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Fairfield County Office Insight Report

Q2 2021

AVANT
by AVISON YOUNG

Key takeaways



Economic conditions

- Reopening efforts and higher vaccination rates have allowed the Fairfield County unemployment rate to rebound from a high of 11.6 percent to **7.3 percent**.
- The share of the total Fairfield County population that is fully vaccinated is **59.4 percent**, allowing for greater return-to-work efforts for office employers.



Office demand

- Leasing activity has paused, decreasing by **47.0 percent** compared with long-term historical annual averages.



Office supply

- Direct and sublease vacancy rates have achieved all-time highs, totaling **16.4 percent** as of Q2 2021.
- Sublease supply continues to drag aggregate market fundamentals, accounting for an elevated **1.2 msf** of vacant space.



Pricing trends

- Net effective rents for Class A relocations decreased by **4.6 percent** in the past 3 months



Capital markets

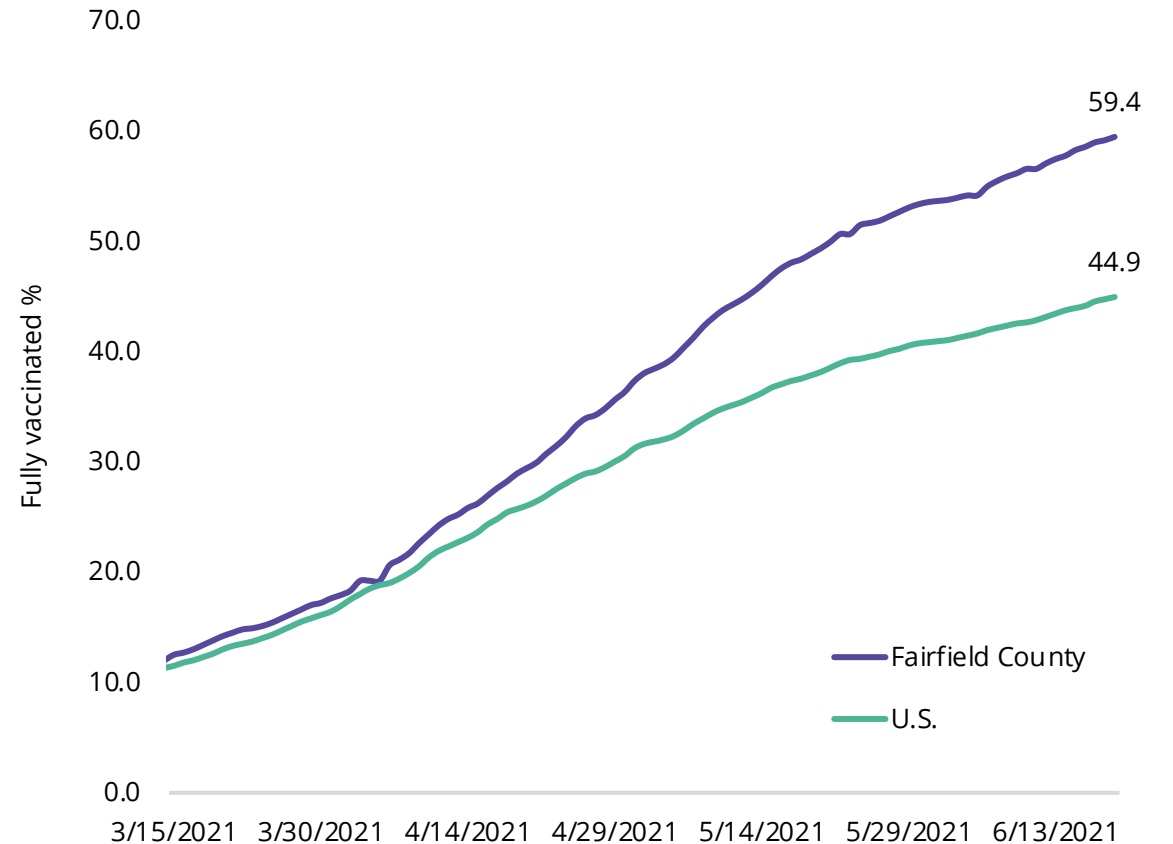
- Only **\$64M** of Fairfield County office buildings have been sold since 2020, an annualized decrease of **84.6 percent** compared with the prior five-year average.
- Asset pricing has softened by **22.5 percent** from 2019 to present but has demonstrated signs of stabilizing.

Vaccination rates

59.4%

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.



