





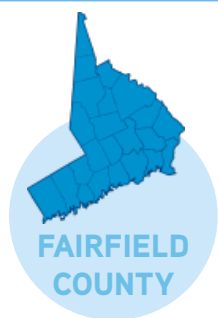
Market Report FAIRFIELD COUNTY OFFICE Q1 2019



Accelerating success.

		Q1 2019	Quarter-to-Quarter Change	Year-to-Year Change	YTD 2019
	Leasing Activity SF	808,576	↓ (81,856)	↓ (23,889)	808,576
	Absorption SF	(22,401)	↑ 860,328	↑ 10,198	(22,401)
	Availability Rate ¹	24.1%	↓ (50) BPS	↑ 100 BPS	
	Average Asking Rent	\$32.01/SF	↓ (6.4%)	↓ (10.8%)	

Note: bps (basis points)



Overall

Fairfield County's office market saw its availability rate drop for the first time in a year, falling 50 basis points (BPS) from last quarter to 24.1%, though this has not stopped owners from adjusting their expectations – and their lease rates.

Typically, the average asking lease rate will lag broader shifts in supply and demand, which along with a lack of available Class A space in Greenwich, has put pressure on the overall lease rate. As a result, it has fallen 6.4% since last quarter to \$32.01/SF. Leasing activity was on pace to have its lowest quarterly total since 2012, until the WWE flexed their muscles with the signing of their massive 415,000 SF lease at 677 Washington Boulevard in Stamford, after which, total volume increased to 808,576 SF, just 2.9% lower than last year. The trend towards adaptive reuse continued, most notably with the approved conversion of UnitedHealth's former office in Trumbull to senior living. The roughly 250,000 SF property was entirely vacant, which when removed from the inventory, contributed to the 180 BPS drop the Eastern submarket's availability rate from last quarter to 12.7%.

The number of unemployed in Fairfield also dropped by 8.3% since last year, while the labor force and total number of employment grew slightly, equating to a 30 BPS drop in the unemployment rate to 4.1% – all positive signs for the County. Many expect the broader economy to plateau in 2019 and it's likely Fairfield County's office market will do the same in the coming quarters. However, there remains a handful of larger occupiers with uncertain futures, like Purdue Pharma, which could easily upend any stability in the near future.

Absorption

The first quarter's net absorption was essentially flat at negative 22,401 SF, though this was an enormous improvement over last quarter's negative 882,729 SF. It could have been in positive territory, though it fell into the red largely due to GE's continued struggles, as they began marketing their 115,000 SF space for sublease at 801 Main Avenue in Norwalk. On the flip side, the Stamford CBD benefited from the WWE's decision to almost double their footprint in the city, bringing the CBD's net absorption to positive 320,190 SF, which is its highest quarterly total since 2010.

