

A STUDY
OF
THE ROCHESTER MARKET:
2009 Annual Review

Presented By:

Pyramid Brokerage Company



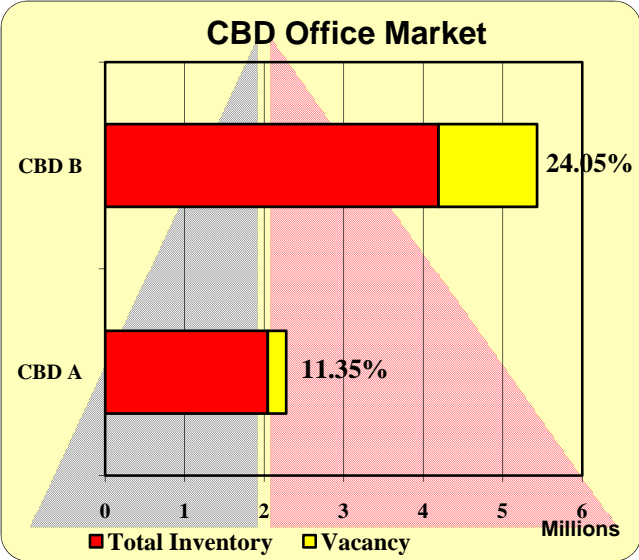
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**Pyramid Brokerage
Company**
COMMERCIAL REAL ESTATE SOLUTIONS

OFFICE MARKET

The office market in 2009 has been relatively stable with little additions or new developments completed

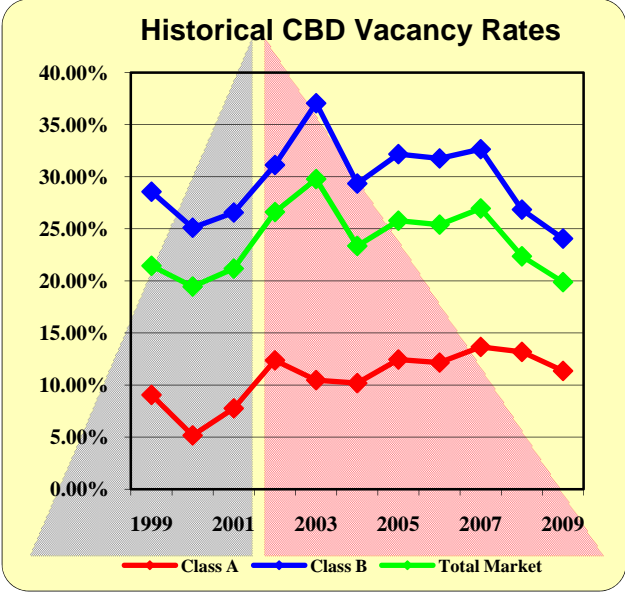
In the Central Business District, the Class "A" vacancy rate decreased to 11.35% from 13.18% in 2008. The Class "B" vacancy rate also decreased from 26.84% in 2008 to 24.05%. The total market vacancy rate in the CBD is currently 19.88%. Asking rates overall in the CBD have remained fairly stable during the last six months of 2009.



Asking rates for Class A and B properties in Rochester's CBD have remained fairly stable.

New plans have been proposed at the Midtown site that formerly consisted of 1.4 million square feet of retail and office space. There is a proposal by two local developers to turn the Midtown Tower into a mix of residential apartments and condominiums. The rest of the Midtown site is undergoing asbestos removal, and PAETEC remains committed to build their world headquarters on the site. Plans for the new office building have been in discussion since spring 2007.

Empire State Development and the City of Rochester have partnered up to fund the redevelopment. In addition, New York State has allocated \$55 million to raze the project and aid in asbestos removal. The local developer partnership will also be allocating \$71 million towards the project.



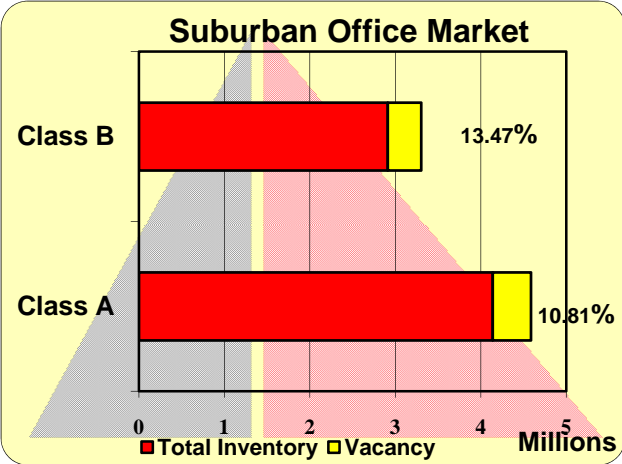
The new ESL Credit Union's headquarters in downtown Rochester is nearing completion. The 180,000 Square Foot office building, and attached garage are fully constructed and are awaiting completion of the interior work . Move-in is expected to be by the end of the first quarter of 2010. The new ESL headquarters located at 225 Chestnut Street is expected to be home to more than 300 employees and a first floor credit union branch.

