

Fairfield County Office, Q1 2016

Fairfield County's market fundamentals remain steady despite decreased activity in Q1 2016

Availability Rate
19.8%

Lease Rate
35.04 \$/SF

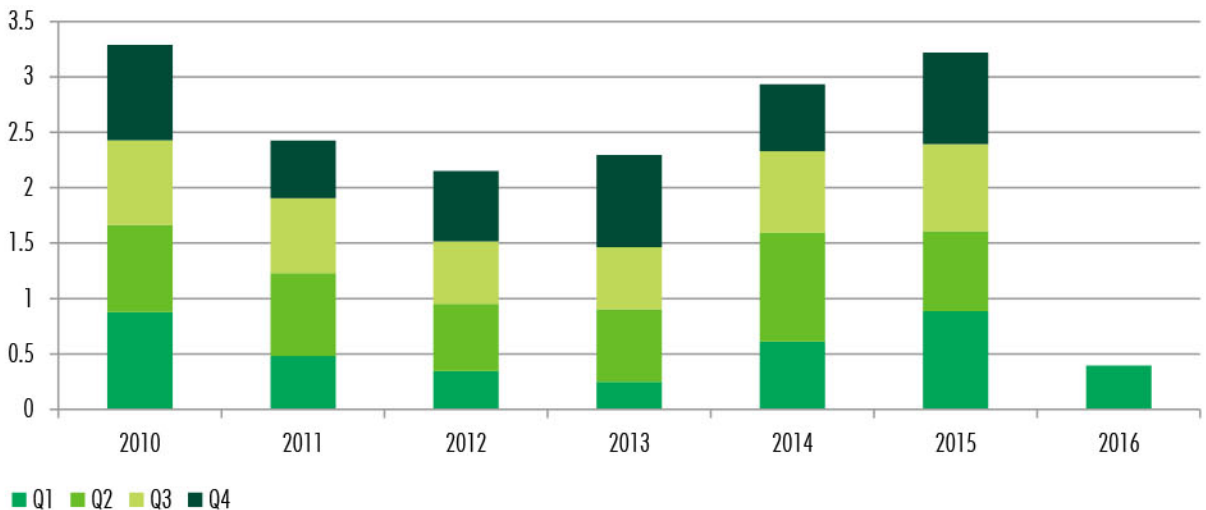
Net Absorption
61,393 SF

Construction
0

*Arrows indicate change from previous quarter.

Figure 1: Historical Leasing Activity

Million Sq. Ft.



Source: CBRE Research, Q1 2016.

FAIRFIELD COUNTY MARKET OUTLOOK

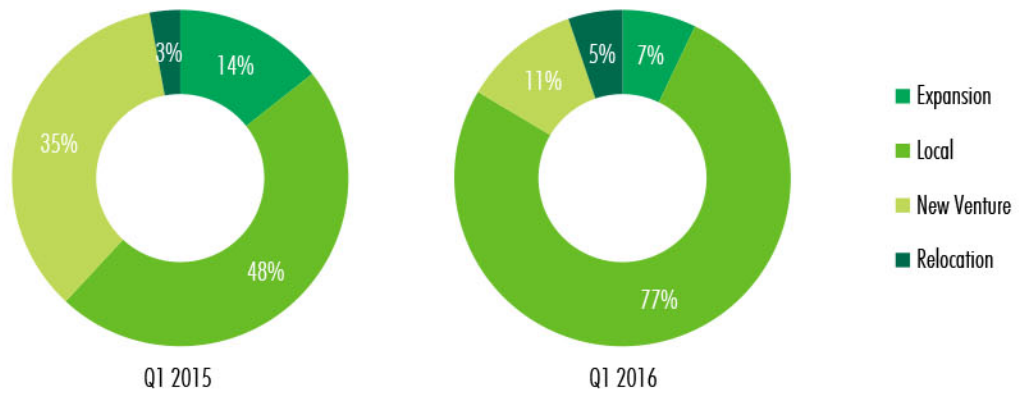
Echoing the slowdown in the US economy in the first months of the year, Fairfield County ended Q1 2016 with 394,546 sq. ft. of leasing activity—a 52% decrease from the 826,363 sq. ft. reached in the previous quarter. This was the lowest quarter of leasing activity recorded since Q1 2013. Small tenants less than 10,000 sq. ft. comprised 90% of the transactions completed this quarter and reduced the average deal size by 50% to 4,754 sq. ft. There were no transactions greater than 30,000 sq. ft.

The County's overall office leasing activity was driven by three law firm deals accounting for three of the top five transactions. Finn Dixon & Herling LLP and Holland & Knight LLP committed to locations in the Stamford CBD submarket while Withers Bergman LLP committed to just under 18,000 sq. ft. in the Greenwich submarket. Medical and energy-related firms accounted for 74,683 sq. ft., or 37% of the renewal transactions this quarter.

As a result of a slowdown in leasing activity coupled with minimal space additions to the market, the County ended Q1 2016 with 61,393 sq. ft. of positive net absorption—up exponentially from the negative 232,395 sq. ft. recorded over the same period in 2015. Four out of six submarkets posted positive net absorption during Q1 2016.

