

Market Report FAIRFIELD COUNTY OFFICE 4Q 2017



Accelerating success.

	4Q 2017	Quarter-to-Quarter Change	Year-to-Year Change	YTD 2017
 Leasing Activity SF	1,465,232	↑ 759,325	↑ 654,228	4,084,243
 Absorption SF	573,873	↑ 177,398	↓ (346,468)	289,999
 Availability Rate	23.3%	↓ (50) bps	↑ 100 bps	
 Average Asking Rent	\$36.09	↓ (\$0.02)	↑ \$0.38	

Note: bps (basis points)



Overall

Fairfield County's availability rate dropped for the fourth consecutive quarter, settling at 23.3%. Leasing activity for the year reached the second highest total on record at 4.1 million square feet (MSF).

However, while steady improvement has been made this year, the availability rate is still higher than last, by 100 basis points (bps), as the market struggled to absorb all of the space given back by Starwood and others earlier this year.

The office market has often been described as "one step forward, two steps back", and there has been several forward steps in 2017. Historically reliant on companies within the FIRE (Finance, Insurance, Real Estate) sector, Fairfield's office market benefited from a surge from the TAMI sector (Tech, Advertising, Media, Information) in this quarter, which has signed 51.6% of all the total volume, followed by FIRE with 28.4%, signaling a solid diversification of companies contributing to the County's economy.

Secondly, while the new tax reform package will likely be a drag on the residential market, it will likely be a boost to the owners of commercial real estate and the occupiers thereof, portending a bright 2018 for the office market.

While the federal tax environment is becoming more business friendly, Connecticut's is a different story. The state's dismal fiscal situation will likely cause the biggest step back for the office market in the coming years, as occupiers contend with instable state tax rates. The positive, for now, is that state incentives for new and existing businesses appear in tact, which have become a critical element impacting occupier's decisions to sign a new lease, expand a business, or to put two feet in front of the other and relocate somewhere else.

Absorption

Fairfield County ended the fourth quarter with 573,873 SF of positive net absorption, putting the year-to-date (YTD) total in the black at positive 289,999 SF. Net absorption in Class A properties fared far better than their Class B counterparts, totaling positive 604,928 SF and negative 31,055 SF respectively. As a percentage of available space, a helpful barometer in finding how quickly space is being absorbed, the Greenwich submarket was the best performing for the second quarter in a row, as healthy leasing activity combined with little newly available space.

Availability

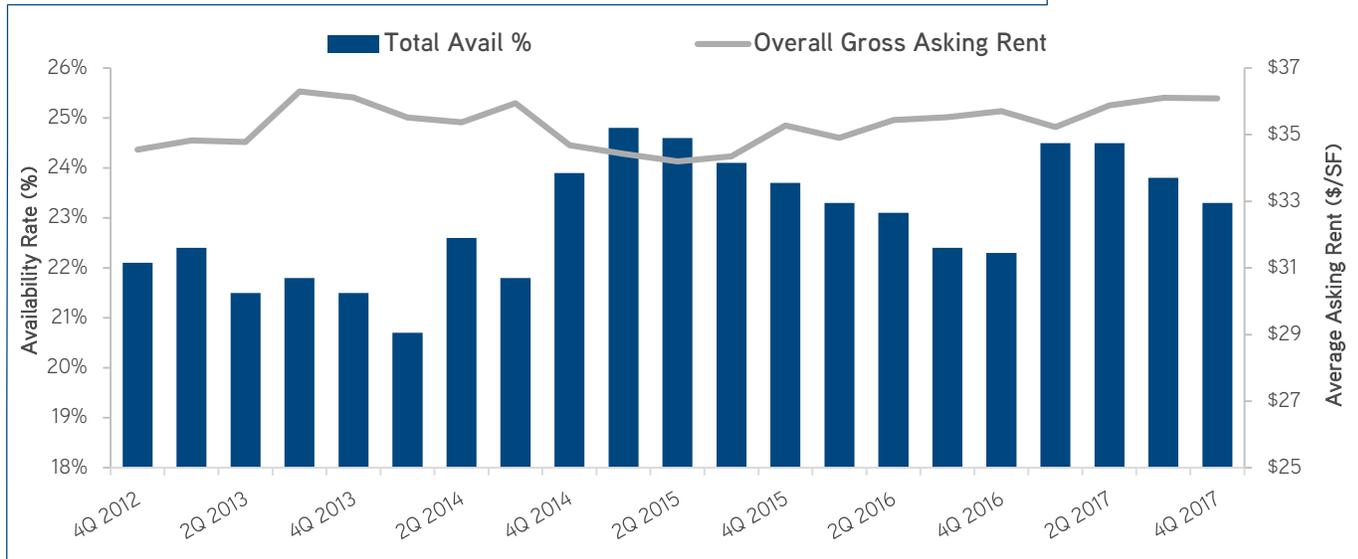
The overall availability rate fell 50 bps from last quarter and 120 bps from the beginning of the year to 23.3%. However, this still marks a 100 bps increase from the end of last year, as the market contended with a few significant spaces that became available at the beginning of this year. The market continues to suffer from the outsized impact of a few large blocks of space, with just 20 properties throughout the County over that have 100k SF or more available, which represents 48.4% of all available space. One of those large blocks of space belonged to Charter Communications, which has opted for a larger, build-to-suit property in Stamford.

