

FIGURES | FAIRFIELD COUNTY | Q2 2022

Leasing activity remains concentrated in Class A space



Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 313,000 sq. ft., down 43% from Q1 2022 and 36% behind the five-year quarterly average.
- Year-to-date leasing amounted to 857,000 sq. ft., up 20% from the same period last year.
- The availability rate increased to 27.7%, up 110 basis points (bps) from the prior quarter and up 80 bps from a year ago.
- Quarterly net absorption was negative 423,000 sq. ft., which brought year-to-date absorption to negative 616,000 sq. ft.
- The average asking rent was \$35.17 per sq. ft., up 2% quarter-over-quarter but flat from one year ago.

Market Overview

Fairfield County experienced a reversal of momentum in Q2 2022. Leasing activity fell to 313,000 sq. ft., 36% behind the five-year quarterly average and down 43% from the prior quarter. However, year-to-date leasing activity stands at 857,000 sq. ft.—a 20% improvement year-over-year. Renewals totaled 388,000 sq. ft. and outpaced new leasing activity in Q2. Year-to-date renewals reached 889,000 sq. ft.—more than 200% greater than the prior year.

Net absorption was negative 423,000 sq. ft., which pushed the availability rate to 27.7%—the highest level in more than 10 years. Average asking rents increased 2% quarter-over-quarter as a result of the large space additions that were priced above the market average. Quality space remains in high demand—85% of leasing activity took place in Class A buildings in Q2. Greenwich CBD, the county’s most expensive submarket, saw availability fall to 6.1%, the lowest level since 2008.

Economic Conditions

Economic conditions have changed considerably from just a few months ago. While the Federal Reserve should have inflation restrained by year-end 2022, it will come at the cost of economic growth and a recession is expected in coming quarters. In the face of economic uncertainty, Southwest Connecticut’s office-using employers trimmed their headcount in the first two months of Q2.

Office-using employment in Southwest Connecticut fell to 97.6% of the pre-COVID level in Q2, down from 98.4% at the end of Q1. The losses were driven by the professional and business services sector which fell from 100.5% of its pre-COVID employment level in Q1 to 98.6% in Q2. Modest gains were achieved in the information sector, which rose from 95.6% of pre-COVID employment at the end of Q1 to 96.1% in Q2 and financial activities which increased from 95.6% to 96.5% in Q2.

Southwest Connecticut’s overall unemployment rate continues to improve but remains elevated at 3.8%, considerably down from its peak of 11.8% in May 2020, but slightly above the national unemployment rate of 3.6%. A softening labor market is expected to increase the national unemployment rate to the mid-4-percent range later in 2022.

Leasing Activity

The Fairfield County market experienced 313,000 sq. ft. of leasing activity during Q2, trailing the five-year average by 36% and down 43% from the prior quarter. Leasing activity—driven primarily by CBD submarkets in recent years—experienced wider geographic distribution for the second consecutive quarter, with CBD zones accounting for only 41% of activity, down from 44% in Q1. Despite the shift, leasing remained concentrated in Class A space, which accounted for 85% of all leasing in the second quarter. Financial services accounted for a greater share of leasing activity than any other industry at 28%, though that figure was down from the prior quarter’s 32% share.

