

Westchester County Office Market

Steady Leasing Volume Tempers Rise in Availability

Leasing activity in Westchester County remained unchanged year over year, closing at 468,712 square feet. Volume was largely driven by renewals this quarter, with 22 transactions spanning 251,013 square feet. Four of the seven largest leases of the quarter were renewals, each of which was above 25,000 square feet. These included renewals by Scarsdale Medical Group at 550/600 Mamaroneck Ave. in Harrison for 66,579 square feet and Triton at 100 Manhattanville Rd. in Purchase for 39,649 square feet. The Eastern market saw the highest leasing volume this quarter, totaling 314,948 square feet, with the largest relocation completed by Kyndryl, a spinoff of IBM, which signed a sublease at 2 International Dr. in Rye Brook for 26,212 square feet, and a new lease signed by Schimenti Construction at 3 International Dr. for 20,829 square feet.

Despite the steady leasing activity this quarter, the availability rate increased 40 basis points quarter over quarter, to 26.2%. This marks the highest availability rate on record. There were five blocks above 20,000 square feet added to the market this quarter, three of which were subleases. These included 36,076 square feet at 200 Summit Lake Dr. in Valhalla, 29,600 square feet in 100 Corporate Blvd. in Yonkers and 21,855 square feet at 2500 Westchester Ave. in Purchase.

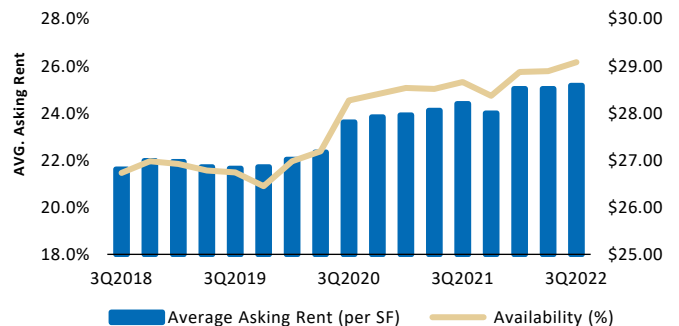
These additions resulted in the third consecutive quarter of negative absorption, which posted at negative 99,255 square feet. The outlook was worse for Class B properties, which accounted for 69.3% of the overall negative absorption. The vast majority of the negative Class B absorption came from the White Plains Central Business District submarket. There were pockets of positive absorption, however, as Eastern and Western recorded positive absorption in both Class A and Class B properties.

Current Conditions

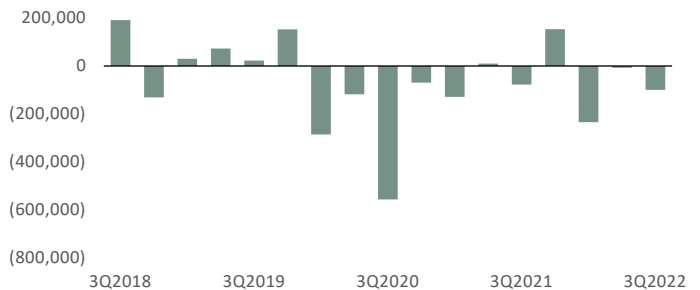
- Leasing volume reached 468,712 SF this quarter, unchanged year over year and down 0.7% quarter over quarter.
- Westchester County's overall availability rate rose to a record high of 26.2%, up 3.5% year over year and 1.5% quarter over quarter.
- The direct average asking rent reached \$28.59/SF, compared to \$28.52/SF last quarter, and \$28.20/SF year over year.

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	26.1M	26.1M	26.1M	↔
Availability Rate	26.2%	25.8%	25.3%	↔
Net Absorption (SF)	(99,255)	(7,577)	(77,252)	↔
Average Asking Rent/SF	\$28.59	\$29.52	\$28.20	↔
Under Construction (SF)	-	-	-	↓

RESEARCH Q3 2022

Availability Fluctuates by Submarkets

Despite the increased availability in the market overall, this was not a uniform trend throughout Westchester, as two submarkets an increase in demand in the third quarter of 2022. The Eastern and Western submarkets saw decreases of 40 basis points and 20 basis points, respectively. Three 10,000-square-foot leases drove this decline: the Schimenti Construction lease at 3 International Dr.; MAXX Properties leased 20,003 square feet at 2 Manhattanville Rd.; and Compass leased 10,817 square feet at 6 International Dr. Of the 70 transactions that were completed this quarter, 47 were signed in those two submarkets.

