

The office market has rebounded after several years of little or no new construction and steady asking rates. In the southeast submarket, pre-leasing has begun on Woodcliff VII, a proposed 120,000 square foot office building located in Woodcliff Office Park. A new entry to the Route 96 corridor is High Point, a planned mixed-use development to be located near Eastview Mall featuring several restaurants, a luxury town-home community and a Class A office park. A local developer is currently constructing a 40,000square foot building on Route 96, the majority of which will be occupied by Merrill Lynch. Office activity in the Central Business District represented the greatest opportunity for market entry fueled by attractive vacancies and aggressive lease rates. CGI Communications continues to display a commitment to the City of Rochester and is expanding its corporate headquarters in the Granite Building. JPM Chase announced it will be renovating its building downtown and relocating employees from the Midtown Complex to Chase Tower.

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The Rochester retail market continued to be active with new or planned construction in every submarket. Wal-Mart is expanding with new Superstores in Albion, Macedon, Brockport, Greece (planned), and Victor (planned), Chase Pitkin closed all its locations in the Spring of2006, creating large blocks of vacancies in every submarket, the dominant vacancies being situated in plazas anchored by a Wegmans grocery.

Target opened a new store at Medley Centre in Irondequoit in the fall of 2006 and is rumored to be targeting a location in Chili. Market Square, a 450,000 square foot center located on Jefferson Road in Henrietta and anchored by Christmas Tree Shop, AC Moore, Bed Bath & Beyond, and Marshal's neared completion at year end. The center will also feature several restaurants including: Red Robin and Smokey Bones BBQ. Rental rates have increased slightly in 2006, and while opportunities do exist for entering the Rochester market, leasing activity has been strong.

The industrial market remained active, highlighted by the demand for quality buildings in the 15,000 to 50,000 square foot range. Two large buildings (624,000 square feet and 188,000 square feet), formerly occupied by Kodak, on the border between the Town of Greece and City of Rochester have recently been offered for sale. Additionally, the Kodak Hawkeye facility (759,000 square feet) is currently under contract. These three buildings will add a significant amount of vacant space to the inventory in the future as the local market continues to feel the impact of Kodak's restructuring. However, the market has been resilient: the 1,500,000 square foot Valeo facility on Lyell Ave sold to a local developer which has had success converting the facility to a multi-tenanted building. Barilla recently announced construction of a 300,000square foot, \$96 million manufacturing and warehouse facility in Avon situated just south of Rochester off I-390.



COMMERCIAL REAL ESTATE SOLUTIONS

| Classification  | Low Rental Rates | High Rental Rates | Effective Average Rental Rates | Vacancy Rate |
|---|------------------|-------------------|--------------------------------|--------------|
| <b>Downtown Office —Full Service Rates</b>              |                  |                   |                                |              |
| New Construction (AAA)                                  | N/A              | N/A               | N/A                            | N/A          |
| Class A (Prime)   | \$18.00          | \$33.00           | \$21.00                        | 12.2%        |
| Class B (Secondary)                                     | \$10.00          | \$16.00           | \$12.00                        | 31.8%        |
| <b>Suburban Office —Full Service Rates</b>              |                  |                   |                                |              |
| New Construction (AAA)                                  | N/A              | N/A               | N/A                            | N/A          |
| Class A (Prime)   | \$16.00          | \$23.00           | \$19.00                        | 9.5%         |
| Class B (Secondary)                                     | \$12.00          | \$18.00           | \$15.00                        | 12.5%        |
| <b>Industrial Space —Net (Triple Net) Rates</b>         |                  |                   |                                |              |
| Bulk Warehouse  | \$1.50           | \$4.50            | \$3.00                         | 23.0%        |
| Manufacturing   | \$2.50           | \$7.00            | \$5.50                         | 9.5%         |
| High Tech/R&D   | \$6.00           | \$10.00           | \$8.00                         | 7.0%         |
| <b>Retail Space —Full Service Rates</b>                 |                  |                   |                                |              |
| Downtown (High Street Shops)                            | N/A              | N/A               | N/A                            | N/A          |
| Neighborhood Service Centers<br>(Retail Units in Parks) | \$7.00           | \$18.00           | \$12.00                        | 7.0%         |
| Community Power Centers (Big Box)                       | \$12.00          | \$25.00           | \$16.00                        | 10.0%        |
| Regional Malls  | \$18.00          | \$50.00           | \$30.00                        | N/A          |
| <b>Development Land</b>                                 |                  |                   |                                |              |
| Classification  | Low (per acre)   |                   | High (per acre)                |              |
| Office in CBD ( <i>Per Buildable</i> )                  | N/A              |                   | N/A                            |              |
| Land In Office Parks                                    | N/A              |                   | N/A                            |              |
| Land In Industrial Parks                                | \$35,000         |                   | \$75,000                       |              |
| Office/Industrial Land—Non Park                         | \$30,000         |                   | \$125,000                      |              |
| Retail/Commercial Land                                  | \$100,000        |                   | \$700,000                      |              |
| Residential   | \$5,000          |                   | \$12,000                       |              |

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