

2024 MID-YEAR SALES REPORT

F A I R F I E L D



106
TRADES

\$290 M
VOLUME

\$2.7 M
AVG DEAL
PRICE

CURRENT TRENDS AND OPPORTUNITIES IN INVESTMENT SALES

By John Barrett, Managing Director at RMF

The real estate market is undergoing significant changes, presenting both challenges and opportunities for investors. As we navigate through the current economic landscape, it is crucial to understand the evolving trends, lending standards, rising operating expenses, and potential near-term risks that could impact investment decisions.

PROMISING ASSET TYPES AND GEOGRAPHICAL AREAS

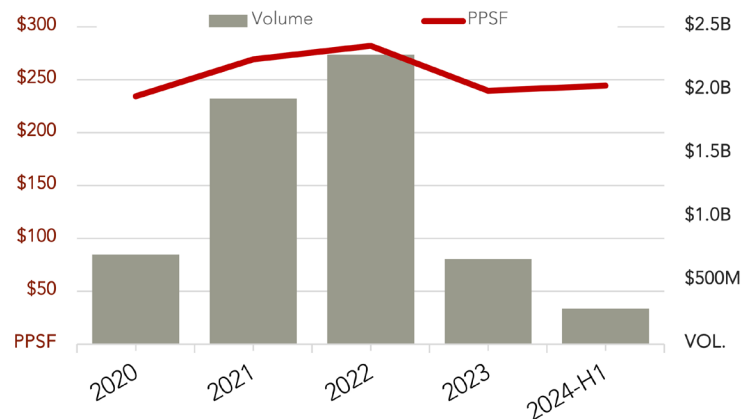
Transit-oriented development continues to drive new multi-family development. The proximity of MTA North rail stations, typically located in downtown areas, is generating increased demand for restaurant spaces and retail properties.

Carmen Baumen, an Investment Sales Broker at RMF, notes, "The 'suburban resurgence' trend of urban dwellers moving to suburban areas for more space and lower costs continued to drive residential housing demand. Apartments remain attractive due to steady demand from renters and buyers seeking suburban lifestyles, driven by a combination of demographic shifts and affordability compared to nearby New York City. Mixed-use properties that integrate residential, retail, and/or office spaces continue to gain popularity, catering to the preferences of a more integrated lifestyle and offering diversified income streams by appealing to a broad range of tenants."

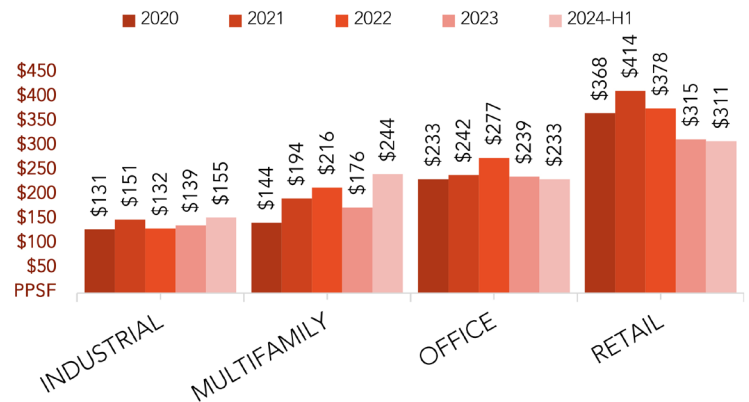
LENDING STANDARDS AND FINANCING VOLUME

Investors are currently facing higher interest rates, lower loan-to-value (LTV) ratios, and financial institutions under regulatory pressure to strengthen their balance sheets and capital ratios. This combination of factors makes qualifying for a loan cumbersome, if not nearly impossible. For example, a recent transaction closed with a 45% LTV where it would have been 80% just five years ago, and the interest rate would have been half.

