

MARKETBEAT

Syracuse, NY

Office Q2 2019



SYRACUSE OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Syracuse Employment	319.3k	323.8k	▲
Syracuse Unemployment Rate	4.4%	4.0%	■
U.S. Unemployment	3.9%	3.6%	▼

*Q2 19 data based on latest available data
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	12.4%	13.1%	▼
Net Absorption (sf)	168k	-168K	▲
Under Construction (sf)	0	50,528	▲
Average Asking Rent*	\$16.59	\$17.27	▲

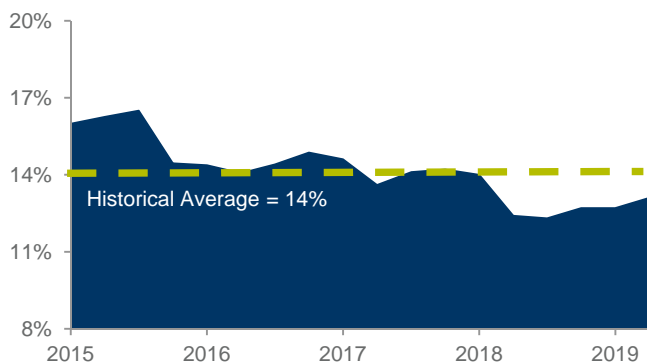
*Rental rates reflect gross asking \$psf/year

Overall Leasing Activity vs. Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The trend of steady, stable growth that has been common in Central New York (CNY) for years, remained through the first half of 2019. According to the Syracuse Downtown Committee, nearly \$249 million in private and public investments can be seen throughout the streets of Downtown with several construction projects ongoing, or in the pipeline, specifically impacting the Syracuse office market. The economy was still driven by the universities and hospitals in the region, as well as, engineering and aerospace being other large economic drivers for the market. CNY is now the home of 34 drone companies and defense contractors, such as Syracuse Research Corporation and Saab Sensis, which continued to invest in the market. The Syracuse office market is on track to post a strong year, as many local, regional and national companies have invested in the region.

Market Overview

Leasing activity remained strong in the first half of 2019. Companies continued to be attracted to high-quality, trendy office properties that are desirable for recruiting. This trend was evident by the extensive build-outs recently completed for some of the largest law firms and technology companies in the market. The overall office inventory in the Syracuse CBD continued to decrease as many obsolete office buildings have been converted to multifamily projects, effecting Tenants seeking large blocks of consecutive space. Rates are experiencing slight fluctuations based on the specific property and submarket; however, have remained steady compared to historical rates, with the current overall asking rent at \$17.27 per square foot (psf).

Several significant office properties sold in the first half of 2019, including the sale of 333 South Salina Street, 290 Elwood Davis Road and 225 Greenfield Parkway. Each of these assets sold to local investors/developers.

Outlook

The consensus is that the Syracuse office market will remain strong for the balance of 2019. There is still a shortage of high quality, large-block office space in suburban Syracuse and demand for Downtown office space remains steady. Expectations are that more companies will relocate their headquarters to Downtown Syracuse. The pending decision regarding the future of Interstate 81 running through the city could result in a shift of demand towards suburban office space. A number of large redevelopment projects will continue to try and attract sizable, credit-worthy tenants.

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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)*
CBD	5,595,734	55,893	949,379	18.0%	-16,959	-44,539	96,990	0	\$17.87	\$19.35
East	4,681,617	15,920	518,680	11.4%	-142,788	-191,823	34,054	0	\$14.75	\$15.22
North	3,791,725	7,335	389,692	10.5%	-8,309	4,417	70,809	25000	\$16.08	\$18.41
South	303,363	5,500	1,700	2.4%	0	0	0	0	\$0.00	\$0.00
West	1,738,494	0	161,184	9.3%	355	-22,407	3,500	25,528	\$19.87	\$21.24
SYRACUSE TOTALS	16,110,933	84,648	2,020,635	13.1%	-167,701	-254,352	205,353	50,528	\$17.27	\$19.11

*Rental rates reflect gross asking \$psf/year. **Does not include Renewals

	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	6,328,424	53,423	808,919	13.6%	-132,516	-245,044	119,495	50,528	19.71	19.11
Class B	8,843,193	25,225	1,141,301	13.2%	-42,515	-16,638	78,528	0	15.81	15.75
Class C	939,316	6,000	70,415	8.1%	7,330	7,330	7,330	0	12.49	14.57

*Rental rates reflect gross asking \$psf/year. **Does not include Renewals

Key Lease Transactions 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
300 South State Street	30,734	Haylor Fryer & Coon	New Lease	CBD
290 Elwood Davis Road	25,000	Advocates Inc	New Lease	North
100 Madison Street	12,064	AXA Group	New Lease	CBD
250 South Clinton Street	12,801	Olinsky Law Group	New Lease	CBD
235 Walton Street	6,400	ABC Creative Group	New Lease	CBD
225 Greenfield Pkwy	6,059	Paragon Home Loans	New Lease	North
231 Salina Meadows Pkwy	4,367	Bankers Life Insurance	New Lease	North

Key Sales Transactions 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
290 Elwood Davis Road	115,700	290 Elwood Davis Road LLC	\$3,400,000/\$42	North
1000 Genesee Street East	84,000	Syracuse Medical Properties LLC	\$18,900,000/\$225	East
225 Greenfield Pkwy	75,204	The Edgewater Salina Co	\$5,800,000/\$77	North
333 South Salina Street	67,212	Acropolis Development LLC	\$2,900,000/\$41	CBD
2804 Court Street	6,160	Light Spec	\$315,000/\$75	East

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