A. INTRODUCTION

This analysis offers an assessment of the proposed Class A office building within the Westchester County commercial office market in which the new building is proposed. This analysis examines the supply and demand indicators for comparable office buildings and space within the market area, and discusses how the Westchester office marketplace would be affected by the inclusion within it of the proposed project.

B. PROJECT DESCRIPTION

Purchase Corporate Park Associates VI proposes to develop a Class A commercial office building consisting of approximately 76,384 square feet of zoning floor area along with parking and an access roadway.

The proposed office building would be sited on “Parcel B” in the Town of Harrison, New York. The site is an office campus complex that currently includes an existing 4-story office building consisting of 265,682 square feet if zoning floor area along with associated parking areas. The office development site is situated on approximately 35 acres bounded on the south by Manhattanville Road, on the west by College Road and College Road Extension, to the north by Manhattanville College Campus and on the east by Purchase Street (NY Route 120) in the Town of Harrison, New York.

Adjacent to the north of the property is the Manhattanville College Campus; to the east across Purchase Street are residential properties; to the south across Manhattanville Road is property owned by MasterCard containing an office building; and to the west is property owned by Purchase Corporate Park Associates VI containing an office building.

The site is located in the heart of the area called Westchester County’s “Platinum Mile.” The Platinum Mile refers to the section of the I-287 corridor near the Harrison-White Plains line where office buildings, corporate parks, and major corporate headquarters are clustered. The main roadways comprising the Platinum Mile are Westchester Avenue, I-287, I-684, and the Hutchinson River Parkway. As further discussed below, the site’s location is particularly well-served by each of these main roadways. According to Real Estate Weekly, the Platinum Mile is the most desirable section of Westchester's County's East submarket, which in turn is the most sought after office submarket in the county.[1]

MARKET CONTEXT

The project site is located in Westchester County. Situated in the New York Metropolitan Area, the site is approximately 25 miles from New York City, and approximately 3 miles from the central business district of the neighboring City of White Plains.

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[1] *Real Estate Weekly*, November 2, 2005.

TRANSPORTATION ACCESS

Roadway Access

The site's Platinum Mile location is amply served by an excellent roadway system, most notably I-287, I-684, and the Hutchinson Rover Parkway, all of which are accessed by entrance and exit ramps adjacent to the project site. I-287 provides convenient access to nearby I-95, I-287 accesses I-87 (the New York State Thruway), and I-684 provides connection to I-84, approximately 35 miles to the north. Manhattanville Road provides site access to Purchase Street (New York State 120), from which the Hutchinson River Parkway is entered, and further access is provided to the Merritt Parkway, in Connecticut, to the immediate east.

Due to the number of major roads and highways serving the site, the most convenient access is by private automobile. As shown in Table 5.E-1, below, according to 2000 U.S. Census reports, 425,052 Westchester County resident workers, or 59 percent of the resident working population, commute to work, spending an average commute time of 32.7 minutes, each way. Of these commuters, 71 percent, or some 302,126 persons, commute by car, van or truck, with 9.5 percent, or 40,384 persons, regularly participating in carpools.

Public Transit Access

Approximately 20 percent of resident Westchester workers, or 86,735 persons, regularly commute by means of public transportation.

Table 5.E-1
Commute to Work

Means of Commute	Number of Commuters	Percentage
Car, truck, or van -- drove alone	261,742	61.6
Car, truck, or van -- carpooled	40,384	9.5
Public transportation (including taxicab)	86,735	20.4
Walked	17,180	4
Other means	2,706	0.6
Worked at Home	16,305	3.8
Total	*425,052*	*99.9*
Sources: U.S. Census, 2000		

The primary public transit provider is the Westchester County's "Bee Line" system, providing extensive fixed route and paratransit service throughout Westchester County, as well as several innovative shuttle services feeding or distributing riders from the Metro North Railroad. The Bee Line system handles over 29 million passengers annually. The project site is specifically served by the Westchester County Bee Line Bus System's express Route #3.

According to the New York State Department of Transportation, the Bee Line includes the "Platinum Mile Shuttles" to the outlying corporate office parks along the Cross Westchester Corridor (I-287) in and near White Plains. The shuttles provide feeder service to both the Metro North Railroad and regular Bee Line fixed route services. They are an important transit link enabling commuters, including reverse commuters, to access the corporate parks via transit. The network of regional services is integrated with the county fixed route system at the White Plains "TransCenter" Intermodal Station. They also connect with interregional services from Connecticut and other counties at the TransCenter.[1]

The Bee Line bus makes two connections with the Metro North commuter rail system, thereby further extending its reach and the site's accessibility. The Metro North Hudson Line is accessed at a stop adjacent to the Yonkers Station, and the Harlem Line trains are accessed at the multi-modal TransCenter, in downtown White Plains. This express bus further connects to the New York City Transit subway system at the 242 Street Station, the Bronx. The bus ride from White Plains to the project site is 21 minutes; it is 53 minutes from Yonkers; and 68 minutes from the 242nd Street subway station.

Airport Access

The project site is also easily accessible to major national and international airport facilities. The Westchester County Airport is located approximately 5 miles to the north along Purchase Street, and Anderson Hill Road intersects with Purchase Street approximately one mile north of the site. The distance from the project site to John F. Kennedy International Airport is approximately 30 miles, and to LaGuardia Airport is approximately 20 miles.

In the wake of the terrorist acts of September 11, 2001, air travel and air service dropped drastically throughout the nation, with airports experiencing an average decrease in enplanement activity of 35 percent, with JFK and LaGuardia airports experiencing 41 and 44 percent drops in enplanement activity. Six months afterward, national airport service levels had rebounded to within 10 percent of the levels experienced in the previous year. However, smaller regional airports experienced more drastic service declines and slower recoveries. Despite this trend, Westchester County Airport actually showed gains in usage of 2 and 1 percent in July and August, 2002, respectively over the same months in 2001.[2]

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[1] New York State Department of Transportation, Annual Report on Public Transportation Assistance Programs, 2003.

[2] New York State Department of Transportation, Aviation Services Bureau, *New York State Enplanements and Air Service Report*, November 2002.