Rental Rates

The County's average asking lease rate grew, albeit slightly at a 1.1% rate since last year, to \$36.09/SF. Rates in Class A properties surged 6.3% to \$42.26 within that timeframe whereas space in Class B properties fell 8.5% to \$27.69/SF after increasing to a high of \$30.26/SF in 2016.

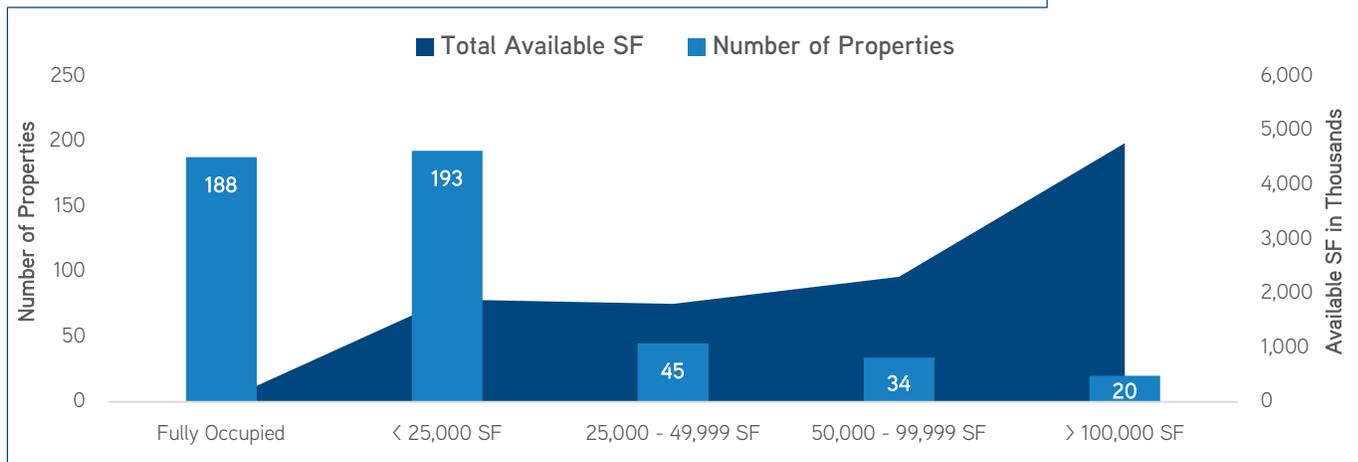
¹ Colliers International Research includes office space within the availability rate only if it is actively being marketed with a possession date for tenant build-out within 12 months.

Fairfield County | Overall Average Asking Rent and Overall Availability Rate



Source: Colliers International Research, 4Q 2017

Fairfield County | Available Blocks of Space



Source: Colliers International Research, 4Q 2017

Leasing Activity

Leasing activity reached 1.46 MSF in the fourth quarter, beating the five-year trailing quarterly average by 38.0%, bringing the annual total to 4.1 MSF, second only to the 4.4 MSF in volume recorded in 2015. Renewals played a much smaller role than in recent quarters, with just 17 deals, accounting for 17.1% of the total activity, as new or expansion type deals boasted 82.9% of the total volume.

