

Westchester County Office Market

Despite Renewed Pandemic Concerns, Market Ends Year on Stable Footing

The Westchester County office market finished 2021 in a stable position despite news of another strand of COVID-19 spreading rapidly in the last weeks of December. Leasing activity in 2021 reached 2.0 million square feet, on par with the county's pre-pandemic five-year annual average from 2015 to 2019. Demand this quarter reached a post-pandemic high of 542,000 square feet, enhanced by large deals signed in the East I-287 market and midsize deals in Downtown White Plains. Improved leasing resulted in positive net absorption of 153,750 square feet this quarter and pushed the overall availability rate down to 25.1%, from 25.7% last quarter and 25.2% last year.

New York Blood Center Signs County's Largest Deal of 2021

After experiencing distinctly low leasing levels during the third quarter of 2021, activity for the East I-287 market rebounded, reaching nearly 300,000 square feet. This was almost three times the total recorded in the previous quarter and four times the total seen at this time in 2020. This quarter's leasing was uplifted by a 187,181-square-foot lease signed by the New York Blood Center at 601 Midland Avenue in Rye. This deal contributed to a decrease in the Eastern market's overall availability rate, which dropped to 21.9%, from 23.2% in the third quarter of 2021 and 22.3% a year ago. As a result, despite registering 178,283 square feet of negative absorption in the first quarter of 2021, the East I-287 market finished the year with net occupancy gains of 20,000 square feet.

Growing Demand for Life Science Lab Facilities

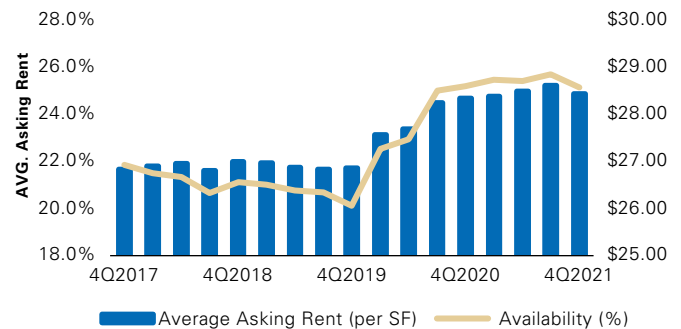
The New York Blood Center organization, which is in the midst of a major redevelopment project to convert its existing facility on New York City's Upper East Side into a state-of-the-art life science hub, plans to utilize its new Westchester County location to house a mix of office and laboratory space, including blood storage. Although the life sciences industry has been building momentum for many years, the recent public health crisis, which prompted interest in vaccines and related products, has propelled demand for additional lab space in major markets, like the New York Metro area, and secondary markets, like Westchester County, continue to gain traction.

Current Conditions

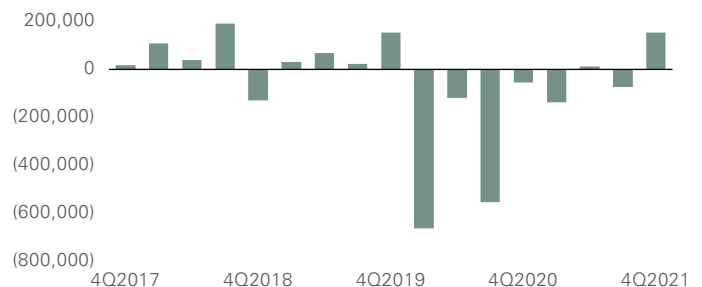
- Leasing in 2021 ended on par with the 5-year historical average of 2.0 million square feet, boosted by this quarter's post-pandemic high of 542,000 square feet.
- Healthy leasing this quarter drove the county's availability rate down to 25.1%, from 25.7% in the previous quarter and 25.2% last year
- The direct average asking rent remained stable at \$28.44/SF, a marginal increase of 0.4% from \$28.34/SF in the prior 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)	27.1 MSF	27.1 MSF	27.1 MSF	↔
Availability Rate	25.1%	25.7%	25.2%	↔
Net Absorption (SF)	153,750	(73,697)	(54,023)	↔
Average Asking Rent/SF	\$28.44	\$28.61	\$28.34	↔
Under Construction (SF)	0	0	0	↓

RESEARCH Q4 2021

In recent weeks, Greenwich-based Fareri Associates announced it received a \$3.0-million grant from Empire State Development that will help fulfill Phase I of the company's North 80 project, a 1.2-million-square-foot science and technology center situated on 80 acres in Mount Pleasant. This \$227.0-million project sits alongside the New York Medical College and the Westchester Medical Center. Phase I of this development is expected to deliver approximately 490,000-square-foot state-of-the-art buildings, featuring a Children's Living Science Center to promote STEAM education. The innovative science and lifestyle campus will include shops, restaurants, plazas, a hotel and conference center. It will also provide biotech research labs for incubator program graduates.

