

MARKETBEAT

WESTCHESTER COUNTY OFFICE REPORT



A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

1Q09

ECONOMY

In the Westchester County region, job loss has been more severe than in the nation as a whole. Total employment has decreased by an estimated 4.1% since reaching a peak in the spring of 2008. Office using employment has fallen an estimated 8.5% from the peak, compared with 5.8% nationally. The relatively high concentration of corporate management facilities appears to be taking a toll on this area, due to the white collar nature of the downturn. Overall, we expect Westchester to track national trends because of its diversified industry and employment base and reach a trough in employment during the second half of 2009 before recovering in 2010.

OVERVIEW

Although Westchester County does not have the preponderance of financial services firms that Fairfield County has, leasing activity slowed significantly as companies reacted to the continued recession. New office leasing for the quarter totaled 105,095 square feet (sf), a 46% decrease from last quarter and 70% this time last year. Though still quiet compared to previous years, activity has increased most from existing tenants looking to lower occupancy costs.

Overall vacancies continued to increase countywide with the vacancy rate for class A space registering at 19.4%; an increase from 18.3% last quarter and 17.6% one year ago. This was primarily due to a 41% increase in sublease space, 64% of which was in the White Plains CBD market, from such tenants as Blue Sky Studios for 58,717 sf and Thomson Reuters for 44,566 sf.

Overall asking rents for class A space countywide at the close of the fourth quarter averaged \$31.64 per square foot (psf), down from \$31.77 psf last quarter and \$31.75 psf one year ago. In the White Plains Central Business District (CBD) rents remained the highest countywide at \$33.81 psf, a minimal increase from the \$33.68 psf last quarter. However, the White Plains non-CBD rents averaged \$32.05 psf, decreasing slightly from \$32.12 psf last quarter. More landlords are willing to do a turnkey installation to lower tenants out of pocket costs.

The investment sales market in Westchester County was non-existent with no significant transactions reported and investors waiting on the sidelines for credit to ease and prices to stabilize. This trend will likely continue through the second quarter.

FORECAST

The Westchester County real estate market is expected to begin to recover in early 2010 as employment begins to bounce back.

BEAT ON THE STREET

As painful as the market is for landlords and owners who are long on space, there are significant opportunities for tenants and investors to acquire space at historically low levels.

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	4.8%	7.7%	8.9%
Employment Growth	-0.2%	-3.0%	-1.3%

Source: Moody's | Economy.com

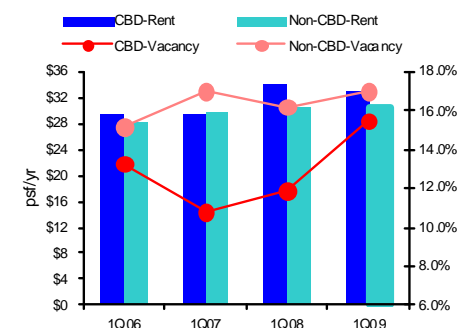
MARKET FORECAST

LEASING ACTIVITY will continue to remain flat as companies remain cautious. ↓

VACANCY RATES are likely to increase as additional shadow space becomes available. ↑

OVERALL ABSORPTION will remain negative as vacancies continue to increase and fewer leases are executed. ↓

OVERALL RENTS VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
White Plains CBD	6,239,527	48	15.5%	11.6%	29,300	0	0	(107,825)	\$34.53
White Plains Non-CBD	4,485,028	34	19.5%	18.5%	26,117	0	0	(4,464)	\$32.34
Northern	3,062,920	39	12.8%	12.8%	5,834	0	0	2,734	\$30.42
Central	5,810,402	66	16.4%	13.6%	25,017	0	0	(35,330)	\$29.61
Eastern	6,438,938	61	19.8%	15.9%	13,342	0	0	(70,548)	\$32.18
Southern	2,335,472	30	11.3%	11.1%	5,485	0	0	3,540	\$28.83
CBD	6,239,527	48	15.5%	11.6%	29,300	0	0	(107,825)	\$34.53
NON-CBD	22,132,760	230	17.0%	14.9%	75,795	0	0	(104,068)	\$31.40
WESTCHESTER TOTAL	28,372,287	278	16.7%	14.2%	105,095	0	0	(211,893)	\$31.96

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
555 Theodore Fremd Avenue	Rye	Undisclosed	10,986	A
140 Grand Street	White Plains CBD	Dragados USA, Inc.	7,575	A

SIGNIFICANT 1Q09 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

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*Market terms & definitions based on BOMA and NAIOP standards.

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