

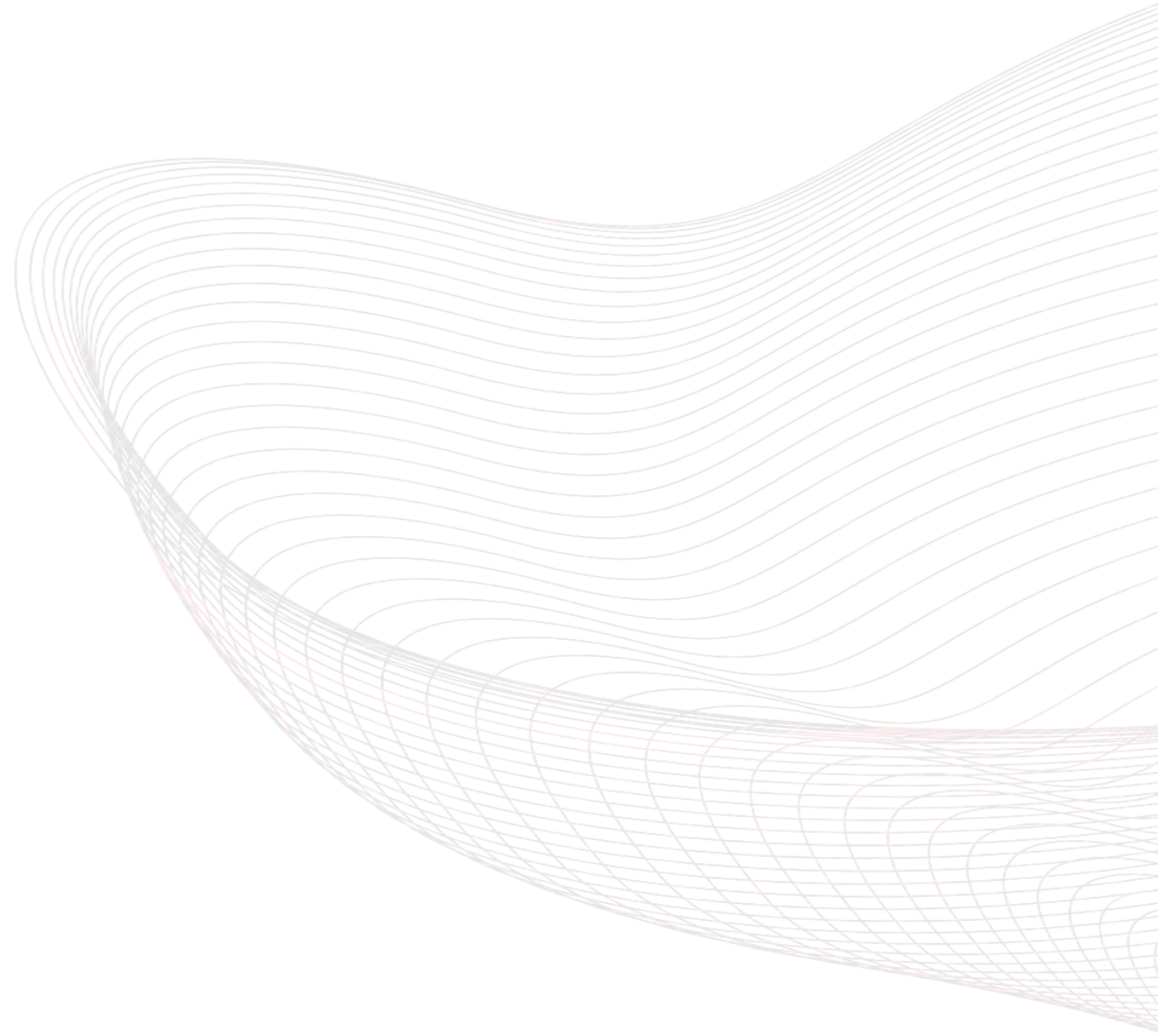
City of Peekskill Highest & Best Use Study

Market Assessment

November 2024

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Introduction

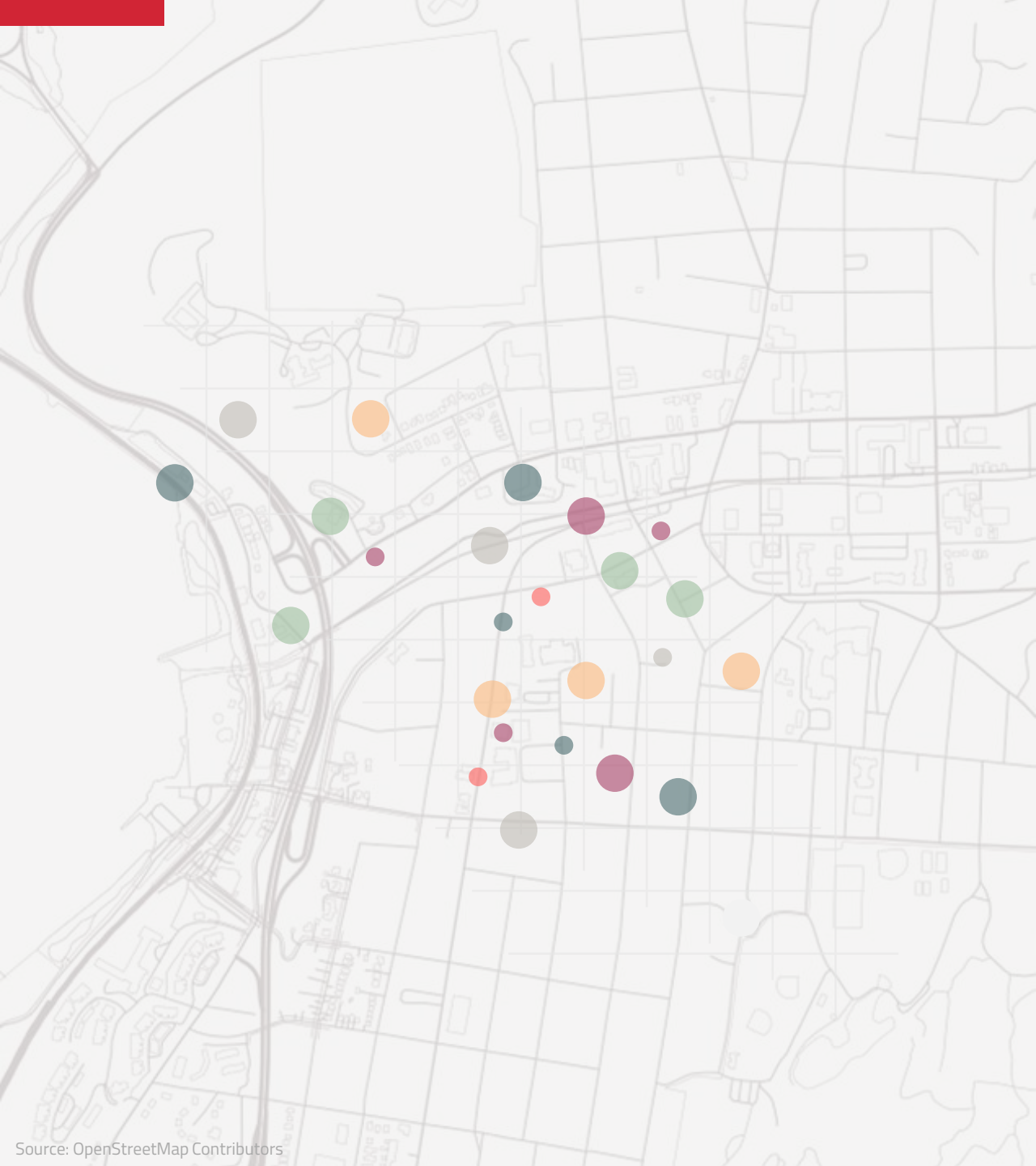
In Fall 2024, RKG Associates was contracted to conduct a high-level market assessment for three city-owned parcels of land along Louisa Street and Lower Street in the City of Peekskill, New York. This analysis is intended to inform and guide the city's overall highest and best use study for these three parcels and to provide market direction to the planners and designers working on each site.

RKG's market assessment looks at different use segments that could be considered for these three sites. These uses include multifamily residential, office, retail, and industrial. Each of these uses are currently present in the vicinity of the three sites and could offer opportunities for future uses as part of an overall development program. The map below highlights the three subject properties being considered by the city as part of this process.



Summary Findings

- Peekskill is a growing community with an increasing population that is becoming continually wealthier and more well educated. This trend was exacerbated by the pandemic where more people looked to move out away from urban areas but still within a reasonable commuting distance to major employment centers.
- Peekskill benefits from being on a train line with a direct connection to New York City where passengers can be in either location within an hour. This benefits not only the residential market in Peekskill, but the ability of the city to attract visitors looking for outdoor activities, recreational assets, and a walkable downtown with shops and restaurants.
- Peekskill's population has been increasing and is projected to continue to grow over the next ten years. In order to enable that growth, the city will need to have the housing to support new residents and households. This market assessment points to the continued need for smaller housing units to support both the younger and older generations of residents who may not be able to afford to purchase a home or who do not want to remain in a single-family home at their stage in life. Demand for housing is backed by a pipeline of residential projects the city has recently had under construction or in the development pipeline alongside very low vacancy rates and increasing monthly rents.
- The commercial side of the market assessment does point to some limited opportunities for small retail/food options, small professional service or healthcare-related offices, and some small flex spaces that could be used by tenants for a variety of purposes including manufacturing, distribution, retail, and storage.
- There is growth projected in Peekskill and Westchester County across several industry sectors that utilize office space including professional and technical services and healthcare sectors. This could equate to as much as 31,000 SF over a 10-year period. Given the relatively small sizes of existing office spaces in Peekskill and the location of the subject parcels, future office space at this location should follow a similar layout and size targeting mostly smaller businesses and employee counts.
- There is also growth potential in Peekskill for restaurants, retail, and other personal services. Employment growth has been strong since the pandemic with demand projections of just under 40,000 SF of space over the next 10 years. If a mixed-use concept is envisioned for the subject parcels, smaller scale retail and restaurant amenities could help bring visitation and spending to this part of the city while ensuring new development does not cannibalize revitalization efforts downtown.
- Smaller scale industrial development, particularly smaller flexible industrial spaces, could work well in this location given the proximity to existing industrial and the city-owned building at the Lower South Street parcel. Flex space could provide options for the growing construction industry to store equipment, have a small office, and offer customer services on-site. This type of space could also be appropriate for a business looking to produce, store, distribute, and sell products out of the same space.
- Overall, these three sites offer unique opportunities to mix uses to bring new housing, shopping, dining, and production spaces to Peekskill all within a short distance of riverfront amenities, downtown, and the train station.

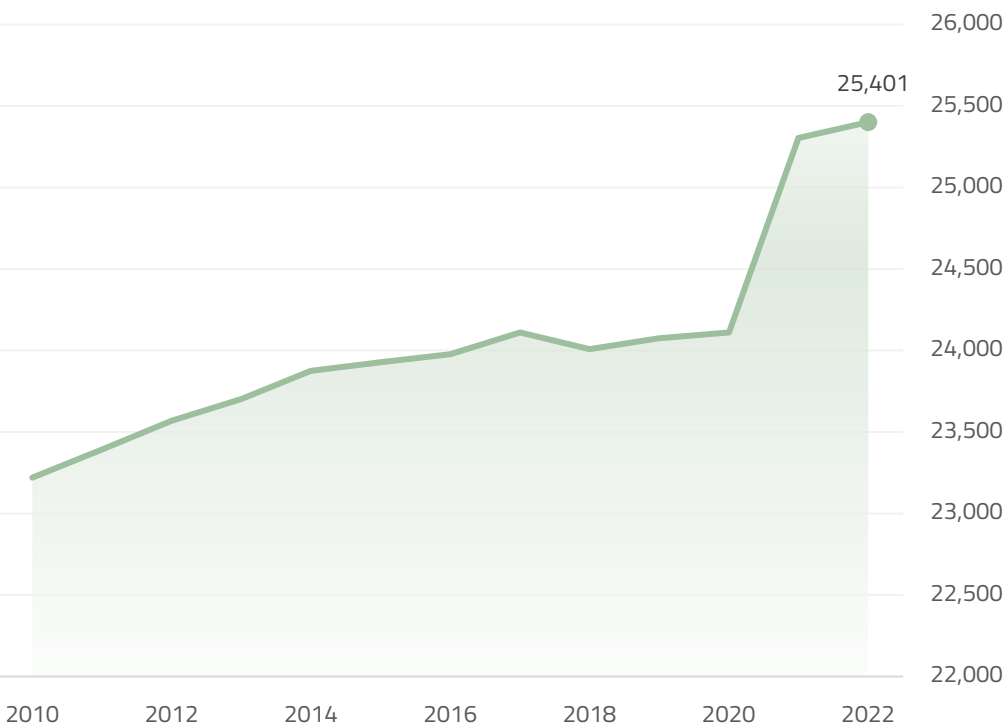


Peekskill Overview

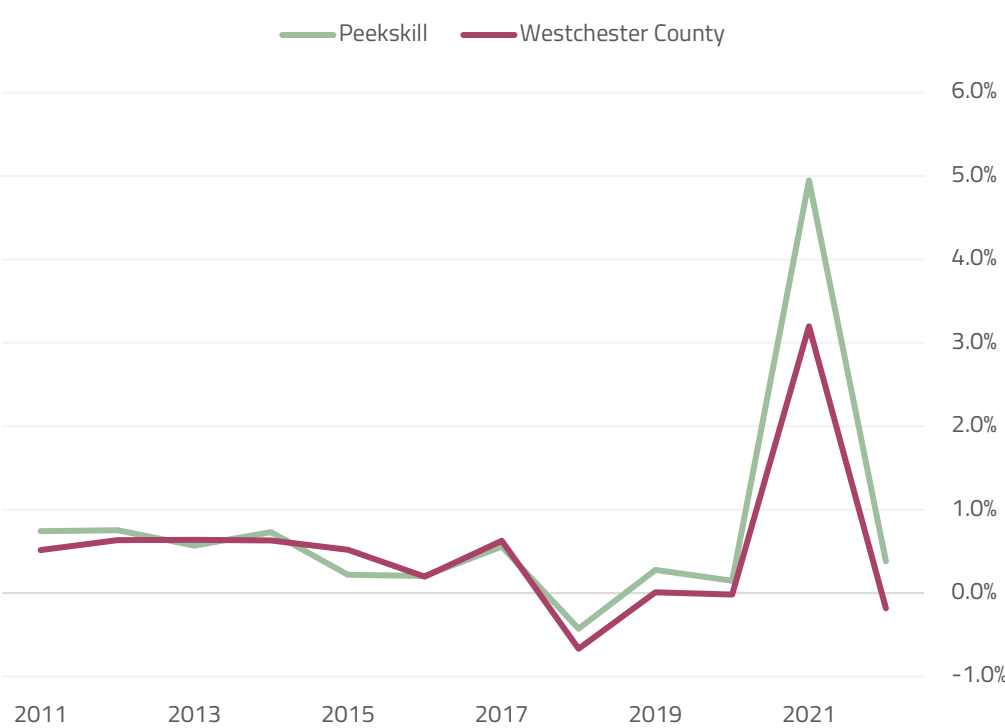
Demographics & Economics

Peekskill continues to be a growing community, which saw a notable increase post-pandemic.

Peekskill's population has continued to increase.

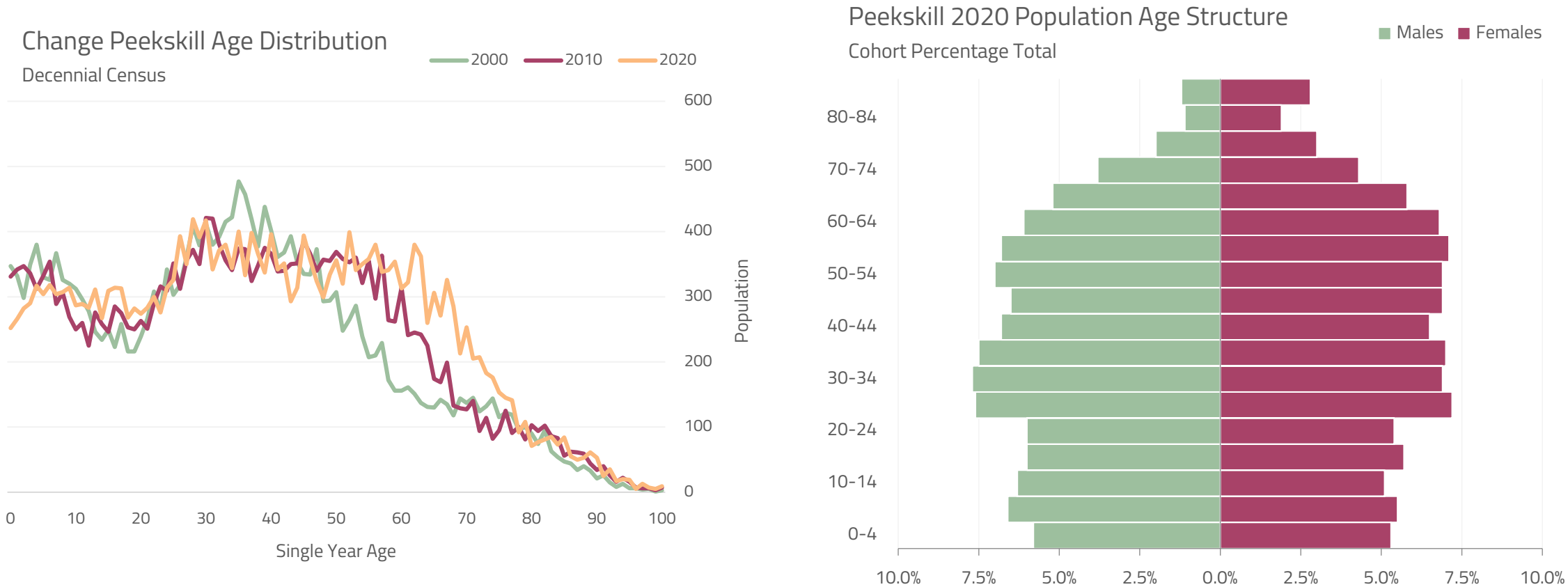


Year over Year Estimated Population Change



Like many suburban communities in Westchester county and around the NYC metro, low interest rates and remote work during and following the 2020 pandemic saw a rise in home purchasing and out-migration from the dense urban core. For communities like Peekskill and more broadly Westchester county, this has meant a sharp uptick in new residents compared to historical trends.

Peekskill population structure has remained stable over the past few decades.

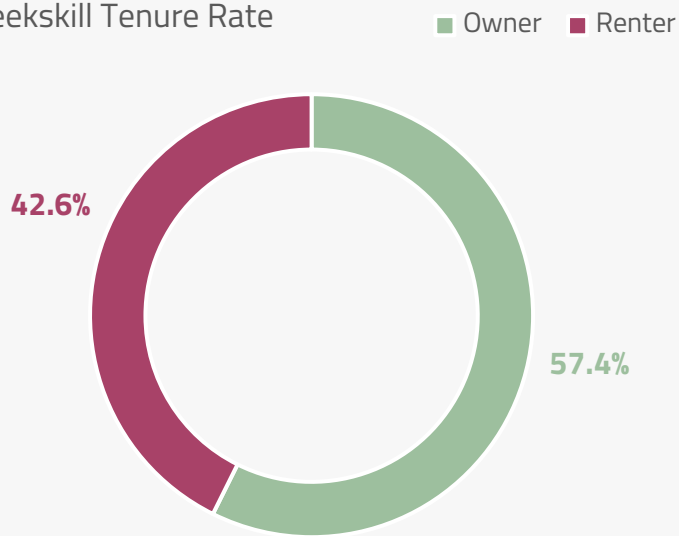


Looking at the decennials from 2000 – 2020, the age distribution of Peekskill—which is represented by total population in each single age group—has remained largely consistent. This is a reflection of consistent in and outflows of families and younger adults, while an existing older resident population has continued to age in place (e.g., every ten years, that population is ten years older). The figure on the right underscores the distribution of the population in the most recent decennial where most of the population is represented by 20 – 60-year-olds.

