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 The majority of available industrial inventory in the Buffalo-Niagara market is older and outdated Class B and C space that is functionally obsolete and is being redeveloped or undergoing adaptive reuse.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.

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.
## MARKET STATISTICS

### KEY LEASE TRANSACTIONS 2020

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>SUBMARKET</th>
<th>TENANT</th>
<th>SF</th>
<th>TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Pirson Pkwy, Tonawanda, NY</td>
<td>Suburban</td>
<td>Jemko Transport</td>
<td>310,000</td>
<td>Direct</td>
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<tr>
<td>1289 Walden Avenue, Buffalo, NY</td>
<td>City</td>
<td>Sonwil Distribution</td>
<td>104,891</td>
<td>Direct</td>
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<tr>
<td>2343 Union Road, Cheektowaga, NY</td>
<td>Suburban</td>
<td>ProAmpac Holdings</td>
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<tr>
<td>2345 Walden Avenue, Cheektowaga, NY</td>
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<td>Tectran Manufacturing</td>
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<tr>
<td>683 Northland Avenue, Buffalo, NY</td>
<td>City</td>
<td>Retch Systems LLC</td>
<td>48,934</td>
<td>Direct</td>
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<tr>
<td>2215 Kenmore Avenue, Kenmore, NY</td>
<td>Suburban</td>
<td>Royal Acquatic Inc</td>
<td>47,268</td>
<td>Direct</td>
</tr>
<tr>
<td>310 Grand Island Blvd, Tonawanda, NY</td>
<td>Suburban</td>
<td>Borderwork Logistics</td>
<td>37,500</td>
<td>Direct</td>
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<tr>
<td>349 Sawyer Avenue, Tonawanda, NY</td>
<td>Suburban</td>
<td>Jollip LLC</td>
<td>32,964</td>
<td>Direct</td>
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</table>

### KEY SALES TRANSACTIONS 2020

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>SUBMARKET</th>
<th>SELLER / BUYER</th>
<th>SF</th>
<th>PRICE / $ PSF</th>
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<tbody>
<tr>
<td>400 Exchange Street, Buffalo, NY</td>
<td>City</td>
<td>Graphic Controls / Hawk Mountain LLC</td>
<td>232,570</td>
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<tr>
<td>500 Bailey Avenue, Buffalo, NY</td>
<td>City</td>
<td>Robinson Home Products / Buffalo Bailey LLC</td>
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<tr>
<td>60 Grider Street, Buffalo, NY</td>
<td>City</td>
<td>60 Grider LLC / Clean Textile Systems</td>
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<tr>
<td>3366 Walden Avenue, Depew, NY</td>
<td>Suburban</td>
<td>3366 Walden Ave Inc, / Emily Ann Properties LLC</td>
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<td>$3,850,000 / $21.77</td>
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<tr>
<td>380 Vulcan Street, Tonawanda, NY</td>
<td>Suburban</td>
<td>North Sea Mining Minerals LTD / Devin Properties</td>
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<td>201 James E Casey Drive, Buffalo, NY</td>
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<td>Remoc LLC / 201jecbuffalo LLC</td>
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<tr>
<td>55 Monsignor Valente Drive, Buffalo, NY</td>
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<td>501 Audubon Properties / SafeTec International</td>
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<td>2080 Military Road, Tonawanda, NY</td>
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<td>Wendt Corporation / Lawrence M Janesky</td>
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<td>5900 Genesee Street, Lancaster, NY</td>
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<td>Palmerton Holdings LLC / 5900 Genesee LLC</td>
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### MARKET INVENTORY

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>INVENTORY (SF)</th>
<th>OVERALL VACANCY RATE</th>
<th>YTD USER SALES ACTIVITY (SF)</th>
<th>YTD INVESTOR SALES ACTIVITY (SF)</th>
<th>YTD LEASING ACTIVITY (SF)</th>
<th>UNDER CNSTR (SF)</th>
<th>CONSTR COMPLETIONS (SF)</th>
<th>OVERALL WEIGHTED AVG NET RENT (MF)</th>
<th>OVERALL WEIGHTED AVG NET RENT (OS)</th>
<th>OVERALL WEIGHTED AVG NET RENT (W/D)</th>
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<tr>
<td>Suburban</td>
<td>66,987,838</td>
<td>10.3%</td>
<td>954,060</td>
<td>212,700</td>
<td>561,046</td>
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<tr>
<td>City</td>
<td>41,926,815</td>
<td>10.3%</td>
<td>503,465</td>
<td>660,561</td>
<td>66,264</td>
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<td>Buffalo Totals</td>
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<td>1,457,525</td>
<td>873,261</td>
<td>1,339,447</td>
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**MARKET BEAT**

Buffalo, NY

Industrial Q4 2020

**MARKET STATISTICS**

- **Property Submarket**: Suburban, City
- **Tenant**: Jemko Transport, Sonwil Distribution, ProAmpac Holdings, Tectran Manufacturing, Professional Plastics, Retch Systems LLC, Royal Acquatic Inc, Borderwork Logistics, Jollip LLC
- **Type**: Direct

**Key Sales Transactions 2020**

- **Property**: 400 Exchange Street, Buffalo, NY
- **Seller/Buyer**: Graphic Controls / Hawk Mountain LLC
- **SF**: 232,570
- **Price / $ PSF**: $12,500,000 / $53.74

**Key Lease Transactions 2020**

- **Property**: 1 Pirson Pkwy, Tonawanda, NY
- **Tenant**: Jemko Transport
- **SF**: 310,000
- **Type**: Direct

**Market Inventory**

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<th>Inventory (SF)</th>
<th>Overall Vacancy Rate</th>
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<th>Ytd Investor Sales Activity (SF)</th>
<th>Ytd Leasing Activity (SF)</th>
<th>Under Constr (SF)</th>
<th>Constr Completions (SF)</th>
<th>Overall Weighted Avg Net Rent (MF)</th>
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**JUDITH A LUBECKI**

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jlubecki@pyramidbrokerage.com

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