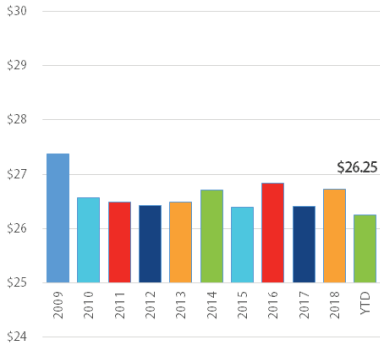
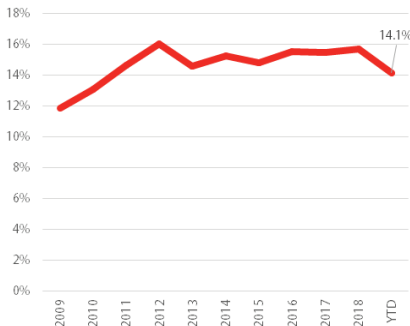


Westchester County

Overall Average Asking Rent

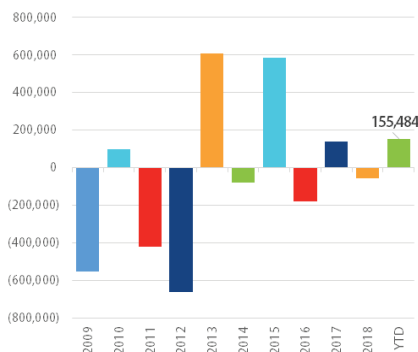


Overall Historical Vacancy



Note: Vacancy rate is for vacant available space

Overall Historical Net Absorption



Fundamentals Point to Signs of Correction in the Office Market

Economic And Office Overview

The year-over-year unemployment rate dropped by 140 basis points (bps) to 3.8 percent in the first quarter of 2019 (Bureau of Labor Statistics, February 2019), while total employment increased by 3.18 percent and 14,273 jobs. Employment growth amongst the office-using sectors continued to be led by the Health Care and Social Assistance services sector and to a lesser degree by Professional and Business Services, with growth of 3.60 percent and 1.10 percent, respectively.

The office property sector displayed signs of correction with the removal of idle and vacant stock which was burdening the market. Vacancy took a notable dip to 14.1 percent from 16.2 percent in the first quarter of 2018, net absorption reverted to positive ground, while the average asking rate remained relatively flat.

Vacancy

Based on an adjusted office inventory, the market experienced a fairly precipitous drop in vacancy to 14.1 percent, 180 basis-points (bps) lower relative to first quarter 2018 and a level not seen in eight years. Decreases in vacancy were witnessed in almost every submarket except for the West I-287 Corridor which saw a marginal increase of 80 basis points (bps) to 11.7 percent. The most pronounced reductions were in the Northern and Southern submarkets which had dropped 340 bps and 360 bps, respectively, since the first quarter of 2018 to 17.1 percent and 9.2 percent.

This vacancy reduction was primarily attributable to the planned repurposing of inactive office stock which was taken off the market. The pace of conversion has been such that Westchester County has been hailed the king of office conversions. The most prominent conversion is planned at the former IBM campus in Sommers which is targeted for use as a STEM school. This alone has shaved off over one million square feet (SF) from the vacant inventory in the Northern submarket, bringing vacancy there down to 17.1 percent from 20.05 percent the year before.

Other buildings of note that were taken off the vacant office stock were in the White Plains Central Business District (CBD). These included the former AT&T headquarters at 440 Hamilton Avenue which is subject to conversion to a 255-unit apartment building, as well as 1-11 Martine, of which more than 75.0 percent of the building will also be repurposed for residential use.

Despite falling vacancy, year-over-year leasing volume was down 19.0 percent, and was lower by 42.7 percent relative to the five-year trend, marking what may be the new normal for an adjusted office inventory. The estimated 240,000 SF leased in first quarter put downward pressure on the availability rate which registered at 18.4 percent. Two of the largest deals of the quarter were renewals, topped by the United Health Group lease transaction for 63,574 SF at 1311 Mamaroneck Avenue in White Plains.

Absorption

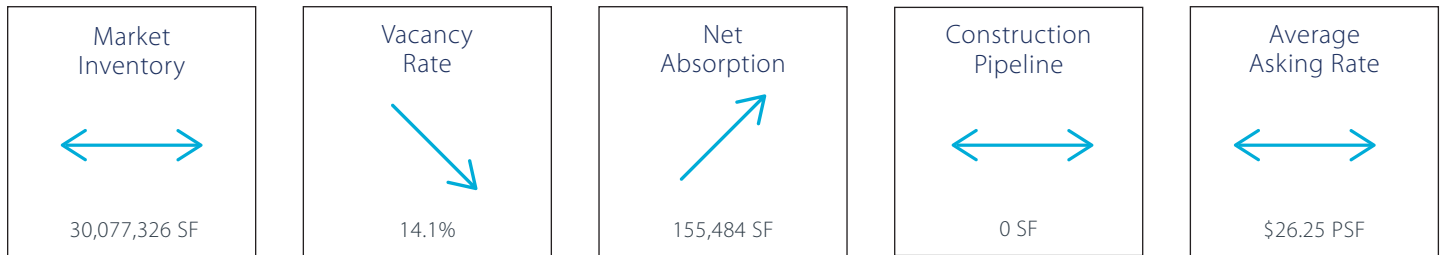
Aided by prior strong leasing activity, first quarter net absorption experienced an improvement year-over-year, closing with a positive 155,484 SF compared to the negative figure of close to 180,000 SF in the first quarter of 2018. One of the largest new occupiers in first quarter was Carl Zeiss, who moved into over 24,000 SF at 1 N Broadway in the White Plains CBD. This was the only submarket that saw a negative net absorption in the quarter, with a marginal 11,952 SF.