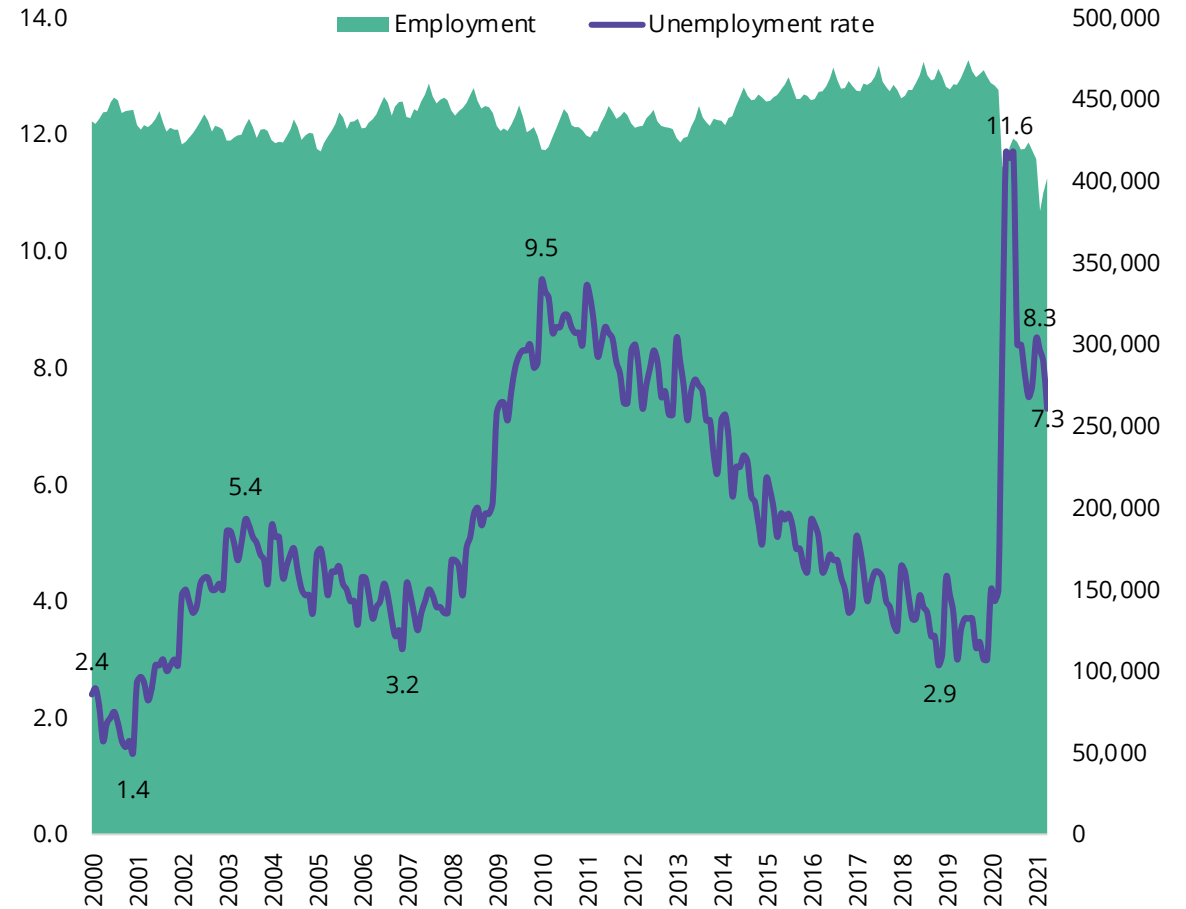
Source: CDC

Employment and unemployment rate

7.3%

Fairfield County unemployment rate as of April 2021, dipping below the height of the financial crisis

Historically tightened labor market conditions were halted by the pandemic with nearly 50,000 job losses between February 2020 and April 2020. The Fairfield County economy has lost 1.7% of jobs since April 2020. Alternatively on a national scale, reopening efforts enabled the U.S. economy to add 10.9% of jobs since April 2020.