Availability

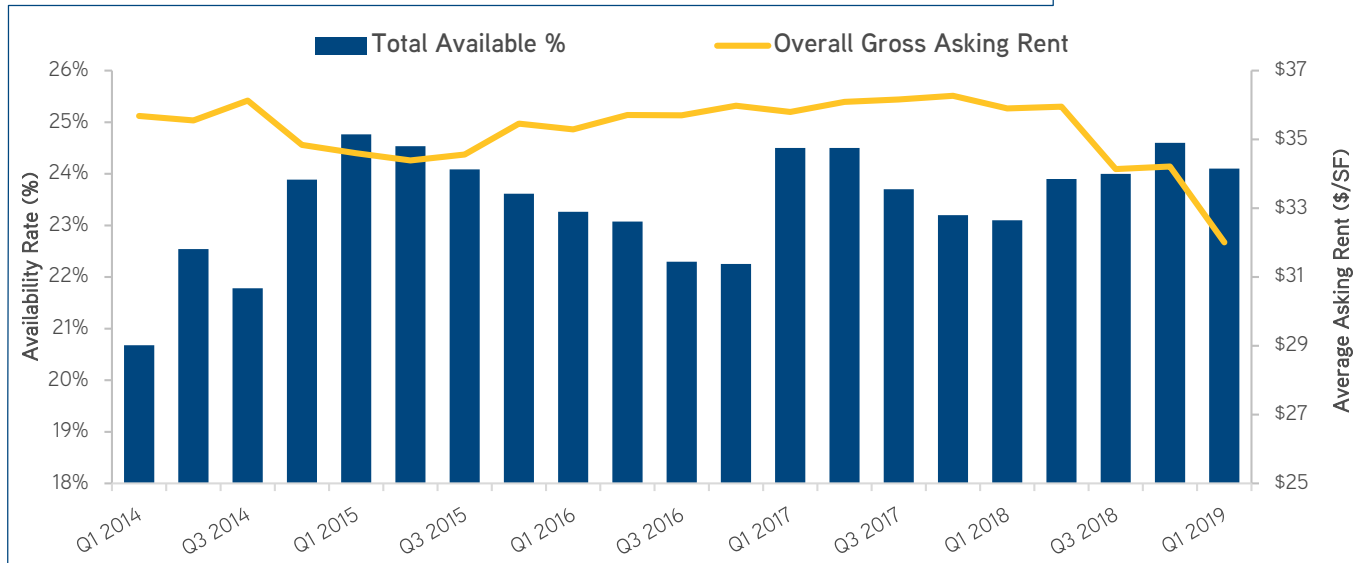
While net absorption was flat, the availability rate still dropped 50 BPS from last quarter, primarily due to the increase in adaptive reuse. As a result, the availability rate for Class B properties has fallen 130 BPS since last quarter, as developers look to breathe new life into these older, less expensive properties, whereas Class A properties have only experienced a 10 BPS drop in their rate to 25.2%. Properties with large blocks of available space, considered to be 100,000 SF or greater, continue to put pressure on the overall market. Currently, there are 23 properties that have such blocks, which are responsible for 45.1% of all available space in the County.

Rental Rates

Despite the slight quarterly drop in the availability rate, owners are still feeling the pressure from the glut of space still available and accordingly, asking lease rates have fallen 10.8% year-over-year to \$32.01/SF. Class A properties have been the biggest contributor, as their asking lease rates have fallen 19.3% to \$35.65/SF.

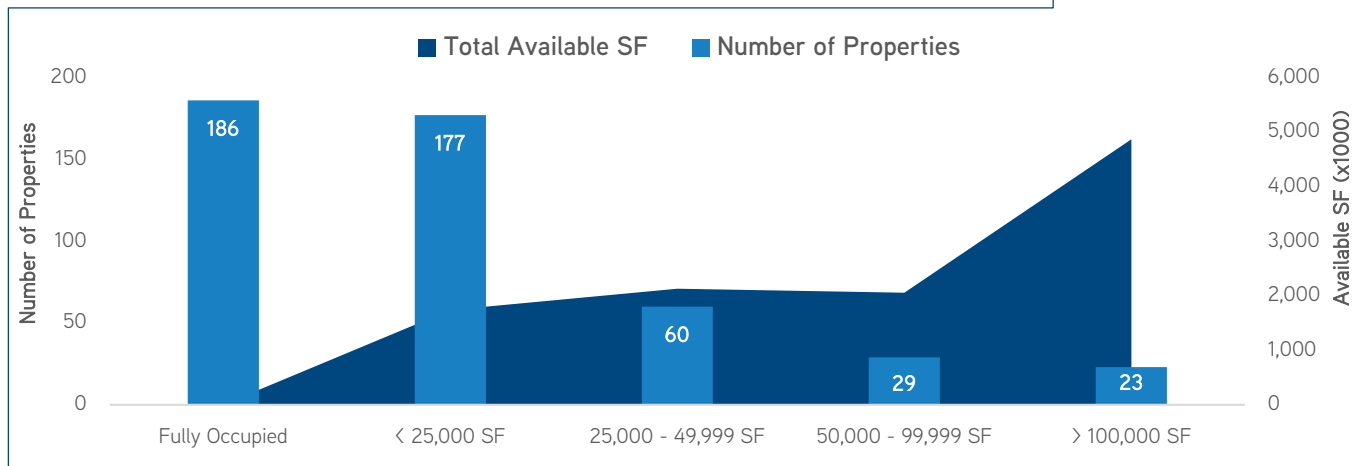
¹ Colliers International Research includes office space within the availability rate only if it is actively being marketed with a possession date for tenant build-out within 12 months.

