

Fairfield County



Market Facts

4.6%

Unemployment rate, down from 5.3% last quarter

7,792

New jobs*
Finance, Health Services and Leisure and Hospitality led growth

1.7%

Job growth*

4,100

Jobs lost* in Professional and Business Services

*Year-over-Year figure

Mid-Year Economic Overview

Fairfield county saw slightly higher gains in employment in the second quarter with year-over-year growth of 1.7 percent (May '16-May'17) and a net gain of 7,792 jobs, bringing the unemployment rate down to 4.6 percent (May '17) from a peak of 5.3 percent (Feb. '17) last quarter.

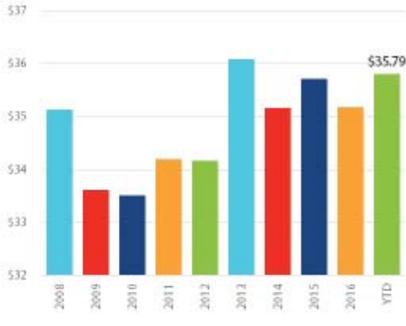
The overall Services-Providing sector continues to drive growth in this market, adding an estimated 3,200 jobs in the county since last year (May'16). Professional and Business Services continues to see year-over-year declines (May'16- May'17) -down 5.3 percent and 4,100 jobs in the county's two largest metropolitan area constituents-Bridgeport-Stamford-Norwalk and Danbury.

Other important office-using sectors, however, posted year-over-year gains led by Finance (4.65 percent growth and 1,900 jobs) followed by Education and

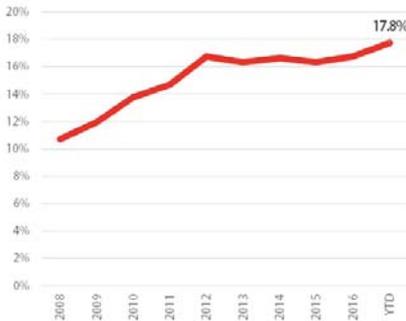
Health Services (2.49 percent growth and 1,800 jobs).

In the state of Connecticut, Fairfield County leads all other regions in recovering jobs lost since the Great Recession. Boding well for the economy was the recent ground-breaking news of Sikorsky's signing of a \$4 billion contract with the federal government to build Black Hawk helicopters. The Lockheed Martin aircraft manufacturer, which the state of Connecticut succeeded in retaining in the market with an aggressive inducement offer last year, has been headquartered in Stratford, CT for over 85 years and is a significant employer in the Fairfield County market and the Eastern submarket.

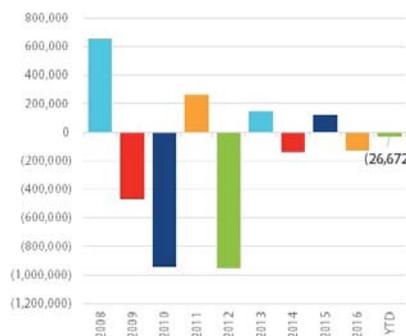
Average Asking Rent



Historical Vacancy



Historical Net Absorption



Market Rebounded Slightly Amid Persistent Challenges

OFFICE MARKET OVERVIEW

Amidst a still struggling economy, job losses, continued corporate attrition, as well as uncertainty in matters of fiscal policy and the looming repeal of the Affordable Care Act, the office market's fundamentals took only a marginal turn for the worse. Vacancy continued along its gradual upward trajectory, reaching 17.8 percent in second quarter, year-to-date net absorption trended negative for the third consecutive quarter, leasing velocity was down by 9.5 percent since last quarter, while the overall average rental rate growth remained relatively flat.

Despite the overall weakened performance indicators, attributable for the most part to large blocks of space in the market, the county demonstrated some resilience. Notable leases transacted this quarter included a 147,000-SF renewal for Blue Sky Studios in Stamford and a sublease of a full and partial floor at 333 Ludlow in Stamford's South end by Damon Worldwide, significantly reducing that building's vacancy which was over 50.0 percent.

VACANCY

The rise in vacancy to 17.8 percent in the second quarter marked just a 30-basis point increase from last quarter's vacancy of 17.5 percent, but a 160-basis point increase from second quarter 2016- the highest year-over-year basis point increase witnessed in the market since 2012.