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

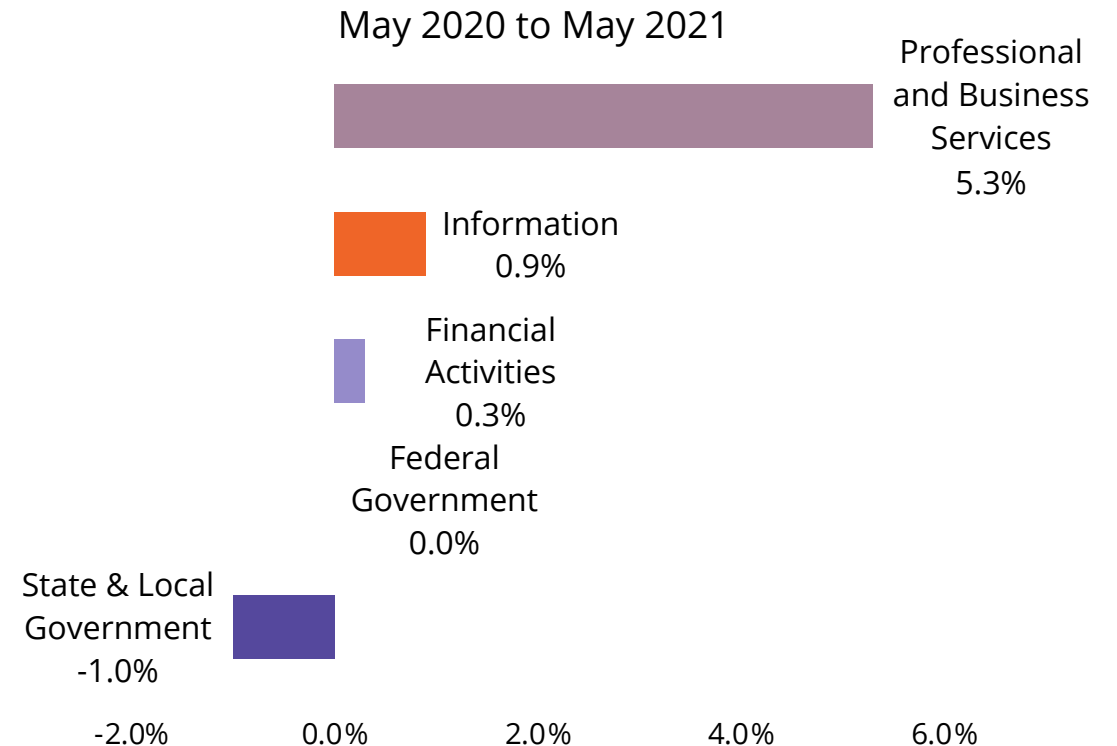
Office-using job gains and losses

+2.0%

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

Total Bridgeport-Stamford-Norwalk MSA jobs have declined by 12.0% since the start of the pandemic in February 2020, though office-using jobs increased by 2.0% from May 2020 to May 2021. This underscores the discrepancy in job losses between office-using and other employment sectors of the Fairfield County economy.

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



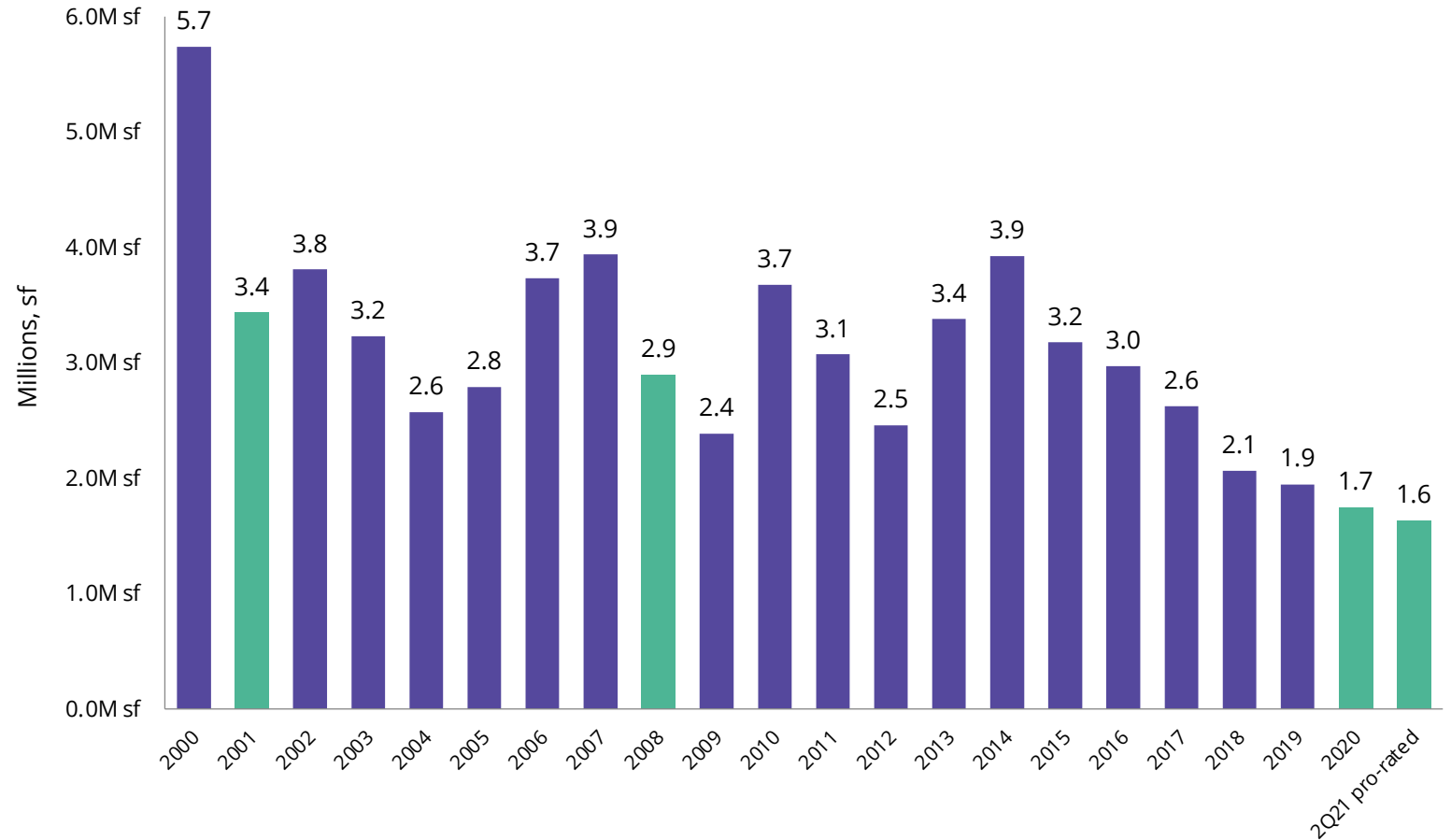
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Office leasing activity