Fairfield County | Overall Average Asking Rent and Availability Rate



Source: Colliers International Research, Q1 2019

Fairfield County | Available Blocks of Space



Source: Colliers International Research, Q1 2019

Leasing Activity

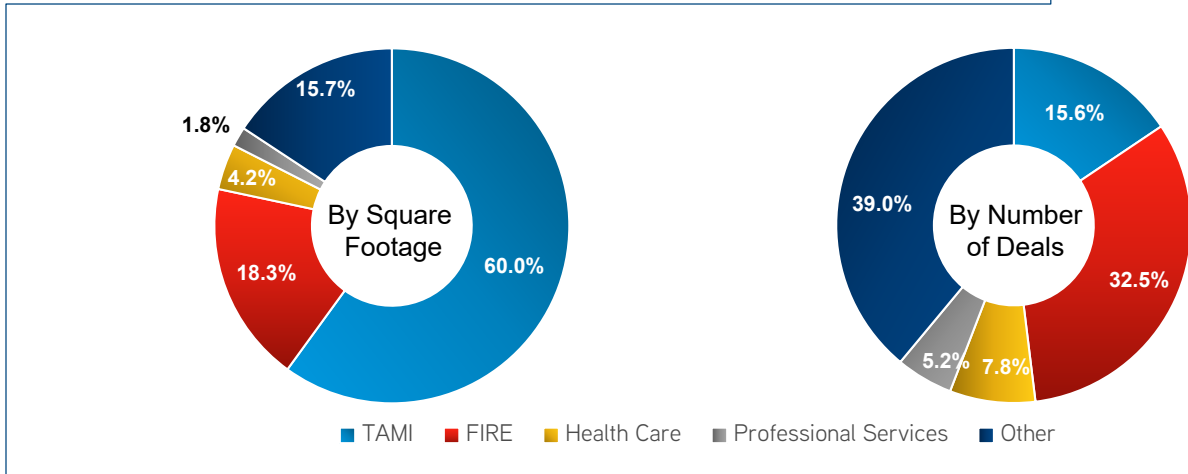
The first quarter ended with 808,576 SF of leasing activity, which is roughly on par with last year's first quarter total of 832,465 SF. It was headlined by WWE's 415,000 SF lease at 677 Washington Boulevard in Stamford that will house their new corporate offices as well as some production studios. Their move to downtown will also likely double their size in Stamford, depending on what is done with their remaining facilities. While leasing activity was noticeably light outside of the WWE deal, there was a bright spot in the amount of new leasing, which accounted for 89.9% of the total volume, versus renewals that made up the remaining 10.1%. The second largest lease was signed by Work Well Win, a co-working company that is positioned as a more mature WeWork, for 28,100 SF at the former post office in the Stamford CBD.

At the submarket level, the Stamford CBD submarket drove most of the County's activity with a 65.6% of all leasing, (14.3% excluding the WWE lease). It was followed by Eastern Fairfield with 9.4% of the activity, helped in part by Guidepost's 21,121 SF renewal at 39 Old Ridgebury Road in Danbury, now known as "The Ridge" after Summit Development's recent purchase.

