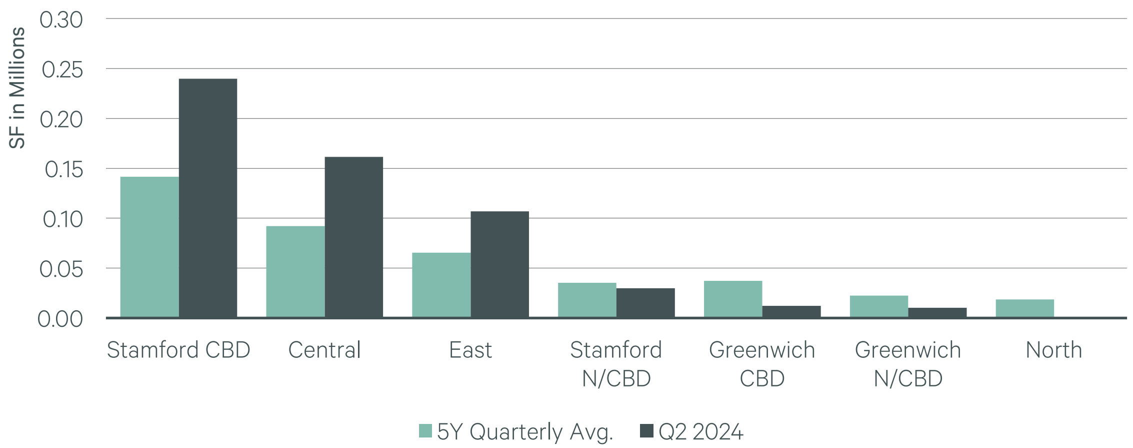
Central Fairfield's leasing activity was 162,000 sq. ft.—up 48% from the previous quarter and 75% ahead of its five-year quarterly average. The quarterly improvement propelled year-to-date leasing within the submarket to 271,000 sq. ft. 74% ahead of the same time last year. The largest transaction in the submarket was HomeServe USA's 66,000 sq. ft. relocation to a FactSet Research System's sublet opportunity in Norwalk. Central Fairfield also saw the third largest renewal with Lous Dreyfus' 41,000 sq. ft. recommitment at 40 Danbury Road in Wilton.

Fairfield East surpassed its five-year quarterly average for the third consecutive quarter—Q2's 107,000 sq. ft. of leasing activity was 63% ahead of its five-year quarterly average. The town of Shelton accounted for all leasing activity in the submarket this quarter, led by Timex Corporation's 53,000 sq. ft. relocation from Middletown to 6 Armstrong Road. The submarket accumulated 237,000 sq. ft. of leasing year-to-date—up 76% year-over-year, and the best first half since 2014.

Greenwich CBD's leasing activity lagged in the second quarter and year-to-date is down 76%. The 12,000 sq. ft. leased in Q2 was 67% behind the five-year average.

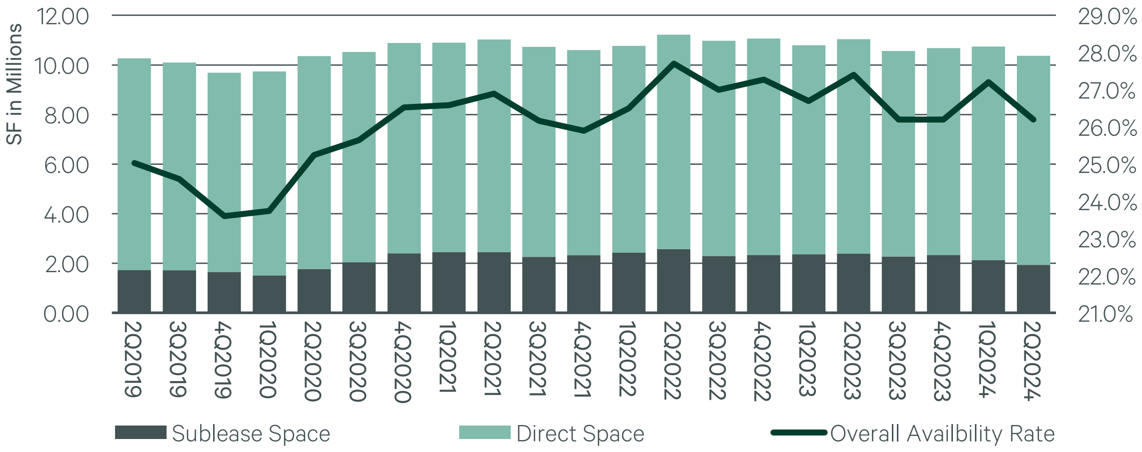
Leasing in Greenwich Non-CBD was also slow, at 10,000 sq. ft., down 16% quarter-over-quarter and 46% below its five-year quarterly average. Year-to-date leasing activity amounted to 22,000 sq. ft.—down 62% from the same period last year.

