

INVESTMENT FORECAST

OFFICE

New Haven-Fairfield County Metro Area

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2020

Construction Activity Rises With Charter Expansion; Sales Prices Continue to Climb Across Both Counties

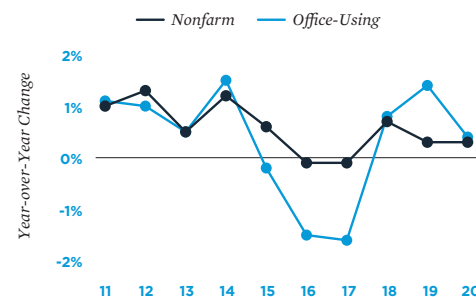
A marquee delivery comes to Fairfield County; rents rise in New Haven County. Stamford's Harbor Point, the mixed-use redevelopment of former industrial land, will welcome the first of two buildings to be occupied by Charter Communications this year. The 500,000-square-foot complex will serve as the cable company's new headquarters and aid in the firm's plans to double its local workforce. The sizable completion also raises the region's 2020 delivery total to over 620,000 square feet, marking the second most active year for construction so far this cycle. Multiple other Fairfield County openings are contrary to the trend of the past 10 years of more space being finalized in New Haven County. Despite the recent influx of arrivals, overall inventory in New Haven County remains well below that of Fairfield County, helping keep vacancy about 400 basis points tighter in the former county. Comparatively lower rents are also encouraging demand. The average asking rate in Fairfield County has receded from the 2017 cycle peak but is still 50 percent higher than the New Haven average, which is reporting stronger growth.

Buyer competition sustains trend of sale price appreciation. The high level of investment interest in southern Connecticut offices is exemplified by the region's average sale price, which has increased by more than 5 percent annually since 2016. In that span, transaction activity has shifted more toward New Haven County, so that both counties in the region reported a similar number of trades in 2019. Buyers competed for limited listings most often in the cities of Stamford and New Haven, although assets in suburban settings also changed hands. Less competition from new supply and comparatively stronger property fundamentals may be prompting a greater interest in Class B assets. Buyers seeking lower entry costs can find opportunities for this class of property at sales prices under \$100 per square foot and first-year returns in the mid-7 to high-8 percent range. Marketwide, the average cap rate has hovered in the low-7 percent band since 2015.

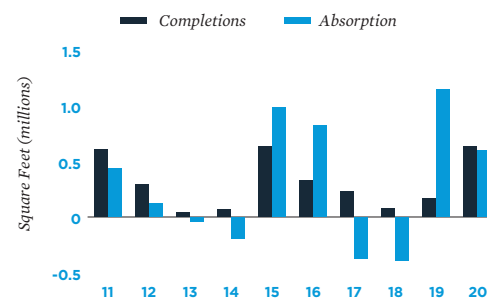
2020 Market Forecast

- Employment**  About 800 traditionally office-based roles will come to the market in 2020, supporting the creation of 2,600 total jobs.
up 0.3%
- Construction**  The development pipeline, outside of the Charter Headquarters, contracts this year compared with 2019, as a series of sub-100,000-square-foot buildings will open in Fairfield County.
630,000 sq. ft.
- Vacancy**  As the market's largest 2020 completion is already fully pre-leased, the most substantial construction pipeline in five years will not keep vacancy from dropping to 17.8 percent.
down 10 bps
- Rent**  The average asking rent will inch up to \$29.12 per square foot in 2020 after a 0.6 percent increase was recorded in 2019.
up 0.7%
- Investment**  Entry costs a fraction of those in New York City and cap rates up to 300 basis points higher continue to encourage investment from buyers in that metro into southern Connecticut.

Employment Trends



Office Supply and Demand



Vacancy and Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2020. Asking rent is based on the full-service marketed rental rate. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.