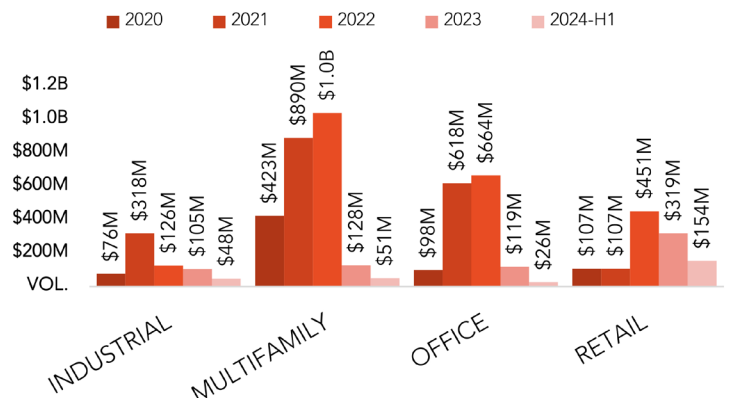
AVERAGE PPSF & TOTAL VOLUME ^{1 2}



MARKET SEGMENTS: AVERAGE PPSF ¹



MARKET SEGMENTS: VOLUME ¹



1) Fairfield Investment/Building Sales

2) Data Excludes Known Development Sites & Specialty Use Properties

CURRENT TRENDS AND OPPORTUNITIES IN INVESTMENT SALES

We expect the Federal Reserve to cut interest rates at least once, if not twice, by 25 basis points each time this year, unless the unemployment rate skyrockets before the end of the year. Several interest rate cuts are anticipated next year, with rates for commercial properties settling in the mid-5% range. As of the date of this report, inflation appears to have moderated significantly.

Baumen adds, "Economic health, including employment rates, income levels, and business activity, can impact lending standards. Strong local economies may support more favorable lending terms. The demand for different types of properties can also affect financing volume. Lenders may be more willing to finance properties in high-demand sectors with stable cash flows. Additionally, the regulatory environments can challenge the feasibility of projects and affect financing options. Looking ahead to 2024 and beyond, the Federal Reserve's decisions on interest rates will continue to be crucial. Any increases in the federal funds rate could translate to higher borrowing costs for investors. Economic growth, including employment trends and business expansion, will play an increased role in shaping local interest rate dynamics. If inflation remains a concern nationally, it could lead to continued upward pressure on interest rates, affecting borrowing costs."

OPERATING EXPENSES AND ASSET MANAGEMENT

Over the past 2-3 years, all expense categories, especially insurance, utilities, and real estate taxes, have risen significantly. Rent increases have not kept pace, reducing Net Operating Income (NOI) while interest rates have risen, thereby reducing property values for most types except for Single Tenant Net Leased (STNL) properties, where the tenant is responsible for all expenses, and Triple Net (NNN) retail properties, where a large portion of expenses are reimbursed to the owner. Property managers are under tremendous pressure to keep oversight tight. Owners are advised to put their expenses out to bid at least every two years to minimize expense growth.

NEAR-TERM MARKET RISKS AND MANAGEMENT STRATEGIES

Government overreach, both local and national, is a significant concern. Proposals such as a 5% national rent cap for multi-family properties have been discussed, though a national cap does not make sense given that real estate is inherently local. Property owners and investors should stay informed about potential regulatory changes and build a robust team of professionals, including a commercial real estate broker, local banker, CPA, and attorney, to navigate these challenges.

Baumen adds, "As in any real estate market, potential near-term market risks can present challenges for property owners and investors. For example, fluctuations in economic conditions, including potential recessions or slowdowns, can affect property demand, occupancy rates, and rental income. Rising interest rates can increase borrowing costs, potentially reducing property affordability and investment returns. Overbuilding or an excess supply of properties in certain segments (e.g., residential, commercial) can lead to increased competition and lower rental rates. It is important for an investor, real estate or otherwise, to diversify. Diversifying investment portfolios across different asset types and geographic locations can mitigate risks associated with a downturn in any single market segment or concentrated location. Remaining agile and adaptable in response to changing market conditions by adjusting leasing strategies, property management practices, and capital expenditures is also necessary. Perhaps most importantly, seeking guidance from experienced real estate brokers and advisors will provide valuable insights and strategies tailored to current market conditions and regulatory changes."

CONCLUSION

Despite current market challenges, now remains a favorable time to list properties. Stable demand, coupled with a low inventory, creates the best atmosphere for sellers to achieve competitive pricing and favorable terms. Effective management of operating expenses and staying informed about economic and regulatory changes will be key for investors to successfully operate within the market.

