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Houlihan Lawrence’s Commercial Group releases new forth quarter report on Fairfield Country

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Greenwich, CT Fairfield County economic and employment data mirrored positive national trends in the second half of 2018, and the county is sharing the momentum being experienced by its adjoining Westchester, NY neighbor, according to a new fourth quarter report released by Houlihan Lawrence’s Commercial Group.

Fairfield office occupancy improved considerably during the second half of the year. Vacancy rates declined as property owners became proactive in attracting tenants by lowering pricing objectives. Reported office lease rates were 6% lower, year over year, comparing the fourth quarter of 2017 to the fourth quarter of 2018.

Greenwich offices in particular experienced strong headwinds in 2017, suffering sharp occupancy losses. Property owners reacted constructively to this setback and accepted deep cuts in leasing rates, in addition to providing term flexibility and leasing incentives to tenants. According to industry data, Greenwich leasing rates dropped 22% during 2018, which helped this segment of the market recover 4% of occupancy during the second half of the year.

Stamford office leasing continues to benefit from ever-increasing consumer demand for access to public transportation, and the many conveniences found in urban hubs. This trend is having a positive impact on high-profile buildings including the former UBS space at 677 Washington Ave. According to ownership, the building is experiencing leasing success and will soon show significant occupancy gains.

Among the new tenancy is, reportedly, media production companies taking advantage of the existing technical infrastructure. Another well-located property, the 500,000s/f 15-story facility at Gateway Harbor Point near to the Stamford train station, is slated to become the new headquarters of Charter Communications.

Fairfield retail properties exhibited strength and resilience, performing better than the reported national trends for occupancy. The year unfolded with the most recent wave of national big brand retail distress eroding County fundamentals. The supply-demand balance then reversed in the second half of 2018 as rental rates declined 5%, attracting new retail business tenants. Retail square footage under construction, particularly GGP’s large SoNo mall (now owned by Brookfield), will result in a 3% increase in available retail rental stock when delivered. Additional high end, new inventory will certainly negatively impact older shops in less attractive locations.

Greenwich retail properties have been under pressure since the middle of 2017. Retail space owners have been particularly responsive, according to industry data, as overall rents have declined by 11%. Attractive pricing and tenant improvements have lowered the cost of occupancy bringing in new business. Year over year, occupancy increased by one% in the fourth quarter of 2018.

In summary, market shifts are accelerating. The design and type of retail offerings must reflect the needs of a consumer who is highly selective, aware of competitive offers, and seeking unique products and experiences. In the office sector, convenience, connectivity, and proximity to public transportation are dictating success.

“In such a fast-changing environment, the pace of investment sales transactions has weakened. Recent higher interest rates are a challenge to those requiring financing for acquisitions. Facing uncertainty, investors and financing partners are underwriting current and future real estate investment cash flows carefully and cautiously,” said LaPerch.