

ROCHESTER OFFICE

Economic Indicators

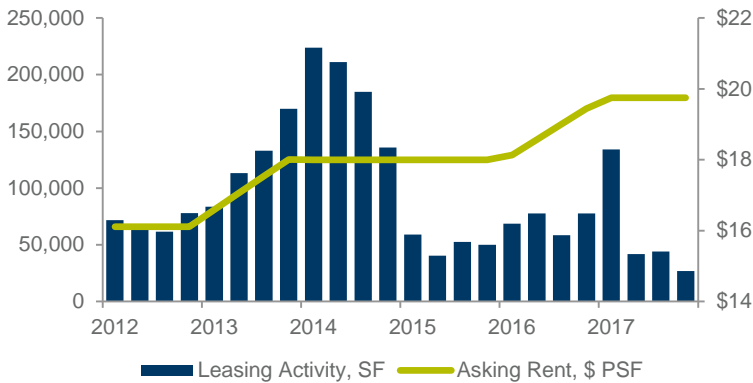
	Q4 16	Q4 17	12-Month Forecast
Rochester Employment	533k	530k	▼
Rochester Unemployment	4.9%	5.0%	▲
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Classes)

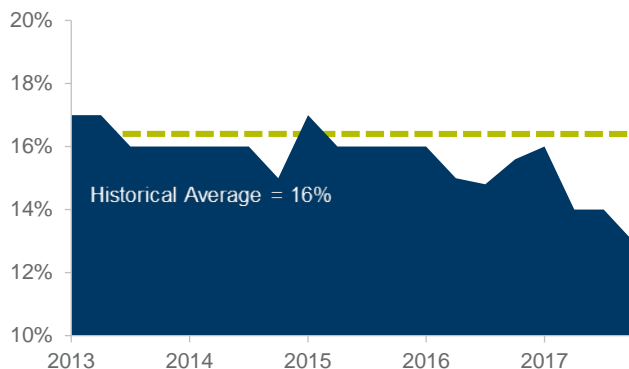
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	15.6%	13.3%	▼
Leasing Activity	91k	27k	▼
Under Construction	150k	45k	▼
Overall Average Asking Rent	\$19.75	\$19.75	■

Leasing Activity/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The City of Rochester is situated in Monroe County and is the centermost and largest county in the six-county region, south of Lake Ontario in the state of New York. Throughout its history, Rochester has acquired several nicknames: "the World's Image Center", "the Flour City", and "the Flower City". As of December 2017, the unemployment rate in Rochester reported a slight increase from 4.9% one year ago to 5.0% as of the fourth quarter of 2017, which is slightly higher than the overall rate for New York State.

Market Overview/Activity

The Rochester office market vacancy rate decreased to 13.3% in the fourth quarter of 2017, down 230 basis points (bps) from 2016. The CBD office market reflected a quarterly decrease in vacancy from 21.0% to 19.5% due to continued Class B and C office space conversions to mixed-use, residential properties. The overall suburban market vacancy also decreased minimally from 9.4% in the third quarter to 8.6% in the fourth quarter of 2017.

Outlook

The Sibley Building renovations are still on-going in order to transform the building into a vibrant, mixed-use urban center, stunning apartment homes (now leasing), Class A office space, restaurants and retail. HTR, currently headquartered in Henrietta, is expected to occupy the entire sixth floor 68,000-square-foot (-sf) space of the former Sibley's department store, home of its once-popular tea room, with an anticipated occupancy of second quarter 2018. The move will coincide well with the organization's 30th anniversary. Sibley Square features more than 200,000 sf of Class A, LEED-certified space in the heart of Rochester's CBD.

Tower 280, formerly known as Midtown Tower, offers Class A office space centrally located in downtown Rochester. The repositioned tower includes ground floor retail space, two floors of modern office space, and 182 contemporary residential units on the upper floors which are now almost all fully occupied. Tower 280 is currently home to Bergmann Associates, Dejoy, Knauf & Blood LLP, Second Avenue Learning and Allstate.

In the south central market the Rainaldi family completed the redevelopment of the former Kodak site situated on 150 acres, now called the Riverwood Tech Campus. Designed by noted architects back in the 1960s, the four buildings feature exposed steel, brick, and glass with ample parking, room to expand and loading docks

MARKETBEAT

Rochester, NY

Office Q4 2017



SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT QTR LEASING ACTIVITY	YTD LEASING ACTIVITY	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
CBD	61	5,986,389	1,167,136	19.5%	10,412	90,501	25,000	\$21.50	\$24.00
South Central	90	4,104,571	289,323	14.2%	9,343	68,129	20,000	\$18.00	\$19.75
South East	98	3,978,708	408,959	9.6%	7,200	88,130	0	\$19.00	\$22.06
ROCHESTER, NY TOTALS	249	14,069,668	1,865,418	13.3%	26,955	246,760	45,000	\$19.75	\$21.94

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT QTR LEASING ACTIVITY	YTD LEASING ACTIVITY	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	87	6,240,233	815,447	13.1%	24,840	166,377	45,000	\$21.94	\$21.94
Class B	162	7,829,435	1,049,971	14.6%	2,115	80,383	0	\$15.50	\$15.50

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
200 Meridian Centre	14,428	Lincoln National Life Insurance	Lease	South Central
250 Mile Crossing	10,555	Charter Communications	Lease	South East
3500 Winton Road	6,144	Howmedica Osteonics	Lease	South Central
755 Jefferson Road	6,100	Sleep Insights	Lease	South Central
26 East Main Street	4,641	Morgan Stanley DW Inc.	Lease	CBD
1100 University Avenue	3,351	Securitas Security Services USA	Lease	CBD
180 South Clinton Avenue	3,125	Allied Universal Security	Lease	CBD
400 Linden Oaks	3,024	Realty Performance Advisors	Lease	South East
1882 S. Winton Road	2,556	Hangar Prosthetics & Orthotics	Lease	South Central
75 South Clinton Avenue	2,420	CoStar Group	Lease	CBD
1250 Pittsford Victor Road	2,063	Wells Fargo	Lease	South East

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
2030 Monroe Avenue	9,635	2030 Monroe Ave LLC/ Alicia Gruttadauria	\$800,000 / \$83	South Central
15 St Martins Way	5,964	Church of St Charles Borromeo/ God's Work Pentecost Church	\$500,000 / \$83	North West
518 North Greece Road	5,100	Christian Bible Church Inc./ Anchor Baptist Church Inc	\$400,000 / \$78	North West
1285 East Henrietta Road	2,544	County of Monroe/Tony Kirik	\$240,000 / \$94	South Central

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