

Westchester County Office Market

Westchester County Office Markets Continues to see Elevated Availability

Westchester County recorded an increase of 160 basis points in its availability rate year over year, closing 2022 at 26.3%. The significant jump was pronounced across four of the five submarkets, with the exception being the Northern submarket. The White Plains CBD recorded the greatest year-over-year increase at 350 basis points, bringing availability to 23.7%. Following White Plains, were the Eastern and Southern submarkets, which recorded increases of 310 basis points and 260 basis points, respectively. Western's increase was more moderate, ticking up by 40 basis points. Northern recorded a 160-basis-point decline from last year, boasting an availability rate of 36.8%, the highest of any submarket.

The upticks in availability coincided with declining leasing velocity, as activity totaled 1.5 million square feet in 2022, a decline of 23.2% from 2021 levels. The year-over-year drop-off in fourth-quarter activity was even more severe, as velocity was down 39.6%. Just 327,689 square feet was leased in the fourth quarter, including just eight deals above 10,000 square feet. The largest deals of the quarter were Caremount's 23,305-square-foot expansion at 100 South Bedford Rd. in Mount Kisco, followed by Open Door Leasing Corporation's new lease for 22,128 square feet at 560 White Plains Rd. in Tarrytown. The second-half of the year was saved by a steady third quarter, in which activity was unchanged year over year, bolstered by large renewals by White Plains Hospital and Triton.

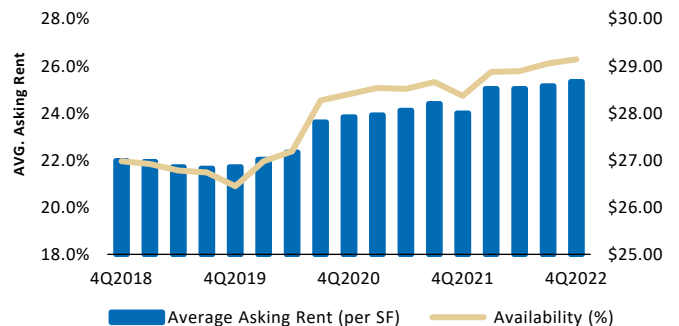
Velocity declined in all submarkets except for Northern in 2022. The largest decreases were recorded in Southern and Western, where activity fell by 66.5% and 44.3%, respectively. Fourth-quarter absorption posted at negative 46,795 square feet, bringing annual absorption levels to negative 374,034 square feet. Both Class A and Class B assets posted negative absorption in 2022. The lone Class A exceptions were in the Northern and Western submarkets.

Current Conditions

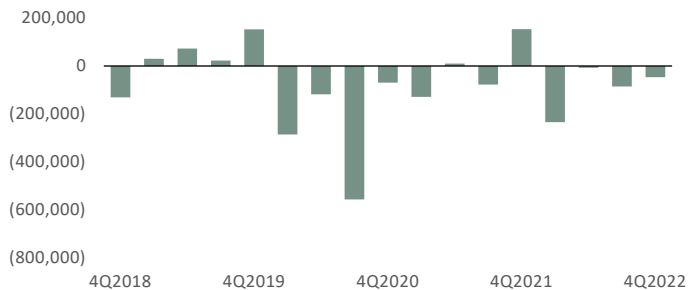
- Leasing activity totaled 1.5 million square feet in 2022, a decline of 23.2% from 2021 levels.
- Westchester County's overall availability rate increased by 160 basis points year over year to 26.3%.
- The direct average asking rent reached \$28.67/SF, compared to \$28.00/SF last year, an increase of 2.4%.

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	26.2M	26.2M	26.1M	↔
Availability Rate	26.3%	26.1%	24.7%	↔
Net Absorption (SF)	(46,795)	(85,255)	153,750	↔
Average Asking Rent/SF	\$28.67	\$28.58	\$28.00	↔
Under Construction (SF)	-	-	-	↓

Fourth Quarter Brings Slow Year of Investment Sales to an End

Although the second-largest sale of the year occurred in the fourth quarter of 2022, with 10 Bank St. being sold for \$42.0 million, the Westchester office market was particularly slow in 2022. Nineteen assets spanning 2.9 million square feet were sold over the course of the year, down from 52 properties spanning 3.5 million square feet in 2021.

