



Quick Stats

3.4%

Unemployment rate has fallen

-2,100

Jobs lost*

-0.3%

Total Job growth*

900

New jobs in key office-using sectors (Finance and Health Services)*

*Year-over-Year figure

Mid-Year Economic Overview

Westchester county's unemployment rate fell 0.40 basis points (bps) to 3.4 percent year-over-year by mid-year 2019 (BLS, May '18-May '19). The three counties that comprise the Orange-Rockland-Westchester Metropolitan area posted negative growth in total non-farm employment by -0.3 percent, with a total of 2,100 jobs lost year-over-year. (New York Department of Labor, June '18-June '19).

A net employment increase in the office-using sectors by a modest 900 jobs was driven by gains in the Financial and Health services sectors which saw a cumulative 4,400 job increase. This was offset by losses in the Professional and Business Services, Government, Education and Information sectors by an estimated 3,500 jobs.

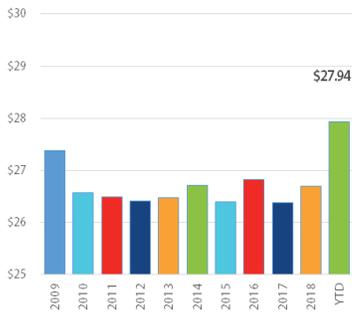
Amid the slower office-using growth the county saw layoff and job cuts

that inevitably had an impact on the office sector. The most pronounced of the quarter came from technology giant IBM based in Armonk with the announcement of 2,000 job cuts as part of the company's restructuring initiative. While the exact number is not known, it is estimated that hundreds of these jobs were based in Westchester County.

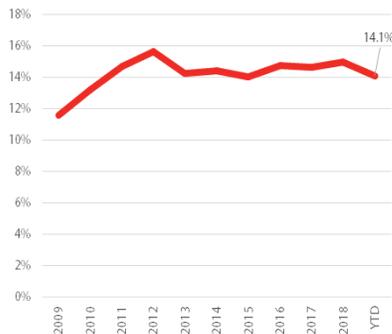
The economic outlook for Westchester is far from bleak. The construction activity that stems from all the renovation and repurposing of office, multi-family residential buildings and medical office buildings, the county's diversified economy, its ability to attract small businesses and the continued growth in Healthcare, are all positive factors which should bode well for the office sector.

Westchester County

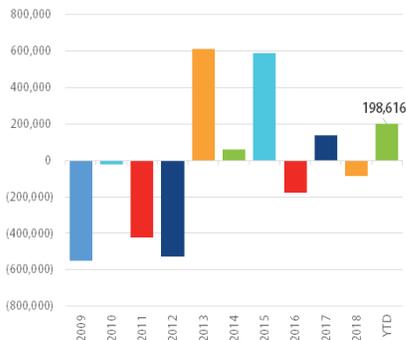
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



Mid-year Mark Bolstered by First Quarter Performance

Office Market Overview

Second quarter performance in Westchester follows on the heels of the first quarter with a lower vacancy rate relative to the previous year, positive net absorption and a stable average asking rate. Meanwhile, leasing activity for new deals was down compared to the same period last year, and renewals covered the shortfall for the quarter.

Vacancy

Overall market vacancy remained flat at 14.1 percent quarter-over quarter, as the market experienced little movement in terms of leasing activity since the first quarter with only slightly over 42,000 square feet in new lease deals. With the removal of the vacant former IBM campus at 294 Route 100 in Somers, NY from the vacant stock, year-over-year the vacancy rate dropped 92 basis point (bps), down from 19.5 percent in the second quarter 2018.

The highest vacancies were registered in the East I-287 submarket at 16.8 percent and Northern submarket at 17.7 percent, both of which saw year-over-year declines- from 17.8 percent and 36.2 percent, respectively. The East I-287 submarket was still burdened with the vacancy at two buildings slated for demolition. This included the 215,000- square foot office building at 900 King Street in Rye Brook which will be repurposed into luxury apartments and an assisted living facility, as well as the 160,000-SF building at 3 Westchester Park Drive in White Plains to be converted into 450 apartments. Similarly, in the Northern submarket, One Pepsi Way in Katonah and 480 Bedford Rd in Chappaqua weighed down on office occupancy with a combined vacancy of 712,000 SF.

Even with the pace of returns of space to the market, which recorded an availability rate of 18.1 percent, there was no availability of large contiguous blocks of space (50,000 SF and greater) in the sought-after White Plains CBD and there was limited availability in the suburbs.

Leasing

Leasing velocity from new lease transactions- an estimated 338,524 SF-was down 57.0 percent quarter-over-quarter, while it was also down in the first half of 2019 relative to the first half of 2018 by 17.0 percent. The quarter's leasing activity, however, was driven by renewals.

Absorption

Year-to-date net absorption posted positive by an estimated 198,616 SF, most of which was attributable to first quarter postings. The second quarter experienced weaker net absorption by an estimated 42,332 SF.

Asking Rents

The overall average asking rental rate of \$27.94 per square foot (PSF) remained flat since mid-year 2018 when it closed at \$28.19 PSF. Conversely, the average asking rent for the White Plains CBD increased by \$4.09 PSF reaching \$36.58 PSF in the second quarter of 2019. The spike was attributable to 50 Main Street which saw asking rents jump from \$38.50 PSF in the second quarter 2018 to \$43.00 PSF by mid-year 2019.

