

FIGURES | WESTCHESTER COUNTY | Q1 2023

Leasing activity 34% ahead of five-year quarterly average



Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 295,000 sq. ft., up 26% from the prior quarter and 34% above the five-year quarterly average.
- Year-to-date leasing was up 168% from the same period a year ago.
- The availability rate decreased 70 basis points (bps) to 21.6% quarter-over-quarter and was down 80 bps from the same period last year.
- Quarterly net absorption was positive 106,000 sq. ft., driven by limited space coming to market and office space withdrawals.
- Westchester County average asking rent was \$29.70 per sq. ft., virtually unchanged both quarter-over-quarter and year-over-year.

Market Overview

Westchester County’s office market continued to evolve to the post-pandemic office realities. The market embraced adaptive repurposing of traditional office space into use where demand remained strong, and the traditional leasing market showed signs of life in Q1 2023. Net absorption was positive 106,000 sq. ft. as above average leasing activity outpaced space additions. Leasing activity totaled 295,000 sq. ft., 26% ahead of the prior quarter’s total and 34% above the five-year quarterly average.

This activity is the strongest start to a year in Westchester County since 2017. Class B leasing outpaced Class A space for the second consecutive quarter, indicating that Westchester’s office market recovery is more broad-based than in recent years. Average asking rent remained essentially flat quarter-over-quarter and year-over-year at \$29.70 per sq. ft.

Economic Conditions

Downstream consequences of the Fed's tightening program are surfacing and signaling slower growth ahead. Several factors are beginning to weigh on employment, including reduced consumer demand for goods and services and the paring of corporate functions in the financial and technology sectors where employment gains exceeded revenue growth in recent years.

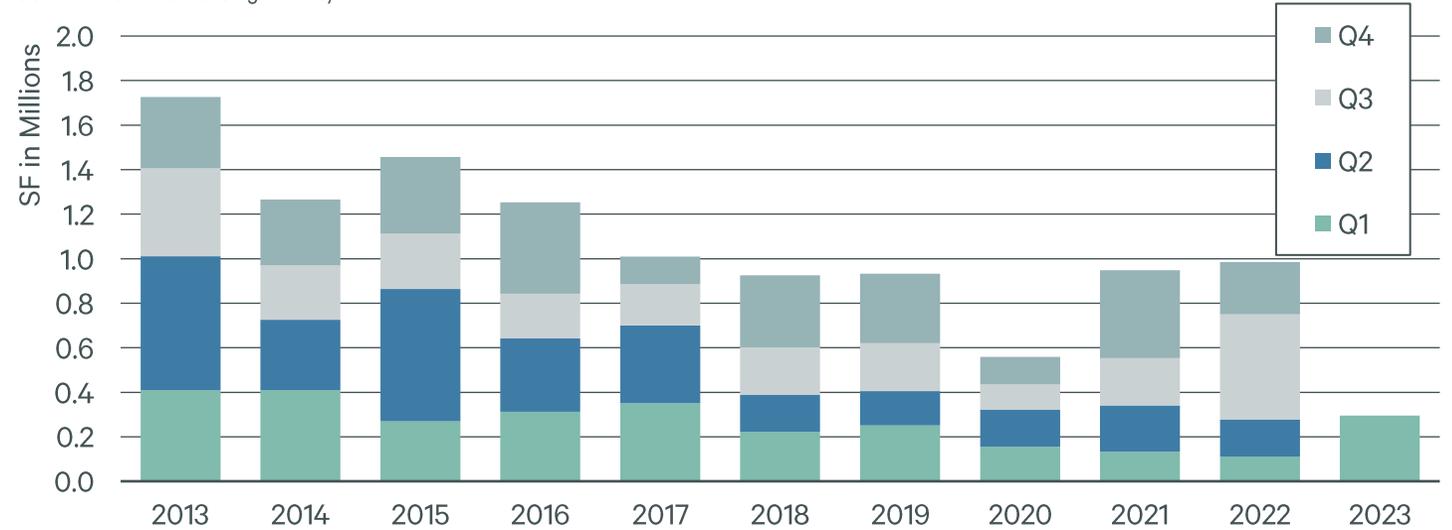
Despite mounting challenges in the economy, the Hudson Valley's employment landscape pushed through 2022 and remained in positive territory in February 2023. The region picked up 8,200 jobs year-over-year, a growth rate of 1.2%. Office-using employment lagged the Hudson Valley's overall growth rate, increasing just 0.1% year-over-year, dragged down by a contraction of 800 positions in the information sector (-7.3%) but supported by an increase of 800 jobs in professional and business services (+0.9%) and 100 new positions in financial activities (+0.3%).

