

4Q24

NEWMARK

Westchester County Office Market Overview



Market Observations

Economy

- Office-using employment continued to trend higher than pre-COVID levels in Westchester County metro area, but decreased by 1.3%, or 37,113 positions year-over-year.
- Five of the ten major industry sectors recorded job increases in November: education and healthcare, leisure and hospitality, other services, government, and trade, transportation, and utilities. Overall, nonfarm payroll was up by 1.4% year-over-year.
- Year-over-year job losses were recorded in all three office-using industries. Financial activities decreased by 05%, professional and business services by 1.1%, and information services by 5.0%.
- The Westchester County unemployment rate ended at 3.2% in November 2024, lower than New York state's level of 4.8% and United States rate of 4.0%.

Major Transactions

- In 2024, the two largest leases featured government agencies. The New York State OGS Attorney General secured a 62,019-square-foot lease at 44 South Broadway, renewing and expanding their space by over 50% from their previous footprint since becoming a tenant in 2013. The Department of Health signed a 57,266-square-foot lease at 11 Martine Avenue, relocating from 145 Huguenot Street, New Rochelle.
- The healthcare and educational sectors continue to drive demand in the Westchester County market, comprising 23% of all employment. However, most of the leasing completed within these industries are not reflected in office-using statistics.
- Notable recent deals completed by educational and medical tenants this year include Monroe College's 57,000-SF lease at 33 LeCount Place in New Rochelle; White Plains Hospital's 38,000-SF renewal at 222 Westchester Avenue in White Plains and New York School of Medicine's 32,000-SF new lease at 4 Westchester Park Drive in White Plains.
- In 2024, 5 sales were completed for roughly \$34 million, compared with an annual average of 15 sales. In the fourth quarter, three sales were recorded: 550 Mamaroneck Avenue for \$15.45M or \$136/SF, 600 Mamaroneck Avenue for \$13.8M or \$115/SF, both in Harrison, and 73 Market Street, Downtown White Plains, for an undisclosed amount.

Leasing Market Fundamentals

- Overall vacancy and availability grew to 25.7% and 27.1%, respectively, at the close of 2024. This level remains skewed by a single, 1.1-million SF block of obsolete office space long vacated by IBM in Somers. Without this block the total vacancy rate would drop to 21.3%.
- Leasing activity showed a decline over the past year, ending 2024 with a total of 1.4 million SF, down 14.5% from 2023. The number of deals transacted shrunk by 47, from 314 in the prior year to 267 in 2024. It also comprised of 23 deals less than the 10-year historical average.
- Deals for less than 5,000 SF drove demand in the fourth quarter, capturing 80% of the leasing totals, whereas large deals were scarce. Ongoing corporate downsizings by large tenants led to occupancy losses of 314,990 SF for the year.
- Rental growth rate softened in 2024, with the direct average asking rent ending at \$28.43/SF, slightly decreased from a year ago. While concessions have remained stable, taking rents are expected to continue to see slight upward pressure amid higher operating costs.

Outlook

- The commercial real estate market continues to face challenges, especially in the investment sales sector, due to upcoming loan maturities. We expect an increase in capital market activity as owners seek refinancing or sell off assets that no longer align with their investment strategies. This could also result in more office property conversions if they are considered unsuitable for leasing in the current market.
- Looking ahead, economic conditions might become more favorable as the Federal Reserve recently cut rates by 50 basis points for the first time in four years, expressing optimism that inflation is nearing their 2% target.
- Trends observed both nationally and locally are anticipated to persist throughout the second half of the year, including a continued shift to high-quality, smaller spaces, alongside large tenants opting for lease renewals with extended terms instead of moving to new locations.