FIGURE 1: Historical Leasing Activity

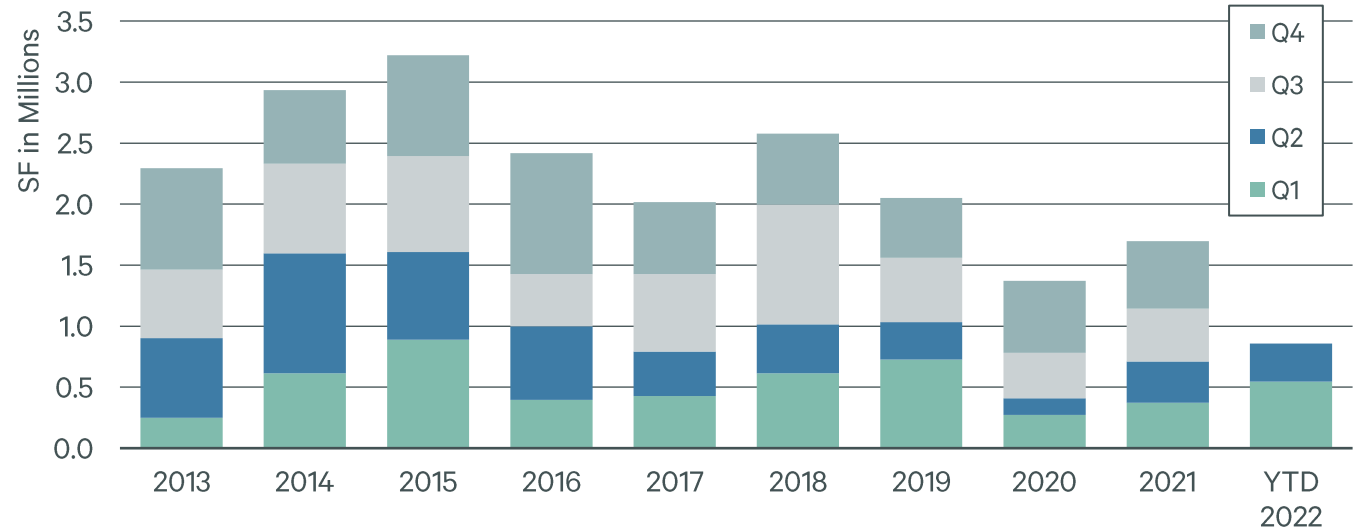


FIGURE 2: Top Transactions | Q2 2022

Size (SF)		Tenant	Address	Submarket
150,273	(R)	Indeed	177 Broad Street	Stamford CBD
87,300		Subway Restaurants, Inc.	1 Corporate Drive	Eastern Fairfield
52,318	(R)	Merrill Lynch & Company, Inc.	301 Tresser Boulevard	Stamford CBD
48,058	(RE)	Indeed	107 Elm Street	Stamford CBD
24,841	(R)	Philips Domestic Appliance & Personal Care N.A.	1600 Summer Street	Stamford Non-CBD

Source: CBRE Research, Q2 2022. Renewal (R), Expansion (E), Renewal and Expansion (RE), Sublease (S). Any Blanks indicates a Direct New Lease

The Stamford CBD had the most leasing activity of any submarket for the fifth consecutive quarter, registering 119,000 sq. ft. Despite outperforming the other submarkets, the figure was still 38% below the five-year quarterly average. Smaller transactions drove activity—the largest new lease was Mirador LLC’s 20,000 sq. ft. relocation to 850 Canal Street. Fairfield East had the second highest leasing total in Q2 with 97,000 sq. ft., passing the five-year average by 93% and capturing the largest new transaction of the quarter—Subway Restaurants, Inc.’s 87,000 sq. ft. relocation to 1 Corporate Drive, in Shelton. Greenwich CBD, with 9,000 sq. ft. of activity fell well short of its five-year average, but the drop was not due to a demand shortage, but rather extremely limited availability. No other submarket passed their respective five-year averages.

Despite the setback in Q2, year-to-date figures continued to outpace 2021’s activity. Fairfield County’s 857,000 sq. ft. of leasing in the first six months of 2022 was up 20% from the first half of 2021. Four of Fairfield’s seven submarkets surpassed leasing from the same period last year, with suburban submarkets posting the strongest comeback. Fairfield East’s leasing passed 200,000 sq. ft., a 136% improvement on the prior year, while the Greenwich Non-CBD bested its 2021 first-half performance by 129% with 70,000 sq. ft. of activity, driven by a mix of smaller transactions—the largest Q2 lease was PayArc’s 11,000 sq. ft. lease at 411 West Putnam Avenue. Central Fairfield also posted improved figures, with 135,000 sq. ft. of leasing—an increase of more than 100% year-over-year.

Four of the top five largest transactions for the quarter were renewals, including three in the Stamford CBD: Indeed’s 150,000 sq. ft. short-term renewal at 177 Broad Street, Indeed’s 48,000 sq. ft. re-signing and expansion at 107 Elm Street, and Merrill Lynch & Company’s 52,000 sq. ft. renewal at 301 Tresser Boulevard. While Indeed has had several large renewals in 2022, the transactions are relatively short-term and do not yet represent a full recommitment to the market.