This new office building is the first of many new developments that are slated for Downtown Rochester over the next few years.

OFFICE MARKET, page 2

The suburban office market has seen a decrease in overall vacancy over the past year. The Class “A” vacancy rate has increased slightly from 10.18% in 2008 to 10.81% in 2009, while the Class “B” rate decreased from 14.74% to 13.47%.

Within the suburban market, the southeast submarket, which includes the Towns of Perinton, Fairport, Pittsford, and East Rochester, has a Class “A” vacancy rate of 14.32% (12.91% in 2008) and a Class “B” vacancy rate of 13.58% (14.62% in 2008).



At the same time, in the southcentral submarket, which includes the Towns of Brighton and Henrietta, the Class “A” vacancy rate decreased to 5.97% (7.27% in 2008) and the Class “B” rate decreased to 11.62% (14.92% in 2008).

Asking rates for suburban office space have remained fairly stable, with little or no change over the past year.

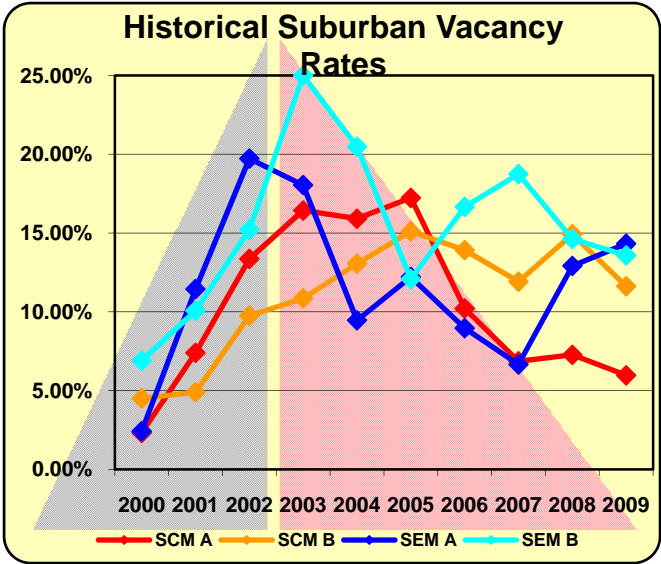
Gallina Development has completed construction of a 20,000-square foot building at Cambridge Office Park with a second building currently under construction.

In addition to the two office buildings being constructed by Gallina at Cambridge Office Park, they are also constructing a 33,000-square foot medical office building at South Point Landing. The University of Rochester will be the major tenant in the new medical office building.

Rochester Office Market			
Market	Low Rate	High Rate	Avg. Rate
CBD A	\$17.00	\$32.00	\$21.00
CBD B	\$8.00	\$15.00	\$12.00
SUB A	\$16.00	\$22.00	\$19.25
SUB B	\$11.00	\$17.00	\$14.00

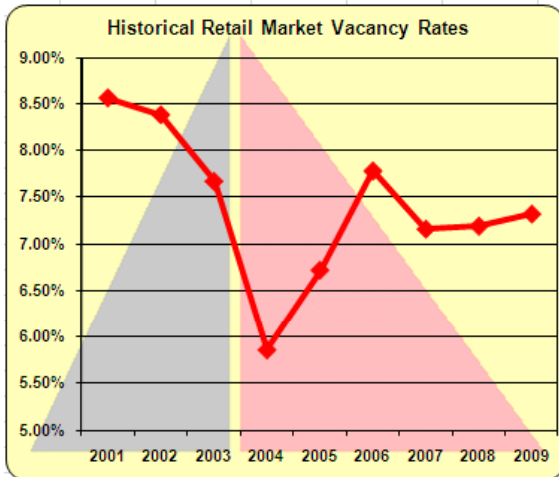
Full Service Rates

Constellation Brand’s headquarters in Victor, NY at High Point Business Park has been completed. The 120,000 square foot building is the first completed office building in the new mixed-use development. Constellation moved into the building during the first quarter of 2009. Once fully completed, High Point Business Park is proposed to add 380,000 square feet of Class “A” office space to the market.



