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Fairfield County Office Insight Report

Q3 2021

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Key takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have caused the Fairfield County unemployment rate to rebound from a high of 11.6 percent to **6.8 percent** in July 2021.



Recovery rate

- The share of the total Fairfield County population that is fully vaccinated is **69.6 percent**, allowing for greater return-to-work efforts for office employers.



Office demand

- Leasing activity has paused, decreasing by **39.6 percent** compared with long-term historical annual averages.



Office supply

- Direct and sublease availability rates have risen above 2020 rates, currently totaling **26.9 percent** as of Q3 2021.
- Sublease supply continues to drag aggregate market fundamentals, accounting for an elevated **1.3 msf** of vacant space.



Pricing trends

- Base rents for Class A properties have stabilized, increasing by **0.3 percent** since 2020.



Capital markets

- Just **\$233M** of Fairfield County offices have been sold since 2020, an annualized decrease of **44.1 percent** compared with the prior five-year average.
- Asset pricing has stabilized by **7.1 percent** from 2019 to present.

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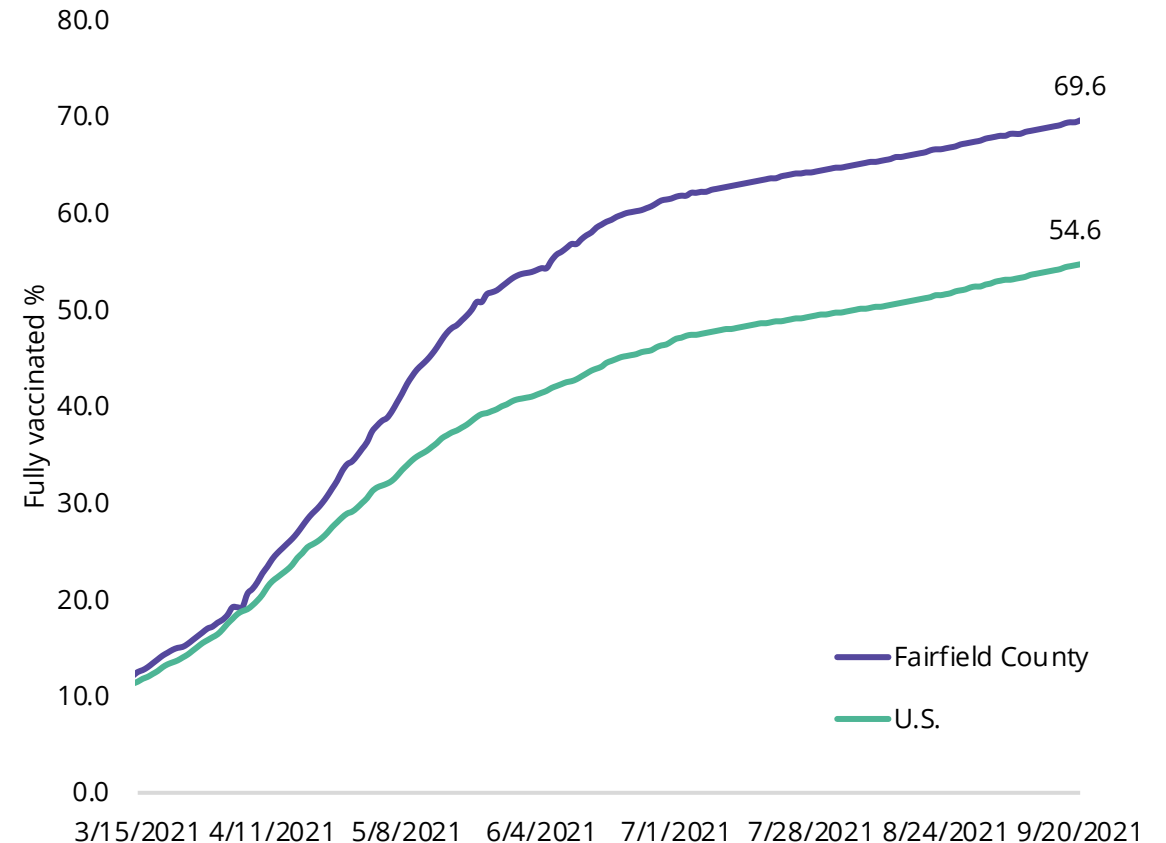
Economic trends

Vaccination rates

69.6%

Share of total Fairfield County population that is fully vaccinated

Fairfield County proportionate vaccination rates have far surpassed U.S. averages, an important metric that has allowed the county to loosen pandemic-related restrictions. The Governor imposed a September 27th deadline for the vaccination of state employees, school employees and childcare facility staff throughout the state – or they will be subjected to weekly testing.