Not surprisingly, the Stamford submarket's vacancy continued to be the highest in the market, both in the CBD and non-CBD, posting 23.5 percent and 24.6 percent, respectively. Here too, quarter-over-quarter vacancy increases were noticeably curbed-by only 10 basis points in the CBD and 20 basis points in Stamford's non-CBD. Downtown, high vacancy persisted at the UBS building at 677 Washington Boulevard with 740,000 SF and the BLT Financial Center at 695 E Main Street with over 286,000 SF vacant, while the highest vacancy in Stamford's non-CBD was recorded at 1 Elmcroft Road in the city's South End with over 300,000 SF.

Suburban markets, with an overall 16.6 percent vacancy-up from 16.4 percent last quarter- remained unchanged relative to second quarter 2016. The Eastern submarket, which recorded the lowest vacancy at 12.0 percent and a 100-basis point decline, continued to see a fair draw from TAMI tenants with an average deal size of about 4,600 SF-trending smaller than the average deal size in 2016. The highest vacancy change was recorded in the Central submarket at 15.2 percent and a 310-basis point change since second quarter 2016. As the second largest submarket in Fairfield County, the Central submarket continued to face the challenge of filling large blocks of space in some of its largest office buildings.

ABSORPTION

Quarterly net absorption was positive in second quarter by 148,467 SF, but closed marginally negative by 26,272 SF year-to-date. This marks an improvement over last quarter's negative figure of 186,870 SF and a significant rebound over the fourth quarter 2016, which saw the market take a deep dive by a negative 800,000 SF- almost all of which was attributable to the vacated UBS building in Stamford.

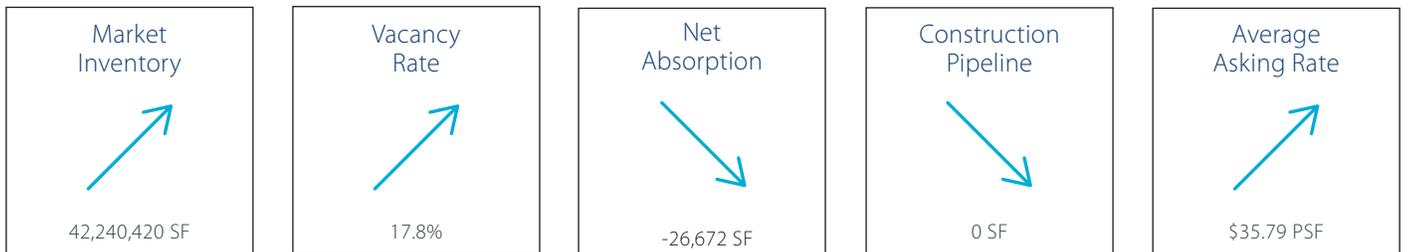
Leasing velocity was only slightly more subdued- down about 9.5 percent in terms of total square feet leased since last quarter and with a higher number of smaller deals averaging 5,000 SF, but it was down 30 percent year-over-year. The lion's share of leasing activity was in Stamford, followed by Greenwich.

ASKING RENTS

Average rental rate growth for the overall market trended slightly upward year-over-year, with a 1.76 percent change, which was attributable mainly to asking rate increases in downtown buildings, both in Greenwich and Stamford.

Office Market Snapshot

Below are 2017 year-to-date overall market indicators for Fairfield County's office market compared to the second quarter of 2016:



Notable Lease Transactions

Tenant	Property/Submarket	SF/Type
Blue Sky Studios	1 American Ln Greenwich/Greenwich Non-CBD	146,795 Renewal
Daymon Worldwide	333 Ludlow Ave Stamford/Stamford Non-CBD	44,196 (est.) Sublease
The Peoples Court	470 West Ave Stamford/Stamford Non-CBD	18,739 New
Western CT Home Care	100 Saw Mill Rd Fairfield/Northern	16,283 New
Northern Fund Management	100 First Stamford Pl Stamford/Stamford CBD	10,884 New

Notable Sale Transactions

Address/Submarket	Buyer/Seller	Price	SF/ Price PSF
6 Norden Pl Norwalk/Central	Carter Validus Mission Critical REIT CyrusOne, Inc	\$58,900,000	168,000 \$351
225 High Ridge Rd Stamford/Stamford Non-CBD	TNREF III High Ridge LLC RA 225 High Ridge LLC	\$22,500,000	244,104 \$92
38C Grove St Ridgefield/Northern	Mid-Hudson Associates Delta Realty Management	\$2,650,000	25,000 \$106