Asking Rents

The overall market average asking rent at \$26.25 per square foot (PSF) remained relatively flat for the overall market, falling by a mere .062 cents PSF year-over-year. Marginal increases in the asking rate were seen only in the White Plains CBD and the Southern submarkets, with \$1.57 PSF and \$0.29 PSF year-over-year.

Office Market Snapshot

Below are first quarter 2019 overall market indicators for Westchester County's office market compared to the first quarter of 2018:



Notable Lease Transactions

Tenant	Property/Submarket	SF/Type
United Health Group	1311 Mamaroneck Ave /East I-287	63,574/Renewal
POP Displays USA	1 International Dr /East I-287	25,581/New
Wells Fargo Advisors	2500 Westchester Ave /East I-287	21,300/New
NYSUT (New York State United Teachers)	520 White Plains /West I-287	15,800/Renewal

Notable Sale Transactions

Address/Submarket	Buyer/Seller	Price	SF/ Price PSF
555-565 Taxter Rd /West I-287	GHP /Keystone Property Group	\$45,635,545	\$129
17 Skyline Dr /Northern	Robert Martin Company /Mack-Cali Realty	\$13,619,438*	\$160
4 Executive Plz /Southern	Robert Martin Company /Mack-Cali Realty	\$12,924,147*	\$162

*Allocated; part of portfolio sale

Trends to Watch

- Falling vacancy owing to the planned complete or partial repurposing of office buildings should continue at a steady pace once more plans come to fruition. Amongst these buildings are 900 King Street in Rye Brook (200,000 SF) to be converted to an assisted living facility, as well as 555 White Plains Road in Tarrytown (133,645 SF).
- Tightness in the CBD and the higher asking rate PSF may see a return to the suburbs by some tenants. We have seen this with a few company moves in 2018. Smaller law and accounting firms, in particular, may be more apt to consider making the move as CBD rental rates continue to rise.



555-565 Taxter Rd, Elmsford
353,727 SF

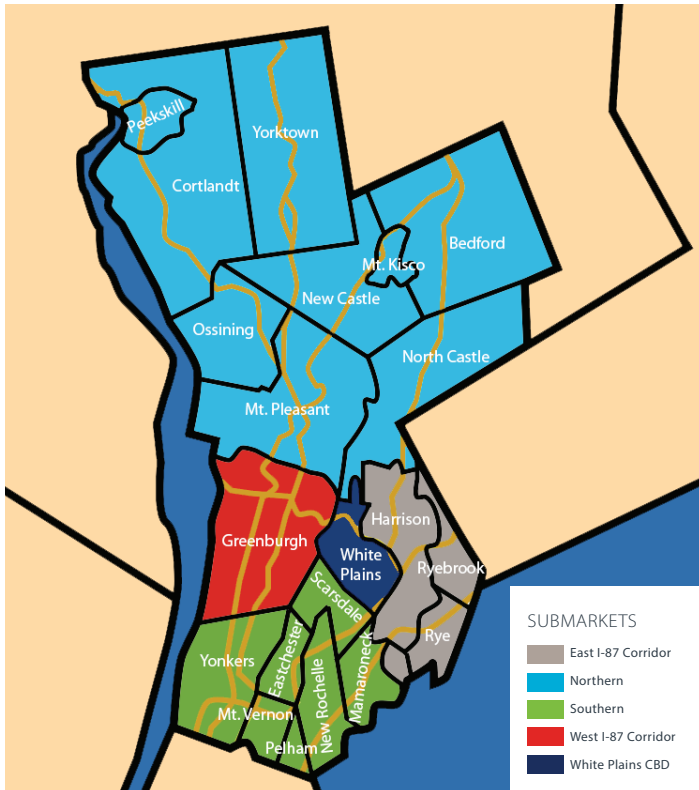


17 Skyline Dr, Hawthorne
85,000 SF



4 Executive Plz, Yonkers
80,000 SF

Westchester County Submarkets



White Plains CBD



Market By The Numbers

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Vacancy Trend (Q1'18- Q1'19)	Availability (%)	1Q19 Net Absorption (SF)	Year-to-Date Absorption	Under Construction (SF)	Overall Average Asking Rent
White Plains CBD	5,878,986	614,195	10.4%	Down	15.7%	-11,952	-11,952	0	\$33.29
Northern	6,780,257	1,161,422	17.1%	Down	20.3%	40,940	40,940	0	\$23.94
West I-287	3,631,667	424,462	11.7%	Up	21.0%	23,420	23,420	0	\$24.16
East I-287	9,758,831	1,676,148	17.2%	Down	19.7%	74,069	74,069	0	\$27.50
Southern	4,027,585	372,221	9.2%	Down	13.2%	29,007	29,007	0	\$25.79
Market Total	30,077,326	4,248,448	14.1%	Down	18.4%	155,484	155,484	0	\$26.25



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