

Connecticut is putting out the welcome mat for New York companies that have grown tired of the city during the coronavirus pandemic

By Christopher Keating | July 05, 2020

HARTFORD — As the coronavirus pandemic has reshuffled the economic landscape across the country, Connecticut is targeting small companies with top executives who may have grown tired of the long commute into Manhattan and instead are thinking about opening a headquarters or satellite operation in lower Fairfield County.

The idea is to turn what not so long ago was perceived as a disadvantage — a suburban address — into an advantage, as companies and executives reconsider the narrow confines of Manhattan and the world of crowded elevators and dense surroundings.

“These are businesses that are 20, 30, maybe upwards of 50 people, where typically the decision makers are already Connecticut residents,” said David Lehman, Gov. Ned Lamont’s chief economic adviser and commissioner of the state’s economic development department. Already, he said his department is fielding inquiries and targeting companies that are considering relocating at a time when telecommuting has become more common.

Lehman said Connecticut is trying to turn the conventional wisdom on its head and reverse the expectation that the virus will become a major economic problem for the state.

“They commuted before, and in their minds, they don’t want to commute — at least in the short term,” Lehman said. “These are typically not the longest leases. They are three or five-year leases that are happening. These are decision makers who are saying, ‘I’m going to be in Connecticut either as my main office or a satellite office.’”

He added, “What was a headwind for Connecticut is a bit of a tailwind.”

What if you had a medical condition that could lead to severe physical, cognitive and emotional problems like social isolation, depression, balance issues ... and even dementia?...

About 10 companies have already signed leases for a combined total of 75,000 square feet of commercial space, largely in Greenwich, commercial real estate brokers say. Those are smaller,

boutique financial firms and hedge funds, rather than huge firms with brand names that take much longer to make final decisions about any corporate moves.

Meanwhile, some New Yorkers have already decided it's time to move out. More than 16,000 New Yorkers have left the state for suburban Connecticut since March, according to new data from the U.S. Postal Service.

The Postal Service data shows that 5,082 New Yorkers switched their addresses to Connecticut in March 2020, compared to 1,361 in March 2019. The totals included 4,017 in April, 3,777 in May, and 3,430 in June, according to data released by USPS under a Freedom of Information request by the Courant.

As the coronavirus spread quickly through Connecticut this spring, many real estate agents believed it would strike a deep blow to the market as unemployment spiked sharply and financial fortunes dropped.

But after years of stories about people and companies moving out of Connecticut — a state often portrayed as a place with a high cost of living — the Postal Service numbers suggest that people are now moving in.

Quality of life decisions

For many companies, it is still too early to have moved, but they are in the planning stages of either considering or signing rental agreements.

“They plan to start leases either August 1 or September 1,” Lehman said. “It’s too tough to tell what the final number is, but this is going to be a big work-stream of ours as we enter the early summer, making sure as more of these decisions are made as we reopen the economy and are now in the recovery phase, that we’re marketing ourselves accordingly, not just to businesses, but to individuals. We’re going to see a lot of movement on these smaller firms where one or two people will make the decisions, as opposed to some of these really big corporations. Those corporations will take longer to do their strategic plans.”

Lehman noted that he does not expect major moves similar to the high-profile relocations of financial professionals by UBS and RBS, two marquee-name firms that each brought thousands of workers to downtown Stamford near the train station. Those workers, however, largely emptied out as the landscape changed and companies moved their workers. The WWE wrestling empire says it will be moving in the future into 410,000 square feet at the former UBS site, but Lehman is not expecting the largest firms to arrive at this point.

“Hopefully, we’ll hit a number of singles here,” Lehman said. “That’s my goal.”

Edward Tonnessen, a commercial real estate broker for more than 40 years in lower Fairfield County, said the Manhattan market was red hot before the coronavirus struck in March, but times have changed quickly.

“What’s definitely occurred is about 75,000 square feet, to date, of relocations from the city — COVID-driven, no doubt,” Tonnessen said. “Lehman’s right. They are smaller, almost exclusively financial boutique investment firms — privately controlled. Mostly hedge funds, investment managers. Greenwich is a really strategic location. Many of them have lease obligations in the city that they are walking away from — pay rent and not have a solution. These are not expiration-driven. They are quality-of-life driven.”

While the bulk has been in Greenwich, others are in Stamford and Westport, he said. Tonnessen declined to reveal any names of the private companies because they are “small boutique hedge funds that shun that kind of publicity.”

Tonnessen said he could not predict the speed of the trend by 2021 because it is unclear when workers will be comfortable with riding the Metro-North Commuter Railroad and the subways to Wall Street and other spots. Many workers and decision makers are taking a wait-and-see approach regarding the fast-changing trends.