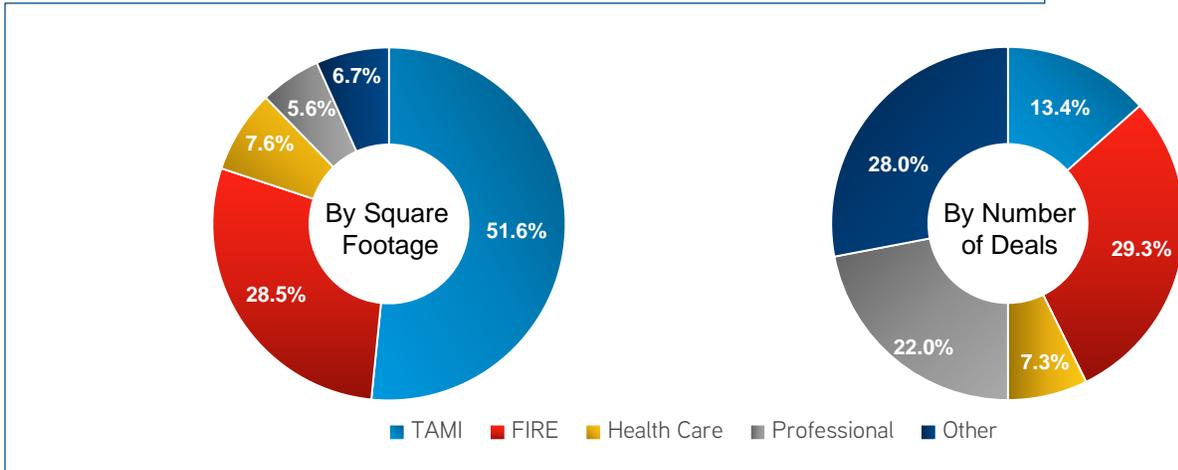
The healthy leasing velocity came primarily from Stamford CBD and Greenwich, which recorded 709,954 SF and 326,999 SF, respectively, accounting for 70.8% of the County's total activity. The largest lease in Stamford CBD was Charter Communications massive 500,000 SF pre-lease of their new headquarters at 406 Washington Blvd., which was also the largest lease signed in 2017. The largest in Greenwich was signed by Interactive Brokers, which agreed to a 162,296 SF renewal and expansion at Pickwick Plaza.

Occupiers overwhelmingly opted for space in Class A buildings, as 91.5% of the total leasing activity was signed in these higher quality properties. However, the number of deals that signed in Class A space as a percentage share was just 67.5%, as the better amenitized buildings attracted larger occupiers, which had more willingness to spend on their space. This follows the full year, where 81.7% of the annual leasing activity can be attributed to those Class A properties.

The total quarterly volume was boosted by occupiers within the TAMI (technology, advertising, media, and information) sector, claiming 51.6% of all activity, though this figure was significantly impacted by aforementioned Charter Communications lease. The FIRE (financial, insurance, and real estate) industries, traditionally the largest driver of activity in the County, was responsible for 28.5%, followed by Health Care, coming in at a distant third with a 7.6% share of all activity.