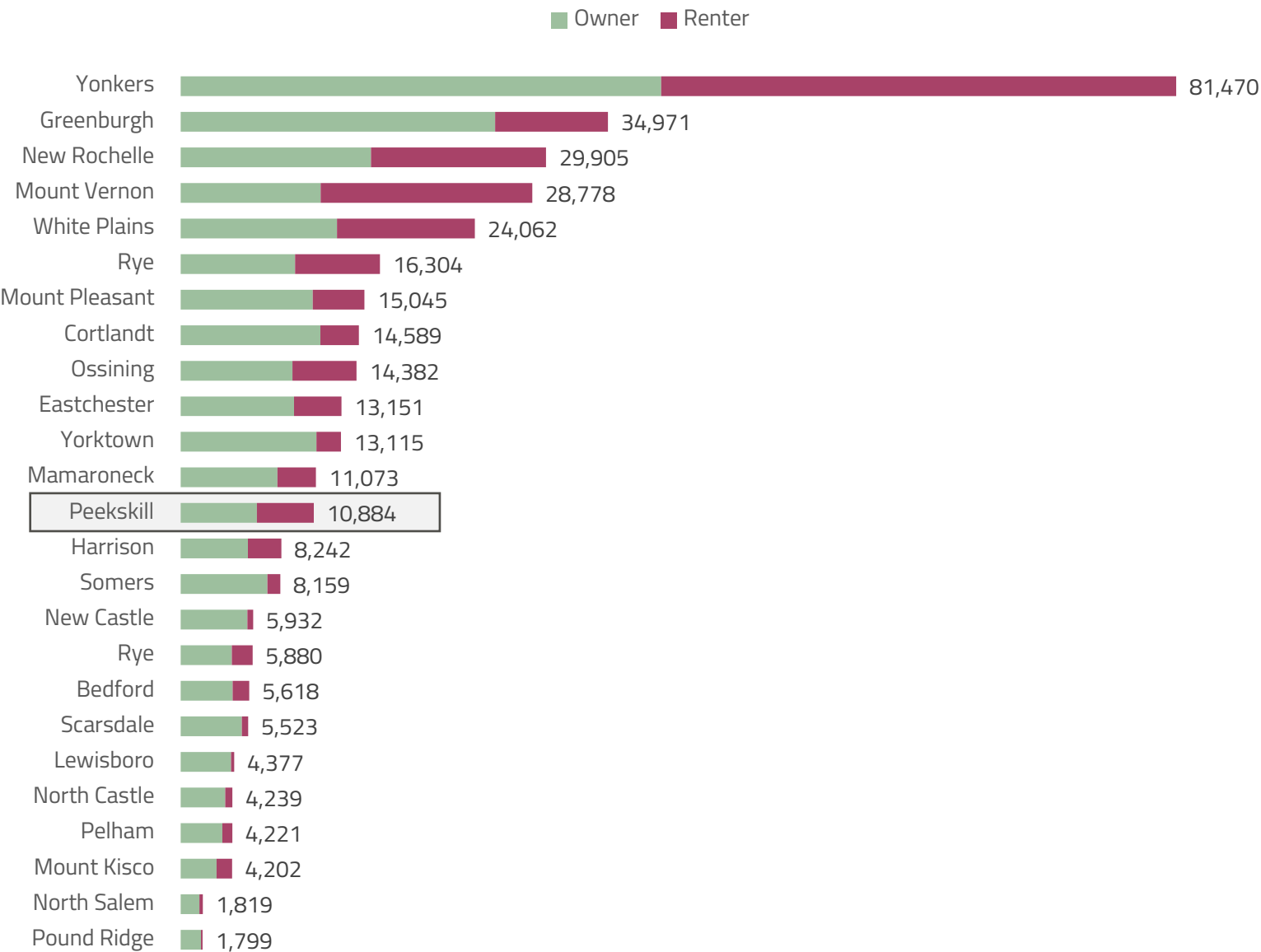
Based on the most recent ACS estimates for Westchester County, Peekskill has an estimated 10,884 households with approximately 57% who are owners and 43% who are renters.

This composition is similar to some of the other larger communities in the county that are further north of NYC.

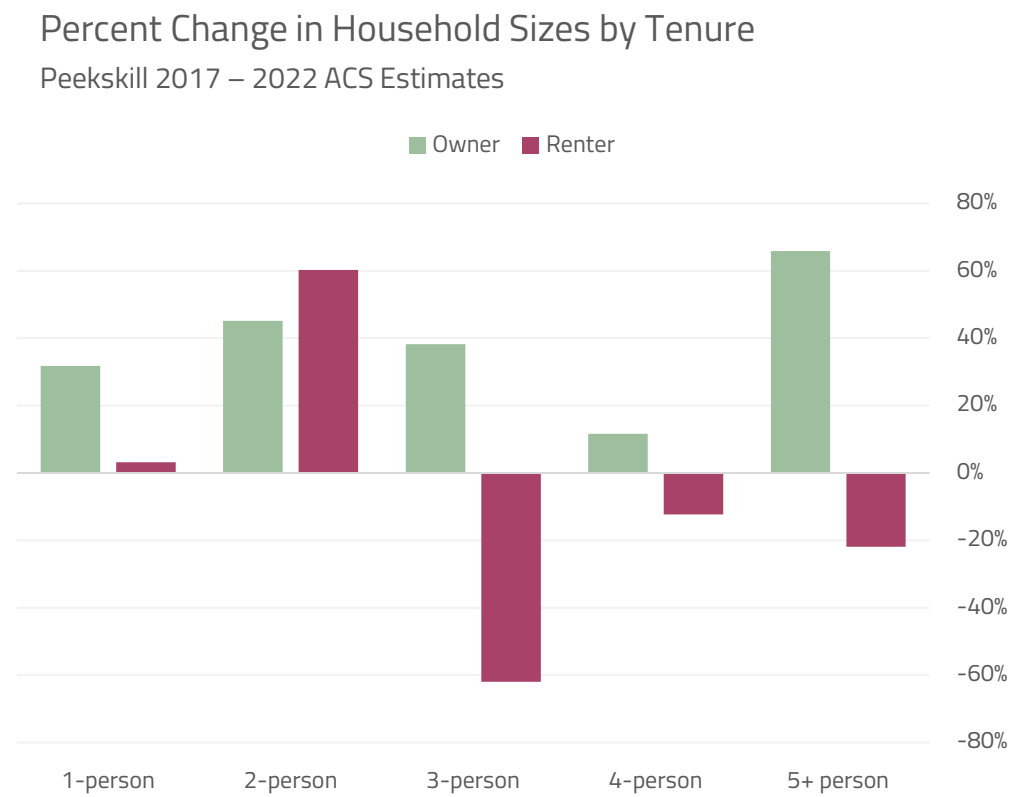
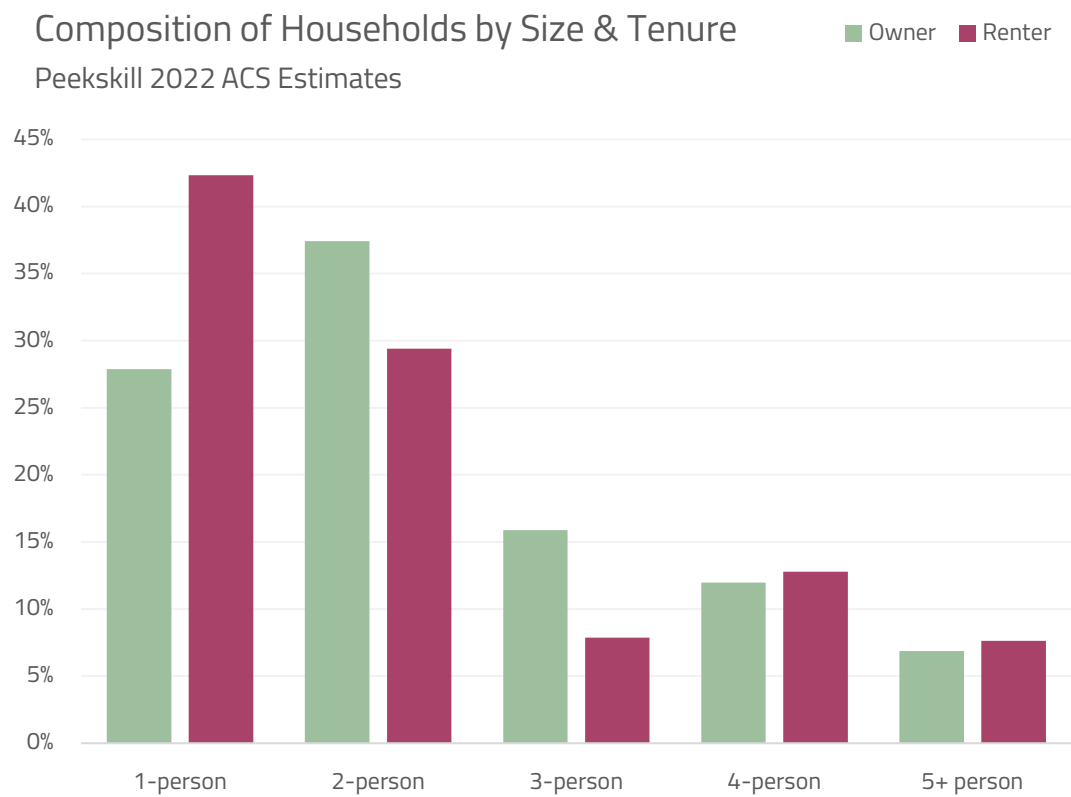
Peekskill Tenure Rate



Like many larger communities in Westchester, Peekskill has around 60/40 split of owners to renters.



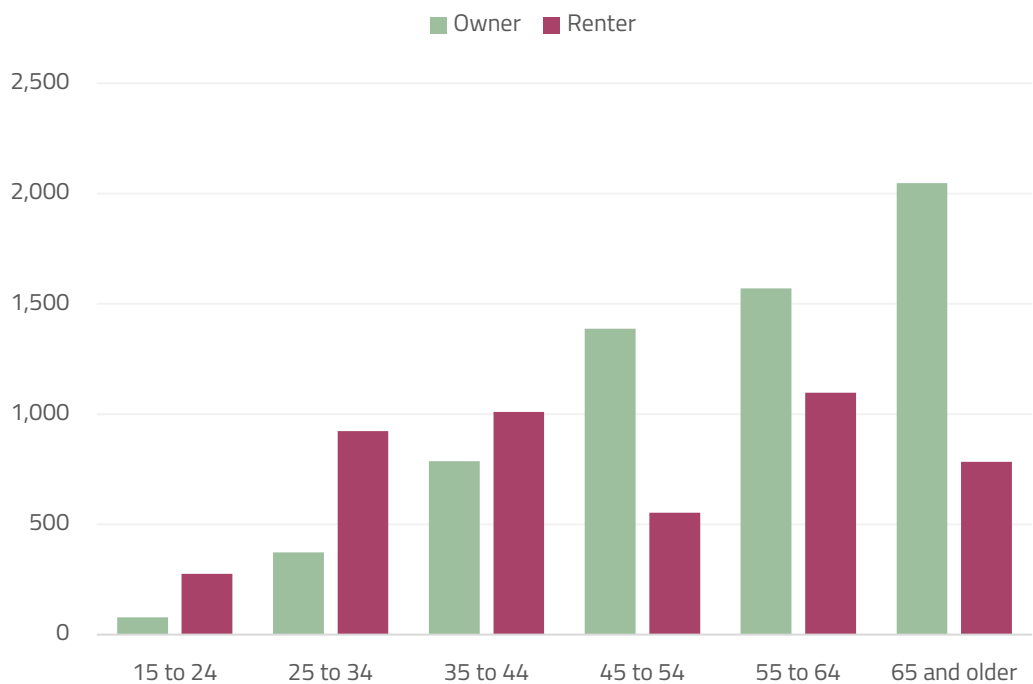
The majority of households are one and two person households.



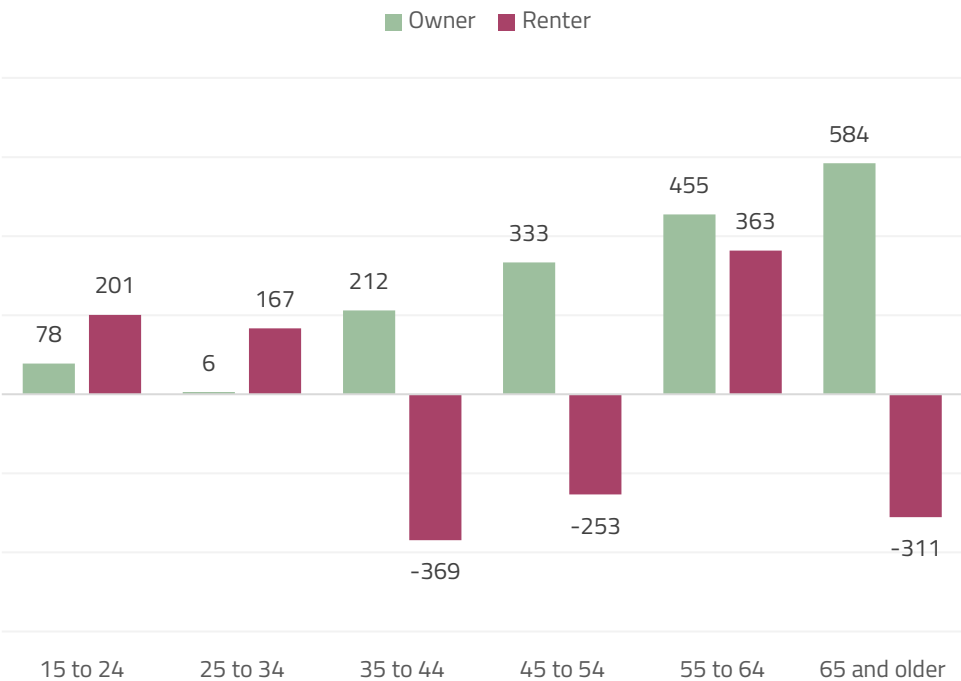
Based on the most recent release of ACS estimates for Peekskill, the majority of households for both owners and renters are single person and two person households. Over the last decade, the city has continued to see growth in owner households across household sizes, which coincides with a lot of the increases the city has seen since the pandemic. The city has also seen a decline in larger renter households.

Owner households tend to be much older than renter households.

Composition of Households by Age & Tenure
Peekskill 2022 ACS Estimates



Change in Households by Age & Tenure
Peekskill 2017 – 2022 ACS Estimates

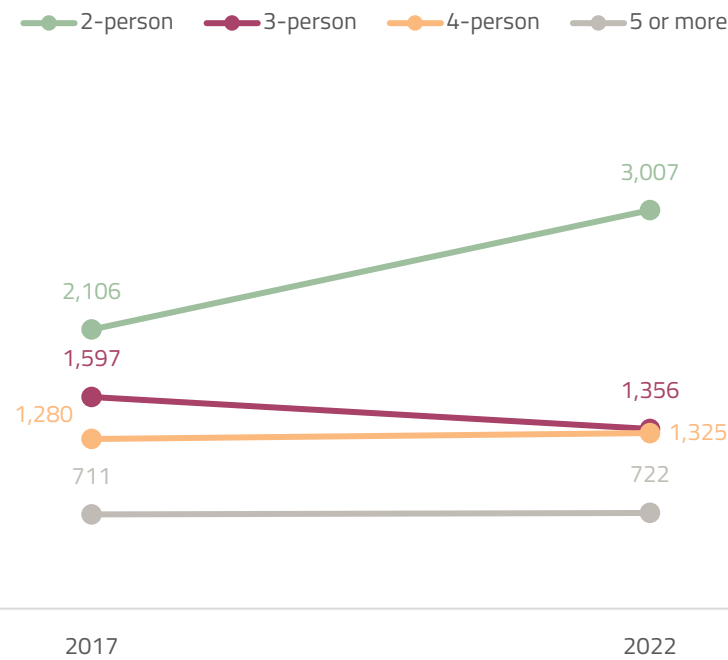


Common in most communities outside of major urban areas, the breakdown of households by age underscores this trend of older owner households particularly those 65 and older and renter households, represented by 25 – 44. It should be noted, on the figure on the right, Peekskill has continued to experience increases in older households, which could be an indicator for a demand for housing options specific to the needs of older adults.

Over the past decade, smaller households have driven growth in Peekskill.

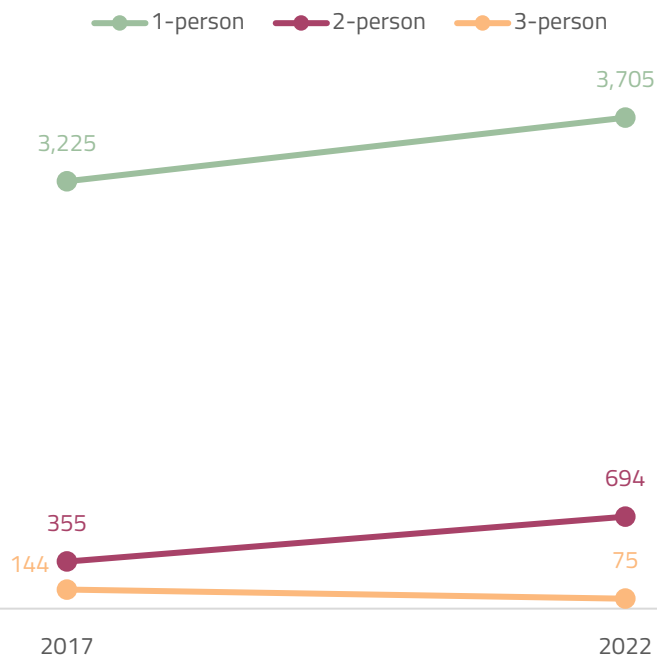
Peekskill Family Households by Size

2017 – 2022 ACS Estimates



Peekskill Non-Family Households by Size

2017 – 2022 ACS Estimates

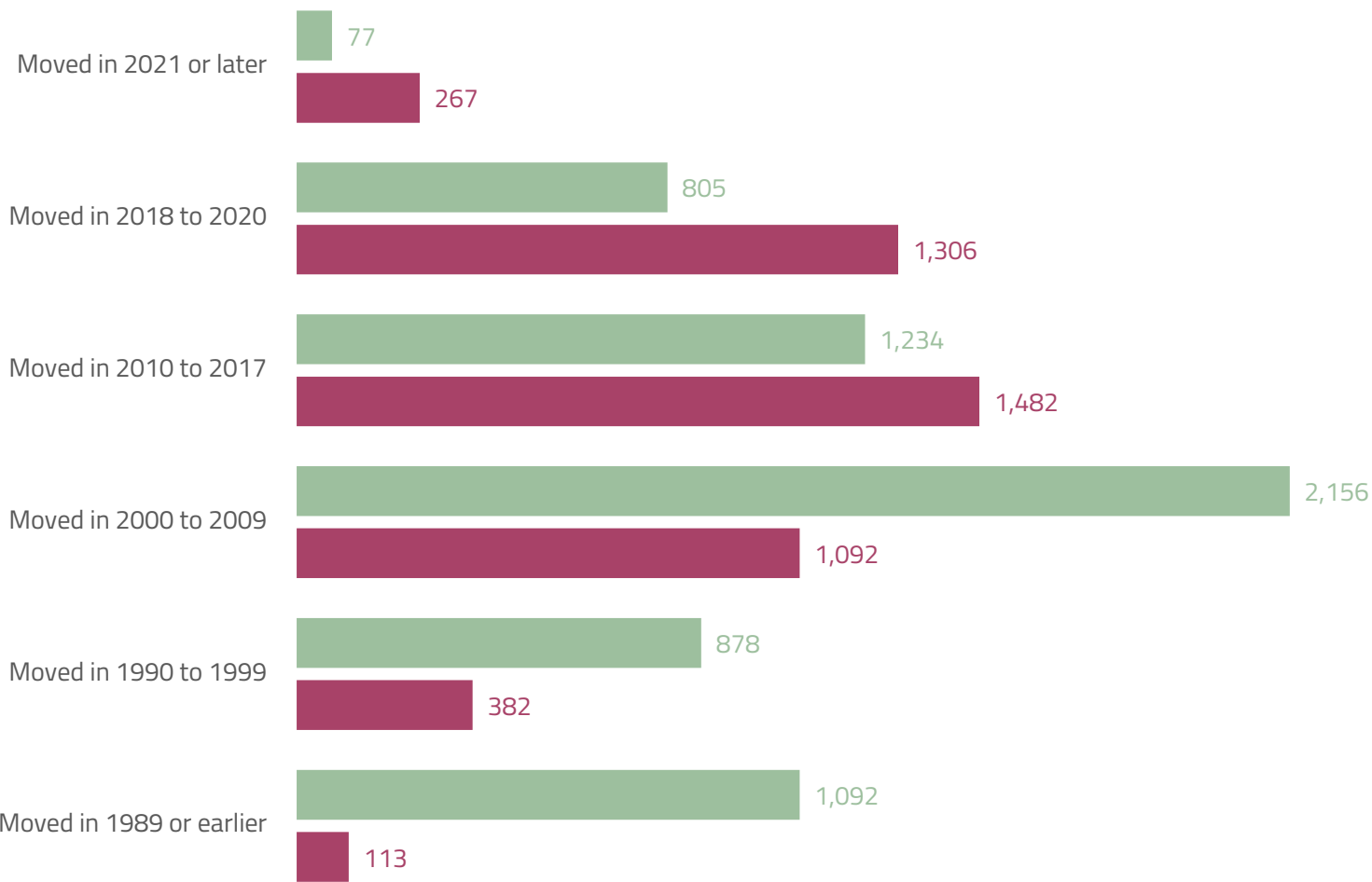


Tracking change by household composition over the last decade shows that the single largest driver of household growth is 1- and two person households. It can be inferred from these trends that the rise in these household sizes are a combination of couples purchasing homes or renting in Peekskill, older adults aging in place, and renter households moving into the community without a roommate. While there are many other scenarios that could speak to this growth, these are typically the most common for these household sizes.

Most households in Peekskill moved into the community between 2000 – 2020.