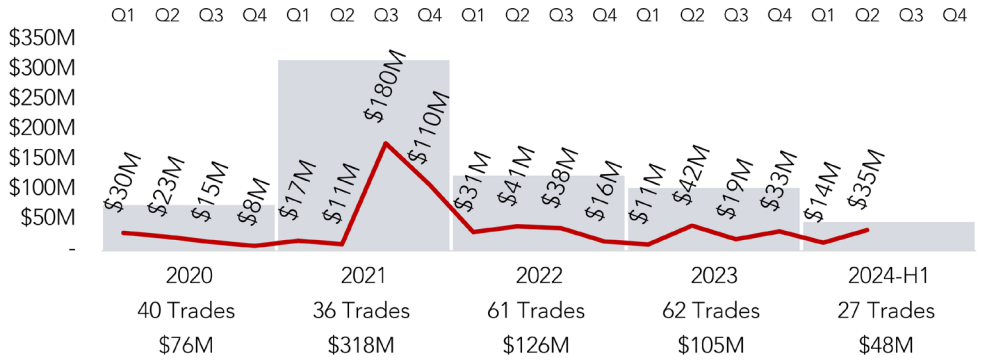
DATA POINTS

METRICS: 2024-H1

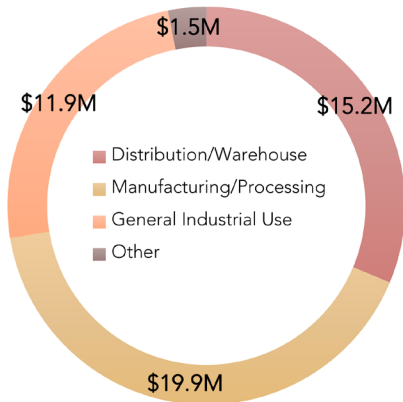
Metric	%Δ
\$48M Total Volume	↓ 8.9%
27 Trades	↑ 3.8%
\$1.8M Average Deal Price	↓ 12.3%
\$155 Average Price Per SF	↑ 39.5%

From 2023-H1

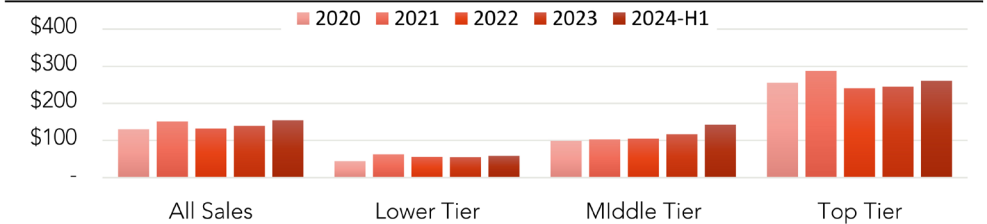
VOLUME HISTORY



VOLUME BY TYPE: 2024-H1



AVERAGE PRICE PER SF



FEATURED TRANSACTIONS



53 Church Hill Rd | Newtown

SALE PRICE: \$7,675,000
BUILDING SF: 64,762 SF
PPSF: \$119.00



17 Miry Brook Rd | Danbury

SALE PRICE: \$4,000,000
BUILDING SF: 10,000 SF
PPSF: \$400.00



55 Crescent St | Stamford

SALE PRICE: \$2,700,000
BUILDING SF: 8,500 SF
PPSF: \$318.00



500 North Ave | Bridgeport

SALE PRICE: \$2,271,379
BUILDING SF: 9,827 SF
PPSF: \$231.00

VIEWPOINTS

JOHN BARRETT: In the first half of 2024, the Fairfield industrial market saw a modest decline, with transaction volume decreasing by 8.9% compared to H1 2023, while velocity climbed 3.8%. The market saw pricing move up to an average of \$155/SF, an increase over the prior year of 39.5%. Notable transactions include the sale of 53 Church Hill Rd for \$7.68 million. The property is 64,762 square feet, resulting in a price per square foot of \$119. Demand for logistics and warehousing space continues to drive the industrial sector.

