



MARKETBEAT

WESTCHESTER COUNTY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

ECONOMY

The Westchester County economy grew moderately in 2007 with total employment reaching an all time high. As we saw across the country, however, a strong first half of the year was followed by slower growth in the second half. Total employment in Westchester County grew by 2,500 jobs in the first half of the year, but only by 980 jobs from July through November 2007. This reflects the general slowdown in activity nationally as U.S. employment growth in the final three months of 2007 was half the level of a year earlier.

Uncertainty about the impact of the credit crisis on the financial services sector had less of an impact in Westchester than it did in other markets in the New York Metro region. Employment in the financial sector accounts for only 7.6% of total jobs in Westchester, compared with 10.8% in Fairfield County and 12.7% in New York City.

As we enter 2008, virtually every major financial services firm has announced major write offs of assets related to the sub-prime and credit market troubles. Although few major layoffs were announced in 2007, it appears likely that the declines in asset values and associated losses will probably lead to some softness in employment in the financial and related sectors, particularly during the first half of 2008. As the year progresses, however, and the impact of Federal Reserve interest rate cuts is felt, we expect the national economy to grow stronger in the second half of the year and Westchester County will improve right along with it.

OVERVIEW

The Westchester County market remained steady at year-end 2007, showing a decline in vacancy rates and rising rents countywide, most notably in the White Plains CBD and non-CBD markets. Overall vacancy rates across the county dropped to 14.4% in the fourth quarter of 2007, down from 15.9% a year earlier. This resulted in rental rate increases in nearly every Westchester County submarket compared to those of 2006. Countywide, the overall average rent in the fourth quarter for class A space was \$31.79 per square foot (psf), an increase from \$29.66 psf at year end 2006.

Leasing activity for the fourth quarter registered 507,574 square feet (sf), and totaled 1.98 million square feet (msf) for the year. The submarkets that accounted for the majority of the activity in the fourth quarter were Central (130,342 sf) and White Plains non-CBD (131,908 sf). Significant lease transactions for the quarter included ITT for 98,988 sf at 1133 Westchester Avenue in White Plains; EOS Airlines for 34,000 sf at 287 Bowman Avenue in Purchase; and Blue Ridge Capital for 32,032 sf at 120 White Plains Road in Tarrytown. The ITT deal was the largest lease of the year in Westchester County. Increased leasing activity for the fourth quarter resulted in overall absorption of positive 66,822 sf, a recovery from the third-quarter figure of negative 210,206 sf.

Overall average rents for class A and B combined registered at \$31.24 per square foot (psf), an increase from \$29.66 psf in the fourth quarter of 2006. Pricing of rents pressured upward due to capital market sales and credit availability. The White Plains CBD posted the highest overall average rent for class A space in the county at \$34.94 psf, with some office properties commanding upwards of \$40.00 psf.

FORECAST

The economy has been very robust during the last two years. Despite some cooling off, there is now a mode of sustainable, albeit more moderate, growth. The prognosis for the commercial real estate market is a healthy one. Pricing for both rental rates and building sales over the next quarter or so are expected to remain stable before they start to escalate again.


BEAT ON THE STREET


“The White Plains CBD is now a sought after location for Manhattan-based companies seeking to relocate. In 2007, Manhattan-based tenants signed three leases in the CBD, each in excess of 40,000 sf, and there are several others in the pipeline for 2008.”


ECONOMIC INDICATORS			
	2006	2007	2008F
GDP Growth (National)	2.9%	2.2%	2.2%
CPI Growth (National)	3.2%	2.8%	2.5%
Unemployment (Regional)	3.8%	3.9%	4.3%
Employment Growth (Regional)	0.9%	1.0%	0.9%

Source: Moody's | Economy.com

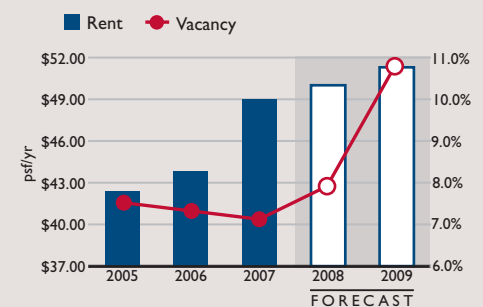
MARKET FORECAST

LEASING ACTIVITY in Westchester County remains stable and the outlook for the first half of 2008 looks promising. A number of deals in the pipeline are expected to close during the first quarter. 

