

Westchester County



Market Facts

4.1%

Unemployment rate remains the same

11,300

New jobs*;
Professional and Business Services,
Health Services and Leisure and
Hospitality lead growth

1.6%

Job growth*

200

Jobs lost* in Finance sector

*Year-over-Year figure

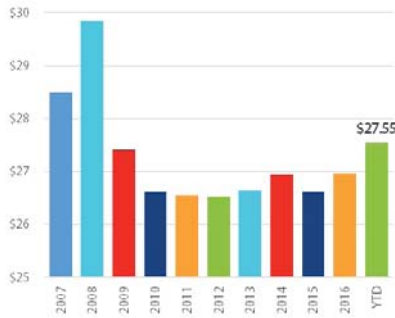
Mid-Year Economic Overview

Stable job growth continued for the second consecutive quarter in the combined region of Orange-Rockland-Westchester, NY, posting 1.59 percent growth and a net gain of 11,300 total non-farm jobs in the 12-month period ending in May 2017. According to the New York Department of Labor, the market ranks fourth amongst the fastest-growing metropolitan areas in the state in terms of private sector jobs, surpassed only by Glens Falls, New York City, and Nassau and Suffolk Counties. Continued job losses in Manufacturing were offset by positive growth by the Services-Providing sectors, and more notably by the Professional and Business Services sector which saw a 5.1 percent year-over-year increase (May '16 -May '17) with the addition of 4,600 jobs, followed by Education and Health Services with 2.7 percent growth and 4,000 jobs. Of note is the job growth in Professional, Scientific, and Technical Services (35 percent

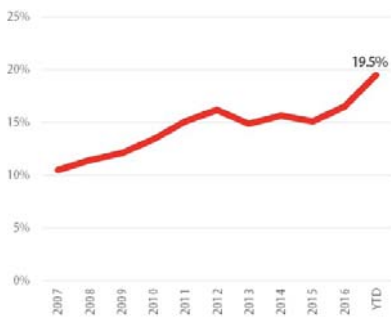
and 1,600 new jobs) and the market's increasing number of Life Sciences and Biotech firms which are fueling demand for laboratory and medical space.

Buoyed by stable employment growth, positive net migration and population growth, the market is seeing an increased pace of repurposing of older stock, obsolete and historical buildings. The adaptive reuse is predominantly for mixed-use facilities which combines residential, medical office, retail as well as other specialty facilities in an ongoing trend which aims at promoting live-work-play environments to attract millennials and accommodate the increasing number of seniors. The office market is hoping to see gains from mixed-use development in the way of new entrants in the market as employers seek to locate closer to employees in search of new and more affordable housing.

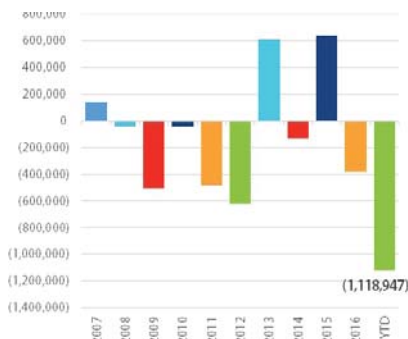
Average Asking Rent



Historical Vacancy



Historical Net Absorption



Market Posts Weaker Market Fundamentals in Second Quarter

OFFICE MARKET OVERVIEW

Despite little to no office construction, the market's vacancy- up to 19.5 percent in second quarter- continued to edge upwards. This is owing to a handful of very large office buildings that still remain vacant. Absent these buildings, market vacancy would realistically be at an estimated 14.7 percent. However, until such time these buildings are either removed from the market's office inventory or filled, the market will continue to show weak performance indicators.

Second quarter saw a few new entrants to the county with sizeable leaseings from Sumitomo Banking Corporation and Ascensia Diabetes Care. Both tenants are New York-based and are expanding into Westchester County- the former in the White Plains CBD and the latter in Valhalla in the Northern submarket.

While quarterly leasing velocity was up 45.0 percent since first quarter, year-to-date leasing was down by 21.0 percent from mid-year 2016. Unless activity picks up in the second half of the year, the market stands to see relatively weaker market fundamentals at the close of 2017.