FIGURE 3: Quarterly Leasing Activity by Submarket

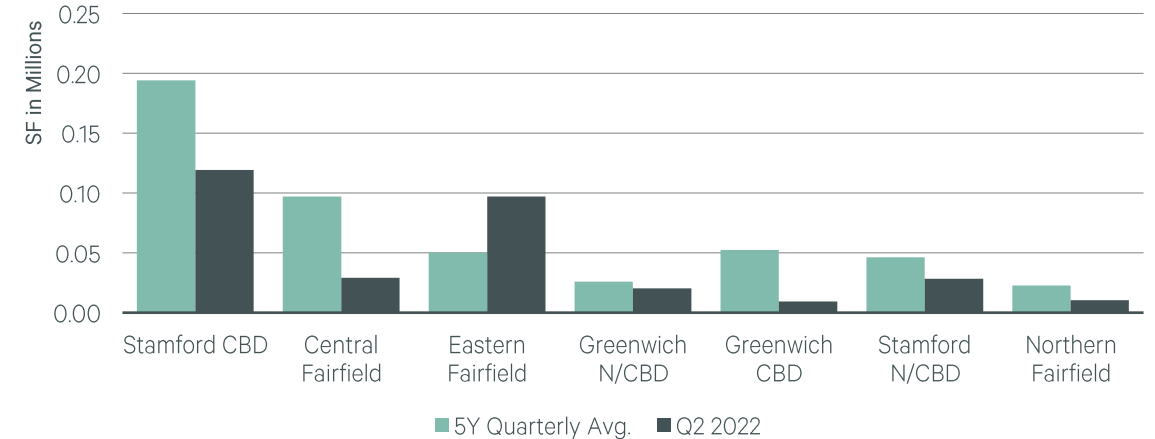
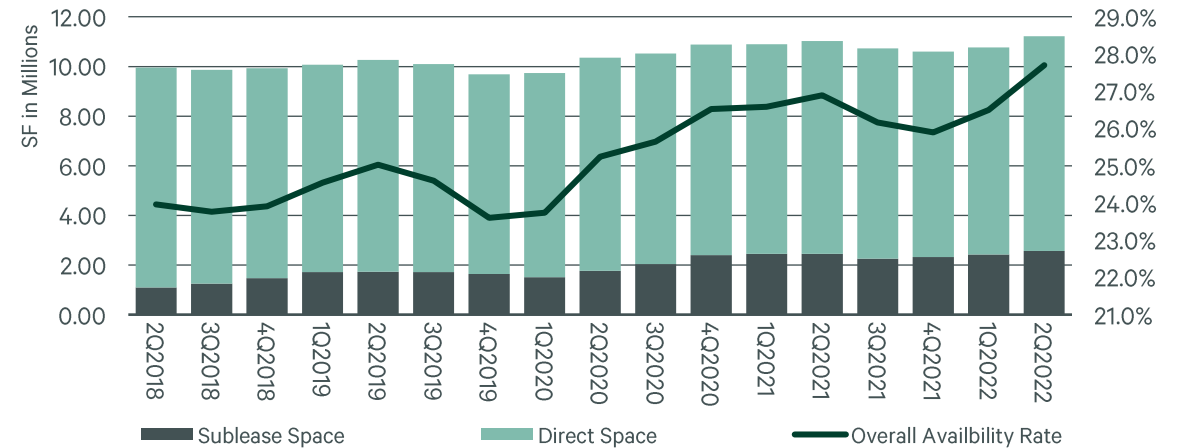


FIGURE 4: Availability Rate | Direct vs. Sublease Breakdown



Source: CBRE Research, Q2 2022.

Net Absorption and Availability

The availability rate rose 110 bps quarter-over-quarter to 27.7%—the highest level in more than 10 years— after experiencing 423,000 sq. ft. of negative absorption in Q2. Large space additions in Stamford CBD were the primary drivers of the increasing availability rate in Fairfield County.

