

MIDYEAR 2024

NEWMARK

Westchester County Office Market Overview



Market Observations

Economy

- Office-using employment continues to trend higher than pre-COVID levels in Westchester County metro area, but decreased by 1.3%, or 37,703 positions year-over-year.
- Four of the ten major industry sectors recorded job increases in May: education and healthcare, leisure and hospitality, other services and government. Overall, total nonfarm payroll was up by 1.3%.
- Year-over-year job losses within office-using industries were concentrated in information (-5.1%), professional and business services (-1.2%). Financial services remained unchanged as of May.
- The Westchester County unemployment rate ended at 3.7% in May 2024, mirroring the national rate but lower than New York state's level of 4.2%.

Major Developments

- One of the largest deals completed in 2024 was a 45,134-SF lease by Danone North America at The Source in Downtown White Plains. A tenant since 2017, Danone signed an early renewal and reduced its original footprint by nearly 45%.
- The healthcare and educational sectors continue to drive demand in the Westchester County market, comprising 23% of all employment. However, most of the leasing completed within these industries are not reflected in office-using statistics.
- Notable recent deals completed by educational and medical tenants include Monroe College's 57,000-SF lease at 33 LeCount Place in New Rochelle; White Plains Hospital's 38,000-SF renewal at 222 Westchester Avenue in White Plains and New York School of Medicine's 32,000-SF new lease at 4 Westchester Park Drive in White Plains.
- In the past year, 9 sales were completed for roughly \$200 million, compared with an annual average of 15 sales. The purchase of 3 Campus Drive, a 31,000-SF flex building located in Pleasantville's northern market, for \$2.75 million, or \$89/SF, has been the only sale recorded thus far this year. This involved a sale-leaseback by Savin Engineers, which downsized to approximately 13,000 SF.

Leasing Market Fundamentals

- The total availability rate, which ended at 26.7%, remained unchanged from the prior year. The total vacancy rate hit a new record high of 24.3%, with more of these availabilities becoming vacant as leases expire. However, this level remains skewed by a single, 1.1-million SF block of obsolete office space long vacated by IBM in Somers. Without this block the total vacancy rate would drop to 19.9%.
- After getting off to a slow start, leasing activity leveled off in the second quarter with 430,000 SF of leases tracked. This resulted in a combined 725,000 SF of leasing year to date, on par with levels registered during midyear 2023 but remaining 22.0% below the historical midyear average.
- Although in recent years smaller deals have kept leasing volumes well below average, this quarter deals ranging from 10,000 SF to 25,000 SF increased by 10.0% from midyear 2023.
- At \$28.72/SF, the county's direct average asking rent remained unchanged from the previous quarter but was up slightly from \$28.56/SF in the second quarter of 2023.

Outlook

- The commercial real estate market still faces some headwinds, particularly in the investment sales side for assets with loan maturities on the horizon. Capital markets activity will likely increase as owners look to refinance or dispose of assets that no longer meet their investment criteria. This may also lead to more conversions of office properties that are deemed un-leasable in today's market.
- Looking forward, economic conditions may point to a more supportive environment as Fed officials laid the groundwork for a rate cut in the near-term, citing increased confidence that inflation is moving down toward their 2% goal.
- Recently observed trends, both nationally and locally, are likely to continue throughout the second half of the year. These include continued flight-to-quality into smaller footprints but also large tenants' tendency toward renewals with longer lease terms versus relocations.

1. Economy
2. Leasing Market Fundamentals

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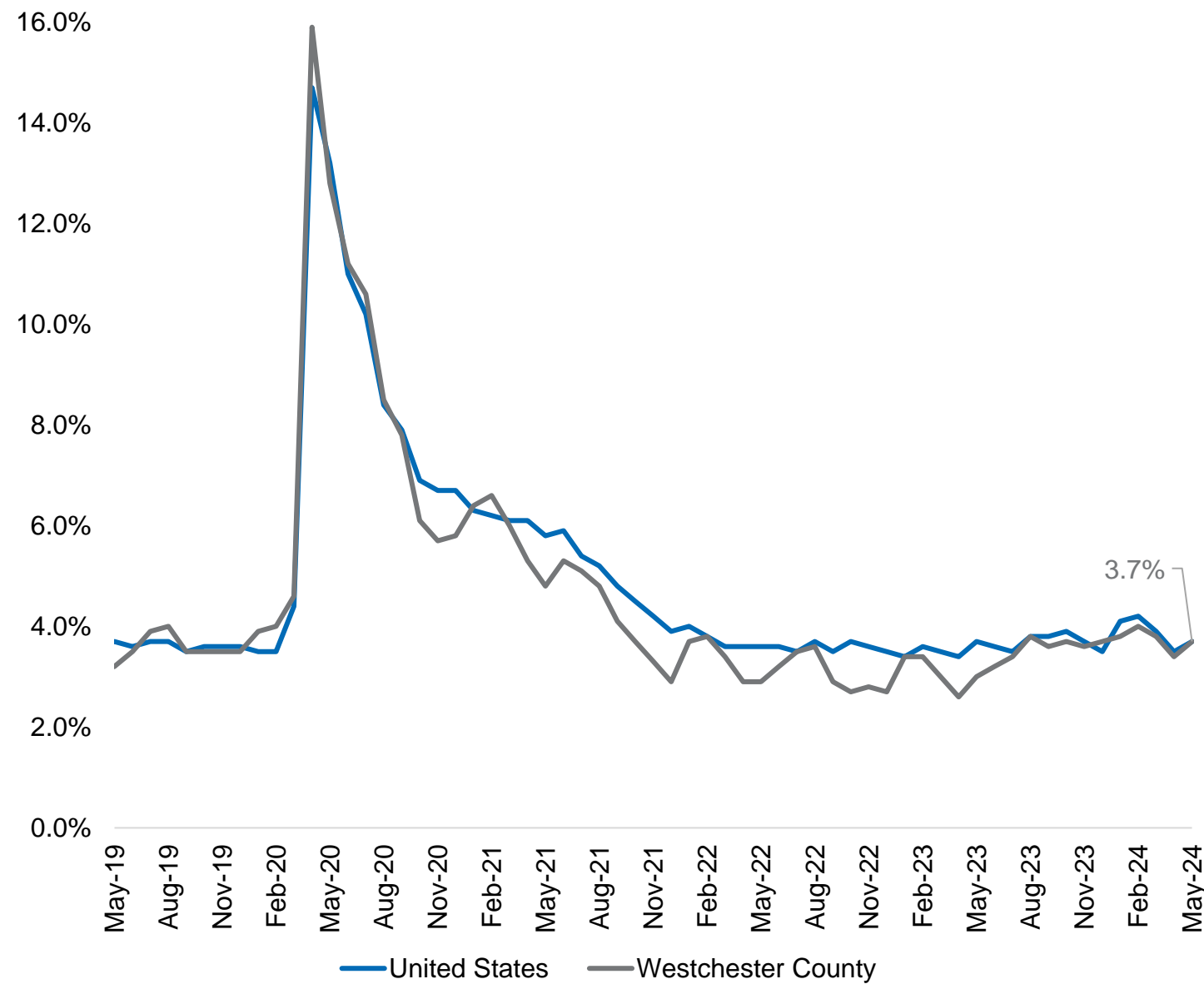
Economy