-47%

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

There is no modern precedent for the post-COVID slowdown in leasing activity—not 2001 nor 2008—due to the sudden change in office occupiers’ future workplace strategies and the 2020 recession.



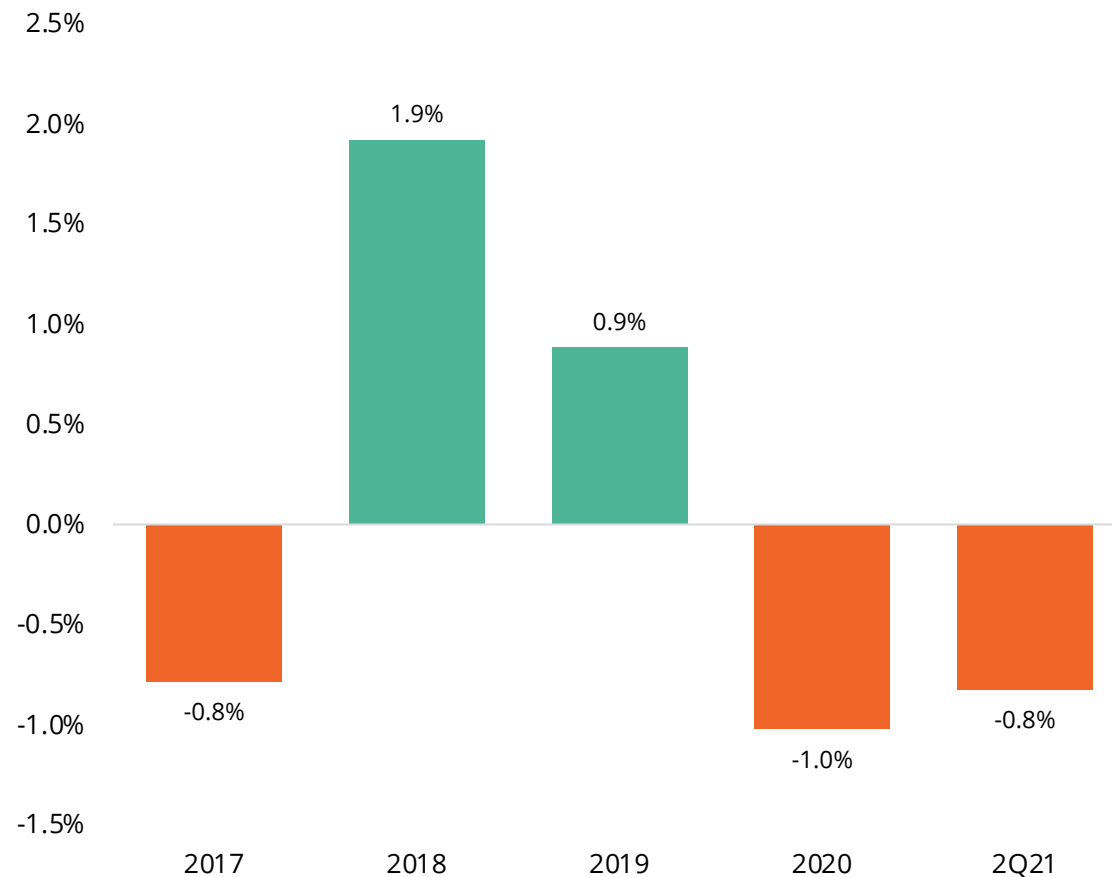
Source: AVANT by Avison Young

Absorption

-1.8%

Net absorption as a percentage of inventory, 2020 through Q2 2021

Negative absorption from 2020 to Q2 2021 has totaled approximately 1.0 million sf. Absorption as a percentage of inventory was almost exactly flat from 2017 through Q2 2021, increasing by an aggregate of 0.2%.