According to the Westchester County Department of Planning, the Westchester County Airport serves more corporate fleets than any airport in the world, with 550 corporate flights each day. Commercial airlines provide 75 to 80 flights per day with service to major cities.[1] Westchester County Airport annual service has been increasing, and at the end of 2004, it was ranked by the Federal Aviation Administration as the 121th busiest airport in the country out of a survey of 399 airports. That year, it logged 462,981 annual passenger boardings, an 8.5 percent increase during the 2003 to 2004 calendar year period.[2] The proximity of this airport to the project site contributes to the superior transportation access exhibited by the site location.

POPULATION

The site of the proposed project exhibits superior accessibility to the local and regional labor force, as well as providing virtually unlimited accessibility for vendors and suppliers of goods, services, and materials to the site and its environs. Westchester County has approximately 433 sq. miles in land area and an overall 2005 population density of nearly 2,177 per square mile.

As shown in Table 5.E-2, below, the population of Westchester County has been growing slowly over the past 15 years, increasing by about 7 percent since 1990, to approximately 942,444 persons in 2004. The density of the County is skewed toward the southern one-third, roughly the area south of I-287. Approximately 20 percent of the entire County population, or about 208,084 persons, live within 5 miles of the project site. Within this radius, according to the 2000 U.S. Census, White Plains had a population of approximately just over 53,000 persons.

The Town of Harrison, in which the project site is located, has a 2004 population of approximately 25,553 persons, representing an increase of approximately 8.8 percent over its 1990 population. The Town's population showed an increase of 5.5 percent occurring between 2000 and 2004.

Table 5.E-2
Market Area Population

	1-mi.	3-mi.	5-mi.	Westchester County	Town/Village of Harrison
2004 Total Population	2,566	84,379	208,084	942,444	25,553
Population Change 1990-2004	+937	+9,610	+19,062	+67,578	+2,245
% Population Change 1990-2004	+57.52%	+12.85%	+10.08%	+7%	+8.80%
Population Change 2000-2004	+135	+2,559	+5,991	+17,348	+1,399

[1] Westchester County Department of Planning, *Databook*, 2005.

[2] Federal Aviation Administration, Passenger Statistics, November 2005.

% Population Change 2000-2004	5.55%	3.13%	2.96%	1.90%	5.50%
Sources: U.S. Census, U.S. Bureau of Labor Statistics					

The New York Metropolitan Transportation Council (NYMTC) projects that the population of New York City will reach almost 9.5 million by 2030. The NYMTC projections indicate that the inner suburban counties, such as Westchester, Rockland, and Nassau Counties, are growing slowly while the outer countries are experiencing more rapid growth. By 2030 the population of the Mid Hudson region[1] is expected to increase by almost 25 percent, reaching 2,871,600. During the 2005 to 2030 period, Orange County is expected to increase its labor force by 36.6 percent, followed by Rockland (24 percent) and Westchester (19.5 percent). Orange County is expected to experience rapid population growth, adding over 150,000 people by 2030, for a 42 percent increase, followed by Rockland 71,600, a 24 percent increase, and Westchester 43,700, a 5 percent increase.

These historic and projected local, county, and regional increases in overall population numbers indicate a steady growth in the potential labor pool from which existing employers and employers new to the market can draw. As further discussed below, this labor market is not limited to the area immediately around the project site, nor is it limited to Westchester County.

INCOME AND PAYROLL

In 2004 Westchester had a per capita personal income (PCPI) of $58,952. This PCPI ranked 2nd in the state and was 154 percent of the state average, $38,264, and 178 percent of the national average, $33,050. The 2004 PCPI reflected an increase of 6.7 percent from 2003. The 2003-2004 state change was 6.5 percent and the national change was 5.0 percent. In 1994 the PCPI of Westchester was $37,161 and ranked 2nd in the state. The 1994-2004 average annual growth rate of PCPI was 4.7 percent. The average annual growth rate for the state was 4.0 percent and for the nation was 4.1 percent.

In aggregate, the total payroll of persons employed in Westchester increased from $30,335,913 in 2003 to $32,956,448 in 2004, an increase of 8.6 percent. The 2003-2004 state change was 6.8 percent and the national change was 6.3 percent. The average annual growth rate from the 1994 estimate of $18,519,585 to the 2004 estimate was 5.9 percent. The average annual growth rate for the state was 4.9 percent and for the nation was 5.5 percent.

These indicators reveal that Westchester's per capita personal income and total employer payroll has been increasing at a rate greater than the statewide or national averages.

[1] The New York Metropolitan Transportation Council's Mid Hudson region comprises Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, and Westchester Counties.

These increased represent an increase in the number of jobs in the County, as well as increased average salaries and correspondingly, increases in take-home pay, all of which reinforce Westchester as an attractive market in which to locate as a resident and as an employer.

LABOR POOL

The population figures represent a potential labor pool from which a variety of worker types can be drawn. What is not readily apparent is the distance from which workers are drawn to the Harrison employment market. As noted above, 2000 U.S. Census data indicate an average journey to work time of 32.7 minutes for Westchester County residents. This commute time places the project site location within commuting distance of virtually all Westchester County residents, especially when considering that people who commute longer and shorter times are included within this average timeframe.

As shown in Table 5.E-3, below, with slight annual variations, there are approximately 5 million employed persons in the New York metropolitan region within which the proposed building is located. The main concentration of jobs is located in the New York City core. Approximately 425,052 employed persons, or approximately 8 percent, are situated in Westchester County, as shown in Table 5.E-4.

According to the U.S. Census, the number of employees in Westchester County has increased by about 13.2 percent since 1998, when the U.S. Census reported a total of 368,745 in Westchester County. Nationally, according to the U.S. Department of Labor, nationally, in the 24-month ending October 2005, some 4.1 million new jobs were created in all sectors, with nearly one-third of these jobs being in sectors reliant on office space. For example, the national economy increased by 299,000 jobs in the financial sector, 989,000 in professional business services. By contrast, only about 84,000 new manufacturing jobs were created in the same period.

Table 5.E-3
Total Employment
New York-White Plains-Wayne, NY-NJ Metropolitan Area

Year	Total Employees (in thousands)
1996	4,730.2
1997	4,827.1
1998	4,947.1
1999	5,064.2
2000	5,193.9
2001	5,168.5
2002	5,038.0
2003	4,991.9
2004	5,016.0
2005	5,070.5

Sources: U.S. Department of Labor, Bureau of Labor Statistics, 2005

Table 5.E-4
Westchester County and Project Area Employment

Labor Force	1-mi.	3-mi.	5-mi.	Westchester County	Town/Village of Harrison
Total Employees (nonfarm)	12,875	75,854	154,219	425,052	21,038
Total Establishments	480	6,148	15,113	31,523	n/a
Sources: U.S. Census Bureau, 2003 County Business Patterns					

The above commute to work time data reflect the patterns of Westchester County residents, many of whom commute to jobs located outside of Westchester County. To gain another perspective, the following section discusses the 2000 U.S. Census journey to work data. These data provide a picture of the origin and destination of workers.