Tenure by Year Household Moved into Unit
Peekskill 2022 ACS Estimates

Owner Renter



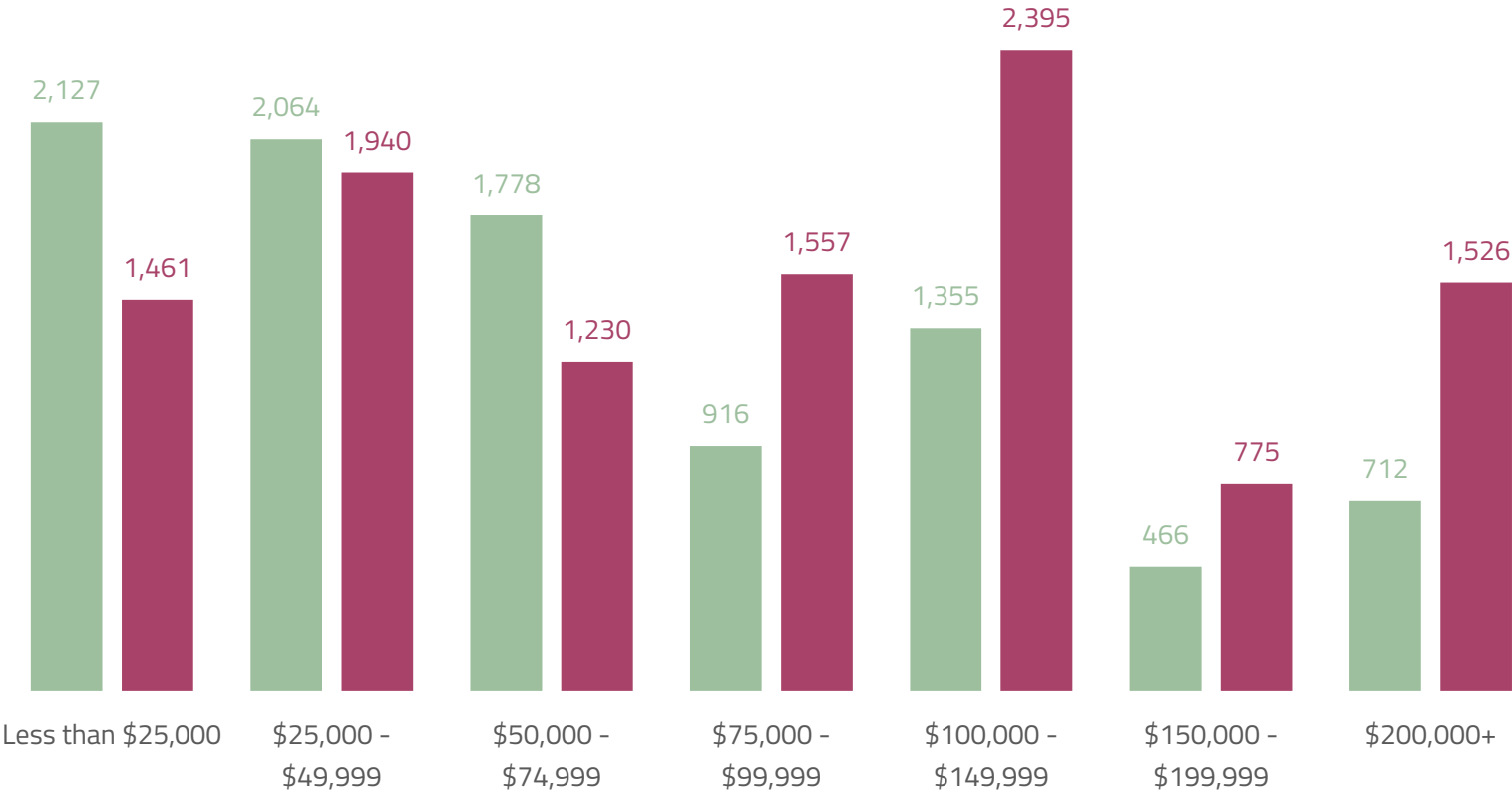
The ACS provides estimates for when households moved into their current home. It should be noted that the most recent ACS is for 2022 (as of November 2024), so this data does not speak to mover rates in 2023 and 2024.

Based on these estimates, most households moved into the community over the first two decades of the 2000’s. Supporting the trend that a notable portion of the population is aging in place, a considerable number of owner households moved into the community in the 90s and earlier.

Peekskill continues to see growth in higher income households.

Peekskill Household Income Distribution
Number of Households by Income Cohort

2017 2022



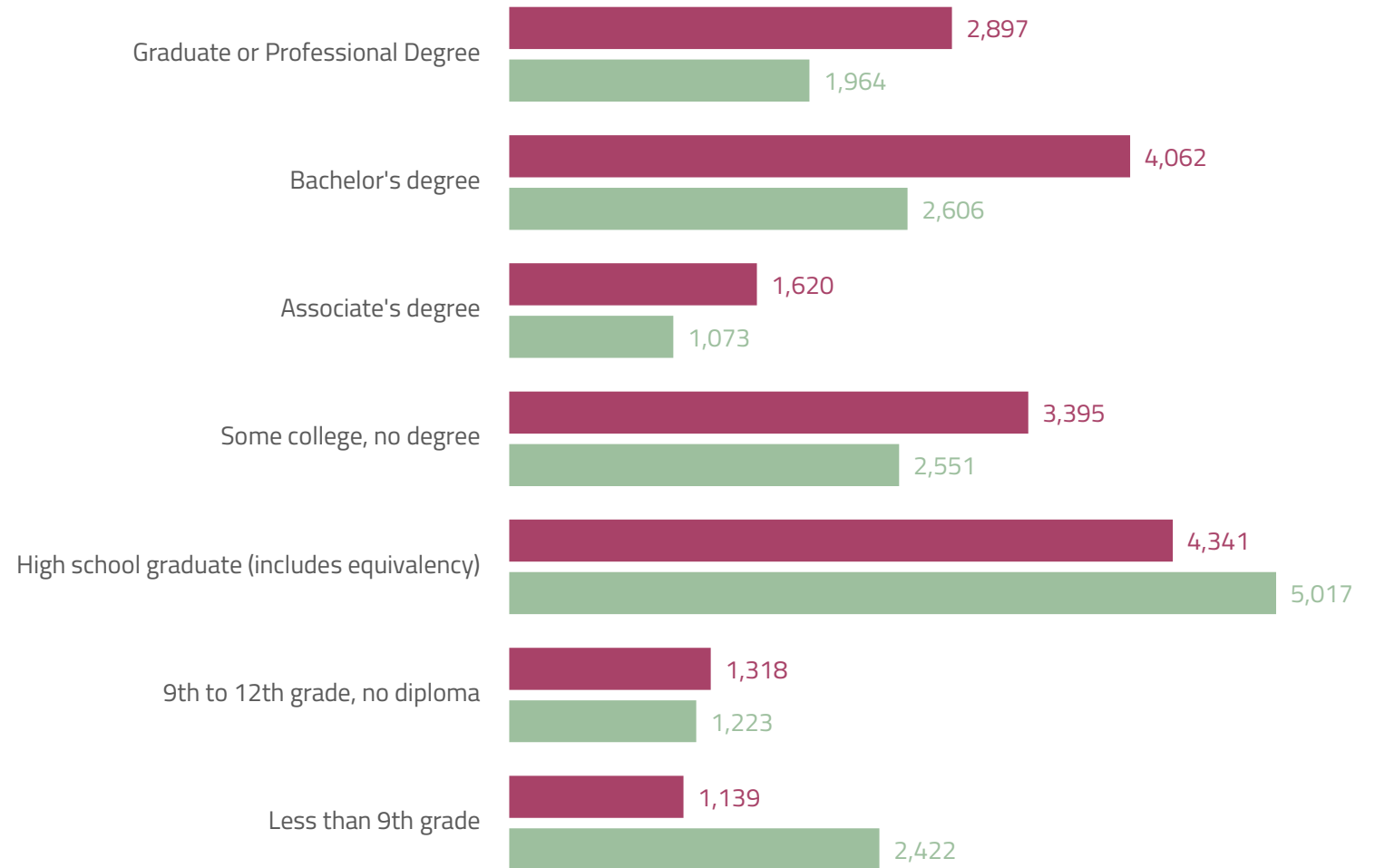
Comparing the household income distribution for Peekskill over the last decade, the City has seen the most growth in higher income households.

This trend is highly correlated with educational attainment and high home prices. This trend not only represents the movement of high-income households into the community but also illustrates the growth in income of existing residents.

Most residents over the age of 25 have a Bachelor's degree or higher.

Distribution of Educational Attainment
Peekskill Residents 25 years and older

2022 2017



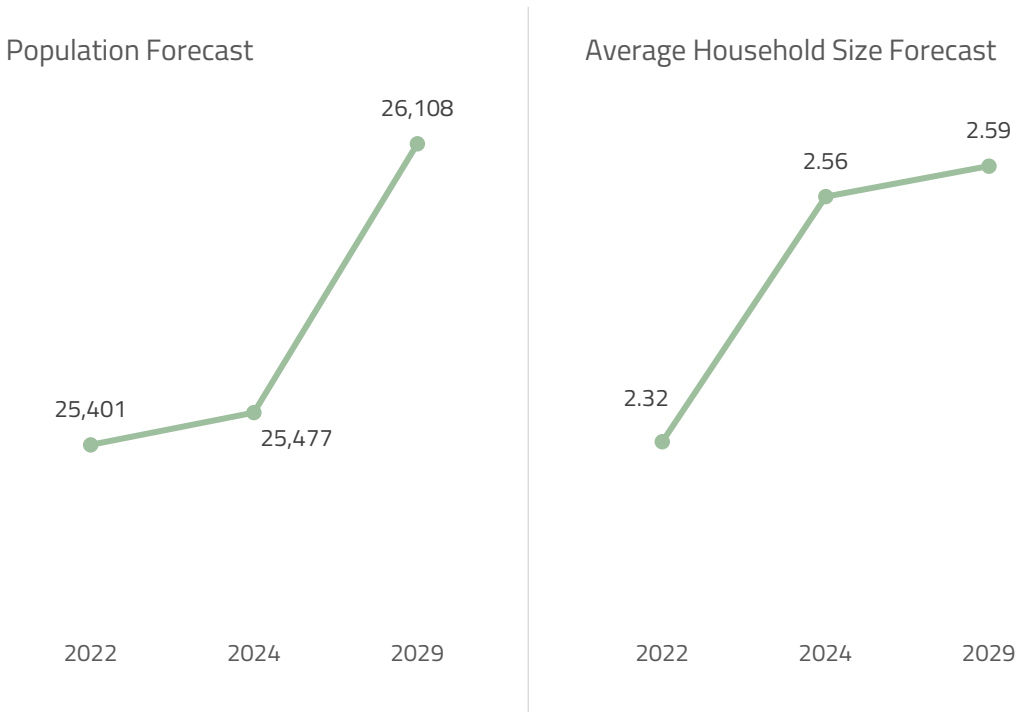
Among Peekskill residents 25 years and older, most have attained some level of college or higher. It should also be noted that while this portion of the population has decreases, a notable segment of the population has no more than a high school diploma.

Based on these countervailing trends, the past decade has seen the share of the population without a bachelor's degree decrease while those with a bachelor's or higher have increased.

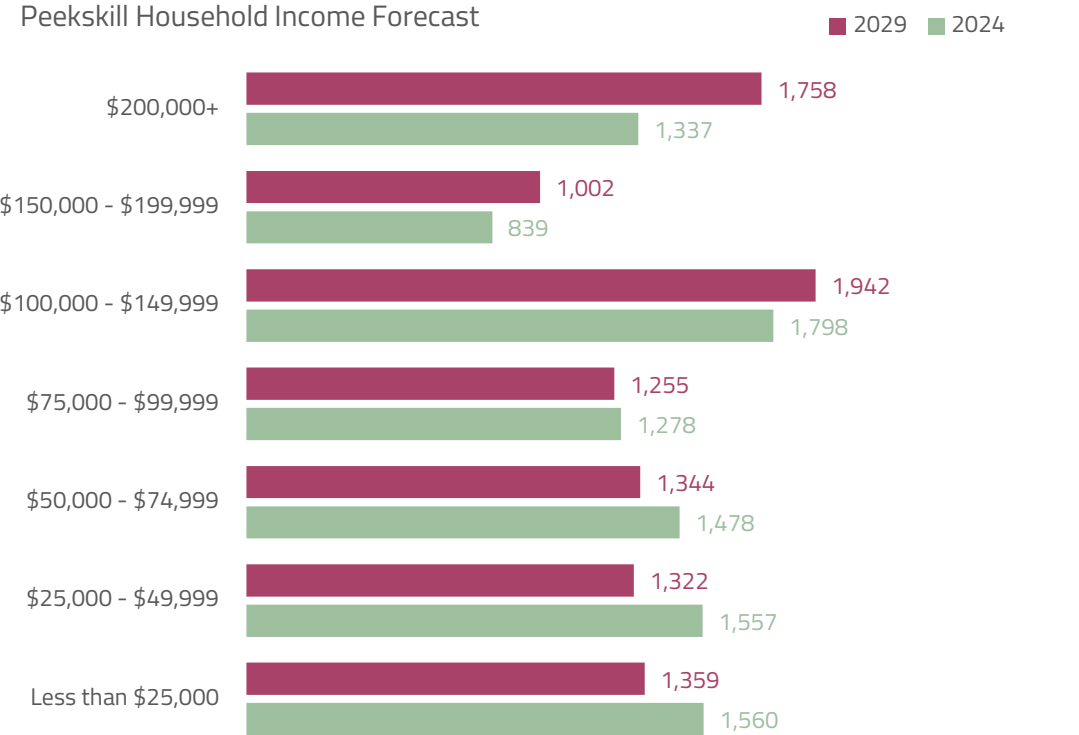
Population and household sizes have increased and so to have incomes.

ESRI, a mapping a data provider, estimates that Peekskill’s population has increased since 2022 and will continue to increase. Coupled with this trend, are forecasts of larger household sizes and incomes. This trend is often an indicator of higher income family households or intergenerational households.

Peekskill is forecast to continue to see population growth and larger household sizes which suggests family formation and an increate in intergenerational households.



ESRI household income projects forecast an increase in households earning over \$100,000. This trend is common in markets with higher home prices—which dictate the type of incomes needed to enter the market.





Multifamily

Commercial Real Estate Markets

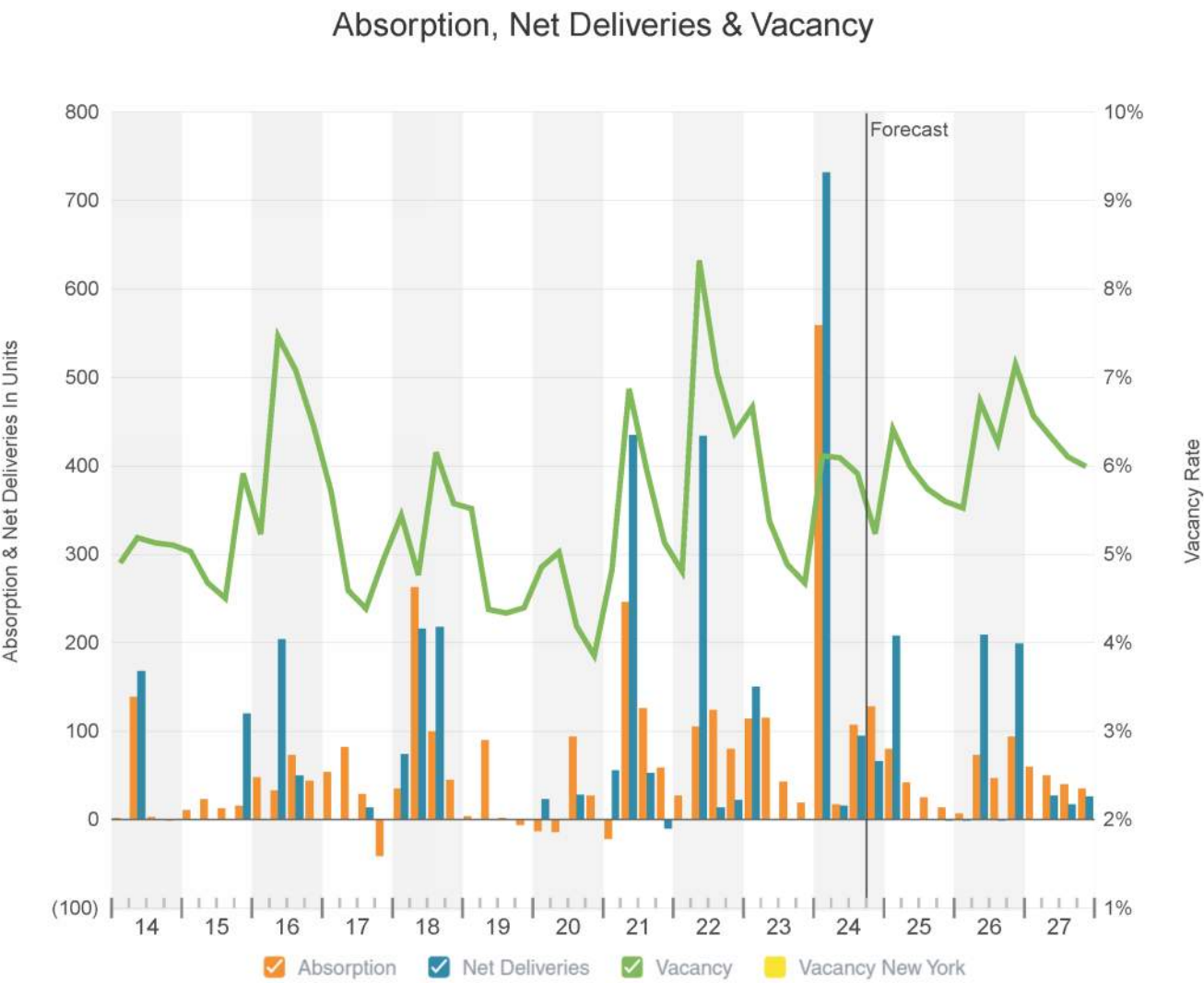
About 700 new units have been delivered over the past year in the submarket.

The North Westchester County submarket in CoStar includes Port Chester, Tarrytown, Pleasantville, and Ossining.

This submarket is influenced by NYC’s commuter market but has many larger employers nearby that also drive demand for new housing. These communities have relatively lower housing costs compared to other Westchester County locations . New product has typically been built near public transportation to offer a 30–60-minute commuting time into NYC.

As new product is delivered to the market it has been quickly absorbed keeping the vacancy rate between 4-5%.

Projection to 2027 show vacancy moving upward reflecting CoStar’s projections of a slowing job market in NYC.



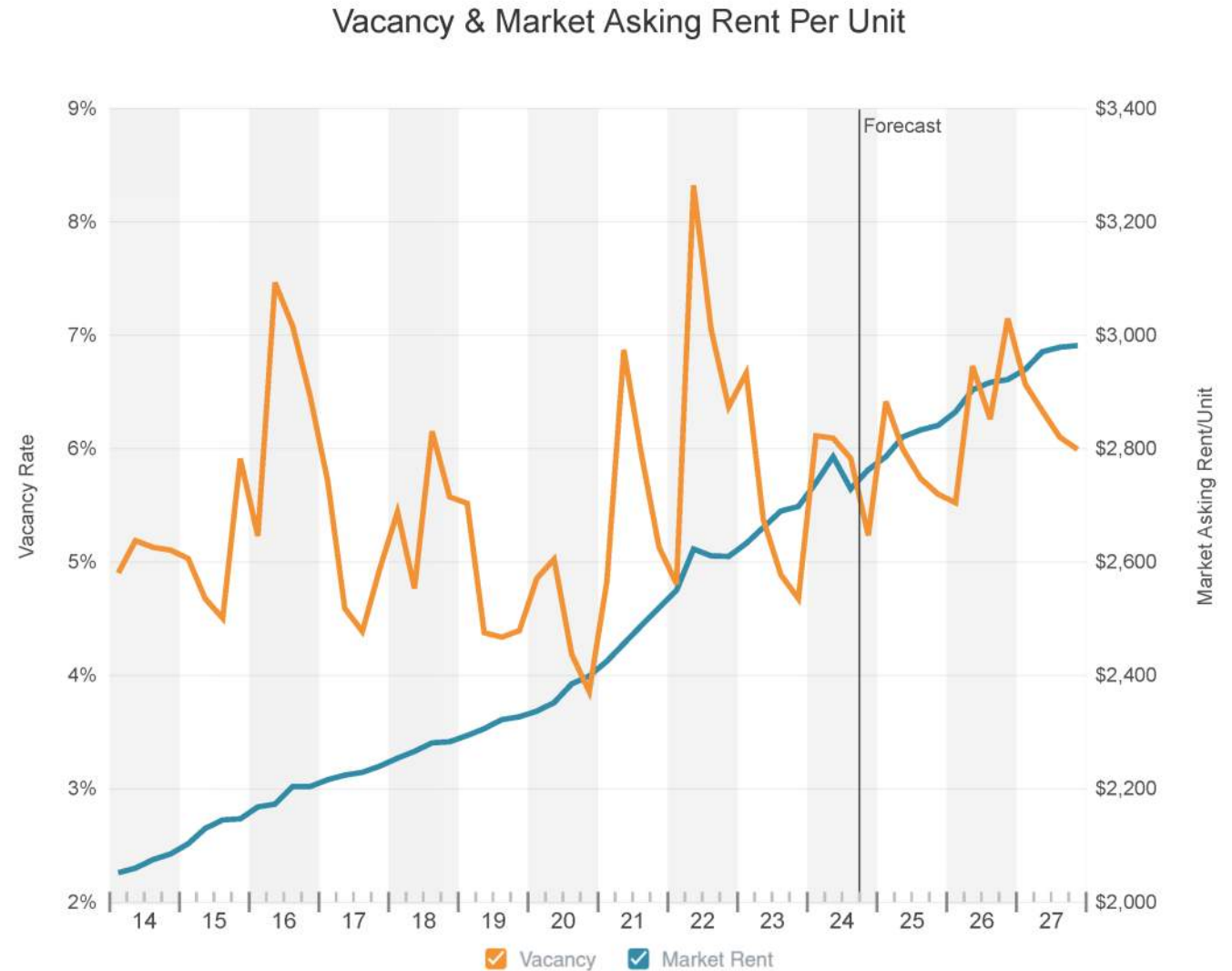
Vacancy by multifamily class is not evenly distributed in the submarket.

