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Overview

Westchester County has the lowest unemployment rate in the state at 6.5%, down from 7.1% a year ago. The local economy is growing very slowly, having added approximately 1,000 jobs, or 0.3%, since the end of 2010. As has been the case throughout the nation, however, the economy has stagnated since late spring. In third quarter 2011, Westchester County's leasing activity improved, but overall vacancy increased slightly; overall absorption continued to be negative and asking rental rates remained virtually unchanged.

Vacancy and Rental Rates

The class A overall vacancy rate in Westchester County averaged 19.6% this quarter, almost a one percentage point increase from last quarter (18.7%), but two percentage points lower than mid-year 2010 (21.4%). After the direct vacancy rate dropped in first quarter 2011 lower than 15.0% for the first time since 2010, it increased 2.7% this quarter to 15.2% from 14.8% in second quarter. The Northern submarket experienced the highest jump in direct vacancy, increasing from 14.3% to 23.0% — a 61% increase — due to the addition of 200,000 square feet (sf) of direct available space added by Reader's Digest to the existing 136,000-sf of direct available space already marketed at 480 Bedford Road in Pleasantville, NY.

Westchester County's class A direct asking rental rate decreased from \$31.33 per square foot (psf) in one year ago to the current \$30.13 psf. The White Plains CBD retained the highest direct average asking rental rate in the county, registering at \$32.34 psf, but it was still more than \$2.00 psf lower than mid-year 2008's direct average asking rent of \$34.64 psf.

Market Activity

Leasing activity reached the peak this quarter at 382,796 sf, the highest amount of sf leased since third quarter 2008 (458,449 sf). Class A leasing activity this quarter doubled last quarter's activity, registering at 263,668 sf with New York Life Insurance Company's 24,767-sf lease at 777 Westchester Avenue being the biggest contributor. The largest transaction in third quarter 2011 (and 2011 YTD) was a class B lease at 410 Saw Mill River Road, where Acorda Therapeutics took 71,191 sf of office space (66,304 sf of laboratory space was leased at the same time). Other significant lease transactions this quarter were The Dorf Law Firm, LLP's 15,151-sf lease at 555 Theodore Fremd Avenue in Rye and Morgan Stanley Smith Barney Financing, LLC's 19,480-sf renewal at 100 South Bedford Road in Mount Kisco.

Overall absorption year-to-date one of the indicators used to see if the market is getting tighter or losing steam, remained negative, registering a negative 165,568 sf, compared with last quarter's figure of positive 33,950 sf, but showed a huge improvement over the third quarter 2010's negative 591,469 sf.

The investment sales market remained sluggish this quarter with only one transaction — 12 Water Street, a 44,900-sf office building sold by GHP Office Realty to GTL Construction for \$3.9 million, or \$87 psf.

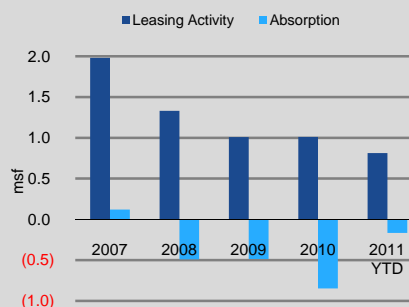
Outlook

Westchester County's commercial real estate market is projected to grow following the New York City economy's shift from contraction to expansion. Job growth is likely to remain weak until there is more certainty about the national and global economic, financial and political environments.

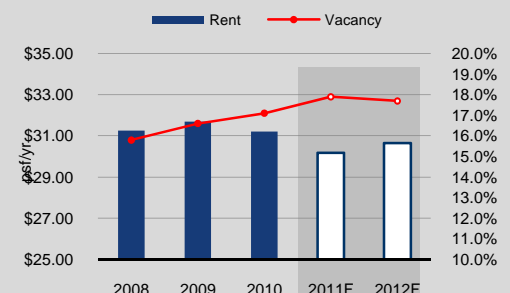
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	17.2%	16.9%	-0.3pp	▼
Direct Asking Rents	\$30.64	\$29.49	-3.8%	▲
YTD Leasing Activity (sf)	856,663	813,635	-5.0%	▲

Leasing Activity vs. Absorption



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Market / Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. All Classes Gross Rental Rate*	Direct Wtd. Avg. Class A Gross Rental Rate*
White Plains CBD	6,307,675	15.7%	14.1%	233,770	0	0	22,542	(46,688)	\$32.29	\$33.59
CBD	6,307,675	15.7%	14.1%	233,770	0	0	22,542	(46,688)	\$32.29	\$33.59
White Plains Non-CBD	4,478,881	22.0%	21.0%	118,359	0	0	2,654	33,777	\$31.21	\$31.21
Northern	2,989,764	19.5%	18.2%	38,566	0	0	(86,892)	(110,781)	\$25.46	\$25.59
Central	5,815,593	16.4%	14.2%	194,317	0	0	35,534	(10,943)	\$26.29	\$27.52
Eastern	6,459,189	17.0%	14.4%	217,297	0	0	35,971	(399)	\$29.96	\$30.57
Southern	2,407,445	8.5%	8.5%	11,326	0	0	(32,052)	(32,052)	\$28.43	\$29.71
NON-CBD	22,150,872	17.3%	15.6%	579,865	0	0	(44,785)	(120,398)	\$28.59	\$29.31
Westchester Total	28,458,547	16.9%	15.2%	813,635	0	0	(22,243)	(167,086)	\$29.34	\$30.13

* Rental rates reflect asking \$psf/year.

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
410 Saw Mill River Road	Ardsley/Irvington	Acorda Therapeutics	71,191	B
777 Westchester Avenue	White Plains Non-CBD	New York Life Insurance Company	24,767	A
100 South Bedford Road	Mount Kisco	Morgan Stanley Smith Barney Financing, LLC *	19,480	A
555 Theodore Fremd Avenue	Rye	The Dorf Law Firm, LLP	15,151	A

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
12 Water Street	White Plains CBD	GTL Construction LLC	44,900	\$3,900,000

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				