The technology, advertising, media and information (TAMI) sector was responsible for 60.0% of the quarter's leasing activity, though it should be noted that the WWE's lease was 85.5% of the TAMI's leasing total. Still, the TAMI sector continues to grow in and diversify Fairfield's economic base, which will be a beneficial factor in the area's long term health. The financial, insurance and real estate (FIRE) industries drove 18.3% of the activity, led by Work Well Win's aforementioned lease, as well as Financity's 19,307 SF lease at 263 Tresser Boulevard in Stamford.

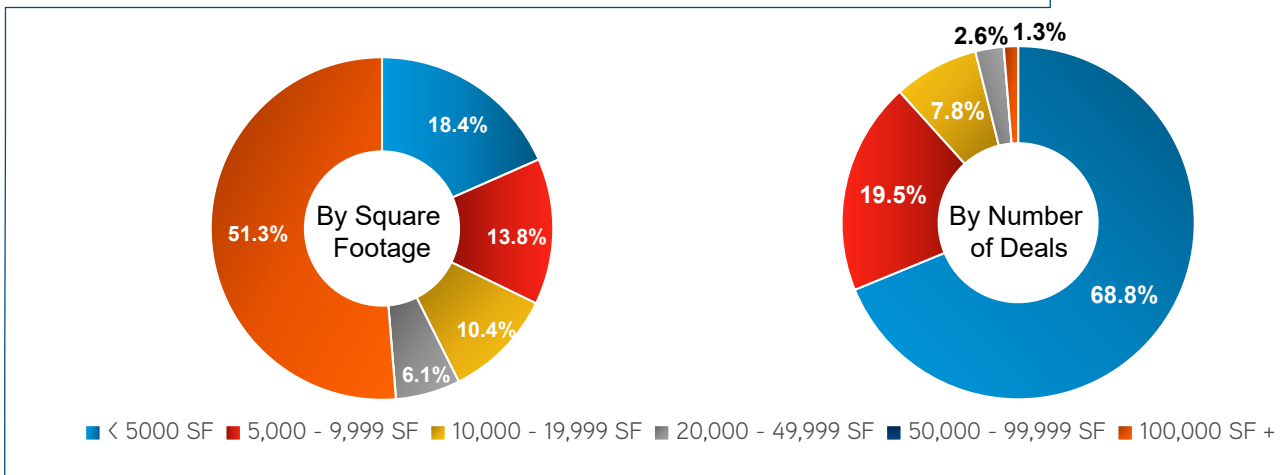
There are a few more major occupiers rumored to be in the market for space, but none nearly as big as the WWE. Unless more can be done to lure companies from outside of the market, the near term outlook is likely to see lower overall volume on the back of smaller occupiers.

Fairfield County | Leasing Activity by Industry



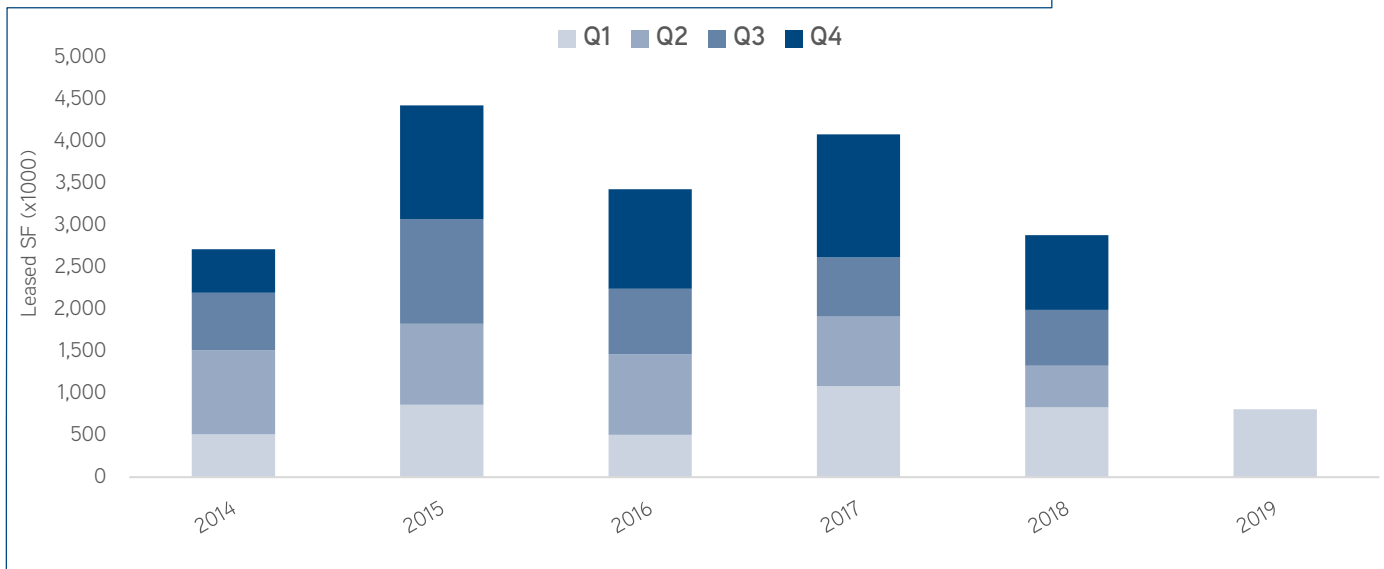
Source: Colliers International Research, Q1 2019