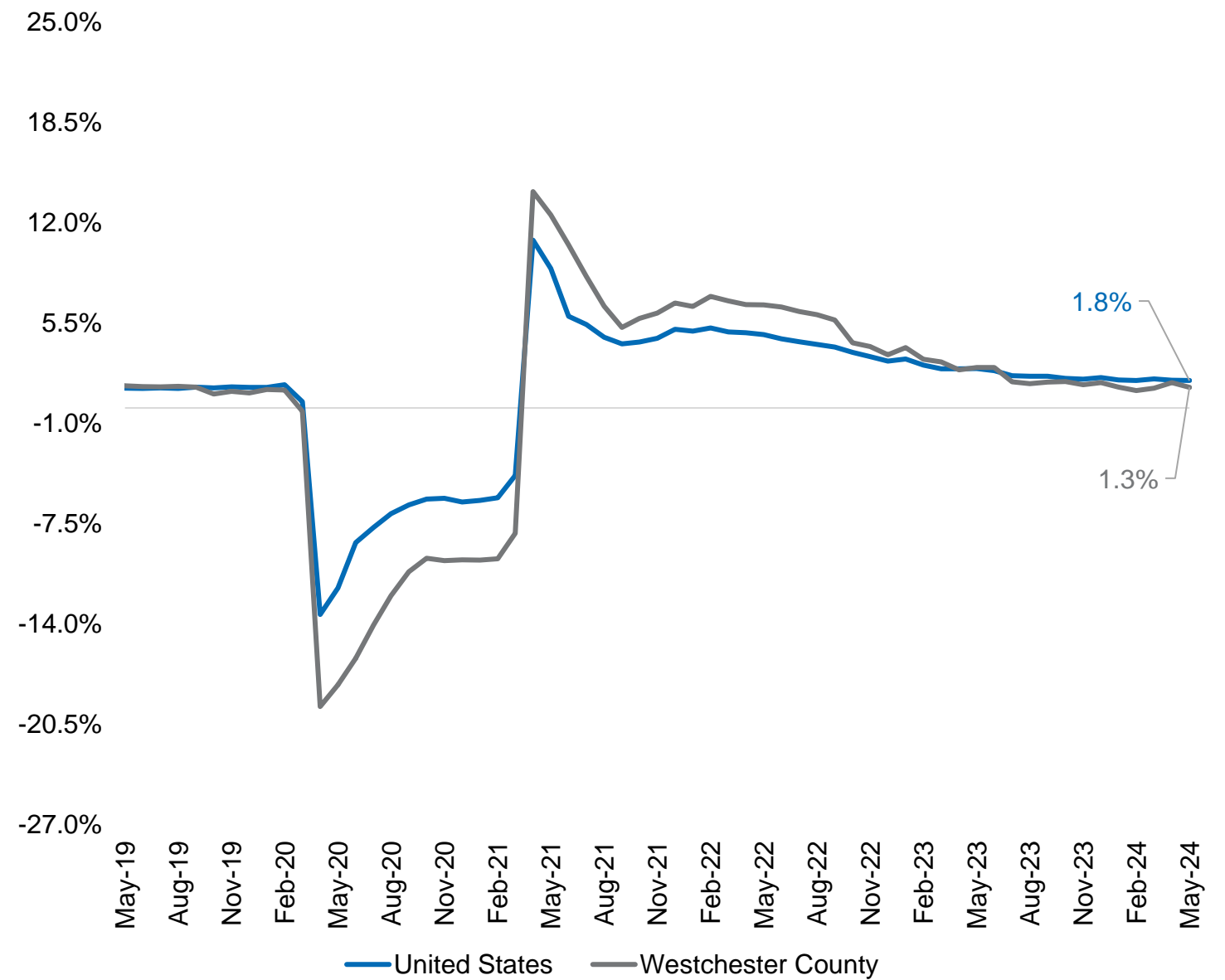
Metro Employment Trends in Westchester County

The unemployment rate in Westchester County ended at 3.7% in May 2024, mirroring the United States' rate, while New York state's level trended higher at 4.2%. The employment rate is higher by 8.8% month over month compared to April's rate of 3.4%, and higher by 23.3% year over year compared to the May 2023 rate of 3.0%. Nonfarm payroll employment in the county ended at 1.3%, 27.8% lower than the national rate of 1.8%.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