Demand in Downtown White Plains Up 23.0% Year-Over-Year

Demand in the Central Business District improved over the past year, with leasing activity reaching nearly 450,000 square feet in 67 deals, compared with 363,000 square feet in 50 deals tracked in 2020. This year's largest deal was signed by Veterinary Emergency Group, which committed to 60,355 square feet at 44 South Broadway. Unlike the prior year, when leasing was led by renewals, this year's new deals comprised 67.2% and there were more expansions than downsizings. As a result, the availability rate in the CBD decreased to 20.0%, from 22.1% in the third quarter of 2021 and 21.2% in the fourth quarter of 2020. Year-to-date net absorption ended with positive 60,000 square feet.

Although smaller in inventory, the Southern market also contributed to the county's occupancy gains, netting 53,566 square feet of positive absorption. Availability in this market continues to decline, ending at 12.2%, the lowest since 2013. Renewals for government entities and unions in New Rochelle, including the U.S. General Services Administration, the New York State Department and the United Service Workers Union drove demand this year.

Western and Northern Markets Lag Pre-Pandemic Levels

After recording sharp declines in available space from year-end 2018 to year-end 2019, availability rates in the Western market trended upward trend since the start of 2020. The largest increase in availabilities was seen in the Western's Class A market, where the availability rate reached 32.1% at year end, a 4.4-percentage-point increase from the previous quarter and up 5.5 percentage points from last year. This was mainly due to the recent addition of an 87,735-square-foot sublease space from Amscan at 80 Grasslands Road in Elmsford; however, with a declining Class B rate, which ended at 9.5%, the overall availability rate in this market leveled off at 25.3%.

Demand in the Northern market also lagged this year and vacancy levels remain historically high, but with fewer and relatively smaller blocks of space coming online this year, availability in this market stood at 36.1%, consistent from the previous quarter.

Owners and Executives Adapt to Fast-Changing Conditions

The pandemic continued to bring challenges to markets across the globe, but also caused business leaders to reimagine the workplace and adapt to a new wave of employees working on a hybrid schedule both remotely and in-office. The economy and property markets have proven their resilience, though there are obstacles to navigate to continue to repurpose obsolete assets. There is an opportunity for owners to market their buildings to a different cohort of clients, and the buildings that are equipped with flexible floor plans and more complete amenity packages are at an advantage. These buildings can accommodate a wider variety of tenants, who continue to leverage current market conditions to trade up to higher quality spaces with state-of-the-art amenities. Firms that adapt to the new world of hybrid work will be more successful in attracting employees.

Top 2021 Lease Transactions

Tenant	Market	Building	Type	Square Feet
New York Blood Center	Rye – East I-287	601 Midland Avenue	New Lease	187,181
TierPoint	Hawthorne – Northern	11 & 17 Skyline Drive	Renewal	167,270*
Amalgamated Life Insurance Company	White Plains – East I-287	333 Westchester Avenue	Renewal	105,000
Veterinary Emergency Group (VEG)	White Plains – CBD	44 South Broadway	New Lease	60,355
Transamerica Life Insurance	Harrison – East I-287	440 Mamaroneck Avenue	Extension	57,470
Kaufman Borgeest & Ryan	Valhalla – Northern	200 Summit Lake Drive	Renewal	44,096

*Office: 131,078 SF

Select 2021 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
3 Executive Boulevard & 3 Odell Plaza (Portfolio Sale)	Yonkers – Southern	\$36,700,000	\$281	130,607
555 White Plains Road	Tarrytown – Western	\$8,900,000	\$66	133,645

RESEARCH Q4 2021

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	4,916,084	-	20.02%	101,369	58,279	\$36.61	\$27.85
Eastern Westchester	9,473,816	-	21.89%	126,918	19,834	\$29.91	\$24.61
Western Westchester	3,749,858	-	25.27%	-91,642	-93,563	\$27.18	\$19.00
Northern Westchester	7,203,498	-	36.10%	1,405	-81,980	\$25.11	-
Southern Westchester	1,818,378	-	12.18%	15,700	53,566	\$26.14	\$25.00
Westchester County	27,161,634	-	25.14%	153,750	-43,864	\$28.44	\$26.00

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	4,308,500	-	21.03%	103,433	67,245	\$37.48	\$27.85
Eastern Westchester	8,398,407	-	23.01%	-43,382	-174,188	\$30.31	\$24.61
Western Westchester	2,613,478	-	32.11%	-114,276	-143,213	\$26.89	\$19.00
Northern Westchester	5,642,389	-	40.98%	0	-76,275	\$25.16	-
Southern Westchester	1,143,699	-	15.27%	1,586	28,431	\$27.45	\$25.00
Westchester County	22,106,473	-	27.89%	-52,639	-298,000	\$28.74	\$26.00