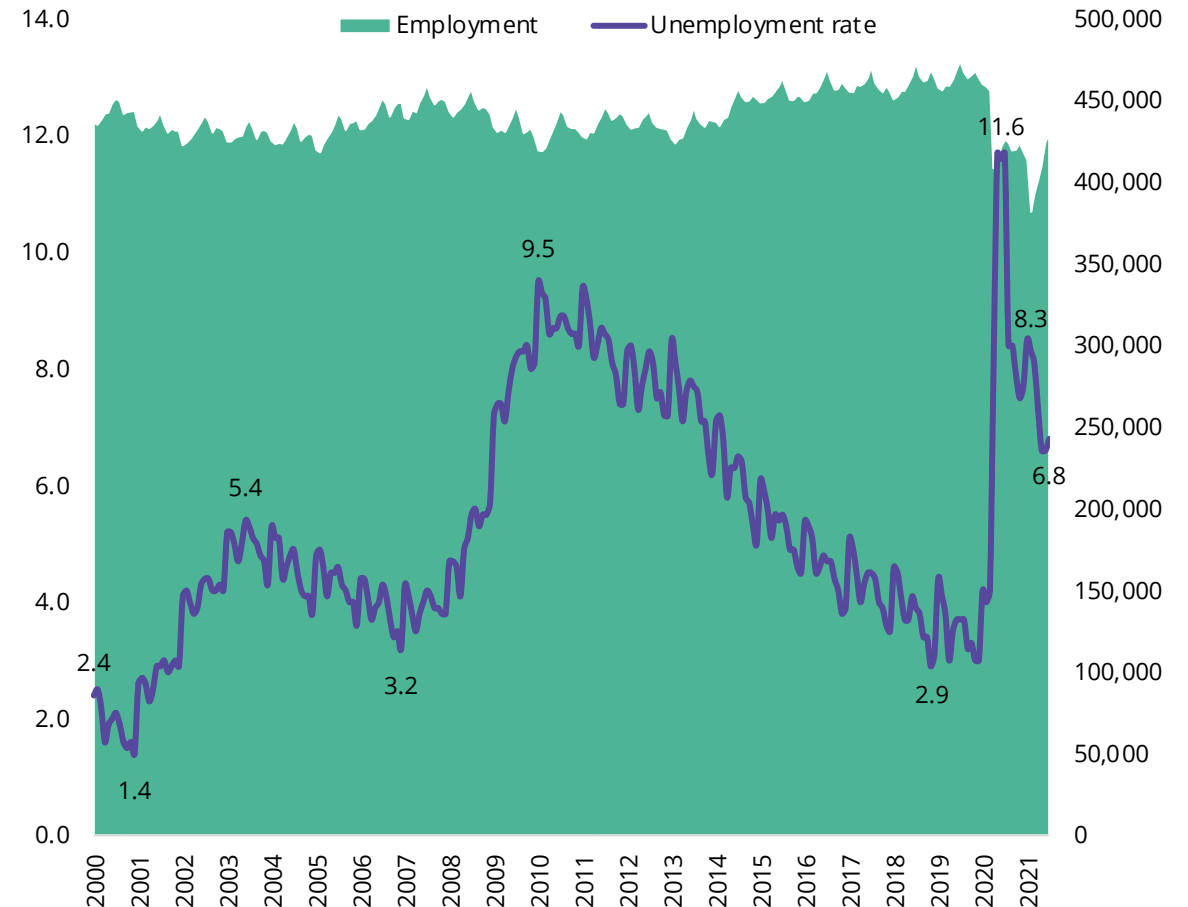
Source: CDC

Employment and unemployment rate

6.8%

Fairfield County unemployment rate as of July 2021, dipping below the height of the Financial Crisis

Historically tightened labor market conditions were halted by the pandemic, which caused nearly 50,000 job losses between February 2020 and April 2020. The Fairfield County economy regained 5.1% of those jobs since April 2020. Since the start of Q3, the unemployment rate has decreased by 50bp in Fairfield County.



Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Office-using job gains and losses

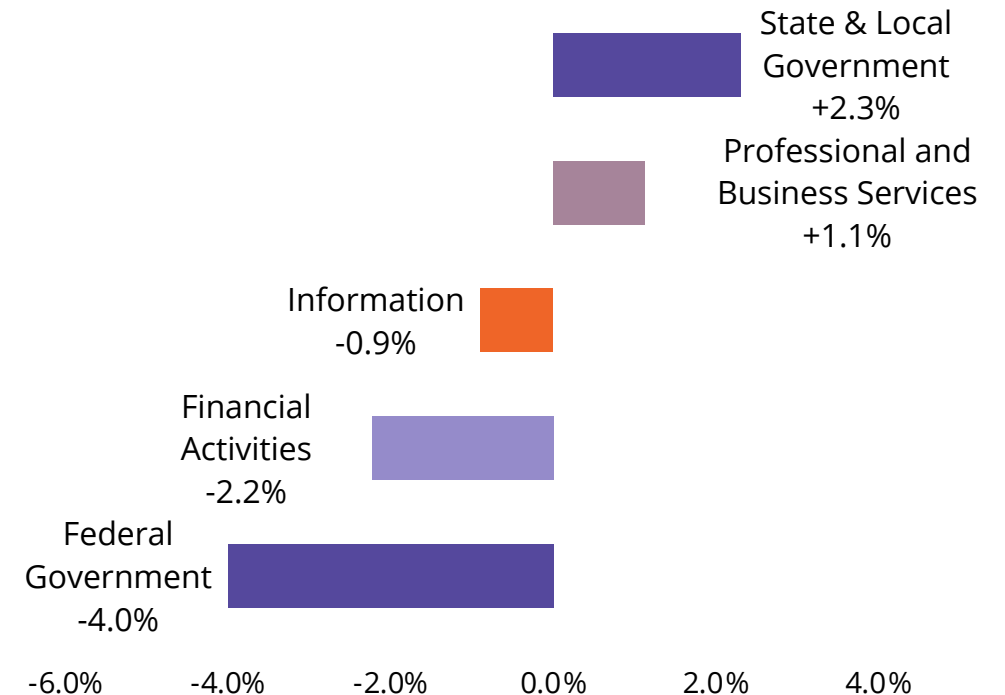
+0.3%

Change in office-using employment from August 2020 to August 2021

Total Bridgeport-Stamford-Norwalk MSA jobs have increased by 0.5% from August 2020 to August 2021, with office-using jobs increasing by 0.3% during the same time frame. This demonstrates how the Fairfield County economy is benefitting from a holistic recovery.

YoY change in Bridgeport-Stamford-Norwalk MSA job gains/(losses)

August 2020 to August 2021



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Connecticut Department of Labor