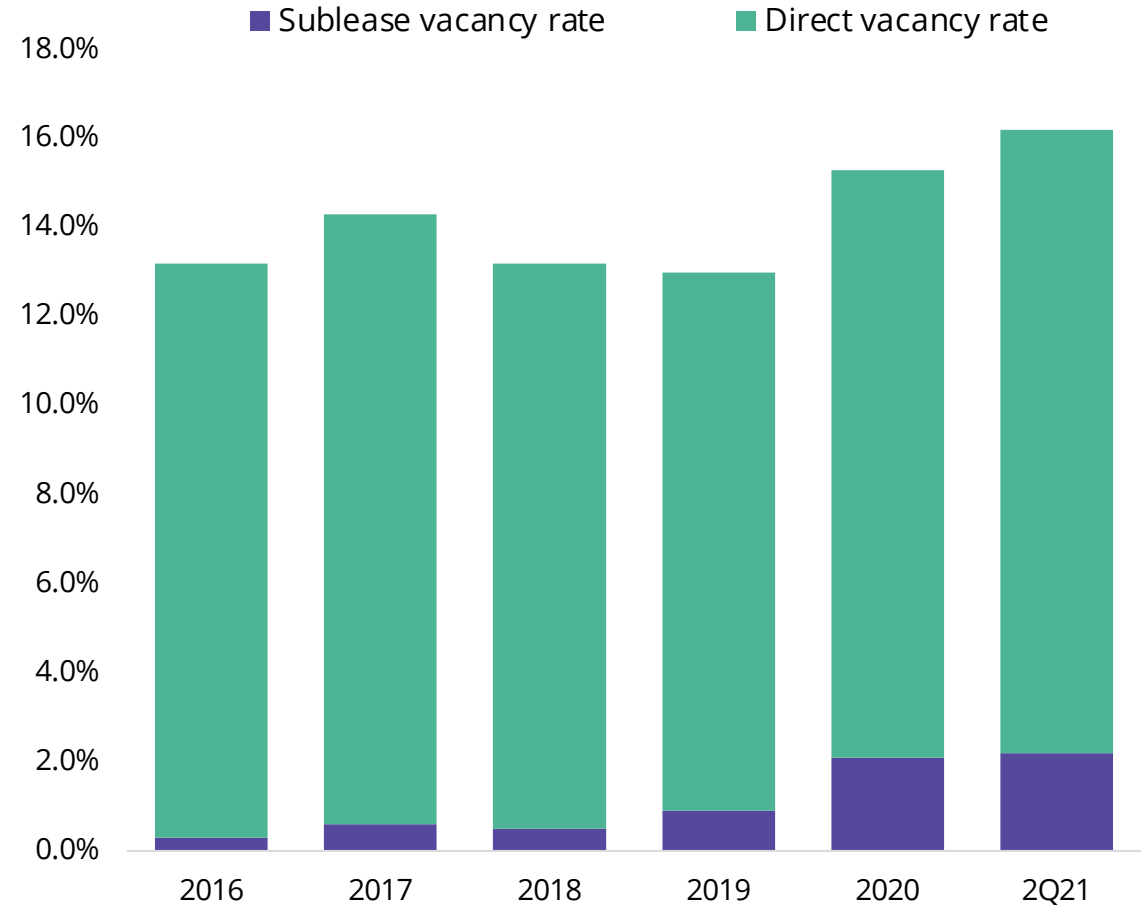
Source: AVANT by Avison Young

Vacancy rate

16.4%

Fairfield County vacancy as of Q2 2021

The Q2 2021 vacancy rate is elevated in terms of sublease (2.2%), direct (14.0%) and total (16.4%) percentages compared with recent historical levels. From 2019 to Q2 2021, the vacancy rate increased by 220 basis points.



