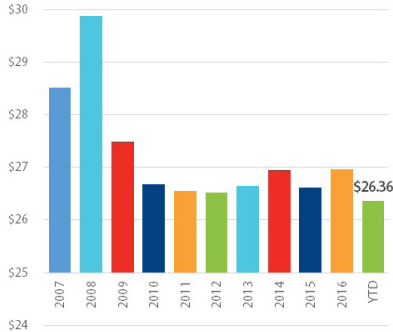
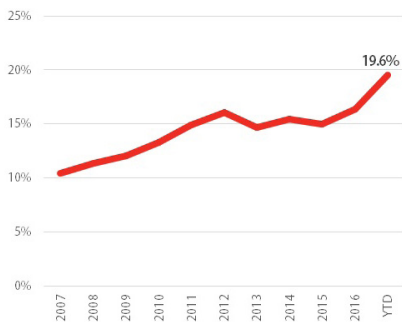


Westchester County

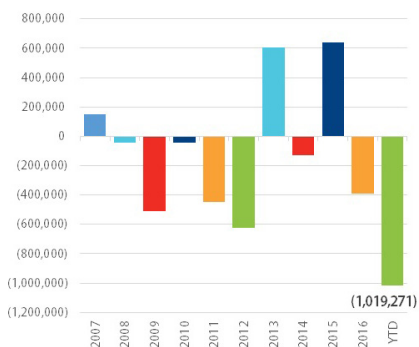
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



Office Market Poised for Further Restructuring

ECONOMIC AND OFFICE OVERVIEW

Labor market indicators for office-using employment point to continued growth in Westchester County. The combined Orange-Rockland-Westchester County area recorded a 2.0 percent increase in total non-farm employment with 14,000 new jobs since August 2016, marking the strongest year-over-year performance in 2017, as well as the highest year-over-year growth since the onset of the Great Recession.

The unemployment rate in Westchester County registered 4.6 percent in August 2017 and increased 20 basis points (bps) from the previous year. Job losses stemmed primarily from the Information sector, specifically in Telecommunications which has a negligible impact on office demand, as well as Finance and Insurance. The sectors were slightly down by 11.0 percent and .08 percent year-over-year, respectively. On the upside, Service sector jobs posted strong year-over-year growth according to the most recent tabulations from the New York Department of Labor. Health Services jobs were up by 6,500, followed by Professional and Business Services with 2,900.

Tracking solid labor market fundamentals in Healthcare, demand for medical office space or office space from healthcare providers proceeded at a steady pace again in third quarter with a notable number of new transactions, renewals and expansions.

While the market is still burdened with persistent and rising vacancy in some of the largest office buildings, Westchester County is positioning itself for some significant restructuring as plans for the repurposing and repositioning of key office buildings start to gain traction. With a reduced office inventory, and assuming no new significant office construction takes place, Westchester County should start seeing falling vacancy in the not too distant future.

VACANCY

Overall office vacancy remained flat at 19.5 percent since the previous quarter, but was still up by 322 basis points (bps) year-over-year. Excluding the still vacant former IBM and PepsiCo buildings in Somers in the Northern submarket which total over 1.6 million square feet (SF), the overall market vacancy rate would have been at an estimated 14.0 percent. The Northern and East I-287 suburban submarkets posted the highest vacancies with 36.9 percent and 17.0 percent, respectively. While the fate of the vacant IBM and PepsiCo office buildings in the Northern submarket still remains uncertain, repurposing of key office buildings in the East I-287 submarket could contribute to a drop in vacancy there in the near future.