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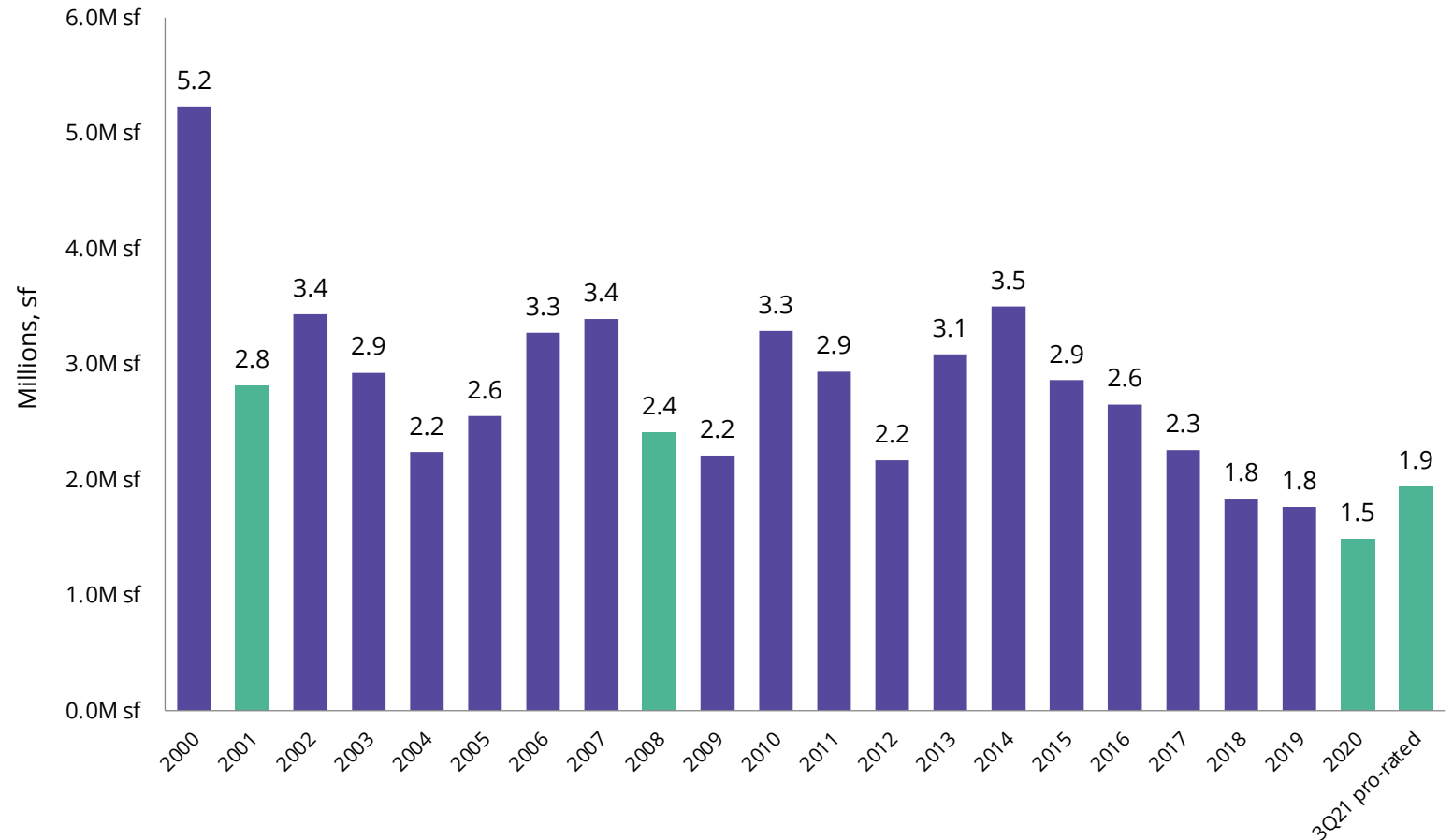
Office occupier conditions

Office leasing activity

-39.6%

**2020 to pro-rated 2021
vs. prior 20-year annual
average leasing activity**

Due to a strong Q3, office leasing activity in Fairfield is now projected to surpass the low of 1.5 msf reported in 2020 and roughly matches 2018 to 2019 levels. A 136,000-sf renewal by Encompass Digital Media and two new leases by Stamford Health System contributed to this bump in demand.



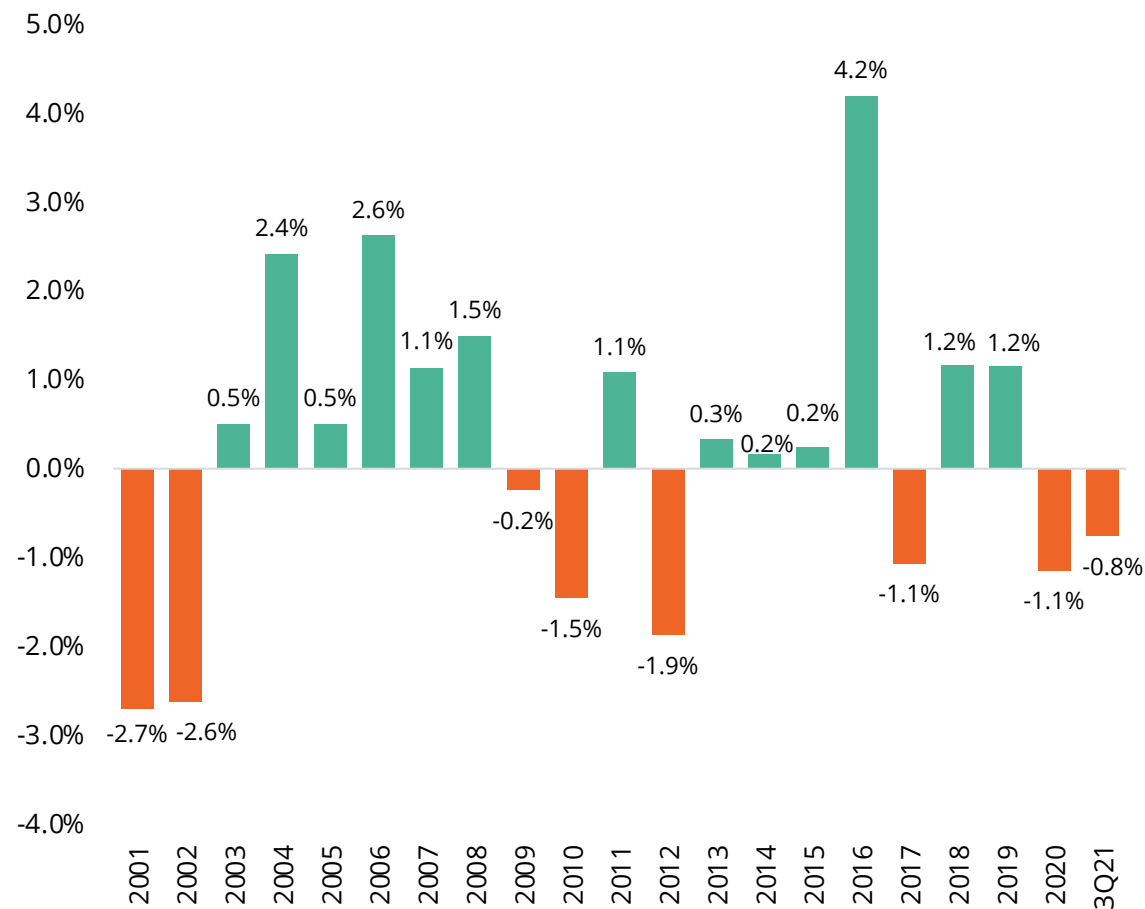
Source: CoStar, AVANT by Avison Young

Absorption

-1.9%

Net absorption as a percentage of inventory, 2020 through Q3 2021

Negative absorption from 2020 to Q3 2021 has totaled approximately 990,000 sf or 1.9% of the existing inventory. Absorption year-to-date has improved by 30bp as compared to the 2020 total.