As shown in Table 5.E-5, below, according to the 2000 U.S. Census, there are approximately 400,918 persons who commute to jobs within Westchester County. Approximately two-thirds, or 267,180 of these workers live within the County. Another approximately 133,738 workers commute into the County from other counties of residence, some of which are at considerable distances away from the Westchester County place of work.

Table 5.E-5
Commuting Origin of Westhcester Workers

Home Residence County	Number of Commuters
Westchester Co. NY	267,180
Bronx Co. NY	28,906
Putnam Co. NY	20,026
Fairfield Co. CT	18,436
Dutchess Co. NY	14,903
Rockland Co. NY	11,008
New York Co. NY	7,518
Queens Co. NY	6,253
Orange Co. NY	5,569
Bergen Co. NJ	3,689
Kings Co. NY	3,215
Nassau Co. NY	2,957
Suffolk Co. NY	1,245
Ulster Co. NY	1,157
Litchfield Co. CT	814
New Haven Co. CT	739
Essex Co. NJ	593
Hudson Co. NJ	575
Morris Co. NJ	482

Passaic Co. NJ	476
Richmond Co. NY	321
Middlesex Co. NJ	266
Sullivan Co. NY	258
Union Co. NJ	220
Monmouth Co. NJ	197
Columbia Co. NY	182
Hartford Co. CT	143
Somerset Co. NJ	136
Monroe Co. PA	114
Sussex Co. NJ	109
Saratoga Co. NY	109
Subtotal	*397,796*
Commuters from Other Places (<100 per place)	3,122
Total Workers Commuting to Westchester County	*400,918*
Sources: 2000 U.S. Census, County-To-County Worker Flow Files	

As shown in Table 5.E-6, below, the U.S. Census reports that there are 21,038 persons who commute to jobs within Harrison (including Purchase). Of these commuters to Harrison, 12,953, or about 61 percent, commute from residences within Westchester County. Of these, 2,174 are local workers who commute to Harrison jobs from Harrison residences. The balance of the Harrison based employees, or 8,085 workers, are reported to commute from residences outside of Westchester County.

Table 5.E-6
Commuters to Jobs in Harrison/Purchase

Residence (Origin) of Commuter to Harrison/Purchase	Number of Commuters
Harrison, Westchester Co. NY	2,174
Yonkers, Westchester Co. NY	1,427
White Plains, Westchester Co. NY	1,354
Rye (town), Westchester Co. NY	1,121
Greenburgh, Westchester Co. NY	1,025
Bronx	982
New Rochelle, Westchester Co. NY	835
Manhattan	755
Mount Vernon, Westchester Co. NY	599
Yorktown, Westchester Co. NY	553
Stamford, CT	492
Mount Pleasant, Westchester Co. NY	476
Queens	414
Mamaroneck (town), Westchester Co. NY	384
Ossining, Westchester Co. NY	367
Cortlandt, Westchester Co. NY	340

Carmel, Putnam Co. NY	337
Rye (city), Westchester Co. NY	335
Eastchester, Westchester Co. NY	308
Peekskill, Westchester Co. NY	294
Clarkstown, Rockland Co. NY	274
North Castle, Westchester Co. NY	264
Greenwich, CT	257
Brooklyn	224
Somers, Westchester Co. NY	216
Norwalk, CT	197
Lewisboro, Westchester Co. NY	192
Hempstead, Nassau Co. NY	161
Ramapo, Rockland Co. NY	157
Danbury, CT	146
Orangetown, Rockland Co. NY	139
New Castle, Westchester Co. NY	129
Kent, Putnam Co. NY	125
Southeast, Putnam Co. NY	125
Bedford, Westchester Co. NY	120
Mount Kisco, Westchester Co. NY	117
Ridgefield, CT	116
Pelham, Westchester Co. NY	112
Patterson, Putnam Co. NY	99
New Canaan, CT	98
East Fishkill, Dutchess Co. NY	98
Newtown, CT	97
New Fairfield, CT	95
Scarsdale, Westchester Co. NY	94
Brookfield, CT	91
Fairfield, CT	87
Philipstown, Putnam Co. NY	87
Putnam Valley, Putnam Co. NY	87
Pound Ridge, Westchester Co. NY	83
North Hempstead, Nassau Co. NY	75
Subtotal	*18,734*
Commuters from Other Places (<75 per place)	2,304
Total Workers Commuting to Harrison/Purchase	*21,038*

Sources: 2000 U.S. Census, Minor Civil Division/County-to-Minor Civil Division/County Worker Flow Files

When these commuter origination data are summarized on a county and State of origin basis, the number of workers in Harrison locations that are derived from Westchester communities far outweighs any other single originating locale, as shown in Table 5.E-7, below. Given the location of the project site immediately to the Hutchinson River

Parkway/Merritt Parkway and to I-95, the number of workers commuting to Harrison-based jobs from adjacent Fairfield County, Connecticut, 2,153, is relatively small. However, the proximity to the interstate highway system and the parkways account for the locations from which workers gain access to the Harrison employment market.

Table 5.E-7
County Origin of Harrison Based Jobs

County of Origin	Number of Workers in Harrison Based Jobs
Westchester County	12,953
Fairfield County	2,153
Putnam County	860
Dutchess County	447
New Jersey	416
Orange County	320
Nassau County	296
All Other Locations	3,593
Total	*21,038*

Sources: 2000 U.S. Census, Minor Civil Division/County-to-Minor Civil Division/County Worker Flow Files
Note: Data available through the 2001 U.S. Census County Business Patterns files report 5,876 jobs in Harrison, and 8,750 jobs in Purchase, for a combined total of 14,626 based on zip code area. Data presented above reflects Census responses to inquiries as to place of work (e.g., city, town, or village).

As noted above, employment in Westchester County has increased by approximately 8 percent since 1998, and is reported to be growing by nearly 2 percent per year.[1] The growth in employment largely tracks the increases in numbers of jobs, population growth, and growth in per capita personal income.