1. Economy
2. Leasing Market Fundamentals

4Q24

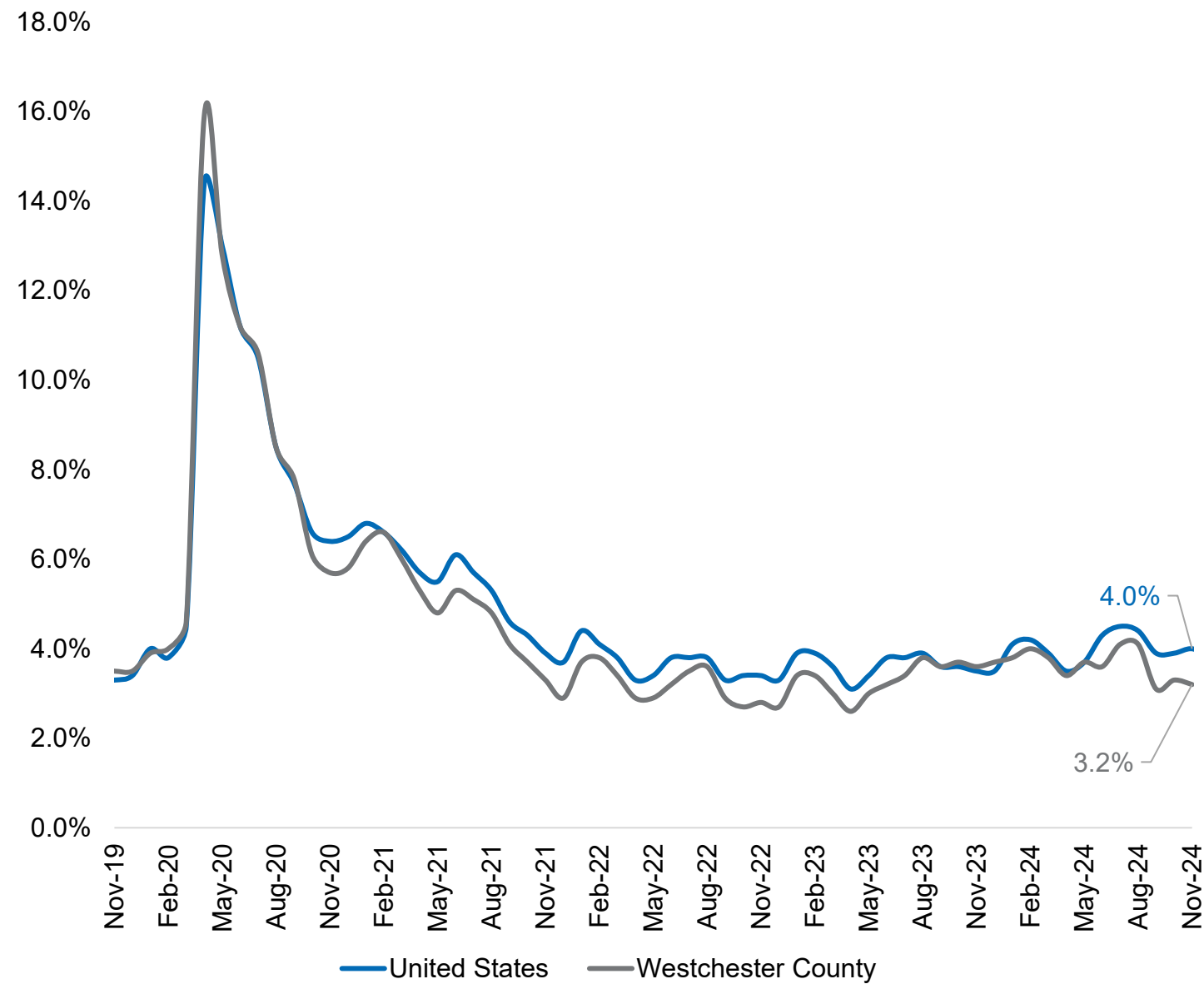
Economy



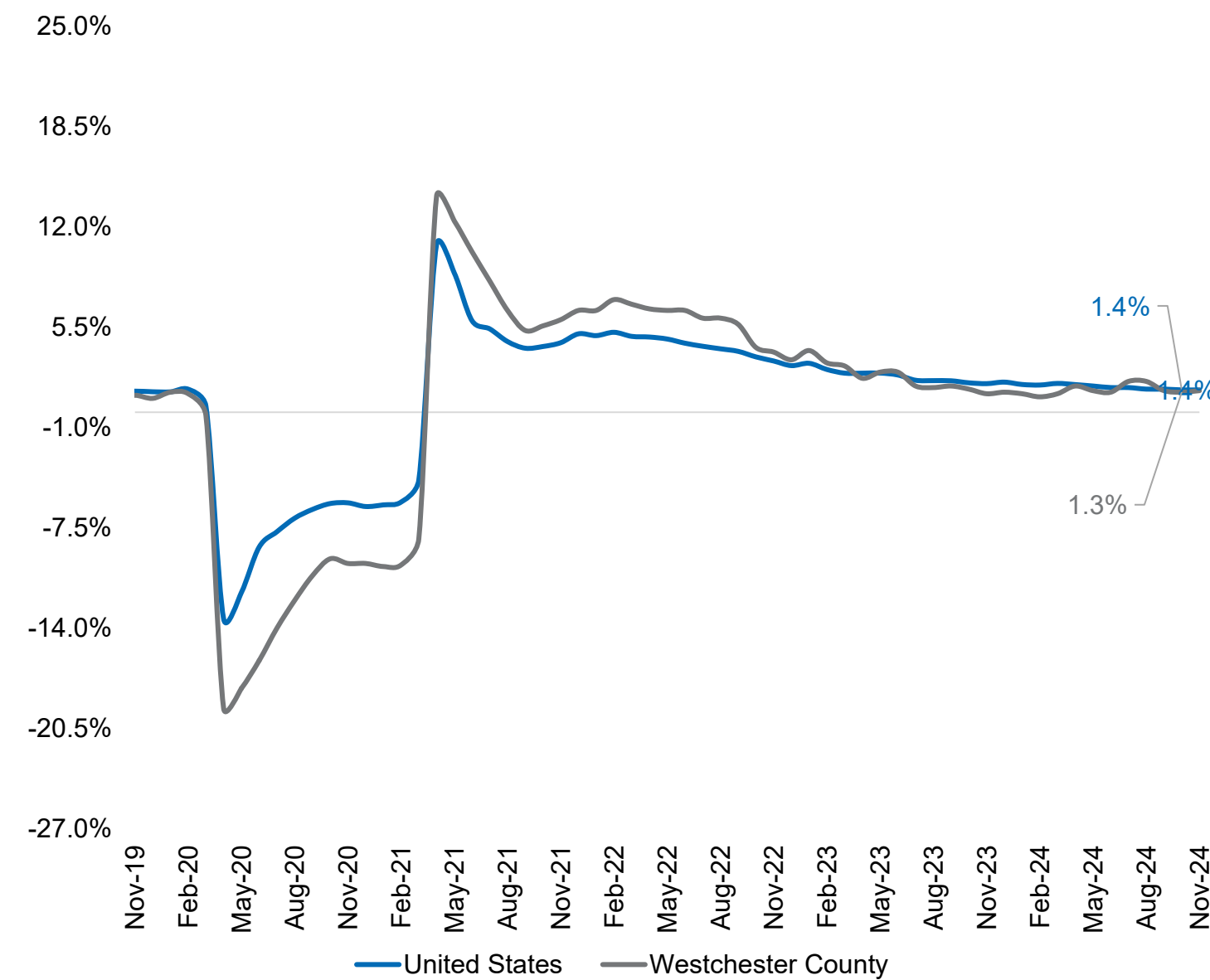
Metro Employment Trends in Westchester County

The unemployment rate in Westchester County ended at 3.2% in November 2024, while New York state's level trended higher at 4.8% and the national rate ended at 4.0%. Nonfarm payroll employment remained steady in the fourth quarter, ending at a 1.4% year-over-year change in November, mirroring the national year-over-year increase.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

