

4Q24

# Fairfield County Office Market Overview

**NEWMARK**



# Market Observations

## Economy

- Despite macro-economic headwinds the state of Connecticut showed resilience in 2024, with nonfarm industry employment at 13,800 positions higher year-over-year. Increases in the financial and insurance sector were particularly strong this year, with 119,600 total positions in November, compared to 117,500 this time last year.
- As of November, the state's unemployment was 308 basis points lower than the 3.9% rate recorded a year ago, ending at 2.7%. Fairfield County's unemployment rate decreased by 317 basis points to 2.8% from 4.1% last year. Both the state and county unemployment are below the national rate of 4.0%, which has increased by 143 basis points year-over-year from 3.5%.
- Several industries added jobs in the Bridgeport-Stamford-Norwalk metro area in Q4 2024, with gains led by the healthcare and education sectors, while declines were largely concentrated in the professional and business services sector.

## Major Transactions

- The recruiting firm Indeed, which has been one of the county's largest tenants in the market for the past five years, finally signed a deal to relocate its headquarters to 200 Elm Street and 695 East Main Street this year. They will vacate roughly 200,000 SF within the RFR portfolio and move into a new 124,180 SF space.
- Investment sales activity saw an uptick in 2024, with approximately 1.1 million SF traded for a combined \$176 million and an average of \$228/SF. By comparison, only 461,000 SF of office product exchanged hands in 2023 for a combined \$76 million and an average of \$192/SF.
- Bucking the trend of adaptive re-use of long-vacant office buildings throughout the county, the Greenwich market is experiencing organic growth that is impacting several Downtown Class B and C assets. A major Greenwich occupier purchased an acre of land near their headquarters with five properties, including 537 and 545 Steamboat Road. They plan to build a new 40,000-SF office building for their own use.

## Leasing Market Fundamentals

- After reaching a historical high of 27.9% last quarter, the overall availability rate ended at 27.7% in the fourth quarter, up from 26.3% at the start of 2024. The direct vacancy rate hit a new record high of 19.3% last quarter and stayed at 19.3% in the fourth quarter. Although several buildings slated for redevelopment have been removed from the office inventory, large occupiers such as Indeed, Henkel and Philips have reduced footprints this year, adding new supply to the market.
- More than 889,000 SF of leases were transacted in the fourth quarter, bringing the YTD 2024 leasing volumes to nearly 3.4 million square feet. But while large deals buoyed total leasing volumes, they were a double edge sword, as some reduced their original footprints by half. Year-to-date net absorption therefore ended with negative 591,646 SF.
- With more leasing activity focused on higher-priced product and leaving behind availabilities with a lower price tag, the Class A direct average asking rate moved down to \$39.50/SF compared to \$40.93/SF in the fourth quarter of 2024, while Class B rents remained stable at \$29.39/SF.

## Outlook

- Recently observed trends, both nationally and locally, are likely to continue throughout the remainder of the year. These include continued flight-to-quality into smaller footprints but also large tenants' tendency toward renewals with longer lease terms versus relocations.
- On a more macro note, economic conditions may point to a more supportive environment as Fed officials cut rates by 50 basis points for the first time in four years, citing increased confidence that inflation is moving down toward their 2% goal. That said, the commercial real estate market still faces some headwinds, particularly for assets with loan maturities on the horizon. Capital markets activity will likely increase as owners look to refinance or dispose of assets that no longer meet their investment criteria. This may also lead to more conversions of office properties that are deemed un-leasable in today's market.

1. Economy
2. Leasing Market Fundamentals

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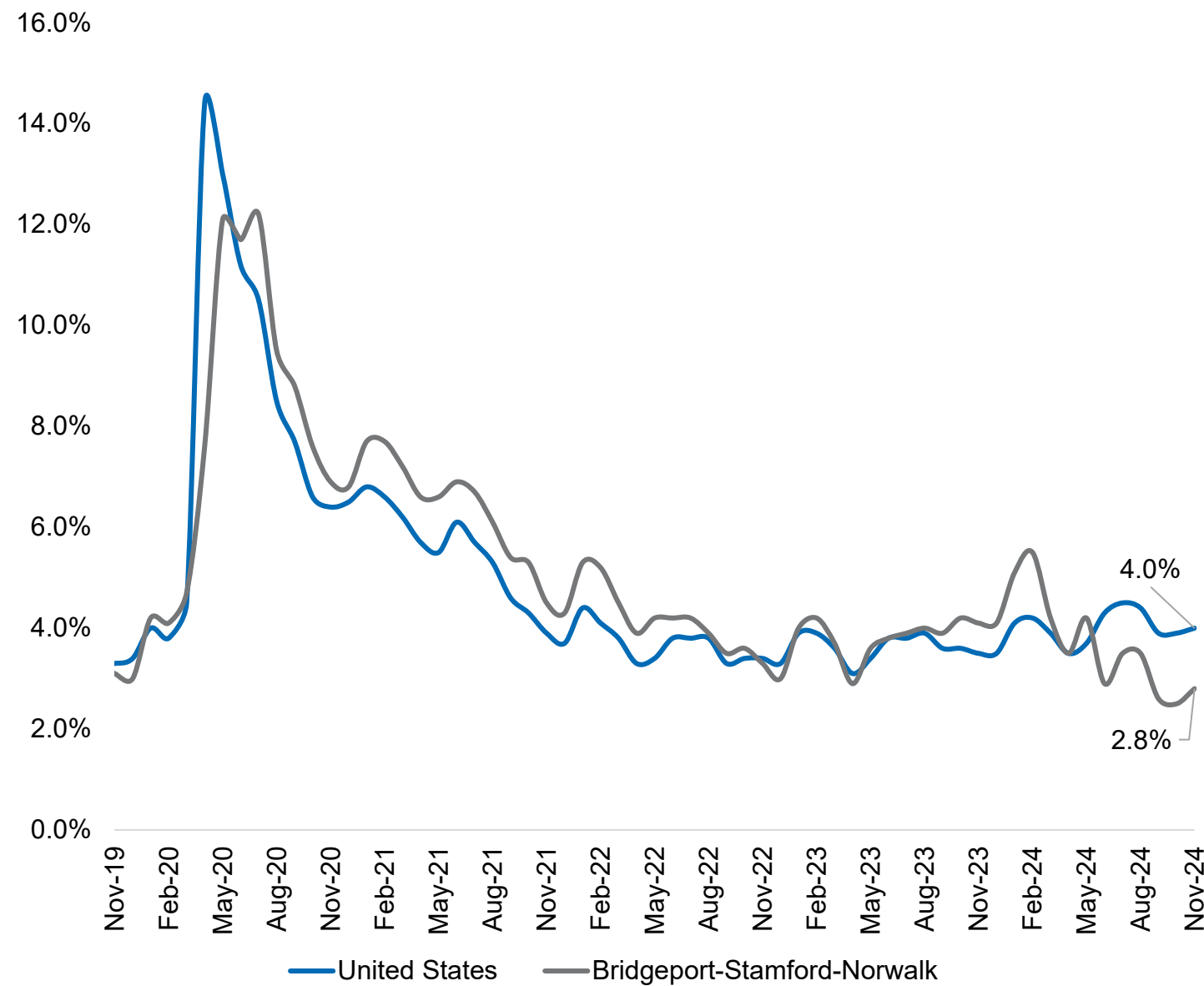
# Economy