Further describing this growth, the Westchester Department of Planning reports that all job producing industry sectors have been growing in Westchester County. Business establishments grew from 28,661 in 1992, to 31,523 in 2003, a growth of 9 percent over the decade. This gain includes a net increase of 65 in the number of businesses employing 100 or more employees.[2]

When viewed in the regional perspective, the number of jobs in the Mid Hudson region is anticipated to dramatically increase by the year 2020, as shown below in Table 5.E-8, below. The NYMTC projections show a higher number of workers in the labor force than the U.S. Census (e.g., 425,052 Westchester workers versus the NYMTC projection of 456,100). This difference is accounted for due to variations in way in which the reporting agencies process and analyze data. The present analysis relies on the U.S.

[1] Federal Deposit Insurance Corporation, Total Employment Growth, New York 2006.

[2] Westchester County Department of Planning, *Databook*, 2005. Figures based on 1989 and 1999 U.S. Census Bureau, County Business Patterns files.

Census data; however the NYMTC projections show a realistic and important relative increase in the number of jobs over time in Westchester and the nearby New York counties.

Table 5.E-8
Employed and Projected Labor Pool By County 2005 - 2025

County	2005	2010	2015	2020	2025
Dutchess	139,333	141,392	146,419	156,271	164,792
Orange	183,177	199,242	207,592	226,192	242,168
Putnam	56,071	58,489	61,056	64,955	67,908
Rockland	162,950	170,110	176,326	186,207	193,558
Sullivan	35,796	38,065	40,534	44,139	46,905
Ulster	88,398	95,848	98,785	107,445	115,789
Westchester	*469,110*	*476,536*	*491,249*	*511,562*	*518,754*
Mid Hudson	*1,134,834*	*1,179,683*	*1,221,960*	*1,296,771*	*1,349,874*

Source: New York Metropolitan Transportation Council, Technical Memorandum 1.3.3.: Labor Force Forecasting & Analysis, 2001

The importance of the growth in the number of jobs in Westchester County and corresponding growth in the labor pool is that the single most significant economic driver of demand for office space is job creation. Nationally, 1.8 million new jobs were created during the first 11 months of 2005, and another 2 million jobs are expected to be created in 2006, as the national economy continues to expand. According to Grubb & Ellis, about a third of these new jobs will be in office-using sectors of the economy.[1]

C. CURRENT OFFICE MARKET INDICATORS AND CONDITIONS

While the above data indicate the presence of a mobile and growing labor pool within the commuting region of the project site, the office leasing market in which the site is located is dynamic. This section discusses and summarizes the major supply and demand market indicators and conditions of the relevant sectors of the Westchester real estate market affecting the placement and inclusion of the proposed 76,384 square foot Class A office building.

This analysis relies on several standard and reliable sources of information and data on the conditions and status various sectors of the real estate market. These reporting and research entities maintain up-to-date data bases on real estate transactions, including leasing, sales, renovations, and new construction, and generally issue quarterly and/or annual market reports. Multiple sources are cited, and where major differences exist between the sources, the range of data or conclusions is offered. Differences are often the result of the manner in which the entity aggregates data, as in the case of the definitions of submarket areas. Differences also arise due to variations in the way originating sources (e.g., building owners or managers) report data, such as square

[1] Grubb & Ellis, Real Estate Forecast – North America, 2006.

footage, net leasable area, available space, vacancy rates, rents, etc. Despite these differences, the data presented herein enables a comprehensive assessment of the condition of the market in which the proposed project would be sited, and the effects on that market resulting from the inclusion of the proposed building.

NET INVENTORY

The inventory of commercial office building space within the general market area provides the backdrop for analysis of the addition of the proposed new Parcel B building. Several reliable sources provide data on the existing built inventory of office buildings of all types in Westchester County, and the reports indicate that the inventory consists of approximately 30 million square feet of office space. Of this total, approximately 80 percent comprises Class A office space, with the balance consisting of Class B space.[1]

Although 30 million square feet is the commonly cited figure, the precise inventory of office space of all types in the overall Westchester market differs on the reporting or researching entity, each of which tallies the inventory slightly differently. However, as shown in Table 5.E-9, below, the relative range of difference in opinion is within a 10 percentile range.

Table 5.E-9
Westchester County Office Space Inventory

Reporting Entity	Total Square Footage	Number of buildings
Grubb & Ellis	27,721,608	n/a
Cushman & Wakefield	28,448,946	280
Newmark Knight Frank	29,010,354	n/a
CB Richard Ellis	32,100.00	268

Sources: Grubb & Ellis, *Office Market Trends: Westchester County* (First Quarter 2006); Cushman & Wakefield, *Marketbeat Snapshot: Office Overview Westchester County* (First Quarter 2006); Newmark Knight Frank, *Office Market Report: Westchester/Fairfield Counties 4Q05*; CB Richard Ellis, *MarketView Westchester County, NY* (First Quarter 2006)

According to the Westchester County Department of Planning, the inventory includes 172 buildings containing 100,000 square feet or more.[2] The inventory of office space within Westchester County remains dynamic, as new space comes on line through renovations and new construction. Two new Class A buildings were added to the inventory during 2005, increasing the total available net area by 91,072 square feet of new construction during 2005.[3] Newmark Knight Frank reports that another 258,000

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[1] Grubb & Ellis, in *Office Market Trends: Westchester County First Quarter 2006*, reports that there are 5.8 million square feet of Class B office space in Westchester County.

[2] Westchester County Department of Planning, *Databook*, 2005.

[3] Cushman & Wakefield, *Marketbeat Year-End 2005*.

square feet of Class A office space was under construction at the end of the fourth quarter of 2005.[1]

MARKET SEGMENTATION

For analysis and reporting purposes, the research companies tracking real estate market trends have divided the Westchester office space market into several submarkets. The office space discussed above is spread among these office submarkets. These submarkets are aggregated with slight differences between the reporting and researching entities, making comparisons between submarket inventories and trends difficult. Table 5.E-10, below, illustrates the relative allocation and distribution of Westchester's office space among submarket configurations established by the major research entities.

As discussed further in this analysis, the office space market is in constant change, reflecting changes in the overall national and regional economies, and broad market trends tracked on the county and national levels enable market-level assessments and projections. The purpose of presenting this discussion of Westchester's submarket areas is to illustrate the superior position of the proposed project within this broader Westchester office space marketplace. The trends that affect the Westchester market reflect an aggregate of the microeconomic trends occurring within each of the individual submarkets. The "Platinum Mile" vicinity in which the subject property is located would be expected to perform better than the average submarket in Westchester, and therefore for the interest of conservative analysis, the bulk of this analysis is presented at the market, not the submarket, level.

