

WESTCHESTER COUNTY BUSINESS JOURNAL

business relocation



Leased could be best *Volatile times create opportunities, too*

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The economic downturn is creating a tenant's market for commercial office space in Westchester County, with subleases and landlord rent concessions both on the rise in tandem with supply, according to real estate brokers here.

At the same time that companies are shedding space to cut their costs and signing short-term leases while waiting to see how the market plays out, brokers are seeing little movement into the county by relocating businesses.

"Right now the market is flat," said John Hannigan, principal of Choyce Peterson Inc., a commercial real estate brokerage in White Plains and Stamford. "We see the table turning toward the tenant now. It used to be a landlord's market with little room to negotiate and no concessions on rent." This year, however, "Rents are really flattening out," Hannigan said. "There's a greater discount off the asking rent for deals today than there has been in the last two or three years. Where you used to see a 3 to 5 percent discount, now it's 5 to 15 percent. There's a greater amount of free rent being offered by landlords and more tenant improvement dollars."

"Not every landlord is offering those terms," Hannigan said. "What you're seeing is the first sort of wave of landlords reacting to the economic downturn and the so-called recession. Some are being very aggressive" in retaining tenants. "If this downturn continues into the summer and fall, almost every landlord

will offer that."

Anticipating an extended downturn, Hannigan said he is advising clients wanting to shed space to sublease now rather than wait and face more competition later. "Conversely, if you're a tenant looking for space, there may be more space available if the economy continues to take a downturn," he said.

Westchester office space has "become much more plentiful," said John R. McCarthy, principal of McCarthy Associates in White Plains. "You're starting to see a lot more sublease opportunity," with some cost-cutting companies subletting space at 70 cents on the dollar, he said. "Now you have opportunities to capitalize on someone else's misfortune."

McCarthy said he gets two to three email blasts a day announcing additional sublease space on the market. "It's regional," he said. "They have it in New York City."

"We've seen this before," McCarthy said. "This is going to be an opportunity. A lot of companies whose leases are coming up, the pendulum is going to swing to the tenant's side from the owner's side." In the unstable economy, "People whose leases are coming up might take a precautionary move and just lease for one year or 18 months."

At Newmark Knight Frank's Connecticut and Westchester office, managing director Brian Carcaterra said, "In the last three months we've seen the effects of the economic conditions that are affecting the financial services. We've seen some large transactions either get pared down or pushed off to a later date" by corporate and institutional clients.

For smaller projects involving entrepreneurial ten-

ants, "They're still moving, but we are seeing a hesitancy to take on additional space," Carcaterra said. "They are sensitive to the overall economy and how the recession is going to affect them."

Carcaterra noted that Citigroup Inc. in Harrison had been in the market last year for approximately 150,000 square feet of additional office space. Instead the company negotiated a one-year lease extension at its 440 Mamaroneck Ave. headquarters. "So there's an example of a major institution not wanting to get involved in a long-term transaction," he said.

Hannigan, McCarthy and Carcaterra agreed there has been little activity in the market by Manhattan, Connecticut and other outside companies choosing to relocate to Westchester. "In the Westchester County market, there hasn't been a significant amount of new business coming in," Carcaterra said. "We're still seeing the lateral movement because that's driven by lease expiration."

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