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Cushman & Wakefield presents the results of Q3 2019 Westchester and Fairfield Office Market Reports

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Stamford, CT Cushman & Wakefield has presented the results of the Q3 2019 Westchester and Fairfield Office Market Reports. The leading indicator of office occupancy is employment growth, as when there is an increase in employees, the occupancy of office space generally goes up, moving the vacancy rate down. Interestingly, while Fairfield County saw an increase in new employees and Westchester saw a decrease, the corresponding vacancy rates went in different directions.

Fairfield County: As mentioned above, job growth continued its upward trajectory in the third quarter of 2019, increasing 2,565 jobs from the previous three months. There were 3,974 more people employed in Fairfield County at the end of the quarter than there were at this time last year. As a result, the unemployment rate contracted over the last twelve months by 50 basis points (bps) to 3.3%—the lowest level recorded in more than 17 years.

Despite stellar job growth, year-to-date leasing activity fell 17.5% from this time last year to 1.7 million s/f. Similarly, leasing velocity dipped below the five-year historical average of 1.915 million s/f by 11.4%. Most of the year-over-year decline was mainly due to a reduction in large block transactions. Indeed, one transaction in the third quarter of 2018 accounted for 25.8% of 2018 year-to-date demand.

The largest office leasing transactions in Fairfield County for the third quarter of 2019 included:

- 415,266 s/f new lease at 677 Washington Blvd. in Stamford;
- 98,907 s/f new lease at 50 Danbury Rd. in Wilton; and
- 58,566 s/f expansion at 333 Ludlow St. in Stamford.

Despite the increase in employment, the overall vacancy in Fairfield County stayed elevated in the third quarter, registering a 210-bp increase since the third quarter of 2018 to 26.7%. Despite the increase in available space, the vacancy rate is expected to drop by 320 bps to 23.5% as tenants begin to occupy the space they committed to over the past year.

Even so, the Eastern and Greenwich submarkets posted a year-over-year small drop in overall vacancy to 18.1% and 17.3%, respectively. The overall average asking rent contracted by \$0.74 per s/f over the last twelve months to \$31.47. Most of the decline occurred in the Stamford and Greater

Danbury markets, down \$0.21 and \$5.71 per s/f, respectively.

Most of the Greater Danbury's rental market decline was attributed to the complete renovation, repositioning and repricing (significantly lower) of the Summit at the Ridge commercial complex at 39 Old Ridgebury Rd., which added more than 740,000 s/f of class A office space to the market, priced at \$18.50 per s/f.

"Leasing activity is expected to become more robust in the following months, as there are several large notable transactions could occur before year-end. Furthermore, we expect that the vacancy will substantially over the next six to eight months as large corporate tenants begin to occupy space they leased nearly six to 12 months ago," said Jim Fagan, managing principal, Connecticut and Westchester market leader of Cushman & Wakefield. "Submarkets with highly amenitized buildings located near major transportation outlets will continue to drive demand going forward."

Westchester County: Total employment contracted by 4,361 jobs over the last twelve months, ending the third quarter of 2019 with an unemployment rate of 3.6%. Even with this decline, the overall unemployment rate closed the quarter 10 basis points (bps) below the national average of 3.7%.

In contrast to Fairfield County and despite a lackluster labor market in Westchester, year-to-date leasing activity actually increased a noteworthy 20.4%, recording 785,291 s/f of new transactions. Although year-to-date demand showed an increase from last year, overall year-to-date demand is down by 17.9% relative to the five-year historical average. The West I-287 submarket led the county in leasing activity so far this year, outpacing year-to-date demand recorded last year by 33.2% with 239,070 sf transacted.

The largest leasing transactions in Westchester County for the third quarter of 2019 included:

- 63,575 s/f new lease at 1311 Mamaroneck Ave. in White Plains, NY;
- 25,523 s/f new lease at 1 International Dr. in Rye Brook, NY; and
- 25,000 s/f new lease at 2500 Westchester Ave. in Purchase, NY.

Due to the uptick in leasing activity, overall vacancy throughout the county fell 210 bps over the last twelve months to 23.0%. Although the removal of the former IBM campus in Somers from the statistical sample helped put downward pressure on the county's overall vacancy rate, demand driven fundamentals also fueled the decline. Year-to-date net absorption posted 234,025 s/f of occupancy growth with the West I-287 submarket posting the largest increase at 144,511 s/f.

Overall average asking rents increased \$1.05 per s/f over the last twelve months to \$28.50 per s/f. The Southern market registered the largest increase since the third quarter of 2018, posting a notable \$2.07 per s/f increase to \$28.61. Similarly, the White Plains CBD climbed \$0.87 per s/f to \$33.56.

“Though the amount of office conversions appears to be slowing down, less competitive office product is still anticipated to continue to come off the market. As a result, expect the overall inventory to shrink going forward but overall leasing activity to finish the year higher than overall demand recorded in 2018, albeit nominally,” said Fagan.

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