

MARKETBEAT

FAIRFIELD COUNTY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



2Q08

ECONOMY

The Fairfield County economy performed somewhat better than the nation as a whole in the first half of 2008. Employment in the county increased modestly (+1,800 jobs) during the first half of the year, a period which saw the national economy shed about 440,000 jobs. Despite the troubles of the financial services industry since mid-2007, employment in this sector has increased in Fairfield. However, we do not expect this to continue during the second half of the year. As the national recession deepens, the Fairfield economy will feel the effects. The financial sector is likely to experience weakness as the spillover from the decline in New York takes hold.

The Fairfield economy does benefit from the presence of a high tech manufacturing sector mainly in the aerospace industry, which has thus far remained healthy. Strong demand from the defense sector and overseas air carriers are helping to offset the weakness of domestic airlines and keep this sector growing.

Overall, the region is expected to experience a mild recession during 2008 and into 2009 as the full effects of the credit crisis and the steep increase in oil prices are felt. However, a diverse industry base with a solid high tech presence should mitigate expected weakness in financial services.

OVERVIEW

At the close of the second quarter, despite the ill winds of global economic woes, the Fairfield County market as a whole remained healthy due to its supply constrained nature with a pittance of new construction over the past two decades and a small supply of large blocks of available space. Nevertheless, there has been a significant drop-off in leasing activity, as well as in investment sales year-to-date, tempering the increasing of prices on both leases and investment sales.

Overall availabilities countywide totaled more than 5.2 million square feet (msf) resulting in a 13.2% vacancy rate, a slight increase from 12.8% last quarter and a decrease from 13.6% one year ago. Overall class A vacancy registered at 13.3%; up from 12.8% last quarter and down from 13.7% one year ago.

Leasing activity in the second quarter totaled 447,658 square feet (sf); down from the 518,743 sf leased in the first quarter and well below the 704,061 sf leased in the second quarter of 2007. Significant transactions signed in the second quarter included Duff Capital's lease of 43,403 sf at 100 West Putnam Avenue in Greenwich, Citibank's lease of 30,590 sf at 200 First Stamford Place in Stamford, and Harman International Industries lease of 27,841 sf at 400 Atlantic Street in Stamford.

Overall asking rents averaged \$33.24 per square foot (psf) countywide, a minimal decrease from \$33.47 psf last quarter and up from \$31.45 psf at this time last year. Class A rents averaged \$35.27 psf, down from \$35.83 psf last quarter and up from \$33.65 psf one year ago. While there was an uptick in rental rates in the Stamford CBD at the close of the second quarter, class A rents in the CBD averaged \$46.06 psf, up significantly from a year ago when rents averaged \$40.65 psf. The concession packages offered by landlords to tenants, in the form of free rent and/or tenant improvements, however, have largely negated those gains. Stamford CBD rents were second only to Greenwich, whose rents in the CBD market can easily exceed \$100 psf.

FORECAST

While the market outlook is negative, the longer terms of today's lease contracts, combined with current demand (due to lease expirations) will sustain the market over the next six months. New construction will become less of a possibility, especially without tenant commitment. Landlords will continue to renovate existing structures rather than to construct new ones.

BEAT ON THE STREET

"We are in a whipsaw economic environment where for the most part, tenants are taking a wait-and-see approach toward committing to new space. The good news is that it's not as bad as we thought, but it's definitely a tenant's market where most landlords are more aggressive with concessions."


ECONOMIC INDICATORS


National	2006	2007	2008F
GDP Growth	2.9%	2.2%	1.6%
CPI Growth	3.2%	2.9%	3.6%


Regional			
Unemployment	3.9%	4.0%	4.7%
Employment Growth	1.4%	1.6%	0.3%

Source: Moody's | Economy.com

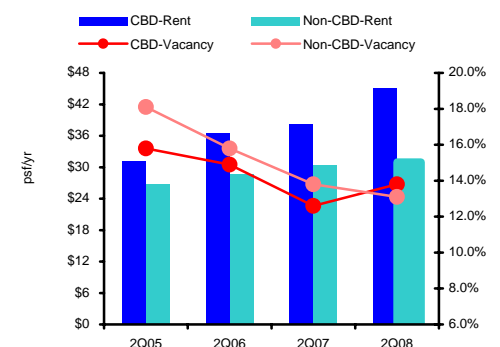
MARKET FORECAST

LEASING ACTIVITY is expected to increase with 12,000 to 15,000-sf tenants in the market. 

DIRECT AVERAGE RENTS have not increased dramatically, but indicate that concessions, such as free rent and tenant improvement allowances, are increasing. 

INVESTMENT SALES will continue at a slower pace due to the constraints of the debt markets. 

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	13.8%	9.6%	292,219	500,000	0	17,424	\$46.71
Stamford Non-CBD	7,751,946	101	20.2%	18.7%	147,963	0	0	(507,695)	\$38.48
Greenwich	4,195,332	62	6.2%	4.2%	151,638	0	0	16,015	\$58.19
Darien/New Canaan	746,990	22	12.8%	12.8%	7,610	0	0	(9,135)	\$35.38
Norwalk	5,885,735	48	13.9%	12.9%	75,576	0	0	(18,033)	\$31.53
Wilton/Weston	1,505,107	14	9.1%	4.3%	27,351	243,172	0	(29,587)	\$31.24
South Central	8,137,832	84	12.9%	11.3%	110,537	243,172	0	(56,755)	\$32.07
Westport/Southport	1,569,782	38	12.2%	9.4%	32,563	0	0	(56,169)	\$42.28
Fairfield	1,371,961	22	0.7%	0.7%	10,134	0	0	8,702	\$34.00
Central	2,941,743	60	6.9%	5.4%	42,697	0	0	(47,467)	\$41.63
Bridgeport	1,759,711	20	5.2%	5.2%	14,810	0	0	(13,039)	\$24.42
Shelton/Stratford	3,226,382	33	13.2%	10.8%	226,316	158,285	0	35,929	\$24.37
Trumbull	1,476,132	18	8.0%	6.0%	5,966	0	0	(979)	\$23.12
Eastern	6,462,225	71	9.8%	8.2%	247,092	158,285	0	21,911	\$24.22
Greater Danbury	3,258,083	35	17.5%	17.3%	46,787	0	0	16,293	\$25.14
CBD	6,741,182	35	13.8%	9.6%	292,219	500,000	0	17,424	\$46.71
NON-CBD	32,747,161	413	13.1%	11.6%	746,714	401,457	0	(557,698)	\$33.01
FAIRFIELD TOTAL	39,488,343	448	13.2%	11.2%	1,038,933	901,457	0	(540,274)	\$35.53

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
100 West Putnam Avenue	Greenwich	Duff Capital	43,403	A
200 First Stamford Place	Stamford CBD	Citibank, N.A.	30,590	A
400 Atlantic Street	Stamford CBD	Harman International Industries	27,841	A
301 Tresser Boulevard	Stamford CBD	Unilever	23,031	A

SIGNIFICANT 2Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
375 Bridgeport Avenue	Shelton/Stratford	375 Bridgeport Property LLC	45,531	\$3,900,000

SIGNIFICANT 2Q08 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	10/08
40 Danbury Road	Wilton/Weston	N/A	161,222	10/08
60 Danbury Road	Wilton/Weston	N/A	81,950	11/08

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

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