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	607,584	-	12.87%	-2,064	-8,966	\$27.56	-
Eastern Westchester	1,075,409	-	13.16%	170,300	194,022	\$24.53	-
Western Westchester	1,136,380	-	9.54%	22,634	49,650	\$29.12	-
Northern Westchester	1,561,109	-	18.48%	1,405	-5,705	\$24.66	-
Southern Westchester	674,679	-	6.94%	14,114	25,135	\$20.89	-
Westchester County	5,055,161	-	13.12%	206,389	254,136	\$25.54	-

Economic Conditions

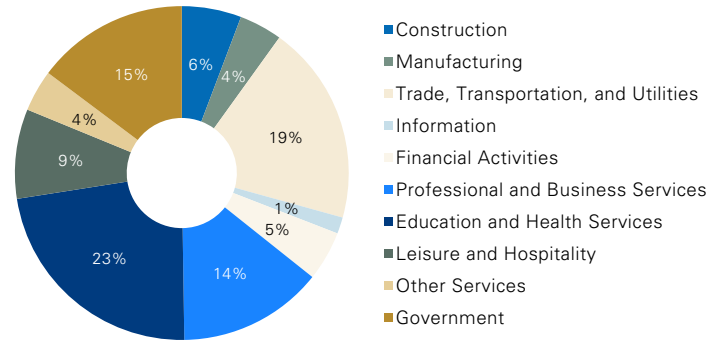
For the 12-month period ending in November 2021, private sector employment in the region increased by 22,100 (+3.0%). Within the region, the Orange-Rockland-Westchester labor market was the second fastest growing labor market area (+3.4%).

Industries with the largest gains included: leisure and hospitality (+13,400); professional and business services (+6,100); trade, transportation and utilities (+2,600); educational and health services (+1,900); manufacturing (+1,400); and information (+300). Industries with net losses in November 2021 were in construction (-3,700) and financial activities (-1,200).

Westchester County's unemployment rate was 3.7% as of November 2021, significantly improved from the peak of 14.2% during July of 2020. This also compares favorably to New York State's jobless rate of 6.6%.

Employment By Industry

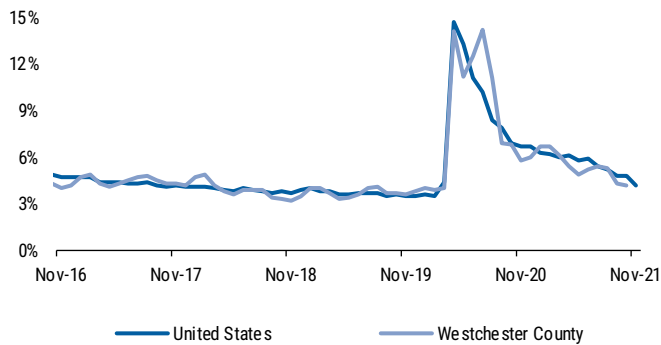
Orange-Rockland-Westchester Area



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

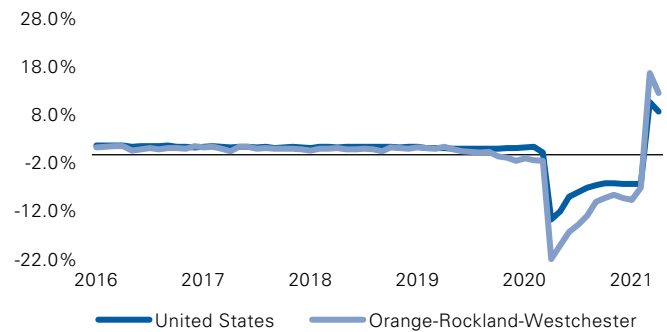
Westchester County Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Payroll Employment

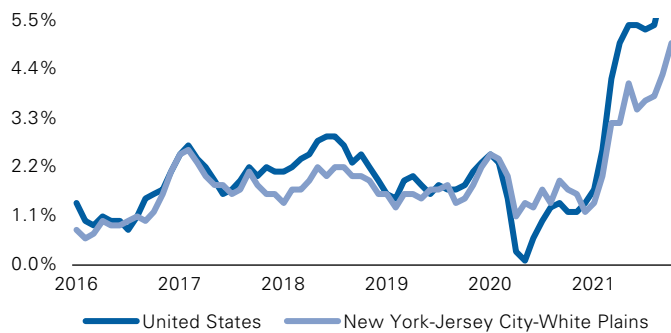
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

