

FIGURES | WESTCHESTER COUNTY | Q2 2023

Year-to-date leasing activity up 48% from 2022



Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 150,000 sq. ft., 32% below the five-year quarterly average and 43% down from the prior quarter.
- Year-to-date leasing amounted to 411,000 sq. ft., up 48% from the same period last year.
- The availability rate fell 50 basis points (bps) quarter-over-quarter to 21.1% and is down 110 bps from a year ago.
- Net absorption was positive 148,000 sq. ft. in Q2, bringing the year-to-date total to positive 238,000 sq. ft.
- Westchester County’s average asking rent was \$29.60 per sq. ft., virtually unchanged both quarter-over-quarter and year-over-year.
- Sublet space currently makes up 11% of all available space in the county.

Market Overview

Despite a slowdown in leasing during the quarter, Westchester County supply continued to diminish due to large space withdrawals. Leasing activity totaled 149,000 sq. ft. for Q2, 32% below the five-year quarterly average, and down 43% from the prior quarter. However, leasing for the first half of 2023 was up 48% from the same time last year. Space withdrawals in Westchester North contributed to net absorption of positive 148,000 sq. ft., contracting availability by 50 bps to 21.1%—the second consecutive quarter of falling availability and the lowest rate since the start of the pandemic, but driven primarily by changes in supply as opposed to improved demand. Asking rent remained flat quarter-over-quarter with the current asking rate at \$29.60 per sq. ft.

Economic Conditions

The consensus among economists has been that the United States would find itself on the brink of a recession in the latter half of 2023. This narrative has been challenged by a surprisingly resilient consumer and labor market. Indeed, GDP growth in Q2 2023 is poised to hit the mid-2% range (p.a.). Beneath this veneer of health lies a fragile economy, which will probably lapse into recession, albeit a little later than previously expected.

The Hudson Valley’s employment landscape managed to notch modest gains in Q2 2023, picking up 15,400 new jobs since the end of Q1, a quarter-over-quarter growth rate of 2.2%. The quarterly growth rate represents an improvement compared to the state’s year-over-year employment growth rate of -1.6% in Q2.

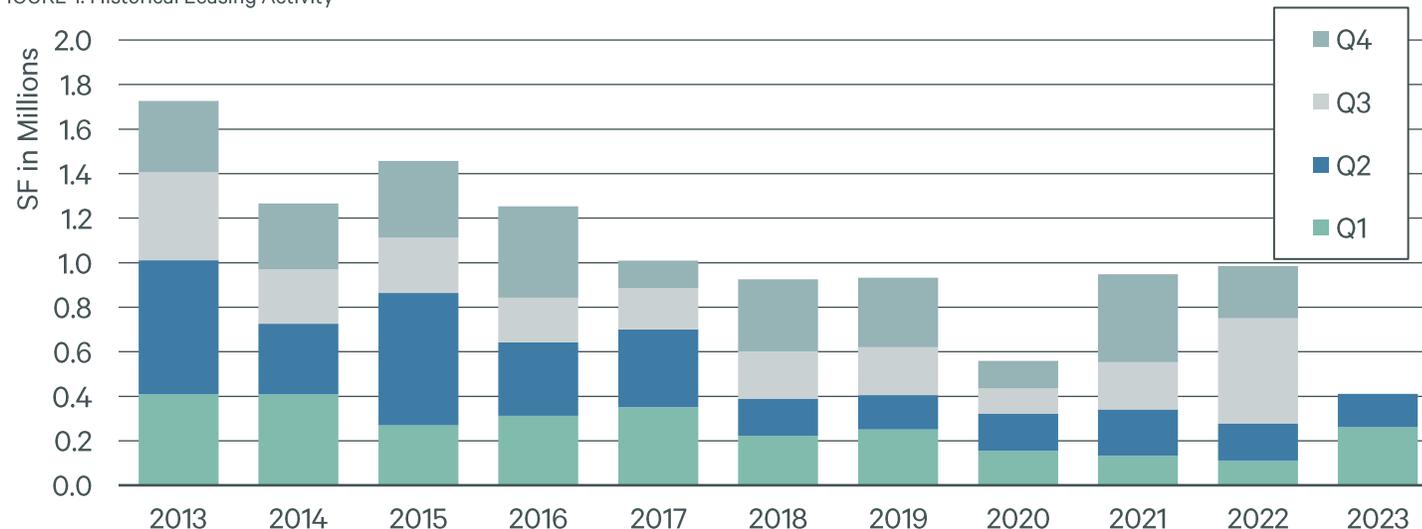
Office-using employment growth was lower than the Hudson Valley’s overall employment performance in Q2 with a growth rate of 1.6%, equating to 2,300 jobs. The Hudson Valley’s office-using job growth was concentrated in professional and business services which gained 2,700 jobs (+2.8%). Financial activities lost 1,600 roles (-0.8%) and the information sector shed 100 jobs (-1.0%).