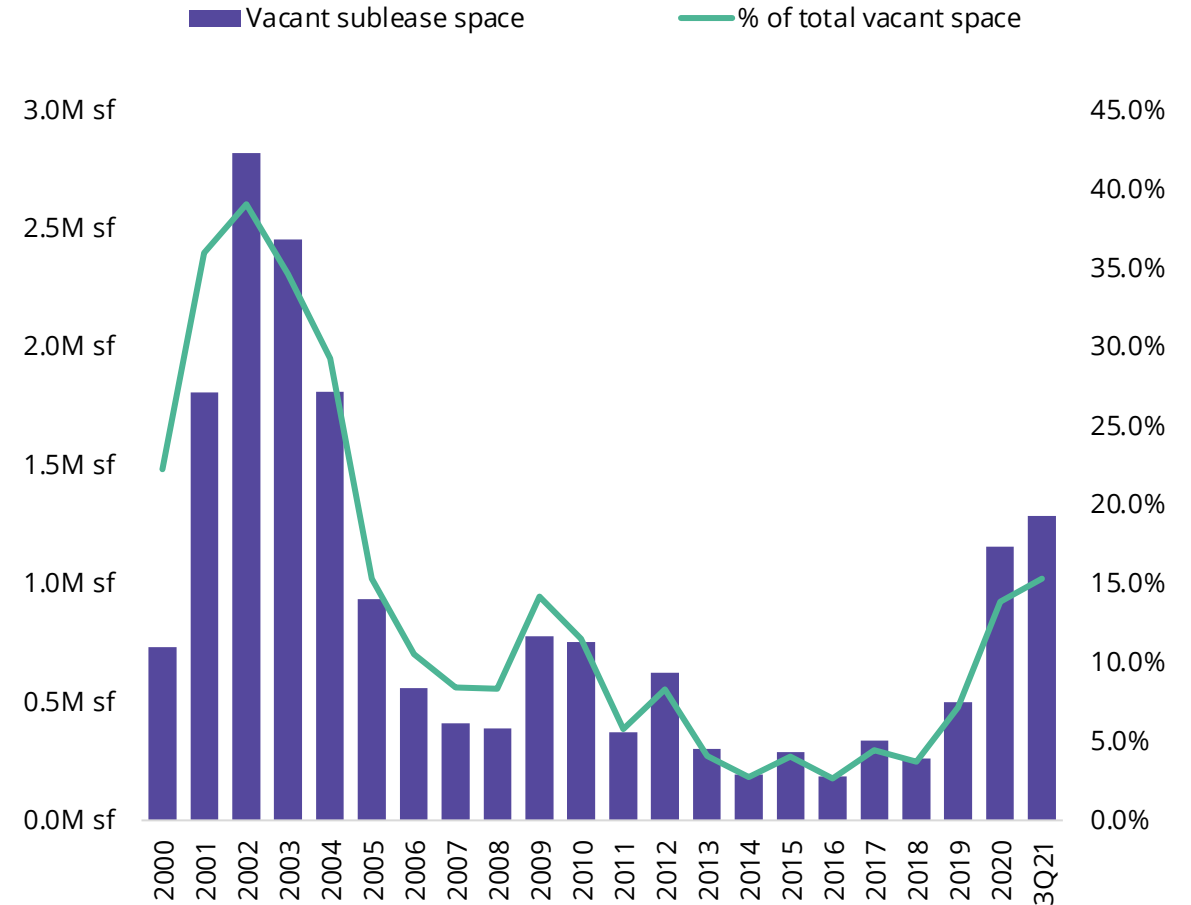
Source: AVANT by Avison Young

Vacant sublease space

1.3 msf

Total vacant sublease space

The share of sublease-to-total vacant space of 15.3% has risen since 2020 (13.9%) and continues to remain significantly higher than the pre-recessionary period. Sublease vacant square footage largely remained unchanged to date in 2021, though the sublease vacant space represents 1.6x the amount of space marketed in 2019.