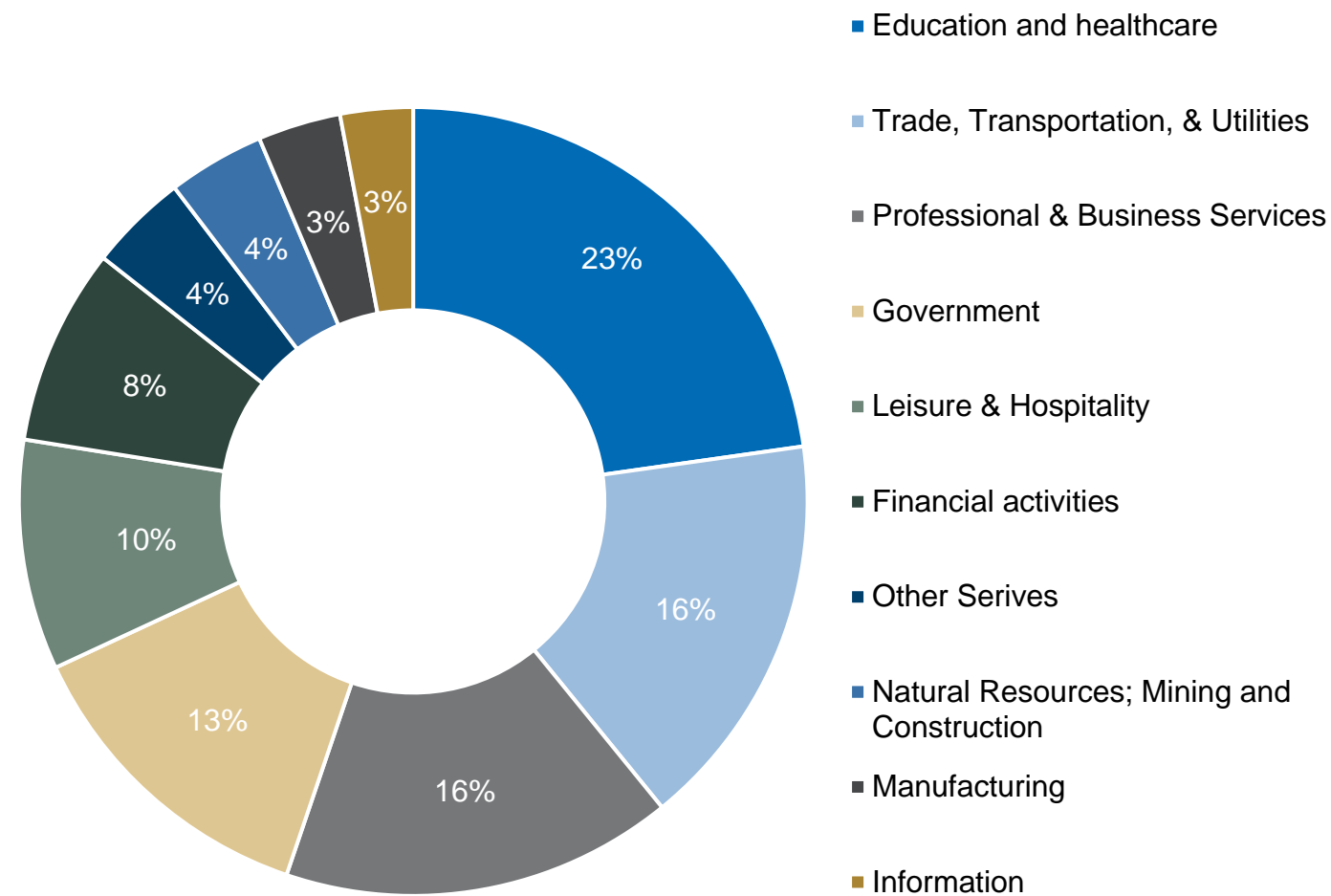


Source: U.S. Bureau of Labor Statistics, Westchester County Area

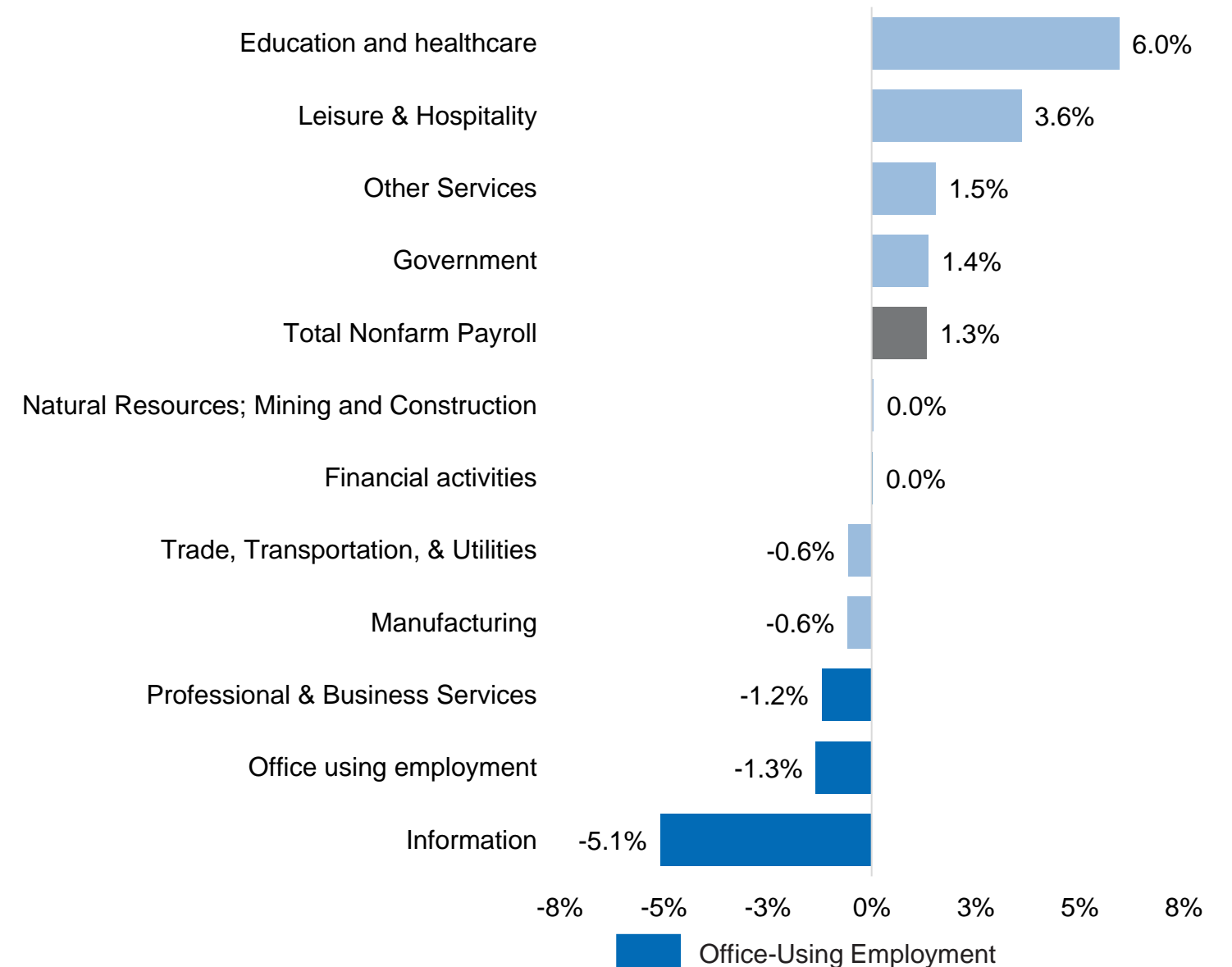
Employment by Industry and Employment Growth

Employment growth was led by education and health services (+6.0%), leisure and hospitality (+3.6%), other services (+1.5%), and government (+1.4%). As of May 2024, two of the three office-using employment industries declined year over year: professional and business services (-1.2%) and information (-5.1%). The financial services sector remained unchanged. Local employment continues to be heavily concentrated in the medical and education sectors, comprising 23% of all positions. It also continues to be the fastest growing industry in the area.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