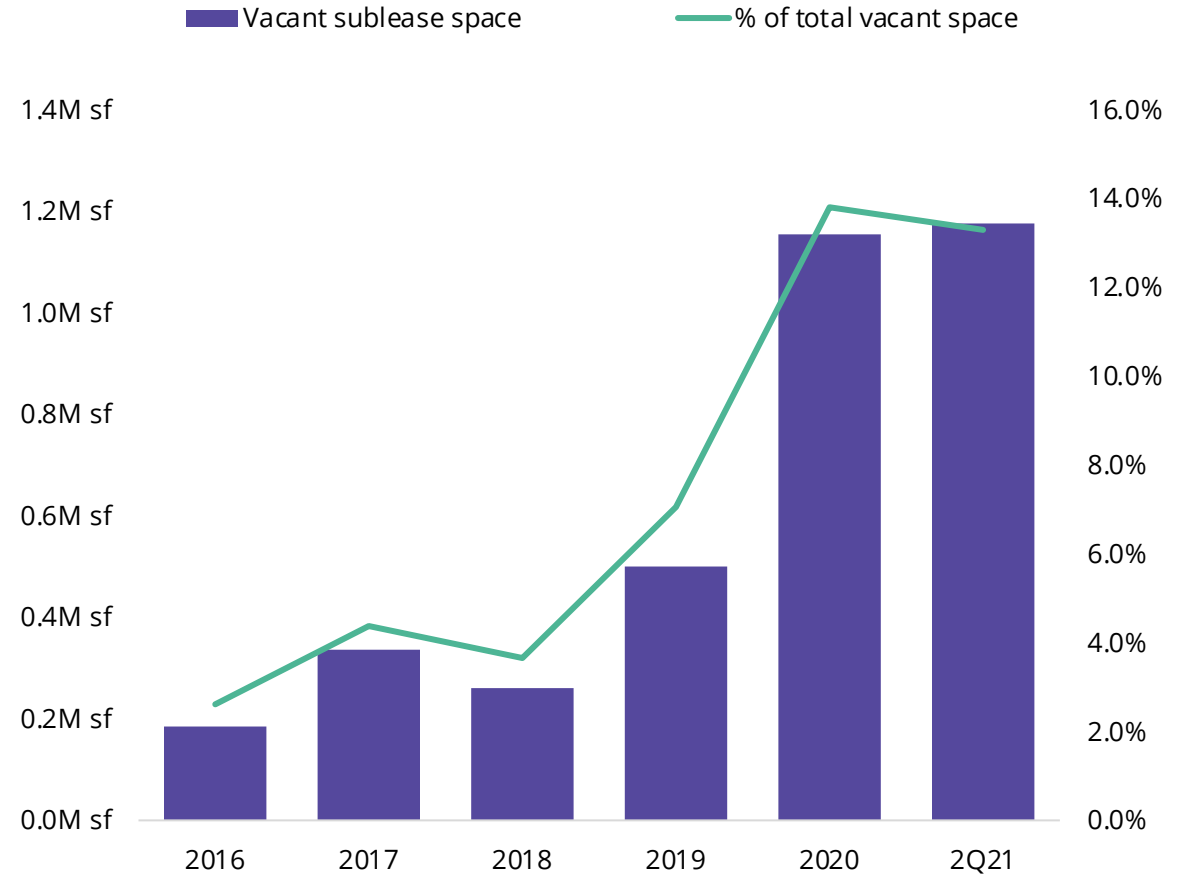
Source: AVANT by Avison Young

Vacant sublease space

1.2 msf

Total vacant sublease space

The share of sublease-to-total vacant space of 13.3% has dipped since 2020 (13.8%) but remains high compared to the previous four years. Sublease vacant square footage largely remained unchanged to date in 2021, though the Q2 2021 sublease vacant space represents 1.4 times the amount of space that was on the market in 2019.



