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## **Lower Fairfield County commercial real estate outlook - by Jim Fagan**

December 20, 2019 - Connecticut

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Since the beginning of the commercial real estate industry, “location, location, location,” has always been the traditional mantra for developers, landlords, tenants and brokers alike, so it’s no surprise that the demand for commercial real estate in centrally-located Stamford has driven office leasing activity in Fairfield County as a whole in 2019.

The Fairfield County market has seen positive trends emerge due to improvements in the commercial business district (CBD) office sector. This is likely the result of the weeding out of less competitive buildings and growth in other commercial markets, such as apartment buildings, medical and other uses. As developers and landlords in and around Stamford’s city center continue to create critical masses of housing, office space and entertainment venues with proximity to the city’s transportation hub, Stamford will continue to capture its fair share of office users.

Looking towards 2020, overall vacancy is projected to drop in lower Fairfield County and demand is anticipated to remain relatively unchanged. Shrinking inventory is a main driver of this trend and properties are being repurposed or renovated to more modern infrastructure. Enhancing the tenant experience has become a top priority. The on-demand economy is reshaping tenant expectations about how real estate is consumed and technology-enabled facilities and personalized experiences are at the forefront of many of the new developments and renovations taking place.

2019 has brought and 2020 will bring several examples of leasing and repurposing of large blocks of space, such as WWE, KPMG and Perkins Eastman’s upcoming move into the UBS Building in downtown Stamford. WWE’s previous headquarters in Stamford will either be snapped up by a corporate user or converted to spectacular residential units with views of Long Island Sound, while General Electric’s former division HQ (former Border Books HQ) in Stamford will likely be converted to a Senior Living facility. It also appears imminent that a formerly-occupied, large corporate headquarters facility in North Stamford may be repurposed for a municipal use.

How are specific commercial real estate markets looking?

- Greenwich - Overall vacancy increased by 1.2 percentage points over the last twelve months. Most of the increased can be attributed to the rise in sublease space in CBD market.
- Stamford - Overall vacancy also increased from one year ago by 80 bps, however, that should drop noticeably within the next 6-12 months.
- Westport - Leasing activity more than doubled from last year recording nearly 80,000 s/f in new transactions, which caused a sharp decline the submarkets overall vacancy rate by 4.4 percentage points to 15.4%.
- Danbury - The greater Danbury market has the second highest overall vacancy rate in the county at 30.9%, which is mainly attributed to "The Summit," which accounts for approximately 78.1% of all the available space in the greater Danbury submarket.

As it stands, the overall office vacancy rate in Fairfield County is 26.7%. However, that is expected to drop to 23.5% as tenants begin to occupy the space they committed to over the past year. Leasing activity is also expected to become more robust in the next year, as there are several large, notable transactions that could occur before year-end.

The overall average asking rent dropped by \$0.74 per s/f over the last 12 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.

The greater Danbury rental market decline was attributed to the complete renovation, repositioning and repricing of the Summit at the Ridge commercial complex, which added more than 740,000 s/f of class A office space to the market.

An additional driver for the marketplace will be a migration of the millennial demographic from Manhattan out into the suburbs as they fully embrace their time for family formation. As these young professionals move into our suburbs, large corporate users will re-evaluate their real estate strategies and gobble up space in those suburbs so that they can attract and retain those professionals in their pursuit of the best human capital.

As for retail, it isn't dead. It's being refreshed, rebranded and reimagined. Property owners are working hard to make their retail sites attractive and relevant in today's market. This includes an emphasis on curb appeal and redeveloping spaces that may previously have been occupied by a big-box tenant. Many are turning larger vacancies into multiple spaces to accommodate junior anchors and smaller tenants at a time when many retailers are rightsizing and working to maximize efficiencies. At the same time, landlords are replacing building facades and updating landscaping, parking areas and lighting to enhance visual appeal.

Submarkets with highly amenitized buildings located near major transportation outlets will continue

to drive demand going forward. Landlords and developers alike know the creation of exceptional experiences is not just about keeping the tenant happy. It is also about extending those superior services to the property's every day user: The retail shopper, the resident living in a multifamily building, the employee working in an office space or the manufacturer using a warehouse.

Overall the outlook for 2020 looks promising for commercial real estate in Fairfield County.

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