FIGURE 3: Quarterly Leasing Activity by Submarket



Source: CBRE Research, Q2 2024.

FIGURE 4: Availability Rate | Direct vs. Sublease Breakdown



Source: CBRE Research, Q2 2024.

Net Absorption and Availability

Supply decreased in Fairfield County during Q2 as a result of strong leasing and space withdrawals. Availability in Fairfield County dropped 100 bps quarter-over-quarter to 26.2%—on par with Q4 2023. This corresponded with positive absorption in the county amounting to 375,000 sq. ft. and brought year-to-date net absorption to positive 216,000 sq. ft.

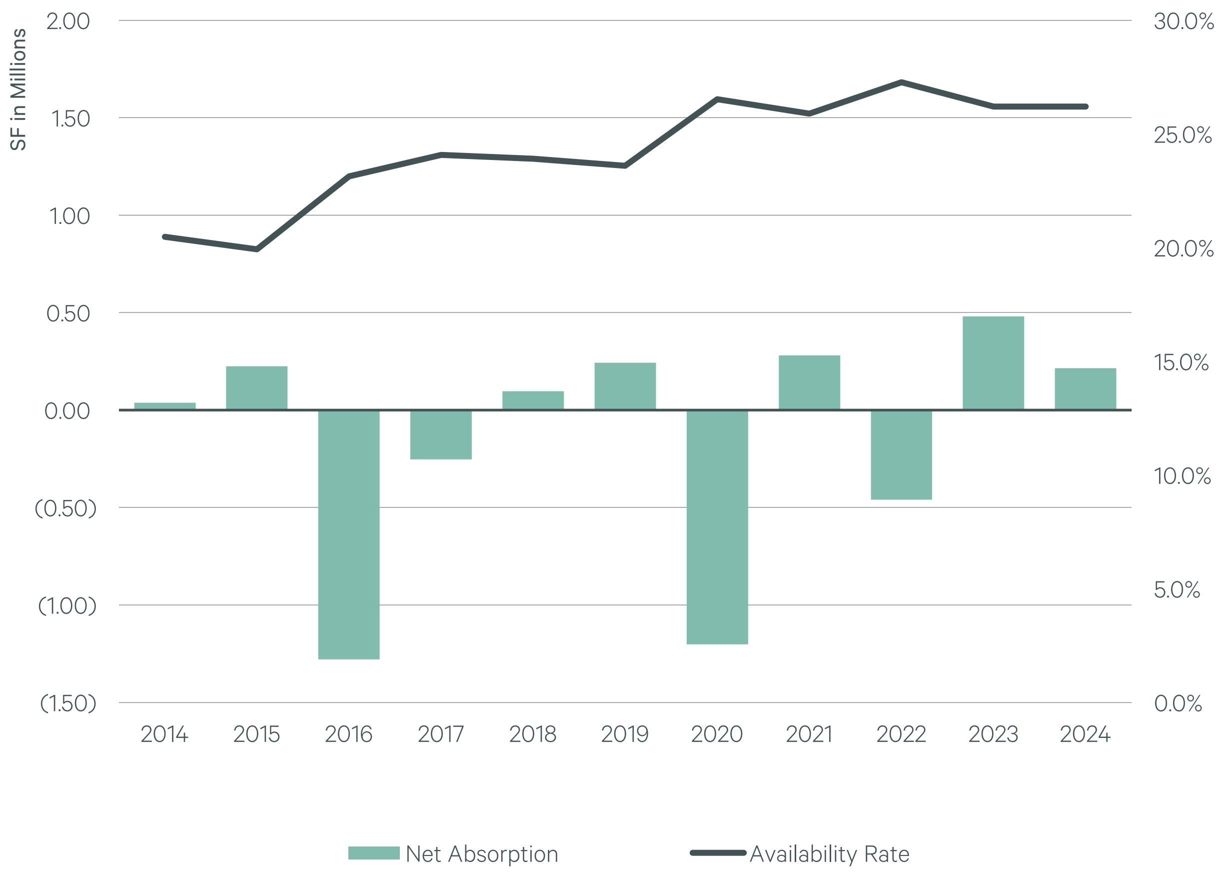
Greenwich CBD quarterly absorption totaled negative 7,000 sq. ft. and brought its year-to-date total to 27,000 sq. ft. of negative absorption. The availability rate jumped to 10.2%—the second consecutive quarter increase in availability rate and the first time availability has been over 10% since Q2 2021.