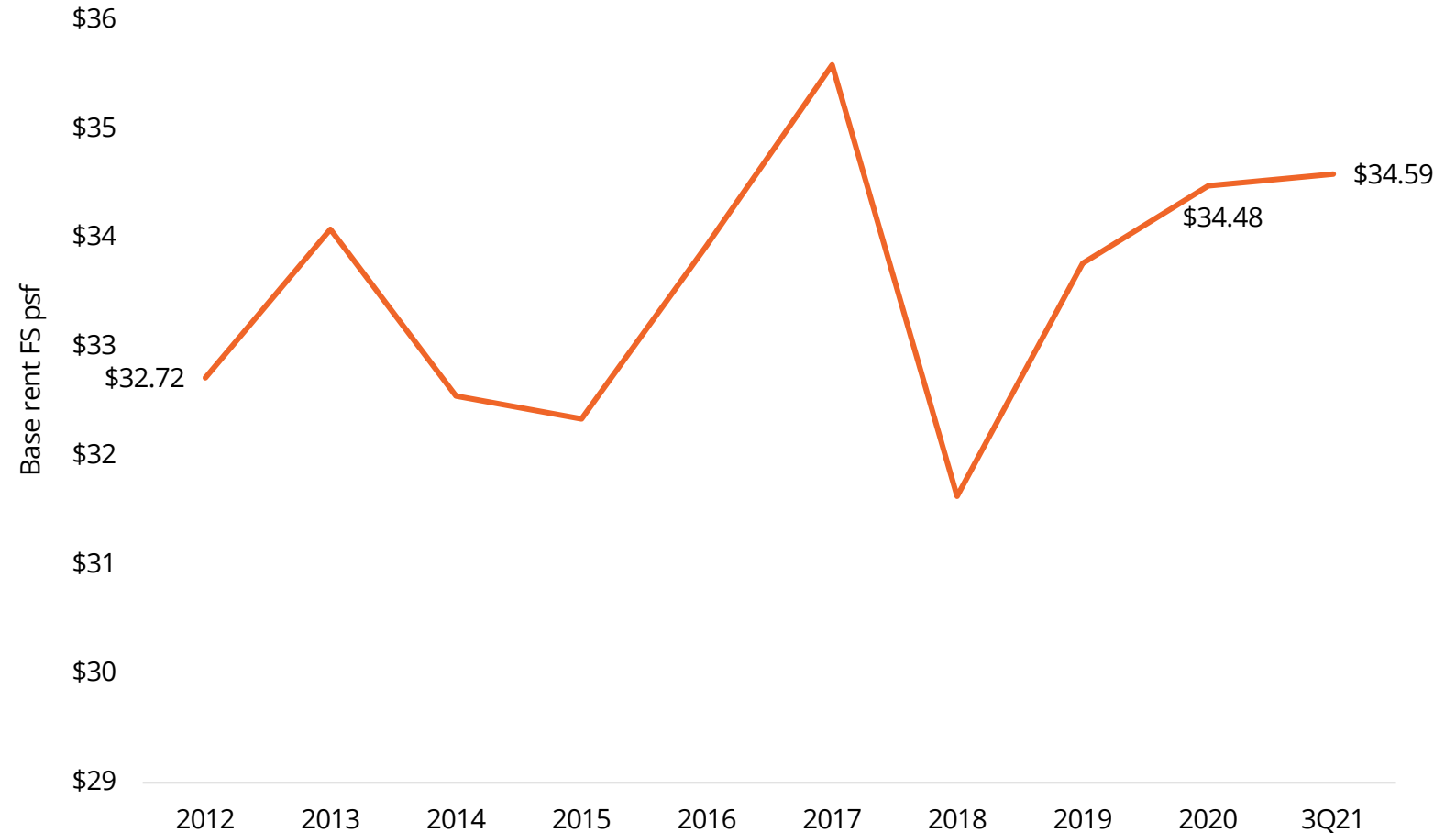
Source: AVANT by Avison Young

Asking rents

+0.3%

2020 to Q3 2021 rent change

Demand in the transit-oriented Stamford and Greenwich submarkets has enabled overall Fairfield County pricing to stabilize to date in 2021; however, pricing has softened in the surrounding suburban markets.



Note: Excludes subleases.
Source: AVANT by Avison Young

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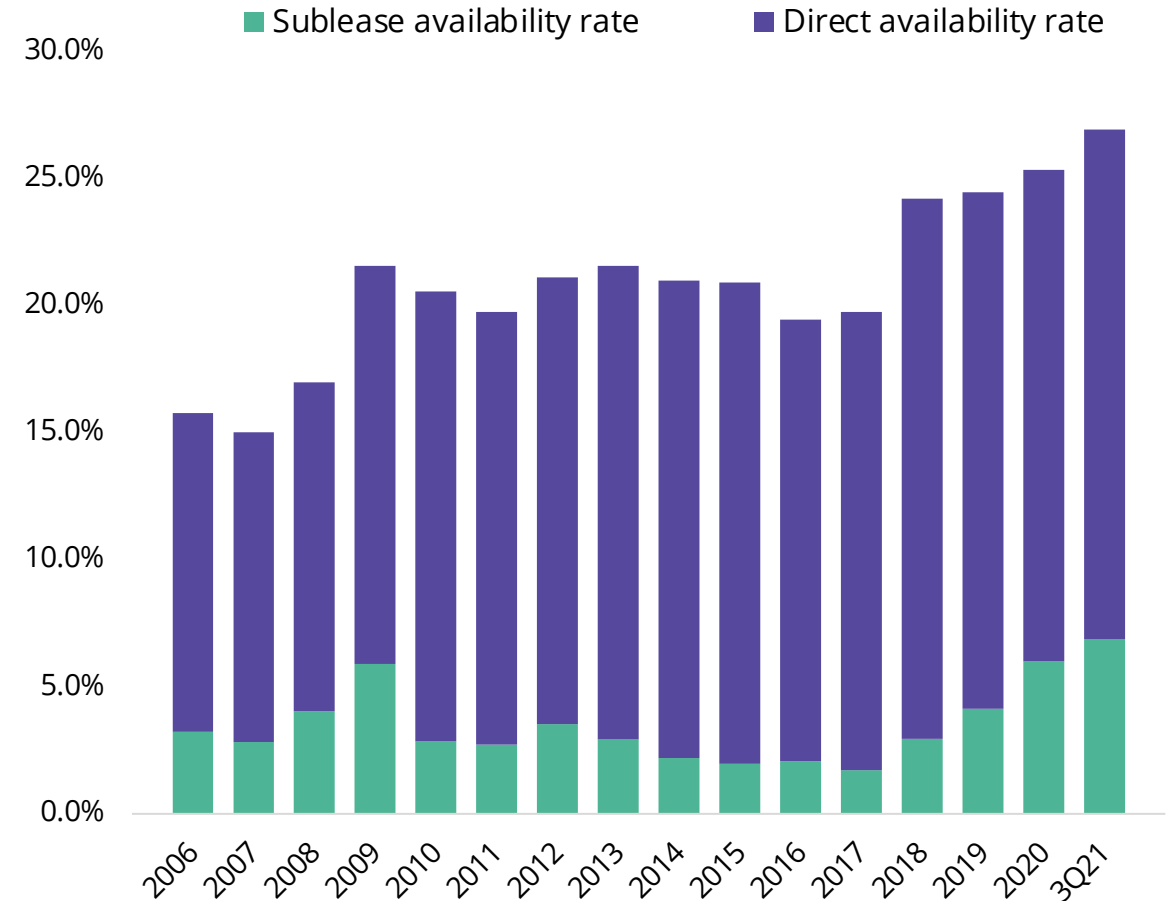
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Fairfield County Class A availability rate

26.9%

Fairfield County Class A availability as of Q3 2021

The Q3 2021 availability rate in terms of sublease (6.9%), direct (13.1%) and total (20.0%) percentages is elevated compared with recent historical levels. The availability rate increased by 250bp from 2019 to Q3 2021.



