

MARKETBEAT

FAIRFIELD COUNTY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



1Q09

ECONOMY

As the national economy continued to deteriorate in the first quarter of 2009, Fairfield County felt the impact. Total employment in the county fell by 1.1% in January and February (March data is not yet available) and employment in office using industries declined by 2.4%. For Fairfield County, this has been a white collar recession with 65% of the total job loss in office using industries, a group that accounts for 29% of total employment. With the recession likely to continue into the second half of the year, it is likely that Fairfield County will experience further substantial declines in office demand. Currently, the decline is expected to end in late 2009 or early 2010.

OVERVIEW

The Fairfield County office market ended the first quarter in the midst of continued economic upheaval. Leasing activity remained flat totaling 402,159 square feet (sf) for class A space, down from the 477,088 sf leased same time last year. The two largest transactions for the quarter were Sikorsky Aircraft's lease of 92,880 sf at 6 Corporate Drive in Shelton and Bridgewater Associates lease of 56,229 sf at 500 Nyala Farms Road in Westport representing 37% of the activity.

As Fairfield County's unemployment continues to rise, so does the county's office vacancies. The overall class A vacancy rate countywide in the first quarter registered 17.0%, up significantly from 14.9% the previous quarter, and substantially higher than the 12.8% reported in the first quarter of 2008. More than 700,000 sf of space was added to the market inventory in the first quarter with 365,000 sf being sublease. Approximately 60% of the sublease space added was in the Stamford Central Business District (CBD) and non-CBD with give backs from such tenants as Time Warner for ±160,000 sf.

Overall asking rents for class A space countywide at the close of the first quarter averaged \$37.03 per square foot (psf), up from the \$36.29 psf average last quarter and \$35.83 psf same time last year. Although asking rents have increased slightly overall, achievable rents have gone down and concessions, such as free rent and tenant improvement allowances, have become more generous, resulting in much lower net effective rents for tenants. In the Stamford CBD and non-CBD, class A rents averaged \$47.01 psf and \$38.97 psf respectively, and Greenwich remained the priciest in the county with an overall average of \$66.09 psf.

The investment sales in Fairfield County were non-existent with no significant transactions reported and investors waiting on the sidelines for credit to ease and prices to stabilize. This trend will likely continue through the second quarter.

FORECAST

The Fairfield County real estate market is expected to begin to recover in early 2010 as employment begins to bounce back.

BEAT ON THE STREET

As painful as the market is for landlords and owners who are long on space, there are significant opportunities for tenants and investors to acquire space at historically low levels.

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	5.2%	7.4%	8.0%
Employment Growth	0.1%	-2.3%	0.5%

Source: Moody's | Economy.com

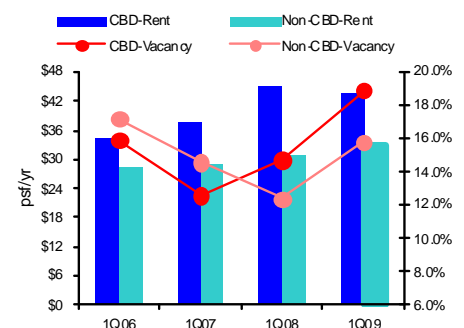
MARKET FORECAST

LEASING ACTIVITY will remain stagnant with fewer leases being executed throughout the year. ↓

VACANCY RATES will continue to rise as additional shadow space comes to the market. ↑

OVERALL ABSORPTION will remain negative due to increases in available square feet and less leasing activity. ↓

OVERALL RENTAL VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

MARKET / SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Stamford CBD	6,741,182	35	18.9%	13.2%	48,163	500,000	0	(153,603)	\$47.85
Stamford Non-CBD	8,077,575	102	22.3%	18.7%	38,489	353,228	0	(252,950)	\$38.97
Greenwich	4,195,332	62	14.3%	6.1%	30,126	0	0	(139,920)	\$61.91
Darien/New Canaan	746,990	22	12.2%	12.2%	4,500	0	0	3,205	\$35.00
Norwalk	5,941,735	48	15.7%	13.0%	72,732	0	0	(106,927)	\$32.80
Wilton/Weston	1,758,279	16	13.8%	9.8%	33,221	0	0	29,525	\$38.02
South Central	8,447,004	86	15.0%	12.2%	110,453	0	0	(74,197)	\$33.37
Westport/Southport	1,569,782	38	11.6%	9.3%	66,229	0	0	(9,409)	\$39.71
Fairfield	1,371,961	22	2.6%	1.9%	5,345	0	0	(9,212)	\$31.09
Central	2,941,743	60	7.4%	5.9%	71,574	0	0	(18,621)	\$38.84
Bridgeport	1,759,711	20	5.5%	5.5%	4,967	0	0	(158)	\$24.36
Shelton/Stratford	3,226,382	33	12.9%	11.9%	146,625	158,285	0	(37,191)	\$23.34
Trumbull	1,476,132	18	13.5%	11.5%	21,675	0	0	20,964	\$23.80
Eastern	6,462,225	71	11.0%	10.1%	173,267	158,285	0	(16,385)	\$23.62
Greater Danbury	3,258,083	35	20.4%	20.1%	18,100	0	0	13,767	\$24.44
CBD	6,741,182	35	18.9%	13.2%	48,163	500,000	0	(153,603)	\$47.85
NON-CBD	33,381,962	416	15.8%	12.8%	442,009	511,513	0	(488,306)	\$34.32
FAIRFIELD TOTAL	40,123,144	451	16.3%	12.9%	490,172	1,011,513	0	(641,909)	\$36.72

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
6 Corporate Drive	Shelton/Stratford	Sikorsky Aircraft Corporation	92,880	A
70 Seaview Avenue	Stamford Non-CBD	XL America Inc.*	87,361	A
500 Nyala Farms Road	Westport/Southport	Bridgewater Associates	56,229	A
230 East Avenue	Norwalk	Velocity	28,320	B

*Renewal

SIGNIFICANT 1Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Washington Boulevard	Stamford CBD	RBS	500,000	6/09
Harbor Point I & II	Stamford Non-CBD	N/A	400,000	4/09

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*Market terms & definitions based on BOMA and NAIOP standards.

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