Rents have grown since 2014 from an average of \$2,050 per month to a high of \$2,700 in 10 years.

Even as more units have been delivered within the submarket, vacancy has stabilized to around 5% within a few quarters of leasing activity. The sharp spikes in vacancy rates align with the delivery of larger multifamily developments, but shortly after the vacancy rate decreased.

Vacancy amongst asset classes is not evenly distributed showing huge demand and constrained supply for older more affordable units:

- 4 & 5 Star Properties: 8.3%
- 3 Star Properties: 3.0%

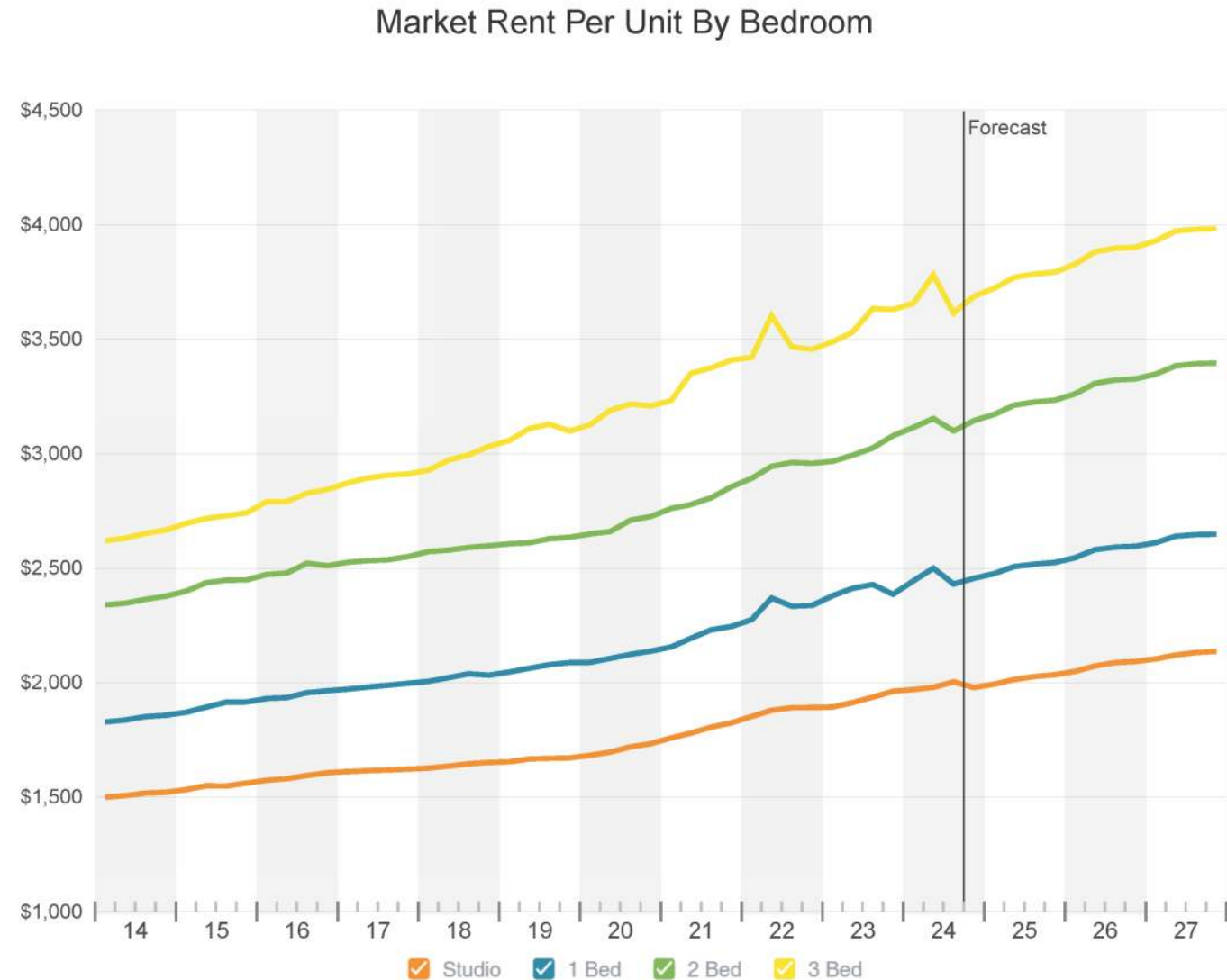


Prices continue to rise at all bedroom sizes in the submarket.

Over the past 10 years rents have increased as new higher end buildings/units were constructed and the outmigration of NYC residents to Westchester County suburbs created spikes in demand.

- Studio: \$2,000
- 1 Bedroom: \$2,431
- 2 Bedroom: \$3,100
- 3 Bedroom: \$3,615

Rent growth averages about 2.1% a year which is higher than the metro average. This is being driven by the delivery of new luxury buildings. With more development in the pipeline, rent growth is anticipated to continue so long as vacancy remains low.



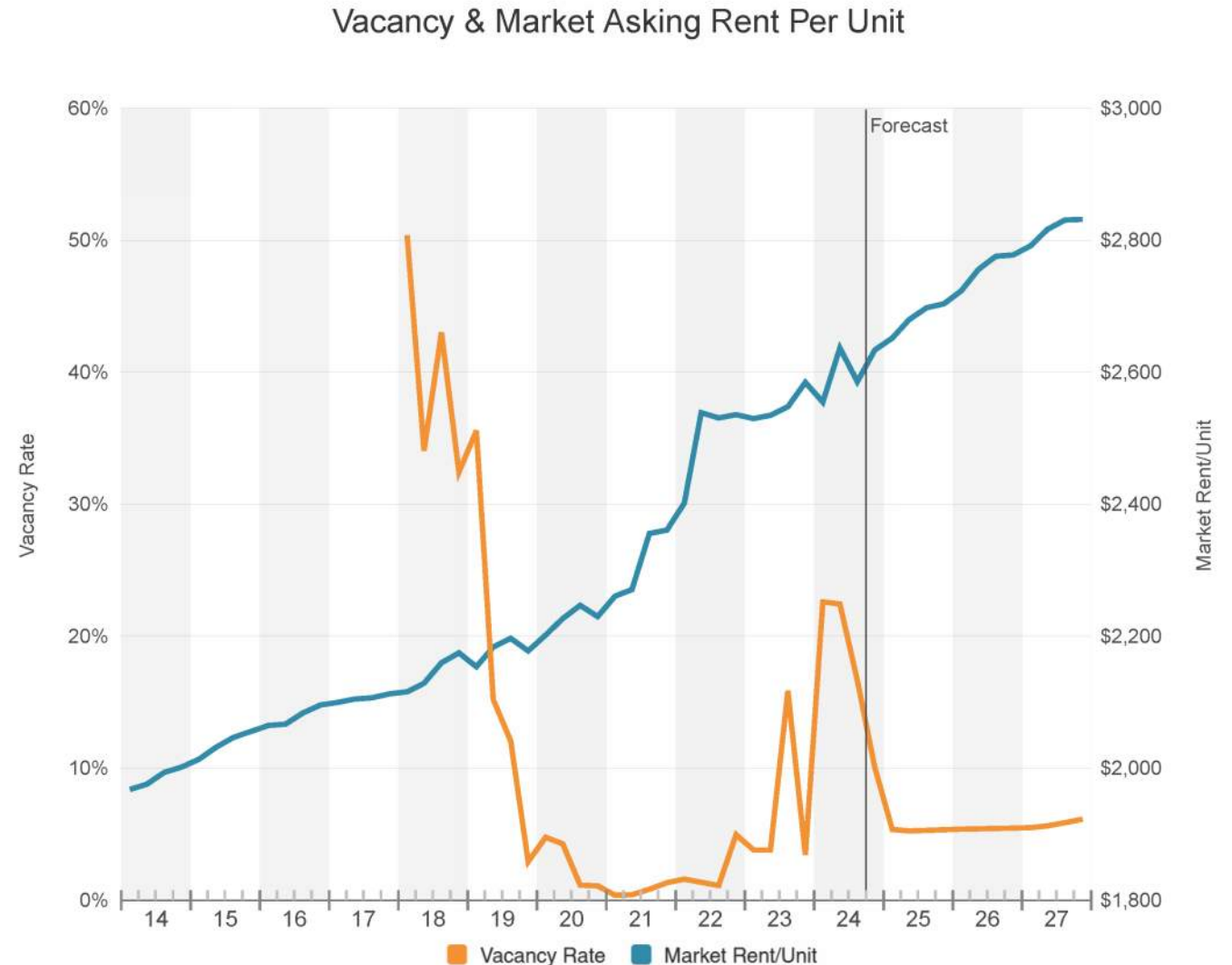
Peekskill has also added new inventory to the submarket.

Since 2018, CoStar has tracked the addition of about 555 new multifamily units delivered in Peekskill. This has caused vacancy to fluctuate, but generally always comes back down to 4-5%.

Meanwhile, rents have continued to rise by almost \$600 a month mostly due to new product setting new price ceilings for rental units.

New developments tracked include

- 922 Main Street – 74 Units
- 1 Park Place – 184 Units
- 216 S Division Street – 22 Units
- 645 Main Street – 82 Units
- 700 Main Street – 16 Units
- 1 St. Marys Convent – 177 Units



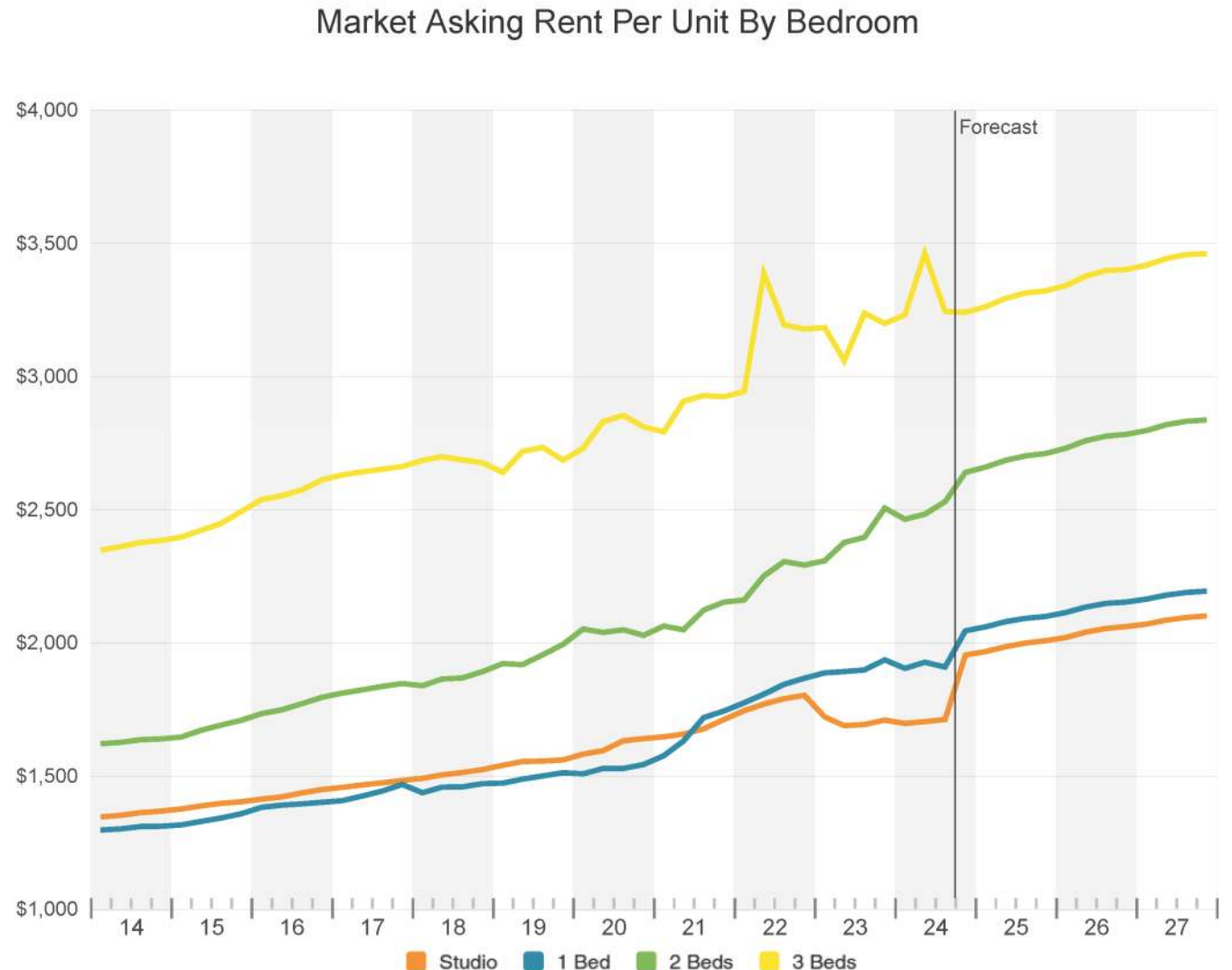
Prices continue to rise at all bedroom sizes in Peekskill as well.

Over the past 10 years rents have continued to increase across the multifamily housing stock in Peekskill, like that of the larger submarket.

- Studio: \$1,710
- 1 Bedroom: \$1,907
- 2 Bedroom: \$2,528
- 3 Bedroom: \$3,242

Average year-over-year rent growth for properties in Peekskill has averaged nearly 4% a year for the past 10 years with higher peaks as new product has entered the market.

Like the submarket, Peekskill's low vacancy, increasing rents, and a growing population indicate a strong demand for additional multifamily and/or mixed-use development in the study area.



Multifamily metrics for Peekskill – 2018-2024.

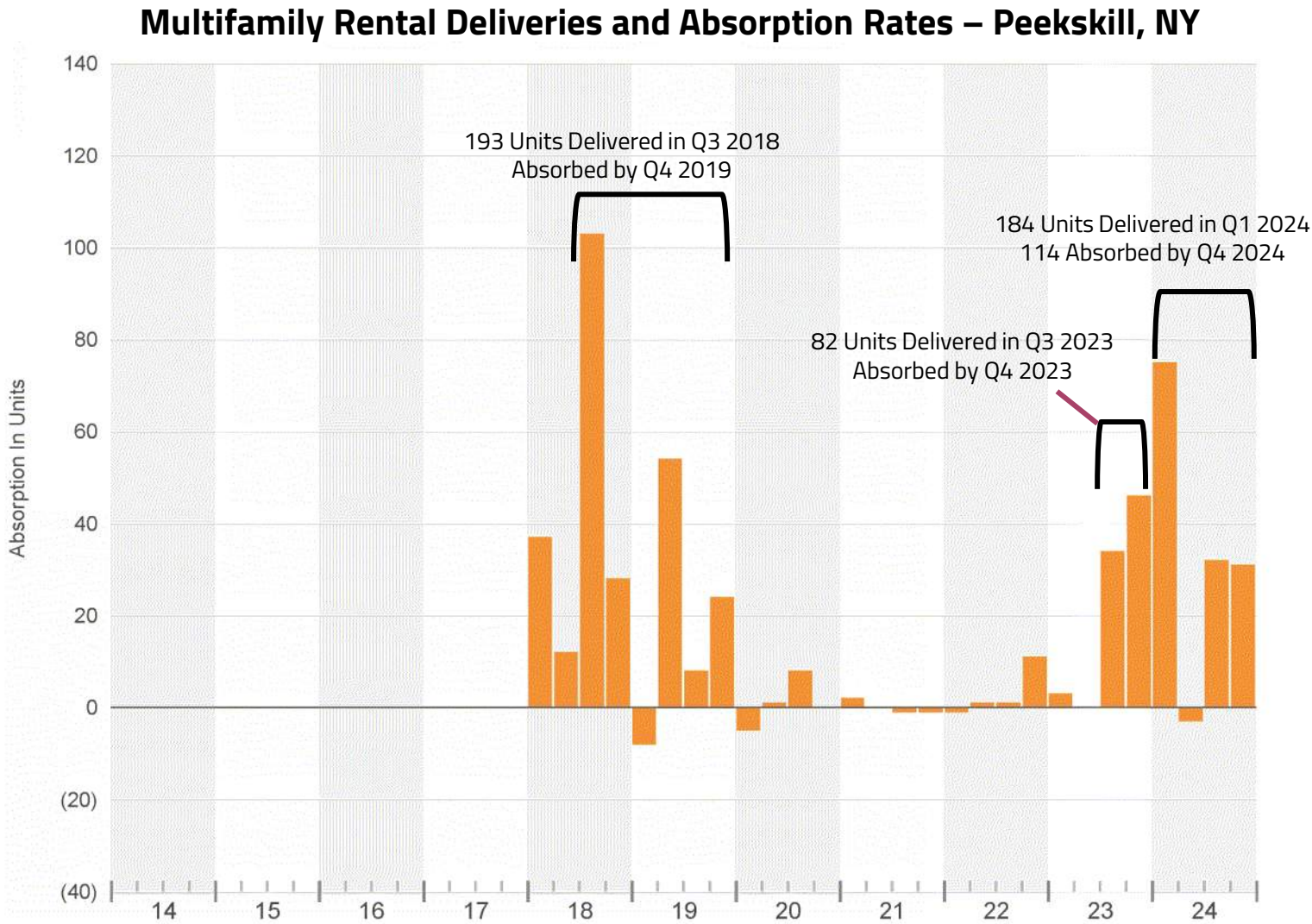
- 555 multifamily units have been added since 2018 in Peekskill.
- Typical unit breakdowns for multifamily buildings built since 2018 include:
 - 12% Studios
 - 45% One-Beds
 - 31% Two-Beds
 - 12% Three-Beds
- Typical pricing for multifamily units by bedroom type since 2018:
 - Studios - \$2,095
 - One-Beds - \$2,334
 - Two-Beds - \$2,874
 - Three-Beds - \$3,808
- Average development size is 90 units, with a building size of 90,000 SF.
- Average unit size is 860 SF.
- Average building height is between 3 and 5 stories.