The Southern and White Plains CBD recorded significant increases in availability, jumping by 270 basis points and 160 basis points, respectively. This followed eight new space additions, including two new subleases. Montefiore Medical Center listed two spaces for sublease in Southern: 29,600 square feet at 100 Corporate Blvd.; and 6,535 square feet at 6 Executive Plaza. The largest space that came to market was a 56,000-square-foot block at 55 Church St. in White Plains formerly occupied by Wachtell Lipton. An additional 46,827 square feet was added across the five remaining direct additions. Total vacant square footage totaled 5.7 million square feet at the quarter's end, the most on record.

Northern remained the most challenged submarket, with an availability rate of 37.2%.

Average Asking Rents Remain Stable

There was limited change in Westchester asking rents, which closed at \$28.59/SF. This marked an increase of just 1.4% year over year and 0.2% quarter over quarter. The White Plains CBD was an exception, where asking rents dropped 1.0% quarter over quarter; the other four submarkets were stable, changing no more than 0.3%. Despite its decrease, White Plains remained the most expensive submarket, with asking rents of \$38.18/SF. Direct asking rents in the other four submarkets range from \$24.96/SF to \$28.72/SF.

Capital Markets Activity Remains Limited

Just three assets changed hands in the third quarter of 2022, the largest of which was the \$21.0-million sale of 1311 Mamaroneck Ave. in White Plains. The 323,431-square-foot property was the second-largest property sold this year, following the 714,947-square-foot 445 Hamilton Ave./1 North Broadway, which sold for \$105.0 million in the first quarter of 2022. The other two properties that sold this quarter were smaller assets that traded for under \$5 million. Year-to-date transaction volume has totaled \$115.9 million in 12 deals across 1.25 million square feet.

Top Q3 2022 Lease Transactions

Tenant	Market	Building	Type	Square Feet
Scarsdale Medical Group	Eastern	550/600 Mamaroneck Avenue	Renewal	66,579
Triton	Eastern	100 Manhattanville Road	Renewal	39,649
Kobrand Corp.	Eastern	1 Manhattanville Road	Renewal	32,175
Kyndryl Holdings, Inc.	Eastern	2 International Drive	Sublease	26,212
New York State Appellate Court	White Plains CBD	140 Grand Street	Renewal	25,476
Schimenti Construction Company	Eastern	3 International Drive	New Lease	20,829
Maxx Properties	Eastern	2 Manhattanville Road	New Lease	20,003

Select Q3 2022 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
1 West Red Oak Lane	Eastern	\$4,400,000	\$201.14	21,875
1 Stone Place	Southern	\$3,650,000	\$152.08	24,000
1311 Mamaroneck Avenue	Eastern	\$21,000,000	\$64.93	323,431

RESEARCH Q3 2022

Submarket Statistics							
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)
White Plains CBD	4,895,898	-	23.63%	-80,415	-152,772	\$38.18	\$25.43
Eastern Westchester	8,977,635	-	21.38%	39,201	-201,986	\$28.72	\$27.16
Western Westchester	3,721,858	-	25.91%	6,500	-16,619	\$27.21	\$23.79
Northern Westchester	6,820,498	-	37.15%	-18,408	85,325	\$24.96	-
Southern Westchester	1,738,047	-	15.43%	-46,133	-55,187	\$25.87	\$25.39
Westchester County	26,153,936	-	26.16%	-99,255	-341,239	\$28.59	\$25.90

Submarket Statistics – Class A							
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)
White Plains CBD	4,328,314	-	23.55%	-15,917	-93,186	\$39.44	\$25.43
Eastern Westchester	7,949,526	-	22.59%	30,498	-219,823	\$29.06	\$27.16
Western Westchester	2,613,478	-	32.68%	1,308	-14,980	\$26.93	\$23.79
Northern Westchester	5,259,389	-	43.29%	-41,926	35,352	\$24.96	-
Southern Westchester	1,063,368	-	17.41%	-4,442	-18,929	\$26.95	\$25.00
Westchester County	21,214,075	0	28.90%	-30,479	-311,566	\$28.84	\$25.88