“My guess is they’re going to wait out the year,” Tonnessen said. “I don’t know who does know. The vast majority of occupiers in New York are waiting to see how things shake out. I don’t think anybody thinks much will happen over the summer. The 800-pound gorilla is do they figure out mass transit?”

Among larger firms, Tonnessen said one possibility is a splitting up of workforces as telecommuting has become popular.

“Instead of having 1,000 employees in New York, do we put 250 employees in northern New Jersey and 250 in Stamford? Maybe,” Tonnessen said. “Or do we move all 1,000 people in one direction or the other? TBD.”

He added, “Right now, our enterprise value might be that we’re not in the middle of one of the biggest cities in the world.”

Even if the trend speeds up, Tonnessen said there would be no problem accommodating companies because of the huge blocks of empty office space.

“You could put 500 people in the center of Greenwich tomorrow at one location,” he said. “You could do that multiple times in downtown Stamford, and you could do that multiple times on the Route 7 corridor. There is space. And the same goes in Westchester.”

In addition, a full-service recruiting and executive search firm from Ireland, known as Mackin Talent, will be opening an office in Hartford instead of the larger metropolises of New York and Boston. The firm, which specializes in bioscience, insurance, and technology, says it expects to have 10-15 employees in Hartford in the first year and 30 to 35 in the second year.

“We just felt the wide open spaces in Connecticut, the ease of doing business there and the fact that it was less populated and the fact that we could so easily get to New York and Boston from Hartford made it more appealing to us,” said Andy Mackin, the firm’s founder and chief

executive officer. “Obviously, Bradley Airport was a huge factor as well with direct flights from Dublin into the region and only 20 minutes from Hartford. It wasn’t the main factor, but was an influential factor in the decision-making process.”

Next stop: Greenwich

While the trend has impacted municipalities all across the state, the impact is particularly acute in lower Fairfield County. Overall, 1,319 New Yorkers have moved to Greenwich since March, including 886 in central Greenwich, 191 in Old Greenwich, 131 in Riverside and 111 in the Cos Cob section of town.

An additional 1,438 have moved to Stamford, while 626 have moved to Westport, according to the data. In addition, 415 have switched addresses to Bridgeport and 379 to the longtime commuter town of New Canaan, which is the last stop on the branch line of the Metro-North Commuter Railroad.

Greenwich Plaza stands near Greenwich's Metro-North train station. (Brad Horrigan/The Hartford Courant)

While Fairfield County has seen the most new residents, 94 different towns had new arrivals in March, from Greenwich to Stonington to West Cornwall. The totals since March include 219 in West Hartford, 139 in Hartford, and 88 in Avon.

Both commercial and residential real estate agents have noticed the trend as companies and individuals have moved to the state. The data does not indicate whether the individuals are renting or have purchased homes. It also cannot indicate whether the individuals will stay for the long term or the short term. Instead, it simply says they have switched their addresses.

After Brooklyn, discovering the suburbs

For more than three decades, Fairfield resident Joe McGee has been closely watching the business and residential markets in lower Fairfield County and statewide. He served as the state’s economic development director about 25 years before Lehman took the job and says Lehman is correct about the trends.

“Real estate is being sold here, and people from the city, including Brooklyn and Manhattan, are relocating up to Fairfield County,” said McGee. “The backcountry Greenwich estates that were hard to sell for a couple of years are now selling or being rented. Something clearly is going on. What it really means [long-term] I don’t know. ... I think there is a reassessment going on about how to conduct work.”

After talking to his daughter and her husband who are in their 30s, McGee said, “Their friends who live in Hoboken or Brooklyn are looking to move out, particularly if they have kids.”

McGee formerly served as vice president at The Business Council of Fairfield County, which disbanded in March and laid off its 10 employees after the departure of corporate giants like General Electric Co., UBS, and Purdue Pharma that had been major dues-paying members before pulling thousands of employees out of the state.

“There’s a rediscovery going on that these suburbs aren’t that bad,” McGee said. ““Wow! They have a Pakistani restaurant.’ I think they thought we had McDonald’s or something. ... I do think there’s a re-evaluation on the part of companies, as well as individuals, about living in the suburbs. I think Fairfield County has good schools, it’s safe, and it offers now some very attractive options.”

Connecticut real estate agents say that some workers in Manhattan who are often paying high rents of \$4,000 to \$7,000 per month are now realizing that they can get a better deal in suburbs. While small apartments in Manhattan can sell for \$1 million and more, spending that kind of money in Connecticut can go a long way, they say.

Some week-day New Yorkers who also have summer homes in Connecticut are now spending much of their time at their second home as they wait to see how the virus develops in the crowded city.

“I think the question for Connecticut is, how do we attract more residents?” said Lehman, pointing to people looking for more of an open space environment. “A lot of thought and work is going into that now.”