ABSORPTION

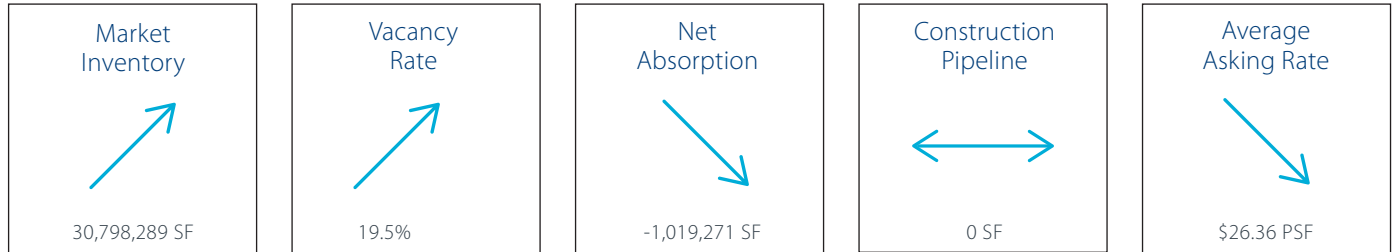
Overall year-to-date net absorption ended on a negative note once again by the third quarter owing to vacancy in the Northern submarket earlier in the year. Quarterly net absorption turned positive, however in 3Q17 with the occupancy of 99,854 SF. Notable occupancy of space from previous quarters' lease signings contributing to the positive absorption included that of Brain & Spine Surgeons into 35,163 SF at 4 Westchester Park Drive in White Plains, real estate management firm DLC into 19,533 SF at 565 Taxter Rd in Elmsford and Exelon into 16,639 SF at 500 Summit Lake Drive in Valhalla.

ASKING RENTS

The average asking rent remained fairly flat overall at \$26.36 per square foot (PSF). Only the Northern submarket recorded a notable drop in rental rate by \$3.30 PSF year-over-year.

Office Market Snapshot

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



Notable Lease Transactions

| Tenant | Property/Submarket | SF/Type |
|---|--|---------------|
| ENT and Allergy Associates LLP | 222 Bloomingdale Road White Plains/White Plains CBD | 15,490 New |
| Northern Westchester Facility Project LLC | 2651 Strang Blvd Yorktown Heights/Northern | 15,225 New |
| Gaines, Novick, Ponzini, Cossu & Venditti | 1133 Westchester Ave White Plains/East I-287 | 14,620 New |
| Greenbriar Equity Group | 555 Theodore Fremd Ave Rye/East I-287 | 15,151 New |
| Monroe College | 140-150 Huguenot St New Rochelle/Southern | 13,147 New |
| Hiscox Business Insurance | 1133 Westchester Ave White Plains/East I-287 | 10,000 New |

Quarter Highlights

Increased office inventory in the market stemmed from the delivery of a 29,250-square foot Class A medical office building at 611 W Hartsdale Avenue in White Plains.

Pending approval are plans for the repositioning of 900 King Street in Rye Brook in the East I-287 submarket which call for the repurposing of this over 200,000-square foot office building into a 269-unit assisted living facility. The building is currently almost entirely vacant and more recently housed Greenwich Hospital's administrative offices as the sole tenant.

A major face-lift is in full gear at Platinum Mile office park along Corporate Park Drive in Harrison in the East I-287 submarket. Once housing Fortune 500 companies such as Texaco, IBM and General foods, five office buildings with less than 50.0 percent occupancy are subject to demolition and conversion. Wegman's supermarket was cleared by the town of Harrison to build a 125,000-square foot supermarket which will involve the demolition of three office buildings at 106, 108 and 110 Corporate Park Drive. Additionally, 105 Corporate Drive was razed this quarter and will be followed by 103 Corporate Park Drive to make way for a 421-unit apartment complex called the Carraway. In the aggregate, once demolition is complete, a total of 421,875 SF of office space will be removed from the East I-287 submarket's office inventory.

Notable Sale Transactions

| Address/Submarket | Buyer/Seller | Price | SF/ Price PSF |
|--|---|--------------|-----------------|
| 75 S Broadway White Plains/White Plains CBD | Zef Perleshi/ KABR RE Investment Partners | \$13,700,000 | 90,527 \$151 |
| 421 Huguenot Street New Rochelle/Southern | 23-25 First Realty/ Professional Office Building | \$3,000,000 | 20,000 \$150 |