Submarket Statistics – Class B							
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)
White Plains CBD	567,584	-	24.27%	-64,498	-59,586	\$29.64	-
Eastern Westchester	1,028,109	-	12.03%	8,703	17,837	\$24.00	-
Western Westchester	1,108,380	-	9.93%	5,192	-1,639	\$29.02	-
Northern Westchester	1,561,109	-	16.47%	23,518	49,973	\$24.98	-
Southern Westchester	674,679	-	12.31%	-41,691	-36,258	\$21.67	\$29.00
Westchester County	4,939,861	0	14.41%	-68,776	-29,673	\$26.31	\$29.00

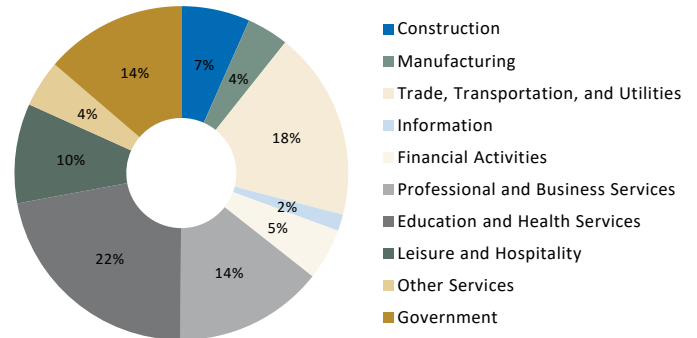
Economic Conditions

As of August 2022, private sector jobs increased by 34,500 (+4.5%) to 801,100. Job growth was led by the professional and business services industry, which added 10,600 jobs, followed by leisure and hospitality (+9,000), education and health services (+6,000), other services (+3,500), mining, logging and construction (+3,400), trade, transportation and utilities (+2,300) manufacturing (+700) and information (+500). Losses were greatest in financial activities this month (-1,500).

In August 2022, Westchester County's unemployment rate stood at 3.6%, compared with 5.3% year over year. The county's Consumer Price Index climbed to 6.6% in August, up from 3.7% last year, yet remains lower than 8.3% for the U.S.

Employment By Industry

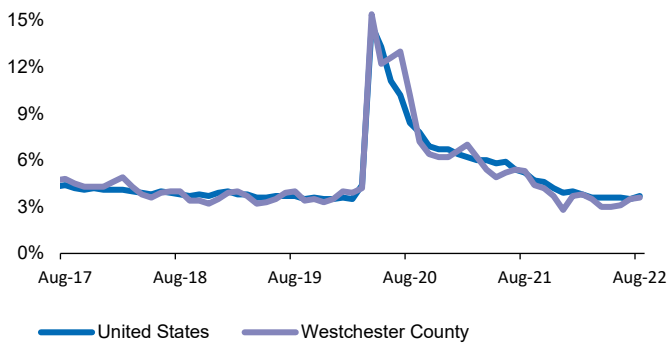
Orange-Rockland-Westchester Area



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

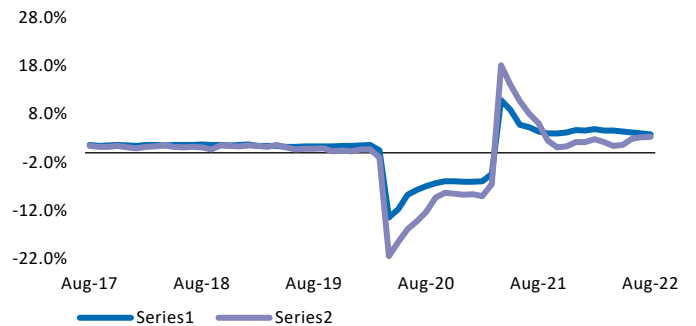
Westchester County Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Payroll Employment

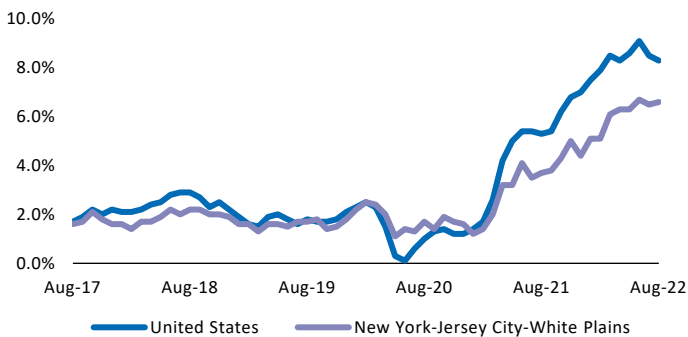
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

