



Renewals continue to dominate Westchester leasing activity in 3rd Quarter of 2014

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JLL reported that renewal transactions continued to drive leasing activity in Westchester County, N.Y., in the third quarter of 2014. While the financial services sector remained the driving force behind deal volume, the healthcare sector came in a close second this quarter.

"Westchester County has been traditionally dominated by the law firm and financial services industries, however healthcare has become the fastest-growing industry in the county," said Chris O'Callaghan, managing director and Westchester County market lead for JLL. "To boost leasing activity in other industries, the county may want to replicate the tactics successfully employed in other areas and institute an incentives program to attract more diverse businesses. A step in the right direction is exemplified by the planned North 60 at the Grassland's Reservation, where 60 acres of biotech/medical space is scheduled to be constructed as a result of incentives offered and accepted."

Leasing activity in Westchester County remained lackluster in the third quarter, with deal volume down compared with the second quarter. Tenants signed for 277,618 s/f of office space this quarter compared with 402,548 s/f in the previous three months. Year-to-date leasing activity for the county reached 987,036 s/f.

Renewal activity has dominated leasing activity throughout Westchester County since the first quarter. In the third quarter of 2014, seven of the eight largest deals signed were renewals. The largest deals completed this quarter included Prestige Brands Inc.'s 58,086 s/f at 660 White Plains Road in Tarrytown, First Niagara Bank's 30,000 s/f at 520 White Plains Road in Tarrytown and Progressive Casualty Insurance's 19,032 s/f at One Executive Boulevard in Yonkers.

The healthcare sector continued to act as a driving force in Westchester County this quarter, with healthcare businesses signing for 81,661 s/f of space. In addition to Prestige Brands' lease at 660 White Plains Road, major healthcare-related transactions, all in White Plains, included Sancia Healthcare Inc.'s 6,437 s/f at 1 Park Place, Dr. Rudolph Sharma MD's 5,584 s/f and Dr. Alan Schlifftman M.D.'s 3,127 s/f at 244 Westchester Avenue and Florida Men's Medical Clinic's 2,600 s/f at 222 Westchester Avenue.

Approximately 494,500 s/f of office space was either under renovation or under construction in Westchester County in the third quarter. The projects included the 252,000-square-foot 700 Anderson Hill Road in Purchase, the 157,500-square-foot 777 Old Saw Mill River Road in Tarrytown and the 85,000-square-foot 3030 Westchester Avenue in Purchase.

Westchester County's overall vacancy rate rose to 21.1 percent in the third quarter of 2014, an increase of 12.8 percent (or 2.4 percentage points) from 18.7 percent one year earlier. The county's Class A vacancy rate grew to 22.8 percent this quarter, an increase of 11.2 percent (or 2.3 percentage points) from 20.5 percent in the third quarter of 2013.

Overall rents in Westchester County fell to \$25.69 per s/f in the third quarter of 2014, a decrease of 2.2 percent from \$26.26 per s/f one year earlier. The county's Class A rents dropped to \$26.67 per s/f this quarter, a decrease of less than 1.0 percent from \$26.92 per s/f in the third quarter of 2013.

White Plains CBD

The White Plains CBD/Railroad submarket continues to rank as the most-preferred location for businesses seeking space in Westchester County, slightly edging out the I-287 East Corridor. Tenants active in the market have about 295,500 s/f in requirements this quarter, up significantly from 130,000 s/f in the second quarter of the year. The submarket continues to be a hotbed for law firms due to its proximity to the train and the courthouse. Law firms comprise approximately 15 percent of occupancy in the White Plains CBD/Railroad submarket.

Leasing activity continues to be hampered by a lack of available high-end properties and an excess of functionally obsolete space. The submarket is expected to see a boost in deal volume as space currently under construction at where is completed and enters the market. The overall vacancy rate in the White Plains CBD rose to 24.5 percent in the third quarter of 2014, an increase of 9.4 percent (or 2.1 percentage points) from 22.4 percent one year earlier. The submarket's Class A vacancy rate grew to 24.7 percent this quarter, an increase of 2.9 percent (or 0.7 percentage points) from 24.0 percent in the third quarter of 2013.

Overall rents in the White Plains CBD fell to \$27.11 per s/f in the third quarter of 2014, a decrease of 5.3 percent from \$28.64 per s/f one year earlier. The submarket's class A rents dropped to \$28.85 per s/f this quarter, a decrease of 2.8 percent from \$29.69 per s/f in the third quarter of 2013.

I-287 East Corridor

Westchester County saw sustained strength in select submarkets along the I-287 Corridor in the third quarter, with the I-287 East Corridor remaining a highly desirable location for tenants and the I-287 West Corridor emerging as a strong preference of local businesses. The I-287 West Corridor dominated leasing activity this quarter and claimed the largest deal signed: Prestige Brands' lease at 660 White Plains Road.

The overall vacancy rate in the I-287 Corridor fell to 19.1 percent in the third quarter of 2014, a decrease of 1.6 percent (or 0.3 percentage points) from 18.8 percent one year earlier. The submarket's Class A vacancy rate dropped to 20.2 percent, a decrease of 1.5 percent (or 0.3 percentage points) from 19.9 percent in the second quarter of 2013.

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Overall rents in the I-287 East Corridor fell to \$26.39 per s/f in the third quarter of 2014, a decrease of 5.6 percent from \$27.97 per s/f one year earlier. The submarket's Class A rates dropped to \$26.43 per square foot this quarter, a decrease of 5.1 percent from \$27.85 per square foot in the third quarter of 2013.