New York State's overall unemployment rate is 4.2% in Q1, up from 4.1% at the end of 2022 but down considerably from the pandemic peak of 16.6% in May 2020. The state's unemployment rate is above the national unemployment rate of 3.6%.

Leasing Activity

Leasing activity in Westchester County totaled 295,000 sq. ft., up 168% year-over-year and 34% ahead of the five-year quarterly average. Three of Westchester's five submarkets registered leasing activity above their five-year quarterly averages as increased leasing in Class B buildings helped drive activity in the first quarter.

FIGURE 1: Historical Leasing Activity



Source: CBRE Research, Q1 2023.

FIGURE 2: Top Transactions | Q1 2023

Size (SF)		Tenant	Address	Submarket
21,855		USTA	2500 Westchester Avenue	Westchester East
19,534	(R)	Verizon Communications, Inc.	1 North Broadway	Westchester CBD
19,000	(S)	Chief Fire	100 Grasslands Road	Westchester West
16,786	(S)	Cooper Electric Supply Company	80 Grasslands Road	Westchester West
15,810		Regus Plc	4 International Drive	Westchester East

Source: CBRE Research, Q1 2023. Renewal (R), Expansion (E), Renewal and Expansion (RE), Sublease (S). Any blanks indicates a direct new lease.

Almost 60% of Q1's leasing activity occurred in Class B space despite Class B buildings only accounting for 42% of Westchester's inventory. Class B activity was driven by several new leases greater than 10,000 sq. ft., including two sublets along Grasslands Road in Elmsford.

Leasing in Westchester East continued to be a bright spot for the county. The Eastern submarket reached 119,000 sq. ft. of leasing for the quarter—up almost 50% both from the prior quarter and the five-year quarterly average. 2500-2700 Westchester Avenue in Purchase captured five deals totaling 37,000 sq. ft. of leasing activity. The office park also captured the largest deal of the quarter—USTA's 22,000-sq.-ft. relocation to 2500 Westchester Avenue.

Westchester West totaled 80,000 sq. ft. of leasing in the first quarter, driven by Chief Fire's 19,000-sq.-ft. lease at 100 Grasslands Road and Cooper Electric Supply Company's 17,000-sq.-ft. commitment at 80 Grasslands Road, both in Elmsford. The Western submarket surpassed its five-year quarterly average by nearly 150%.

Leasing activity in Westchester CBD totaled 30,000 sq.ft. for Q1, up 24% quarter-over-quarter but down 13% year-over-year. Half of the submarket's leasing came from the Drug Enforcement Agency's 14,000-sq.-ft. commitment at 140 Grand Street in White Plains.

Westchester North also surpassed its prior quarterly figure, reaching 64,000 sq. ft. of leasing activity, up 53% quarter-over-quarter.