DIRECT AVERAGE RENTS are expected to remain stable over the next quarter or so before beginning to escalate again. 

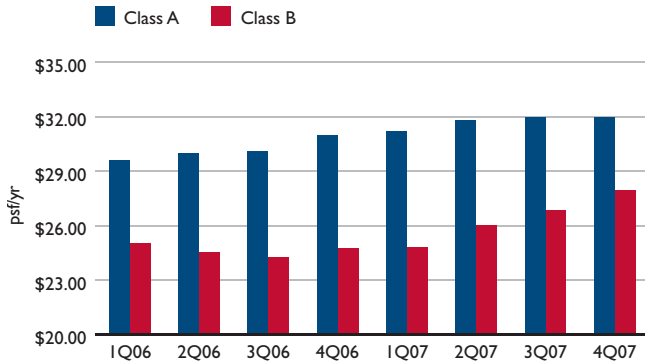
INVESTMENT SALES are expected to continue at a slower, more rational pace. Look for the credit market to ease in the latter half of 2008 and the market to move up again. 

OVERALL RENT VS. VACANCY



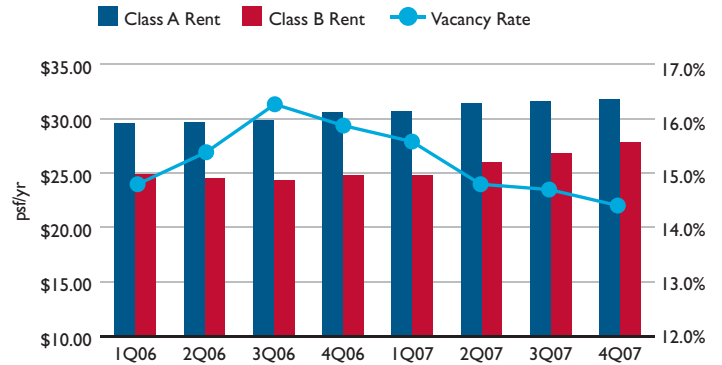
TOTAL MARKET

DIRECT RENTAL RATES CLASS A VS. CLASS B



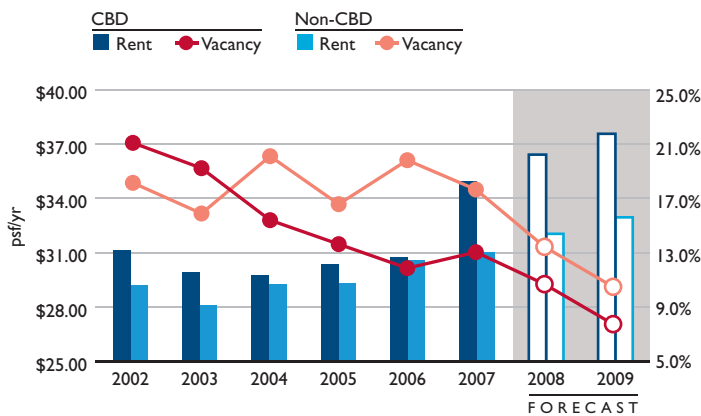
- Direct rental rates for class A space increased in nearly every Westchester County submarket in 2007, registering at \$31.96 psf overall, up from \$31.00 psf last quarter and \$31.00 psf one year ago.
- Class B rents also continue to rise, registering at \$27.93 psf, an increase from \$26.84 psf last quarter and \$24.77 psf one year ago.

OVERALL RENTAL VS. VACANCY RATES



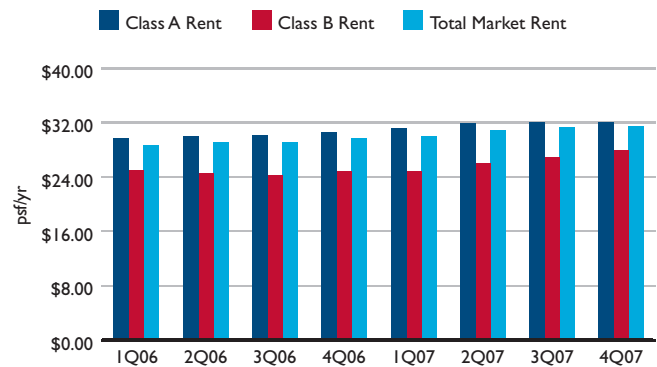
- The Westchester County overall average rent has continued to show an increase quarter-over-quarter since fourth quarter 2006 for class A and B space. The class A average rent registered at \$31.79 psf and class B at \$27.85 psf.
- In addition, the overall vacancy rate countywide has continued to decrease, registering at 14.4% in fourth quarter 2007 compared to 15.9% one year ago.