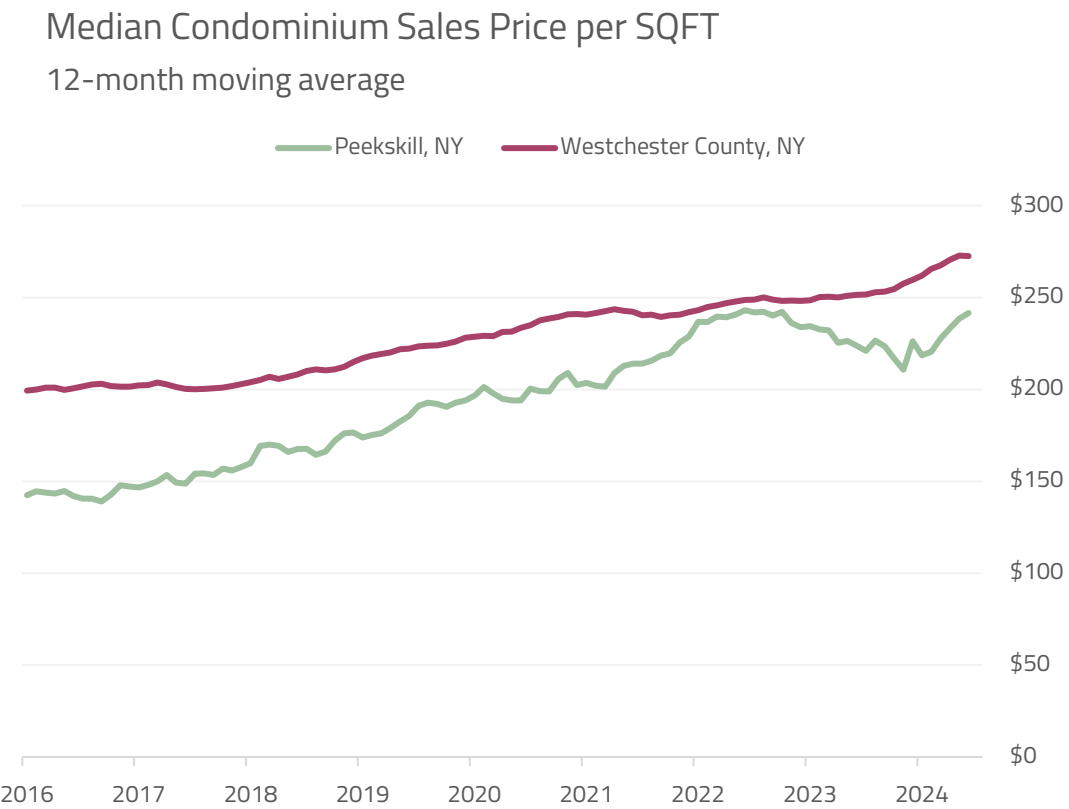
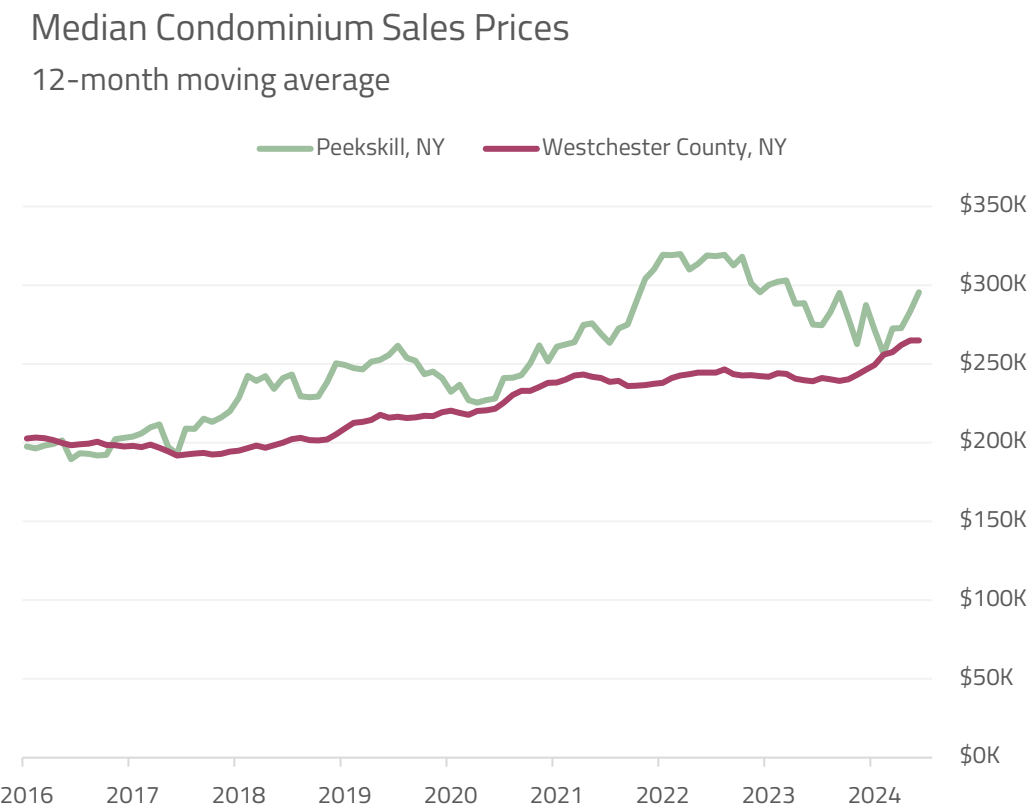
1 St Marys Convent, Peekskill, NY

Multifamily Rental Absorption for Peekskill – 2018-2024.

- The projects that comprise the 555 multifamily units added since 2018 are generally leasing up at an average rate of 40+/- units per quarter or 160+/- units per year.
- The projects evaluated through CoStar only include multifamily rental developments, not for-sale condominiums.
- Given how quickly condominiums are selling in Peekskill when they do hit the market as well as only having about a month's worth of inventory on the market, we believe condos would sell quickly. Although this would depend on the location, amenities offered, and selling prices.

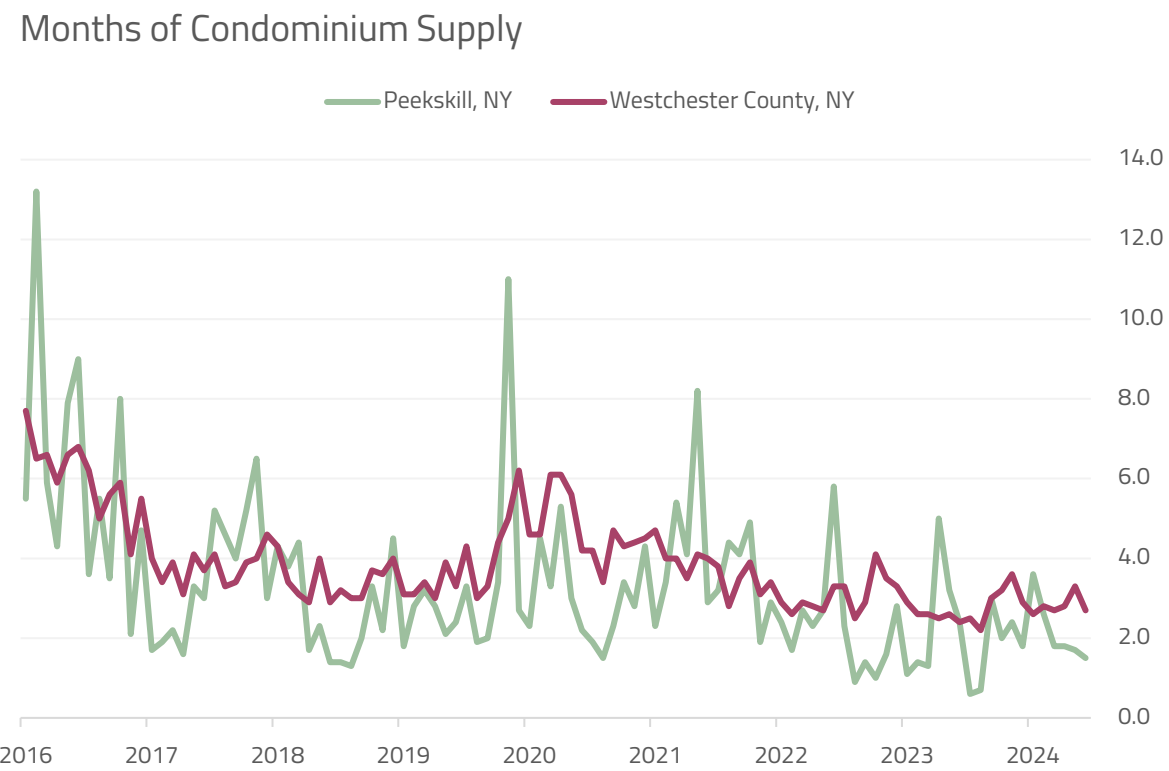
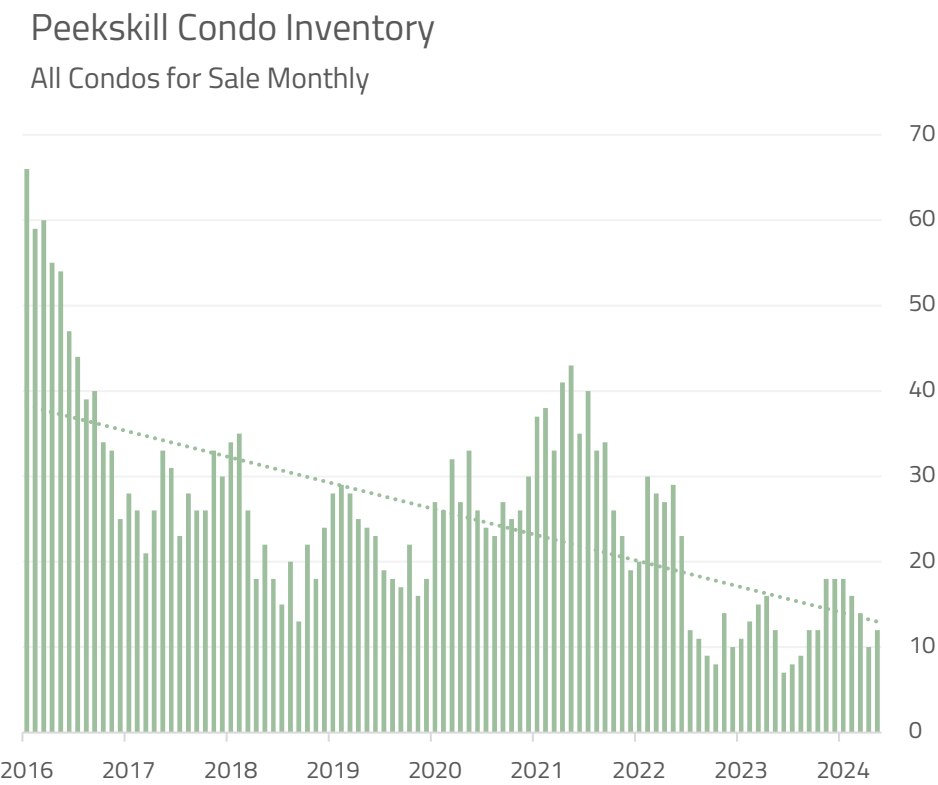


Since 2016, Redfin has tracked increases in median sales prices for condos in Peekskill.



Over the last few years, condo sales prices in Westchester County and Peekskill have continued to increase. Peekskill has seen higher sales prices compared to the county-wide median sales prices but on a per square foot basis, sales have tracked slightly below. These differences could be attributed to different condo sizes that have recently sold as well as variance on sales premiums based on where in Westchester County sales have occurred.

Inventories are considerably low in Peekskill and the months of supply have dropped below 2 months.



Based on Redfin’s condo inventory data, the number of condos for sale across Peekskill have dropped to considerable low levels in recent years. Months of supply, which is measures as the number of active listings over the average monthly sales volume is a good indicator of market tightness. Typically, when months of supply falls below 4 months, it is a strong indicator of a shortage of units, this often means sales occur quickly after they are listed, and it is common to pay over asking because of increased competition. In the case of Peekskill and the market more broadly, this data would suggest that condominiums are in high demand and there is a shortage in current inventories.

Most rental units are priced in the middle of the market meaning to alleviate market pressures there is demand for both affordable and market rate units.

To evaluate the changes in affordability across the Peekskill housing market, RKG used FY 2024 HUD Area Median Income limits. The intent of using AMI's to evaluate affordability is to match household incomes with the HUD defined affordability levels that are used to calculate income eligibility for various federal and local housing programs.

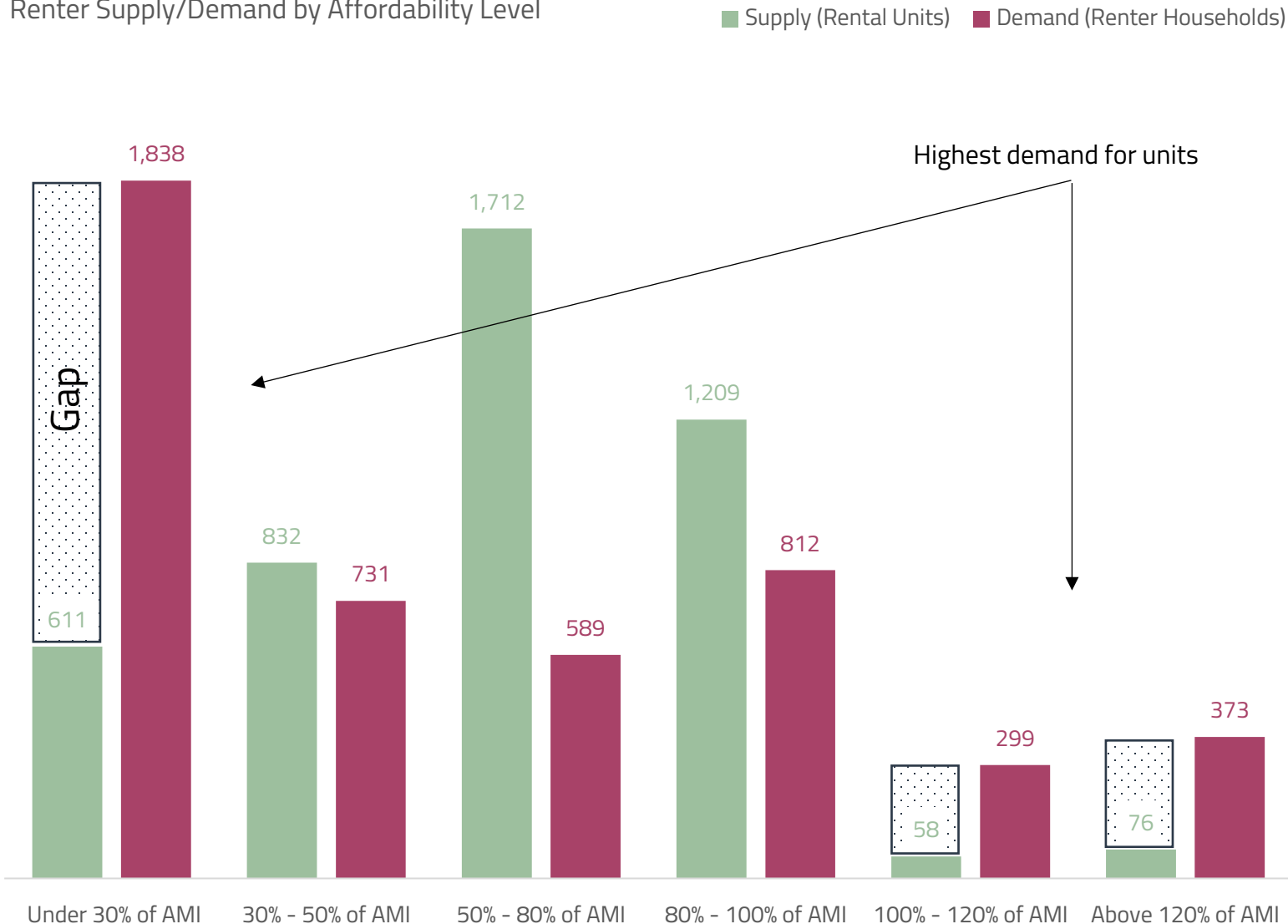
This approach translates housing and rental costs to the same AMI bands as household incomes to better understand where there are mismatches in types of housing by income level.

The affordability gap calculation depicted in the figure on the right, groups households by AMI and calculates what that household could theoretically afford—30% of monthly income.

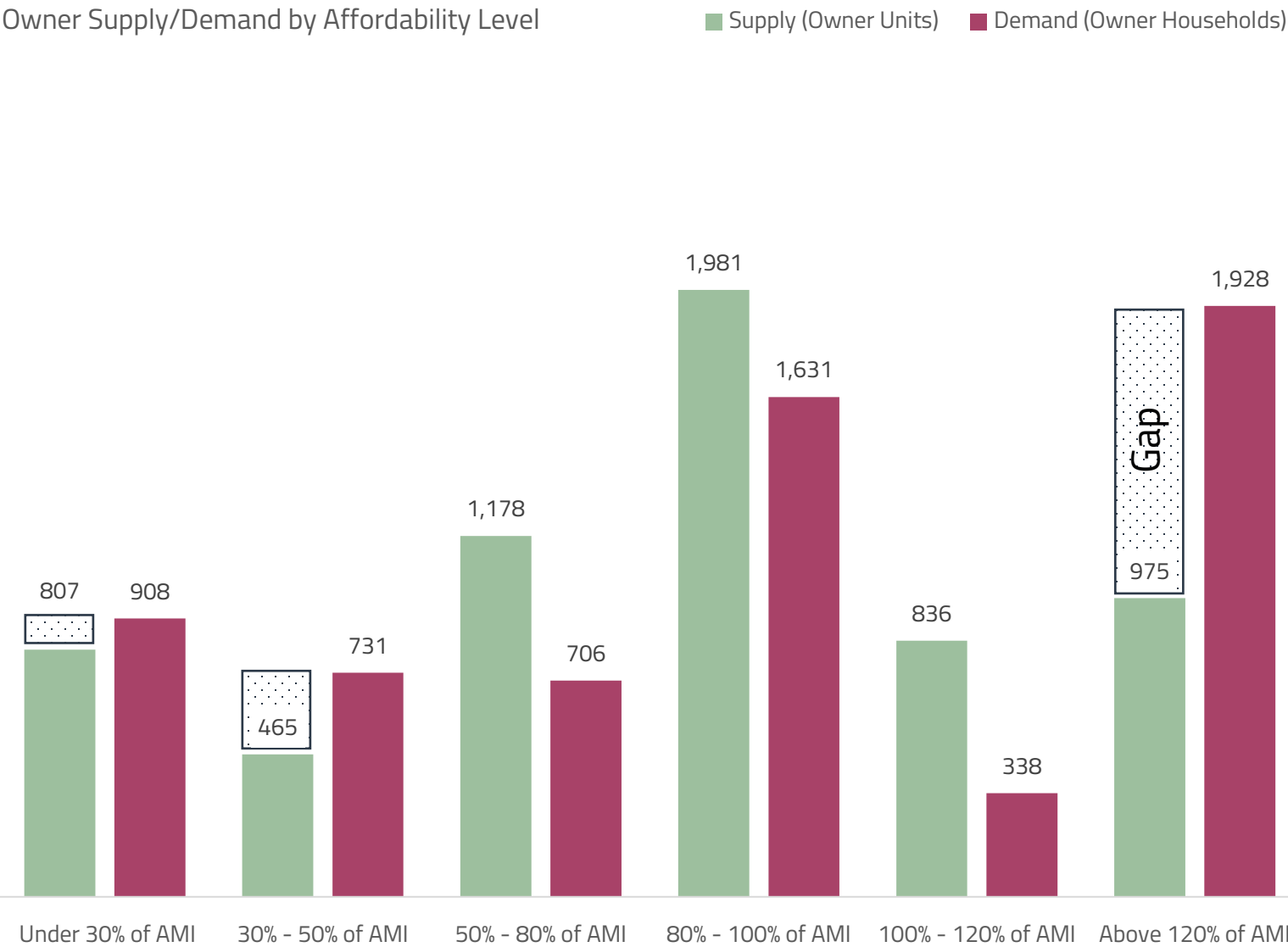
It then takes all rental units by gross rent and totals them by what's affordable at each AMI level.

Based on this estimation, there is demand for units affordable to households earning below 30% of AMI (\$37,500) and above 100% of AMI (\$125,000)

Renter Supply/Demand by Affordability Level



There is an undersupply of units to meet the demand of low- and high-income households.



Similar to the renter affordability gap, the ownership affordability gap analysis, tabulates all owner households into their respective AMI band based on annual household income.

To calculate affordability levels based on home values, an average property tax for the region, average 30-year fixed mortgage rate, and homeowners' insurance rate are used with each AMI band's income level to calculate a theoretical max affordable value.

Based on these estimates, there is a gap in ownership units affordable to households earning less than 50% of AMI and over 120% of AMI. When housing markets have this type of dynamic on either end of the spectrum, competition for ownership units compresses in the middle of the market driving up housing values. This is a trend experienced nationally during 2021 – 2022 when interest rates were exceptionally low.



Employment and Industry Sector Analysis

Like many communities in Westchester County, Peekskill is a net exporter of workers.



