

Buffalo, NY



Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
10.3 % Vacancy Rate	▼	▼
160K Net Absorption, SF	▲	▼
\$6.50 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMY: Expansion & Diversity Impact Buffalo's 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 4th quarter of 2020 was 7.5%, which is higher than the national average of 6.8%. 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. The COVID-19 pandemic that initially struck the US in March 2020 remains a dual threat to both public health and the economic well-being of the Region. The local economy has shown some improvements as the end of 4Q 2020 approached, however the situation remains very fluid. It will take time for businesses to recover from the pandemic and many won't survive. It remains to be seen how much of a rebound will occur.

MARKET OVERVIEW: Need for Quality Industrial Product Remains

The Buffalo-Niagara MSA region has 108.91 million square feet (msf) of industrial space including 63.3 msf of manufacturing space, 42.4 msf of warehouse/distribution space and 3.2 msf of office service space. The overall vacancy rate is at 10.3% and the overall weighted average asking rental rate is at \$6.50 per square foot (psf). By year-end 2020, 34 industrial properties sold in the region totaling 30.9 msf with an average sale price of \$48.85 psf. This is a significantly higher year-on-year average sale price per square foot versus the \$30.80 psf that was reported for 4Q 2019. The majority of available industrial inventory in the Buffalo-Niagara market is older and outdated Class B and C space that is functionally obsolete and is being redeveloped or undergoing adaptive reuse. This has resulted in significantly higher rental rates for new construction and any remaining "A" space.

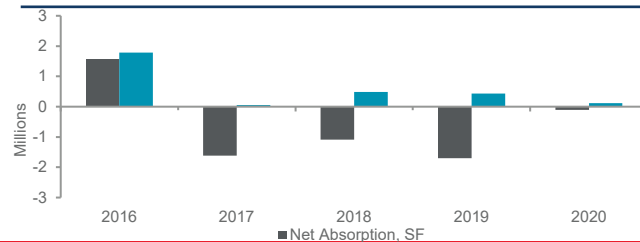
ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
522.3K Buffalo, NY Employment	▼	▲
7.5% Buffalo, NY Unemployment Rate	▲	▼
6.8% U.S. Unemployment Rate	▲	▼

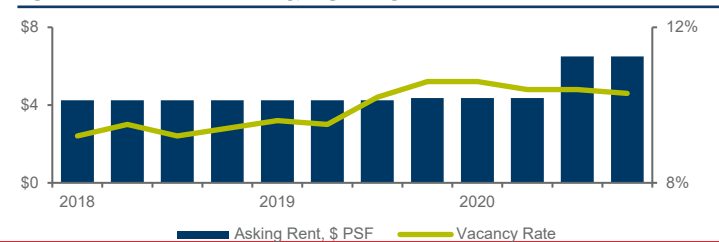
OUTLOOK:

The Buffalo-Niagara Region's need for quality functional industrial space remains consistent. The trend continues for record low vacancy rates for high-bay warehouse space, which shifts market momentum to landlords and sellers. There has been some response to this need with Benderson's development of its Garden Village Commerce Park Project (353,000 sf with an additional 135,000 sf planned) and Uniland's completion of its expansion at Tonawanda Commerce Center over the past year. Amazon has taken occupancy of the recently completed build-to-suit 117,000 sf "Last Mile" facility at TM Montante's Riverview Solar Technology Park. It has also been reported that several distribution and E-Commerce companies are scouting sites in Erie County for similar or larger sized facilities. There are several build-to-suit industrial projects happening in the region, including a 280,000 sf manufacturing facility being constructed for TMP Technology at the Tecumseh/Bethlehem Steel Redevelopment Site in Lackawanna, a 271,000 sf building being constructed by Derrick Manufacturing in Lancaster and the Krog Corporation erecting an 80,000 sf manufacturing building for Thinking Robot Studios in the City of Buffalo along the Elk Street Corridor. Additionally, the completion, and success, of the Northland Corridor Redevelopment Project has already changed the scope of the East Side of Buffalo and benefits the entire City and surrounding area. 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. We expect more space development in the region in the next 12 months.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: BLS