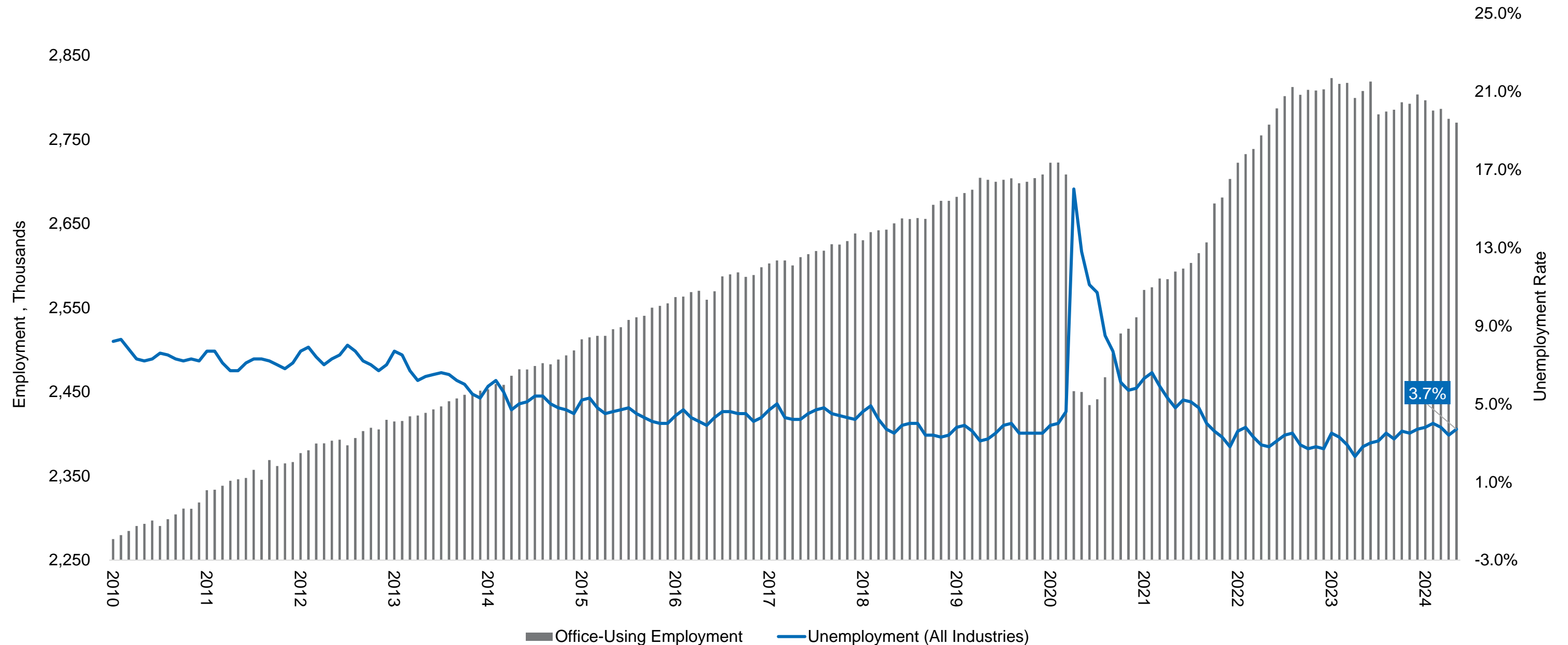


Source: U.S. Bureau of Labor Statistics, Westchester County Area (Not Seasonally Adjusted)

Overall Office-Using Employment Trends

Office-using employment in the NY-NJ-PA Metro Area, which includes Westchester County, decreased by 1.3% year over year, and was down month over month by 0.2%. Office-using industries, including financial services, information and professional services. However, employment levels remain well above pre-COVID levels. As of May 2024, the rate ended 2.5% higher compared with the level recorded in May of 2019.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, NY-NJ-PA Metro Area (Not Seasonally Adjusted)

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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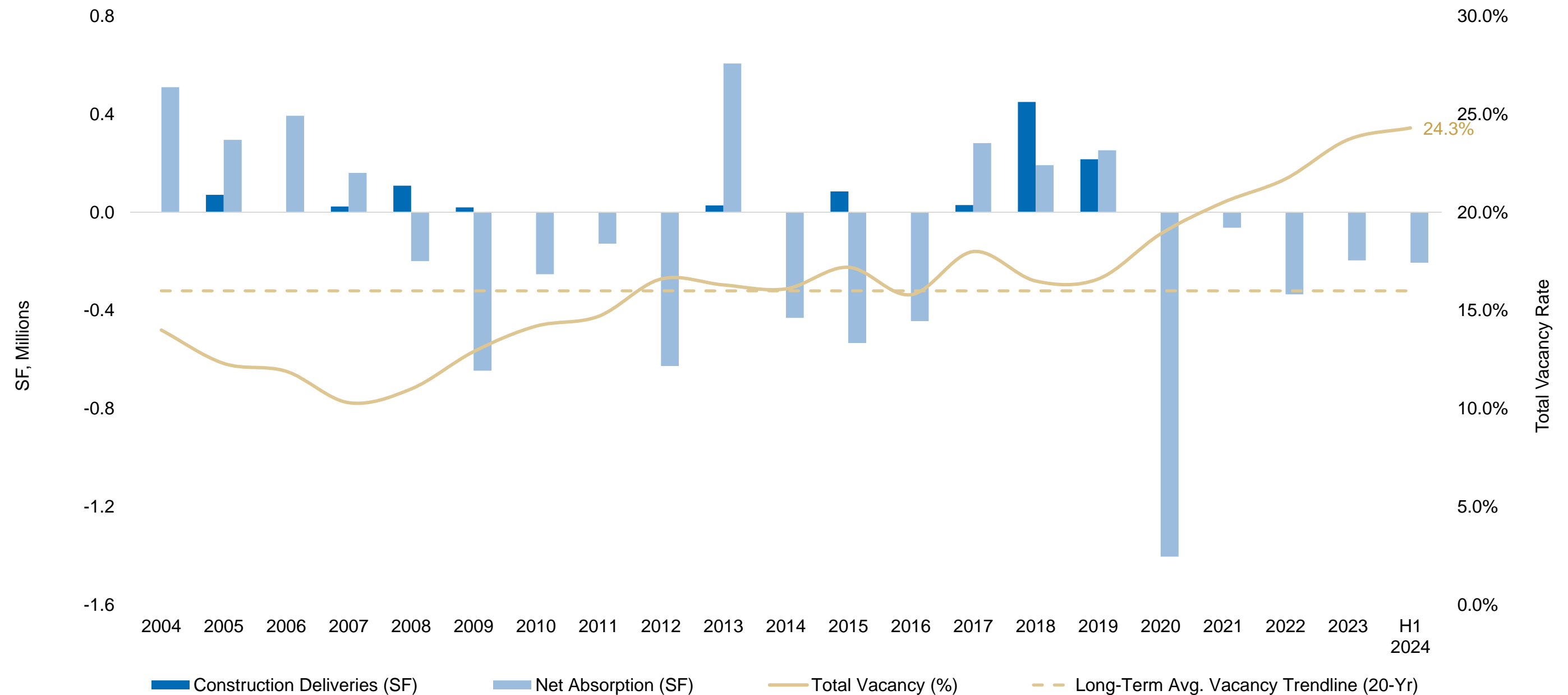
Leasing Market Fundamentals



