

MARKETBEAT

Buffalo, NY

Industrial Q4 2017



BUFFALO INDUSTRIAL

Economic Indicators

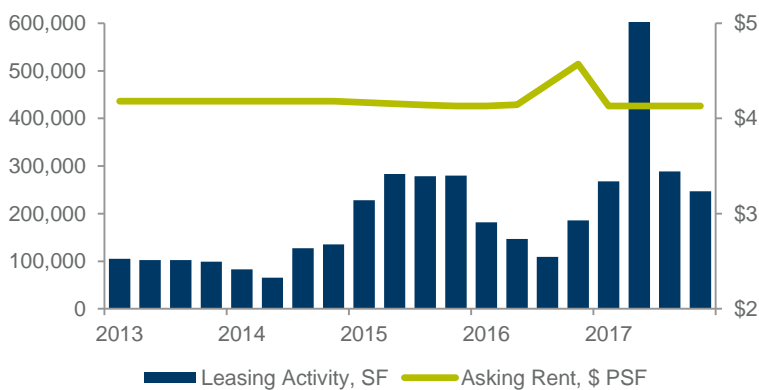
	Q4 16	Q4 17	12-Month Forecast
Buffalo Employment	565k	564k	▼
Buffalo Unemployment	5.2%	5.2%	■
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Property Types)

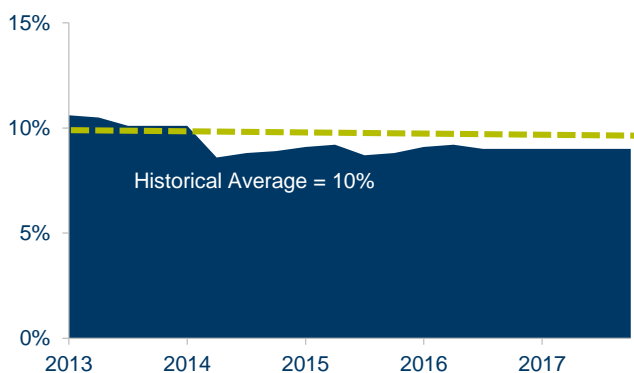
	Q4 16	Q4 17	12-Month Forecast
Vacancy	8.9%	9.1%	■
YTD Leasing Activity(sf)	744k	1.44m	▲
Under Construction (sf)	197k	280k	▲
Average Asking Rent*	\$4.13	\$4.13	■

*Rental rates reflect net asking \$psf/year

Overall Leasing Activity /Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Buffalo-Niagara MSA incorporates a five-county area around Buffalo, NY. The 2010 Census reported the Buffalo-Niagara MSA population at 1.14 million, ranking it as the 47th largest MSA in the country. According to the U.S. Bureau of Labor Statistics, Buffalo's average unemployment rate for the fourth quarter of 2017 was 5.2%, which is slightly higher than the national average of 4.1%. Buffalo's economy continues to expand and diversify, led by major growth in the healthcare and education sectors. The region's largest economic sectors are financial services, technology, healthcare and education. Since 2010, nearly \$5.5 billion in construction projects are either completed, underway, or in the planning stages. This number climbs to \$10 billion when including projects from the surrounding communities. Buffalo's proximity to Canada has resulted in robust growth in many different sectors of the local economy. This impact will increase significantly as the "Golden Horseshoe Region" population of Southern Ontario is expected to grow from 8.8 million today to 11.5 million by 2031.

Market Overview

The Buffalo-Niagara MSA region has 110.5 million square feet (msf) of industrial space including 64.9 msf of manufacturing space, 42.5 msf of warehouse/distribution space and 3.2 msf of office service space. The overall vacancy rate is at 9.1% and the overall weighted average asking rental rate remains at \$4.13 per square foot (psf). At year-end 2017, 35 industrial properties sold in the region totaling 2.485 msf with an average sale price of \$20.04 psf. The majority of available industrial inventory in the Buffalo-Niagara market is older and outdated Class B/C space. As a result of this lack of quality industrial product, any new construction that occurs will command higher rental rates.