Buffalo, NY



Industrial Q4 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	YTD USER SALES ACTIVITY (SF)	YTD INVESTOR SALES ACTIVITY (SF)	YTD LEASING ACTIVITY(SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
SUBURBAN	66,987,838	10.3%	954,060	212,700	561,046	551,000	0	\$4.95	\$8.50	\$6.50
CITY	41,926,815	10.3%	503,465	660,561	66,264	80,000	0	\$4.95	\$8.50	\$6.50
BUFFALO TOTALS	108,914,653	10.3%	1,457,525	873,261	1,339,447	631,000	0	\$4.95	\$8.50	\$6.50

*Rental rates reflect weighted net asking \$psf/year

CLASSES	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Warehouse / Distribution	42,393,537	4,341,827	10.3%	400,468	92,667	0	0	\$4.95	\$8.50	\$6.50
Manufacturing	63,347,138	6,512,234	10.1%	-79,500	-197,961	631,000	0	\$4.95	\$8.50	\$6.50
Office Service / Flex	3,173,978	495,931	15.6%	30,000	2,938	0	0	\$4.95	\$8.50	\$6.50

*Does not include renewals

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1 Pirson Pkwy, Tonawanda, NY	Suburban	Jemko Transport	310,000	Direct
1289 Walden Avenue, Buffalo, NY	City	Sonwil Distribution	104,891	Direct
2343 Union Road, Cheektowaga, NY	Suburban	ProAmpac Holdings	90,661	Direct
2345 Walden Avenue, Cheektowaga, NY	Suburban	Tectran Manufacturing	84,431	Direct
2345 Walden Avenue, Cheektowaga, NY	Suburban	Professional Plastics	70,000	Direct
683 Northland Avenue, Buffalo, NY	City	Retech Systems LLC	48,934	Direct
2215 Kenmore Avenue, Kenmore, NY	Suburban	Royal Acquatic Inc	47,268	Direct
310 Grand Island Blvd, Tonawanda, NY	Suburban	Borderwork Logistics	37,500	Direct
349 Sawyer Avenue, Tonawanda, NY	Suburban	Jollip LLC	32,964	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
400 Exchange Street, Buffalo, NY	City	Graphic Controls / Hawk Mountain LLC	232,570	\$12,500,000 / \$53.74
500 Bailey Avenue, Buffalo, NY	City	Robinson Home Products / Buffalo Bailey LLC	202,744	\$10,325,000 / \$50.92
60 Grider Street, Buffalo, NY	City	60 Grider LLC / Clean Textile Systems	144,000	\$3,135,000 / \$21.77
3366 Walden Avenue, Depew, NY	Suburban	3366 Walden Ave Inc, / Emily Ann Properties LLC	154,350	\$8,350,000 / \$54.09
380 Vulcan Street, Tonawanda, NY	Suburban	North Sea Mining Minerals LTD / Devin Development	153,651	\$674,539 / \$4.39
201 James E Casey Drive, Buffalo, NY	City	Remoc LLC / 201jecbuffalo LLC	103,300	\$2,300,000 / \$22.26
55 Monsignor Valente Drive, Buffalo, NY	City	501 Audubon Properties / SafeTec International	65,247	\$2,450,000 / \$37.55
2080 Military Road, Tonawanda, NY	Suburban	Wendt Corporation / Lawrence M Janesky	56,820	\$2,600,000 / \$45.75
5900 Genesee Street, Lancaster, NY	Suburban	Palmerton Holdings LLC / 5900 Genesee LLC	50,000	\$3,017,637 / \$60.35

JUDITH A LUBECKI
Marketing & Research
+1 716 852 7500 x112
jlubecki@pyramidbrokerage.com

pyramidbrokerage.com
cushmanwakefield.com

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