New York State’s overall unemployment rate was 3.9% in Q2, down from 4.1% at the end of Q1 and down considerably from the pandemic peak of 16.6% in May 2020. The state’s unemployment rate is above the national unemployment rate of 3.7%.

Leasing Activity

Westchester’s quarterly leasing activity reached 149,000 sq. ft. in Q2, 32% below the five-year quarterly average and 43% behind the prior quarter. Despite Q2’s pullback, year-to-date leasing activity totaled 411,000 sq. ft., up 48% from this time last year.

FIGURE 1: Historical Leasing Activity



Source: CBRE Research, Q2 2023.

FIGURE 2: Top Transactions | Q2 2023

Size (SF)		Tenant	Address	Submarket
22,731		Deutsche Bank Securities Inc.	6 International Drive	Westchester East
19,078	(E)	Dorf Law Firm, LLP	555 Theodore Fremd Avenue	Westchester East
13,562	(R)	Zeiderman Law Firm	140 Grand Street	Westchester CBD
12,000		Special Citizens Futures Unlimited, Inc.	86 Main Street	Westchester South
10,348	(S)	Sapience Therapeutics, Inc.	520 White Plains Road	Westchester West

Source: CBRE Research, Q2 2023. Renewal (R), Expansion (E), Renewal and Expansion (RE), Sublease (S). Any blanks indicates a direct new lease.

Renewal activity, which is counted outside of leasing activity totaled 73,000 sq. ft. in Q2, up 52% quarter-over-quarter with 81% of the activity coming from the Westchester CBD and Westchester East submarkets. Year-to-date renewal activity amounted to 108,000 sq. ft. through the second quarter, down 61% from the same time last year.

Leasing slowed quarter-over-quarter in four out of five submarkets. Westchester East led leasing for the third consecutive quarter with 77,000 sq. ft. of activity. The submarket captured the largest transaction of the quarter—Deutsche Bank Securities Inc.’s 23,000-sq.-ft. lease at 6 International Drive. The submarket fell 6% short of the five-year quarterly average, but year-to-date leasing was up almost 300% from the same time last year.

Westchester CBD notched 18,000 sq. ft. of leasing activity, down 67% from the five-year quarterly average. The CBD captured the third largest transaction—and the largest renewal—of the quarter, with Zeiderman Law Firm’s 14,000-sq.-ft. recommitment at 140 Grand Street, in White Plains.