Vacancy Rates Increase in the Second Quarter of 2024

The county's total vacancy rate ended at 24.3%, up by 0.4 percentage points from a year ago. Large blocks coming online earlier this year, including New York Life's 90,000-SF sublease offering at Westchester One caused the uptick. Most recently, some units came online in the White Plains CBD submarket, including DelBello, Donnellan Weingarten & Wiederkehr's 27,500-SF space at 1 North Lexington Avenue. Therefore, YTD net absorption remained negative, retracting by 205,508 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

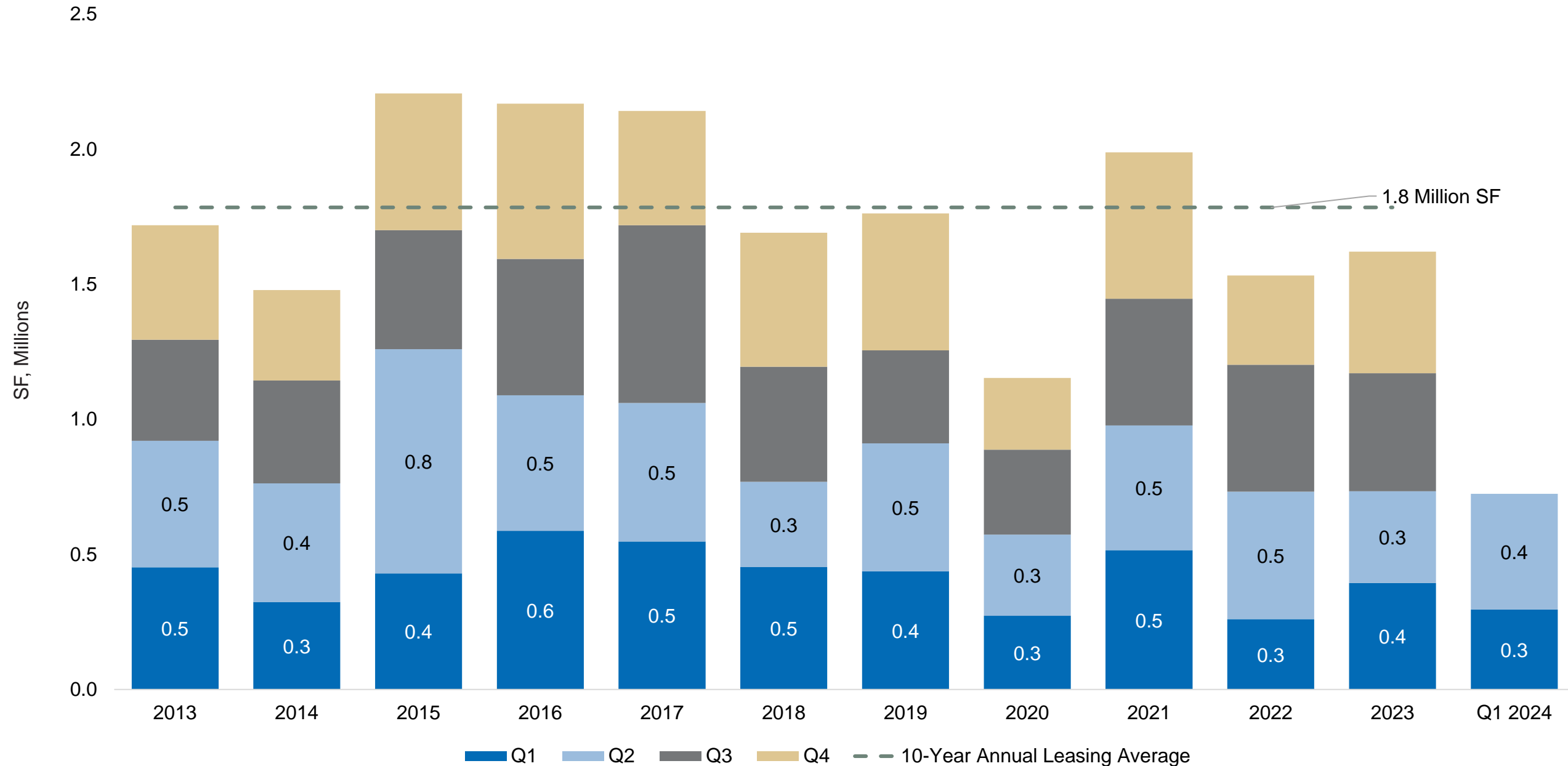


Source: Newmark Research

Midyear 2024 Leasing On Par with Levels Registered in the First Two Quarters of 2023

After getting off to a slow start, leasing activity leveled off in the second quarter with 430,000 SF of leases tracked, which resulted in a total of 725,000 SF year to date. This was on par with levels registered during midyear 2023. However, these totals remain 22.0% below the historical midyear leasing average. Although in recent years smaller deals have kept leasing volumes well below average, midsize deals, or those between 10,000 SF to 50,000 SF reappeared this quarter.

Total Leasing Activity (msf)