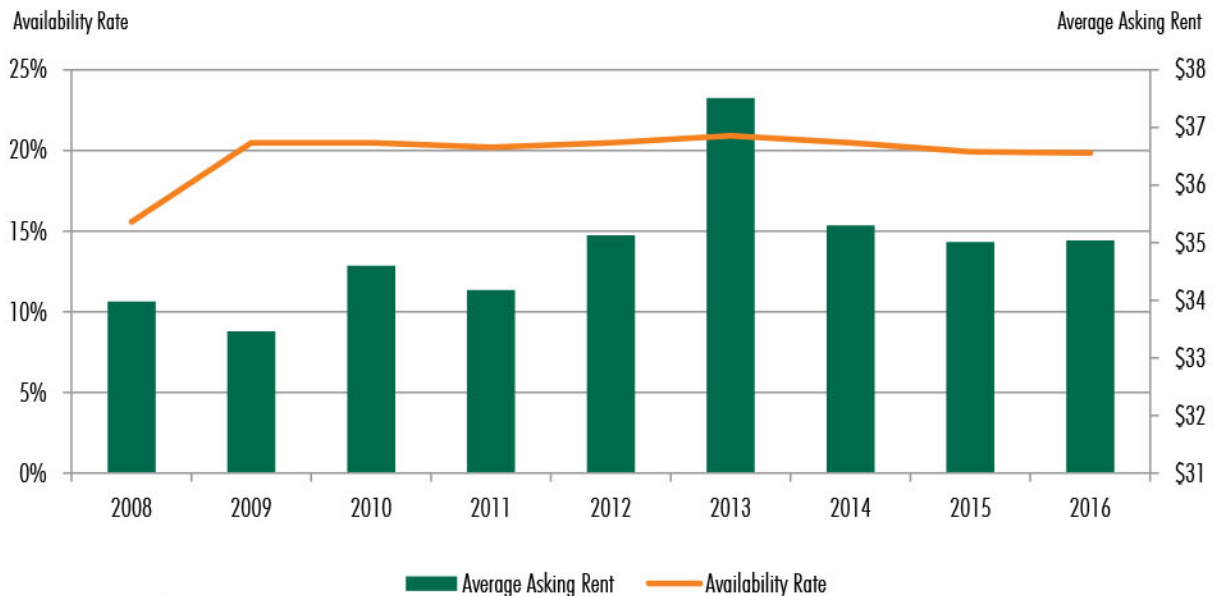
Asking rents remained steady across the majority of submarkets in Fairfield County during Q1 2016 with only the Greenwich submarket experiencing a 2% quarter-over-quarter increase, and a 12% increase year-over-year.

Figure 2: Q1 Breakdown of Leasing By Sq. Ft.



Source: CBRE Research, Q1 2016.

Figure 3: Q1 Average Asking Rents vs. Availability Rate



Source: CBRE Research, Q1 2016.

NET ABSORPTION

The County ended Q1 2016 with 61,393 sq. ft. of positive net absorption, down from the 225,441 sq. ft. of positive net absorption recorded in Q4 2015. Four out of six submarkets again posted positive net absorption. The Stamford CBD experienced the largest space returns with Starwood Hotels’ 33,500 sq. ft. at 600 Summer Street and Citibank’s 27,833 sq. ft. at 750 Washington Boulevard, resulting in 16,496 sq. ft. of negative net absorption.

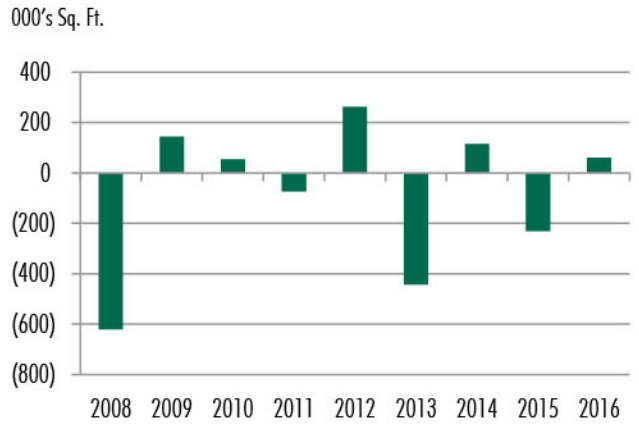
AVAILABILITY

Every submarket in Fairfield County—with the exception of the Greenwich and Stamford CBD submarkets—saw a decrease in the availability during Q1 2016. Countywide, the availability rate dropped 130 basis points (bps) from 21.1% in Q1 2015 to 19.8 % in Q1 2016. This marks the second consecutive quarter the County witnessed an availability rate under 20%. The Greenwich submarket experienced the highest year-over-year decrease in availability, dropping 12% from 19.3% to 16.9%. In fact, four out of the six submarkets experienced a year-over-year decrease, the exceptions being Eastern and Northern Fairfield.