Office Market Snapshot

Below are 2019 year-to-date overall market indicators for Westchester County's office market compared to the second quarter of 2018:



1. Correction in inventory figure

Notable Lease Transactions

Tenant	Property/Submarket	SF/Type
Skadden, Arps, Slate, Meagher & Flom LLP	360 Hamilton Ave/ White Plains CBD	56,239/ Renewal
NYS Office of Children and Family Services	117 E Stevens Ave/ Northern	16,974/ New
Rectangle Health	117 E Stevens Ave/ Northern	11,244/ New

Notable Sales Transactions

Address/Submarket	Buyer/Seller	Price	SF/Price PSF
7 Odell Plaza Yonkers/Southern	Robert Martin Company/Mack-Cali Realty	\$7,500,000	\$176
2 Church St Ossining/Northern	Open Door Family Medical Center/Diamond Properties	\$5,200,000	\$214
156 Mount Vernon Ave Mount Vernon/Southern	Macquesten Station Takeover/MacQuesten Development, LLC	\$1,623,719	\$114

Quarter Highlights

- The STEM school project targeted for the vacant former IBM facility at 294 Route 100 in Somers is expected to be delayed to allow for the various requirements of the project review process. The new timeline for the initial phase is the summer of 2021. After its completion the school could have up to 1,800 students and 235 teachers. With a shortage of STEM schools and talent in the country, this will be an important accomplishment for Westchester County.



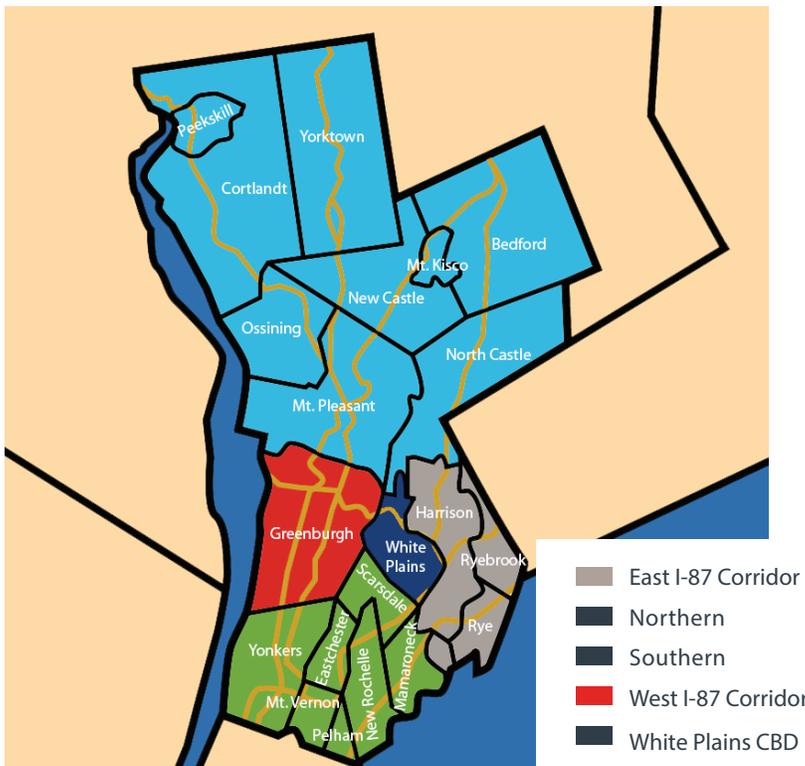
7 Odell Plaza, Yonkers
42,600 SF



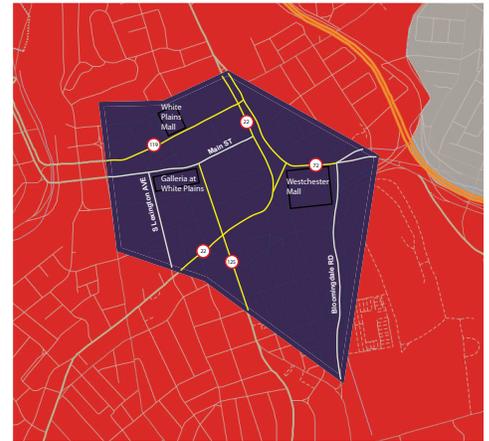
2 Church St, Ossining
25,000 SF



156 Mount Vernon Ave, Mount Vernon
14,527 SF



White Plains CBD



Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Vacancy Trend (Q2'18- Q2'19)	Availability (%)	2Q19 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Average Asking Rent
White Plains CBD	5,861,734	591,725	10.1%	Down	15.9%	20,394	9,242	0	\$36.58
Northern	6,772,743	1,195,452	17.7%	Down	19.8%	25,771	66,711	0	\$23.42
West I-287	3,587,553	418,516	11.7%	Down	22.7%	37,304	60,724	122,000	\$26.38
East I-287	9,830,316	1,655,861	16.8%	Down	18.9%	24,398	98,467	0	\$27.94
Southern	4,710,447	471,258	10.0%	Down	13.3%	-65,535	-36,528	0	\$26.00
Market Total	30,762,793	4,332,812	14.1%	Down	18.1%	42,332	198,616	122,000	\$27.94



avisonyoung.com

For more information, please contact:

Sean Cahill
Principal & Managing Director
203.614.1264
sean.cahill@avisonyoung.com

Tula Voutieros
Senior Research Analyst
203.614.1486
tula.voutieros@avisonyoung.com



Properties

383 Main Avenue
6th Floor
Norwalk, CT 06851
203.614.1260