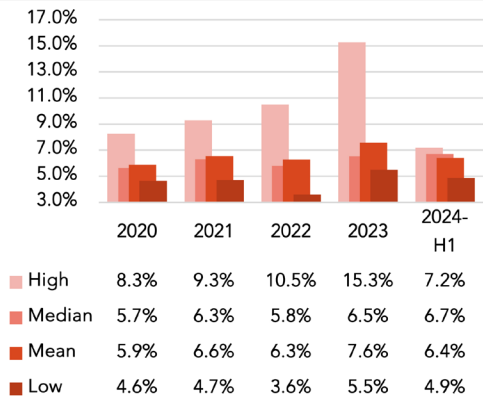
DATA POINTS

METRICS: 2024-H1

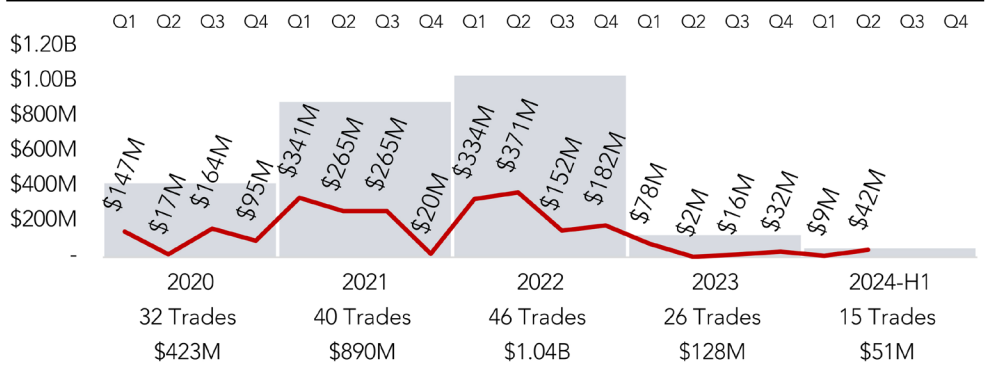
Metric	%Δ
\$51M Total Volume	↓ 36.7%
15 Trades	↑ 87.5%
\$3.4M Average Deal Price	↓ 66.2%
\$244 Average Price Per SF	↑ 61.7%

From 2023-H1

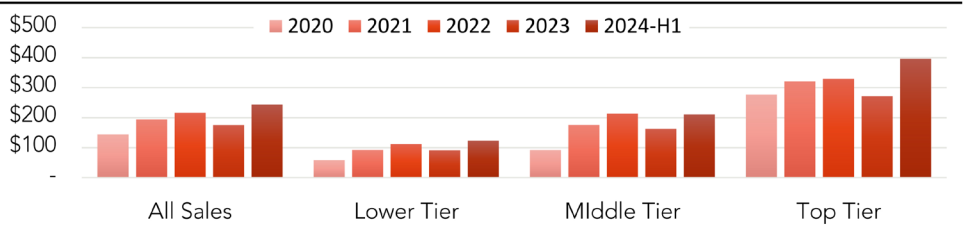
CAPITALIZATION RATES



VOLUME HISTORY



AVERAGE PRICE PER SF



FEATURED TRANSACTIONS



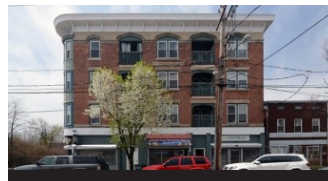
155 Birdseye St | Bridgeport

SALE PRICE: \$8,900,000
BUILDING UNITS: 166
PPU: \$109,877.00



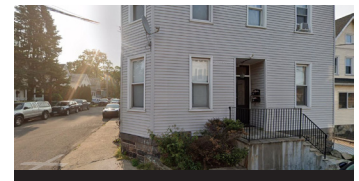
113-15 Park Ave | N Fairfield

SALE PRICE: \$5,250,000
BUILDING UNITS: 313
PPU: \$250,000.00



411-25 E Main St | Bridgeport

SALE PRICE: \$4,860,000
BUILDING UNITS: 115
PPU: \$42,261.00



15 Beech St | Greenwich

SALE PRICE: \$4,400,000
BUILDING UNITS: 11
PPU: \$400,000.00

VIEWPOINTS

JOHN BARRETT: The Fairfield multifamily market experienced a decrease in the first half of 2024, with sales volume down by 36.7% compared to H1 2023. Volume hit \$51M in sales with an average price of \$244/SF. The number of trades increased by 87.5% compared to H1 2023 but is nowhere near the peak years of 2021-2022. In 2022, there were 46 transactions for over \$1 billion in consideration. A notable transaction was the sale of 155 Birdseye St in Bridgeport for \$8.9 million, featuring 53,657 square feet and 81 units, resulting in a price per unit of \$109,877. Regulatory challenges have impacted the market, as well as rising costs for insurance, taxes, and utilities.

