

FIGURES | WESTCHESTER COUNTY | Q3 2023

Westchester sees positive absorption for the third straight quarter

▼ 20.6%

Availability Rate

▼ 127,860

SF Net Absorption

▼ 121,845

SF Leasing Activity

▶ \$29.71

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 122,000 sq. ft., 43% below the five-year quarterly average and down 19% from the prior quarter.
- Year-to-date leasing amounted to 533,000 sq. ft., down 29% from the same period last year.
- The availability rate fell 50 basis points (bps) quarter-over-quarter to 20.6% and is down 90 bps from a year ago.
- Net absorption was positive 128,000 sq. ft. in Q3, bringing the year-to-date total to positive 366,000 sq. ft.
- Average asking rent was \$29.71 per sq. ft., virtually unchanged both quarter-over-quarter and year-over-year.

Market Overview

Westchester County's office supply continued to shrink despite decelerated leasing in Q3. Leasing activity totaled 122,000 sq. ft., 43% below the five-year quarterly average and down 19% from the prior quarter. The purchase of 100 Hillside Avenue in White Plains for Mavis Discount Tires' new office headquarters contributed to the quarter's 128,000 sq. ft. of positive net absorption. Availability fell 50 bps to 20.6%—the third consecutive quarter of falling availability and the lowest rate since the start of the pandemic. Average asking rent remained flat quarter-over-quarter at \$29.71 per sq. ft.

Economic Conditions

The U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions and ongoing write-downs in the banking sector. Nevertheless, headwinds such as higher oil prices, the resumption of student loan payments, and a weakening global economy are all intensifying while the squeeze from elevated interest rates is at its maximum.

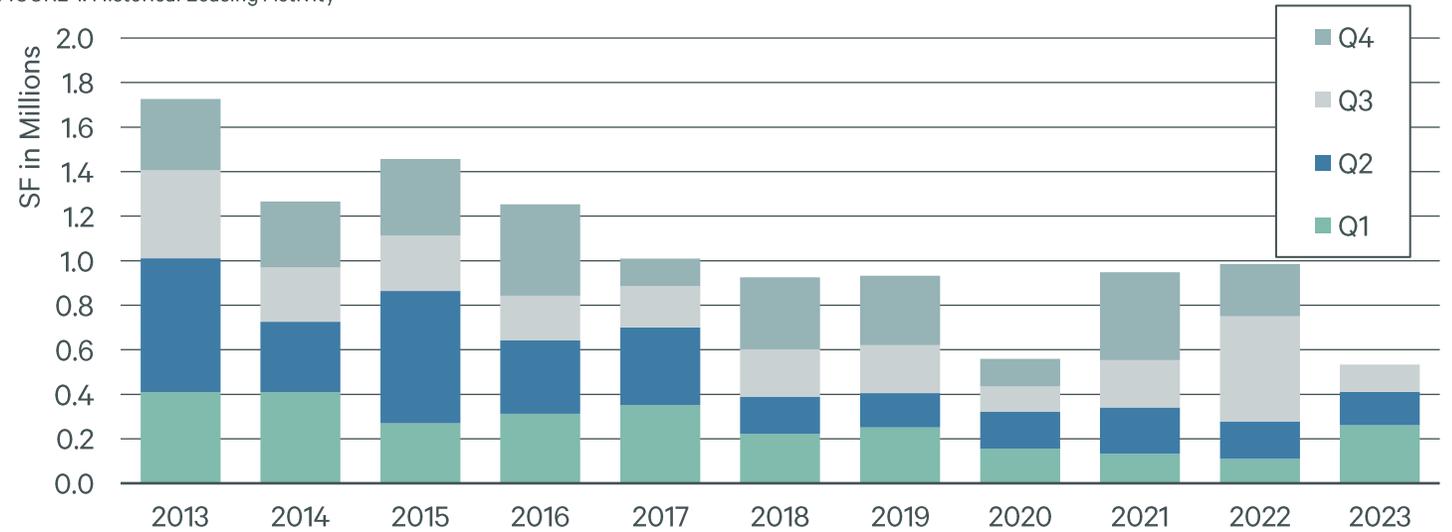
Employment in the Hudson Valley experienced a modest setback in Q3 2023, shedding 8,200 jobs since the end of Q2, a quarter-over-quarter contraction of 1.1%. The quarterly decline is a reversal of the state’s year-over-year employment growth rate of 1.7%. Office-using employment growth was nearly flat in the Hudson Valley with employers shedding 200 jobs in Q3 for a quarter-over-quarter growth rate of -0.1%. Professional and business services shed 100 jobs (-0.1%) and the information sector lost 300 positions (-2.9%). Financial activities added 200 jobs in Q3 (+0.5%).