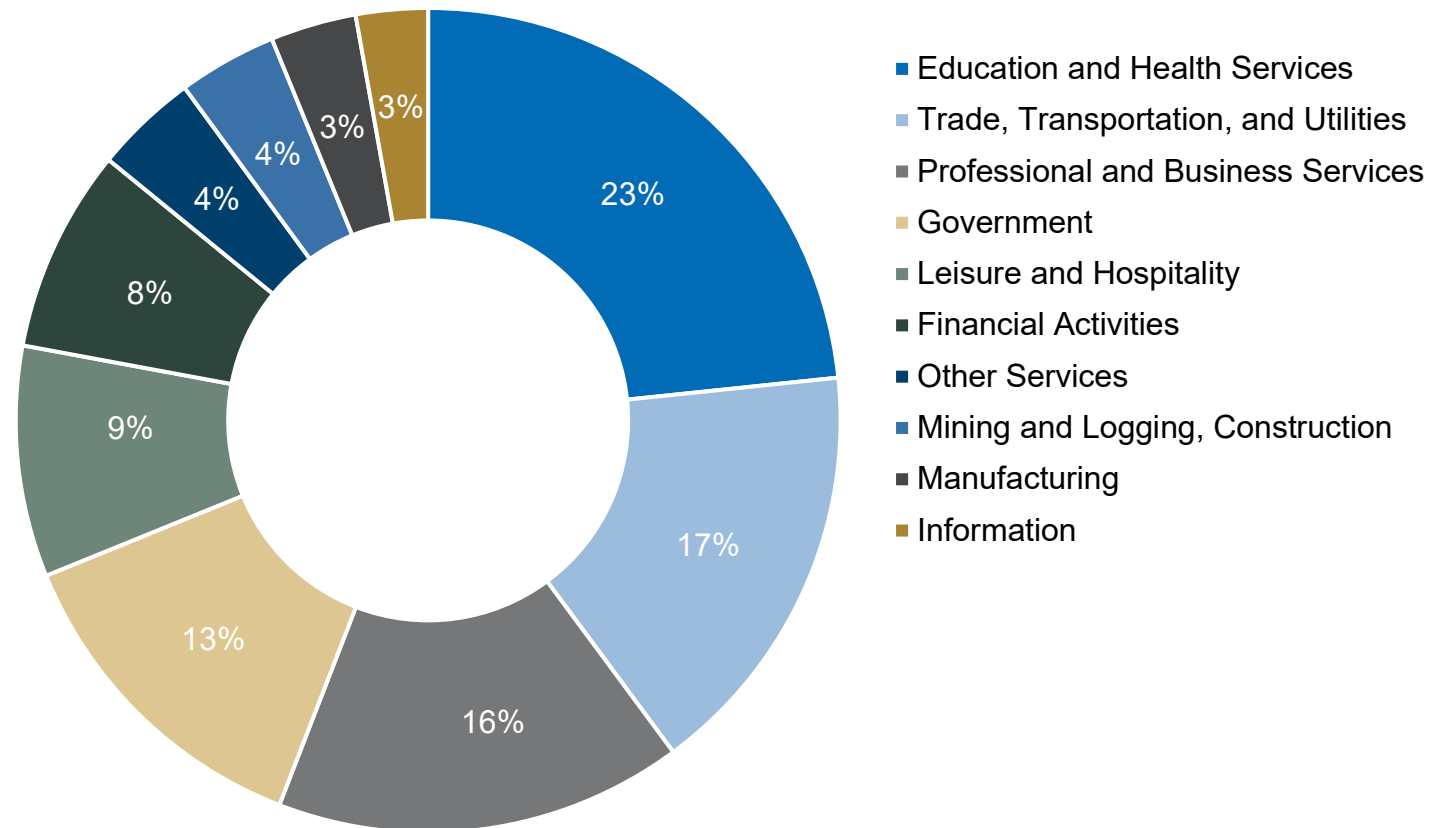


Source: U.S. Bureau of Labor Statistics, Westchester County Area

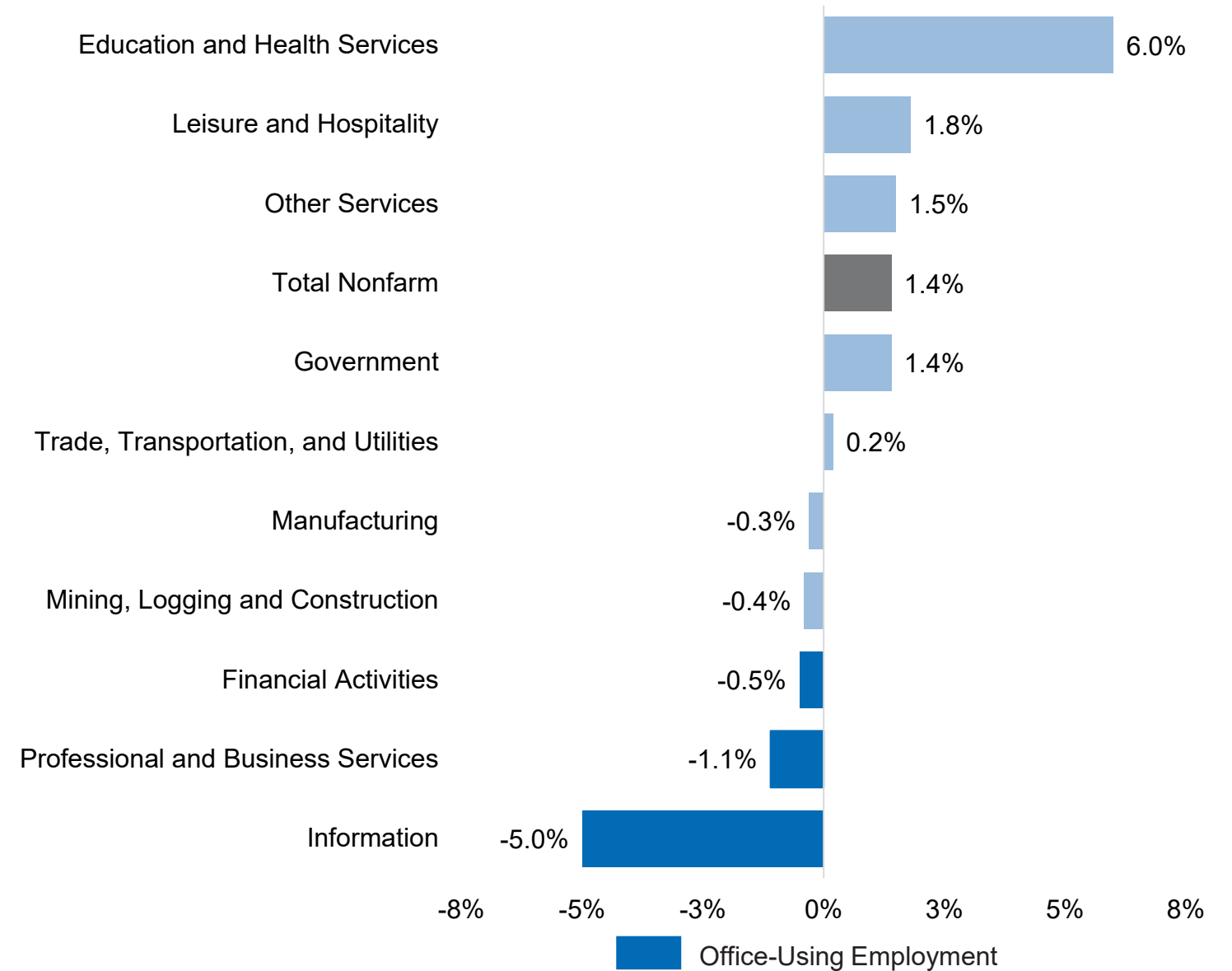
Employment Growth and Employment by Industry

Employment growth year-over-year in Westchester County was led by education and healthcare (+6.0%), leisure and hospitality (+1.8%), other services (+1.5%), government (+1.4%), and trade, transportation, and utilities (+0.2%). All three office-using employment industries declined year-over-year this August, with information down by 5.0%, professional and business services down by 1.1%, and financial activities down by 0.5%. Employment continues to be heavily concentrated in the medical and education sectors in the County, taking up 23% of all employment and continues to be the strongest growing industry in the area.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

