

MARKETBEAT

WESTCHESTER COUNTY OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q08

ECONOMY

Reflecting the financial crisis that is echoing throughout the world, the Westchester County economy has slowed in a dramatic fashion. Although the county is performing better than U.S. averages, there has been a substantial slowdown in almost every economic indicator over the last quarter — housing, commercial real estate, gross metro product growth and even employment growth.

The Westchester County unemployment rate is at 6.0%, compared with the national rate of 6.1% and the highest unemployment rate since 1993. Unlike Fairfield County, Westchester County is less dependent upon financial services firms, thereby making it less vulnerable to layoffs in that sector. A decrease in professional services jobs is anticipated; however, as other financially constrained firms reduce their use of consultant and legal services. Furthermore, we anticipate that income growth will experience a sharp reduction as the combination of decreased levels of economic activity, lower capital gains and reduced bonuses in these sectors continue to reduce per-capita and real average-wage incomes, also negatively affecting retail sales.

Overall, employment will continue to decline through mid-2009, along with housing prices, but at lower levels than the U.S. rates. High energy costs, a high cost of living associated with the New York greater market area and a relatively low demographic growth rate consistent with a mature market, however, will all contribute to keep the region's growth rate below the national average over the long term.

OVERVIEW

At the close of the third quarter, the Westchester County market remained stable despite a dip in year-over-year leasing activity, an increase in vacancy rates, negative absorption, and a continued slowdown in investment sales.

Overall availabilities countywide totaled more than 4.4 million square feet (msf) resulting in a 15.7% vacancy rate, an increase from 14.4% last quarter and 14.7% one year ago. Overall class A vacancy registered at 18.3%; up from 16.7% in the second quarter and 17.0% one year ago. As a whole, Westchester County experienced 354,007 sf in class A leasing during the third quarter, up from 232,767 sf leased in the second quarter, and 310,068 sf leased during the third quarter of 2007. Year-to-date, 970,565 sf were leased, a slight drop from 1,052,368 sf in the first three quarters of 2007. Significant transactions signed during the third quarter included a 132,000-sf lease for Amalgamated Life, which relocated from Manhattan to 333 Westchester Avenue in White Plains, Greenwich Hospital's lease for 35,000 sf at 900 King Street in Rye Brook, and Fibermedia Westchester, LLC's lease for 34,648 sf at 480 Bedford Road in Pleasantville.

Overall asking rents averaged \$31.29 per square foot (psf) countywide, on par with the \$31.28 psf recorded last quarter and up from \$30.51 psf one year ago. Class A rents averaged \$31.89 psf, up from \$31.75 psf last quarter and \$31.37 psf one year ago. The average class A rent for the White Plains Central Business District (CBD) was \$34.96 psf, slightly up from the \$34.39 psf average in the second quarter of 2007. Some office properties in the White Plains CBD are commanding in excess of \$40.00 psf.

FORECAST

Unlike certain markets in the tri-state region that are home to a high number of companies in the financial services sector, Westchester County will weather the current economic environment and prosper due to the assorted mix of business based here.

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BEAT ON THE STREET


As we move through a period of economic uncertainty, there is a high degree of market discovery taking place whereby tenants have the opportunity to negotiate rents that were simply not available in the first half of the year.


ECONOMIC INDICATORS


National	2006	2007	2008F
GDP Growth	2.8%	2.0%	1.9%
CPI Growth	3.2%	2.9%	4.4%
Regional			
Unemployment	3.9%	3.7%	4.1%
Employment Growth	1.2%	0.8%	0.3%

Source: Moody's | Economy.com

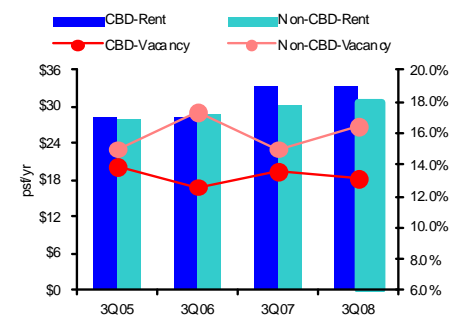
MARKET FORECAST

VACANCY RATES are expected to increase slightly due to employment softness in 2008, but due to limits in new supply the vacancy is projected to head down in 2009. 

LEASING ACTIVITY will remain slow due to the downturn in the economy. 

INVESTMENT SALES will continue at a slower pace due to the constraints of the debt markets and expensive financing. 

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 OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
White Plains CBD	6,239,527	48	13.1%	11.1%	239,046	0	0	36,397	\$34.66
White Plains Non-CBD	4,485,028	34	23.4%	22.2%	293,151	0	0	(216,520)	\$32.16
Northern	3,062,920	39	12.9%	12.9%	80,318	0	0	64,296	\$30.62
Central	5,810,402	66	13.7%	11.5%	135,480	0	0	7,326	\$29.55
Eastern	6,438,938	61	17.5%	14.5%	336,696	0	0	(346,320)	\$31.92
Southern	2,335,472	30	11.2%	11.0%	10,684	0	0	(12,904)	\$28.52
CBD	6,239,527	48	13.1%	11.1%	239,046	0	0	36,397	\$34.66
NON-CBD	22,132,760	230	16.4%	14.7%	856,329	0	0	(504,122)	\$31.38
WESTCHESTER TOTAL	28,372,287	278	15.7%	13.9%	1,095,375	0	0	(467,725)	\$31.96

*Rental rates reflect \$psf/year

**Leasing activity has been adjusted to reflect a 132,000-sf deal reported after quarter-end.

MARKET HIGHLIGHTS

SIGNIFICANT 3Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
333 Westchester Avenue	White Plains Non-CBD	Amalgamated Life	35,000	A
900 King Street	Rye Brook	Greenwich Hospital	35,000	A
480 Bedford Road	Pleasantville	Fibermedia Westchester, LLC	34,648	A
11 Martine Avenue	White Plains CBD	Bunge	19,500	A

SIGNIFICANT 3Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 3Q08 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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