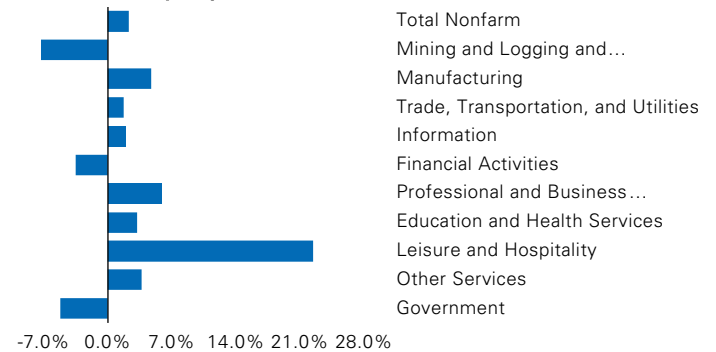
All Items, 12-Month % Change (Not Seasonally Adjusted)



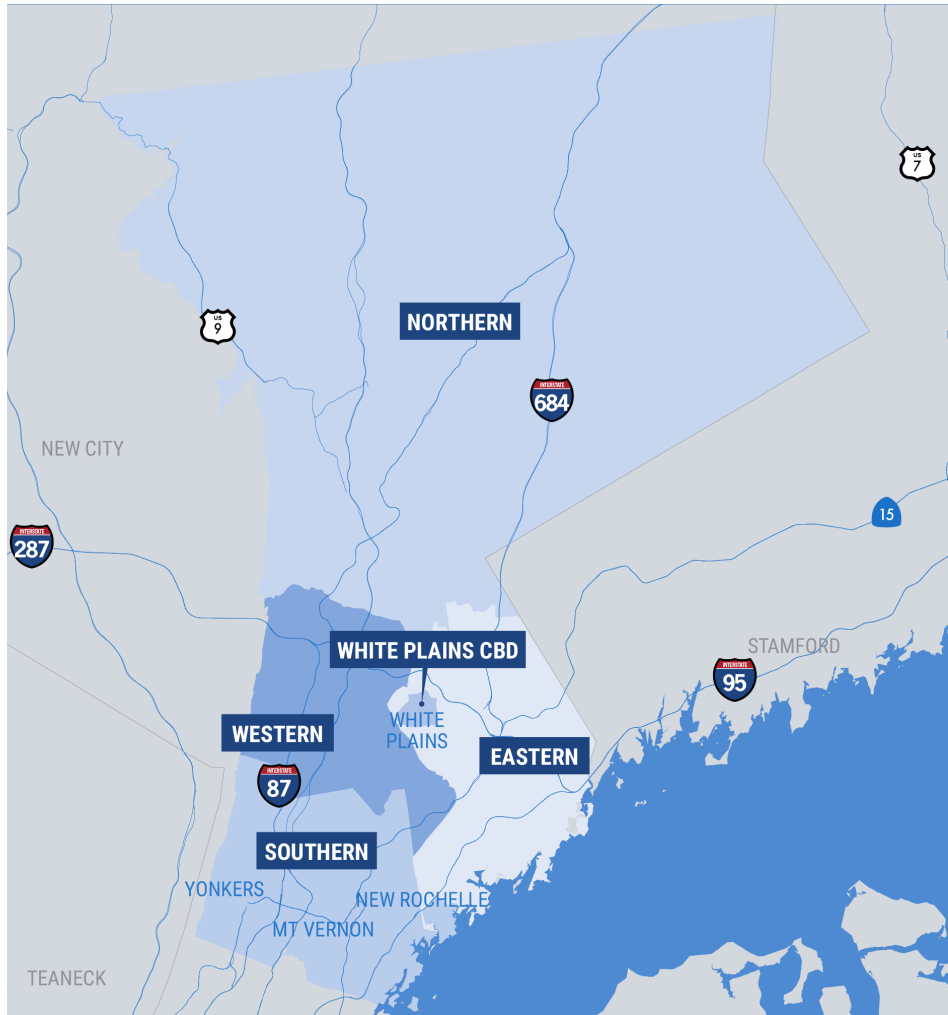
*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics



For more information:

Westchester County, NY

800 Westchester Avenue
Rye Brook, NY 10576
t 914-881-1024

Karolina Alexandre

Research Manager
Karolina.Alexandre@nrmk.com

nrmk.com

NORTH AMERICA

Canada
United States

LATIN AMERICA

Argentina
Brazil
Chile
Colombia
Costa Rica
Mexico
Peru
Puerto Rico

EUROPE

Austria
Belgium
Czech Republic
France
Germany
Ireland
Italy
Netherlands
Poland
Portugal
Romania
Russia
Spain
Switzerland
United Kingdom

ASIA-PACIFIC

Australia
Cambodia
China
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Singapore
South Korea
Taiwan
Thailand

AFRICA

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

MIDDLE EAST

Saudi Arabia
United Arab Emirates

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/research.
All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.