New York’s overall unemployment rate currently stands at 3.9%, unchanged from the end of Q2, and slightly above the national unemployment rate of 3.8%. Although CBRE expects economic growth to deteriorate, it is likely that real estate valuations will stabilize during H1 2024.

Leasing Activity

Westchester’s quarterly leasing activity reached 122,000 sq. ft. in Q3, 43% below the five-year quarterly average and 19% behind the prior quarter. Year-to-date leasing activity reached 533,000 sq. ft.—down 29% year-over-year. So far in 2023 Class A leasing accounted for 54% of activity in Westchester.

FIGURE 1: Historical Leasing Activity



Source: CBRE Research, Q3 2023.

FIGURE 2: Top Transactions | Q3 2023

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address	Submarket
57,514	R	D	FUJIFILM Holdings America Corporation	200 Summit Lake Drive	Westchester North
13,895	R	D	Tishman Construction Corporation	303 South Broadway	Westchester West
12,600	L	D	New State Capital	270 North Avenue	Westchester South
9,800	R	D	Johnson Controls	8 Skyline Drive	Westchester North
9,000	L	D	Knuckles, Komosinski & Elliot, PC	120 White Plains Road	Westchester West

Source: CBRE Research, Q3 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 135,000 sq. ft. in Q3, up 85% quarter-over-quarter. Renewals made up three of the five largest deals of the quarter. Fujifilm’s 58,000 sq. ft. recommitment at 200 Summit Lake Drive in Valhalla accounted for 43% of all renewal activity.

Leasing slowed quarter-over-quarter in three out of the five submarkets. Westchester East led leasing for the fourth consecutive quarter with 35,000 sq. ft. of activity. The submarket continued to experience a flight-to-quality as 75% of leasing was focused in Class A assets. Westchester East’s year-to-date leasing totaled 231,000 sq. ft., on par with the same period in 2022. The submarket’s quarterly leasing trailed its five-year quarterly average by 56%.

The Westchester CBD notched 34,000 sq. ft. of leasing activity, up 90% quarter-over-quarter but down 38% from the five-year quarterly average. The CBD’s leasing was driven by 10 new deals, 80% of which were under 5,000 sq. ft. Year-to-date leasing in the CBD stands at 82,000 sq. ft., down 40% year-over-year.

Westchester South totaled 15,000 sq. ft. of leasing, up 36% from its five-year quarterly average. New State Capital’s 12,000-sq.-ft. relocation to 270 North Avenue in New Rochelle drove the submarket’s activity and was Q3’s largest new lease across Westchester County.

Leasing for Westchester West totaled 30,000 sq. ft.—1% above the five-year average—bringing the year-to-date figure to 100,000 sq. ft., up 76% year-over-year. The submarket captured the second largest new lease of the quarter with Knuckles, Komosinski & Elliot, PC relocating from 303 South Broadway to 9,000 sq. ft. at 120 White Plains Road in Tarrytown.

Net Absorption and Availability

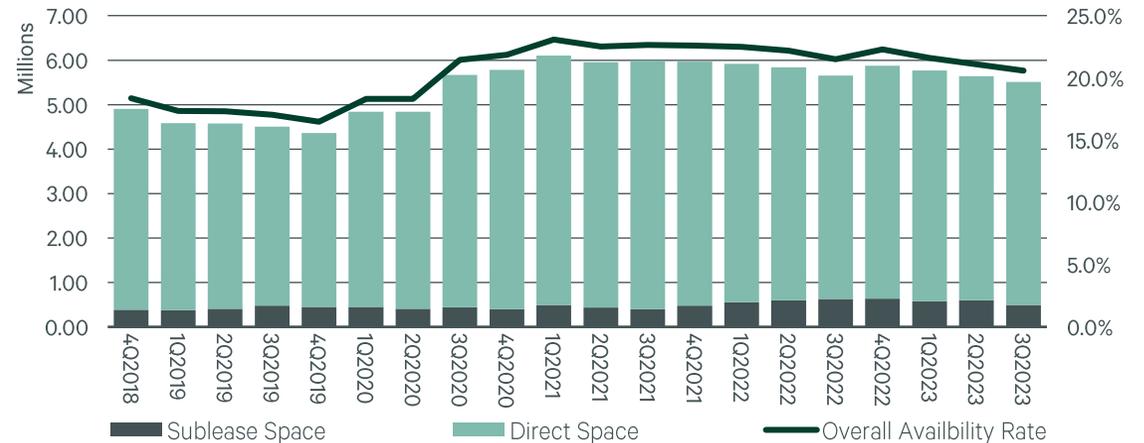
Westchester’s availability dropped to the lowest rate the county has seen since Q2 2020 at 20.6%. Positive absorption was heavily impacted by removals of office space rather than leasing activity throughout 2023. Q3 continued that trend with Mavis Discount Tires’ purchase of 100 Hillside Avenue in White Plains, which removed 130,000 sq. ft. of office space from the market.