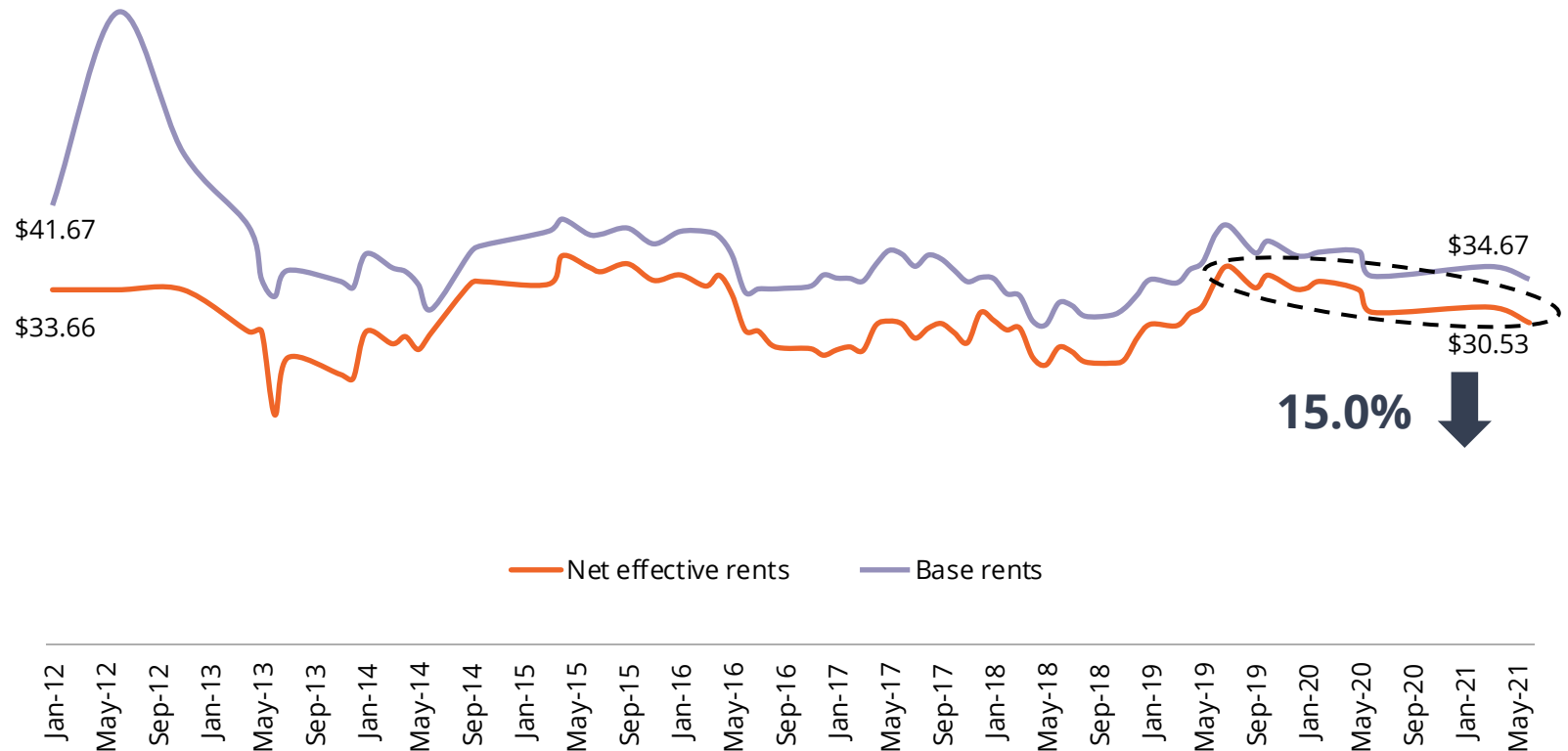
Source: AVANT by Avison Young

Net effective rents and base rents

-15.0%

7/2019 to 6/2021 net effective rent, Class A relocations

Net effective rents have continued their downward momentum and have decreased by 4.6% since March 2021. This signals that supply still outstrips demand for Class A space in Fairfield County.



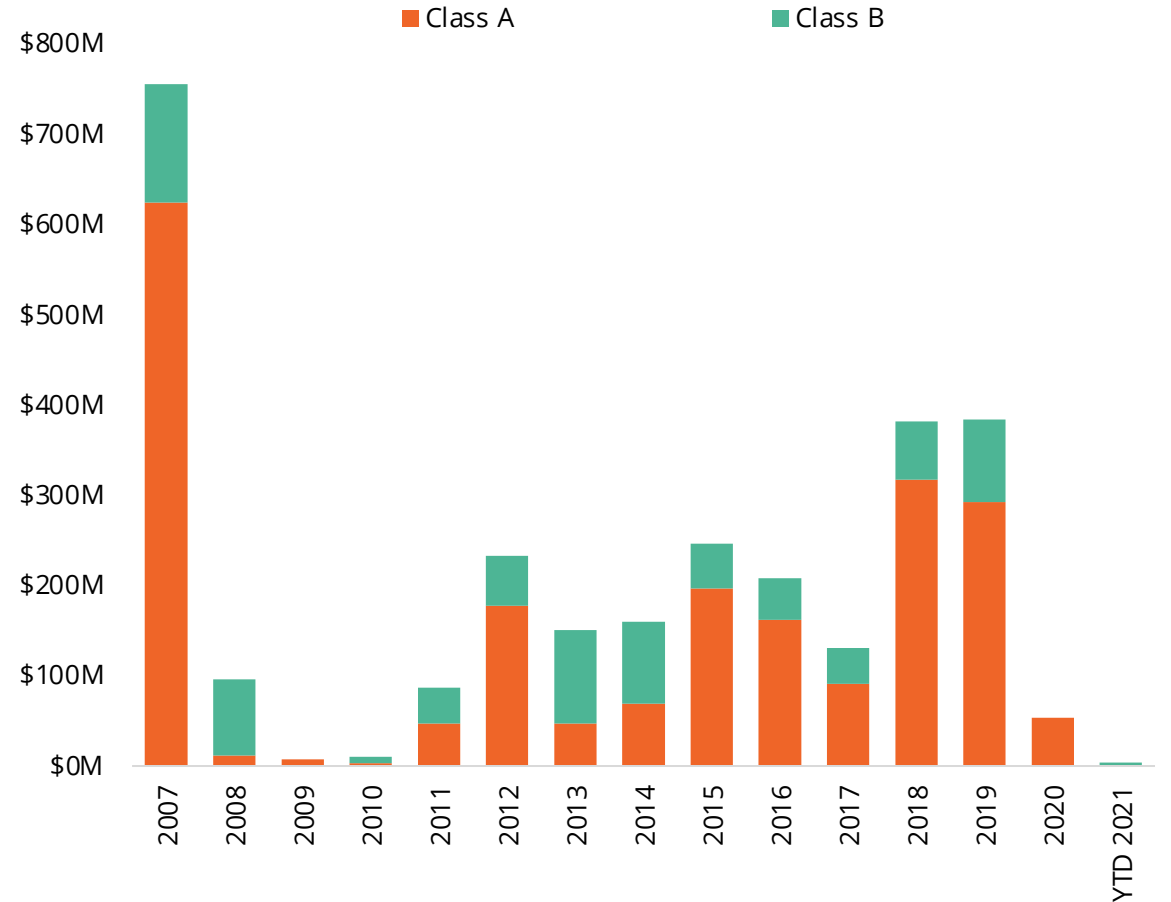
Note: Class A office properties. Trailing 12-month unweighted averages. Excludes subleases, renewals and expansions. Source: AVANT by Avison Young