In a period of great interest rate uncertainty, investors allocated a total of \$281.1 million to the Westchester office market in 2022. This marked a year-over-year transaction volume decline of \$386.9 million, or 57.9%. Coinciding with this drop-off was a decreasing average price, with averages dropping from \$217.65/SF in 2021 to \$156.46/SF to close out 2022. The only other transaction to close in the fourth quarter of 2022 was at 7 Renaissance Sq. The 65,641-square-foot building in White Plains traded for \$25.0 million, or \$380.86/SF, the largest price per square foot of any asset to trade hands over the past two years.

Other notable transactions this year included the sale of 15 North Broadway, a 50,097-square-foot asset in White Plains, for \$13.5 million, or \$269.35/SF; 280 Dobbs Ferry Rd. in Western and 1 West Road Oak Ln. in Eastern, two boutique properties, also both eclipsed \$200/SF.

Average Asking Rents Remain Stable

Direct average asking rents closed the year at \$28.67/SF, compared to \$28.00/SF last year, an improvement of 2.4%. Rent growth was stable in both Class A and Class B assets, increasing by 2.4% and 2.5%, respectively. The White Plains CBD recorded the greatest year-over-year increase at 4.6%, bringing average asking rents up to \$38.30/SF, the highest across Westchester County. Rent growth in the Western, Eastern and Southern submarkets was much more moderate, increasing by 150 basis points, 80 basis points and 40 basis points, respectively. Asking rents in the Northern submarket declined by 100 basis points year over year, to \$24.87/SF.

2022 Recap

Despite the challenges of the past year, there were also some highlights. Regeneron Pharmaceutical's 200,000-square-foot new deal at 175 King St. in Armonk-North was the largest transaction of the year. The company will use the space as swing space as it upgrades its Tarrytown campus, reaffirming its commitment to the market. One of the more notable sales of the year was at 1111 and 1129 Westchester Ave. in White Plains. The assets were sold in the first quarter of 2022 for \$83.5 million to NewYork-Presbyterian, which plans to convert the office space to a new ambulatory care facility.

Top 2022 Lease Transactions

Tenant	Market	Building	Type	Square Feet
Regeneron Pharmaceuticals	Armonk – North	175 King Street	New	200,000
White Plains Hospital	Harrison – East I-287	550/600 Mamaroneck Avenue	Renewal	66,579
BOCES	Harrison – East I-287	450 Mamaroneck Avenue	Renewal	58,459
Triton	Purchase – East I-287	100 Manhattanville Road	Renewal	39,649
Kobrand Corp.	Purchase – East I-287	1 Manhattanville Road	Renewal	32,175

Select 2022 Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
7 Renaissance Square	White Plains – CBD	\$25,000,000	\$381	65,641
15 North Broadway	White Plains – CBD	\$13,493,595	\$269	50,097
280 Dobbs Ferry Road	White Plains – West I-287	\$7,100,000	\$237	30,000
1 West Red Oak Lane	White Plains – East I-287	\$4,400,000	\$201	21,875
10 Bank Street	White Plains – CBD	\$42,000,000	\$177	237,450

RESEARCH Q4 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	-	23.69%	-2,794	-155,566	\$38.30	\$25.43
Eastern Westchester	8,977,635	-	22.09%	-63,617	-265,603	\$28.87	\$27.16
Western Westchester	3,721,858	-	25.81%	3,565	-13,054	\$27.60	\$23.79
Northern Westchester	6,820,498	-	36.85%	6,751	106,076	\$24.87	-
Southern Westchester	1,738,047	-	14.89%	9,300	-45,887	\$25.84	\$25.39
Westchester County	26,153,936	-	26.29%	-46,795	-374,034	\$28.67	\$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	-	23.66%	-5,032	-98,218	\$39.56	\$25.43
Eastern Westchester	7,949,526	-	23.21%	-48,856	-268,679	\$29.31	\$27.16
Western Westchester	2,613,478	-	32.09%	15,397	417	\$27.39	\$23.79
Northern Westchester	5,259,389	-	42.39%	33,413	82,765	\$24.87	-
Southern Westchester	1,063,368	-	17.41%	0	-18,929	\$26.95	\$25.00
Westchester County	21,214,075	-	28.86%	-5,078	-302,644	\$28.97	\$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	-	23.88%	2,238	-57,348	\$29.71	-
Eastern Westchester	1,028,109	-	13.47%	-14,761	3,076	\$23.71	-
Western Westchester	1,108,380	-	11.00%	-11,832	-13,471	\$28.83	-
Northern Westchester	1,561,109	-	18.17%	-26,662	23,311	\$24.95	-
Southern Westchester	674,679	-	10.93%	9,300	-26,958	\$20.42	\$29.00
Westchester County	4,939,861	-	15.25%	-41,717	-71,390	\$26.16	\$29.00

