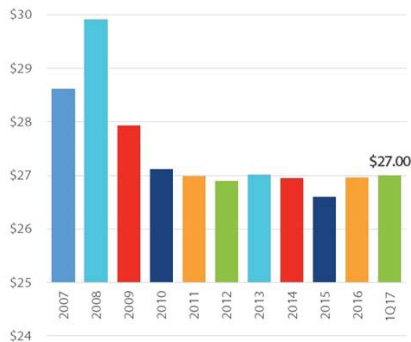
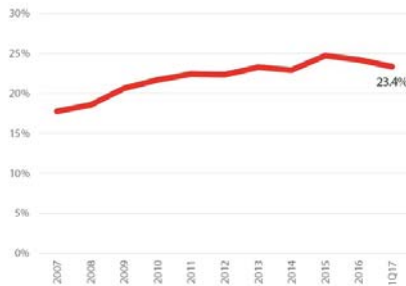


Westchester County

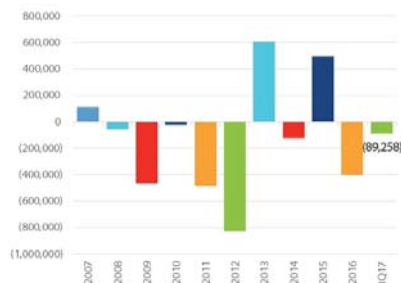
Overall Average Asking Rent



Overall Historical Availability



Overall Historical Net Absorption



Westchester's Increasing Office Vacancy is Giving Rise to Repurposing

ECONOMIC OVERVIEW

Job growth in Westchester county showed marginal signs of slowing in first quarter 2017 based on recent tabulations from New York's Department of Labor. The combined Orange-Rockland-Westchester County area recorded a 1.1 percent job growth with the addition of 7,900 jobs over the 12-month period ending in February 2017. Tracking last quarter's good performance, the Health Services sector, which comprises roughly 14.0 percent of the area's jobs, was an important contributor to the growth with the addition of 3,100 jobs and a 3.3 percent increase since last year. Combined with Professional and Business Services, which recorded a solid 4.9 percent growth and 4,200 more jobs, these office-using sectors are sustaining demand for office space in this market.

OFFICE MARKET OVERVIEW

First quarter 2017 ended with a vacancy rate of 18.4 percent and an availability rate of 23.4 percent. Despite a gradually declining availability rate and rising net absorption, it is uncertain whether demand will ever increase sufficiently to reduce the 5.3 million vacant square feet, as recorded in first quarter, and bring the market back to equilibrium. Most of the vacancy and the rising number of large blocks of space are in older buildings or those not situated in proximity to transit. The market is anticipated to look more and more at the repurposing of these office buildings-something that has begun with a number of office properties across the market. In the White Plains CBD, the availability of large blocks of space are extremely limited and the only building with an occupancy of less than 50.0 percent is the AT&T building at 440 Hamilton Avenue where the new owners are exploring repurposing it into an apartment building.

AVAILABILITY

Total availability edged down by 122 basis points (bps) since fourth quarter 2016 to 23.4 percent, even though leasing activity was more curbed relative to fourth quarter 2016, which had seen a fair number of large deals such as New York Life Insurance, Brain and Spine Surgeons, and Pace University. In first quarter 2017 the White Plains CBD recorded the steepest quarter-over-quarter decline in availability-down from 25.3 percent to 20.9 percent and boasted the largest deal in the county with the leasing of 80,000 SF by yogurt giant Danone at 1 Maple Street in the White Plains CBD. Here, the company plans to convert the multi-tenant retail space into its headquarters, complete with a 12,000 square foot (SF)-food laboratory and an 8,276 SF-cafeteria. The Northern submarket had the highest availability rate of 34.1 percent, where over 1 million SF of available space stems from two buildings- 480 Bedford Road in Chappaquah and 1 Pepsi Way in Somers, the latter of which PepsiCo had vacated in 2015 when the company moved to the White Plains CBD submarket and left the 540,000-SF building more than 80.0 percent vacant. Plans for repurposing the building have been underway. Following the sale of IBM's 1.1 million-square foot campus last quarter, it is still unclear what the future of this building will be. Currently shown as fully occupied, this building would further escalate the Northern submarket's vacancy.

ABSORPTION

Closing with a negative 89,258 SF, first quarter net absorption saw a rebound from fourth quarter 2016, when it had taken a deeper dip by 196,659 SF. This was attributable to the higher gross absorption in 2017, as more tenants from leases signed in 2016 moved in and increased office occupancy. The five-year trend saw net absorption swing from negative to positive which culminated in a gradual quarter-over-quarter increase in office vacancy, up to 18.4 percent and 5.3 million SF in first quarter 2017, representing an 189 bps increase from first quarter 2016. The highest vacancy at the submarket level was witnessed in the Northern submarket, which closed at 28.7 percent.

ASKING RENTS

The average asking rent remained flat with very slight year-over-year increases. By first quarter 2017, the overall average asking rent was at about \$27.00 PSF, marking less than one percentage point increase since fourth quarter 2016.

Market Indicators

Below are 2017 year-to-date market indicators for Westchester County's office market compared to the first quarter of 2016:



Submarkets by the Numbers

Submarket	Inventory (SF)	Availability (SF)	Availability (%)	1Q17 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Asking Rent
Northern	5,840,480	1,989,329	34.1%	5,792	5,792	0	\$25.30
West I-287	3,543,740	807,519	22.8%	6,757	6,757	0	\$24.88
East I-287	9,945,372	2,138,641	21.5%	-23,497	-23,497	0	\$27.07
White Plains CBD	6,096,388	1,274,595	20.9%	-128,201	-128,201	0	\$31.39
Southern	3,611,075	583,029	16.1%	49,891	49,891	0	\$25.17
Market Total	29,037,055	6,793,113	23.4%	-89,258	-89,258	0	\$27.00

Notable Lease Transactions

Tenant	Property	Town/City	Submarket	Type	SF
Danone North America	1 Maple Ave (aka 100 Bloomingdale Rd)	White Plains	White Plains CBD	New	80,000
USI, Inc.	100 Summit Lake Dr	Valhalla	Northern	New	32,000
CohnReznick LLP	10 Bank St	White Plains	White Plains CBD	New	13,030
Mitsui Plastics	10 Bank St	White Plains	White Plains CBD	New	12,000
Grossbach Zaino & Associates	6 International Dr	Rye Brook	East I-287	New	10,817

Notable Sale Transactions

Property	Town/City	Submarket	Buyer	Seller	Price	SF	Price/SF
660 White Plains Rd	Tarrytown	West I 287	GHP Office Realty	RNY Property Trust (RXR)	\$30,000,000	275,675	\$109
8 John Walsh Blvd	Peekskill	Northern	Bajraktari Realty Group LLC	Esposito Builders	\$15,000,000	126,000	\$119
2094 Boston Post Rd	Larchmont	Southern	Diamond Properties	2094-2096 Boston Post Road LLC	\$ 3,000,000	20,000	\$150



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