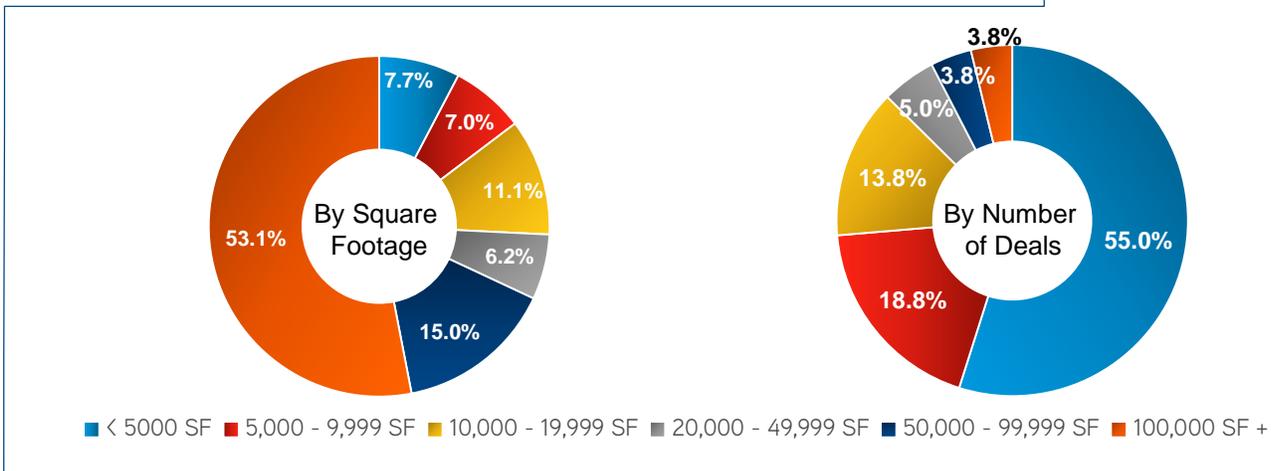
It remains to be seen if 2018 can match the velocity recorded this past year, but fortunately it will still be aided by Connecticut's First Five Plus incentive program, which is set to expire in 2019.

Fairfield County | Leasing Activity by Industry



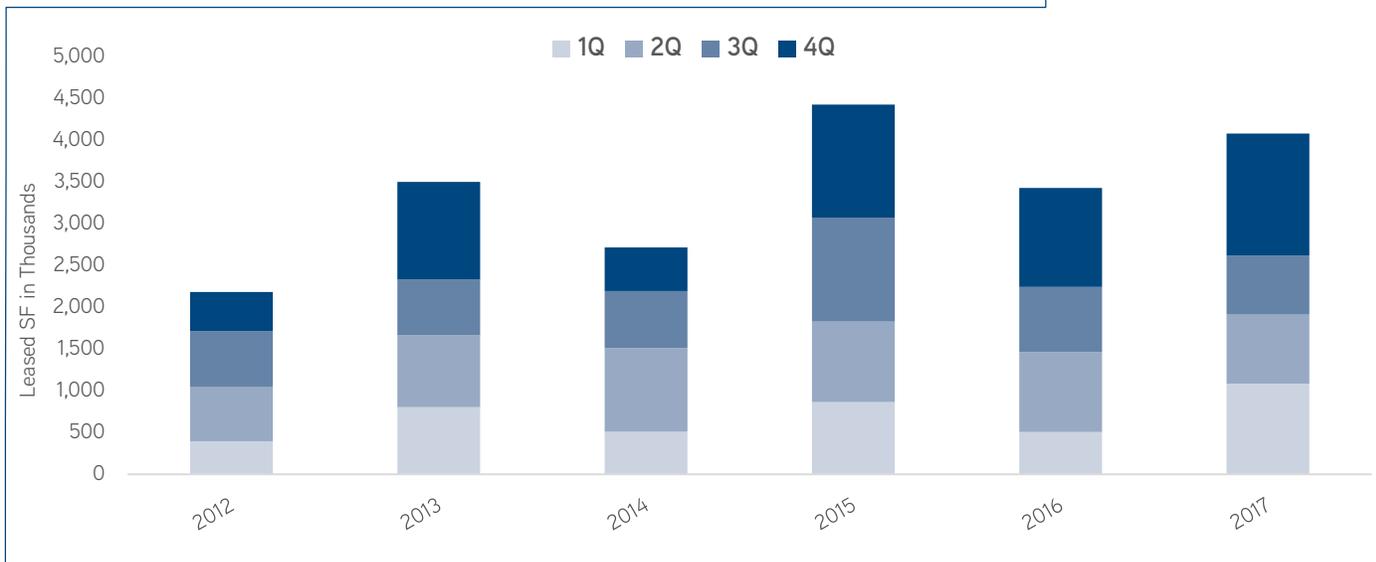
Source: Colliers International Research, 4Q 2017