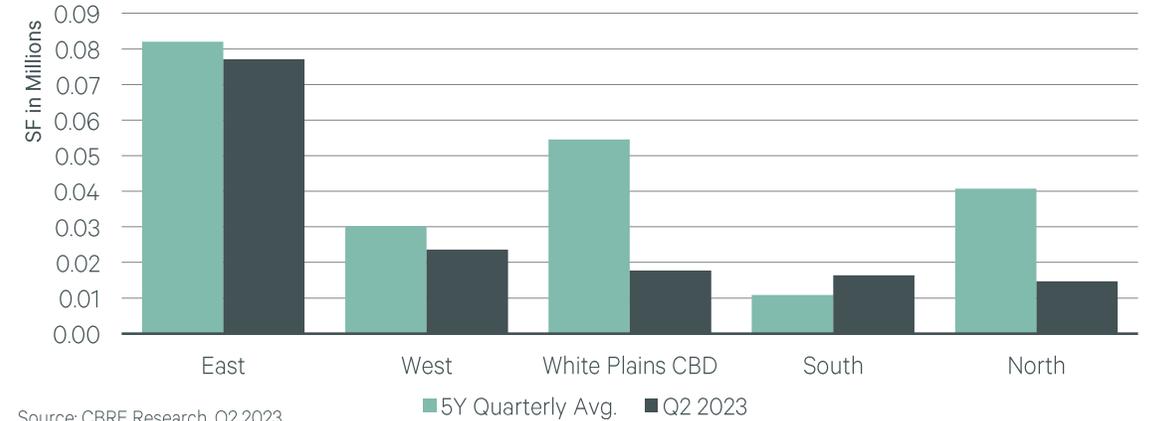
Westchester South totaled 16,000 sq. ft. up 52% from the five-year quarterly average. Leasing was driven by the fourth largest transaction of the quarter—Special Citizens Futures Unlimited, Inc.’s 12,000-sq.-ft. partial relocation to 86 Main Street in Yonkers.

Quarterly leasing for the Westchester North and Westchester West submarkets totaled 15,000 sq. ft. and 24,000 sq. ft., respectively. Year-to-date figures are up 48% for Westchester West and 17% for Westchester North from the same time in 2022.

Net Absorption and Availability

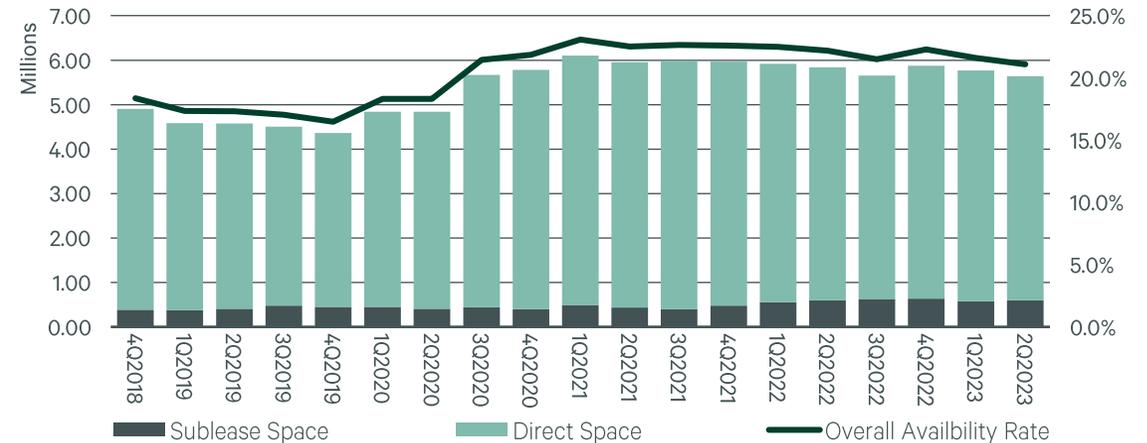
Westchester County experienced 148,000 sq. ft. of positive absorption in Q2. Five of the past six quarters have had positive absorption, though absorption has been driven by space withdrawals related to repurposing as opposed to a sustained increase in leasing activity. Availability saw a corresponding drop of 50 bps to 21.1%, the lowest rate the county has seen since Q2 2020. Positive absorption in Q2 was driven by a consolidation and withdrawal of direct space at 480 Bedford Road in Westchester North.

FIGURE 3: Quarterly Leasing Activity by Submarket



Source: CBRE Research, Q2 2023.

FIGURE 4: Availability Rate | Direct vs. Sublease Breakdown



Source: CBRE Research, Q2 2023.

Westchester North notched 229,000 sq. ft. of positive absorption with the withdrawal of space in Chappaqua, dropping the availability rate 310 bps to 20.9%, the lowest rate since Q1 2020.