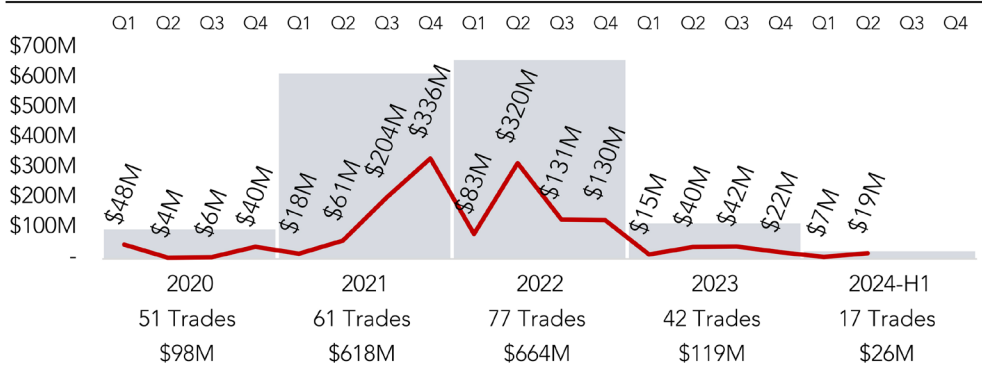
DATA POINTS

METRICS: 2024-H1

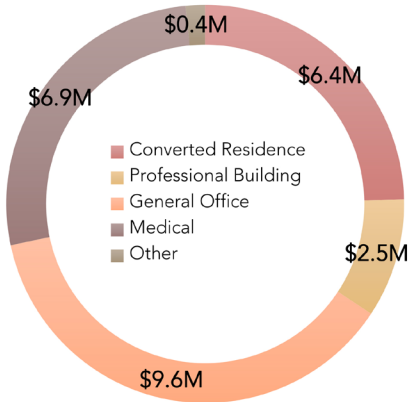
Metric	%Δ
\$26M Total Volume	↓ 53.1%
17 Trades	↓ 5.6%
\$1.5M Average Deal Price	↓ 50.3%
\$233 Average Price Per SF	↓ 0.3%

From 2023-H1

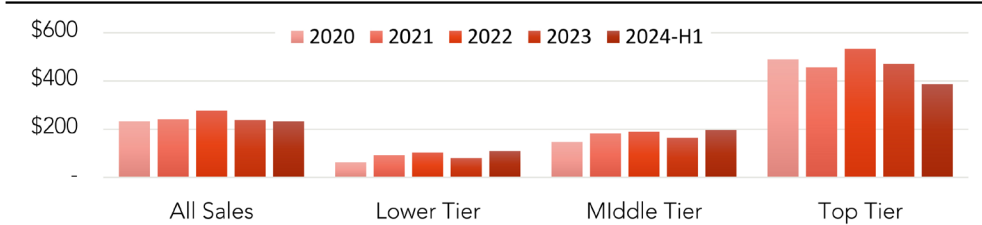
VOLUME HISTORY



VOLUME BY TYPE: 2024-H1



AVERAGE PRICE PER SF

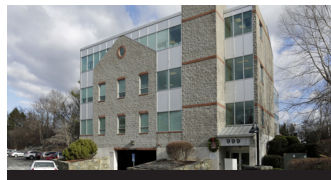


FEATURED TRANSACTIONS



315 Post Rd W | Westport

SALE PRICE: \$6,590,000
BUILDING SF: 32,000 SF
PPSF: \$206.00



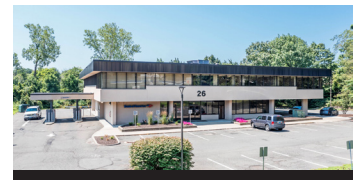
999 Silver Ln | Trumbull

SALE PRICE: \$5,200,000
BUILDING SF: 20,940 SF
PPSF: \$248.00



1583 Post Rd | Fairfield

SALE PRICE: \$2,490,000
BUILDING SF: 8,187 SF
PPSF: \$304.00



26 Mill Plain Rd | Danbury

SALE PRICE: \$2,100,000
BUILDING SF: 19,384 SF
PPSF: \$108.00

VIEWPOINTS

JOHN BARRETT: The Fairfield office market experienced a decline in the first half of 2024, with transaction volume down by 53.1% compared to H1 2023 and by 59.7% compared to H2 2023. The number of trades decreased by 5.6% compared to H1 2023. Transactions were smaller, representing an average price of only \$1.5 million and an average price paid of \$233/SF, off by a negligible 0.3% compared to the prior year. Notable transactions, such as the sale of 315 Post Rd W in Westport for \$6.59 million, highlight the market's ongoing activity. This property, encompassing 32,000 square feet, reflects a price per square foot of \$206.