VACANCY

Overall office vacancy rose to 19.5 percent- a 360-basis point increase from 16.6 percent since last year. A large part of this vacancy is attributable to a number of large buildings that are vacant, including 1 million square at the former IBM Campus in Somers, NY in the Northern submarket.

Relative to suburban markets which posted a 21 percent vacancy overall-up 380 basis points since second quarter 2016- the White Plains CBD was back to a 14 percent vacancy, where it was a year ago, after the leasing of 101,000 SF by Sumitomo Mitsui Bank at 1 North Lexington Avenue.

In the suburbs, the Northern submarket has the highest vacancy (38.6 percent), but also witnessed two of the quarter's largest deals, one of which was the signing of 65,000 SF at 100 Summit Lake Drive in Valhalla by Ascensia Diabetes Care.

ABSORPTION

Year-to-date net absorption ended up negative by 1.19 million SF- an unprecedented figure for the Westchester market- attributable to the IBM campus in the Northern submarket which just posted as vacant this past quarter. This drop in net absorption, follows on the heels of another steep downward spike in second quarter of 2016 when the former Pepsico building in Somers shed 540,000 SF on the market. The future of both these buildings given the changed workplace dynamic and office-user preferences remains to be determined.

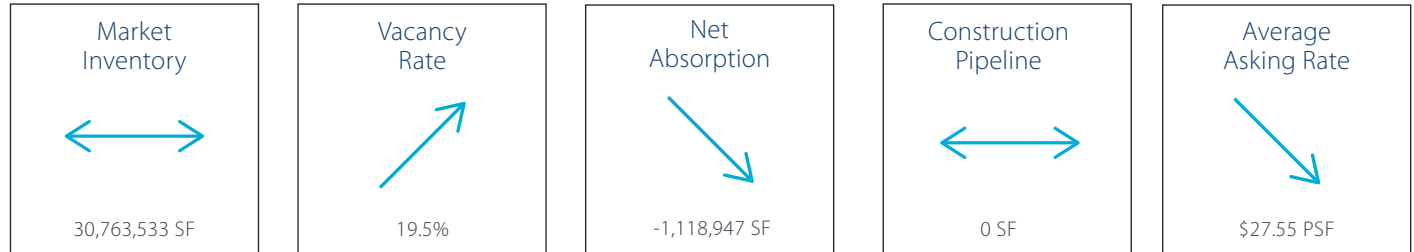
Barring the negative net absorption in this one large building, there was a fair balance between move-ins and move-outs in second quarter with only a minimal negative net absorption of 32,069 SF. Leasing velocity was up 45.0 percent from first quarter this year and only marginally lower (-0.52 percent) than second quarter 2016, while year-to-date lags last year's performance by 21.0 percent.

ASKING RENTS

Growth in asking rents was marginal. The year-to-date average gross asking rent of \$27.55 per square foot (PSF) saw a 2.0 percent increase since last quarter but is lower than the \$28.04 PSF recorded in second quarter 2016. Year-over-year decreases were seen in both Class A and B office product, and, as expected, the steepest decline in the average Class A asking rent was in the Northern Submarket- by 13 percent since last year.

Office Market Snapshot

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



Notable Lease Transactions

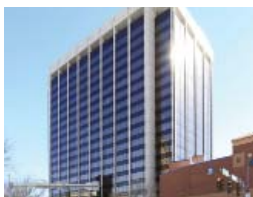
Tenant	Property/Submarket	SF/Type
Sumitomo Mitsui Banking Corp.	1 N Lexington Ave White Plains/White Plains CBD	101,000 New
Ascensia Diabetes Care US	100 Summit Lake Dr Valhalla/Northern	65,000 New
Exelon Generation	500 Summit Lake Dr Valhalla/Northern	16,639 New
Star Brands North America	10 Bank St White Plains/White Plains CBD	14,360 New

Notable Sale Transactions

Address/Submarket	Buyer/Seller	Price	SF/Price PSF
44 S Broadway White Plains/White Plains CBD	Argent Ventures Beacon Capital Partners	\$138,000,000	851,773 \$162
520 White Plains Rd Tarrytown/West I-287	Signature Acquisitions LLC SL Green Realty Corp LLC	\$21,000,000	180,000 \$117
555 White Plains Road Tarrytown/West I-287	Robert Martin Company, LLC RNY Property Trust	\$5,475,000	133,645 \$41
80 Grasslands Road Elmsford/West I-287	Lewiston Realty Holdings RNY Property Trust	\$10,800,000	87,613 \$123
47 Hudson St Ossining/Northern	Privileged Assets Inc Hudson 47 Realty LLC	\$2,900,000	26,267 \$110

