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Houlihan Lawrence releases 2023 Fairfield Commercial Market report

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Fairfield, CT The Fairfield County commercial market completed 2023 on a generally positive note, according to the Houlihan Lawrence Fairfield Commercial Market report. According to the report, Greenwich retail rental rates ended 2023 at the best levels ever seen in late spring. Greenwich office occupancy and lease rates remained remarkably stable over the second half of 2023. However, the greater Fairfield office market is showing occupancy and lease price weakness. Vacancies are now over 16% and rents have declined over the last two quarters.

“Fairfield’s economy has been historically propelled by service industries and continues to be in the sweet spot for growth and employment. Entertainment and hospitality industries, severely punished during the pandemic, have made a forceful come back. This, in turn, has provided a rebound in activity and an improved outlook for many retail properties in Fairfield County and in other areas that enjoy the presence of a high disposable income population,” said Garry Klein, managing director, Houlihan Lawrence Commercial Division. “Overall, commercial real estate investment sales across property types are weak. A thawing of the transaction market is now in sight as there is increased confidence that the Federal Reserve will succeed in taming inflation, the interest rate hiking cycle has likely ended, and that rate cuts are probable for 2024.”

Greenwich Retail Vacancy Drops Helped by Lower Rents

Retail properties in Greenwich had a challenging Q3 and a recovery in Q4. A meaningful drop in occupancy, during the summer months, appeared to reverse the gains achieved in the first half of 2023. Later in the fall, an improvement in demand and some recovery in occupancy emerged, with all leasing activity concentrated in the direct market. Meanwhile, retail owners became tougher in negotiations, holding the line on discounts as they observed resilient consumer spending trends. As a result, Greenwich retail rental rates fully recovered by year end, ending 2023 at the best levels seen in late spring.

New hospitality and other service providers in the wellness categories continue to look for entry points into the Greenwich retail market. An example is Wichita Total Wine and More that opened last November at Greenwich Place. Among other new stores in Greenwich is Green & Tonic, a plant-based eatery with roots in CT, that is planning a new location in Glenville Plaza, owned by Sutton Land LLC. At the same time, Glenville Plaza is looking for a major supermarket to anchor the center while addressing parking issues to improve the attractiveness of the center.

Greenwich Offices Sustain Premium Pricing and Occupancy

Nationally, the office sector continues to experience strong headwinds stemming from the work from home preferences developed by employees during the Pandemic. However, the Greenwich offices continue to be in an advantageous situation. Located amid prosperous suburbs and in a niche market for the financial services industry, its position continues to shine. Occupancy and lease rates remained remarkably stable over the second half of 2023. Underscoring the fit and finish demands from users of office space in Greenwich is the announced renovation of 145 Mason St., located in downtown Greenwich. This Class A building owned by Win Properties is slated to undergo extensive interior and exterior renovations this year. After renovations, the building will be marketed for lease. Studios Architecture, an international design firm, has been selected to spearhead the project. The building's attractive location, in proximity to the train, and potential rents given the location, justified the renovation.

Fairfield Retail Owners Gain Confidence on Pricing

Despite a loss of occupancy, the frequency of lease inquiries has improved, and real estate owners feel more confident in holding the line on pricing and reducing concessions. During the second half of 2023, there were 58,000 s/f of new retail space delivered to the market, negatively impacting occupancy. However, rental prices increased 5% during this period. In addition to pricing discipline, there is also a store mix factor impacting lease rate statistics; spaces with the greatest visibility and in locations that offer the most convenience -- typically more costly -- are leasing briskly at the expense of space with lower functionality. As a result, the average lease rate for the area has moved higher.

Greater Fairfield Office Owners Experience Headwinds

Contrasting Greenwich's office resilience, the greater Fairfield office market is showing occupancy and lease price weakness. Vacancies are now over 16% and rents have declined over the last two quarters. Despite headwinds, several major companies renewed their Fairfield leases in late 2023, according to the CT Insider. These companies include two Fortune 500 companies, toolmaker Stanley Black & Decker and online travel agency Booking Holdings, which respectively, renewed agreements for 60,000 square feet in New Britain and nearly 20,000 square feet in Norwalk. Other firms that renewed their leases included Purdue Pharma, which extended its stay in downtown Stamford with a renewal for more than 100,000 square feet.

Investment Transactions Remain at Depressed Levels

Fairfield investment sales transactions remained at low levels due to the challenging environment that has been common across geographies. Scarce debt financing, wide bid-ask transaction spreads and investor's lack of confidence in valuations has suppressed investments sales. Despite these headwinds, median transaction prices remained stable during the year.