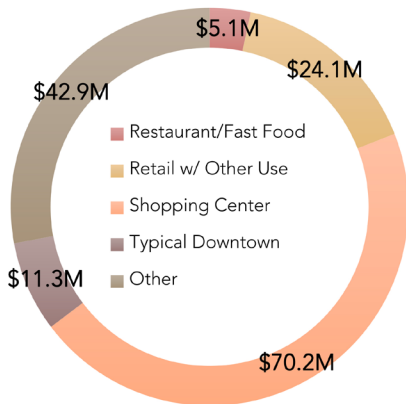
DATA POINTS

METRICS: 2024-H1

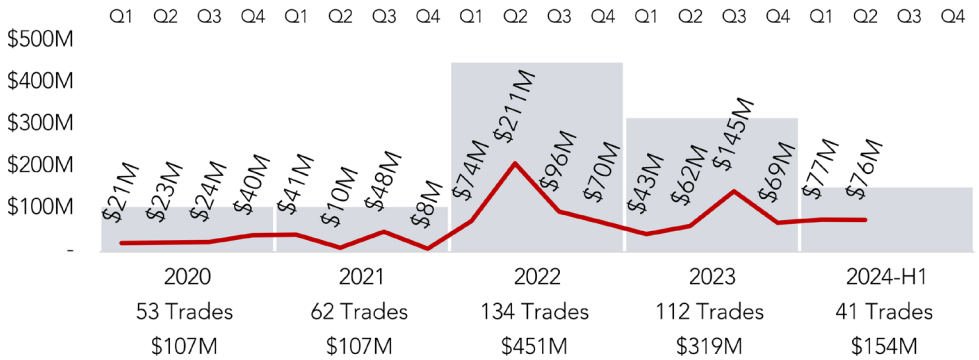
Metric	%Δ
\$154M Total Volume	↑ 46.8%
41 Trades	↓ 26.8%
\$3.7M Average Deal Price	↑ 100.5%
\$311 Average Price Per SF	↑ 10.8%

From 2023-H1

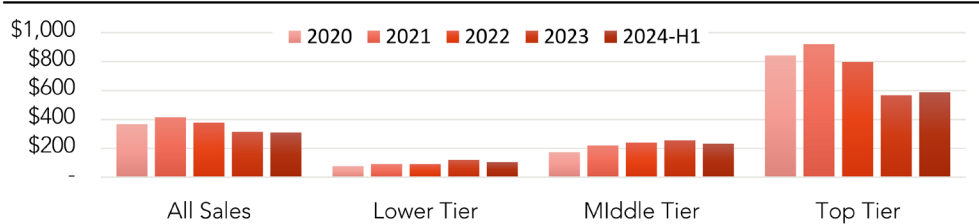
VOLUME BY TYPE: 2024-H1



VOLUME HISTORY



AVERAGE PRICE PER SF



FEATURED TRANSACTIONS



355 Hawley Ln | Stratford

SALE PRICE: \$24,650,000
BUILDING SF: 115,000 SF
PPSF: \$214.00



300 Main St | Stamford

SALE PRICE: \$7,000,000
BUILDING SF: 101,143 SF
PPSF: \$69.00



2399 Main St | Stratford

SALE PRICE: \$2,850,000
BUILDING SF: 30,465 SF
PPSF: \$94.00



953 Washington Blvd | Stamford

SALE PRICE: \$2,350,000
BUILDING SF: 7,382 SF
PPSF: \$318.00

VIEWPOINTS

JOHN BARRETT: In the first half of 2024, the Fairfield retail market showed a significant increase in transaction volume, up by 46.8% compared to H1 2023, though it faced a 28.2% decrease compared to H2 2023. The number of trades fell by almost 27% compared to both H1 and H2 2023. Key transactions include the sale of 355 Hawley Ln for \$24.65 million, which spans 115,000 square feet, translating to a price per square foot of \$214. Rising operational costs, such as utilities and insurance, have posed challenges, but well-located retail properties in high-traffic areas continue to attract investors, offering potential for long-term value appreciation.

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