Outlook

The Buffalo-Niagara region's need for quality functional industrial space remains. The trend continues for record low vacancy rates for high-bay warehouse space, which shifts market momentum to landlords/sellers. In response to this need, projects under development include: Benderson's 2550 Walden project (100,000 sf) and Garden Village Commerce Park (353,000 sf), 132 Dingens Street (92,400 sf), Danforth South Buffalo (85,000 sf) and Sonwil Distribution (80,000 sf). Additional construction projects (BTS) in the region include Unifrax's Phase III (83,000 sf) and Pine Pharmaceutical's manufacturing facility at Riverview Solar Park (25,000 sf). With the completion of the Solar City Project last year, the City of Buffalo, in conjunction with New York State, has turned its focus to the Northland Corridor Redevelopment Project. This project is part of a \$48-million light industrial economic development zone that is being created as part of Governor Cuomo's Buffalo Billion II Economic Development Initiative. The plan includes the redevelopment of 50 acres of land with existing road, rail and utility infrastructure into shovel-ready industrial sites and the renovation of some existing manufacturing and warehouse structures. Adaptive reuse projects are still in the forefront of the rebuilding of Buffalo, hence a large number of Class C vacant and functionally obsolete product is being taken out of the industrial inventory as projects move forward. Whole neighborhoods have been revitalized and former industrial areas have been repurposed via the popularity of developers pursuing adaptive reuse projects in the Buffalo-Niagara Region.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
SUBURBAN	1,020	66,567,187	353,316	772,472	9.1%	1,327,658	280,400	\$3.95	\$5.75	\$4.25
CITY	745	43,946,991	226,129	1,134,606	9.1%	115,990	0	\$3.95	\$5.75	\$4.25
BUFFALO TOTALS	1,765	110,514,178	579,445	1,907,078	9.1%	1,443,648	280,400	\$3.95	\$5.75	\$4.25

*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

PRODUCT TYPE	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	4Q OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	42,475,943	339,769	8.4%	-930,127	-420,1737	80,000	\$4.25
Manufacturing	64,864,257	239,676	9.5%	-759,837	-529,531	108,000	\$3.95
Office Service/Flex	3,173,978	0	11.8%	72,423	25,295	92,400	\$5.75

Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4201 Walden Avenue, Lancaster, NY	502,792	Amazon	Lease	Suburban
355 Hopkins Road, West Seneca, NY	86,000	Multisorb	Lease	Suburban
2867 Broadway, Cheektowaga, NY	54,000	Spirit Delivery & Distribution	Lease	Suburban
4817 Lake Avenue, Hamburg, NY	47,000	Colton RV	Lease	Suburban
2855 Broadway, Cheektowaga, NY	46,200	WB Mason	Lease	Suburban
500 Commerce Drive, Amherst, NY	36,250	Buffalo Forklift	Lease	Suburban
4817 Lake Avenue, Hamburg, NY	35,407	NYS Homeland Security	Lease	Suburban
80 French Road, Cheektowaga, NY	26,600	Respiratory Services of WNY	Renewal	Suburban
2215 Kenmore Avenue, Tonawanda, NY	20,129	Long Da USA LLC	Lease	Suburban
210 Industrial Drive, Cheektowaga, NY	20,000	Premium Stone Imports	Renewal	Suburban

Key Sales Transactions 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
157 Great Arrow Avenue, Buffalo, NY	499,000	Great Arrow LLC/ Sinatra & Company	\$2,000,000 / \$4.01	City
1 Scrivner Drive, Cheektowaga, NY	429,887	CM Scrivner LLC/ LB Real Estate Holdings LLC	\$8,206,759 / \$19.09	Suburban
40 Gardenville Pkwy, West Seneca, NY	128,000	40 Gardenville LLC/ Gardenville Commerce Center LLC	\$1,790,000 / \$13.98	Suburban
50 Van Rensselaer, Buffalo, NY	165,000	Tyson Foods/ Amerco Real Estate LLC	\$1,500,000 / \$9.09	Suburban
175 Rano Street, Buffalo, NY	91,484	Buffalo Economic Renaissance/ 175 Rano LLC	\$550,000 / \$6.01	City
10 Wendling Court, Lancaster, NY	88,826	FGWY LLC/ Rolite Manufacturing	\$2,020,970 / \$22.75	Suburban
155 Chandler Street, Buffalo, NY	83,693	Ontario Equipment Company LLC/ R & M Leasing LLC	\$591,000 / \$7.06	City
1167 Clinton Street, Buffalo, NY	80,000	Donald J. Braasch Construction / Jobs for Babcock II	\$228,000 / \$2.85	City
1930 Military Road, Tonawanda, NY	48,742	RLR Investments / KW Buf LLC	\$2,600,000 / \$53.34	Suburban

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