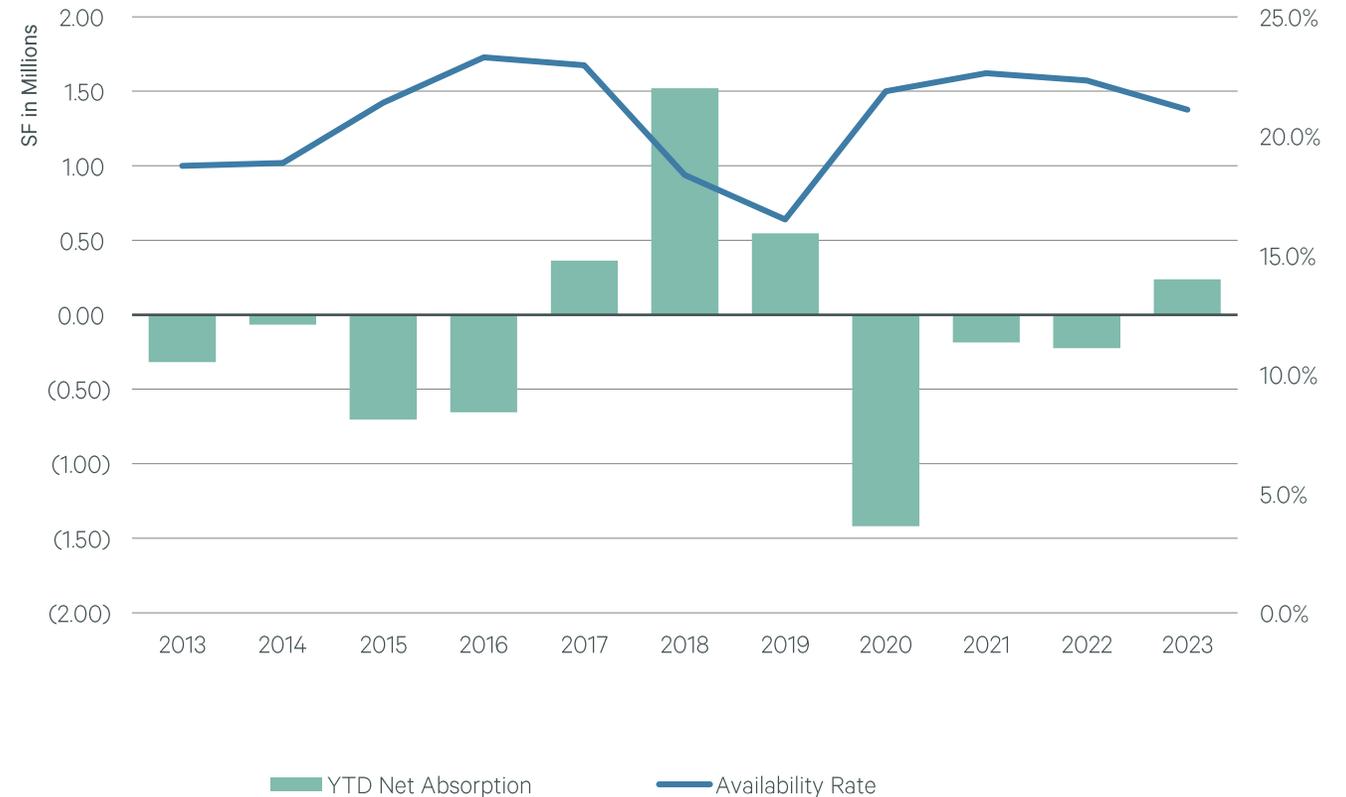
With minimal leasing and several space additions, Westchester West registered negative absorption of 44,000 sq. ft. in Q2. The negative absorption pushed the availability rate up 140 bps to 28.0%—520 bps above the pre-pandemic value of 22.8%.

Westchester East witnessed negative absorption of 30,000 sq. ft.—a 29,000 sq. ft. block came to market at 333 Westchester Avenue and drove absorption. The availability rate rose 30 bps quarter-over-quarter to 19.7%.

Westchester South experienced mild net absorption of negative 6,000 sq. ft. as space additions narrowly outpaced leasing activity in the second quarter. The submarket’s availability rate rose 30 bps quarter-over-quarter to 9.7%, though the level is still 180 bps below the pre-pandemic rate of 11.5%.

