

MARKETBEAT

BUFFALO OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q10

AT A GLANCE

•Buffalo's CBD office market has seen an increase in vacancy during the current, prolonged recession. Almost every major building has multiple space opportunities in this very strong "tenants" market, resulting in downward pressure on rental rates. Landlords are offering more incentives to attract and maintain tenants. The quarter was marked by an increasing number of "blend & extend" transactions. Leasing velocity in the second quarter remained relatively low.

•Unlike the CBD, the suburban market added three new buildings since 2008: 6500 Sheridan Drive, 300 Airborne Pkwy and 2410 North Forest Road. The buildings are being filled incrementally by tenants including Marsh USA, Solar Liberty, ACE Insurance, Coventry Health Care and Hogan & Willig. The class A market is stable and rental rates have experienced a slight increase from \$21.00/sf to \$23.50/sf. The class B and flex office market expanded marginally beyond demand during the past six years. Compared to the class A market, B and flex office vacancy is greater. Rental rates range from \$17-\$18 psf.

•P&B Capital, a collections firm of five years, outgrew its space at 465 Ellicott Street and moved into 15,000 square feet (sf) of newly renovated space on the first floor at 369 Washington Street. The top four floors consist of 48 units of which 45 are already leased.

•Buffalo has seen a growth in the use of space by institutions of higher education. Roberts Wesleyan College expanded its masters program by leasing new class A space at Sheridan Meadows North. Empire State College is expanding its Cheektowaga campus by 25,000-sf in the former "Appletree Mall," which is an example of very successful adaptive reuse. Also, Bryant & Stratton is shifting from a leased property in Amherst into a new campus on Millersport Highway, while also expanding its current campus in Orchard Park.

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional			
Unemployment	8.4%	8.4%	8.3%
Employment Growth	-2.5%	0.7%	1.4%

Source: Moody's/Economy.com

Beat on the Street

"Tenants and landlords, without seeing any real 'light at the end of the economic tunnel', are realizing the necessity of making prudent decisions instead of postponing all decisions. This realization, and 'pent-up demand', will drive transaction velocity higher in the next two quarters."

-David Schiller, SIOR

MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	BUILDING CLASS
6030 N Bailey Ave	Desigraphix	26,703	B
369 Washington Ave	P&B Capital	15,000	A

SIGNIFICANT 2Q10 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
4575 Main St	N/A	11,334	\$900,000
65 Goodell St	University at Buffalo Foundation	8,400	\$875,000

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
N/A			

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
N/A			

MARKET STATISTICS

MARKET	INVENTORY	OVERALL VACANCY	YTD LEASING ACTIVITY	DIRECT WTD.AVG. CLASS A GROSS RENTAL RATE psf/yr
Amherst/Williamsville	9,987,738	7.1%	135,334	\$23.50
Buffalo/CBD	10,379,834	13.6%	61,606	\$22.00
Total	20,367,572	10.4%	196,940	\$22.75



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*Market terms & definitions based on BOMA and NAIOP standards.

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