RETAIL MARKET

The retail environment in the Rochester market continues to be active with new tenants entering the market and new construction starting to increase.



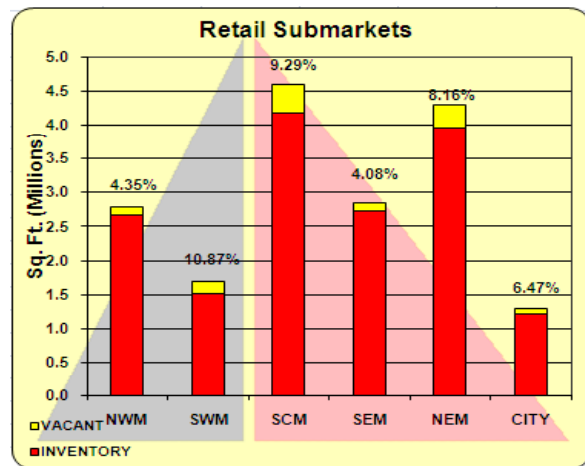
The overall vacancy rate experienced a slight increase from 7.18% in 2008 to 7.32% in 2009, with the southwest, southeast, northeast, and northwest submarkets reporting decreased rates and the south-central, and city submarkets showing an increase in vacancy rate.

Asking rates, market-wide, have remained fairly stable, though some newer developments in the suburban markets have seen higher rates.

The Victor (SEM) market has experienced a lot of significant new activity including new tenants entering the market and new construction that is underway.

Best Buy is planning to open a new store in Victor (SEM) at Eastview Commons. The electronics superstore will be opening up their new store in the former Linen's N' Things space between Target and Old Navy.

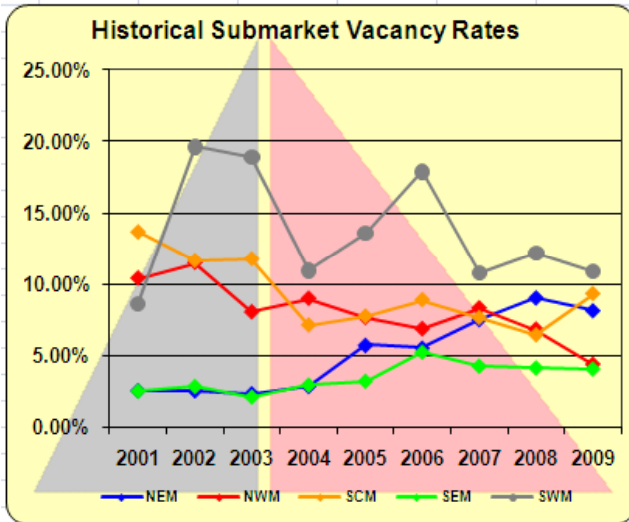
Victor is experiencing new construction within the market at Victor Crossings on Route 96. The Center is already taking shape as the first two buildings have been constructed. Kohl's will occupy one of the buildings and is planning to open at the end of the first quarter of 2010. The other building that is close to completion will house a new Wal-Mart Super Center. Once fully completed Victor Crossing's will add approximately 325,000 +/- SF of new retail to the Southeast Market



Longhorn Steakhouse, a Darden Restaurant, has entered the market with an operating restaurant at Market Square in Henrietta (SCM), and has a second under construction at Valentown Plaza in Victor (SEM).

Wilmore is currently constructing a freestanding L.L Bean store, with a scheduled opening in the summer of 2010. This will be the first L.L Bean location in the Rochester market.

RETAIL MARKET, page 2



The Henrietta (SCM) market has seen a lot of activity over the past year, with much of that activity happening at Market Square. Market Square is a 522,600 +/- SF shopping center owned by Benderson Development. Over the past year they have added new tenants including Chipotle and Great Northern Pizza Kitchen. They have also successfully relocated DSW Shoes and Dibella's from their existing locations in the Henrietta Market to their center at Market Square development.

Other activity in the Henrietta market includes a new 5,000+/- SF Chili's being built at the south-east corner of Marketplace Drive and Jefferson Road. This restaurant is the first building in a proposed 125,000+/- SF shopping center being constructed by Benderson Development

Buckingham Properties is nearing completion of construction on their 21,000 +/- SF mixed-use retail/office project at Oak Hill commons located on Monroe Avenue in Pittsford (SEM). The 5 building project is currently available for lease and has blocks of space available from 1,000 to 6,000 +/- SF.