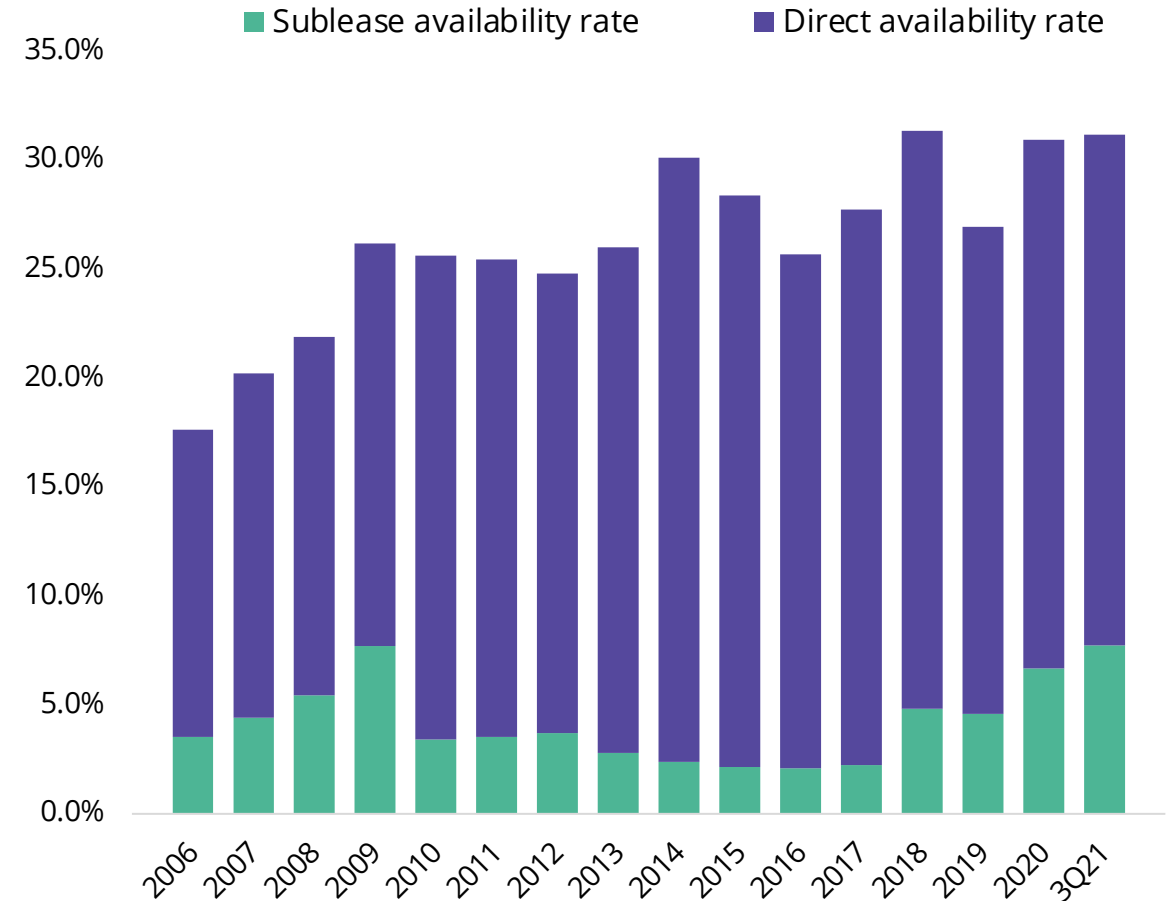
Source: AVANT by Avison Young

Stamford Submarket Class A availability rate

31.2%

Stamford Submarket Class A availability as of Q3 2021

The Q3 2021 availability rate is elevated in terms of sublease (7.7%), direct (23.4%) and total (31.2%) but has generally remained steady when benchmarked against recent historical levels.



