

# MARKETBEAT

## Westchester County

### Office Q2 2019



#### WESTCHESTER COUNTY OFFICE

##### Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Westchester Employment	464.4k	470.1k	▲
Westchester Unemployment	3.9%	3.5%	▼
U.S. Unemployment	3.9%	3.6%	▼

#### Economy

Westchester County continued its rally in the labor markets, adding approximately 7,200 jobs since midyear 2018. Similarly, the unemployment rate fell to 3.5%, down 63 basis points (bps) from the first half of 2018—the largest midyear drop in the unemployment rate since 2006.

#### Market Overview

Year-to-date new leasing activity surged forward despite lackluster first quarter demand, ending the first half of 2019 at 570,120 square feet (sf)—marking a 36.5% increase from one year ago. The East I-287 submarket led the county in transactional volume in the first half of 2019, up 64.1% compared to this time last year. Likewise, the West I-287 submarket registered an 87.1% increase in year-over-year demand, with a total of 171,271 sf of year-to-date transactions.

##### Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	25.7%	23.5%	▼
YTD Net Absorption (sf)	-144.2k	108.4k	▲
YTD Leasing (sf)	416.2k	570.1k	▲
Average Asking Rent*	\$27.85	\$28.59	▲

\*Rental rates reflect gross asking \$psf/year

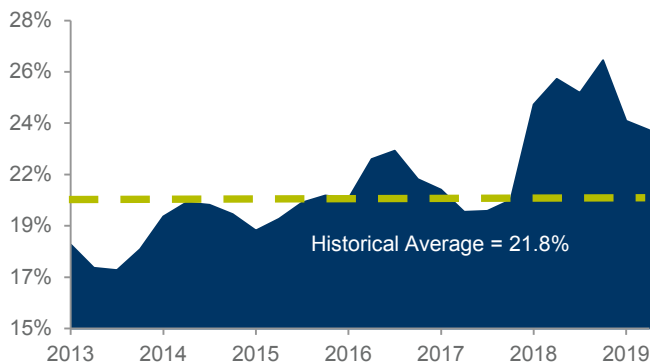
#### Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall vacancy contracted 220 bps over the last 12 months, ending the second quarter at 23.5%. The significant drop in vacancy was mainly attributed to the removal of 1.0 million square feet (msf) of the former IBM headquarters in Somers from the statistical sample. Nonetheless, vacancy dropped in submarkets across the county, most notably in the White Plains CBD, which registered a 60 bps year-over-year drop to 17.6%. Year-to-date net absorption remained positive, ending the second quarter with 94,158 sf of occupancy growth.

Overall asking rents across the county increased an average of \$0.74 per square foot (psf) over the last 12 months to \$28.59. Class A space in downtown White Plains registered \$37.21 psf—marking an \$0.86 psf increase in the overall average asking rent. Conversely, Class B space registered a year-over-year decline of \$1.03 psf to \$23.55.

#### Overall Vacancy



#### Outlook

The overall office inventory is anticipated to shrink as properties continue to be repurposed. Office buildings located along major transport nodes will drive demand going forward as tenants look to minimize commute times and have better access to labor. Overall net absorption is projected to stay positive for the remainder of the year as vacancy inches lower. Demand is expected to exceed 2018 levels, albeit by a nominal amount.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
White Plains CBD	5,282,330	139,803	789,432	17.6%	30,351	-21,168	102,952	0	\$33.47	\$37.21
East I-287	9,353,917	200,460	1,484,010	18.0%	-3,164	23,630	221,459	0	\$29.40	\$29.44
Northern	1,763,189	9,472	959,082	54.9%	457	4,039	41,039	0	\$27.85	\$28.04
West I-287	4,774,652	50,337	1,115,535	24.4%	62,268	94,756	171,271	0	\$26.85	\$28.38
Hudson Valley	568,000	0	505,710	89.0%	0	0	0	0	\$24.00	\$24.00
Southern	1,830,296	8,866	279,889	15.8%	4,246	7,101	33,399	0	\$27.77	\$29.88
<b>WESTCHESTER TOTALS</b>	<b>23,572,384</b>	<b>408,938</b>	<b>5,133,658</b>	<b>23.5%</b>	<b>94,158</b>	<b>108,358</b>	<b>570,120</b>	<b>0</b>	<b>\$28.59</b>	<b>\$29.54</b>

BUILDING CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (DIRECT)*	OVERALL AVERAGE ASKING RENT*
Class A	17,879,517	394,510	3,989,173	24.5%	96,464	90,872	383,985	0	\$29.59	\$29.54
Class B	5,692,867	14,428	1,144,485	20.4%	-2,306	17,486	186,135	0	\$25.56	\$25.56

\*Rental rates reflect gross asking \$psf/year

\*\*Does not include renewals

#### Key Lease Transactions 2019 YTD

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1311 Mamaroneck Avenue, White Plains	63,575	UnitedHealth Group	New Lease	East I-287
1 International Drive, Rye Brook	25,851	POP Displays	New Lease	East I-287
2500 Westchester Avenue, Purchase	25,000	Wells Fargo	New Lease	East I-287
50 Main Street, White Plains	17,812	Goldberg Segalla	New Lease	White Plains CBD
117 Stevens Avenue, Valhalla	16,493	NYS Office of Children and Family Services	New Lease	West I-287

#### Key Sales Transactions 2019 YTD

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Portfolio Sale	3,100,000	Mack-Cali / Robert Martin Co	\$487,500,000 / \$157	Southern
1-6 Warehouse Lane, Elmsford	395,137	Mack-Cali / Realterm Logistics	\$70,250,000 / \$178	West I-287
555-565 Taxter Road, Elmsford	353,727	Special Servicer / GHP	\$45,635,545 / \$129	West I-287
104 Corporate Park Drive, White Plains	118,000	HistoGenetics LLC / Simone Development	\$14,000,000 / \$118	East I-287

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