Fairfield County | Leasing Activity by Size



Source: Colliers International Research, Q1 2019

Fairfield County | Overall Leasing Activity

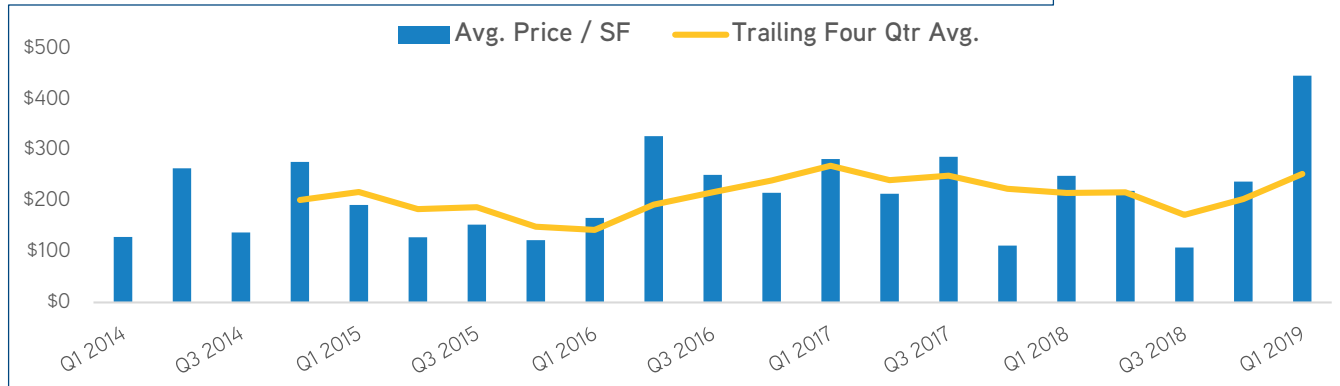


Source: Colliers International Research, Q1 2019

Capital Markets

The market for office sales was quiet in the first quarter, with just three transactions, totaling \$24.4 million. The largest trade involved the Westport Center for Health portfolio, which included four buildings on Riverside Avenue in Westport. The Davis Companies sold the complex to Healthcare Trust of America for \$18,750,000 or \$493,42/SF, and was 100% occupied to various medical tenants at the time of the sale. While the quarterly sales volume was light, activity will likely pick up through the year, especially if SL Green finds a buyer for their various properties being quietly marketed now, including the 265,000 SF property located at 1 Landmark Square in Stamford. At the national level, the Federal Reserve seems to be more comfortable with the inflation rate, which leads many to believe there will be at most one more interest rate increase in 2019. This stability at the national level may mean investors will have more time to evaluate their specific deals, which might slow the pace of investment activity in the near term, while the newly implemented Opportunity Zone law may tempt certain investors to move more quickly.