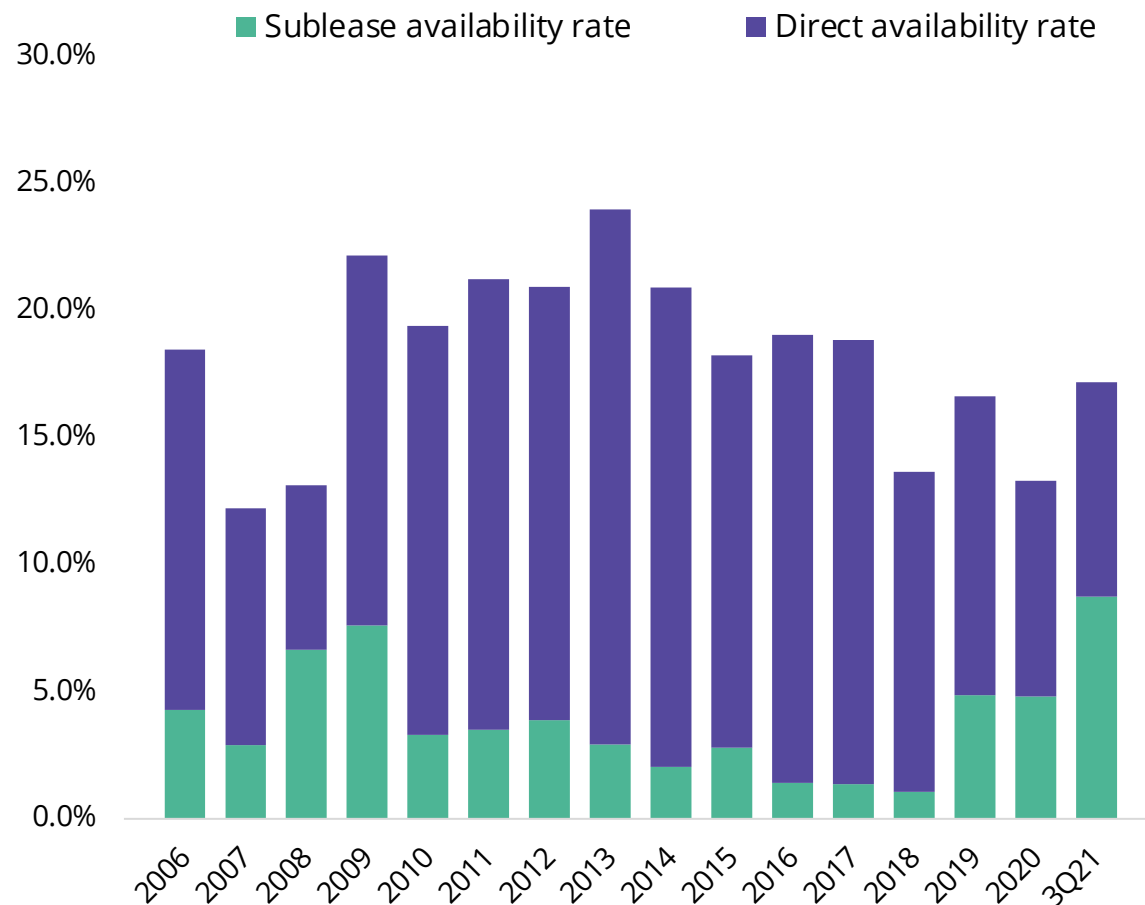
Source: AVANT by Avison Young

Greenwich Submarket Class A availability rate

17.2%

Greenwich Submarket Class A availability as of Q3 2021

Sublease availabilities are measuring at post-2006 record levels at 8.7%, an increase of 390 bp year-to-date. The total availability rate is up 60bp from 2019 levels.



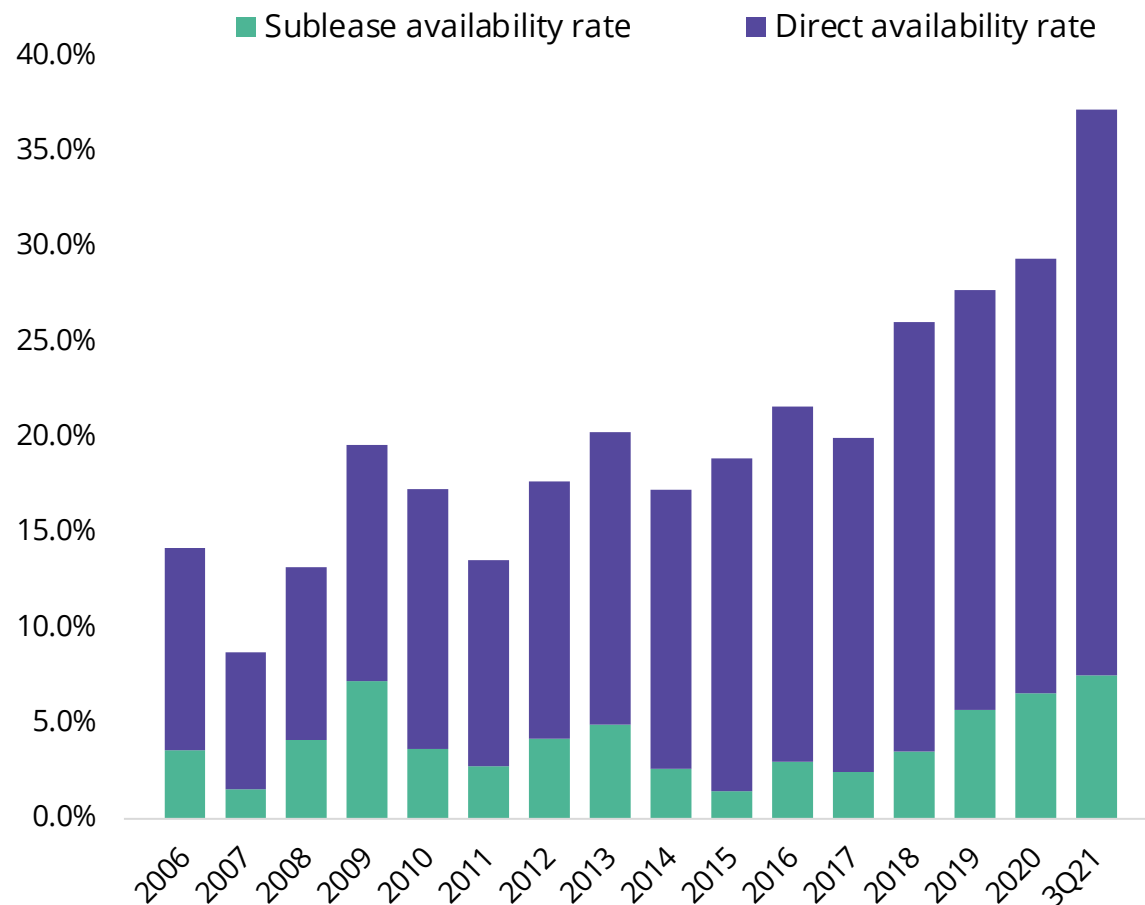
Source: AVANT by Avison Young

Central Submarket Class A availability rate

37.2%

Central Submarket Class A availability as of Q3 2021

The Q3 2021 availability rate has reached post-2006 highs in terms of sublease (7.5%), direct (29.6%) and total (37.2%) percentages. The availability rate increased by 940bp from 2019 to Q3 2021.