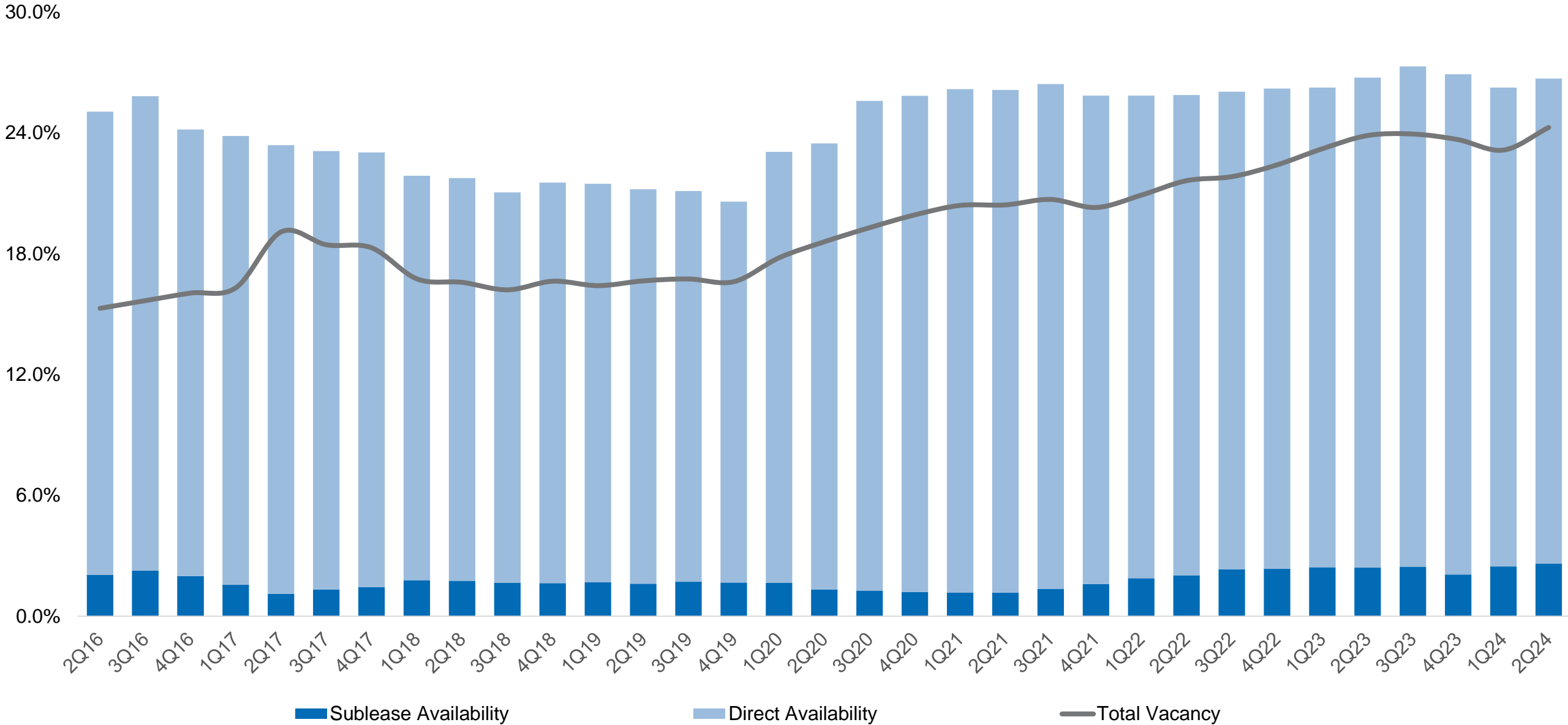


Source: Newmark Research

Vacancy Rate Moves Back up in Q2, But Remain Skewed by Large Obsolete Block in the North

Despite an increase in leasing activity this quarter, as excess space from tenants rightsizing comes online, both the overall availability and vacancy rates moved back up this quarter, ending at 26.7% and 24.3%, respectively. However, it is always worth noting that vacancy levels in the county remain skewed by a single, 1.1-million SF block of obsolete office space long vacated by IBM in Somers. Without this block the total vacancy rate would drop to 19.9%.