Greenwich Non-CBD performed similarly, as availability climbed 80 bps to 20.8%. Quarterly absorption was negative 17,000 sq. ft. in the submarket which skewed overall year-to-date absorption to negative 12,000 sq. ft. for 2024. Despite a short-term renewal, the listing of 14,000 sq. ft. of direct space occupied by Regus at 500 West Putnam Avenue was the largest driver in increased availability.

The city of Stamford fared much better in Q2 with both the CBD and non-CBD submarkets notching positive absorption. The CBD saw the availability drop 180 bps to 23.9%. The submarket experienced 187,000 sq. ft. of positive absorption, driven by strong leasing and the withdrawal of 30,000 sq. ft. at 300 Main Street, as ownership prepares to repurpose the building into a hotel. Stamford Non-CBD notched positive absorption of 114,000 sq. ft. which brought availability down 190 bps to 39.0%. The large drop in availability stemmed from the 65,000 sq. ft. non-statistical medical lease at 260 Long Ridge Road.

Central Fairfield saw its availability rate drop 140 bps from the prior quarter to 28.4%. Strong leasing along the Route 7 Corridor in Norwalk contributed to 135,000 sq. ft. of absorption in the second quarter. Six out of the last seven quarters saw positive absorption in Central Fairfield, as the towns of Norwalk, Darien, and Wilton continue to see tenants relocate to Class A spaces.

FIGURE 5: Annual Absorption and Availability Rate



Source: CBRE Research, Q2 2024.

Average Asking Rent

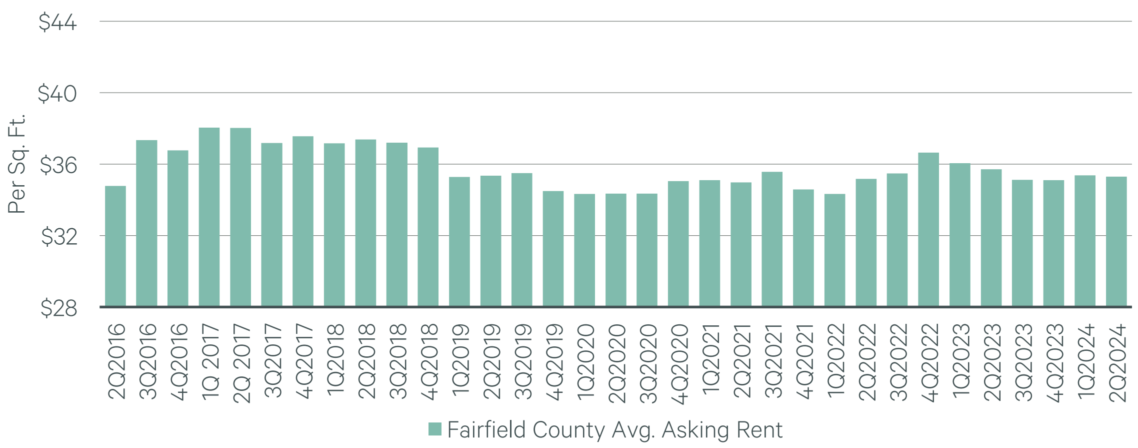
Average asking rent in Fairfield County was flat quarter-over-quarter but down 1% year-over-year at $35.30 per sq. ft.

Greenwich CBD's average asking rent was stable quarter-over-quarter at $110.16 per sq. ft. but down 4% from its all-time high in Q2 2023.

Greenwich Non-CBD was the only submarket to see a noticeable quarter-over-quarter change with a 5% jump to $56.13 per sq. ft., driven by higher asking rents at 1700 East Putnam Road.

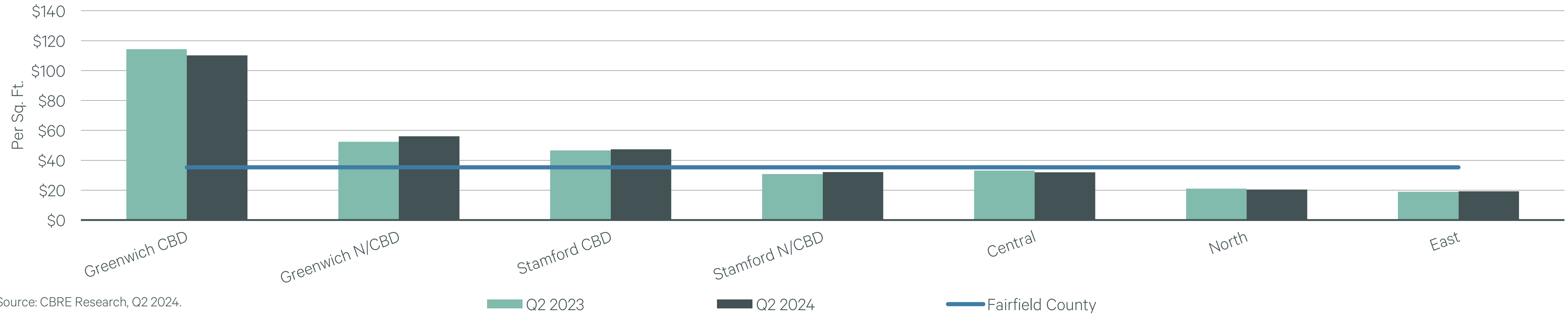
Stamford CBD's average asking rent stands at $47.33 per sq. ft.—flat quarter-over-quarter and year-over-year.