Note: Submarket includes city of Norwalk
Source: AVANT by Avison Young

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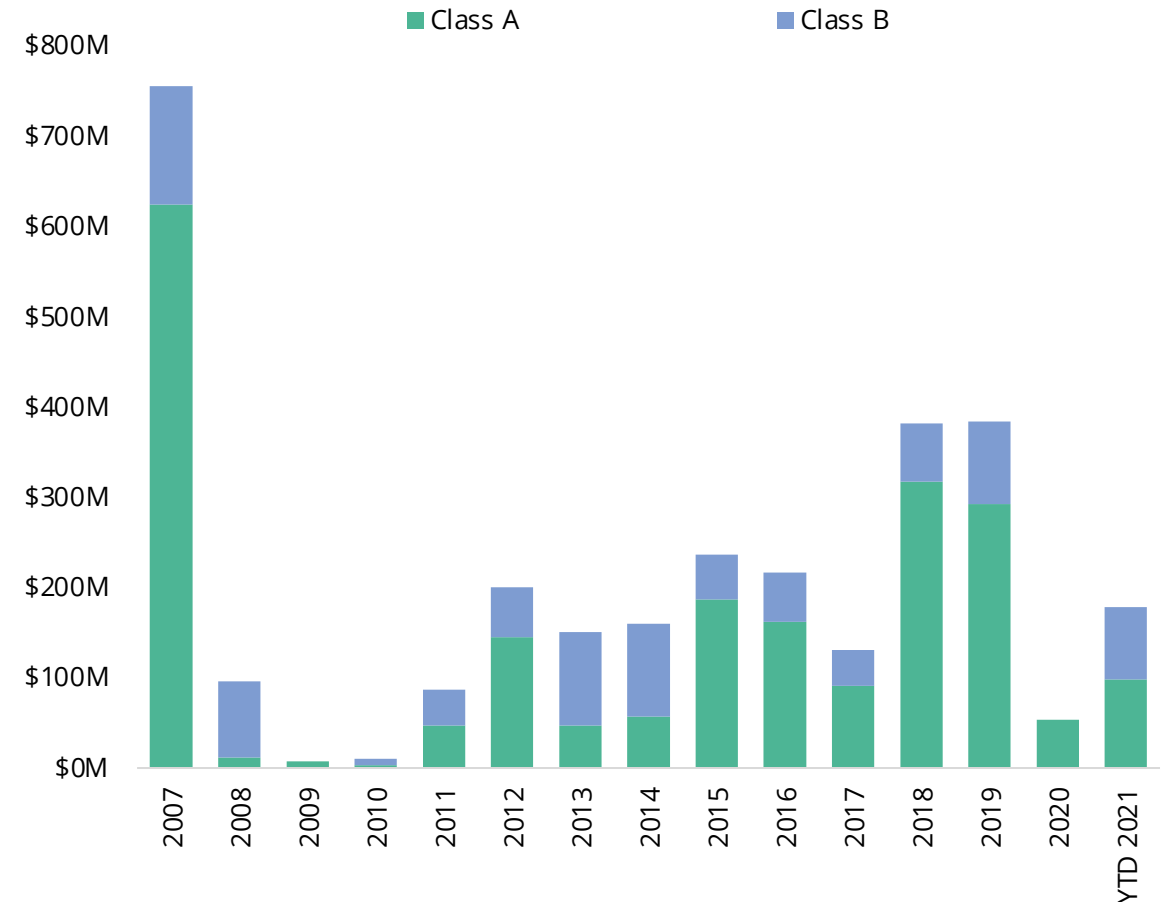
Capital market conditions

Office investment dollar volume

\$233M

Fairfield County office dollar volume 2020 to present

Office sales activity has rebounded since the start of the pandemic; however, pro rata 2021 transaction volume remained -44.1% compared with the 2015-to-2019 average.



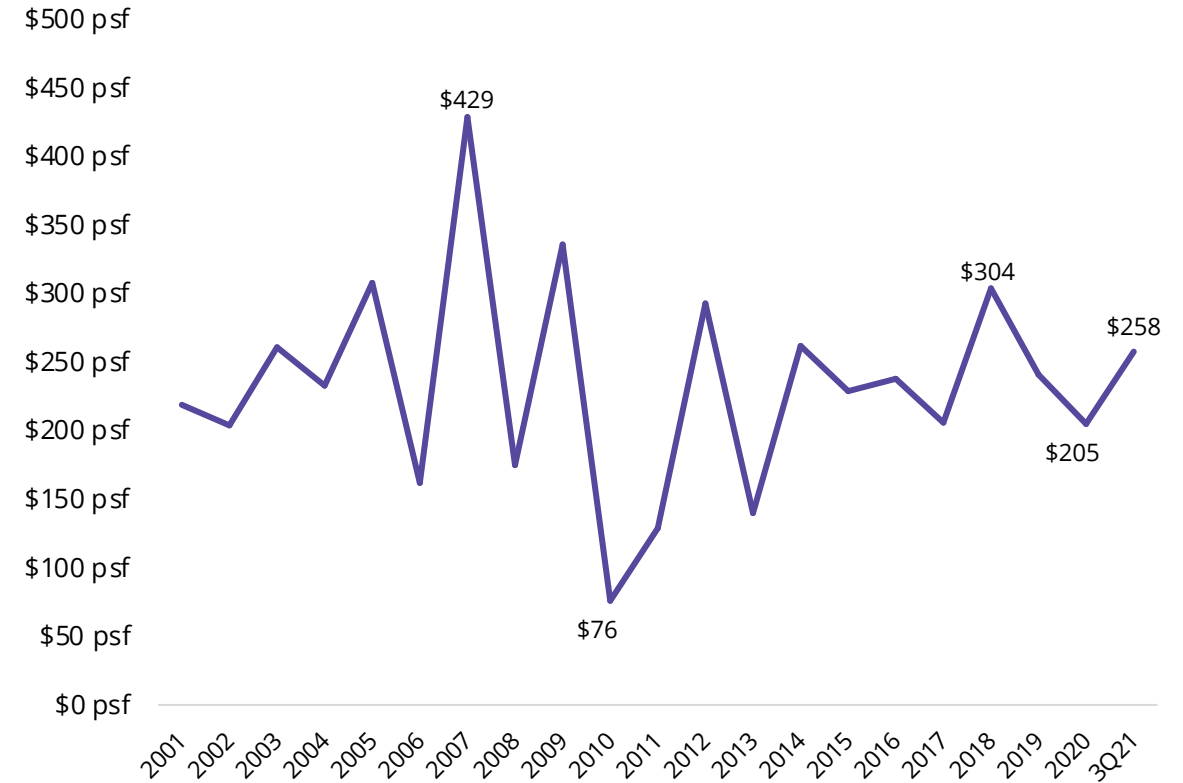
Source: AVANT by Avison Young

Office asset pricing

7.1%

Fairfield County office pricing from 2019 to present

More high-quality, stabilized properties have been sold in the post-COVID period than in 2019, when more transitionary and speculative sales occurred, enabling asset pricing to stabilize.



Source: AVANT by Avison Young

Looking forward



Here's what we can expect

- **Renewals should continue to be the driving force of leasing activity** moving forward, with companies hesitant about moving unless prompted by a lease expiration.
- **A massive outpouring of tenant requirements originating from New York City is unlikely to occur.** Most suburban Fairfield County submarkets are unlikely to attract net-new demand, positioning fundamentals in these areas to continue to soften.
- **Limited migration out of the market is anticipated.** Space utilization will continue to be a primary motivation behind the decision-making process.



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Let's talk

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