Available Space as Percent of Overall Market

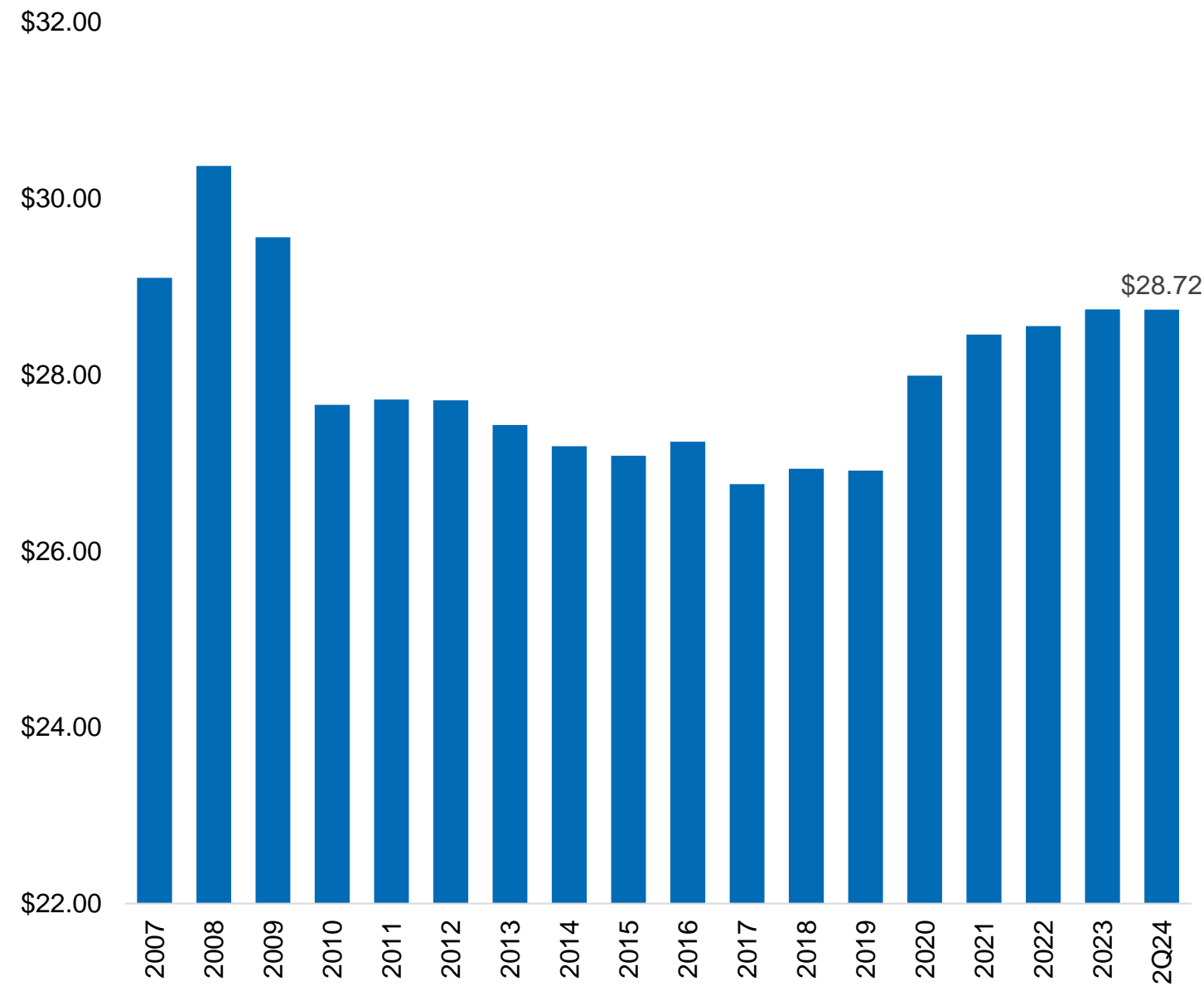


Source: Newmark Research

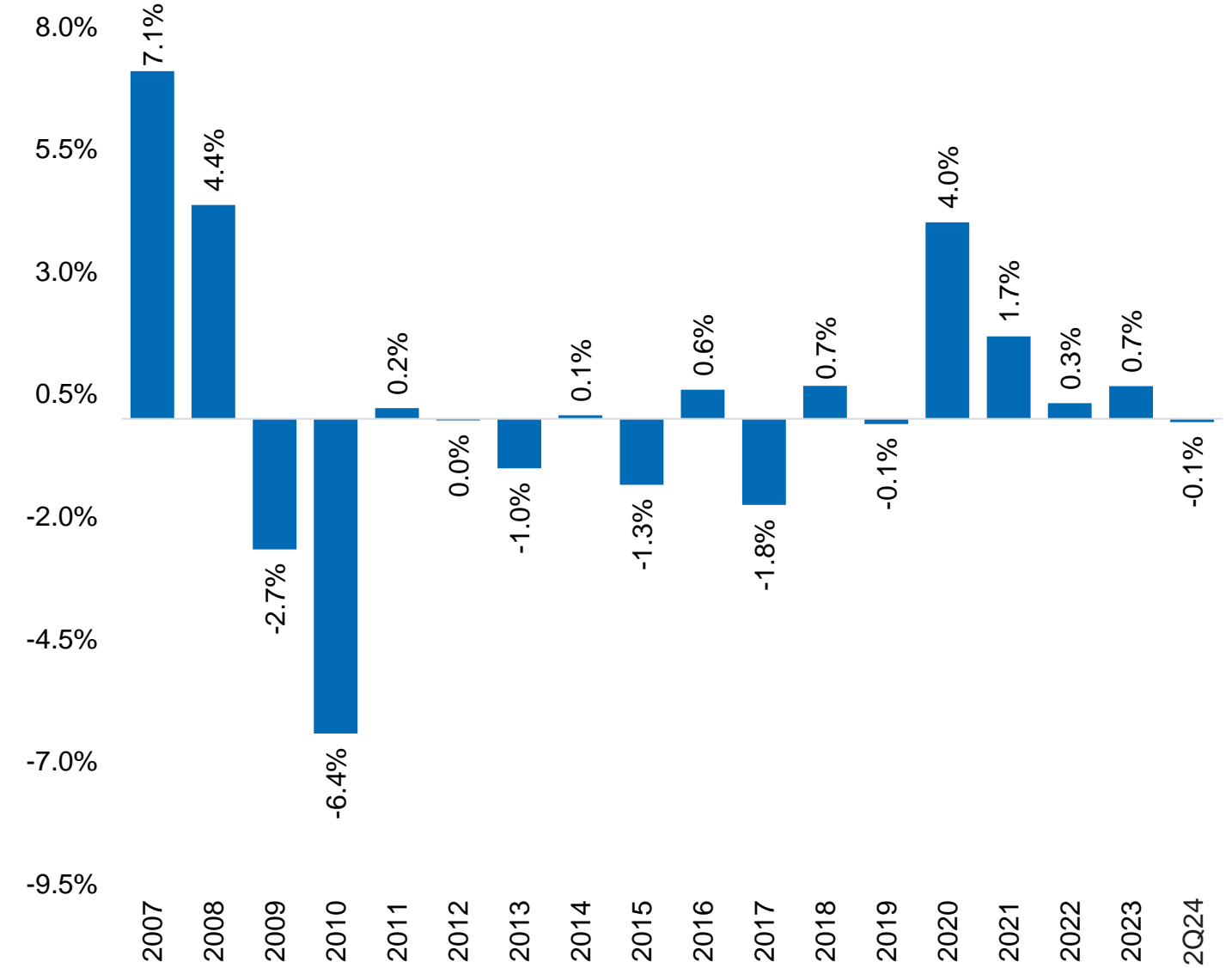
Rent Growth Back to Pre-Pandemic Levels

At \$28.72/SF, the county's direct average asking rent remained stable from both the previous quarter and from the average rate recorded in 2023. Asking rents had trended upwards since the pandemic, mostly due to an increase in construction costs, but the growth rate softened considerably in the past year. Concessions may also be reaching a peak, given current economic conditions