Net Absorption and Availability

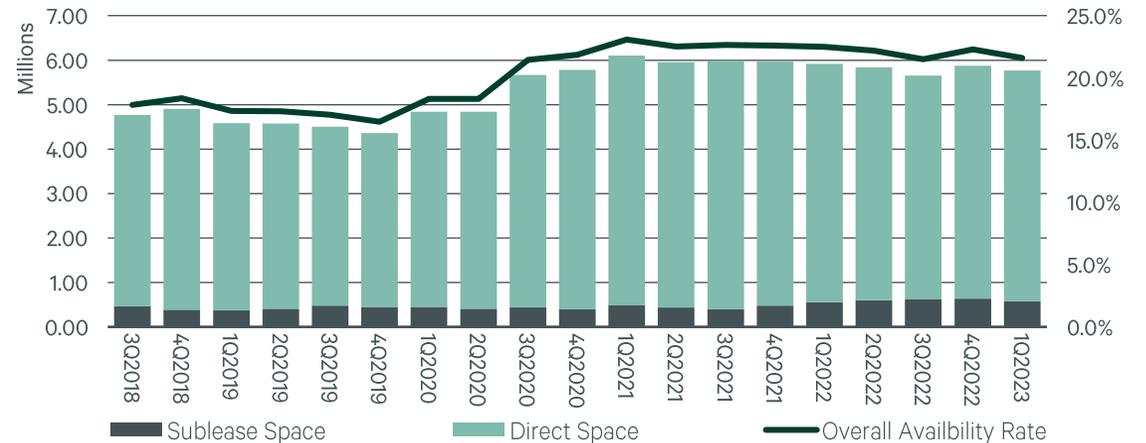
Westchester experienced positive absorption of 106,000 sq. ft. in Q1, driven by a combination of above average leasing activity and limited space additions. The availability rate fell by a corresponding 70 bps quarter-over-quarter to 21.6%.

FIGURE 3: Quarterly Leasing Activity by Submarket



Source: CBRE Research, Q1 2023.

FIGURE 4: Availability Rate | Direct vs. Sublease Breakdown



Source: CBRE Research, Q1 2023.

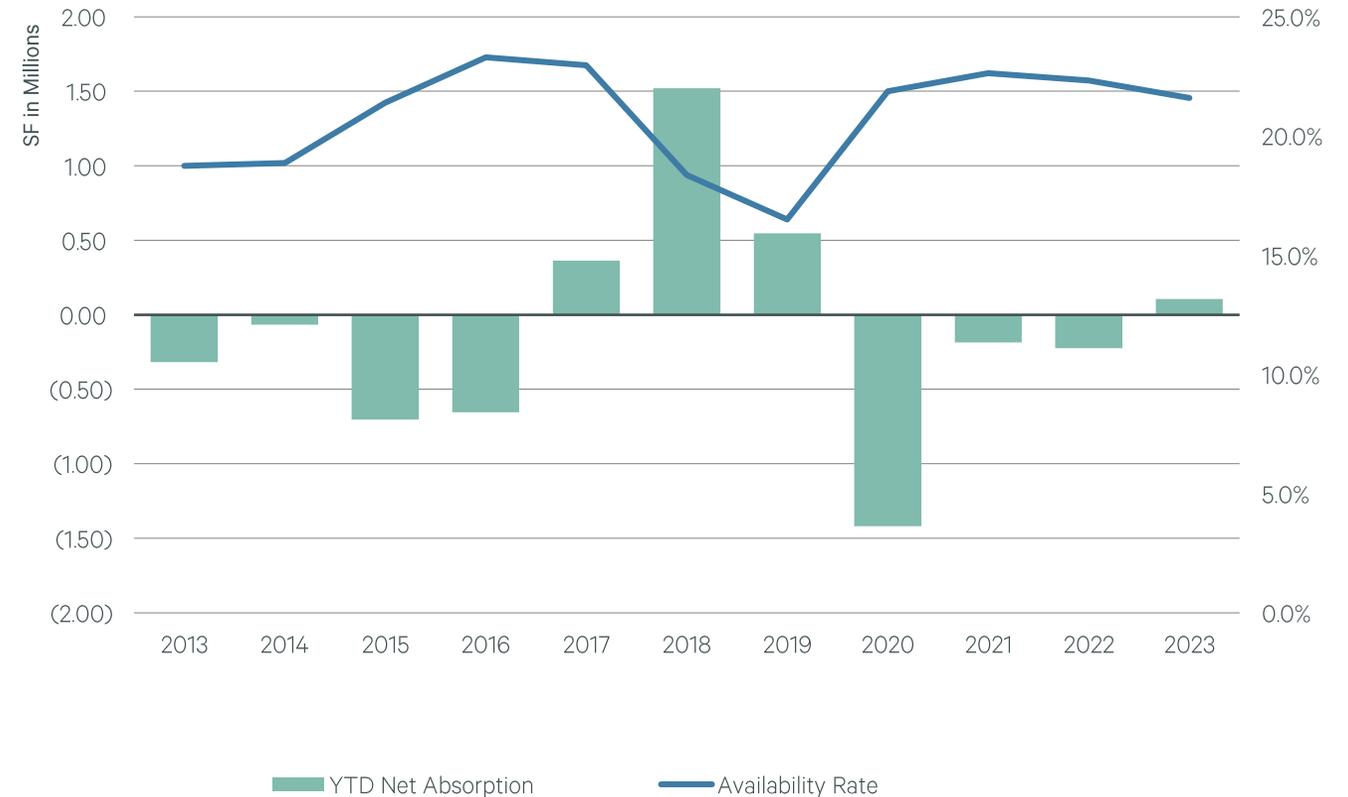
Four of Westchester’s five submarkets experienced positive absorption in Q1. Westchester West and Westchester North both experienced 50,000 sq. ft. of positive absorption.