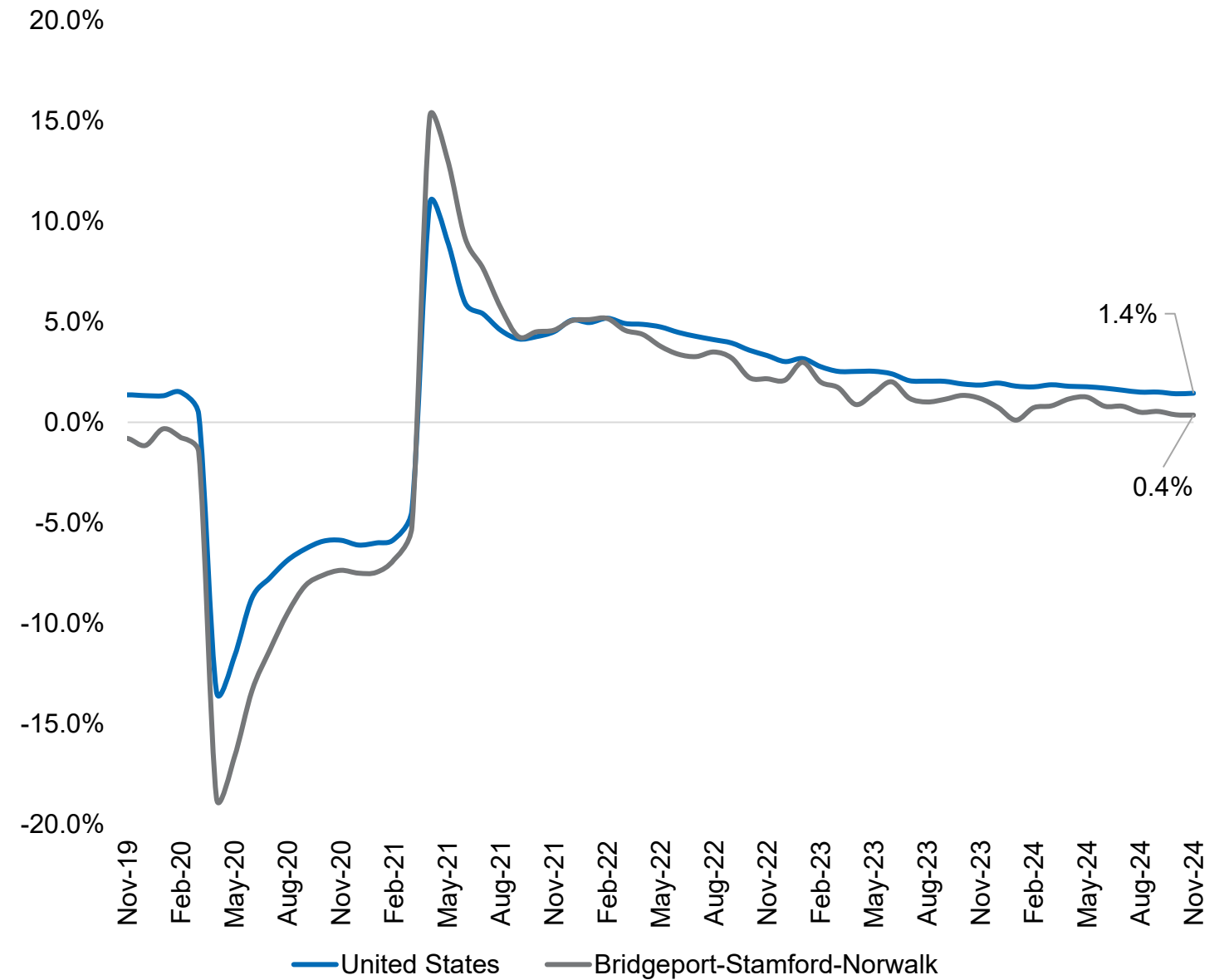
# Metro Employment Trends on State and County Level

The unemployment rate ended at 4.0% in the United States and 2.8% in the Bridgeport-Stamford-Norwalk metro area in November. The State of Connecticut gained 300 nonfarm jobs in November 2024, increasing by 0.6% year-over-year. Job gains on the state level were led by educational and health services (+0.3%), financial activities (+0.4%), construction and mining (+0.5%), other services (+0.5%), trade transportation and utilities (+0.1%), and information remained unchanged. Losses were led by professional and business services (-0.4%), government (-0.2%), leisure and hospitality (-0.3%), and construction (-0.2%).

