

MARKETBEAT

Buffalo, NY

Office Q4 2017



BUFFALO OFFICE

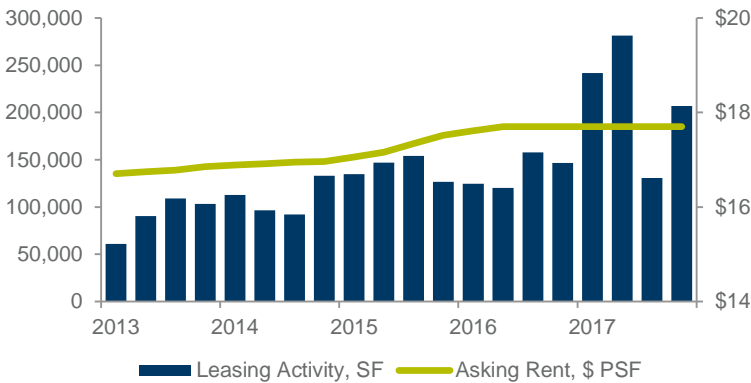
Economic Indicators	Q4 16	Q4 17	12-Month Forecast
Buffalo Employment	565k	564k	▼
Buffalo Unemployment	5.2%	5.2%	■
U.S. Unemployment	4.6%	4.1%	▼

Market Indicators (Overall, All Classes)	2016	2017	12-Month Forecast
Vacancy	19.1%	17.3%	▲
YTD Leasing Activity (sf)	587k	861k	▼
Under Construction (sf)	318k	185k	▼
Average Asking Rent*	\$17.70	\$17.70	■

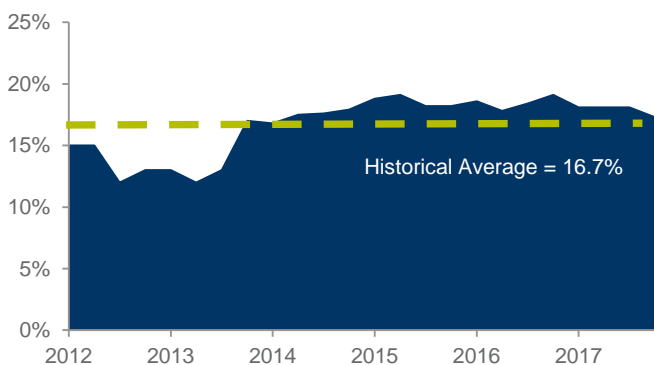
*Rental rates reflect gross asking \$psf/year

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

By year-end 2017, the Metropolitan Buffalo Office Market maintained 22 million square feet (msf) of space operating at an overall vacancy rate of 17.3% and average asking direct lease rate of \$17.70 per square foot (psf) gross. The CBD supports over 11.8 msf of space operating at a 19.8% overall vacancy rate (all classes) and average lease rate of \$16.75 psf. The Amherst Suburban Market totals 10.1 msf of office space and an overall vacancy rate of 14.4% with an average lease rate of \$18.25 psf. Class A space in these combined markets totals 5.47 msf operating at a vacancy of 7.9% and an average lease rate of \$23.60 psf.

While the average asking lease rate has remained consistent over the past 12 months, the outlook going forward is an expectation for increased suburban vacancy due to a shift in millennial housing preferences to the CBD. With little availability in the CBD Class A market - direct vacancy rate of 2.0% - it remains to be seen whether developers will build on spec or continue with redevelopment projects.