Westchester North’s availability fell 70 bps to 24.0%, as above average leasing and limited space additions kept absorption positive. Westchester West also had strong leasing and benefitted from office buildings that are largely occupied getting added to inventory—which resulted in a 480 bps drop to 26.1%.

The remaining submarkets experienced relatively little absorption. Westchester East reached 7,000 sq. ft. of positive absorption in Q1, as space additions mostly kept pace with leasing activity, pushing availability down 20 bps quarter-over-quarter to 19.4%. Westchester CBD and Westchester South were both essentially flat, registering less than 1,000 sq. ft. of absorption in either direction. Westchester CBD’s availability rate stands at 24.2%—unchanged both quarter-over-quarter and year-over-year. Westchester South sits at 9.4%—the lowest rate in Westchester County and down 370 bps from its pandemic-era peak of 13.1% in Q1 2021.

Sublease space remains a small portion of total availability in Westchester. In Q1, sublease space constituted only 10% of all available space in the county—the same rate it was in Q4 2019 and substantially less than the 22% figure in neighboring Fairfield County.

FIGURE 5: Net Absorption | Historical



Source: CBRE Research, Q1 2023.

Average Asking Rent

Average asking rent in Westchester County was essentially flat both quarter-over-quarter and year-over-year at \$29.70 per sq. ft.—the highest asking rate since Q4 2020.

Pricing movement remained virtually unchanged over the five submarkets as well. The CBD’s current average asking rent stands at \$36.74 per sq. ft.—on par with what it was one year ago and the highest amongst Westchester’s submarkets.

FIGURE 6: Average Asking Rent | By Submarket



Source: CBRE Research, Q1 2023.

FIGURE 7: Average Asking Rent | Quarterly Historical



Source: CBRE Research, Q1 2022/23

FIGURE 8: Q1 2023 | Market Statistics

Submarket	Market Rentable Area (MSF)	Total Available (MSF)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (SF)	Leasing Activity (SF)	Average Asking Rent (\$/SF/Year)
Westchester North	7.34	1.76	24.0%	23.7%	49,531	63,818	\$25.45
Westchester CBD	5.04	1.22	24.2%	23.7%	(606)	30,390	\$36.74
Westchester West	3.16	0.82	26.1%	23.9%	49,912	79,752	\$28.50
Westchester East	9.08	1.76	19.4%	17.9%	7,029	118,634	\$29.07
Westchester South	2.14	0.20	9.4%	8.5%	168	2,844	\$26.39
WESTCHESTER COUNTY	26.76	5.77	21.6%	20.5%	106,034	295,438	\$29.70

Source: CBRE Research, Q1 2023.

