

MARKETBEAT

Buffalo, NY

Industrial Q2 2019



BUFFALO INDUSTRIAL

Economic Indicators

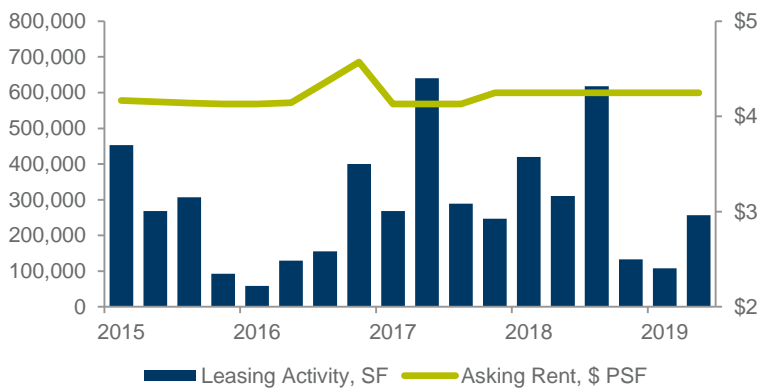
	Q2 18	Q2 19	12-Month Forecast
Buffalo Employment	564k	568k	▲
Buffalo Unemployment	5.3%	3.9%	▼
U.S. Unemployment	3.9%	3.6%	▼

Market Indicators (Overall, All Property Types)

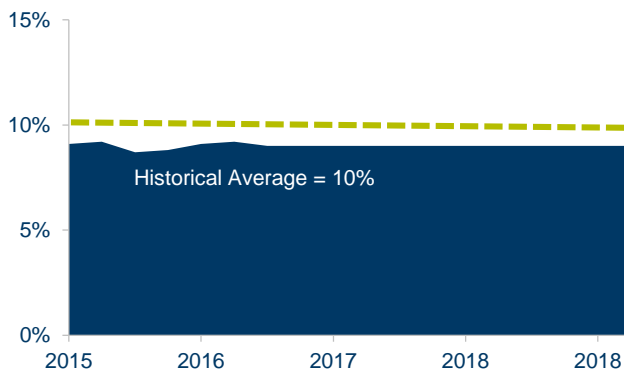
	Q2 18	Q2 19	12-Month Forecast
Vacancy	9.5%	9.5%	■
YTD Leasing Activity(sf)	730k	364k	▼
Under Construction (sf)	374k	437k	▲
Average Asking Rent*	\$4.13	\$4.13	■

*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 2018 was 4.2%, which is slightly higher than the national average of 3.7%. 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.

Market Overview

The Buffalo-Niagara MSA region has 109.1 million square feet (msf) of industrial space including 63.5 msf of manufacturing space, 42.3 msf of warehouse/distribution space and 3.2 msf of office service space. The overall vacancy rate is at 9.5% and the overall weighted average asking rental rate remains at \$4.13 per square foot (psf). By mid-year 2019, 20 industrial properties sold in the region totaling 849,812sf with an average sale price of \$26.99 psf. The majority of available industrial inventory in the Buffalo-Niagara market is older and outdated Class B and C space.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 Garden Village Commerce Park (353,000 sf), 132 Dingens Street (92,400 sf) and Danforth South Buffalo (85,000 sf). Build-to-suit construction projects in the region include a 1.2 msf facility on 47 acres at Lakeside Commerce Park – a project reportedly worth over \$20 million – that has been given the green-light for a high-tech cannabis company and a 280,000sf manufacturing facility being constructed for TMP Technology at the Tecumseh/Bethlehem Steel Redevelopment Site in Lackawanna. It has also been reported that Amazon is scouting sites in Northern Erie County for distribution facilities (more information to come). Additionally, the Northland Corridor Redevelopment Project continues to move forward with much success. This venture has already changed the scope of the East Side of Buffalo and benefits the entire City/surrounding area. It 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. Both the City of Buffalo with New York State have focused their efforts on this plan that includes the redevelopment of 50-acres of land with existing infrastructure into shovel-ready industrial sites and the renovation of existing manufacturing and warehouse structure. 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. The City of Buffalo is in the midst of a transformation that will be felt for generations to come.

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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	1,022	66,615,897	325,528	242,707	9.5%	364,354	437,122	\$3.95	\$5.75	\$4.25
CITY	722	42,455,093	107,727	153,978	9.5%	0	0	\$3.95	\$5.75	\$4.25
BUFFALO TOTALS	1,744	109,070,990	433,255	396,685	9.5%	364,354	437,122	\$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)	2Q OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT
Warehouse/Distribution	42,561,720	642,359	9.6%	-499,509	-265,732	404,122	\$4.25
Manufacturing	63,917,530	589,035	9.2%	-174,988	-172,081	33,000	\$3.95
Office Service/Flex	3,173,978	0	15.5%	-9,849	-3,614	0	\$5.75

Key Lease Transactions 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
100 Center Drive, Orchard Park, NY	154,511	Sonwil Distribution Center	Direct	Suburban
3570 Broadway, Cheektowaga, NY	43,000	The Vinyl Outlet	Direct	Suburban
105 Taylor Drive, Depew, NY	42,000	PODS Enterprises LLC	Direct	Suburban
310 Grand Island Blvd, Grand Island, NY	25,000	Speed Motor Express of WNY	Direct	Suburban

Key Sales Transactions 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1 Babcock Street, Buffalo, NY	153,978	One Babcock Terminal / Elk Street Commerce Park	\$188,000 / \$1.22	City
300 Lang Blvd, Grand Island, NY	117,355	RR Donnelley & Sons / Cryovac	\$4,100,000 / \$34.94	Suburban
2769 Broadway, Cheektowaga, NY	112,000	2769 Broadway Partners LLC / Carl Savarino	\$2,900,000 / \$35.89	Suburban
757 East Ferry Street, Buffalo, NY	75,109	757 East Ferry Inc. / Danahy Property LLC	\$400,000 / \$5.33	City
4220 Bailey Avenue, Amherst, NY	46,850	Buffalo Harley Davidson Inc. / Town of Amherst	\$1,700,000 / \$36.29	Suburban
2299 Military Road, Tonawanda, NY	34,076	Charles Marazzo / Sunbeam Laboratories	\$625,000 / \$18.34	Suburban

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