Fairfield County | Leasing Activity by Size



Source: Colliers International Research, 4Q 2017

Fairfield County | Overall Leasing Activity

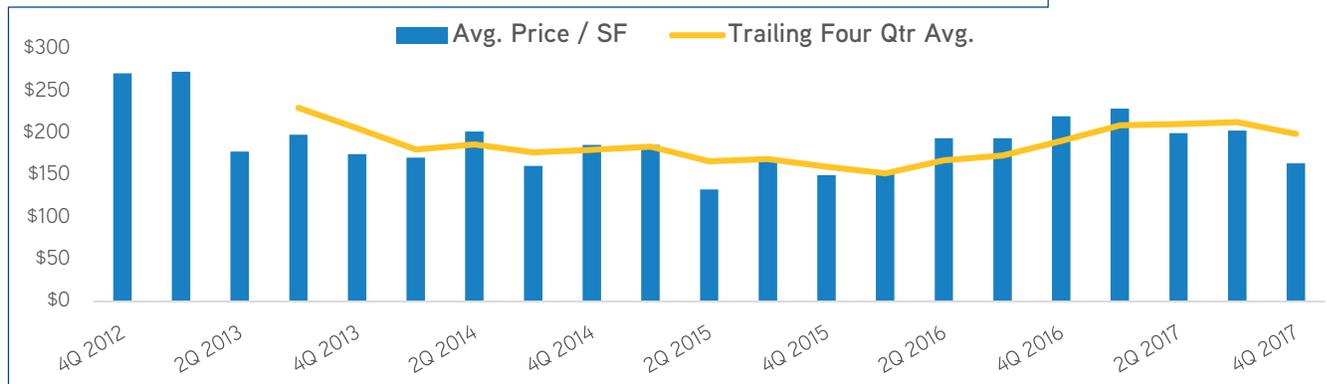


Source: Colliers International Research, 4Q 2017

Capital Markets

It was an unusual quarter for the office investment sales market, as two of the top three trades were not your typical transactions. The largest was the \$100 million sale of the mortgage for 400 Atlantic Street, representing a 40% discount to the balance owed. Not only was the discount significant, but the buyer was also of note. The buyer, Charter Communications, was the property's largest occupant, effectively undercutting their previous landlord from any future negotiations. The third largest sale was for the ground under the former UBS Headquarters at 677 Washington Blvd. in Stamford, which sold for \$33 million to the same owner of the improvements, effectively giving them more control of the entire property, which will hopefully spur renewed interest by potential occupiers. The average price/SF dipped significantly according to Real Capital Analytics to \$164/SF, from \$220/SF reached last year, though this should be viewed within the context of the limited volume in which it occurred.