The proposed project is located within the area called the "East" or the "East I-287" submarket. As illustrated in Table 5.E-10, this submarket area is defined by each reporting firm to contain the greatest concentration of office space square footage. According to the aggregations of two firms, the nearby White Plains CBD submarket area contains the second highest office building concentration.

Table 5.E-10
Office Space Distribution among Westchester Submarkets

Submarket	Total Square Feet per Reporting Entity		
	Grubb & Ellis	Cushman & Wakefield	CB Richard Ellis
White Plains CBD	5,404,821	6,258,872	6,100,000
White Plains Suburban		4,485,028	
East		6,450,752	11,000,000
East I-287	10,473,116		
West			4,400,000
West I-287	5,372,196		
South	2,736,173	2,335,472	2,500,000
North	3,752,302	3,108,420	8,100,000

[1] Newmark Knight Frank, Office Market Report: Westchester/Fairfield Counties 4Q05.

Central		5,810,402	
Total	*27,738,608*	*28,448,946*	*32,100,000*

Sources: Grubb & Ellis, *Office Market Trends: Westchester County* (First Quarter 2006); Cushman & Wakefield, *Marketbeat Snapshot: Office Overview Westchester County* (First Quarter 2006); CB Richard Ellis, *MarketView Westchester County, NY* (First Quarter 2006)

Notes: 1. CB Richard Ellis data as provided are rounded to the nearest ten-thousand square feet.
2. Grubb & Ellis total reflects a 10,000 square foot difference from Grubb & Ellis data that is not accounted by original source data. This difference is noted, and is considered inconsequential for the purposes of the present analysis.

The addition of the proposed new office building to this submarket area would increase the total square footage by approximately 0.7 to 1.2 percent, based on the range of square footage inventory shown in Table 5.E-10, above.

VACANCY RATES

Vacancy rate indicators describe total amount of vacant space available for lease divided by the total inventory, and is expressed as a percentage. The vacancy rate is an active factor in the supply side of the equation for the evaluation of real estate market trends.

Nationally, over the past three years, the vacancy rate for office space has been decreasing, largely due to the creation of new jobs in office-dependent professional service sectors, including the financial and professional services, as discussed above. At the Westchester County level, there is no single or definitive data source on vacancy rates, due to variations in collection, analysis, and reporting.

According to preliminary national data from Torto Wheaton Research, office vacancy rates continued to improve in the first quarter, albeit at a slower pace than in recent quarters. The average office vacancy rate in the 50-plus markets in TWR’s coverage universe declined to about 13.3 percent at the end of March 2006, down from the start of the year and substantially lower than at the end of first-quarter 2005.

As shown in Table 5.E-11 below, the first quarter 2006 direct vacancy rates for commercial office space in Westchester is generally in the low-teens, with a downward trend showing virtually across the board, translating to an ongoing absorption and increasing occupancy of the available office space inventory.

Table 5.E-11
National and Westchester County Commercial Office Vacancy Rates

Year	**Nationally**	**Westchester County Market Area**			
		Colliers	CB Richard Ellis	Grubb & Ellis	Cushman& Wakefield
2004	15.4%	16.2%	13.35%	14.3%	18.7%
2005	13.0%	13.9%	14.5%	15.4%	14.9%
2006 (First Quarter)	11.3%	16.6%	12.3%	16.6%	14.8%

Sources: National Association of Realtors, *Profile of Real Estate Markets*, December 2005; *Colliers International US Real Estate Review*, 2006; Grubb & Ellis, *Office Market Trends: Westchester County* (First Quarter 2006); Cushman & Wakefield, *Marketbeat Snapshot: Office Overview Westchester County* (First Quarter 2006); CB Richard Ellis, *MarketView Westchester County, NY* (First Quarter 2006); CBRE Market Research Services

Table 5.E-12, shown below, indicates a longer term-view of national and Westchester County vacancy rates. As demonstrated by decreasing vacancy rates since the spike of 2002, increasing re-occupancy of existing inventory and absorption of new construction has kept pace with increases in gross inventory locally, as well as nationally.

Table 5.E-12

2000 – 2006 National and Westchester County Commercial Office Vacancy Rates

Year	Westchester County	Nationally
2000	11.30%	8.6%
2001	17.30%	14.2%
2002	16.40%	16.5%
2003	15.00%	16.8%
2004	16.80%	15.4%
2005	14.90%	13.0%
2006	14.80%	11.3%

Sources: Collier ABR, Cushman & Wakefield

As noted earlier, the occupancy of office space is affected by job creation, which indicators show is on the upswing in the Westchester and regional markets. The vacancy rate is also affected by its opposite, as evidenced by corporate downsizings and moves that result in formerly occupied space becoming vacant. The move by IBM to vacate approximately 470,000 square feet at 1133 Westchester Avenue during the last year helped buoy vacancy rates. Similarly, Altria's vacating of space at 800 Westchester Avenue and Reader's Digest's downsizing had a negative effect on the vacancy rates reported during 2004, which Cushman & Wakefield reported at nearly 19 percent.

Vacancy rates are also affected by new construction that adds available space to the inventory, such as the proposed creation of 76,834 new zoning square feet. Despite these factors that could inflate the vacancy rates, Cushman & Wakefield advises that Westchester County's office market is robust enough to absorb the new space coming on the market.[1] Overall, Westchester vacancy rate trends have tended to track national trends due, in part to the influence of the New York City economy and the positive effect of Manhattan's tight office market on Westchester County's office market.

As a result of the terrorist acts of September 11, 2001, approximately 13.4 million square feet of office space was eliminated from the New York City office market, which

[1] Cushman & Wakefield, *Marketbeat Year-End 2005*.

represented 2.8 percent of the overall supply. In addition, approximately 17,965 businesses in New York City were dislocated or disrupted, affecting some 563,097 employees.[1] This decrease in office space supply and the requirement for workers and businesses to relocate affected the local markets throughout the metropolitan region. The Westchester and metropolitan marketplace has successfully absorbed the relocations, however, as noted below, there remains pressures on the New York City office market that can be expected to exert positive demand pressures on the suburban Westchester office space market.