Economic Conditions

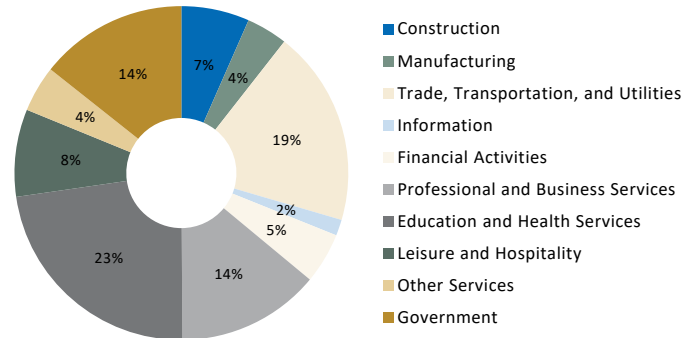
According to estimates by the New York State Department of Labor, Hudson Valley's private sector grew by 3.6% year over year in November 2022, reaching 799,500 positions.

Growth was led by the educational and health services industry, which gained 10,100 positions, followed by leisure and hospitality (+6,900), professional and business services (+6,500), natural resources, mining and construction (+4,300) and other services (+2,000). Losses were recorded in the financial activities and manufacturing sectors, down by 1,300 jobs and 500 jobs, respectively.

The Consumer Price Index fell to 7.1% nationally, and 5.9% locally. Rates are beginning to trend downward from the peak levels in June 2022, when the national rate was 9.1% and local rate was 6.7%.

Employment By Industry

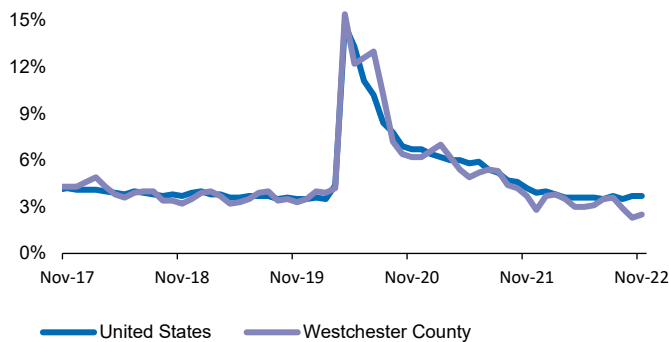
Orange-Rockland-Westchester Area



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

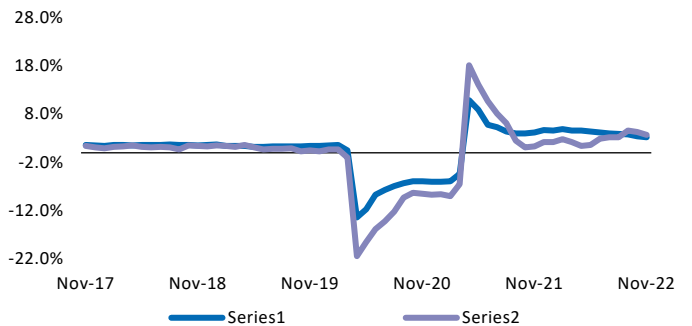
Westchester County Area (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Payroll Employment

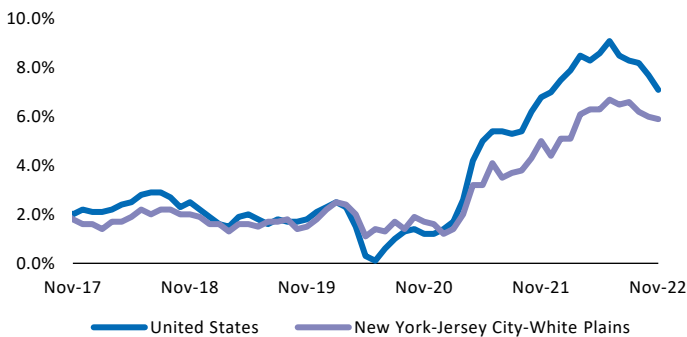
Total Nonfarm, 12-Month % Change (Not Seasonally Adjusted)