FIGURE 6: Average Asking Rent | Quarterly Historical



Source: CBRE Research, Q2 2024.

FIGURE 7: Average Asking Rent | By Submarket



Source: CBRE Research, Q2 2024.

FIGURE 8: Q2 2024 | 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	0.22	10.2%	9.5%	(7,292)	10,258	$110.16
Greenwich Non-CBD	2.03	0.42	20.8%	19.6%	(17,123)	12,173	$56.13
Stamford CBD	10.10	2.41	23.9%	23.0%	186,610	239,733	$47.33
Stamford Non-CBD	6.01	2.34	39.0%	37.6%	113,924	29,877	$32.04
Central Fairfield	9.38	2.66	28.4%	25.8%	134,703	161,551	$32.01
Eastern Fairfield	6.42	1.55	24.2%	24.2%	(27,906)	106,953	$19.23
Northern Fairfield	3.43	0.76	22.0%	21.7%	(7,906)	-	$20.47
FAIRFIELD COUNTY	**39.52**	**10.37**	**26.2%**	**25.1%**	**375,010**	**560,545**	**$35.30**

Source: CBRE Research, Q2 2024

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.

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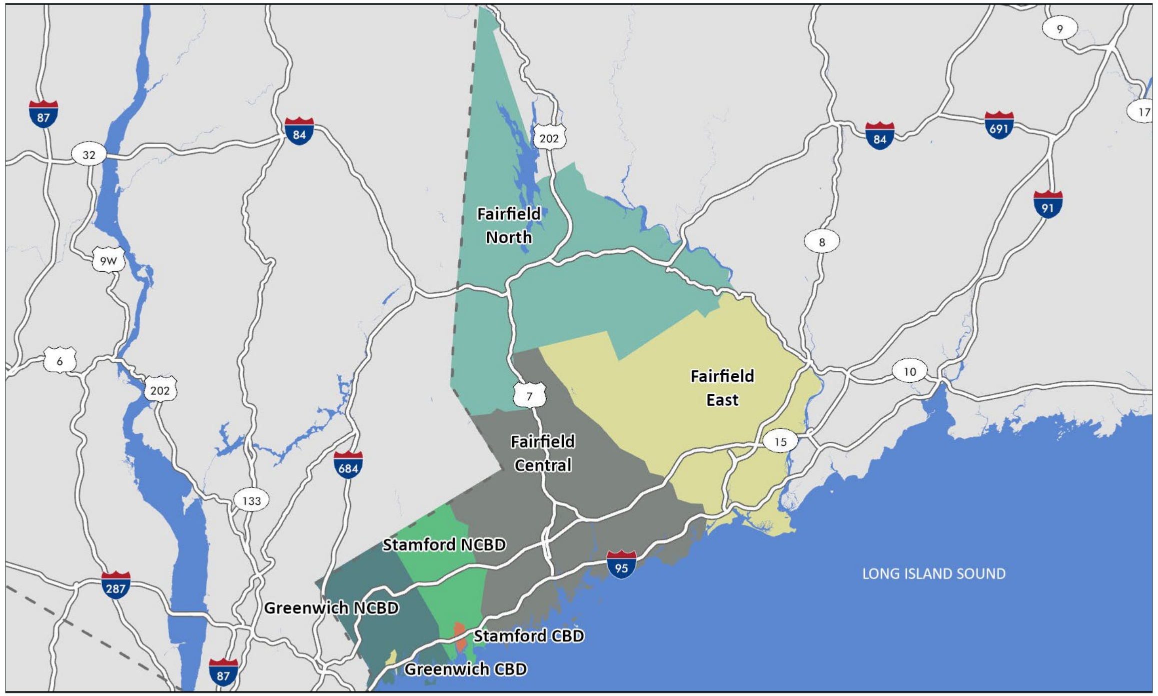
Market Area Overview



Submarket	Total Stock (MSF)
Greenwich CBD	2.14
Greenwich N/CBD	2.04
Stamford CBD	10.10
Stamford N/CBD	6.01
Central Fairfield	9.37
Eastern Fairfield	6.42
Northern Fairfield	3.43
FAIRFIELD COUNTY	**39.52**

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