

Q2 2018

Office Insight

Building acquisitions overshadow the market as diminished leasing activity took place

- Building acquisitions and conversions were the story of the market
- After a few dormant quarters, Westchester North is finally seeing some action as two properties are scheduled for redevelopment
- Total absorption numbers continue to fall throughout the County

The second quarter was highlighted by a few key building sales. Two of the older buildings in the market, 925 and 1025 Westchester Avenue in West Harrison, were purchased by RPW Group. Their plan is to upgrade the buildings to today's standards. Similar to other recent sales, these buildings were purchased well below replacement value, signaling continued weakness in the commercial office market. However, there is a recognition that the location and accessibility are still desirable to professional service firms.

The major sale that took place in the quarter was Ginsburg Development Companies and Robert Martin Company partnering up to purchase the Westchester Financial Center in downtown White Plains for \$83.0 million. The purchase finalizes Ginsburg's acquisition of an entire city block in the surrounding area. The 571,000-square-foot, two-building complex will be redeveloped as a part of the new "City Square." One of the buildings will be renovated with a new lobby and a full floor of amenities; the other building will be converted into a mix of residential and office space. The rest of the block will include a blend of office, residential, retail and restaurants.

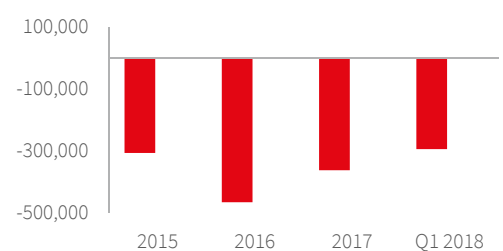
Two large properties in Armonk are also slated for redevelopment. The IBM land will be redeveloped into residential space and the former MBIA Inc. headquarters is being proposed for hospitality and residential to compliment the existing office building.

Outlook

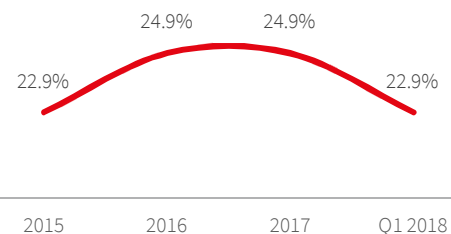
As buildings are being purchased all over the market, the County as a whole continued to see negative absorption and minimal leasing activity. The Westchester North and I-287 West submarkets are especially declining. The IBM campus and Pepsi headquarters are still vacant and towns like Armonk, Elmsford, Valhalla and Tarrytown are attempting to find and keep tenants.

| Fundamentals | Forecast |
|-----------------------------|------------------|
| YTD net absorption | -296,754 s.f. ▼ |
| Under construction | 0 s.f. ► |
| Total vacancy | 22.9% ▲ |
| Average asking rent (gross) | \$26.72 p.s.f. ► |
| Concessions | Stable ► |

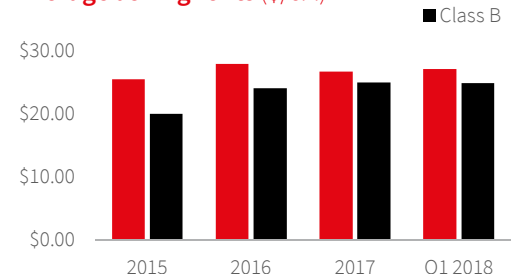
Supply and demand (s.f.)



Total vacancy



Average asking rents (\$/s.f.)



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