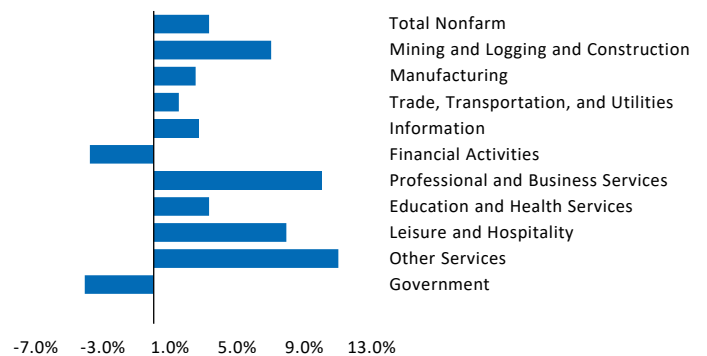
All Items, 12-Month % Change (Not Seasonally Adjusted)



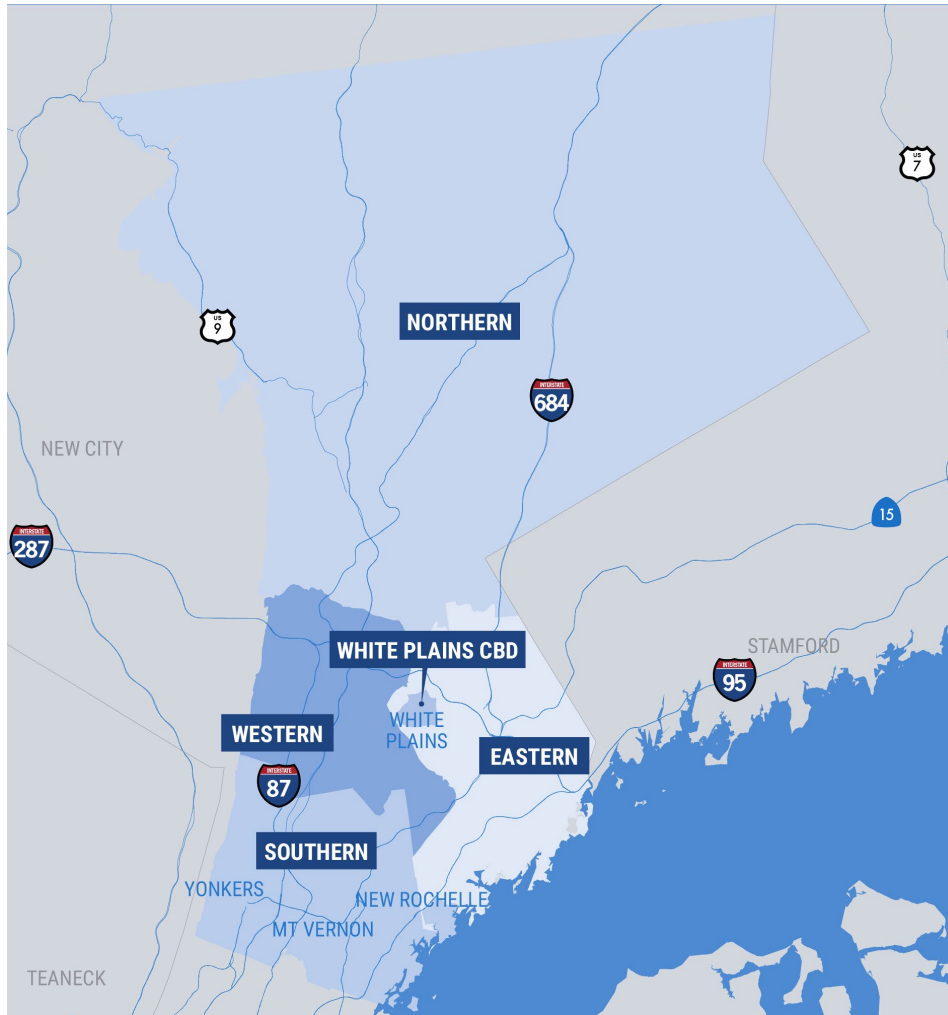
*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

Orange-Rockland-Westchester, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics



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MIDDLE EAST

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