According to Colliers ABR, the average New York City Class A office space vacancy rates in all Manhattan submarkets are expected to decrease from their current low of 7.8 percent (end of first quarter 2006), a decrease from the 9.4 percent vacancy rate of a year ago, and a decrease from the 11.2 percent vacancy rate reported in 2003. Further, rent levels for New York City office space have increased by 9.2 percent over the past year, and are expected to continue to increase throughout the year. The consequence of a tightening market (decreasing supply/increasing cost) is that tenants looking to expand or nearing the end of Manhattan office space leases have cause to be concerned, and could look to less expensive market areas of the City, as well as space in Jersey City, Westchester, and Fairfield Counties.[2]

In face of the above trends, the Eastern Westchester submarket location continues to show its strength and desirability. During the third quarter of 2006, this submarket area has experienced a 5.0 percentage point reduction in its vacancy rate, showing a 10.3 percent vacancy rate, well below the County's overall vacancy rate discussed above.[3] This reduction of the project area's vacancy rate indicates a commitment to new leaseholds that will depress the availability of office space in the project area for the next five or more years.

ABSORPTION RATE

The absorption rate is the rate at which rentable office space is leased and taken off the market and filled during a given period of time. The absorption rate and the vacancy rate are in constant flux. The absorption rate provides an indicator of demand for available space as a function of business expansions, moves and relocations, and start-ups.

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[1] New York City Economic Development Corporation, World Trade Center Disaster Final Action Plan for New York Business Recovery and Economic Revitalization, 2002

[2] Colliers ABR, *New York City Office Barometer*, First Quarter 2006; Delta Associates Real Estate Advisors, *Delta Outlook*.

[3] Ibid.

Net Absorption Rate

Table 5.E-13, below, displays the net number of square feet absorbed during 2005 and during the first quarter of 2006, as reported by the major commercial real estate research and brokerage firms. The net absorption rates are calculated by figuring the amount of office space occupied at the end of a period minus the amount occupied at the beginning of a period, and the amount takes into consideration space vacated during the period, as well as space added via new construction.

Table 5.E-13
Net Absorption Rate: Westchester County Office Space (in Square Feet)

Period	Reporting Entity					
	Westchester County					National
	Colliers ABR	Newmark Knight Frank	Cushman & Wakefield	CB Richard Ellis	Grubb & Ellis	Colliers ABR
2005	1,231,000	230,434	-7,036	-363,990		
1st Q 2006	-244,000	-358,402	-93,808	-245,830	-253,308	2,200,000

Sources: *Colliers International US Real Estate Review*, 2006; Grubb & Ellis, *Office Market Trends: Westchester County* (First Quarter 2006); Cushman & Wakefield, *Marketbeat Snapshot: Office Overview Westchester County* (First Quarter 2006); CB Richard Ellis, *MarketView Westchester County, NY* (First Quarter 2006)

As discussed above, the various reporting entities tally inventory and leasing data differently, and therefore the reported rates vary among the reporting firms. However, there is general consensus that supply outpaced demand for office space during the first quarter of 2006, resulting in negative absorption rates. The explanation the negative absorption rate exhibited during the first quarter of 2006 is the vacating of several office spaces throughout the Westchester market due to relocations, moves, consolidations, and downsizing. Properties with major spaces that became available included 10 Bank Street, 333 and 777 Westchester Avenue, in White Plains; 3 International Drive, in Rye Brook; 500 Mamaroneck Avenue, in Harrison; and 444 Saw Mill River Drive, in Greenburgh. In addition, the recent downsizings of IBM, Reader's Digest, and Altria are cited as other factors contributing to increased inventory, which is considered to be a short-term condition.

These multiple vacancies that coincidently occurred within a relatively short period of time serve to illustrate the dynamic character of the office real estate market, and are not considered to be indicators of any structural shifts in the economy or the office marketplace. The firms' quarterly and 2005 year-end reports uniformly cite a strong demand for office space in Westchester County, and expect a positive net absorption rate to show by years' end 2006.[1]

[1] Telephone interview with Robert Sammons, ColliersABR Research Department, and Kay Licota, Director, CBRE Market Research Services, June 2006

Gross Absorption Rate

While the County has experienced a negative net absorption rate, the gross absorption rate illustrates a robust and active office space market. The gross absorption rate reflects the actual square footage of office space leased during the reporting period, irrespective of vacancies created during the same period.

Table 5.E-14
Gross Absorption Rate: Westchester County Office Space (in Square Feet)

Year	Reporting Entity			
	Colliers ABR	Cushman & Wakefield	Grubb & Ellis	CB Richard Ellis
2005	1,231,000	1,675,916	n/a	2,100,000
1st Q 2006	n/a	488,959	442,638	596,270

Sources: *Colliers International US Real Estate Review*, 2006; Grubb & Ellis, *Office Market Trends: Westchester County* (First Quarter 2006); Cushman & Wakefield, *Marketbeat Snapshot: Office Overview Westchester County* (First Quarter 2006); CB Richard Ellis, *MarketView Westchester County, NY* (First Quarter 2006)

Nationally, as noted in Table 5.E-13, office space absorption projections are positive, with a reported 2.2 million square feet (net) of office space leased during the first three months of 2006. The gross figure for national absorption is not available. Grubb & Ellis projects that the national office market will benefit from the estimated 500,000 new jobs in sectors that will require office space. Grubb & Ellis estimates that approximately 25 million square feet will be added to the national inventory of office space during 2006, yet the demand for office space will exceed 80 million square feet, resulting in a demand for at some 55 million square feet of office space from the existing inventory.

According to data shown in Table 5.E-14, above, the substantial absorption rates reported for 2005 have continued into the first quarter of 2006, and are expected to continue throughout the year. The tightening New York City market combined with the optimistic national office absorption forecast present a positive outlook for the office market in Westchester into the foreseeable future.

RENTAL RATES

Rental rates indicate demand-based pricing of office space, and differences in rates over time and between competing markets can illustrate market trends in absorption and leasing activities. Westchester County office space rents over the past few years have remained relatively stable. The level rent pricing structure reflects a competitive marketplace in which vacancy rates have hovered in the mid-teens, which in turn reflects a supply of office space from which potential tenants have many choices. The competition within the industry results in a general depression of prices within the overall marketplace.