FIGURE 3: Quarterly Leasing Activity by Submarket



Source: CBRE Research, Q3 2023.

FIGURE 4: Availability Rate | Direct vs. Sublease Breakdown



Source: CBRE Research, Q3 2023.

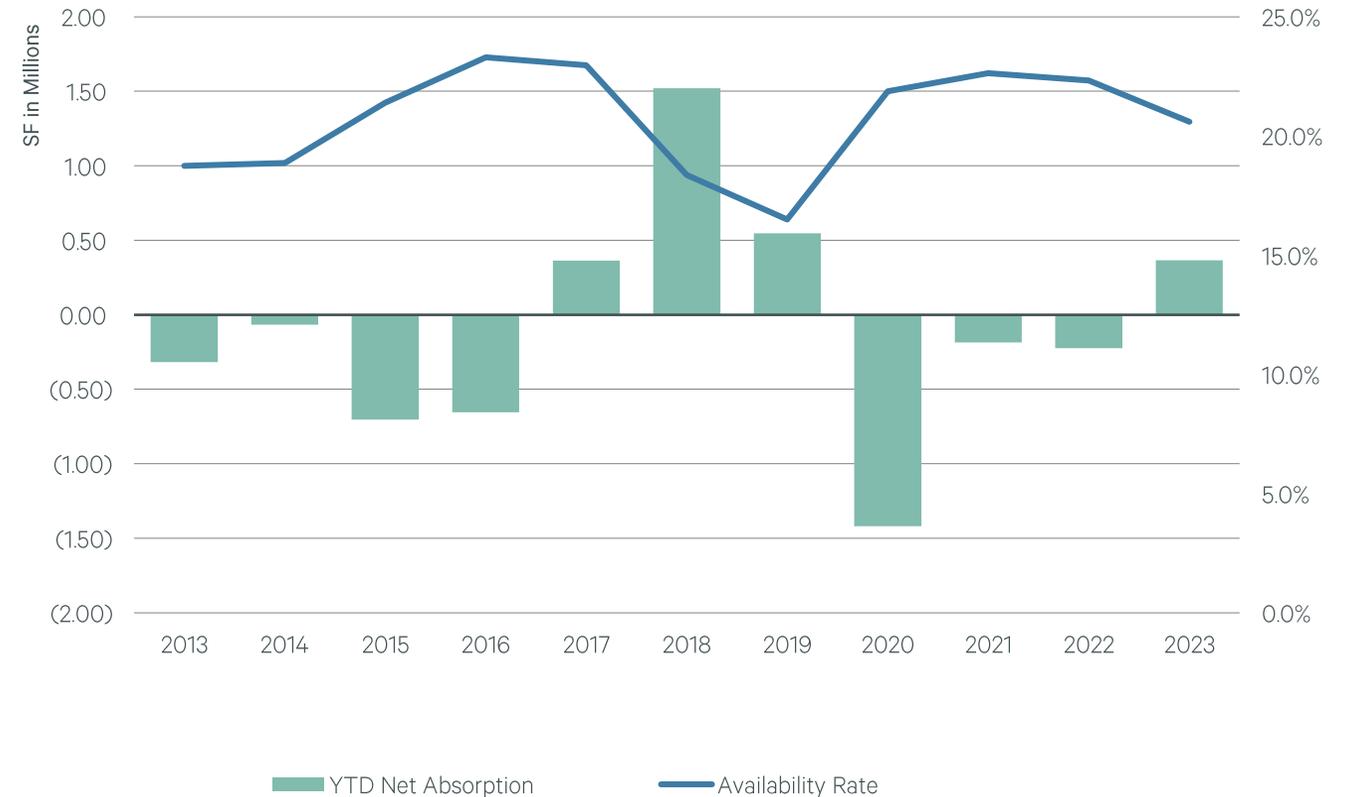
The purchase heavily impacted Westchester West’s availability as the submarket saw 129,000 sq. ft. of positive absorption and an availability rate drop of 400 bps to 24.0%

The rest of the county saw mild changes to availability rates. Westchester East added five of the six largest spaces to the market in Q3 resulting in negative absorption of 35,000 sq. ft. The largest additions to supply were 30,000 sq. ft. of direct space, formerly occupied by UBS, at 709 Westchester Avenue in White Plains and WESTMED’s 14,500 sq. ft. sublet at 800 Westchester Avenue in Rye Brook.

White Plains CBD saw positive absorption for the first time in five quarters with Q3’s total reaching 11,000 sq. ft. Despite the addition of 70,000 sq. ft. of former Argus space at 50 Main Street, leasing and withdrawal of space at 10 Bank Street propelled the availability rate down 20 bps from the prior quarter to 24.0%

Westchester South notched 17,000 sq. ft. of positive absorption—driven by above average leasing activity—which dropped availability by 90 bps to 8.9%—the lowest rate since 2013.