Workers in Peekskill by Residence

| Home Area | Count of | | Share |
|---------------|----------|-------|-------|
| | Workers | | |
| Peekskill | 1,119 | 19.8% | |
| Cortlandt | 632 | 11.2% | |
| Yorktown | 222 | 3.9% | |
| Putnam Valley | 145 | 2.6% | |
| Bronx | 131 | 2.3% | |
| Fishkill | 130 | 2.3% | |
| Ossining | 126 | 2.2% | |
| Carmel | 124 | 2.2% | |
| Wappinger | 113 | 2.0% | |
| Poughkeepsie | 103 | 1.8% | |

Residents of Peekskill by Place of Work

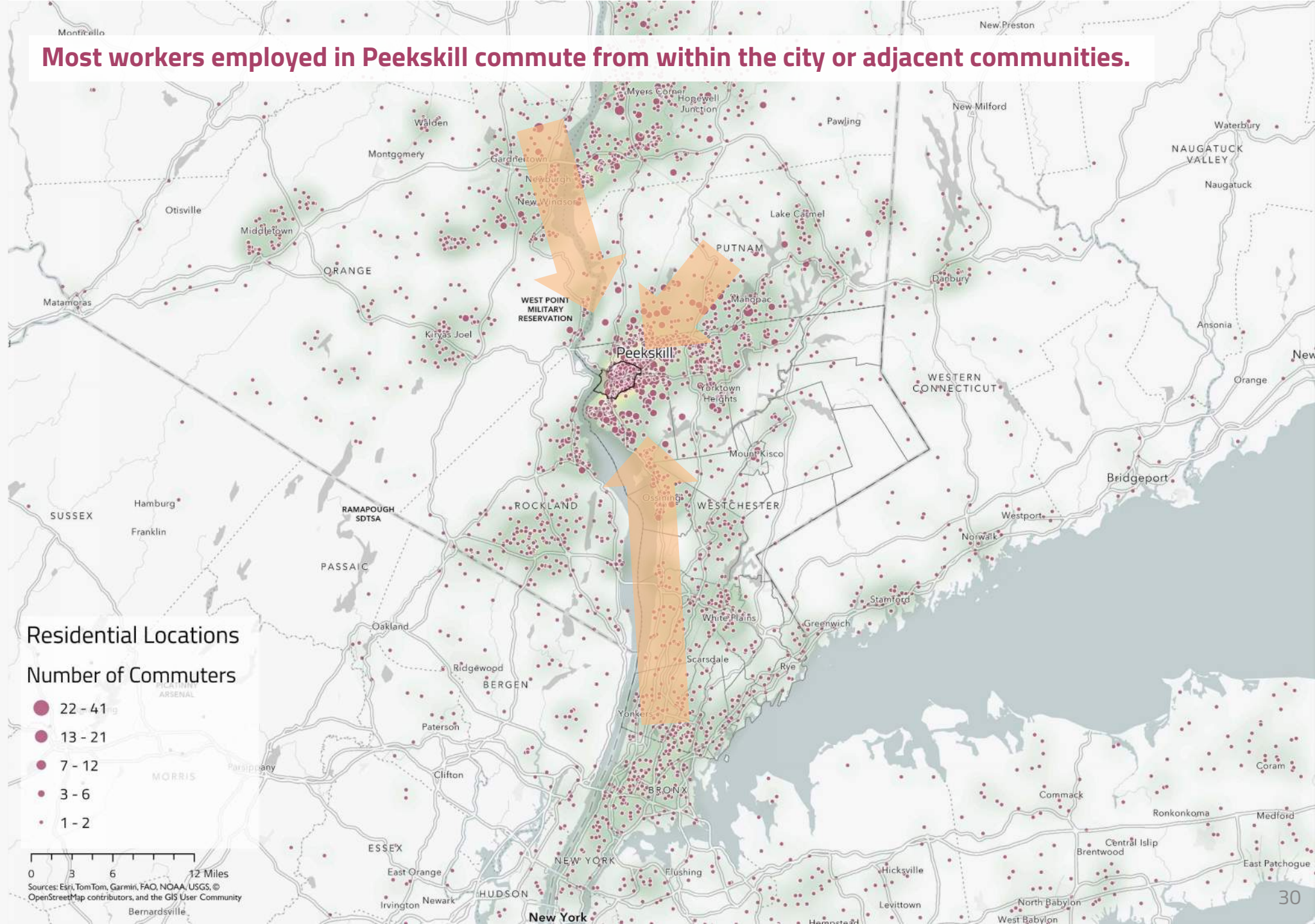
| Work Destination Area | Count of | | Share |
|-----------------------|----------|-------|-------|
| | Workers | | |
| Manhattan | 1,872 | 17.2% | |
| Peekskill | 1,119 | 10.3% | |
| Cortlandt | 891 | 8.2% | |
| Yorktown | 590 | 5.4% | |
| Bronx | 455 | 4.2% | |
| Mount Pleasant | 405 | 3.7% | |
| White Plains | 395 | 3.6% | |
| Greenburgh | 388 | 3.6% | |
| Brooklyn | 358 | 3.3% | |
| Queens | 328 | 3.0% | |

Based on the most recent US Census, LEHD Origin-Destination Employment Statistics (LODES), Peekskill is a net exporter of workers. This means that most residents of the community commute outside of Peekskill for work while a fraction live and work in Peekskill. Despite the net outflows of workers many workers in Peekskill commute into the city from neighboring communities.

Most workers employed in Peekskill commute from within the city or adjacent communities.

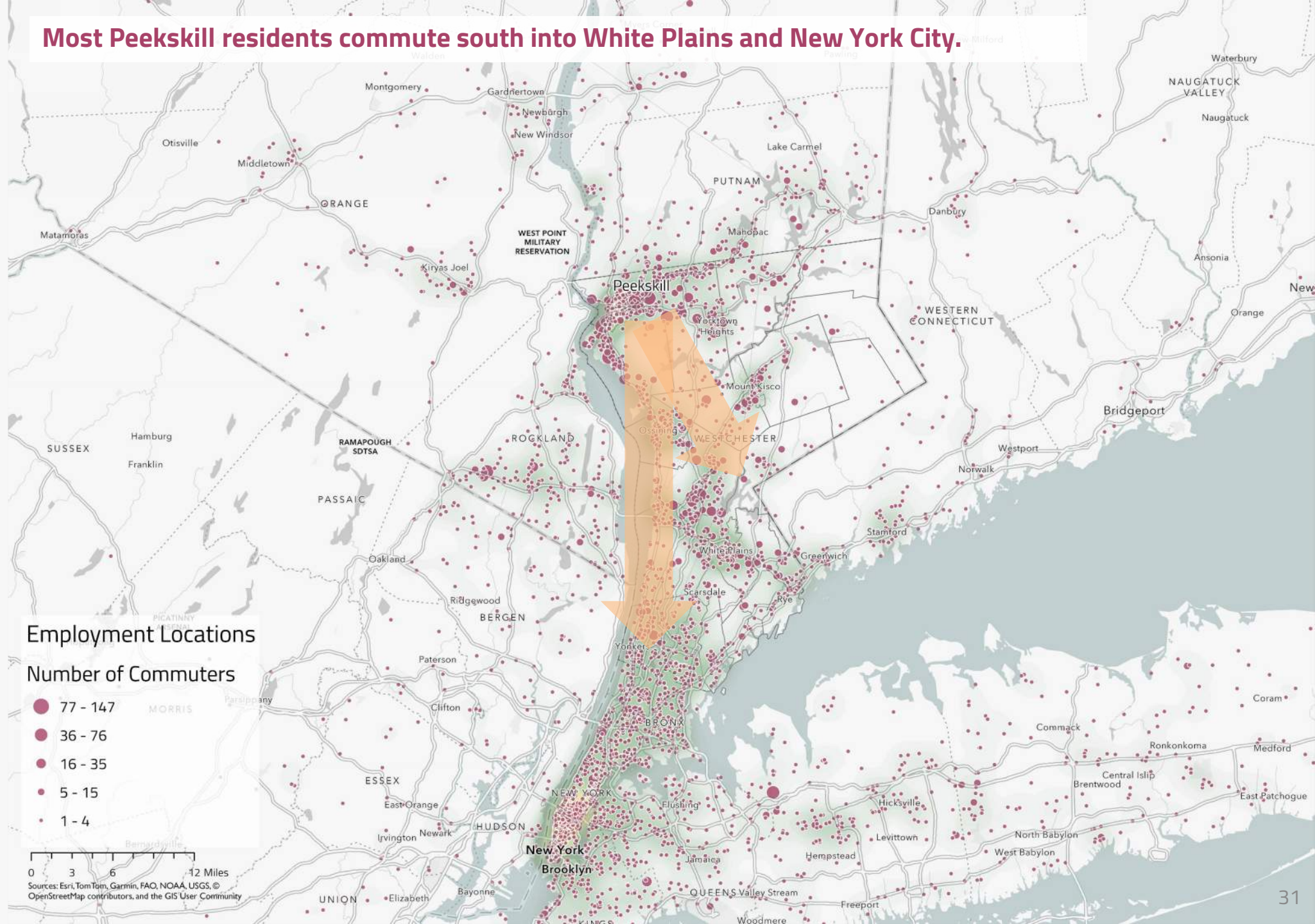
This map shows where workers employed in Peekskill commute from.

Most workers in Peekskill commute from neighboring communities in Westchester county, the Bronx and along Hudson river into the Newburgh area.



Most Peekskill residents commute south into White Plains and New York City.

Based on the mapping of employment destinations (dots) for residents of Peekskill, the majority commute to of Westchester county and into New York City.



From pre-pandemic to post-pandemic Accommodations, Food Services, Professional Services, and Construction saw higher growth.

| NAICS | Description | 2019 Jobs | 2023 Jobs | % Change |
|-------|--|--------------|--------------|----------|
| 90 | Government | 1,963 | 1,735 | (12%) |
| 62 | Health Care and Social Assistance | 1,334 | 1,214 | (9%) |
| 72 | Accommodation and Food Services | 898 | 984 | 10% |
| 44 | Retail Trade | 717 | 775 | 8% |
| 23 | Construction | 603 | 709 | 18% |
| 81 | Other Services | 690 | 556 | (19%) |
| 56 | Administrative and Support Services | 435 | 422 | (3%) |
| 31 | Manufacturing | 466 | 397 | (15%) |
| 54 | Professional, Scientific, and Technical Services | 223 | 328 | 47% |
| 42 | Wholesale Trade | 240 | 212 | (12%) |
| 48 | Transportation and Warehousing | 107 | 171 | 60% |
| 51 | Information | 101 | 123 | 22% |
| 61 | Educational Services | 143 | 116 | (19%) |
| 52 | Finance and Insurance | 90 | 112 | 24% |
| 71 | Arts, Entertainment, and Recreation | 92 | 98 | 7% |
| 55 | Management of Companies and Enterprises | 117 | 79 | (32%) |
| 53 | Real Estate and Rental and Leasing | 78 | 58 | (25%) |
| | | 8,326 | 8,136 | |

Several industry sectors across Peekskill’s local economy were hard hit during the COVID-19 pandemic including Government, Healthcare, Manufacturing, Educational Services, Management, and Real Estate.

Some of these sectors could be considered as potential targets for new space at the three study area sites for this project including manufacturing/industrial space, professional office space, or medical office space.

However, some industry sectors have bounced back following COVID economic shifts and could also be potential targets for new space including small retail and restaurants, space to support the construction industry, office space for professional or technical companies, and finance and insurance.

More detailed industry codes reveal some potential for future space demand.

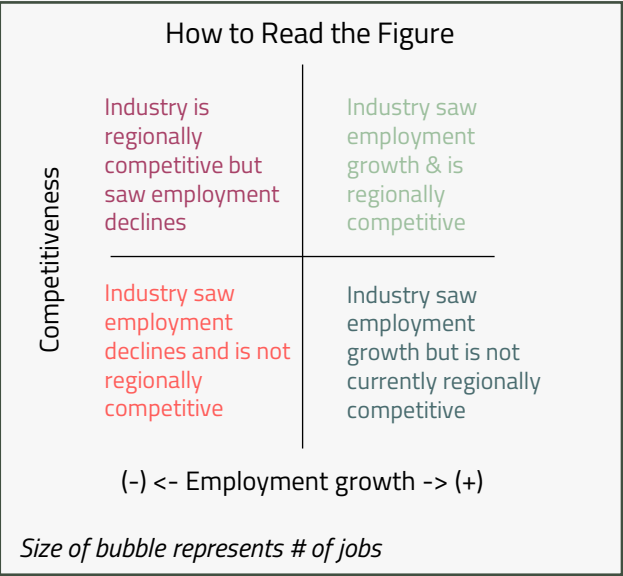
| NAICS | Description | 2019 Jobs | 2023 Jobs | # Change |
|-------|---|--------------|--------------|----------|
| 7225 | Restaurants and Other Eating Places | 838 | 947 | 109 |
| 2371 | Utility System Construction | 96 | 146 | 50 |
| 6233 | Continuing Care Retirement Communities and Assisted Living Facilities | 200 | 245 | 46 |
| 4921 | Couriers and Express Delivery Services | 26 | 67 | 41 |
| 4451 | Grocery Stores | 261 | 301 | 39 |
| 5121 | Motion Picture and Video Industries | 40 | 72 | 32 |
| 5411 | Legal Services | 52 | 76 | 24 |
| 5415 | Computer Systems Design and Related Services | 45 | 66 | 22 |
| 5412 | Accounting, Tax Preparation, Bookkeeping, and Payroll Services | 47 | 68 | 21 |
| 2389 | Other Specialty Trade Contractors | 77 | 98 | 21 |
| 2382 | Building Equipment Contractors | 124 | 143 | 19 |
| 3121 | Beverage Manufacturing | 56 | 73 | 17 |
| 2381 | Foundation, Structure, and Building Exterior Contractors | 53 | 68 | 15 |
| 5413 | Architectural, Engineering, and Related Services | 29 | 41 | 12 |
| 6111 | Elementary and Secondary Schools | 19 | 30 | 11 |
| 9012 | Federal Government, Military | 572 | 583 | 10 |

Looking more closely at specific types of industry sectors that have shown some job growth in Peekskill over the past five years, we see job growth in restaurants and eating places, construction and contractor sectors, personal services like legal and accounting, and healthcare for the elderly.

These could be targets for new commercial space, albeit smaller spaces more appropriate for the organic growth Peekskill has seen in its past.

The figure on the left captures the competitiveness of Peekskill's industries based on employment concentration and specialization and the job growth each industry has experienced since 2019.

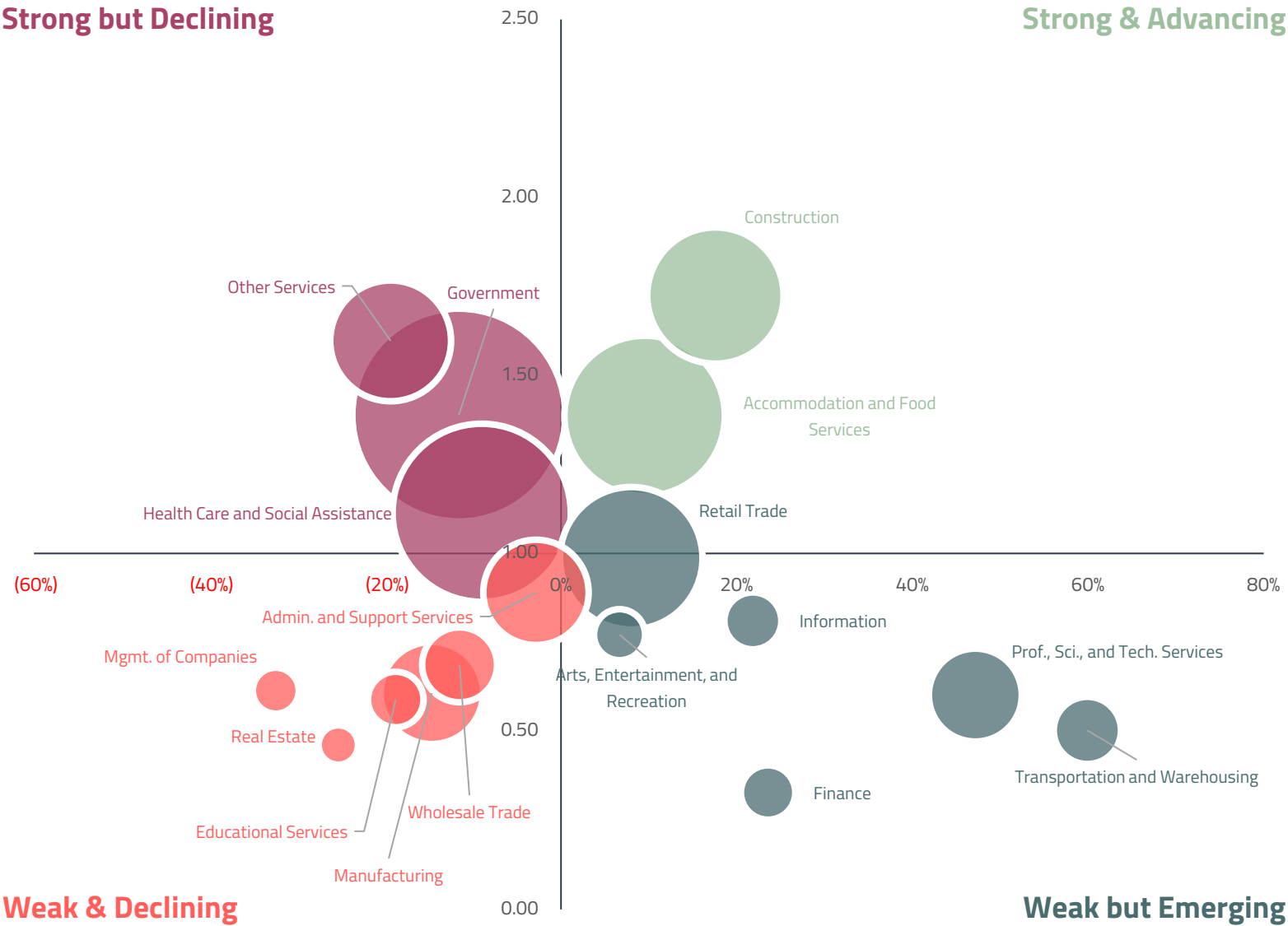
Based on jobs growth and industry concentration, construction and accommodation and food service have rebounded since the pandemic and remain Peekskill's most competitive industry sectors. Other goods and services-based industries such as retail as well as information, finance and professional services have continued to see job growth—which is a reflection of the continue growth of service-based industries.



Construction & Accommodation & Food Service are Peekskill's most competitive industries.

Strong but Declining

Strong & Advancing



Weak & Declining

Weak but Emerging

Over the next ten years, Peekskill is projected to gain over 1,200 new jobs.

| NAICS | Description | 2024 Jobs | 2034 Jobs | % Change |
|-------|--|--------------|--------------|----------|
| 90 | Government | 1,769 | 2,012 | 23% |
| 62 | Health Care and Social Assistance | 1,242 | 1,400 | 21% |
| 72 | Accommodation and Food Services | 1,001 | 1,059 | 13% |
| 44 | Retail Trade | 775 | 777 | 7% |
| 23 | Construction | 720 | 759 | 13% |
| 81 | Other Services | 573 | 645 | 20% |
| 56 | Administrative and Support Services | 424 | 426 | 8% |
| 54 | Professional, Scientific, and Technical Services | 338 | 380 | 20% |
| 31 | Manufacturing | 391 | 363 | (1%) |
| 48 | Transportation and Warehousing | 174 | 189 | 17% |
| 42 | Wholesale Trade | 209 | 180 | (8%) |
| 51 | Information | 121 | 113 | 7% |
| 71 | Arts, Entertainment, and Recreation | 101 | 112 | (1%) |
| 52 | Finance and Insurance | 111 | 108 | 18% |
| 61 | Educational Services | 107 | 97 | 5% |
| 55 | Management of Companies and Enterprises | 79 | 80 | 8% |
| 53 | Real Estate and Rental and Leasing | 59 | 64 | 16% |
| | | 8,245 | 8,849 | 7% |

Over the next ten years, Peekskill is projected to see job growth of just over 600 new jobs (+7%) led by increases in Government, Health Care, Accommodations and Food Services, Retail, and Construction sectors.

Several of these sectors could contribute to backfilling existing vacancy in office, industrial, and retail/restaurant space but also show potential for stimulating demand for newly built space.

The increases in employment in health care and social assistance could translate to new opportunities for medical office space while growth in professional and technical services could provide opportunities for more traditional office space.

Historically, Peekskill’s office market has attracted smaller tenants and these employment projections by industry sector suggest a continuation of that demand. These smaller spaces could fit well in a mixed-use development on the subject properties for this study.

Demand is expected to continue for office, medical office, and food service/other service spaces.

Demand for space by employment change is a helpful exercise in understanding how future employment change could drive demand for different space types in Peekskill. This analysis shows how a change in employment by sector could create added demand for office and retail space under the assumption that adding more employees in Peekskill would require the backfilling of vacant space and/or the creation of newly built space.

Projected Office Space Demand by Employment Sector 2024 - 2034

| 2-digit NAICS Industry Sector | Peekskill Change In Employment | SF Demand Projection |
|--|--------------------------------|----------------------|
| Information | (9) | -1,494 |
| Finance and Insurance | (3) | -719 |
| Real Estate and Rental and Leasing | 5 | 997 |
| Professional, Scientific, and Technical Services | 43 | 8,295 |
| Management of Companies and Enterprises | 1 | 160 |
| Administrative and Support and Waste Management and Remediation Services | 2 | 377 |
| Health Care and Social Assistance | 158 | 23,766 |
| Total 10-Year Space Demand Projection | | 31,382 |
| Annualized Space Demand Projection | | 3,138 |

Projected Retail Space Demand by Employment Sector 2024 - 2034

| 2-digit NAICS Industry Sector | Peekskill Change In Employment | SF Demand Projection |
|---------------------------------------|--------------------------------|----------------------|
| Retail Trade | 2 | 431 |
| Arts, Entertainment, and Recreation | 10 | 1,559 |
| Accommodation and Food Services | 58 | 23,227 |
| Other Services | 72 | 14,378 |
| Total 10-Year Space Demand Projection | | 39,595 |
| Annualized Space Demand Projection | | 3,960 |



Office Market

Commercial Real Estate Markets

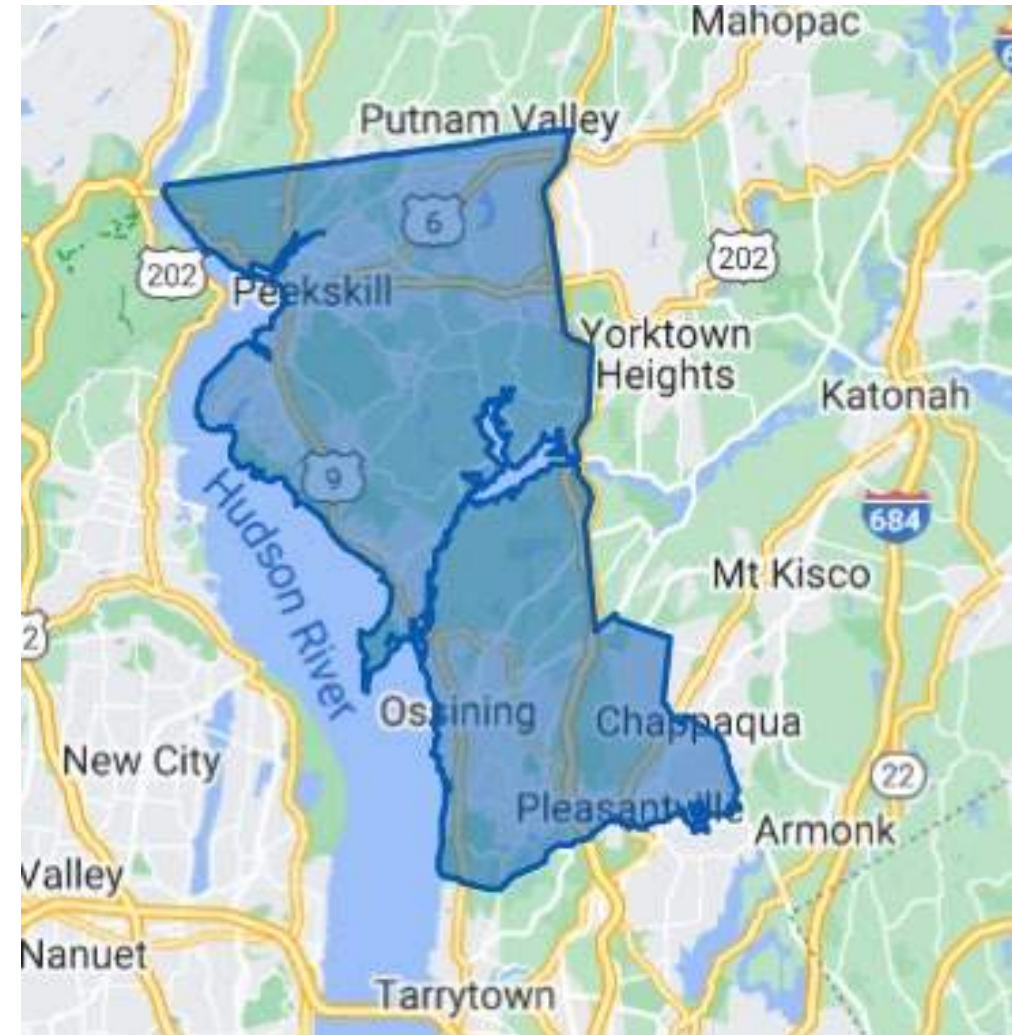
Office market fundamentals continue to struggle.