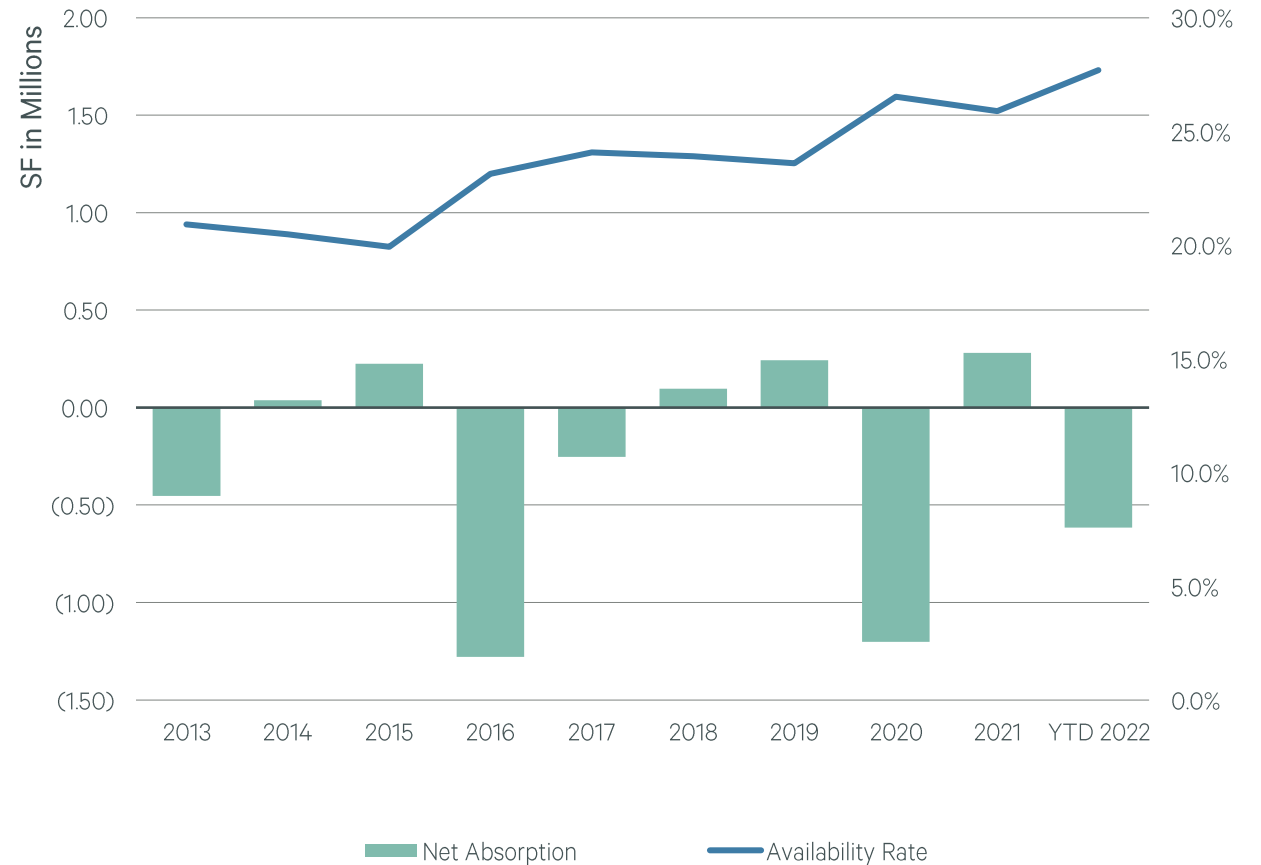
The largest blocks of space added in Q2 were both in Stamford CBD—a 326,000 sq. ft. block at 400 Atlantic Street and an 88,000 sq. ft. block of sublet space at 333 Ludlow Street. The space at 400 Atlantic Street—which is slated to undergo a comprehensive renovation— represents another CBD building with high-end space located near transportation that could attract a large, out-of-market user. Stamford CBD’s availability rate climbed 380 bps quarter-over-quarter to 31.8%—the highest rate since Q4 2018.

Slow leasing and several smaller blocks coming available in Stamford Non-CBD resulted in 53,000 sq. ft. of negative absorption in Q2, pushing availability up 80 bps from the prior quarter to 32.4%. Elsewhere in the county absorption figures were more moderate. Northern Fairfield experienced negative absorption of 14,000 sq. ft. due to slow leasing. Fairfield East had limited negative absorption of 6,000 sq. ft., leading to a modest 10 bps increase in availability from the prior quarter, though the submarket is up 500 bps year-over-year.

Both Greenwich submarkets notched positive absorption figures in the second quarter, with Non-CBD reaching 22,000 sq. ft. and the CBD posting 6,000 sq. ft. Availability in Greenwich Non-CBD fell 100 bps to 22.4% while the CBD saw a 30 bps drop to 6.1%—the lowest availability rate since 2008. Central Fairfield also saw positive absorption of 14,000 sq. ft., moving availability down for the second consecutive quarter to 31.6%.