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

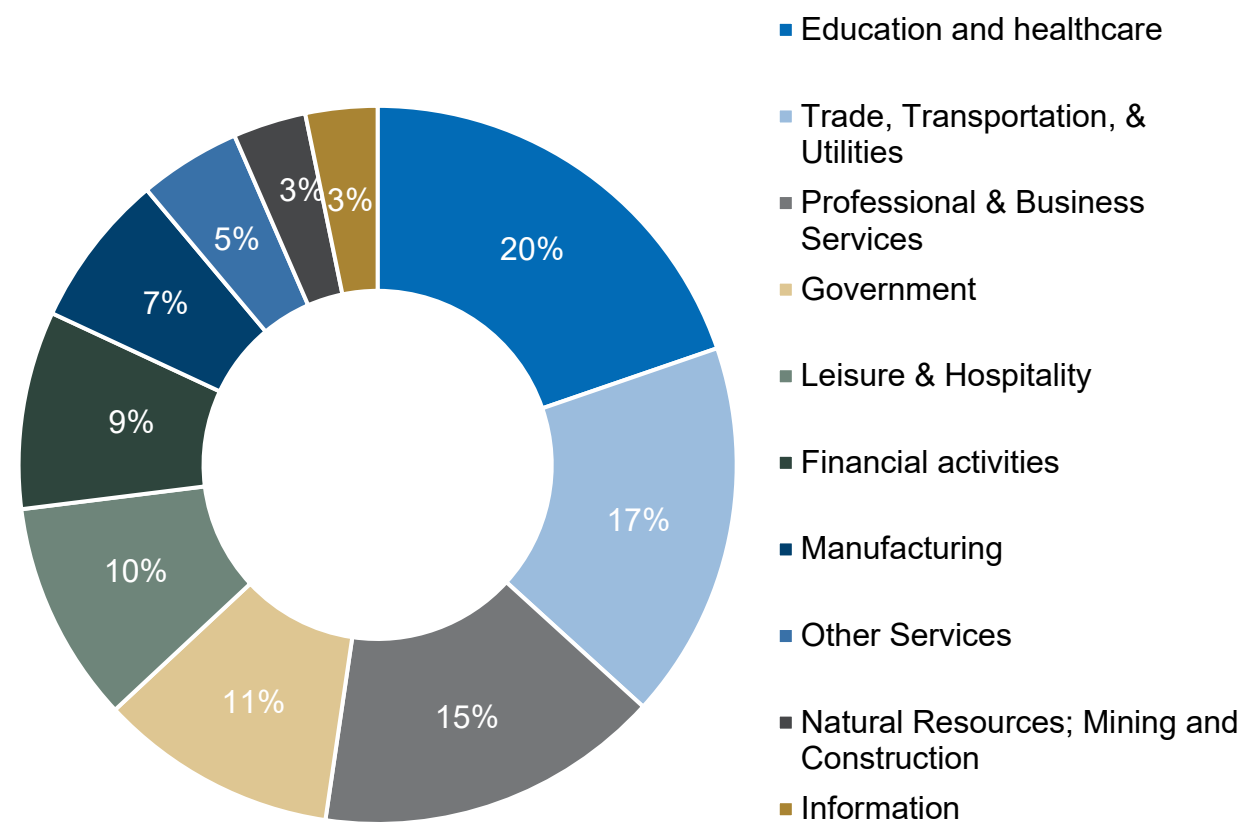


Source: U.S. Bureau of Labor Statistics, Bridgeport-Stamford-Norwalk Area

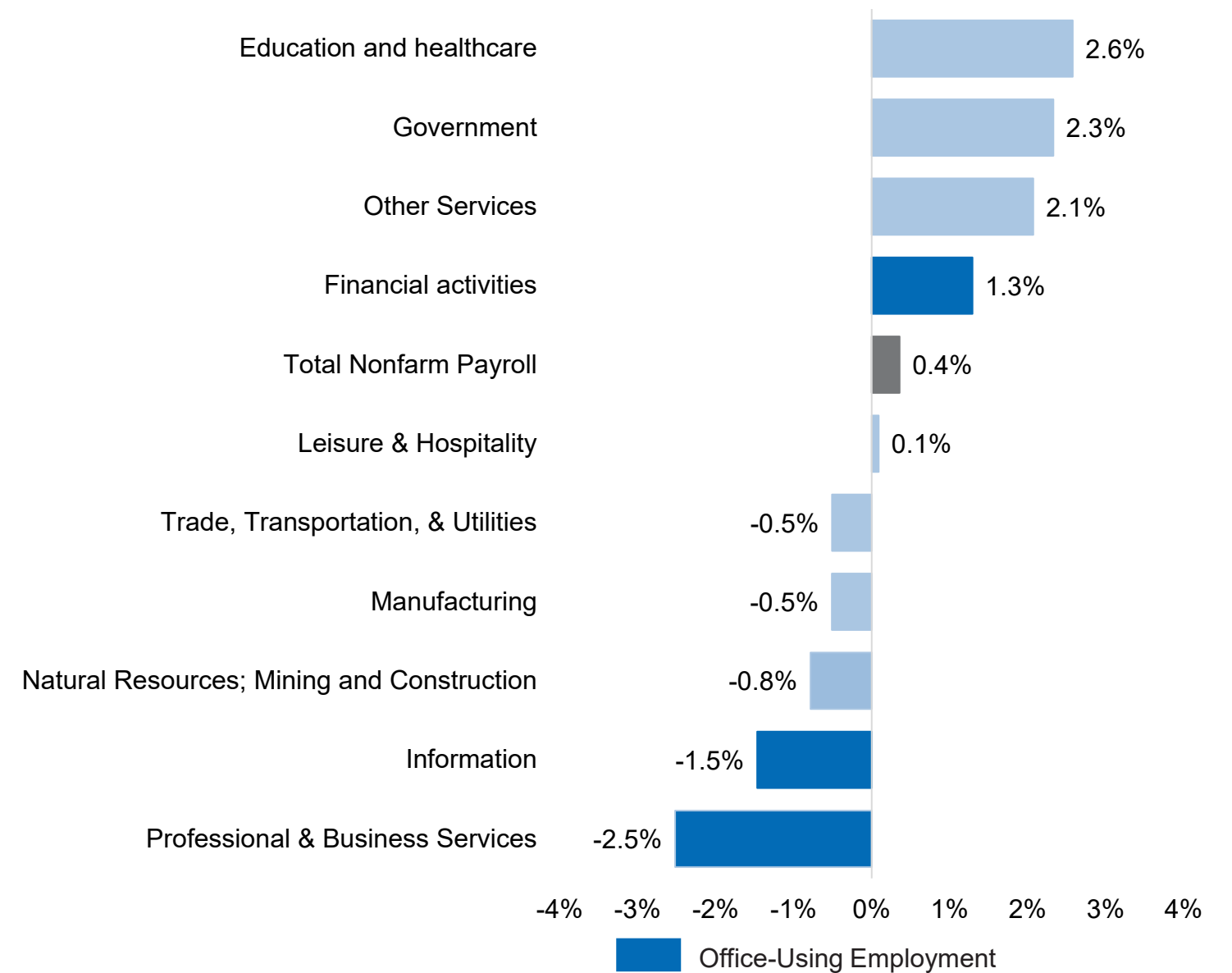
# Employment and Employment Growth by Industry

In the Bridgeport-Stamford-Nowalk metro area, five industry super sectors added jobs this month and five recorded losses. The educational and health services sector saw the largest growth in November, up 2.6%, followed by government (+2.6%), other services (+2.1%), financial activities (+1.3%), and leisure and hospitality (+0.1%). Decreases occurred in the trade, transportation, and utilities sector (-0.5%), manufacturing (-0.5%), mining and construction (-0.8%), information (-1.5%), and professional and business services (-2.5%). Education and health care continues to be the major employer for the metro area, comprising of 20% of all employment.