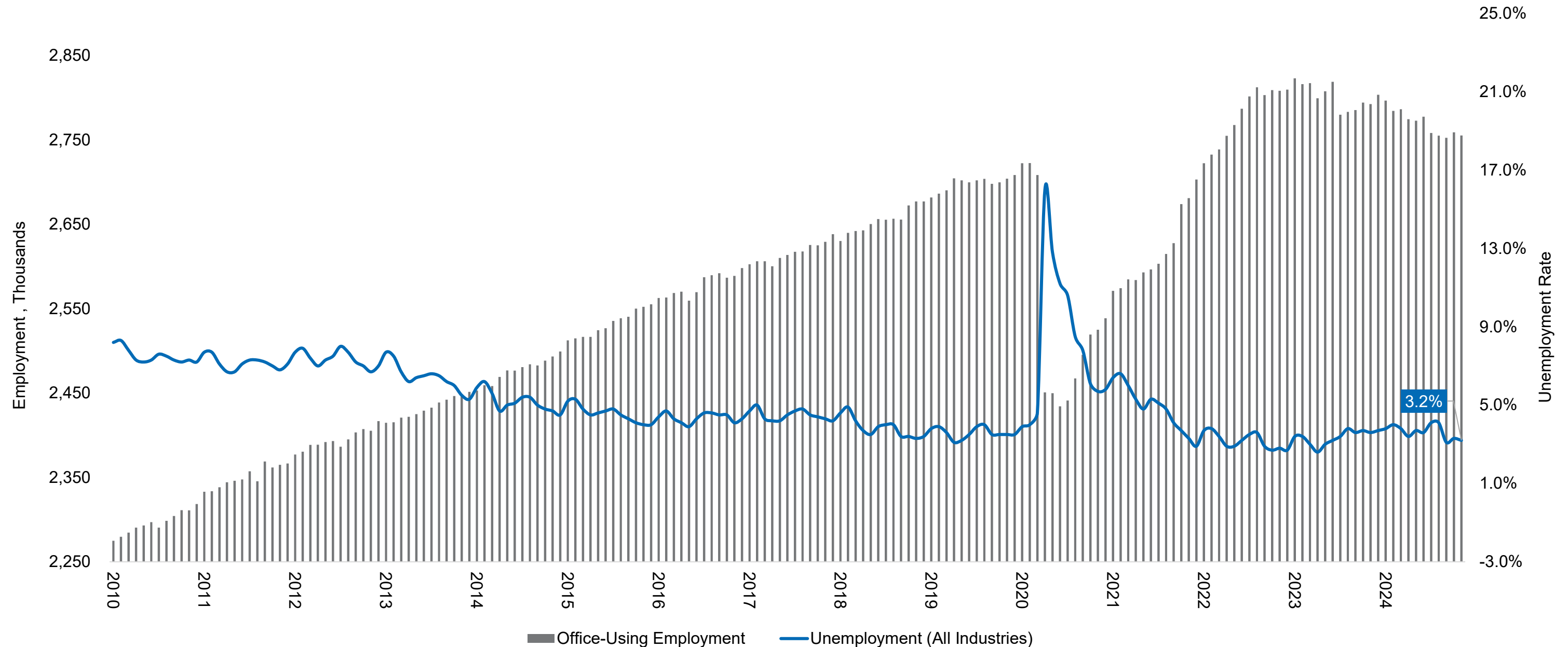


Source: U.S. Bureau of Labor Statistics, Westchester County Area (Not Seasonally Adjusted)

Overall Office-Using Employment Trends

Office-using employment in NY-NJ-PA Metro Area, which includes Westchester County, decreased by 1.3% year-over-year, and was down month over month by 0.1%. Office-using industries which include financial services, information and professional services, all decreased in employment growth this November. However, employment levels remain well above pre-COVID levels.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, NY-NJ-PA Metro Area (Not Seasonally Adjusted)

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

4Q24

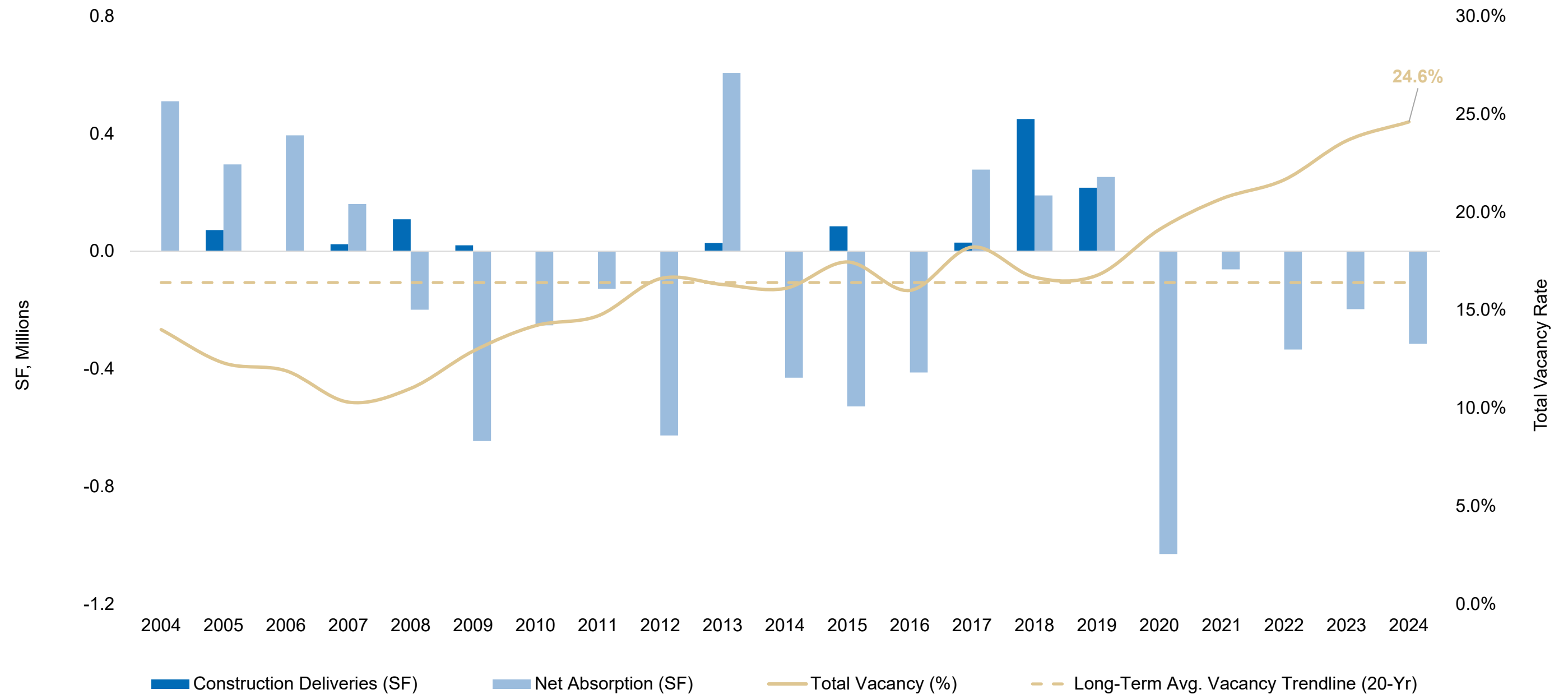
Leasing Market Fundamentals



Vacancy Rates Climbed to New High as Firms Continue to Right-Size

The county's total vacancy rate for the year increased to 24.6% at the close of 2024, up from 23.6% at this time in 2023. Net absorption retracted by 314,990 SF, as some large tenants shed unused office space and leased smaller footprints in higher-quality assets.