FIGURE 5: Net Absorption | Historical



Source: CBRE Research, Q3 2023.

Average Asking Rent

Westchester County’s average asking rent was stable both quarter-over-quarter and year-over-year at \$29.71 per sq. ft., while only two submarkets experienced quarterly movement.

Average asking rent dropped in Westchester South and West by 2% and 3% respectively, as space priced above the average was leased and withdrawn from the market. Westchester South’s average asking rent stands at \$25.91 per sq. ft.—the lowest since 2018—and Westchester West’s average asking rent sits at \$27.36 per sq. ft.

FIGURE 6: Average Asking Rent | By Submarket



Source: CBRE Research, Q3 2023.

FIGURE 7: Average Asking Rent | Quarterly Historical



Source: CBRE Research, Q3 2023

FIGURE 8: Q3 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	20.8%	20.5%	6,465	7,669	\$25.78
Westchester CBD	5.04	1.21	24.0%	23.6%	11,218	33,785	\$36.71
Westchester West	3.16	0.76	24.0%	21.9%	128,806	30,148	\$27.36
Westchester East	9.08	1.82	20.1%	18.6%	(35,366)	34,893	\$29.23
Westchester South	2.14	0.19	8.9%	8.0%	16,737	15,350	\$25.91
WESTCHESTER COUNTY	26.76	5.51	20.6%	19.6%	127,860	121,845	\$29.71

Source: CBRE Research, Q3 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.

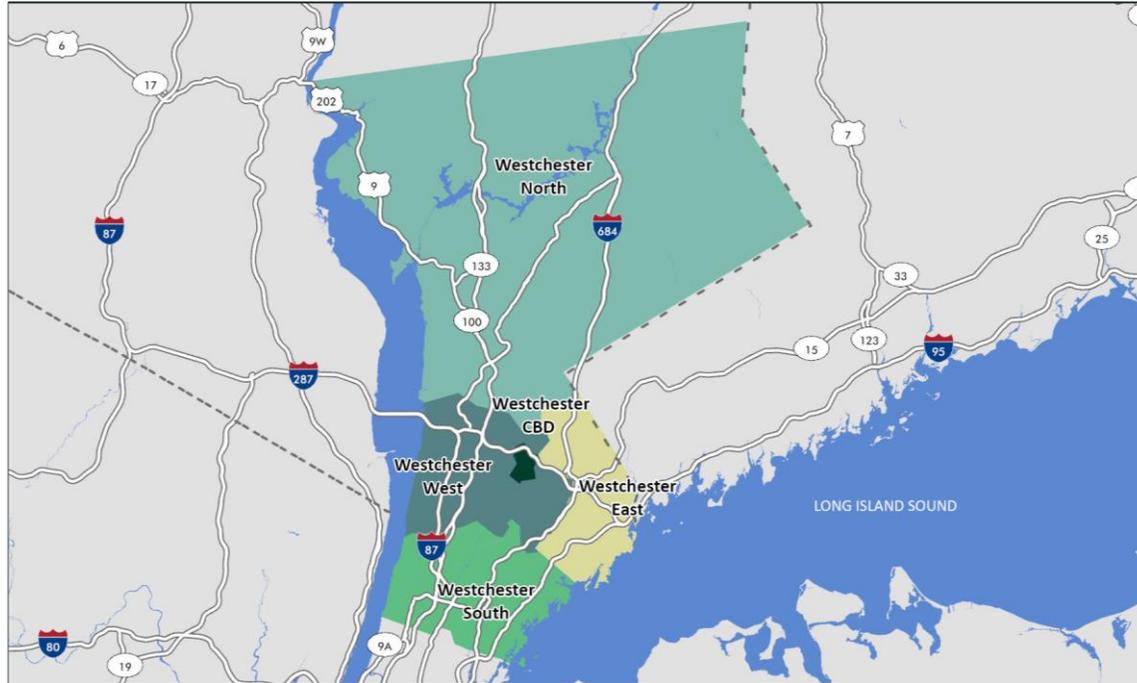
Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

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

Contact

Nicole LaRusso

U.S. Head of Field Research & Data Intelligence & Senior Research Director, Americas Advisory North
 +1 212 984 7188
 Nicole.LaRusso@cbre.com

Michael Slattery

Tri-State Research Director
 +1 212 656 0583
 Michael.Slattery@cbre.com

Jared Koeck

Field Research Manager
 +1 212 984 6548
 Jared.Koeck@cbre.com

James Smith

Research Data Analyst
 +1 203 352 8930
 James.Smith3@cbre.com