

Overview

After a healthy first half of 2011, labor conditions in Fairfield County deteriorated in the third quarter, reflecting the situation in much of the nation. Employment fell by 2,700 jobs since June leading to an unemployment rate of 8.38%, which is a 1.3% increase since the third quarter of last year. Financial services employment is currently at its lowest level since 2004. Although the employment conditions worsened, leasing activity remained healthy, overall vacancy rates stabilized and overall absorption reached the highest level in four years.

Vacancy and Rental Rates

The class A overall vacancy rate for Fairfield County decreased only slightly from 21.1% last quarter to 20.8% this quarter. With the exception of the Stamford CBD and Westport/Southport submarkets, every submarket's class A overall vacancy decreased this quarter. The overall class A vacancy rate in the Stamford CBD rose nearly three percentage points to 25.8% from 2Q11's 23.0%, mainly due to the addition of Legg Mason's 59,000-square foot (sf) sublease space at 100 First Stamford Place. Other contributors included Heineken's 11,300-sf sublease space at 1 Landmark Square and Parexel International Corporation's 13,043-sf sublease space at 750 East Main Street.

The direct average rents for class A space totaled \$35.69 per square foot (psf), on par with the \$35.64 psf average in the second quarter of 2011 and a healthy rise from the \$33.85 psf attained one year ago. Although the Greenwich submarket's class A overall rental rate remains the highest in the county, it continued to decrease this quarter to \$53.31 psf from \$55.95 psf during the third quarter of last year.

Market Activity

Fairfield County leasing activity remained active and registered at 665,096 sf this quarter, more than double the amount leased during mid-year 2009 when leasing activity hit bottom. While the Stamford CBD experienced a sharp drop of 89% in overall leasing, the Greenwich and Eastern submarkets had dramatic increases in leasing activity. The Eastern submarket leased almost four times the amount of space this quarter (289,670 sf) compared with last quarter (79,819 sf), thanks to Sikorsky's 166,994-sf sublease at One Far Mill Crossing in Shelton. In Greenwich, there was a 108% increase in leasing rising from 56,653 sf leased last quarter to 118,033 sf leased this quarter. A large contributor was Blue Sky Studios' 43,008-sf expansion at 1 American Lane and Knighthead Capital Management's 11,500-sf lease at 100 West Putnam Avenue. Also significant this quarter was UBS's decision to remain in Stamford through the end of its lease term at 750 Washington Boulevard, rather than to move to NYC.

With financing and capital rolling back into the market, there were three major sales transactions that took place this quarter. The largest sale was Trefoil Park, a five-building, 228,000-sf office park located in Trumbull, which sold for \$17.6 million or \$77 psf.

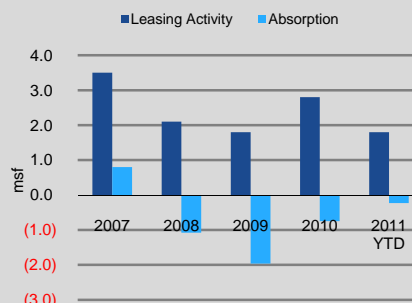
Outlook

As a whole, Fairfield County's commercial real estate market is in a recovery stage, albeit slow and uneven. The market will continue to be challenged by many elements including the influence of the external flow of bad news from the financial markets, and the fact that there are fewer tenants in the market, using their space more efficiently tenants and, therefore, taking less space. The result is likely to be continuing sluggishness through the end of 2011 and most likely into 2012.

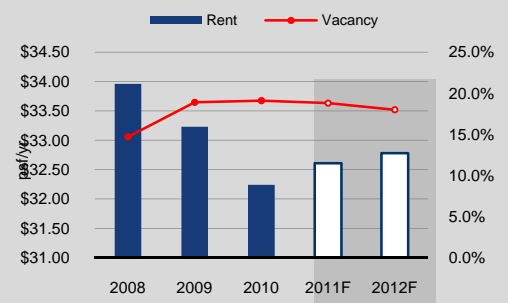
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	19.4%	20.8%	1.4pp	▼
Direct Asking Rents	\$31.72	\$33.43	5.4%	▲
YTD Leasing Activity (sf)	2,107,733	1,786,430	-15.2%	◀▶

Leasing Activity vs. Absorption



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Market / Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. All Classes Gross Rental Rate*	Direct Wtd. Avg. Class A Gross Rental Rate*
Stamford CBD	6,832,948	26.5%	22.6%	302,908	0	0	(149,216)	(277,045)	\$41.19	\$43.93
CBD	6,832,948	26.5%	22.6%	302,908	0	0	(149,216)	(277,045)	\$41.19	\$43.93
Stamford Non-CBD	8,758,824	26.2%	23.1%	223,292	0	353,228	(39,090)	(60,095)	\$34.13	\$37.36
Greenwich	4,260,761	18.9%	16.1%	200,581	0	0	(11,557)	47,039	\$52.24	\$54.15
South Central Fairfield	8,516,138	21.1%	15.4%	484,960	0	0	168,126	141,324	\$28.46	\$32.47
Darien/New Canaan	746,990	12.3%	12.3%	61,903	0	0	34,395	42,895	\$32.62	\$32.62
Norwalk	6,015,362	24.5%	18.9%	75,410	0	0	(148,218)	(131,981)	\$29.04	\$32.76
Wilton/Weston	1,753,786	13.0%	4.6%	347,647	0	0	281,949	230,410	\$22.17	\$28.68
Central Fairfield	2,938,886	10.6%	8.9%	85,127	0	0	(25,326)	(55,095)	\$32.77	\$35.00
Westport/Southport	1,566,925	18.7%	15.5%	71,011	0	0	(41,632)	(71,401)	\$32.83	\$35.03
Fairfield	1,371,961	1.3%	1.3%	14,116	0	0	16,306	16,306	\$31.77	\$34.00
Eastern Fairfield	7,053,027	12.0%	11.3%	423,002	0	91,368	(20,936)	(22,898)	\$22.09	\$23.13
Bridgeport	1,759,711	9.6%	9.6%	11,734	0	0	(30,059)	(24,544)	\$23.99	\$24.45
Shelton/Stratford	3,817,184	11.1%	9.9%	371,571	0	91,368	1,959	(23,528)	\$20.47	\$21.15
Trumbull	1,476,132	17.3%	16.8%	39,697	0	0	7,164	25,174	\$23.65	\$25.38
Greater Danbury	3,282,231	24.3%	23.7%	66,560	0	0	12,720	432	\$24.70	\$25.14
NON-CBD	34,809,867	19.7%	16.8%	1,483,522	0	444,596	83,937	50,707	\$31.48	\$34.16
FAIRFIELD TOTAL	41,642,815	20.8%	17.8%	1,786,430	0	444,596	(65,279)	(226,338)	\$32.88	\$35.69

* Rental rates reflect asking \$psf/year.

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
One Far Mill Crossing	Shelton/Stratford	Sikorsky Aircraft Corporation	166,994	A
50 Danbury Road	Wilton/Weston	Ryan Partnership *	104,054	A
1 American Lane	Greenwich	Blue Sky Studios, Inc.	43,008	A
1000 Bridgeport Avenue	Shelton/Stratford	Gexpro	30,132	A

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Trefoil Park	Trumbull	The Silverman Group	228,400	\$17,600,000
30 Oak Street	Stamford Non-CBD	30 Oak LLC	69,000	\$3,800,000

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
50 Waterview Drive	Shelton/Stratford	Firing Circuits	91,368	3Q11

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A



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