The volume of available sublease space in Fairfield County increased from Q1 2022 to 2.57 million sq. ft., accounting for 23% of all available space in the market. The jump was due in part to the 88,000 sq. ft. sublet that came available at 333 Ludlow Street in Stamford. The sublet availability rate was up 30 bps both quarter-over-quarter and year-over-year to 6.3%.

FIGURE 5: Annual Absorption and Availability Rate



Source: CBRE Research, Q2 2022.

Average Asking Rent

The Fairfield County market's average asking rent was \$35.17 per sq. ft., up 2% quarter-over-quarter but flat from the same time last year. The increase is due primarily to the large block coming available at 400 Atlantic Street in Stamford that is priced well above the market average. Stamford CBD saw an even more pronounced increase from the prior quarter, rising 4% to \$46.62 per sq. ft. Northern Fairfield fell 1% from Q1 to \$20.55 per sq. ft., after the leasing of space priced above the average in the submarket. Greenwich CBD's average asking rent was \$89.66 per sq. ft., virtually unchanged from the prior quarter but down 4% from a year ago as premium-priced space was leased throughout 2021. The remainder of Fairfield's submarkets experienced no meaningful change in average asking rent from the prior quarter.

FIGURE 6: Average Asking Rent | Quarterly Historical

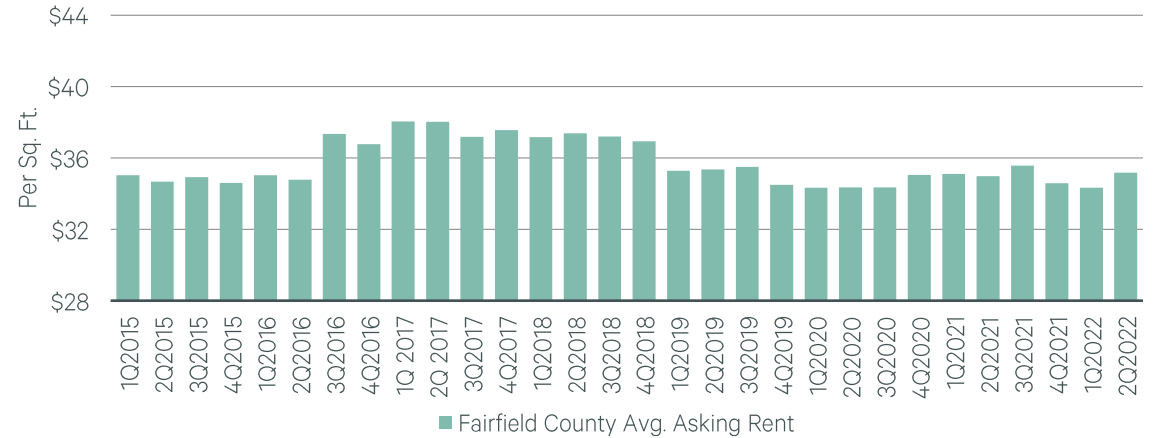
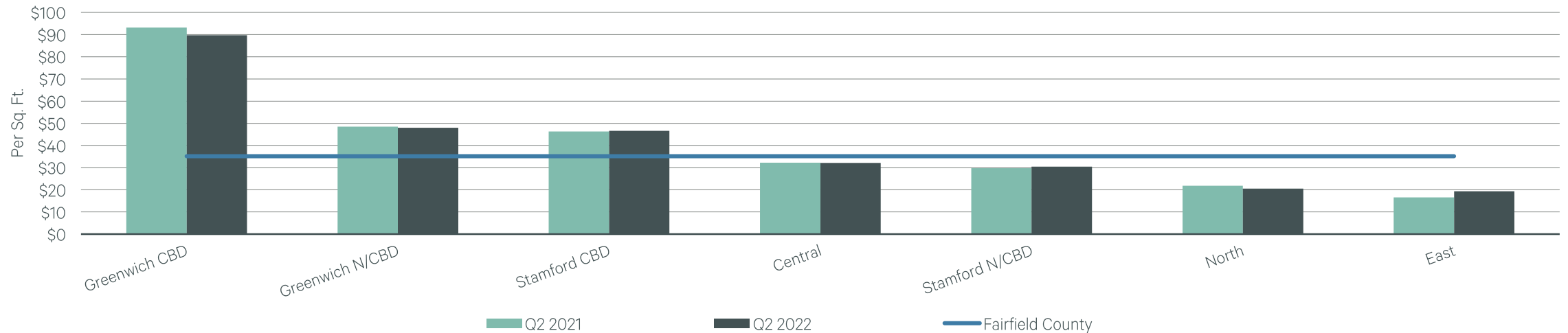


FIGURE 7: Average Asking Rent | By Submarket



Source: CBRE Research Q2 2022.