**Employment by Industry, November 2024**



**Employment Growth by Industry, 12-Month % Change, November 2024**

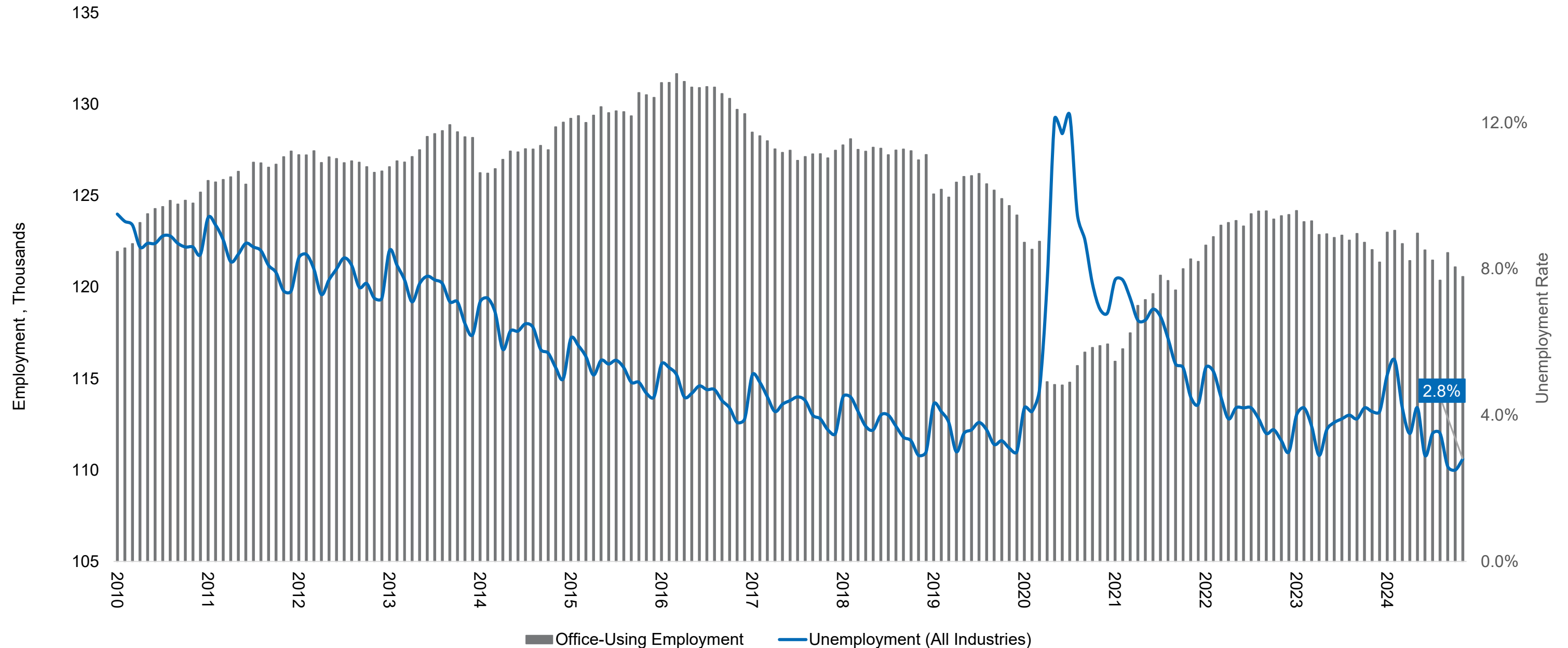


Source: U.S. Bureau of Labor Statistics, Bridgeport-Stamford-Norwalk Area

# Overall Office-Using Employment Trends

Office-using employment in the Bridgeport-Stamford-Norwalk area, decreased by 1.2% year-over-year, and was down month-over-month by 0.4%. Office using employment in the financial services saw an uptick in November, growing by 0.4% on the state level and 1.3% on the metro-area level. Professional and business services and information declined on both the state and metro-area level.

## Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Bridgeport-Stamford-Norwalk Area

\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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# Leasing Market Fundamentals

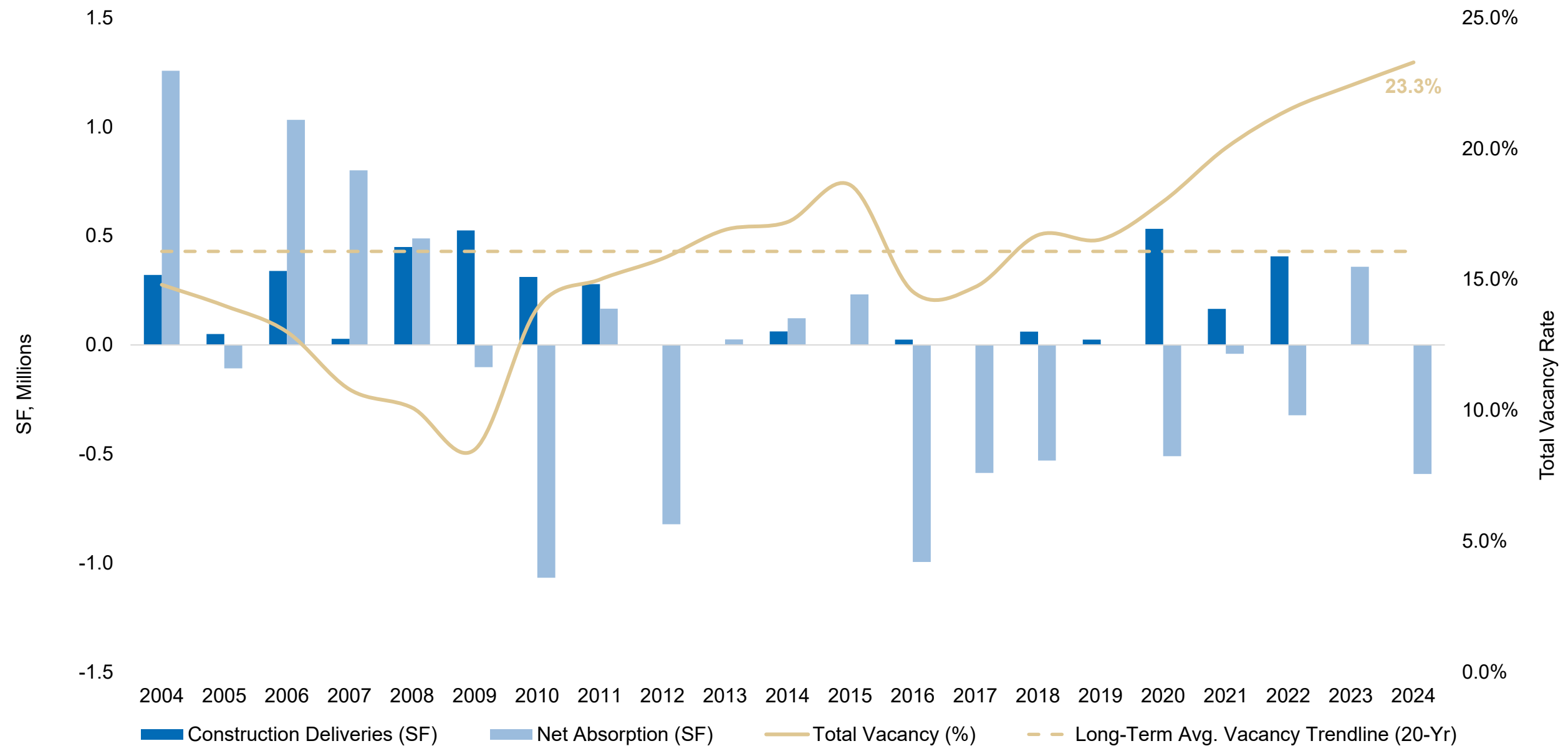




# Vacancy Remains Elevated as Office Market Continues to Navigate Demand Shifts

Net absorption ended the year with negative 561,646 SF, while vacancy rates remain elevated at 23.3%, a new historical high for the county. This level stands 7.2 percentage points higher than the 10-year historical mark of 16.0%. The overall availability rate, which includes both vacant properties and those that are still occupied but available for lease, ended at 27.2% slightly lower than the 27.0% level recorded a year ago.