Trends to Watch

- Limited availability of 100,000 SF or greater of contiguous space in the CBD and in suburban submarkets. With a few known tenants currently looking for large blocks, the market could see a rapid dwindling of space to meet demand from large prospective users.
- An increase in the number of office buildings to undergo adaptive reuse may see office inventory decline in the foreseeable future.
- Activity in the medical office sector shows signs of restraint due to uncertainty regarding ACA repeal. Landlords sensitive to capital outlays beyond the typical tenant improvements while NNN tenants are more and more encumbered by rising operating costs.



6 Norden Pl, Norwalk

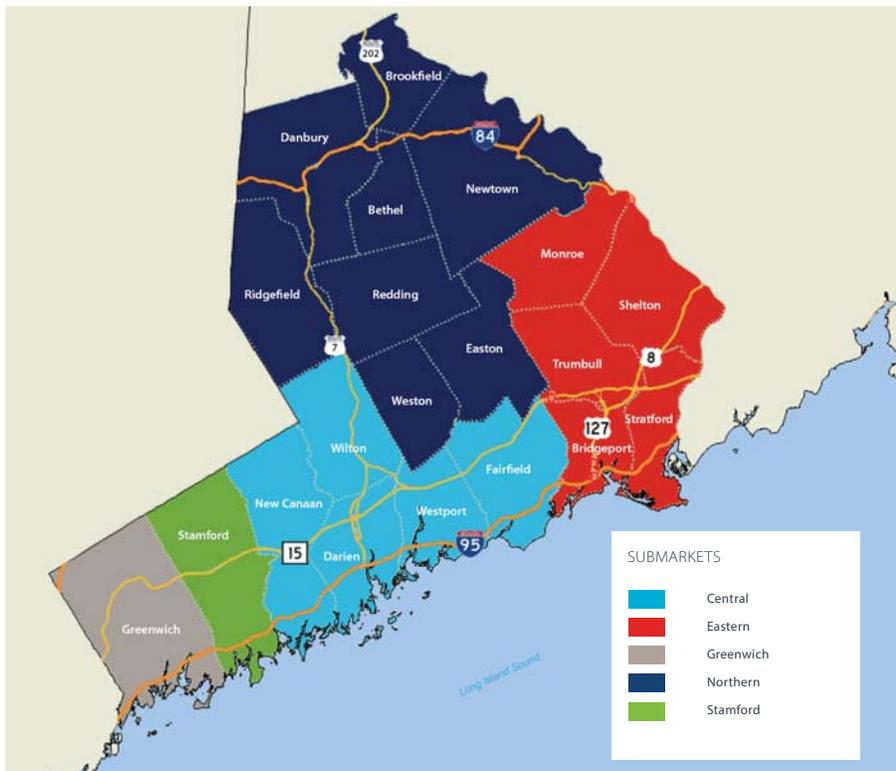


225 High Ridge Rd, Stamford



38C Grove St, Ridgefield

Fairfield County Submarkets



Stamford CBD/Railroad



Greenwich CBD/Railroad



Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Qtr-over-Qtr Vacancy Trend	Availability (%)	2Q17 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Asking Rent
Stamford CBD/Railroad	8,472,726	1,987,858	23.5%	Flat	29.5%	34,558	-75,633	0	\$42.66
Greenwich CBD/Railroad	1,884,994	234,895	12.5%	Down	23.6%	28,699	2,888	0	\$91.13
CBD Total	10,357,720	2,222,753	21.5%	Flat	28.5%	63,257	-72,745	0	\$52.88
Eastern	6,937,466	835,900	12.0%	Up	16.5%	63	47,982	0	\$20.96
Central	11,613,350	1,764,835	15.2%	Up	24.3%	-64,203	-141,230	0	\$31.32
Northern	3,866,831	632,700	16.4%	Down	19.7%	46,191	29,995	0	\$24.56
Stamford non-CBD	7,077,964	1,744,701	24.6%	Up	38.1%	71,902	39,127	0	\$30.06
Greenwich non-CBD	2,387,089	300,760	12.6%	Down	23.3%	31,257	70,199	0	\$43.21
Market Total	42,240,420	7,501,649	17.8%	Up	25.9%	148,467	-26,672	0	\$35.79



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