Office Average Asking Rent, \$/SF/Month, FS



Year-over-Year Asking Rent Growth Rate

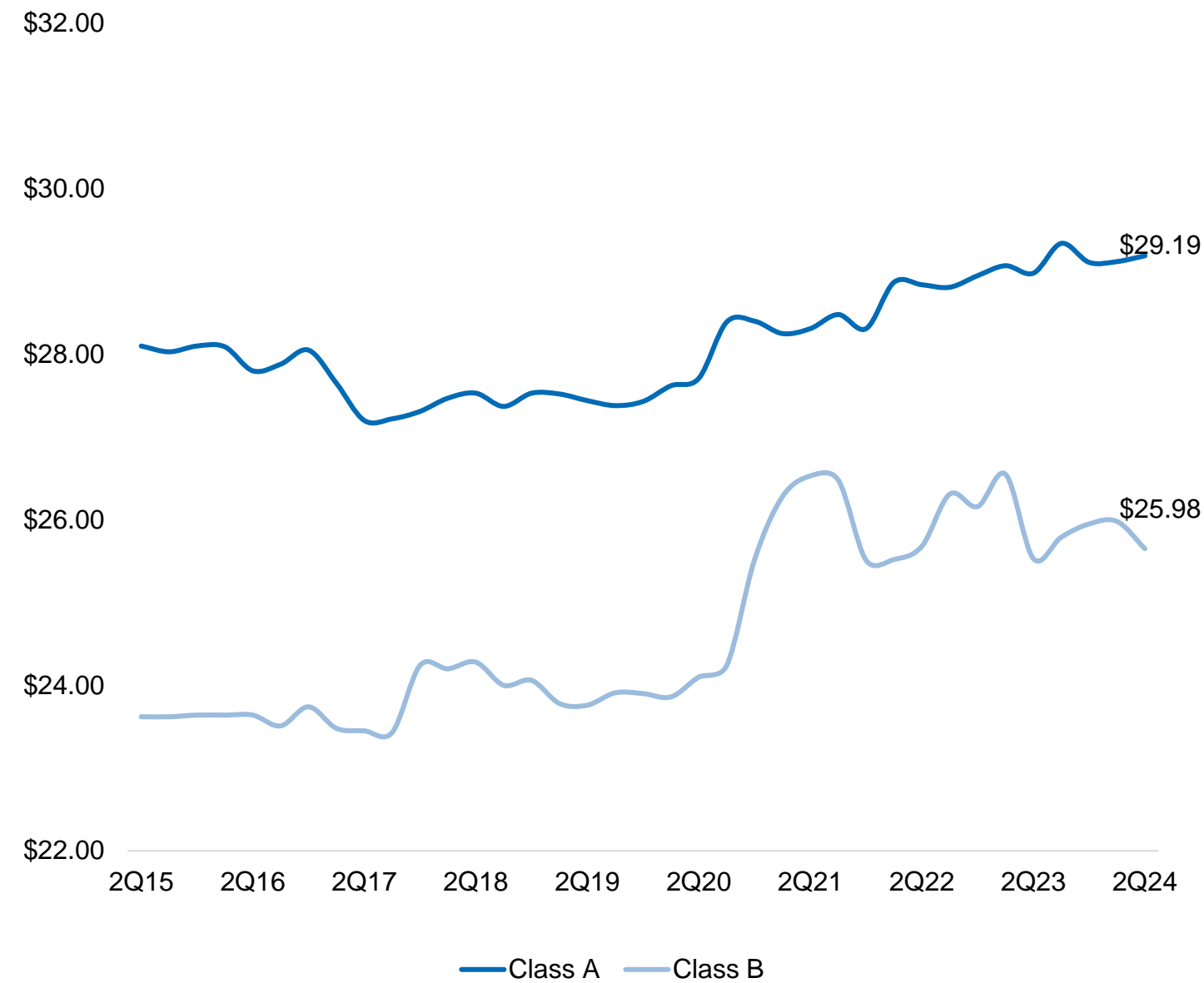


Source: Newmark Research

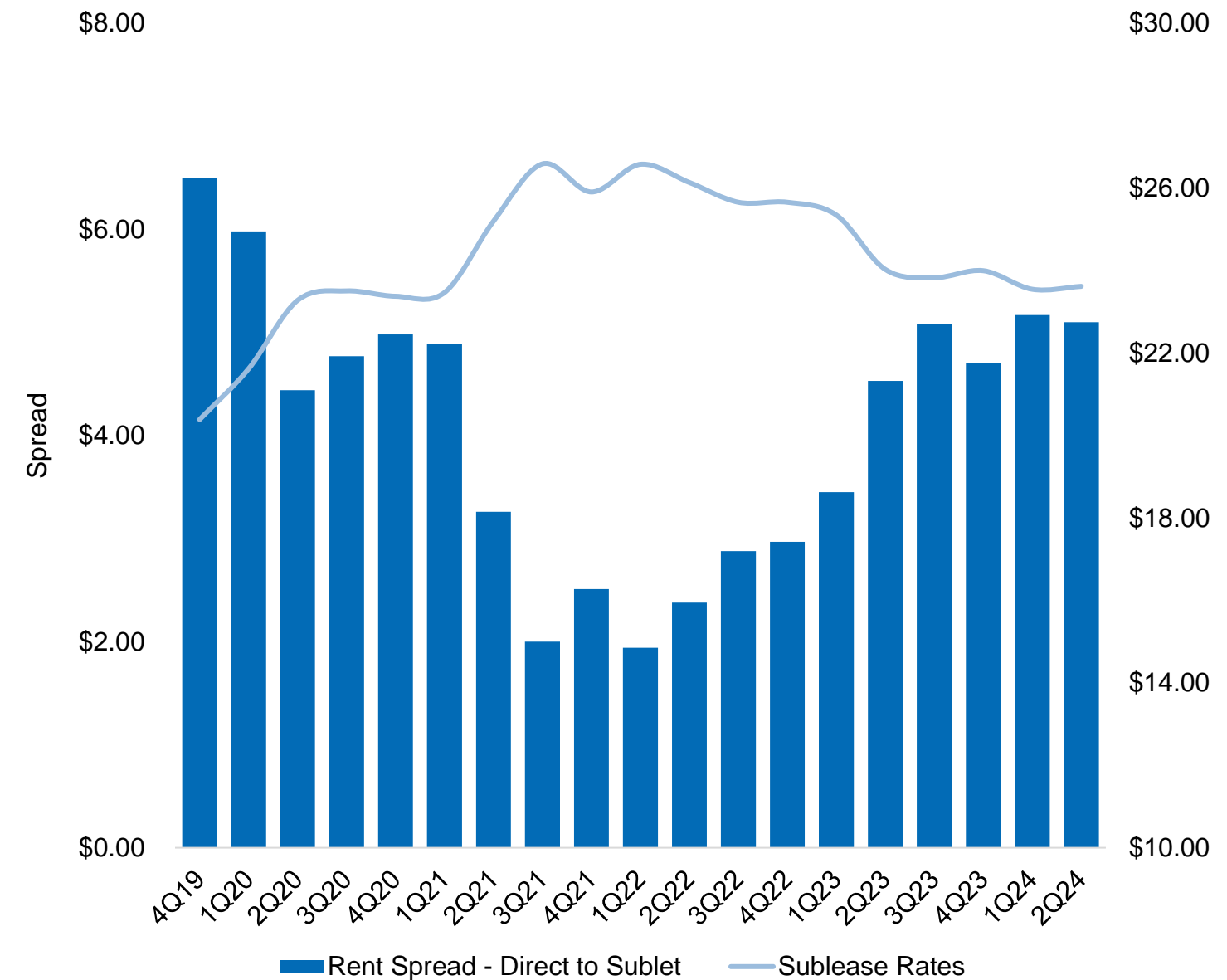
Class A Rental Rates Edge Slightly Higher, While Pricing for Class B Product Falls

The average asking rent for Class A space moved slightly higher this quarter, ending at \$29.19/SF, compared with \$28.98/SF at this time last year. This is likely due to recent addition of several units in Downtown White Plains by the train, including 1 North Lexington Avenue and 140 Grand Street. Class B rents, on the other hand, decreased to \$25.65/SF, from last quarter's \$25.98/SF.

Class A and Class B Asking Rents



Sublease Asking Rates



Source: Newmark Research

Midsized Deals Resurface in the Second Quarter

Leasing activity for the first half of the year remained below the historical average of 950,000 SF, finishing at 730,000 SF. Activity was more robust during the second quarter, with midsized deals, or those between 10,000 SF to 50,000 SF resurfacing. The Downtown White Plains market led demand with 215,000 SF of transactions YTD, up 12.2% from the first half of 2023. YTD leasing within the East I-287 market saw an uptick of 0.5% from the prior year, with a total of 350,000 SF.

Notable Midyear 2024 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Danone North America <i>Early renewal and downsize of approximately 40,000 SF</i>	1 Maple Avenue	White Plains – CBD	Renewal	45,134
White Plains Hospital <i>Expansion of its outpatient services by 33,000 SF</i>	222 Westchester Avenue	White Plains – East I-287	Renewal/Expansion	37,969
PKF O'Connor Davies <i>First Quarter 2024 renewal and downsize. The accounting firm gave back 10,300 SF</i>	500 Mamaroneck Avenue	Harrison – East I-287	Renewal	35,580
New York School of Medicine	4 Westchester Park Drive	White Plains – East I-287	New Lease	31,839
Crypto Tenant	333 Westchester Avenue	White Plains – East I-287	New Lease	28,000
Regus <i>The HQ Global Workplaces firm recommitted to the Downtown White Plains market with a second-quarter renewal for their City Square space</i>	50 Main Street	White Plains – CBD	Renewal	23,050

Westchester County Office Submarket Overview (Page 1 of 2)

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Westchester County Office Submarket Map

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