## Historical Construction Deliveries, Net Absorption, and Vacancy

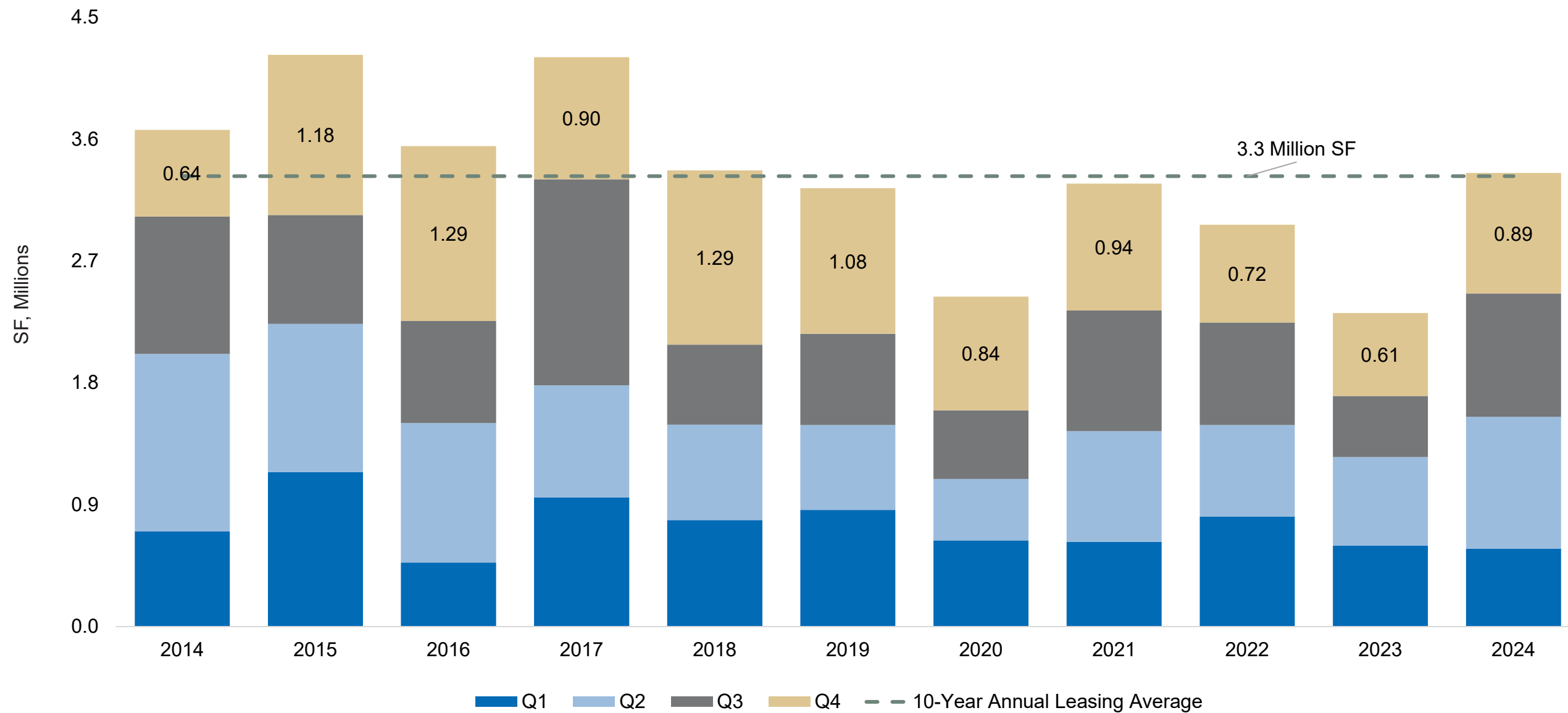


Source: Newmark Research

# Activity by Large Firms Drive Fourth Quarter Leasing Activity

Leasing activity totaled 3.4 million SF in 2024, a significant increase of 44.7% from 2023 and 0.7% higher the 10-year historical average. The fourth quarter improved significantly year-over-year, with 890,000 SF leased, versus 612,000 SF in the fourth quarter of 2023. Large deals, or those for more than 100,000 SF, were driven by Indeed's continued occupancy at 177 Broad Street for 124,180 SF, before relocating to 150,273 SF at 200 Elm Street, both in Stamford's Central Business District.

Total Leasing Activity (msf)