Historical Construction Deliveries, Net Absorption, and Vacancy

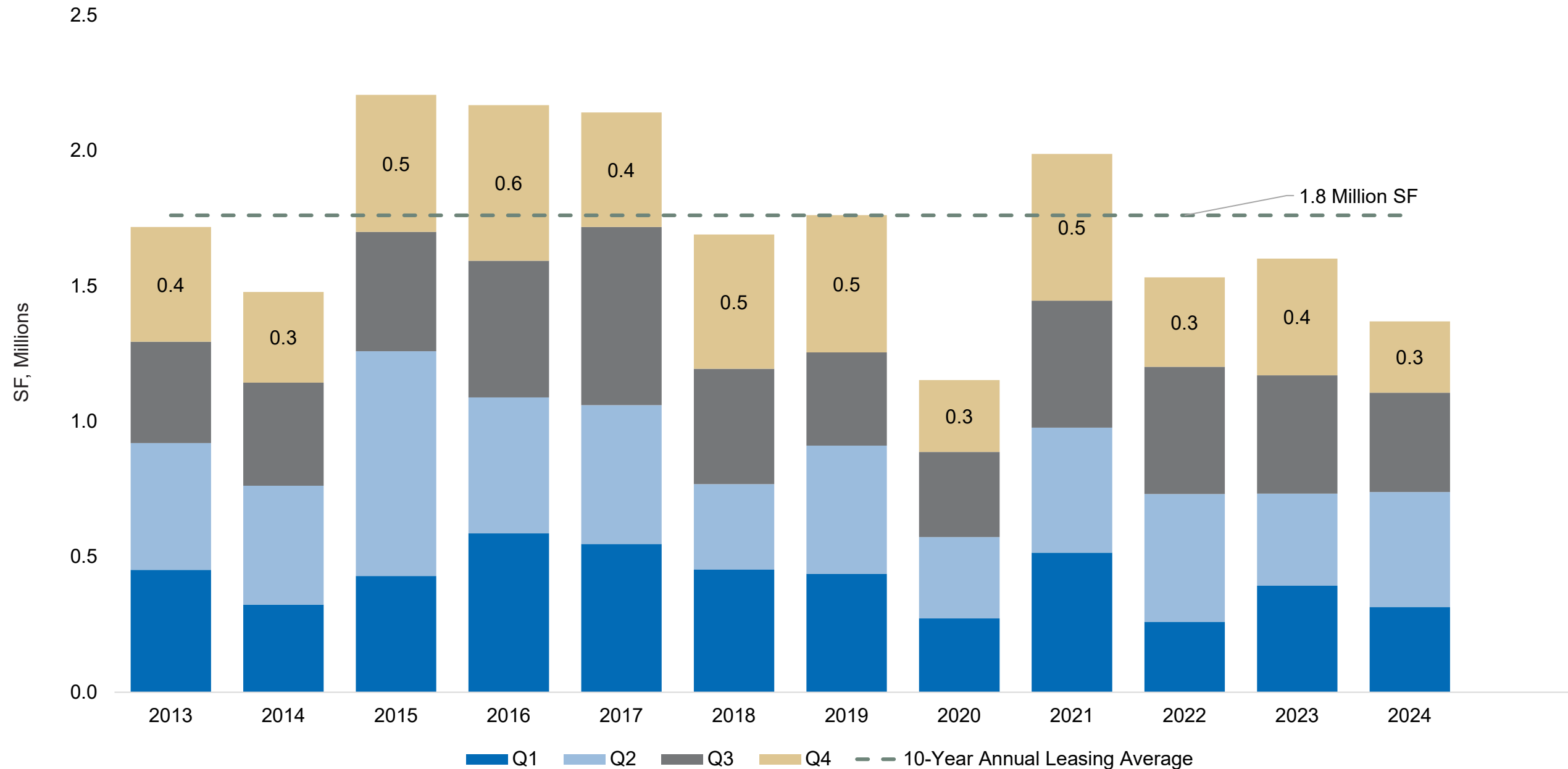


Source: Newmark Research

Year to Date Leases Tracked in 2024 Decreased Compared to 2023

Leasing activity ended with 1.4 million SF in 2024, down by 14.5% over the past year, and remaining below the 10-year historical average of nearly 1.8 million SF. The number of deals decreased by 47, from 314 completed in 2023 to 267 this year. Small size deals were prevalent this year, while deals for more than 25,000 SF were scarcer than in previous years

Total Leasing Activity (msf)