Trends to Watch

- A stronger draw for CBD locations both inter-state and from within the county while structural shifts in suburban office markets continue to weaken the overall market's fundamentals
- Master plans for large development projects for fast-growing Biomedical and Life Sciences sectors comprise the integration as well as adaptive reuse of office buildings in the suburbs
- Continued softness in office markets gives rise to the divestiture of office assets by some key landlords in Westchester



44 S Broadway
White Plains



520 White Plains Rd
Tarrytown



555 White Plains Rd
Tarrytown

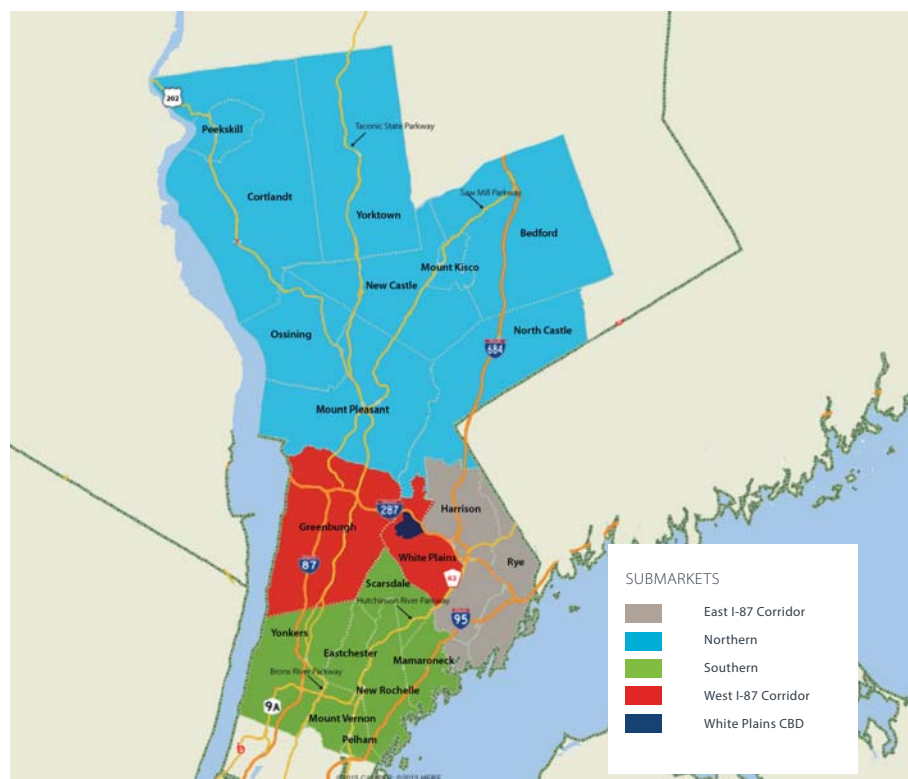


80 Grasslands Rd
Elmsford



47 Hudson St
Ossining

Westchester County Submarkets



White Plains CBD



Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Vacancy Trend (Q2'16- Q2'17)	Availability (%)	2Q17 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Asking Rent
White Plains CBD	6,386,723	891,618	14.0%	Flat	18.9%	92,395	-35,806	0	\$32.00
CBD Total	6,386,723	891,618	14.0%	Flat	25.0%	92,395	-35,806	0	\$32.00
Northern	6,756,669	2,488,824	36.8%	Up	41.6%	-17,687	-1,094,895	0	\$25.26
West I-287	3,585,246	474,473	13.2%	Up	23.2%	32,772	39,529	0	\$24.79
East I-287	10,270,972	1,720,208	16.7%	Down	21.7%	-44,740	-52,857	0	\$27.12
Southern	3,763,923	424,514	11.3%	Down	16.5%	-94,809	25,082	0	\$25.93
Market Total	30,763,533	5,999,637	19.5%		25.0%	-32,069	-1,118,947	0	\$27.55



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