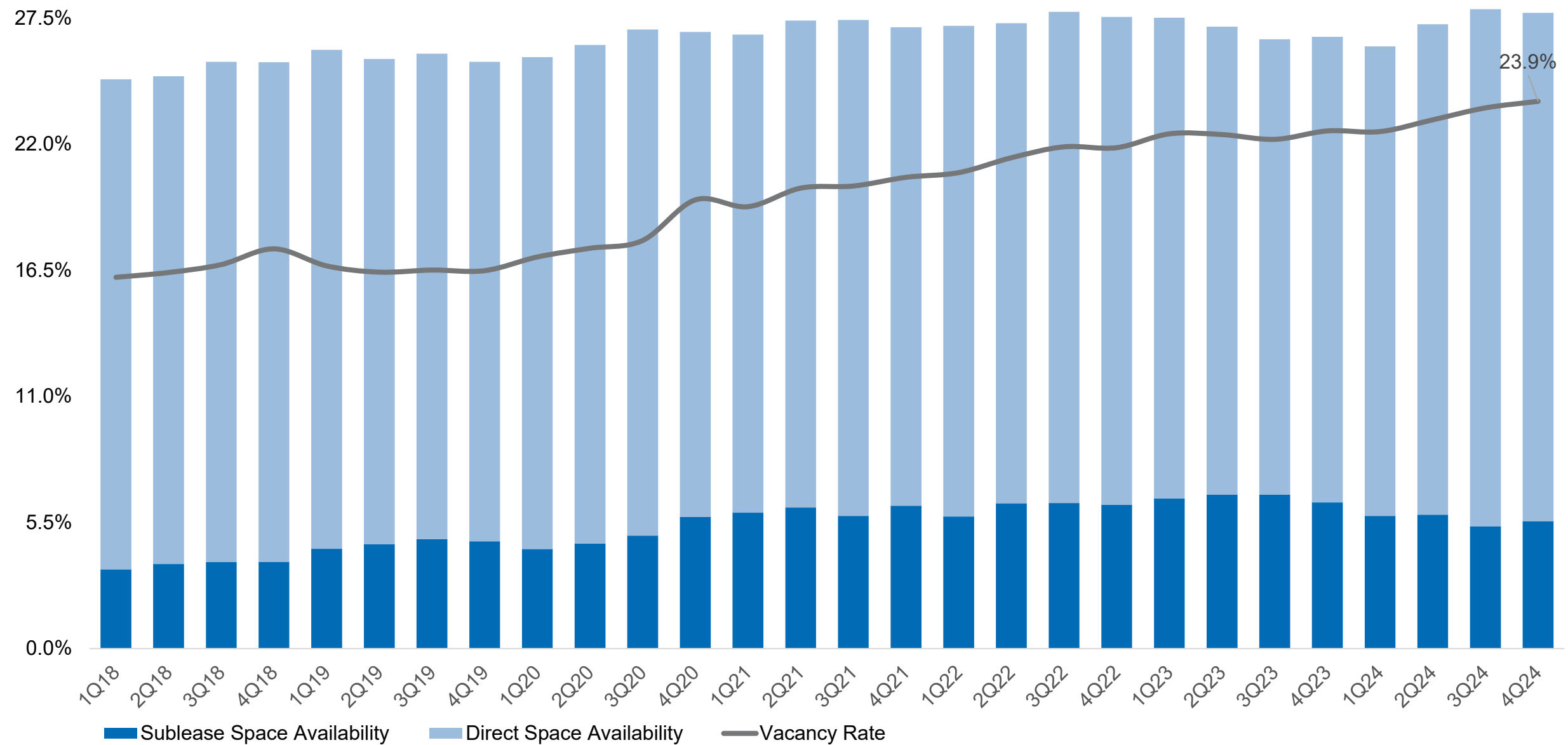


Source: Newmark Research

# Availability Rates Increase in Q4; Sublease Rates Decrease

Direct availability, which has hovered in the low 21% level since 2021, increased to 21.6% in 2024, finishing the year at 22.2%. The sublease availability rate saw a decrease at year-end, from 6.4% in the previous year to the current 5.6%. The overall vacancy rate, which includes direct and sublease space, ended at 23.9%, a historical high for the county.