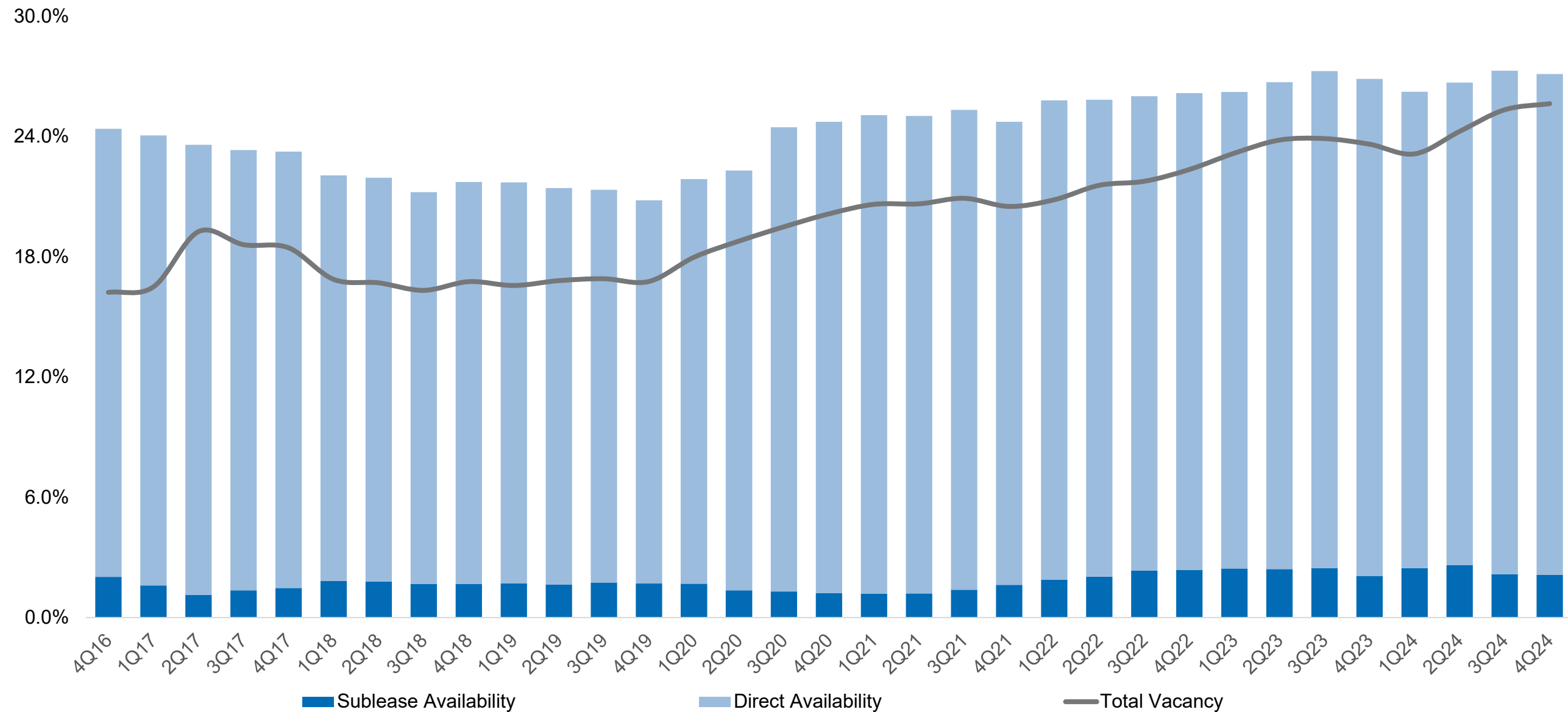


Source: Newmark Research

Vacancy Rate Moves Back up in Q4, But Remains Skewed by Large Obsolete Block in North

Total availability rate ended at 27.1%, improved from the 27.3% rate recorded in the third quarter but 0.7 percentage points higher than a year ago. The total vacancy rate ended at 23.6%, also higher than the 21.7% level from last year. It is worth noting that vacancy levels in the county remain skewed by a single, 1.1-million SF block of obsolete office space long vacated by IBM in Somers. Without this block the total vacancy rate would drop to 21.3%.

