MARKETBEAT

WESTCHESTER COUNTY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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Global Real Estate Solutions℠

2Q10

ECONOMY

There are signs of improvement in office-using employment with an increase in office employment by 0.5% or 500 jobs jobs since reaching the bottom in 2009. In Westchester County the economy has turned up and is growing at a moderate pace. While the financial sector continues to lose jobs, the professional services are experiencing growth. The county unemployment rate remains well below the state and national levels at 7.1%, compared with the national rate of 9.7%, suggesting that as the national economy picks up, Westchester County is likely to experience solid growth in income due to tighter than average labor markets. This should lead to healthier growth in Westchester than in other regions. This suggests that a steady pick up in employment is likely in 2010 with stronger growth expected in 2011.

OVERVIEW

Overall available space in Westchester County is up 2.3% from first quarter 2010, contributing to the overall vacancy rate increase from 17.5% to 17.9%. Class A vacancies are above 17% in White Plains CBD and Central markets and above 20% in the remaining four Westchester markets. Second quarter class A vacancy rates increased in each market since the first quarter. Along with the rise in vacancy, White Plains CBD had an increase in inventory with the addition of 68,418 square feet (sf) of vacant class A office space at 7 Renaissance Square at the Ritz Carlton. In the second quarter White Plains class A office space represented 67.3% of the negative overall absorption.

Overall asking rents remained relatively unchanged in the second quarter, currently averaging $30.47 per square foot (psf). Westchester County overall asking rents continue to inch lower and have regressed towards third quarter 2006 levels of $30.11 psf. Class A asking rents in the CBD rose to $32.03 psf. The increase in average rents is primarily attributable to the addition of the 68,418-sf availability at 7 Renaissance Square.

Overall leasing activity this quarter is down 35% from first quarter. The Central market, however, is strengthening with a 39.1% increase in leasing activity from last quarter, and a 74.4% increase year-over-year. Westchester county leasing was comprised mostly of leases 10,000 sf and less. The only new lease over 10,000 sf was Northwestern Mutual Life Insurance's 14,632-sf lease at 48 Main Street in the White Plains CBD. The four largest transactions of the quarter were renewals: Nextel's 50,000-sf renewal at 565 Taxter Road in Elmsford, Wesley Longman's 43,997-sf blend and extend at 10 Bank Street in White Plains, Kaufman Borgeest & Ryan, LLP's 31,687-sf renewal and expansion at 200 Summit Lake Drive in Valhalla, and McCarthy Fingar's 20,000-sf deal at 11 Martine Avenue in White Plains.

FORECAST

Vacancies will continue to trend upwards as the local economy reaches a bottom. Rents are not likely to increase until the local economy sees consecutive quarters of improvement.

BEAT ON THE STREET

"We believe that this quarter's job creation, albeit small, indicates the end to the downward slide we've been experiencing in Westchester County. Vacancy rates, which inversely follow job creation, lag by about six to nine months. We, therefore, expect to see the real estate market improve in the second half of the year."

—Jim Fagan, Senior Managing Director

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional			
Unemployment	4.8%	7.1%	8.1%
Employment Growth	-0.2%	-2.4%	-1.1%

Source: Moody's | Economy.com

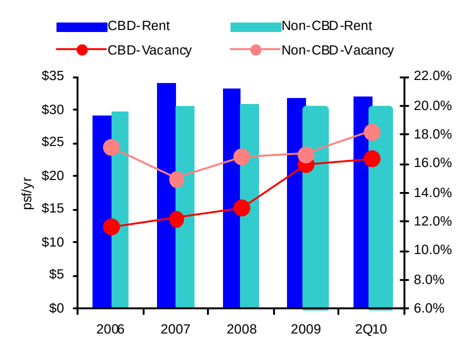
MARKET FORECAST

LEASING ACTIVITY was weaker than in the second quarter and will likely still see continued weakness throughout 2010.

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

INVESTMENT SALES will continue to be slow through 2010 and will pick up once the market stabilizes.

OVERALL RENTAL VS. VACANCY RATES



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MARKET/SUBMARKET STATISTICS

MARKET/ SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT ABSORPTION	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
White Plains CBD	6,307,675	49	16.4%	13.6%	102,829	0	0	(126,699)	(111,365)	$33.26
White Plains Non-CBD	4,485,028	34	24.9%	22.0%	56,453	0	0	(145,630)	(173,821)	$31.36
Northern	2,985,770	39	18.8%	18.6%	31,452	0	0	(71,780)	(71,780)	$30.42
Central	5,810,402	66	14.3%	12.3%	123,526	0	0	(134,862)	(150,141)	$28.85
Eastern	6,438,938	61	19.1%	15.7%	174,886	0	0	(156,942)	(149,000)	$32.86
Southern	2,337,184	30	13.0%	13.0%	6,204	0	0	(44,246)	(44,246)	$30.15
CBD	6,307,675	49	16.4%	13.6%	102,829	0	0	(126,699)	(111,365)	$33.26
NON-CBD	22,057,322	230	18.3%	16.2%	392,521	0	0	(553,460)	(588,988)	$31.12
WESTCHESTER TOTAL	28,364,997	279	17.9%	15.6%	495,350	0	0	(680,159)	(700,353)	$31.51

* Rental rates reflect $psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
48 Main Street	White Plains CBD	Northwestern Mutual Life Insurance	14,632	A

SIGNIFICANT 2Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 2Q10 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.