Fairfield County | Office Avg. Sales Price

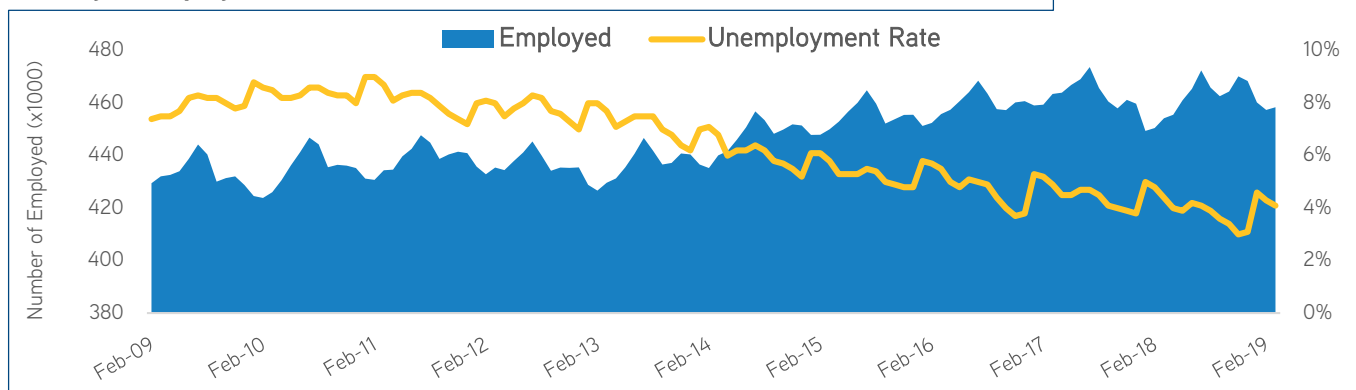


Source: Colliers International Research, Q1 2019. Based on A&B properties and sales \$2.5 Million and greater.

Employment

Fairfield County's preliminary unemployment rate for March was 4.1%, which was 100 BPS higher than last quarter and 30 BPS lower than last year. Though the current rate is 110 BPS higher than in November 2018 - the lowest rate the County has seen in over a decade - the larger trend is still moving in a positive direction. More importantly to the office market, the number of people employed in the 'office-using' industries, defined as information, financial, professional services and other, has fallen by 1.0% since last year and is also 9.0% less than the peak reached in 2007. There were several contributors to the overall weakness, such as Xerox, which recently announced 400 job cuts to its global workforce, some of which were likely to the staff at its headquarters in Norwalk, as well as Diageo, which split its operations in half between Stamford and New York City, after moving from their previous location at 801 Main Avenue in Norwalk.

Fairfield County | Employment



Source: BLS.gov, Q4 2018

Conclusion

After a rocky 2018, the office market in Fairfield County started 2019 on the right foot. The number of new leases, some adaptive reuse, and limited newly available space all contributed to the improvement, but none so more than the WWE. Their lease was significant in several ways. First, without it, the availability rate would have likely reached the highest on record. Second, it demonstrates how stubborn the availability rate is, particularly in Stamford CBD, which has the highest amount of available space due to large blocks in the County. Lastly, it showed us how important Metro North has become to employers and employees alike, which is something local and state officials should consider as needed upgrades are considered.