Available Space as Percent of Overall Market

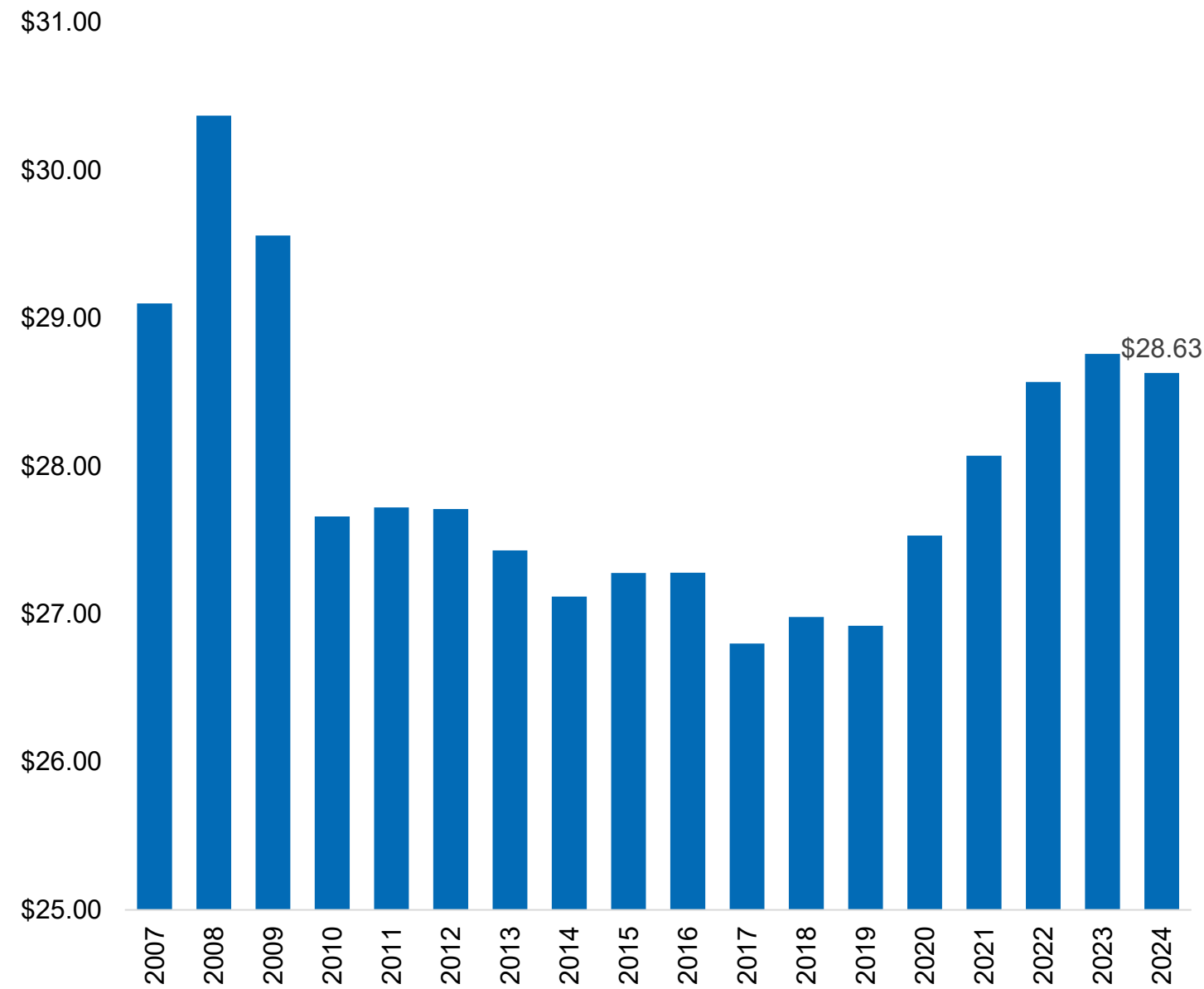


Source: Newmark Research

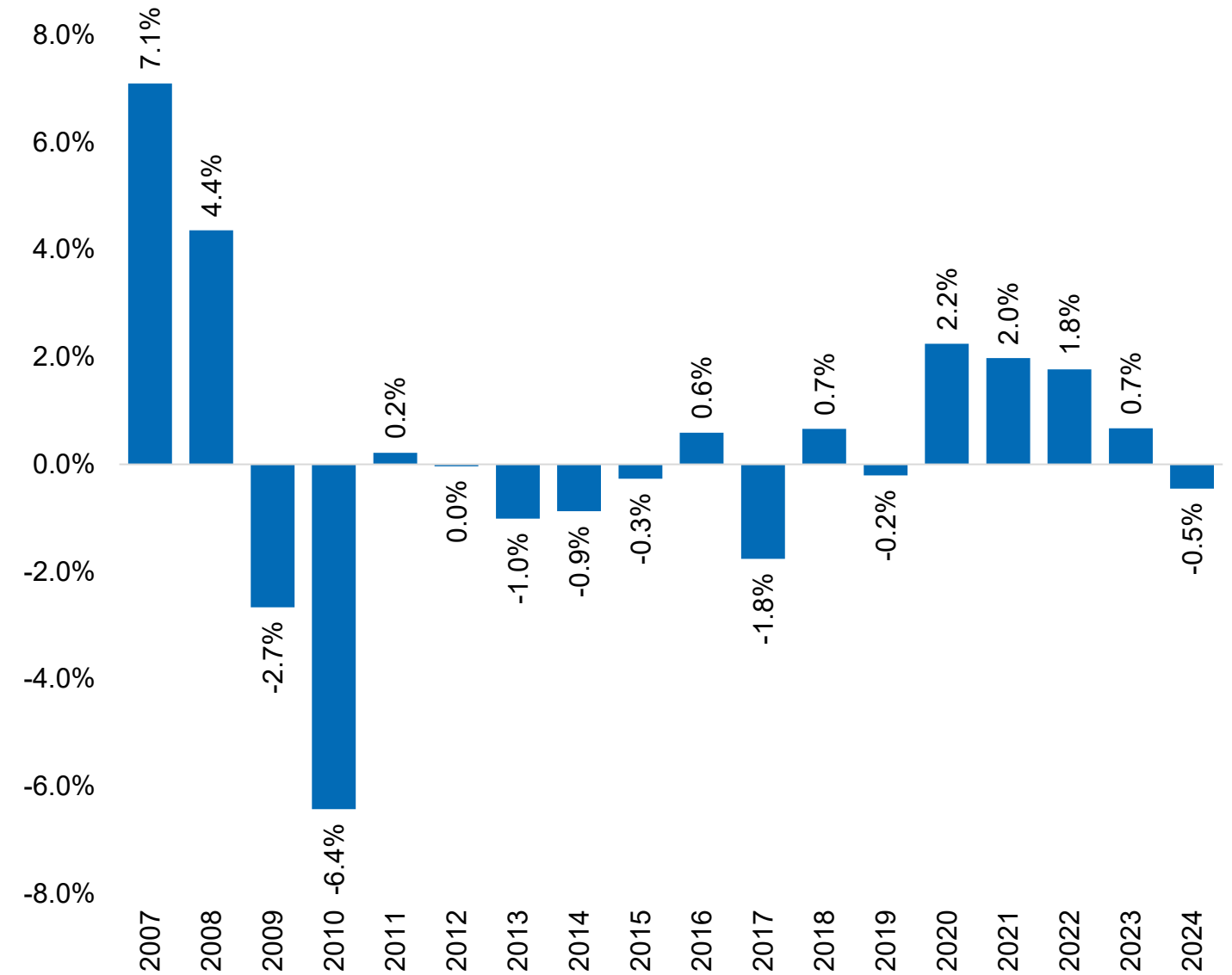
Rent Growth Back to Pre-Pandemic Levels

Average asking rents continued trending upwards since the pandemic, though the growth rate softened considerably in 2024. The direct average asking rent ended at \$28.63/SF, 5.6% above the 2019, pre-COVID average asking rent of \$26.92/SF.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