Office investment dollar volume

\$64M

Fairfield County office dollar volume 2020 to present

Office sales activity has temporarily paused as investors grapple with softened occupier conditions, decreasing by an annualized rate of 84.6% compared with the prior five-year average dollar volume.



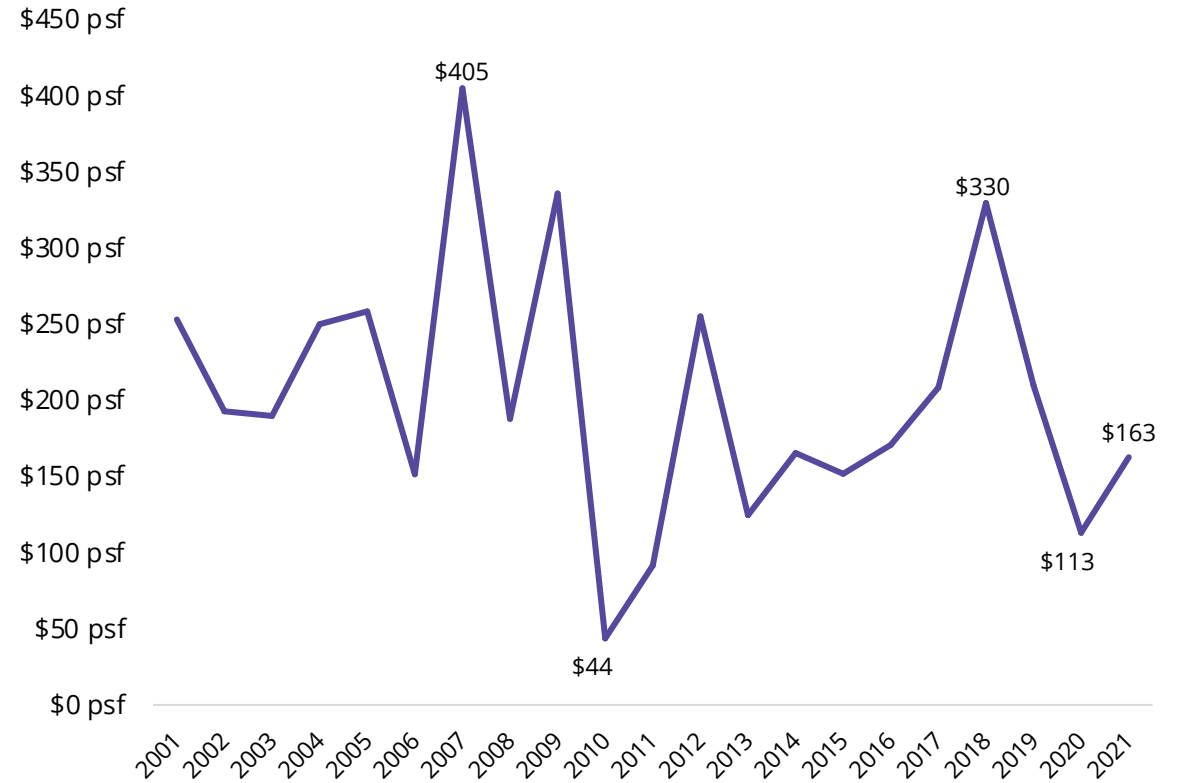
Source: AVANT by Avison Young

Office asset pricing

-22.5%

Fairfield County office pricing from 2019 to present

Pricing softened during the pandemic, decreasing from \$210 psf in 2019 to \$113 psf in 2020. However, asset pricing has trended incrementally upward in recent months, indicating a potential stabilization.



Source: AVANT by Avison Young

Looking forward



Here's what we can expect

- The **office market is poised to continue to struggle** except for prime submarkets such as Stamford and Greenwich.
- Stamford and Greenwich were the **beneficiary of relocations from New York City** in response to the pandemic. However, other Fairfield County submarkets are unlikely to attract demand from similar occupiers, likely positioning fundamentals in these areas to continue to soften.
- **Office leasing demand is incrementally rising**, allowing closed deal volume to increase through the balance of 2021, particularly for transactions below 20,000 sf.



Get in touch



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Let's talk

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