Fairfield County Top Q1 2019 New Leases

Address	City	Submarket	SF Leased	Tenant	Sector
677 Washington Boulevard	Stamford	Stamford CBD	415,000	WWE	TAMI
421 Atlantic Street	Stamford	Stamford CBD	28,100	Work Well Win	FIRE
400 Atlantic Street	Stamford	Stamford CBD	18,391	Charter Communications	TAMI
75 Holly Hill Lane	Greenwich	Greenwich	13,124	Bright Horizons	
75 Kings Highway	Fairfield	Eastern FAR	12,370	Envision Pharma	Health Care

Fairfield County Top Q1 2019 Renewals

Address	City	Submarket	SF Leased	Tenant	Sector
39 Old Ridgebury Road	Danbury	Northern FAR	21,121	Guidepost	TAMI
263 Tresser Boulevard	Stamford	Stamford CBD	19,307	Financity	FIRE
2 Corporate Drive	Shelton	Eastern FAR	10,861	Prudential Financial	FIRE
39 Old Ridgebury Road	Danbury	Northern FAR	8,398	Service Engine	Professional Services
535 Connecticut Avenue	Norwalk	Central	5,486	KenCast, Inc.	TAMI

Fairfield County Q1 2019 Lease Quick Facts

Total Count	Total New	Total Renewals	Total Volume	Avg. Deal Size
77	66	11	808,576	10,501

ECONOMIC INDICATORS

GDP
Gross Domestic Product

3.2% (Q1 2019)



Increase from
4Q 2018

CCI
Consumer Confidence Index

100.31 (Feb. 2019)



Decrease from
Dec. 2018

**FAIRFIELD
COUNTY**
Unemployment Rate





4.1% (Mar. 2019)



Increase from
Dec. 2018

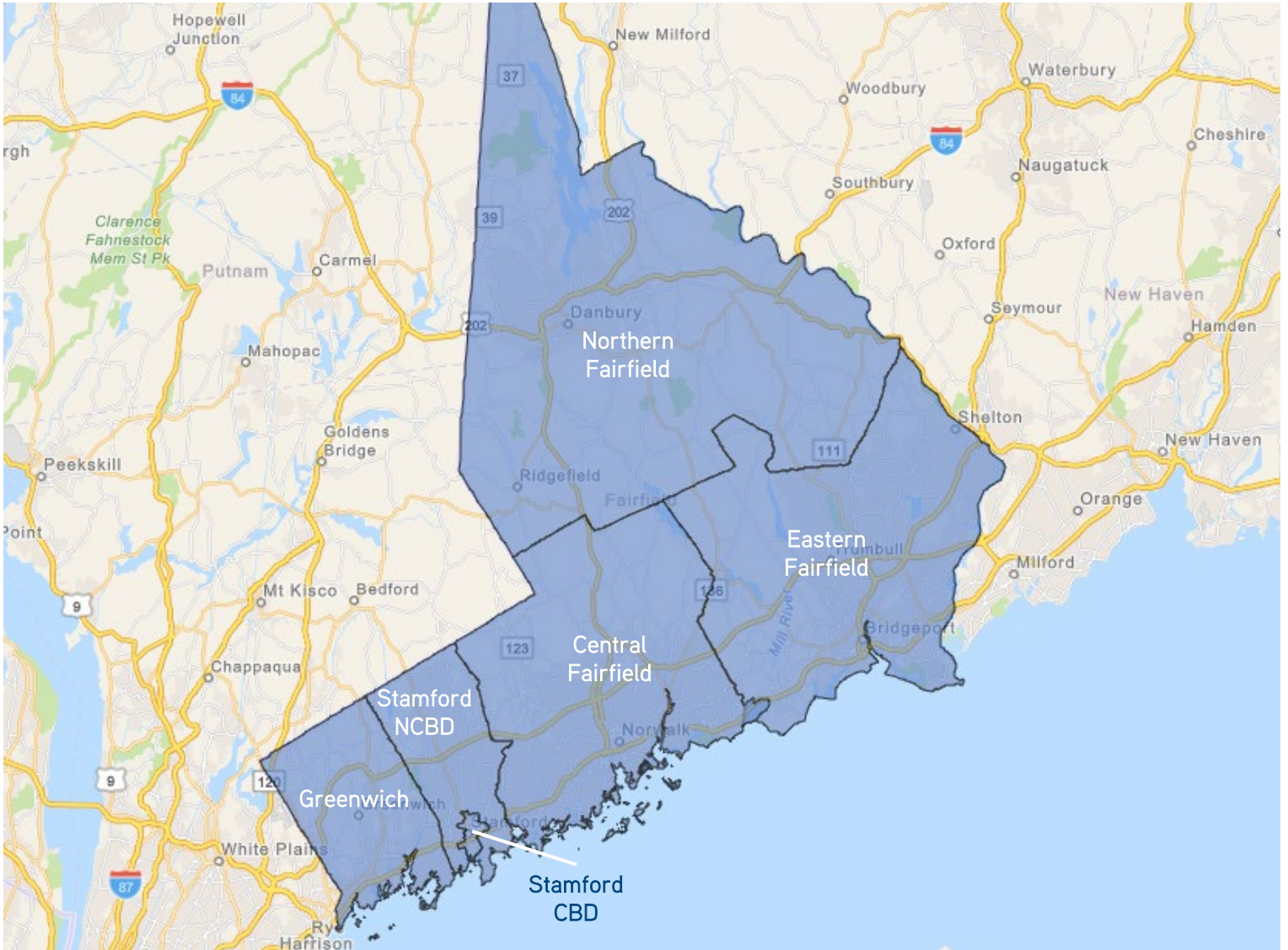
Source: U.S. Department of Commerce, The Conference Board, Connecticut Department of Labor

