

MARKETBEAT

WESTCHESTER COUNTY OFFICE REPORT



A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

4Q09

ECONOMY

Westchester County experienced slightly less job loss than the nation as a whole. While the pace of decline slowed in late 2009 to about half what it was at the beginning of the year, the county did continue to lose jobs throughout the year. The unemployment rate remains below the national average at approximately 8.9%. The county has seen many of the large corporations in the area shed white collar jobs. Overall, we expect Westchester to track national trends because of its diversified industry and employment base and reach a trough in employment in late 2009 or early 2010 before recovering as 2010 progresses.

OVERVIEW

Asking rents in Westchester County continued to soften in the fourth quarter as class A overall rents decreased to \$30.81 per square foot (psf), down from \$31.77 psf at the close of 2008. The most expensive rents in the county remain in the White Plains CBD where class A rents currently average \$31.97 psf, down \$2.97 psf from the fourth quarter 2007's all-time high of \$34.94 psf. The Eastern submarket experienced significant direct rental rate increase during the fourth quarter, up \$1.25 psf, as new available space became available in Harrison and Purchase at rents higher than market averages.

Leasing activity totaled slightly more than 1.0 msf in 2009, which is about 700,000 sf less than the five-year average from 2004 - 2008. Activity in the fourth quarter, however, was up sharply led by a flurry of activity at 44 South Broadway (Westchester One). Transactions at 44 South Broadway accounted for 70.5% of all White Plains CBD class A leasing during 2009 and 31.1% of all Westchester County class A leasing.

Leasing in the fourth quarter comprised 37.7% of the entire year's activity, including three of the four largest deals of 2009. The most significant transactions were Reader's Digest (142,732 sf), Malcolm Pirnie (87,306 sf) and Towers Perrin (44,000 sf) at Westchester One as well as Con Edison's 52,649-sf lease at 100 Summit Lake Drive and Verizon's 117,000-sf renewal at 500 Summit Lake Drive, both in Valhalla.

The overall vacancy rate decreased in the fourth quarter to 16.6% due to significant leasing that occurred in the White Plains CBD. The vacancy rate had previously escalated to 17.2% in the third quarter and is expected to rise beyond that level as more space becomes available in early 2010. Although Westchester's overall absorption was positive during a strong fourth quarter, it still remained negative for the entire year at -485,923 sf, as there is 233,548 sf more space available than fourth quarter 2008.

FORECAST

Though still experiencing declines in employment, Westchester County will remain fairly stable due to its diverse tenant base. Vacancies will continue to go up over the next two quarters and effective rents will go down.

BEAT ON THE STREET

"2010 will be the year that tenants will be able to capitalize on exceptional lease prices — rates that the commercial real estate market has not seen for the past 10 years."

—Jim Fagan, Senior Managing Director

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Regional			
Unemployment	4.8%	8.0%	9.3%
Employment Growth	-0.2%	-2.0%	-1.2%

Source: Moody's | Economy.com

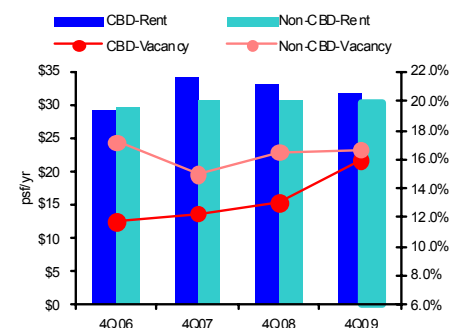
MARKET FORECAST

LEASING ACTIVITY increased significantly in the fourth quarter, but may still see continued weakness in 2010. ↓

VACANCY RATES are expected to increase with the downward trend in occupancy and leasing activity. ↑

INVESTMENT SALES will continue to be slow through the first half of 2010 and will likely pick up once the market stabilizes. ↓

OVERALL RENTAL VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

MARKET/ SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
White Plains CBD	6,239,527	48	16.0%	11.8%	419,765	0	0	(222,891)	\$32.46
White Plains Non-CBD	4,485,028	34	21.9%	19.4%	94,004	0	0	(110,214)	\$32.11
Northern	3,062,920	39	16.0%	15.7%	23,122	0	0	(97,364)	\$29.24
Central	5,810,402	66	13.7%	10.8%	206,849	0	0	(25,204)	\$26.68
Eastern	6,438,938	61	18.2%	14.1%	253,589	0	0	(34,645)	\$33.05
Southern	2,335,472	30	11.2%	11.2%	11,876	0	0	4,395	\$30.46
CBD	6,239,527	48	16.0%	11.8%	419,765	0	0	(222,891)	\$32.46
NON-CBD	22,132,760	230	16.7%	14.2%	589,440	0	0	(263,032)	\$31.25
WESTCHESTER TOTAL	28,372,287	278	16.6%	13.7%	1,009,205	0	0	(485,923)	\$31.46

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2009 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
44 South Broadway	White Plains CBD	Reader's Digest	142,730	A
44 South Broadway	White Plains CBD	Malcolm Pirnie, Inc.	87,306	A
100 Summit Lake Drive	Valhalla	Con Edison	52,649	A

SIGNIFICANT 2009 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
Ardsley Park (6 Buildings)	Ardsley-Irvington	OSI Pharmaceuticals	390,000	\$27,000,000
399 Knollwood Road	White Plains Non-CBD	RPW Group	152,030	\$20,500,000
500 Westchester Avenue	White Plains Non-CBD	Memorial Hospital for Cancer	120,000	\$9,200,000

SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

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*Market terms & definitions based on BOMA and NAIOP standards.

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