AVERAGE ASKING RENTS

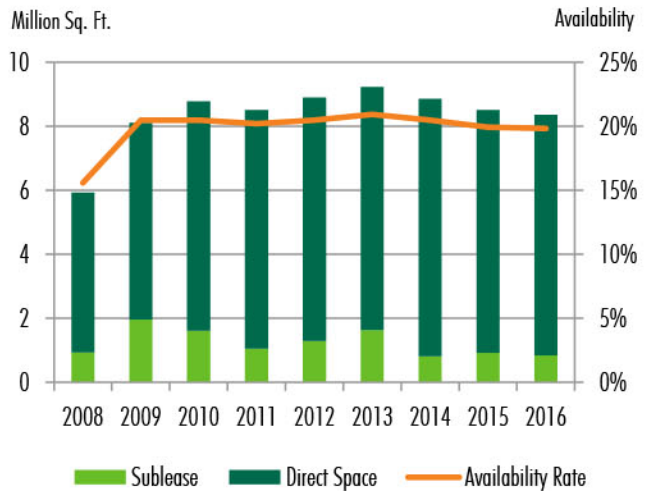
The County’s overall average asking rent ended Q1 2016 at \$35.04 per sq. ft.—down 2% from \$35.63 per sq. ft. at this time last year, and essentially in line with the \$35.01 recorded in Q4 2015. When comparing Q1 2016 to Q4 2015, four of the six submarkets saw minimal changes in asking rents. The Greenwich and Central Fairfield submarkets witnessed a 2% increase and a 2% decrease, respectively. Further, when comparing year-over-year changes, five submarkets experienced 1% to 2% decreases in rent while Greenwich again led the pack with a 12% increase from \$54.90 to \$61.34 per sq. ft.

Figure 4: Q1 Historical Net Absorption



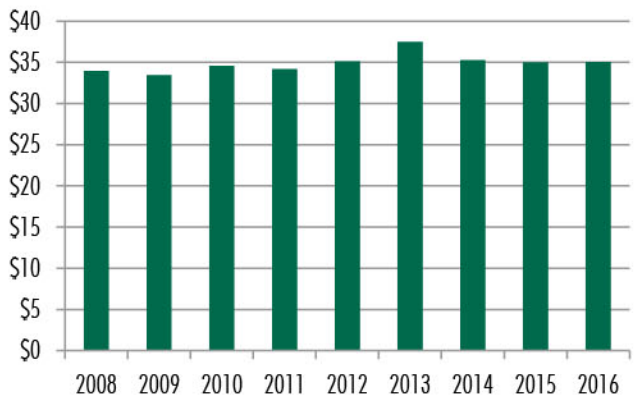
Source: CBRE Research, Q1 2016.

Figure 5: Q1 Historical Availability



Source: CBRE Research, Q1 2016.

Figure 6: Q1 Historical Average Asking Rent



Source: CBRE Research, Q1 2016.

Figure 6: Market Overview by Submarket

| Submarket | Market Rentable Area (SF) | Total Available (SF) | Avail. Rate (%) | Vacancy Rate (%) | Q1 2016 Net Absorption (SF) | Q1 2016 Leasing Activity (SF) | Avg. Asking Lease Rate (\$/SF/Yr) |
|----------------|---------------------------|----------------------|-----------------|------------------|-----------------------------|-------------------------------|-----------------------------------|
| Greenwich | 4,438,261 | 751,377 | 16.9 | 15.6 | (29,564) | 43,465 | 61.34 |
| Stamford CBD | 9,742,804 | 2,314,233 | 23.8 | 21.5 | (16,496) | 161,410 | 43.55 |
| Stamford N/CBD | 6,485,464 | 1,450,247 | 22.4 | 22.0 | 19,827 | 22,634 | 34.55 |
| Central | 10,308,455 | 1,830,237 | 17.8 | 15.6 | 56,138 | 89,743 | 30.57 |
| Eastern | 6,634,790 | 1,319,129 | 19.9 | 17.8 | 19,686 | 45,966 | 18.47 |
| Northern | 4,558,492 | 700,346 | 15.4 | 15.1 | 11,802 | 31,328 | 22.64 |
| Total | 42,168,266 | 8,365,569 | 19.8 | 18.4 | 61,393 | 394,546 | 35.04 |

Source: CBRE Research, Q1 2016.

Figure 7: Q1 2016 Top Lease Transactions

| Size (Sq. Ft.) | Tenant | Address |
|----------------|--------------------------|------------------------------------|
| 26,385 | Finn Dixon & Herling LLP | 6 Landmark Square, Stamford |
| 19,740 | eTouches | 13 Marshall Street, Norwalk |
| 17,589 | Withers Bergman LLP | 1700 East Putnam Avenue, Greenwich |
| 14,891 | Holland & Knight LLP | 263 Tresser Boulevard, Stamford |
| 13,550 | Global Jet Capital | 83 Wooster Heights Road, Danbury |
| 12,571 | Serendipity Labs | 700 Canal Street, Stamford |

Source: CBRE Research, Q1 2016.



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