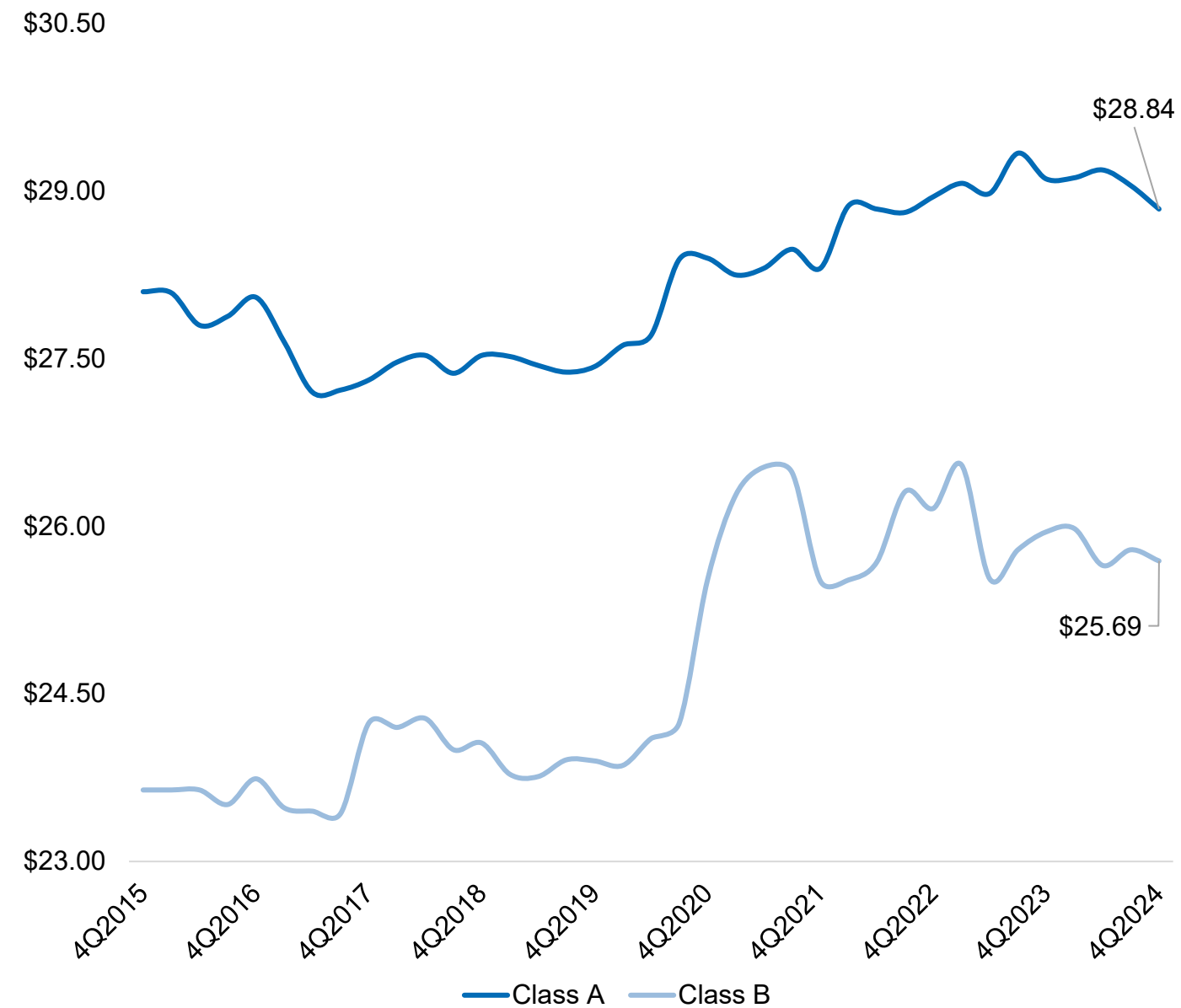


Source: Newmark Research

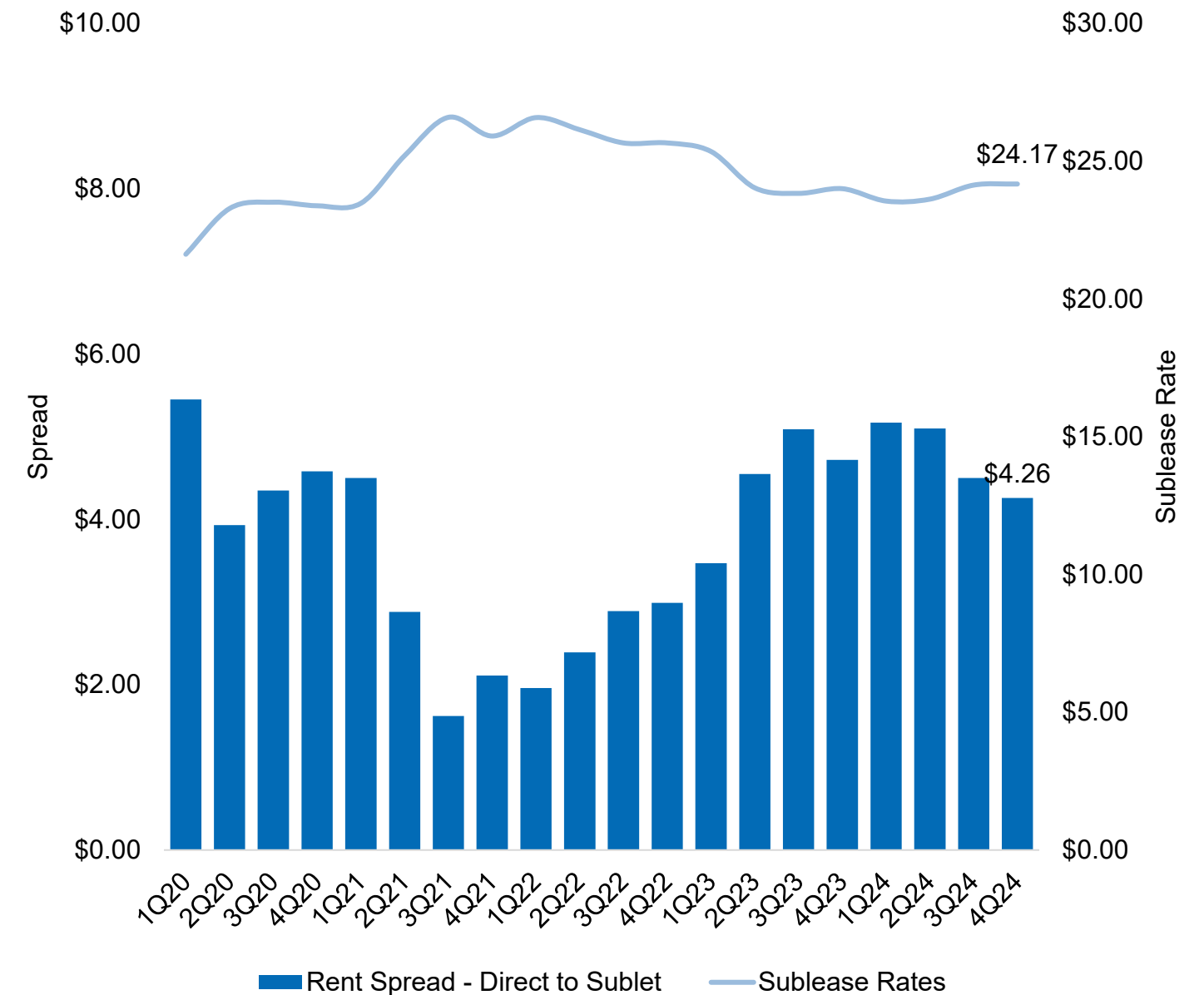
Class B Rental Rates Edge Slightly Higher, While Pricing for Class A Product Falls

The rent delta between Class A and B assets at the end of 2024 was \$4.26/SF. The spread has narrowed over time, and this will likely push more tenants to shed excess space and lease smaller footprints in higher-quality buildings. The increase in asking rents for Class B space since the pandemic has supported tenant's expectations for larger concession packages.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research

Significant Year-to-Date Leasing Activity

Demand in 2024 was mainly driven by small size deals, or those for less than 5,000 SF, which captured 80% of the total leasing velocity. On the contrary, large deals were scarce, with those between 25,000 SF to 100,000 SF falling by 27.8%.

Notable 2024 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
New York State OGS Attorney General	44 South Broadway	White Plains – CBD	Renewal/Expansion	62,019
<i>The government agency is adding a net of 23,000 SF to their original footprint</i>				
Department of Health	11 Martine Avenue	White Plains – CBD	New Lease	57,266
<i>Relocation out of 145 Huguenot Street, New Rochelle</i>				
Danone North America	1 Maple Avenue	White Plains – CBD	Renewal	45,134
<i>Early renewal and downsize of approximately 40,000 SF</i>				
White Plains Hospital	222 Westchester Avenue	White Plains – East I-287	Renewal/Expansion	37,969
<i>Expansion of its outpatient services by 33,000 SF</i>				
PKF O'Connor Davies	500 Mamaroneck Avenue	Harrison – East I-287	Renewal	35,580
<i>First Quarter 2024 renewals and downsize. The accounting firm gave back 10,300 SF</i>				

Notable Q4 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Department of Health	11 Martine Avenue	White Plains – CBD	New Lease	57,266
Gerber Life Insurance	44 South Broadway	White Plains – CBD	New Lease	22,240
The Cookware Company	580 White Plains Road	Tarrytown – East I-287	New Lease	17,929
Myriad Health	360 Hamilton	White Plains – CBD	New Lease	10,296

Westchester County Office Submarket Overview (Page 1 of 2)

Please reach out to your
Newmark business contact for this information

Westchester County Office Submarket Overview (Page 2 of 2)

Please reach out to your
Newmark business contact for this information

Westchester County Office Submarket Map

Please reach out to your
Newmark business contact for this information

For more information:

Karolina Alexandre

Research Manager

Westchester County, NY / CT Research

Karolina.Alexandre@nmrk.com

Westchester County, NY

800 Westchester Avenue – Suite 706

Rye Brook, NY 10576

t 914.881.1024

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK

NEWMARK