Three Walgreen Stores are slated to open in Greece (NWM) during 2010. Construction is currently underway at two of the stores and a third store is still in the planning process. The third store will anchor a new 54,000 +/- SF development at the corner of Long Pond Road and Latta Road.

Another Walgreens that will be located at the corner of Route 31 and Route 250 in Perinton (SEM) is nearing completion and is expected to open in early 2010.

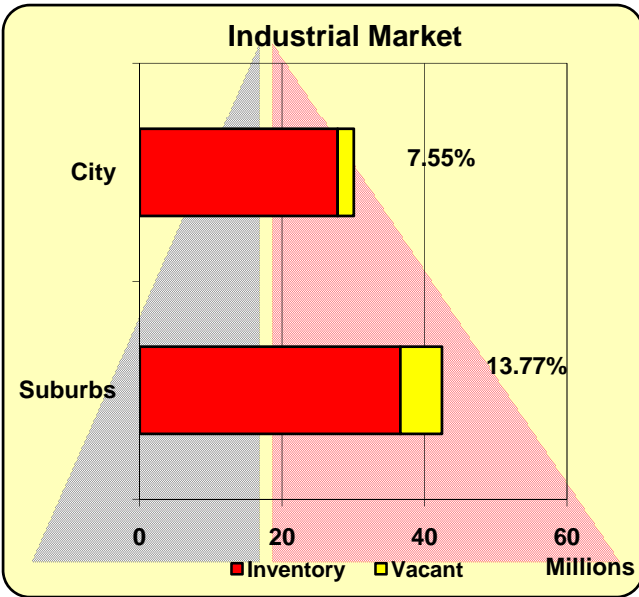
Rochester Retail Market			
	Low Rate	High Rate	Avg. Rate
Neigh. Centers	\$6.00	\$18.00	\$12.00
Community Power Centers	\$12.00	\$25.00	\$16.00
<i>Full Service Rates</i>			

Anchor Bar, a Buffalo, NY based sports bar, opened its doors in the City of Rochester near the corner of East Avenue and Alexander Street. The sports bar is best known for its claim of inventing the buffalo chicken wing.

Other activity in Downtown Rochester includes the relocation of Henry B's restaurant to the Sagamore building on East Avenue. The restaurant opened a two sided concept which includes a grill side that will be open for lunch and dinner, and a more formal side which will be open exclusively for dinner. This new restaurant along with other developments has sparked a resurgence in Downtown Rochester, and has helped make the downtown experience more enjoyable.

INDUSTRIAL MARKET

2009 was an active year with several very large transactions and a number of relocations from the city to the suburban markets.



The suburban industrial market experienced a slight increase in overall vacancy from 13.69% in 2008 to 13.80% in 2009. In the City, the vacancy rate has decreased significantly to a vacancy rate of 7.60%, which is down from 10.48% in 2008.

Asking rates remain fairly stable, although the average asking rates for high-tech spaces have seen a slight increase throughout 2009 due to an increase in newly built space.

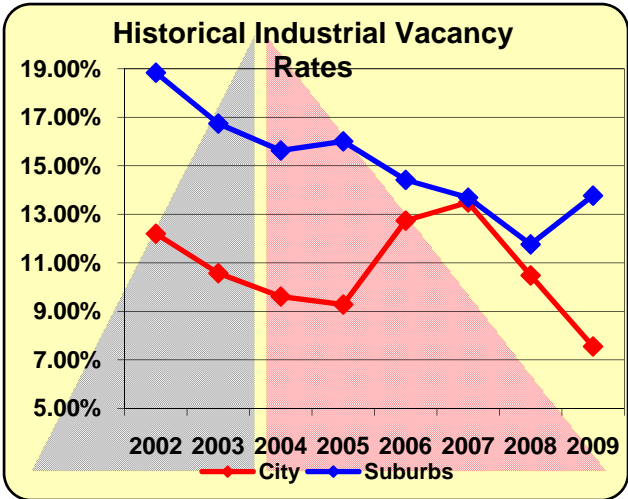
The Rochester Industrial market continues to stay strong, despite the economic situation over the past year. New industrial developments continue to be built in the Rochester area, with significant existing opportunities available for companies looking to grow their business in Rochester.

Major transactions in the market included a 632,669 square foot purchase of the former Kodak building 642 by LiDestri foods of Fairport. The purchase comes at a time when Kodak is attempting to dispose of its remaining vacant buildings that are a part of the Eastman Business Park.

LiDestri is expected to begin operations in their new building in early 2010.

The former School Specialty building, a 194,000-Square Foot warehouse/distribution building in Lyons, NY, was purchased in October by Silgan Container Corporation.