Table 5.E-15
Rental Rates (Annual Cost per Square Foot): Westchester County Office Space

Year	Reporting Entity				
	Westchester County				New York City
	Colliers ABR	Newmark Knight Frank	Cushman & Wakefield	CB Richard Ellis	Colliers ABR
2005	$27.15	$25.94	$29.89	$26.08	$41.30
1st Q 2006	$27.43	$27.64	$29.60	$26.30	$44.23

Sources: *Colliers International US Real Estate Review*, 2006; Grubb & Ellis, *Office Market Trends: Westchester County* (First Quarter 2006); Cushman & Wakefield, *Marketbeat Snapshot: Office Overview Westchester County* (First Quarter 2006); CB Richard Ellis, *MarketView Westchester County, NY* (First Quarter 2006)

As noted above, Westchester absorption and vacancy rates are affected by the New York City market, and as illustrated in Table 5.E-15, above, New York City office rental rates (all submarkets) are substantially higher than those in Westchester. Taken on a submarket basis, first quarter 2006 midtown rental rates are averaging $62.14, more than twice those of average first quarter 2006 Westchester Class A office space rents. On this basis, even Midtown Class B office space is nearly twice the cost of Westchester Class A space, with average Midtown Class B rental costs of $42.76, as compared with better space in Westchester going for $26.30 to $29.60.[1] Current New York City average office rents are up 9.2 percent over the past year, and are expected to increase as the supply tightens and vacancies become scarcer.

As evidenced by recently released third quarter 2006 data, Westchester's sustained increases in rental rates are a strong indicator of demand. According to third quarter 2006 data compiled by Grubb & Ellis, Westchester Class A asking rents averaged $29.78, while Class B averaged $25.93. Cushman & Wakefield also cite an average rent increase of 2.5 percent during the third quarter of 2006, with rents hitting $30.12 per square feet. By comparison, third quarter 2006 offerings of Class A office space in nearby Greenwich/Lower Fairfield are asking rents of around $41.00 per square foot.

The effect of tightening of the New York City market will be increased demand for suburban Class A office space, particularly in submarkets exhibiting superior access, such as the I-287 East submarket, where the proposed project is located.

Nationally, as shown in Table 5.E-16, below, the office space rental rates have shown a steady increase since the early 2000s, resulting from the downsizings resulting from the internet and related company recession, and the overall market uncertainties following the September 2001 terrorist attacks. The recovery has, however, picked up momentum, and due to factors discussed throughout this analysis, the occupancy of office space is predicted to remain strong, thereby exerting upward pressure on rental rates as the

[1] ColliersABR, *New York City Office Barometer*, First Quarter 2006.

supply tightens and tenants become more willing to pay more for quality space in key markets.

Table 5.E-16
Rental Rates (Annual Cost per Square Foot): National Market

Year	Net Change
2000	13.8%
2001	-7.2%
2002	-8.3%
2003	-6.7%
2004	0.4%
2005	4.40%
2006	4.40%
Sources: National Association of Realtors, *Profile of Real Estate Markets*, 2005.	

With rental rates at less than half of Manhattan rents, Westchester offers an attractive and highly competitive marketplace.

Cushman & Wakefield predicts that as larger contiguous availabilities in the White Plains CBD disappear, larger tenants with significant space needs will naturally shift their attention to the non-CBD market areas.[1] The presence of large leasehold tenants in the Westchester market and the absorption of available space in the White Plains and Eastern Westchester/Platinum Mile submarket areas is well illustrated by leasing activities over the past year, as shown in the table below. The many different types of tenants leasing large blocks of space also illustrate the wide range of business sectors comprising the diverse character of the County's commercial office space base. The transactions illustrated below are a sampling of all transactions, and do not represent all lease transactions that have occurred in the area over the past year.

Table 5.E-17
Examples of Recent Lease Activity in Project Area

Building/Address	Locality	Tenant	Leased Square Footage
3 International Place	Rye Brook	OpHedge	25,000
6 International Place	Rye Brook	Tag Aviation	15,148
4 W. Red Oak Drive	White Plains	ITT Industries	51,875
3 Gannett Drive	White Plains	Wilson Elser Muskowitz Edelman & Dicker	37,000
One Gateway Plaza	White Plains	Guild Net	33,667

[1] Cushman & Wakefield, *Market Snapshot: Office Overview Westchester County, Third Quarter 2006*, October 2006.

One Gateway Plaza	White Plains	Alliance Bernstein	210,756
100 Hillside Avenue		Comstock, Inc.	46,316
100 Manhattanville Road	Purchase	Pernod Richard	82,831
445 Hamilton Avenue	White Plains	GRP Financial Services	26,326
800 Westchester Avenue	Rye Brook	Guardian Insurance	40,973
800 Westchester Avenue	Rye Brook	USA Bank	14,500
777 Westchester Avenue	White Plains	Austin Nichols & Co.	31,443
One Theall Road	Rye	Westchester Medical Group	65,000
701 Westchester Avenue	White Plains	Bank of New York	20,000
Sources: CB Richard Ellis, Newmark Knight Frank, Westchester County Business Journal			

As discussed above, New York City trends have heated up the Westchester market place, and developers and investors seeking to acquire or build new office spaces are shifting into high gear to take advantage of the tightening market and the predicted demand for Westchester Class A space. Examples of these activities include the $30 million renovation of the former EastRidge Properties in the Platinum Mile area by Reckson Associates Realty Corp., and RPW Group's recent acquisition of 800 Westchester Ave. from Altria Corporate Services Inc. for $40 million. However, it is important to note that these investments result in qualitative changes to the supply, and do not dramatically increase to the gross square footage of space in the market. The proposed "Parcel B" building would actually add to the supply, and is well timed to help meet the expected demands for new Class A office space in the local market.

Significantly, the fact is that available space in Westchester County is filling up, thereby reducing available supply. This is especially true in certain submarkets – such as the White Plains CBD and Platinum Mile – and for the larger tenants seeking expansion or relocation to this market area. Currently, there is only one building with a block of over 50,000 contiguous square feet available in the White Plains Central Business District (CBD) submarket (445 Hamilton Avenue). As noted earlier, the Westchester County Department of Planning inventory includes 172 buildings containing 100,000 square feet or more. However, at the present time, there are only 10 buildings Countywide with available contiguous space of over 100,000 square feet.[1]

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[1] Grubb & Ellis, *Office Market Trends: Westchester County, Third Quarter 2006*, October 2006.