Outlook

Buffalo continues to be in the midst of one of the most impressive transformations of this century—a classic American city undergoing a 21st century renaissance – and there is no sign of a looming slowdown. Many projects have been completed, while others are on the cusp of completion or are in the planning stages. Two of the most important completions of 2017 occurred in the Buffalo Niagara Medical Campus with the opening of the University of Buffalo's Jacobs School of Medicine and Biomedical Sciences and the John R. Oishei Children's Hospital. Additional finished projects include two Uniland projects – 520 Ellicott Street (24,000 sf) and a suburban project, the Sodexo HQ building at 400 Airborne Parkway (109,000 sf). Projects "in the works" include Uniland's 505 Ellicott Street (39,760 SF), Ellicott Development's 500 Pearl Street (390,256 SF), Krog's Trico Building (617,000 sf), McGuire's Compass East II (50,000 sf), The Buffalo Sabre's 79 Perry Project (79,030 sf) and One Seneca Tower (1.2 msf). Economic development initiatives continue to create jobs helping to fuel a resurgence of the City's Downtown Area. 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	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Amherst Suburban	10,160,223	139,638	1,326,050	14.4%	57,807	396,406	670,623	0	\$18.25	\$23.00
CBD	11,874,375	78,466	2,268,613	19.8%	122,904	121,505	189,952	0	\$16.75	\$27.00
BUFFALO, NY TOTALS	22,034,598	218,104	3,594,663	17.3%	180,711	517,911	860,575	0	\$17.70	\$23.60

*Rental rates reflect gross asking \$psf/year

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	5,473,676	58,454	373,748	7.9%	45,145	276,714	357,201	0	\$23.93	\$23.60
Class B	16,560,922	159,650	3,220,915	20.4%	135,566	241,197	503,374	0	\$20.00	\$17.70

Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
400 Airborne Pkwy, Cheektowaga, NY	109,000	Sodexo	Lease	Amherst Suburban
1760 Wehrle Drive, Williamsville, NY	97,062	Tops Markets	Lease	Amherst Suburban
115 Lawrence Bell Drive, Williamsville, NY	57,334	Strategic Financial Solutions	Lease	Amherst Suburban
45 Hazelwood Drive, Williamsville, NY	43,652	American Precision Industries	Renewal	Amherst Suburban
Waterfront Village, 40 La Riviere Drive, Buffalo, NY	30,939	Synacor Inc.	Renewal	CBD
375 Essjay Road, Williamsville, NY	25,000	Northwest Bank	Lease	Amherst Suburban
Key Tower North, Buffalo, NY	24,000	Ciminelli Real Estate	Lease	CBD
15 Earhart Drive, Williamsville, NY	21,717	NA	Lease	Amherst Suburban
425 Michigan Avenue, Buffalo, NY	18,000	BAK USA	Lease	CBD
1 Beresford Court, Williamsville, NY	16,980	Wells Fargo Clearing Services LLC	Lease	Amherst Suburban

Key Sales Transactions 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
69 Delaware Avenue, Buffalo, NY	170,256	69 Delaware Ave Associates LLC / Gold Wynn Delaware BAC LLC	\$5,000,000 / \$29.37	CBD
4444 Bryant & Stratton Way, Williamsville, NY	43,232	Autism Services / Upstate New York Transplant Services	\$1,600,000 / \$37.01	Amherst Suburban
1100 Main Street, Buffalo, NY	38,682	1100 Main Street Associates / 1100 Group LLC	\$2,700,000 / \$69.80	CBD
651 Delaware Avenue, Buffalo, NY	32,780	Plaza Group / Triad Real Properties	\$2,300,000 / \$70.16	CBD
55 Dodge Road, Amherst, NY	29,635	Uniland Development Company / Health Management Group	\$3,537,500 / \$119.37	Amherst Suburban
2361 Wehrle Drive, Williamsville, NY	27,080	ACN Properties / CMR OKW Properties LLC	\$1,530,000 / \$56.50	Amherst Suburban
1825 Maple Road, Williamsville, NY	22,600	1825 & 1829 Maple Road LLC / 1825-1829 Maple Road LLC	\$1,000,000 / \$44.25	Amherst Suburban
15 Lawrence Bell Drive, Williamsville, NY	19,580	15 Lawrence Bell LLC / NPO Holdings Inc.	\$900,000 / \$45.97	Amherst Suburban
1140 Delaware Avenue, Buffalo, NY	12,867	Gilda's Club / Canisius High School	\$1,400,000 / \$108.81	CBD

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