FIGURE 8: Q2 2022 | 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	0.13	6.1%	5.8%	6,159	9,199	\$89.66
Greenwich N/CBD	2.19	0.50	22.4%	22.1%	21,951	20,389	\$48.01
Stamford CBD	10.51	3.34	31.8%	30.5%	(393,167)	119,387	\$46.62
Stamford N/CBD	6.12	1.98	32.4%	31.1%	(52,531)	28,301	\$30.40
Central Fairfield	9.65	3.05	31.6%	27.6%	13,709	28,199	\$32.12
Eastern Fairfield	6.26	1.59	25.3%	25.3%	(5,716)	96,963	\$19.30
Northern Fairfield	3.70	0.63	17.1%	16.8%	(13,651)	10,500	\$20.55
FAIRFIELD COUNTY	40.57	11.22	27.7%	26.1%	(423,246)	312,938	\$35.17

Source: CBRE Research, Q2 2022.

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.

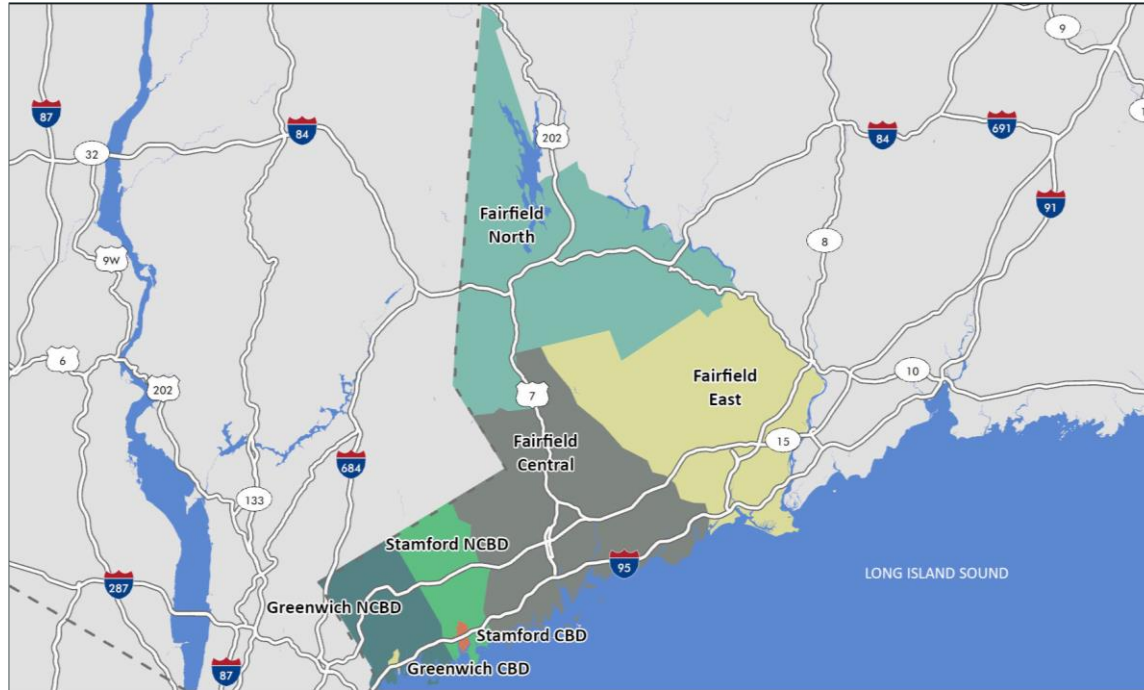
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

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	2.19
Stamford CBD	10.51
Stamford N/CBD	6.12
Central Fairfield	9.65
Eastern Fairfield	6.26
Northern Fairfield	3.70
FAIRFIELD COUNTY	40.57

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