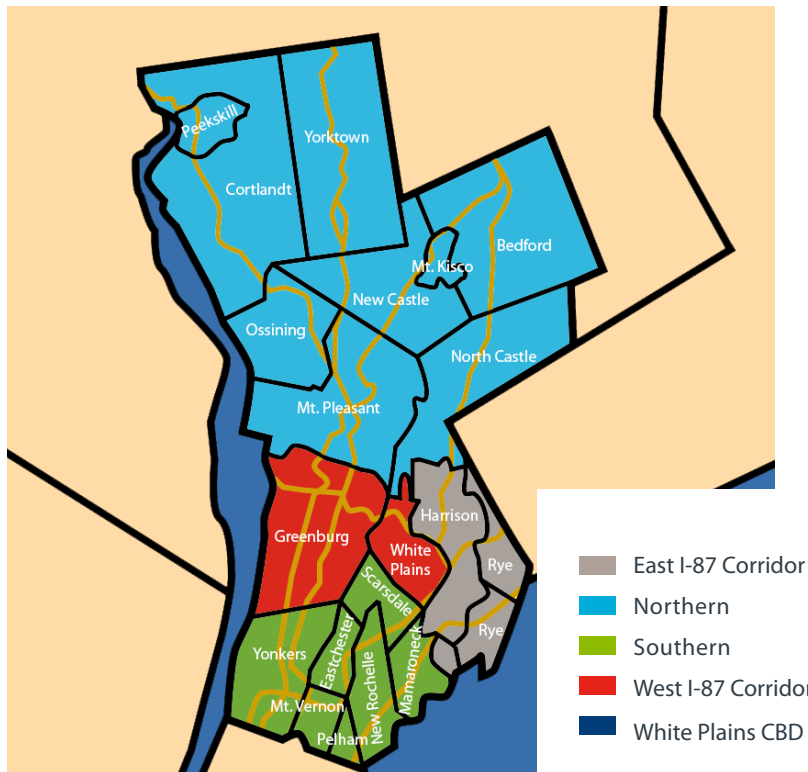


75 S Broadway, White Plains

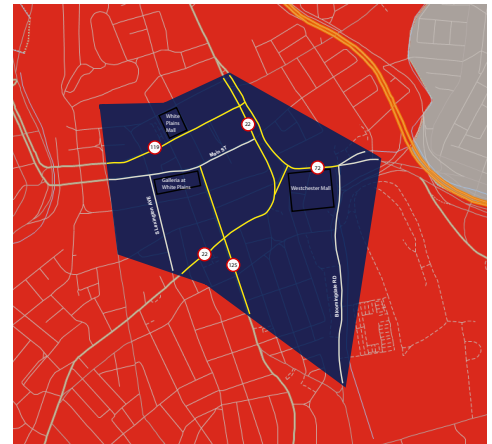


421 Huguenot Street, New Rochelle

Westchester County Submarkets



White Plains CBD



Market By The Numbers

| Submarket | Inventory (SF) | Vacant (SF) | Vacancy (%) | Vacancy Trend (Q2'16-Q2'17) | Availability (%) | 3Q17 Net Absorption (SF) | Year-to-Date Absorption | Under Construction (SF) | Overall Asking Rent |
|---------------------|-------------------|------------------|--------------|-----------------------------|------------------|--------------------------|-------------------------|-------------------------|---------------------|
| White Plains CBD | 6,386,723 | 883,047 | 13.8% | Flat | 18.8% | 53,094 | 17,288 | 0 | \$31.64 |
| Northern | 6,756,669 | 2,494,587 | 36.9% | Up | 41.8% | 43,210 | -1,051,685 | 0 | \$24.41 |
| West I-287 | 3,585,500 | 484,271 | 13.5% | Down | 23.5% | 18,502 | 58,031 | 0 | \$24.70 |
| East I-287 | 10,195,719 | 1,732,498 | 17.0% | Flat | 21.5% | -11,936 | -64,793 | 0 | \$27.43 |
| Southern | 3,873,678 | 425,817 | 11.0% | Down | 17.9% | -3,016 | 22,066 | 0 | \$24.57 |
| Market Total | 30,798,289 | 6,020,220 | 19.5% | Up | 25.2% | 99,854 | -1,019,093 | 0 | \$26.36 |



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