The Northwest office submarket has a vacancy rate of 8.1% as of the fourth quarter of 2024. In comparison, as of the end of the fourth quarter of 2023, the submarket had a vacancy rate of 9.5%. The year over year change in the Northwest vacancy rate was a result of no net delivered space and 23,000 SF of net absorption over the past year.

The Northwest office submarket has roughly 240,000 SF of space listed as available, for an availability rate of 8.6%. As of the fourth quarter of 2024, there is no office space under construction in Northwest.

In comparison, the submarket has averaged 2,000 SF of under construction inventory over the past 10 years.

Average rents in Northwest are roughly \$32.00/SF, compared to the New York average of \$58/SF. Rents have changed by 0.8% year over year in Northwest, compared to a change of 1.0% metro wide.

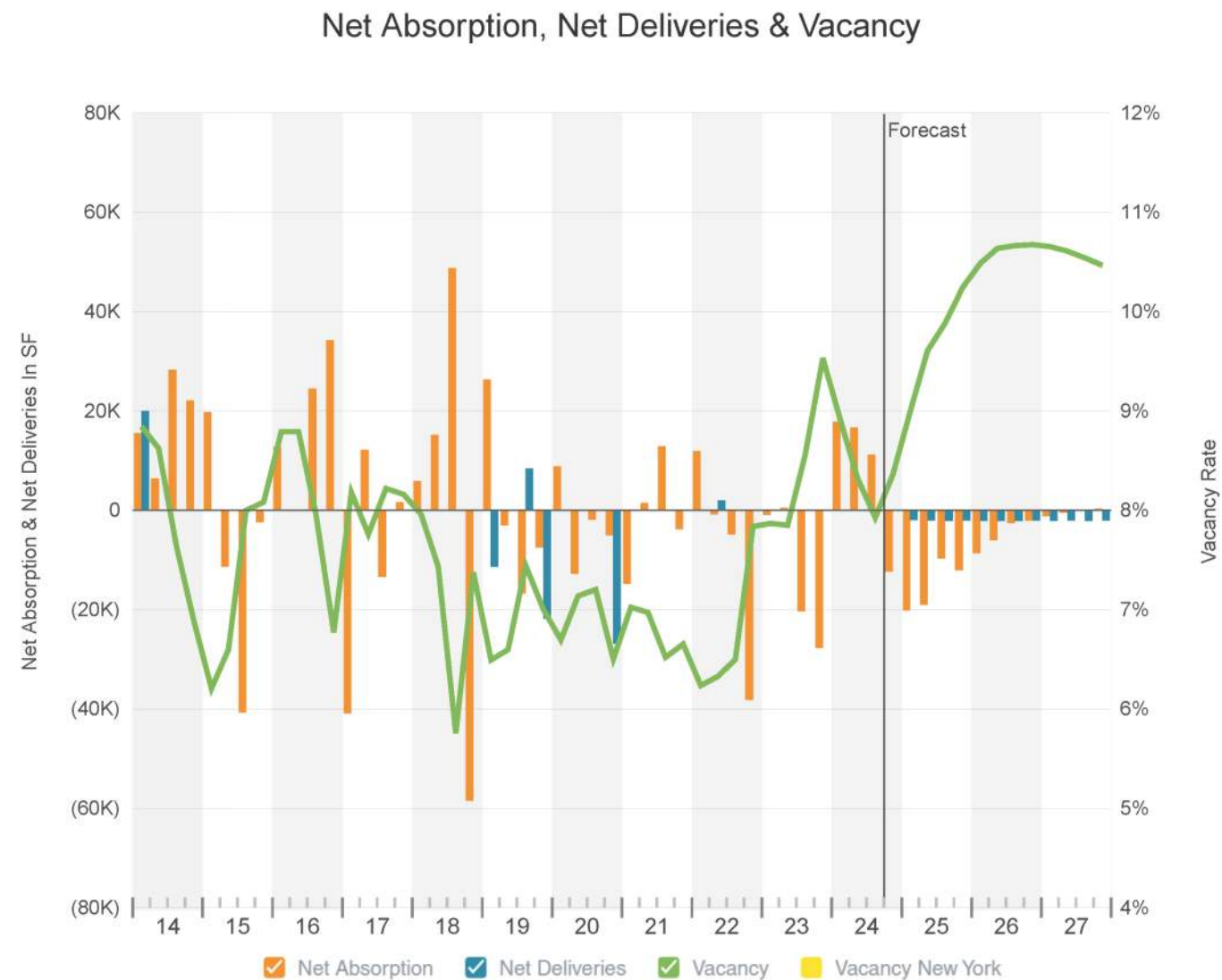


Office market fundamentals are fairly stable in this submarket.

There has not been much new construction in this submarket over the past ten years. Most of the activity has been leasing of existing space or even the demolition/conversion of office space to another use.

CoStar is projecting no new net deliveries and negative absorption over the next three years as vacancy in the submarket rises.

This may signal opportunities to look for office to residential conversions in Peekskill or repositioning of office assets for other commercial uses.



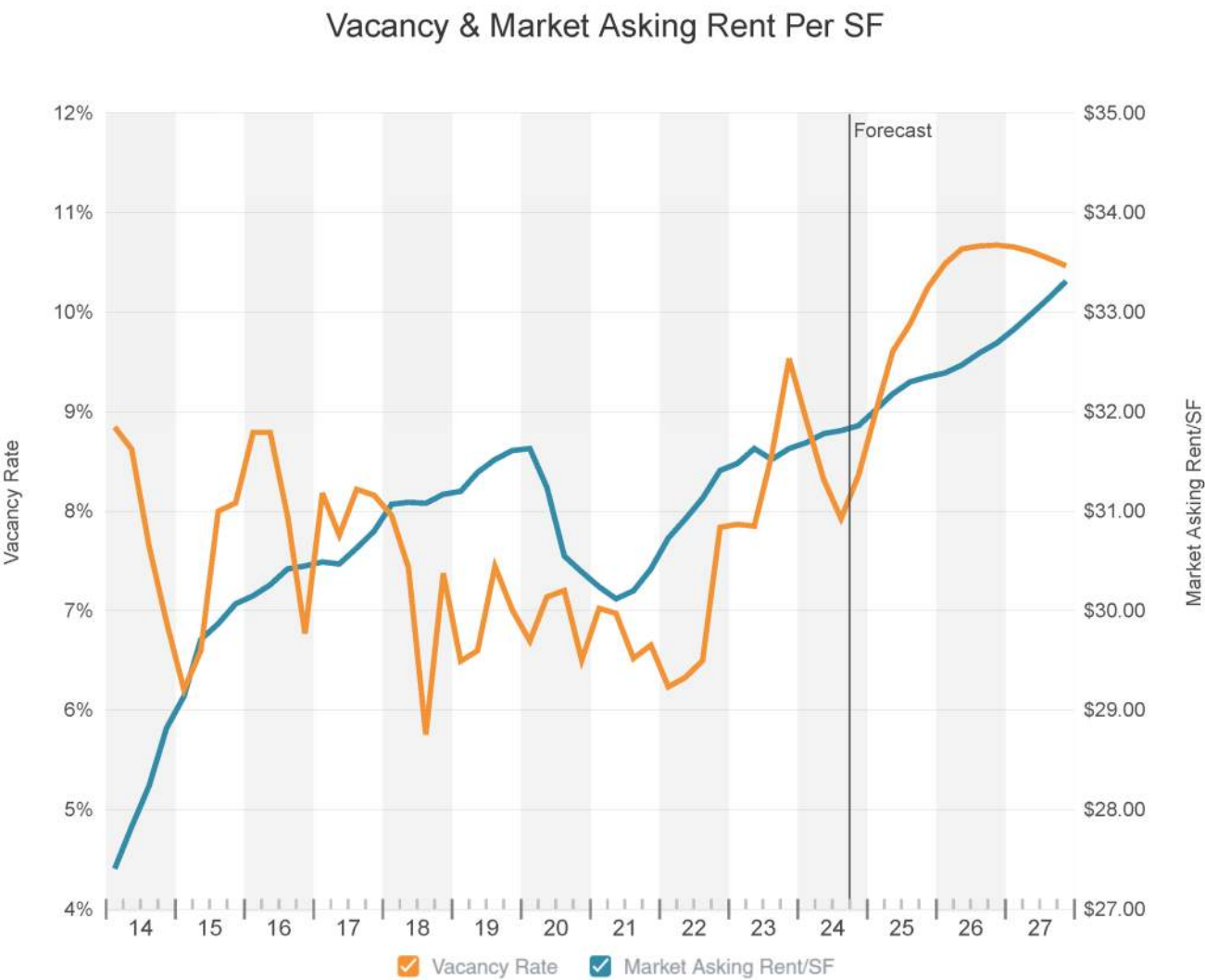
Projected rise in vacancy could place limits on new construction of office.

CoStar is forecasting a rising in office vacancy in the submarket to over 10%. This is 4% higher than historical averages.

Rents are projected to continue to rise modestly escalating with the rise in annual operating costs (utilities, taxes, maintenance, etc.).

Even though office-based employment sectors are projected to increase jobs in Peekskill over the next 10 years, it is likely much of that could be absorbed in the market within vacant space.

There are likely limited opportunities for new office uses unless they are part of a smaller mixed-use building, or a tenant is already secured by a developer and looking for specific purpose-built space.



Peekskill is performing well with lower vacancy and positive absorption.

RKG reviewed 48 office properties tracked by CoStar in Peekskill today. Our earlier analysis on office demand suggests there could be demand for up to 31,000 SF over the next ten years, but there is currently 41,000 SF of vacant office space on the market today. It's possible that much of the demand from new employees could be absorbed in vacant spaces if those spaces are priced appropriately and fit out/improved to the standards of today's tenants.

Market Metrics

| | |
|--------------------------|----------------------|
| Total Inventory | 696,000 SF |
| Vacancy Rate | 6.0% (41k SF) |
| Net Absorption (12 mo) | +17,600 SF |
| Average Asking Rent | \$25.20/SF |
| Median Size of an Office | 5,300 SF |





Retail Market

Commercial Real Estate Markets

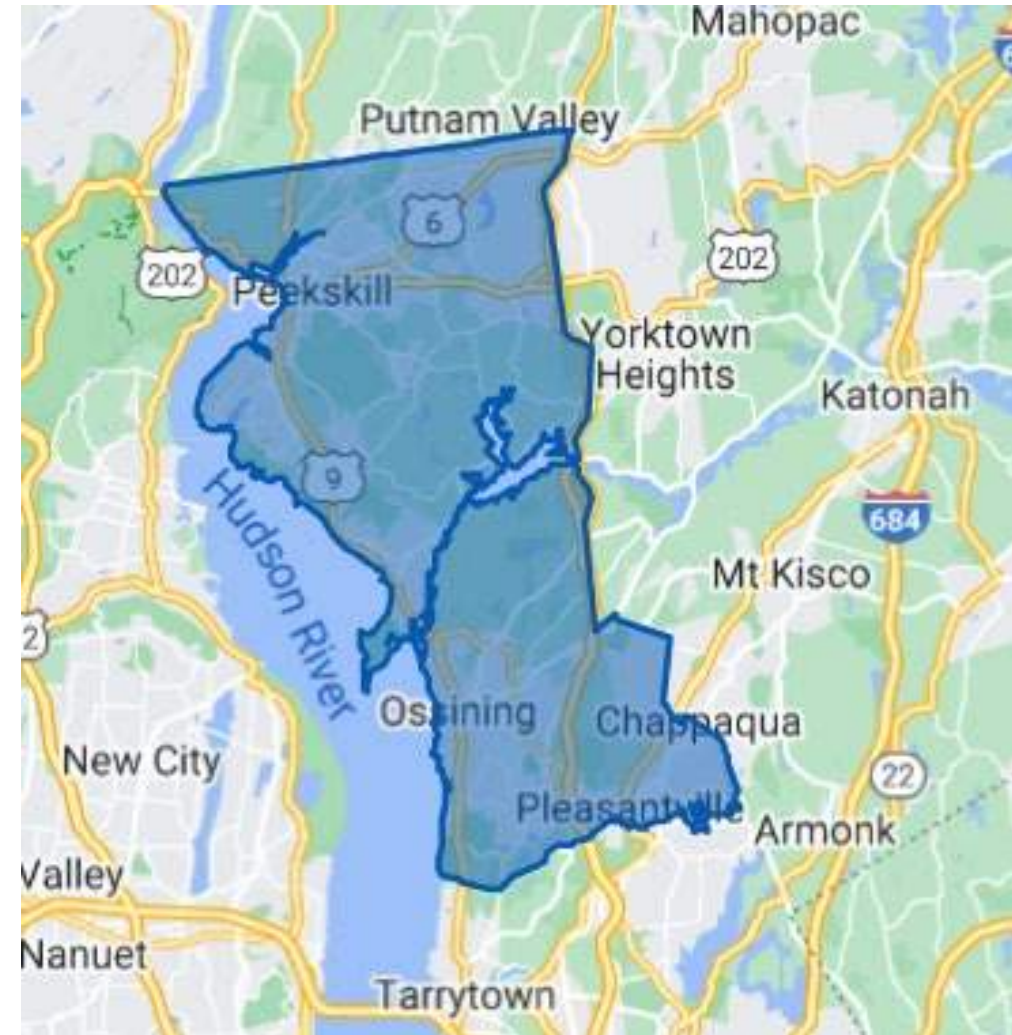
Retail vacancy has increased recently with very little new space constructed.

The Northwest retail submarket has a vacancy rate of 4.3% as of the fourth quarter of 2024. In comparison, as of the end of the fourth quarter of 2023, the submarket had a vacancy rate of 3.3%. This is the result of -74,000 SF of net absorption over the past year.

Northwest's vacancy rate of 4.3% compares to the submarket's five-year average of 3.1% and the 10-year average of 3.9%. There is roughly 320,000 SF of space listed as available.

As of the fourth quarter of 2024, there is no retail space under construction in Northwest. In comparison, the submarket has averaged 12,000 SF of under construction inventory over the past 10 years.

The Northwest retail submarket contains roughly 6.2 million SF of inventory. The market has approximately 1.3 million SF of neighborhood center inventory, 730,000 SF of power center inventory, 290,000 SF of strip center inventory, 220,000 SF of mall inventory, and 3.7 million SF of general retail.

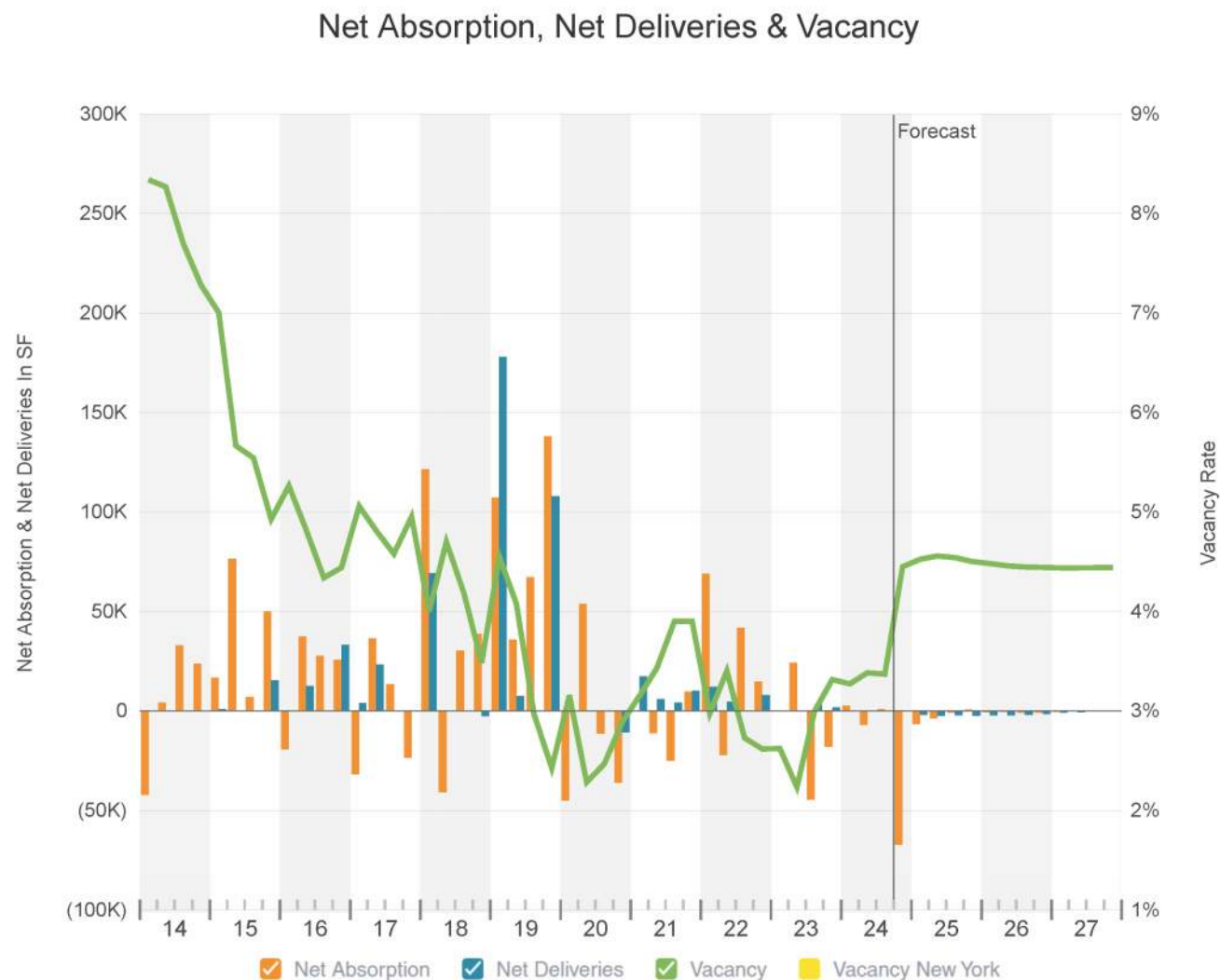


Recent negative absorption has led to an increase in the submarket vacancy rate.

Retail fundamentals continue to recover in the post-COVID market. Prior to 2020, vacancy was declining while rents were steadily rising. As the pandemic hit, the submarket experienced an uptick in vacancy in 2020 but by 2021 vacancy returned to below 2.0%.

Changes in overall vacancy tend to fluctuate with new retail space deliveries and subsequent absorption of space. This seems to indicate that as new space enters the market, it does not take long to lease up.

Historically, the vacancy rate in this submarket is closer to 1.5% across a total inventory of 2.6M SF of space.



Rents have been steadily rising as vacancy has fallen in the submarket.

Rents have continued to escalate in the submarket as vacancy has declined.

We see a plateau in rents in 2024 due to negative net absorption which led to an increase in overall vacancy.

As vacancy plateaus over the next few years, rents are projected to continue to escalate at historic averages.

Retail stores and restaurants in neighborhood centers (think downtown) are outperforming their counterparts in Power Centers and Strip Centers. This could be resulting from the resurgence of downtowns, new commercial spaces in mixed use buildings, and/or proximity to public transit.



Peekskill has seen rising vacancy and negative absorption over the past 12 months.

