

# MARKETBEAT

## Westchester County

### Office Q3 2019



#### WESTCHESTER COUNTY OFFICE

##### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Westchester Employment	467.0k	462.7k	▲
Westchester Unemployment	3.7%	3.6%	▲
U.S. Unemployment	3.8%	3.7%	▲

#### Economy

Total employment contracted by 4,361 jobs over the last twelve months, ending the third quarter of 2019 with an unemployment rate of 3.6%. Even with this decline, the overall unemployment rate closed the quarter 10 basis points (bps) below the national average of 3.7%.

#### Market Overview

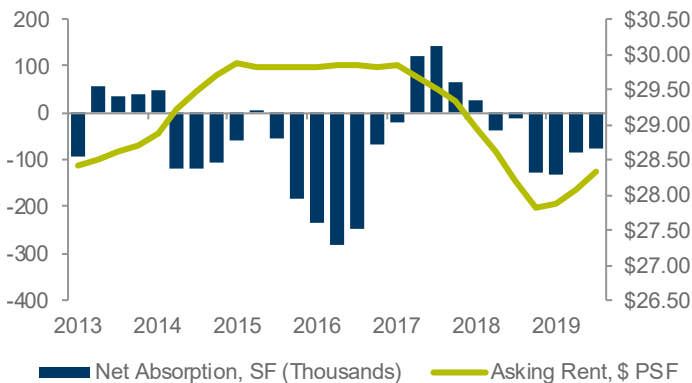
Despite anemic labor markets, year-to-date (YTD) leasing activity increased a noteworthy 20.4%, recording 785,291 square feet (sf) of new transactions. Although YTD demand showed an increase from last year, overall YTD demand is down by 17.9% relative to the five-year historical average. The West I-287 submarket led the county in leasing activity so far this year, outpacing YTD demand recorded last year by 33.2% with 239,070 sf transacted.

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

	Q3 18	Q3 19	12-Month Forecast
Vacancy	25.1%	23.0%	▼
Net Absorption (sf)	103.7k	126.9k	▲
Leasing (sf)	236.2k	215.0k	▲
Average Asking Rent*	\$27.45	\$28.50	▲

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

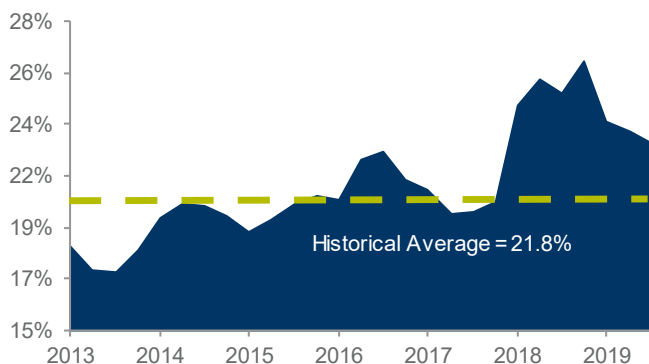
#### Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Due to the uptick in leasing activity, overall vacancy throughout the county fell 210 bps over the last twelve months to 23.0%. Although the removal of the former IBM campus in Somers from the statistical sample helped put downward pressure on the County's overall vacancy rate, demand driven fundamentals also fueled the decline. Year-to-date net absorption posted 234,025 sf of occupancy growth with the West I-287 submarket posting the largest increase at 144,511 sf.

Overall average asking rents increased \$1.05 per square foot (psf) over the last twelve months to \$28.50 psf. The Southern market registered the largest increase since the third quarter of 2018, posting a notable \$2.07-psf increase to \$28.61. Similarly, the White Plains CBD climbed \$0.87-psf to \$33.56. Conversely, the East I-287 submarket posted a nominal \$0.29 psf decline to \$26.60.

#### Overall Vacancy



#### Outlook

Though the amount of office conversions appears to be slowing down, less competitive office product is still anticipated to continue to come off the market. As a result, expect the overall inventory to shrink going forward. Product located near labor and major transportation outlets is also anticipated to drive future demand. Expect overall leasing activity to finish the year higher than overall demand recorded in 2018, albeit nominally. As a result, overall vacancy is projected to inch lower.

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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	169,327	748,900	17.4%	7,832	-13,136	158,461	0	\$33.56	\$37.42
East I-287	9,353,917	200,460	1,441,199	17.6%	49,143	70,199	291,512	0	\$29.22	\$29.26
Northern	1,763,189	9,472	927,303	53.1%	28,883	34,032	50,593	0	\$27.70	\$27.77
West I-287	4,774,652	50,337	1,065,113	23.4%	49,755	144,511	239,070	0	\$26.60	\$27.74
Hudson Valley	568,000	0	505,710	89.0%	0	0	0	0	\$24.00	\$24.00
Southern	1,830,296	8,866	288,571	16.3%	-8,682	-1,581	45,655	0	\$28.61	\$29.70
<b>WESTCHESTER TOTALS</b>	<b>23,572,384</b>	<b>438,462</b>	<b>4,976,796</b>	<b>23.0%</b>	<b>126,931</b>	<b>234,025</b>	<b>785,291</b>	<b>0</b>	<b>\$28.50</b>	<b>\$29.33</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	424,634	3,894,385	24.2%	56,711	146,319	546,248	0	\$29.37	\$29.33
Class B	5,692,867	13,828	1,082,411	25.9%	87,706	87,706	239,043	0	\$25.89	\$25.89

\*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	25,523	POP Displays	New Lease	East I-287
2500 Westchester Avenue, Purchase	25,000	Wells Fargo	New Lease	East I-287
1311 Mamaroneck Avenue, White Plains	21,041	IntercontinentalExchange	New Lease	East I-287
50 Main Street, White Plains	17,812	Goldberg Segalla	New Lease	White Plains CBD

#### 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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