



Commercial market report: U.S. overall and Westchester County persevere

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Rye Brook, NY According to a report released from Houlihan Lawrence, the U.S. economy continues expanding more than 2% per year, while the global economy is further softening and trade disputes persist.

Subdued economic growth has already resulted in lower interest rates in the U.S. and around the world. As a result, real estate valuations are less vulnerable. Real estate investors are displaying consistent underwriting discipline with little expectations of quick profits and fast trades. Traditional bank lenders have been cautious and selective, and are generally limiting their commercial real estate lending exposure. Funding from non-traditional lenders, including private equity and specialized debt funds is still plentiful, but only investments of a certain scale have access to these funds.

Retail properties in Westchester had a more challenging quarter as store closures exceeded newly leased space. Overall occupancy took a step back from the prior quarter. However, landlords held the line on pricing on their most valuable spaces. Large regional mall owners and retailers are using technology to decipher consumer behavior.

Westchester multifamily apartment fundamentals continue to be solid in contrast to the pessimism expressed by NYC's landlord community since the passing of new rent regulations. Strong demand in Westchester is fueling landlord optimism, and a range of options and availability continues to draw tenants, making the multifamily sector an attractive investment.

Second-quarter multifamily statistics were strong as vacancy dipped below 3%. Rent growth, year over year, is at a healthy 2.7%. Rent concessions have remained stable throughout the past six quarters. For the past five years, Westchester rental apartment demand has matched or exceeded supply, and thus rents have increased continuously.

Transit Oriented Development zones are being endorsed by zoning boards and well received by developers. Many of the multifamily projects have taken advantage of the benefits.

Office supply and demand were healthy in the second quarter. Overall leasing activity declined in comparison to the first quarter, but lease rates were higher due to strong prior quarter momentum. The cost of tenant improvement work has increased due to construction cost inflation.

Industrial asset lease and sale pricing continues to break historical records. Westchester is benefiting from an influx of businesses relocating from the Bronx, Queens, and other areas.

Industrial lease rates accelerated during the quarter by 3% according to Costar data from the prior quarter, and 6% year over year. Investor demand for Westchester industrial assets continues to be very strong and offerings scarce.

Investment sale statistics are mirroring market challenges. Quarterly data that excludes the \$850 million purchase of Empire City Casino in Yonkers by MGM Resorts in the first quarter show temperate transaction volume in the first and second quarters. Investment activity reflects the uncertainty of buyers and sellers regarding asset pricing and the economic outlook.

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