Market Area Overview

Definitions

Availability: Space that is being actively marketed and is available for tenant build-out within 12 months. Includes space available for sublease as well as space in buildings under construction.

Asking Rent: Weighted average asking rent.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

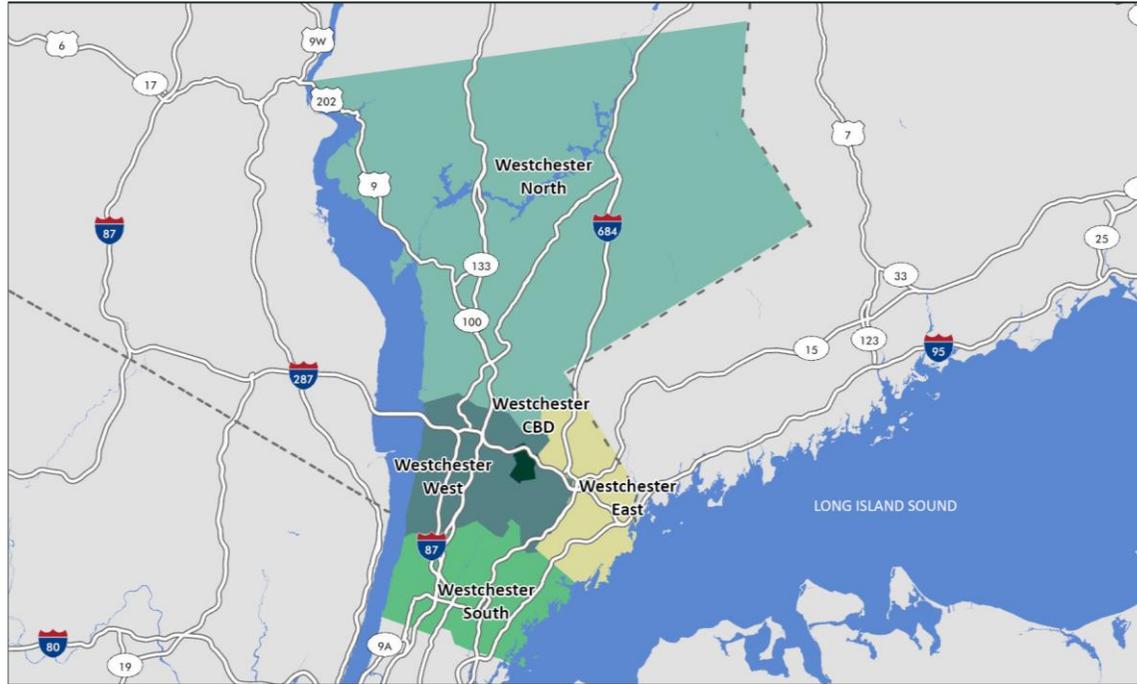
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Vacancy: Unoccupied space available for lease.

Survey Criteria

CBRE's market report analyzes Westchester County's fully modernized office buildings that total 20,000 SF or larger, Class A and B only, multi-storied, conventionally modernized, and not owned and occupied by a government or medical institution. New construction must be available for tenant build-out within 12 months. CBRE assembles all information through telephone canvassing and listings received from owners, tenants and members of the commercial real estate brokerage community.

Market Area Overview



Submarket	Total Stock (MSF)
Westchester North	7.34
Westchester CBD	5.04
Westchester West	3.16
Westchester East	9.08
Westchester South	2.14
WESTCHESTER COUNTY	26.76

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