Fairfield County | Office Avg. Sales Price

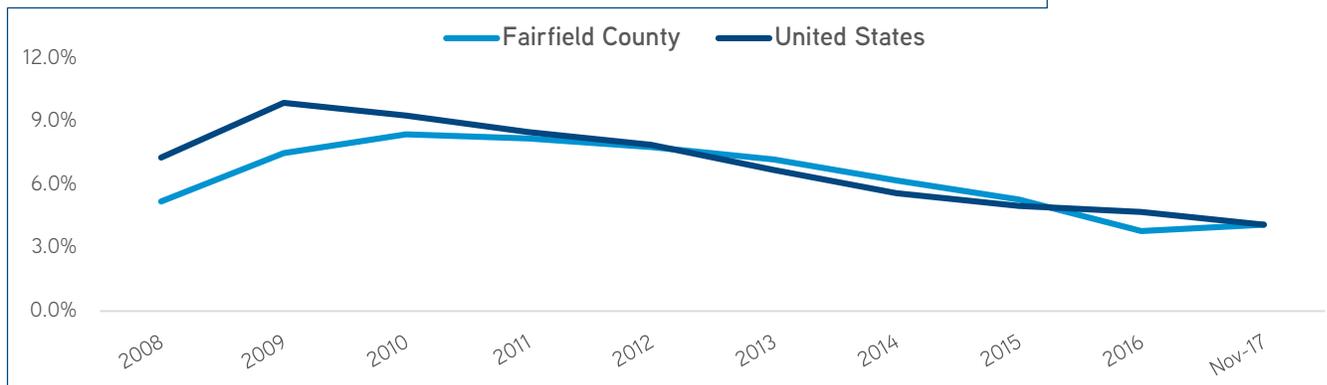


Source: Real Capital Analytics, 4Q 2017

Employment

As of November 2017, Fairfield County's unemployment rate rose 40 bps since November 2016 to 4.1%, despite having the total number of employed growing close to 2,300 in that time. This is largely due to people rejoining the labor force as they feel more confident about their job prospects as well as a 2,041 increase in the number of unemployed. More importantly to the office market, the number of people employed in the 'office-using' industries, defined as information, financial, professional services and other, rose slightly by 0.7% since last year, rising to 137,600 people. While the growth is encouraging, the County continues to suffer the slow and steady loss of jobs from the usual suspects – Starwood, GE, and RBS, but there have been some bright spots as well. Indeed recently produced a survey showing that about 60% of companies within the County plan to hire more people next year, with the most active industries being the high paying architecture, engineering and IT industries.

Fairfield County vs. U.S. | Unemployment



Source: BLS.gov, November 2017.

Conclusion

Leasing activity ended the year with an impressive record, but the availability rate remained roughly in line with 2016, and is still significantly higher than the pre-recessionary days. Leasing activity within the TAMI sector beat out the FIRE sector, effectively diversifying the County's economy, though roughly 37.0% of TAMI's activity can be attributed to a single occupant: Charter Communications. The Senate passed a massive overhaul of the Country's tax system, giving a significant gift to many corporations, but Connecticut's chronically underfunded pension system presents a large question mark in the local fiscal situation. One step forward, two steps back.

Fairfield County Top 4Q 2017 New Leases

Address	City	Submarket	SF Leased	Tenant	Industry
406 Washington Blvd.	Stamford	Stamford CBD	500,000	Charter Communications	TAMI
600 Washington Blvd.	Stamford	Stamford CBD	115,500	Bank of America	FIRE
60 Danbury Rd.	Wilton	Central	82,851	ASML	TAMI
1 E. Weaver St.	Greenwich	Greenwich	82,000	ICON	TAMI
500 W Putnam Ave.	Greenwich	Greenwich	54,756	Greenwich Hospital	Health Care

Fairfield County Top 4Q 2017 Renewals

Address	City	Submarket	SF Leased	Tenant	Industry
1-3 Pickwick Plaza	Greenwich	Greenwich	162,296	Interactive Brokers	FIRE
131 Danbury Road	Wilton	Central	13,160	TracyLocke	TAMI
28 Thorndale Cir.	Darien	Central	13,121	Guggenheim Partners	FIRE
100 First Stamford Pl.	Stamford	Stamford CBD	8,489	Newbury Partners	FIRE
1266 E Main St.	Stamford	Stamford NCBD	7,510	ADP, LLC	Professional

Fairfield County 4Q 2017 Lease Quick Facts

Total Count	Total New	Total Renewals	Total Volume	Avg. Deal Size
80	63	17	1,465,232	18,315

ECONOMIC INDICATORS

GDP
Gross Domestic Product

3.2% (Dec 2017)



Increase from
Sept. 2017

CCI
Consumer Confidence Index

122.1 (Dec. 2017)



Increase from
Sept. 2017

FAIRFIELD COUNTY
Unemployment Rate

4.1% (Nov. 2017)



Increase from
Sept. 2017

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 	9,296,147	17.7%	44,473	18,754	\$20.16/fs	\$23.78/fs	\$17.49/fs
Central 	10,496,703	22.0%	205,429	185,601	\$30.21/fs	\$33.48/fs	\$27.89/fs
Northern 	4,675,185	16.6%	34,593	43,357	\$24.20/fs	\$24.65/fs	\$22.68/fs
Stamford 	17,107,826	30.0%	853,738	140,440	\$39.66/fs	\$46.01/fs	\$27.82/fs
Greenwich 	4,469,980	19.0%	326,999	84,730	\$70.02/fs	\$76.96/fs	\$52.61/fs
Fairfield County 	46,045,841	23.3%	1,465,232	573,873	\$36.09/fs	\$42.26/fs	\$27.69/fs

396 offices in
68 countries on
6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **36**

AZN: **42**

EMEA: **111**

\$2.6

billion in annual
revenue

2.0

billion square feet
under management

15,000

professionals
and staff

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