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

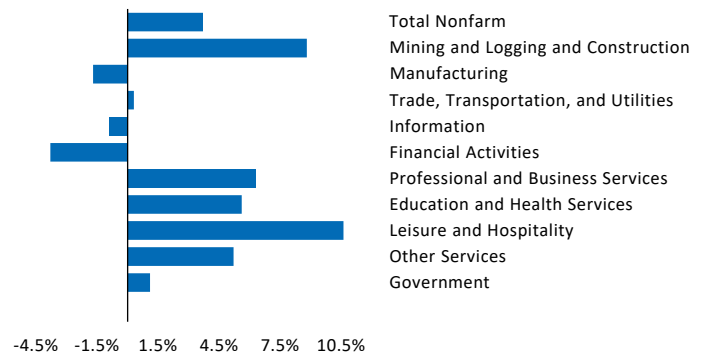
All Items, 12-Month % Change (Not Seasonally Adjusted)



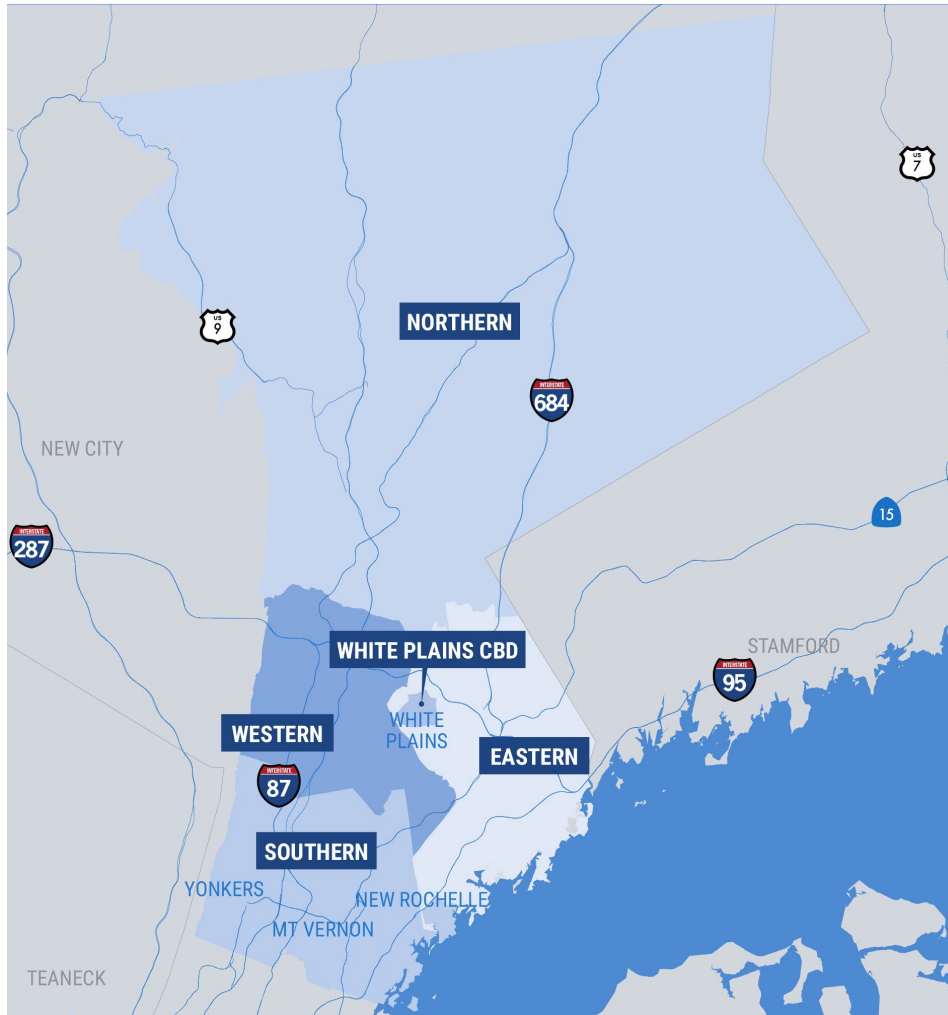
*Source: U.S. Bureau of Labor Statistics

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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