Available Space as Percent of Overall Market

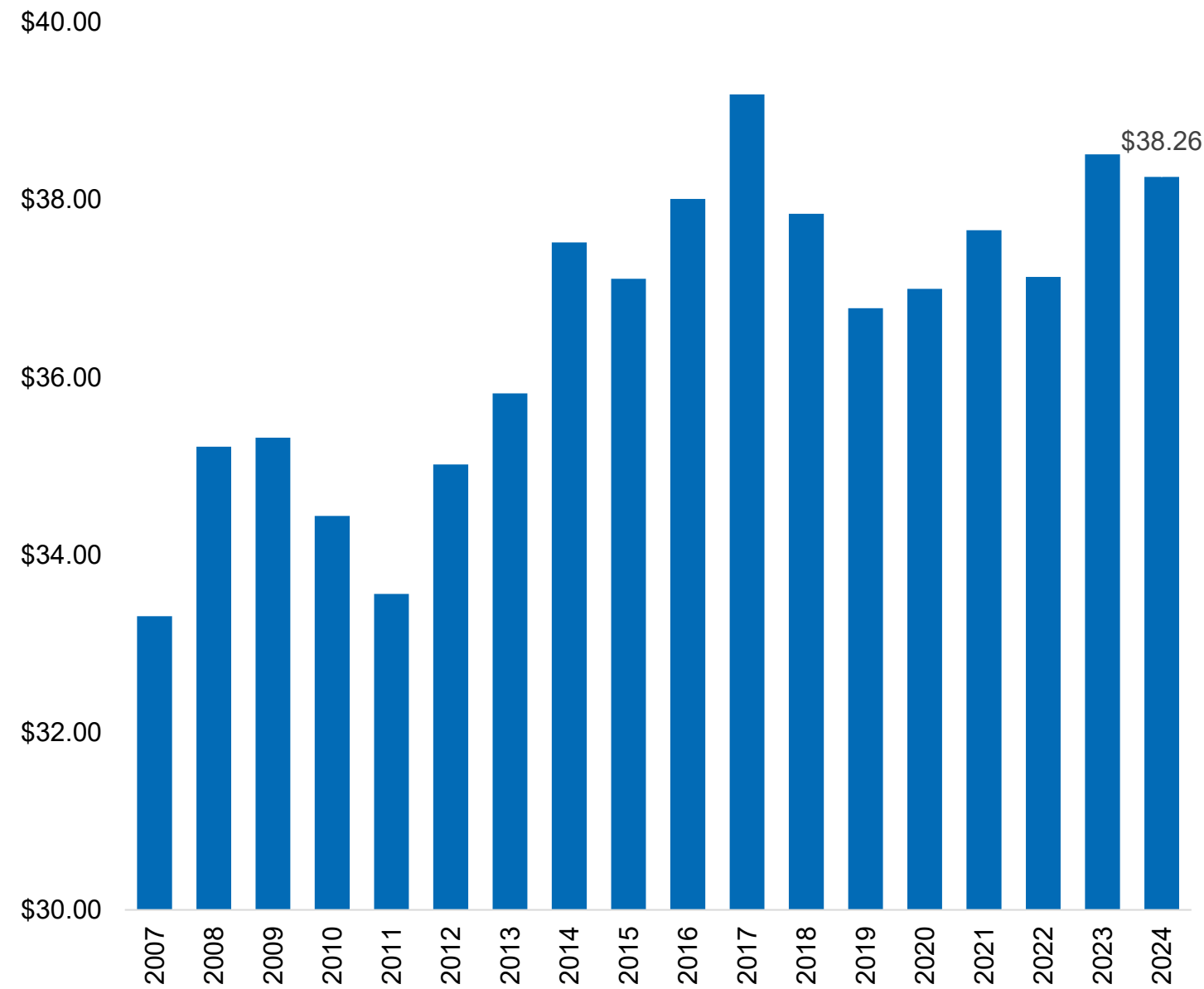


Source: Newmark Research

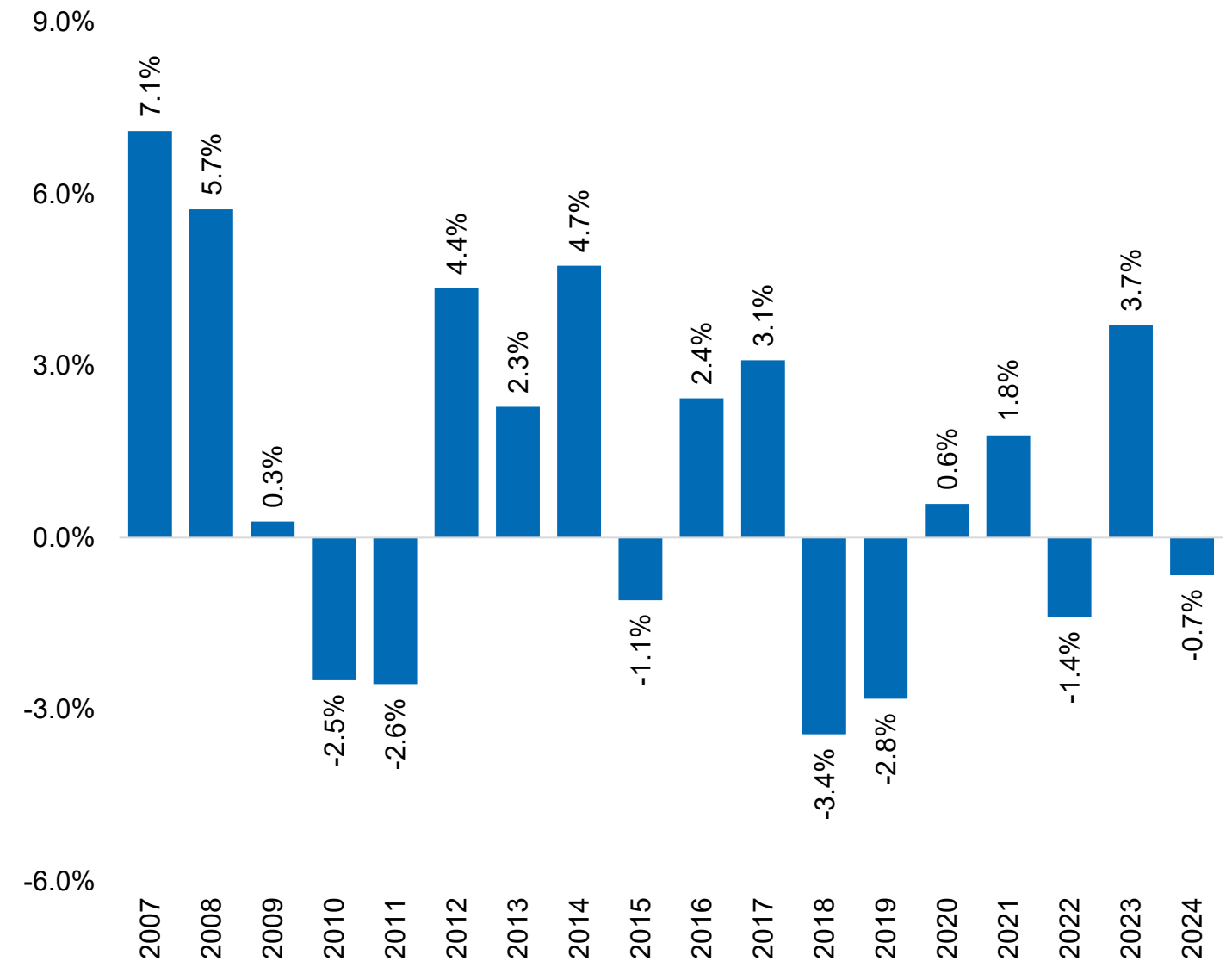
# Landlords with High Quality Assets Remain Firm on Face Rents

The average asking rent in 2024 was \$38.26/SF, down 0.7% from \$38.51/SF in 2023 and 2.1% above the \$37.71/SF average for the past five years. Unsurprisingly, high quality properties in top markets continue to fetch premium rates, pushing the overall average higher this year.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