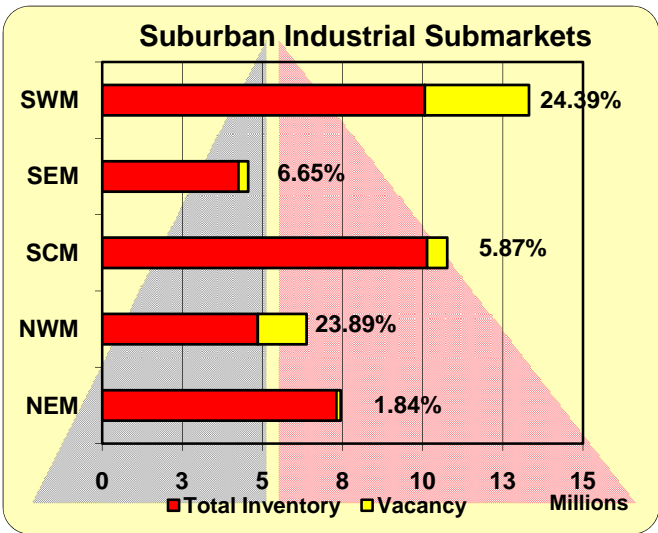
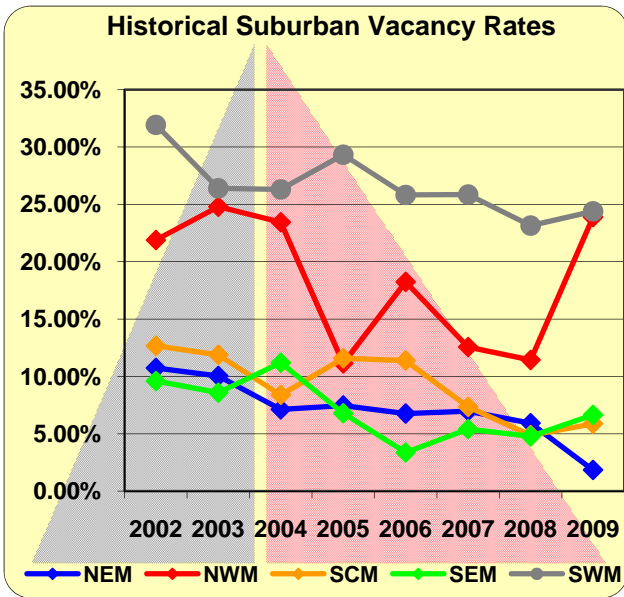
JC Fibers, a paper and cardboard recycling company, has moved from Cairn Street to Eastman Business Park. They will continue to utilize existing facilities on Hollenbeck Street as well. The paper and cardboard recycling company purchased the former Kodak Building 514 that had been on the market since 2007. With this addition to Eastman Business Park, over 24 different businesses operate in the park that was once entirely occupied by Kodak.



INDUSTRIAL MARKET, page 2

Upstate Auto Auction moved into 28,000-sf of space in Rochester Tech Park located at 771 Elmgrove Road in Gates. The new wholesale auto auction business will start with 100 employees and plans to expand to 600 within the next five years

The industrial market in New York State has started to see signs of recovery over the past quarter. The manufacturing sector, which accounts for 6% of New York's \$1.1 trillion economy, is up in production for the first time in 16 months. Local manufacturers say that their production level is up and that they are optimistic that the forecast will continue to strengthen.



Redcom Laboratories, Inc is adding 18,000-Square Feet to its 120,000-Square Foot headquarters and manufacturing facility in Victor, NY. The company, which employs about 200 workers, will use the space for continued training on Redcom technology, as well as for continued projects for contract work with the government.

Kraft foods has added 50 new jobs to its manufacturing facility in Avon, NY. The job creation comes at a time when Kraft is planning to increase the production of its Lunchable brand. The additional employees will not force a larger footprint at this time. Avon continues to grow its manufacturing base with Barilla Pasta continuing to grow its Avon workforce ever since moving its facility to the small town just two years ago.

Construction has been completed on the first two buildings in Eagles Landing, which is located on Jefferson Road in Henrietta, NY. The new flex buildings have added approximately 190,000 square feet of new flex space to the South Central industrial market.

Rochester Industrial Market			
	Low Rate	High Rate	Avg. Rate
Warehouse	\$2.00	\$3.50	\$3.00
Manuf.	\$3.25	\$7.00	\$5.50
Flex	\$5.50	\$10.00	\$7.50
<i>Triple Net Rates</i>			