Fairfield County Market Overview

Submarket	Inventory	Overall Availability Rate	Leasing Activity (QTR)	Net Absorption (QTR)	Overall Average Asking Rent*	Class A Average Asking Rent*	Class B Average Asking Rent*
Eastern 	9,003,199	12.7%	75,703	(52,484)	\$23.10/fs	\$25.43/fs	\$21.37/fs
Central 	10,542,501	26.8%	71,277	(35,080)	\$31.61/fs	\$35.51/fs	\$28.20/fs
Northern 	3,915,953	27.6%	36,911	63,070	\$19.47/fs	\$19.01/fs	\$21.80
Stamford 	16,798,938	30.0%	562,812	135,889	\$40.27	\$46.62/fs	\$26.84/fs
Greenwich 	4,438,088	15.8%	61,873	(133,796)	\$59.14/fs	\$63.33/fs	\$50.61/fs
Fairfield County 	44,689,679	24.1%	808,576	(22,401)	\$32.01	\$36.65/fs	\$26.69/fs

*Rents are quoted on a full service (fs) gross basis

Fairfield County Submarket Map



Definitions

Inventory: The statistical set consists of all office properties, considered to be of Class A or B, of more than 20,000 SF, including owner-occupied properties. The data set excludes properties that are for education, wholly medical, and government use. While Colliers attempts to provide the most accurate data at the end of every quarter, revisions are made annually account for discrepancies in past reporting.

Class A Building: Most prestigious buildings competing for premier office user with rents usually above average for the area. Buildings have high quality standard finishes, in-demand amenities, state-of-the-art systems, exceptional accessibility, and a definitive market presence, relative to the surrounding area.

Class B Building: Buildings competing for a wide range of users with average rents. Buildings finishes are fair to good for the area, and building systems are considered adequate. These properties typically do not compete with Class A buildings at the same price.

Leasing Activity: Total sum of all leased SF. Includes new leases, renewals, expansions and contractions.

Net Absorption: The net change in occupied space between the current period and previous, calculated by summing all of the positive changes in occupancy and subtracting all negative changes in occupancy.

SF: Square Feet

Availability Rate: Percentage rate of the total amount of space being marketed for lease, divided by the total amount of existing inventory.

400 offices in
68 countries on
6 continents

United States: **155**

Canada: **48**

Latin America: **20**

Asia Pacific: **44**

AZN: **50**

EMEA: **119**

\$3.3

billion in annual
revenue

2.0

billion square feet
under management

17,000+

professionals
and staff

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