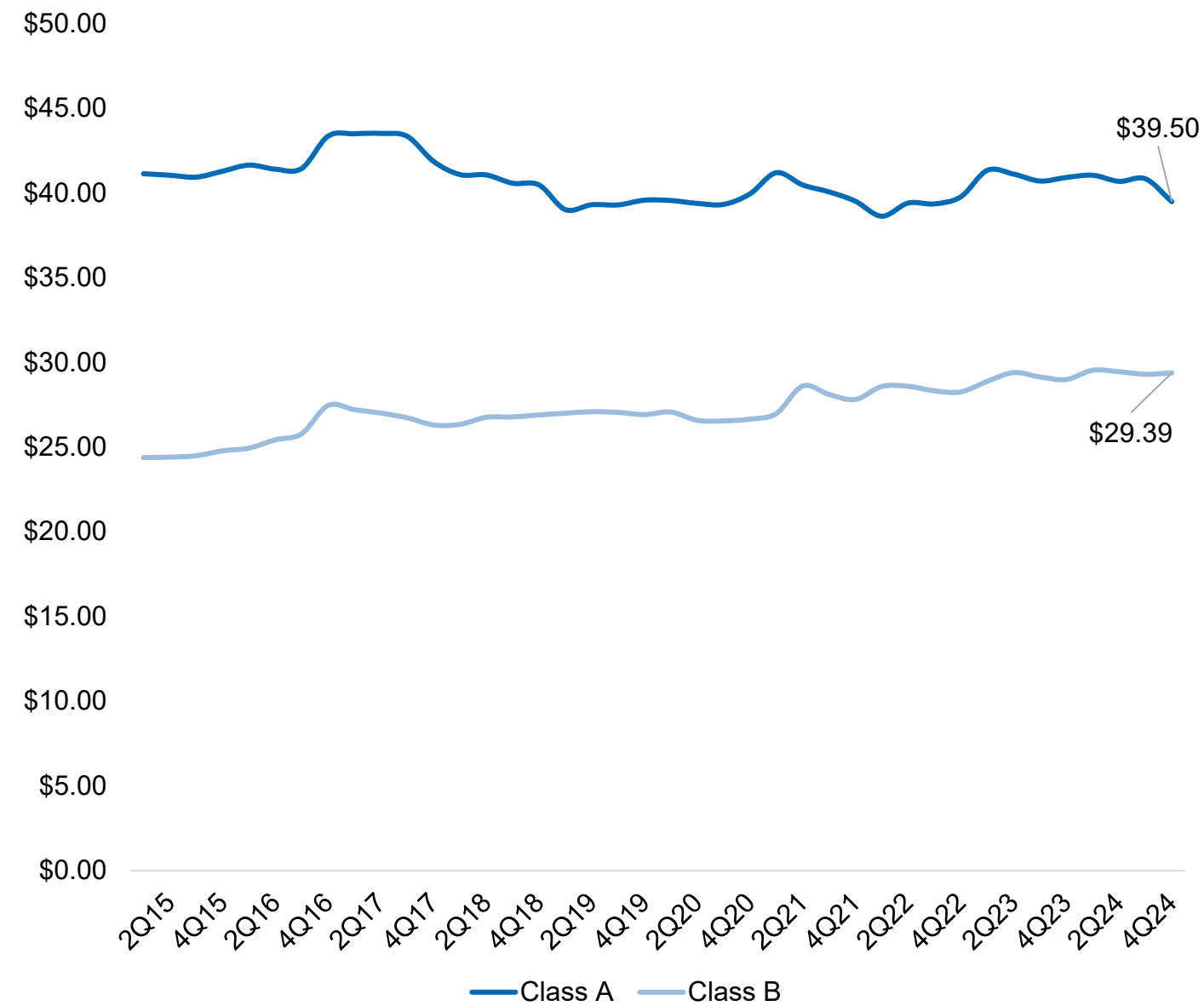


Source: Newmark Research

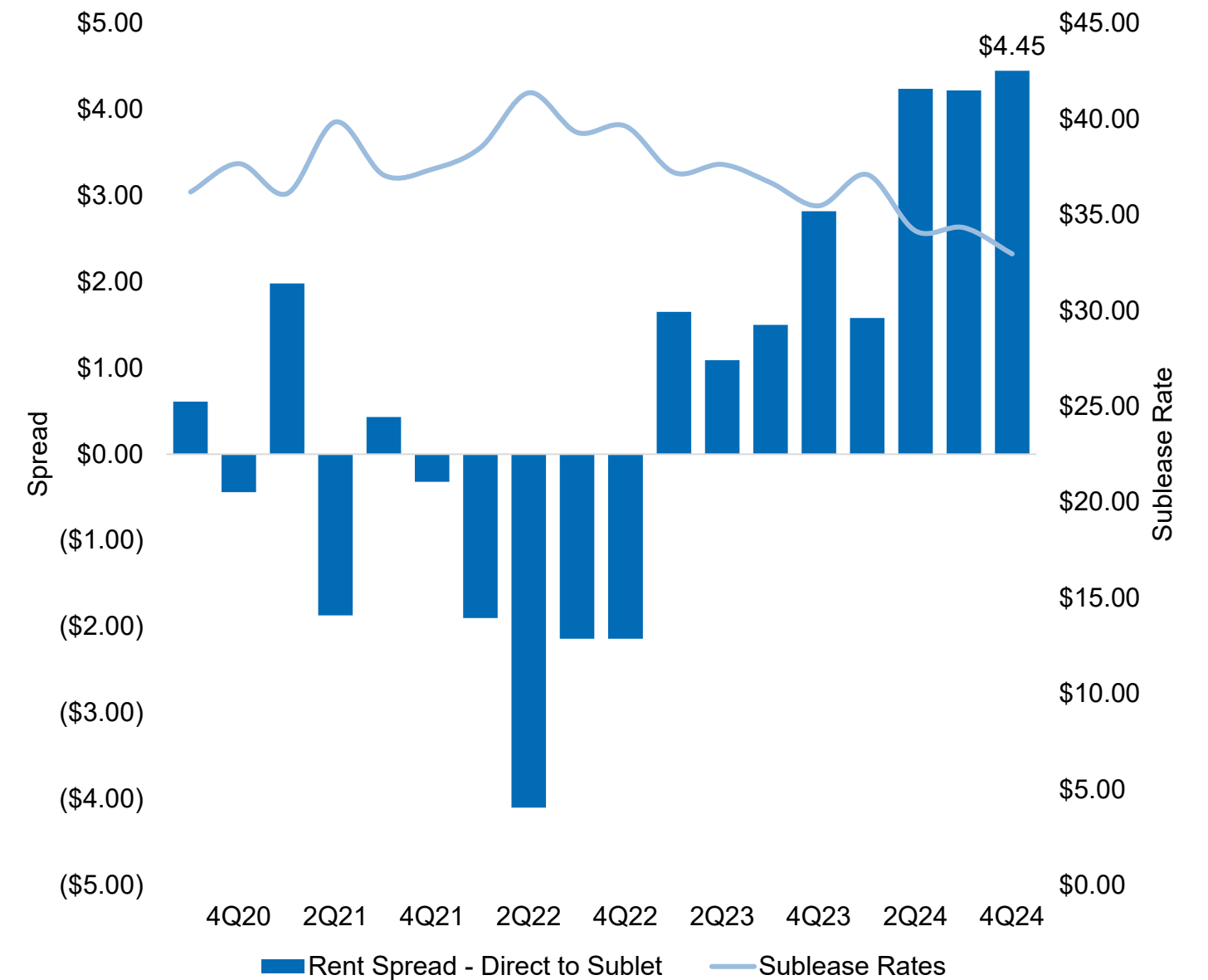
# Rent Spread between Class A and B buildings Has Narrowed Over Time

The 'flight-to-quality' trend amid the office sector intensified in 2024, and several property owners invested in upgrading their product and amenities. While the full, long-term effects of the post-pandemic hybrid working model remain to be seen, some cracks are forming particularly in the Class B market among the less desirable buildings and locations.

### Class A and Class B Asking Rents



### Sublease Rates



Source: Newmark Research

# Major Deals Resurface and Boost Total Leasing Volumes but Lead to Decreased Occupancy

There were ten deals signed for more than 50,000 SF each in 2024, totaling 835,281 SF. This was a significant increase from an average of three to four deals in that size category, which typically amount to 400,000 SF. Despite some of these deals representing expansions, both deals signed at 200 Elm Street, Indeed's and Henkel's, involved shedding a combined 125,000 SF. Other firms shedding excess space this year included Xerox, Philips North America, Commonfund and McKinsey.

## Notable 2024 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Indeed, Inc.	200 Elm Street & 695 East Main Street	Stamford CBD	New Lease	124,180
<i>Local move out of approximately 200,000 SF, a downsize of 37% within the market</i>				
Philip Morris International (PMI)	400 Atlantic Street	Stamford CBD/Train	New Lease	91,509
<i>Tenant extended original space of 71,484 SF and signed a long-term deal on a 20,025 SF expansion</i>				
GE Aerospace	901 Main Avenue	Norwalk/South Central	Renewal	85,732
<i>Downsizing in place by 277,000 SF</i>				
Henkel of America	200 Elm Street	Stamford CBD	Renewal	84,046
<i>Renewal and downsize of approximately 50,000 SF</i>				
HomeServe	45 Glover Avenue	Norwalk/Route 7	Sublease	66,107
<i>Local move and expansion of 10,000 SF</i>				

## Notable Q4 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
GE Aerospace	901 Main Avenue	Norwalk/South Central	Renewal	85,732
Eagle Point Credit Company	600 Steamboat Road	Greenwich CBD	Renewal, Expansion	60,000
Connecticut Passport Agency	383 Main Avenue	Norwalk/South Central	New Lease	31,546
Paloma Partners Management	1 American Lane	Greenwich/Non-CBD	Renewal, Downsize	39,507
State Street Global Advisors	400 Atlantic Street	Stamford CBD/Train	New Lease	31,701

Source: Newmark Research

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## Fairfield County Office Submarket Overview (Page 1 of 2)

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## Fairfield County Office Submarket Overview (Page 2 of 2)

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# Fairfield County Office Submarket Map

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