RKG reviewed 166 retail properties tracked by CoStar in Peekskill today. The largest vacancies are found in the Beach Shopping Center where there is over 46,000 SF of space available.

Market Metrics

| | |
|------------------------|---------------|
| Total Inventory | 1.2M SF |
| Vacancy Rate | 6.4% (79k SF) |
| Net Absorption (12 mo) | -15,000 SF |
| Average Asking Rent | \$25.69/SF |
| Median Size of a Store | 3,582 SF |



Retail and Restaurant Considerations for the Area

If retail and restaurant space is planned to be a component of future development plans for these sites, the city may want to consider flexible zoning that allows for a wider variety of uses to help differentiate the offerings here and not create cannibalize sales from existing businesses in the downtown area.

Some potential retail and restaurant categories may include:

- Smaller scale fast casual dining options
- Cafes, sandwich shops
- Expanding ethnic food offerings
- Outdoor recreation focused retail (boating, fishing, hiking, etc.)
- Fitness and wellness (gym/fitness, personal wellness, health foods, supplements, etc.)
- Personal care (nail salon, hair salon/barbershop, skin care, etc.)
- Arts and culture (artisan maker space with retail component, craft market, niche specialty goods store, etc.)





Industrial Market

Commercial Real Estate Markets

The broader industrial market is stable with steady rent increases and a slight uptick in vacancy.

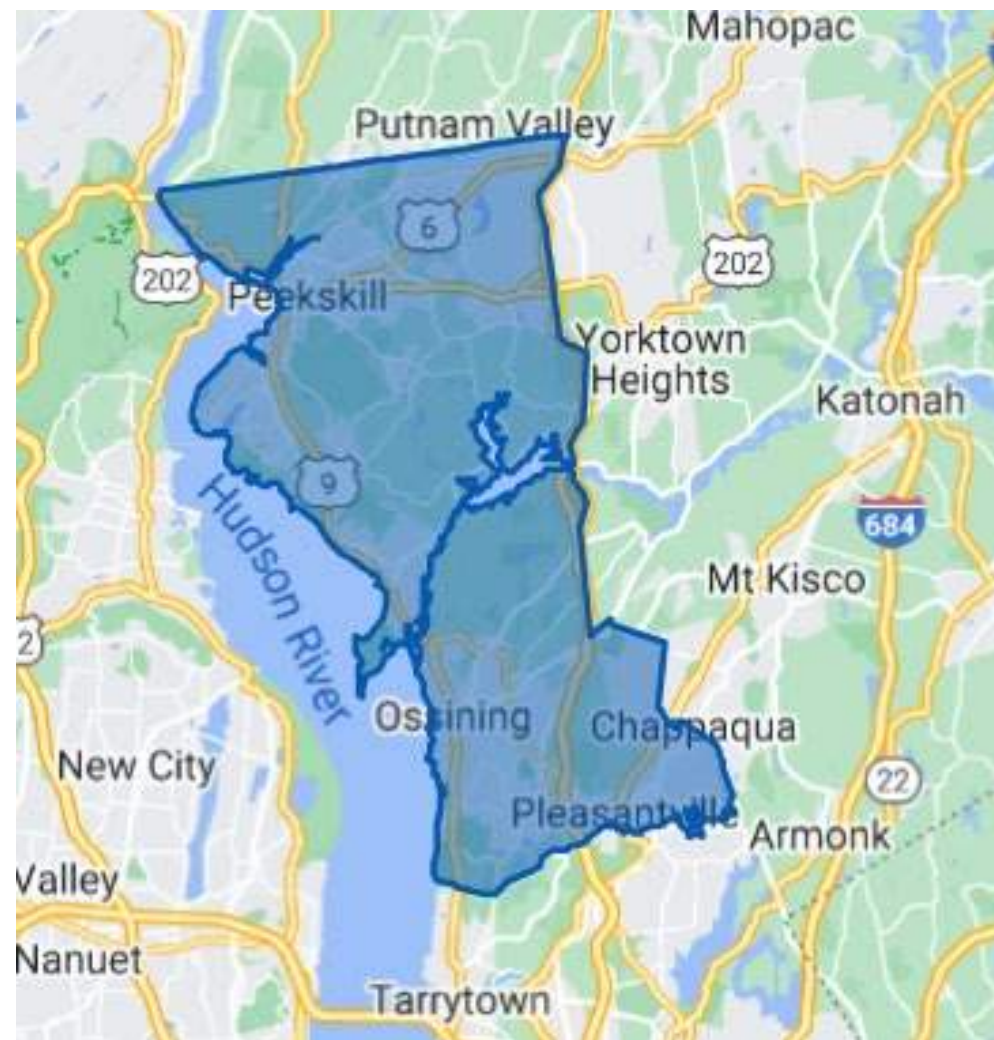
The Northwest industrial submarket has a vacancy rate of 5.0% as of the fourth quarter of 2024 which compares to the submarket's five-year average of 3.7%, and the 10-year average of 3.7%.

The Northwest industrial submarket has roughly 190,000 SF of space listed as available. As of the fourth quarter of 2024, there is no industrial space under construction in the market which has averaged 3,400 SF of constructed inventory a year over the past 10 years.

The Northwest industrial submarket contains roughly 3.9 million SF of total inventory broken out into 1.7 million SF of logistics space, 840,000 SF of flex space, and 1.3 million SF of specialized space.

Market rents in Northwest are \$22.00/SF with average rents around \$21.00/SF for logistics buildings, \$23.00/SF for flex properties, and \$21.00/SF for specialized assets.

Rents have increased 1.9% year over year in the market, compared to a change of 2.5% market wide. Market rents have changed by 1.6% in logistics buildings year over year, 1.4% in flex buildings, and 2.7% in specialized buildings. Annual rent growth of 1.9% compares to the submarket's five-year average of 5.9% and its 10-year average of 6.0%.

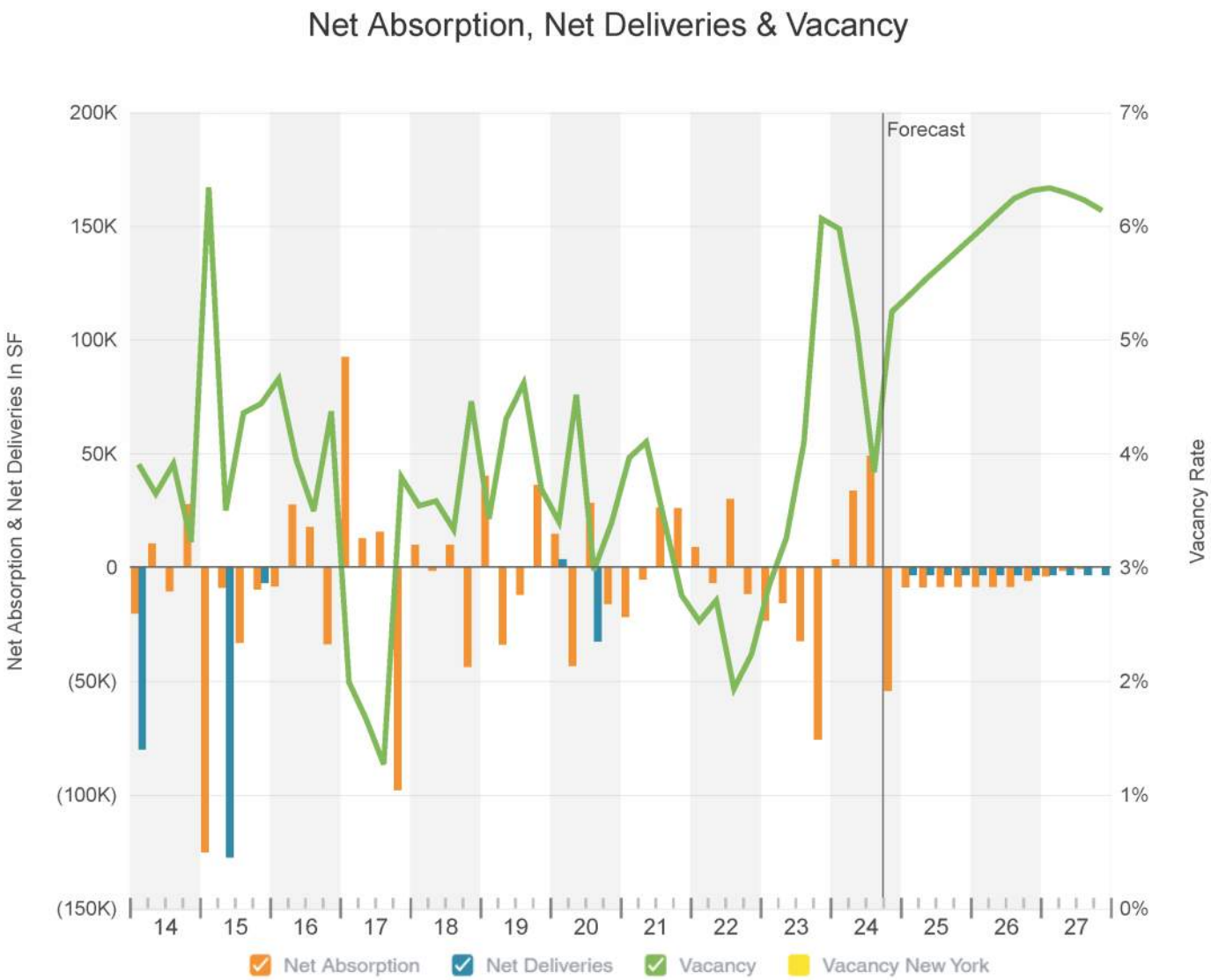


Recent negative absorption has led to an increase in the submarket vacancy rate.

The Northwest industrial submarket has seen little in the way of new industrial space delivered to the market in the past 10 years. In fact, most of the changes to space in the submarket has been through industrial space removed from the submarket for one reason or another.

Most of the activity has been in existing spaces as tenants have vacated and new tenants have moved in. The graph on the right shows that movement of tenants in existing space over time indicated by the orange bars. Blue bars represent net new additions (upward blue bars) or space removed from the market (downward blue bars).

Vacancy across all industrial space in the submarket has remained relatively steady with the exception of 2020-2021 when industrial space was in high demand with no new inventory.



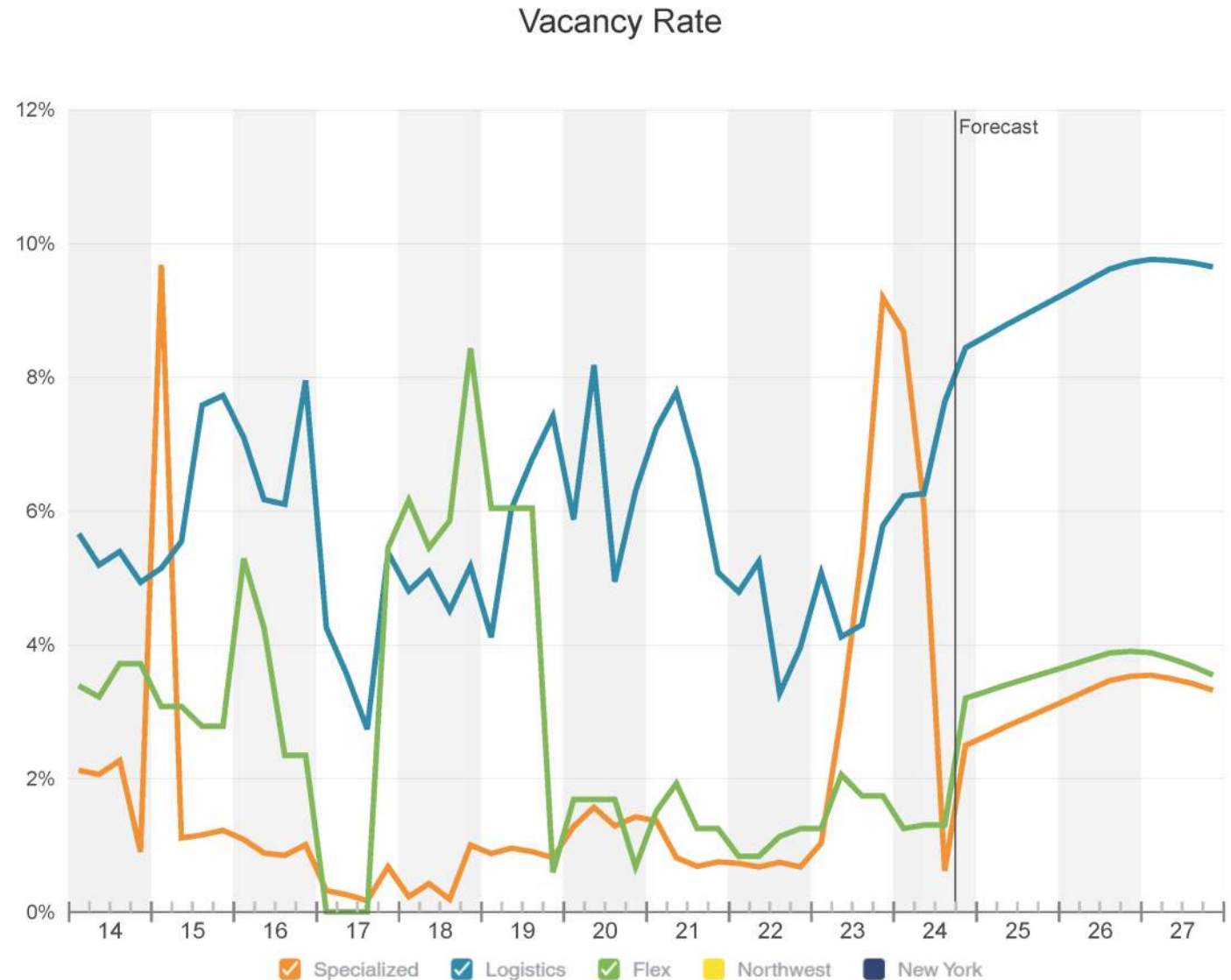
Vacancy rates are not consistent across industrial space types.

In the submarket, vacancy rates are not consistent across the different types of industrial space available. Logistics space has the highest overall vacancy rate of around 8% today and is projected to continue to climb as we move further from the high demand period of COVID.

Flex and specialized spaces have historically had very low vacancy rates as the supply of those spaces (particularly flex space) is lower than larger logistics/transportation-related industrial spaces.

Flex spaces are unique in that they blend industrial with office, warehousing, distribution, retail, and even sometimes R&D uses. Most commonly a flex space might have a production side and a shipping/distribution side within the same building. These spaces can create a one-stop shop for businesses rather than having to lease separate facilities or hire a third-party vendor.

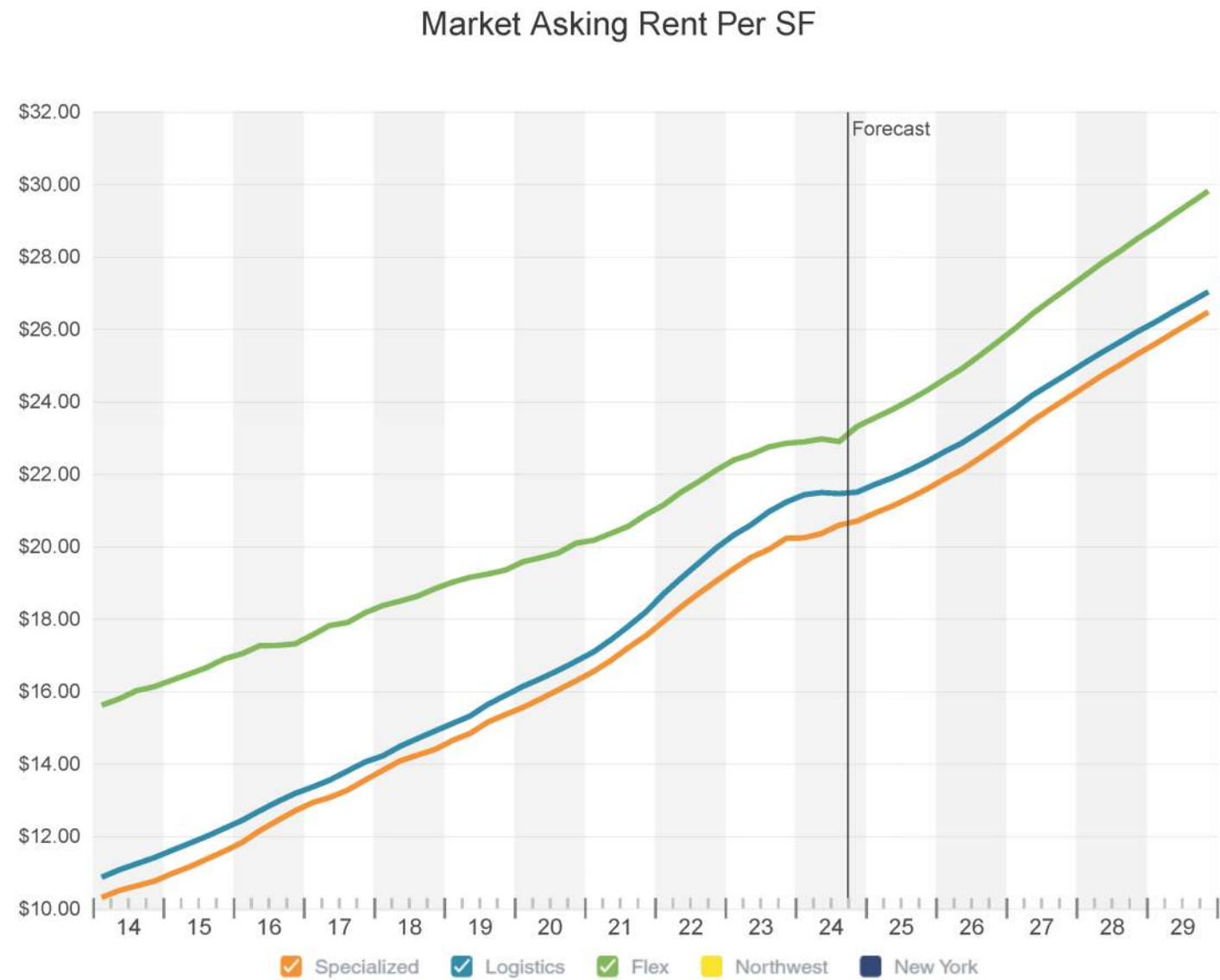
Flexibility in the spaces designed for the subject properties in this study is going to be key to ensuring they are successful and leased at market rents.



Rents have been rising, particularly post 2021.

Like vacancy rates, rents for different industrial space typologies are different. Flex space which benefits from a broader range of uses also has the highest per square foot rent in the market at \$22.89/SF.

The per square foot lease rates for both specialized and logistics spaces have seen rapid growth particularly during and after COVID as demand for logistic space increased substantially. Rents for these spaces has more than doubled since 2014 with logistics space leasing for \$21.45/SF and specialized space at \$20.58/SF.



Peekskill has seen rising vacancy and negative absorption over the past 12 months.

RKG reviewed 54 industrial and flex properties tracked by CoStar in Peekskill today. The majority of industrial spaces in Peekskill are older manufacturing and warehouse properties of a smaller footprint.

Market Metrics

| | |
|---------------------------|----------------|
| Total Inventory | 1.2M SF |
| Vacancy Rate | 9.7% (124k SF) |
| Net Absorption (12 mo) | +19,766 SF |
| Average Asking Rent | \$20.75/SF |
| Median Size of a Building | 10,880 SF |





Sports Complexes

Competitive Facilities

Peekskill has seen rising vacancy and negative absorption over the past 12 months.

RKG pulled location and categorical data for all sports and recreation-based businesses within a 30-minute drive of the 100 South Street location. The following is a snapshot of the number of businesses within that 30-minute drive time that fall into various sports and recreation categories.

| NAICS Codes | Business Type | Number of Businesses within 30-minutes |
|--------------------------------|--|--|
| 794104 | Stadiums Arenas & Athletic Fields | 24 |
| 799701 | Recreation Centers | 4 |
| 799901 | Skating Rinks | 7 |
| 799962, 799901 | Skating Instruction | 1 |
| 799703, 794104 | Tennis Courts-Private | 5 |
| 799971 | Tennis Courts-Public | 1 |
| 799970 | Tennis Instruction | 2 |
| 799932 | Golf Instruction | 3 |
| 799931 | Golf Practice Ranges | 4 |
| 799969 | Swimming Pools-Public | 7 |
| 799967 | Swimming Instruction | 5 |
| 799704, 799969 | Swimming Pools-Private | 5 |
| 799908 | Baseball Batting Ranges | 2 |
| 799936 | Gymnastic Instruction | 8 |
| 799708 | Sports Instruction | 8 |
| 799961, 703203, 799914, 821103 | Sailing Instruction | 1 |
| 794110 | Sports-Indoor | 3 |

Potential opportunities for sports and recreation related uses could include:

- Water-related recreation
- Hiking or climbing
- Indoor/Outdoor Soccer or Football
- Indoor/Outdoor Lacrosse or Field Hockey
- Indoor/Outdoor Basketball
- Indoor/Outdoor Pickleball
- Indoor/Outdoor Volleyball

*These suggestions have not been vetted by RKG Associates; they are only based on what facility/businesses do not appear to be represented in the 30-minute drive time. Any further pursuit of these options should be coupled with a sports/recreation specific market analysis.