CLASS A CBD VS. NON-CBD



- The overall class A rental rate for the CBD registered at \$34.94 psf, up from \$34.80 psf last quarter and \$30.75 psf one year ago. In the non-CBD, average class A asking rents increased to \$31.04 psf, up from \$30.72 psf last quarter and \$30.59 psf one year ago.
- Overall class A vacancy rates continued to decrease in the CBD and non-CBD markets, registering at 13.0% and 17.7%, respectively.

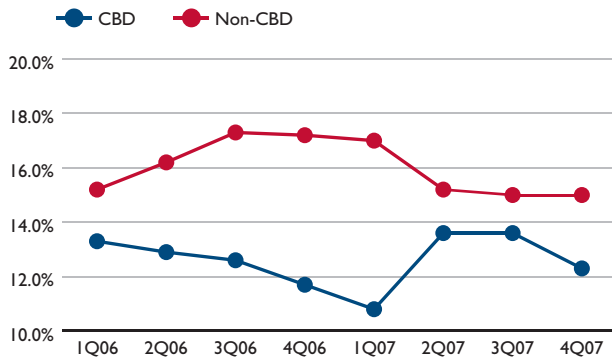
DIRECT RENTAL RATE TRENDS



- Throughout Westchester County direct rental rates have continued to rise quarter-over-quarter. The fourth quarter 2007 rent overall registered at \$31.38 psf, while class A and B registered at \$31.96 psf and \$27.93 psf, respectively.
- Rents are expected to stabilize over the next quarter or so before they start to escalate again.

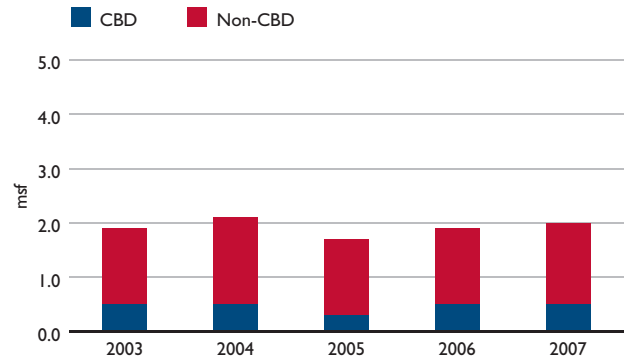
TOTAL MARKET

OVERALL VACANCY RATES CBD VS. NON-CBD



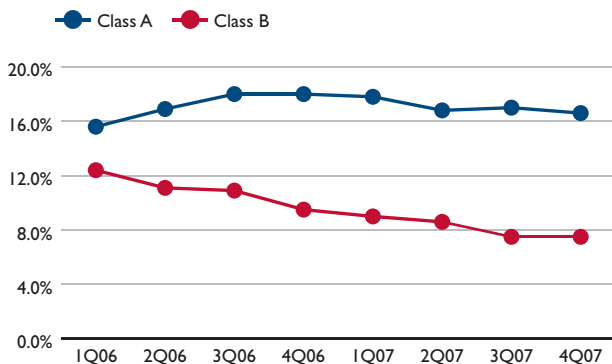
- The overall vacancy rate in the CBD registered at 12.3%, a decrease from 13.6% last quarter and an increase from 11.7% one year ago.
- In the non-CBD, overall vacancy registered at 15.0%, a decrease from 17.2% one year ago. The submarkets posting the lowest vacancy rate were White Plains CBD at 12.3% and Eastern at 12.8%.