The market availability of Class A office space in the immediate vicinity of the proposed building is very limited. As noted above, the supply of large contiguous blocks of office space in the County is limited, and as shown in the table above, there have been numerous transactions by diverse businesses that have consumed significant spaces. Conversely, the large blocks of space that have entered the market due to vacancies created by moves such as IBM's are seen by real estate industry leaders as positive additions to the area's tightening supply.[1]

According to Grubb & Ellis, the I-287 East submarket area comprises approximately 10.7 million square feet of Class A office space. At the time of this writing, there remain approximately 805,000 square feet of Class A office space advertised as available within the immediate area of Parcel B, as shown in the table below. This represents only about 7.6 percent of the total inventory of Class A office space in this submarket area. This percentage vacancy is actually several percentage points *below* the 10.3 percent vacancy rate cited above for the Eastern Westchester submarket, as a whole.

Table 5.E-18
Available Class A Office Space in Project Vicinity

Building Address	Locality	Available Space	Cost/Square Foot
100 Manhattanville Road	Purchase	36,750	$29.00
287 Bowman	Purchase	7,200	$28.50
One Manhattanville Road	Purchase	67,100	n/a
2500 Westchester Avenue	Purchase	79,467	$28.50
2700 Westchester Avenue	Purchase	58,483	$26.50
2975 Westchester Avenue	Purchase	27,316	$28.75
2900 Westchester Avenue	Purchase	6,068	$26.50
3000 Westchester Avenue	Purchase	3,948	$26.00
3010 Westchester Avenue	Purchase	6,815	$26.00
3012 Westchester Avenue	Purchase	9,123	$26.00
925 Westchester Avenue	White Plains (East I-287)	25,681	$20.00
333 Westchester Avenue	White Plains (East I-287)	115,506	n/a
711 Westchester Avenue	White Plains (East I-287)	7,071	n/a
103 Corporate Park Drive	White Plains (East I-287)	70,128	$28.00
105 Corporate Park Drive	White Plains (East I-287)	7,283	$28.00
106 Corporate Park Drive	White Plains (East I-287)	39,790	$28.00

[1] *Westchester County Business Journal*, "287 the Corridor : Real Estate Golden opportunities along the Platinum Mile: Building owners offer first-rate amenities to lure tenants"

108 Corporate Park Drive	White Plains (East I-287)	26,467	$27.00
110 Corporate Park Drive	White Plains (East I-287)	17,207	$27.00
2 Gannett Drive	White Plains (East I-287)	11,684	n/a
4 Wet Red Oak Drive	White Plains (East I-287)	18,007	$28.50
2 International Drive	Rye Brook	66,848	$29.50
3 International Drive	Rye Brook	17,726	$27.00
4 International Drive	Rye Brook	1,970	$24.00
5 International Drive	Rye Brook	30,758	$27.50
6 International Drive	Rye Brook	12,000	$29.00
900 King Street	Rye Brook	29,277	$19.00
222 Westchester Avenue	Harrison	2,400	$32.00
244 Westchester Avenue	Harrison	2,800	$32.00
Total Available Space		804,873	
Average Cost/Square Foot			$27.18
Sources: Loopnet, Inc., Reckson Associates Realty Corp., Westchester County Office of Economic Development, Rakow Commercial Realty Group.			

This inventory includes only one building with total available space exceeding 100,000 square feet (333 Westchester Avenue), and only five buildings with total available space exceeding 50,000 (2 International Drive, 103 Corporate Park Drive, One and 100 Manhattanville Road, and 2500 and 2700 Westchester Avenue). Much of the advertised available space, however, is not available in contiguous or single-floor blocks, and is comprised of smaller spaces dispersed throughout the buildings. This limits the potential marketability of these spaces to larger business and corporate tenants.

D. FINDINGS AND CONCLUSIONS

The Westchester County office space market in which the Parcel B building is proposed has shown a resilient and strong history of rental and occupancy activity. Recently, several additions to the inventory resulting from corporate restructurings (e.g., IBM and Reader's Digest) have had a disproportionate inflationary affect on the inventory, resulting in elevated vacancy rates and depressed absorption rates. These indicators should be interpreted within the context of the effect of large inventory increases resulting from unusual corporate resizing events.

More indicative of the dynamic and positive nature of the market are the ongoing comings and goings and expansions and contractions of businesses as they innovate and adjust to the regional, national, and global economies as illustrated in the positive gross absorption rates described in Table 5.E-14, which reports approximately one-half million square feet of positive occupancy during the first three months of 2006. As shown in Table 5.E-13, some 2.2 million *net* square feet of office space was occupied nationally during this same period, revealing a powerful national economy and correspondingly strong office space demand.

Further, with another 2 million jobs predicted for creation during 2006, with a quarter of them being in sectors requiring office space, the national demand for office space is predicted to remain strong, with demand outstripping supply. Certainly this is the case in New York City, where the vacancy rates are declining, and the average rents for Class A space in the mid-$60s; even Class B Midtown office space is at a rate double that of Westchester's superior Class A space. These national and regional indicators clearly point to a strong rental office space market in Westchester. The project site being in the epicenter of Westchester County's Platinum Mile places it in a particularly strategic location, geographically and within the overall Westchester Market context.

The inclusion of a new 76,384 square feet of zoning floor area Class A office building represents an approximately 2.6 percent increase in the total nearly 30 million square foot Westchester office inventory. With a current vacancy rate of approximately 15 percent, if this building were built today the vacancy rate would increase to about 15.3 percent, an insignificant change.

The trends, however, indicate that existing Westchester office inventory will sustain increasing pressure, as the national and regional market tightens, and as the existing Westchester inventory becomes occupied. The addition of another mid-sized Class A office building in an established, successful and well-known submarket – the Platinum Mile – with superior transportation access will have no negative effect on the overall suburban or central business district (White Plains) office marketplace. The inclusion of the Parcel B building at this location should, in fact, provide prospective tenants an attractive new location to consider. The introduction of this facility would be expected to increase the competition within the county for office space tenants, resulting in the maintenance of competitive rental rates within the market, and an increased demand by the tenant community for renovations and improvements to the existing buildings and spaces to maintain their competitive edge.

In sum, the construction of the building at Parcel B would represent an addition to the supply of high quality office space in the Westchester East/Platinum Mile submarket, thereby helping meet some of the existing and anticipated demands for quality modern Class A office space in the County. ✷