With leasing activity balanced out by space additions, availability remained flat in Westchester CBD for the third consecutive quarter, at 24.2%. Availability remains elevated compared to the pre-pandemic value, up 620 bps from 18.0% in Q1 2020.

FIGURE 5: Net Absorption | Historical



Source: CBRE Research, Q2 2023.

Average Asking Rent

Average asking rent remained flat in Westchester County both quarter-over-quarter and year-over-year, at \$29.60 per sq. ft. Asking rents amongst the submarkets were stable quarter-over-quarter as well—the CBD maintained the highest asking rent in Westchester at \$36.51 per sq. ft.

FIGURE 6: Average Asking Rent | By Submarket



Source: CBRE Research, Q2 2023.

FIGURE 7: Average Asking Rent | Quarterly Historical



Source: CBRE Research, Q2 2023

FIGURE 8: Q2 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	1.53	20.9%	20.6%	229,390	14,656	\$25.57
Westchester CBD	5.04	1.22	24.2%	23.7%	(504)	17,743	\$36.51
Westchester West	3.16	0.89	28.0%	25.9%	(44,548)	23,641	\$28.30
Westchester East	9.08	1.79	19.7%	18.2%	(29,524)	77,070	\$29.10
Westchester South	2.14	0.21	9.7%	8.8%	(6,369)	16,415	\$26.51
WESTCHESTER COUNTY	26.76	5.64	21.1%	20.0%	148,445	149,525	\$29.60

Source: CBRE Research, Q2 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.

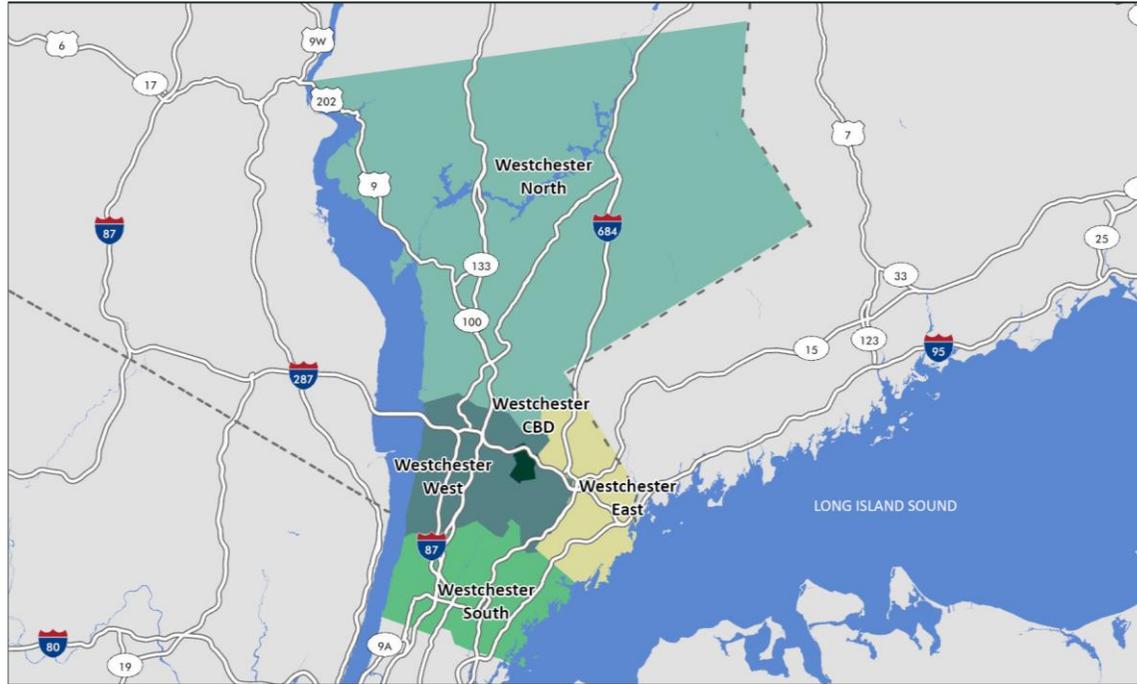
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

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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