LEASING ACTIVITY CBD VS. NON-CBD



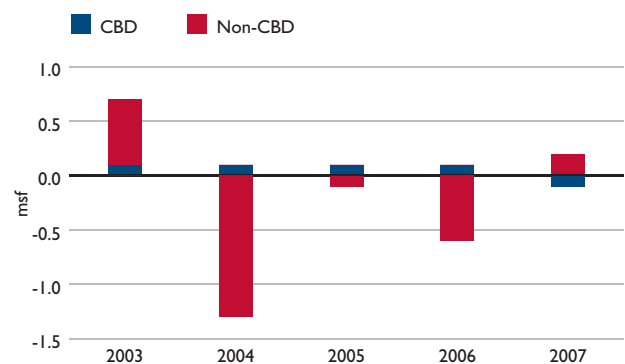
- Leasing activity in the CBD totaled 114,893 sf for the quarter and 481,534 sf year-to-date, a slight decrease from the 505,847 sf leased in 2006.
- In the non-CBD, leasing activity totaled 392,681 sf for the quarter and 1.5 msf year-to-date. The submarkets posting the highest activity for 2007 were Eastern at 552,995 sf and White Plains CBD at 481,534 sf.

OVERALL VACANCY RATES CLASS A VS. CLASS B



- Westchester County's overall class A vacancy rate registered at 16.6%, a decrease from 17.0% last quarter and 18.0% one year ago. The submarkets posting the lowest class A vacancy rate were White Plains non-CBD at 2.0%, Southern at 2.3% and Northern at 4.7%.
- The overall class B vacancy rate registered at 7.5%, remaining level with last quarter and a decrease from 9.5% one year ago. The submarkets posting the lowest class B vacancy rate were White Plains CBD at 13.0% and Southern at 13.1%.

OVERALL ABSORPTION CBD VS. NON-CBD



- Overall absorption in the CBD totaled negative 83,736 sf for the quarter and negative 67,277 sf year-to-date, a decrease from the positive 87,960 sf in 2006.
- In the non-CBD, overall absorption totaled negative 16,914 sf for the quarter and positive 187,833 sf year-to-date, an increase from the negative 598,428 sf in 2006. The submarket with the highest absorption in 2007 was the White Plains non-CBD at 396,397 sf.

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	6,256,849	48	12.3%	11.5%	481,534	0	0	(67,277)	\$35.38
CBD Total	6,256,849	48	12.3%	11.5%	481,534	0	0	(67,277)	\$35.38
White Plains Non-CBD	4,485,028	34	20.2%	18.9%	389,412	0	0	396,397	\$32.33
Northern	3,062,920	39	14.3%	14.3%	68,573	0	0	(1,748)	\$30.82
Central	5,810,402	66	14.2%	10.8%	422,894	0	0	72,358	\$29.58
Eastern	6,437,014	61	12.8%	10.1%	552,995	0	0	(115,288)	\$32.52
Southern	2,335,472	30	13.8%	13.8%	64,821	0	0	(163,886)	\$27.87
Non-CBD Total	22,130,836	230	15.0%	13.1%	1,498,695	0	0	187,833	\$31.16
TOTAL	28,387,685	278	14.4%	12.7%	1,980,229	0	0	120,556	\$31.96

* Asking rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2007 NEW LEASE TRANSACTIONS

Building	Submarket	Tenant	Square Feet	Building Class
1133 Westchester Avenue	White Plains Non-CBD	ITT Corporation	98,988	A
440 Mamaroneck Avenue	Harrison	Bank of New York	78,500	A
44 South Broadway	White Plains CBD	Disney Publishing	60,702	A
1311 Mamaroneck Avenue	White Plains Non-CBD	Acadia Realty	55,806	A
445 Hamilton Avenue	White Plains CBD	Greenberg Traurig	52,652	A

SIGNIFICANT 2007 SALE TRANSACTIONS

Building	Submarket	Buyer	Square Feet	Purchase Price
1-4 Manhattanville Road	Purchase	George Comfort & Son	620,000	\$165,500,000
400 & 465 Columbus Avenue	Valhalla	Abbey Road Advisors	239,843	\$50,000,000
222 Bloomingdale Road	White Plains CBD	Behringer Harvard	155,000	\$22,100,000
399 Knollwood Road	White Plains Non-CBD	SL Green	152,030	\$31,600,000

SIGNIFICANT 2007 CONSTRUCTION COMPLETIONS

Building	Submarket	Major Tenant	Square Feet	Completion Date
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Building	Submarket	Major Tenant	Square Feet	Completion Date
N/A				



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